

THE ROCKY MOUNTAIN ECONOMY: UPDATE

December 2002

November brought a third consecutive month of job increases in Montana as positive economic news continues from this state. Wyoming posted a small gain while employment in the four remaining states was unchanged or down from October levels. The gains of this fall in Montana have pushed its annual rate of employment growth up to 2.4 percent, approaching levels not seen here since early-2000. In contrast, annual growth in most other states remains in negative territory. Colorado and Utah have seen smaller losses each month but neither has returned to positive growth. After a surprisingly strong late-summer, annual job growth in Wyoming has dropped back to 0.5 percent. While this recent slowing is disappointing, Wyoming is still one of only two Rocky Mountain states with more jobs in November of this year than one year ago. Unemployment rates have leveled off in most states but were up in November in Utah and Wyoming.

The U.S. Bureau of the Census recently released population estimates as of July 2002, which indicate widely divergent trends among Rocky Mountain states. Despite a slowdown, Colorado remains among the ten fastest growing states in the nation and Utah has joined now this group. Although yielding its number 3 ranking to Florida, the 1.7 percent gain in Colorado put it in 6th place. Utah's 1.6 percent gain made it the 7th fastest growing state, moving up from 11th in 2001. North Dakota was the only state to post a population loss and small increases in South Dakota and Montana put these three states among the slowest in the U.S. Wyoming's growth rate jumped from a small decline in 2001 to a 1.0 percent gain in 2002. The region's total population of just over 9.6 million was up 1.3 percent from July 2001, a slowing from the previous year but still ahead of the total U.S. increase of 1.0 percent. Of note at the national level is the importance of international migration, which accounted for over 1.4 millions persons in the July 2001 to July 2002 period, almost half of the total increase for the U.S.

The nation's employment level dipped slightly in November. Additions to health and other services were offset by cutbacks in manufacturing, trade and communications. The 40,000-job loss this month followed an 86,000-job gain in October. The mix of modest gains and losses each month has left the U.S. job total virtually identical to its level at the beginning of the year. The nation's unemployment rate unexpectedly surged to 6.0 percent in November, matching the recent peak reached in April 2002.

U.S. housing starts were up 2.4 percent in November. Most of the gain came from the multifamily sector but single family starts did post a small increase. Ongoing cutbacks in Colorado's residential construction activity kept the region's total below its level of last year, in contrast to the gains at the national level. Multifamily building is considerably ahead of last year's pace in Montana and North Dakota but declines in the remaining states pulled the region's total down. Single family activity is actually up in all states in the region except Colorado. Renter vacancy rates in Colorado Springs and Salt Lake City dipped in the third quarter but both remain well above rates of one year ago. Denver's rate was little changed but at 9.4 percent, it is the highest rate among our three major metro areas.

The U.S. Consumer Price Index (CPI) was unchanged in November but the annual rate of inflation climbed again and is now up to 2.2 percent. Medical care and energy costs have both put considerable upward pressure on the index over the past year. The average 30-year fixed mortgage interest rate hovered at just over 6 percent for most of December and should finish the month very close to the 6.05 average for November. Earlier in the month, the Federal Reserve left the Federal Funds rate unchanged, following the 50 basis point reduction in November. The Fed kept its "balanced" outlook in its statement, a likely indication that the economy is expected to work its way through the present "soft spot" without a change in interest rates.