



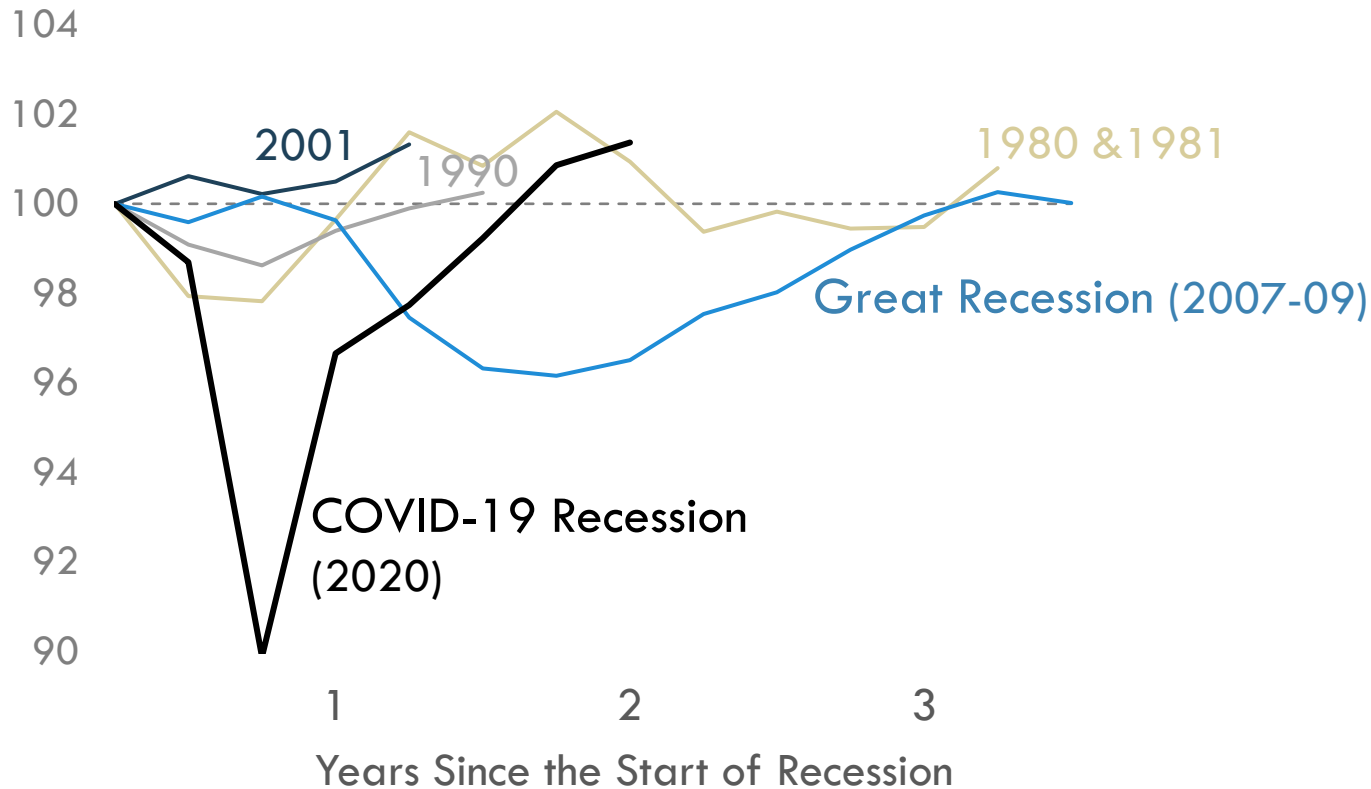
Colorado State Economic & Budget Outlook

Kate Watkins
Chief Economist
Legislative Council Staff

Regional Issues Summit
December 1, 2021

The COVID-19 recession saw the largest, fastest decline in economic activity

Real U.S. Gross Domestic Product
Levels Indexed to Start of the Recession



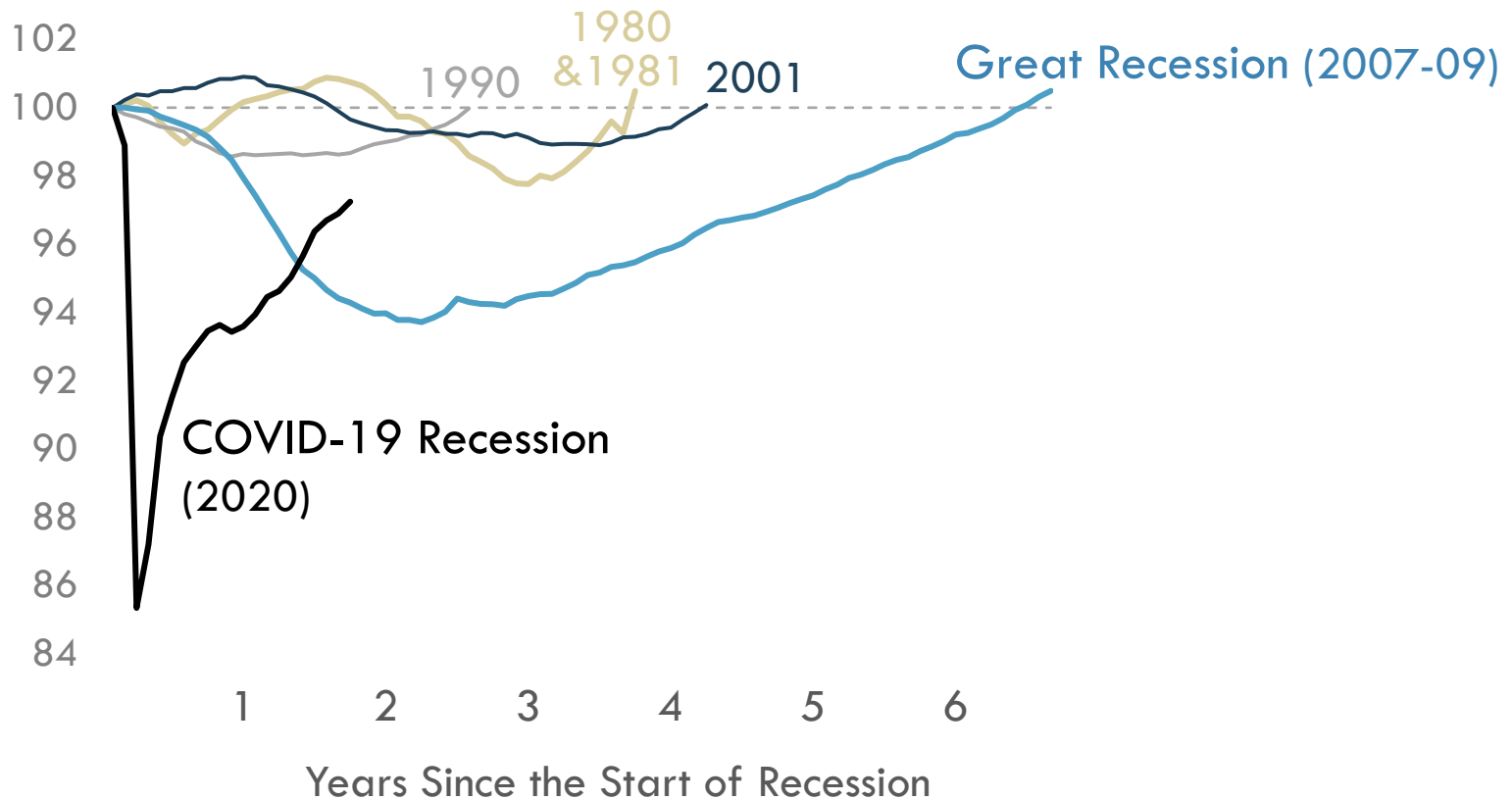
Source: U.S. Bureau of Economic Analysis with Legislative Council Staff calculations.

Real GDP is inflation-adjusted to chained 2012 levels and shown at seasonally adjusted annualized rates.

