

El Paso County Economic & Workforce Progress Report (EPR)

Hello! I hope your summer is going well! Below you have the highlights for this month's economic report.

Highlights - July 2023

GDP {Page 3} for Q2 was just released, and it impressed with a year-over-year increase of 2.6% (or Q2 annualized increase of 2.4%). The healthy increase was due to various factors including the almighty consumer who increased spending on both services and goods, although services are still far outpacing goods expenditures. It's amazing how long that post-pandemic pent up demand is holding up. I think cooling prices are also helping. Nonresidential fixed investment also increased, and this includes investments in equipment, structures, and intellectual property products. I watch this closely because it tells me that investors and businesses are confident enough in the economy to expand or take on new ventures – and this bodes well for future growth. State and local spending similarly increased due to increases in government employee compensation and investments in structures. Finally, private inventory investment also increased. As I've mentioned in previous narratives, the increase in the "investment of structures" is primarily due to spending in electric vehicle manufacturing plants and semi-conductor plants. The driver behind this accelerated level of both public and private investment is due to the Infrastructure Law (roughly \$25b towards EV production) and the CHIPS and Science Act (roughly \$50b for semiconductor manufacturing). In the first three months of 2023, structures investment increased 78% on an annualized basis according to Wells Fargo. This public investment is spurring private investment, and I would argue that although ballooning deficits are worrisome, this kind of fiscal spending is favorable. First, it is buoying the U.S. economy and raising the probability of a soft landing (e.g., no recession). Second, the unleashing of public and private dollars towards U.S. global competitiveness and long-term growth is truly an investment that is very likely to have a high ROI in the medium and long run.

This is the first estimate for GDP and revisions will follow. Typically, those revisions aren't more than one or two-tenths of a percentage point. And given this upside surprise to GDP, the Federal Reserve is no longer forecasting a recession this year.

Because of the more-than-usual gyrations in the economy right now, we've started including **Forecasts for GDP and Unemployment {Page 3}**, which I have to say is pretty bold for any economist to do right now. The table includes actuals for 2021 and 2022 so you can compare previous economic growth rates and unemployment to forecasts for this year and next. There you can see that during the pandemic the U.S. grew by 5.9% in 2021, which is more than double our trend growth rate of about 2.0%. That, of course, is due to both monetary policy (reduced interest rates) and fiscal policy (stimulus checks and other emergency government spending). Yes, one of the negative externalities has been inflation, but monetary and fiscal policy are both blunt tools and the immediacy and severity of the pandemic triggered aggressive interventions. And to be fair, inflation was not just caused by government stimulus as is evidenced by inflation in other countries with and without stimulus. Thankfully, U.S. inflation is now retreating at a much faster rate than most of our peer nations, and that is due to resolving of supply chain bottlenecks and higher interest rates (somewhat) taming demand.

But just like the pandemic-induced stimulus overshoot with higher-than-normal GDP growth rates and inflation, the "medicine" to normalize the economy could potentially drag down economic growth such that we have slower growth rates in coming quarters. With this week's stronger-than-expected GDP read, a slowing growth rate later this year and into 2024 is looking more likely (as opposed to a recession). Thus, the forecasts for a 1.7% GDP (real, or inflation-adjusted) growth rate for 2023 and a 0.5% growth rate for 2024. That may seem low given the Q2 data, but one measure that's been quite prescient and consistently flashing red is the LEI, or Leading Economic Indicator. One [report](#) shows how various iterations of this measure still spell a U.S. economic downturn (and I've included a live link so you can read that report if you have interest). The good news is that typically such slowdowns cause much higher unemployment rates, and this has simply not materialized due mostly to the demographics I have previously addressed. **Unemployment {Page 3}** in June did tick up in the U.S., Colorado, and El Paso County, but all three rates are still below 4.0%, and as the forecast table shows, the 2024 rate *assuming a slowdown* in the economy is 4.4% - by all standards a still very tight labor market. This is further substantiated by the ratio showing we still have only 0.6 workers for each open position. Many job openings would need to go away alongside many layoffs to close such a gap. Similarly, both initial and continuing jobless claims remain low by historic standards. Another astounding labor market statistic is the increase in nonfarm payrolls, which have grown by nearly 1.7 million *so far in 2023*. By way of reference, nonfarm payrolls increased between 2.2 and 2.7 million each year between 2017 and 2019.

U.S. Job Openings {Page 3} did decline in May to 9.8m openings down from 10.3 in June although openings remain about 40% higher than they were pre-pandemic. Likewise, our local ratio **Available Workers to Job Openings {Page 4}** eased somewhat from 0.43 workers per job in May to 0.54 in June. A measurable loosening of the local labor market, but still a reality of roughly half a person for each posted job within our region.

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A notable change from last month relates to **Consumer Sentiment {Page 3}**, which markedly improved from 63.9 in June to 71.6 in July. The improvements spanned across present and future conditions, mostly due to the strong labor market and cooling inflation. Sentiment improved for all socio-economic and all age groups except lower income consumers – and I would guess this has more to do with the erosion of buying power than it does with employment concerns. Sentiment is still lower than pre-pandemic, but at about the halfway mark between the all-time low of 50 in June 2022 and the pre-pandemic value of 101.

