



Colorado Economic Chronicle

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NATIONAL ECONOMY

By Todd Herreid

As most analysts expected, the national economy rebounded strongly in the first quarter of 2006. The nation's gross domestic product (GDP), adjusted for inflation, increased at a 4.8 percent annualized rate in the first quarter of 2006.

This followed a relatively poor showing in the last quarter of 2005, when the economy expanded at a 1.7 percent rate. The acceleration in growth was expected because the areas impacted by the hurricanes last year have begun rebuilding and energy prices have moderated following the price spikes last fall and winter.

The faster pace of economic growth was due to a variety of factors. Consumption spending increased at a 5.5 percent rate in the first quarter, compared with 0.9 percent growth in the previous quarter. Consumer spending on durable goods increased at an even faster pace of 20.9 percent, in contrast to a reduction of 16.6 percent in the prior quarter. Business investment spending also increased, growing 14.3 percent, which was considerably stronger than the 4.5 percent growth in the fourth quarter. Finally, exports of goods and services contributed to the pick-up in economic growth, increasing 12.1 percent in the first quarter, compared with 5.1 percent growth in the fourth quarter.

Employment continued to exhibit steady growth. The most recent data for April showed gains of 138,000 jobs. This followed job increases of 211,000 in March and 225,000 in February. For all of 2005, the nation added 179,000 jobs per month, on average. The largest job gains in April were recorded in the service sector, with increases in professional and business services, leisure and hospitality, financial activities, and education and health care. In the goods-producing sectors, construction, mining and manufacturing employment increased in April. However, over the past twelve months, manufacturing is down slightly. Meanwhile, the **unemployment rate** remained unchanged at 4.7 percent in April, its lowest level since mid-2001.

Personal income increased moderately for the sixth straight month, rising 0.8 percent in March. Wages increased by a more modest 0.4 percent. The low unemployment rate is expected to put greater upward pressure on wages in 2006. Meanwhile, **consumer confidence** reached its highest level in March since May 2002, as the relatively tight labor market improved consumer attitudes. However, the mood of consumers could deteriorate in the future because of rising gasoline prices.

The **manufacturing sector** remains a relatively weak spot in the economy. Competitive conditions globally have limited growth over the past several years and high energy prices have squeezed profit margins. Manufacturers have been able to pass through some cost increases, but competition domestically and internationally has limited the extent to which companies can raise prices. The *Institute for Supply Management's Purchasing Managers Index* declined in March, although it remained above 50, the delineation line between an expanding and contracting manufacturing sector. The decline was mixed throughout the sub-components of the index: new orders, employment, and inventories were down; but prices, order backlog, and exports were up in March.

The **housing market** continues to show mixed results. While housing starts have declined 15.0 percent through March 2006, they are up 6.9 percent on a year-over-year basis. Similarly, building permits for new housing units have declined 7.1 percent year-to-date, but are up 1.9 percent since March 2005. In contrast, new home sales increased 13.8 percent in March, but are down 7.2 percent on a year-over-year basis. Continuing increases in mortgage rates may cause the housing market to weaken further over the next two years.

Consumer inflation increased for the third consecutive month in March. On a 12-month annualized basis, inflation was 3.4 percent. However, the core rate of inflation, which excludes the volatile food and energy sectors, was still a modest 2.1 percent over the past 12 months. While gasoline prices are once again spiking, there is little evidence that this is affecting the core inflation rate. According to the new Federal Reserve Chairman, Ben Bernanke, competitive pressures and productivity growth are keeping a lid on core inflation. This is expected to continue over the next couple of years.

COLORADO ECONOMY

By Natalie Mullis

Colorado's economy has matured into a full expansion. Employment, consumer spending, and personal income experienced healthy increases in 2005 and have continued to show strong increases thus far in 2006. Meanwhile, after holding its ground in 2005 despite slight concerns of overbuilding, residential construction should undergo a small correction over the next two years. The correction in nonresidential construction is nearing its end, but should experience a decrease in 2006 after spiking in 2005 because of a single large permit.

After increasing 2.1 percent during 2005, **nonfarm employment** increased 2.2 percent year-to-date through March in Colorado. Colorado's **unemployment** rate has been decreasing steadily since last summer, and landed at 4.3 percent in February and March, after averaging 5.0 percent in 2005. Table 1 shows nonfarm employment growth in Colorado since 1991 and the state's national ranking in terms of job growth and jobs added. During most of the 1990s, the growth rate in Colorado's employment ranked among the six fastest states each year from 1992 through 2000. Colorado lost 103,600 jobs during the recession. Through March, the State has regained all of those plus an additional 14,300. Colorado's employment growth is again surpassing that of the nation as a whole, with employment growth ranking 15th year-to-date through March, up from 46th two years earlier.

