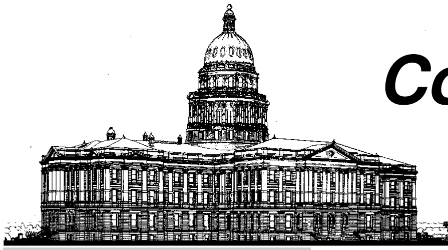


Colorado Economic Chronicle

Published by
the Legislative Council Staff of the Colorado General Assembly

May 11, 2007

Mike Mauer
Chief Economist

Marie Garcia
Staff Assistant

Inside this issue:

NATIONAL ECONOMY

By Natalie Mullis

While the U.S. economy continues to expand at a moderately healthy rate, its rate of expansion is slowing and there is some evidence that it may be reaching its peak. Slower growth is occurring for gross domestic product (GDP), consumer spending, employment, personal income, and wages. Much of this is the result of a deepening contraction in the housing market. Meanwhile, inflationary pressures continue to mount, although the slowdown in the rate of economic growth appears to have moderated some of that pressure during the first quarter of 2007.

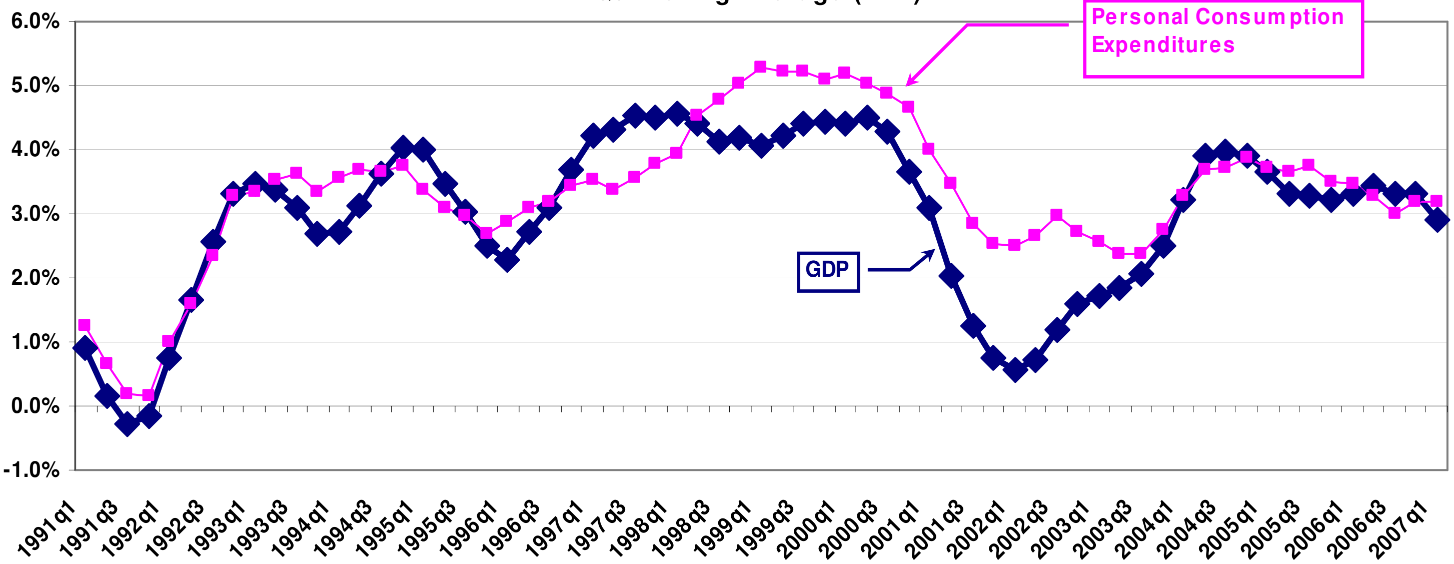
Chart 1 shows the 4-quarter moving average of the growth rate of inflation-adjusted **GDP and consumer spending** over the last two economic cycles. Although GDP increased at a rate of 2.9 percent over the last four quarters, the trend seems to be flattening. The dip in the first quarter of 2007 is a result of a relatively slow annualized growth rate of 1.3 percent in that quarter, down from 2.5 percent in the fourth quarter of 2006. The growth that did occur was driven by consumers, who spent at an annualized rate of 3.8 percent, down from 4.2 percent in the previous quarter.

The housing slowdown is responsible for much of the drag; after having decreased 4.2 percent in 2006, residential fixed investment is down 16.7 percent over the first quarter of 2006. Some of the decrease in residential fixed investment could be because there was a spike in residential construction during the first quarter of 2006 after Hurricane Katrina. The trade balance was also a drag in the first quarter of 2007. Although growth in nonresidential fixed investment remains positive at 3.2 percent over the first quarter of 2006, it has slowed from its overall pace of 7.2 percent in 2006.

Employment growth is also beginning to decelerate. As shown in Chart 2, growth in employment over the same month in the prior year has dipped below the 12-month moving average growth rate since June 2006. After increasing 1.9 percent in 2006, nonfarm employment increased 1.5 percent through April compared with the first four months of 2006. The economy has averaged an additional 129,500 new jobs each month so far this year. During the same time period last year, a monthly average of 224,000 jobs were added.

Although slowing from growth rates seen in early 2006, **personal income** and **wages and salaries** continue to show healthy growth. *Personal income* increased 5.5 percent and *wages and salaries* increased 4.7 percent in the first quarter of 2007, compared with the first quarter of 2006. Although the

Chart 1
Growth in Real GDP and Personal Consumption Expenditures
4-Qtr Moving Average (BEA)

