



FIFTIETH ANNUAL

**COLORADO
BUSINESS ECONOMIC
OUTLOOK**



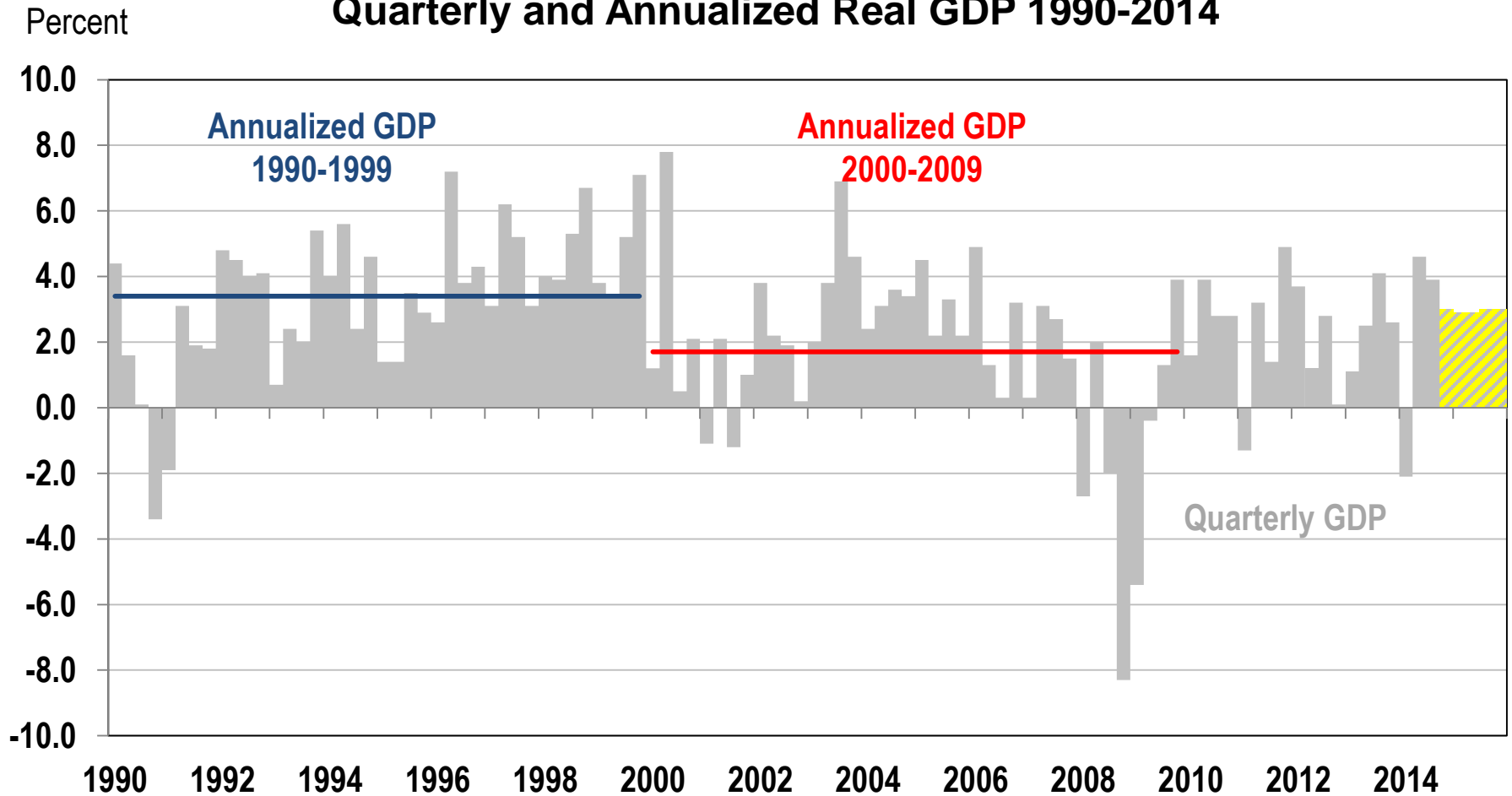
2015



Leeds School of Business
UNIVERSITY OF COLORADO BOULDER
BUSINESS RESEARCH DIVISION

Real GDP Growth

Quarterly and Annualized Real GDP 1990-2014

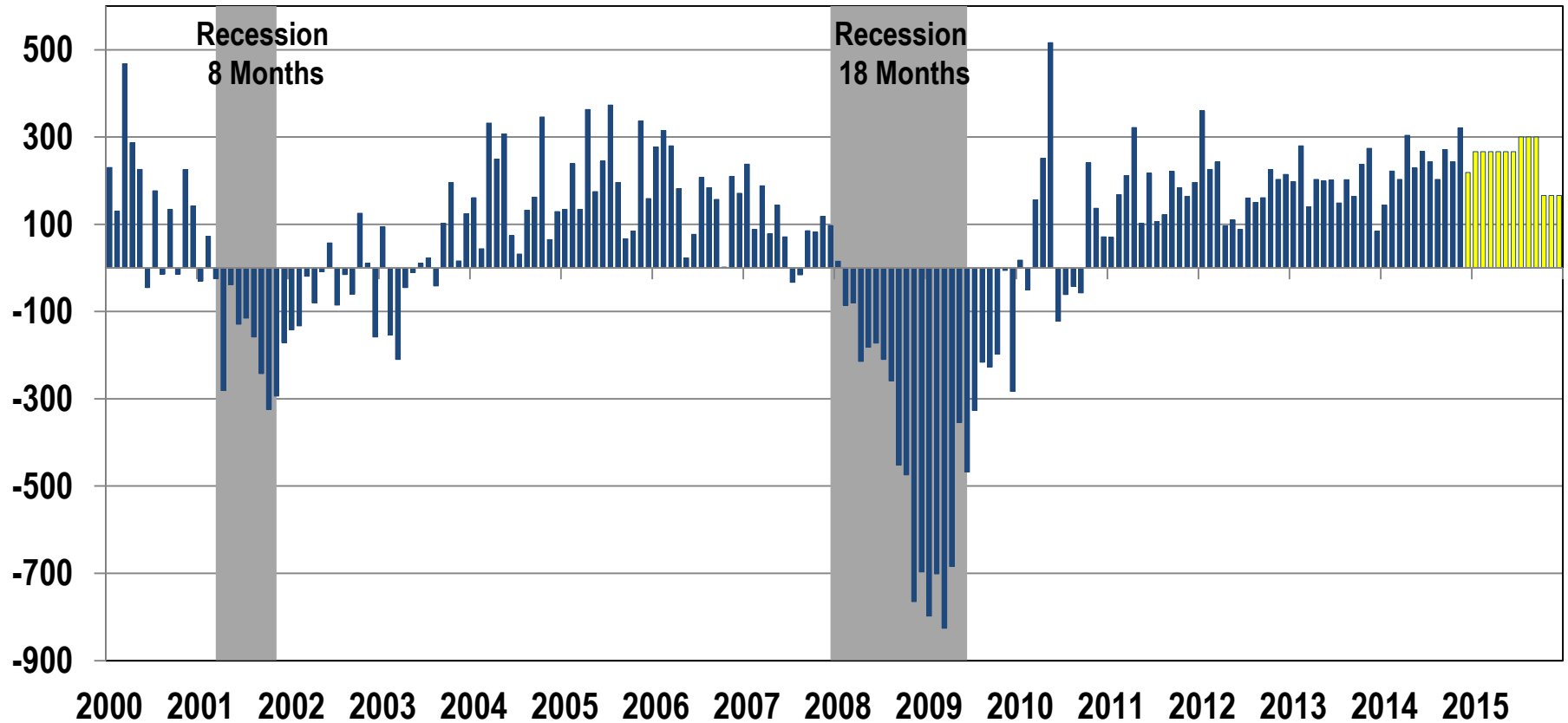


Sources: Bureau of Economic Analysis and Consensus Forecasts.

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National Employment

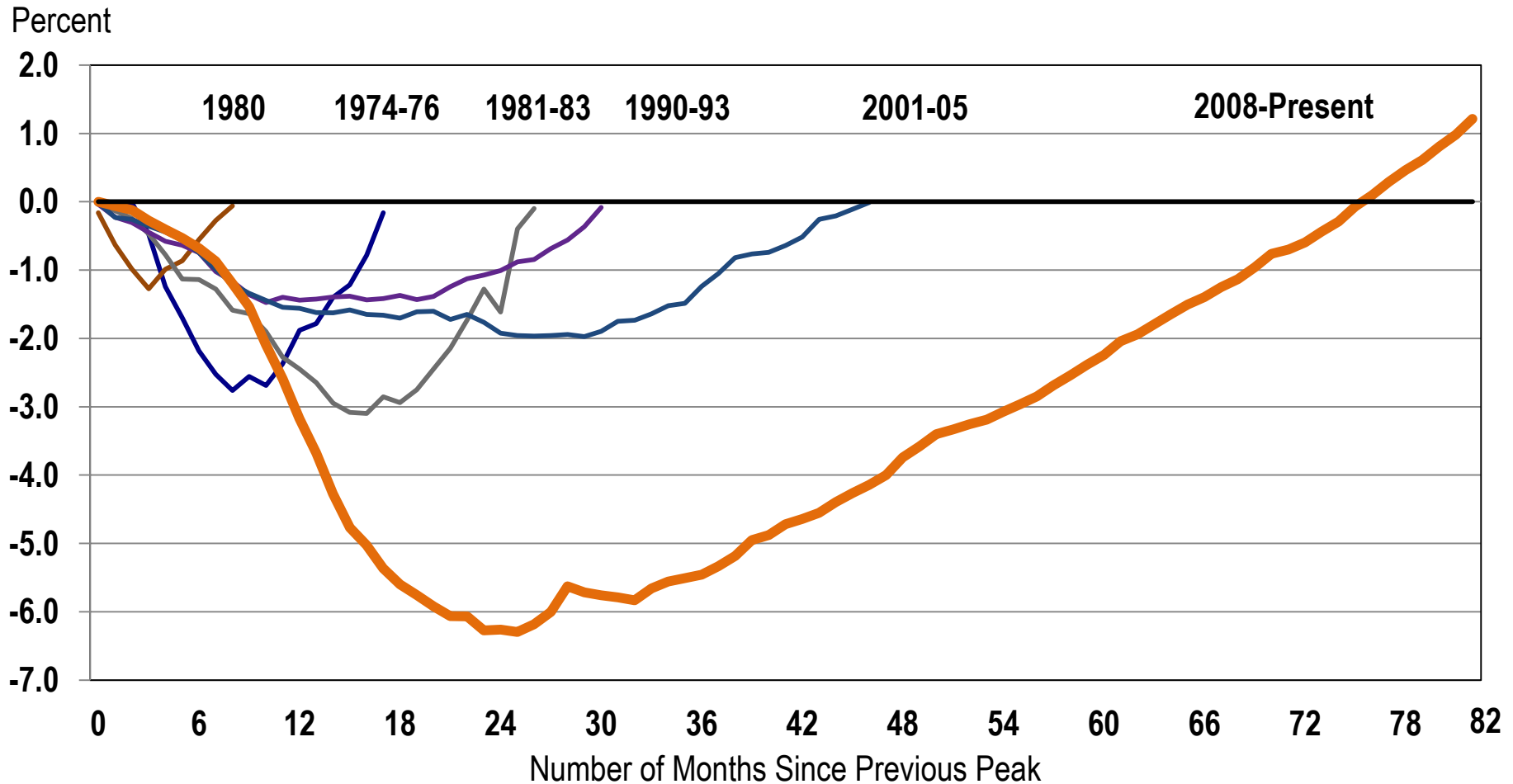
Thousands, Month-over-Month



Sources: Bureau of Labor Statistics (Seasonally Adjusted), National Bureau of Economic Research, and Moody's Analytics

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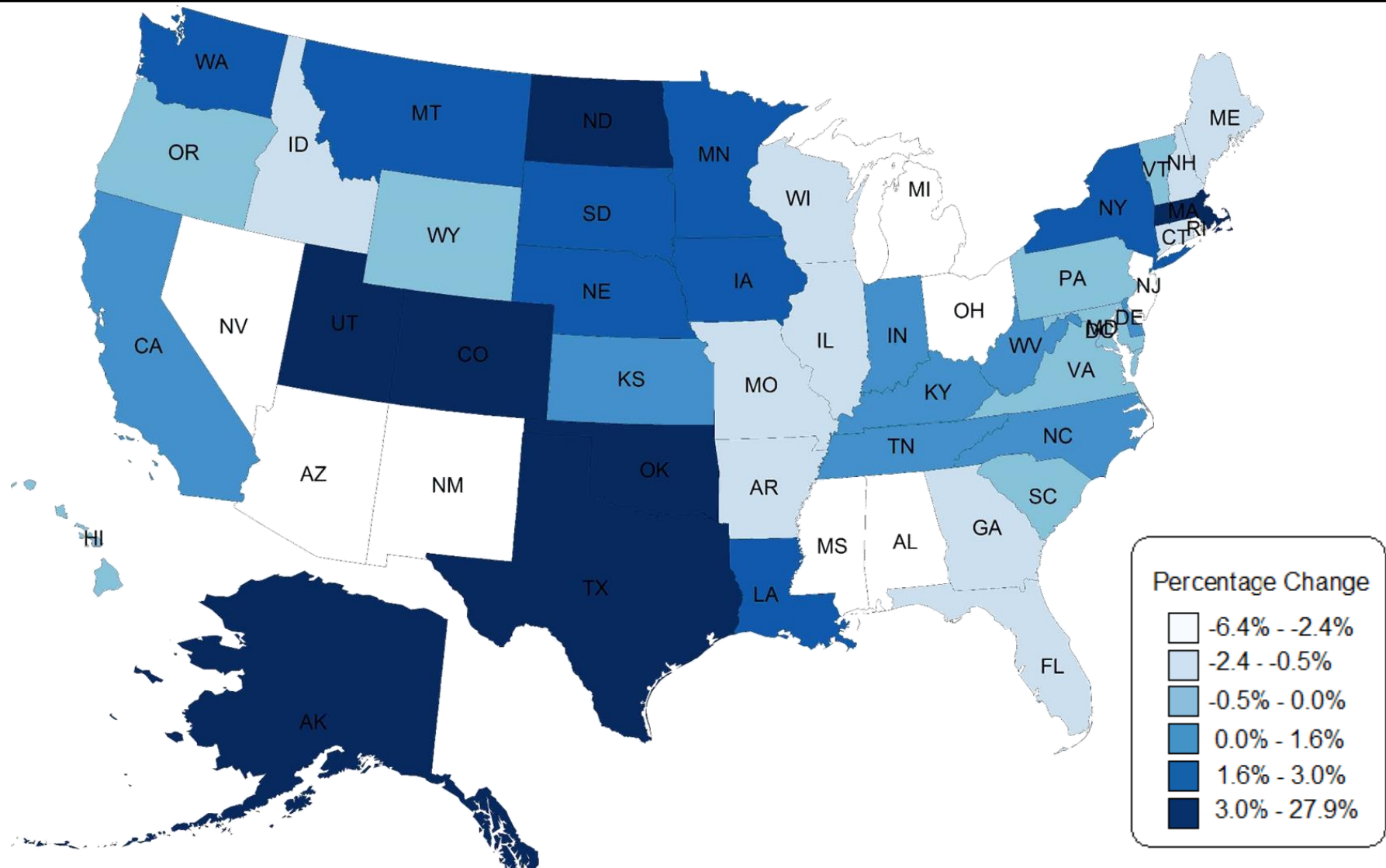
National Employment Months to Recovery



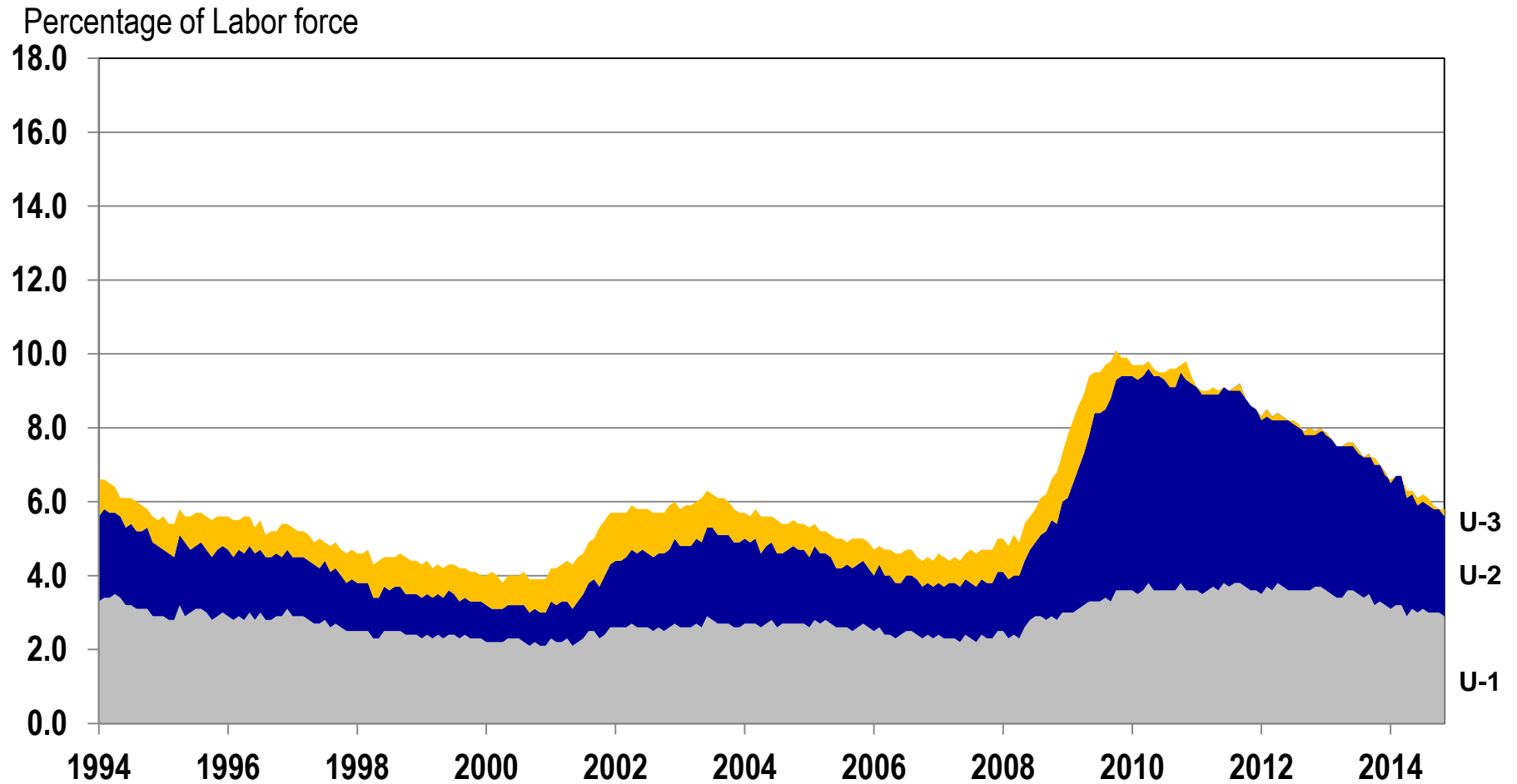
Source: Bureau of Labor Statistics, CES (Seasonally Adjusted).

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National Employment Growth Peak-to-October 2014



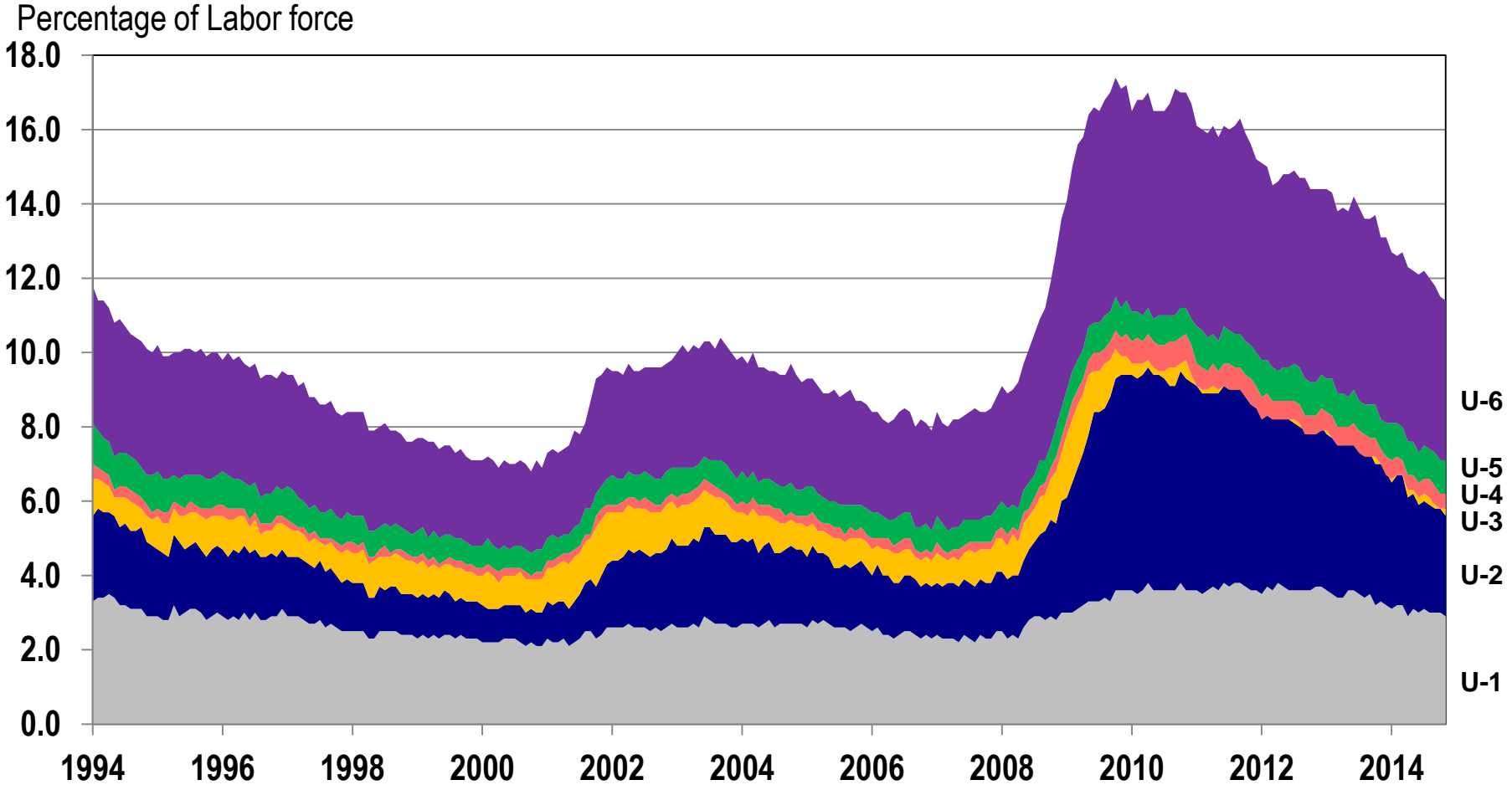
National Unemployment



Source: Bureau of Labor Statistics (Seasonally Adjusted).

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Labor Underutilization

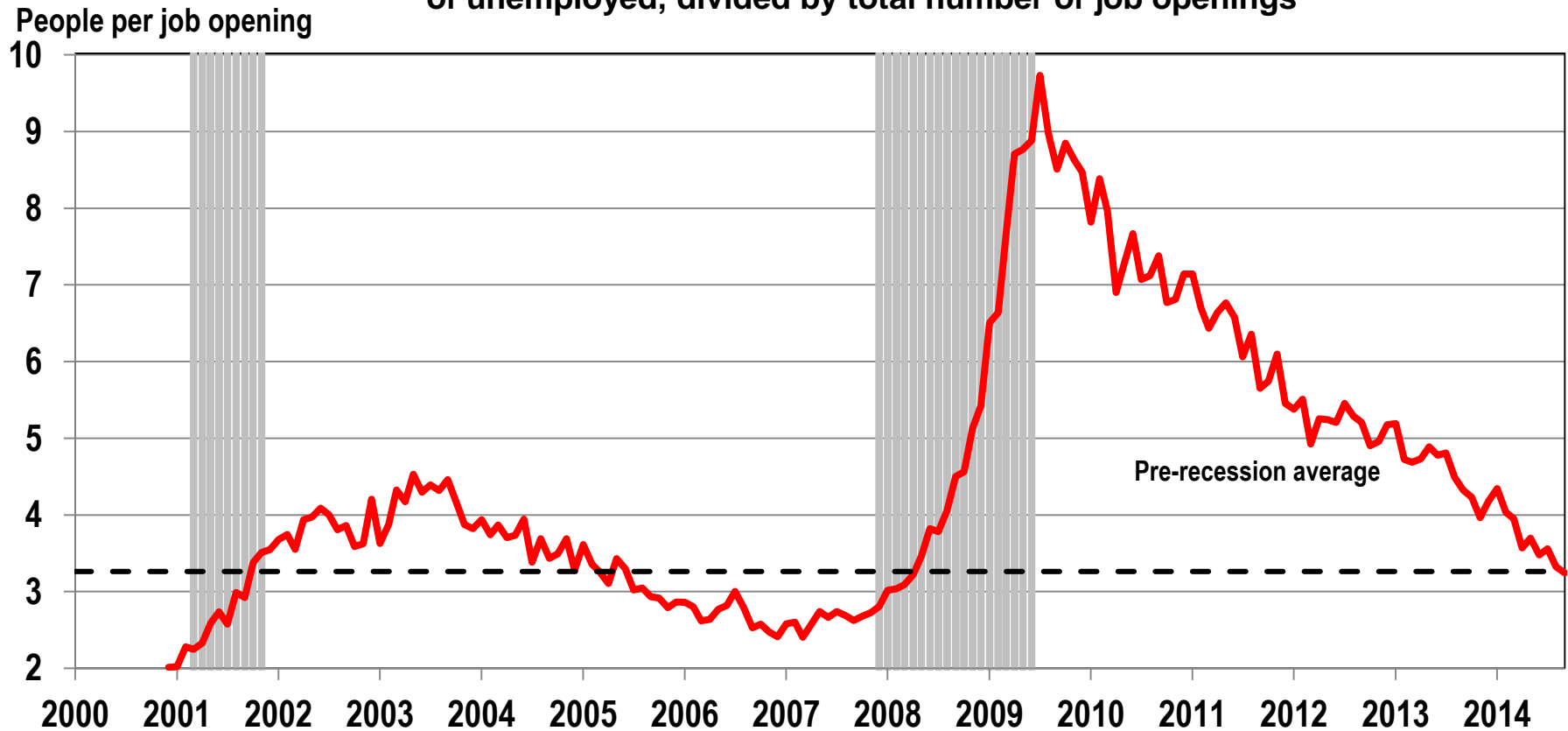


Source: Bureau of Labor Statistics (Seasonally Adjusted).
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Labor Slack

Number of Available People Per Job Opening

Ratio of people not in the labor force who want a job now and the total number of unemployed, divided by total number of job openings

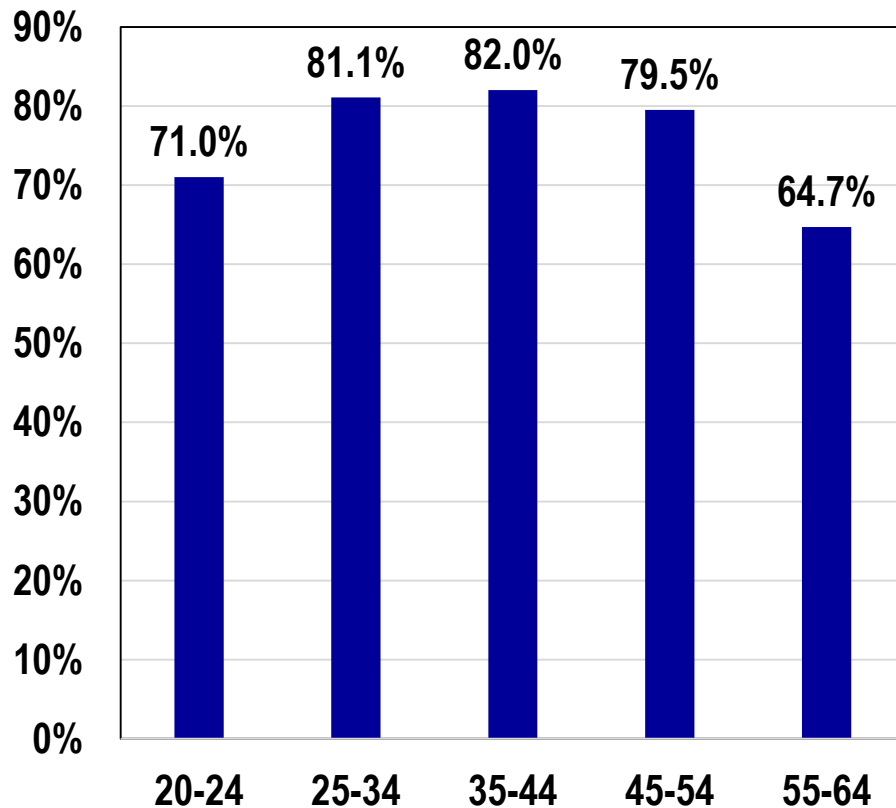


Sources: BLS JOLTS, Labor Force, and Unemployment; Deutsche Bank Research.

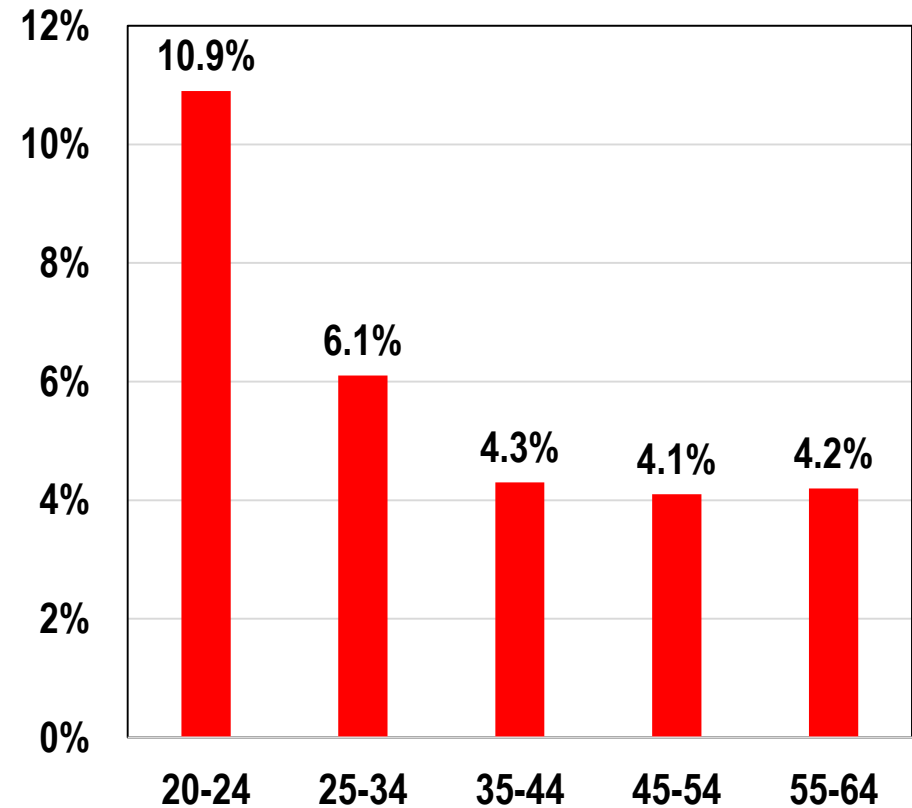
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Labor Force and Unemployment Rate National, by Age Cohort, November 2014

Labor Force Participation Rate



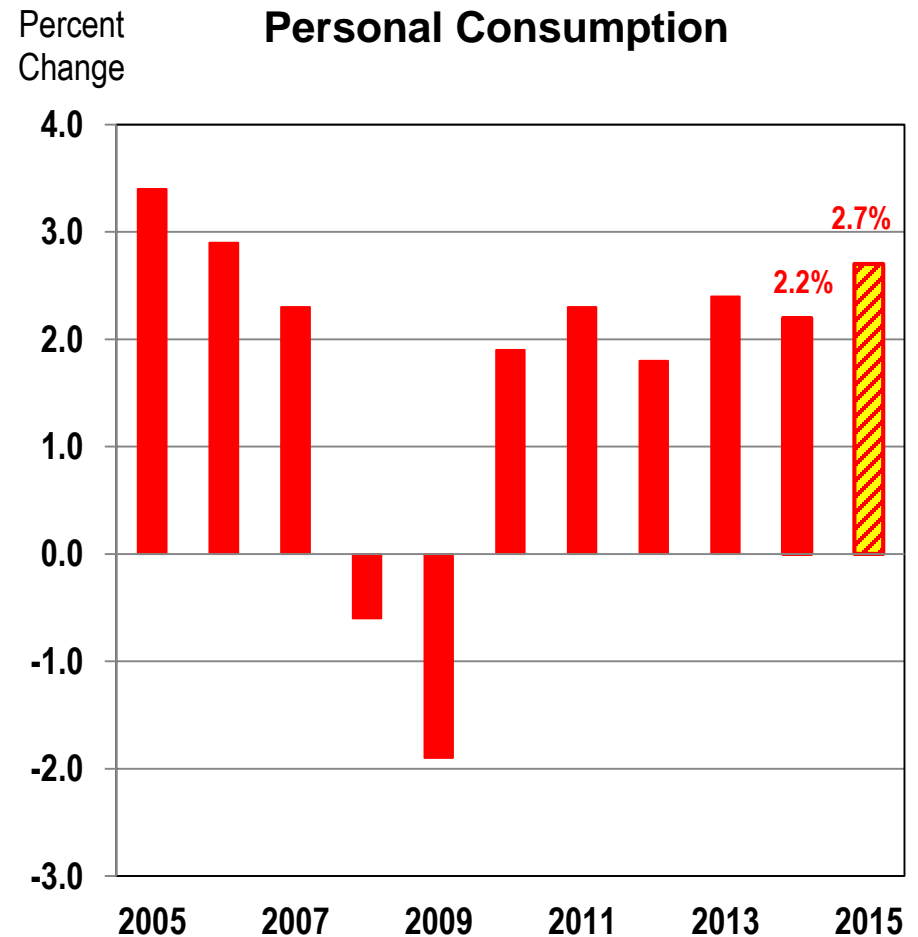
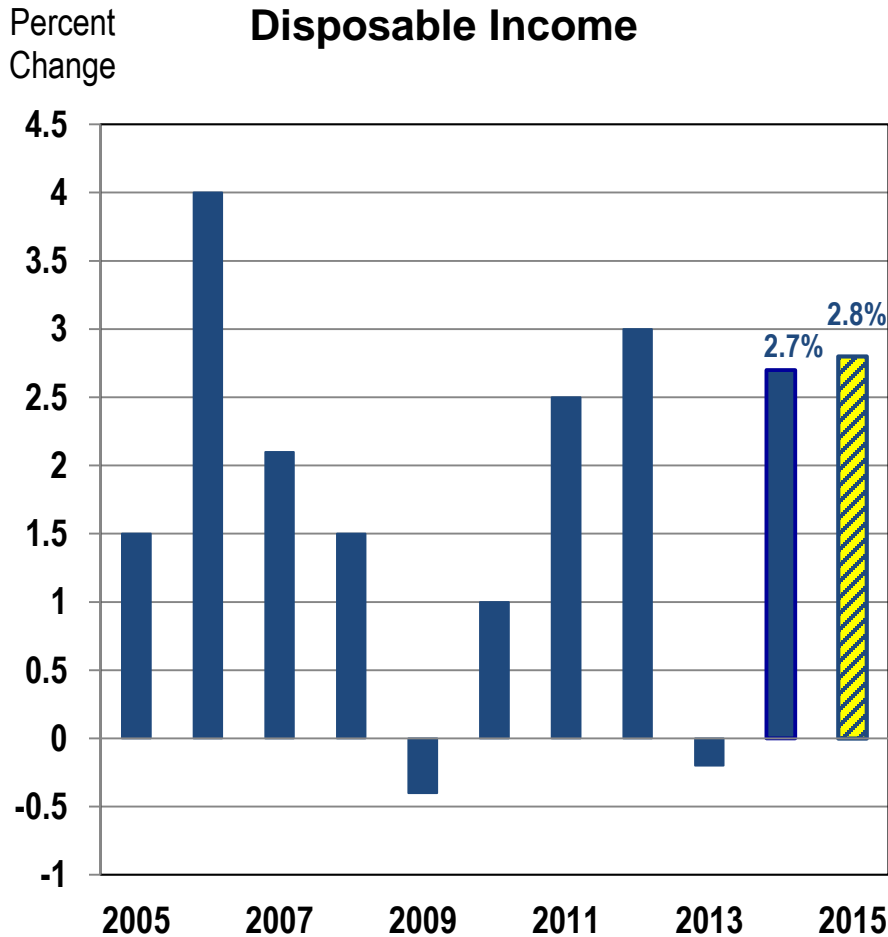
Unemployment Rate



Sources: Bureau of Labor Statistics, all data seasonally adjusted.

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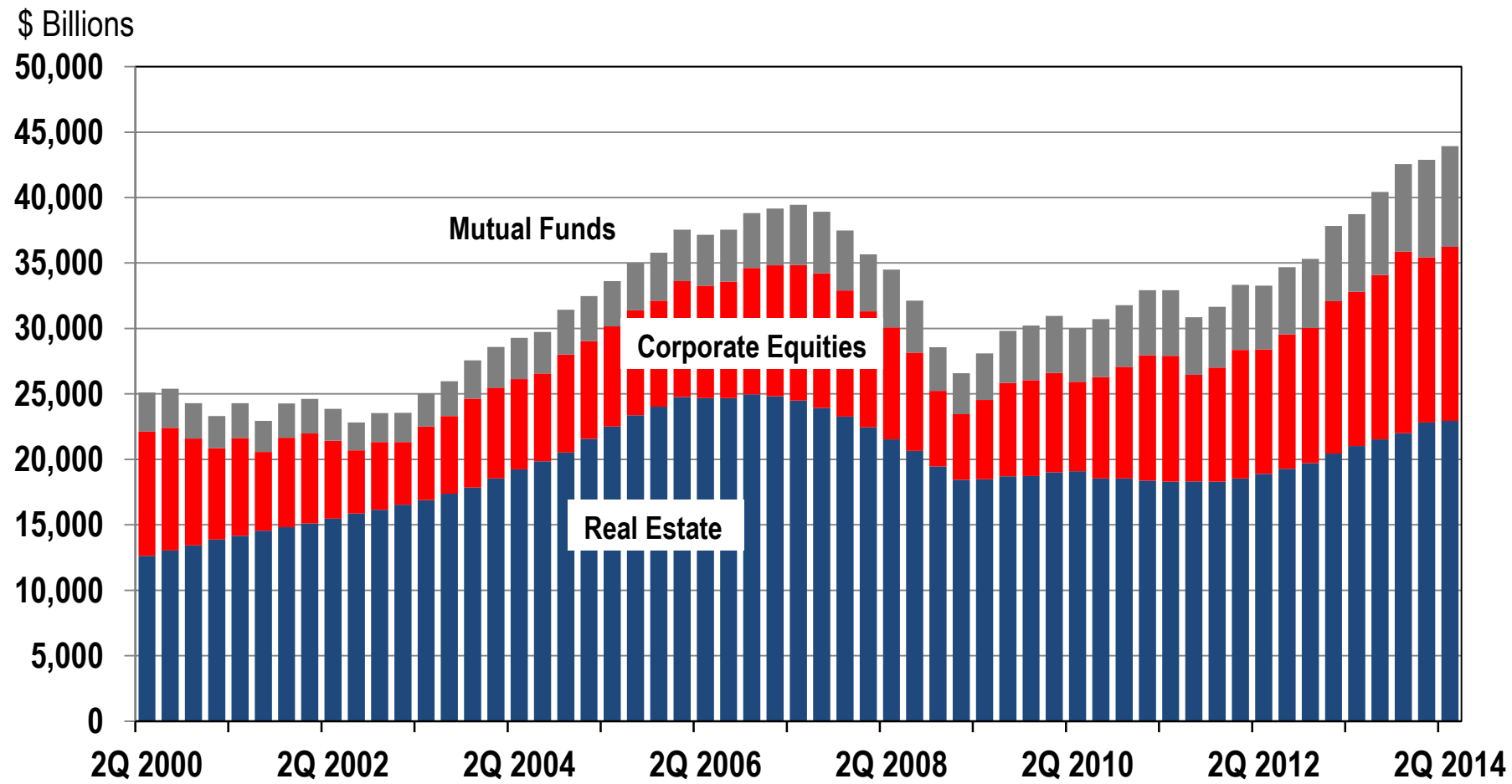
U.S. Income and Consumption



Sources: Bureau of Economic Analysis and Consensus Forecasts.

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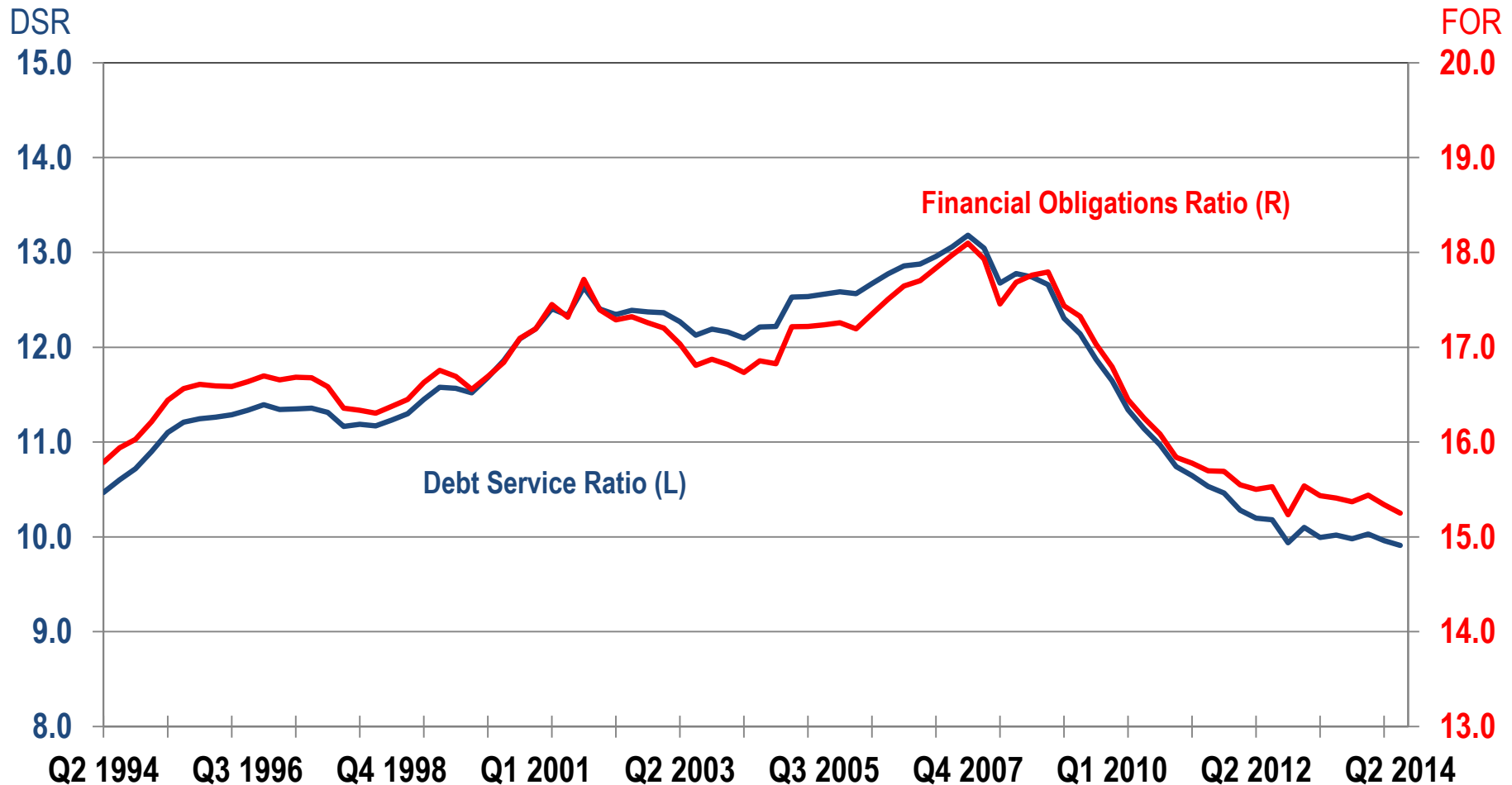
Household Wealth



Source: Federal Reserve Board, Balance Sheet of Households and Nonprofit Organizations (B100) (Not Seasonally Adjusted).

