



Colorado Economic Chronicle

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Mike Mauer
Chief Economist

Marie Garcia
Staff Assistant

NATIONAL ECONOMY

By Tom Dunn

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National Economy

Inflation-adjusted gross domestic product (GDP) increased at a 3.1 percent annualized pace in the fourth quarter of 2004. Growth slowed from the third-quarter pace of 4.0 percent. Consumer spending increased at a 4.6 percent annualized pace during the quarter, while investment increased 6.7 percent. Government spending increased at a meager 0.9 percent rate. For all of 2004, GDP increased by 4.4 percent. Economic growth has not been this strong since 1999, when the economy also posted a 4.4 percent gain. The strong growth of 2004 will not be sustainable this year. Recent increases in interest rates by the Federal Reserve Board are likely to continue, thus dampening growth in 2005. Consumer debt is problematic and the housing boom will likely soften in 2005.

“Economic growth has not been this strong since 1999...”

While **employment** increased by 146,000 in January, the increase was below consensus expectations and continued a streak of sub-par gains. The manufacturing and construction sectors shed jobs during the month. The transportation and warehousing industry added 34,000 jobs, while the education and health sector added 35,000 workers. The **unemployment rate** dropped

from 5.4 percent in December to 5.2 percent in January. The drop was attributable to a decline in the labor force rather than an improvement in the number of unemployed workers. Nonfarm employment in January finally surpassed the pre-recession peak set in February 2001. While the nation's businesses are not hiring workers at a breakneck pace yet, the number of layoffs has abated. Initial claims for unemployment benefits are at the lowest level since mid-2000. This good news will set the stage for more vigorous hiring.

“Initial claims for unemployment benefits are at the lowest level since mid-2000.”

Personal income increased by 3.7 percent in December. However, the strong growth rate was distorted by a large dividend distribution by Microsoft. Excluding the dividend payment, personal income growth was still robust at 0.6 percent. **Consumer spending** increased 0.8 percent in December. The **saving rate** increased from 0.3 percent in November to 3.4 percent in December, influenced heavily by the Microsoft dividend payments.

New home sales set a record in 2004. Sales were nearly 1.2 million, an increase of 8.9 percent over 2000. The annualized level of new home sales

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moderated during the last half of 2004, leading to an anticipated further easing in 2005. Higher interest rates will affect the purchasing power of buyers. The high levels of sales over the past several years also indicate that many homeowners were pre-buying; thus, the strong growth is not sustainable. However, sales of new homes will not collapse. Meanwhile, **existing home sales** fell by 3.3 percent in December.

“New home sales set a record in 2004.”

The **manufacturing** sector is healthy. The *Institute for Supply Management's manufacturing index* indicated that the sector is still expanding, albeit at a slower rate. The decline in January's index was the fifth in the past six months. *Durable goods orders* increased 0.6 percent in December. They increased by 11.6 percent for the year. The *industrial production index* advanced 0.8 percent in December, winding up a strong year.

“Immediate inflation concerns were mixed.”

Immediate **inflation** concerns were mixed. The *consumer price index* fell 0.1 percent in December, thanks to a decline in energy prices. Consumer inflation averaged 2.7 percent in 2004. Meanwhile, *producer prices* for finished goods fell 0.7 percent in December. They increased 4.1 percent in 2004. Although prices for finished goods retreated in December, prices for goods at earlier stages of processing were still rising. A substantial increase in core products inflation in January bore this out. Prices for core finished goods and intermediate goods rose 0.8 percent last month. This will not bode well for inflation in upcoming months. The Federal Reserve Board increased the federal funds rate by 25 basis points, the sixth such increase since last June. The Fed believes that the risks on either side for sustainable growth and price stability are roughly equal. Thus, the Fed is likely to continue increasing the funds rate at similar small increments for the next few months, absent a sudden shock to the economy.

COLORADO ECONOMY

By Todd Herreid

Colorado Economy

Colorado's economy appears to be gaining momentum, with gains being registered in employment, personal income, construction activity, and consumer spending. In addition, diminishing productivity growth will likely lead to hiring increases in the future. A tightening labor market will also cause wages and salaries to increase. Both of these factors should fuel further gains in retail sales and nonresidential construction activity. However, the state's economy remains susceptible to several risks, including rising mortgage rates and shrinking business confidence. In particular, an unexpected run-up in interest rates could constrain consumer spending and new housing construction, and declining business confidence could weaken future hiring plans.

Table 1 presents historical data for Colorado's principal economic indicators and it provides the most recent forecast for those indicators.

Employment

According to data from the Colorado Department of Labor and Employment, employment has picked up significantly since February 2004, when employment bottomed-out in the state. Since that time, the state has added 57,400 jobs. Over two-thirds of the jobs created in the last nine months have occurred in the professional services, leisure services, and trade, transportation, and utilities sectors. Moreover, every sector, with the exception of the information services sector, showed at least moderate gains. In the last nine months, the construction sector has picked up dramatically, adding 9,600 jobs, a 6.7 percent increase. For all of 2004, employment is up 0.6 percent from 2003 levels. Despite the encouraging trend, employment still remains over 60,000 jobs below the peak level in December 2000.

