

COLORADO BUSINESS REVIEW

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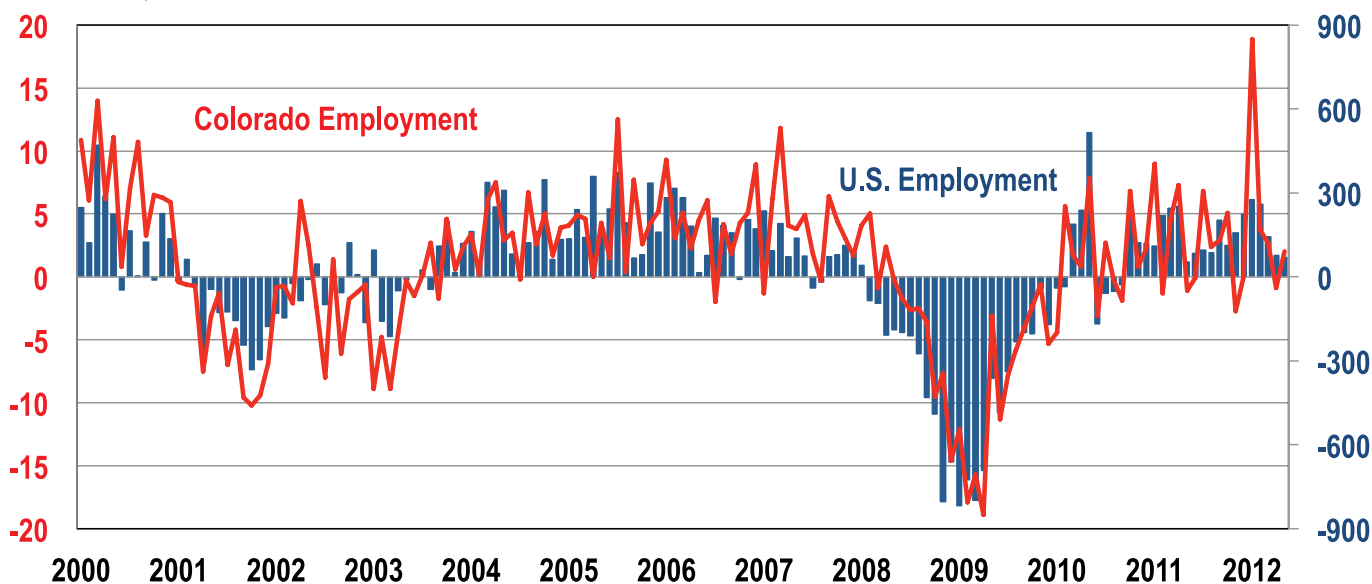
This issue:

2012 midyear Colorado economic update begins on this page.

List of roundtable meeting participants on page 7.

Employment Situation United States vs. Colorado

Thousands, Month-Over-Month



Sources: Bureau of Labor Statistics Current Employment Statistics (Seasonally Adjusted).

Colorado 2012 Midyear Economic Update

Sector Highlights

Richard Wobbekind

Summary

In December 2011, the Colorado Business Economic Outlook sector committees forecasted employment growth of 1% in the state as a whole, with job losses in three sectors. During the 2012 midyear roundtable, committee members reported that 9 of the 11 supersectors stand to have positive job growth this year, with 2 experiencing little to no growth and only 1 losing jobs. Overall, committee members generally expect continued growth for the remainder of the year,

differing mainly on the magnitude of job gains. The following paragraphs present a brief look at industry sectors mid-way through 2012.

Note: Employment data are from the Colorado Department of Labor and Employment, Current Employment Statistics (CES), and are not seasonally adjusted.

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From the
Editor

We review the
Colorado economy
midway through
2012 in this issue
of the *CBR*.
The information
presented is

compiled from remarks made by Colorado Business Economic Outlook Estimating Group chairs or their representatives at a roundtable meeting held late last month. The analysis compares the current situation in industry sectors to the forecast presented last December. Key factors shaping recent economic trends are also noted.

We greatly appreciate the time and input from the individuals who participated in the meeting. See a complete list of contributors on page 7. BRD research staff collected data and conducted additional analysis reported in the issue.

Colorado Business Economic Outlook Forum—Save the Date

It's not too early to mark your calendar to attend the 2013 Colorado Business Economic Forum on December 3 at the Denver Marriott City Center. Check www.leeds.colorado.edu/brd for event updates.

We are interested in your suggestions for topics of future issues. Please contact me at 303-492-1147.

Richard Wobbekind

SECTOR HIGHLIGHTS, CONTINUED FROM PAGE 1

Population and Employment

In 2011, Colorado recorded the sixth-fastest employment growth rate in the nation. In 2012, year-over-year employment growth through May has sustained this ranking for seasonally adjusted average employment growth (the state is seventh in terms of not seasonally adjusted growth). Weakness in the Information, Financial Activities, and Government sectors has been more than offset by strength in Professional and Business Services, Education and Health Services, and Leisure and Hospitality, among others. The unusually warm spring brought a surprising surge in Construction employment, but is contributing to a tough environment for the Agriculture and the Leisure and Hospitality sectors that may result in slower growth for the remainder of the year. Although total employment growth is likely to slow somewhat for the rest of the year, the state is still expected to add a total of 35,000-40,000 jobs in 2012, an increase of 1.6-1.8%.

According to newly revised estimates from the State Demography Office, Colorado's population grew by 68,000 people, or 1.4%, in 2011, with just under 34,000 through natural increase (births minus deaths) and slightly less than 35,000 through net migration. Denver County was highest in terms of absolute growth—adding around 16,000 people—and second highest in terms of percentage growth, at 2.7%. Other fast-growing

counties include Costilla (3.7%), Rio Blanco (2.5%), Kiowa (2.4%), and Broomfield (2.1%). Colorado's population is expected to increase by 76,000 in 2012, with approximately 37,000 through natural increase and 39,000 through net migration.

