

Creating New Opportunities: 2021 Economic Forecast for Colorado

January 8, 2021



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Prepared by:



In Partnership with:



The Global Situation

- COVID-19 infected 87.4 million people across globe, resulting in 1.9 million deaths (1/7/2021)
- Degree of “openness” varies across globe, creating worldwide supply and demand challenges
- Travel restrictions vary, limiting business and pleasure trips

Year over Year Growth in Output

- Vaccine!!!

| | 2019 | 2020 | 2021 |
|---------------|-------|-------|------|
| World | 2.8% | -4.4% | 5.2% |
| United States | 2.2% | -4.3% | 3.1% |
| | | | |
| Canada | 1.7% | -7.1% | 5.2% |
| Mexico | -0.3% | -9.0% | 3.5% |
| China | 6.1% | +1.9% | 8.2% |

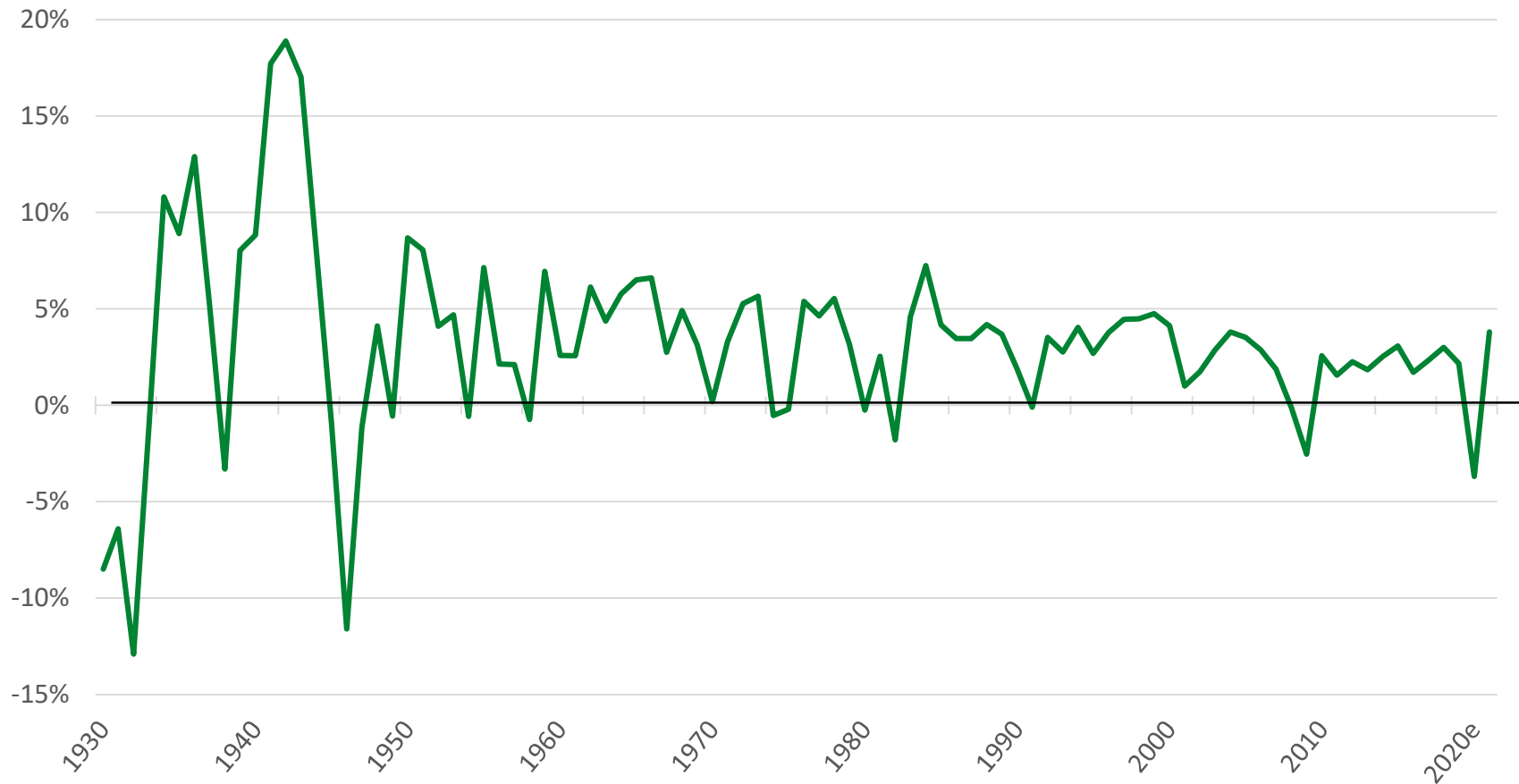
Source: International Monetary Fund, World Economic Outlook, October 2020.

The United States Situation

- The NBER announced that the U.S. economy achieved peak economic activity in February, ending a record-long 128-month expansion.
- Nearly \$6 trillion in relief funds approved for infusion into the economy since March 27, equivalent of about 27% of 2019 GDP (\$21.4 T)
- The Federal Reserve has maintained the federal funds rate to a range of 0 to 0.25 percent.
- Expect about 4 percent decline in real gross domestic product (GDP) in U.S. from 2019 to 2020.
 - 2Q 2020 -31.4 percent; 3Q 2020 +33.1 percent

Expected drop in GDP in 2020 is steep, but not as bad as declines in 1930s and 1940s

Annual Change in Real GDP



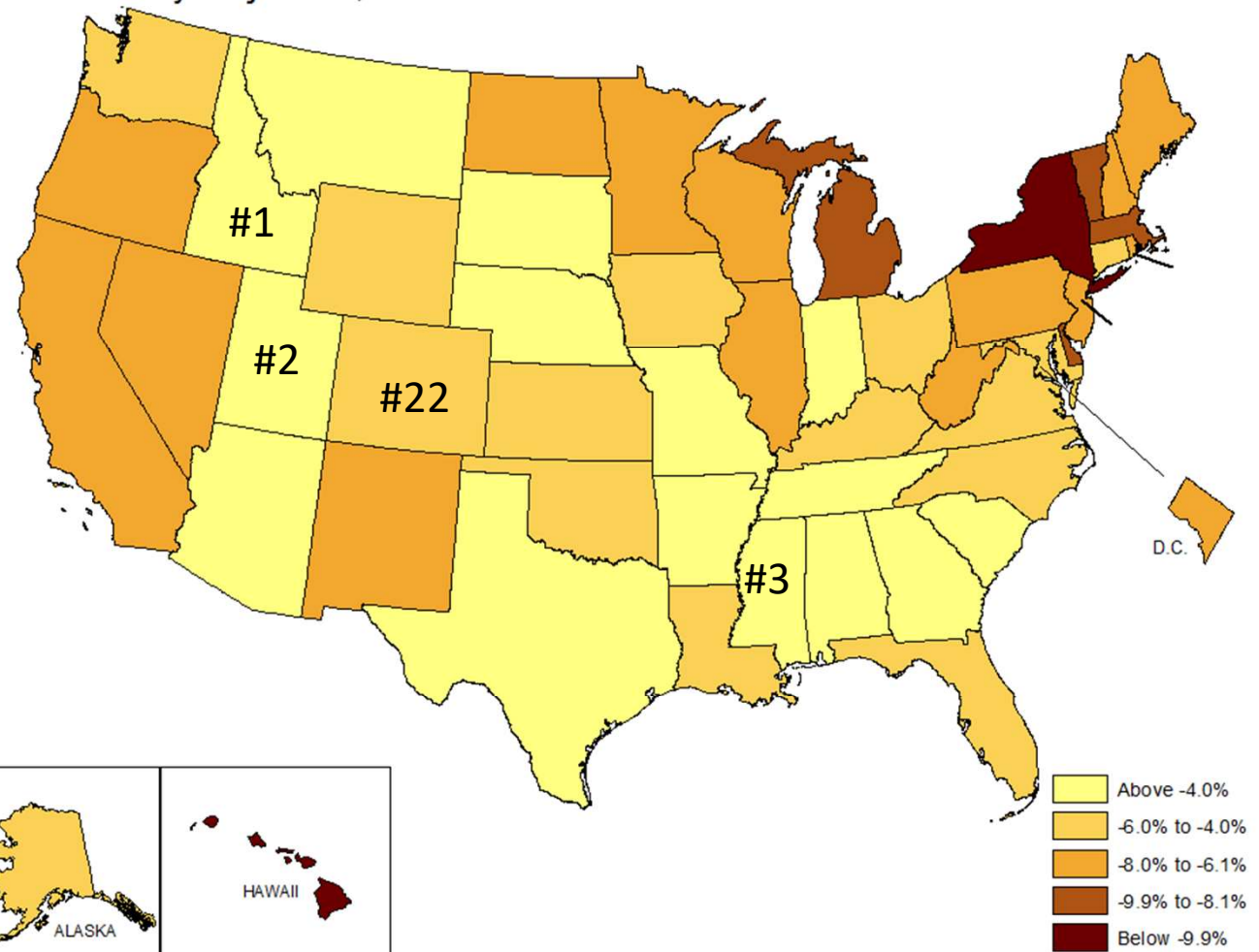
Source: U.S. Bureau of Economic Analysis.
2020e = DRP Estimate; 2021f = DRP Forecast.

All states lost jobs in April 2020 YOY; Idaho first state to report YOY increase in Nov.

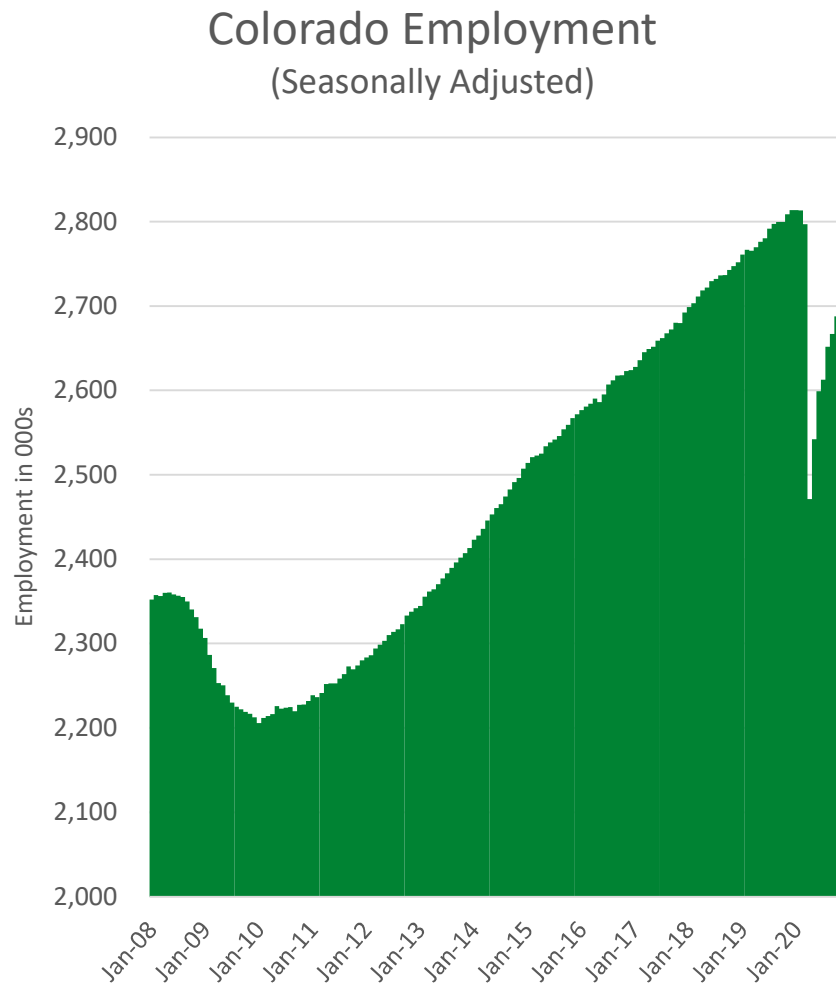
Map 2. Percentage change in nonfarm employment by state, seasonally adjusted, November 2019 - November 2020

