

# COLORADO BUSINESS REVIEW

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## Colorado 2020 Midyear Economic Update

In February 2020, the U.S. officially entered a recession, according to the National Bureau of Economic Research (NBER). This ends a record expansion that began in 2009 and spanned 10 years and 8 months. National real GDP declined at an annualized rate of 5% in the first quarter and 32.9% in the second quarter of 2020 according to estimates from the Bureau of Economic Analysis (BEA). Over the two quarters, personal consumption expenditures fell 6.9%

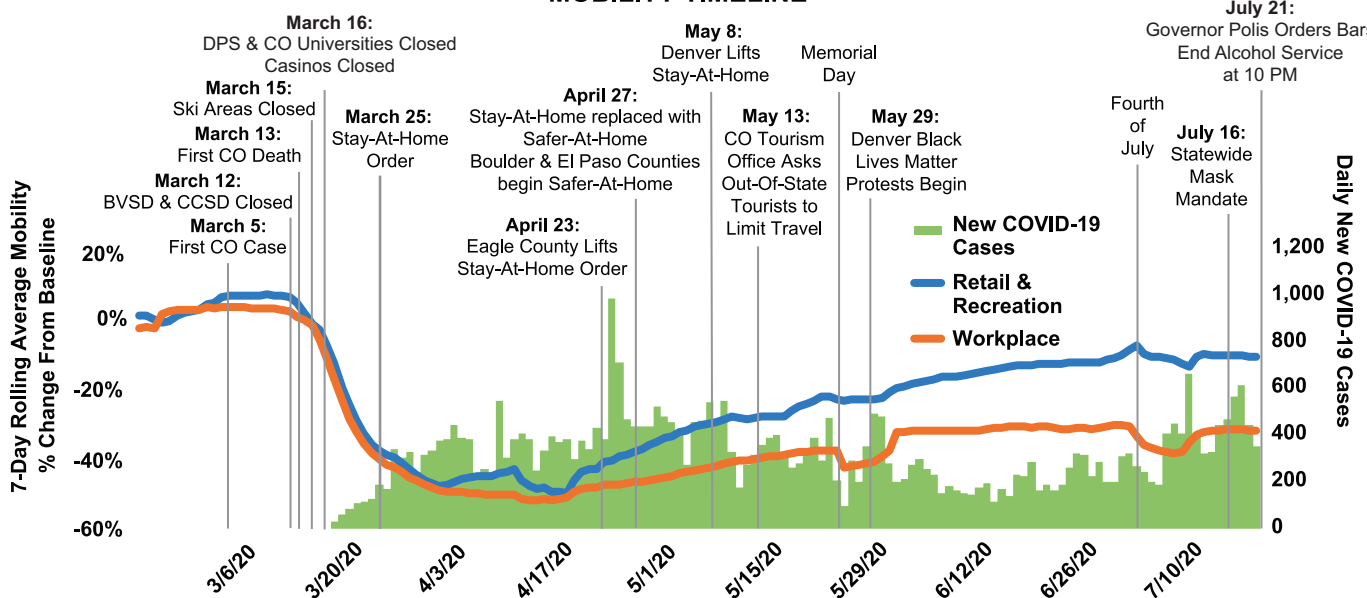
and 34.6%, respectively; gross private domestic investment declined 9% and 49%; government expenditures rose 1.3% and 2.7%; and both imports and exports declined sharply. The U.S. lost a record 22.2 million jobs in March and April, and gained back 7.5 million jobs in May and June, but remains 9.6% below the February peak in employment.

As a prelude to the COVID-19 pandemic, Colorado employment had already begun to stagnate, adding just

300 jobs over the month in January and losing 400 jobs in February. The Coronavirus dealt an unprecedented blow to the state's labor market, evaporating 342,000 jobs in a matter of two months (March and April) as consumption stalled and the government mandated closures to contain the virus. While May and June recorded a much-needed rebound (126,000 jobs), employment remained 217,000 jobs, or 7.7%, below the January peak. Heading into 2020, the

*continued on page 2*

### MOBILITY TIMELINE



Sources: Google Community Mobility Reports and the Colorado Department of Public Health and Environment.  
Note: Change in the average movement of people at retail, recreation, and workplace sites indexed to the period between Jan 3-Feb 6, 2020.

# FROM THE EDITOR

The COVID-19 pandemic has imparted deep human and economic impacts around the world and left in its wake murky conditions of insecurity and uncertainty. These uncertainties are not lost on us as we present a midyear review of the Colorado economy in this issue of the Colorado Business Review. The information presented is compiled from remarks made by Colorado Business Economic Outlook Estimating Group chairs at a roundtable meeting held in late June. Industry sector summaries include comparisons of the current economic situation to the forecast presented last December. In addition, key factors influencing recent economic trends are noted.

We greatly appreciate the time and input from the individuals who contributed to this update; their names are listed on the back page. I also acknowledge the BRD research staff—Brian Lewandowski, Jake Dubbert, Chad Fredrick, and Max Olson—who collected data and conducted additional analysis for this issue.

Please contact me directly at 303-492-1147 with any comments or questions.

— Richard Wobbekind

Colorado Business Economic Outlook estimating committee projected job growth of 40,100 jobs, indicating that employment growth in the state would be the slowest since emerging from the recession in 2011. At a meeting held in late June, the chairs of the 14 Colorado Business Economic Outlook Forum committees collectively reported the destructive impact stemming from the pandemic. The revised outlook for Colorado employment growth in 2020 is -128,500 jobs (-4.6%), with losses spanning every major industry in the state.

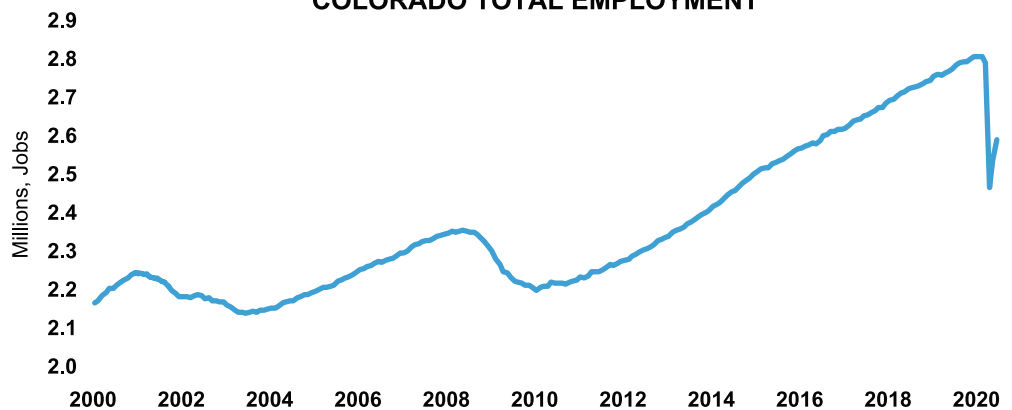
According to the Leeds Business Confidence Index (LBCI), a measure of business leaders' confidence and expectations for the state and national economies, business leaders have more confidence in the Colorado economy than

they do in the national economy. Coming off record-low expectations in the second quarter, business leaders expressed less pessimism for the third quarter, and modest optimism in the fourth quarter.

Colorado's unemployment rate spiked from 2.5% in February to 12.2% in April, and 10.5% in June. Initial unemployment claims have improved considerably from the 105,500 recorded the week ending April 11, with just 7,844 initial claims the week ending July 25. For context, initial claims have surpassed the worst weeks during the Great Recession for 19 consecutive weeks.

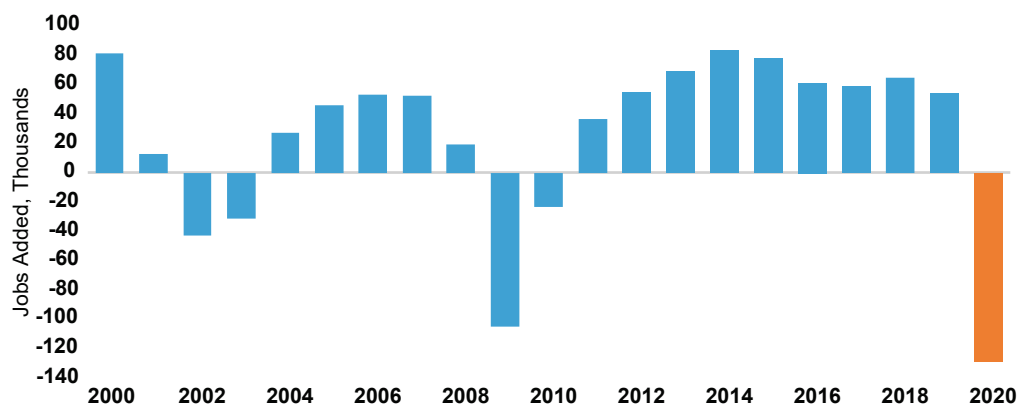
Data in the following sections are from the Colorado Department of Labor and Employment, Current Employment Statistics (CES). The preliminary June 2020 figures are seasonally adjusted.

**COLORADO TOTAL EMPLOYMENT**



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

**COLORADO EMPLOYMENT GROWTH**



Sources: Colorado Department of Labor and Employment and the Colorado Business Economic Outlook Committee.

