

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

## Highlights - May 2023

Hello! I hope you had a great Memorial Day weekend! Before I jump into the latest economic data, if you attended the May 17<sup>th</sup> State of the Economy presentation and you have not yet given us your feedback, we would so appreciate it if you would fill out this five-minute survey. <https://forms.office.com/r/ufDBrX4WmQ>

Below are the highlights for this month's EPR (Economic Progress Report).

The second estimate for **GDP {Page 3}** for first quarter of this year showed a small upward revision in the annualized update (from 1.1% to 1.3%) while the rate stayed the same if we look only at 2023 Q1 compared to 2022 Q1 (at 1.6% growth). Whichever method you use, that is still a fairly weak growth rate although it's better than negative as that would imply a recession, which we have avoided thus far. Economists have been calling for a recession for about a year and a half now, and I think many people are wondering if such a downturn will occur at all. While it's true economists can be the buzz killers at a fun cocktail party, I would argue that the pandemic and its distortions have made it particularly hard to forecast. Between government stimulus checks, robust consumer spending that fueled inflation, an incredibly short recession with an outsized rebound in jobs and GDP, supply chain shocks, a shift towards reshoring, and a demographic transition that is coming to roost, the "normal" trajectory of economic variables is no longer in play. With all these simultaneous distortions, I do think it's possible that the usual economic indicators that tell us we are heading into a recession could be wrong this time around. But I don't think so and I'll tell you why.

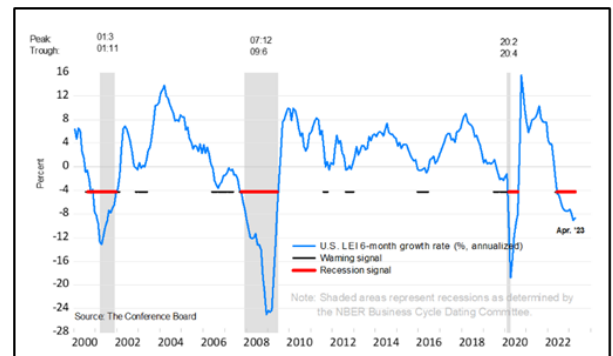
First, there are now several key metrics that are flashing red. At the economics presentation I did in mid-May, I talked about the Conference Board's Leading Economic Indicator (LEI), which has an incredibly good track record of predicting recession. As the graph shows, the LEI, which is a compilation of six, key economic variables is below the red "recession signal." In fact, it has declined for 13 consecutive months, and a falling LEI below the threshold has coincided with a recession since 1960.

There are a couple of other indicators I watch and have recently talked about in these narratives because they are remarkably accurate predictors including the small business survey and the manufacturer's survey. Both have been in contraction territory for many months. Pre-tax corporate profits are also declining, which is such a volatile metric that I don't usually pay much attention. However, I find it interesting that corporate profits are down given that the stock market is pricing in interest rate cuts towards the end of this year. Interest rates are pivotal to businesses that often rely on loans to either bridge revenue fluctuations and/or to fund business expansion. Thus, if the stock market is assuming credit conditions will ease in the next six months and they don't, I would say corporate profits may decline further. For all these reasons, I would agree with most of my economics colleagues that a mild recession is likely yet this year.

Having said all this, none of the aforementioned indicators are in deep contractionary territory, which is one of the reasons most economists are not predicting a harsh recession. If you correlate these key recession indicators to GDP, the relatively small declines in these recession indices point to a small decline in GDP (and therefore "mild" recession) with a likely recovery out of contraction territory within 6-12 months. Of course, the key indicator everyone is watching as the determinant of a (harsh or mild) recession is inflation. Initially, supply chain bottlenecks were the main culprit, and most indicators now show that supply chains are almost back to "normal" levels. There may be a new normal, however, in the U.S. efforts towards reshoring as this will likely keep some upward pressure on prices since it is typically more expensive to produce in the U.S. Now, inflation is also the result of the persistently strong labor market, which will not disappear with a downturn given the built-in reduction over the next several years of fewer working age people. This will keep the labor market relatively strong, as inflation (very slowly) retreats. Wage appreciation alongside even slowly declining prices means that consumer expenditures will continue to be strong, and this alone will keep an economic downturn from being too severe. To me this all translates to a likely mild recession that doesn't last very long, but that is followed by low growth levels for an extended period mostly due to an aging demographic and the associated lower productivity levels, high government expenditures (40% of U.S. government spending is for our 65+ population), and some persistent inflation.

Speaking of **Inflation {Page 3}**, it did decline in April to 4.9% year-over-year from 5.0% in March. Core inflation also came down by that same very small margin of 0.1% (5.6% to 5.5%). There is progress in bringing down inflation – it's just painfully slow.

**University of Michigan Consumer Sentiment {Page 3}** echoes the dynamic of uncertainty but with still-strong consumer expenditures fed by stable or slightly improving income levels. Yes, this is largely due to a strong labor market with stronger wages alongside stabilizing infla-



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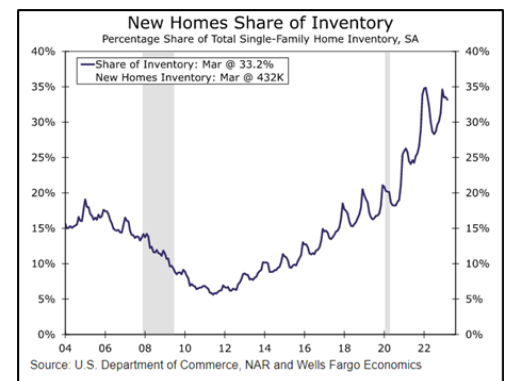
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tion, but there is another important feeder to consumer expenditures that isn't talked about much. This is the massive refinancing of homes that occurred during the pandemic while interest rates were still rock bottom. About one-third of all outstanding mortgages were refinanced during the refi boom from 2020 Q2 to 2022 Q1. Home sales added another 17% to the new mortgage market and between the two there were 14 million new mortgages in the U.S. during this period according to Wells Fargo. The refinanced mortgages, in particular, brought lower monthly payments to millions of households which further expands the purchasing power of consumers.

