

Big Changes, Unknown Impacts

Grand Junction Area Chamber of Commerce



Richard Wobbekind

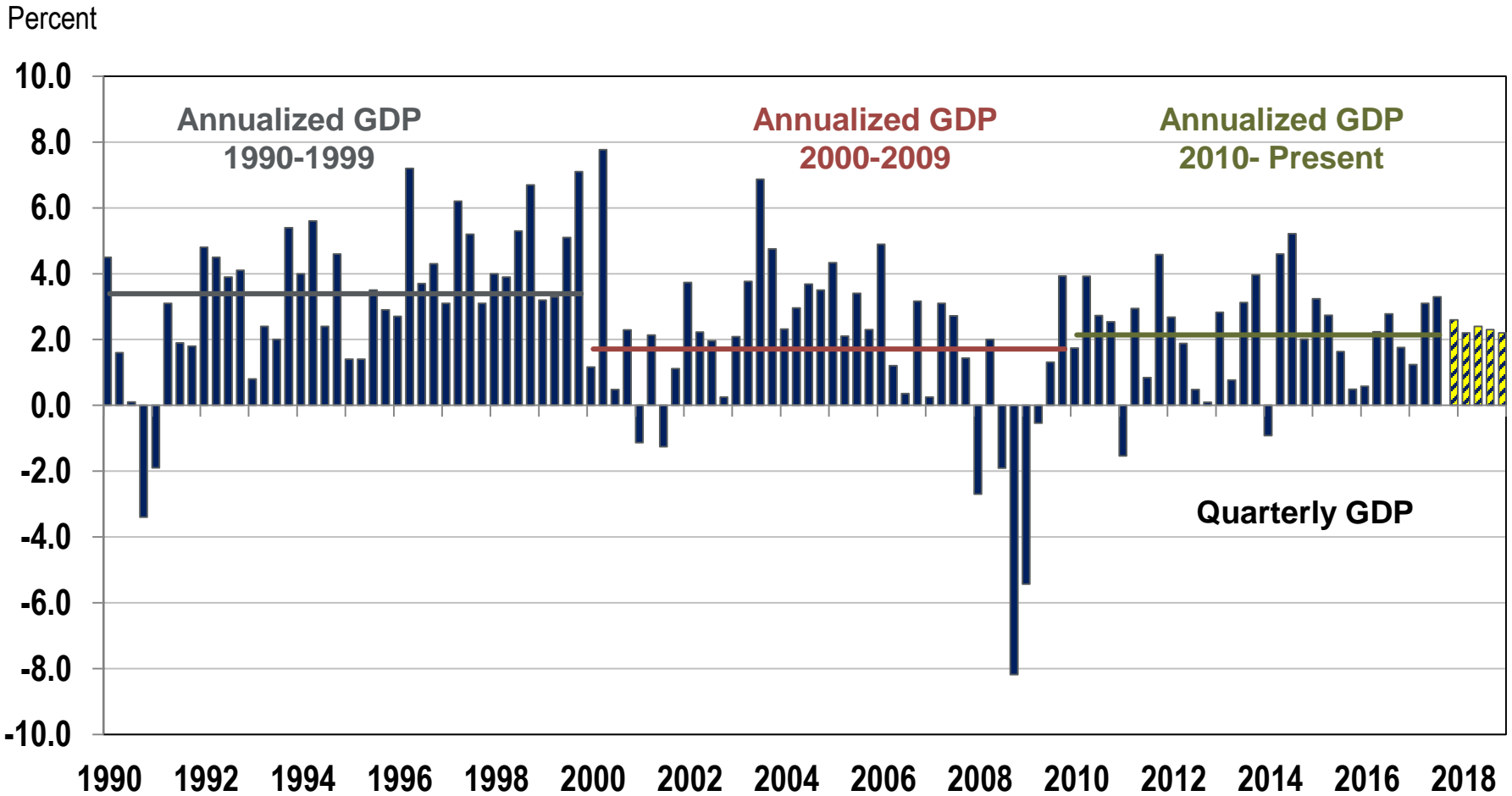
Senior Economist and Associate Dean for Business and
Government Relations

December 18, 2017



Real GDP Growth

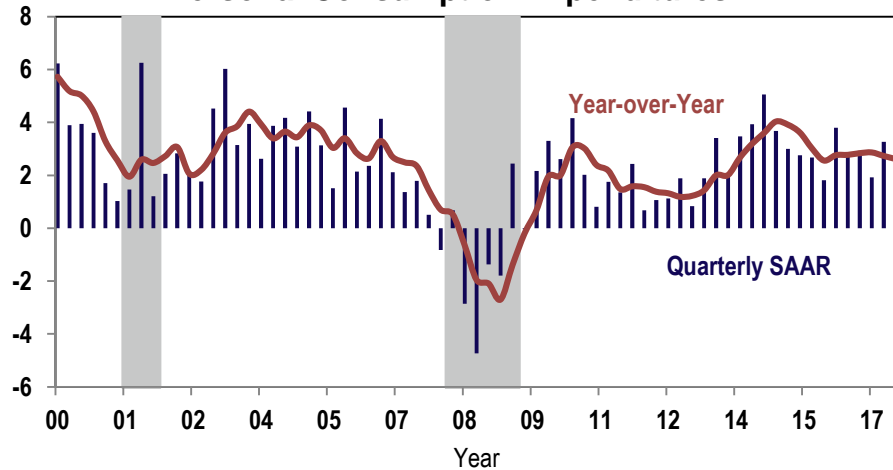
Quarterly and Annualized Real GDP 1990-2017



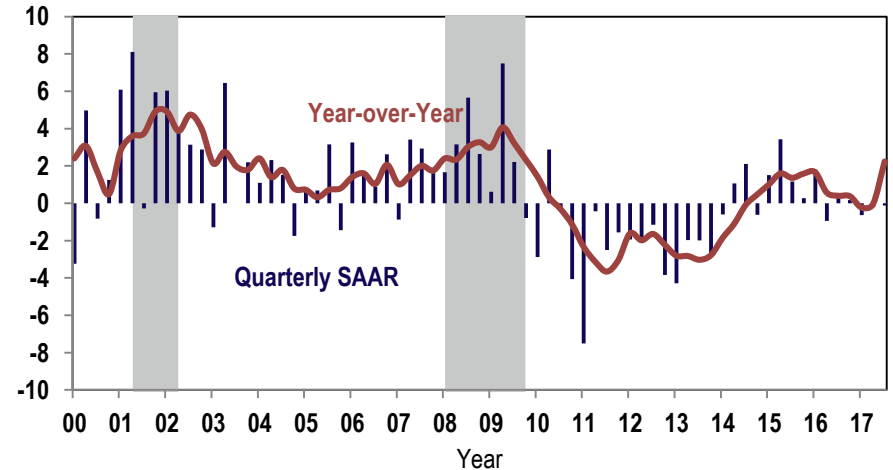
Sources: Bureau of Economic Analysis and December 2017 Consensus Forecast.

Economic Growth

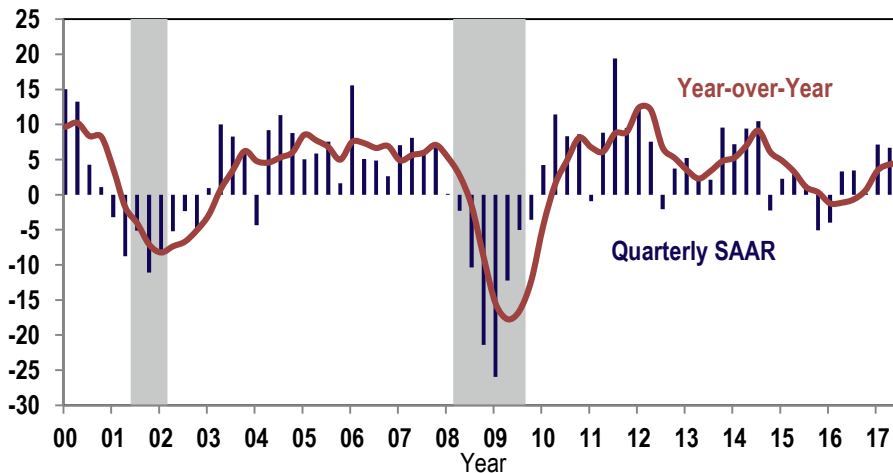
Percent Change **Personal Consumption Expenditures**



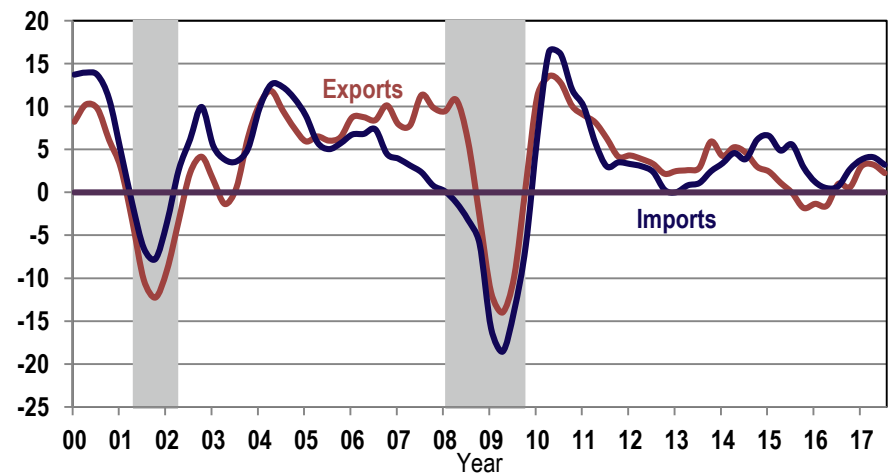
Percent Change **Government Spending**



Percent Change **Fixed Business Investment**



Percent Change **Net Exports**

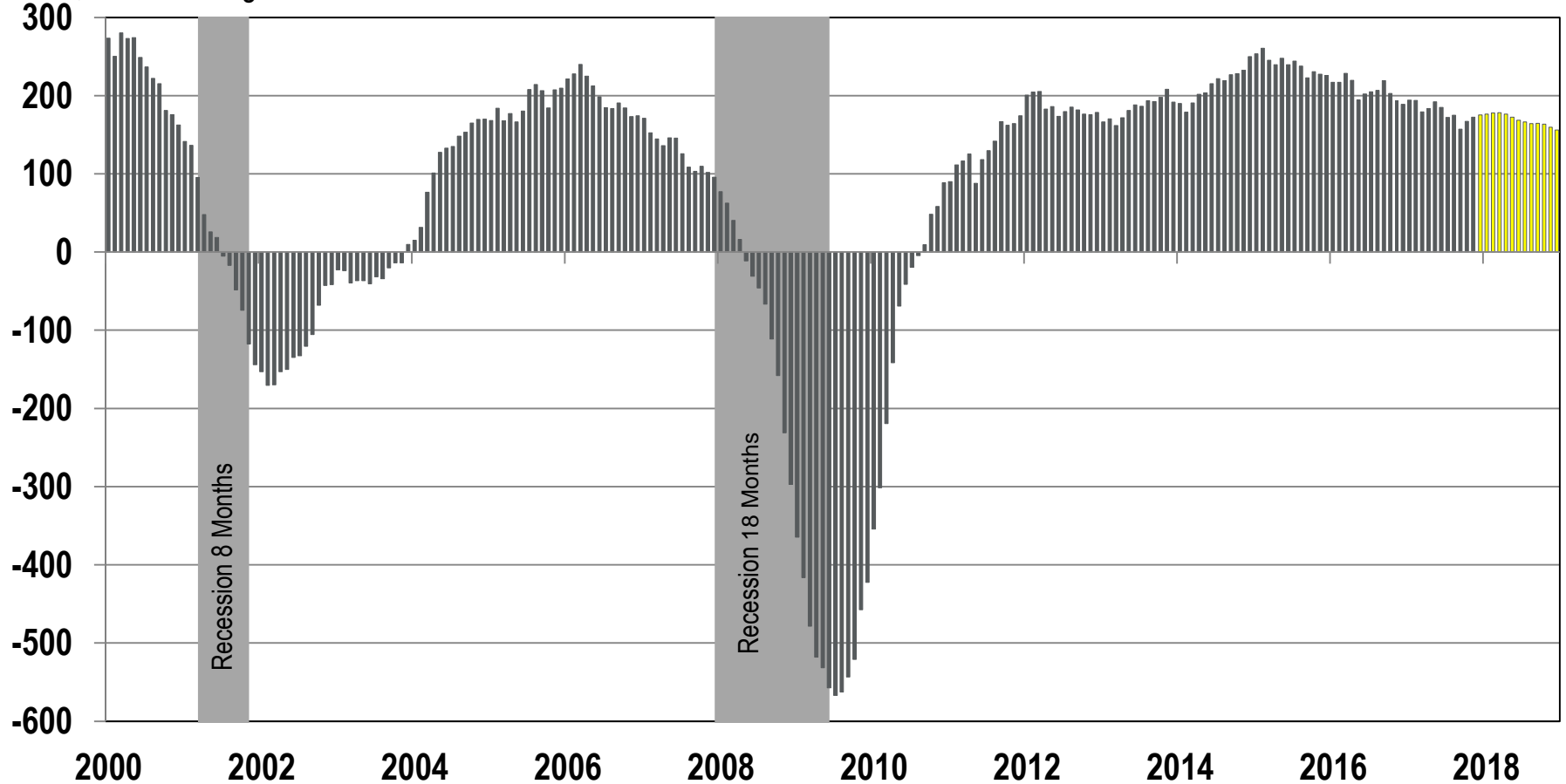


Sources: Bureau of Economic Analysis, the National Bureau of Economic Research, and the Business Research Division.

National Employment

Month-over-Month Change, 12-Month Average

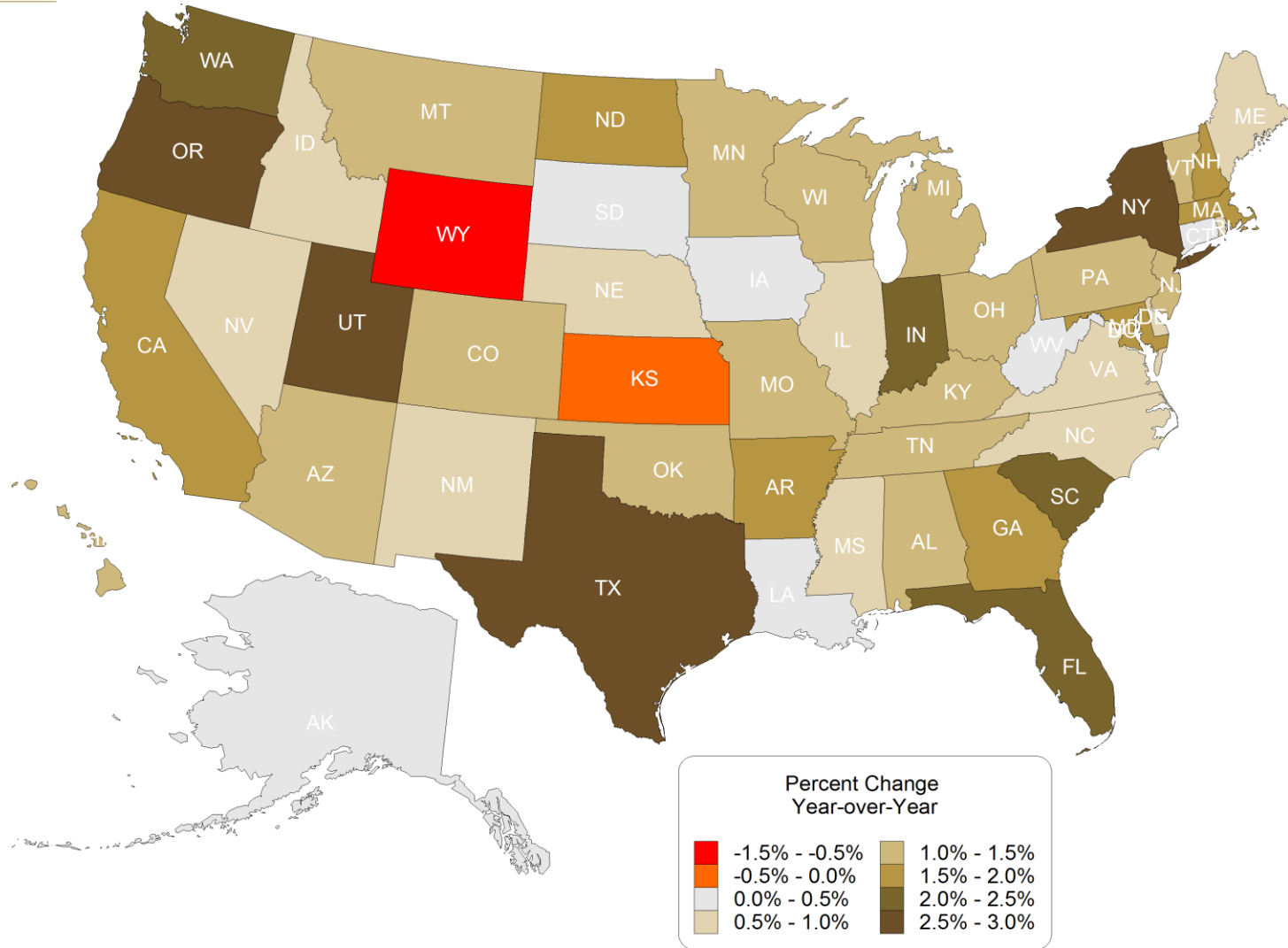
Thousands, Month-over-Month, 12-Mo Average



Sources: Bureau of Labor Statistics (Seasonally Adjusted), Moody's Analytics, and NBER.

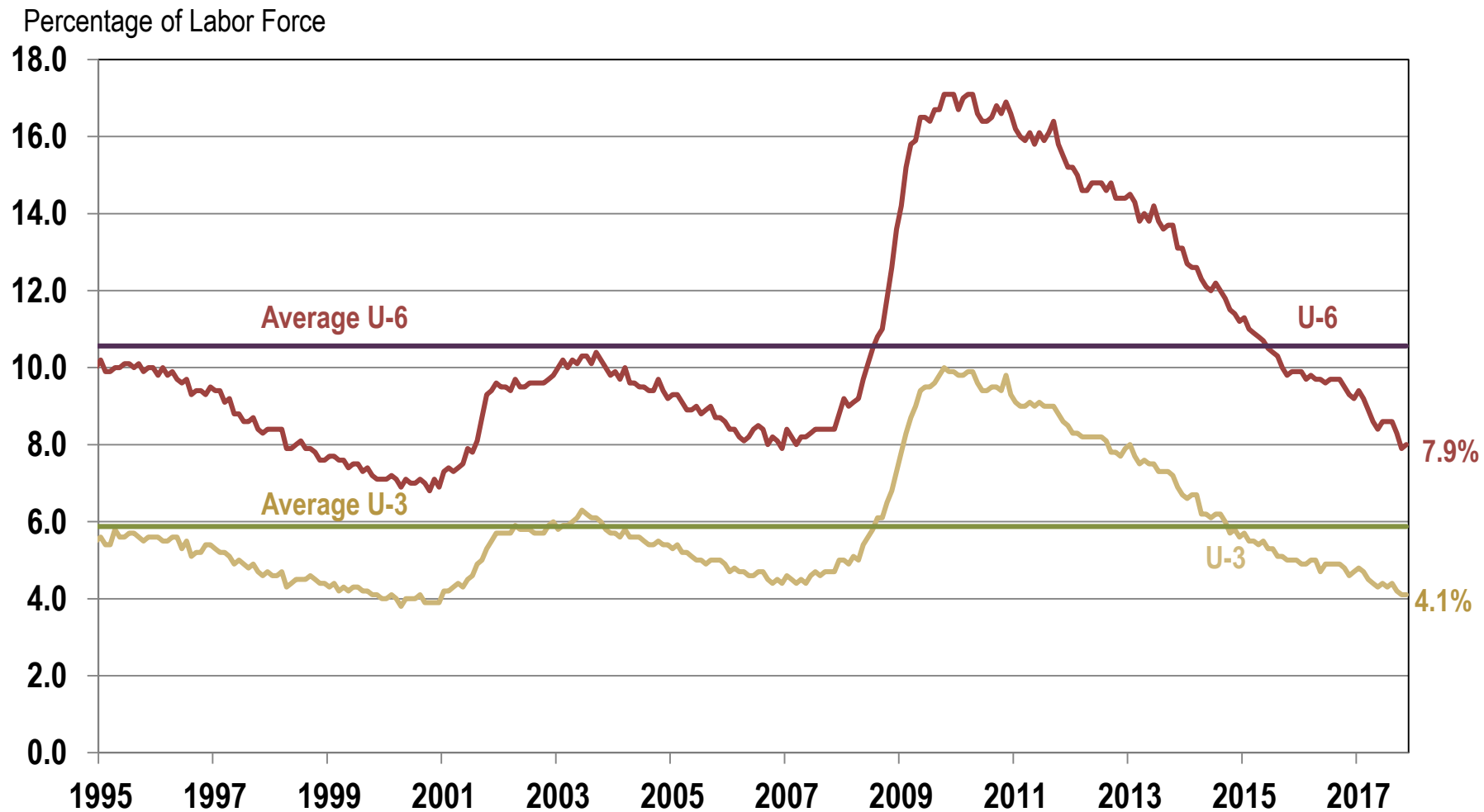
State Employment Growth

Year-over-Year October 2017



Source: Bureau of Labor Statistics (Seasonally Adjusted).

Labor Underutilization

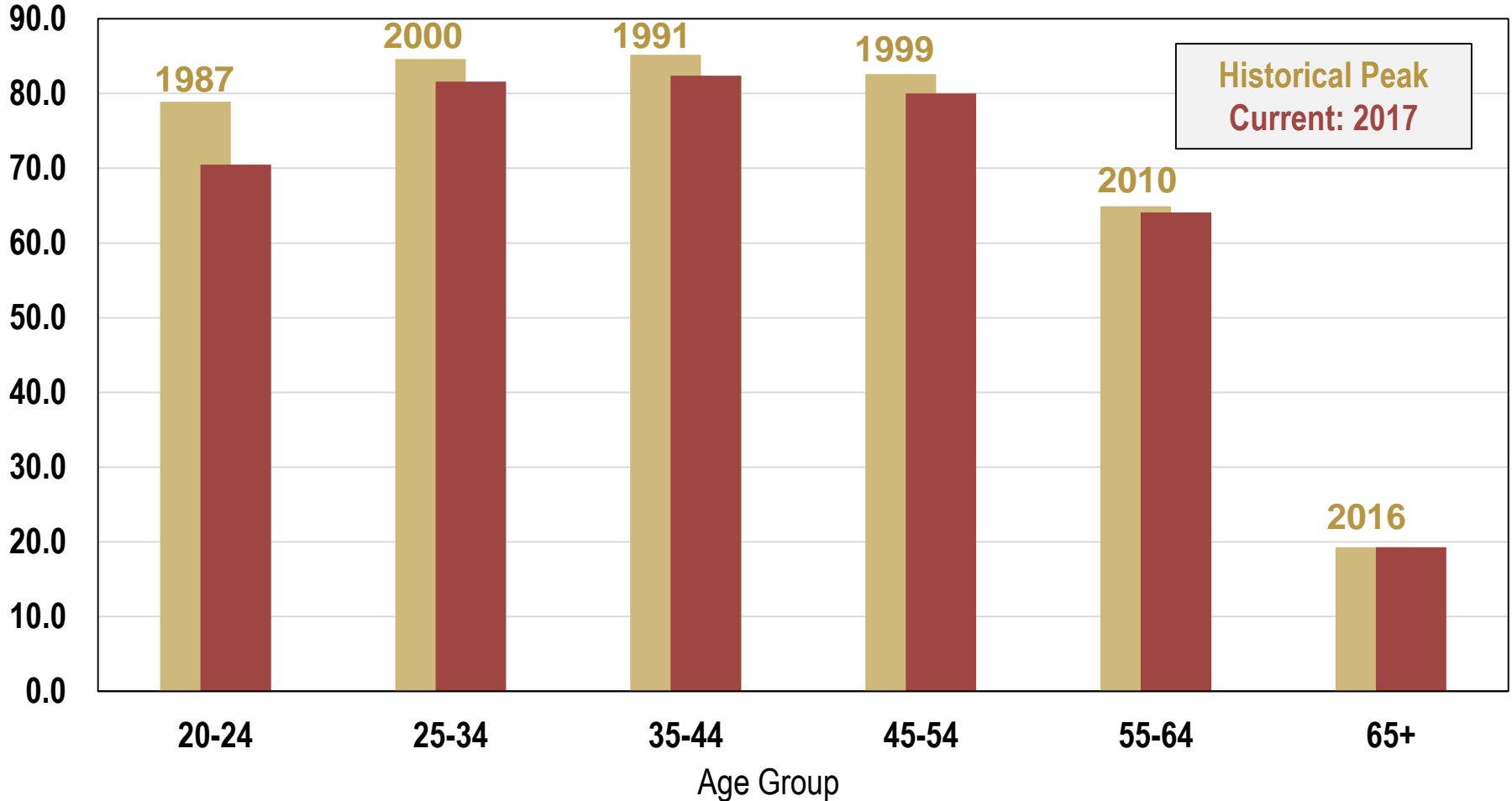


Source: Bureau of Labor Statistics (Seasonally Adjusted).