Employment Growth Range

-15.2% HI
to
+0.5% in ID



Colorado Employment



Great Recession:

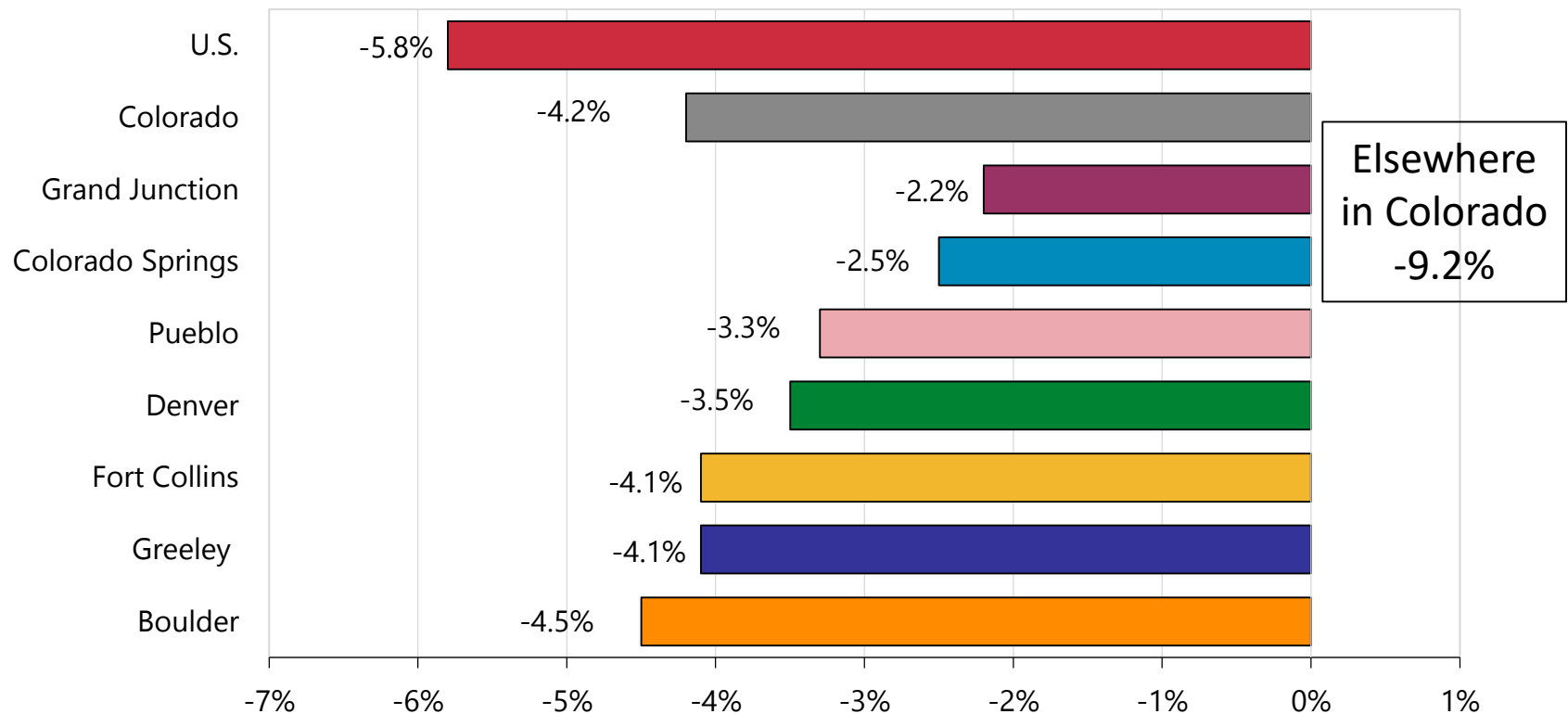
- 155,000 jobs lost over 20 months (May 2008 – Jan 2010)
- 38 months to recover all lost jobs (Jan 2010 – Mar 2013)

COVID Recession:

- 343,000 jobs lost over 3 months (Jan 2020-April 2020)
- ?? months to recover all lost jobs (61.2% of jobs recovered May-Nov 2020)

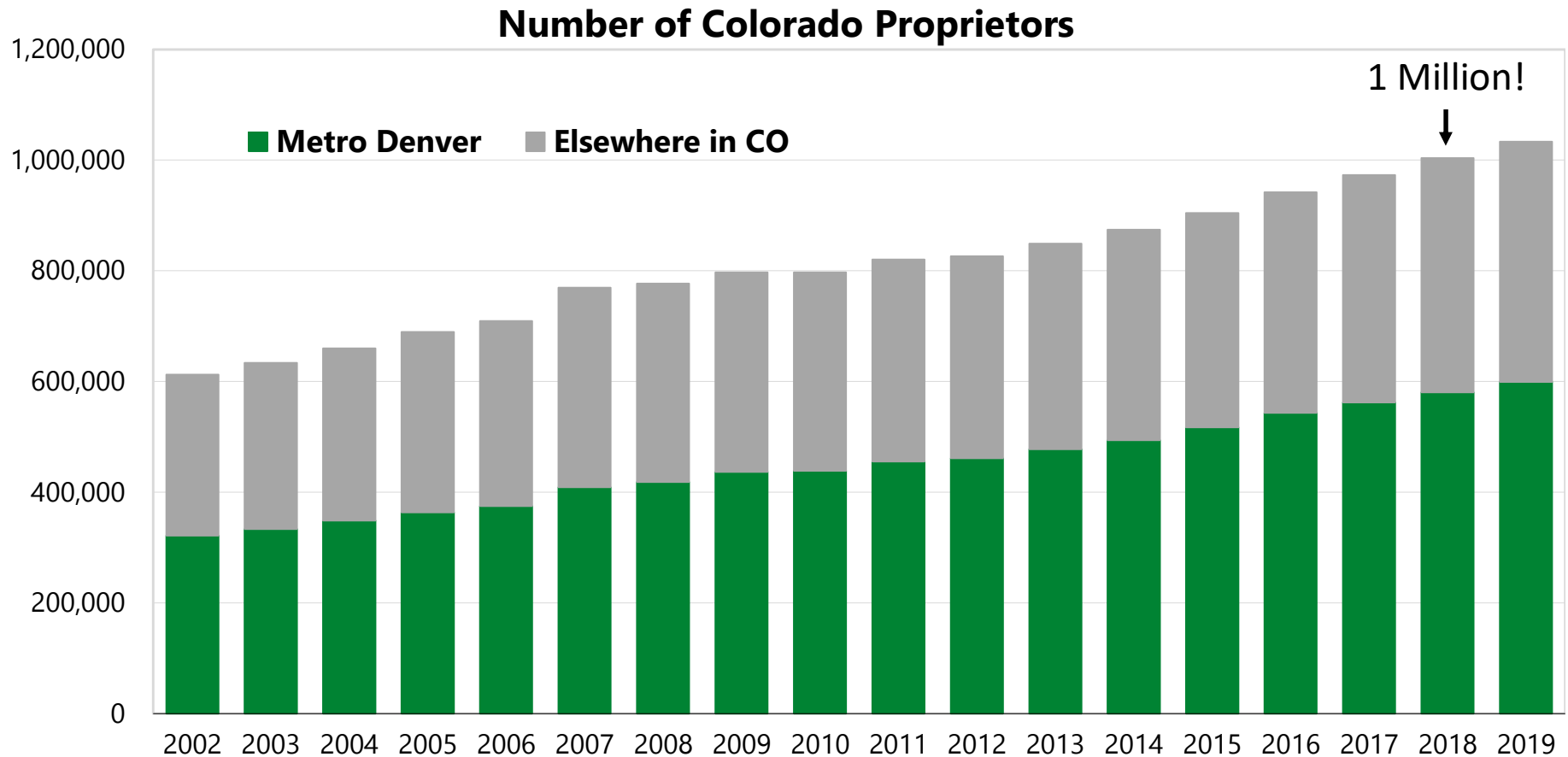
Employment Loss Varies Across the State's 7 MSAs (covering 17 counties)

Nonfarm Job Growth Rates by Metro Area, Jan-Nov 2019 vs. Jan-Nov 2020



Source: U.S. Bureau of Labor Statistics, Current Employment Statistics.

Proprietors Are 26.2% Of CO Employment (U.S. Average = 23.2%)



Source: U.S. Bureau of Economic Analysis.

How Are Your Customers Doing?

- Businesses and consumers have proven adaptable in their transactions
- Business and consumer confidence is critical to recovery: What can your business do to boost customer comfort levels?



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Colorado had ~218,000 businesses in 2Q 2020; 98% < 100 employees

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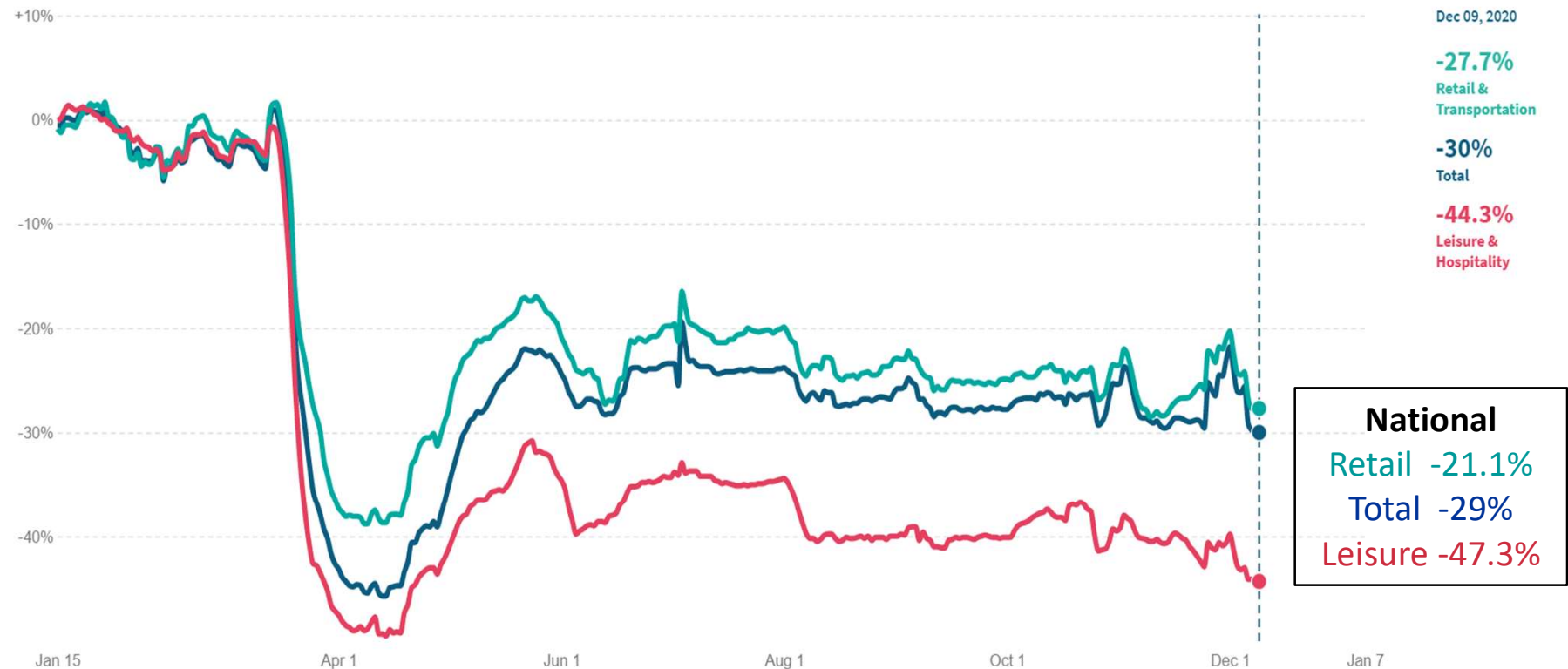
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Percent Change in Number of Small Businesses Open*

In **Colorado**, as of **December 09 2020**, the number of small businesses open **decreased** by **30%** compared to January 2020.



