

El Paso County Economic & Workforce Progress Report (EPR)

Highlights - September 2023

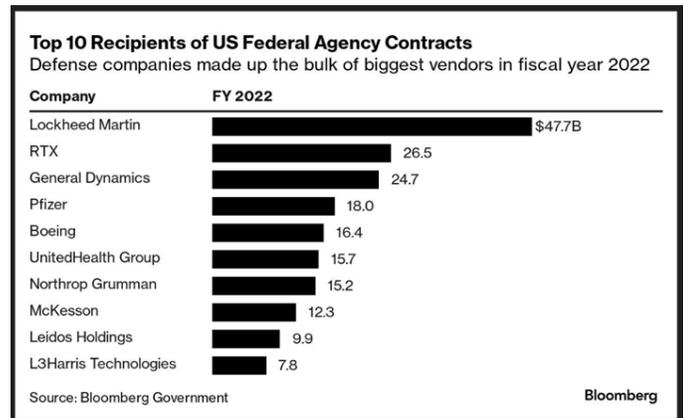
This month there is a lot of new data we have to share with you. In the economic information I track every day and in community conversations, I see more than the usual shifts, many of which I believe to be structural and not cyclical. That's part of the motivation to share some additional data points with you. Also, as a quick reminder, the live links below go to Fox21 video segments or Gazette articles.

The third revision to **GDP {Page 3}** showed a slightly lower growth rate (at 2.4%) than the previous estimate (was 2.5%). What's more interesting is that the GDPNow tracker from the Atlanta Federal Reserve is currently showing a high GDP growth rate for the 3rd quarter of this year, which includes July through September. That tracker simply incorporates various components that make up GDP (e.g., residential investments, exports) so by the time all inputs are in, the final growth rate can be quite different than it was even a week or two prior. However, I do look at it as well as what other more subjective forecasters are saying, and it seems likely that we will have a 3.0% to 3.5% growth rate this quarter. This is higher than the U.S. trend growth rate of the past 20 years of around 2.0%. If indeed 2023 Q3 ends up outperforming trend growth, that will certainly help the overall 2023 picture. For that reason, I've revised up my 2023 **GDP Forecast {Page 3}** to 2.2% (from 1.7%). However, I did keep 2024 GDP at a subpar growth rate of 0.5% with what will likely be a shallow and relatively short recession. The drivers behind a contraction include *sticky inflation with concomitant high interest rates (dampening both consumer buying and business investment), exhausted pandemic savings, increasing consumer debt, lower levels of government spending than previously anticipated mostly due to the Fiscal Responsibility Act (enacted to avert the last debt ceiling crisis), ongoing labor shortages and disputes, possible declines in labor participation due to the closure of childcare facilities resulting from the end of federal childcare subsidies, and the resumption of student loan payments.* That's quite the list, right? And my list doesn't even incorporate unexpected "exogenous" shocks that can happen. On the flip side, the labor shortages will likely keep unemployment rates low, enabling consumers to still feed the economic wheel of fortune through relatively stable consumption levels. This may keep the usual "hurt" of a recession from being too harsh or too long.

But what about the final quarter of this year, which we are just entering (October 1 to December 31)? All the above-mentioned headwinds are still in play, but one of my biggest concerns now is the impending government shutdown. The rule of thumb for the Federal Reserve is that each week of a shutdown reduces the annualized GDP growth rate by 0.2%. And as of this morning, it's not looking likely that Congress is going to get its act together in appropriating funds by 12:01 a.m. on Sunday. Here we go again. "Essential workers" will still report to work and get paid, but many other government workers (including contractors) will not get paid.

Another unfortunate dynamic is that government data gatherers and analysts (such as economists) will also be furloughed, and this means crucial data will not be reported. Delayed or absent economic data makes it impossible for the Federal Reserve to make an informed decision in November regarding interest rates. How will it know what's happening with inflation, retail sales, homebuying, business investment and overall production and consumption? In the absence of this critical data, it's likely that the Fed would have to pause on any further rate hikes (e.g., in November) because the consequences of hiking when the economy is already significantly slowing would be to push it into recession perhaps unnecessarily. An unwarranted hike would inflict more economic pain on top of the (italicized) headwinds delineated above. And given there are already signs of an economic slowdown, the Fed would rather have the already high interest rates continue to do their job of slowing the economy.

The impact of a shutdown may be harsher in our state and region, especially if it lasts more than a day or two. The reason is that our state and region have a strong presence of government contractors. They won't get paid during a shutdown either. As the chart shows, we are most definitely exposed as are federally funded parks and open spaces workers.



