ColoradoCast

ECONOMIC FORECAST Q3 2024

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

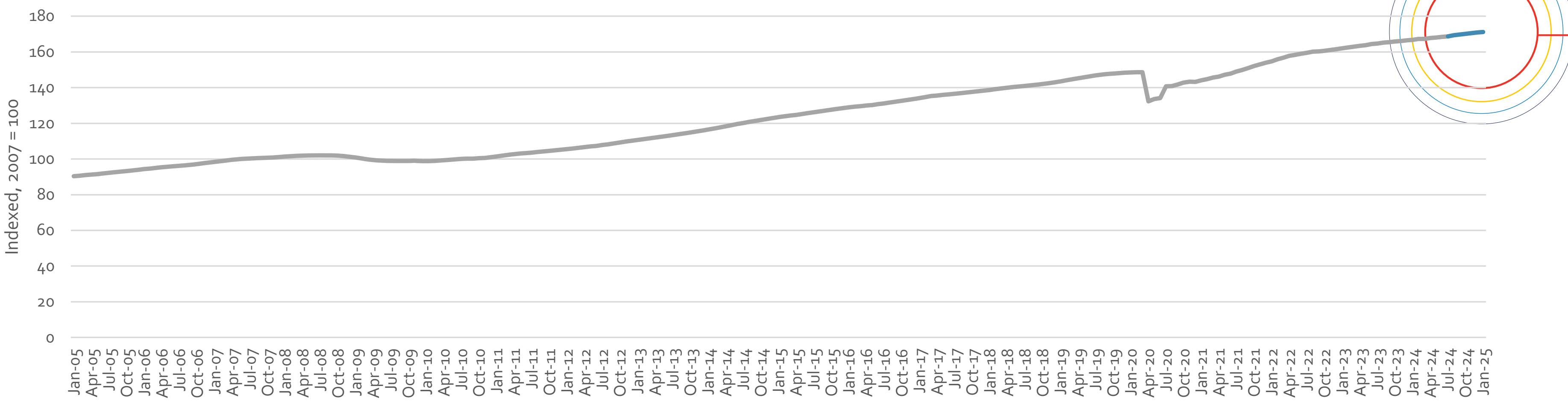
COLORADO
FUTURES CENTER

CSU SYSTEM
COLORADO STATE UNIVERSITY

ColoradoCast
ECONOMIC FORECAST Q3 2024

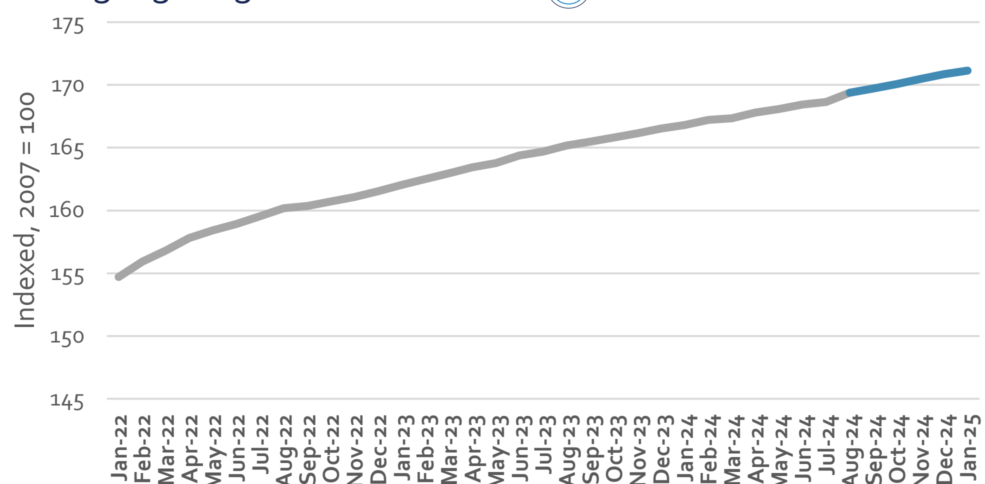
COLORADO FUTURES CENTER

Colorado Economy
History and **ColoradoCast** to January 2025



This ColoradoCast represents a modeling departure from the previous releases in order to accommodate data revisions and availability. With this ColoradoCast, the value we are predicting, the Philadelphia Fed's Coincident Index for Colorado is updated significantly enough to impact the model fit, and to accommodate a better model we slightly updated the specification and replaced the Willshire 5000 with the S and P 500 as the equity market driver. While these changes resulted in a better model fit, they are not significant enough to disrupt the overall interpretation of the current forecast in relative to previous ColoradoCasts. The current model continues to forecast modest growth for the Colorado economy, in the range of 2 percent for most forecast months.