*Change in small businesses open (defined as having financial transaction activity), indexed to January 4-31 2020 and seasonally adjusted. This series is based on data from Womply.

last updated: December 22, 2020 next update expected: January 08, 2021

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Colorado Employment by Supersector

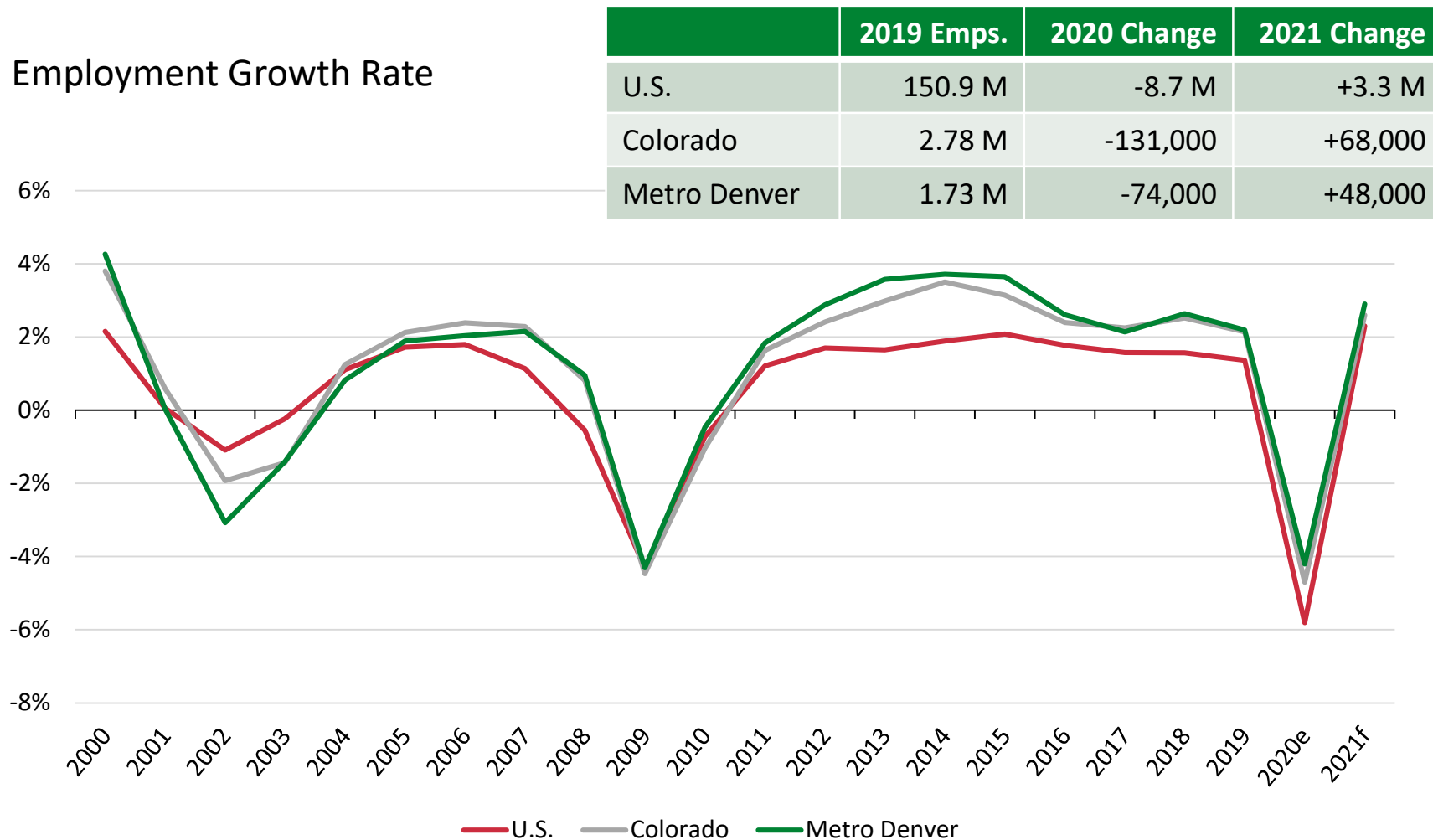
Largest: 443,200 workers



Smallest: 25,100 workers

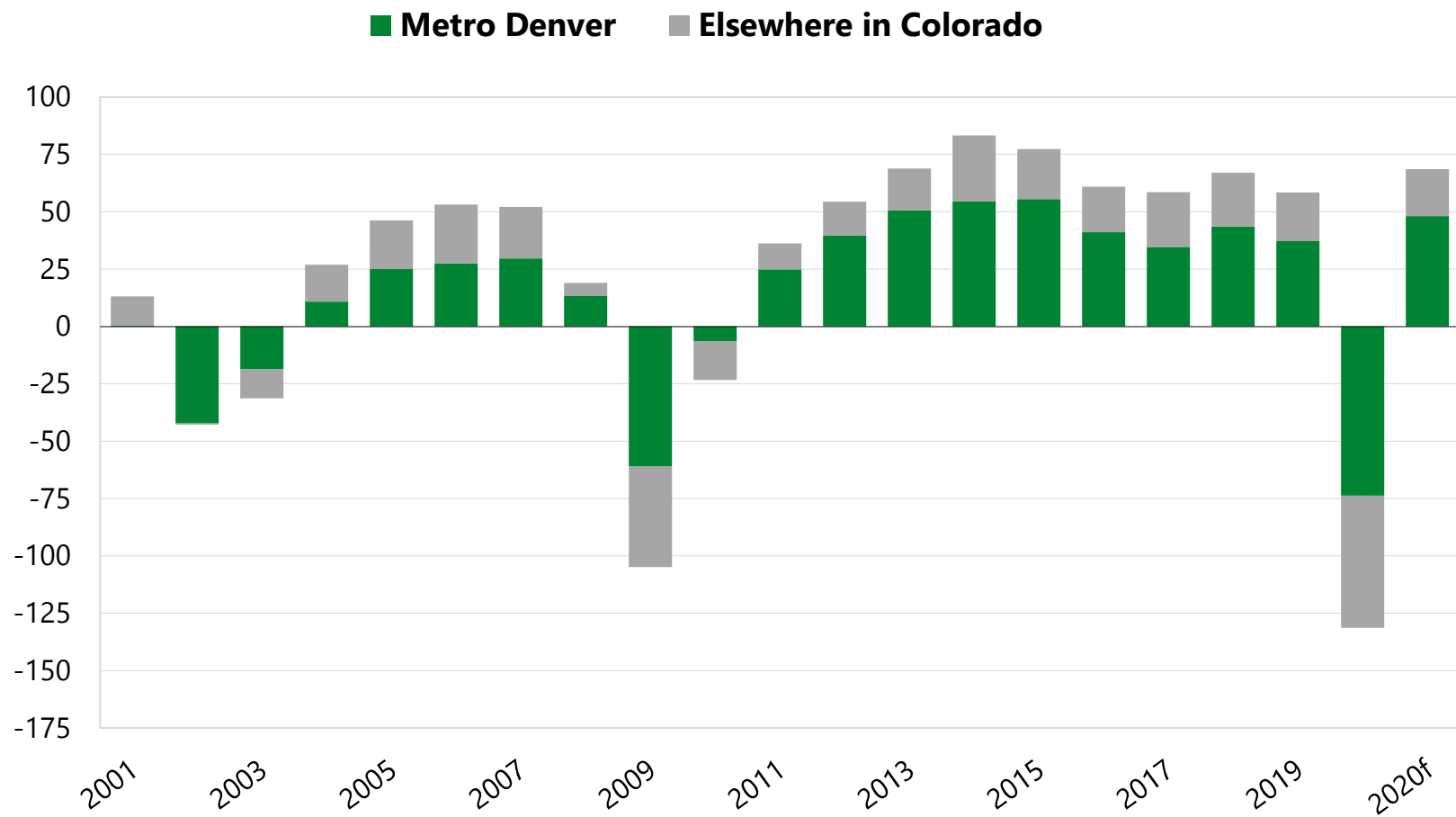
Metro Denver and Colorado Employment Growth Slowing Before COVID-19

Employment Growth Rate



Source: U.S. Bureau of Labor Statistics, Current Employment Statistics.
2020e=DRP Estimate; 2021f=DRP Forecast.

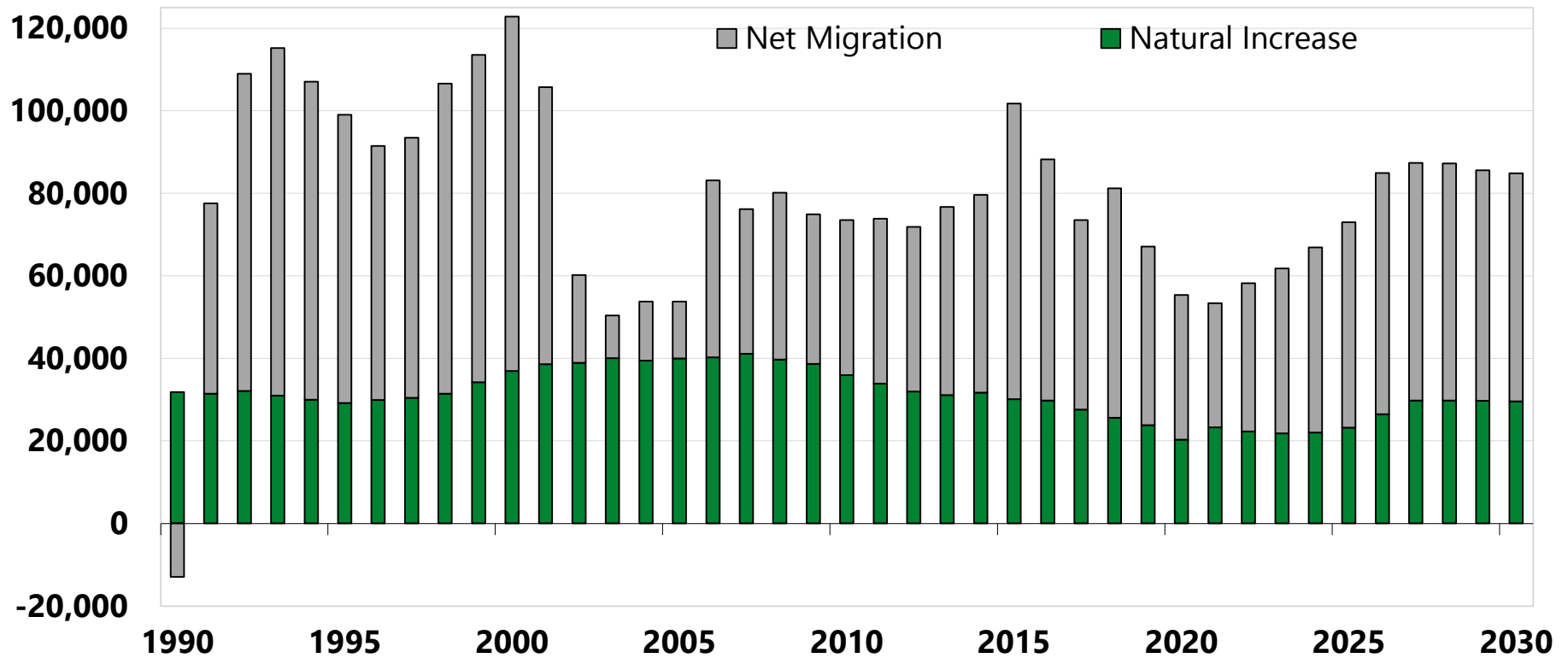
Colorado Net New Jobs (in thousands)



Source: Colorado Department of Labor & Employment.
2020e=DRP Estimate; 2021f=DRP Forecast.