Colorado is lagging slightly behind the national economy. However, encouraging trends in corporate profits and business confidence will lead to an improving Colorado job market in 2005 and 2006.

- *Nonfarm employment* is expected to increase 2.3 percent in 2005 and 2.1 percent in 2006. In 2005, almost 50,000 new jobs are anticipated statewide. Productivity gains have slowed, signaling that hiring will likely pick up if businesses want to produce more.
- The *unemployment rate* averaged 5.1 percent in 2004, and is expected to drop to 5.0 percent in 2005 and 4.7 percent in 2006. The improving job market will pull previously discouraged workers into the labor market, which will prevent the unemployment rate from falling further.

Personal Income and Wages

In 2003, personal income increased 2.2 percent, while wages and salaries increased by only 1.2 percent. In the first nine months of 2004, personal income increased 5.1 percent over the same period in 2003, while wages and salaries increased 3.9 percent. We estimate that personal income will continue to show healthy increases throughout the forecast period, though not at the robust rates seen during much of the 1990s.

- *Personal income and wages and salaries* will continue to rebound in 2004 and 2005. Pent-up wage pressure will accelerate as employment steadily increases. Consequently, personal income is estimated to increase 5.3 percent in 2004, 5.6 percent in 2005, and 5.7 percent in 2006. Wages and salaries are expected to increase 4.6 percent in 2004, 6.0 percent in 2005, and 6.4 percent in 2006.

Consumer Spending

Retail trade sales are coming in at a relatively healthy pace, as tourism remains solid and the national economy continues to expand. Through November 2004, retail trade sales are up 5.9 percent compared to the same period in 2003. Because interest rates remained low throughout the recession, pent-up demand for large purchases has been some

Table 1
Colorado Economic Indicators, Legislative Council Staff Forecast, December 2004
(calendar years)

	2002	2003	Forecast 2004	Forecast 2005	Forecast 2006	Forecast 2007	Forecast 2008	Forecast 2009
Population (thousands), July 1	4,498.1	4,547.6	4,601.4	4,665.8	4,735.8	4,816.3	4,903.0	4,996.2
percent change	1.7%	1.1%	1.2%	1.4%	1.5%	1.7%	1.8%	1.9%
Nonagricultural Employment (thousands)	2,182.5	2,150.4	2,164.2	2,214.0	2,260.5	2,310.2	2,363.3	2,413.0
percent change	-1.9%	-1.5%	0.6%	2.3%	2.1%	2.2%	2.3%	2.1%
Unemployment Rate	5.7%	6.1%	5.1%	5.0%	4.7%	4.5%	4.2%	4.0%
Personal Income (millions)	\$153,593	\$157,043	\$165,366	\$174,627	\$184,581	\$194,548	\$206,415	\$219,007
percent change	0.6%	2.2%	5.3%	5.6%	5.7%	5.4%	6.1%	6.1%
Wage and Salary Income (millions)	\$86,800	\$87,837	\$91,878	\$97,390	\$103,623	\$110,255	\$117,532	\$124,936
percent change	-1.7%	1.2%	4.6%	6.0%	6.4%	6.4%	6.6%	6.3%
Retail Trade Sales (millions)	\$58,864	\$58,662	\$61,302	\$64,857	\$68,878	\$73,080	\$77,684	\$82,423
percent change	-0.3%	-0.3%	4.5%	5.8%	6.2%	6.1%	6.3%	6.1%
Home Permits (thousands)	47.9	39.4	45.6	41.1	39.3	41.9	45.2	46.3
percent change	-12.1%	-17.7%	15.6%	-9.8%	-4.5%	6.6%	7.9%	2.5%
Nonresidential Building (millions)	\$2,660	\$2,429	\$3,073	\$3,297	\$3,475	\$3,688	\$3,861	\$4,011
percent change	-21.2%	-8.7%	26.5%	7.3%	5.4%	6.1%	4.7%	3.9%
Denver-Boulder Inflation Rate	1.9%	1.1%	0.1%	2.0%	2.5%	2.8%	2.9%	2.9%

Data Sources: U.S. Bureau of Labor Statistics, U.S. Bureau of Economic Analysis, U.S. Census Bureau, Colorado Department of Revenue, and F.W. Dodge, Inc.

what muted. In addition, many people are paying off larger debt burdens that were undertaken during the recession. In the future, growth in employment and wages will fuel consistent growth in consumer spending.

- *Consumer spending* is expected to increase in the 5.8 percent to 6.3 percent range throughout the forecast period, somewhat slower than the spending levels experienced during the pre-recessionary period.

Construction

The building sector is slowly rebounding from the economic slowdown that crippled much of the local market. Speculative over-building, especially in the metro-Denver office market, led to a correction that resulted in significant decreases in nonresidential construction the last two years — 22.5 percent in 2002 and 15.6 percent in 2003. Low mortgage rates helped buoy single-family home construction through the recession, though at the expense of the multi-family sector. Both the single-family and

multi-family sectors, however, have enjoyed a healthy year thus far in 2004, compliments of continued low mortgage rates and the burgeoning recovery. Residential construction, measured by the number of new building permits, increased 15.2 percent in 2004, with solid gains registered in both the single-family and multi-family markets. The value of non-residential construction increased 18.5 percent in 2004.

