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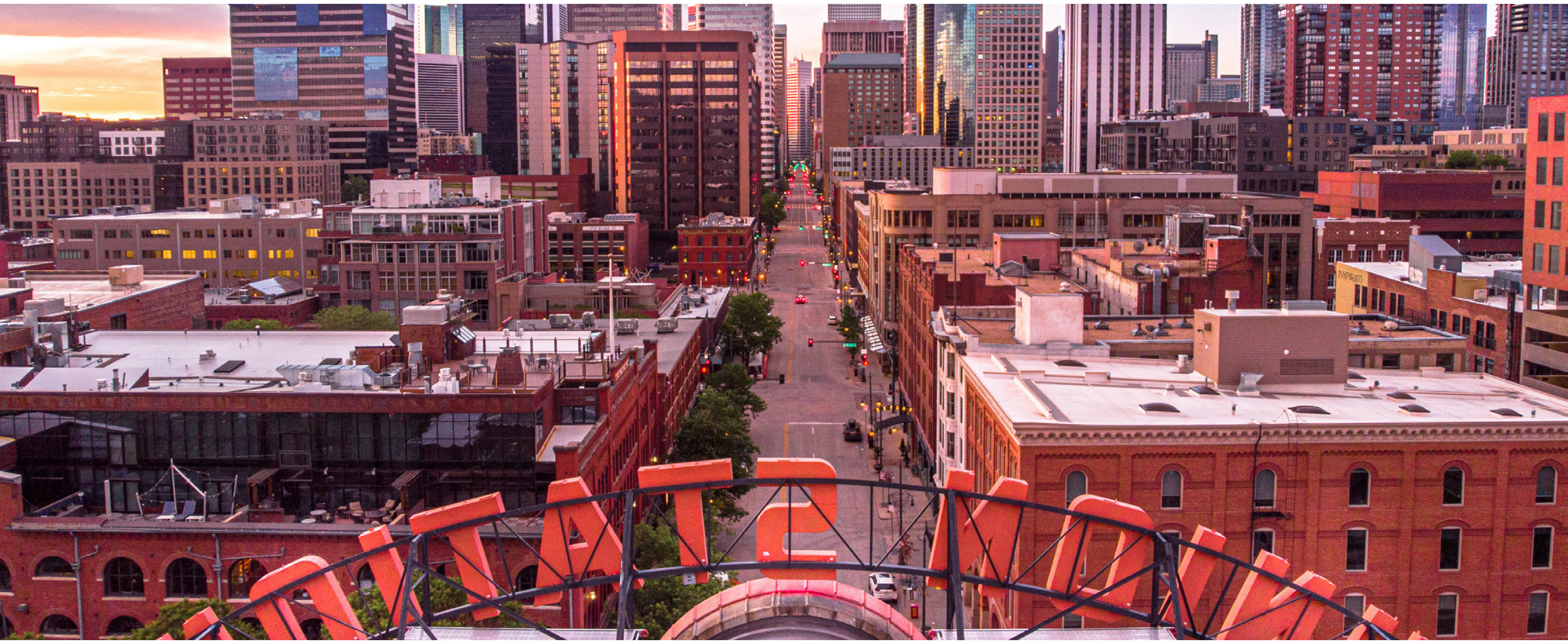


COLORADO 2026 MIDYEAR ECONOMIC UPDATE

In 2025, there was a sense of elevated economic uncertainty tied largely to major policy shifts (e.g., tariffs, trade, federal restructuring), and the economy recorded soft economic growth. The drivers of the 2025 uncertainty have eased, but have given way to new economic uncertainty, notably, the war with Iran, an energy price spike, and rising inflation. At the midpoint of 2026, oil prices dropped 31% from the cycle peak in April but remained 16% above the level from a year prior. Despite continued uncertainty, the national economy showed signs of improvement in 2026 with continued growth in employment, output, income, and wealth. National employment growth posted stronger gains in early 2026 compared to 2025. While the likelihood of a downside economic scenario is waning, there remains a risk of stagflation—a situation in which inflation and unemployment both rise and economic growth stagnates. Colorado's economy followed a similar pattern—growth continued in 2026, with advances in output, employment, and income, with the state leading in some economic metrics but lagging in others.

IN THIS ISSUE

National real GDP grew 2.2% in 2025, with fourth-quarter growth slowing to an annualized rate of 0.5%. Early in 2026, growth reaccelerated to an annualized rate of 2.1% in Q1 and slowed to 1.5% in Q2. By component in the second quarter, personal consumption expenditures grew 3.2%, gross private domestic investment increased 3%, and government consumption expenditures and gross investment fell 0.8% (seasonally adjusted annual rate). The trade deficit widened by $73 billion in Q2. Comparatively, Colorado's real GDP grew at an annualized rate of 1.4% in the first quarter (newest available data) and 2.7% year-over-year.

