

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

Many of the recent national economic statistics reported in this edition of the *Colorado Economic Chronicle* have been distorted by hurricanes Katrina and Rita. These distortions are noted in the following paragraphs. While it may appear that the economy has weakened, it remains fundamentally strong. Inflation remains the largest concern. The gap between the published inflation rate and the core inflation rate remains persistently high (see chart on following page). Suppliers and retailers may not hold the line much longer in passing through higher energy costs in their core product prices. If this occurs, consumer confidence could weaken further.

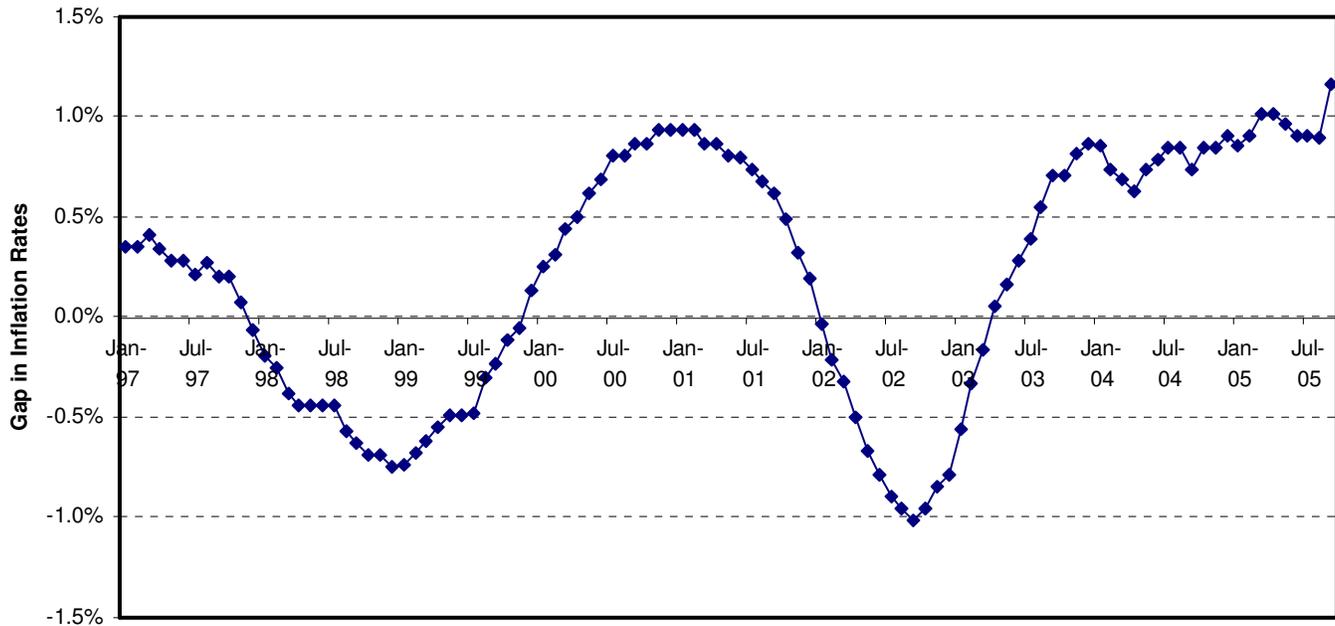
The nation's gross domestic product (GDP), adjusted for inflation, increased at a 3.8 percent annualized pace during the third quarter. For the first three quarters of 2005, economic growth increased 3.6 percent, slightly below the 4.2 percent growth rate for 2004. Hurricanes Katrina and Rita had only a limited impact on growth as they occurred during the last month of the quarter. The short-term impact of the hurricanes, including October's Hurricane Wilma, will be somewhat negative. However, as the Gulf Coast and Florida communities rebuild, economic growth will rebound, although it may be tempered by the extent high energy prices

affect consumer confidence and spending.

Consumer spending increased at a 3.9 percent pace during the quarter. Spending on durable goods was above 10 percent, attributable to auto dealer pricing at "employee discount" levels for all consumers. Both residential and non-residential investment continued to lead economic growth, although both slowed slightly from the second quarter. Fixed nonresidential investment increased 6.2 percent during the recent quarter, compared with an 8.8 percent gain in the second quarter. Investment in nonresidential structures declined, while business investment in equipment and software dropped just below the double-digit gains of most recent quarters.

Employment growth has slowed markedly in the past two months. The devastation in the Gulf Coast region from Hurricane Katrina is largely responsible for the recent weakness, although the nation's Labor Department's comments on October employment suggested that higher energy prices may be crimping businesses' hiring plans in other parts of the country. The nation's job machine cranked out an average of 196,000 new jobs during the first eight months of the year. However, 8,000 jobs were lost in September and only 56,000 jobs were added in October. A more accurate prognosis for future employment trends

Gap between Headline and Core Inflation Rates



will be revealed in upcoming months as hurricane recovery efforts ramp up and employers' reactions to energy prices become more clear. Meanwhile, the **unemployment rate** dipped from 5.1 percent in September to 5.0 percent in October. The decline was attributed to discouraged would-be workers leaving the labor force.

Personal income surged 1.7 percent in September. However, the seeming strength is distorted by the recent natural disasters. Income fell by 0.9 percent in August. Adjusting for the anomalies yields income gains of 0.5 percent in September and 0.3 percent in August. These data points are within the trend for the year. **Consumer spending** rose 0.5 percent in September, on par with growth trends for most of the year. The previous three months had been distorted by incentives offered by auto dealers. The varying personal income and consumer spending patterns from June through September led to a negative saving rate in these months. According to the Conference Board, **consumer confidence** dropped by two points in October, following the 17-point plunge in September. Energy prices remain the primary concern for consumers.

