

Colorado Economic Chronicle

Published by
the Legislative Council Staff of the Colorado General Assembly

August 17, 2004

Mike Mauer
Chief Economist

Kerryn Duran
Staff Assistant

Inside this issue:

National Economy	1
Colorado Economy	3
Metro Denver	6
Colorado Springs	7
Pueblo—Southern Mountains	8
San Luis Valley	9
Western Region	10
Mountain Region	11
Northern Region	12
Eastern Plains	13

The Legislative Council is the research arm of the Colorado General Assembly. The Council provides non-partisan information services and staff support to the Colorado Legislature.

Representative Lola Spradley,
Speaker of the House
Representative Keith King,
Majority Leader of the House
Representative Andrew Romanoff,
Minority Leader of the House

Senator John Andrews,
President of the Senate
Senator Mark Hillman,
Majority Leader of the Senate
Senator Joan Fitz-Gerald,
Minority Leader of the Senate

NATIONAL ECONOMY

By Natalie Mullis

Inflation-adjusted Gross Domestic Product (GDP) increased at an annualized rate of 3.0 percent during the second quarter of 2004, after growing 4.5 percent during the first quarter. The relatively cooler rate of growth during the second quarter was due to a significant slowdown in consumer spending, which increased at an annualized rate of only 1.0 percent — the weakest growth rate in three years. Spending on non-durable goods decreased 2.5 percent. Business investment continued to be the economic recovery's primary driver. Fixed nonresidential investment increased 8.8 percent with spending on equipment and software increasing 10.0 percent.

Job growth has slowed in the last two months. The nation added 32,000 jobs in July after adding 78,000 in June, down from the average of nearly 300,000 jobs added each month during March, April, and May. Since August 2003, the nation has regained nearly 1.5 million of the 2.7 million jobs lost since March 2001. In addition, gains have been made among higher paying jobs. The professional and business services sector has gained nearly two-thirds of the jobs it lost, while the transportation and utilities sector has regained more than a quarter. Employment in the manufacturing sector has also rebounded, having added 81,000 jobs during the first seven months of 2004.

Figure 1
United States Employment
(Seasonally Adjusted)



The *unemployment rate* stood at 5.5 percent in July, after a consistent 5.6 percent during the first half of the year and down from a business-cycle high of 6.1 percent in early 2003. The lower rate in July was due primarily to a decrease in the number of people looking for work.

Consumers will have less power to drive economic growth in the coming months than they did during the past few years because of record consumer debt and rising interest rates. The improved labor market and expectations for lower energy prices, however, will keep consumers spending at moderately healthy rates. *Personal income* rose 5.4 percent through June after a more modest 3.1 percent increase in 2003. Despite a slump in June, *consumption* increased 5.9 percent and *retail sales* increased 7.9 percent year-to-date through June and are expected to increase at modestly healthy rates through the rest of the year. Meanwhile, consumer confidence is gradually improving along with the labor market, although high energy prices and the threat of terrorism continue to present risks to consumption growth.

The manufacturing sector has been showing improvement for nearly a year. The *Institute of Supply Management Index* registered above 60 for the ninth month in a row in July. An index above 50 indicates expansion in the sector. Aided by lower production costs, the index increased from 61.1 in June to 62.0 in July. *Industrial production* decreased 0.3 percent in June, after two strong increases in May and April. Orders for *durable goods* were also slower than expected in June, increasing 0.7 percent.

Housing continues to be strong. Year-to-date through June, *sales of existing and new homes* combined were 12.8 percent higher than during the first

half of 2003. Although the markedly improved employment situation has helped, much of the strength in recent months is the result of a home-buying rush prompted by expectations of higher mortgage rates. While the housing sector has buoyed the economy through the recession and its aftermath, we expect the economy to support the housing sector in the coming year. Higher levels of employment and wage growth will keep the housing sector healthy. However, the current high level of sales is unsustainable. Mortgage rates are set to rise from historically low levels and there is limited pent-up demand coming out of the recession.

Consumer prices have edged up during the last few months. Consumer prices in July were 3.0 percent higher than a year before. On average, prices increased 2.3 percent in 2003. The acceleration has occurred in the volatile food and energy sectors. Excluding these sectors, consumer prices have edged up a milder 1.8 percent in both June and July, compared with June and July a year ago. Due in part to recent price inflation, the Federal Reserve Board raised interest rates by a quarter of a percent on June 30 and again on August 10. The board signaled that they believe the economy is strong enough to withstand a gradual tightening despite July's slowdown in employment and output gains.

The national economic recovery has matured into a moderate expansion. Business investment is now driving economic growth, rather than the housing and consumer sectors. Manufacturing continues to expand, but remains vulnerable to short run disruptions. Finally, the risk of inflation remains low, and we expect that the moderate expansion will allow the Federal Reserve to continue to gradually tighten monetary policy.