Labor Force Participation Rates

National by Age Cohort 1967-2017

LFPR

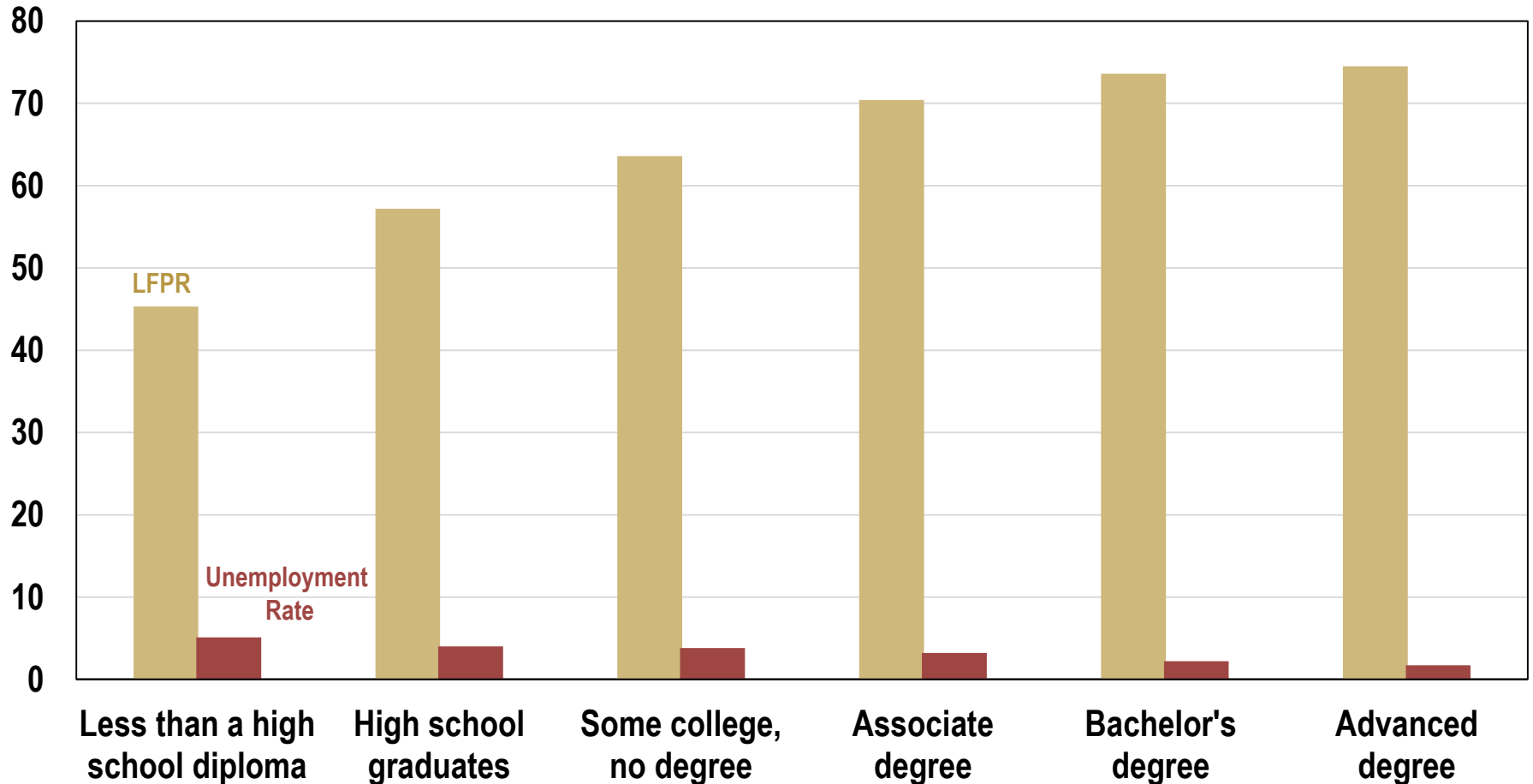


Source: Bureau of Labor Statistics, Current Population Survey (CPS).

Labor Force and Unemployment Rate

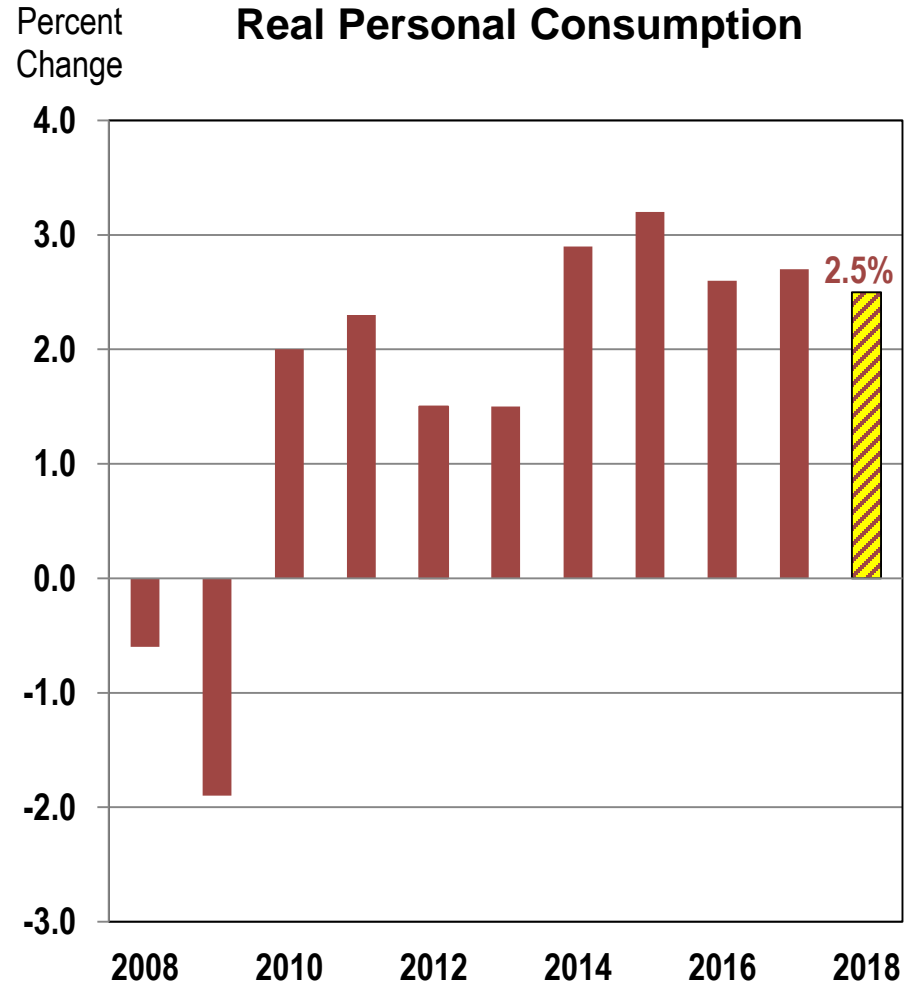
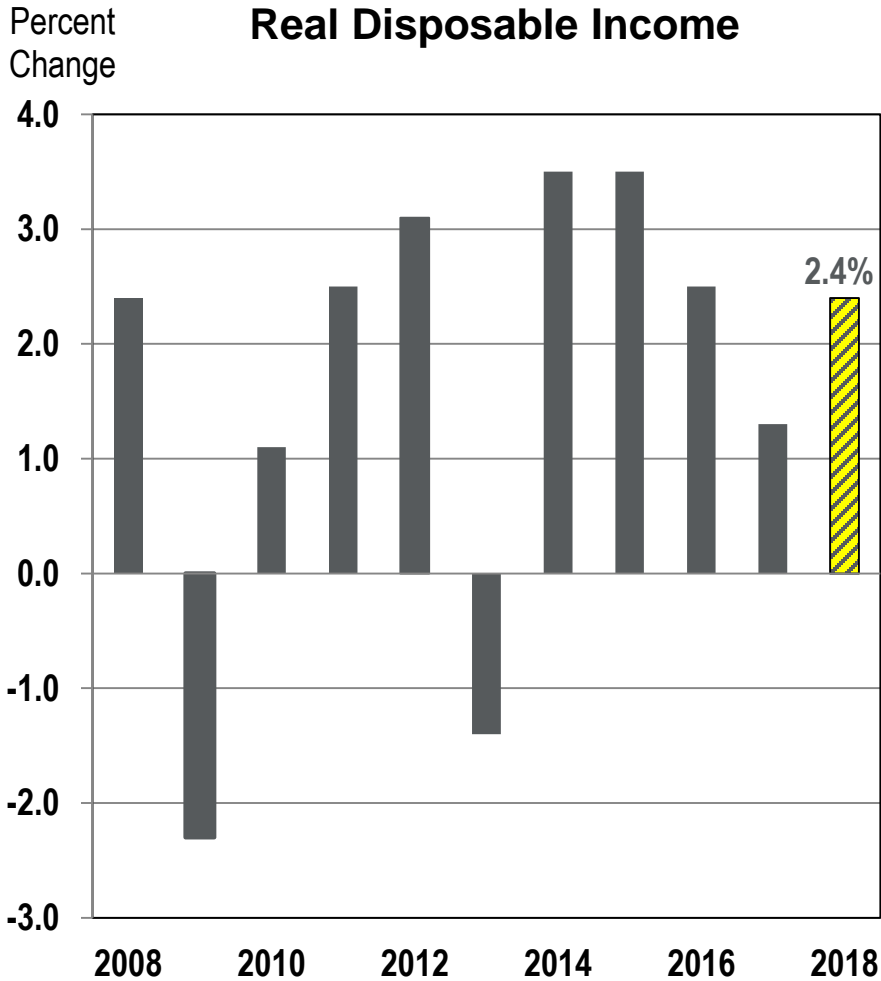
National by Educational Attainment, Population 25 and Over, September 2017

Percentage



Source: Bureau of Labor Statistics, Current Population Survey (CPS), Not Seasonally Adjusted.

U.S. Income and Consumption

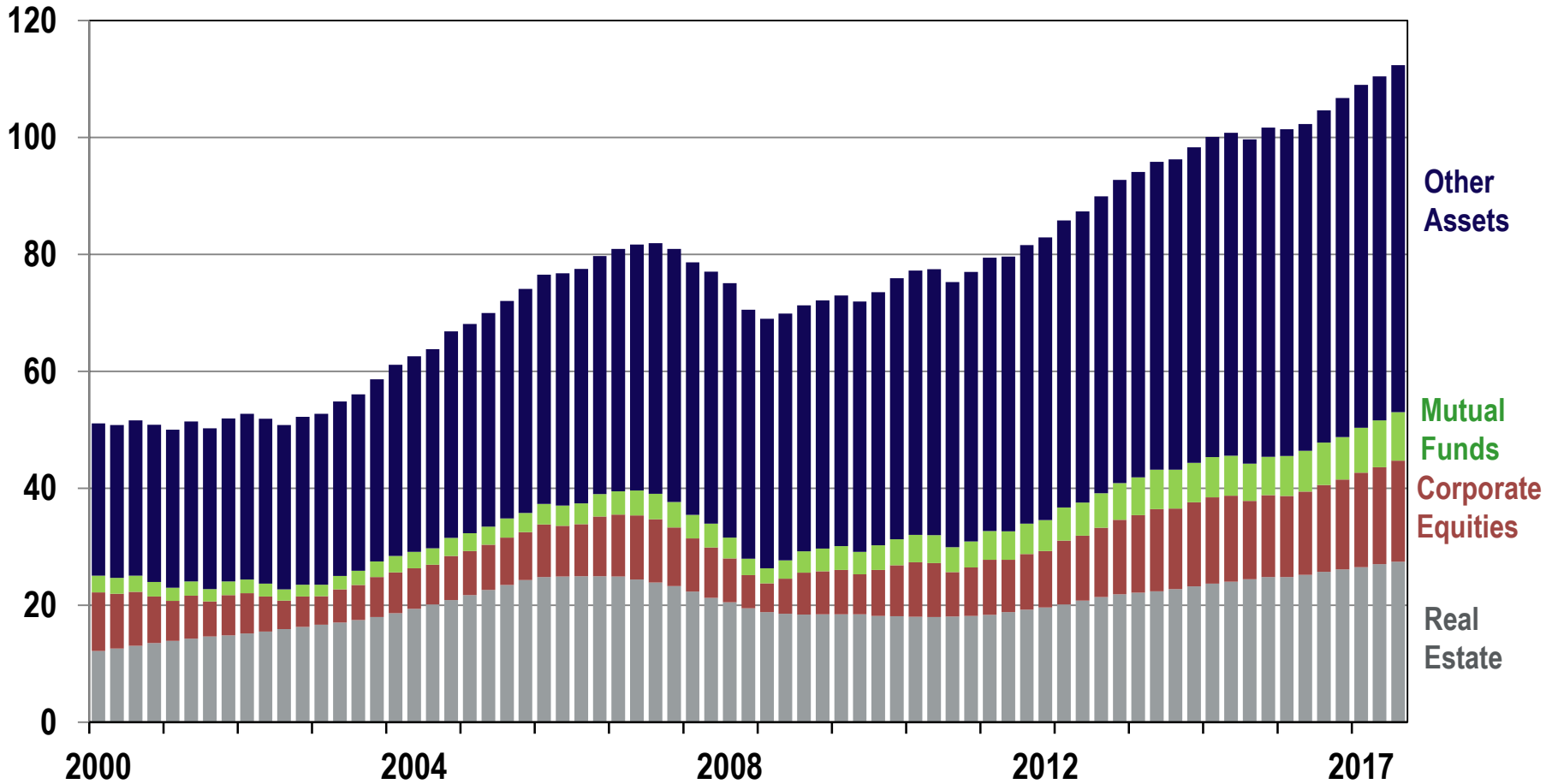


Sources: Consensus Forecasts.

Household Wealth

Q1 2000-Q3 2017

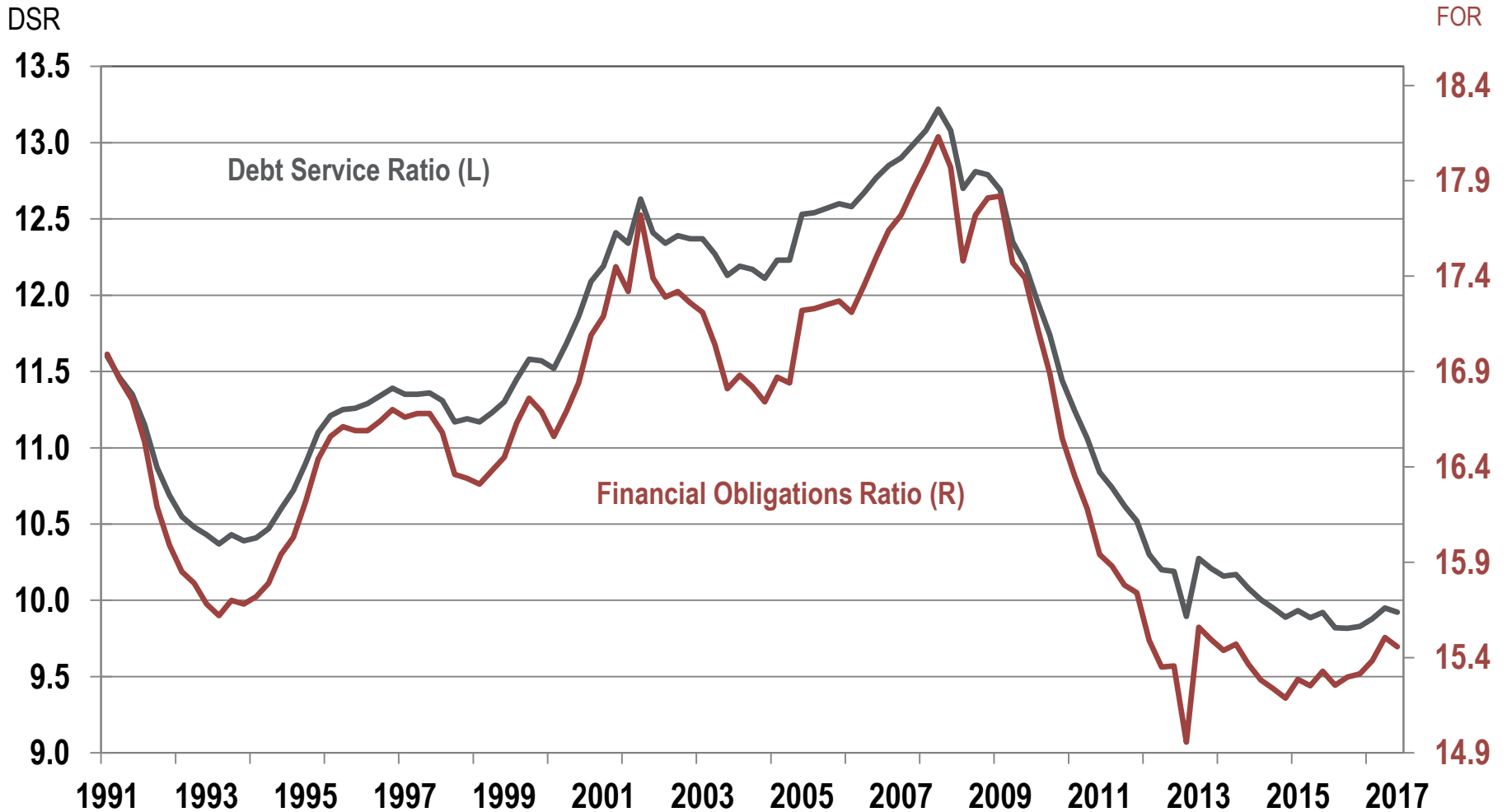
\$ Trillions



Source: Federal Reserve Board, Balance Sheet of Households and Nonprofit Organizations (B.101) (Not Seasonally Adjusted).

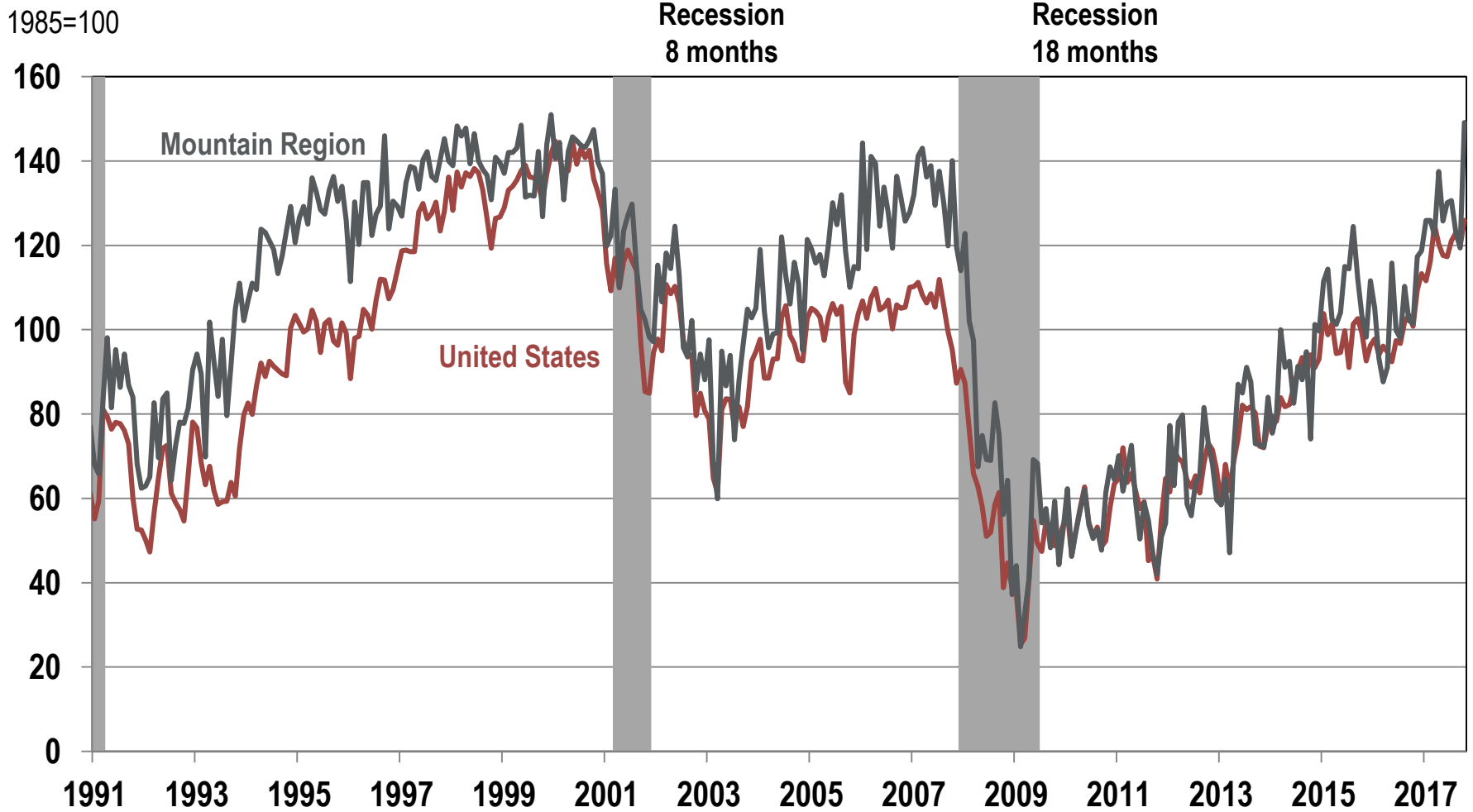
Household Debt Burden

Percent of Disposable Income



Source: Federal Reserve, Household Debt Service and Obligations Ratios.

Index of Consumer Confidence

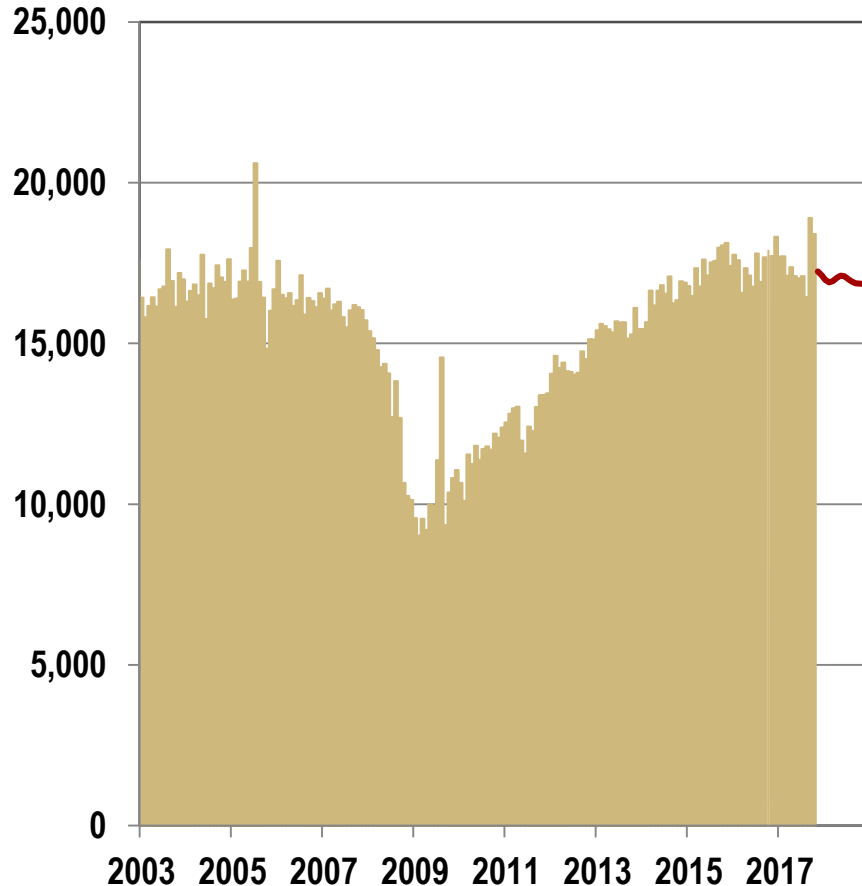


Sources: The Conference Board and National Bureau of Economic Research.