Household Debt Burden

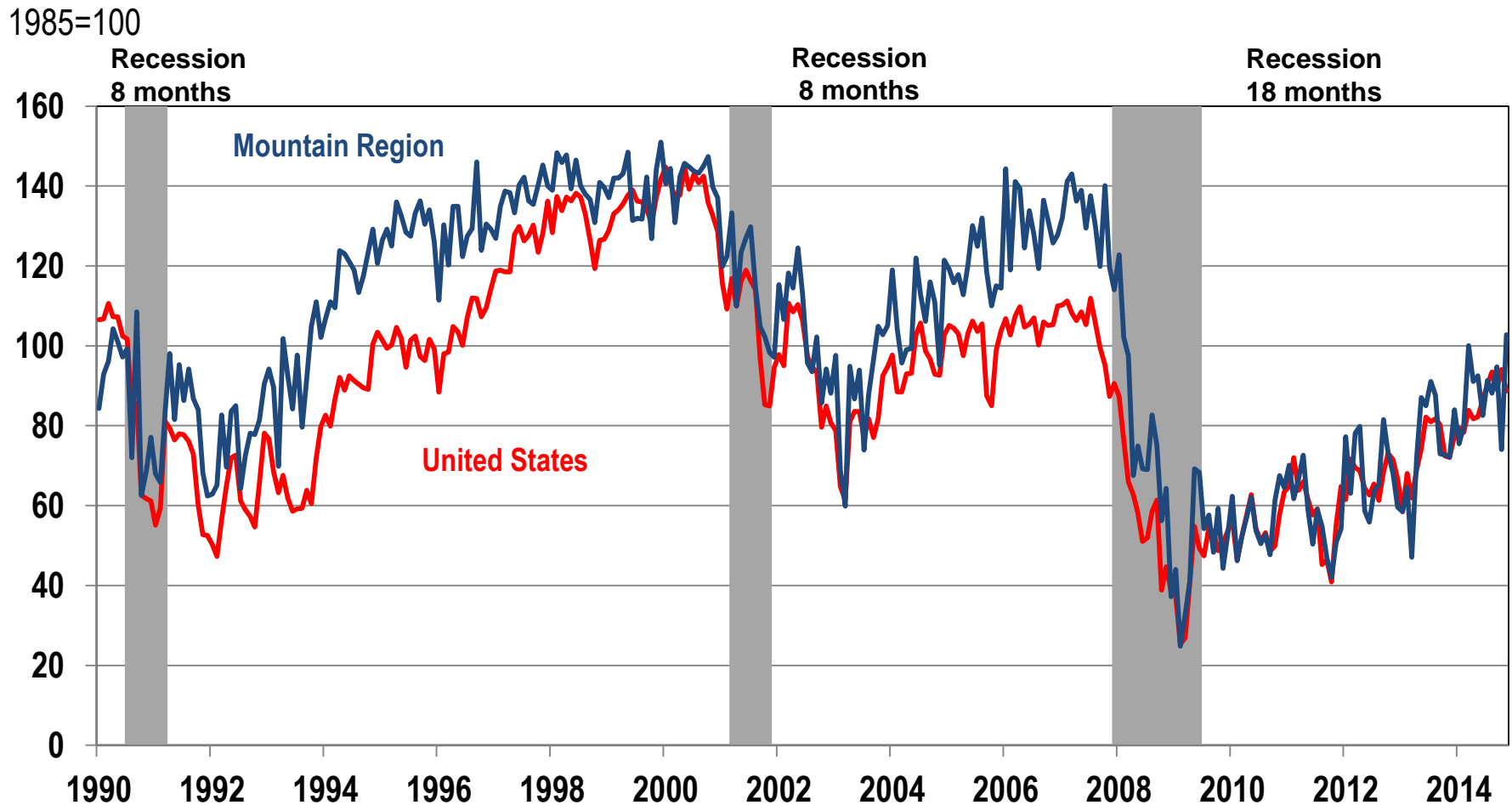
Percent of Disposable Income



Source: Federal Reserve, Household Debt Service and Obligations Ratios.

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Index of Consumer Confidence

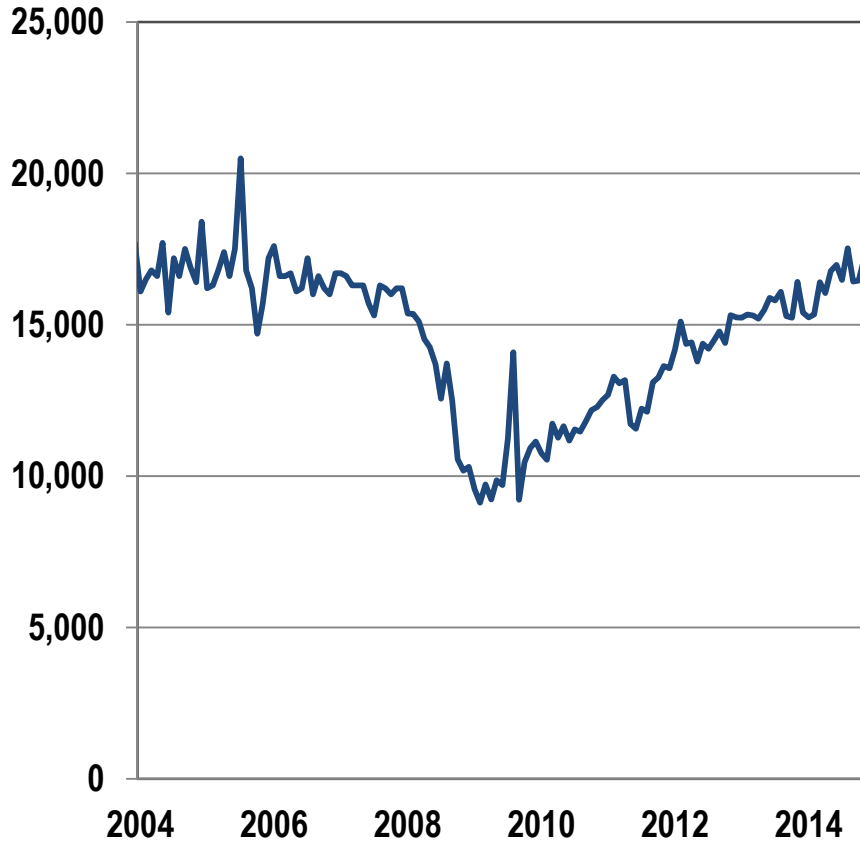


Sources: The Conference Board and National Bureau of Economic Research.
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Vehicle Sales and Retail Sales

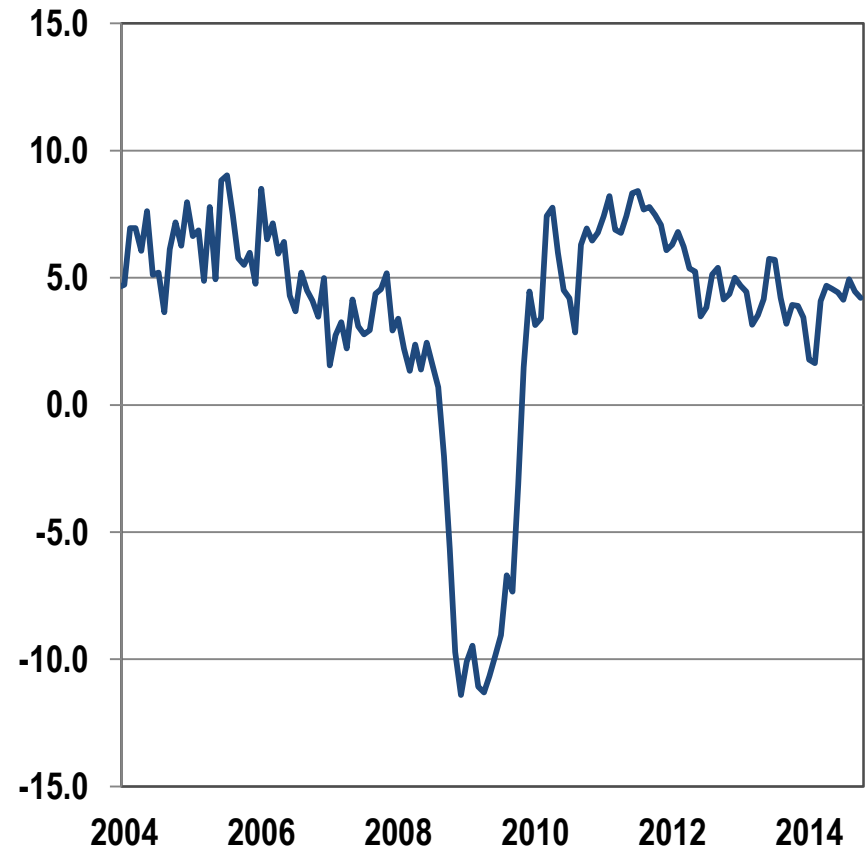
Vehicle Sales

Thousands, SAAR



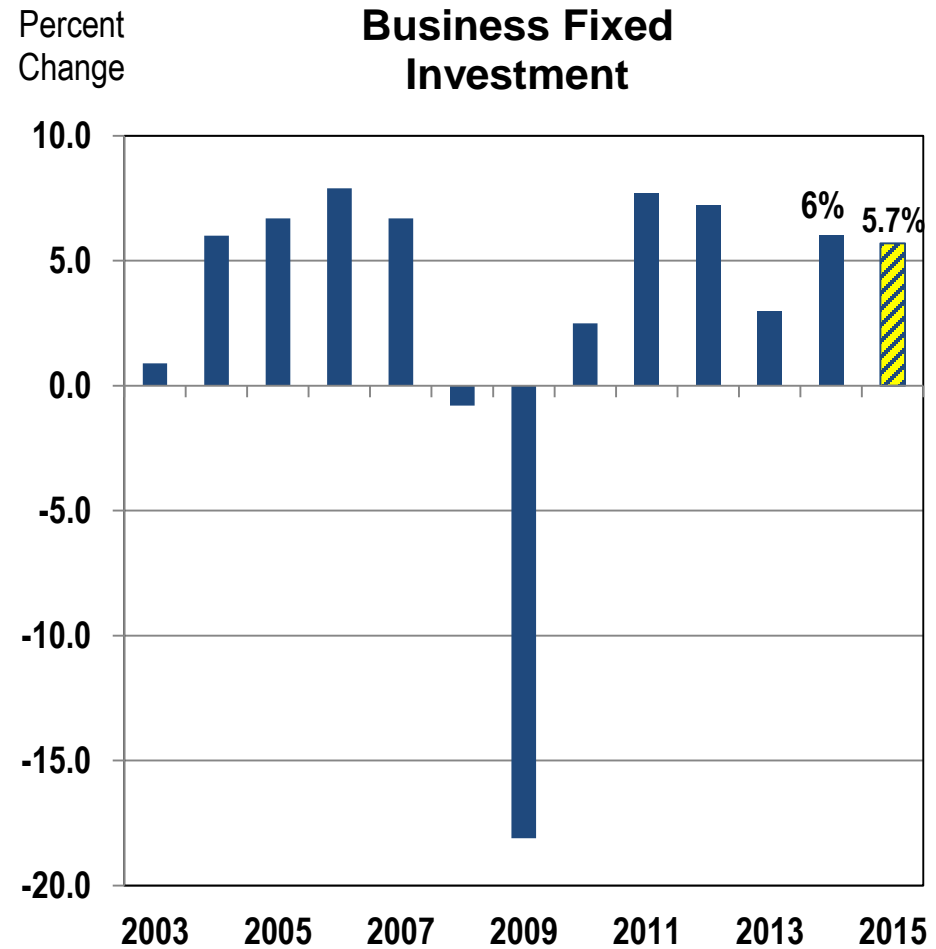
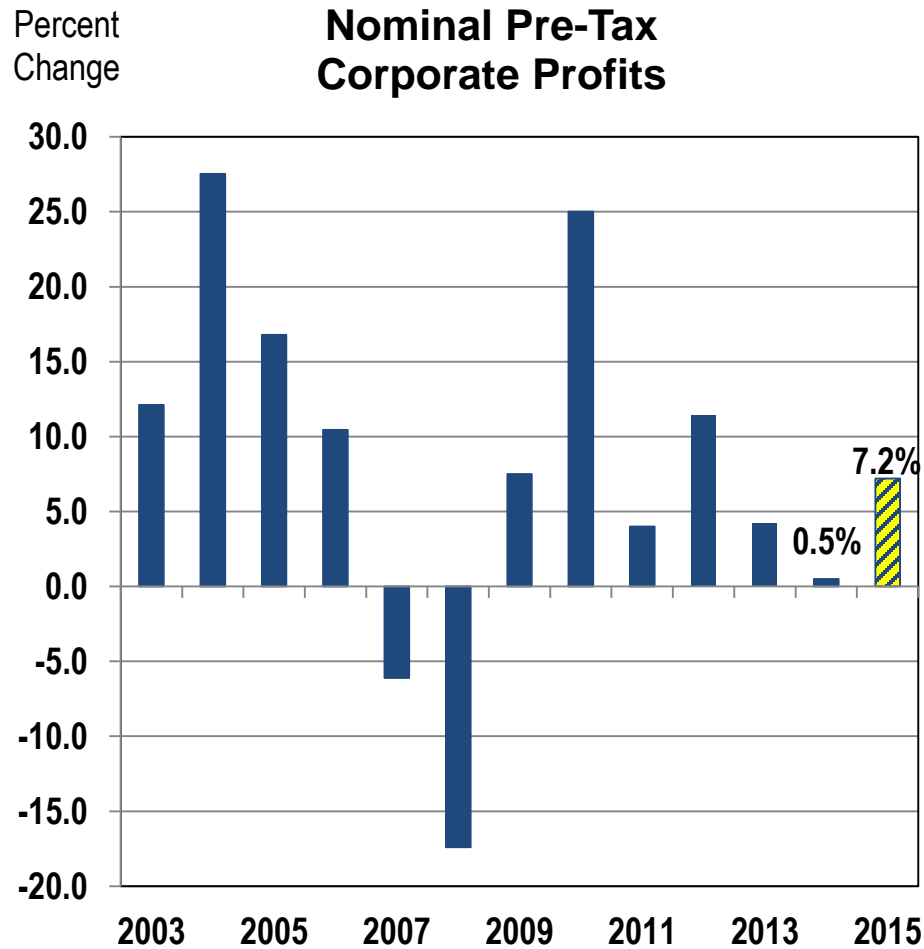
Retail and Food Services Sales

YOY, Percentage Change



Sources: Seasonally Adjusted Annual Rate, Autodata Corp., Motor Intelligence, U.S. Census Bureau.
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Nominal Corporate Profits and U.S. Business Fixed Investment

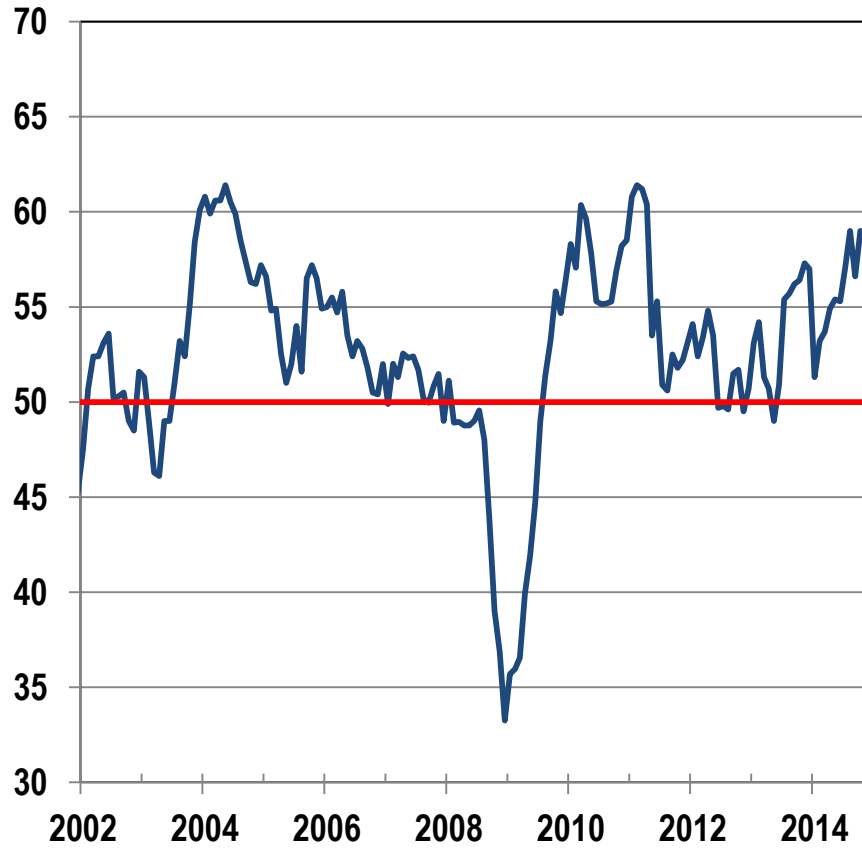


Sources: Bureau of Economic Analysis, Consensus Forecasts.

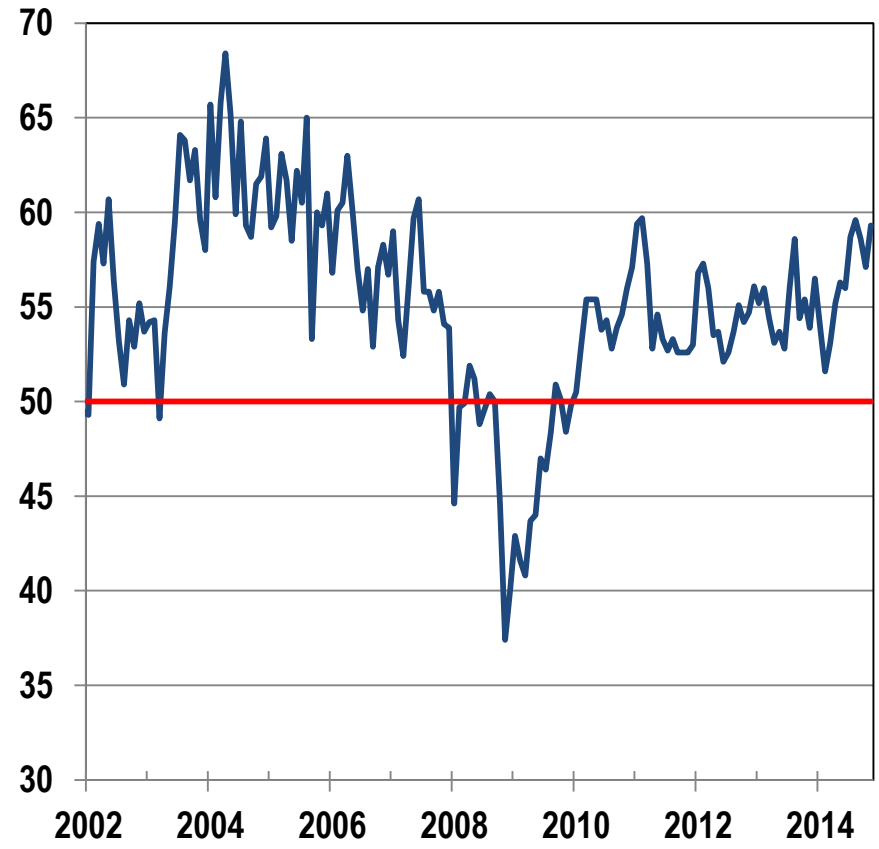
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ISM Indices

ISM Manufacturing Index



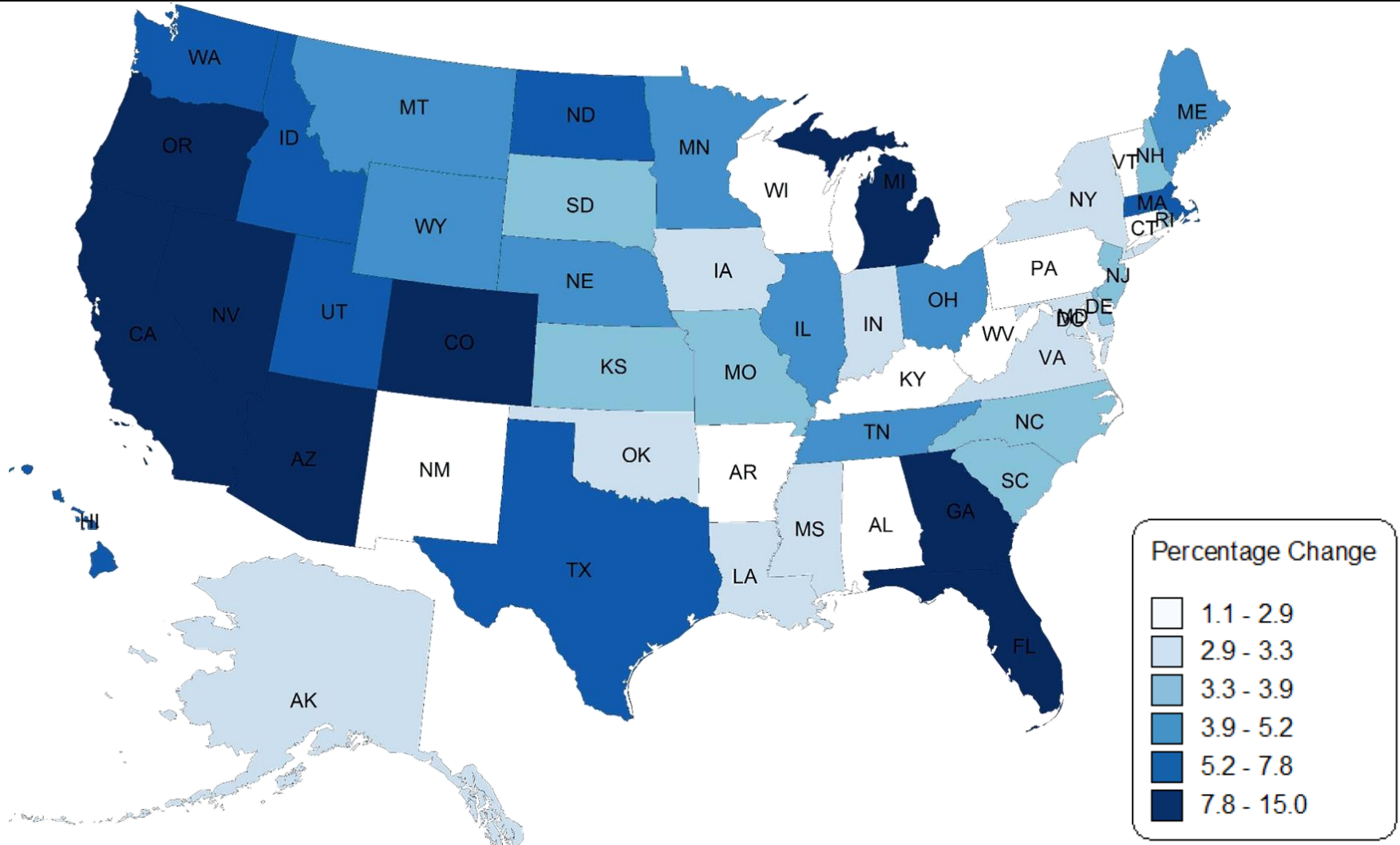
ISM Non-Manufacturing Index



Source: Institute for Supply Management (ISM).

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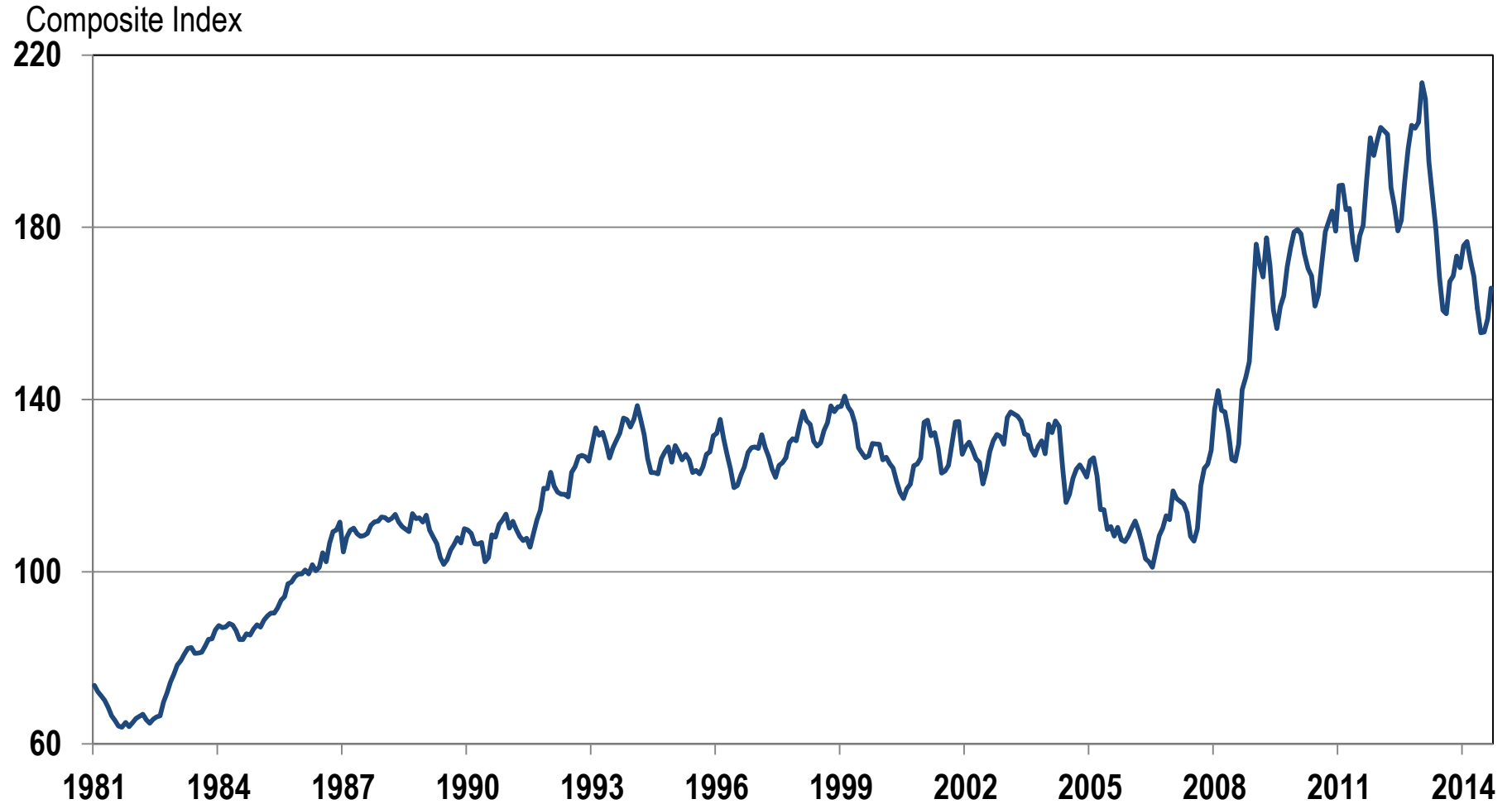
National FHFA Home Price Growth Year over Year Q3 2014



Source: Federal Housing Finance Agency Home Price Index, All Transactions Index.

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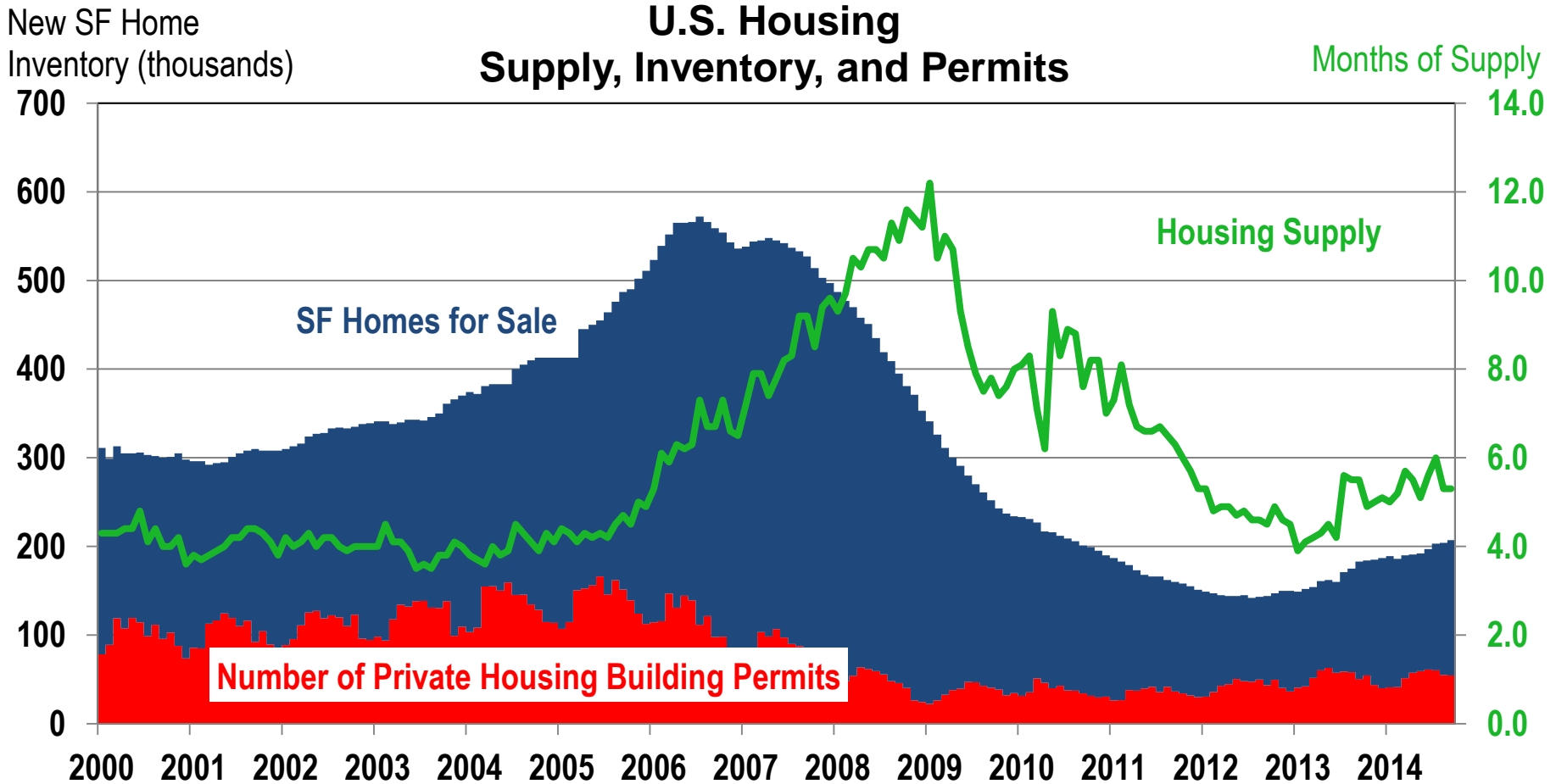
Housing Affordability Index



Source: National Association of Realtors.

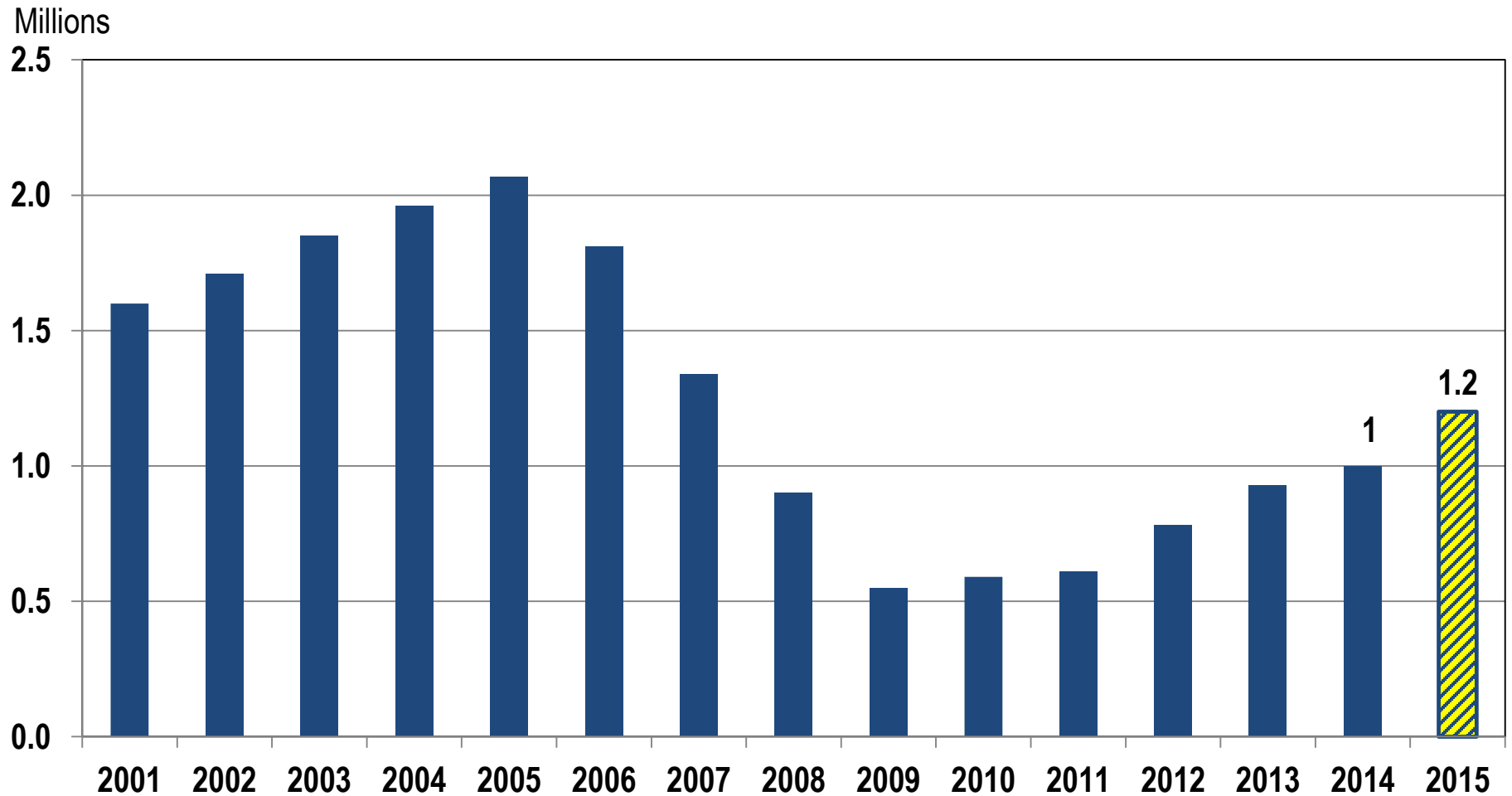
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U.S. Housing – Supply, Inventory, and Permits



Source: New Houses Sold and For Sale, U.S. Census Bureau.

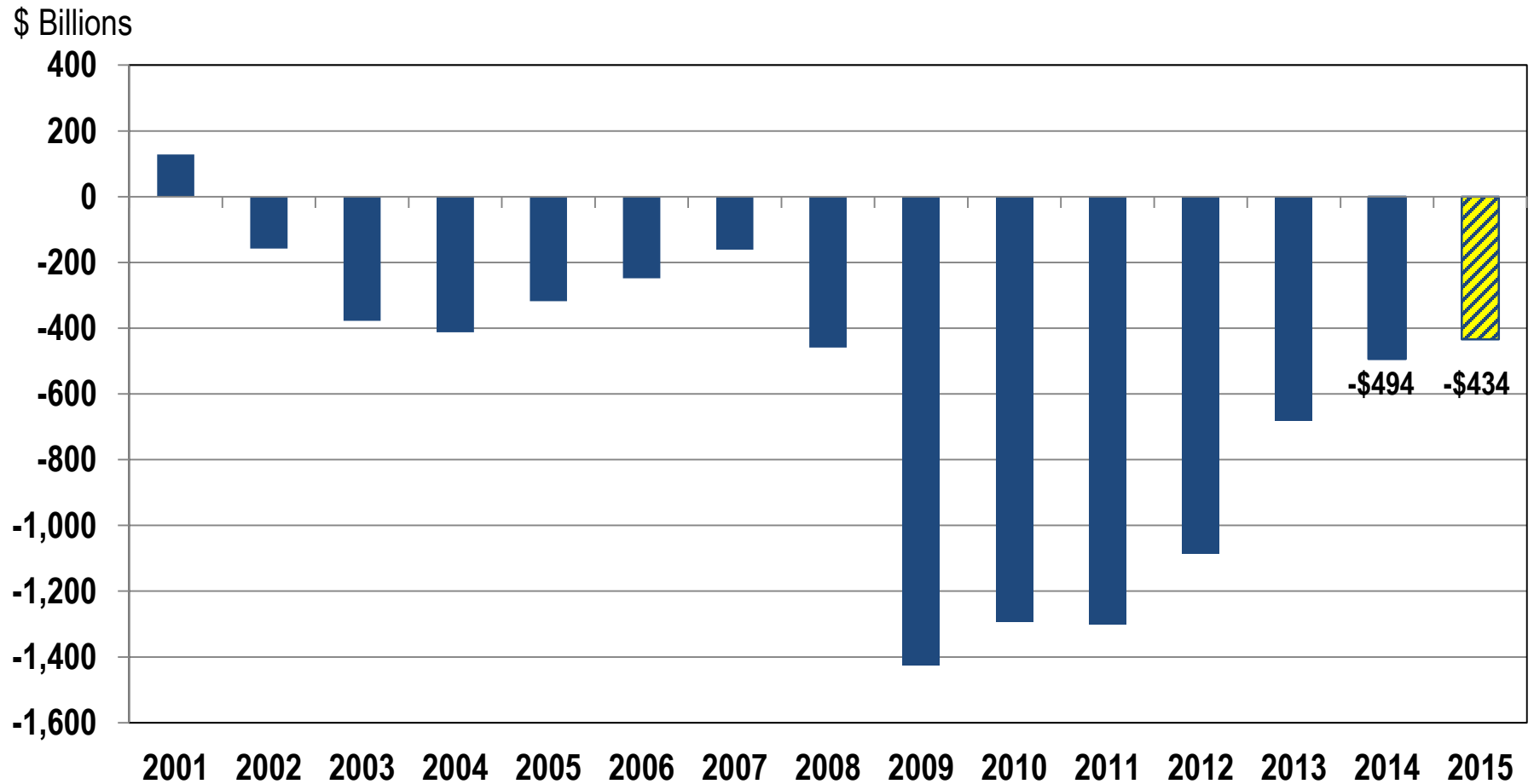
National Housing Starts



Sources: U.S. Census Bureau and Consensus Forecasts.

