



# Colorado Economic Chronicle

*A Research Newsletter*

Legislative Council  
Denver, Colorado

**Nancy J. McCallin**  
Chief Economist

**Michael R. Mauer**  
Economist

**Henry R. Sobanet**  
Economist

October 2, 1996

## National Economy

After a strong second quarter in which inflation-adjusted gross domestic product advanced 4.7%, the national economy continued to perform well in the late summer months, with few exceptions. Although economic activity is robust we do not expect future growth to approximate the second quarter's heady pace. The unemployment rate reached a seven-year low in August, but inflation remained calm. Consumers remained confident, and home sales were brisk. The U. S. trade deficit, which represents the difference between the nation's exports and imports, continued to be a drag on domestic output in July and was on pace to reach \$109.6 billion for the year. Meanwhile, the Federal Reserve Board left interest rates unchanged at its September meetings, apparently satisfied that recent growth will not lead to higher price increases. However, continued strength in the economy will likely cause the Fed to increase interest rates in the future, possibly as soon as the next meeting on November 13.

---

***"The unemployment rate reached a seven-year low in August . . . Consumers remained confident, and home sales were brisk."***

---

The **consumer sector** grew modestly, but remained a source of strength for the national economy. The August unemployment rate was 5.1%, the lowest since March 1989. However, technicalities may have overstated the national job market's strength. Nonetheless, the U. S. added 250,000 jobs in August. Government employment grew by 77,000 (mostly in

education), while manufacturing reversed declines in June and July with an increase of 25,000. Gains in other areas included construction (6,000), retail trade (21,000), and finance, insurance, and real estate (21,000). As jobs increased, so too did income and spending. Consumer spending advanced 0.6% in August, fueled by strong automobile sales. Spending on services grew modestly. Personal income also increased by 0.6% in August. Meanwhile, the Conference Board reported that its index of consumer confidence slipped somewhat, but remained at a relatively high level in September.

---

***"The manufacturing sector was mostly solid in August."***

---

The **manufacturing sector** was mostly solid in August. Output from the nation's mines, factories, and utilities increased 0.5%, after a small July increase. U.S. industry operated at 83.5% of capacity. Furthermore, the National Association of Purchasing Management reported that its index slipped in September, but continued to indicate expansion in the manufacturing industry. On the less positive side, orders for durable goods (those intended to last three years or more) fell by a dramatic 3.1%, the largest drop since April 1995. All categories of orders declined except for the volatile military category.

Perhaps the weakest recent economic news came from the **construction** sector, but **housing** data were strong. Construction spending fell 1.4% in July after a robust

---

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 Chuck Berry, Speaker of the House  
Representative Tim Foster, Majority Leader of the House  
Representative Peggy Kerns, Minority Leader of the House

Senator Tom Norton, President of the Senate  
Senator Jeff Wells, Majority Leader of the Senate  
Senator Michael Feeley, Minority Leader of the Senate  
Charles Brown, Director of Legislative Council Staff

gain in June. All of the primary construction spending categories contributed to the decline. *Existing* home sales slipped 0.5% in August, but still totaled 4.13 million on a seasonally adjusted annual basis. However, *new* home sales increased 4.7% in August, and reflected the highest annual rate in more than ten years. Meanwhile, new housing starts jumped 4.5% in August. Construction of single-family homes surged, but new multi-family construction declined.

**Inflation** at both the consumer and producer levels remained mild. The consumer price index rose a mere 0.1% in August. For the year, consumer prices averaged 2.8% higher through August relative to the same period last year. The producer price index

increased 0.3% because of higher energy and food costs in August. However, when energy and food prices are removed, the so-called core rate of producer inflation actually fell 0.1%. Through August 1996, producer prices were 2.3% higher than through August 1995.

Data for the third quarter of 1996 indicate steady growth after a robust second quarter. Job and income gains were solid, but did not ignite inflation. The housing and construction sectors slowed slightly, although home sales remained at a healthy pace. The manufacturing industry stayed on course, even amid weakness in new orders.