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Before I leave this regrettable topic, I will mention that these legislative debacles brought on by extreme partisanship on both sides of the aisle were one of the reasons that the U.S. Fitch credit rating went from AAA to AA in August of this year. It is indeed a liability not only to the impacted federal workers, but also a downgrade to the international perception of the U.S. for buyers of Treasuries as well as other investments. Outside investors look at the totality of political extremism and how it translates to the inability to compromise in fiscal decision making. On that note, I have yet to see anything successful that doesn't incorporate some degree of compromise – even a marriage. For example, my husband wanted three kids (and we have five). He wanted to stay in Michigan (and you know how that turned out). He wanted to downsize our home four years ago (and we went back up to our Michigan-sized home when all five kids were younger). As my friend Wayne Heilman says, “yes, dear” is the secret to a successful marriage. My husband and I just celebrated 35 years, by the way 😊.

Back to economics. Unless the shutdown lasts a long time and/or the UAW and other labor disputes balloon, I am sticking to my story that a recession will be shallow and short – mostly due to the strength of the labor market. The **Unemployment Rates {Page 3}** stayed almost identical from July to August for the nation (3.9%), state (3.5%), and our regional economy (3.8%). With the simple demographic headwinds and the childcare shortages, I've talked about previously, I've kept my **Unemployment Rate Forecast {Page 3}** at 3.6% for this year and have actually lowered it to 4.2% for 2024. I previously had a 2024 unemployment rate forecast of 4.4%. A good barometer for me is that the manufacturing sector has been in recession (contraction territory) for many months and yet, the employment index has not come down as much as you would think and even increased by 4.1 points in August (over July levels). Contraction values are below 50 and the manufacturing (sub) index for employment is currently at 48.5. Employers in this sector report that they are using attrition to manage employment alongside declines in revenue as opposed to layoffs. And this is for an industry that's been in overall contraction territory for 10 months. Skilled workers are too precious to let go.

Locally, we are seeing something similar. The ratio of **Workers per Job Opening {Page 4}** in Colorado Springs increased again in August to 0.67 from 0.59 in July, due more so to fewer job openings (-2,500) than to more unemployed people (+130).

Switching to housing, I'd like to point out that Rebecca and I have re-calculated the **Healthy Number of Permits {Page 6}** for our region mostly using the methodology from a Common Sense Institute analysis, our previous calculations, and input from the State Demography Office. This new analysis shows that between 2023 and 2028, our region needs to produce 8,500 new dwelling units per year, which includes both single and multi-family dwellings. This calculation incorporates housing needs for new population that moves here as well as an existing housing shortage. As the textbox in the permits chart shows, there were 8,697 permits issued in 2022, which was helpful. However, with interest rates as high as they are, it's not surprising that through August 2023, there have only been permits issued for 3,978 dwelling units. Building also slows towards the end of the year so our region will most definitely fall short in terms of building in 2023.

Speaking of a slowdown in building, we had a decline in **Sales and Use Tax {Page 7}** in August largely due to declines in building materials. We recently did an analysis on local sales and use tax that I covered in a [related segment](#) and Gazette article. The article incorporates the most recent August report so it's a better representation of what's happening. For that reason, I've attached it, and it is on the DDES website.

There are other updates particularly with Census data that I would like to cover, but I am out of space. I'll go into more detail next month. Remember that DDES covers weekly economic data on Fox21 and there are corresponding articles in The Gazette (usually with a little more detail).

Have a wonderful weekend and thank you, as always, to our DDES sponsors!

Tatiana & Rebecca

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

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MACROECONOMIC "BIG PICTURE" (PAGE 3)



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

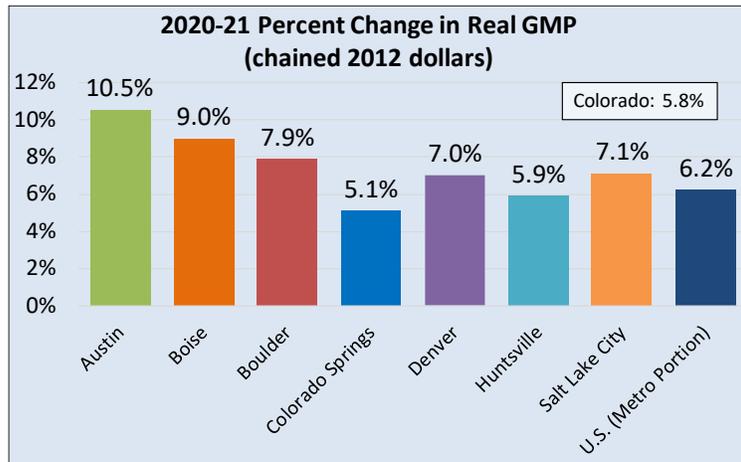
**If quarterly changes were annualized over the year.

