

El Paso County Economic & Workforce Progress Report (EPR)

Highlights—March 2023

Hello and Happy Monday! I have three quick administrative things before digging into the narrative. During March I did two interviews with CPR/NPR on two topics that seem to be of interest to many people. One talks about the lower labor participation rate in the U.S. and the current job market (<https://www.cpr.org/show-segment/what-the-economy-means-for-your-job-prospects-in-colorado/>). The other one talks about the SVB/Signature Bank/First Republic debacles (<https://www.cpr.org/show-segment/what-the-banking-turmoil-means-for-you/>).

Especially because of the heightened economic headwinds, I will be doing a **presentation open to the public on May 17th** in the afternoon (followed by a happy hour, of course – see “visual”). I’ll be sending out details to this mailing list with a registration link in the next couple of weeks. Thank you to **Bank of Colorado** and **FBB Group, Ltd.** for sponsoring DDES and the event! I’d also like to welcome **Wells Fargo Advisors** and **Sparks Willson** as new DDES supporters.



Consumer Sentiment {Page 3} declined in March to 63.4 (preliminary) from 67.0 the month prior. According to the UM survey, sentiment fell for the first time in four months – and the survey happened before the banking woes. Confidence fell amongst two primary groups: lower-income, less-educated, and younger consumers as well as the largest stockholders (think Daddy Warbucks). Inflation is still the primary reason for soured sentiment both for current conditions as well as future prospects. Inflation *directly* impacts lower income earners the most since they use the majority of their income on basic needs. Inflation *indirectly* impacts higher earners since the related higher interest rates squeeze corporate profits and stock valuations (and higher earners typically hold much of their wealth in stocks).

U.S. Job Openings {Page 3} also declined, although you can visually see in the chart that they remain elevated at almost double the pre-pandemic levels. Keep in mind that this data from the BLS lags about two months so many of the companies that have frozen or reduced job postings will not yet show in this data. It’s also true that more layoffs are now happening and it’s beyond the (small total employment) tech sector. However, the overarching context is that we are still hovering around 11 million job openings and the average number of openings during 2018 and 2019 was 7.1 million. A lot of frozen hiring and layoffs will need to happen to close that large chasm. And people with niche and high-demand skills will continue to be in short supply regardless of a recession.

Speaking of job openings, part of the reason **Inflation {Page 3}** remains elevated is because of the tight labor market and the corresponding wage pressure. Although “headline” inflation fell to 6.0% in February from 6.4% in January, “core” inflation (which strips out the more volatile food and energy components) increased slightly to 0.5% month-over-month, versus the 0.4% increase from December to January. That may seem like a small difference, and it is. However, the Fed in its interest rate decisions looks more at the “core” rate because it represents so many other categories of goods. In other words, inflation is broad-based. In addition, even a small increase is in the opposite direction of what the Fed wants. As an economist, it’s interesting that despite some of the most aggressive interest rate hikes in decades, inflation is barely budging – and hikes started about a year ago.

That pesky inflation is the reason that the Federal Reserve went ahead with a 0.25% **Interest Rate {Page 3}** hike last week despite the further (credit) tightening that may occur in the wake of the bank failures (go to the CPR segment referenced above if you want more info). In the end analysis, the Fed cares more about restoring price stability and bringing down inflation for everyone than it does about the relatively few people who have more than the FDIC insured \$250,000 in their bank accounts. The Fed was also able to quell fears by making the (bold) statement that they would insure depositors at these at-risk institutions above the \$250,000 limit (!). The Fed also made billions available to banks in the form of loans should they have a liquidity problem. In other words, the Fed used alternative measures to address the banking situation and stuck with the hikes in interest rates to address inflation. Makes me think of the days when I was cooking dinner, teaching my kids algebra, sneaking into my office to do some (part-time) analytical work, and blissfully losing my mind. A lot going on.

Although it’s true that economists are indeed still concerned about the (overly strong) labor market, there does appear to be some slack showing up in the more recent data as I referenced above. **Unemployment {Page 3}** in the U.S. increased in February to 3.9% whereas it stood at 3.3% at the end of 2022. State unemployment rates also increased to 3.2% in February from 2.5% in December, and in El Paso County, rates increased to 3.4% from 2.7%. These are material increases showing that the labor market is indeed softening a bit although any economist would agree that a rate below 4.0%-4.5% still represents too many unfilled jobs. It’s worth noting that in its latest forecast, Wells Fargo is predicting a 3.9% unemployment rate for all of 2023 and a 5.0% level for 2024. The

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Conference Board is forecasting even lower unemployment rates (3.6% for 2023 and 4.3% for 2024). These are all at or below what economists consider “equilibrium.”

