

El Paso County Economic & Workforce Progress Report (EPR)

Highlights—February 2023

Hello! Here you have the data points that stand out to me as most relevant for the February EPR (Economic Progress Report).

Consumer Sentiment {Page 3} increased to 67.0 in February, up from 64.9 in January. Despite all the economic uncertainty, consumer confidence is up for the third consecutive month and is now 17 points above the low point in June 2022 when gas prices skyrocketed. Wealthier consumers with larger stock holdings had the large increases in sentiment and those (bougie) consumers pulled up the overall sentiment index. As the graph shows, despite the more recent improvements, consumer confidence is still about 20 points below its historic average, and this is due mostly to inflation and uncertainty about the economy. Consumers are also asked about their inflation expectations, which are remarkably prescient if we look historically. In the short term, consumers expect inflation to run at about 4.0%, and in the long term at about 3.0%, which would still be higher than the Fed's target of 2.0%. There is chatter amongst economists that perhaps the "new normal" for inflation will end up closer to 3.0% given the numerous, seemingly embedded root causes of inflation.

Speaking of inflation, **U.S. Job Openings {Page 3}** increased significantly in December to 11.0 million from 10.4 in November (this data lags). This was one of the many recent labor-related metrics that surprised to the upside. You might think this has to do with the holiday season, but this data is seasonally adjusted. Quits, layoffs and discharges changed little. There has been quite a bit in the media about layoffs at larger institutions primarily in the tech and finance industries, but tech, in particular, comprises less than 5% of the total workforce. And in this field as well as others, the December report shows that job openings increased for smaller businesses (<250 employees) but decreased for larger employers (>5,000 employees). Indeed, there are anecdotal reports of employers with tech worker needs who say the headline layoffs have been a boon to them since they have been able to snatch up some of those workers.

Total U.S. nonfarm payroll employment rose by 517,000 in January, and the **U.S. Unemployment Rate {Page 3}** changed little at 3.4%, which is the lowest it's been since 1969, which is as absurd as the hairdo (see photo). This phenomenal job growth was across many industries, although the industries that increased the most were leisure and hospitality, professional and business services, and health care. Leisure and hospitality and health care are both in-person, service-related industries that lost many workers during the pandemic and that have struggled to lure workers back. I talk (probably too much) about the longer-term, structural reasons for our labor shortages, but you can learn more about the magnitude and reasons behind the U.S. workers shortage in a recent [Bloomberg](#) article. I don't think that employment numbers will be this high in coming months because overall I do think the economy and hiring will cool a bit primarily due to the inflationary pressures on employers and the higher cost of financing (e.g., higher interest rates) for both employers and consumers. Also, the January blockbuster hiring did have some one-offs such as the return of government workers from a strike. Please note that the unemployment graph on page 3 shows the not-seasonally adjusted unemployment rates simply because local rates are only published on a not-seasonally adjusted basis. And the most recent data (e.g., January 2023) has not yet been provided by the Colorado Department of Labor and Employment for the state and our region because they are working on revisions.



In terms of our local labor market, **Job Openings {Page 4}** juxtaposed to the number of unemployed people in December 2022 did reflect an even tighter labor market with 0.54 available workers for each open position (down from 0.60 available workers in November). This is roughly the same as our state. If you are an NPR/CPR person, you can hear an interview I did with them regarding the tight labor market, which will air this Wednesday, March 1st on Colorado Matters at 9 a.m. and 7 p.m. as well as Sunday at 10 a.m.

The **Consumer Price Index {Page 3}** also edged up in January, much to the chagrin of the Federal Reserve. I'll admit I've been on the fence regarding the pace at which inflation will abate. This recent inflation report makes me lean towards the inflation-is-going-to-come-down slowly camp, which is in line with historic inflationary trends. In a recent [segment](#), I address the declining population in China and how that will impact inflation in the medium and longer term. It's all connected, isn't it?

Specifically, CPI rose 0.5% in January on a seasonally adjusted basis, after increasing 0.1% in December, which is in the opposite direction the Fed was hoping for. Over the last 12 months, CPI has increased 6.4% before seasonal adjustment. The index for shelter accounted for about half of the monthly increase, although the indexes for food, gasoline, and natural gas also contributed. The food index increased 0.5% over the month with the food at home index rising 0.4%. The energy index increased 2.0% over the month as all major energy component indexes rose over the month. As an aside, my husband and I were visiting our son at college in southern California over the weekend and I sent a message to the other four kids after buying him groceries. I told them we spent all their inheritance stocking up their brother's fridge and buying gasoline for the rental, so sorry.

So, what does a still-hot labor market and stinging inflation equate to? More interest rate hikes and probably through the remainder of the year. If indeed current trends hold the Federal Reserve will need to be more aggressive to tamp down on the current 6.4% inflation rate. And even when jobs numbers moderate and if inflation rates slowly start coming down, the sheer magnitude of labor shortages and price

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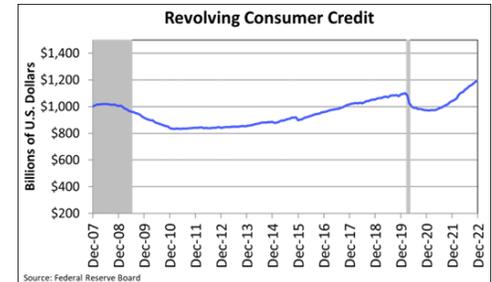
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increases over the past 2.5 years means that the Fed will have to keep an aggressive stance in terms of higher interest rates. Most economists are calling for two more 25 basis points (0.25%) increases in **Interest Rates {Page 3}** to cool the consumer's appetite for buying (which fuels inflation). There is even some chatter about a possible 50 basis point increase for the March Fed meeting. Another interesting data point feeding this narrative was the just-released U.S. new home sales, which leapt 7.2% in January – also unexpectedly. Existing U.S. home sales were, by contrast, weak, and I believe that it's because residential construction companies are offering incentives such as mortgage buydowns where the builder pays the difference between the higher and lower interest rate for a fixed amount of time. By contrast, existing homeowners are traditionally reticent to accept lower prices for their homes.