National employment increased 57,000 month-over-month and 506,000 year-over-year (0.3%) in June. Year-to-date (January-June), employment increased 328,500 jobs, or 0.2%. Comparatively, Colorado's employment was up 28,600 jobs (1%) year-over-year in June, and nearly flat year-to-date, with 12 industries posting losses and 8 adding jobs. Through June, the fastest pace of growth was in Healthcare and Social Assistance, and the greatest losses were recorded in Federal Government. The national unemployment rate was 4.2% in June, and has stayed at or above 4% for 26 consecutive months. The national labor force decreased 2.2 million from its peak in November, and fell year-to-date in four of the six months through June. The labor force participation rate fell to 61.5% in 2026, the lowest level since 2021, while at the same time, initial jobless claims and continued claims both decreased year-to-date. Comparatively, in Colorado, the labor force decreased during the first six months of 2026, the labor force participation rate also decreased (but remained 9th-highest in the country). The unemployment rate increased but remained below the national average.

National nominal income, wealth, and spending continue to rise. Personal income increased by an average of 3.5% and consumer expenditures grew an average of 5.5% in the first five months of 2026 year-over-year, and household wealth grew 7.4% in Q1. Inflation-adjusted disposable personal income increased 0.2% and consumption increased 2% year-to-date as rising inflation dampened real growth. The personal consumption expenditures price index increased from 2.9% in January 2026 to 4.1% in May; and the consumer price index increased 4.2% nationally in May and 3.5% in June. Prices increased 5% in the Denver metro region in May. The national personal savings rate as a percentage of disposable personal income decreased to 3%, the lowest level in four years.

All of this is to say that the economy is sending mixed signals. It presents a story of rising wealth and continued, albeit lackluster, economic growth. The elevated inflation, weak employment growth, and weak disposable income and savings metrics point to headwinds in consumption.

Colorado's overall economic position remains near the middle of the national rankings across most major indicators. The state's labor force participation rate remains 4.1 percentage points above the U.S. average and ranks 9th nationally. However, the state has experienced a meaningful decline in the size of its labor force, losing an estimated 64,900 participants year-over-year in June, ranking 46th for the pace of change. Colorado recorded job losses totaling 7,700 (-0.3%) in 2025, and 300 (-0.01%) year-to-date in 2026. Still, including the recent period of slow growth, Colorado continues to rank above average in most of these metrics over the past 10 years.

Colorado's job growth continues to be concentrated in Health Care and Social Assistance, which accounted for 56% of jobs added in the 8 growing sectors of the economy through June. The 12 sectors that recorded job losses year-to-date were broad-based, led by Federal Government.

On the economic development front, the state's pipeline of business attraction prospects has grown substantially in recent months, with 41 active prospects representing an estimated $13.5 billion in capital expenditure, well above the recent annual average of roughly $8-9 billion. Projected average wages for pipeline projects have risen from approximately $85,000-$90,000 in 2025 to $125,000 in 2026.

POPULATION AND EMPLOYMENT

According to the U.S. Census Bureau, Colorado's population increased approximately 24,000 in 2025, reaching a total population of 6 million.

In 2025, Colorado recorded population growth of 24,059, the slowest annual increase since 1989, when the state had 2.7 million fewer residents. Net migration totaled approximately 3,300 in 2025, the lowest level since 1990, as international and domestic migration patterns normalized. Slower migration growth has implications for housing demand, labor force expansion, consumer spending, and long-term economic growth, making it one of the most important demographic trends facing the state.

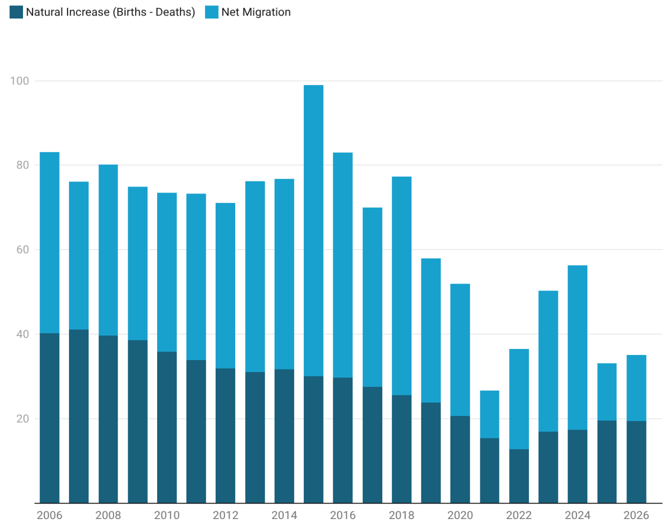
International migration remained positive in absolute terms for both Colorado and the United States in 2025, though 2026 data is expected to show a continued slowdown in growth. Urban counties gained the most population in 2025, led by Weld, Douglas, Adams, and El Paso counties. Urban counties also posted the largest decline, led by Arapahoe, Denver, Boulder, and Pueblo counties. Colorado's fertility rate ticked upward for the second consecutive year, an unusual divergence from national trends. The CDC reported that 2025 marked the lowest fertility rate on record for the U.S. as a whole.

