ColoradoCast

ECONOMIC FORECAST Q4 2023

A STATEWIDE 6-MONTH ECONOMIC FORECAST
FROM THE COLORADO FUTURES CENTER
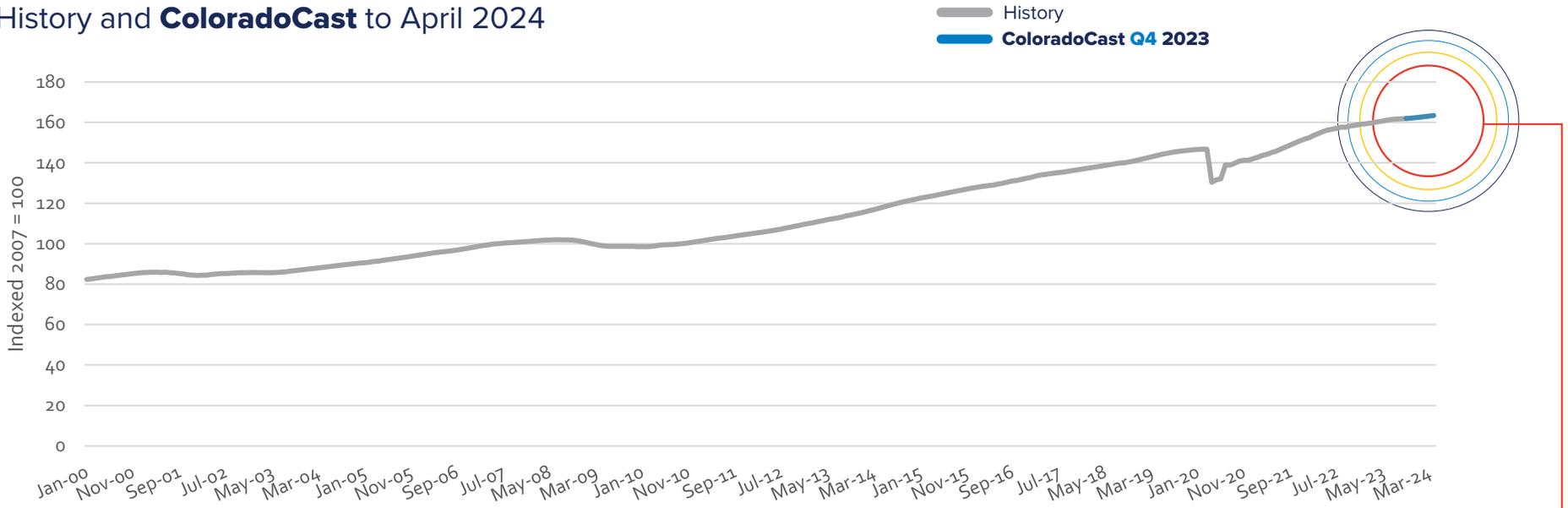
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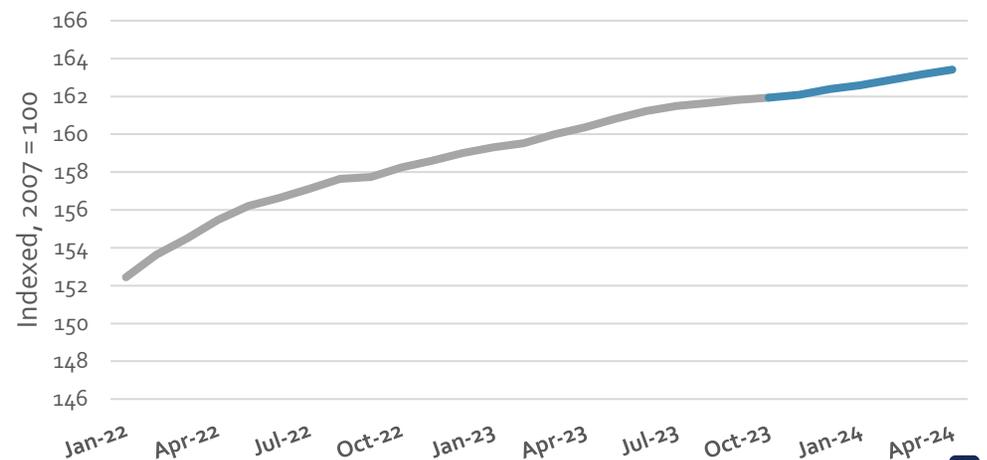**CSU SYSTEM**
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Colorado Economy
History and **ColoradoCast** to April 2024

History
ColoradoCast Q4 2023

Chart: Indexed 2007 = 100 (y-axis 0 to 180). X-axis from Jan-00 through Mar-24.