The **manufacturing sector** showed mixed results. While one index appears solid, it warns of future inflationary pressures. The second index appeared weak, but it is explained by temporary supply disruptions. The *Institute for Supply Management's Purchasing Managers Index* remained at a high level for the second consecutive month. The index in September and October was above 59, compared with the previous six-month average of 54. While the production and new order subcomponent indices had solid gains, the prices paid index shot through the proverbial roof. The index was 84 in October, compared with 48.5 only three months earlier. A future rise in the inflation rate may be imminent. The *industrial production index* declined by 1.3 percent in September. However, the decline was due to a 9.1 percent drop in mining output. This decline was due to the hurricane-caused disruption of oil and gas production in the Gulf region. The Texas coast is a hub for chemical production and Hurricane Rita caused similar disruptions in that industry.

The **housing market** statistics were also mixed. *Housing starts* increased 3.4 percent in September, following a small decline in the previous two months. Housing starts were at the high end of the

range for the year. However, *new home sales* show signs of softening. In August and September, they were approximately 100,000 units below the trend for much of the year. Declines were evident in the northeast and west regions of the country, heretofore hot markets. *Sales of existing homes* were flat in September, although they remain at a high level. The average sales price for existing homes fell for the second consecutive month. However, it should be noted that the price data is not seasonally adjusted. The *average mortgage rate* on a conventional 30-year loan has increased for nine consecutive weeks. The rate was 6.36 percent on November 10, a 65 basis point increase during the period. Given the Federal Reserve Board's continued tightening, future increases are likely and will weaken the housing market in upcoming months.

Consumer inflation surged 1.2 percent in September, due to the impact of a 12 percent rise in energy prices. On a 12-month annualized basis, inflation of 3.3 percent is at a four-year high. Comparing on a year-over-year basis, the inflation rate (4.7 percent) has not been this high since mid-1991. However, the core rate of inflation, which excludes the volatile food and energy sectors, was a more modest 2.1 percent over the past 12 months. The Social Security Administration announced that the cost-of-living adjustment (COLA) for its recipients will be 4.1 percent in 2006. This adjustment was 2.7 percent for 2005. The COLA in 2006 will be the largest since a 5.4 percent increase in 1991. The producer price index for finished goods rose 1.9 percent in September and was 6.7 percent higher than a year earlier.

COLORADO ECONOMY

By Josh Harwood

Colorado Economy

Despite the acceleration in gasoline and oil prices this summer, the state's economy has continued to expand, but the pace will slow somewhat. Although gasoline prices have come down, high natural gas prices will squeeze consumers and businesses this winter, tempering economic growth. Employment, retail sales, and personal income are all up in 2005. Employment through September increased 2.2 percent over the same period in 2004. Similarly, retail sales and personal income are up 6.2 percent and 6.9 percent, respectively, compared to the same periods in 2004.

Employment

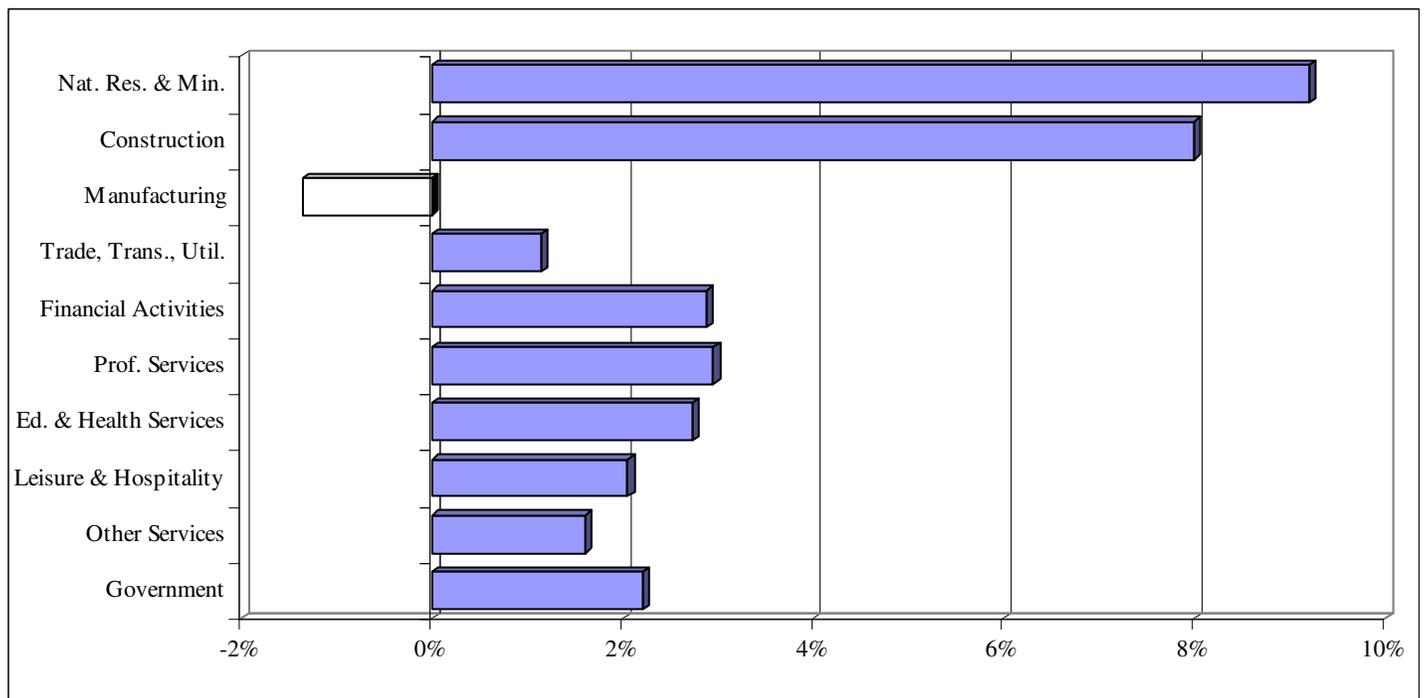
Job figures through September show that the state's economy continues to inch ahead. The sectors exhibiting the strongest growth in 2005 are natural re-

