

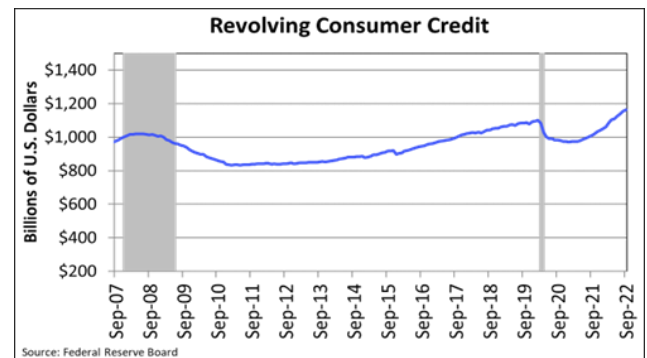
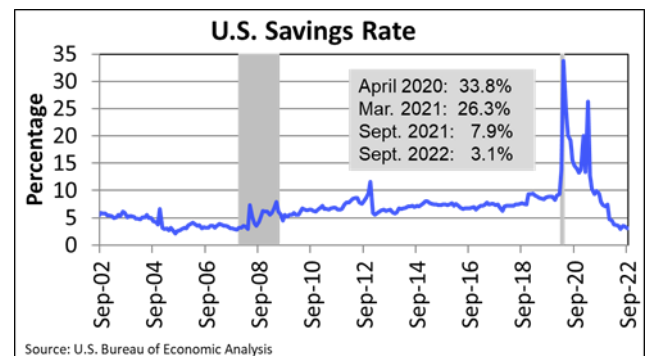
El Paso County Economic & Workforce Progress Report (EPR)

Highlights—November 2022

Monthly Unemployment Rates {Page 3} modestly increased in October for the U.S. (3.3% in September to 3.4%), Colorado (3.2% to 3.5%) and El Paso County (3.5% to 3.8%). Most people are wondering if the interest rate hikes and ensuing economic slowdown will materially impact employment levels. That really depends on the severity of the contraction, although I have been saying for a while alongside other economists that we are not as likely to see large spikes in unemployment rates as we have in other downturns. Since World War II, there have been 12 significant economic downturns that have caused the unemployment rate to increase on average by about four percentage points. I don't think it's likely that unemployment rates will increase that much, mostly due to the demographic factors I have cited before. We have a very real shortage of working age individuals, especially with the right skill set. Today's **Job Openings {Page 3}** also confirm some cooling in the job market with 10.3 million openings in October (versus 10.7 in September), and quit rates back to pre-pandemic levels, but nothing thus far showing a monumental shift in employment. Note that the 10.3 million job openings in October is still well above the 7.2 million average in 2019.

Currently, the not-seasonally-adjusted U.S. unemployment rate is 3.4% and a more modest increase to 5.0% would a) translate to a loss of about 2 million jobs, and b) still represent a low unemployment rate close to the "natural" rate of unemployment as people "naturally" move from one job to another. Having said that, I still worry about even "modest job losses" of 2 million. Those are still working individuals/families with bills to pay at a time when inflation is significantly elevated.

On that note, let's talk about how people are paying for elevated prices. First, **Inflation {Page 3}** did moderate some in October, falling to 7.7% year-over-year versus the September annual increase of 8.2%. The particularly good news was that declines in prices were across most categories signaling that the October moderation in prices might have legs. I also track the cost of shipping containers, and those transport prices (in addition to moderating gas prices for truck transport) have fallen to almost pre-pandemic levels. This does not change, however, that stability in prices usually translates to an annual increase of only 2.0%, and we are a long way from there. What worries me most is that consumers appear to be eroding some of their savings to pay for goods and services and that is in the absence of purchasing homes, cars, and large durable goods the way consumers did when interest rates were low. I have been including the two charts on your right in recent presentations to show savings rates have eroded to 3.1% while reliance on credit has been increasing. And the cost of the credit has also been increasing due to higher interest rates. By way of reference, the savings rate in January of 2020 was 9.1%. Between inflation, eroding savings with more borrowing, and more uncertainty about the economy, consumers were even less confident in November with a 56.8 index versus October (59.8 index) according to the **University of Michigan Consumer Sentiment {Page 3}**.



As we head into the holidays, another important point is that retail sales are still strong and that is due to both higher prices (since retail sales are measured in dollars) and due to strong purchasing by consumers. I am not keen on the combination of using credit to pay for both essentials and extras while savings rates are declining. That's stating the obvious of potential financial insolvency. But what's more is that if consumers continue to purchase, producers do not have much incentive to reduce prices. And that makes it harder to tame inflation.

If we examine the local job market, the data supports that employment levels are not likely to fall off a cliff as much as they are likely to moderate in growth. **Colorado Springs Job Openings {Page 4}** declined very

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slightly from September (23,936 openings) to October (23,771) and the total number of people unemployed ticked up (+1,046). This translated to 0.55 available workers per job opening in September to 0.60 workers to openings in October: still a very tight labor market.

The State Demography Office (SDO) just released their updated **Population Estimate {Page 5}**, and it's worth noting that they had significantly reduced their population projections through 2050 during the pandemic for both the state and El Paso County. I didn't agree with the level of those reductions, especially the local projections, mostly because of the continued regional growth in both multi and single-family permitting (with high absorption rates) during the pandemic years. It is true that virtually all U.S. regions are seeing lower population growth rates or even reductions in population and that is due to declining birth rates that started many years ago, more elderly deaths as well as COVID-related deaths, and lower rates of immigration. However, the level of (regional) demand for new housing was just too high for me to be convinced of the SDO's lower population projections. As the SDO obtained more data and tried to fill in holes from the 2020 Census data, they have indeed again revised up our population projections for 2050 to 1,004,028 people for El Paso County although they further revised down their 2050 population projections for the state (from 7.6m to 7.5m). I take this as a signal that much of the (moderated) growth in Colorado will occur in El Paso County – and that I agree with.