Colorado Economy
Highlighting the Current Year

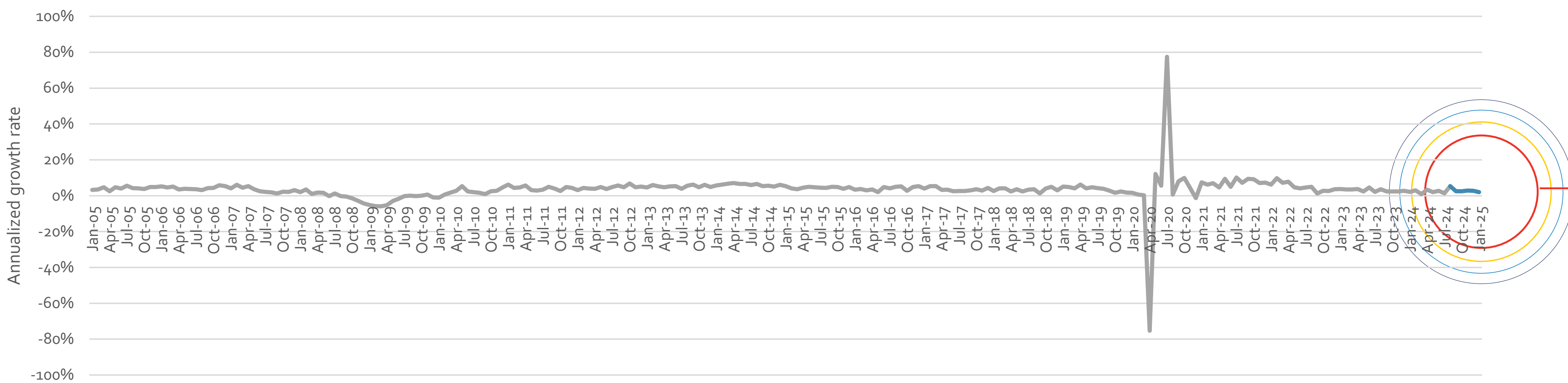


Annualized Growth Rate

History and **ColoradoCast** to January 2025

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

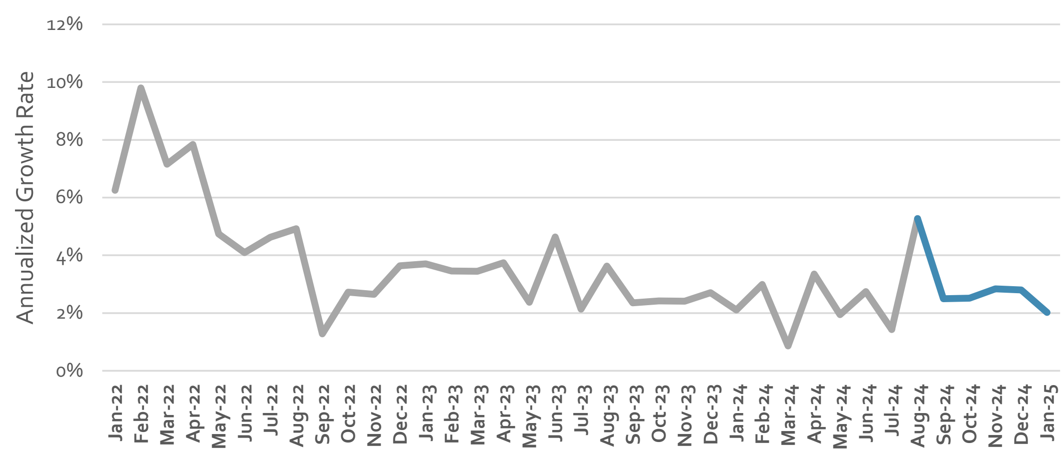
COLORADO FUTURES CENTER



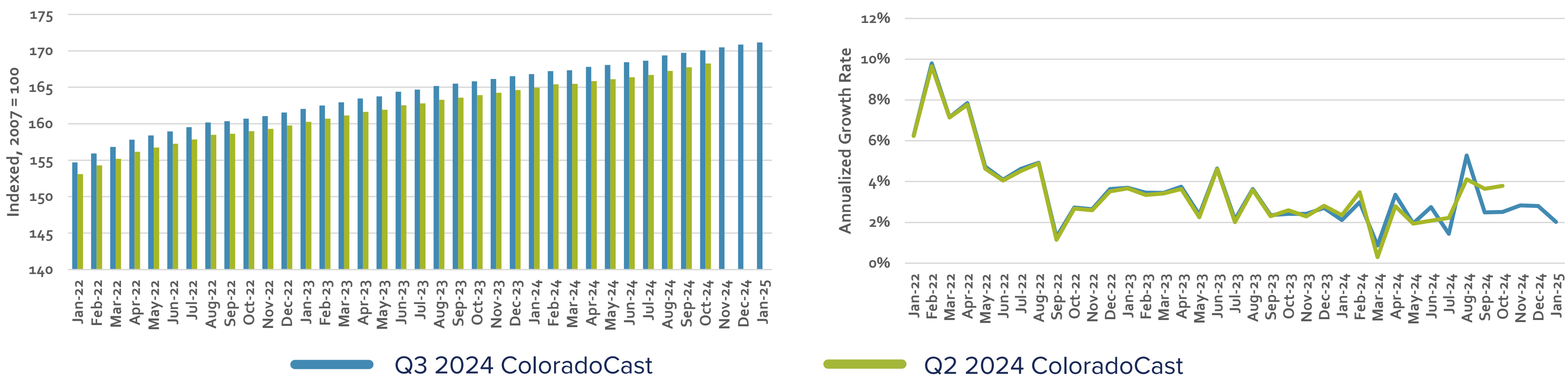
It is important to note two contextual considerations for this third quarter release. First, this release only partially incorporates (due to data timing) the slight softening of the labor market experienced earlier this month. And while the initial market reaction to that softening has proven to be an overreaction, the full impact of the labor market softening is likely to be evident in the fourth quarter release scheduled for late November. And, this release has one month (August) of forecast outsized growth, in excess of five percent. This anomaly on the forecast is the result of the distributed lag design of the forecast equation and the outsized performance of equity markets in the early part of 2024. The economy is unlikely to experience a one month jolt as the forecast model suggests, instead that equity market performance is better interpreted as supporting the continued modest growth through the full six month forecast horizon. The ColoradoCast continues to show an economy averting recession.

Annualized Growth Rate

Highlighting the Current Year



Forecast Comparison: Colorado Economy and Annualized Growth Rate



