Colorado Economic Chronicle

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NATIONAL ECONOMY

By Natalie Mullis

The U.S. economy remains strong and will continue to expand at a healthy rate over the coming year. The rate at which it expands, however, will be somewhat slower relative to last year. Growth in employment is moderating somewhat as corporations grapple with high energy prices and rising interest rates. Consumer spending and confidence will continue to remain strong, but some of the strength behind consumer's deep pockets may be fizzling as the housing market weakens. Fortunately, core rates of consumer inflation appear to be as yet unaffected by high energy prices, although inflationary pressure is mounting somewhat due to other factors.

The Bureau of Economic Analysis recently revised it's estimates of the nation's gross domestic product **(GDP)** back to the first quarter of 2003. The trend in real GDP growth during recent years was revised down, from an average growth rate between 2002 and 2005 of 3.5 percent to 3.2 percent. The reduction was primarily due to downward revisions in government spending and business investment in equipment and software and a slight upward revision in inflation, as measured by the GDP chain price index.

The growth rate for the first quarter of 2006, however, was revised up, from 5.3 percent to 5.6 percent. The upward revision was due to fewer imports than was previously reported. Meanwhile, preliminary data indicate that growth slowed to 2.5 percent in the second quarter of 2006. A small portion of the slowdown between the first and second quarters is related to Hurricane's Rita and Katrina. Half of the slowdown, however, was due to a deceleration in consumer spending, which slowed from a 4.8 percent pace in the first quarter to a 2.5 percent pace in the second. Consumer spending on durable goods decreased 0.5 percent during this period. Business investment on equipment and software decreased 1.0 percent in the second quarter after increasing 15.6 percent in the first quarter. Finally, exports also brought the growth rate down, increasing 3.3 percent in the second quarter after 14.0 percent growth in the first quarter.

Although **employment** gains continue to be consistent with an expanding economy, they are slowing slightly compared with gains experienced during the last year and a half. This can be clearly seen in Chart 1, which shows the 12-month moving average growth in nonfarm employment. The nation added an average of 175,000 jobs each month in 2004, 165,000 jobs each month in 2005, and 176,000 jobs each month during the first quarter of this year. Since April, the nation has added an average of 112,000 jobs each month.

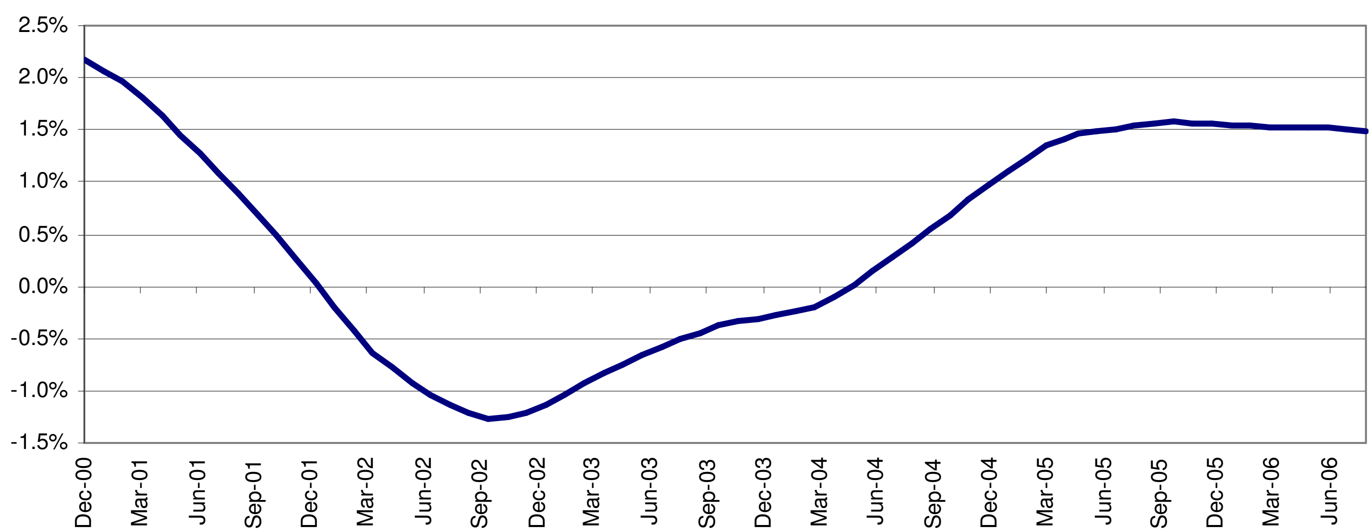
Employment increased by 113,000 jobs in July. Meanwhile, the **unemployment rate** increased to 4.8 percent in June from 4.6 percent in May.

The construction, trade, transportation, & services, professional and business services, leisure and hospitality services, and government sectors, which together represent nearly two thirds of the nation's employment base, all are experiencing the same trend as that shown for total nonfarm employment in Chart 1. Educational and health services employment growth has been stagnant over the last year, while the manufacturing, information, and other services sectors are losing jobs. Only the natural resources and mining and the financial activities sectors, which together represent 2.8 percent of the nation's employment, are showing strong acceleration in employment growth.

