



Midyear Economic Update: Implications for the IT and Mobile Industries

Presented by Gary Horvath
Rocky Mountain Information Management Association
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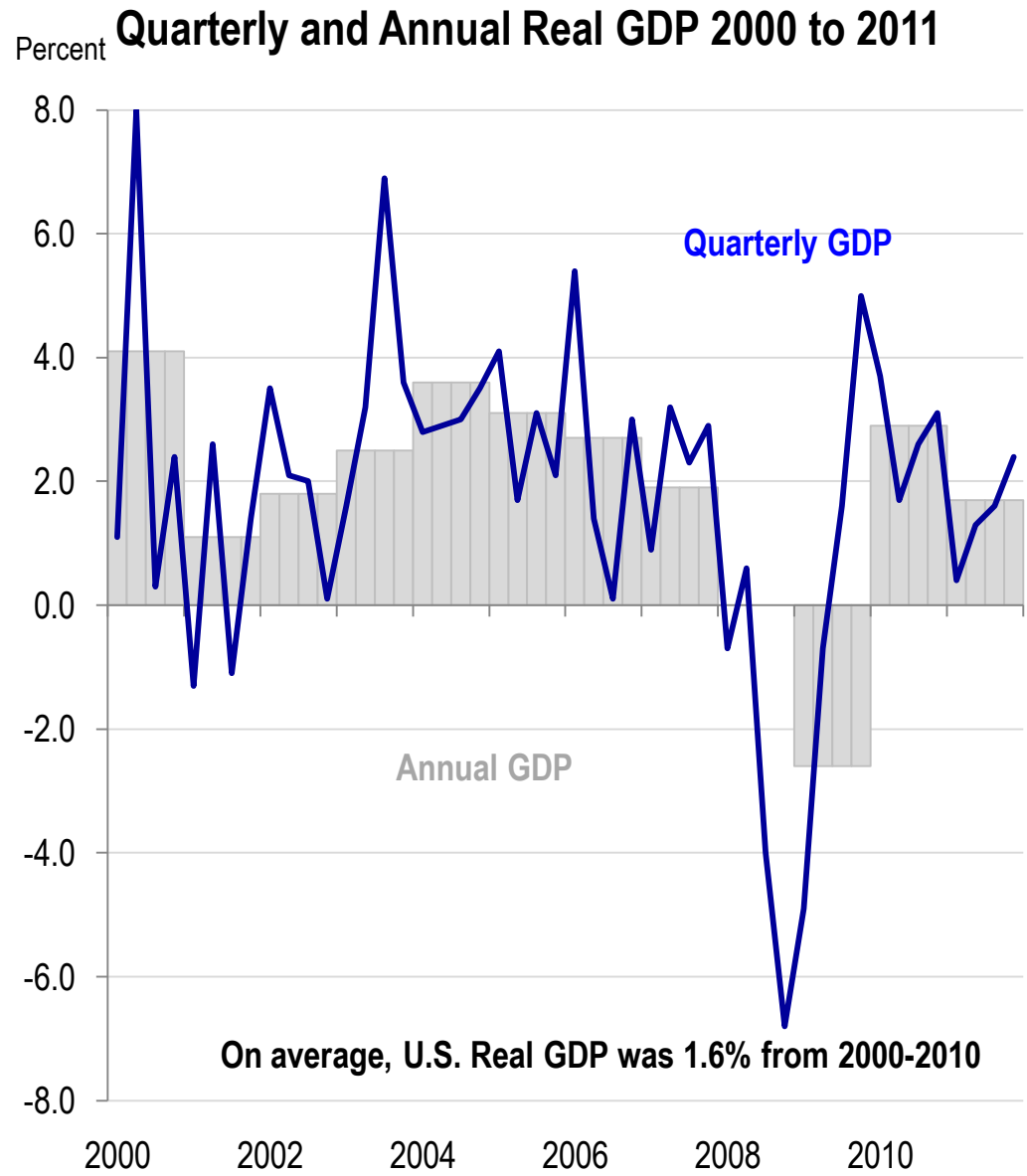


