

COLORADO BUSINESS REVIEW

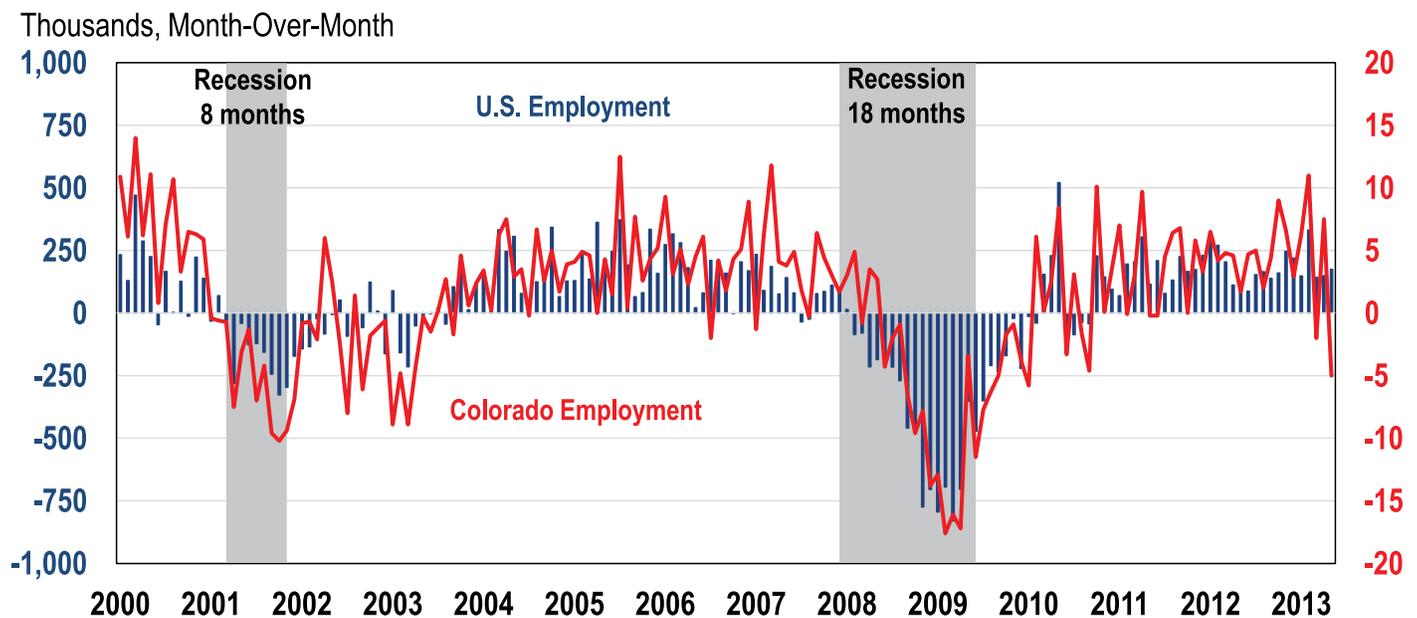
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This issue:

2013 midyear Colorado economic update begins on this page.

List of roundtable meeting participants on page 7.

Employment Situation United States vs. Colorado



Colorado 2013 Midyear Economic Update Sector Highlights

Richard Wobbekind

Summary

In early December 2012, key economic indicators for each sector of the Colorado economy were presented at the Colorado Business Economic Outlook Forum, along with forecasted 2013 employment growth for the state. Last month, many of the committee chairs who led the creation of those forecasts met to provide an update on their sector. According to the December forecast, 10 of the 11 sectors analyzed were

projected to gain jobs, with Information being the only sector expected to decline. The magnitude of growth has exceeded expectations, and our statewide employment forecast has been revised upward from 1.8% to 2.5% for 2013. Overall, the committees remain confident that Colorado will continue to experience employment growth.

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From the Editor

The Colorado economy is reviewed midway



through the year in this issue. The information presented is compiled from remarks made by Colorado Business Economic Outlook Estimating Group

chairs or their representatives at a roundtable meeting held in mid-June. Industry sector summaries include comparisons of the current situation to the forecast presented last December. Key factors influencing recent economic trends are also noted. For data specific to Colorado's metropolitan areas, see page 9.

We greatly appreciate the time and input from the individuals who participated in the meeting. A list of the contributors appears on page 7. I also wish to acknowledge the contributions of the BRD research staff who collected data and conducted additional analysis for this issue.

2014 Colorado Business Economic Outlook Forum—Save the Date

It's not too early to mark your calendar to attend the 2014 Colorado Business Economic Outlook Forum on December 9 at the Denver Marriott City Center. Check leads.colorado.edu/brd for event updates.



We are interested in your suggestions for topics for upcoming issues. Please contact me at 303-492-1147.

Richard Wobbekind

SECTOR HIGHLIGHTS, CONTINUED FROM PAGE 1

One indicator of such growth across the state is the health of commercial real estate prospecting. According to Laura Brandt, Metro Denver Economic Development Corporation, Denver Metro's business recruiting has had a strong year so far with 62 prospects, of which 14 were headquarter companies. Brandt stated that information technology and manufacturing are largely fueling this influx of companies, and while the health of the various sectors across the state and their specific job growth projections differ significantly, Colorado as a whole will continue working its way through recovery.

Note for all sections that follow:

Employment data for 2012 are from the Colorado Department of Labor and Employment, Current Employment Statistics (CES). Year-to-date 2013 figures are seasonally adjusted.

Population and Employment

Total covered employment in Colorado rose 2.3% in 2012 and expanded by 2.3%, or 52,400 jobs, year-to-date through May 2013.