Another example of some softening in the labor market can be seen in the **Colorado Springs Workers Available per Job Opening {Page 4}**. In the textbox under the top job openings table, you will see our region has 0.66 available workers per job opening. In December that same metric was 0.54 workers. Two-thirds of a human per open job is still tight, and I would argue that some modest softening of the labor market will be a good thing especially if businesses find it easier to fill critical jobs and some modest wage pressure remains (to at least keep pace with inflation).

The latest total employment data through the BLS just became available. It shows that for the first three quarters of 2022, our region gained 9,337 **New Jobs {Page 4}**. And if you look at the graph, in 2021 we gained an incredible 10,974 jobs. As a reminder, the dotted line shows that our region needs roughly 5,600 new jobs in order to match our population growth. All in, through 2022 Q3 the data is stellar, and I am thinking that even if our local labor market somewhat softens, employment gains will still exceed expectations.

The same BLS/QCEW data update is reflected in the graph directly above, **El Paso Quarterly Employees in Top 12 Sectors {Page 4}**. In this chart you can see the industries that represent the greatest regional employment. The growth in health care (dark red line) and professional/technical positions (yellow) since 2016 stand out the most. It’s also worth noting that the incredible growth we’ve seen in transportation and warehousing (red) has started to decline. This reflects the layoffs at the regional Amazon facilities. And there were welcomed increases in the associated **Wages {Page 4}**. Across all industries in El Paso County in 2022 Q3 average wages increased to \$63,752 (from \$59,696 in 2022 Q2). Both the U.S. and CO also had increases although the gaps between our region and the state and U.S. fell, which is great news, and I hope it holds. In the previous quarter, EPC had wages 11.3% lower than the U.S. and 15.7% lower than CO and in 2022 Q3 (most recent data available), EPC wages were 8.1% lower than the U.S. and 14.7% lower than CO. It’s still too big a chasm and one quarter does not make a trend but given our growth since 2016 especially in higher-paying sectors, I am hopeful we are at least heading in the right direction.

Pikes Peak Home Sales {Page 6} increased slightly in February and this mirrors what’s happened across most of the U.S. Thirty-year mortgage rates came down a bit in February, and those marginal declines helped convince some buyers to buy either new or existing homes. Residential construction companies in particular have been successful in providing incentives to lure buyers (e.g., mortgage rate buydowns are being used by 75% of construction companies). During March, we have seen mortgage rates creep back up, so we may see a downward trend in sales and (modestly) in prices in coming months.

Sales and Use Tax {Page 7} has been on a tear during the pandemic period up 26.1% from February 2020 to February 2023 although the sharp decline from January to February of this year likely reflects some of the pullback we’ve recently seen from consumers (and heard about through consumer confidence surveys). Also remember that inflation plays into this metric as tax collections are measured in dollars. Some of that February decline is also seasonal since the February report reflects (declining) January sales post holidays.

Hotel Occupancy and RevPAR/revenue {Page 7} continue to do well even during these winter months. I suspect this will be a very good summer for enplanements and for hotels even if we do hit a mild recession during this calendar year.

2022 **Air Quality {Page 7}** standards for our region were released and we are still above U.S. safety standards for Ozone. Sulfur Dioxide emissions were much lower in 2022 (5.4 ppb) than they were in 2021 (10.1 ppb) although both years were below the U.S. safety threshold. Sulfur dioxide is emitted from burning coal, and it may be that the closing of Drake power plant reduced sulfur dioxide emissions (although this is not my area of expertise).

If you have spring break plans, I hope you thoroughly enjoy them. Have a great week!

