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NATIONAL ECONOMY

By Jason Schrock

The national economy has shown mixed results recently. The overall economy continued to slow in the third quarter of 2006, caused mainly by the weakening housing market. However, consumer spending, the largest driver of the nation's economy, continued to be strong. Falling energy prices and rising wages should continue to bolster consumer spending through the holiday season. Although there are some weaknesses in the nation's job market, notably in construction and manufacturing, it continues to be positive overall with the unemployment rate falling in October to its lowest point in five years. Further, although the risk that high energy prices will apply pressure on all prices has currently subsided, the risk of increasing inflation remains due to higher wages, a strong job market, and slower productivity.

The preliminary estimate of growth in inflation-adjusted gross domestic product **(GDP)**, or the value of all goods and services produced in the U.S., is 1.6 percent for the third quarter of 2006. This represents the slowest rate of growth since 2003. The GDP figure shows that the slowdown in the national economy that began in the second quarter continued into the third quarter as expected. GDP growth in the second quarter was 2.6 percent. The slower growth was largely caused by a significant decline in spending on residential construction. It fell 17.4 percent in the third quarter – the largest such contraction in more than 15 years. September was the sixth consecutive month that saw a drop in construction spending, the longest span of weakness in residential construction in more than a decade.

The once booming **housing market** continues to show signs of weakening and represents the nation's largest economic concern. Since the booming housing market was an important component in the nation's economic recovery, the economy could likewise be negatively impacted by the housing downturn. Eight of the last ten contractions in the housing market were followed by a recession.

In addition to the decline in residential construction, other data confirms the weakening of the housing market. For example, existing home sales were down 14.2 percent at a seasonally adjusted rate in September from a year earlier, according to the National Association of Realtors. Further, existing median home prices declined 2.2 percent in September from a year earlier. Some areas of the country experienced larger declines, such as in certain markets in Florida and around Washington DC, where prices fell around 10 percent. The September median home price decline followed another year-over-year price decline in August, the first year-over-year price decline since 1995. There have been no sustained year-over-year price declines nationwide for longer than two months since the National Association of Realtors began tracking prices in 1968.

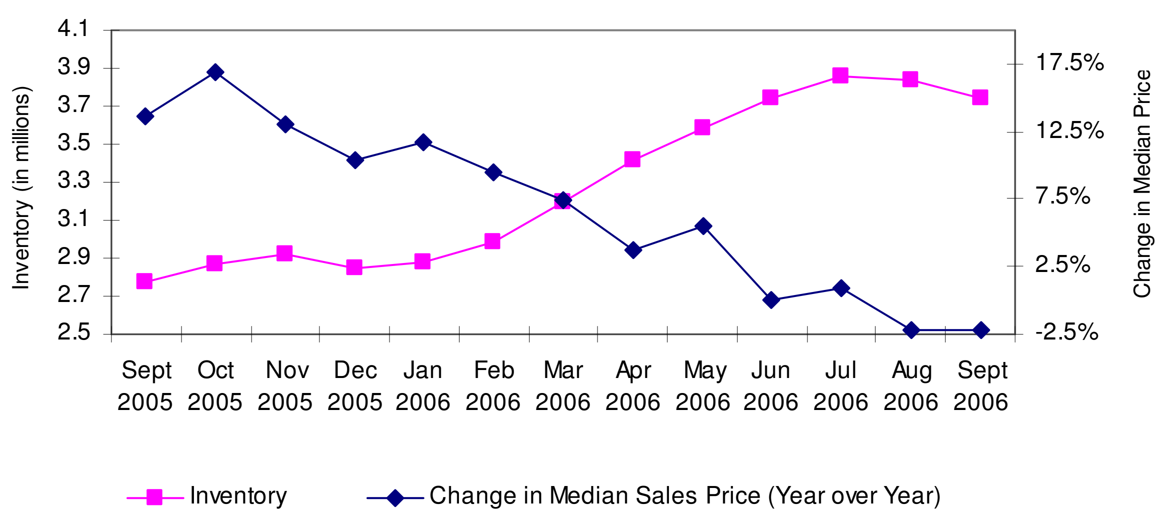
The declining prices nationally can be partly attributed to a slackening of demand for homes, which is causing rising inventories. Figure 1 shows the trends in the level of the inventory of existing homes for sale and the year-over-year percent change in the median existing home price since September of 2005 according to figures from the National Association of Realtors.

The weakening housing market is having a negative impact on the construction and financial services industries, as well as on building suppliers, and a decline in these industries could ripple through other areas of the economy. A housing market slump is also a concern because it may reduce consumer confidence and spending. Consumers felt wealthier in recent years due to rapidly increasing home values and have been tapping into their equity to fuel spending. Since the full impacts of a downturn in the housing market will take time to come to fruition, the scope and duration of the impacts are not yet known.

Also, some areas of the country may experience more negative impacts than others. However, because interest rate increases have moderated and gas prices have dropped, the risk that a weakening housing market will erode consumer spending is lower than in past months.

It is important to note that the National Association of Realtors expects inventory levels to come down in the near future, which should reduce downward pressure on prices. It is also noteworthy that the *National Association of Home Builders Housing Market Index*, which represents homebuilders' perception of the current and future market for new single-family homes, stabilized in October after eight consecutive monthly declines. Although the index remains at a relatively low level, the association attributed the stabilization to a moderation in interest rates, lower energy prices, stronger consumer confidence, and a healthy job market.

