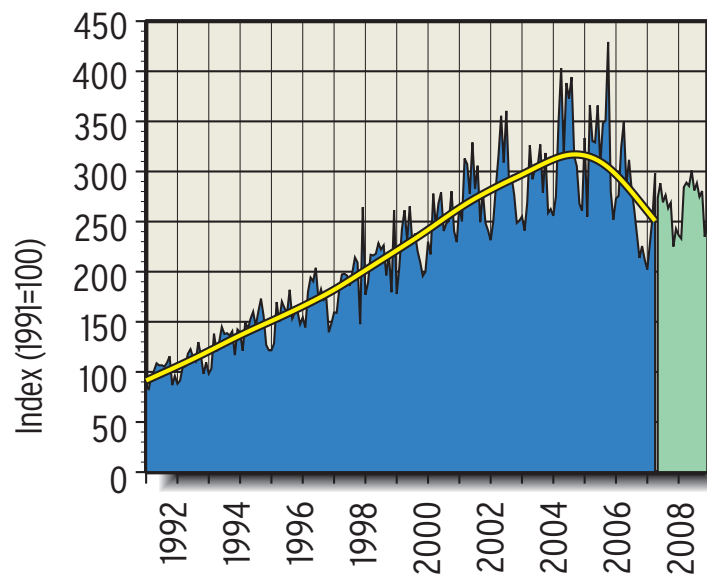


INDEX OF LEADING ECONOMIC INDICATORS

Region's economy signaling even slower growth

Growth Index

The index is bouncing back after a disastrous second half of 2006.



But indicator's index up from lowest point, hit back in January

The Northern Colorado Business Report Index of Leading Indicators of strength in the Northern Colorado economy is signaling even slower growth ahead than was true in April.

In January, the index of economic growth hit its lowest level since December 1999. Year-over-year growth dipped lower than it ever has, even during the adjustment period after the October 2005 federal bankruptcy law changes. The Northern Colorado economy has been contracting since October 2006.



ECONOMIC INDICATORS
John W. Green, Ph.D.
Regional Economist

On a brighter note, January was the low point and our economy has been slowly recovering since then. The current seven-

month contraction has been caused 50 percent by bankruptcies (foreclosures), 25 percent by a slowdown in total value of construction, and 25 percent by a dearth of single-family housing permits. The latter two reasons are construction-related so financial difficulties and construction are equally responsible for our weaker economy.

The national economy is also weakening with first-quarter growth now pegged at less than 1 percent. The stock market keeps going up because of the incredible expansion in the money supply and the amount of private equity available. I may be an old-fashioned economist, but I'm very nervous about the hype in the stock market; I still predict that 2008 will be a bad year for equity markets in the United States.

Data adjustments

There are several adjustments in the data making up this quarter's economic index. In a recent column, I stated that basic population and employment estimates are usually too low in growing economies and too high in declining economies. Thanks to a sharp-eyed reader, I discovered that Colorado had adjusted state population and employment numbers back to April 2000.

Northern Colorado has been growing

INDEX OF LEADING ECONOMIC INDICATORS

faster than the state originally estimated; the revised models increased population numbers as much as 10,000 in some months. This also increased the size of the labor force and employment numbers. In the Index of Leading Indicators, the increase in population numbers also affected per capita bankruptcy rates.

The other big change was in Weld County motor vehicle registrations. Readers with long memories will recall that these numbers were revised upward in 2001 because I was informed that the wrong numbers were being reported to the state. It turns out that numbers comparable to Larimer County numbers were correctly being reported to me up to that time, but higher numbers after that time.

Recently, these numbers were again made comparable to those from Larimer County and adjusted back to January 2006. For 1991-2001, I have reestablished the original numbers and for 2002-2005 I have estimated registrations using both earlier and later data parameters.

Construction

The total value of construction being put in place has been very weak since May 2006. So far in 2007, year-over-year

changes have been 20 percent to 50 percent below 2005 levels. Construction showed some strength in April, but is still 22 percent below April 2006. The difference is about \$75 million per month. A reasonable multiplier of 2.0 makes for \$150 million less construction impact each month.

