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Cannabis industry bolstering retail, manufacturing job growth in Colorado

Mid-year job growth ‘consistent’ with projections, economists say



John Leyba, The Denver Post

Holly Kinnel straightens out the display case at the new location for The Clinic, one of the larger marijuana retailers in Denver has a new location on 2020 S. Colorado Blvd. Photos of the shop July 7, 2016 shows the changes to its layout and design were utilized to improve the customer experience.

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Halfway through 2016, Colorado's employment growth is meeting expectations and the economy continues to outperform the nation: Employment is growing faster here, housing is hotter and incomes are higher, according to a report released Thursday by the University of Colorado Leeds School of Business.

And Colorado's fledgling marijuana industry – which, in the grand scheme of things, is just a tiny sliver of the economic pie chart – is backfilling retail sales losses from the [bankruptcy of a certain Englewood-based sporting goods retailer](#) and bolstering otherwise sluggish manufacturing segments, according to the Colorado Business Review report.

“The legalization of marijuana is expected to continue to drive growth in retail sales and employment, but the impacts are in select areas where it has been legalized,” the report's authors wrote. “Marijuana sales have shown strong year-over-year growth since it was legalized, and will likely outweigh other activities in the (retail sales) sector, such as the bankruptcy of Sports Authority.”

Cannabis revenue [totaled \\$486 million](#) for the first five months of 2016, up from \$356.8 million in the first five months of 2015, according to Colorado Department of Revenue data released Wednesday.

The fledgling cannabis industry also was cited as a potential catalyst for a sudden rise in manufacturing jobs.

For more than a decade, employment growth in Colorado's food manufacturing sector was stale, gaining an average of 0.1 percent a year from 2001 to 2013, said Patty Silverstein, president and chief economist at Development Research Partners in Jefferson County.

Recreational cannabis sales began in 2014. That year, “we had a 3.5 percent increase in employment. In 2015, a 4.9 percent increase in food-manufacturing employment,” she said. “The data doesn't allow us to slice and dice to say, ‘These are indeed edibles or not,’ but the recognition is this is where they would be classified.”

Similarly, jobs in chemical manufacturing declined an average of 2.2 percent a year from 2002 to 2012. In 2013, the trend reversed, and the sector logged a 2.1 percent increase. Jobs increased 1.4 percent in 2014 and 3.9 percent in 2015, she said.

Cannabidiol extraction would be classified under chemical manufacturing, she said.

Food and chemical manufacturing added 1,200 jobs between 2014 and 2015 and manufacturing as a whole added 6,100 jobs, she said. Manufacturing is up 1.8 percent through May, she said, noting that the sub-sectors' employment figures for 2016 were not available.

"Is it cavalier of me to say (manufacturing growth is directly correlated to the cannabis industry)? Absolutely," she said. "I cannot prove or disprove it. But you look at who are the new entrants."

The Colorado Business Review and the latest labor data provide a window into the potential economic impacts of a brand new industry to the state, but the state's economic growth still is centered on the output of sectors such as real estate, government, professional and scientific services, information and manufacturing, said Brian Lewandowski, associate director of the Leeds School's Business Research Division.

Estimates released in June show that Colorado's real gross domestic product had grown 3.6 percent in 2015, a percentage point higher than the nation, according to the report.

Through May, employment growth was "consistent with expectations" released in December, Lewandowski said. Growth in sectors such as leisure and hospitality, construction, government and education offset the hefty 5,300 job losses suffered in the mining sector, which encompasses industries such as oil and gas, he said.

For the 12-month period that ended in May, the state tallied a net job addition of 62,000, a couple thousand jobs shy of the projections of 65,100 jobs made in the Colorado Economic Outlook in December.

Lewandowski said he anticipates that Colorado could see additional losses in oil and gas employment. However, the state's diverse economy should help to continue to serve as a buffer.

Nationally, there have been some "bumps in the road," he said, but June brought some good news with a rebound in hiring. The U.S. job market added 287,000 jobs in June, a significant upswing from May's paltry 11,000 new jobs.

"I think that there's not a broad signal nationally that we're headed to a recession or that the economy's turning, but we are keeping an eye on it," he said.

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