Agriculture

Colorado saw a record year in Agriculture, with a net income of \$1.6 billion in 2011, and 2012 net income is set to taper off to \$1.5 billion due to expected decreases in commodity prices and pending issues concerning water and livestock. Compared to this time last year, the state is seeing slightly higher wheat, corn, and feeder cattle prices. In 2011, the state's exports reached \$2 billion—20% attributed to beef, which is Colorado's number one export.

Corn producers planted 13% less acreage in 2012 than in 2011. While ethanol absorbs a portion of the state's corn production, the industry did not see a change in that portion as the market is stabilizing.

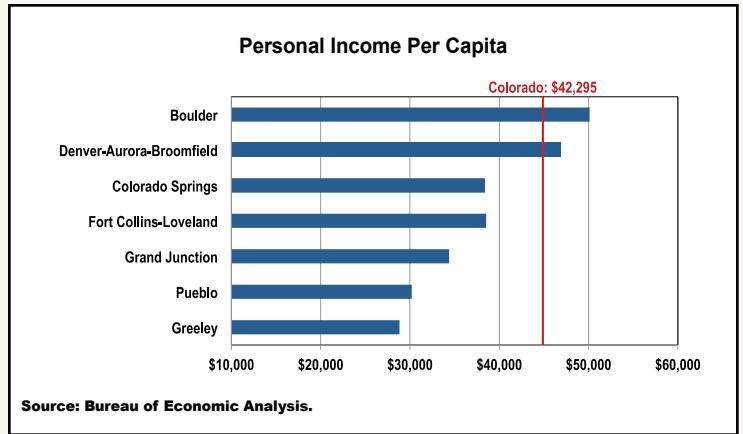
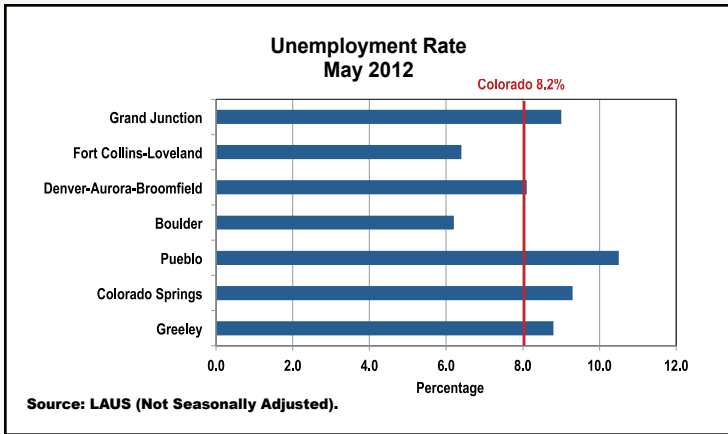
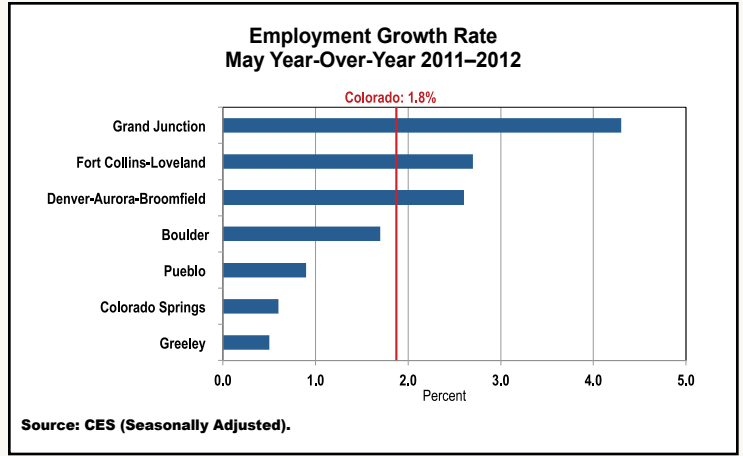
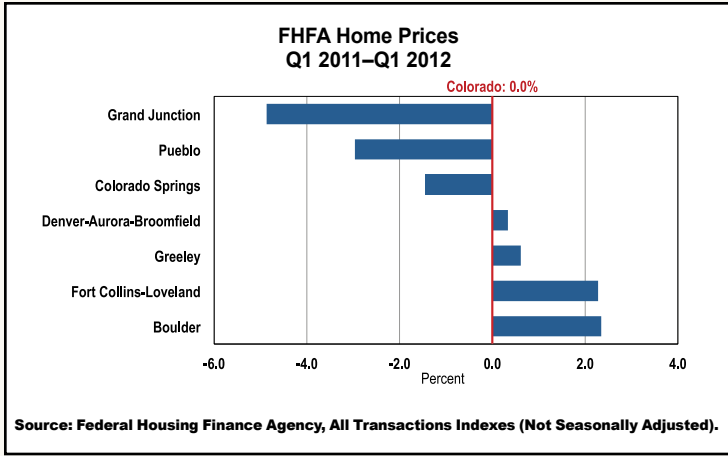
The industry is optimistic about the Trans-Pacific Partnership, hoping to increase trade between Asian and North American countries. Folding Mexico into the agreement hinges on a change to Mexican policy that would allow fresh U.S. potatoes to be transported further into Mexico (the limit is currently 26 kilometers).

