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National Economy

By Leora Starr

The national economy continued to struggle in the second quarter of 2008. Revised numbers for real **gross domestic product** (GDP) show the low spot in production occurred in the fourth quarter of 2007 with GDP contracting 0.2 percent. Economic activity picked up slightly in the first quarter of 2008, with GDP increasing 0.9 percent, yet problems associated with the persistently unstable housing market helped hold down any speedy recovery. The second quarter proved more hopeful for recovery with GDP increasing at a rate of 1.9 percent. Though private fixed investment continues to decrease due to persistent weaknesses in residential housing, nonresidential construction, personal consumption, and net exports of goods and services are on the rise and contributing to the increasing GDP.

In the second quarter of 2008, increases in GDP were primarily due to positive gains in personal consumption expenditures. While purchases of durable goods, such as automobiles, furniture, and appliances decreased 3.0 percent over the quarter, spending on nondurable goods increased 4.0 percent, with consumers cutting back only on gasoline and increasing purchases on food and clothing. Expenditures on services also increased, albeit at a slower pace of 1.1 percent, down from 2.4 percent in the first quarter. Although consumers are cutting back on all transportation-related spending, they are continuing to spend on food, recreation and medical care. The third quarter may prove to be not as fruitful as the economic stimulus checks have all been distributed and surging prices are causing consumers to restrain spending.

Net exports of goods and services was the largest contributor to the increase GDP. Due to the weakened dollar, exports increased 5.1 percent in the second quarter while imports fell 0.8 percent. A reduction in imports is a positive contribution to GDP. Increases in national defense spending and state and local government purchases also helped boost GDP in the second quarter.

Gross private investment was the primary impediment to faster growth. While gains were found in nonresidential purchases of industrial equipment and software, huge losses persist in the residential arena. Nonresidential construction saw gains in industrial equipment, computers, and information processing software, but these were overshadowed by the losses in residential housing investment which continued to plummet 15.6 percent from the first quarter to the second. However, this quarter's decline was not as dismal as the prior three quarters where residential housing investments were decreasing at rates well over 20 percent.

New residential construction has slowly picked up as privately-owned housing units authorized by building permits in June 2008 were up 11.6 percent from May 2008 for all housing units. For single-family houses however, new construction in June decreased 3.5 percent from May. All areas of the nation experienced a decrease in single-family residential construction except for the western region which saw an increase in building permits of 1.4 percent for single-family homes from May to June.

Foreclosures in the nation persisted through the second quarter of 2008, led mostly by a handful of states that were the fastest growing in new home building and who were financing homes with riskier types of mortgages. Although most states in the country continue to experience at least a small level of ongoing foreclosures, some states, such as California, Nevada, Arizona, Ohio, Georgia, Michigan — those that experienced rampant growth in the housing market, have the highest foreclosure rates and will require more time to recover. Foreclosure filings on U.S. properties increased 55 percent in July 2008 compared with July 2007. All but eight states had increasing foreclosure rates.

The Conference Board's **consumer confidence** index increased slightly in July after decreasing again in June. July's index is currently at 51.9, up from 51.0 in June. Consumers' assessment of current economic conditions suggest there have been no significant changes in outlook, either positive or negative, on business and labor market conditions. The number of consumers anticipating business to worsen over the next six months decreased to 32.4 percent, down from 33.5 percent in June and those expecting conditions to improve increased from 8.5 to 9.3 percent. Although many consumers believe labor conditions will continue to deteriorate in the short run, the proportion of consumers that expect wages to increase edged up from 13.1 to 14.2 percent.

Consumer debt remains high and continues to increase. The Federal Reserve reported that total consumer credit rose at an annual rate of 5.0 percent in the second quarter — with an annual growth rate of 6.8 for the month of July alone. Interest rates on new car and personal loans decreased to 6.1 percent and 11.1 percent, down from 7.3 and 11.4 percent respectively, a month ago. However, this has been accompanied by more strict conditions in the credit market, making it much more difficult for consumers to get low interest loans. Revolving credit, which includes credit card debt, increased at a rate of 6.8 percent in June, after an increase of 7.6 percent in May.

Inflation increased 1.0 percent in June and is 5.0 percent higher than in June 2007 as shown by changes in the **Consumer Price Index** for All Urban Consumers (CPI-U). Seasonally adjusted annualized changes from May show increases in all major groups with energy and transportation having the highest over-the-month increases of 6.6 and 3.8 percent, respectively. Consumer prices increased at a seasonally adjusted annual rate of 7.9 percent in the second quarter after increasing 3.1 percent in the first quarter of 2008. This results in a 2008 year-to-date annual rate of 5.5 percent compared with an increase of 4.1 percent in 2007. The CPI-U excluding food and energy rose by 2.5 percent in the second quarter after increasing 2.0 percent in the first quarter. The Producer Price Index increased 1.8 percent in June following a 1.4 percent increase in May and 0.2 in April.

The **labor market** saw job reductions in construction, manufacturing, and several service-providing industries including retail trade and professional business services, while health care and mining continued to add jobs. Thus far in 2008, national employment has decreased by 463,000. According to the Bureau of Labor Statistics, manufacturing employment fell by 35,000 in July, bringing losses over the past 12 months to 383,000. Employment in construction was down by 22,000 in July. Almost all of the July employment decrease in construction occurred among specialty trade contractors (-20,000), which includes electricians, plumbers, painters, and other construction workers. Within professional and business services, employment services lost 34,000 jobs in July, with the bulk of the decline in temporary help services. Over the month, employment in retail trade continued to trend down. Since its peak in March 2007, retail trade has lost 211,000 jobs.

The Commerce Department reported that retail sales fell 0.1 percent in July, its worse performance in five months. Industry sectors adding jobs include health care with a gain of 33,000 in July. This industry has added 368,000 jobs over the past 12 months including job gains of 21,000 in ambulatory health care services and 10,000 in hospitals. In July, mining grew by 10,000, with most of the increase occurring in oil and gas extraction and in support activities for this industry. Computer systems design and related services added 7,000 jobs in July.

The **unemployment rate** rose to 5.7 percent with a total of 51,000 jobs lost in July. Over the past 12 months, the number of unemployed increased by 1.6 million and the unemployment rate increased 1.0 percentage point. Among the unemployed, the number of re-entrants to the labor force in July rose by 207,000 to 2.7 million. The number of unemployed persons who had lost their last job was relatively unchanged over the month at 4.4 million, but has risen by 778,000 over the year.

Although economic activity expanded in the second quarter, the situation with the labor markets, surging inflation, and the stress in the financial markets will likely keep economic activity from progressing any faster. Due to the rise in prices of energy and some commodities, inflation has become the primary focus of concern for the **Federal Reserve**. August's meeting of the Federal Open Market Committee (FOMC) resulted in a vote that held the federal funds rate at 2.0 percent rather than making further cuts. The federal funds rate is the interest rate banks lend their balances at the Federal Reserve to other banks. It is the interest rate targeted when the FOMC conducts monetary policy. One member of the FOMC had voted to increase the federal funds rate. This vote might become more popular by the Federal Reserve's next meeting if inflation continues at its current pace.

COLORADO ECONOMY

By Jason Schrock and Ron Kirk

Table 1
Statewide Economic Indicators

	2006	2007	2008 YTD
Employment /1	2.4%	2.3%	1.7.%
Unemployment Rate (2008 figure is for July)	4.3%	3.8%	5.2%
Personal Income/2	7.0%	6.0%	6.5%
Wages and Salaries	6.9%	6.1%	7.2%
Housing Permit /2	-15.0%	-22.6%	-32.9%
Single-Family Permit Growth /3	-22.6%	-32.7%	-43.4%
Growth in Value of Nonresidential Const. /4	2.0%	11.3%	-23.1%
Retail Trade Sales /5	5.5%	6.9%	3.8%

1/ U.S. Department of Labor Statistics; 2007 and 2008 data through July. Data through 2006 are from the QCEW program. Data are from the CES survey.

2/ Bureau of Economic Analysis; data through first quarter.

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

4/ F.W. Dodge; data through June.

5/ Colorado Department of Revenue; data through May.

The weak housing market, distressed financial system, inflation, and lower consumer and business confidence are weakening the state's job market and consumer spending, though not as severely as other areas of the country. Although many consumers and certain industries are hurting due to the economic problems facing the nation, the positive components of Colorado's diverse economy are helping the state weather the storm.

The state's substantial "knowledge economy" is likely one important factor contributing to the state's better performance due to its ability to spur economic growth. This part of the economy includes sectors such as biotechnology, information technology, telecommunications, health care, and the burgeoning clean energy industry. Many of these industries continue to add jobs, employing well-paid, educated workers who create technological innovations that can generate wealth and new jobs for others. Also, Colorado's tourism industry and booming energy production are helping the state. All of these sectors have given the economy a much needed boost that has thus far helped offset the weaker sectors of the economy most affected by the depressed housing market, ailing financial system, and higher costs.