## Population and Employment

According to the State Demography Office, Colorado's population increased by 67,000 between 2018 and 2019. This was slower than expected and represents a continued slow down driven by fewer births, increased deaths, and lower net-migration. Net migration slowed to 43,000 and natural increase (births minus deaths) slowed to 23,000, almost 20,000 fewer than when it peaked in 2007 at 41,000. Population in counties along the Front Range continued to increase more than the rest of the state, led by Denver (10,950). The fastest growing counties were some of the mountain counties as well as some of our Front Range counties. Although Colorado has increased by 700,000 people since 2010, 19 counties, or 30% of the state's counties, have observed a population decline over the same time. In this last year, 16 counties shed population. Most of the counties shrinking in population are from the Eastern Plains or mountain counties.

For 2020, births are forecast to remain steady while deaths are projected to increase, especially due to COVID-19. Migration to the state is uncertain during the pandemic. Colorado was already experiencing slower net-migration primarily due to its higher costs of housing. Mobility tends to slow during a crisis and international migration has all but halted. International migration has been 20-25% of Colorado's total net-migration. However, residents of many areas around the state have mentioned an increase in interest from both firms and people from out of state. Colorado could continue to see steady migration with more interest from places harder hit by the pandemic. Even with the projected slower growth, Colorado is forecast to top 5.8 million people in 2020.

Colorado total nonfarm employment in June 2020 was 2.6 million, a year-over-year decrease of 6.6% or 183,000 jobs. Every sector in the state posted employment declines year-over-year, with Professional and Business Services observing the lowest decline

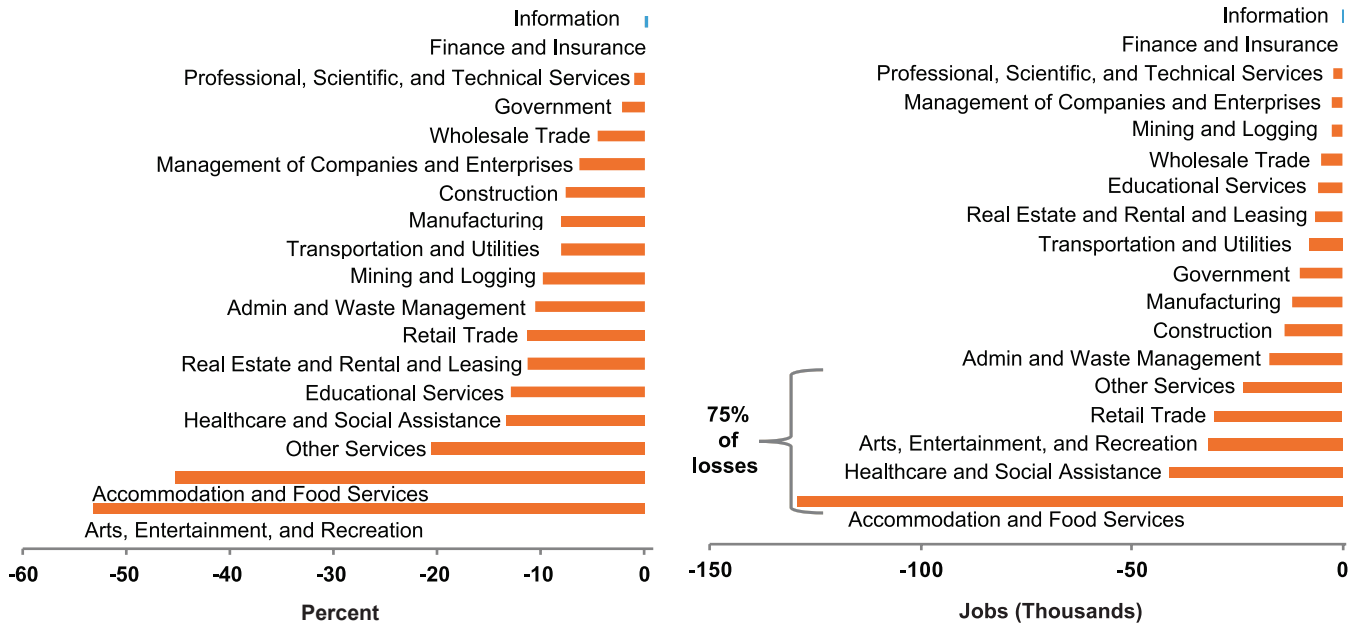
(-0.4%), followed by Manufacturing (-1.3%), Financial Activities (-1.7%), and Information (-2.4%). The sectors with the largest employment declines in June year-over-year were Leisure and Hospitality (-25.1%), Mining and Logging (-16.7%), Other Services (-9.6%), Trade, Transportation, and Utilities (-6%), Education and Health Services (-6%), Construction (-3.9%), and Government (-3.6%). The revised outlook for 2020 is a loss of -128,500 jobs (-4.6%).

Grand Junction had the lowest year-over-year employment decline in June 2020 (-2.2%), followed by Boulder (-4.1%), Pueblo (-4.4%), and Colorado Springs (-4.7%). Denver-Aurora-Lakewood observed the largest employment decline in June, (-6.7%), followed by Greeley (-6.2%), and Fort Collins (-5.8%).

Colorado's unemployment rate has jumped up recently due to the COVID-19 pandemic, sitting at 10.5% in June 2020, giving the state the 35th-lowest unemployment rate in the nation. The Fort Collins MSA had the lowest

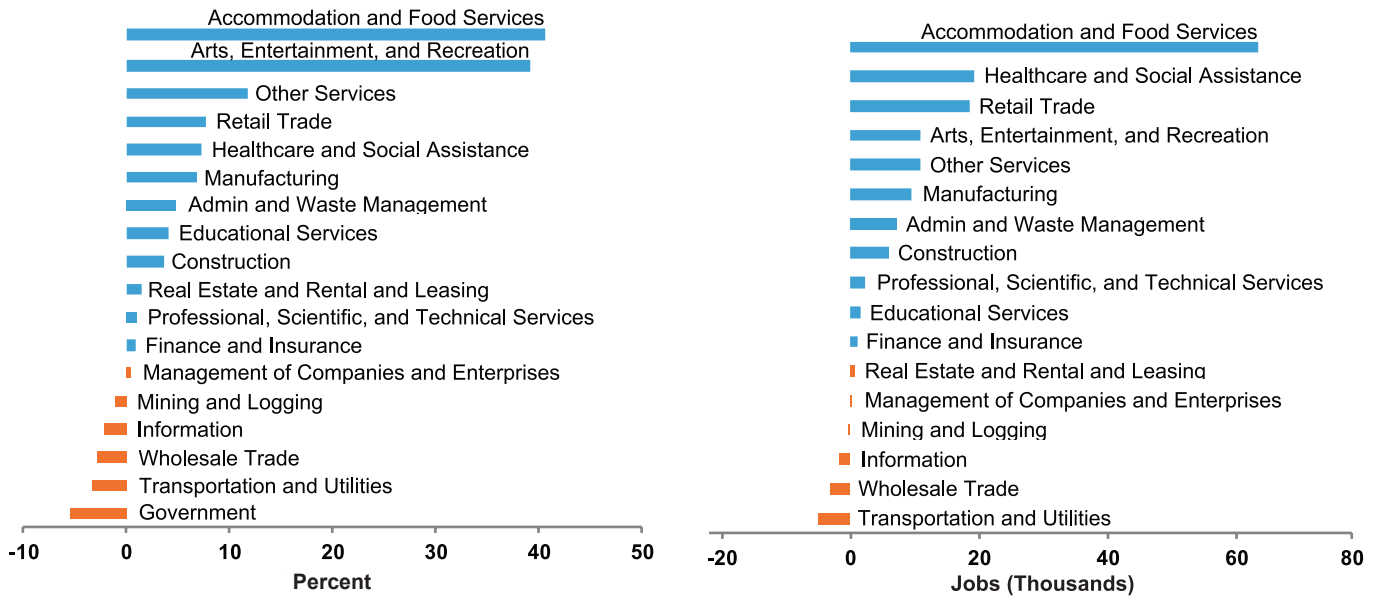


## COLORADO EMPLOYMENT CHANGE—MARCH + APRIL



Source: Bureau of Labor Statistics.

## COLORADO EMPLOYMENT CHANGE—MAY + JUNE



Source: Bureau of Labor Statistics.

unemployment rate in the state in June at 9.2%, followed closely by Boulder (9.5%), Grand Junction (10%), Greeley (10.1%), Colorado Springs (10.4%), and Pueblo (10.8%). The Denver-Aurora-Lakewood MSA had the highest unemployment rate in the state, at 11%. Unemployment rates

have improved from record levels in April, but still remained high in June.

Colorado's nominal GDP was \$390.3 billion in 2019. In terms of real GDP, Colorado has the 16th largest overall. In 2019, Colorado's annual real GDP growth rate was 3.5%. The three largest industries by GDP were Financial

Activities (18.6%); Professional and Business Services (15.7%); and Trade, Transportation, and Utilities (15.6%). The three fastest-growing industries in 2019 were Natural Resources and Mining (17.5%); Information (7.4%); and Professional and Business Services (7.3%). Real GDP decreased for the Construction Sector.

## Agriculture

According to the Bureau of Economic Analysis, Agriculture, Fishing, and Hunting added \$2.4 billion to the Colorado economy in 2019, a 10.9% increase from 2018. Real GDP increased 14.4% for the industry in 2019. In Q1 2020, industry real GDP grew 5% year-over-year.

