



Colorado Economic Chronicle

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National Economy

The U.S. economy continued on a strong growth path through the first quarter of 1999. Inflation-adjusted **Gross Domestic Product** (GDP) grew at a revised rate of 4.1%, after growing 3.9% during 1998. Greater than expected growth in consumer spending contributed to the surge in GDP growth. Inflation-adjusted consumer spending increased at a 6.8% annual rate in the first quarter, the fastest increase since 1988, and slightly higher than the 6.7% rate expected earlier this year. International trade continues to be a drag on economy activity as the U.S. trade deficit reached an all-time high of \$19.7 billion in March. The trade deficit trimmed first quarter GDP growth by an estimated 2.5 percentage points.

"The unemployment rate returned to a 29-year low of 4.2% in May . . ."

The **consumer** sector remains healthy, fueled by low unemployment and strong growth in personal income. The **unemployment rate** returned to a 29-year low of 4.2% in May, after slightly rising 0.1% in April to 4.3%. **Personal income** grew 0.5% in April, up from a 0.3% growth rate in March. Growth in **consumer spending** remained strong, at 0.4% in April, down slightly from 0.5% in March. Consumer confidence rose for a record seventh consecutive month in May. Meanwhile, the strong growth in consumer spending contributed to a record low savings rate of -0.7% in April.

The **manufacturing** sector registered mixed news in April. Manufacturing employment decreased by 45,000 jobs in May, bringing the job loss in this sector to 453,000 since March 1998. Factory orders to U.S. factories for all manufactured goods fell 1.2% in April, after growing 1.9% in March, while orders to U.S. factories for durable goods declined 2.3% in April. Both declines were primarily a result of declining demand for autos and other transportation equipment. The National Association of Purchasing Management index rose to 55.2 in May, up from 52.8 in April, indicating an expansion in the nation's industrial economy. An index above 50 indicates a growing industrial economy, while an index below 50 indicates a shrinking industrial economy. Output at U.S. factories, mines, and utilities increased 0.6% in April, up slightly from a revised 0.5% increase in March. Meanwhile, productivity grew at an annual rate of 4.0% in the first quarter of 1999, according to the U.S. Department of Labor, following a 2.2% increase in 1998.

The **construction** sector also posted mixed results in April. *New* home sales increased 9.2% in April, following a three-month decline. After rising 5.4% to a record high in March, *existing* home sales fell 3.3% in April. Meanwhile, the median sales price of a *new* home rose 3.0% to a record \$159,500, while the median price of an *existing* home rose 1.4% in April to \$131,400. Housing starts fell 10.1% in April, after falling a revised 0.6% in March and 3.7% in February.

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Construction spending fell 2.4% in April, with declines in single-family homes, apartment buildings, office buildings, and big government projects. Construction was hampered by material and labor shortages, and signs that mortgage rates may be rising.

Inflation showed new signs of accelerating price increases in April. Consumer prices increased 0.7% in April, following smaller increases of 0.2% in March, and 0.1% in February and January. The increase was fueled by a 6.1% increase in energy prices, including a 15% rise in the price of gasoline. The core index, which excludes energy and food prices, rose 0.4% in April, pushing the 1999 annual rate of inflation up to 3.3% rather than the previous 1.6% annual rate. Meanwhile, following a 0.2% rise in March, producer prices rose 0.5% in April, fueled by rising energy

prices and mitigated by a 0.9% decline in food prices. The core producer price index, however, rose only 0.1% in April. This brought the annual wholesale inflation rate to 1.1% thus far for 1999, following a 0.1% decline in 1998.

"We expect growth to continue during the remainder of the year, but at a somewhat slower pace."

Overall, the national economy remained healthy during the first quarter of 1999. GDP growth was strong despite the drag from international trade, inflation remained low, and the unemployment rate was the lowest in 29 years. We expect growth to continue during the remainder of the year, but at a somewhat slower pace.

Colorado Economy

Colorado's economy remained strong through April. Year-to-date nonfarm employment grew by 3.0% over last year. The seasonally adjusted unemployment rate went up in April. Year-to-date residential construction in the state increased slightly as the growth in single-family homes was countered by declines in multi-family homes and apartments. The value of non-residential projects also rose from a year ago.

