Colorado Economic Chronicle

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National Economy

By Todd Herreid

The national economy appears to be in another recession. In the first quarter of 2008, the economy grew at an anemic 0.6 percent annual rate, as measured by real **gross domestic product** (GDP). This followed growth in the fourth quarter of 2007 of 0.6 percent. Weakness in housing, employment, business investment and confidence, corporate profits, and consumer confidence contributed to the malaise.

In the first quarter of 2008, GDP growth was mainly attributed to exports of goods and services, inventory rebuilding, and government spending. These sources of growth were offset by continuing weakness in residential housing and consumer spending on non-durable goods. Residential housing investment continued to decline, posting a 26.7 percent slide in the first quarter, compared with a 25.2 percent decline in the fourth quarter. Personal consumption expenditures increased 1.0 percent in the first quarter, compared with an increase of 2.3 percent in the fourth quarter; exports grew 5.5 percent, compared with fourth quarter growth of 6.5 percent; and government spending advanced 2.0 percent, the same rate as in the prior quarter. Although the rebuilding of inventories and increased exports brought on by the falling value of the dollar will continue to boost GDP, the economy is likely to contract in the second quarter of 2008.

Residential housing continues to be extremely weak and is an ongoing source of concern regarding the national economy. On one front, homeowners saddled with higher mortgage payments, declining home values, and shrinking equity from which to borrow are cutting back on spending. On another front, banks and other lending institutions are tightening credit standards, which is making it difficult for some homeowners to refinance, especially those in the most difficult financial situations. Finally, lower income homeowners struggling to make mortgage payments are having to cut back on discretionary expenditures because of higher prices for gasoline and home heating fuel.

New residential construction has slowed considerably as privately-owned housing units authorized by building permits in March were down 5.6 percent from February and 40.9 percent below the March 2007 amount. Additionally, sales of new single-family houses in March were down 36.6 percent below the prior year's level. The volume of new single-family homes for sale continues to be at an all-time high as the national unsold inventory represents a supply of about 11.0 months at current sales levels.

The Conference Board's **consumer confidence** index has declined in seven of the past eight months. Deteriorating labor market conditions and ongoing concerns about the credit crisis caused consumer confidence to decline further in April, with the index dropping to 62.3 from 65.9 in March. With the exception of the start of the Iraq war in 2003, the index is at its lowest level since 1993. Consumers were noticeably more pessimistic about future job prospects, overall business conditions, volatility in the financial markets, and high gasoline prices.

Consumer debt continues to remain high, which could constrain economic growth. The decline in home-refinancing is forcing consumers to place a heavier reliance on credit card use. The Federal Reserve reported that total consumer credit increased 7.2 percent in March after increasing 3.1 percent in February and 5.8 percent in January. Revolving credit, which includes credit card debt, increased at a rate of 7.9 percent in March following gains of 5.0 percent and 7.1 percent in the prior two months, respectively.

In reaction to a slowing economy and intensification of the housing market correction, the **Federal Open Market Committee** cut the target federal funds rate to 2.0 percent on April 30, 2008, which is the overnight rate that banks charge each other when they lend reserves. Also, the Federal Reserve (Fed) announced a new lending tool that will be available to its network of primary securities dealers who are not directly supervised by the Fed. These 20 securities dealers are involved in the Fed's daily money-market lending operations and will now be able to borrow directly from the central bank for at least the next six months. Bear Stearns, which indicated that its liquidity had "significantly deteriorated," is one of the Fed's primary securities dealers. This move is an attempt to calm financial markets and provide needed short-term liquidity to firms holding subprime mortgage securities.

The **labor market** saw job reductions for a fourth consecutive month. In April, the economy lost 20,000 jobs and in March the economy lost another 81,000 jobs. In the first four months of this year, job losses have totaled 260,000, or about 65,000 per month. Although this is certainly a sign of recession, the job losses are relatively mild compared with prior recessions when employment typically dropped by 150,000 to 200,000 per month. Construction and manufacturing experienced job losses of 61,000 and 46,000, respectively, in April. On the positive side, 90,000 jobs were added in service-providing sectors in April. Health care employment grew by 52,000, leisure and hospitality employment increased by 18,000, professional and business services employment increased by 39,000, and public sector employment advanced by 9,000. Some of these gains were offset by a loss of 27,000 jobs in retail trade. The **unemployment rate**, meanwhile, was relatively unchanged in April at 5.0 percent. In March, the unemployment rate stood at 5.1 percent. The unemployment rate one year ago was 4.5 percent.

Data from the **manufacturing** sector continues to provide mixed signals. New orders for manufactured goods increased 1.4 percent in March after decreasing in the previous two months. New orders for durable goods increased 0.1 percent in March after falling in January and February. New orders for nondurable goods increased 2.6 percent in March. Shipments of durable goods declined marginally in March, but shipments of nondurable goods increased. In addition, the number of unfilled orders for durable goods increased 1.1 percent in March.

The rate of **inflation** increased 0.3 percent in March compared with February. In the past twelve months consumer prices have increased 4.0 percent. The core rate of consumer inflation, which excludes food and energy prices, increased 2.4 percent in the past twelve months. Prices for transportation and energy increased at the highest rates, 8.2 percent and 17.0 percent respectively. The producer price index for finished goods increased 1.1 percent in March, but is up 6.9 percent since last March.

COLORADO ECONOMY

By Jason Schrock

Table 1
Statewide Economic Indicators

	2006	2007	YTD thru March 2008
Employment Growth /1	2.4%	2.3%	2.0%
Unemployment Rate (2008 figure is for March)	4.3%	3.8%	4.4%
Personal Income/2	7.0%	6.0%	N/A
Wages and Salaries	6.9%	6.1%	N/A
Housing Permit Growth /3	-15.0%	-22.6%	-30.0%
Growth in Value of Nonresidential Const. /4	2.0%	11.3%	-34.5%
Retail Trade Sales Growth /5	5.5%	6.9%	4.1%

NA = Not Available

1/ U.S. Department of Labor, Bureau of Labor Statistics. 2006 data are from the QCEW program. 2007 and 2008 data are from the CES survey.

2/ Bureau of Economic Analysis.

3/ U.S. Census. Housing permit data represents the total number of housing units (single-family units and units in multi-family structures) authorized for construction.

4/ F.W. Dodge

5/ Colorado Department of Revenue; data through February 2008.

Although there are signs of slowing in Colorado's economy, it continues to outpace the nation, which is either in recession or close to one. The weak housing market, problems in the financial system, and higher food and energy prices appear to thus far not be impacting the economy as severely as other areas of the country. Many states are reporting deteriorating state revenue, especially those where the housing market's slump has been particularly severe. Although the state's economy will continue to slow in 2008, it appears better positioned to weather the negative factors weighing on the economy than the nation as a whole due to Colorado's increasingly diverse economy, booming energy industry, educated workforce, and relatively high per capita income. Economic indicators for the state are shown in Table 1.

