



Colorado Economic Chronicle

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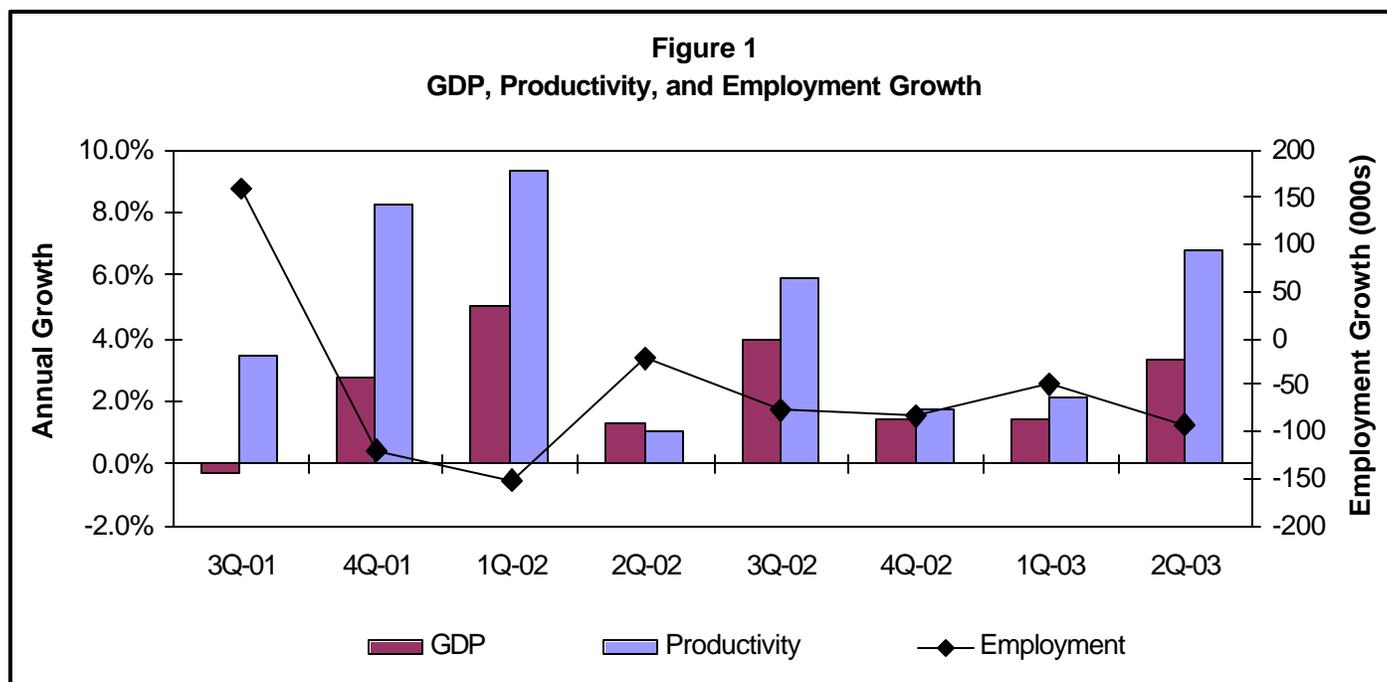
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National Economy

Recent national economic news has been mixed. Many encouraging signs continue to be tempered by the lack of significant job creation. Weak labor markets are driving much of the negative sentiment during this recovery. Additions to productivity, moderate income gains, and increases in temporary employment are spurring economic growth without the subsequent job gains that typically accompany economic growth following a recession. The final report of second quarter growth in inflation-adjusted gross domestic product (GDP) was revised upward from 3.1% to 3.3%. A 24.3% increase in durable goods

consumption drove second quarter growth, while residential investment also provided a significant push, rising 6.6%. Figure 1 shows how growth in GDP has been driven by consistent gains in productivity despite job losses.

Despite positive news from a variety of economic sectors, **employment** trends have generally been disheartening. Nonfarm employment finally posted a gain in September, following seven straight months of declines. The construction, retail trade, and services industries served as bright spots, while the



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manufacturing sector continues to lag. Strong productivity helped push GDP higher in spite of prolonged job losses, increasing 6.8% in the second quarter. The unemployment rate over this period fell slightly, as more individuals left the labor market. Nearly 12% of the current unemployed have been without work for more than a year.

Fueled by fears of increasing mortgage rates, the **housing** sector leapt to a record in August. Existing home sales jumped more than 5% for the second straight month, as sales totaled nearly 6.5 million homes. Meanwhile, new home sales nearly set a new record as well, increasing 3.4%, following a decline in July. There is evidence that this may be the peak for the housing markets, as higher interest rates and an oversupply of available homes will likely slow price appreciation in the future.