Colorado's unemployment rate stood at 3.9% in May 2026, compared to 4.3% nationally. The unemployment rate is calculated as the number of unemployed individuals divided by the total labor force—both the numerator and the denominator may change. For Colorado, the number of unemployed individuals declined by 7,100 year-over-year in May, but the labor force decreased by an estimated 55,000. Thus, the apparent improvement was driven more by the shrinking labor force than by an actual improvement in employment conditions.

Colorado's employment grew by 28,600 jobs year-over-year in June, ranking 31st nationally. In percentage terms, growth was led by Education and Health Services, Construction, and Leisure and Hospitality, while Information, Mining, and Financial Activities led the losses. The forecast for 2026 has been revised down to 6,300, a growth rate of 0.2%. Growth is projected to come from just three sectors: Education and Health Services, Professional and Business Services, and Construction. Two sectors are projected to remain unchanged, and seven are projected to decline in 2026. Employment growth is projected to accelerate in 2027.

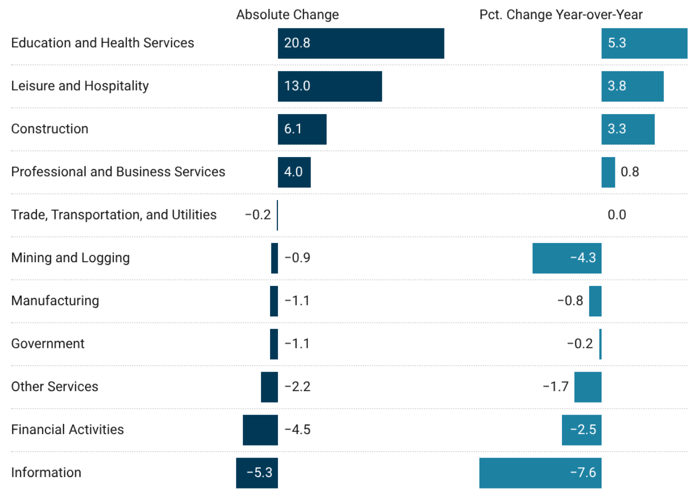
Colorado Change in Population, 2006

Population Change, Thousands



Sources: Colorado Demography Office, U.S. Census Bureau, and the Business Research Division, 2026 and 2027 are forecasted.

Colorado Employment Change, June 2026, Year-over-Year



Source: Colorado Department of Labor and Employment.

NATURAL RESOURCES AND MINING

Agriculture

Colorado agriculture faces a difficult 2026 growing season, defined by severe drought, elevated input costs, and constrained water deliveries. These conditions are creating significant challenges for producers across the state and are likely to affect both agricultural output and the broader rural economy. By late spring, the snow water equivalent across Colorado's eight river basins stood at 12% of the 1991-2020 normal reading, having fallen from 21% of its median on April 16 to 14% by early June. The persistent lack of moisture is deteriorating pasture conditions, increasing irrigation challenges, and reducing production potential across major crop and livestock categories.

Through May, diesel prices increased by more than $2 per gallon since the start of the year, translating into $10-$15 per acre in added costs for corn producers and $5-$10 per acre for wheat producers. Fertilizer costs compound the pressure: anhydrous ammonia is up approximately 40% year-over-year, and a related nitrogen product is up nearly 50%. Colorado's sugar beet crop is projected at 34 million hundredweight, the smallest crop since 1965 and less than half the ten-year average. Corn acres are down, with 87% of topsoil and 78% of subsoil moisture rated short or very short.

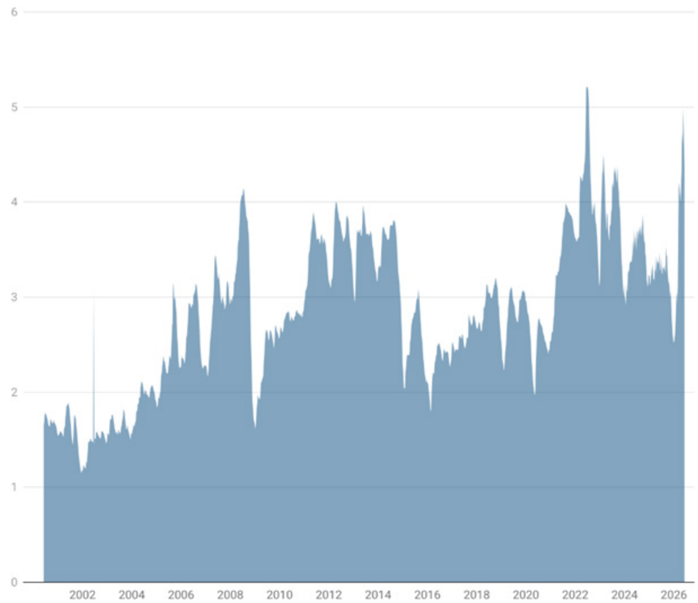
Western Slope irrigation deliveries are restricted to 40-50% of typical allocation, reducing sweet corn and fruit production. The San Luis Valley potato-growing region continues to face accelerating water depletion. Feedlot placements are running about 8% lower, and hay stocks are roughly 30% below last year.

A recent detection of New World screwworm in a beef animal in Texas introduces additional market risk. Though eradicated from the U.S. in the 1960s, the pest has re-entered from Mexico; it does not pose a food-safety risk but does threaten animal health and has the potential to disrupt cattle markets.