## Colorado Economy

Colorado's economy maintained a solid growth path during September, with all facets of the construction sector registering strong growth. Meanwhile, Sun Microsystems announced that it will build a new plant in the state that will eventually add 3,500 new jobs.

### Employment

Total nonfarm employment increased 4.0% through July 1996. Although slower than 1995's 4.7% advance, 1996 growth was still robust. Colorado's unemployment rate remained steady, at 4.1% during July. Through July, the state's unemployment rate averaged 1.6 percentage points below the national rate.

Job gains announced since the last *Chronicle* include the previously mentioned long-term plans for 3,500 new employees at Sun Microsystems and 300 new employees at Bolder Technologies Corp. In the shorter term, Norwest Direct plans to add 130 Colorado Springs staffers after hiring 45 in the last three months. Rader Railcar, Inc. will create 150 new positions in Fort Lupton, and Springs Fabrication, Inc. will add 60 new jobs. Also, Wal-Mart will hire 200 workers in Durango after it constructs a new store there.

---

***"... Sun Microsystems announced that it will build a new plant in the state that will eventually add 3,500 new jobs."***

---

### Colorado's Economy at a Glance

Key Indicators	Direction	Assessment
Nonfarm Employment Growth	↑	Good
Unemployment Rate	→	Good
Mortgage Rates	↑	Bad
Retail Trade Sales	↑	Good
Home Resales	↑	Good
Nonresidential Construction	↑	Good
U.S. Inflation Rate	→	Good
Overall Rating	↑	Good

On the negative side, the Principal Financial Group is transferring 300 jobs out of state, Maxtor Corp. is cutting 110 positions, Electronic Fab Technology Corp. dropped 142 employees, and Advanced Energy Industries, Inc. released 40 workers. These job gains and losses are discussed in more detail throughout the *Chronicle*.

### Residential Construction

Residential construction increased 29.0% through August 1996, relative to the same period in 1995. Single-family home construction increased 23.1%, but the primary boost to construction came from a 52.0%

increase in apartment building, according to F.W. Dodge.

New home sales in metro Denver experienced the highest second quarter rate in a decade during 1996's second quarter. New home closings soared 23.8% during the second quarter of 1996, relative to the same quarter in 1995, according to the *Denver Housing Market Letter*.

---

***"New home sales in metro Denver experienced the highest second quarter rate in a decade . . ."***

---

Existing home sales in metro Denver increased 11.8% through August 1996, compared with the same period in 1995, based on properties closed. Meanwhile, the average price of an existing single-family home sold in the metro market increased 5.8% during the same period, to \$159,246. While sales rates were brisk in August, there were 19.6% more existing homes for sale during the month than one year earlier.

## **Nonresidential Construction**

Nonresidential construction increased 26.2% through August 1996, compared with the same period in 1995. Growth was bolstered by strong increases in office and amusement building, according to F.W. Dodge. The amusement sector has benefitted from significant expansions at the state's ski resorts. The increase in office building stems from speculative construction in southeast metro Denver and large build-to-suit projects.

AMC Theater will build a 24-screen complex in Highlands Ranch, the first movie complex in that community. The construction is expected to be finished in November 1997. Also, United Artists will build a 14-screen theater in the Entertainment District at Park Meadows Village, across C-470 from the new Park Meadows Mall. United Artists already has a six-screen theater in the mall. The District will also contain a Skate USA complex and numerous restaurants. In addition, Mann Theaters plans to build a 14-screen theater at the Interplaza West site in Golden near the intersection of C-470 and Interstate-70.

The Tramway Tower building in downtown Denver will be redeveloped into a 100-room luxury hotel. The

project will cost \$14 million and will include an additional floor on top of the building that will house a spa and sun deck.

## **Personal Income**

---

***"Per capita personal income in Colorado increased 5.5% in 1995 . . ."***

---

Per capita personal income in Colorado increased 5.5% in 1995, compared with 1994. Colorado's residents averaged \$23,961 in income per person in 1995. Earnings in Colorado outpaced those of the nation, where average earnings were \$23,208. Colorado's growth rate ranked 18th among all of the states.

