THE ROCKY MOUNTAIN ECONOMY: UPDATE

Economic Market Analysis Division - Denver

August 2008

The economy of the Rocky Mountain region continued its 4-year expansion, albeit at a slower rate during the second quarter of 2008. Nonfarm employment in June 2008 increased from a year ago by 64,300 jobs, or 1.3 percent, to 5.1 million. The gain was lower than the 3-percent growth rate recorded for the previous 12 months because of slower growth in most employment sectors. The largest gain occurred in Colorado, which added 30,100 jobs, or 1.3 percent, accounting for 47 percent of the total growth for the region. In Utah, a record number of tourists visiting the state's ski areas during the 2007–08 season contributed to strong job increases in the leisure and hospitality sector and an overall 1.0-percent job growth rate. In Wyoming, employment growth of 2.7 percent was bolstered by high demand for the state's energy resources. Montana, North Dakota, and South Dakota each posted job growth rates of approximately 1 percent. The slower economy eased labor markets throughout the Rocky Mountain region. In June 2008, the average unemployment rate in the region increased to 4.2 percent from the 3.3 percent recorded 12 months ago. Unemployment rates were up in all states in the region except North Dakota and South Dakota, where the rate remained relatively unchanged, but rates for all states were well below the average national rate of 5.5 percent.

The nation's economy lost 51,000 jobs during the past month, but together with downward revisions to April and May, it shows a weak labor market. Jobs declines were concentrated in three sectors: construction, manufacturing and temporary services. Construction jobs fell 43,000 in June and are down 480,000 from a year earlier. Continued drops in this sector are expected until housing starts turnaround. The declines in manufacturing and temporary jobs further indicate weakness in the economy. Buoyed by stimulus checks, GDP grew at a 1.9 percent annual pace in the second quarter, up from the first quarter's 0.9 percent increase. Fourth-quarter 2007 growth, however, was revised to a negative 0.2 percent, further sign that this eventually be called recession. Annualized housing starts in June were at a seasonally adjusted annual rate of 1,084,000, up 10.4 percent from May, but 24.4 percent below the level recorded in June 2007. Similarly, because of lower demand, homebuilding activity in the region continued to decline and was off by 36 percent during the first half of 2008. The number of units permitted declined in each state except for Wyoming and Montana, which were relatively unchanged.

During the second quarter of 2008, rental markets continued to improve throughout the Rocky Mountain region. The Salt Lake City area's second quarter 2008 apartment vacancy rate of 5.3 percent was down from the 5.4 percent recorded a year ago. The rental vacancy rate in Denver declined 0.7 percentage points from a year ago to 6 percent and effective rent increases have begun to take hold. Rotation of troops at Fort Carson Army Base has contributed to volatile rental market conditions in the Colorado Springs area. In Denver, home sales during the first 6 months of 2008 decreased by 6.7 and average price was off by 11.3 percent from a year ago. On a positive note, active listings were down 10.7 percent, indicating that the market may be beginning to turnaround. Existing home sales for the nation dropped 15.5 percent, while average price was down 8 percent from a year ago.

Foreclosure rates in the region and the U.S. increased in the first quarter 2008. The regional increase of .45 percentage points from a year ago was less than the 1.19 recorded nationally. Inflation data in June was not encouraging. The overall U.S. Consumer Price Index (CPI) was up 4.9 percent from a year ago. Mortgage interest rates inched up in June 2008 from May 2008 but were down by 40 basis points from June 2007. Standard and Poor's expects the Fed to hold rates at 2.0 percent, but the Fed warns that the inflation outlook is "highly uncertain" and the financial storm has yet to subside. Overall, Fed comments are consistent with an expectation of steady rates over the next several months.