

El Paso County Economic & Workforce Progress Report (EPR)

Highlights - August 2023

The [University of Michigan Consumer Sentiment {Page 3}](#) survey had been showing a general upward trend since July of 2022 after hitting a very low point in June of 2022 (with an index of 50) when inflation really took off. As the chart shows, for the decade leading up to the pandemic, consumer sentiment was much higher, typically between 90 and 100. As one would expect, the uncertainty of the pandemic understandably pulled the index down. However, once we got past the low point in June 2022, which was largely attributable to inflation most evident in high gasoline prices, sentiment gradually improved.

Yet, most recently, consumer sentiment has ticked back down to 69.5 (August 2023) from 71.6 in July. This is mostly due to a worsening *long-run* economic outlook, but with gasoline prices increasing again and with prices overall now being higher, it's not surprising that consumers are feeling a bit skittish about both the current and future economic landscape. One year-ahead [Inflation {Page 3}](#) expectations are at about 3.5% and longer-run inflation expectations are at 3.0%, both also above the Fed desired 2% range. It's anecdotal, but I listen intently when I hear people talk about sticker shock when they go to a grocery or other goods store. Although we are nowhere near the 9% inflation rate we experienced last summer, Federal Reserve officials and consumers alike are feeling that a roughly 3% inflation rate is here to stay at least for a while. There is some evidence of this given that the year-over-year headline inflation rate in July ticked up to 3.2% from 3.0% in June. This is not the progress the Fed is hoping for and much of the reason that at the famous "Jackson Hole" conference of quants (as I call them) are expecting interest rates to stay higher for longer. In other words, the "pause" in interest rate hikes may be prolonged with the Fed holding our current [Fed Funds Interest Rate {Page 3}](#) at 5.5%. Some economists are now saying that the extremely low interest rates that held for about 15 years is a thing of the past. I can perhaps see that with elevated wages due to the chronic labor shortages brought on by structural demographic shifts, less stable food prices largely due to climate disasters, and upward price pressures due to reshoring. Historically, inflationary pressures are effectively mitigated by economic slowdowns/recessions. The question is whether such a cyclical slowdown will be sufficient to eclipse these structural headwinds.

Having said all this, there does seem to be a bit of a disconnect between what consumers are saying and how much they are still purchasing. Retail sales for July were quite robust despite lower savings rates and climbing delinquencies. If you want to hear more and visually see the data, I did a [Fox21 segment](#) on this last week that was also a [Gazette article](#). It may appear that consumers are irresponsibly overspending, but we shouldn't discount the impact of inflation. People have to spend more now because prices are higher. While consumers are not happy about elevated prices, some of their spending is also likely fueled by their sense of job security which is enabling elevated spending levels. Indeed, [Unemployment Rates {Page 3}](#) are still historically low with the U.S. rate holding steady in July at 3.8%, the Colorado state rate increasing slightly to a still very low 3.5% (from 3.4% in June), and a similar trend for our local unemployment rate (from 3.6% in June to 3.7% in July). Honestly, I can't think of a time in my career when signals have been so mixed, which tells me there may indeed be a paradigm shift happening in the U.S. and global economies.

Another consideration is the labor participation rate and how it's been holding steady. Compared to previous decades, a 62.6% participation rate (June 2023 rate) is quite low, and we all know some of that is aging demographics in addition to some working-age people participating less in the labor force. But a flip side to this is that a steady labor participation rate now, albeit low, is in spite of the large waves of people who are retiring (see chart). In essence, a steady participation rate means more (young) entrants into the labor force because proportionately, more (older) people are leaving the labor force. In essence, this has to continue for the labor shortages to *not get worse*. This solidifies in my mind that we will not only have to allow more international in-migration, we will also have to engineer more (free?) training/education, subsidized childcare, and other incentives just for the U.S. labor market to stay in its current meager state. Childcare challenges will be even more pronounced as federal (pandemic) subsidies are coming to an end next month, estimated to further reduce child slots by 3.2 million (more on that in this week's Fox21 segment). Hence, an economic slowdown will bring some workers back; I just don't think such a slowdown will have the labor market impacts it's had in the past.

Speaking of that cyclicity, the [Number of Workers Available per Job Opening {Page 4}](#) increased in July to 0.59 from 0.54 in June in Colorado Springs. The small increase in worker availability is due to an increase in the number of people unemployed in our region, which went from 13,410 in June to 14,204 in July. The number of people unemployed fluctuates and that change is not way out of the ordinary, but I will say that Traci Marques from the Pikes Peak Workforce Center says that she is seeing a bit of an increase in the number of people who come into the Workforce Center for unemployment-related assistance. Similarly, small business and manufacturing surveys show some softening in labor demand, although 61% of small business owners are hiring with 92% still saying there are few or no qualified applicants. Jobless claims are not materially rising either, all pointing to a "softened" labor market that would be considered stellar in past decades.



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El Paso County Economic & Workforce Progress Report (EPR)

We have some additional *local* labor market information from the Quarterly Census of Employment and Wages (QCEW), which was just released for Q1 of this year. **El Paso County Annual Job Changes {Page 4}** show that in Q1, our region had 1,635 new jobs. In all of last year (2022), we had 10,480 new jobs and as the chart shows, both 2021 and 2022 had stellar job growth well exceeding the 5,600 new jobs needed to match population growth. Now, if you annualize our first quarter growth, it looks like we will fall short of the 10,000+ new jobs we've generated in the previous two years, but first quarter job growth is often a bit lower than subsequent quarters so I feel like we will have a better sense of 2023 job growth trends after Q2 is released. I'll keep you posted.