However, looking into 2020, the COVID-19 pandemic has put the agriculture industry on tenuous footing. Despite consumer hoarding of foodstuffs at the height of the lockdowns, leading to empty store shelves across the country, producers generally did not benefit from the increased purchases due to the shutting down of restaurants and food services establishments. In an effort to stabilize and offer relief to the industry, the USDA announced that it would be purchasing up to \$3 billion in fresh produce, dairy products, and meat products, and distributing them to food banks and nonprofits aiding those in need.

Beef, which holds the largest share of Colorado's agriculture economy, has also experienced hardship with many processing plants being shut down due to COVID-19 outbreaks. With so many purchasers shutting down, ranchers were forced to auction their cattle at significantly reduced prices. Meanwhile, due to the constrained supply of beef at the retail level and increased panic buying during the pandemic, retail prices of beef hit an all-time high of \$7.04 in May (a 19.3% year-over-year increase). The Colorado drought has also affected ranchers, with rangeland conditions worsening and feed costs increasing.

Wheat prices have been volatile in the first half of 2020 but are currently at around their pre-pandemic level. The wheat harvest in southwestern Colorado has produced decent yields despite the drought, while the Colorado winter wheat production is forecasted to drop 36% year-over-year according to the USDA. With record-high domestic wheat food use and many international exporters erring on the side of caution by reducing exports to maintain a healthy supply, there was upward pressure on wheat prices. However, with the supply of wheat being relatively high, this pressure



did not necessarily result in better prices for farmers.

Total Colorado food and agricultural exports (January-May) are up 0.7% year-over-year. Forestry Products are up 16.8%, while Agricultural Products fell 4.6%. Livestock & Livestock Products and Fish exports are down 43.3% and 47.5%, respectively. Manufactured Food exports, which make up 47.8% of agriculture exports, have remained steady through May, rising 1%, compared to 2019. The U.S. and China agreed to a Phase 1 trade deal in January 2020 in which China agreed to purchase \$32 billion of U.S. agriculture products over the next two years, but eyes remain on China to see whether they meet obligations.

Colorado food and ag exports are down 1.3% from January through May. Beef and beef variety meats, Colorado's top food export, is down 1.4% from the same period last year. Hide/skin exports continue to slip – 46% lower than a year ago.

There is still uncertainty surrounding how much the federal government will step in to protect the agriculture industry from the effects of the pandemic. According to the Food and Agriculture Policy Research Institute at the University of Missouri, U.S. farm income is projected to fall \$3 billion in 2020, despite \$16 billion in Coronavirus Food Assistance Program (CFAP) and \$9 billion in Market Facilitation Payments (MFP). As Colorado closely mirrors what happens nationally, local financial pressure on farmers and ranchers is expected to continue. As of July 27, about \$100

million of CFAP had been paid to Colorado farmers and ranchers.

## Natural Resources & Mining

Natural Resources and Mining employment grew 4.4% in 2019 and was down 16.7% year-over-year as of June 2020, and is projected to end 2020 down 4,400 (15.2%) over 2019. Industry real GDP increased 17.5% in 2019.

The Natural Resources and Mining (NRM) Sector comprises the subsectors of agriculture, forestry, fishing, and hunting; and mining, quarrying, and oil and gas extraction. This includes mineral solids such as coal, petroleum extraction, and all natural gases. In Colorado, the average annual pay for a mining and logging job was \$90,340, compared to \$62,343 for all industries in 2019.

The industry made up 0.9% of Colorado's covered nonfarm employment in 2019, compared to 0.5% for the nation. The June 2020 year-over-year employment growth rate in Colorado decreased 16.7%, demonstrating the effects of a few different negative factors on this sector, not just the pandemic.

In March 2020, the average monthly price of WTI oil fell 49.8% year-over-year to \$29.21 per barrel, bottoming out in April at \$16.55 per barrel—a 74.1% year-over-year decline. On April 20, the price of oil went negative for the first time in history. With little storage capacity for oil left at that point, owners of May WTI futures contracts paid to have them taken off their hands before they expired. These events were caused by

a price war between Saudi Arabia and Russia in which Russia refused Saudi Arabia's demands to cut production. In retaliation, Saudi Arabia slashed its oil prices, causing the global price of oil to drop precipitously. This collapse was exacerbated by a large drop in demand resulting from global shutdowns during the height of the pandemic.

The two countries have since come to an agreement with OPEC, cutting production by a record 9.7 million barrels a day, which has helped the price of WTI oil to recover to \$40.60 a barrel at the end of June.

Production of crude oil in Colorado increased 12.5% year-over-year to 198.2 million barrels in 2019, with 87.7% of production concentrated in Weld County. As of April 2020, Colorado production increased 1.6% year-over-year and 4.3% year-to-date. The revised outlook for Colorado production in 2020 is now an estimated 164-190.4 million barrels. According to the U.S. Energy Information Administration, Colorado ranked as the fifth largest producer of crude oil in the United States as of March 2020. The number of approved permits to drill from January through April 2020 totaled 564; for perspective, a total of 1,508 permits were approved in the same period of 2018 and 1,104 were issued in 2019. The

Baker Hughes rig count hovered between 20 and 23 oil rigs in Colorado from the start of 2020 through March, but then fell rapidly to 5 rigs in late June. Of the operating rigs, four are in Weld County and one is in Garfield County. This follows the national trend with the U.S. rig count falling to 266 in June – its lowest level since 1940.

Natural gas production increased 7.3% year-over-year in 2019, totaling 1,989 billion cubic feet. The revised production outlook in 2020 is 1,875 to 2,072 billion cubic feet. The Henry Hub natural gas spot price declined 33.7% year-over-year in May 2020 to \$1.75 per million Btu.

Colorado coal production saw a year-to-date decline in April 2020 compared to the same period in 2019, falling from 4.9 million tons to 3.8 million tons, or a decrease of 21.7%. There are currently 6 coal mines operating in Colorado and 12 coal plants. Recently, however, many coal plants have announced their plans to permanently shut down much sooner than previously thought. According to The Colorado Sun, the Martin Drake Power Plant, the Ray Nixon Power Plant, two Tri-State Generation and Transmission Association units, and several others will be shutting down by 2030 on expedited schedules. This will leave Xcel Energy

the only provider with coal plants with retirement dates after 2030.

Newmont's Cripple Creek and Victor mine announced that gold production in Q1 2020 decreased 15% year-over-year from 81,000 ounces in 2019 to 69,000 ounces in 2020. This reportedly was caused by lower ore grades milled and lower mill throughput. Gold prices have been highly volatile since the start of the pandemic due to uncertainties surrounding the global pandemic, the strength of the dollar, and volatile market sentiment. Gold prices have hit all-time highs around \$2,000 in July. Forecasts by Goldman Sachs estimate three, six, and twelve-month gold prices at \$1,600, \$1,650, and \$1,800 per troy ounce, respectively.

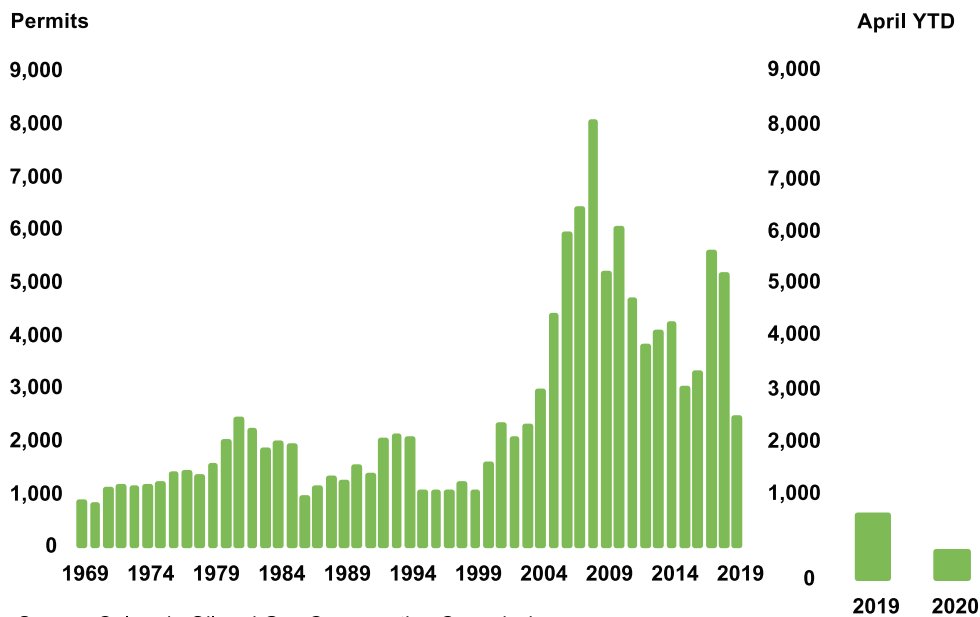
Freeport-McMoRan reported extracting 7 million pounds of molybdenum, a rare earth metal used in nuclear power and the manufacturing of missiles and aircraft, in Q1 2020 compared to 8 million in Q1 2019. The mining company expects to reduce its production by 50% from its Climax mine for the remainder of 2020.

## Construction

The Construction sector encompasses industries including Construction of Buildings, Heavy and Civil Engineering, and Specialty Trade Contractors. The Construction sector in June 2020 employed 172,000 people in Colorado, the eighth-largest sector with 6.6% of total employment. Employment in the sector declined 3.9% (6,900 jobs) year-over-year in June but outperformed the nation (-4.4%). The industry is projected to end 2020 down 5,100 jobs (-2.8%). Industry real GDP declined 2.2% in 2019 and 1.6% in Q1 2020 year-over-year.