Helped out by tax rebate checks for many Americans, income and spending are adding to the recovery. **Personal income** continued its consistent climb, rising 0.2% in August. Once again, though, growth is being driven largely by transfer payments, which have increased 6.5% year-to-date over last year. Spending also rose significantly, as personal consumption surged for the second straight month, increasing 2.8% in August following a 3.3% gain in July. Though the latter economic data continue to impress, *consumer confidence* remains low. The University of Michigan Consumer Sentiment Index for September showed a decline for the third time in the last four months. More notably, consumers are more wary of the future as the expectations component of the index led the decline.

“The manufacturing sector, though relatively weak, is showing some positive signs.”

The **manufacturing** sector, though relatively weak, is showing some positive signs. The *Institute of Supply Management index* declined from 54.7 in August to 53.7 in September. A score above 50 indicates the sector is expanding. *Industrial production* in August came in even with the average for the last 12 months. August's output was limited by a decrease in motor vehicle production. Every other major market seg-

ment expanded in August. Furthermore, production of business equipment has risen for four consecutive months and inventories are at very low levels, evidence that the sector is ready to emerge from its lackluster recent past. In more discouraging news, *capacity utilization* remained weak at 74.6%, while durable goods orders for August fell slightly for the first time since April.

Led by a 6% increase in gasoline prices, the *consumer price index* rose 0.3% in August. The core inflation rate, which excludes food and energy prices, increased just 0.1%. Consistently stable prices have meant only a 2.2% increase over August 2002. The core inflation rate over the last 12 months has been 1.3%, which is the lowest level since January of 1966. For the first time in two years, all of the major CPI categories increased or remained unchanged for consecutive months.

Robust productivity growth continues to propel the economy in its recovery, while job trends are keeping consumers uneasy. Mortgage rates that will eventually head higher and a possible oversupply in the housing market may mean the end to its reign as an economic leader. Low business inventories and positive business equipment production are good signs for potential future gains. Similarly, prolonged gains in corporate profits that help drive capital expenditures and hiring, make the outlook for the second half of 2003 and 2004 positive.

Colorado Economy

Colorado's economy continues to show signs that it has hit the bottom. However, it is still disconcerting that an obvious recovery in the standard measures of the economy is not underway. Nonfarm employment declined by 5,300 jobs in August. After showing some initial signs of recovery in April and May when employment rose by nearly 20,000 on a seasonally adjusted basis, the job declines in the following three months have nearly reversed the gains. Meanwhile, the unemployment rate remained at 5.7% in August. It has averaged 5.7% thus far in 2003. Housing and nonresidential construction remain weak. Retail trade spending is about even with last year's pace, but is negative after adjusting for inflation. While we expect that employment and retail spending will recover somewhat in 2004, it is likely that residential and non-residential construction will decline next year.

Residential Construction and Real Estate

According to the U.S. Census Bureau, the number of permits granted for residential construction in Colorado decreased 17.7% through August, compared with the same period in 2002. Multi-family construction has been the hardest hit, decreasing 45.8%. Permits for single-family homes decreased 9.5%.

The Denver-area real estate market continues to be steady, with prices continuing to rise at modest amounts over year-ago levels. According to independent real estate consultant Gary Bauer, MetroList data shows that the *average* sales price for an existing single-family home was \$283,019 in September, up 4.9% from September 2002, with the *median* price at \$235,000, up 5.6% over the same period. Experts say that home prices have been somewhat supported by additional concessions offered by sellers to hasten the sale of their home. For example, many sellers have offered to pay buyer's closing costs. The number of homes put under contract in September increased 1.6% from September 2002. Low mortgage rates have been instrumental in keeping the real estate market relatively healthy through the summer despite con-

tinuing weakness in Colorado's job market. Meanwhile, the number of real estate foreclosures filed in the seven-county metro area numbered 5,665 through August, up 37.7% over the number filed through August 2002.

According to Re/Max International, although total sales were up, average prices in Boulder, Longmont, Loveland, Greeley, and Fort Collins decreased during the second quarter of 2003, compared with the second quarter of 2002. The number of homes sold in those areas totaled 4,900 in the second quarter of 2003, up from 4,202 in the second quarter last year. The average price obtained for those homes, however, decreased from \$257,668 to \$248,463.

According to the Denver Metro Apartment Association, the Denver-area apartment vacancy rate was 13.1% during the second quarter, unchanged from the first quarter and matching a 16-year high. The vacancy rate during the second quarter of 2002 was 9.3%. The average monthly rent decreased from \$810.35 during the second quarter of last year to \$794.40 during the second quarter of this year. The median rent fell from \$773.10 to \$751.91 over the same period. Meanwhile, Marcus & Millicap Real Estate Investment Brokerage Company released a report predicting that the supply in the Denver-area's apartment market will continue to exceed demand until at least the summer of 2004.