COLORADO ECONOMY

By Todd Herreid

Colorado's economic recovery continues to gain momentum. Business confidence is getting stronger given recent increases in sales revenue and profits. The improving business climate is producing modest job gains in the state, based on monthly employment reports. State personal income also rebounded in the first quarter of 2004, after declining in the fourth quarter of 2003. These indicators suggest that the near term outlook for the state's economy is positive.

Employment. The employment situation in Colorado continues to improve. Seasonally adjusted employment data for June 2004 show that about 6,000 jobs were added in the month. In the past twelve months, almost 21,000 jobs were created, representing a 1 percent increase from year-ago levels. Figure 2 shows that the fastest growing segments of the labor market were professional and business services, education and health services, and government. The one weak sector of the economy was the construction industry, which lost 4,400 jobs since June 2003. Declines in residential development as well as an oversupply of commercial office space contributed to job losses in this sector.

In addition, the state's unemployment rate remained unchanged in June, holding steady at 4.9 percent.

This is a significant improvement compared with the June 2003 unemployment rate of 6.1 percent.

The employment outlook is expected to improve further as the economic recovery gains strength. Based on the June 2004 Legislative Council staff forecast, nonfarm jobs in Colorado are expected to increase 0.7 percent in 2004, followed by gains of 2.0 percent in 2005 and 2.7 percent in 2006. Most of the job growth is anticipated in the service sector. Given the overall positive employment outlook, the state's unemployment rate is projected to remain near 5 percent through 2004, then fall slightly in the future, averaging 4.9 percent in 2005 and 4.5 percent in 2006. Table 1 (on page 5) summarizes some of the major economic indicators for the state.

Personal Income. Colorado personal income increased at an average annual rate of 1.1 percent in the first quarter of 2004, following a decline of 0.4 percent in the fourth quarter of 2003. This upturn is positive economic news for the state, because personal income drives consumer spending and some investment decisions. For the first quarter of 2004, Colorado ranked 36th in terms of personal income growth compared to all other states.

Figure 2
June 2004 Employment Growth, Seasonally Adjusted
(June 2004 over June 2003)

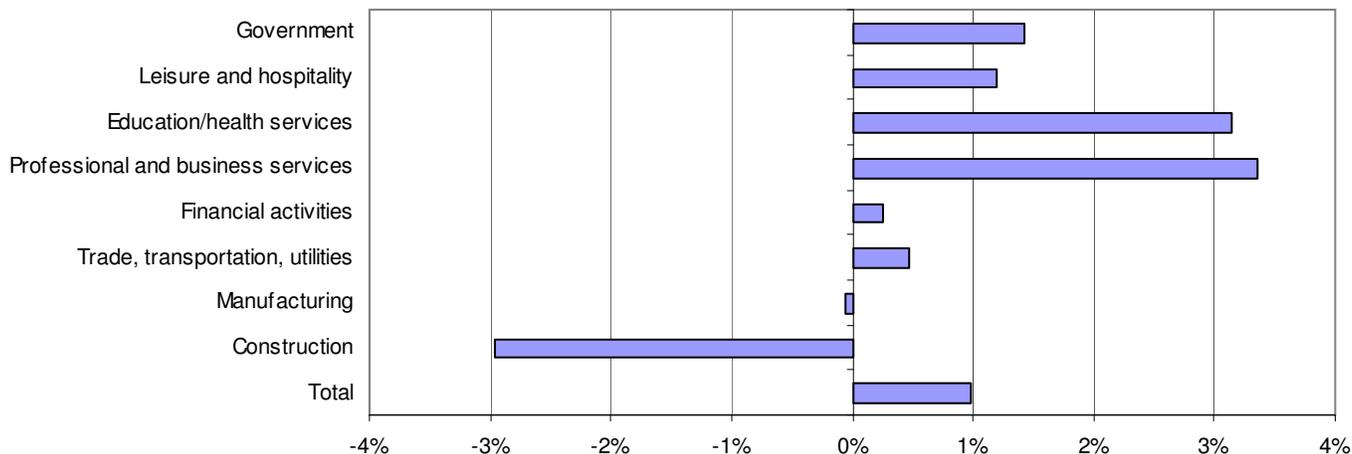


Figure 3 shows personal income growth rates in Colorado from 2000 until the first quarter of 2004. As indicated, the state's economy has been growing slowly or declining since the beginning of 2001, when the national economy went into recession. In the most recent quarter, all of the major components of personal income — net earnings; dividends, rent, interest; and government transfer payments — increased at roughly the same rate. The industries that experienced the most rapid growth in earnings in the first quarter of 2004 were durable goods manufacturing, financial activities, and education and health services. However, two industries experienced declines in net earnings: construction and natural resources/mining.

