Colorado
Legislative
Council
Staff

Room 029 State Capitol, Denver, CO 80203-1784
(303) 866-3521 FAX: 866-3855 TDD: 866-3472

MEMORANDUM

September 20, 2006

TO: Members of the General Assembly

FROM: The Economics Staff, (303) 866-3521

SUBJECT: *Focus Colorado: Economic and Revenue Forecast, 2006-2011*

This memorandum presents the current budget outlook based on the September 2006 General Fund and cash fund revenue forecasts. Table 1 presents the General Fund overview based on current law.

Summary

- The **General Fund revenue** forecast for FY 2006-07 was increased by $74.2 million since the June forecast. Most of the increase occurred in the expectations for individual income taxes due to strong job growth. The stock market has been extremely volatile recently and could cause dramatic shifts in collections over the next several years. Over the entire forecast period, General Fund revenue projections increased by $333.0 million. The increase in General Fund revenue will accrue to the Senate Bill 97-1 diversion to the Highway Users Tax Fund. That diversion is now anticipated to be fully funded in FY 2006-07 and nearly fully funded each year thereafter.

- The forecast for **cash fund revenue** was decreased by $12.9 million during FY 2006-07 as a result of lower forecasts for unemployment insurance and severance taxes. Although forecasts for individual cash funds were altered over the forecast period, these changes offset each other such that total revenue was largely unchanged, increasing by a total of $5.8 million between FY 2006-07 and FY 2010-11.

- Between FYs 2006-07 and 2010-11 **highways** will receive $1.4 billion through the Senate Bill 97-1 diversion and the House Bill 02-1310 split. **Capital construction** will receive a total of $152.9 million through the House Bill 02-1310 mechanism during FY 2006-07 and FY 2007-08.

- **Referendum C** is currently estimated to retain $4.7 billion during the five-year timeout period.

Table 1
September 2006 General Fund Overview
(Dollars in Millions)

		Final FY 2004-05	Estimate FY 2005-06	Estimate FY 2006-07	Estimate FY 2007-08	Estimate FY 2008-09	Estimate FY 2009-10	Estimate FY 2010-11
1	Beginning Reserve	$345.8	$335.4	$689.4	$288.1	$283.3	$300.3	$318.3
2	General Fund Nonexempt Revenue	6,160.9	5,849.6	6,292.7	6,621.2	7,032.3	7,617.8	8,101.9
3	General Fund Exempt Revenue	0.0	1,115.0	937.9	939.0	943.3	817.2	804.9
4	Senate Bill 97-1 Diversion to the HUTF	0.0	-220.4	-229.0	-233.8	-239.6	-228.5	-209.8
5	Paybacks to Other Funds	0.0	-67.1	0.0	0.0	0.0	0.0	0.0
6	Transfers from Other Funds	65.7	226.9	32.6	36.7	35.8	34.9	33.9
7	Diversion of Sales Taxes to Older Coloradans Fund	-1.5	-2.0	-3.0	-3.0	-3.0	-3.0	-3.0
8	Sales Taxes to Old Age Supplemental Medical Care Fund		-0.8	-0.8	-0.8	-0.8	-0.8	-0.8
9	TABOR Surplus Liability (refunded in following year)	-41.1	0.0	0.0	0.0	0.0	0.0	0.0
10	Total Funds Available	$6,529.8	$7,236.7	$7,719.9	$7,647.5	$8,051.3	$8,537.9	$9,045.6
	APPROPRIATIONS AND OBLIGATIONS:							
11	Allowable General Fund Appropriations*	$5,935.2	$6,292.7	$6,675.6	$7,082.3	$7,507.2	$7,957.6	$8,435.1
12	Exemptions from the Appropriations limit	1.3	5.0	5.8	0.0	0.0	0.0	0.0
13	Rebates and Expenditures	110.7	153.4	168.3	164.5	170.9	177.1	187.6
14	Reimbursement for Senior Property Tax Cut	0.0	0.0	64.6	65.3	65.9	64.1	64.7
15	Funds in Prior Year Excess Reserve to HUTF	81.2	65.3	291.8	14.1	0.0	0.0	0.0
16	Funds in Prior Year Excess Reserve to Capital Construction	40.6	32.7	145.9	7.0	0.0	0.0	0.0
17	Capital Construction Transfer	0.0	10.1	79.7	31.0	7.0	20.7	20.7
18	Transfer to the Controlled Maintenance Trust Fund	55.0	0.0	0.0	0.0	0.0	0.0	0.0
19	Accounting Adjustments	-29.7	-11.8	NE	NE	NE	NE	NE
20	Total Obligations	$6,194.3	$6,547.3	$7,431.7	$7,364.2	$7,751.0	$8,219.5	$8,708.2
21	**YEAR-END GENERAL FUND RESERVE:**	**$335.4**	**$689.4**	**$288.1**	**$283.3**	**$300.3**	**$318.3**	**$337.4**
22	**STATUTORY RESERVE: 4.0% OF APPROPRIATIONS**	**237.4**	**251.7**	**267.0**	**283.3**	**300.3**	**318.3**	**337.4**
23	**GENERAL FUND EXCESS RESERVE**	**$98.0**	**$437.7**	**$21.1**	**$0.0**	**$0.0**	**$0.0**	**$0.0**
	TABOR RESERVE REQUIREMENT:							
24	General & Cash Fund Emergency Reserve Requirement	$249.3	$275.0	$278.1	$291.2	$305.2	$315.8	$330.6
25	Appropriations Growth	$337.1	$361.2	$383.7	$400.9	$424.9	$450.4	$477.5
26	Appropriations Growth Rate	6.02%	6.08%	6.09%	6.00%	6.00%	6.00%	6.00%
27	Addendum: Amount Directed to State Education Fund	$313.9	$357.2	$372.9	$390.1	$413.0	$438.8	$464.7

Totals may not sum due to rounding.
* FY 2006-07 Appropriations are currently $6,669.2 million. The GA could still appropriate up to the figure in the table, $6,675.5 million.

General Fund Revenue

This section presents the Legislative Council Staff forecast for General Fund revenue. Table 2 illustrates preliminary revenue collections for FY 2005-06 and projections for FY 2006-07 through FY 2010-11. While employment in Colorado continues to increase at a healthy pace and retail activity remains strong due in part to a rebound in tourism, the housing market has stagnated and higher energy prices are putting pressure on consumers. Thus far, however, General Fund revenue growth has remained strong. General Fund revenue increased 13.0 percent during FY 2005-06. Revenue growth will slow to 3.8 percent in the current year. Relatively large accrual adjustments account for a portion of the divergence in growth rates. General Fund revenue growth will be closer to 6.0 percent in the later years of the forecast.

The 13.0 percent growth rate in FY 2005-06 was the state's strongest since FY 1997-98, during the height of the 1990's expansion. Income taxes are being buoyed by five factors. First, the number of jobs in the economy surpassed the previous high set in December 2000 at the beginning of 2006. Second, falling unemployment rates have added to wage pressures and Coloradans are enjoying steady increases in income. Third, the recent runup in the stock market increased capital gains payments to the state. This factor could fluctuate dramatically in the near term, however, as investors wait to see the course of world economic activity and monetary policy. On the corporate side, federal tax policy regarding the taxing of foreign source corporate income has lead to a significant boost in corporate tax payments. Finally, a runup in corporate profits, especially in the oil and gas industries, has led to a significant increase in collections.

After accruals, **General Fund revenue** exceeded expectations by $29.7 million during FY 2005-06. The forecast for General Fund revenue was increased by $74.2 million for FY 2006-07 and by $333.0 million during the forecast horizon. A breakdown of the increases follows:

Preliminary figures for FY 2005-06 **sales tax** collections were $7.5 million above the June forecast. However high energy prices and growing debt loads are likely to temper future growth, particularly in the near term. As a result, the sales tax forecast was reduced slightly for FY 2006-07. The remainder of the forecast period remained essentially unchanged. Meanwhile, the forecast for **use taxes** was increased slightly in the near-term and reduced in the later years of the forecast, as the construction industry goes through a small correction. Use taxes are projected to increase 1.9 percent in the current year and 2.6 percent during FY 2007-08.

After increasing 17.9 percent in FY 2005-06, ***individual income taxes*** will increase 4.8 percent in FY 2006-07. The strong growth in FY 2005-06 was the result of strong estimated payments, healthy job creation, and a relatively large accrual adjustment. Growth will moderate during the next few years. Higher interest rates and other inflationary pressures will slow job creation, and capital gains will dampen somewhat relative to recent levels. Individual income tax collections during FY 2005-06 exceeded the June forecast by $38.5 million. The forecast for individual income taxes increased by $260.6 million between FY 2006-07 and FY 2010-11 relative to the June forecast. Although slightly slower growth is expected during the next few years, the growth will occur on a larger base.

The short-term forecast for **corporate income taxes** was revised upward compared with the June forecast. The revision was due to a modestly stronger outlook for corporate profits. Ongoing productivity growth and

Table 2
September 2006 General Fund Revenue Estimates
(Dollars in Millions)