Aside from higher interest rates, another fallout from higher prices is eroding income levels. Despite the increases in wages over the past three years, "real," or inflation-adjusted wages have fallen. Real hourly earnings are down 1.8% comparing January 2022 to January 2023. It's interesting to me that real average hourly earnings have declined and yet consumers are still spending. The savings rate is also below pre-pandemic levels (down from 9.1% to 4.7%) but did hit a low of 2.7% last June when gas prices spiked. Consumers are borrowing more particularly on credit cards (see graph). Delinquency rates are also edging up although not at alarming rates thus far.



If we look at local **Sales and Use Tax {Page 7}**, it's safe to say that local consumers and businesses are also still spending. Comparing January 2020 to January 2023, sales and use tax revenues are up 35.1%. As the graph shows, these local government revenues have been on an upward trajectory for several years and this is reflective of a growing economy. **New Vehicles Sales {Page 7}** in our region, however, are a different story. EPC new vehicle sales had a significant drop in January with the lowest number of new vehicles sold we could find on record (dating back to 1992). This is largely due to the higher financing costs. Luxury vehicles, however, were still up by 45.4% compared to January 2020. Reminds me of what my Michigan car executive friend told me a year or so ago, "Profits are off the charts, and it's mostly because of the one percenters who are still buying high-margin vehicles."

Eroding earnings and more credit card use is also reflected in our regional **Living Wages {Page 4}**. The updates from MIT incorporate that the Colorado minimum wage went up in January to \$13.65 per hour (\$28,392 annualized) from \$12.56 per hour (\$26,125 annualized) in 2022, an increase of 8.7%. But if we look at the various household size categories, the annualized increases ranged from roughly 7% to 12%. The table is in your dashboard, but for quick reference, I'm showing it on your right.

2022-23 Minimum Wage & Living Wage El Paso County		
	Wage/Hr	Annualized
Minimum wage salary for full-time worker	\$13.65	\$28,392
Living wage: HHs with 1 adult, 2 children	\$49.16	\$102,253
Living wage: HHs with 2 adults (1 working), 2 children	\$41.02	\$85,322
Living wage: HHs with 2 adults* (2 working), 2 children	\$26.74	\$55,619

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

Keeping in line with the theme I mentioned above regarding shelter as the largest contributor to inflation we have the local **Housing Opportunity Index {Page 6}** which declined even further to an astounding 18.0% (of homes sold in the region affordable to the median household income) in 2022 Q4 – down from 24.9% in 2022 Q3. Even more startling is the reduction from 2019 Q3, which had an index of 71.4%. It's no wonder that living wages have shot up the way they have both locally and across the U.S. The only way I see a material improvement in housing affordability is a material increase in the construction of homes in the medium and lower prices ranges. This will call for an all-of-the-above approach, which includes more standardization in the way we build including more modular homes, re-zoning, more density particularly urban infill using apartments and townhomes, tiny homes, more creative financing options and more public/private programs particularly for first-time and lower-income home buyers (to name a few tactics).

It's also worth noting that our Housing Opportunity Index is now lower than Salt Lake City, which used to be lower than ours. But as my husband says, great skiing, but who would want to live in a city where booze is hard to find and they don't serve doubles!?

Some other good reasons to be in Colorado Springs? Greg Phillips continues to work hard at bringing new direct flights to our region, and our family is a direct beneficiary with the new Burbank/LA to Colorado Springs flight. Our college son who we were visiting over the weekend is 20 minutes from Burbank. I told Rory that momma is doing some surprise visits (and his enthusiasm wasn't what I thought it would be). Local **Enplanements {Page 7}** are up 11.3% from a year ago and 20.8% from January 2020. Similarly, local hotel profitability as measured by **Hotel RevPAR {Page 7}** was up in January 2023 (+11.3%) from a year ago and up 20.8% from January 2020.

That's it for now. I hope you have an amazing week and great month of March!

