



Colorado Economic Chronicle

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National Economy

New estimates of economic growth during the third quarter indicated that inflation-adjusted gross domestic product (**GDP**) increased 8.2%, a full percentage point increase from the advance estimate. The largest factor behind the increase was less shrinkage in business inventories than previously estimated. The new estimates also showed that consumer spending increased 6.4%, while investment increased 16.7%.

Last month's ebullience over **employment** increases dimmed somewhat when the combined gains of September and October were revised down by 15,000 jobs and November's job gain was a lackluster 57,000 jobs. However, four consecutive months of employment increases marks the beginning of a modest recovery in the labor market. Meanwhile, the nation's *unemployment rate* declined from 6.0% to 5.9% in November. The peak unemployment rate this year was 6.4% in June. Initial claims for unemployment insurance have remained below 400,000 for over two months, an indication of a stable labor market.

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Personal income increased 0.4% in October and is 3.7% ahead on a year-over-year basis. *Consumer spending* was flat in October, following a 0.3% decline in the previous month. Retail sales rose 0.9% in November and were up 6.9% from a year ago.

Early December retail spending was affected negatively by the large snowstorm in the northeast part of the country. *Consumer confidence* is rising. The University of Michigan Consumer Sentiment Index rose 4.1 points in November, while the Conference Board measure of consumer confidence surged 10 points. Rising confidence and a better outlook for job prospects will likely lead holiday spending to the largest increase since 1999.

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The **manufacturing sector** continues to improve. The *Institute of Supply Management Index* rose to 62.8 in November, the first time it has been above 60 since 1987. The new orders index was above 70, portending a positive view for the industry in upcoming months. The employment index rose above 50, indicating expansion in manufacturing jobs. However, the official measure of employment in the sector indicated a slight decline in jobs. Nonetheless, the decline in manufacturing jobs has lessened greatly in recent months and can be viewed as an improving indicator. *Industrial production* rose 0.2% in October, marking the fourth consecutive monthly increase. *Durable goods orders* rose 3.3% in October, a sharp gain. Orders for communications equipment rose 25%, the second double-digit increase in as many months. This is a good sign for the beleaguered telecom industry.

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While off from recent record high levels, the **housing sector** is still very strong. *Existing home sales* were 6.35 million in October, down 5% from the record high of the previous month. October's level is the third-highest annualized level for existing home sales. *New home sales* have been trending down since June's record level.

Consumer prices were unchanged in October, keeping up the long run of price stability. Energy prices

fell nearly 4% during the month and helped to offset a 0.2% rise in the core index. At the December 9 Federal Open Market Committee meeting, the Federal Reserve Board did not change interest rates. However, the Fed moved away from its belief that risk tended to deflation. Its position is now neutral, putting the Fed in position to increase rates later in 2004 as the economic recovery becomes more solid.

Colorado Economy

Our assessment of the state's economy is little changed from a month ago. The economy is ready to turn upward after its three-year downturn. The many recent positive announcements for the national economy will bode well for Colorado as 2004 unfolds.

Employment

Colorado's employment picture improved slightly. September's loss was not as large as originally estimated. The state gained 1,200 jobs on a seasonally adjusted basis in October. The government and professional and business services categories posted the largest gains of 2,200 and 1,500 jobs, respectively. The leisure and hospitality sector lost 2,000 jobs, while the trade, transportation, and utilities sector lost 1,000 jobs. Meanwhile, the unemployment rate declined slightly to 5.5%, matching the lowest level of the year.

Residential Real Estate and Construction

Colorado's housing market may be stabilizing. According to the U.S. Census Bureau, after growing progressively worse through most of 2003, housing permits were down only 16.0% through October. This represents an improvement from September's year-to-date decline of 19.3%. Permits for single-family homes declined 5.7% through October, while permits for multi-family dwellings dropped 47.8%.

The median sales price in November for an existing single-family home in the metro-Denver area was stable. It increased \$500 from November. Compared with a year ago, the median price increased 3.1%. The median resale price for a metro-Denver condominium showed slightly more appreciation with a year-over-year increase of 3.7%. Nearly 6% more homes were on the market than in November 2002.