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Jason Schrock, Governor's Office of State Planning & Budgeting; Natalie Mullis, Colorado Legislative Council; and Cindy DeGroen, Colorado Department of Local Affairs

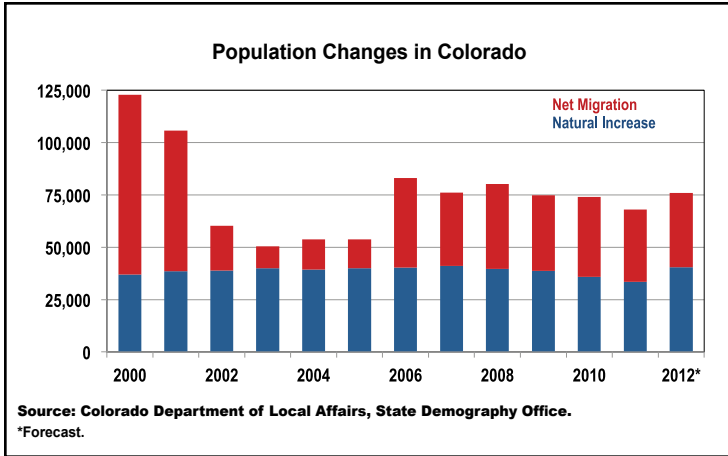
Colorado MSA Metrics



Core Metrics Data

	Colorado Employment (In Thousands)	Colorado Unemployment Rate	Colorado FHFA Quarterly Housing Price Index	U.S. Consumer Price Index (Inflation)	U.S. Consumer Price Index (Core Inflation) ^a	
2010	May	2,225.1	8.9%	--	217.2	221.0
	June	2,222.0	8.9	270.5	217.2	221.3
	July	2,224.7	8.9	--	217.6	221.5
	August	2,224.5	8.9	--	218.1	221.6
	September	2,222.6	9.0	267.4	218.4	221.7
	October	2,229.4	9.0	--	219.0	221.8
	November	2,230.2	9.0	--	219.4	222.1
	December	2,232.4	8.9	260.2	220.4	222.2
	January	2,241.4	8.8	--	221.0	222.6
	February	2,240.1	8.6	--	222.0	223.1
	March	2,244.7	8.5	265.8	223.2	223.4
	April	2,252.0	8.4	--	224.0	223.8
2011	May	2,250.9	8.4	--	224.6	224.4
	June	2,250.8	8.4	258.0	224.8	224.9
	July	2,257.6	8.3	--	225.5	225.4
	August	2,260.0	8.3	--	226.3	225.9
	September	2,262.9	8.2	260.9	226.9	226.1
	October	2,268.0	8.1	--	226.8	226.5
	November	2,265.3	8.0	--	227.0	226.9
	December	2,265.3	7.9	259.1	227.0	227.2
	January	2,284.2	7.8	--	227.5	227.7
	February	2,287.9	7.8	--	228.4	227.9
	March	2,290.6	7.8	257.5	229.1	228.4
	April	2,289.7	7.9	--	229.2	229.0
May	2,291.7	8.1	--	228.5	229.4	
Month-over-Month^b		0.09%	0.2	-0.64%	-0.28%	0.20%
Year-over-Year		1.81%	-0.3	-0.47%	1.73%	2.26%
5-Year CAGR^c		-0.32%	--	-1.60%	2.02%	1.78%

^aInflation less food and energy. ^bQuarter-over-Quarter for the FHFA Housing Price Index. ^cCompound annual growth rate.
Source: Bureau of Labor Statistics (CES, LAUS, and CPI) and Federal Housing Finance Agency. Data seasonally adjusted.



The listeria outbreak in cantaloupe, linking more than 30 deaths to Jensen farms, has sparked some changes in safety standards. Rocky Ford farmers have created their own association with food safety plans and third-party audits. Additionally, each cantaloupe is marked with a sticker that contains a quick response (QR) code that can trace the fruit from retail back to the farm it came from. For 2012, Colorado has around 350 acres dedicated to cantaloupe, compared to 2,000 acres in 2011. In 2011, Rocky Ford cantaloupes were exported to 40 states, while this year about 99% of the cantaloupe crop is expected to be sold within Colorado.

With only 10% of top soil moisture considered adequate—compared to 58% last year—dry conditions and water issues prove to be significant impacting the industry. Approximately 70% of pastures are rated as very poor to poor, resulting in more cattle being moved to the market than maintained. This increase in the short run may cause problems in the future. Water contamination from fires may cause some farmers to lose the ability to irrigate their fields from rivers such as the South Platte, forcing them to pump water from wells. The

lack of water available for irrigation may leave farmers without water before crops are mature.

Mining and Logging

Mining and Logging employment forecasts in December 2011 predicted a growth rate of 4% in 2012, much slower than the 2011 rate of 11.9%. However,

surges in oil and gas activity have helped to boost growth in the first five months of 2012 by 1,800 jobs, or 6.9% year-over-year. Prices for natural resources have been somewhat volatile and unpredictable, making production and employment more difficult to anticipate. Natural gas prices were expected to average \$4.32; however, the average is likely to stay around \$2.50. The lower gas prices are welcomed by businesses and residents consuming the gas but are detrimental to the companies involved in production. The price of oil has been about \$2 higher than forecasted, averaging about \$93.78, which should result in oil revenues of around \$4 billion for the state. Coal prices are down but production has remained stable with production from new mines replacing retirement of others.

Demand has weakened locally as utilities move toward natural gas. However, strong demand overseas, particularly in Asia, has led to an increase in coal exports. To meet foreign demand, a new mine opened in the Trinidad area with the hope of exporting metallurgical coal to Asia. The successful opening of this mine—and several other new mines being

developed or planned to replace depleted locations—depends on the national political climate.