The nation has regained 80% of the jobs lost

U.S. Nonfarm Employment

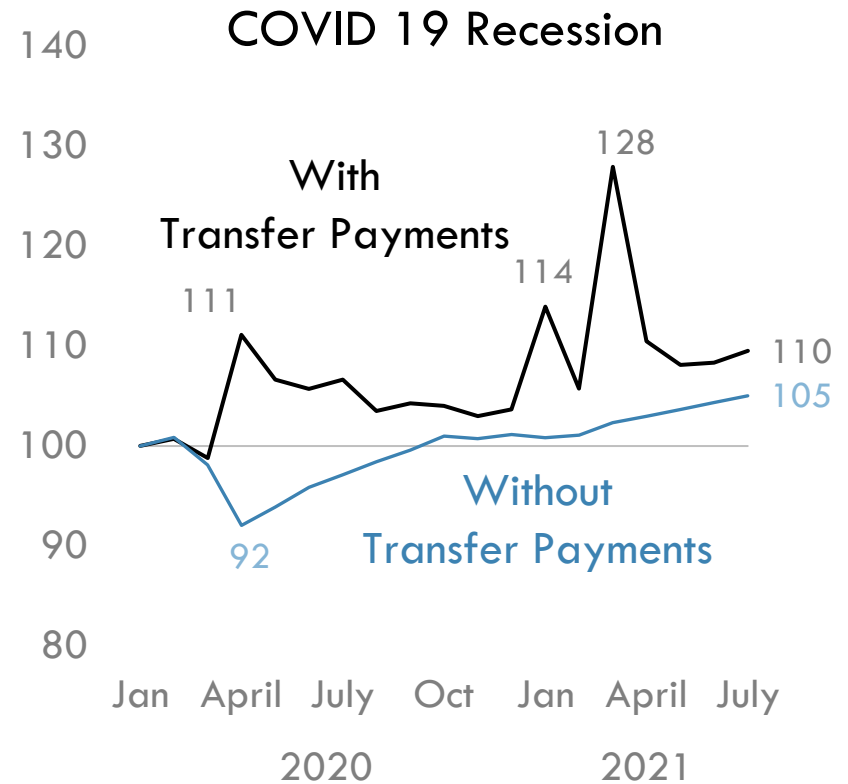
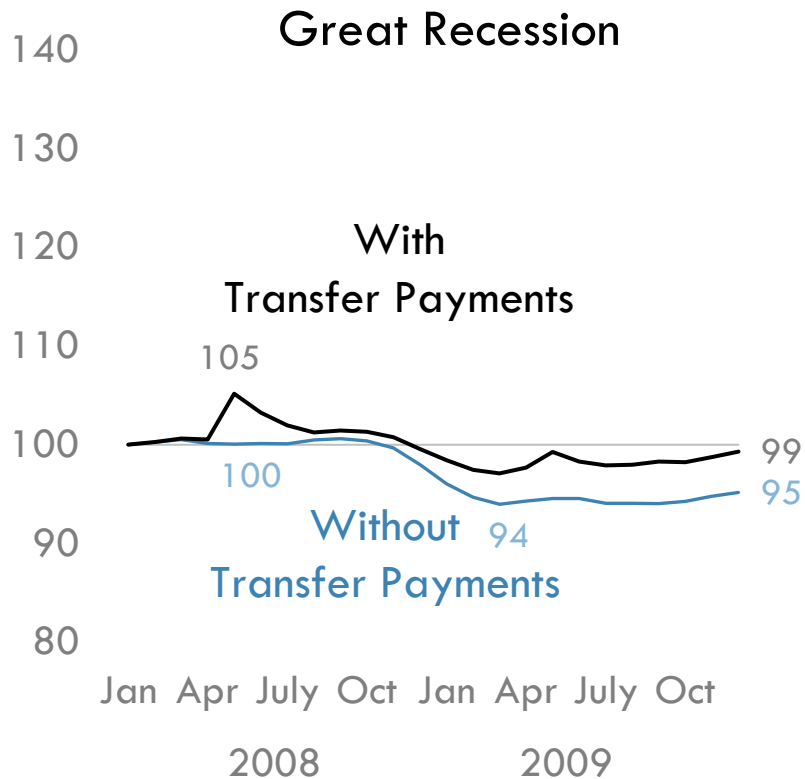
Levels Indexed to Start of the Recession



Unprecedented federal fiscal stimulus propped up employment, incomes, and spending activity

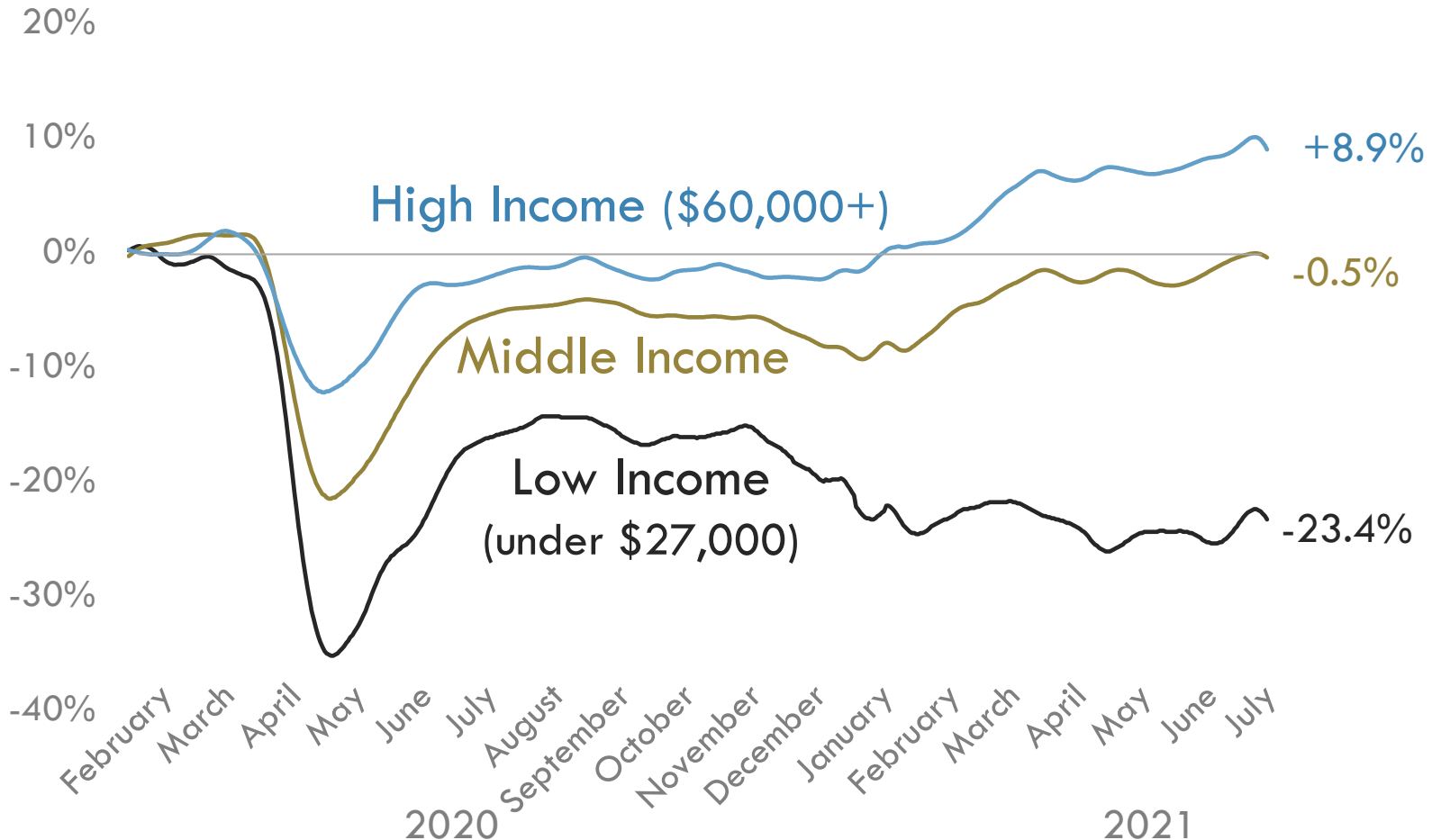
U.S. Personal Income

Indexed to Pre-Recession Levels



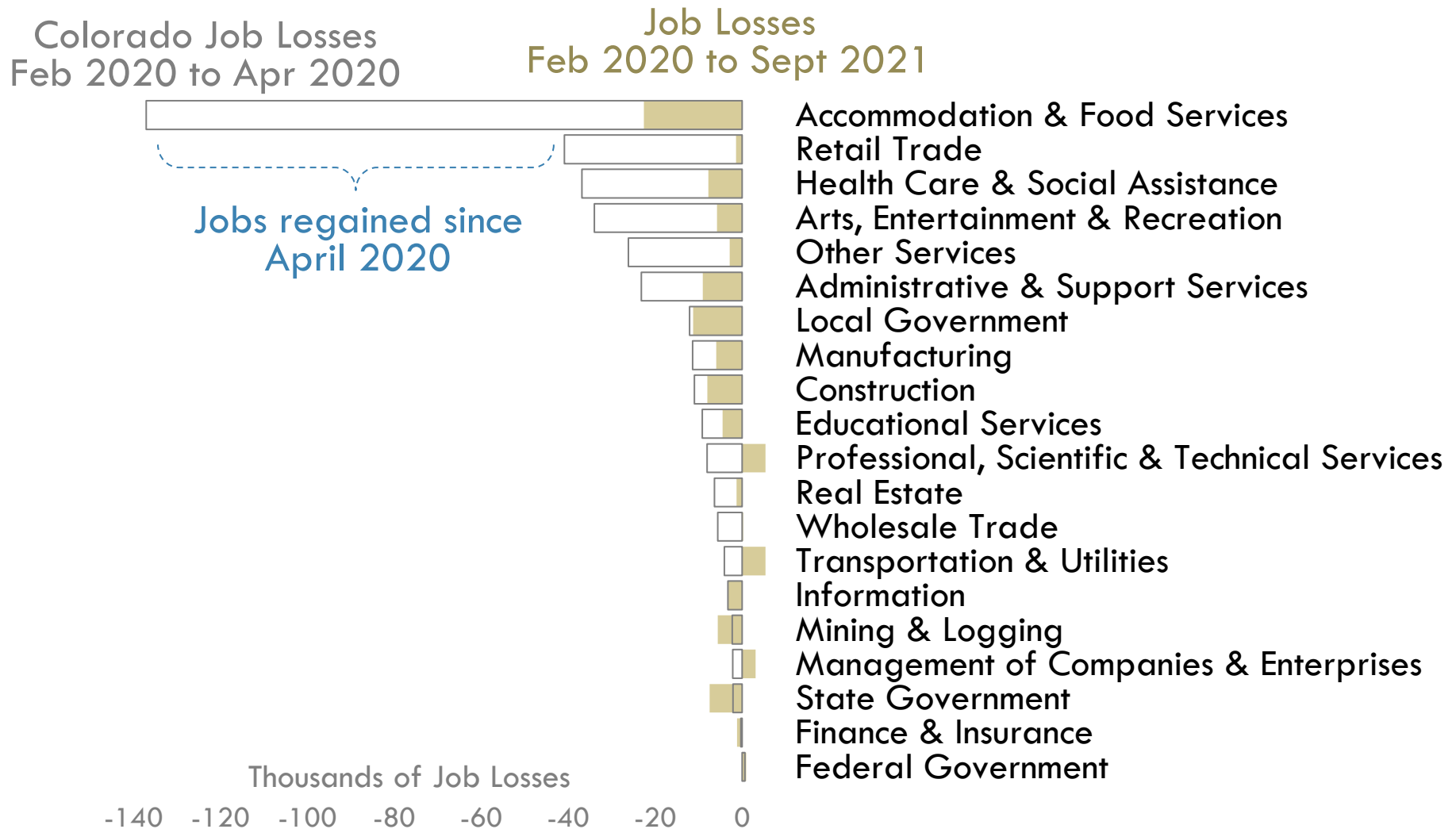
“K-Shaped” Recovery: Higher income workers were relatively unscathed by the pandemic