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	5.9%	2.1%	2.2%	0.5%
Unemployment Rate	5.4%	3.6%	3.6%	4.2%

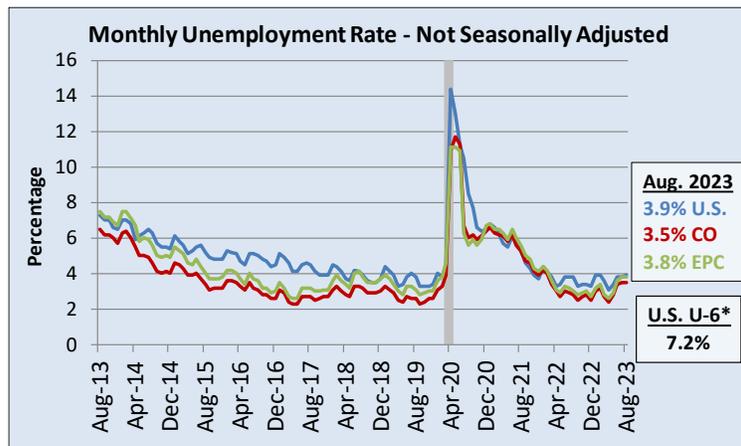
Forecasts by Data-Driven Economic Strategies with input from the Conference Board, Wells Fargo, Colorado Department of Labor & Employment, Colorado-based Business & Economic Research, and other anecdotal resources.

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.

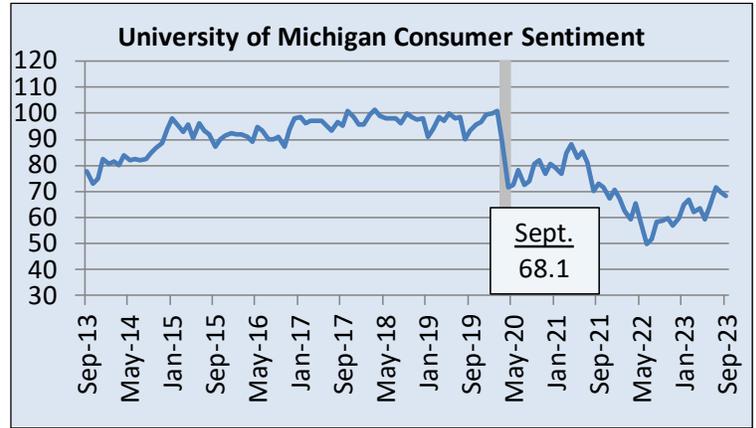
Source: U.S. Bureau of Economic Analysis



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

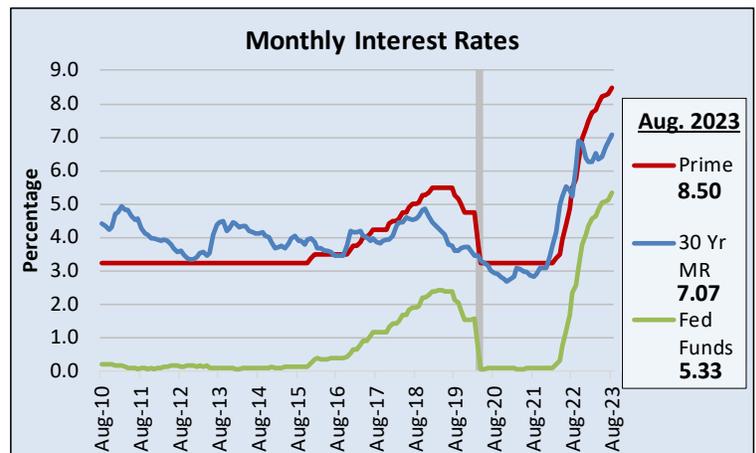


Source: U.S. Bureau of Labor Statistics; Job openings data lags.

U.S. Consumer Price Index - August 2023		
	All items	Less food & energy
Change from July to August 2023 (SA)	0.6%	0.3%
Last 12-months (NSA)	3.7%	4.3%

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

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)	992	\$87,808
Software Developers (L)	603	\$120,064
Retail Salespersons (M)	595	\$32,896
1st-Line Supervisors, Retail Sales (L)	443	\$43,648
Computer Sys Engineers/Architects (L)	435	\$120,064
Sales Reps, Wholesale & Mfg (M)	433	\$64,896
Customer Service Reps (M)	365	\$38,528
Maintenance & Repair Workers (M)	319	\$45,696
Managers (L)	317	\$94,976
Fast Food & Counter Workers (H)	316	\$32,640

