



# ColoradoCast

**ECONOMIC FORECAST Q4 2022**

A STATEWIDE 6-MONTH ECONOMIC FORECAST  
FROM THE COLORADO FUTURES CENTER



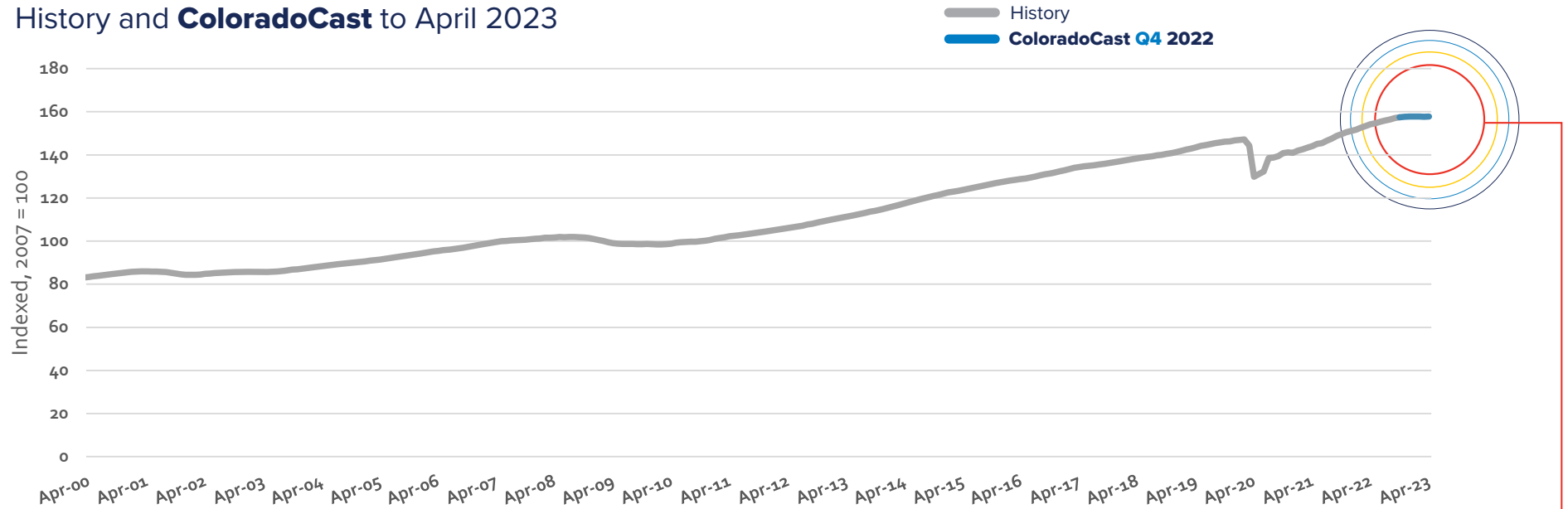
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## Colorado Economy

History and ColoradoCast to April 2023

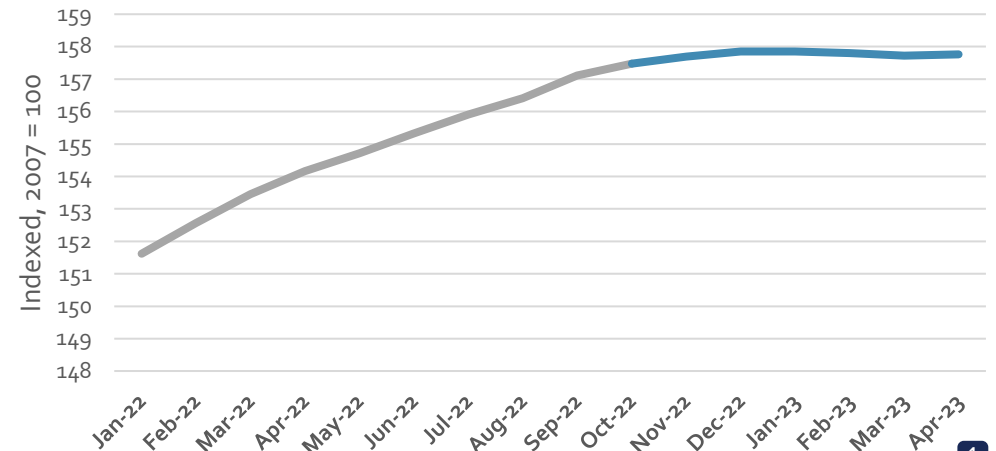


The latest ColoradoCast shows the state economy maintaining modest, albeit slowing, momentum through the end of 2022. Buoyed by a strong consumer economy, Colorado is forecast to end the year with a larger economy than in January 2022 with a year-end growth forecast of just over one and a half percent annual rate. But the continuing concern about headwinds is evident in this latest ColoradoCast.