Colorado Annual Change in Population

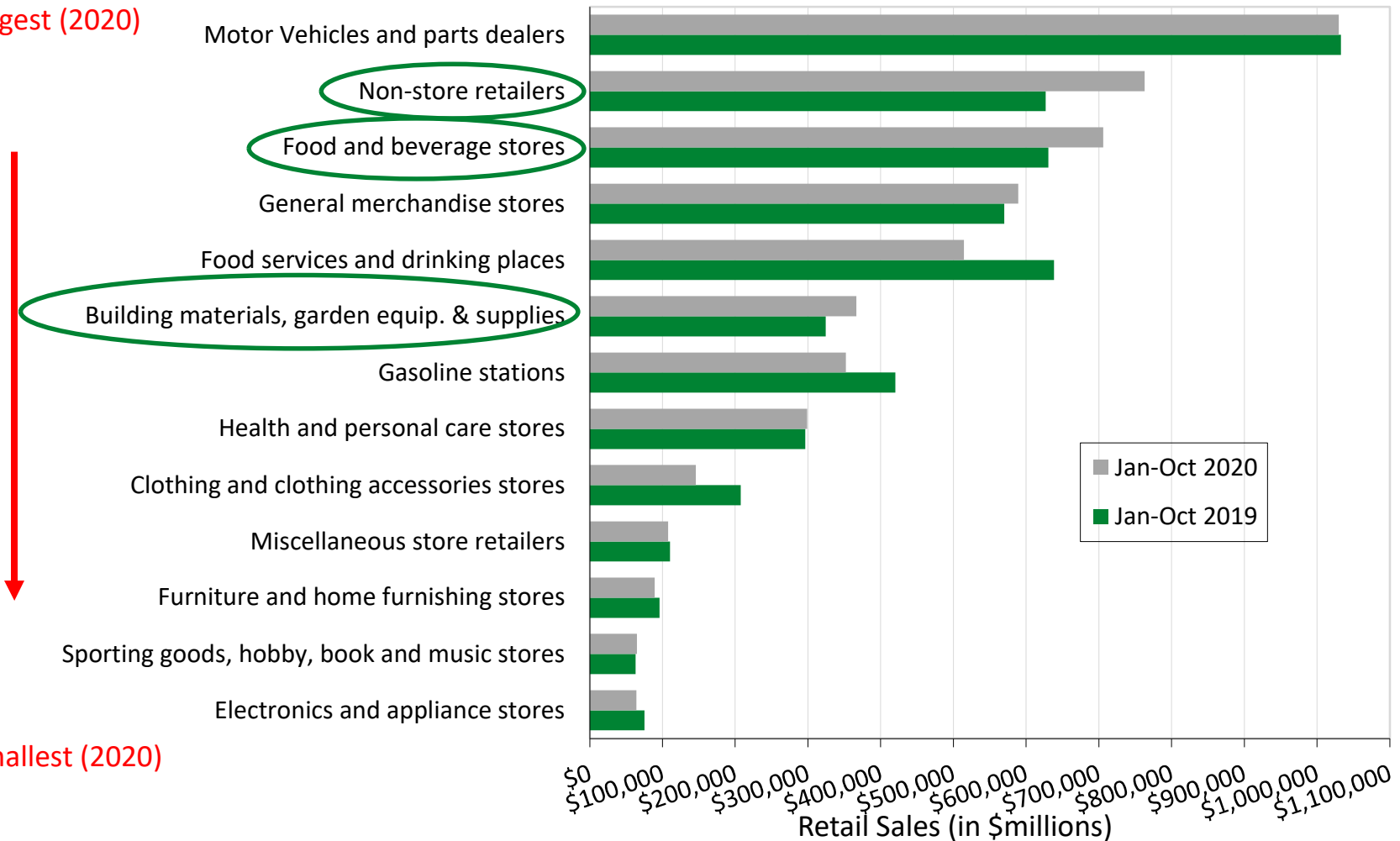
2021 Population = 5.87 Million



Source: Colorado Division of Local Government, State Demography Office.

National Consumer Spending Patterns have Shifted Dramatically

Largest (2020)



Smallest (2020)

Source: U.S. Census Bureau.

Grocery and Retail Solid Performance; Health Spending Down

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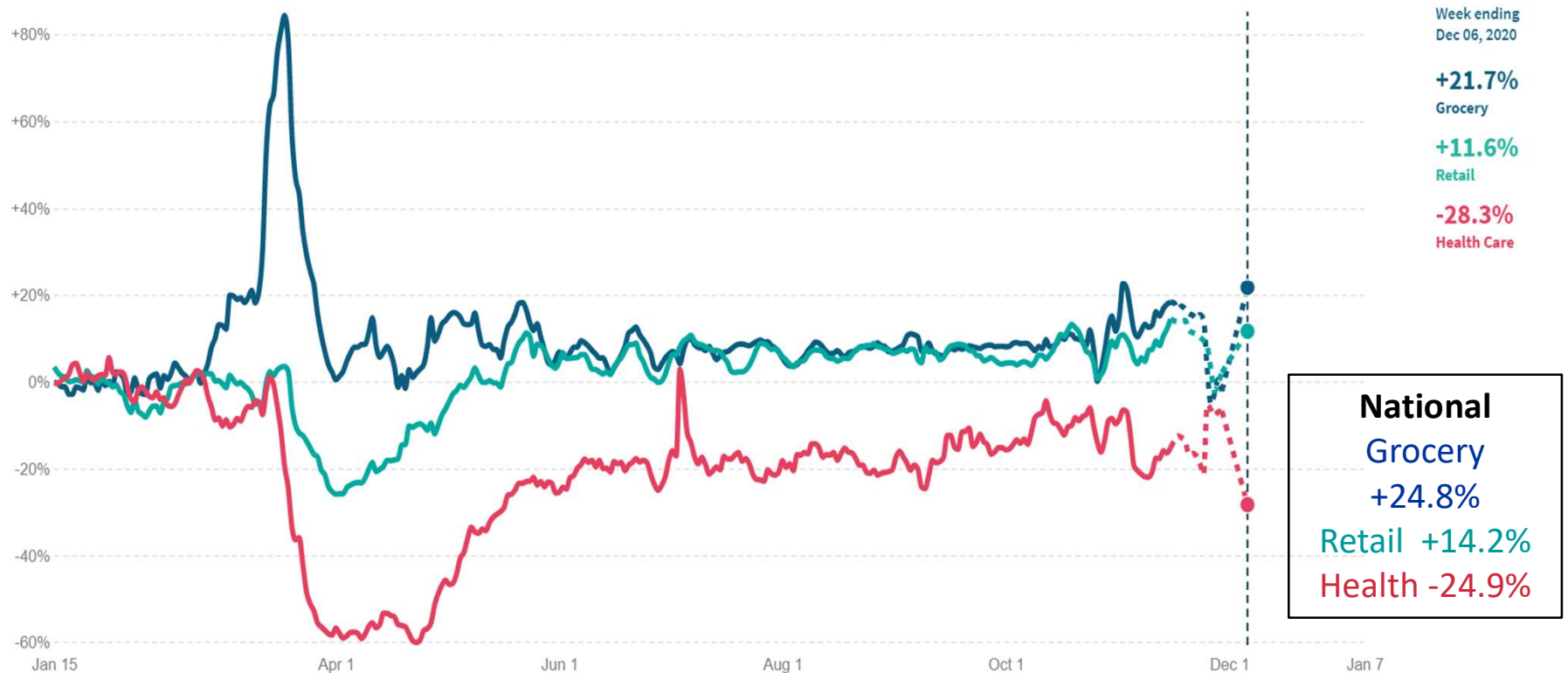
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Percent Change in All Consumer Spending*

In **Colorado**, as of **December 06 2020**, grocery spending by all consumers **increased** by **21.7%** compared to January 2020.



*Change in average consumer credit and debit card spending, indexed to January 4-31, 2020 and seasonally adjusted. The dashed segment of the line is provisional data, which may be subject to non-negligible revisions as newer data is posted. This series is based on data from Affinity Solutions.

last updated: December 15, 2020 next update expected: January 13, 2021

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High Touch Industries Experiencing Steep Declines in Consumer Spending

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Percent Change in All Consumer Spending*

In **Colorado**, as of **December 06 2020**, restaurant and hotel spending by all consumers **decreased** by **43.5%** compared to January 2020.



*Change in average consumer credit and debit card spending, indexed to January 4-31, 2020 and seasonally adjusted. The dashed segment of the line is provisional data, which may be subject to non-negligible revisions as newer data is posted. This series is based on data from Affinity Solutions.