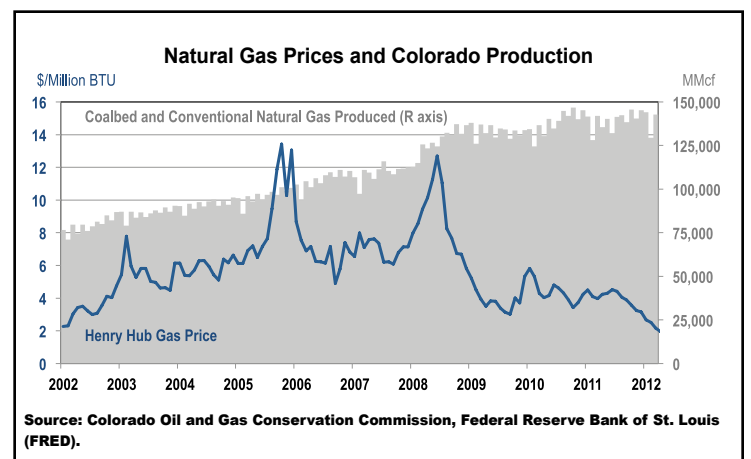
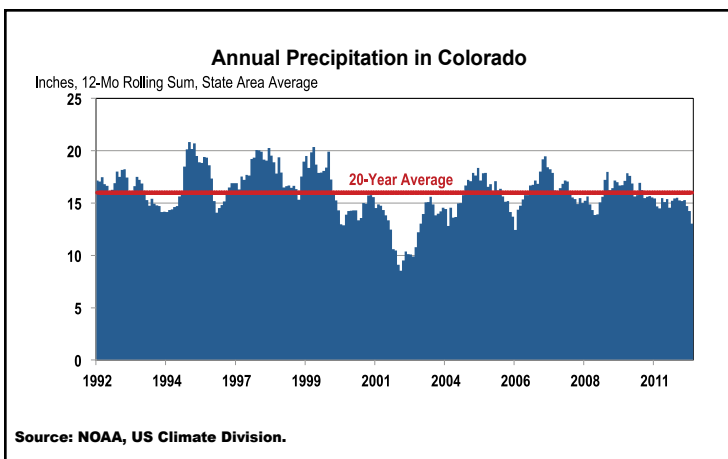
In terms of metals mining, Colorado is on track to produce 280,000 ounces of gold this year, which, at current prices, will result in \$0.5 billion in revenue. Molybdenum prices are down slightly from the forecasted \$16.50 per ounce to around \$15.00 per ounce at the beginning of 2012. Molybdenum production as a whole has declined slightly compared to 2011. The Climax mine reopened in May, employing 300 in the mountains of central Colorado.



Vince Matthews, Colorado Geological Society

Construction

Although the annual value of construction remains about half of what it had been at its peak, the Construction Sector has had a somewhat brighter start in 2012 than in previous years. Construction employment was forecast to be up 2.6% in 2012, or 2,900 jobs, with slight improvement in residential, nonresidential, and nonbuilding activity. Through May,





Penn Pfiffner, Construction Economics, LLC

year-over-year employment is up 4,000 jobs, or 3.7%.

Construction activity, as measured by permits, is also significantly higher than the same period in 2011. An unseasonably warm beginning to 2012 contributed to the industry's year-over-year gains by helping many projects get started earlier this spring than in 2011 when the weather was colder and wetter. However, some of the elevated growth in activity can be explained by large private projects that have required many permits but have not generated much activity on the ground yet. The committee expects the employment growth rate to drop slightly in the latter half of 2012 as fewer permits are pulled.

The number of nonresidential construction permits has nearly doubled in 2012 compared to the same period a year ago, largely due to four large projects that will take many months to complete: St. Joseph's Hospital, the Veterans Affairs Hospital, the Westin Hotel at DIA, and the combat aviation brigade building project in Colorado Springs.

Although falling foreclosure rates have boosted the residential housing market, the real growth in residential construction has been in multifamily housing construction. The number of multifamily permits in Colorado could be as high as 7,500-9,000 by end of the year, more than double the forecast last fall.

Permits for nonbuilding construction have also increased thanks to intensified highway construction and plans for the RTD DIA train station. Accordingly, the value of nonbuilding construction has skyrocketed, growing by 300% year-over-year through May. Because of tenuous government funding, water and sewer projects are nearly nonexistent.

Although the statewide construction statistics are generally positive, a vast majority of Colorado's construction activity is happening in the Denver Metro area. In other parts of the state, construction activity, particularly for small companies, has yet to rebound.

Manufacturing

In 2011, Manufacturing employment increased 2.8%, the highest level of growth since 1997. Although forecasts made last fall in the midst of uncertainty surrounding the European debt crisis had predicted a drop in jobs in 2012, employment is now expected to grow at a rate comparable to that of 2011. Year-over-year data through May indicate an increase of 3,600 jobs or 2.8% growth.

As Europe is an important trade destination for Colorado-made goods, the ongoing debt crisis is still expected to dampen growth somewhat in the second half of 2012 and into 2013. During the early part of the year, Colorado manufacturing exports to Europe grew only 1.2%, and domestic spending on business durables slowed as well. Because of these concerns, hiring will probably slow in the latter half of the year.

Colorado's manufacturing strengths—production of renewable energy equipment (part of fabricated metals) and computer and electronics—will continue to drive growth,

albeit at a more moderate pace. Fabricated metals employment was up 6.9% compared to the same period last year, while computer and electronics, the largest manufacturing subsector, experienced employment growth of 3.6%. The rapid digitization of global business will likely continue to fuel high demand for computer and electronics goods. However, the sustained growth of renewable energy technology production could be threatened by the expiration of renewable energy tax credits, such as the wind energy tax credit that supports such companies as Vestas in Colorado. Thus far in 2012, total durable goods employment has climbed 2.3% compared to the same period in 2011. Nondurable goods has performed even better, with employment growth of 3.7% year-over-year through May.