## **Advanced Technology**

California-based Sun Microsystems, Inc., a computer products manufacturer, will build a new facility in Colorado that could employ up to 3,500 people in the long-term. While a site has not been chosen, it is anticipated that it will be in the southern metro-Denver area. The facility will be developed over the next three to four years.

---

***"Bolder Technologies Corp. began construction of a new manufacturing facility . . ."***

---

Bolder Technologies Corp. began construction of a new manufacturing facility in the Coors Technology Center in Golden. The plant is expected to employ more than 300 people by 2001, eventually producing 1.2 billion high-powered rechargeable batteries per year.

## **Energy**

A Colorado Public Utilities Commission survey revealed that Denver residents pay the third lowest utility rates among the major cities in the country. The survey included charges for gas, electric, and telephone service. Denver residential users experience the third highest rates for basic telephone service among the 26 cities in the survey, however.

## Insurance

The Principal Financial Group plans to move a majority of its Colorado Springs operations out of the state, eliminating approximately 300 local jobs. Most of the personnel will be offered transfers. Other insurance companies in Colorado Springs have been expanding, so some of the displaced employees may be absorbed within the industry.

## Tourism

Elitch Gardens, an amusement park in lower downtown Denver, is being sold to Premier Parks, Inc., the tenth largest theme park company in the world. Premier intends to invest \$15 million in new rides and landscaping at the park.

## Agriculture

The U.S. Department of Agriculture estimates that Colorado's corn harvest will increase 48% in 1996, compared with 1995's harvest. Last year's harvest was reduced by a short growing season, however. Despite significant hail damage during the summer, Colorado's farmers are anticipating a large increase in their production per acre, and they planted 110,000 more acres in 1996 than they did during the prior year. Colorado corn farmers will also benefit from high corn prices, up 67.4% from a year ago.

---

*"The U.S. Department of Agriculture estimates that Colorado's corn harvest will increase 48% in 1996 . . ."*

---

Low beef prices, although up slightly over a year ago, have caused a 14% decline in the number of cattle on feed for the slaughter markets in Colorado during early September, relative to same time in 1995. Low beef prices, coupled with high feed prices, are decreasing profits for cattle owners, creating a disincentive to send cattle to the slaughter.

## Metro-Denver Region

The City of **Westminster** and the Hyland Hills Park and Recreation District will jointly construct a \$6 million ice arena with two ice surfaces. The project will be in the Westminster Promenade area and will be

run by Hyland Hills. **Lafayette** will construct a new \$3 million library that will open in the fall of 1997. The new 29,000-square-foot facility will include a two-acre park, meeting rooms, children's areas, study rooms, and an art gallery. Meanwhile, Maxtor Corp. in **Longmont** dismissed 110 manufacturing employees. Maxtor is attempting to regain profitability in the highly competitive computer storage industry.

## Southern Region

Springs Fabrication, Inc. will consolidate its Colorado operations to a new 60,000-square-foot facility in **Colorado Springs**. The site has room for an additional 50,000-square-foot facility as the company continues to grow. The firm also plans to double its 60-person work force during the next three years. The Radisson Inn at the Colorado Springs Municipal Airport is expanding by 55 rooms in a project that will also add meeting space and enlarge its restaurant. The upgrade will cost \$3 million to complete. Also in Colorado Springs, Norwest Direct plans to double the size of its 130-member staff. The company has already added 45 employees during the last three months.

---

*" . . . in Colorado Springs, Norwest Direct plans to double the size of its 130-member staff. "*

---

Four additional retailers will join the Home Depot already under construction at the North Side shopping center in **Pueblo**, increasing construction costs at the center by \$4 million.

