

El Paso County Economic & Workforce Progress Report (EPR)

Highlights - October 2023

Hello! Attached you will find the October monthly EPR (Economic Progress Report). Before I jump into the narrative highlights, I want to let the **DDES sponsors** know that they will shortly be receiving an electronic save-the-date for a **holiday-thank-you happy hour that will include a short economic presentation (20 minutes) followed by a longer 25-minute Q&A. It will be at Vine & Wheel on December 6th from 3:00 – 4:30 p.m.** All DDES sponsors will also receive a formal Evite that we ask you RSVP to so we can give the venue an accurate count. The event is **free for our 36 financial supporters listed on the back page of the EPR, and it will also include wine and hors d'oeuvres.**

If you are not a DDES sponsor and would like information on becoming a supporter, please contact Gabby at gglassford@ddestrategies.org.

GDP {Page 3} was released late last week, and as expected, U.S. economic growth was very strong in Q3 of this year. If we annualize the growth in Q3, the U.S. economy would expand at 4.9% over the course of the year (hence “annualized”). Another way to look at quarterly data is to simply compare Q3 of this year to Q3 of last year, and that growth rate was 2.9%. I personally think that year-over-year analysis is more accurate than the annualized one. Just because one quarter has unusually high or low growth, that doesn’t mean that level of activity will hold for an entire year, which is what the annualized metric states. The year-over-year growth of 2.9% is still, however, above “trend” growth we’ve seen in the U.S. economy over the past many decades (roughly 2.0%).

In the previous quarter (2023 Q2), economic growth was more in line with “trend” growth at 2.1%. The outsized economic performance in the more recent quarter of Q3 was mostly due to relentless *increases* in consumer spending (up 4.0%), private inventory investment, exports, all levels of government spending and residential investment. It’s worth noting that the largest component of personal consumption expenditures was in the services category. Most experts say this summer/early fall bump was part of the last hurrah of consumers who are enjoying full normalcy after the pandemic, are confident about their employment, spending what’s left of their “excess” savings, and indeed relying more on credit cards to finance expenditures. There is a reality check around the corner with savings rates that continue to dwindle (now at 3.4% versus 7.2% in January 2020). Undoubtedly, a portion of the bump in use of credit cards is also due to significantly higher price levels that lower-income individuals, in particular, are struggling with. Lower income households report they are using credit card more so just to cover necessities, and that’s a bit of a red flag for me as I watch credit card delinquencies rise. Goods purchases did not increase as much as services, but still had a nice increase in Q3 after lackluster Q2 levels. Subtractions on GDP in Q3 included nonresidential investment and (more) imports.

Despite the robust GDP read, consumers, businesses and most economists remain skeptical about the U.S. ability to keep up with longer-term trend growth rates of ~2.0%. Remember that GDP is a backward-looking indicator with Q3 representing July to September so in order to speculate how the remainder of this year and next may look, we have to focus on leading indicators. If we do that, a list of headwinds remains. We have improving but still sticky **Inflation {Page 3}** that stayed at 3.7% in both August and September mostly due to shelter and gasoline costs. Because of that inflation, the Federal Reserve may raise **Interest Rates {Page 3}** one more time in November or at a minimum keep them higher for longer, which crimps home-buying and business investment. It’s somewhat technical, but the “real” interest rate is also a factor here because as inflation declines and interest rates stay high, the “real” interest rate is greater, and that disincentivizes borrowing and investing, which hurts future growth. The high “real” interest rate is part of the reason U.S. Treasuries (e.g., bills, notes, and bonds) have been more attractive to investors compared to stock market investments. This alongside general economic uncertainty translates to investor skittishness and stock market volatility as you can see in the chart.



At a household level, the dissipating pandemic savings, rising debt (with increasing credit card *and* auto loan delinquencies), lower government spending due to the (shutdown averting) Fiscal Responsibility Act, general legislative paralysis, and student loan re-payments also factor into what will likely be reduced consumer and government spending, which all factor heavily into GDP.

Having said all that, retail sales do continue to hold up, and two contributing factors I have recently covered on Fox21 include many people holding **second jobs**, which help finance continued spending, and many households who still have decent discretionary income because they **locked in sub-3%, 30-year mortgage rates a couple of years ago**.

The narrative that the strong labor market will likely keep an economic slowdown or technical recession from being severe, has not changed. **Job Openings {Page 3}** had an upside surprise in the latest August data (9.6 million openings), and we also had a 336,000 increase in employment across a plethora of industries in September according to the **BLS report**. The increase in employment is more than double the pre-pandemic average and helps explain the national and local declines in **Unemployment {Page 3}** in September. The U.S. rate fell from 3.9% in August to 3.6% in September, and the El Paso County rate fell from 3.8% to 3.4% over the same period. Another factor in the

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U.S. economic resilience this year is the simple fact that the U.S. dollar is the world's reserve currency. This means the demand for U.S. Treasuries will remain relatively strong, which enables the U.S. to finance its expenditures as well as its (ever-growing) debt.

But the relatively resilient position of the U.S. could be thrown into question by external factors. Serious geopolitical risks, more recently the Israeli-Palestinian crisis, the Ukrainian crisis, and other global challenges currently pose the largest threats to both global economic stability and inflation. Commodity prices for staples like oil and wheat are at particular risk. These and other exogenous risks could debunk the assumption of a mild downturn in the U.S. and consumers are aware of this. **Consumer Sentiment {Page 3}** fell in October with an index at 63.8 as the graph on the EPR shows. Some of the decline was driven by higher-income consumers with stock market investments. As shown in the graph and discussed above, stock market volatility has been high and returns in 2022 and thus far into 2023 are paltry compared to the two previous (pandemic) years. And wealthy people have taken note. Overall, one-year-ahead expected personal finances declined by about 8% and one-year-ahead expected business conditions declined by 16%. Higher expected inflation largely explains household's and business's deteriorating outlook.

