El Paso County Economic & Workforce Progress Report *(EPR)*

Highlights - April 2024

There is new economic data I track pretty much every day, which I find fascinating although I know most people think that's odd. In communications, I try to focus on recent data points that I think can perhaps explain our current economic landscape, and perhaps foretell what is ahead. The hope is this alchemy of data can inform decision-making.

On Tuesday, April 30th, I will be on a workforce panel with Dr. Lance Bolton (PPSC) and Dr. Jason Gaulden (Common Sense Institute), and on Wednesday I will be on another panel on mental health with some other great people. I will focus on the economic impacts.
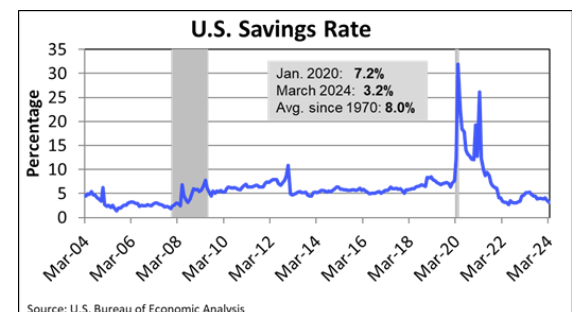
Remember, hyperlinks below take you either to the page where that graph or table is or to a TV segment on the topic discussed.

GDP {Page 3}, or gross domestic product, for 2024 Q1 was released, and it surprised to the *downside.* If you recall, GDP in the U.S. last year ended quite strong at 2.5%. Trend growth has held tightly around the 2.0% mark for decades (other than the pandemic). So, outperforming trend growth last year when many "smart" economists (ahem) were predicting a recession is pretty good. And considering that leading indicators like the manufacturing index and the LEI (Leading Economic Indicator) have teetered out of recession territory, everyone thought Q1 GDP would stay rather strong at around the same 2.5% growth rate. Instead, 2024 Q1 came in at 1.6% growth when annualized. If, however, we compare Q1 of this year to Q1 of last year, the growth rate was 3.0%. This discrepancy is mostly due to the fact that Q1 of last year wasn't so hot so Q1 of this year looks better (up 3.0%). In truth, I like looking at both the annualized and quarterly comparisons because together they tell a story.

And that story is that the economy so far this year is actually doing okay. The subpar annualized measure (+1.6%) was pulled down by a) negative net exports, and b) lower business inventories. But both of those drags have nuance. Net exports (e.g., exports minus imports) came down because U.S. consumers are still consuming at a decent clip, and Americans import a lot. Imports are a *subtraction* on GDP because those dollars are landing in another country. Also, the U.S. dollar is strong so other countries are not buying our exports as much, and exports are an *addition* to GDP. Our dollar is strong because our interest rates are still quite high compared to many of our trading partners. The higher interest rates mean U.S. Treasury (e.g., bond) yields are high and that increases the demand for U.S. dollars. The strong U.S. dollar has its advantages and disadvantages, and with respect to net exports, it's mostly a disadvantage. Yet, when the Fed does finally commence rate cuts, the dollar will weaken and that should increase our export volume, a plus towards GDP. Net exports pulled down GDP by 0.86%. Had this not been the case, GDP would have been almost exactly 2.5% in Q1. One timely advantage to a strong dollar, however, is that it makes the prices we pay for imported goods a little less, thus moderating inflation to some extent.

The other drag on GDP was lower business inventories. This may sound unfavorable, but I believe businesses are being cautious and prudent about maintaining realistic inventories looking forward to the next 6-12 months. The astute business owner knows higher interest rates for longer mean fewer big ticket purchases. The astute business owner knows inflation pressures are squeezing household budgets, and many households are overextended. It is true that consumers continue to spend especially on services, but the elevated levels of spending are very likely to come down this year, and there are some signs of that if you look at business and **Consumer Sentiment {Page 3}** surveys. Indeed, the University of Michigan April index declined to 77.2 from 79.4 in March mostly because consumers are concerned about personal finances, and expect future inflation to hold at 3.2%. In sum, it's better for businesses and the economy when inventories accurately reflect business conditions. Otherwise, firms can overextend themselves and face peril (and layoffs) down the road.

Another major data point I'd like to highlight is that the average U.S. resident appears to be spending at double the levels of real disposable personal income, which is after-tax income. On a month-over-month basis, "real" or inflation-adjusted disposable income increased 0.2% in March, but "real" personal spending increased 0.5%. This is not a monthly blip; it's a trend. On a year-over-year basis, real disposable personal income is up 1.4%, but real personal spending is up 3.1%. There is a perception of outsized increases in wages, but the income gains are significantly eroded by inflation as evidenced by the modest 1.4% increase in real disposable income. Yet, consumers continue to spend at roughly double the clip (+3.1%) of income gains. How are they financing this? The savings rate is now at 3.2%, which is historically quite low as the graph shows. Credit card debt is also climbing with outstanding balances holding steady (meaning average payments are just covering the 25%+ interest rate costs). I don't think this all means that the economy will crash. I just think it validates business owner perceptions that spending will slow this year, and I agree with that assessment especially since we may or may not have interest rate cuts in 2024 (and if we do, they will be quite modest).

U.S. Savings Rate

Jan. 2020: **7.2%**
March 2024: **3.2%**
Avg. since 1970: **8.0%**

Source: U.S. Bureau of Economic Analysis

Data-**D**riven **E**conomic **S**trategies

And even the optimistic stock market is now incorporating the reality of higher-for-longer interest rates because of the relentless inflation data. The Fed's preferred inflation measure, the PCE deflator, inched up from 2.5% in February (year-over-year) to 2.7% in March (year-over-year). The "core" deflator, which strips out food and energy, stayed the same at 2.8%. Last month, I showed a chart of the "super core" (economists can be annoyingly persnickety), which additionally strips out housing inflation. The Fed's biggest headache is that this "super core" inflationary measure was even higher in March at 3.5%, AND over the past three months alone the rate has increased and annualizes now to a 5.5% rate. The chart I showed last month had February's three month annualized rate at 4.5%, so we are trending in the wrong direction. The thing that stands out to me is that housing costs have exploded, and yet this "super core" measure that excludes housing is still accelerating. Similarly, the "headline" **Inflation {Page 3}** measure shown in this report also increased from February (3.2%) to March (3.5%). I don't think this will spell runaway inflation by any means, but it validates that interest rates will remain elevated for the remainder of this year barring an unexpected economic shock.

