

THE ROCKY MOUNTAIN ECONOMY: UPDATE

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The Rocky Mountain economy continued its 3-year expansion in June 2007. Nonfarm employment in June 2007 increased from one year ago by 131,600 jobs, or 2.7 percent, to 5,082,700. Seventy-four percent of the growth occurred in Utah and Colorado, which added 58,400 and 39,000 jobs, respectively. In Utah, employment gains across all sectors contributed to a 4.8-percent increase during the past 12 months. A record number of tourists visiting Colorado's ski areas during the 2006-07 season contributed to strong job increases in the leisure and hospitality sector and an overall 1.7 percent job growth rate. Employment growth of 3.1 percent in Wyoming was bolstered by high demand for the state's energy resources. Montana, North Dakota and South Dakota each posted job growth rates of about 2 percent.

The growing economy has tightened labor markets throughout the Rocky Mountain region. From June 2006 to June 2007, the unemployment rate in the region declined from 3.7 to 3.1 percent. Unemployment rates were down or unchanged in all states and are well below the national rate of 4.5 percent. Rates in Montana and Utah showed the most improvement, decreasing by 1.1 and 0.6 percentage points, respectively, from a year ago. The 2.4-percent unemployment rate for Montana was the lowest in the region followed by Utah at 2.6 percent, while Colorado had the highest at 3.5 percent. Wyoming, South Dakota, and North Dakota recorded unemployment rates of just over 3 percent.

The nation's economy generated 132,000 jobs during the past month, but together with big upward revisions to April and May, it shows solid growth strength in the labor market. Any drag came from manufacturing, which shed 18,000 jobs, particularly in autos and computers. Surprise job gains came in the construction, government, and leisure and hospitality sectors. GDP grew at a 3.4 percent annual pace in the second quarter, up from the first quarter's 0.6 percent increase. The acceleration in growth in the second quarter primarily reflected a downturn in imports, upturns in federal government spending and in private inventory investment, and accelerations in exports and nonresidential structures. Annualized housing starts in June were at a seasonally adjusted annual rate of 1,467,000, up 2.3 percent from May but 19.4 percent below June 2006. Building permit activity, a sign of future construction plans, sank to its lowest rate in 10 years, flagging further weakness in the lackluster housing market. Similarly, because of lower demand, homebuilding activity in the region continued to decline and was off by 19.6 percent during the first half of 2007. The number of units permitted declined in each state except for Wyoming and Montana, which were relatively unchanged.

During the second quarter of 2007, rental markets continued to improve throughout the Rocky Mountain region. The Salt Lake City area's second quarter 2007 apartment vacancy rate of 5.4 percent was down from the 5.7 percent recorded a year ago. The rental market in Denver has also dramatically improved but large rent increases remain evasive. Troop deployments at Fort Carson Army Base have contributed to lingering soft rental market conditions in the Colorado Springs area. In Denver, home sales during the first 6 months of 2007 increased by 0.3 percent from a year ago. Relatively stable sales for homes priced more than \$300,000 helped offset the glut of foreclosures at the lower end. Existing home sales for the nation dropped 11.4 percent, while average price was relatively unchanged from a year ago.

Inflation data in June was encouraging. The overall U.S. Consumer Price Index (CPI) was up 2.7 percent from a year ago. Mortgage interest rates inched up in June 2007 from May 2007 but were down by 40 basis points from June 2006. Standard and Poor's expects the Fed in their August meeting to hold rates at 5.25 percent, but pressure is mounting to lower rates because of the sub-prime mortgage woes. Inflation, according to the Fed, remains the predominant policy concern.