National Economy

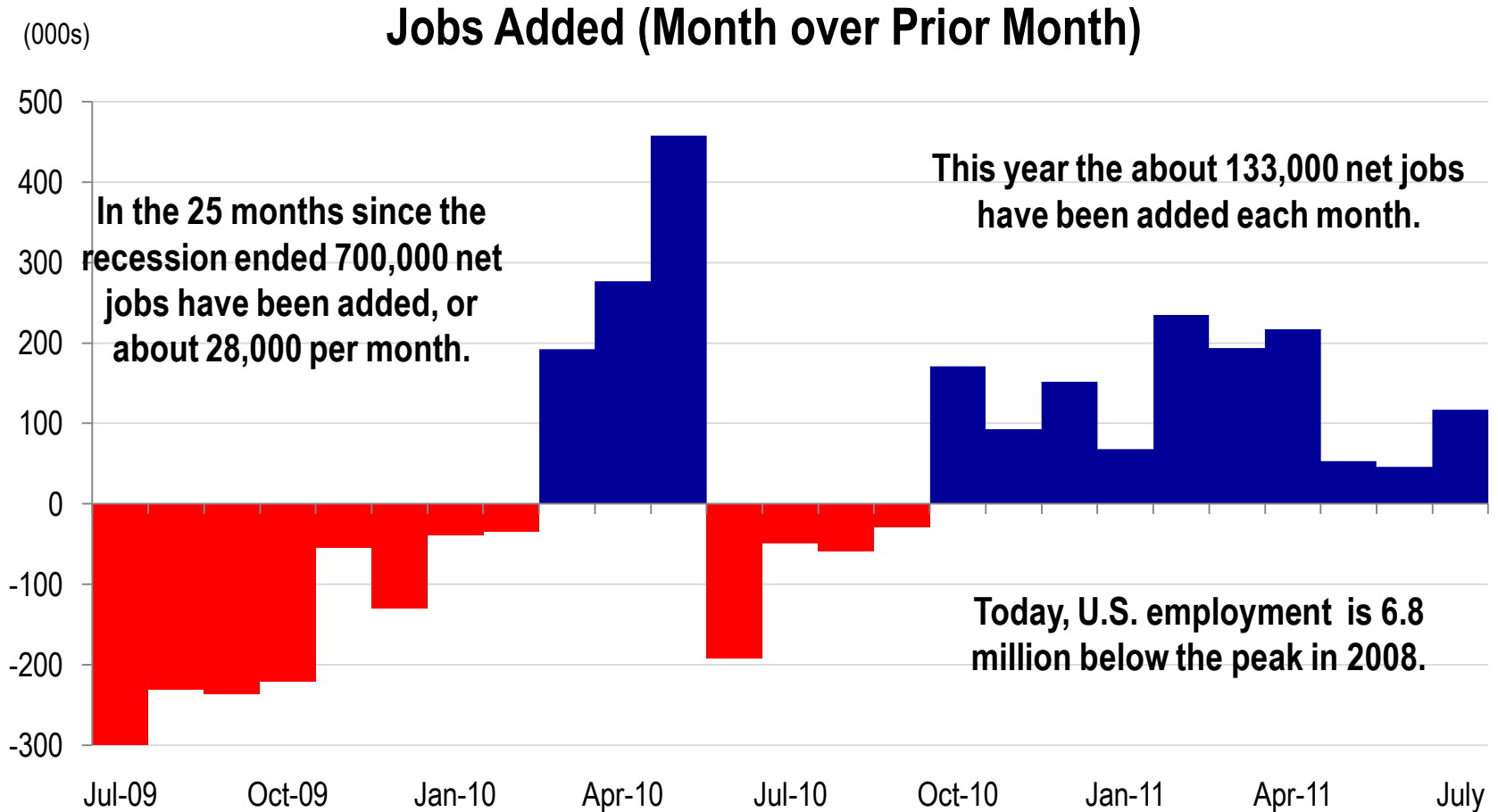
GDP, Employment, Unemployment

Real GDP Growth

- The advanced estimate of Q2 2011 Real GDP growth is 1.3%.
- At this point Real GDP growth for 2011 and 2012 is projected to be in the neighborhood of 2.0%.
- Annualized Real GDP growth from 2000 to 2010 was 1.6%.
- The Fed's recent announcements that interest rates will remain low might be viewed as a signal that output growth will remain slow in the short term.