Strong employment numbers further cement the Fed's stance with a surprisingly large number of new jobs in March (+303,000 – about double the "normal" amount), and declines in **Unemployment {Page 3}**. The U.S. rate fell from February (4.2%) to March (3.9%) as did the Colorado rate (4.2% to 3.8%) and El Paso County rate (4.3% to 4.0%). The declines in unemployment are additionally reflected in the local **Workers Available per Job Opening {Page 4},** which declined from February (0.75) to March (0.70).

Yet, even with a hardy labor market, persistent inflation is bad news for incumbent presidents in an election year. I find the disconnect between the narrative of a resilient economy and U.S. household perceptions of the economy interesting, which I recently covered. The disconnect has several reasons, but inflation is something that we all see and feel every day, so it will have outsized influence in consumer perceptions and actions. So does sparse gray hair and bad comb overs (more on that in an upcoming, Gazette opinion piece next week).

The local Q1 housing data is not yet out, but I'd like to highlight some national *new* home price information. The median price of a new home sold in the U.S. fell 7.6% over the past year to $400,500. The median price is now 19.4% lower than its peak ($496,800) in October 2022 – a significant decline. The current median price of a new home is just 3% higher than the median price of an existing home. Up until 2022, the premium for buying a new home versus an existing home was about $60,000 (or closer to 10%-30% higher depending on the year). Most builders (60% in March) have offered some kind of price incentive, which has helped them capitalize on both the dearth of existing homes and the shortage of housing overall. As my kids remind me, you can't get much in Colorado Springs for $400,000, but I am hopeful that local builders will help meet demand in all price ranges so when interest rates come down the first-time homebuyer can jump in.

Colorado Springs Sales and Use Tax {Page 7} monthly revenues declined again in March as the graph shows. The March reports reflect February sales. The decline in consumption in February after the holidays, and depressed winter construction, explains why March reports often have declines. Compared to a year ago, however, sales and use tax collections are up 5.4% as stated in the textbox.

Shifting to other local data related to quality of life, 2023 **Air Quality {Page 7}** measures were released, and as that table shows, local carbon monoxide emissions (at 1.1ppm) are still well below the U.S. standard (9.0 ppm). Last year, that metric was slightly lower at 0.9 ppm. Particulate matter (PM), which comes primarily from soil and fossil fuel emissions, did increase quite a bit in 2023 (7.75 µg/m^3) from 2022 (4.5 µg/m^3). Many PMs can fit around a strand of human hair, and it's precisely because they are so small that they can be absorbed by human lungs (causing damage). Ozone measures at USAFA and Manitou Springs declined albeit by small amounts. Both of those measures are essentially at the U.S. standard of 0.07 ppm and thus need to be monitored closely. Sulfur dioxide also declined from 5.4 ppb in 2022 to 4.8 ppb in 2023, both years well below the U.S. standard (75.0 ppb). The fantastic news here is that despite our double-the-nation population growth rate over the past several decades, our air quality has improved overall – much like our water usage has stayed relatively steady because of conservation and efficiency efforts. Carbon monoxide emissions have fallen 3-5 fold (depending on testing location), ozone has stayed roughly the same, and sulfur dioxide has fallen 11 fold (testing only began in 2013 because levels were unacceptably high in many U.S. cities). Particulate matter is the only one that's increased (up from 6.12 µg/m^3 in 2008) so it's one to watch although it has not increased significantly. That's a great quality of life note to end on. Happy Spring!

Tatiana & Rebecca

Data-Driven Economic Strategies

MACROECONOMIC "BIG PICTURE" (PAGE 3)

Real Growth in GDP vs. Year Ago

Q1: 3.0%*
Q1: 1.6%**

*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
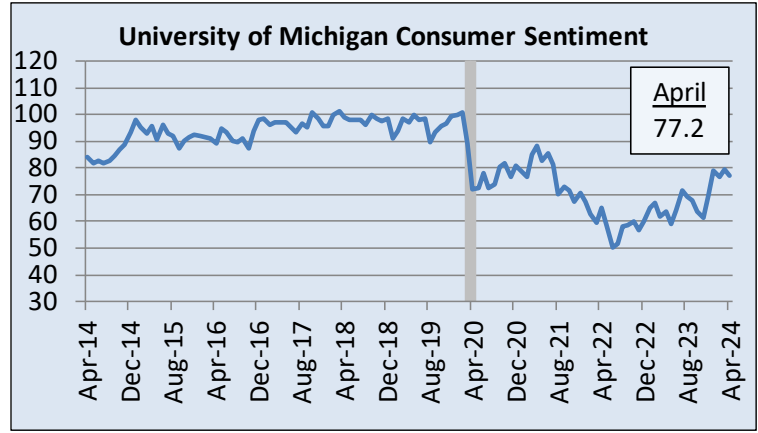
Forecasts for U.S. Real GDP and Unemployment (SA)