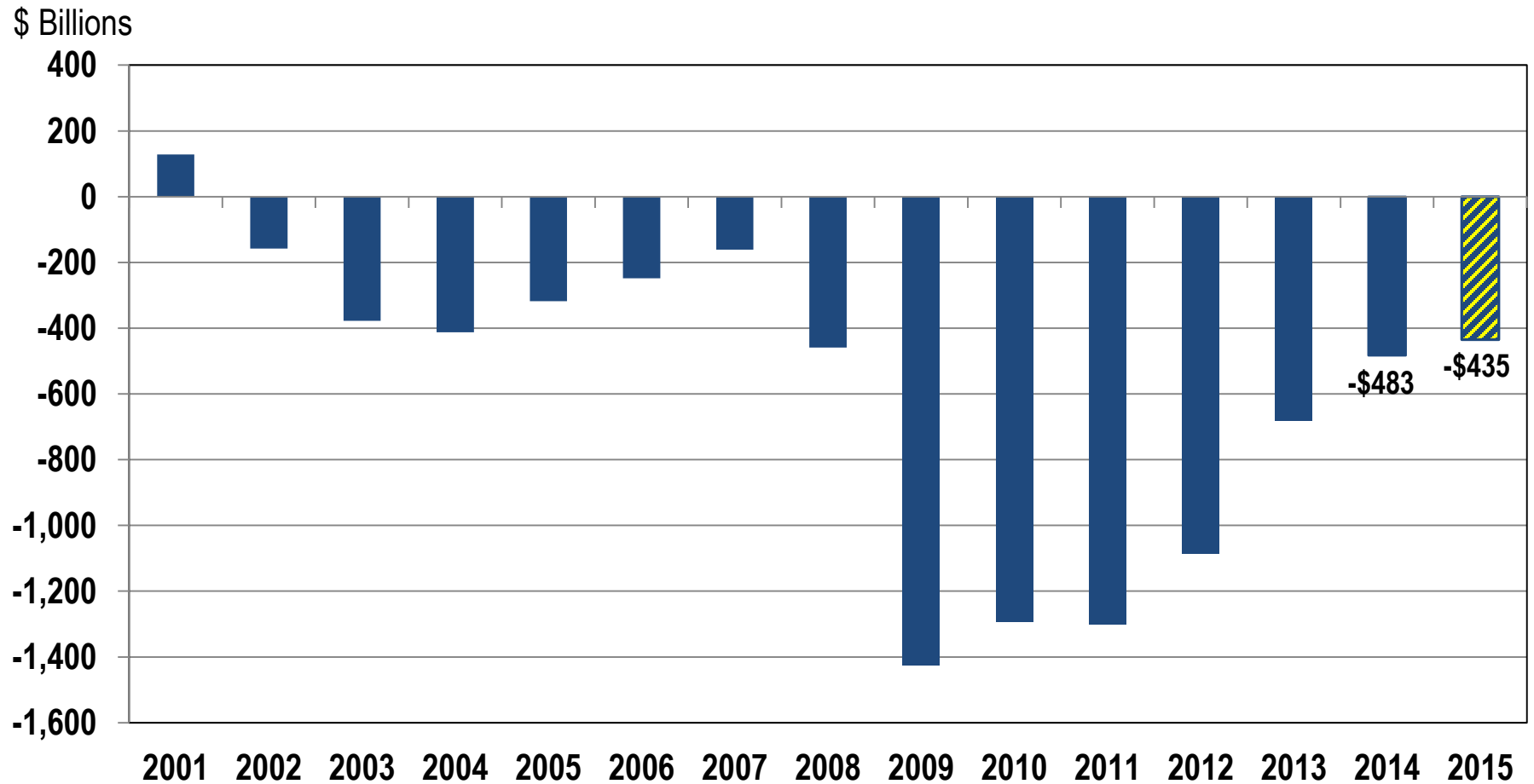
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Federal Budget Balance



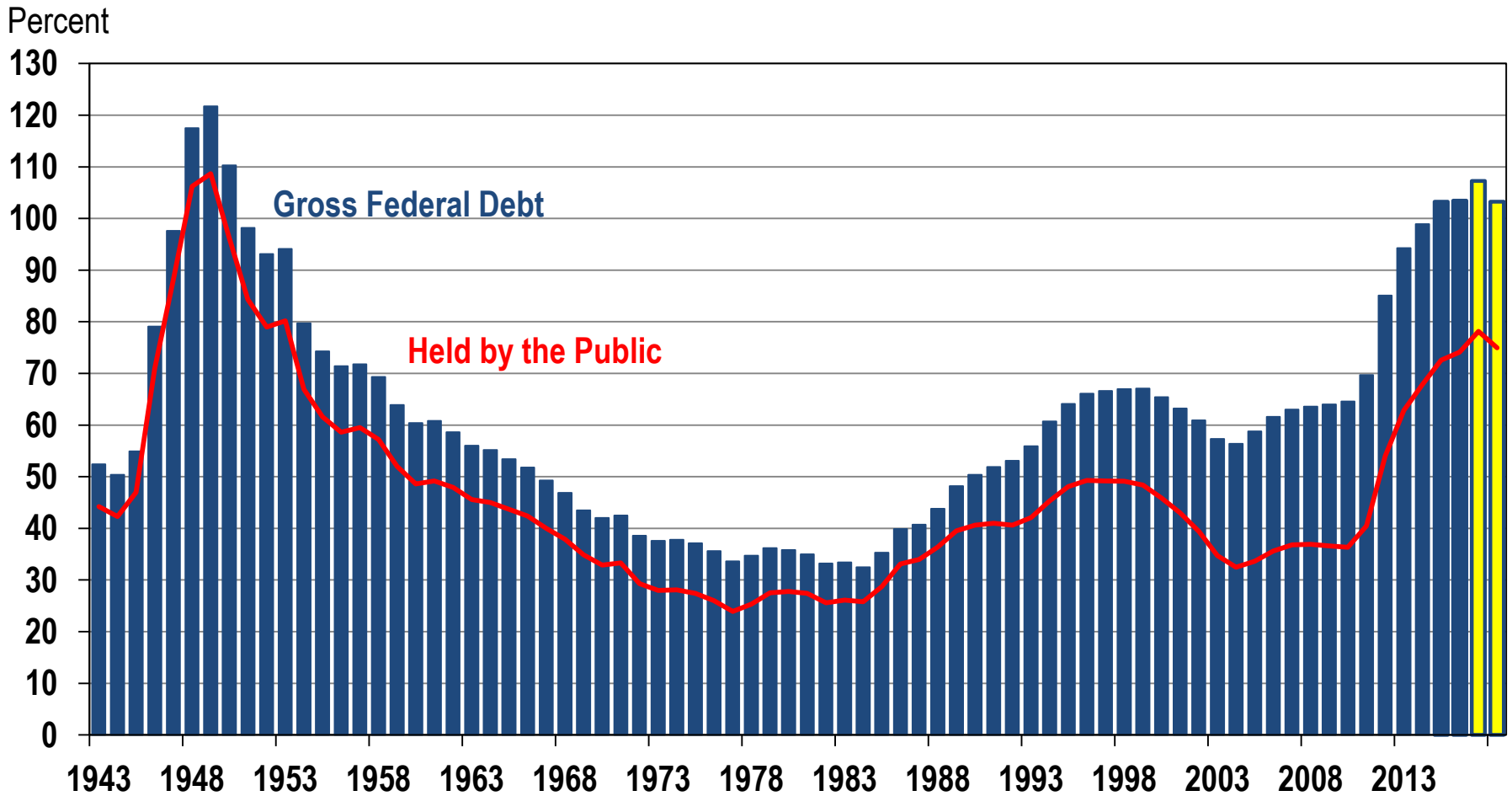
Sources: Bureau of Economic Analysis, NIPA Table 3.18B, Consensus Forecasts.
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Federal Budget Balance



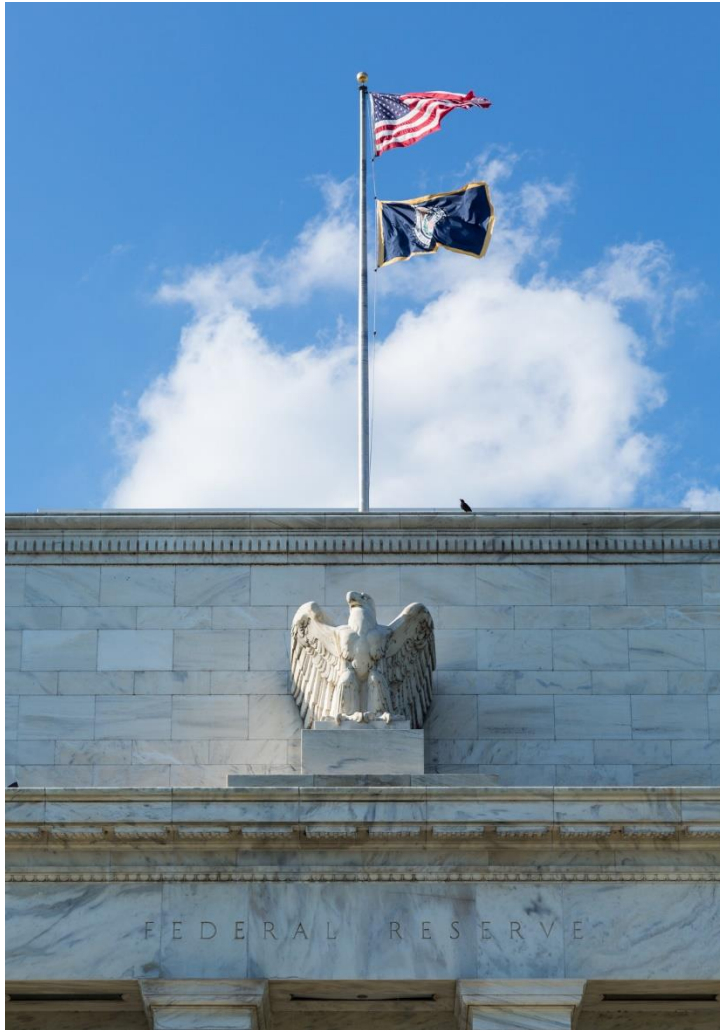
Sources: Bureau of Economic Analysis, NIPA Table 3.18B, Consensus Forecasts.
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Federal Debt Percentage of GDP

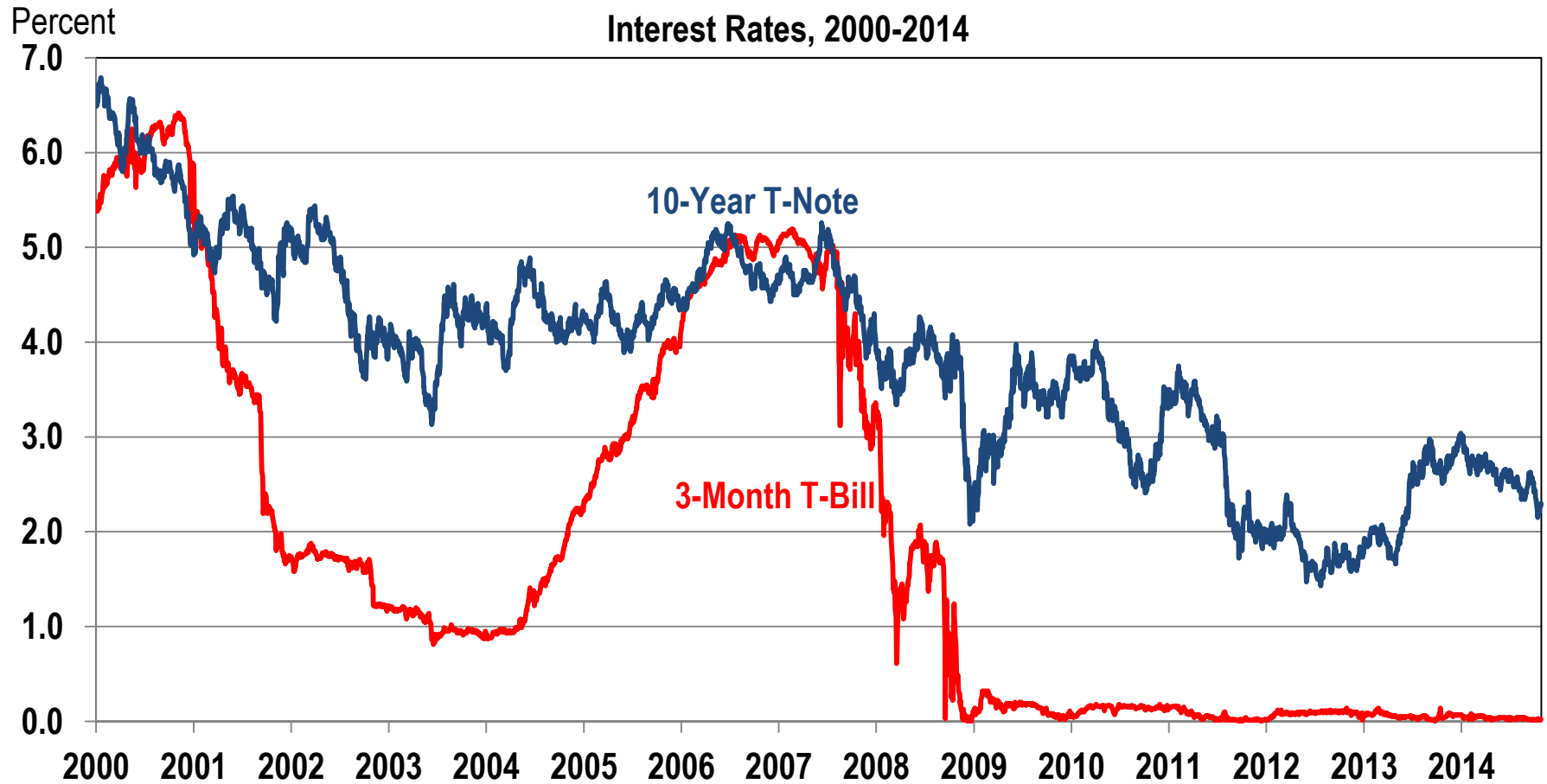


Sources: Office of Management and Budget, Federal Debt at End of Year (Table 7.1).
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Money, Interest Rates, and Prices



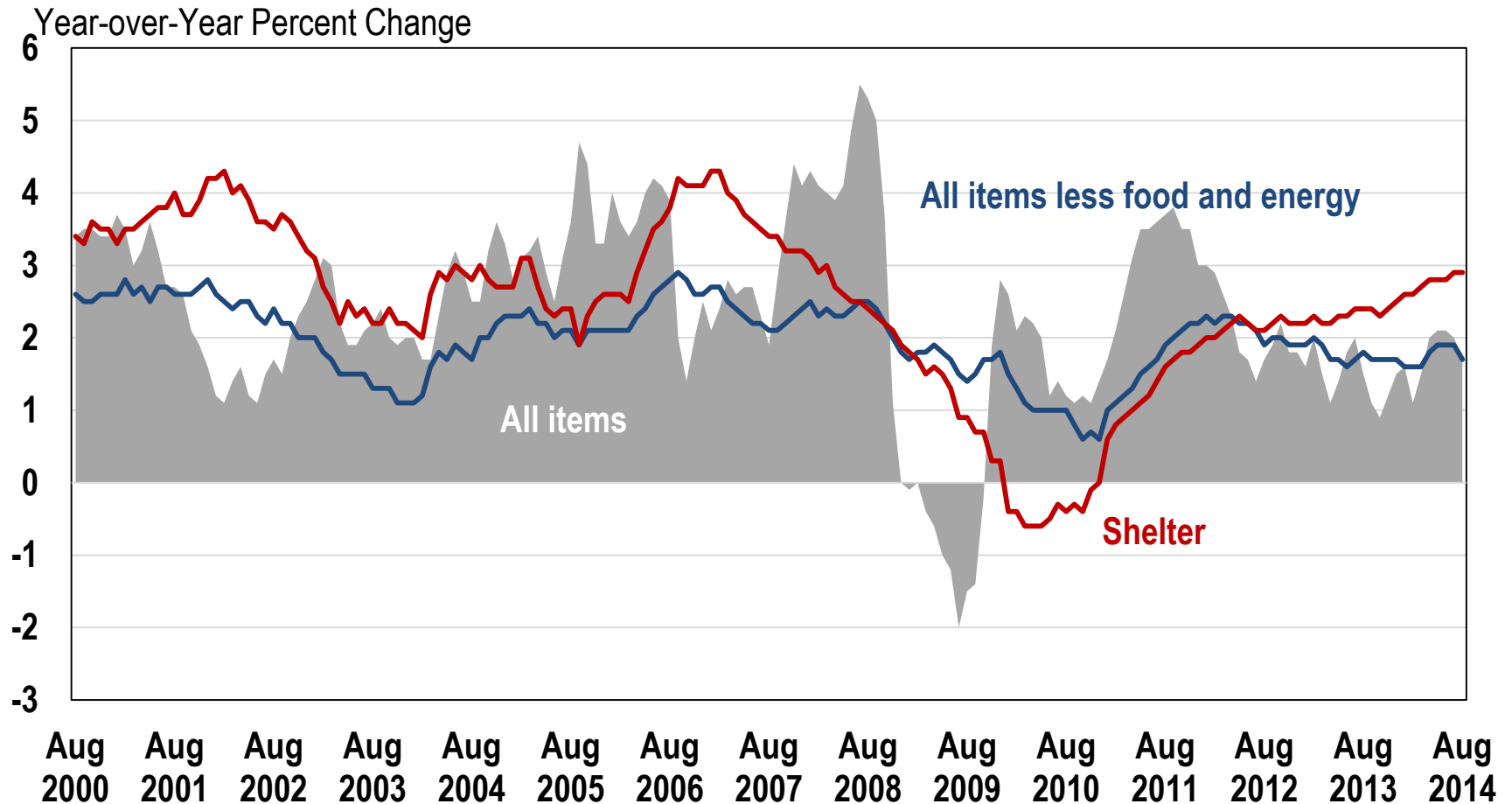
Interest Rates



Source: U.S. Treasury.

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National Inflation

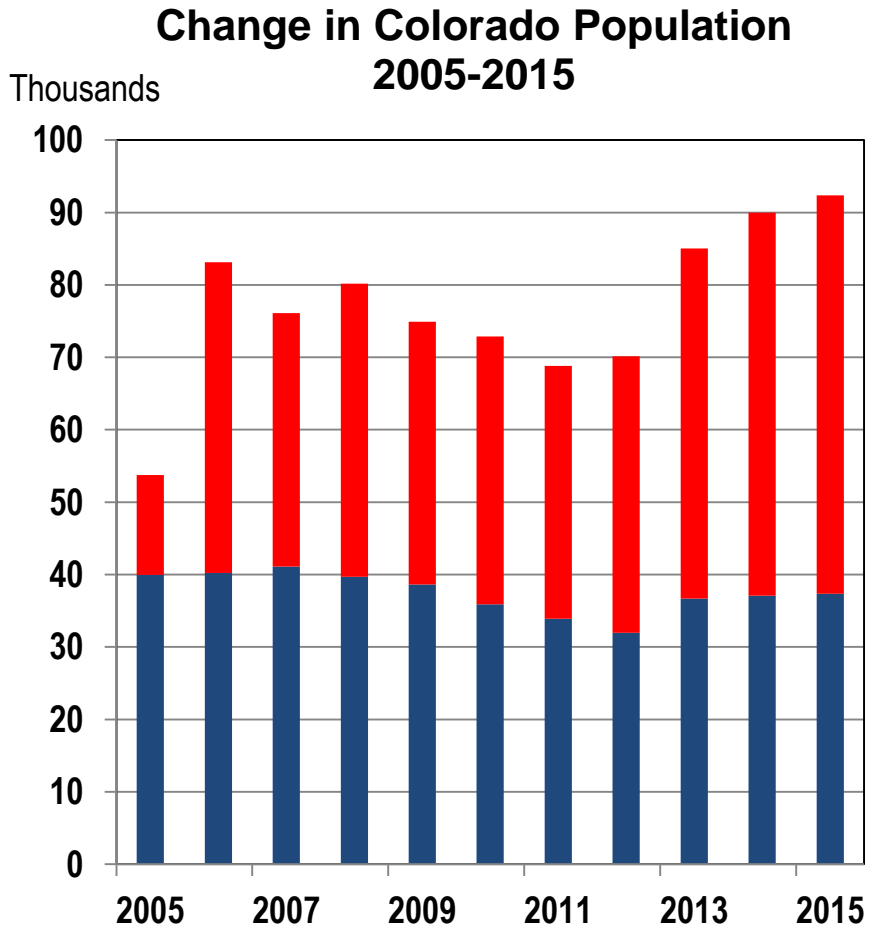


Source: Bureau of Labor Statistics (SA).

Colorado Population, Employment, and Prices



Change in Population

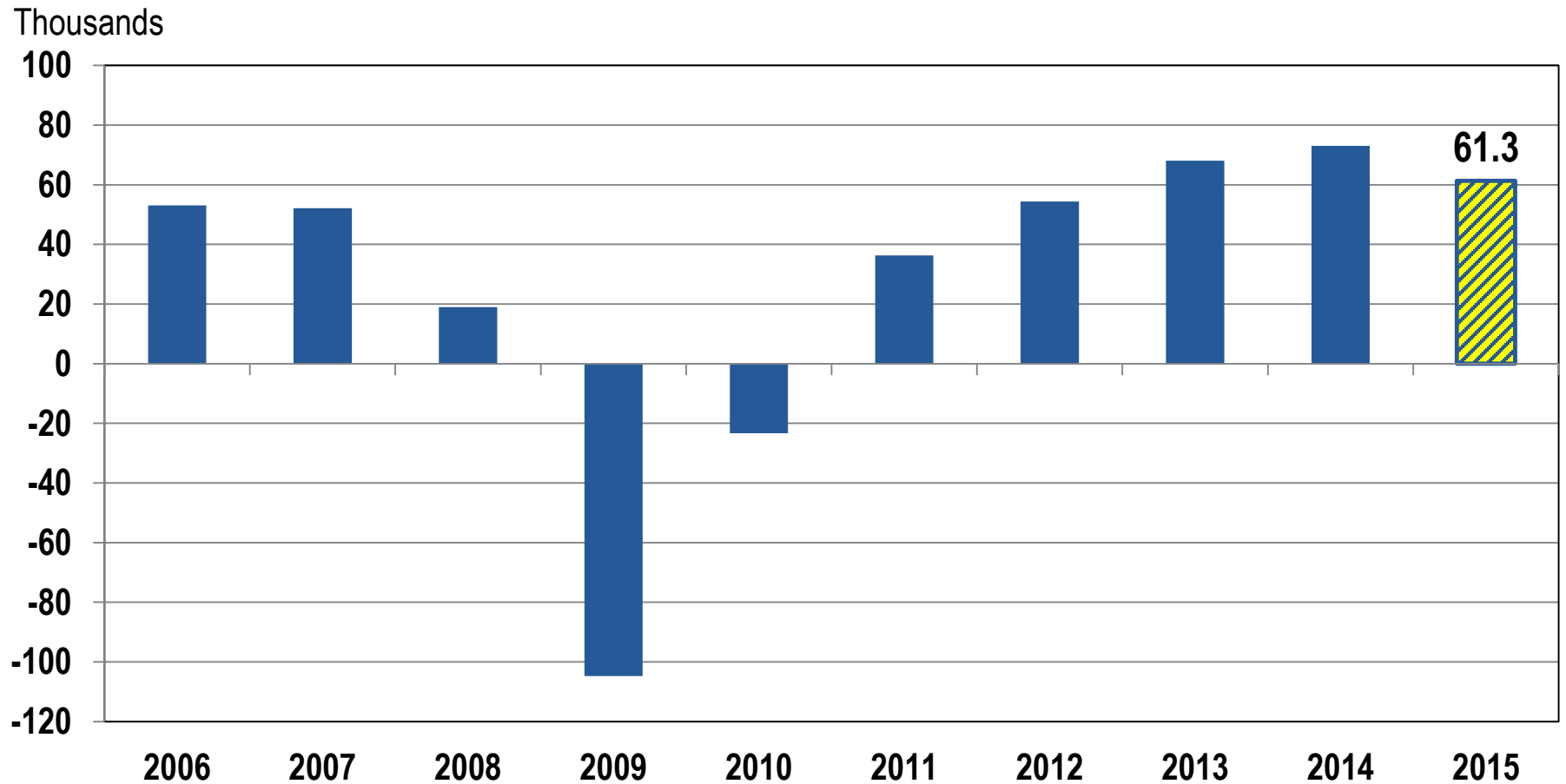


In 2013 . . .

- **Among top 5 states for absolute growth**
- **3rd fastest for percentage growth**
- **22nd-most population in U.S.**
- **Continued net migration into the state**
- **83% of population in 12 Front Range counties**

Source: Colorado Demography Office.

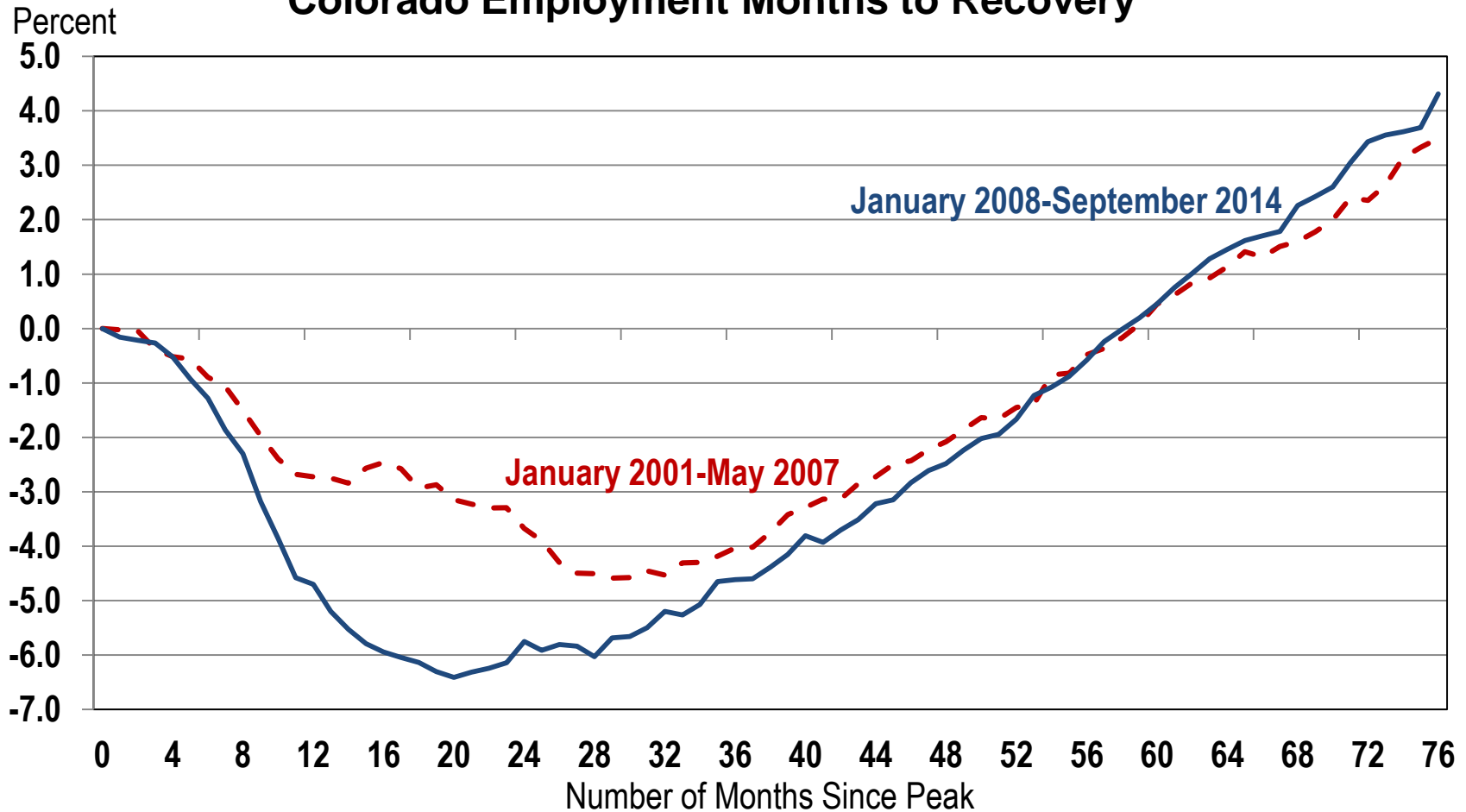
Colorado Employment Growth Jobs Added



Sources: Colorado Department of Labor and Employment, BEOF Committee Members.
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Colorado Employment Months to Recovery

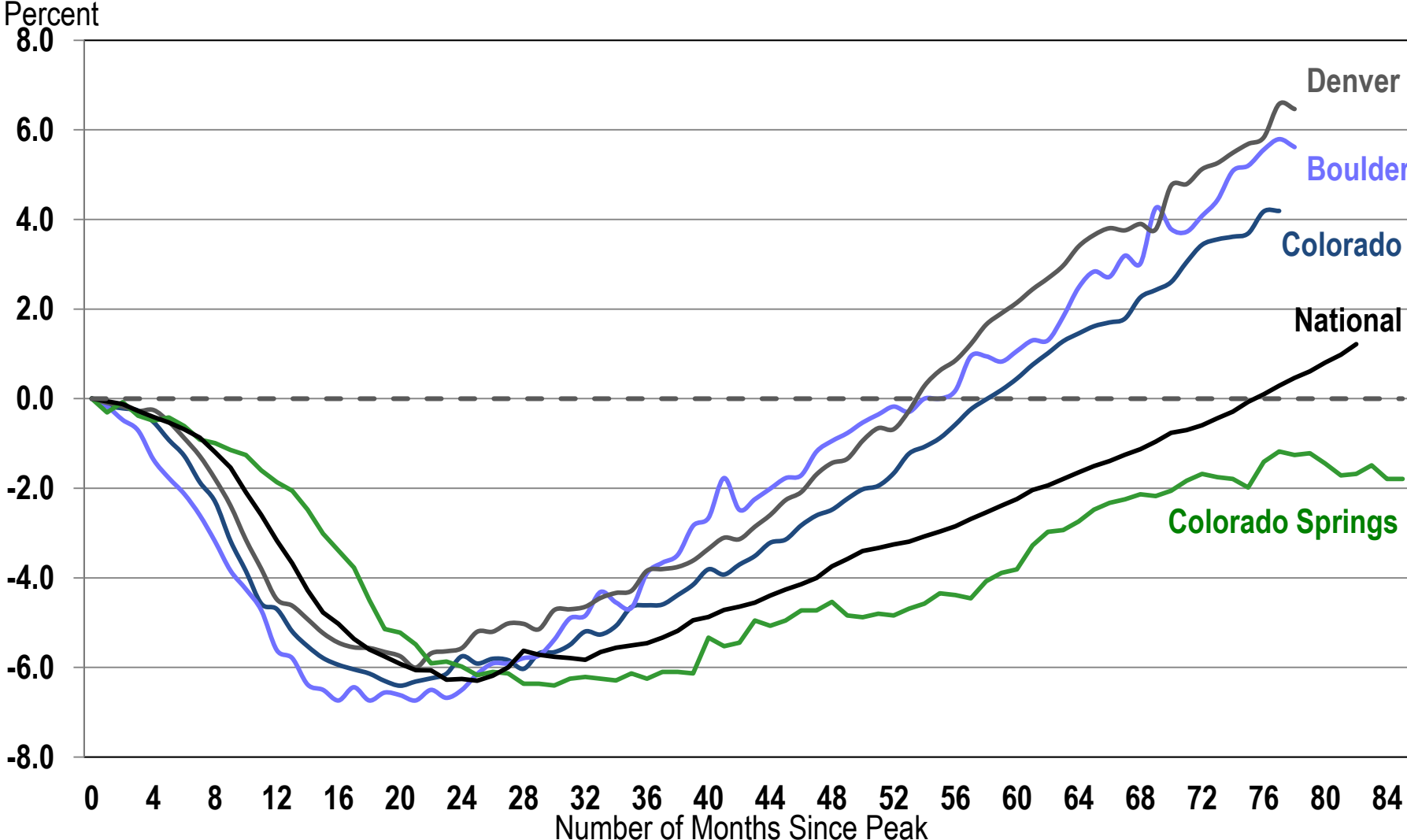
Colorado Employment Months to Recovery



Source: Bureau of Labor Statistics (Seasonally Adjusted).

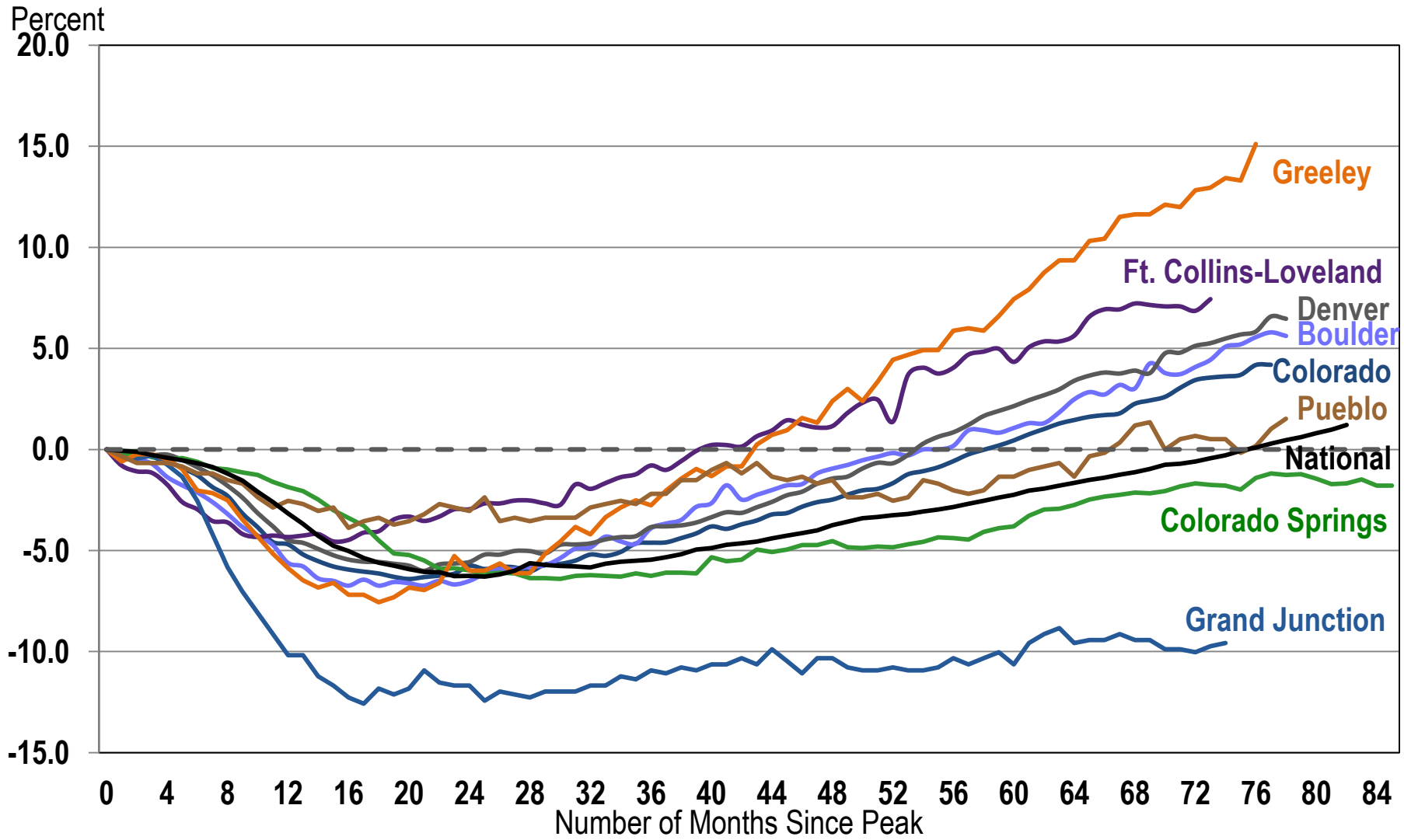
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Employment Recovery National, State, and Local

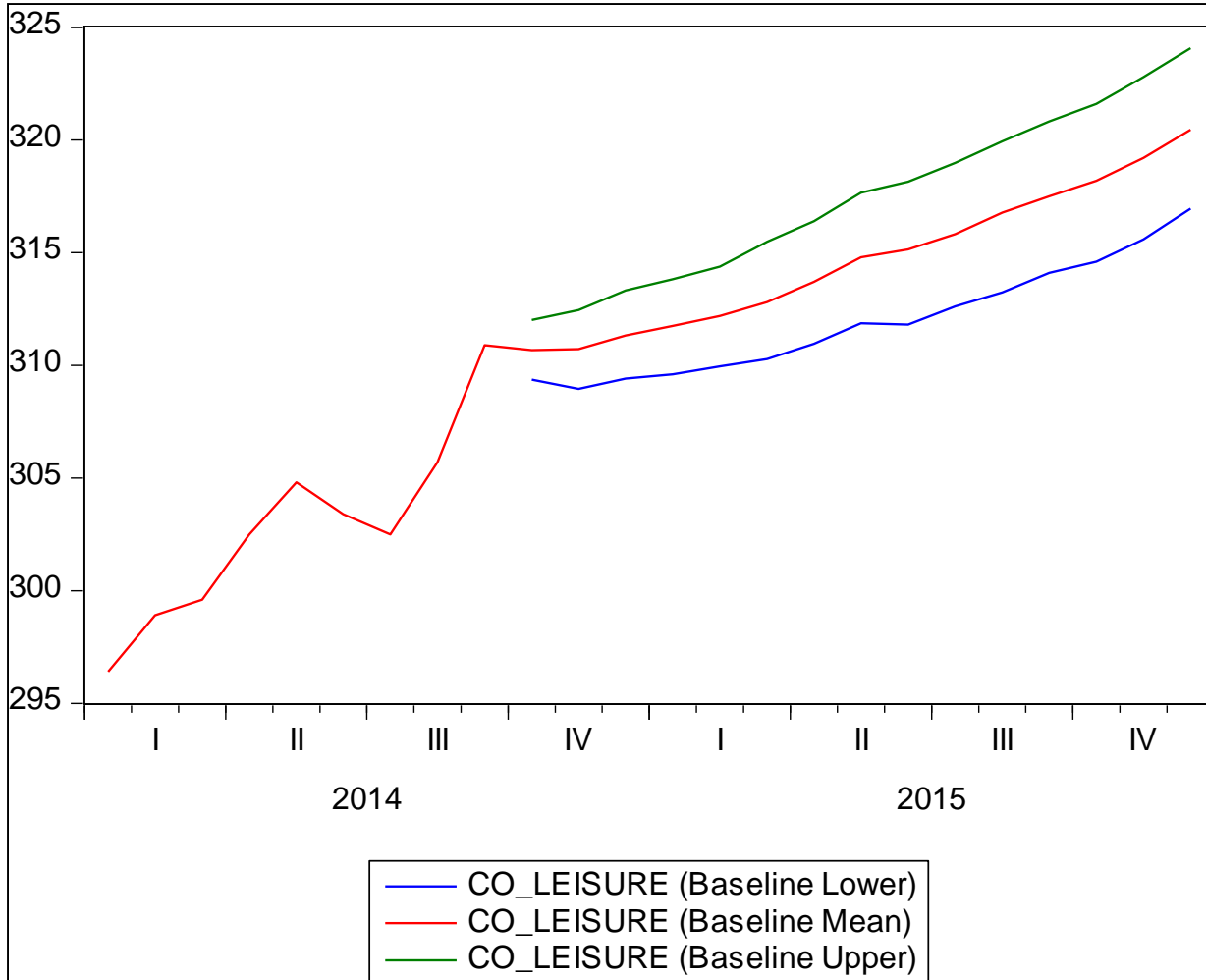


Source: Bureau of Labor Statistics (Seasonally Adjusted).

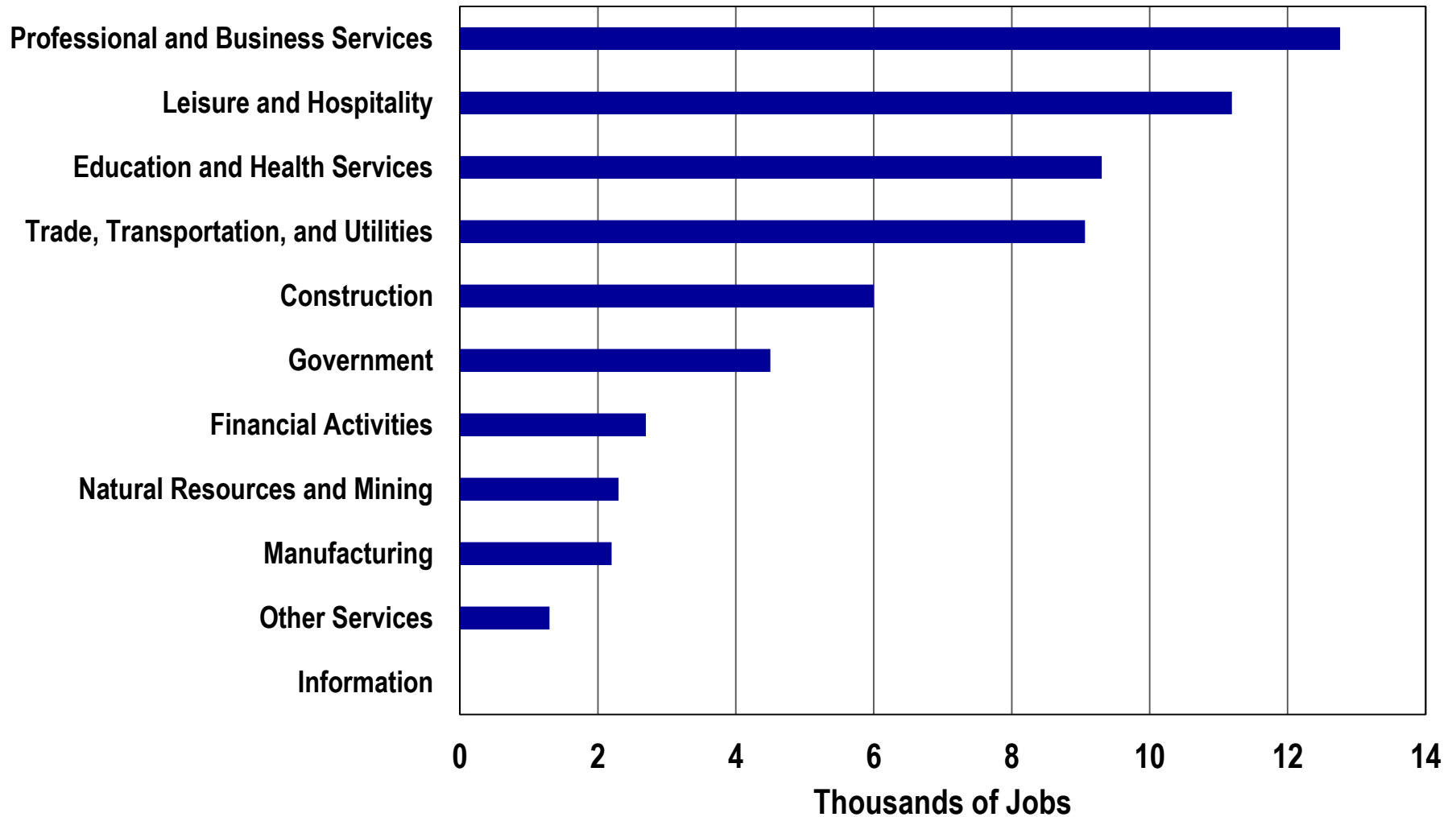
Employment Recovery National, State, and Local



Source: Bureau of Labor Statistics (Seasonally Adjusted).



Employment Change 2014-2015



Colorado Ranking Among Other States

Metric	1-Year	3-Year	5-Year	10-Year
Real GDP Growth	6	8	13	15
Employment Growth	4	4	8	10
Population Growth	3	4	4	7
Personal Income Growth	6	8	12	19
PCPI Growth	28	17	40	40
PCPI	17	16	12	11
Average Annual Pay Growth	43	27	28	31
Average Annual Pay	14	13	11	12
Unemployment Rate	26	29	18	36
Labor Force	22	16	20	9
FHFA Home Price Index	7	10	3	11

Data Sources: Bureau of Economic Analysis, Bureau of Labor Statistics, U.S. Census Bureau, Federal Housing Finance Agency, and the Colorado State Demography Office. BRD calculations. Note: 1-year, 3-year, and 5-year are based on the compound annual growth rate.