Vehicle Sales and Retail Sales

Vehicle Sales

Thousands, SAAR



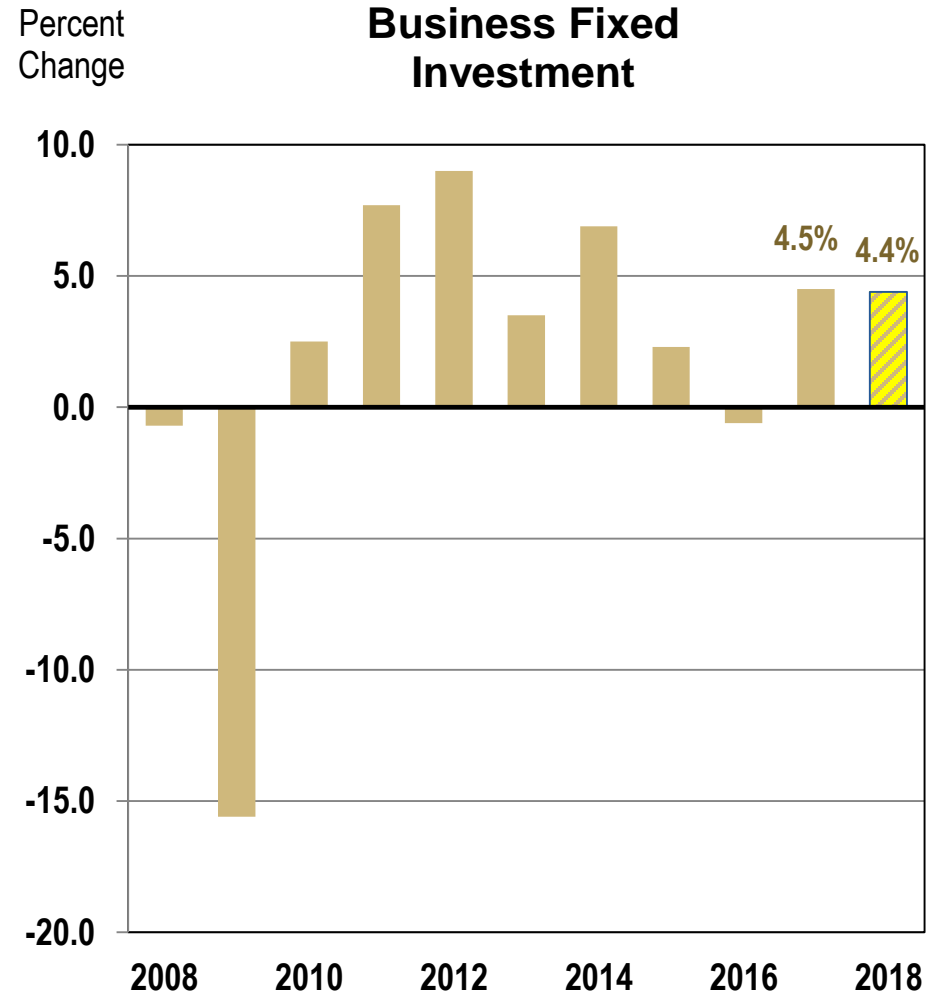
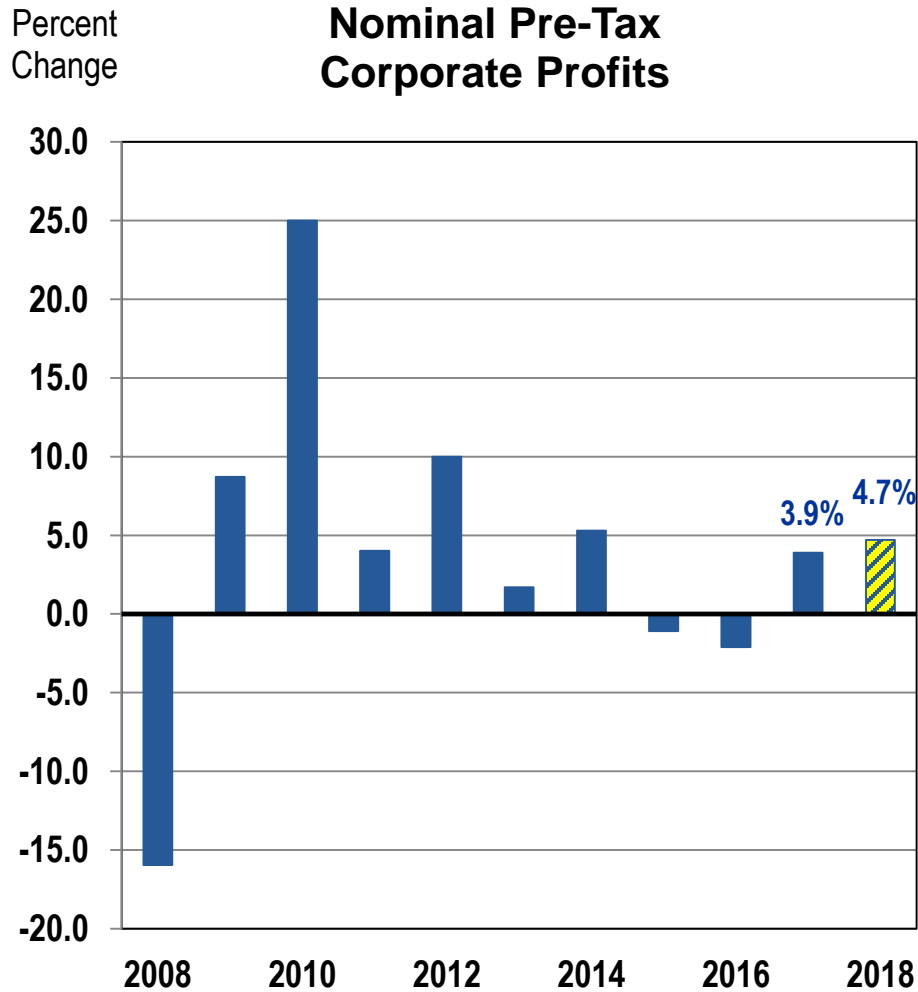
Retail and Food Services Sales

Annual Percent Change



Sources: Bureau of Economic Analysis, Moody's Analytics, U.S. Census Bureau (Seasonally Adjusted Annual Rate).

Nominal Corporate Profits and Business Fixed Investment



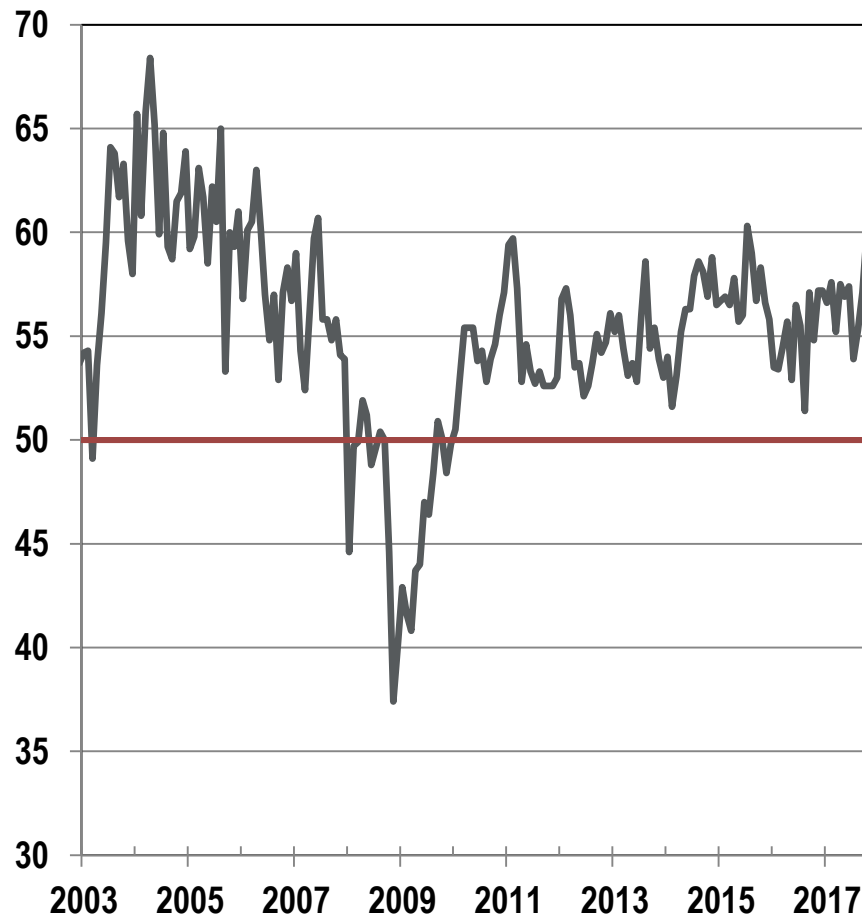
Sources: Bureau of Economic Analysis, Consensus Forecasts.

ISM Indices

ISM Manufacturing Index



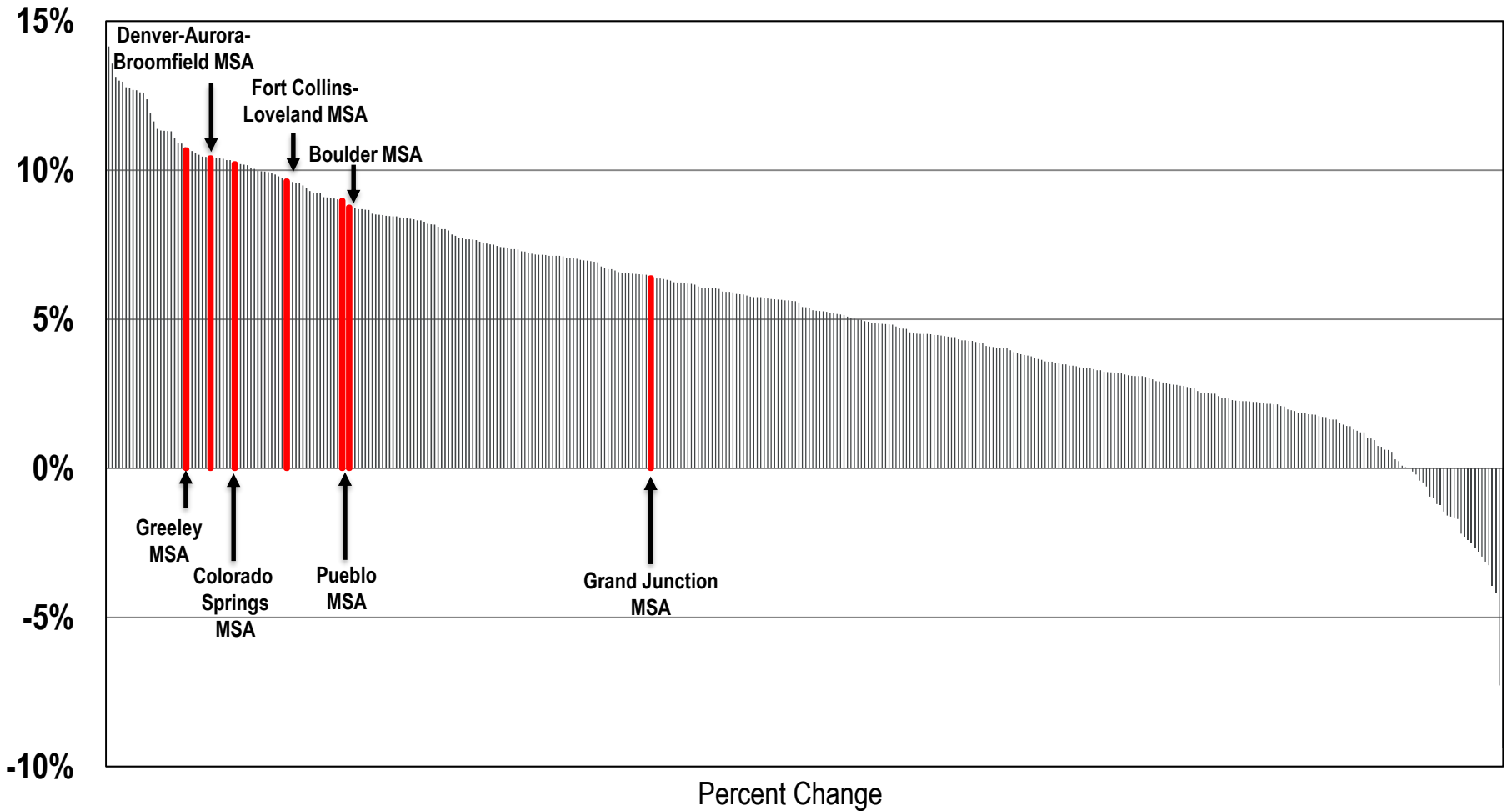
ISM Non-Manufacturing Index



Source: Institute for Supply Management (ISM).

FHFA Home Price Index by MSA

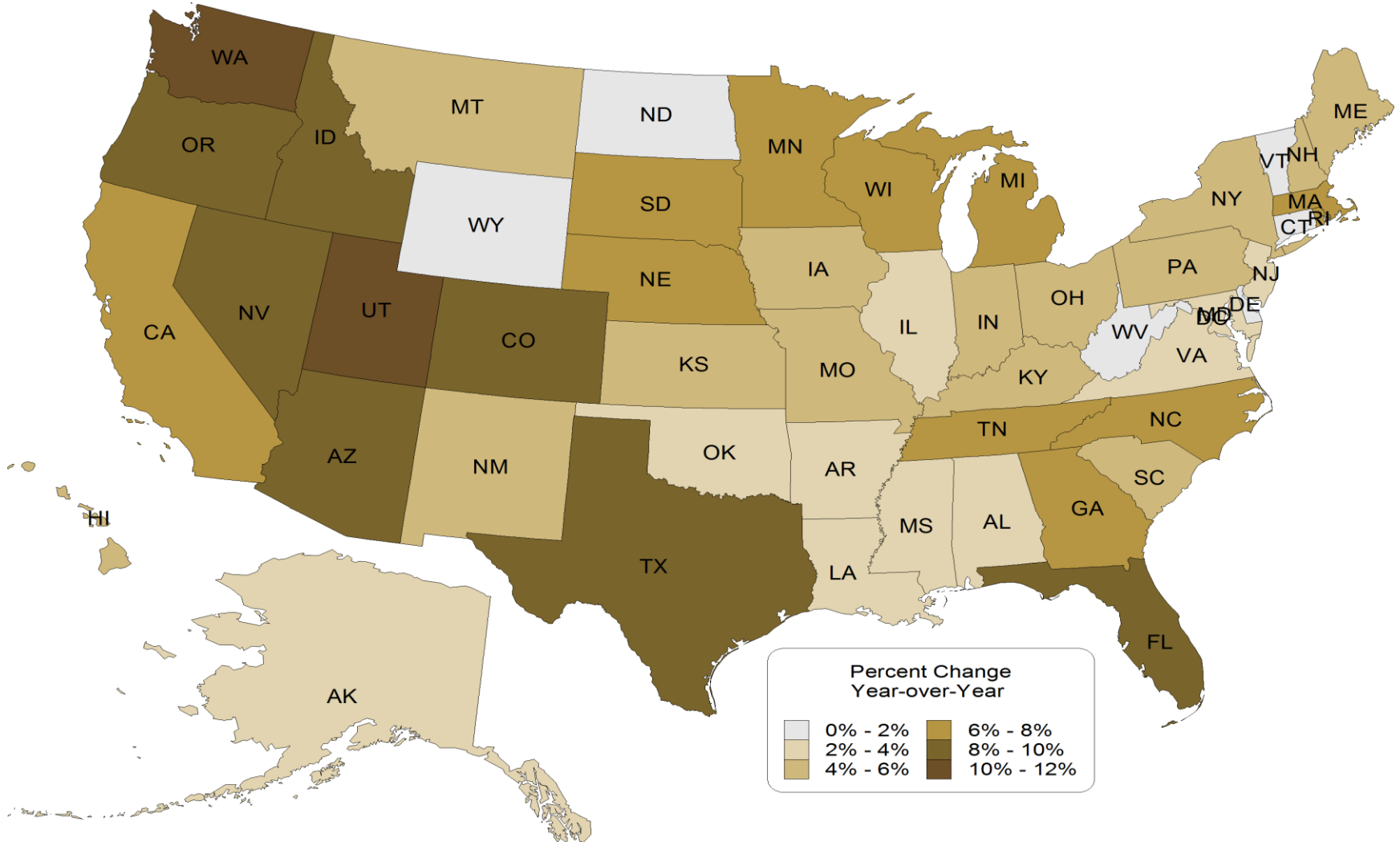
1-year Home Price Change, Q3 2017



Source: Federal Housing Finance Agency, All Transactions Index (Not Seasonally Adjusted).

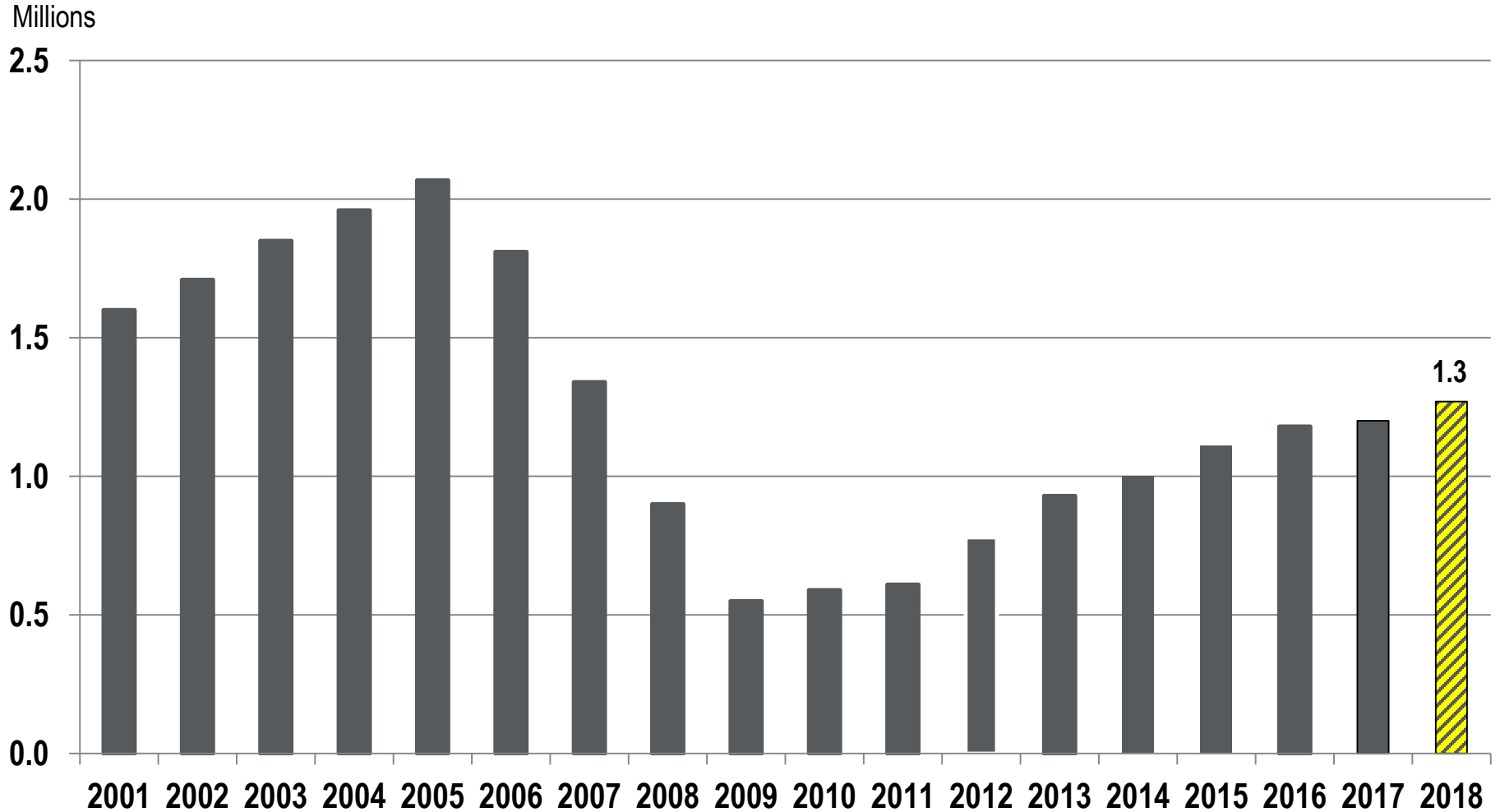
National FHFA Home Price Growth

Year over Year Q3 2017



Source: Federal Housing Finance Agency Home Price Index, All Transactions Index.

National Housing Starts



Sources: U.S. Census Bureau and Consensus Forecasts.

Money, Interest Rates, and Prices



Interest Rates

2000-2018 (Forecast)

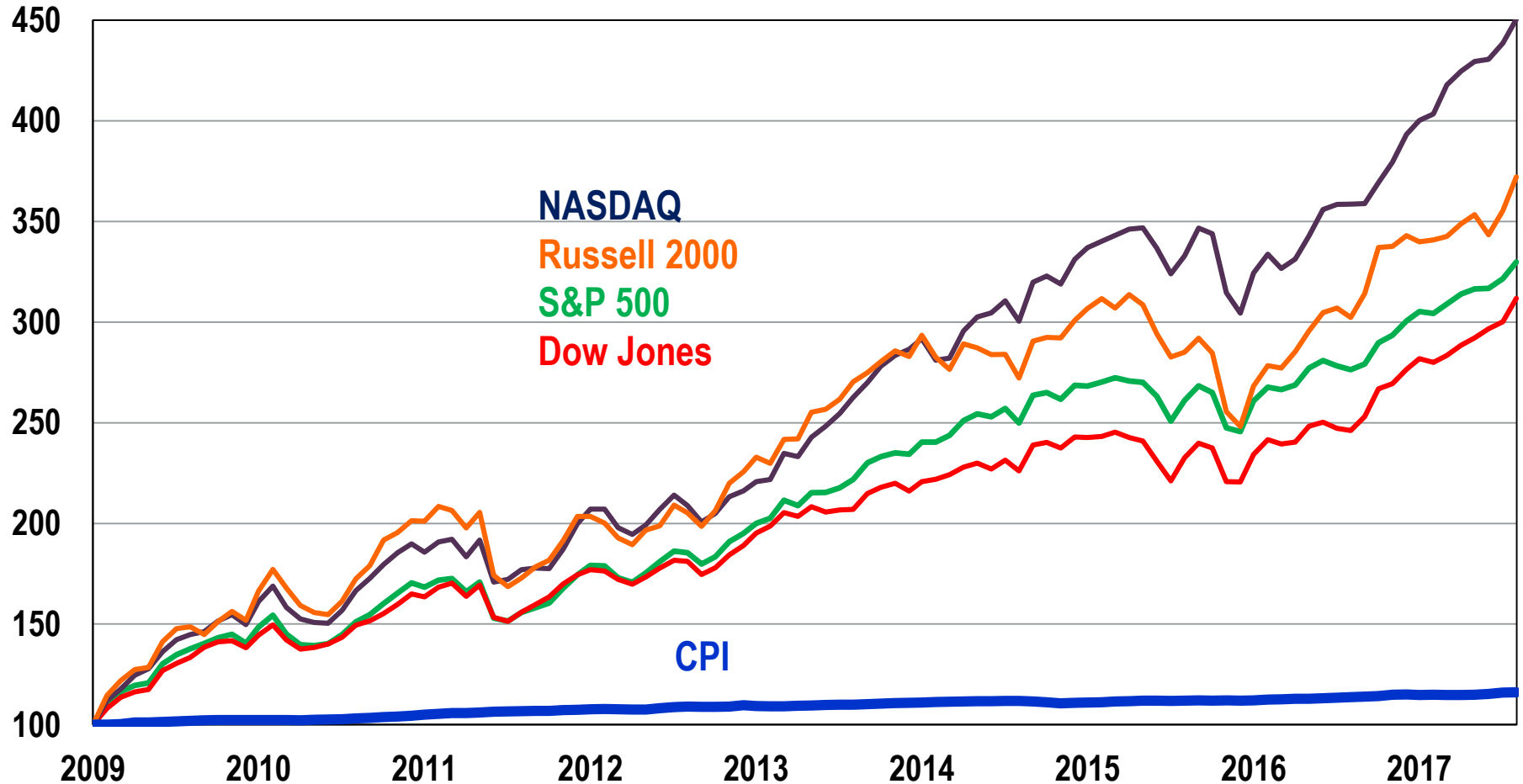


Sources: Federal Reserve and Moody's.