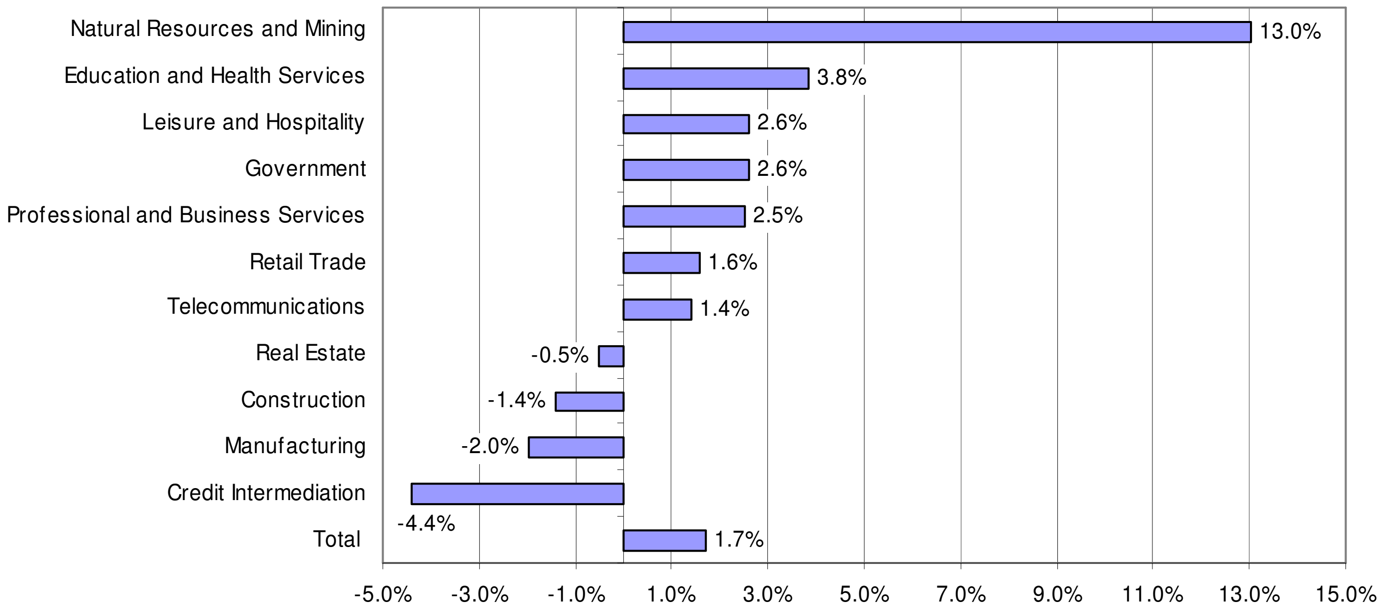
Job Market

The best barometer of the health of the economy is the condition of the job market. If more people have jobs, there is more spending to fuel economic growth. Though job growth has shown clear signs of slowing recently, the state has added jobs every month this year. ***Nonfarm employment*** increased 1.7 percent through July, slowing from a 2.0 percent rate in the first quarter. Job growth was 2.3 percent in 2007. The state added around 17,800 jobs through July, while the nation lost 463,000 jobs. Colorado's ***unemployment rate*** was 5.2 in July, up from 3.8 percent a year ago — another indicator that the state's job market has weakened. However, the rate did improve slightly from the 5.3 percent rate recorded in June. Figure 1 shows the percent change in employment through July in selected industries in Colorado compared with the same period in 2008.

The booming natural resources and mining industry continues to lead the state in job growth. Although the industry does not directly employ a large portion of the state's workforce, the economic activity generated by the industry is providing a much needed boost to the state, especially along the western slope. One of the larger sectors in the state, educational and health services, is also helping the economy's performance with its job growth. This is likely attributable to growth in the state's aging baby boom population which tends to use more medical services, and an increase in enrollment at the state's primary and secondary schools and colleges and universities. Another positive for the state is the recent job growth in the telecommunications industry, after its prolonged slump that started in 2001.

Along with these growing sectors, the tourism industry is an important contributor to the Colorado econ-

Figure 1. Percent Change in Selected Colorado Industries through July of 2008



Source: U.S. Bureau of Labor Statistics

omy. The weaker dollar has made it less expensive for foreigners to travel to the United States, and Colorado is one of the country's top tourist destinations. Also, it is possible that Colorado travelers are staying closer to home due to higher fuel costs, choosing to vacation in the state versus going to destinations farther away. However, increasing travel costs are likely to slow the state's tourism industry in the future. Evidence of this may already be present as the leisure and hospitality sector lost 2,300 jobs since the end of May.

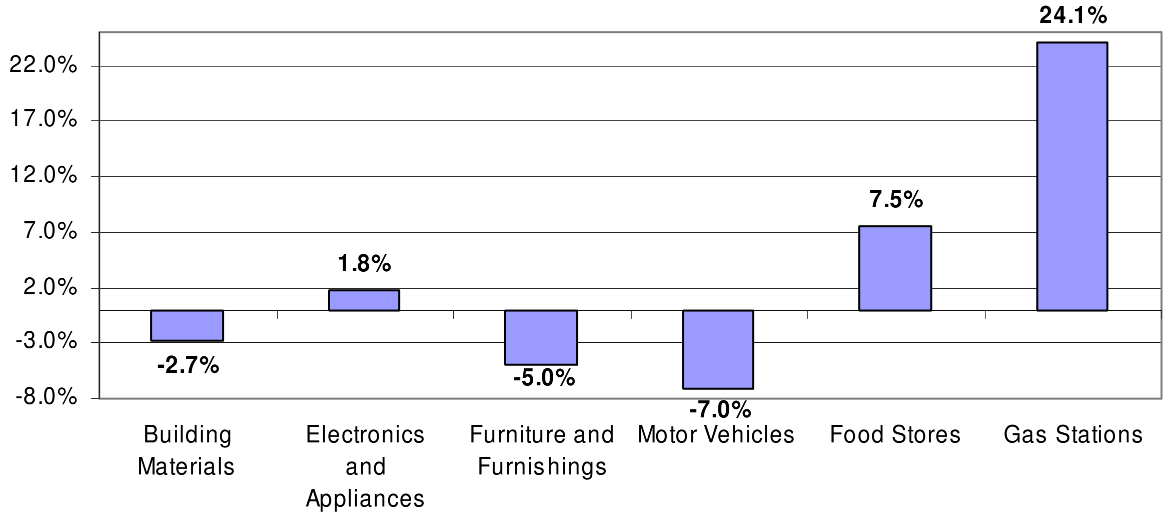
Although job growth in the professional and business services sector continues, it has slowed considerably this year, as the sector shed 700 jobs since. A continued slowdown in this sector could further dampen consumer spending. Employment in the retail trade industry is up over last year, but it has lost about 2,100 jobs since the end of March. This is not surprising given the slowdown in consumer spending due to sustained high prices on basic necessities such as food and gas and low consumer confidence. It is possible that the retail trade job market will continue to weaken as consumers cut back.

Industries most impacted by the depressed housing market – financial activities, construction, and real estate – continue to experience job losses. Workers involved with lending and mortgage financing (credit intermediation) are being hit especially hard from the credit problems arising from losses in mortgage financing. This industry experienced a decline in jobs of 4.4 percent through July. Also, the state's construction industry continues to shed jobs as a result of the weakness in both residential and nonresidential construction activity.

Personal Income and Wages

Statewide ***personal income*** grew 6.5 percent in the first quarter of 2008, according to the latest estimate from the federal Bureau of Economic Analysis. This was the 9th highest growth rate among states – another indicator of the state's relative health compared to other areas. ***Wages and salaries*** grew 7.2 percent in the same period. The booming mining industry experienced the biggest growth in wages at 20.3 percent, followed by the arts, entertainment, and recreation sector (13.3 percent), professional and technical services (11.8 percent), and the information sector

Figure 2. Spending on Big Ticket Items and Food and Gas through May 2008



(10.4 percent). Utilities (down 9.8 percent) and manufacturing (0.7 percent) were the worst performing industries.

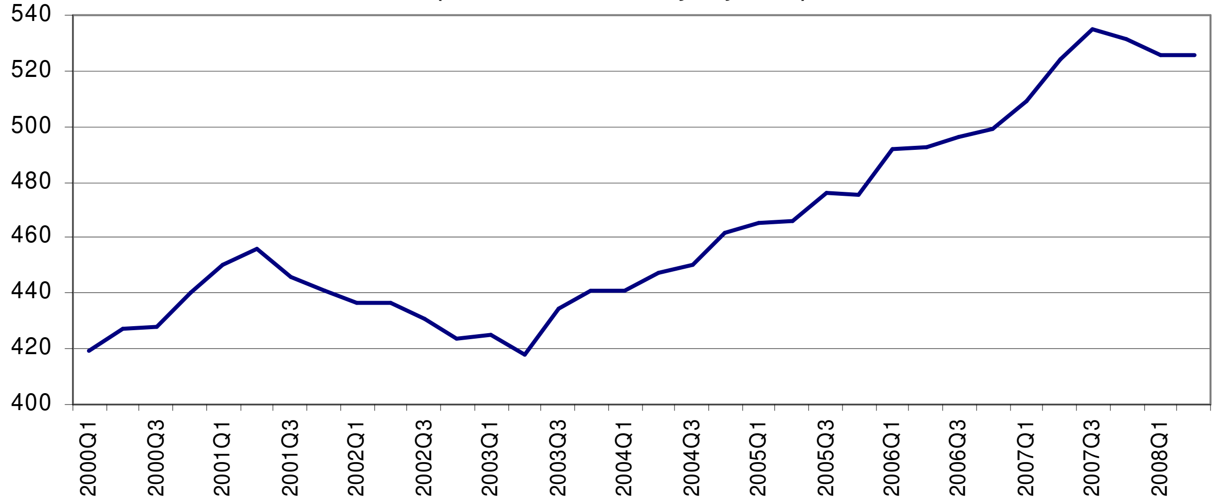
Consumer Spending

Because ***consumer spending*** represents about 70 percent of economic activity, much of the slowdown in the state's economy can be attributed to reduced consumer confidence and spending, especially on bigger ticket items. Higher food and energy prices, stagnant or declining home values, less credit, and a weaker job market are all impacting consumer spending. Further, it is possible that the change in spending patterns will be somewhat prolonged as consumers and the economy adjust to the higher costs of necessities, such as food and gas.