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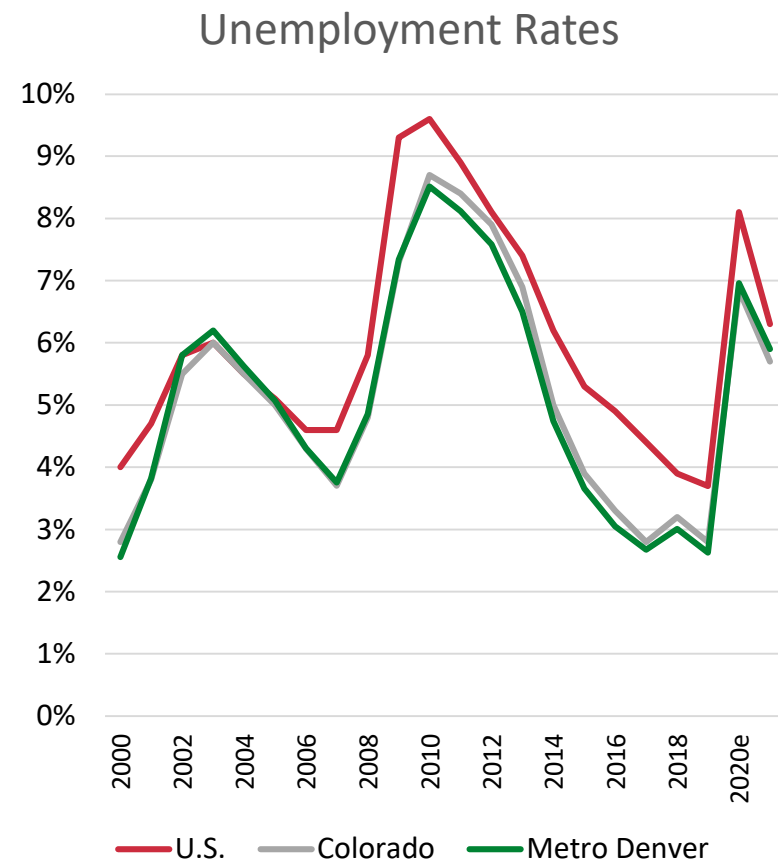
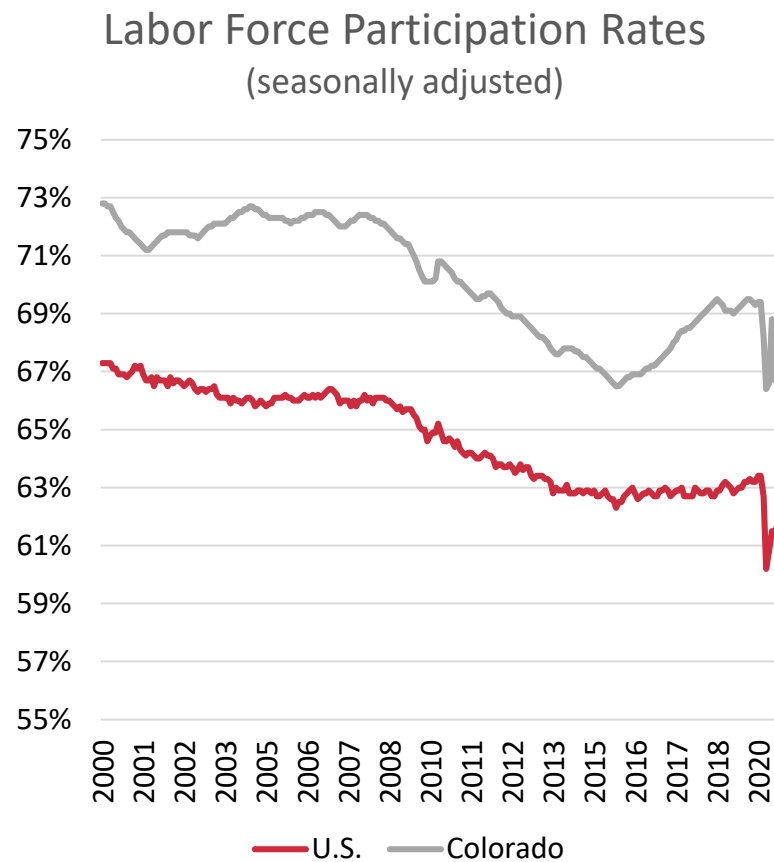
Controlling Your Business Costs

- *If you can*, take a long-term view of your labor needs
- Opportunities to discuss lease flexibility, tenant improvements, balance between physical space and remote needs



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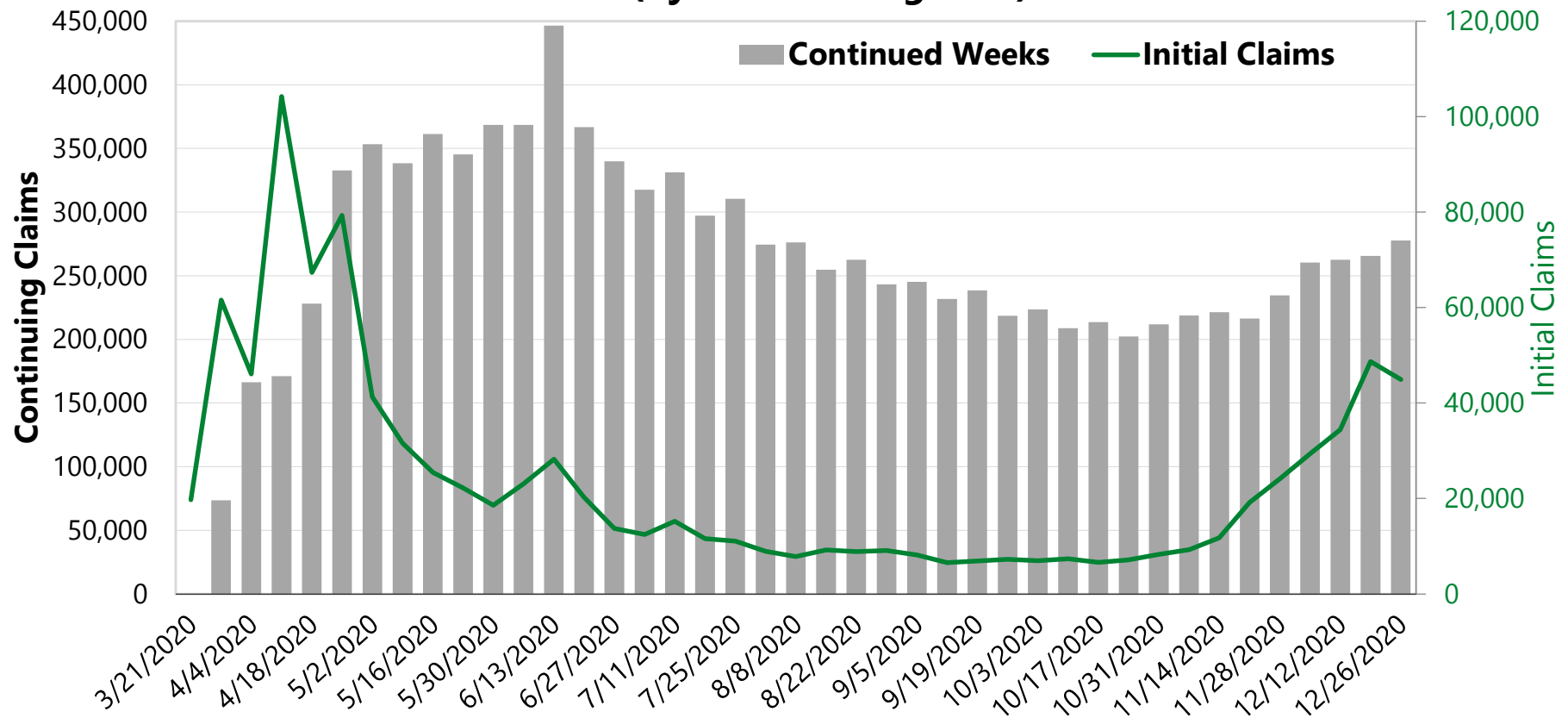
Labor Force Contracts, Unemployment Moderates by Mid-2021



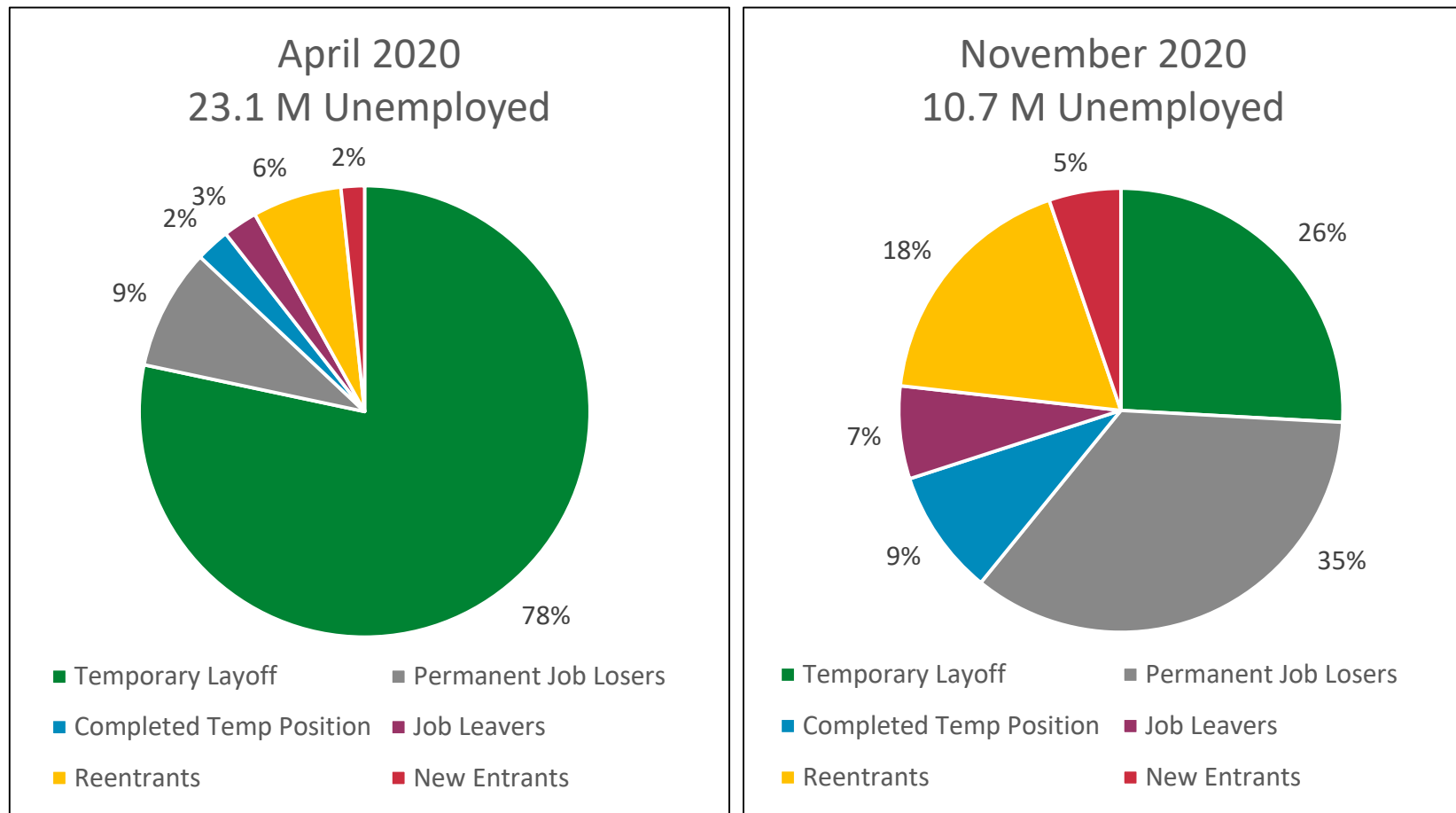
Source: U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics.
2020e=DRP Estimate; 2021f=DRP Forecast.