Personal income increased moderately for the ninth straight month, rising by 0.6 percent in June, after a 0.4 percent increase in May. **Wages**, the largest component of personal income, also increased 0.6 percent in June, after no change in May. The **savings rate** ticked up slightly from -1.6 percent to -1.5 percent; the savings rate has been negative since March of 2005. **Consumer spending** increased 0.4 percent in June. Continued strength in the conference board index of **consumer confidence**, which increased for the third month in a row in July, indicates that the savings rate is likely to continue to be negative for some time. However, the mood of consumers could deteriorate in the future because of mounting inflationary pressure.

The **manufacturing sector** has benefitted from strong U.S. and global consumption, but remains a relatively weak contributor to the overall health of 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 Manager's Index* increased in July to 54.7. The index has shown a value above 50, the point that delineates between an expanding and contracting manufacturing sector, for 38 months. The survey indicated that manufacturer's have been able to pass some of the higher energy costs onto consumers at a somewhat greater rate than previously. The three best-performing industries in July were the

Chart 1
U.S. Nonfarm Employment Growth
Seasonally Adjusted; 12-Month Moving Average



primary metals industry, the food, beverage and tobacco products industry, and the electrical equipment industry.

The **housing market** has shown mounting weakness in the face of rising interest rates and demographic trends. According to the U.S. Census, *housing starts* declined 2.5 percent in July, and were 13.3 percent lower than in July 2005. Similarly, *building permits* decreased 6.5 percent in July, and were 20.8 percent lower than in July 2005. *New home sales* decreased 3.0 percent in June, and were 11.1 percent lower than sales a year earlier. Meanwhile, *existing home sales* decreased for the third straight month in June by 1.4 percent. Both the median and the average price of existing homes decreased 1.6 percent in June, but were up 2.3 percent and 3.9 percent over year-ago levels, respectively. Continuing increases in mortgage rates will likely cause the housing market to weaken further over the next two years.

Consumer inflation increased for the seventh consecutive month in July. On a 12-month annualized basis, inflation was 4.1 percent. However, the core rate of inflation, which excludes the volatile food and energy sectors, increased at a more modest annualized rate of 2.7 percent. While gasoline prices have continued to remain high and have again spiked, there is little evidence that this is affecting the core inflation rate. Instead, rising costs in the shelter component of the index have been responsible for inflationary pressure in the core rate over the last three to four months, as rents move upward in response to the rising cost of owning a home.

Colorado Economy

By Josh Harwood

Colorado's economic expansion slowed somewhat during the second quarter of the year, though it remains relatively healthy. Consumer spending and personal income are doing particularly well thus far in 2006, while employment growth moderated during the second quarter. Meanwhile, the construction industry remains strong. Despite concerns of overbuilding, nonresidential construction is experiencing broad based growth through June. Residential construction activity remains at historically high levels, though fewer single family permits are offsetting enormous growth in multi-family permits.

After increasing 2.1 percent during 2005, **nonfarm employment** increased 2.2 percent year-to-date through June in Colorado. Employment has been relatively flat since March, with the state adding only 1,600 jobs in the second quarter. By comparison, the state added 9,200 jobs over the same period in 2005 and 13,700 jobs during the second quarter of 2004. As a result of the relatively anemic job growth, Colorado's **unemployment** rate ticked higher in May and June to 4.5 percent.

Though recent months have suggested a slight weakening in the labor market, Colorado's economy will continue to benefit from the oil and gas boom, the innovations of its ever-evolving 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.

- Nonfarm employment will increase 2.2 percent in 2006 and 2007.
- Colorado's unemployment rate will average 4.5 percent through 2007.

Personal income in Colorado increased 6.5 percent in 2005, and continued to increase into 2006. First quarter figures show that personal income growth in Colorado ranked 5th among the states. Colorado's growth in personal income ranked 12th highest in 2005. The largest increase was seen in transfer receipts, though wages and salaries also climbed significantly, jumping 2 percent during the quarter. The industries witnessing the greatest increases were the farm, construction, and finance and insurance sectors.

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.

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

- Personal income will increase 6.5 percent in 2006 and 6.7 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 7.1 percent in 2006 and 6.6 percent in 2007.

Consumer spending in Colorado is measured by spending at the state's retail stores and restaurants. Through May, **retail trade sales** increased 7.6 percent compared with the first five months of 2005. Though the figure suggests strong growth, it has been skewed higher because it includes spending on gasoline. Regardless, steady employment and wage growth will help buoy sales throughout the remainder of the year.

- Consumer spending will increase 5.5 percent in 2006 and 5.1 percent in 2007.

Inflation in the Denver-Boulder-Greeley area was 3.8 percent for the first half of 2006, the highest mark since the second half of 2001. In 2005, inflation was 2.1 percent. The housing component, which is based on the local rental market and makes up over 40 percent of the index, finally turned positive after several years of declines. High energy and transportation prices, particularly a 25 percent jump in gasoline prices, also contributed significantly to the rise. Finally, prices for apparel jumped 14 percent.

- Inflation will increase to 2.9 percent in 2006, and remain around 3.0 percent thereafter.

The number of **housing permits** decreased 0.1 percent year-to-date through June, with permits for single-family homes down 11.4 percent. After years of weak market indicators, interest has begun again in the Colorado's multi-family housing market. Permits for multi-family homes are showing a 85.6 percent increase year-to-date through June. Higher mortgage rates, a large supply of homes on the market, and a generally high cost of single-family housing in Colorado has prompted speculators to look to the apartment market for construction opportunities. 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 5.2 percent in 2006 and 5.7 percent in 2007.