Year-ahead inflation expectations eased to 3.4% and longer-run inflation expectations stayed at 3.1% in the June survey. Although Fed-defined “stable” inflation expectations of roughly 2% would be better, the simple fact that consumers expect disinflation is positive. To clarify, disinflation is a decreasing rate of inflation – which is what we are experiencing now. This is different than deflation which is a decrease in the general price level. The latter happens when there is a widespread decrease in demand such as during The Great Depression when prices fell on average 7% each year from 1930 to 1933.

Our current disinflation is moving at a nice clip with a June rate of 3.0% falling from 4.0% in May. Most economists think that the last leg down to 2% will take a bit longer, and in the meanwhile, prices still feel much higher than pre-pandemic if you ask most consumers. That makes me think of the guy in front of me at the grocery store the other day. The cashier gives him the total bill and he says, “and for what??” I think he was dismayed at paying \$137 for two bags of groceries. I know I am a freak of nature when I have to stop myself from starting a discussion about the cumulative effects of inflation and how food inflation has been particularly bad. My son was with me and gave me the you-don’t-need-to-say-anything look all parents know well. I did refrain, by the way.

Interest Rates {Page 3} were increased 0.25% this week as expected to 5.5% - the highest rate in 22 years. This week’s stellar Q2 GDP report puts the Fed in an interesting position. On the one hand, they have a higher probability of touting a “soft landing” taming inflation without triggering a spike in unemployment (which is due more to demographics) or a recession. On the other hand, further decreases in inflation may prove difficult the way consumers are spending. Recent increases in petroleum prices (out of the Fed’s control) may also hinder further improvements in inflation.

Demographics {Page 5} data for 2022 was released by the Census Bureau, and there are some notable changes. First, the median age for the U.S. was virtually unchanged from 2021 (38.8) to 2022 (38.9), while the median age in El Paso County increased from 2021 (34.9) to 2022 (35.1). When I compare population by age groups in 2021 to 2022, I see that the proportion of children fell, as did the proportion of 55 –64-year-olds, while the 65+ cohort increased (and by the biggest margin – just like the U.S. trend). Yes, we are all getting older. Population projections on the right-hand side of page 5 are sourced from the Colorado State Demographer’s Office, and I will highlight those when they are updated by that office in the fall.

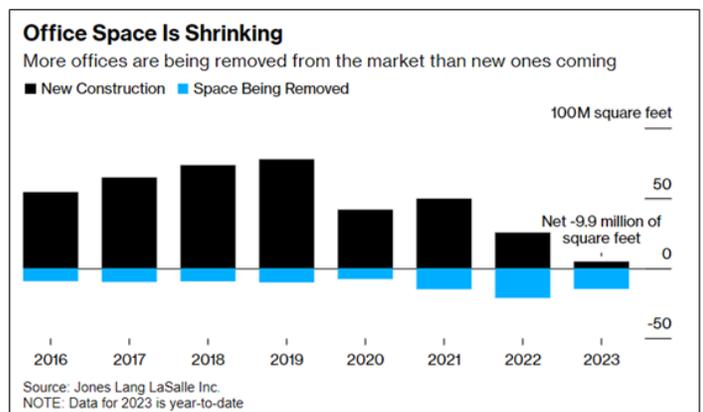
Although housing is certainly not at the level it was during the pandemic, the overarching theme of nation-wide and local supply shortages continues to sustain building levels. **New and Existing Home Sales {Page 6}** and **Building Permits {Page 6}** remain strong. The mitigating forces of higher interest rates can be seen in the now single-digit increases in **Median Home Prices {Page 6}** – a welcome change although prices are still about 40% higher than they were pre-pandemic.

Commercial Real Estate {Page 6} vacancy rates notably increased from 2023 Q1 to 2023 Q2. Office vacancy rates increased from 10.0% to 10.9% quarter-over-quarter, medical office increased from 8.2% to 9.3%, retail vacancies increased from 4.4% to 4.8%, and industrial rates slightly decreased. For all categories, lease rates per square foot increased modestly. I’ve often addressed the concerns around office space. This [Bloomberg](#) article sites that the amount of office space in the U.S. is declining for the first time in history with lower levels of construction and almost 15m square feet being demolished or converted to other uses including 45,000 apartment conversions (see graph).

To close, I was in LA for a few days and despite our rainier-than-usual weather here, I came back with an even greater appreciation for the topography and temperate climate we are fortunate enough to live in. I hope you are also thoroughly enjoying the summer!

Tatiana & Rebecca

If you wish to unsubscribe from this monthly report, please email rwilder@ddestrategies.org or tbailey@ddestrategies.org.