Category	Actual FY 2004-05	Percent Change	Estimate FY 2005-06	Percent Change	Estimate FY 2006-07	Percent Change	Estimate FY 2007-08	Percent Change	Estimate FY 2008-09	Percent Change	Estimate FY 2009-10	Percent Change	Estimate FY 2010-11	Percent Change
Sales	$1,855.1	4.7	$1,957.3	5.5	$2,040.3	4.2	$2,134.1	4.6	$2,243.1	5.1	$2,359.1	5.2	$2,474.7	4.9
TABOR Overrefund	0.0		0.0		0.0		0.0		0.0		0.0		0.0	
Use	152.9	11.3	165.9	8.5	171.3	3.2	173.5	1.3	178.1	2.7	184.0	3.3	190.7	3.6
Cigarette	51.5	-4.3	48.2	-6.3	43.5	-9.8	41.8	-4.0	40.9	-2.0	40.0	-2.2	39.2	-2.1
Tobacco Products	14.2	22.0	11.2	-20.8	14.3	27.3	14.8	3.6	15.4	4.1	16.0	3.9	16.5	3.2
Liquor	31.2	1.6	32.8	5.2	33.5	1.9	34.3	2.6	35.2	2.4	36.0	2.3	36.8	2.2
TOTAL EXCISE	$2,104.8	5.0	$2,215.5	5.3	$2,302.8	3.9	$2,398.4	4.2	$2,512.7	4.8	$2,635.2	4.9	$2,757.9	4.7
Net Individual Income	$3,712.7	7.6	$4,376.1	17.9	$4,585.8	4.8	$4,825.4	5.2	$5,108.1	5.9	$5,432.3	6.3	$5,770.3	6.2
Net Corporate Income	315.0	33.9	447.5	42.0	427.7	-4.4	419.6	-1.9	446.6	6.4	471.7	5.6	493.5	4.6
TOTAL INCOME TAXES	$4,027.7	9.3	$4,823.6	19.8	$5,013.5	3.9	$5,245.0	4.6	$5,554.7	5.9	$5,904.1	6.3	$6,263.8	6.1
Less: Portion diverted to the State Education Fund	-313.9	12.6	-357.2	13.8	-372.9	4.4	-390.1	4.6	-413.0	5.9	-438.8	6.2	-464.7	5.9
INCOME TAXES TO GENERAL FUND	$3,713.8	9.0	$4,466.3	20.3	$4,640.6	3.9	$4,854.8	4.6	$5,141.7	5.9	$5,465.3	6.3	$5,799.1	6.1
Estate	26.0	-44.9	6.8	-73.9	0.4	-94.5	0.4	NA	0.3	NA	0.3	NA	0.0	NA
Insurance	189.2	7.6	175.1	-7.4	186.0	6.2	200.2	7.7	209.9	4.8	219.9	4.7	230.5	4.8
Pari-Mutuel	3.8	-12.7	3.4	-10.7	3.2	-6.2	3.1	-3.3	3.0	-3.5	2.9	-3.6	2.8	-3.8
Investment Income	27.7	41.9	33.3	20.1	29.2	-12.2	31.2	6.6	32.2	3.3	31.9	-0.9	33.0	3.4
Court Receipts	26.3	0.1	27.4	4.0	28.3	3.4	29.2	3.1	30.0	2.8	30.8	2.7	31.6	2.5
Gaming	40.2	0.1	17.6	-56.4	20.1	14.5	22.3	10.9	24.6	10.1	26.9	9.6	29.4	9.3
Other Income	28.9	-30.4	19.3	-33.2	20.0	3.7	20.7	3.2	21.3	3.1	22.0	3.1	22.6	3.1
TOTAL OTHER	$342.2	-3.6	$282.9	-17.3	$287.2	1.5	$307.0	6.9	$321.3	4.7	$334.6	4.2	$349.8	4.6
GROSS GENERAL FUND	**$6,160.9**	**6.8**	**$6,964.7**	**13.0**	**$7,230.6**	**3.8**	**$7,560.2**	**4.6**	**$7,975.6**	**5.5**	**$8,435.1**	**5.8**	**$8,906.9**	**5.6**
REBATES & EXPENDITURES:														
Cigarette Rebate	$14.4	-3.2	$14.1	-2.3	$12.7	-9.7	$12.2	-4.0	$12.0	-2.0	$11.7	-2.2	$11.5	-2.1
Old-Age Pension Fund	86.7	10.3	89.1	2.8	93.7	5.1	99.2	5.9	105.4	6.3	112.1	6.3	122.8	9.6
Aged Property Tax & Heating Credit	5.8	-62.8	9.8	67.4	11.8	21.1	11.7	-0.9	11.7	-0.3	11.7	0.2	11.3	-3.4
Interest Payments for School Loans	NA	NA	11.3	NA	11.3	0.0	12.1	6.6	12.4	3.3	12.3	-0.9	12.7	3.4
Fire/Police Pensions	3.8	3.9	29.1	664.6	38.8	33.4	29.3	-24.4	29.3	0.0	29.3	0.0	29.3	0.0
TOTAL REBATES & EXPENDITURES	$110.7	-1.8	$153.4	38.5	$168.3	9.8	$164.5	-2.3	$170.9	3.9	$177.1	3.7	$187.6	5.9

Totals may not sum due to rounding.

stabilizing energy prices are the primary reasons for the improved outlook. In addition, higher profits for oil and gas producers are expected to continue even as energy prices stabilize at higher levels. For FY 2006-07, corporate income taxes are now projected at $427.7 million, a $14 million increase over the June forecast. Compared with FY 2005-06, corporate income taxes in the current fiscal year are expected to decrease 4.4 percent, or about $20 million. This is due to the removal of a one-time incentive to repatriate income from foreign operations. In FY 2007-08, corporate income taxes are expected to be relatively flat, after which they are projected to increase by about 5 to 6 percent annually.

The **State Education Fund** receives one-third of one percent of taxable income from state income tax returns. This fund will see a growth pattern of revenue similar to income taxes. After receiving $357.2 million in FY 2005-06, it will receive $372.9 million in FY 2006-07 and $390.1 million in FY 2007-08.

Cash Fund Revenue

Table 3 summarizes the forecast for revenue to cash funds subject to the TABOR spending limit. Total revenue will decrease 6.5 percent in FY 2006-07 after a 12.9 percent increase in FY 2005-06. The decrease in FY 2006-07 is due to declining unemployment insurance and severance taxes. Unemployment insurance tax rates will fall because the Trust Fund has recovered somewhat from the effects of the recession. Severance taxes will fall because of a projected reduction in oil and natural gas prices in 2006. Growth will slow over the forecast period, and revenues will decrease by an annual average rate of 0.5 percent through FY 2010-11.

Cash fund revenue subject to TABOR came in $102.7 million higher in FY 2005-06 than had been expected in the June forecast; unemployment insurance taxes were $47.0 million higher, motor fuel taxes were $32.7 million higher, and revenue to the umbrella group of other cash funds was $22.4 million higher than expected. Although forecasts for individual cash funds were altered over the forecast period, these changes offset each other such that the forecast for total revenue was largely unchanged.

Growth in revenue to the ***transportation-related*** cash funds will be essentially flat in FY 2006-07, following a 3.1 percent increase in FY 2005-06. Overall, the forecast for transportation-related cash funds was increased by roughly $10 million in FY 2006-07, due in large measure to higher than expected registration revenue over the past several months. The out years of the forecast saw decreases as a result of the full implementation of ten-year driver's license renewals from the previous five-year requirement. The forecast for the State Highway Fund decreased to the levels projected in March because matching funds from local governments are likely to stabilize as the projects that were expedited with TRANs proceeds are completed.

Total ***unemployment insurance*** (UI) revenue, which includes UI taxes and interest earnings, will *decrease* 20.4 percent in FY 2006-07 after increasing 10.6 percent in FY 2005-06, 36.1 percent in FY 2004-05, and 58.5 percent in FY 2003-04. UI tax rates increased in 2004 and 2005 because of the substantial draw-down of the fund's reserves during the recession. While a low fund balance will cause a higher tax rate schedule to be in effect from 2004 through 2007 than had been in effect prior to the recession, tax rates will decrease gradually each year between 2006 and 2008 as the fund balance rebuilds. In addition, the solvency tax, which is levied when the fund balance falls below 0.9 percent of total private wages, will be in effect from 2004 through 2009 and again in 2011. The solvency tax will generate $980.7 million between 2004 and 2009 and another $73.4 million in 2011.

While the forecast for UI revenue decreased by $125.2 million relative to the June forecast, the pattern varied over the forecast period. Tax rates are higher than previously expected this year, causing UI taxes to come in $47.0 million higher and the year-end fund balance to be higher than was expected in the June forecast. As a result, the tax rate for 2007 will be lower than previously expected. The forecast for UI revenue decreased between $33.2 million and $42.2 million each year between FY 2006-07 and FY 2009-10. The lower forecast for revenue during this time period created a need for the solvency tax to be collected in 2011, causing an increase in the forecast for FY 2010-11 of $21.2 million.

After increasing 9.0 percent in FY 2005-06, total UI taxes will *decrease* 23.8 percent in FY 2006-07. UI taxes will then increase in FY 2007-08 and FY 2008-09 before decreasing in FY 2009-10 as the solvency tax ceases to be

Table 3
Cash Fund Revenue Estimates by Category, September 2006
(Dollars in Millions)

	Estimate FY 05-06	Estimate FY 06-07	Estimate FY 07-08	Estimate FY 08-09	Estimate FY 09-10	Estimate FY 10-11	FY 05-06 to FY 10-11 CAAGR *
Transportation-Related	**$869.6**	**$871.5**	**$879.0**	**$874.2**	**$888.2**	**$903.6**	
% Change	3.1%	0.2%	0.9%	-0.5%	1.6%	1.7%	**0.6%**
Unemployment Insurance	**$515.2**	**$410.1**	**$434.5**	**$511.6**	**$335.0**	**$333.4**	
% Change	10.6%	-20.4%	5.9%	17.7%	-34.5%	-0.5%	**-7.0%**
Employment Support Fund	**$22.4**	**$23.7**	**$24.5**	**$25.4**	**$26.4**	**$27.6**	
% Change	4.1%	6.0%	3.0%	3.7%	4.0%	4.5%	**3.5%**
Severance Tax	**$234.3**	**$161.3**	**$207.1**	**$162.0**	**$175.2**	**$162.8**	
% Change	54.2%	-31.2%	28.4%	-21.8%	8.2%	-7.1%	**-5.9%**
Limited Gaming Fund	**$110.9**	**$118.0**	**$126.0**	**$134.2**	**$142.7**	**$151.6**	
% Change	7.5%	6.4%	6.7%	6.5%	6.3%	6.2%	**5.3%**
Insurance-Related	**$63.9**	**$67.5**	**$70.7**	**$74.1**	**$77.5**	**$81.5**	
% Change	20.1%	5.6%	4.7%	4.9%	4.5%	5.3%	**4.1%**
Regulatory Agencies	**$49.2**	**$51.7**	**$52.7**	**$53.9**	**$54.9**	**$56.2**	
% Change	-4.3%	5.2%	2.0%	2.2%	1.8%	2.5%	**2.3%**
Capital Construction - Interest	**$3.6**	**$12.1**	**$9.3**	**$5.3**	**$3.1**	**$1.8**	
% Change	53.0%	239.7%	-23.3%	-42.5%	-41.7%	-40.8%	**-10.4%**
Controlled Maintenance Trust Fund - Interest	**$6.7**	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**	
Other Cash Funds	**$342.9**	**$358.1**	**$377.4**	**$396.3**	**$416.9**	**$438.6**	
% Change	26.0%	4.4%	5.4%	5.0%	5.2%	5.2%	**4.2%**
Total Cash Fund Revenues	**$2,218.6**	**$2,074.2**	**$2,181.2**	**$2,237.0**	**$2,119.8**	**$2,157.1**	
Subject to the TABOR Limit	**12.9%**	**-6.5%**	**5.2%**	**2.6%**	**-5.2%**	**1.8%**	**-0.5%**

Totals may not sum due to rounding.
* CAAGR: Compound Average Annual Growth Rate.

collected. Meanwhile, benefits decreased to $286.3 million in FY 2005-06, a level consistent with a moderate economic expansion. Benefits will increase at modest rates consistent with population and employment growth throughout the remainder of the forecast period.