El Paso County Employees by Sector {Page 4}, also from QCEW, shows the industries with the most job growth. There are the usual suspects of transportation and warehousing (+110% since 2017 Q1), professional and technical services (+40.3%), health and social assistance (+24.9%), and construction (+12.4%). Accommodation and food has been declining since early 2022, and it no longer makes the top five list (see green line on graph). Public Administration now makes the top five list with slow and steady growth of 12.4% since 2017 Q1.

QCEW also gives us wage information, and unfortunately that data isn't trending in the direction I'd like to see. In previous reports we showed that in 2022, **El Paso County Wages {Page 4}** were 11.4% lower than U.S. wages and 16.6% lower than Colorado wages. As the table shows in your current report, those percentages have deteriorated with EPC wages now 13.9% lower than U.S. wages and 19.1% lower than Colorado wages. This is unfortunate, especially given the higher cost of living in our region. In Q1 of this year, our **Regional Cost of Living {Page 3}** was at 108.5% of the U.S. city average, and most of that is attributable to the surge in the cost of housing. While it is true that we have some caveats for why our wages are lower, most notably military retirees who take lower wages due to government pensions and a lower median age, we now have a large proportion of professional and other high paying jobs as well as a more educated population, so I feel our wages should be trending higher, not lower. I'll continue to report on those trends as the data is released.

Speaking of housing costs, 2023 Q2 **Median Existing Home Prices {Page 6}** were released and our region had an increase to \$467,700 (from \$444,700 in Q1). Some of that is likely seasonal, but the general trend is prices that are at best holding steady and at worse, still increasing albeit by smaller increments than we had during the pandemic. Higher interest rates do seem to be reducing **Total Home Sales {Page 6}** as the graph shows, but higher **30-year Mortgage Rates {Page 3}** with a July average of 6.84% and today at over 7%, don't appear to be pushing home prices lower. Of course, this has more to do with the structural issue of a national (and local) housing shortage. FYI that Rebecca and I are in the process of updating the "ideal number of housing permits," which incorporates our regional housing shortage. We are double-checking our assumptions and calculations with our state sources, so I'll address that in more detail next month. But suffice to say that housing is another example that we are in new territory with persistent demand for housing despite higher prices and higher interest rates. That's just not usually how it's worked at least in my lifetime.

Another unfortunate indicator of the elevated cost of living and elevated housing prices is the **Housing Opportunity Index {Page 6}**. After reaching an all-time low of 18 during the pandemic, it improved in Q1 of this year to 30, but is now back down to 25.3. This index tells us that 25.3% of the homes sold in our region in Q2 were affordable to the median household income. As the textbox shows, that index was significantly better in 2019 at 71.4%. The affordability crunch isn't helped by the low level of **Building Permits {Page 6}** we saw in July. While it's true that multi-family permits (red portion of the bar) can fluctuate widely, it's easy to see that the general trend for both multi-family and single-family permitting is down. Again, this is due to the elevated interest rate environment. Builders are more cautious about starting new projects with these higher interest rates virtually ensuring that our housing deficit isn't likely to improve, at least in the short run.

Sales and Use Tax {Page 7} showed improvement in July (up 13.5% month-over-month) and **Enplanements {Page 7}** also performed well (up 6.7% month-over-month). It's worth noting that since July 2019, enplanements are up 39.6%, indicative of the tourism industry as a whole. To highlight our region's growth in tourism, we are now including **El Paso County Tourism Spending {Page 7}**. This is information I have been including in the Pueblo dashboard, and now that 2022 numbers are out, I thought we would start to include it in our EPC regional reports. As you can see, our total spend according to the Colorado Tourism office, was \$2.1 billion in 2022 with 17,100 workers who directly work in tourism-related industries (up 8.6% from 2021) and with total direct tax receipts at \$134.8 million (up 13.0% from 2021). I recently did an economic impact analysis for the Garden of the Gods, and it's important to note that this state data only includes "direct" dollars. While still impressive, these direct dollars do not incorporate the business-to-business activity that feeds into the tourism industry indirectly, nor do they incorporate the consumption impact of all of the employees who work directly or indirectly for the tourism industry.

As summer lamentably comes to a close, I'll stop on the happy note that our region's natural beauty greatly contributes to our region's diverse economy. We have a healthy mix of industries that provide various employment and business opportunities, and this is much of the reason our regional employment levels have been elevated for most of the past decade. The diversity grants some resilience, which should help given the structural headwinds we may be facing as we enter the winter months.