Colorado's economy has benefited from the oil and gas boom, the innovations of its advanced technology sector, and federal defense spending. These things, combined with the state's natural amenities and highly-educated workforce, should continue to fuel healthy job growth during the next few years.

- After increasing 2.1 percent in 2005, nonfarm employment will increase 2.5 percent in 2006 and 2.7 percent in 2007.
- Colorado's unemployment rate will average 4.7 percent in 2006 and 4.6 percent in 2007.

Table 1
Colorado Nonfarm Employment Growth and National Rank
Seasonally Adjusted

	Growth Rate	Rank	Jobs Added/(Lost)	Rank
1991	1.6%	10	24,100	3
1992	3.4%	4	51,900	6
1993	4.6%	4	73,700	8
1994	5.1%	6	85,400	12
1995	4.5%	4	78,800	10
1996	3.6%	6	66,200	11
1997	4.2%	4	79,200	15
1998	3.9%	3	77,400	13
1999	3.6%	3	75,000	12
2000	3.8%	3	81,100	12
2001	0.6%	18	13,200	8
2002	-1.9%	49	(42,700)	40
2003	-1.4%	46	(31,300)	42
2004	1.2%	26	26,800	18
2005	2.1%	18	45,600	15
2006 YTD Thru March	2.2%	15	49,500	13

Source: Bureau of Labor Statistics

Personal income in Colorado increased 6.5 percent in 2005, while per-capita personal income increased 5.1 percent from \$36,113 in 2004 to \$37,946 in 2005. As shown in Table 2, Colorado, which helped lead the nation's economic growth during the 1990s, is beginning to take the lead again. After ranking 47th in 2002, 39th in 2003, and 29th in 2004, Colorado's growth in personal income ranked 12th highest in 2005. Colorado's ranking for per capita personal income climbed steadily throughout the 1990s as the state emerged as a leading contributor of the innovation and technology that fueled the economic boom. As shown in Table 2, Colorado continued to maintain a relatively high level compared with other states nationwide in per capita personal income throughout the recession. This occurred despite the fact that growth in Colorado's per capita personal income lagged every other state in the nation during

2002 and that the recession was deeper in Colorado relative to much of the rest of the nation.

The growth in personal income in 2005 was driven primarily by an increase in wages and other labor income, which includes employer contributions for pensions and health insurance. Wages and salaries increased 7.0 percent and other labor income increased 10.3 percent in 2005. Industries that experienced the largest growth in wages and salaries include mining, where wages and salaries increased 20.9 percent, forestry, fishing & related activities, where wages and salaries increased 17.2 percent, and professional services, where wages increased 13.2 percent. Meanwhile, personal income from dividends, interest, and rent increased only 2.1 percent in 2005.

Table 2
Personal Income and National Rank

	Personal Income		Per Capita Personal Income			
	Growth Rate	Rank	Dollars	Rank	Growth Rate	Rank
1991	5.5%	11	\$20,160	17	3.0%	20
1992	8.1%	8	\$21,109	17	4.7%	32
1993	8.0%	2	\$22,054	15	4.5%	4
1994	7.5%	10	\$23,004	14	4.3%	25
1995	8.2%	3	\$24,226	12	5.3%	2
1996	8.1%	9	\$25,570	12	5.5%	11
1997	7.6%	5	\$26,846	10	5.0%	17
1998	9.8%	3	\$28,784	9	7.2%	4
1999	8.7%	1	\$30,492	6	5.9%	2
2000	12.1%	1	\$33,371	7	9.4%	3
2001	5.8%	11	\$34,493	6	3.4%	23
2002	0.2%	47	\$34,027	7	-1.4%	50
2003	2.6%	39	\$34,528	6	1.5%	41
2004	5.8%	29	\$36,113	9	4.6%	40
2005	6.5%	12	\$37,946	8	5.1%	22

Source: Bureau of Economic Analysis

Personal income and wages are expected to continue to show relatively strong growth through the forecast period.

- Personal income will increase 5.7 percent in 2006 and 6.4 percent in 2007. Gains in employment and wages and salaries are expected to continue to buoy personal income. Wages and salaries are expected to increase 5.8 percent in 2006 and 6.5 percent in 2007.

Consumer spending in Colorado is measured by spending at the state's retail stores and restaurants. Through February, **retail trade sales** increased 7.8 percent compared with the first two months of 2006, after increasing 4.9 percent in 2005. Sales have been bolstered because they include spending on gasoline. Despite high energy prices and steadily rising interest rates, consumer spending should be buoyed throughout the summer by strong employment growth and will grow at rates reflecting moderate income gains over the next two years.

- Consumer spending will increase 4.6 percent in 2006 and 5.2 percent in 2007.

Inflation in the Denver-Boulder-Greeley area was 2.1 percent in 2005, following a 0.1 percent rate in 2004. Inflation rebounded from its historic low in 2004 because of high energy prices. The core index for inflation, which excludes food and energy costs, increased only 0.6 percent in 2005. While we expect energy costs to remain high, other items will drive inflation in 2006 and 2007. Wage pressures are beginning to mount somewhat, and we expect housing to begin to show price increases in 2006.

