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Memorandum

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TO: Interested Persons

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SUBJECT: Economic Indicators Update

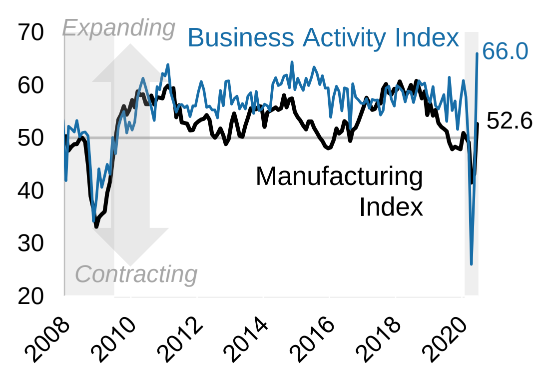
Summary

This memorandum provides an update on leading economic indicators to inform the General Assembly about the ongoing state of the Colorado and U.S. economies. Select indicators for business activity, employment, consumer activity, and energy activity are provided. Data for June and early July suggest an ongoing recovery from the COVID-19-related recession. However, economic activity remains well below pre-pandemic levels, and the impacts of the pandemic on leisure and hospitality industries remain significant.

Business Activity

Several business activity indicators for June reflect relief from recent reopenings, but the sector still faces major headwinds as many states have rolled back reopenings and put into effect new restrictions due to the COVID-19 pandemic. The Institute for Supply Management's (ISM) indexes of U.S. manufacturing and nonmanufacturing business jumped to 52.6 and 66.0 in June, showing a strong rebound in activity (Figure 1). Similarly, data from the leading provider of online restaurant reservations, Open Table, shows that the restaurant industry gained momentum in Colorado after the reopening of many establishments in late May, but more recent figures demonstrate that crowd restrictions and consumer unease continue to limit the industry (Figure 2, left). The number of online reservations on July 21 was down 45.2 percent over the same week last year. Finally, though the number of daily airline passengers screened at TSA checkpoints has been gradually improving

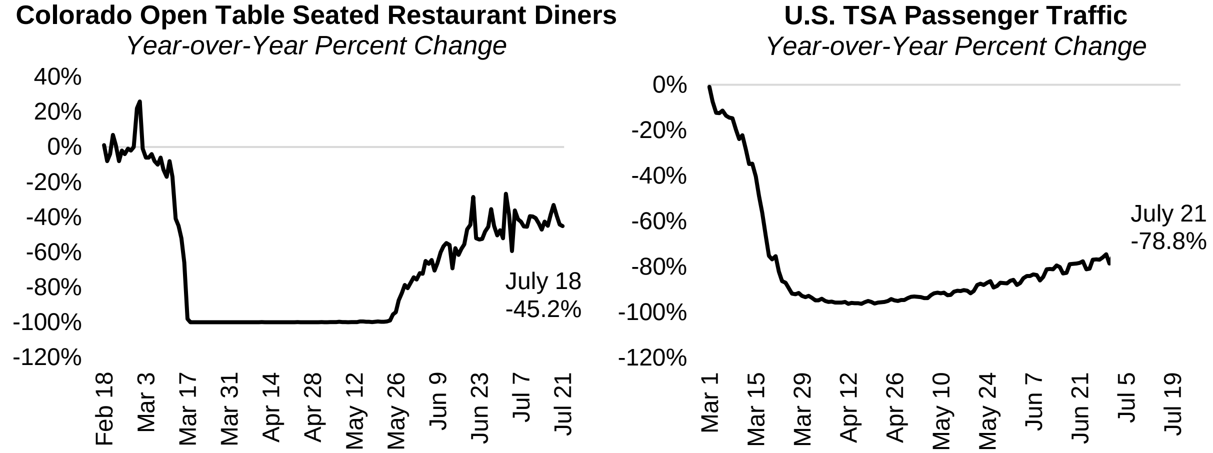
Figure 1
Institute for Supply Management Indices
Diffusion Index



Source: Institute for Supply Management. Data through June.

since late May, overall activity is still well below pre-COVID-19 levels, indicating that broad-based tourist activity will likely remain depressed through the summer months (Figure 2, right).