Farmland values remain steady, supporting rural property tax bases. Passage of new federal farm legislation provides certainty around crop insurance and conservation programs. Opportunities exist for expanding Colorado's role in renewable fuels, including sustainable aviation and maritime fuel, creating multi-year market openings for corn and other producers. Crop insurance will help stabilize farm finances, though these payments circulate less broadly through local economies than revenue.

The near-term outlook for agriculture is challenging. Reduced production will likely soften sales tax collections and economic activity in agriculture-dependent counties. Colorado continues to lose agricultural acreage, with approximately 600,000 acres converted since 2017.

Weekly Colorado Midgrade Conventional Retail Gasoline Price Per Gallon



Source: U.S. Energy Information Administration.

Mining and Logging

Mining employment in Colorado totaled 20,000 in June 2026, a 4.3% year-over-year loss of jobs. This trend is projected to continue through the year, bringing industry down 1% for full-year 2026.

The global oil price environment shifted sharply in 2026. After an extended period of relative stability in the $60-$70 per barrel range, prices surged following geopolitical events in February 2026, reaching an average of $100.32 per barrel in April and $102.13 in May, peaking at $114.58 on April 7th (Brent crude averaged $117.29 in April and $107.14 in May). The WTI spot price cooled to $84.81 per barrel in June. The Energy Information Administration's July Short-Term Energy Outlook forecasts West Texas Intermediate (WTI) prices to average $65 in December. Even with domestic energy self-sufficiency, U.S. producers sell into global markets, meaning Strait of Hormuz supply disruptions directly affect domestic prices.

Retail gasoline and diesel prices also spiked, with broad effects on household budgets and business operating costs. Nationally, the average price per gallon of gasoline was $2.91 in mid-January, but climbed $1.72 per gallon (59%) to $4.63 in mid-May. By mid-July, prices fell back to $3.99 per gallon. In Colorado, the average price was lower than the nation to start the year, but climbed from $2.34 per gallon to $4.77 per gallon, an increase of $2.44 (104%) before falling back to $3.87 in July. Likewise, the national average for No. 2 diesel increased from $3.46 per gallon to $5.64 per gallon (63%) before falling back to $4.80.

U.S. crude oil production stands at approximately 13.9 million barrels per day. Higher prices provide an economic incentive to sustain or modestly increase output, though Colorado-specific production is not expected to increase significantly. Natural gas is benefiting from growing liquefied natural gas export capacity on the Gulf Coast, rising power-burn demand from AI data center development, and increased cooling loads. However, pipeline transport constraints, particularly on the Western Slope, continue to limit spot pricing and where state production can reach.

Gold prices have risen, though whether mining companies can translate that into meaningfully higher production in Colorado remains unclear. Molybdenum production is expected to remain roughly flat. The major consolidation wave among large Colorado oil and gas operators appears largely complete, with Civitas's acquisition of SM Energy noted as a recent transaction. Coal production and employment will decrease modestly with the planned closure of the Deserado Mine. Colorado coal-fired power plants remain on track to be phased out by 2030.

CONSTRUCTION

Construction employment decreased 0.7% in 2025, but increased 3.3% year-over-year in June 2026 to 188,900. The industry is projected to increase 1.2% for the full year 2026.

Since 2021, Colorado's construction industry has faced a series of headwinds. Elevated financing costs, uncertainty surrounding material prices, tariff-related supply concerns, and ongoing workforce shortages remain the defining challenges of 2026. At the same time, population growth patterns, housing affordability concerns, and water availability constraints are influencing both residential and commercial development decisions. Despite these challenges, construction activity remains an important contributor to employment and investment throughout the state.

Data from the U.S. Census Bureau show Colorado residential building permits through May were up 2.1% year-over-year, but the overall increase masks divergent trends: single-family permits fell 8.8%, while multifamily permits surged 18%, a volatile category where a single large project can move the aggregate figure. The sub-$600,000 segment and the luxury market are both performing reasonably well; weakness is concentrated in the $600,000-$1,000,000 price band. Seller incentives and mortgage buy-downs remain common. Sterling Ranch in Douglas County, among the largest master-planned communities in the country, continues to report strong activity, consistent with Douglas County's population growth trends.