- Inflation will increase to 2.7 percent in 2006, and remain around 3 percent thereafter.

The number of **housing permits** increased 1.7 percent year-to-date through March, with permits for single-family homes down 7.9 percent. Permits for multi-family homes are up 69.9 percent year-to-date through March, but this may be due to an uneven pattern of filings. The growth in multi-family

permits will smooth out over the remainder of the year. Vacancy rates are still somewhat high and the supply of existing homes for sale is climbing. The recent single-family home construction may have caused a small amount of overbuilding. We expect the housing market to undergo a small correction over the next two years before recovering in 2008.

- The number of home permits filed for residential construction will decrease 7.5 percent in 2006 and 4.4 percent in 2007. Home permits will increase 2.8 percent in 2008.

The value of **nonresidential construction** activity increased 18.4 percent through March, compared with the first three months of 2005. Nonresidential construction increased 11.7 percent in 2005, entirely as a result of a single large permit taken out for a manufacturing facility in El Paso County. This permit accounted for 15.3 percent of the nonresidential construction activity in 2005; without it nonresidential construction would have *decreased* 5.4 percent. Nonresidential construction in Colorado has been recovering from overbuilt conditions for several years now. While the correction appears to be coming to an end and activity has been strong thus far in 2005, we expect it to decrease in 2006, primarily because we do not expect another large permit like that filed last year.

- The value of nonresidential construction activity will decrease 9.7 percent in 2007 and increase 7.3 percent in 2008.

In conclusion, the state's economy has emerged from recession and is expanding at a healthy rate. The consumer and housing sectors, which supported the economy through the recession, will no longer drive growth; consumers will spend at moderate rates while the housing sector should experience a correction. We expect moderate economic growth over the next few years, fueled by business investment and innovation and supported by a strong national economy.

METRO DENVER

By Jason Schrock

Table 3
Metro-Denver Region Economic Indicators
Broomfield, Boulder, Denver, Adams, Arapahoe,
Douglas, and Jefferson counties

	2004	2005	Year- to date Thru March 2006
Employment Growth /1	0.8%	2.1%	1.9%
Unemployment Rate	5.7%	5.1%	4.7%
Housing Permit Growth /2	23.2%	-4.3%	5.7%
Growth in Value of Nonresidential Const. /3	19.3%	6.8%	1.7%
Retail Trade Sales Growth /4	4.8%	3.5%	NA
NA = Not Available			
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			

Like the national and state economies, metro-Denver's economy picked up decidedly in the first quarter of 2006 after slowing in the last quarter of 2005. Table 3 shows the key economic indicators for the region.

The total number of nonfarm jobs in the region grew by 25,333 jobs, or 1.9 percent, through the first quarter. However, this growth only represented about half the growth rate the region experienced during the rapid expansion of the latter 1990s. The unemployment rate pushed downward to an average of 4.7 percent through the first quarter after registering 5.1 percent for 2005. Denver County had the region's highest rate at 5.6 percent, while Douglas County had the lowest at 3.2 percent.

The mining, natural resource, and construction industries continued to show strong employment growth through the first quarter, as the sector had an increase of 5,200 jobs, or 5.7 percent. Jobs in professional and business services and educational and health services also continued to increase

considerably, accounting for almost half of the region's job growth. Meanwhile, jobs in the information sector, which includes the telecommunications industry, have not rebounded from the recession that began in 2001. The sector was down 2,900 jobs through the first quarter. Further, reflecting the nation's continual shift toward an ideas-based economy, the manufacturing sector remained stagnant.

After declining 4.3 percent in 2005, housing permits increased 5.7 percent through the first quarter, countering the national downward trend in housing construction. Further, excluding Boulder County, which experienced a 52 percent decline, the value of nonresidential construction increased 19.5 percent in the metro-Denver region. Solid performance in several nonresidential categories, especially a boom in education-related facilities, offset a continuing decline in permits for hospital and health treatment facilities. In addition, office construction activity picked up in the first quarter, although the dollar value of the new construction declined from the first quarter of 2005, as most of the new construction was small- to medium-sized projects.

Overall office lease rates remained unchanged at \$17.07 per square foot in the metro-Denver region during the first quarter of 2006, according to an office real estate market report. Office lease rates increased slightly to an average of \$19.47 per square foot downtown and \$19.96 in Cherry Creek. The overall average office vacancy rate dropped to 15.5 percent, down from 17.4 percent a year ago, representing the lowest level since 2002. The northwest and downtown Denver areas experienced the greatest decrease in available space, while the highest rates were in the Cherry Creek area. Office lease market conditions are expected to continue to improve in 2006.