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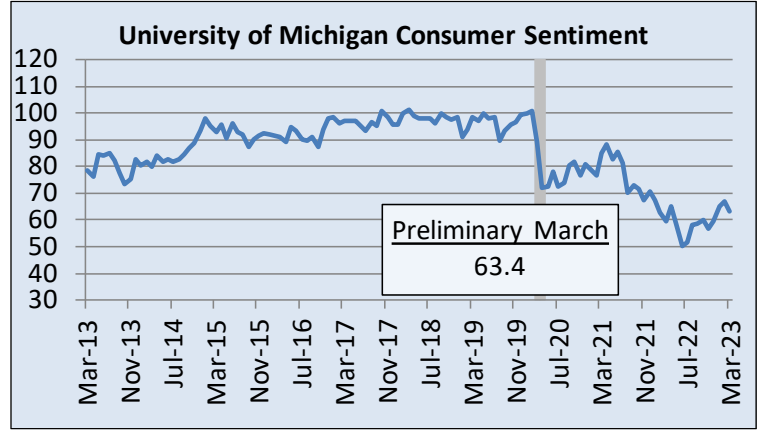
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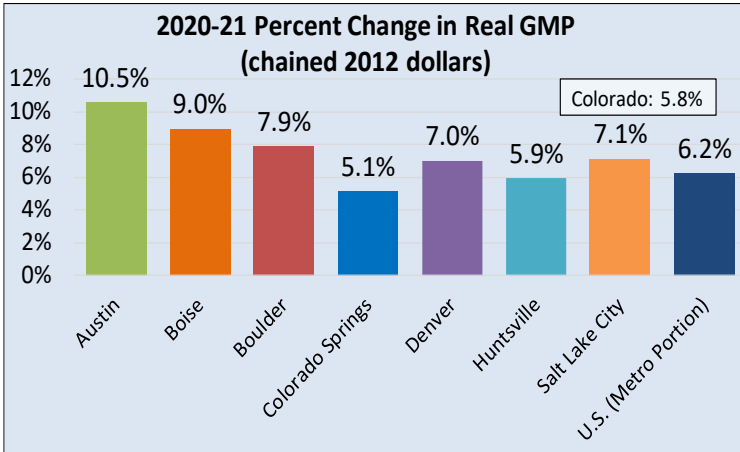
MACROECONOMIC "BIG PICTURE" (PAGE 3)



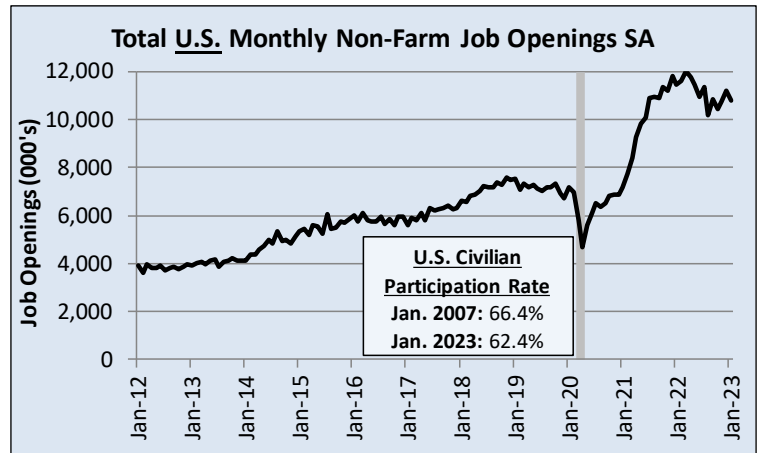
*Estimate of real GDP percent change from same quarter a year ago, SA
 **If quarterly changes were annualized over the year.
 Source: U.S. Bureau of Economic Analysis



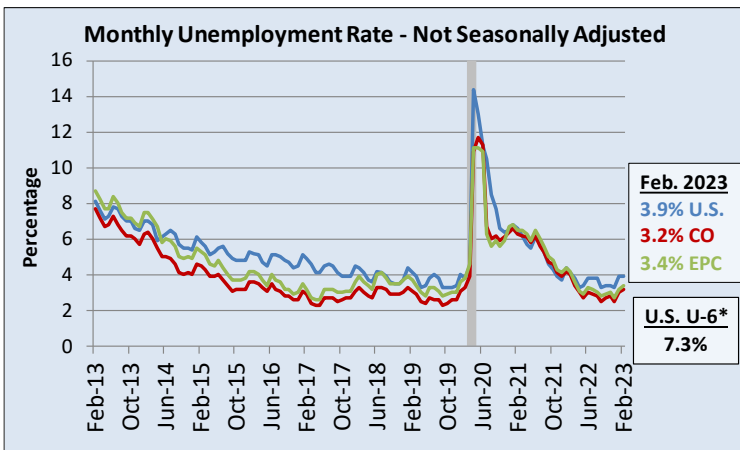
Source: University of Michigan



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.