Kelly J. Brough
President and CEO

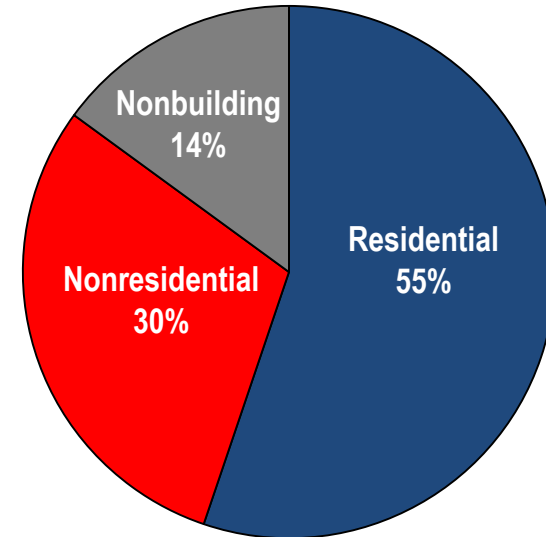


Construction



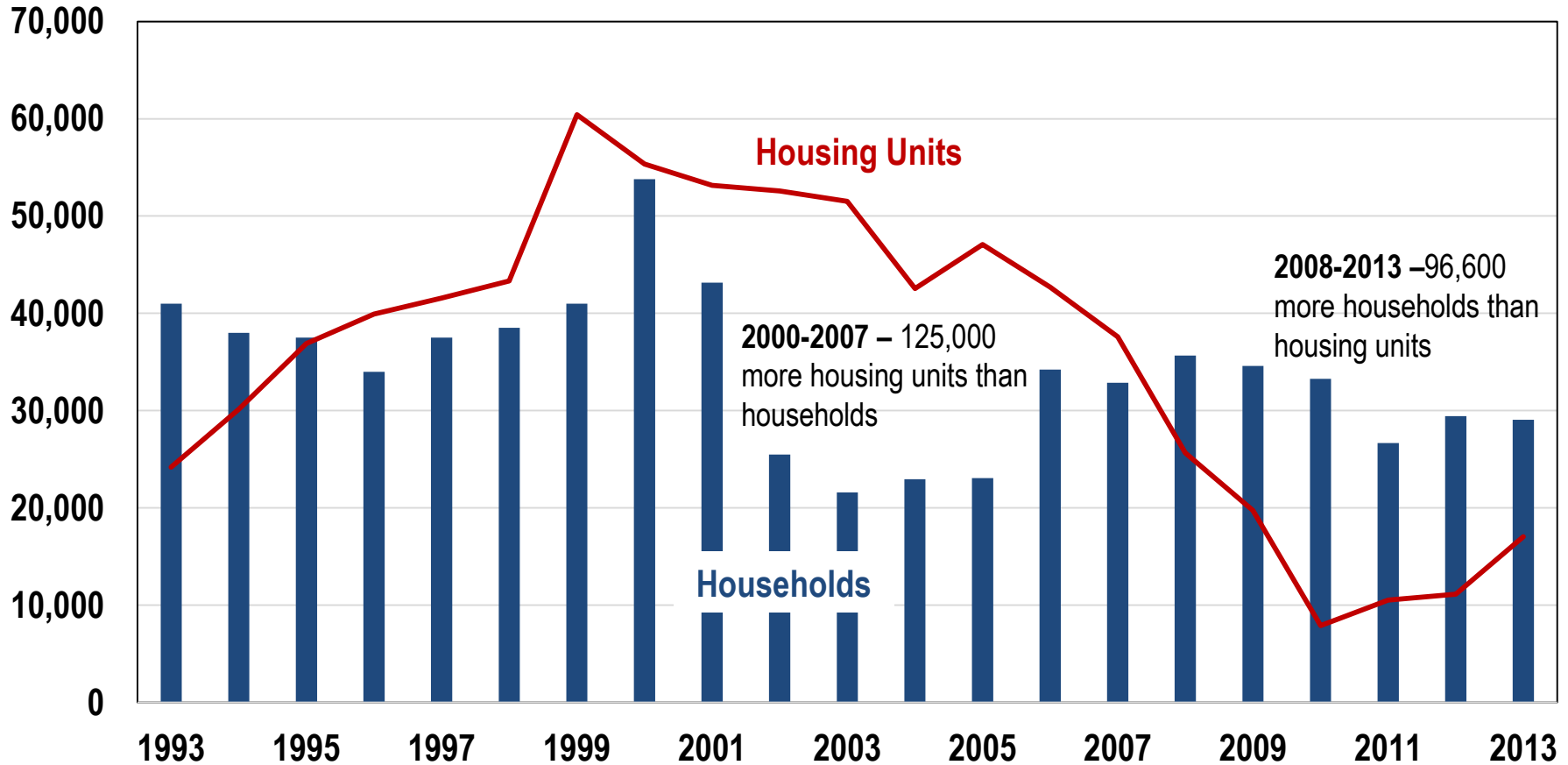
Photo Courtesy www.rtd-fastracks.com

Value of Construction



Housing Units vs. Households

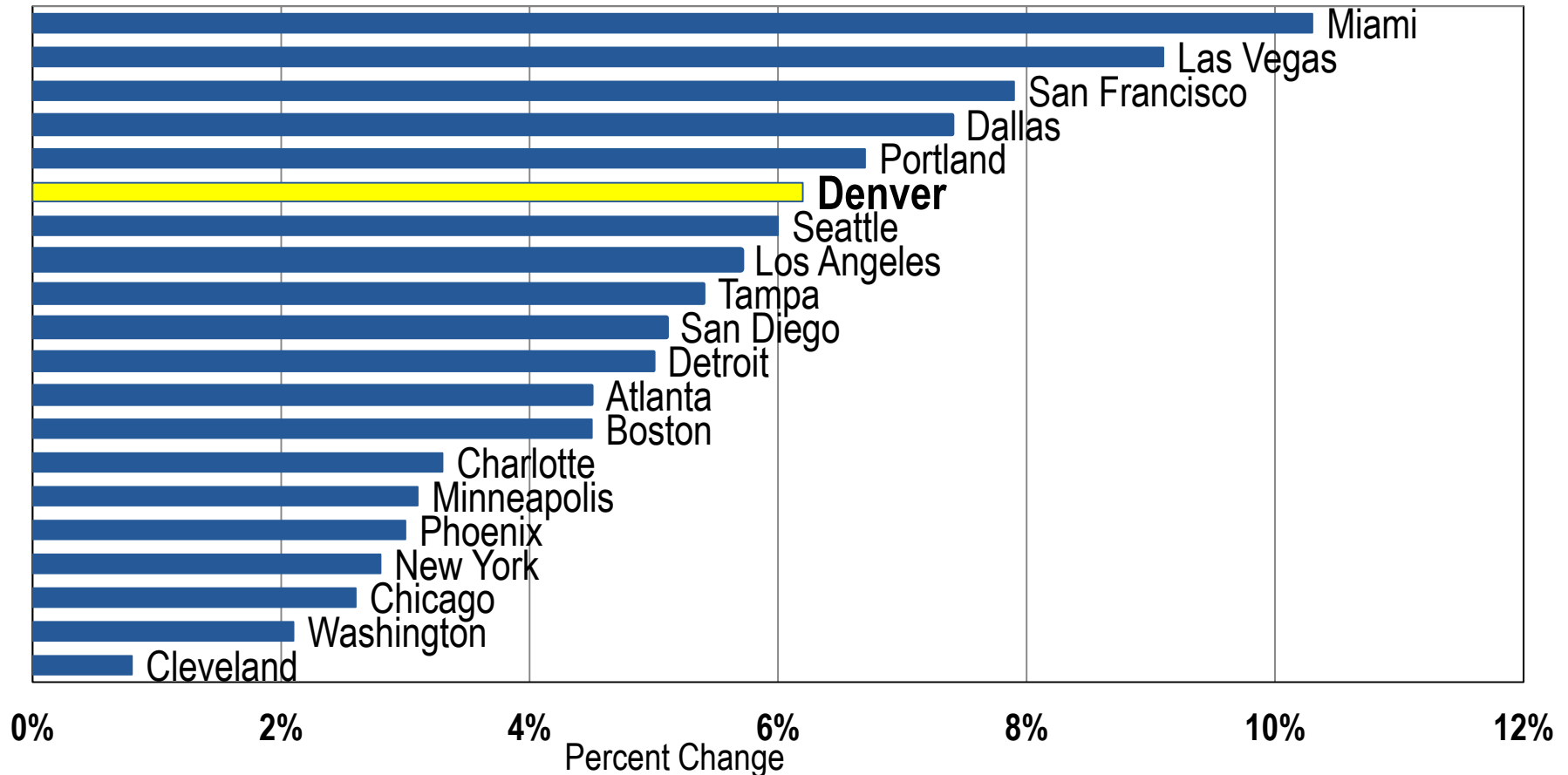
Annual Change



Source: Colorado State Demography Office. Data as of September 2014.

S&P/Case-Shiller Home Price Indices

1-year Home Price Change, September 2014

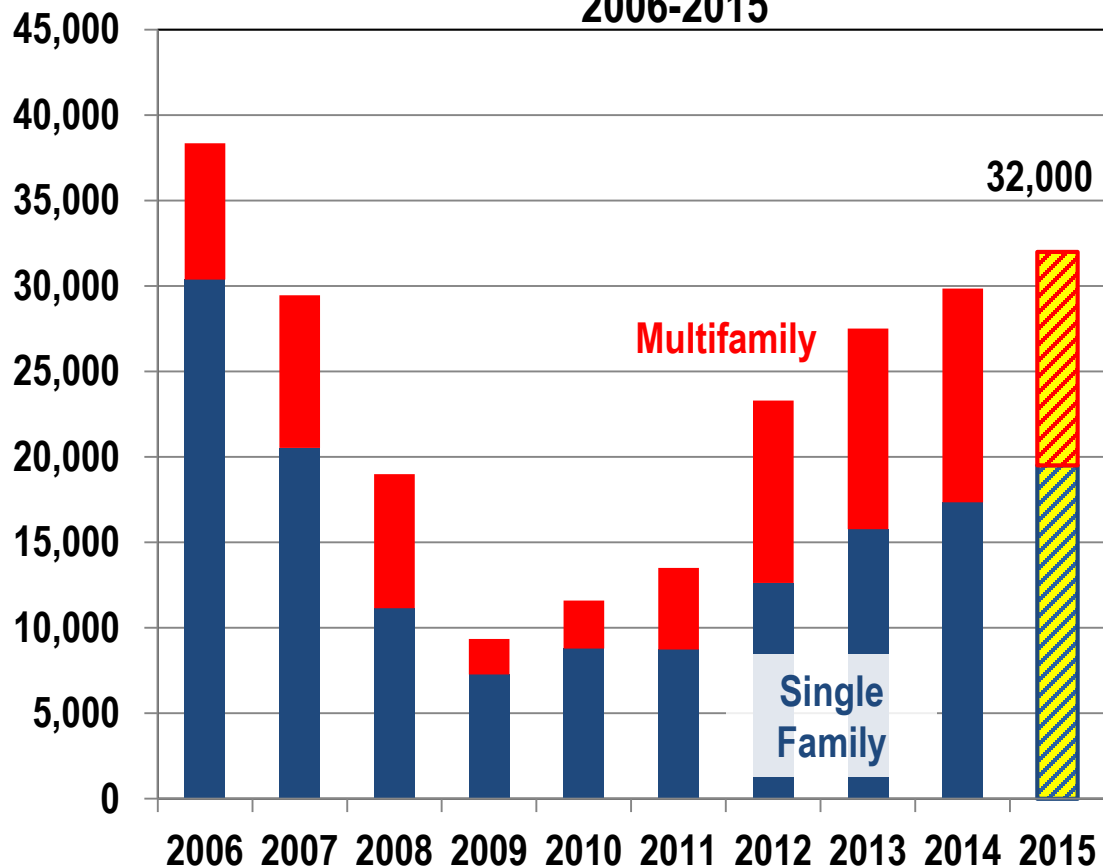


Source: Standard & Poor's (Not Seasonally Adjusted).

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Residential Building Permits

Residential Building Permits
2006-2015



Impacted by:

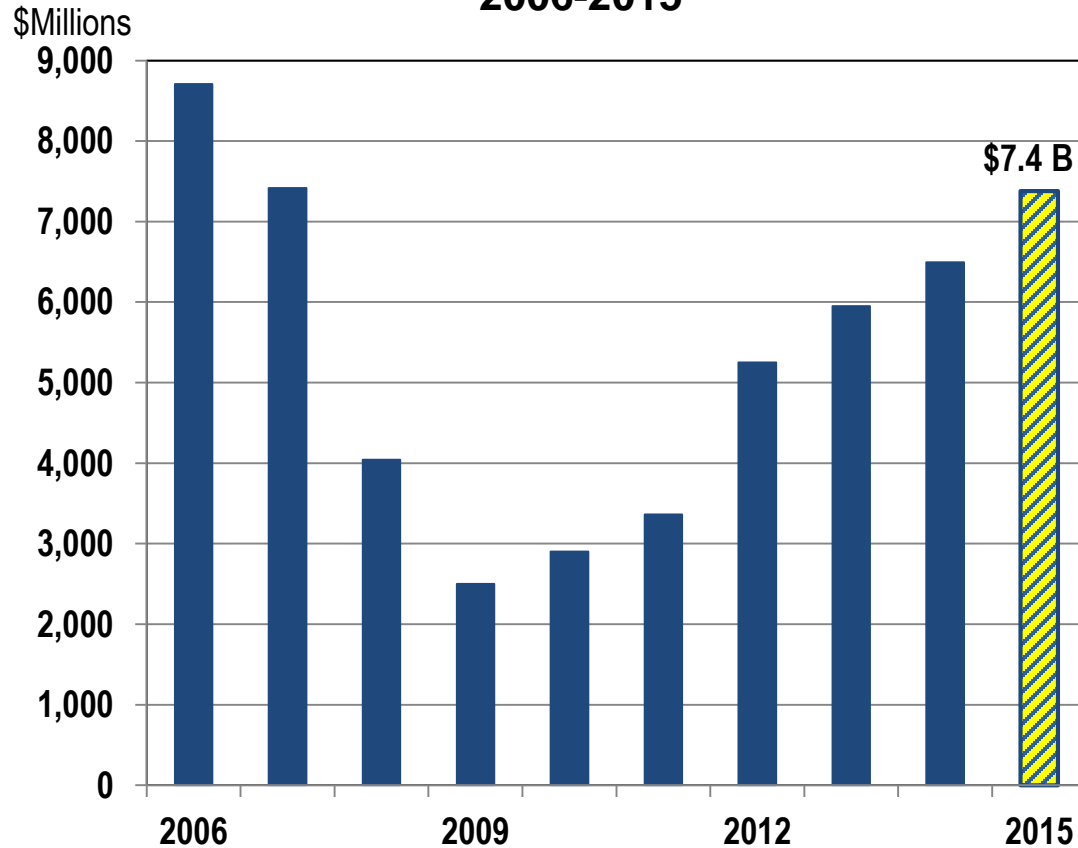
- Household formation
- Mortgage interest rates
- Construction defects law
- Demographics

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

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Value of Construction Residential

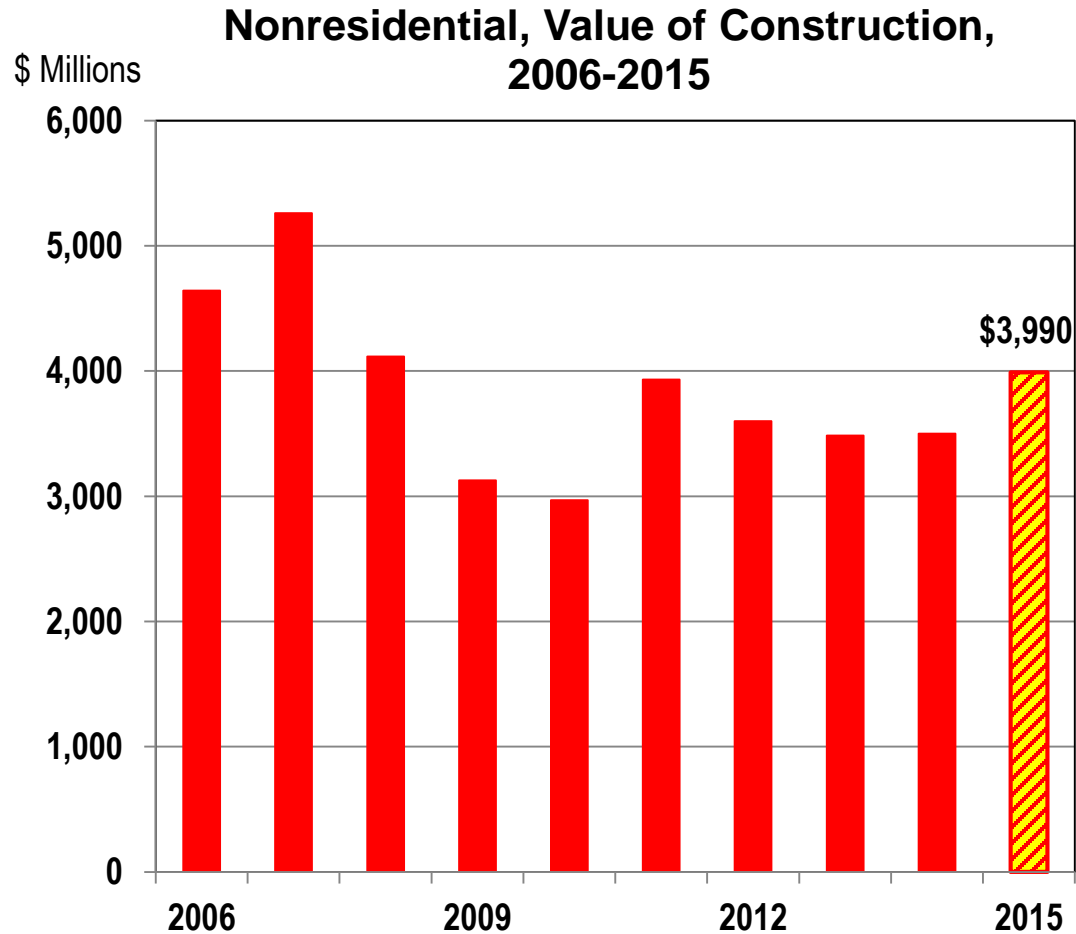
Residential, Value of Construction
2006-2015



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

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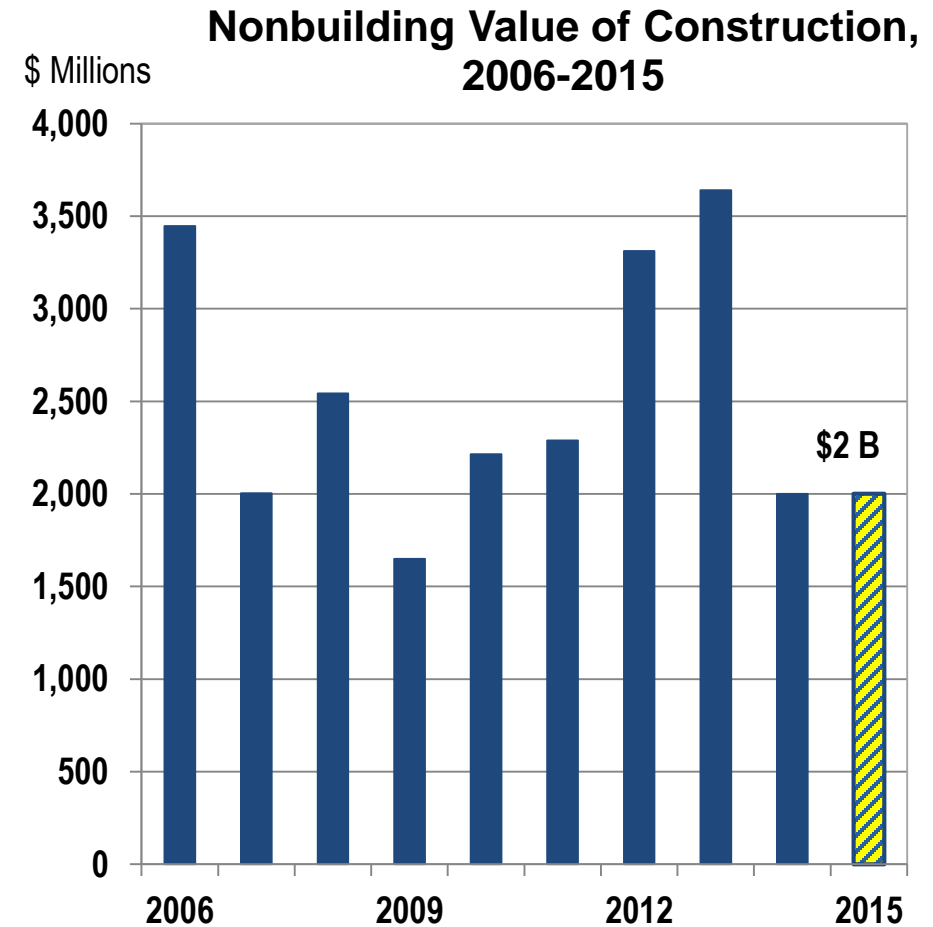
Value of Construction Nonresidential



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

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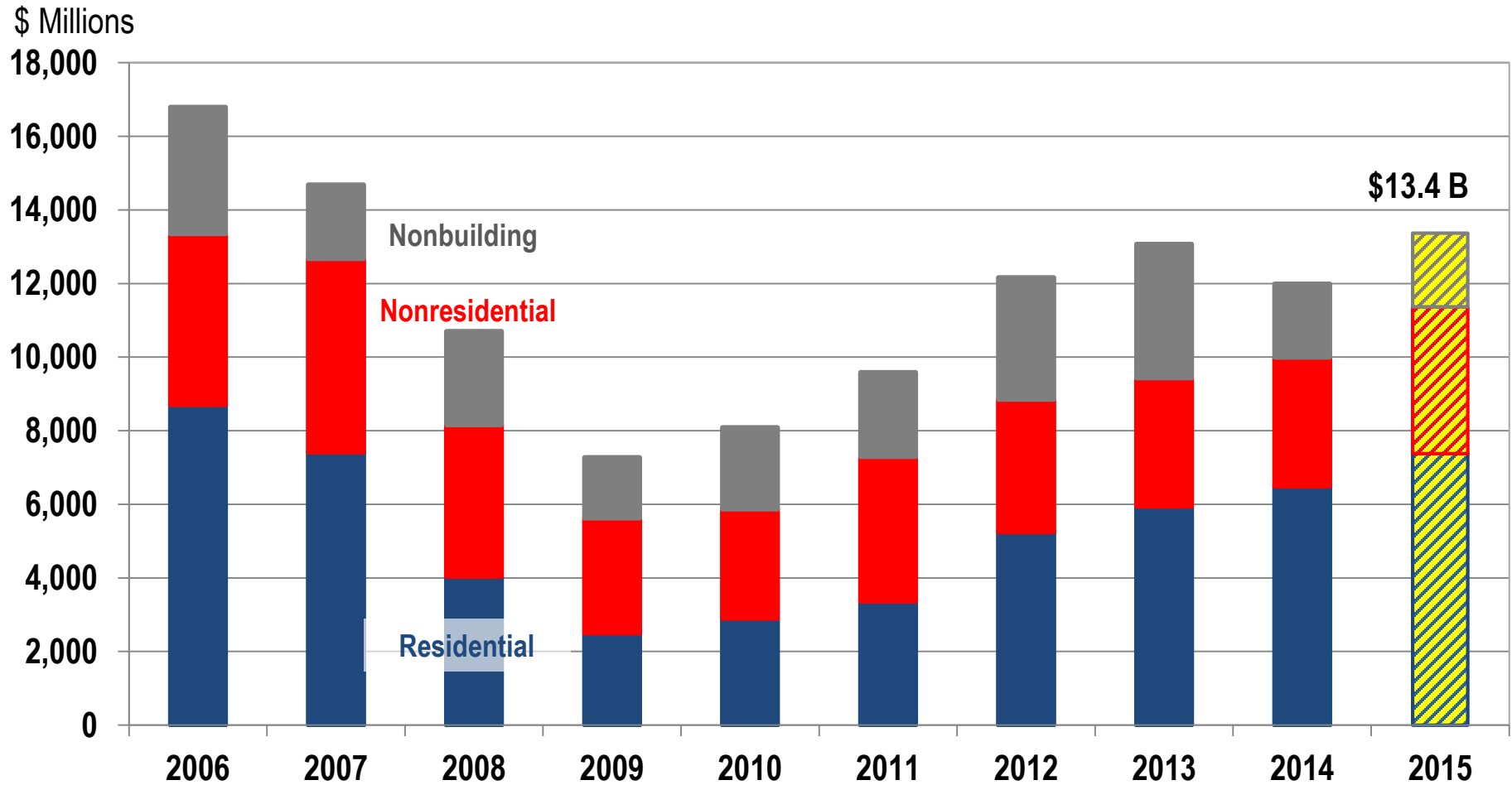
Value of Construction Nonbuilding



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

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Value of Construction



Sources: McGraw-Hill Construction Dodge Research and Analytics and Colorado Business Economic Outlook Committee.

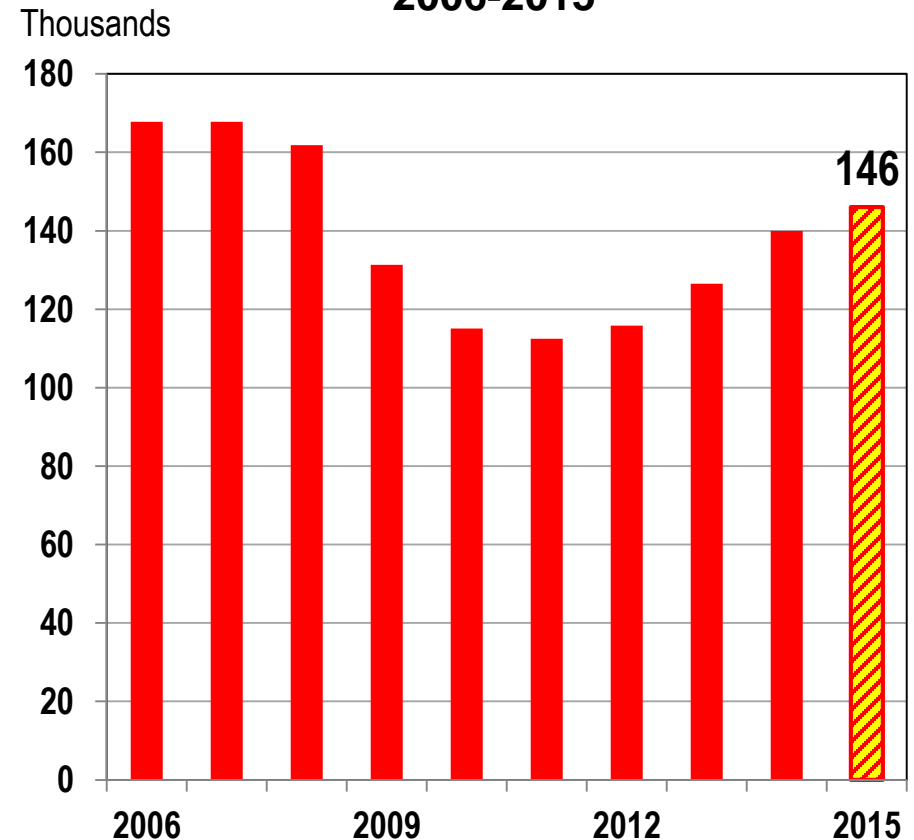
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Construction Employment



Photo Courtesy of Breckenridge Brewery.

Construction Workers 2006-2015



Sources: Colorado Department of Labor and Employment and Colorado Business Economic Outlook Committee.

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Agriculture



Photo courtesy of Laurie Purcell.

Gross Farm Revenue and Net Income

**Gross Farm Revenue
2005-2014**

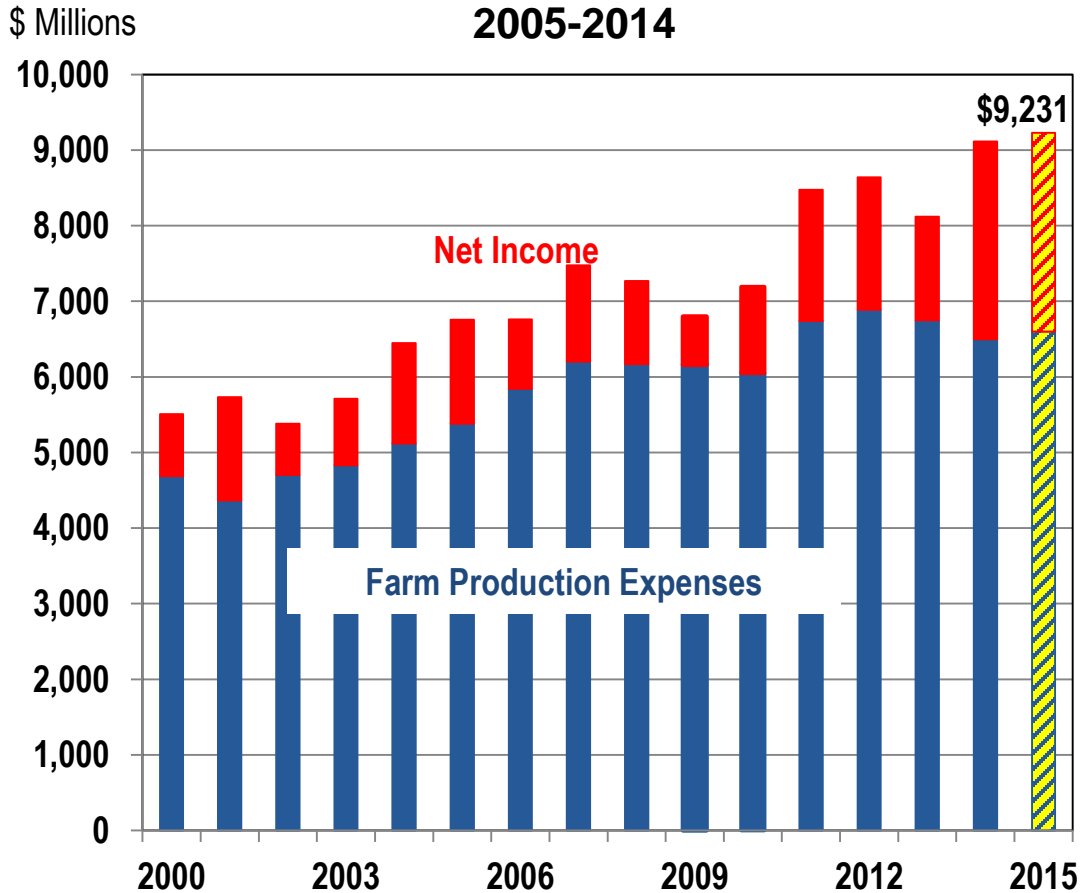
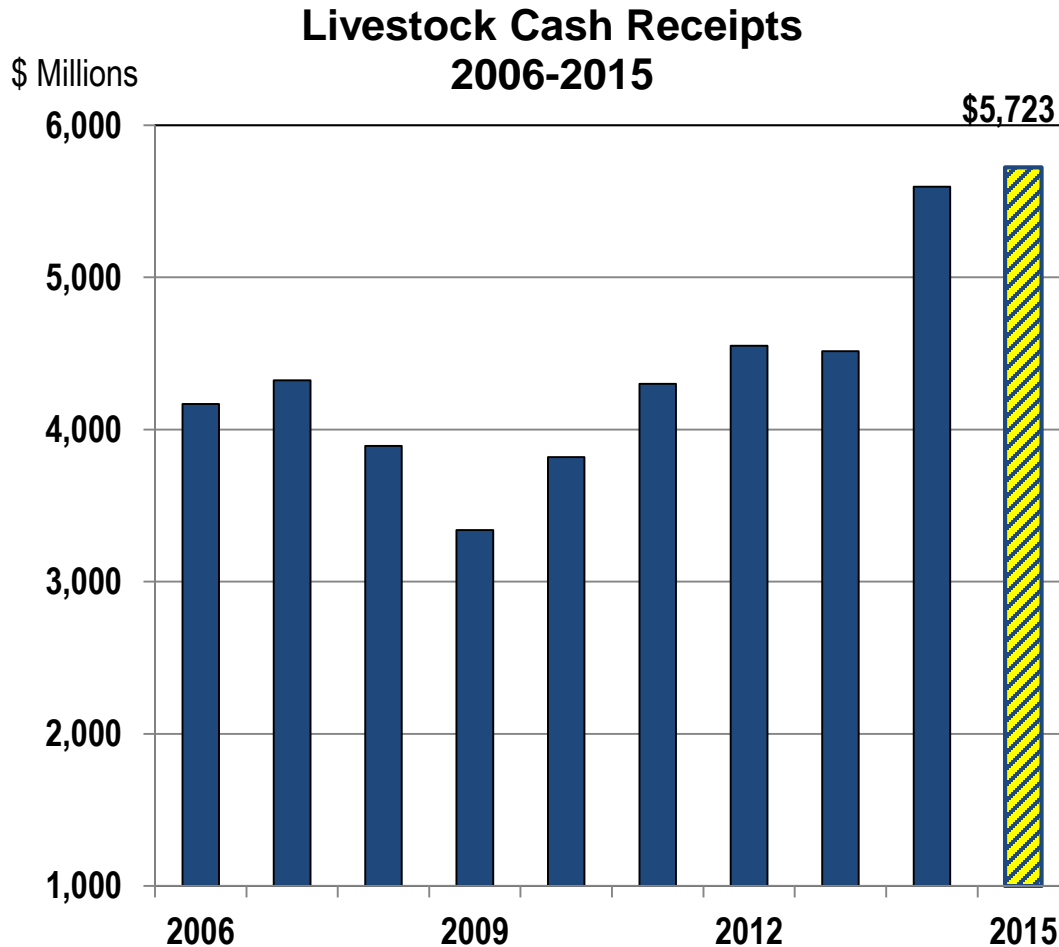


Photo courtesy of Cheryl Jacobson.

Source: Colorado Business Economic Outlook Committee.

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Livestock Cash Receipts



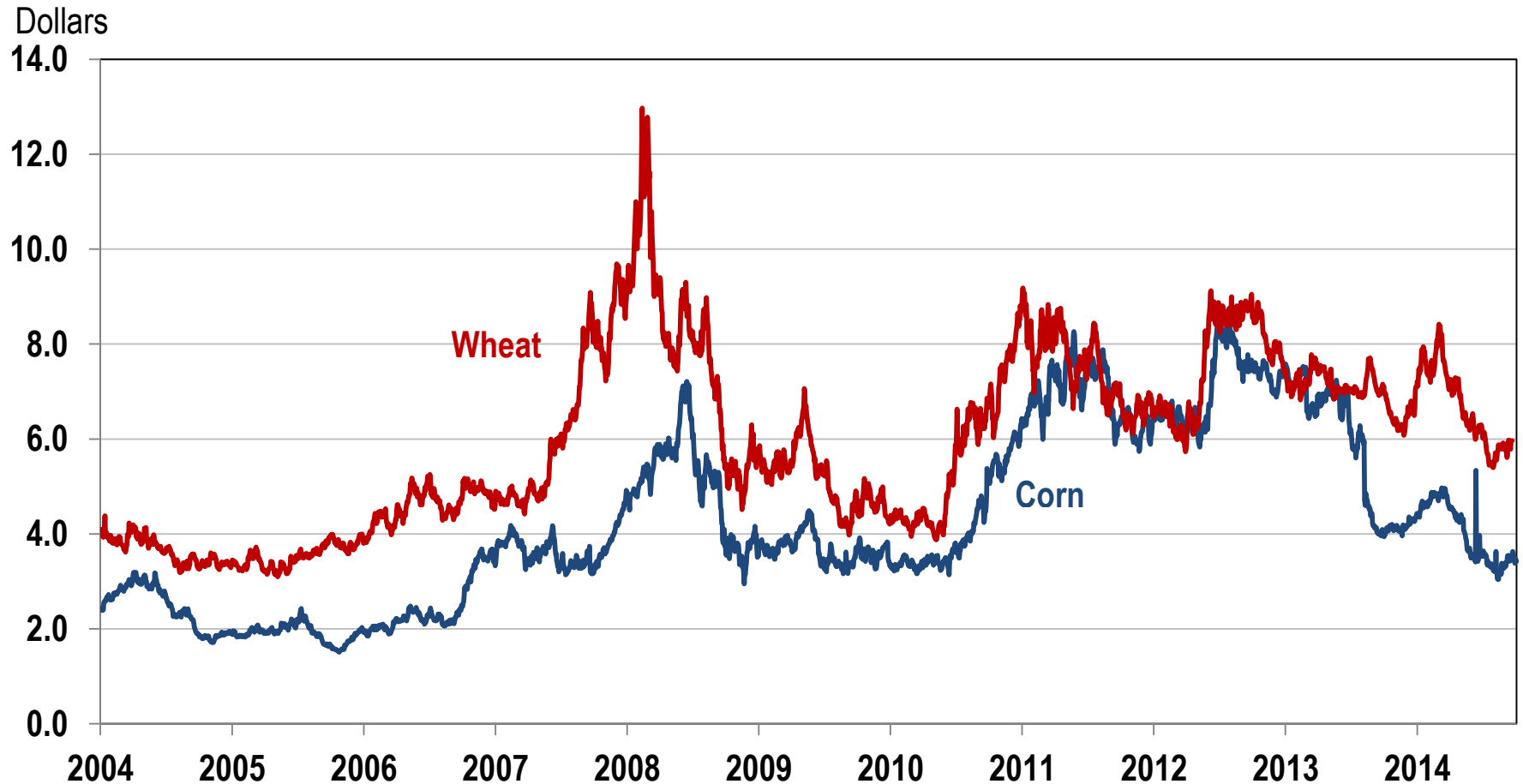
- 71% of total value of production in Colorado
- Rebuilding herds
- Prices peaking in 2015
- Cattle and calves record high cash receipts

Source: Colorado Business Economic Outlook Committee.

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Commodity Prices

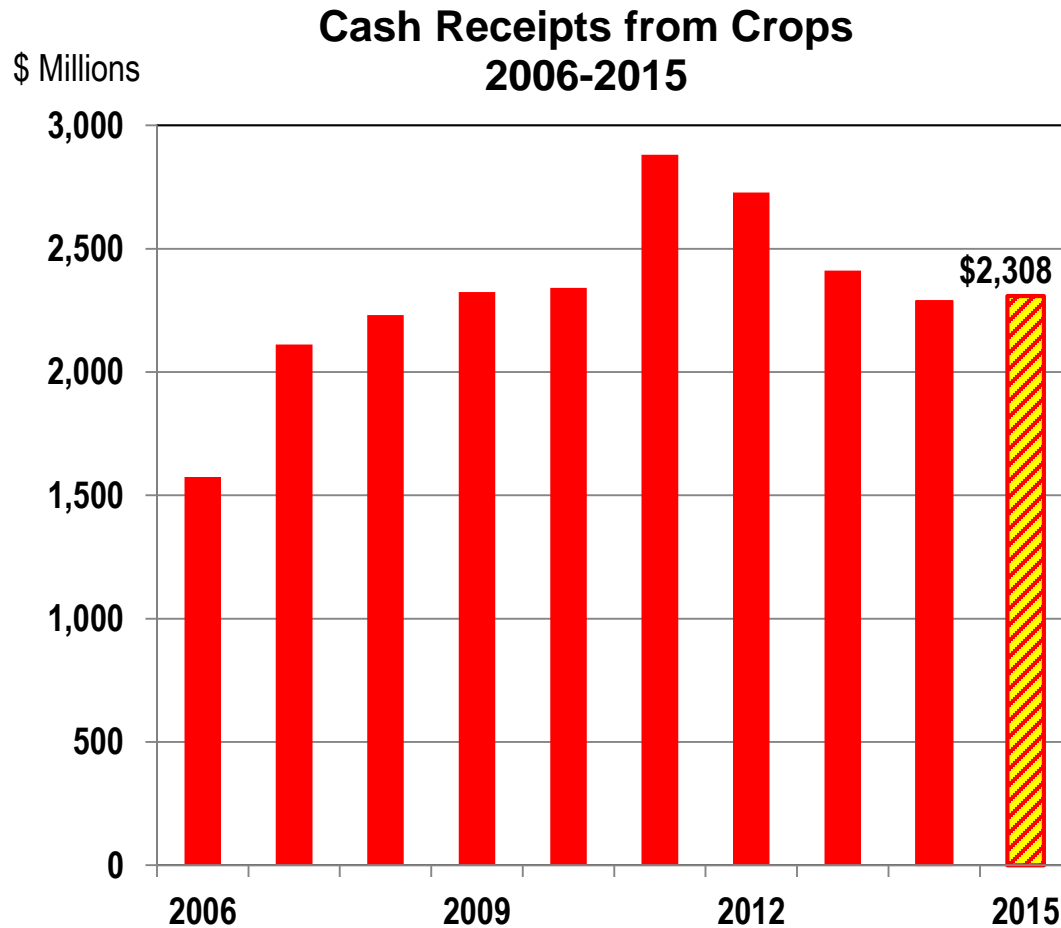
Wheat and Corn



Sources: Prices from U.S. Department of Agriculture (No. 1 hard red winter - ordinary protein, Kansas City, MO), Bloomberg (USDA Toledo No. 2 Yellow Corn Not on the River Spot Price). Data through November 24, 2014.

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Crops Cash Receipts



- Lower prices for most crops in 2014
- Major crops: wheat, corn, and hay
- Cash receipts fell in 2014
- Expected to increase less than 1% in 2015

Source: Colorado Business Economic Outlook Committee.

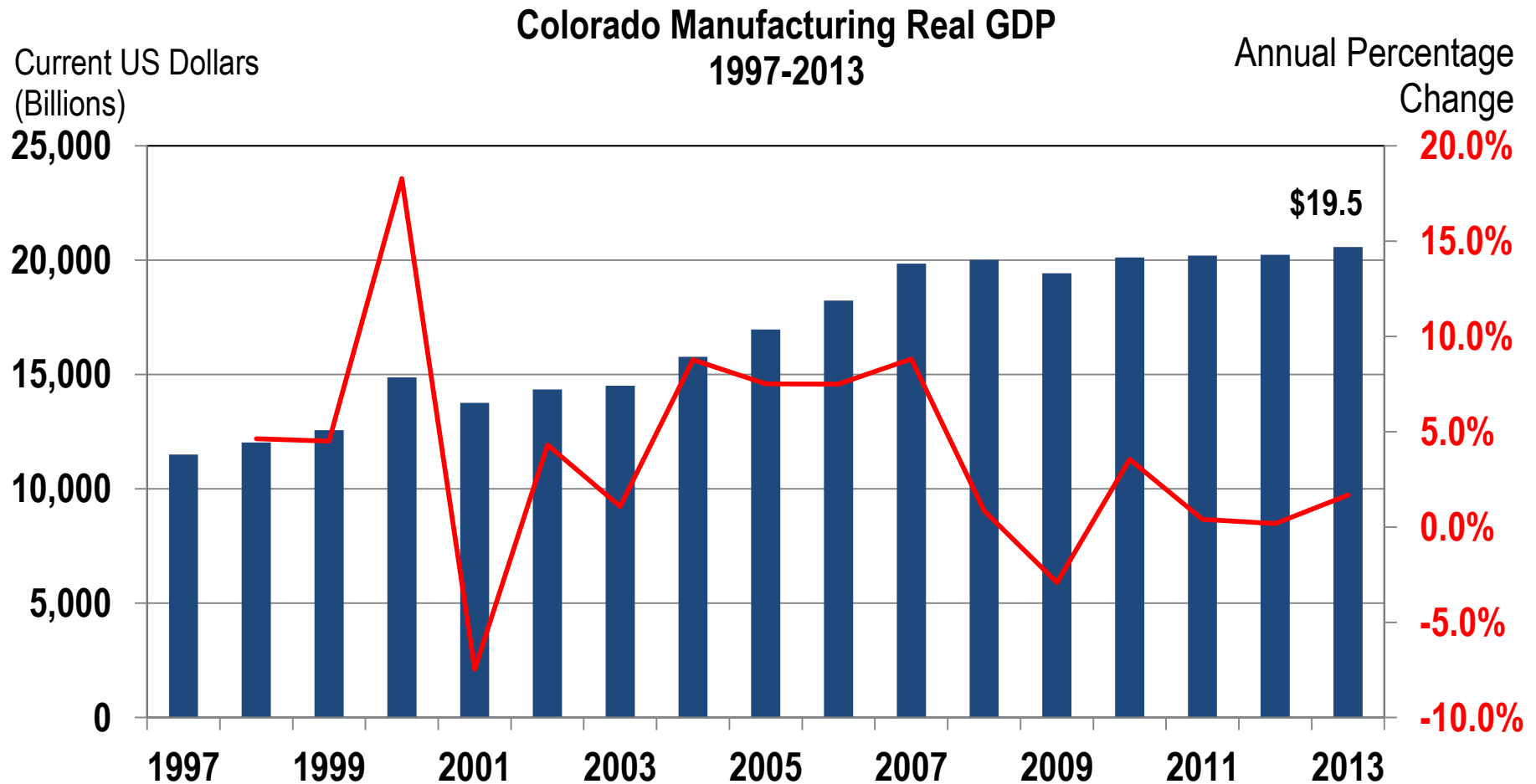
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Manufacturing



Manufacturing Real GDP

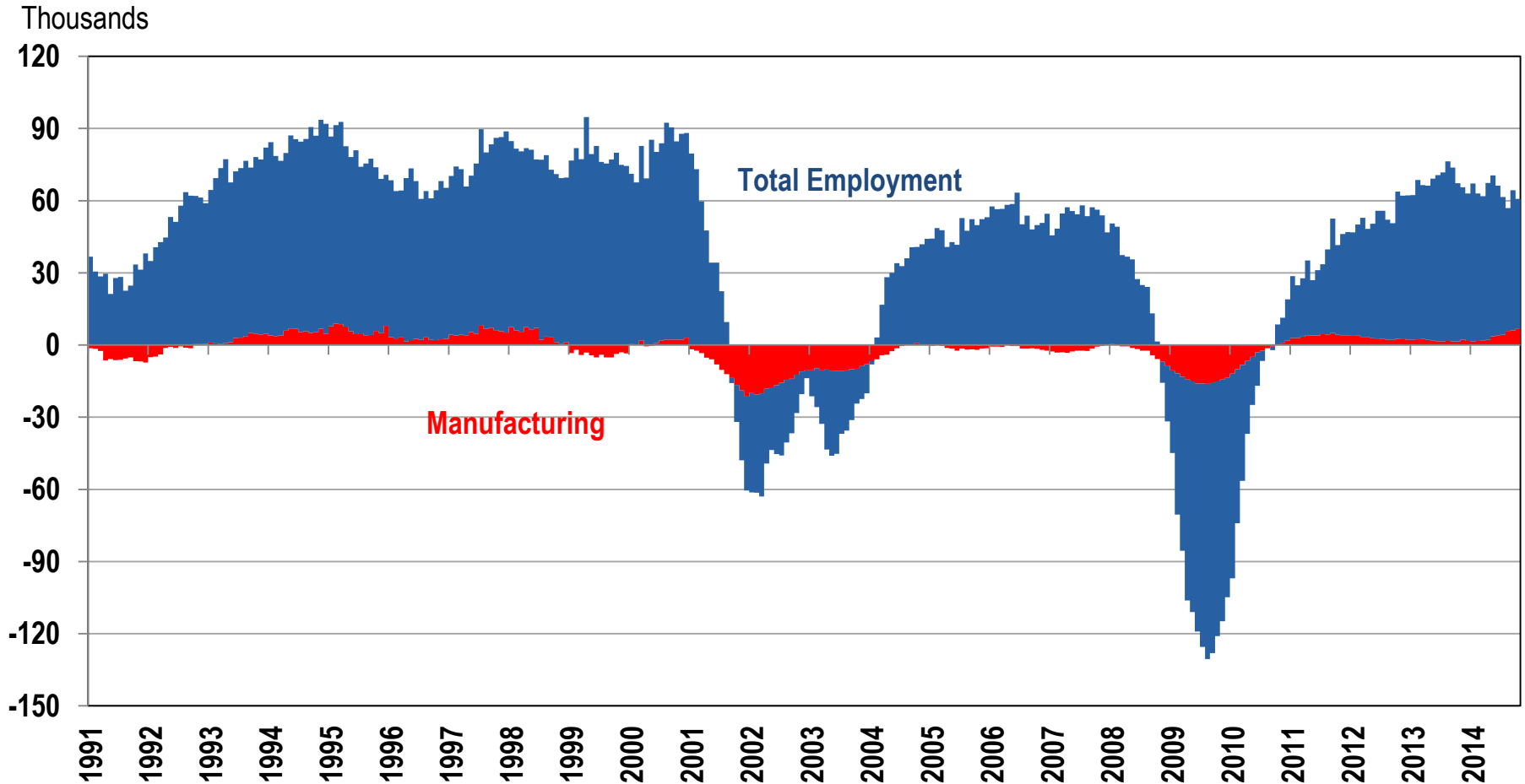
Colorado



Source: Bureau of Economic Analysis.