Severance taxes are projected to fall 31.2 percent in FY 2006-07, to $161.3 million, after reaching a record $234.3 million in FY 2005-06. The decrease in revenue is expected because of a projected reduction in oil and natural gas prices in 2006. Natural gas storage is well above the five-year average at this time of the year, which will help restrain price increases during the winter heating season. Natural gas prices at the wellhead averaged $7.40 per thousand cubic feet (mcf) in calendar year 2005, and prices are expected to average $6.80 per mcf in 2006. This assumes that no additional supply disruptions occur due to hurricanes or other factors this fall. In the following fiscal year, severance taxes are projected to rise to $207.1 million as prices rebound back toward $7.40 per mcf. In the period beyond FY 2007-08, severance taxes are projected to fluctuate between $161 million and $175 million as natural gas prices stabilize in a range between $6.00 and $6.50 per mcf.

Total ***gaming*** revenue, which includes taxes, fees, and interest earnings, will increase 6.4 percent in FY 2006-07 and at an average annual rate of 5.3 percent through FY 2010-11. Gaming taxes will increase 6.6 percent in FY 2006-07 after increasing 7.1 percent in FY 2005-06. **HB 06-1201** altered the distribution of gaming revenue. Prior to the bill, 49.8 percent of gaming revenue was distributed to the General Fund. Of this revenue, the bill diverted a total of $24.0 million in FY 2006-07 to the Colorado Travel and Tourism Promotion Fund ($19.0 million), the New Jobs Incentives Cash Fund ($3.0 million), the State Council on the Arts Cash Fund ($1.5 million), and the Film Incentives Cash Fund ($0.5 million). These distributions will be adjusted annually for inflation. In addition, **HB 06-1360** allocated a one-time amount of $2.0 million in FY 2006-07 to the Bioscience Discovery Evaluation Cash Fund. While these changes alter the amount of gaming revenue distributed to the General Fund, they do not change the forecast for gaming revenue.

The forecast for **other cash funds**, which includes a variety of fees and charges for services, was increased significantly due to the greater-than-expected impact of two factors discussed in the June forecast. First, some fees collected by the Auraria College Campus that were previously part of the Higher Education cash funds are now included here. Most higher education revenue is no longer subject to TABOR due to its status as an enterprise. Second, interest income is up in FY 2005-06. The treasury borrowed more money this year than last and earned a higher interest rate on the borrowed money than in previous years. Of the increase seen in FY 2005-06, approximately $5.8 million is regarded as a one-time deposit and thus is not included in future year forecasts.

National Economy

This section reviews the recent performance of the U.S. economy and presents the September 2006 national economic forecast. A discussion of the major risks to the forecast follows.

Recent data. The preliminary estimate of growth in inflation-adjusted gross domestic product **(GDP)** for the second quarter of 2006 was 2.9 percent, significantly below the revised estimate of 5.6 percent for the first quarter. The lower second quarter figure likely presents a clearer picture of long-term growth after the slowdown following the hurricanes in 2005 and the rapid influx from rebuilding in the first quarter of 2006. As evidence, the slower growth in the second quarter was due to a slowdown in spending on residential construction and federal government spending. It should be noted that, though slower than first quarter growth, second quarter growth did exceed analyst expectations, largely due to healthy nonresidential investment.

Nonfarm employment increased by 128,000 jobs in August, maintaining the typical growth seen over the prior six months, but well off the pace set for the year ending in March 2006 (169,000 new jobs per month). Nearly half of the growth (60,000 jobs) occurred in the education and health services sector. Other service-producing sectors also fared well, as restaurants and professional and business services both continued to trend upward. Notably, though the professional and business services sector added 26,000 jobs in August, the increase was roughly half of the average seen in the prior three months. The remaining strong sector was natural resources and mining, which continues to take advantage of high energy prices by expanding production and employment. Mining employment has increased nearly 25 percent in the last three years. Weakness in new jobs occurred across many other sectors of the economy, particularly retail trade and manufacturing. Retail trade lost most of its jobs in the department stores and gasoline station subsectors. Employment at department stores has fallen by 101,000 jobs in the year ending in August. Meanwhile, the manufacturing sector lost 34,000 jobs in July and August. Although job creation was relatively weak over the last several months, the unemployment rate remained low at 4.7 percent in August.

Personal income increased 0.5 percent in July, on par with the average monthly increase in 2006. The increase was mostly due to increased wages. *Consumer spending* increased 0.8 percent in July. Though this is the highest rate so far in 2006, the trend is typical of the summer months. Equity in homes has buoyed spending for quite some time. Despite a slowing housing market, consumers appear content to continue to spend. The continuing disparity between income and spending resulted in another month of negative saving, although this ignores increases in wealth. The savings rate was -0.9 percent in July. The potential for higher interest rates and lower consumer confidence to erode consumer spending remains high.

The **manufacturing sector** showed mixed results based on two indicators. *The Manufacturers Alliance/MAPI composite index* fell slightly in the second quarter to 71 points from 74 points in March. Any value over 50 signifies an expected expansion in manufacturing activity. In particular, improvement is expected in the research and development and investment sectors. Another indicator portrayed a somewhat less positive outlook for the industry. The *Institute for Supply Management's Purchasing Managers Index* increased slightly in July to 54.7 from 53.8 in June, but it remained around its lowest levels in the last year. The index indicated that new orders, production, and employment are all continuing to expand, but at a relatively slow pace.

Likely representing the country's largest economic concern is the slowing **housing market.** Sales of new single-family homes fell 4.3 percent in July compared with June figures, and they dropped 21.6 percent below July 2005 figures. The reduced demand can also be seen in the nearly flat price appreciation that occurred over the past year. The median sales price of a new home was $230,000 in July, only $800 higher than July 2005 figures. The factors contributing to the weakening housing market are rising inventories, slower price appreciation, and rising interest rates. The supply of homes for sale jumped from a 4.2 month supply in July 2005 to a 6.5 month supply a year later. The home market may get worse before it gets better. The latest report from the Mortgage Bankers Association shows that the mortgage delinquency rate is at its highest level in over three years and is expected to worsen as more interest-only and adjustable-rate mortgages begin to reflect higher interest rates.

Providing a reprieve from widespread concerns, **inflation** waned in August. Following significant jumps in four of the last five months, the consumer price index rose just 0.2 percent in August, the slowest advance since February. The continuing increases are mostly due to the nation's higher energy prices, which are up 15.1 percent over the past year. Overall, the consumer price index has risen 3.8 percent over the past year. The core index, which excludes the more volatile food and energy prices, also rose 0.2 percent in August and at a 2.8 percent rate over the past twelve months.

The National Economic Outlook. This section presents the forecast and risks for the national economy. The detailed forecast can be found in Table 4.

- After a strong rebound in the first quarter of 2006, the economy has already shown signs of returning to a more moderate long-term growth rate. The weaker housing market will contribute to slower growth. GDP will increase 3.5 percent in 2006, a number bolstered by the economy's strong first quarter growth. The slowdown will extend into 2007, when GDP will increase by 2.9 percent. However, because many businesses continue to be in good shape financially, productivity continues to be solid, and other countries' economies are expanding, the United States' economy will continue to grow.

- Although recent jobs data were relatively weak, **nonfarm employment** will still increase 1.4 percent overall in 2006, in part due to the robust growth experienced during the first quarter. However, the softening housing market will contribute to a decline in employment in construction and in financial services, which will lead to weakening job growth overall in 2007. Nonfarm employment will increase 1.0 percent in 2007. The unemployment rate will be 4.7 percent in 2006. However, the rate will tick upward in 2007 and 2008 due to slower job growth, but will start to decline again during the remainder of the forecast period.

- **Personal income** increased 5.2 percent last year. There will be a slightly higher increase in 2006 with an economy near full employment. The tight labor market will keep upward pressure on wages this year. Personal income and wages will increase 6.6 and 7.4 percent in 2006, respectively. However, due to a projected slackening of the labor market, personal income growth rates will moderate during the remainder of the forecast period.

- Last year's surge in energy prices pushed the national consumer **inflation rate** to 3.4 percent, the highest rate since 2000. Gasoline prices have already begun to come down, and the most recent report shows that natural gas prices have reached a two-year low, signaling lower heating bills for much of the country this winter. However, prolonged high energy prices over the last year are beginning to seep into general price increases for other goods and services. Combined with wage demands and the first quarter's strong economic growth, inflation will be 3.5 percent this year. Inflation is expected to moderate in subsequent years due to strong global economic competition keeping a lid on prices, the Federal Reserve Bank's monetary tightening taking hold, a moderation in energy prices, and a slowdown in economic growth. The inflation rate will fall to 2.4 percent in 2007 and 2.0 percent in 2008.

- Inflation, increasing interest rates, and a more abrupt decline in the housing market are the primary **forecast risks**. If energy prices and interest rates rise further than expected, consumer confidence could decline. This could, in turn, slow consumer spending. Since consumer spending makes up over two-thirds of the nation's economic activity, a more substantial slowdown in consumer spending could have a significant impact on economic growth. Though the most recent report for August temporarily alleviated some fears, investor confidence could also erode due to concerns about inflation. Finally, construction employment has been a major contributor to overall employment growth and a larger slowdown in the housing market, rather than a gradual correction, could result in slower growth than forecast.