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

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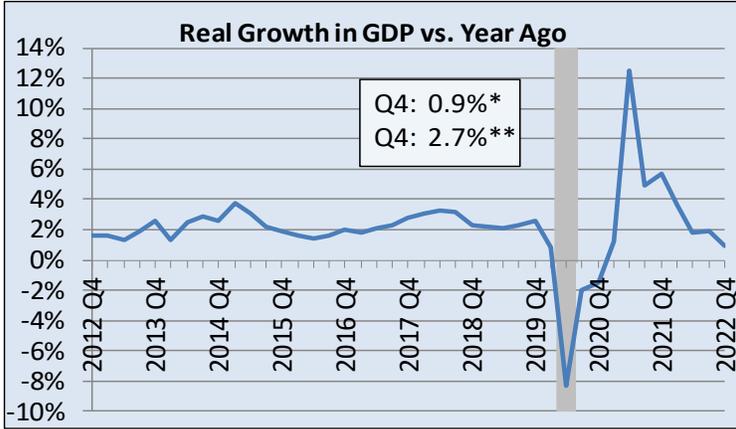
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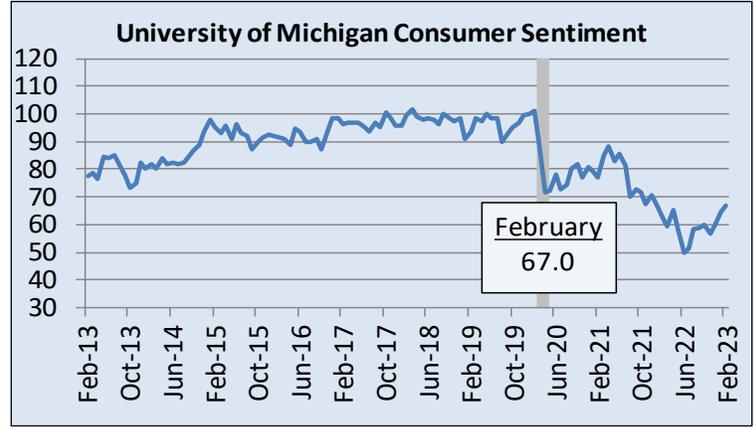
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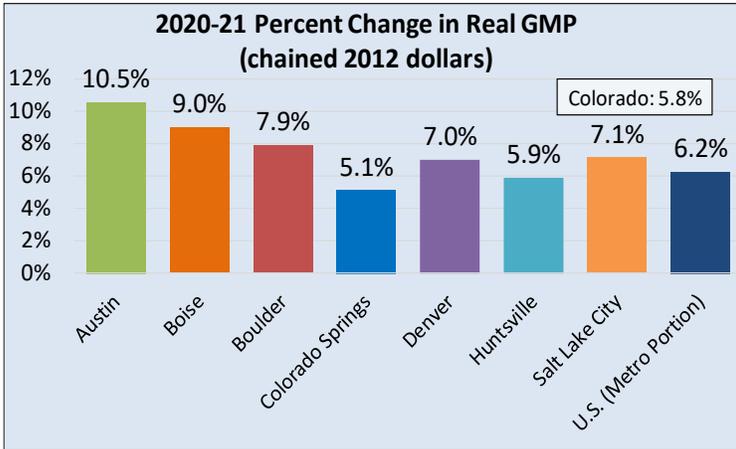
MACROECONOMIC "BIG PICTURE" (PAGE 3)



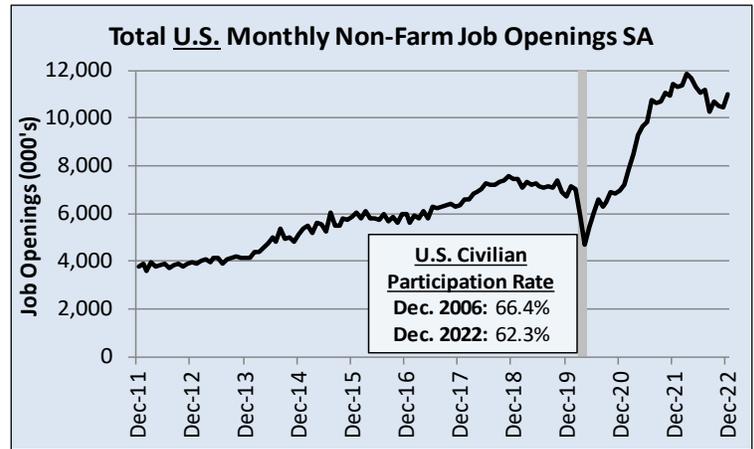
*Estimate of real GDP percent change from same quarter a year ago, SA
 **If quarterly changes were annualized over the year.
 Source: U.S. Bureau of Economic Analysis



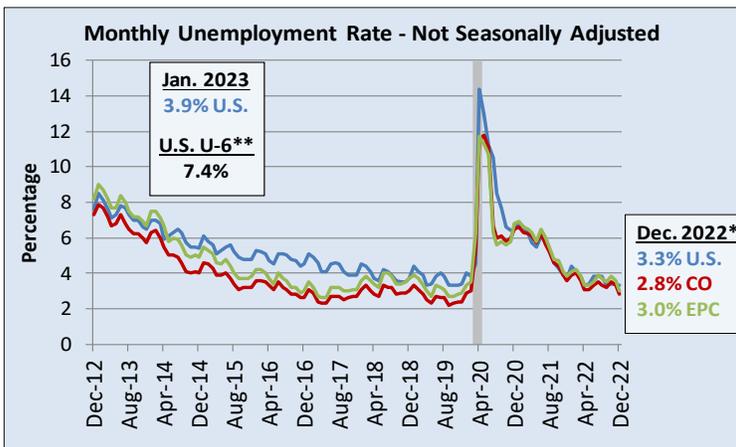
Source: University of Michigan



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.

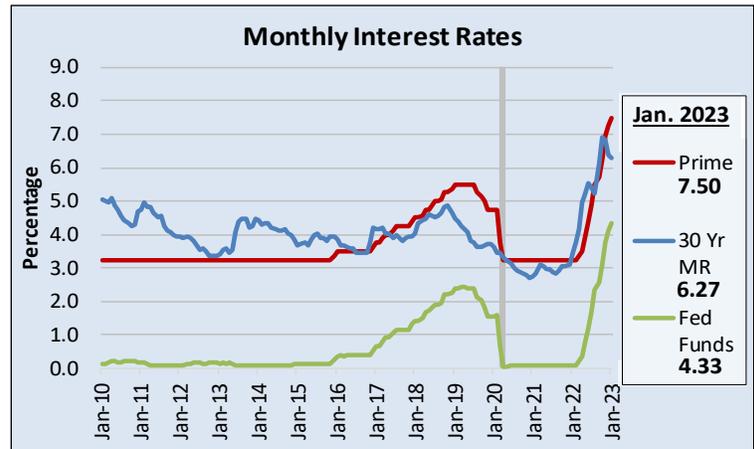


Note: Data not seasonally adjusted (NSA) to enable comparisons with counties. Regional data lags, so previous month U.S. rates are shown for comparison with state and county latest data available.
 *U-6 includes unemployed, those marginally attached to the labor force, plus those employed part time who would prefer full-time work.
 Sources: U.S. Bureau of Labor Statistics; CO Dept. of Labor & Employment