Colorado Economy
Highlighting the Current Year

This ColoradoCast takes the forecast into the first month of the second quarter of 2024. Building on the modest momentum of the previous forecast, this outlook shows the Colorado economy sustaining positive growth, and at a rate slightly higher than the recent past. The Colorado economy continues to very slightly overperform the ColoradoCast, further suggesting that this current forecast leans conservative and that the Colorado economy is likely to grow at a modestly healthy rate of between two and three percent annual rate.
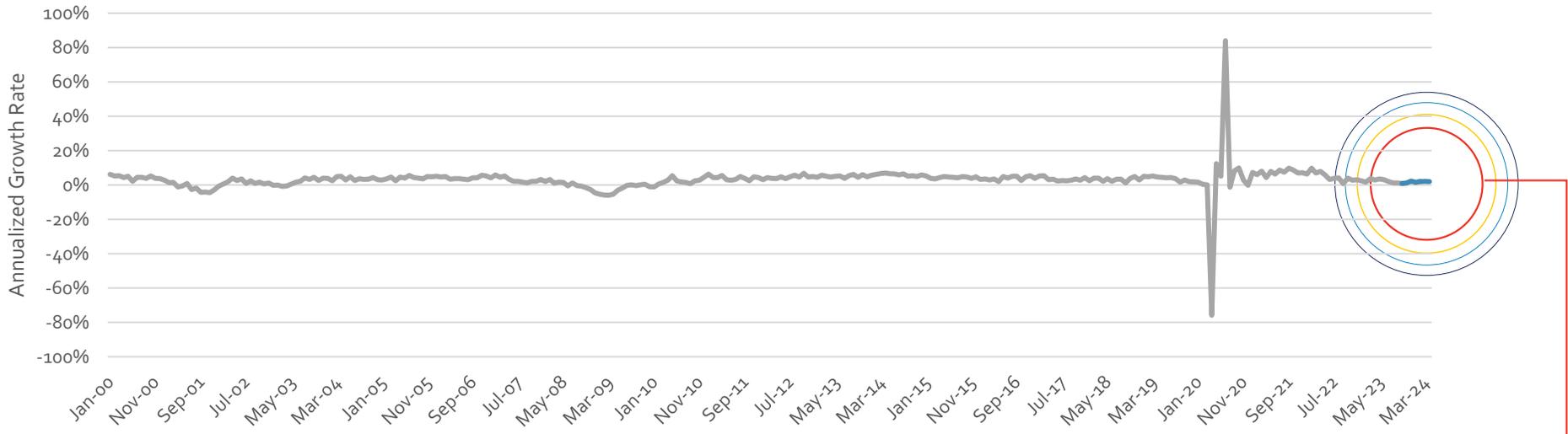

Chart: Indexed, 2007 = 100 (y-axis 146 to 166). X-axis from Jan-22 through Apr-24.