In 2012, Colorado was the 7th fastest-growing state in the nation in terms of population and 9th in absolute change. The state was 27th in total population. Fourth quarter 2012 Quarterly Census of Employment and Wages (QCEW) results indicate Construction; Trade, Transportation, and Utilities; and Information will undergo

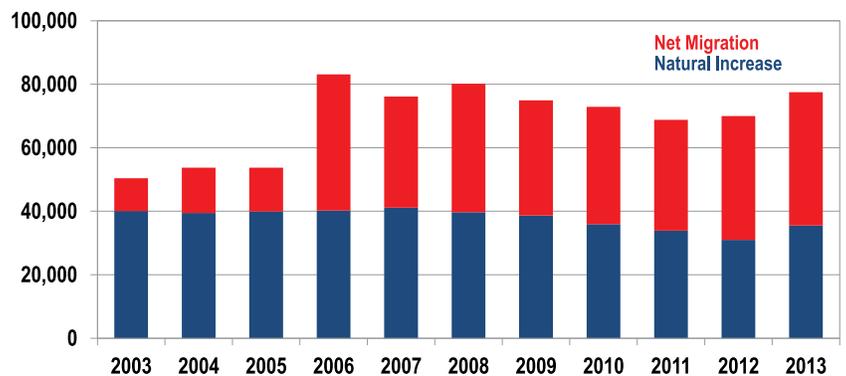
the greatest upward revisions to payroll jobs estimates, while Leisure and Hospitality, Government, and Manufacturing are expected to see the greatest downward revisions.

According to revised estimates from the State Demography Office, Colorado's population grew by 70,000 people, or 1.4%, in 2012, with 31,000 through natural increase and 39,000 through net migration. Of that 39,000, almost three-quarters were attributed to domestic migration, while the remaining quarter came from international migration. Colorado's five fastest-growing counties in absolute terms were Denver, Arapahoe, El Paso, Adams, and Jefferson, while in percentage change, the five fastest-growing counties were Ouray, Denver, Saguache, Weld, and Douglas. Overall, 30 counties lost population in 2012, which is the largest number of counties with a population loss the state has recorded. The most significant losses—in Bent, Crowley, and Fremont counties—can be primarily attributed to the change in the prison population. The sluggish recovery of the mountain counties, combined with deaths outstripping births in some rural counties, has also played a role in these losses. Colorado's population is expected to increase by 77,500 in 2013, with around 35,500 through natural increase and 42,000 through net migration.

Agriculture

As Colorado heads into the hot dry summer months, a lack of rain and expected shortages of water for irrigation remain the central focus of Colorado's farmers and

Population Changes in Colorado



Source: Colorado Department of Local Affairs, State Demography Office.



threat to Colorado beef exports. Both Canada and Mexico are prepared to implement carousel retaliation measures against the United States if the recent rule published by the Department of Agriculture goes into effect. Any such retaliation would surely impact beef exports to these two major trading partners, which in 2012 totaled more than \$350 million for Colorado.

Congress also attempted to enact a new

farm bill that sought to improve risk management tools while reducing direct payments. By June, however, the bill, which would have cost roughly \$955 billion over the next decade, had passed the Senate but failed in the House of Representatives. In general, agriculture in the state faces significant challenges heading into the latter half of 2013, namely water shortages and potential policy issues.

Natural Resources and Mining

Natural Resources and Mining employment in Colorado grew 8.6% in 2012, but fell 2.3%, or 700 jobs, year-to-date through May 2013.

The value of the state's natural resources declined 13.4% from 2011 to 2012; however, according to current prices and production, the value of Colorado's natural resources are

on track to reach between \$10 billion and \$11 billion in 2013.

Oil and gas provides a bright spot for Colorado. The value of production is expected to grow 11.7% from 2012 to 2013, while production itself is anticipated to grow 20% this year, generating around \$1 billion in additional value. This growth could substantially benefit Weld County, which produces 80% of the oil in the state. The surge in oil production also has Colorado inching toward its all-time production high of roughly 56 million barrels set in 1956. The current production rate for 2013 stands at 55 million barrels. The December forecast projected gasoline prices to be between \$3.00 and \$4.25 per gallon, and the average for the first half of 2013, as of July 1, is \$3.65 per gallon.

The value of natural gas production in Colorado is forecasted to grow by \$529 million in 2013, to roughly \$4.8 billion. Just as Weld County is where much of Colorado's oil boom is occurring, Garfield County enjoys substantial benefits from growth in natural gas as it accounts for nearly half of all natural gas production in the state.

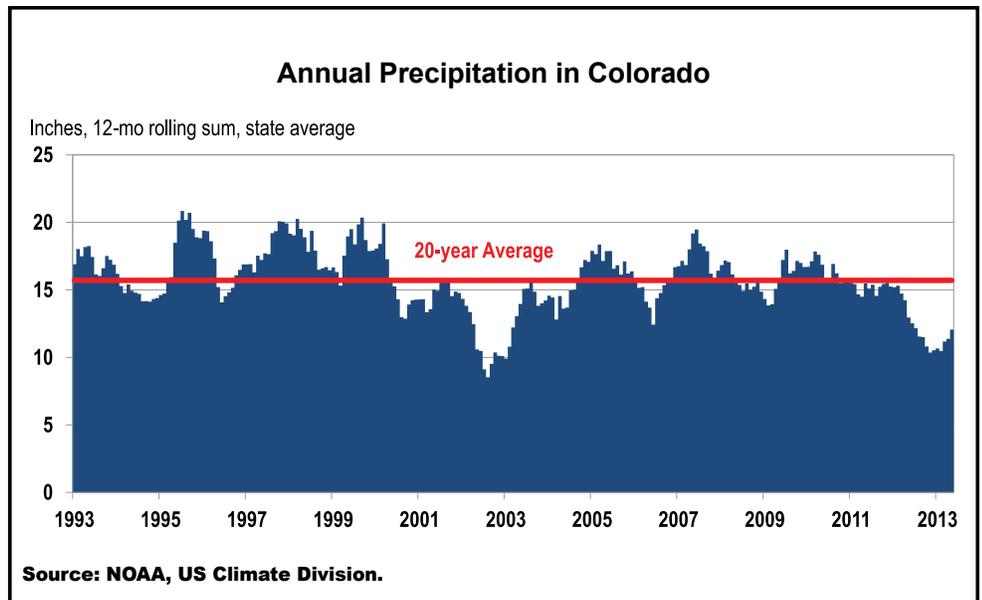
Although coal was anticipated to increase in value by 23.5%, production actually decreased 20% in Q1 2013. This drop is partially attributable to mechanical problems in a key mine. According to the Energy Information Administration's June 2013 Short-Term Energy Outlook, U.S. coal exports are expected to decline in 2013, due primarily to continuing economic turmoil in Europe (the largest regional importer of U.S. coal), softening Asian

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ranchers. While topsoil moisture is generally adequate on approximately one-third of crop acres, subsoil moisture is adequate on only about 20% of acres. Pasture and range conditions indicate nearly 60% of acres are in poor to very poor condition—a level almost double the five-year average. Because of this, crop yields across the state are varying from average to total losses. In Lamar County in southeastern Colorado, for example, farmers have suffered near total losses of wheat crops due to extremely dry conditions. The area recorded just half an inch of total moisture since the start of 2013. Dry conditions are also causing ranchers to downsize herds for lack of good pasture and high hay prices. The cattle and calves inventory as of May 1 was estimated at 960,000, down about 7% from last year.