U.S. Consumer Price Index - January 2023		
	All items	Less food & energy
Change from December 2022 to January 2023 (SA)	0.5%	0.4%
Last 12-months (NSA)	6.4%	5.6%

The 2022 Q3 cost of living in the Colorado Springs MSA was 105.1% of the U.S. according to C2ER data provided by the PPWFC.

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)

Colorado Springs MSA January 2023

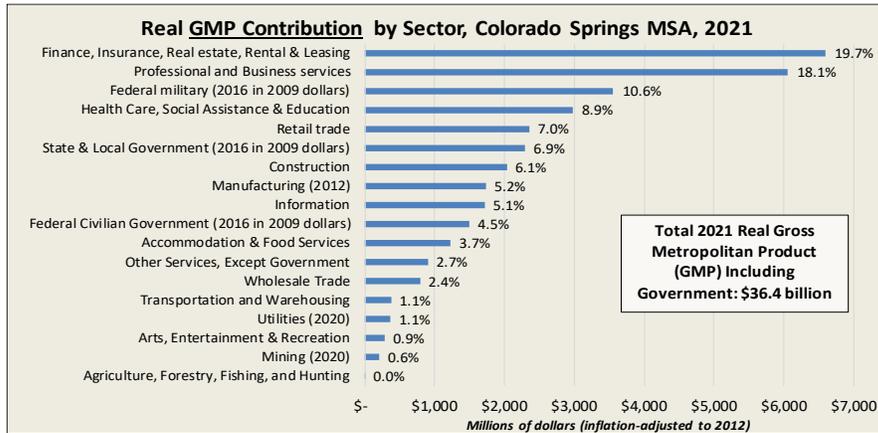
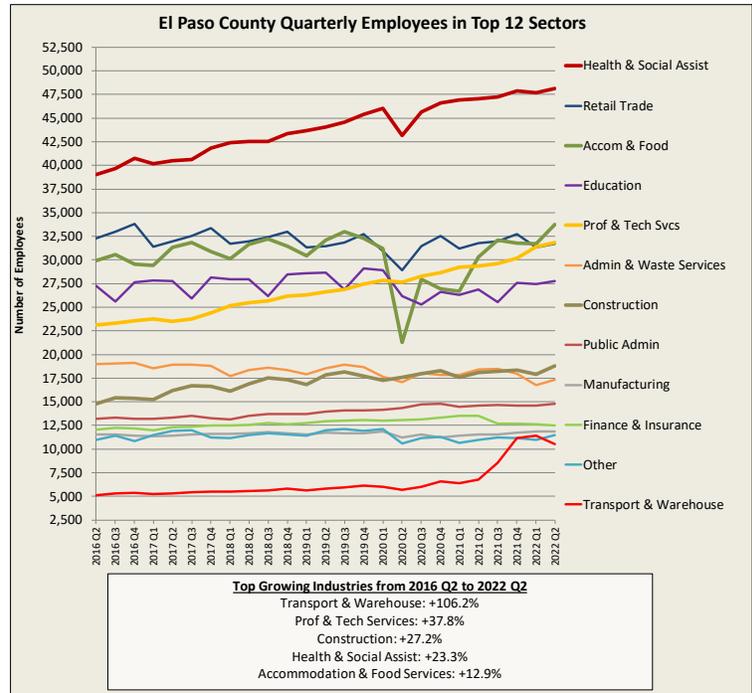
Top Job Titles	# of Job Postings	Median Advertised Salary
Registered Nurses (L)	1,342	\$87,808
Software Developers (L)	754	\$111,360
Retail Salespersons (M)	509	\$32,640
Computer Sys Engineers/Architects (L)	433	\$119,040
1st-Line Supervisors, Retail Sales (L)	416	\$40,832
Customer Service Reps (M)	378	\$37,504
Sales Reps, Wholesale & Mfg (M)	341	\$60,032
Maintenance & Repair Workers (H)	324	\$43,648
Managers (L)	304	\$94,976
Fast Food & Counter Workers (H)	291	\$31,616

Colorado Springs MSA, December 2022*

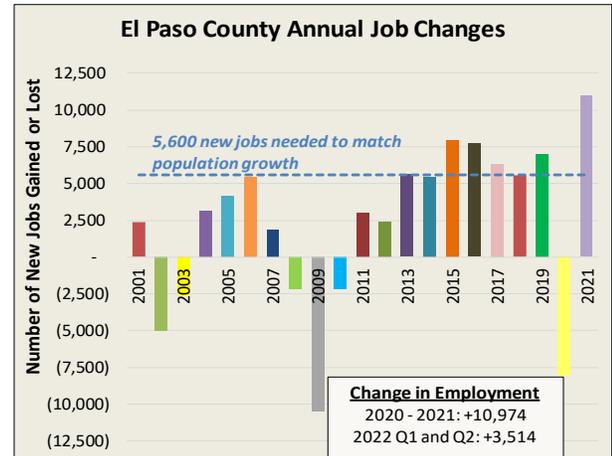
TOTAL Job Openings: 20,205
TOTAL Unemployed: 10,964
Workers Available per Job Opening: 0.54

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® Help Wanted OnLine® via Pikes Peak Workforce Center; CO Dept. of Labor & Employment



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



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

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.

