

Picking Up The Pieces



**Metro Denver
2010 Economic Forecast
January 2010**



“Pieces” of the Economy... Each Affected by Recession

Consumption (70%)

Household spending on goods and services.

Investment (16%)

Residential real estate + business spending on software, equipment, & real estate.

Government Spending (19%)

Goods and services, debt service, transfer payments/social programs.

International Trade (-5%)

Global demand for US goods, US import activity.

Consumer Activity

Income

Wealth

Prices

Borrowing Costs

**Consumer
Confidence**



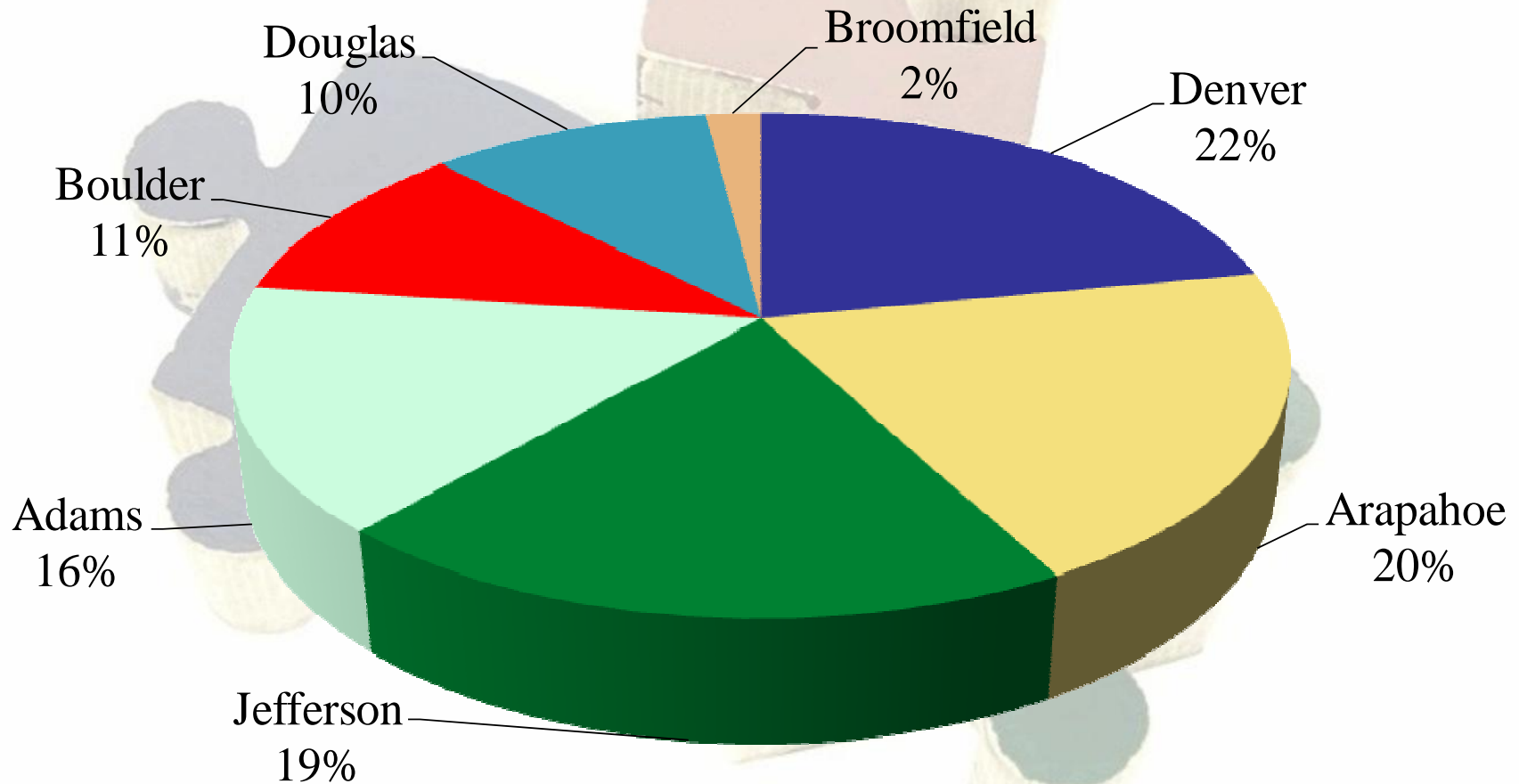
Retail Activity

Housing Sales

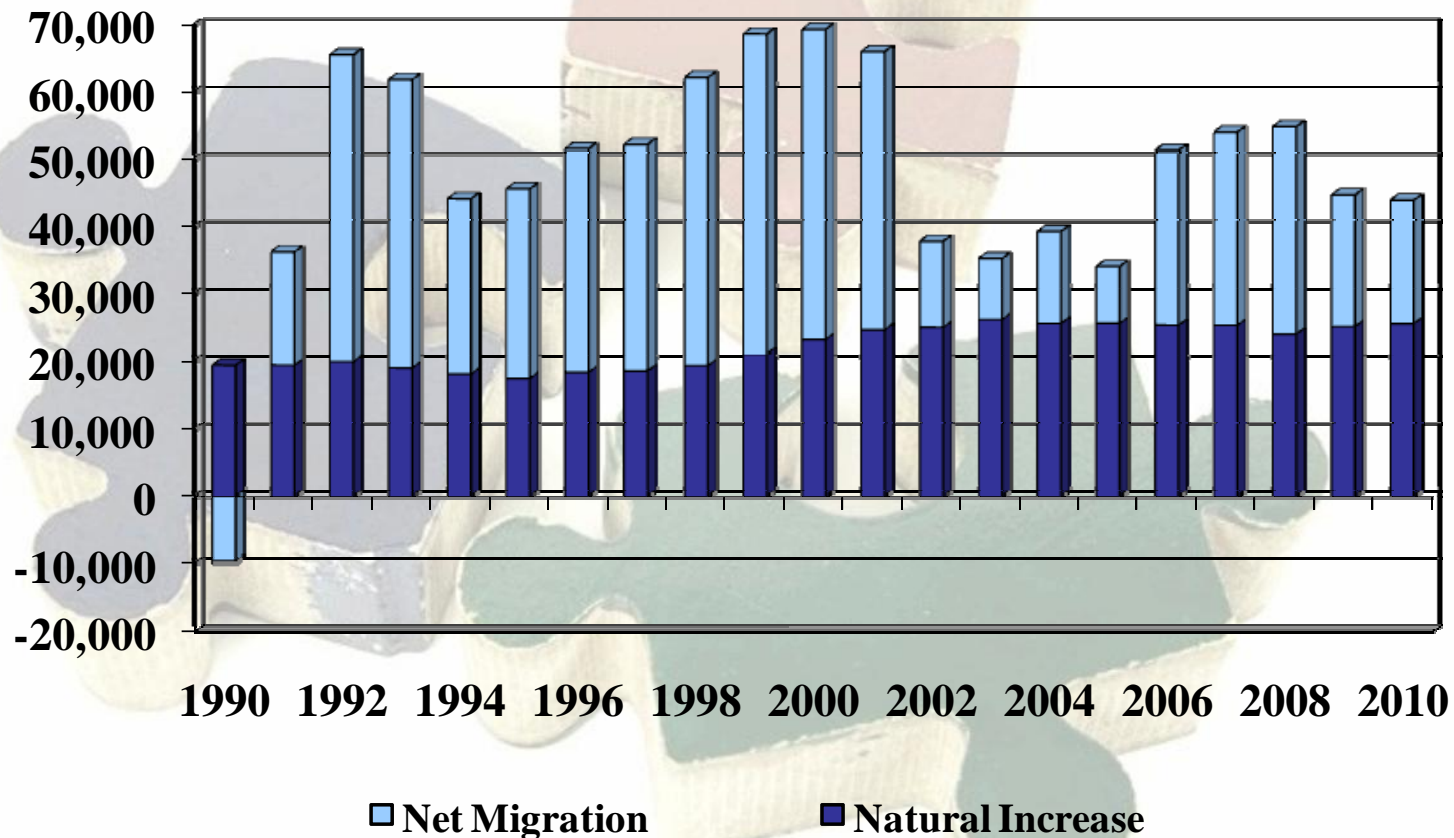
Savings Rate

Population by County

2009 Population = 2.83 million

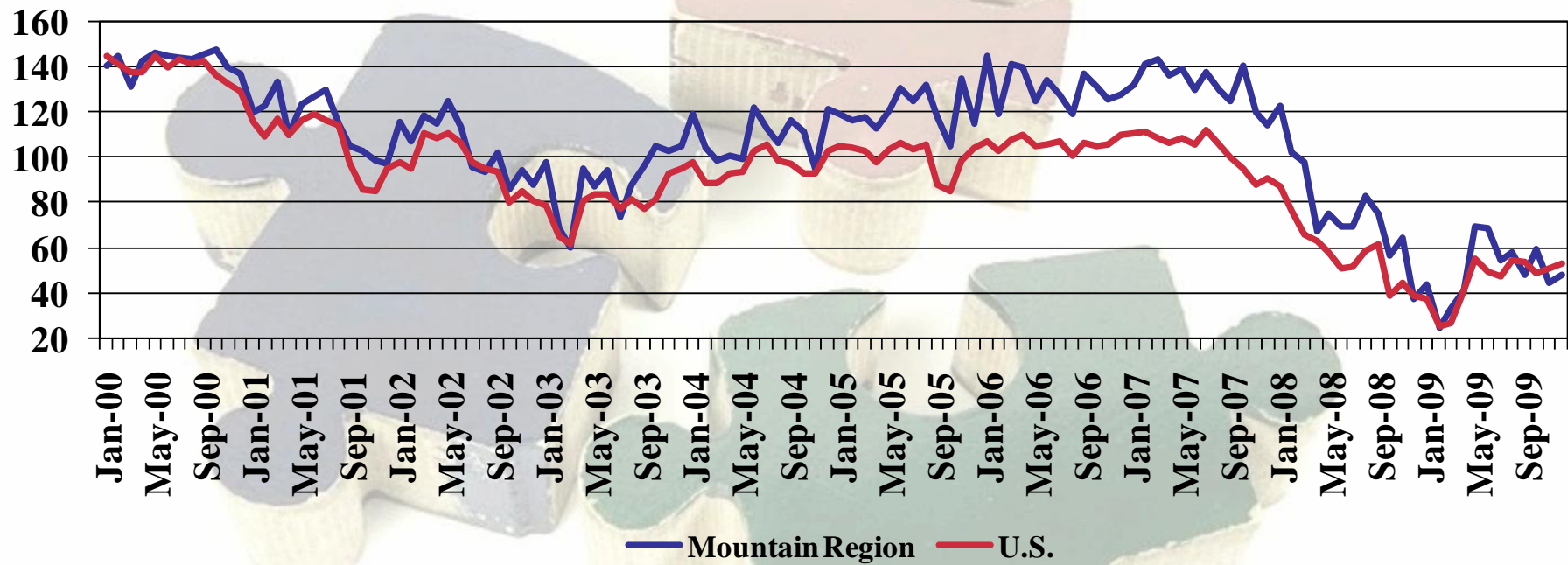


Metro Denver Annual Change in Population



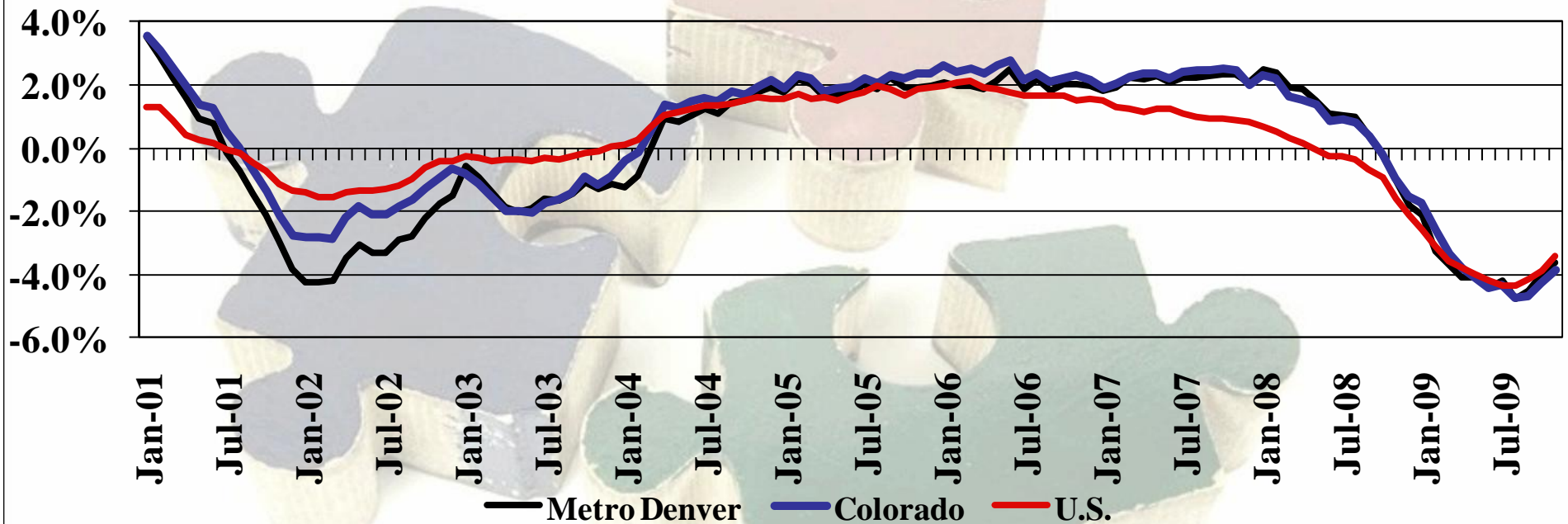
Source: Colorado Division of Local Government

Consumer Confidence Index (through Dec'09)



Source: The Conference Board.