Trade, Transportation, and Utilities

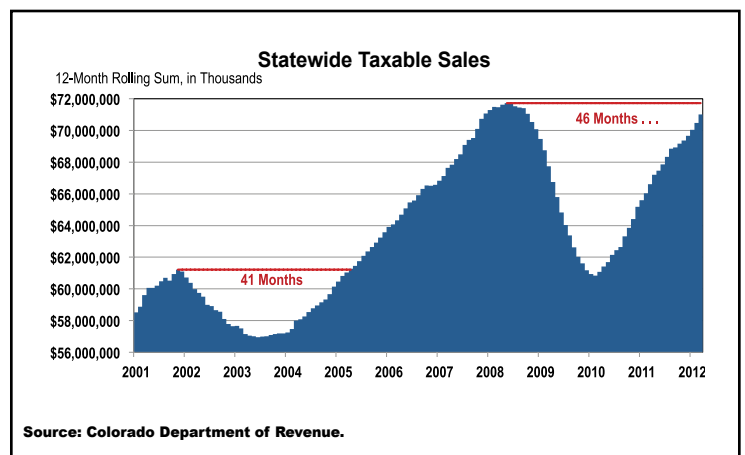
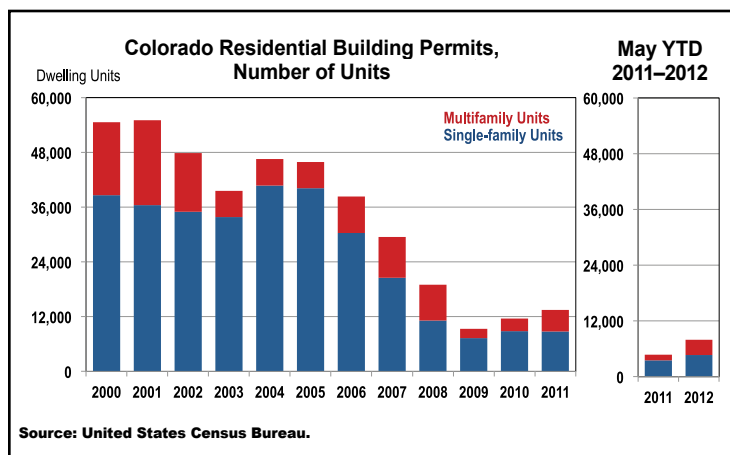
The Trade, Transportation, and Utilities Sector is performing better than expected, with strength in retail and wholesale trade employment outweighing some weakness in the utilities and warehousing and storage subsectors.

As forecasted, the industry maintains 2% job growth in 2012. Job gains have been driven by the strong performance of retail and wholesale trade; growth is at 2%, double what

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Jim Burnell, Colorado Geological Society, and Brian Lewandowski, Business Research Division



was expected. Additionally, Xcel hit an all-time high for production and transmission. Notably, commercial use is driving growth.

February and March retail sales set individual monthly all-time records for retail sales, and the 12-month rolling sum ending in March was less than 1% below peak. Year-over-year for March, retail sales grew by 7.7% in Colorado, and taxable sales climbed 9.1%. The 12-month rolling sum of retail sales reached a value not seen since 2008, arguably showing a strong recovery. However, a growing sense of consumer uncertainty still lingers as indicated by the recent less positive consumer confidence readings. Consumer spending slowed in May, partially attributable to a decrease in gasoline prices.

Denver International Airport saw 16.26 million passengers year to date for April 2012—a 0.2% increase from 2011; however, cargo fell by 8.5% during the same period. Passenger traffic at the Colorado Springs Airport



Natalie Mullis, Colorado Legislative Council; Lisa Strunk, Development Research Partners; and Cindy DeGroen, Colorado Department of Local Affairs

declined 4.5% year-over-year through April 2012 for a total of 466,553 passengers. Cargo at the airport rose 12.6% year to date, and military cargo was up 52.8%.

Information

Despite the industry’s continued growth in real GDP (5.7% in 2011), the Information Sector exhibited volatility in 2012, with year-over-year job losses recorded in the publishing and telecom sectors, but job gains in software.

The Information Committee projected a contraction of 600 jobs last December; the actual year-end 2011 figure totaled 500, or -0.6%. While the losses appeared to be moderating in 2011, CES data from the Colorado Department of Labor and Employment through May 2012 show they are reaccelerating. Examining not seasonally adjusted data,

the sector recorded a loss of 2,600 year-over-year through May, or 3.6% relative to the same period a year ago. For comparison, the nation is down 3.4%.

The subsector that continues to exhibit strength is software publishing, up 3.8% year-over-year for the state and 7.3% for the nation. Traditional publishing is down 1.8% for the state and 3.1% for the nation, and telecom is down 3.4% for the state and 8.1% for the nation.

Newspaper publishers appear to be adapting to the changing environment by nurturing online subscribers and sharing content. The *Denver Post* reported a 52% increase in the monthly average views of DenverPost.com in the six-month period ending March 2012, and mobile devices increased 143%—both outstripping growth in traditional circulation (“*Denver Post* circulation increases because of digital access,” Aldo Svaldi, *Denver Post*, May 1, 2012).

While some of the telecom employment losses can be attributed to the merger of Qwest and CenturyLink, other changes in telecom employment stem from consolidation and changes in usage.

Colorado companies like Zayo and Level 3 continue to acquire, expand, and provide services, such as cloud computing capabilities.

Households, too, are adapting to new technology, such as transitioning to the Internet for their news and television shows. Separately, expenditures to expand broadband to rural areas have been slow to be dispersed.

The software industry continues to benefit from private equity investments. Software amassed \$57 million in seven venture capital (VC) deals in Q1 2012, representing 47% of VC funding in the state for the quarter and more than double the level of VC funding to the industry compared to the same quarter a year ago.

