



ColoradoCast

ECONOMIC FORECAST Q3 2023

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

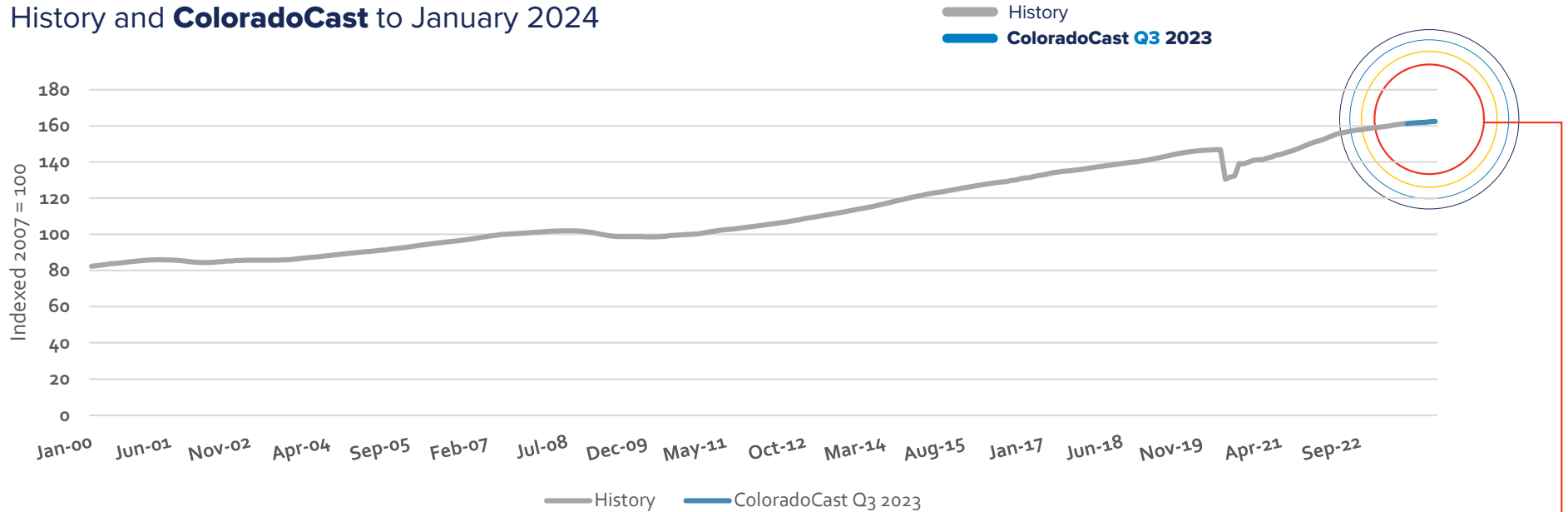


**COLORADO
FUTURES CENTER**

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COLORADO STATE UNIVERSITY

Colorado Economy

History and ColoradoCast to January 2024

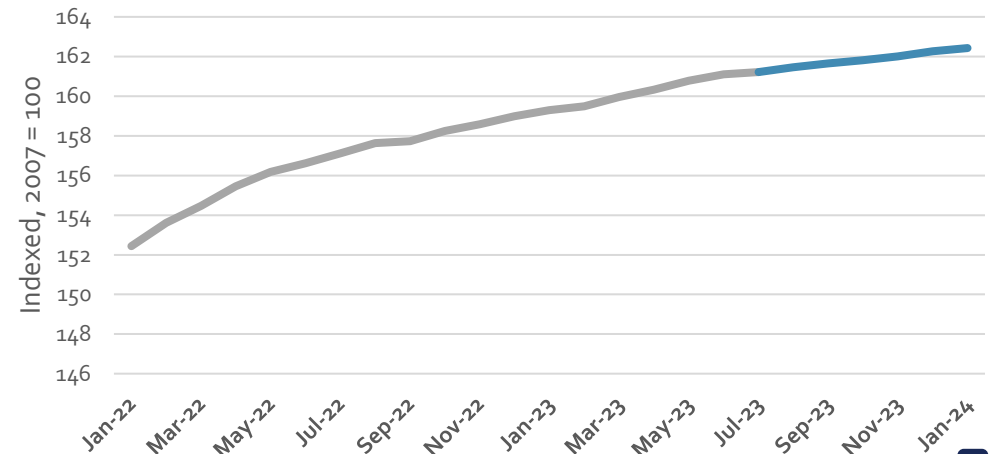


This ColoradoCast takes the forecast into early 2024. Consistent with the previous quarter, the latest ColoradoCast shows the state's economy continuing to grow, albeit still modestly, through the beginning of the year. For the past year, the ColoradoCast has slightly under forecast Colorado's true economic performance, suggesting that the modest forecast from the current ColoradoCast of just over one percent annual growth might be slightly conservative.

However, weaknesses in the consumer, both locally and nationally are beginning to reemerge, and the requirement to begin repayment of student loan debt in the fourth quarter of 2023 will place additional burden on household budgets. Given the importance in the consumer for sustaining economic growth, we have introduced a new feature to the ColoradoCast, the Spotlight on the Consumer.