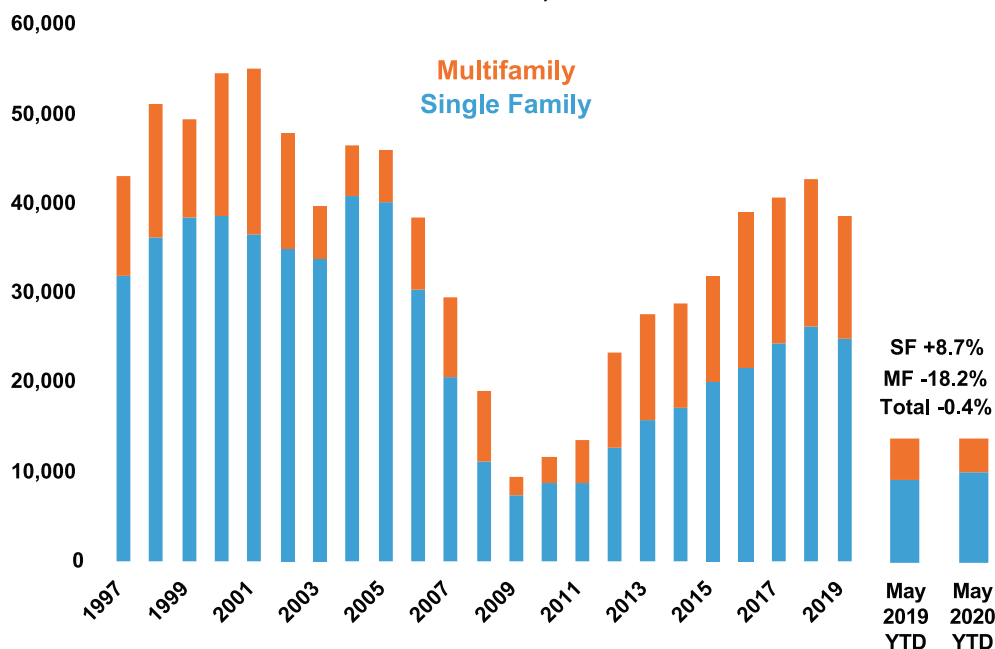
Construction is categorized into three groups: residential, including single family homes and multifamily units like apartment complexes; non-residential, including office, commercial, retail buildings or hospitals; and non-building, including infrastructure projects like the central I-70 construction. Due to the nature of construction, projects last several months or years from planning to completion. As a result, projects like the central I-70 that have been underway since before the pandemic will continue to completion, slowing job losses. In

### ANNUAL DRILLING PERMITS 1969 – 2020



Source: Colorado Oil and Gas Conservation Commission.

## COLORADO RESIDENTIAL BUILDING PERMITS TOTAL PERMITS, 1997-2020



Source: U.S. Census Bureau.

addition, construction was designated essential and allowed to continue operations during the second quarter, while many other industries were at least partially shut down by statewide orders intended to combat the pandemic.

Looking at residential construction, specialty trade contractors make up 65.2% of construction employment in Colorado in June 2020, and has experienced the greatest employment loss among industries, with a 3.4% decrease year-over-year (4,000 jobs). The industry includes home remodeling firms, and is especially impacted as homeowners are simultaneously wary of strangers entering their homes during the pandemic and experiencing a sharp reduction in disposable income for renovation projects. Additionally, 20% of single-family model homes closed due to COVID-19, further impacting the industry.

Nonetheless, the residential industry is expected to make a V-shaped recovery, as hiring quickly resumes. Due to historically low mortgage rates, homeowners have an incentive to purchase homes, which can bolster employment. However, if homeowners begin to miss mortgage payments, this industry could see a delayed reaction to the pandemic in August or September. The FHFA All-Transaction Index measures the movement of single-family home prices. The index increased 0.8% from 601.9 during the fourth quarter of 2019 to 606.6 during the first quarter of 2020, which continues the trend of the previous few years. Looking at residential building permits in Colorado, the June 2020 year-to-date total of 19,270 units is 1.5% below the June 2019 year-to-date total of 19,555.

Nonresidential building in 2020 is projected to contract 10% from 2019, with the real impact delayed out to 2021. Developers are unsure of demand for new construction and bankers are wary to give loans to risky ventures at the moment. Designers are trying to figure out how office spaces will change in a post-pandemic environment. School construction budgets have already been finalized for this year, leaving the next budget year to reflect deteriorating tax revenue. Colleges are delaying the start

of new construction, and governments are saving the limited tax collections for operational spending, rather than new construction.

The non-building industry is also reasonably protected in 2021, as projects continue to completion. In an attempt to understand how firms are reacting to events, the Colorado Contractors Association and other similar construction organizations are asking members directly what decisions they are making regarding construction. With little data available in the brief time since lockdowns began, these surveys are guiding decisions for development. The state may see a 20% reduction in highway construction due to lower gas tax receipts, meaning projects at this level will likely be delayed. Meanwhile, at the federal level, budgets seem to be relatively unaffected. User-paid projects like water have also been more resilient.

In 2019, 45,000 people migrated into Colorado, 7,000 fewer than forecasted. The Colorado Demography Office forecasts a drop in in-migration of 30,000 in 2020 and 19,000 to 20,000 in 2021. As the pandemic dramatically affects the movement of people in the state, the demand for future development could be reduced.

## Manufacturing

The manufacturing sector consists of two sub-sectors: durable goods, those that last for a significant period of time, and non-durable goods, those which are consumed quickly. In Colorado, this sector's employment decreased 1.3% (1,900 jobs) year-over-year in June 2020. The industry is projected to decrease 1,100 jobs (-0.7%) in 2020.

Manufacturing employment in Colorado is the 8<sup>th</sup>-largest sector, with 148,000 jobs, or 5.7% of total employment. Compared with other sectors, Manufacturing has held up relatively well and has begun to recover, adding 9,500 jobs from April to June. Every industry within this sector outperformed the nation, though most still experienced job losses.

In Colorado, Durable Goods Manufacturing consists of the larger share of employment within the sector, at 62.1%, or 92,400 jobs. Within this subsector, there is manufacturing of wood and metal products, machines, including computers, electronic parts and aerospace materials, and transportation equipment. Colorado specializes in computer and electronic equipment



manufacturing within the U.S., and this sector has remained relatively steady, increasing 0.4% or 100 jobs year-to-date through June. Transportation equipment manufacturing in Colorado also grew year-over-year, increasing 11.1% or 1,200 jobs year-to-date, far outperforming the nation in this industry, which fell 8.8% over the same period. While motor vehicle manufacturing is down nationwide, aerospace equipment manufacturing is increasing. This is especially good news in Colorado, which has a specialization in this industry.

Nondurable Manufacturing, which consists of food and beverages, makes up the other half of Colorado's manufacturing sector, with 37.9% of total manufacturing employment or 56,300 jobs in June. Within non-durable manufacturing is beverage manufacturing, which has more than three times the proportion of manufacturing jobs than the nation - a location quotient of 2.97. Nondurable Manufacturing employment has increased 0.4% or 200 jobs year-over-year in June.

Food manufacturing makes up a considerable portion of manufacturing in Colorado and has been a major contributor of the employment losses in the sector. Large food manufacturers like Shamrock and JBL had to sharply reduce employment or even shut down due to COVID-19 infections in their factories, impacting employment along the Front Range and Eastern Plains. Petroleum and

coal products manufacturing was also hit especially hard, as the industry had to deal not only with pandemic disruptions, but also a crashing oil and gas market. National industry employment has reached historic lows as a result.

The ISM Manufacturing Index measures manufacturing activity through a monthly survey of purchasing managers at manufacturing firms. The index made a very strong recovery in June, posting a reading of 52.6, up 9.5 points from May and above the 12-month average of 48.3. Another Manufacturing indicator is the Kansas City Fed Manufacturing Survey, a regional survey that identifies manufacturing activity, such as production and shipments, as well as price changes, of raw materials and finished goods. The seasonally adjusted composite index posted a reading of 1 in June 2020, an increase of 20 points from -19 in May 2020, and an increase of 1 point from June 2019, which was 0.

### **Trade, Transportation, and Utilities**

The Trade, Transportation, and Utilities (TTU) sector consists of the three main sub-sectors listed in its name. Within the trade sub-sector are wholesale and retail trade firms. Wholesale sells in large quantities to firms in the retail industry to resell to consumers. Wholesale trade consists of durable goods, items that can last for a considerable period of time, and nondurable goods, which are consumed immediately.

National retail sales are down 3.4% in the first half of the 2020, compared with the same period in 2019. Following shelter-in-place orders around the country, non-essential stores temporarily closed their doors. The greatest reduction in retail sales was in clothing stores and food service and drinking places, which have fallen 39.3% and 22.8%, respectively. Gasoline station retail sales have also fallen 17.2% through June 2020 from the same period in 2019. E-commerce and grocery store sales buoyed the dramatic drops in other industries, increasing 18.4% and 13%, respectively.