Yet, the UM survey shows that consumers are worried about a future recession, and this caused consumer sentiment to fall from 63.5 in April to 59.2 in May. Survey responses were collected during the uncertainty of the debt ceiling debacle, which appears to be resolving so sentiment is likely to improve with this temporary debt ceiling fix. And I do believe it's temporary given how bills passed by Congress are approved without regard to how new expenditures will be covered. I did a [Fox21 piece](#) on this that aired last week where I addressed the need to tie new programs to means to pay for the programs with a (nonpartisan) return-on-investment analysis. If a newly proposed bill includes new expenditures, proposed programs must pay for themselves either with an increase to GDP (and associated taxes) or another means to cover the expenses. It's a simple accounting principle, and it's astounding that the U.S. government doesn't adhere to these fundamental and commonsense rules. As I mentioned in last week's piece, the U.S. has been able to get away with this because our dollar is the world's reserve currency so there has always been demand for our Treasuries (e.g., bonds). Foreign governments and investors want to hold dollars and they can do so by buying our Treasuries, which gives the U.S. constant supply of capital for our high levels of spending. Although most Americans may not know the specifics around the accounting of the \$31 trillion debt, they understand that U.S. debt levels are exorbitant and our inability to reign in spending compromises our economic vitality especially in the long run.

Before I jump into real estate, I think it's worth mentioning that our local **Labor Market {Page 4}** continues to be strong perhaps more so than the U.S. This is evidenced by the ratio of workers available to the number of jobs openings. In March, that ratio was 0.44 available workers per open position (with 23,992 job openings). In April that ratio fell to 0.37 available workers per job opening (and 25,651 openings). Although some national indicators are pointing to a softer labor market, this ratio underscores that unemployment is going to need to increase significantly in order to cool inflation.

I talked a little bit above about the massive refinancing boom that provided a boost to household incomes mostly for existing homeowners who took advantage of refinancing with historically low interest rates. As we all know, those who moved in the past couple of years paid much higher home prices from 2019 to 2022 (up 43% nationwide), but the days of double-digit price appreciation appear to be behind us with low single-digit appreciation over the past year. Most recently, from 2022 Q4 to 2023 Q1, **Home Prices {Page 6}** were up locally 2.3% and up 0.2% nationwide. The nearby chart shows how newly built homes are now making up a much larger share of total home sales and this due to a) low inventory of existing homes, b) improved supply chains for building materials, and c) many builders providing price cuts or other incentives. For these reasons, housing construction is ticking up again even if it's down from a year ago.



**2021 International Mortality Rates by Country {Page 7}** were just released and they continue to show higher homicide rates in the U.S. The U.S. rate ranged from 3.25 times higher (than Canada) to 34 times higher (than Japan).

I'll end with the great tourism data showing that our local airport has had **Enplanement {Page 7}** increases of 43.2% comparing April 2019 to April 2023. As the graph in the EPR shows, once the COS airport recovered from the initial pandemic shocks, enplanements not only increased – they well surpassed pre-pandemic levels. My husband and I traveled to Chicago last weekend for a wedding, and I saw the air service development manager, Joe Nevill. I mentioned how I had never seen that many people at our local airport, and he said the numbers weren't finalized, but that they believed they were likely at a 90% load level, which is amazing. You would think this would translate to higher hotel profitability as represented by **RevPAR {Page 7}**, but we have not seen that trend. This is probably due to more hotels in the region and more use of short-term rentals like Airbnb. Our local tourism office has also told me that a high percentage of visitors come to stay with family so our region may not rely on commercial lodging as much as other regions.

That's it for this month! Let's hope for lots of sunshine and pool days as we slide into the summer months.

Tatiana & Rebecca

If you wish to unsubscribe from this monthly report, please email [rwilder@ddestrategies.org](mailto:rwilder@ddestrategies.org) or [tbailey@ddestrategies.org](mailto:tbailey@ddestrategies.org).

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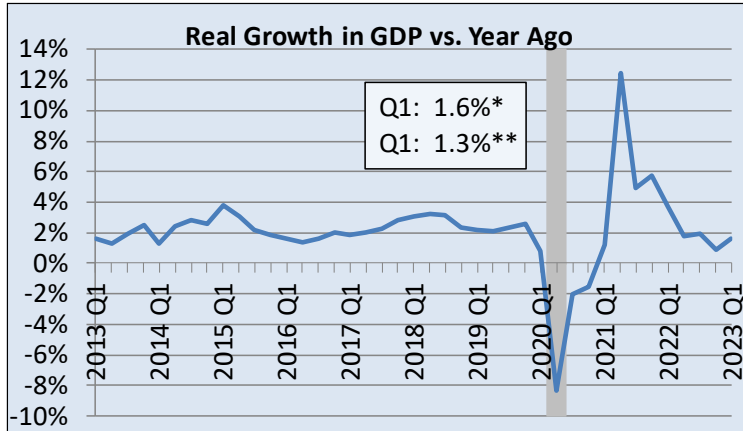
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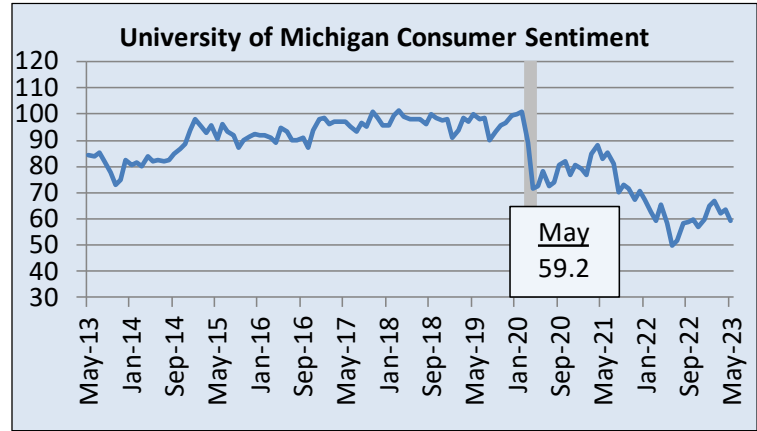
## MACROECONOMIC "BIG PICTURE" (PAGE 3)