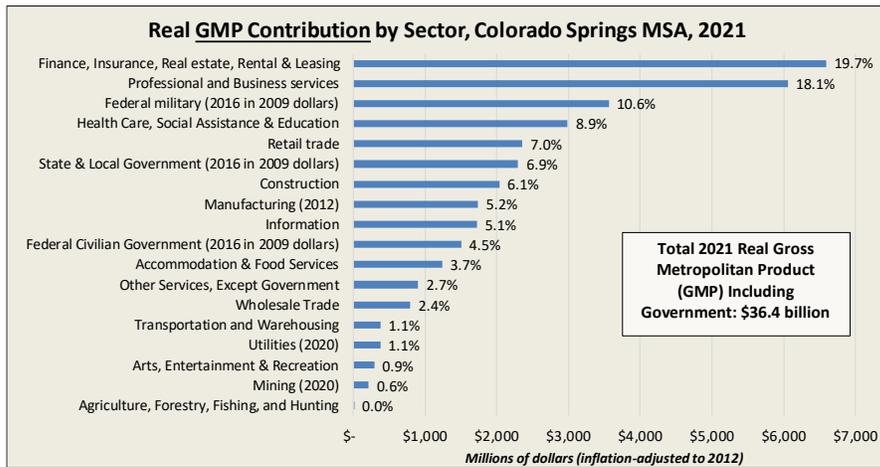
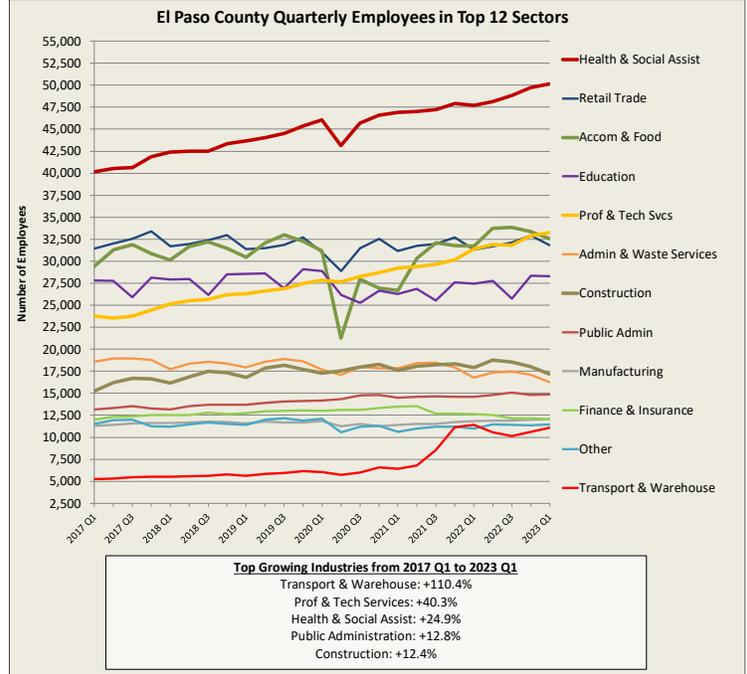
Colorado Springs MSA, August 2023

TOTAL Job Openings: 21,513

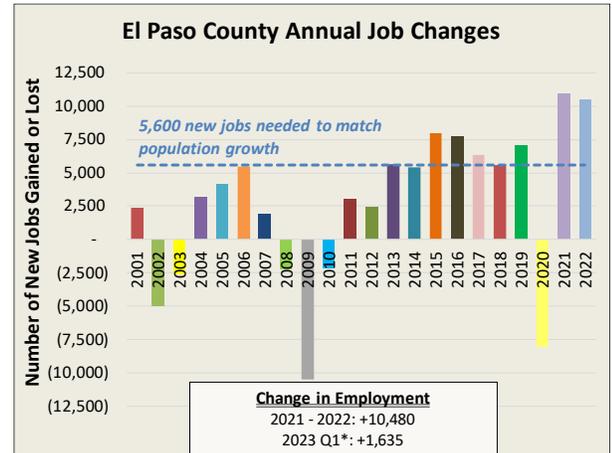
TOTAL Unemployed: 14,337

Workers Available per Job Opening: 0.67

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.

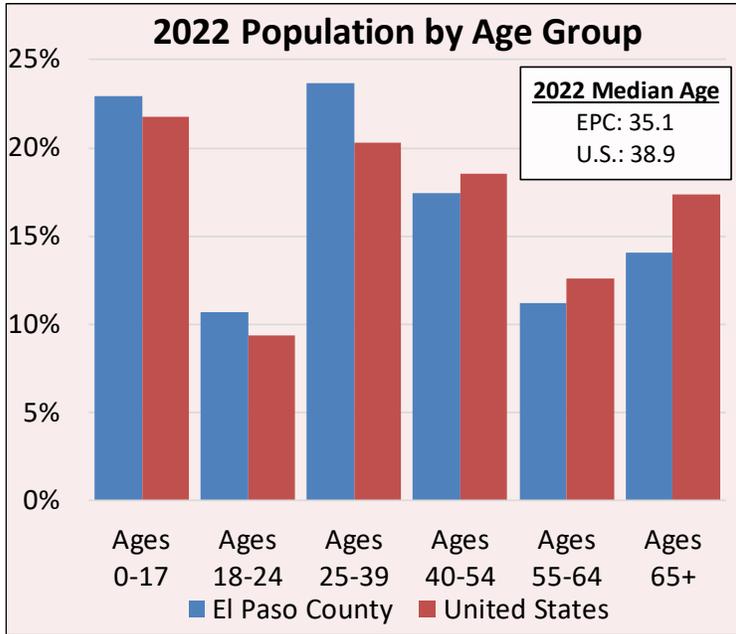
U.S.	Colorado	El Paso County
\$76,180	\$81,068	\$65,572

