



Colorado Economic Chronicle

Tom Dunn
Chief Economist

Jonathan Lurie
Economist

Kerryn Duran
Staff Assistant

October 3, 2001

National Economy

Growth in the nation's output came to a virtual standstill during the second quarter as inflation-adjusted **gross domestic product** increased only 0.3%. The terrorist attacks on New York City and Washington D.C. could push the country's economic output into negative territory during the third quarter. More than 175,000 layoffs were announced in September after the tragedy. Many other unannounced layoffs occurred as well. The travel-related industry is suffering the most immediate negative impact. Air travel fell by one-half. Hotel reservations were canceled, leading to a decline in occupancy rates of 50% and greater. Consumer confidence already declined markedly in the month prior to the attack and will likely fall further in the immediate aftermath. The consumer had been holding up the economy amid the business investment slowdown in 2001. The stock market indices fell dramatically in the first week after the attacks. A persistent investor malaise could lead to layoffs in the financial industry. Corporate profits in some sectors will likely suffer further, thus exacerbating the investment slowdown and leading to additional layoffs.

Many economic indicators for activity prior to the attack already indicated the weakness in the economy. **Employment** fell by 113,000 and the **unemployment rate** jumped to 4.9% in August. Employment fell for the third time in five months. While the manufacturing job losses are now over 1 million in the past year, other sectors are also experiencing

weakness. The services sector has increased by an average of 15,000 jobs over the past three months, compared with gains of 100,000 one year ago. The computer services industry suffered its first employment decline in more than 13 years. While the labor force typically declines in August, last month's decline was larger than normal, suggesting that many discouraged would-be workers are leaving the labor force. If the labor force decrease had been more typical, the 40 basis point increase in the unemployment rate would have been even larger.

“Employment fell by 113,000 and the unemployment rate jumped to 4.9% in August.”

In more recent employment news, initial claims for unemployment in the week ending September 21 rose to a nine-year high of 450,000. The sharp increase from the previous release was likely affected by many who stayed away from the unemployment office in the initial period after the terrorist attacks. The four-week moving average of continuing claims rose for the sixth consecutive week. The trend and the high level suggest that it will be some time before the labor market begins to recover.

Personal income was flat in August, following a 0.5% increase in July, the strongest gain in 2001. The strength in July was attributed to several one-

The Legislative Council is the research arm of the Colorado General Assembly.
The Council provides non-partisan information services and staff support to the Colorado Legislature.

Representative Doug Dean, Speaker of the House
Representative Lola Spradley, Majority Leader of the House
Representative Dan Grossman, Minority Leader of the House

Senator Stan Matsunaka, President of the Senate
Senator Bill Thiebaut, Majority Leader of the Senate
Senator John Andrews, Minority Leader of the Senate

time factors that supported a 1.8% surge in disposable personal income. First, the initial tax cut advance checks arrived at consumers' homes in July. Second, some tax rates were adjusted for workers' tax withholding. Finally, transfer benefits were higher to account for an underpayment of previous payments due to an error in the indexing for social security and supplemental security income benefits. Without these special factors in July, income growth would have been less, thus showing the underlying weakness of the economy. **Consumer spending** increased by 0.2% in July and August, the weakest growth rates of 2001.

The **manufacturing industry** had mixed results in the past two months. *The National Association of Purchasing Managers' Index* indicated a significant improvement for the manufacturing industry, climbing from 43.6% to 47.9% in August, before falling back to 47.0% in September. However, the level of the index indicates that the industry is still in contraction. The index has been below 50%, the benchmark indicating an industry recession, for 13 consecutive months. *Industrial production* declined by 0.8% in August, the 11th consecutive drop. The *industrial capacity utilization rate* declined to 76.2% and is now nearly 6% below the 1967-2000 average.

“The residential real estate market has helped support an otherwise weak economy this year.”