sources and mining, construction, and professional and technical services. Increases in oil and gas prices are fueling another production boom in Colorado, which accounts for the strong growth in natural resources and mining employment. Overall, an estimated 88,200 jobs have been added since employment reached a low in the state in June 2003. While the employment picture remains positive, the state's level of employment is still 15,700 below the peak amount recorded in December 2000. The manufacturing sector has extended its long decline, losing employment so far in 2005. Table 1 shows the growth in employment by sector over the past year.

The job situation in Colorado is projected to improve in the coming years. Specifically:

- Nonfarm employment is expected to increase 2.2 percent in 2005, 2.6 percent in 2006, and 2.5 percent in 2007.

Table 1
Employment Growth by Sector
(September 2004 - September 2005)



- As of September 2005, the unemployment rate was 5.1 percent. It is expected to hover near five percent through 2007.

Personal Income and Wages

Personal income growth in the first half of 2005 was 6.9 percent compared to the first half of 2004. Colorado's growth ranked 23rd highest among the states. Wages and salaries increased by a strong 7.5 percent in the first half of 2005, which is representative of the national trend toward increased wages and salaries. It is also indicative of more jobs being created in high wage industries, such as professional and technical services and mining.

Personal income is expected to show relatively strong growth throughout the forecast period. In particular:

- Personal income will increase 6.8 percent in 2005, 6.7 percent in 2006, and 6.3 percent in 2007. Gains in employment and wages and salaries are expected to push personal income higher. Wages and salaries are anticipated to increase 6.9 percent in 2005, 6.8 percent in 2006, and 6.5 percent in 2007.

Consumer Spending

Through August 2005, retail trade sales have grown 6.2 percent compared to the same period in 2004. Following a relatively slow start to the summer, the pace of spending picked up in July and August. High natural gas prices will limit growth in retail sales, as consumers' winter heating bills are expected to reach record highs. Consumer spending, as measured by retail trade sales, is expected to grow modestly in the next two years corresponding with the growth in personal income.

- Retail trade sales are projected to increase 6.2 percent in 2005, 6.0 percent in 2006, and 5.8 percent in 2007. Consumer confidence reached its lowest level in two years in October, as energy prices have increased economic uncertainty.

Construction

Construction employment is up in 2005, reflecting strong housing permit activity in 2004. However, the number of housing permits and the value of non-residential building activity are both down in 2005, though only slightly. Through the first nine months of this year, the value of nonresidential construction is off 3.5 percent, according to data from F.W. Dodge, Inc. However, when the decline in hospital construction is factored out, the value of all other nonresidential construction was up through September. Housing permits have shown mixed results thus far in 2005. Single-family permits are up 5.7 percent and multi-family permits are down 29.1 percent through September.

The short term outlook for construction activity is for additional weakness. In particular:

- Rising interest rates will push housing permits lower over the next couple of years, as they are expected to drop 8.4 percent in 2006, and 0.2 percent in 2007.
- The value of nonresidential construction is expected to fall 8.1 percent in 2005 and increase modestly thereafter. Growth in 2006 and 2007 is projected at 2.2 percent and 2.1 percent, respectively.

Inflation

Inflation in the Denver-Boulder-Greeley area for the first six months of 2005 was 1.4 percent compared to the same period in 2004. In 2004, the rate of inflation was 0.1 percent, the lowest rate ever recorded. While gasoline and oil prices pushed the inflation measure higher, on-going weakness in the rental housing market kept the inflation rate low. However, national inflation reached a four-year high in September and producer prices also jumped. If the trend continues, this could impact local inflation in the second half of 2005.

- The rate of inflation is forecast to be 2.1 percent in 2005, 2.5 percent in 2006, and 2.8 percent in 2007. Economic growth nationally and regionally will continue to push prices higher.

In conclusion, the state's economy is projected to grow throughout the forecast period, though not at the robust pace seen in the late 1990s. Jobs are expected to increase 2.2 to 2.9 percent annually, and personal income growth is expected to range from 6.3 to 6.8 percent each year. These factors will keep retail sales moving forward as well. In the short term, construction activity is expected to exhibit weakness. Home permits are projected to fall in the next two years as interest rates rise, and nonresidential building will grow modestly thereafter after a slight decrease in 2005.