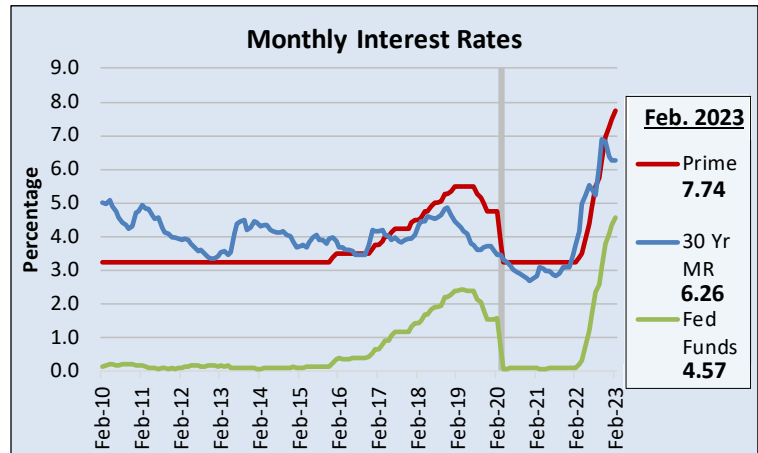


Note: Data not seasonally adjusted (NSA) to enable comparisons with counties.
 *U-6 includes unemployed, those marginally attached to the labor force, plus those employed part time who would prefer full-time work.
 Sources: U.S. Bureau of Labor Statistics; CO Dept. of Labor & Employment

| U.S. Consumer Price Index - February 2023 | | |
|--|-----------|--------------------|
| | All items | Less food & energy |
| Change from January to February 2023 (SA) | 0.4% | 0.5% |
| Last 12-months (NSA) | 6.0% | 5.5% |

The 2022 cost of living in the **Colorado Springs MSA** was **105.0%** 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

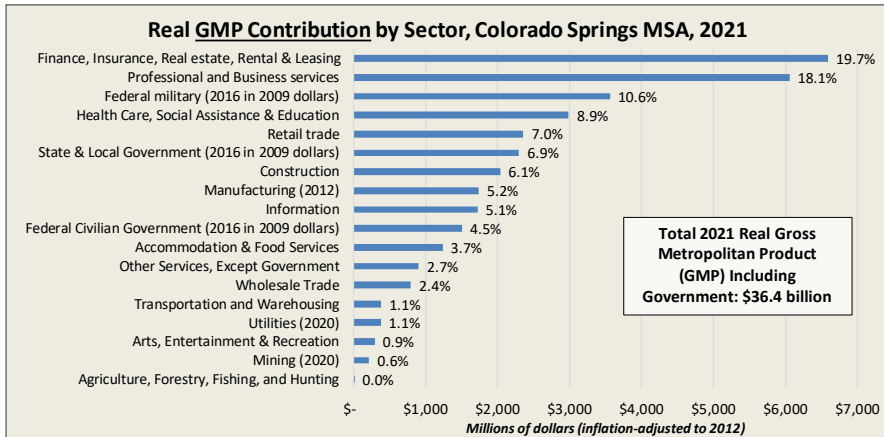
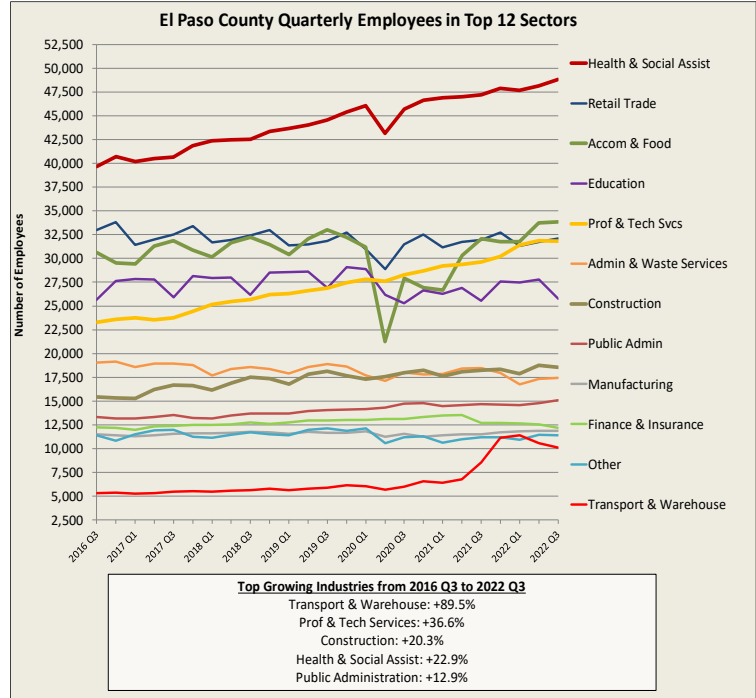
LOCAL LABOR MARKET (PAGE 4)