Tatiana & Rebecca

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

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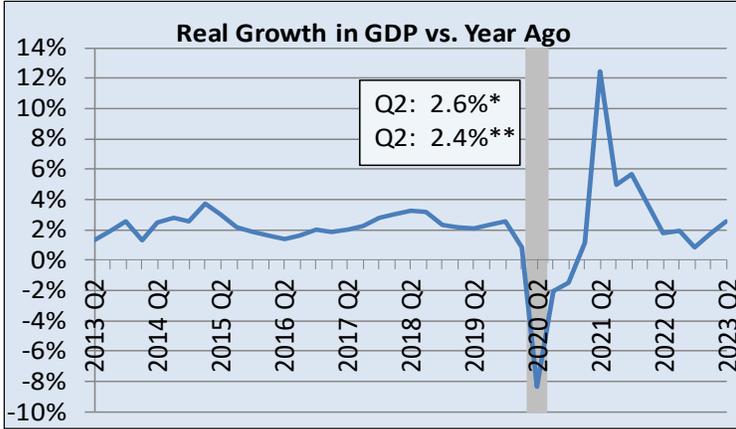
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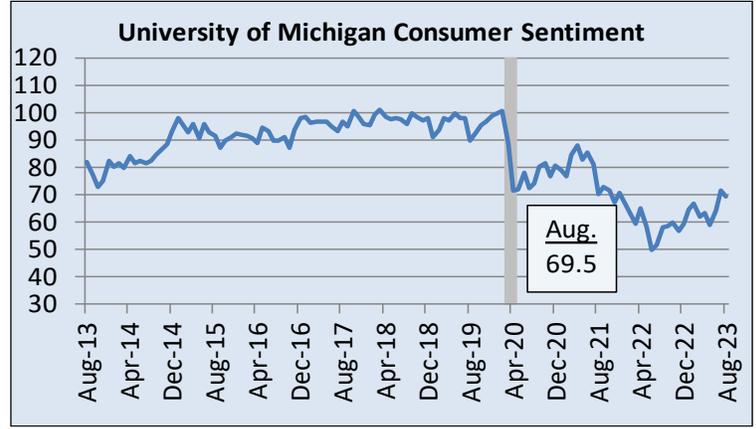
[Page 7 - Crime & Safety](#)

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MACROECONOMIC "BIG PICTURE" (PAGE 3)



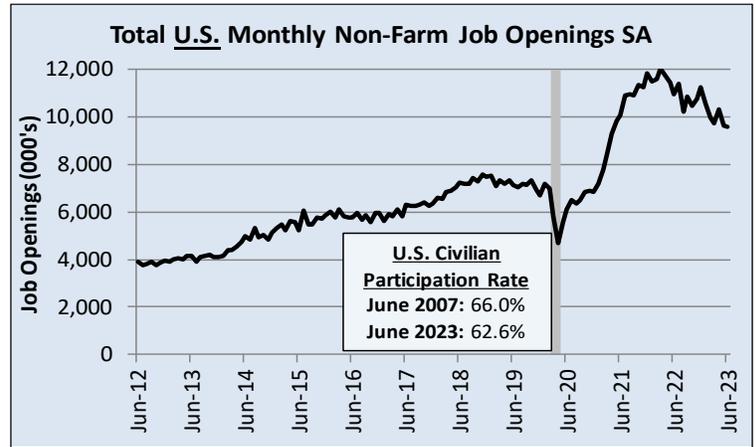
*Estimate of real GDP percent change from same quarter a year ago, SA
 **If quarterly changes were annualized over the year.
 Source: U.S. Bureau of Economic Analysis



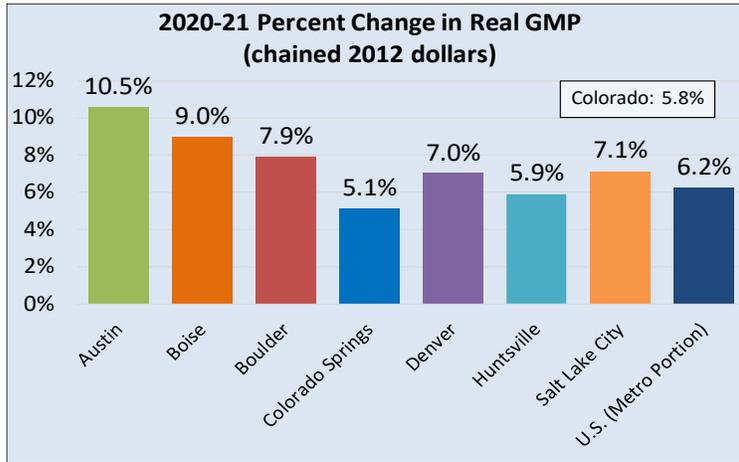
Source: University of Michigan

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.

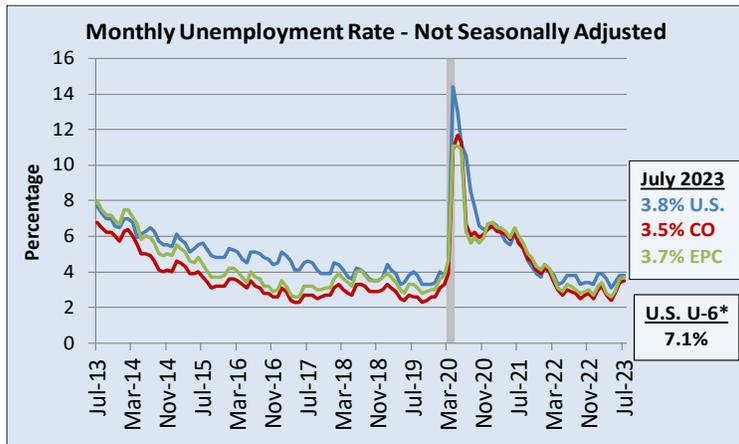


Note: Data includes military. Real GMP is adjusted for regional price parity (RPP). This regional data lags ~23 months.
 Source: U.S. Bureau of Economic Analysis

U.S. Consumer Price Index - July 2023		
	All items	Less food & energy
Change from June to July 2023 (SA)	0.2%	0.2%
Last 12-months (NSA)	3.2%	4.7%