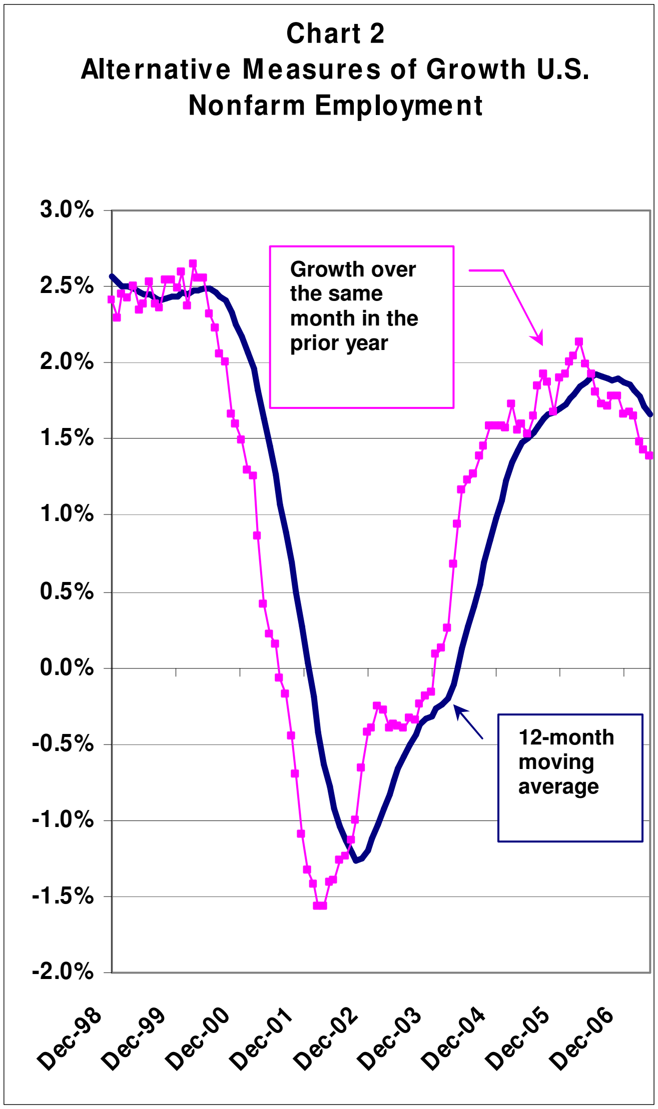


BEA reported that **consumer spending** increased at a moderately healthy rate during the first quarter of 2007, Chart 3 shows that retail sales growth is showing signs of weakness. After increasing 6.2 percent in 2006, retail sales increased 3.0 percent year-to-date through March, compared with the first three months of 2006. After adjusting for inflation, retail sales increased 0.7 percent during the same period. Just like the trend in employment, growth in retail sales over the same month in the prior year has dipped below the 12-month moving average growth rate since June 2006.

Meanwhile, the Conference Board's **consumer confidence** index is beginning to show signs of weakness. The overall index decreased from 111.2 in February to 108.2 in March and to 104.0 in April. The part of the index that measures how consumers feel about the present decreased for the first time in several months in April, but remains at a level indicating fairly high confidence. The part of the index that measures how they feel about future conditions continued to deteriorate in April, and the gap between how consumers feel about current conditions and how they feel about future conditions is at a historically high level.

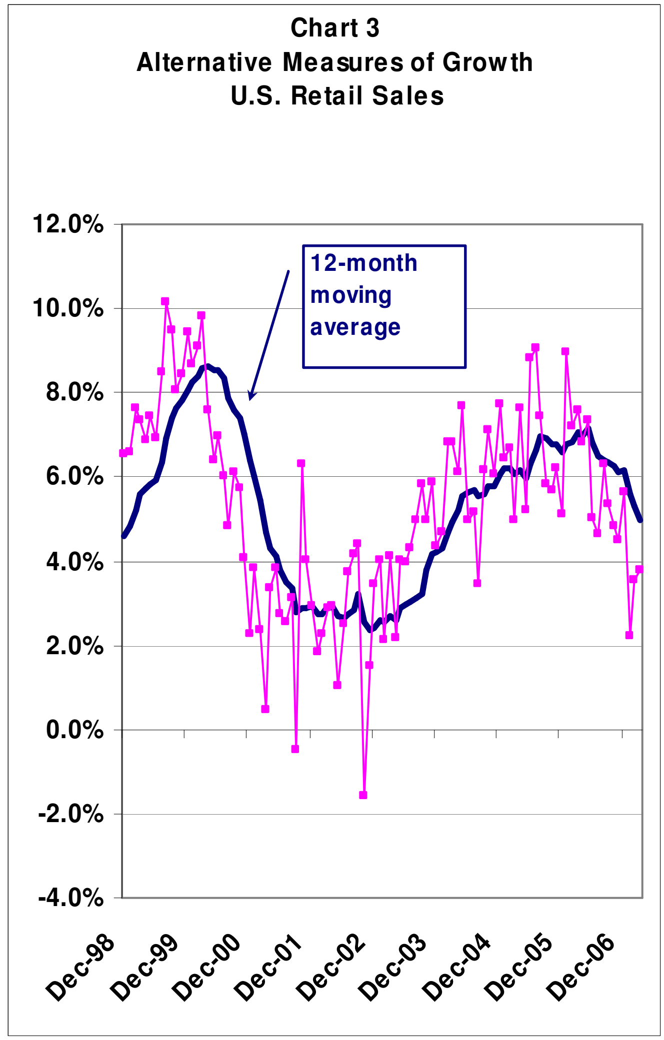
The strength of the consumer over the next six months will be influenced by what happens in the **housing market** over the summer and into the fall. For now, the housing market continues to show weakness but, as yet, appears to be experiencing a soft landing. After decreasing 8.0 percent in 2006, *existing home sales* are down 6.6 percent through March, compared with the first quarter of 2006. The median price of an existing home is down 1.4 percent in the first quarter of 2007, compared with the same time period in 2006. *New home sales* decreased 17.7 percent in 2006 and 23.3 percent through March. The median price of a new home, however, continues to rise with a 2.8 percent increase during the same period. New home prices tend to react to the economy at a slower rate than existing home prices, because contracts tend to be agreed upon before the home is actually built. *Housing starts* decreased 30.6 percent year-to-date through March, compared with the first quarter of 2006, after decreasing 12.4 percent in 2006.

Inflation pressure is slowly building, although slower growth during the first quarter of 2007 may have moderated that pressure somewhat. After increasing 3.2 percent in 2006, the *consumer price*



index increased 2.4 percent during the first quarter of 2007, compared with the first quarter of 2006. Average hourly earnings increased 4.8 percent in 2006 after a 4.1 percent increase in 2005. Productivity is decelerating; after increasing 2.1 percent in 2005 and 1.6 percent in 2006, productivity increased 1.1 percent in the first quarter of 2007, compared with the first quarter of 2006. Meanwhile, the Energy Information Administration expects gasoline to average $2.95 per gallon this summer, up from $2.84 last summer.

The **manufacturing** sector continues to show moderate strength, although it experienced some bumps in late 2006 as a result of a fairly broad inventory correction, production cuts in the automobile sector, and weakness in the housing market. The *Institute for Supply Management's Purchasing Manager's Index,* indicates that the inventory correction may be over for now with an increase from 50.2 in March to 54.7 in April. A value above 50 indicates an expanding manufacturing sector.