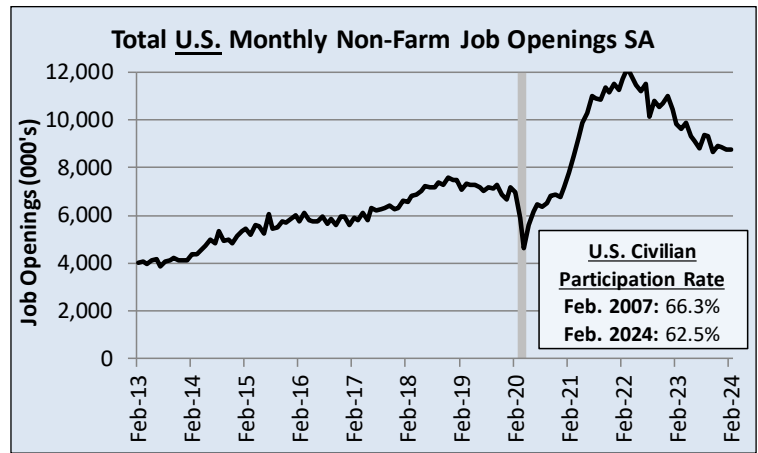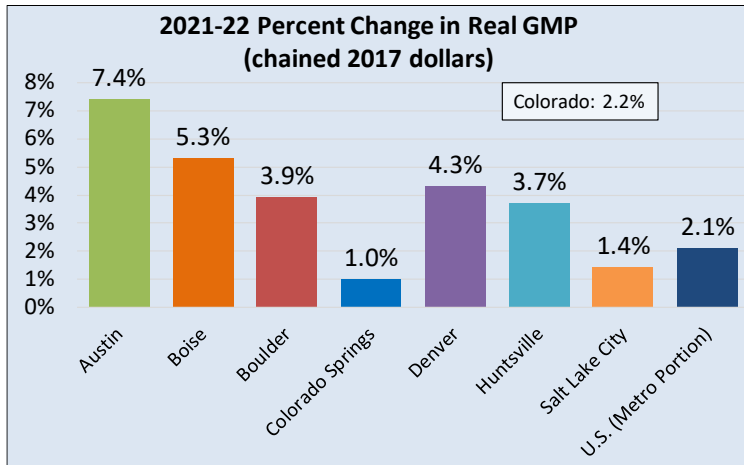|	2022 Actual	2023 Actual	2024 Forecast	2025 Forecast
Real GDP Growth	1.9%	2.5%	1.9%	1.4%
Unemployment Rate	3.6%	3.6%	4.1%	4.2%

Forecasts by Data-Driven Economic Strategies with input from the Conference Board, Wells Fargo, Colorado Department of Labor & Employment, and other anecdotal resources.
Sources: U.S. Bureau of Economic Analysis; U.S. Bureau of Labor Statistics

2021-22 Percent Change in Real GMP (chained 2017 dollars)

Colorado: 2.2%

- Austin 7.4%
- Boise 5.3%
- Boulder 3.9%
- Colorado Springs 1.0%
- Denver 4.3%
- Huntsville 3.7%
- Salt Lake City 1.4%
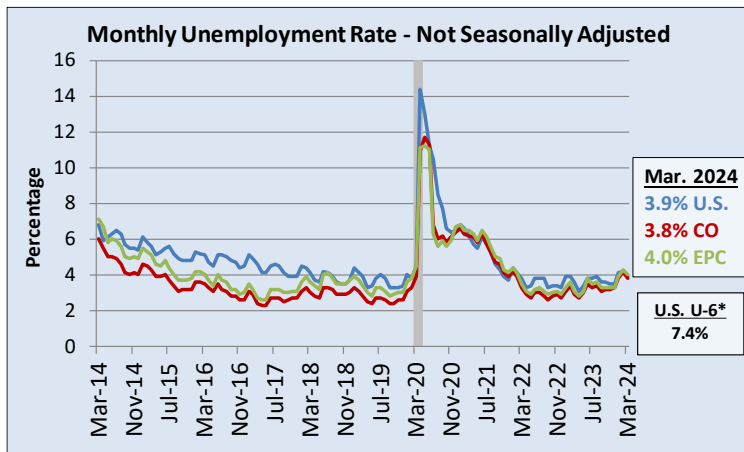- U.S. (Metro Portion) 2.1%

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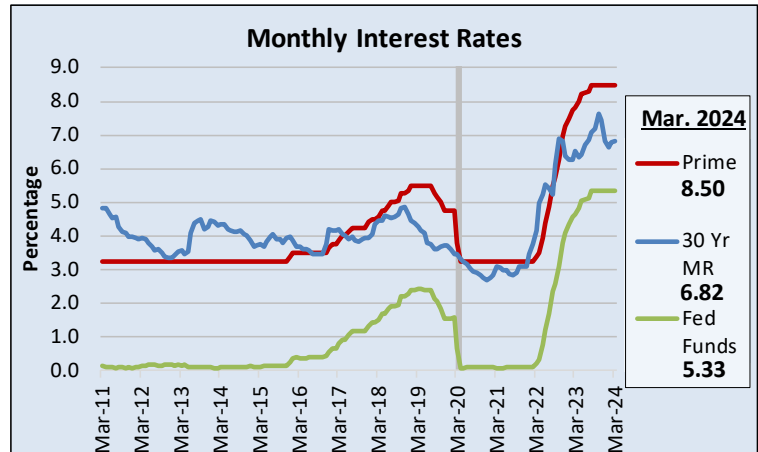Source: U.S. Bureau of Economic Analysis

Monthly Unemployment Rate - Not Seasonally Adjusted

Mar. 2024
3.9% U.S.
3.8% CO
4.0% EPC

U.S. U-6*
7.4%

Note: Data in the graph is 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

University of Michigan Consumer Sentiment

April
77.2

Source: University of Michigan

Total U.S. Monthly Non-Farm Job Openings SA

U.S. Civilian Participation Rate
Feb. 2007: 66.3%
Feb. 2024: 62.5%

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

U.S. Consumer Price Index - March 2024

	All items	Less food & energy
Change from February to March 2024 (SA)	0.4%	0.4%
Last 12-months (NSA)	3.5%	3.8%

The 2023 cost of living in the **Colorado Springs MSA** was **107.9%** of 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)