Recent Economic News:

- United Airlines expects to add 200 new positions to the 5,200 employees working at its Denver operations this year due to strong demand and the

airline's increased capacity. The airline expects to add 4,000 total employees nationwide. The addition of workers reverses a five-year trend of layoffs and other staffing cutbacks for the airline.

- Medical manufacturer Gambro plans to add another 300 employees to its Lakewood blood bank technology operations within the next year. This announcement follows the addition of 250 jobs last year. About half the new employees will be production workers earning about \$15 an hour; the rest will be engineers and scientists earning over \$50,000 annually.
 - Rio Tinto PLC, one of the largest mining companies in the world, announced it will place a subsidiary, Rio Tinto Minerals, in Denver. The company will initially hire 200 people. The reasons the company cited for picking Denver were its proximity to customers, quality of life, ability to attract good employees, and the affordability of housing and office space.
 - Eaton Corporation will close its aerospace operations in Colorado by the end of this year, eliminating 120 manufacturing employees in Aurora and 20 in Denver. The company indicated that the layoffs were a result of its consolidation efforts as it recently acquired Stanley Aviation in Aurora and FR-HiTemp in Denver.
 - The Denver Post plans to reduce the size of its newsroom staff by about 8 percent through a voluntary reduction of 25 positions. Most major newspapers are experiencing a loss in print readers to online sites and are restructuring in order to compete with other media. The newspaper industry lost more than 2,000 jobs last year, according to Editor & Publisher, an industry publication.
 - A \$140 million, 32-story, 186-unit downtown Denver high-rise condominium broke ground in March. The development represents the first high-residential building downtown in about 25 years. It will include 14,000 square feet of retail on the first floor and seven floors of parking with 360 spaces.
- Units will range in price from about \$300,000 to \$3 million.
- The 367-room hotel at 1881 Curtis St. in downtown Denver will be converted into a 202-room Ritz-Carlton, which is expected to attract a higher-end clientele when it opens in the spring of 2007. The conversion will contribute to higher room rates across downtown.
 - Liborio Markets, a Hispanic grocery store chain, is opening its first store in Colorado in Commerce City. Liborio Markets plans to open three stores in Colorado this year and four more in 2007. Commerce City officials welcomed the new store, which they said will help contribute to the revitalization of the southern portion of the city.
 - A 175,000-square-foot SuperTarget store is under construction as part of the first phase of the retail portion of the 1,760-acre Prairie Center in Brighton. Construction is also scheduled for smaller stores and restaurants at the Prairie Center. The retail stores are an important addition to the northeast metro area as the area is underserved by the retail market. In addition to retail, the Prairie Center will include residential units and offices. The entire development is projected to increase the size of Brighton by about 50 percent and have a completed value of over \$1.5 billion.
 - Lowe's Inc., will spend \$10 million to \$15 million to convert a building into a distribution center in Henderson, Colorado. Construction on the 200,000 square-foot facility will begin immediately and supply products to 45 Lowe's retail stores beginning in July. The distribution center is expected to initially employ 35 workers.
 - The number of unsold homes in the Denver-area was a record 29,045 in April, according to a real estate report. An increase in foreclosures was the driving factor causing the large number of unsold homes.

COLORADO SPRINGS

By Josh Harwood

Table 4
Colorado Springs Economic Indicators
El Paso County

	2004	2005	Year-to date Thru March 2006
Employment Growth /1	1.4%	1.8%	2.1%
Unemployment Rate	5.7%	5.3%	4.9%
Housing Permit Growth /2	28.8%	3.6%	-16.7%
Growth in Value of Nonresidential Const. /3	-5.7%	141.5%	104.1%
Retail Trade Sales Growth /4	10.3%	5.4%	NA

NA = Not Available

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.

The Colorado Springs economy continued its expansion through March 2006. Table 4 shows several economic indicators for the region. Employment growth continued to improve in El Paso County. Employment increased 1.8 percent in 2005, and preliminary estimates for the first quarter of 2006 show a 2.1 percent increase over figures from the first quarter of 2005. Employment in the natural resources, mining, and construction category remains the fastest growing sector of the regional economy.

The region's unemployment rate has also continued to improve, falling to 4.9 percent in February and March 2006. The March figure is the lowest for this time of year since 2001.

Housing permits in the region increased 3.6 percent in 2005, but fell off in the first quarter, by 16.7 percent. Permits for single family housing dominate permit activity in the area and account for all of the decrease.

The value of nonresidential construction permits soared 104 percent through the first quarter of 2006, after jumping 141 percent in 2005. Permit value in the education and science category has led the way thus far in 2006.