Colorado Economy

By Jason Schrock

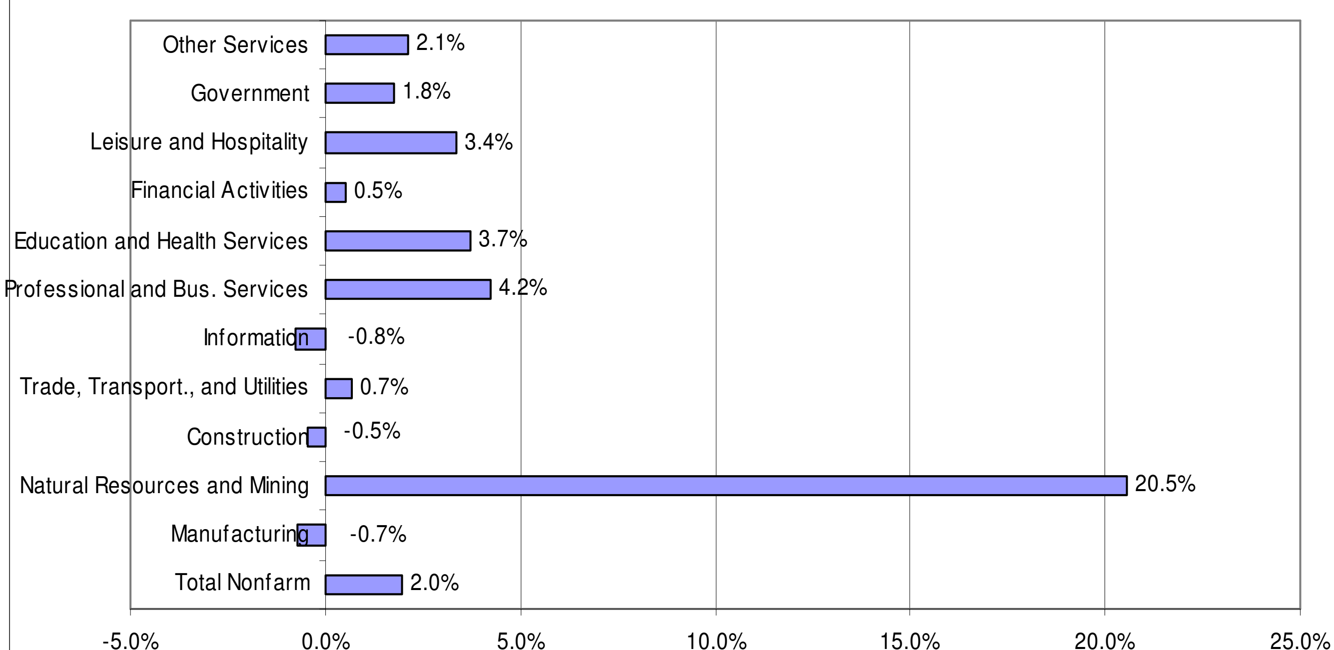
After a solid year in 2006, Colorado's economy continued to expand in the first quarter of 2007. However, employment growth has slowed and the single-family housing market continues to be weak, which could become a cause of concern in the future.

The condition of the state's employment situation is an important indicator of the economy's health. Although employment continues to be positive, job growth has slowed in recent months as it has nationally. **Nonfarm employment** increased 2.0 percent in the first quarter of 2007, after posting 2.4 percent growth in 2006. Despite some slowing in hiring, Colorado's unemployment rate is low and continues to fall – it was a seasonally-adjusted 3.6 percent in March, after posting a 4.3 percent rate in 2006.

Chart 4 shows the percent change in industry employment through the first quarter of 2007 over the same time period in 2006. Continuing the trend from recent years, Colorado shed manufacturing jobs and information sector jobs. In contrast, natural resources and mining continued to add jobs at a very strong pace – mostly in support positions – due to higher energy prices driving increases in exploration and drilling. Further, the broad professional and business services sector – a sector which has been a major contributor to the state's recent expansion – continued to post employment growth in the first quarter. However, the sector lost 2,400 jobs in March, the largest monthly decline since June of 2002. Workers in this sector, which range from administrative assistants to research scientists, comprise over 17 percent of the state's total private, nonfarm workforce. The leisure and hospitality sector also added jobs at a healthy clip, indicating that the state's tourism and outdoor recreation industries remain strong.

Despite the contraction in the housing market, growth in the labor market is expected to continue in most sectors – though at a lower rate.

Chart 4
Employment Percent Change in Selected Colorado Industries



- Nonfarm employment is expected to grow 2.1 percent in 2007.

- Colorado's unemployment rate is expected to average 4.4 percent in 2007.

After increasing 6.2 percent in 2005, **personal income** in Colorado increased 6.5 percent in 2006, the 15th fastest growth rate in the nation. Colorado's per capita income was $39,186 in 2006, which ranked 8th among the states. However, it ranked 35th in growth in per capita income from 2005 to 2006. **Wages and salaries** – which comprise roughly 60 percent of personal income – increased 7.4 percent in 2006. In 2005, wages and salaries increased 5.7 percent. Wages and salaries increased at double-digit rates in several industries reflecting both job growth and wage growth: 40.6 percent in utilities; 20.0 percent in mining; 11.3 percent in construction; 11.1 percent in the management of companies and enterprises; 10.5 percent in professional and technical services; and 10.4 percent in transportation and warehousing.

- Personal income is projected to increase 6.7 percent in 2007, and wages and salaries will increase 6.5 percent in 2007.

Consumer spending is a major driving force of the state's economy. Consumer spending in Colorado is measured by spending at retail stores and restaurants. Although **retail trade sales** make up only about one-third of consumer spending (the rest is spending on services), it still presents a useful measure of the health of the economy. Retail trade sales slowed as 2006 drew to a close, likely due to adverse weather conditions along the Front Range. The year ended with a 5.7 percent increase over 2005 levels. However, sales picked up in the beginning of 2007, possibly due to pent up demand after the lower spending at the end of 2006. Sales increased 6.3 percent through February compared with the same time period in 2006.

- Retail sales growth is expected to slow in 2007 to 5.4 percent, as consumers cut back due to high debt levels, high energy prices, and reduced optimism about home values and other economic conditions. Slower appreciation of home values and a weaker housing market overall are expected to temper spending.

Inflation in the Denver-Boulder-Greeley area was 3.6 percent for 2006, the highest mark since 2001. In 2005, inflation was 2.1 percent. The core index – which excludes the more volatile food and energy prices – was even higher, posting a 4.0 percent increase. The housing component, which is based on the local rental market and makes up over 40 percent of the index, increased after experiencing declines since 2003. A sharp 25 percent jump in gasoline prices in the first half of 2006, which moderated during the second half, also contributed to the rise. Finally, prices for apparel jumped 19.3 percent.

- Inflation in 2007 is expected to be similar to 2006 due to continuing pressure from higher energy prices, housing rental costs, and wages. Inflation will be 3.5 percent in 2007.

The number of **housing permits** issued in the state is continuing a downward trend that started at the beginning of 2006 – a telling indicator of the housing market's contraction in Colorado. Permits were down 34.0 percent in the first quarter of 2007 over the same time period in 2006, driven by a 40.7 percent decline in permits for single-family homes. Chart 5 shows the monthly decline (year-over-year) in single-family permits from June 2005 to March 2007.

For further evidence of the weakening housing market, sales of existing homes in Colorado were down 12.5 percent in the fourth quarter of 2006 compared with the same period in 2005, according to the National Association of Realtors. However, this decline in sales was not as steep as in some states, such as Arizona (-26.9 percent), California (-21.3 percent), Florida (-30.8 percent), Nevada (-36.1 percent), and Virginia (-26.2 percent).

In addition, the median sales price of single-family homes has recently shown year-over-year declines. According to data from the Colorado Association of Realtors, the median price of single-family homes sold in March was 12.4 percent lower than in March of 2006, after declining 5.0 percent in February.

Adding to the concern surrounding the housing market is the high foreclosure rate in the state, which is expected to continue in 2007. Colorado posted the nation's highest foreclosure rate for much of 2006, and the state had the second highest foreclosure rate among states in March.