## Northern Region

Ramada Suites plans to open a new 66-room hotel in **Fort Collins**. The hotel will encompass 38,700 square feet and will also include an indoor pool and a separate 17,500-square-foot retail and office building. Meanwhile, Advanced Energy Industries, Inc., also of Fort Collins, laid off 40 local employees because of a downturn in the semiconductor industry. A new Holiday Inn Express hotel is planned for **Loveland**. The 48-room hotel will be built by the owners of the Super 8 in Loveland in order to offer a more upscale choice of accommodations in the city.

Electronic Fab Technology Corp. laid off 142 workers in **Greeley** in an attempt to return to profitability. The company plans to concentrate on the manufacture of highly specialized products for the medical instrumentation, telecommunications, and computer storage industries.

---

***“Rader Railcar, Inc. will open a 71,900-square-foot manufacturing facility in Fort Lupton that will employ 150 workers.”***

---

Rader Railcar, Inc. will open a 71,900-square-foot manufacturing facility in **Fort Lupton** that will employ 150 workers. The company will produce railroad cars at the plant. Rader also employs almost 300 workers at a Denver facility.

## Mountain Region

Mountain Air Express, a subsidiary of Western Pacific Airlines, has agreed to a ten-year lease agreement to provide four daily flights between **Eagle County** and Colorado Springs. Eagle County’s airport expects the new service to bring 50,000 additional passengers to the community each year.

## Western Region

Barnes & Noble will build a 17,500-square-foot bookstore in **Grand Junction** near the Mesa Mall. The bookstore will carry 125,000 titles and will also house Starbucks Coffee and Republic of Tea shops. Meanwhile, a new Wal-Mart super store will be built in **Durango**. The 180,000-square-foot store will employ 200 people.

Colorado Indicators  
Year-to-Date Growth Rates

Indicator	August 1996 Increase	July 1996 Increase	1995 Annual Average
Nonfarm Employment * Growth	NA	4.0%	4.7%
Unemployment Rate ∇ * (seasonally adjusted)	NA	4.1	4.2
Housing Growth §	29.0	39.9	-5.2
Single-Family	23.1	27.1	-7.9
Apartments	52.0	92.6	4.6
Growth in Value of			
Nonresidential Construction §	26.2	16.0	16.2
Retail	-5.7	-16.0	50.5
Offices	43.1	26.5	11.4
Factories	16.1	32.2	-11.7

NA Not Available.

∇ Actual level, not growth rate.

§ F.W. Dodge data.

\* Colorado Department of Labor and Employment data.

**Note:** An inflation rate is not calculated for the state. The Denver-Boulder inflation rate is often used as a proxy for Colorado’s inflation rate. The Denver-Boulder inflation rate was 3.5% through the first half of 1996, following a 4.3% rate in 1995.

Regional Growth  
Cumulative 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 July 1996)	2.9	§ 2.9	§ 6.8	§ 3.3	5.2	3.8	3.0	5.3	4.1	4.5	§ 1.3	3.9	4.0	-0.5
Unemployment Rate ⊗ ◆ (not seasonally adjusted) (in July 1996)	5.8	3.8	4.6	3.7	4.6	3.8	5.0	4.7	4.6	6.3	5.7	2.3	3.6	4.0
Retail Trade Sales Growth ∇ (through June 1996)	-1.2	4.7	4.6	6.5	9.6	8.7	8.8	14.2	-2.7	4.9	5.7	8.3	5.7	19.7
Housing Permit Growth * (through August 1996)	-16	94	30	28	-3	30	19	48	⊛	-13	24	13	-12	31
Growth in Value of Non-residential Construction * (through August 1996)	-70	50	55	18	132	-51	67	40	0	●	98	45	⌘	-82

§ Non Farm Employment Growth

⊗ Actual level, not growth rate.

◆ Colorado Department of Labor and Employment data.

\* F.W. Dodge data.

∇ Colorado Department of Revenue data.

⊛ Fifty-six residential units have been contracted thus far in 1996, while 22 were contracted during the same period in 1995.

● \$17.4 million has been contracted thus far in 1996, while \$1.9 million was contracted during the same period in 1995.

⌘ \$5.9 million has been contracted thus far in 1996, while \$1.3 million was contracted during the same period in 1995.