Recent Economic News:

- A recent survey has shown that the apartment market in Colorado Springs has begun to tighten. Average monthly rent in the first quarter rose 6.1 percent over the first quarter of 2005 and the vacancy rate dropped to 9.8 percent. The vacancy rate was 13.4 percent a year ago.
- Construction has begun on two new airport hotels in Colorado Springs. The 101-room SpringHill Suites and 97-room TownePlace Suites are expected to open in about a year.
- A digital X-ray film manufacturer has purchased a former semiconductor plant near the Colorado Springs Airport. DpiX LLC will hire 125 manufacturing engineers and hopes to have the plant operating by mid-2008.
- In negative employment news, Bank of America announced that it will close its Colorado Springs credit card call center, laying off 670 employees by the end of 2006.
- Bal Seal Engineering, a medical device manufacturer, announced that it will build a 50,000-square-foot plant near the Colorado Springs Airport. The firm expects to hire more than 100 employees at the plant by 2008.

PUEBLO — SOUTHERN MOUNTAINS

By Ron Kirk

Table 5
Pueblo Region Economic Indicators
Pueblo, Fremont, Custer, Huerfano,
and Las Animas counties

	2004	2005	Year-to date Thru March 2006
Employment Growth /1	0.2%	1.3%	2.9%
Unemployment Rate	6.2%	6.4%	5.9%
Housing Permit Growth /2			
Pueblo County Only	-4.8%	-3.4%	41.1%
Growth in Value of Nonresidential Const. /3			
Pueblo County Only	3.3%	-48.0%	-45.5%
Retail Trade Sales Growth /4	6.7%	5.1%	NA

NA = Not Available

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.

The economy in the five-county Pueblo region showed mixed results in 2005 and is showing modest gains for the second quarter of 2006. Table 5 shows annual economic indicators for the region since 2004. Employment growth increased 2.9 percent through the first three months of 2006, compared with the same time period in 2005. Meanwhile, the unemployment rate dropped from 6.4 percent at the close of 2005 to 5.9 percent in March 2006.

A recent Manpower employer survey revealed that employers foresee only modest hiring gains for the second quarter despite the fact that thousands of jobs will be needed for construction of a new electrical generation facility by Xcel and a proposed new cement plant south of the city that is expected to be operating by the close of 2007. According to the survey, job prospects appear best in the construction, wholesale and retail trade, and service sectors. But

the hiring forecast for manufacturing, education, financial, insurance, and real estate jobs remains stagnant.

Despite the unchanged hiring forecast for manufacturing and other positions, new home construction in Pueblo rose for the fourth straight month in March 2006. Most of the homes are being built in Pueblo West. Housing permit growth in the county saw a significant increase, growing by 41.1 percent through March 2006. However, a weaker segment of Pueblo's economy continues to be the nonresidential construction sector. Nonresidential construction was down 45.5 percent through March 2006 after declining by 48 percent in 2005.

Recent Economic News:

- GCC of America will build a \$225 million cement plant south of Pueblo which is expected to open in the second half of 2007. During the peak construction phase, the project will employ about 450 workers and when completed, employ about 90 permanent workers. GCC has already invested \$20 million in the site development phase. This money was used to fund legal costs, a \$3 million storage building, site road work, the construction of water wells, and a rail spur. In addition, GCC also signed a \$55 million contract with FLSmidth, a Danish company to build the cement processing equipment for the cement plant.
- Wal-Mart recently opened a 228,000 square-foot Supercenter in Pueblo West that employs 440 workers. The Supercenter is open for business 24 hours a day, seven days a week. Over 2,800 workers applied for the 440 jobs. The Superstore will feature 36 general merchandise departments and a 30,000 square-foot lawn and garden center.

- Cingular Wireless is proposing to build a 600-employee call center in Pueblo. The City of Pueblo is negotiating with Cingular regarding an incentive package. As many as 70 workers would be employed in a management capacity.

SAN LUIS VALLEY AND SOUTHWEST REGION

By Josh Harwood

Table 6

San Luis Region Economic Indicators

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

	2004	2005	Year-to date Thru March 2006
Employment Growth /1	4.4%	1.6%	3.1%
Unemployment Rate	5.3%	5.1%	5.1%
Crop Price Changes /2			
Barley	8.0%	-16.5%	18.1%
Alfalfa Hay	1.2%	16.3%	21.4%
Potatoes	2.1%	80.4%	92.4%
Fall Potato Production (Cwt) /2	-2.0%	-6.3%	NA
Housing Permit Growth /3			
Alamosa County Only	22.2%	-39.4%	0.0%
La Plata County	-8.1%	-1.4%	28.3%
Growth in Value of Nonresidential Const. /3			
Alamosa County Only	43.6%	-44.1%	NA
La Plata County	-25.2%	-83.2%	77.2%
Retail Trade Sales Growth /4	9.4%	7.3%	NA
NA = Not Available			
1/ Colorado Department of Labor and Employment. 2003 and 2004 data are from the QCEW (ES202) program. 2005 data is from the Current Population (household) Survey.			
2/ Colorado Agricultural Statistics Service.			
3/ F.W. Dodge			
4/ Colorado Department of Revenue.			