Monthly Interest Rates

Mar. 2024
Prime **8.50**
30 Yr MR **6.82**
Fed Funds **5.33**

Source: Board of Governors of the Federal Reserve System

Top Job Openings, Colorado Springs MSA March 2024

Top Job Titles	# of Job Postings	Median Advertised Salary
Registered Nurses (L)	734	$87,808
Retail Salespersons (M)	569	$33,408
Sales Reps, Wholesale & Mfg (M)	471	$64,896
Software Developers (L)	470	$129,792
1st-Line Supervisors, Retail Sales (L)	394	$46,208
Computer Sys Engineers/Architects (L)	361	$134,656
Fast Food & Counter Workers (H)	355	$33,408
Customer Service Reps (M)	340	$40,576
Maintenance & Repair Workers (M)	318	$46,720
Managers (L)	307	$119,552

Colorado Springs MSA, March 2024
TOTAL Job Openings*: 21,124
TOTAL Unemployed: 14,829
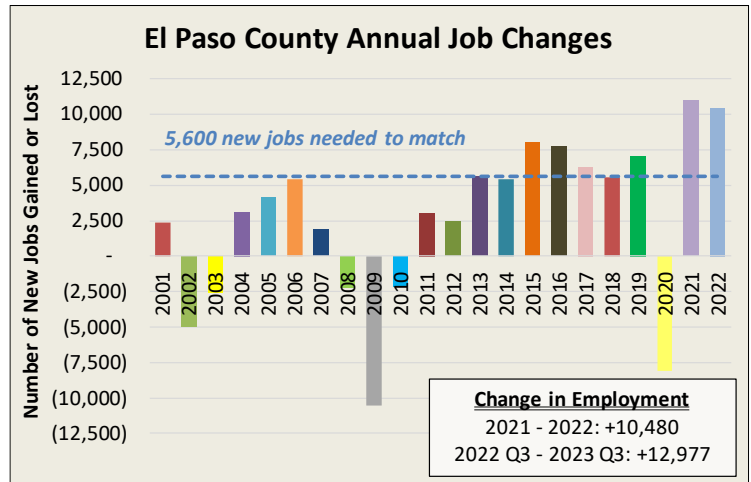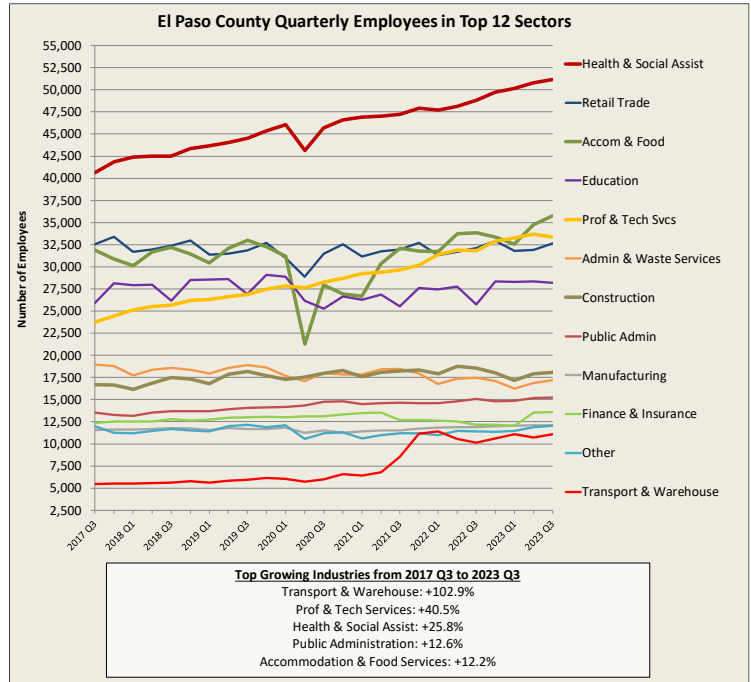**Workers Available per Job Opening: 0.70**

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

2022 Federal Poverty Level (FPL)

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

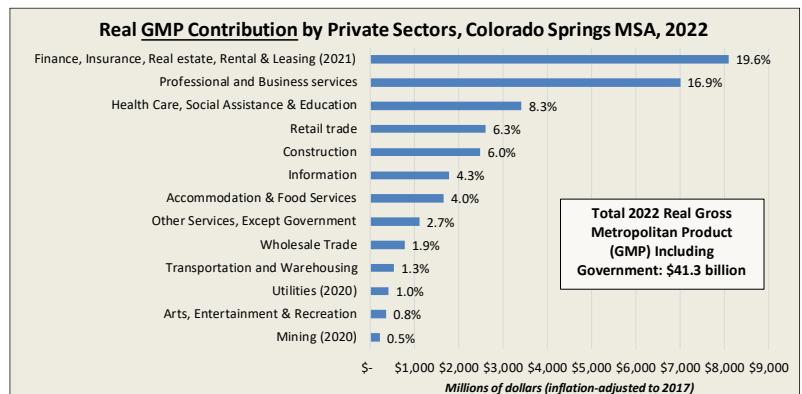*Note: FPL in 2022 was $18,310 for an individual and $27,750 for a family of four.*

2023 Q3 Average Annual Wages for All Industries

El Paso County wages are 8.7% lower than U.S. wages and 14.8% lower than CO wages.

U.S.	Colorado	El Paso County
$69,368	$74,360	$63,336
2023 Q3 El Paso County Total Employment (excluding military)		309,615
*Estimated military employment in 2021 (and % of total 2021 EPC who are military).		61,489 **(17.4%)**

2023-24 Minimum Wage & Living Wage El Paso County

	Wage/Hr	Annualized
Minimum wage salary for full-time worker	$14.42	$29,994
Living wage: HHs with 1 adult, 2 children	$56.05	$116,584
Living wage: HHs with 2 adults (1 working), 2 children	$43.68	$90,854
Living wage: HHs with 2 adults* (2 working), 2 children	$30.39	$63,211

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

*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

El Paso County Quarterly Employees in Top 12 Sectors

Top Growing Industries from 2017 Q3 to 2023 Q3
Transport & Warehouse: +102.9%
Prof & Tech Services: +40.5%
Health & Social Assist: +25.8%
Public Administration: +12.6%
Accommodation & Food Services: +12.2%