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

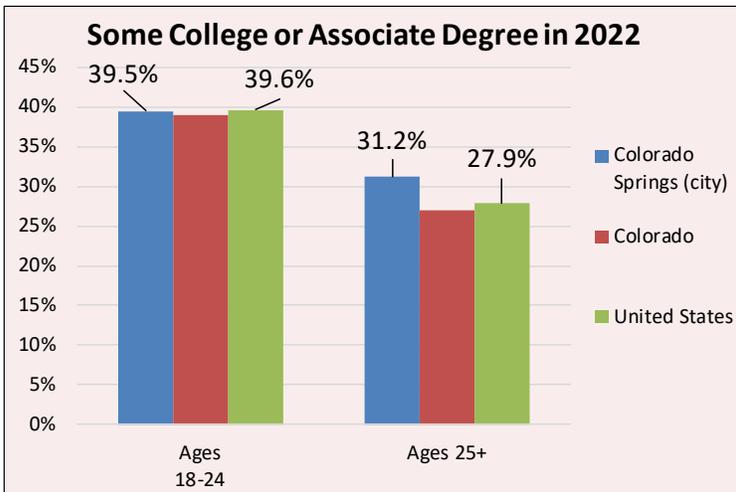
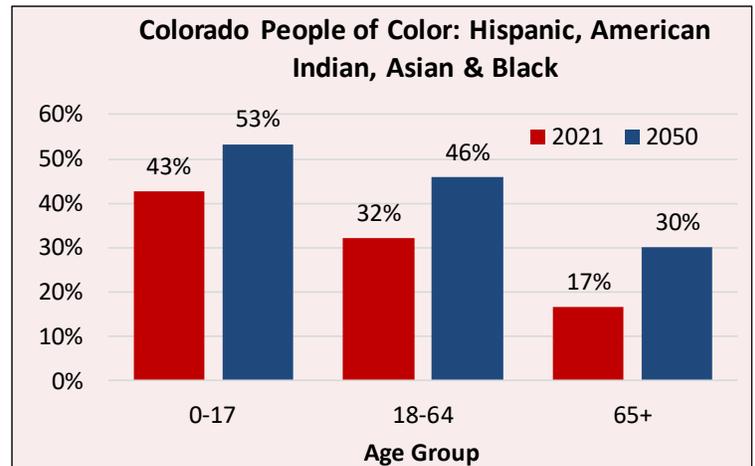
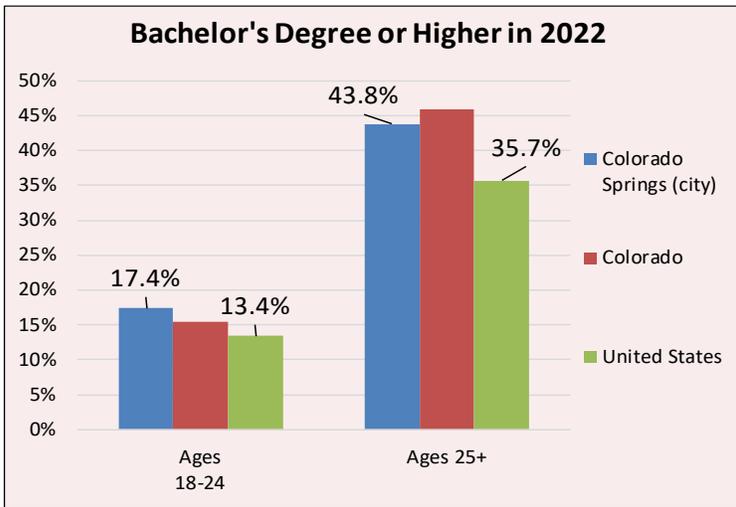
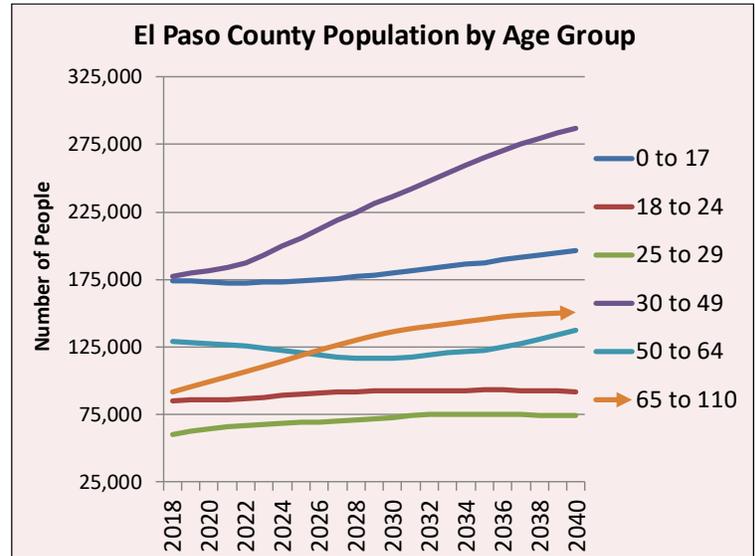
DEMOGRAPHICS (PAGE 5)