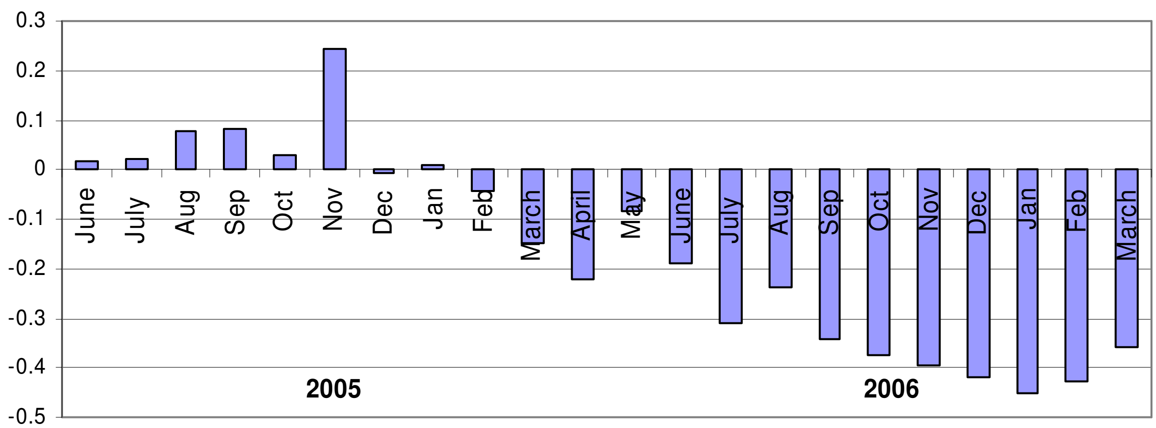
The high rate is being driven in part by rising interest rates on adjustable-rate mortgages (ARMs) and other similar types of mortgages. There has also been problems in the "sub-prime" housing market, which offers loans with higher interest rates that are generally offered to riskier borrowers. Many sub-prime loans are also structured so that interest rates rise after a period of time. Because many of these loans have yet to require higher interest payments from borrowers, the high foreclosure rate will likely continue. A high rate of foreclosure increases the inventory of homes on the market, resulting in further downward pressure on prices. Also, lenders are beginning to tighten their credit requirements due to the increase in foreclosures and changes in government lending requirements, which could further slow the housing market.

Meanwhile, multifamily permits declined 8.5 percent in the first quarter of 2007, following a positive 2006, when permits for multi-family homes increased 38.1 percent. As the single-family housing market falters, demand for rental properties increases.

- Overall, the single-family housing market is expected to undergo a correction over the next couple years before recovering in 2009. The single-family housing market will continue to languish because of rising interest rates and a high inventory of homes for sale. However, the number of multi-family permits is expected to grow, despite the slight slowdown in the first part of 2007. An increase in foreclosures coupled with the relatively high cost of single-family housing in Colorado will increase the demand for apartments.

The value of **nonresidential construction** activity decreased 37.3 percent in the first quarter of 2007 after increasing 2.1 percent in 2006 and experiencing more significant growth in the prior two years. The

Chart 5
Monthly Change in Single-Family Home Permits in Colorado, June 2005 to March 2007 (Year-over-Year)



Source: U.S. Census Bureau

decline was mostly caused by declines in the construction of manufacturing plants and schools and colleges. However, the value of permits in the commercial sector – the largest nonresidential construction sector – was positive, posting a 9.1 percent increase. Growth in this sector was driven by robust increases in office and bank buildings and warehouses, which offset declines in garage and service stations, hotels and motels, and stores and food service facilities.

- The value of nonresidential construction activity will experience a slight decline in 2007 decreasing 1.1 percent. However, the nonresidential sector will grow moderately again in 2008, posting a 3.6 percent increase.

In summary, the state's economy is expected to continue to grow in 2007 – though at a slower rate than in 2006. Continued growth in Colorado's major employment sectors and growth in wages and salaries should be strong enough to override the contraction in the housing market. Overall, the economy appears to be headed for a soft landing.

However, there are risks to the health of the state's economy. Declines in industries related to the housing market, such as construction, financial services, and real estate could ripple through the overall economy. Consumer confidence and spending could decrease more than expected as a result of the weak housing market, especially if the high level of foreclosures causes home values to further stagnate or decline. Also, consumers with high debt levels and low savings rates may reduce spending and higher gas prices could impact consumer confidence and reduce spending on other goods. These factors could dampen spending and slow the economy's growth.

METRO DENVER

By Ron Kirk

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

	2005	2006	Year- to date Thru March 2007
Employment Growth /1	1.9%	2.1%	1.9%
Unemployment Rate	5.1%	4.4%	4.0%
Housing Permit Growth /2	-4.3%	-14.5%	-32.1%
Growth in Value of Nonresidential Const. /3	6.8%	-13.4%	-14.6%
Retail Trade Sales Growth /4	3.7%	4.1%	5.1%

NA = Not Available.

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

2/ U.S. Census Bureau.

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

4/ Colorado Department of Revenue; data through February 2007.

The performance of the metro Denver economy during the first quarter of 2007 was mixed. Nonfarm employment increased 1.9 percent through March 2007 as compared to 2.1 percent in 2006. The region's unemployment rate continued to decline in March to 4.0 percent as compared to 4.4 percent in 2006. In addition, retail trade sales advanced 5.1 percent through February. On the negative side, housing permits declined by 32.1 percent along with a decline of 14.6 percent in the value of nonresidential construction permits. Table 1 shows economic indicators for the region.

On the job front, a recent Manpower Employment Outlook Survey indicates that Denver area employers are expected to hire at a vigorous pace during the second quarter of 2007. However, job prospects seem a little less bright compared with the first quarter employer expectations. Job prospects seem best in construction, durable goods manufacturing, wholesale/retail trade, finance, insurance, real estate, and public administration.

A large supply of homes on the resale market, combined with higher interest rates and foreclosures may have contributed to a decline of 32.1 percent for housing permits through March 2007. Despite the decline in housing permits, housing sales in Denver are improving. In April, 6,173 homes sold, which was 6.2 percent above April sales in the prior year. April's home sales represent about 16 percent of the metro area's housing inventory.

The spring increase in housing sales does not yet seem to be affecting housing prices. For April 2007 metro Denver home sales, the median price was $248,000, down about 1 percent from April sales in the prior year. Condos sales for April 2007 showed greater declines in prices. The median price for a metro Denver area condo in April was $148,900, down 5.4 percent from $157,400 in April 2006.

The value of nonresidential construction permits decreased 14.6 percent through March within the region. The decline is partially attributable to a 86 percent fall in school and college construction permits. However, other sectors within nonresidential construction, such as hotel and motel construction, posted solid gains for the first three months in 2007.

Recent Economic News:

- Centura Health will build a new hospital in Lakewood called Saint Anthony West. Centura's new $500 million facility will have 301 beds and 900,000 square feet. The hospital will begin to serve patients in mid-2009 and is scheduled to fully open by 2011.

- Comcast Corporation will hire more than 200 employees at its new support center in Centennial by the close of the year. Comcast employees at the Centennial facility will offer technical assistance to the company's small business customers. Wages paid by Comcast will range from $12 to $15 an hour.