Overall, TTU employment in Colorado has shrunk 6% year-over-year (28,400 jobs) in June 2020. In Colorado, TTU is the largest employer, consisting of 17.2% of total employment. The industry is projected to decrease 13,000 (2.7%) in 2020. Industry real GDP increased 3.2% in 2019.

Retail Trade was one of the largest contributors to job losses in the state, resulting in a decrease of 30,400 jobs in March and April, combined. As lockdowns faded away to be replaced with Governor Jared Polis's Safer-at-Home guidelines, retail establishments began to recover. While retail employment added back 18,600 jobs in May and June, the sector remained down 13,100 (-4.8%) from June 2019. Throughout the state, reopening guidelines vary by community. Along the Front Range, businesses are opening their doors to 50% capacity, requiring face coverings and social distancing. By the end of May, mountain communities had also begun reopening.

Brick-and-mortar retail will experience a more difficult recovery, as Americans necessarily switched to e-commerce during lockdowns. E-commerce sales were already growing pre-pandemic, and COVID-19 acted as a catalyst, especially in this industry, where sales are up 25.3% year-over-year. Colorado retail sales have followed a similar pattern to that of the nation. National clothing stores sales fell 68.5% from April 2019 to April 2020, the largest year-over-year decrease of any industry. Gasoline stations sales decreased 40.5% year-over-year, combating the effects of the



pandemic and a sudden collapse in oil prices. Colorado taxable sales fell 18.9% in April 2020 compared to April 2019, and taxable sales in 2020 year-to-date are 1.6% less than the same period in 2019. These budgetary pressures will directly affect employment and services in communities across Colorado.

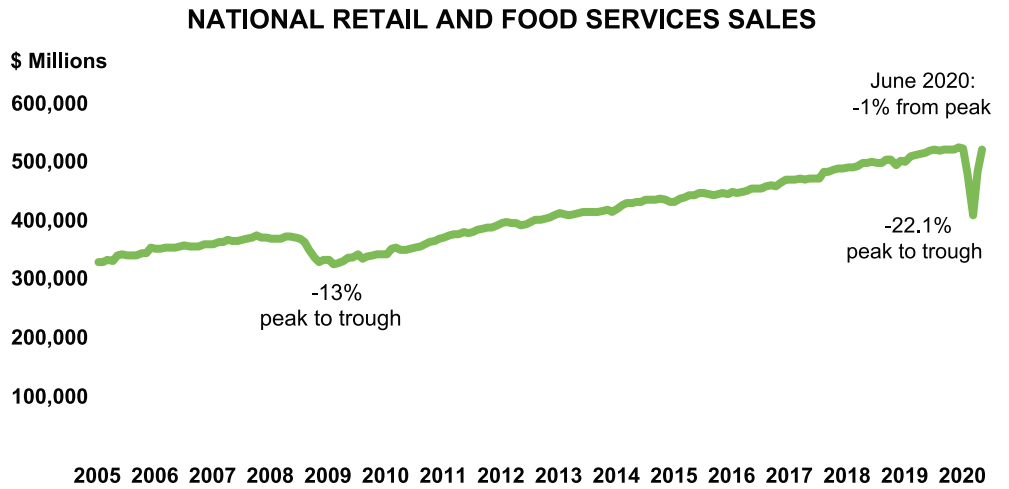
Meanwhile, Transportation and Warehousing employment in Colorado declined 9.5% (8,100 jobs) in June, the only subsector of TTU to lose more jobs relative to the nation. This loss is mainly driven by declines in air transportation, which fell 21.5% since January. In June 2020, passenger traffic at the Denver International Airport decreased 72.6% compared to the same period in 2019. There were 1,453 international passengers in June 2020, compared with 307,904 international passengers in June 2019.

As of July 13, 2020, 697,985 passengers went through TSA airport checkpoints in the United States, which is an 88.6% year-over-year decrease from last year's 2,615,115 travelers on the same day. For the week of June 22nd, Denver International Airport recorded 152,014 individuals through TSA checkpoints, the highest in the United States, outpacing other busy airports, including Los Angeles, Dallas/Fort Worth, and Atlanta. Year-over-year, Denver throughput has fallen 71%. Nationally, throughput is down 78% over the same period. Denver's TSA throughput growth has outpaced the nation, growing 13.5%, 28.1%, 15.1%, and 4.1% for each week of June.

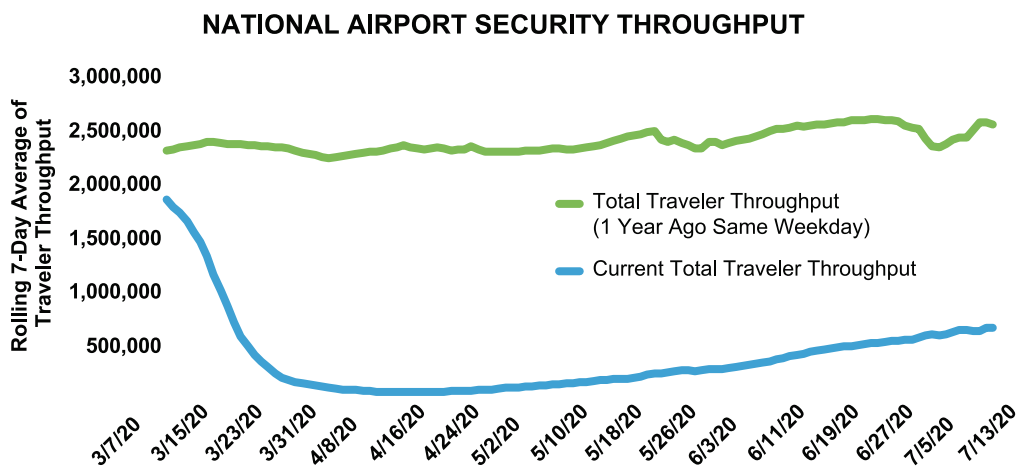
Consisting of only 1.9% of TTU employment, jobs in the Utility sector are relatively more stable. Xcel Energy, the premier energy provider in Colorado, is not disconnecting service to any residential customers during the pandemic.

## Information

Colorado Information employment increased 1.0% in 2019, and was down 2.4% year-over-year in June 2020, while national Information employment is down 10% year-over-year. The industry is projected to lose 400 jobs (-0.5%) for the year.



Source: U.S. Census Bureau.



Sources: Transportation Security Administration.

Even with the employment drop in May, the Information Sector has weathered the economic downturn well, with employment falling 2.4% year-over-year in June. By component, Telecommunications posted a 4.1% decline in employment, while Software Publishers increased 2.6% and Publishing employment increased 0.5%. Nationally, the Information Sector grew 0.8% last year, and is down 10% year-over-year in June 2020. Thus, Colorado is still leveraging comparative competencies in this key industry sector.

Industry real GDP grew 3.1% in 2018, 7.4% in 2019, and 1.8% year-over-year in Q1 2020. This continues an industry trend—over the past five years (since 2014), Information real GDP has grown 21.6% while employment has climbed 8%. Sector data through 2017 (most recent data available at the sector level)

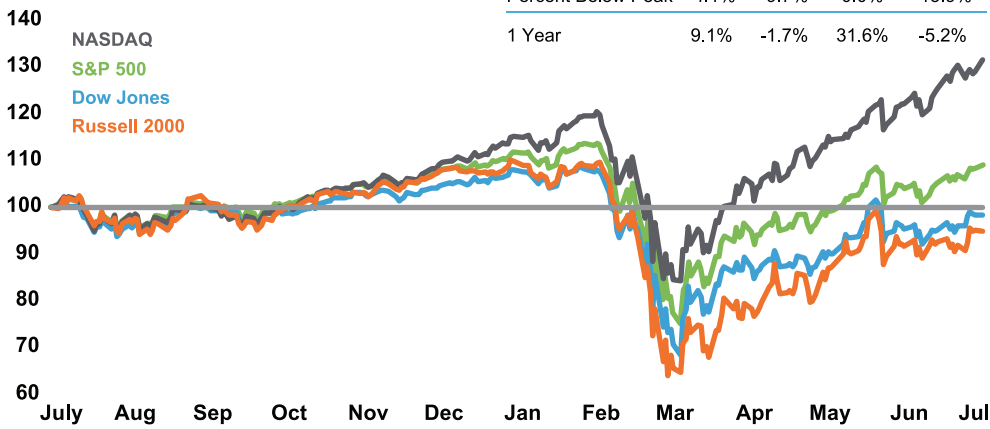
indicate real growth is coming from the Publishing Sector (including software) and the Data Processing, Internet Publishing, and Other Information Services Sector. The decline is in the Film and Broadcasting sectors.

Year-over-year growth was recorded in both small and large firms, but it appears that growth is still coming from the relatively new entrants—companies like Google and Zayo, versus IBM. Google stated in February that they have the capacity to double their Colorado workforce over the next few years. However, with the pandemic, they have moved to allow most employees to work from home, which could temper their employment growth in Colorado depending on how permanent it is.

Boulder-based Zayo Group was bought out by global investment firms Digital Colony and EQT Partners earlier this year

## 1-YEAR SECURITIES TRENDS

Indexed, July 19, 2019=100



Source: Yahoo! Finance.

in a deal valued at \$14.3 billion, which will take the company private.

### Financial Activities

Financial Activities employment grew 1.3% in 2019 and was down 1.7% year-over-year in June 2020. The industry is projected to decrease 2,900 jobs (1.7%) in 2020. Industry real GDP grew 2.2% in 2019 and fell 1.1% in Q1 2020.