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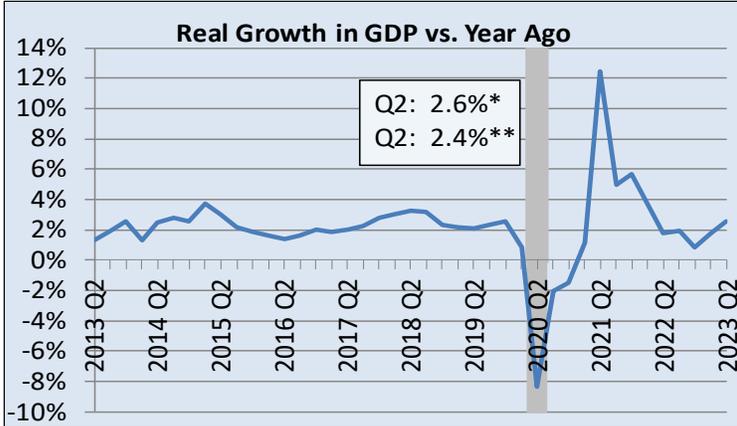
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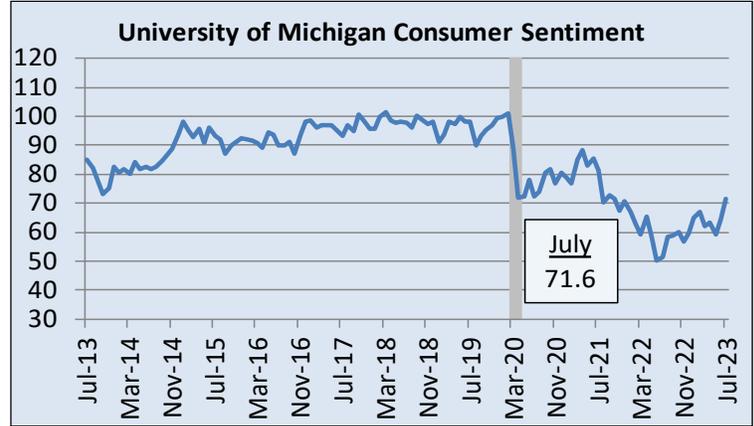
MACROECONOMIC "BIG PICTURE" (PAGE 3)



*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

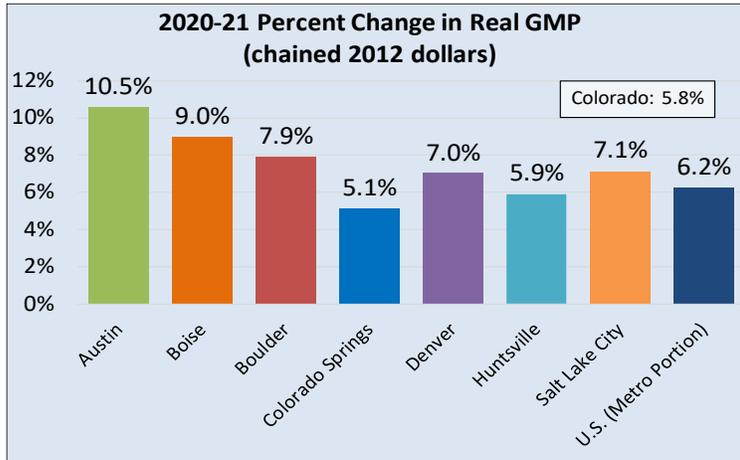
Forecasts for U.S. Real GDP and Unemployment (SA)				
	2021 Actual	2022 Actual	2023 Forecast	2024 Forecast
Real GDP Growth	5.9%	2.1%	1.7%	0.5%
Unemployment Rate	5.4%	3.6%	3.6%	4.4%

Forecasts by Data-Driven Economic Strategies with input from the Conference Board, Wells Fargo, Colorado Department of Labor & Employment, Colorado-based Business & Economic Research, and other anecdotal resources.

Sources: U.S. Bureau of Economic Analysis; U.S. Bureau of Labor Statistics



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



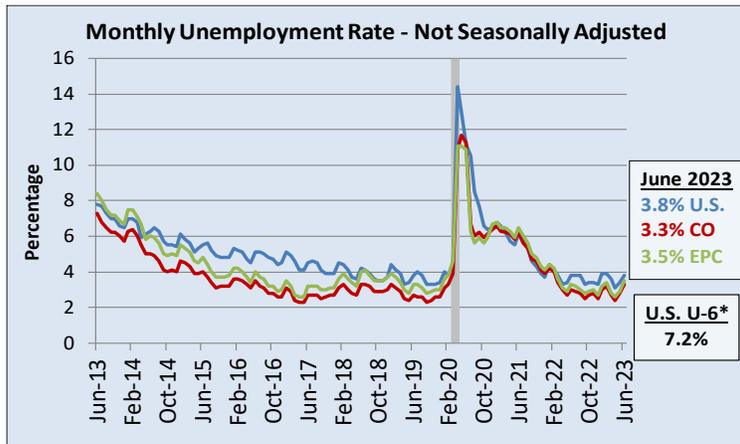
Note: Data includes military. Real GMP is adjusted for regional price parity (RPP). This regional data lags ~23 months.

Source: U.S. Bureau of Economic Analysis

U.S. Consumer Price Index - June 2023		
	All items	Less food & energy
Change from May to June 2023 (SA)	0.2%	0.2%
Last 12-months (NSA)	3.0%	4.8%

The 2023 Q1 cost of living in the **Colorado Springs MSA** was **108.5%** the U.S. according to C2ER data provided by the CS Chamber & EDC.

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



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



Source: Board of Governors of the Federal Reserve System

LOCAL LABOR MARKET (PAGE 4)