The value of **nonresidential construction** activity increased 29.2 percent through June, compared with the first six months of 2005. The increase has been broad-based as every sector has seen growth over 2005 figures. Notably, the value of permits has more than doubled for hotels, service stations, and manufacturing facilities. Though the first half of the year was strong, we expect that the second half will be considerably slower, resulting in a small decrease overall in 2006.

- The value of nonresidential construction activity will increase 3.4 percent in 2007 and 1.2 percent in 2008.

In conclusion, though there are signs that the state's economy is slowing, we expect that the overall trend of moderate economic growth will continue for the next few years, Growth will be fueled by Colorado's position in the advanced technology, defense, and natural resource industries. Concerns regarding high energy prices and inflation remain, as well as the exposure for trouble in the housing market. However, each of these concerns appear to headed for a soft landing, rather than a prolonged and severe downturn.

METRO DENVER

By Jason Schrock

Table 1
Metro-Denver Region Economic Indicators
Broomfield, Boulder, Denver, Adams, Arapahoe, Douglas, and Jefferson counties

	2004	2005	2006 Thru June
Employment Growth /1	0.8%	2.0%	2.2%
Unemployment Rate	5.7%	5.1%	4.8%
Housing Permit Growth /2	23.2%	-4.3%	5.2%
Growth in Value of Nonresidential Const. /3	19.3%	6.8%	4.2%
Retail Trade Sales Growth /4	4.8%	3.5%	5.6%

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 May 2006.

Metro-Denver's economy continued to post strong economic gains in the first half of 2006, measured by employment, construction activity, and retail trade. For example, the Metro-Denver region added jobs at a faster pace in recent months than the rest of the nation. These indicators show that the region has fully recovered from the economic downturn. Table 1 shows key economic indicators for the region for 2004 and 2005 and year-to-date results through June 2006.

In the first half of 2006, the total number of nonfarm jobs in the region grew by 26,100, or 2.2 percent, compared with the same period in 2005. The mining, natural resource, and construction industries continued to show strong employment growth. Also, jobs in accommodations, real estate, professional and business services, especially management, technical, and scientific consulting services, posted healthy gains. Further, employment services experienced strong job growth, reflecting the improving economic climate in the region that is causing more employment activity and job seekers. Jobs in the information sector, which includes the telecommunications industry, have not rebounded from the recession that began in 2001. However, recent signs indicate that the cable and satellite industry may begin to increase hiring again. Finally, employment in the manufacturing sector continued to be stagnant.

The unemployment rate was 4.8 percent in June, after registering 5.1 percent in 2005. Denver County continued to post the region's highest unemployment rate at 5.5 percent in June, while Douglas County continued to post the lowest rate in the Metro-Denver region at 3.3 percent.

Construction activity also continued to show positive signs in the first half of the year. Housing permits were particularly positive, with the exception of Boulder County. After declining 4.3 percent in 2005, housing permits were up 5.2 percent. Excluding Boulder County, which experienced a 24.0 percent decline, housing permits were up 6.5 percent. In addition, the value of nonresidential construction permits increased 4.2 percent through June 2006.

Retail trade sales were up 5.6 percent in Metro-Denver through May, led by Denver and Adams counties, which experienced retail trade sales growth of 9.0 percent and 19.5 percent, respectively. Arapahoe County was the only county with declining sales, with a drop of 6.1 percent. The entire region's growth rate lagged the statewide average of 7.6 percent.

Recent Economic News:

- Amgen, the world's largest biotechnology company, plans to move hundreds of jobs from its California headquarters to its Longmont campus by late 2008. The Longmont area's lower cost of living, its local work force, and quality of life were cited by the company as reasons for the move. The company has been growing significantly in the past year.

- Denver-area employers reported 70 percent more vacancies this spring than a year ago, according to a survey by the Colorado Department of Labor and Employment. Close to an estimated 40,000 jobs were open for immediate hire in the Metro-Denver region in the spring, up from 23,300 in the spring of 2005. Retail trade showed the highest number of employment opportunities, followed by hotel and food services. However, these jobs tend to be lower paying jobs that require less skills. Health care also reported a large number of vacancies, although industry experts believe that many workers in the local labor force lack the skills to fill the positions. Vacancy estimates were lowest in the mining, utilities, management, agriculture, forestry, and fishing and hunting sectors.

- After years of a slump from the worldwide downturn in the telecommunications industry and out of state buyouts in the cable industry, the Metro-Denver area is again seeing signs of increased hiring in the cable and satellite industry. Comcast added 125 employees in the first six months of 2006 and plans to hire at least another 180. Also, satellite provider DirecTV recently announced plans to hire 1,000 people for a call center that it plans to open next year. However, the number of Denver area workers employed in the telecommunications industry in May was still off 46 percent from the peak in August of 2000.

- A recent study by a research group affiliated with the Economist magazine found that Denver is the eighth most expensive city for consumers out of the 17 U.S. cities it studied. The study found that Denver was less expensive than New York, Chicago, Los Angeles, San Francisco, Washington, Houston, and Miami, but more expensive than Boston, Detroit, Seattle, Pittsburgh, Honolulu, and Atlanta.

- The Denver-area apartment market vacancy rate in the second quarter fell to 6.8 percent, the lowest rate since the third quarter of 2001 before the terrorist attacks of Sept. 11, 2001. The median monthly rental rate increased to $804, compared with $786 a year earlier. However, these numbers overstate what the typical renter actually pays because they do not include discounts and concessions.

