

# Colorado Economic Chronicle

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## NATIONAL ECONOMY

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### National Economy

The following paragraphs paint a mostly positive picture of the national economy as we begin 2006. Employment markets have tightened and a handful of indicators are reaching pre-recession levels for the first time. Inflation remains under control, in spite of high energy prices. The housing market, though weakening, seems poised for a soft landing. Manufacturing is expanding, though at slower rates than throughout much of 2005.

The nation's gross domestic product (GDP), adjusted for inflation, increased at a 1.1 percent annualized pace during the fourth quarter of 2005, well below expectations. The growth rate is the lowest since the fourth quarter of 2002 and represents the first full quarter since the devastating hurricanes in August and September. The negative short-term impact of the hurricanes, as well as high energy prices, will likely wane as the Gulf Coast and Florida communities rebuild and energy prices moderate.

The relatively slow GDP was caused by a variety of factors. Consumption spending factored greatly, as it also grew by a modest 1.1 percent, a sign that high energy prices may be cutting into other spending. Business investment figures also weakened, growing by 3 percent, well off the 8 percent

growth rate in the third quarter. The housing market also contributed to the slowdown, as growth in real residential fixed investment slowed from 7.3 percent in the third quarter to 3.5 percent in the fourth quarter. Finally, net imports rose 9.1 percent, courtesy of high oil prices, and acted as a drag on the economy.

**Employment growth** has varied widely over the last six months. The most recent data for January showed gains of 193,000 jobs, while figures for both November and December were revised higher. For 2005, the nation added an average 179,000 jobs per month. The hurricanes in the Gulf Coast region were largely responsible for a lack of job creation in September and October, but more recent data suggest the national economy is continuing to expand. The largest gains were in the construction and financial sectors. Meanwhile, the **unemployment rate** fell to 4.7 percent in January, its lowest level since mid-2001. Initial unemployment claims have recently dropped well below pre-recession levels.

**Personal income** increased moderately for the third straight month, rising 0.4 percent in December, while wages increased by a more modest 0.3 percent. The low unemployment rate is expected to put greater upward pressure on wages in 2006. **Consumer spending**

enjoyed its healthiest gains since "employee pricing" on cars and trucks in July. Spending increased by 0.9 percent in December. Meanwhile, **consumer confidence** reached its highest level in January since June 2002, as the relatively tight labor market improved consumer attitudes.

The **manufacturing sector** remains a relatively weak spot in the economy. Global labor market conditions, in particular, have stunted growth over the past several years. The *Institute for Supply Management's Purchasing Managers Index* declined for the fourth consecutive month in January, though remained above 50, the delineation line between expanding and contracting manufacturing sectors. The decline was widespread throughout the sub-components of the index. Led by the gains in utilities and mining output after the late summer hurricanes, the *industrial production index* increased by 0.6 percent in December, following gains of 1.0 percent and 0.8 percent in October and November, respectively.

The **housing market** statistics were somewhat cautionary, as high inventories have led to longer time periods for homes on the market and lowered price

expectations for much of the country. In response, *housing starts* slowed by 8.9 percent in December, to end an up and down year. *New home sales* had a solid showing in the fourth quarter, with a 3.5 percent increase in sales over the fourth quarter of 2004. Regionally, the northeast was the only region to see a decline. By contrast, *sales of existing homes* declined 5.7 percent to its lowest level since early 2004. Similarly, median prices dropped for the second consecutive month. However, it should be noted that the price data is not seasonally adjusted. Though *mortgage rates* remain relatively low, they have risen sharply in recent weeks.

Led by lower energy prices, **consumer inflation** declined for the second consecutive month in December. On a 12-month annualized basis, inflation was 3.4 percent in 2005. The core rate of inflation, which excludes the volatile food and energy sectors, was a more modest 2.2 percent during the year. The continuing decline in natural gas prices and a slower housing market will likely moderate inflation growth early in 2006.

## COLORADO ECONOMY

By Natalie Mullis

### Colorado Economy

Colorado's economy is healthy and expanding, despite high energy prices that have and will continue to squeeze consumers and businesses through the winter. Employment, consumer spending, and personal income all experienced healthy increases in 2005. Meanwhile, home permits and nonresidential construction activity held their ground despite slight concerns of overbuilding in the housing market and a correction in the nonresidential sector that is already several years old.