- The increase in residential construction is unsustainable given population growth and household formation in Colorado, particularly in the multi-family market. Eventual increases in mortgage rates will reign in the industry during the next few years. Residential construction is expected to decrease 9.8 percent next year and 4.5 percent in 2006.
- While the high vacancy rates in office buildings has abated slightly, this will continue to hinder nonresidential construction. However, demographic changes have created accelerating demand for health services, and the rebounding

economy will raise demand for goods and services. We estimate that *nonresidential construction* will increase 7.3 percent in 2005 and 5.4 percent in 2006.

Inflation

Inflation in the Denver-Boulder-Greeley area for 2004 was 0.1 percent, the lowest ever. While the overall consumer price index rose 0.9 percent in the second half of 2004 compared with the second half of 2003, the rise just offset a 0.7 percent decline for the first half comparison.

Housing constitutes the largest part of the index calculations. Housing costs declined 0.8 percent in 2004. Housing costs are primarily measured by rents received by landlords and the rental equivalent that homeowners would receive for renting their home. The decline in housing costs resulted from the weak rental market for apartments and does not reflect a decline in the prices that homeowners received from the sale of a home. Meanwhile, overall transportation costs fell 3.1 percent, despite an 18.0 percent increase for gasoline last year. The price index for all services dropped 1.2 percent.

Food and beverage prices rose 2.5 percent, while the index for medical costs rose 1.9 percent. Inflation is one component for determining TABOR limits for all governments in Colorado. Combined with the statewide population increase of 1.2 percent last year, state government's allowable TABOR spending will be 1.3 percent higher for FY 2005-06.

- The inflation rate will be higher during the forecast period as the state economy gains strength after the prolonged slump. The inflation rate is expected to be 2.0 percent in 2005 and 2.5 percent in 2006.

Population

A weak labor market helped lead to lower migration in 2004 than occurred during much of the last decade. Consequently, we have seen two years of relatively slow population growth: 1.1 percent in 2003 and 1.2 percent in 2004. These two years represented the slowest population growth since 1990. Though we expect population to increase at a greater pace throughout the forecast period, it will not reach levels seen in the late 1990s. As of July 1, 2004, the state's population was 4,601,403.

- Colorado's *population* will grow at more modest rates compared with average annual increases of 2.7 percent in the 1990s — increasing by 1.4 percent in 2005 and 1.5 percent in 2006.

In summary, economic conditions in Colorado appear to be improving, with gains being registered in employment, personal income, construction activity, and consumer spending. Employment is expected to pick up as productivity growth diminishes, and a tightening labor market should cause wages and salaries to increase. Both of these factors should boost retail sales and nonresidential construction activity. However, the state's economy remains susceptible to several risks, including rising mortgage rates and declining business confidence.

METRO DENVER

By Josh Harwood

Table 2
Metro-Denver Region Economic Indicators

Broomfield, Boulder, Denver, Adams, Arapahoe,
Douglas, and Jefferson Counties

	2002	2003	2004
Employment Growth /1	-2.9%	-2.2%	0.1%
Unemployment Rate	5.9%	6.3%	5.1%
Housing Permit Growth /2	-19.7%	-22.5%	19.9%
Growth in Value of Nonresidential Const. /3	-27.8%	-20.8%	12.9%
Retail Trade Sales Growth /4 YTD thru November 2004	-0.5%	1.4%	4.3%

1/ Colorado Department of Labor and Employment. Data represents nonfarm employment.
2/ U.S. Census Metropolitan Statistical Area Data
3/ F.W. Dodge
4/ Colorado Department of Revenue.

Metro Denver

The Metro-Denver region, comprised of Adams, Arapahoe, Boulder, Broomfield, Denver, Douglas, and Jefferson counties, serves as a regional economic and transportation hub for the rocky mountain region. It is home to the nation's sixth busiest airport and over half of the state's population. As such, the economic health of the state depends greatly on the area. The region is susceptible to national trends and saw similar modest economic growth in 2004.

Table 2 summarizes major economic indicators for the region. Following consecutive years of job losses, regional employment appears to have turned upward, with the region averaging roughly 3,000 new jobs each month from August through December 2004. Similarly, the unemployment rate has dropped from 6.3 percent in 2003 to 5.1 percent in 2004.

The construction industry enjoyed a robust 2004, with both residential and nonresidential construction

seeing significant increases over figures from 2003. Housing permits were up 19.9 percent in 2004, while nonresidential construction values increased 12.9 percent compared with a year earlier. Finally, the modestly improved economy yielded an increase in retail trade sales, which were up 3.7 percent through October.