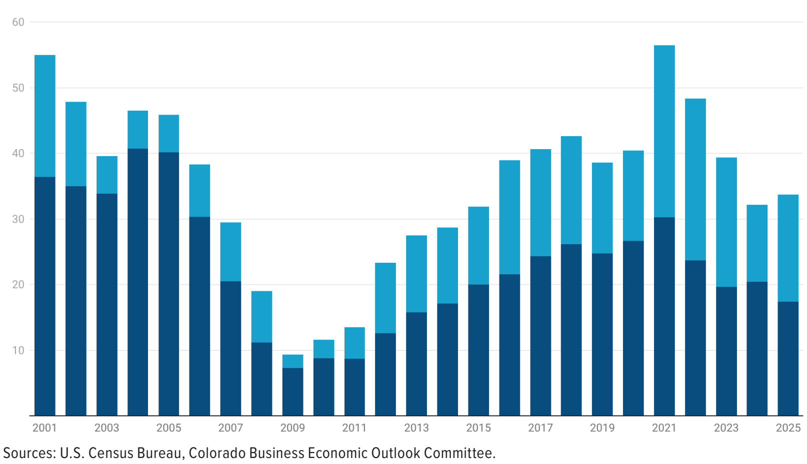
The multifamily market remains oversupplied in many urban submarkets, with double-digit vacancy rates and declining rents for approximately two years. The pace of new multifamily starts is slowing as builders look ahead to a market that is likely to remain soft for another three years. Colorado's middle-income housing tax credit program is attracting interest and may begin to yield groundbreakings.

The value of construction permitted in 2026 through May grew 4% year-over-year, with growth in nonbuilding (infrastructure) up 60%, while nonresidential and residential both declined. Nonresidential construction is tracking broadly in line with estimates, with active projects in libraries and municipal buildings, healthcare, manufacturing, and areas near Denver International Airport, Cherry Creek, and mountain resort communities. Energy projects, particularly solar and wind installations ahead of a July federal tax credit deadline, are dominating the nonbuilding segment and overshadowing smaller infrastructure activity. Projects already funded through public sources are generally proceeding; any revenue slowdown will affect future-year pipelines.

The foreign-born workforce continues to make up a significant share of construction labor. Workforce constraints are tightening as retirements increase and the pipeline of new entrants narrows. Water availability is emerging as a broader, long-term constraint on Colorado development, but also across many others sectors of the economy.

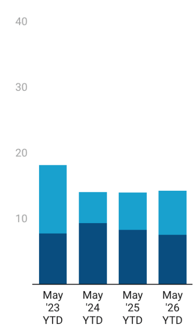
Single Family and Multifamily Residential Building Permits 1996-2026

SINGLE FAMILY and **MULTIFAMILY**



Sources: U.S. Census Bureau, Colorado Business Economic Outlook Committee.

Permits May Year-to-Date



MANUFACTURING

Manufacturing in Colorado faces a combination of tariff-related uncertainty, rising input costs, and mixed demand signals heading into the second half of 2026. Manufacturers continue to balance higher operating costs with efforts to maintain competitiveness and productivity. Supply chain conditions have generally improved compared with recent years, but trade policy uncertainty and fluctuating material costs continue to complicate planning and investment decisions. As a result, many firms remain cautious regarding hiring and capital expenditures.

Colorado's manufacturing sector employed approximately 144,600 workers in June 2026. Employment decreased 1.9% in 2025, and continued the trend in 2026, down 0.8% year-to-date. Tariff uncertainty remains the dominant challenge for the sector's near-term outlook, particularly for manufacturers reliant on imported raw materials or those exporting finished goods to affected markets.

The ISM Manufacturing Index was 53.3 in June, and remained above 50 for 6 consecutive months. The S&P Global US Manufacturing PMI was 53.9 in June.

Federal Reserve Tenth District manufacturing activity continues to reflect contraction, with export order indexes weakening. The pass-through of tariff costs to consumers is occurring, with estimates ranging from a $700-$1,000 per household annual cost increase. Manufacturing's share of U.S. GDP has continued to decline, falling to 9.4% in the most recent data, down from 10.2% in 2023.

TRADE, TRANSPORTATION, AND UTILITIES

Trade, Transportation, and Utilities (TTU) remains the largest employment industry in Colorado.

TTU employment totaled 501,500 jobs in June 2026, representing one out of every six jobs in the state. Employment declined 1.3% in 2025, impacted by decreases in retail and wholesale employment; transportation and warehousing added jobs. The industry recorded a modest continuation of the trend in 2026, decreasing 200 jobs (0.0%) year-over-year in June, and 1,900 jobs (0.4%) year-to-date. The situation is projected to improve later in the year and full-year employment is forecasted to remain flat.

National retail sales grew 6.7% in June, with the strongest growth coming from gasoline stations; sporting goods, hobby, musical stores; and electronics and appliance stores. Colorado taxable retail sales increased 2.3% year-to-date through March 2026, with wide variation across the state—42 counties had growing taxable sales in Q1, and 22 counties posted a decline year-over-year in the first quarter.

Passenger traffic at Denver International Airport increased 1.4% year-to-date in May, with growth in both domestic and international passengers. Originating and destination passenger traffic declined in 2026, while transfers increased.

Energy-related utilities are seeing capital expenditure growth from renewable energy buildout, AI data center power demand, and grid modernization. Tariff and trade policy uncertainty is waning, but continues to affect wholesale and retail trade subsectors.

INFORMATION

The Information sector continues to demonstrate a divergence between employment and economic output, with productivity gains helping to offset ongoing workforce reductions. Rapid advances in automation, cloud computing, and artificial intelligence are allowing firms to generate greater output with fewer employees. This trend reflects broader structural changes across the technology industry and highlights the growing importance of productivity-driven growth within the sector.