Figure 2
Select Indicators of Service Sector Activity



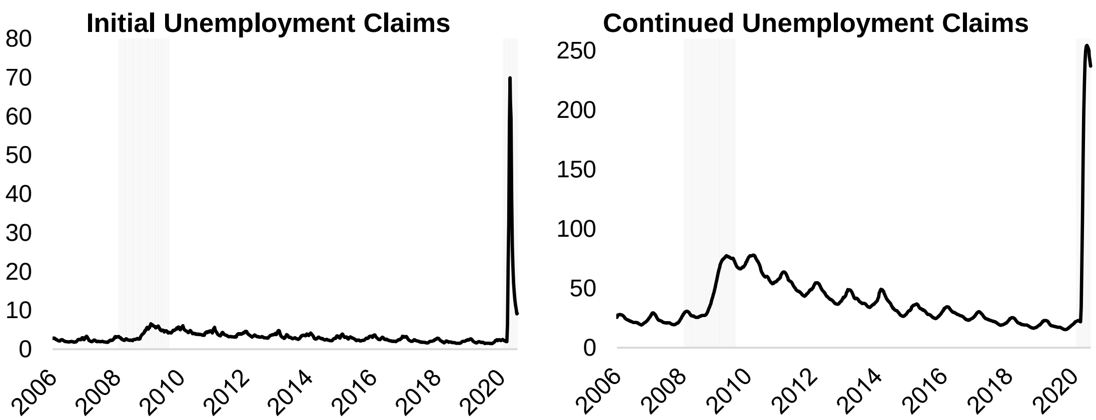
Source: OpenTable.

Source: U.S. Transportation Security Administration.

Employment

While the number of initial, or new jobless, claims for unemployment insurance in Colorado have fallen off to hover around 8 percent of their April peak of 104,217 (Figure 3, left), continued claims, representing those who have already filed an initial claim and continue to receive weekly benefits, remain elevated. Continued claims dipped slightly to 236,692 for the week ending July 11, 2020, from their May peak of 264,603 (Figure 3, right). Colorado's unemployment rate ticked up to 10.5 percent in June, increasing slightly from 10.2 percent in May. Mountain counties continue to be the hardest hit, with unemployment rates over 15 percent in Gilpin, San Miguel, Summit, Pitkin, and Eagle counties.

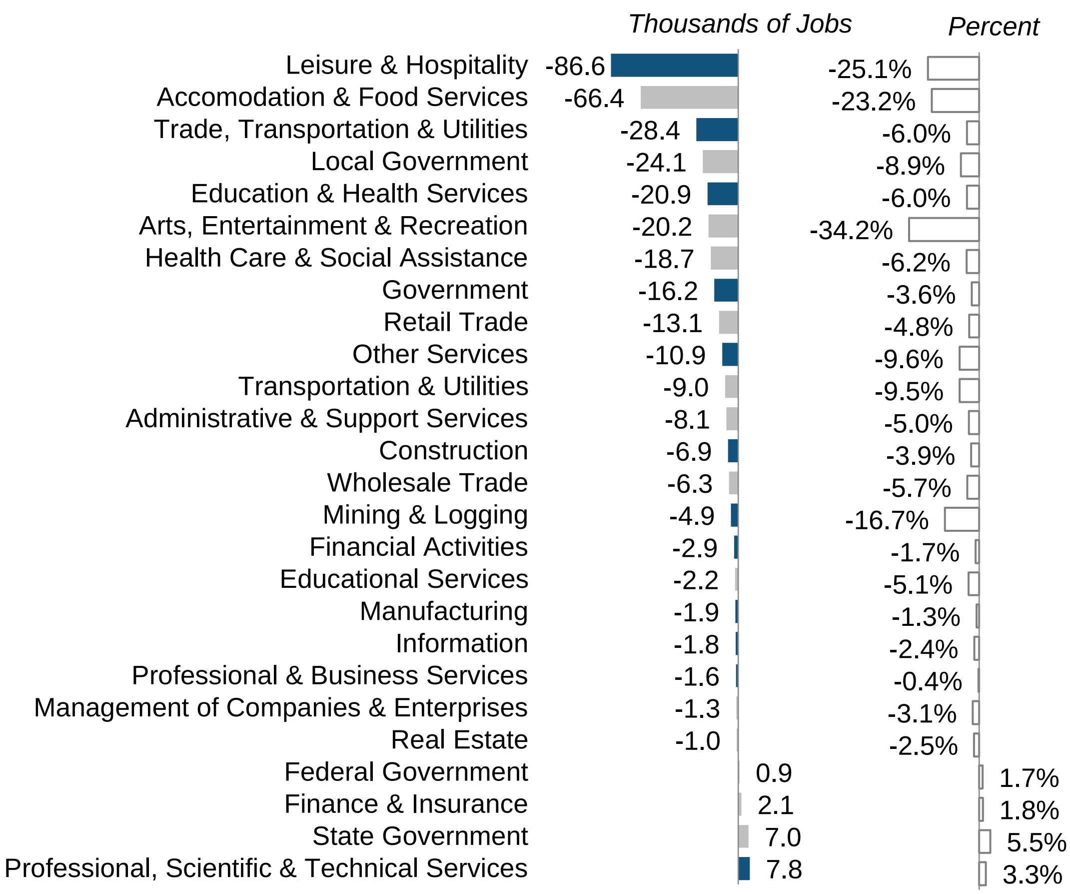
Figure 3
Colorado Unemployment Insurance Indicators
Four-Week Average, Thousands of Claims



