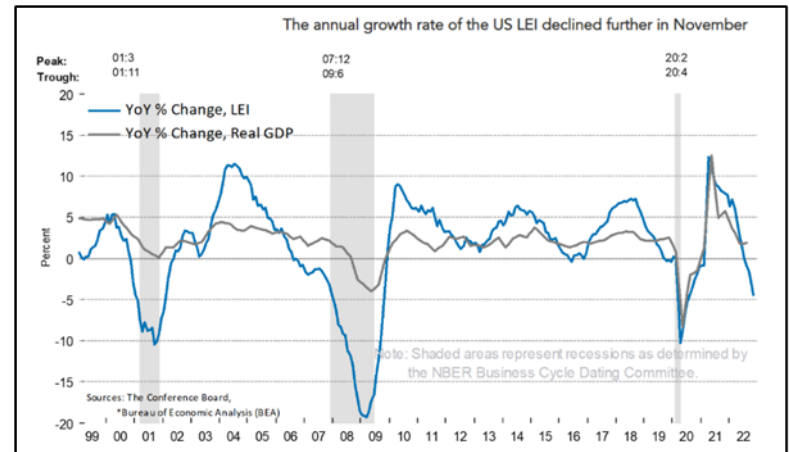


El Paso County Economic & Workforce Progress Report (EPR)

Highlights—December 2022

Real U.S. GDP {Page 3} for Q3 was revised upwards to 3.2% (up from 2.9%). This makes it appear as though we are heading into 2023 in a stronger economic position, but it's important to remember that GDP, like most economic metrics, is retrospective meaning it looks back to past months. Although it's always good news to have a stronger economic growth rate, it doesn't tell us what's ahead. For that, economists typically look at "leading indicators." I focus on an array of variables to see what's coming such as the ISM manufacturing survey, the National Federation of Independent Businesses, and "leading indices" such as the Conference Board's Leading Economic Index (LEI), which combines various forward-looking metrics (e.g., stock prices, business conditions, building permits, etc.)¹. That index has been declining over the past several months and as the chart to your right shows, the Leading Economic Index (LEI shown as blue line) correlates very well with actual growth (GDP, gray line). You can also see in the right of the graph how the blue line "leads" GDP meaning it accurately has predicted recessions over the past 20+ years. Historically, the LEI predicts a recession about seven months out. For this reason, the Conference Board is forecasting a U.S. recession to start in the first half of 2023. Others, like Wells Fargo, predict the recession will start in the second half of 2023.



I track the same metrics that make up the index, and it is hard to build a case against a recession happening sometime during 2023. As mentioned above, I especially pay attention to the surveys of businesses as well as households (consumer sentiment/confidence). Businesses report fewer orders due to softening demand, inflationary pressures, persistent problems with finding talent and having to pay higher wages (which further fuels inflation), and a rather sharp decline in demand for companies that sell to Europe.

I believe it's also important to remember the overarching context of the low **Interest Rates {Page 3}** that have been in play from 2008 to 2022. Borrowing money has been "cheap" for many years and that has buoyed demand for everything from washing machines to cars to homes to (business) credit lines. Furthermore, we've had decades of offshoring manufacturing to countries with lower labor and capital costs and that too has kept inflation at or below the 2% target. Unless we hit a harsher-than-expected recession, interest rates are likely to stay elevated through 2023 with these embedded inflationary pressures, which means the dampening impacts of higher borrowing costs will weigh on economic growth throughout the year. Additionally, although I expect **Inflation {Page 3}** to subside in 2023, I don't think we will hit the target 2% in the next 12 months. That not only ensures that interest rates will stay put around the 5% level (higher than it's been for 15 years), it also means that particularly middle and lower wage workers will be further squeezed by higher prices. I'm a bit concerned about this because of the low savings rate we currently have: 2.3% versus the 9.1% pre-pandemic. Clearly many households are using savings to counter the 7.1% inflation rate (as of November 2022). If the recession of 2023 proves to be harsher than expected, consumers don't have much of a cushion to make ends meet should they lose their jobs or should inflation stay abnormally high.

Having said all this, economists are talking a lot about the "resiliency" of the U.S. economy compared to many other developed countries. That is mostly driven by the persistent strength of the labor market. Indeed, even with some softening demand and some highly publicized and predictable layoffs in the technology and finance sectors, the **U.S.** still has 10.3 million **Job Openings {Page 3}**, which as the chart on the EPR shows, is still incredibly high by historic standards (up 43% from April 2019 to October 2022). Similarly, we have 22,158 **Job Openings {Page 4} in Colorado Springs**, which translates to 0.60 available workers for each open position. With labor demand being that high, it's no surprise that unemployment rates remain well below (what economists think of as) equilibrium at roughly 4.5%. From October to November 2022, the U.S. unemployment rate

[Page 3 - Macroeconomic "Big Picture"](#)

[Page 4 - Local Labor Market](#)

[Page 5 - Demographics](#)



[Page 6 - Real Estate](#)

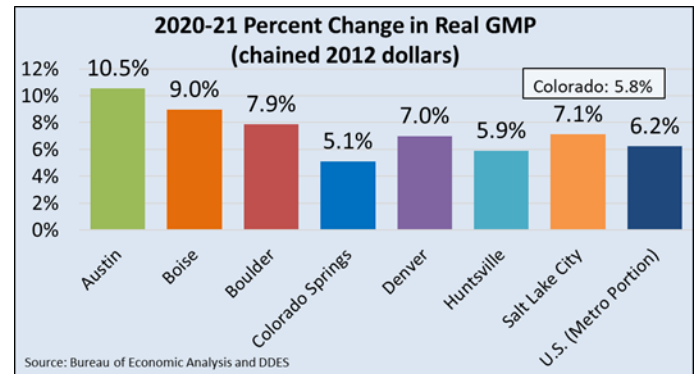
[Page 7 - Taxation, Vehicles, Air & Tourism](#)

[Page 7 - Crime & Safety](#)

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stayed at 3.4%. The Colorado unemployment rate fell from 3.5% to 3.3%, and similarly, the regional rate fell from 3.8% to 3.6%. The number of unemployed people did not change much from October to November; however, the labor participation rate did fall even further (to 62.1% from 62.2%). If you want to read more on this, I recently wrote an article on the low and still-falling labor participation rate of young men in the U.S. (<https://www.ddestrategies.org/media-articles/>). There is also a corresponding [Fox21 piece](#).