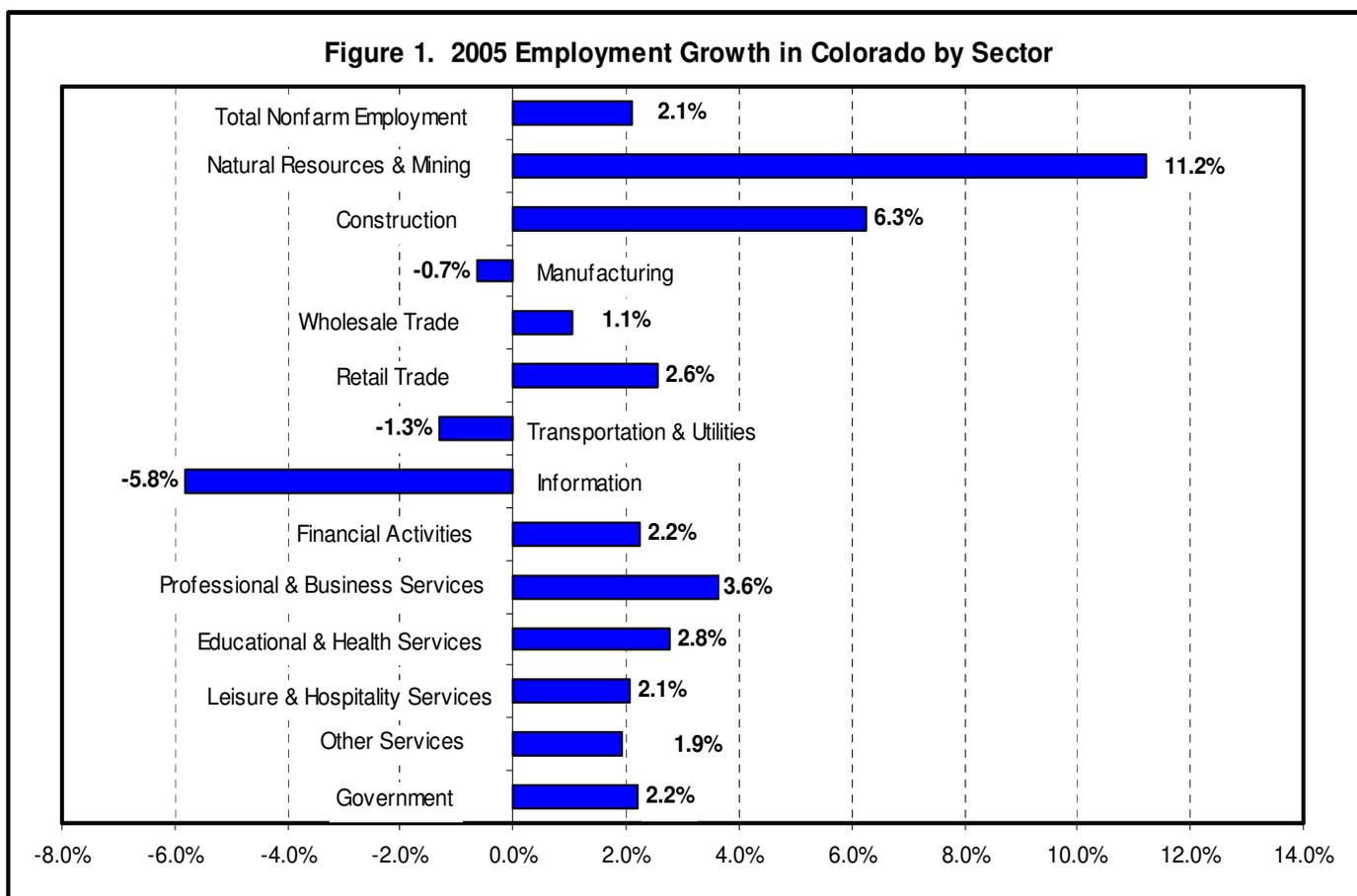
### Employment

With the number of jobs in December 2005 only 0.2 percent lower than the pre-recession peak in December 2000, the employment recovery in Colorado is almost complete. Nearly 104,000 jobs were lost between December 2000 and June 2003, when employ-

ment hit bottom in Colorado. Since the bottom, the state has regained all but 4,300 jobs. The recession corrected some imbalances in the economy. Many of the jobs lost during the recession were in the manufacturing, transportation, utilities, and information sectors. As shown in Figure 1, these are the sectors that continued to lose jobs throughout 2005. Sectors that fueled the rebound included educational and health services, financial activities, and local government. Mining and natural resources continues to fuel growth; while the sector has experienced the fastest growth rate, it represents less than 1 percent of all jobs. We expect that Colorado will surpass its previous job peak in early 2006.

**Nonfarm employment** increased 2.1 percent in Colorado during 2005. Although Colorado's recovery lagged that of the nation, Figure 2 shows that Colorado's economy has matured into a full expansion, with employment growth in the state again

Figure 1. 2005 Employment Growth in Colorado by Sector



surpassing that of the nation as a whole. Colorado's economy has benefited from the oil and gas boom, the innovations of its ever-evolving advanced technology sector, and federal defense spending. These things, combined with the state's natural amenities and highly-educated workforce, have again made Colorado an economic leader. Colorado's employment growth ranked 10th in the nation in 2005. Two years earlier, when Colorado was losing jobs, it ranked 46th. This trend should continue during the next few years, as the job situation in Colorado improves.

- After increasing 2.1 percent in 2005, nonfarm employment will increase 2.5 percent in 2006 and 2.4 percent in 2007.
- Colorado's unemployment rate averaged 5.0 percent in 2005. It is expected to hover near five percent through 2007, as both the economy and the labor force simultaneously expand.