Recent Economic News

- The office market remained stagnant through the fourth quarter of 2004. According to a CB Richard Ellis report, vacancy rates remained at historically high levels, though did decrease slightly compared with the fourth quarter of 2003 to 17.4 percent. Meanwhile lease rates remained essentially flat.
- The Apartment Association of Metro Denver reported that vacancy ticked upward to 10 percent in the fourth quarter of 2004, marking the first increase since the beginning of 2003. Despite the bleak vacancy picture, rental rates increased slightly.
- A 215-acre mixed-use development will break ground in Westminster this spring. The Orchard at Westminster will include office space, a large retail mall, and 500 homes. It is scheduled to open in the fall of 2006.
- Real estate professionals Re/Max International Inc. will move into a new 250,000-square-foot corporate headquarters building in the Denver Tech Center in late 2006. The 17-story structure will be the first new office building in the area since 1999.
- Plans were announced for a \$35 million Hilton Garden Inn to be built near the recently expanded Colorado Convention Center downtown. The 12-story, 220-room hotel is scheduled to open in late 2006 and include 4,000 square feet of meeting

space, a swimming pool, a large exercise room, and a 150-seat restaurant.

- Aerospace and defense industry leader Raytheon Co. has announced it will build a 150,000-square-foot office building at its Aurora campus to house up to 750 employees, including 150 new employees. The company hopes to complete the project by the end of 2005.
- Metro counties saw more than 12,100 homes in foreclosure in 2004, a 30 percent increase over 2003 figures and the largest figure since 1988. Despite this, home resales along the Front Range also reached record levels as 54,012 homes were sold, an 18 percent increase over 2003.
- Up to 600 employees at Level 3 Communications in Broomfield will be laid off in an effort to save over \$60 million annually. The move was made in effort to maintain a positive cash flow, while also reallocating some resources.
- IBM's Boulder operations landed a \$157 million technology outsourcing project from Fireman's Fund Insurance Co. The Boulder operations will handle billing, customer claims, and other information technology work for Fireman's Fund as part of a seven-year contract.
- In January, roughly 500 Denver-area PeopleSoft employees were laid off. The dismissals occurred as part of Oracle's takeover of PeopleSoft that will eventually result in the lay off of up to 5,000 employees worldwide.

COLORADO SPRINGS

By Tom Dunn

Table 3
Colorado Springs Economic Indicators
El Paso County

	2002	2003	2004
Employment Growth /1	-1.8%	-1.0%	0.7%
Unemployment Rate	6.6%	6.0%	5.4%
Housing Permit Growth /2	-4.1%	-23.2%	28.8%
Growth in Value of Nonresidential Const. /3	25.0%	19.3%	-4.0%
Retail Trade Sales Growth /4 YTD thru November 2004	1.6%	0.2%	10.2%

1/ U.S. Department of Labor, Bureau of Labor Statistics. Data represents nonfarm employment
2/ U.S. Census
3/ F.W. Dodge
4/ Colorado Department of Revenue.

El Paso County

Table 3 shows the economic indicators for the Colorado Springs region. The economy improved markedly in 2004. Employment in the Colorado Springs area increased 0.7 percent in 2004. Employment had decreased in the previous two years. Employment in the financial activities sector had the largest percentage increase (1.8 percent). Other sectors with similar increases included professional and business services (1.7 percent) and trade, transportation, and utilities, and government (1.6 percent each). The manufacturing sector continues to lag the overall economy, as it had a 1.3 percent decline. Employment in the information services sector declined by 6.3 percent. Meanwhile, the average unemployment rate in 2004 was 5.4 percent, compared with 6.0 percent in 2003.

The improving employment picture led to robust increases in retail trade sales. They increased 10.2 percent through November, compared with increases of only 0.2 percent in 2003 and 1.6 percent in 2002.

Recent Economic News

- The Air Force is planning to build 330 houses and apartments at Schriever Air Force Base near Colorado Springs. The base does not currently have onsite housing. Construction is scheduled to begin in 2007.
- According to the Pikes Peak Regional Building Department, home construction reached a record high in 2004. The department credited low mortgage rates, an improving local economy, and the return of soldiers from Iraq for the building boom. The previous record was established in 2001.
- A Wal-Mart supercenter will open in Monument early next year. The 206,000-square-foot store will be located in the Monument Marketplace, east of Interstate 25 and north of Baptist Road. The store is expected to employ 350 workers.
- Hotel occupancy in Colorado Springs fell to 59.3 percent in 2004 from 60.1 percent in 2003. The local occupancy rate has declined for seven consecutive years. The average room rate rose to increase from \$70.61 to \$73.04, a 3.4 percent increase.

PUEBLO — SOUTHERN MOUNTAINS

By Josh Harwood

Table 4
Pueblo Region Economic Indicators
Pueblo, Fremont, Custer, Huerfano,
and Las Animas Counties

	2002	2003	2004
Employment Growth /1	-0.9%	-0.9%	1.7%
Unemployment Rate	6.3%	6.3%	6.2%
Housing Permit Growth /2 Pueblo County Only	-6.3%	-1.6%	-4.8%
Growth in Value of Nonresidential Const. /3 Pueblo County Only	-26.7%	213.3%	-11.8%
Retail Trade Sales Growth /4 YTD thru November 2004	1.0%	0.8%	7.5%

1/ Colorado Department of Labor and Employment. 2002 and 2003 data are from the ES-202 program. 2004 data is from the Current Population (household) Survey.
2/ U.S. Census
3/ F.W. Dodge
4/ Colorado Department of Revenue.

creased 11.8 percent in 2004. Meanwhile, office and bank buildings experienced the greatest growth in 2004. Permits for residential construction decreased for the third straight year in 2004, declining 4.8 percent.