Figure 1: Inventory of Existing Homes for Sale and Median Sales Price (September 2005 to September 2006)



Source: National Association of Realtors

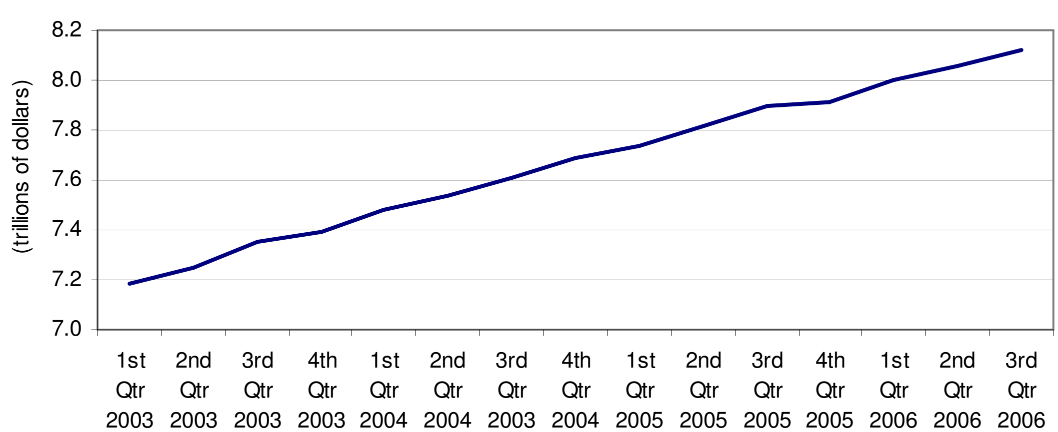
Despite slowing GDP growth and the weakening housing market, **consumer spending** was strong in the third quarter of 2006. Consumer spending increased 3.1 percent, compared to 2.6 percent in the second quarter. Consumer spending is the driving-force of the U.S. economy, making up about 70 percent of economic activity. Thus, GDP growth could have slowed even further in the third quarter without the higher level of consumer spending. Particularly noteworthy is that spending on durable goods increased 8.4 percent, after declining 0.1 percent in the previous quarter. This may indicate that consumers felt somewhat upbeat about future economic conditions during the quarter as they were more comfortable buying big-ticket items.

Consumer spending is one of the main factors that has propelled the nation's economy during its expansion. Figure 2 shows the sustained increases in consumer spending since 2003. Rising wages, a significant drop in gas prices, and a moderation in interest rates bodes well for healthy consumer spending continuing into the holiday season, especially if retailers cut prices this season in order to attract shoppers, as has been speculated.

Nonfarm employment increased by 92,000 jobs in October. Although the number of jobs added was less than expected, the number of new jobs added in August and September was revised significantly upward. For those two months combined, the economy generated 139,000 more jobs than previously estimated. So far this year, the economy has added an average of 147,000 jobs per month, and it has added six million jobs since the employment trough in August of 2003. The **unemployment rate** fell to a five-year low of 4.4 percent. This indicates that the slowdown in the economy has not impacted employers and workers overall.

In October, job growth continued in several service-providing industries, while employment declined in manufacturing and construction. Professional and business services employment grew by 43,000 in October, with gains in management and technical consulting services and in business support services. Health care employment continued to grow in October, especially in nursing and residential care facilities and in hospitals. Health care-related employment increased by 23,000 jobs overall, and over the year, health care employment has increased by 302,000 jobs. The leisure and hospitality sector also

Figure 2: Personal Consumption Expenditures (Inflation-Adjusted)



Source: Bureau of Economic Analysis,
U.S. Department of Commerce

experienced strong gains (35,000), led by an increase of 26,700 jobs in food services and drinking establishments.

As another indicator of the weakening housing market, the construction industry lost 26,000 jobs in October. The largest construction-related decline occurred for residential specialty trade contractors. Jobs in this sector declined by 30,700. Since its most recent peak in February, the number of residential specialty trade contractor jobs has declined by 99,000. Other industries related to the housing market, such as real estate and furniture makers, also shed jobs in October.

A weak industry for workers continues to be manufacturing. The industry shed 39,000 jobs in October and has lost jobs in all but seven months since the beginning of 2005. Of particular note is factory jobs at automakers and auto parts suppliers, which fell to their lowest level in 14 years in October, as the sector lost another 14,700 jobs. Employment in the retail trade industry is also notably weak. General merchandise stores lost 11,000 jobs in October. Since its most recent peak in August of 2005, employment in general merchandise stores has fallen by 100,000.

Although employment in the **manufacturing sector** continues to be weak, its output continues to expand modestly. However, the *Institute for Supply Management's (ISM) Purchasing Managers Index* shows that the manufacturing sector has been slowing for three consecutive months. The ISM index fell to 51.2 in October after slipping to 52.9 in September. This is the lowest level since June 2003. However, a reading above 50 indicates the sector is still expanding. The lower reading was caused by persistent high raw material prices and a decline in new orders. The index implies a slowdown in factory employment, industrial production, and factory goods shipments and orders.

Personal income increased 0.5 percent in September, similar to all the monthly increases thus far for 2006. Personal income was up 5.7 percent in the third quarter of 2006. Although this reading is lower than the increases in the first and second quarter, it is close to the average for all of 2005. Also, disposable personal income, or personal income after taxes, increased a significant 0.8 percent in September, adjusted for price changes, mostly due to declining energy prices. However, the personal savings rate remained negative in September, as consumers continued to spend more than they earn in income by borrowing, using cash from the sale of assets, or by tapping into their savings. Wages and salaries, which represents over half of personal income, has continued its recent increasing trend, after showing sluggish gains through most of the current economic expansion. Wages increased by 0.5 percent in September, and are up 3.9 percent in the past 12 months.

Inflation, as measured by the consumer price index, fell 0.5 percent in September due to a large decline in energy prices, which decreased 7.2 percent. However, the core index, which excludes the more volatile food and energy prices, increased 0.2 percent, the same rate as in August. The core rate increase year-over-year is 2.9 percent. This is up from 2.1 percent in March and represents the highest core inflation rate since February of 1996. Thus, since the Federal Reserve indicates that its comfort zone for core CPI is between 1.5 to 2.5 percent, the trend of higher core inflation may be a cause of concern. The Federal Reserve has left short-term interest rates unchanged since the end of June.