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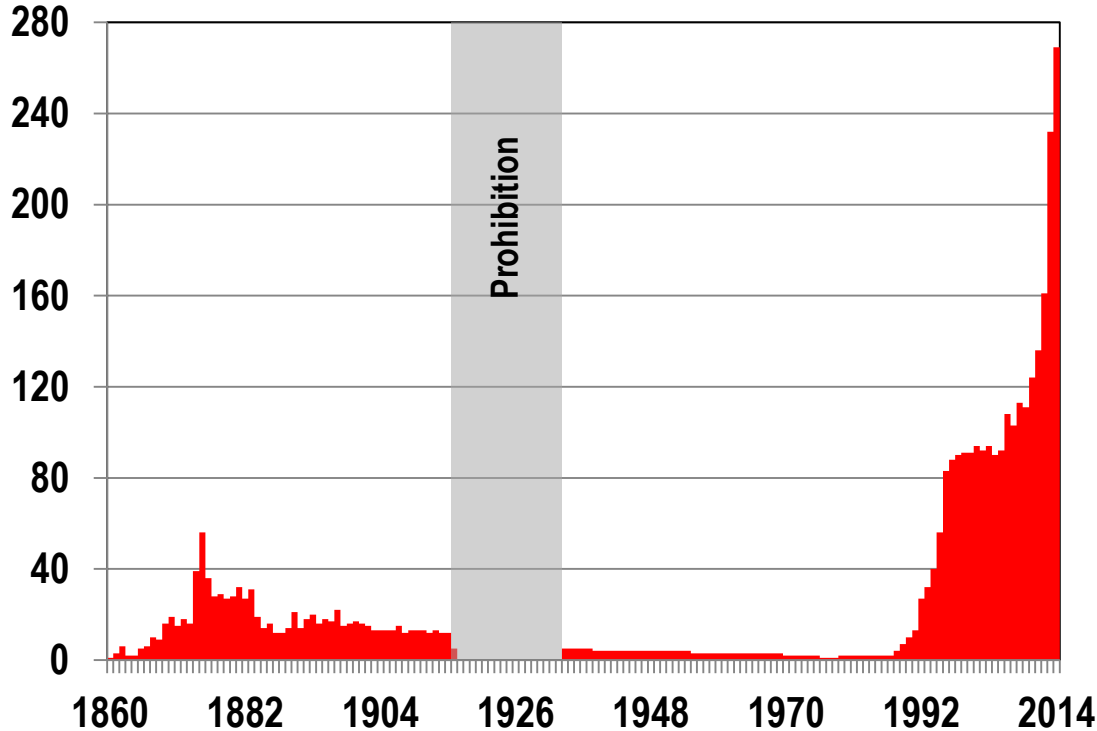
Manufacturing and Total Jobs Added Colorado



Nondurable Goods

COLORADO BREWERIES 1860-2014

Number of
Breweries

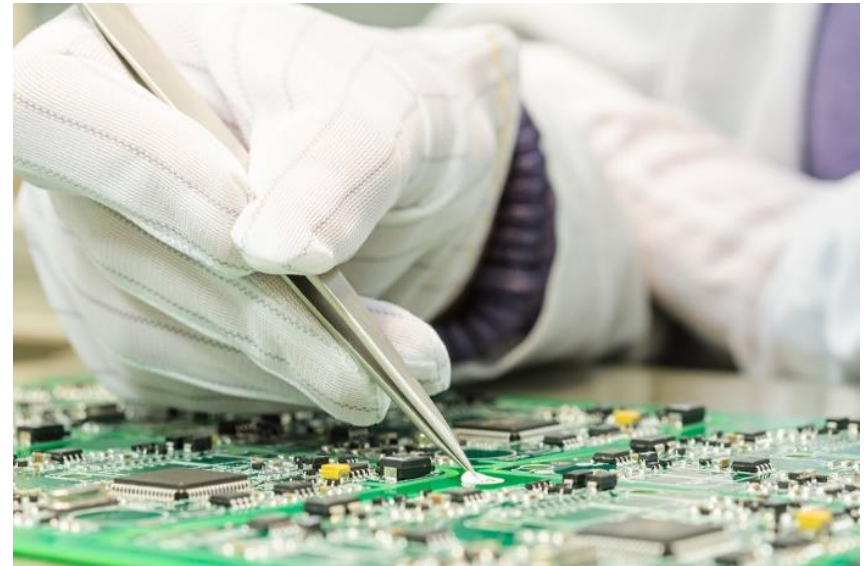


Source: Colorado Brewers Guild.

- Account for 35% of manufacturing employment
- Food manufacturing largest subsector
- Food manufacturing adding the most jobs in 2015
- Beverage manufacturing boosted by craft brewing and distilling

Durable Goods

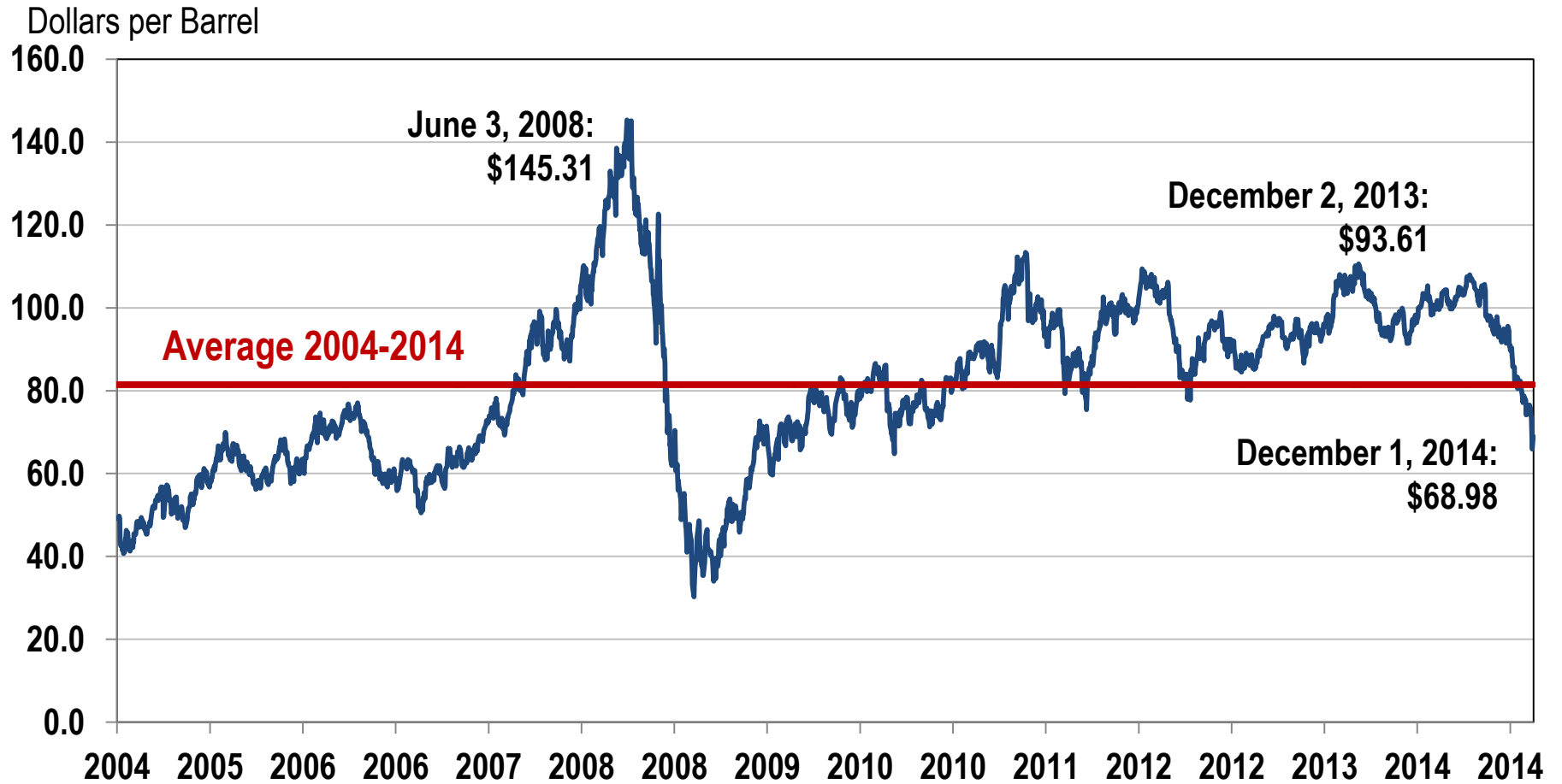
- Account for 65% of manufacturing employment
- 2015 Growth in:
 - Nonmetallic minerals
 - Fabricated metals
- 2015 Declines in:
 - Computer and electronic products
 - Transportation equipment



Natural Resources and Mining



WTI Oil Price



Source: EIA, Cushing, OK WTI Spot Price FOB (Dollars per Barrel).

Crude Oil Production

- **Largest Producers**

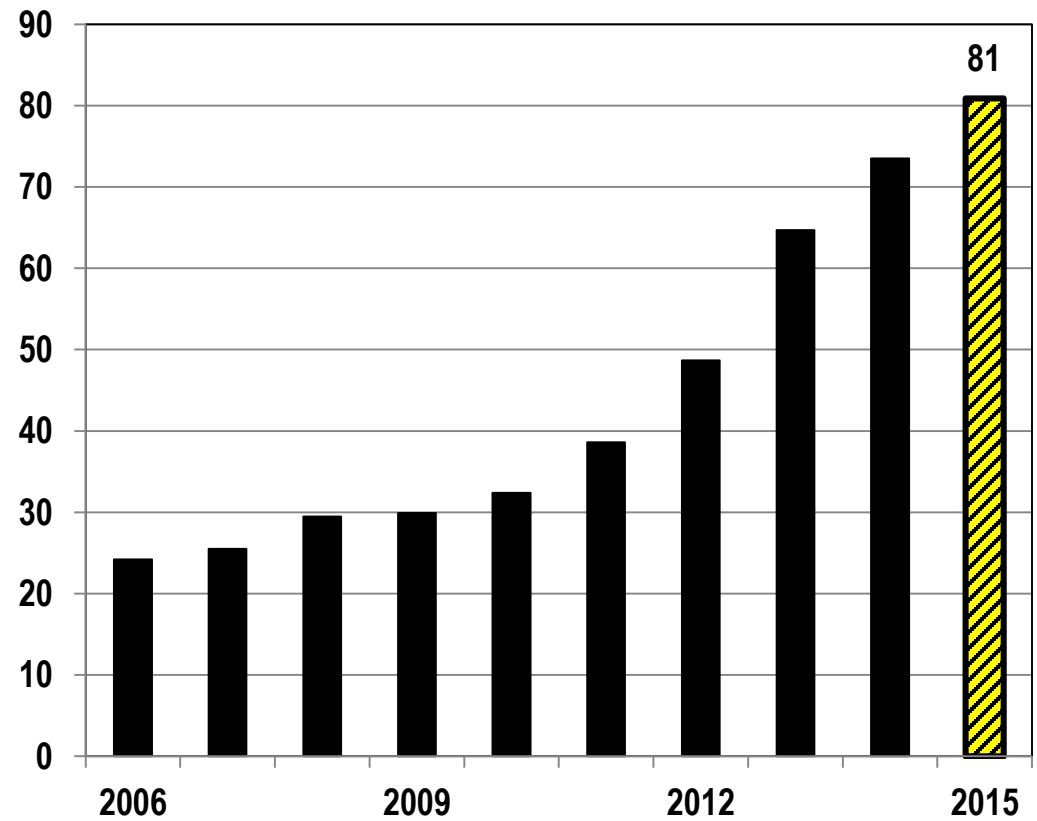
1. Texas
2. North Dakota
3. California
4. Alaska
5. New Mexico
6. Oklahoma
7. Colorado

- **Production boosted by**

- Horizontal drilling
- Hydraulic fracturing

Millions of
Barrels

**Crude Oil Production
2006-2015**

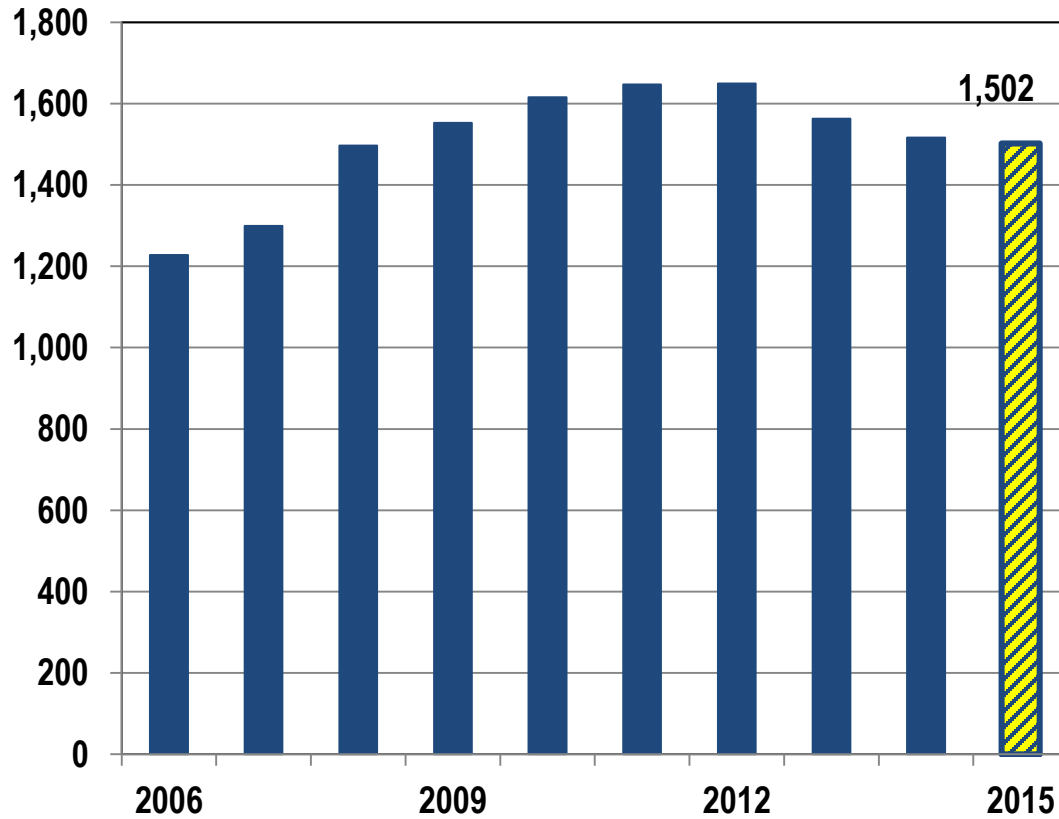


Sources: Colorado Geological Survey Mineral and Mineral Fuel Activity Reports, Colorado Oil and Gas Conservation Commission, Department of Minerals and Geology, and Colorado Business Economic Outlook Committee.

Natural Gas Production

Billions of
Cubic Feet

**Natural Gas Production
2006-2015**

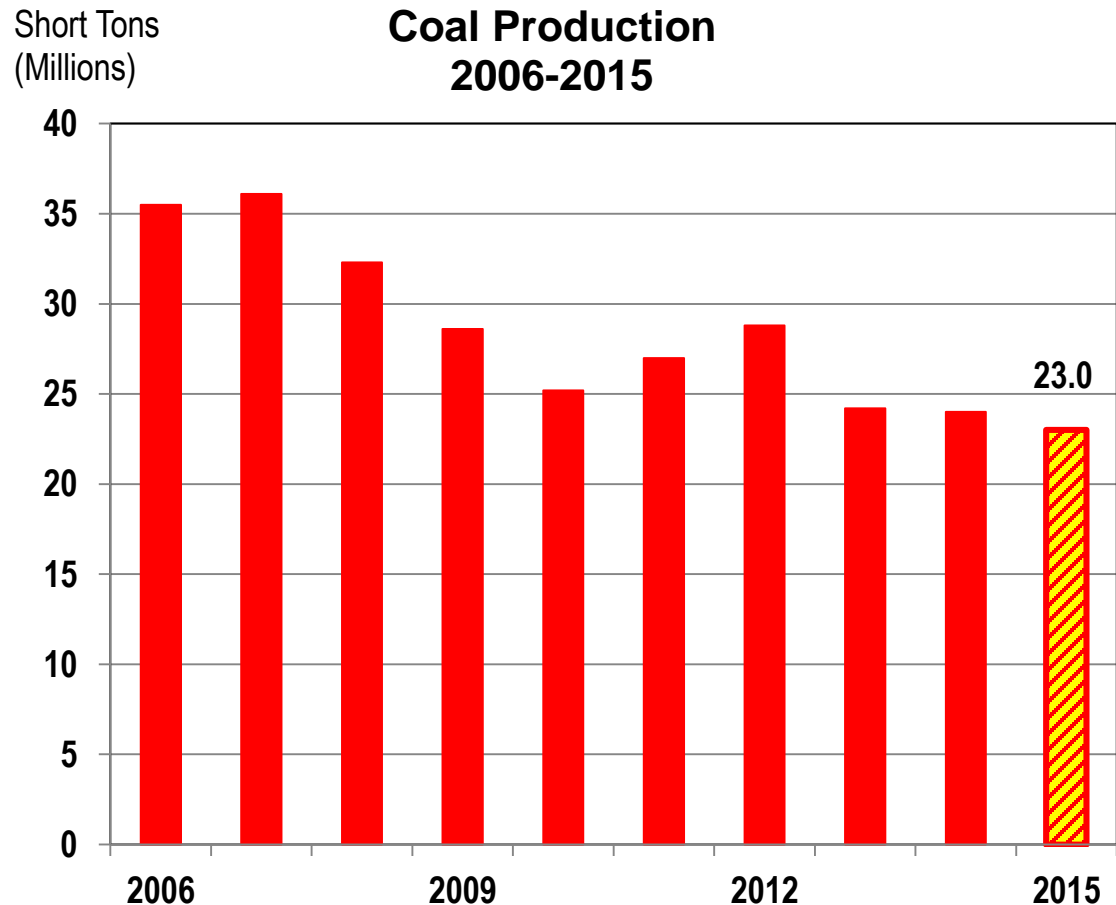


- **Sixth-largest producing state**
- **Average residential gas prices in Colorado for 2013 were the second-lowest in the country**
- **Net exporter of natural gas**
- **Total value of production stagnant due to prices**

Sources: Colorado Geological Survey Mineral and Mineral Fuel Activity Reports, Colorado Oil and Gas Conservation Commission, Department of Minerals and Geology, and Colorado Business Economic Outlook Committee.

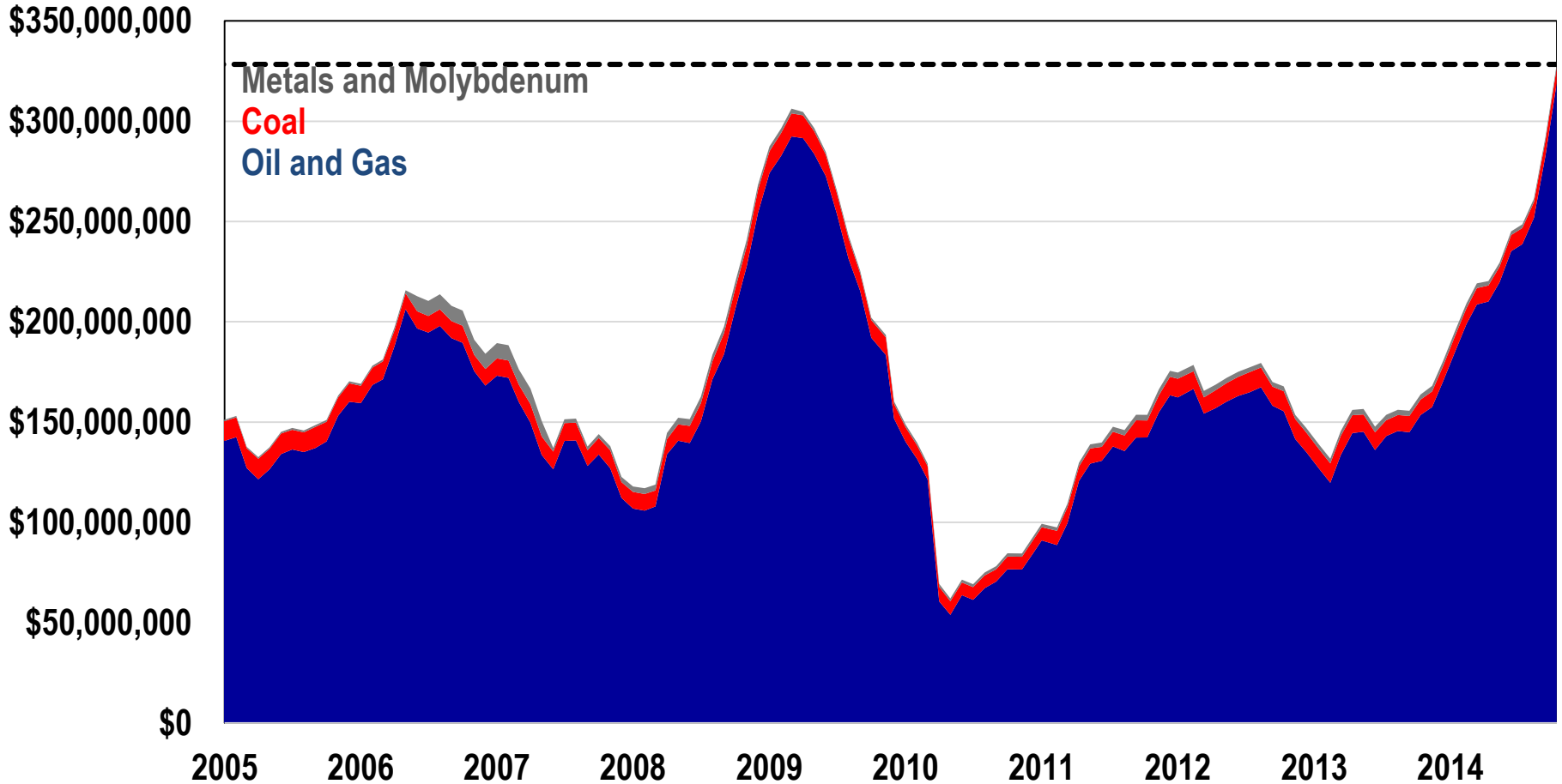
Coal Production

- Production level in 2015 is expected to be the lowest since mid 1990s
- State ranking slipped to 11th in 2014
- Fastest growing major source of electricity worldwide
- Government mandates for renewable energy is limiting sales locally and nationally



Severance Taxes

12-Month Sum, Millions



Source: Colorado Department of Revenue.

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Renewables

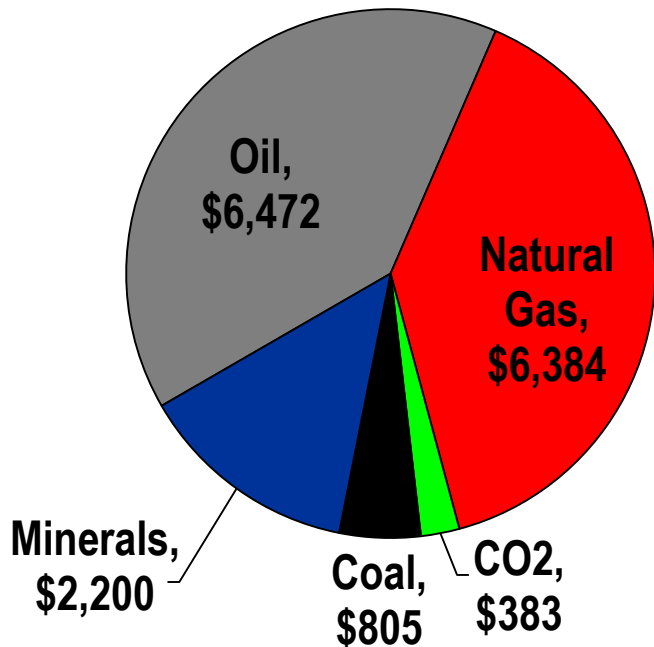
- First renewable portfolio standard in the country
- Includes wind, solar, hydro, geothermal and biomass
- 16.7% of net generation in 2013
- Most of Colorado's renewable energy comes from wind resources
- Colorado ranks sixth nationally in renewable energy potential



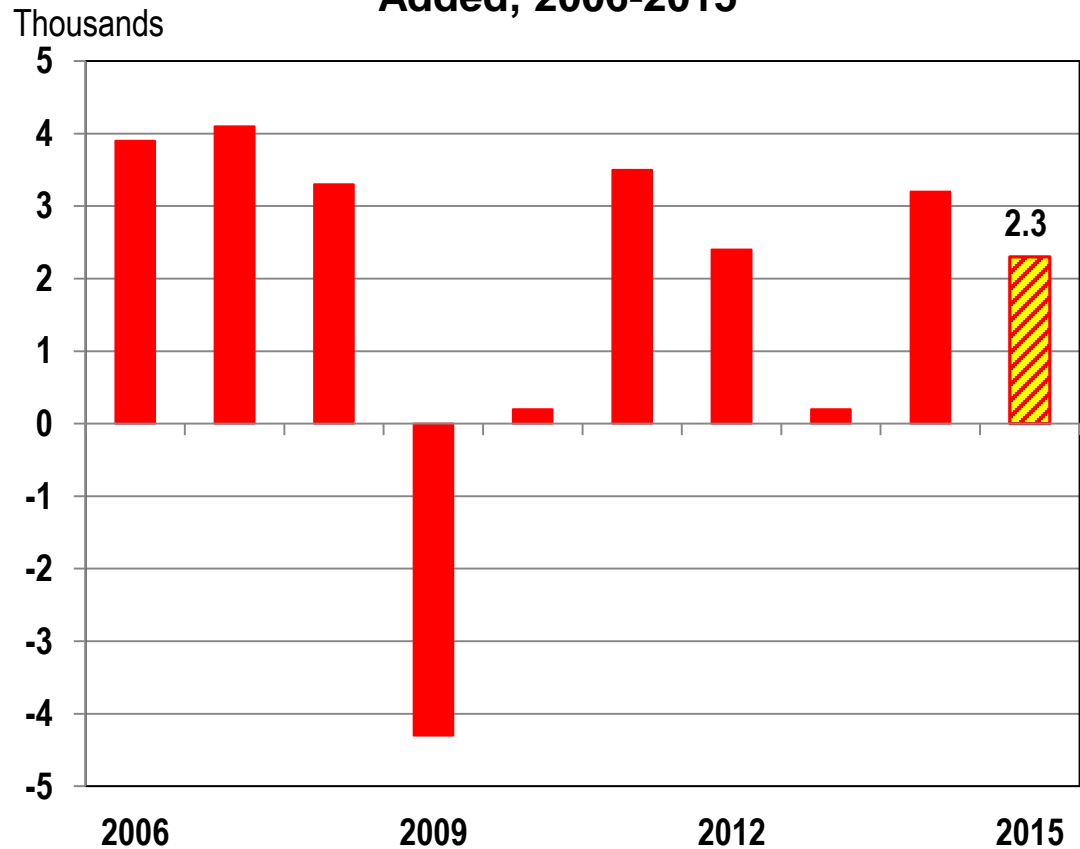
Natural Resources and Mining

Valuation and Employment

2015 Value of Resources
(In Millions of Dollars)
\$16.2 Billion



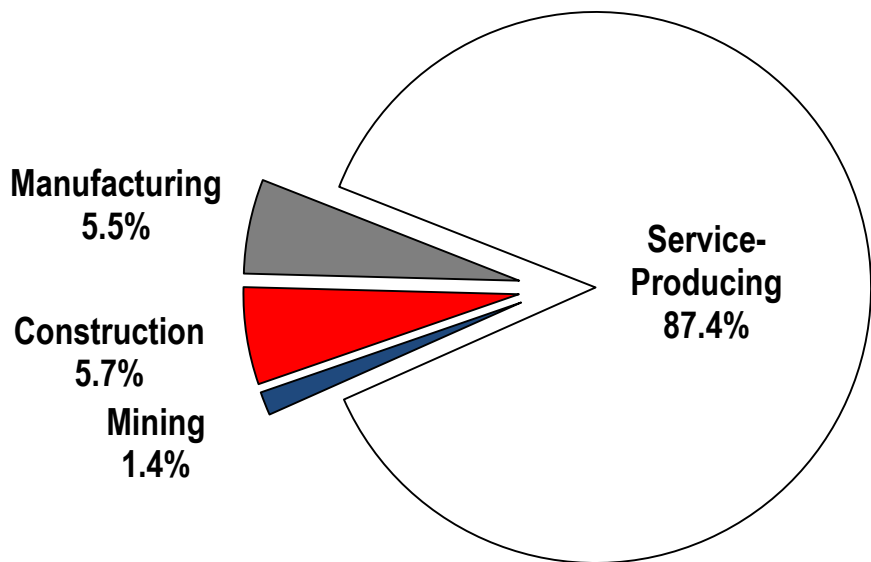
Natural Resources and Mining Workers Added, 2006-2015



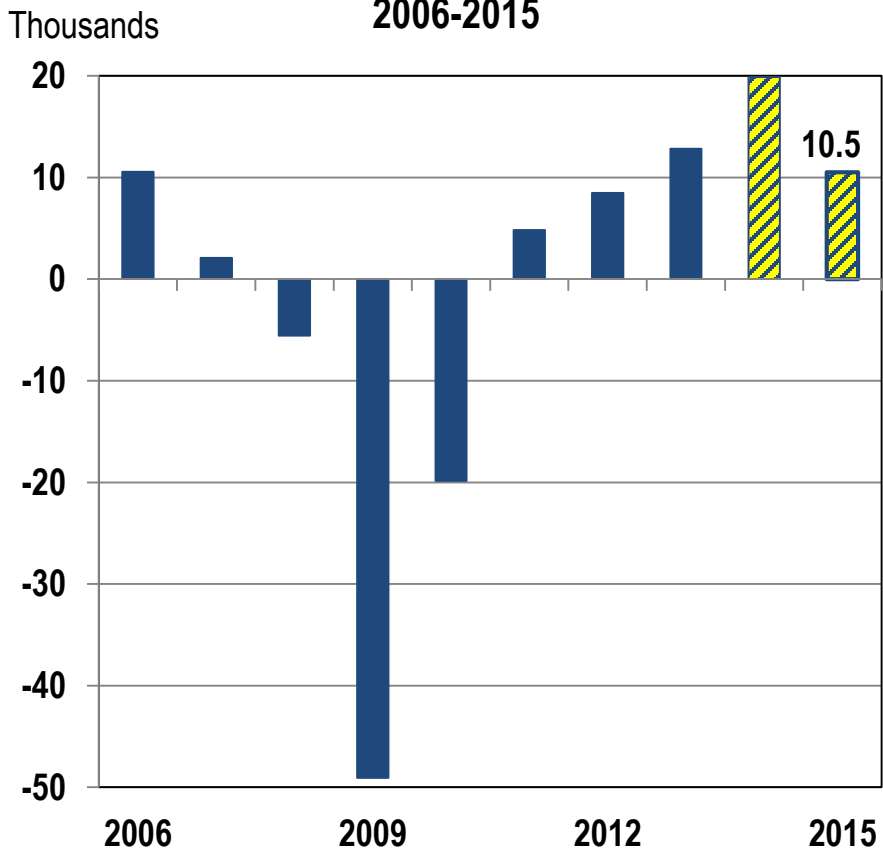
Sources: Colorado Geological Survey Mineral and Mineral Fuel Activity Reports, Colorado Oil and Gas Conservation Commission, Department of Minerals and Geology, and Colorado Business Economic Outlook Committee.

Goods-Producing Employment

Goods-Producing Share of Colorado Employment



Goods-Producing Workers Added 2006-2015



Sources: Colorado Department of Labor and Employment and Colorado Business Economic Outlook Committee.

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International Trade



International Trade

Factors Impacting Trade

- **Growing demand in developing countries**
- **European debt crisis**
- **Foreign exchange rates**
- **Export promotion policies and free-trade agreements**
 - Trans Pacific Partnership
 - Transatlantic Trade and Investment Partnership

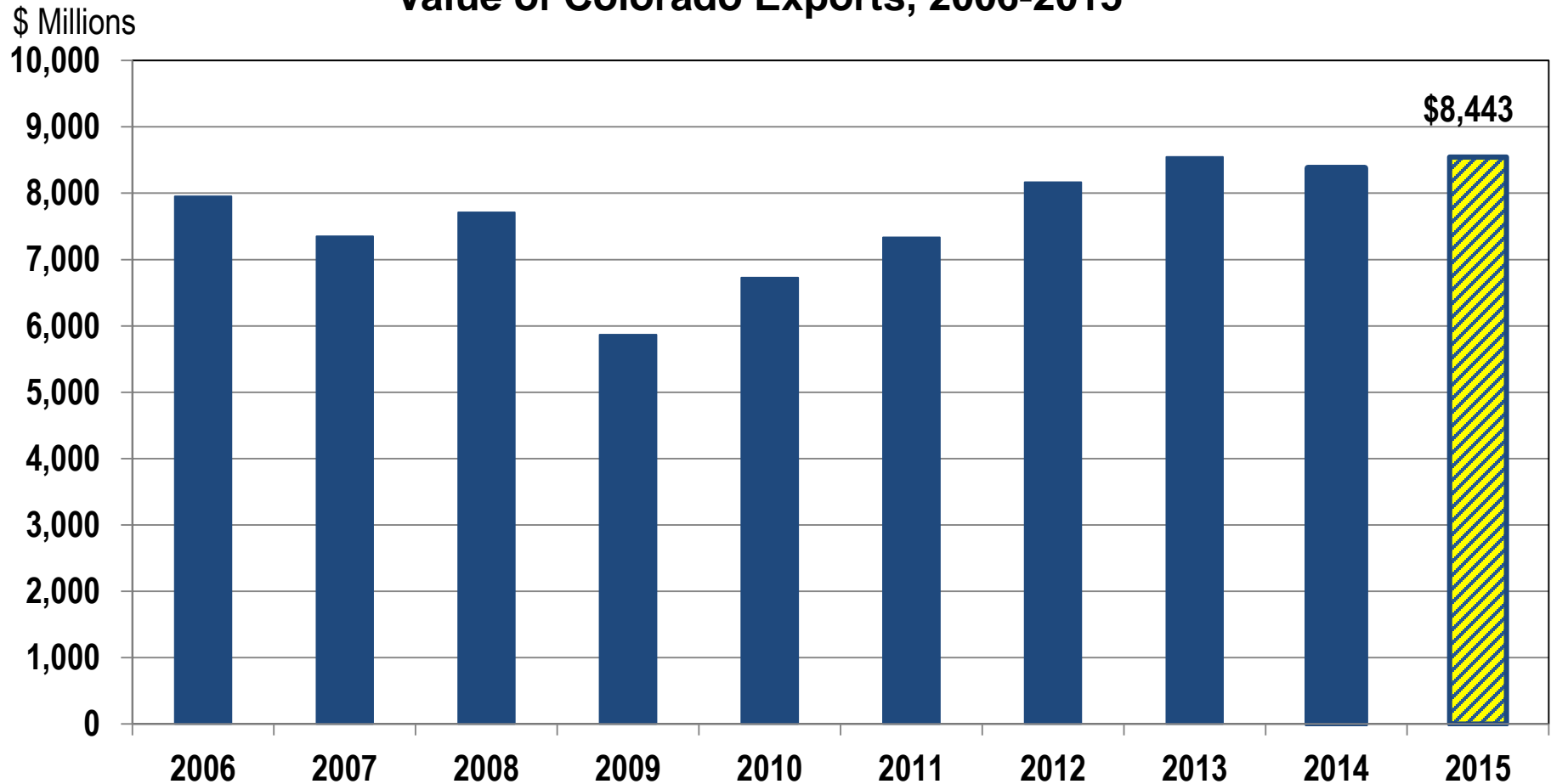
Nominal Broad Dollar Index



Source: Federal Reserve Board.

Colorado Exports

Value of Colorado Exports, 2006-2015



Sources: World Institute for Strategic Economic Research and Colorado Business Economic Outlook Committee.

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Colorado Agricultural Exports



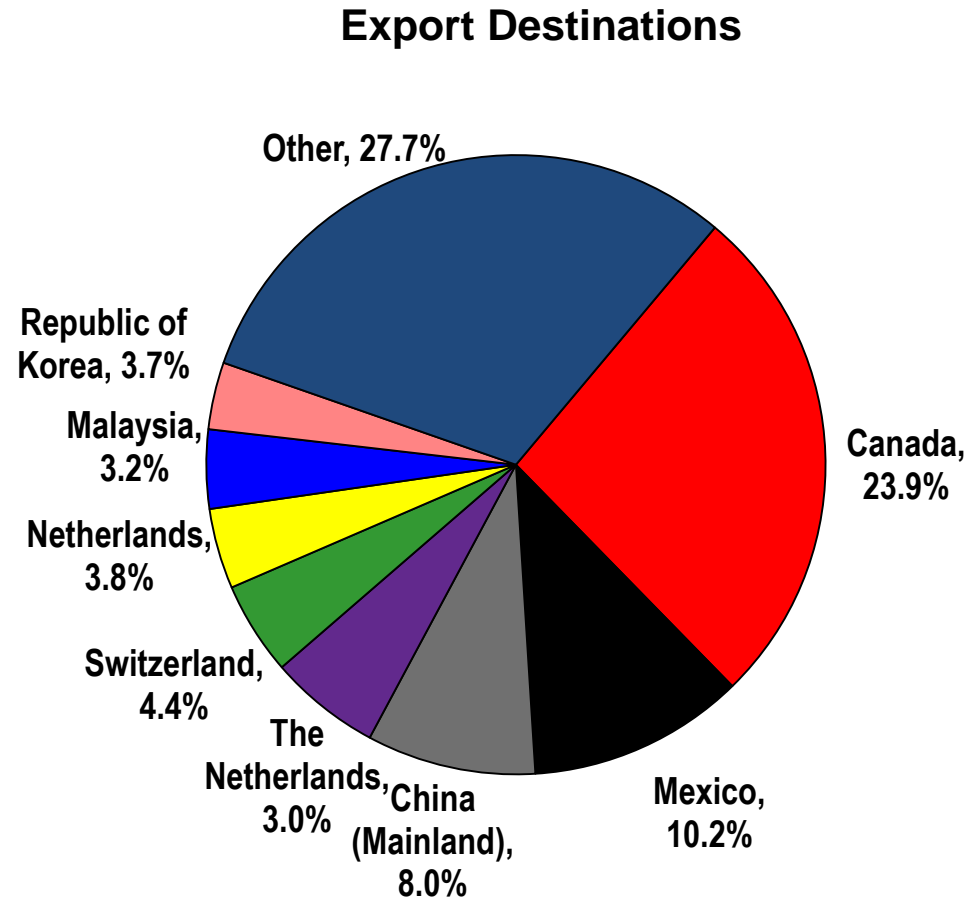
Photo Courtesy of Samantha Kujala.

Exports

Major Destinations

Top 15 Export Destinations

- Canada
- Mexico
- China
- Japan
- Switzerland
- Netherlands
- Republic of Korea
- Malaysia
- Hong Kong
- Germany
- Brazil
- United Kingdom
- Philippines
- Taiwan
- Australia



Sources: World Institute for Strategic Economic Research and Colorado Business Economic Outlook Committee.