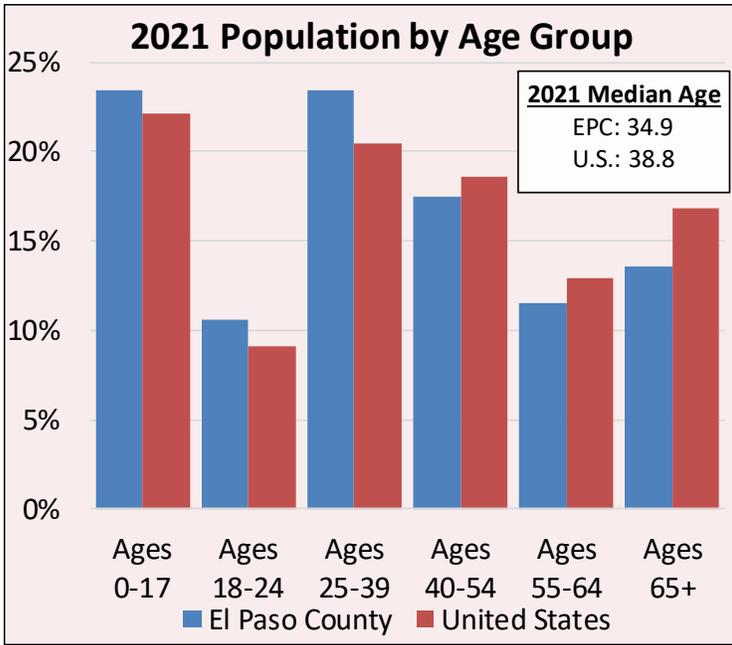
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2022 Q2 Average Annual Wages for All Industries		
El Paso County wages are 11.3% lower than U.S. wages and 15.7% lower than CO wages.		
U.S.	Colorado	El Paso County
\$67,288	\$70,772	\$59,696
2022 Q2 El Paso County Total Employment (excluding military)		297,867
*Estimated military employment in 2021 (and % of total EPC who are military).		61,489 (17.4%)

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

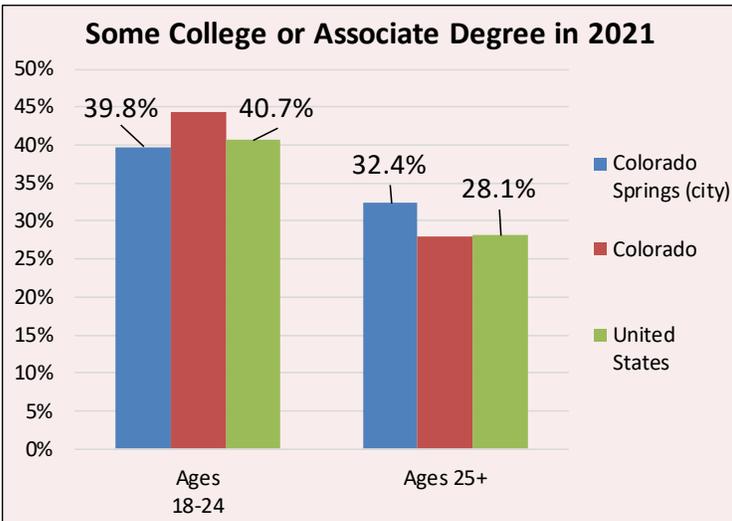
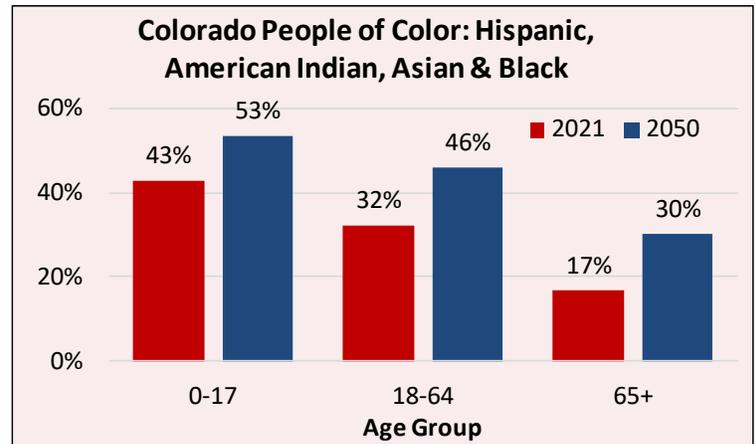
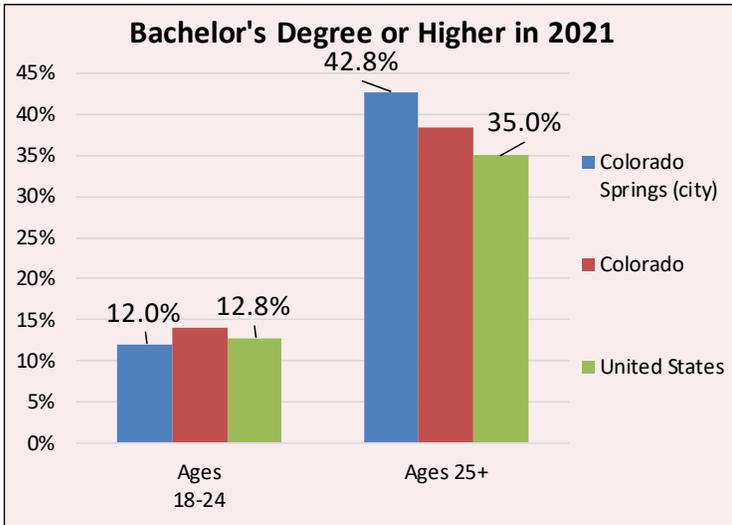
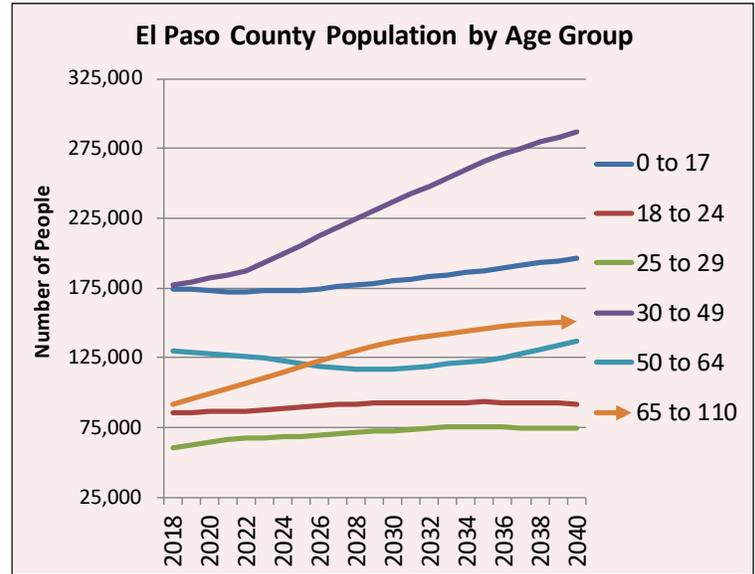
DEMOGRAPHICS (PAGE 5)