Colorado's Information GDP increased 10.6% year-over-year in Q1 2026, but employment in the sector decreased 5.3% year-to-date, illustrating a potential continued productivity boom in the sector.

AI-related infrastructure investment, particularly data centers, is creating meaningful demand for natural gas, electricity,

and industrial real estate, with projects being sited increasingly in rural areas rather than urban cores. Colorado's regulatory environment is a factor in siting decisions. AI adoption continues to improve productivity, but may be displacing certain categories of labor in software publishing and related fields.

FINANCIAL ACTIVITIES

Financial Activities employment increased 0.3% in 2025, but the industry posted employment losses early in 2026, decreasing 2.5% year-to-date through June. The weakness was shared between the finance and insurance subsector and the real estate, rental, and leasing subsector. The industry is projected to decrease 1.6% for the full year 2026.

Capital markets have continued to reach new highs despite elevated macroeconomic uncertainty. Analysts often describe this environment as one in which remaining fully invested is perceived as less risky than staying on the sidelines. Investor optimism surrounding technology, artificial intelligence, and corporate earnings has supported equity markets, although concerns remain regarding valuations, fiscal policy, inflation, and geopolitical risks. Market performance continues to outpace many underlying economic indicators, creating an environment that warrants careful monitoring.

As of mid-July, the S&P 500 is up 8.9% year-to-date, the NASDAQ is up 9.8% and the Dow Jones is up approximately 8.5% year-to-date. Equity valuations remain stretched relative to historical norms, particularly for large-cap technology names, though valuations below the mega-cap tier appear more reasonable.

The Federal Open Market Committee maintained the federal funds rate target range at 3.5% to 3.75% in June, noting solid economic growth and stable unemployment rate, but elevated inflation.

Uncertainty around the fiscal outlook, including the Congressional Budget Office's estimate that the One Big Beautiful Bill Act would add $3.4 trillion to the federal deficit over ten years, may put upward pressure on U.S. Treasury yields. Global geopolitical risks related to the Strait of Hormuz and energy supply chains remain a concern for fixed income markets.

Colorado Venture Capital activity increased across the state with a 6.6% increase in deals and a 107.7% increase in capital invested. Office vacancy in Denver sits at 18.2%.

PROFESSIONAL AND BUSINESS SERVICES

Professional and Business Services (PBS) employment decreased 1.5% in 2025 with losses spanning the three major industry subsectors: Professional, Scientific, and Technical Services (-0.2%); Management of Companies and Enterprises (-0.2%); and Admin and Waste Management (-4.3%). Not only does this industry support business-to-business activity, but it contributes significantly to Colorado's technology clusters through research and development and design activities.

PBS is showing signs of recovery in Colorado, with Professional, Scientific, and Technical Services leveling off their losses in the second half of 2025, ahead of the national trend. Because this sector includes many higher-paying occupations, its recovery is an encouraging signal for the broader Colorado economy. Continued improvement would support business investment, wage growth, and demand for professional services throughout the state. The industry lost 0.5% of jobs year-to-date, isolated to one subsector—Administrative and Waste Management and Remediation Services, which decreased 0.5% in June. Professional, Scientific, and Technical Services increased 1.2% in June, and Management of Companies and Enterprises was up 2.6%. PBS is projected to increase 1.2% in 2026, and accelerate growth in 2027.

EDUCATION AND HEALTH SERVICES

Education and Health Services (EHS) remains Colorado's primary source of employment growth, though increasing reliance on a single sector raises concerns about long-term economic resilience. EHS employment grew 3.8% in 2025, and growth continued in 2026. Year-to-date, employment increased 4.2%, and June alone was up 5.3%. The bulk of the growth, both in absolute and percentage terms, came from the health care and social assistance subsectors. Private-sector educational services continues to face cost and enrollment-related challenges due to policy changes and demographic shifts.

Healthcare demand remains strong as the population ages, with the oldest Baby Boomers entering their highest-utilization years and increasing demand for medical services, long-term care, and behavioral health support. At the same time, healthcare affordability has emerged as a growing concern nationally as insurance premiums, prescription drug costs, and out-of-pocket expenses continue to rise. The expiration of enhanced Affordable Care Act subsidies is expected to further increase costs for consumers and may reduce insurance enrollment.

The sector also faces significant policy uncertainty. Proposed federal Medicaid reforms, including funding reductions, new work requirements, and stricter eligibility verification rules, could reduce coverage for millions of Americans over the coming decade. These changes would place additional financial pressure on hospitals, safety-net providers, and rural healthcare systems. Colorado's major healthcare institutions, including Denver Health and the Anschutz Medical Campus, could be particularly affected by reductions in federal healthcare funding and reimbursement.

At the state level, rising Medicaid expenditures have become one of Colorado's largest budget challenges. The Colorado Department of Health Care Policy and Financing's February 2026 forecast projected Medicaid costs to grow by approximately $786 million in General Fund spending (a 14.8% year-over-year increase), or roughly $3.2 billion in total funds (19%), for the FY 2026-27 budget, continuing a growth trend that has outpaced state revenue growth. In response, policymakers have pursued cost-containment measures, including provider reimbursement reductions, benefit constraints, and administrative reforms. These pressures are increasing scrutiny of high-cost populations and healthcare utilization, while potentially limiting resources available for education, infrastructure, and other public services.