Colorado Economy

Highlighting the Current Year

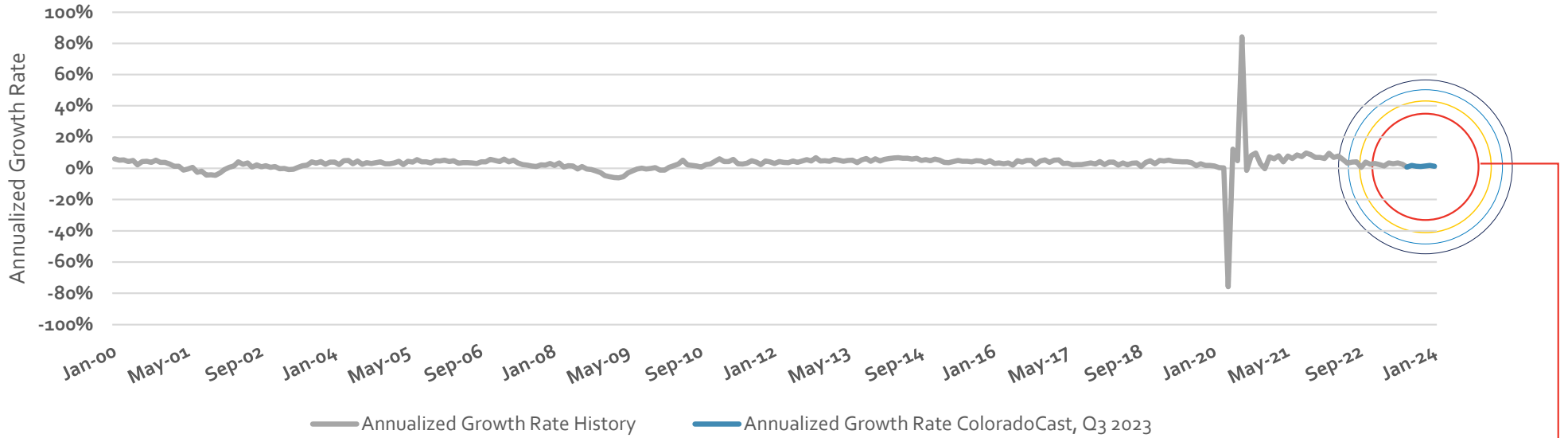


Annualized Growth Rate

History and **ColoradoCast** to January 2024



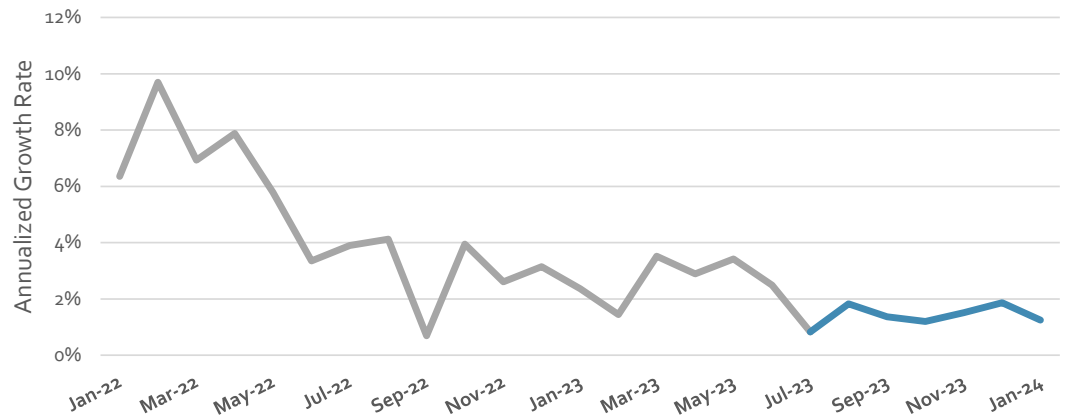
— Annualized Growth Rate History