Percent change in Colorado employment since January 2020



Source: Opportunity Insights. More interactive charts available: www.tracktherecovery.org

The jobs recovery is uneven; job losses greatest in accommodation & food services industries

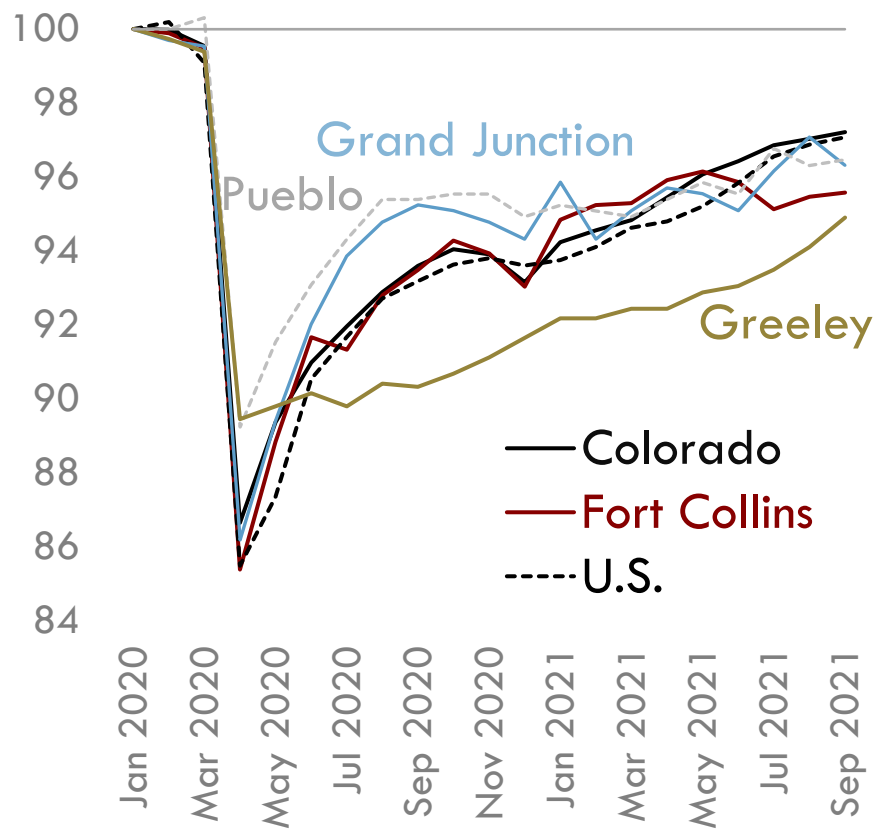
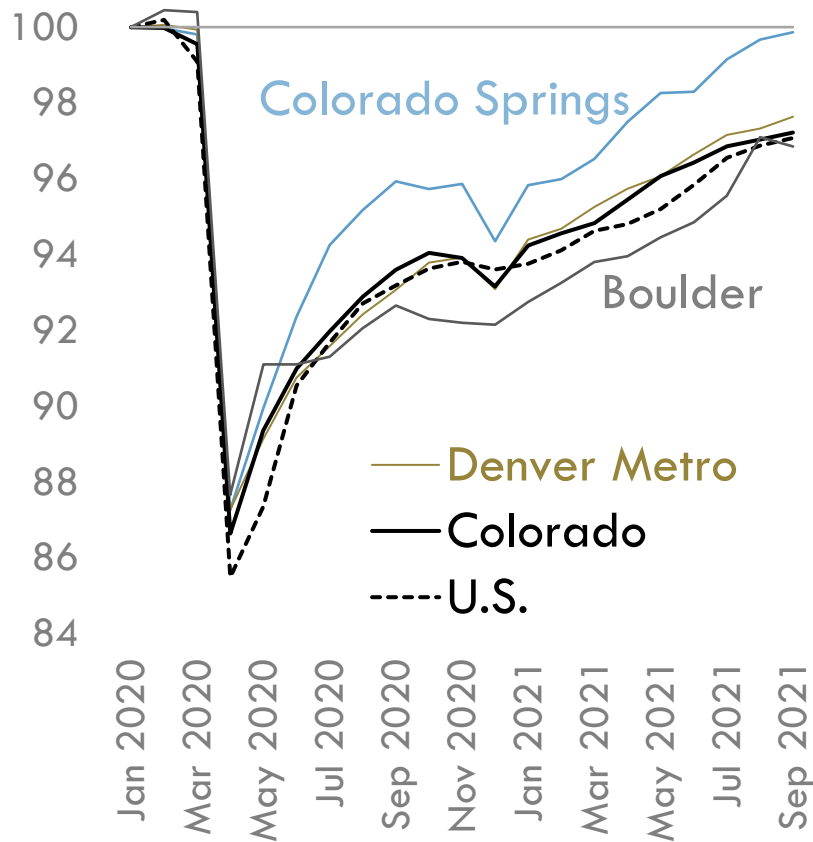


Source: U.S. Bureau of Labor Statistics. Data are seasonally adjusted.