Securities Trends

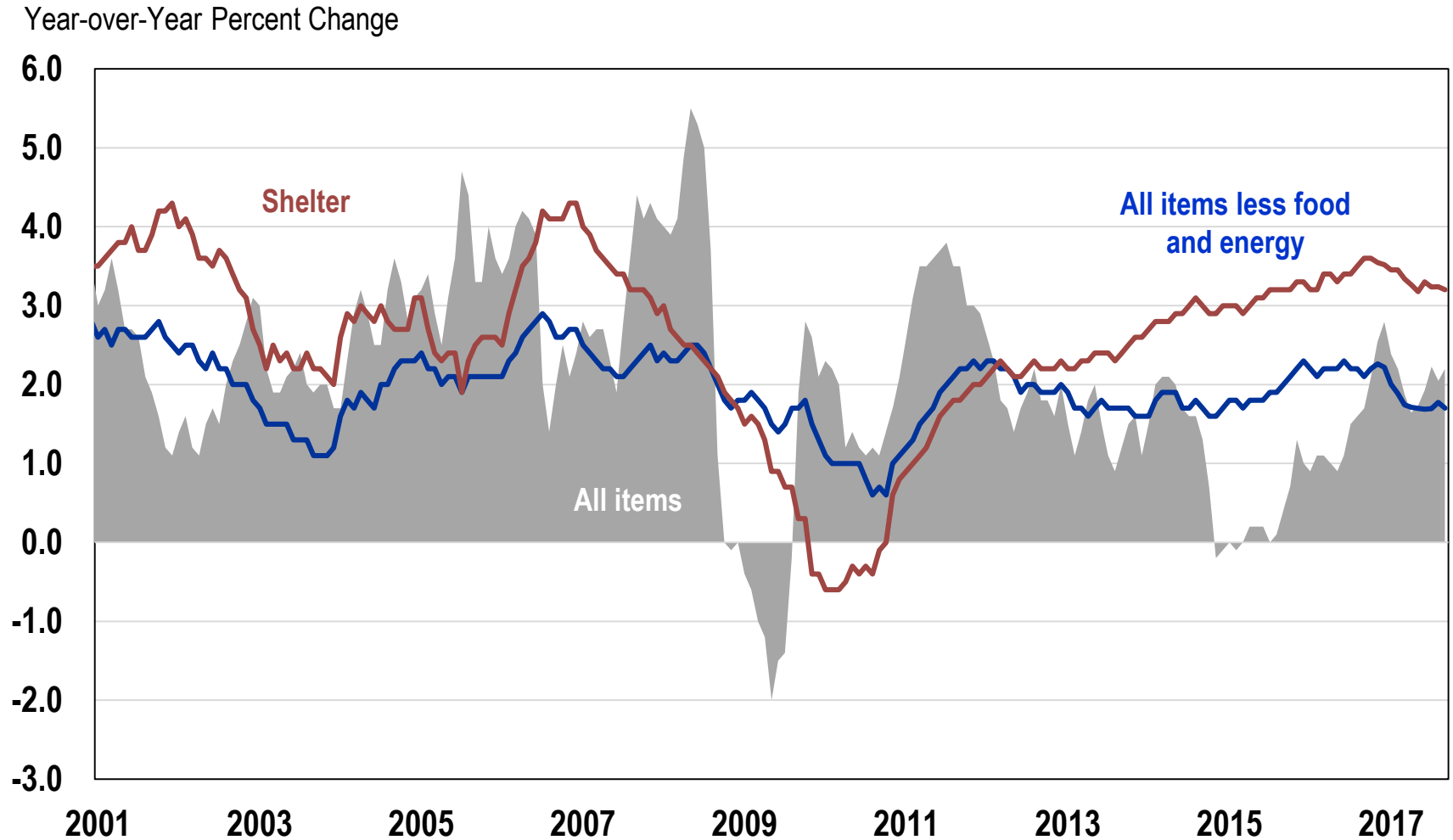
Trough of Recession in 2009 to December 2017

Indexed, 2009=100



Source: Bloomberg.

National Inflation

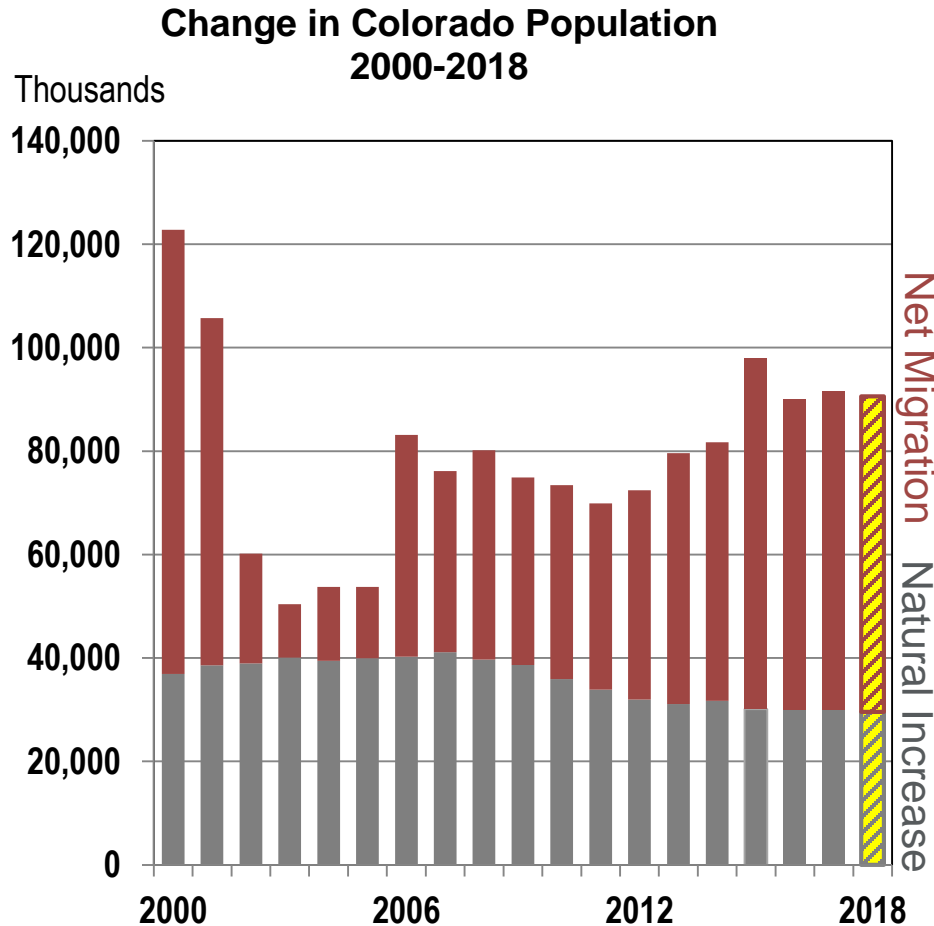


Source: Bureau of Labor Statistics, Consumer Price Index (CPI), (SA).

Colorado Population, Employment, and Prices



Colorado Change in Population



Colorado's population increases

- 91,500 in 2017
- 90,600 in 2018

7th-fastest state for percentage growth

8th-fastest state for absolute growth

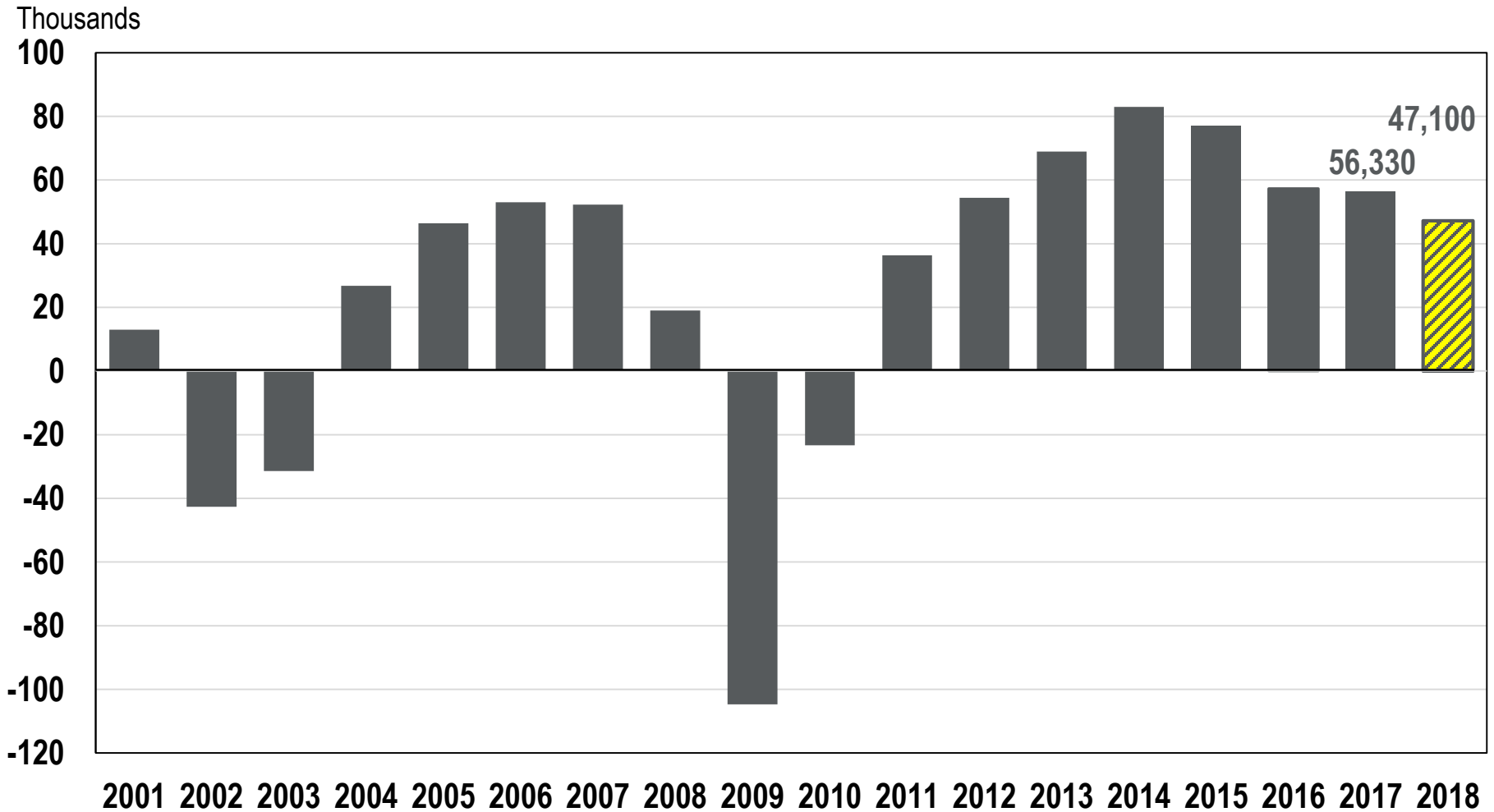
88% of growth along Front Range

Continued net migration into the state

Source: Colorado Demography Office.

Colorado Employment Growth

Jobs Added

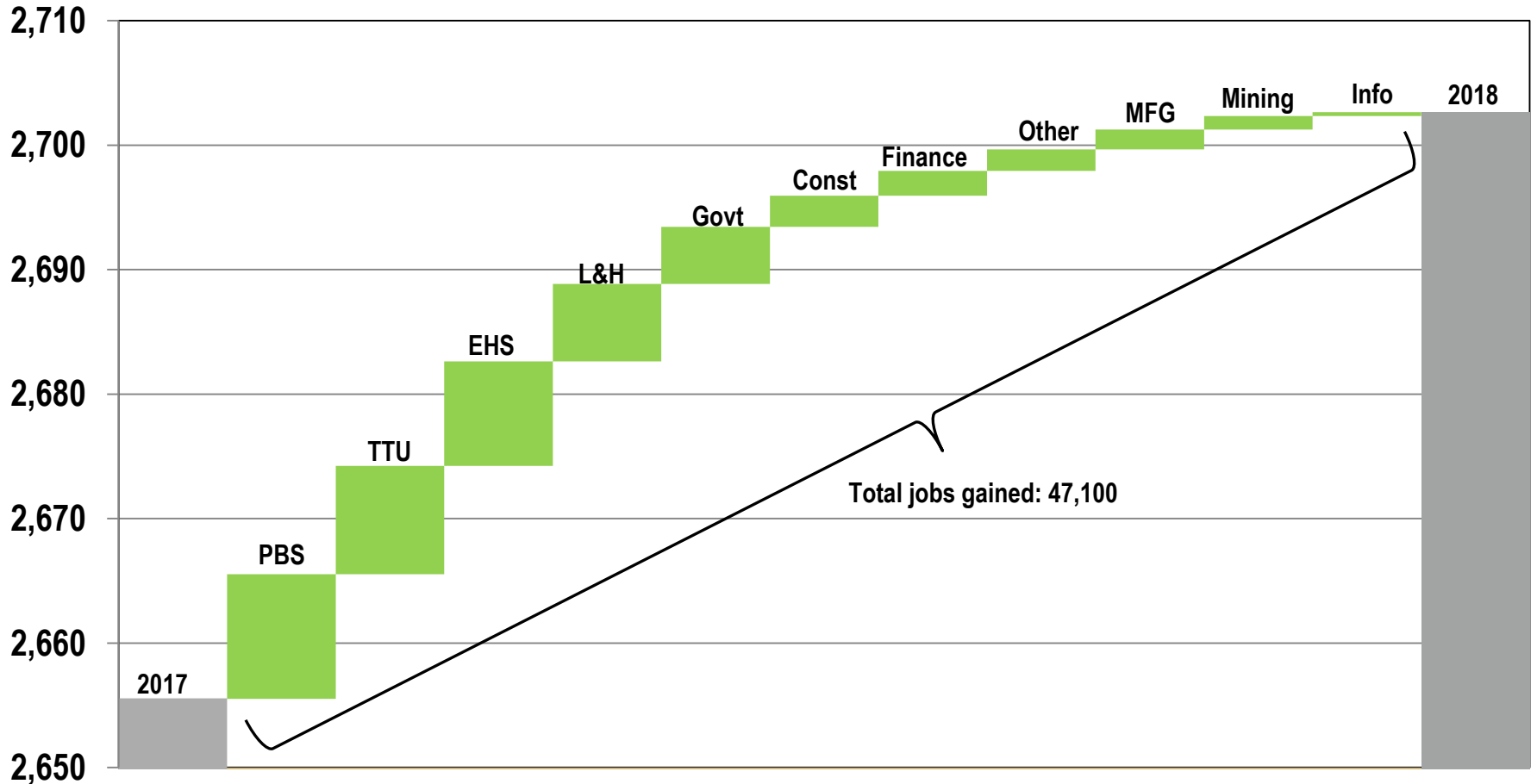


Sources: Colorado Department of Labor and Employment and the Colorado Business Economic Outlook Committee.

Colorado Employment Change

2018 Forecast

Employment in Thousands

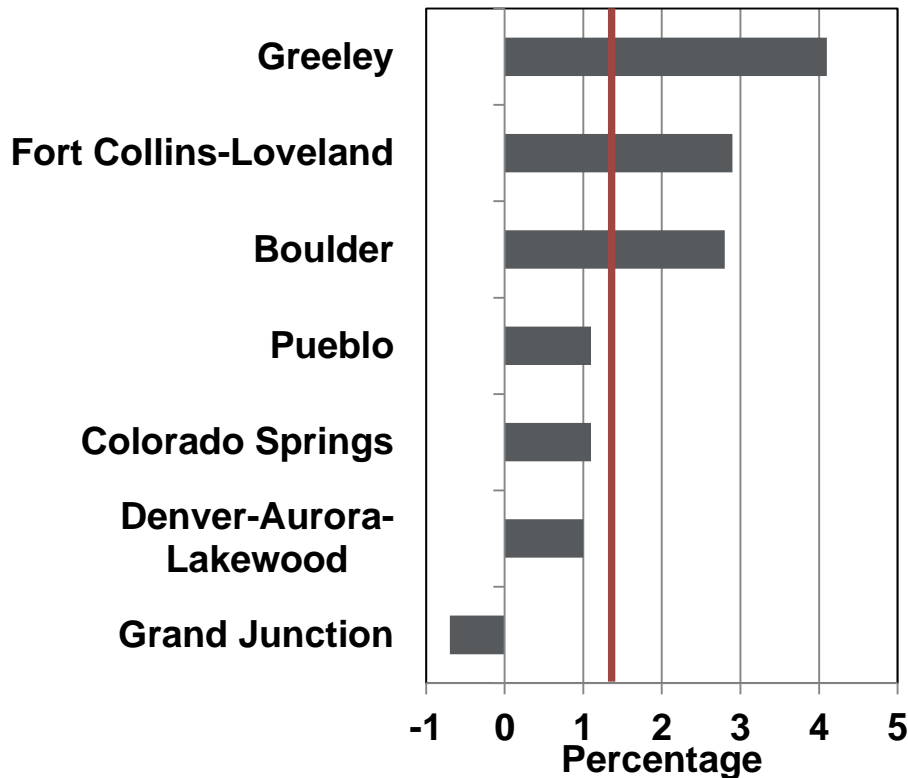


Source: Bureau of Labor Statistics, Current Employment Statistics (SA).

Regional Employment Growth and Unemployment

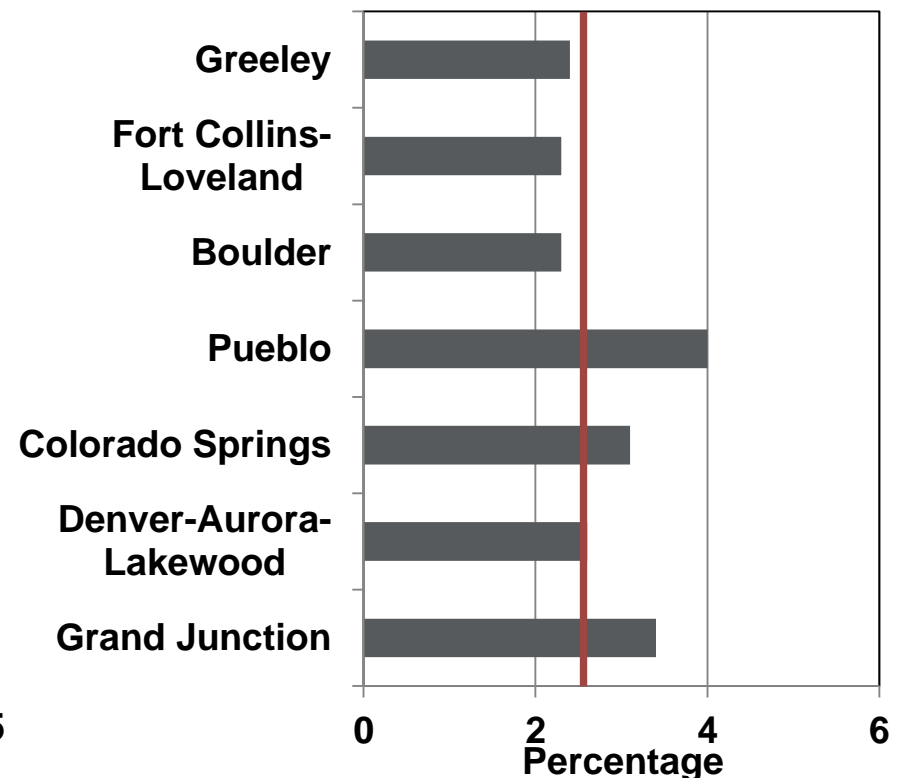
Employment Growth Rate,
October 2017 YoY

Colorado 1.4%



Unemployment Rate
October 2017

Colorado 2.6%



Sources: CES (Seasonally Adjusted) and LAUS (Not Seasonally Adjusted).

Colorado Wages

Sector	Total Employment	YoY Employment Growth	Wages	YoY Wage Growth
Mgmt of Companies and Enterprises	36.7	0.3%	\$128,275	-9.9%
Mining and Logging	23.7	-22.8%	\$114,630	-0.1%
Utilities	8.2	0.0%	\$95,715	2.6%
Information	71.7	1.4%	\$95,511	1.4%
Professional and Technical Services	210.1	2.7%	\$90,437	1.8%
Finance and Insurance	113.4	2.5%	\$90,007	2.3%
Wholesale Trade	105.1	1.6%	\$79,510	0.5%
Manufacturing	142.5	1.1%	\$66,329	-0.2%
Construction	155.1	4.2%	\$57,344	3.6%
Real Estate and Rental and Leasing	50.2	3.7%	\$54,984	3.6%
All Industries	2,599.2	2.3%	\$54,664	0.9%
Government	427.3	2.4%	\$53,556	2.2%
Transportation and Warehousing	72.9	1.8%	\$53,090	2.4%
Health Care and Social Assistance	286.9	4.1%	\$48,801	1.3%
Educational Services	39.8	3.4%	\$39,361	1.2%
Administrative and Waste Services	158.5	0.8%	\$38,771	2.9%
Other Services	105.2	2.1%	\$38,204	1.9%
Arts, Entertainment, and Recreation	52.5	3.3%	\$36,072	2.0%
Retail Trade	268.6	2.1%	\$30,625	1.8%
Accommodation and Food Services	270.8	3.4%	\$20,996	3.0%

Sources: Colorado Business Economic Outlook Committee and Bureau of Labor Statistics, Quarterly Census of Employment and Wages.

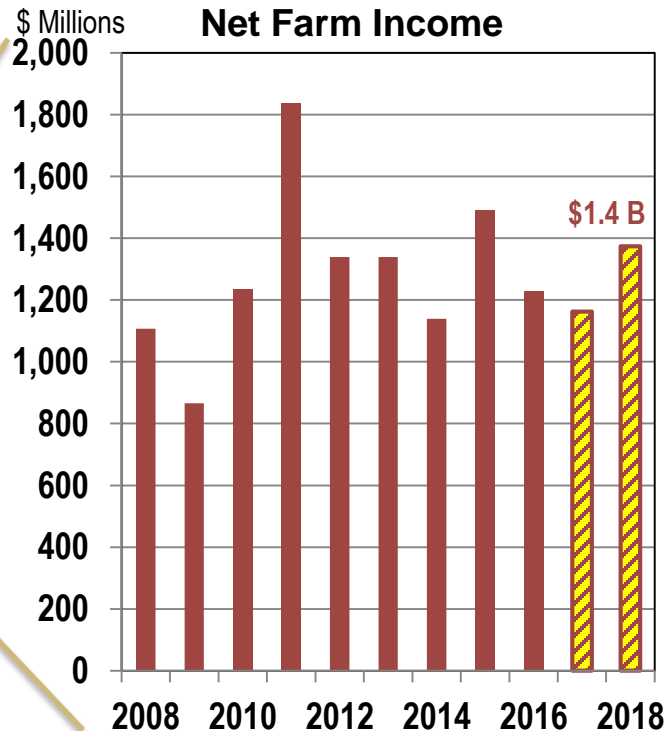
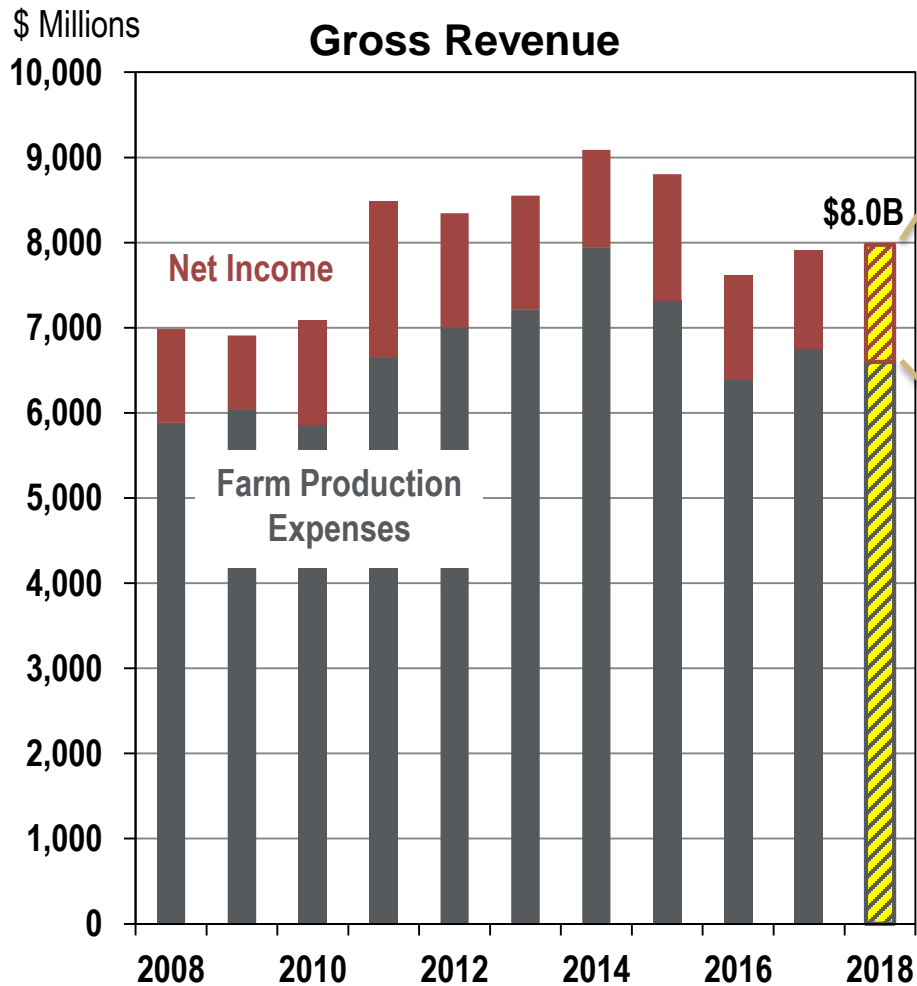
Agriculture



Photo courtesy of Luke Gubbels.