Number of Colorado Initial Claims and Continuing Claims Increasing Recently

**Weekly Unemployment Insurance Claims (Reg + PUA)
(by week ending date)**

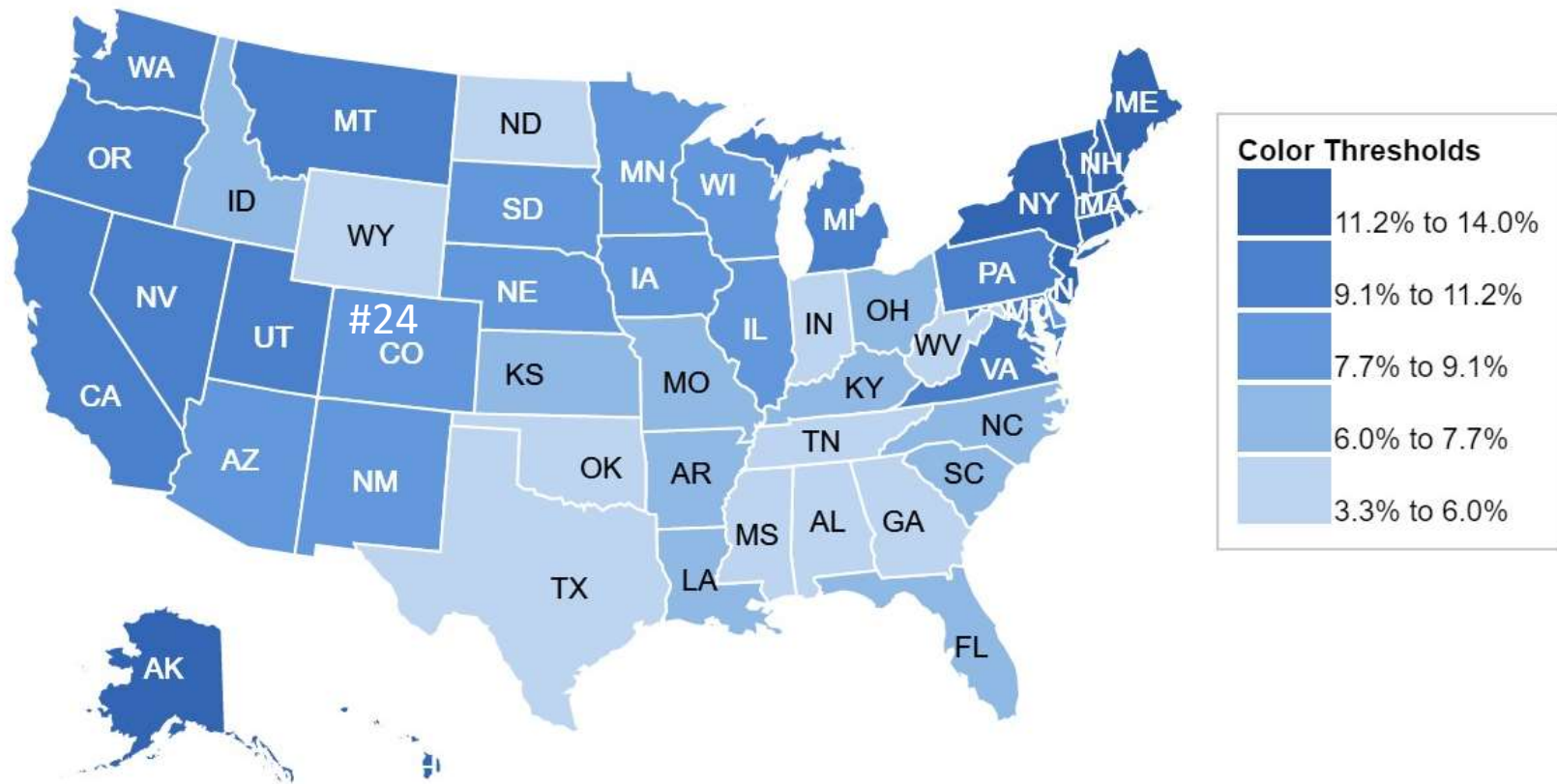


The Number of Permanent Layoffs in U.S. Increased from 2 M to 3.7 M



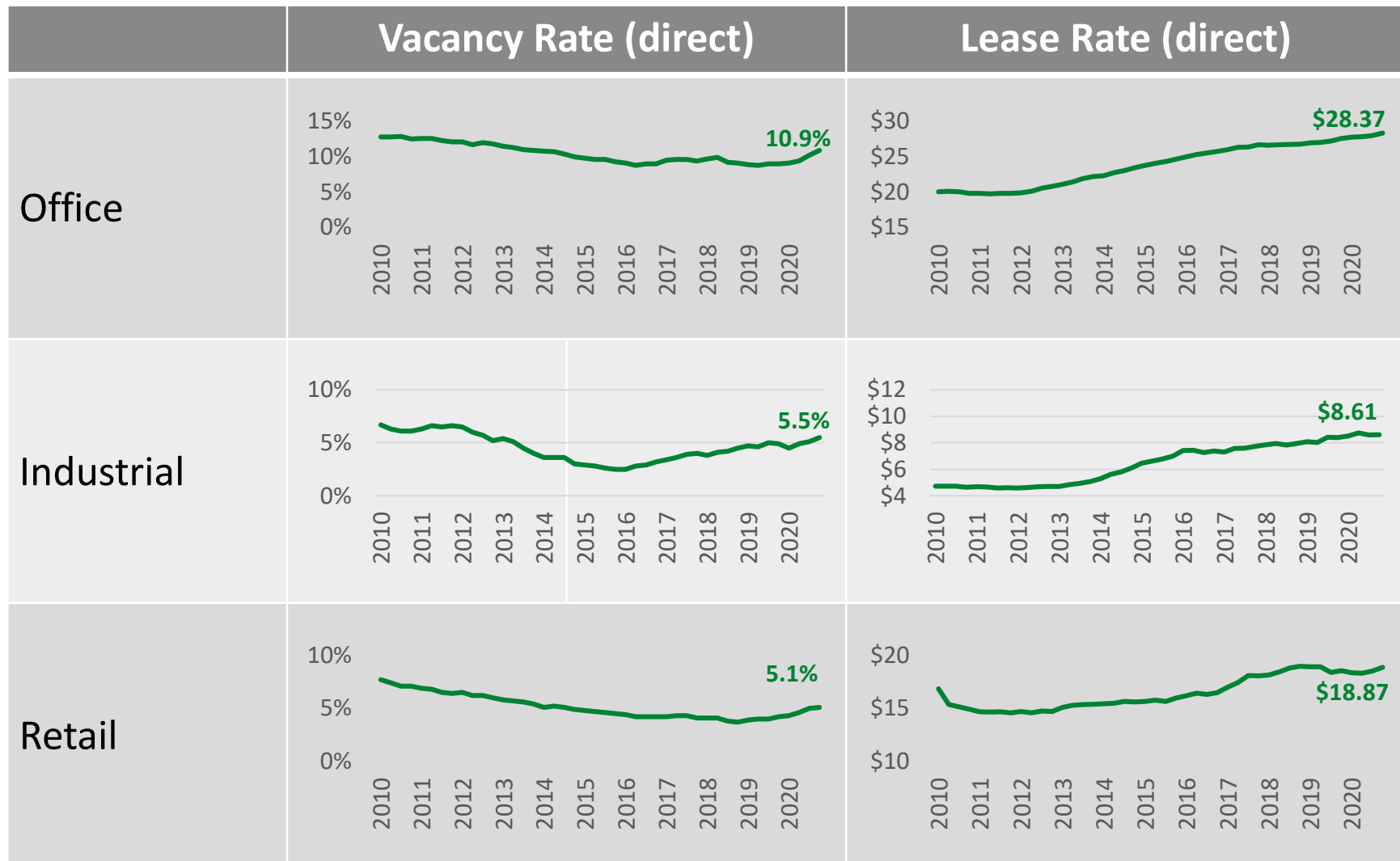
All States Posted Increases in Average Weekly Wage

**12-month percent change in average weekly wage, Total, all industries
Total Covered June 2019 – June 2020 (p)**

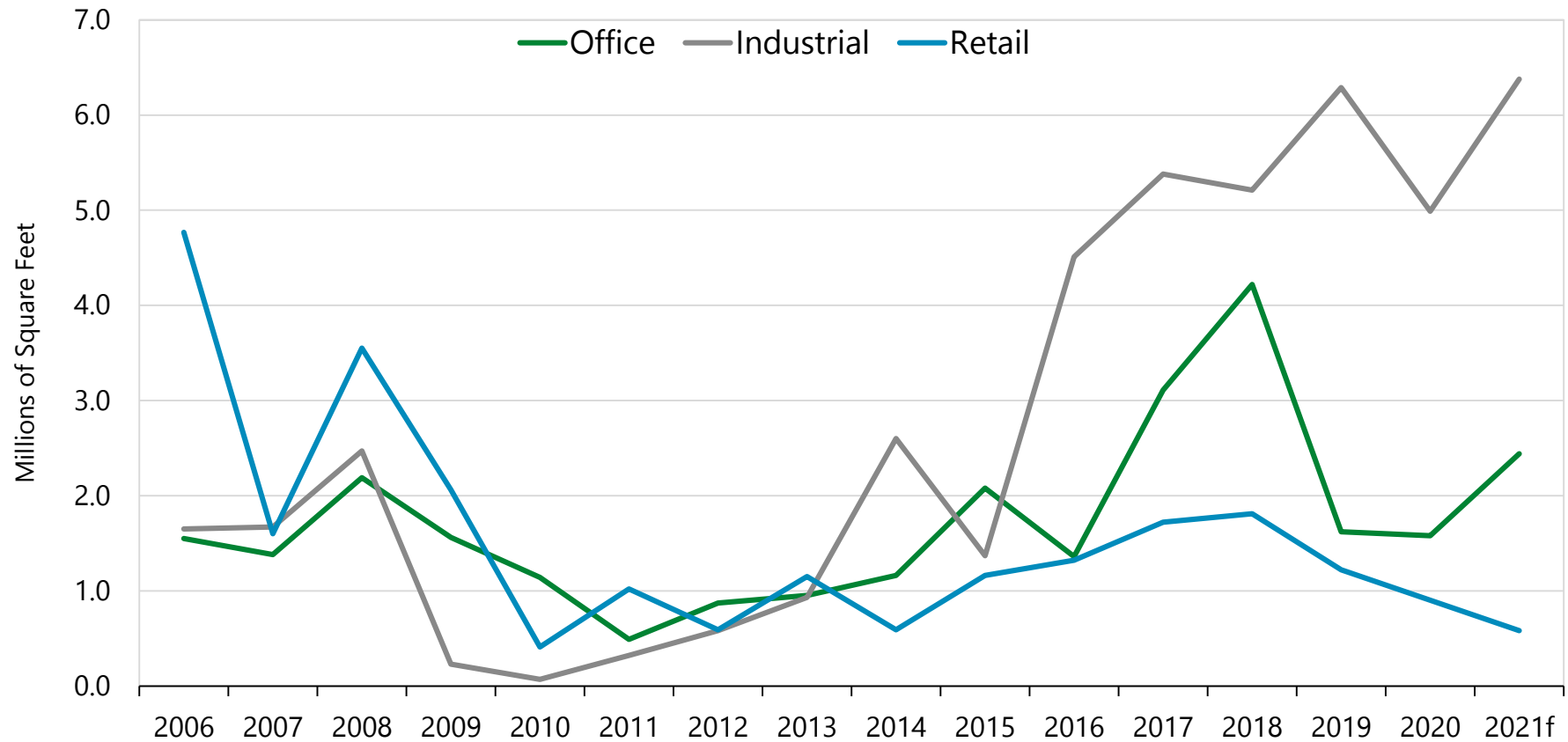


Source: U.S. Bureau of Labor Statistics, QCEW.

Metro Denver Commercial Real Estate



2018 Record Year for Square Footage Completed in Metro Denver



Source: CoStar Group, Inc.
2021f=DRP Forecast.