Jobs recovery varies across the state

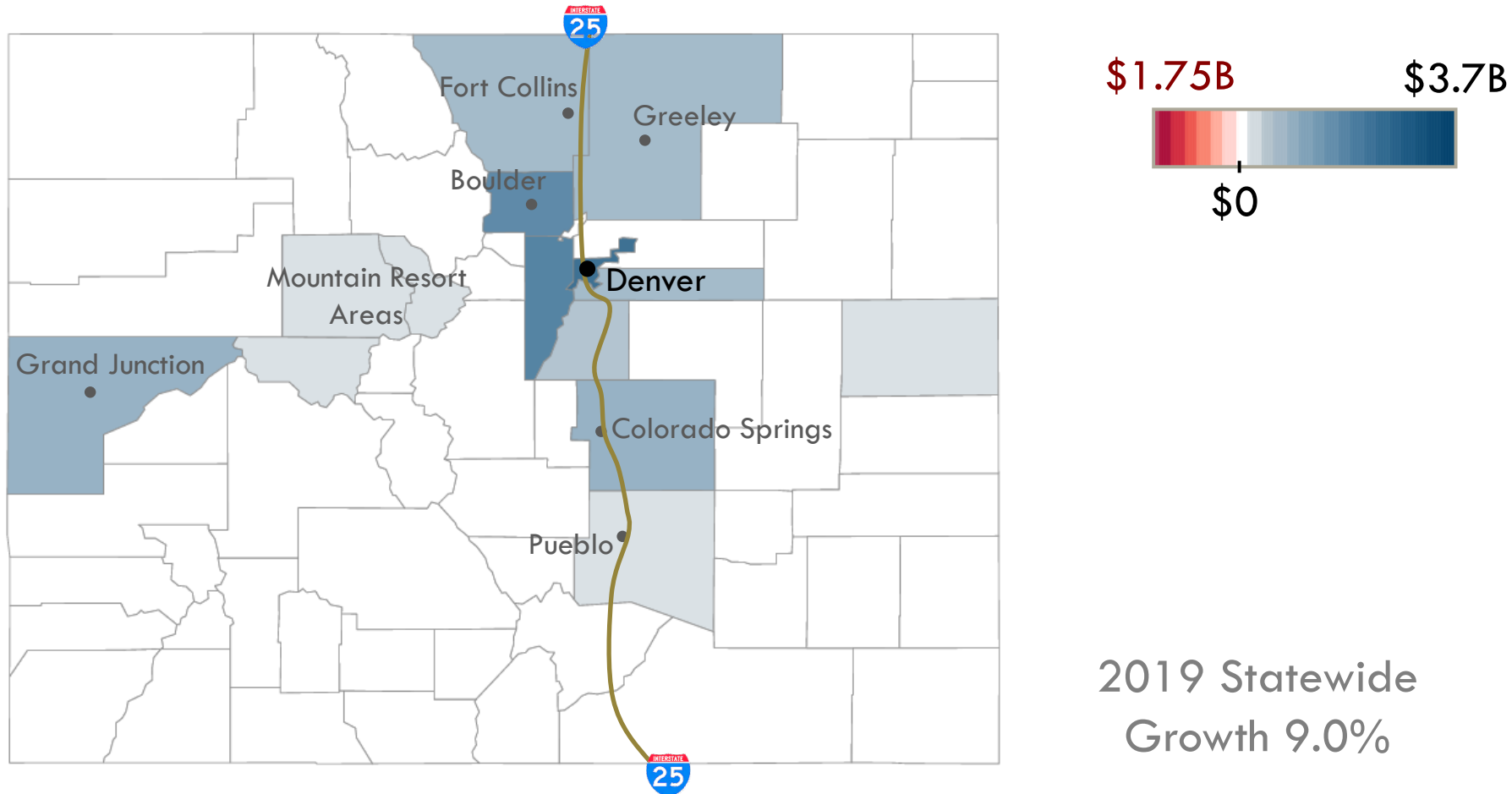
Employment Growth Since January 2020

January 2020 = 100



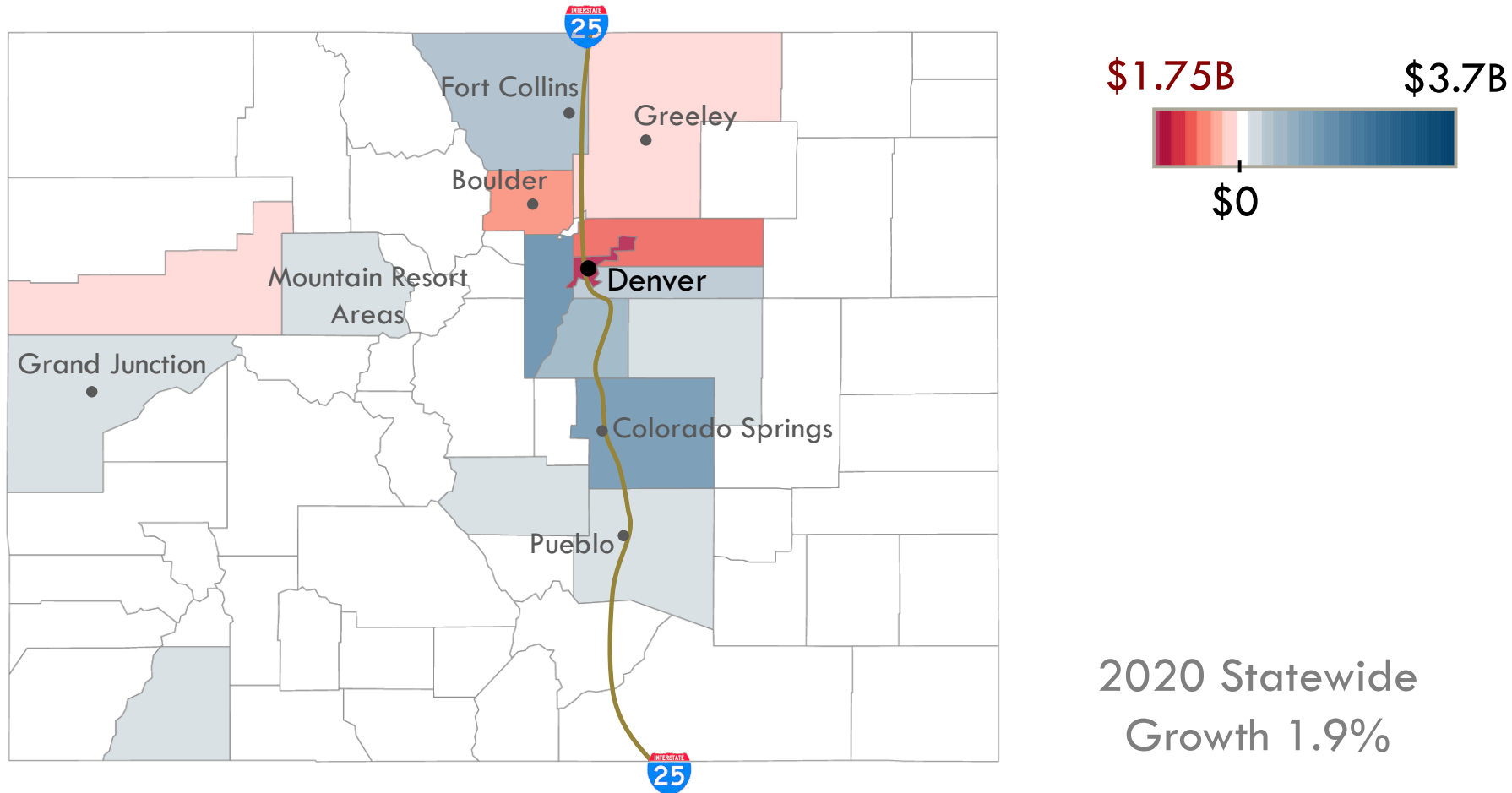
Pre-pandemic, consumer activity was concentrated along the I-25 corridor

Year-over-Year Change in Retail Sales Levels, 2019



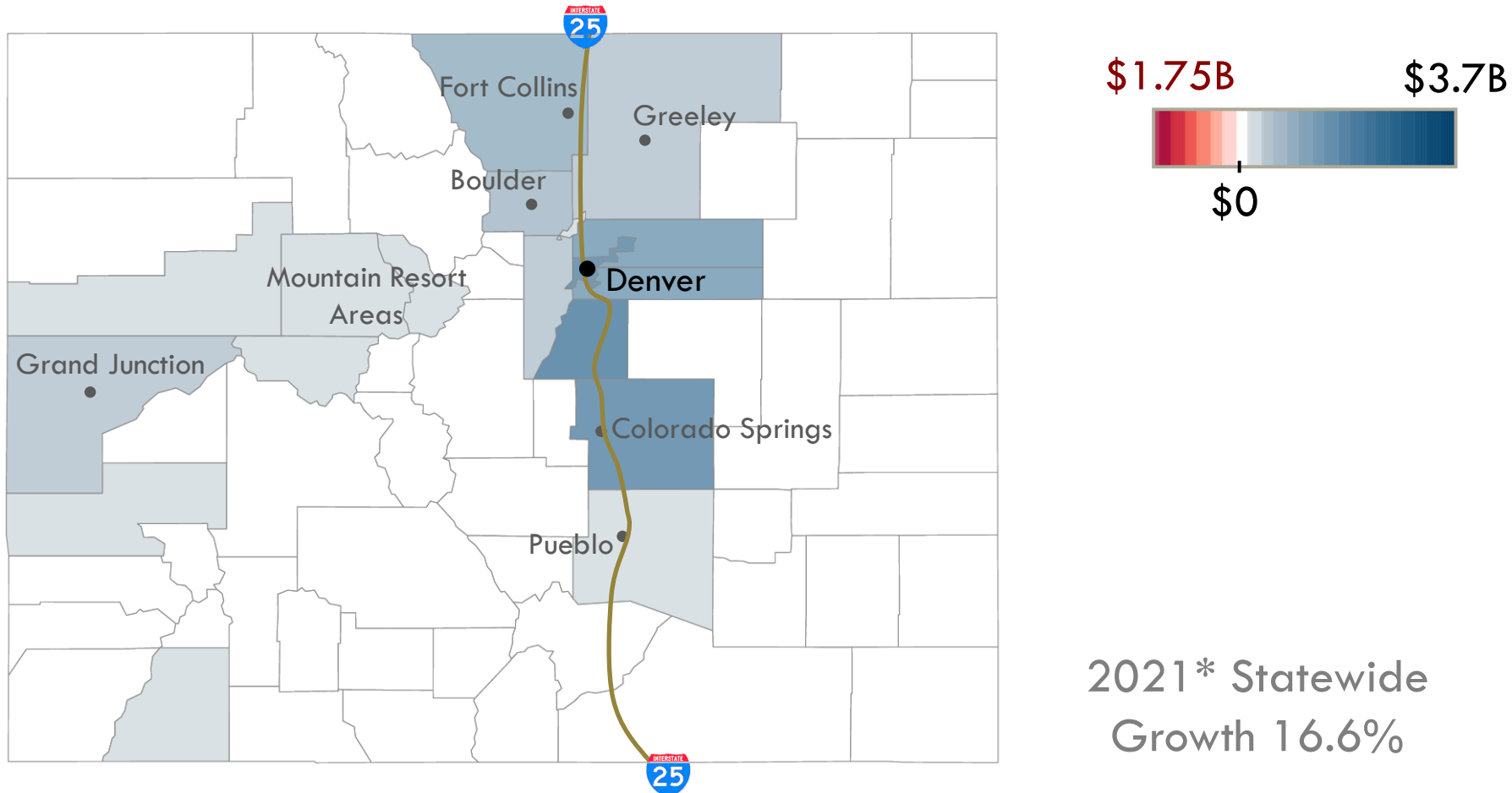
In 2020, consumer activity declined in many of the more densely populated areas of the state

Year-over-Year Change in Retail Sales Levels, 2020



Year-to-date in 2021, regional growth has resumed pre-pandemic trends; more interest in rural, scenic areas