El Paso County Annual Job Changes

5,600 new jobs needed to match

Change in Employment
2021 - 2022: +10,480
2022 Q3 - 2023 Q3: +12,977

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: Colorado Dept. of Labor & Employment, Quarterly Census of Employment and Wages (QCEW)

Real GMP Contribution by Private Sectors, Colorado Springs MSA, 2022

Sector	%
Finance, Insurance, Real estate, Rental & Leasing (2021)	19.6%
Professional and Business services	16.9%
Health Care, Social Assistance & Education	8.3%
Retail trade	6.3%
Construction	6.0%
Information	4.3%
Accommodation & Food Services	4.0%
Other Services, Except Government	2.7%
Wholesale Trade	1.9%
Transportation and Warehousing	1.3%
Utilities (2020)	1.0%
Arts, Entertainment & Recreation	0.8%
Mining (2020)	0.5%

Total 2022 Real Gross Metropolitan Product (GMP) Including Government: $41.3 billion
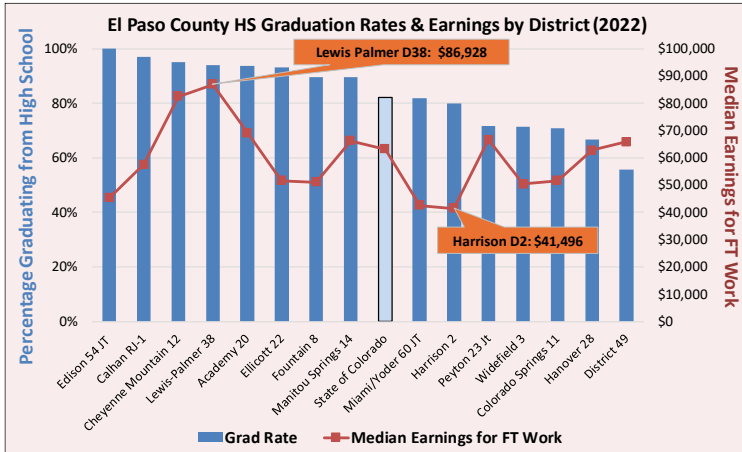
Millions of dollars (inflation-adjusted to 2017)

Manufacturing data last disclosed in 2012 when it was 7.1% of real GMP. Government data is no longer released by sector for 2016 when federal military was 12.7%, state & local government was 8.2% and federal civilian government was 5.3% of real GMP. Utilities and Mining data last disclosed in 2020. Finance, insurance, real estate & leasing was last disclosed in 2021. GMP (local) data lags by approximately 23 months. GMP is the same as GDP for the nation but at the local level.
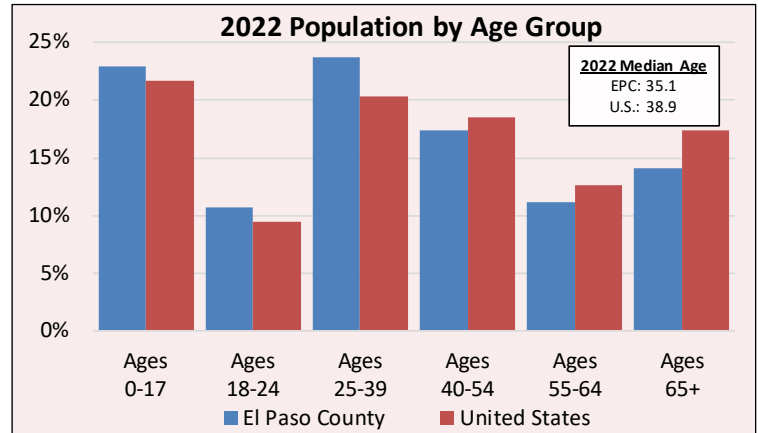Source: U.S. Bureau of Economic Analysis

4

Population Estimates

	2022	2050
El Paso County	740,552	1,008,489
Colorado	5,838,736	7,491,886

The **City of Colorado Springs** had a population of **485,143** in 2022.
Source: Colorado State Demography Office

El Paso County HS Graduation Rates & Earnings by District (2022)