One relatively new inflation concern is rising wages coupled with slower productivity. While labor costs are up over the past year by 5.3 percent according to the U.S. Department of Labor – the largest increase since 1982 – productivity is slowing. The amount of output per hour of work was flat in the third quarter, and over the past four quarters, productivity has risen by only 1.3 percent, the weakest increase since a 1.1 percent rise in 1997. Companies may pass their higher payroll costs on to consumers by raising prices. Thus, rising wages, though beneficial to workers in the short term, may reduce buying power over time. Further, in the long term, slower productivity, coupled with an expected decline in the number of U.S. workers, could cause the nation's economic growth potential to decline.

COLORADO ECONOMY

By Natalie Mullis

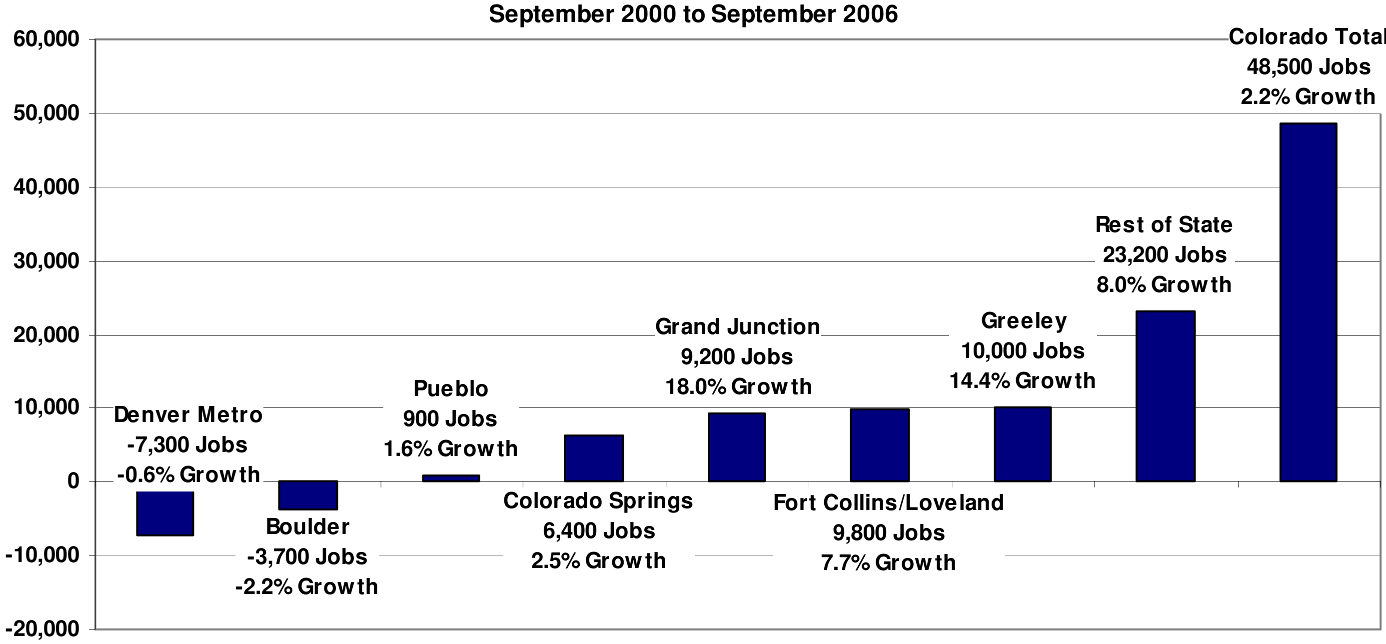
Colorado's economy continues to expand at a healthy, yet moderate, pace. Employment, consumer spending, and nonresidential construction are increasing at rates suggestive of a mature expansion. Housing is a concern; the number of single-family permits is dropping and the pace of home appreciation is slowing.

After increasing 2.1 percent in 2005, **nonfarm employment** in Colorado increased 2.2 percent year-to-date through September. Colorado's unemployment rate fell to 4.4 percent in September. The state added an average of 3,600 jobs per month in 2006, and has regained all of the jobs it lost during the recession plus an additional 32,200 jobs, on a *seasonally adjusted* basis.

Much of the economic recovery that brought these jobs, however, has been concentrated in areas of the state other than the Denver Metro and Boulder areas. Figure 3 shows the change in employment in metropolitan areas around the state and for the state as a whole between September 2000 and September 2006, on a *not-seasonally-adjusted* basis. The Denver Metro area reported 7,300 jobs less in September 2006 than was reported six years ago in September 2000. The Boulder area was still short 3,700 jobs. Through September, employment was up 1.9 percent in the Denver Metro and Boulder area and 2.5 percent in the rest of state. Those areas with the largest employment growth over the last six years, Grand Junction and Greeley, are the only metropolitan areas whose employment levels never turned down during the recession.

Jobs have moved outside of the Denver-Aurora-Boulder region as local economies in other areas of the state have experienced strong growth. The western slope economy is expanding rapidly as a result of ongoing increases in the production of oil and gas. The mountain, southwest, and southern regions of the state are showing healthy growth as baby boomers retire there, tourism flourishes, and more second homes are built. These sources of growth are heavily dependent on the service industries, which have fueled job growth statewide during the recovery. Recent gains in the labor market are expected to continue with on-going benefits from the oil and gas boom, a growing advanced technology sector, and continued federal defense spending. These factors,

Figure 3
Total Change in Nonfarm Employment
September 2000 to September 2006



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 2.0 percent in 2007. Colorado's **unemployment rate** is expected to average 4.5 percent in 2006, and rise slightly to 4.6 percent in 2007.