The **residential real estate** market has helped support an otherwise weak economy this year. *Existing home sales* reached an all-time high annualized pace of 5.5 million in August. Realtors reported that showings of homes dropped after the September 11 attacks. Other housing-related gauges show some decline, but they remain at generally high levels. Builders are anticipating a slowing economy by start-

ing construction on fewer new homes. *Housing starts* fell 6.9% in August and are at the lowest level of the year. As further confirmation of some weakness for residential real estate, *building permits* have dropped more than 160,000 from the yearly high in January. *New home sales* have been in a narrow range for the past five months and are down sharply from the first three months of the year. Declining *mortgage rates* are providing support to the housing industry. The 30-year conventional mortgage rate fell to 6.80% in the third week of September, a 33 basis point change from the July average.

“There was positive news for both producer and consumer inflation in August.”

There was positive news for both producer and consumer **inflation** in August. Falling energy prices kept **consumer prices** to a 0.1% increase. Consumer prices have increased 3.3% over the past twelve months and the 12-month moving average has been declining since February. The moderate inflation has helped the Federal Reserve Board fight the economic downturn. Producer prices rose 0.4% in August, mainly due to higher food and energy prices at this level.

The already weak economy is clearly much more at risk of entering a recession. Recessions typically start with a shock to the economy. The immediate consequences of the New York and Washington D.C. destruction may be enough to cause a recession. The Federal Reserve Board was so concerned that it reduced the federal funds and discount rates by 50 basis points in an unscheduled meeting. The Fed again reduced these key interest rates by another 50 basis points in early October. The federal funds rate and discount rate are at their lowest levels — 2.5% and 2.0%, respectively — since 1962.

Colorado Economy

Colorado's economy is weakening. Job growth is falling from the solid pace of the 1990s and the unemployment rate is increasing at a steady pace. Consumer spending has been weak for most of the year. Continuing layoffs and the poor economic climate will slow the economy further in upcoming months.

Employment

Colorado's unemployment rate increased to 3.6% in August, the highest level since November 1998. Only eight states had an unemployment rate lower than Colorado. Nonfarm employment increased 2.8% through August. However, the employment level in August was only 1.4% higher than one year ago. This is the lowest growth rate since late 1991, confirming the slow pace of state economic growth.

There were several layoffs announced this month, estimated at nearly 2,800 eliminated jobs. Announced job gains were few and far between as the state economic slowdown continues. Based on those announcements, there were an estimated 100 jobs created this month. Details regarding these employment gains and losses can be found in the regional sections.

Residential Construction

According to the U.S. Census Bureau, total housing permits increased 7.4%, or 2,654 units, through Au-

gust. Single-family permits increased 5.8%, while permits for multi-family dwellings increased 10.8%.

Although housing construction has been robust this year, builders indicate this results from many projects already in the pipeline. They also indicated that a slowdown in construction is imminent in upcoming months.

According to Coldwell Banker Residential Brokerage of Colorado, the average sales price for an existing single-family home in the Denver-metro area in September was \$257,170. The average price increased 7.4% from a year ago, but was 2.8% lower than in August. The decline from August is a normal seasonal occurrence. Meanwhile, the September median price of \$215,000 for a single-family home increased 7.9% from a year ago, but slipped 2.0% from August.

“...the average sales price for an existing single-family home in the Denver-metro area in September was \$257,170.”

A wave of apartment and condominium development projects has peppered the Central Platte Valley west of downtown **Denver**. One project began ground-breaking in September, in which 266 studios and townhomes will become available by late 2002. The \$50 million project will offer apartment units with rents from \$1,100 to \$2,900 a month. Zoning requirements mandate that at least 37 of the units be affordable to families earning between 50% and 100% of the area's median income. The developer plans to eventually convert the apartments to owned condominiums.

Plans were announced to start construction on two residential projects in the Denver neighborhoods of Whittier and Lincoln Park. The Lincoln Park project will convert a 20,000-square-foot warehouse into 32 studio condominiums. Units will range in size from 730 to 1,200 square feet and will range in price from \$130,000 to \$250,000. While these units are not designated as affordable housing, the developers hope to fill strong demand for homes priced under \$300,000.