Local economic growth as measured by **Gross Metropolitan Product, or GMP, {Page 3}** for 2021 was finally released by the Bureau of Economic Analysis, and Colorado Springs grew 5.1% versus Colorado at 5.8% and the U.S. average for cities at 6.2%. This may seem unfavorable, but it's important to remember that 2021 was largely a rebound year from the drastic drop off we saw in growth in 2020. As the chart on the right shows, we did not grow as much as many of our peer cities, but our GMP also did not decline during 2020 nearly as much as other regions (at -0.1% locally versus Colorado at -3.0% and U.S. metros at -3.5%). My interpretation is that our "bounce back" was not as dramatic because the baseline dollar measure of GMP (\$34.6m in 2020) never fell as low as most other regions of the U.S. In terms of economic growth by industry, the only major change I see is that the two highest sectors in terms of **Contribution to GMP {Page 4}** both grew from 2020 to 2021: finance and insurance (up from 19.1% to 19.7%) and professional and business services (up from 15.9% to 18.1%). Professional jobs in our region have consistently shown growth over the past several years, which continues to be good news although it's also much of the reason home prices have increased as much as they have.



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Similarly, the Number of **New Jobs {Page 4}** in El Paso County in the 2021 rebound year was +10,974. By way of reference, our region lost 8,093 jobs in 2020 so we have more than recovered the pandemic-induced job losses. More good news is that the first two quarters of 2022 have brought 3,514 new jobs. If we annualize those gains, our region will once again easily surpass the number of new jobs needed to match population growth (~5,400) as measured by Rebecca, myself and validated by the State Demography Office.

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There are a few new metrics we've added to your monthly reports. **Local High School Graduation Rates and Earnings {Page 4}** show the stark discrepancy in terms of baseline educational attainment and median earnings within our region. In 2021, out of the 17 school districts in Colorado Springs MSA, Harrison School District had both the lowest graduation rate (79.9%) and the lowest median annual earnings (\$38,307). Lewis-Palmer had both the highest graduation rate (95.1%) and median earnings (\$79,865). The comparable graduation rates (81.7%) and earnings (\$57,524) for Colorado are also on that table on page 4.

The annual **Crime and Safety {Page 7}** statistics we've added show that Colorado Springs consistently has had a higher homicide rate than the state over the past 10 years. Compared to the U.S., our region's homicide rate varies year to year. Comparing the U.S. to several peer nations, the U.S. homicide rate is between 3 and 22 times higher. Traffic fatalities used to be significantly lower for El Paso County as compared to the U.S. and Colorado, but since 2020, our traffic fatalities have definitely increased. Sworn police officers in the City of Colorado Springs (15.7) and the MSA (7.1) are both significantly lower than the average U.S. city our size (22.7).

Happy, happy New Year to you and yours!

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

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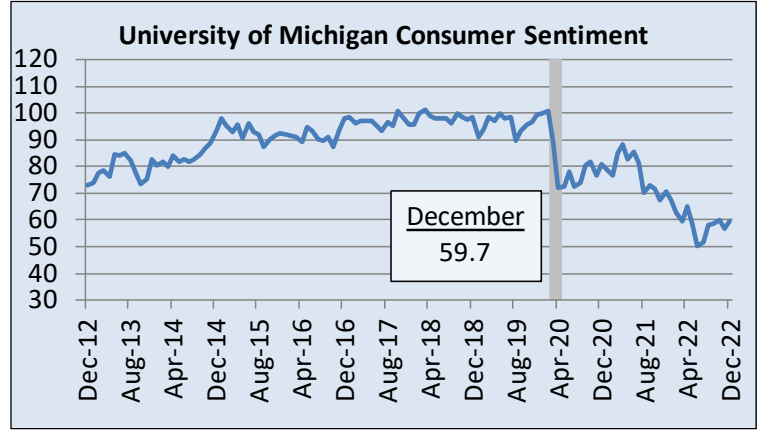
¹<https://www.conference-board.org/topics/us-leading-indicators>



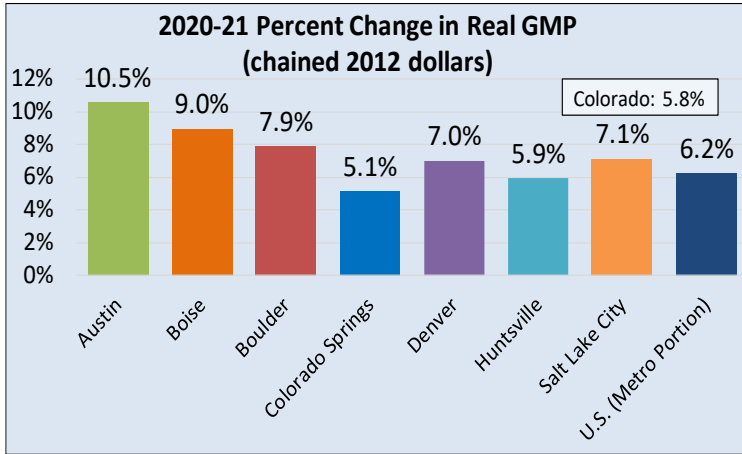
MACROECONOMIC "BIG PICTURE" (PAGE 3)