Year-over-Year Change in Retail Sales Levels, 2021YTD*

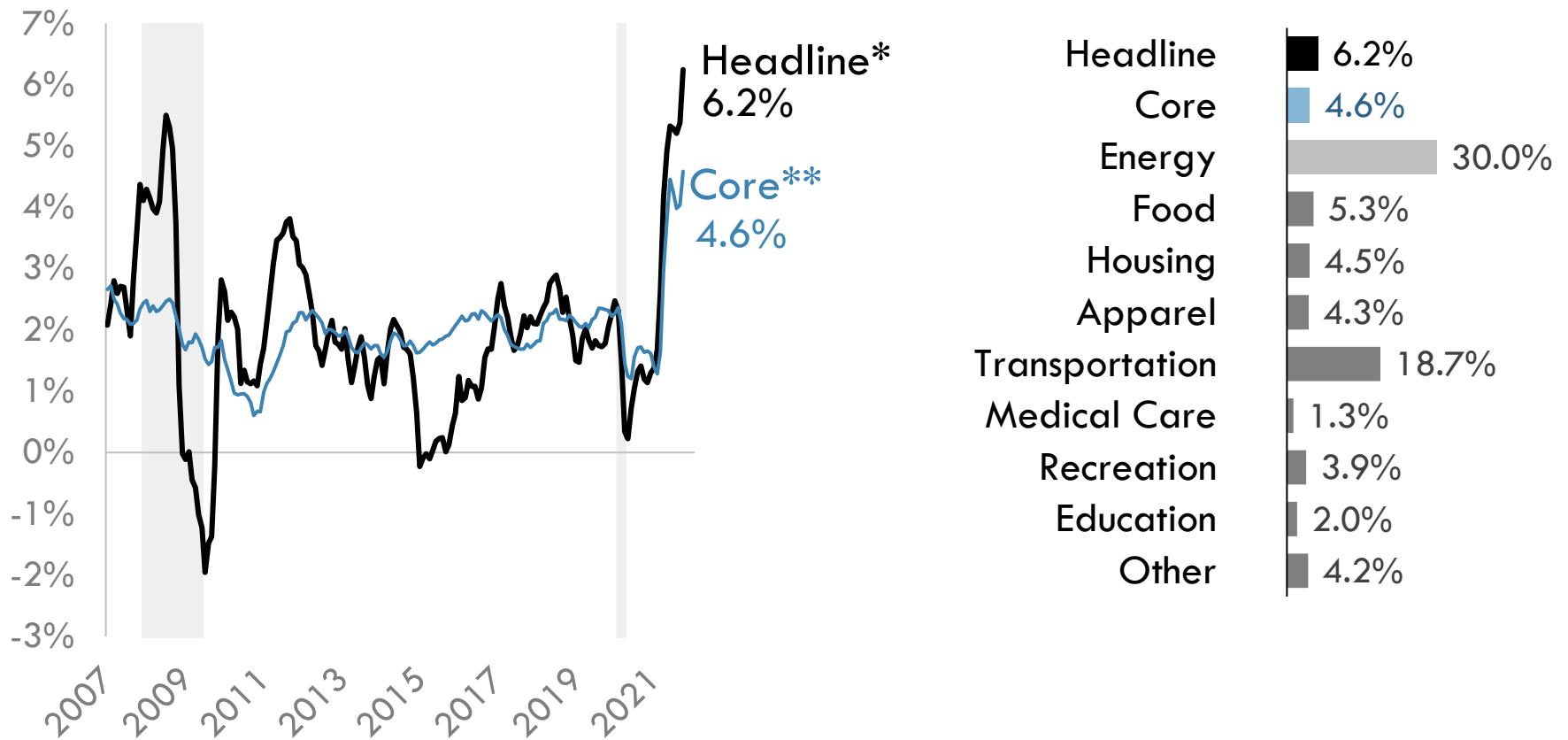


Inflationary pressure continues to mount in some sectors, primarily on pandemic-related disruptions

U.S. City Average CPI-U Inflation

Year-over-Year Change in Prices

Selected Components, October 2021



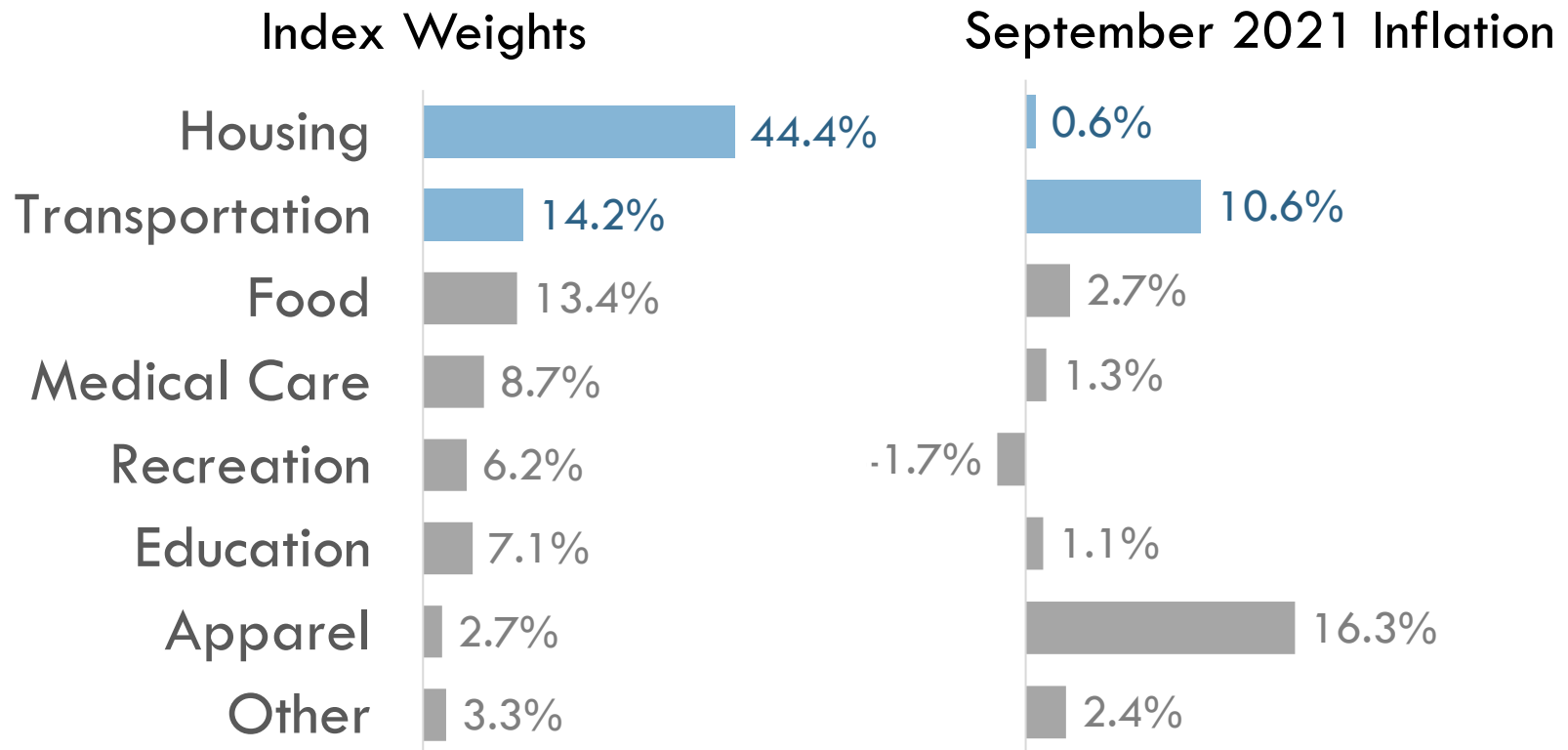
Source: U.S. Bureau of Labor Statistics.

Inflation is calculated as the growth in urban area prices in a given period relative to the same period in the prior year.

*Headline inflation includes all products and services. **Core inflation excludes food and energy prices.

Colorado's inflationary pressures are more subdued than the nation's year-to-date in 2021

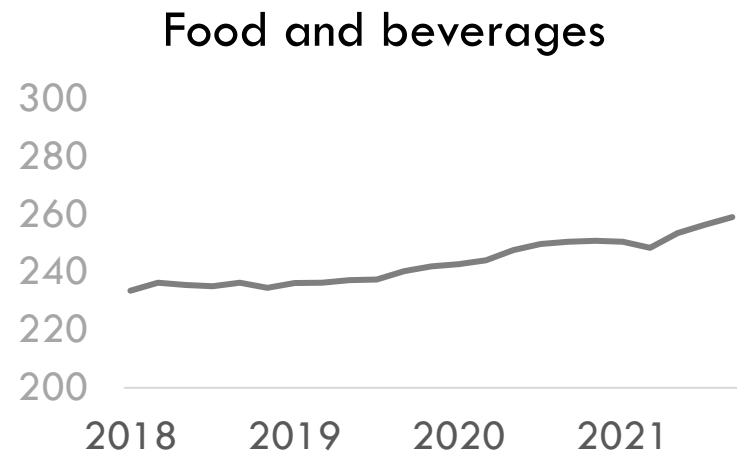
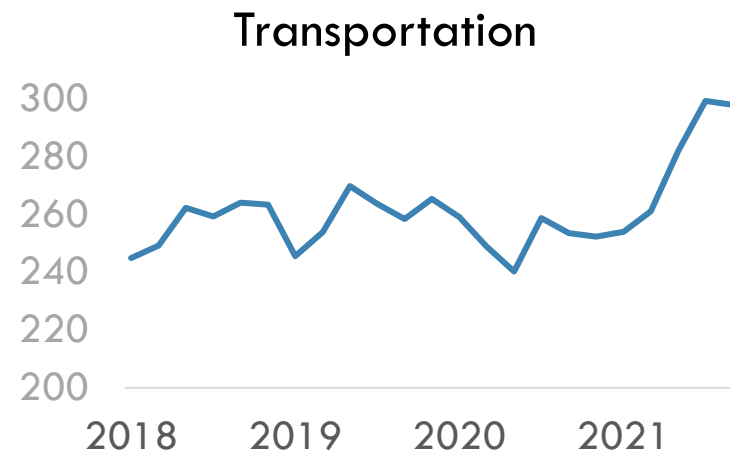
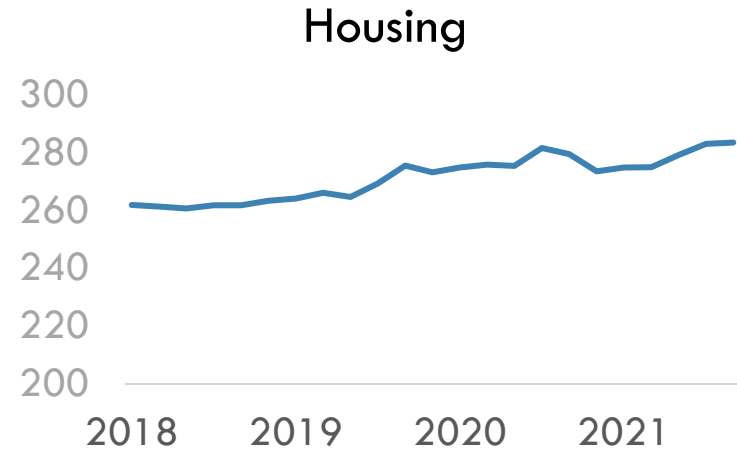
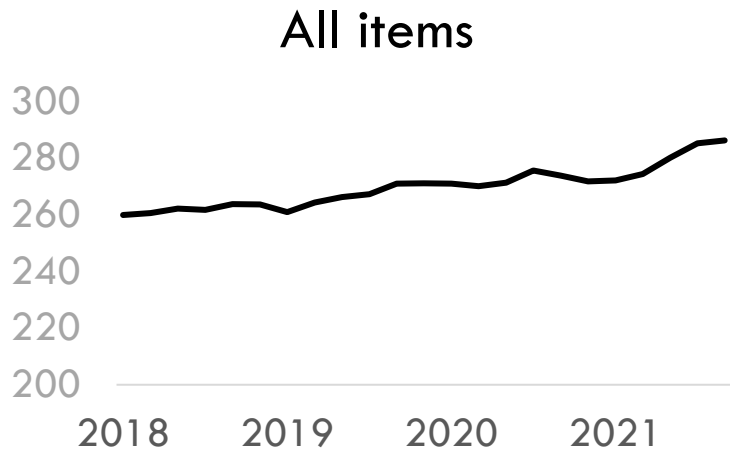
Denver-Aurora-Lakewood CPI-U Indices