The outlook for Colorado personal income is for continued growth. Employment gains will drive income up as wages and salaries are projected to grow 5.0 percent in 2004 and 6.3 percent in 2005. Annual personal income is projected to grow 4.6 percent in 2004, 5.1 percent in 2005, and 5.1 percent in 2006.

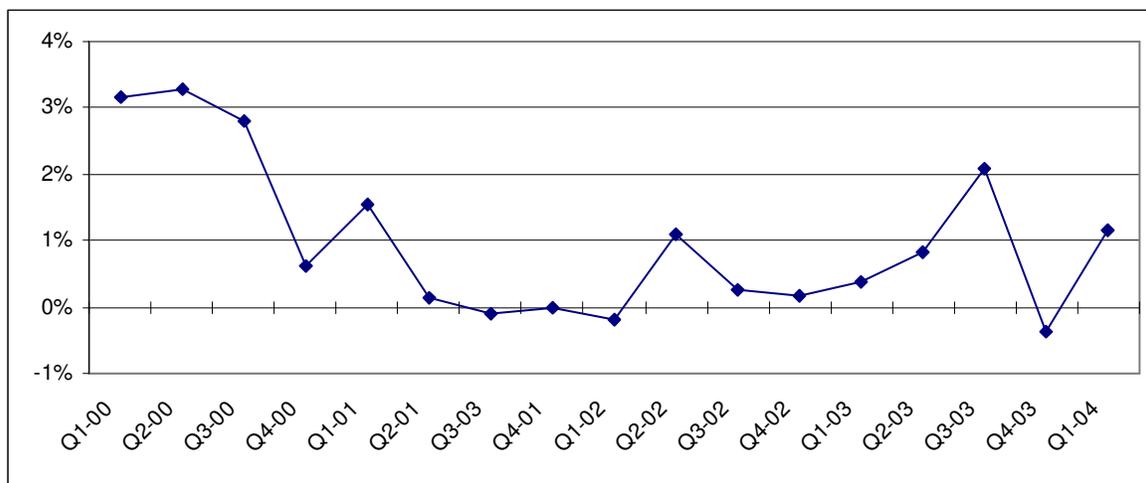
Inflation. The consumer price index for all urban consumers (CPI-U) in the Denver-Boulder-Greeley area decreased 0.7 percent in the first six months of 2004, compared with the same period in 2003. Price hikes for gasoline and natural gas, which increased 13 percent and 27 percent, respectively, were more than offset by falling prices for housing, services,

and motor vehicles. The Denver-Boulder-Greeley CPI-U increased 1.1 percent in 2003, after a modest 1.9 percent increase in 2002. Consumer prices in the Denver-Boulder-Greeley area are expected to increase 2.0 percent in 2004, 2.4 percent in 2005, and 2.8 percent in 2006.

Business Confidence. Business leaders in Colorado remain upbeat regarding the state's economic prospects. The Colorado *Business Leaders Confidence Index*, compiled by the Leeds School of Business at the University of Colorado and Compass Bank, increased slightly from 64.2 in the second quarter of 2004 to 66.1 in the third quarter. A measure above 50.0 indicates expectations of economic growth. Business leaders also remained robust about expectations of sales growth and profitability. This is anticipated to boost hiring and productivity in the near term.

In addition, Creighton University's monthly survey of supply managers and business leaders in Colorado continues to indicate expansion. Its business conditions index declined from 57.6 in June to 54.5 in July, but a measure above 50.0 still indicates economic growth. The various components of the index, such as new orders, production, and employment, all measured above 50. These results further suggest that the state's economy is continuing to expand.

Figure 3
Colorado Personal Income Growth
(quarter over quarter percent change)



Retail Trade. Based on retail sales data compiled by the Department of Revenue through May 2004, retail trade sales are up 4.2 percent compared to the same period in 2003. This follows two years of declining retail trade activity. In 2002 and 2003, retail trade fell 0.3 percent each year. Of the 64 counties reporting, only 8 had declining retail trade activity in the first five months of the year, and many reported double-digit sales growth. This represents positive economic news for the state. On an industry basis, the fastest growth rates were recorded for electronics and appliance stores (15.9%), health and personal care stores (13.9%), and building materials stores (11.2%). Sporting goods, hobby, book, and music stores had marginally declining retail sales (-0.6%) through May. As indicated in Table 1, retail trade is expected to increase 3.1 percent in 2004, 4.4 percent in 2005, and 4.6 percent in 2006.

Residential and Nonresidential Construction.

Colorado's residential and nonresidential construction activity increased substantially in the first six

months of 2004, based on data reported by F.W. Dodge and U.S. Census figures. The number of residential housing projects is up 24 percent through June 2004, compared with the same period in 2003, and multi-family construction seems to be gaining strength as well. To date, the construction of multi-family dwelling units is up 35 percent. In the non-residential market, the value of nonresidential construction statewide is up 18 percent through June 2004. Substantial increases were reported for hotels and motels, manufacturing plants, hospitals and health treatment facilities, and schools and colleges. Most of these projects were located in Arapahoe, Denver, Weld, El Paso, Mesa, and Pitkin counties.