I'd like to shift focus a bit to some of the recent demographic data that's been updated by our various state and national sources. Before I do that I'd like to mention that over the past few weeks I've focused on the housing market, and if you want more information on that industry, please go to the [Fox21 economic segments](#) directly.

The Federal Poverty Level (FPL) in the U.S. increased significantly in 2022 for individuals (from \$12,880 in 2021 to \$18,310 in 2022), although not quite as significantly for families of four (\$26,500 in 2021 to \$27,750 in 2022). The increases, of course, correlate with the elevated inflation levels we've had over the past couple of years. It's helpful to juxtapose the FPL to the **MIT Living Wage for El Paso County {Page 4}** because the MIT data represents what individuals and families need to earn to cover necessary expenses. For a family of four with two children and two working adults (each making \$55,619), the total necessary household income to cover all expenses is \$111,238. This is approximately four times the FPL.

A piece of good news is that the percentage of people in the U.S. at or below the FPL went down slightly (from 12.8% in 2021 to 12.6% in 2022). El Paso County had a larger reduction in the percentage of people at or below the FPL (from 9.6% in 2021 to 8.3% in 2022). The improvements are likely tied to the increases in average wages from \$61,984 in 2022 to \$65,572 in Q1 of this year (up 5.8%). However, the U.S. average wage increased more so going from \$69,992 in 2022 to \$76,180 in Q1 of this year (up 8.8%). I don't likely have to tell you that wages didn't keep pace with inflation for most of the pandemic era, but the aspect of this that's worrisome is that locally our wages are still 13.9% below the U.S. average wage and 19.1% below Colorado average wages. Meanwhile, our **Cost of Living Index {Page 3}** did slightly improve in Q2 of this year to 107.2% of the U.S. average from 108.5% in Q1 mostly because housing prices have moderated. But the reality now of a local cost of living at 107.2% of the U.S. average with wages 13.9% below the U.S. is not a good scenario. Shelter is a large component of cost of living so that is one of the linchpins in bringing parity between cost of living and wages. In years past I tempered my concerns about local wages lagging mostly because of the retired military who perhaps take lower wages in private sector jobs because they have military pensions and benefits. Military spouses also often move around a lot and that lack of continuity can be a drag on wages. However, as I've watched professional and technical jobs increase, in particular, I am no longer convinced that our wages shouldn't be more on par with (at a minimum) U.S. average wages. There is a mismatch, and until wages "catch up," I believe we are going to have to double down on affordable housing to keep our workers and attract new ones.

Recently, I talked about the [low level of condo building](#) in our region and state as a missed opportunity in increasing the supply of affordable housing.

We also now have updated educational attainment levels for 2022. For a **Bachelor's Degree or Higher {Page 5}**, the U.S. increased from 12.8% in 2021 to 13.4% in 2022 (ages 18-24) and from 35.0% to 35.7% for ages 25 and up. Interestingly, the comparable metrics for the City of Colorado Springs increased much more so from 12.0% to 17.4% for ages 18-24, and more modestly from 42.8% to 43.8% for ages 25 and up. The increased proportion of educated individuals locally is in line with the increases I've been seeing in new professional/technical establishments as people often move here for jobs. The U.S. and local share of the population with **Some College or Associate Degree {Page 5}** stayed roughly the same from 2021 to 2022. One thing to keep in mind, however, is that community/state colleges (such as PPSC) are increasingly used by companies and individuals for relatively short-term training and/or certification. This reflects the changing needs of businesses that quickly want to upskill their workers as well as the shift of many businesses to not require bachelor's degrees. Many businesses today are focusing more on "skills-based training." Those one-off courses are not always captured in the data but represent an important part of the new workforce training paradigm.*

As always, thank you to our sponsors and I hope everyone has a wonderful week!

Tatiana & Rebecca

*Thank you to Lance Bolton for previous conversations around this topic that help inform our work.

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

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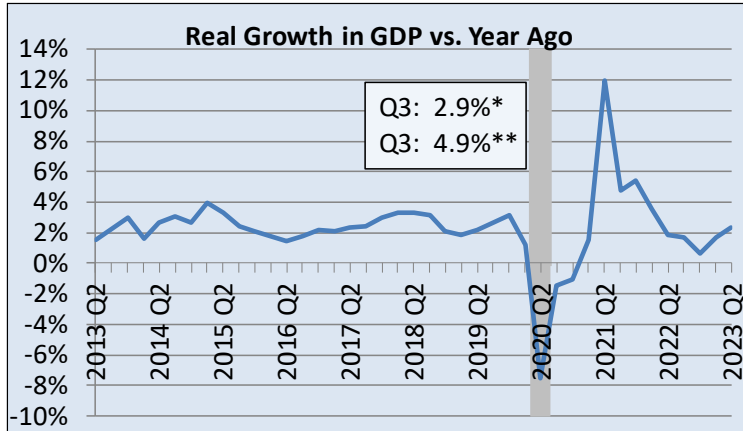
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MACROECONOMIC "BIG PICTURE" (PAGE 3)