Employment

Colorado nonagricultural employment grew by 3.0% through April compared to the first four months of 1998. The state seasonally adjusted unemployment rate rose from a record-low 2.7% in February and March to 3.0% in April. This latest figure was still lower than the unemployment rate of 4.0% in April 1998 and the overall rate of 3.6% in 1998.

"The state seasonally adjusted unemployment rate rose from a record-low 2.7% in February and March to 3.0% in April."

There were some new employers and some jobs created (or unexpectedly maintained) around the state this past month. Kohl's department stores opened five stores on the same day around the Denver metro area. Hewlett-Packard announced that 250 of the 550

administrative jobs would remain in Colorado Springs rather than relocate to headquarters in California. WASTREN Trucking of Grand Junction planned to hire 20 new employees for a new shipping terminal.

There were significant layoff announcements reported in May. NationsWay Transport Service filed for bankruptcy, eliminating 3,000 jobs nationwide and 1,000 jobs in metro Denver. ConAgra Inc., a food processing conglomerate, reported a downsizing at 15 plants, potentially eliminating 7,000 jobs across the country. Since the announcement, 150 Colorado employees were laid off. Medical Dynamics of Arapahoe County reported it would lay off 10 to 12 employees in the next 6 months. Meanwhile, over 100 Deserado Mine employees in Rio Blanco County went

Colorado's Economy at a Glance

Key Indicators	Direction	Assessment
Nonfarm Employment Growth	↑	Good
Unemployment Rate	↑	Good
Mortgage Rates	↑	Bad
Retail Trade Sales	↑	Good
Home Resales	↑	Good
Nonresidential Construction	↑	Good
Colorado Inflation Rate	↓	Good
Overall Rating	↑	Good

on strike. The Wave Sport kayak factory in southern Routt County announced plans to close operations and eliminate 30 jobs as part of a company buyout. Finally, as AT&T wrapped up its acquisition of MediaOne cable, it was unknown whether or how many Colorado employees would be laid off.

Residential Construction

The number of homes sold and the price of homes continued to soar, particularly in metropolitan Denver. According to Perry and Butler Realty, Inc., the average price of single and multi-family homes was \$188,835 in May, a new high. The year-to-date average price of all metro-Denver residential property (single and multi-family homes) was \$180,978, up 10.6% from the same period in 1998. After breaking the \$200,000 mark for the average price of a single-family home in February, the average price in May hit \$210,607. This recent record brought the year-to-date average price of a single family home to \$200,315, up 12.1% from the year-to-date average in May 1998, and up 22.0% from the same period in 1997. Meanwhile, the year-to-date number of properties closed this year increased 8.7% compared with the first five months of 1998.

"After breaking the \$200,000 mark for the average price of a single-family home in February, the average price in May hit \$210,607."

According to the Boulder County Business Report, the average price of a *new* home in Boulder County in April was \$279,019, up 20.8% from one year ago. The average price of a *existing* home was \$258,616, down 14.2% from a year ago, primarily due to the high number of expensive homes sold in unincorporated Boulder County a year ago. Multi-family homes sold for an average of \$141,121 in April, up 7.0% from 1998.

According to F.W. Dodge, new construction or renovation of residential units in Colorado remained steady, increasing just 0.8% through April compared with the first four months a year ago. While the number of single-family homes increased 11.0% through April compared with the same four months in 1998, the decline of two-family homes (15.3%) and apartment buildings (31.5%) under construction offset single-family home construction.

Construction began on a 72-unit condominium project near downtown Denver. However, according to the condominium developers, 14 of the 24 units in the first building have been sold. Units are expected to sell between "high \$100,000 to low \$200,000." Unit sizes range from 1,050 to 1,250 square feet. This new project is a block from construction by another developer on a 1,000-unit apartment complex.

East West Partners, a Beaver Creek builder specializing in mixed-use retail and housing, plans to develop 25 acres along the Central Platte Valley near Six Flags Elitch Gardens, Cherry Creek, and the Pepsi Center. Construction on the first phase of condominiums and apartments is scheduled to begin in early 2000. The company purchased the parcel from a developer that owns an adjacent 26 acres of land zoned for retail, hotel, and other commercial purposes.