After increasing 6.2 percent in 2005, **personal income** in Colorado increased 6.8 percent in the first half of 2006, compared with the first half of 2005. After a 5.7 percent increase in 2005, wages and salaries increased 8.4 percent in the first half of 2006. Wages and salaries increased at double-digit rates in several industries through the first half of 2006: 20.8 percent in mining; 20.3 percent in arts, entertainment, and recreation; 13.2 percent in construction; and 11.9 percent in finance and insurance. Government saw the lowest increase, at 3.5 percent. Personal income and wages are expected to continue to show relatively strong growth over the next few years. Personal income will increase 6.7 percent in 2006 and 6.2 percent in 2007, while wages and salaries will increase 7.1 percent in 2006 and 6.2 percent in 2007.

Consumer spending in Colorado is measured by spending at the state's retail stores and restaurants. Through August, **retail trade sales** increased 6.6 percent compared with the same time period in 2005. Although the figure suggests strong growth, it has been skewed higher because it includes spending on gasoline. As can be seen in the regional sections, heady growth has been experienced on the western slope, in the mountain region, and in the San Luis Valley and southwestern mountains. Steady employment and wage growth will help buoy sales throughout the remainder of the year, and consumer spending will increase 6.3 percent in 2006.

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 during the first half of 2006, particularly a 25 percent jump in gasoline prices, also contributed significantly to the rise. Finally, prices for apparel jumped 14 percent. Inflation is expected to be 3.4 percent in 2006, and fluctuate between 3.2 percent and 3.5 percent throughout the forecast period.

The number of **housing permits** decreased 10.5 percent through September, with permits for single-family homes down 17.7 percent. After years of weak market indicators, there is renewed interest in the multi-family housing market. Permits for multi-family homes are showing a 38.3 percent increase through September. Higher mortgage rates, a large supply of homes on the market, and the high cost of single-family housing in Colorado, coupled with declining vacancy rates for apartments, has prompted speculators to look to the apartment market for construction opportunities. Overall, the housing market is expected to undergo a small correction over the next three years before recovering in 2009.

The value of **nonresidential construction** activity is up 22.7 percent through September, compared with the first nine months of 2005. The increase has been broad-based, with most sectors reporting growth over 2005 figures. Notably, the value of permits has more than doubled for hotels and service stations and shown strong growth for manufacturing plants (49.1 percent), public buildings (46.6 percent), and amusement facilities (46.0 percent). Though the first three quarters of the year was strong, the second half will be considerably slower, resulting in a small decrease overall in 2006. Slower growth in the second half of the year is expected because a single, large permit that was taken out last year in October for the expansion of the Intel plant in El Paso County. The value of nonresidential construction activity will decrease 2.9 percent in 2006 and be relatively flat in 2007, increasing 0.4 percent. However, growth will increase to 4.0 percent in 2008.

The state's economy is expected to continue growing at a moderately healthy pace through 2007, fueled by Colorado's advanced technology, defense, tourism, and natural resource industries. Concerns related to inflationary pressure and trouble in the housing market remain, but the economy appears to be headed for a soft landing rather than a prolonged and severe downturn.

METRO DENVER

By Tom Dunn

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

	2004	2005	2006 Thru September
Employment Growth /1	0.8%	2.0%	1.9%
Unemployment Rate	5.7%	5.1%	4.3%*
*(Unemployment Rate in September)			
Housing Permit Growth /2	23.2%	-4.3%	-10.4%
Growth in Value of Nonresidential Const. /3	19.3%	6.8%	-9.3%
Retail Trade Sales Growth /4	4.6%	3.7%	4.7%

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

2/ U.S. Census.

3/ F.W. Dodge; excludes Broomfield County.

4/ Colorado Department of Revenue; data through August 2006.

The economy in the metro Denver region increased at a modest pace through the first three quarters of 2006. Nonfarm employment increased 1.9 percent, compared with the same period in 2005. The region's unemployment rate was 4.3 percent in September, down from an average of 5.1 percent in 2005. Consumer spending, as measured by sales in the retail trade sector, increased 4.7 percent through August.

Activity in the construction sector declined through September. A glut of existing homes on the resale market, combined with higher interest rates in 2006, led to a 10.4 percent drop in housing permits. Permits for multi-family housing units increased by 48.9 percent. The multi-family sector has been improving. The apartment vacancy rate peaked at 13.1 percent in early 2003. The vacancy rate during the recent third quarter was 6.7 percent, the lowest in five years. However, the large increase in multi-family building permits was not enough to offset a 21.4 percent decline in permits for single-family homes.

The value of nonresidential construction permits decreased 9.3 percent within the region. The decline is entirely attributable to a 78 percent fall, accounting for nearly $300 million, in construction permits for hospital facilities. This sector has been highly volatile in recent years. The other major sectors within nonresidential construction have posted solid gains in 2006.

Recent Economic News:

- An expected surge in high-income households will lead Merrill Lynch to hire at least 15 additional financial advisers over the next two years. The number of households in the metro area with at least $1 million of investable assets is expected to increase by 64 percent during the next five years, outpacing the national average of 55 percent.

- Northrup Grumman has been one of the region's pacesetters for job expansion in recent years. The company announced that it will build its fourth new office building in Aurora within the past eight years. The new building will house 300 workers. Two-thirds of the workers will be new hires.

- Comcast will add 500 jobs at two call centers in Colorado by the end of 2007. The jobs will be split evenly between existing company facilities in Centennial and Colorado Springs. Comcast will invest $10 million in renovation of the facilities.

- Population growth in the region's northern suburbs led to the opening of a large-scale retail center at Interstate-25 and 144th Avenue. The opening of JCPenney's and SuperTarget stores occurred in early October. The second phase of construction will be complete next fall. Employ ment at the various stores, shops, and restaurants is expected to reach 3,000.