*Estimate of real GDP percent change from same quarter a year ago, SA

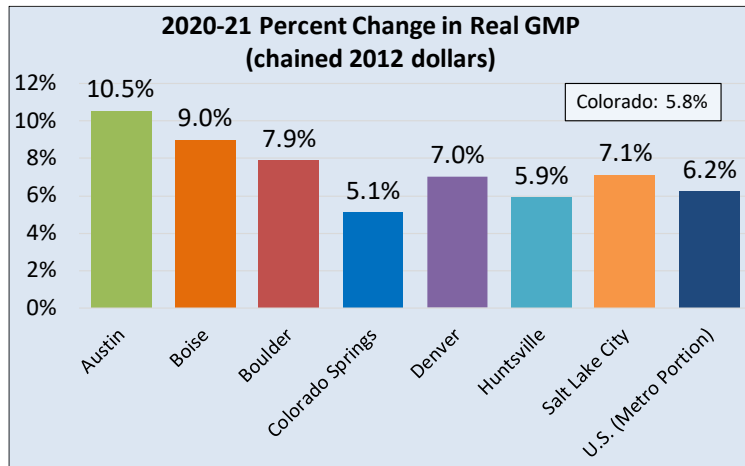
**If quarterly changes were annualized over the year.

Source: U.S. Bureau of Economic Analysis

| Forecasts for U.S. Real GDP and Unemployment (SA) | | | | |
|---|-------------|-------------|---------------|---------------|
| | 2021 Actual | 2022 Actual | 2023 Forecast | 2024 Forecast |
| Real GDP Growth | 5.8% | 1.9% | 2.2% | 0.8% |
| Unemployment Rate | 5.4% | 3.7% | 3.7% | 4.0% |

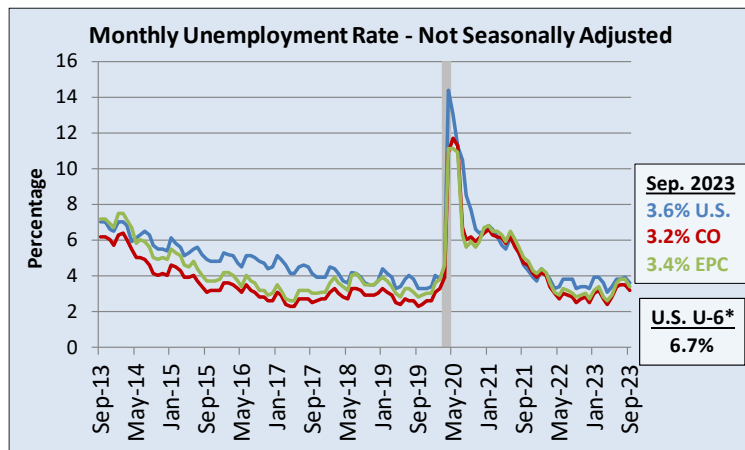
Forecasts by Data-Driven Economic Strategies with input from the Conference Board, Wells Fargo, Colorado Department of Labor & Employment, Colorado-based Business & Economic Research, and other anecdotal resources.

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



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

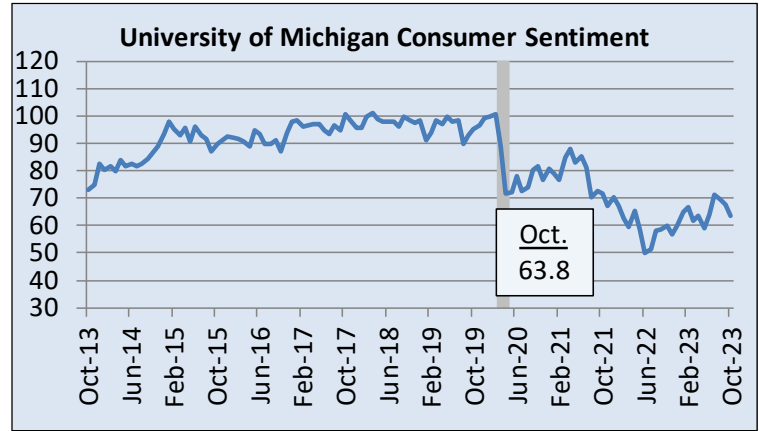
Source: U.S. Bureau of Economic Analysis



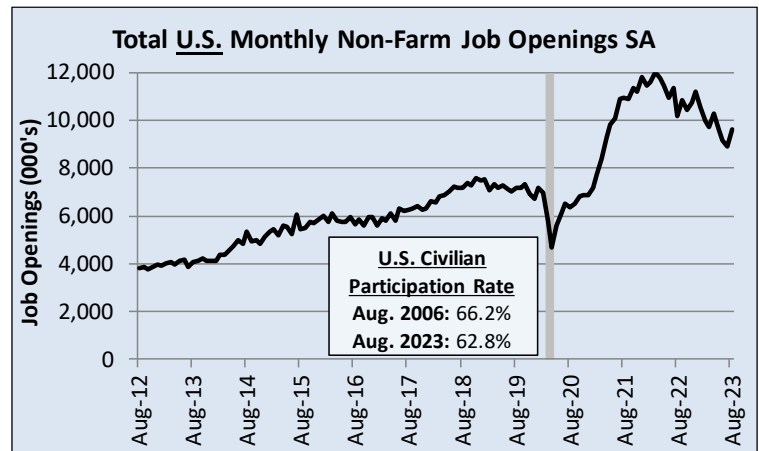
Note: Data not seasonally adjusted (NSA) to enable comparisons with counties.