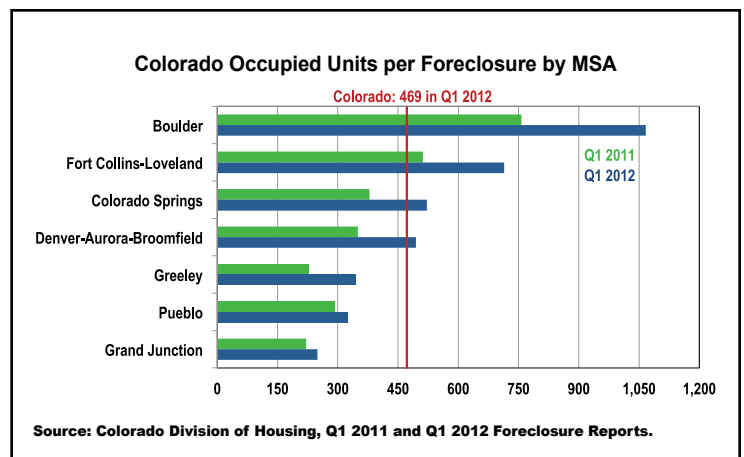


Richard Morgan, Mutual of Omaha Bank

Financial Activities

Financial Activities employment peaked in 2006 and has suffered five years of employment declines. While 2012 was expected to result in another year of job losses for the industry, finance and insurance subsectors are performing beyond expectations, with continued drag from the real estate and rental and leasing subsector.

Finance and insurance employment grew by 1,200 jobs (1.1%) year-to-date through May (not seasonally adjusted). Despite 30 fewer banking institutions and 21 fewer banking branches in the state as of year-end 2011, bank deposits grew 5.7%. According to FDIC data through May 2012, banking employment in Colorado is improving, with credit intermediaries adding 700 jobs, or 1.6% year-over-year. The committee reported a greater willingness to lend on the part of the banks, but less demand from businesses that are grappling with uncertainty and self-financing with cash reserves. Similarly, the National Federation of Independent Business revealed in a June 2012 report that 91% of all owners indicated



their credit needs were met, or they were not interested in borrowing, with only 9% indicating their credit needs were not all satisfied. The lending environment is still tight for real estate, with little appetite by banks for speculative building as they are unwilling to go long on the risk curve.

The Federal Open Market Committee released a statement in late June outlining the Fed's reaction to softening economic conditions, lackluster job growth, and enduring low inflation rates. The Fed decided to extend two expansionary policies: "Operation Twist," a plan designed to lower long-term interest rates through the end of the year, and a fed funds rate target at 0–0.25% through late 2014. Also recently, the Fed proposed Basel III standards, stricter regulations aimed at strengthening the global banking system. The European sovereign debt crisis also weighs heavily on the markets.

Fueled by increased population and employment, commercial and residential real estate activity has resulted in year-over-year real estate employment growth of 900 jobs or 3.1% through May (not seasonally adjusted). There is underlying strength in Denver's industrial market and a continued flight to quality in office space. Colorado's residential foreclosures appear to be abating, and inventory is being reduced with increased demand for housing and decreased building. The strength in multi-family housing is exhibited in low vacancy rates and new construction.

Home values in Colorado, as measured by the Federal Housing Finance Authority (FHFA) All Transactions Home Price Index, continue to be a mixed bag through Q1 2012. The Boulder, Fort-Collins-Loveland, Denver-Aurora-Broomfield, and Greeley MSAs recorded year-over-year growth in Q1, while Grand Junction, Colorado Springs, and Pueblo home prices declined, netting a flat growth rate for the state.

Professional and Business Services

Professional and Business Services (PBS) continued to be the largest provider of new jobs in the state in 2012, adding nearly 11,000 jobs, or 3.3%, year-over-year through May (not seasonally adjusted). Professional, scientific, and technical services account for more than one-third of this growth; administrative and waste management account for more than half of the jobs added.

After uncharacteristically shedding jobs during the recession, legal services has now been adding jobs year-over-year for 22 months, and growth has strengthened in 2012.

Portending growth in total employment, the employment services sector is adding jobs. This sector is often looked to as a leading indicator for employment growth as firms tend to add temp workers before hiring full-time workers. Employment services was up 3.3% year-over-year through May in Colorado.

A few factors are driving growth in 2012. Aerospace in Colorado is thriving. There is new infrastructure investment, and environmental remediation is in demand. Businesses looking to transfer property or build are required to do an environmental assessment.

In election years, a certain portion of a campaign workforce handles campaign literature. With the growing use of technology and social media, campaigns this year will not use print media as much as they have in the past.

In the short and long term, PBS is expecting slow and steady growth in the remainder of 2012 and in 2013.



Marsha Morgan, Knowledge Factor, Inc.

Education and Health Services

The Education and Health Services Sector is preparing for policy changes. Health care is on track to add between 6,000 and 7,000 jobs in 2012, continuing decades of uninterrupted growth in the state. While the recession abated the nursing shortage in the short term, the average age of nurses is now 48, and this shortage will become more pronounced over the decade. A shortage of nurses in rural areas persists. Health care spending growth is around 4%, a 15-year low after a decline that began in 2005. Private education, which makes up 14% of Colorado's education sector, is expected to add 1,500 jobs. The employment numbers for education rely on legislation from the Department of Education and oversight requirements for unresolved compliance issues.

Health care and social assistance employment increased by 6,500, or 2.7% year-over-year through May (not seasonally adjusted),

Midyear Economic Roundtable Participants

Agriculture

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Colorado Department of Agriculture

Construction

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Construction Economics, LLC

Education and Health Services

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Kaiser Foundation Health Plan – Colorado

Marcia Morgan
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Financial Activities

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*Provided written comments.

CONTINUED ON PAGE 8

continuing a slower but steady growth rate compared to 2010 and 2011. With the passage and upholding of the Patient Protection and Affordable Care Act (PPACA), the health care reform law, the industry is preparing for requirements and deadlines. PPACA, mixed with state legislation and the recession, has led to an expansion in Medicaid; additionally, baby boomers are approaching Medicare age. New financial plans with high deductibles are leading to behavior changes—people are thinking twice before going to see a doctor. Also, new technologies are changing the industry. Nonetheless, the health care industry continues to construct new facilities.