“The state's weak economy led to a low ranking for home price appreciation during the past year.”

The state's weak economy led to a low ranking for home price appreciation during the past year. An examination of repeat sales and home refinancing activity by the Office of Federal Housing Enterprise Oversight showed that Colorado ranked near the bottom for housing price appreciation during the third quarter compared with the same period in 2002. Colorado ranked next to last among the 50

Colorado's Economy at a Glance		
Key Indicators	Direction	Assessment
Nonfarm Employment Growth	↔	Weak
Unemployment Rate	↓	Weak
Mortgage Rates	↔	Good
Retail Trade Sales	↔	Weak
Home Prices	↔	Neutral
Nonresidential Construction	↓	Bad
Colorado Inflation Rate	↔	Good
Overall Rating	↔	Weak

states and the District of Columbia. The Boulder-Longmont area ranked 218th of 220 metropolitan areas with a sales price gain of 1.07%. The Denver-metro area ranked 217th with a gain of 1.35%. Grand Junction had the largest increase in Colorado at 4.05%. Colorado ranked ahead of Utah. Meanwhile, during the past five years, price appreciation in Colorado ranked 14th in the nation.

Nonresidential Construction

According to F.W. Dodge, the value of nonresidential construction decreased by 8.3% through November. Thanks to a nearly eight-fold increase in construction of commercial lodging facilities, total commercial construction is down only 1.8% from a year ago. The office building category declined 30.3% from last year.

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Business

Colorado's nine-year streak of a perfect report card from the Corporation for Enterprise Development ended this year. However, the state still ranked fifth in 2003 and was one of eight states to make the honor roll. The state received an A for business vitality and development capacity, while it received a B for performance. The three major categories encompass 68 aspects of a state's economy.

According to Vectra Bank, business conditions for small businesses improved slightly in November. The Vectra Bank Colorado Small Business Index was 85.9, up from 85.3 in October. An improvement in employment was responsible for the index's gain.

Tourism and Gaming

A stronger national economy is helping to stabilize the state's lodging sector. In October, the statewide

average occupancy rate was unchanged from a year ago, while the average room rate increased 0.6%. Figures were better for Denver-area hotels and motels. The occupancy rate increased nearly two percentage points, while the average room rate increased 3.4%.

The aviation industry is also benefiting from the stronger national economy. Denver International Airport registered its second-highest level of October traffic count. The passenger traffic was 3.17 million, an 11.5% increase from a year earlier. Year-to-date traffic increased 4.4%.

Adjusted gross proceeds (AGP) at the state's gaming establishments increased 2.4% in October, compared with a year earlier. For the first four months of the state's fiscal year, AGP decreased 1.9%. The industry has been affected by the economic slowdown and the lack of new casinos that initially draw large crowds.

Metro Denver

According to the Colorado Department of Labor and Employment, nonfarm employment (not seasonally adjusted) in the metro-Denver area fell by 2,900 in October from the previous month. The private sector lost 3,700 jobs, while the government sector added 800 workers. The unemployment rate in October was 5.5%, compared with 5.7% in September. The average unemployment rate for the year is unchanged from a year ago.

“Lockheed Martin Space Systems, based in Jefferson County, won two contracts that will increase employment.”

During the past month, the number of announced job hires outweighed the job losses. The new jobs will be high-paid positions. Lockheed Martin Space Systems, based in **Jefferson County**, won two contracts that will increase employment. Approximately 200 engineers will be hired to work on a prototype of the next generation of space shuttles. The shuttle would initially be used to provide rescue services to the international space station and

eventually to provide regular transportation to and from the space station. If Lockheed Martin wins the final contract next summer, up to 700 engineers would be hired.

Lockheed Martin also won an initial four-year contract to develop and manage targets in missile defense systems. Approximately 250 workers would be hired at five locations across the country. The company's local facility is expected to hire some of these workers. The initial \$210 million contract could be eventually worth \$4.6 billion upon full completion of the project.