Construction began in August on Arvada's Water Tower Village, a high-density residential development that will include 270 condos, lofts, and row

Colorado's Economy at a Glance

| Key Indicators | Direction | Assessment |
|-----------------------------|-----------|-------------|
| Nonfarm Employment Growth | ↓ | Weak |
| Unemployment Rate | ↔ | Weak |
| Mortgage Rates | ↔ | Good |
| Retail Trade Sales | ↔ | Weak |
| Home Prices | ↑ | Neutral |
| Nonresidential Construction | ↓ | Bad |
| Colorado Inflation Rate | ↔ | Good |
| Overall Rating | ↔ | Weak |

houses and between 350 and 400 rental units. The most expensive homes will sell for more than \$200,000, while monthly rental rates for apartment units will range from the mid-\$700's to \$1,600. The first homes are expected to be completed in August 2004.

Nonresidential Construction

The value of nonresidential construction in Colorado decreased 13.8% through August, compared with the first eight months of 2002, according to F.W. Dodge. Activity decreased in every major sector except the public buildings sector and the hospital and health treatment sector. The value of construction in the commercial sector showed the smallest decline among those that did not increase, decreasing only 0.8%. Within the commercial sector, the construction in the stores and food service sector and the office and bank buildings sector decreased, while construction in the warehouses sector increased. The value of construction in the manufacturing sector decreased 64.1%.

The Westminster Economic Development Authority selected a developer for Mandalay Town Center, a \$70 million, 540,000-square-foot outdoor shopping center near U.S. 36 and Church Ranch Road. A SuperTarget is expected to anchor the shopping center, which will also include four smaller anchor stores ranging from 15,000 to 30,000 square feet in size. The center will also include smaller retail stores and restaurants.

“The decline in the cost of shelter marks a significant turn...”

Inflation

Consumer prices in the Denver-Boulder-Greeley metro area increased 1.7% during the first six months of 2003, compared with the same period in 2002. The costs of shelter and apparel declined during the period, but significant increases in energy costs led to the overall gains. The decline in the cost of shelter marks a significant turn, as this component

of housing has outpaced the overall inflation rate by substantial margins for over a decade.

“Higher natural gas prices this summer and expectations for higher prices this winter are driving the planned production increases.”

Energy

Williams Cos. plans to drill 70 natural gas wells this year and over 200 wells next year in the Piceance area of Garfield County. Higher natural gas prices this summer and expectations for higher prices this winter are driving the planned production increases. Expanded pipeline capacity to the West Coast is also responsible for the increases. More than one-third of the remaining recoverable natural gas in the lower 48 states is in the Rocky Mountain Region.

Fountain will be the site of a new \$275 million coal-burning power plant in 2008. The plant is expected to be the cleanest-burning of its kind in the world. Construction is expected to begin in 2005 on the plant, which will provide 150 megawatts of power to Colorado Springs Utilities. The plant would also be able to burn tire chips, sludge from a nearby wastewater treatment plant, and deadwood removed from forests for fire prevention.

Agriculture

According to the latest report from the Colorado Agricultural Statistics Service, red meat production statewide through August was down 6%, compared with the same period in 2002. In more positive news, crops are expected to bounce back from a disappointing 2002, with corn production forecasted to grow by 11.6% and the summer potato yield to grow by 13%. Meanwhile, sugar beet production will likely be less than a year ago, declining by nearly 19%.

Business

According to a PricewaterhouseCoopers venture capital survey, Colorado companies raised \$229.5 million

in the second quarter of 2003, up nearly 50% from the first quarter. Nationally, venture capital investing increased only 7.5% in the second quarter. While the number of firms receiving funding increased, Colorado telecom companies led second-quarter investments with over 75% of state venture capital. The second quarter's investments in 18 companies marked the largest amount of venture capital funding for Colorado firms since the third quarter of 2001, when the state total was \$360.5 million.

“Colorado companies raised \$229.5 million in the second quarter of 2003, up nearly 50% from the first quarter.”

A survey of Colorado business confidence suggested that 59% of business leaders anticipated an improvement in the state economy in the fourth quarter, compared with 38% foreseeing an improvement three months ago. The Business Leaders Confidence Index, conducted by Compass Bank and the University of Colorado Leeds School of Business, indicated that 56% of respondents felt hiring would remain flat, with 28% predicting increased hiring and 16% predicting a decrease.