1

Annualized Growth Rate
History and **ColoradoCast** to April 2024

COLORADO
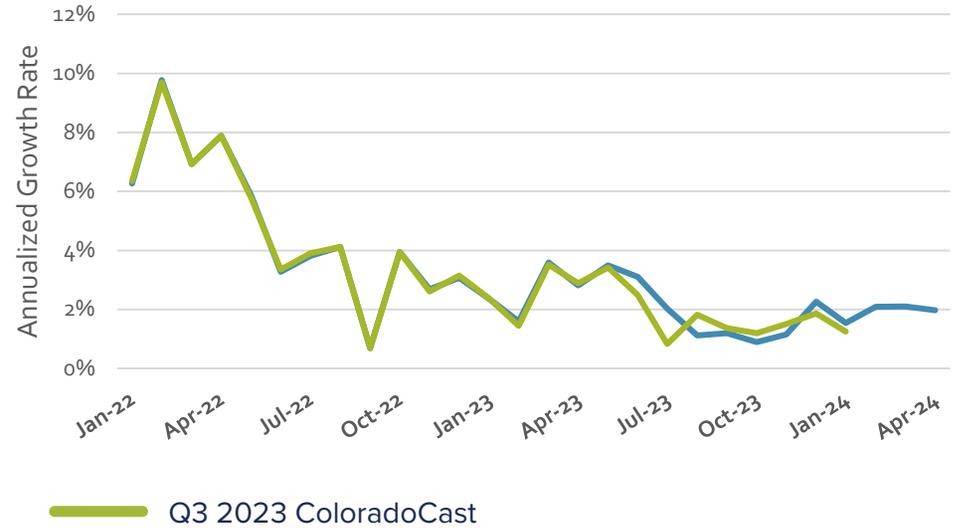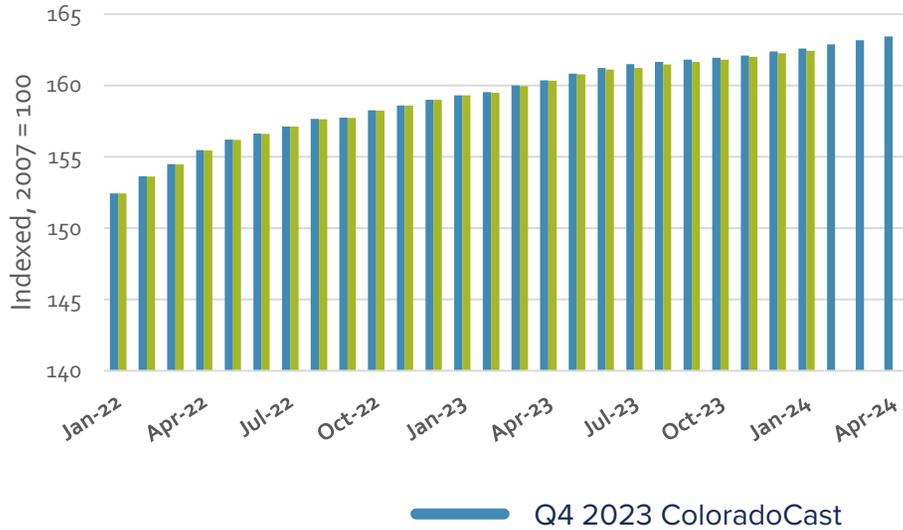FUTURES CENTER

THIS COLORADOCAST SHOWS THE ECONOMY GROWING AT A RATE SLIGHTLY HIGHER THAN THE RECENT PAST.

Annualized Growth Rate
Highlighting the Current Year
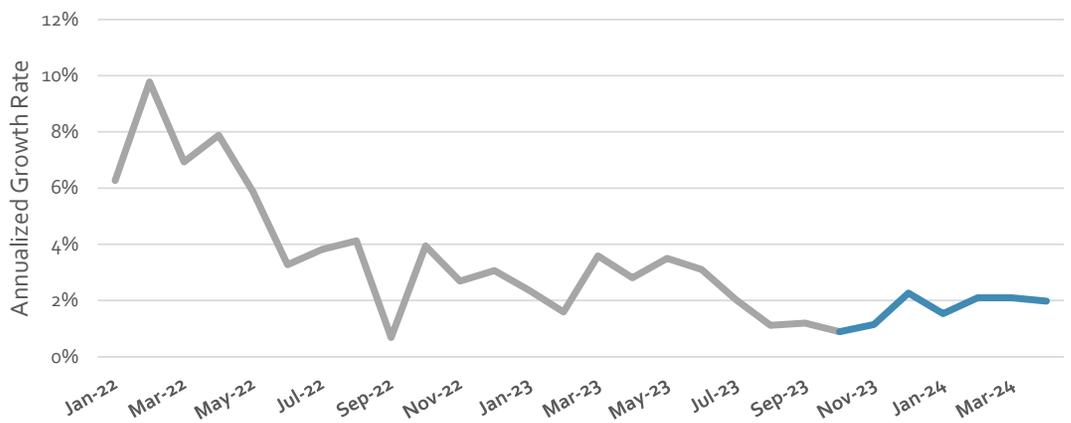
Forecast Comparison: Colorado Economy and Annualized Growth Rate

— Q4 2023 ColoradoCast   — Q3 2023 ColoradoCast

For the first time in the ColoradoCast, housing prices are insignificant in the model. This likely is happening because the slight correction housing underwent earlier in 2023 did not disrupt the Colorado economy's continued path of modest growth. This suggests that the economy has enough resilience to withstand the moderate correction in housing and the associated higher borrowing rates, albeit likely not a more significant one. As with previous runs of the model, the economic performance in Colorado continues to be buoyed by equity markets and in this current model the flattening of the still inverted yield curve.

Factors Driving the ColoradoCast

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

*Home prices include forecast values for the month of October 2023
**The yield curve (ten-two spread) inverted in July 2022

Impact on last month of **ColoradoCast**

⬆ Positive   ➖ Neutral   ⬇ Negative

➖ Home Prices*

➖ Employment Services

➖ Initial Claims

⬆ Corporate Risk Spread

⬆ Yield Spread**

⬆ Wilshire 500

3

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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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