Recent Economic News:

- Pueblo's median home price increased roughly 7 percent in 2004 according to the Pueblo Association of Realtors. The median price remained relatively low for the region at \$116,000. Foreclosures were also up for the year to record levels, totaling 1,045, a 90 percent increase over 2003 figures.
- GEO Group Inc. announced plans to bring a new private prison to Pueblo's Airport Industrial Park by mid-2006. The \$16-million facility will house up to 1,000 prisoners and employ up to 160 workers.
- State regulators have approved the plan for a \$1.35 billion Xcel Energy coal-fired plant in Pueblo. The plant will be the first of its kind built in 20 years in Colorado and Xcel has agreed to invest nearly \$200 million on pollution control and energy-efficiency programs.

Pueblo — Southern Mountains

The economy in the five-county Pueblo region has shown healthy improvement in 2004. Table 4 shows annual economic indicators for the region since 2002. Retail trade sales comparisons are through November. Employment and retail trade expanded, while construction figures were slightly off 2003 figures.

Employment increased 1.7 percent in 2004 after decreasing for two years. The unemployment rate has edged down, but has not improved substantially because many people have entered or re-entered the labor force. Meanwhile, retail trade sales have increased robustly, up 7.5 percent through November 2004.

Based on data from F.W. Dodge, nonresidential construction activity in Pueblo County decreased slightly in 2004 after more than tripling in value in 2003. The value of nonresidential construction de-

SAN LUIS VALLEY

By Josh Harwood

Table 5
San Luis Region Economic Indicators
Saguache, Mineral, Rio Grande, Alamosa,
Conejos, and Costilla Counties

	2002	2003	2004
Employment Growth /1	0.5%	2.7%	7.0%
Unemployment Rate	7.4%	6.7%	6.2%
Crop Price Changes /2			
Barley	11.4%	0.3%	8.0%
Alfalfa Hay	12.9%	-21.1%	1.2%
Potatoes	-31.6%	-24.2%	2.1%
Fall Potato Production (Cwt)	30.6%	-15.2%	-2.0%
Housing Permit Growth /3			
Alamosa County Only	-6.6%	-5.3%	22.2%
Growth in Value of Nonresidential Const. /3			
Alamosa County Only	-38.6%	-59.4%	43.6%
Retail Trade Sales Growth /4			
YTD thru November 2004	-0.8%	1.2%	6.7%
1/ Colorado Department of Labor and Employment. 2002 and 2003 data are from the ES-202 program. 2004 data is from the Current Population (household) Survey. 2/ Colorado Agricultural Statistics Service. 3/ F.W. Dodge 4/ Colorado Department of Revenue.			

region's unemployment down to 6.2 percent for 2004, from an average of 6.7 percent in 2003. Unemployment in some areas of the region remains high, however; unemployment in Costilla County averaged 8.2 percent in 2004. The lowest unemployment rate in the region was in Mineral County, which had an unemployment rate of 2.9 percent.

Retail trade sales are showing strength with 6.7 percent growth through November, as strong employment growth has helped push retail trade sales higher. Costilla County saw the greatest percentage increase, up more than 17 percent. Every county in the region, except Mineral County, saw at least a 4 percent increase over 2003 figures.

Construction figures for the region turned positive after two straight years of declines. Based on data from F.W. Dodge, nonresidential construction activity in Alamosa County increased 43.6 percent in 2004 over 2003 figures. Meanwhile residential construction also expanded, with the number of home permits granted increasing from 52 in 2003 to 66 in 2004.

Recent Economic News:

- According to the Colorado Agricultural Statistics Service, the fall potato harvest in the San Luis Valley was down roughly 2 percent from 2003 figures. This was due largely to less acreage dedicated to the crop. Meanwhile, barley production was up nearly 2 percent statewide in 2004 to 9.1 million bushels.

San Luis Valley

The economy in the six-county San Luis Valley region showed widespread economic growth in 2004. Table 5 shows annual economic indicators for the region from 2002 through the end of 2004. Retail trade sales comparisons are through November. The region experienced growth in 2004 by nearly every economic measure available.

According to the Colorado Department of Labor and Employment, the number of jobs in the San Luis Valley region increased 7 percent in 2004. Rio Grande and Saguache counties contributed the most to the job increase, both adding 9 percent to their job base. Alamosa County, the region's most populous county, added nearly 500 jobs, representing a 5.3 percent increase. The job growth helped to push the

WESTERN REGION

By Todd Herreid

Table 6

Western Region Economic Indicators

Moffat, Rio Blanco, Garfield, Mesa, Delta, Montrose, San Miguel, Ouray, Hinsdale, Archuleta, La Plata, Dolores, San Juan, and Montezuma Counties

	2002	2003	2004
Employment Growth /1	1.0%	0.6%	3.3%
Unemployment Rate	4.9%	5.0%	4.5%
Housing Permit Growth			
Mesa County 2/	11.7%	13.4%	-5.1%
Montrose County 3/	-1.4%	23.0%	32.6%
La Plata County 3/	5.7%	27.6%	0.8%
Growth in Value of Nonresidential Const. /3			
Mesa County	-23.6%	-31.7%	-7.6%
Montrose County	201.4%	-16.7%	109.4%
La Plata County	582.5%	457.4%	-27.9%
Retail Trade Sales Growth /4			
YTD thru November 2004	0.7%	2.6%	8.3%

1/ Colorado Department of Labor and Employment. 2002 and 2003 data are from the ES-202 program. 2004 data is from the Current Population (household) Survey.