All crop prices were up substantially in April over year ago figures. The San Luis Valley potato growers continue to see historically high prices, as April prices were 92.4 percent higher than a year earlier.

Construction is relatively modest in the region. Figures from F.W. Dodge show a big first quarter in La Plata County. Both residential and non-residential construction were up substantially in early 2006.

Recent Economic News:

- Alamosa will see the addition of both a Taco Bell and a Long John Silver's restaurant along Main Street. The restaurants are expected to open in June and will employ roughly 40 workers. Also, AutoZone will open its first store in Alamosa this summer and hire 10 to 12 people.
- Xcel Energy announced plans to build the first solar-powered generation plant in Colorado. To be located north of Alamosa, the \$60 million plant will serve up to 1,800 homes when it comes on line near the end of 2007.

The San Luis Valley and southwest Colorado regions had modest economic growth in 2005 that continued through the first quarter of 2006. Table 6 shows key economic indicators for the region. The region saw an employment gain of 3.1 percent in the first quarter. Meanwhile, the unemployment rate was stable at 5.1 percent. A Colorado Department of Labor study showed that nearly twice as many jobs were available in southwestern Colorado in January as were available at the beginning of 2005.

WESTERN REGION

By Josh Harwood

Table 7

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

	2004	2005	Year-to date Thru March 2006
Employment Growth /1	3.3%	2.8%	7.2%
Unemployment Rate	4.9%	4.5%	4.0%
Housing Permit Growth			
Mesa County 2/	-2.4%	-3.0%	62.6%
Montrose County 3/	34.0%	22.4%	29.2%
Growth in Value of Nonresidential Const. /3			
Mesa County	0.1%	287.8%	78.9%
Montrose County	109.4%	-54.9%	887.5%
Retail Trade Sales Growth /4	8.7%	10.3%	NA

NA = Not Available

1/ Colorado Department of Labor and Employment. 2003 and 2004 data are from the ES-202 program. 2005 and 2006 data is from the Current Population (household) Survey.

2/ U.S. Census

3/ F.W. Dodge

4/ Colorado Department of Revenue

Economic indicators for the western region continue to point to a relatively strong economy. Employment, retail sales, and construction activity were up in 2005, as indicated in Table 7. Each indicator has continued its strong run into 2006. The only negative indicators in 2005 were declining housing permits in Mesa County and declining nonresidential construction activity in Montrose County, but both rebounded in the first quarter of 2006.

The unemployment rate stood at 4 percent in March 2006, down from an average of 4.5 percent in 2005. Employment in the region increased steadily over the last two years and was up 7.2 percent through March 2006. In Mesa County, employment was up 2.7 percent, based on the current employment survey. Within other areas of the region, employment growth was greatest in Garfield, Rio Blanco, and Moffat counties due to the strong oil and gas exploration and development.

As described above, construction indicators were mixed for the region in 2005, but were uniformly positive through the first quarter of 2006. Based on data from F.W. Dodge and the Census Bureau, the number of housing permits increased 29.2 percent in Montrose County and jumped 62.6 percent in Mesa County through March. Meanwhile, the value of nonresidential construction showed a healthy beginning in 2006 for both counties.

Consumer spending in the region, as measured by retail trade sales, increased 10.3 percent in 2005, with several counties experiencing double-digit growth.

Recent Economic News:

- A housing study commissioned by Garfield County showed that prices for single-family homes grew by 48 percent between 1999 and 2005, while wages have only jumped 18 percent. The study found that many residents have been pushed farther away from the Aspen area, where many work.
- The City of Rifle approved construction of 30 new one-bedroom apartments in an attempt to provide some modest relief in the city's tight housing market. Construction will begin soon with the first apartments completed by the end of the year.
- Fruita will be home to a new \$17.5 million Family Health West Hospital. The company hopes that the hospital would be on-line by the end of 2008, and will offer expanded services, including radiology services and outpatient surgeries.

MOUNTAIN REGION

By Todd Herreid

Table 8
Mountain Region Economic Indicators

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

	2004	2005	Year-to date Thru March 2006
Employment Growth /1	0.7%	1.8%	4.3%
Unemployment Rate	4.9%	4.3%	3.6%
Housing Permit Growth			
Eagle, Pitkin, & Summit Counties/2	-26.5%	39.1%	6.0%
Routt County/3	-20.6%	7.7%	-30.2%
Growth in Value of Nonresidential Const. /2			
Eagle, Pitkin, & Summit Counties	243.4%	11.2%	-81.7%
Routt County	154.9%	-10.3%	94.4%
Retail Trade Sales Growth /4	8.7%	8.8%	NA

NA = Not Available

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

The mountain region continues to exhibit relatively strong economic growth. Most counties in the region saw increases in employment and retail trade. Table 8 shows annual economic indicators for the region for 2004 and 2005, and year-to-date results through March 2006.