Workforce shortages remain another key challenge. New federal student loan limits for nursing and physician assistant programs, combined with visa restrictions affecting foreign-trained physicians, may constrain future labor supply, particularly in rural and underserved communities. Healthcare organizations are increasingly adopting artificial intelligence and digital health technologies to improve diagnostics, automate administrative tasks, and enhance operational efficiency, but these gains are unlikely to fully offset workforce and cost pressures. As a result, healthcare is expected to remain Colorado's leading source of employment growth, though the sector faces growing financial, workforce, and policy risks that could influence future expansion.

LEISURE AND HOSPITALITY

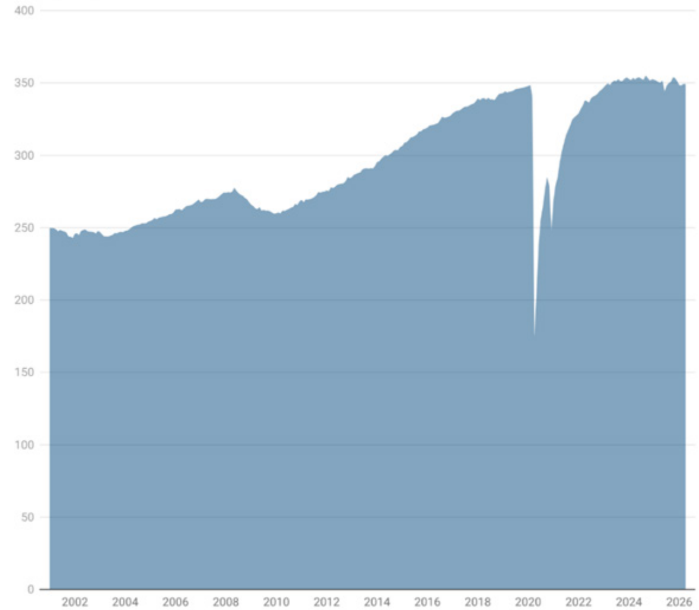
Tourism remains a critical economic driver for many Colorado communities, particularly in mountain and recreation-oriented regions. Consumer demand for travel has remained relatively resilient despite economic uncertainty, though higher costs are influencing travel behavior and spending patterns.

Leisure and Hospitality (L&H) employment growth took a step back in 2025, recording the first employment decline in the state since the pandemic; but growth resumed year-to-date in 2026, growing 0.3%. Employment is projected to remain flat in 2026. The industry has been supported by strong tourism demand, although affordability constraints, staffing shortages, and employment costs remain persistent challenges. Following record-breaking seasons, Colorado's skier visits for the most recent season saw a 24% decrease in visitation, largely driven by severe drought conditions.

Denver International Airport (DEN) continues to be a bright spot. Air travel at DEN is running 1.4% above year-ago levels, above the national trend, reflecting continued strong demand for regional travel. However, growth has been isolated to transfers, not originating and destination passengers; thus, the impact on tourism remains limited.

Leisure and Hospitality Employment, 2001-2026

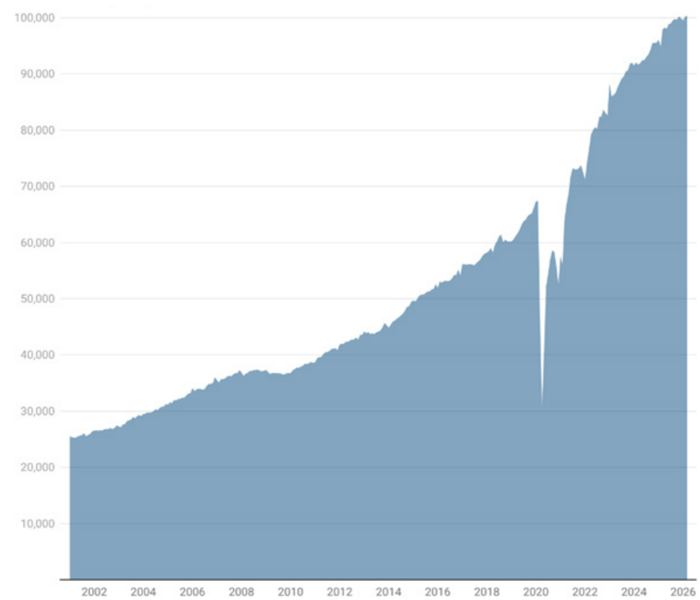
Thousands



Source: Bureau of Labor Statistics, Current Employment Statistics.