The most recent data on ***retail trade*** sales from the Colorado Department of Revenue provide strong evidence of declining consumer spending. Sales slowed to a 3.8 percent pace through May, after increasing 6.9 percent in 2007. However, excluding spending at grocery stores and gas stations, spending increased only 1.4 percent. Most notably, spending on durable goods, or "big ticket" items, such as cars and appliances, was down 5.1 percent, as consumers spent more of their dollars on food and gas. Figure 2 shows the change in spending on big ticket items through May, as well as the increases in spending at gas stations and food stores.

Figure 3 shows ***state sales tax revenue*** – which comprises about 28 percent of state general fund revenue – from the first quarter of 2000 through the first half of 2008. Sales tax revenue unexpectedly posted strong growth for most of 2007 given the record number of foreclosures hitting the state and the contracting housing market. However, revenue began to dip in the last quarter of 2007 and has continued to be weak in the first half of 2008. Most of the weakness in revenue can be attributed to the fact that the state sales tax does not apply to food bought at grocery stores and gasoline purchases, both of which are taking up a larger portion of household budgets. Since there has not been any discernible boost in spending or in sales tax revenue, it appears that much of the extra money households have received from the federal economic stimulus payments was either saved or went toward paying off debt.

Figure 3. Quarterly State Sales Tax Revenue, 2000 through the 2nd Quarter of 2008
(*in millions, seasonally adjusted*)



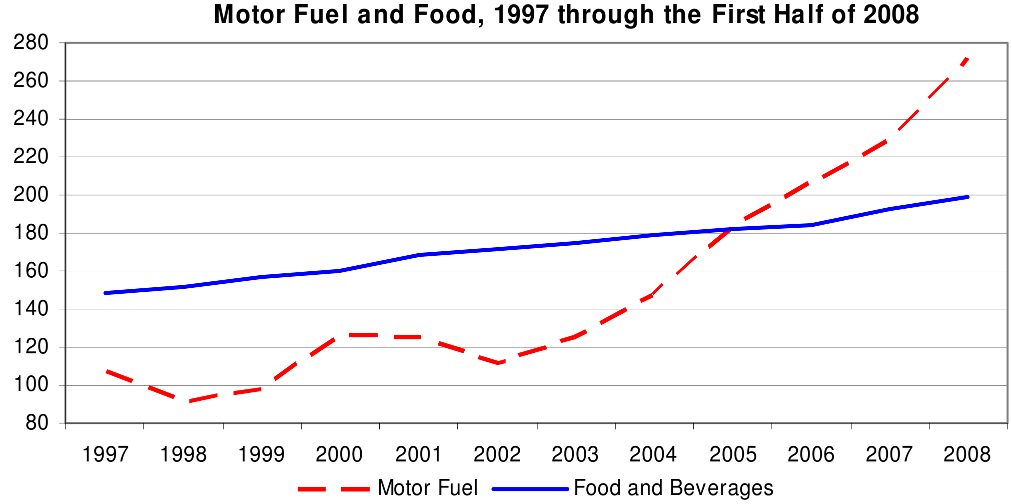
Source: Colorado Department of Revenue

Inflation

Inflation in the Denver-Boulder-Greeley area rose to 3.7 percent for the first half of 2008, up from 2.2 percent for 2007. The rising rate seems to be primarily driven by higher food and gas prices. The food and gas components of the index – items that make up about one-fifth of consumer expenditures – increased 5.7 and 24.8 percent respectively. The increases in food prices are being partially driven by higher transportation costs and significant crop price increases as farmers devote more of their corn crops to producing biofuels. For instance, wheat and corn prices increased 53.2 percent and 59.5 percent, respectively, through July 2008 over prior-year prices.

High gas prices have recently been driven by record-high oil prices, although the per-barrel price is on the decline. At the time of this publication, crude oil on the New York Mercantile Exchange was about $115 per barrel after reaching almost $150 per-barrel a few weeks prior. Figure 4 shows inflation for the

Figure 4. Denver-Boulder-Greeley Consumer Price Indices for Motor Fuel and Food, 1997 through the First Half of 2008



Source: U.S. Bureau of Labor Statistics

food and motor fuel components in the Denver-Boulder-Greeley area over the last decade. After rising only gradually for years, food prices have recently begun to rise at a faster rate. But gas prices, as measured by the index, have more than doubled over the last six years and may continue to remain high as worldwide demand for fossil fuel continues to grow.

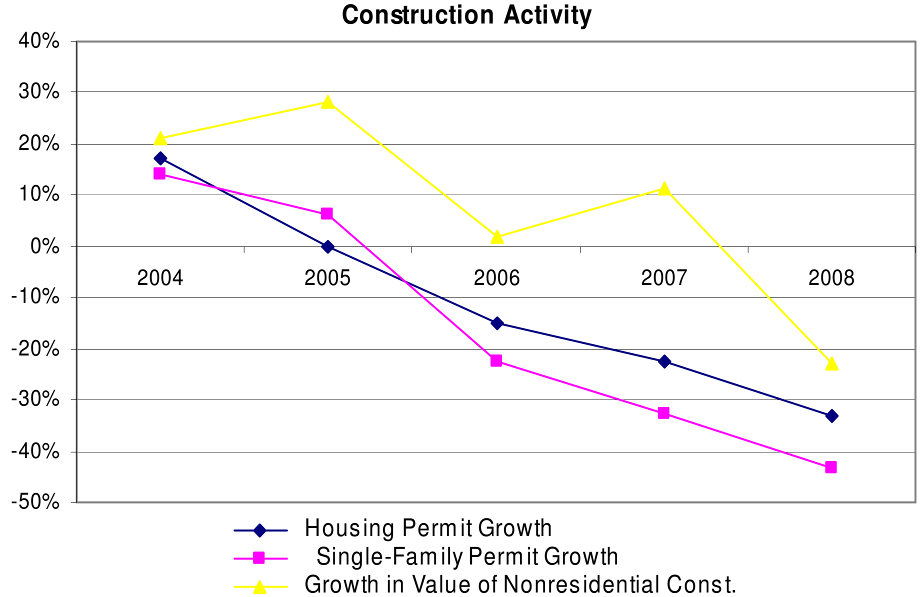
Housing Market and Construction

Colorado's ***housing market***, along with much of the nation's, continues to be in an historic downturn. For many regions of the state, there may be a prolonged period of adjustment in the market as foreclosures continue to rise, home prices fall, and an excess inventory of unsold homes stalls the market. With housing prices down and foreclosures up, Freddie Mac and Fanny Mae, the nation's two largest mortgage finance companies, lost about $11 billion in recent months, and losses are expected to continue. The downturn in the market has many consumers apprehensive about buying and selling homes, worsening the housing industry's problems.

For a number of years, the housing industry's robust growth was driven by easy credit and the belief that rising home values would continue indefinitely. This led to overbuilding, an excessive rise in home values, and an increase in the number of home buyers who became unable to afford mortgages, especially those with adjustable rates. This combination led to an unsustainable boom in the state's housing market that eventually began to sour.

In response to Colorado's stagnating housing market, new home permits have decreased significantly during the past few years. Data from the U.S. Census Bureau indicates that the number of new privately owned housing units authorized for construction in Colorado decreased 32.9 percent through the second quarter of 2008 after decreasing 22.6 percent in 2007. These declines include multi-family housing, which has performed somewhat better than the single-family housing market. Single-family housing permits decreased 43.4 percent through the first half of 2008. Figure 5 provides a brief history of statewide housing permit growth.

Figure 5. Housing Permit and Nonresidential Construction Activity



On the nonresidential side, the industry saw a year of strong growth in 2007 but through the first six months of 2008, it is down 23.1 percent. The change in the value of nonresidential construction activity is also shown in Figure 5.

Home prices are declining in some regions of the state, while a few areas are seeing homes appreciate. In Denver, Metrolist data indicates that the median price of a home sold in July 2008 was $229,200, down 11.3 percent from $255,000 in the prior year. But in Boulder, home prices were up 4.1 percent in the first quarter, compared to a increase of 1.7 percent in the prior year. Home foreclosures are also on the rise during the first half of 2008. Statewide, foreclosures were up 16 percent through the first two quarters of 2008 over the same time period in 2007 and occurred at a rate of 1 filing per 82 households.