Employment in the region increased 4.3 percent in the first quarter of 2006 compared with the same period in 2005. The region's tourism-related jobs appear to be continuing to respond to nationwide increases in traveling and spending, with employment growth exceeding 5 percent in Eagle, Lake, Park, Pitkin, and Routt counties. Employment *decreased* by 1.8 percent in Jackson County, and was relatively flat in Grand and Summit counties. The region's unemployment rate dropped from an average of 4.3 percent in 2005, to 3.6 percent in March 2006.

While the mountain region experienced record real estate sales levels in 2005, housing permits and nonresidential construction activity appear to be moderating in the first quarter of 2006. Permits for residential construction increased 6.0 percent in the ski counties of Eagle, Pitkin, and Summit, but decreased 30.2 percent in Routt County compared with the same period last year. Meanwhile, the value of nonresidential construction increased 94.4 percent in Routt County, but decreased 81.7 percent in Eagle, Pitkin, and Summit counties.

Retail trade sales increased 8.8 percent in the region in 2005. This surpassed the state's growth rate of 4.9 percent in 2005. With the exception of Clear Creek and Jackson counties, which experienced declining retail trade sales, the other counties in the region had growth rates ranging from 7.1 percent to 16.7 percent.

Recent Economic News:

- Phelps Dodge announced that the Climax Mine near Leadville will reopen in 2009. The company is expected to spend about \$250 million to upgrade the operation in the next several years. Phelps Dodge plans to hire about 300 people to operate the mine.
- For the quarter ending January 31, 2006, Vail Resorts reported an 8.4 percent increase in revenue compared with the same period last year. The company also reported a 33.4 percent increase in net income, which reached a record \$43 million. Skier visits in the quarter were up 7.9 percent. The company's board of directors approved between \$185 million and \$195 million in new real estate capital expenditures in 2006.
- Costco filed a building permit application with the Town of Gypsum to construct a 159,000 square foot retail center. The town agreed to rebate 38 percent of the sales tax that Costco generates for three years, or until a \$4.2 million cap is reached. Costco plans to hire 200 to 300 employees to staff the store, which will make it the second largest employer in Gypsum.

NORTHERN REGION

By Ron Kirk

Table 9
Northern Region Economic Indicators
Weld and Larimer counties

	2004	2005	Year-to date Thru March 2006
Employment Growth /1			
Larimer County	2.1%	2.0%	5.1%
Weld County	2.8%	2.7%	6.0%
Unemployment Rate			
Larimer County	4.6%	4.3%	4.3%
Weld County	5.4%	5.0%	4.6%
State Cattle and Calf Inventory Growth/2	4.2%	6.0%	5.0%
Housing Permit Growth /3			
Larimer County	7.1%	-14.8%	28.4%
Weld County	10.4%	-2.2%	-9.0%
Growth in Value of Nonresidential Const. /4			
Larimer County	197.9%	-56.4%	-25.0%
Weld County	34.1%	-35.8%	155.3%
Retail Trade Sales Growth /5			
Larimer County	3.5%	5.9%	NA
Weld County	14.6%	9.4%	NA

NA = Not Available

1/ U.S. Department of Labor, Bureau of Labor Statistics. Data represents nonfarm employment.

2/ Colorado Agricultural Statistics Service. Report for April 21, 2006 compares April 2005 to April 2006.

3/U.S. Census.

4/ F.W. Dodge

5/ Colorado Department of Revenue

Economic indicators are mixed for the northern region, which contains Larimer and Weld counties. Table 9 shows employment changes and other economic indicators for the northern region.

Employment growth is strong in both Larimer and Weld counties. The unemployment rate in Larimer County was 4.3 percent while Weld County's rate was 4.6 percent.

Construction indicators are mixed. Larimer County saw housing permit growth of 28.4 percent through March 2006 while Weld County saw a decline of 9.0

percent. Growth in nonresidential construction for these two counties was reversed. Larimer County experienced a 25.0 percent decline in nonresidential construction while Weld County saw an increase of 155.3 percent through March 2006. The large increase was driven by commercial and industrial permits issued by Greeley and Windsor in early 2006.

A recent survey by Manpower indicates that employers in the northern region expect to hire at a brisk pace during the second quarter of the year. About a third of the companies surveyed expect to hire more employees, while none expect to layoff workers. For the northern region, job prospects seem to be best in the construction, manufacturing, retail trade, finance, insurance, and other services. In contrast, few new jobs may be added in the non-durable goods manufacturing, transportation, public utilities, and education sectors.