Private education has experienced year-over-year growth of 2.5% through May, keeping pace with health care. While private education is seeing flat enrollment, it sits on the edge of many changes. Elite institutions, including Harvard and MIT, are offering online and free education, and traditional publishers continue to offer digital materials. These advancements in technology, along with changes in education philosophy, lead to questions about what education will look like in 5-10 years. With Pearson e-College, a Colorado-based company offering many online classes for colleges, the state may benefit from the changing environment. Other issues facing the state's private education involve tuition and loans. As private education tuition is rising more quickly than that for public education, the loans in default from private institutions are disproportionately high relative to the number of students in those institutions.

Leisure and Hospitality

Leisure and Hospitality is one of the state's largest industries, employing in excess of 271,000 workers in 2011. Despite Mother Nature's impact on the ski season and summer visitor season to date, leisure and hospitality continues to add jobs, increasing by 8,500 jobs or 3.2%, year-over-year through May. Most of this gain was linked to accommodation and food services. The outlook for the rest of 2012 remains positive, with increased marketing efforts by the Colorado Tourism Office balancing negative perceptions related to wildfires.

Returning to levels not seen since 1992, when the sales tax earmarked for tourism marketing ended, Colorado's market share of the U.S. overnight travel market climbed to 2.7% in 2011 from 2.6% the previous year. This translates to \$450 million in private sector

spending and \$40 million in state and local taxes. Although overnight visitation to the state was essentially flat from 2010 to 2011, at 29 million visits, spending climbed approximately 6%. Total visitor spending in 2011 was a record \$10.76 billion.

The 2011-12 ski season was dismal across the country, with skier visits plunging 16%. Although skier visits to Colorado's ski areas fell 1.2 million compared to the previous season, the state still accounts for 18% of the nation's total skier visits, making it the top U.S. ski destination. Al White stated, "If you look at the skier day numbers versus the revenue numbers that the resorts had, the skier days were down 10 or 12%, but the revenue numbers were about flat. That's because season passes have become such a significant part of revenue for ski areas, for the people that aren't coming are generally Front Range day visitors who don't spend a whole lot, but the people from Chicago, Dallas, and Phoenix are still showing up and spending big bucks." Season bright spots included an increase in overnight visits in the Rocky Mountain region (Colorado, Utah, New Mexico, Idaho, Wyoming, and Montana), and slight to flat gains in skier visits at Aspen Skiing's four ski areas, along with Telluride, Wolf Creek, Eldora, Echo Mountain, and Durango Mountain Resort. Skiers accounted for 5% of Colorado's overnight visitors, but 14% of the state's overnight visitor spending.

A new ad campaign for the state was unveiled in April. As part of that campaign, for the first time the state participated in a request for information piece with a cable company. After the Colorado tourism ad is shown, a message stating "If you want more information, press *select* on your remote" pops up. After pressing select, an official Colorado State Visitor Guide is automatically sent to the address connected with the cable account. Requests for guides doubled from May-June from a year ago, numbering around 40,000 this year. A request for a guide is a good indicator of an intention to visit, which, in turn, translates into an actual visit.

With the recent wildfires in the state,

the Colorado Tourism Office is focusing on staying consistent with its message that most of the state's attractions are open and ready for visitors. A fire-related section has been added to the homepage of the Colorado.com website.

Of the national park sites in the state, which include four national parks, five national monuments, a national historic site, and a national recreation area, nine areas reported visitor statistics through May 2012. Of those, the number of visitors increased year-over-year for seven areas.

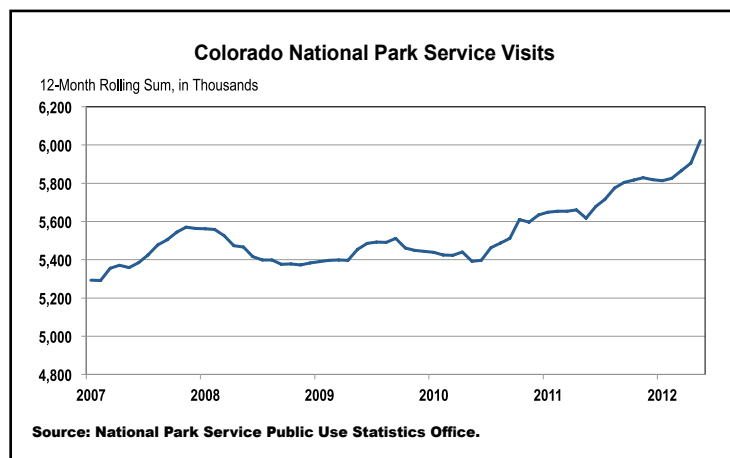
Colorado Division of Gaming data through March 2012 show adjusted gross proceeds are up 2.1% year-over-year, while gaming taxes are down 0.5%.

Government

Government employment in Colorado fell slightly year-over-year through May, with losses in federal and local government outweighing gains in state government. Public budgets still weigh heavily on the Government Sector, but state higher education institutions have added positions to keep up with increases in enrollment.

Last year, federal government employment came in slightly above the forecasted number, totaling 54,800 jobs. Year-to-date, federal government employment is down 1.3% compared to the same period last year. The committee expects the combination of political uncertainty, the continued pressure to cut spending and address the ballooning federal deficit, in addition to expected cuts in the U.S. Department of Defense and the U.S. Postal Service, to reduce the number of federal government jobs available for the remainder of the year.

State government is the only government sector to register a year-to-date increase in employment, rising 1.5% over 2011 levels



year-to-date through May, mostly attributable to higher education. State growth less higher education decreased 0.8% over the same period. This government subsector is expected to remain positive throughout the remainder of the year as stable enrollment in the state's colleges and universities helps sustain this growth.

The Government Committee was on target with its estimate for local government as the slight drop in local noneducation government employment balanced the increase in local education employment. Similar to the federal government sector, local government has registered an over-the-year decline in employment. However, this sector is expected to end the year slightly above 2011 levels. The local noneducation government sector will remain challenged by lower local government revenues, reductions in services and staff, and continued drops in assessed valuations, all contributing to a decline in 2012 employment levels. On the other hand, increases in enrollment and funding will increase local education employment, essentially outweighing the declines in local noneducation government employment. Local education increased 2%, while noneducation decreased 3% year-over-year through May.