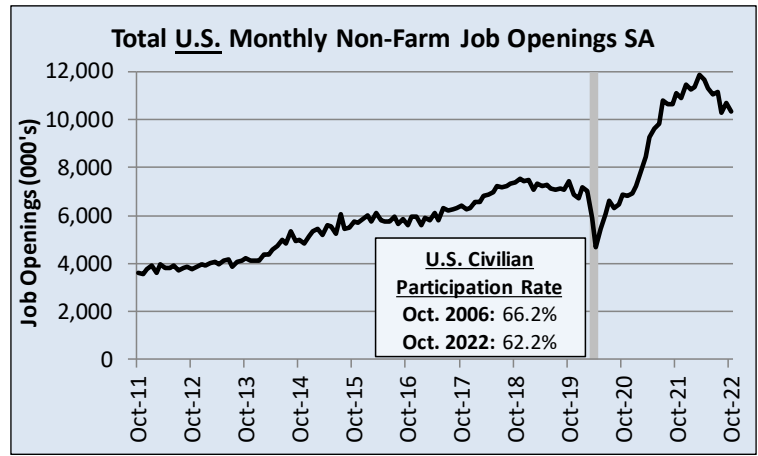
*Estimate of real GDP percent change from same quarter a year ago, SA
 **If quarterly changes were annualized over the year.
 Source: U.S. Bureau of Economic Analysis



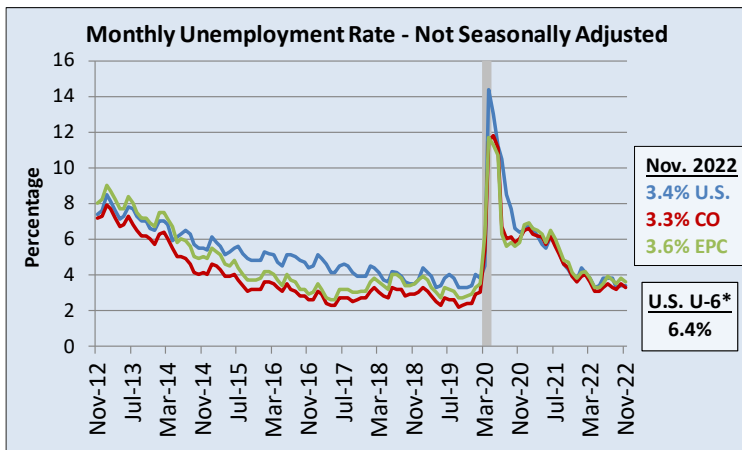
Source: University of Michigan



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.

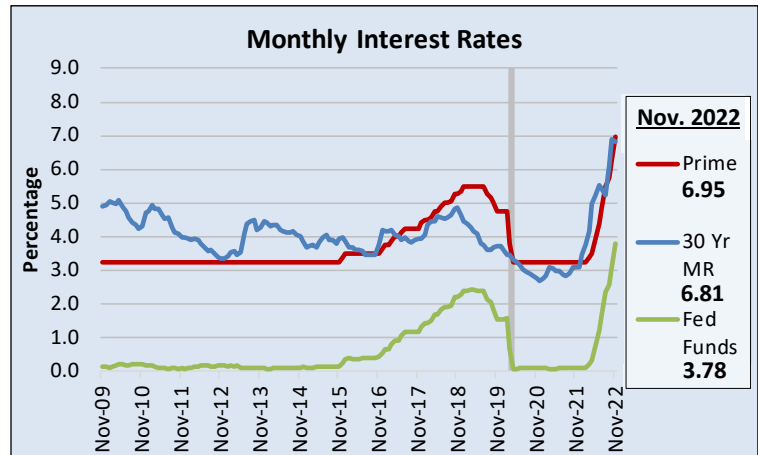


Note: Data not seasonally adjusted (NSA) to enable comparisons with counties.
 *U-6 includes unemployed, those marginally attached to the labor force, plus those employed part time who would prefer full-time work.
 Sources: U.S. Bureau of Labor Statistics; CO Dept. of Labor & Employment

U.S. Consumer Price Index - November 2022		
	All items	Less food & energy
Change from October to November 2022 (SA)	0.1%	0.2%
Last 12-months (NSA)	7.1%	6.0%

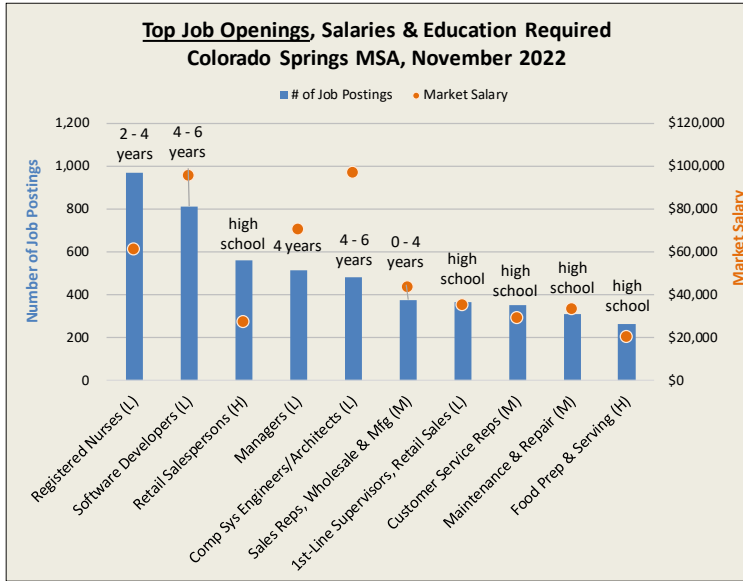
The 2022 Q2 cost of living in the Colorado Springs MSA was **104.1%** of the U.S. according to C2ER data provided by the CS CEDC.