METRO DENVER

By Todd Herreid

Table 2
Metro-Denver Region Economic Indicators

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

	2003	2004	Year to date through September 2005
Employment Growth /1	-1.4%	0.9%	2.0%
Unemployment Rate	6.2%	5.1%	5.2%
Housing Permit Growth /2	-22.5%	23.2%	-5.1%
Growth in Value of Nonresidential Const. /3	-20.8%	12.9%	13.3%
Retail Trade Sales Growth /4	0.5%	4.8%	5.0%

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; data through August 2005

Metro Denver

The Metro-Denver region serves as a barometer for state and regional economic trends. Table 2 summarizes major economic indicators for the region. Regional jobs increased 2.0 percent in the first nine months of 2005. This compares favorably with the 0.9 percent job growth experienced in all of 2004. The fastest growing sectors were natural resources and construction, professional and business services, and health and education services. The telecommunications industry continues to languish, with jobs declining almost 9 percent through September. The unemployment rate is up slightly from 5.1 percent in 2004 to 5.2 percent in September of 2005.

The regional construction industry is exhibiting mixed results to date. In the first nine months of 2005, the value of nonresidential construction is up 13.3 percent. The largest nonresidential gains were registered for schools and colleges, amusement-related facilities, and office and bank buildings.

Grocery stores and hospitals and health treatment facilities recorded losses in construction activity through September. On the residential side, housing permits are down 5.1 percent, but the value of those permits are up 5.8 percent.

Finally, retail trade sales, which increased 4.8 in 2004, are up 5.0 percent through September 2005. Adams, Broomfield, and Douglas counties recorded the fastest growth rates, at 10.1 percent, 9.3 percent, and 8.8 percent, respectively. Denver had the slowest growth at 2.9 percent.

Recent Economic News

- RealtiCorp, based in Greenville, SC, plans to build a \$2 billion mixed-use development on the southwest corner of Interstate 70 and the E-470 toll road. The project, called Horizon City Center, includes 2,800 residential units, 3 million square feet of commercial space and 2 million square feet of retail space. An estimated 26,000 people could work there by 2020.
- KB Home plans to build a \$100 million residential development in southeast Longmont, near the intersection of Highways 287 and 119. The project will include townhouses, single-family homes, and duplexes priced from \$100,000 to \$250,000. Ten percent of the project will be affordable housing.
- The Denver area apartment vacancy rate dropped to a four-year low of 7.7 percent in the third quarter of 2005. During the quarter, the market "absorbed," or rented, 1,178 more units than it vacated. It is estimated that 2,500 people displaced by Hurricane Katrina relocated to the Denver area and filled many of these rental units. About 40 to 50 percent of the people displaced by Hurricane Katrina are anticipated to remain in the area permanently.

- Denver's office market appears to be making positive gains in terms of absorption, vacancy rates, and leasing prices. The office vacancy rate dropped to 15.5 percent in the third quarter of this year, down from 16.1 percent in the second quarter and 16.3 percent in the first quarter. Net absorption in the Denver office market was over 1 million square feet during the July-September period, which was almost double the net absorption in the prior quarter. Reflecting the decrease in vacancy rates, quoted rental rates for available office space were \$17.10 per-square-foot at the end of the third quarter. This represents a 1.2 percent increase in rental rates from the prior quarter.
- The new Hyatt Regency Denver at the Colorado Convention Center is expected to hire 560 workers, with annual salaries ranging from \$20,000 to \$75,000. The hotel is scheduled to open in December.
- Corporate Express, Inc., an office-supply business located in Broomfield, is planning to construct a new customer service call center in Aurora. The facility is expected to employ 600 people, who will provide customer service for the company's 28 distribution centers located throughout the U.S.

COLORADO SPRINGS

By Natalie Mullis

Table 3
Colorado Springs Economic Indicators
El Paso County

	2003	2004	Year to date through September 2005
Employment Growth /1	-1.4%	1.4%	2.3%
Unemployment Rate	6.4%	5.4%	5.4%
Housing Permit Growth /2	-23.2%	28.8%	12.1%
Growth in Value of Nonresidential Const. /3	19.3%	-4.0%	9.4%
Retail Trade Sales Growth /4	0.2%	10.3%	7.0%

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; data through August 2005

while, the number of permits for residential construction increased 12.1 percent through September.

The nonresidential real estate market is also healthy. According to Turner Commercial Research, the vacancy rates for offices and industrial buildings, at 8.5 percent and 9.3 percent in the third quarter, respectively, were at their lowest levels in three to four years. The value of nonresidential construction increased 9.4 percent through September, compared with the first three quarters of 2004.

Recent Economic News:

- Hewlett-Packard laid off an unconfirmed number of people from a sales division and its call center in Colorado Springs in early November. The layoffs were part of a cost-cutting corporate reorganization announced in July.
- Intel. Corp. announced plans for a \$190 million expansion of its Colorado Springs computer chip manufacturing facility. The company, which currently employs about 900 people in Colorado Springs, is expected to add more than 100 positions by 2008 to staff the expansion.
- Colorado Springs-based Focus on the Family announced that it would eliminate or reassign 79 employees in October and leave 83 empty positions unfilled in an effort to trim its FY 2005-06 budget by \$9 million. Prior to the layoffs, Focus on the Family employed 1,342 full-time-equivalent staff positions.
- The London-based financial services firm Barclays PLC will open a call center for its credit card operations in Colorado Springs and hire 450 people by mid-2006. The jobs will pay an average annual salary of \$34,288.
- The Pikes Peak International Raceway in Fountain closed down in early November, eliminating 16 full-time jobs. Many other part-time jobs during the track's events were also eliminated.