The Financial Activities Sector includes establishments primarily engaged in financial transactions, as well as establishments engaged in renting and leasing, or otherwise allowing the use of tangible or intangible assets. In 2019, annual employment in Colorado increased by 2,200 jobs and experienced an annual growth rate of 1.3%. Employment has since declined in 2020, falling by 2,900 jobs year-over-year in June. The employment loss in June in this sector came from Real Estate and Rental and Leasing (-8.9%), while Finance and Insurance employment increased 1.8%. In 2019, this sector was responsible for 16.8% of Colorado's real GDP, but only 6.2% of employment.

Capital markets are experiencing a great deal of volatility in 2020 due to COVID-19. The S&P 500 dropped 34% from its record high in February to the March 23 low and is up 46.4% from the March low as of July 22. The NASDAQ followed suit, dropping 30% in March from the February high, but has since rallied over 56% from the March low to new record highs. While the NASDAQ

and S&P are positive in 2020 year-to-date through July, the Dow is still down for the year.

The economy and markets have been supported by the Federal Reserve to ease the pain of the COVID-19 pandemic. The Fed made two emergency rate cuts in March, setting short-term interest rates at the 0-0.25% level. The Fed has also announced other sweeping supportive measures including an open-ended commitment to purchasing corporate bonds, treasuries, and mortgage-backed securities, as well as establishing the Main Street Lending Program to support small and medium-sized businesses,

Interest rates have fallen to record lows in the U.S. and around the world in 2020. As of August, the 10-year government bond yield in the U.S. is 0.5%, still one of the highest yields in the world. Germany maintains a -0.55% 10-year government bond yield, the United Kingdom is at 0.07%, and Japan maintains a 0.0% yield. These low interest rates make it difficult for investors to make income and significantly impact profits in the banking industry. Mortgage rates hit record lows, with the 30-year fixed hitting 3.13% as of June 18, 2020, and are remaining steady at low levels, currently at 3.15% as of July 22.

The banking industry was hit hard due to the COVID-19 pandemic and record low interest rates. Earnings declined substantially, which could have a large impact on employment in the sector. Bank of America's earnings fell 45% in Q1 2020 and smaller banks saw even

larger declines. The banking industry is also bracing for large loan losses and the possibility of holding loans from the PPP program from entities that don't survive. According to the Federal Reserve, net income for commercial banks in the U.S. declined 71% in Q1 2020 year-over-year to levels not seen since 2010. Net income for commercial banks in Colorado was much less impacted, only declining 6.9% in Q1 year-over-year. Wells Fargo, Denver's largest bank by deposits, announced plans to potentially lay off tens of thousands of employees, according to a Bloomberg Law report. Meanwhile, the six largest banks have reserved \$36 billion in loan loss reserves, according to Barron's, a warning of the delayed recessionary effects on the economy.

Commercial banks in the U.S. have seen a record influx of deposits since COVID-19. According to the Federal Reserve, since the beginning of 2020 commercial deposits have increased by over \$2 trillion, or 16.2%, as of June 10. Total assets held in Colorado banks increased by 6.9% year-over-year in Q1 2020. The number of banking institutions has been on a steady downward trend in Colorado, decreasing to 67 in Q1 2020 from 69 in Q1 2019 and 74 in 2018.

Real Estate, Rental and Leasing Employment fell 8.9% year-over-year in June 2020. According to Dodge Data & Analytics, the value of Colorado residential construction year-to-date in June 2020 has decreased 2.7% from the same period in 2019. According to the Federal Housing Finance Agency (FHFA) all transactions index, Colorado housing prices have been increasing since 2012. In Q1 2020, Colorado's house price index grew 4.3% year-over-year; the house price index for the nation recorded 5% year-over-year growth.

Issues with rent and forbearance could have an impact on state and local governments. There is a lot of uncertainty as to what the value of commercial real estate is right now and the associated property taxes. If there is a decline in the value of commercial real estate, property taxes could decline and negatively impact state and local government revenues well into the future.

## Professional and Business Services

The Professional and Business Services (PBS) sector encompasses a diverse set of service industries, such as professional, scientific and technical services, which includes legal services, accounting, architectural services, computer and software design, and consulting. Services including waste management, building support, business support and employment services are also included in this sector. The PBS sector is the third largest employing sector in Colorado, with 437,300 employees in June 2020, making up 16.8% of total employment. The labor force in this sector, which is a jobs engine in Colorado, has a well-educated and adaptable nature, so many employees were quickly able to transition to working remotely during the pandemic. In June 2020, employment in this industry fell 0.4% year-over-year (1,600 jobs), and 2.6% year-to-date (11,900 jobs). The industry is projected to fall by 1,000 jobs (0.2%) in 2020. Industry real GDP grew 7.3% in 2019 and 5.3% in Q1 2020.

The Professional, Scientific and Technical (PST) industry, consisting of 242,900 jobs in June 2020 and 54.8% of total PBS employment, has weathered the pandemic better than other sectors in Colorado so far, observing employment increases of 3.3% year-over-year, and 0.4% year-to-date. This is especially impressive compared to the nation, where industry employment has suffered losses of 2.7% year-over-year in June and 4.1% year-to-date. Driving this growth is the architectural and engineering services industry, which has sustained growth of 6.2% year-over-year. Also within this industry is accounting services, which was deemed essential throughout the lockdowns. Within the research and development industries, employment nationally has grown 1.3% year-over-year in June 2020, and the subindustries focusing on nanotechnology and biotechnology have experienced increases of 13% and 4.4%, respectively.

Another industry within PBS is the management of companies and enterprises, which has contracted 3.1%

year-over-year in June. Employees in this industry are C-suite executives, who are well paid and relatively safe from layoffs within companies. Managers are hunkering down at the moment, planning conservatively, and waiting for more information to emerge before expanding operations.

Meanwhile, the Administrative and Waste Services sector has suffered the worst losses in the supersector, declining 5% year-over-year in June. Not only are jobs in this industry among the first to experience layoffs, they are also paid less than their counterparts in this sector. In 2019, despite making up 36.8% of PBS employment, Administrative and Waste Services consisted of only 19.5% of total wages. Employment in the employment services subsector has contracted 20.2% year-over-year in June. These jobs are mostly short-term contracts and are usually the first jobs to be let go. While business support service employment has also fallen, services to buildings and dwellings has increased 9.8% year-over-year in June, likely in response to the increase in cleaning and sanitation as a result of the pandemic. However, as businesses pull back from physical spaces, and renters renegotiate leases, these industries could begin to experience major changes in employment.

## Education and Health Services

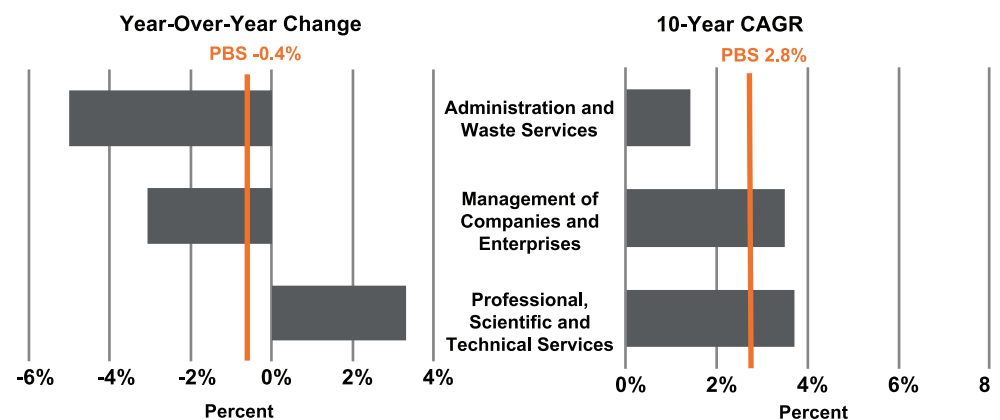
The Education and Health Services (EHS) Sector includes private-sector establishments that provide instruction

and training by private schools and universities, as well as establishments that provide health care and social assistance to individuals. Approximately 12.5% of Colorado's workforce is employed in the EHS Sector; the national average is 16.5%.

Education and Health Services recorded a year-over-year employment decline in June 2020 of 6%. Educational Services experienced a 5.1% employment decrease year-over-year, while Health Care and Social Assistance declined 6.2%. Industry employment is projected to decrease 10,100 (2.9%) in 2020. Industry real GDP grew 2.6% in 2019 and fell 0.6% year-over-year in Q1 2020.

Despite significant job losses in March and April, Health and Education Services employment shows signs of resilience relative to other sectors and a potential "V-shaped" recovery. In March, providers temporarily stopped performing non-emergent procedures, causing many hospitals and outpatient offices to experience serious losses. High costs related to COVID-19 patients, lost revenue from outpatient procedures, and a higher uninsured population left hospitals in a difficult financial situation. Rural hospitals that didn't experience spikes in COVID-19 patients were left virtually empty. Ambulatory health care services – which include physicians' offices, dentist offices, and other outpatient services – lost an estimated 31,800 jobs in March and April while hospitals lost 1,000 jobs.

### PROFESSIONAL AND BUSINESS SERVICE EMPLOYMENT BY SUBSECTOR June 2020



Source: Bureau of Labor Statistics.