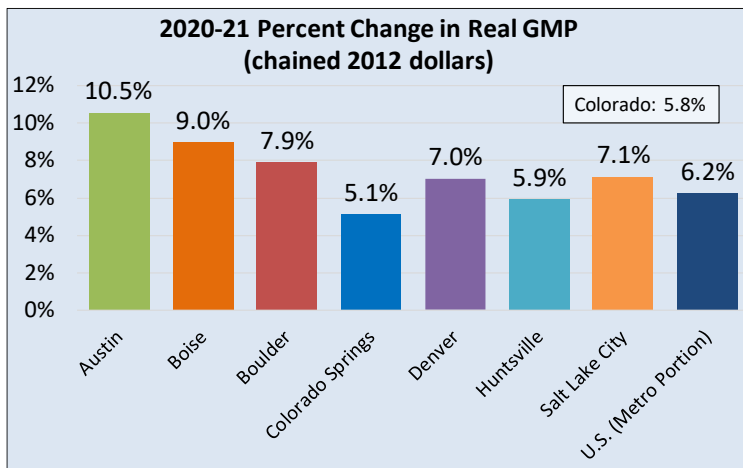
\*Estimate of real GDP percent change from same quarter a year ago, SA

\*\*If quarterly changes were annualized over the year.

Source: U.S. Bureau of Economic Analysis

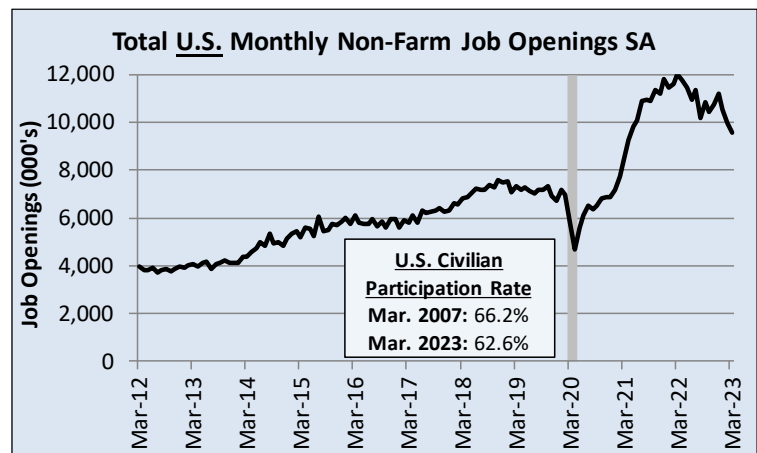


Source: University of Michigan

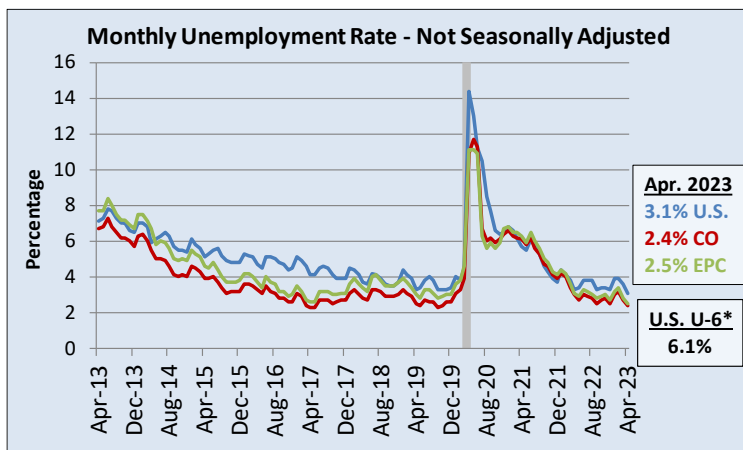


Note: Data includes military. Real GMP is adjusted for regional price parity (RPP). This regional data lags ~23 months.

Source: U.S. Bureau of Economic Analysis



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



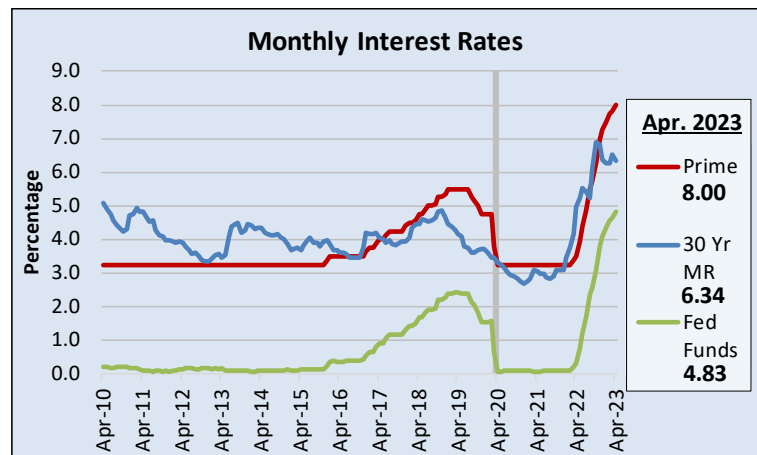
Note: Data not seasonally adjusted (NSA) to enable comparisons with counties.