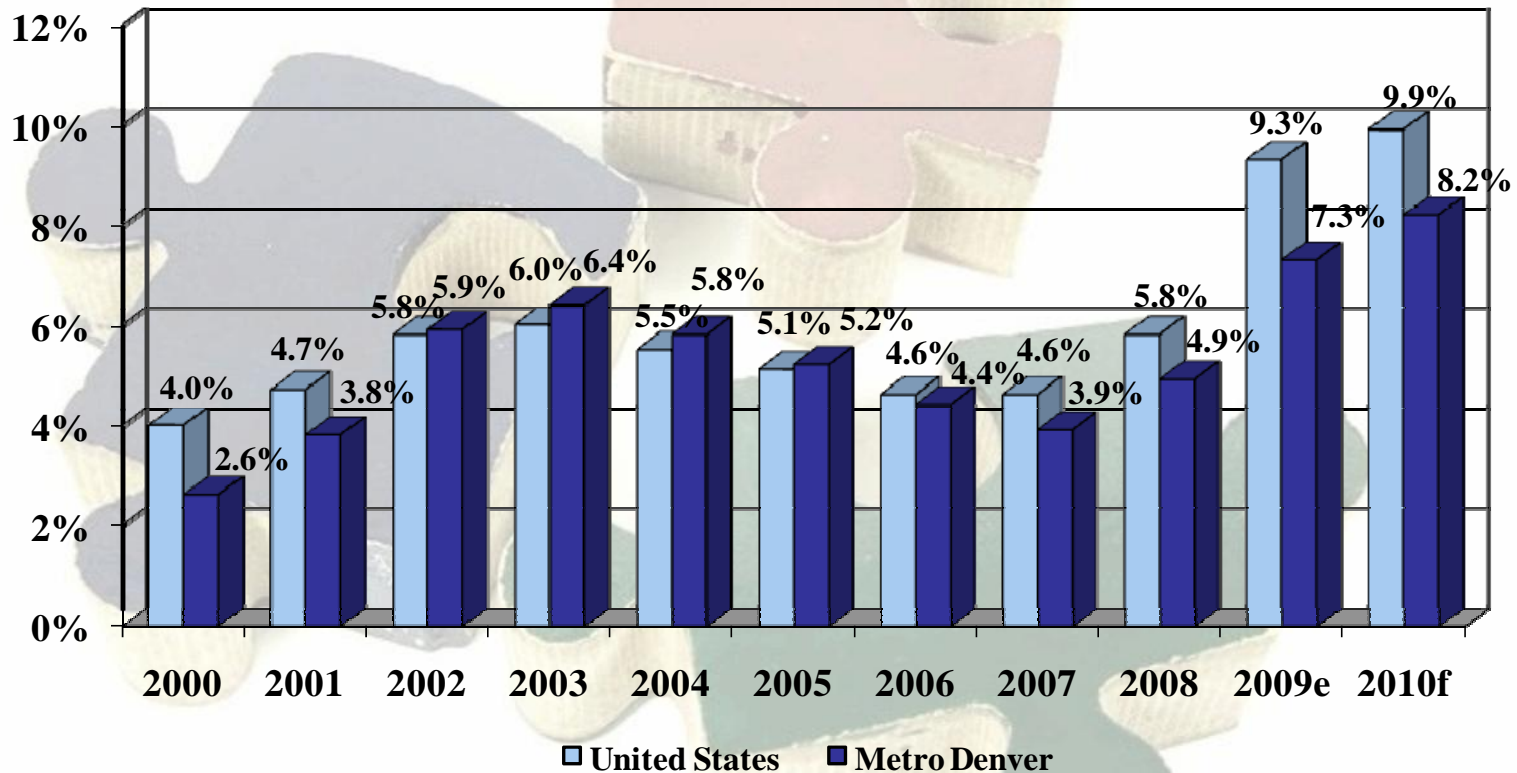
Over-the-Year Employment Growth Rates by Month (through Nov'09)



Sources: U.S. Bureau of Labor Statistics; CO Dept. of Labor & Employment.