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Trade, Transportation, and Utilities



Wholesale Trade

- **Average weekly wages 40% above private-sector average**
- **Dominated by merchant wholesalers in durable goods**
- **Durables: computers, electronics**
- **Nondurables: groceries**

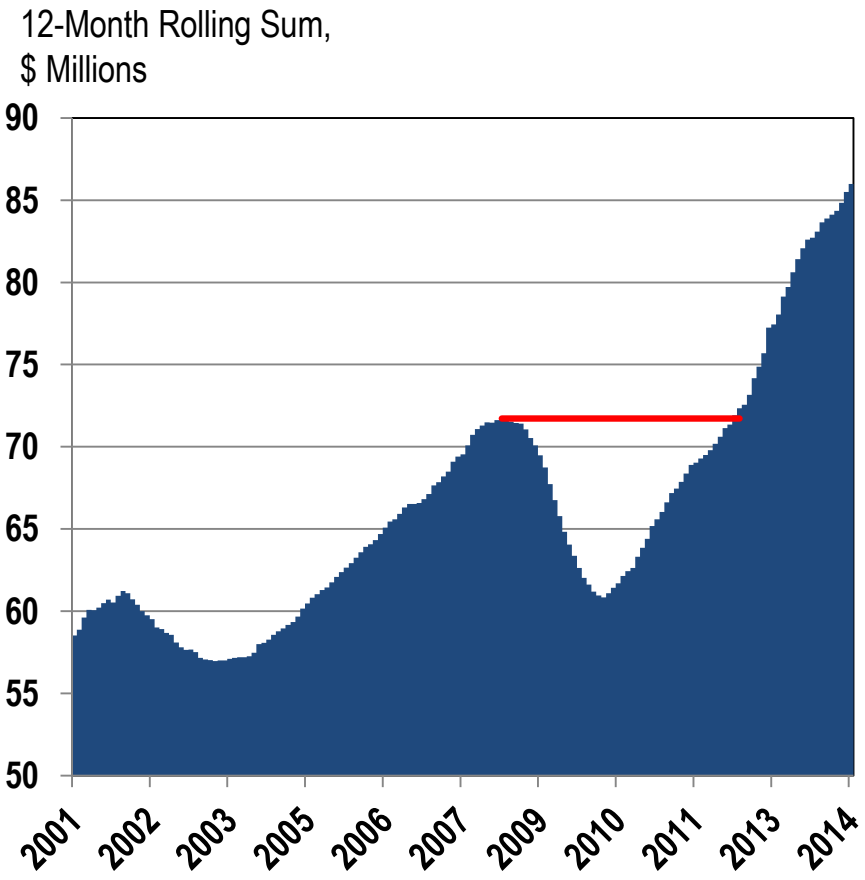


Sources: Colorado Department of Labor and Employment and Colorado Business Economic Outlook Committee.

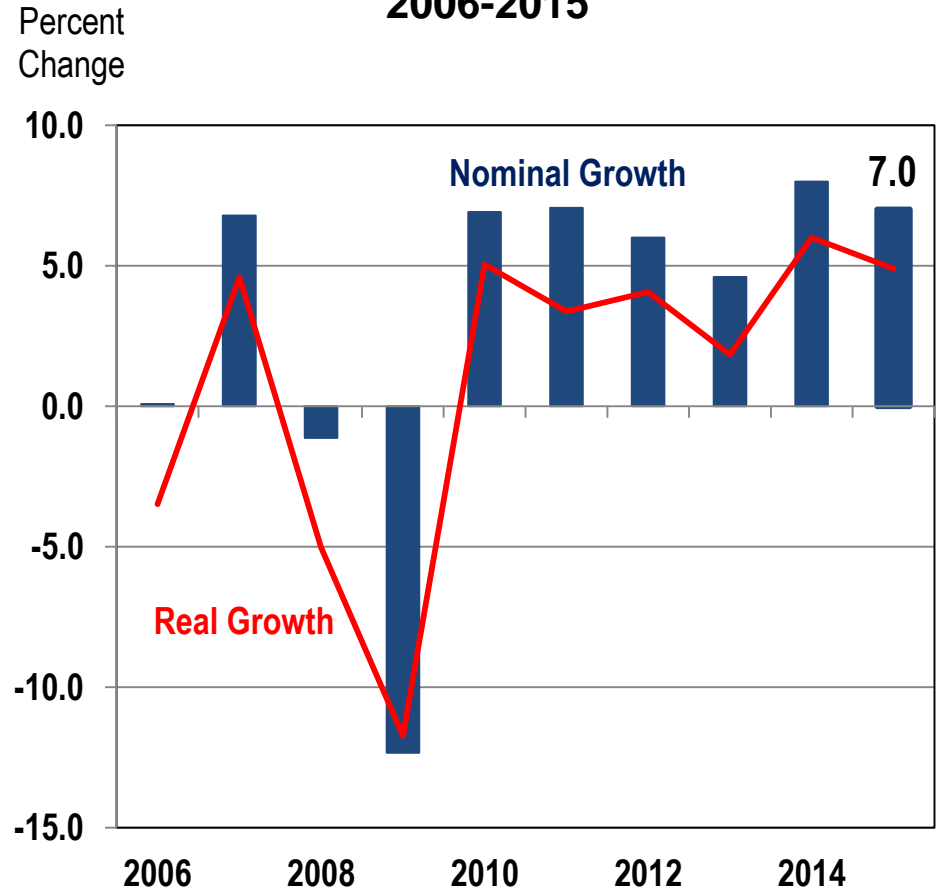
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Retail Trade Sales

**Colorado Taxable Retail Sales
12-Month Rolling Sum**

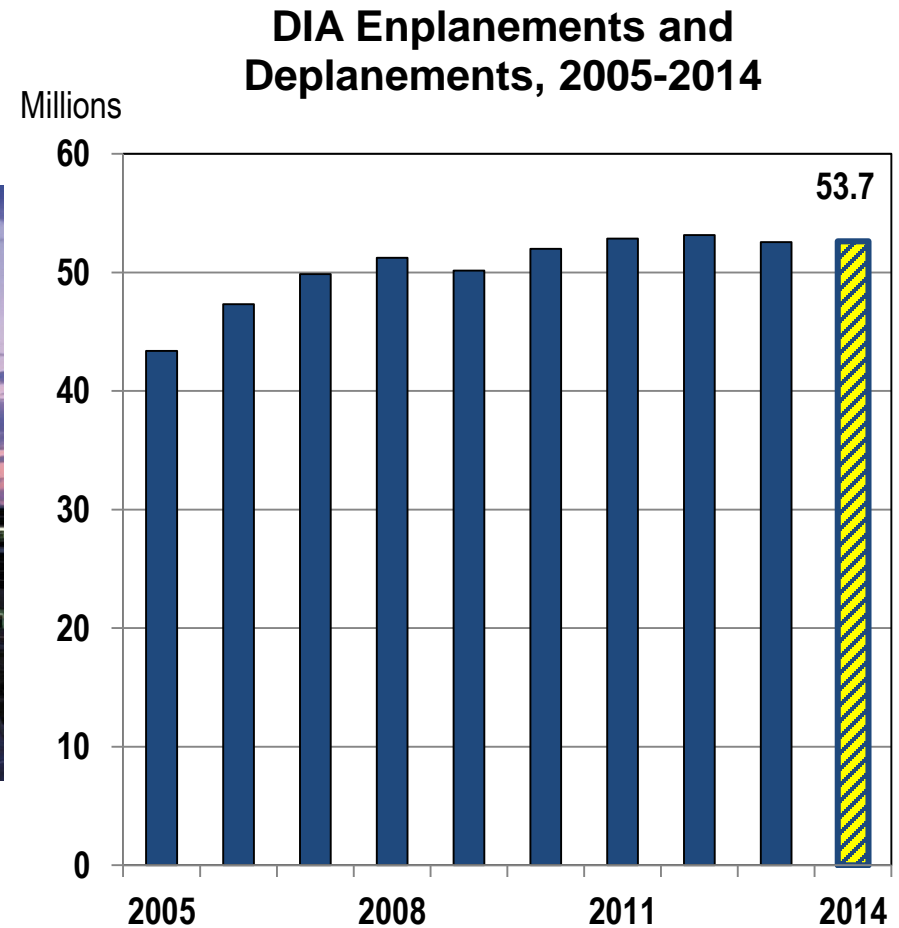


**Colorado Retail Trade Sales
2006-2015**



Sources: Colorado Department of Revenue and Colorado Business Economic Outlook Committee.
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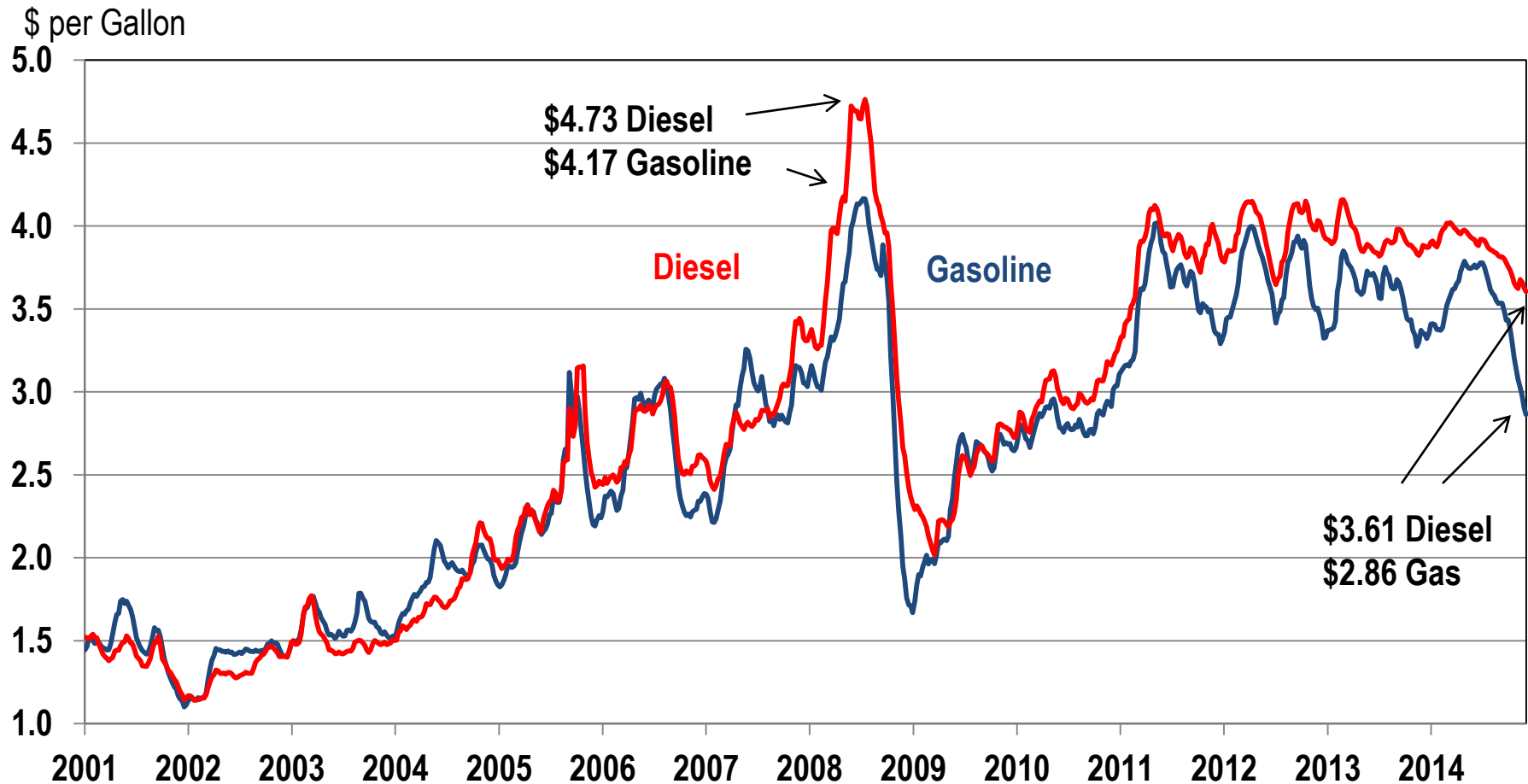
DIA Enplanements and Deplanements



Sources: Denver International Airport and Colorado Business Economic Outlook Committee.

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U.S. Retail Gasoline and Diesel Prices

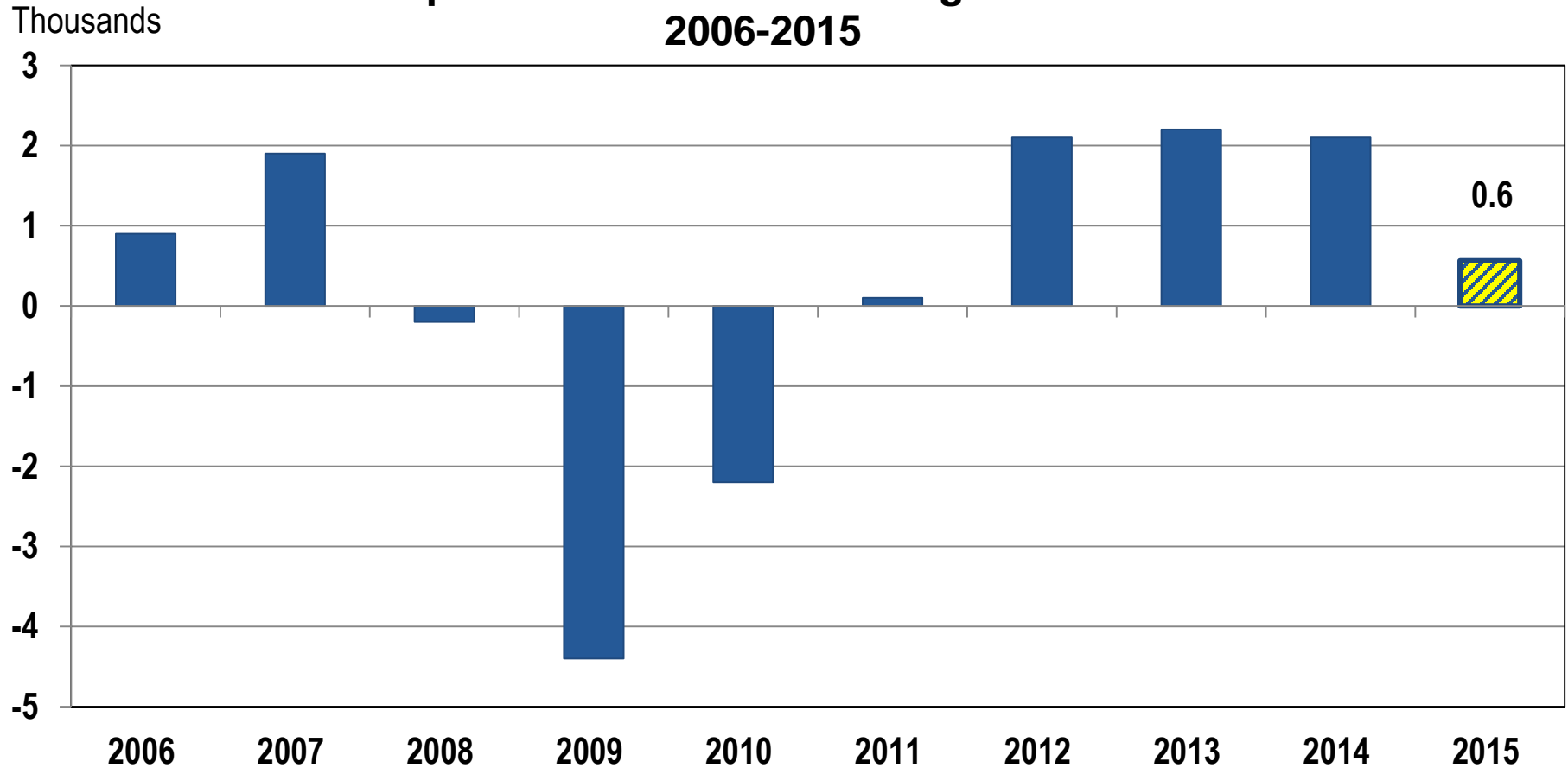


Source: Energy Information Administration (All Grades/All Formulations).

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Transportation and Warehousing Employment

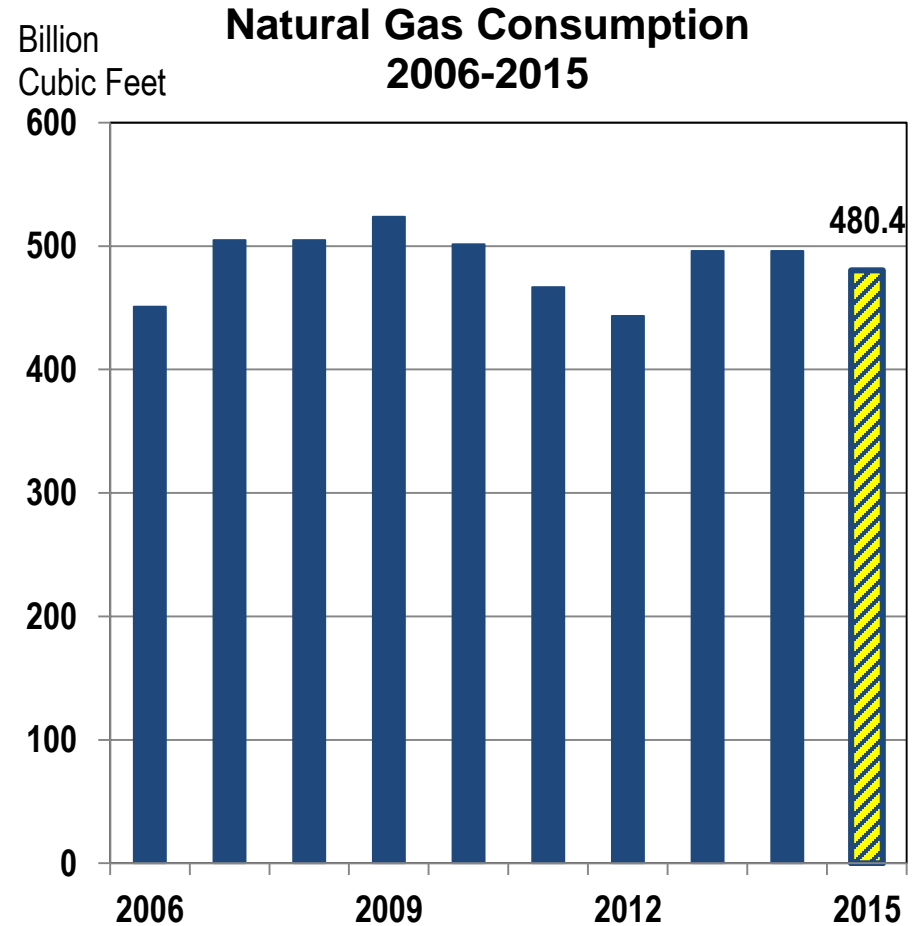
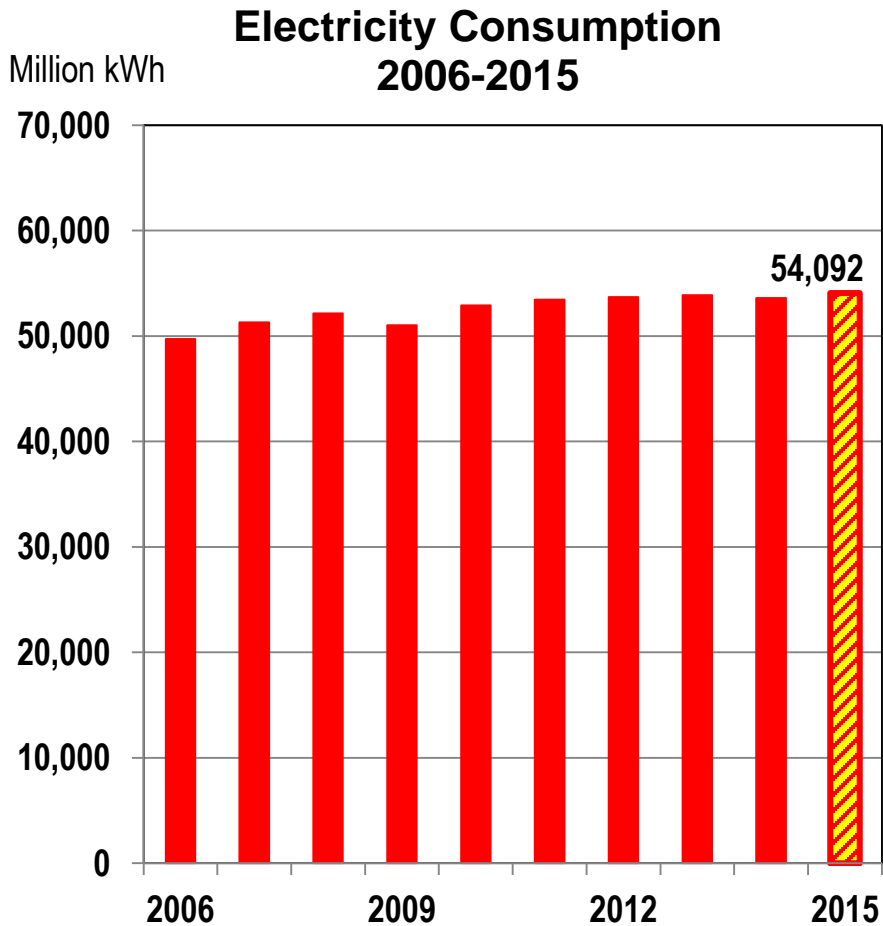
**Transportation and Warehousing Jobs Added
2006-2015**



Sources: Colorado Department of Labor and Employment and Colorado Business Economic Outlook Committee.

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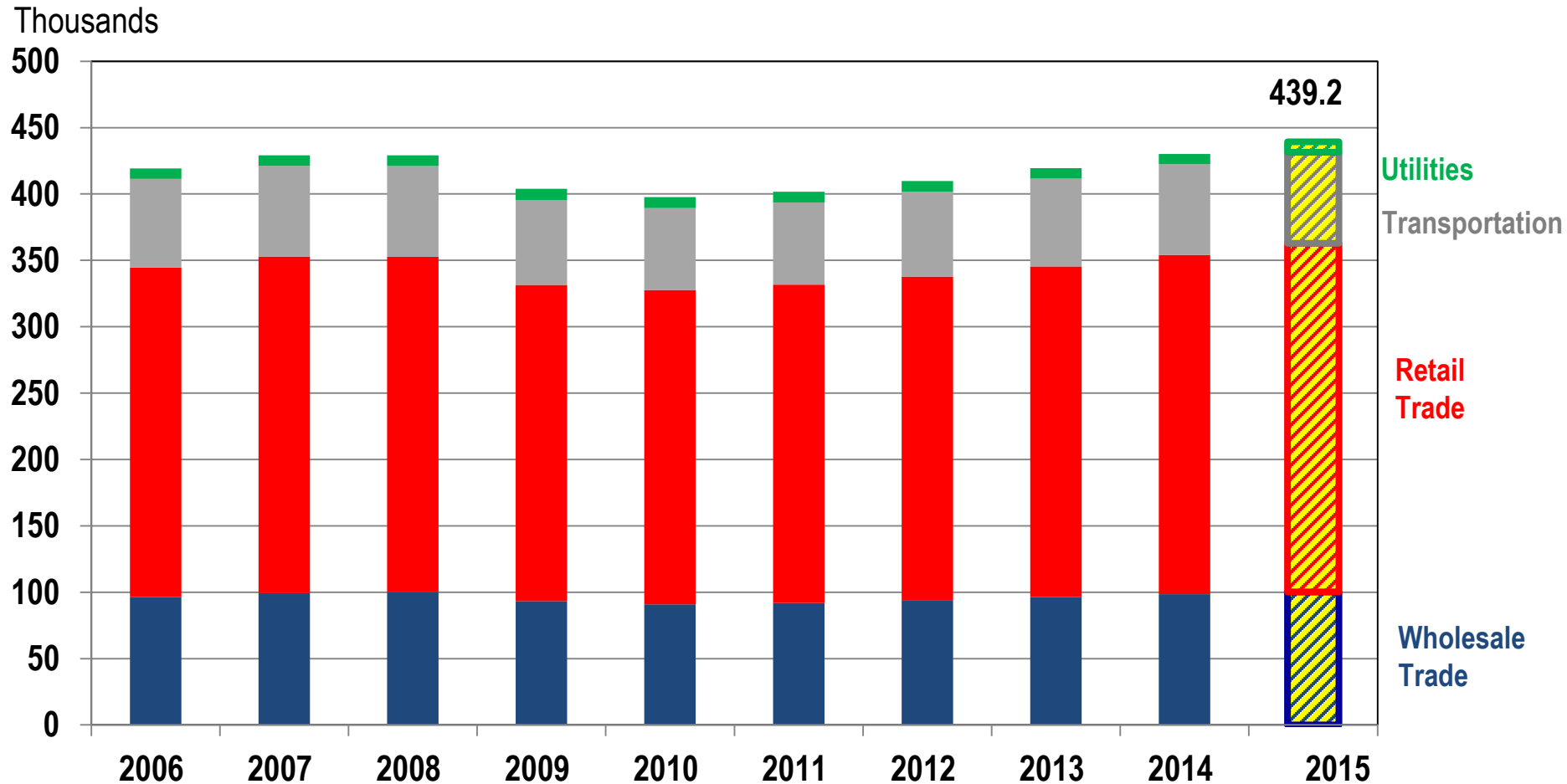
Electricity and Natural Gas Consumption



Sources: Edison Electrical Institute Statistical Yearbook, Xcel Energy, and Colorado Business Economic Outlook Committee.

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Trade, Transportation, and Utilities Employment



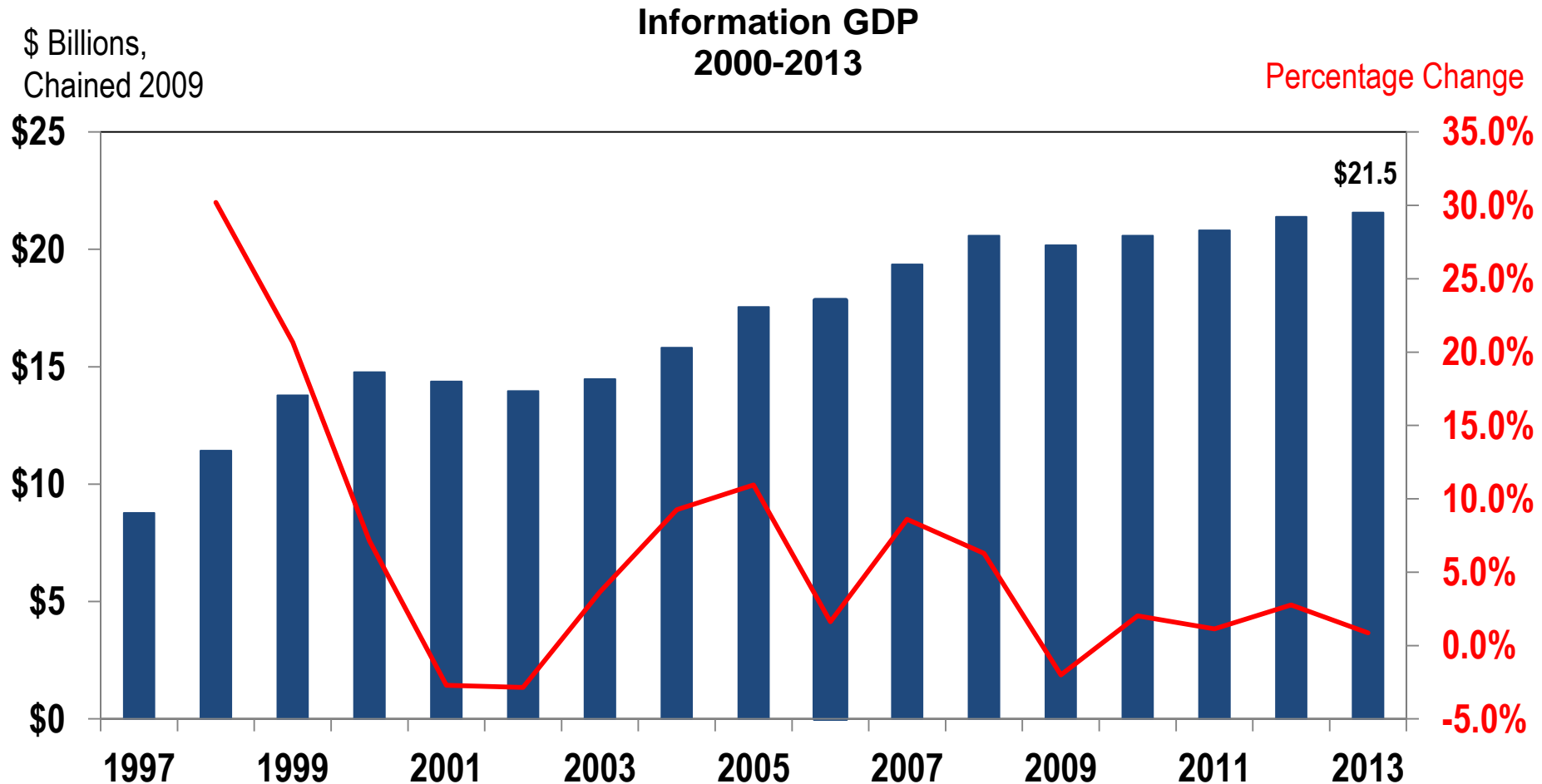
Sources: Colorado Department of Labor and Employment and Colorado Business Economic Outlook Committee.

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Information



Information GDP

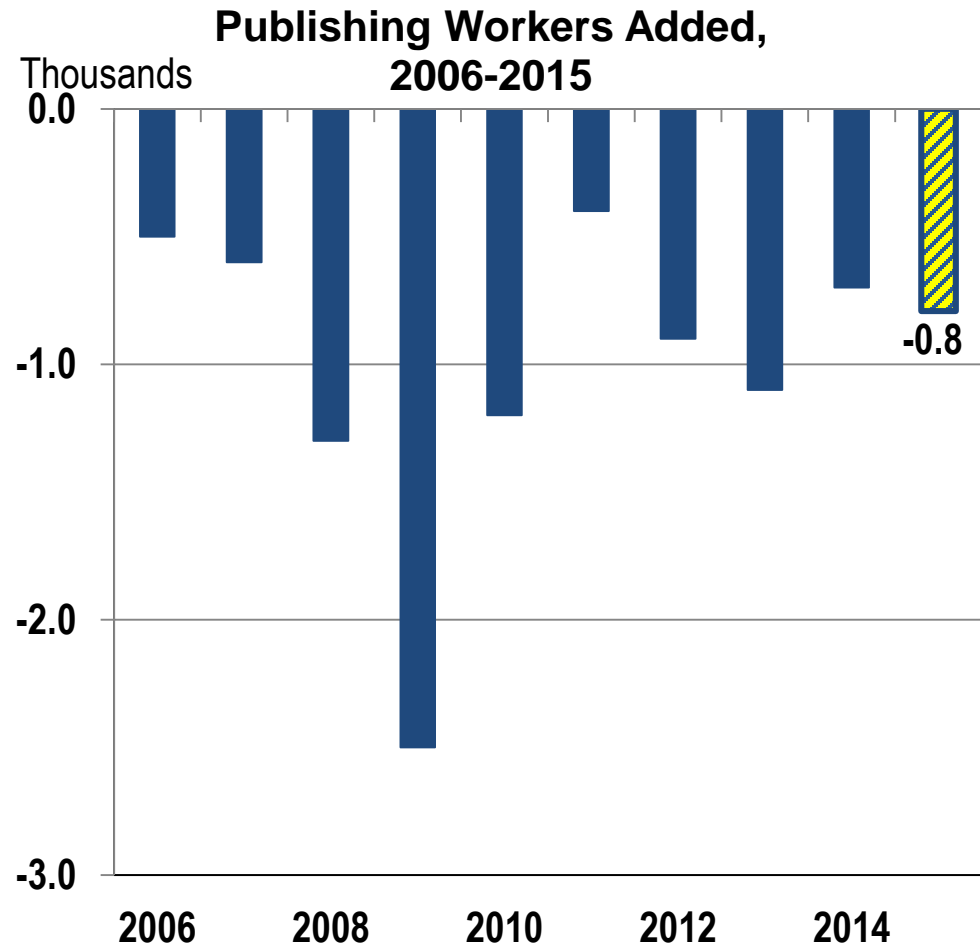


Sources: Colorado Department of Labor and Employment and Colorado Business Economic Outlook Committee.

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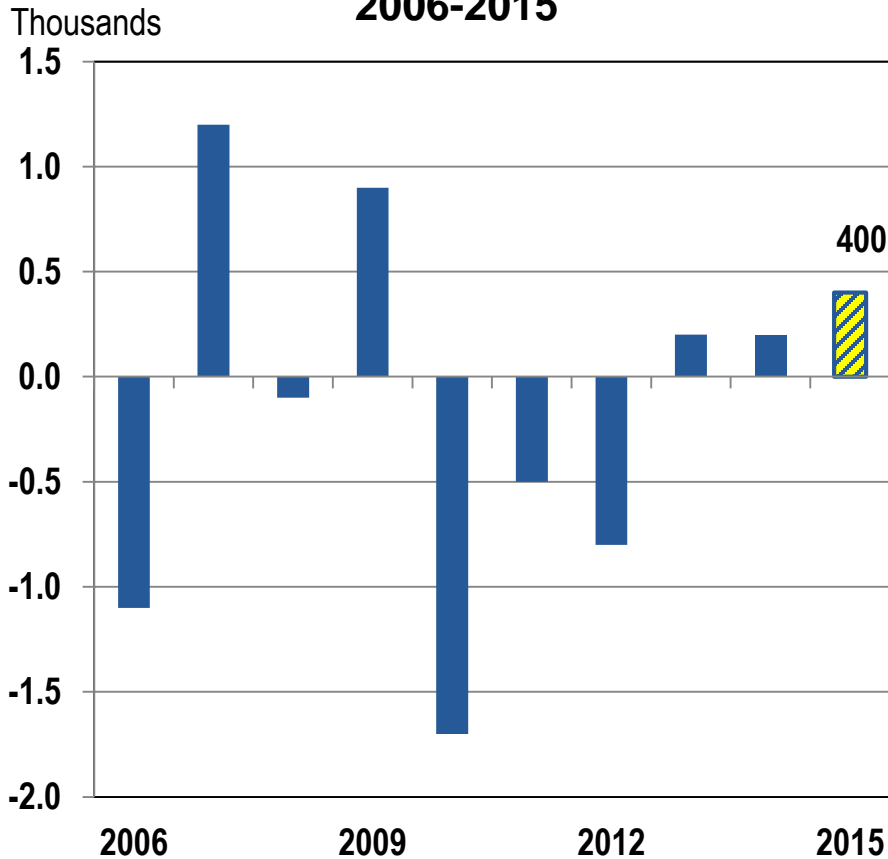
Publishing

- **Second-largest Information sector**
- **Print media circulation and advertising continue to decline**
- **Firms move online to stay relevant**
- **Publishing employment growth expected to remain flat**

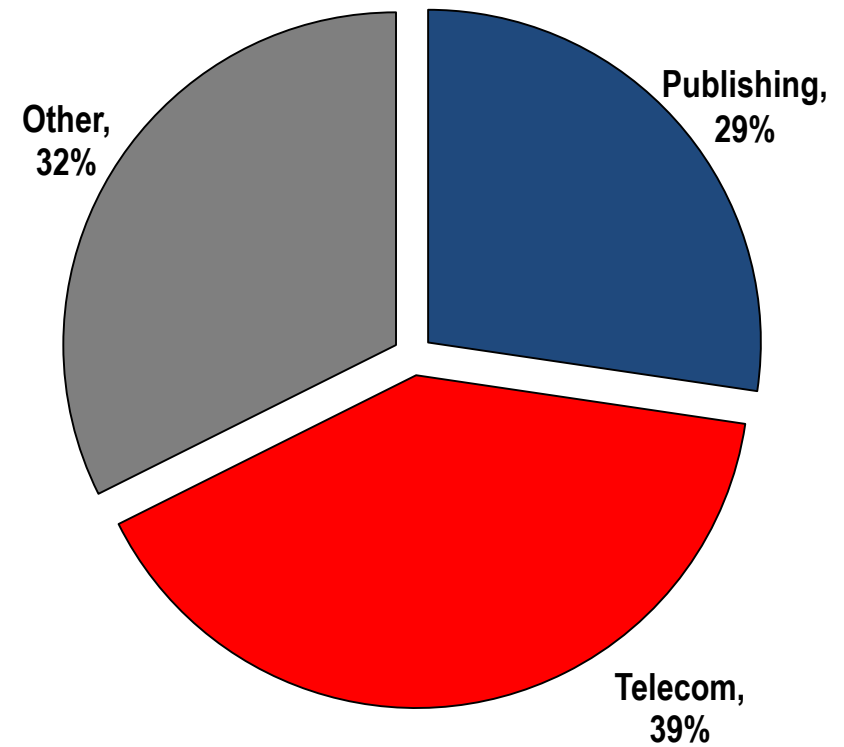


Telecommunications

Telecommunications Workers Added 2006-2015



Information Employment



Sources: Colorado Department of Labor and Employment and Colorado Business Economic Outlook Committee.

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Colorado's Film Industry

Colorado Film Tourism

- “The Hateful Eight”
- “Dear Eleanor”
- The Lone Ranger
- Prospectors Reality TV Show



Financial Activities



Securities Trends

S&P 500 Index 2008-2014 YTD

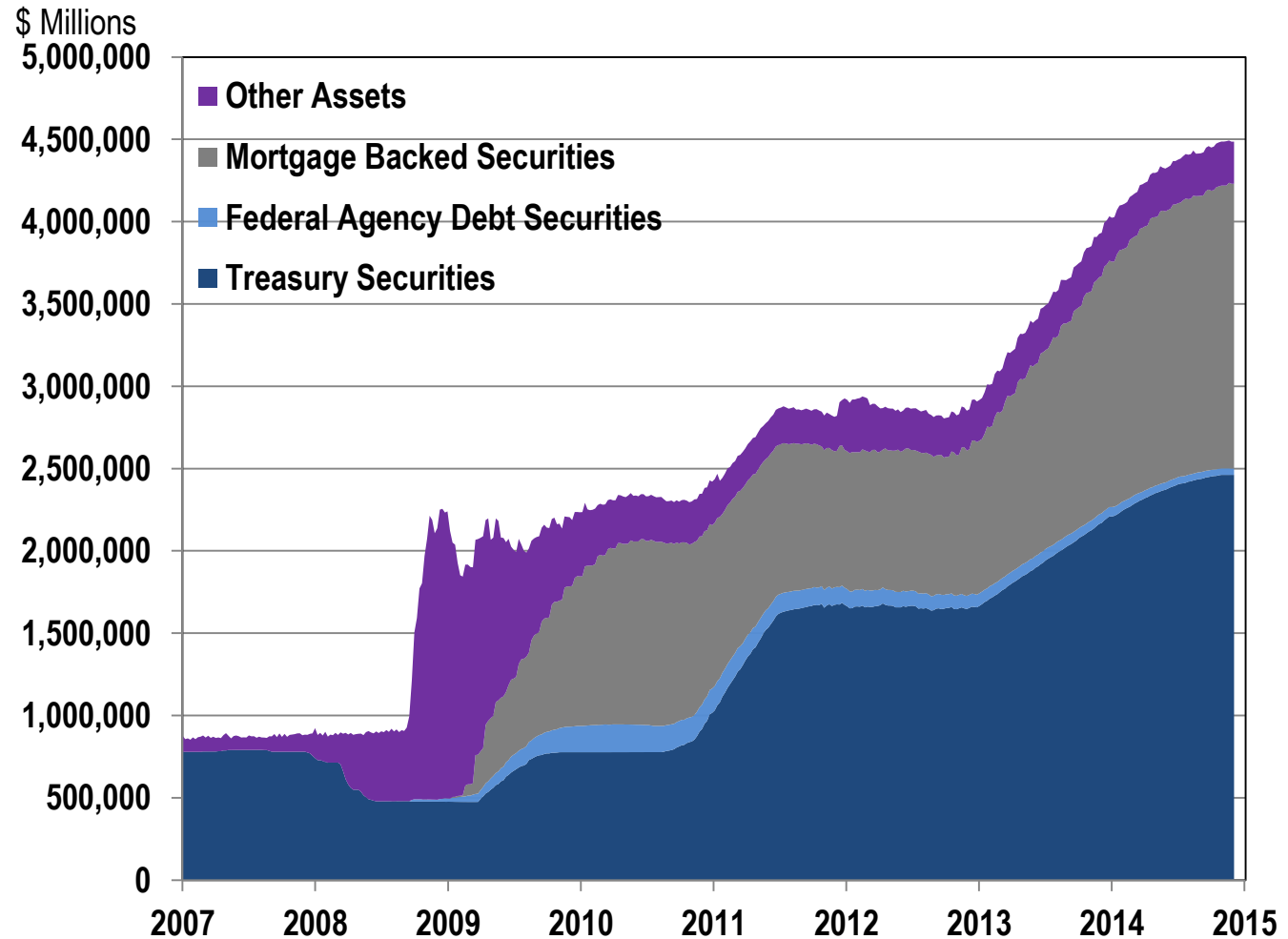


Source: Bloomberg.

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The FED

- QE 1, QE 2, QE 3
- Fed promises near zero interest rates until mid-2013, 2014, 2015, 2016?
- Operation Twist
- Swaps
- Tapering
- Tapering Complete



Source: Federal Reserve Balance Sheet.