Lewis Palmer D38: $86,928
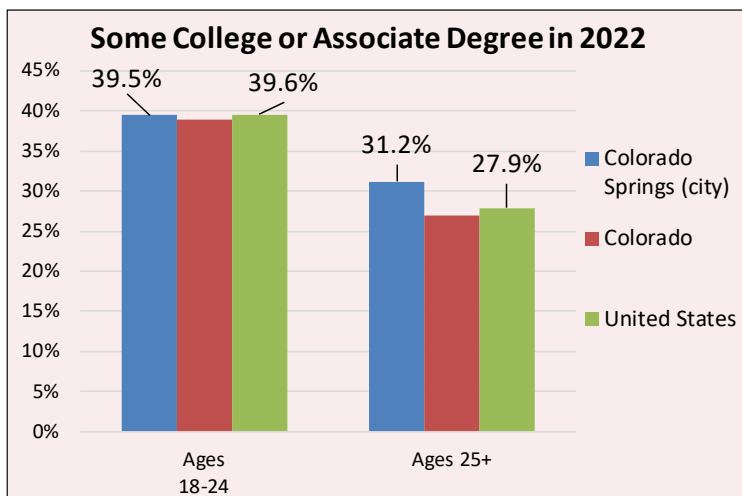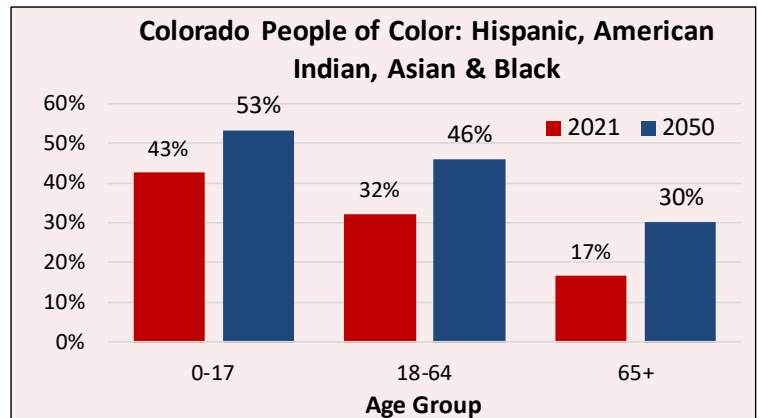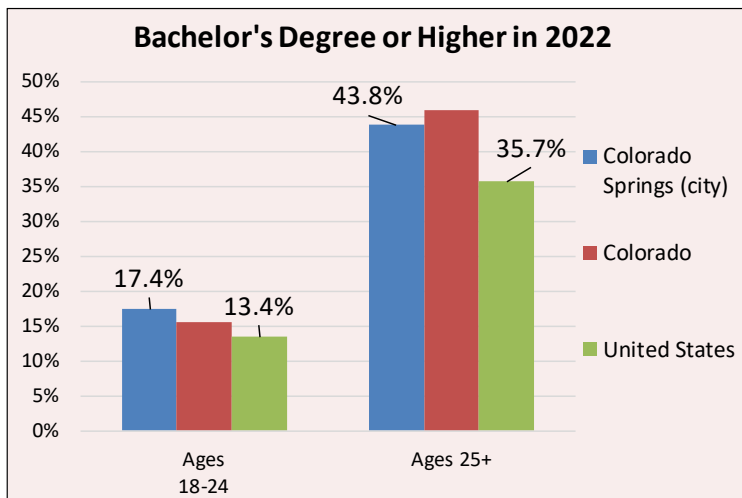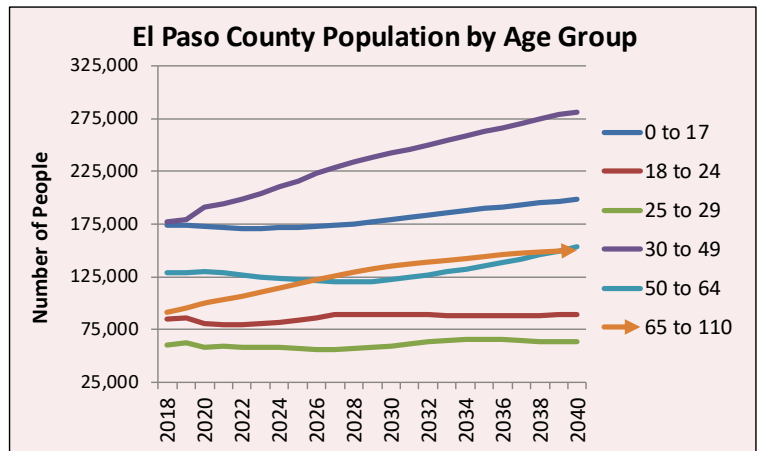Harrison D2: $41,496

Note: Calhan, Ellicott, Peyton, Hanover, Edison, and Miami/Yoder districts all have fewer than 100 students. District 49 has a significant number of online students, which pull down the districtwide average. (Without the largest online school, the district average is 88%.)
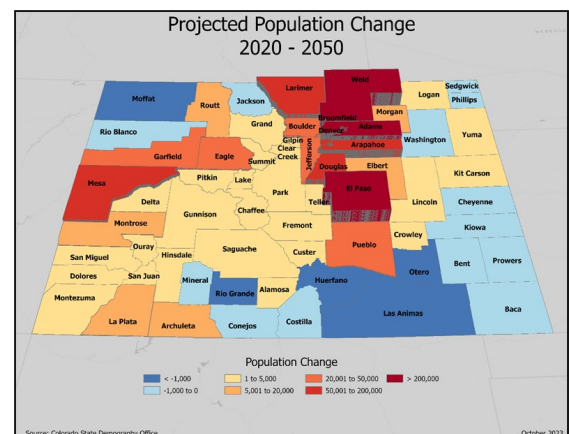Sources: Colorado Department of Education; U.S. Census Bureau, American Community Survey 5-year estimates

Bachelor's Degree or Higher in 2022

Ages 18-24: 17.4%, 13.4%
Ages 25+: 43.8%, 35.7%

Colorado Springs (city), Colorado, United States

Some College or Associate Degree in 2022

Ages 18-24: 39.5%, 39.6%
Ages 25+: 31.2%, 27.9%

Colorado Springs (city), Colorado, United States

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

2022 Population by Age Group

2022 Median Age
EPC: 35.1
U.S.: 38.9

El Paso County, United States

Source: U.S. Census Bureau, Population Division

El Paso County Population by Age Group

0 to 17, 18 to 24, 25 to 29, 30 to 49, 50 to 64, 65 to 110

Colorado People of Color: Hispanic, American Indian, Asian & Black

2021, 2050

0-17: 43%, 53%
18-64: 32%, 46%
65+: 17%, 30%

Projected Population Change 2020 - 2050

Source: Colorado State Demography Office

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Pikes Peak Region New & Existing Home Sales
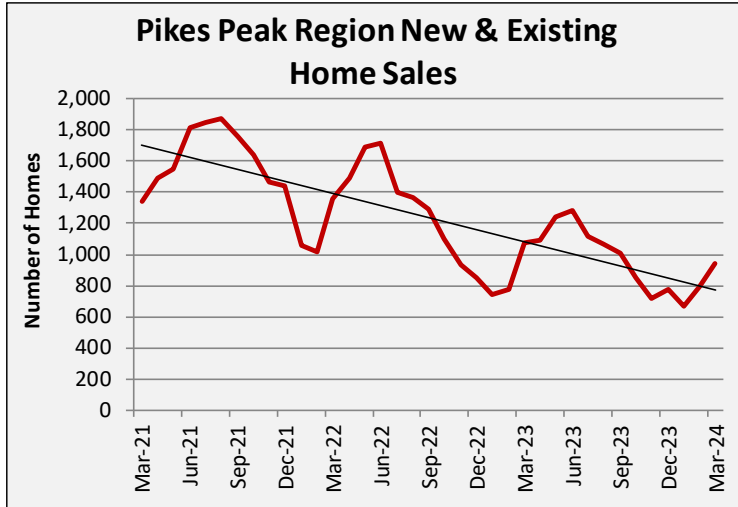
Source: Pikes Peak REALTOR® Services Corp.