Gross Farm Revenue and Net Income

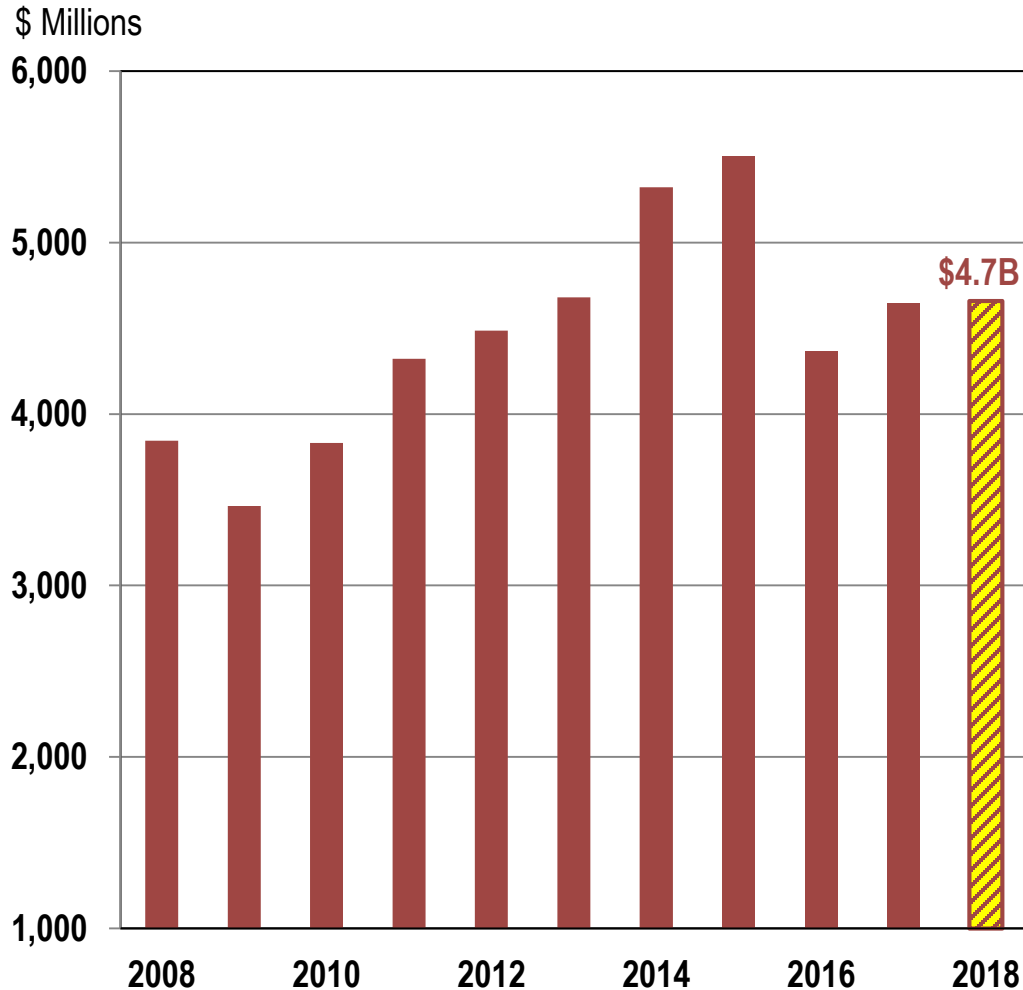
2008-2018



Source: Colorado Business Economic Outlook Committee.

Livestock Cash Receipts

2008-2018



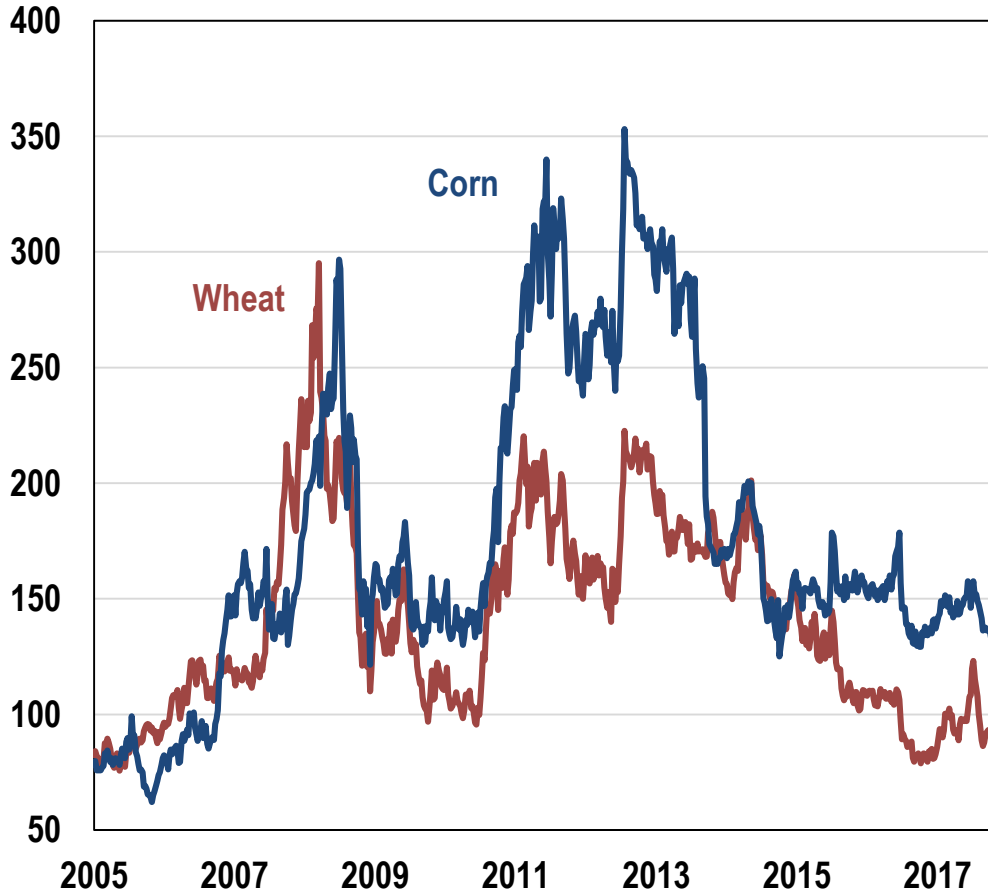
- Beef is the largest share
- Cattle feeders had a prosperous year
- Potential NAFTA impact
- Labor Shortages
- Dairy herd and milk production are up

Source: Colorado Business Economic Outlook Committee.

Indexed Commodity Prices

Wheat and Corn

January
2004=100

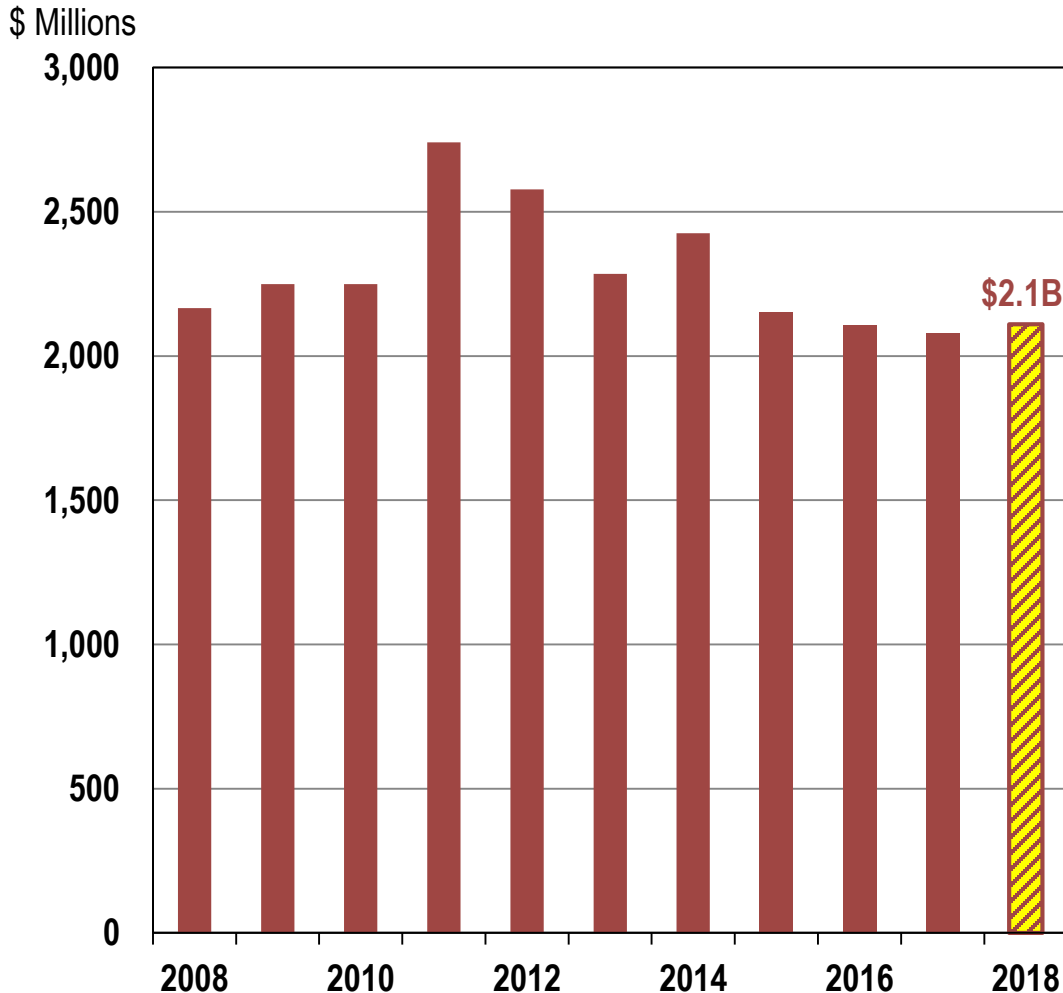


- High crop yields in corn and wheat
- Continued low corn and wheat prices
- Crop farmers are “farming equity”
- Worldwide market overflowing with grain
- Chinese government cut wheat purchase program
- Strain on water resources concerns farmers

Sources: Bloomberg (USDA Toledo No.2 Yellow Corn Not on the River Spot Price, USDA No. 1 Hard Red Winter Wheat Spot Price/Kansas City Missouri). As of November 2017.

Crops Cash Receipts

2008-2018



- Lack of labor to harvest crops: “If You Plant It, Who Will Harvest It?”
- Sectors experiencing growth: grapes, hemp, greenhouses, and nurseries
- Price of crops lower than cost of production
- NAFTA renegotiations and results will affect agricultural exports
- Farm consolidation and loss of business in rural communities expected in 2018

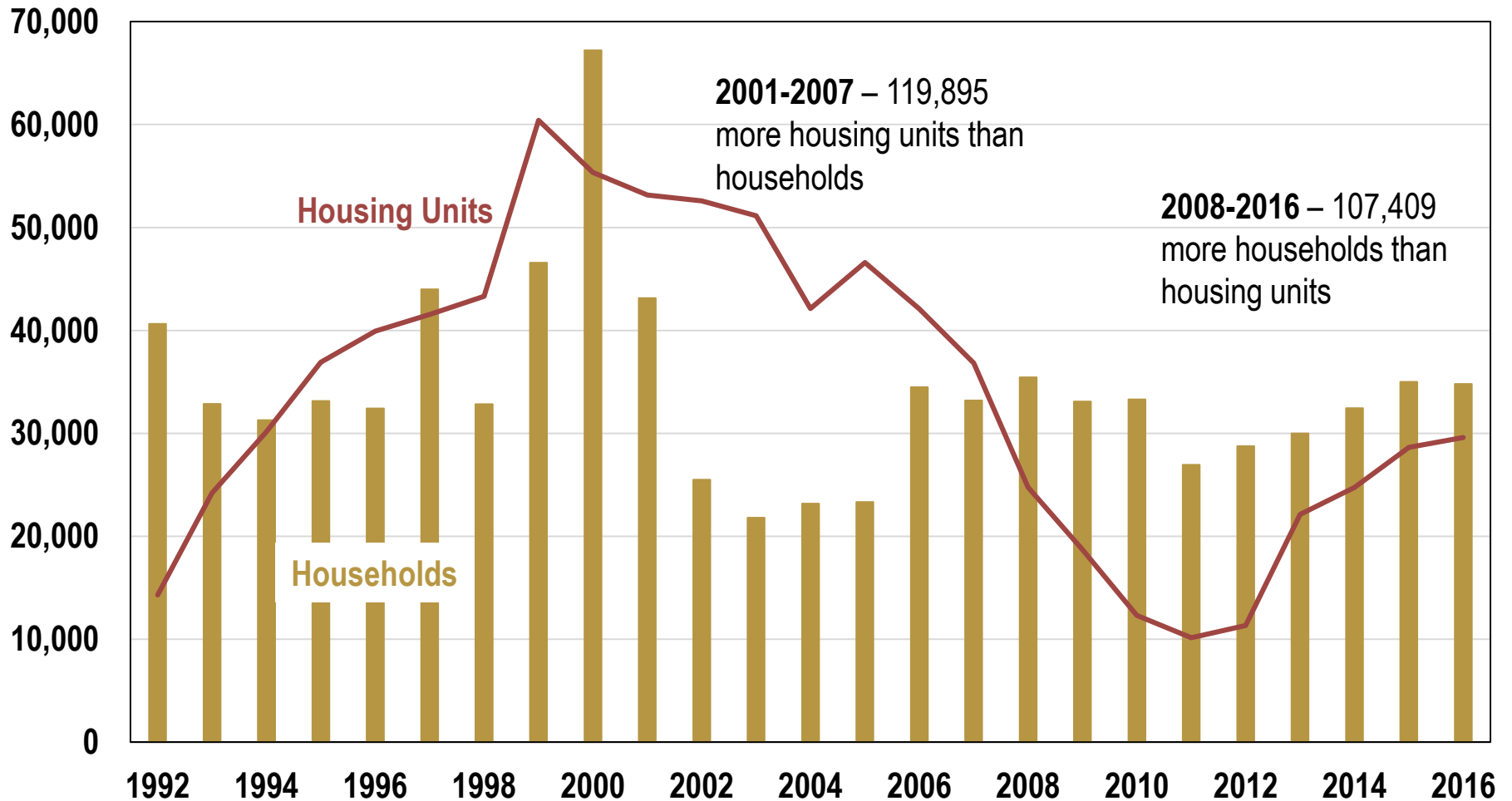
Source: Colorado Business Economic Outlook Committee.

Construction



Photo Courtesy Regional Transportation District.

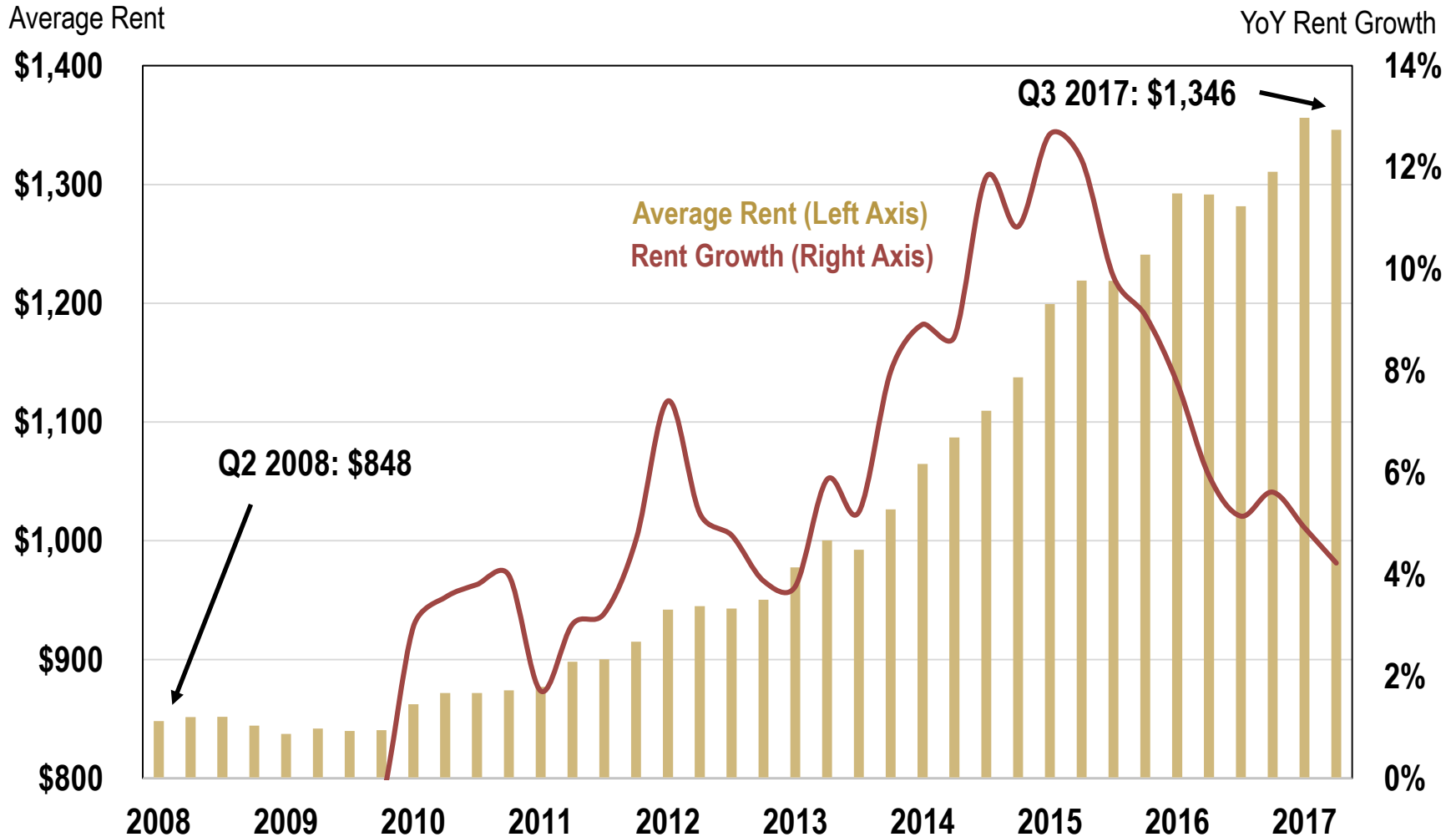
Colorado New Housing Units and Households



Source: Colorado Department of Local Affairs, State Demography Office.

Average Rent

Colorado Multi-Family Housing, Q2 2008-Q3 2017

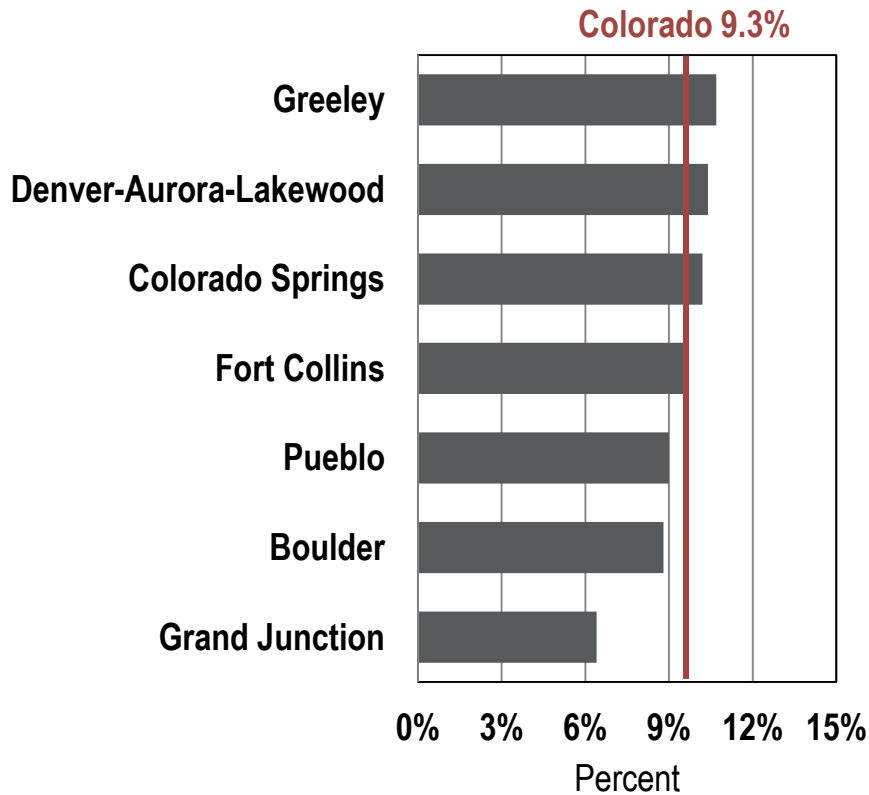


Source: Colorado Department of Local Affairs (DOLA), Statewide Multifamily Housing Vacancy and Rent Survey.

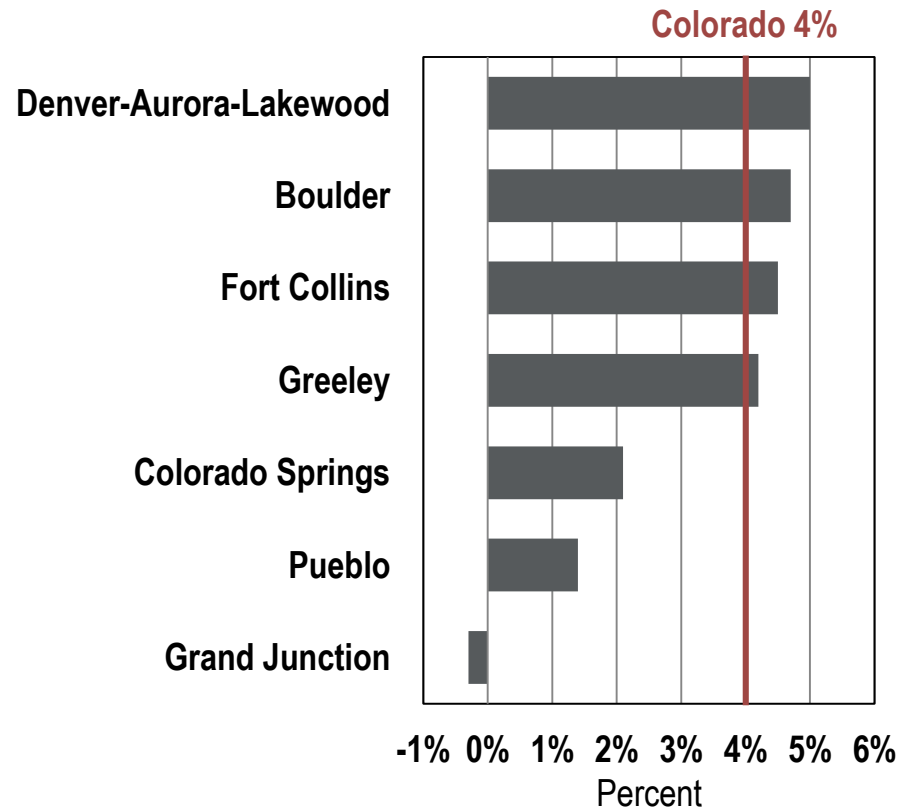
Federal Housing Finance Agency (FHFA)

House Price Index

Federal Housing Finance Agency
Home Prices by MSA
Q3 2016 – Q3 2017



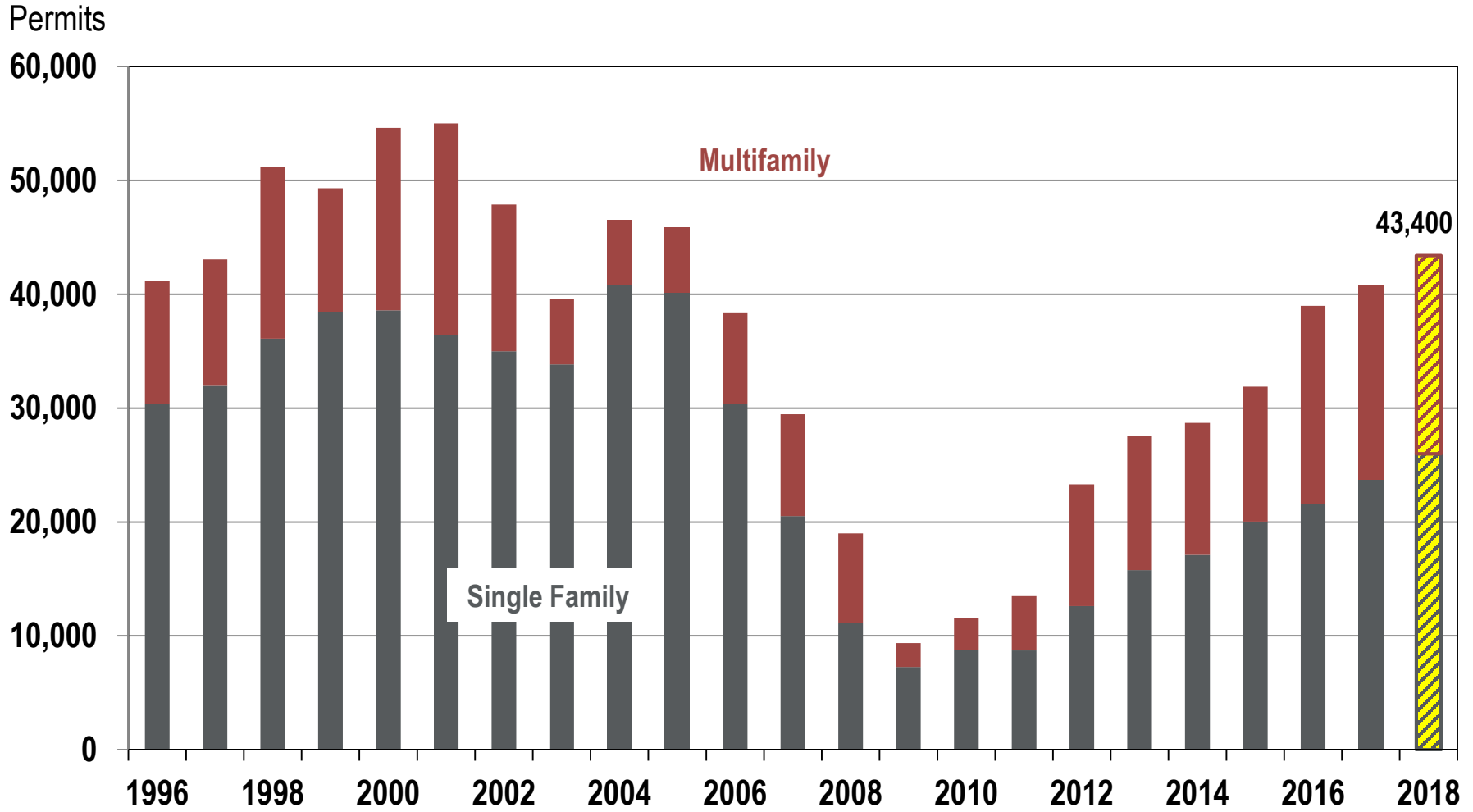
Federal Housing Finance Agency
Home Prices by MSA
CAGR Q3 2007 – Q3 2017



Source: Federal Housing Finance Agency, All Transactions Indexes.