Please note we have added a chart to the demographics section showing the **Percentage of People of Color {Page 5}** in Colorado by age cohort. Currently, Colorado has 43% of its children as people of color and that will rise to 53% by 2050 (so a majority). For ages 18-64, that percentage will change from 32% currently to 46% by 2050 and for ages 65+, the percentage will change from 17% to 30%. Given these demographic shifts, it will be particularly important to ensure that people of color have access to not only excellent K-12, but also postsecondary training that is relevant and affordable. That ensures a stable and qualified workforce since people of color will comprise about half of the Colorado workforce by 2050.

Home Prices {Page 6} have indeed declined from Q2 to Q3 of this year in the U.S. and in all the regions tracked on the table on page 6. Specifically, U.S. prices went from \$413,500 (Q2) to \$398,500 (Q3). In Colorado Springs, the median existing home price went from \$480,900 to \$462,200. Note that all regions on that table still have positive year-over-year increases although they are in the single digits (while they were in the high double digits for much of the pandemic period). It's also worth noting that **Building Permits {Page 6}** for both single and multi-family have also come down in recent months even before winter weather has settled in. Nationwide, single-family housing starts are down 20.8% and declines happened across all U.S. regions.

Lastly, we are now including some new metrics. This includes annual metrics on **Air Quality {Page 7}** and there you will notice that our region exceeds U.S. standards for ozone as measured at USAFA and Manitou Springs. I am part of a committee convened by the Pikes Peak Area Council of Government that is looking at how to raise awareness and hopefully mitigate the air quality challenges especially as they relate to transportation.

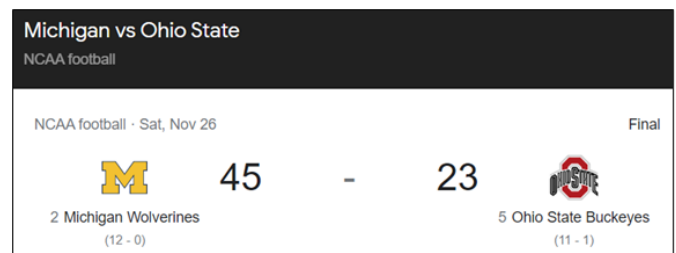
We also have U.S., Colorado Springs and a couple of peer cities' crime-related information including **Property Crimes per 100,000 inhabitants, Homicides per 100,000, Sworn Police Officers per 10,000, and International Mortality Rates due to Homicide per 100,000 {Page 7}**. All data is the most recent available although many updates are likely coming during the month of December.

Always lots to talk about so I guess I shouldn't mention (especially to OSU fans) the BIG Michigan win over Thanksgiving weekend?? How it was a complete blowout?? How my whole family is especially thankful and blissful??

(OSU fans can request to be deleted from this distribution list if they so desire at either email address below).

Thank you and enjoy the rest of your week!

Tatiana (tbailey@ddestrategies.org) & Rebecca (rwilder@ddestrategies.org)



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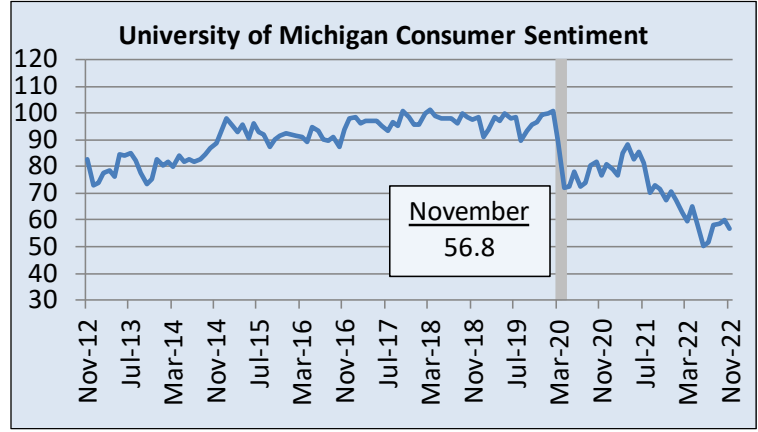
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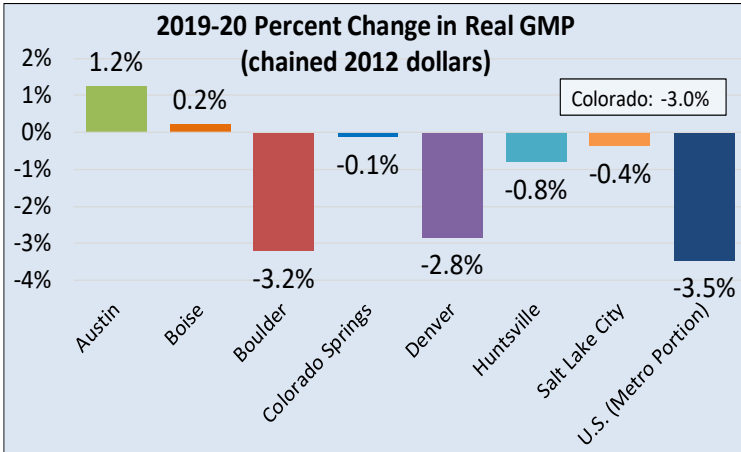
MACROECONOMIC "BIG PICTURE" (PAGE 3)