Top Job Openings, Colorado Springs MSA February 2023

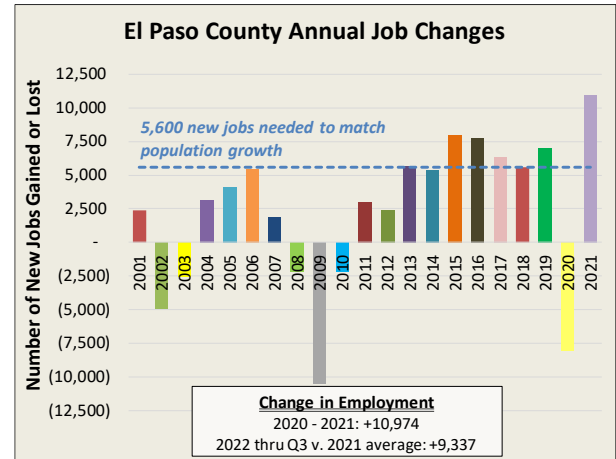
| Top Job Titles | # of Job Postings | Median Advertised Salary |
|--|-------------------|--------------------------|
| Registered Nurses (L) | 1,437 | \$87,808 |
| Software Developers (L) | 611 | \$114,944 |
| Retail Salespersons (M) | 472 | \$33,152 |
| 1st-Line Supervisors, Retail Sales (L) | 391 | \$43,904 |
| Computer Sys Engineers/Architects (L) | 388 | \$121,088 |
| Sales Reps, Wholesale & Mfg (M) | 341 | \$60,032 |
| Customer Service Reps (M) | 336 | \$38,528 |
| Maintenance & Repair Workers (H) | 296 | \$43,648 |
| Managers (L) | 291 | \$94,976 |
| Fast Food & Counter Workers (H) | 272 | \$31,616 |

Colorado Springs MSA, February 2023
TOTAL Job Openings: 19,463
TOTAL Unemployed: 12,920
Workers Available per Job Opening: 0.66

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)

| 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 |

Source: U.S. Census Bureau, American Community Survey 5-year estimates

| | 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.

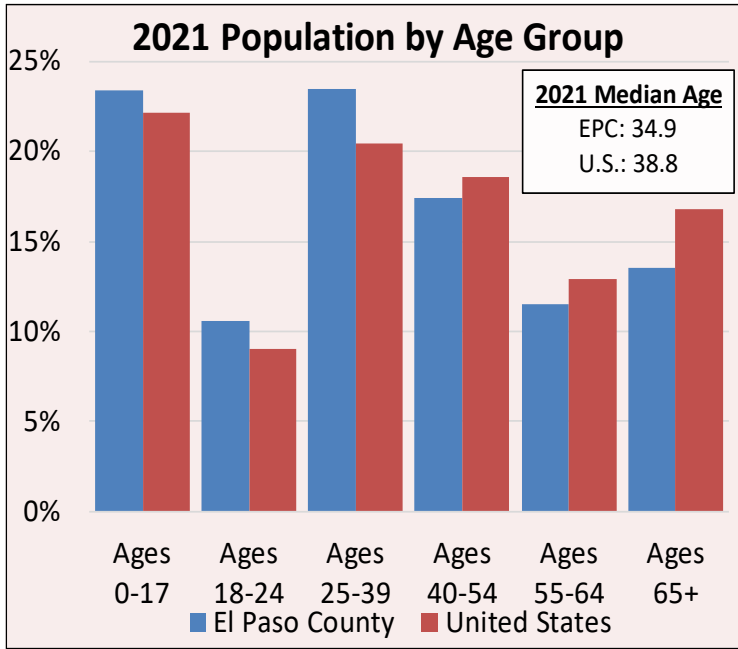
| | Wage/Hr | Annualized |
|---|---------|------------|
| Minimum wage salary for full-time worker | \$13.65 | \$28,392 |
| Living wage: HHS with 1 adult, 2 children | \$49.16 | \$102,253 |
| Living wage: HHS with 2 adults (1 working), 2 children | \$41.02 | \$85,322 |
| Living wage: HHS with 2 adults* (2 working), 2 children | \$26.74 | \$55,619 |

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

| U.S. | Colorado | El Paso County |
|---|----------|----------------|
| \$69,368 | \$74,724 | \$63,752 |
| 2022 Q3 El Paso County Total Employment (excluding military) | | 296,638 |
| *Estimated military employment in 2021 (and % of total EPC who are military). | | 61,489 (17.4%) |