Nonresidential Construction

According to F.W. Dodge, the value of nonresidential construction projects increased 17.6% through April, primarily from contracts for factories, education and science related buildings, hospitals or clinics, and government buildings. Only commercial and retail projects posted declines in the value of construction.

Lucent Technologies broke ground on its 600,000 square-feet of office space in Highlands Ranch. Once completed in 2000, this building is expected to consolidate 3,200 employees from 13 metro-Denver sites. Lucent is the seventh-largest private employer in Colorado with 7,600 workers.

Copic Companies, a medical liability insurance company, began construction on a new 100,000 square-foot headquarters in the former Lowry Air Force Base, now the Lowry Business Park, in Denver. This project, to be completed by next March, is part of a 450,000 square-foot office complex at Lowry.

Another large area available to developers is the former Stapleton Airport. The Stapleton Business Center will be developed on 295 acres of the former airport. Forest City Development announced plans to purchase the first 100 acres for a 700,000 square foot retail complex at the former airport. This is part of a project expected to cover 1.5 million square feet upon completion and rival the impact of Park Meadows

Mall. The first phase of development is expected to begin in early 2000.

The Denver Urban Renewal Authority (DURA) announced plans to redevelop two commercial and retail centers, the Dahlia and Holly shopping center in Northeast Park Hill and an area near Alameda and Federal in the Westwood neighborhood. Renovation and construction proposals range from \$1.5 million to \$10 million for the Dahlia site alone.

In Boulder, renovations at both the Crossroads Mall and the Pearl Street Mall made news. Macerich Company, the California-based owner of Crossroads, modified their redevelopment plan from transfiguring the mall into an entertainment complex to renovating the existing and surrounding property. Plans now include a 16-screen theater as an outside anchor, adding 10 new retail spaces ranging from 3,200 to 33,000 square feet, removing the roof at the south end of the mall to create an open-air sitting and dining area, attracting a gourmet grocery store, and other minor renovations. Meanwhile, Pearl Street is also planning renovations. The Downtown Management Commission is considering updated bus shelters, construction of a public performance area, and improvements in the lighting system. The Commission plans to use revenue from parking meters and parking fees to finance the improvements.

In Douglas County, construction on a 163,000 square foot site is expected to begin in August or September with a \$15 million project to anchor a King Soopers grocery store. According to the developer, other retail tenants have inquired when space will be available, including fast-food chains, gas stations, day care centers, and banks.

In Colorado Springs, the first phase of renovation was completed on Carnegie Library, the main city library from 1905 to 1967. This phase included an updated electrical system, disabled access, and updates to meet fire codes. The \$3 million renovation should be finished by 2003. Carnegie became a public meeting hall in 1967 but was boarded up in 1993 due to asbestos erosion.

Business Indicators

The Vectra Bank Colorado Small Business Index, fell slightly to 100.3 in April from 100.8 in March. This index uses a base of 100.0, representing small business conditions in 1997. The average index in 1998 was 103.7. According to Vectra Bank, one of the reasons for the decline was the recent trend of record-low unemployment levels that created difficulties for small businesses to maintain a competitive package of wages, salary, and benefits.

The Colorado Purchasing Managers Index, a measurement of the health of the Front Range manufacturing industry, was at 63.2% in May, up from 60.9% in March and 59.9% in April. The May level was the highest index measured this year. An index value above 50% indicates a growing manufacturing sector, while an index value below 50% indicates a shrinking manufacturing sector. The May national index registered a value of 55.2%.

Advanced Technology

According to an American Electronics Association study on high-tech employment, Colorado ranks third in the country in high-tech employment growth in the 1990s. Between 1990 and 1997, Colorado technology employment grew 43%. Only Washington, home to Microsoft, and Georgia, home to MindSpring (bundled Internet service), grew faster this decade. The study found that Colorado employees in the technology sector made an average of \$54,500 in 1997, ranking the state tenth in the country for high-tech wages.

" . . . Colorado ranks third in the country in high-tech employment growth in the 1990s."