Table 4
National Economic Indicators, September 2006 Forecast
(Dollars in Billions)

	2000	2001	2002	2003	2004	2005	Forecast 2006	Forecast 2007	Forecast 2008	Forecast 2009	Forecast 2010
Inflation-adjusted GDP	$9,816.9	$9,890.7	$10,048.8	$10,301.1	$10,703.5	$11,048.6	$11,435.0	$11,765.8	$12,142.1	$12,529.6	$12,911.2
percent change	3.7%	0.8%	1.6%	2.5%	3.9%	3.2%	3.5%	2.9%	3.2%	3.2%	3.0%
Nonagricultural Employment (millions)	131.8	131.8	130.3	130.0	131.4	133.5	135.3	136.7	138.3	140.2	142.1
percent change	2.2%	0.0%	-1.1%	-0.3%	1.1%	1.5%	1.4%	1.0%	1.1%	1.4%	1.4%
Unemployment Rate	4.0%	4.7%	5.8%	6.0%	5.5%	5.1%	4.7%	4.8%	4.8%	4.6%	4.5%
Personal Income	$8,429.7	$8,724.1	$8,881.9	$9,163.6	$9,731.4	$10,239.2	$10,915.0	$11,508.9	$12,108.3	$12,722.0	$13,353.2
percent change	8.0%	3.5%	1.8%	3.2%	6.2%	5.2%	6.6%	5.4%	5.2%	5.1%	5.0%
Wage and Salary Income	$4,829.2	$4,942.8	$4,980.9	$5,112.7	$5,392.1	$5,664.8	$6,084.0	$6,395.7	$6,727.6	$7,076.1	$7,439.8
percent change	8.1%	2.4%	0.8%	2.6%	5.5%	5.1%	7.4%	5.1%	5.2%	5.2%	5.1%
Inflation (Consumer Price Index)	3.4%	2.8%	1.6%	2.3%	2.7%	3.4%	3.5%	2.4%	2.0%	2.1%	2.2%
10-year Treasury Note	6.0%	5.0%	4.6%	4.0%	4.3%	4.3%	4.9%	5.0%	5.3%	5.5%	5.6%

Sources: U.S. Department of Commerce Bureau of Economic Analysis, U.S. Department of Labor Bureau of Labor Statistics, Federal Reserve Board.

Colorado Economy

Colorado's economy continues to expand at a healthy pace, as measured by job growth, consumer spending, and nonresidential construction. The one area of concern is housing, where the number of single-family permits is dropping and the pace of home appreciation is slowing. While residential construction activity remains at historically high levels, fewer single-family permits are offsetting enormous growth in multi-family permits. Table 5 shows the history and forecast of the principal economic indicators for the state.

After increasing 2.1 percent during 2005, **nonfarm employment** is up 2.2 percent year-to-date through July in Colorado. In the past two months, employment growth has picked up, averaging about 5,000 additional jobs each month. This followed two relatively sluggish months of growth in April and May, when only 300 total jobs were added. In the first seven months of the year, the state has added about 3,600 jobs per month. However, Colorado's **unemployment rate** increased from 4.5 percent in June to 4.7 percent in July.

Recent gains in the labor market are expected to continue with on-going benefits from the oil and gas boom, the advanced technology sector, and federal defense spending. These things, combined with the state's natural amenities and highly-educated workforce, should continue to fuel healthy job growth during the next few years.

- Nonfarm employment is projected to increase 2.2 percent in 2006 and 2.0 percent in 2007.

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

Personal income in Colorado increased 6.5 percent in 2005, and continued to increase into 2006. First quarter growth in Colorado personal income was 5th highest in the nation at 1.8 percent, compared with the previous quarter. Colorado's growth in personal income ranked 12th highest in 2005. The largest increase in the first quarter was in transfer receipts, although wages and salaries also climbed significantly, jumping 2 percent over the fourth quarter of 2005. The industries experiencing the greatest increases were the farm, construction, and finance and insurance sectors.

The growth in personal income in 2005 was primarily driven by an increase in wages and other labor income, which includes employer contributions for pensions and health insurance. Wages and salaries increased 6.3 percent and other labor income increased 9.7 percent in 2005. Industries that experienced the largest growth in wages and salaries included mining, where wages and salaries increased 13.5 percent; forestry, fishing, and related activities, where wages and salaries increased 13.2 percent; and professional services, where wages increased 12.6 percent. Meanwhile, personal income from dividends, interest, and rent increased only 2.1 percent in 2005.

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

- Personal income is projected to increase 6.7 percent in 2006 and 6.2 percent in 2007. Gains in wages and salaries are expected to mirror personal income. Wages and salaries are expected to increase 7.1 percent in 2006 and 6.2 percent in 2007.

Consumer spending in Colorado is measured by spending at the state's retail stores and restaurants. Through June, **retail trade sales** increased 7.5 percent compared with the first six months of 2005. Though the figure suggests strong growth, it has been skewed higher because it includes spending on gasoline. Regardless, steady employment and wage growth will help buoy sales throughout the remainder of the year.

- Consumer spending is expected to increase 6.3 percent in 2006 and 5.1 percent in 2007.

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

- Inflation is expected to be 3.4 percent in 2006, and fluctuate between 3.2 percent and 3.5 percent throughout the forecast period.

The number of **housing permits** decreased 5.3 percent year-to-date through July, with permits for single-family homes down 14.2 percent. After years of weak market indicators, interest has once again started in the multi-family housing market. Permits for multi-family homes are showing a 51.8 percent increase year-to-date through July. Higher mortgage rates, a large supply of homes on the market, and the high cost of single-family housing in Colorado has prompted speculators to look to the apartment market for construction opportunities. Overall, the housing market is expected to undergo a small correction over the next three years before recovering in 2009.

- The number of home permits filed for residential construction is expected to decrease 1.4 percent in 2006 and 2.5 percent in 2007.

The value of **nonresidential construction** activity is up 25.2 percent through August, compared with the first eight months of 2005. The increase has been broad-based, with most sectors reporting growth over 2005 figures. Notably, the value of permits has more than doubled for hotels, service stations, and manufacturing facilities. Though the first half of the year was strong, the second half will be considerably slower, resulting in a small decrease overall in 2006. Slower growth in the second half of the year is anticipated because a single, large permit that was taken out last year in October for the expansion of the Intel plant in El Paso County.

- The value of nonresidential construction activity is expected to decrease 2.9 percent in 2006 and be relatively flat in 2007, increasing 0.4 percent. However, growth will increase to 4.0 percent in 2008.

In summary, the state's economy is expected to continue along an expansionary path, provided the housing sector does not collapse and interest rates do not accelerate unexpectedly. Growth will be fueled by Colorado's position in the advanced technology, defense, and natural resource industries. Concerns regarding high energy prices and inflation remain, as well as the exposure for trouble in the housing market. However, each of these concerns appear to be headed for a soft landing rather than a prolonged and severe downturn. As long as inflationary pressures remain checked, the Federal Reserve will be able to refrain from further interest rate hikes, which will help the financial condition of households locked into adjustable-rate or interest-only mortgages.

Table 5
Colorado Economic Indicators, September 2006 Forecast
(Calendar Years)

	2000	2001	2002	2003	2004	2005	Forecast 2006	Forecast 2007	Forecast 2008	Forecast 2009	Forecast 2010	Forecast 2011
Population (thousands), July 1	4,326.9	4,427.0	4,498.4	4,548.1	4,601.8	4,665.2	4,749.2	4,834.7	4,921.7	5,020.1	5,115.5	5,212.7
percent change /A	2.4%	2.3%	1.6%	1.1%	1.2%	1.4%	1.8%	1.8%	1.8%	2.0%	1.9%	1.9%
Nonagricultural Employment (thousands)	2,213.6	2,226.8	2,184.1	2,152.8	2,179.6	2,225.2	2,274.8	2,320.9	2,367.5	2,421.7	2,479.3	2,542.4
percent change	3.8%	0.6%	-1.9%	-1.4%	1.2%	2.1%	2.2%	2.0%	2.0%	2.3%	2.4%	2.5%
Unemployment Rate	2.7%	3.8%	5.7%	6.1%	5.6%	5.0%	4.5%	4.6%	4.4%	4.3%	4.2%	4.2%
Personal Income (millions)	$144,394	$152,700	$153,066	$157,035	$166,188	$176,352	$188,167	$199,834	$212,024	$225,381	$239,580	$254,434
percent change	12.1%	5.8%	0.2%	2.6%	5.8%	6.1%	6.7%	6.2%	6.1%	6.3%	6.3%	6.2%
Wage and Salary Income (millions)	$85,909	$88,297	$86,938	$87,835	$91,839	$97,630	$104,562	$111,045	$117,819	$125,359	$133,507	$141,785
percent change	12.6%	2.8%	-1.5%	1.0%	4.6%	6.3%	7.1%	6.2%	6.1%	6.4%	6.5%	6.2%
Retail Trade Sales (millions)	$57,955	$59,014	$58,852	$58,689	$62,288	$65,447	$69,570	$73,118	$76,847	$80,305	$84,722	$88,788
percent change	10.2%	1.8%	-0.3%	-0.3%	6.1%	5.1%	6.3%	5.1%	5.1%	4.5%	5.5%	4.8%
Home Permits (thousands)	54.6	55.0	47.9	39.6	46.5	45.9	45.2	44.1	44.0	44.2	46.8	49.0
percent change	10.7%	0.8%	-13.0%	-17.3%	17.5%	-1.3%	-1.4%	-2.5%	-0.2%	0.5%	5.7%	4.7%
Nonresidential Building (millions)	$3,476	$3,500	$2,787	$2,713	$3,291	$3,676	$3,569	$3,584	$3,727	$3,921	$4,078	$4,265
percent change	-8.1%	0.7%	-20.4%	-2.7%	21.3%	11.7%	-2.9%	0.4%	4.0%	5.2%	4.0%	4.6%
Denver-Boulder Inflation Rate	4.0%	4.7%	1.9%	1.1%	0.1%	2.1%	3.4%	3.5%	3.4%	3.2%	3.2%	3.3%

/A Colorado's population on April 1, 2000, was 4,301,261 according to the U.S. Census Bureau. The changes that are shown in this table for 1999 and 2000 are based on the intercensal estimates by the Census Bureau and do not reflect the original estimates.

Personal Income and wage and salary income for 2005 are estimates. All other data for 2005 are actuals.