\*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

U.S. Consumer Price Index - April 2023		
	All items	Less food & energy
Change from March to April 2023 (SA)	0.4%	0.4%
Last 12-months (NSA)	4.9%	5.5%
The 2022 cost of living in the <b>Colorado Springs MSA</b> was <b>105.0%</b> 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)



Source: Board of Governors of the Federal Reserve System

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

## LOCAL LABOR MARKET (PAGE 4)

### Top Job Openings, Colorado Springs MSA April 2023

Top Job Titles	# of Job Postings	Median Advertised Salary
Registered Nurses (L)	1,922	\$87,808
Software Developers (L)	703	\$116,480
Retail Salespersons (M)	576	\$33,408
Computer Sys Engineers/Architects (L)	516	\$122,624
Sales Reps, Wholesale & Mfg (M)	462	\$60,032
1st-Line Supervisors, Retail Sales (L)	461	\$47,744
Customer Service Reps (M)	421	\$38,528
Managers (L)	396	\$89,856
Maintenance & Repair Workers (H)	371	\$43,904
Medical & Health Services Managers (L)	332	\$96,512

#### Colorado Springs MSA, April 2023

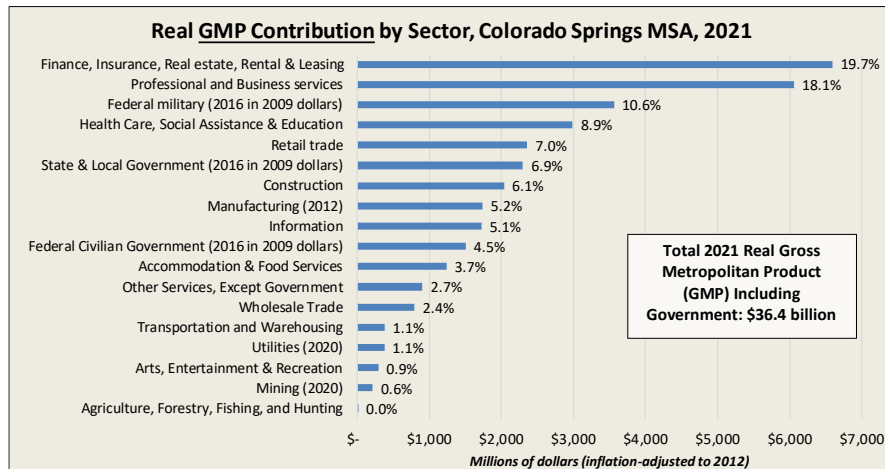
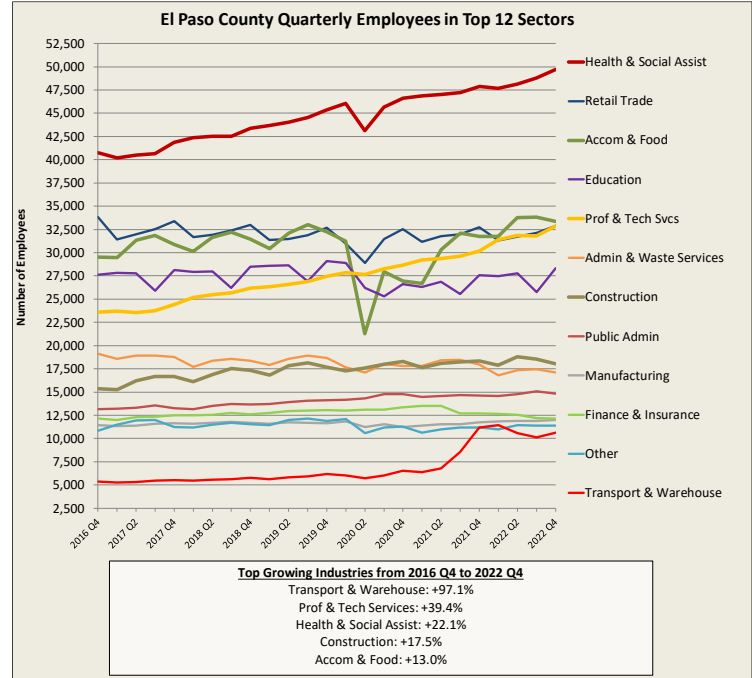
**TOTAL Job Openings: 25,651**

**TOTAL Unemployed: 9,564**

**Workers Available per Job Opening: 0.37**

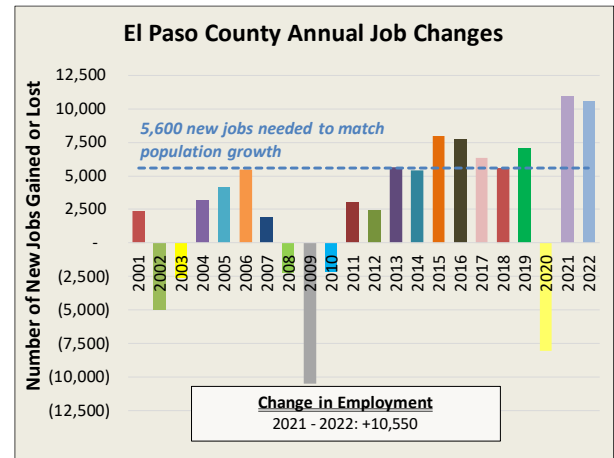
Risk of Automation: L = Low; M = Medium; H = High

Sources: The Conference Board®-Lightcast® Help Wanted Online® via Pikes Peak Workforce Center; CO Dept. of Labor & Employment



Manufacturing data last disclosed in 2012. Utilities and Mining data last disclosed in 2020. Government data is no longer released by sector so data shown is for 2016 in 2009 dollars. GMP (local) data lags by approximately 23 months. GMP is the same as GDP for the nation but at the local level.