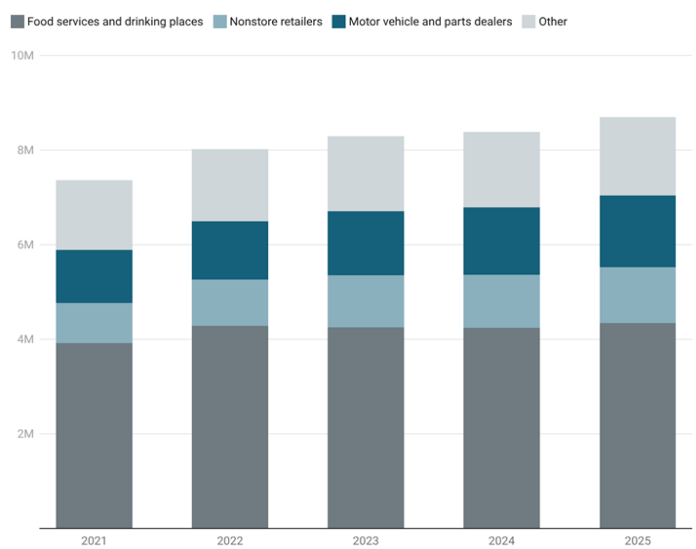
U.S. Total Retail Sales, Food Services and Drinking Places

Advance Monthly Sales, Millions of Dollars



Source: U.S. Census Bureau.

National Retail and Food Service Sales



Source: U.S. Census Bureau.

OTHER SERVICES

The Other Services industry includes three disparate sectors: Repair and Maintenance; Personal and Laundry Services; and Religious, Grantmaking, Civic, Professional, and Similar Organizations. One attribute these sectors share in 2026 is employment decline, with the largest losses in the Religious, Grantmaking, Civic, Professional, and Similar Organizations sector. After posting a modest decline in 2025, Other Services employment decreased by 1.3% year-to-date. Employment in 2026 is forecasted to decrease 2.1% before returning to growth in 2027. The industry continues to face modest headwinds from slowing real disposable income, shifting consumer spending patterns, and policy impacts.

GOVERNMENT

Federal workforce reductions are the defining story in Colorado's Government sector in 2026, with the state recording one of the largest year-over-year declines in federal employment among all U.S. states.

Government employment decreased 0.6% year-to-date, totaling 486,600 jobs in June 2026. State government employment increased while local government declined, with the federal government recording the sharpest decrease of the three.

Federal government includes postal services, air traffic control, security, laboratory research, and other institutions. In 2026, Federal employment in Colorado was reduced to the smallest level in the historical series that dates back to 1990, with a reduction of 5,800 jobs, or 10.3%, year-to-date.

State government includes broad services: public universities, community colleges, corrections, healthcare, transportation, revenue, judicial, agriculture, labor, regulation, natural resources, and others. State government grew 2.4% year-to-date in 2026. Three-quarters of 2024 state government employment was in education, health care, and construction, and nearly 90% of state government employment is in urban counties (versus 88% for total employment). The majority (71%) of Colorado's state government employment is in healthcare and education, the third-highest concentration in the country, behind Michigan and Utah. Another 2.7% of Colorado state government is in Construction. The State's General Fund revenue decreased 0.4% in fiscal year 2024-25, and current estimates project a further 1% decline in FY 2025-26. Growth in the General Fund is projected to rebound sharply in FY 2026-27, with an 8.9% increase, moderating to 5.5% growth in FY 2027-28.

Local government is a broad agglomeration of cities, counties, special districts, and K-12 education. Local government employment decreased 0.2% year-to-date in 2026.

INTERNATIONAL TRADE

International trade remains resilient in aggregate, although tariff policies have introduced significant uncertainty and early evidence of consumer price pass-through. Businesses engaged in international markets continue to adapt their supply chains, inventory strategies, and sourcing decisions in response to changing trade conditions. While trade volumes remain healthy, the long-term implications of shifting global trade relationships and tariff policies remain uncertain.

Colorado exports totaled over $11.5 billion in 2025, an 8.8% increase over 2024. Year-to-date through May, Colorado exports decreased 8.2% compared to the same period in 2025. Imports totaled $16.4 billion in 2025, down 2.2% from 2024, and year-to-date, imports grew 17.3%.

In 2025, more than 50% of Colorado's exports were with trade partners Mexico, Canada, Switzerland, South Korea and Italy, with Italy's notable prominence driven by a surge in chemical exports. Exports to China fell 15.2% in 2025.

Tariff revenue in 2025 reached an estimated $214.7 billion above the 2022-2024 average on an inflation-adjusted basis, with the effective tariff rate reaching 10.6% as of January 2026. Estimates of the impact on household costs due to tariffs range from $700-$1,000 per year. The Tax Foundation projects tariff revenue over the 2026-2035 decade at approximately $975.8 billion before accounting for retaliatory effects, falling to an estimated $697 billion net of economic feedback.

The broader goal of using tariffs to reverse the decline of U.S. manufacturing as a share of GDP has not yet materialized; manufacturing's share fell from 10.2% in 2023 to 9.4% in the most recent data. Trade policy shifts have, however, prompted significant front-loading of imports as businesses sought to build inventories ahead of new levies, contributing to the record trade deficit that subtracted sharply from Q1 2025 GDP.

The long-term effects of the geopolitical disruption to normal trade relationships, beyond pricing impacts, remain the largest unknown for Colorado's internationally exposed industries going into the second half of 2026.

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