



ColoradoCast

ECONOMIC FORECAST Q1 2023

A STATEWIDE 6-MONTH ECONOMIC FORECAST
FROM THE COLORADO FUTURES CENTER

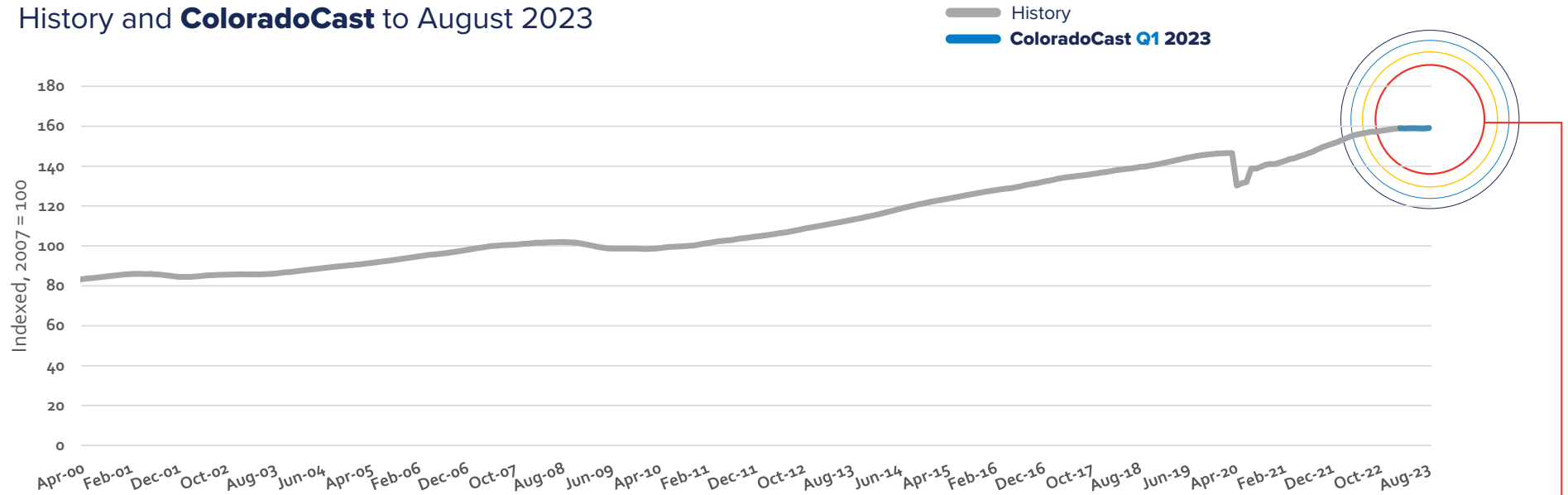


**COLORADO
FUTURES CENTER**

 **CSU SYSTEM**
COLORADO STATE UNIVERSITY

Colorado Economy

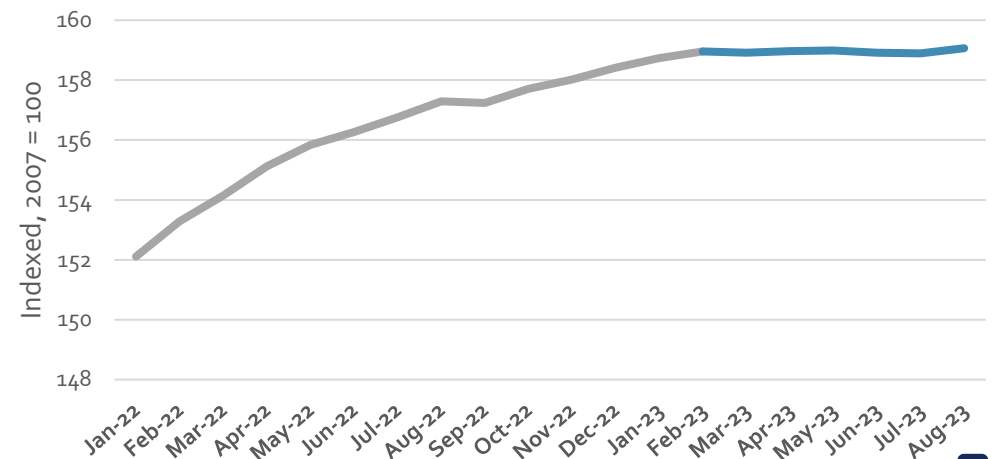
History and **ColoradoCast** to August 2023