Source: U.S. Bureau of Economic Analysis



An estimated 5,600 new jobs are needed based upon population growth and age composition. This QCEW data lags up to three quarters and includes public and private employment, but not military-related employees.

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

**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](http://livingwage.mit.edu).

**2022 Average Annual Wages for All Industries**

**El Paso County wages are 11.4% lower than U.S. wages and 16.7% lower than CO wages.**

U.S.	Colorado	El Paso County
\$69,992	\$74,412	\$61,984

**2022 El Paso County Total Employment (excluding military)**

296,730

**\*Estimated military employment in 2021 (and % of total 2021 EPC who are military).**

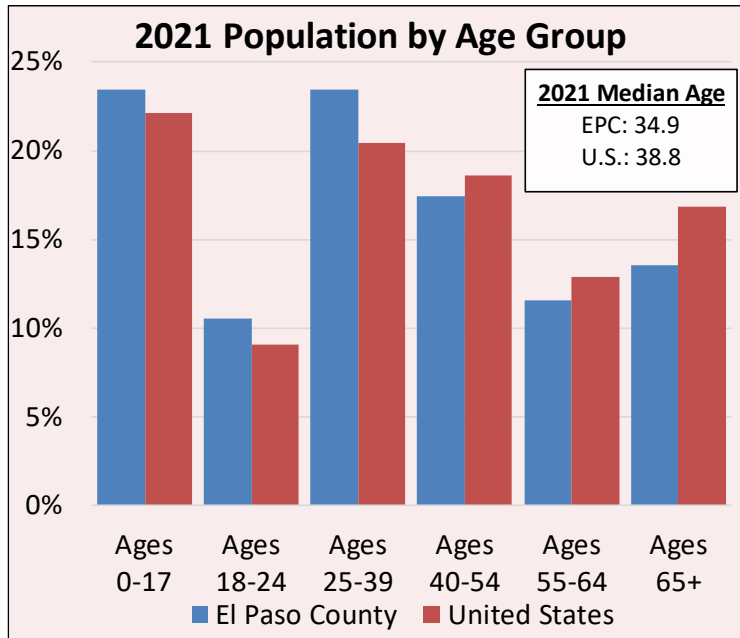
61,489 (17.4%)

\*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

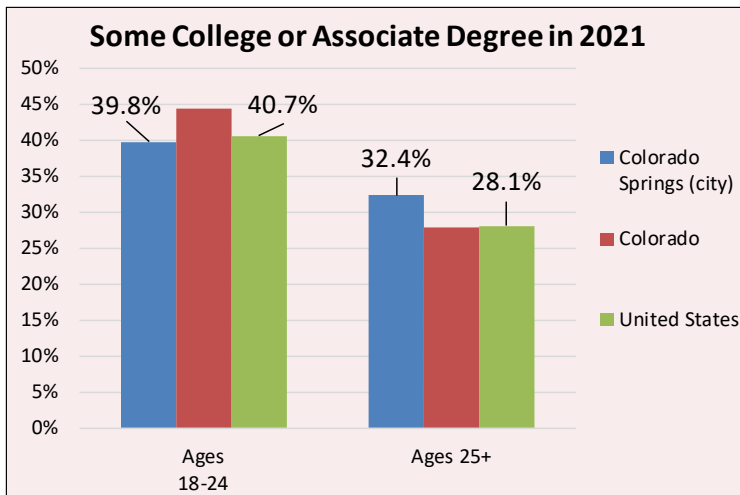
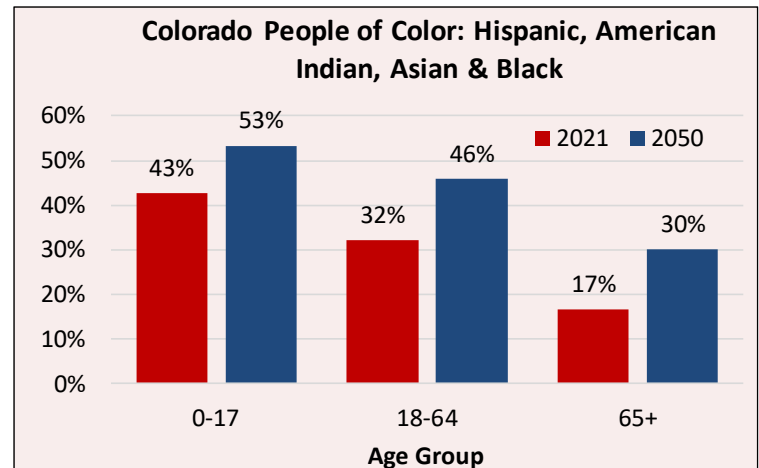
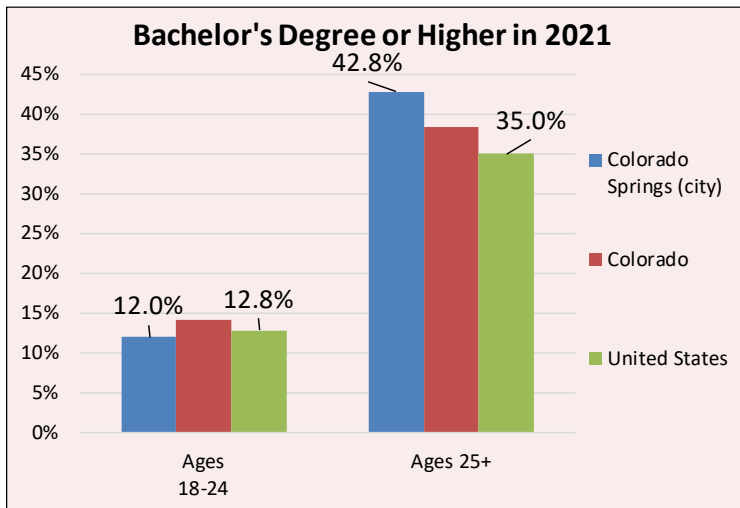
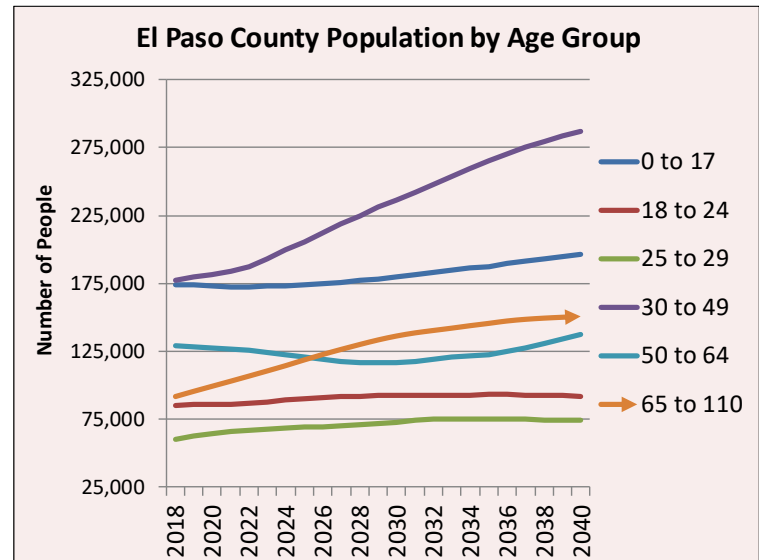
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## DEMOGRAPHICS (PAGE 5)