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

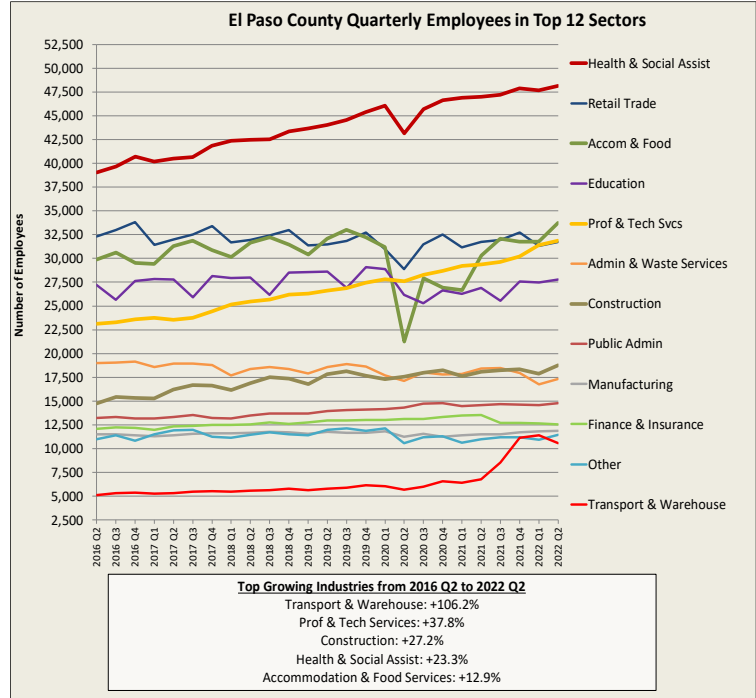


Source: Board of Governors of the Federal Reserve System

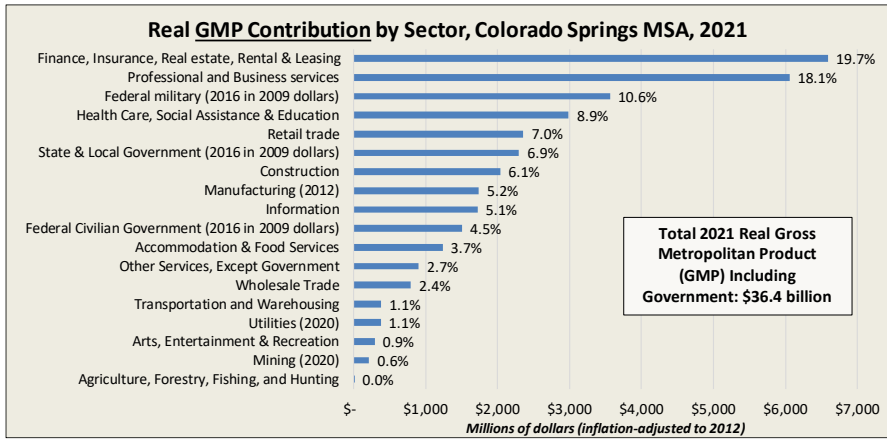
LOCAL LABOR MARKET (PAGE 4)



TOTAL Job Openings: 22,158
TOTAL Unemployed: 13,381
Workers Available per Job Opening: 0.60

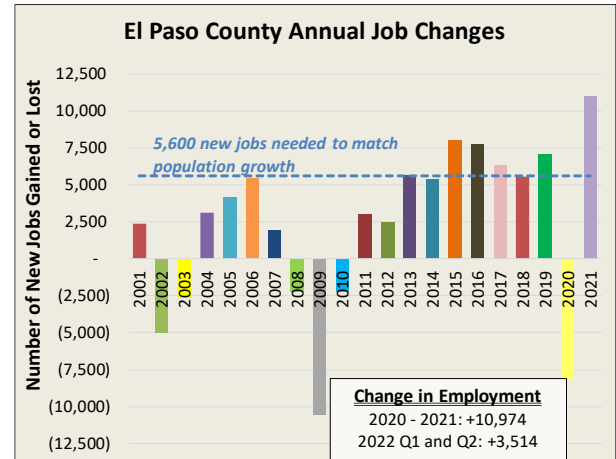


Risk of Automation: L = Low; M = Medium; H = High
 *Some months may lag for this ratio due to timing of data releases for number of unemployed from CDLE.
 Sources: The Conference Board® Lightcast.io via Pikes Peak Workforce Center; CO Dept. of Labor & Employment



Total 2021 Real Gross Metropolitan Product (GMP) including Government: \$36.4 billion

Manufacturing data last disclosed in 2012. Utilities and Mining data last disclosed in 2020. 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



Change in Employment
 2020 - 2021: +10,974
 2022 Q1 and Q2: +3,514

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)

School District	H.S. Grad Rate	Median Earnings
Harrison D2	79.9%	\$38,307
Lewis-Palmer D38	95.1%	\$79,865
Colorado	81.7%	\$57,524

Source: U.S. Census Bureau, American Community Survey 5-year estimates

	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.