Hospitals resumed performing these elective procedures in May, so their recovery is dependent on convincing patients of their safety moving forward. Preliminary estimates look somewhat promising as ambulatory health care services recovered 15,800 in May and June combined. Hospital employment fell in June.

An industry that had a notably sharp decline and recovery was dentistry. According to a survey done by the American Dental Association, by the week of April 6, 44% of dental practices were not paying any staff and only 11% were fully paying their staff. Additionally, 76% of practices were only seeing emergency patients and 18.9% were fully closed. However, dentistry has seen a notably strong recovery in June, with 62.9% of practices reporting being open with lower patient volume and 33.8% being open and “business as usual” during the week of June 15.

Specific maximum reimbursement rates were released for the Proposal for Affordable Health Care Option (HB 19-1004) on March 6 by the Colorado Department of Health Care Policy and Financing. The overall plan was expected to save Coloradans 10-15% on premiums and is in addition to other plan options available in 2022. The Colorado Senate also recently passed the Health Insurance Affordability Enterprise bill (SB-125),

which creates a 1% fee on premiums collected by nonprofit health insurers and a 2.5% fee on those collected by for-profit insurers. The bill is aimed to give financial support to qualifying individuals in order to increase the number of Coloradans who are able to buy health insurance on the individual market. Governor Polis signed the bill on June 30.

According to the Colorado Health Institute, Colorado’s Medicaid department estimated 563,000 more Coloradans will enroll in Medicaid between April and December 2020, which would be the biggest surge in enrollment in the state’s history. It is expected that most of these enrollments are individuals who were formerly privately insured, which reimburse hospitals at a much higher rate than Medicaid - something that could potentially have a long-term impact on hospitals.

Educational Services lost a combined 5,800 jobs in March and April but recovered 1,600 in May and June. The University of Denver, Colorado’s largest private university, experienced a \$21 million loss in unexpected expenses and lost revenue in FY 2020 but were able to cover the shortfall through the retainment of students in the spring term, the freezing of hiring and non-essential spending, and the delay of capital projects. Due to these efforts, the university only laid off 38 members

of its staff. DU is now evaluating how to manage its expected \$45 million budget shortfall in FY 2021.

Johnson & Wales University, a private university in Denver known for its culinary school, will close its doors permanently in the summer of 2021. Returning students will be able to attend their classes for the 2020-2021 school year, but those who haven’t graduated by then will be able to transfer to the university’s Providence, Rhode Island, or Charlotte, North Carolina, campuses or complete their degree online.

## Leisure & Hospitality

The Leisure and Hospitality Sector covers establishments in the tourism, travel, and recreational industries. The COVID-19 pandemic hit this sector especially hard, with an estimated 86,600 (-25.1%) jobs being lost year-over-year in June 2020. In June, this sector employed 9.9% of Colorado’s total workforce. Industry employment is projected to decrease 76,700 (22.3%) for the year. Industry real GDP grew 0.1% in 2019 and fell 9.1% year-over-year in Q1 2020. The sector accounted for 4.5% of Colorado’s real GDP.

On June 1st, Governor Polis issued an executive order that transitioned the statewide stay-at-home order to a “safer at home” order, a welcome first step in lifting restrictions that have heavily affected the Leisure and Hospitality sector. Combined March and April job losses totaled 161,200 but saw a rebound in May with a gain of 33,600, then 40,600 jobs in June.

One Colorado industry hit particularly hard by the pandemic is the ski industry. By the time the stay-at-home order was announced on March 15, all Colorado ski resorts were forced to close. Pitkin County, San Miguel County, Summit County, and Eagle County are all home to major ski resorts and have a significantly higher concentration of Leisure and Hospitality workers than the rest of the state, with Pitkin and Summit having shares as high as 39% and 41.1% of total employment, respectively. Consequently, these four counties record some of the highest unemployment rates.

Examining the industry's giant, Vail Resorts, the company furloughed its hourly employees shortly after the lockdown and observed a 48.1% year-over-year decline in net income in the first quarter of 2020. Vail, however, has taken an interesting approach heading into the upcoming season, offering free pass insurance to all of its Epic Pass holders which "provides refunds associated with certain personal events, including illness, job loss, and injury," and protects against resort closures, including those pertaining to future COVID flairs.

According to the National Park Service, recreation visits to Colorado's national parks totaled nearly 7.8 million in 2019, a 2.5% increase from 2018. However, Colorado's national parks weren't immune to lockdowns either; all were forced to close by mid-March including Rocky Mountain National Park which attracted 4.7 million visitors last year – the third most visited national park in 2019. Rocky Mountain National Park reopened June 4th using a reservation system to limit the spread of the virus with most other Colorado national parks following suit.

Unlike the National Park Service, Colorado's state park lands remained open during the various stay-at-home and safer-at-home orders. Even though visitor centers were closed for several weeks, Colorado state parks saw a noticeable increase in visitation; up almost 30%, or 2.5 million visitors for the first six months of 2020. Additionally, fishing license sales to Colorado residents were up 88% or 580,000 resident fishing licenses for the first six months. Local open spaces, county parks and municipal parks have also reported record numbers of visitors. It's unknown, however, the effect the increases in outdoor recreation had on the economy as many restaurants, retail locations, and other area attractions had minimal operations during parts of the pandemic.

Food services and drinking places experienced a sharp decline in employment, losing a combined 104,600 jobs in March and April (-44.4%). According to data gathered by the U.S. Census Bureau, national sales at food services and drinking places fell 22.8%

in June year-to-date, compared with the same period in 2019, a decline of more than \$80 billion. Sales rebounded slightly in May and June, however, increasing 31.5% and 20%, respectively, but are still 26.3% lower than sales in June of last year.

The Paycheck Payment Program established by the CARES Act is intended to support small businesses and their employees by providing up to 24 weeks of payroll costs, which has been especially pertinent to restaurants. The funds can also be used for mortgage interest, rent, and utilities, but 60% of the loan amount is required to be spent on payroll. Another important requirement is that the employer must maintain the same number of employees through the 24-week duration. According to the National Restaurant Association, nationally, 84% of surveyed restaurants received loans through the Paycheck Payment Program and 78% reported that "the funding would not be enough to keep all their employees on the payroll until sales are enough to cover labor costs in the weeks or months ahead."

According to the FAA, Denver International Airport ranked as the fifth-busiest airport in the nation in 2019, with a record-setting 64.5 million passengers. However, total passenger traffic dropped precipitously in March and April, declining 45.1% and 94.3% year-over-year, respectively. That said, passenger traffic nearly tripled from just 299,000 passengers in April to 1.75 million in June, but is still down 72.6% compared to the previous year.

### Other Services

The Other Services industry includes automotive repair, car washes, nail salons, barber shops, religious organizations, funeral homes, grantmaking foundations, and labor unions, and others. This industry recorded a decrease of 10,900 jobs (-9.6%) in June year-over-year. It is projected to decline by 4,700 (-4.1%) for the year, with a modest recovery from the reopening of the economy. Industry real GDP grew 0.5% in 2019 and fell 3.7% year over year in Q1 2020.

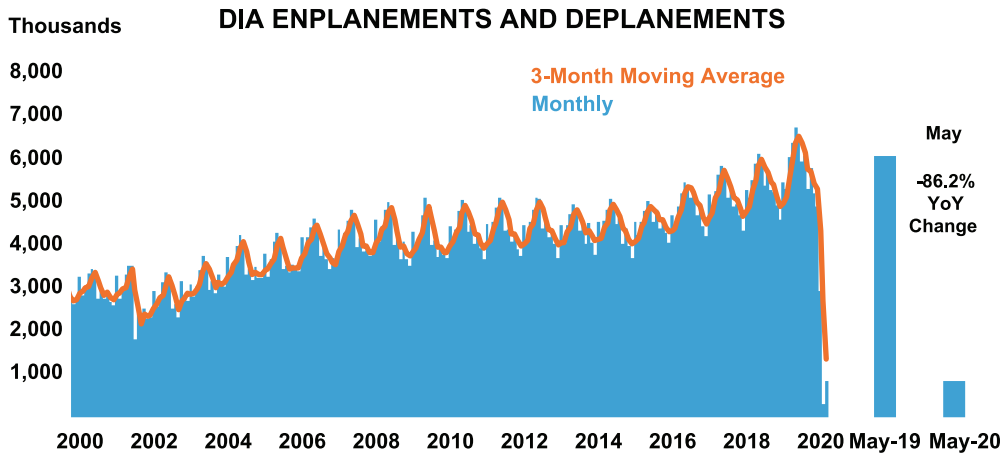


### Government

Government employment grew 2.1% in 2019 and was down 3.6% year-over-year in June 2020 as federal and state government gained jobs and local government lost jobs. Employment is projected to decrease by 9,100 jobs (2%) for the year. Industry real GDP grew 2.1% in 2019 and increased 2.1% year-over-year in Q1 2020.

The Government supersector comprises federal, state, and local government, including higher education institutions and public schools. In June 2020, the Government Sector employed 437,000 individuals, a year-over-year decrease of 3.6%. The annual decrease came from an 8.9% decline in local government employment, while state government increased 5.5% and federal government increased 1.7%. The industry accounted for 16.3% of total Colorado employment in 2019.

The local government subsector includes city, county, school, and special district employees. Local government experienced a year-over-year decrease in total employment, falling 8.9% to 247,800 in June. The large decline in local government employment has been driven by cuts and furloughs due to the COVID-19 pandemic. According to an



Source: Denver International Airport.