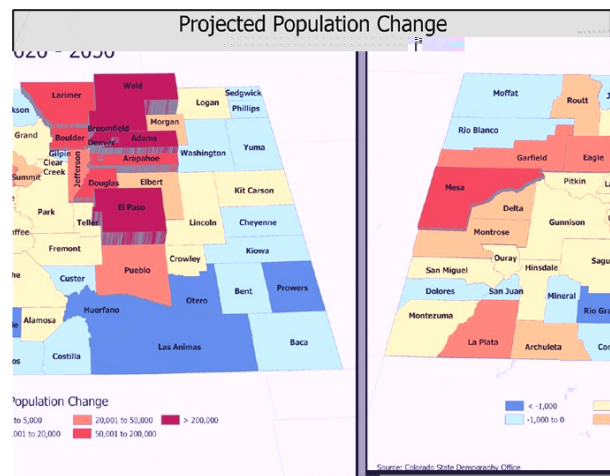


Sources: State Demography Office; U.S. Census Bureau, Population Division; Age groups from the U.S. Census Bureau's Population Estimates Program.

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

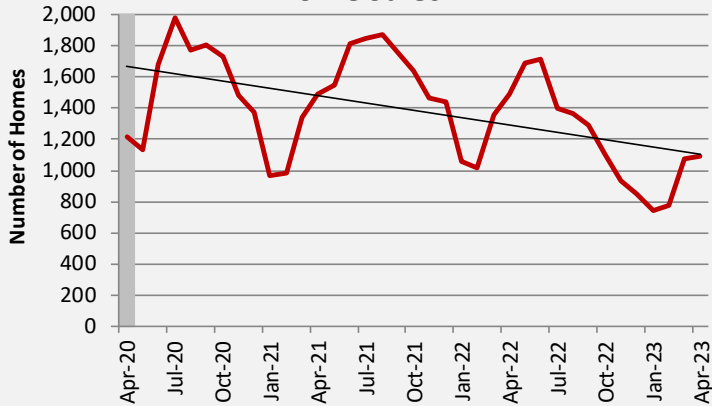
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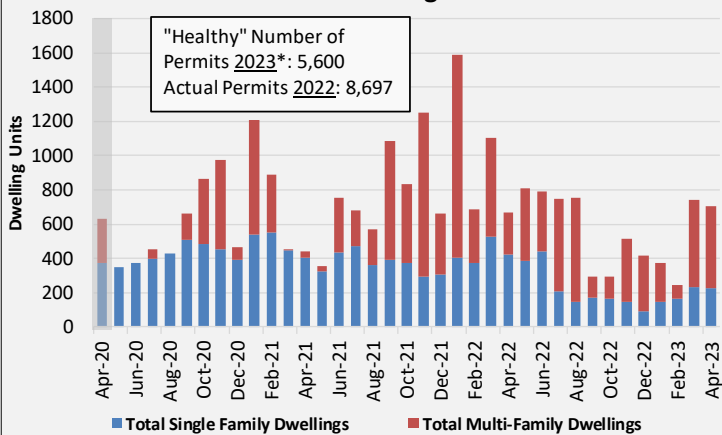
## REAL ESTATE (PAGE 6)

### Pikes Peak Region New & Existing Home Sales



Source: Pikes Peak REALTOR® Services Corp.