There may be some light at the end of the tunnel to Colorado's housing market problems. In the more populated Front Range areas of Colorado, the number of unsold homes on the market was 25,673 in July, down 1.7 percent from the prior month and 15.9 percent from July 2007. As the inventory of unsold homes shrink and builders continue to hold back on building new homes, the housing market will begin to improve.

The housing market may also be getting a boost from the recent passage of the federal Housing and Economic Recovery Act of 2008 (H.R.3221). The intent of the legislation is to provide a stimulus for the housing industry. Congress also hopes to help some homeowners who are facing foreclosure avoid the loss of their home by allowing them to refinance into lower-cost mortgages insured by the Federal Housing Administration.

Under the act, first-time home-buyers can get up to a $7,500 refundable federal income tax credit that must be repaid. For purposes of the credit, a first-time home buyer (either an individual or a married couple) cannot have owned a home as a principle residence during the three-year period prior to the purchase of the home on which the credit is claimed.

The credit is calculated by taking 10 percent of the purchase price and is capped at $7,500. Since the credit is refundable, persons who qualify for the credit will get the credit whether or not federal taxes are owed. The credit is effective for homes purchased on or after April 9, 2008, and before July 1, 2009. Taxpayers who elect to take the credit have 15 years to repay the credit in equal installments. Repayment is interest free.

The federal legislation also gives non-itemizers a limited deduction for state and local real property taxes. This deduction is only available for 2008 and increases the standard deduction by the lesser of:

- the amount of real property taxes paid during the year; or
- $500 ($1,000 for a married couple filing jointly).

Summary

Colorado's economy continues to outperform the nation, though many of the state's businesses and consumers are struggling with tighter credit conditions and higher costs. However, continued job and income growth in a broad range of industries should help the state weather the negative factors in the economy and avoid a recession.

Adding support to this view, several business leaders in the state have begun to be more positive about the outlook for the state's economy. The Colorado Business Leaders Confidence Index, published by Compass Bank and the Colorado Leeds School of Business at the University of Colorado, measures expectations of economic conditions in a variety of industries. The index of expectations for the state's economy for the third quarter was 45.7, up from 41.9 in the second quarter, marking a reversal of a downward trend over the past year. Though businesses still remain cautious, the rise in optimism could bode well for the future as business leaders help determine the path of the economy with their hiring and investment decisions.

METRO DENVER

By Ron Kirk

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

	2006	2007	2008 YTD Thru June
Employment /1	2.0%	2.1%	1.6%
Unemployment Rate	4.4%	3.8%	5.4%
(2008 figure is for June)			
Housing Permit	-14.5%	-20.3%	-33.5%
Single-Family Permit Growth (Denver-Aurora) /2	-26.6%	-38.7%	-50.4%
Single-Family Permit Growth (Boulder) /2	-41.8%	-20.6%	-29.3%
Value of Nonresidential Const. /3	-13.4%	23.6%	0.2%
Retail Trade Sales /4	4.1%	6.4%	3.6%

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 May 2008.

The Metro Denver economy is slowing and reacting to a national economy that has stagnated. Through the second quarter of 2008, employment and retail sales growth is weaker than in 2007 while the unemployment rate is rising. The region is also seeing significant declines in new housing starts and nonresidential construction growth is flat.

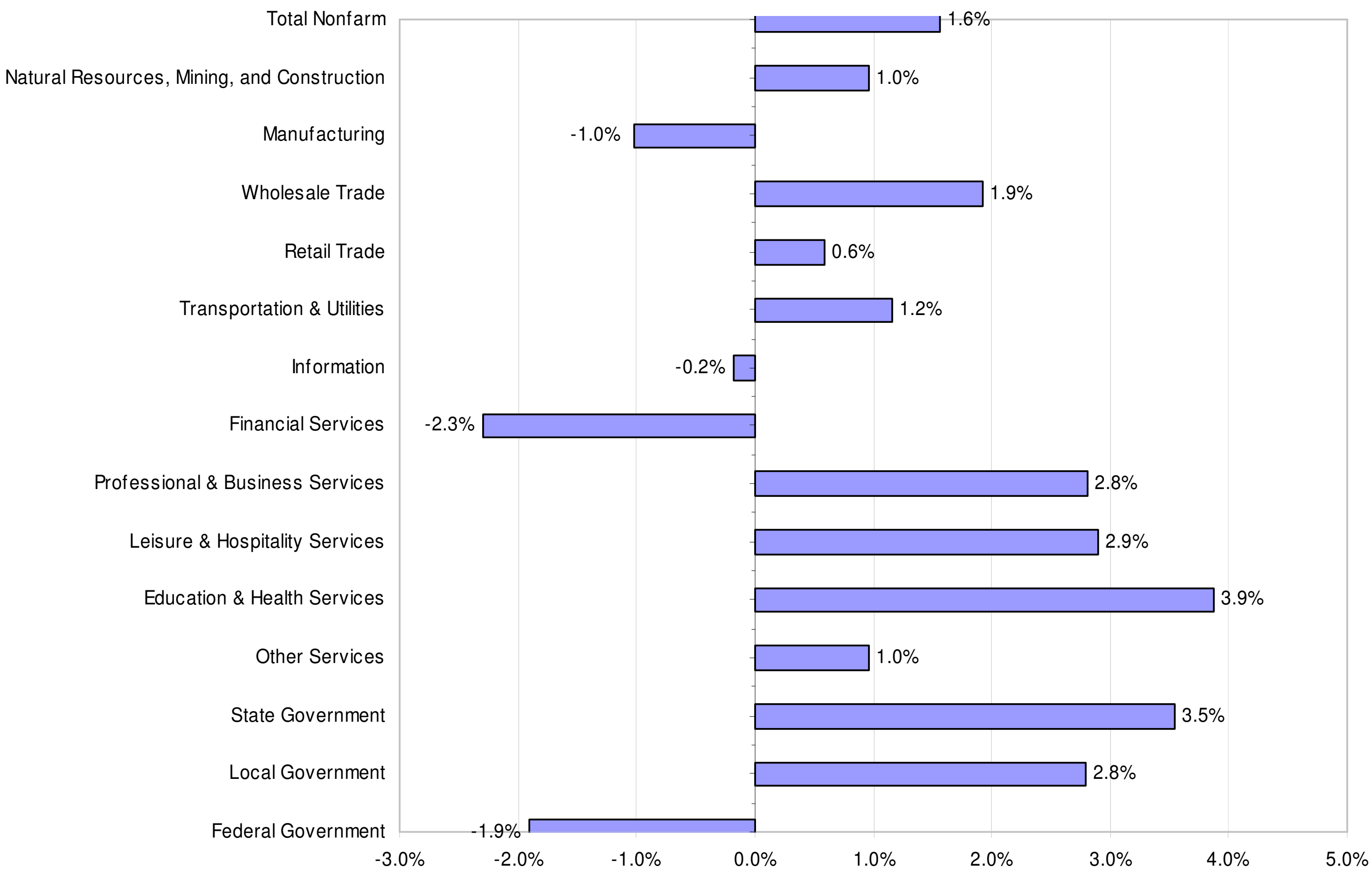
Overall, the region's economy is seeing a general weakening that is stemming from less business investment and a lack of consumer confidence as consumers are reacting to higher gas prices and a deteriorating housing sector. In addition to consumers pulling back, a number of retail chains have halted expansion in the region and some are closing their doors. The region contains 60 percent of the employment and consumer spending in the state. Despite the region's economic slowdown, there are some large commercial developments planned in the next five years that may result in faster job growth in high-wage industries that may eventually work toward stimulating the region's economy. Economic indicators for the Metro Denver region are shown in Table 2.

Total nonfarm employment in the region slowed from 2.1 percent in 2007 to 1.6 percent through the second quarter of 2008. As shown in the figure below, job growth in the region was strongest in the education and health services sector and state government. The housing market contraction and the troubled banking industry is slowing employment growth in the financial services industry. The manufacturing sector and the federal government also saw job losses. As the labor markets saw some sectors shed jobs, the unemployment rate edged upward in the region to 5.4 percent in June 2008 from an average rate of 3.8 percent in 2007. Figure 6 shows industry job growth for the region in 2008.

Metro Denver region's housing sector is going through a housing correction that likely began in 2006. After several years of lax lending standards and rapid home-price appreciation, the Denver region may see a prolonged period of adjustment as foreclosures continue to rise and home prices fall. In the region, Adams, Arapahoe, Boulder, Broomfield, Douglas, and Jefferson counties saw foreclosures rise through the second quarter of 2008 over the same period in 2007. Douglas and Broomfield counties saw the largest increases at 49 percent and 48 percent respectively during this time period. In contrast, Denver County posted a 6 percent decrease in foreclosure filings through the second quarter of 2008 over the prior year.

Statewide, foreclosures were up 16 percent through the first two quarters of 2008 over the same time period in 2007. Within the region, Adams County's foreclosures were the highest and occurred at a rate of 1 filing per 44 households, whereas the state's total foreclosures occurred at a rate of 1 filing per 82 households. Table 3 provides foreclosure statistics for the Metro Denver region.