*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: University of Michigan

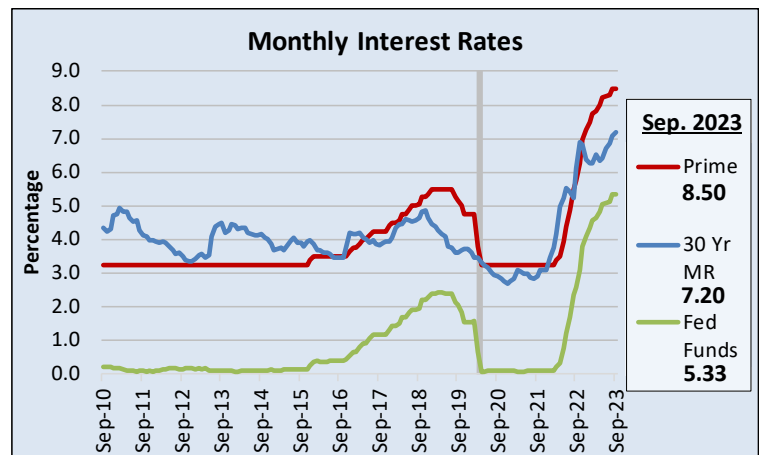


Source: U.S. Bureau of Labor Statistics; Job openings data lags.

| U.S. Consumer Price Index - September 2023 | | |
|--|-----------|--------------------|
| | All items | Less food & energy |
| Change from August to September 2023 (SA) | 0.4% | 0.3% |
| Last 12-months (NSA) | 3.7% | 4.1% |

The 2023 Q2 cost of living in the **Colorado Springs MSA** was **107.2%** 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)



Source: Board of Governors of the Federal Reserve System

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LOCAL LABOR MARKET (PAGE 4)

Top Job Openings, Colorado Springs MSA September 2023

| Top Job Titles | # of Job Postings | Median Advertised Salary |
|--|-------------------|--------------------------|
| Registered Nurses (L) | 1,084 | \$87,808 |
| Retail Salespersons (M) | 635 | \$32,896 |
| Software Developers (L) | 580 | \$121,600 |
| Computer Sys Engineers/Architects (L) | 421 | \$123,648 |
| Sales Reps, Wholesale & Mfg (M) | 418 | \$60,032 |
| 1st-Line Supervisors, Retail Sales (L) | 417 | \$45,184 |
| Customer Service Reps (M) | 340 | \$39,552 |
| Fast Food & Counter Workers (H) | 320 | \$32,256 |
| Managers (L) | 303 | \$100,096 |
| Maintenance & Repair Workers (M) | 300 | \$45,696 |

Colorado Springs MSA, September 2023

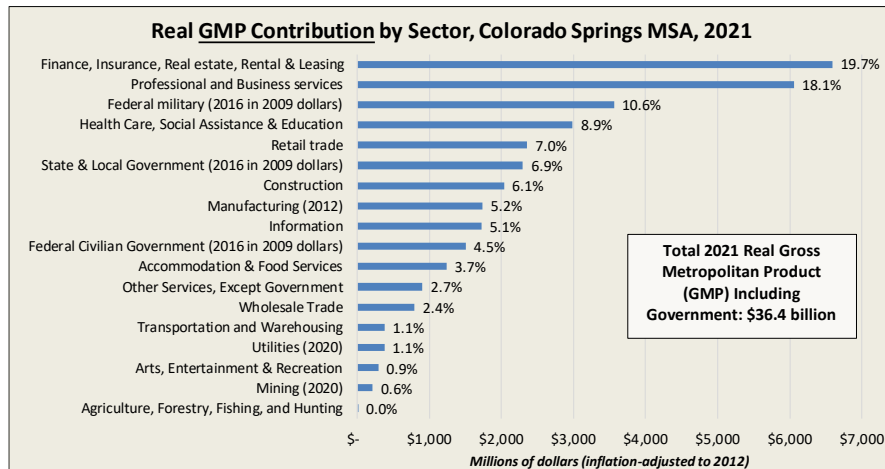
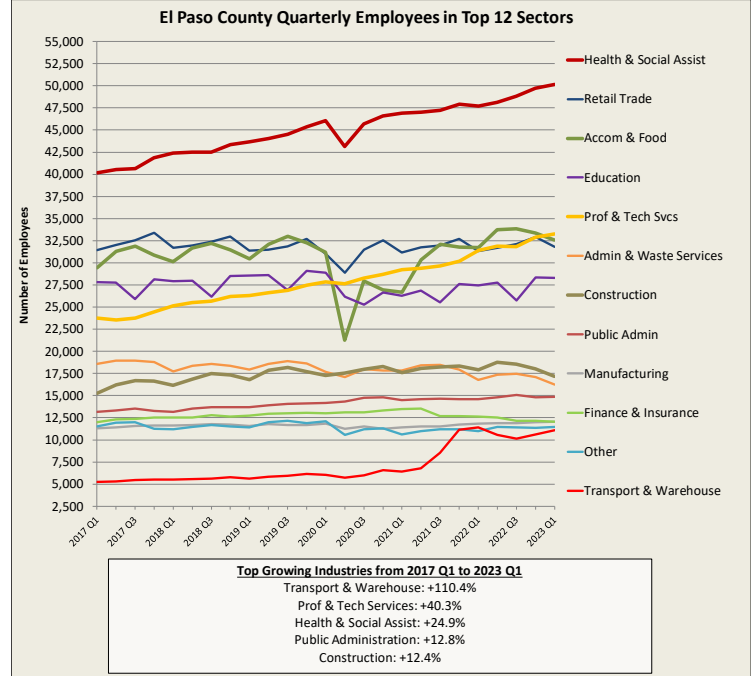
TOTAL Job Openings: 20,569