U.S. Employment Situation From End of Recession to Current



Source: BLS, SA.



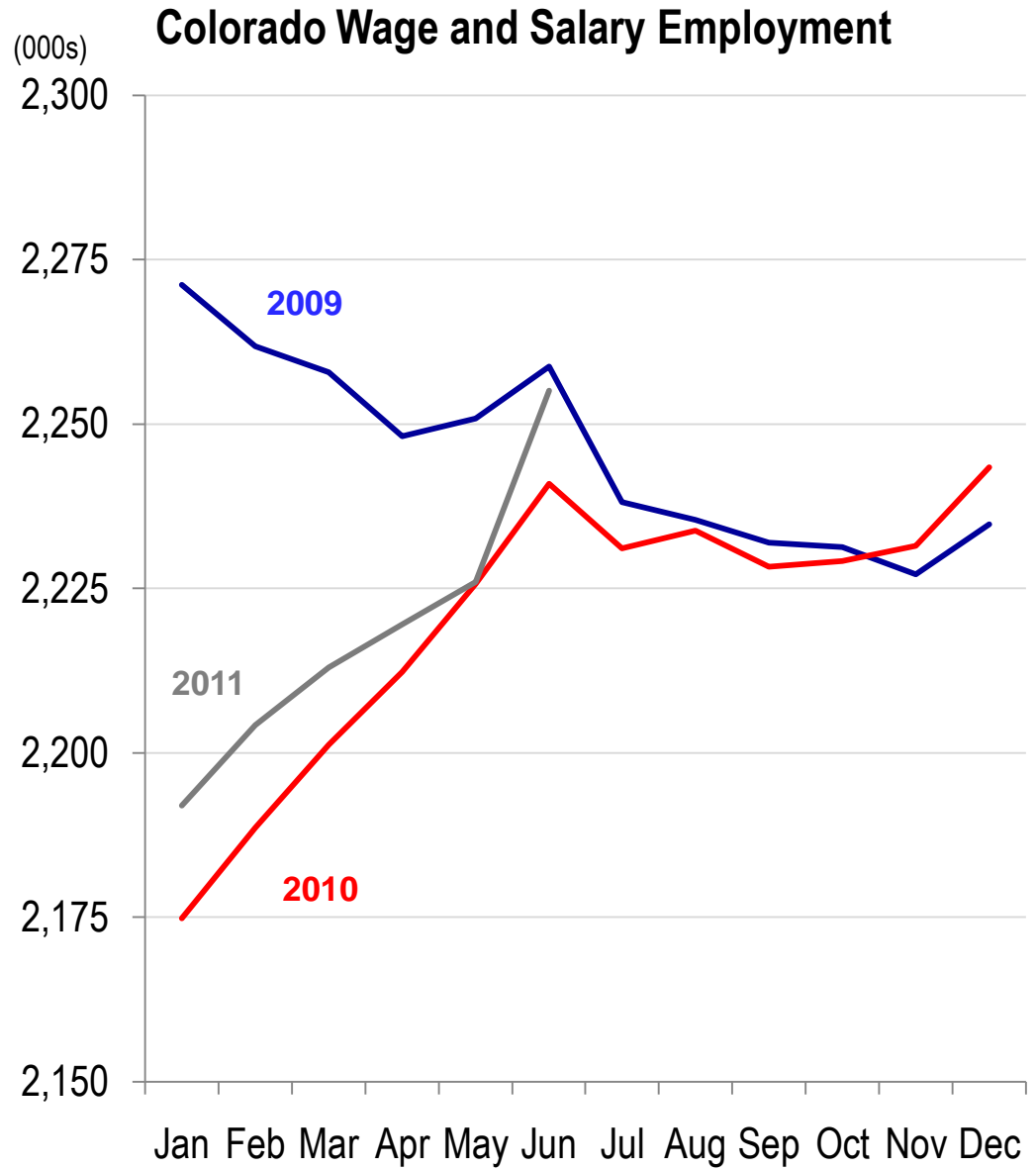
Colorado Economy

The Lost Decade

Colorado Wage and Salary Employment on the Rise

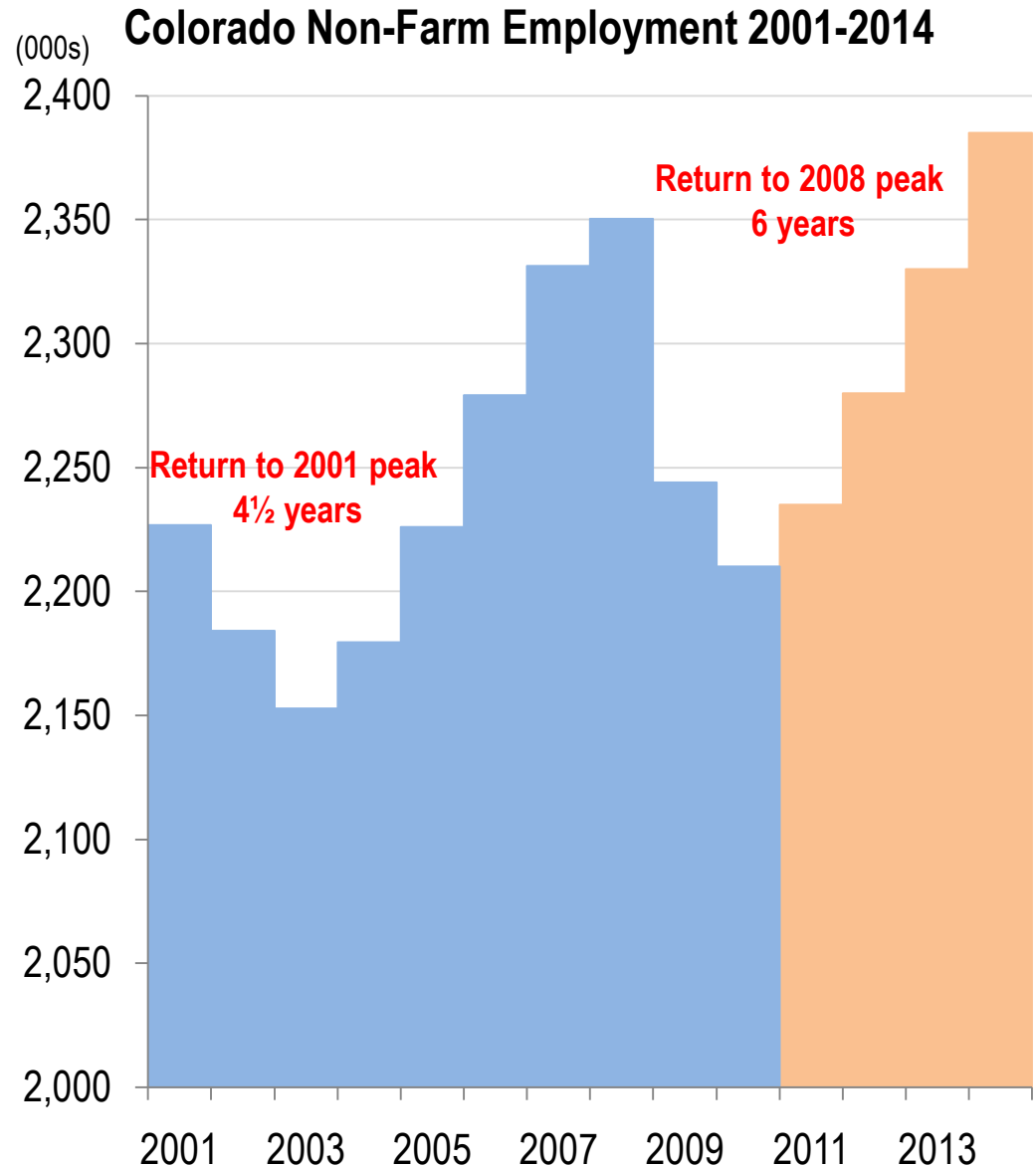
Average employment for the first six months of 2011 is 11,100 workers greater than the same period in 2011.