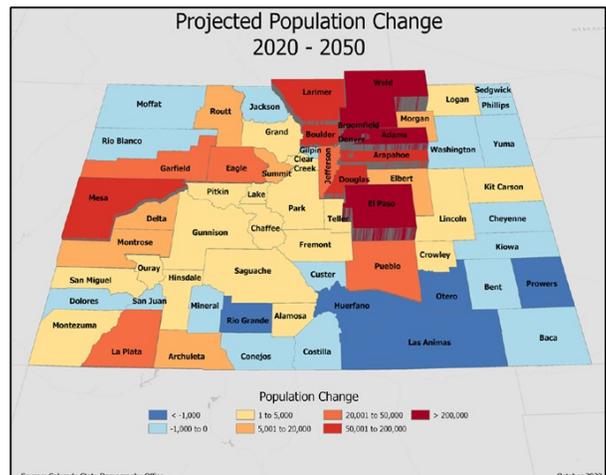
Source: U.S. Census Bureau, Population Division

Population Estimates

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

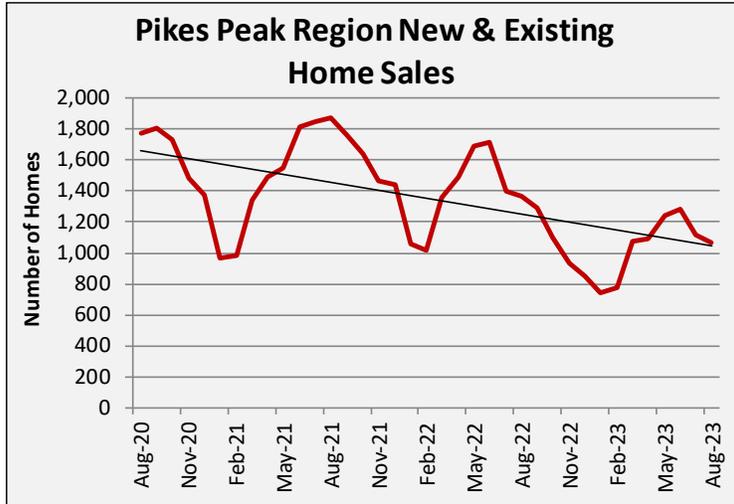


Source: U.S. Census Bureau, American Community Survey 1-year estimates



Source: Colorado State Demography Office

REAL ESTATE (PAGE 6)

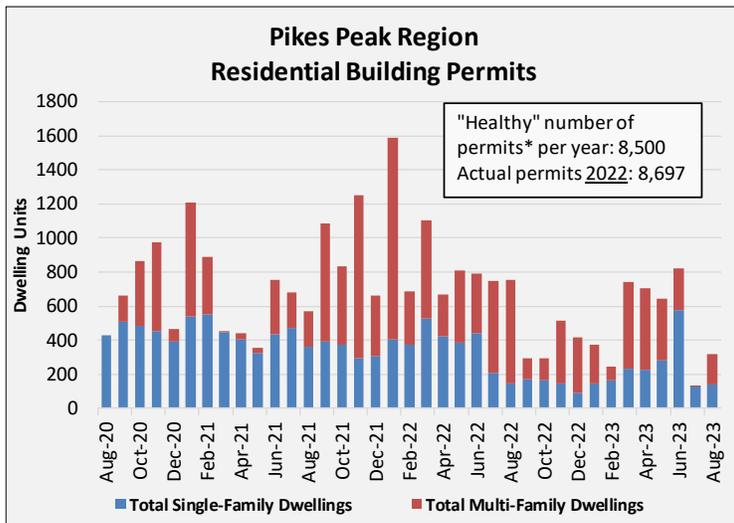


Source: Pikes Peak REALTOR® Services Corp.

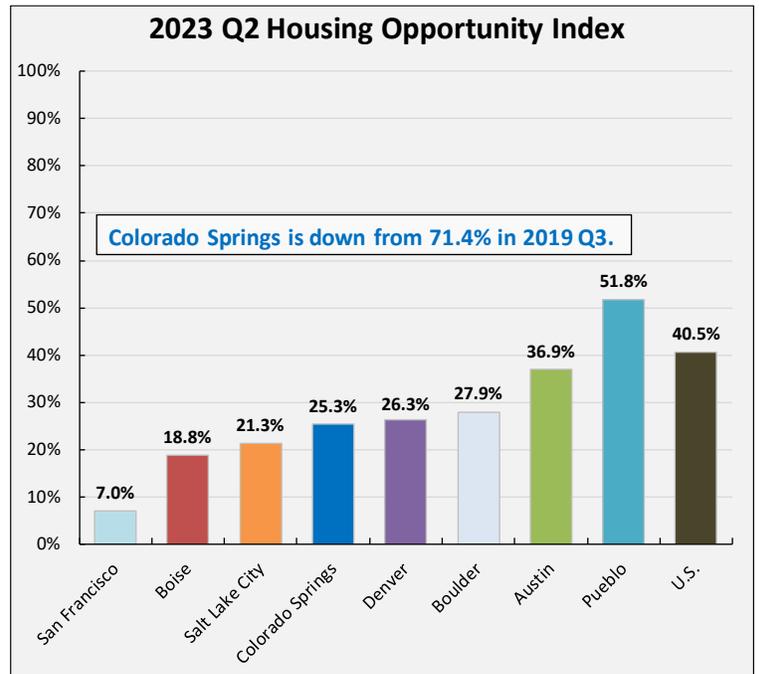
Median Existing Single-Family Home Price 2023 Q2