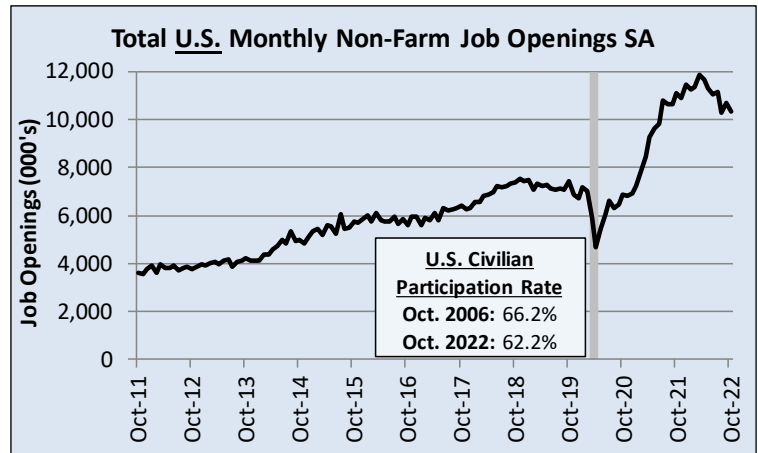
*Estimate of real GDP percent change from same quarter a year ago, SA
 **If quarterly changes were annualized over the year.
 Source: U.S. Bureau of Economic Analysis



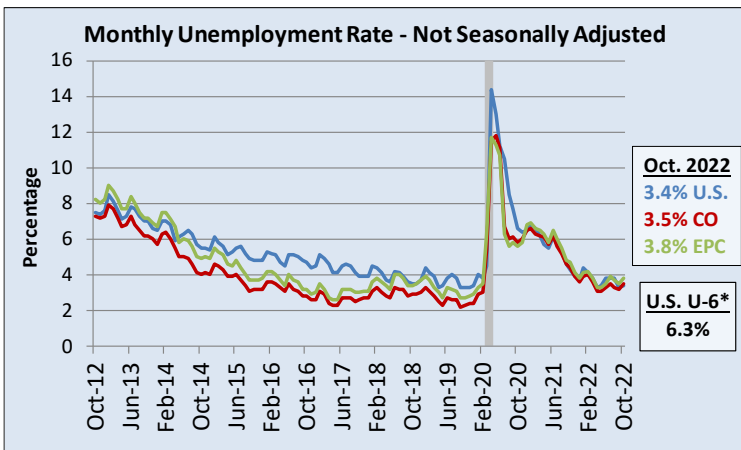
Source: University of Michigan



Note: Data includes military. Real GMP is adjusted for regional price parity (RPP). This regional data lags ~23 months.
 Source: U.S. Bureau of Economic Analysis



Source: U.S. Bureau of Labor Statistics; Job openings data lags.

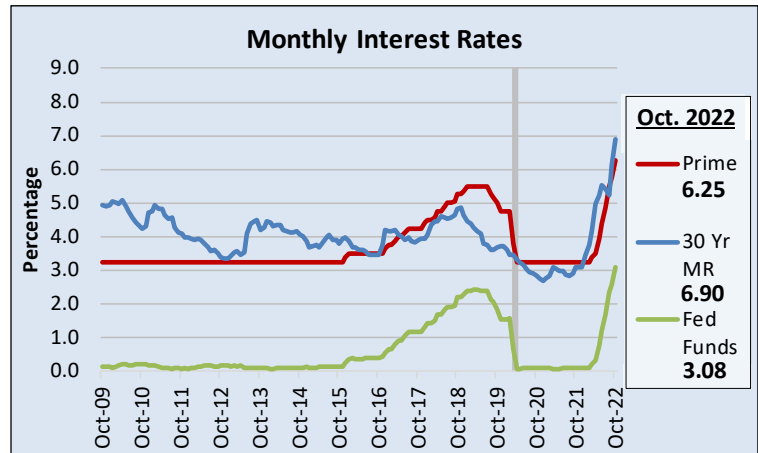


Note: Data not seasonally adjusted (NSA) to enable comparisons with counties.
 *U-6 includes unemployed, those marginally attached to the labor force, plus those employed part time who would prefer full-time work.
 Sources: U.S. Bureau of Labor Statistics; CO Dept. of Labor & Employment

U.S. Consumer Price Index - October 2022		
	All items	Less food & energy
Change from September to October 2022 (SA)	0.4%	0.3%
Last 12-months (NSA)	7.7%	6.3%

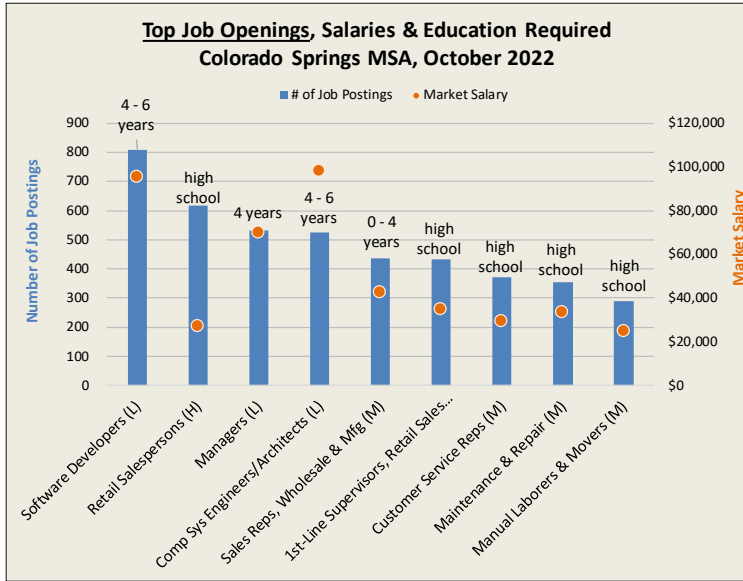
The 2022 Q2 cost of living in the Colorado Springs MSA was 104.1% of the U.S. according to COLI.org data provided by the CS CEDC.