“There have been signs of a slight recovery in the state’s technology sector...”

Advanced Technology

There have been signs of a slight recovery in the state’s technology sector, after months of stagnancy. Datria, a voice-recognition developer, plans to hire 10 to 20 more people within the next six months. Superior-based Latis Networks makes corporate protection software and plans to hire 10 people. Louisville-based StorageTek is hiring a 125-person sales force to market new storage tape drives. Broomfield's McData Corporation, which makes storage software and hardware, bought two storage firms last month and now plans to hire 100 people. CreekPath Systems, a Longmont storage software company, plans to hire 21 people in sales, engineering and operations in the next three months. Fort Collins-based Cheetah Advanced Technologies makes financial

and project management software for heavy road construction. The company has grown 25% a year for the past five years and, with about \$5 million in sales, plans to hire 15 to 20 people next year.

“DIA officials hope the new runway will attract more international flights.”

Transportation

For the year through July, there were 21.5 million passengers at Denver International Airport, a 3.2% over the first seven month of 2002. Every month in 2003 was an increase over the corresponding month in 2002 except March, in which the airport was closed for two days due to blizzard conditions.

Denver International Airport's new \$166 million, 16,000-foot-long runway — the largest in North America — will allow airlines to complete 40 more landings per hour in good weather and about 30 more in bad weather, thereby reducing delays. DIA officials hope the new runway will attract more international flights. Because the new runway is 4,000 feet longer than other runways, it can accommodate fully-loaded larger planes traveling longer flights.

Smaller regional airlines expanded markets to Colorado airports over the past few months. Great Lakes Airlines added some competition to commercial air travel at Grand Junction's Walker Field Airport. Until recently, United Express was the only commercial airline offering daily flights to Denver. Allegiant Air added daily flights from Fort Collins to Las Vegas. This represented the first regular commercial service at the airport since 1997. Colorado Airways plans to provide an airline route between Lamar and Denver by the end of the year. This will be the first commercial air service to Lamar in five years.

Larger airlines ramped up service to mountain areas to take advantage of winter tourism. Steamboat Springs will receive nonstop Delta Airlines flights from Salt Lake City and Atlanta and Delta's re-

gional carrier will begin seasonal service from Dallas to Gunnison. United Airlines will add short flights between Aspen and Denver this fall. US Airways will offer weekend flights to Vail from Charlotte and Philadelphia through the ski season. In November, Frontier Airlines will add Cabo San Lucas and Puerto Vallarta to its list of nonstop Mexico flights.

While passenger traffic has shown signs of a recovery, cargo traffic at DIA has continued to decline. Freight tons declined 8.2% in May of this year from May 2002. Freight at DIA is down by about one-third since September 11, 2001.

“Tourist attractions reported visitor increases in 2003 compared with last year.”

Tourism and Gaming

Tourist attractions reported visitor increases in 2003 compared with last year. At the Great Sand Dunes National Monument, visitation levels through August were 9.1% higher than the first eight months of 2002. However, 2003 visits were still lower than pre-September 11, 2001 levels. The Durango & Silverton Narrow Gauge Railroad reported that passenger counts were up almost 25% through August 2003, compared with the first eight months of 2002. Mesa Verde National Park and Colorado National Monument both reported double-digit visit increases from a year ago.

Preliminary attendance figures at the Colorado State Fair indicated a 3.2% decrease from last year. The 2003 Colorado State Fair drew 646,264 visitors during its 16-day run in August and September. Fair officials attributed the decrease to rainy weather, particularly on events such as "Dollar Day" and the fair's final weekend, days that traditionally generated larger crowds.

Gaming revenues totaled \$707.2 million in FY 2002-03, representing a 0.1% drop from the prior year, after increasing 8.8% in FY 2001-02 and 9.3% in FY 2000-01. The flat performance capped a year in which almost half of the months registered year-over-year declines. Despite a drop in revenues, the

distribution of gaming funds increased 1.4% in FY 2002-03. Approximately \$91 million in gaming funds was distributed to the state General Fund (\$38.4 million), the Department of Transportation (\$1.0 million), the State Historical Society (\$25.5 million), Gilpin County (\$8.7 million), Teller County (\$2.2 million), the local gaming impact fund (\$5.9 million) and the cities of Black Hawk (\$6.6 million), Cripple Creek (\$1.8 million), and Central City (\$663,000).

Metro Denver

According to the Colorado Department of Labor and Employment, the number of jobs (not seasonally adjusted) in metro Denver fell by 600 in August. Total nonfarm employment was 14,100 higher than in January. The construction sector experienced the largest decline at 1,200. Jobs in the government sector increased by 1,300, primarily in the local government education component. Both state and federal jobs decreased in August. A comparison of jobs in the metro-Denver area to a year ago is not meaningful because of the addition of Broomfield to the metro area statistics.