Colorado Economic Regions

Metro Denver
Colorado Springs
Pueblo — Southern Mountains
San Luis Valley
Western Region
Mountain Region
Northern Region
Eastern Plains

Metro Denver

The economy continued to grow at a moderate rate in the Metro Denver region into the summer. Nonfarm employment increased 2.1 percent through July in the region, compared with the same time period in 2005. Employment in the Boulder area is increasing at a slower rate than the rest of the region, with a rate of 1.4 percent through July. Strong growth occurred in the natural resources, mining, and construction industry, which added 7,200 jobs, and the professional and business services industries, which added 6,000 jobs. Meanwhile, the unemployment rate continues to hover in the 4.5 to 5 percent range, coming in at 4.8 percent in July.

Table 6
Metro-Denver Region Economic Indicators
Broomfield, Boulder, Denver, Adams, Arapahoe, Douglas, & Jefferson counties

	2004	2005	Year-to-date Thru July 2006
Employment Growth /1	0.8%	2.0%	2.1%
Unemployment Rate	5.7%	5.1%	4.8%
Housing Permit Growth /2	23.2%	-4.3%	-0.5%
Growth in Value of Nonresidential Const. /3	19.3%	6.8%	-9.6%
Retail Trade Sales Growth /4	4.6%	3.7%	5.8%

NA = Not Available
1/ U.S. Department of Labor, Bureau of Labor Statistics. Data represents nonfarm employment.
2/ U.S. Census.
3/ F.W. Dodge; excludes Broomfield County.
4/ Colorado Department of Revenue; data through June 2006.

Chart 1 shows that many of the jobs lost in the Metro Denver region during the recession have been replaced elsewhere in Colorado. Nonfarm employment in the region remained 28,700 jobs lower in July than its pre-recession peak in December of 2000. The state, meanwhile, has recovered all of the jobs it lost and gained an additional 8,000 jobs. Jobs have moved outside of the region as local economies in many other areas of the state have experienced strong growth. The western slope economy is expanding rapidly as a result of strong growth in the production of oil and gas. The mountain, southwest, and southern regions of the state are booming as baby boomers retire there, tourism flourishes, and more second-homes are built. These sources of growth are heavily dependent on the service industries, which have fueled job growth statewide during the recovery.

Jobs have shifted from the information; trade, transportation and utilities; manufacturing; and construction sectors to government, financial activities, and the service sectors. The information sector, which includes telecommunications, is the only sector that continues to shed jobs in 2006. Job losses in that sector were initially the result of over investment, but have more recently been the result of structural changes in the industry, technological advances, and globalization. Technological advances and globalization have also contributed to job losses in the manufacturing and trade, transportation, and utilities sectors. However, these forces have led to job gains in the service industries as the nation's economy continues to shift toward a service-oriented economy.

The multi-family home market is recovering in the region, while the market for single-family homes is noticeably softening. Home sales were 10.7 percent lower in August than a year ago, and the median price of a single-family home fell from $255,000 last August to $252,900 this August. The rental vacancy rate was at 7.1 percent in the second quarter of 2006, down from 9.5 percent a year earlier, indicating that more people are choosing to rent rather than buy their home. Meanwhile, according to the U.S. Census Bureau, permits filed for multi-family homes have increased by more than two-thirds over the entire region through July compared with the first seven months of 2005. Permits filed for single-family homes decreased 13.8 percent; Boulder experienced the deepest decrease in the region with a 44.1 percent decline. Total permits decreased 0.5 percent in the region during this time period.

Recent Economic News:

- Plans have been announced for a large mixed-use development surrounding the $45 million Broomfield Event Center that is scheduled to open in November. The development is expected to include 1,200 homes and between 600,000 and 800,000 square feet of retail space when it is completed. The first phase will include 70,000 square feet of retail, 150,000 square feet of office space, and a 160-room hotel.

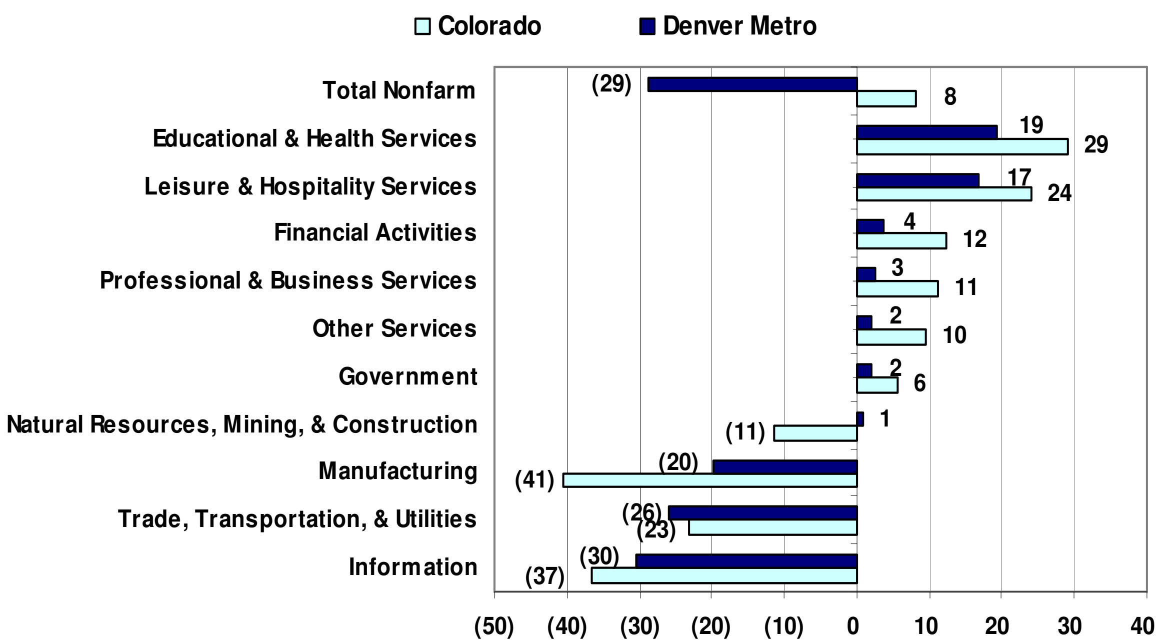
- Lockheed Martin Corp. won a multibillion contract from NASA to build the Orion crew exploration vehicle, a manned lunar spaceship, in August. The company expects to add at least 300 jobs as a result.

- Florida-based call-center company PRC announced that it would open a new office in Englewood and begin hiring 500 people to staff it in mid-September. The jobs are expected to pay between $10 and $12 per hour.

- Enstrom's candy began operating the chocolate factory previously owned by Stephany's Chocolates in Arvada in August, about three months after it had closed down. Between 22 and 25 former employees had returned to the plant by late August.

- Jackson National Life Insurance Co. has announced plans to add about 400 jobs at its new location in Denver over the next few years. The company, which currently employs about 600 people, leased an entire office building in the Denver Tech Center that was previously vacant.

Chart 1. Change in Nonfarm Employment, December 2000 to July 2006
(Thousands of Jobs; Not Seasonally Adjusted)



Colorado Springs

The Colorado Springs economy continued to show mostly positive economic indicators through July, with moderate growth in employment and strong growth in retail trade and nonresidential construction. However, future job cuts reported by a recent employer survey and a weakening housing market in the region could contribute to a slowing economy. Table 7 shows key economic indicators for the region since 2004.

Table 7
Colorado Springs Region Economic Indicators
El Paso County

	2004	2005	Year-to-date Thru July 2006
Employment Growth /1	1.4%	1.8%	2.0%
Unemployment Rate	5.7%	5.3%	5.1%
Housing Permit Growth /2	24.2%	3.2%	-26.4%
Growth in Value of Nonresidential Const. /3	-5.7%	141.5%	122.8%
Retail Trade Sales Growth /4 2006 Retail Trade is YTD through June	10.3%	5.2%	8.1%

NA = Not available

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

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

3/ F.W. Dodge.

4/ Colorado Department of Revenue

Employment in the region increased at a healthy 2.0 percent through July. However, the rate was lower than the statewide growth rate of 2.2 percent. Most notably, employment growth occurred in the professional and business services, education and health services, and leisure and hospitality sectors. However, employment declines continued to occur in the manufacturing and telecommunications sectors, with decreases of over 6 percent in both sectors through July. A recent Manpower Inc. survey on employers' hiring plans in Colorado Springs may be a sign that employment growth and the local economy are slowing down. Twenty percent of employers plan to cut staff during the last quarter of 2006. This hiring outlook is among the weakest in the state.

In addition to employment, the region experienced strong growth in consumer spending and in nonresidential construction into the summer. Consumer spending, measured by retail trade sales, continued to increase significantly through June, registering an 8.1 percent growth rate. This indicates that consumer spending remained strong into the summer despite higher gasoline prices. The value of nonresidential construction also continued to increase significantly, jumping 122.8 percent through July, with most of the growth coming from educational buildings on school and college campuses, amusement-related facilities, and health-related facilities.

Higher interest rates and lower demand continued to contribute to a slowdown in the Colorado Springs' residential construction sector. According to the U.S. Census Bureau, permits filed for residential construction decreased 26.4 percent through July. Lower demand for housing and the region's high foreclosure rate could contribute to lower home values for the region. The Manpower Inc. survey indicated that many of the planned job cuts are expected in the construction industry due to the decline in housing construction.

Recent Economic News:

- A Lockheed Martin Corp. unit in Colorado Springs recently was awarded a $589 million Air Force contract to integrate and modernize 20 air and space command centers around the world. The contract could be worth up to $2 billion over the project's ten-year time frame and could involve about 200 employees in Colorado Springs.

- A delay in the move of about 5,000 of the 4th Infantry Division's soldiers to Fort Carson from 2008 to 2009 due to the Iraq war could cost real-estate speculators and businesses that were counting on the influx of people and income to the region. The influx of soldiers and their families in 2008 could have also helped cushion a potential slowdown in the region's economy in the next year and a half. In addition, some of the 4th Infantry Division's units containing up to 2,800 soldiers may not relocate to Fort Carson due to revisions in the Army's reorganization plan.

- Reflecting a nationwide trend of minority groups migrating from larger cities, almost half the population increase in El Paso County from 2000 to 2005 came from minority groups, according to the U.S. Census Bureau. Hispanic and Asian populations in the county grew the most. The Hispanic population increased 20.4 percent to 70,312 people from 2000 to 2005, while the Asian population increased by 18.5 percent to 15,516 people. Members of minority groups made up 25 percent of El Paso County's population in 2005, compared with 28 percent in Colorado and 33 percent nationwide.