Table 1 shows that housing permits are projected to increase throughout the forecast period and the value of nonresidential construction is expected to accelerate in 2005 and 2006.

Table 1
Colorado Economic Indicators, Legislative Council Staff Forecast, June 2004
(calendar years)

	2002	2003	Forecast 2004	Forecast 2005	Forecast 2006
Nonagricultural Employment (thousands)	2,182.5	2,150.4	2,165.5	2,208.8	2,268.4
percent change	-1.9%	-1.5%	0.7%	2.0%	2.7%
Unemployment Rate	5.7%	6.0%	5.1%	4.9%	4.5%
Personal Income (millions)	\$151,790	\$156,010	\$163,186	\$171,509	\$180,256
percent change	0.8%	2.8%	4.6%	5.1%	5.1%
Wage and Salary Income (millions)	\$86,889	\$88,106	\$92,511	\$98,339	\$104,829
percent change	-1.6%	1.4%	5.0%	6.3%	6.6%
Retail Trade Sales (millions)	\$58,864	\$58,662	\$60,481	\$63,142	\$66,046
percent change	-0.3%	-0.3%	3.1%	4.4%	4.6%
Home Permits (thousands)	47.9	39.4	41.1	42.1	45.0
percent change	-12.1%	-17.7%	3.8%	2.4%	6.8%
Nonresidential Building (millions)	\$2,613	\$2,204	\$2,204	\$2,378	\$2,650
percent change	-22.5%	-15.6%	0.0%	7.9%	11.4%
Denver-Boulder Inflation Rate	1.9%	1.1%	2.0%	2.4%	2.8%

Data Sources: U.S. Bureau of Labor Statistics, U.S. Bureau of Economic Analysis, U.S. Census Bureau, Colorado Department of Revenue, and F.W. Dodge, Inc.

METRO DENVER

By Josh Harwood

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

	2002	2003	Year-to-date thru June 2004
Employment Growth /1	-3.1%	-2.3%	0.0%
Unemployment Rate 2004 rate is for June only	5.9%	6.3%	5.3%
Housing Permit Growth /2	-19.7%	-22.5%	27.4%
Growth in Value of Nonresidential Const. /3	-27.8%	-20.8%	21.9%
Retail Trade Sales Growth /4 YTD thru May 2004	-0.5%	1.4%	2.5%

1/ Colorado Department of Labor and Employment. Annual data are from the ES-202 program. 2004 YTD data are from the Current Employment (establishment) Survey.
 2/ U.S. Census Metropolitan Statistical Area Data
 3/ F.W. Dodge
 4/ Colorado Department of Revenue. Includes food services.

The Metro-Denver region, comprised of Adams, Arapahoe, Boulder, Broomfield, Denver, Douglas, and Jefferson counties, is home to roughly half of the state's population. As a result, the region drives much of the economic activity for the state, and its role as a regional commercial hub makes it particularly susceptible to national economic trends. As the national economy has improved, so has the Metro-Denver region.

Table 2 summarizes major economic indicators for the region. Following consecutive years of job losses, regional employment appears to have stabilized. Similarly, the unemployment rate has dropped from 6.3 percent in 2003 to 5.3 percent in June 2004.

The construction industry is also rebounding with housing permits up 27.4 percent through June 2004, compared with the first six months of 2003. Meanwhile, nonresidential construction values have in-

creased more than 20 percent compared with a year ago. Both construction sectors are coming off two years of roughly 20 percent declines.

The improved economy is yielding significant increases in retail trade sales, which were up 2.5 percent through May. The improvement was led by Douglas County, which saw a 12.3 percent increase, as more retail establishments were built to meet the ever-expanding population base in the south metro county.

Recent Economic News

- The office market continues to be weak throughout the metro area. According to a PriceWaterhouseCoopers report, downtown vacancy rates increased to 20.5 percent in the second quarter of 2004 from 18.5 percent a year earlier.
- According to the Apartment Association of Denver, apartment vacancy rates dipped below 10 percent in the second quarter of 2004, a significant decrease from the nearly 14 percent vacancy rate a year ago. However, the association reported that most of the improvement resulted from large concessions, leaving the market relatively weak.
- Construction has begun on a \$44 million, 228-suite Residence Inn by Marriot in downtown Denver. Marriot also opened a new 196-room hotel in North Cherry Creek in June, the first hotel in Cherry Creek.
- Boosted by increased federal defense spending, Northrup Grumman Mission Systems will open an 80,000-square-foot building in fall 2005 in Aurora that will eventually house 400 new employees.