Headline: 4.5% in September

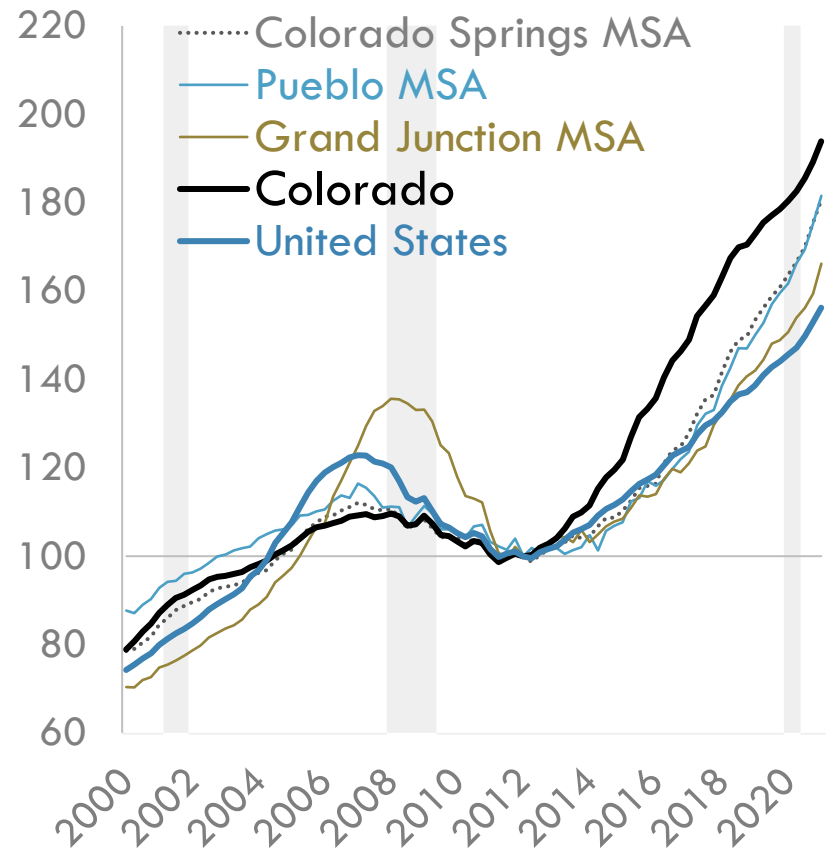
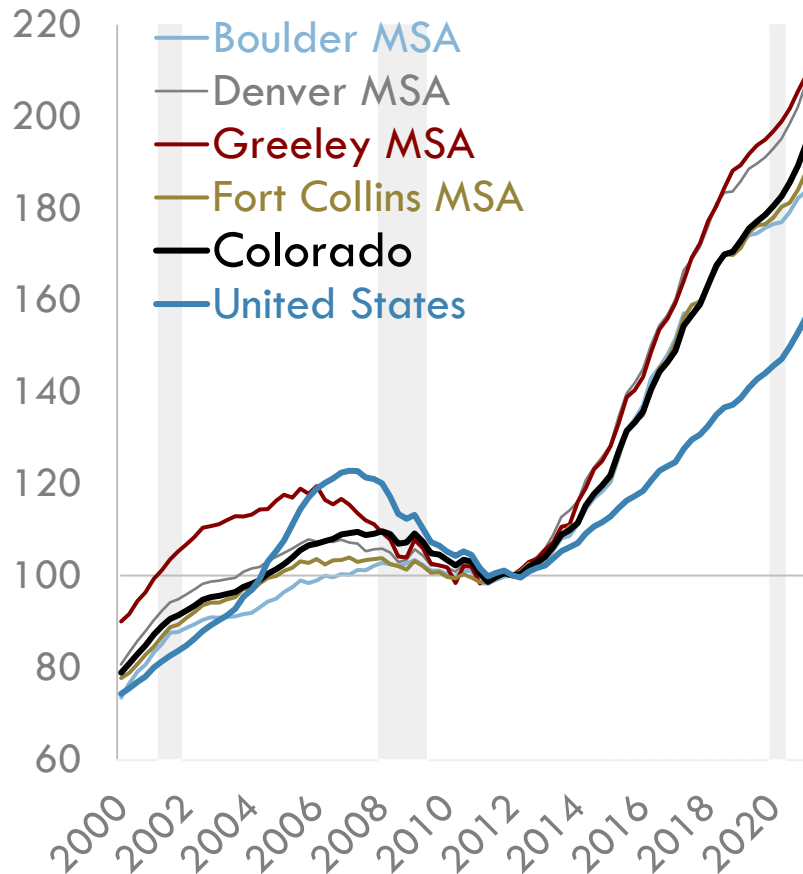
Colorado's inflationary pressures are more subdued than the nation's year-to-date in 2021

Denver-Aurora-Lakewood CPI-U Indices



Home prices accelerated during the pandemic but are expected to level off some in the years ahead

FHFA All Transactions Home Price Index
Index 100 = 2012Q2 (trough)



Economic Outlook Summary

- The recovery remains uneven across households and industries and characterized by fits and starts
- The pandemic continues to cloud the economic outlook through supply chain and labor disruptions
 - Businesses will need to continue to adapt in order to grow
- As the federal stimulus fades, the extent of economic “scarring” will emerge in coming months
- Inflationary pressures are expected to remain into 2022 until supply chain disruptions ease