Viewing the number of single-family housing permits being pulled each month is like stepping back 15 years, to 1992 — about the same number of permits are being issued each month as in that year. This situation will not change until the large inventory of homes for sale is reduced, many of them in foreclosure proceedings. Many homes for sale are being pulled off the market and offered for rent at very reasonable, below market, rates.

Other indicators weak

Motor vehicle registrations, after adjustment, were very weak in December and recovered only moderately in early 2007. They are currently running below the same months in 2003, 2005 and 2006.

Entrepreneurs are showing only moderate confidence in continuing growth in our economy. New sales tax accounts being issued are on a par with 2006 but much lower than all years since 2000, with the

possible exception of 2005.

Retail sales growth has been weak in a couple of recent months. Year-over-year changes appear weaker but changes are erratic, making forecasts difficult. Retail sales will continue to grow because of inflation and employment gains, but the rate of growth is difficult to estimate.

Bankruptcies have jumped to a slightly higher level. They were running about 100 per month but have now jumped to about 165 per month.

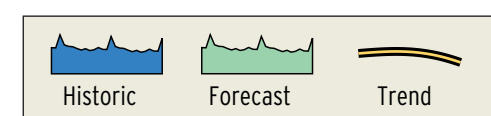
Late 2005 and early 2006 was a period of strong growth in Northern Colorado. Thus, current year-over-year comparisons in late 2006 and early 2007 are suffering because of comparison to a much stronger period. Annual changes for the rest of 2007 and early 2008 should look better.

However, if the national economy slides into recession, the Northern Colorado economy will be similarly affected.

John W. Green is a regional economist who compiles the Northern Colorado Business Report's Index of Leading Economic Indicators. Green, a Fort Collins resident, was previously chairman of the University of Northern Colorado economics department.

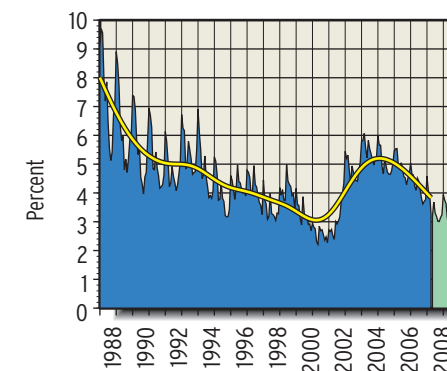
KEY

These economic indicators are provided by U.S. Dept. of Agriculture economist John Green.



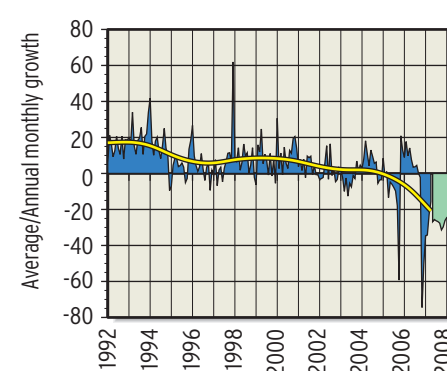
Unemployment rate

Do not expect the unemployment rate to continue to fall.



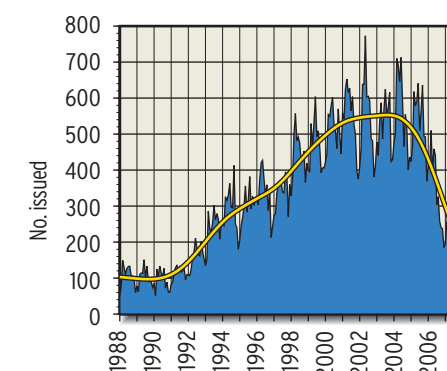
Growth in the region

Year-over-year growth is very weak. It's caused equally by construction and bankruptcies.



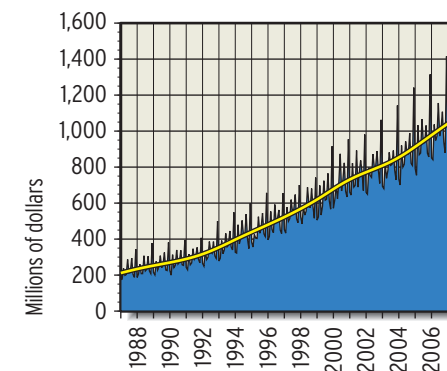
Single-family permits

Permits being issued are now at about the 1993 level. This is less than one-half their peak in 2004.