Colorado's Economy at a Glance

Key Indicators	Direction	Assessment
Nonfarm Employment Growth	↑	Weak
Unemployment Rate	↑	Good
Mortgage Rates	↓	Good
Retail Trade Sales	↑	Weak
Home Prices	↑	Neutral
Nonresidential Construction	↔	Good
Colorado Inflation Rate	↑	Bad
Overall Rating	↑	Good, but weakening

The Whittier development will offer 33 housing units and 10,000 square feet for retail space and parking. Each of the 33 units will be 1,000 square feet and will be priced from \$154,000 to \$300,000. Eight of the units will be offered through an affordable housing program administered by the Northeast Denver Housing Center.

Development has started on the \$120 million, 57-acre Dakota Ridge Village project in **Boulder**. One of the last large vacant parcels in the city, the residential project will include condominiums and townhomes, priced from \$150,000 to \$450,000, and single-family homes, priced around \$500,000. Based on elements of the New Urbanism style, Dakota Ridge Village will incorporate pedestrian trails rather than parking lots between housing units.

The Wellington development, a 23-acre affordable residential project, was announced in **Breckenridge**. Of the 122 units in the new project, 98 will be offered to local employees at lower-than-market prices. While the prices were unavailable, the units for local workers were estimated to be priced at \$110 per square foot. Moreover, the appreciation of the units will be limited to the growth in the area median income or 3%, whichever is greater.

Nonresidential Construction

According to F.W. Dodge, the value of Colorado nonresidential construction increased 1.1% through August, compared with last year. Despite a decrease in commercial building (mostly attributable to office and hotel development), overall nonresidential construction was boosted by gains in projects such as manufacturing plants, education buildings, and hospitals.

“...the value of Colorado nonresidential construction increased 1.1% through August...”

The 1,622-acre Meridian office park in **Douglas County** represents one of the few large-scale office developments started this year. Developers began groundbreaking on Lansing Point, a three-story,

84,000-square-foot building and will add a 14,250-square-foot parking structure.

In **Aurora**, construction began on a \$17 million, 103,800-square-foot office structure for TRW Inc. Upon expected completion next summer, the company will operate a software testing center. The office will be one of three buildings leased by TRW in the Bristol Point Business Park.

In **Littleton**, Landon Enterprises announced a \$3.2 million plan to create 16,000 square feet of retail space at Santa Fe Drive and Prince Street. The Shops at RiverBend will serve nearby residential areas, Arapahoe Community College, and large employers such as EchoStar and FedEx. The shops, already 50% pre-leased, are expected to be completed by the first quarter of 2002.

Exempla Healthcare announced a plan to construct a 175-bed hospital in **Lafayette**. Completion of the hospital and medical office space is expected by 2004. The project cost was estimated at \$170 million.

“A development proposal to create another business park near the Colorado Springs Airport is under review by Colorado Springs city planners.”

A development proposal to create another business park near the **Colorado Springs** Airport is under review by Colorado Springs city planners. Originally planned for airport expansion, the land has become valuable for development and part of the area will be leased for commercial development. Airport officials proposed a 1,000-acre development including 240 acres for office and industrial use, 32 acres for a hotel and retail shops, a 200-acre golf course, and 500 acres set aside for open space and future use.

Transportation

As a result of the September 11th terrorist attack, the airline industry announced several thousand layoffs. United Airlines will reduce its total workforce by 20% or 20,000 jobs. In Colorado, United Airlines laid off 540 of over 9,000 employees statewide in the

first phase of local cuts. American Airlines will cut 20,000 jobs worldwide but because it is based in Dallas-Ft. Worth, only 38 employees will be released in Colorado. Frontier Airlines also announced layoffs since the attack. A total of 440 Frontier jobs will be eliminated with 300 in Colorado. Continental Airlines eliminated 950 workers by closing a Denver reservation office as a part of a 12,000 nationwide workforce reduction.