Consistent with the increasing concerns about the US economy, the first quarter ColoradoCast shows modest but increasing weakness in the Colorado economy. While the ColoradoCast shows the state’s economy ending 2022 with continued but slowing economic growth, the projection through August 2023 is for no or slightly negative growth in most month over month periods until the late summer. At the end of the forecast period (August 2023) the ColoradoCast projects a return to slightly positive growth. However, the increased volatility around zero growth, coupled with the increasing number of months with projected annual declines suggests increasing uncertainty around the Colorado economy’s ability to avert a mild recession.

Colorado Economy

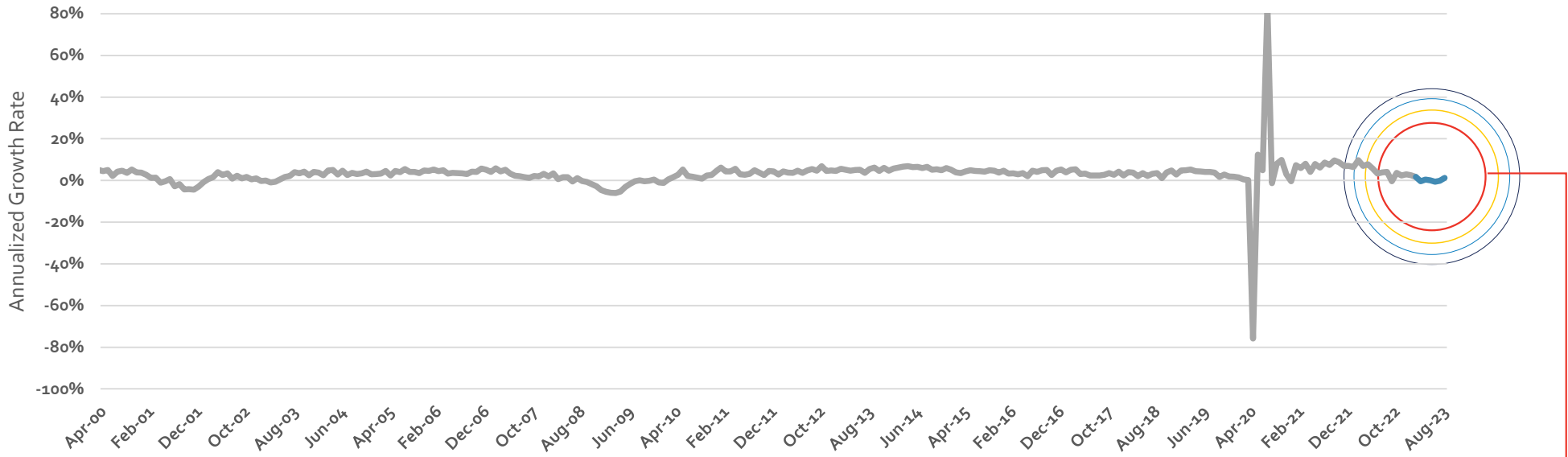
Highlighting the Current Year 



Annualized Growth Rate

History and ColoradoCast to August 2023

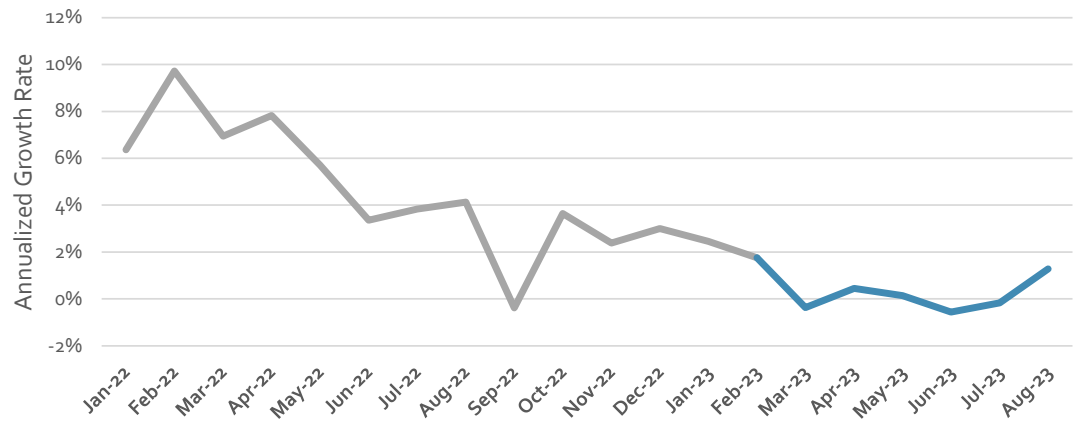
— Annualized Growth Rate History
 — Annualized Growth Rate ColoradoCast



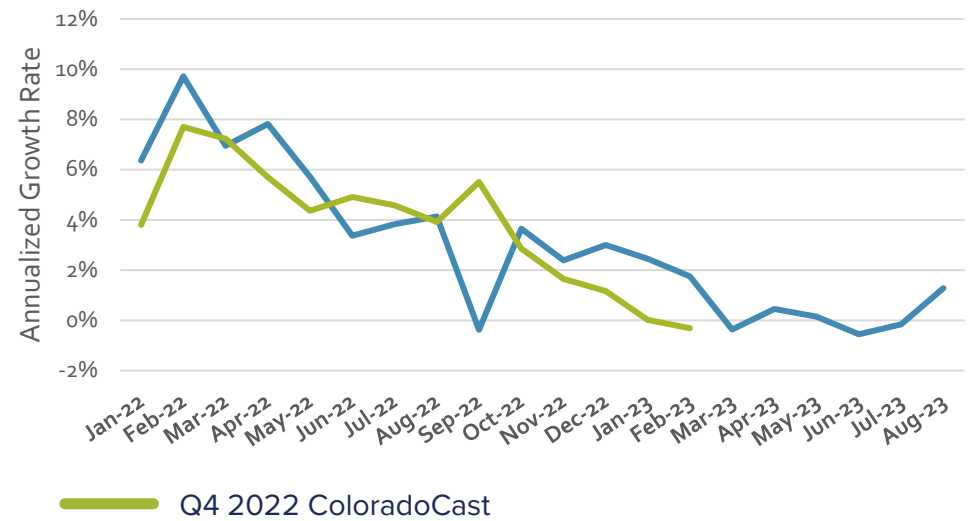
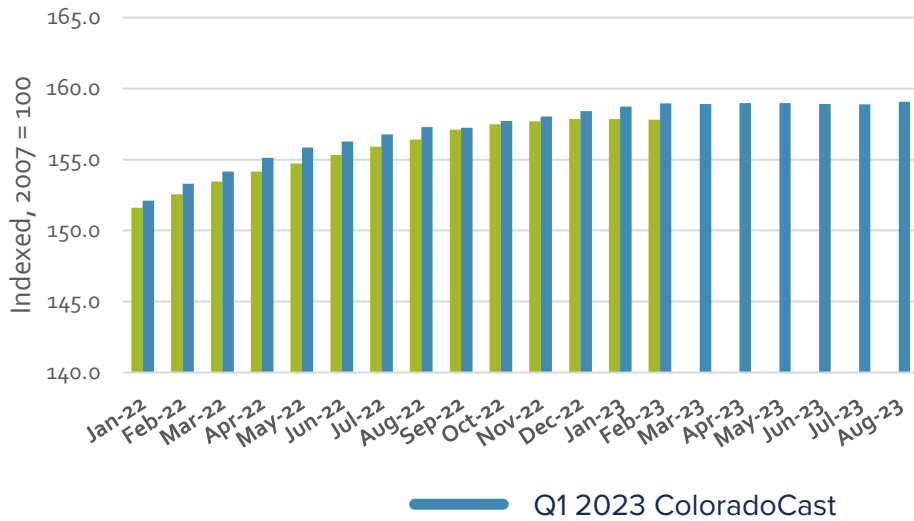
WITH THREE FORECAST MONTHS WITH NEGATIVE GROWTH, THIS COLORADOCAST SUGGESTS INCREASING RISK OF A MILD RECESSION.