- United Airlines is hiring flight attendants in Denver for the first time in about six years, another indication of the airline's recovery from job cuts and bankruptcy. The carrier also posted its first quarterly profit in six years.

- Plans for a 5,000-acre air, rail, and trucking hub, or "inland port," southeast of Denver International Airport is expected to receive final approval in the coming months and development may begin next spring. Full development of the project may take up to 40 years. The project, called TransPort, is intended to be a major transportation, distribution, and cargo center Integrating rail, road, and air transportation.

- Commercial property rates are going up in downtown Denver driven by expanding energy companies, internal growth of existing tenants, and minimal construction. The current average lease rate for the best office space downtown is $30.57 per square foot. Higher rates could contribute to new office buildings being developed. Real estate expert indicate that low office rates are one of Denver's attractions to companies and higher rates could make it more difficult to attract companies downtown.

COLORADO SPRINGS

By Ron Kirk

Table 2
Colorado Springs Economic Indicators
El Paso County

	2004	2005	2006 Thru June
Employment Growth /1	1.4%	1.8%	2.0%
Unemployment Rate	5.7%	5.3%	5.1%
Housing Permit Growth /2	24.2%	3.2%	-22.0%
Growth in Value of Nonresidential Const. /3	-5.7%	141.5%	142.0%
Retail Trade Sales Growth /4 2006 Retail Trade is YTD through May	10.3%	5.4%	8.7%

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

2/ U.S. Census; permits for the Colorado Springs Metropolitan Area.

3/ F.W. Dodge.

4/ Colorado Department of Revenue.

The Colorado Springs economy continues to expand, with moderate growth in employment and healthy growth in retail trade and nonresidential construction. An emerging correction in the residential construction sector is also a healthy sign, given strong growth in the sector during recent years and an environment of rising interest rates. However, with the relocation of the 4th Division from Fort Hood, Texas, to Fort Carson, more apartments and single-family homes will be needed to accommodate the additional 10,000 soldiers who will need housing both on- and off-base. Table 2 shows key economic indicators for the region since 2004.

Employment in the Colorado Springs Metropolitan Area increased 2.0 percent through June, slightly lower than the statewide growth rate of 2.2 percent during the same time period. Other sectors experiencing strong growth include retail trade and nonresidential construction. The value of nonresidential construction jumped 142.0 percent through June, with most of the growth resulting from permits filed for educational buildings on school and college campuses.

Despite the Defense Department's relocation of the 4th Division and a strong market for nonresidential construction, the area's unemployment rate increased from 4.5 percent in May to 5.1 percent in June which may be a reflection of the temporary slowdown in the residential construction market. Higher interest rates and relatively little pent-up demand are contributing to a correction in the residential construction sector. According to the U.S. Census Bureau, permits filed for residential construction decreased 22.0 percent through June. The decrease occurred for single-family homes.

For the first quarter, RealtyTrac research service reported that the home foreclosure rate in Colorado Springs was the 13th highest in 100 metropolitan cities nationwide. The city may have more than 2,500 foreclosures this year, up 9 percent over the 2,289 foreclosures last year. The increase is being attributed to heavy consumer debt and increasing mortgage rates. It is uncertain whether the foreclosures will depress housing values. The foreclosures represented about 5 percent of the total inventory of homes for sale in May 2006.

Recent Economic News:

- T. Rowe Price Group Inc. began construction on a $55 million second office building at the Briargate Business Campus in Colorado Springs. The Baltimore-based mutual fund company currently employs 520 people in Colorado and expects to add 100 new jobs this year. The T. Rowe Price complex will employ up to 1,400 employees when the current and new building are staffed at capacity. The company manages accounts for individual investors.

- The Progressive Group of Insurance Companies has opened a $57 million data center in Colorado Springs that it began construction on in June 2005 and plans to add 60 employees by the close of the year. The Ohio-based company employs 1,259 in Colorado Springs and 131 in other parts of the state.

- Spectranetics Corp., a Colorado Springs-based medical laser manufacturer, is expanding its sales force after reporting record-setting sales and 2nd quarter profits. Spectranetics will hire an additional 30 employees this year in manufacturing and quality control.

- The military is closing the North American Aerospace Defense Command Operations (NORAD) Center inside Cheyenne Mountain and will move 230 surveillance crew members and an undetermined number of staff to nearby Peterson Air Force Base, home to the U.S. Northern Command.

- Accounts Receivable Management Inc., a Thorofare, New Jersey-based collection agency, will open a collections call center in Colorado Springs this fall. The company will hire 50 workers to begin operations and add another 50 in the next six to eight weeks. The 8,500 square-foot building will open in September. Currently, the company employees 325 employees in New Jersey, 100 in Kentucky, and 15 in Montego Bay, Jamaica.

- United Airlines will shift its operations in Colorado Springs to regional carriers. Sixty-five employees will be laid off. United is halting the single-daily flight from Colorado Springs to Denver but will continue to fly 21 daily round-trip flights at Colorado Springs using SkyWest Airlines and Mesa Airlines under the United Express name.

- SkyWest Airlines is currently building a $20 million maintenance hanger which is expected to employ 200 people when complete.

- Four-hundred construction personnel will begin work on a new brigade complex that will house 3,900 soldiers at Fort Carson. The complex will include barracks, offices, and motor pools. The construction is part of the relocation of the 4th Division from Fort Hood, Texas, to Fort Carson. Construction projects at the post are planned to continue through 2009.