Building permits for the metro-Denver area declined by 21.6% through August, compared with the same period in 2002. Permits for single-family homes fell by 10.3%, while permits for multi-family dwellings dropped by 48.4%. The declines are attributable to the slack employment situation and the large number of existing homes for sale that offer an alternative to new homes.

According to F.W. Dodge, the value of nonresidential construction is down by 17.8% through August. The commercial sector increased by 21.7%. The atypical increase is attributable to the convention hotel now under construction in downtown Denver. Nearly all other major categories experienced a decline. Construction of public buildings was the exception.

Despite the dismal employment conditions in the region, retail trade sales increased by 0.9% through July. However, after adjusting for inflation, retail trade sales show a decline.

Employment conditions were still characterized by a number of layoff announcements over the past few months. InfoNow, a Denver software and services company, cut 14 positions. The company is using upgraded software that allows it to perform more efficiently. The firm also suffered a net loss during the second quarter.

“Employment conditions were still characterized by a number of layoff announcements over the past few months.”

Three Denver-area Lord & Taylor department stores will close. The stores employ about 300 workers. A target closing date for the under-achieving stores has not been set.

Three financial firms announced layoffs. American Skandia laid off 17 workers and will close down the remainder of the Westminster operations by late 2004 or early 2005. About 50 workers remained after the layoffs. Vacant positions will not be filled when they occur. Prudential Financial Inc. acquired American Skandia in May and is downsizing the company. American Skandia is the country's largest distributor of variable annuities. Mutual fund company American Century will close its Denver operations and transfer 145 positions to Kansas City. The timetable for the transfers will take up to 18 months. The company employed 500 workers in the Denver area in 1999. TIAA-CREF eliminated 70 of its 1,200 positions at its downtown Denver office. The company is a teachers' pension fund. The cuts were part of 500 layoffs nationwide.

Marathon Oil will close its Denver office. About 50 local jobs will be eliminated. Some of the employees will be offered a transfer to the company's Houston headquarters. Other regional offices were also affected in the cost-cutting move.

In a positive note, high tech companies are more optimistic about industry conditions. More hiring rather than layoffs is taking place, according to industry observers. The trend would follow national statistics that indicate that business investment is increasing, following the two-year decline that precipitated and followed the national recession. The trend

will bode well for metro Denver and much of the state.

Boulder Region

According to the U.S. Census Bureau, the number of permits granted for residential construction in the Boulder-Longmont area decreased 25.9% through August compared with the same period in 2002. The number of permits granted for multi-family homes decreased 41.3%, while the number of permits for single-family homes decreased 17.4%. According to the Broomfield Economic Development Corp., the apartment vacancy rate in Broomfield decreased from 9.9% in May to 6.55% in August, the lowest rate since November 2001. Broomfield's apartment vacancy rate is historically at around 5.0%.

According to F.W. Dodge, the value of nonresidential construction in Boulder County decreased 36.3% through August, compared with the first eight months of 2002. Activity decreased in every major sector except the education and science sector, with construction at schools and colleges in Boulder County increasing substantially.

Lakeshore Flatiron Athletic Club announced plans to hire 200 people prior to its anticipated opening in Broomfield on November 1. Facilities at the health club will include a spa, a restaurant, a 50-foot climbing wall, indoor and outdoor pools, and a separate children's area with professional child care.

California-based chip maker Advanced Micro Devices announced plans to buy the Longmont operations of National Semiconductor's microprocessor design facility, eliminating about 15 jobs. Of the 165 people currently employed in Longmont, National will retain about 150.

“...the University of Colorado system contributes \$16.64 to the Colorado economy for every dollar it receives from the state government...”

According to the University of Colorado, the University of Colorado system contributes \$16.64 to the Colorado economy for every dollar it receives from

the state government, based on data from FY 2001-02. The system employs 23,942 people statewide and spent \$465 million on research and development in FY 2001-02.

Louisville's largest employer, Storage Technology Corp., announced intentions to redevelop its campus north of U.S. 36 on 96th Street, built in 1971 for the purpose of manufacturing storage tape drives. Although the final plans for the redevelopment have not been developed, the company would like it to include homes, retail, and a regional performing arts center. StorageTek's tape drive manufacturing operations have since been moved to Puerto Rico. The company announced plans to at least redevelop the current nine buildings into facilities that would be more appropriate to the work performed by the 2,000 people employed there.