While the eastern Grand Valley experienced a frost that will likely cut fruit production significantly, Colorado's cantaloupe industry seems back on a path to recovery. Acreage will still be below historical levels, but roughly 30% more acres were planted this year than last. Cantaloupe growers are managing water issues by leaving some acres unplanted.

Japan expanded access in February to allow beef imports from animals 30 months of age and younger. Previously, access had been limited to beef from animals 20 months of age and younger. This change significantly increases the percentage of the beef produced in the United States that is now eligible for export to Japan. This was a positive measure for Colorado that is expected to increase beef exports to Japan, and year-to-date exports of fresh beef to that country from Colorado are already up about 8% over last year. The issue of "country of origin" labeling, however, poses a





demand, growing supply in other coal-exporting countries, and weaker international prices. U.S. consumption is expected to increase 7.1% in 2013, due to higher electricity demand and higher natural gas prices, while production and prices are forecast to remain relatively stable.

In terms of metal mining, Colorado's 2012 gold production was estimated at just over 240,000 ounces, generating roughly \$422 million in value. With prices steadily declining in 2013, revenue at major Colorado mines has decreased significantly. Cripple Creek, for example, has seen revenue fall roughly \$50 million. Molybdenum prices are down as well, sliding from the forecasted \$16.50 per ounce to under \$10 per ounce for the first half of 2013. These depressed prices could lead to a drop in production and may affect Mining and Logging employment, especially at the Climax Mine, which recently added 300 new jobs this past May. The Climax Mine is the world's largest producing molybdenum mine.

Construction

Employment in the Colorado's Construction Sector rose 2.3% in 2012 and expanded by 5.9%, or 6,800 jobs, year-to-date through May 2013. According to the *Dodge Local Construction Potentials Bulletin*, value of construction has increased 39% year-to-date through May.

The housing sector frequently served as a key driver of past economic recoveries. Momentum in the subsector picked up well after the recession ended. Recovery, especially in multifamily (apartments) has been trending up strongly. The first half of 2013 has seen housing contribute as a leading force in the recovery. Residential construction is experiencing strong growth this year—single-family permits are up 41.7% year-to-date in May,

and valuations are up 40.5%; multifamily permits are up 37.1%, and valuations are up 72.4%. Multifamily permits are on track to reach 14,000 by year-end, and it is worth noting that size, quality, and overall cost per unit are returning to normalcy so that new apartments are no longer small and inexpensive.

Single-family permits are also anticipated to finish 2013 strong, with conservative estimates projecting 18% growth. The resale market for single-family homes is also red hot as the average amount of time homes remain on the market has dropped to just 1.4 months.

In general, the Federal Reserve's "easy money" policy has kept interest rates at historically low levels, granting home buyers greater access to cheap financing. Coupled with sustained low inflation that has kept inputs for construction relatively cheap, these policies have facilitated a stronger-than-expected recovery for the residential construction sector in 2013. Government programs were the major source of funding for multifamily following the recession, but private capital has reentered the market and now accounts for roughly two-thirds of that lending. One key risk facing this sector, however, is the fact that income growth has not kept up with home price appreciation, so a change in monetary policy could quickly

result in a slowing of single-family housing starts that could mimic another asset bubble. With the Fed announcing in June that it could potentially pull back its quantitative easing by the end of 2013, the Construction Sector appears very sensitive and concerned about the possible effects.

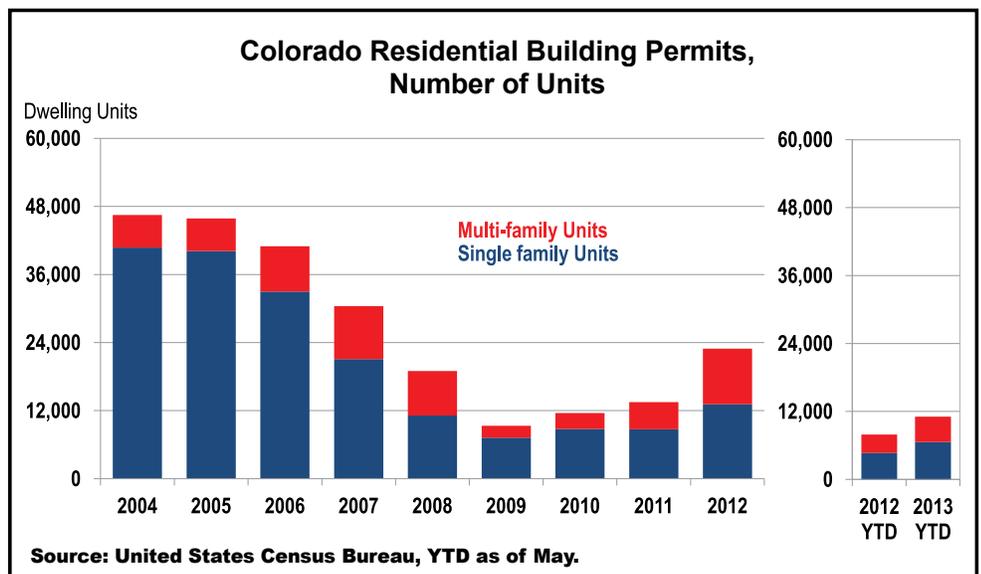
Nonresidential building activity remains relatively steady, in spite of statistical anomalies that show a sharp decline in new projects. Medical facilities and office buildings have surprisingly propped up the subsector, although work in college and government building has slowed and construction and rehabilitation of retail and industrial structures remains slow. Infrastructure has also remained healthy, with the new DIA light rail line and major projects on I-225 and US-36 continuing to provide activity. Overall, the Construction Sector in Colorado looks to finish 2013 strong, helping to lead the state's recovery.