2/ U.S. Census

3/ F.W. Dodge

4/ Colorado Department of Revenue

nonresidential construction in Mesa County and LaPlata County decreased in 2004. Mesa County saw a reduction of 7.6 percent and LaPlata saw a decrease of 27.9 percent. Housing permit growth in LaPlata County was relatively unchanged in 2004, but Mesa County experienced a 5.1 percent decrease.

In the first eleven months of 2004, retail trade has improved in each county within the western region, except for San Juan and Rio Blanco counties. For the entire region, retail trade is up 8.3 percent, which is higher than the statewide growth rate of 5.9 percent. Double-digit increases were reported in most counties in the region, except for Mesa, Moffat, and Montezuma counties, which experienced growth rates of between 1.0 and 5.0 percent.

Recent Economic News:

- Peabody Energy Company announced plans to close the Seneca coal mine in northwestern Colorado by the end of the year. The mine currently employs about 100 people, some of whom may be retrained for reclamation work.
- Cotter Corporation, based in Lakewood, recently opened several uranium mines in the Naturita area in response to rising prices for uranium and vanadium. Uranium prices have jumped from \$7.50 per pound to \$21.00 in the past three years. Prices are expected to continue to increase and then level-off in the \$25 to \$35 range. The company currently employs 24 people in the area and plans to increase employment to around 60 by the end of 2005.
- Ametek Corporation announced that one of its manufacturing plants in Grand Junction will move to Reynosa, Mexico. The plant produces electronic instruments for heavy trucks and vehicles and currently employs about 200 people.
- Foreclosures in Mesa County reached the highest level since the late 1980s. According to the Mesa County Public Trustee's Office, 392 foreclosures were recorded in 2004. In 1988, the county recorded 438 foreclosures.

Western Region

The western region continues to outperform the state's economy in terms of employment and retail trade sales. Table 6 shows annual economic indicators for the region from 2002 to 2004, and year-to-date results through November 2004 for retail trade. The regional results for construction activity are mixed, as some areas experienced gains in residential and nonresidential construction, while others saw decreases.

Based on the household survey, employment increased 3.3 percent in 2004. This follows two years of relatively slow growth in 2002 and 2003. The overall increase in jobs caused the region's unemployment rate to fall from an average rate of 5.0 percent in 2003 to 4.5 percent in 2004.

Based on data from F.W. Dodge, residential and non-residential construction increased dramatically in Montrose County. For all of 2004, the value of nonresidential construction more than doubled in the county and housing permits increased 32.6 percent. However,

MOUNTAIN REGION

By Todd Herreid

Table 7

Mountain Region Economic Indicators

Routt, Jackson, Grand, Eagle, Summit, Pitkin,
Lake, Park, Teller, Clear Creek, Gilpin,
Chaffee, and Gunnison Counties

	2002	2003	2004
Employment Growth /1	-1.4%	-2.2%	0.7%
Unemployment Rate	4.5%	4.5%	4.2%
Housing Permit Growth			
Eagle, Pitkin, & Summit Counties/2	0.5%	25.8%	-3.1%
Routt County/3	-9.3%	58.7%	6.1%
Growth in Value of Nonresidential Const. /2			
Eagle, Pitkin, & Summit Counties	-9.0%	-54.6%	226.1%
Routt County	-64.8%	-16.8%	125.7%
Retail Trade Sales Growth /4			
YTD thru November 2004	-2.7%	0.2%	8.4%

1/ Colorado Department of Labor and Employment. 2002 and 2003 data are from the ES-202 program. 2004 data is from the Current Population (household) Survey.

2/ F.W. Dodge

3/ U.S. Census

4/ Colorado Department of Revenue

Based on data from F.W. Dodge, nonresidential construction activity in some counties in the region increased considerably. In 2004, the value of nonresidential construction rose more than three-fold in Eagle, Pitkin, and Summit counties. In Routt County, nonresidential construction more than doubled. In addition, while the number of housing permits dropped slightly in Eagle, Pitkin, and Summit counties in 2004, the value of those permits increased 12.2 percent. In Routt County, the number of housing permits increased 6.1 percent.

In the first eleven months of 2004, retail trade improved in each county within the mountain region. This follows a year in which there was almost no growth in the region and many counties experienced declines in retail trade. For the entire region, retail trade is up 8.4 percent through November, which is higher than the statewide growth rate of 5.9 percent. The counties with the fastest growth rates were Gunnison, Jackson, and Routt counties. The slowest growth rates were recorded in Teller and Summit counties.