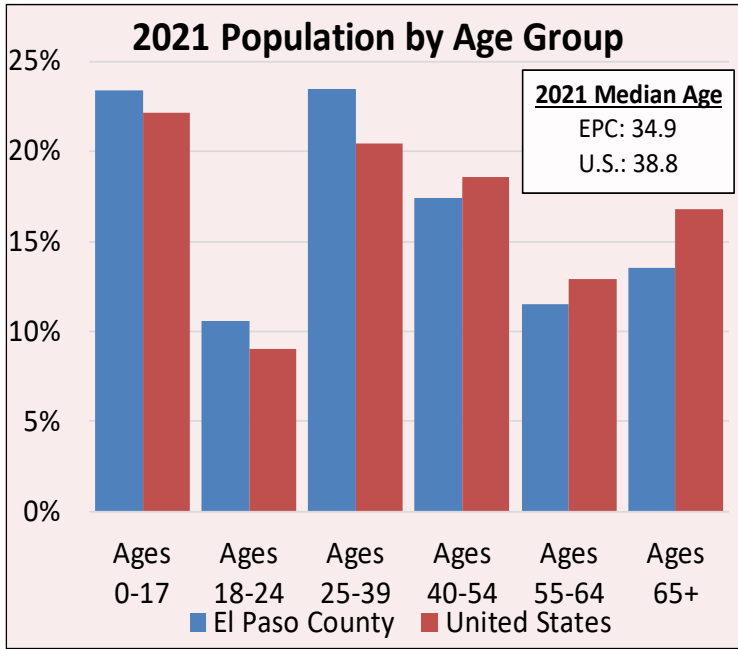
	Wage/Hr	Annualized
Minimum wage salary for full-time worker	\$12.56	\$26,125
Living wage: HHS with 1 adult, 2 children	\$44.08	\$91,686
Living wage: HHS with 2 adults (1 working), 2 children	\$38.45	\$79,976
Living wage: HHS with 2 adults* (2 working), 2 children	\$24.93	\$51,854

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

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%)

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

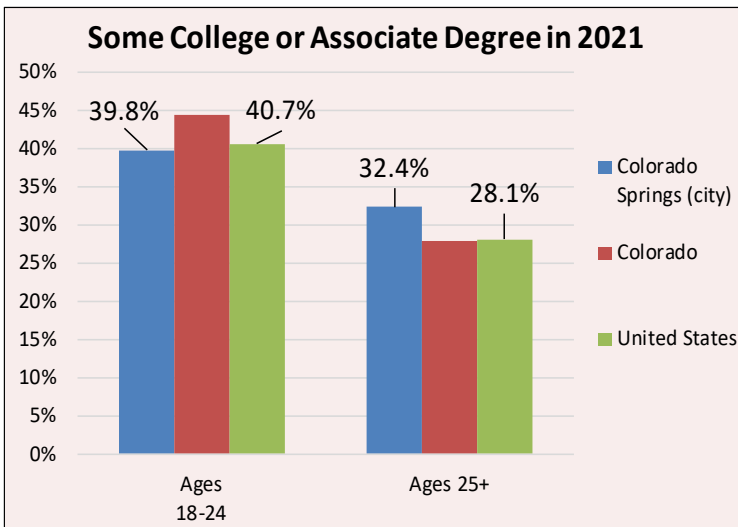
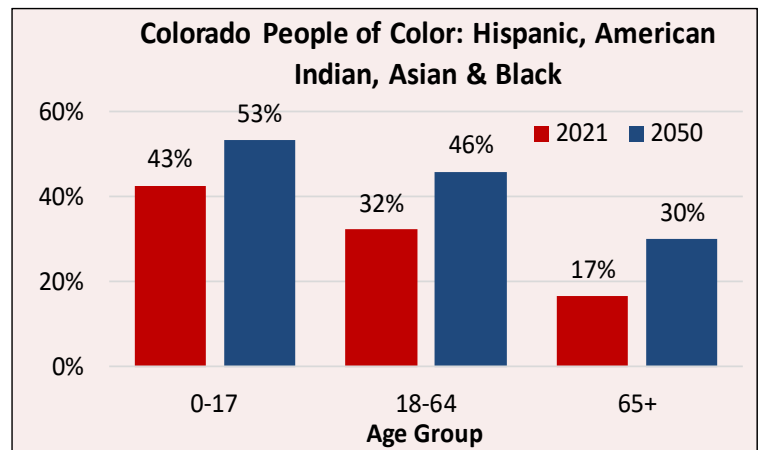
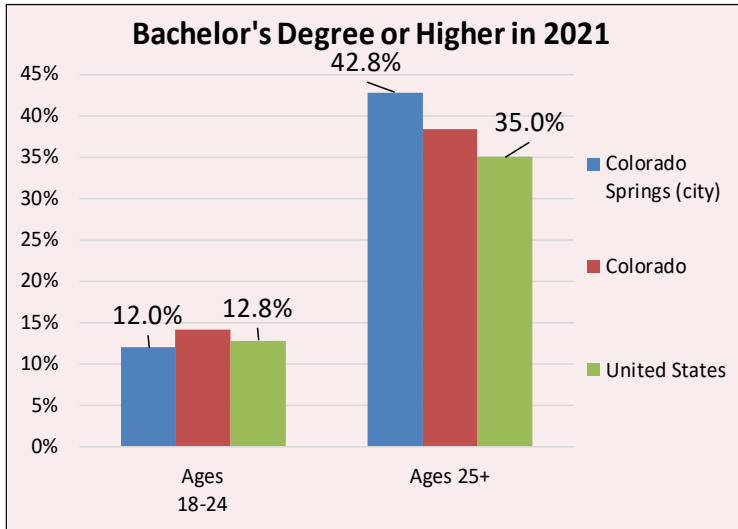
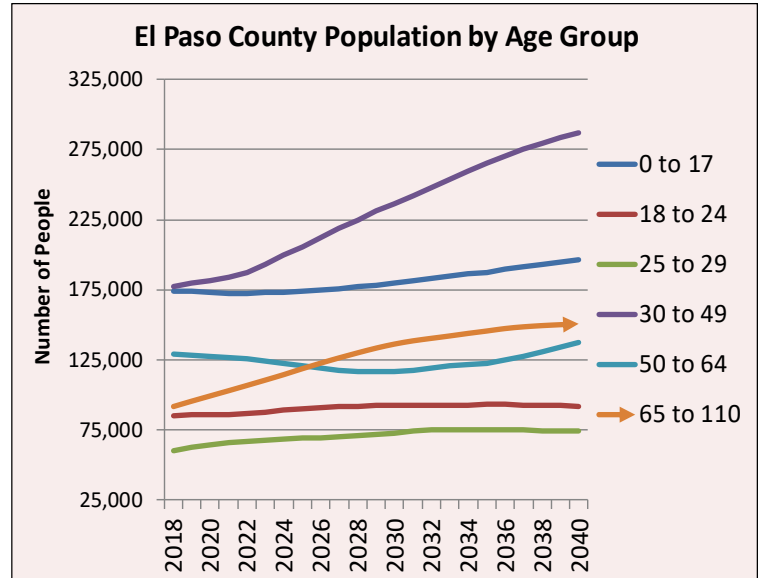
DEMOGRAPHICS (PAGE 5)