Air travel dropped as a result of the terrorist attack. However, within two weeks, bookings at Frontier Airlines increased to 70% of capacity, a significant increase relative to the bookings in the 30% range a week after the attack. United Airlines reported bookings at 50% of capacity. Meanwhile, Denver International Airport reported it had returned to 84% of its average schedule of flights.

Tourism and Consumer Spending

As airline traffic has declined, the tourism industry has also seen a sharp drop. The hotel industry has suffered as a result of reduced airline traffic and travel since September 11. Denver-area hotels reported 50% to 60% vacancy rates at a time when vacancy rates are typically less than 10%.

Colorado consumer spending revealed a similar dismal trend. June consumer spending, as indicated by retail trade sales, decreased 2.2% from June 2000. This is the second month in 2001 of year-over-year declines in sales, suggesting that the economic slowdown is affecting state consumer spending. Retail trade for the year through June increased 2.7%, compared with the first six months of 2000. While this represents positive growth over last year, it pales in comparison with the 11.5% growth seen in 2000.

“As airline traffic has declined, the tourism industry has also seen a sharp drop.”

The summer months are traditionally the strongest for visits to national parks. However, national park visits were down 8.4% through July, with nearly all national parks reporting year-to-date decreases.

Manufacturing

The slow improvement over the first half of 2001 in Colorado's manufacturing sector came to an end with two months of sharp drops in the July and August 2001 Front Range Purchasing Managers Index. The index fell sharply from 51.4% in June 2001 to 45.2% in July and 41.8% in August. A score below 50 means manufacturing activity is declining. The August index value is the lowest since January 2001, negating the improvement made in the first half of the year. August's index indicated that all five major components of the index — lead times, inventory levels, new orders, production, and employment — showed weakness. The most noteworthy decline may have been the new orders index, which dropped to 39.8%. The sharp decrease in the new orders index suggests that the manufacturing sector will remain in a recession through the short term.

Energy

Lower natural gas prices will mean lower utility bills for the upcoming winter months. Bills may fall 44% for homeowners and 46% for businesses. The lower price comes from an increase in production supply as well as reduced demand from conservation efforts and a slowing economy, particularly in the manufacturing sector. These trends reverse those that caused a sharp price increase last year.

“Lower natural gas prices will mean lower utility bills for the upcoming winter months.”

Gas prices in Colorado, at \$1.62 per gallon for unleaded, were 11% higher than the national average of \$1.46 per gallon in September. Gas prices peaked near \$1.80 in June.

Metro Denver

Nearly a year after Qwest cut 12,800 jobs upon completing its acquisition of US West, the telecom giant announced a second significant round of layoffs, totaling 4,000 by the end of 2002 first quarter. This

will reduce Qwest's overall employment from 66,000 to 62,000. It is estimated that 1,300 of the layoffs will take place in Colorado. While 20% of the total job cuts should occur through attrition, the rest of the cuts will involve job elimination.

In June, Payless Cashways, the parent company of Hugh M. Woods hardware stores, filed for bankruptcy. As a result of poor retail sales and inadequate financing from investors, Payless Cashways announced a liquidation of all 18 hardware stores in Colorado. A Hugh M. Woods store typically employed between 30 and 60 employees.

MatchLogic, an online marketer based in **Westminster**, was forced to close as the company's parent, ExciteAtHome, struggles to reach profitability by selling operations. All 200 employees, mostly located in Westminster, will be laid off at the end of the year.

Some service industries are laying off employees as a result of the airline and travel slowdown. **Arapahoe County**-based Navigant International, a travel management firm, announced it will eliminate 60 workers in the Denver area.

Volant Sports, a **Wheat Ridge**-based ski manufacturer, failed to secure additional financing and closed its plant and released all 95 employees. According to Volant, high production costs and weak demand forced the closure. Volant was one of two remaining American ski manufacturers.