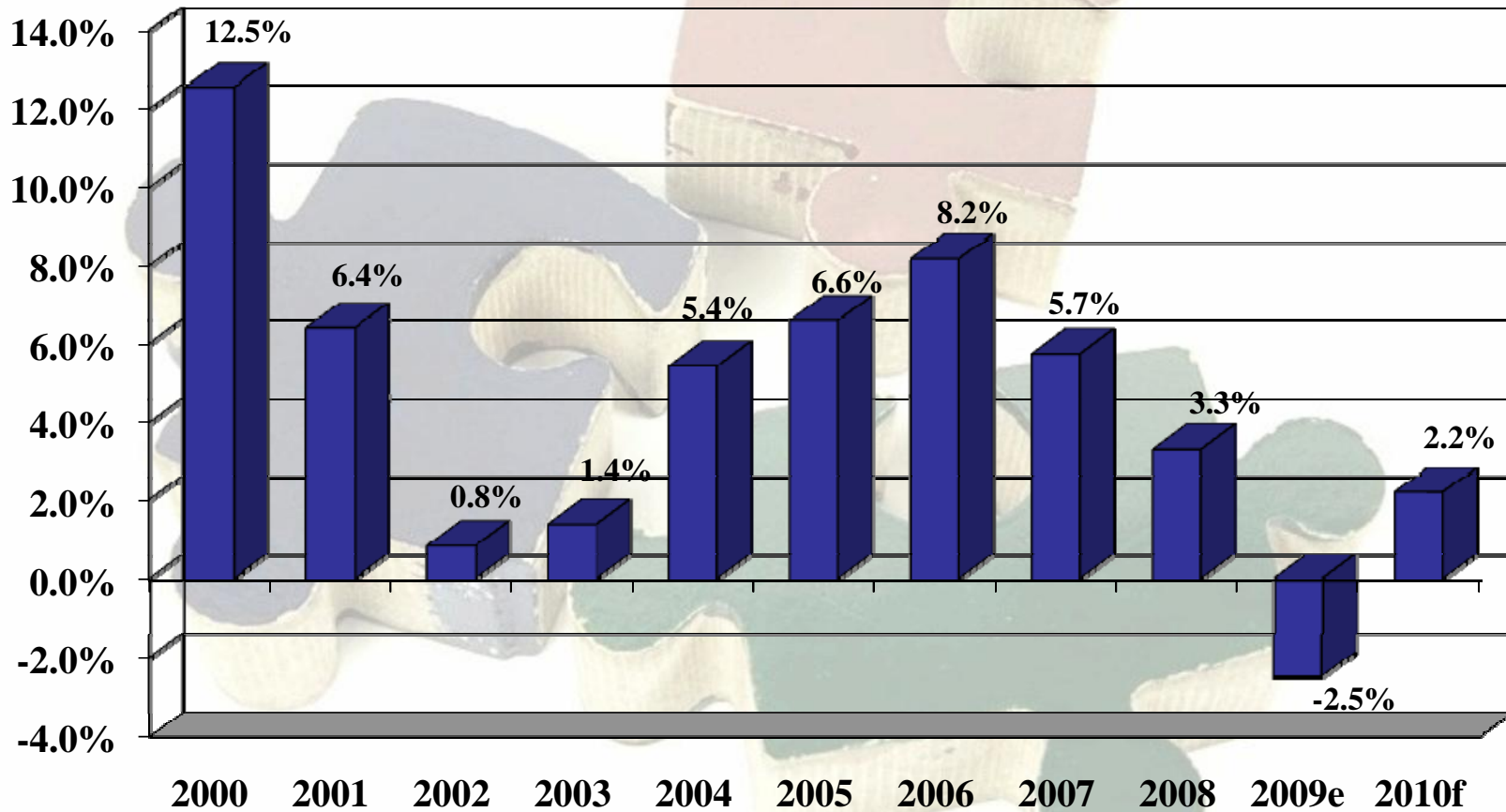
Unemployment Rates

Metro Denver Total Labor Force = 1.5 million



Sources: U.S. Bureau of Labor Statistics; CO Dept. of Labor & Employment.

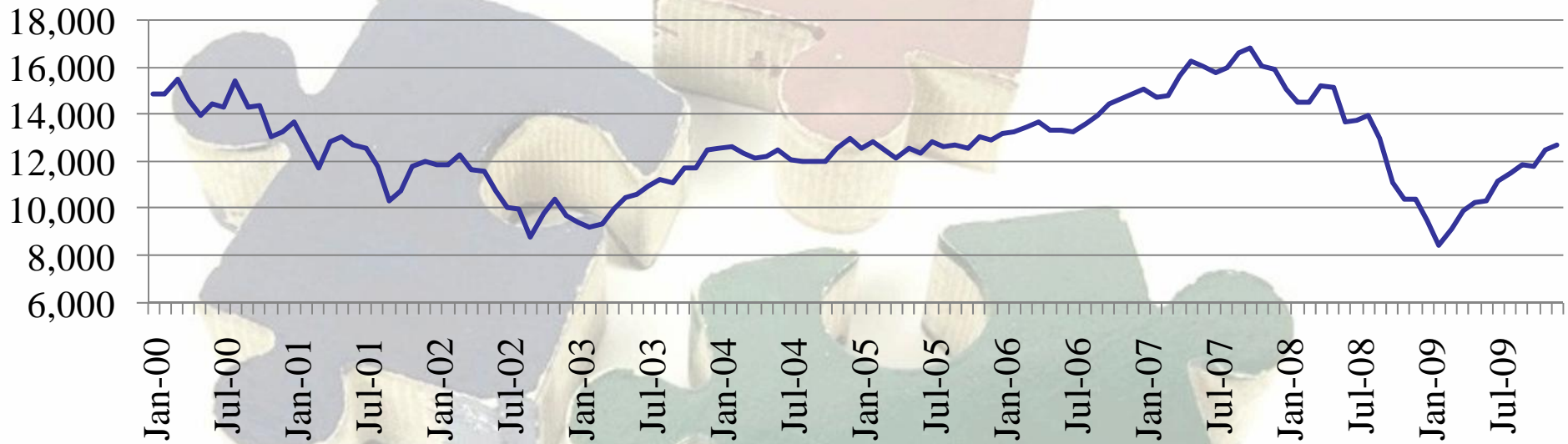
Colorado Personal Income Growth Rate



Sources: U.S. Bureau of Economic Analysis.

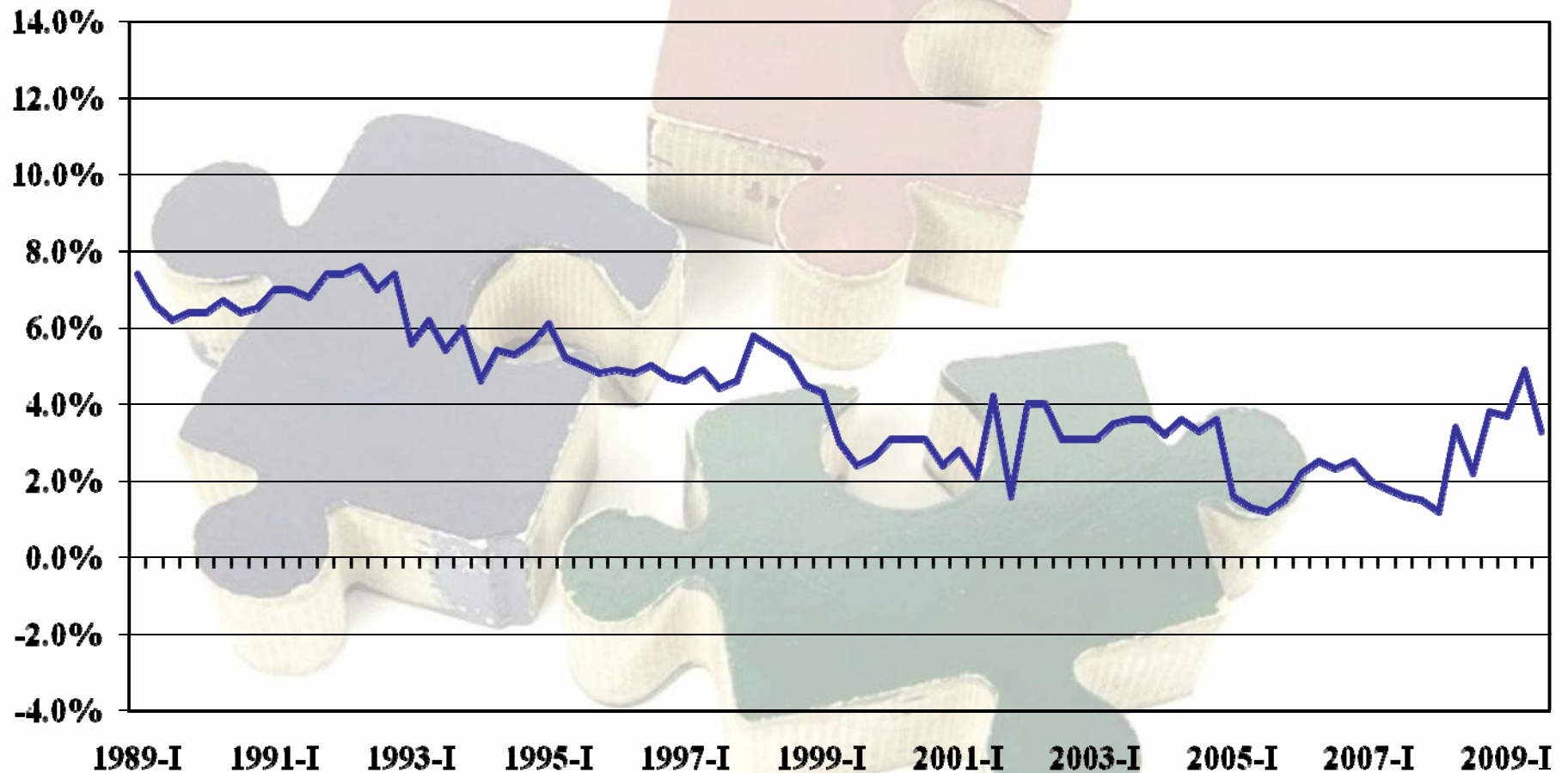
Dow Jones Industrial Average (through Dec'09)