Overall, the Government Supersector should finish 2012 around the level forecasted in December, which is up slightly above 2011 levels. The gains in state employment will slightly outweigh the declines in the federal and local employment sectors.

International Trade

Globally, International Trade has experienced a 5% increase over the first quarter of 2011, and will slow to 3.7% by the end of 2012, according to the World Bank. Nationally, exports have increased 7.8% in the first five months of 2012. In March, U.S. exports reached a record high, surpassing the previous peak seen in 2008. The March export rise was the biggest month-to-month gain in 17 years.

Colorado exports increased 14% for the first five months of 2012. Canada is up 35%, and Mexico is up 41%. China is growing at a much slower rate, with an increase of only 6%. Asia markets overall climbed 4%, with Japan up 5.5%. Central and South America rose 43%. Chile surged 230% and is now the state's 15th-largest export market. This is due, in part, to exports of electric generating equipment and transmission sets. European trade is slowing, with a 5.5% decrease. The Netherlands is down 15.5%, Germany fell 19.5%, and the United Kingdom dropped 20%. The bright spot is Ireland, which is up 272%.

Beef has become Colorado's number one commodity export and, at 18%, is outpacing



Sandi Moilanen, Colorado Office of Economic Development and International Trade


medical and surgical instruments, up only 1%. The top markets for beef are Japan, Russia, and Korea. Overall, agriculture exports are up 21.2% for Q1 2012. Orthopedic appliances climbed 21%. The largest growing exports in the commodity market are engine and motor parts, up a whopping 3,200%. Crude oil from petroleum is up 947%, with exports largely going to Canada. Iron towers and lattice masts rose 934%. The largest decreasing markets are for processors and controllers, down 43%, and electronic integrated circuits, down 25%. Molybdenum fell 43%.

Colorado's top markets for imports are Canada (up 10%), China (down 7%), Mexico (up 6%), and Germany (up 33%). The top commodity imports are mineral fuel, electric machinery, industrial machinery, and medical and surgical instruments.

Several key factors will influence International Trade in the months ahead, including slower global economic growth and the euro zone debt crisis.

Regional Snapshot: Colorado Springs

While showing some of the same trends as the rest of the state, growth in Colorado Springs is much slower. According to the Colorado Department of Labor and Employment, Colorado's employment increased

1.9% year-over-year through May; however, during that same time, Colorado Springs saw an increase of only 0.5%. Unemployment ticked up 0.2% in May. While the outlook for Colorado's Manufacturing Sector statewide appears to be looking up, the Manufacturing Sector in Colorado Springs has lost 55% of its jobs in the recession—decreasing 0.8% in the past year. With its strong military presence, Colorado Springs is vulnerable to post-election effects on military expenditures. Oil and gas exploration recently began, and while the prospects remain unknown, the city seems to be welcoming the industry. While multifamily construction in the Colorado Springs area has been strong, the recovery process from the Waldo Canyon fire will increase construction activity as the homes destroyed are rebuilt. 

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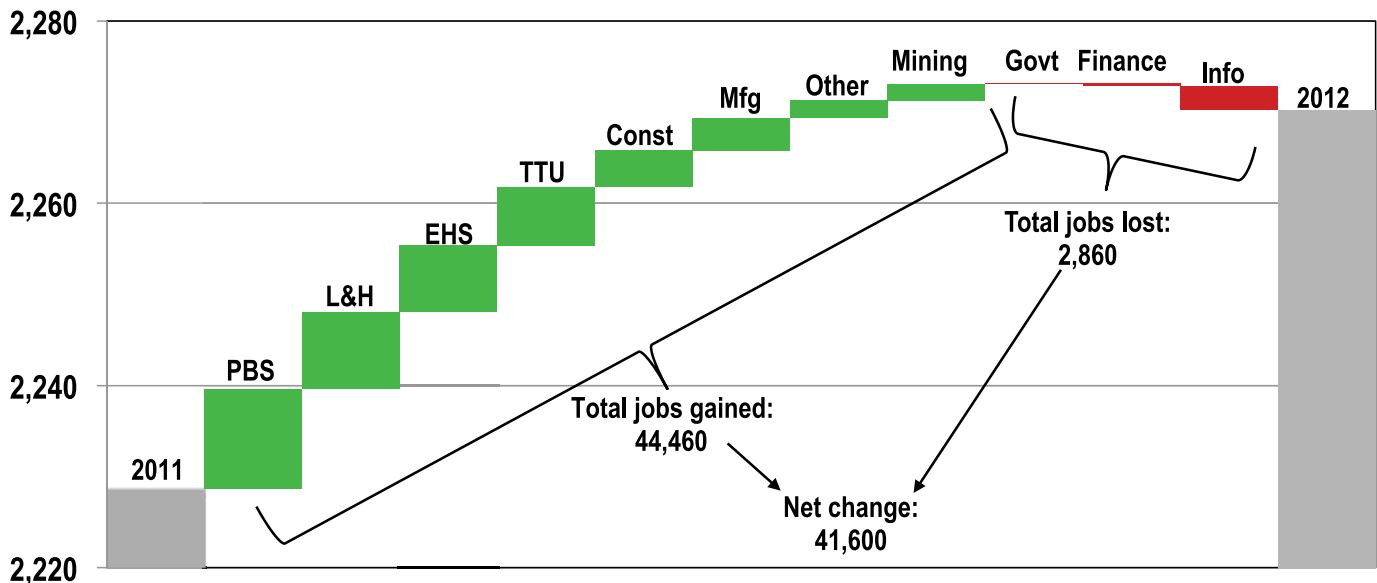
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Employment Change for Colorado January-May Year-Over-Year

Employment in Thousands



Sources: Bureau of Labor Statistics, Current Employment Statistics (NSA).