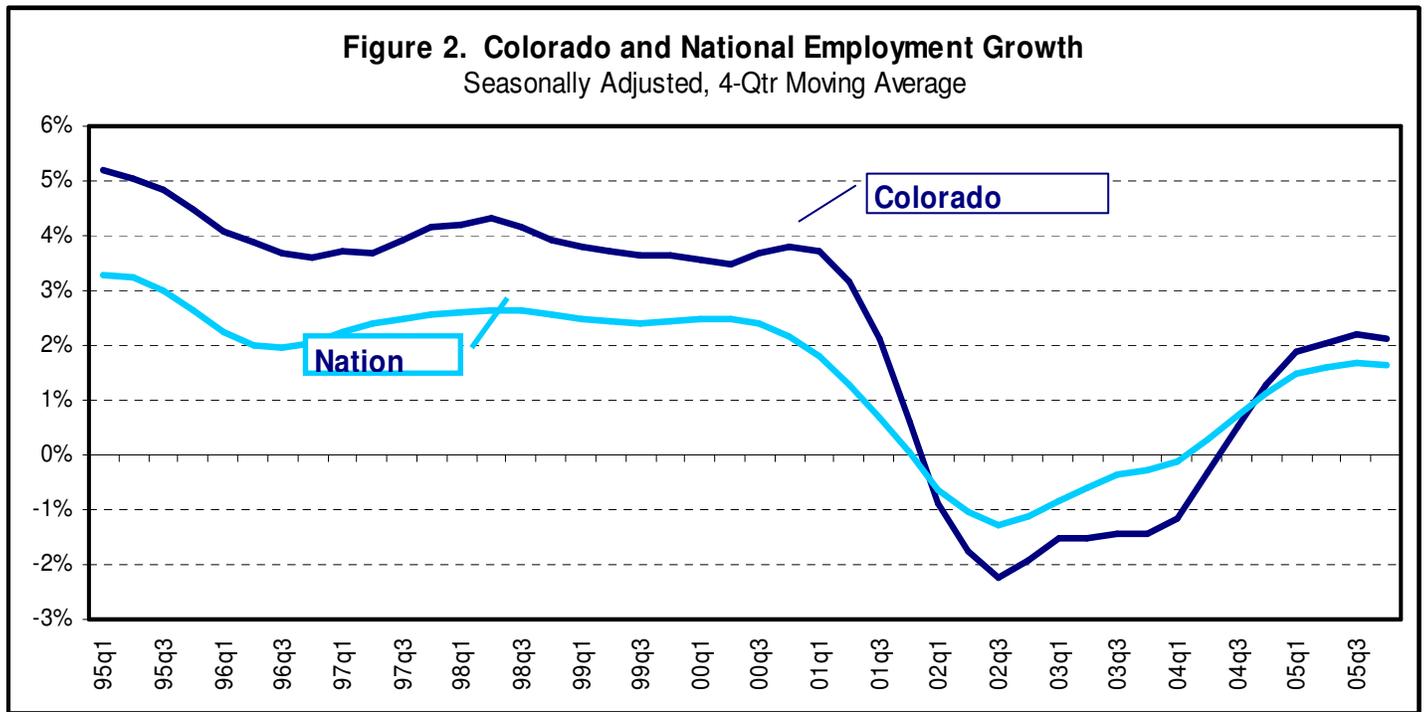
**Personal Income and Wages**

**Personal income** growth in the first three quarters of 2005 was 6.7 percent, compared with the first three

quarters of 2004. Colorado's personal income growth is climbing the ranks among the states quickly; after ranking 38th in 2003 and 32nd in 2004, Colorado's growth in personal income ranked 14th highest through the first three quarters of 2005. Growth in **other labor income**, which includes employer contributions for pensions and health insurance, and **wages and salaries** fueled most of the increase. Other labor income increased 10.2 percent and wages and salaries increased 7.0 percent during this time period. These robust growth rates indicate that much of the job gains are occurring in high-wage industries, such as professional and technical services and mining.

Personal income is expected to continue to show relatively strong growth through the forecast period.

- Personal income will increase 6.8 percent in 2006 and 6.6 percent in 2007. Gains in employment and wages and salaries are expected to push personal income higher. Wages and salaries are expected to increase 6.8 percent in 2006 and 6.7 percent in 2007.



## Consumer Spending

Consumer spending in Colorado is measured by spending at the state's retail stores and restaurants. Through November, **retail trade sales** increased 5.1 percent over the same period in 2004. Sales were somewhat bolstered during the late summer and early fall months because they include spending on gasoline. High energy prices will limit growth in consumer spending through the winter, as consumers' winter heating bills are expected to reach record highs. Consumer spending is expected to grow at rates reflecting moderate income gains over the next two years.

- Consumer spending will increase 6.0 percent in 2006 and 6.4 percent in 2007.

## Construction

Construction employment increased 6.3 percent in 2005, reflecting strong housing permit activity from the previous year. However, the number of **housing permits** is down in 2005, though only slightly, with a 0.2 percent decrease. Permits for single-family homes increased 3.3 percent, while those for multi-family homes decreased 19.2 percent. Vacancy rates are still somewhat high, and the supply of existing homes for sale is climbing. The recent single-family home construction may have caused a small amount of overbuilding. We expect the housing market to undergo a small correction over the next two years before recovering in 2008.

- Rising interest rates and a slight overbuilding situation will push home permits lower over the next couple of years, with decreases of 7.1 percent in 2006 and 4.1 percent in 2007. Home permits will increase 3.5 percent in 2008.

The value of **nonresidential construction** activity increased 11.7 percent in 2005. *All* of the increase was the result of a single large permit taken out for a manufacturing facility in El Paso County. This permit accounts for 15.3 percent of the nonresidential construction activity in 2005; without it nonresidential construction would have *decreased* 5.4 percent.

Nonresidential construction in Colorado has been recovering from overbuilt conditions for several years now.

- We expect nonresidential construction to decrease in 2006, partially because we do not expect another large permit like that filed in El Paso County this year. The value of nonresidential construction activity will decrease 9.8 percent in 2006. An expanding economy and lower office vacancy rates will lead to increases of 7.5 percent in 2007 and 4.8 percent in 2008.

## Inflation

**Inflation** in the Denver-Boulder-Greeley area for the first six months of 2005 was 1.4 percent, compared with the same period in 2004. Inflation in 2004 was 0.1 percent, the lowest rate ever recorded in the state. While energy costs pushed the inflation measure higher during the first half of 2005, on-going weakness in the rental housing market kept the inflation rate low. Energy costs for gasoline and natural gas soared even higher during the second half of 2005. Soaring home heating costs, combined with a modest recovery in the rental market, should end the slide in the housing shelter component of the consumer price index in 2005. Meanwhile, the labor market has lost much of its slack nationwide, which could cause some wage pressure on prices over the next few years. These inflationary pressures, however, should be moderated by monetary policy that, as the Federal Reserve gradually increases interest rates, is moving from accommodative to neutral.

- We expect the local area consumer price index to rise 1.9 percent in 2005, 2.8 percent in 2006, and 3.0 percent in 2007. Economic growth nationally and regionally will push prices higher.

In conclusion, the state's economy has emerged from recession with a new face, having shifted jobs from the manufacturing, transportation, utilities, and information sectors to the sectors that are currently fueling national economic growth. The con-

sumer and housing sectors, which buoyed the economy through the recession, will no longer bask in the spotlight; consumers will spend at moderate rates while the housing sector should experience a two-year correction. Nonresidential construction should emerge from its correction by 2007. We expect moderate economic growth over the next few years, fueled primarily by business investment and innovation and supported by a growing national economy.