Note: QCEW data does not include military-related employees. Military employment includes USAFA, Schriever, Fort Carson, Peterson & Cheyenne Mountain.
 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

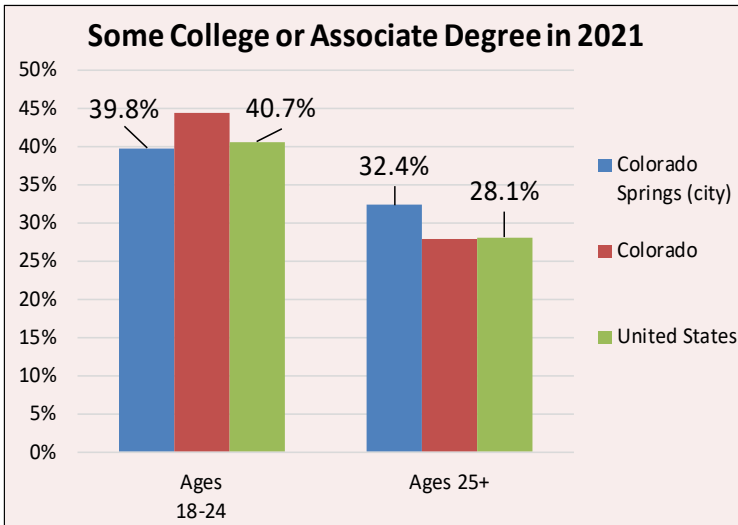
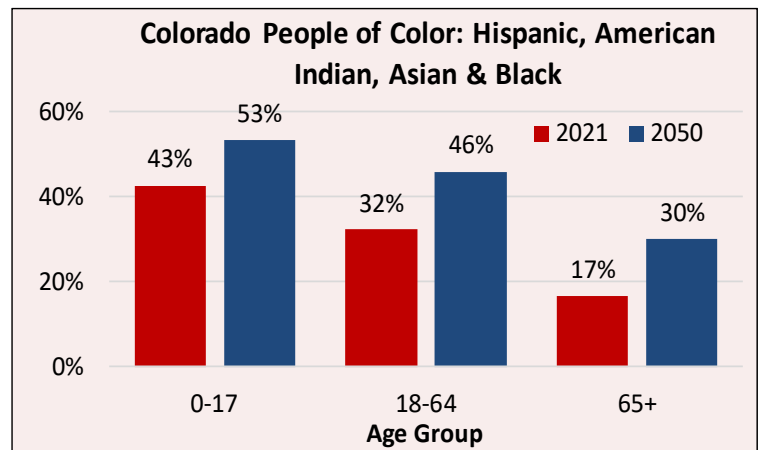
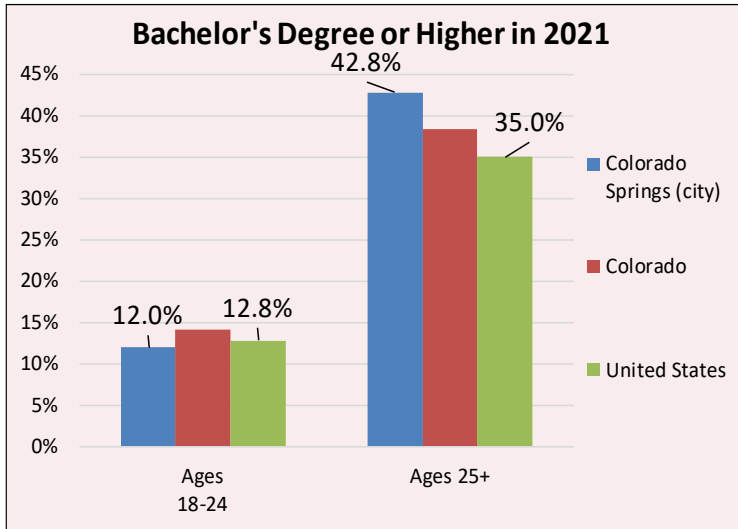
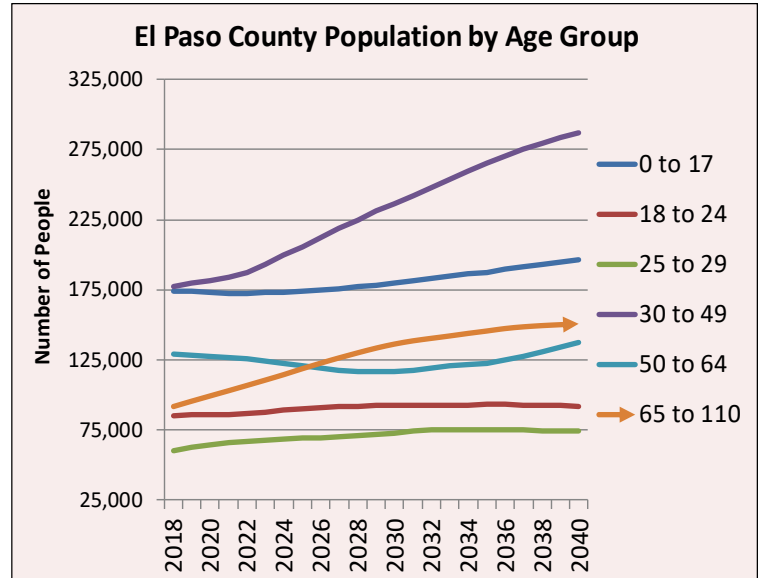
DEMOGRAPHICS (PAGE 5)



