

Very good info

12-8-25

Colo. economy looking foggy

Population & ECO

Higher tariffs, slower migration and missing data clouds the 2026 Business Economic Outlook from CU Boulder

BY ALDO SVALDI

ASVALDI@DENVERPOST.COM

Colorado's economy will continue to crawl along next year, with GDP growth strengthening but job gains remaining sluggish as some of the state's highest-paying sectors shed jobs, according to the 2026 Colorado Business Economic Outlook from the University of Colorado.

Adjusting for inflation, Colorado's economy grew 2% last year and an estimated 2.1% this year. It is expected to reach a 2.9% pace next year, according to the panel of experts assembled by the Leeds School of Business. At that pace, state GDP would be close to the historical average of 3% a year since 1990.

But that stronger growth won't generate the same number of new jobs as it used to. Colorado's GDP may be beating strong, but the economy appears to have developed a case of arteriosclerosis when it comes to creating jobs. Note

Employment growth in the state was 1.1% in 2024, an estimated 0.4% this year and the forecast calls for a 0.6% gain or 17,500 net new jobs. Going back to 1990, the state has added an average of 55,000 jobs a year. There should be more jobs given GDP growth, and it isn't entirely clear why that isn't the case. Note

"The more likely scenario is that employers are squeezing more out of their existing employees. The labor market is somewhat locked up. We see little job growth and hiring. Fewer job postings. We are seeing fewer quits. People are hunkering in place," said Brian Lewandowski, executive director of the Business Research Division at the Leeds School, which puts together the Outlook, now in its 61st year. He also acknowledges that economists have limited visibility as 2026 approaches. Note

The federal government shutdown this fall caused a delay in several key economic reports, making it harder to know exactly what is going on.

Take higher output with fewer workers or productivity gains. Some argue they are coming from the increased adoption of artificial intelligence to take on more tasks. But Lewandowski notes that companies have just started to deploy AI, meaning most of the "squeeze" from AI is in the future. Note

The sectors that are lagging are consequential. Professional and business services is expected to shed jobs for the third year in a row after peaking at 499,200 jobs in 2023.

That sector, the state's second-largest, pays well, with an average annual wage of \$137,574. More than any other, it has helped Colorado's economy outperform since the Great Recession. Note

Information, which includes many types of tech jobs, has been on a downward trajectory since 2022, going from 79,400 jobs to 71,900 this year and a forecast 71,700 next year. The sector pays even more than professional and business services, with an average annual wage of \$157,434, but it is also highly susceptible to AI taking over tasks. Note

The declines in those two areas might reflect overhiring that went on because of the pandemic, the shift to remote work and the need for better cybersecurity, said Richard Wobbekind, a senior economist and faculty director at Business Research Division.

"They staffed up for the huge demand at the time," he said.

Information and professional and business services jobs were especially important in attracting college graduates and professionals from other states to Colorado last decade. *Note*

Those workers made enough to afford the state's elevated rents and home prices and to boost spending throughout the larger economy.

But if those employers aren't hiring, and if there are fewer of those highly paid workers, it could derail the state's economic momentum and make it harder to attract new workers in the future.

Going back to 1990, Colorado's population gains have averaged 75,000 people a year or a 1.5% growth rate, with most of that growth coming from people relocating to Colorado from other states — domestic net migration. Since the pandemic, Colorado's domestic migration has evaporated. As more time passes, it looks to be a new normal rather than an aberration. *Note*

Last year, domestic net migration was around 5,400 after averaging around 35,000 in the prior three decades. In 2023 and 2024, strong international migration covered the gap, enough to bring the state back to pre-pandemic levels of population growth. But immigration policies have become much more restrictive, even for highly skilled tech workers. *Note*

Colorado's population is expected to grow by 33,200 this year and 35,100 next year. If more people start to self-deport, something the Trump administration is actively encouraging, then it is possible that population gains could come down to the "natural" rate of increase, births minus deaths, which is just under 20,000 people a year. *Note*

Fewer available workers will tighten the job market despite weak job gains. The Outlook calls for the state's unemployment rate to fall from 4.5% this year to 4.1% next. *Note*

That could help wage gains continue to keep up with inflation. Wobbekind said lower personal and business tax rates should provide a tailwind for the economy next year, as will lower interest rates.

Health care hiring remains strong, driven by an aging population, and retail and wholesale trade hiring is expected to rebound after a down year in 2025. Construction firms also are expected to hold on to their workers even though activity is falling.

But there are several headwinds. *Note* The effective tariff rate on Colorado imports has jumped from 3% last year to 21% in 2025, according to the Office of State Planning and Budgeting. Businesses are absorbing much of that sevenfold increase early on, but consumers can expect to foot more of the bill over time.

The Outlook is calling for consumer inflation in the Denver area, now about 3%, to jump to 3.5%. *Note*

International visits are expected to drop 5% this year and to remain soft in 2026, which will hit the state's leisure and hospitality sector. Weaker tourism and tighter household budgets could end a five-year streak of annual job gains in that sector in 2026, according to the Outlook.

Government hiring won't backstop the labor market as it did during the post-pandemic recovery.

Federal employment counts are expected to fall, state counts stay flat, and local government hiring is expected to increase slightly. Employment levels could change depending on how tax revenues fare, given that the substantial buffer that federal relief dollars provided during and after the pandemic goes away next year.

Any big changes to the country's health care system could prove disruptive, Wobbekind said. Those could range from lower federal reimbursement rates provided to states to higher premiums individuals might have to pay for coverage under the Affordable Care Act.

Lower-income consumers are under increasing financial stress and defaulting on their credit lines at higher rates. But with about half of consumer spending coming from just the top 10% of households, overall consumer spending and the economy have held up. *Note*

That too is something to watch. Crypto-currency markets have sharply reversed, and if AI and tech stocks follow suit next year, then that source of wealth and economic support for consumer spending could disappear quickly.