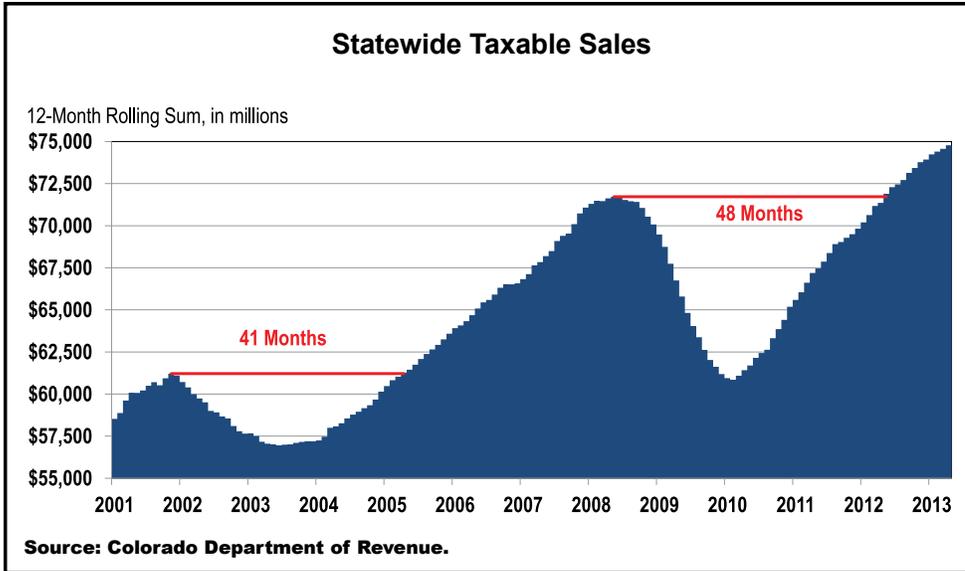
Manufacturing

The Manufacturing Sector in Colorado recorded 2.1% employment growth in 2012 and increased by 0.2%, or 200 jobs, year-to-date through May 2013.

With Colorado manufacturing employment at approximately 132,000 jobs in May 2013, this is the second year in a row that the Manufacturing Sector has expanded in Colorado after 10 straight years of job losses starting in 2001. Despite these gains, the state remains far below its peak of 191,400 manufacturing jobs achieved in 1998.

The nondurable goods sector has come in higher than expected this year, increasing by 1.0% rather than the 0.4% forecasted. This





success can be attributed to unexpected growth in both beverage and tobacco manufacturing and printing-related jobs. The beverage and tobacco industry came in 100 jobs higher than was originally predicted, while printing-related employment grew by 20 jobs, the first increase in this century. Other nondurable goods, ranging from textiles to petroleum and chemical manufacturing, finished 2012 with 200 more jobs than anticipated, ending the year on a positive note as well. The nondurable goods industry as a whole continues to surprise in 2013, with growth of roughly 900 jobs in the first four months of the year.

In 2012, growth in the durable goods sector was not as strong as the committee had expected, adding 2,400 jobs, rather than the anticipated 2,800. Despite the slightly disappointing increases, all durable goods industries experienced gains, except transportation equipment manufacturing, which has lost around 100 jobs this year. This decline can be attributed primarily to aerospace companies that attempted to reduce operations in anticipation of sequestration cuts. Another surprising disappointment in the durable goods sector is computer and electronics manufacturing, which added only 300 jobs as opposed to the forecasted 500. The computer and electronics manufacturing subsector, which is down 700 jobs year-to-date, continues to be a drag on the durable goods subsector. The fabricated metals subsector, however, added the most jobs in 2012, around 600, but is still below the anticipated 800 forecasted. In addition, both the machinery and electrical equipment manufacturing subsectors each added 400 employees.

Trade, Transportation, and Utilities

Trade, Transportation, and Utilities employment in Colorado rose 1.8% in 2012 and increased by 1.8%, or 7,400 jobs, year-to-date through May 2013.

Retail trade growth has slowed to between 1% and 3%, suggesting that it may be flattening. Wholesale trade, which grew modestly in 2012, is forecast to rise 5.4% in 2013, according to figures published by Modern Distribution Management (MDM).

Transportation in Colorado is experiencing some significant changes, most notably in air transportation, but the effects of recent developments have yet to be felt completely. With the inaugural flight of a Boeing 787 Dreamliner from Denver International Airport (DIA) to Tokyo's Narita Airport, Colorado has finally secured its first nonstop flight to Asia that will surely boost the state's trade relations and opportunities with Japan. With roughly 54 million passengers expected in 2013 and the South Terminal Redevelopment Program progressing with the construction of a hotel, conference center, and new leasable retail space, DIA is looking to continue its streak as one of the nation's busiest hubs for travelers of all types.



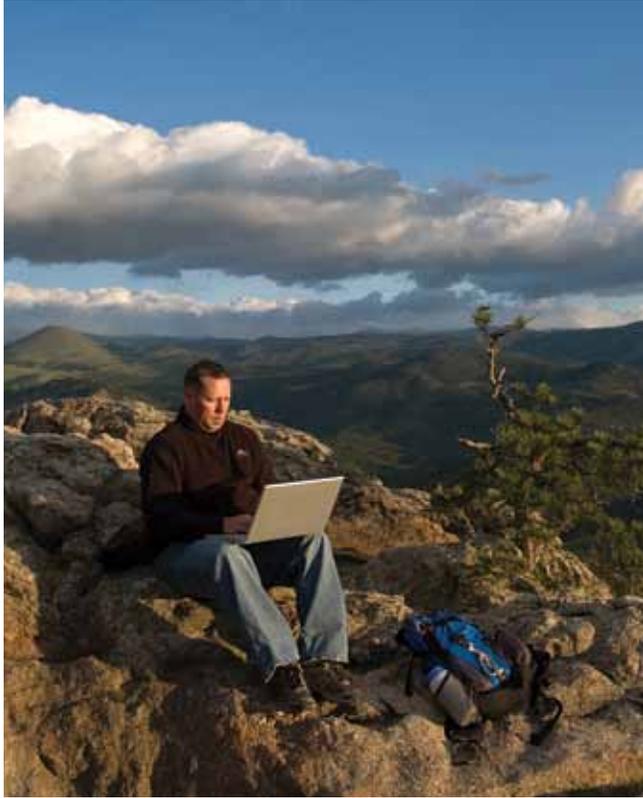
Predictably, 2013 has so far proven to be uneventful for the utilities subsector. Despite steadily growing demand for electricity as the economy continues to recover, state-level energy efficiency mandates and Colorado's leading clean tech industries have helped keep prices stable.