Residential Building Permits

1996-2018

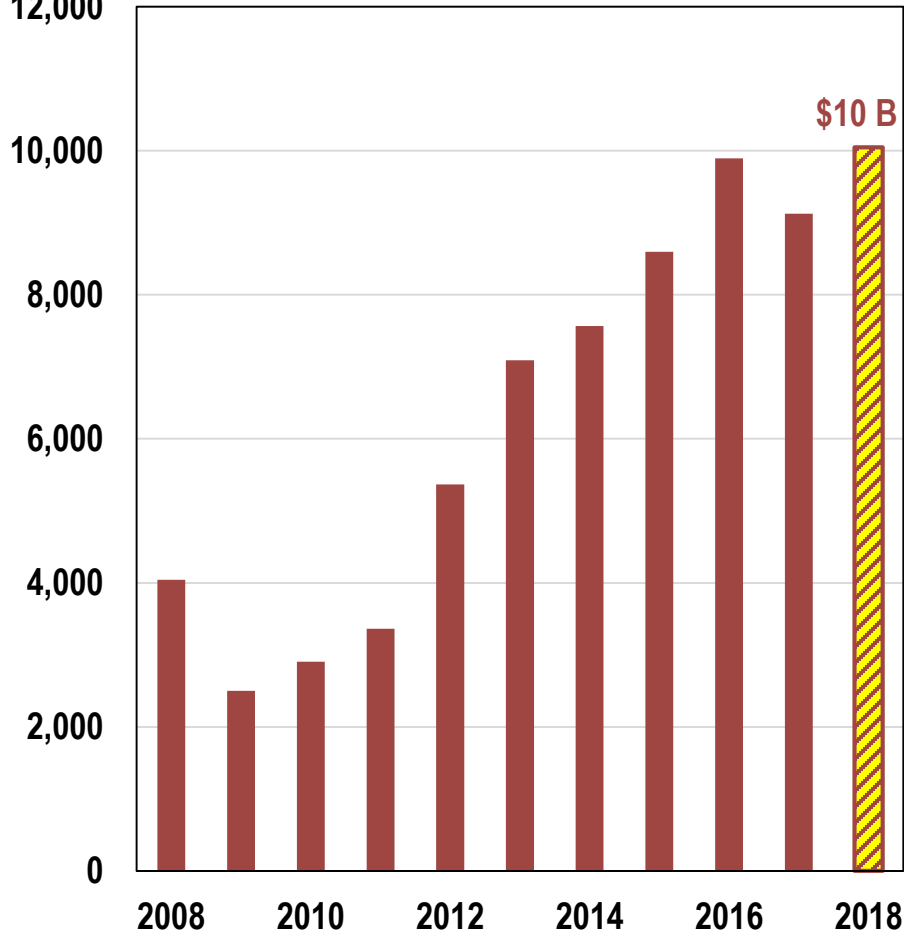


Source: U.S. Census Bureau.

Value of Construction

Residential, 2008-2018

\$ Millions
12,000



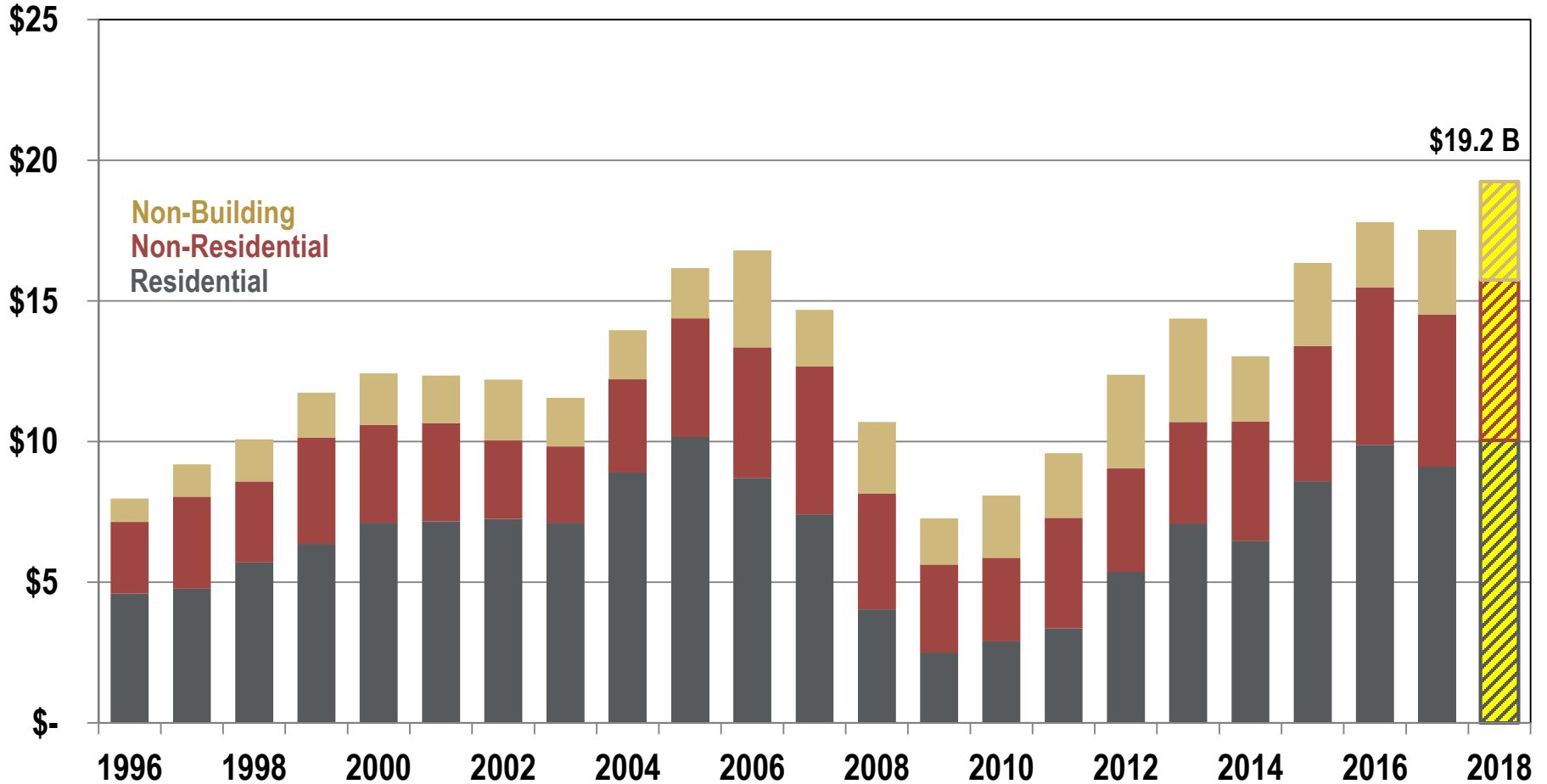
- Permit values exclude land values, upgrades
- Consumers buying smaller units
- Population driving strong demand
- Very low foreclosure rate
- Low interest rates help affordable
- Shortage of skilled labor for housing construction

Sources: U.S. Census Bureau and Colorado Business Economic Outlook Committee.

Value of Construction

1996-2018

Value in Billions



Source: McGraw-Hill Construction Dodge Research and Analytics.

Natural Resources and Mining



Photo courtesy of Denver International Airport.

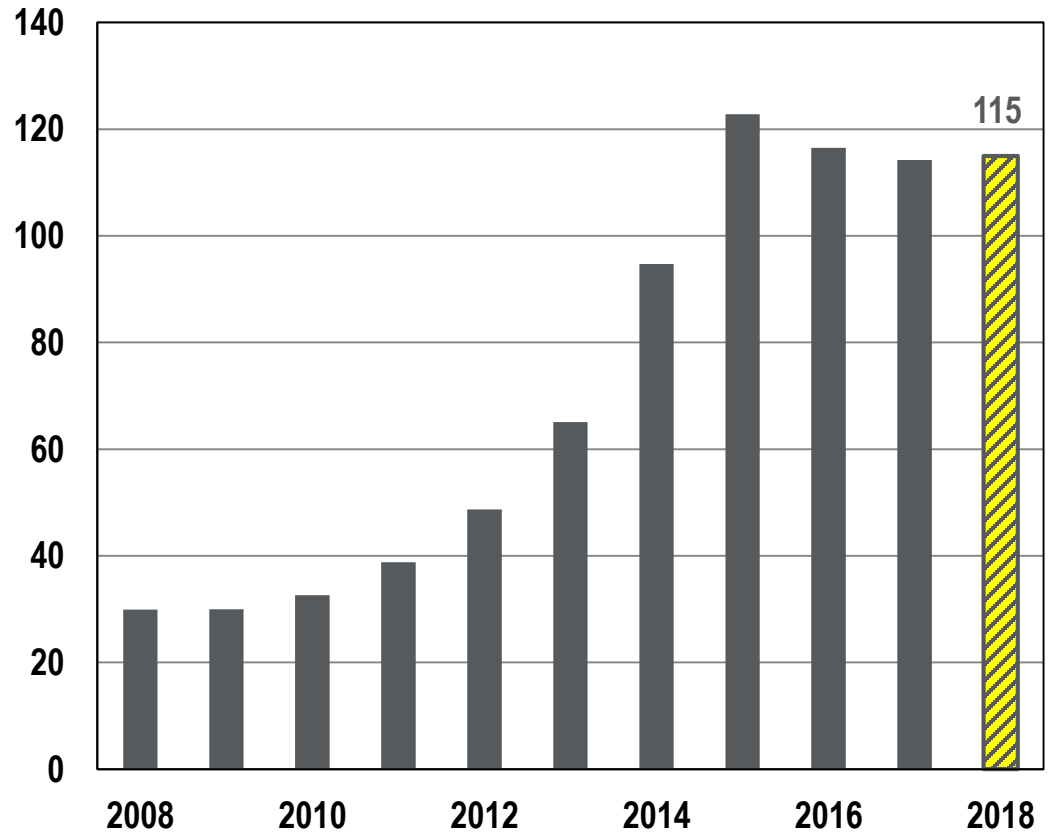
Crude Oil Production

2008-2018

Largest Producers (July 2017)

1. Texas
2. North Dakota
3. California
4. New Mexico
5. Oklahoma
6. Alaska
7. Colorado
8. Wyoming
9. Louisiana
10. Kansas

Millions of
Barrels

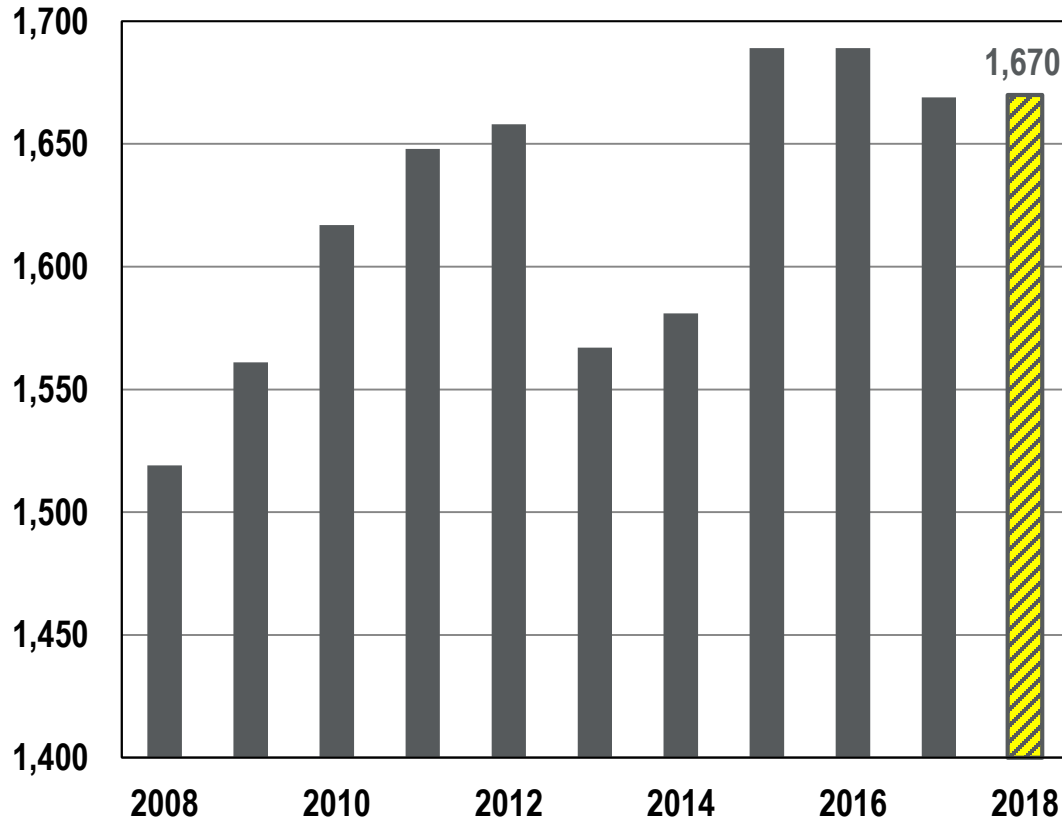


Sources: Rankings from the Energy Information Administration. Production data from Colorado Geological Survey Mineral and Mineral Fuel Activity Reports, Colorado Oil and Gas Conservation Commission, Department of Minerals and Geology, and Colorado Business Economic Outlook Committee.

Natural Gas Production

2008-2018

Billions of
Cubic Feet



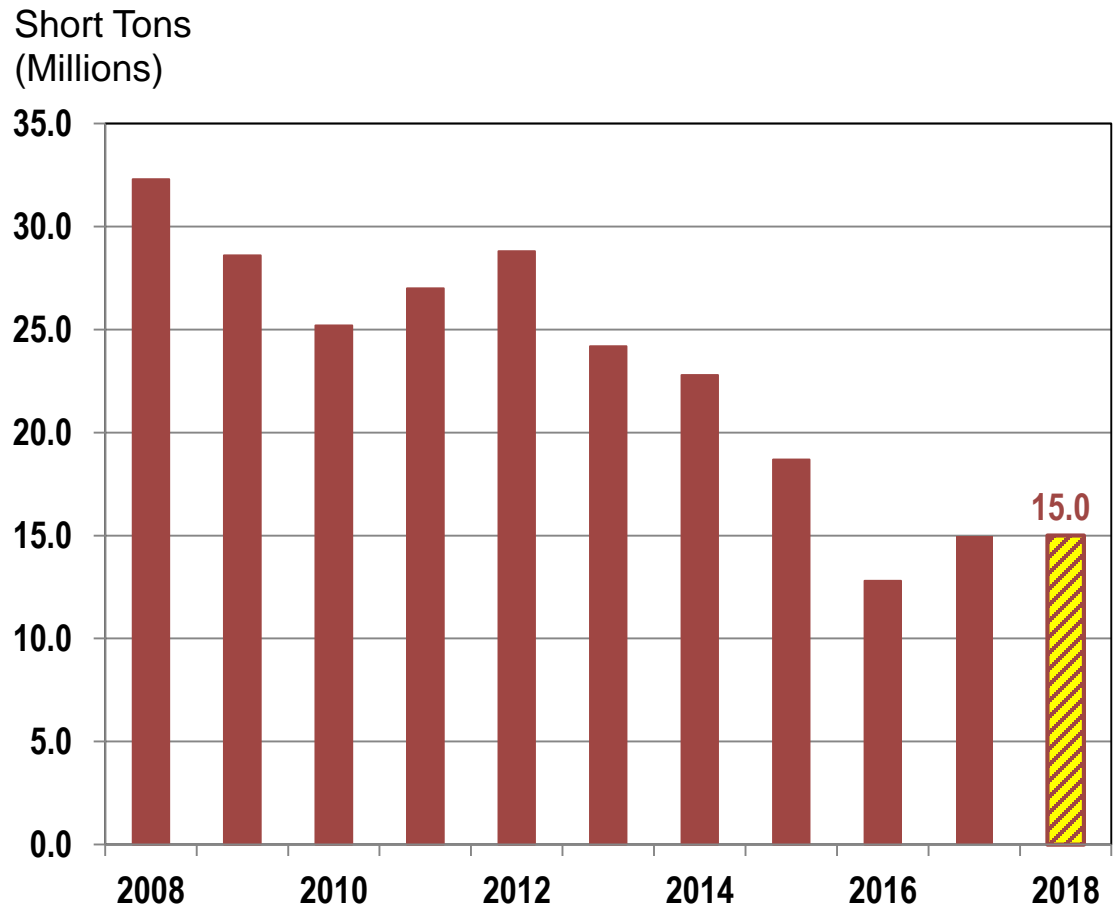
- Fifth-largest producing state
- Projected price higher due to colder temperatures
- Prices in Colorado in 2017 were the 11th lowest in the country
- Total production flat due to low prices
- Value of production to increase slightly

Sources: Colorado Geological Survey Mineral and Mineral Fuel Activity Reports, Colorado Oil and Gas Conservation Commission, Department of Minerals and Geology, and Colorado Business Economic Outlook Committee.

Coal Production

2008-2018

- Lowest production levels since the mid-1970s
- State ranking slipped to 13th in 2017
- Government mandates for renewables limiting production
- Short-term production expected to increase slightly

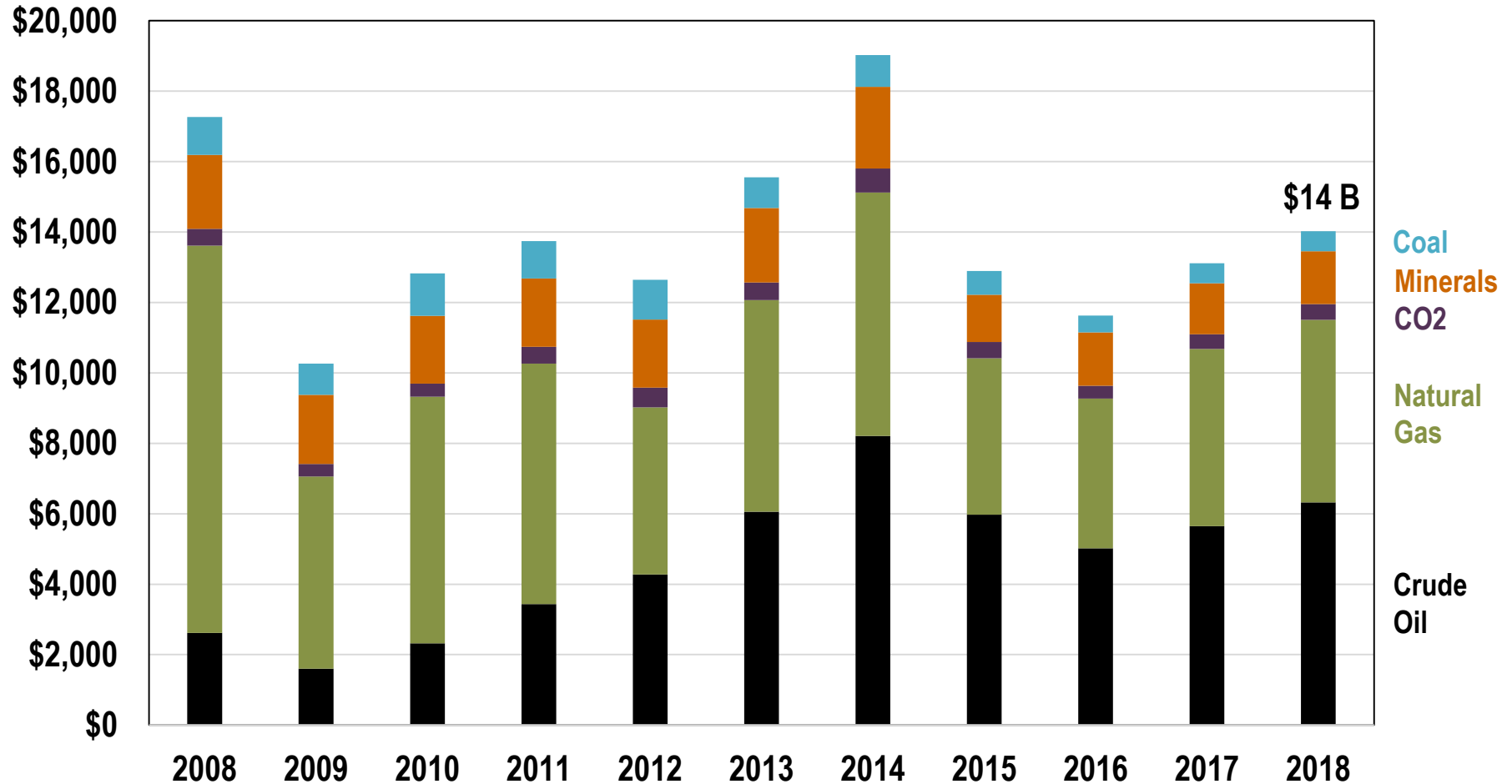


Sources: Colorado Geological Survey Mineral and Mineral Fuel Activity Reports, Colorado Oil and Gas Conservation Commission, Department of Minerals and Geology, and Colorado Business Economic Outlook Committee.

Value of Natural Resources

2008-2018

\$ Millions



\$14 B

Coal
Minerals
CO2
Natural Gas
Crude Oil

Sources: Colorado Geological Survey Mineral and Minerals Fuel Activity Reports, Colorado Oil and Gas Conservation Commission, Department of Minerals and Geology, and Colorado Business Economic Outlook Committee.

Renewables

- One of the most ambitious renewable energy portfolios
- Includes wind, solar, hydro, geothermal, and biomass
- 21.5% of net generation in 2016
- Colorado ranks 10th nationally for wind capacity
- Colorado ranks 11th nationally for solar capacity



Photo courtesy of Xcel Energy.

Colorado Ranking Among Other States

Metric	1-Year	3-Year	5-Year	10-Year
Real GDP Growth	14	7	3	6
Employment Growth	20	11	6	4
Population Growth	7	4	4	3
Personal Income Growth	7	16	2	5
PCPI Growth	36	19	2	33
PCPI	15	14	21	13
Average Annual Pay % Growth	35	26	25	26
Average Annual Pay	10	13	12	10
Unemployment Rate	3	13	28	16
Labor Force % Growth	1	4	4	4
FHFA Home Price Index Growth	6	1	3	2

Data Sources: Bureau of Economic Analysis (2017), Bureau of Labor Statistics (10/17), U.S. Census Bureau (2017), Bureau of Labor Statistics (2017), Bureau Federal Housing Finance Agency All Transactions Index (Q2 2017), BRD calculations. Note: 1-year, 3-year, and 5-year are based on the compound annual growth rate.