Financial Planning Association will close its Atlanta offices and transfer most of the 35 workers to **Denver**. The company currently employs 30 workers in Denver. Comcast will add 100 marketing, accounting, engineering, and customer service positions to its local work force. Comcast will pursue new services and technologies such as high-definition television, digital video recorders, and on-demand video. It will double cable Internet speeds and use telephone services via the Internet.

On the negative side, **Arapahoe County**-based ICG Communications will cut 100 workers due to the loss of a key contract. Most of the cuts will be in Colorado and started in early December. ICG emerged from bankruptcy in late 2002.

Boulder Region

According to the Colorado Department of Labor, nonfarm employment (not seasonally adjusted) in the Boulder-Longmont region climbed by 1,100 in October. Government added 900 jobs during the month, predominantly in the education sector. Employment was 500 lower in the leisure and hospitality sector. The unemployment rate fell from 5.0% in September to 4.7% in October.

“GE Medical Systems will cut 140 manufacturing jobs from its Louisville facility.”

GE Medical Systems will cut 140 manufacturing jobs from its **Louisville** facility. The work done at

the plant will be transferred to the company's facilities in Finland and Mexico. The layoffs will take place over the next year. Sixty workers will remain at the local facility, which makes blood oxygen devices and sensors.

Northern Region

Sixty workers will relocate to Wyoming when **Fort Collins**-based Heli-Support Inc. moves its maintenance to Cheyenne. A lower cost of living and taxes induced the company to move after a 22-year presence in Fort Collins. Encroaching commercial and residential developments that might have made the facility incompatible with the new neighborhoods was also a factor in the decision to relocate.

Swift and Co., a meat company, will open a 32,000-square-foot customer solution center in **Greeley**. The center will initially employ four new workers and eventually add eight more workers. Swift is a former division of ConAgra. The new facility incorporates laboratory areas for research and development of new products. Customers will be able to see potential products as well as demonstrations in product preparation. The center will open in mid-2004.

“Milliken is the latest town in Weld County to take advantage of the gradual blending of the metro-Denver and northern region areas.”

Milliken is the latest town in Weld County to take advantage of the gradual blending of the metro-Denver and northern region areas. The southern Weld County town is scheduled to grow by five fold. Centennial Crossing will add 2,200 acres to the town and eventually add 12,000 residents. Development began in 2002. Ten new businesses will open in early 2004 at the development's retail center, Trader's Junction. The development will contain 5,000 homes and will take 15 years to complete. Milliken is located east of Interstate-25 on Colorado Highway 60.

El Paso County

Nonfarm employment increased by 700 in October,

according to the Colorado Department of Labor and Employment. Local employment has decreased by 1.0%, or by 2,900 jobs, through October 2003, compared with the same period in 2002. The unemployment rate declined by 0.3 percentage points to 5.5% in October.

Quantum Corp, a maker of cartridges and disk drives that store computer data, will lay off 30 workers in Colorado, including 20 in **Colorado Springs**. The company has lost money for eight consecutive quarters and has gone through several rounds of layoffs. The other ten layoffs will be in Boulder.

“Colorado Springs suffered a 2.8% decline in its November sales tax collections.”

After two promising months of increases, Colorado Springs suffered a 2.8% decline in its November sales tax collections. These collections were based on October economic activity. The city speculated that the summer uptick was attributable to the one-time nature of the child tax rebate checks. Spending will likely be stagnant until the high-tech sector rebounds and more of the area's 12,000 soldiers return from their Iraq assignment.

“The Grand Junction area is one of the state's stellar performers this year for employment gains.”

Western Region

The **Grand Junction** area is one of the state's stellar performers this year for employment gains. Through October, employment increased 4.0%. The employment gains are likely responsible for the area's top ranking in the state for home price appreciation. Through September, an index that tracks average house-price changes in repeat sales or refinancings of the same single-family properties showed a 4.05% increase in home prices.

The relative health of the Grand Junction economy is also reflected in housing permits. Total permits increased 16.3% through October. Permits for single-

family homes increased 14.4%. Permits for multi-family housing, a relative small portion of this year's permits, increased 42.5%.

Following the announcement of the national "no-call" list, a Grand Junction telemarketing call center is hanging it up. Teleperformance USA will close the local facility, one of 30 it operates in the United States. An undisclosed number of workers will lose their jobs. They will be offered the opportunity to transfer to another location.

