A STATEWIDE 6-MONTH ECONOMIC FORECAST FROM THE COLORADO FUTURES CENTER
For the first time since the late 2021 inaugural release of the ColoradoCast, the six-month outlook is for a considerable slowing of the Colorado economy, particularly in the back end of the forecast horizon. The economy is projected to continue to expand through the October 2022 forecast horizon, albeit far more slowly than the recent history. At that end month of the outlook the projected annual growth rate is forecast at 1.8 percent, resulting in a leveling off, although not a decline, in the size of the Colorado economy.

This ColoradoCast is forecasting considerably slower growth than the most recent annualized growth rates in the 5 to 6 percent range. This is consistent with the increasing stressors and risks impacting the US and international economies. Colorado, like most economies, is affected by higher interest rates, supply chain disruptions and the convergence of higher consumer prices just as the COVID era supports are dissipating.
BY OCTOBER, 2022 THE GROWTH IN THE COLORADO ECONOMY IS PROJECTED TO SLOW TO AN ANNUAL RATE OF 1.8 PERCENT.
In comparison with the first quarter 2022 run of the ColoradoCast, the current forecast projects a modestly smaller Colorado economy, albeit with similar rates of growth. For the months through June 2022 (the months for which both releases of the ColoradoCast overlap), the annualized growth rates maintain close to 5 percent, lower than the immediate post-COVID experience but above longer-term average growth rates for the Colorado economy. However, this update begins to foreshadow a slower economy before the end of 2022. The 1.8 percent annual growth rate forecast for early in the fourth quarter is slower than trend growth and is driven largely by the national drivers of equity and bond markets. The local employment and housing indicators continue to demonstrate relative strength through the May ColoradoCast.

Factors Driving the ColoradoCast

The thumbnail graphics show the 2021 - 2022 YTD April pattern of the variables used to model the ColoradoCast.

*Home prices include forecast values for the months of March and April 2021
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.