COLORADO SPRINGS

By Jonathan Lurie

Table 3
Colorado Springs Economic Indicators

El Paso County

	2002	2003	Year-to-date thru June 2004
Employment Growth /1	-2.1%	-1.1%	0.5%
Unemployment Rate 2004 rate is for June only	6.6%	6.0%	5.7%
Housing Permit Growth /2	-4.1%	-20.2%	26.6%
Growth in Value of Nonresidential Const. /3	25.0%	19.3%	-36.6%
Retail Trade Sales Growth /4 YTD thru May 2004	1.6%	0.2%	7.8%

1/ Colorado Department of Labor and Employment. Annual data are from the ES-202 program. 2004 YTD data are from the Current Employment (establishment) Survey.
2/ U.S. Census
3/ F.W. Dodge
4/ Colorado Department of Revenue. Includes food services.

The Colorado Springs employment situation has improved, based on data from the Colorado Department of Labor and Employment establishment survey. Through June 2004, employment grew 0.5 percent (approximately 1,300 jobs) over the first six months of 2003. This compared with growth rates of -2.1 percent and -1.1 percent for 2002 and 2003, respectively. As of June 2004, the county unemployment rate was 5.7 percent, lower than the rates seen in the last two years. Table 3 summarizes major economic indicators for the region.

Residential construction is rebounding with housing permits up 26.6 percent through June 2004, compared with the first six months of 2003. This growth is on pace for a record year for residential construction after two years of declines in permits. Meanwhile, nonresidential construction values have fallen 36.6 percent compared with a year ago. This represents a considerable slowdown after two years of double-digit growth in value.

Retail sales are also showing signs of a regional recovery. Through May of 2004, retail trade (or sales of retail goods, as opposed to services) grew 7.8 percent over the first five months of 2003. This is a significant positive shift, as annual retail growth was flat over the last two years. As a result of stronger retail growth, sales tax figures have also recovered. El Paso sales tax revenue increased 5.7 percent year-to-date through May 2004 while growth rates for tax revenue declined 12 percent in 2002 and 2003.

Recent Economic News

- Intel Corporation announced plans in July to expand its chip manufacturing plant. The company will spend nearly \$400 million to build a second chip manufacturing area, adding 160,000 square feet. The renovation will begin producing chips in late 2005.
- MCI announced in June it will close its Colorado Springs telemarketing call center, eliminating 650 local jobs. However, Progressive Insurance announced plans to add as many as 250 workers to its Colorado Springs call center over the next four years.
- SkyWest Airlines announced plans to open a maintenance base and provide crew housing in Colorado Springs. The base should begin service as early as August and should be fully operational by late 2004. The commuter airline suggested as many as 135 maintenance personnel could be hired to service the planes.

PUEBLO — SOUTHERN MOUNTAINS

By Natalie Mullis

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

	2002	2003	Year-to-date thru June 2004
Employment Growth /1	-0.9%	-0.9%	2.1%
Unemployment Rate 2004 rate is for June only	6.3%	6.3%	6.2%
Housing Permit Growth /2 Pueblo County Only	-6.3%	-1.6%	18.9%
Growth in Value of Nonresidential Const. /3 Pueblo County Only	-26.7%	213.3%	106.8%
Retail Trade Sales Growth /4 YTD thru May 2004	1.0%	0.8%	7.4%

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

Recent Economic News

- The Avanza Grocery Store in Pueblo closed its doors in June, eliminating 130 jobs.
- Wal-Mart Corp. announced plans to build a 900,000-square-foot distribution center in Pueblo West and expects to hire between 200 and 300 people.
- Kohl's department store is hiring 150 people for its new location in Pueblo's north side, expected to open in October.
- In June, a Hometown Pharmacy and Medical store opened in a new 7,200-square-foot building in Trinidad.

The economy is recovering in the five-county Pueblo region. Employment in the region increased 2.1 percent year-to-date through June after two years of decreases. Despite this, the unemployment rate has not shown dramatic improvement because more people are entering the labor force. Retail trade in the region increased 7.4 percent through May after two years of anemic growth. Finally, the value of non-residential construction through the first half of the year in Pueblo County was more than double that of the first half of 2003, while the number of permits granted for residential construction increased 18.9 percent during the same time period. Table 4 summarizes major economic indicators for the region.

SAN LUIS VALLEY

By Natalie Mullis

Table 5
San Luis Region Economic Indicators
 Saguache, Mineral, Rio Grande, Alamosa,
 Conejos, and Costilla Counties

	2002	2003	Year-to-date thru June 2004
Employment Growth /1	0.5%	2.7%	9.3%
Unemployment Rate 2004 rate is for June only	7.4%	6.7%	6.2%
Housing Permit Growth /2 Alamosa County Only	-6.6%	-5.3%	-60.0%
Growth in Value of Nonresidential Const. /2 Alamosa County Only	38.6%	-59.4%	☺
Retail Trade Sales Growth /3 YTD thru May 2004	-0.8%	1.2%	5.8%

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

2/ F.W. Dodge

3/ Colorado Department of Revenue. Includes food services.