Internet service companies, faced with poor economic conditions, have been forced to continue cutbacks in growth plans and employment. Verado Holdings announced another set of layoffs by letting go 59 of its 130 employees in the Denver area. Verado provides Internet services such as web hosting and e-commerce. Another fledgling Internet company, Relera, announced it would cut 198 out of 260 metro-area jobs in an effort to restructure the company toward a new business model, away from website management and toward Internet access and warehousing space for Internet hosting.

Verio Inc. announced cutbacks this month. Facing unprecedented losses of an estimated \$1.3 billion, the

Arapahoe County-based firm eliminated 600 of 3,000 jobs worldwide and will close several data centers before the end of the year. At this time, it is unknown how many jobs will be cut in Colorado. Verio provides equipment, access, and consulting for information technology firms.

One Internet company has quietly opened its doors as several competitors have struggled to survive. @Lightspeed will offer data storage, high-speed Internet access, and web hosting services. The company will employ 45 workers and take up 225,000-square-feet of space in northeast Denver.

Myogen, a pharmaceutical manufacturer based in **Westminster**, was awarded \$52.4 million in venture capital, in a time when business investment is in a slowdown. While most of the funding will be used to expedite clinical tests for new drugs, one-third of the money will be used on research and increasing its employment from 35 to 55.

“As another sign of an economic slowdown, home foreclosures through the second quarter of 2001 increased 7.9% over the first six months of 2000.”

As another sign of an economic slowdown, home foreclosures through the second quarter of 2001 increased 7.9% over the first six months of 2000. If the second half of the year maintains the pace of the first half, this year will witness the largest number of foreclosures since 1992. The number of foreclosures is attributed to the number of metro-area layoffs and available credit options for home buyers.

El Paso County

LSI Logic, a semiconductor manufacturer, announced further layoffs totaling 600. This includes 20 employees from the **Colorado Springs** chip plant. The Colorado Springs plant was planned for closure earlier this year, with an offer for some of the 525 employees to move to other plants around the U. S. While 60 employees were absorbed by an Oregon plant, 285 were laid off. The remaining 180 will lose their jobs by the end of October.

Atmel Corporation, another semiconductor manufacturer, announced it would consolidate operations at its two plants in Colorado Springs. The company will cut 2,500 jobs worldwide in order to streamline costs. At this time, it is unknown how many of the 2,000 local jobs will be eliminated.

Local hotels reported an average occupancy rate of 83.5% in July and August, a slight increase over the 82.6% rate in the same period last year. During Labor Day weekend, hotels reported occupancy rates close to 100% due in part to the Oklahoma-Air Force football game.

Boulder County

Shedahl Inc., a maker of communications circuits, plans to reduce its workforce at its International Flex Technologies plant in **Longmont**. Due to weak demand, the firm will cut 60 jobs but hopes to rehire them when the telecom industry improves.

Amgen announced plans to add 4 million square feet to its 1 million-square-foot Longmont manufacturing plant, pending approval of several new drugs such as Aranesp, which induces red blood cell production to fight anemia, and Plenaxis, a drug used to fight prostate cancer and endometriosis. Over the next several years, Amgen may hire hundreds of workers to accommodate the expected increase in production. If the plans materialize, Amgen would easily become the largest facility in Longmont.

Boulder city planners have offered designs for a commuter rail terminal in downtown **Boulder**. The plan also includes a retail center and both standard and affordable housing units. Still in the planning phase, the city hopes to acquire 11 acres near the city center, around 30th and Pearl streets, to develop the multi-use project.

Northern Region

LSI Logic, a semiconductor chip maker, announced nationwide layoffs totaling 600. In **Fort Collins**, 36 jobs were eliminated at an assembly and testing facility. The cutbacks are part of a restructuring plan

to accommodate an industry-wide slowdown in demand for semiconductors.