### Pikes Peak Region Residential Building Permits



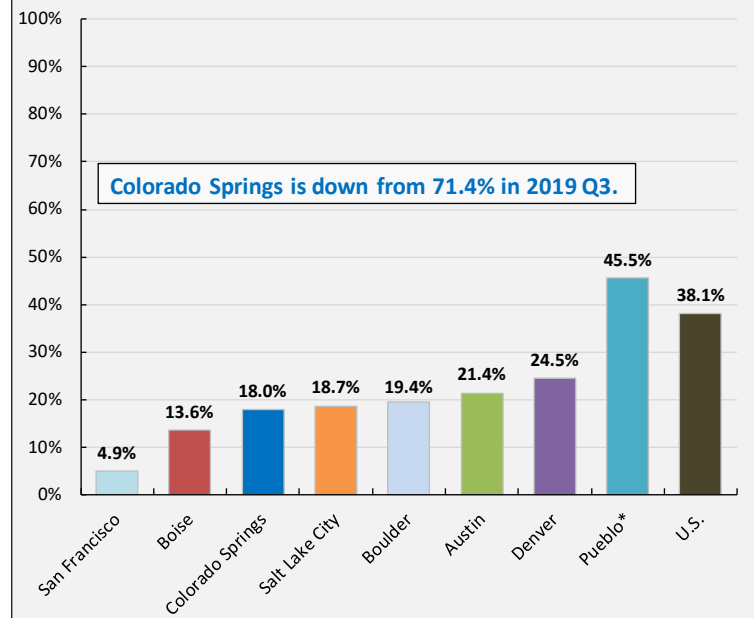
\*"Healthy permits" was revised down in 2023 to 5,600, which is a midpoint between 5,000 and 6,225.  
The National Association of REALTORS® has calculated that the U.S. has underbuilt roughly 6.5 million homes since the Great Recession. Data-Driven Economic Strategies is reconsidering the local housing stock and possible shortage of homes.  
Source: Pikes Peak Regional Building Department

### Median Existing Single-Family Home Price 2023 Q1

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

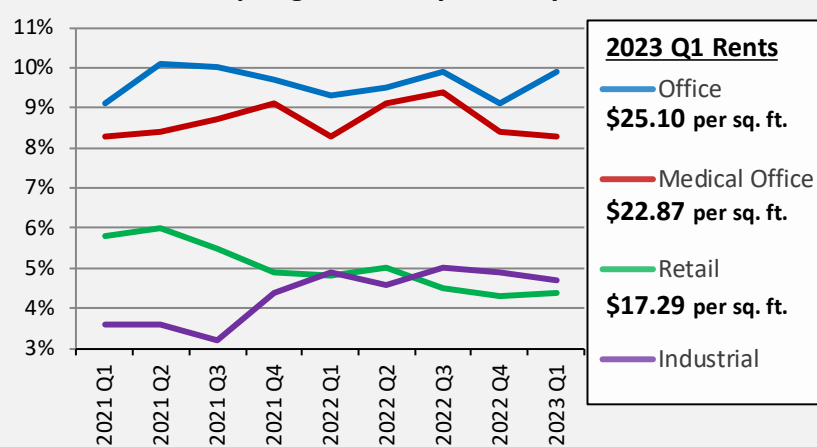
Sources: National Association of REALTORS®

### 2022 Q4 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

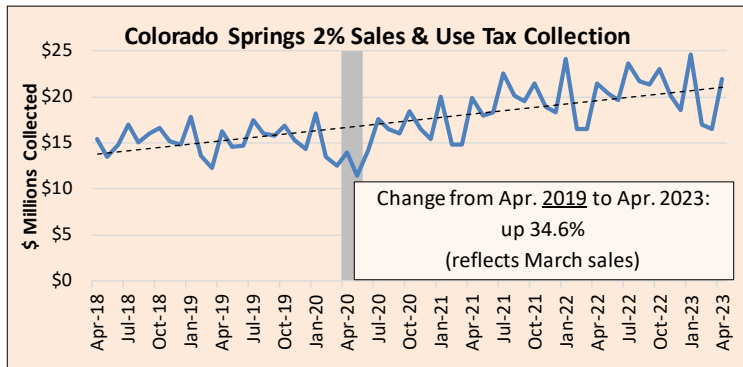
### Colorado Springs Quarterly Vacancy Rates & Rents



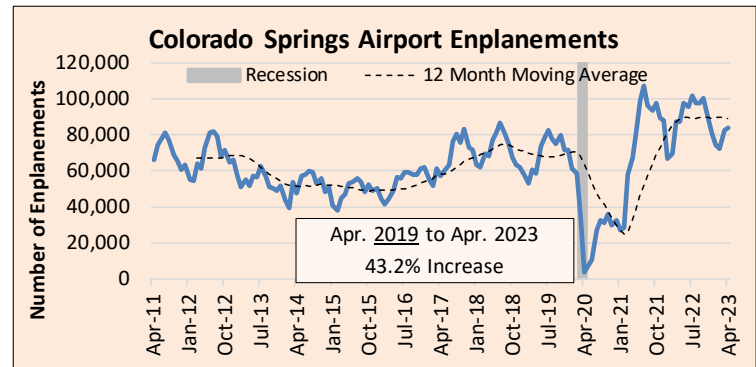
Sources: CoStar Group™; Olive Real Estate Group, Inc.