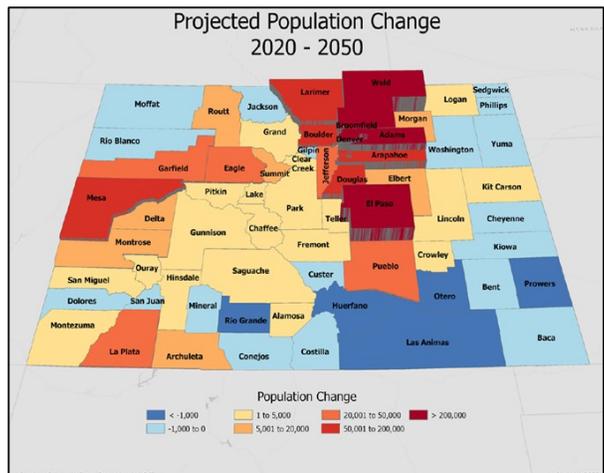
Sources: State Demography Office; U.S. Census Bureau, Population Division; Age groups from the U.S. Census Bureau's Population Estimates Program.

Population Estimates

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

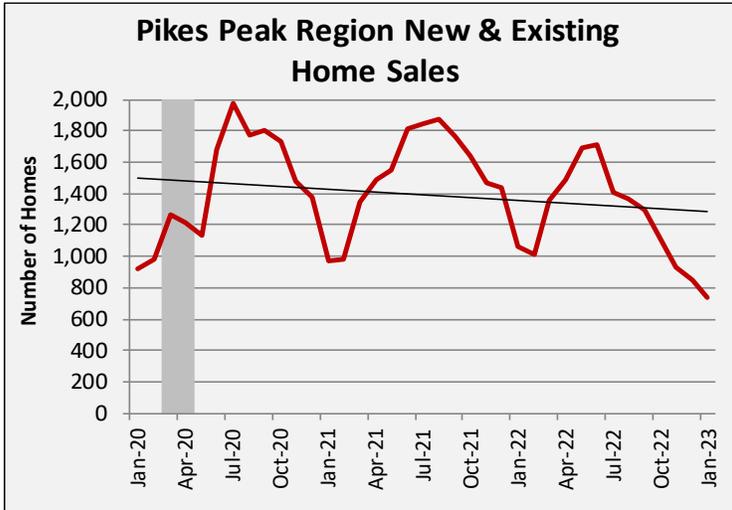


Source: U.S. Census Bureau, American Community Survey 1-year estimates

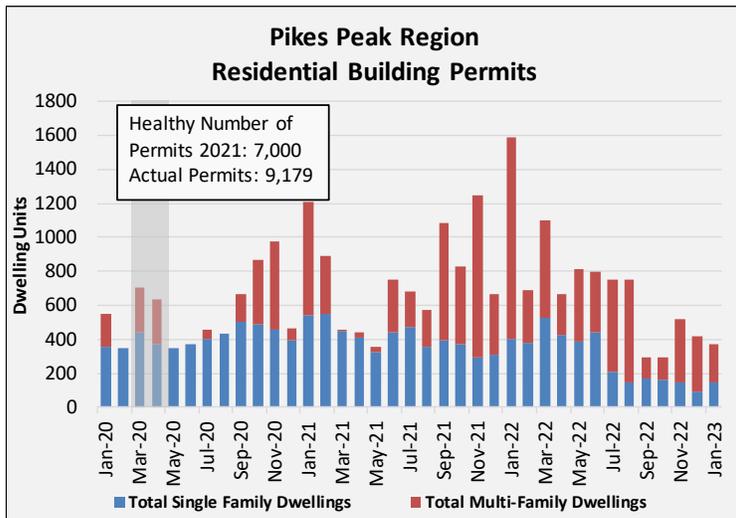


Source: Colorado State Demography

REAL ESTATE (PAGE 6)



Source: Pikes Peak REALTOR® Services Corp.