Figure 6
Metro Denver Employment Growth Through Second Quarter 2008
Current Employment Statistics



The region is also seeing home prices fall. Recent Metrolist data indicates that the median price of a home sold in July 2008 was $229,200, down 11.3 percent from $255,000 in the prior year. The large number of foreclosures in the region is likely driving down prices in the market. In fact, data from Housingmetrics Inc. show that foreclosures accounted for 25 percent of the homes sold in the region during the summer season. The region is also seeing more foreclosures in the upper end of the market. For example, in Arapahoe County, 22.2 percent of the foreclosures were homes priced from $400,000 to $499,000. As more foreclosures are sold in the region, areas that had home prices driven down by foreclosures may begin to stabilize through homeownership.

In the simplest of terms, the housing market is being negatively impacted by excess inventory and a reduction in the number of home-buyers. These two factors are working in tandem. However, the housing inventory may be stabilizing. The inventory of homes on the market was 25,673 in July, down 1.7 percent from the prior month and down 15.9 percent from July 2007.

In addition to foreclosures, the Metro Denver region saw new home starts decline through the second quarter of 2008. Data from the U.S. Census Bureau indicates that the number of new privately owned housing units authorized for construction in Denver decreased 33.5 percent. However, multi-family housing in the region is faring better than single family housing. Single-family housing permits

Table 3
Foreclosure Filings

County	2nd Quarter 2007 (January thru June)	2nd Quarter 2008 (January thru June)	YTD thru June 2008
Adams	3,190	3,317	4.0%
Arapahoe	3,057	3,529	15.0%
Boulder	425	575	35.0%
Broomfield	103	152	48.0%
Denver	4,091	3,847	-6.0%
Douglas	412	207	49.0%
Jefferson	543	316	23.0%
Statewide	19,396	22,500	16.0%

Source: Colorado Division of Housing 2nd Quarter 2008 Foreclosure Report, August 5, 2008.

decreased 50.4 percent in the Denver Aurora part of the region and 29.3 percent in Boulder.

Nonresidential construction saw a year of strong growth in 2007. Despite this gain, nonresidential construction in the first six months of 2008 is about the same as 2007.

The Metro Denver region saw a slowdown in retail trade sales growth through May 2008. Retail sales grew at the pace of 3.6 percent as compared to 6.4 percent in 2007. The region's retail sales were slightly below the statewide growth of 3.8 percent. Consumers are cutting back on non-discretionary spending as higher energy and commodity prices are taking a bite out of disposable income. This has been the case for non-discretionary purchases such as those made at specialty and apparel shops. For many retailers in the Metro Denver region, if sales are flat, the retailer is doing well as many are seeing revenue declines as the practice of "discounting" an item may not result in a sale.

The deceleration in retail sales during the first two quarters has resulted in some retail chains halting expansions and some closing their doors. For instance, in Jefferson County, Cabela's pushed back their plans at least two years to build a massive outdoor-recreation store in Wheat Ridge.

Despite the slowing economic trends for the region, it continues to fare better than many metropolitan areas in other states and may soon see some large economic development projects turn the region's economy around. Any such recovery will likely follow the state and national economies.

Recent Economic News

- Houston-based ConocoPhillips intends to build a Global Technology and Corporate Learning Center at the former Storage Technology site off U.S. 36. The center will serve as a worldwide training center for employees and is expected to be operational by 2011. Preliminary estimates indicate that the facility may employ more than 7,000 workers having a payroll of over $400 million.

- Danish wind energy company Vestas has tentatively agreed to buy 178 acres north of Brighton to expand its wind-blade manufacturing operations. Vestas indicated that the company may pay about $3 million for the land and build a $290 million wind-turbine complex that will employ 1,350 workers. Initially, Vestas was planning on expanding its new plant in Windsor but an agreement to purchase additional land was not reached. Vestas also plans to develop a separate,

$240 million wind-tower manufacturing plant. The location has not yet been announced by company officials. The two new plants, combined with the existing Windsor factory, will bring Vesta's investment to $680 million and its total employment in the state to 2,450. Vestas expects the new wind-tower plant to employ 400 of the total 2,450 work force and open by 2010.

- Tendril Networks Inc., a Boulder-based company that develops residential energy-management systems, expects to hire an addition 80 employees by the end of the year. Currently, the company has about 60 employees and is working on a system that allows homeowners and utilities to track individual electricity consumption.

- TransFirst Holdings, a Dallas-based company that provides transaction processing and payment technologies, will open a call center in Aurora that will employ 50 workers by the end of the year. The company, which employs 550 workers at its operations center in Louisville, will also expand its workforce of 778 employees by up to 15 percent in the next few months.

- AtLast Fulfillment, a logistics company with offices in California and Colorado, has moved into its new, larger headquarters building in Aurora. The move will allow its current 150 employee workforce to hire up to 100 more employees.

- Adams Aircraft, which was brought out of bankruptcy by AAI and is now called AAI Acquisition Inc., has hired 100 people over the last two months. Employment will double by the end of the year and grow to 500 by the end of 2009.

- Valen Technologies Inc., a local software developer that does predictive analysis for the property and casualty insurance industry, will move its headquarters into a larger building in downtown Denver. The move will allow the company to hire an additional 13 employees and expand its total staff to 34 employees by the close of the year.

- Southwest Airlines opened a new provisioning base in Denver to stock its planes with sodas, liquor, ice, peanuts, and pretzels. The airline hired 23 new workers and employs about 300 workers in Denver.

- Arca Biopharma Inc., a Metro-Denver based biotechnology firm that recently relocated its headquarters to Broomfield from Denver, will hire up to 20 new employees. The added staff will help commercialize the company's next-generation beta-blocker and vasodilator drugs that are used for cardiovascular therapy.

- Smashburger, a Colorado-based fast-casual burger restaurant, is expanding its business operations. The company recently opened its fifth store in Englewood and is negotiating leases in Arvada, the Stapleton area, Broomfield, Thornton, and Colorado Springs. Each new restaurant employs about 20 to 25 people. Company officials maintain that the expansion of the "fast-casual" market in the Denver region is driven by the fact that this niche market is under-served. The average dinner is $9 and tables turn in about 25 minutes.

- Baskin-Robins is planning on opening more than 60 franchise locations in Colorado, more than double the store base over the next few years. The move is part of an aggressive growth strategy that will result in the Boulder area having six new stores. Baskin-Robins now has 25 stores in Colorado.

- Tony's Market, a local gourmet food market, will open its fourth and largest store on Broadway in early 2009. The 15,000 square-foot store will feature a 4,500 square-foot bistro that seats about 80.

- Shoemaker Crocs Inc., laid off 75 employees, most of which worked at the Niwot-based company headquarters. The shoemaker employs 1,849 workers in the United States. This was the second major job reduction for the company this year. The layoff is in response to the company's decline in sales and concerns about earnings reports and inventory buildup.

- Sun Microsystems will lay off 212 employees or about 8 percent of its workers at its Broomfield and Louisville campuses as part of the company's effort to downsize its operations. Currently, there are 2,593 people employed at both of these campuses. In total, the company will be laying off 1,000 employees across the United States and Canada.

- Frontier Airlines, Denver's second-largest carrier, will slash 113 positions in September. This job reduction is in addition to an earlier announced restructuring that will cut 465 positions this fall. The fall job cuts are in response to the airline's recent effort to counter high fuel costs and emerge from bankruptcy protection. Of the total 465 positions, the airline announced that it would include 155 pilots or about 17 percent of Frontier's total 718 pilots. The layoffs will also affect flight attendants, mechanics, customer service agents, and other employees who work in Denver.

- United Airlines will eliminate 272 baggage handler jobs and 17 pilot positions in Denver in early September as part of its plan to eliminate 7,000 jobs nationwide. Officials indicated that the job cuts will help offset high fuel costs. The airline will also eliminate 14 more daily departure flights in November.

- Internet giant Google is closing its Denver office and consolidating its Colorado operations into its Boulder and Thornton offices. The closure may affect up to 20 employees.

- STA Travel Inc., a Dallas-based student travel company, closed 48 of its 65 U.S. stores including its retail Boulder office at the University of Colorado and offices in Denver and Fort Collins. The company said the closures will increase cost efficiencies in response to the difficult economic environment in the travel industry. Three employees will lose their jobs.

- Bennigan's and the Steak and Ale restaurant chains recently filed bankruptcy and are closing all of their 14 Colorado restaurants. Company officials blame the weak economy for the closures.

COLORADO SPRINGS

By Danica Bracken

Table 4
Colorado Springs Economic Indicators
El Paso County

	2006	2007	2008 YTD Thru June
Employment /1	2.2%	1.0%	1.3%
Unemployment Rate (2008 figure is for June)	4.7%	4.4%	6.3%
Housing Permit /2	-34.3%	-29.7%	-42.8%
Single-Family Permit Growth /2	-33.4%	-34.3%	-42.4%
Value of Nonresidential Const. /3	-33.4%	-39.0%	-41.5%
Retail Trade Sales /4	5.1%	5.3%	2.1%

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)

3/ F.W. Dodge.

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

The economy in the Colorado Springs region continues to contract. The economy is succumbing to the same pressures responsible for the national economic slowdown. Unemployment has surged and the construction sector is going through a substantial correction as the state and the nation grapple with a mortgage crisis and rising energy prices. Meanwhile, consumer spending was sluggish and employment growth in the region was meager.