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

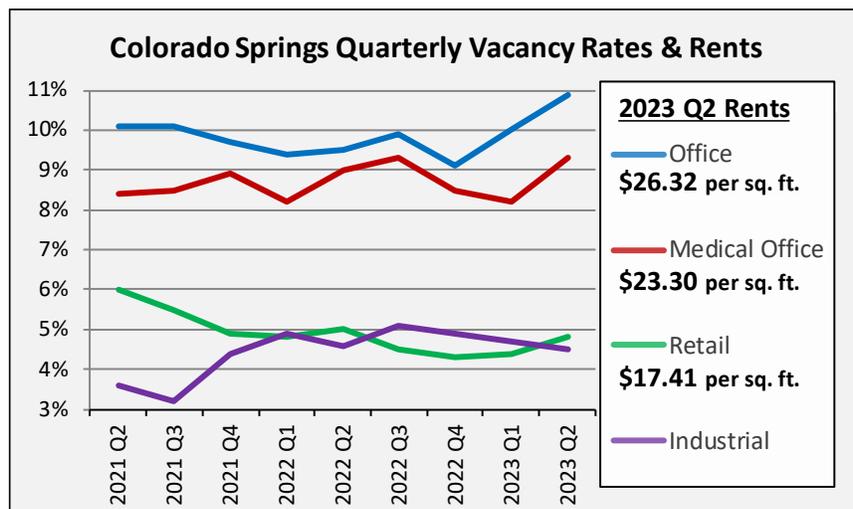
Sources: National Association of REALTORS®



*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



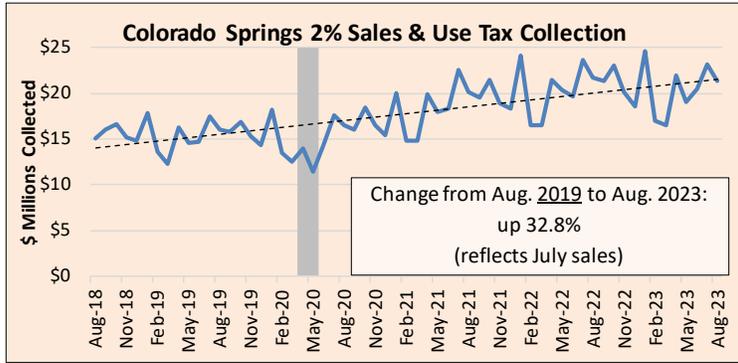
*Most recent Pueblo data is not available so Pueblo HOI above is still 2022 Q3.
Notes: The Housing Opportunity Index (HOI) is defined as the share of homes sold in that area that are affordable to a family earning the local median income, based on standard mortgage underwriting criteria. It includes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



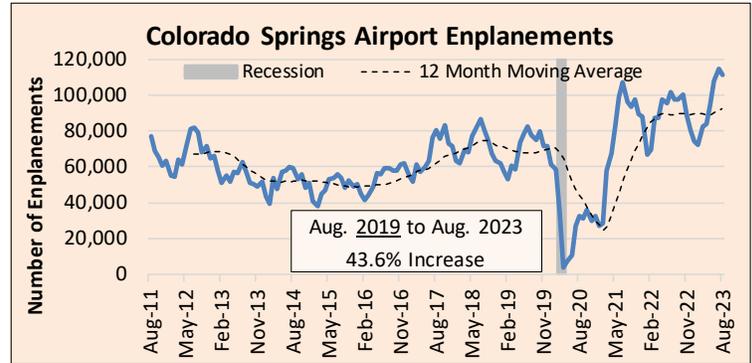
Sources: CoStar Group™; Olive Real Estate Group, Inc.