Information

Information employment in Colorado fell 2.4% in 2012 and declined 0.3%, or 200 jobs, year-to-date through May 2013. However, the Information Sector has grown extensively in Colorado in terms of output. Information GDP rose 3.4% in the state in 2012 and advanced 46.5% over the past 10 years. All subsectors have grown, except motion picture and sound recording. In 2011 (most recent data available at the subsector level), telecom and publishing grew in terms of real GDP in the state.

However, this growth has not translated to additional employment. Information employment peaked at 108,400 jobs in 2000, and except for two years in the mid-2000s, has been in a state of decline. Total employment in 2012 was down to 69,700, or 36% below peak. Employment in 2012 lost 1,700 jobs, or 2.4%, and employment this year has fallen by 1,300 jobs as the impact of telecom and publishing consolidation persists. Century-Link's acquisition of Qwest continues to reduce the company's footprint in Colorado, and print publishers are still shedding jobs. Nationally, employment in Information was flat in 2012 and has increased one-half percent in 2013 year-to-date.

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5% through April 2013. This is counter to the software industry nationally, which has been adding jobs at a rate of 5.4% in 2012 and 3.3% year-to-date in 2013.

Boulder's Rally Software went public in 2013, garnering a higher-than-expected offering of \$84 million. Software publishing often attracts the largest share of VC funding in the state. In Q1 2013, a PricewaterhouseCoopers Money Tree report indicated that software received \$23 million in VC investment, or 29% of total VC investment in Colorado.

Boulder-based New Frontier Media was purchased by LFP Broadcasting in 2012. Level 3 Communication's credit rating was raised by S&P in June 2013, from B- to B, on an improved balance sheet, and Zayo Group

continues to aggressively purchase companies and add employees.

Financial Activities

The Financial Activities Sector in Colorado recorded 1.6% employment growth in 2012. Year-to-date through May 2013, however, it declined 0.3%, or 500 jobs.

A dramatic recovery in the multifamily housing market has helped spur lending, and

normalization of supply and demand in the single-family housing market has also added greater stability.

A spike in the supply of multifamily units in the Denver metropolitan area caused vacancy rates to jump from roughly 4% to 11%. While private lending institutions are confident that the demand does indeed exist to absorb these units, the fact that so much supply came online simultaneously means lenders are a bit cautious about the prospects for further growth in the next couple years. This is especially true in the market for more expensive Class A units that have seen prices as high as \$2.00 per square foot.

Other bright spots for the Financial Activities Sector include the health of the stock market and credit unions both nationwide and in Colorado. Since bottoming out in March 2009, the stock market has rebounded to historic highs, with the Dow Jones Industrial Average oscillating around the 15,000 mark. This has created an average wealth effect of more than \$500,000 per household in the United States. However, the average household has not seen this increase in wealth as roughly 80% of it has been captured by the top 10% of households. Nevertheless, this strength in the stock market in part reveals that equity investment has fully recovered from the recession.

In Colorado, membership in credit unions has grown 3.6% in 2013, to roughly 1.5 million members, outpacing the national membership growth rate of 2.2%. Loans in the state grew 5.8% compared to the national rate of 4.9%, and credit unions' assets climbed 6.6% year-over-year as well. For 2012 through June 2013, Colorado has not had any bank failures compared to the nation's 67 failures. The banking sector appears to be making a comeback, in large part, to the rebounding real estate sector that continues to be supported by low interest rates.

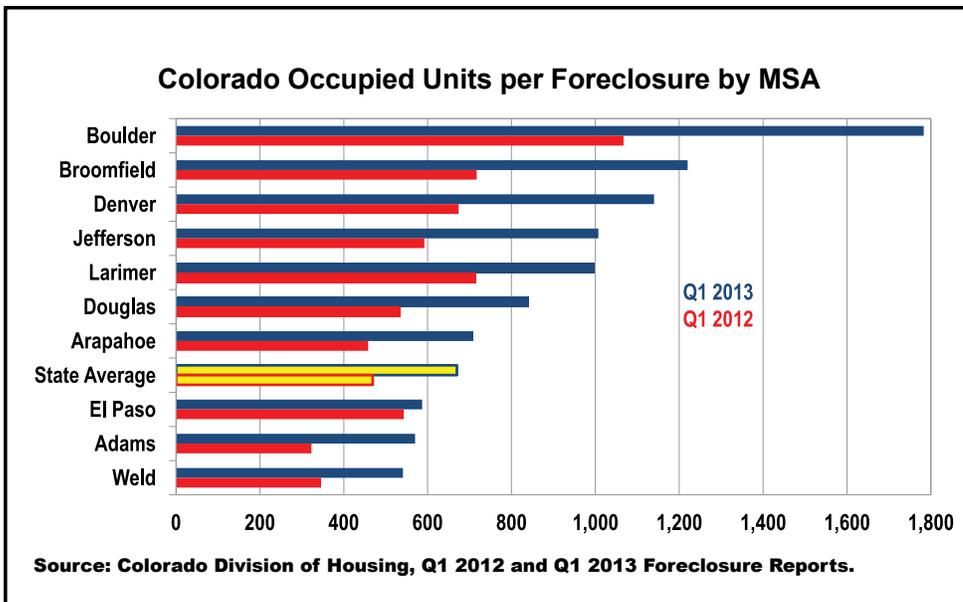
Professional and Business Services

Employment in Colorado's Professional and Business Services (PBS) Sector expanded by 4.4% in 2012 and rose 4.4%, or 15,700 jobs, year-to-date through May 2013.

Within PBS, Professional, Scientific, and Technical Services (PST) accounts for just over half of the sector's employment, followed by Administrative and Support and Waste Management and Remediation Services (admin and waste management) at around 40%, and Management of Companies and Enterprises (MCE) at roughly 9%.

Employment in the telecom industry fell 3.2%, or 900 jobs, in 2012, and is down another 700 jobs through the first four months of this year. Much of this loss is likely attributable to CenturyLink as other telecom companies, including Level 3 Communications and TW Telecom, are actually demonstrating increased activity in the state.