- Manitou Springs' two 19th-century inns are being bought by 1859 Historic Hotels Ltd. of Texas. The company wants to expand both properties and make significant upgrades, including the addition of 50 more rooms to the Cliff House, and an expansion of its dining room, ballroom, and kitchen. The Cliff House has received AAA's Four Diamond Award for the past four years and was recently recognized in a travel magazine reader poll as one of the top 100 hotels in the world.

Pueblo and Southern Mountains

The economy in the five-county Pueblo region continued to show strength through July. The region's economy has been buoyed by recent announcements of new jobs, particularly around Pueblo. These new jobs will make it more likely that the Pueblo area will not follow the national and statewide trends of declining home construction activity and a weakening housing market. Table 8 shows annual economic indicators for the region for 2004 and 2005, and year-to-date results through July 2006.

Table 8
Pueblo Region Economic Indicators
Pueblo, Fremont, Custer, Huerfano, and Las Animas counties

	2004	2005	Year-to-date Thru July 2006
Employment Growth /1	-0.2%	1.1%	1.3%
Unemployment Rate	7.0%	6.4%	5.9%
Housing Permit Growth /2 Pueblo County Only	-4.8%	-3.4%	25.7%
Growth in Value of Nonresidential Const. /3 Pueblo County Only	-17.5%	-48.0%	53.1%
Retail Trade Sales Growth /4 2006 Retail Trade is YTD through June	6.8%	5.3%	8.6%

1/ Colorado Department of Labor and Employment. 2004 and 2005 data are from the (QCEW) ES-202 program. 2006 data is from CES data and is for the Pueblo MSA only.
2/ U.S. Census.
3/ F.W. Dodge.
4/ Colorado Department of Revenue.

Employment growth throughout the region increased 1.3 percent through July, compared with the same time period in 2005. Meanwhile, the unemployment rate continued to drop from an average of 6.4 percent in 2005 to 5.9 percent in July 2006. Pueblo, the largest county in the region, had an unemployment rate of 6.1 percent in July. Although Pueblo's rate remains the highest among the state's major metro areas, it is at its lowest level since the 2001 recession. The Pueblo Workforce Center recently indicated that the long time trend of higher unemployment in Pueblo can be explained in part by the lack of skills among some of the area's workers. Other reasons include a large high school dropout problem – though the dropout rate has improved recently – and the city lacks the high proportion of high-tech jobs that are found in Denver, Fort Collins, and Colorado Springs. Las Animas and Custer counties recorded the lowest unemployment rates of the region in July at 4.4 and 4.0 percent, respectively.

Retail trade sales through June remained strong, indicating that consumer spending was not adversely impacted by higher gasoline prices into the summer. The region experienced retail sales growth of 8.6 percent. Retail trade growth was particularly robust in Huerfano (34.4 percent), Custer (22.9 percent), and Las Animas (20.6 percent) counties.

Housing permit growth in Pueblo County continued to show significant increases, indicating that demand for new homes continues to be strong in Pueblo while the national construction industry is seeing less activity. Residential housing permits in Pueblo grew by 25.7 percent through July, while the U.S. Department of Commerce reported that national housing starts were down 20.8 percent. One area home builder credited the continued activity with the recent migration of people into Pueblo from other parts of the country for work, including jobs at the new Xcel plant, the chemical depot, GCC of America's planned cement plant, the area's prisons, and the Fort Carson expansion. Other migrants are coming to the area to retire.

After weak nonresidential construction activity in Pueblo County in recent years, activity has increased this year. The value of nonresidential construction in the county is up 53.1 percent though July.

Recent Economic News:

- Construction will soon start on the first phase of a $4 million Spradley Motors auto dealership in Pueblo West. The first phase of the project, expected to open next spring, will include construction of a 9,000-square-foot building that will be used for the Kia line of vehicles. The second phase will involve the construction of a 16,000-square-foot building to accommodate the Lincoln, Mercury and Mazda lines. Although the dealership will initially employ mostly existing workers from its old location, the dealership expects to add workers in the future at its new location. The dealership's used-car business also will be relocated to the new location.

- The number of people in Pueblo with at least some college education increased from 47 percent to 54 percent from 2000 to 2005, according the U.S. Census Bureau. This rate is similar to the U.S. average. The city's high school graduation rate increased from 78.6 percent to 83.6 percent – also close to the national average. However, the rate is lower than the state average of 88.7 percent for 2005.

- A new anchor store for the Pueblo Mall called Steve & Barry's University Sportswear will open before the holidays along with a Finish Line shoe store and a Brendan Diamonds store. Steve & Barry's will take up 32,418 square feet of the mall's northwest corridor.

- Construction of a Lowe's home improvement store on the south side of Pueblo could begin by the end of the year with the store likely opening next spring or summer. The store will anchor a mixed-use retail center called La Bella Plaza at the southwest corner of Pueblo Boulevard and Prairie Avenue. Pueblo city officials hope the Lowe's addition will spur more commercial development along Pueblo Boulevard in the area.

San Luis Valley and Southwest

The San Luis Valley and Southwest region is enjoying moderate economic growth. Employment increased 3.2 percent through July, compared with the first seven months of last year. The region's unemployment rate dropped from an average of 5.1 percent in 2005 to 4.6 percent in July. Meanwhile, retail sales increased 12.3 percent through July, compared with 7.3 percent growth in 2005. Table 9 shows key economic indicators for the region.

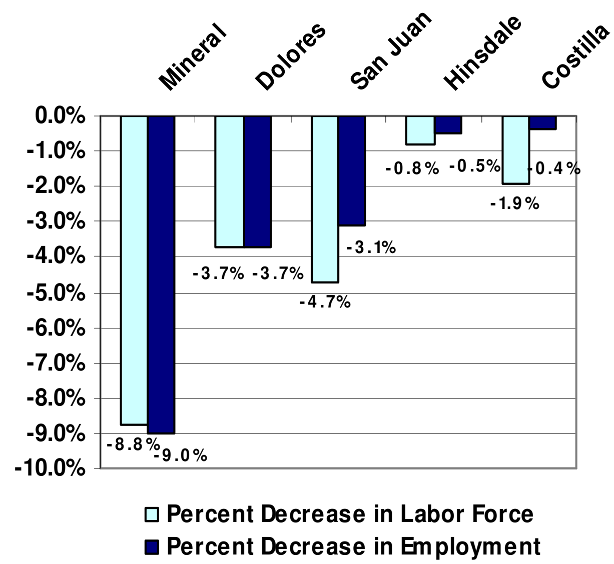
Table 9
San Luis and Southwest Region Economic Indicators
Alamosa, Archuleta, Conejos, Costilla, Dolores, Hinsdale, La Plata, Mineral, Montezuma, Rio Grande, Saguache, and San Juan counties

	2004	2005	Year-to-date Thru July 2006
Employment Growth /1	2.1%	1.4%	3.2%
Unemployment Rate	5.3%	5.1%	4.6%
Statewide Crop Price Changes /2			
Barley (U.S. average)	8.0%	-16.5%	3.8%
Alfalfa Hay	1.2%	16.3%	36.4%
Potatoes	2.1%	80.4%	103.2%
Fall Potato Production (Cwt) /2	-0.7%	-6.4%	NA
Housing Permit Growth /3			
Alamosa County	22.2%	-39.4%	21.1%
La Plata County	-8.1%	-1.4%	-5.2%
Growth in Value of Nonresidential Const. /3			
Alamosa County	43.6%	-44.1%	-22.4%
La Plata County	-25.2%	-83.2%	72.4%
Retail Trade Sales Growth /4	9.3%	7.3%	12.3%

NA = Not Available
1/ Colorado Department of Labor and Employment. 2004 and 2005 data are from the (QCEW) ES-202 program. 2006 data are from the Current Population (household) Survey.
2/ Colorado Agricultural Statistics Service. Price data compares July 2006 to July 2005.
3/ F.W. Dodge.
4/ Colorado Department of Revenue, data through June 2006.

Although employment is growing at a healthy rate on average for the region, some areas of the region are experiencing drops in employment. As shown in Chart 2, Dolores, San Juan, Hinsdale, Mineral, and Costilla counties have all experienced decreases in employment through July. Their unemployment rates did not change substantially, however, because the decrease in employment was offset by a corresponding decrease in the labor force.

Chart 2. Percent Decrease in Employment and Labor Force Year-to-Date thru July



According to F.W. Dodge, housing permits decreased 5.2 percent through July in La Plata County. The value of nonresidential construction in La Plata County, however, more than doubled during the same time period. Large increases were recorded for food stores, hospitals, and religious facilities. Construction on "The Lofts at 1201", a new 55,000-square-foot mixed-use development in Durango, is expected to be completed in December. The development includes residential units ranging in size from 1,200 square feet to 2,300 square feet, office units ranging in size from 750 square feet to 1,500 square feet, and 4,000 square feet of retail space. Meanwhile, the value of residential construction decreased 16.6 percent in Alamosa County, while the number of residential permits filed through July increased to 23 from 19 filed through July 2005.

Western Region

The western region continues to be one of the fastest growing regions in the state based on employment and retail trade sales growth. Jobs were up 7.0 percent through July, compared with growth of 4.9 percent in the prior year. Similarly, retail sales were up 16.9 percent, compared with statewide growth of 7.5 percent. Table 10 displays economic indicators for the region.

Table 10

Western Region Economic Indicators

Moffat, Rio Blanco, Garfield, Mesa, Delta, Montrose, San Miguel, Ouray, and Gunnison counties

	2004	2005	Year-to-date Thru July 2006
Employment Growth /1	3.3%	4.9%	7.0%
Unemployment Rate	4.9%	4.5%	3.7%
Housing Permit Growth			
Mesa County 2/	-2.4%	-3.0%	14.9%
Montrose County 3/	34.0%	22.4%	10.3%
Growth in Value of Nonresidential Const. /3			
Mesa County	0.1%	287.8%	-55.1%
Montrose County	109.4%	-54.9%	388.5%
Retail Trade Sales Growth /4	8.7%	10.3%	16.9%

NA = Not Available

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

2/ U.S. Census.

3/ F.W. Dodge; data through August 2006.

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

The unemployment rate stood at 3.7 percent in July 2006, down from an average of 4.5 percent in 2005. The boom in natural gas exploration, drilling, and production helped push job growth to 7.0 percent through July. Garfield, Rio Blanco, and Ouray counties experienced the fastest job growth through July, with all reporting double-digit growth. In Mesa County, employment was up 5.2 percent, based on the current employment survey. Mesa County's job growth was slower than other counties in the region because of its more diversified and larger employment base.