## METRO DENVER

By Tom Dunn

**Table 1**  
**Metro-Denver Region Economic Indicators**

Broomfield, Boulder, Denver, Adams, Arapahoe,  
Douglas, and Jefferson counties

	2003	2004	2005
<b>Employment Growth /1</b>	-1.4%	0.9%	1.9%
<b>Unemployment Rate</b>	6.2%	5.1%	5.1%
<b>Housing Permit Growth /2</b>	-30.0%	33.9%	-4.3%
<b>Growth in Value of Nonresidential Const. /3</b>	-18.3%	19.3%	6.8%
<b>Retail Trade Sales Growth /4</b>	0.5%	4.8%	3.8%

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

4/ Colorado Department of Revenue; data through November 2005

### Metro Denver

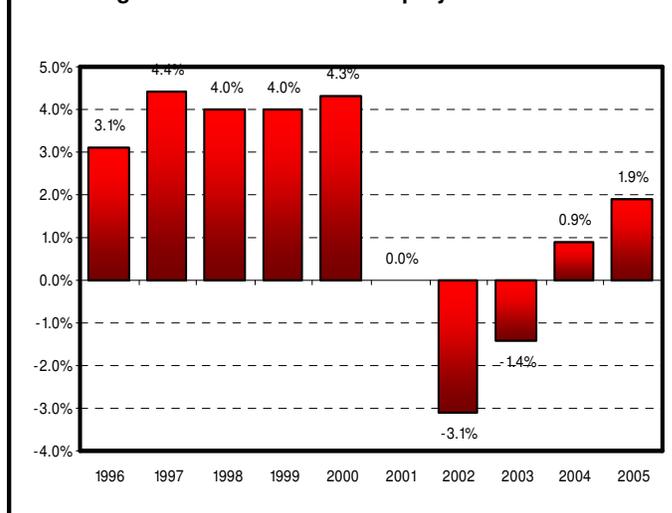
The metro-Denver economy continued on an expansionary path in 2005. Preliminary data indicates that employment growth increased by 1.9 percent, just more than doubling the 0.9 percent increase in 2004. Figure 3 shows the trend in the region's employment growth over the last 10 years. The metro-Denver economy is improving, but its growth rate remains well below the boom years of the first half of the period. While the region's economy grew throughout the year, it slowed down in the second half. Job growth in the second half of 2005 was 1.6 percent, compared with 2.1 percent in the first half. Table 1 shows the key economic indicators for the region.

The mining, natural resource, and construction sector had the strongest growth rate in 2005 at 3.8 percent. Growth rates in the professional and business services and educational and health services categories were also above three percent for the year. The information sector, which contains the telecommunications industry, continued to shed jobs in 2005. After

losing 3,800 jobs in 2005, the information sector is now 27,000 jobs, or 32.1 percent, below the peak level in 2000. Federal government employment declined slightly for the second consecutive year. Meanwhile, the region's unemployment rate remained at 5.1 percent in 2005.

Housing permits declined by nearly 1,000 during the year, a drop of 4.3 percent. The value of nonresidential construction increased 6.8 percent. Solid performance in several nonresidential categories offset a \$250 million decline in permits for hospital and health treatment facilities.

**Figure 3. Metro-Denver Employment Growth**



### Recent Economic News:

- Announcements of job losses outweighed job gains by nearly 300 over the past two months. Table 2 shows the job announcements. In addition, layoffs are expected after Seagate Technology Corp. acquired Maxtor Corp. The two data storage firms have a heavy presence in Longmont with a combined 2,050 workers.

**Table 2. Job Announcements in the Metro-Denver Region**

Company and Location	Industry	Job Change
First Data Corp., Greenwood Village	Financial Services	Loss of less than 50 in downsizing
National Renewable Energy Laboratory, Golden	Energy research	Loss of 30 to 40 due to federal budget reductions
DigitalGlobe, Longmont	Satellite mapping	Loss of 24 in downsizing
Office Max, Denver	Warehousing	Gain of 15 to 25 at new facility
OnCommand, Denver	In-room movie provider	Gain of 50 customer service jobs
Frontier Airlines, Denver	Air transportation	Gain of 50 customer service jobs
Alere Medical, Lakewood	Medical services	Gain of 30 at new facility
Norgren, Littleton	Manufacturer	Loss of 275 jobs over next year, shift to 3rd party manufacturers
Avaya, Westminster and Highlands Ranch	Telecommunications	Loss of 74 in streamlining
Home Depot, Boulder	Retail	Gain of 170 at new store
Cornice, Longmont	Data Storage	Gain of 40 in expansion
Federated Department Stores, Aurora	Warehousing and distribution	Loss of 150 due to closure of local warehouse

- The housing market in the metro-Denver region was mixed in 2005. The median sales price of an existing home increased 4.4 percent, helping to allay fears of a price bubble. Increases have been modest in recent years, compared with other cities in the country. The inventory of unsold homes on the market was 13 percent higher at the end of the year than one year earlier, while homes took an average of 90 days to sell, an increase of 5 days from 2004.
- Recent announcements in the housing market include a 29-unit townhouse development in the Ballpark neighborhood near downtown Denver, 1,440 single-family and multi-family units in the Wheatlands development near E-470 and Smoky Hill Road in Aurora, and a \$165 million, 55-story luxury condominium development in downtown Denver. Construction on all three projects will begin in 2006. Construction on a 26-unit luxury condominium project in Cherry Creek began in late 2005. Units in the building will be priced from \$800,000.
- The Denver-area office market improved in 2005. The vacancy rate dropped from 17.5 percent in 2004 to 15.8 percent in the fourth quarter of 2005. The vacancy rate was the lowest since 2002. Lease rates were slightly higher. Real estate experts anticipate continued improved conditions in 2006.
- Announcements of nonresidential construction projects included a 600,000-square-foot shopping center in Aurora at Gun Club Road and Jewell Avenue. Construction at the Marketplace at Jewell Commons will begin in 2007. Shea Commercial will build four office condo projects in Denver's suburbs. The projects will total 325,000 square feet and be located in Lone Tree, Parker, and Littleton. These projects should be complete in early 2007.
- The Denver City Council approved \$126 million of tax subsidies for roads, parks, and other infrastructure needs for redevelopment of the former Gates rubber plant. The redevelopment will encompass 2,400 housing units and 1.8 million square feet of commercial space. The new space is considered a transit-oriented development because it is adjacent to the light-rail station at Interstate-25 and Broadway.