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

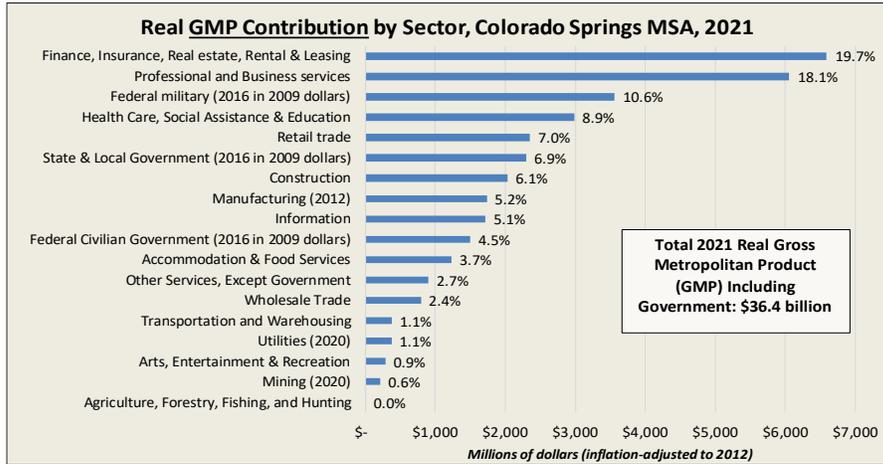
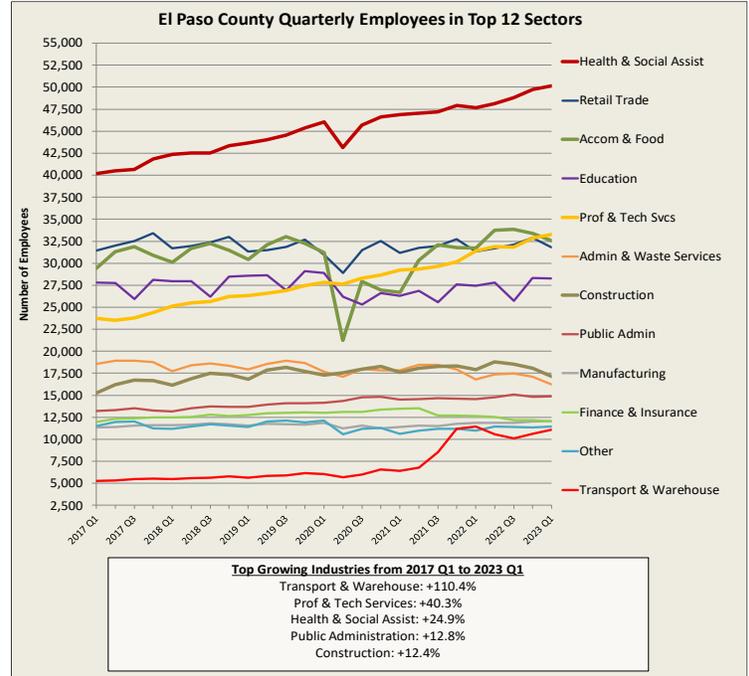
LOCAL LABOR MARKET (PAGE 4)

Top Job Openings, Colorado Springs MSA July 2023

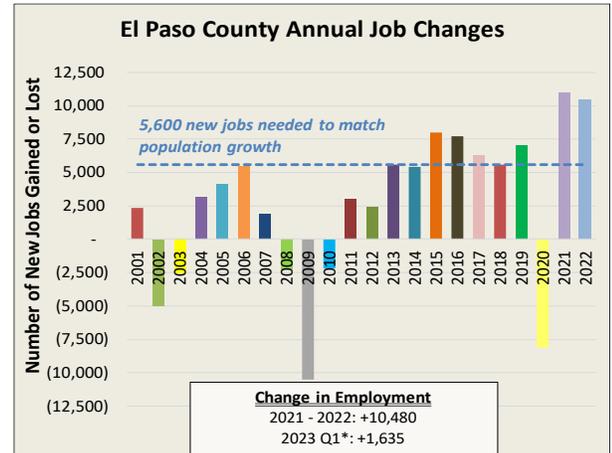
Top Job Titles	# of Job Postings	Median Advertised Salary
Registered Nurses (L)	1,302	\$87,808
Software Developers (L)	706	\$120,064
Retail Salespersons (M)	684	\$32,896
Sales Reps, Wholesale & Mfg (M)	523	\$65,920
1st-Line Supervisors, Retail Sales (L)	495	\$43,648
Computer Sys Engineers/Architects (L)	485	\$122,624
Fast Food & Counter Workers (H)	432	\$32,640
Customer Service Reps (M)	388	\$39,040
Manual Laborers and Movers (M)	372	\$38,272
Managers (L)	359	\$100,096

Colorado Springs MSA, July 2023
TOTAL Job Openings: 24,097
TOTAL Unemployed: 14,204
Workers Available per Job Opening: 0.59

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



*Quarterly data reflects new jobs above 2022 annual average number of jobs.
 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)

Colorado Springs MSA Lowest & Highest High School Grad & Earnings, 2021

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.

2023 Q1 Average Annual Wages for All Industries

El Paso County wages are 13.9% lower than U.S. wages and 19.1% lower than CO wages.