Construction indicators were mostly positive in the first seven or eight months of 2006. Based on data from F.W. Dodge and the Census Bureau, the number of housing permits increased 10.3 percent in Montrose County and 14.9 percent in Mesa County. Meanwhile, the value of nonresidential construction increased more than three-fold in Montrose County. The only negative indicator was a 55.1 percent reduction in the value of nonresidential construction in Mesa County; although this was mostly due to several large construction projects that began last year for colleges and universities in the area.

Consumer spending in the region, as measured by retail trade sales, increased 16.9 percent through June 2006, with every county in the region, except San Miguel, experiencing double-digit growth. The fastest growth rates were recorded in Rio Blanco, Garfield, and Gunnison counties. San Miguel had the slowest growth at 6.4 percent. Most counties have not seen this pace of growth since the early 1990s.

Recent Economic News:

- Property tax revenue from natural-gas development is flooding into Garfield County and other taxing entities within the county. In addition, increased assessed valuation from gas production has reduced residential property tax rates, according to figures from the County Assessor. The county's assessed valuation from gas production has grown from $201 million in 2001 to $1.7 billion in 2006. The higher assessed values for oil and gas properties helps to lower residential property tax rates.

- Kohl's department store and a new 14-screen theater will open later this fall in the Canyon View Marketplace in Grand Junction. The development of 150,000 square feet of retail space is also expected to attract additional tenants.

- A tightening of the labor market in the entire western region has forced companies to raise wages and offer financial bonuses to employees who agree to stay for several months. In addition, companies are offering flexible work schedules and other benefits to retain employees.

Mountain Region

The economy in the mountain region is healthy. Employment gains are occurring region-wide and retail sales are responding to strong international and domestic tourism. Nonresidential construction activity is increasing along with the economy, while housing permits have begun to lag. Table 11 shows annual economic indicators for the region.

Table 11
Mountain Region Economic Indicators
Routt, Jackson, Grand, Eagle, Summit, Pitkin, Lake, Park, Teller, Clear Creek, Gilpin, and Chaffee counties

	2004	2005	Year-to-date Thru July 2006
Employment Growth /1	1.5%	3.2%	3.9%
Unemployment Rate	4.9%	4.3%	3.8%
Housing Permit Growth /2			
Eagle, Pitkin, & Summit Counties 2/	-26.5%	39.1%	26.2%
Routt County 3/	10.9%	34.0%	-19.9%
Growth in Value of Nonresidential Const. /2			
Eagle, Pitkin, & Summit counties	243.4%	11.2%	73.3%
Routt County	154.9%	-10.3%	212.6%
Retail Trade Sales Growth /4	8.6%	8.8%	14.3%
2006 Retail Trade is YTD through June			

1/ Colorado Department of Labor and Employment. 2004 and 2005 data are from the (QCEW) ES-202 program. 2006 data are from the Current Population (household) Survey.
2/ F.W. Dodge.
3/ U.S. Census.
4/ Colorado Department of Revenue.

Employment in the region increased 3.9 percent in the first seven months of 2006 compared with the same period in 2005. Job growth was the greatest in Routt, Lake, and Eagle counties, with Routt County leading the region at 6.2 percent. Pitkin and Eagle counties added more than 1,900 jobs to their combined workforce. Slower growth occurred in Summit, Grand, and Chaffee counties, where employment increased at rates between 1.2 and 1.6 percent. Meanwhile, the region's unemployment rate dropped from 4.2 percent in June to 3.8 percent in July, after averaging 4.3 percent in 2005.

The number of permits for residential construction increased 26.2 percent in the ski counties of Eagle, Pitkin, and Summit through July, compared with the same time period last year. Permits for single-family homes decreased 4.1 percent, while permits for multi-family homes increased 69.2 percent from 26 permits through July 2005 to 44 permits during the same period this year. Meanwhile, housing permits decreased 19.9 percent in Routt County; permits declined for both single- and multi-family homes.

The value of nonresidential construction is increasing at robust rates through July in both Routt County and in the ski counties of Eagle, Pitkin, and Summit counties, according to F.W. Dodge. The value has more than tripled in Routt County from $8.4 million through July 2005 to $26.3 million through July 2006. Much of the increase is due to a new $12 million county courthouse in Steamboat Springs. Expected to be open sometime in 2007, construction has already begun on the courthouse. Meanwhile, the value of nonresidential construction increased 73.3 percent in Eagle, Pitkin, and Summit counties, where activity has increased substantially for stores and food service, garage and service station, religious, amusement, and school and college facilities.

***Recent Economic News*:**

- United Airlines announced additional flights to the Aspen airport in August. The carrier began selling tickets in August for two daily flights from Chicago and three weekly flights from San Francisco during the peak ski-season.

- In addition to a new county courthouse, Steamboat Springs will see a new community center. The Steamboat Springs City Council announced plans to use nearly $1 million of sales tax revenue for the center. Sales taxes increased 12.7 percent in the city through June, compared with the first half of 2005.

Northern Region

The economy for the northern region is experiencing a healthy growth pattern, as most indicators are positive. Additionally, the differences between the two counties has waned considerably and they are beginning to show one consistent economic picture. This trend is reflected in similar unemployment rates and retail sales growth. Every indicator, with the exception of residential construction, was positive through July. This is generally consistent with statewide trends. Table 12 shows employment changes and other economic indicators for the northern region.

Table 12
Northern Region Economic Indicators
Weld and Larimer counties

	2004	2005	Year-to-date Thru July 2006
Employment Growth /1			
Larimer County	2.1%	2.1%	1.8%
Weld County	3.2%	2.3%	3.9%
Unemployment Rate			
Larimer County	4.6%	4.3%	4.2%
Weld County	5.4%	5.0%	4.5%
State Cattle and Calf Inventory Growth /2	4.2%	6.0%	8.9%
Housing Permit Growth /3			
Larimer County	8.3%	-11.2%	-18.1%
Weld County	11.4%	-3.1%	-17.0%
Growth in Value of Nonresidential Const. /4			
Larimer County	197.9%	-56.4%	87.8%
Weld County	34.1%	-35.8%	38.5%
Retail Trade Sales Growth /5			
Larimer County	3.5%	5.7%	7.3%
Weld County	14.3%	8.9%	7.5%

NA = Not available

1/ U.S. Department of Labor, Bureau of Labor Statistics. CES Data represents nonfarm employment.
2/ Colorado Agricultural Statistics Service.
3/ U.S. Census.
4/ F.W. Dodge.
5/ Colorado Department of Revenue. Year-to-date through June.

Employment growth was mixed in Larimer and Weld counties. Larimer County saw employment growth of 1.8 percent through July 2006, slightly off the pace set in 2005. Employment growth in Larimer County has slowed considerably over the last two months, as nearly 1,000 jobs have left the county. Meanwhile, Weld County's employment growth was 3.9 percent through July as compared with 2.3 percent at the close of 2005. Though historically Weld County has seen higher unemployment than neighboring Larimer County, the gap has closed over the last few years, as Greeley and Windsor have seen the most significant growth. The July 2006 unemployment rates for Larimer and Weld counties were 4.2 percent and 4.5 percent, respectively.

Construction indicators in the northern region were mixed for most of the last year. The growth in the value of nonresidential construction in Larimer County was 87.8 percent through July 2006 as compared with the same period in the prior year. In Weld County, growth in the value of nonresidential construction has slowed from earlier in the year, but remains high at 38.5 percent. In contrast, housing permit growth in both counties has fallen off in 2006 with both counties seeing declines of at least 17 percent through July.

Recent Economic News:

- According to the National Association of Realtors, home sales in the Fort Collins area were off 4.8 percent during the second quarter. Meanwhile a July report showed that the median home price had fallen 0.3 percent from a year ago and there was nearly a nine-month inventory for sale.

- FedEx will build a regional distribution center at the Iron Horse Industrial Park in

Johnstown. The center will open next summer and will serve as an anchor in the still developing 165-acre park. A typical distribution center has between 75 and 100 employees.

- Numerica Corp. has announced that it will move its operations and 30 employees from Fort Collins to Loveland. The software design firm is one of at least five companies that have announced moves from Fort Collins to the U.S. 34 and I-25 interchange.

- On the positive side for Fort Collins, two companies have announced that they will each bring roughly 250 jobs to the area. Research Data Design and Advanced Micro Devices Inc. will both move to Fort Collins over the next year.

Eastern Plains

The eastern region continued to show mostly positive economic indicators through July. Consumer spending in the region remained notably robust into the summer in light of higher gas prices. Also, in other positive economic news, the renewable and clean energy industry continues to grow in the region. However, hot and dry conditions that occurred during the summer are affecting some of the region's farmers and some farmers are reporting a labor shortage this season. Table 13 shows economic indicators for the region for 2004 and 2005 and year-to-date results through July 2006.

Table 13
Eastern Region Economic Indicators
Logan, Sedgwick, Phillips, Morgan, Washington, Yuma, Elbert, Lincoln, Kit Carson, Cheyenne, Crowley, Kiowa, Otero, Bent, Prowers, and Baca counties

	2004	2005	Year-to-date Thru July 2006
Employment Growth /1	-1.4%	0.4%	3.9%
Unemployment Rate	4.8%	4.7%	4.5%
Crop Price Changes /2			
Winter Wheat	-9.2%	0.6%	39.9%
Corn	13.7%	-7.7%	3.6%
Alfalfa Hay	1.2%	16.3%	26.7%
Dry Beans	1.7%	-39.3%	-18.0%
State Crop Production Growth /2			
Sorghum production	25.6%	-36.9%	11.8%
Corn	16.8%	0.1%	-9.2%
Sugar Beets	30.1%	-0.6%	5.8%
State Cattle and Calf Inventory Growth /2	4.2%	6.0%	14.6%
Retail Trade Sales Growth /3	5.4%	5.4%	11.2%

NA = Not Available

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

2/ Colorado Agricultural Statistics Service. Compares August 2006 to August 2005.

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

3/ Colorado Department of Revenue, data through June 2006.

Employment in the region increased 3.9 percent through July and the unemployment rate was 4.5 percent, lower than the average of 4.7 percent in 2005. Yuma and Cheyenne counties reported the lowest unemployment rates in the region at 3.0 percent. Crowley and Otero counties had the region's highest unemployment rates, at 7.1 percent.