Potential Headwinds

- **Interest rates**
- **Global growth**
- **Commodity prices**
- **Value of the dollar**
- **Drought and weather**
- **Policy**



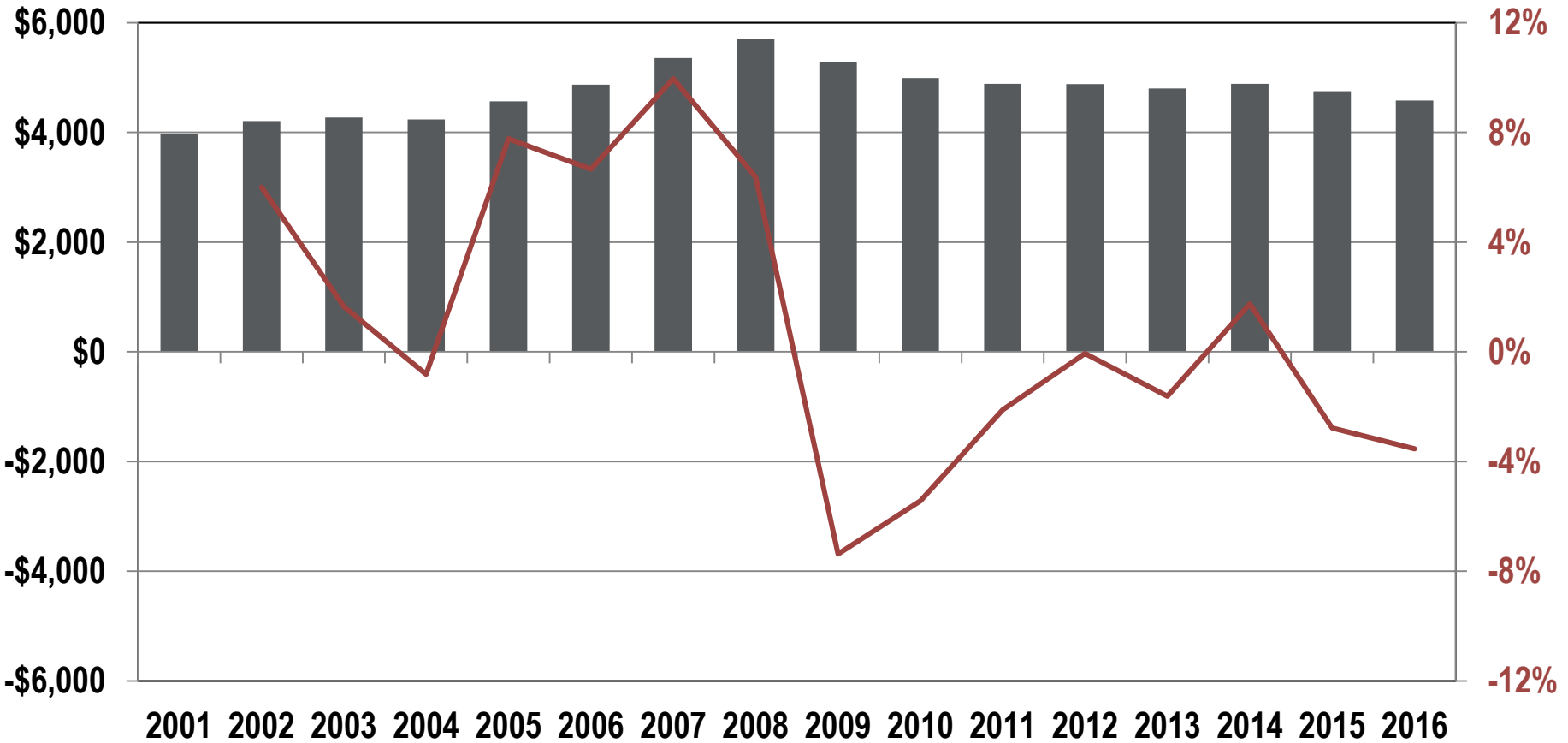
Mesa County



Real Gross Domestic Product

Grand Junction MSA

Millions of Chained 2009 Dollars

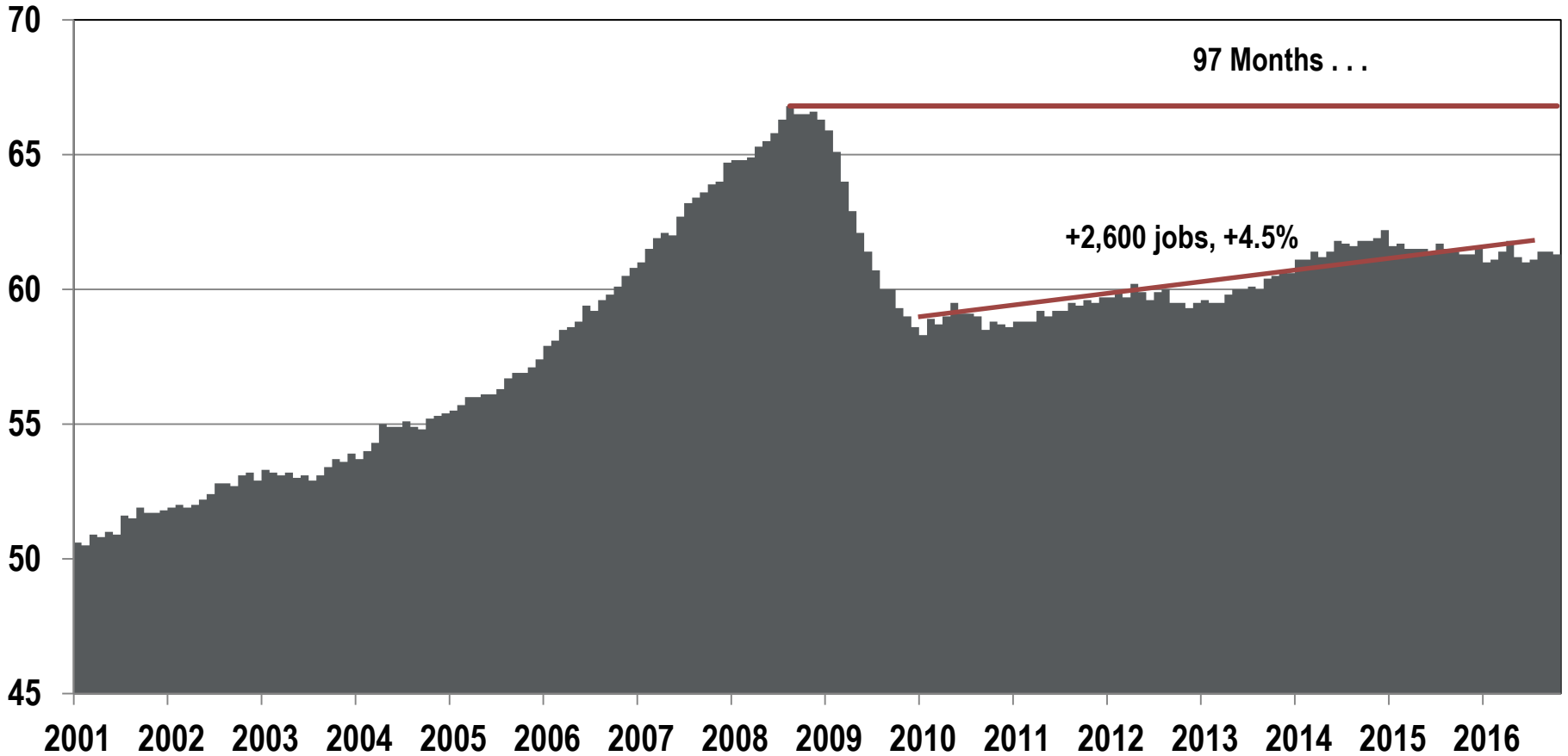


Source: Bureau of Economic Analysis.

Non-Ag Employment

Grand Junction MSA

Thousands

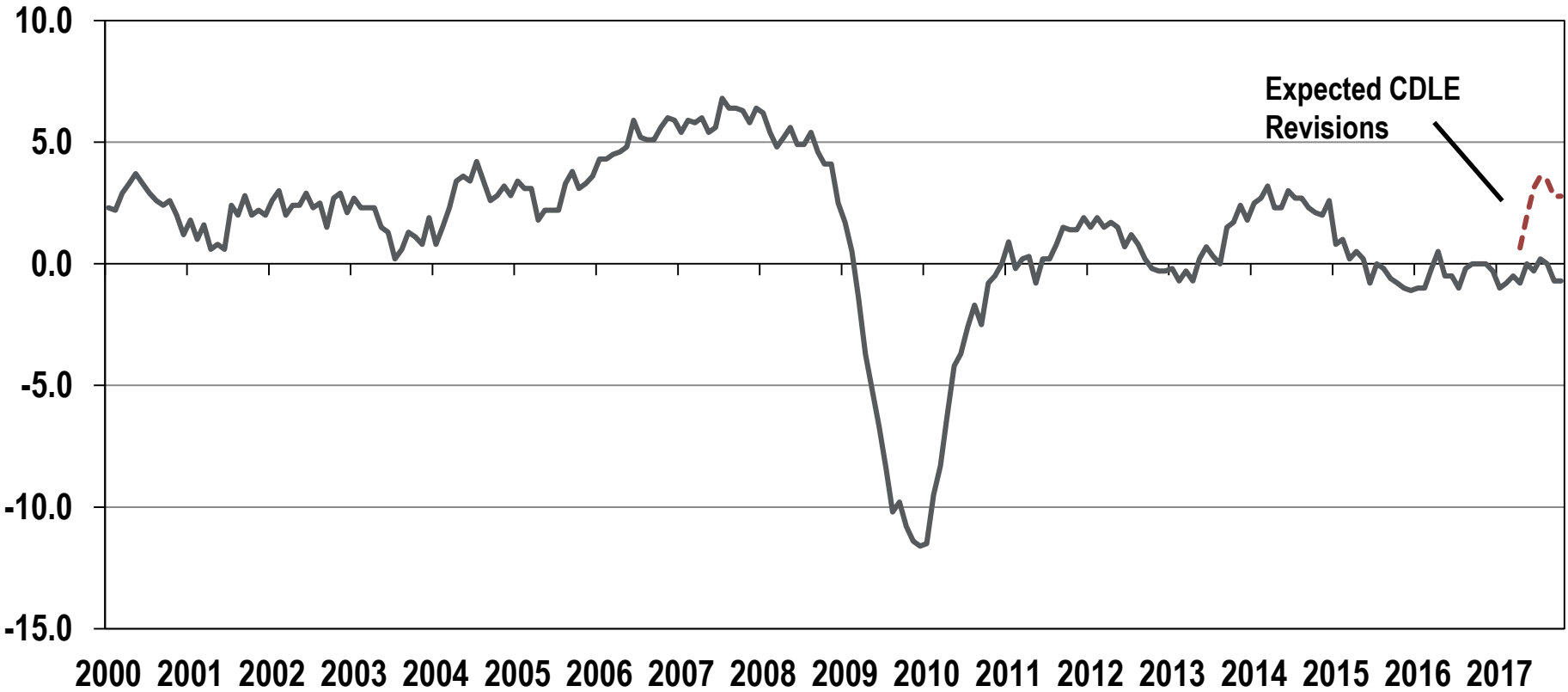


Source: Bureau of Labor Statistics, CES Data Series, SA.

Non-Ag Employment

Grand Junction MSA

Year-over-Year Percent
Change



Expected CDLE
Revisions

Source: Bureau of Labor Statistics, CES Data Series, SA.

Grand Junction MSA Employment Change

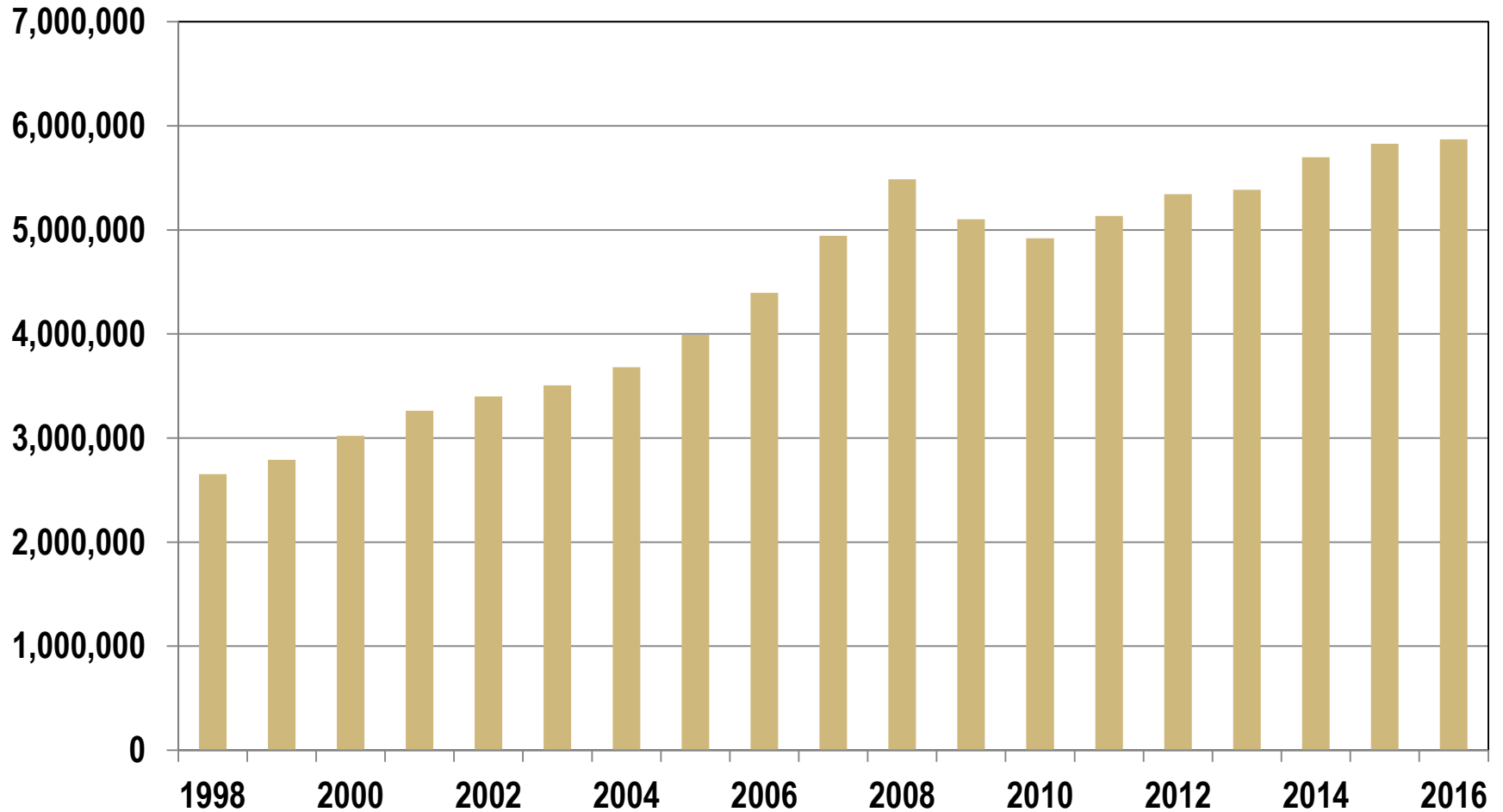
October 2017

	Month over Month	1-Year	3-Year (CAGR)	5-Year (CAGR)	10-Year (CAGR)
Total	-0.2%	-0.6%	-0.5%	0.5%	-0.4%
Mining, Logging, and Construction	0.0%	0.0%	-7.1%	-2.6%	-4.8%
Manufacturing	0.0%	3.4%	2.3%	2.1%	-0.9%
Wholesale	0.0%	0.0%	-5.2%	0.0%	0.0%
Retail	1.2%	1.2%	2.5%	1.7%	-0.3%
Transportation and Utilities	0.0%	-4.2%	-4.0%	-3.2%	-1.9%
Information	0.0%	0.0%	-5.0%	-5.6%	-5.0%
Financial Activities	0.0%	0.0%	0.0%	1.3%	-0.9%
Professional and Business Services	0.0%	-1.8%	-2.4%	-0.4%	-0.4%
Education and Health Services	-1.0%	0.0%	2.0%	2.1%	1.8%
Leisure and Hospitality	-1.3%	-2.6%	0.9%	1.4%	0.3%
Other	0.0%	0.0%	-1.4%	0.0%	0.0%
Government	0.0%	-1.9%	0.6%	0.6%	1.0%

Source: Bureau of Labor Statistics. Note: Excludes expected revisions from the Colorado Department of Labor and Employment.

Mesa County Personal Income

\$ Thousands

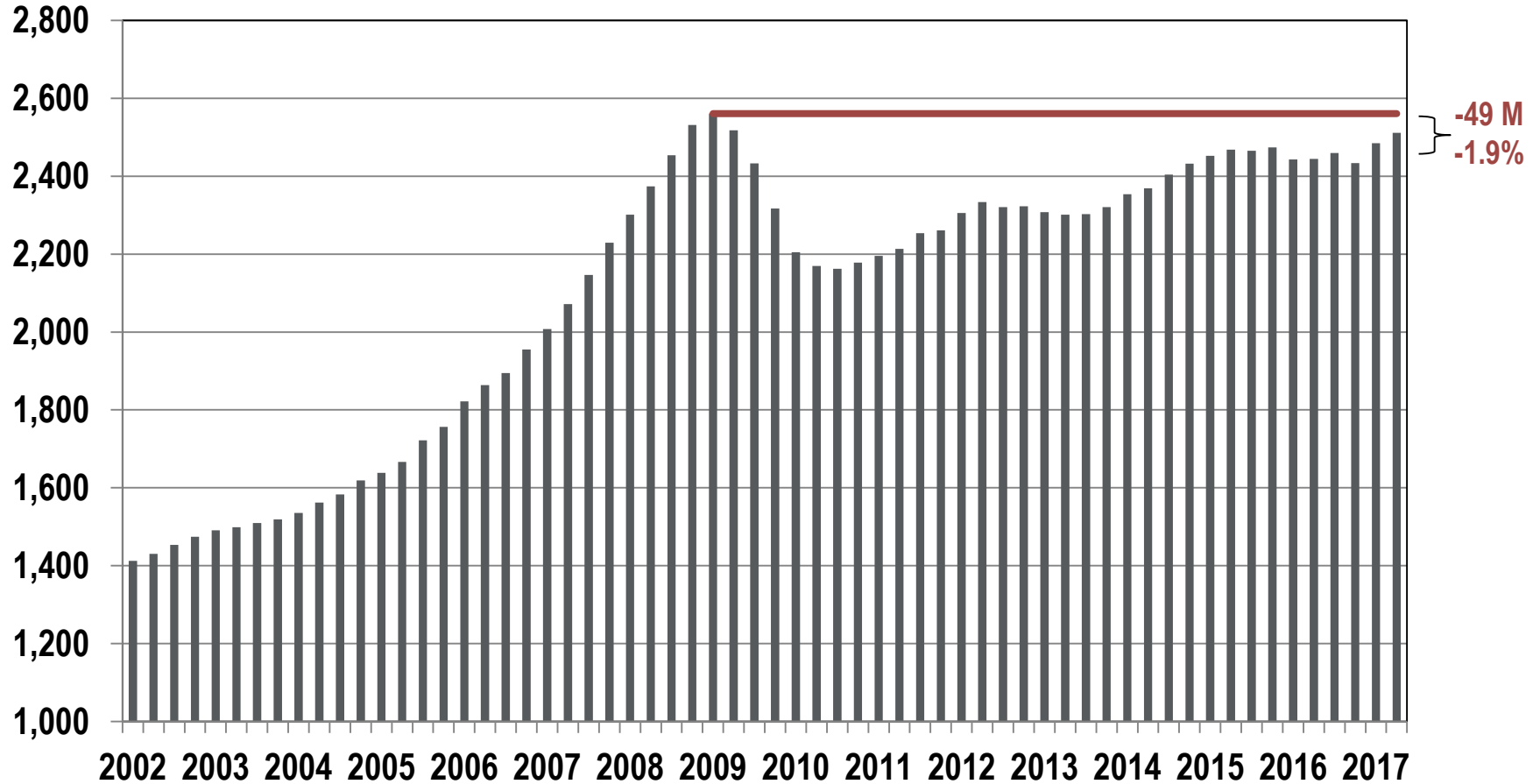


Source: Bureau of Economic Analysis.

Mesa County Wages

Annual Rate (4Q Rolling)

\$ Millions

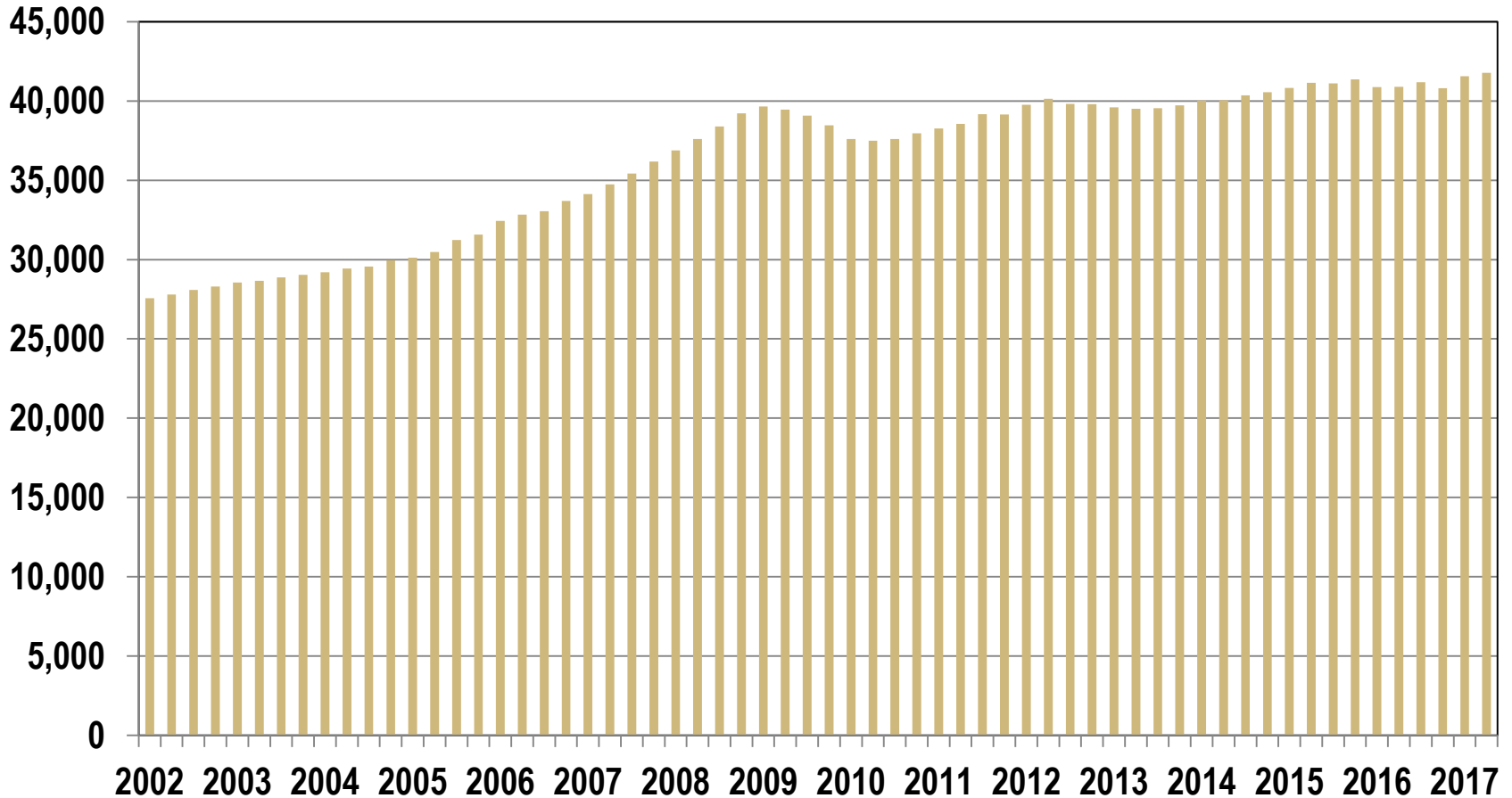


Source: Bureau of Labor Statistics, QCEW Data Series, NSA.

Mesa County Average Wages

4Q Rolling Average

\$ Millions

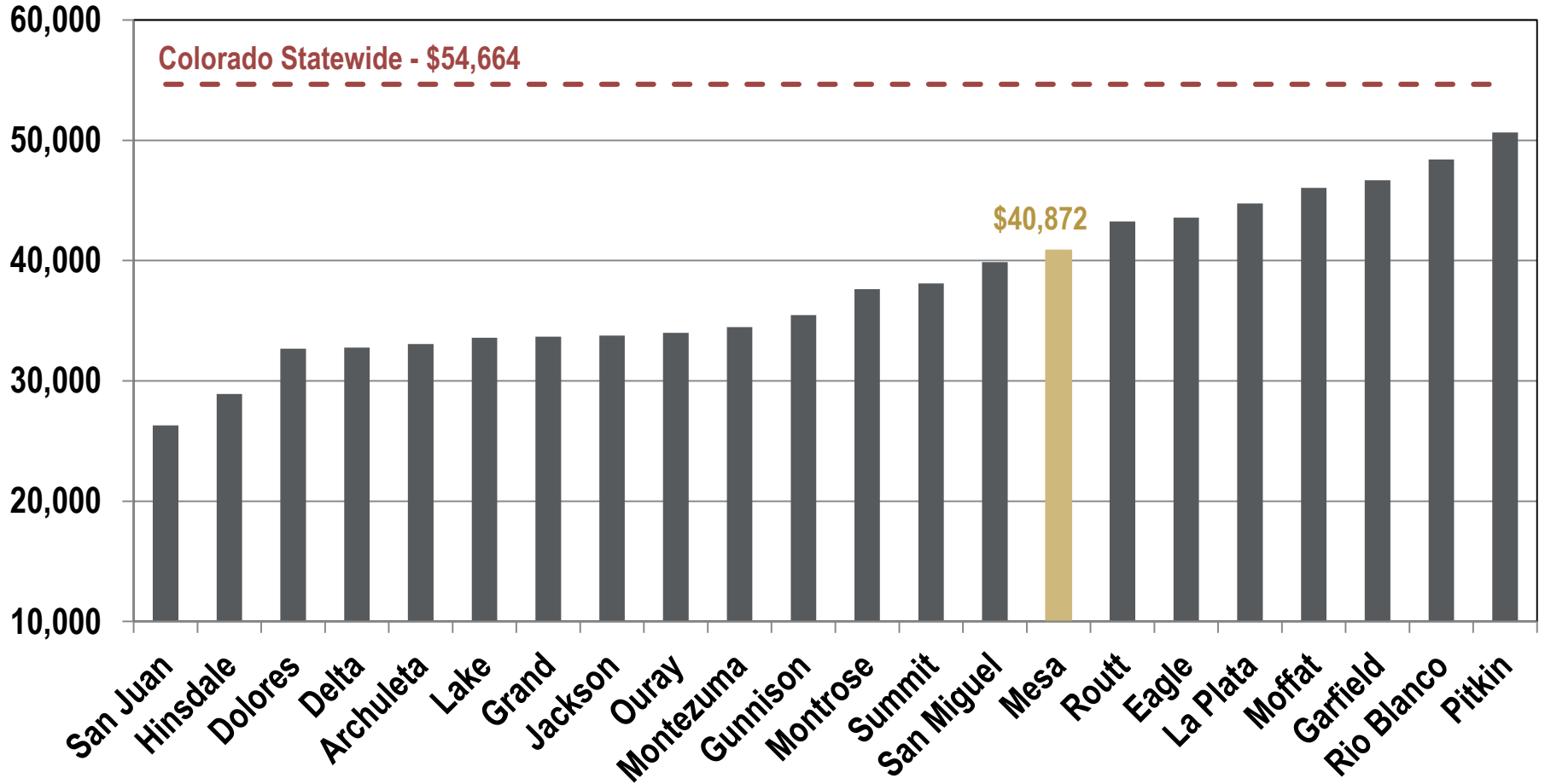


Source: Bureau of Labor Statistics, QCEW Data Series, NSA.