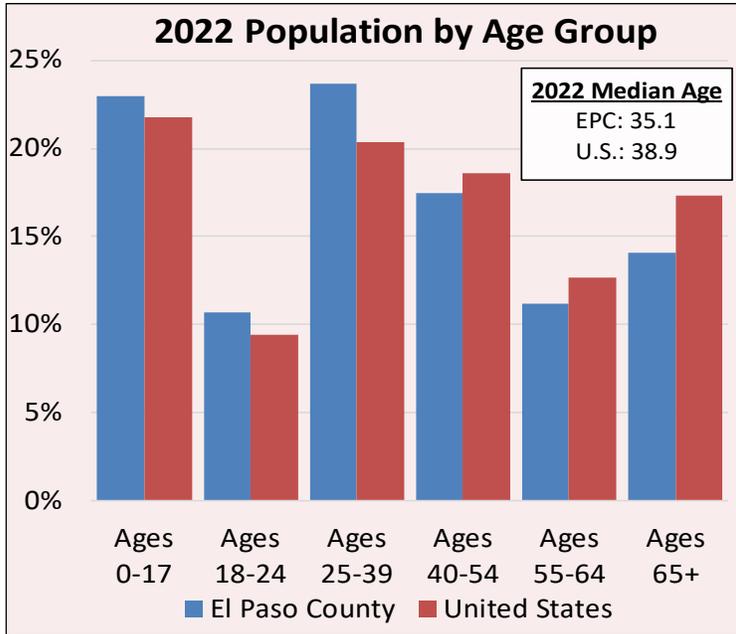
U.S.	Colorado	El Paso County
\$76,180	\$81,068	\$65,572

2023 Q1 El Paso County Total Employment (excluding military)
298,365

***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

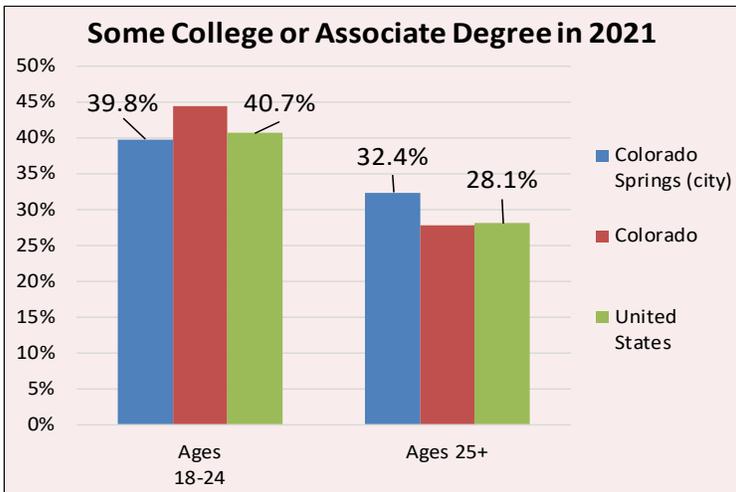
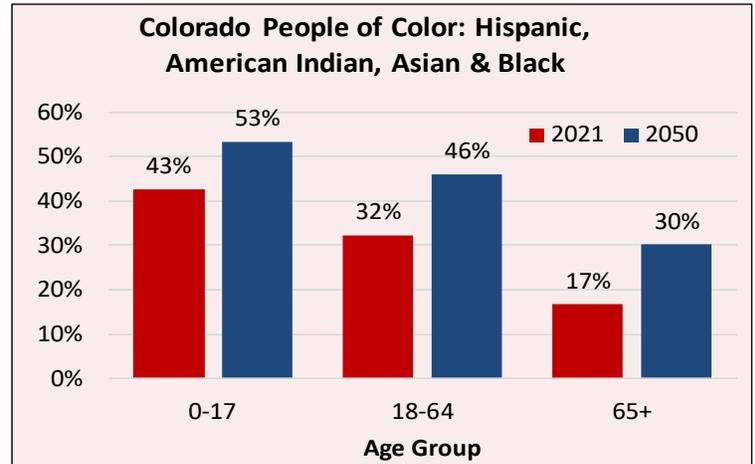
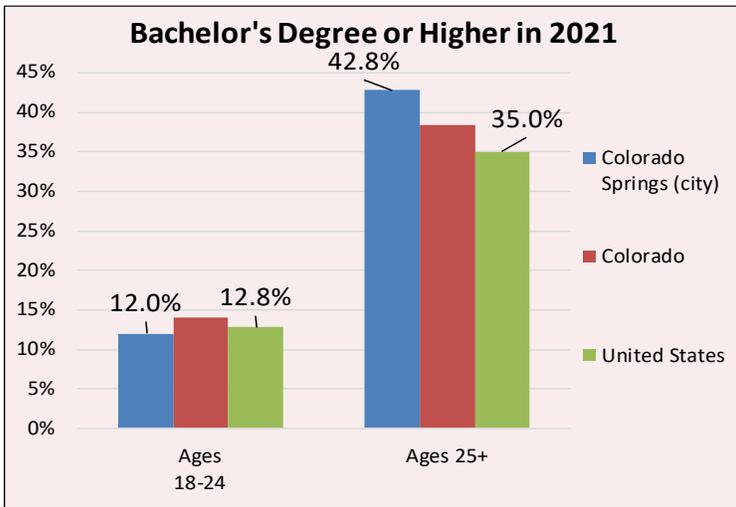
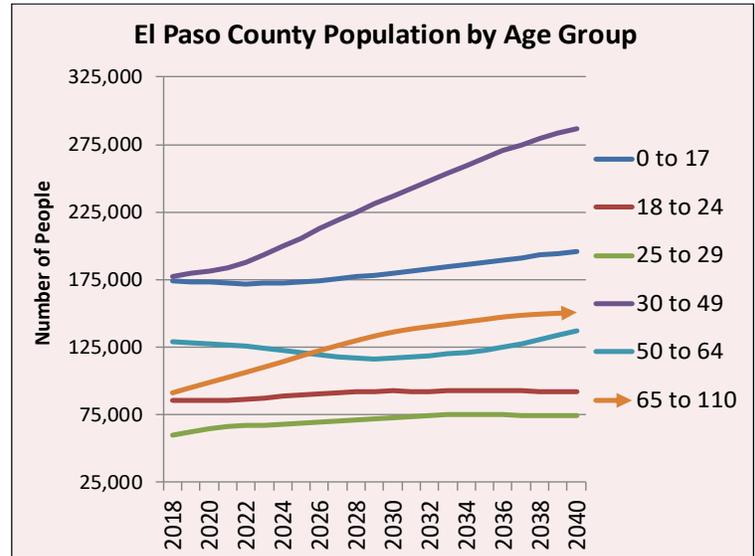
DEMOGRAPHICS (PAGE 5)