Southern and Eastern Plains Regions

Construction will begin in the spring on two new hotels in southern Colorado. A 59-room Best Western hotel is planned for **Pueblo**. A 72-room Holiday Inn Express will be built in **Alamosa**. A hotel expansion is planned for Sterling. Occupancy rates were above 90% at the Best Western facility all summer. The expansion will add 28 rooms to the existing 30-room base.

A new bank building opened in downtown **Trinidad** in November. The 7,000-square-foot, two-story building was the first new large building to be built in downtown Trinidad in more than 50 years. International Bank had operated in a nearby trailer for two years. Upon moving into the new facility, the bank hired five new employees and now has a work force of 13.

“Up to 300 workers are scurrying to complete a wind-energy farm south of Lamar.”

Up to 300 workers are scurrying to complete a wind-energy farm south of **Lamar**. The workers have been helping the Lamar-area economy. Sales tax receipts in September were nearly 10% ahead of the previous year, while October's receipts soared 62%. Upon completion, the project will have 108 wind turbines that will be able to provide power to 57,000 households. About 12 permanent workers will remain when the turbines are operational. The property tax base in Prowers County will increase by 30%.

DeBourgh Manufacturing Co. of **La Junta** is adding 15 to 20 new machine operators at its plant. The company makes lockers, primarily for schools. It embarked on a new marketing strategy designed to reduce the seasonal nature of its business. The nearly century-old company moved to La Junta in 1990 to take advantage of comparative economic advantages it found in the city.

Colorado State University Cooperative Extension conducted a study of the northeastern Colorado work force. It found that many workers are underemployed and possess the skills to move up to better-paying jobs. Many agricultural workers work only part of the year and would prefer to work full time, if possible. The results will be used to entice businesses to the area.

Regional Overview 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 October 2003)	3.4	-14.0	-1.0	0.8	2.5	1.5	4.2	3.1	-0.5	3.4	1.1	0.4	3.6	3.0
Unemployment Rate ◇◆ (not seasonally adjusted) (October 2003)	6.3	4.7	5.5	5.5	3.9	4.9	4.6	5.7	3.3	4.0	6.4	5.6	3.5	3.6
Retail Trade Sales Growth ▼ (through September 2003)	0.1	1.2	0.8	1.6	7.7	1.1	1.5	4.0	0.3	5.3	2.5	0.5	-0.3	-1.6
Growth in Value of Non-residential Construction* (through November 2003)	-58.1	-38.2	18.9	-15.8	②	-36.4	-25.7	23.2	①	58.8	61.2	-54.0	-16.7	-92.1
Housing Permit Growth ° (through October 2003)	-4.1	-20.7	-23.5	-21.8	47.1	-2.8	16.3	-7.6	16.7	13.8	-1.5	24.2	41.6	-16.4

◇ Actual level not growth rate.

◆ Colorado Department of Labor and Employment data. Boulder and metro Denver are affected by the move of Broomfield to metro Denver.

* F.W. Dodge data.

° F.W. Dodge & U.S. Census Bureau

▼ Colorado Department of Revenue data.

① \$6.8 million was contracted through November, while nothing was contracted in 2002.

② \$92.5 million was contracted through November, while \$15.6 million as contracted through November 2002.

Colorado Indicators Year-to-Date Growth Rates

Indicator	October 2003 Average	2002 Annual Average
Nonfarm Employment Growth □	-0.8%	1.9%
Unemployment Rate □ ‡ (seasonally adjusted)	5.7	5.7
Housing Permit Growth ~ Single family Apartments	-16.0 -5.7 -47.8	-12.2 -2.6 -31.4
Growth in Value of Nonresidential Construction § Retail Offices Factories	-7.2 -12.6 -28.6 -15.1	-20.9 -8.3 -43.8 -77.3

□ Colorado Department of Labor and Employment data.

‡ Actual level, not growth rate.

~ U.S. Census Bureau data.

§ 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 1.7% through the first half of 2003, following a 1.9% rate in 2002.