Source: Colorado Department of Labor and Employment. Initial claims through July 18, 2020, and continued claims through July 11, 2020.

Colorado has gained 126,000, or 36.8 percent, of the 342,300 jobs lost since the pandemic began. Gains moderated slightly in June, with 55,000 new jobs, down from 71,000 in May. Private sector gains were partially offset by a decline in state and local government jobs. Private industry sectors with significant job gains in June were: leisure and hospitality (40,600), trade, transportation, and utilities (8,300), professional and business services (4,700), and other services (4,200). With 2,000 jobs lost in June, the only private industry sector with significant job loss over the month was financial activities. After gaining 20,400 jobs in May, education and health services added only 400 jobs in June. Compared to year-ago levels, Colorado's nonfarm employment is down 6.6 percent. The largest year-over-year job losses have been in leisure and hospitality; trade, transportation, and utilities; and education and health services (Figure 4).

Figure 4
Colorado Jobs Gains and Losses by Industry
Year-over-Year Change, June 2020 over June 2019



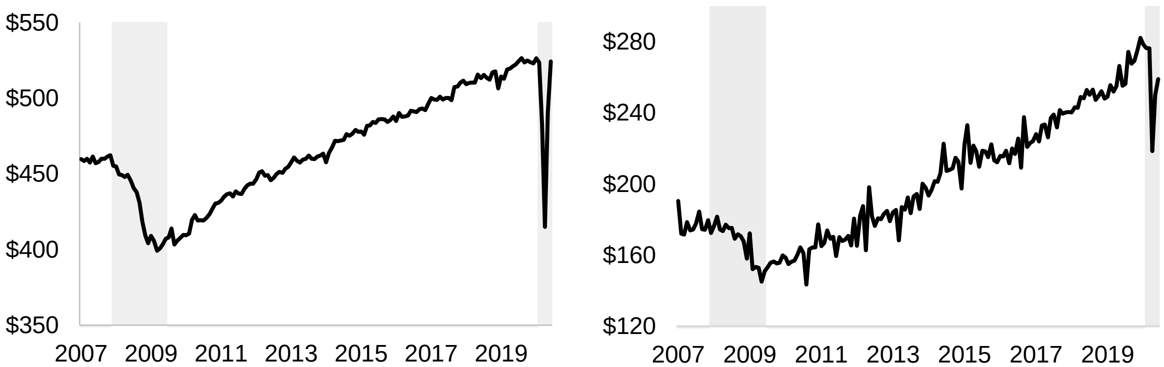
Source: U.S. Bureau of Labor Statistics. Data are seasonally adjusted. Blue shading indicates a supersector, while grey shading indicates a subsector.