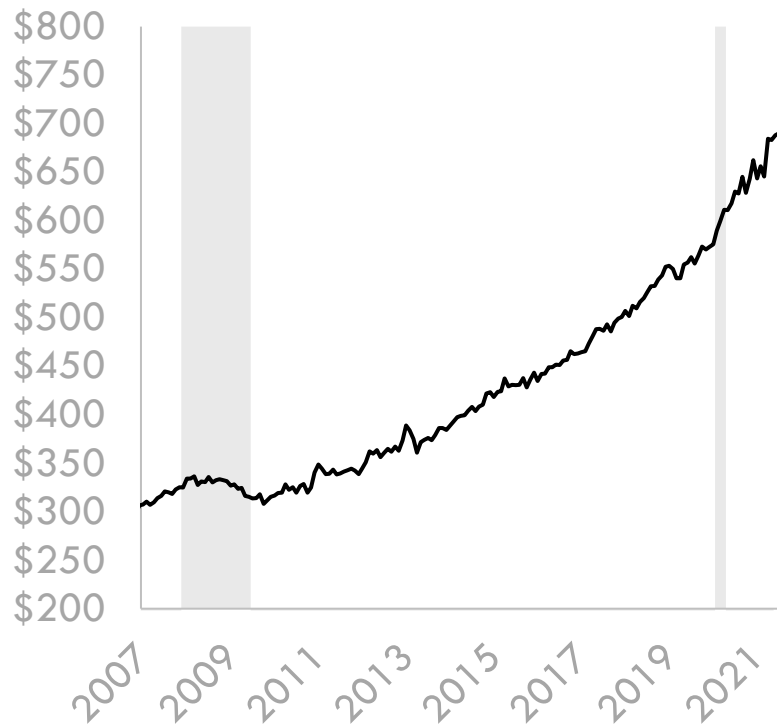
State General Fund Outlook



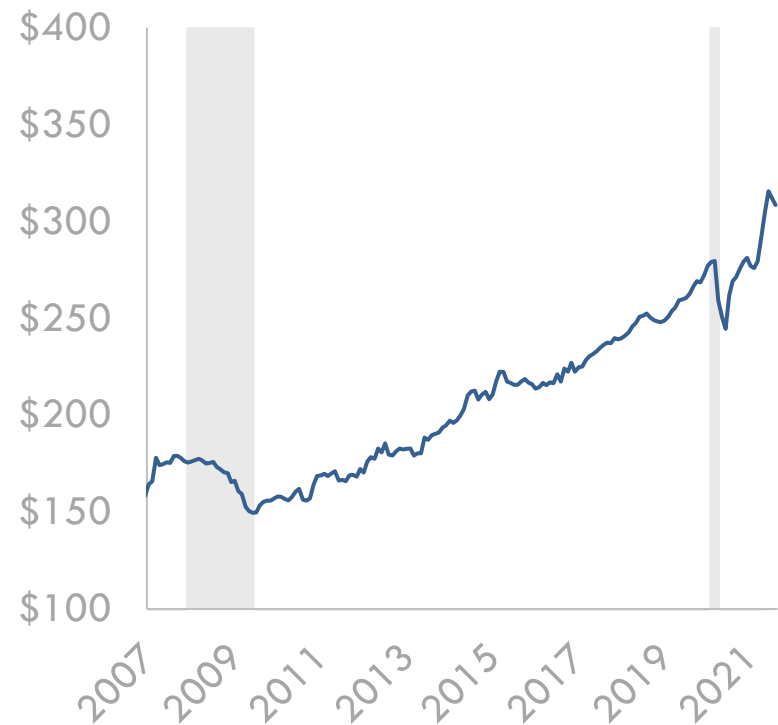
General Fund streams remained surprisingly resilient during the COVID-19 recession and recovery

Monthly General Fund Collections from Selected Sources
Dollars in Millions

Individual Income Tax Withholding



Sales Tax Collections



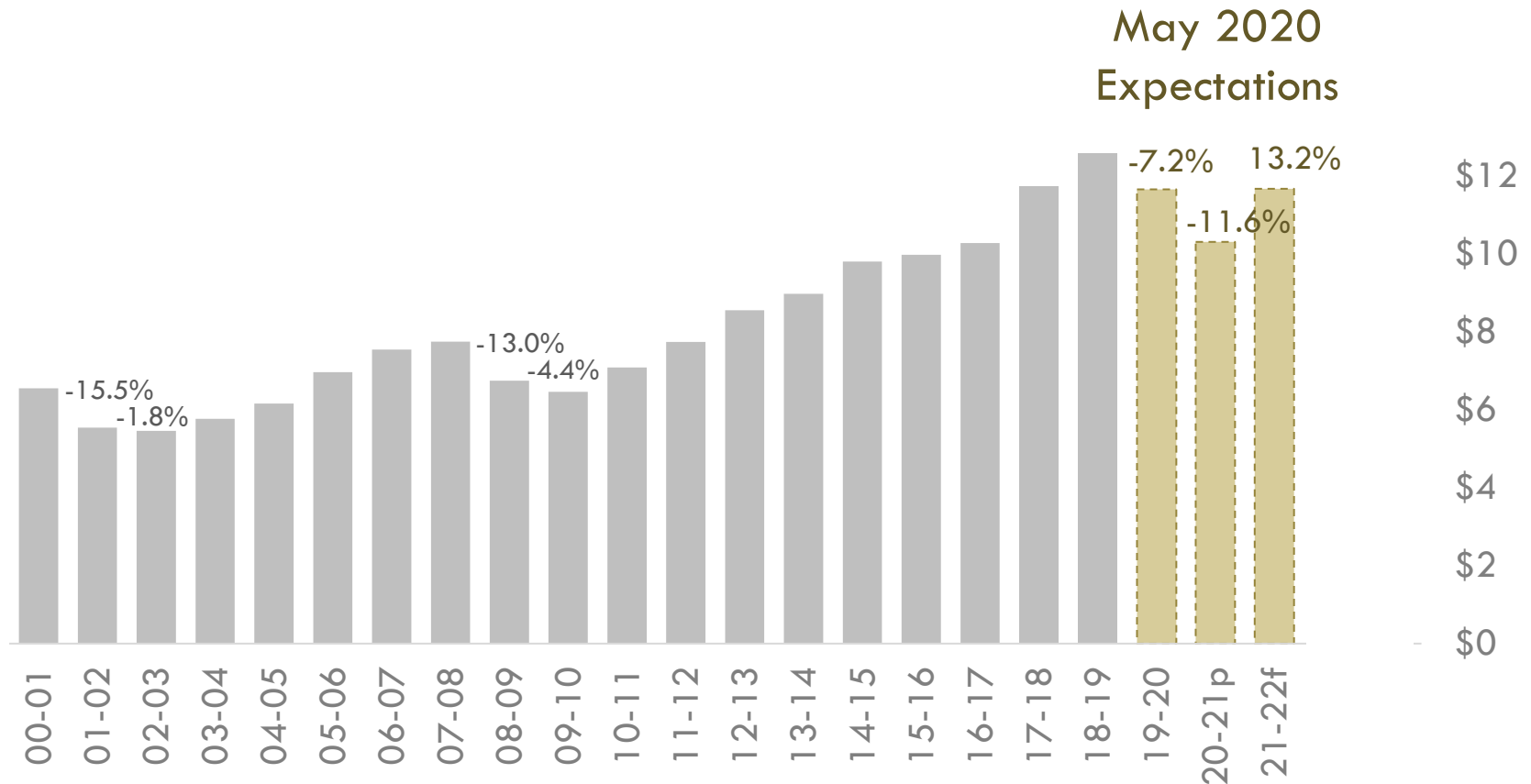
Source: Colorado Office of the State Controller with Legislative Council Staff seasonal adjustments. Data shown as three-month moving averages through August 2021. July and August 2021 data are preliminary.

The COVID-19 recession was expected to result in state revenue declines similar to prior recessions

Colorado State General Fund Revenue

Billions of Dollars

Percentages show year-over-year changes



Source: Colorado Office of the State Controller and Legislative Council Staff September 2021 forecast.

Instead, revenue grew unabated on the strength of income and sales tax collections

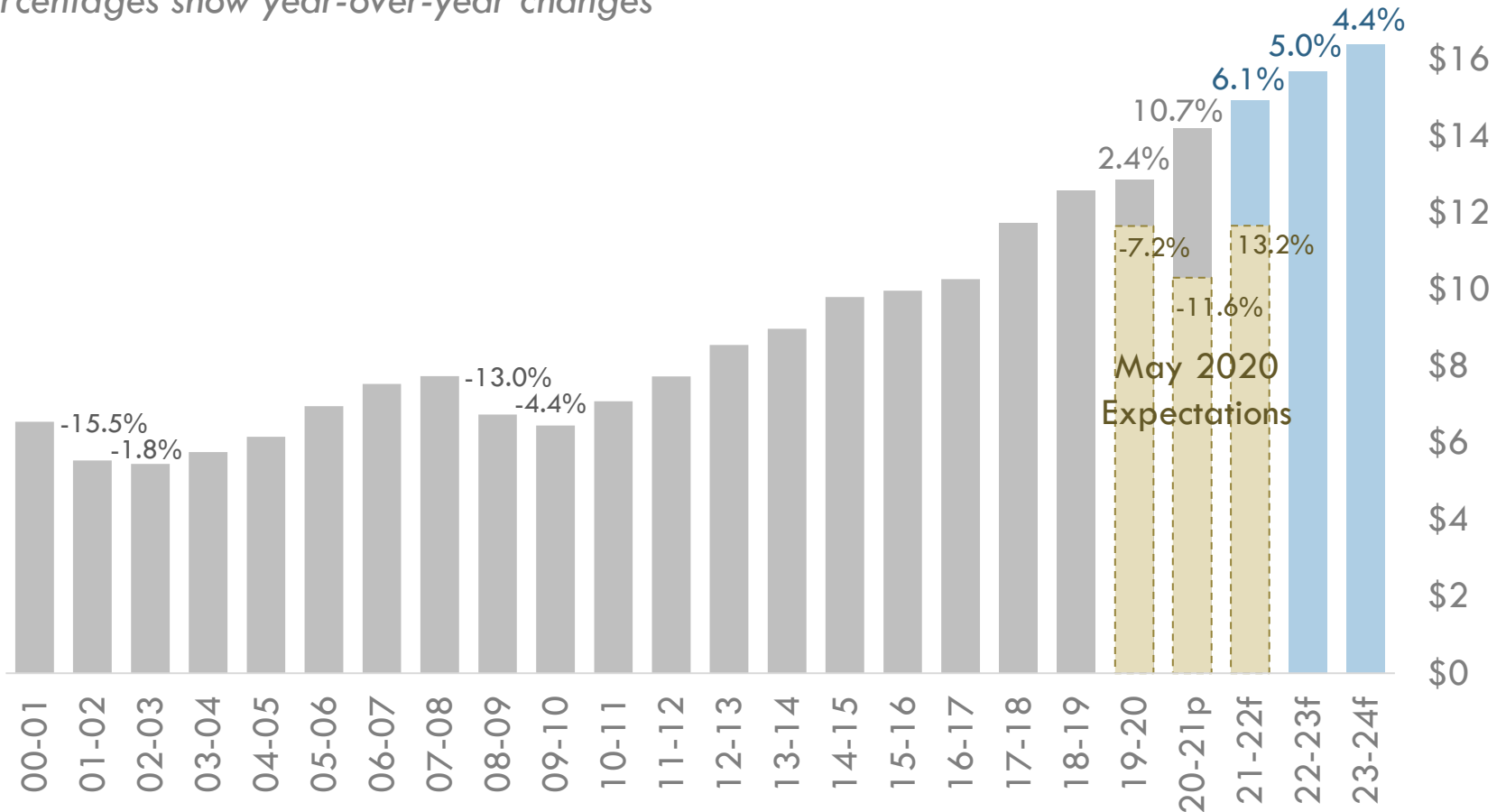
Colorado State General Fund Revenue

Billions of Dollars

Percentages show year-over-year changes

September 2021
Expectations

May 2020
Expectations



Source: Colorado Office of the State Controller and Legislative Council Staff September 2021 forecast.