Source: U.S. Bureau of Labor Statistics; all urban consumers (CPI-U)



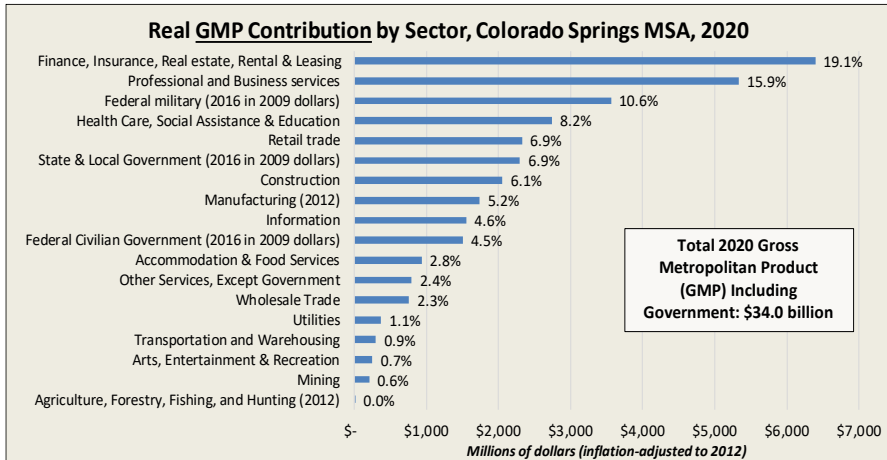
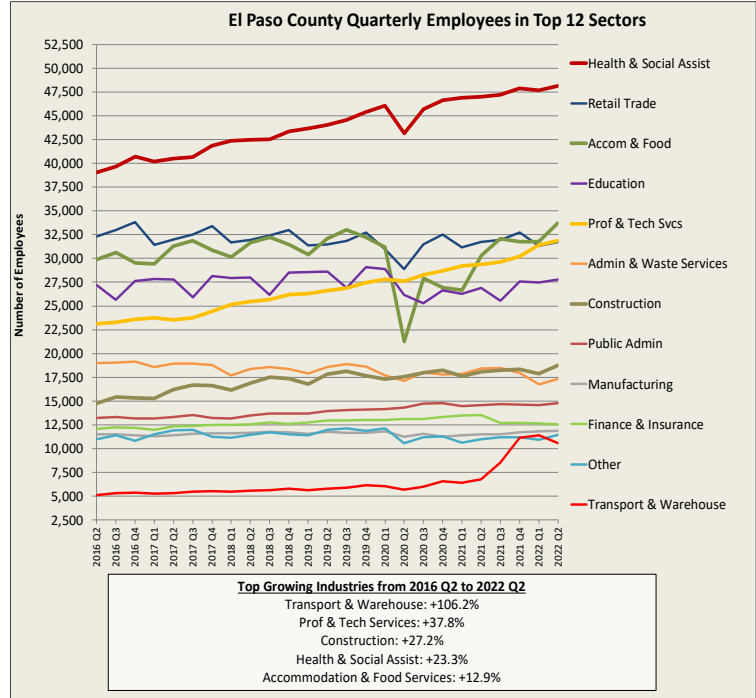
Source: Board of Governors of the Federal Reserve System

LOCAL LABOR MARKET (PAGE 4)

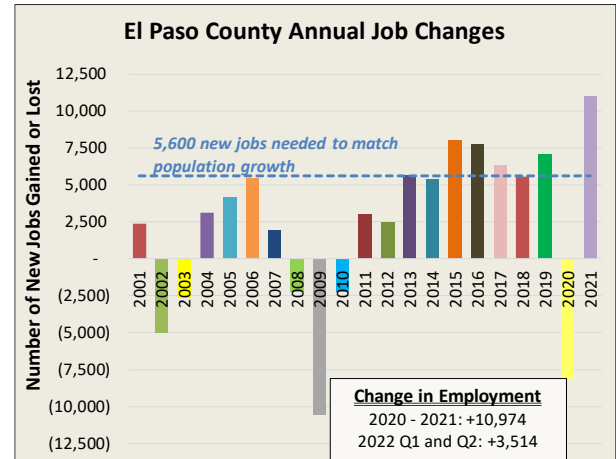


TOTAL Job Openings: 23,771
TOTAL Unemployed: 14,224
Workers Available per Job Opening: 0.60

Risk of Automation: L = Low; M = Medium; H = High
 *Some months may lag for this ratio due to timing of data releases for number of unemployed from CDLE.
 Sources: The Conference Board® Lightcast.io via Pikes Peak Workforce Center; CO Dept. of Labor & Employment



Manufacturing and Agriculture data last disclosed in 2012. Government data is no longer released by sector so data shown is for 2016 in 2009 dollars. GMP (local) data lags by approximately 23 months. GMP is the same as GDP for the nation but at the local level.
 Source: U.S. Bureau of Economic Analysis



An estimated 5,600 new jobs are needed based upon population growth and age composition. This QCEW data lags up to three quarters and includes public and private employment, but not military-related employees.
 Source: CO Dept. of Labor & Employment, Quarterly Census of Employment and Wages (QCEW)

2021-22 Minimum Wage & Living Wage El Paso County

	Wage/Hr	Annualized
Minimum wage salary for full-time worker	\$12.56	\$26,125
Living wage: HHs with 1 adult, 2 children	\$44.08	\$91,686
Living wage: HHs with 2 adults (1 working), 2 children	\$38.45	\$79,976
Living wage: HHs with 2 adults* (2 working), 2 children	\$24.93	\$51,854

*Living wage is for each working adult. For specifics, go to livingwage.mit.edu.

Note: QCEW data does not include military-related employees. Military employment includes USAFA, Schriever, Fort Carson, Peterson & Cheyenne Mountain.
 Sources: U.S. Bureau of Labor Statistics and Colorado Department of Labor and Employment, QCEW; Local military installations; U.S. Census Bureau, American Community Survey 1-year estimates; U.S. Department of Health & Human Services; MIT Living Wage Calculator

2022 Q2 Average Annual Wages for All Industries

El Paso County wages are 11.3% lower than U.S. wages and 15.7% lower than CO wages.