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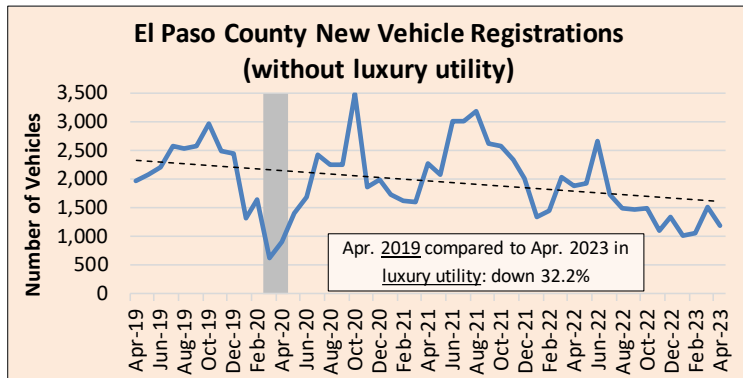
## TAXATION, VEHICLE SALES, AIR QUALITY, AND TOURISM (PAGE 7)



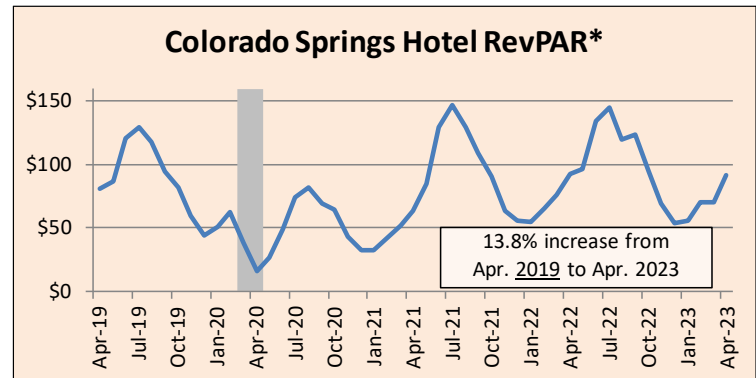
Source: City of Colorado Springs



Source: Colorado Springs Airport



Luxury utility categories (all terrain, camper trailer, trailer coach and trailer utility) are not included in graph line above, but % change in this category is noted in text box.  
Source: Colorado Interactive LLC



Hotel Occupancy Rate April 2023		
Colorado Springs	Denver	Colorado
63.1%	66.7%	61.0%

Hotel RevPAR April 2023		
Colorado Springs	Denver	Colorado
\$91.69	\$100.99	\$95.57

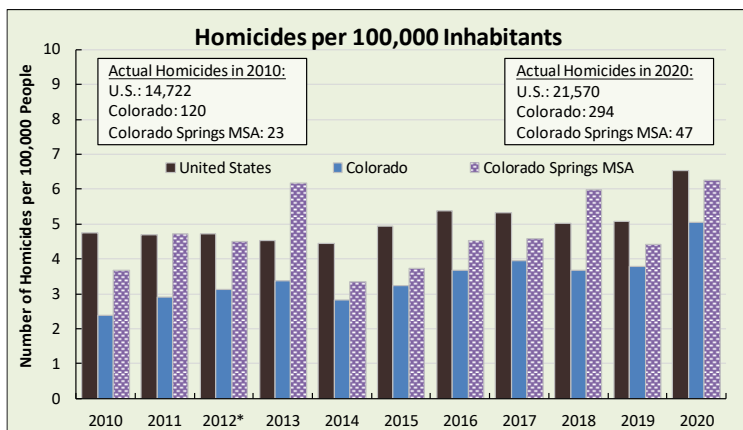
\*RevPAR measures hotel revenue by taking the average room rate times hotel occupancy.  
Source: Colorado Hotel & Lodging Assoc., Rocky Mountain Lodging Report

2022 Air Quality		
	Colorado Springs*	U.S. Standard
Carbon Monoxide (CO) Concentration (ppm)	0.9	9.0
Particulate Matter (µg/m³)	4.50	12.00
Ozone (ppm) at USAFA	0.74	0.70
Ozone (ppm) at Manitou Springs	0.74	0.70
Sulfur Dioxide (SO₂) (ppb)	5.4	75.0

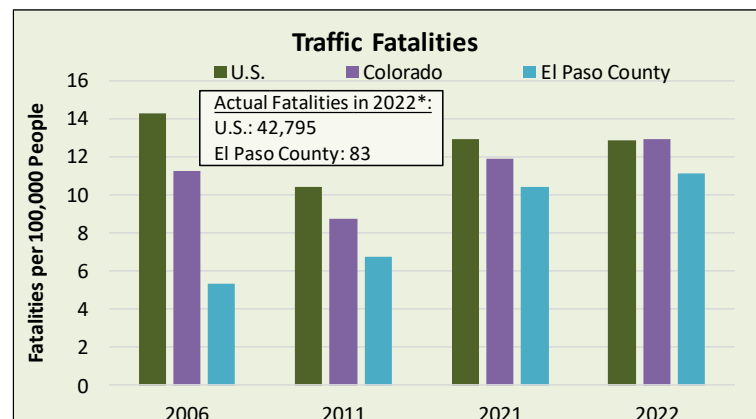
\*Locations of measurements: CO at 690 W. Hwy 24; Particulate Matter at Colorado College; SO₂ at Hwy 24

Source: Colorado Department of Public Health & Environment

## CRIME & SAFETY (PAGE 7)



\*2012 data for the Colorado Springs MSA is from the Centers for Disease Control & Prevention.  
Source: Federal Bureau of Investigation, Uniform Crime Report



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

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

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

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

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

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

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## SUPPORTERS (PAGE 8)



# THANK YOU!