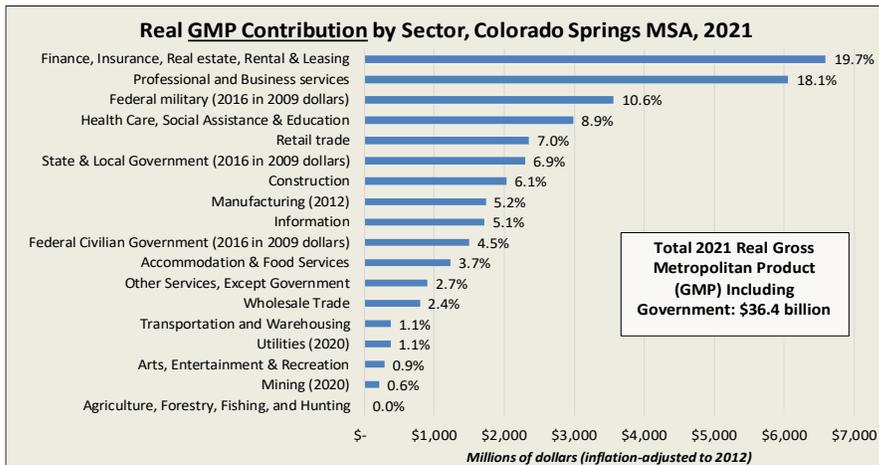
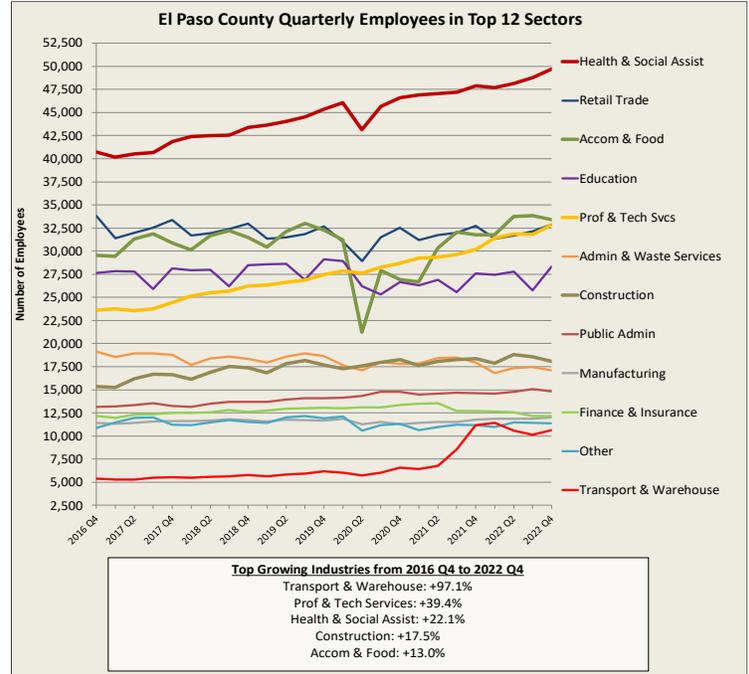
Top Job Openings, Colorado Springs MSA June 2023

Top Job Titles	# of Job Postings	Median Advertised Salary
Registered Nurses (L)	1,807	\$87,808
Software Developers (L)	742	\$119,040
Retail Salespersons (M)	664	\$33,152
Computer Sys Engineers/Architects (L)	559	\$121,600
1st-Line Supervisors, Retail Sales (L)	526	\$44,928
Sales Reps, Wholesale & Mfg (M)	491	\$64,896
Customer Service Reps (M)	428	\$39,552
Fast Food & Counter Workers (H)	386	\$32,640
Manual Laborers and Movers (M)	364	\$37,504
Maintenance & Repair Workers (H)	351	\$44,672

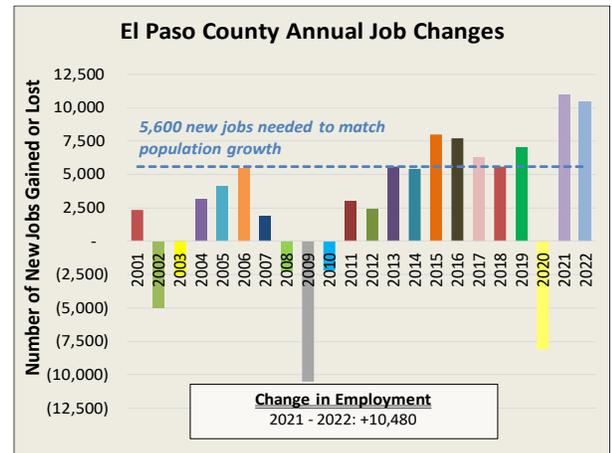
Colorado Springs MSA, June 2023

TOTAL Job Openings: 24,996
TOTAL Unemployed: 13,410
Workers Available per Job Opening: 0.54

Risk of Automation: L = Low; M = Medium; H = High
 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

Sources: Colorado Department of Education; 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.

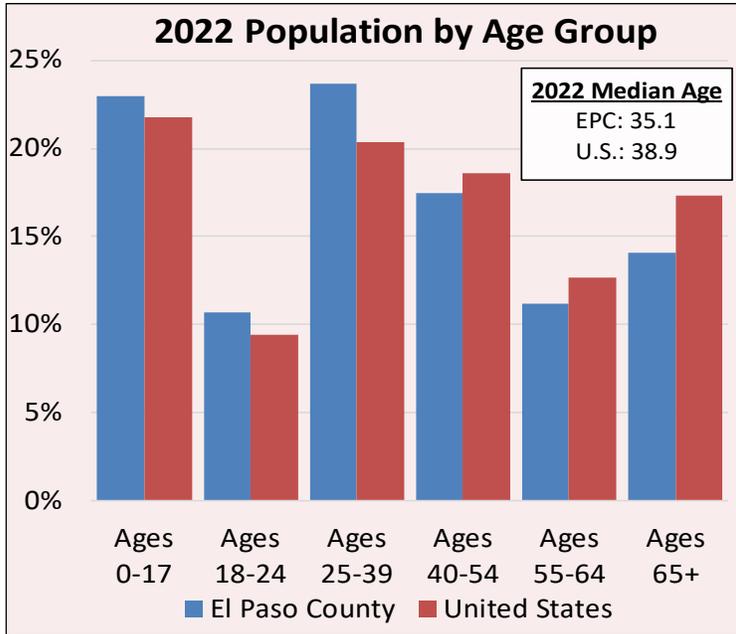
2022-23 Minimum Wage & Living Wage El Paso County		
	Wage/Hr	Annualized
Minimum wage salary for full-time worker	\$13.65	\$28,392
Living wage: HHs with 1 adult, 2 children	\$49.16	\$102,253
Living wage: HHs with 2 adults (1 working), 2 children	\$41.02	\$85,322
Living wage: HHs with 2 adults* (2 working),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