Heading into 2023, the forecast is for a continued slowdown and then modest decline in the end of the first quarter. However, the Colorado economy is forecast to retain resilience and return to modestly positive annual growth rates in the early second quarter of 2023. The first quarter forecast declines in February and March of less than one percent annual rate are more indicative of the recent pattern of modest slowing than a persistent slowdown. The forecast for a return to slightly positive annual rates of growth early in the second quarter of 2023 suggest that the Colorado economy is well positioned to avert a recession, and return to positive, albeit modest, growth later in 2023.

## Colorado Economy

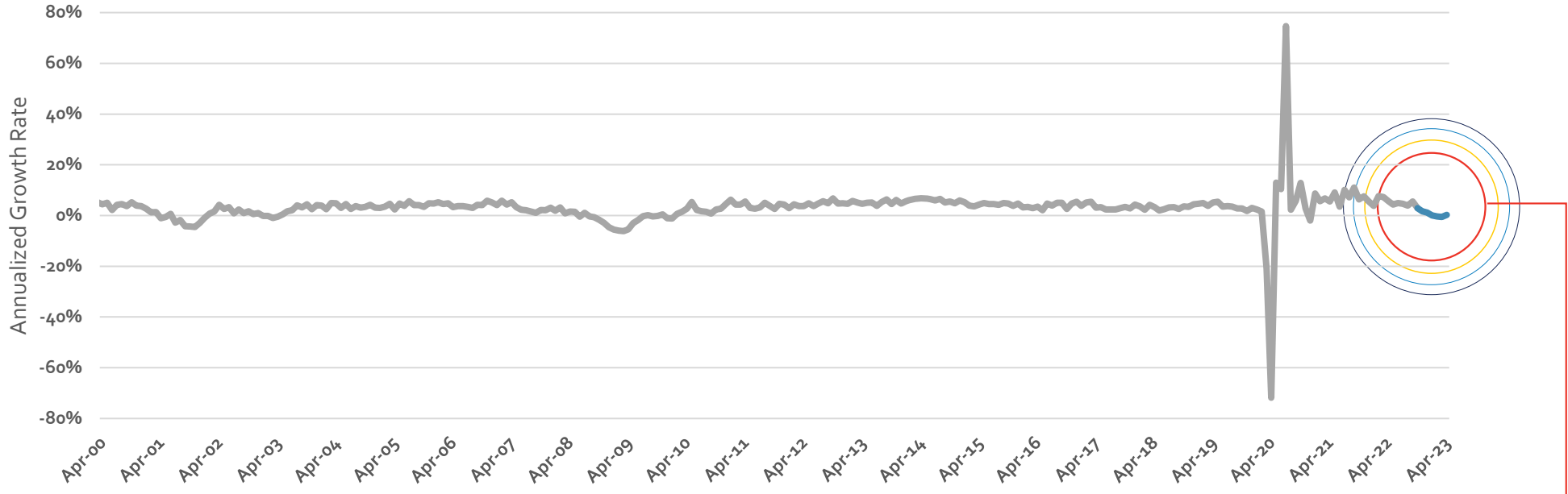
Highlighting the Current Year



# Annualized Growth Rate

## History and ColoradoCast to April 2023

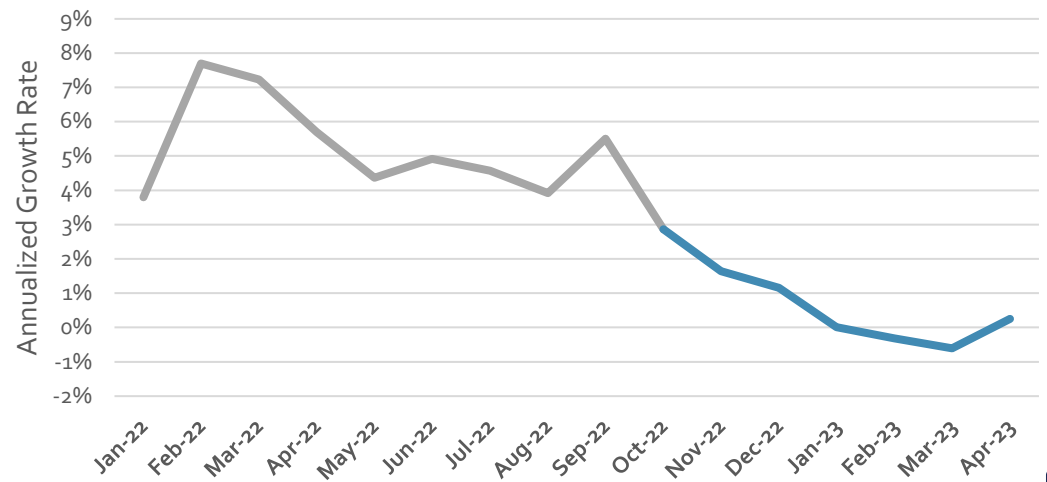
— Annualized Growth Rate History  
 — Annualized Growth Rate ColoradoCast



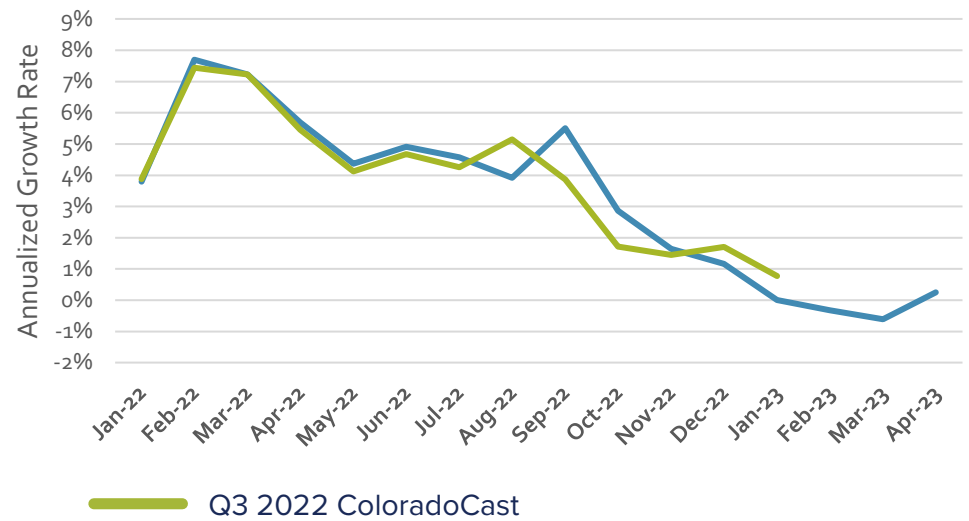
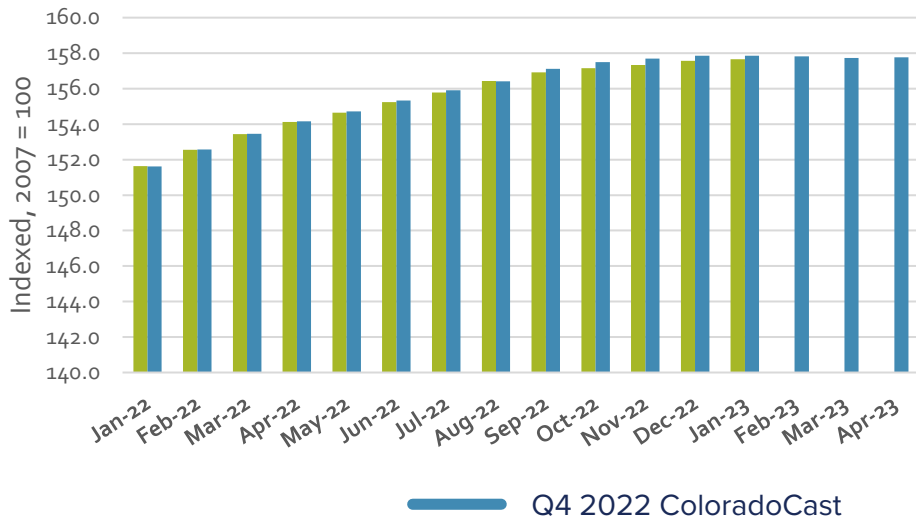
**ALTHOUGH BRIEFLY TURNING NEGATIVE IN EARLY 2023, THE CURRENT COLORADOCAST SUGGESTS COLORADO IS WELL-POSITIONED TO AVERT A RECESSION.**