2007: 18% of U.S. families have stocks; 53% have retirement accounts



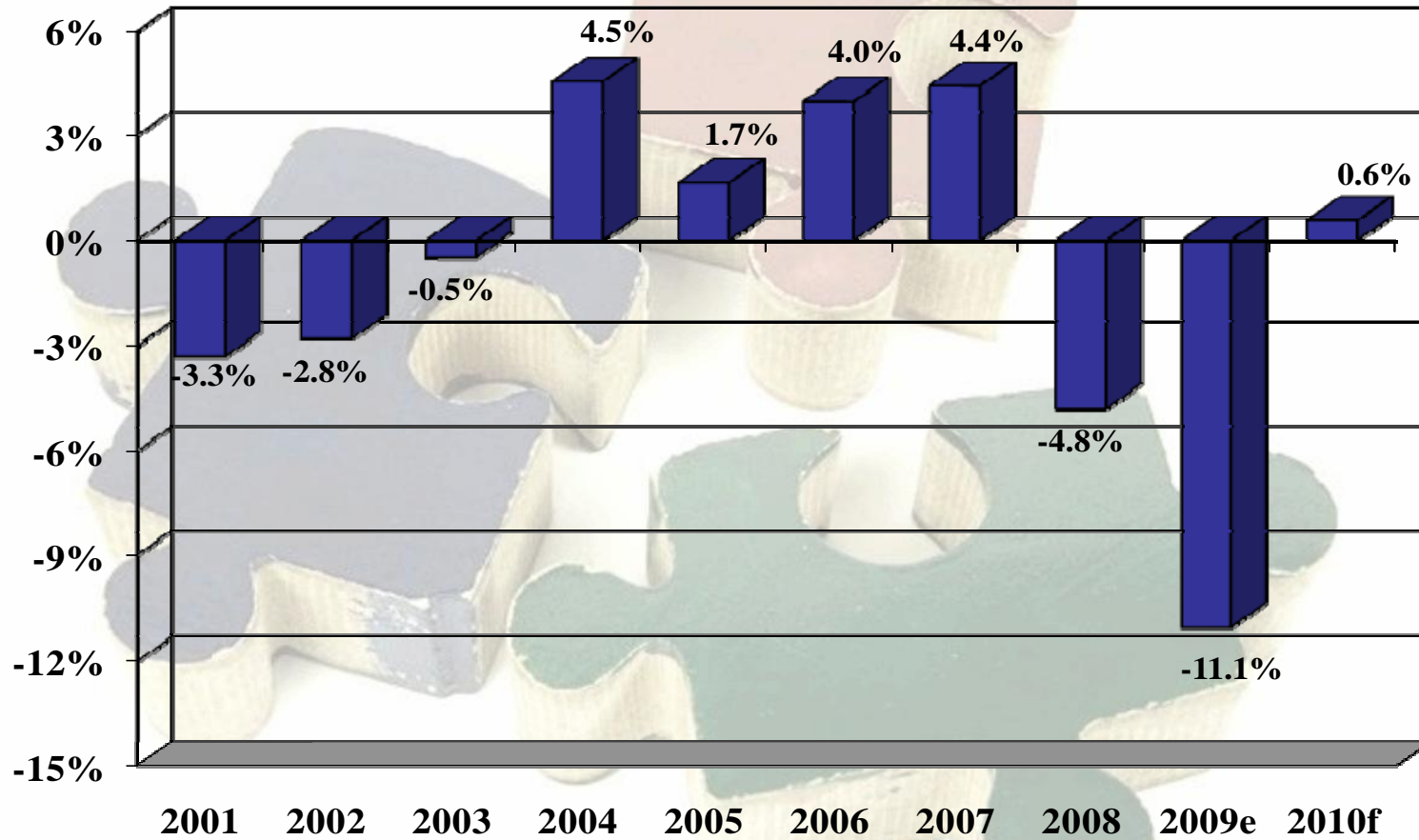
Source: Yahoo! Finance.

U.S. Personal Savings Rate (quarterly through 3Q09)



Sources: U.S. Bureau of Economic Analysis.

Metro Denver Real Retail Trade Sales Growth Rates



Source: Colorado Department of Revenue.