In order to maintain a strong technology sector, the Governor's Office of Innovation and Technology announced a collaborative development effort between colleges at the University of Denver and University of Colorado and technology firms such as Qwest and US West to supply high-tech workers. According to the Office of Innovation and Technology and US West, Colorado has an estimated shortage of 7,000 high-tech employees.

Energy

New Century Energy (parent company of Public Service) announced that Xcel Energy Inc. will be the name of the new company as a result of the merger between Denver-based New Century Energies and Northern States Power Co., based in Minneapolis. The merger, announced in March, will provide electricity service to over 3 million customers and natural gas service to over 1.5 million customers.

Kyrocera International, the largest manufacturer of solar cells, announced an acquisition of Golden Genesis Corporation, based in Golden. Golden Genesis calibrates, markets, and distributes solar electric systems. At this time, it is not known whether Golden Genesis will close operations in Colorado and move its 169 employees to San Diego, where Kyrocera is based.

Tourism

In March, monthly passenger traffic at DIA increased 4.2% from a year ago despite the fact that passenger traffic for United Airlines decreased 1% over the 12 month period. Still, United Airlines passengers accounted for 65.7% of all DIA traffic. While passengers of Frontier Airlines, the second largest DIA airline, carried only 5.6% of all airport traffic, Frontier traffic increased 45% from a year ago. According to a survey by American Express, the typical discount fare was 49% higher in March 1999 than in March 1998.

"... the estimated number of skier visits in the 1998-99 season declined by 5% from the 1997-98 season."

According to Colorado Ski Country, the estimated number of skier visits in the 1998-99 season declined by 5% from the 1997-98 season. The most recent ski season closely matched the visitor level of three years ago. Besides the season's low snowfall, Colorado Ski Country suggested that the strong Canadian exchange rate and the volatile stock market were also to blame for the decline in skier visits.

Colorado was ranked the fourth most popular state to visit among summer travelers (behind Florida, California, and Hawaii), according to the Travel Industry Association of America. In the same survey a

year ago, Colorado ranked sixth. According to the National Park Service, Colorado hosted about 578,000 park visitors from January to April 1999. The number of Colorado park visitors remained similar compared with the same period a year ago.

Agriculture

The number of cattle and calves on feed for the slaughter market as of May 1999, was 15% higher than a year earlier. May steer and heifer prices decreased 1.1% from a year ago. Cow prices in May increased 1.4% from May 1998. Calf prices were 4.4% lower than May 1998 levels. With regard to crop prices, May prices were lower compared with the same period a year ago for all crops except potatoes, which were up 30.8%. May wheat and corn prices were down 41.3% and 62.0%, respectively, compared with May 1998 levels.

Metro-Denver Region

DRCOG released a population estimate suggesting that Denver-metro area population grew by nearly 54,000 people in 1998. DRCOG reported that around 62% of that growth (around 33,500) was attributable to migration. Most of the migration came from California (15%), Texas (11%), Arizona (5%), and Florida (4.5%) according to the state demographer's office. Since 1990, the metro area population has grown an estimated 23% to 2.3 million. A significant portion of that growth was found in Douglas County which saw a population change from 60,000 to 154,000, a 155.5% increase since 1990.

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According to the Home Builders Association of Metro Denver, home building permits significantly increased in the first quarter of 1999 compared with the first three months of 1998. Through March, 7,096 permits were issued, up 9.8% over the number of permits a year ago. Most of those were for single-family home permits, up 18.3% from a year ago. Much of the activity occurred in Adams County, in which large projects began in Brighton and Thornton, and Douglas County.

NationsWay Transport Service, a trucking company, filed for bankruptcy in May. While 3,000 jobs will be eliminated nationwide, 1,000 jobs will be eliminated in the Denver-metro area alone. Medical Dynamics, a software maker based in Arapahoe county, reported it would lay off 10 to 12 employees in the next 6 months. Medical Dynamics closed a camera manufacturing plant and laid off 8 workers earlier this year. About 110 people are still employed by the company. Around the metro-Denver area, Kohl's department stores opened five stores on the same day. Each of the stores, located in Aurora, Lone Tree, Louisville, Thornton, and Westminster, offer clothing, shoes, accessories, and home products. It is unknown how many local jobs were created.