- Cabela's Inc. of Sidney, Nebraska, expects to open its new Wheat Ridge store at Interstate 70 and Colorado Highway 58 in the summer of 2008. The $40 million store will employ 400 people and has received $96 million in additional funding from public and private sources (including Cabela's) for traffic infrastructure improvements. Cabela's sells hunting, fishing, camping, and other outdoor gear and apparel.

- Lockheed Martin and Boeing's $2 billion joint rocket venture will call Centennial its new home as the new United Launch Alliance (ULA) gets off the ground. ULA is leasing a building in Centennial and will move staff there next month. ULA will employ anywhere from 1,500 to 1,800 people in the Denver area, both at the Centennial location and other locations.

- Lynx, an airline created by Frontier, will provide short-haul flights using turboprop planes beginning in September. The aviation company established its headquarters in a Westminster business park in December 2006 and employs about 60 people. By the close of 2007, it expects to employ about 400 people and operate about 70 flights daily. The low-cost carrier has ordered 10 Q400 planes, which seat up to 74 people. The company will make 8 to 10 short flights a day.

- Merkle, a Maryland-based marketing agency, recently moved into its new Denver facility and will hire 50 new employees within the next two years. The new positions will include account managers, client leaders, statisticians, database analysts, software developers, and strategic-business analysts. Merkle's clients include Fortune 1000 companies and national nonprofit organizations.

- DriveTime, a chain of used-car dealerships, will open its first Denver-area location on May 17. The dealership is located in Aurora. DriveTime plans to open 15 dealerships in Denver and Greensboro, N.C. and will employ more than 400 workers in both locations.

- Rally Software, a business-to-business Boulder-based technology company, expects to move to a larger office nearby and double its staff over the next year from 60 to 120 employees.

- Veterinary Pet Insurance, based in Brea, California, will open a new facility by the end of May in Denver and will initially employ 25 claims specialists. The company is the nation's oldest and largest provider of pet health insurance.

- Nestle Waters North America Inc, a producer of bottled water, is opening a plant in Denver. The company hired 42 workers and will hire an additional 20 employees by next year. Production will begin in May and salaries will start at $25,000. The 200,000 square-foot facility is located at Denver's Mile High Business Park near I-70 and Peoria Street.

- Kroenke Sports Enterprises will develop two 150,000 square foot office buildings near the Pepsi Center. The development is expected to cost upward of $30 million and Kroenke may break ground in the third quarter of 2007.

- Opus Northwest and Shears Adkins Architects of Denver will build 21 penthouse residences on top of the building it is developing at 1401 Wynkoop Street in Lower Downtown. The Wynkoop residences will range in price from $450,000 to $1.5 million and range in size from 910 to 2,600 square feet.

- IBM will lay off over 150 workers at its Boulder Campus in its Integrated Technology Delivery Organization. After these cuts, IBM will employ about 4,000 people locally. The layoffs are resulting from a strategy that shifts company resources to meet its customers' changing needs. The workforce reduction in Colorado is part of 1,300 job cuts across the United States.

- The Denver Art Museum announced that it will layoff 8 employees and accept resignations of 30 employees in an attempt to reduce operating costs. The layoffs representative 14 percent of the museum's full-time employees.

COLORADO SPRINGS

By Ron Kirk

Table 2
Colorado Springs Economic Indicators
El Paso County

	2005	2006	Year-to date Thru March 2007
Employment Growth /1	2.0%	2.2%	1.1%
Unemployment Rate	5.3%	4.6%	4.4%
Housing Permit Growth /2	3.6%	-34.3%	-42.1%
Growth in Value of Nonresidential Const. /3	141.5%	-18.7%	-20.1%
Retail Trade Sales Growth /4	5.2%	5.1%	6.4%

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

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

3/ F.W. Dodge

4/ Colorado Department of Revenue; data through February 2007.

Economic conditions in the Colorado Springs area were mixed in the first quarter of 2007, as most indicators grew at slower rates than in 2006. Overall job growth is slowing and consumer spending, measured by retail sales, is slightly above the state average. However, its housing market appeared to experience a larger contraction than the state overall. Table 2 shows the economic indicators for the Colorado Springs region.

Nonfarm employment increased 1.1 percent through the first quarter of 2007 and the region's unemployment rate was 4.4 percent in March. Retail trade sales in El Paso County increased 6.4 percent through February 2007, compared with the 6.3 percent statewide average. Consumer spending through February was above the 5.1 percent average for 2006.

Home construction fell sharply in the first quarter in the region while foreclosures soared. New home permits fell 42.1 percent through March over the prior year. If the first quarter trend continues, El Paso County will see the lowest annual total for building permits in the past 12 years. The declining trend in building permits is likely being affected by the inventory of unsold homes in the region. The dismal housing market posted an inventory of 6,052 unsold homes in April 2007. The inventory reflects a 26.1 percent increase over the prior April. Inventory levels fell short of the record inventory of 6,200 unsold homes in 1988. Meanwhile, April sales totaled 896, down 15.5 percent over prior year monthly sales.

In addition to unsold homes, El Paso County's 828 foreclosures in the first quarter of 2007 were 41.3 percent higher over the same period last year. At this rate, foreclosures may reach 3,000 by the year's end. The 2007 foreclosure levels may approach those filed in 1987 and 1988, some of the worst years for the housing industry. Although it should be noted that this level represents a smaller percentage of the overall market than it did 20 years ago. However, there may be a glimmer of light indicating the market will stabilize. Some Colorado Springs builders believe the housing market will turn around in the latter half of the year.

Residential construction is an important component of the local economy due to the large number of carpenters, framers, drywallers, plumbers, and electricians who work in the industry. In addition to the tradesmen who are dependent on the housing industry, the slump may also result in a decline in sales of furniture, building materials, and landscaping materials.

Nonresidential construction dropped 20.1 percent in the first quarter of 2007. The decline was primarily due to school and college construction. The region saw significant growth in the value of commercial and government nonresidential construction.

Recent Economic News:

- Builders and soldiers are working together to build residential housing for some of the soldiers moving to Fort Carson from the 4th Infantry Division from Fort Hood, Texas. In total, about

$1.7 billion in construction will occur at Fort Carson over the next three years. Recently, GMH Military Housing broke ground on a 404-unit housing development. The three-year, $124 million project will include single-family homes for senior officers and multiple-family homes for junior enlisted soldiers' families. Fort Carson is also renovating 481 existing homes for junior enlisted personnel.

- The Colorado Springs Airport will see new hotel development beginning this summer. Airport officials are receiving bids to develop a 25-acre site in the airport's business park for a full-service hotel with up to 300 rooms. The hotel development will include meeting space, restaurants, and other amenities and will open in 2009.

- Aerospace Corporation and Northrop Grumman Corporation have begun construction on offices in the airport business park. The projects are expected to last 10 years and bring up to 5,000 new jobs to the region.

- Goodwill industries of Colorado Springs will build its ninth thrift store on the corner of South Circle Drive. Construction of the $6 million, 25,000 square-foot store will begin in December and be funded with tax-exempt revenue bonds. Goodwill will hire up to 40 employees.

- Intel may end production by August at its 900-employee Colorado Springs computer-chip plant. The plant will close if Intel cannot find a buyer.