- Federal antitrust regulators gave the go-ahead to Lockheed Martin and Boeing Co. merging their rocket divisions. The initial announcement of the joint venture in 2005 will lead to the eventual creation of up to 1,000 jobs in the area. Boeing Co. will transfer up to 1,000 workers from California. Some local layoffs will occur to eliminate duplication of jobs.

- As perhaps a leading indicator of a technology resurgence in Colorado, as well a burgeoning life-science sector, SVB Silicon Valley Bank will quadruple its Colorado work force with the creation of a central division headquarters office in Broomfield. The company will expand to 60 workers. It provides support to about half of the venture-backed tech and life-science firms in Colorado. The central division will provide support to companies in 28 states and western Canada.

- Expansion and new stores will lead to 100 new jobs at three Sports Authority stores in southeast Jefferson County, Glendale, and Aurora.

- Cornice Inc. laid off 22 workers at its Longmont manufacturing facility. The maker of small data storage hard drives will move manufacturing capacity overseas in an effort to be closer to its major clients.

- Sun Microsystems laid off 42 Colorado workers in September. The company announced a worldwide reduction of 5,000 workers in May. Nearly 500 workers in the state have since been laid off. Sun has been laying off workers for several years as it competes with other major software companies.

- Cirrus Logic Inc. will close its design facility in Boulder in early November. Sixteen of the company's 24 workers will be transferred to Austin, Texas.

- 100 workers were laid off at travel reservation company Galileo. The layoffs came one month after a private equity investor bought the company and are an effort to reduce costs and simplify its business model.

- FedExpress Freight Corp. broke ground in October on a new service center in Commerce City. It will contain 170,000 square feet and have 241 doors for trucks. Its current local facility has only 46,000 square feet and 152 doors. The new facility is expected to open in November 2007. Job gains are expected when the new service center opens and workloads increase.

- Plans for a 505-room, conference resort hotel near Denver International Airport were announced in late September. The hotel will have 13 stories and contain 68,000 square feet of meeting space. It is part of the $1.5 billion, 1,800-acre High Point development.

COLORADO SPRINGS

By Ron Kirk

Table 2
Colorado Springs Economic Indicators
El Paso County

	2004	2005	2006 Thru September
Employment Growth /1	1.4%	1.8%	1.9%
Unemployment Rate *(Unemployment Rate in September)	5.7%	5.3%	4.6%*
Housing Permit Growth /2	28.8%	3.6%	-28.1%
Growth in Value of Nonresidential Const. /3	-5.7%	141.5%	108.0%
Retail Trade Sales Growth /4	10.3%	5.2%	7.0%

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; data through August 2006.

The Colorado Springs economy continued to show mostly positive economic indicators through September. The region is showing moderate growth in employment and retail trade, along with healthy growth in the nonresidential construction sector. However, potential upcoming job cuts reported by a recent employer survey and a weakening housing market in the region could contribute to a slowing economy in the future. Table 2 shows key economic indicators for the region since 2004.

Employment in the region showed a moderate increase of 1.9 percent through September. However, the rate was lower than the statewide growth rate of 2.2 percent. Much of the weakness in the local job market is occurring in the professional and business services sector, notably workers such as consultants, accountants, and attorneys. In addition, a loss of manufacturing and technology jobs has already affected some of the region's larger employers and is expected to continue well into 2007. Meanwhile, certain service industries such as military-software development and financial services may see future growth.

The region experienced strong growth in consumer spending and in nonresidential construction. Consumer spending, measured by retail trade sales, continued to increase significantly through September, surging ahead at a 7.0 percent growth rate. The value of nonresidential construction also continued to increase significantly, jumping 108.0 percent through September with most of the growth coming from educational buildings, amusement-related facilities, and health-related centers.

Higher interest rates and lower demand continued to contribute to a slowdown in the Colorado Springs housing market. According to the U.S. Census Bureau, permits filed for residential construction decreased 28.1 percent through September. Lower demand for housing and the region's high foreclosure rate could contribute to lower home values for the region. This year, the sharp September decline in the residential housing market will place the industry on track to build the fewest number of homes in nearly a decade. One of the region's largest home builders and developers, Colorado Springs-based Classic Cos., has laid off some of its staff as sales volumes are down 30 to 40 percent.

Recent Economic News:

- Comcast Corporation plans to open a customer service call center in northwest Colorado Springs that will initially hire 40 to 50 people and expand the operation to employ 400 workers within the first three years of operation. Comcast will spend $10 million on remodeling and equipment for the Colorado Springs call center and another center in Centennial. The call center will provide technical-support calls for Comcast's cable television and high-speed Internet service and open by the close of the year.

- Ford Motor Credit will add 250 jobs at its Colorado Springs customer service center as part of a company consolidation plan.

- J.C. Penney will build a third store in the First & Main Town Center that will employ 125 to 150 people. Construction on the 103,000 square-foot building will begin in December and is expected to open in Fall 2007.

- Lowe's home improvement chain will open a new store in the Citadel Crossing shopping center in late 2007 or early 2008. The chain will be one of the new tenants in the 502,000-square-foot retail center which currently has a 60 percent tenant vacancy rate.

PUEBLO — SOUTHERN MOUNTAINS

By Josh Harwood

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

	2004	2005	2006 Thru September
Employment Growth /1	-0.2%	1.1%	3.6%
Unemployment Rate	7.0%	6.4%	5.1%*
*(Unemployment Rate in September)			
Housing Permit Growth /2 Pueblo County Only	-4.8%	-3.4%	19.4%
Growth in Value of Nonresidential Const. /3 Pueblo County Only	-17.5%	-48.0%	45.1%
Retail Trade Sales Growth /4 2006 Retail Trade is YTD through August	6.8%	5.3%	7.6%

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 exhibited heavy positive momentum through the third quarter of 2006 after mixed results in 2005. All indicators were positive with particularly strong construction figures. Table 3 shows annual economic indicators for the region for 2004 and 2005, and year-to-date results through September 2006.