Colorado Springs

The Colorado Springs economy is healthy, with strong real estate markets and steady gains in employment and retail trade. Table 3 shows annual economic indicators for the Colorado Springs region for 2003 and 2004, and year-to-date indicators through September 2005.

Employment in Colorado Springs increased 2.3 percent through September, compared with the same time period in 2004. The unemployment rate has remained steady at 5.4 percent through September. Retail trade sales remain healthy, with a 7.0 percent increase through September after a robust 10.3 percent increase in 2004.

Fueled by low mortgage rates and the arrival of troops at Fort Carson, the housing market in Colorado Springs is extremely healthy. According to the Pikes Peak Association of Realtors, home sales in El Paso County are up 12.6 percent through September, compared with the first three quarters of 2004. The median price for a home increased to \$208,425 in September, up 7.4 percent from a year prior. Mean-

PUEBLO — SOUTHERN MOUNTAINS

By Jason Schrock

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

	2003	2004	Year to date through September 2005
Employment Growth /1	-0.9%	0.2%	1.5%
Unemployment Rate	6.3%	6.2%	6.6%
Housing Permit Growth /2			
Pueblo County Only	-1.6%	-4.8%	-6.8%
Growth in Value of Nonresidential Const. /3			
Pueblo County Only	213.3%	3.3%	-47.7%
Retail Trade Sales Growth /4	0.7%	6.7%	5.7%

1/ Colorado Department of Labor and Employment. 2003 and 2004 data are from the QCEW (ES-202) program. 2005 data is from the Current Population (household) Survey.

2/ U.S. Census

3/ F.W. Dodge

4/ Colorado Department of Revenue; data through August 2005

Pueblo Region

The economy in the five-county Pueblo region continues to show mixed results. Table 4 shows annual economic indicators for the region since 2003. Employment growth and retail trade continue to be relatively positive, while construction figures show declines through the first three quarters of 2005.

Employment increased 1.5 percent through the first nine months of 2005, compared with the same time period in 2004. Most of the job growth occurred in Pueblo and Fremont counties, while Custer and Huerfano counties experienced job losses. In the Pueblo area, the loss of jobs due to the end of the Colorado State Fair was more than offset by the ongoing startup of two new call centers. However, the city's labor pool has been growing at a similar rate as employment growth, both from people moving into

the city and from Pueblo residents entering the work force, causing the city's unemployment rate to continue to hover around 6.5 to 7 percent.

Pueblo's employers do not expect to add many jobs in the final three months of the year, according to the latest Manpower Employment Outlook Survey. One in five companies anticipate adding jobs, while one in ten of the local companies reported that some layoffs were possible. Job prospects are best in the wholesale-retail trade, education, and services sectors. The entire region's unemployment rate – 6.6 percent – remained relatively high compared to the rest of the state.

Meanwhile, retail sales continue to show strong growth, especially in light of the increased gas prices that occurred over the summer months. Retail sales grew 5.7 percent through August, compared with the first half of 2004.

Weaker segments of Pueblo's economy continue to be the residential and nonresidential construction sectors. Permits for residential construction in Pueblo decreased for the third straight year in 2004, and fell further through September, decreasing 6.8 percent. The majority of the permits in 2005 have been for construction valued at between \$120,000 and \$150,000, according to the Pueblo building department. In addition, nonresidential construction is increasingly showing a declining trend in Pueblo after showing increases over the last few years and into the beginning of 2005. According to F.W. Dodge, the value of nonresidential construction decreased 47.7 percent through September, compared with the same period in 2004. The Pueblo construction industry plans to reduce workers during the last quarter of 2005 due to the condition of Pueblo's residential and nonresidential construction sectors, according to the Manpower Employment Outlook Survey.

Recent Economic News

- According to a survey conducted in the spring of 2005, the percentage of job vacancies for workers in Pueblo County with at least a bachelor's degree was 9 percent, down from 24 percent last year. About 14 percent of vacancies were available for community college graduates, mostly registered nurses and health-care technicians. The rest of the county's vacancies – about 77 percent – required a high school or vocational degree or less.
- The Cheyenne and Arapaho Native American Tribes have decided not to build a casino on the Riverwalk in Pueblo. According to the tribes, they decided against the project so that they could pursue other land and water claims throughout Colorado. A Pueblo developer has decided to host a contest seeking ideas from students for the future use of the site where the casino was proposed to be built.
- Cotter Corporation, a uranium milling company south of Cañon City, will temporarily lay off most of its work force – about 78 workers – while the company deals with supply and production problems as it tries to achieve full production. The company began a multimillion-dollar renovation of the mill last spring in order to meet growing world nuclear demand. The mill converts uranium ore into "yellowcake," which is used in the nuclear fuel cycle. Another product of the mill's uranium ore – vanadium – is used to strengthen steel.
- Eupec RMS, a Pueblo company that designs and produces devices for the remote monitoring of gas and oil pipelines, is expected to close by the end of the year, except for a three-person marketing team. The company had 21 employees working at its Pueblo facility last summer.
- A Home Depot and a Walgreen's recently opened in Cañon City. The Home Depot has hired more than 80 employees from the Cañon City area, adding to the more than 8,000 employed by the company in the state. Most of the Walgreen's staff of 17 were also hired locally.
- According to a Pueblo real estate association, 532 homes sold in Pueblo during the third quarter of 2005, with an average price of \$135,048.