TOTAL Unemployed: 12,962

Workers Available per Job Opening: 0.63

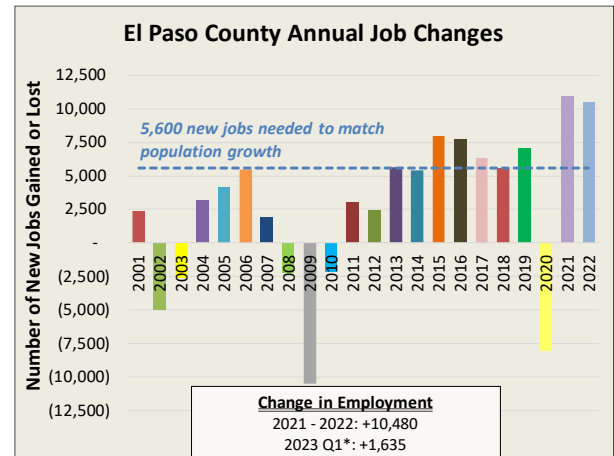
Risk of Automation: L = Low; M = Medium; H = High

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

2022 Federal Poverty Level (FPL)

| | El Paso County | U.S. |
|--------------------------|----------------|-------|
| % people at FPL or below | 8.3% | 12.6% |

Note: FPL in 2022 was \$18,310 for an individual and \$27,750 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).**

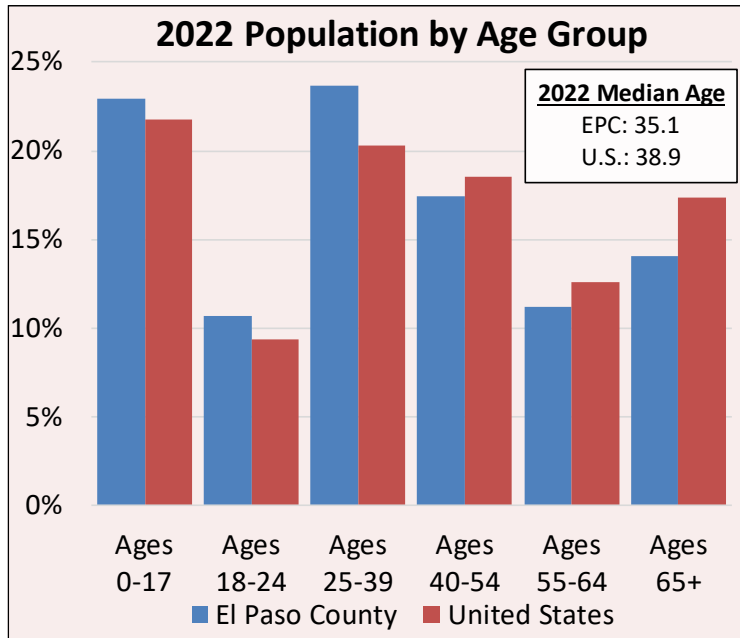
61,489 (17.4%)