Hobby Lobby and Big Lots each opened stores in the building that formerly housed a SuperKmart in **Lafayette**. Hobby Lobby, which opened in August, hired between 50 and 55 people to staff its store, and Big Lots, which opened in September, hired between 20 and 40 people.

El Paso County

Nonfarm employment in El Paso County declined 0.8% through August, compared with a year ago. The unemployment rate was 5.8% in August. The jobs weakness led to a 0.2% decline in retail trade sales. Additionally, housing permits are off nearly 20% from last year.

“The Air Force will eliminate 256 jobs in Colorado Springs over the next several years.”

The Air Force will eliminate 256 jobs in Colorado Springs over the next several years. The downsizing includes both military and civilian positions. The largest losses will be incurred by Peterson Air Force Base, which will see 177 positions disappear. Other losses will occur at Schriever Air Force Base (35 positions), the Air Force Academy (52 positions), and at Cheyenne Mountain Air Station, which will lose two jobs.

Blue Mountain Avionics has moved its headquarters from Tennessee to Colorado Springs and will employ 32 people in the area. The company manufactures glass cockpit systems and aircraft instrumentation systems.

A five-year project will add 160 luxury condominiums and town homes to the Broadmoor Hotel in Colorado Springs. The project would also change the hotel's current 9-hole golf course into an 18-hole Jack Nicklaus-designed course and include a 60,000-square-foot events center. The cost of the construction is expected to be \$160 million.

Colorado Springs also expects to see construction of a 30-acre indoor water park at the north end of the city. The Outrageous Oasis park will be built in two stages with a 100,000-square-foot building in phase one that will have an 85-foot roof. The first phase will also include a 270-room hotel, restaurants, retail stores, and convention space. The park will be the second-largest indoor water park in the country and will employ 520 people.

“Employment gains are relatively robust in the northern region.”

Northern Region

Employment gains are relatively robust in the northern region. Employment in Weld County increased by 3.0% through August, while it increased by 1.7% in Larimer County.

Fairchild Semiconductor will close its **Loveland** manufacturing plant. Of the facility's 25 employees, up to 10 will be laid off and the rest will be transferred to the company's plant in Colorado Springs.

Despite the recent announcements of new King Soopers and Walgreens stores in **Windsor**, Eckerd Drug announced plans to open a drug store eight blocks away from them. Eckerd plans to open 20 new stores in Colorado during 2004.

Poudre Valley Health Systems will build a \$200

million regional hospital and trauma center in Loveland. The 100,000-square-foot facility will sit at the intersection of Interstate-25 and U.S. Highway 34 on a 91-acre site. The facility will take two years to construct and should open in early 2006. The hospital will contain 125 beds.

A new Safeway opened at the CenterPlace Shopping Center in **Greeley** during August. The store employs 120 people and includes a fuel center, a Starbucks Coffee Shop, and a pharmacy. The 58,000-square-foot store cost \$3.5 million to construct. In addition, a SuperTarget will open at the site in October and a Kohl's department store will open in the spring. Several restaurants will be added to the center in the future.

Approximately 150 workers will be employed at a new bottle plant to be constructed in Weld County east of Windsor. Average salaries at the plant will be about \$50,000 and the plant will cost \$119 million to construct. The new plant will produce 1 billion bottles per year to be used by the Anheuser-Busch brewery in Fort Collins.

“Approximately 150 workers will be employed at a new bottle plant to be constructed in Weld County east of Windsor.”

Southern Region and Eastern Plains

Employment in Pueblo County increased 1.1% through August, compared with the same period in 2002. The unemployment rate remained unchanged at 6.6%, and up slightly from the 6.5% rate seen in August 2002. Meanwhile, 28 jobs were created when a new Saturn dealership opened in **Pueblo** in August.

According to the U.S. Census Bureau, the number of permits granted for residential construction in Pueblo decreased 2.0% through August compared with the same time period last year. The number of permits granted for single-family homes decreased 0.7%, while the number of permits for multi-family homes decreased 10.7%.

According to F.W. Dodge, the value of nonresidential construction in Pueblo County increased 47.8% through August, compared with the same period in 2002. Construction in the commercial sector increased 50.5% during the same period. This is substantially healthier than the state as whole, where substantial decreases occurred. Meanwhile, the value of nonresidential construction in Alamosa County decreased substantially over the same time period. The only construction that occurred in Alamosa County during the first eight months of 2003 was in the amusement sector.

“Attendance at the Colorado State Fair in Pueblo decreased 3.2%...”

Attendance at the Colorado State Fair in Pueblo decreased 3.2% this year to 646,264 daily admissions from 667,457 in 2002. According to the Pueblo City tax administrator, the 2003 fair generated \$88,621 in sales tax revenue this year, down 10.6% from the \$99,163 collected in 2002.