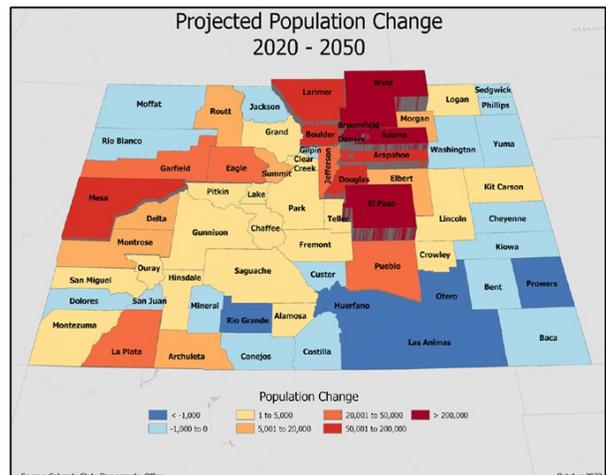
Source: U.S. Census Bureau, Population Division

Population Estimates

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

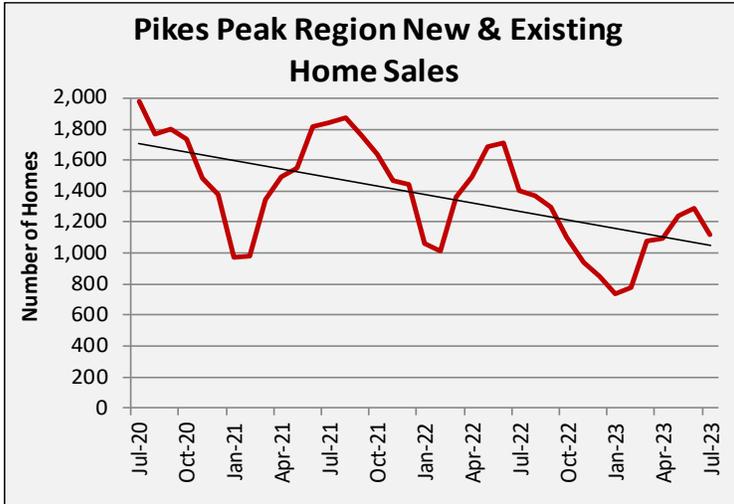


Source: U.S. Census Bureau, American Community Survey 1-year estimates

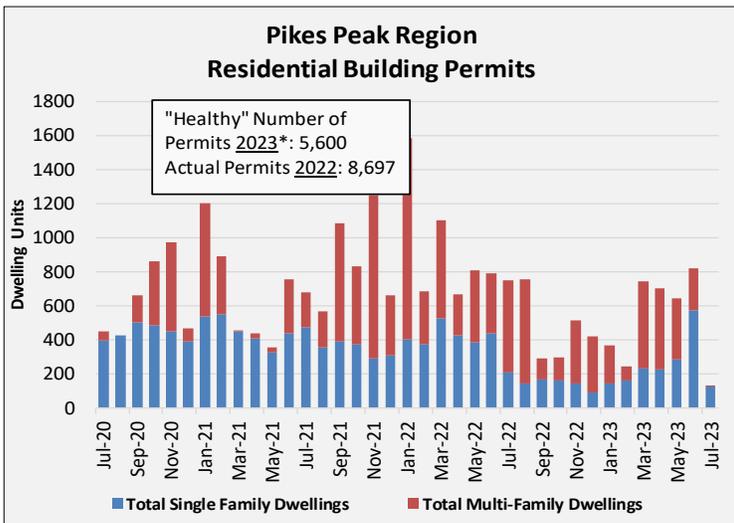


Source: Colorado State Demography Office

REAL ESTATE (PAGE 6)



Source: Pikes Peak REALTOR® Services Corp.