Despite the success of many software publishers, the sector has recorded net job losses in 2012 and 2013, tumbling 2.4% in 2012 and



PST employment experienced 3.4% growth in 2012 as Colorado remains a hub of activity in industries that require high-skilled labor, such as aerospace and clean energy, as well as consulting and legal services. For legal services, specifically, the committee has observed a trend away from consulting-based



legal services for businesses in favor of a greater focus on in-house legal counsel. Legal services in Colorado are expected to finish 2013 with 1.4% growth. Architectural and engineering services have also seen significant growth, with 1,100 jobs added in 2012. This positive trend is anticipated continue.

The next largest component of PBS, admin and waste management, is expected to gain a modest 400 jobs in 2013. As the economy continues to recover, businesses expand, seeking new commercial office space, renovating existing office space, and hiring more people—all of which generate more trash and recyclable materials. These factors, coupled with the fact that the use of temporary workers through employment services increases as businesses slowly recover, indicate that the admin and waste management subsector appears poised to finish 2013 strong.

The final subsector, MCE, accounted for nearly 2% of Colorado GDP in 2012.

Education and Health Services

Education and Health Services employment in Colorado rose 3% in 2012 and grew 2.6% year-to-date, or by 6,500 jobs, through May 2013.

This sector includes private-sector educational and health care companies and organizations. Health care and social assistance accounts for almost 90% of the sector's employment, with private education accounting for the rest.

With the ongoing implementation of the Patient Protection and Affordable Care Act of 2010, demand for health care workers, such as nurses and physicians' assistants, is likely to expand in the next couple years. The state health insurance exchange will boost the number of covered individuals dramatically once

open enrollment begins in October 2013 and coverage begins January 1, 2014, thus generating more demand for health care services and stimulating growth.

Private-sector educational services employment increased by 3.3%, or 1,100 jobs, year-to-date through May 2013. The largest component of this industry, private colleges and universities, saw significant increases in demand from individuals seeking additional education and training during the recession, and while that factor is no longer quite as significant throughout the recovery, online courses continue to experience dramatic growth. While this may improve the financial health of for-profit educational organizations and even traditional nonprofit private institutions, this increased use of technology in place of face-to-face classroom instruction may inhibit further employment growth.

Leisure and Hospitality

Leisure and Hospitality employment in Colorado rose 3.3% in 2012 and increased by 3.8%, or 10,500 jobs, year-to-date through May 2013.

Denver Tourism

Similar trends exist looking at Denver's Leisure and Hospitality Sector, which recorded its best tourism year ever in 2012, with a record number of visitors, record visitor spending, and record lodger's tax collection. Denver set an all-time high of 13.6 million overnight visitors in 2012, up 3% over 13.2 million in 2011. The increase came from marketable visitors (up 9%) and business travelers (up 6%). Tourism spending in Denver also set a record with \$3.6

Midyear Economic Roundtable Participants

Agriculture

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Construction

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Financial Activities

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Government

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Colorado Office of Economic Development and International Trade

Leisure and Hospitality

Anthony Graves
VISIT DENVER, The Convention & Visitors Bureau

Charles Goeldner
University of Colorado Boulder

Manufacturing

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Development Research Partners

Natural Resources and Mining

Chris Eisinger
Colorado Geological Survey

Vince Matthews
National Mining Hall of Fame and Museum, and Leadville Geology, LLC

Population and Employment

Chris Akers
Colorado Department of Labor and Employment

Elizabeth Garner
Colorado Department of Local Affairs

Joe Winter
Colorado Department of Labor and Employment

Professional and Business Services

Steve Fisher
Economist

Mark Hamouz
Alfred Benesch & Company

*Provided written comments.

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billion spent by overnight visitors, up 9% from \$3.3 billion in 2011. This was the eighth-straight year Denver registered an increase in marketable visitors.

Denver has the fifth-busiest airport in the nation. Three hub airlines and increased service from low-cost carriers have helped rank Denver as a destination offering competitive airfare pricing. A total of 36% of Denver leisure visitors fly to the city, more than double the U.S. norm of 17%. The recent United nonstop service to Tokyo should help increase tourism and convention attendee traffic from Asian markets. The number of convention and meeting room nights booked for 2013 is up 4.3% over 2012, which will make 2013 comparable to 2011. With room nights at about 2% less than 2011, this year will likely be the fourth-best year after 2008, 2010, and 2011. Through May, a total of 394 groups had booked for 2013, with an estimated 352,531 delegates. This will bring 2013 in around 19,000 more than the 377,115 delegates who met in Denver in 2012, with six more months to add short-term bookings for the year.

Some of the large groups meeting in Denver include the 12,000-attendee American Water Works Association; the 17,000-person American Institute of Architects; and the 19,000-person Custom Electronic Design Installation Association, which will be back in Denver in September (the association met

in Denver in 2008). Denver is also fortunate to be on the world stage once again with the third annual USA Pro Challenge professional road cycling race in August just after the 2013 Solheim Cup, the women's professional golf equivalent of the Ryder Cup.

According to Smith Travel Research, the City and County of Denver's hotel community is running a 66.4% occupancy rate through May, a 3.7% year-over-year increase. The average rate has climbed 4%, resulting in a year-over-year 7.9% increase in revenue per available room (RevPAR). According to PKF, by year-end 2013, metro Denver hotels are forecast to see a 7.1% gain in RevPAR. This is the result of an estimated increase in occupancy of 1.9% and a 5.1% gain in the average daily room rate (ADR). The 7.1% boost in Denver RevPAR is better than the national projection of 6.1%.

Colorado Ski Industry

Colorado's ski industry was buoyed in 2012 by increased snowfall late in the season, pushing some resorts to extend their season, and offsetting the unusually warm fall that led to slow early season-pass sales and visits. According to estimates released by Colorado Ski Country in mid-June, the number of visits to Colorado ski resorts increased 4% year-over-year in the 2012–2013 ski season, totaling nearly 11.5 million. The four Colorado ski areas owned by Vail Resorts—Beaver Creek, Breckenridge, Keystone, and Vail—recorded about 5 million skier visits.