SAN LUIS VALLEY AND SOUTHWEST REGION

By Tom Dunn

Table 5

San Luis Region Economic Indicators

Alamosa, Archuleta, Conejos, Costilla, Dolores, Hinsdale, La Plata, Mineral, Montezuma, Rio Grande, Saguache, and San Juan counties

	2003	2004	Year to date through September 2005
Employment Growth /1	2.7%	4.4%	1.1%
Unemployment Rate	5.7%	5.1%	5.3%
Housing Permit Growth /2			
Alamosa County	-5.3%	22.2%	68.4%
La Plata County	48.0%	-26.1%	11.1%
Growth in Value of Nonresidential Const. /2			
Alamosa County	-59.4%	43.6%	-26.0%
La Plata County	557.4%	-27.9%	-95.5%
Retail Trade Sales Growth /3	3.2%	9.4%	7.4%

1/ Colorado Department of Labor and Employment. 2003 and 2004 data are from the ES-202 program. 2005 data is from the Current Population (household) Survey

2/ F.W. Dodge

3/ Colorado Department of Revenue; data through August 2005

The number of housing permits increased 68.4 percent in Alamosa County, although the overall level of permits is low (32 in 2005 versus 19 in 2004). The number of permits increased 11.1 percent in La Plata County. The value of nonresidential construction dropped in both Alamosa County and La Plata County.

Recent Economic News

- A movie drive-in that closed a year ago in Durango will be the site of 170 townhomes. Most of the townhomes will be two-bedroom units and are expected to sell for \$300,000. The project may take up to five years to complete.
- Silverton Mountain will open for the first time for unguided skiing. The mountain has had guided skiing only for the past four years and is known for extreme skiing. Terrain on the mountain approaches 55 degrees of slope. The Bureau of Land Management permit allows up to 475 skiers per day.
- Conejos County opened a 67-bed jail recently. The previous jail in Antonito housed only seven inmates. The county had to ship its prisoners to other counties for housing. With the larger facility, Conejos County now expects to receive inmates from overloaded jail facilities in other counties.

San Luis Valley and Southwest Regions

Table 5 shows the economic indicators for the San Luis Valley and southwest regions. The combined economies for these regions showed mixed results through September. Employment growth is only one-half of the statewide average and the unemployment rate is slightly higher than it was in 2004. However, if the two regions are separated, a very different picture emerges. Employment declined in each of the six counties in the San Luis Valley. The aggregate decline was 4.0 percent. Meanwhile, employment declined in only three counties of the southwest region and growth in the remaining three was strong enough to offset the declines for an aggregate employment gain of 3.5 percent.

Consumer spending in the retail trade sector showed similar disparities in the two regions. Spending increased 4.6 percent in the San Luis Valley region, while it increased 8.4 percent in the southwest region.

WESTERN REGION

By Todd Herreid

Table 6
Western Region Economic Indicators
 Moffat, Rio Blanco, Garfield, Mesa, Delta, Montrose,
 San Miguel, Ouray, and Gunnison Counties

	2003	2004	Year-to date Thru September 2005
Employment Growth /1	0.6%	3.3%	2.4%
Unemployment Rate	5.3%	4.5%	4.6%
Housing Permit Growth			
Mesa County 2/	13.4%	9.1%	-17.3%
Montrose County 3/	23.0%	35.3%	13.5%
Growth in Value of Nonresidential Const. /3			
Mesa County	-31.7%	-7.6%	264.9%
Montrose County	-16.7%	109.4%	-58.3%
Retail Trade Sales Growth /4	2.0%	8.7%	9.5%

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; data through August 2005

Western Region

The western region continues to generate solid economic results measured by employment growth, retail sales, and certain types of construction activity. Table 6 shows economic indicators for the region in 2003 and 2004, and year-to-date results through September 2005. Retail trade is up considerably, employment growth is positive, and nonresidential construction activity in Mesa County is up significantly.

In the labor market, the unemployment rate in the western region rose slightly from an annual average of 4.5 percent in 2004, to 4.6 percent in September 2005. Overall, jobs in the region are up 2.4 percent. In Mesa County, employment is up 1.4 percent, based on the current employment survey. Within the region, job growth appears to be the strongest in Ouray, Garfield, Rio Blanco, and San Miguel counties.

Construction indicators are mixed for the region. Based on data from F.W. Dodge and the Census Bureau, the number of housing permits increased 13.5 percent in Montrose County, but dropped 17.3 percent in Mesa County during the first nine months of 2005. In addition, the value of nonresidential construction more than tripled in Mesa County through September 2005, but decreased almost 60 percent in Montrose County. The increase in the value of nonresidential construction in Mesa County was primarily for building related to schools and colleges. Nonresidential activity in Montrose County declined because of the prior completion of health care facilities.

Consumer spending in the region, as measured by retail trade sales, increased 9.5 percent in the first nine months of 2005. Double-digit growth was reported in Delta, Ouray, and San Miguel counties. All of the other counties in the region experienced positive sales growth, with the range of growth going from 2.7 percent to 9.7 percent in the remaining counties. For all of 2004, retail sales in the region grew 8.7 percent.

Recent Economic News

- Glenwood Meadows, a new shopping center in Glenwood Springs, is expected to open soon and employ about 500 people. The development includes such stores as Target, Lowe's, Pier 1 Imports, Petco, Bed Bath and Beyond, and Chili's. Wages are expected to begin at \$10 per hour, with supervisors earning around \$12-\$16 per hour. Because of the competitive labor market in the area, part-time workers are expected to receive benefits, including a 401(k) plan.
- Construction of two new oil and gas pipelines in northwestern Colorado is expected to begin in October. Wyoming Interstate is building a 24-inch diameter pipeline from Rio Blanco County to Sweetwater County, Wyoming. About 280 temporary workers will be employed by Wyoming Interstate. Entrega, an affiliate of Encana

Oil and Gas, will employ about 800 workers to construct a 36-inch diameter pipeline along the same route.