## COLORADO SPRINGS

By Tom Dunn

**Table 3**  
**Colorado Springs Economic Indicators**  
El Paso County

	2003	2004	2005
<b>Employment Growth /1</b>	-1.4%	1.4%	2.2%
<b>Unemployment Rate</b>	6.4%	5.4%	5.3%
<b>Housing Permit Growth /2</b>	-28.0%	37.4%	2.2%
<b>Growth in Value of Nonresidential Const. /3</b>	23.3%	-5.7%	141.5%
<b>Retail Trade Sales Growth /4</b>	0.2%	10.3%	5.4%
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			
4/ Colorado Department of Revenue; data through November 2005			

Housing permits in the region increased 2.2 percent in 2005, following a 37.4 percent gain in the prior year. Permits for multi-family housing have been a relatively small part of the local housing market in the past two years. They increased 40.8 percent in 2005, but only increased the existing multi-family housing stock by less than one percent. The apartment market has had high vacancy rates, partially due to troop movement to Iraq, thus creating little incentive to add apartment units.

The value of nonresidential construction permits soared 141 percent in 2005. Permit value in the manufacturing category increased more than a hundred-fold. A single permit for more than \$500 million was filed last year.

### **Recent Economic News:**

- Western Forge Corp., headquartered in Colorado Springs, will close a manufacturing plant in North Carolina and move 150 jobs to Colorado Springs. The company is attempting to gain market share amid increased competition and wanted to consolidate the manufacturing facilities in one location.
- The Army Space and Missile Defense Command, located at Peterson Air Force Base, will add 200 soldiers in upcoming months. The unit oversees communication links to satellites and provides support to other military units with navigation help, surveillance images, and ballistic missile defense.
- The Falcon area northeast of Colorado Springs has been one of the fastest-growing areas of El Paso County. To accommodate the growth, more retail development has been occurring. A new Wal-Mart Supercenter will be added to the mix in 2007. County commissioners approved the development and groundbreaking awaits the final purchase of land by the developer.

### **Colorado Springs**

A solid recovery is underway for the Colorado Springs economy. Table 3 shows several economic indicators for the region. Employment growth continued to improve in El Paso County. Preliminary data showed that employment increased 2.2 percent in 2005, compared with a gain of 1.4 percent in the prior year. Employment in the natural resources, mining, and construction category increased 5.5 percent, the highest growth rate by category. Job growth in the financial services, professional and business services, and government sectors was at 3.0 percent or above. The information sector lost 7.8 percent of its job base in 2005, while job growth was positive but less than one percent in the manufacturing, transportation, trade, and utilities, and other services categories.

The region's unemployment rate was relatively unchanged in 2005, falling from an average of 5.4 percent to 5.3 percent. However, the year-end unemployment rate of 4.7 percent was at the lowest level since August 2001.

- Sales of existing homes soared 11.7 percent in 2005 to a record-high level of 13,124, according to the Pikes Peak Association of Realtors. The group also said that the average sales price of an existing home rose 6.6 percent to \$245,277.
- The booming real estate market led Lowes, a national hardware and home-improvement retailer, to add two stores in Colorado Springs. Each store will employ 140 workers. The company is considering adding an additional store to the local market.

## PUEBLO — SOUTHERN MOUNTAINS

By Jason Schrock

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

	2003	2004	2005
<b>Employment Growth /1</b>	-0.9%	-0.2%	1.4%
<b>Unemployment Rate</b>	6.3%	6.2%	6.4%
<b>Housing Permit Growth /2</b> Pueblo County Only	6.8%	-28.1%	-5.0%
<b>Growth in Value of Nonresidential Const. /3</b> Pueblo County Only	223.6%	-17.5%	-48.0%
<b>Retail Trade Sales Growth /4</b>	0.7%	6.7%	4.8%
NA = Not Available			
1/ Colorado Department of Labor and Employment. 2003 and 2004 data are from the QCEW (ES-202) program. 2005 data is from the Current Population (household) Survey.			
2/ U.S. Census			
3/ F.W. Dodge			
4/ Colorado Department of Revenue; data through November 2005			

### Pueblo Region

The economy in the five-county Pueblo region showed mixed results in 2005. Table 4 shows annual economic indicators for the region since 2003. Employment growth and retail trade were mostly positive in 2005, while construction figures declined. The outlook for the region, especially for Pueblo and Fremont counties, appears positive.

Employment increased 1.4 percent in 2005 after decreasing for three years. Most of the job growth occurred in the region's most populous counties of Pueblo and Fremont. Pueblo County's nonfarm jobs increased by 1,500. Custer and Huerfano counties experienced job losses of 1.9 and 0.4 percent respectively.

The entire region's average 2005 unemployment rate – 6.4 percent – remained relatively high compared to the rest of the state. Further, the city of Pueblo's un-

employment rate – hovering slightly above 6 percent – remained the highest among the state's largest cities. However, Pueblo is expected to experience job growth in the near future due to new construction projects. Further, an Express Scripts patient call center and a new Wal-Mart will add over 1,000 jobs combined. A December Manpower Employment Outlook Survey found that 10 percent of Pueblo area employers expect to add jobs at a modest pace during the first quarter of 2006 and that no local companies plan any layoffs. Job prospects appear best in durable goods manufacturing and the trade sector.

Meanwhile, the Pueblo region's retail sales continued to show growth in 2005. This is noteworthy as gas prices increased significantly and cut into the disposable income of consumers. Retail sales grew 4.8 percent, though this was lower than the statewide average of 5.1 percent. Much of the sales growth in 2005 occurred in the region's less populous counties of Custer, Huerfano, and Las Animas. Consumers increased spending by 23.0 percent in Las Animas County, 16.8 percent in Huerfano County, and 13.4 percent in Custer County. Pueblo County's retail sales increased at a modest 2.2 percent pace.

The weaker segment of Pueblo County's economy in 2005 was construction. Permits for residential construction in Pueblo decreased for the second straight year in 2005, falling 5.0 percent. However, residential construction forecasts for the area from the National Association of Home Builders and Vectra Bank are optimistic due to major construction projects that will add jobs and fuel a growth in the housing market. The Pueblo Association of Home Builders is not concerned about a housing bubble, however, because of the area's relatively low cost of housing and because it anticipates a slow but steady growth in new home construction.