Banking Trends



- **Changing mortgage environment**
- **Low margins**
- **Decreasing revenues**
- **New technological developments changing the industry**

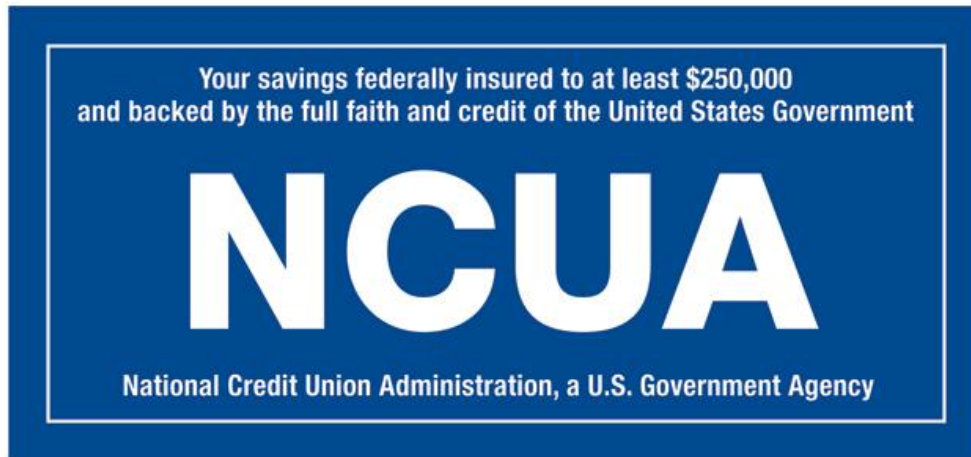
Regulation

Dodd-Frank Act Rulemaking

- Impact on Real Estate – 7 Rules
 - Qualified Mortgages and Ability to Repay
 - Qualified Residential Mortgages
 - TILA-RESPA Reform
 - Servicing
 - Mortgage Loan Origination Compensation
 - Appraisals
 - HOEPA Standards for High Cost Loans



Credit Union Trends



Continued improvement

- Membership increased by 31,200 members in 1H 2014
- Higher loan growth
- Improved asset quality
- Strong earnings
- Record-high capital ratios

Colorado Insurance Trends

- **Modest job growth in 2014 and 2015**
- **Premium increases for property and casualty subsector**
- **Increased number of insurance agency mergers and acquisitions**
- **Health rates expected to increase by 2016**

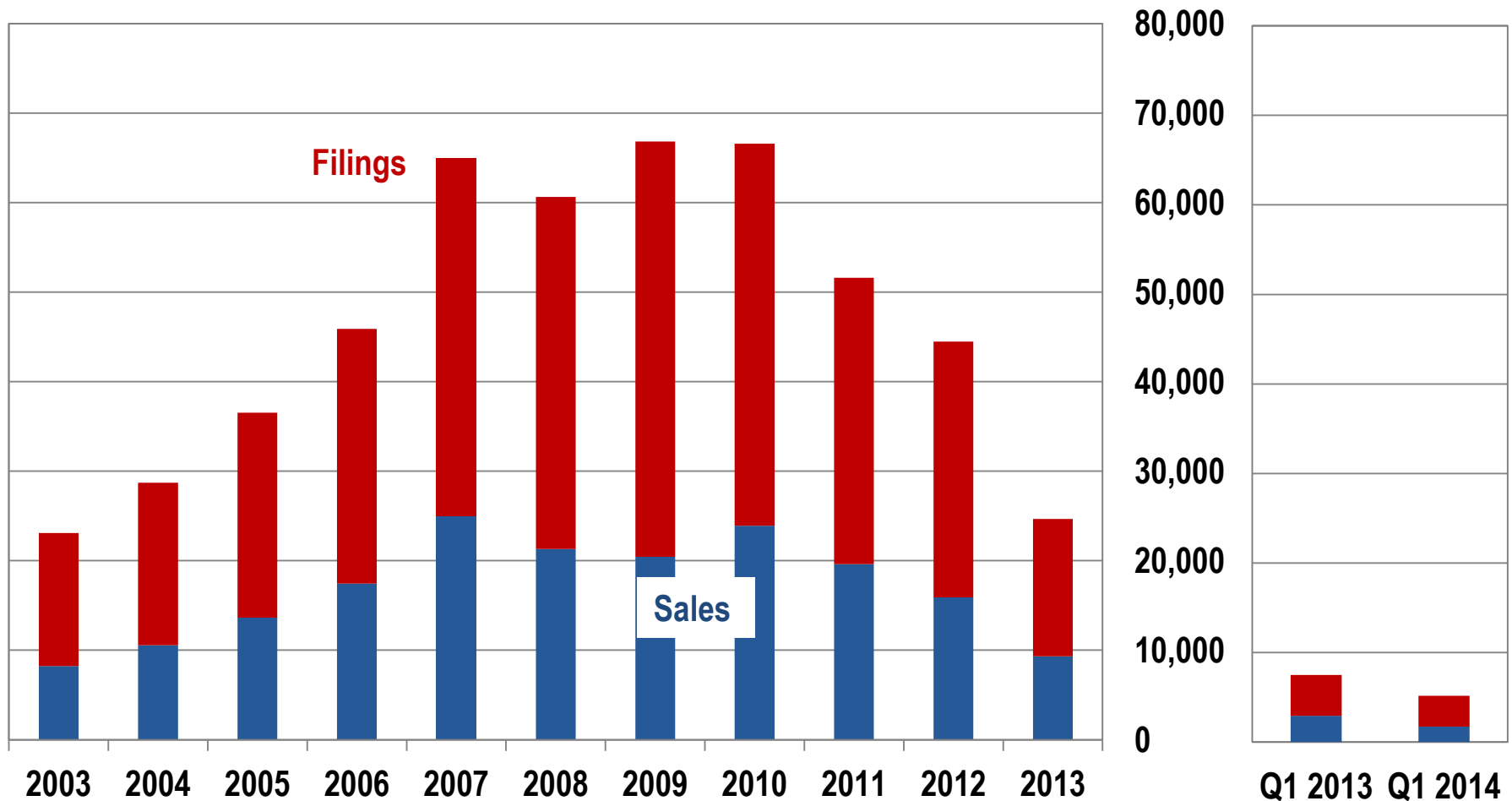


Commercial Real Estate Trends



- **Colorado ranked 7th happiest state**
- **Decreasing vacancies**
- **Statewide economic growth driving real estate activity**
- **Rising rents and tightening supply in metro locations**

Colorado Foreclosures Filing and Sales

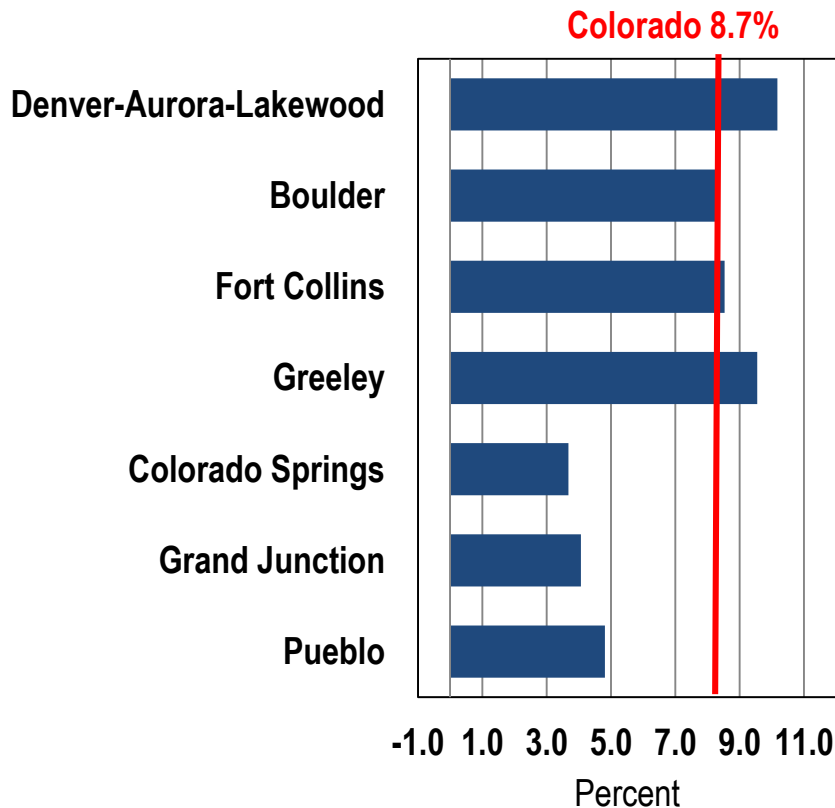


Source: Colorado Division of Housing, Q1 2013 and Q1 2013 Foreclosure Reports.
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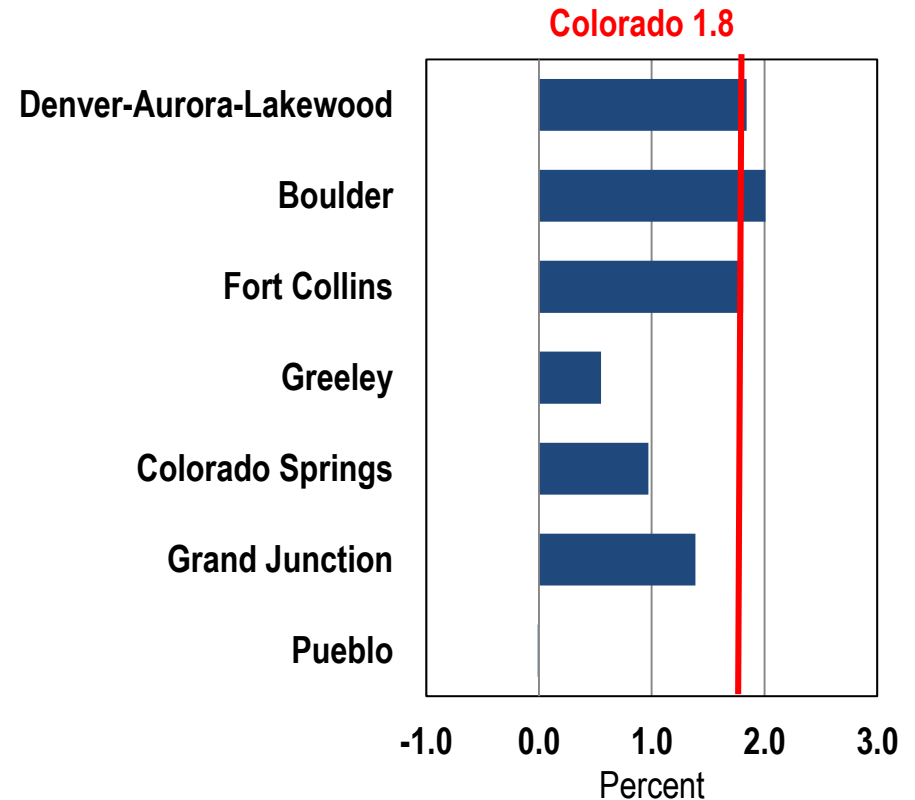
Federal Housing Finance Agency (FHFA)

House Price Index

Federal Housing Finance Agency
Home Prices by MSA
Q3 2013 – Q3 2014



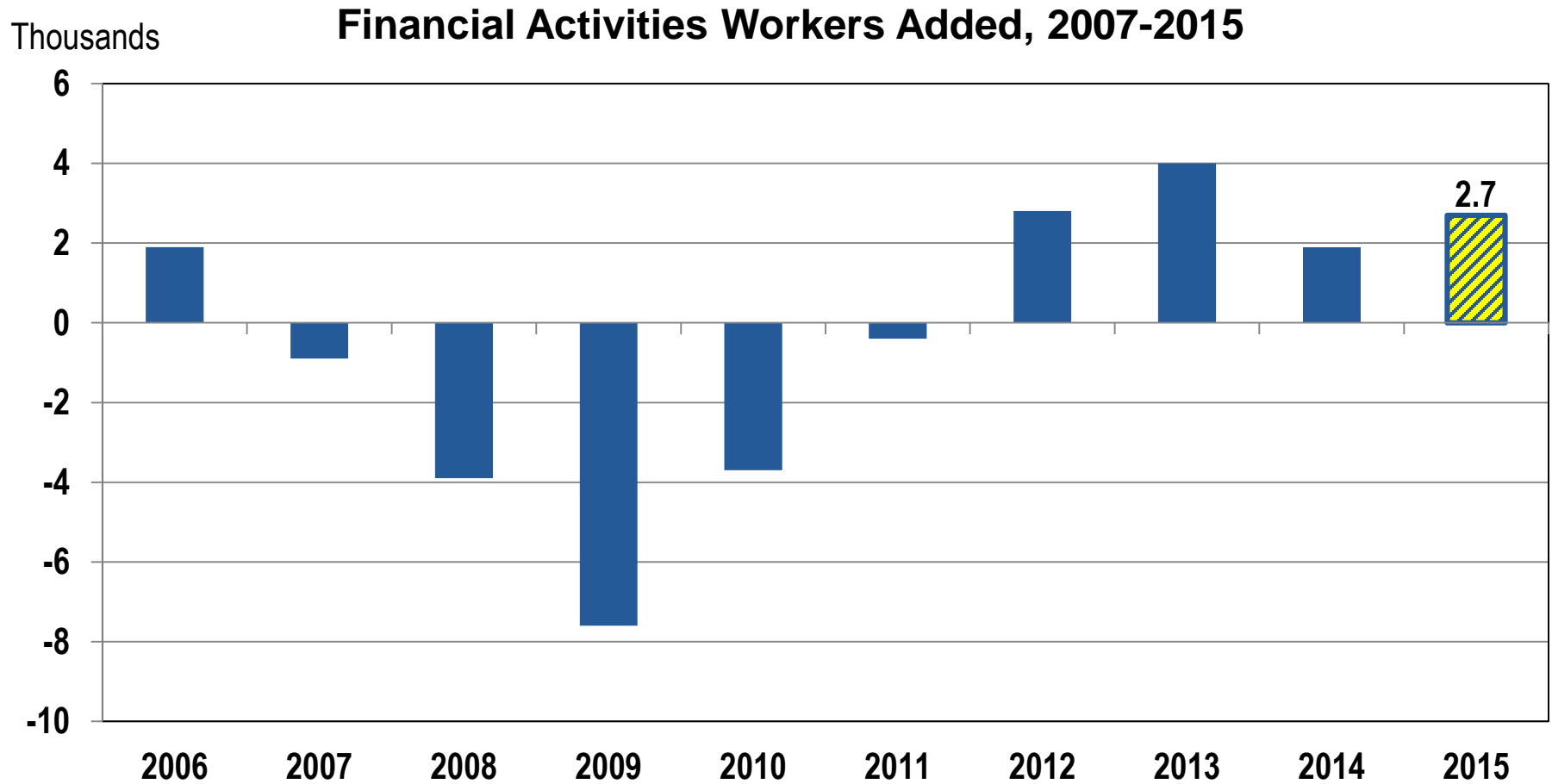
Federal Housing Finance Agency
Home Prices by MSA
CAGR Q3 2004 – Q3 2014



Source: Federal Housing Finance Agency, All Transactions Indexes.

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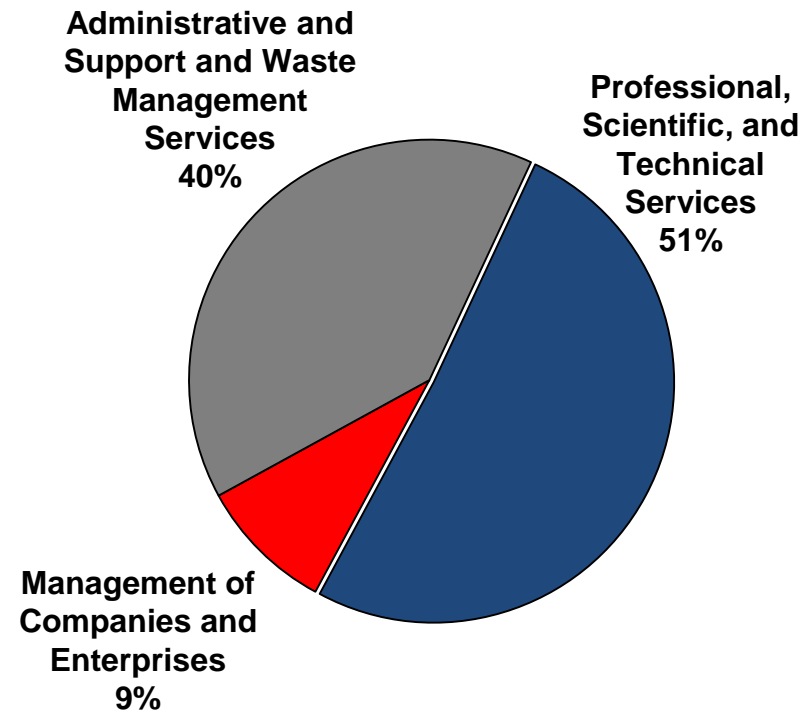
Financial Activities Employment



Sources: Colorado Department of Labor and Employment and Colorado Business Economic Outlook Committee.

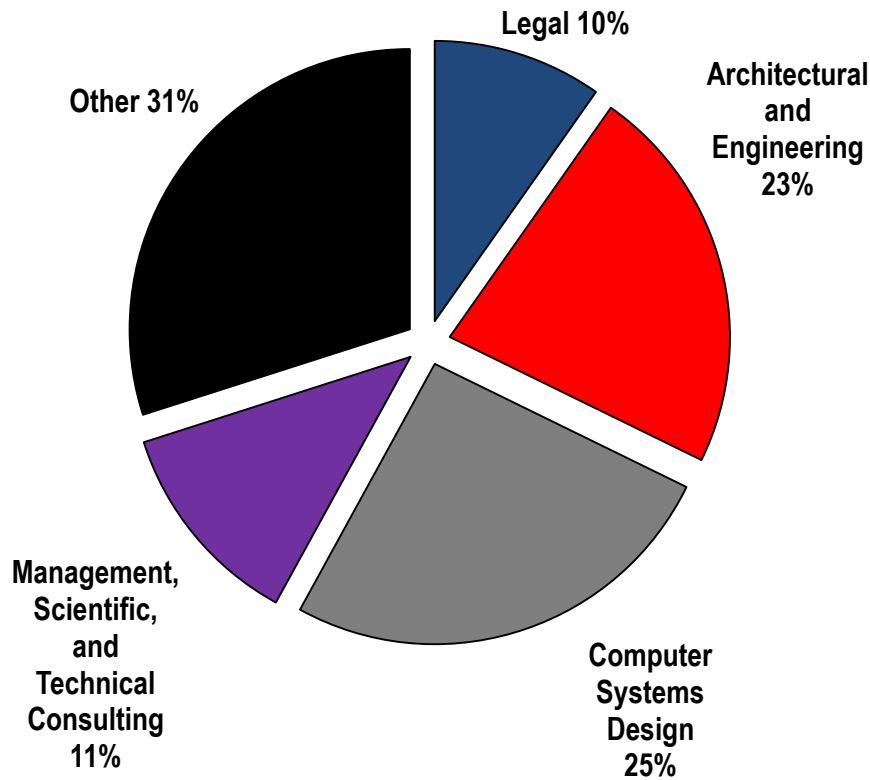
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Professional and Business Services

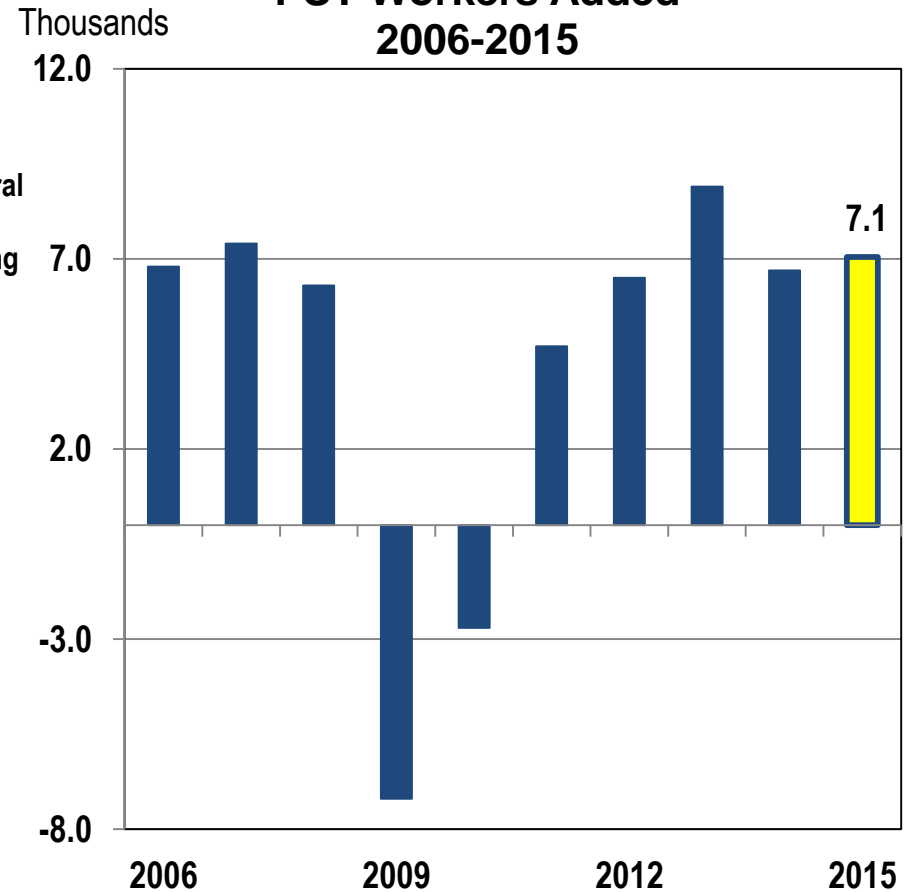


Professional, Scientific, and Technical Services

PST Employment



**PST Workers Added
2006-2015**

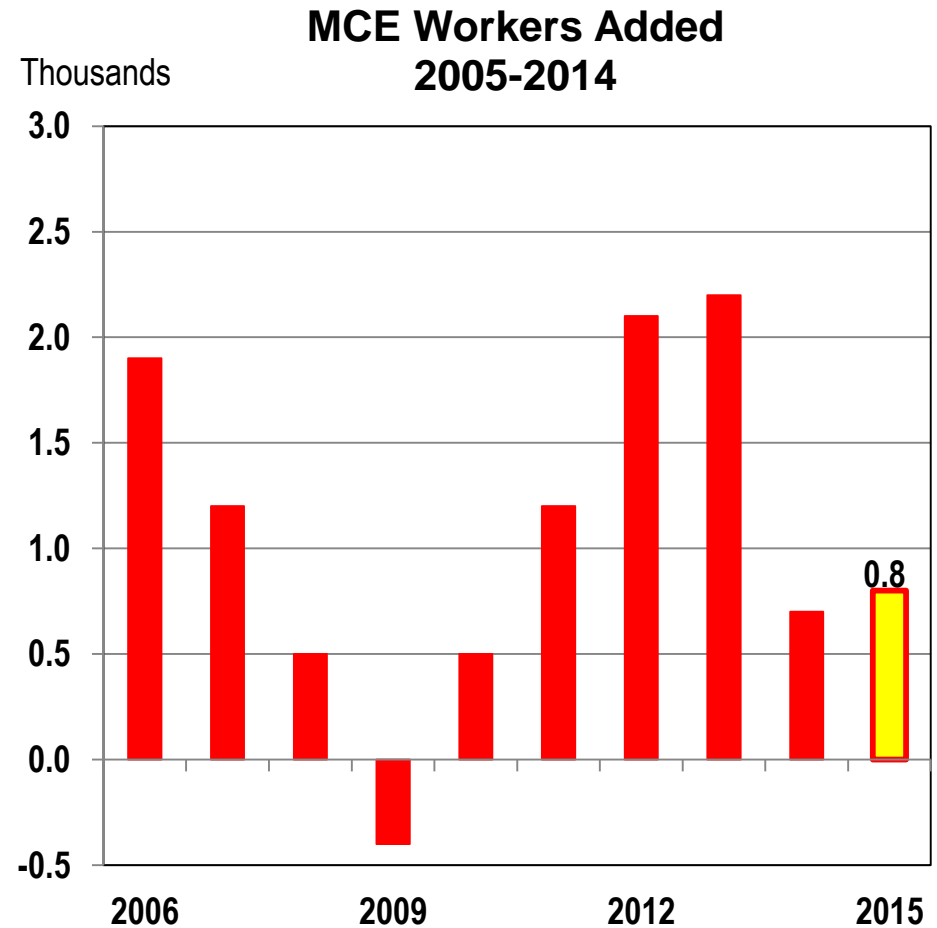


Sources: Colorado Department of Labor and Employment and Colorado Business Economic Outlook Committee.

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Management of Companies and Enterprises

- **Most diverse sector of PBS, includes broad cross-section of headquarters and regional offices**
- **Sells nationally and globally**
- **Colorado remains an appealing place to locate company headquarters**

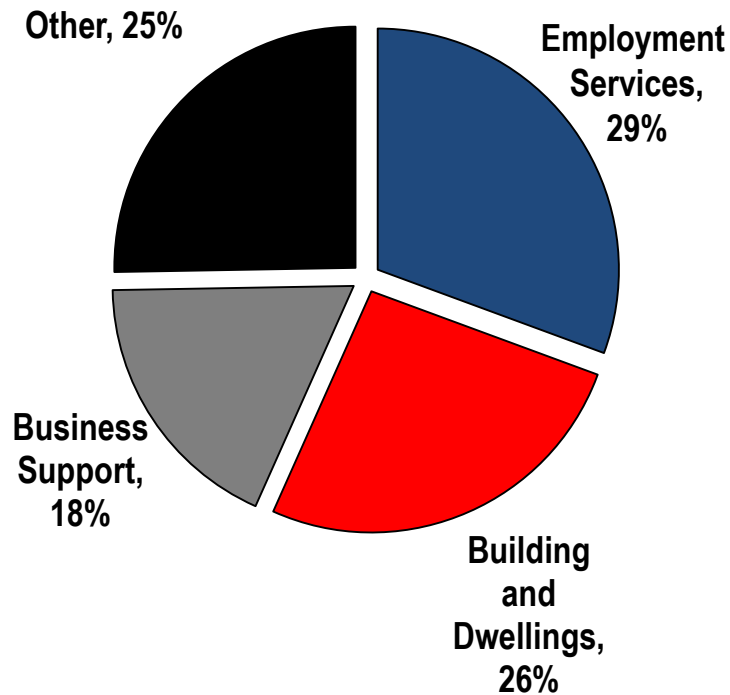


Sources: Colorado Department of Labor and Employment and Colorado Business Economic Outlook Committee.

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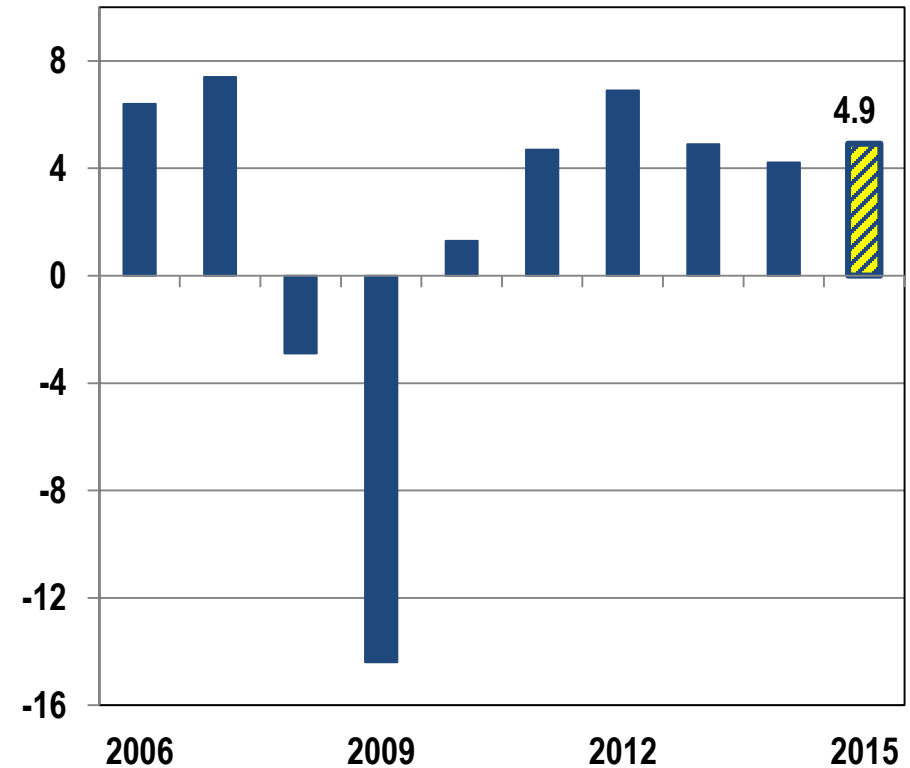
Administrative and Waste Services

Admin and Waste Services Employment



Admin and Waste Services Workers Added 2006-2015

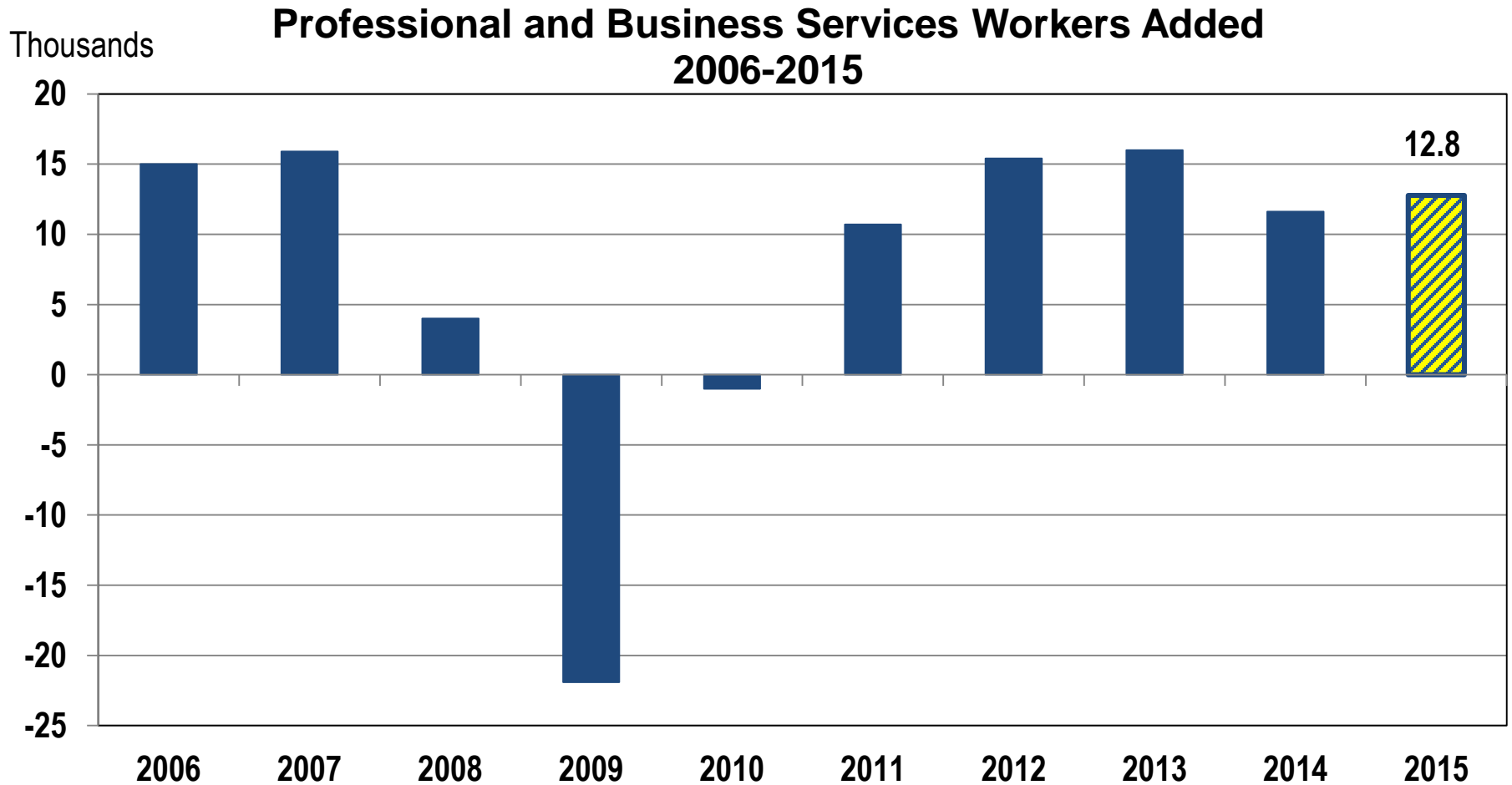
Thousands



Sources: Colorado Department of Labor and Employment and Colorado Business Economic Outlook Committee.

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Professional and Business Services



Sources: Colorado Department of Labor and Employment and Colorado Business Economic Outlook Committee.

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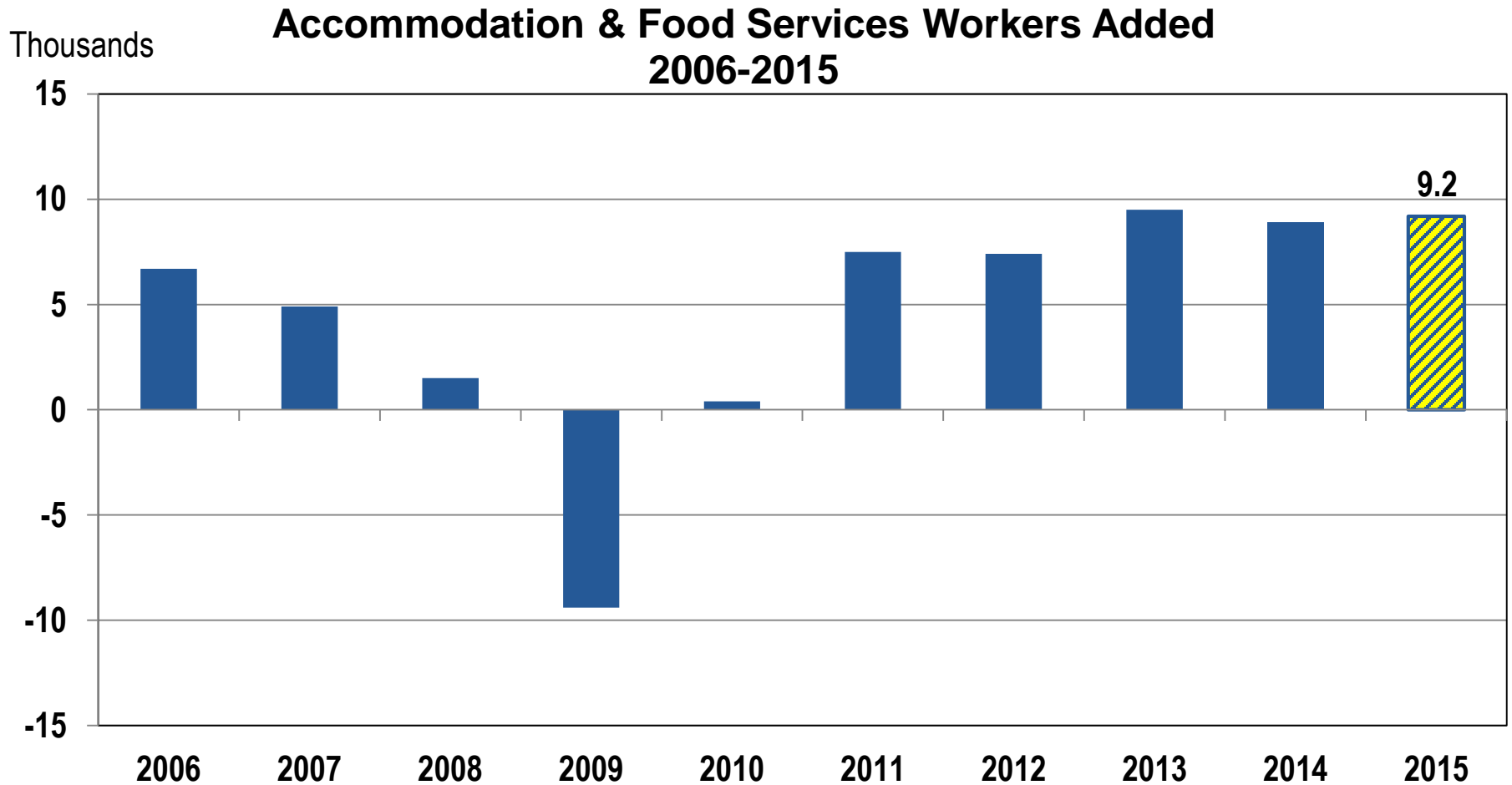
Leisure and Hospitality



Photo courtesy of: snowboardinginsider.net.



Accommodation & Food Services



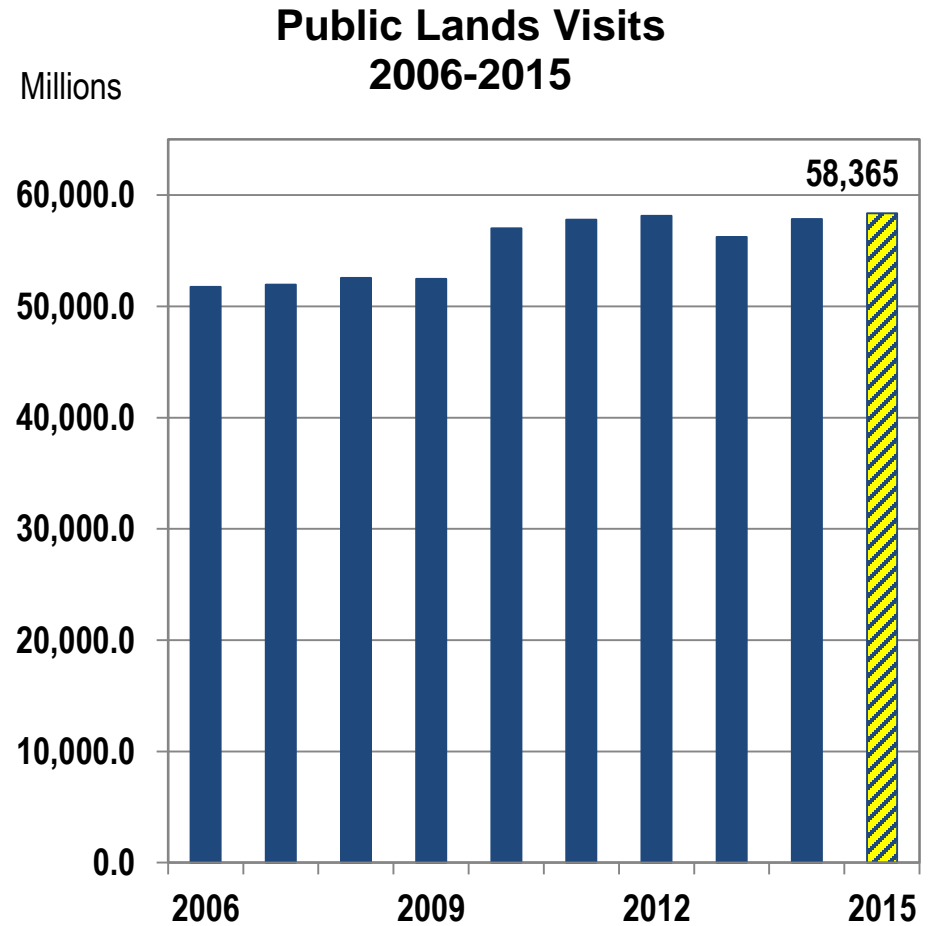
Sources: Colorado Department of Labor and Employment and Colorado Business Economic Outlook Committee.

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Colorado Public Lands Visits



Photo Courtesy of: worldsbestspot.com.



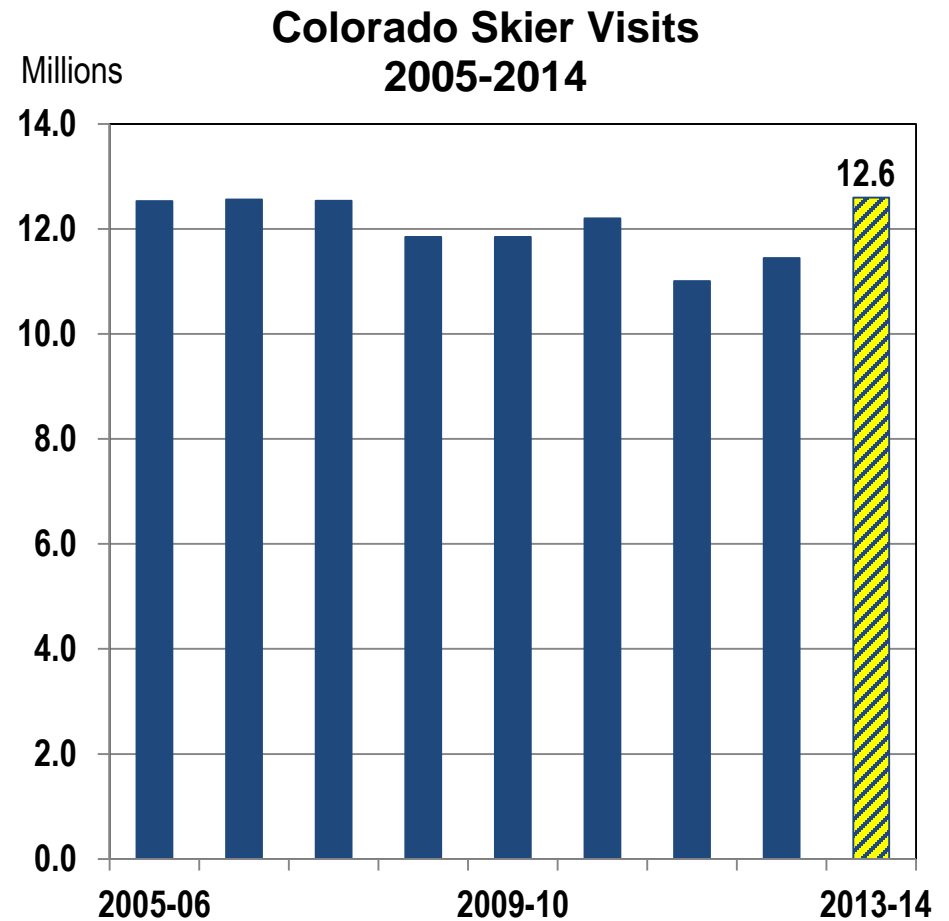
Sources: National Park Service and Colorado Business Economic Outlook Committee.

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Skier Visits



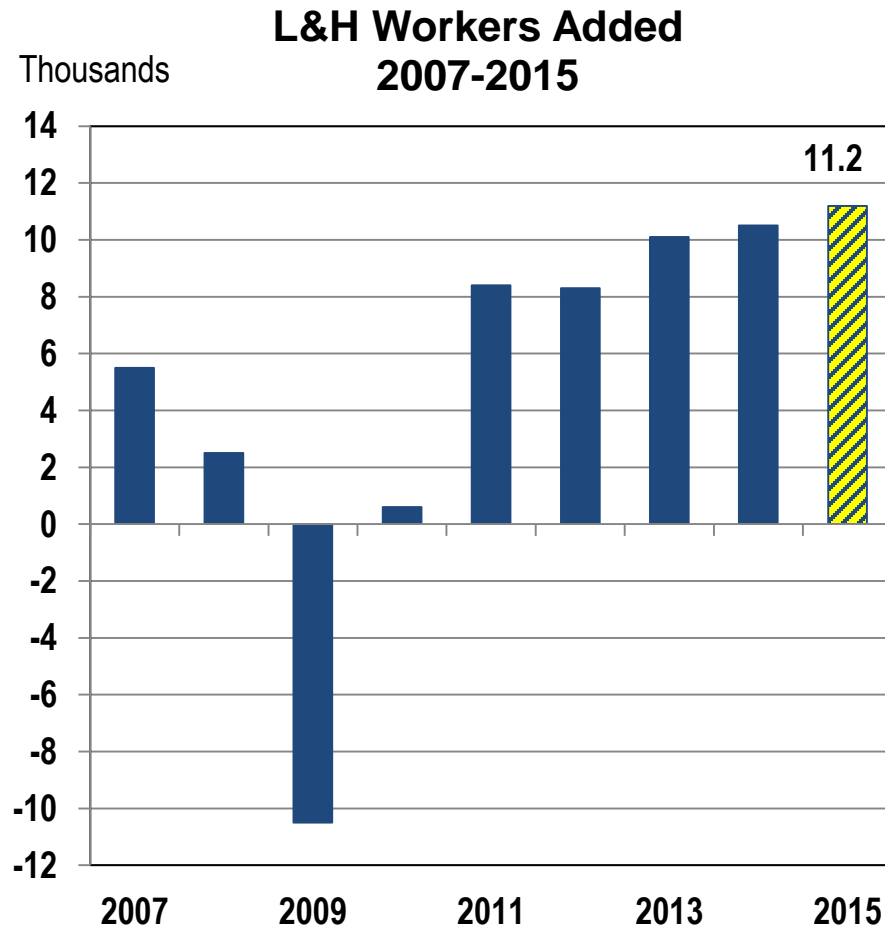
Photo Courtesy of: steamboatpowdercats.com



Sources: Colorado Ski Country USA and Colorado Business Economic Outlook Committee.

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Leisure and Hospitality



Sources of Jobs Growth:

- 1,000+ hotel rooms will open in Denver in 2015.
- Restaurant industry breaking sales records.
- Low fuel prices will drive visits to public lands (e.g., National Parks, state lands, etc.)

Sources: Colorado Department of Labor and Employment and Colorado Business Economic Outlook Committee.