Increasing demand for beer has driven Anheuser-Busch to increase production at its Fort Collins plant by 50%. A new brew house and a 100,000-square-foot warehouse will be ready for operation in 2004. Anheuser-Busch expects to add 35 to 40 employees at that time.

Holnam, Inc. a cement manufacturer in **Laporte** will shut down operations after 74 years as the company moves operations to a new facility in Florence. All 100 jobs will be eliminated or transferred to Florence.

Southern Region

Preliminary figures for the 129th annual state fair in **Pueblo** indicate attendance was down 4% from last year. This year's fair attendance may be 9% lower than the record high 706,000 in 1999.

“Preliminary figures for the 129th annual state fair in Pueblo indicate attendance was down 4% from last year.”

Columbia House, a music and video distributor, will close a distribution center in **Colorado City** by the end of October. The warehousing operation employed more than 400 local workers when the layoffs were announced last spring. Currently, only 30 remain to help close the plant.

Western Slope and Mountain Regions

DTS Fluid Power, a hydraulic systems design and repair company, has outgrown its old 10,000-square-foot space in Olathe and is moving into a larger 23,000-square-foot facility in **Delta**. The company credits its expansion to a growing customer base of mining firms using hydraulic systems for extraction. DTS currently employs 27 workers but plans to expand once it completes the move in late November.

Innovative Manufacturing Corp. announced it would relocate its manufacturing plant from Minnesota to

Delta, after two years of talks with Delta Area Development. The printing company currently employs 13 people and may expand to 20 workers by the end of the year.

Downtown **Grand Junction** will have another hotel as plans were announced to build a Hilton Garden Inn. The new hotel will offer 70 rooms and 33 parking spaces in an underground garage. Construction will begin in early 2002 and be complete by April 2003.

Stewart Lodges, a maker of campground cabins, announced expansion plans that include a new plant in **Montrose**. It is expected that the mobile lodge maker will employ 150 people. The expansion comes as a result of securing a contract with KOA campgrounds.

Colorado Indicators Year-to-Date Growth Rates

Indicator	August 2001	July 2001	2000 Annual Average
Nonfarm Employment Growth \square	2.8%	3.0%	3.9%
Unemployment Rate $\square \ddagger$ (seasonally adjusted)	3.6	3.3	2.6
Housing Permit Growth ~	7.4	10.5	9.0
Single family	5.8	7.0	-1.9
Apartments	11.2	19.7	47.2
Growth in Value of			
Nonresidential Construction \S	1.1	-5.5	-14.2
Retail	12.4	14.5	-12.8
Offices	-27.3	-29.5	22.9
Factories	266.0	265.9	-71.7

- \square Colorado Department of Labor and Employment data.
- \ddagger Actual level, not growth rate.
- ~ U.S. Census Bureau data.
- \S F.W. Dodge data.

Note: An inflation rate is not calculated for the state. The Denver-Boulder-Greeley inflation rate is often used as a proxy for Colorado's inflation rate. The Denver-Boulder-Greeley inflation rate was 5.4% through the first half of 2001, following a 4.0% rate in 2000.

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 \blacklozenge (through July 2001)	0.3	4.8	2.1	3.6	3.0	4.8	2.1	3.2	-3.2	2.9	0.1	3.4	2.4	2.4
Unemployment Rate \blacklozenge (not seasonally adjusted) (in July 2001)	5.1	3.6	4.4	3.3	3.3	3.4	3.8	3.9	3.0	4.0	4.8	2.0	1.6	3.7
Retail Trade Sales Growth \blacktriangledown (through June 2001)	1.9	12.3	3.5	1.5	5.9	0.5	3.3	8.3	-7.9	9.4	0.3	5.7	4.7	-7.2
Growth in Value of Non-residential Construction* (through August 2001)	56.2	-20.9	-34.9	11.2	-93.3	\hat{a}	\tilde{a}	70.1	\ddot{a}	30.8	-13.5	-66.7	-44.2	\hat{a}
Housing Permit Growth* (through August 2001)	2.2	-41.5	12.0	20.1	3.6	5.9	30.6	39.7	2.3	1.9	40.1	7.6	-36.0	20.9