- A new Wal-Mart Supercenter is expected to open in Craig in early 2007. Construction in the new store will start in the spring. The 100,000-square-foot store will employ about 100 workers.
- In Grand Junction, 3D Systems Corporation announced that it would close its facility, which employs about 95 people. The company is consolidating operations at its corporate headquarters near Charlotte, North Carolina. The company makes and services equipment to build three-dimensional models of computer-designed prototypes.

MOUNTAIN REGION

By Natalie Mullis

Table 7
Mountain Region Economic Indicators

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

	2003	2004	Year to date through September 2005
Employment Growth /1	-2.2%	0.7%	1.6%
Unemployment Rate	4.7%	4.1%	4.3%
Housing Permit Growth /2			
Eagle, Pitkin, & Summit counties /2	25.8%	-30.6%	40.5%
Routt County /2	58.7%	21.5%	35.7%
Growth in Value of Nonresidential Const. /2			
Eagle, Pitkin, & Summit counties	54.6%	226.1%	6.9%
Routt County	-16.8%	125.7%	-8.6%
Retail Trade Sales Growth /4	0.4%	8.7%	9.9%

1/ Colorado Department of Labor and Employment. 2003 and 2004 data are from the ES-202 program. 2005 data is from the Current Population (household) Survey.

2/ F.W. Dodge

3/ U.S. Census

4/ Colorado Department of Revenue; data through August 2005

Mountain Region

The mountain region's emphasis on tourism is paying off this year. Most counties in the region are enjoying healthy economic growth, with robust increases in employment and retail trade. Those counties along the Interstate-70 corridor are experiencing the most economic growth, while the economy in the northern mountains appears less rosy. Meanwhile, the region is continuing to experience a healthy dose of residential and nonresidential construction activity. Table 7 shows annual economic indicators for the region for 2003 and 2004, and year-to-date results through September 2005.

Employment in the region increased 1.6 percent through September, compared with the same period last year. The region's tourism-related jobs appear to be continuing to respond to nationwide increases in traveling and spending, with employment increases above 3 percent in Eagle, Pitkin, and Lake counties. Employment *decreased* by more than 3 percent in the northern

mountain counties of Grand and Jackson, however. The northern mountain county of Routt fared better, with a 0.9 percent increase in employment through September. The region's unemployment rate was 4.2 percent in September, down from 4.4 percent in September 2004.

A magnet for second-homeowners and retirees from around the globe, Colorado's mountain region is expected to experience high levels of construction activity for many years. The improving national economy has resulted in a substantial increase in the construction of homes this year. Through September, permits for residential construction increased 40.5 percent in the ski counties of Eagle, Pitkin, and Summit and 35.7 percent in Routt County. Meanwhile, the value of nonresidential construction increased 6.9 percent in the ski counties, but decreased 8.6 percent in Routt County.

With the exception of two counties, Gilpin and Jackson, which represent less than 1 percent of the region's total retail trade activity, retail trade sales are exhibiting robust growth through August. The region experienced an increase of 9.5 percent through August compared to the same time period last year. This is another indicator of a healthy tourism season and an improving national economy. The City of Aspen reported that sales were up 10.5 percent through September over the same time period last year. Meanwhile, lodging tax collections, the single largest sector of the resort's retail economy, were tracking 11.7 percent ahead of last year's totals.

Recent Economic News:

- Plans were announced to build 17 luxury townhomes near the base of the Steamboat Ski Area in Steamboat Springs. Construction is expected to begin on the first of seven three-story duplexes and a triplex this spring.
- Construction is expected to begin in early 2007 on a 1,700 single-family-home development in Minturn. The development will include a golf course and ski club.

NORTHERN REGION

By Tom Dunn

Table 8
Northern Region Economic Indicators
Weld and Larimer Counties

	2003	2004	Year-to date Thru September 2005
Employment Growth /1			
Larimer County	-0.2%	2.1%	1.9%
Weld County	1.4%	3.2%	4.3%
Unemployment Rate			
Larimer County	5.2%	4.9%	4.4%
Weld County	6.4%	6.1%	5.1%
State Cattle and Calf Inventory Growth /2	-9.4%	4.2%	-12.0%
Housing Permit Growth /3			
Larimer County	-0.2%	7.1%	-9.1%
Weld County	-9.3%	10.4%	-6.4%
Growth in Value of Nonresidential Const. /4			
Larimer County	-35.8%	191.2%	-55.0%
Weld County	33.3%	24.0%	-68.5%
Retail Trade Sales Growth /5			
Larimer County	0.2%	3.5%	6.6%
Weld County	5.1%	14.6%	11.2%
1/ Colorado Department of Labor Statistics. Data represents non-farm employment			
2/ Colorado Agricultural Statistics Service report for October 1. Change is from previous year.			
3/ U.S. Census			
4/ F.W. Dodge			
5/ Colorado Department of Revenue; data through August 2005			

Northern Region

Table 8 shows the economic indicators for the northern region. This region consists of Larimer and Weld counties. Economic indicators are mixed for the northern region. Employment growth is strong, particularly in Weld County. The unemployment rate of 4.4 percent in Larimer County is well below the statewide average of 5.1 percent through September, while Weld County's rate matches the statewide average. Spending patterns are up significantly as well in both Weld and Larimer counties and exceed the statewide increase. Construction indicators are down, however, but they follow periods of substan-

tial growth. Thus, the construction declines could be viewed as a retreat to a more normal period.