Median Existing Single-Family Home Price 2023 Q4

Location	Colorado Springs	Denver	Boise	United States
Price	$459,300	$652,300	$498,000	$391,700
1-year % Change	3.6% increase	1.9% increase	8.8% increase	3.5% increase
MSA Rank	46	19	33	n/a

Sources: National Association of REALTORS®

Pikes Peak Region Residential Building Permits

"Healthy" number of permits* per year: 8,500
Actual permits 2023: 5,033

*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.
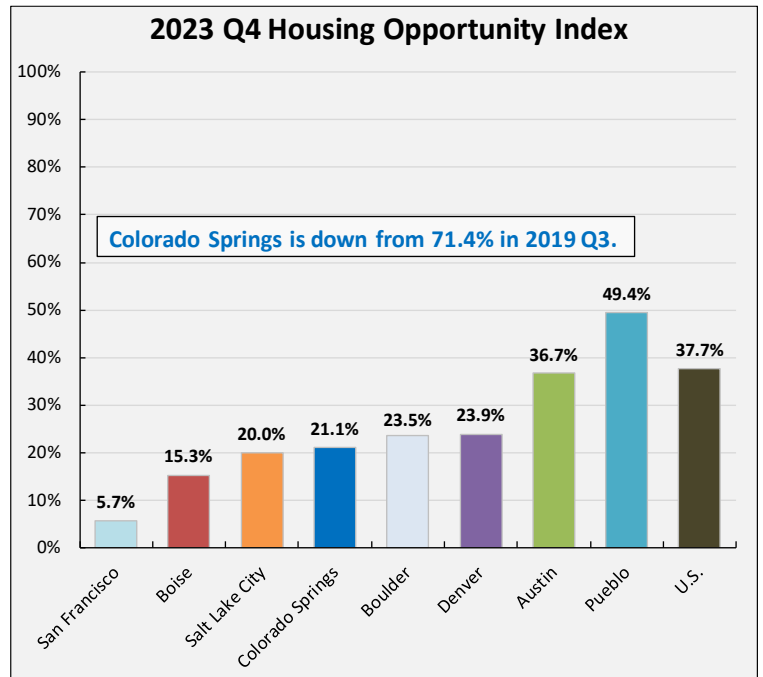
Source: Pikes Peak Regional Building Department

2023 Q4 Housing Opportunity Index

Colorado Springs is down from 71.4% in 2019 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.
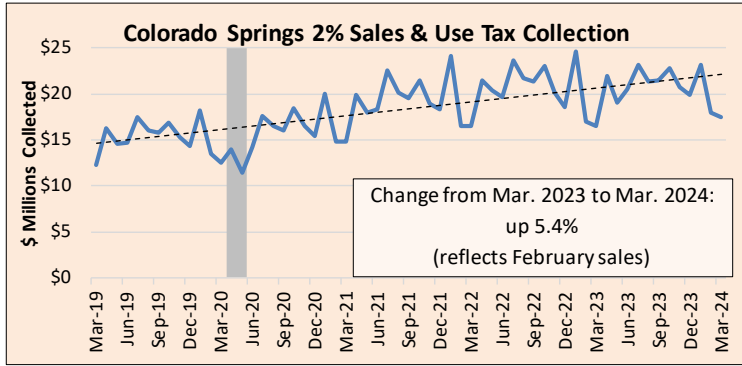Sources: National Association of Home Builders; Wells Fargo

Colorado Springs Quarterly Vacancy Rates & Rents

2024 Q1 Rents

Office **$26.42** per sq. ft.

Medical Office **$21.39** per sq. ft.

Retail **$18.72** per sq. ft.

Industrial **$10.34** per sq. ft.

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

Apartment Rental Information

	Colorado Springs	Denver	Salt Lake City
Market Conditions 2023 Q4	Soft	Soft	Soft
Vacancy Rate 2022 Q4	10.2%	7.6%	9.1%
Vacancy Rate 2023 Q4	11.3%	8.4%	10.9%
Average Rent 2022 Q4	$1,464	$1,792	$1,583
Average Rent 2023 Q4	$1,457	$1,814	$1,561

Source: U.S. Department of Housing & Urban Development (HUD), U.S. Market Conditions report

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

Colorado Springs 2% Sales & Use Tax Collection

Change from Mar. 2023 to Mar. 2024:
up 5.4%
(reflects February sales)

Source: City of Colorado Springs

Colorado Springs Airport Enplanements

Mar. 2023 to Mar. 2024
21.0% Increase

Source: Colorado Springs Airport

El Paso County New Vehicle Registrations (without luxury utility)