- \diamond Actual level not growth rate.
- \blacklozenge Colorado Department of Labor and Employment data.
- * F.W. Dodge data.
- \blacktriangledown Colorado Department of Revenue data.
- \hat{a} \$136.7 million was contracted in 2001, while \$43.1 million was contracted in 2000.
- \tilde{a} \$34.3 million was contracted in 2001, while \$12.5 million was contracted in 2000.
- \ddot{a} \$994,000 was contracted in 2001, while \$350,000 was contracted in 2000.
- \hat{a} \$2.7 million was contracted in 2001, while \$200,000 was contracted in 2000.

Regional Economic Review - San Luis Valley

The San Luis Valley is comprised of Alamosa, Conejos, Costilla, Mineral, Rio Grande, and Saguache counties. The population and economic indicators of the region lag most other regions in the state. The growth rates for population, employment, and retail trade were approximately one-half of the statewide growth during the 1990s, while the average unemployment rate was nearly double that of the statewide rate. Table 1 shows several economic and demographic indicators for the region.

San Luis Valley Demographic Indicators

Population growth recovered from a dismal 0.5% annual rate of growth during the 1980s to a 1.4% annual pace during the 1990s. However, the more recent growth still lagged the statewide 2.7% annual pace during the decade.

The prime working-age population in the San Luis Valley comprises a smaller percentage of the total population than the statewide average. The 20-54 age group has 46.0 percent of the valley's population, compared with 54.0 percent statewide.

The Hispanic population in five of the valley's counties rank in the top six as a percentage of total popu-

lation. The Hispanic population in Alamosa (41.4%), Rio Grande (41.7%), Saguache (45.3%), Conejos (58.9%), and Costilla (67.6%) counties is significantly higher than the 17.1% proportion statewide. The remaining San Luis Valley county — Mineral County — has the second-lowest percentage of Hispanic population statewide.

The housing vacancy rate dropped from 26.5% in 1990 to 22.6% in 2000. Still, the latter rate was significantly higher than the 8.3% vacancy rate registered in Colorado.

San Luis Valley Economic Indicators

“The relatively low income for San Luis Valley residents is partly attributable to the composition of employment, the previously mentioned age composition of population, and the local unemployment rate.”

Per capita personal income was \$19,470 in 1999 and increased at a 4.3% annual pace since 1990. Income fell further behind the statewide average during the 1990s and by 1999, per capita income in the region was only 61.7% of the statewide average.

Table 1. San Luis Valley Economic Indicators at a Glance

	San Luis Valley	Colorado
Population Growth 1990-2000 CAAGR 2000	1.4%	2.7% 2.0%
Nonfarm Employment 1990-2000 CAAGR 2000	2.5%	3.8%
Unemployment Rate 1990-2000 Average 2000 Average	8.3%	4.2%
Retail Trade Sales Growth 1990-2000 CAAGR 2000	4.2%	8.6%
2000 Nonresidential Construction*	-51.1%	-14.2%
2000 Residential Construction*	-10.7%	-4.2%

CAAGR — Compound Average Annual Growth Rate.

* F.W. Dodge data. Includes information for Alamosa County only.

The relatively low income for San Luis Valley residents is partly attributable to the composition of employment, the previously mentioned age composition of population, and the local unemployment rate. Local employment is dominated by typically low-paying sectors. Table 2 shows the number of employees by industry. Agriculture is a dominant industry in the valley, employing 13.4% of workers. By contrast, agricultural workers constitute only 1.5% of the state-wide work force. Government employs the most workers in the local economy. The valley's 2000 unemployment rate of 6.4% was more than double the statewide rate.