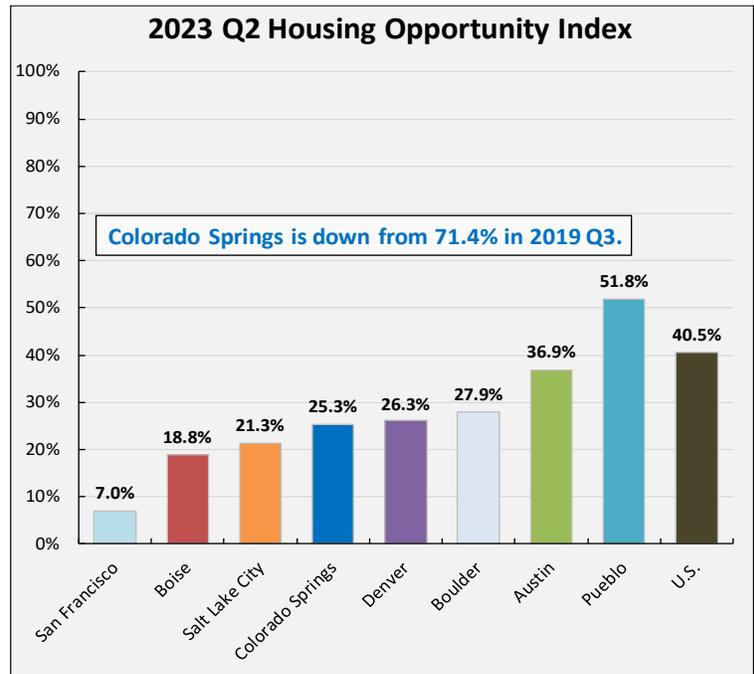


**"Healthy" permits was revised down in 2023 to 5,600 due to higher construction levels during pandemic period. The National Association of REALTORS® has calculated that the U.S. has underbuilt roughly 6.5 million homes since the Great Recession. Data-Driven Economic Strategies is reconsidering the local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

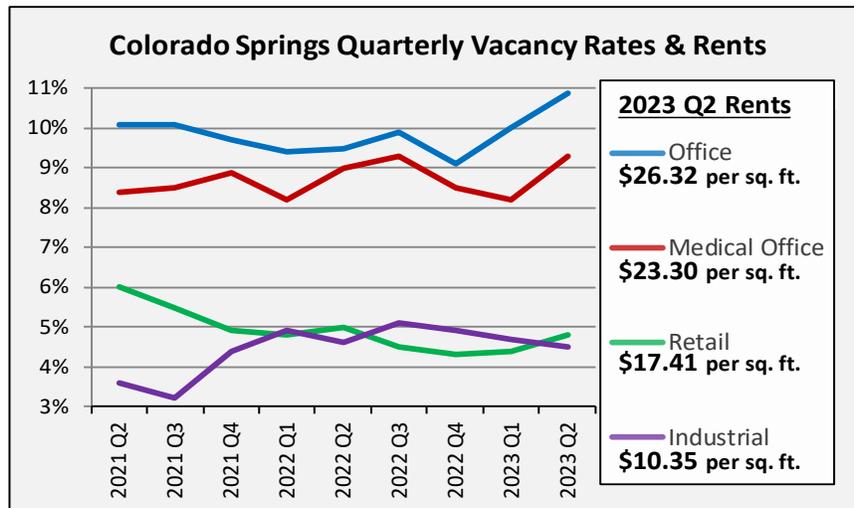
Median Existing Single-Family Home Price 2023 Q2

Location	Colorado Springs	Denver	Boise	United States
Price	\$467,100	\$674,500	\$480,800	\$402,600
1-year % Change	2.9% decrease	3.1% decrease	7.9% decrease	2.4% decrease
MSA Rank	43	16	40	n/a

Sources: National Association of REALTORS®



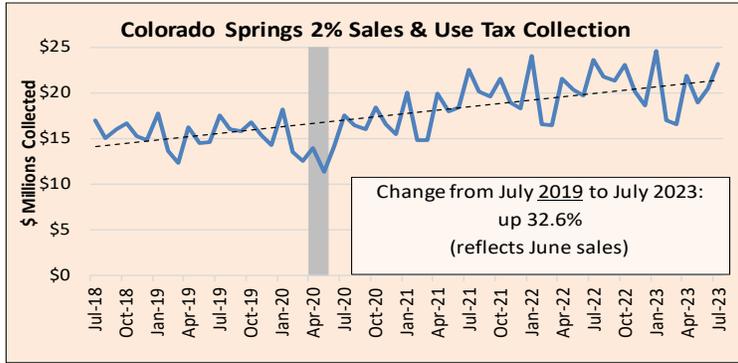
*Most recent Pueblo data is not available so Pueblo HOI above is still 2022 Q3. Notes: The Housing Opportunity Index (HOI) is defined as the share of homes sold in that area that are affordable to a family earning the local median income, based on standard mortgage underwriting criteria. It includes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



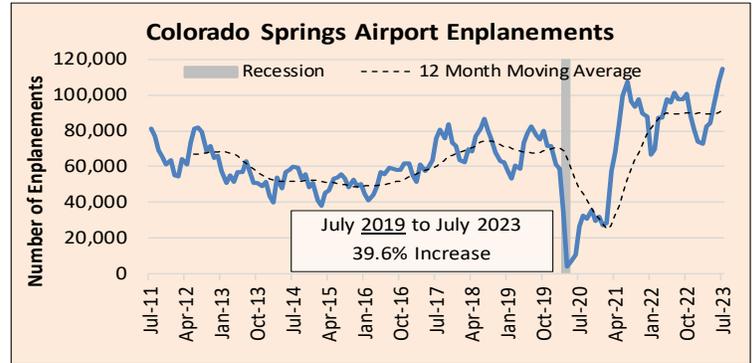
Sources: CoStar Group™; Olive Real Estate Group, Inc.