Challenges for Colorado's Tourism Industry

Concerns for Colorado's industry in 2013 lie with the regulatory environment, particularly with the passage of Amendment 64 standing in direct contradiction of federal law. State tourism funding always comes into question with significant legislation changes, but with threats of boycott coming in from around the nation due to the sensitive nature of this particular policy change, industry experts are keeping a close eye on how it will affect Colorado's tourism industry in the long run.

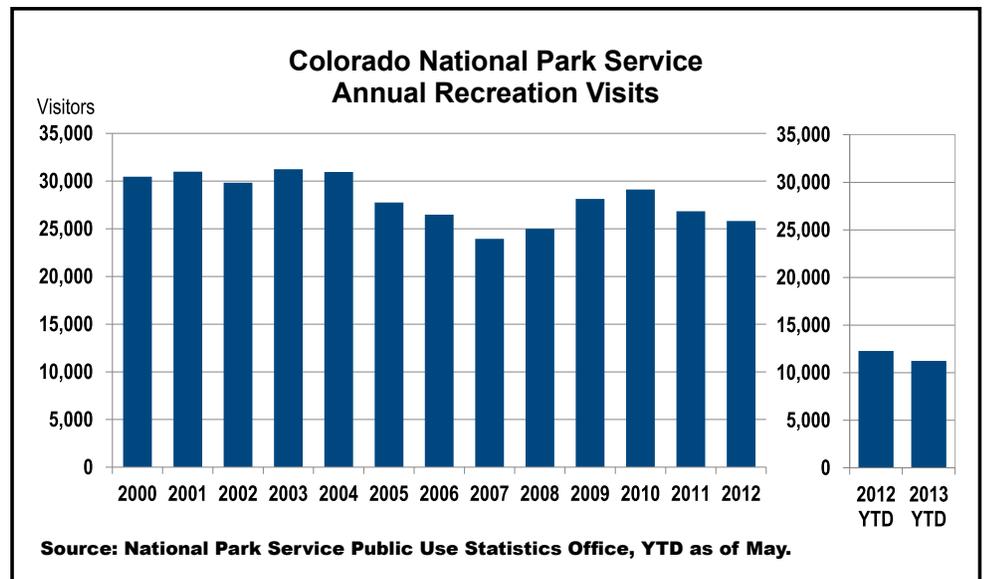
Government

Total Government employment in Colorado grew 0.4% in 2012 and rose 0.7%, or 2,900 jobs, year-to-date through May 2013.

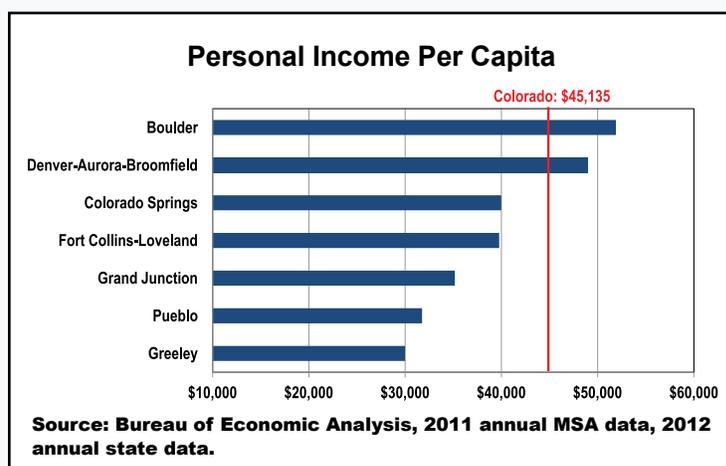
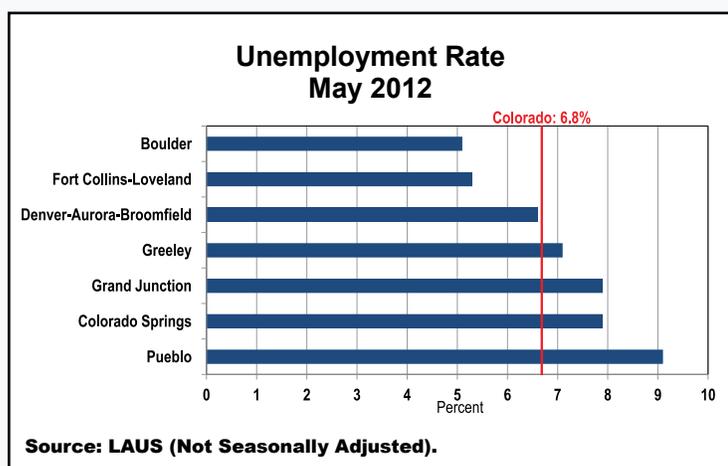
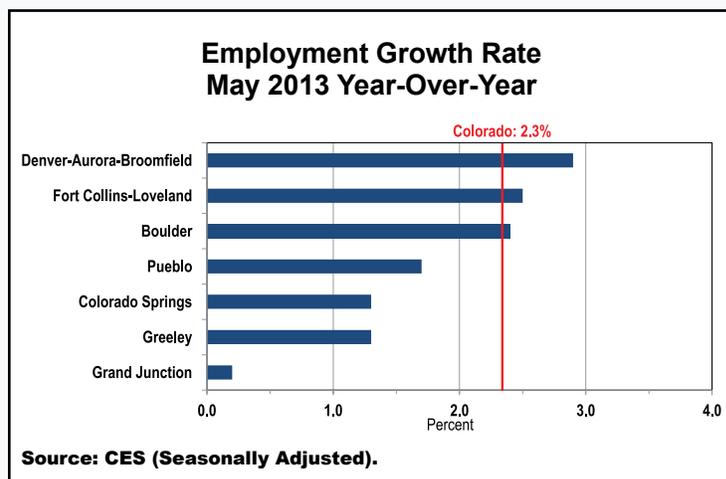
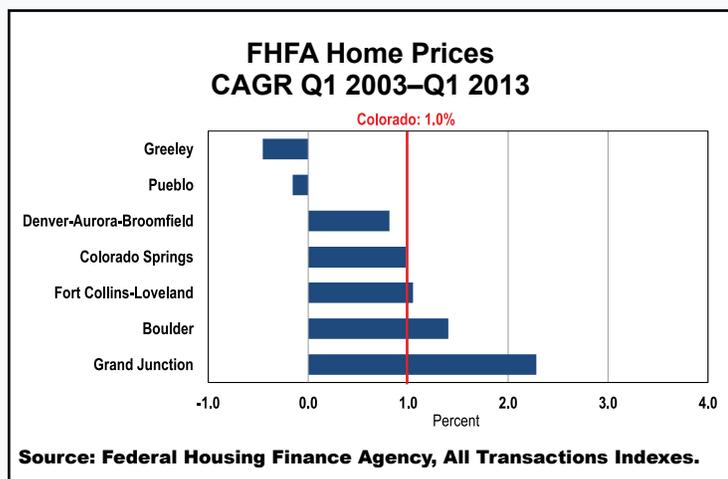
Federal employment fell 0.4% in 2012 and remains down 2.6%, or 1,600 jobs, year-to-date through May 2013. The committee believes this reduction in federal government employment is due to program consolidations as a result of sequestration. In addition to cuts in the Department of Defense budget, cuts in the United States Postal Service are also anticipated to continue depressing federal employment figures.

