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A stalling economy pulls up sharply

Job growth continues to lag, but business starts remain strong

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Colorado's economy, which has been flying on a downward trajectory since early 2023, corrected course in the third quarter, gaining enough lift to avoid a hard landing, according to the latest Quarterly Business & Economic Indicators from the Colorado Secretary of State.

"Based on the data we have, we can see a minor bounce back in our state and national GDP from the first two quarters of this year. National GDP rose 3.8% and Colorado's GDP also rose 3.5%, however, the number of jobs from August showed the slowest pace of job growth since the pandemic," said Colorado Secretary of State Jena Griswold in a press call Monday.

After years of leading the country, Colorado's economy has continued to fly in the middle of the pack or below on several key measures. Colorado's inflation-adjusted GDP growth ran at a 1.8% rate over the past 12 months, which ranked 22nd among states.

Note

Colorado's gain between the second and third quarter, converted to an annual rate, was 3.5%, which ranked 26th among states. That was a sharp acceleration from the 0.4% annualized rate of decline measured between the first and second quarters and close to the 3.8% gain measured nationally.

"We came off of a 15-year run that was kind of astronomical, from 2008 to 2023, and there was bound to be a slowdown at some point," said Richard Wobbekind, a senior economist at the University of Colorado Boulder Leeds School of Business.

The U.S. economy is on track to grow 1.9% this year, and Colorado will come close to that range, but it continues to lag when it comes to job creation, Wobbekind said.

Employers in Colorado added 18,300 workers over the past year in August, which is the most recent month available due to the federal government shutdown. That 0.6% annual growth rate ranked 34th among states. Note

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A cooling economy has helped lower the consumer inflation rate, which is heavily influenced by housing costs. After running hotter than the national average, consumer prices in metro Denver have run below it for the past year. U.S. consumer inflation rose 2.7% in July and 2.9% in August, compared to a 2.1% gain in July in the Denver-Aurora-Lakewood Consumer Price Index.

Another positive for the economy came in new business filings, which rose 7.2% over the year, but were down 12.9% from an "exceptionally strong" second quarter, according to the report

"We know from our research that new entity filings are highly correlated with business formation statistics," Wobbekind said. "So the better the business filings are, the more we're hopeful about businesses starting and growing and helping the economy stay on an even keel."

Note

On the negative side, Colorado ranks 7th among states for the decline in federal employment, said Brian Lewandowski, executive director of the Business Research Division at Leeds. And there are concerns that the federal government shutdown could cause federal workers, who won't be paid until Congress passes a spending bill, to pull back on their spending. Wobbekind also notes that businesses appear to have purchased raw materials and inventory to get ahead of tariff increases, which may have temporarily boosted some of the GDP numbers in the past two quarters.