PUEBLO — SOUTHERN MOUNTAINS

By Todd Herreid

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

	2005	2006	Year-to date Thru March 2007
Employment Growth /1	1.2%	5.1%	2.8%
Unemployment Rate (2007 figure is for March)	6.5%	5.5%	5.0%
Housing Permit Growth /2 Pueblo County Only	-3.4%	10.6%	-46.2%
Growth in Value of Nonresidential Const. /3 Pueblo County Only	-46.6%	632.3%	-76.5%
Retail Trade Sales Growth /4	5.3%	6.0%	1.7%

1/ Colorado Department of Labor and Employment. 2005 data are from the QCEW (ES-202) program. 2006 and 2007 data are from the Current Population Survey.

2/ U.S. Census Bureau.

3/ F.W. Dodge.

4/ Colorado Department of Revenue; data through February 2007.

Pueblo's five-county regional economy exhibited mixed results in the first few months of 2007. The job market was positive; however, residential and nonresidential construction were negative and retail trade was sluggish. Table 3 shows annual economic indicators for the region for 2005 through 2006, and year-to-date results for 2007.

Nonfarm employment growth was up 2.8 percent in the first three months of 2007. Meanwhile, the unemployment rate dropped to 5.0 percent in March from an average of 5.5 percent in 2006 and 6.5 percent in 2005. Pueblo County also had an unemployment rate of 5.0 percent in March. Pueblo's improved employment situation is due to the expansion of the Xcel Energy Comanche Plant and the Pueblo Chemical Depot demilitarization program. The projects are still ramping up and will continue be economic drivers for the region in the near term.
In contrast to the positive employment situation, retail sales were relatively flat in the first two months of 2007. Through February, retail sales increased 1.7 percent, which lagged the statewide average of 6.3 percent growth. In 2006, the region experienced retail sales growth of 6.0 percent. Different counties in the region had widely divergent growth rates: Pueblo and Fremont counties saw retail sales increase 3.7 and 4.2 percent, respectively, while Las Animas County experienced a decline of 21.4 percent. Huerfano County also experienced a drop in retail sales of 2.3 percent.

Similarly, construction indicators were negative in the first three months of 2007. Residential construction, measured by the number of housing permits, dropped by almost 50 percent in Pueblo County. This followed a year in which housing permits increased 10.6 percent. The recent data suggests that Pueblo County is falling more in line with national trends. Much of the increase in permits in 2006 was due to the anticipated growth in the number of military personnel moving to Fort Carson, which has not yet occurred. Up to 10,000 soldiers and 13,000 spouses and children are expected to move to Fort Carson by 2011. Thus, the decline in permits may be short-lived if troops begin to move to Fort Carson.

Nonresidential construction activity is also down. However, the drop is more a statistical anomaly owing to the fact that a large construction permit was taken out for a new manufacturing facility in the first quarter of 2006. Work on a new $200 million cement manufacturing plant began last year for GCC Rio Grande, Inc., and is expected to be completed by the end of 2007.

Recent economic news:

- Huerfano County is experiencing ongoing fiscal issues related to the drop in carbon dioxide production at British Petroleum's Sheep Mountain facility. Production of carbon dioxide has declined from 287 million cubic feet per day in 1989 to 37 million cubic feet per day in 2006.

Property tax revenue from the facility has correspondingly dropped from $2.8 million to $591,000.

- The median price of a home in the Pueblo area decreased to just under $117,000 in March. In 2006 and 2005, the median price of a home was $125,000 and $124,000, respectively. The overbuilding of homes in anticipation of new troop arrivals accounts for most of the decline.

- Best Buy plans to open a new 20,000 square-foot store in Pueblo this fall. The store will be located in the Pueblo Crossing development on the north side of the city. The land is being developed by Orix Development, a Chicago-based company.

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

	2005	2006	Year-to date Thru March 2007
Employment Growth /1	1.4%	5.2%	3.5%
Unemployment Rate	5.1%	4.3%	4.5%
Crop Price Changes /2			
Barley (U.S. average)	1.1%	24.2%	24.2%
Alfalfa Hay	18.8%	37.3%	37.3%
Potatoes	78.7%	-8.0%	-8.0%
Fall Potato Production (Cwt) /2	-6.4%	-1.0%	2.3%
Housing Permit Growth /3			
Alamosa County Only	-39.4%	-2.5%	0.0%
La Plata County	-1.4%	-25.5%	28.3%
Growth in Value of Nonresidential Const. /3			
Alamosa County Only	-44.1%	-22.4%	NA
La Plata County	-82.2%	74.4%	-52.7%
Retail Trade Sales Growth /4	7.3%	9.8%	7.7%

NA = Not Available.

1/ Colorado Department of Labor and Employment. 2005 data are from the QCEW (ES202) program. 2006 and 2007 data are from the Current Population (household) Survey.

2/ Colorado Agricultural Statistics Service. Compares April 2007 to April 2006.

3/ F.W. Dodge.

4/ Colorado Department of Revenue; data through February 2007.

The San Luis Valley and southwest region's economy saw healthy growth in the first quarter of 2007, albeit slower than 2006's accelerated rate. Nonfarm employment increased 3.5 percent through March 2007, compared with 5.2 percent in 2006. The region's unemployment rate also increased slightly from an average of 4.3 percent in 2006 to 4.5 percent in March 2007. The region continues to post strong growth in retail sales. Retail sales growth increased 7.7 percent through February 2007, outpacing the state's growth rate of 6.3 percent. However, the value of nonresidential construction permits declined. Table 4 displays key economic indicators for the region.

Bucking the statewide housing trends that indicate declining home construction, housing permits increased in La Plata County by 28.3 percent.

The value of nonresidential construction permits declined in La Plata and Alamosa counties. Nonresidential construction in La Plata County dropped 52.7 percent compared with growth of 74.4 percent in 2006. However, the Central Business District in Durango is seeing some commercial development. The Jarvis Suite Hotel's 22 rooms will become 22 luxury condos. Other restaurant and commercial remodels are also contributing to the district's economic activities.

For Alamosa County, the value of nonresidential construction permits declined $1.3 million. Most of the decrease occurred in the commercial sector.

Retail sales growth for the region remains healthy at 7.7 percent through February 2007, but has slowed slightly from an average growth of 9.8 percent in 2006.

Recent Economic News:

- SunEdision held a job fair in Alamosa to find up to 50 people in the San Luis Valley to build the largest photovoltaic solar power plant in North America. The $60 million solar project is expected to be completed by the close of the year and will provide power to 1,500 households.

- The financial outlook for Archuleta County is grim as it is looking at a $2.4 million revenue shortfall through the close of 2007. Of the county's 217 positions, 20 employees may lose their jobs.

WESTERN REGION

By Todd Herreid

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

	2005	2006	Year-to date Thru March 2007
Employment Growth /1	4.9%	8.4%	3.0%
Unemployment Rate	4.4%	3.6%	3.4%
Housing Permit Growth			
Mesa County 2/	-3.0%	4.6%	-23.0%
Montrose County 3/	22.4%	-5.3%	29.2%
Growth in Value of Nonresidential Const. /3			
Mesa County	287.8%	-84.2%	-14.0%
Montrose County	-54.9%	-58.1%	123.0%
Retail Trade Sales Growth /4	10.5%	14.2%	13.9%

1/ Colorado Department of Labor and Employment. 2005 data are from the QCEW (ES-202) program. 2006 and 2007 data are from the Current Population (household) Survey.