Through the first six months private sector employment was up 14,800 while public sector employment shed 3,700 jobs.

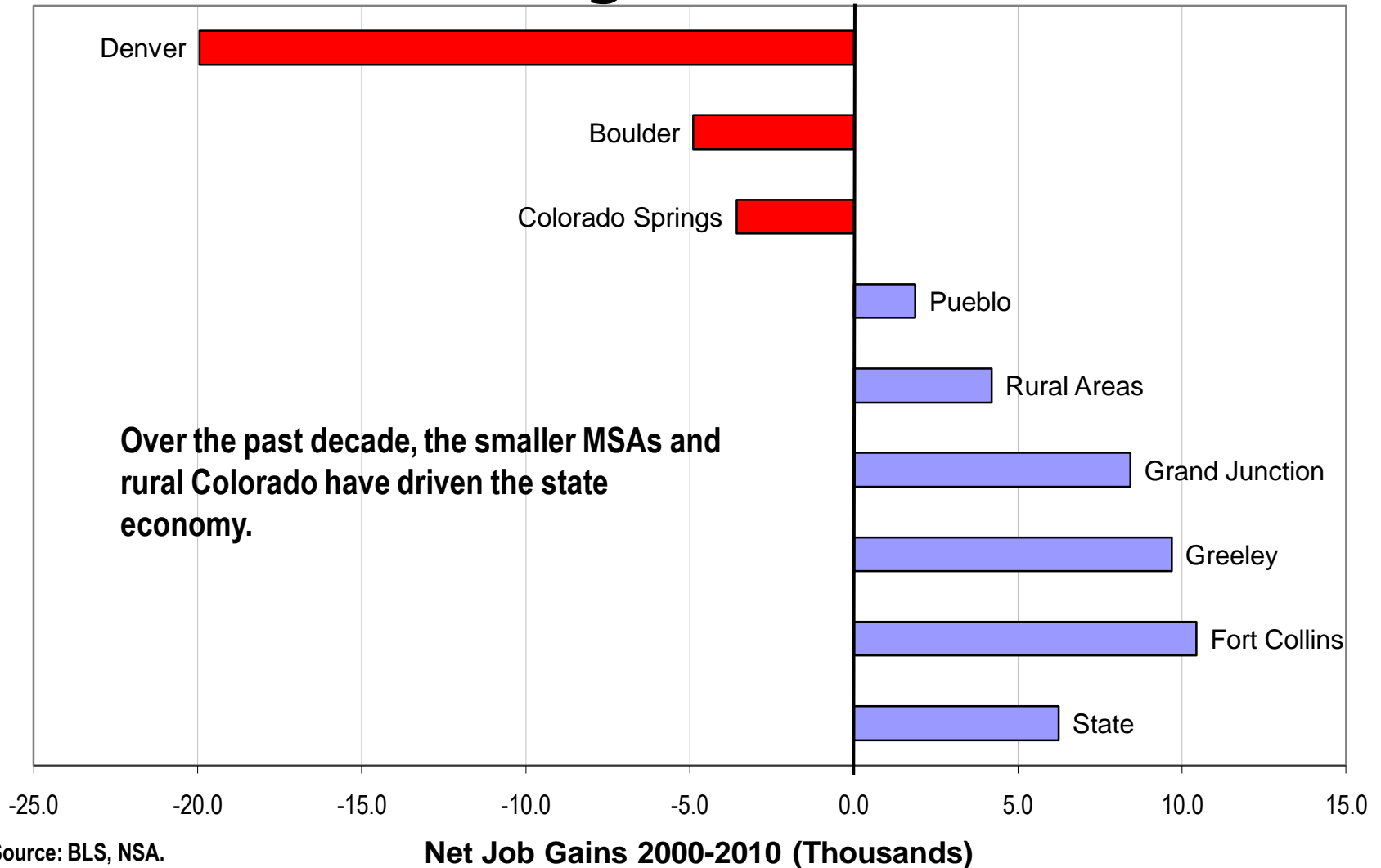


Colorado Employment The Lost Decade

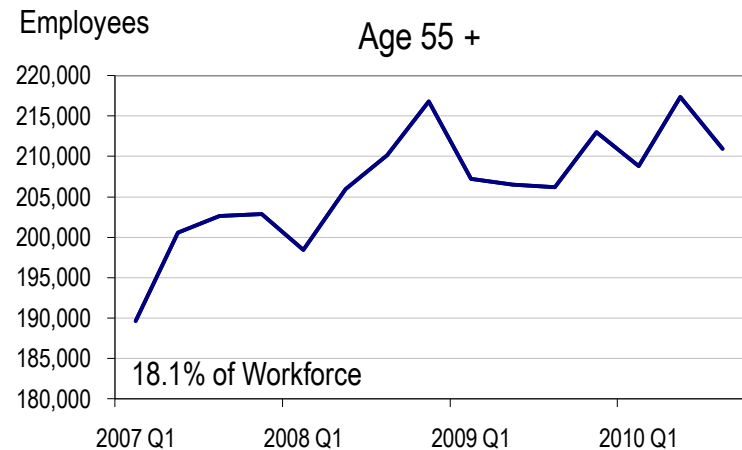
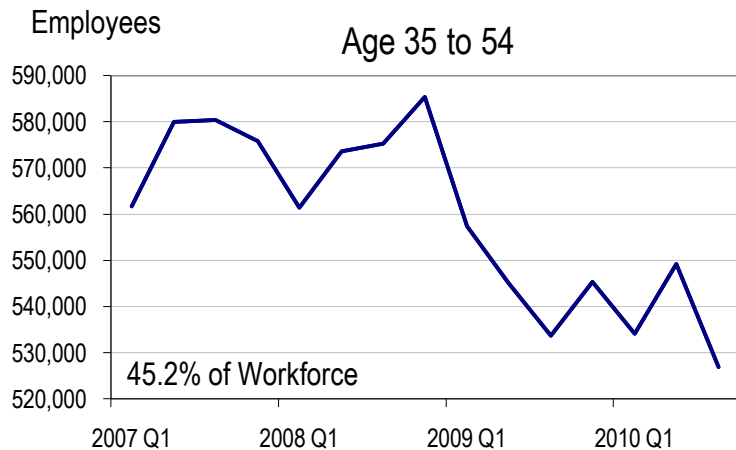
- It took 4½ years for employment to return to the 2001 peak after the 2001 recession.
- Colorado employment posted moderate gains from 2004 through 2008.
- After peaking in 2008, approximately 150,000 jobs were shed in 2009 and 2010.
- Today, Colorado employment is below the peak in 2001. It should again exceed that level in 2011.
- If Colorado employment increases by about 1.0% in 2011 and 1.5% to 2.0% for the next 3 years, it will reach 2008 peak employment in 2014.



Net Job Gains for Colorado MSAs and Regions 2000-2010



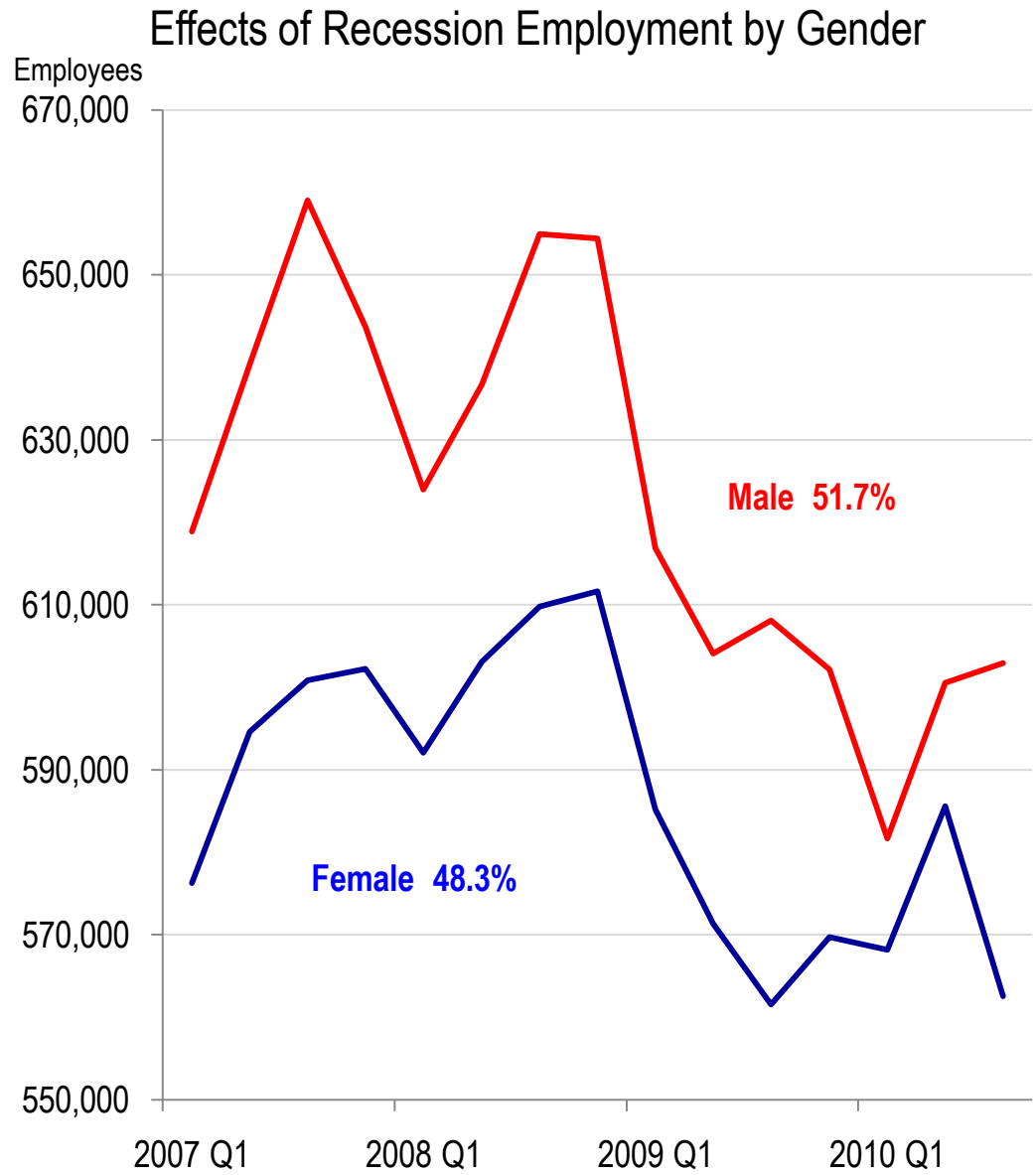
Effects of Great Recession Denver MSA by Age Group



Source: LEHD, QWI Online.