## Annualized Growth Rate

### Highlighting the Current Year



## Forecast Comparison: Colorado Economy and Annualized Growth Rate



Compared to the third quarter ColoradoCast, the current model shows the same indicators (equity and bond markets, housing) continuing and increasing their drag on the model. As measured by the S&P/Case Shiller Co-Denver Index, in August, 2022 housing experienced its largest month over month decline since the inception of the index in 1987. And, the back to back to back month over month declines in July, August and September, again the largest in index history, are manifesting in the slowdown and modest decline in the ColoradoCast in early 2023.

The pattern of increasing and then moderating declines in the housing market is driving the modest decline in Colorado’s economic growth forecast for the first quarter of 2023. However, offsetting strengths elsewhere in the Colorado economy, particularly in labor markets and consumer activity, appear sufficient to avert a protracted downturn and return the forecast to the slight growth forecast of one quarter of a percent in the second quarter of 2023.

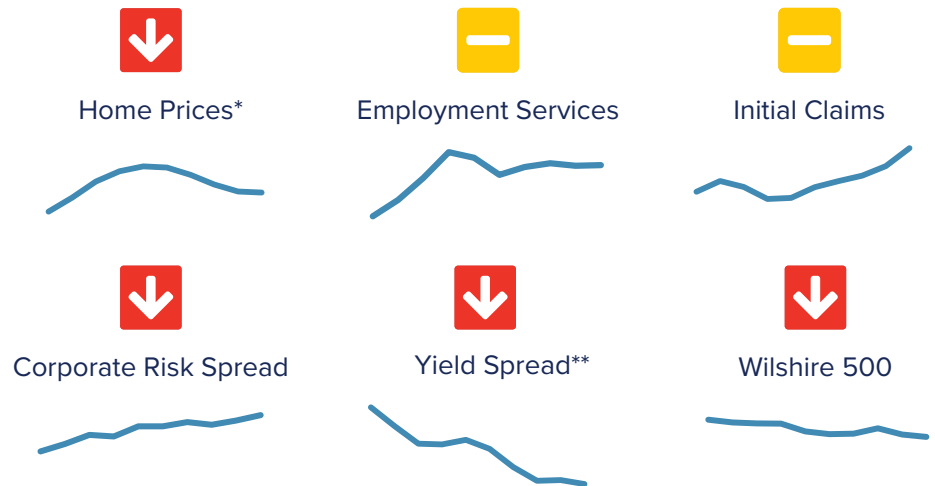
## Factors Driving the ColoradoCast

The thumbnail graphics show the 2022 YTD October pattern of the variables used to model the ColoradoCast.

\*Home prices include forecast values for the month of October 2022  
 \*\*The yield curve (ten-two spread) inverted in July 2022

Impact on last month of **ColoradoCast**

↑ Positive    
 ▬ Neutral    
 ↓ Negative





The **ColoradoCast** is a short-term (approximately 6 months ahead) economic forecast for the Colorado economy developed by the Colorado Futures Center. It is designed to forecast a well-known contemporaneous measure of statewide economic activity, the Coincident Economic Activity Index for Colorado, developed by the Federal Reserve Bank of Philadelphia. The Coincident Economic Activity Index includes four indicators: non-farm payroll employment, the unemployment rate, average hours worked in manufacturing and wages and salaries. The trend for the index is set to match the trend for gross state product.

The **ColoradoCast** predicts the value and annualized growth rate in the coincident index using six factors whose predicted relationship with economic activity are as follows (relationship in parentheses): the yield curve measured by the spread between two and ten month treasuries (positive), the risk spread between high quality corporate and ten year treasury returns (negative), employment in the employment services sector (positive), housing prices as measured by the Case-Shiller index for Denver (positive), initial claims for unemployment insurance (negative), and the value of the Wilshire 5000 stock index (positive).

The **ColoradoCast** is released quarterly for the months of February, May, August and November.

**Thank you to Steven Fisher, PhD for his collaboration on the initial development of the ColoradoCast.**

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