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

2022 Average Annual Wages for All Industries		
<i>El Paso County wages are 11.4% lower than U.S. wages and 16.6% lower than CO wages.</i>		
U.S.	Colorado	El Paso County
\$69,985	\$74,360	\$61,984
2022 El Paso County Total Employment (excluding military)		296,750
*Estimated military employment in 2021 (and % of total 2021 EPC who are military).		61,489 (17.4%)

*QCEW data does not include military-related employees. Military employment includes USAFA, Schriever, Fort Carson, Peterson & Cheyenne Mountain. Data from the installations is delayed so this is still 2021 employment.
 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

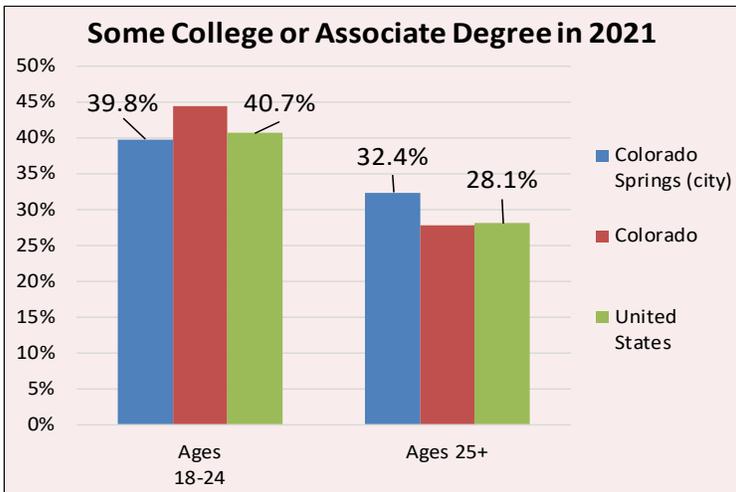
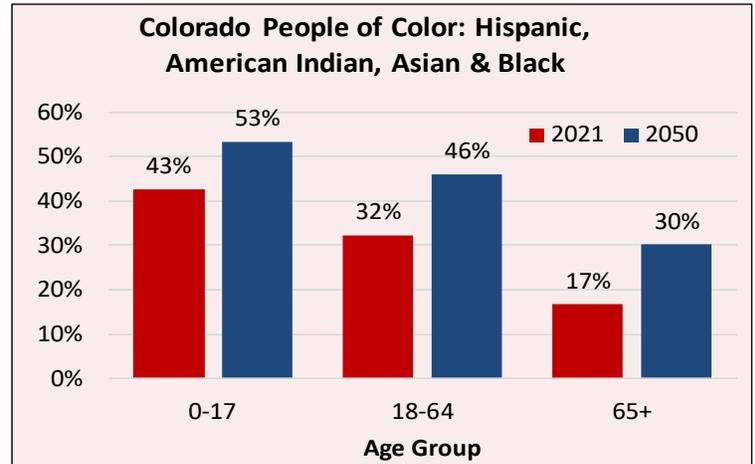
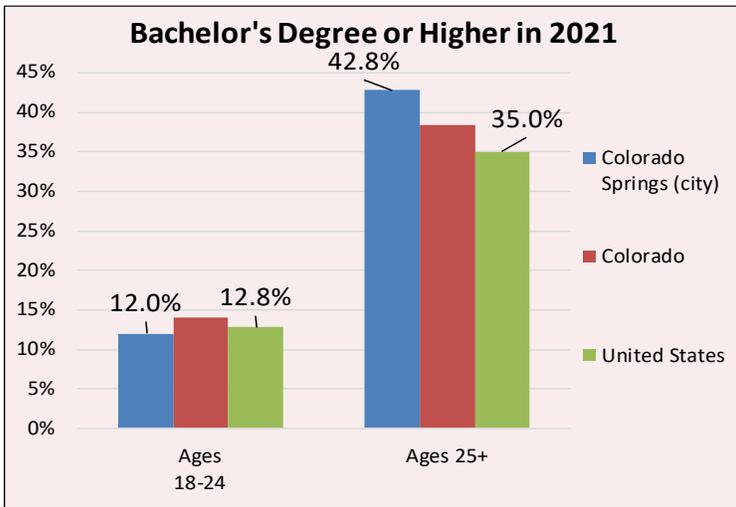
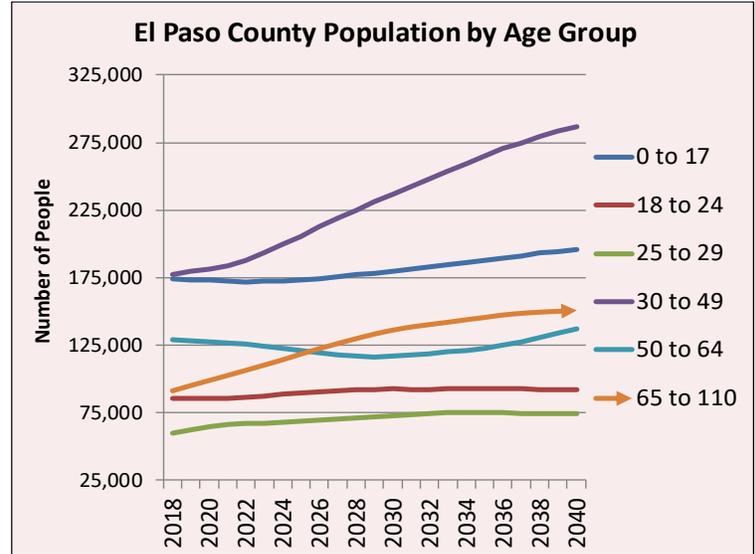
DEMOGRAPHICS (PAGE 5)