- Econolite Control Products Inc., of Anaheim Ca., is buying the Colorado Springs-based Safetran Traffic Systems company that manufactures traffic control equipment used at intersections. Safetran will close its doors after 44 years of operations and lay off 50 workers. The manufacturing operation will be moved to Mexico in about four months.

PUEBLO — SOUTHERN MOUNTAINS

By Ron Kirk

Table 3
Pueblo Region Economic Indicators
Pueblo, Fremont, Custer, Huerfano, and Las Animas counties

	2004	2005	2006 Thru June
Employment Growth /1	-0.2%	1.1%	1.1%
Unemployment Rate	7.0%	6.4%	6.0%
Housing Permit Growth /2 Pueblo County Only	-4.8%	-3.4%	29.0%
Growth in Value of Nonresidential Const. /3 Pueblo County Only	-17.5%	-48.0%	85.5%
Retail Trade Sales Growth /4 2006 Retail Trade is YTD through May	6.7%	5.1%	9.7%

1/ Colorado Department of Labor and Employment. 2004 and 2005 data are from the QCEW (ES-202) program. 2006 data is from CES data and is for the Pueblo MSA only.

2/ U.S. Census.

3/ F.W. Dodge.

4/ Colorado Department of Revenue.

The economy in the five-county Pueblo region is showing more strength after mixed results in 2005. Recent announcements of new jobs, particularly around Pueblo, will likely spur a strong economy for the region in the future, especially in continuing home construction activity. Table 3 shows annual economic indicators for the region for 2004 and 2005, and year-to-date results through June 2006.

Employment growth throughout the region increased 1.1 percent through the first six months of 2006, compared with the same time period in 2005. Meanwhile, the unemployment rate continued to drop from an average of 6.4 percent in 2005 to 6.0 percent in June 2006. Pueblo, the largest county in the region, had an unemployment rate of 6.0 percent in June. Although Pueblo's rate remains the highest among the state's major metro areas, it is at its lowest level since the 2001 recession. Las Animas and Custer counties recorded the lowest unemployment rates of the region in June at 4.7 and 4.2 percent, respectively.

Retail trade sales through May 2006 exceeded the statewide pace and jumped above the region's retail trade sales growth for all of 2005. The region experienced retail sales growth of 9.7 percent. Growth was particularly strong in Huerfano (34.4 percent), Las Animas (21.0 percent), and Custer (19.2 percent) counties.

Housing permit growth in Pueblo county continues to show significant increases – especially compared to national trends – growing by 29.0 percent through June 2006. Traditionally, most of the new home construction occurs in Pueblo West, due in part to the lower development costs. However, during June home builders in the city of Pueblo obtained 55 single-family resident building permits compared to 49 permits issued in Pueblo West, reversing the trend.

Job growth is the most important factor driving new home construction. Major employment gains in Pueblo will come from the GCC of America's planned cement plant, the Xcel Energy power plant expansion, the Pueblo Chemical Depot weapons destruction facility and the Fort Carson expansion. Companies that were contracted to help Xcel Energy expand its Comanche power plant have created 100 new jobs in the natural resource and construction industries. Also, the U.S. Air Force recently selected Pueblo as the site for a pilot training school and Cingular Wireless will open a 500-person call center.

A weaker segment of Pueblo's economy has been the nonresidential construction sector. However, the value of nonresidential construction has been strong this year increasing 85.5 percent through June 2006 compared to the same period in 2005.

SAN LUIS VALLEY AND SOUTHWEST REGION

By Todd Herreid

Table 4
San Luis Region Economic Indicators
Alamosa, Archuleta, Conejos, Costilla, Dolores, Hinsdale, La Plata, Mineral, Montezuma, Rio Grande, Saguache, and San Juan counties

	2004	2005	2006 Thru June
Employment Growth /1	2.1%	1.4%	3.1%
Unemployment Rate	5.3%	5.1%	4.7%
Crop Price Changes /2			
Barley (U.S. average)	8.0%	-16.5%	3.8%
Alfalfa Hay	1.2%	16.3%	36.4%
Potatoes	2.1%	80.4%	103.2%
Fall Potato Production (Cwt) /2	-2.0%	-6.3%	NA
Housing Permit Growth /3			
Alamosa County Only	22.2%	-39.4%	25.0%
La Plata County	-8.1%	-1.4%	3.3%
Growth in Value of Nonresidential Const. /3			
Alamosa County Only	43.6%	-44.1%	-16.6%
La Plata County	-25.2%	-83.2%	106.2%
Retail Trade Sales Growth /4	9.4%	7.3%	12.8%

NA = Not Available

1/ Colorado Department of Labor and Employment. 2004 and 2005 data are from the QCEW (ES202) program. 2006 data is from the Current Population (household) Survey.

2/ Colorado Agricultural Statistics Service. Price date compares June 2006 to June 2005.

3/ F.W. Dodge.

4/ Colorado Department of Revenue. Data through May 2006.

The San Luis Valley and southwest Colorado region saw modest gains in economic activity in the first half of 2006. Job growth was up 3.1 percent in the first six months of the year. As a result, the region's unemployment rate dropped from an average of 5.1 percent in 2005 to 4.7 percent in June 2006. In addition, retail trade sales grew 12.8 percent in the first six months of the year, compared with 7.3 percent growth in 2005. Table 4 shows key economic indicators for the region.