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Education and Health Services



Private Education

Includes:

- **Elementary and Secondary Schools**
- **Colleges, Universities, and Professional Schools**
- **Sports and Recreation Instruction**
- **Cosmetology and Barber Schools**
- **Fine Arts Schools**
- **Exam Preparation and Tutoring**
- **Automobile Driving Schools**



Private Higher Education

Positive Growth Factors

- **Consumer demand for further training**
- **Increased revenue**



Limiting Employment Growth Factors

- **Transition to more online content**
- **Increased reliance on education technology**
- **20%-40% Decrease in enrollment**

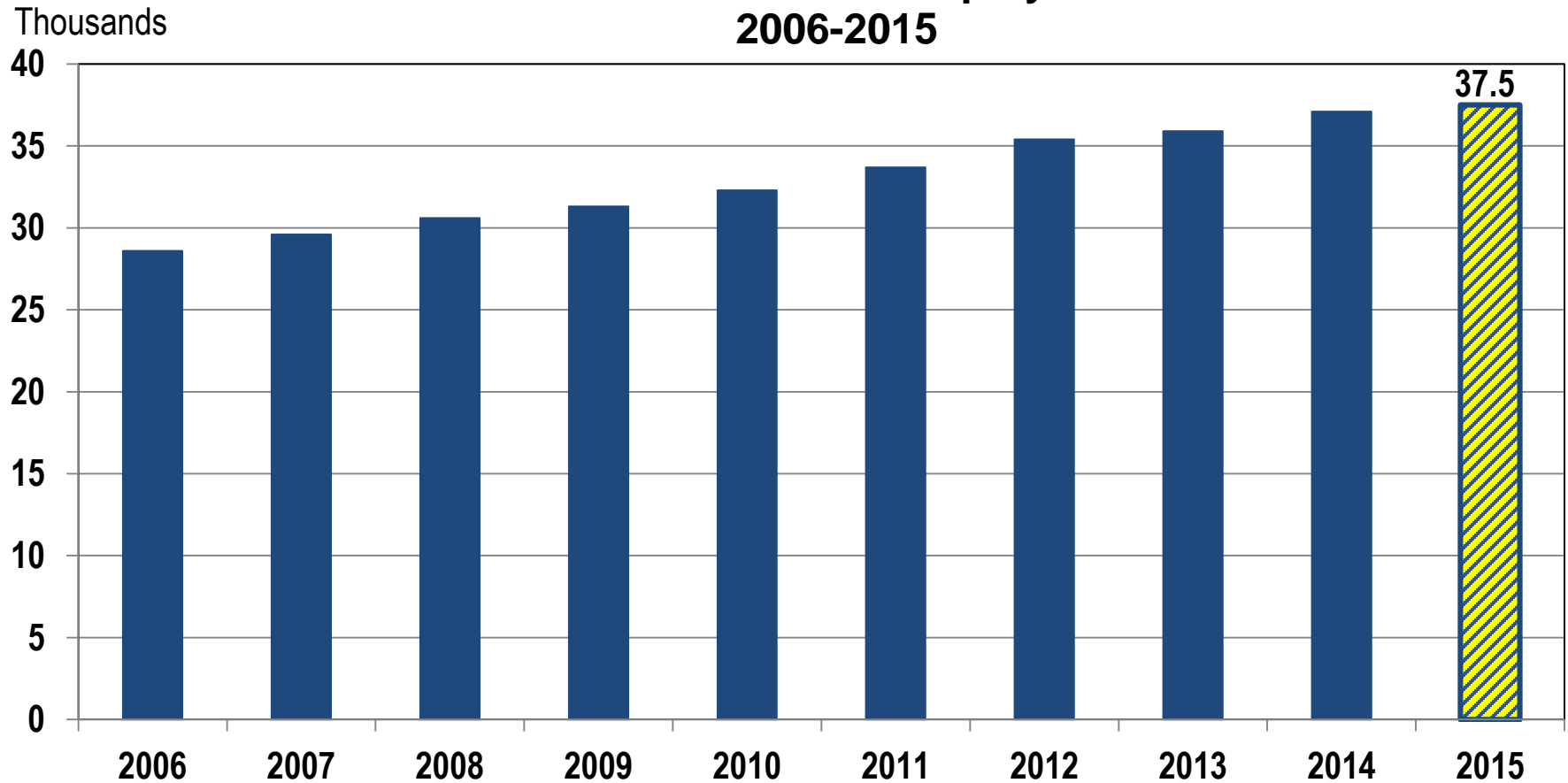


Sources: Colorado Department of Labor and Employment and Colorado Business Economic Outlook Committee.

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Private Education Summary

**Private Education Employment
2006-2015**

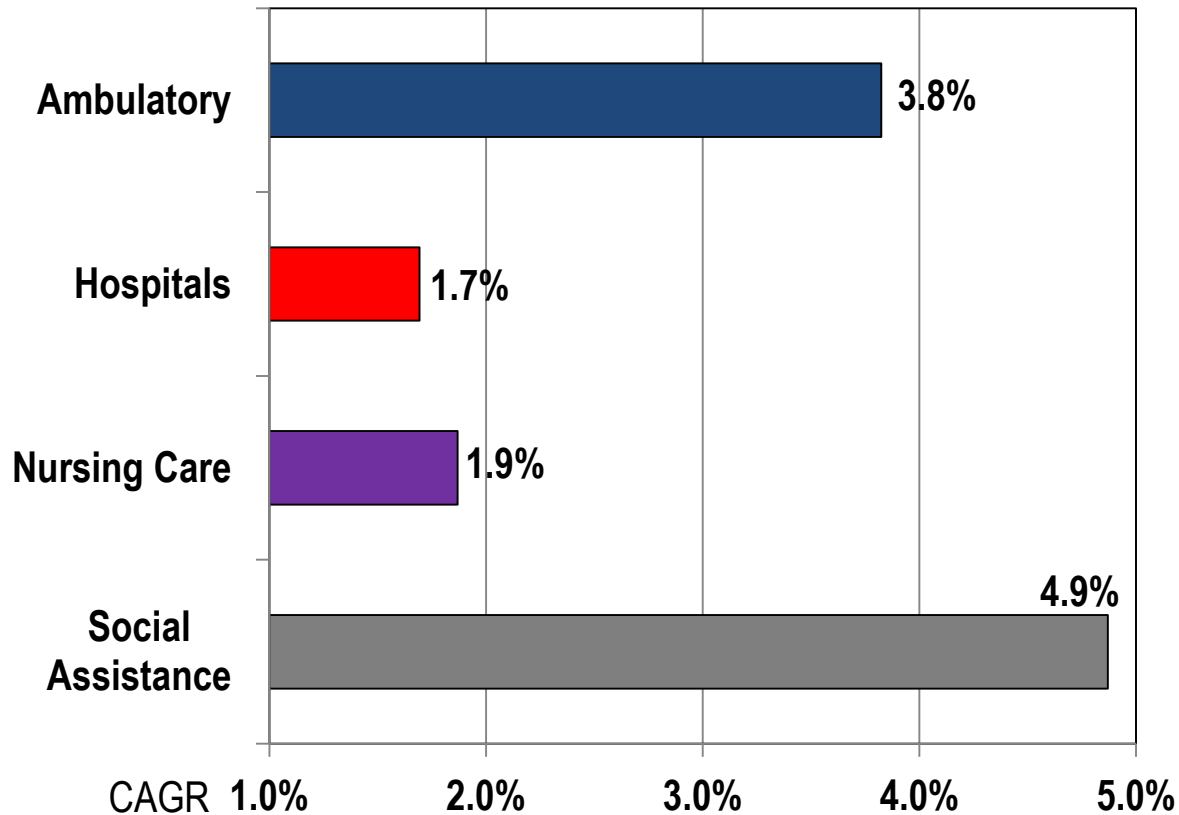


Sources: Colorado Department of Labor and Employment and Colorado Business Economic Outlook Committee.

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Health Care Services

**Health Care Services Employment Growth,
Annualized, 2006-2014**



- **11% of Colorado jobs**
- **Consistent employment growth**
- **PPACA upheld by Supreme Court**
- **Entitlement enrollment growing**
- **Insurance coverage expanding**

Health Care Services

Major Trends



- **Labor shortages**
- **Average annual wage is below Colorado Average**
- **Continued, sustainable growth expected for many reasons:**
 - **Aging population**
 - **Increasing rates of obesity and chronic diseases**
 - **Increase in the number of persons eligible for health insurance**
 - **Realignment of care delivery**

Health Care Services Occupations

- **Timeline for training practitioners is slow, despite increased demand**
- **Registered nurses are the largest segment of primary care**
- **Expanded emphasis on primary care expected to increase opportunity for nurses, physician assistants**
- **Greater need for frontline workers who work on prevention rather than treatment**



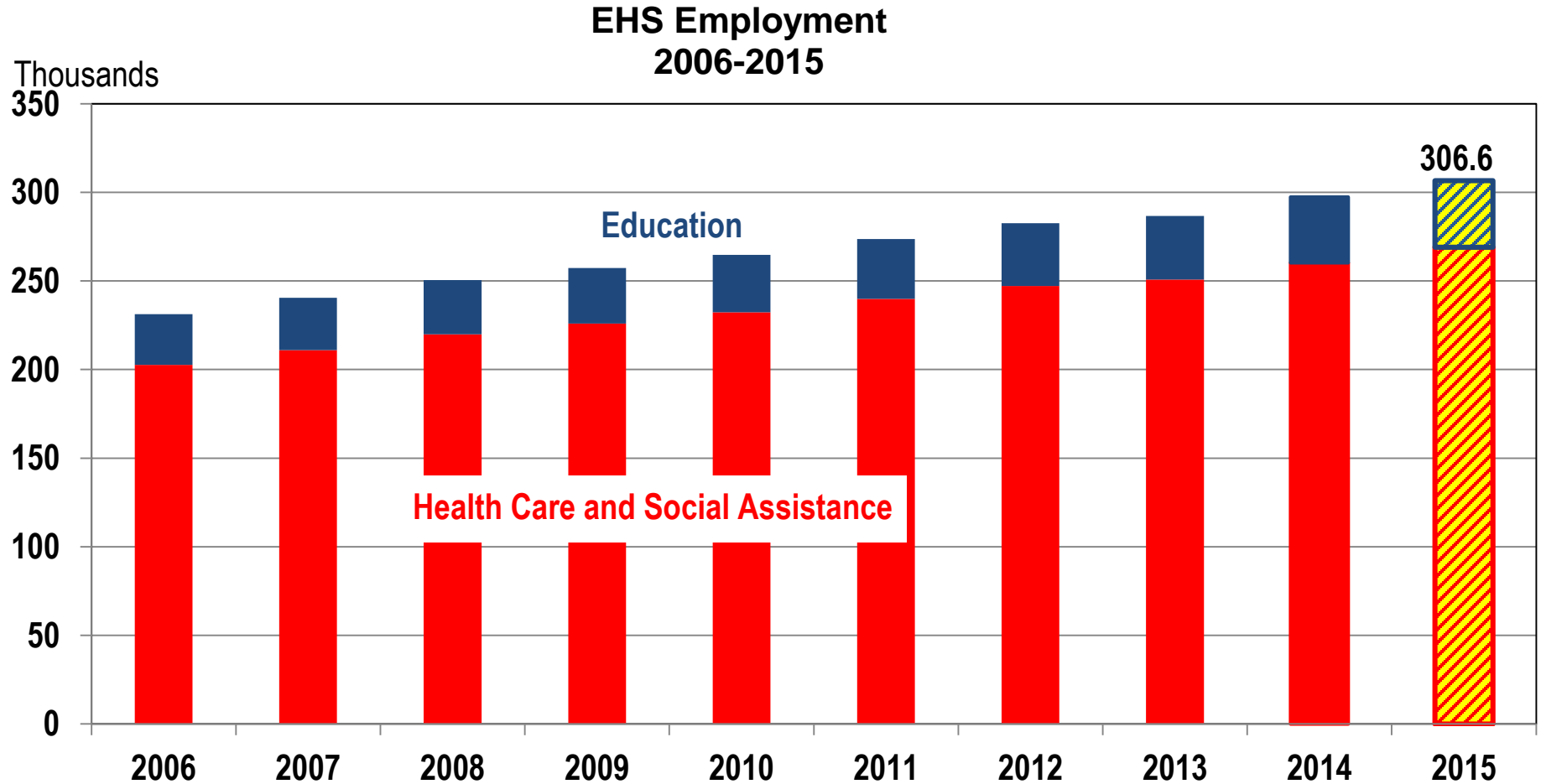
Health Care Services Legislation



- **Colorado's uninsured dropped 7.5% during PPACA open enrollment**
 - **Below national average**
- **Insurance premiums expected to increase modestly**
- **Increased adults and children eligible for Medicaid and CHP+**
- **Increased concerns over whether there are enough providers to handle new Medicaid patients**



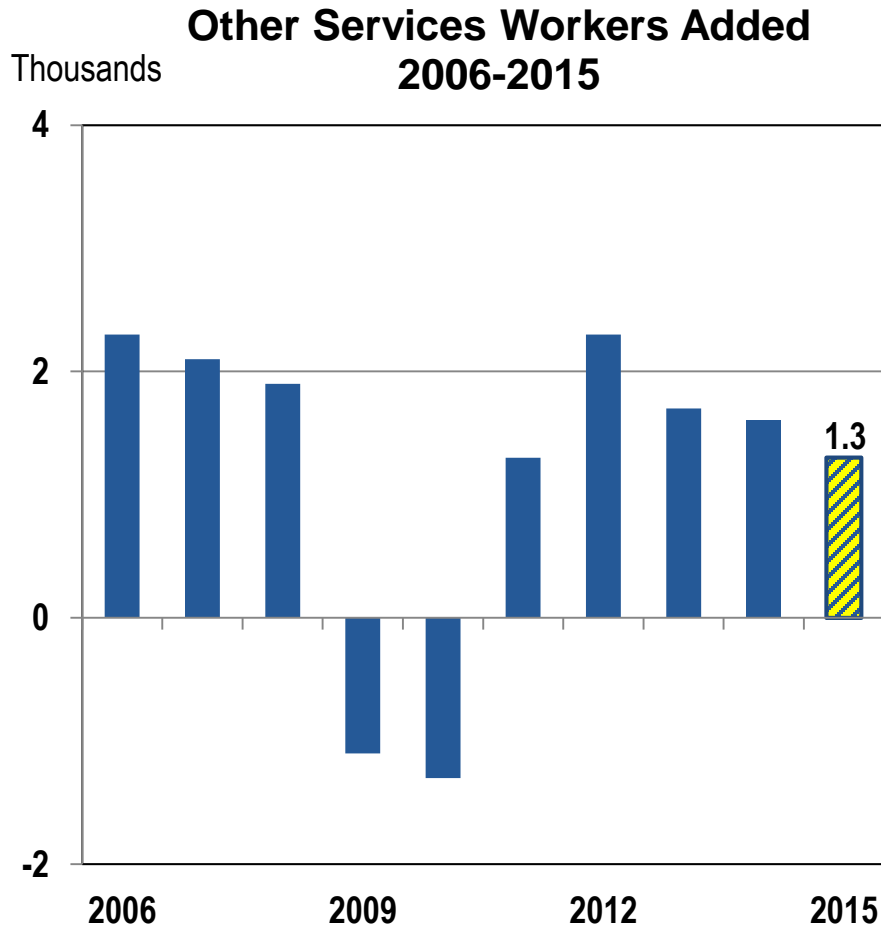
Education and Health Services Employment



Sources: Colorado Department of Labor and Employment and Colorado Business Economic Outlook Committee.

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Other Services



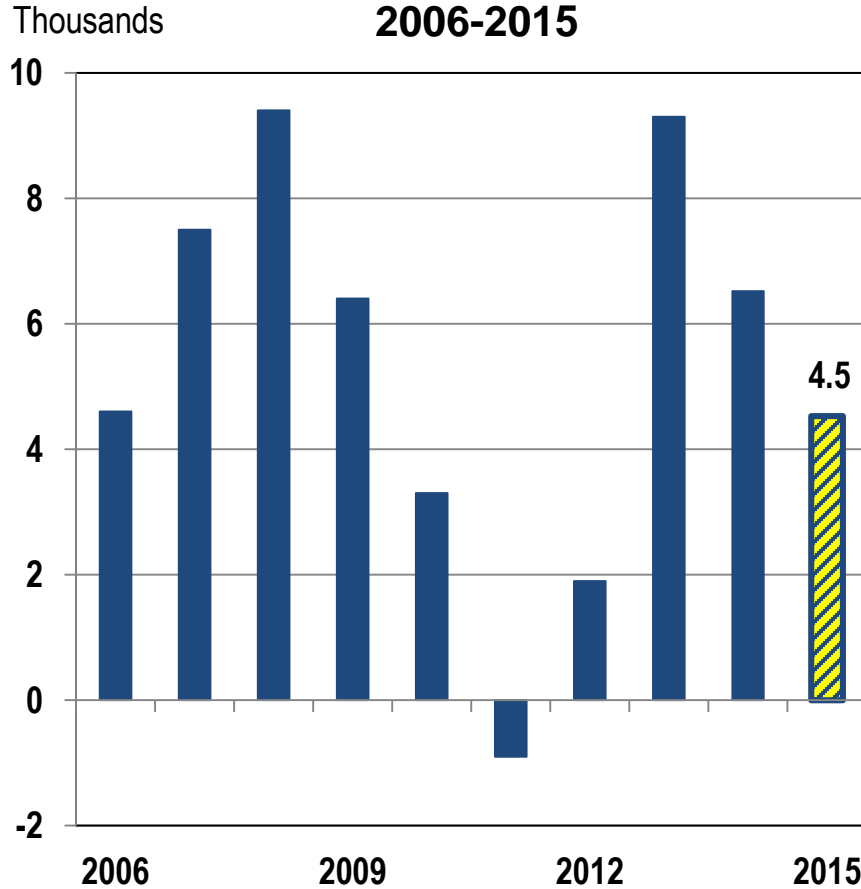
- **Repair and Maintenance**
- **Personal and Laundry Services**
- **Nonprofit Associations
(Religious, Grantmaking,
Civic, Professional, and
Similar Organizations)**

Sources: Colorado Department of Labor and Employment and Colorado Business Economic Outlook Committee.

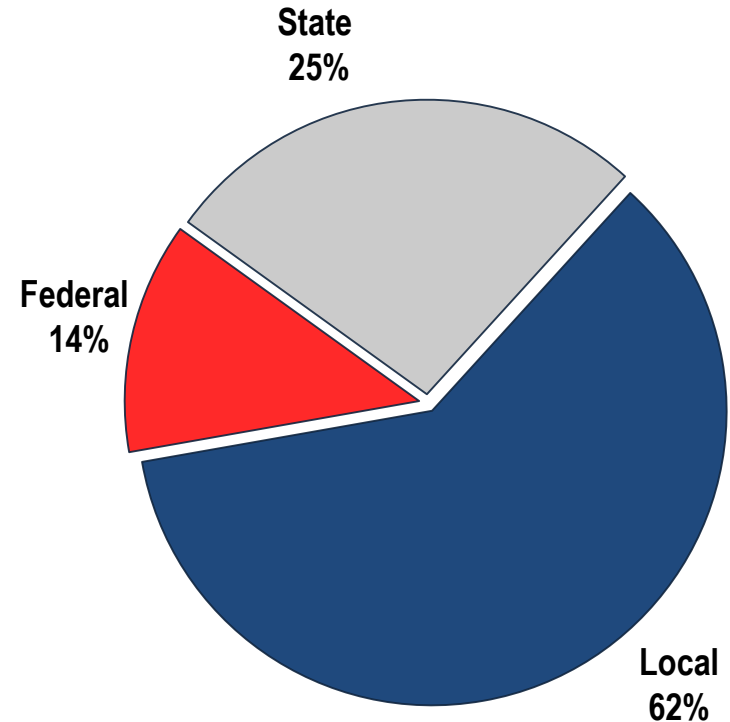
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Government

**Government Workers Added
2006-2015**



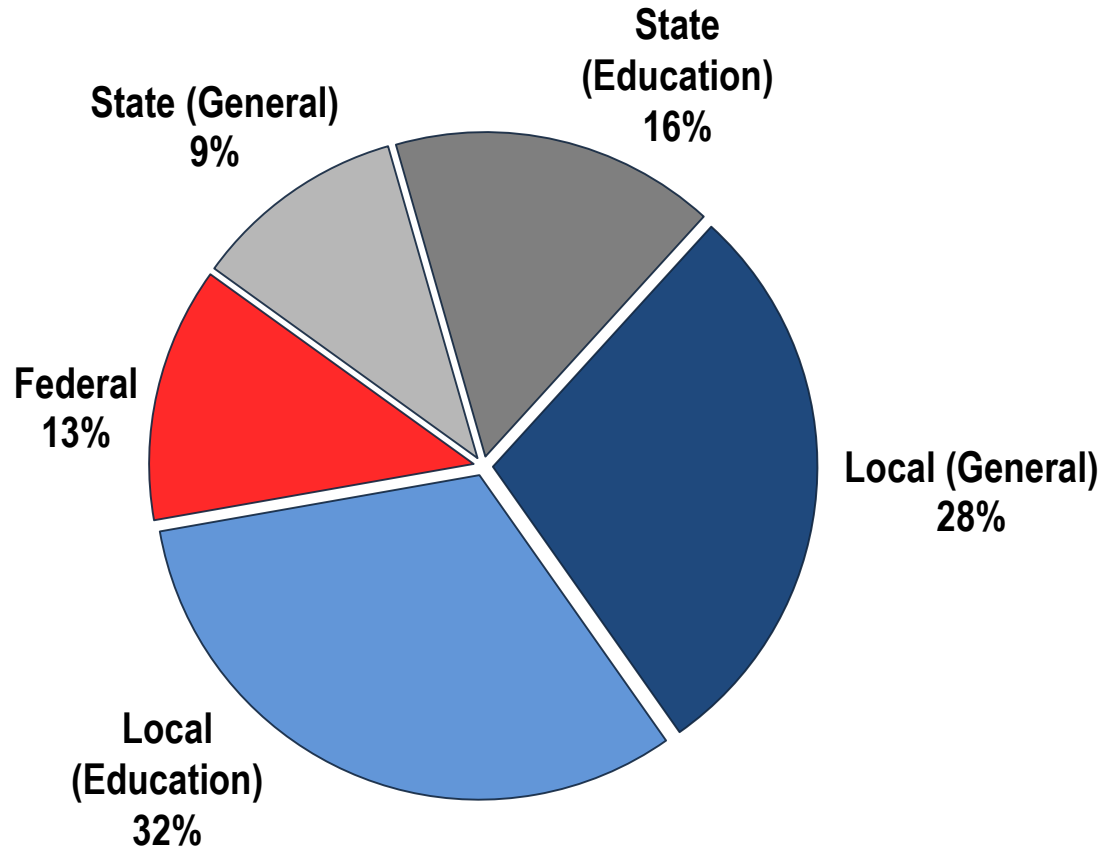
Government Employment



Sources: Colorado Department of Labor and Employment and Colorado Business Economic Outlook Committee.

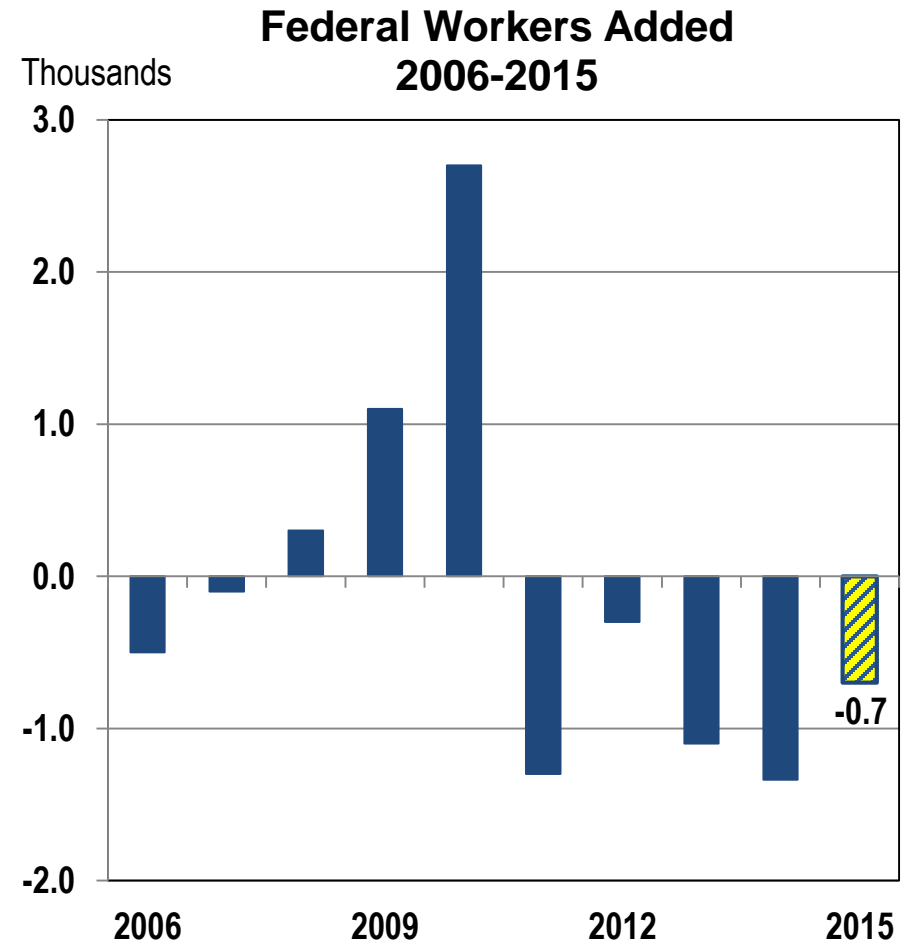
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Government Employment



Federal Government

- **Five consecutive years of employment losses**
- **High concentration of federal science and research labs**
- **The Federal Government remains one of Colorado's largest employers**



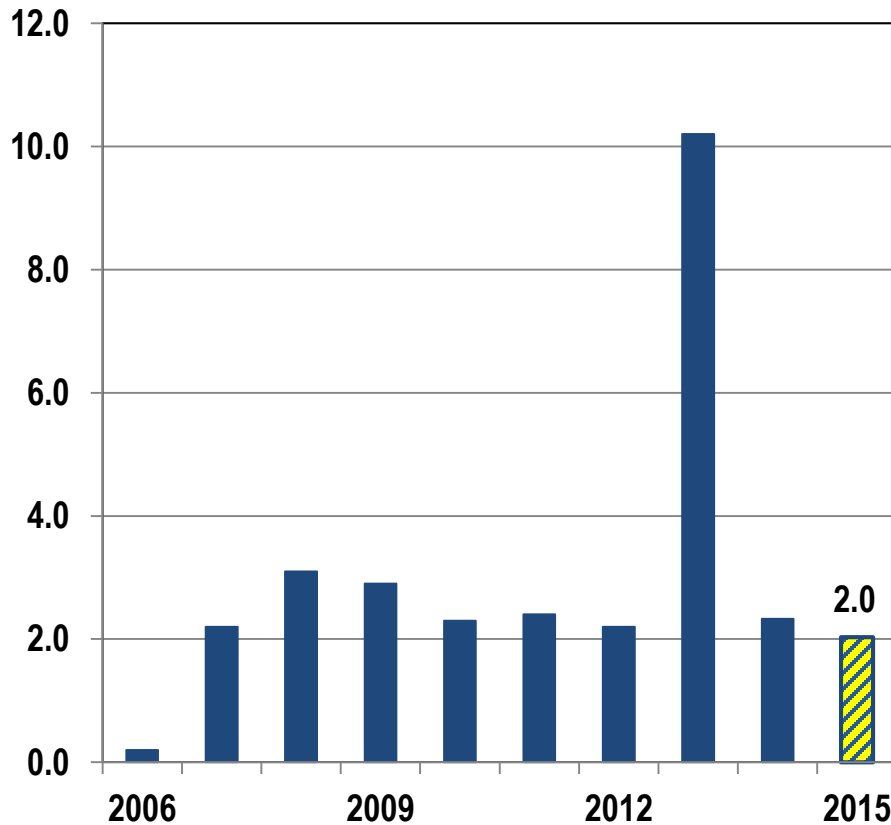
Sources: Colorado Department of Labor and Employment and Colorado Business Economic Outlook Committee.

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State Government

**State Government Workers Added
2006-2015**

Thousands



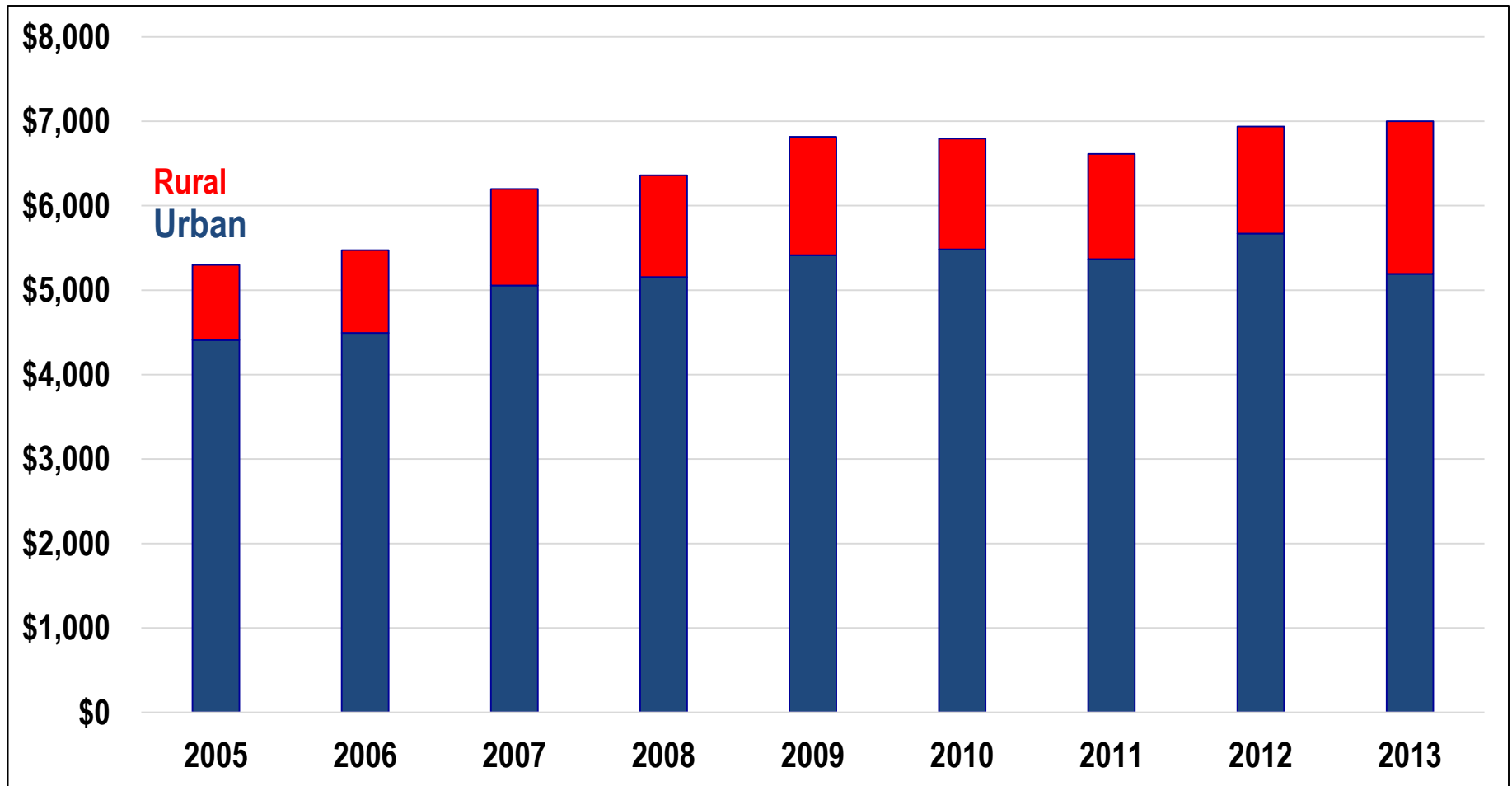
Sources: Colorado Department of Labor and Employment and Colorado Business Economic Outlook Committee,
Photo courtesy of coloradopreservation.org.

*Note: 2013 increase partially due to reclassification of employees.

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Colorado Property Tax Revenue By Counties

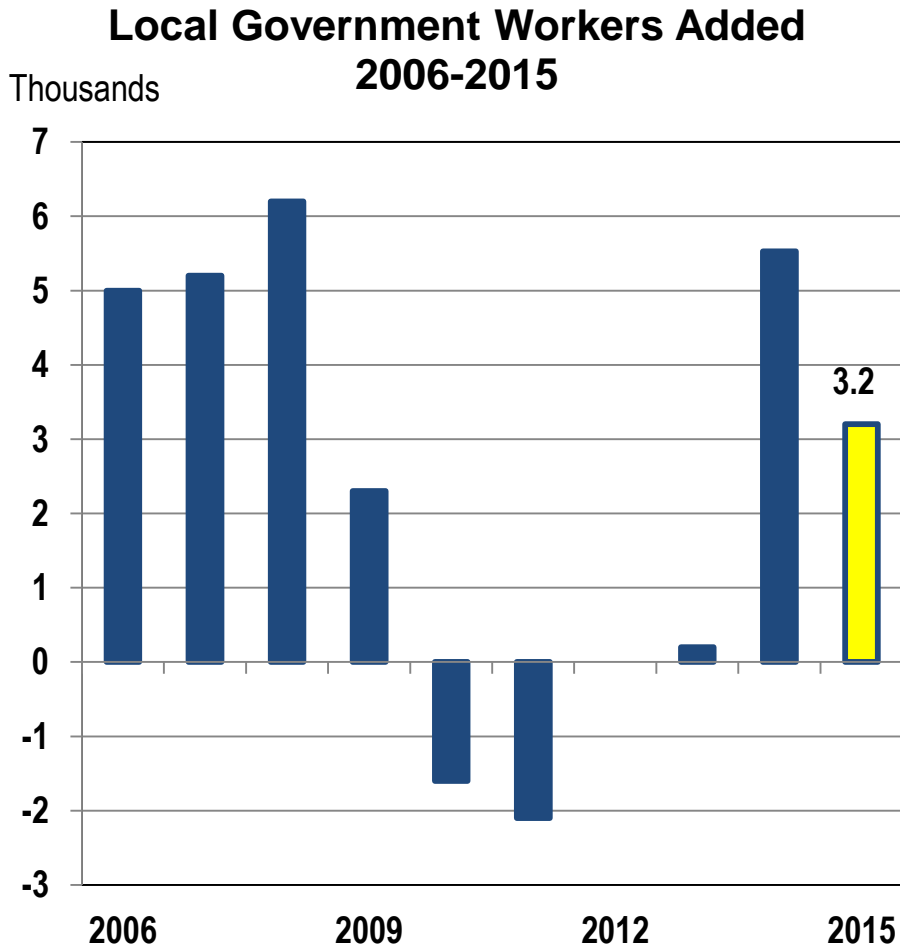
Millions



Source: Colorado Department of Local Affairs

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Local Government



Revenue Sources:

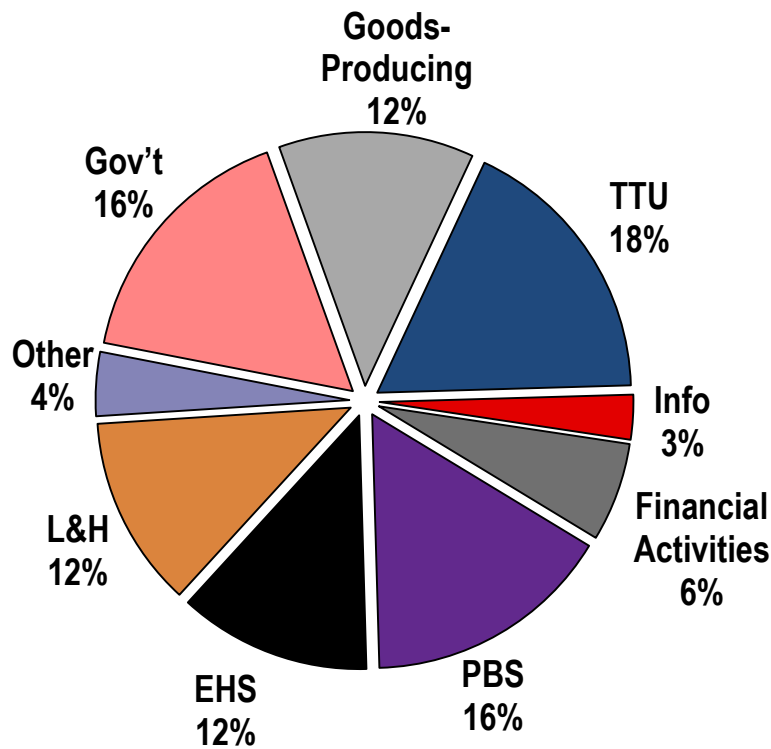
- Property taxes
- Sales and use taxes
- Fees
- Intergovernmental revenues

Sources: Colorado Department of Labor and Employment and Colorado Business Economic Outlook Committee.

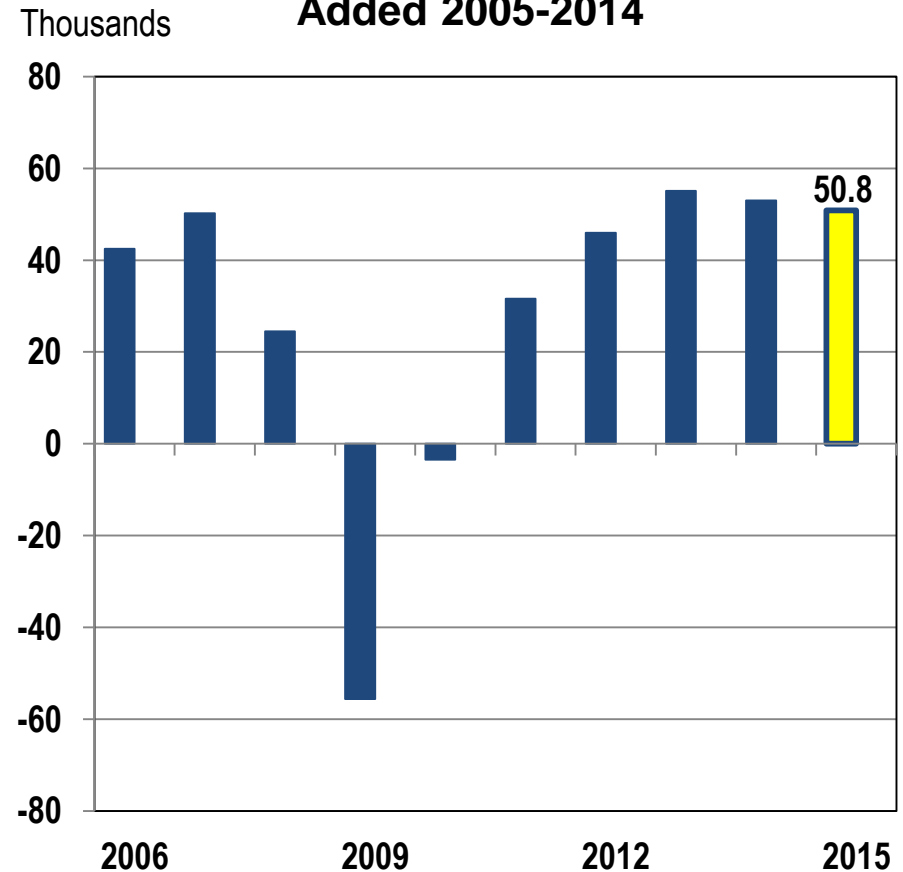
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Services-Producing Employment

Services-Producing Employment



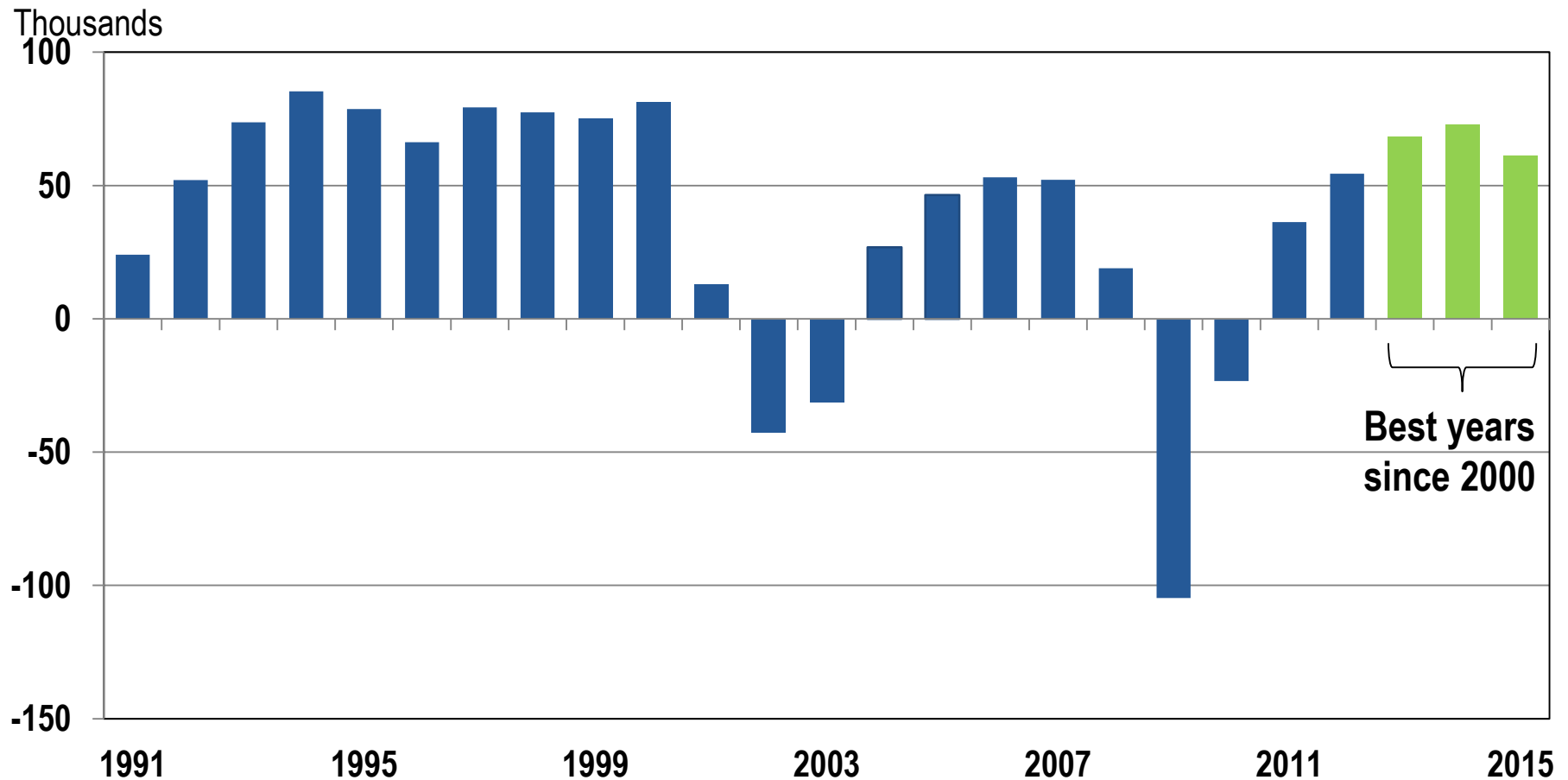
Services-Producing Workers Added 2005-2014



Sources: Colorado Department of Labor and Employment and Colorado Business Economic Outlook Committee.

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Colorado Employment Growth Jobs Added, 1991-2015



Sources: Bureau of Economic Analysis, NIPA Table 3.18B, Consensus Forecasts.
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International and National Summary

- **Global output and trade growth**
- **Value of the dollar strengthening**
- **GDP growth accelerates**
- **Fiscal tightening**
- **Housing in recovery**
- **Balance sheets getting stronger**
- **Consumers stay in the marketplace**
- **Business investment grows**
- **Inflation and interest rates remain low**



State Summary

- **Colorado outperforms nation in employment growth**
- **Growing population**
- **Strong in-migration**
- **Home prices rising slowly, steadily**
- **Falling unemployment**
- **Labor Force Pressures**



Concerns

- **Fed “tapering”**
- **Median family income**
- **Political gridlock**

- **Cost of housing**
- **Price of oil**
- **Availability of labor**



50th Annual Business Economic Outlook Forum