☺ A value of \$3 million was contracted in 2004, up from \$67,000 contracted in 2003.

The Grand Sand Dunes National Monument in Saguache and Alamosa counties is recovering somewhat from the impact of the drought. A total of 118,519 people visited the Great Sand Dunes during the first six months of 2003, about 6 percent more than visited in 2003. However, the number of visitors this year is still about 3 percent lower than the 10-year average.

Officials at the Cumbres and Toltec Scenic Railway Line expect about 35,000 passengers this year. Weather conditions were favorable enough for the railway to remain open throughout the entire season. The railway had to close in 2002 due to drought conditions and extreme fire danger. Meanwhile, the railway is planning on opening a railroad museum in 2005 at the midpoint of its track.

According to the Colorado Department of Labor and Employment household survey, employment in the six-county San Luis Region increased at the stellar pace of 9.3 percent through June, while the unemployment rate decreased from an average of 6.7 percent in 2003 to 6.2 percent in June. The value of nonresidential construction has increased substantially from \$67,000 through the first six months of 2003 to \$3 million during the first six months of this year. However, the number of permits granted for residential construction decreased 60.0 percent in the first half of 2004. Meanwhile, retail trade is showing strength with a 5.8 percent increase year-to-date through May. Table 5 summarizes major economic indicators for the region.

WESTERN REGION

By Todd Herreid

Table 6

Western Region Economic Indicators

Moffat, Rio Blanco, Garfield, Mesa, Delta, Montrose, San Miguel, Ouray, Hinsdale, Archuleta, La Plata, Dolores, San Juan, and Montezuma Counties

	2002	2003	Year-to-date thru June 2004
Employment Growth /1	1.0%	0.6%	4.0%
Unemployment Rate 2004 rate is for June only	4.9%	5.0%	4.3%
Housing Permit Growth /2			
Mesa County	-7.7%	13.9%	26.9%
Montrose County	-1.4%	23.0%	33.7%
La Plata County	5.7%	27.6%	0.0%
Growth in Value of Nonresidential Const. /2			
Mesa County	-23.6%	-31.7%	71.5%
Montrose County	201.4%	-16.7%	463.7%
La Plata County	582.5%	457.4%	96.6%
Retail Trade Sales Growth /3 YTD thru May 2004	0.7%	2.6%	7.6%
1/ Colorado Department of Labor and Employment. Annual data are from the ES-202 program. 2004 YTD data are from the Current Population (household) Survey. 2/ F.W. Dodge 3/ Colorado Department of Revenue. Includes food services.			

The western region weathered the economic recession relatively well. Employment and retail trade continued to grow in 2002 and 2003, albeit at slow rates, and housing permits grew significantly. Table 6 shows annual economic indicators for the region since 2002, and year-to-date results through June. The most recent figures indicate that the region is experiencing an acceleration of job growth, nonresidential construction, and retail sales. The only apparent weakness is that residential housing permits have not grown in La Plata County.

Employment is up 4.0 percent in the first half of 2004, compared to the same period in 2003. This follows two years of sluggish growth in 2002 and 2003. The region's dependence on tourism and oil and natural gas production is responding to nationwide increases in employment and personal income as well as recent price hikes for oil and natural gas. The highest job gains were reported in San Juan,

Dolores, Hinsdale, Moffat, Ouray, and La Plata counties. The overall increase in jobs caused the region's unemployment rate to fall from 5.0 percent in 2003 to 4.3 percent in June 2004.

Based on data from F.W. Dodge, nonresidential construction activity in the western region increased significantly. In the first six months of 2004, the value of nonresidential construction almost doubled in Mesa and La Plata counties compared to the same period in 2003. Moreover, nonresidential construction in Montrose County increased from \$3 million to \$17 million. Most of the increases in the region were for hospitals, health treatment facilities, and service stations.

In the first half of 2004, retail trade improved in most areas of the western region, except for San Juan, Rio Blanco, and Ouray counties. Through June 2004, retail trade activity in the region was up 7.6 percent, higher than the 2.6 percent growth recorded in 2003. Double-digit increases in retail trade were reported in Dolores, La Plata, San Miguel, Moffat, and Garfield counties for the first six months of the year. Most of the other counties reported retail trade growth of between 5.0 and 10.0 percent.