According to F.W. Dodge, the value of nonresidential construction in Pueblo decreased 48.0 percent in 2005, the second consecutive annual decline.

**Recent Economic News:**

- At the end of 2005, Xcel Energy broke ground on a \$1.3 billion addition to its Comanche Station coal-fired power plant in Pueblo, a four-year project that could employ up to 1,000 construction workers. The large construction project is the state's first new coal-fired generator in about 25 years. Most of the new power generated will feed the growing demand in the Denver area. The operation will add 40 more people to the power plant's work force.
- Wal-Mart has opened a hiring center to fill 400 full- and part-time jobs at its Supercenter store under construction in Pueblo West that is scheduled to open in April. Around 260 jobs will be full time with benefits. Completion of the store has been delayed because of supply delays and material shortages related to Hurricane Katrina.
- The Air Force recently authorized a \$3.3 million pilot training program that will be based at Pueblo Memorial Airport. The program will start in October of 2006 and will train up to 1,700 Air Force pilots a year who will also live at the airport. Economic development officials indicate that the program will have a significant impact on the city's airport and the community.
- Following the new Chili's, Denny's, Home Depot, and Walgreen's that opened in Cañon City in 2005, more construction is expected in 2006, including work on the new community developments of Four Mile Ranch and Royal Gorge Ranch, new movie theaters, a 64-room Hampton Inn, a Ruby Tuesday's restaurant, a new hospital expansion, and new high schools. Royal Gorge Ranch is expected to contribute to the tourism industry of Fremont County as the development includes plans to enhance the area's Buckskin Joe tourist attraction.
- The number of existing homes sold in Pueblo and neighboring counties increased by more than 16 percent in 2005, according to statistics provided by the Pueblo Association of Realtors. Further, the price of one- and two-bedroom homes went up 5.4 percent to \$72,445. The price of three-bedroom homes increased 7.5 percent to \$131,849. The average price of a condominium was \$141,109, down 1.85 percent from 2004.

## SAN LUIS VALLEY AND SOUTHWEST REGION

By Tom Dunn

**Table 5**

**San Luis Region Economic Indicators**

Alamosa, Archuleta, Conejos, Costilla, Dolores, Hinsdale, La Plata, Mineral, Montezuma, Rio Grande, Saguache, and San Juan counties

	2003	2004	2005
<b>Employment Growth /1</b>	2.7%	4.4%	1.6%
<b>Unemployment Rate</b>	5.7%	5.1%	5.1%
<b>Statewide Crop Price Changes/2</b>			
Barley	0.3%	8.0%	-16.5%
Alfalfa Hay	-21.1%	1.2%	16.3%
Potatoes	-24.2%	2.1%	80.4%
<b>Fall Potato Production (Cwt) 2/</b>	15.2%	-2.0%	-6.3%
<b>Housing Permit Growth /3</b>			
Alamosa County	-5.3%	22.2%	-39.4%
La Plata County	50.4%	-8.1%	-1.4%
<b>Growth in Value of Nonresidential Const. /3</b>			
Alamosa County	-59.4%	43.6%	-44.1%
La Plata County	457.4%	-25.2%	-83.2%
<b>Retail Trade Sales Growth /4</b>	3.2%	9.4%	7.0%
NA = Not Available			
1/ Colorado Department of Labor and Employment. 2003 and 2004 data are from the ES-202 program. 2005 data is from the Current Population (household) Survey			
2/ Colorado Agricultural Statistics Service. Price data compares December 2005 to December 2004			
3/ F.W. Dodge			
4/ Colorado Department of Revenue; data through November 2005			

Retail trade sales benefited from increased tourism in 2005. Through November, sales increased 7.0 percent, nearly two percentage points above the statewide increase.

### *Recent Economic News:*

- The 126-room Inn of the Rio Grande in east Alamosa had a 17,000-square-foot expansion over the past year. The expansion seeks to attract additional tourism via Colorado's only indoor water park. Three pools and two waterslides are part of the expansion.
- A Walgreens drug store recently opened in Alamosa. Twenty workers were hired to staff the new store.

### San Luis Valley and Southwest Regions

The San Luis Valley and southwest Colorado regions had modest economic growth in 2005. Table 5 shows key economic indicators for the region. The regional employment gain of 1.6 percent underperformed the statewide increase of 2.1 percent. The unemployment rate was stable at 5.1 percent.

The San Luis Valley potato growers enjoyed substantially higher prices in 2005. December prices were 80 percent higher than a year earlier. Potato production declined 6.3 percent during the year. Hay growers enjoyed higher prices as well, while barley growers saw prices drop 16.5 percent from a year earlier.

## WESTERN REGION

By Todd Herreid

**Table 6**  
**Western Region Economic Indicators**  
 Moffat, Rio Blanco, Garfield, Mesa, Delta, Montrose,  
 San Miguel, Ouray, and Gunnison counties

	2003	2004	2005
<b>Employment Growth /1</b>	0.6%	3.3%	2.5%
<b>Unemployment Rate</b>	5.3%	4.5%	4.5%
<b>Housing Permit Growth</b>			
Mesa County 2/	6.8%	6.0%	-3.0%
Montrose County 3/	20.1%	34.0%	22.4%
<b>Growth in Value of Nonresidential Const. /3</b>			
Mesa County	-32.1%	0.1%	287.8%
Montrose County	-16.7%	109.4%	-54.9%
<b>Retail Trade Sales Growth /4</b>	2.0%	8.7%	10.0%

1/ Colorado Department of Labor and Employment. 2003 and 2004 data are from the QCEW (ES-202) program. 2005 data is from the Current Population (household) Survey.

2/ U.S. Census

3/ F.W. Dodge

4/ Colorado Department of Revenue; data through November 2005

### Western Region

Economic indicators for the western region continue to point to a relatively strong economy. Employment, retail sales, and certain types of construction activity were up in 2005, as indicated in Table 6. Retail sales increased considerably through November, employment growth was positive, and nonresidential construction activity in Mesa County was up significantly. Montrose County also experienced substantial growth in housing permits. The only negative indicators in 2005 were declining housing permits in Mesa County and declining nonresidential construction activity in Montrose County.