*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

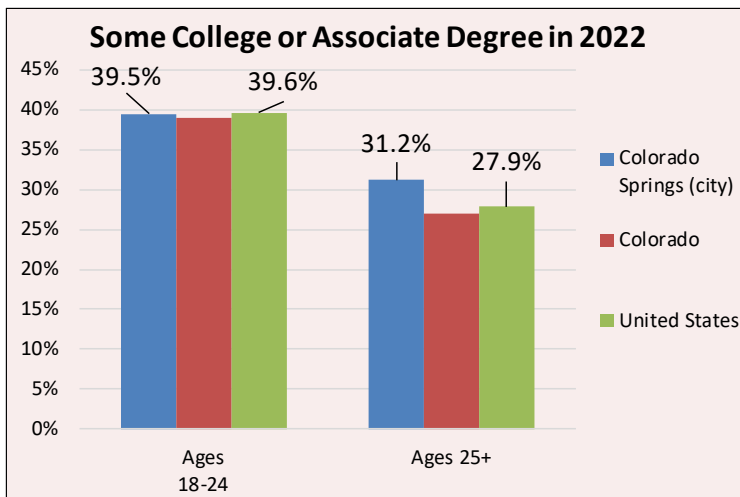
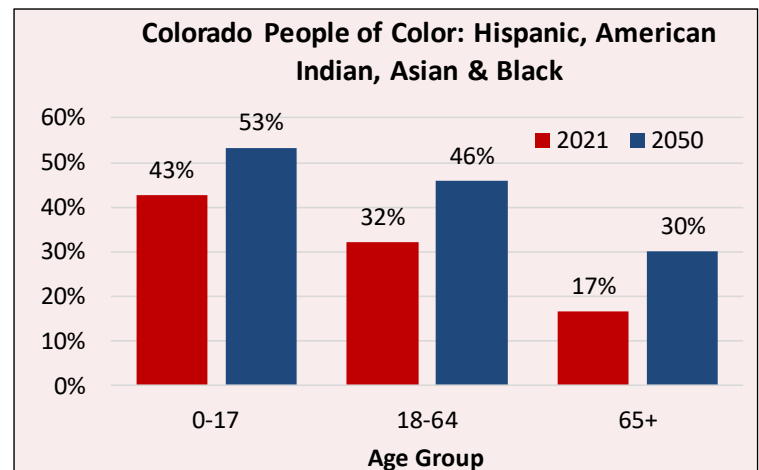
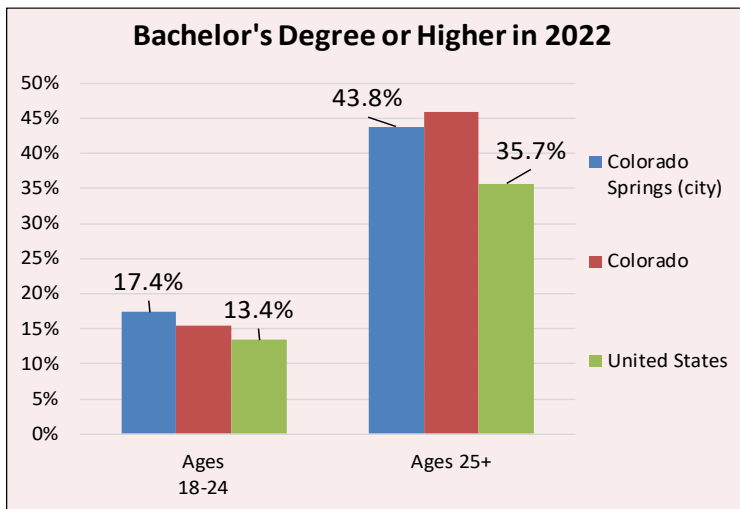
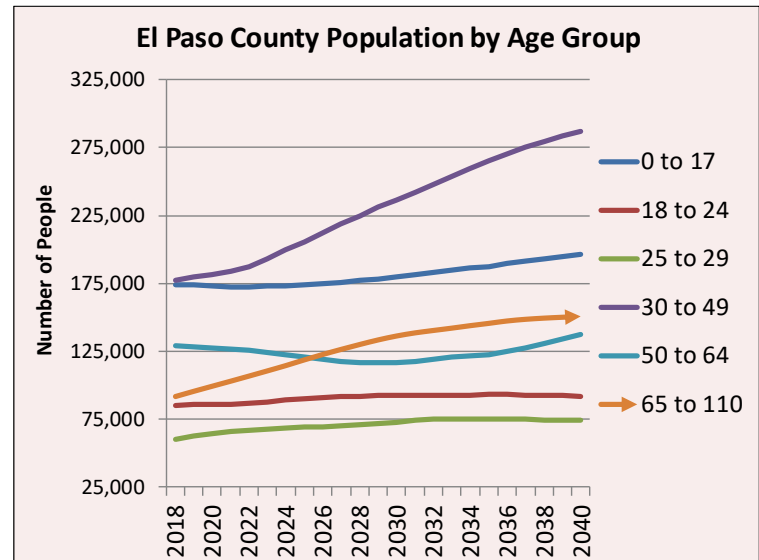
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DEMOGRAPHICS (PAGE 5)

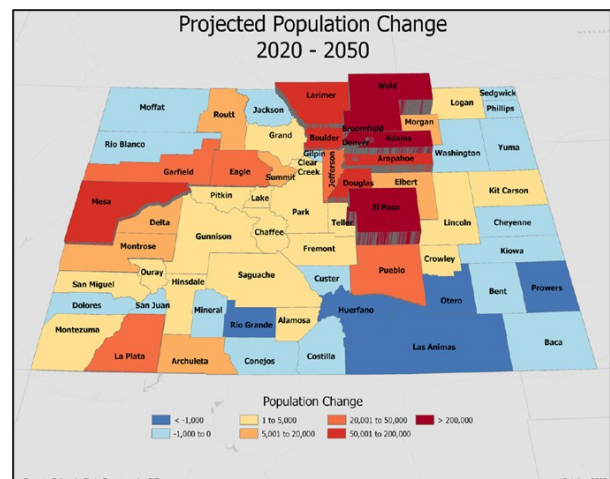


Source: U.S. Census Bureau, Population Division

| 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



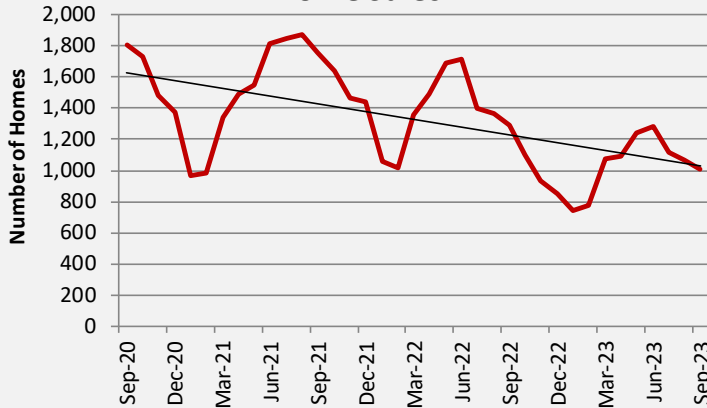
Source: Colorado State Demography Office