"NationsWay Transport Service, a trucking company, filed for bankruptcy in May. While 3,000 jobs will be eliminated nationwide, 1,000 jobs will be eliminated in the Denver-metro area alone."

Months after its \$48 billion purchase of Tele-Communications Inc., AT&T offered \$62.5 billion for the acquisition of another cable company, MediaOne of Arapahoe County. This offer bested Comcast's bid of \$53 billion. With the purchase of both MediaOne and TCI, AT&T became the owner of 60% of all U.S. home cable access. At this time, it is unknown as to whether Colorado jobs will be lost as a result of the acquisition.

Key Bank, Colorado's 6th largest bank, reported it will consolidate an estimated 150 employees in three buildings around the Denver metro area and move into a 60,000 square-foot space at the downtown Denver World Trade Center building. Over the next two years, the bank announced that it plans to invest \$10 million to increase the number of bank branches, automatic tellers, and investment centers around the state.

Colorado Springs and El Paso County

Hewlett-Packard (HP) recently decided to split into two separate business initiatives: a retail computer products unit and a measurement technology unit. Of the estimated 1,850 HP employees in Colorado Springs, it was certain that 1,300 would remain with the measurement technology unit. HP announced that

another 250 of the remaining 550 administrative positions will be retained in Colorado Springs. HP has not yet decided the future of the remaining 300 positions.

Memorial Hospital approved a plan acquire land south of the hospital, which would mean the purchase of property where about 50 homes are currently located. The hospital board also approved a project to expand its cancer center with three additional floors and construct a seven-story complex for women and children health services.

Western Slope and Mountain Region

Commercial real estate has undergone a boom in Mesa County. According to F.W. Dodge, the value of nonresidential construction through April of 1999 increased value by 15.3% over the first four months of 1998. Residential construction had a bigger boom with a 14.4% increase in the number of building permits for homes.

**Colorado Indicators
Year-to-Date Growth Rates**

Indicator	April 1999	1998 Annual Average
Nonfarm Employment * Growth	3.0%	3.6%
Unemployment Rate ▽ * (Seasonally adjusted)	3.0%	3.8%
Housing Permit Growth § Single-Family	0.8	-0.5
Apartments	11.0	26.6
	-31.5	-42.5
Growth in Value of Nonresidential Construction §	17.6	-22.0
Retail	1.0	-15.3
Offices	-24.1	9.5
Factories	61.8	-70.5

▽ Actual level, not growth rate.

§ F.W. Dodge data.

* Colorado Department of Labor and Employment data.

Note: An inflation rate is not calculated for the state. The Denver-Boulder inflation rate is often used as a proxy for Colorado's inflation rate. The Denver-Boulder inflation rate was 2.4% in 1998, following a 3.3% rate in 1997.

A recent study by Old Dominion University found that Grand Junction was near the bottom of over 200 cities surveyed when looking at buying power (a combination of personal income and cost of living). For the most part, the study suggested that personal income is lagging behind development and cost of living increases.

"A recent study by Old Dominion University suggests that Grand Junction is near the bottom of over 200 cities surveyed when looking at buying power . . ."

Employees went on strike in Rangely (Western Rio Blanco County) at the Deserado Mine. The mine yielded 1.7 million tons of coal in 1998, or 5.7% of Colorado's coal production. WASTREN Trucking, a hauling contractor added a new freight terminal and plans to hire 20 new employees in Grand Junction. Among other contracts, WASTREN Trucking has contracts to help widen Highway 50 near Whitewater, to reconstruct a local overpass, and to haul coal from the Powderhorn Mine.

In southern Routt County, the Wave Sport kayak factory announced plans to close operations and move to North Carolina as part of a company buyout by Confluence Holdings. As a result, 33 jobs were eliminated. Wave Sport, the largest employer in southern Routt, is one of the few manufacturers of shorter and more elliptical "play" kayaks. Strong demand for sport kayaks increased production to 500 boats a day in the crowded 8,400 square foot factory.