 — Annualized Growth Rate **ColoradoCast**



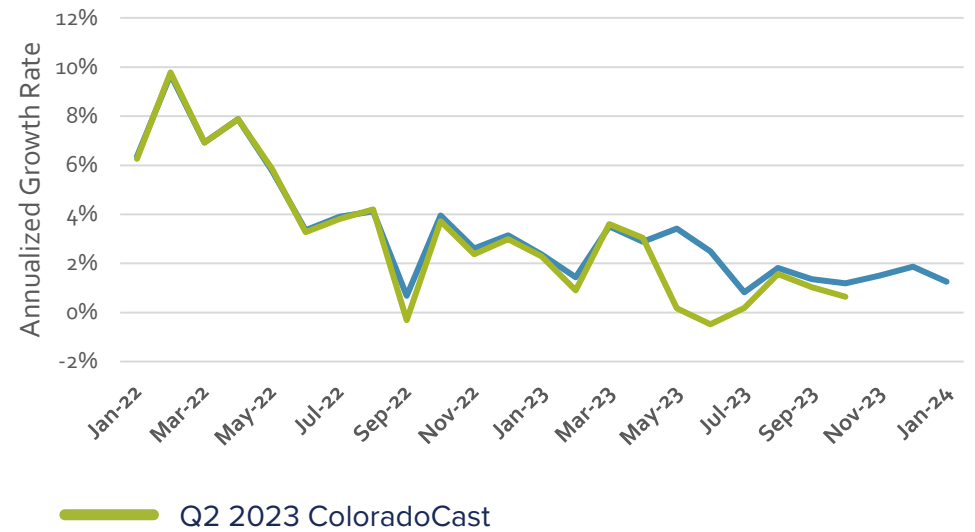
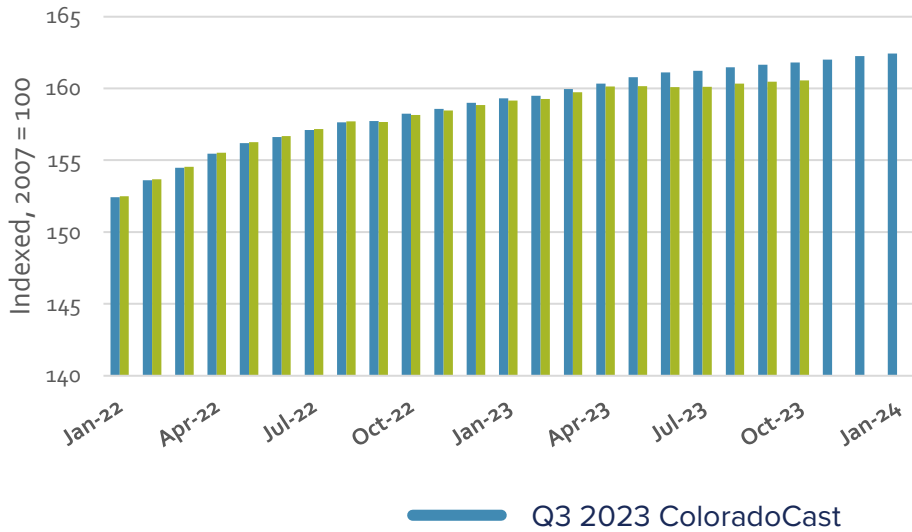
THE LATEST COLORADOCAST SHOWS THE COLORADO ECONOMY CONTINUING TO EXPAND MODESTLY THROUGH EARLY 2024.