Employment by Gender Denver MSA

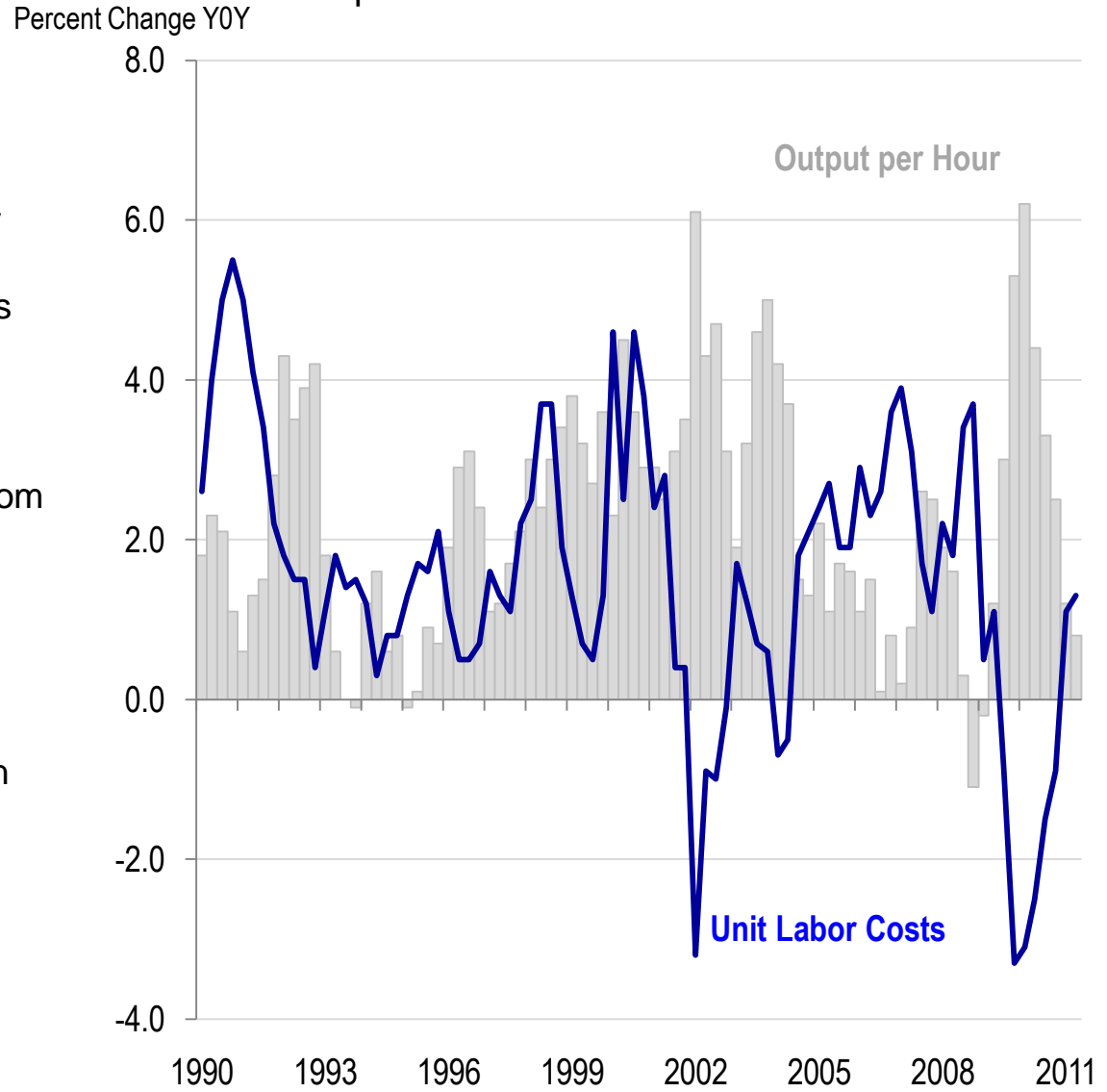
- There is a slightly greater percentage of male workers in the Denver MSA.
- Males were hit harder than females in the recession.
- The most recent information shows that more females have regained jobs than males.



Output Per Hour vs. Unit Labor Costs

Productivity Gains Benefit Companies

- Companies have maintained or improved productivity with investments in capital or process improvements.
- Productivity gains have helped companies strengthen their bottom line. These gains have not necessarily improved the employment situation.
- The outlook for increased productivity gains will diminish in 2011.



Colorado Real GDP MIPBS

•The MIPBS sectors are the drivers of the state economy. For the sake of this discussion they are combined because the Advanced Technology cluster (AT) is a subset of the Professional Business Services (PBS), Information, and Manufacturing Sectors.

•CAGR output growth for the individual sectors follows:

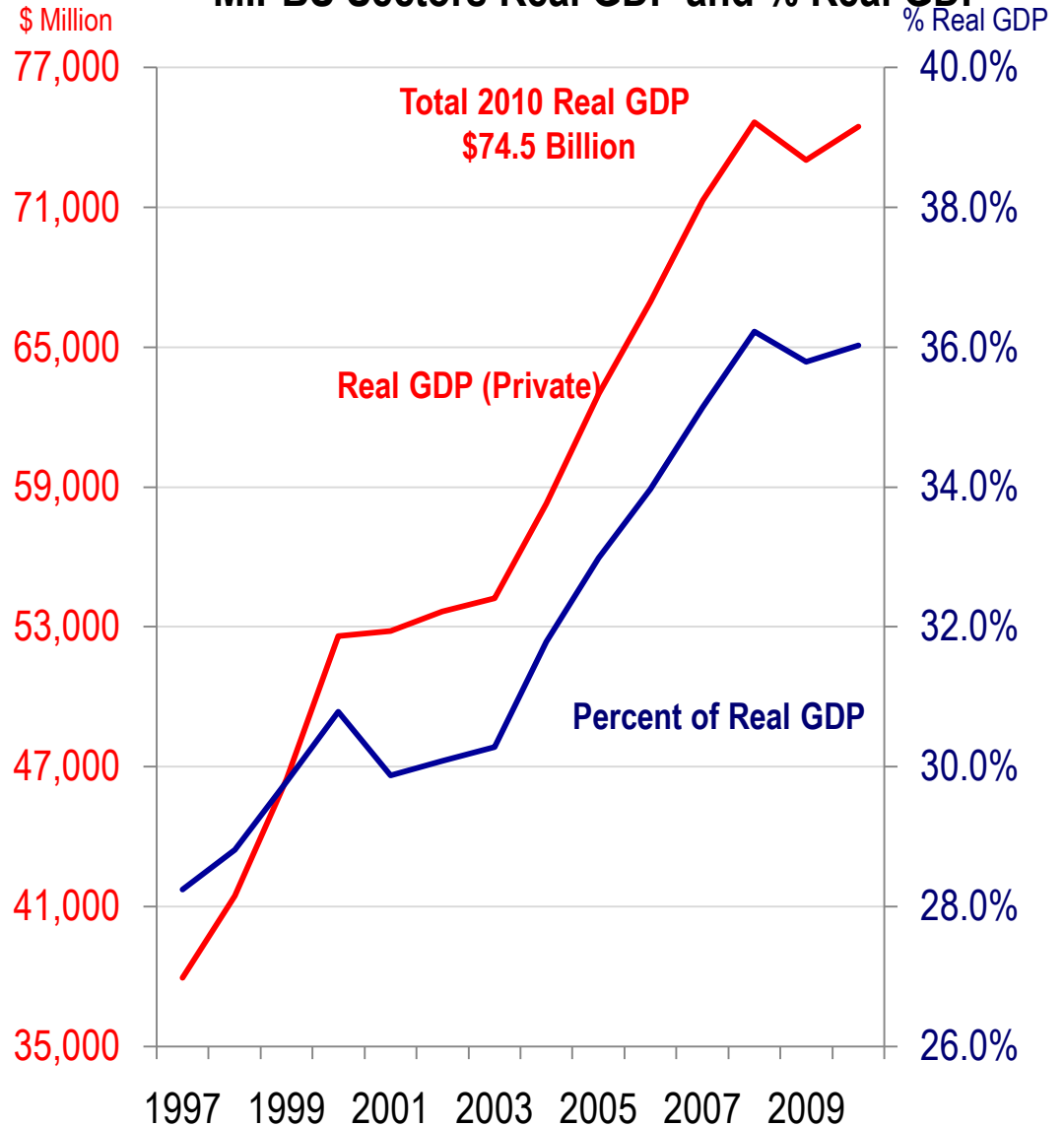
- Manufacturing 4.3%
- Information 8.7%
- Professional, Technical and Scientific 4.4%
- Management of Companies and Enterprises (Headquarters) 6.3%
- Administrative Services (B-to-B) 1.9%.