U.S.	Colorado	El Paso County
\$67,288	\$70,772	\$59,696

2022 Q2 El Paso County Total Employment (excluding military)
297,867

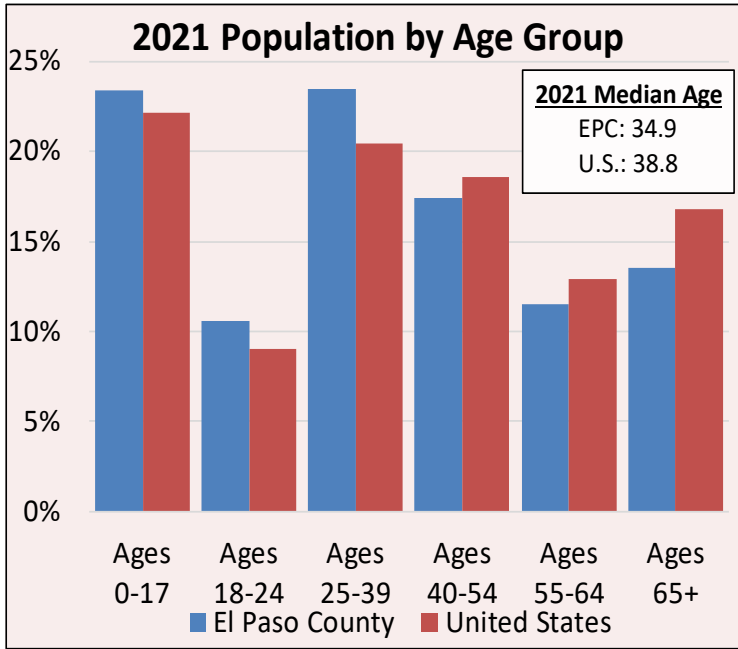
***Estimated military employment in 2021 (and % of total EPC who are military).**
61,489 (17.4%)

2021 Federal Poverty Level (FPL)

	El Paso County	U.S.
% people at FPL or below	9.6%	12.8%

Note: FPL in 2021 was \$12,880 for an individual and \$26,500 for a family of four.

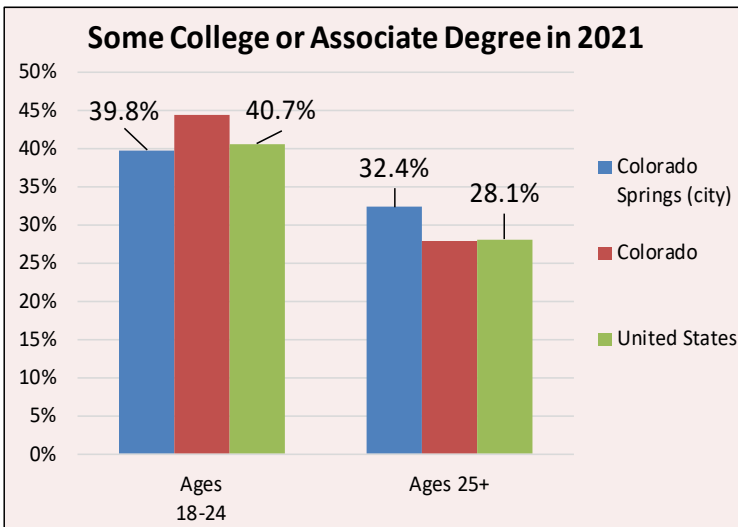
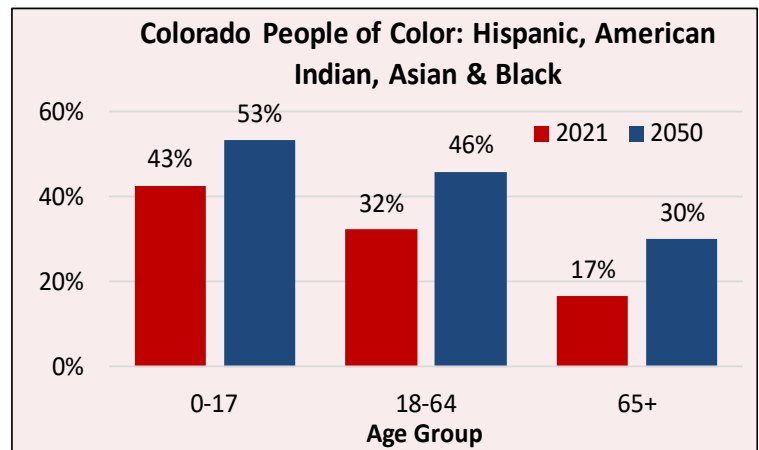
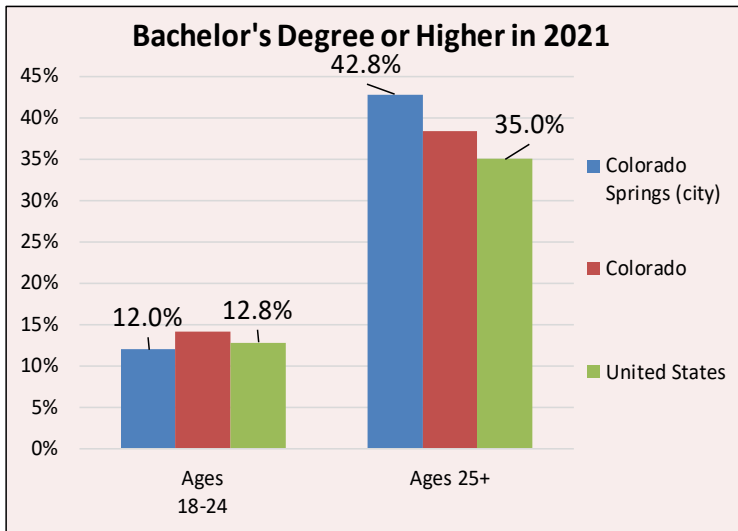
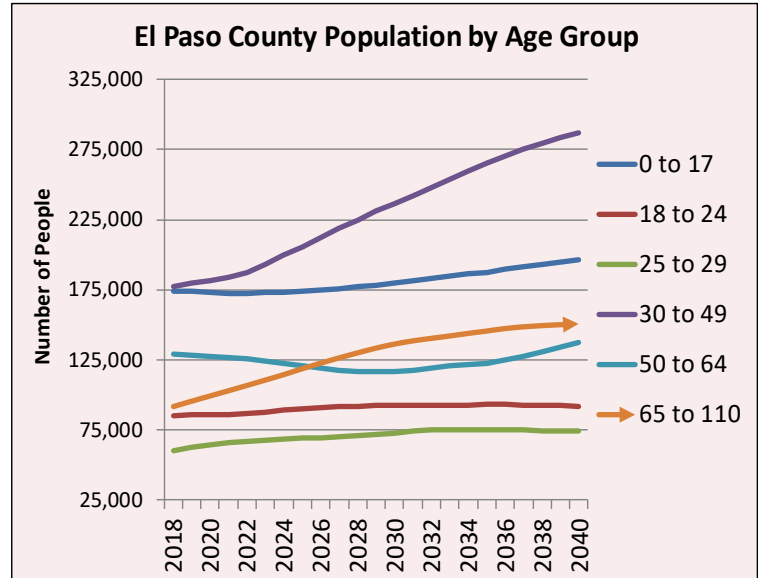
DEMOGRAPHICS (PAGE 5)