Annualized Growth Rate

Highlighting the Current Year



Forecast Comparison: Colorado Economy and Annualized Growth Rate



The current ColoradoCast shows the Colorado economy sustaining the modest growth rates forecast in the second quarter forecast. Continued increases in housing prices and equity markets are buoying the outcome. Offsetting the impact of housing and equity markets, the corporate risk spread remains elevated relative to early 2022 although with a slight narrowing trend and the yield curve remains inverted with the latest months showing a slightly deeper inversion. These offsetting forces on the outlook result in the Colorado economy mustering only modest growth.

Factors Driving the ColoradoCast

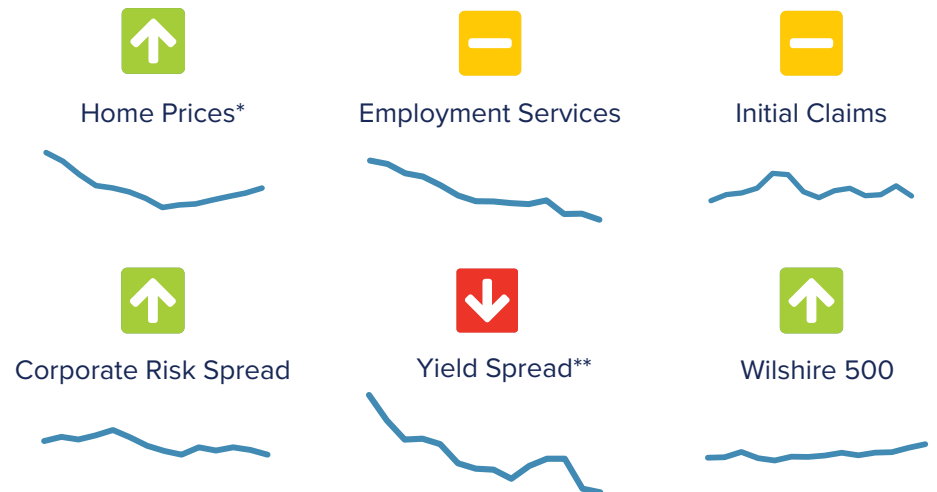
The thumbnail graphics show the mid-2022 through July 2023 pattern of the variables used to model the ColoradoCast.

*Home prices include forecast values for the month of July 2023

**The yield curve (ten-two spread) inverted in July 2022

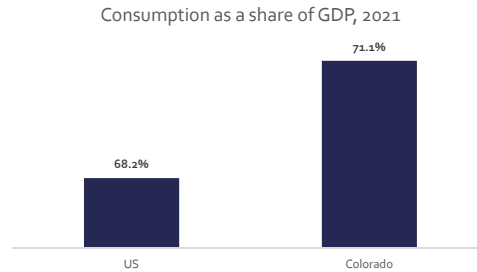
Impact on last month of **ColoradoCast**