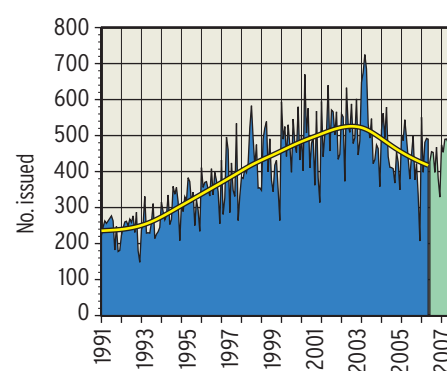
Retail sales

Retail sales continue to increase steadily.



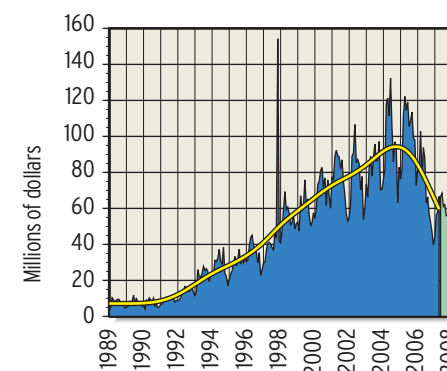
New sales-tax accounts

Accounts being issued appear to be stabilizing. This could be businesses catering to the construction industry.



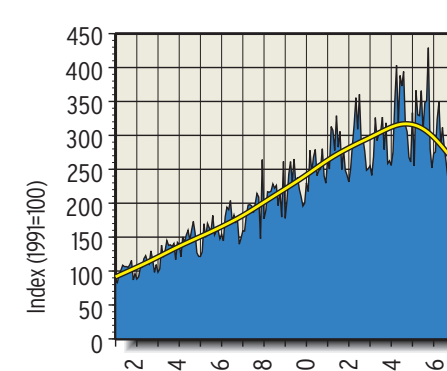
Single-family permit value

Construction of units is adding \$30 million less to the economy each month than just one year ago.



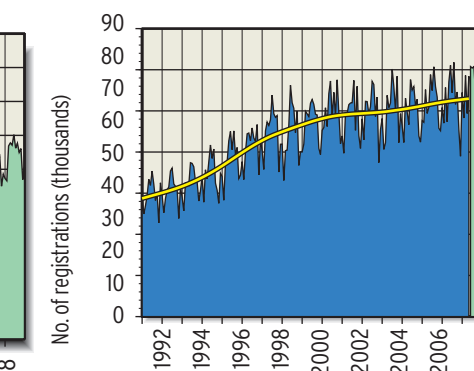
Growth Index

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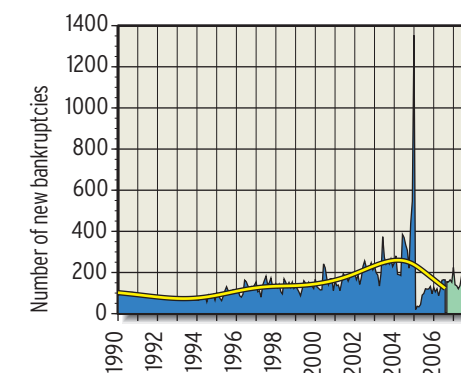
Motor-vehicle registrations

Registrations have resumed a more normal level after dropping significantly during the fourth quarter of 2006.



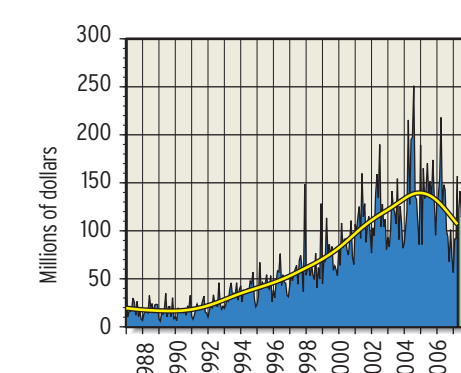
New bankruptcies

Bankruptcies took a jump beginning this year, but still well below the federal bankruptcy act of October 2005.



Total construction value

The total value of construction recovered sharply in April, but still down 28 percent from April 2006.



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