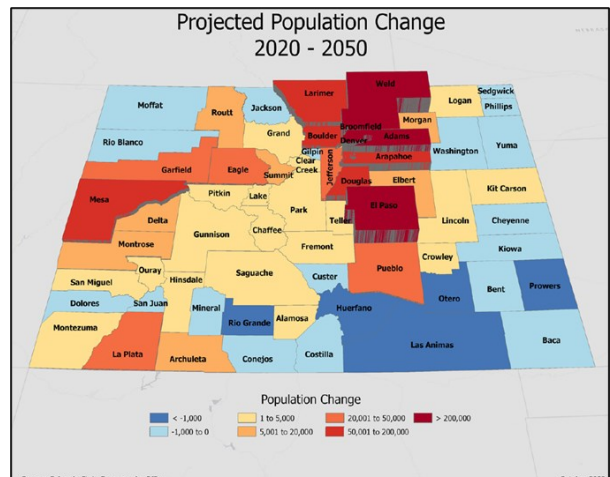
Sources: State Demography Office; U.S. Census Bureau, Population Division; Age groups from the U.S. Census Bureau's Population Estimates Program.

Population Estimates

	2021	2050
El Paso County	738,532	1,004,028
Colorado	5,814,707	7,486,286

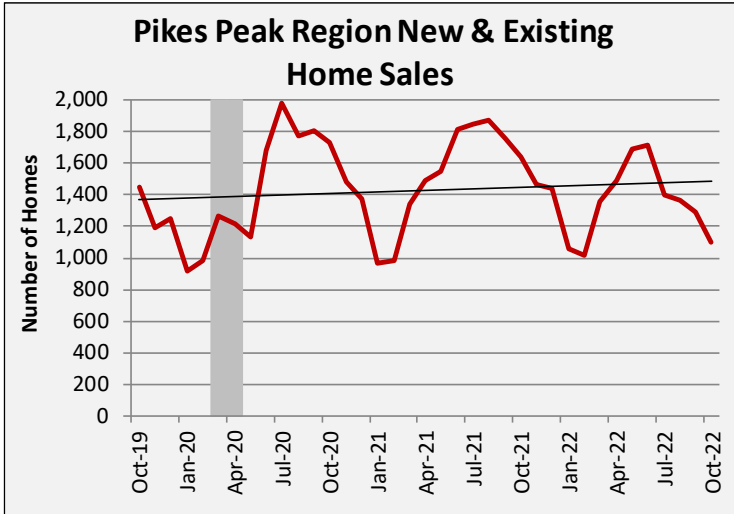


Source: U.S. Census Bureau, American Community Survey 1-year estimates



Source: Colorado State Demography

REAL ESTATE (PAGE 6)

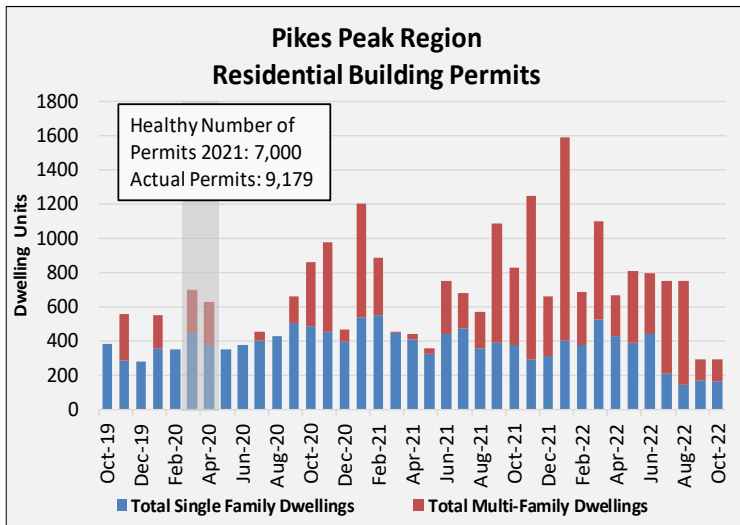


Source: Pikes Peak REALTOR® Services Corp.