↑ Positive
 ▬ Neutral
 ↓ Negative



Consumption in Colorado's economy

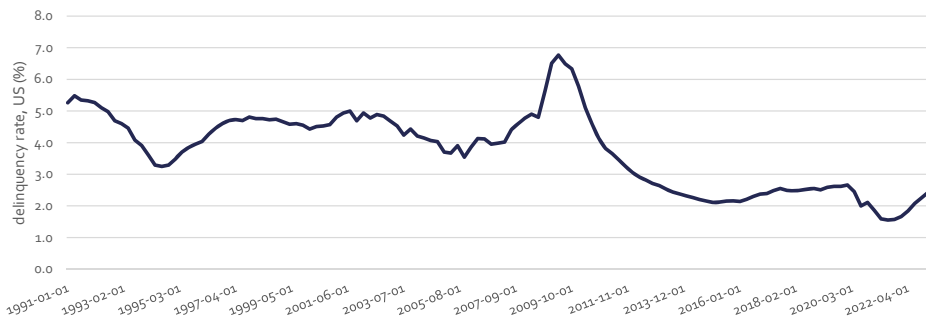
With this ColoradoCast, we introduce a new feature, a Spotlight on the Consumer. The Colorado economy, like the US overall, is consumer driven. In fact, in 2021 the consumer sector in Colorado was a larger share of the state's economy than in the US overall making the consumer an even more important focus in Colorado.



Source: BEA

Mounting headwinds

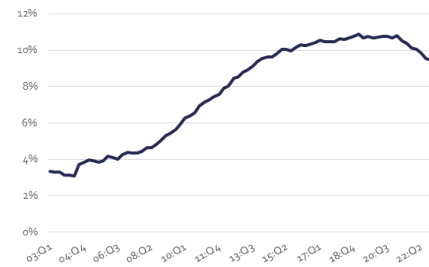
Consumers nationwide are facing headwinds. The pandemic era support has worked its way through household budgets and as a result household balance sheets are losing some strength. Credit card delinquencies, after falling dramatically in the wake of the Great Recession and largely maintaining during the pandemic due to the support to households, have begun to turn upwards again. While they remain modestly below historical levels, slowly delinquencies are inching back toward pre-Great Recession levels.



Delinquency rate on credit card loans, all commercial banks, percent, quarterly, seasonally adjusted
Source: FRED

Student loan payments resume

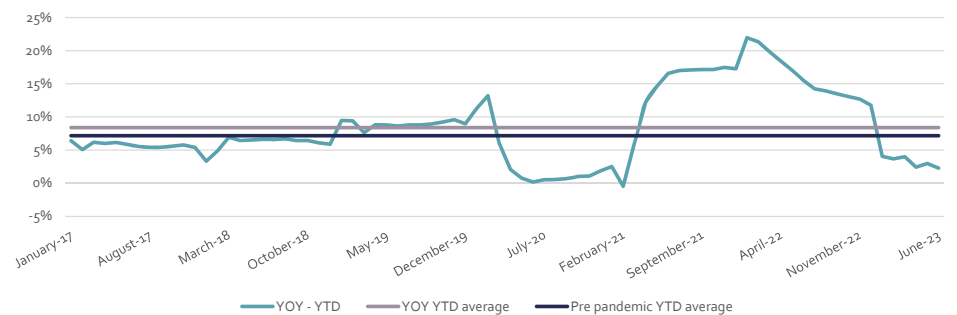
Adding to the headwinds, the three-year pause in student loan repayment and interest accrual came to an end in August. This is happening at a time that student loan debt now represents just over 9 percent of all household debt nationally, a share that has tripled since the early 2000s.



Student loan debt as a share of all household debt
Source: NY Federal Reserve Bank, Quarterly Report on Household Debt and Credit

Colorado retail sales slowing

In Colorado, these headwinds are coincident with slowing retail sales. With pandemic era support in place, Colorado experienced double-digit increases in retail sales. In 2023 that slowed to two to three percent. Some of the decline is explained by the outsized base off which the increases are calculated, a base further elevated by inflation in 2022. Nevertheless, the annual increases in retail sales are now below the mid-term and pre-pandemic averages. Continued slowing in the consumer sector could weigh on state economic performance as 2024 unfolds.



Year over year change in year to date retail sales
Source: CFC calculation from Colorado Department of Revenue



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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The Colorado Futures Center is a 501c3 organization dedicated to informing about economic, fiscal and public policy issues impacting community economic health and quality of life.