State government employment recorded 1.4% growth in 2012 and a 0.9% increase year-to-date through May 2013, which can mostly be attributed to higher education. This subsector is expected to continue steady growth for the remainder of the year.

Local government employment experienced a sudden drop—losing an estimated 4,000 employees—in Q4 2012. This is due to a switch from local to state ownership of



Colorado MSA Metrics



Memorial Hospital, not mass layoffs. The sector is expected to remain stable, with 1.5% employment growth posted year-to-date through May 2013. Local government educational services experienced a drop this year as low birth rates during the 2008 recession have started to lead to a decline in the number of children entering primary education. The committee anticipates a decrease in enrollment of school age children in the next two years, which may cause this downward trend in local government employment to continue.

International Trade

As of April 2013, exports from the United States increased 8% year-over-year, and the top export markets for the nation are (in order): Canada, Japan, Mexico, the Netherlands, and Taiwan.

Although total Colorado exports are up 4% over April 2012 levels, Canada, the state's top export market, is down 11.5%. Mexico is also down 12.9%, and China has tumbled 6.7% year-over-year. Significant growth,

however, has occurred in other major trading partners for the state, most notably Switzerland, up 74.5% over last year, and Japan, up 10.2%.

Electronic integrated circuits are Colorado's number one commodity export, climbing 33% over 2012 figures. The top markets for Colorado's electronic integrated circuits are Malaysia, the Philippines, Hong Kong, and Israel. Medical, surgical and dental instruments, the state's second-largest export commodity, is experiencing a 15% increase year-over-year. Other growth categories include orthopedic appliances (+43.3%); civilian aircraft, engines, and parts (+49.4%); molybdenum ores (+59.8%); and crude oil (+65.0%).

On the import side, Colorado's top import markets are Canada, China, and Mexico. Of these top three, only China has seen a decrease in imports to Colorado year-over-year, with a 6.6% drop. Canadian imports increased 15.0%, while Mexican imports grew 60% over 2012 levels. Other key import partners, including Germany and Switzerland, have seen little

change since 2012, with the former increasing just 0.04% and the latter decreasing 2.6%.

Several key factors will influence Colorado's International Trade Sector heading into the last half of the year, namely Europe's continued contraction, emerging markets' vulnerability to the euro zone debt crisis, and fiscal policy uncertainty in Washington, D.C. Also of note is growing concern over potential economic slowdown and a massive real estate bubble in China that could create greater instability in the global economy. Moving forward, however, Colorado's international trade appears to be a steady, positive force helping to drive the state's continued economic recovery. 

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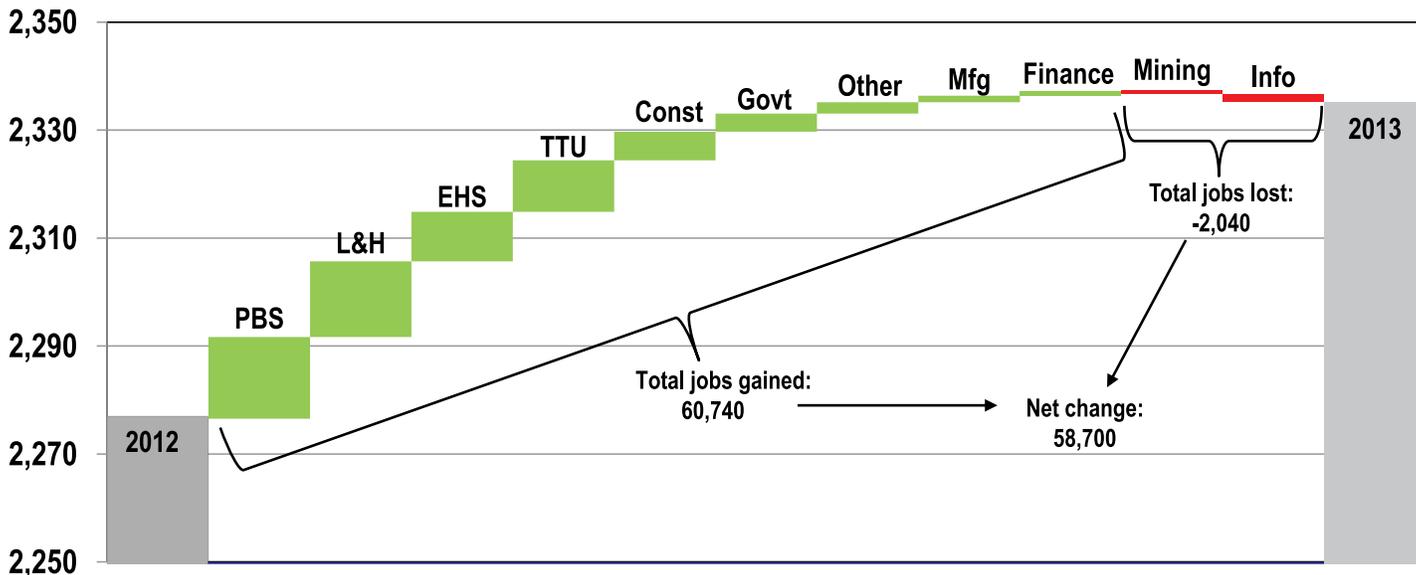
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Employment Change for Colorado January-May Year-Over-Year

Employment in Thousands



Source: Bureau of Labor Statistics, Current Employment Statistics (NSA).