Recent Economic News

- A new Wal-Mart Super Center is expected to open in Delta on September 15. The store will employ approximately 350 part-time and full-time workers, with an annual payroll of about \$6 million.
- In Durango, multi-family housing permits reached their highest valuation in the past four years. Multi-family permits were valued at \$7.7 million in May 2004.
- The median price for a single-family home in Durango reached \$300,000 in the second quarter of 2004. This is an 8.7 percent increase from the second quarter of 2003, when the median price was \$276,000.

MOUNTAIN REGION

By Todd Herreid

Table 7
Mountain Region Economic Indicators
 Routt, Jackson, Grand, Eagle, Summit, Pitkin,
 Lake, Park, Teller, Clear Creek, Gilpin,
 Chaffee, and Gunnison Counties

	2002	2003	Year-to-date thru June 2004
Employment Growth /1	-1.4%	-2.2%	1.2%
Unemployment Rate 2004 rate is for June only	4.5%	4.5%	4.5%
Housing Permit Growth /2 Eagle, Pitkin, & Summit Counties	0.5%	25.8%	-21.2%
Routt County	3.3%	16.2%	-16.2%
Growth in Value of Nonresidential Const. /2 Eagle, Pitkin, & Summit Counties	-9.0%	-54.6%	152.0%
Routt County	-64.8	-16.8%	24.7%
Retail Trade Sales Growth /3 YTD thru May 2004	-2.7%	0.2%	6.3%

1/ Colorado Department of Labor and Employment. Annual data are from the ES-202 program. 2004 YTD data are from the Current Population (household) Survey.
 2/ F.W. Dodge
 3/ Colorado Department of Revenue. Includes food services.

Following two years of declining economic activity, the mountain region finally appears to be rebounding. Table 7 shows annual economic indicators for the region since 2002. The most recent figures indicate that the region is experiencing positive growth in employment, the value of nonresidential construction, and retail trade. In addition, while housing permits are down in the first six months of 2004, the value of housing permits is up 25 percent in Routt County and 16 percent in Eagle, Pitkin, and Summit counties.

On the jobs front, employment is up an estimated 1.2 percent in the first half of 2004, compared to the same period in 2003. This follows two years of decreasing employment in 2002 and 2003. The region's tourism-related jobs are beginning to respond to nationwide increases in employment and personal income, which have boosted visits to the area by both out-of-state and in-state tourists. The highest job gains were reported in Jackson, Grand, Clear

Creek, Chaffee, Pitkin, Routt, and Gunnison counties. However, the unemployment rate remained unchanged at 4.5 percent, because more people have entered the labor force.

Based on data from F.W. Dodge, nonresidential construction activity in the mountain region is up considerably. In the first six months of 2004, the value of nonresidential construction increased 152 percent in Eagle, Pitkin, and Summit counties, and 25 percent in Routt County. In the former counties, most of the increases were reported in Pitkin County for grocery stores, office buildings, service stations, and health care facilities.

In the first half of 2004, retail trade improved in each county within the mountain region. This follows a year in which there was almost no growth in the region, and many counties experienced declines in retail trade. Double-digit increases were reported in Gilpin, Clear Creek, Jackson, and Gunnison counties. Moreover, with the exception of Grand and Lake counties, which grew by about 1 percent each, all of the remaining counties had retail trade growth of between 3.0 and 10.0 percent.

Recent Economic News

- Passenger traffic at Eagle County Airport is up 10.1 percent through July 2004, compared to the same period in 2003.
- A study by the Northwest Council of Governments showed that second homes accounted for 34 percent of all dollars coming into Pitkin County from outside sources. Winter tourism accounted for 22 percent, summer tourism for 18 percent, and other outside sources of income (rent, dividends, and interest) for 24 percent.
- Private developers, the Town of Vail, and Vail Resorts recently began work on a \$1 billion redevelopment project. The five-year project will include upgrades to both Vail Village and Lionshead Village, new residential housing units, and new hotel rooms.

NORTHERN REGION

By Natalie Mullis

Table 8
Northern Region Economic Indicators
Weld and Larimer Counties

	2002	2003	Year-to-date thru June 2004
Employment Growth /1			
Larimer County	-0.4%	-1.1%	1.3%
Weld County	1.2%	0.3%	3.7%
Unemployment Rate (2004 rate is for June only)			
Larimer County	5.2%	5.2%	4.9%
Weld County	6.0%	6.4%	6.2%
Housing Permit Growth /2			
Larimer County	-17.1%	-1.1%	19.8%
Weld County	2.6%	-10.2%	27.6%
Growth in Value of Nonresidential Const. /3			
Larimer County	8.0%	-35.8%	39.5%
Weld County	-33.8%	33.3%	81.8%
Retail Trade Sales Growth /4 (YTD thru May 2004)			
Larimer County	1.7%	0.2%	3.8%
Weld County	7.8%	5.1%	14.7%

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

As shown in Table 8, the economy is rebounding in Larimer and Weld counties. According to the Colorado Department of Labor and Employment's household survey, employment is beginning to improve in Larimer County and is increasing at a healthy rate in Weld County, with growth rates of 1.3 percent and 3.7 percent, respectively. The unemployment rate has also improved in both counties. Retail trade increased 3.8 percent in Larimer County and 14.7 percent in Weld County. Meanwhile, both counties have experienced a substantial rebound in residential and nonresidential construction during the first half of 2004 after two years of shrinking or flat activity.