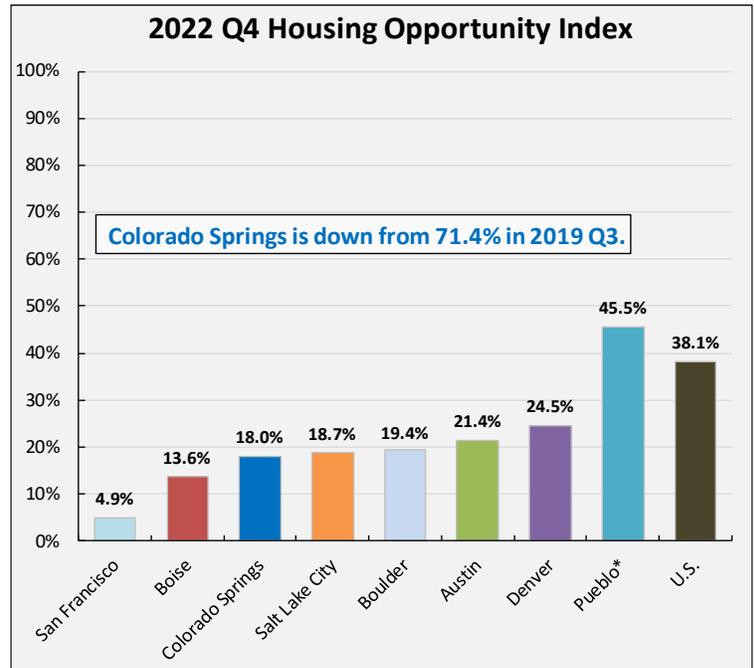


The National Association of REALTORS® has calculated that the U.S. has underbuilt roughly 6.5 million homes since the Great Recession. Data-Driven Economic Strategies has calculated a local shortage of 12,351 homes.
Source: Pikes Peak Regional Building Department

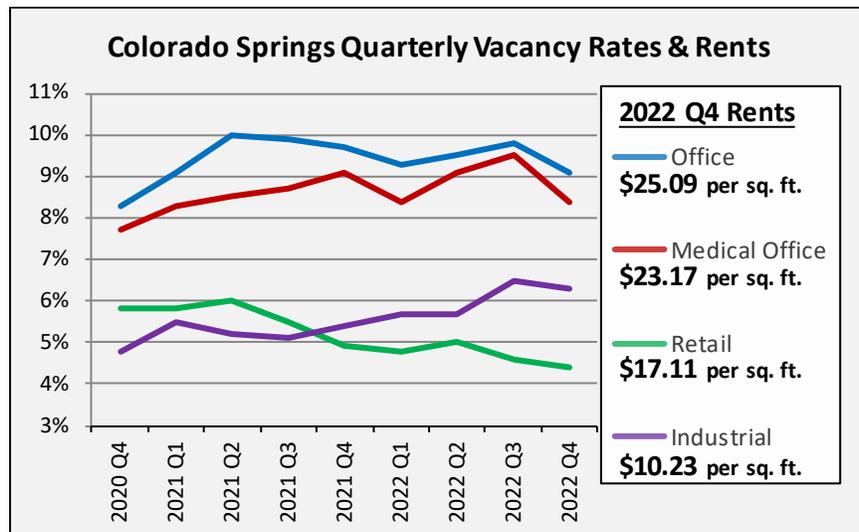
Median Existing Single-Family Home Price 2022 Q4

Location	Colorado Springs	Denver	Boise	United States
Price	\$443,400	\$640,000	\$457,800	\$378,700
1-year % Change	0.2% increase	3.6% increase	3.4% decrease	4.0% increase
MSA Rank	35	13	30	n/a

Sources: National Association of REALTORS®



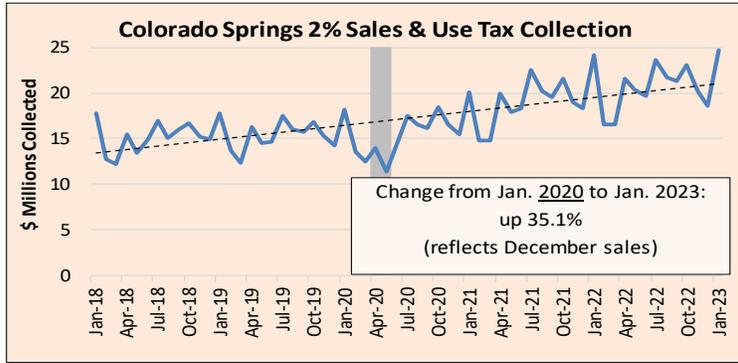
*Most recent Pueblo data is not available so Pueblo HOI above is still 2022 Q3.
Notes: The Housing Opportunity Index (HOI) is defined as the share of homes sold in that area that are affordable to a family earning the local median income, based on standard mortgage underwriting criteria. It includes new and existing homes.
Sources: National Association of Home Builders; Wells Fargo



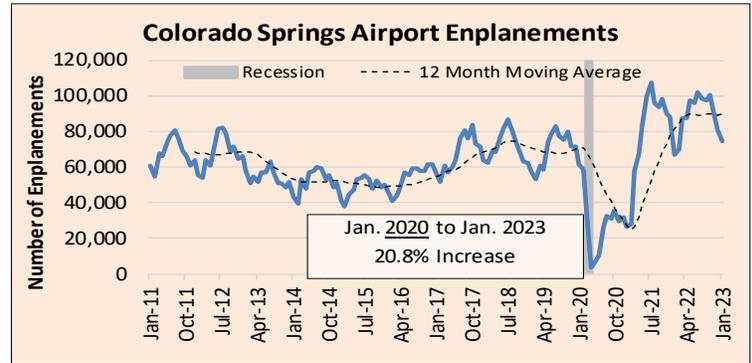
Sources: CoStar Group™; Olive Real Estate Group, Inc.