Overall MIPBS output growth was 5.3%.

•Output growth of the sectors doubled over this period.

•The percentage contribution of these sectors increased significantly despite declines in employment.

MIPBS Sectors Real GDP and % Real GDP



Source: BEA, 2005 Chained Dollars, Private Sector.

Percent of Employment vs. Percent of Output MIPBS

Total Private Sector

CAGR for output growth was 3.4%.
CAGR for employment was 0.7%.

Total MIPBS

CAGR for output growth was 5.3%.
CAGR for employment was -0.1%.

Administrative Services

CAGR for output growth was 1.9%.
CAGR for employment was 0.2%.

Manufacturing

CAGR for output growth was 4.3%.
CAGR for employment was -3.0%.

Professional, Scientific, and Technical Services

CAGR for output growth was 4.4%.
CAGR for employment was 2.1%.

Management of Corporations and Enterprises

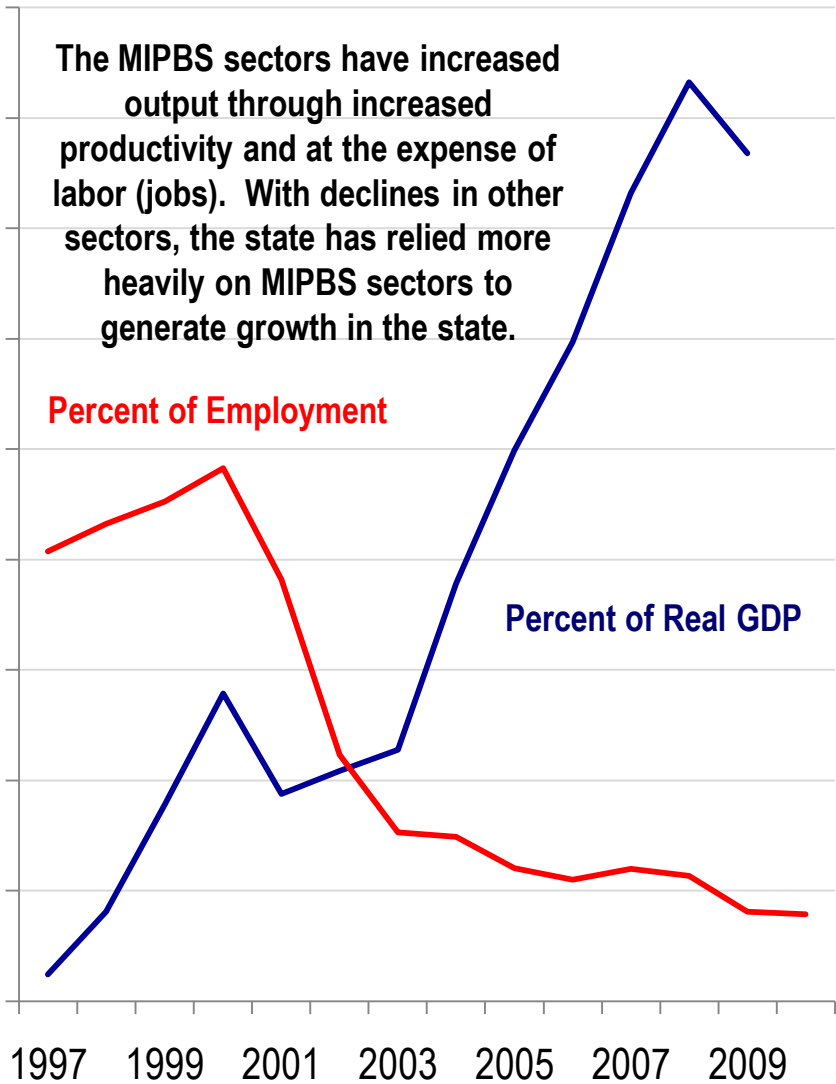
CAGR for output growth was 6.3%.
CAGR for employment was 5.0%.

Information

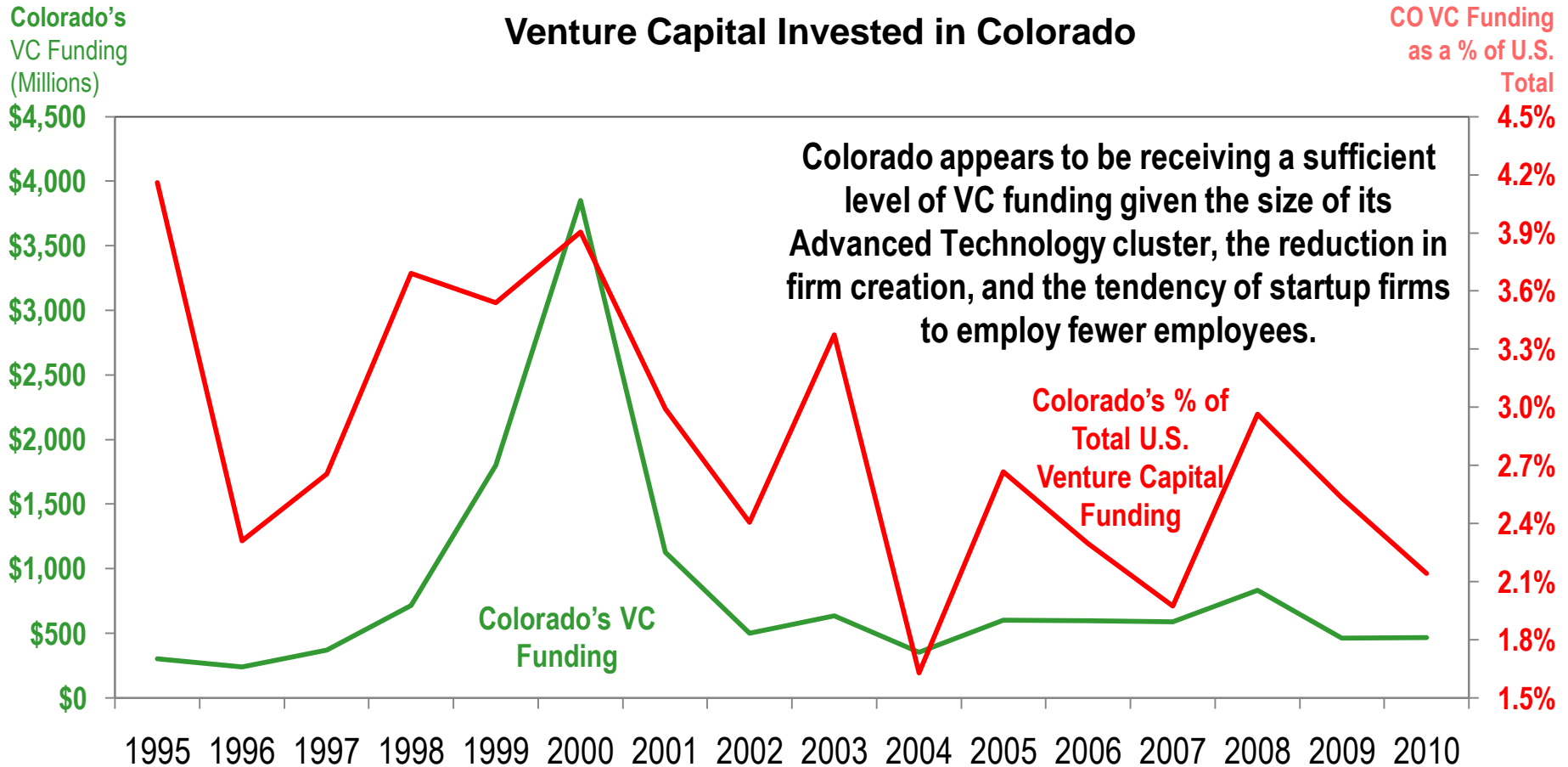
CAGR for output growth was 8.7%.
CAGR for employment was -0.2%.