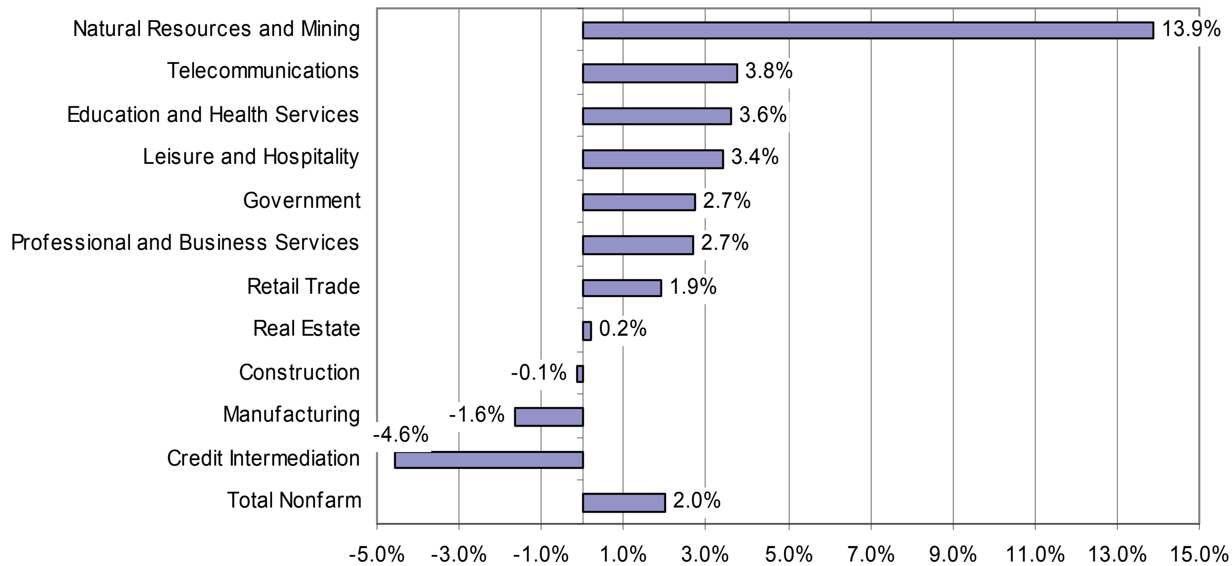
The most important evidence that the state's economy is more healthy than the nation's is the condition of its job market. In contrast to the nation, which is shedding jobs, the state has continued to add jobs this year. An increase in jobs means more workers producing goods and services and higher levels of income for consumption and investment.

Nonfarm employment increased 2.0 percent in first quarter of 2008 after increasing 2.2 percent in 2007. The state added around 10,000 jobs in the first quarter, while the nation lost 240,000 jobs and an additional 20,000 in April. One possible reason that the state is not experiencing job losses is that businesses were more cautious over the past few years in their hiring decisions than during other periods of economic growth. Thus, they have not found it necessary to trim their payrolls as the economy slows. However, as an indicator that the state's job market has weakened, Colorado's **unemployment rate** began to edge up toward the end of 2007 and stood at 4.4 percent in March.

Job growth has continued to be spread over a variety of industries in the state. Figure 1 shows the percent change in employment in the first quarter in selected industries in Colorado compared to the first quarter of 2007. Job gains are occurring in most of the state's larger industries – professional and business services, education and health services, retail trade, leisure and hospitality, and government. These sectors comprise about two-thirds of the state's nonfarm workforce. However, in a potential negative sign, job growth in the professional and business services sector has slowed. This job sector is important to the overall health of the state's economy due to its size and high wages, and was a significant contributor to the state's growth in recent years.

Among the other industries adding jobs in the first quarter was the booming natural resources and mining industry. Strong employment growth in this industry is expected to continue in the future, helping offset weakness in other sectors of the state's economy. Also, the information sector, particularly tele-

Figure 1
Percent Change in Selected Colorado Industries through the 1st Quarter of 2008



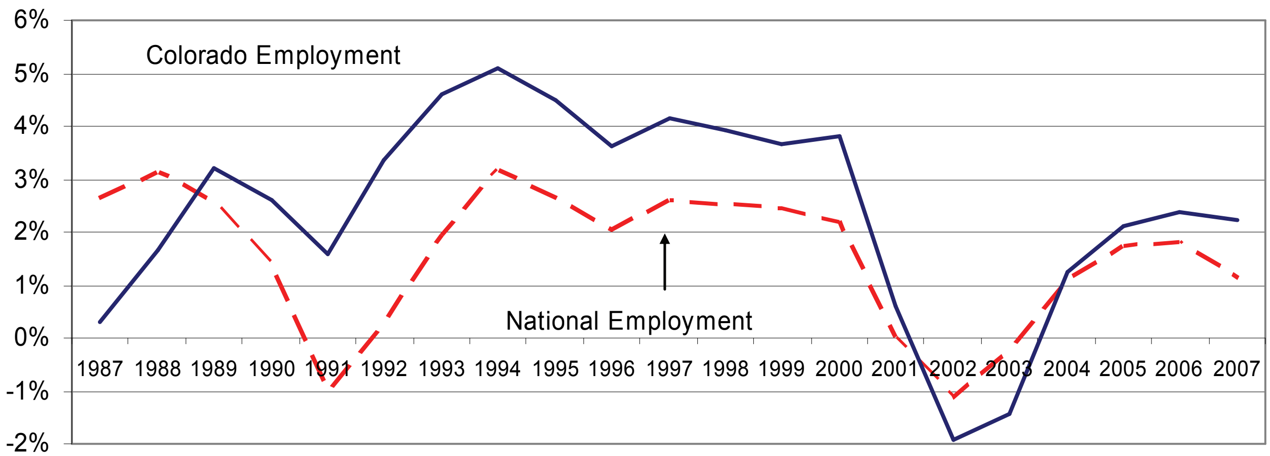
Source: U.S. Bureau of Labor Statistics

communications, is adding jobs in 2008. In 2007, the industry finally reversed its trend of job losses that started with the recession that began in 2001. Credit problems arising from losses in mortgage financing continue to negatively impact workers in the financial activities industry. Most notably, employment in the credit intermediation sector, which includes workers involved directly with lending and mortgage financing, experienced a decline of 4.6 percent. However, this sector represents only a small proportion (about 2 percent) of the state's workforce.

Also, the state's construction industry showed a slight job decrease overall in the first quarter due to weakness in construction activity, especially for single-family homes.

Changes in employment in Colorado generally follows the pattern nationally. Figure 2 shows the annual change in employment in Colorado and the nation as a whole over the past 20 years. This time period included two major economic downturns. If the trend in this relationship continues, at some point in

Figure 2
Percent Change in Colorado Employment Compared with National Employment, 1987 through 2007



Source: U.S. Bureau of Labor Statistics

the near future state job growth will decline or at least slow. It is important to note that during some downturns Colorado's job market suffers more than the nation's, while during other downturns it performs better.

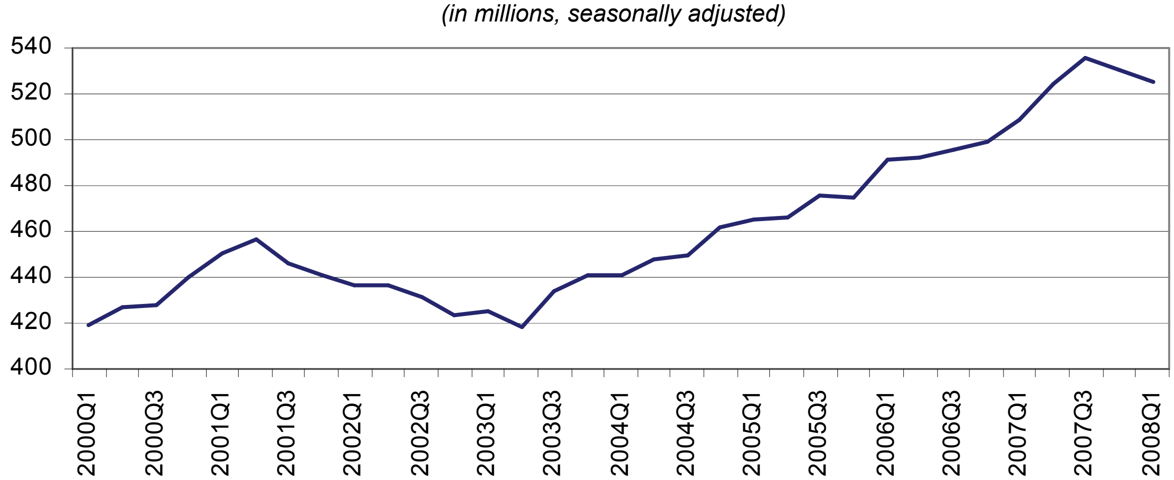
As one indication that the state job market will continue to outperform the nation, a survey of employers located in major employment centers along the Front Range by Manpower, Inc., an employment services firm, showed that 23 percent of businesses planned to hire workers in the second quarter of 2008. In contrast, only 9 percent planned to decrease their workforce. However, 20 percent of businesses were unsure of their workforce plans. This relatively high percentage likely reflects the uncertainty of businesses regarding the future health of the economy.