Recent Economic News:

- Panera Bread opened a bakery-café in Loveland on April 7 at the Centerra Marketplace. This is the first of five planned openings in 2006 in Colorado including locations in Boulder, Longmont, Parker, and Westminster. More than 70 people will work in the 5,000 square-foot bakery-café, which will offer breads, bagels, pastries, and speciality menu items.
- Chipolte, a restaurant serving Mexican-style burritos, opened its first store in Loveland at the Centerra Marketplace on April 28.
- Eastman Kodak will spend \$86 million to move its X-ray film coating production work to the Windsor facility, but the move will not result in any new jobs. The worker shift will result in the loss of 330 jobs at Kodak's plant in Chalon-sur-Saone, France.

- McWhinney Enterprises plans to break ground on a three-story medical office building at Medical Center of the Rockies. The new building is scheduled to be completed in February 2007 and will add about 160 jobs to the region. Five tenants, Heart Center of the Rockies, Harmony Imaging Center, Poudre Valley Health System, Northern Colorado Pulmonary Associates, and Good Day Pharmacy have committed to 65 percent of the 803,550 square-foot building.
- State Farm will add 260 life insurance-related employees to its new Promontory headquarters west of Greeley over the next two to four years. The company maintains that the jobs are resulting from a companywide consolidation of life insurance jobs aimed at improving customer services and maintaining competitive prices.

EASTERN PLAINS

By Todd Herried

Table 10

Eastern Region Economic Indicators

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

	2004	2005	Year- to date Thru March 2006
Employment Growth /1	3.9%	-1.2%	2.3%
Unemployment Rate	4.8%	4.7%	4.5%
Crop Price Changes /2			
Winter Wheat	-9.2%	0.6%	14.5%
Corn for Grain	13.7%	-7.7%	-0.5%
Alfalfa Hay	1.2%	16.3%	21.4%
Dry Beans	1.7%	-39.3%	-37.7%
State Crop Production Growth /2			
Sorghum for grain production	25.6%	36.9%	43.8%
Corn for Grain	16.8%	0.1%	0.0%
Sugar beets	30.1%	-0.6%	26.4%
State Cattle and Calf Inventory Growth /2	4.2%	6.0%	4.8%
Retail Trade Sales Growth /3	5.5%	4.2%	NA
NA = Not Available			
1/ Colorado Department of Labor and Employment. 2003 and 2004 data are from the QCEW (ES-202) program. 2005 data are from the Current Population (household) Survey.			
2/ Colorado Agricultural Statistics Service. Price data compares December 2005 to December 2004. Crop production based on planting intentions for 2006 versus 2005.			
3/ Colorado Department of Revenue.			

The eastern region may be starting to see some of the economic gains that have characterized the rest of the state. Employment is up 2.3 percent in the first three months of 2006 and the unemployment rate dropped from an average of 4.7 percent in 2005 to 4.5 percent in March. Retail sales rose 4.2 percent in the region in 2005, although this lagged the statewide average of 4.9 percent growth. Table 10 shows economic indicators for the region for 2004 and 2005, and year-to-date results through March 2006.

In the labor market, the unemployment rate declined to 4.5 percent in March 2006, while jobs in the region expanded 2.3 percent. Within the region, jobs increased in every county, with the exception of Prowers County, which experienced job losses of 3.9 percent. The cuts in Prowers County were primarily related to the closure of Neoplan's bus manufacturing plant in Lamar. Jobs increased by the greatest percentage in Elbert, Logan, Phillips, and Washington counties.

Consumer spending in the region, as measured by retail trade sales, increased 4.2 percent in 2005. Half of the 16 counties in the region saw double-digit increases in 2005. The largest increases were reported in Lincoln, Bent, and Sedgwick counties. However, Crowley, Yuma, Otero, and Washington counties experienced declines in retail trade sales in 2005.

Planting intentions for 2006 show that sorghum and sugar beet production will increase substantially. Also, prices for wheat and alfalfa hay are up through March 2006, while prices for corn and dry beans are down. The inventory of cattle and calves in Colorado is up 4.8 percent in the first three months of the year compared with the same period last year.

Recent Economic News:

- Xcel Energy and Invenergy Wind LLC completed a wind farm project to generate up to 60 megawatts of power in Peetz, near the Nebraska border. The wind farm is slightly larger than a 33-tower facility built west of Peetz by enXco a few years earlier. Xcel and Invenergy also agreed to build another 200 megawatt wind farm if a new 70-mile transmission line can be constructed to transport the electricity to Xcel's electrical generation plant in Brush.

- US BioGen, a Texas-based renewable energy company, has received approval to build an ethanol plant west of Fort Morgan. Morgan County commissioners approved the rezoning of about 77 acres of land from agricultural to heavy industrial for the project. Groundbreaking is expected to take place this fall.
- Stumpff Industrial Welding and Supply in Sterling has doubled its workforce to 77 employees in response to a shortage of oil and natural gas drilling rigs. Rigs can cost anywhere from \$8 million to \$20 million and take 12 to 14 months to build. Oil and natural gas producers are now paying about \$13,500 per day to lease rigs, which is nearly triple the price paid ten years ago.