In the labor market, the unemployment rate in the western region remained unchanged in 2005, compared with 2004. The annual average unemployment rate stood at 4.5 percent in 2005. Employment in the region was up 2.5 percent. In Mesa County, employment was up 1.7 percent, based on the current employment survey. Within other areas of the region, employment growth was the strongest in Ouray County at 9.4 percent, followed by 5.0 percent growth in Rio Blanco County, 4.7 percent growth in

Garfield County, and 4.5 percent growth in Delta County.

As described above, construction indicators were mixed for the region. Based on data from F.W. Dodge and the Census Bureau, the number of housing permits increased 22.4 percent in Montrose County, but dropped 3.0 percent in Mesa County during 2005. However, the value of nonresidential construction more than trebled in Mesa County in 2005, but decreased almost 55 percent in Montrose County. The increase in the value of nonresidential construction in Mesa County was primarily for building related to schools and colleges. Nonresidential activity in Montrose County declined because of a large permit application last year for the construction of health care facilities.

Consumer spending in the region, as measured by retail trade sales, increased 10.0 percent in the first eleven months of 2005. Double-digit growth was reported in Delta, Mesa, and Montrose counties, with Ouray, Garfield, and San Miguel counties reporting growth in excess of 9.0 percent. All of the other counties in the region experienced positive sales growth, ranging from 3.2 percent to 8.3 percent. For all of 2004, retail sales in the region grew 8.7 percent.

### Recent Economic News:

- The energy boom in western Colorado is causing many out-of-state workers to live in hotels and motels. In early December, almost 99 percent of the rooms in the Holiday Inn Express in Parachute were filled by energy industry employees.
- The number of foreclosures in Mesa County decreased 2 percent in 2005. However, there is a concern that rising interest rates will lead to an increase in foreclosures in 2006, since many homeowners financed their homes with interest-only loans or adjustable rate mortgages.

## MOUNTAIN REGION

By Josh Harwood

**Table 7**  
**Mountain Region Economic Indicators**

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

	2003	2004	2005
<b>Employment Growth /1</b>	-2.2%	0.7%	1.7%
<b>Unemployment Rate</b>	4.7%	4.1%	4.3%
<b>Housing Permit Growth /2</b>			
Eagle, Pitkin, & Summit counties /2	11.2%	-26.5%	39.1%
Routt County /2	45.9%	-20.6%	7.7%
<b>Growth in Value of Nonresidential Const. /2</b>			
Eagle, Pitkin, & Summit counties	-53.5%	243.4%	11.2%
Routt County	-4.4%	154.9%	-10.3%
<b>Retail Trade Sales Growth /4</b>	0.4%	8.7%	8.9%

1/ Colorado Department of Labor and Employment. 2003 and 2004 data are from the ES-202 program. 2005 data is from the Current Population (household) Survey.

2/ F.W. Dodge

3/ U.S. Census

4/ Colorado Department of Revenue; data through November 2005

### Mountain Region

Heavy snowfall and overall economic health led to widespread increases in economic indicators for most of Colorado's mountain region. Most counties in the region are enjoying healthy economic growth, with robust increases in employment and retail trade. Additionally, much of the region is continuing to experience a healthy dose of residential and nonresidential construction activity. Table 7 shows annual economic indicators for the region for 2003 through 2005.

Employment in the region increased 1.7 percent in 2005. The region's tourism-related jobs appear to be continuing to respond to nationwide increases in traveling and spending, with employment increases above 3 percent in Eagle, Pitkin, and Lake counties. Employment *decreased* by nearly 3 percent in Grand County. Jackson and Routt counties experienced relative flat employment growth in 2005. The re-

gion's unemployment rate was 4.3 percent in 2005, up slightly from 4.1 percent in 2004.

A magnet for second-homeowners and retirees from around the globe, Colorado's mountain region experienced record real estate sales levels in 2005. The improving national economy has resulted in a substantial increase in the construction of homes this year. Permits for residential construction increased 39.1 percent in the ski counties of Eagle, Pitkin, and Summit and 7.7 percent in Routt County in 2005 over 2004 figures. Meanwhile, the value of nonresidential construction increased 11.2 percent in the ski counties in 2005, but decreased 10.3 percent in Routt County.

With the exception of two counties, Gilpin and Jackson, which represent less than 1 percent of the region's total retail trade activity, retail trade sales are exhibiting robust growth. The region experienced an increase of 8.9 percent through November 2005 compared with the same time period in 2004.

### Recent Economic News:

- The value of real estate sales in Pitkin County eclipsed \$2 billion in 2005 for the first time ever. Records for real estate sales were also easily set in Eagle, Routt, and Garfield counties.
- The Hyatt Grand Aspen opened over the holidays, with 50 new fractional-ownership units. Over half of the 1,000 shares have been sold. The units range from one- to four-bedroom residences ranging in size from 912 to 3,450 square feet.
- Construction has begun on the \$200 million Four Seasons Resort and Residences in Vail. Upon completion, scheduled for 2008, the Four Seasons will include 120 hotel rooms, 16 condominiums, and 19 time share units.

## NORTHERN REGION

By Ron Kirk

**Table 8**  
**Northern Region Economic Indicators**  
Weld and Larimer counties

	2003	2004	2005
<b>Employment Growth /1</b>			
Larimer County	-0.2%	2.1%	1.8%
Weld County	1.4%	3.2%	3.9%
<b>Unemployment Rate</b>			
Larimer County	5.2%	4.9%	4.3%
Weld County	6.4%	6.1%	5.0%
<b>State Cattle and Calf Inventory Growth /2</b>	-9.4%	4.2%	6.0%
<b>Housing Permit Growth /3</b>			
Larimer County	-11.3%	10.3%	-14.8%
Weld County	-17.3%	20.9%	-2.2%
<b>Growth in Value of Nonresidential Const. /4</b>			
Larimer County	-37.3%	197.9%	-56.4%
Weld County	35.2%	34.1%	-35.8%
<b>Retail Trade Sales Growth /5</b>			
Larimer County	0.2%	3.5%	6.0%
Weld County	5.1%	14.6%	9.8%
NA = Not Available			
1/ Colorado Department of Labor Statistics. Data represents non-farm employment			
2/ Colorado Agricultural Statistics Service report for January 1, 2006. Change is from previous year.			
3/U.S. Census			
4/ F.W. Dodge			
5/ Colorado Department of Revenue; data through November 2005			

### Northern Region

The economy in the northern region is relatively healthy and will continue to grow. This region is seeing strong population growth and gains in employment and retail trade at rates substantially above statewide averages. Weld County is driving the strong growth. Larimer County's economy is expanding at a pace more indicative of the rest of the state. Economic indicators for the region are shown in Table 8.