Mountain Region

Economic conditions in the mountain region appear to be improving. Table 7 shows annual economic indicators for the region from 2002 to 2004, and year-to-date results through November 2004 for retail trade sales. The most recent data indicate that the region is experiencing positive growth in employment, the value of nonresidential construction, and retail trade.

On the jobs front, employment increased 0.7 percent in 2004, based on the household survey. This follows two years of decreasing employment in 2002 and 2003. The region's tourism-related jobs are beginning to respond to nationwide increases in spending, which have boosted visits to the area by both out-of-state and in-state tourists. The increase in employment caused the unemployment rate to drop from an average rate of 4.5 percent in 2003 to 4.2 percent in 2004.

Recent Economic News:

- The U.S. Forest Service recently approved the construction of the highest ski lift in the country at Breckenridge Ski Resort. The new lift will climb to 12,830 feet and cost approximately \$4 million to complete. The project is expected to be finished sometime this summer.
- The average sales price of housing in Pitkin County increased 26 percent in 2004, going from \$1,004,058 in 2003 to \$1,263,643 in 2004.

NORTHERN REGION

By Natalie Mullis

Table 8
Northern Region Economic Indicators
Weld and Larimer Counties

	2002	2003	2004
Employment Growth /1			
Larimer County	-0.4%	-1.1%	1.1%
Weld County	1.2%	0.3%	2.5%
Unemployment Rate (2004 rate is for Sept. only)			
Larimer County	5.2%	5.2%	4.9%
Weld County	6.0%	6.4%	6.1%
State Cattle and Calf Inventory Growth/2	-13.1%	-9.4%	4.2%
Housing Permit Growth /3			
Larimer County	-17.1%	-0.2%	7.1%
Weld County	2.6%	-9.3%	10.4%
Growth in Value of Nonresidential Const. /4			
Larimer County	8.0%	-35.8%	191.2%
Weld County	-33.8%	33.3%	24.0%
Retail Trade Sales Growth /5 (YTD thru November 2004)			
Larimer County	1.7%	0.2%	3.5%
Weld County	7.8%	5.1%	15.1%
1/ Colorado Department of Labor and Employment. 2002 and 2003 data are from the ES-202 program. 2004 data is from the Current Population (household Survey).			
2/ Colorado Agricultural Statistics Service. 2004 figure represents January 1, 2005 compared with January 1, 2004.			
3/U.S. Census			
4/ F.W. Dodge 2/ U.S. Census			
5/ Colorado Department of Revenue			

Northern Region

The economy in the northern region embarked on an expansionary path during 2004, with Weld County's economy showing stronger growth than Larimer County's economy. Employment, retail sales, building permits, and nonresidential construction improved over 2003 levels in both counties. In addition, ranchers are beginning to slowly recover from the drought. Table 8 shows the economic indicators for the region.

Employment increased 1.1 percent in Larimer County and 2.5 percent in Weld county during 2004,

after modest downturns in both counties relative to that experienced in other urban areas in the state. The unemployment rate edged down in both counties during 2004 as well. In Larimer County, the unemployment rate fell from 5.2 percent in 2003 to 4.9 percent in 2004. While the State Demographer's Office estimates that Larimer County's population increased by more than 2,300 people (or 0.9 percent) in 2005, the labor force barely budged, increasing by only 466 people. This would seem to indicate that some workers are discouraged enough to postpone looking for work until conditions improve. Indeed, although Larimer County added more than 1,600 jobs in 2004, there were substantial layoffs in some sectors, especially the advanced technology sector. Meanwhile, Weld County added almost 2,400 jobs in 2004 and increased its labor force by nearly 2,000 people. Weld County's unemployment decreased from 6.4 percent in 2003 to 6.1 percent in 2004. The State Demographer's Office estimates that Weld County's population increased 2.3 percent in 2004, or by over 4,900 people.

More jobs generally means higher demand for homes and retail goods, and retail sales and home building permits behaved accordingly. Retail sales increased 3.5 percent in Larimer County and 15.1 percent in Weld County through November, compared with the same time period in 2003. According to the U.S. Census Bureau, home building permits increased 7.1 percent in Larimer County and 10.4 percent in Weld County. All of the growth in Larimer County was for single-family permits, with multi-family home permits decreasing 27.5 percent. However, most of the growth in Weld County was for multi-family permits, with multi-family permits there increasing 61.3 percent.

Nonresidential construction also experienced strong growth in both counties during 2004. According to F.W. Dodge, the value of nonresidential construction in Weld County increased 24.0 percent in 2004. Meanwhile, the value nearly tripled over 2003 levels in Larimer County, with increases of more than 100

percent in the manufacturing, education and science, and hospital and health treatment sectors.

Ranchers are beginning to recover from the drought. Ranching is an important sector of Weld County's economy: more than 20 percent of the cattle and calf inventory in the state of Colorado is housed in Weld County. Larimer County housed about 1.6 percent of the state's inventory in 2003. During 2002, the drought devastated grazing land statewide, and ranchers were forced to sell off substantial portions of their cattle herds for the slaughter. The state's inventory of all cattle and calves fell from 3.05 million head on January 1, 2002 to 2.40 million head two years later, the lowest inventory since 1962. Inventories fell from 750,000 head to 520,000 head in Weld County and from 57,000 head to 42,000 head in Larimer County during the same time period. According to the Colorado Department of Agriculture, ranchers began slowly rebuilding cattle herds in 2004 as cattle prices and pasture and range conditions showed improvements. The inventory of all cattle and calves in the state was at 2.50 million head on January 1, 2005, up 100,000 head from a year before. The statewide calf crop was 740,000 in 2004, up 1 percent over the 2003 crop.