MIPBS Sectors % Employment vs. % Real GDP

Percent
37.0%
36.0%
35.0%
34.0%
33.0%
32.0%
31.0%
30.0%
29.0%
28.0%



Venture Capital Invested in Colorado

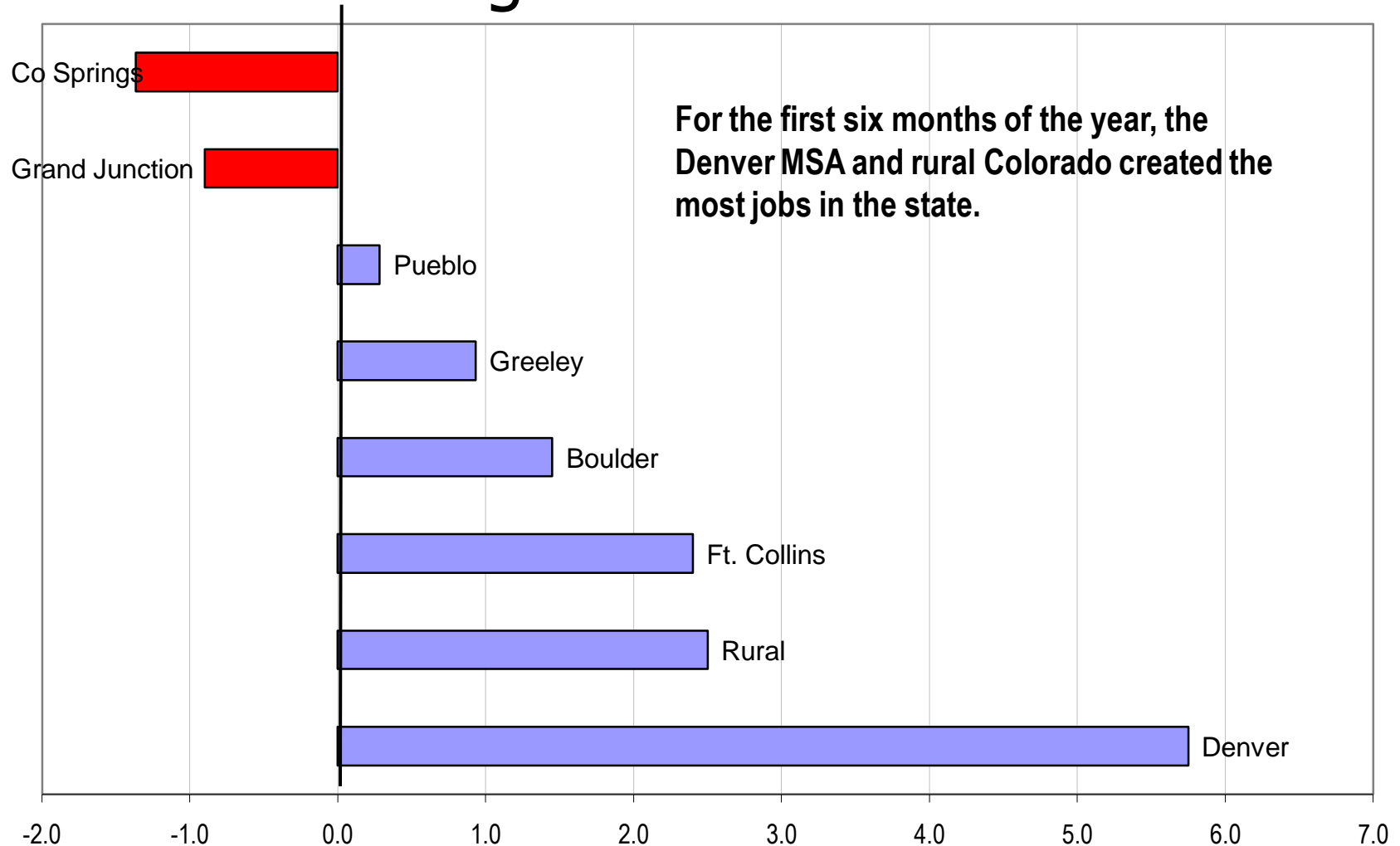




Colorado Economy

Regions and Sectors Adding and Losing Jobs

Net Job Gains for Colorado MSAs and Regions H1 2011 v H1 2010



Source: BLS, NSA.

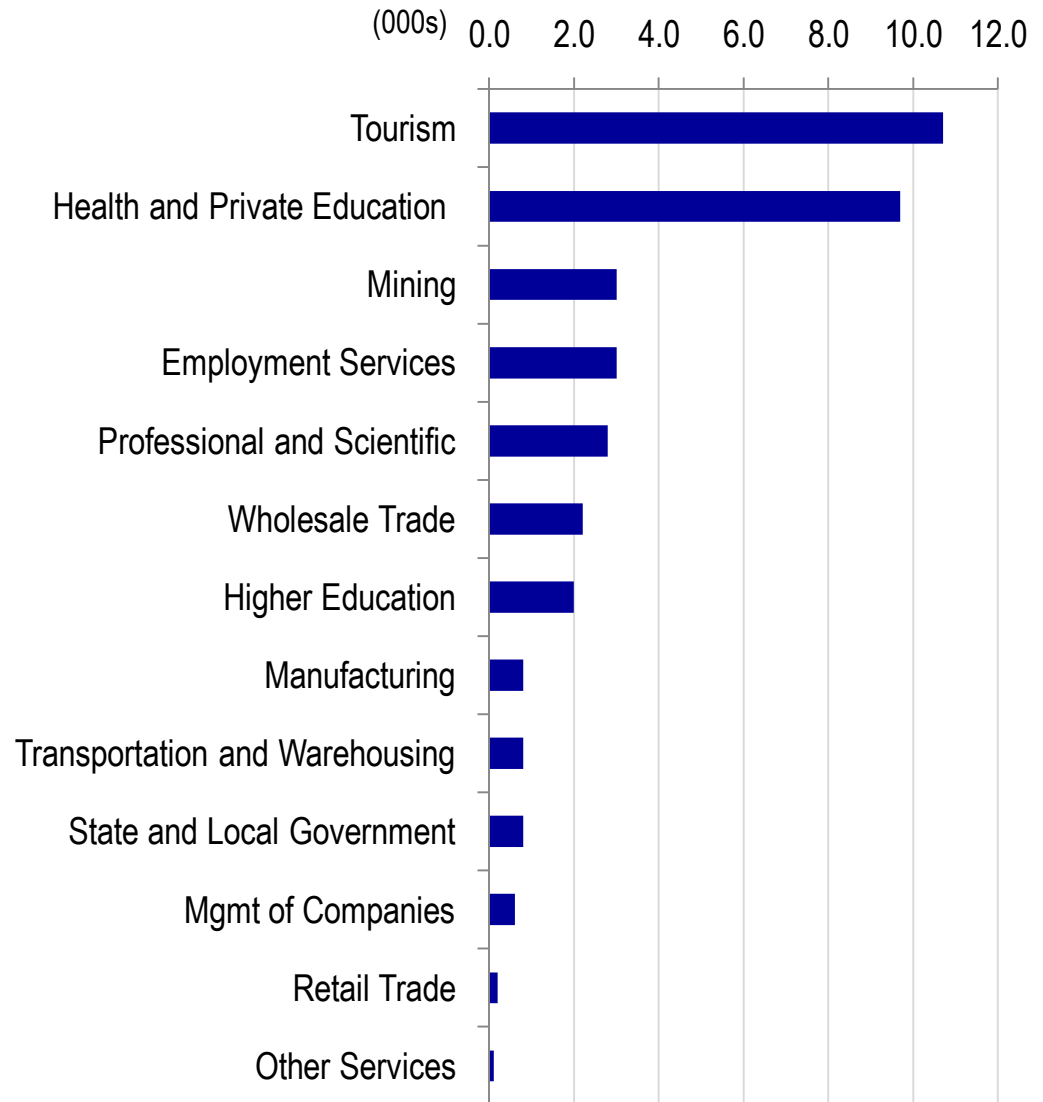
Net Job Gains H1 2011 vs H1 2010 (Thousands)