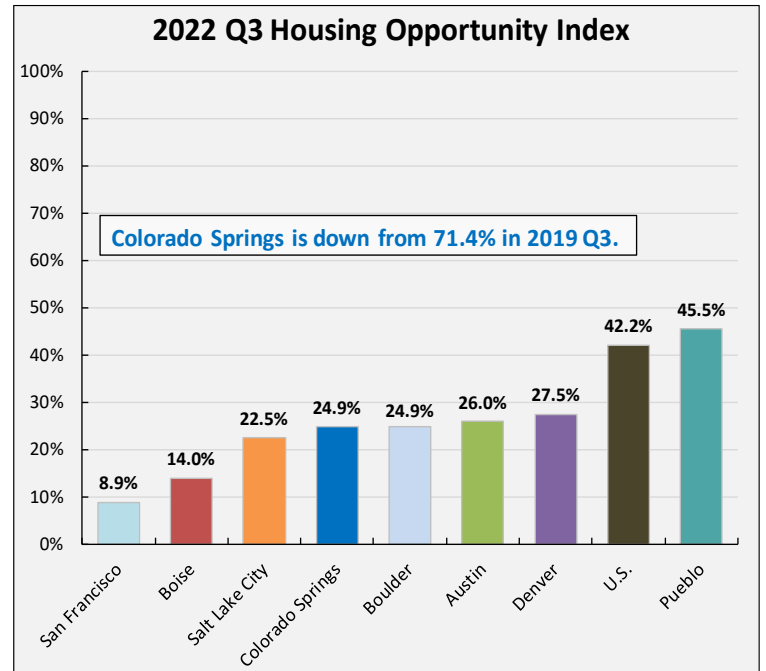
Median Existing Single-Family Home Price 2022 Q3

Location	Colorado Springs	Denver	Boise	United States
Price	\$462,200	\$666,000	\$483,800	\$398,500
1-year % Change	4.8% increase	8.3% increase	0.6% increase	8.6% increase
MSA Rank	36	14	28	n/a

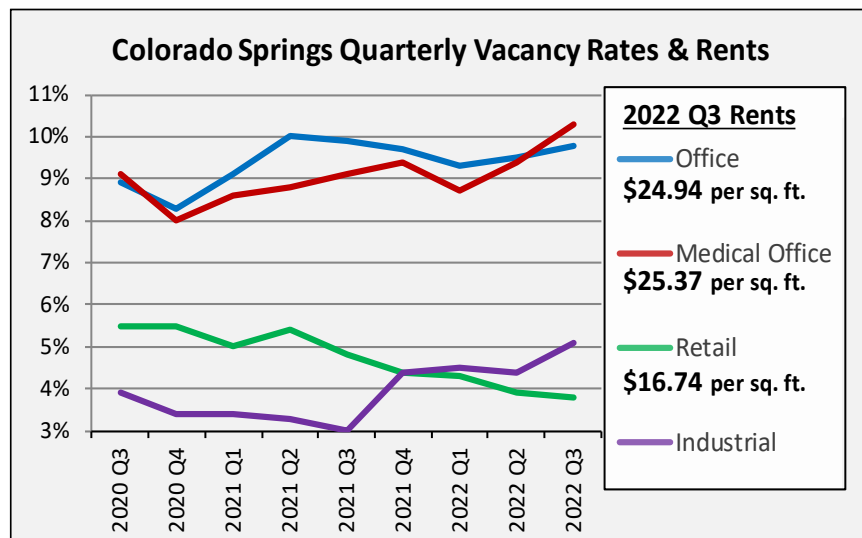
Sources: National Association of REALTORS®



The National Association of REALTORS® has calculated that the U.S. has underbuilt roughly 6.5 million homes since the Great Recession. Data-Driven Economic Strategies has calculated a local shortage of 12,351 homes.
Source: Pikes Peak Regional Building Department



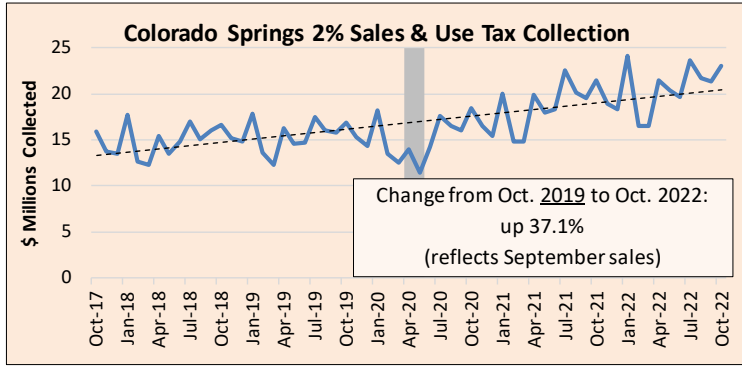
Notes: The Housing Opportunity Index (HOI) is defined as the share of homes sold in that area that are affordable to a family earning the local median income, based on standard mortgage underwriting criteria. It includes new and existing homes.
Sources: National Association of Home Builders; Wells Fargo



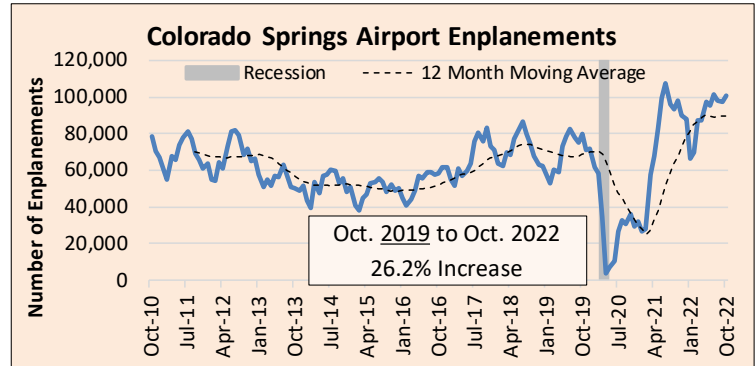
Sources: CoStar Group™; Olive Real Estate Group, Inc.