2/ U.S. Census Bureau.

3/ F.W. Dodge.

4/ Colorado Department of Revenue; data through February 2007.

The western region continues to be one of the fastest growing regions in the state based on employment and retail trade sales growth. Job growth in the region slowed compared with 2006, but it still outpaced the statewide average. Retail sales remain strong, more than doubling the statewide average growth rate. Table 5 displays economic indicators for the region.

Employment in the region expanded by 3.0 percent in the first three months of 2007, which, while healthy, was slower than the 8.4 percent growth recorded in 2006. The region's unemployment rate dropped to 3.4 percent in March, down from 3.6 percent in 2006. Rio Blanco and Delta counties experienced the fastest growth rates at 12.5 percent and 4.6 percent, respectively. Despite the recent boom in oil and gas drilling, Garfield County saw minimal employment growth at 0.3 percent through March 2007.

Construction indicators continue to be mixed in 2007. In Montrose County, housing permits increased 29.2 percent and the value of nonresidential construction rose by more than 100 percent. However, in Mesa County, housing permits dropped 23.0 percent in the first three months of 2007 and the value of nonresidential construction decreased 14.0 percent.

Consumer spending in the region, as measured by retail trade sales, increased 13.9 percent through March. Every county in the region, except Montrose, Moffat, and Gunnison, experienced double-digit growth. Montrose County had the lowest growth rate at 3.1 percent.

Recent Economic News:

- Construction of a new Wal-Mart SuperCenter is scheduled to begin this month in Craig, near the intersection of U.S. Highway 40 and Riverview Avenue. Up to 80 workers are expected to be employed during the construction phase of the project.

- Employers in Garfield County continue to struggle to find enough workers to fill open positions because of high housing costs and relatively low wages. Moreover, the shortage has been accentuated by oil and gas companies who are offering higher wages than other industries in the area.

- Goodwill Industries plans to open a new $5.6 million store in Grand Junction in mid-June. The non-profit company is expected to employ 40 to 50 full- and part-time workers.

- The median price of a home in Grand Junction increased 17.0 percent in the first quarter of 2007. The median price increased to $187,100 from $160,500 in the first quarter of 2006. The growth was the second highest in the country, ranking behind Corvalis, Oregon, where the median price went up 17. 3 percent.

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

	2005	2006	Year-to date Thru March 2007
Employment Growth /1	3.2%	5.2%	3.7%
Unemployment Rate	4.3%	3.6%	2.8%
Housing Permit Growth			
Eagle, Pitkin, & Summit Counties/2	20.9%	12.4%	6.2%
Routt County/3	34.0%	-10.5%	-51.4%
Growth in Value of Nonresidential Const. /2			
Eagle, Pitkin, & Summit Counties	11.2%	-95.4%	42.3%
Routt County	-10.3%	-100.0%	NA
Retail Trade Sales Growth /4	8.8%	12.6%	13.6%

NA = Not Available.

1/ Colorado Department of Labor and Employment. 2005 data are from the ES-202 program. 2006 and 2007 data are from the Current Population (household) Survey.

2/ F.W. Dodge.

3/ U.S. Census Bureau.

4/ Colorado Department of Revenue; data through February 2007.

The economy of the mountain region continues to exhibit healthy growth in 2007. Employment was up 3.7 percent in the first three months of the year. Construction and retail sales were also up. The region's unemployment rate dropped to 2.8 percent in March, which is lower than the 3.6 percent rate recorded in 2006 and substantially lower than the statewide average unemployment rate. Table 6 displays the major economic indicators for the mountain region.

Mountain communities are generally experiencing higher construction activity. Housing permits are up 6.2 percent in Eagle, Pitkin, and Summit Counties; although in Routt County, housing permits are down by more than 50 percent. In addition, nonresidential construction in ski counties is booming. The value of nonresidential construction in Eagle, Pitkin, and Summit counties was up 42.3 percent through March, while Routt County also showed an increase.

Consumer spending, measured by retail trade sales, grew 13.6 percent in the mountain region, far exceeding the statewide average of 6.3 percent. Double-digit growth rates were recorded in most counties in the region, with the exception of Gilpin, Jackson, Chaffee, and Pitkin counties. Gilpin and Jackson counties experienced negative retail sales growth in the beginning of 2007.

Recent Economic News:

- Like the western region, the mountain region is having a difficult time attracting workers. Atlantic Aviation, which runs the private aviation terminal at the Aspen/Pitkin County Airport, normally operates with about 50 employees. This past winter they were short 8 to 10 workers. The company's beginning pay is $14.50 per hour plus benefits. The company attributed the shortage to: more workers moving downvalley for cheaper housing; higher pay offered by oil and gas drilling companies; and new construction job opportunities in the Glenwood and Gypsum areas.

- The rising cost of gasoline is making it more expensive for workers to commute to jobs in Vail, Aspen, and other mountain resorts. A recent survey of workers in Eagle County found that 25 percent lived outside of Eagle County in either Lake, Garfield, or Summit counties.

- Much of the new construction work in Pitkin County is occurring at Snowmass Village. Several projects are underway, including a new 229-room hotel and various bridge and road projects. The first phase of this construction is expected to employ up to 250 people.

- A Chicago-based development group recently began construction on a new condo/lodge in Basalt. The project includes 54 condominium units, which owners can only use for 30 consecutive days. The units will be operated as a luxury hotel when they are not occupied by the owners.

NORTHERN REGION

By Ron Kirk

Table 7
Northern Region Economic Indicators
Weld and Larimer counties

	2005	2006	Year-to date Thru March 2007
Employment Growth /1			
Larimer County	2.0%	1.7%	2.1%
Weld County	3.0%	4.9%	5.4%
Unemployment Rate (2007 figure is for March)			
Larimer County	4.4%	3.9%	3.2%
Weld County	5.1%	4.6%	3.4%
State Cattle and Calf Inventory Growth/2	6.0%	-4.7%	-4.7%
Housing Permit Growth /3			
Larimer County	-14.8%	-17.5%	-65.4%
Weld County	-2.2%	-30.3%	-27.9%
Growth in Value of Nonresidential Const. /4			
Larimer County	-56.4%	72.7%	-20.1%
Weld County	-35.8%	-17.6%	-89.2%
Retail Trade Sales Growth /5			
Larimer County	5.7%	5.2%	5.4%
Weld County	8.9%	7.0%	7.2%

NA = Not Available.

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

2/ Colorado Agricultural Statistics Service. Compares April 2007 to April 2006.

3/U.S. Census Bureau.

4/ F.W. Dodge.

5/ Colorado Department of Revenue; data through February 2007.