The number of jobs in the Colorado Springs Metropolitan Area increased 1.3 percent through June, a rate slightly lower than the 1.7 percent increase experienced statewide during that time period. Most of the jobs added in the last half of 2007 and the first half of 2008 occurred in the government, professional and business services, leisure and hospitality, and educational and health services sectors. Job losses occurred in the transportation and utilities, manufacturing, natural resources, mining, construction, information, and financial activities sectors of the Colorado Springs area. The unemployment rate was 6.3 percent in June, up from 4.4 percent in 2007. The statewide unemployment rate was at 5.3 percent in June.

New residential construction has slowed considerably in the region. The number of housing permits issued declined 42.8 percent in the first half of 2008, with single-family permits down 42.4 percent. After 1,633 foreclosure filings in 2007, 2,531 foreclosure filings have occurred year-to-date through June. The nonresidential construction picture is also bleak with the value of nonresidential construction decreasing 41.5 percent through June compared with the first half of 2007. The most severe declines were in the value of manufacturing plants, hospitals and health treatment facilities, schools and colleges, and other government service buildings.

Consumer spending is another important economic indicator because it is a catalyst for jobs and a reflection of the employment situation. Consumer spending in the Colorado Springs region, as measured by retail trade sales, increased a modest 2.4 percent, following increases of 5.1 percent and 5.3 percent in 2006, and 2007, respectively. Statewide consumer spending increased 3.8 percent through June.

Recent Economic News

- Hewlett-Packard announced the closure of its Colorado Springs customer service center as the company consolidates operations at a new location in New Mexico. 800 customer service employees will lose their jobs unless they agree to relocate to the company's new customer service facility. Another 150 information technology workers will lose their jobs if they choose not to relocate to the company's location in Fort Collins.

- Express Jet, Delta Airlines, and US airlines discontinued flights to and from the Colorado Springs airport in response to rising fuel prices and other economic factors, even though passenger traffic at the Colorado Springs airport through May was up for the 12th consecutive month.

- Boulder-based Sunflower Market expects to open its first natural food store in early 2009 in Colorado Springs. The store will open in the old Long's Drug store on Dublin Boulevard and expects to hire between 100 and 120 employees.

PUEBLO — SOUTHERN MOUNTAINS

By Ron Kirk

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

	2006	2007	2008 YTD Thru June
Employment /1			
Pueblo MSA only	2.3%	3.0%	1.8%
Unemployment Rate	5.5%	4.8%	6.6%
(2008 figure is for June)			
Housing Permit /2			
Pueblo County	10.6%	-42.1%	-45.8%
Single-Family Permit Growth for Pueblo County /2	7.4%	-47.3%	-46.2%
Value of Nonresidential Const. /3			
Pueblo County	632.3%	-62.1%	-71.6%
Retail Trade Sales /4	6.0%	6.5%	4.3%

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 May 2008.

Pueblo's five-county regional economy slowed through the second quarter of 2008. Employment and retail sales growth are weaker than in 2007 and 2006 and the unemployment rate is rising. Single family housing permit growth and the value of nonresidential construction have slowed considerably. Table 5 shows annual economic indicators for the region.

In Pueblo County, nonfarm employment grew at a modest 1.8 percent rate through June 2008 compared with the same period last year, down from 3.0 percent in 2007. Similar to the state and national trend, the unemployment rate in the region climbed to 6.6 percent in June from 6.0 percent in March and from an average rate of 4.8 percent in 2007. In comparison, the statewide unemployment rate in June was 5.3 percent.

Consumer spending, as measured by retail trade sales, slowed to 4.3 percent in the region through May 2008, compared with 6.5 percent growth in 2007. Despite the region's sluggish retail sales, the region was slightly above the statewide pace of 3.8 percent. Huerfano County led the region in consumer spending with 15.7 percent growth. Custer County saw the slowest growth as retail sales decreased 1.0 percent.

Construction activity continues to slow after a difficult year in 2007, mirroring national and state trends. In Pueblo County, housing permits were down 45.8 percent through the second quarter of 2008 after declining 42.1 percent in 2007. When looking at single-family housing permits, the decline was slightly larger at 46.2 percent. Meanwhile, the value of nonresidential construction in Pueblo County declined 71.6 percent through June after decreasing 62.1 percent in 2007. The large decline in the first half of the year is largely due to less activity in the commercial and health care center sectors.

Recent Economic News

- McCloskey Motors, a used-car dealership, recently opened a new store in Pueblo on the U.S. 50 West corridor. The dealership has 11 employees and will hire an additional 20 workers in the next nine months. The business expects to sell between 80 and 100 used vehicles a month.

- Pueblo's recently-completed cement plant began limited production operations in July and employs about 95 workers, most of whom are from the Pueblo area. Cement will be shipped by rail to markets in New Mexico, Wyoming, and South Dakota.

- Black Jack's Saloon & Steakhouse opened a new restaurant in Pueblo. The restaurant hired about 20 new employees that will work as cooks, servers, waiters, and kitchen help.

SAN LUIS VALLEY REGION

By Natalie Mullis

Table 6
San Luis Region Economic Indicators
Alamosa, Conejos, Costilla, Mineral, Rio Grande, and Saguache counties

	2006	2007	2008 YTD Thru June
Employment /1	1.0%	1.0%	-0.6%
Unemployment Rate (2008 figure is for June)	5.4%	4.7%	6.8%
Crop Price Changes /2			
Barley (U.S. average for all)	24.2%	31.4%	33.2%
Alfalfa Hay (baled)	37.3%	0.0%	18.5%
Potatoes	-8.0%	14.1%	94.5%
Potato Production (Cwt) /2	-1.0%	-7.5%	N/A
Housing Permit /3			
Alamosa County	-22.7%	11.8%	100.0%
Single-Family Permit Growth	41.7%	3.9%	0.0%
Value of Nonresidential Const. /4			
Alamosa County	-22.4%	414.1%	4.2%
Retail Trade Sales /5	10.0%	6.6%	8.4%

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 July 31, 2008 prices to July 31, 2007. Potato production reflects Colorado growers and commercial storage facilities in the San Luis Valley.

3/ Data through 2007 are from the U.S. Census Bureau. 2008 data are from 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/ F.W. Dodge

5/ Colorado Department of Revenue; data through May 2008

N/A = Not Available

Although employment in the six-county San Luis Valley Region slowed considerably through the first half of 2008, the region's agriculture and construction industries appear to be doing well. While growth in retail sales would seem to indicate that the region's consumers are still spending, the increase is entirely the result of higher prices for food and motor fuel. Table 6 shows economic indicators for the San Luis Valley region.

The region's agriculture industry has enjoyed strong growth in prices thus far in 2008. Potato prices were nearly double at the end of July what they were a year prior. The price of baled alfalfa hay was 18.5 percent higher in July than a year ago. In addition, the price of barley is up 33.2 percent nationwide over the same time period.

The employment situation looks less than favorable. The six counties in the region suffered a loss of 132 jobs through June compared with the first half of 2007, for a decrease of 0.6 percent. Alamosa, Conejos, Rio Grande, and Saquache counties all experienced a decrease in employment; job growth was flat in Costilla County and increased in Mineral County. The region's unemployment rate increased from 4.7 percent for all of 2007 to 6.8 percent in June. Costilla County had the largest unemployment rate at 9.2 percent in June, while Mineral County had the smallest at 5.5 percent.

Employment in Alamosa County decreased 0.5 percent through June compared with the first half of 2007 — for a loss of about 40 jobs. The decrease was much larger in April and May following the shutdown of the city's water supply in late March. Most — through perhaps not all — of the impact of the shutdown appears to have resolved itself. Alamosa county's unemployment rate was 6.2 percent in June, up from an average of 4.2 percent in 2007.

Consumer spending, as measured by retail trade sales, increased 8.4 percent through May compared with the first five months of 2007. Consumers in the San Luis Valley are facing the same constraints that consumers are nationwide from high food and gas prices and tighter credit. The large increase in consumer spending is entirely the result of high food and gasoline prices; if you exclude spending at food stores and gasoline stations, consumer spending decreased 1.0 percent through May.

Construction activity is healthier in the region than in much of the rest of the state. The value of nonresidential construction increased 4.2 percent through June, while the number of permits issued for residential construction doubled. The large increase in resinumber of permits issued for single-family homes was flat compared with the same time period in 2007.

Recent Economic News

- A new health care clinic is expected to open in downtown Alamosa by mid-September. The clinic will employ four physicians and their staffs.

- Three health care facilities received grants worth $50,000 from the Colorado Rural Health Care Grant Council in July. The clinics will use the grants to improve health information technology, equipment, and supplies.

SOUTHWEST MOUNTAIN REGION

By Natalie Mullis

Table 7
San Luis Region Economic Indicators
Archuleta, Dolores, La Plata,
Montezuma and San Juan counties

	2006	2007	2008 YTD Thru June
Employment /1	4.3%	2.9%	1.7%
Unemployment Rate (2008 figure is for June)	3.8%	3.3%	4.4%
Housing Permit /2			
La Plata County	-19.8%	0.3%	-62.4%
Single-Family Permit Growth	-23.5%	-13.0%	-36.1%
Growth in Value of Nonresidential Const. /3			
La Plata County	74.4%	881.5%	-87.1%
Retail Trade Sales Growth /4	9.3%	5.7%	4.8%

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/ Data through 2007 are from the U.S. Census Bureau. 2008 data is from 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/ F.W. Dodge

4/ Colorado Department of Revenue; data through May 2008

The economy in the five-county Southwest Mountain region has slowed thus far through 2008. Growth in employment slowed from 2007 levels, and the construction sector has begun experiencing a major correction. However, the tourism season appears to have been healthier than expected, and consumer spending — though slower than in 2007 — is growing at a healthier rate than that experienced statewide.