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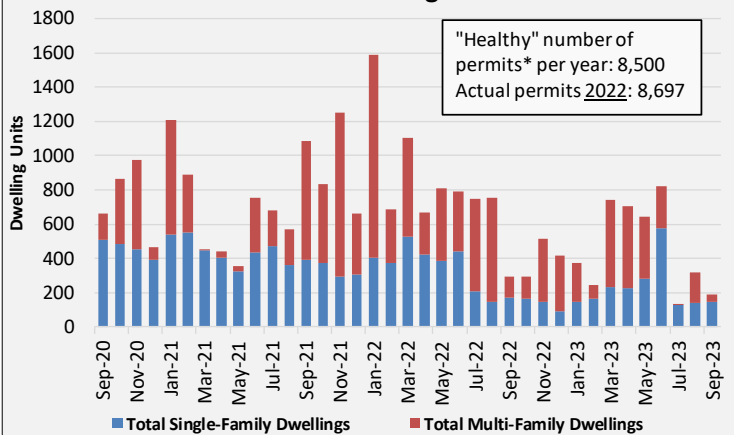
REAL ESTATE (PAGE 6)

Pikes Peak Region New & Existing Home Sales



Source: Pikes Peak REALTOR® Services Corp.

Pikes Peak Region Residential Building Permits



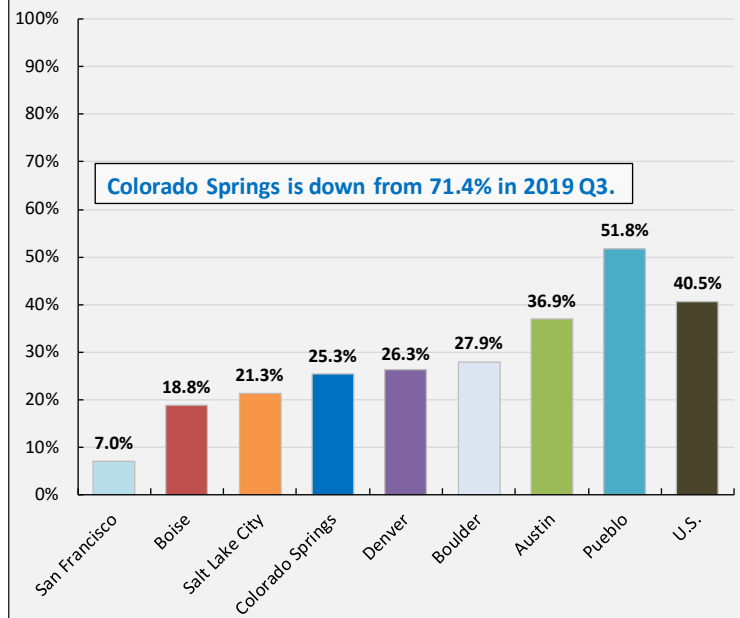
*The methodology for "healthy permits" now includes single-family and multi-family dwellings needed if we incorporate both population growth and the existing shortage of housing between 2023 and 2028. These calculations by Data-Driven Economic Strategies incorporate research by Common Sense Institute and input from the Colorado State Demography Office. The National Association of REALTORS® has calculated that the U.S. has underbuilt roughly 6.5 million homes since the Great Recession. 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 |

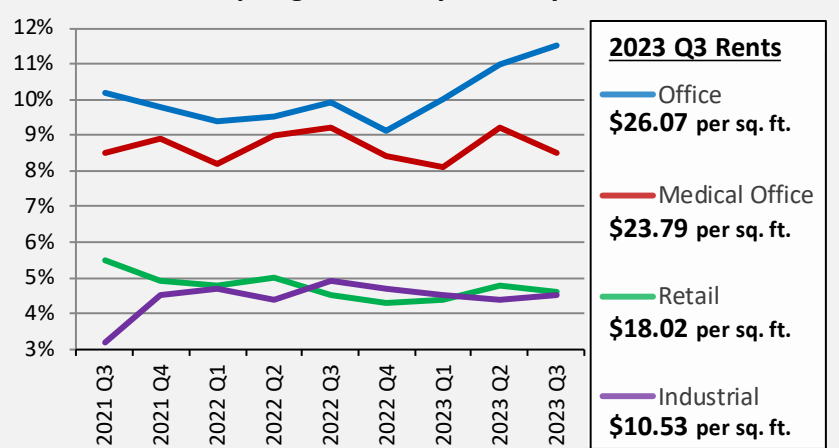
Sources: National Association of REALTORS®

2023 Q2 Housing Opportunity Index



*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

Colorado Springs Quarterly Vacancy Rates & Rents

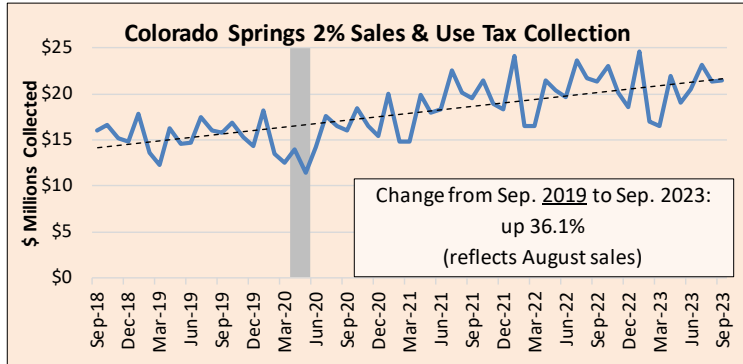


Sources: CoStar Group™; Olive Real Estate Group, Inc.