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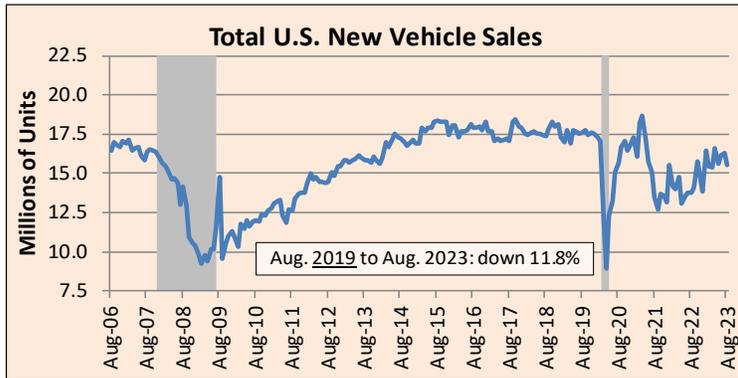
TAXATION, VEHICLE SALES, AIR QUALITY, AND TOURISM (PAGE 7)



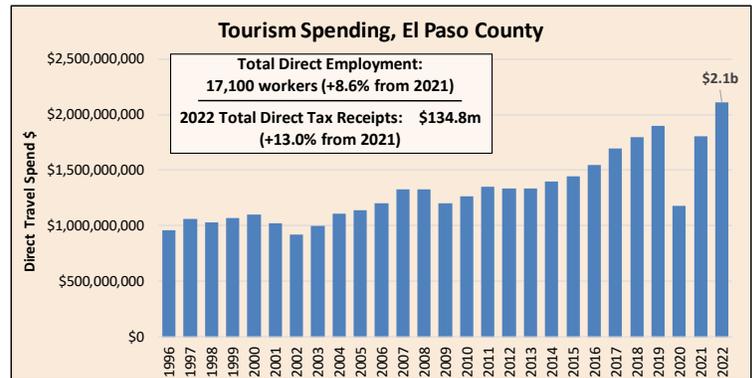
Source: City of Colorado Springs



Source: Colorado Springs Airport



Source: U.S. Bureau of Economic Analysis



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

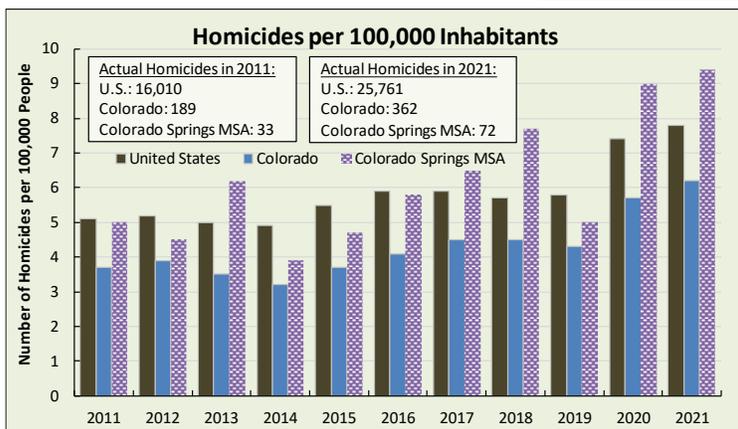
*Locations of measurements: CO at 690 W. Hwy 24; Particulate Matter at Colorado College; SO₂ at Hwy 24
Source: Colorado Department of Public Health & Environment

Hotel Occupancy Rate August 2023			
Colorado Springs	Denver	Colorado	
75.9%	77.1%	74.5%	

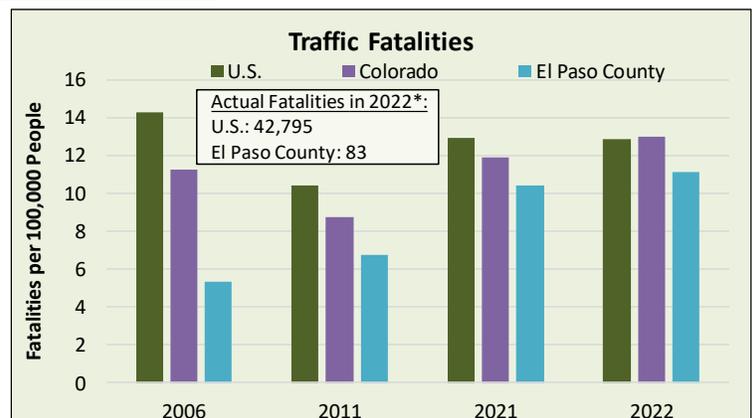
Hotel RevPAR* August 2023		
Colorado Springs	Denver	Colorado
\$121.75	\$132.47	\$142.17

*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

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

Note: "Each year when Crime in the United States is published, some entities use reported figures to compile rankings of cities and counties. These rough rankings provide no insight into the numerous variables that mold crime in a particular town, city, county, state, or region. Consequently, they lead to simplistic and/or incomplete analyses that often create misleading perceptions adversely affecting communities and their residents. Valid assessments are possible only with careful study and analysis of the range of unique conditions affecting each local law enforcement jurisdiction. The data user is, therefore, cautioned against comparing statistical data of individual reporting units from cities, metropolitan areas, states, or colleges or universities solely on the basis of their population coverage or student enrollment."
- Federal Bureau of Investigation

[Return to highlights](#)

El Paso County Economic & Workforce Progress Report (EPR)

SUPPORTERS (PAGE 8)



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