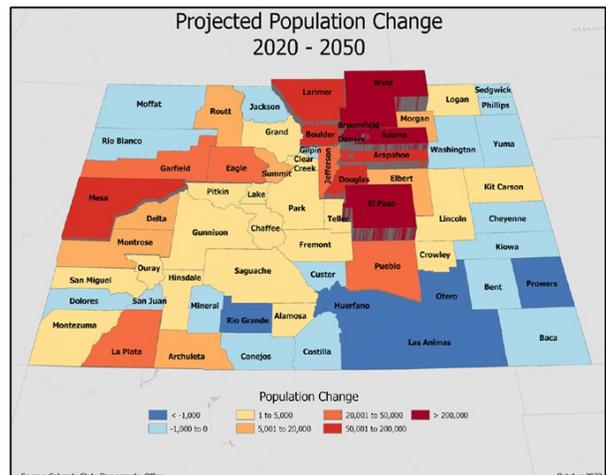
Source: U.S. Census Bureau, Population Division

Population Estimates

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

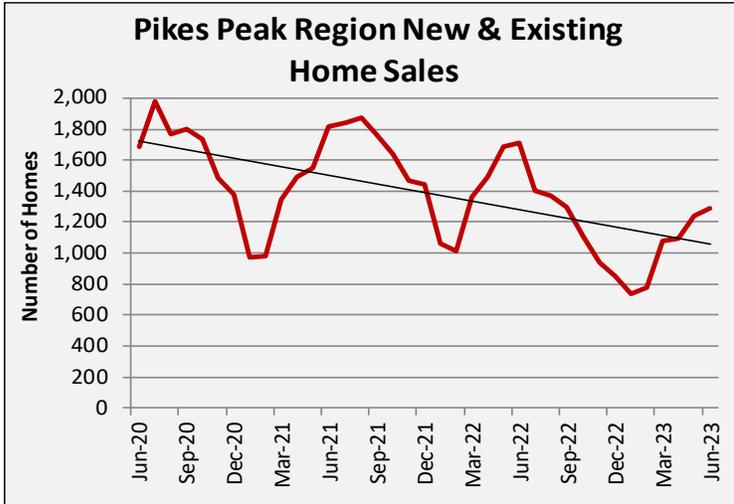


Source: U.S. Census Bureau, American Community Survey 1-year estimates

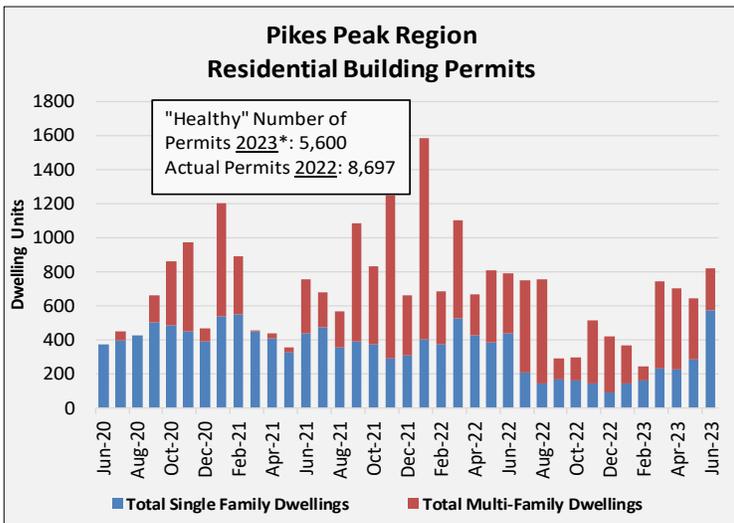


Source: Colorado State Demography Office

REAL ESTATE (PAGE 6)



Source: Pikes Peak REALTOR® Services Corp.