The housing and credit market's difficulties, as well as slower consumer spending, will cause continued uncertainty among businesses and may hinder business investment during the remainder of 2008. Thus, we project that hiring will slow to a 1.2 percent rate for the year. However, it is expected that employment growth will be higher than the nation's, which is projected to be flat.

Because **consumer spending** represents about 70 percent of economic activity, there is the potential for the slowdown in the state's economy to be worsened and prolonged due to the negative effect of higher food and energy prices, lower home values, and tighter credit conditions. Consumer spending in Colorado has been remarkably resilient considering these negative factors, likely due to the state's continued job and personal income growth.

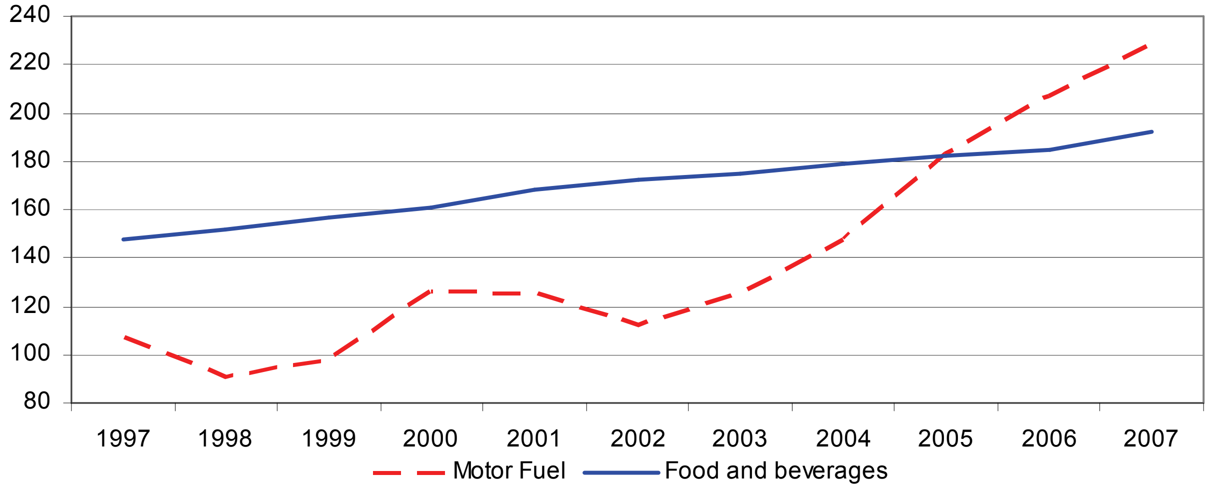
However, there are signs that consumers have begun to be overpowered by the negative factors and a weakening job market. Figure 3 shows state sales tax revenue – which comprises about 28 percent of state general fund revenue – from the first quarter of 2000 to the first quarter of 2008. Sales tax revenue posted strong growth for most of 2007. However, revenue began to dip in the last quarter of 2007 and continued to do so in the first quarter of 2008. The persistence of the negative factors weighing on consumers, coupled with a weakening of personal income in 2008 given the expected slowdown in hiring, will cause consumer spending and sales tax revenue to be sluggish in 2008 and into 2009. However, it is important to note that sales tax revenue should experience a temporary boost this summer as households receive their economic stimulus payments from the federal government.

Figure 3
Quarterly State Sales Tax Revenue, 2000 through the 1st Quarter of 2008
(in millions, seasonally adjusted)



Source: Colorado Department of Revenue

Figure 4
Denver-Boulder-Greeley Consumer Price Indices for Motor Fuel and Food, 1997 through 2007



Source: U.S. Bureau of Labor Statistics

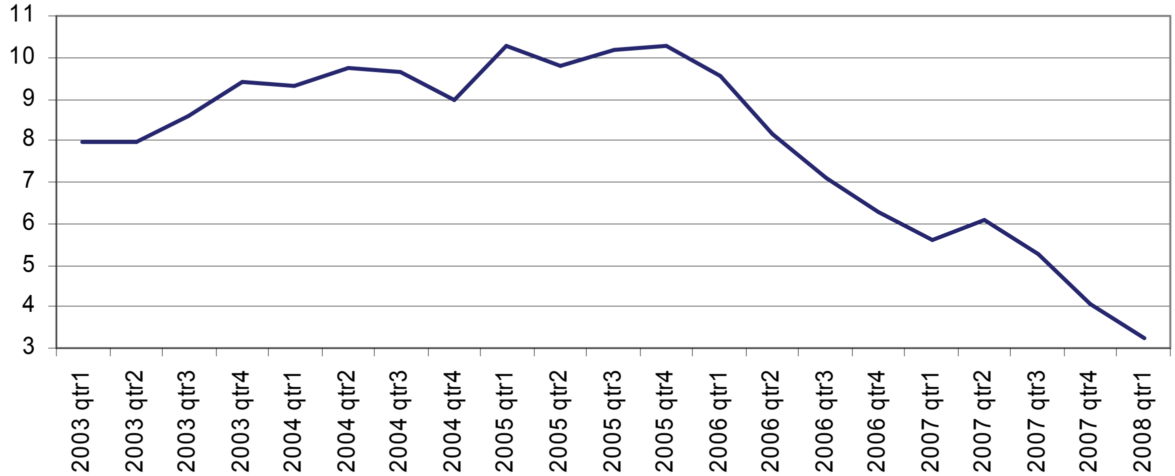
Inflation in the Denver-Boulder-Greeley area was a low 2.2 percent for 2007. However, the food and gas components of the index – items that comprise close to 20 percent of consumer expenditures – increased 4.1 percent and 10.3 percent, respectively. Continued higher prices for food and gas should force consumers to reduce spending on other items. Since food bought at grocery stores and gasoline are not subject to the state sales tax, an increase in expenditures for these items and a corresponding decrease in expenditures on other items may be contributing to the recent decline in sales tax revenue shown in Figure 3. Less spending on other items will negatively impact the firms that produce and sell these goods and contribute to slower economic growth.

Increasing prices for food and fuel are occurring worldwide due to higher demand as large developing economies such as China and India continue to grow and accumulate more wealth. A weaker dollar, and in the case of food, drought conditions in some agricultural areas and farmers devoting more of their crops to producing biofuels, are also contributing to rising prices. Figure 4 shows the inflation for the food and motor fuel components in the Denver-Boulder-Greeley area over the last ten years. Food prices have only recently begun to show an acceleration. However, gas prices as measured by the index have increased 82 percent since 2003.

Easy access to credit, low interest rates, and the belief that rising home values would continue indefinitely enticed more individuals and investors to purchase residential property beginning in the late 1990s. This led to overbuilding, an excessive rise in home values, and an increase in the number of home buyers who became unable to afford their mortgages, especially those with adjustable rates. This combination led to an unsustainable boom in the state's housing market that eventually began to contract. Currently, many areas of the state are experiencing price declines that are being driven by a high number of foreclosures and an excess inventory of homes. The state had the 5th highest foreclosure rate in the nation in 2007 and the first quarter of 2008 according to RealtyTrac. In 2006, Colorado had the highest foreclosure rate.

The continuing decline in the number of **single-family housing permits** issued in the state is a telling indicator of the housing market's contraction, and the decline has accelerated thus far in 2008. Permits were down 43.2 through the first quarter, after dropping 32.7 percent in 2007 and 22.6 percent in 2006. Permits in March of 2008 were 72 percent lower than March of 2005. Figure 5 shows the quarterly number of single-family permits issued in Colorado from 2004 through the first quarter of 2008.

Figure 5
Quarterly Single Family Home Permits Issued in Colorado, 2003 through the 1st Quarter of 2008
(*in thousands, seasonally adjusted*)



Source: U.S. Census Bureau

However, the weakening in Colorado's housing market appears to have occurred earlier and has been less severe compared to other areas, allowing the state economy's healthy job growth and other positive aspects to absorb the weakness. The excess inventory, coupled with tighter credit and lending standards, will likely continue to cause home values and the housing construction industry to be weak. However, in 2009, the market may begin to recover as the excess supply of houses on the market lessens and the problems in the mortgage-financing market improve.