In Breckenridge, development began on an affordable 180-unit complex for Breckenridge ski resort employees. The project, estimated to cost \$21 million and cover 10 acres, is expected to be completed by late 2000 or early 2001 but some apartments will be ready by late 1999. The owner of the property, Vail Resorts, also announced plans to begin construction on a \$11 million affordable housing project at Beaver Creek this summer.

Southern Region

Pueblo, Alamosa, and La Plata counties all had increases in the number of homes developed or renovated year-to-date through April. According to

F.W. Dodge, Pueblo County saw a 20.6% increase over last year (mostly due to multi-family construction), Alamosa County had a 70.0% increase over last year (all single family homes), and La Plata County experienced a 73.3% increase over last year (mostly due to single family homes).

Northern Region

According to F.W. Dodge, both residential and nonresidential construction increased in Larimer and Weld counties through April. In the residential sector, Larimer County had a small 1.7% increase over last year, with a rise in single family home building but sharp declines in multi-family development. Weld County realized a 23.8% increase in the number of homes over 1998 as there was a significant increase in the number of multi-family houses. In the nonresidential sector, Larimer County experienced a 24.6% increase in the value of construction. This was primarily due to projects for hospitals, clinics, and public buildings despite declines in commercial and manufacturing projects. Weld County had a significant 550% increase in the value of construction as buildings went up for schools, dormitories, and commercial retail.

"ConAgra Incorporated, a large conglomerate of agricultural and meat processing and distribution plants, reported it plans to eliminate 7,000 jobs and 15 plants nationwide."

ConAgra Incorporated, a large conglomerate of agricultural and meat processing and distribution plants, reported it plans to eliminate 7,000 jobs and 15 plants nationwide. By the end of May, ConAgra acknowledged that up to 4,000 workers could be laid off nationally. In Greeley, 150 of 2,640 jobs were eliminated at Monfort, Inc., one of ConAgra's meat processing plants. The Omaha-based food processing and distribution company owns two other companies based in Weld County — Swift and Co., a pork production plant, and United Agri Products, a chemical and seed distributor. There are close to 5,800 ConAgra employees in Colorado.

Regional Growth Cumulative Year-to-Date Growth Rates

	Alamosa	Boulder	Colorado Springs	Metro Denver	Durango	Fort Collins	Grand Junction	Greeley	Lamar	Montrose	Pueblo	Ski Counties (Eagle, Pitkin, and Summit)	Steamboat Springs	Sterling
Employment Growth ♦ (through April 1999)	2.7	§ 3.2	§ 2.5	§ 3.3	3.7	4.1	3.0	-0.1	4.5	5.0	§ 1.9	0.1	-1.1	0.3
Unemployment Rate ⊗ ♦ (not seasonally adjusted) (in April 1999)	4.7	2.4	3.1	2.2	3.9	2.9	3.6	3.3	2.5	5.4	4.6	2.9	3.6	3.3
Retail Trade Sales Growth ∇ (through March 1999)	0.8	13.4	7.5	8.7	9.0	7.9	4.3	-0.4	10.3	6.7	8.5	-0.2	11.9	-7.1
Housing Permit Growth * (through April 1999)	70.0	-23.7	41.6	-9.6	73.3	1.7	14.3	23.8	77.7	-8.0	20.6	-1.1	-7.5	17.4
Growth in Value of Non-residential Construction * (through April 1999)	♠	Ψ	-35.6	24.2	♣	24.6	15.3	Φ	■	-90.6	-58.6	-25.1	-94.2	❖

- § Nonfarm Employment Growth.
- ⊗ Actual level not growth rate.
- ♦ Colorado Department of Labor and Employment data.
- * F.W. Dodge data.
- ∇ Colorado Department of Revenue data.
- ♠ \$1.9 million was contracted through April 1999, while \$314,000 was contracted through April 1998.
- Ψ \$137.0 million was contracted through April 1999, while \$58.5 million was contracted through April 1998.
- ♣ \$4.7 million was contracted through April 1999, while \$2.2 million was contracted through April 1998.
- Φ \$39.3 million was contracted through April 1999, while \$6.1 million was contracted through April 1998.
- Nothing was contracted through April 1999, while \$3.5 million was permitted through April 1998.
- ❖ Nothing was contracted through April 1999, while \$2.3 million was contracted through April 1998.