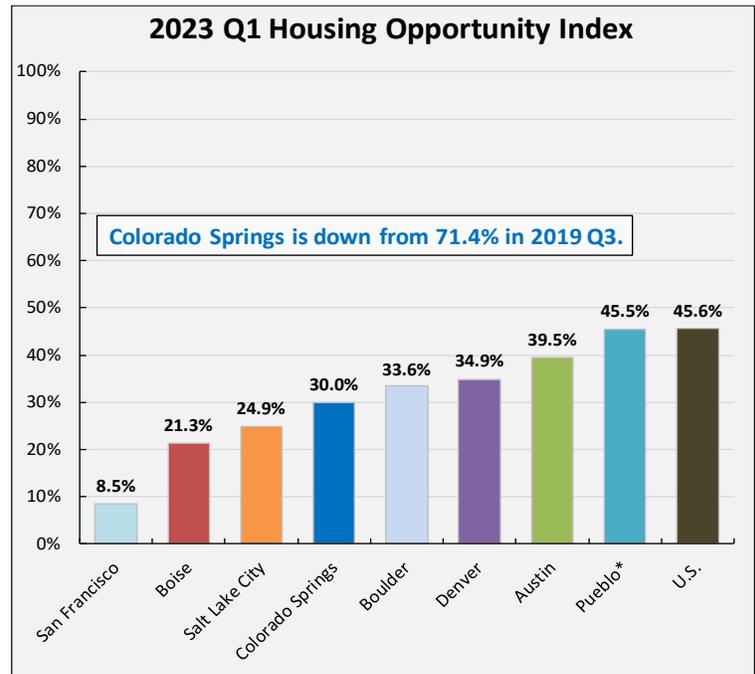


**"Healthy" permits was revised down in 2023 to 5,600 due to higher construction levels during pandemic period. The National Association of REALTORS® has calculated that the U.S. has underbuilt roughly 6.5 million homes since the Great Recession. Data-Driven Economic Strategies is reconsidering the local housing stock and possible shortage of homes. Source: Pikes Peak Regional Building Department

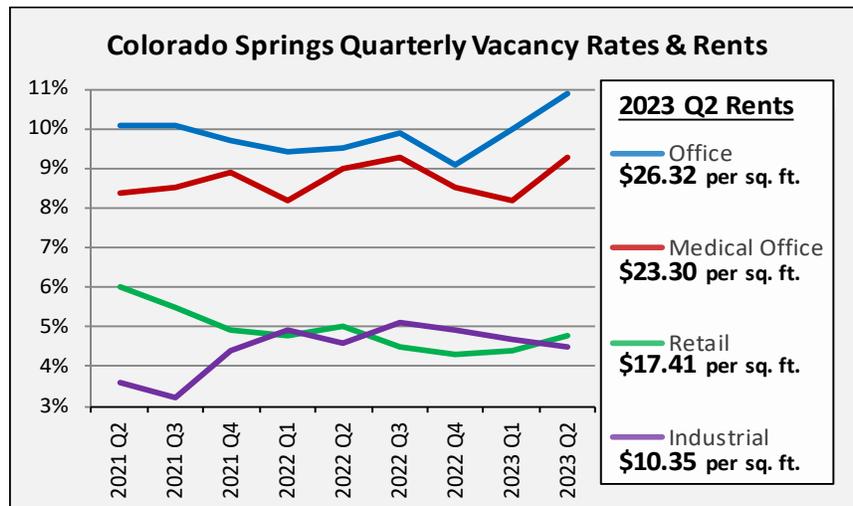
Median Existing Single-Family Home Price 2023 Q1

Location	Colorado Springs	Denver	Boise	United States
Price	\$444,700	\$636,100	\$440,700	\$371,200
1-year % Change	2.3% decrease	3.9% decrease	10.3% decrease	0.2% decrease
MSA Rank	39	16	42	n/a

Sources: National Association of REALTORS®



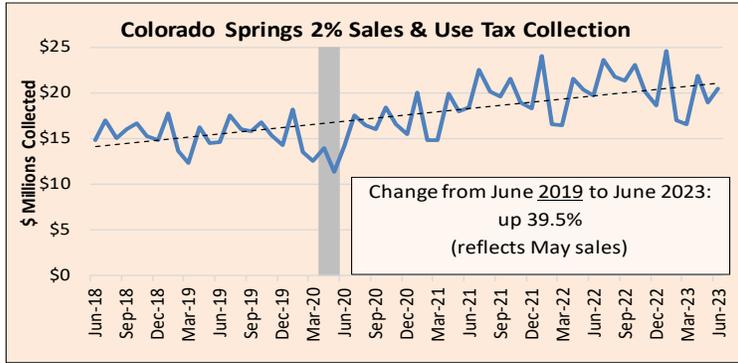
*Most recent Pueblo data is not available so Pueblo HOI above is still 2022 Q3. Notes: The Housing Opportunity Index (HOI) is defined as the share of homes sold in that area that are affordable to a family earning the local median income, based on standard mortgage underwriting criteria. It includes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



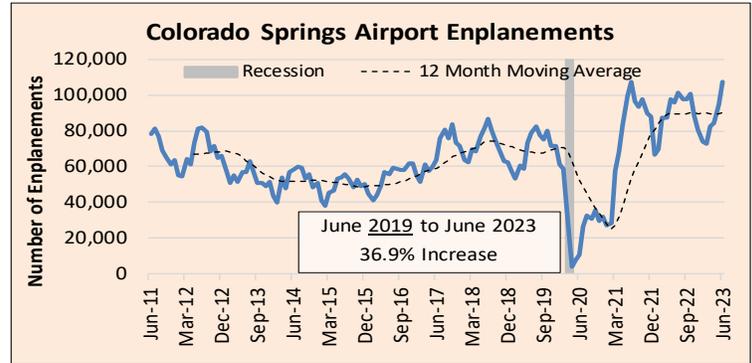
Sources: CoStar Group™; Olive Real Estate Group, Inc.