Consumer spending in the region, as measured by retail trade sales, continued to exceed the statewide pace, jumping 11.2 percent during the first half of 2006. Eleven of the sixteen counties in the region saw double-digit increases. The largest increases, all above 20 percent, were recorded in Bent, Cheyenne, Lincoln, Phillips and Yuma counties. However, Kiowa, Kit Carson, Otero, and Washington counties experienced a decline in retail sales. The region's retail trade sales growth was 5.4 percent in 2005.

Some of the state's crop results are projected to be lower than the 2005 season due to the hot and dry conditions that occurred during the summer. Colorado's agricultural counties expect a 50 to 75 percent reduction in wheat and alfalfa harvests this year. Corn production is also expected to decline from last year. However, farmers were receiving higher prices for these crops in August of 2006 compared to August of 2005. Sorghum and sugar beet production is not expected to be significantly impacted by the weather conditions. The production of both crops is projected to increase over last year.

Recent Economic News:

- LiquidMaize LLC., a company based in Virginia that manages small-scale ethanol plants and grain production facilities, is considering building a $24 million ethanol plant in Crowley County at the Ordway Feedlot. Crowley County officials indicated that the plant could have a significant impact on the county's assessed valuation which would increase the county's property tax base. The company indicated that it will decide by the end of the year on whether to build the facility. The plant would employ around 10 people.

- Baca Green Energy, which consists of Baca county area farmers and landowners, is trying to establish a wind farm of 100 or more generators near Springfield in Baca County. The group has received an $80,000 grant to install test towers to collect wind data that will be provided to wind energy developers to lure them to construct a wind farm in the area. The flat southeast region of Colorado provides reliable winds which makes it one of the largest wind energy areas of the country. The Colorado Green Wind Power Project – already operating in the area – is the fifth largest wind farm in the country and the largest in the state, covering 11,840 acres between Lamar and Springfield. Another wind farm that will run adjacent to the Colorado Green Wind Power project should begin construction this fall west of Lamar.

- In addition to southeast Colorado, Logan County in northeast Colorado is experiencing significant wind energy development. Two additional wind farm projects will add to the existing 266 turbines in the county. These projects will also make this area one of the largest wind farm areas in the country.

- Some Colorado farmers are experiencing a labor shortage this growing season, causing some crops to be left unharvested. The Colorado Farm Bureau estimates that the labor shortage could cost farmers around $60 million in lost agricultural production in each of the next three years. Although $60 million is less than 4 percent of the state's agriculture market, the labor shortage is hurting some farmers more than others. One farmer has indicated that he has only half the number of workers this year that he had last season. Seasonal and migrant workers make up about half the state's agricultural labor force.

Appendix A
Historical Data

National Economic Indicators
(Dollar amounts in billions)

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Gross Domestic Product	$5,803.1	$5,995.9	$6,337.7	$6,657.4	$7,072.2	$7,397.7	$7,816.9	$8,304.3	$8,747.0	$9,268.4	$9,817.0	$10,128.0	$10,469.6	$10,960.8	$11,712.5	$12,455.8
percent change	5.8%	3.3%	5.7%	5.0%	6.2%	4.6%	5.7%	6.2%	5.3%	6.0%	5.9%	3.2%	3.4%	4.7%	6.9%	6.3%
Real Gross Domestic Product (inflation-adjusted, chained to 2000)	$7,112.5	$7,100.5	$7,336.6	$7,532.7	$7,835.5	$8,031.7	$8,328.9	$8,703.5	$9,066.9	$9,470.3	$9,817.0	$9,890.7	$10,048.8	$10,301.1	$10,703.5	$11,048.6
percent change	1.9%	-0.2%	3.3%	2.7%	4.0%	2.5%	3.7%	4.5%	4.2%	4.4%	3.7%	0.8%	1.6%	2.5%	3.9%	3.2%
Unemployment Rate	5.6%	6.9%	7.5%	6.9%	6.1%	5.6%	5.4%	4.9%	4.5%	4.2%	4.0%	4.7%	5.8%	6.0%	5.5%	5.1%
Inflation (Consumer Price Index)	5.4%	4.2%	3.0%	3.0%	2.6%	2.8%	3.0%	2.3%	1.6%	2.2%	3.4%	2.8%	1.6%	2.3%	2.7%	3.4%
10-Year Treasury Note	8.6%	7.9%	7.0%	5.9%	7.1%	6.6%	6.4%	6.4%	5.3%	5.6%	6.0%	5.0%	4.6%	4.0%	4.3%	4.3%
Personal Income	$4,878.6	$5,051.0	$5,362.0	$5,558.5	$5,842.5	$6,152.3	$6,520.6	$6,915.1	$7,423.0	$7,802.4	$8,429.7	$8,724.1	$8,881.9	$9,163.6	$9,731.4	$10,239.2
percent change	6.3%	3.5%	6.2%	3.7%	5.1%	5.3%	6.0%	6.1%	7.3%	5.1%	8.0%	3.5%	1.8%	3.2%	6.2%	5.2%
Wage and Salary Income	$2,754.0	$2,823.0	$2,980.3	$3,082.7	$3,232.1	$3,419.3	$3,619.6	$3,877.6	$4,183.4	$4,466.3	$4,829.2	$4,942.8	$4,980.9	$5,112.7	$5,392.1	$5,664.8
percent change	6.1%	2.5%	5.6%	3.4%	4.8%	5.8%	5.9%	7.1%	7.9%	6.8%	8.1%	2.4%	0.8%	2.6%	5.5%	5.1%
Nonfarm Wage and Salary Employment (millions)	109.5	108.4	108.7	110.8	114.3	117.3	119.7	122.8	125.9	129.0	131.8	131.8	130.3	130.0	131.4	133.5
percent change	1.4%	-1.0%	0.3%	1.9%	3.2%	2.6%	2.0%	2.6%	2.5%	2.5%	2.2%	0.0%	-1.1%	-0.2%	1.1%	1.6%

Sources: U.S. Department of Commerce Bureau of Economic Analysis, U.S. Department of Labor Bureau of Labor Statistics, Federal Reserve Board.

Colorado Economic Indicators
(Dollar amounts in millions)

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Nonagricultural Employment (thous.)	1,520.8	1,544.9	1,596.8	1,670.5	1,755.9	1,834.7	1,900.9	1,980.1	2,057.5	2,132.5	2,213.6	2,226.8	2,184.1	2,152.8	2,179.6	2,225.2
percent change	2.6%	1.6%	3.4%	4.6%	5.1%	4.5%	3.6%	4.2%	3.9%	3.6%	3.8%	0.6%	-1.9%	-1.4%	1.2%	2.1%
Unemployment Rate	5.0%	5.1%	6.0%	5.3%	4.2%	4.0%	4.2%	3.4%	3.5%	3.1%	2.7%	3.8%	5.7%	6.1%	5.6%	5.0%
Personal Income	$64,748	$68,283	$73,794	$79,697	$85,671	$92,704	$100,233	$107,873	$118,493	$128,860	$144,394	$152,700	$153,066	$157,035	$166,188	$176,352
percent change	6.8%	5.5%	8.1%	8.0%	7.5%	8.2%	8.1%	7.6%	9.8%	8.7%	12.1%	5.8%	0.2%	2.6%	5.8%	6.1%
Per Capita Income	$19,575	$20,160	$21,109	$22,054	$23,004	$24,226	$25,570	$26,846	$28,784	$30,492	$33,371	$34,493	$34,027	$34,528	$36,114	$37,946
percent change	5.7%	3.0%	4.7%	4.5%	4.3%	5.3%	5.5%	5.0%	7.2%	5.9%	9.4%	3.4%	-1.4%	1.5%	4.6%	5.1%
Wage and Salary Income	$37,119	$39,548	$42,678	$45,736	$48,912	$52,782	$57,091	$62,364	$69,462	$76,283	$85,909	$88,297	$86,938	$87,835	$91,839	$97,630
percent change	7.1%	6.5%	7.9%	7.2%	6.9%	7.9%	8.2%	9.2%	11.4%	9.8%	12.6%	2.8%	-1.5%	1.0%	4.6%	6.3%
Retail Trade Sales	$27,544	$28,932	$31,298	$34,178	$38,100	$39,919	$42,629	$45,142	$48,173	$52,609	$57,955	$59,014	$58,852	$58,689	$62,288	$65,447
percent change	5.3%	5.0%	8.2%	9.2%	11.5%	4.8%	6.8%	5.9%	6.7%	9.2%	10.2%	1.8%	-0.3%	-0.3%	6.1%	5.1%
Housing Permits	11,897	14,071	23,484	29,913	37,229	38,622	41,135	43,053	51,156	49,313	54,596	55,007	47,871	39,569	46,499	45,891
percent change	6.9%	18.3%	66.9%	27.4%	24.5%	3.7%	6.5%	4.7%	18.8%	-3.6%	10.7%	0.8%	-13.0%	-17.3%	17.5%	-1.3%
Nonresidential Construction	$939	$1,610	$1,539	$1,578	$1,581	$1,841	$2,367	$2,986	$2,617	$3,544	$3,476	$3,500	$2,787	$2,713	3,291.0	3,676.0
percent change	-0.7%	71.4%	-4.4%	2.6%	0.2%	16.4%	28.6%	26.2%	-12.4%	35.4%	-1.9%	0.7%	-20.4%	-2.7%	21.3%	11.7%
Denver-Boulder Inflation Rate	4.4%	3.9%	3.7%	4.2%	4.4%	4.3%	3.5%	3.3%	2.4%	2.9%	4.0%	4.7%	1.9%	1.1%	0.1%	2.1%
Population (thousands, July 1)	3,307.6	3,387.1	3,495.9	3,613.7	3,724.2	3,826.7	3,920.0	4,018.3	4,116.6	4,226.0	4,326.9	4,427.0	4,498.4	4,548.1	4,601.8	4,665.2
percent change	1.0%	2.4%	3.2%	3.4%	2.7%	2.8%	2.0%	2.0%	2.0%	2.0%	2.4%	2.3%	1.6%	1.1%	1.2%	1.4%

Sources: Colorado Department of Labor and Employment, U.S. Department of Commerce, Colorado Department of Revenue, U.S. Bureau of the Census, U.S. Bureau of Labor Statistics, F.W. Dodge.

NA = Not Available