Economic indicators reflect a healthy economy in the northern region. The job market is solid, with strong employment gains in Weld County and low unemployment rates in Larimer and Weld counties. Consumer spending, measured by retail sales, also continues to be healthy. Despite the positive economic activity, the market for lower-valued single family homes continues to be poor in the region because of foreclosures. Also, the value of nonresidential construction permits is declining, especially in Weld County. Table 7 displays annual economic indicators for the region.

Nonfarm employment in Weld County increased 5.4 percent in the first three months of 2007, but was not as strong in Larimer County – up 2.1 percent over the same time period. In addition to strong employment gains in Weld County, the unemployment rate dropped to a low of 3.4 percent in March from an average of 4.6 percent in 2006 and 5.1 percent in 2005. Larimer County had an unemployment rate of 3.2 percent in March. The low unemployment rates are causing some concerns of a worker shortage in the region. Northern Colorado area employers expect to hire at a brisk pace during the second quarter of 2007. A recent Manpower Inc. Employment Outlook Survey for the region found that 43 percent of employers plan to add workers, while only 7 percent intend to cut jobs. In contrast, national survey data from 14,000 employers indicates that only 28 percent expect to increase payrolls during the second quarter of 2007.

For the second quarter of 2007, job prospects are best in the construction, durable goods manufacturing, wholesale and retail trade, finance, insurance, real estate, and service sectors. Employers producing non-durable goods plan on reducing staffing levels. Hiring in transportation, utilities, education, and public administration sectors is expected to remain unchanged.

While the overall economic health of the northern region is good, the region's housing market continues to display weakness, especially in the lower-end market. In Fort Collins, building permits for new single family homes were down 50 percent from permits issued last year. By county, housing permits were down 65.4 percent in Larimer County and 27.9 percent in Weld County. Like single family homes, the condo and townhome markets are soft. However, some builders are selling new higher-end single-family homes in the $600,000 to $1 million range.

The nonresidential construction sector of the economy in the region is slowing especially in Weld County. The value of nonresidential construction in Weld County decreased 89.2 percent and Larimer County experienced a 20.1 percent decline.

Despite the housing and nonresidential declines, the region is still enjoying strong sales growth as consumers continue to spend despite higher gasoline prices. Retail sales were up 5.4 percent in Larimer County and 7.2 percent in Weld County through February 2007.

Recent Economic News:

- Research Data Design, a Fort Collins market research call center, will double its work force and hire 100 new full-and part-time employees. The company conducts business-to-business and customer research through telephone interviews for Fortune 500 companies. It plans on paying new workers an average of $8 per hour. Top performers may make up to $12.55 per hour.

- Goodwill Industries is expanding its facilities by building a new 23,000 square-foot building. The new facility will open in August and employ about 50 workers.

- Loveland Locomotive Works, a Fort Collins company that modifies and repairs locomotives, will add 60 full-time workers by the close of the year. The company currently employees 16 people and expects to hire mechanics and electricians to work on the maintenance, repair, and modification of locomotives.

- McWhinney, a Loveland-based development company, will expand its Grand-Station mixed-use development near Loveland that includes retail, restaurants, hotels, residential and entertainment facilities. The company expects to hire an additional 20 employees by the beginning of 2008.

- Big-5, a national chain of sporting goods stores, will add a store in Fort Collins on South College Avenue. Big-5 operates 344 stores in 10 states that sell athletic shoes, clothes, accessories, and outdoor equipment.

- Big R Manufacturing, a Greeley-based company that builds bridges, is expanding its Greeley operation and expects to hire 15 additional employees. The company plans to double its bridge fabrication manufacturing facility to respond to increased product demand.

- The American Red Cross Centennial Chapter, which serves Larimer and eight other counties, laid off eight workers and will close its offices in Greeley and Sterling, Colorado.

- Hancock Fabrics, in Fort Collins, will shutter its doors. The company employs 15 workers.

EASTERN PLAINS

By Todd Herreid

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

	2005	2006	Year- to date Thru March 2007
Employment Growth /1	0.4%	3.0%	1.8%
Unemployment Rate	4.6%	4.2%	3.7%
Crop Price Changes /2			
Winter Wheat	3.1%	15.1%	15.1%
Corn	0.9%	32.7%	32.7%
Alfalfa Hay	16.3%	37.3%	37.3%
Dry Beans	-32.9%	32.1%	32.1%
State Crop Production Growth /2			
Sorghum production			
Corn	-36.9%	0.9%	NA
Winter Wheat	0.1%	-4.6%	NA
Sugar beets	NA	NA	NA
2006 is estimated production for the year.	-0.6%	NA	NA
State Cattle and Calf Inventory Growth /2	6.0%	-6.3%	-4.7%
Retail Trade Sales Growth /3	5.4%	6.7%	0.7%

NA = Not Available.

1/ Colorado Department of Labor and Employment. 2005 data are from the (ES-202) program. 2006 and 2007 data are from the Current Population (household) Survey.

2/ Colorado Agricultural Statistics Service. Compares April 2007 to April 2006.

3/ Colorado Department of Revenue; data through 2006.

Economic indicators were mixed for the region in the beginning of 2007. Jobs continued to expand, the unemployment rate declined, and crop prices were up substantially. On the negative side, cattle and calf inventories were down and retail sales were stagnant. The severe winter snowstorms in December and January caused many ranchers to lose livestock Table 8 displays economic indicators for the region in 2005, 2006, and the first three months of 2007.

Employment in the region increased 1.8 percent in the first three months of 2007 and the unemployment rate declined to 3.7 percent from 4.2 percent in 2006. Yuma County reported the lowest unemployment rate in the region at 2.4 percent, while Crowley County had the region's highest unemployment rate at 7.0 percent.

Consumer spending in the region, as measured by retail trade sales, was well below the statewide average, increasing a paltry 0.7 percent through March 2007. One-half of the sixteen counties in the region saw retail sales decline. Cheyenne County registered the largest percentage decrease at 54.7 percent. However, Phillips, Logan, and Bent counties experienced the fastest retail sales growth; all three recorded double-digit gains. In 2006, retail trade sales grew by 6.7 percent in the region.

Most state crop prices increased, with corn prices accelerating 32.7 percent in April of this year compared with prices one year earlier. The increase resulted in part from the increase in demand for corn-based ethanol. As U.S. renewable energy goals require that more ethanol plants come online, it is likely that corn prices and crop production will increase to meet these energy goals. Along with corn price increases, winter wheat prices were up 15.1 percent, alfalfa hay prices were up 37.3 percent, and dry bean prices were up 32.1 percent.

Recent economic news:

- Elected officials and business owners in Prowers County are considering a proposal to build a 1,500-bed geriatric and special-needs prison. The $75 million facility would create about 350 jobs in the county, which would be owned by either Prowers County or a non-profit entity. The facility would be leased to the Department of Corrections. The county is considering such proposals in response to the closure of Neoplan USA, a bus manufacturer that recently laid-off 300 workers.

- While winter snowstorms caused substantial livestock losses in the region, recent snowstorms are expected to help crop production by improving soil moisture and reducing salt content. Crops already planted, such as onions and alfalfa hay, will be the primary beneficiaries.

- Home sales in Morgan County are down about 29 percent in the first three months of 2007. Adverse weather conditions, higher interest rates, and little new construction accounts for most of the decline.