While the region still suffers from high-tech layoffs, primary employers are optimistic about the future. A survey by the Northern Colorado Economic Development Corp. indicated that 72 percent of the 40 primary companies in the survey planned to expand during the next three years. These businesses could invest \$419 million, add nearly 2,000 new jobs, and add 1.1 million square feet in office and commercial space. These plans would continue the general economic vibrancy of the region over the past 10 years.

The survey results seem to be confirmed by another survey conducted by the Colorado Department of Labor. Their job vacancy survey indicated that 4,700 jobs are available in the region, an increase of 3,000 from the previous year. The increase indicates that the region's economy is expanding. Most of the jobs are in the leisure and hospitality, trade, transportation, utilities, and health care sectors.

Recent Economic News

- The unincorporated area of LaPorte in Larimer County could see a significant increase in its population. The Grove would add 263 homes and about 10 acres of commercial space to the area. The first phase of development would contain 100 townhomes, while the second phase would add 163 single-family residences. The area around LaPorte currently has about 3,300 residents.
- Another round of layoffs at Agilent Technologies could be coming within the next 18 months. Up to 100 workers could be laid off or asked to move to another facility as the result of a spinoff of the semiconductor test solutions business within Agilent.

- The Promenade Shops at Centerra had its grand opening in Loveland on October 28. The 700,000-square-foot mall at U.S. Highway 34 and Interstate-25 will eventually house 55 shops. It is expected to employ between 2,000 and 3,000 full-time and part-time workers when the mall is fully operational in late 2006. Five anchor stores were open in late October and another 30 shops will open from November through January.
- American Furniture Warehouse will open a store in Firestone in 2006. The store will contain more than a half-million square feet of space and be the second largest store in its system. Located at Interstate-25 and Firestone Boulevard, the store will employ nearly 300 workers. Additional shops will likely be built at the site.

EASTERN PLAINS

By Todd Herreid

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

	2003	2004	Year to date through September 2005
Employment Growth /1	-0.5%	3.9%	-3.3%
Unemployment Rate	4.2%	3.5%	4.8%
State Cattle and Calf Inventory Growth /2	-9.4%	4.2%	-12.0%
Retail Trade Sales Growth /3	-0.2%	5.5%	5.8%

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 report for October 1. Change is from previous year.

3/ Colorado Department of Revenue; data through August 2005

ble-digit retail sales growth, including Sedgwick, Cheyenne, Elbert, Lincoln, Baca, and Bent counties. However, Crowley, Yuma, and Phillips counties experienced declines in retail sales in 2005. For all of 2004, retail sales in the region grew 5.5 percent.

National agriculture and livestock prices in October were generally lower compared with last year. Wheat prices were up 1.8 percent, while corn prices were down 18.7 percent. Similarly, prices for beef cattle were up 5.0% while hogs were down 6.5%. Crop prices increased for potatoes, hay, and onions.

Also, the state inventory of all cattle and calves in Colorado feedlots on October 1 with a capacity of 1,000 head or larger was down 12.0 percent from the previous year. Steers and steer calves are down 3 percent and heifers and heifer calves are down 24 percent. The number of cows and bulls was unchanged.

Eastern Plains

The eastern region continues to lag other areas of the state in terms of job growth and retail sales. Employment is down 3.3 percent through the first nine months of this year. Retail sales are up 5.8 percent in the region, although this lags the statewide average of 6.2 percent growth. Table 9 shows economic indicators for the region in 2003 and 2004, and year-to-date results through September 2005.

In the labor market, the unemployment rate in the eastern region rose from an annual average of 3.5 percent in 2004, to 4.8 percent in September 2005. Jobs in the region are down 3.3 percent through September. Within the region, jobs declined in every county, with the exception of Elbert County, which experienced job growth of 1.7 percent. Jobs decreased by the greatest percentage in Baca, Kiowa, and Phillips counties.

Consumer spending in the region, as measured by retail trade sales, increased 5.8 percent in the first nine months of 2005. Several counties reported dou-

Recent Economic News

- Sun Energy is reopening a corn-based ethanol plant near Walsh. The plant is expected to begin operations in October at the site of the former Colorado Gasohol Inc. The plant will produce about 3 million gallons of ethanol per year and employ 13 workers.
- Colorado Mills, a sunflower-based vegetable oil and seed plant in Lamar, is considering the production of bio-diesel. The plant currently produces 7,000 to 8,000 gallons of vegetable oil each day from growers located within a 200-mile radius of the plant. The plant could produce "B-100" bio-diesel, which would then be shipped to blending facilities.
- Global Harvest Foods, based in Seattle, Washington, is breaking ground on a \$3.1 million plant to produce birdseed in Flagler. The plant is expected to employ 30 people. The expansion is attractive because of its close proximity of farm-

ers who grow the three main ingredients in birdseed: millet, milo, and sunflowers. Flagler also has close access to Interstate 70 and a nearby rail line.

- Safe Auto Insurance, a Columbus-based consumer-direct insurance firm, selected the City of Sterling for a new call center. The call center will eventually employ about 250 workers, at an average salary of \$35,000 per year. Hiring is underway for an expected opening in January 2006. The peak work force will take three to four years to attain given the low level of unemployment in the area.