Business Activity

**Sales
Expectations**

**Profit
Expectations**

Interest Rates

**Other Borrowing
Costs**

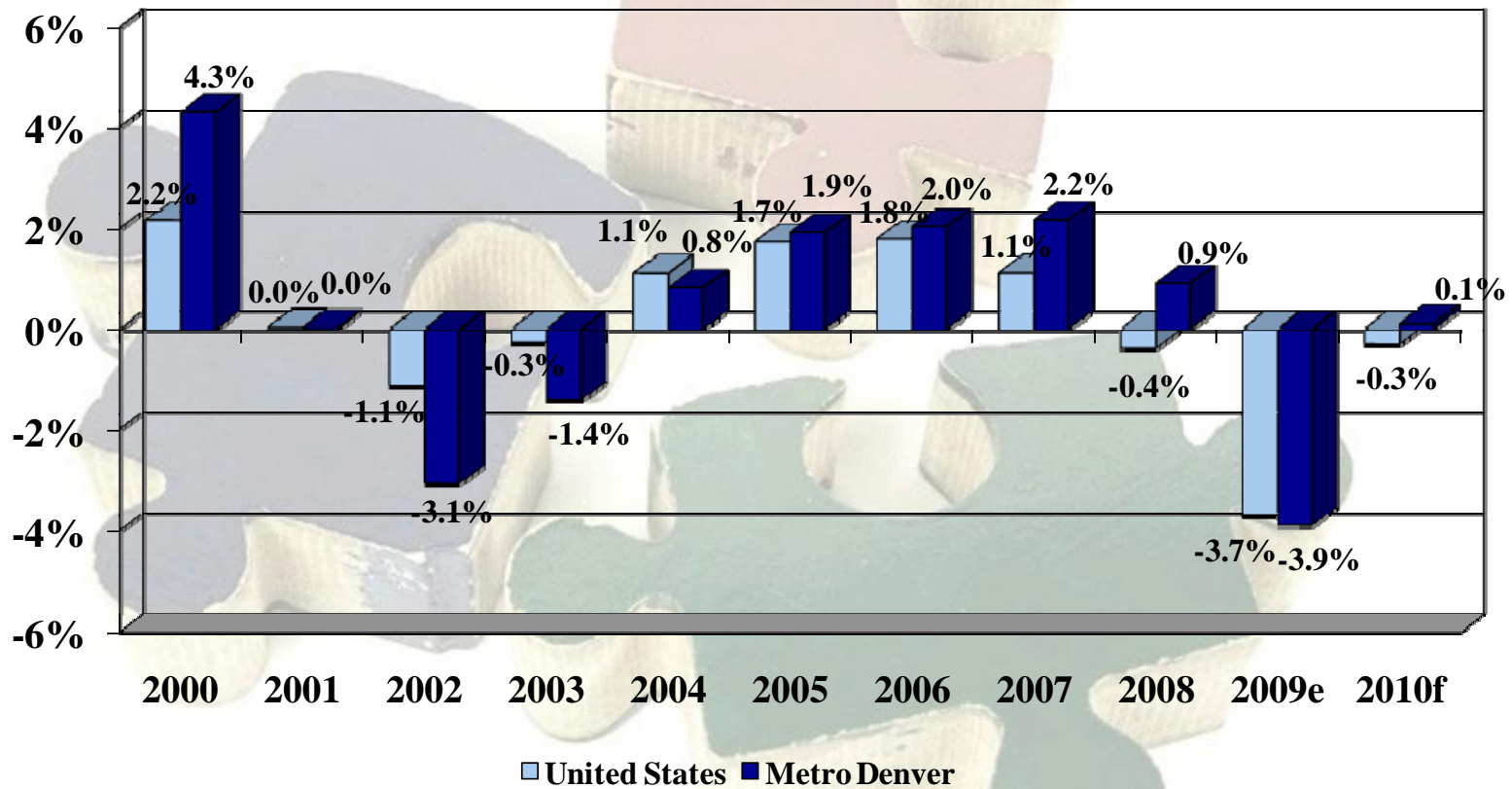


**Human
Resources**

**Software,
Equipment
Purchases**

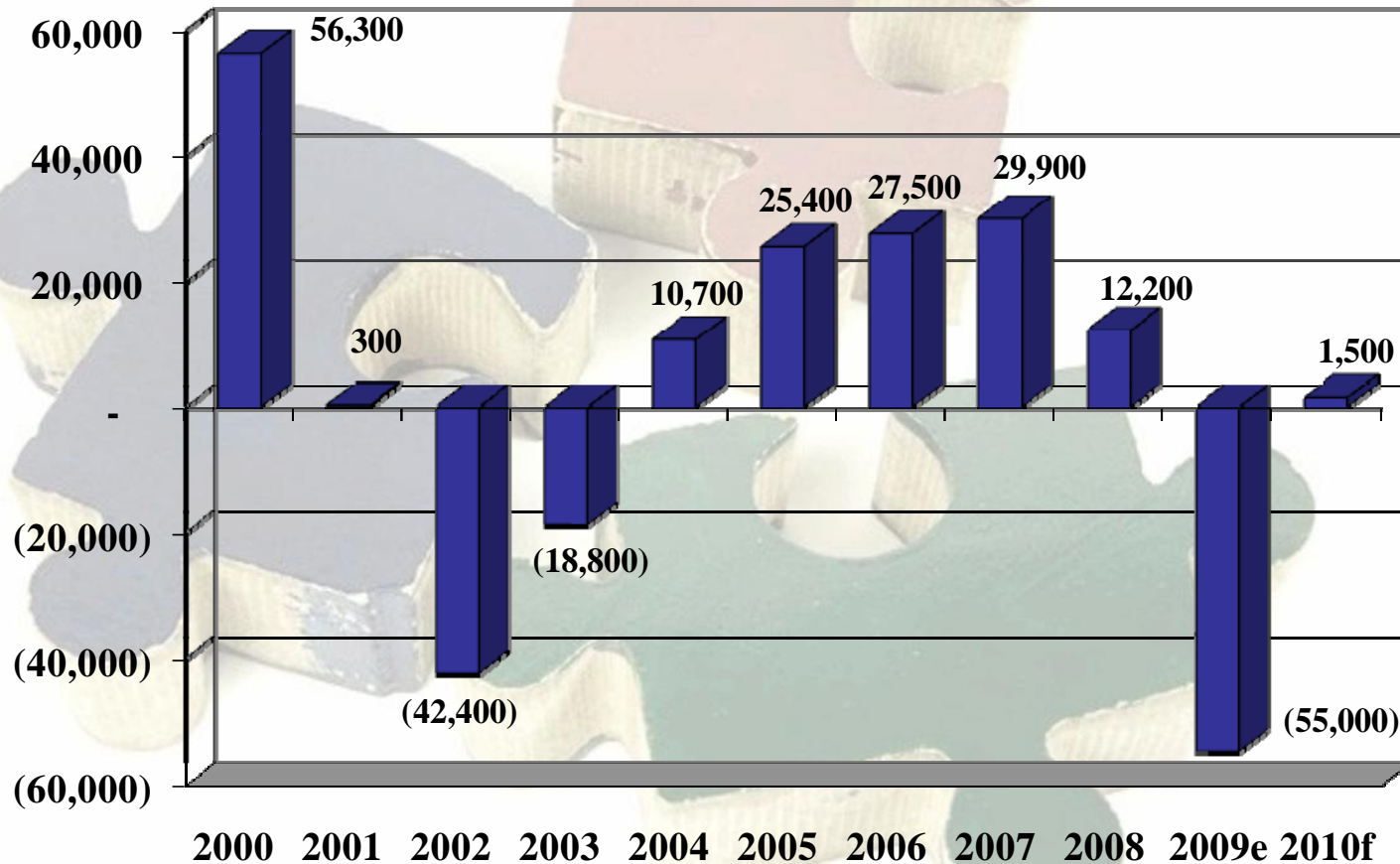
**Commercial Real
Estate**

Nonfarm Job Growth Rates



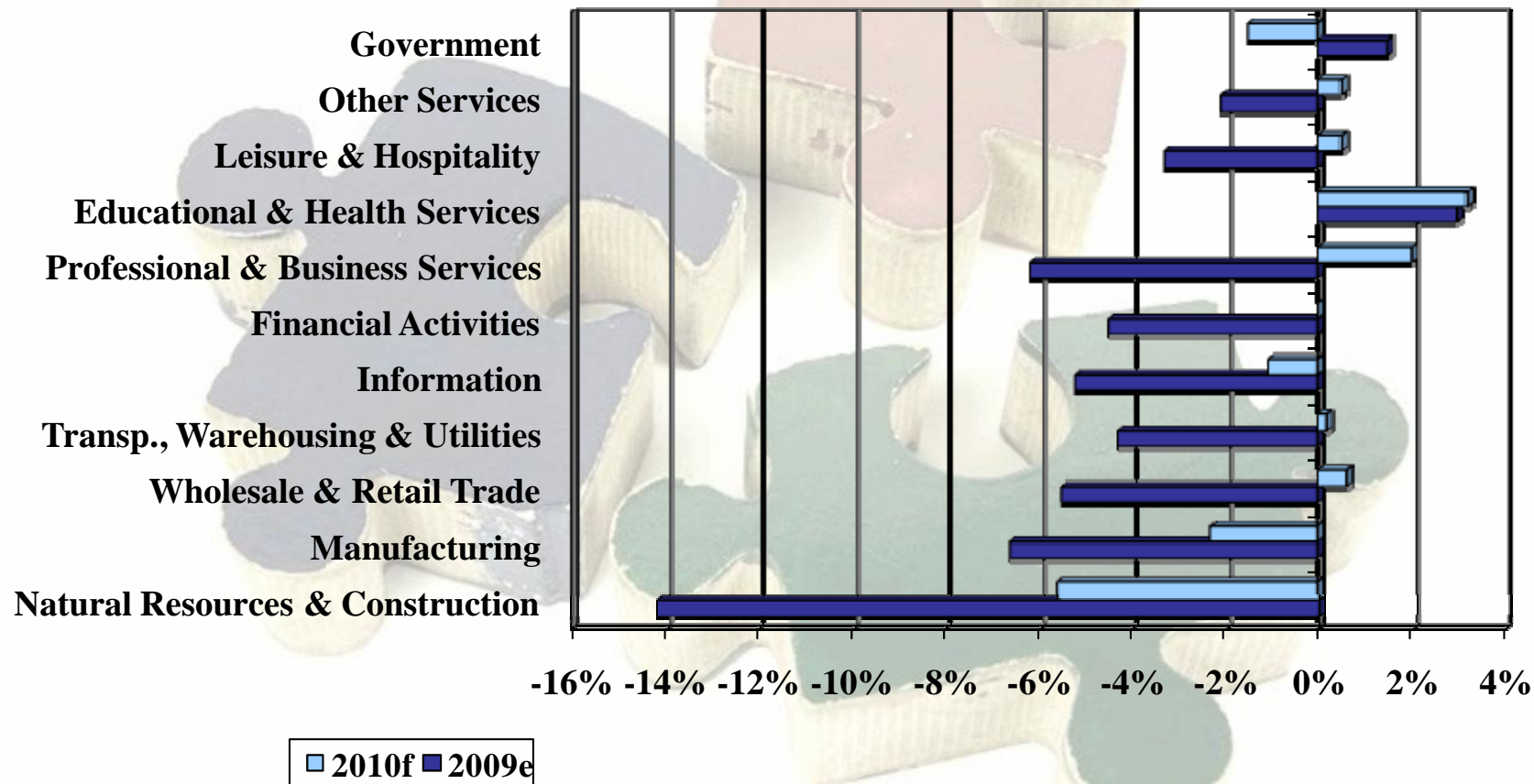
Sources: U.S. Bureau of Labor Statistics; CO Dept. of Labor & Employment.

Metro Denver Net New Jobs



Source: CO Dept. of Labor & Employment.

Metro Denver Annual Employment Growth Rate by Industry



Source: Colorado Department of Labor & Employment

Key Metro Denver Industry Clusters

	Employment	2008 Job Growth	Absolute Ranking (50 largest metros)
Aerospace	20,600	1.1%	1
Aviation	15,300	-1.2%	12
Bioscience			
Pharmaceuticals & Biotechnology	5,400	-4.2%	16
Medical Devices & Instruments	9,500	5.6%	7
Broadcasting & Telecommunications	40,000	-1.1%	8
Energy			
Fossil Energy	15,000	8.8%	3
Renewable Energy & Energy Research	15,000	12.4%	4
Financial Services			
Banking & Finance	44,500	-4.7%	8
Investments	22,600	-0.7%	9
Insurance	27,800	-1.4%	11
IT/Software	42,300	-2.5%	12