Between 20 and 25 people were laid off in August from the Mount San Rafael Hospital in **Trinidad** in August. The hospital was cutting costs to contend with a large operating loss.

Two mechanics and three mining operators laid off earlier this year from the uranium mill operated by Cotter Corporation south of **Cañon City** were rehired in July. The reinstated employees will work on a calcium fluoride project recently approved by the Colorado Department of Public Health and Environment.

Construction has begun on a 200,000-square-foot warehouse at the **La Junta** Industrial Park. The new building, which will have 16 service doors, will be a distribution center for Dean Specialty Foods.

Western Region

Employment among the counties in the western region through August was 3.7% higher than the first eight months of last year. Meanwhile, the regional

unemployment rate was 4.4% in August, compared with 4.1% in August 2002. The increase in the unemployment rate, however, suggests good as well as bad news. While it is clearly bad news that unemployment increased, the rate increase is due in part to a 4.0% increase in the number of people entering (and re-entering) the labor force and looking for work. An increase in the labor force implies that people in the area are increasingly optimistic about finding a desirable job.

Stewart Lodges, a prefabricated cabin manufacturer for the camping industry, closed its Delta plant, forcing 80 workers out of their jobs. The manufacturer was in **Delta** for two years.

According to a Manpower Inc. survey conducted in June, only 17% of employers in Mesa County planned to hire more employees during the fourth quarter of 2003. Meanwhile, 63% expected to maintain their current work forces and another 17% reported they would reduce employment. The same survey a year ago found that 40% of the respondents planned to hire more employees. Among industry sectors, construction and manufacturing firms were the most optimistic regarding hiring plans.

“Colorado wine production in 2002 was 9% higher than in 2001.”

Colorado wine production in 2002 was 9% higher than in 2001. However, the share of Colorado wine sales in the state slipped to 1.16 percent from 1.2 percent after posting increases the previous two years. During 2002, 70% of Colorado's wine production was based in the Grand Valley Area. The 2003 production figures look promising because this summer's harvest of wine grapes was almost double the record crop of the 2001 season.

Some western region towns reported strong sales tax growth in the early summer months, compared with a struggling 2002 summer due to forest fires and a poor economy. The Craig Chamber of Commerce reported healthy tourism from 1,200 to 1,500 visitors in June, the highest monthly range in four years. The city of **Craig** collected \$225,051 in sales taxes in

June, up 10.9% from the same month last year.

Durango reported a year-over-year 10.0% increase in sales taxes collected in June. Lumber, hardware, and equipment rentals registered strong sales increases, due in part to the recent opening of a home improvement store. However, restaurant sales were also up 13.9%, attributable to a more healthy tourism season following last year's devastating fires in the region.

Other areas haven't surpassed last year's bleak tourism spending. **Glenwood Springs** retail sales through June of this year were down 0.6%, compared with the first half of last year. Moreover, Glenwood Springs lodging tax revenues through June were down 5.8% from last year and Grand Junction's lodging tax revenue for the same period was down 7.3%.

In August, Williams Production received approval from the Colorado Oil and Gas Conservation Commission to increase its natural gas production in Garfield County. The company will be able to expand production of up to 500 wells. Drilling on the new well sites is slated to start in 2004. The expansion will use existing and pre-approved well sites, with little need for new road or pipeline development. The company indicated the additional wells could create 200 new jobs over the next several years.

A telemark ski manufacturer, ScottyBob's Handcrafted Skis will set up shop in **Silverton** this fall. ScottyBob's is one of the largest, and one of the only, ski manufacturing facilities in the United States as most skis are manufactured in Europe and China. According to a local economic development group, this is the first local manufacturing business in several years.

Chaco Inc., a **Paonia** sandal manufacturer, is opening a new packing and distribution center in Delta. It will begin distribution from the Delta location in September. Chaco expects to add about three to seven employees by 2006.

The number of Mesa County residential building permits issued during the first seven months of 2003 was up 18.3% from the same period last year, according to the Mesa County Building Depart-

ment. Grand Junction saw a 22.4% increase in the number of residential building permits issued so far this year, while the rest of Mesa County witnessed a 14.2% increase.

Mountain Region

Employment among the counties in the mountain region through August was 1.1% higher than the first eight months of last year. Meanwhile, the regional unemployment rate was 3.7% in August, compared with 3.5% in August 2002.

Regional retail trade sales have been flat this year through July, compared with the first seven months of 2002. Some city sales tax revenues have yet to reach last year's levels. For example, **Breckenridge** reported a 8.8% decrease through June in sales tax revenue from tourism sales (retail, lodging, and eating areas). **Aspen** sales and lodging tax revenue through June was 1.5% lower than the same period in 2002. However, recent single-month sales tax collections eclipsed revenue a year earlier by 7%.