After four consecutive years of growth, the slowdown in the economy and the problems in the financial system are contributing to a decline in **nonresidential construction** activity in 2008. The value of construction projects decreased 34.5 percent in the first quarter compared to the same time period in 2007. The decrease was led by a drop in commercial construction activity with particular strong declines in office buildings, banks, and hotels and motels. After a strong year in 2007, construction contracts for hospital and health treatment facilities and public buildings were also down significantly in the first quarter. Notable sectors experiencing strong construction contract growth were schools, colleges, and manufacturing.

In summary, a weaker national economy, the poor housing market, the problems in the credit markets, and high food and energy prices will negatively impact the state's economy in 2008 and into 2009. However, the state's diverse economy and recent job growth in wide-ranging industries should help it weather the negative factors in the economy and avoid a major slowdown.

Several business leaders in the state, who will help determine the path of the economy with their hiring and investment decisions, appear to share this view. The Colorado Business Leaders Confidence Index, published by Compass Bank and the Colorado Leeds School of Business at the University of Colorado, measures expectations on economic conditions by state business leaders in a variety of industries. The index on expectations for the second quarter was 41.9 for the state's economy and 30.3 for the national economy. Index values above 50 point to expectations for increases, while values below 50 represent expectations for decreases.

However, there is the potential that further reductions in consumer and business confidence could stifle spending and business investment more substantially, resulting in more widespread job losses. Moreover, a significant drop in economic activity at the national level would more adversely affect Colorado's economy.

METRO DENVER

By Ron Kirk

Table 2
Metro-Denver Region Economic Indicators
Broomfield, Boulder, Denver, Adams, Arapahoe, Douglas, and Jefferson counties

	2006	2007	YTD thru March 2008
Employment Growth /1	2.0%	2.1%	1.9%
Unemployment Rate (2008 figure is for March)	4.4%	3.8%	4.7%
Housing Permit /2	-14.5%	-20.3%	-21.9%
Growth in Value of Nonresidential Const. /3	-13.4%	23.6%	-25.5%
Retail Trade Sales Growth /4	4.1%	6.4%	3.1%

NA = Not available

1/ U.S. Department of Labor, Bureau of Labor Statistics. Data are from the CES survey.

2/ U.S. Census. Housing permit data represents the total number of housing units (single-family units and units in multi-family structures) authorized for construction.

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

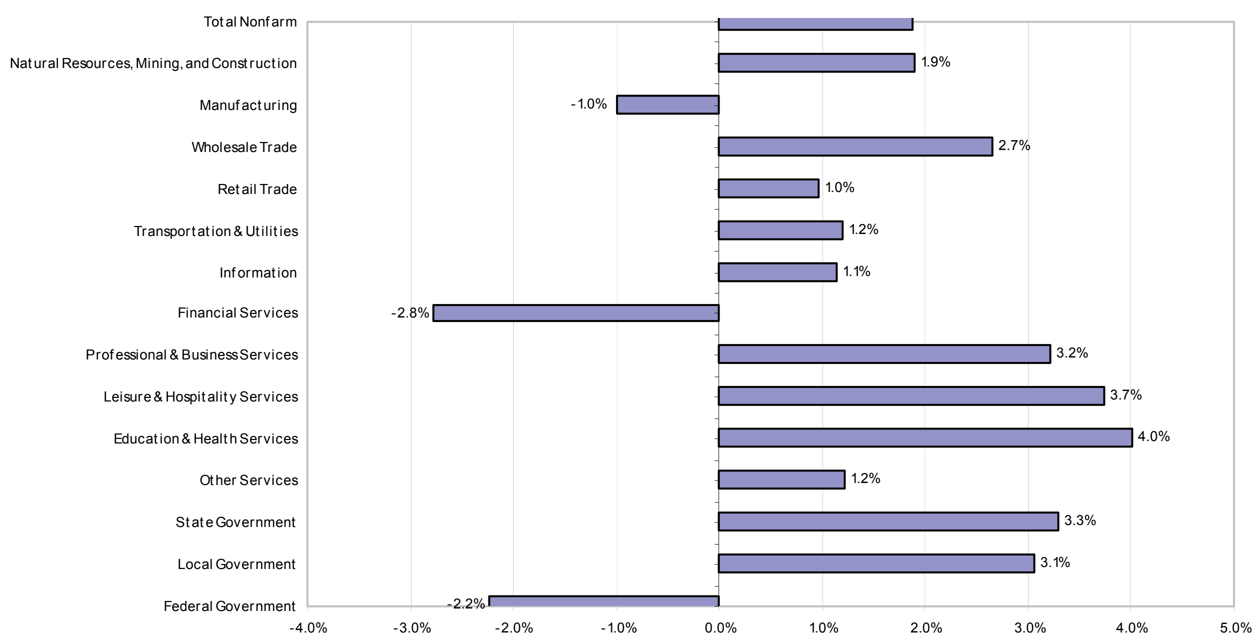
4/ Colorado Department of Revenue; data through February 2008.

Metro Denver Region

As larger metropolitan areas in other states grapple with an economic slowdown, Metro Denver's diverse economic base continues to lure businesses from other states. However, the Metro Denver region is seeing some slowing in terms of economic activity. The region contains 60 percent of the employment and consumer spending in the state.

The Metro Denver region is seeing slower growth in employment, nonresidential construction, and consumer spending. Although employment growth is moderate, the unemployment rate edged upward to 4.7 percent in March 2008 from an average rate of 3.8 percent in 2007. Similar to national trends, the Metro Denver region's housing sector continued to languish through the first quarter of 2008 as shown by the decline in housing permit growth. Economic indicators for the Metro Denver region are shown in Table 2.

Figure 6
2008 First Quarter Metro Denver Employment Growth
Current Employment Statistics



Total nonfarm employment in the Metro Denver region slowed from 2.1 percent in 2007 to 1.9 percent through the first quarter of 2008. As shown in figure 6, job growth in the region was strongest in education and health services, leisure and hospitality services, state and local government, and professional and business services. The housing slowdown and banking industry meltdown is taking its toll on employment in the financial services sector. The manufacturing sector and the federal government also saw decreases in employment.

In Denver, the foreclosure rate rose to 5.9 percent in 2007 from 0.8 percent in 2000, nearly a 650 percent increase according to a recent report issued by the Denver Office of Economic Development. The report also found that on average, 6.6 percent of loans originated annually in Denver become delinquent and enter the foreclosure process within five years. The high rate of foreclosures is tied to the growing number of homeowners who are saddled with loans that outstrip the value of their houses.

In addition to foreclosures, the metro Denver area is seeing housing prices plunge. The median price of a single-family home declined 10.2 percent falling from $248,000 in April 2007 to $222,550 in April 2008, according to a report by Coldwell Banker and Thorne Realty. The report attributes the price decline to record foreclosures. The region's housing market saw one positive statistic. During April 2008, 6,287 homes were placed under contract, up 1.8 percent over the prior year. However, there were 26,171 unsold properties in the Denver-area market, up 2.5 percent over April of 2007.

Data from the U.S. Census Bureau indicate that the number of new privately owned housing units authorized for construction in Denver continues to drop. Total housing units permitted dropped nearly 22 percent in the Denver-Aurora region. Of these total units, single-family permits declined precipitously from 1,975 permits in March 2007 to 1,025 permits in March 2008 — a 48.1 percent decline. During this time period, permits for multi-family housing increased by 11 percent in the region.

In Boulder, total housing permits declined 22.3 percent — similar to the Denver Aurora region; single-family housing permits declined 9.4 percent and multi-family permits declined 39 percent.

After a year of strong growth in nonresidential construction, the first quarter saw a significant decline of 25.5 percent. The decline was largely due to a slowdown in commercial office, bank, hotel, and motel projects.

The Metro Denver region saw a considerable slowdown in retail trade sales through February 2008. Retail sales grew 3.1 percent as compared with 6.4 percent growth in 2007.

Despite the slowing economic trends for the Metro Denver region, it is faring far better than many metropolitan areas in other states.

Recent Economic News

- Charles Schwab, the San Francisco-based financial-services company, will consolidate its offices in Phoenix and San Francisco and relocate these offices to Denver. The consolidation will bring up to 500 jobs to the metro Denver area.