Annualized Growth Rate

Highlighting the Current Year



Forecast Comparison: Colorado Economy and Annualized Growth Rate



Compared to the fourth quarter 2022 ColoradoCast, the current model shows increasing volatility and weakness. Continued declines in the housing price index and a deeper inversion of the yield curve are driving the weakness in the model. At the same time, these drivers are being offset by recent gains in equity markets (the Wilshire 5000) and the slight closing of the corporate risk spread. These offsetting effects on the forecast are resulting in economic growth hovering alternatively above and below zero and are contributing to the increasing levels of uncertainty and volatility in the ColoradoCast.

Factors Driving the ColoradoCast

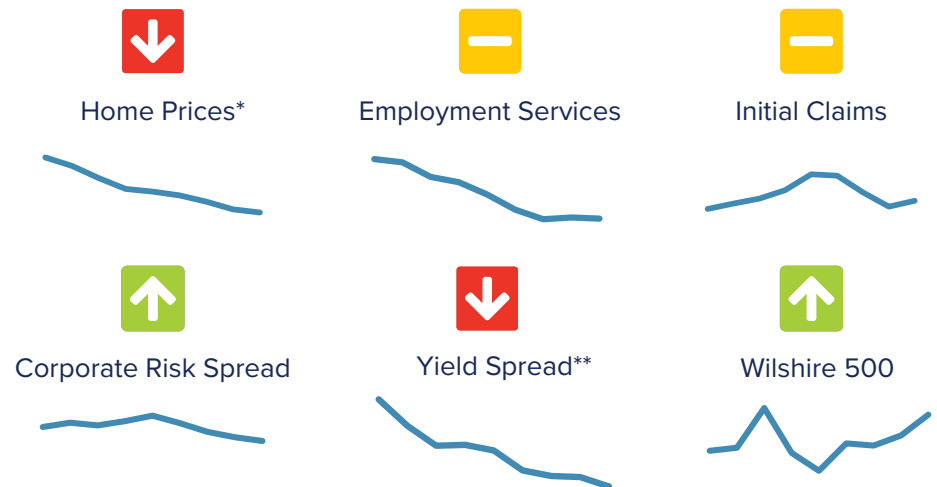
The thumbnail graphics show the mid-2022 through February 2023 pattern of the variables used to model the ColoradoCast.

*Home prices include forecast values for the month of February 2023

**The yield curve (ten-two spread) inverted in July 2022

Impact on last month of **ColoradoCast**

↑ Positive
 ▬ Neutral
 ↓ Negative





The **ColoradoCast** is a short-term (approximately 6 months ahead) economic forecast for the Colorado economy developed by the Colorado Futures Center. It is designed to forecast a well-known contemporaneous measure of statewide economic activity, the Coincident Economic Activity Index for Colorado, developed by the Federal Reserve Bank of Philadelphia. The Coincident Economic Activity Index includes four indicators: non-farm payroll employment, the unemployment rate, average hours worked in manufacturing and wages and salaries. The trend for the index is set to match the trend for gross state product.

The **ColoradoCast** predicts the value and annualized growth rate in the coincident index using six factors whose predicted relationship with economic activity are as follows (relationship in parentheses): the yield curve measured by the spread between two and ten month treasuries (positive), the risk spread between high quality corporate and ten year treasury returns (negative), employment in the employment services sector (positive), housing prices as measured by the Case-Shiller index for Denver (positive), initial claims for unemployment insurance (negative), and the value of the Wilshire 5000 stock index (positive).

The **ColoradoCast** is released quarterly for the months of February, May, August and November.

Thank you to Steven Fisher, PhD for his collaboration on the initial development of the ColoradoCast.

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