Government Activity

National Security

**Overall Economic
Health**

Tax Collections

**Political
Leadership**

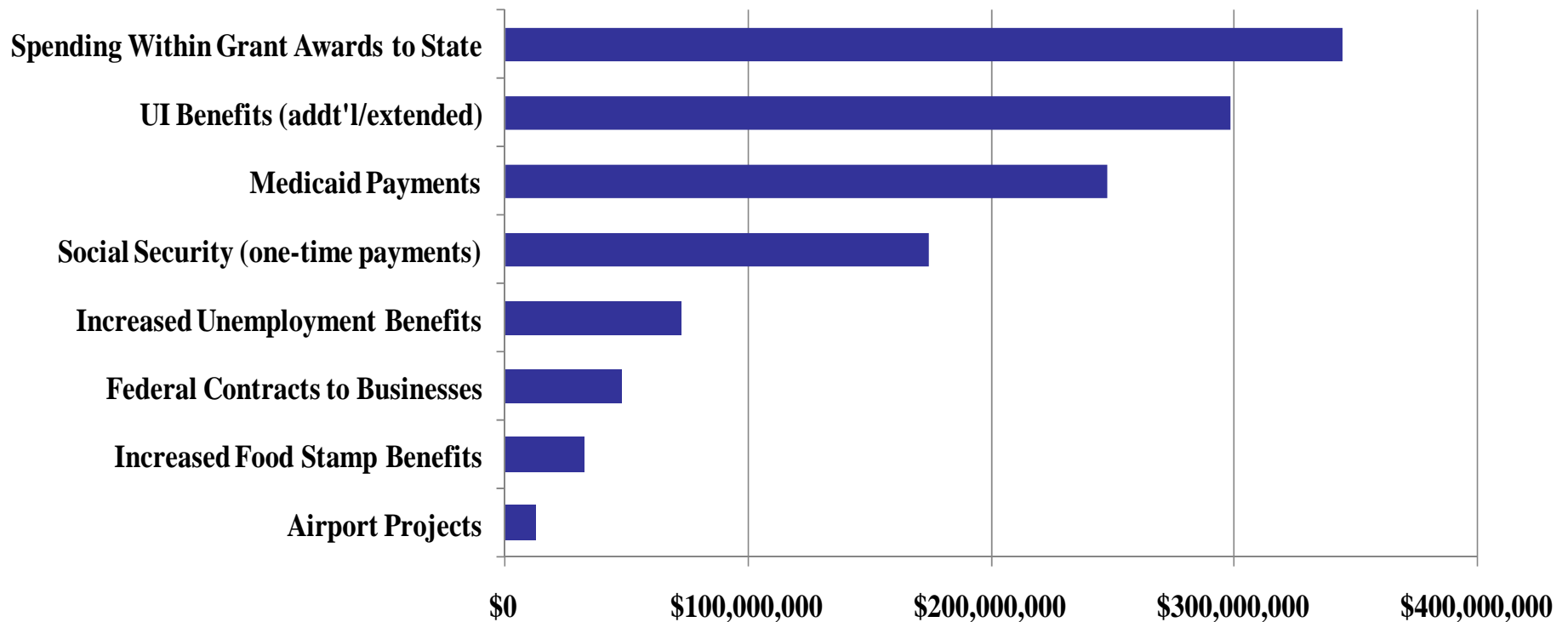


Fiscal Policy

**Monetary Policy/
Interest Rates**

**Regulatory
Reforms**

Colorado Stimulus Spending as of October 2009



Total Expected Allocation: \$5.7 billion

Source: Colorado Governor's Economic Recovery Team.

Colorado Budget Concerns

- ◆ **A state and local “budget tsunami” – lower revenues and higher obligations.**
- ◆ **More than \$2 billion shortfall addressed for FY 2009-2010. Further cuts possible.**
- ◆ **Projected shortfall for FY 2010-2011 budget more than \$1 billion. Proposed reductions:**
 - **K-12, higher education funding**
 - **Modifications of tax exemptions and credits**
 - **Changes in capital construction, public safety and corrections, Medicaid, and other areas**

International Activity

**Relative Quality,
Price of Goods**

**Value of the
Dollar**

**Financial
Markets**

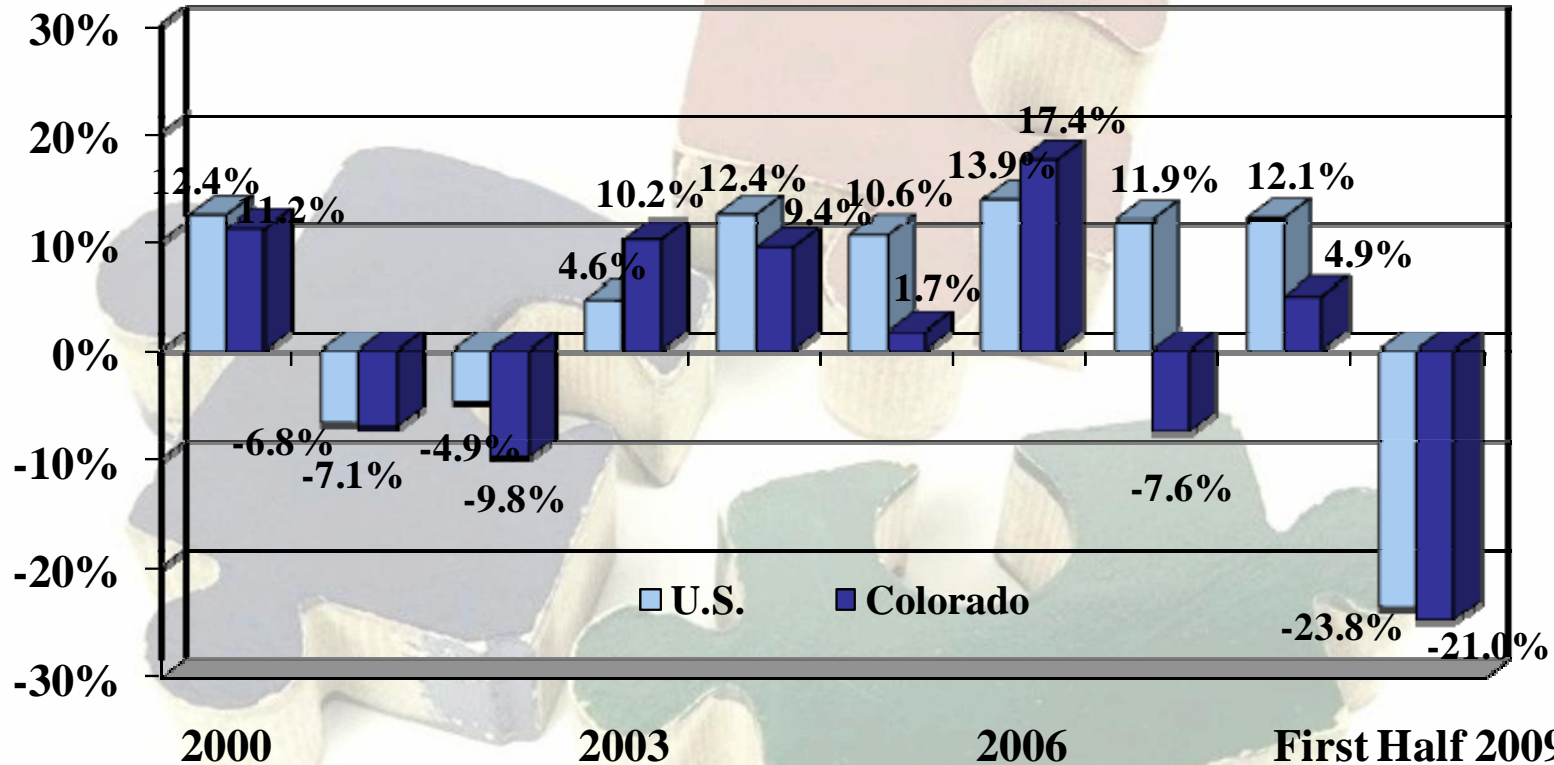
Trade Policies



**Exports: Sales of
U.S. Goods and
Services**

**Imports:
Purchases of
Foreign Goods
and Services**

Year-Over-Year Growth in Exports



Key Colorado Trading Partners: Canada, Mexico, China, the Netherlands, Japan
Key Products: Computers and electronics, processed foods, chemicals, machinery

Source: U.S. Department of Commerce, International Trade Administration.

Some “Pieces” Still Out of Place...

Commercial Real Estate.

Funding a major challenge for maturing loans, new development. Demand for space will be slow to rebound.

Fiscal Health.

Tax revenues down sharply and are likely to lag economic recovery.

Inflation.

Monetary easing, other stimulus policies could fan inflation in coming years. Potential to dampen recovery.

Engine of Growth?

Not consumers. What will support and sustain recovery?

...But Other “Pieces” Starting to Fit

Consumer Confidence Rebounding.

Confidence still fragile, but improved wealth prospects (homes, stocks) helping.

Residential Real Estate Improving.

Home prices more solid, foreclosures down, sales activity picking up.

Employment Stabilizing.

Pace of job losses slowing, but unemployment will still rise.

Stimulus Dollars Flowing

Federal dollars helping to thwart state budget cuts while offering some job opportunities.

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