- Ascent Solar, a company specializing in the manufacturing of small, photovoltaic solar panels, recently purchased a 120,000 square foot building for its new headquarters and production facility in Thornton. The company's expansion of commercial manufacturing operations is expected to generate 300 manufacturing jobs.

- The U.S. Census Bureau will open its Denver regional management center for the 2010 Census in Lakewood. The temporary center will be one of several bases of operation around the country as the Census Bureau conducts the nationwide headcount. As many as 250 employees will work out of the center by 2010.

- VMware, a Palo Alto, California-based software company that specializes in the virtualization market, will lease about 50,000 square feet of office space at the Interlocken Business Park. VMware will hire up to 300 workers in the next couple of years.

- Renewable Energy Systems Americas, an Austin, Texas wind energy company, will relocate its Austin headquarters to Broomfield. The company will hire 70 workers locally over the next year.

- The Berry Petroleum Company will relocate its corporate headquarters to Denver from Bakersfield, California this summer. The relocation will result in 15 employees being transferred from California and the hiring of an additional 25 employees locally.

- The Orchard Town Center, a 215-acre shopping center in Westminster, recently opened its doors, featuring Macy's, J.C. Penney, SuperTarget, and an AMC 12 movie theater. About 45 additional retailers will also open shops at the center. The center is estimated to generate $350 million in annual sales and $6 million in sales taxes for Westminster.

- Quark Pharmaceuticals Inc., a California-based biotech company, will expand its Boulder office. The expansion will trigger the need for 10 additional workers by the end of the year.

- Clear Skies Solar Inc., a New York-based solar-energy products company, has opened an office in Golden and will hire 4 employees to staff the office.

- AAI Acquisitions, the new owners of bankrupt Adam Aircraft, will hire back 100 employees to the reconstituted company and revamp operations at Centennial Airport. Adam Aircraft laid off 800 employees in February.

- Range Fuels, a Broomfield-based company, raised the largest amount of venture capital in the nation ($130 million) during the first quarter of 2008, according to the MoneyTree survey by PricewaterhouseCoopers and the National Venture Capital Association. In addition, Aurora-based Taligen Therapeutics and three other medical device manufacturers, SomaLogic, Lanx, and IntelliDx, totaled $82 million in first quarter investments. Total first quarter venture capital in Colorado was nearly $300 million.

- Molson Coors Brewing Company will eliminate nearly 400 jobs as it outsources business functions to foreign workers employed by the Hewlett-Packard Company. Company officials indicate that oursourcing is part of an effort to save $250 million over the next three years to maintain competitiveness. Jobs being eliminated will include human resource, information technology, and finance positions.

- Inverness Medical Innovations Inc., a company that makes medical diagnostic tests, will close its manufacturing plant in Louisville to trim costs. The plant closure will eliminate 56 jobs over the next 12 to 18 months.

- Re/Max International Inc., laid off 20 employees at its headquarters in the Denver Tech Center because of the depressed housing market.

- The St. Vrain Valley School District will reduce its staff by 85 full-time positions in the 2008-09 school year. School officials indicate that the layoffs will help ensure that the district maintains a balanced budget.

- Google is eliminating jobs at DoubleClick, its online advertising company that it purchased in March for $3.24 billion. About 300 of the 1,200 U.S. employees of DoubleClick were fired or placed in transitional roles. DoubleClick has about 150 employees at a data center in Thornton and the number of jobs that will be eliminated has not yet been announced.

- Replidyne, a Lousiville-based biopharmaceutical company, is discontinuing its late-stage study testing on a product that it developed for respiratory tract infections. Eleven employees will be laid off and the company will close its Milford, Ct. office as it restructures its debt.

- Shoemaker Crocs Inc., laid off 27 employees as part of a companywide restructuring effort. The Niwot-based company employs 640 people. The layoffs at Crocs may be resulting from the company's patent disputes with other firms and lawsuits filed by individuals alleging Crocs shoes led to their injuries on escalators.

- Linens-n-Things, a Clifton, N.J.-based bedding and home furnishing retailer, filed for Chapter 11 bankruptcy protection. The company will close four of its Denver stores. Company officials noted that the closures are resulting from a weakening retail environment as consumers curtail spending.

- The Boulder Daily Camera laid off nine of its 155 employees in response to the rapidly changing newspaper industry.

COLORADO SPRINGS

By Natalie Mullis

Table 3
Colorado Springs Economic Indicators
El Paso County

	2006	2007	YTD thru March 2008
Employment Growth /1	2.2%	1.0%	1.7%
Unemployment Rate (2008 figure is for March)	4.7%	4.4%	5.6%
Housing Permit Growth /2	-34.3%	-29.7%	-43.9%
Growth in Value of Nonresidential Const. /3	-18.4%	7.8%	-38.6%
Retail Trade Sales Growth /4	5.1%	5.3%	1.5%

NA = Not Available

1/ U.S. Department of Labor and Employment. Data are from the CES survey.

2/ U.S. Census. Housing permit data represents the total number of housing units (single-family units and units in multi-family structures) authorized for construction in the Colorado Springs metropolitan area.

3/ F.W. Dodge.

4/ Colorado Department of Revenue; data through February 2008.

The Colorado Springs economy appears to be successfully holding its head above water this year after a stormy 2007. Beset by a weak housing market, tighter credit conditions, Intel's exit, and the absence of many Fort Carson troops deployed overseas, the Colorado Springs economy exhibited slower growth than other urban areas of the state in 2007. This year, the region's economy will maintain slow growth. The area's fortunes will turn up in 2009 as the national economy begins to recover and the bulk of troops relocating from Fort Hood arrive in Fort Carson. Economic indicators for the Colorado Springs region are shown in Table 3.

The number of jobs in Colorado Springs increased 1.7 percent through the first three months of 2008 compared with the same time period in 2007. Although slow, it is a more optimistic rate than last year's 1.0 percent gain. Most of the jobs added in 2007 and thus far in 2008 occurred in the government, professional and business services, and educational and health services sectors. Job losses occurred in the manufacturing, information, and financial activities sectors. The unemployment rate increased from an average of 4.4 percent in 2007 to 5.6 percent in March.

After increasing at a relatively healthy rate of 5.3 percent in 2007, consumer spending in the Colorado Springs area slowed considerably during the first few months of 2008. According to the Colorado Department of Revenue, consumer spending as measured by retail trade sales increased 1.4 percent through February compared with the first two months of 2007. The Colorado Springs Finance Department, however, reported decreases in city sales taxes compared with those of a year earlier in February and March. Sales taxes to the city decreased 3.7 percent in February over February 2007 and 1.3 percent in March over March 2007. Consumers in the area are grappling with the same issues they are nationwide — higher consumer prices, tighter credit, and uncertainty about a recession.

The housing market is continuing to work its way through a substantial correction. After decreasing by nearly 30 percent last year, the number of permits for residential home construction in El Paso County decreased 43.9 percent through March compared with the first three months of 2007. According to the El Paso County Public Trustee's Office, more than 800 homeowners county-wide lost their properties in foreclosure during 2007. After a record 3,556 foreclosure filings last year, 1,663 foreclosure filings have occurred year-to-date through April.

The value of nonresidential construction decreased 38.6 percent through March compared with the first three months of 2007. The decrease was primarily a result of decreases in government and hospital construction after strong activity in those sectors in 2007.

Recent Economic News

- Frontier Airlines is reassessing plans to build a $55 million hanger at the Colorado Springs Airport after filing for chapter 11 bankruptcy. If completed, the hanger would employ 225 people.

- According to Experience Colorado at Pikes Peak, the area's convention and visitor's bureau, 28,250 hotel rooms were booked in the area during the first quarter of 2008, up from 25,235 during the same time period last year.

PUEBLO — SOUTHERN MOUNTAINS

By Danica Bracken and Leora Starr

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

	2006	2007	YTD thru March 2008
Employment Growth /1			
Pueblo MSA only	2.3%	3.0%	1.9%
Unemployment Rate	5.5%	4.8%	6.0%
(2008 figure is for March)			
Housing Permit Growth /2			
Pueblo County Only	10.6%	-42.1%	-61.5%
Growth in Value of Nonresidential Const. /3			
Pueblo County Only	632.3%	-62.1%	-70.0%
Retail Trade Sales Growth /4	6.0%	6.5%	7.2%

1/ U.S. Department of Labor, Bureau of Labor Statistics. Data are from the CES survey.