Employment growth throughout the region increased 3.6 percent through the first nine 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 5.1 percent in September 2006. Pueblo, the largest county in the region, had an unemployment rate of 5.3 percent in September. 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 September at 3.7 percent. Retail trade sales through August 2006 exceeded the statewide pace and surpassed the region's growth rate for 2005. The region experienced retail sales growth of 7.6 percent so far this year. Growth was widespread, as every county but Pueblo experienced double-digit growth.

Construction activity has been particularly strong after consecutive weak years in 2004 and 2005. Housing permit growth in Pueblo County continues to show significant increases – especially compared to national trends – growing by 19.4 percent through September 2006. Pueblo West remains the center of most residential construction activity. A weaker segment of Pueblo's economy has been the nonresidential construction sector, though the value of nonresidential construction has been strong this year, increasing 45.1 percent through September 2006 compared to the same period in 2005.

Recent economic news:

- Several positive job announcements were made in the last two months. Atlas Pacific announced that it will move a California plant to Pueblo, bringing more than 20 new jobs to the area. Additionally, Adam Aircraft, L.B. Foster Rain, and Timberline Steel indicated that each will expand operations in the area over the next year. Overall, a recent survey by Manpower showed that employers expect to hire at a modest pace during the fourth quarter of 2006.

- Construction of the $20 million Cingular Wireless call center in Pueblo remains on schedule, and the company announced that 136 employees will begin taking calls on December 4. The company said that it received nearly 2,000 applications for the $10 per hour jobs.

SAN LUIS VALLEY AND SOUTHWEST REGION

By Ron Kirk

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 September
Employment Growth /1	2.1%	1.4%	3.7%
Unemployment Rate	5.3%	5.1%	3.7%*
*(Unemployment Rate in September)			
Crop Price Changes /2			
Barley (U.S. average)	8.0%	-16.5%	22.0%
Alfalfa Hay	1.2%	16.3%	29.8%
Potatoes	2.1%	80.4%	-6.1%
Fall Potato Production (Cwt) /2	-0.7%	-6.4%	NA
Housing Permit Growth /3			
Alamosa County	22.2%	-39.4%	-15.6%
La Plata County	-8.1%	-1.4%	-17.5%
Growth in Value of Nonresidential Const. /3			
Alamosa County	43.6%	-44.1%	-22.4%
La Plata County	-25.2%	-83.2%	730.3%
Retail Trade Sales Growth /4	9.3%	7.3%	11.5%

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.

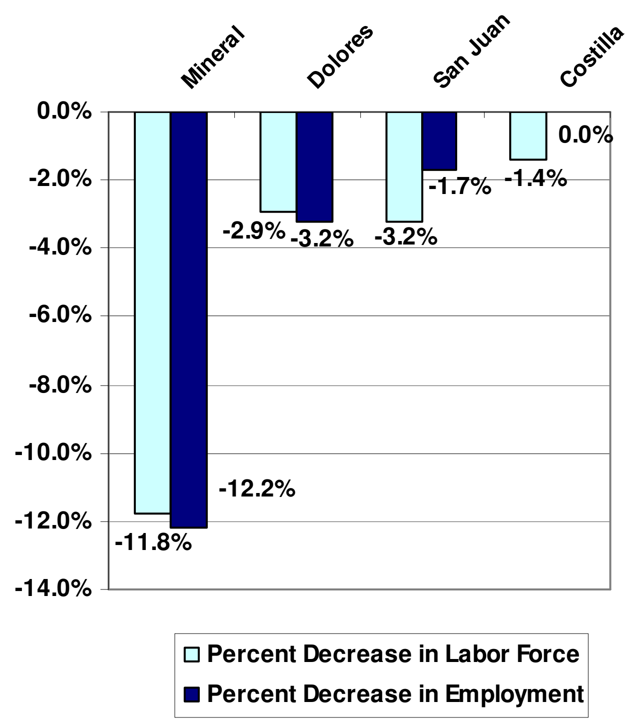
3/ F.W. Dodge.

4/ Colorado Department of Revenue; data through August 2006.

The San Luis Valley and southwest region's economy continued to grow at a moderate rate despite a decline in residential construction in Alamosa and La Plata counties. Employment increased 3.7 percent through September, compared with the first nine months of last year. The region's unemployment rate dropped from an average of 5.1 percent in 2005 to 3.7 percent in September. Meanwhile, retail sales increased 11.5 percent through September, compared with 7.3 percent growth in 2005. Table 4 shows key economic indicators for the region.

Although employment is growing at a healthy rate on average for the region, some counties are experiencing drops in employment. As shown in Chart 1, Dolores, San Juan, and Mineral counties have all experienced decreases in employment through September. Costilla County had no change in employment. Unemployment rates in these counties did not change substantially because the decrease in employment was offset by a corresponding decrease in the labor force.

Chart 1. Percent Decrease in Employment and Labor Force Select Counties



The economic indicators for residential construction show declines in La Plata and Alamosa counties but were mixed for nonresidential construction. According to F.W. Dodge, housing permits decreased 17.5 percent in La Plata County and 15.6 percent in Alamosa County through September. However, the value of nonresidential construction in La Plata County showed significant growth during the same time period. The growth in nonresidential construction was largely due to the construction of food stores, hospitals, religious facilities, and a new 55,000-square-foot mixed-use development project in Durango which is expected to be completed in December.

Recent Economic News:

- Xcel Energy selected SunEdison, the nation's largest photovoltaic contractor to build an eight-megawatt solar electric farm in the San Luis Valley near Alamosa. The farm will be the nation's largest solar farm and will be capable of providing power to 2,600 homes. The project is estimated to cost $60 million and be online before the end of 2007.

- The community of Romeo, in Conejos County, will expand the capacity of its municipal wastewater treatment facility. The expansion is estimated to cost almost $600,000 and will be mainly funded with a state grant and a loan from the Colorado Water Resources and Power Development Authority Board.