Sectors and Subsectors Adding Jobs After Six Months

Average employment for these sectors and subsectors is 36,700 workers higher than for the same period in 2010.

This amount has increased throughout the year.

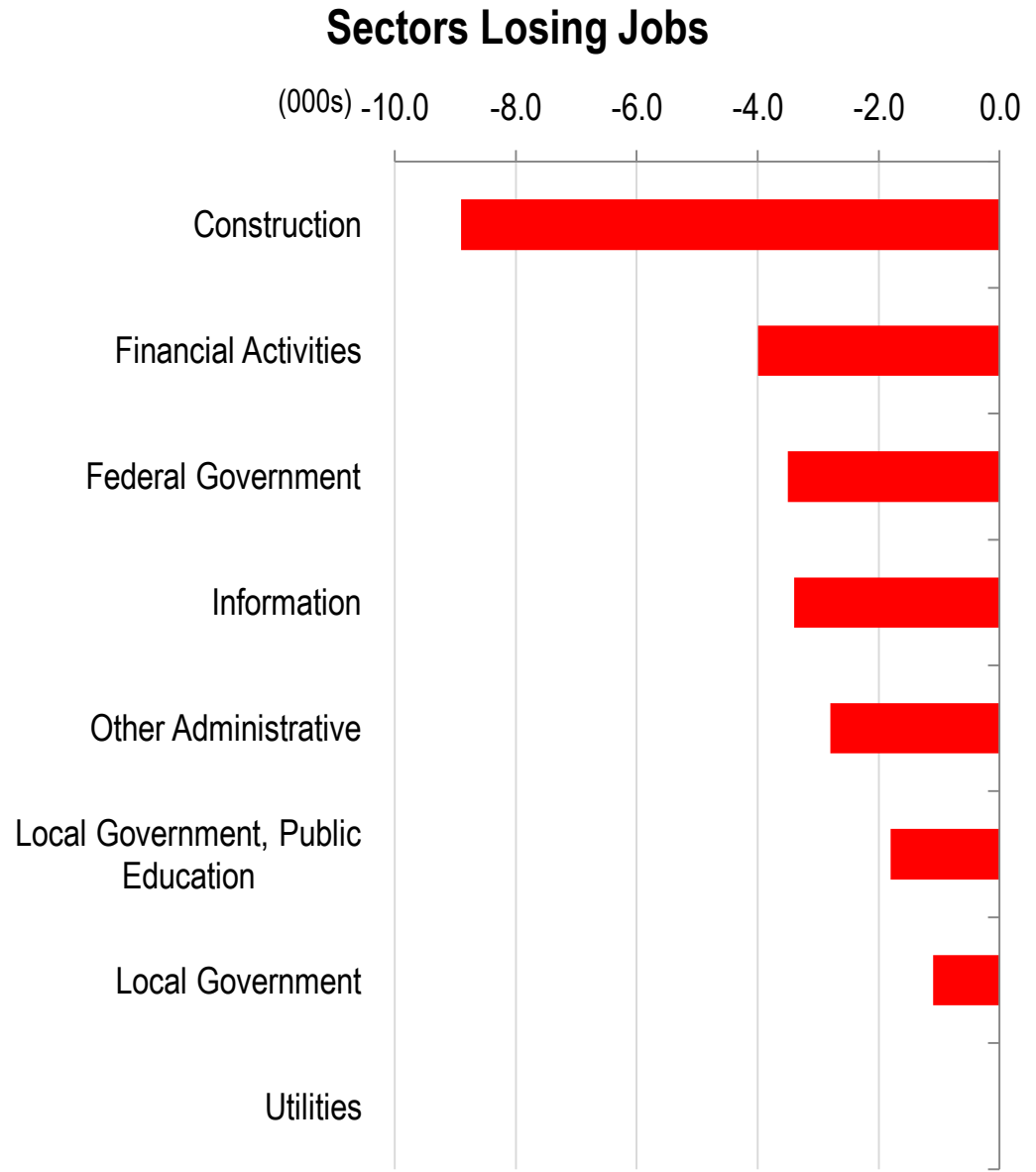
Sectors Leading the Way



Sectors Losing Jobs in the First Six Months of 2011

Average six-month employment for these sectors is 25,500 workers less than for the same period in 2010.

The magnitude of this deficit has increased during the year.





Colorado Economy

Summary

Factors that will Affect the Economy in in the Second Half of 2011

National and International

Positive

- Sustained output growth, although it is weak.
- Employment gains will eventually lower unemployment rates.
- Overall stronger manufacturing activity.
- Revenues are improving for state and local governments.

Concerns

- Debt and Deficits – U.S. and abroad!
- Mixed consumer confidence.
- No recovery for the housing market this year.
- Wage gains remain meager.
- State and local government budgets are being cut – the easy cuts have been made.
- Rising inflation and the fear of inflation.
- The 2012 presidential campaign has begun.

Colorado

Positive

- Jobs are slowly being added and the unemployment rate (a lagging indicator) has peaked.
- The largest job gains will be seen in the Professional Business Services, Health Care, Tourism, and the extractive industries.
- Retail sales will post modest gains.

Concerns

- Fewer firms are being created; possible loss of innovation.
- Fewer primary jobs.
- Net job gains are a result of weak gross jobs added and a sharp decline in gross job losses.
- Sectors that will be a drag on the economy:
 - Construction
 - Financial Activities
 - Information
 - Advanced Technology
 - PK-12 Education



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This analysis is for informational purposes only. Any opinions or interpretations of data are those of the presenter. As such, they do not represent the viewpoints of any group or particular organization. For questions contact gary@garyhorvath.com