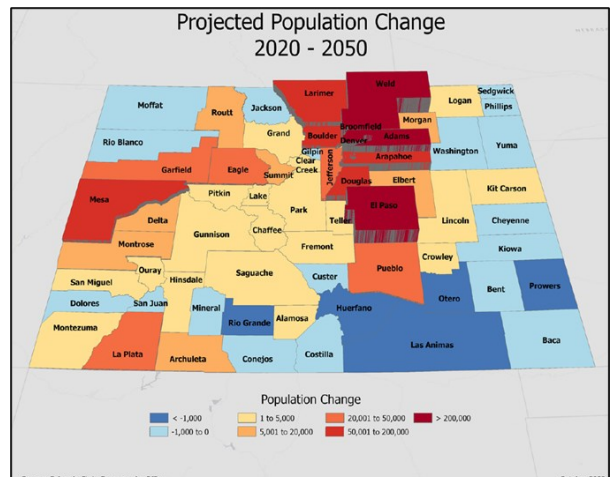
Sources: State Demography Office; U.S. Census Bureau, Population Division; Age groups from the U.S. Census Bureau's Population Estimates Program.

Population Estimates

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

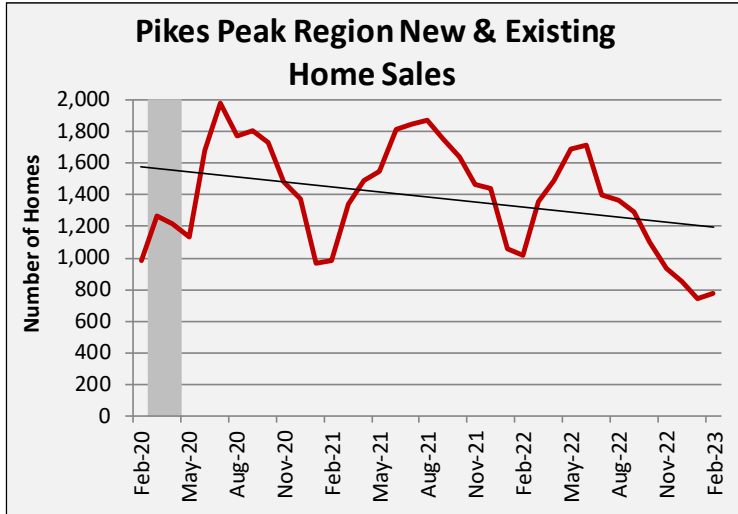


Source: U.S. Census Bureau, American Community Survey 1-year estimates

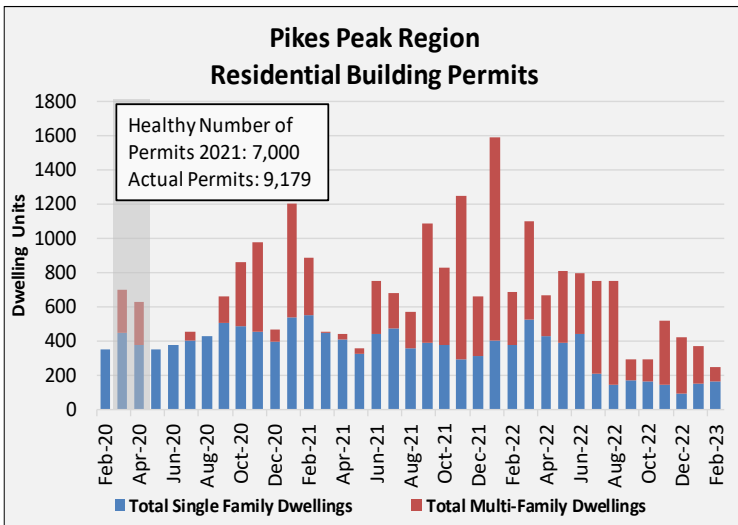


Source: Colorado State Demography

REAL ESTATE (PAGE 6)



Source: Pikes Peak REALTOR® Services Corp.