Mar. 2023 compared to Mar. 2024
in luxury utility: up 9.3%
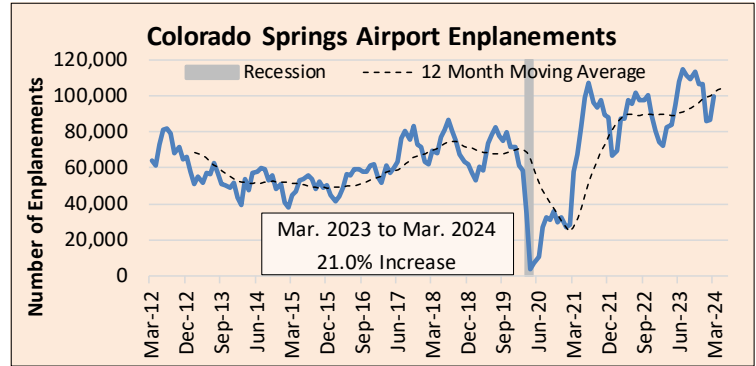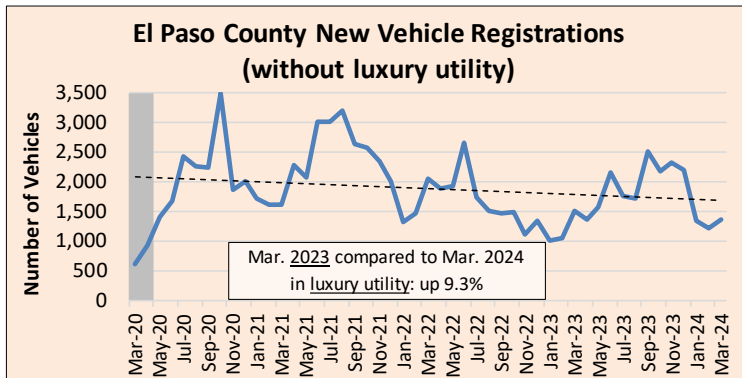
Source: Colorado Interactive LLC

Tourism Spending, El Paso County

Total Direct Employment:
17,100 workers (+8.6% from 2021)

2022 Total Direct Tax Receipts:
$134.8m (+13.0% from 2021)

$2.1b
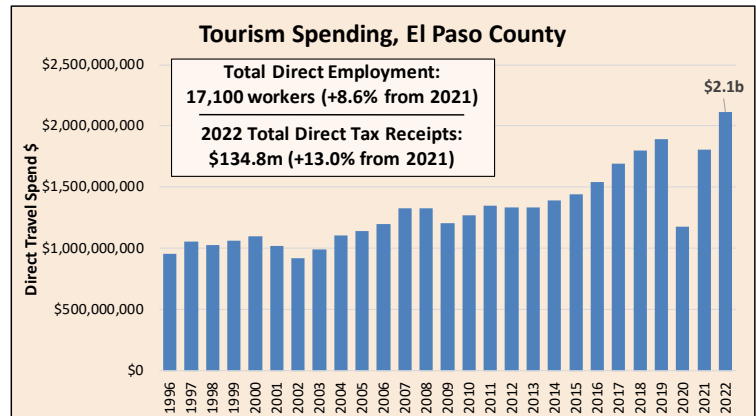
Note: Direct travel includes day and overnight visitors.
Source: Colorado Tourism Office

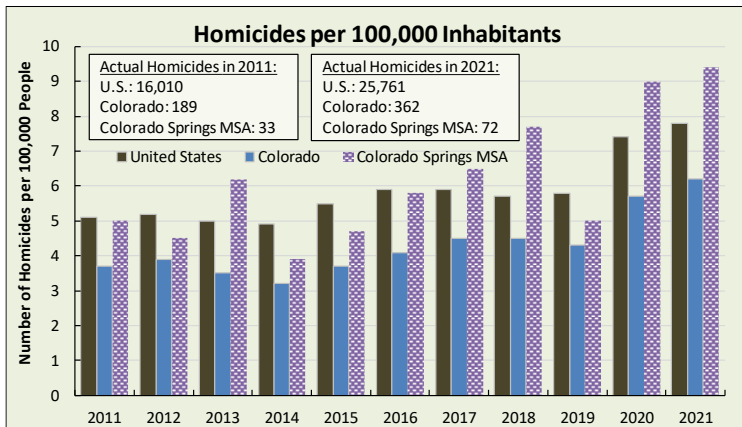| 2023 Air Quality	Colorado Springs*	U.S. Standard
Carbon Monoxide (CO) Concentration (ppm)	1.1	9.0
Particulate Matter ($\mu g/m^3$)	7.75	12.00
Ozone (ppm) at USAFA	*0.069*	0.070
Ozone (ppm) at Manitou Springs	*0.071*	0.070
Sulfur Dioxide (SO_2) (ppb)	4.8	75.0

*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 March 2024	
Colorado Springs	Denver
58.7%	68.2%

Hotel RevPAR* March 2024	
Colorado Springs	Denver
$72.42	$93.80

*RevPAR measures hotel revenue by taking the average room rate times hotel occupancy.
Source: CoStar Group™; Olive Real Estate Group, Inc.

CRIME & SAFETY (PAGE 7)

Homicides per 100,000 Inhabitants

Actual Homicides in 2011:
U.S.: 16,010
Colorado: 189
Colorado Springs MSA: 33

Actual Homicides in 2021:
U.S.: 25,761
Colorado: 362
Colorado Springs MSA: 72

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.

Traffic Fatalities

Actual Fatalities in 2023*:
U.S.: 40,990
El Paso County: 78
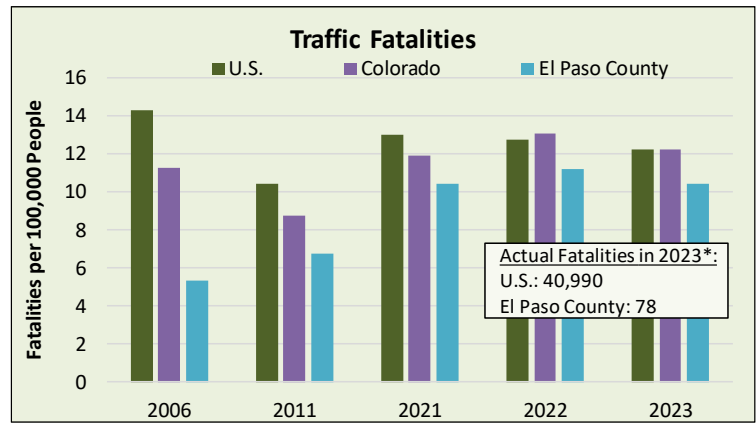
Sources: National Highway Safety Administration; Colorado Department of Transportation; World Bank; U.S. Census Bureau; Colorado State Demography Offices; Data-Driven Economic Strategies

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

THANK YOU!

Data updated on 4/29/2024.
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