2/ U.S. Census. Housing permit data represents the total number of housing units (single-family units and units in multi-family structures) authorized for construction.

3/ F.W. Dodge.

4/ Colorado Department of Revenue; data through February 2008.

Pueblo's five-county regional economy showed mixed results in the first few months of 2008. While growth in retail trade sales were healthy, residential and nonresidential construction declined and employment growth was relatively sluggish. Table 4 shows annual economic indicators for the region.

Nonfarm employment grew a modest 1.9 percent in Pueblo through March compared with the same period last year, down from 3.0 percent in the prior year. Meanwhile, the unemployment rate in the region climbed to 6.0 percent in March from an average of 4.8 percent in 2007 and 5.5 percent in 2006. By the end of the first quarter, Huerfano County had the highest unemployment rate at 7.4 percent followed by Canon City at 6.3 percent. The lowest unemployment rate in the region was 4.5 percent in Las Animas County.

Consumer spending, as measured by retail sales, grew 7.2 percent in the region through March, compared with 6.5 percent in 2007. The region's growth in sales surpassed the statewide pace of 4.1 percent. Custer County led the region with a 41.1 percent increase in consumer spending. Pueblo County saw a strong 7.8 percent gain, followed by a 5.5 percent gain reported in Las Animas County. Fremont and Huerfano counties showed no increase in consumer spending.

Construction activity was negative in 2007, mirroring national and state trends. Through March 2008, requests for single family and multi-family housing permits in Pueblo County decreased 61.5 percent following a 42.1 percent decrease in 2007 and a 10.6 percent gain in 2006. Slow to recover from most economic downturns, Pueblo County is not expected to pull out of the housing slump for several years. On the nonresidential side, the numbers through March were down significantly. The value of nonresidential construction in Pueblo County decreased 70.0 percent.

Recent Economic News

- Receivable Management Services is planning to expand its call center operations by adding 250 employees to the 500 people it already employs at the Benesight Building in Pueblo. After expanding from 12 employees to occupying several floors of their current location, the company wants to lease an additional 16,000 square feet in the building.

- At&T is adding 40 employees at its call center near the Riverwalk of Pueblo.

- Innotrac plans to hire between 150 and 200 employees to its call center staff in the Airport Industrial Park of Pueblo.

- The Pole Canyon wind farm project in Huerfano County received a feasibility permit to add three 60-meter wind monitoring towers to the two 30-meter towers currently in place. Pole Canyon wind plans to have the wind farm complete by 2009. As many as 250 local workers will be needed to install the wind farm’s towers, roads, substation and electric collection system.

San Luis Valley and Southwest Region

By Natalie Mullis

Table 5
San Luis Region Economic Indicators
Alamosa, Archuleta, Conejos, Costilla, Dolores, Hinsdale, La Plata, Mineral, Montezuma, Rio Grande, Saguache, and San Juan counties

	2006	2007	YTD thru March 2008
Employment /1	3.3%	2.2%	0.7%
Unemployment Rate (2008 figure is for March)	4.7%	3.8%	5.3%
Statewide Crop Price Changes /2			
Barley (U.S. average for all)	24.2%	31.4%	47.6%
Alfalfa Hay (baled)	37.3%	0.0%	5.0%
Potatoes	-8.0%	14.1%	28.2%
Potato Production (Cwt) /2	-1.0%	-7.5%	-16.7%
Housing Permit Growth /3			
Alamosa County	-2.5%	-41.0%	150.0%
La Plata County	-25.5%	-15.5%	-71.3%
Growth in Value of Nonresidential Const. /3			
Alamosa County	-22.4%	414.1%	212.7%
La Plata County	74.4%	881.5%	-99.9%
Retail Trade Sales Growth /4	9.8%	6.0%	5.0%

NA = Not Available.

1/ Colorado Department of Labor and Employment. Data through 2006 are from the QCEW program. 2007 and 2008 data are from the LAUS (household survey)

2/ Colorado Agricultural Statistics Service. Compares April 2008 to April 2007. Potato Production reflects Colorado growers and commercial storage facilities in the San Luis Valley.

3/ F.W. Dodge. Housing permit data represents the total number of housing units (single-family units and units in multi-family structures) contracted for construction.

4/ Colorado Department of Revenue; data through February 2008.

The economy in the San Luis Valley and Southwest Region continued to grow through the first quarter of 2008, but at a slower pace than occurred in 2007. The region's economy is based heavily on agriculture, retail and services for retirees and other residents, and tourism. The region's agricultural industry has done well thus far this year, but consumer spending and employment has slowed for the same reason it has slowed statewide — higher consumer prices, tighter credit, and uncertainty about a recession. With the tourism season just about to get underway, its impact on the region's economy will depend on tourists' reaction to high gasoline prices and the extent of the slowdown in the nation's economy. Table 5 shows major economic indicators for the region.

The region's agriculture industry has been boosted by strong growth in prices. Although the stock of potatoes in the San Luis Valley is down 16.5 percent through April compared with the first four months of 2007, prices are up 28.2 percent. Nationwide, barley prices are up 47.6 percent over the same time period.

Employment growth and consumer spending in the region has slowed substantially in the first quarter of 2008. After increasing 2.2 percent last year, the region's overall employment increased 0.7 percent through March compared with the first three months of 2007. Consumer spending, as measured by retail trade sales, slowed from 6.0 percent in 2007 to 5.0 percent through February compared with the first two months of 2007.

Counties in the southwest corner of the state, which include Dolores, Montezuma, La Plata, San Juan, Hinsdale, and Archuleta counties, have for the most part enjoyed much healthier economic growth than those in the San Luis Valley. After increasing 2.8 percent in 2007, the southwest counties added 760 jobs in the first quarter of 2008, a 1.5 percent increase over the first quarter of last year. Every county in the southwest region except San Juan County gained jobs thus far in 2008. The unemployment rate in these counties averaged 4.6 percent during the first quarter, up from 3.3 percent in 2007.

Meanwhile, the San Luis Valley, which includes Saguache, Mineral, Rio Grande, Alamosa, Costilla, and Conejos counties, suffered a loss of 229 jobs — a 1.0 percent decrease — in the first quarter of 2008 after gaining jobs at the rate of 1.0 percent last year. Every county in the San Luis Valley except Mineral County lost jobs in the first three months of the 2008. Meanwhile, the unemployment rate averaged 6.4 percent in the San Luis Valley during the first three months of the year, up from 5.6 percent in 2007.

While the shutdown of Alamosa's water supply in late March will be a drag on growth in the short run, that impact is not reflected in these figures because the shutdown occurred after March's employment data was collected.

Recent Economic News

- The Rio Grande Scenic Railroad is adding four additional locomotives to its fleet and expanding its route to include Monte Vista. The railroad already stops in Alamosa, La Veta, and Antonito.

- Conejos County Hospital will close its long term care unit on June 30, displacing 23 residents and laying off 36 employees.

MOUNTAIN REGION

By Leora Starr

Table 6
Mountain Region Economic Indicators

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

	2006	2007	YTD thru March 2008
Employment Growth /1	3.5%	3.0%	1.6%
Unemployment Rate (2008 figure is for March)	3.6%	3.1%	3.5%
Housing Permit Growth /2			
Eagle, Pitkin, & Summit counties	12.4%	-4.8%	-54.9%
Routt County	-10.5%	11.6%	197.6%
Growth in Value of Nonresidential Const. /2			
Eagle, Pitkin, & Summit counties	74.3%	6.4%	432.2%
Routt County	143.9%	80.2%	N/A
Retail Trade Sales Growth /3	12.6%	9.6%	6.0%

1/ Colorado Department of Labor and Employment. Data through 2006 are from the QCEW program. 2007 and 2008 data are from the LAUS (household) survey.

2/ F.W. Dodge. Housing permit data represents the total number of housing units (single-family units and units in multi-family structures) contracted for construction.

3/ Colorado Department of Revenue; data through February 2008.