Steamboat Ski & Resort Corporation announced a capital improvement project for the 2003-04 ski season. The \$1.8 million project will include a new restaurant, lodging renovations, and exterior improvements to Gondola Square. The resort and the city of **Steamboat Springs** will collaborate to fund another \$800,000 in road improvement projects, including Mount Werner Circle improvements and bus lane expansions at the Gondola Transportation Center.

A 58,000-square-foot King Soopers grocery store will represent the anchor store at the new Grand Elk Commons retail-commercial area, just southwest of Granby at U.S. Highway 40. The grocery will open in the fall of 2004. This will be the fourth major grocery store in Grand County.

“The long-awaited redevelopment plans for Vail's Lionshead Village were unveiled in July.”

The long-awaited redevelopment plans for Vail's Lionshead Village were unveiled in July. The project, currently estimated at \$400 million, will include a new five-star hotel, a recreational ice rink, high-end residences, mid-income residences for employees, retail, restaurants, office, and parking. The town of **Vail** must approve the redevelopment plans before construction dates can be set.

Regional Overview Year-to-Date Growth Rates

| | Alamosa | Boulder | Colorado Springs | Metro Denver | Durango | Fort Collins | Grand Junction | Greeley | Lamar | Montrose | Pueblo | Ski Counties (Eagle, Pitkin, and Summit) | Steamboat Springs | Sterling |
|---|---------|---------|------------------|--------------|---------|--------------|----------------|---------|-------|----------|--------|--|-------------------|----------|
| Employment Growth ◆ (through August 2003) | 2.9 | -14.0 | -0.8 | 0.8 | 2.2 | 1.7 | 4.0 | 3.0 | -0.5 | 3.2 | 1.1 | 0.0 | 3.6 | 3.3 |
| Unemployment Rate ◇◆ (not seasonally adjusted) (August 2003) | 6.6 | 5.2 | 5.8 | 5.8 | 4.1 | 5.0 | 5.1 | 6.1 | 4.4 | 4.5 | 6.6 | 3.4 | 2.7 | 3.6 |
| Retail Trade Sales Growth ▼△ (through July 2003) | 3.1 | 0.7 | -0.2 | 0.9 | 11.3 | 1.1 | 1.2 | 3.9 | -1.0 | 5.0 | 1.2 | -0.1 | 0.4 | -2.7 |
| Growth in Value of Non-residential Construction* (through August 2003) | -94.0 | -36.3 | 13.6 | -17.8 | 105.1 | -56.3 | -56.5 | 27.1 | ① | -46.3 | 47.8 | -41.8 | -51.1 | -97.8 |
| Housing Permit Growth ° (through August 2003) | 5.1 | -25.9 | -19.9 | -21.6 | 47.5 | -8.7 | 14.2 | -13.9 | 133.3 | 2.7 | -2.0 | 18.4 | 29.9 | -2.1 |

◇ Actual level not growth rate.

◆ Colorado Department of Labor and Employment data. Boulder and metro Denver are affected by the move of Broomfield to metro Denver.

* F.W. Dodge data.

° F.W. Dodge & U.S. Census Bureau

▼ Colorado Department of Revenue data.

△ Boulder retail trade excludes Broomfield while Metro Denver includes Broomfield.

① \$6.8 million was contracted through August, while nothing was contracted in 2002.

Colorado Indicators Year-to-Date Growth Rates

| Indicator | August 2003 Average | 2002 Annual Average |
|---|---------------------|---------------------|
| Nonfarm Employment Growth □ | -0.7% | 1.9% |
| Unemployment Rate □ ‡ (seasonally adjusted) | 5.7 | 5.7 |
| Housing Permit Growth ~ Single family | -17.7 | -12.2 |
| Apartments | -9.5 | -2.6 |
| | -45.8 | -31.4 |
| Growth in Value of Nonresidential Construction § | -13.8 | -20.9 |
| Retail | -27.3 | -8.3 |
| Offices | -24.5 | -43.8 |
| Factories | -15.4 | -77.3 |

□ Colorado Department of Labor and Employment data.

‡ Actual level, not growth rate.

~ U.S. Census Bureau data.

§ F.W. Dodge data.

Note: An inflation rate is not calculated for the state. The Denver-Boulder-Greeley inflation rate is often used as a proxy for Colorado's inflation rate. The Denver-Boulder-Greeley inflation rate was 1.7% through the first half of 2003, following a 1.9% rate in 2002.