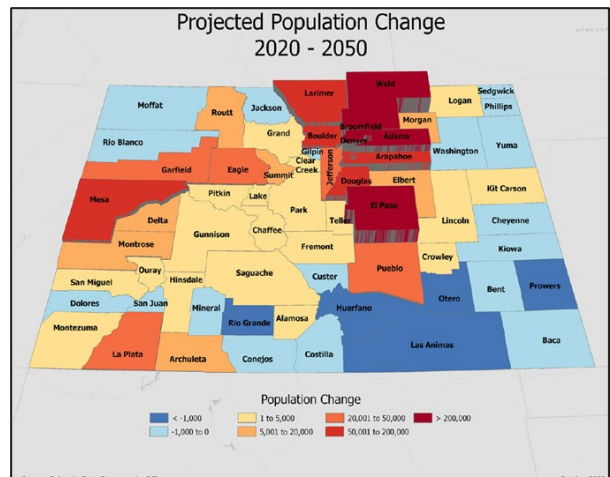
Sources: State Demography Office; U.S. Census Bureau, Population Division; Age groups from the U.S. Census Bureau's Population Estimates Program.

Population Estimates

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

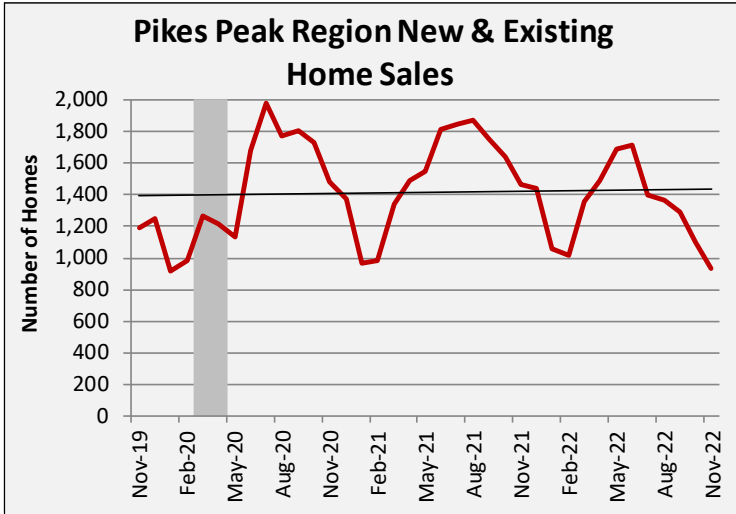


Source: U.S. Census Bureau, American Community Survey 1-year estimates



Source: Colorado State Demography

REAL ESTATE (PAGE 6)

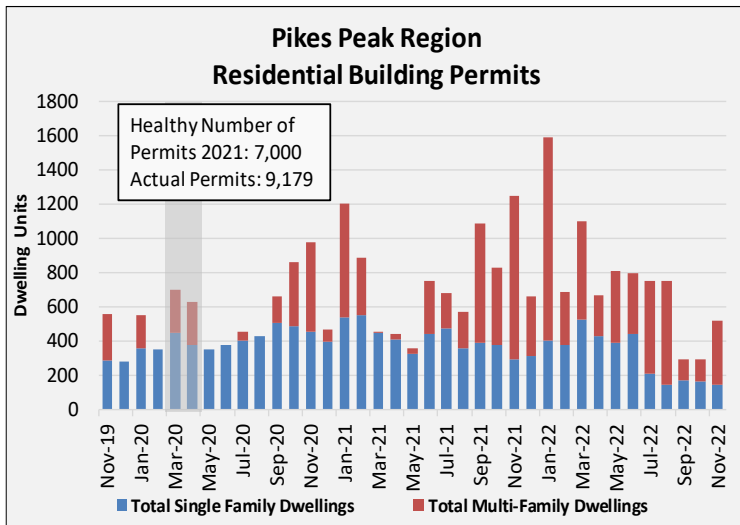


Source: Pikes Peak REALTOR® Services Corp.