Some crop prices were up substantially in June 2006. San Luis Valley potato growers continued to see historically high prices, as June prices more than doubled from prices received one year earlier. Potato prices now stand at $9.65 per hundred weight. Alfalfa hay prices were also up 36.4 percent, reaching $135 per ton.

Construction activity was relatively modest in the region. Figures from F.W. Dodge show that housing permits were up 3.3 percent in the first half of the year in La Plata County. However, the value of non-residential construction in La Plata County was up substantially in the first half of 2006. Large increases were recorded for food stores, hospitals, and religious facilities.

Recent Economic News:

- Delta Airlines will begin offering nonstop service between Durango and Salt Lake City starting July 1. Delta will offer two daily nonstop flights with 50-seat airplanes. The airport will have 550 outbound seats daily from Durango.
- The Southern Ute Tribe announced plans to build a new casino, hotel, and convention center north of Ignacio. The entire development is expected to require 400 to 450 full-time employees.
- The cost of homes in Durango continued to climb. In the second quarter of 2006, the median price of a single-family house in Durango was $448,000, which was 26 percent higher than the same period in 2005.

WESTERN REGION

By Todd Herreid

Table 5
Western Region Economic Indicators
Moffat, Rio Blanco, Garfield, Mesa, Delta, Montrose, San Miguel, Ouray, and Gunnison counties

	2004	2005	2006 Thru June
Employment Growth /1	3.3%	4.9%	6.7%
Unemployment Rate	4.9%	4.5%	3.9%
Housing Permit Growth			
Mesa County 2/	-2.4%	-3.0%	22.9%
Montrose County 3/	34.0%	22.4%	14.0%
Growth in Value of Nonresidential Const. /3			
Mesa County	0.1%	287.8%	-31.8%
Montrose County	109.4%	-54.9%	104.7%
Retail Trade Sales Growth /4	8.7%	10.3%	16.7%

NA = Not Available.

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

2/ U.S. Census.

3/ F.W. Dodge.

4/ Colorado Department of Revenue. Data through May 2006.

The western region continues to be one of the fastest growing regions in the state based on employment and retail trade sales growth. Jobs were up 6.7 percent through June, compared with statewide growth of 4.3 percent, as measured by the household survey. Similarly, retail sales were up 16.7 percent, compared with statewide growth of 7.6 percent. Table 5 displays economic indicators for the region.

The average unemployment rate stood at 3.9 percent in June 2006, down from 4.5 percent in 2005. The ongoing boom in natural gas exploration, drilling, and production helped push job growth to 6.7 percent through June. It also contributed to the reduction in the unemployment rate. Garfield, Rio Blanco, Ouray, and San Miguel counties experienced the fastest job growth through June. In Mesa County, employment was up 3.6 percent, based on the current employment survey. Mesa County's job growth was slower than other counties in the region because of its more diversified employment base.

Construction indicators were mostly positive in the first half of 2006. Based on data from F.W. Dodge and the Census Bureau, the number of housing permits increased 14.0 percent in Montrose County and 22.9 percent in Mesa County through June. Meanwhile, the value of nonresidential construction more than doubled in Montrose County. The only negative indicator was a 31.8 percent reduction in the value of nonresidential construction in Mesa County.

Consumer spending in the region, as measured by retail trade sales, increased 16.7 percent through June 2006, with several counties experiencing double-digit growth. The fastest growth rates were recorded in Rio Blanco, Garfield, and Gunnison counties.

Recent Economic News:

- Foxworth-Galbraith Lumber Company bought a 32,000 square foot facility on 48 acres just outside of Delta to be used as a distribution center for floor and roof trusses. The company plans to build a second facility on the site to house its manufacturing and assembling operations. The company has lumberyards in Montrose and Grand Junction, and will employ 130 workers at the distribution center when it is finished.

- Questar Corporation, a Salt Lake City-based energy company, is planning to drill 4,000 gas wells in northwest Colorado and southern Wyoming in the next 30 years. The final figure depends upon well spacing allowances that are approved by the U.S. Bureau of Land Management.

- The number of home foreclosures in Mesa County declined 9.5 percent in the first half of 2006. This is in contrast to statewide trends. Rapid job growth in the western region is largely responsible for the reduction.

MOUNTAIN REGION

By Todd Herreid

Table 6
Mountain Region Economic Indicators

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

	2004	2005	2006 Thru June
Employment Growth /1	1.5%	3.2%	3.9%
Unemployment Rate	4.9%	4.3%	4.2%
Housing Permit Growth			
Eagle, Pitkin, & Summit Counties/2	-26.5%	39.1%	0.9%
Routt County/3	-20.6%	7.7%	5.7%
Growth in Value of Nonresidential Const. /2			
Eagle, Pitkin, & Summit Counties	243.4%	11.2%	87.3%
Routt County	154.9%	-10.3%	271.9%
Retail Trade Sales Growth /4			
2006 Retail Trade is YTD through May	8.7%	8.8%	14.1%

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

2/ F.W. Dodge.

3/ U.S. Census.

4/ Colorado Department of Revenue.

Economic indicators for the mountain region continued to show relatively modest gains. All of the counties in the region saw positive employment growth in the first half of 2006, and retail trade expanded by a hefty 14.1 percent. Construction activity was mixed, however. Table 6 shows annual economic indicators for the region for 2004 and 2005, and year-to-date results through June 2006.