El Paso County Economic & Workforce Progress Report (EPR)

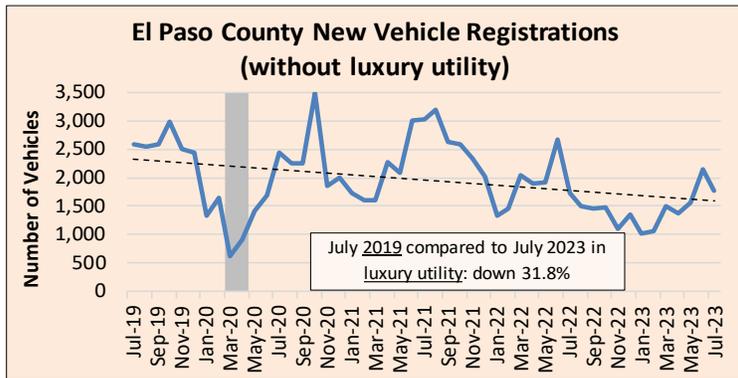
TAXATION, VEHICLE SALES, AIR QUALITY, AND TOURISM (PAGE 7)



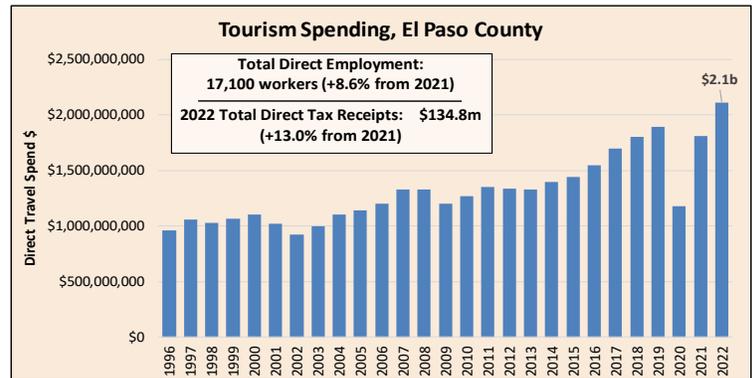
Source: City of Colorado Springs



Source: Colorado Springs Airport



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



Note: Direct travel includes day and overnight visitors.
Source: Colorado Tourism Office

2022 Air Quality		
	Colorado Springs*	U.S. Standard
Carbon Monoxide (CO) Concentration (ppm)	0.9	9.0
Particulate Matter (µg/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

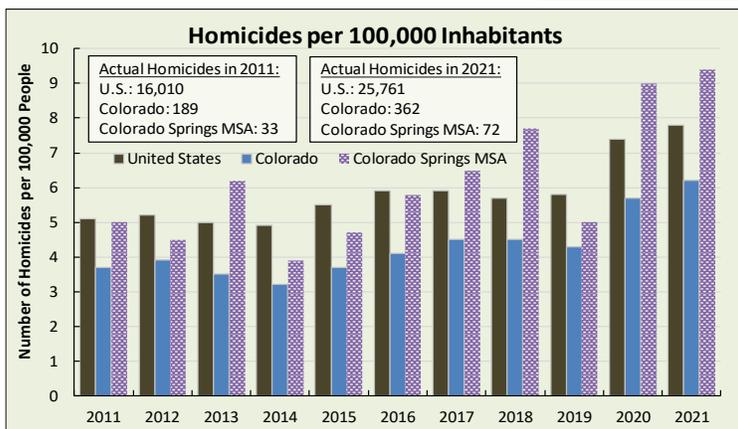
*Locations of measurements: CO at 890 W. Hwy 24; Particulate Matter at Colorado College; SO₂ at Hwy 4
Source: Colorado Department of Public Health & Environment

Hotel Occupancy Rate July 2023			
Colorado Springs	Denver	Colorado	
82.2%	81.3%	79.4%	

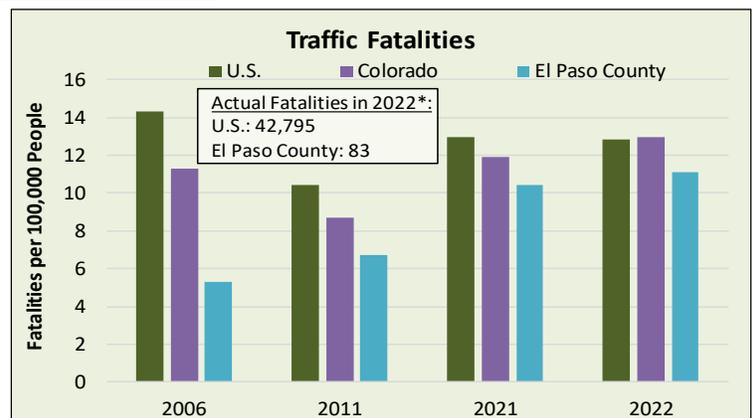
Hotel RevPAR* July 2023		
Colorado Springs	Denver	Colorado
\$144.59	\$154.95	\$167.21

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

CRIME & SAFETY (PAGE 7)



Source: United States Department of Health and Human Services, Centers for Disease Control and Prevention, National Center for Health Statistics, Underlying Cause of Death on CDC WONDER online Database.



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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El Paso County Economic & Workforce Progress Report (EPR)

SUPPORTERS (PAGE 8)



SPARKSWILLSON, P.C.



Tiemens Private Wealth Management Group of



THANK YOU!