Economic growth in the mountain region has been mixed thus far in 2008. Although some counties finally felt the presence of the housing market slowdown, record snowfalls resulted in increasing tourism in other counties. Employment growth is slowing yet the regional unemployment rate remains relatively low. Residential housing permits are decreasing in Eagle, Pitkin, and Summit counties and increasing in Routt County. Growth in the value of nonresidential construction projects is skyrocketing as current projects move forward. Consumption is still on the rise though at a slower pace, despite higher prices. Table 6 shows the major economic indicators for the mountain region.

Nonfarm employment growth increased 1.6 percent through March of 2008, slowing from a more robust pace of 3.0 percent in 2007. This slowdown reflects the national trend and the state's overall weakening job market as fewer people are hired in many sectors including the construction, manufacturing, retail, information, financial, and real estate sectors. The unemployment rate edged up to 3.5 percent by the end of the first quarter in 2008.

The residential construction sector has been weak throughout most of the state but the mountain region is seeing some activity. Housing permits in Routt County increased 11.6 percent in 2007 and then soared 198 percent through March 2008. After avoiding the downward trend in 2007, Aspen's local real estate market has come down, followed by lower home prices. The average price of a single-family home sold in Aspen is $4.32 million, 20 percent lower than the average home sold a year ago. Steamboat Springs saw small increases in sales beginning in January after a sharp drop in sales over the last quarter of 2007.

Nonresidential construction is back on track showing strong growth through the first quarter of 2008. While luxury ski resorts continue to convert to sustainable energy-saving tactics, multi-use development projects are breaking ground in other mountain areas. Growth in retail trade continued to slow through the first quarter of 2008. However, visits to ski resorts increased in January and February which are typically strong months for international visitors. Though prices are increasing, spending has only slowed slightly, with many counties in the mountain region showing sales and lodging taxes up at least 13 percent.

Recent Economic News

- In Eagle County, the new Westin Resort at Avon is beginning a master planned village known as Riverfront Village. The Westin Riverfront Resort and Spa will open by the Fall of 2008 and when fully operational will employ approximately 300 people. The resort is one of two 'condotels' offering vacation ownership as well as hotel and resort services. Skiers can ride a gondola from the hotel's front door to 'The Landing' — high-speed lift access to ski runs.

- After a slow beginning, visits to Colorado's ski resorts increased by nearly 7 percent, putting the ski industry within one percent of last year's visits. Aspen and Snowmass visits increased by 8 percent. The weak dollar and record snowfalls have contributed to a spike in visits from international visitors.

- Salida's population is expected to increase by about 33 percent, or 2,000 people, once Vandaveer Ranch is fully developed. The sales deal was recently signed with a letter of commitment to complete the project in 10 years. Vandaveer Ranch will include 250,000 square feet of commercial space, 440-450 living units (80 of these built in a sustainable manner), 140 single-family homes, 140 town-homes, and an 18-hole golf course.

- Steamboat Springs saw a small upturn in mountain area home sales in both January and February. While on-going construction at the mountain continues to contribute to decreasing housing sales, the downtown area is busy with hotels, shops, and restaurants all experiencing significant increases in revenues.

WESTERN REGION

By Todd Herreid

Table 7
Western Region Economic Indicators
Moffat, Rio Blanco, Garfield, Mesa, Delta, Montrose, San Miguel, Ouray, and Gunnison counties

	2006	2007	YTD thru March 2008
Employment /1			
Western Region	5.9%	5.5%	4.0%
Mesa County 1/	5.1%	5.7%	4.9%
Unemployment Rate	3.6%	3.1%	3.8%
(2008 figure is for March)			
Housing Permit Growth			
Mesa County 2/	4.6%	-13.2%	-25.6%
Montrose County 3/	-5.3%	-31.0%	-66.3%
Value of Nonresidential Const. /3			
Mesa County	-44.8%	210.4%	-24.8%
Montrose County	141.3%	-34.6%	N/A%
Retail Trade Sales /4	14.2%	11.8%	7.6%

N/A = Not Available

1/ Colorado Department of Labor and Employment. 2005 and 2006 data are from the QCEW program. 2007 and 2008 data are from the CES survey for Mesa County and the LAUS survey for the region.

2/ U.S. Census. Housing permit data represents the total number of housing units (single-family units and units in multi-family structures) authorized for construction.

3/ F.W. Dodge. Housing permit data represents the total number of housing units (single-family units and units in multi-family structures) contracted for construction.

4/ Colorado Department of Revenue; data through February 2008.

The western region, driven by the boom in the oil and gas industry, continues to be one of the fastest growing regions in the state based on employment and retail trade sales. However, construction activity has slowed considerably. Table 7 shows major economic indicators for the western region.

Although nonfarm employment slowed in the first three months of 2008, growing 4.0 percent compared with 5.5 percent in 2007, the region continues to exhibit the highest growth in the state. In Mesa County, nonfarm employment was up 4.9 percent in 2008, compared with 5.7 percent growth in 2007. In the first quarter of 2008, the region's job growth was far higher than the statewide average of 2.0 percent.

In response to ongoing natural gas exploration, drilling, and production, job growth was the strongest in Rio Blanco, Garfield, and San Miguel counties. In the first quarter of 2008, Rio Blanco's job growth was 8.1 percent followed by 6.2 percent in Garfield County, and 5.6 percent in San Miguel County. Drilling permit applications in Garfield County hit an all-time high in 2007, as the Colorado Oil and Gas Commission approved 2,550 permits — 700 permits over the number approved in 2006 and 40 percent of the total 6,368 permits approved statewide. The region's unemployment rate was 3.8 percent in March, which was below the statewide unemployment rate of 4.4 percent.

Construction indicators were down in the first three months of 2008. In Mesa County, permits for housing units decreased 25.6 percent and in Montrose County permits decreased 66.3 percent. Despite the decline in Mesa County's housing permits, Grand Junction's housing market seems to be resilient as it is bucking a depreciation trend that has swept through other parts of the state and nation. Zillow.com, an online real estate services firm, reports that the median value of a house in the Grand Junction metropolitan area increased 9.6 percent to $212,836 in the year ending December 31, 2007. The firm reports that Grand Junction had the third-highest percentage gain of the 125 markets tracked by the company.

The value of nonresidential construction permits declined in both Mesa and Montrose counties in the first three months of 2008. In Mesa County, nonresidential construction permits decreased 24.8 percent. However, much of the decline can be attributed to the substantial gains that were recorded in the previous year.

Despite the weakening economy in other regions of the state, consumer spending in the western region continues to grow strongly, as measured by retail trade sales. For the region as a whole, retail sales increased 7.6 percent in the first two months of 2008, after jumping 11.8 percent in 2007. Garfield, Moffat, and Montrose counties recorded double-digit growth rates, while Gunnison, Ouray, and San Miguel counties experienced declining retail trade sales.

Recent Economic News

- Oxford Select Investors, a Pennsylvania-based development company, plans to build a 133-room Hyatt Hotel in Grand Junction. A 3.3-acre site was recently purchased for $2 million at the southwest corner of Horizon Drive and H Road.

- Ouray County is facing an affordable housing shortage according to the Ouray County Housing Needs Assessment. Median home values have increased 11.6 percent annually since 2003, primarily because of the growth in second homes. This is making it difficult for full-time residents and employees to find affordable housing.

- Energy Fuels, Inc., is in the process of permitting a mill to manufacture up to 1,000 tons of uranium ore and vanadium per day in Naturita. This would be the first uranium processing facility to be built in the U.S. in 25 years.

NORTHERN REGION

By Danica Bracken

Table 8
Northern Region Economic Indicators
Weld and Larimer counties

	2006	2007	YTD thru March 2008
Employment Growth /1			
Larimer County	1.8%	2.4%	3.4%
Weld County	4.2%	3.0%	3.4%
Unemployment Rate			
Larimer County	4.0%	3.4%	4.2%
Weld County	4.7%	4.2%	5.1%
(2008 figure is for March)			
State Cattle and Calf Inventory Growth /2	0.0%	0.0%	
Housing Permit Growth /3			
Larimer County	-17.5%	-26.9%	17.3%
Weld County	-30.3%	-38.6%	-64.0%
Growth in Value of Nonresidential Const. /4			
Larimer County	6.6%	-4.1%	-28.5%
Weld County	33.7%	5.9%	17.6%
Retail Trade Sales Growth /5			
Larimer County	5.2%	6.5%	2.4%
Weld County	7.0%	7.6%	5.3%

NA = Not Available

1/ U.S. Department of Labor, Bureau of Labor Statistics. Data are from the CES survey.