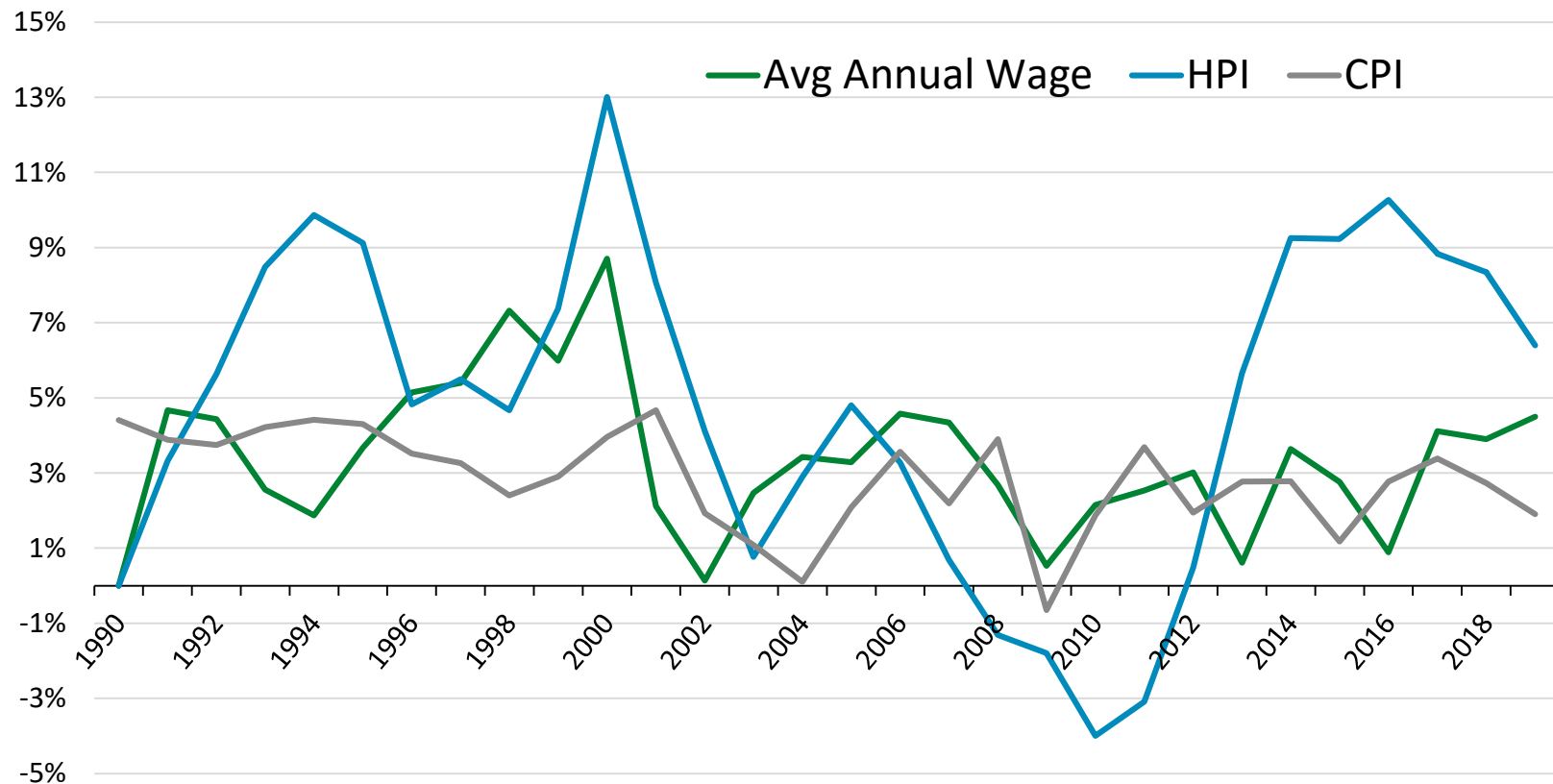
Residential Real Estate



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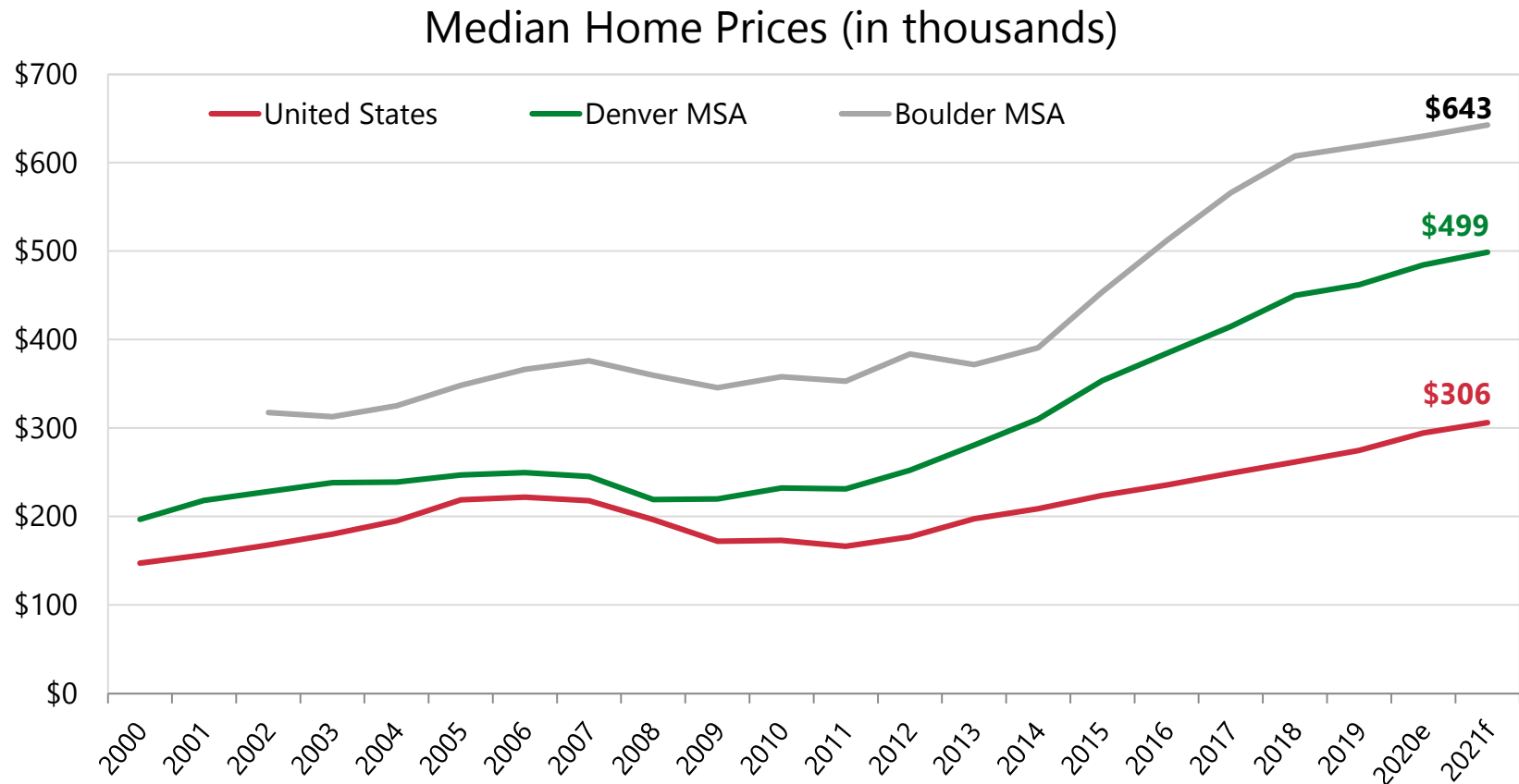
- Shifting consumer preferences (size, location, amenities, etc.) creates opportunities for new products
- Housing affordability still an issue

Colorado Wages Increasing Faster than Inflation, not Faster than Housing Costs

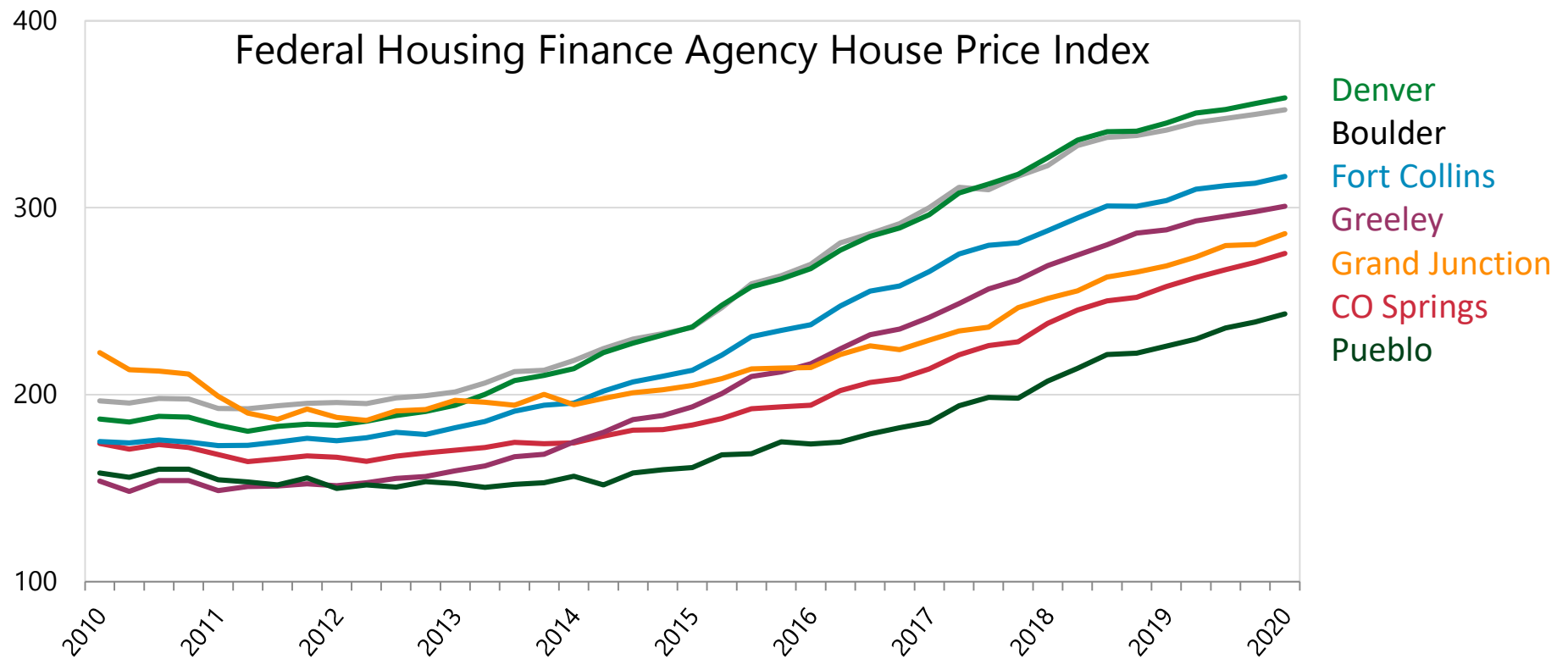


Sources: U.S. Bureau of Labor Statistics; Federal Housing Finance Agency.
CPI = Consumer Price Index; HPI = House Price Index