Largely due to the data revisions, this ColoradoCast is slightly higher than previous, and all major drivers remain positive or neutral. Currently, the most significant driver of the forecast is equity markets, so continued market volatility could represent a downside risk to the forecast. And given the timing of the data incorporated into this release – before the slight softening of the July jobs report – we characterize the overall risk to this forecast as slightly to the downside, even as it moderated the more optimistic quarter 2 ColoradoCast.

Other indicators, particularly ones specific to Colorado, while not demonstrating danger are showing signs of softening. Initial claims for unemployment fell most recently, but after a period of increasing to a two and a half year high in the spring of 2024. Similarly, retail sales in Colorado recovered in the spring, after a slow start to 2024. And, nationally household debt is increasing although delinquencies have not. The months through to the end of the year carry risks of political, global and policy uncertainty. However, this ColoradoCast continues to suggest that the state's economy has the resiliency to maintain modest growth.

Factors Driving the ColoradoCast

The thumbnail graphics show the mid-2023 to July 2024 pattern of the variables used to model the ColoradoCast.

*Home prices include forecast values for the month of July 2024.
**The yield curve (ten-two spread) inverted in July 2022 and remains inverted.

Impact on last month of **ColoradoCast**

Positive Neutral Negative

ColoradoCast
ECONOMIC FORECAST Q3 2024

COLORADO FUTURES CENTER | CSU SYSTEM COLORADO STATE UNIVERSITY

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.

Further Inquries | More Insight | Follow Us

Phyllis Resnick, PhD | Executive Director & Lead Economist
phyllis@coloradofuturescsu.org

@ColoFutures

COLORADO FUTURES CENTER

coloradofuturescsu.org

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.