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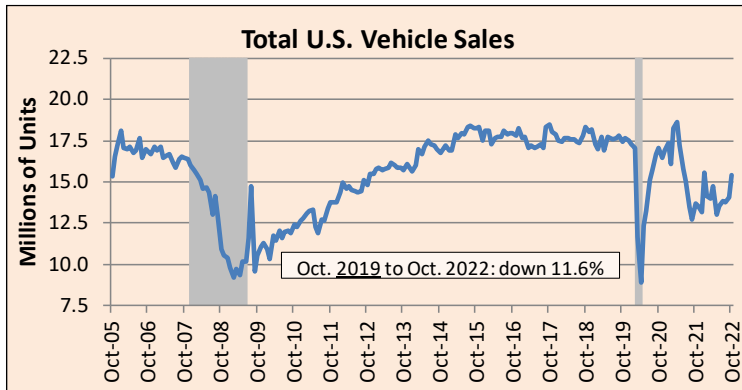
TAXATION, VEHICLE SALES, AIR QUALITY, AND TOURISM (PAGE 7)



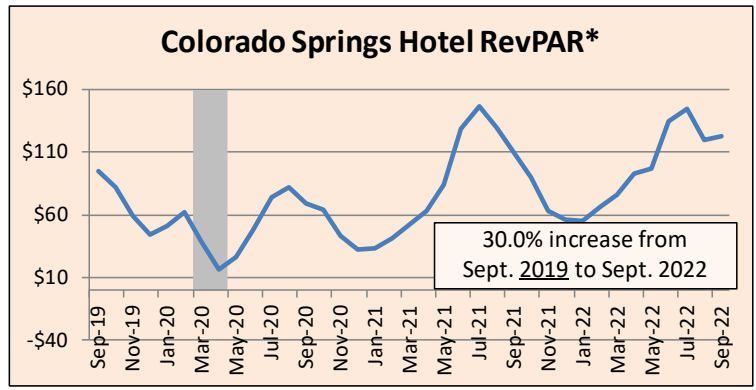
Source: City of Colorado Springs



Source: Colorado Springs Airport



Source: U.S. Bureau of Economic Analysis



2021 Air Quality		
	Colorado Springs*	U.S. Standard
Carbon Monoxide (CO) Concentration (ppm)	1.1	9.0
Particulate Matter (µg/m ³)	5.97	12.00
Ozone (ppm) at USAFA	0.73	0.70
Ozone (ppm) at Manitou Springs	0.73	0.70
Sulfur Dioxide (SO ₂) (ppb)	10.1	75.0

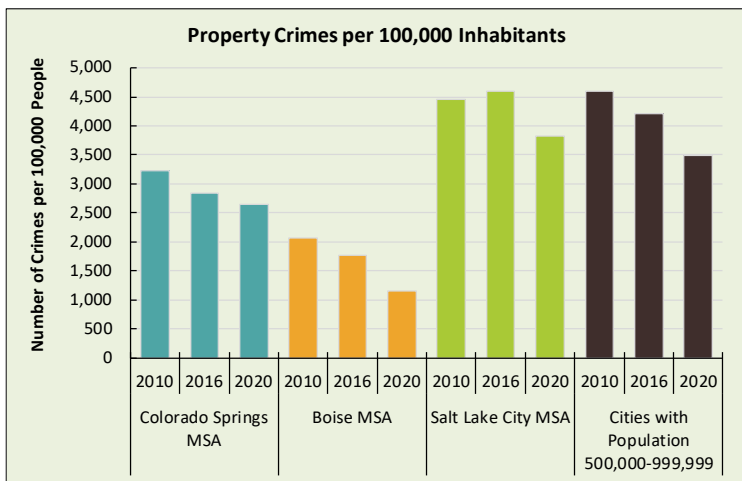
Source: Colorado Department of Public Health & Environment

Hotel Occupancy Rate September 2022			
Colorado Springs	Denver	Colorado	
79.4%	78.7%	76.3%	

Hotel RevPAR September 2022			
Colorado Springs	Denver	Colorado	
\$123.27	\$130.38	\$138.27	

*RevPAR measures hotel revenue by taking the average room rate times hotel occupancy.
Source: Colorado Hotel & Lodging Assoc., Rocky Mountain Lodging Report

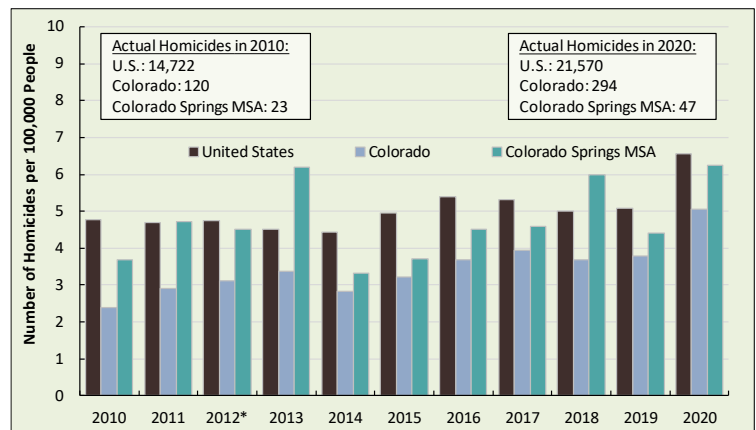
CRIME (PAGE 7)



Sworn Police Officers Per 10,000 Inhabitants in 2020	
City of Colorado Springs	14.9
Colorado Springs MSA	7.4
Cities with Population 500,000-999,999	23.2

Note: "Each year when Crime in the United States is published, some entities use reported figures to compile rankings of cities and counties. These rough rankings provide no insight into the numerous variables that mold crime in a particular town, city, county, state, or region. Consequently, they lead to simplistic and/or incomplete analyses that often create misleading perceptions adversely affecting communities and their residents. Valid assessments are possible only with careful study and analysis of the range of unique conditions affecting each local law enforcement jurisdiction. The data user is, therefore, cautioned against comparing statistical data of individual reporting units from cities, metropolitan areas, states, or colleges or universities solely on the basis of their population coverage or student enrollment."
- Federal Bureau of Investigation

Source: Federal Bureau of Investigation, Uniform Crime Report



*2012 data for the Colorado Springs MSA is from the Centers for Disease Control & Prevention.

Source: Federal Bureau of Investigation, Uniform Crime Report

2020 Mortality Rates due to Homicide per 100,000 Population				
Canada	Germany	Italy	Japan	United States
2.0	0.9	0.5	0.3	6.5

Source: UN Office on Drug and Crime's International Homicide Statistics database through The World Bank and World Population Review

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SUPPORTERS (PAGE 8)