Recent Economic News

- Lock/line LLC announced plans to open a call center in Evans that will employ 500 people. The call center will open in March. Lock/line, which administers wireless telephone insurance claims, employs about 1,200 people worldwide.
- Advanced Energy Industries Inc. announced that it plans to layoff 480 people by June 30. It is unknown how many will be laid off in Fort Collins; the company indicated that the layoffs would include 120 people working in Fort Collins and Japan. This figure represents 280 more layoffs than the company had previously announced in late 2004. The company plans to relocate some of its manufacturing operations to China.

- Residential real estate sales in Larimer and Weld counties (excluding Estes Park) increased 6.3 percent in 2004 to 10,788 homes. The average price increased 5.1 percent to \$223,231, while the median price increased 4.0 percent to \$195,000.

EASTERN PLAINS

By Ron Kirk

Table 9

Eastern Region Economic Indicators

Logan, Sedgwick, Phillips, Morgan, Washington, Yuma, Elbert, Lincoln, Kit Carson, Cheyenne, Crowley, Kiowa, Otero, Bent, Prowers, and Baca Counties

	2002	2003	2004
Employment Growth /1	-0.1%	-0.5%	3.9%
Unemployment Rate	4.0%	4.1%	3.4%
Crop Price Changes /2			
Winter Wheat	33.5%	-7.7%	-9.2%
Corn for Grain	18.8%	0.8%	13.7%
Alfalfa Hay	12.9%	-21.1%	1.2%
Dry Beans	-25.0%	-1.1%	1.7%
Sunflowers	35.8%	-10.9%	NA
State Crop Production Growth /2			
Sorghum for grain production	-81.0%	140.0%	25.6%
Corn for Grain	-25.0%	7.0%	16.8%
Sugar beets	-3.6%	-12.6%	30.1%
State Cattle and Calf Inventory Growth /2	-13.1%	-9.4%	4.2%
Retail Trade Sales Growth /3			
YTD thru November 2004	-4.6%	-0.5%	5.2%

1/ Colorado Department of Labor and Employment. 2002 and 2003 data are from the ES-202 program. 2004 data is from the Current Population (household) Survey.

2/ Colorado Agricultural Statistics Service. 2004 figure represents January 1, 2005 compared with January 1, 2004.

3/ Colorado Department of Revenue.

Eastern Plains

The Eastern Plains employment situation has improved based on recent data from the Colorado Department of Labor and Employment household survey. The data indicated that employment grew by 3.9 percent at the close of 2004 over the previous year. Similarly, the unemployment rate dropped from 4.1 to 3.4 percent as there may be some business expansion on the eastern plains. Retail sales are also showing signs of a regional recovery. Through November 2004, retail trade grew by 5.2 percent over the first 11 months of 2003. Also, for 2004, state inventory of all cattle and calves is up 4.2 percent over the previous year as herds are growing in response to the end of a three-year drought period. Table 9 summarizes major economic indicators for the region.

Recent Economic News

- More than 30 countries have banned the import of U.S. beef since a December 2004 announcement was made about a slaughtered dairy cow in Washington State testing positive for mad cow disease. As a consequence of the ban, meatpacker Excel Corporation laid off 150 employees at its Fort Morgan processing plant. The layoffs are part of a 750 job reduction at five of its meatpacking plants throughout the country. Prior to the layoffs, the Fort Morgan plant employed 2,200 workers and is currently one of the largest employers in Colorado's northeastern counties.
- Another beef processor, Swift & Company in Greeley, has begun laying off 40 employees. These layoffs are in addition to 230 job cuts at five plants in other states.
- According to an agricultural economist at Colorado State University, alfalfa is Colorado's (and Weld County's) most valuable forage crop and contributes \$233 million in annual revenue for the state's farmers. Alfalfa is a major feed component for dairy cows, horses, and beef cattle. While alfalfa is more drought-resistant than other crops, it is also a crop that can contribute significantly to the cash flow of a farming operation. Alfalfa has steadily increased in value since 1995, hitting a high of \$114 a ton in 2002.
- After three years of drought, the 2004 growing season was cool with precipitation returning to more normal levels. Total wheat production was 46.9 million bushels, of which winter wheat production was estimated at 45.9 million bushels (98 percent of total production). Winter wheat acres seeded in the fall of 2004 for harvest in 2005 were estimated at 2.65 million acres, up 15 percent over the 2004 crop.
- Increases in cattle prices and improving range conditions prompted ranchers to rebuild cattle inventory that was reduced during the prior two years due to the drought. The January 1, 2005, cattle and calves inventory totaled 2.5 million head, up 4.2 percent from January 1, 2004. In contrast, U.S. cattle inventory increased from 94.9 million to 95.8 million, a 1 percent increase, during the same time period.