2016 Average Annual Wages

Western Slope Colorado

Dollars



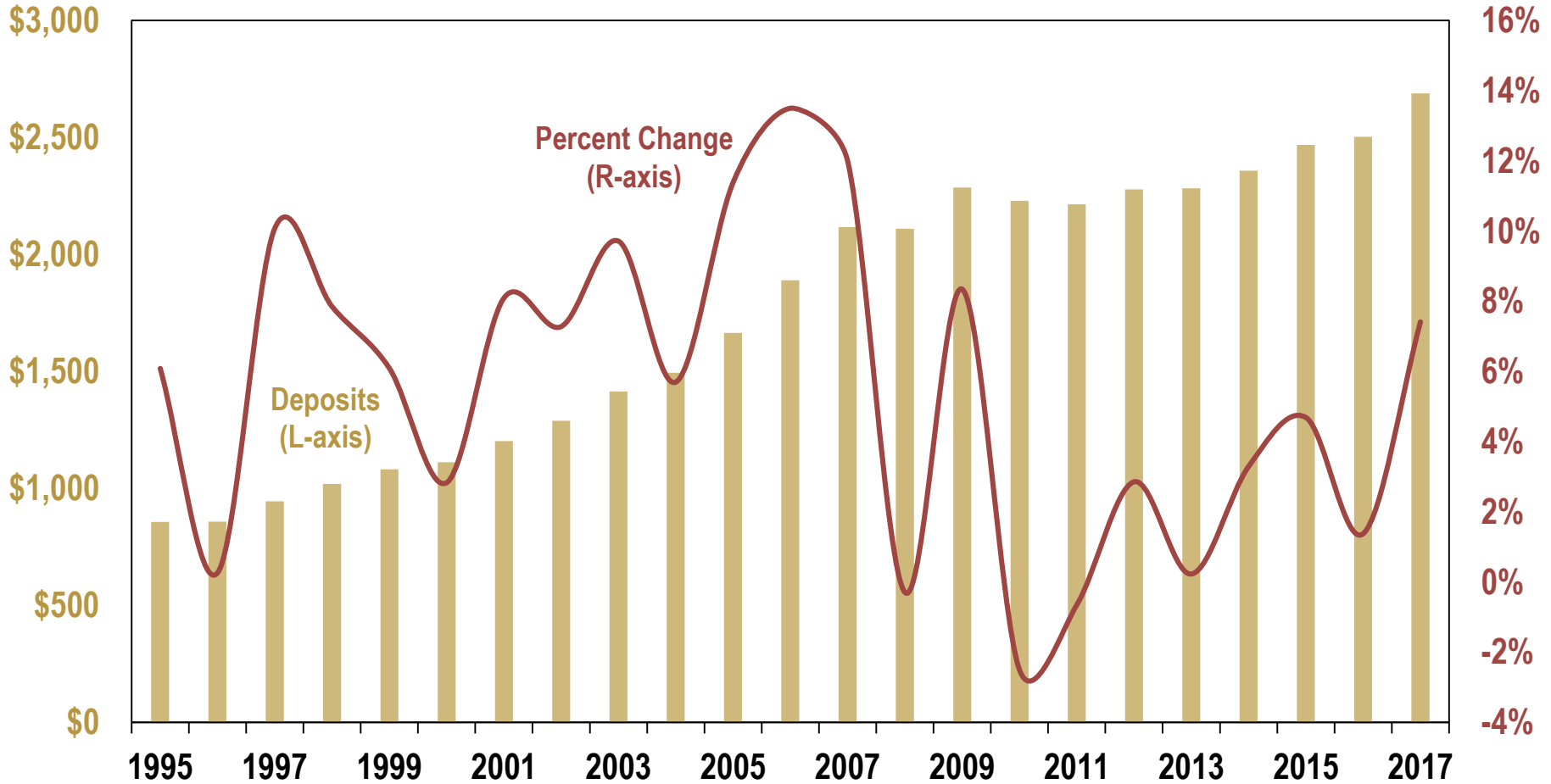
Source: Bureau of Labor Statistics, QCEW.

Grand Junction Bank Deposits

1995-2017

Deposits, Millions

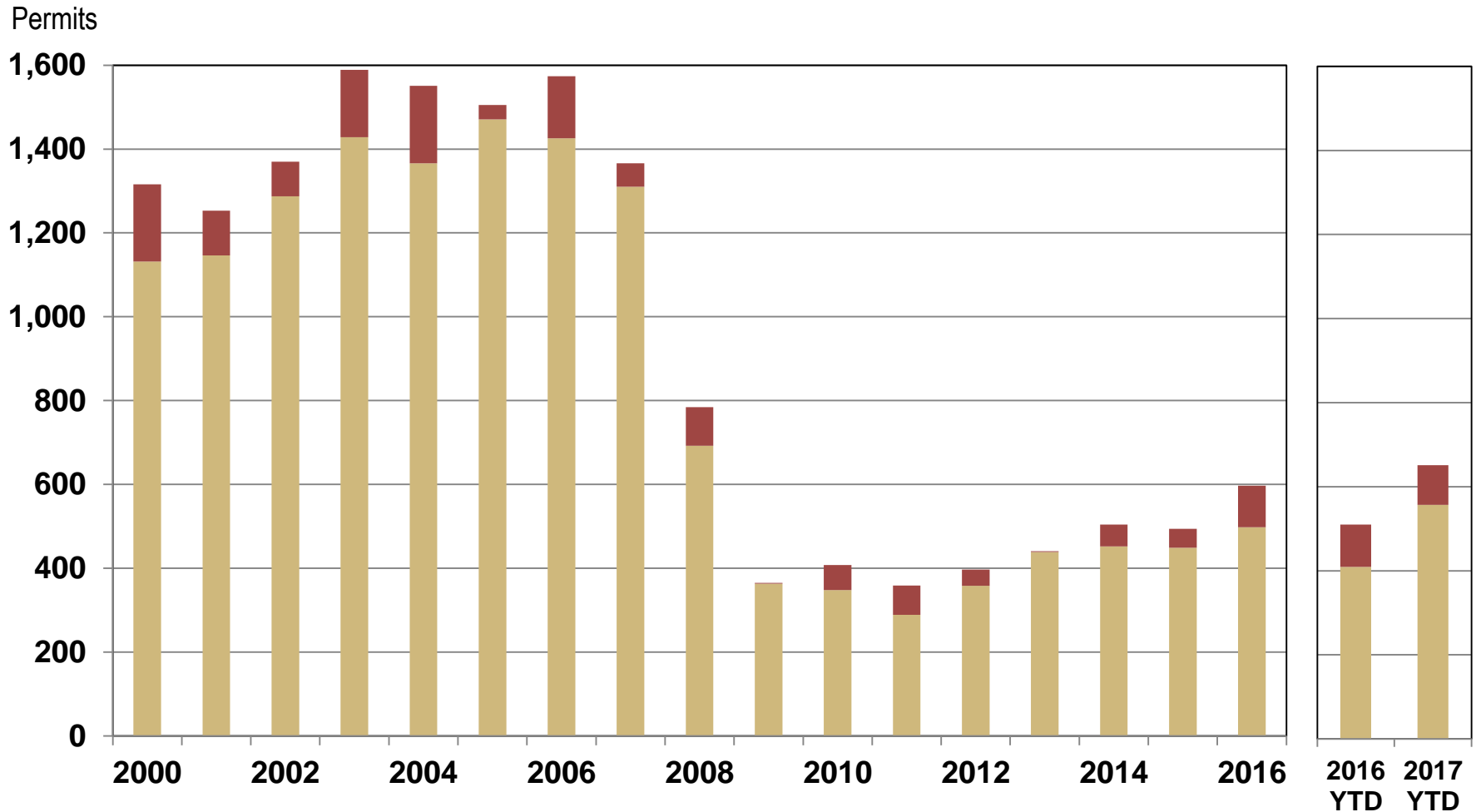
Percent Change



Source: FDIC, Deposit Market Share Report.

Single Family v. Multifamily Permits

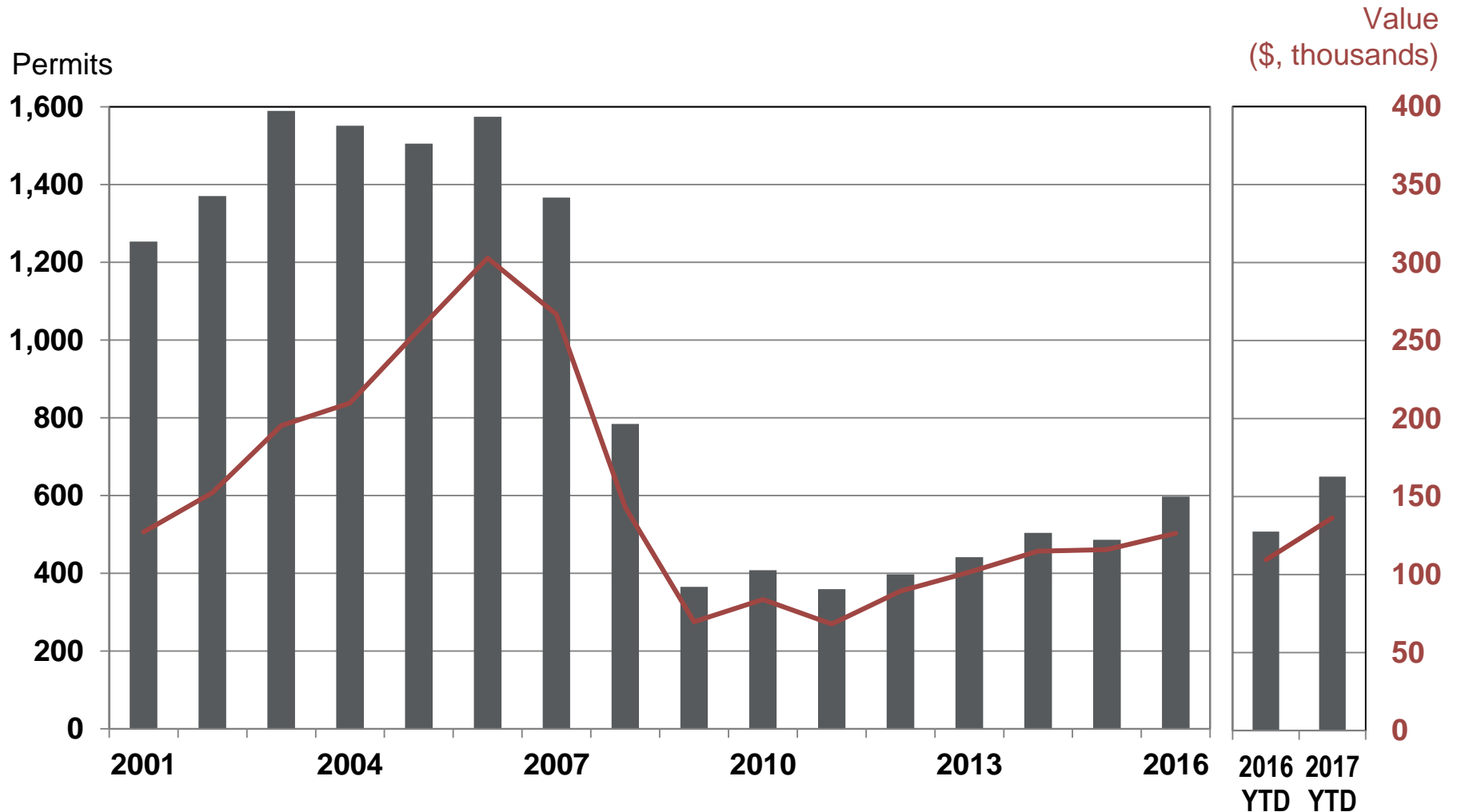
Grand Junction MSA



Source: U.S. Census Bureau.

Residential Permits and Valuation

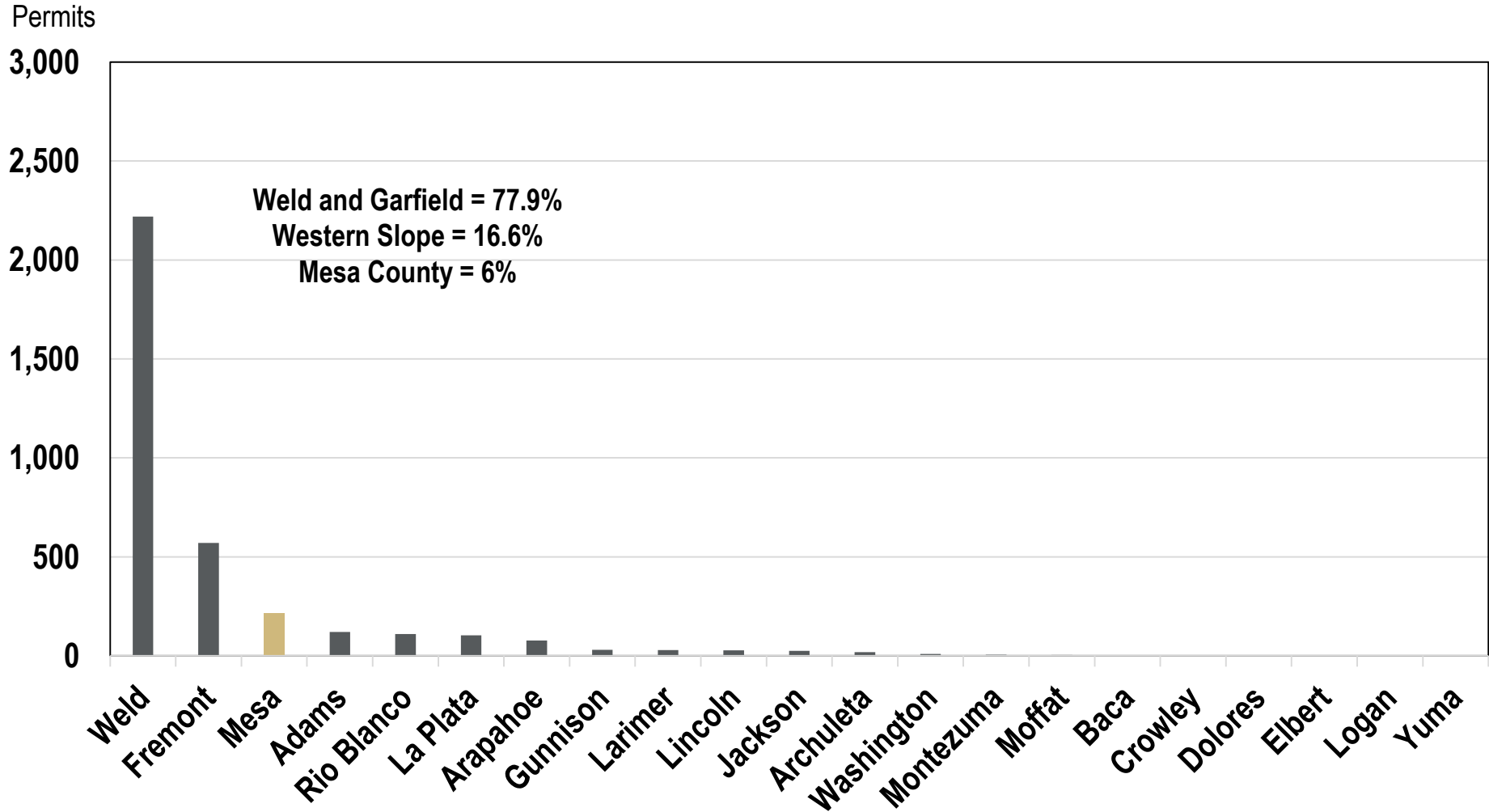
Grand Junction MSA



Source: U.S. Census Bureau.

Drilling Permits by County

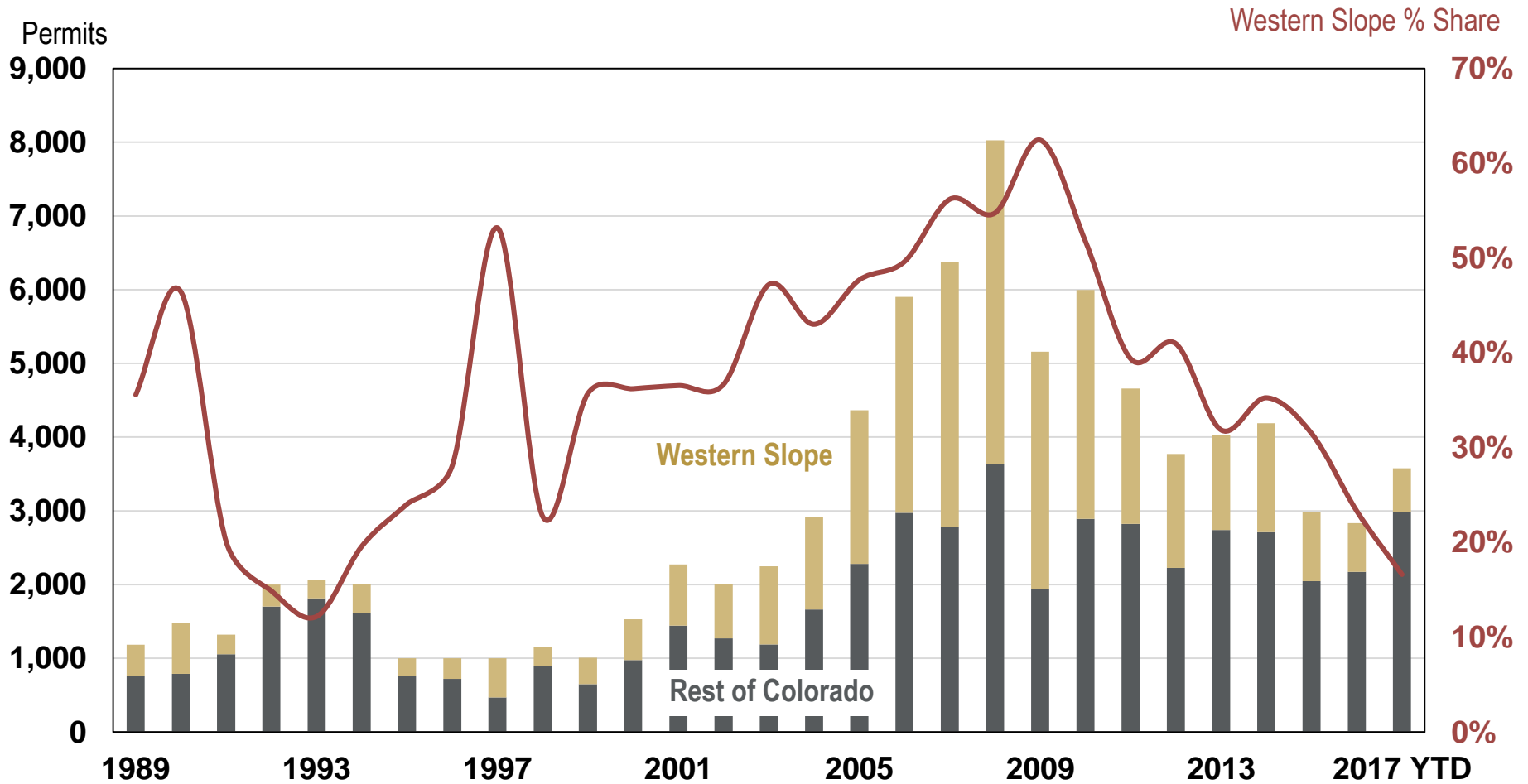
2017 YTD



Source: COGCC.

Western Slope Drilling Permits

1988-2017 YTD

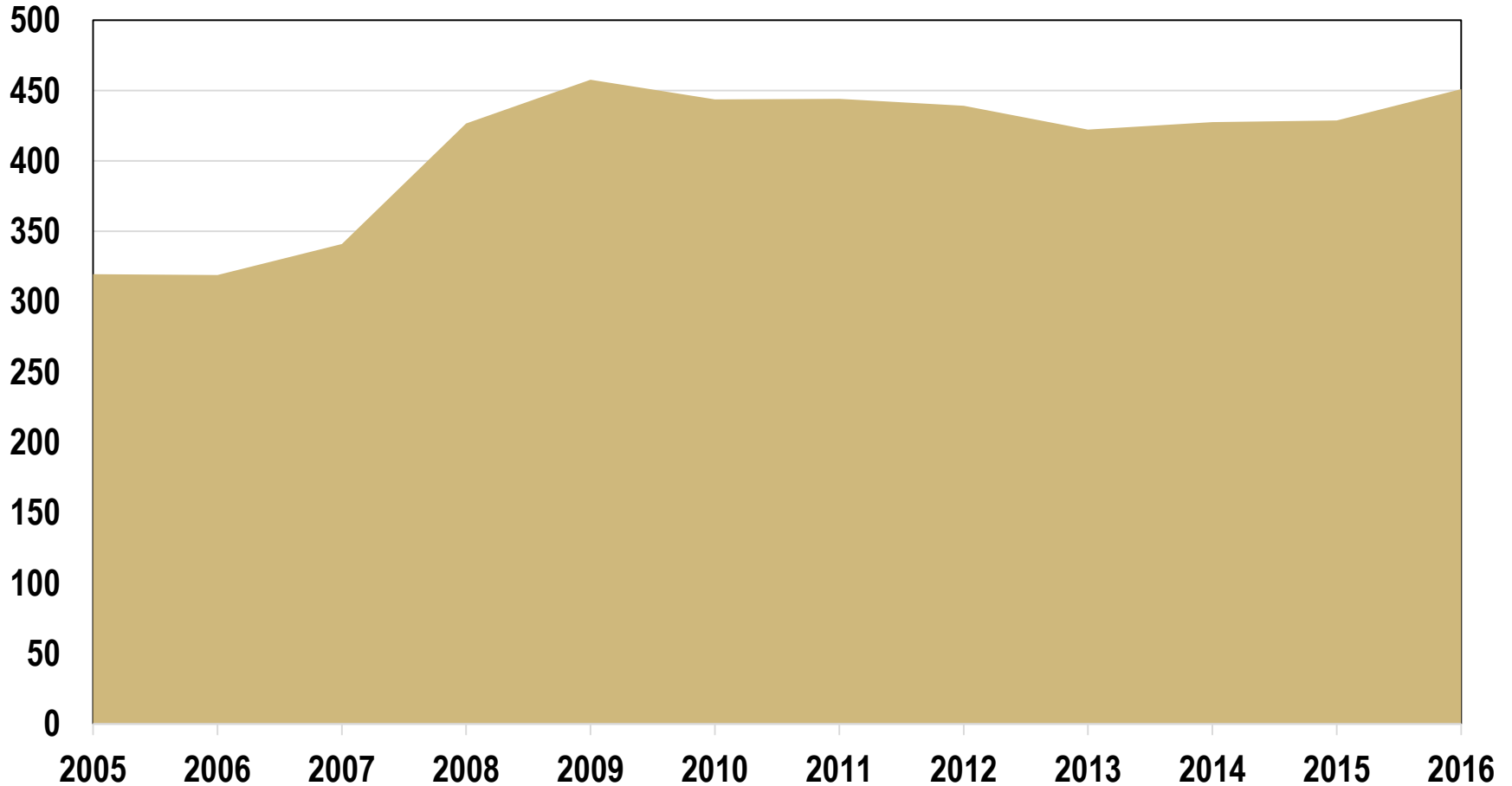


Source: COGCC.

Grand Junction Regional Airport (GJT)

Passenger Traffic

Annual Passengers (Thousands)



Source: Grand Junction Regional Airport.

Thank You