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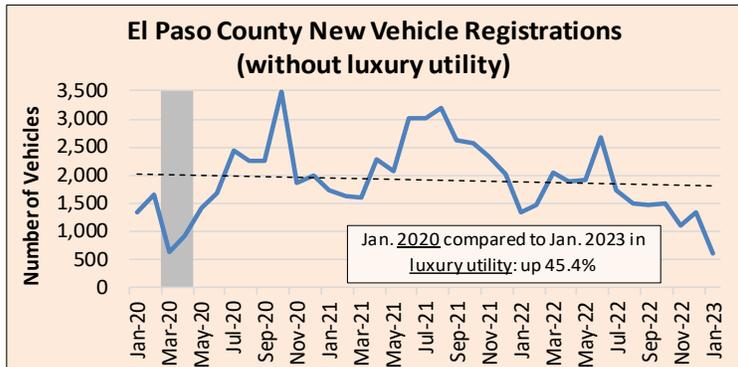
TAXATION, VEHICLE SALES, AIR QUALITY, AND TOURISM (PAGE 7)



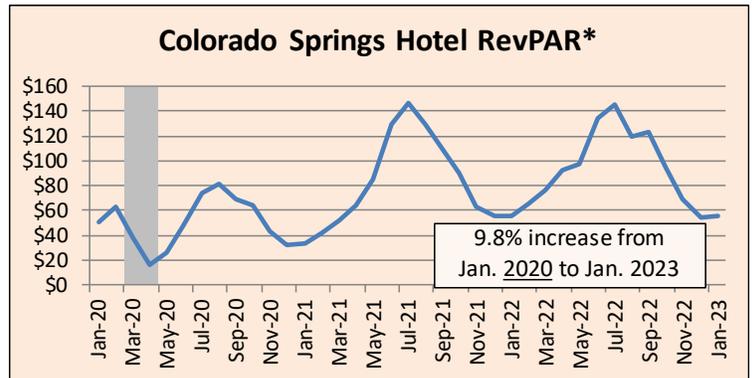
Source: City of Colorado Springs



Source: Colorado Springs Airport



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: U.S. Bureau of Economic Analysis



Hotel Occupancy Rate January 2023		
Colorado Springs	Denver	Colorado
50.2%	55.5%	55.6%

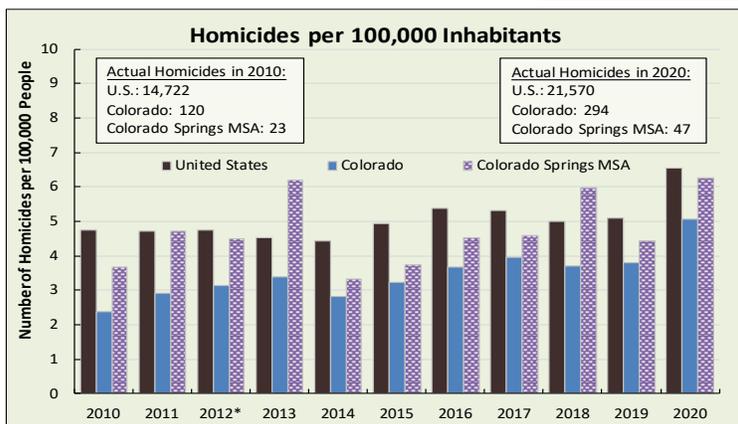
Hotel RevPAR January 2023		
Colorado Springs	Denver	Colorado
\$55.95	\$71.17	\$107.50

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

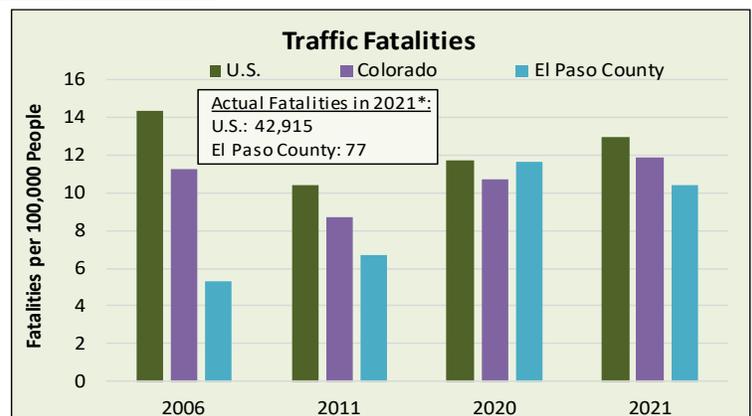
2021 Air Quality		
	Colorado Springs*	U.S. Standard
Carbon Monoxide (CO) Concentration (ppm)	1.1	9.0
Particulate Matter (µg/m ³)	5.97	12.00
Ozone (ppm) at USAFA	0.73	0.70
Ozone (ppm) at Manitou Springs	0.73	0.70
Sulfur Dioxide (SO ₂) (ppb)	10.1	75.0

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

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SUPPORTERS (PAGE 8)



THANK YOU!