TABOR Outlook

Revenue Subject to TABOR

Dollars in Billions

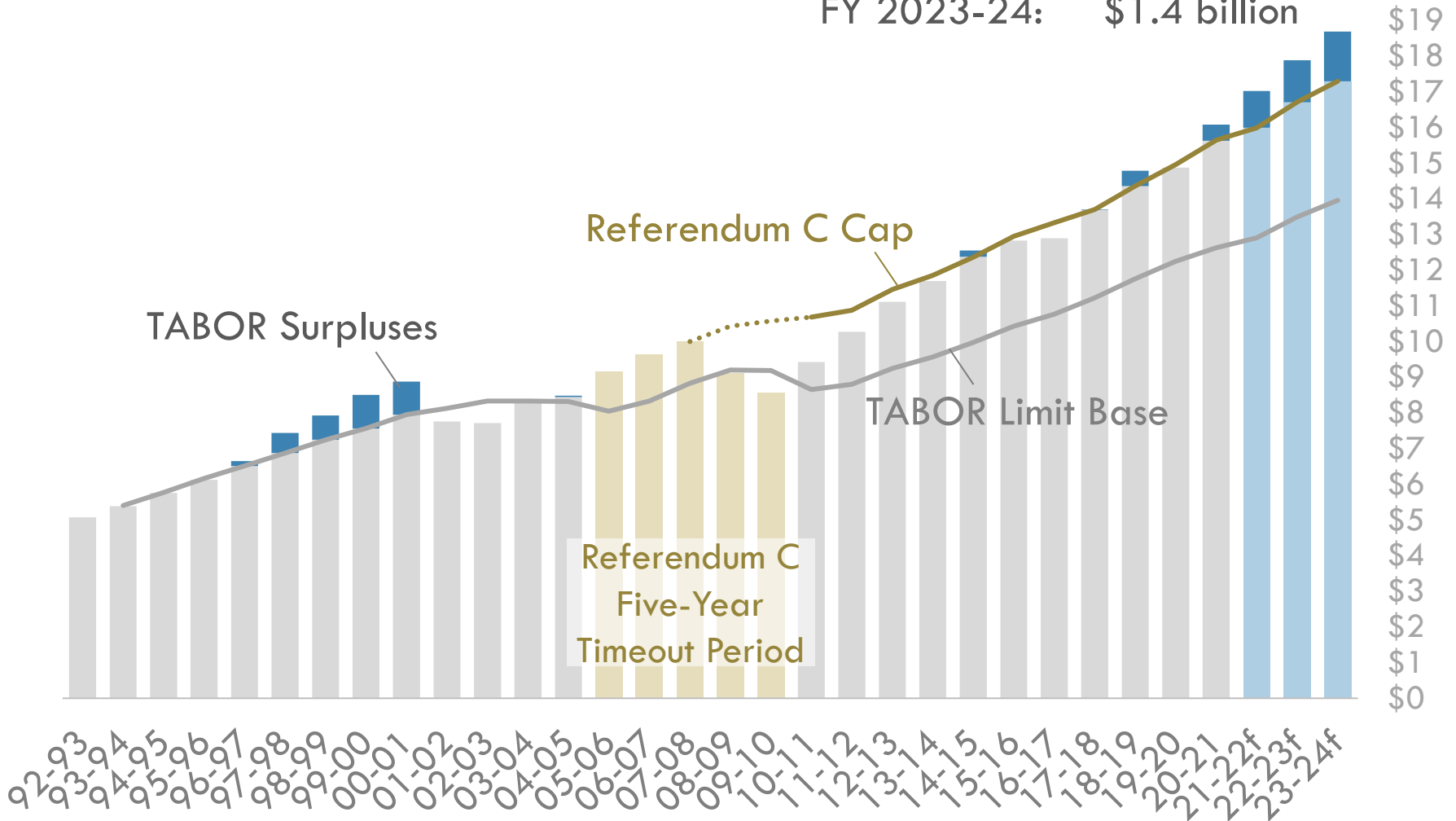
Revenue Above the Ref C Cap

FY 2020-21: \$453.6 million

FY 2021-22: \$1.0 billion

FY 2022-23: \$1.2 billion

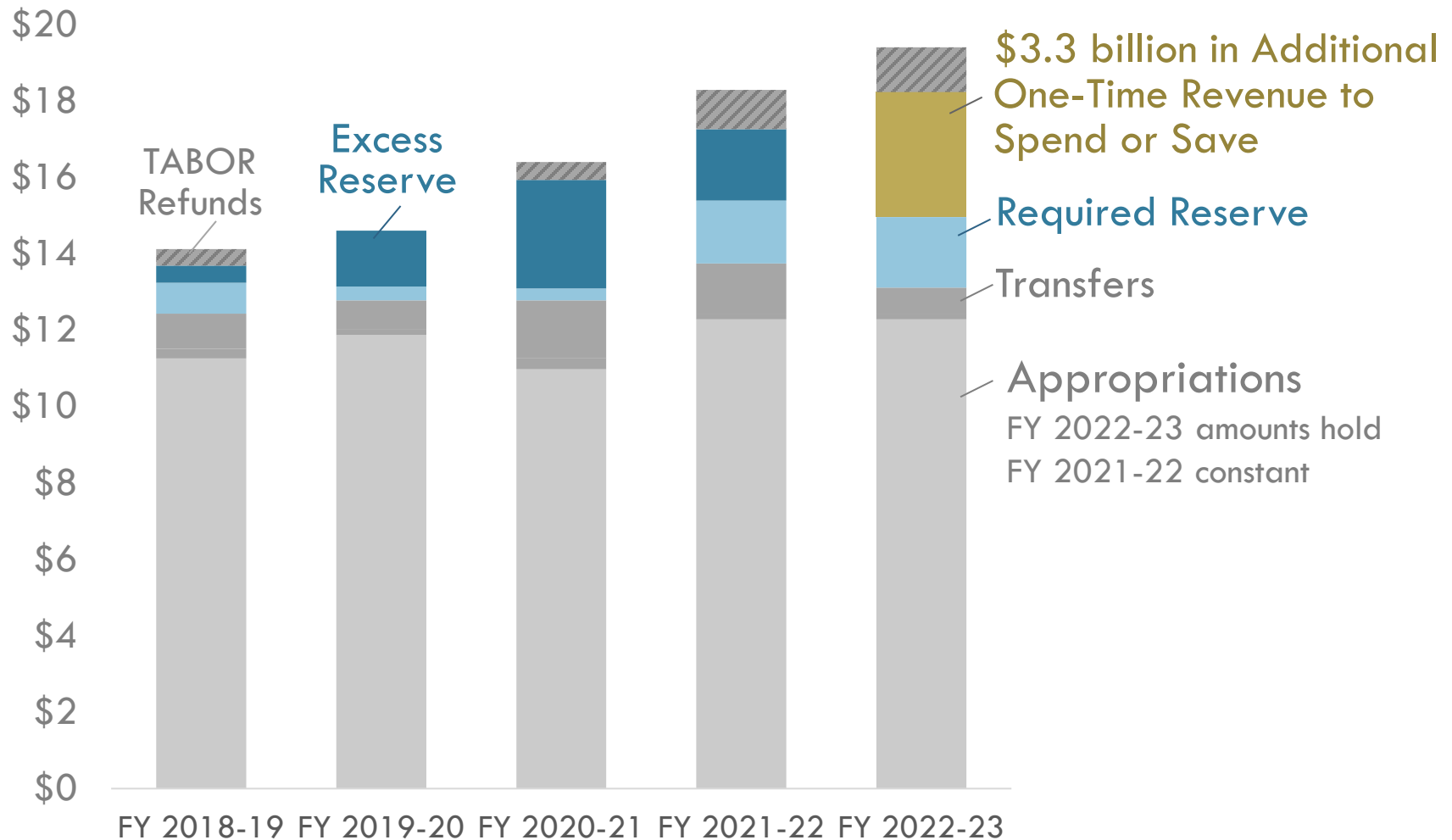
FY 2023-24: \$1.4 billion



Source: Colorado Office of the State Controller and Legislative Council Staff September 2021 forecast.

General Fund Budget (Spending or Saving)

Dollars in Billions



Risks to the Forecast

Ongoing economic and revenue risks

- Pandemic's trajectory
- Evolving tax policy environment
- More federal stimulus?
- Difficult to gauge underlying health of the economy
 - What happens when the stimulus wears off?
 - Extent of economic damage and its lasting effects (“scarring”)

Budget risks viewed as balanced

- Collections remain strong, though downside risks continue to cloud the outlook
- Revenue will be constrained by the Referendum C cap throughout the forecast period, capping General Fund budget growth

Stay tuned for the December 2021 forecast!

Questions?

Kate Watkins

Chief Economist • Legislative Council Staff
kate.watkins@state.co.us • 303-866-3446
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