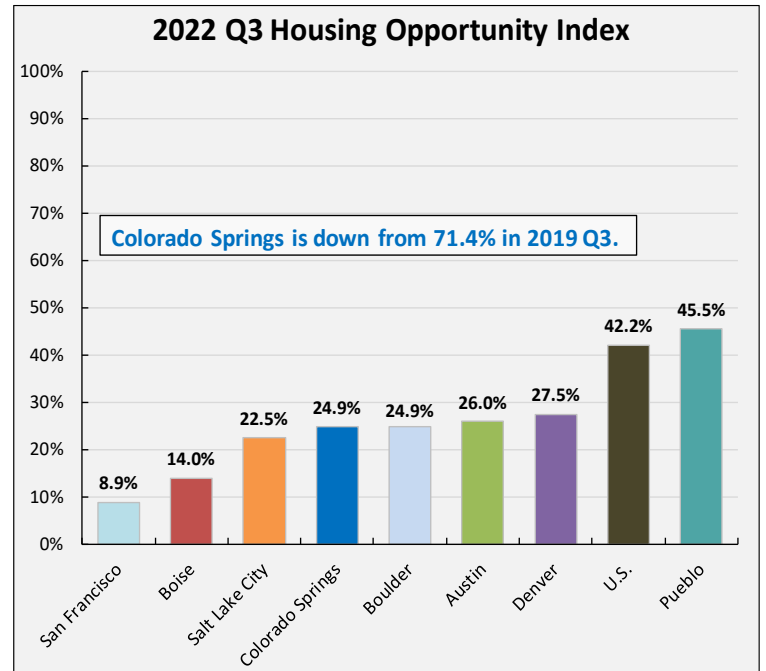
Median Existing Single-Family Home Price 2022 Q3

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

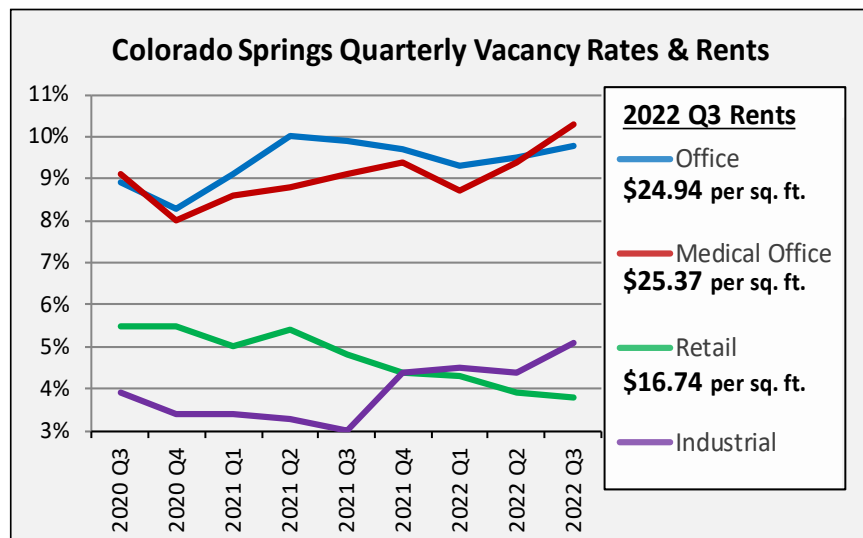
Sources: National Association of REALTORS®



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



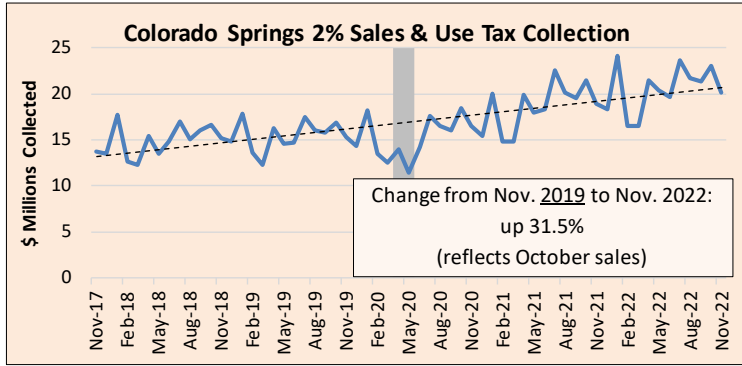
Notes: The Housing Opportunity Index (HOI) is defined as the share of homes sold in that area that are affordable to a family earning the local median income, based on standard mortgage underwriting criteria. It includes new and existing homes.
Sources: National Association of Home Builders; Wells Fargo



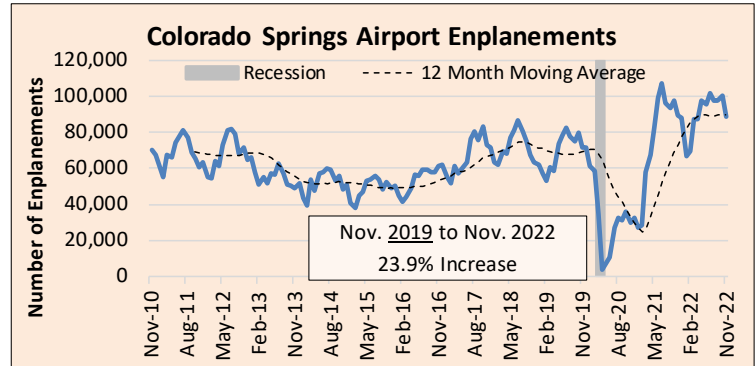
Sources: CoStar Group™; Olive Real Estate Group, Inc.