Employment in the region increased 3.9 percent in the first six months of 2006 compared with the same period in 2005. Job growth was the greatest in Routt, Lake, and Eagle counties, with Routt County leading the region at 6.4 percent. Summit, Grand, and Chaffee counties had the weakest job growth, registering gains of between 1.0 percent and 1.3 percent. The region's unemployment rate dropped slightly from an average of 4.3 percent in 2005, to 4.2 percent in June 2006.

Although construction activity was generally positive in the region, housing permit growth was flat in Eagle, Pitkin, and Summit counties, growing a modest 0.9 percent. Permits in Routt County increased 5.7 percent compared with the same period last year. In addition, nonresidential construction activity was up considerably. Nonresidential construction increased almost three-fold in Routt County and was up 87.3 percent in Eagle, Pitkin, and Summit counties.

Reflecting continued strong tourism spending throughout the region, retail trade sales increased 14.1 percent in the first half of 2006. This surpassed the statewide growth rate of 7.6 percent in the same time period. It also exceeded the 8.8 percent growth recorded in 2005. With the exception of Lake County, which experienced a 3.1 percent drop in retail sales, all of the other counties in the region saw double-digit gains ranging from 11.3 percent to 26.3 percent.

Recent economic news:

- Intrawest Company announced plans to build a dozen luxury townhouses on Copper Mountain, ranging in price from $1.1 million to $1.6 million. The company expects to begin construction of the 2,000- to 2,700-square foot units in late summer or next spring. A second phase of 30 condos and townhouses will begin in the following year.

- Construction of a 963-acre, $950 million development is underway in Gypsum. The project, called Brightwater Club, includes 535 single-family homes, a golf course, and a village that includes a gourmet market and a fitness center. Home prices will range from $1.1 million to $2.1 million.

NORTHERN REGION

By Natalie Mullis

Table 7
Northern Region Economic Indicators
Weld and Larimer counties

	2004	2005	2006 Thru June
Employment Growth /1			
Larimer County	2.1%	2.1%	1.8%
Weld County	3.2%	2.3%	4.0%
Unemployment Rate			
Larimer County	4.6%	4.3%	4.1%
Weld County	5.4%	5.0%	4.6%
State Cattle and Calf Inventory Growth/2	4.2%	6.0%	8.9%
Housing Permit Growth /3			
Larimer County	8.3%	-11.2%	-12.0%
Weld County	11.4%	-3.1%	-17.0%
Growth in Value of Nonresidential Const. /4			
Larimer County	197.9%	-56.4%	60.5%
Weld County	34.1%	-35.8%	61.2%
Retail Trade Sales Growth /5			
Larimer County	3.5%	5.9%	6.9%
Weld County	14.6%	9.4%	8.9%

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

2/ Colorado Agricultural Statistics Service.

3/U.S. Census.

4/ F.W. Dodge.

5/ Colorado Department of Revenue. Year-to-date through May.

The economy in the northern region continues to expand, with healthy growth in employment, retail trade, and nonresidential construction. The residential construction sector is into its second year of correction, which is to be expected given rising interest rates and strong growth in previous years. Table 7 shows key economic indicators for the region since 2004.

Employment growth remains healthy in the region. After increasing 2.1 percent in 2005, employment in **Larimer County** increased 1.8 percent during the first half of 2006, compared with the first half of 2005. Of the 2,300 jobs added, 900 jobs were in the trade, transportation, and retail sector, and over 500 jobs were in the natural resources and mining sector. The information, professional and business services, and government sectors shed jobs. Job growth in **Weld County** is extremely robust. After increasing 2.3 percent in 2005, employment in Weld County increased 4.0 percent during the first half of 2006, compared with the first half of 2005. Of the 3,000 additional jobs in Weld County, nearly 1,400 of them were created in the natural resources and mining sector.

The unemployment rate continues to fall in the region. After averaging 4.3 percent in 2005, Larimer County's unemployment rate was 4.1 percent in June. Weld County's unemployment rate decreased from an average of 5.0 percent in 2005 to 4.6 percent in June.

Weld County is home to a significant portion of the state's cattle ranches. The statewide inventory of cattle and calves on feed for the slaughter in Colorado feedlots with a capacity of 1,000 head or more increased 8.9 percent between July 1, 2005 and July 1, 2006, from 900,000 to 980,000 head.

Higher interest rates and high levels of single-family home construction during the last decade are contributing to a correction, now in its second year, in the northern region's residential construction sector. According to the U.S. Census Bureau, permits filed for residential construction decreased 12.0 percent in Larimer County and 17.0 percent in Weld County during the first half of 2006, compared with the first half of 2005. The decrease in both counties is entirely due to a decrease in the construction of single-family homes; permits filed for multi-family homes increased in both counties.

According to F.W. Dodge, the value of nonresidential construction has shown strong growth in the northern region, with a 60.5 percent increase in Larimer County and a 61.2 percent increase in Weld County through June, compared with the first six months of 2005. Larimer County has seen the value of permits filed for manufacturing plants and warehouses, educational laboratories, dormitories, hospital and health treatment buildings, and pubic buildings more than double during this time period. Meanwhile, Weld County has seen substantial growth in the value of permits filed for commercial buildings, particularly for warehouses, garages and service stations, and hotels and motels.