April BizWest article, the City of Fort Collins furloughed approximately 600 part-time employees, the City of Boulder furloughed 737, Loveland furloughed 280 employees, and Broomfield furloughed 235 city and county employees. The City of Denver has mandated its employees to take eight unpaid furlough days by the end of the year, and the City of Colorado Springs is in talks to declare a fiscal emergency, clearing the path to end contracts with employees, especially in local school districts.

Further cuts in city government employment across the state will most likely be observed as city governments face budget cuts stemming from decreased tax revenues. The National League of Cities estimates a \$4.5 billion loss in tax revenue in the coming years for the 270 municipalities across Colorado, with a \$1.7 billion loss in 2020 alone. Approximately 50-80% of gross revenues and operational budgets for municipalities come from retail and restaurant establishments, which have been hit especially hard due to COVID-19. May tax collections were down 9.7% year-to-date, with sales tax collections down 6.1% and use taxes down 45.3%. Denver is looking at an approximate \$226 million budget shortfall, Ft. Collins is seeing a \$50 million drop in revenues, and Steamboat Springs saw a 30% drop in its tax revenues in March alone. Resort towns were some of the hardest hit areas as statewide stay-at-home orders went into effect in mid-March, and March is their most profitable month.

The federal government subsector includes such agencies as the

Department of Defense, the National Park Service, federal courts, federal laboratories, and other institutions managed and funded by the federal government. Federal government employment totaled 53,900, recording a year-over-year increase of 1.7% in June 2020. Federal government employment in Colorado has been bolstered by the hiring of employees to conduct the 2020 Census.

The state government subsector includes state agencies and departments, such as the Colorado Department of Transportation and the Colorado Department of Regulatory Agencies, and public universities. State government employees include a vast array of professions, such as state patrol officers, university professors, and park rangers, and janitors. As of June 2020, state government employed 135,300 individuals, an increase of 5.5% year-over-year.

To address a \$3.5 billion shortfall, Colorado lawmakers made a series of drastic spending cuts and finalized a \$30.3 billion state budget battered by the coronavirus and the paralyzed economy. The \$3.5 billion budget cut represents approximately 25% of the discretionary money in the general fund, and contains large cuts to certain programs, including an approximate \$1 billion cut to education. While state and local governments received help from the CARES Act, they are still looking for more rounds of federal stimulus that can support lost revenue. Ultimately, until a broad reopening of businesses and consumer spending returns, the state will be facing significant tax revenue shortfalls.

## International Trade

After a sluggish year in 2019 – as the world adjusted to a shifting U.S. foreign policy, a trade war between the two largest economies, and increasing geopolitical risks in advanced economies in Asia and the Middle East – international trade began in 2020 with moderate growth, before being derailed by the COVID-19 pandemic.

According to data from the BEA and U.S. Census Bureau, U.S. exports in goods and services dropped 4.4% from April to May 2020 and imports fell 0.9%. These declines followed 20.5% and 13.7% decreases, respectively, from March to April – the largest declines since record keeping began. Transportation services and travel have led the decline in services trade in the first half of 2020, with exports falling year-to-date 33% and 41%, respectively, and imports falling 33% and 53%, respectively. National goods trade was led down by double-digit year-to-date declines in capital goods and industrial supplies, with crude oil, industrial machinery, aircraft, and motor vehicles experiencing particularly large decreases for both exports and imports. Crude oil and petroleum products have had a particularly difficult Q1 in 2020 due to a production disagreement between OPEC and Russia at the start of the year (which threatened to create a global supply glut) and the widespread use of travel restrictions to curtail the spread of the pandemic (which severely reduced demand). The nation's top five trading partners in 2019 were Mexico (14.8% of total trade), Canada (14.8%), China (13.5%), Japan (5.3%), and Germany (4.5%).

Colorado goods exports increased 3.4% in 2018 and declined 2.8% in 2019. In May 2020, Colorado exports fell 9.5% from April, following a 20.6% drop from March to April. Year-over-year declines in these months were extreme, reaching 22.1% and 29.1%, respectively. Despite these large declines, May year-to-date exports were 6.4% higher than the same period in 2019, due to two shipments of large-scale aerospace products in January and February – absent those, YTD exports would be down by about 8% to 10%. Colorado exports vary widely

## COLORADO RANKING AMONG OTHER STATES

Metric	1-Year	3-Year	5-Year	10-Year
<b>Real GDP Growth</b>	7	5	6	6
<b>Employment Growth</b>	18	9	8	4
<b>Population Growth</b>	7	7	8	3
<b>Personal Income Growth</b>	23	4	8	2
<b>PCPI Growth</b>	39	5	13	NA
<b>PCPI</b>	11	13	13	NA
<b>Average Annual Pay % Growth</b>	5	5	8	13
<b>Average Annual Pay</b>	9	11	13	11
<b>Unemployment Rate*</b>	35	14	7	27
<b>Labor Force % Growth</b>	10	3	3	3
<b>LFPR</b>	5	5	9	14
<b>FHFA Home Price Index Growth</b>	17	9	5	2

Sources: Bureau of Economic Analysis (Q1 2020), Bureau of Labor Statistics (5/20), U.S. Census Bureau (2019), Bureau of Labor Statistics (Q4 2019), Federal Housing Finance Agency All Transactions Index (Q1 2020), BRD calculations. Note: 3-year, 5-year, and 10-year are based on the compounded annual growth rate. \*Unemployment rate for the last month.

from month-to-month in response to seasonal demand, countries' currencies, and market attitudes.

Colorado's top five goods export markets in 2019 were (in order): Canada (17.8% of total), Mexico (13.1%), South Korea (6.7%), China (6.5%), and Malaysia (5.8%). Of these, South Korea and Malaysia were the only countries to see export growth in 2019, with 9.7% and 19.4% growth, respectively. Exports to Canada fell 0.1%, exports to Mexico fell 15.6%, and exports to China fell 9.2% year-over-year in 2019.

May 2020 year-to-date goods exports to Canada decreased by 7.8%; May saw a year-over-year decline of 18.5% following a 31.2% decline in April. Exports to Mexico year-to-date through May 2020 were down 12.6%, after year-over-year declines of 33.6% in April and 47.5% in May. South Korea emerged as Colorado's 3rd-largest export market in 2019, overtaking China. Exports to South Korea through May 2020 year-to-date were up 2.8% compared to 2019; while down 11.4% year-over-year in April and 40.0% in May. Exports to China were down 19.9% year-to-date through May 2020, while exports to Malaysia were up 14.2% (though May saw a year-over-year decline of over 60%).

Colorado's top four goods exports in 2019, accounting for about 63% of the total value of Colorado exports, were (in order):

- Computer & Electronic Products
- Food & Kindred Products
- Machinery, except Electrical
- Chemicals

The majority of Colorado exports declined year-to-date; however, there were large increases in a few categories. Exports of Computer & Electronic Products increased by 67.5% year-to-date compared to 2019; Food & Kindred Products increased 8.7%; Machinery, except Electrical increased 7.5%; and Transportation Equipment increased 38.5%. Exports of Chemicals are down 17.3% year-to-date, exports of Minerals & Ores are down 53.4%, and exports of Livestock & Livestock Products are down 49.6%.

Colorado imports declined 2.9% in 2019 year-over-year, and were down 13.9% through May 2020 year-to-date.

In April, imports contracted 28.5% year-over-year and in May they contracted by 36.3% year-over-year. The top three countries that Colorado imports from are (in order): Canada (28.5%), China (13.4%), and Mexico (11.6%).

Total imports from Colorado's top trading partners have followed suit with the decline seen in the nation's imports. The value of imports from Canada declined 4.8% in 2019, and were down 27.9% year-to-date through May 2020. Imports from China declined 12.5% in 2019, and were down another 17.7% year-to-date through May 2020. While China has remained Colorado's second largest import market, imports from the country have declined the last four years. The value of imports originating from Mexico slid 0.3% in 2019 year-over-year, and were down 21.6% year-to-date through May 2020. Imports from Mexico have declined the last five years.

State level data for international trade in services is not published by federal statistical agencies. Third-party vendors, who use proprietary methodologies to estimate volumes, would suggest that Colorado's services exports are about twice the volume as its goods exports. A large portion of this is likely travel and tourism, given passenger counts at Denver International Airport (DEN, the 5th busiest airport in the nation) and the strength of the tourism and outdoor recreation sectors in the state. Given the

national reductions in these exports and recent passenger counts at DEN and related data – which are about 80% to 90% lower than the previous year – it is likely that services exports for Colorado are greatly reduced from 2019 and typical volumes.

The increase in U.S. tariffs and retaliation from trade partners raise concern for international trade and the U.S. economy in the coming years. The ongoing trade talks with China have resulted in a Phase I trade deal, but the next phases have yet to be negotiated. Large changes in the trade landscape stemming from negotiations could hinder Colorado exports to the country as they are the state's 4th-largest export market. The impact of trade uncertainty on Colorado trade is clear as both imports and exports decreased, especially from Canada, China, and Mexico—all top trade partners of Colorado. USMCA went into effect on July 1, 2020 as well, which could continue to change the international trade landscape within Colorado. As trade tensions continue to rise among U.S. trade partners, lockdowns remain in effect around the world, and tariffs continue to be mounted and retaliated against, both the United States and Colorado will likely continue to see a decrease in both imports and exports.

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