Denver MSA #13 and Boulder MSA #7 for Highest Median Home Price, 3Q 2020

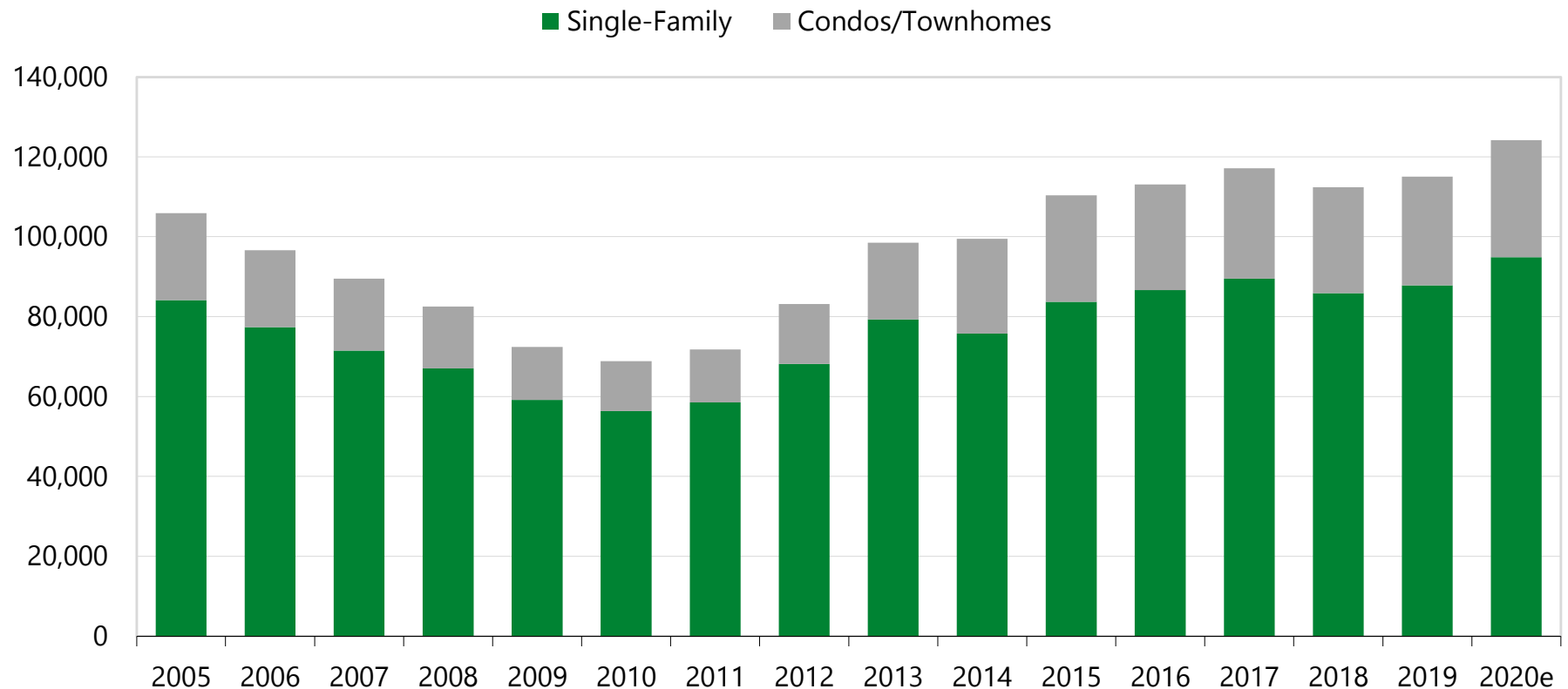


Fastest Increase (since 1Q2010) in Greeley, Slowest Increase in Grand Junction



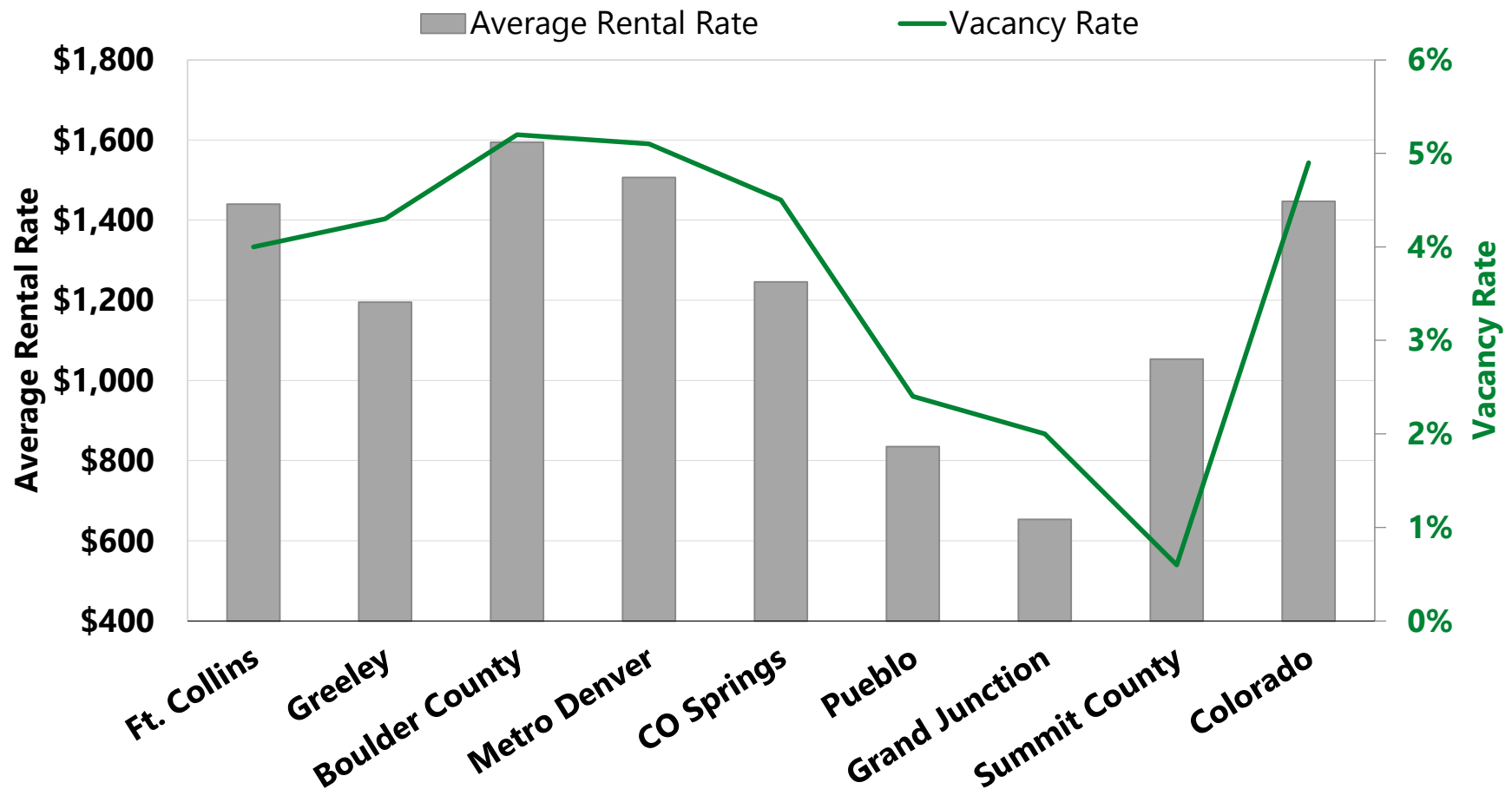
Low Interest Rates (< 3%), Low Inventory Dominate the Sales Environment

Number of Existing Homes Sold in Colorado



Source: Colorado Association of Realtors.
2020e=DRP Estimate.

Average Apartment Rental Rate and Vacancy Rate (2Q 2020)

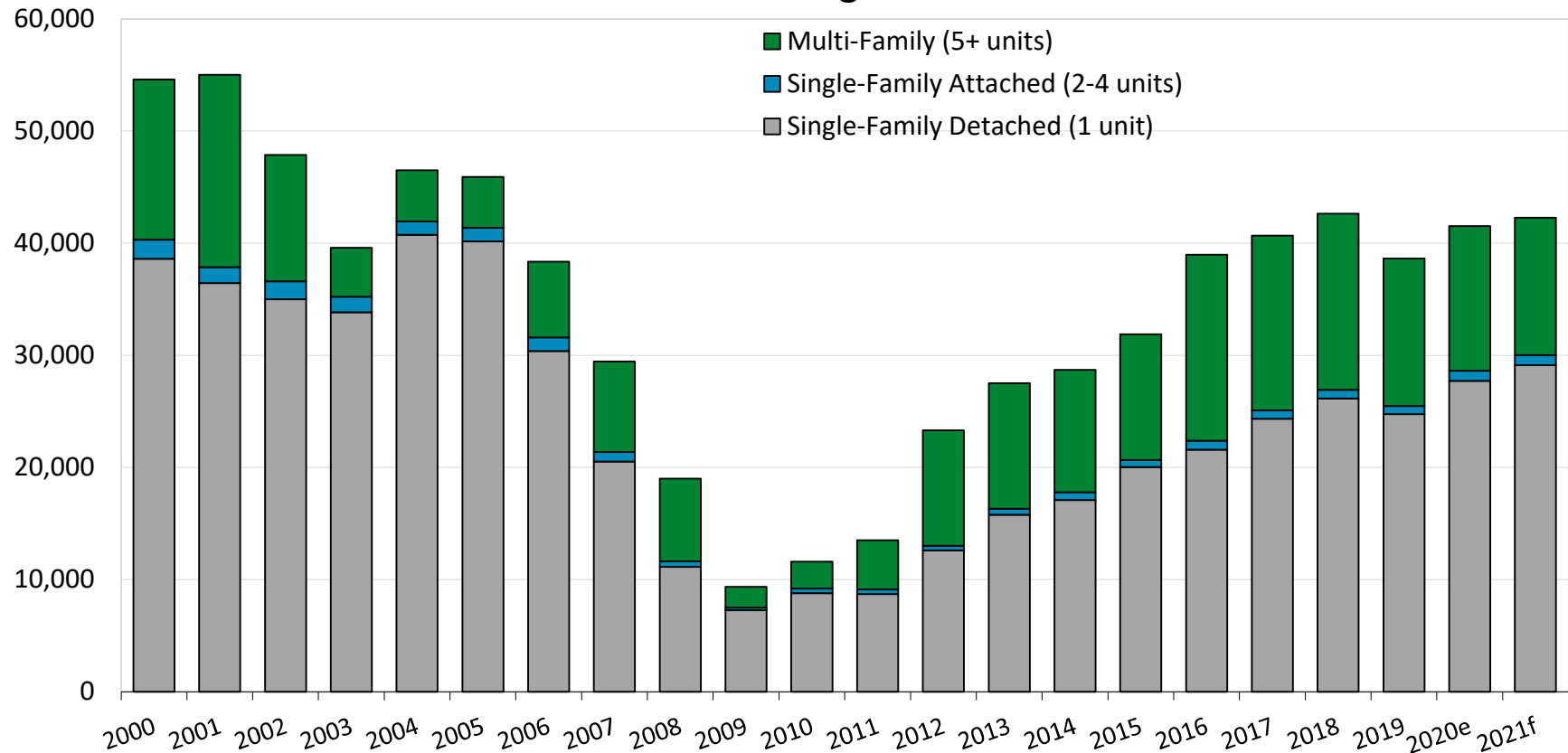


Sources: Apartment Association of Metro Denver, Denver Metro Apartment Vacancy & Rent Survey; Colorado Division of Housing, Colorado Multi-Family Housing Vacancy & Rental Survey.

Note: Summit County data is from 3Q 2019.

Permits declined 9.4% in 2019; expect 7.5% increase in 2020

Colorado Building Permits*



* The Census Bureau tracks building permits by the number of housing units in the structure.

Source: U.S. Census Bureau, Building Permits.

2020e=DRP Estimate; 2021f=DRP Forecast.

Questions?

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