MOUNTAIN REGION

By Todd Herreid

Table 5
Mountain Region Economic Indicators

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

	2004	2005	2006 Thru September
Employment Growth /1	1.5%	3.2%	4.2%
Unemployment Rate	4.9%	4.3%	3.5%*
*(Unemployment Rate in September)			
Housing Permit Growth			
Eagle, Pitkin, & Summit Counties/2	-26.5%	39.1%	-7.9%
Routt County/3	-10.9%	34.0%	-6.8%
Growth in Value of Nonresidential Const. /2			
Eagle, Pitkin, & Summit Counties	243.4%	11.2%	100.8%
Routt County	154.9%	-10.3%	136.6%
Retail Trade Sales Growth /4			
2006 Retail Trade is YTD through August	8.6%	8.8%	13.8%

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; data through August 2006.

The mountain region continues to exhibit relatively strong economic activity, especially in terms of job growth and retail trade sales. While residential housing is showing signs of weakness, nonresidential construction activity is booming. Table 5 displays selected economic data for the region.

Employment in the region increased 4.2 percent in the first nine months of 2006 compared with the same period in 2005. Job growth was greatest in Routt, Lake, and Eagle counties, with Routt County leading the region at 6.2 percent. Slower growth occurred in Summit, Grand, and Chaffee counties, where employment grew at rates between 1.6 and 2.3 percent. Meanwhile, the region's unemployment rate dropped from 3.6 percent in August to 3.5 percent in September, after averaging 4.3 percent in 2005.

On the negative side, housing permits declined in some areas of the region. In Eagle, Pitkin, and Summit counties, housing permits decreased 7.9 percent through September, although the value of those permits rose almost 8.0 percent. In Routt County, permits were down 6.8 percent. In contrast, the value of nonresidential construction increased at robust rates through September. The value of nonresidential construction more than doubled in Routt County, going from $11.1 million through September 2005 to $26.3 million through September 2006. Much of the increase was due to a new $12 million county courthouse in Steamboat Springs, which is expected to open sometime in 2007. In Eagle, Pitkin, and Summit counties, the value of nonresidential construction doubled through September 2006.

Retail trade sales in the region increased 13.8 percent through August, compared with statewide growth of 6.6 percent. The fastest growth was recorded in Clear Creek County at 21.8 percent, while the slowest growth was recorded in Chaffee County at 8.5 percent.

***Recent economic news*:**

- Aspen's seasonal housing program that is subsidized and run by the city may be facing a severe shortage this year. Many workers are paying thousands of dollars up front to reserve rooms, with one-bedroom units renting for as much as $1,400 per month. The Pitkin County Housing Authority is drafting a proposal to loosen rules to make it easier for people who own deed-restricted housing to rent extra bedrooms.

- Vail is also facing housing problems for its full-time and seasonal workers. Because second-homeowners are buying many of the lower-priced homes in the area, the price of affordable housing for people working in the area is increasing. The town council is considering several options, such as requiring developers to provide on-site affordable housing, imposing impact fees, or providing financial assistance.

- American Airlines is adding fall flights from Dallas/Fort Worth to Eagle. Outside of winter, the only commercial flights arriving in Eagle come from Denver via the United Airlines shuttle service. The Vail Valley Chamber and Tourism Bureau will compensate American Airlines if they do not make a certain amount of money from the additional flights.

- Frontier Development Company plans to build 300 homes along the South Platte River southwest of downtown Fairplay. This will double the town's existing housing stock. Prices will start around $200,000.

WESTERN REGION

By Todd Herreid

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

	2004	2005	2006 Thru September
Employment Growth /1	3.3%	4.9%	7.4%
Unemployment Rate	4.9%	4.5%	3.2%*
*(Unemployment Rate in September)			
Housing Permit Growth			
Mesa County 2/	-2.4%	-3.0%	10.1%
Montrose County 3/	34.0%	22.4%	11.2%
Growth in Value of Nonresidential Const. /3			
Mesa County	0.1%	287.8%	-57.0%
Montrose County	109.4%	-54.9%	97.3%
Retail Trade Sales Growth /4	8.4%	10.5%	16.3%

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 August 2006.

The western region continues to be the fastest growing region in the state based on employment and retail trade sales growth. Jobs were up 7.4 percent through September, compared with growth of 4.9 percent in the prior year. Similarly, retail sales were up 16.3 percent, compared with statewide growth of 6.6 percent. Table 6 displays economic indicators for the region.

The unemployment rate dropped to 3.2 percent in September 2006, down from an average of 4.5 percent in 2005. Ongoing exploration, drilling, and production of natural gas pushed job growth to 7.4 percent through September. Garfield, Rio Blanco, and Ouray counties experienced the fastest job growth, each reporting double-digit employment growth.

Construction indicators were mostly positive in the first nine months of 2006. Based on data from F.W. Dodge and the Census Bureau, the number of housing permits increased 11.2 percent in Montrose County and 10.1 percent in Mesa County. In addition, the value of nonresidential construction almost doubled in Montrose County. The only negative indicator was a 57.0 percent reduction in the value of nonresidential construction in Mesa County; although this was mostly due to several large construction projects that began last year for colleges and universities in the area.

Consumer spending in the region, as measured by retail trade sales, increased 16.3 percent through August 2006. Every county in the region, except San Miguel, experienced double-digit growth. The fastest growth rates were recorded in Rio Blanco, Garfield, and Gunnison counties, while San Miguel had the slowest at 7.0 percent.

Recent Economic News:

- Timber Creek Homes, Inc., a high-end manufacturer of prefabricated homes, is expected to open a new manufacturing plant west of Fruita. The firm anticipates hiring up to 100 employees when the project is completed next spring.