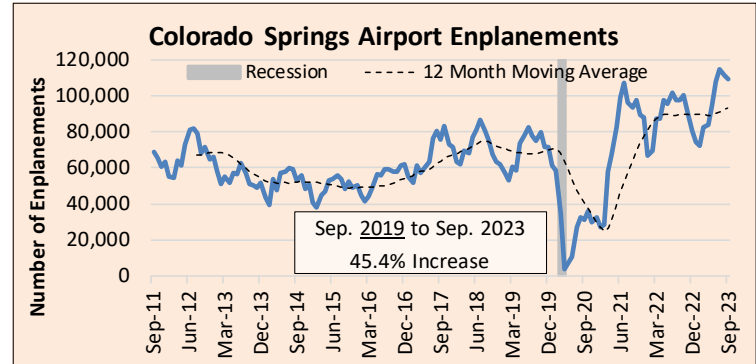
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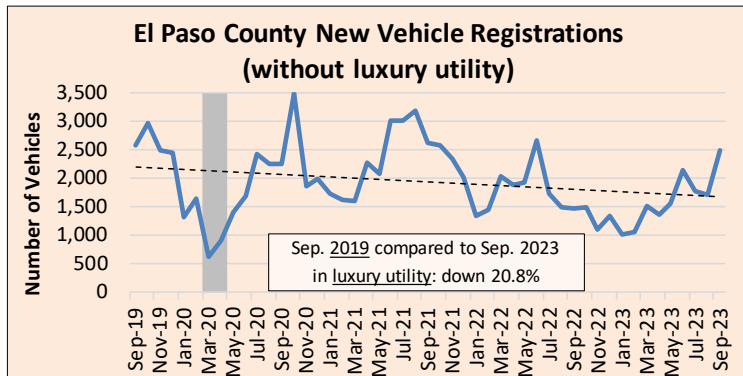
TAXATION, VEHICLE SALES, AIR QUALITY, AND TOURISM (PAGE 7)



Source: City of Colorado Springs

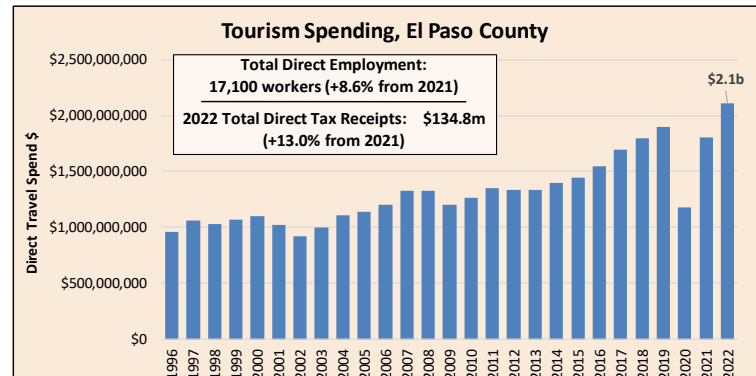


Source: Colorado Springs Airport



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 the 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 ($\mu\text{g}/\text{m}^3$) | 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 24

Source: Colorado Department of Public Health & Environment

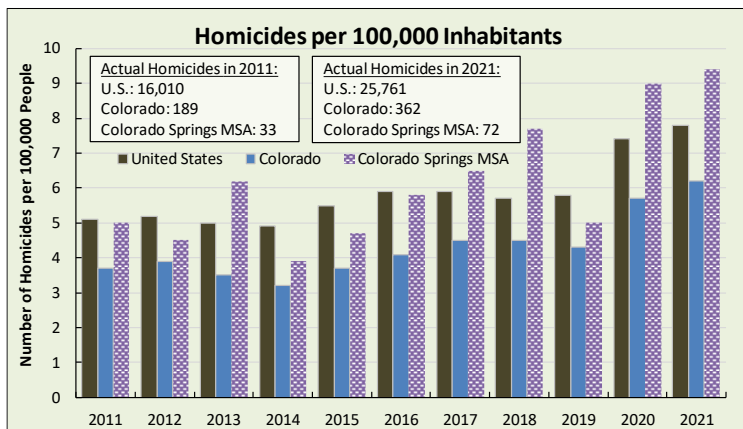
| Hotel Occupancy Rate September 2023 | | |
|--|--------|----------|
| Colorado Springs | Denver | Colorado |
| 74.7% | 81.0% | 77.3% |

| Hotel RevPAR* September 2023 | | |
|---------------------------------|----------|----------|
| Colorado Springs | Denver | Colorado |
| \$113.87 | \$145.26 | \$146.69 |

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

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

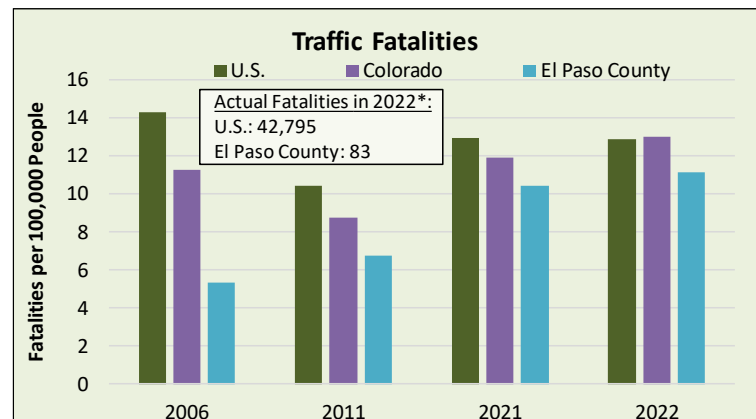
CRIME & SAFETY (PAGE 7)



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.

| 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



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

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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