El Paso County Economic & Workforce Progress Report (EPR)

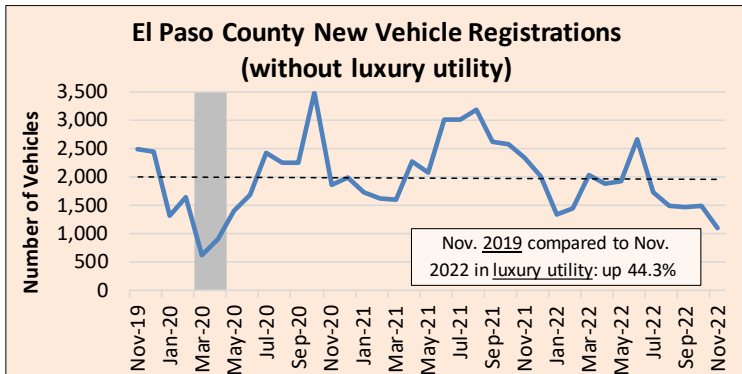
TAXATION, VEHICLE SALES, AIR QUALITY, AND TOURISM (PAGE 7)



Source: City of Colorado Springs

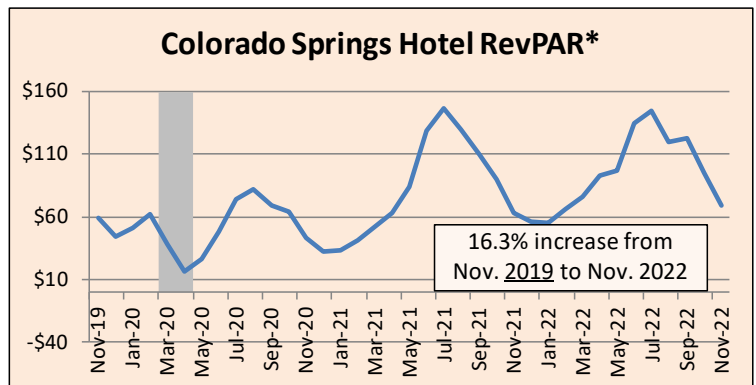


Source: Colorado Springs Airport



Note: Luxury utility categories (all terrain, camper trailer, trailer coach and trailer utility) are not included in graph line above, but % change in this category is noted in text box.

Source: Colorado Interactive LLC



Hotel Occupancy Rate November 2022		
Colorado Springs	Denver	Colorado
58.7%	59.4%	55.7%

Hotel RevPAR November 2022		
Colorado Springs	Denver	Colorado
\$68.92	\$81.77	\$78.16

*RevPAR measures hotel revenue by taking the average room rate times hotel occupancy.

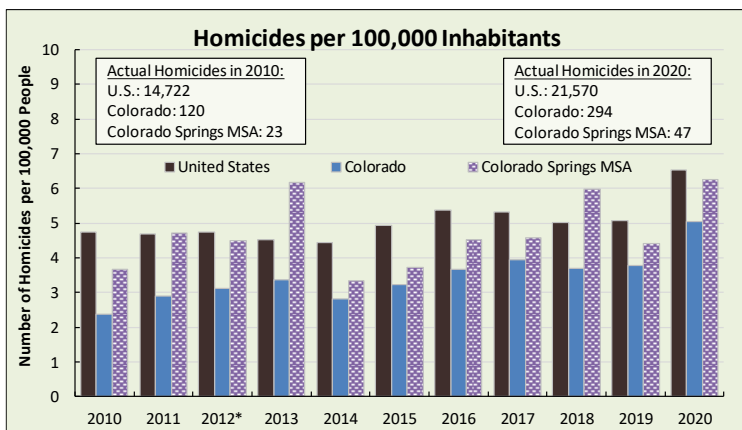
Source: Colorado Hotel & Lodging Assoc., Rocky Mountain Lodging Report

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

*Locations of measurements: CO at 690 W. Hwy 24; Particulate Matter at Colorado College; SO₂ at Hwy 24

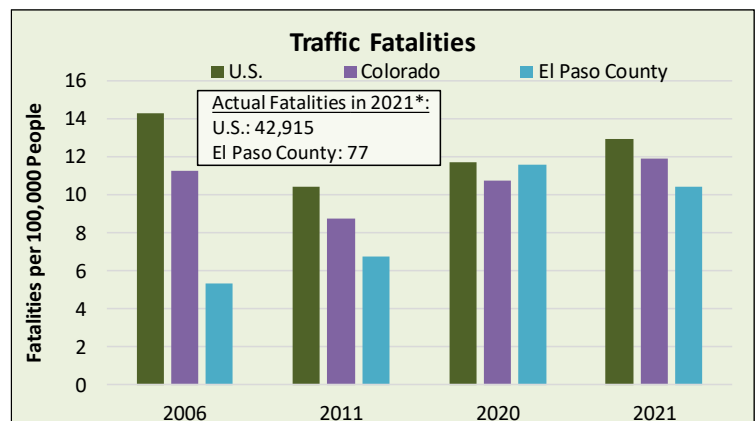
Source: Colorado Department of Public Health & Environment

CRIME & SAFETY (PAGE 7)



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

Source: Federal Bureau of Investigation, Uniform Crime Report



Sources: National Highway Safety Administration; Colorado Department of Transportation; World Bank; Colorado State Demography Offices; Data-Driven Economic Strategies

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

Sworn Police Officers Per 10,000 Inhabitants in 2021	
City of Colorado Springs	15.7
Colorado Springs MSA	7.1
Cities with Population 500,000-999,999	22.7

Source: Federal Bureau of Investigation, Uniform Crime Report

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

[Return to highlights](#)

SUPPORTERS (PAGE 8)