Consumer Activity

Consumer spending in the U.S. rebounded closer to pre-pandemic levels in June, bolstered by pent-up demand, fiscal stimulus payments, and the additional unemployment benefits provided by the federal government (Figure 5, left). The largest retail sectors drove the gains in June, including motor vehicles and parts, food and beverage stores, and online retailers. Restaurants and bars, clothing stores, and gasoline stations continue to flag at the national level, resulting from pandemic-specific effects on each industry. In Colorado, sales tax collections rebounded further in June, showing a year-over-year increase for the month (Figure 5, right). Consumer spending in July and August may show weaker performance as federal stimulus payments end and unemployment claims are expected to rise.

Figure 5
Select Consumer Activity Indicators

Real U.S. Retail and Food Service Sales *Billions of 2019 Dollars* | **Colorado Monthly Sales Tax Collections** *Millions of Dollars*



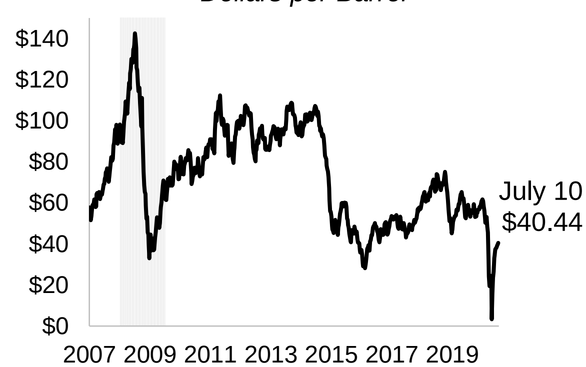
Source: U.S. Census Bureau. Adjusted for inflation using the CPI-U index for all U.S. urban areas. Seasonally adjusted data through June.

Source: Colorado Department of Revenue. Seasonally adjusted data through June.

Energy Sector

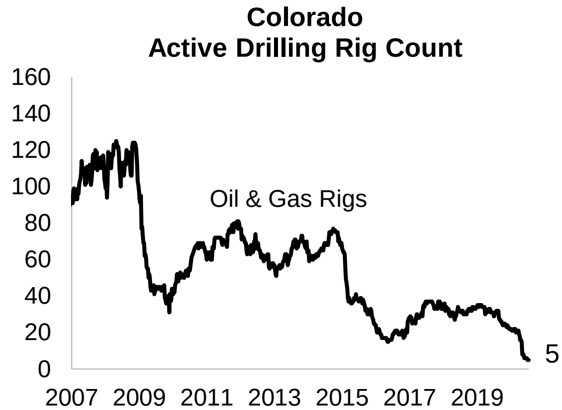
Crude oil prices have improved to around $40 per barrel in July (Figure 6), which has not been enough to provide the incentive some U.S. producers need to restart the pumps. The active drilling rig count in Colorado remains at historic lows, with just five active rigs in July (Figure 7, left). Oil production in both the U.S. and Colorado declined December through April (Figure 7, right), and subdued demand for oil has been pushing inventories higher into the summer months. The oil and gas industry is riddled with bankruptcies, mergers, and acquisitions, as many over-leveraged firms seek debt restructuring and capital inflows. Demand is expected to pick back up in the second half of the year; however, the rising number of COVID-19 cases may subdue the rebound in economic activity and ergo the demand for oil.

Figure 6
Crude Oil Price West Texas Intermediate
Dollars per Barrel

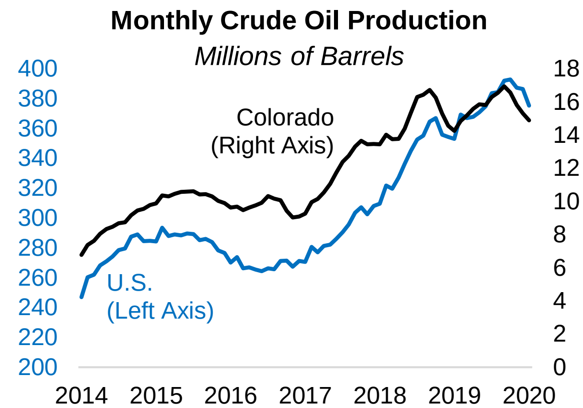


Source: U.S. Energy Information Administration. Weekly average prices. Data are not seasonally adjusted

Figure 7
Select Indicators of Energy Activity



Source: Baker Hughes. Data are not seasonally adjusted. Data through July 10, 2020.



Source: U.S. Energy Information Administration. Three-month moving average. Data through April 2020.