Employment in the region slowed to a 1.7 percent rate through the first half of 2008, after increasing 2.9 percent in 2007. The region added 840 jobs thus far in 2008; half of which occurred in La Plata County, where employment increased 1.4 percent. Employment increased in every county in the region except San Juan County, which lost 47 jobs through June — close to ten percent of its workforce. As a result of the slower job growth, the region's unemployment rate increased to 4.4 percent in June from an average of 3.3 percent in 2007.

After essentially no growth in 2007, the number of permits issued for residential construction in La Plata County decreased 62.4 percent through June. Permits for multi-family homes fell off faster than those for single-family homes. According to the Durango Area Association of Realtors, sales of single-family homes in La Plata County decreased 31 percent between the second quarter of 2007 and the second quarter of 2008. The median price for a single-family home in La Plata County, however, increased from $379,000 to $385,000 during the same time period.

The value of nonresidential construction is also decreasing. Nonresidential construction activity decreased 87.1 percent through June in La Plata County, after an increase of nearly 900 percent in 2007. Rather than being the cause of a single large project in 2007, the decrease appears to be fairly broad-based; large decreases occurred in both the commercial and public building sectors.

Consumer spending, as measured by retail trade sales, slowed to a growth rate of 4.8 percent through May from an increase of 5.7 percent last year. Although strong agriculture prices and a better-than-expected tourism season have buoyed spending at the region's retail stores, the slowdown in construction activity, coupled with high food and gas prices, has slowed the pace of spending.

Recent Economic News

- Ridership at the Durango-La Plata County Airport increased 7.3 percent through June compared with the first half of 2007. The airport attributed the increase to the new route Frontier Airlines began operating between Denver and Durango in April.

- Construction on the Southern Ute Indian Tribe's new casino and resort in La Plata County is expected to be complete by the end of the year. The resort, which will employ between 500 and 600 people, will include 700 slot machines, a child-care center, 146 hotel rooms, a bowling alley, an indoor pool, a miniature gold course, and retail space.

MOUNTAIN REGION

By Todd Herreid

Table 8
Mountain Region Economic Indicators
Routt, Jackson, Grand, Eagle, Summit, Pitkin, Lake, Park, Teller, Clear Creek, Gilpin, and Chaffee, counties

	2006	2007	2008 YTD Thru June
Employment /1	3.5%	3.0%	2.3%
Unemployment Rate (2008 figure is for June)	3.6%	3.1%	4.4%
Housing Permit Growth			
Eagle, Pitkin, & Summit Counties /2	12.4%	-4.8%	-55.9%
Single-Family Permit Growth/2	-7.2%	-18.6%	-45.0%
Routt County /3	-10.5%	40.0%	29.3%
Single-Family Permit Growth/3	-10.8%	-11.4%	-23.3%
Value of Nonresidential Const. /2			
Eagle, Pitkin, & Summit Counties	74.3%	6.4%	-1.3%
Routt County	143.9%	80.2%	-40.9%
Retail Trade Sales /4	12.6%	9.6%	3.8%

1/ Colorado Department of Labor and Employment. Data through 2006 are from the QCEW program. 2007 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/ U.S. Census. 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 May 2008.

Compared with the rest of the state, the mountain region appears to be performing slightly better. The region's job growth was stronger than the statewide average and construction activity in some areas was positive. Consumer spending advanced at the same pace as the rest of the state. Table 8 shows major economic indicators for the mountain region.

Employment in the region increased 2.3 percent through June 2008, slowing from 3.0 percent growth in 2007. Summit, Eagle, Lake, and Routt counties had job growth of 3.3 percent or greater in the first half of the year, while Chaffee and Jackson counties experienced job losses. Corresponding with the region's slower employment growth, the unemployment rate increased to 4.4 percent in June. In all of 2007, the unemployment rate averaged 3.1 percent.

While residential construction has been weak throughout most of the state, the mountain region has seen mixed results. Housing permits in Routt County increased 40.0 percent in 2007 and were up 29.3 percent through June 2008. However, the growth in Routt County is from multi-family housing, not single-family housing. In contrast, housing permits in Eagle, Pitkin, and Summit counties decreased 55.9 percent through June, with both single-family and multi-family housing permits declining.

Nonresidential construction was also somewhat mixed. The value of nonresidential construction permits in Eagle, Pitkin, and Summit counties was relatively flat, while permits declined 40.9 percent in Routt County. On a positive note, the drop in Routt County can be attributed to several large capital projects that were permitted in 2007.

Consumer spending, measured by retail trade sales, is slowing like other areas of the state. In the first five months of the year, retail trade sales were up 3.8 percent compared with the same period last year. This matches the statewide average. Although several smaller counties experienced double-digit growth rates, some of the larger counties experienced sluggish growth. Retail trade sales in Eagle and Pitkin counties increased 5.0 percent and 2.5 percent respectively, while sales in Summit and Routt counties were relatively flat.

Recent Economic News:

- Joseph Freed and Associates received a building permit from the Town of Basalt to begin construction on a new 44,000-square-foot Whole Foods store. Construction is expected to be completed by the end of 2009 or early 2010 and will be adjacent to Highway 82.

- Tourism activity in the mountain region may be slowing because of rising gasoline prices and national economic conditions. The Colorado Department of Transportation reported that traffic counts through the Eisenhower Tunnel along Interstate 70 were down 2 to 3 percent in the last four months compared with 2007. Traffic counts into Aspen were down more than 4 percent. Also, as noted above, retail sales are slowing in many areas of the region, such as Summit, Routt, and Pitkin counties.

WESTERN REGION

By Ron Kirk

Table 9
Western Region Economic Indicators
Moffat, Rio Blanco, Garfield, Mesa, Delta, Montrose, San Miguel, Ouray, and Gunnison counties

	2006	2007	2008 YTD Thru June
Employment /1			
Western Region	5.9%	5.5%	3.3%
Mesa County /1	5.1%	5.7%	4.5%
Unemployment Rate	3.6%	3.1%	4.1%
(2008 figure is for June)			
Housing Permit			
Mesa County 2/	4.6%	-13.2%	-36.5%
Single-Family Permit Growth/2	-3.1%	-8.1%	-45.3%
Montrose County 3/	-5.3%	-31.0%	-55.6%
Single-Family Permit Growth/3	-9.1%	-28.8%	-56.4%
Value of Nonresidential Const. /3			
Mesa County	-44.8%	210.4%	-72.4%
Montrose County	141.3%	-34.6%	-93.1%
Retail Trade Sales /4	14.2%	11.8%	5.4%

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) contracted 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 May 2008.

The western region, driven by the boom in the oil and gas industry, continues to see strong employment growth, moderately low unemployment, and growth in retail sales. But like other regions in the state, the region is seeing a significant slowdown in the housing and nonresidential construction sectors. The housing market is also seeing a rise in foreclosures. Table 9 shows major economic indicators for the western region.

Employment in the region grew strongly through the first two quarters of 2008, increasing 3.3 percent compared with the statewide average of 1.7 percent. While job growth decelerated from 2006 and 2007 levels, the region continued to see some of the largest job increases in the state. Nonfarm employment was up 4.5 percent in Mesa County through June 2008, compared with 5.7 percent growth in 2007. Meanwhile, the region's unemployment rate is inching upward and was reported at 4.1 percent in June, up from 3.8 percent in March and 3.1 percent for 2007.

Ongoing natural gas exploration, drilling, and production caused job growth to be the strongest in San Miguel, Rio Blanco, Garfield, and Mesa counties. During the first two quarters of 2008, San Miguel's job growth was the strongest in the region at 9.3 percent, followed by 7.2 percent in Rio Blanco County, 5.6 percent in Garfield County, and 4.5 percent in Mesa County.

A correction has begun in the region's construction sector. During the first two quarters of 2008, permits for housing units decreased 36.5 percent in Mesa County and 55.6 percent in Montrose County. Multi-family housing is faring better than single-family housing. Single-family housing permits decreased 45.3 percent in Mesa County and 56.4 percent in Montrose County.

The region's decline in new housing permits may be partially driven by the growing number of foreclosures in both counties. In Mesa County, foreclosure filings were up 21 percent through the second quarter of 2008 over the same period in 2007 and occurred at a rate of 1 filing per 235 households. On a statewide basis, Colorado's foreclosures were up 16 percent through the first two quarters of 2008 and occurred at a rate of 1 filing per 82 households. For Montrose County, foreclosure filings were up 12.5 percent through the first quarter of 2008 (filing data were not available for the 2nd quarter of 2008). These figures are up from 393 filings in 2007 in Mesa County and 101 filings in 2007 in Montrose County.