2/ Colorado Agricultural Statistics Service. Compares February 2008 to February 2007.

3/U.S. Census. Housing permit data represents the total number of housing units (single-family units and units in multi-family structures) authorized for construction.

4/ F.W. Dodge.

5/ Colorado Department of Revenue; data through February 2008.

The northern region's economy continued to grow at a modest rate through the first quarter of 2008. Some of the region's growth over the last few years is partially a result of the bedroom communities in the southern portion of the region that support Denver Metro area workers. Part of the area's growth is also a result of the oil and gas industry's boom, resulting from high energy prices. The impact of the industry on the region's infrastructure is less severe than in other areas of the state because of its long-term presence in the area. Economic indicators for the northern region are shown in Table 8.

Job growth appears healthy in the region as the number of jobs in Larimer and Weld counties increased 3.4 percent through the first quarter of 2008 after seeing slower growth in 2007. Meanwhile, high energy and food prices, tighter credit, and a depressed housing market are dampening consumer spending in the region. Consumer spending, as measured by retail trade sales, increased 2.4 percent in Larimer County and 5.3 percent in Weld County during February 2008 over the prior year.

The housing picture may be improving in Larimer County as housing permits increased 17.3 percent in the first quarter of 2008 after permits declined nearly 27 percent in 2007. In Weld County, housing continued its declining trend as housing permits decreased by 64 percent in the first quarter of 2008.

For Larimer County, the value of nonresidential construction decreased 28.5 percent while Weld County saw a 17.6 percent increase. Construction of stores and food service facilities was the primary reason for the increase in activity in Weld County. The decrease in Larimer County was the result of reduced construction of office and bank buildings.

Recent Economic News

- Woodward Governor, a design and manufacturing company for electrical power system equipment, will add a new production line to its wind turbine inverter business in northern Colorado and will hire up to 100 new employees. Woodward's expanded operations will support the growing demand for clean energy in the U.S. and the steady demand in Europe.La Quinta Inn and Suites recently opened a 69-room hotel on a ten-acre site in Loveland, which will eventually be a home to an event center, a restaurant, a garden for weddings, and other entertainment-amenities.

The hotel has 22 staff and plans to hire about 40 more employees when the project is complete.

- St. Louis-based development company MLP broke ground in April on a $30 million luxury apartment complex on JFK Parkway in Fort Collins, which is expected to be complete in the fall. MLP will construct nine buildings with 24 apartments having a mix of one, two, and three bedroom units.

- Walgreens opened its fourth stand-alone store in Longmont. The 14,000-square-foot store will hire 15 to 18 full- and part-time employees.

EASTERN PLAINS

By Leora Starr

Table 9

Eastern Region Economic Indicators

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

	2006	2007	YTD thru March 2008
Employment Growth /1	-1.0%	1.8%	-1.5%
Unemployment Rate	4.1%	3.5%	4.5%
(2008 figure is for March)			
Crop Price Changes /2			
Winter Wheat	15.1%	110.8%	92.2%
Corn	32.7%	26.9%	37.1%
Alfalfa Hay (baled)	37.3%	0.0%	5.0%
Dry Beans	32.1%	57.1%	30.5%
State Crop Production Growth /2			
Sorghum production	0.9%	86.4%	N/A
Corn	-4.6%	17.4%	N/A
Winter Wheat	-24.4%	135.6%	N/A
Sugar Beets	N/A	-17.0%	N/A
2006 is estimated production for the year.			
State Cattle and Calf Inventory Growth /2	0.0%	4.8%	0.0%
Retail Trade Sales Growth /3	6.7%	6.0%	15.7%

NA = Not Available

1/ Colorado Department of Labor and Employment. Data through 2006 are from the QCEW program. 2007 and 2008 data are from the LAUS (household) survey.

2/ Colorado Agricultural Statistics Service. Compares April 2008 to April 2007. Crop production based on projections for 2007 compared to actual 2006 production.

3/ Colorado Department of Revenue; data through February 2008.

Economic indicators were mixed for the eastern region through the first quarter of 2000. After improving in 2007, job growth slowed during the first quarter of 2008. The unemployment rate rose a full percentage point from a 3.5 percent average in 2007 to 4.5 percent in March. The price of wheat continues to dramatically increase, and the growth rate of retail sales more than doubled. Table 9 shows economic indicators for the region.

Both the number of people in the labor force and employment decreased thus far in 2008. Over the first quarter of this year, Elbert and Yuma were the only counties to experience an increase in employment compared with the first quarter of 2007. Crowley County showed the highest unemployment rate in the region in March at 8.2 percent, while Yuma County showed the lowest at 2.9 percent. Bent and Otero counties both had unemployment rates above 6.0 percent while the remaining counties across the eastern plains maintained rates between 3.0 and 4.0 percent.

Soil moisture remains low statewide and temperatures have been below average, leaving most crops in poor to fair condition. Despite this, alfalfa crops are fairing well. The price for alfalfa hay is only slowly increasing but this may change by the end of this year's season. Many growers have plowed under alfalfa crops, replacing them with corn or wheat. Nationwide, corn is now trading at over $5 a bushel while wheat is trading at nearly $11 a bushel; prices never before seen in the U.S.

Although the price of alfalfa hay has more than doubled since the early 2000's, it was only 5.0 percent higher in April 2008 than in April 2007. Price inflation for alfalfa is expected to accelerate over the remainder of the year, however. While farmers in the mountain region will continue to grow alfalfa because of the poor conditions for growing wheat and corn there, eastern plains farmers are switching to grain as a result of high corn and wheat prices. In addition, years of drought conditions have resulted in lower yields of alfalfa hay and several consecutive cold winters have increased ranchers' demands for alfalfa feed. As a result, supplies of alfalfa are dwindling.

The U.S. price for spring wheat increased from about $5 a bushel in April 2007 to nearly $11 a bushel in April 2008. Current world demand for wheat is soaring and droughts are reducing supplies. The economies of Mexico, Nigeria, Taiwan, South Korea, and Venezuela — large importers of U.S. wheat — are growing and residents are consuming more products made from wheat. Meanwhile, U.S.

production of wheat has not been this low since the late 1940's. Consequently, world wheat supply has fallen to its lowest level in over 30 years.

The high price of wheat is spurring farmers worldwide to increase production in 2008 and 2009. Farmers in the U.S. are expected to increase the number of acres planted with wheat for the 2008-09 season by 24 percent in the southern plains and 6.0 percent in the northern plains. Prices will eventually stabilize with this increase, albeit too late to address this year's food shortages. Unfortunately, this acreage will be taken from other crops such as oilseeds, barley, and beans, so prices for these crops will increase.

Recent Economic News

- LiquidMaize LLC, a company that manages small-scale ethanol plants and other biofuel products, began construction on a $24 million ethanol plant in Prowers County. The plant will be operational by year-end and will be able to produce 11 million gallons of ethanol per year. When completed and operating, the plant will have 14 jobs. Currently, the Colorado Corn Growers Association will be LiquidMaize's primary feedstock provider. However, the company plans to move toward a variety of alternative feeds, using local farmers' crops to reduce or eliminate transportation costs.

- Morgan County Commissioners approved a 50 percent tax refund for Jayna's Northern Star Meat Company. The refund was approved in response to the company's capital improvement projects, expected to create up to 20 new jobs in the county.

- Dragon Wind, a Texas-based company, is opening a wind-generating manufacturing plant in Lamar. The company produces steel towers that support wind turbines and blades. Dragon Wind will employ about 100 workers when production begins, potentially employing up to 200 workers, depending on the demand for wind power. The company will occupy the former Neoplan USA bus factory facility, which closed two years ago leaving 300 people out of work.