Recent Economic News

- Plans were announced to build a \$40 million ethanol plant in Weld County. The plant is expected to employ 50 people.
- Eastman Kodak Co. began construction in June on a \$40 million plant in Windsor that will employ 60 people. The plant will produce products that consumers will use to print digital pictures at home.
- Ohio-based glassmaker Owens-Illinois will open a plant in Windsor to make beer bottles for Fort Collins-based brewer Anheuser-Busch and employ 150 people.
- In May, electronics manufacturer Celestica Inc. laid off 13 people in Fort Collins after announcing a restructuring and the elimination of 5,000 jobs worldwide.
- Two multi-use developments have been planned or are under construction in Larimer County. Near Loveland, "Centerra" will include a hospital, 5,100 homes, and 10 million square feet of office and retail space. In Berthoud, "Wilson Ranch" will include 4,000 homes and 4 million square feet of commercial space.
- Plans were announced to build an 11-story, 250 room upscale Embassy Suites hotel in Loveland, including an 80,000-square-foot convention center.

EASTERN PLAINS

By Jonathan Lurie

Table 9

Eastern Region Economic Indicators

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

	Year-to-date Thru June		
	2002	2003	2004
Employment Growth /1	-0.1%	-0.5%	5.0%
Unemployment Rate 2004 rate is for June only	4.0%	4.0%	3.5%
Crop Price Changes /2			
Winter Wheat	33.5%	-7.7%	17.5%
Corn for Grain	18.8%	0.8%	11.3%
Alfalfa Hay	12.9%	-21.1%	-4.6%
State Crop Production Growth /2			
Winter Wheat (mil. bushels) /a	-45.0%	112.1%	-38.6%
Corn for Grain (mil. bushels)	-25.0%	7.0%	NA
Alfalfa Hay (thousand tons)	-37.3%	13.2%	NA
State Cattle and Calf Inventory Growth /2	-3.6%	-24.1%	-7.0%
Retail Trade Sales Growth /3 YTD thru May 2004	-4.6%	-0.5%	2.1%

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

2/ Colorado Agricultural Statistics Service. Year-to-date figures reflect July 2004 over July 2003.

a/ 2004 production forecast by the Colorado Agricultural Statistics Service.

3/ Colorado Department of Revenue. Includes food services.

The Eastern Plains employment situation has improved, based on data from the Colorado Department of Labor and Employment household survey. Employment data from the household survey are not as accurate as that from establishment surveys or employer tax reporting. However, the household survey provides a recent snapshot of the employment picture for the region. Through June 2004, employment grew 5.0 percent over the first six months of 2003. This compares with household survey growth rates of 3.0 percent and 3.9 percent for 2002 and 2003, respectively. However, it is important to note that a more accurate measure of employment (ES-202 fil-

ings, only available to December 2003) showed regional employment declines of -0.1 percent and -0.5 percent in 2002 and 2003, respectively. As of June 2004, the regional unemployment rate was 3.5 percent, lower than the rates of 4.0 percent in 2003 and in 2002.

Retail sales are also showing signs of a regional recovery. Through May of 2004, retail trade grew 2.1 percent over the first five months of 2003. This is a significant positive shift, as 2003 saw retail trade sales decline -0.5 percent and 2002 posted a rate of -4.6 percent. As a result of stronger retail growth, sales tax figures have also recovered. Regional taxable sales increased 7.3 percent through May 2004 and state sales tax revenue increased 8.4 percent over the same time frame. Growth rates for taxable sales and tax revenue declined or were flat in 2002 and 2003.

Recent Economic News

- Home Depot announced plans to build a new store in Sterling, scheduled to be open by 2005. The new outlet will be just over 100,000 square feet, and cost an estimated \$5.5 million.
- Dean Pickle and Specialty Products added a 200,000 square foot warehouse in La Junta in April. When fully operational, there will be about 20 trucks a day transporting goods to and from 11 other plants.
- This year's wheat production is forecast to be weaker than last year's harvest. As a result, July wheat prices in Colorado were up 18 percent from the prior year, averaging \$3.29 a bushel. With the exception of hay, all July crop prices were higher than prices seen a year earlier.
- While the number of cattle and calves on feed was up 6 percent from six months ago, inventory was down 7 percent from a year ago. Meanwhile, red meat production was down 4.4 percent through June 2004, compared with the first six months of 2003.