Weld County's economy is in the midst of a strong expansion. Employment is showing strong gains, with 3.9 percent growth in 2005. The unemployment rate at 5.0 percent is slightly below the state's aver-

age of 5.1 percent. Meanwhile, retail trade sales continue to increase at a robust pace of 9.8 percent through November. The strong growth has been aided by heady activity in the state's energy industries. Weld County is home to many of the state's oil and gas reserves.

Though not yet recovered from a wave of high-tech layoffs, Larimer County's economy is exhibiting persistent health despite the layoffs and its reliance on manufacturing. Employment increased at a respectable pace of 1.8 percent, and the county's unemployment rate, at 4.3 percent, is below the statewide average. The health care industry in northern Colorado is adding jobs with the continued construction of the Medical Center at the Rockies in Loveland and is also driving growth in nearby medical office space. Retail trade sales increased by 6.0 percent through November.

Construction indicators in both counties are down after a period of substantial growth. Although home values appreciated 4 to 5 percent on average for 2005, the construction declines could be viewed as a retreat to a more normal period and necessary to prevent overbuilding. They are appropriate given expectations of higher interest rates and slower growth in housing values. Regions in northern Colorado also saw price increases of up to 50 percent for concrete materials during the fourth quarter of 2005 resulting from increased demand following the Gulf Coast hurricane.

#### **Recent Economic News:**

- Advanced Micro Devices Inc., a global micro-processor development company is planning on bringing 200 electrical design engineering jobs to Fort Collins if the company can find enough workers to staff a satellite office.
- Encorp Inc., an energy distribution company in Windsor, laid off 25 employees, most of which are technical workers in Encorp's switchgear

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business. The company attributed the layoffs to increased market competition by larger companies.

- Ferrero's I-25 Dodge Jeep Chrysler will be relocating to the Motorplex at Centerra at I-25 and Crossroads Boulevard. The dealership will triple its size when it opens a \$5 million store on a six-acre site in August. Owner Ryan Ferrero expects to add 25 employees with the expansion of the dealership.
- Mervyns in Fort Collins will close and lay off about 100 employees in the first quarter of 2006 as the California-based company announced that it is closing 62 underperforming stores in eight states, including 11 in Colorado.
- Water Pik Technologies Inc. will close its Loveland plant this fall resulting in 150 employees losing their jobs. The California-based company which makes oral health care products, attributes the closure to competition and the need to restructure the company.

## EASTERN PLAINS

By Josh Harwood

**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

	2003	2004	2005
<b>Employment Growth /1</b>	-0.5%	3.9%	-2.3%
<b>Unemployment Rate</b>	4.2%	3.5%	4.7%
<b>Crop Price Changes /2</b>			
Winter Wheat	-7.7%	-9.2%	0.6%
Corn for Grain	0.8%	13.7%	-7.7%
Alfalfa Hay	-21.1%	1.2%	16.3%
Dry Beans	-1.1%	1.7%	-39.3%
<b>State Crop Production Growth /2</b>			
Sorghum for grain production	140.0%	25.6%	-36.9%
Corn for Grain	7.0%	16.8%	0.1%
Sugar Beets	-12.6%	30.1%	-0.6%
<b>State Cattle and Calf Inventory Growth /2</b>			
Inventory Growth /2	-9.4%	4.2%	6.0%
<b>Retail Trade Sales Growth /3</b>	-0.2%	5.5%	4.3%

NA = Not Available

1/ Colorado Department of Labor and Employment. 2002 and 2003 data are from the ES-202 program. 2004 data is from the Current Population (household) Survey

2/ Colorado Agricultural Statistics Service. Price data compares December 2005 to December 2004

3/ Colorado Department of Revenue; data through August 2005

### Eastern Plains

The eastern region has thus far failed to realize the economic gains that characterize economic activity in much of the rest of the state. Employment was down 2.3 percent in 2005 and the unemployment rate jumped from 3.5 percent in 2004 to 4.7 percent in 2005. Retail sales were up 4.3 percent in the region, although this lags the statewide average of 5.1 percent growth. Table 9 shows economic indicators for the region for 2003 through 2005.

In the labor market, the unemployment rate in the eastern region rose to 4.7 percent in 2005, while jobs in the region were down 2.3 percent. Within the region, jobs declined in every county, with the exceptions of Sedgwick and Elbert counties, which experienced job growth of 1.7 percent and 1.2 percent, re-

spectively. Jobs decreased by the greatest percentage in Baca, Kiowa, and Phillips counties.

Consumer spending in the region, as measured by retail trade sales, increased 4.3 percent in 2005. Seven of the 16 counties in the region had seen double-digit increases in retail trade sales through November 2005 over 2004 figures. The largest increases were in Lincoln, Bent, and Cheyenne counties. Crowley, Yuma, Otero, Washington, and Logan counties experienced declines in retail sales.

Agricultural production was improved in 2005. Winter wheat production was up over 15 percent, while corn for grain production grew 0.1 percent. Also, statistics for December 2005 show that the state inventory of all cattle and calves in Colorado was up 6.0 percent from the previous year.

### Recent Economic News:

- Westminster's Tri-State Generation and Transmission Association Inc., announced a \$600 million to \$750 million investment to build 700 miles of power transmission lines with the Western Area Power Administration. The Eastern Plains Transmission Project will attempt to connect remote plants to towns and cities across the region.