Recent Economic News:

- Construction began in June on The Villages at Johnstown, a 250-acre mixed-use development east of I-25 that will be built on land annexed by **Johnstown** in 2000. Once complete, the development is expected to include 319 homes, 26 acres of light industrial development, and 100 acres of commercial and retail development. The project will be built over a period of several years.

- According to the National Compensation Survey by the Bureau of Labor Statistics in the U.S. Department of Labor, the salary for workers in the **Fort Collins-Loveland** metropolitan area averaged $20.38 an hour during October 2005. White-collar workers represented 58 percent of the work force and averaged $25.08 an hour. Blue-collar workers represented 23 percent of the work force and averaged $16.46 an hour. The remainder of the work force, those who work in service occupations, earned an average of $9.95 an hour. The Bureau of Labor Statistics surveyed 175 firms with 41,500 workers in the area; 73 percent of the firms surveyed were private firms.

- Research Data Design (RDD), Inc., a market research data collection company based in Portland, Oregon, opened a new call center in Fort Collins in July. Between 15 and 20 jobs will be created immediately. The company plans to hire between 165 and 250 people. RDD conducts business-to-business and consumer research through telephone interviews for Fortune 500 companies.

- Advanced Micro Devices, a computer processor manufacturer, announced plans to relocate its Longmont plant to Fort Collins by the end of the year. About 105 of the firm's 180 employees will move with the plant. The remaining 75 employees will either relocate elsewhere or be laid off.

EASTERN PLAINS

By Jason Schrock

Table 8

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	2006 Thru June
Employment Growth /1	-1.4%	0.4%	3.6%
Unemployment Rate	4.8%	4.7%	4.5%
Crop Price Changes /2			
Winter Wheat	-9.2%	0.6%	43.1%
Corn for Grain	13.7%	-7.7%	10.6%
Alfalfa Hay	1.2%	16.3%	37.9%
Dry Beans	1.7%	-39.3%	NA
State Crop Production Growth /2			
Sorghum production	25.6%	-36.9%	5.9%
Corn for Grain	16.8%	0.1%	-8.0%
Sugar beets	30.1%	-0.6%	6.4%
State Cattle and Calf Inventory Growth /2	4.2%	6.0%	8.9%
Retail Trade Sales Growth /3	5.5%	4.2%	12.4%

NA = Not Available

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

2/ Colorado Agricultural Statistics Service. Crop production based on projections for 2006 compared to actual 2005 production.

3/ Colorado Department of Revenue. Year-to-date through May.

The eastern region continued to show mostly positive economic indicators overall in the first half of 2006 and consumer spending in the region remains robust. However, hot and dry conditions are affecting the region's farmers. Table 8 shows economic indicators for the region for 2004 and 2005 and year-to-date results through June 2006.

Employment in the region increased 3.6 percent in the first half of 2006 and the unemployment rate was 4.5 percent in June, lower than the average of 4.7 percent in 2005. Yuma County reported the lowest unemployment rate in the region at 2.9 percent. It was one of only three counties statewide with a June unemployment rate below 3.0 percent. Crowley, Otero, and Prowers counties had the region's highest June unemployment rates of 6.9, 7.4, and 6.8 percent, respectively.

Consumer spending in the region, as measured by retail trade sales, continues to greatly exceed the statewide pace, jumping 12.4 percent during the first half of 2006. Eleven of the sixteen counties in the region saw double-digit increases. The largest increases were reported in Bent, Cheyenne, Crowley, Lincoln, and Yuma counties. However, Washington and Kiowa counties experienced a decline in retail sales during the same time period. The region's retail trade sales growth was 4.2 percent in 2005.

Some of the state's spring and summer crop results are projected to be lower than the 2005 season due to the state's hot and dry conditions. Colorado's agriculture counties expect a 50 to 75 percent reduction in wheat and alfalfa harvests this year. Corn production is also expected to decline from last year. However, farmers were receiving significantly higher prices for these crops in June of 2006 compared to June of 2005. Sorghum and sugar beet production is not expected to be significantly impacted by the weather conditions as both crops are projecting an increase in production over last year. There are 45 counties in Colorado designated as agriculture disaster areas. Farmers and ranchers in the 45 counties are eligible for low-interest federal loans and delayed tax payments.

Recent Economic News:

- Oliver Manufacturing, a seed equipment manufacturing company, has moved from Rocky Ford to a former food distribution center in La Junta to allow for more growth, efficiency, and a larger staff than its current 35 employees. Oliver Manufacturing plans to consolidate all of its manufacturing operations this year at the La Junta location and its offices will move there in 2007. Oliver Manufacturing makes seed separating machines.

- Colorado Blue Ribbon Foods, a burrito-manufacturing plant that will produce ready-to-eat wraps and burritos for food stores across the nation, opened in Rocky Ford. The plant is expected to employ 200 people in about two years. Both the seed equipment manufacturing company and the burrito manufacturing company are welcome news to the Lower Arkansas Valley after Neoplan USA closed its bus manufacturing plant in Lamar and the Bay Valley Foods plant shut down in La Junta. Combined, the closings caused the loss of about 420 jobs.

- An $80 million expansion of the Lamar power plant by the Arkansas River Power Authority is underway. The expanded plant will switch to coal from gas and diesel as its fuel source due to rising gas prices. The plant is scheduled to be operational at the end of May 2008 and is expected to employ 25 to 30 full-time employees. The plant's expansion is in response to the electric power industry's shortage of adequate transmission in the area. Many of the anticipated 120 to 180 construction jobs needed for the project will come from the local work force.