Two major retailers expanded their presence in Alamosa during 2001. A new Safeway store opened in the spring. The new store employs 70 workers, more than double the number of the previous store. The Alamosa Community Development Corp. wants to convert the old Safeway building into a convention/meeting center.

Wal-Mart opened an 187,000-square-foot store in April. Staffing levels more than doubled to 400 employees. The new store replaces the original Wal-Mart that was built in 1986.

Agriculture

Despite the valley's high altitude and short growing season, farming is a primary industry, accounting for 9.6% of local income in 1999. The San Luis Valley is

the state's primary producer for potatoes, barley, and spring wheat. Additionally, Conejos and Alamosa counties are the top two producers of oats.

“The San Luis Valley is the state's primary producer for potatoes, barley, and spring wheat.”

Colorado's fall potato crop is grown exclusively in the San Luis Valley. The valley has approximately 240 potato growers and 65 grower-shippers. While the potato harvest begins in September, high-tech, climate-controlled storage facilities enable the crop to be sold through the winter and into July of the following year. Colorado is the nation's sixth-leading producer of fall potatoes, with nearly 2.8 billion pounds harvested last year.

While potato growers had a record harvest in 2000, very low prices led to a 31.5% decline in the value of the harvest. Consequently, 10% fewer acres were planted this year. However, July potato prices were more than twice the July 2000 level, thus boosting hopes for higher incomes in 2001.

Colorado is also the nation's sixth-leading barley producer. Nearly 83% of the state's barley production comes from the San Luis Valley. Excellent weather conditions in 2000 produced the highest quality barley in 50 years. This was a turnabout from 1999, when wet weather and cloudy skies ruined two-thirds of the crop. Early indications are that rainy weather in August also spoiled some of the

Table 2. San Luis Valley 2000 Employment

Industry	Number of Employees	Percent of Work Force	2000-1999 Percent Change
Agriculture	2,152	13.4	-2.9%
Construction and Mining	1,002	6.2	11.6%
Manufacturing	519	3.2	-2.8%
TCPU	490	3.1	1.2%
Wholesale and Retail Trade	3,528	22.0	1.0%
FIRE	596	3.7	2.2%
Services	3,283	20.5	3.0%
Government	4,439	27.7	0.9%
Total	16,009	100.0	1.3%

2001 barley crop. The valley's barley is typically devoted to beer production. If the quality of the barley falls due to mold, the crop is partially salvaged by using it for feed. However, the price for feed barley is typically only one-half of the price fetched for top-quality barley.

A new whiskey distillery outside Alamosa will also take advantage of the high quality of the local barley crop. The facility is currently bottling water. An \$8 million to \$10 million plant will be constructed in late 2001 to produce a Scotch-style whiskey. Up to 10,000 barrels, or 2 million liters, of whiskey will be produced by 2004 or 2005.

“A new whiskey distillery outside Alamosa will also take advantage of the high quality of the local barley crop.”

Tourism

National Park status is proposed for the Great Sand Dunes National Monument. The dunes attract nearly 300,000 visitors annually. Designation as a national park would help the area acquire more federal funds and make it a more attractive tourism site. Visits to the Great Sand Dunes fell 9.8% in 2000, characteris-

tic of tourism visitation to all national parks and monuments throughout Colorado last year. However, visitation to the sand dunes reversed course and increased 2.8% through July 2001.

“South Fork in Rio Grande County is becoming a second-home haven.”

South Fork in Rio Grande County is becoming a second-home haven. The town's population swells to approximately 5,000 in the summer months. The 2000 Census counted only 604 residents. Even more part-time residents are on tap. A new golf course will anchor the construction of 2,000 new homes. The development will eventually have a commercial center as well.

Summary

The San Luis Valley enjoyed economic growth in recent years, though it continues to lag behind the rest of Colorado. The region depends on agriculture as the main industry that drives its economy. To take advantage of this, efforts have been made to attract businesses that process agricultural products. The boom and bust cycle of the agricultural sector increases the vulnerability of the San Luis Valley economy.