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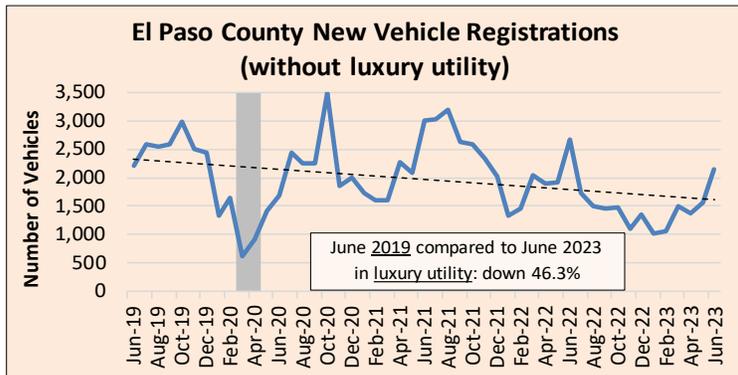
TAXATION, VEHICLE SALES, AIR QUALITY, AND TOURISM (PAGE 7)



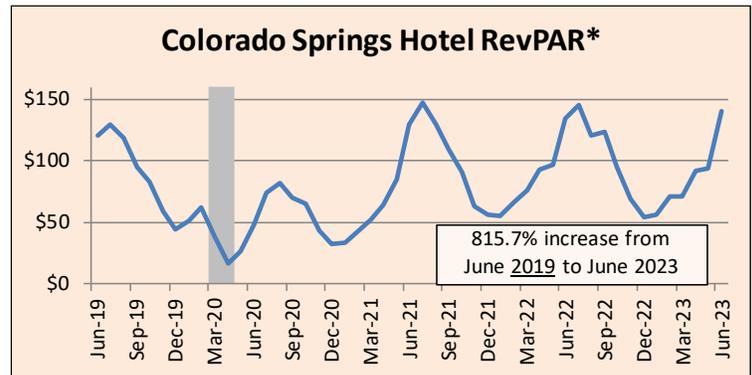
Source: City of Colorado Springs



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: Colorado Interactive LLC



Hotel Occupancy Rate June 2023		
Colorado Springs	Denver	Colorado
81.0%	83.1%	78.8%

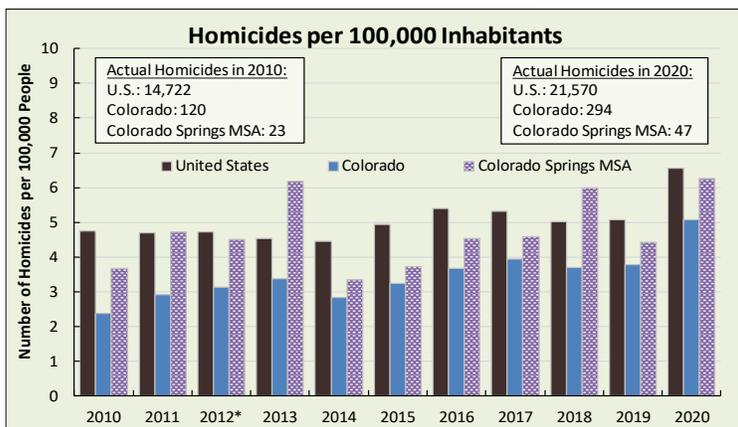
Hotel RevPAR June 2023		
Colorado Springs	Denver	Colorado
\$139.78	\$155.91	\$155.48

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

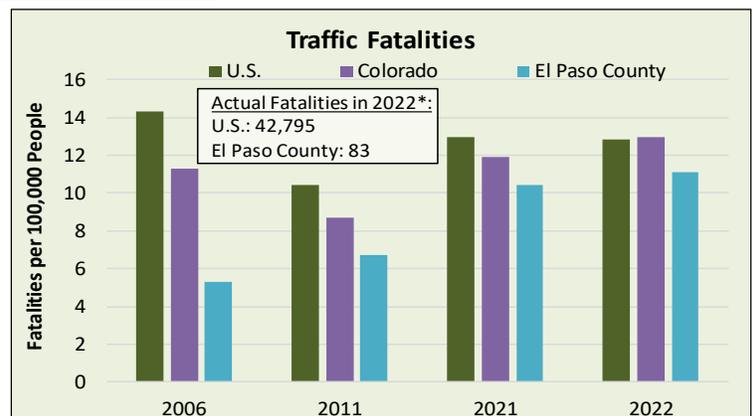
2022 Air Quality		
	Colorado Springs*	U.S. Standard
Carbon Monoxide (CO) Concentration (ppm)	0.9	9.0
Particulate Matter ($\mu\text{g}/\text{m}^3$)	4.50	12.00
Ozone (ppm) at USAFA	0.74	0.70
Ozone (ppm) at Manitou Springs	0.74	0.70
Sulfur Dioxide (SO_2) (ppb)	5.4	75.0

*Locations of measurements: CO at 690 W. Hwy 24; Particulate Matter at Colorado College; SO_2 at Hwy 2

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; U.S. Census Bureau; Colorado State Demography Offices; Data-Driven Economic Strategies

2021 Mortality Rates due to Homicide per 100,000 Population				
Canada	Germany	Italy	Japan	United States
2.1	0.8	0.5	0.2	6.8

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

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

Sworn Police Officers Per 10,000 Inhabitants in 2022	
City of Colorado Springs	15.0
Colorado Springs MSA	7.1
Cities with Population 500,000-999,999	21.2

Sources: Federal Bureau of Investigation, Uniform Crime Report; U.S. Census Bureau, Population Division

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SUPPORTERS (PAGE 8)



THANK YOU!