The value of nonresidential construction permits decreased in both Mesa and Montrose counties in the first six months of 2008. In Mesa County, the value of nonresidential construction decreased 72.4 percent, while permits declined 93.1 percent in Montrose County. Much of the decline in Mesa County was due to the permitting in 2007 of the Saint Mary's Hospital Facility in Grand Junction. For Montrose County, the decline in nonresidential construction is resulting from less money being spent on commercial construction activities.

Although other regions in the state are experiencing sluggish spending, retail sales in the western region continue to grow at a moderate pace. However, that pace is slowing. For the region as a whole, retail trade sales increased 5.4 percent through May 2008, after jumping 11.8 percent in 2007. The statewide average for retail sales through June was 3.8 percent.

Recent Economic News:

- The following companies are posting job positions in Western Slope counties that engage in energy-industry activities. Halliburton reported that it has 100 open positions related to western slope drilling operations paying an average annual salary of $50,000. EnCana Oil & Gas announced that it has 22 energy-related positions open in the area. Engineering firm Drexel, Barrell & Co., is looking to add to its workforce and Mays Concrete is looking to fill nine jobs.

- Gold's Gym will open a gym in Clifton on the Interstate-70 Business Loop. The 60,000 to 70,000 square-foot facility will add 60 to 70 new jobs to the area.

- Walgreens is completing construction on a new store in Craig and will hire up to 20 persons locally.

NORTHERN REGION

By Danica Bracken

Table 10
Northern Region Economic Indicators
Weld and Larimer counties

	2006	2007	2008 YTD Thru June
Employment /1			
Larimer County	1.8%	2.4%	2.5%
Weld County	4.2%	3.0%	2.8%
Unemployment Rate			
Larimer County	4.0%	3.4%	4.7%
Weld County	4.7%	4.2%	5.7%
(2008 figure is for June)			
State Cattle and Calf Inventory /2	5.0%	-4.0%	-12.8%
Housing Permit Growth /3			
Larimer County	-17.5%	-26.9%	7.9%
Single-Family Permit Growth /3	-36.7%	-12.7%	-37.7%
Weld County	-30.3%	-38.6%	-47.2%
Single-Family Permit Growth/3	-36.6%	-40.5%	-42.3%
Value of Nonresidential Const. /4			
Larimer County	6.6%	-4.1%	-11.6%
Weld County	33.7%	5.9%	5.6%
Retail Trade Sales /5			
Larimer County	5.2%	6.5%	2.1%
Weld County	7.0%	7.6%	3.4%

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

2/ Colorado Agricultural Statistics Service. Compares May 2008 to May 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 May 2008.

The northern region's economy displayed relatively healthy growth in the first half of the year. The region has been able to maintain moderately strong employment growth over the last few years, in part, because of the presence of the oil and gas sector. Though the region has not been immune to the national construction sector slump, Larimer County reported an increase in the number of multi-family permits for residential construction, and Weld County reported an increase in the value of nonresidential construction through June.

The number of jobs increased 2.5 percent in Larimer County and 2.8 percent in Weld county through June. Larimer county exceeded its 2007 employment growth average. Unemployment in June increased to 4.7 percent and 5.7 percent respectively in Larimer and Weld Counties.

Consumer spending has slowed in 2008 as consumers struggle with high food and energy costs and less discretionary money available in their budgets. Consumer spending, as measured by retail trade sales, increased 2.1 percent in Larimer County and 3.4 percent in Weld County through June after increasing 6.5 percent and 7.6 percent, respectively, in 2007.

The housing picture in the northern region continues to be sluggish. Larimer County reported a 7.9 percent increase in the number of housing permits issued in the first half of 2008 after a decrease in 2007. This increase is entirely the result of strong growth in multi-family permits. Permits for single-family homes decreased 37.7 percent through June. Weld County reported a 47.2 percent overall decrease in housing permits in the first half of 2008 with single-family permits declining 42.3 percent. Weld County has exhibited a downward trend in housing permits since 2006.

Meanwhile, the value of nonresidential construction permits decreased 11.6 percent in Larimer County while Weld County saw a 5.6 percent increase. Construction of stores and food service facilities, educational related laboratories, and government administration buildings were the primary drivers for the overall increase in Weld County. The decrease in Larimer County was the result of reduced construction of stores and food service facilities, office and bank buildings, and educational related laboratories.

Recent Economic News

- Frac Tech Services, which provided oil- and gas-well services, has closed its operations in Greeley and laid off 9 office workers. The remaining 14 employees have been asked to transfer to the company's other locations or lose their jobs.

- Kmart will close its store in Greeley on September 28. 180 employees will lose their jobs.

- Leprino Foods will begin building a cheese plant on First Avenue in Greeley in 2009. The Denver-based company chose Greeley because of its close proximity to a reliable supply of raw milk. It expects to hire about 260 people in its first year of operation.

- A new Sam's Club will open in October in Evans. The store will employ 170 people when completed.

- Target will open another superstore at Front Range Village in Fort Collins. The store will be a combination of a grocery store and retail center. The company has filled about 250 positions and has plans to hire 40 additional workers.

- In Firestone, Gerards Bakery closed its doors in July laying off 100 employees.

EASTERN PLAINS

By Ron Kirk

Table 11

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	2008 YTD Thru June
Employment /1	-1.0%	1.8%	-2.2%
Unemployment Rate	4.1%	3.5%	4.6%
(2008 figure is for June)			
Crop Price Changes /2			
Winter Wheat	15.1%	110.8%	53.2%
Corn	32.7%	26.9%	59.5%
Alfalfa Hay (baled)	37.3%	0.0%	18.5%
Dry Beans	32.1%	57.1%	28.1%
State Crop Production /2			
Sorghum production	0.9%	86.4%	N/A
Corn	-4.6%	17.4%	N/A
Winter Wheat	-24.4%	135.6%	-40.4%
Sugar Beets	N/A	-17.0%	N/A
2006 is estimated production for the year.			
State Cattle and Calf Inventory Growth /2	5.0%	-4.0%	-12.8%
Retail Trade Sales Growth /3	6.7%	6.0%	12.9%

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 July 2008 to July 2007.

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

The eastern region is experiencing the impact of the economic downturn that is affecting the state and other parts of the country. Employment is declining and the unemployment rate is on the rise. On the positive side, crop prices increased significantly and consumer spending was strong. Table 11 shows economic indicators for the region.

In the labor market, jobs in the region were down 2.2 percent through the second quarter of 2008 while the unemployment rate increased to 4.6 percent in June from 3.5 percent in 2007. Elbert County, where employment increased 1.7 percent, was the only county in the region that saw employment expand. All other counties saw decreases that ranged from 7.1 percent in Baca County to 0.4 percent in Yuma County. Crowley County posted the highest unemployment rate in the region at 7.6 percent. The counties of Yuma and Cheyenne exhibited the lowest unemployment at 2.8 percent in each county.

Consumer spending in the region, as measured by retail trade sales, increased 12.9 percent through May after increasing 6.0 percent in 2007 and 6.7 percent in 2006. Retail trade sales in the region grew faster than any other region in the state, outpacing the state's modest 3.8 percent growth. It is likely that high fuel and feed prices (see following paragraphs that highlight wheat and corn price increases of nearly 60 percent through June 2008) are skewing the region's sales. The Department of Revenue also indicated that Cheyenne County had posted a 70.9 percent increase and some of this growth could be attributed to taxpayer filing behavior change. Fifteen of the sixteen counties in the region saw increases in consumer spending while Washington County posted a 4.0 percent decrease.

The outlook for farmers in the region is somewhat brighter due to the continued increases in grain and other crops prices. Crops prices for wheat, corn, alfalfa hay, and dry beans accelerated at a strong pace through July and remain at record high prices. Wheat and corn prices increased 53.2 percent and 59.5 percent respectively through July over prior year prices. Mid-July 2008 wheat prices were $7.66 per bushel, which was $2.66 above the price in July 2007. Corn prices rose at a higher rate than wheat as the mid-July 2008 corn price was $5.55, $2.07 above July 2007 prices. Other crop prices such as alfalfa hay increased 18.5 percent, while dry beans increased 28.1 percent over the same time period.

While grain and corn yields are above average levels in the west and other parts of the nation, farmers can expect the cost of growing these crops to continue to be high as the price of oil, electricity, fertilizer, chemicals, and seed continues to rise. Thus, farmers may continue to see somewhat lower-than-expected profits despite higher crop prices.

Animals still account for two-thirds or more of the agricultural output of the state. With the high prices of grain, ranchers that produce cattle, swine, and poultry in the region are seeing high costs to feed livestock. The higher price of feed is caused by the diversion of corn away from feed toward the production of ethanol, where farmers can command higher prices. Feedlots, facing losses due to high feed prices, are paying less for animals. In response, ranchers in the region are selling off more young livestock to offset the risk, further depressing prices. In the short-term, consumers may benefit as the depressed prices for meat and poultry may mean more favorable prices at the supermarket. But in the long-term, consumers may see higher prices for meat in the future as fewer animals are being raised.

Recent economic news:

- LiquidMaize has delayed the construction of a $24 million ethanol facility in north Pueblo. Company officials reported that the delay is the result of current financial markets and the unfavorable market conditions for more ethanol production. Investors are moving more cautiously with investments in the ethanol industry. Initially, LiquidMaize announced plans to construct the 220,000 square-foot facility in 2006.