- While thousands of natural gas wells have been drilled in the Piceance Basin in western Colorado in the past three years, the Paradox Basin in western Montrose County could see expanded oil and gas development in the coming years. The Paradox Basin is one of the least explored and developed areas of the state; however, this could change if natural gas prices remain at or above $5 per million British thermal units.

- Mesa County's housing market remains strong because of continuing demand from buyers and a shrinking supply of available homes. The average sales prices for a home in the county rose from $190,000 one year ago to more than $211,000 today.

NORTHERN REGION

By Tom Dunn

Table 7
Northern Region Economic Indicators
Weld and Larimer counties

	2004	2005	2006 Thru September
Employment Growth /1			
Larimer County	2.2%	2.0%	1.8%
Weld County	2.8%	2.7%	3.6%
Unemployment Rate			
Larimer County	4.6%	4.3%	3.6%*
Weld County	5.4%	5.0%	4.0%*
*(Unemployment Rate in September)			
State Cattle and Calf Inventory Growth/2	4.2%	6.0%	17.8%
Housing Permit Growth /3			
Larimer County	7.1%	-14.8%	-25.2%
Weld County	10.4%	-2.2%	-25.0%
Growth in Value of Nonresidential Const. /4			
Larimer County	197.9%	-56.4%	71.7%
Weld County	34.1%	-35.8%	60.4%
Retail Trade Sales Growth /5			
Larimer County	3.5%	5.7%	6.5%
Weld County	14.3%	8.9%	7.9%

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

2/ Colorado Agricultural Statistics Service. Cattle on feedlots on October 1, 2006

3/U.S. Census.

4/ F.W. Dodge.

5/ Colorado Department of Revenue; data through August 2006.

Most economic indicators point to a healthy economy in the northern region. Employment gains are solid, particularly in Weld County. Retail trade sales growth in Larimer County is just below the statewide gain, while sales growth in Weld County is more than a percentage point higher than for the state. Preliminary data indicated that personal income advanced 5.2 percent in each county in 2005.

While the general perception of the economic health of the northern region is good, concerns for the housing market, particularly in Weld County, cloud this perception. Housing permits in each county are down 25 percent. The weakness is particularly evident for single-family permits with declines of 37 percent and 30 percent in Larimer County and Weld County.

Weld County, with one of every 136 households in foreclosure in August, had the dubious top ranking in the country. This translated to nearly 1,400 foreclosures in the county. Cooling home prices and rising interest rates for homeowners facing adjustable rate mortgages are the leading culprits for the high number of foreclosures. An Office of Federal Housing Enterprise Oversight report indicated that resale prices for existing homes in the Greeley area fell slightly over the past year. Greeley was one of only seven metro areas in the country with a decline. A domino effect will likely push home prices down even further. Meanwhile, the Fort Collins-Loveland metro area ranked in the bottom 20 nationally for price appreciation over the past year.

Recent Economic News:

- Ace Hardware opened a new store in Fort Lupton in October. The store employs 15 workers.
- The Town of Windsor approved the annexation of a 1,400 acre parcel. Long-term development of the property will include 510 acres for industrial space, 300 acres for 2,000 homes, 67 acres of retail, and 300 acres of parks and open space.
- American Furniture Warehouse opened a 530,000-square-foot showroom and distribution facility in early November. The store is in Firestone at the southeast corner of Interstate-25 and Colorado Highway 119. The store employs 300 workers and contains two restaurants to serve customers.
- Group Publishing laid off 21 workers at its Loveland location. The company provides materials and other resources for churches. It employed

EASTERN PLAINS

By Josh Harwood

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 September
Employment Growth /1	-1.4%	0.4%	4.5%
Unemployment Rate	4.8%	4.7%	3.8%*
*(Unemployment Rate in September)			
Crop Price Changes /2			
Winter Wheat	-9.2%	0.6%	45.0%
Corn	13.7%	-7.7%	31.6%
Alfalfa Hay	1.2%	16.3%	29.8%
Dry Beans	1.7%	-39.3%	6.5%
State Cattle and Calf Inventory Growth /2	4.2%	6.0%	14.6%
Retail Trade Sales Growth /3	5.4%	5.4%	9.3%

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. Compares October 2006 to October 2005. Crop production based on projections for 2006 compared to actual 2005 production.

3/ Colorado Department of Revenue; data through August 2006.

Colorado's eastern plains experienced a banner year through September, as economic indicators are universally positive. Employment growth, consumer spending, and agricultural indicators all displayed significant growth over 2005 figures. Table 8 shows economic indicators for the region for 2004 and 2005 and year-to-date results through September 2006.

Employment in the region increased 4.5 percent in the first three quarters of 2006 and the unemployment rate was 3.8 percent in September, lower than the average of 4.7 percent in 2005. Cheyenne County had the lowest unemployment rate in the region at 2.7 percent, while Crowley County had the region's highest September unemployment rate of 6.8 percent.

Consumer spending in the region, as measured by retail trade sales, continues to greatly exceed the statewide pace, jumping 9.3 percent through August 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 Kit Carson counties experienced a significant decline in retail sales during the same time period. The region's retail trade sales growth was 5.4 percent in 2005.

Prices for several crops jumped in the third quarter of 2006. Winter wheat, corn, and alfalfa hay prices were all at least 29 percent higher than a year ago. Additionally, dry bean prices, increased modestly in 2006 following a nearly 40 percent drop in 2005.

Recent economic news:

- Former employees of bus-manufacturer Neoplan have started a bus repair, re-manufacture, and re-powering company. The new company, Colorado Bus Works, is already refurbishing used buses and hopes to have 60 local employees by the end of next year.

- Expansion of the region's ethanol producing capabilities is set to continue with several projects in different stages of development. In Yuma County, construction on a $60 million plant is underway, while plans are in the works for another plant that is twice that size. Additionally, expansion plans are already beginning for a $52 million plant in Sterling, and officials and investors are mulling plans for three more plants in the area.