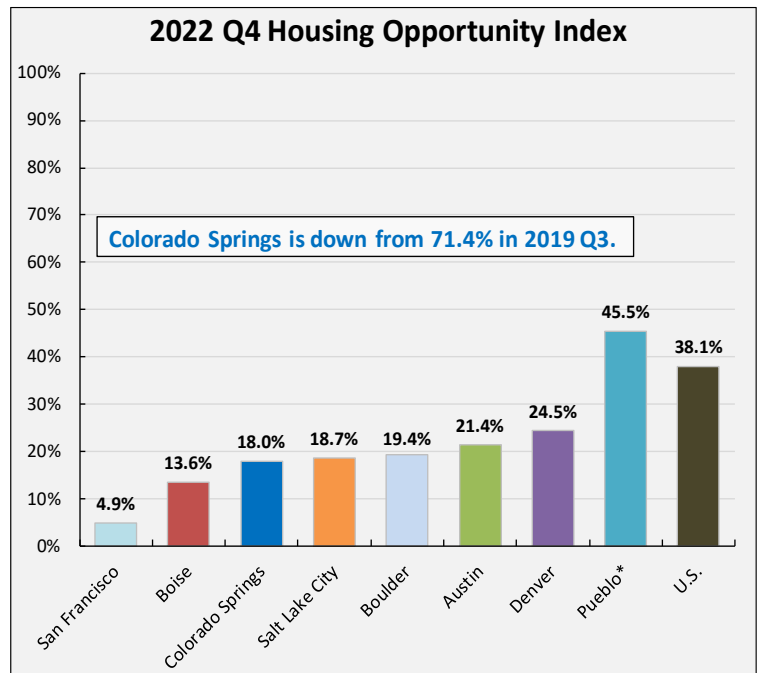


The National Association of REALTORS® has calculated that the U.S. has underbuilt roughly 6.5 million homes since the Great Recession. Data-Driven Economic Strategies has calculated a local shortage of 12,351 homes.
Source: Pikes Peak Regional Building Department

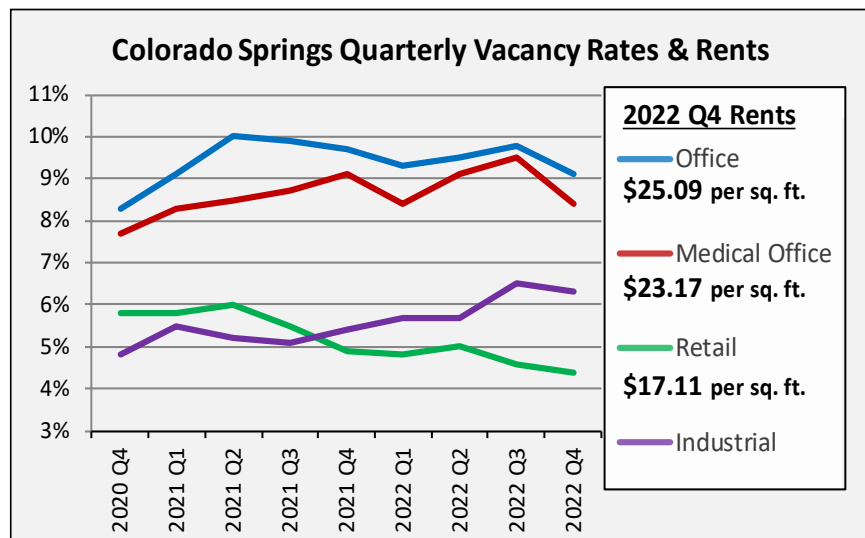
Median Existing Single-Family Home Price 2022 Q4

| Location | Colorado Springs | Denver | Boise | United States |
|-----------------|------------------|---------------|---------------|---------------|
| Price | \$443,400 | \$640,000 | \$457,800 | \$378,700 |
| 1-year % Change | 0.2% increase | 3.6% increase | 3.4% decrease | 4.0% increase |
| MSA Rank | 35 | 13 | 30 | n/a |

Sources: National Association of REALTORS®



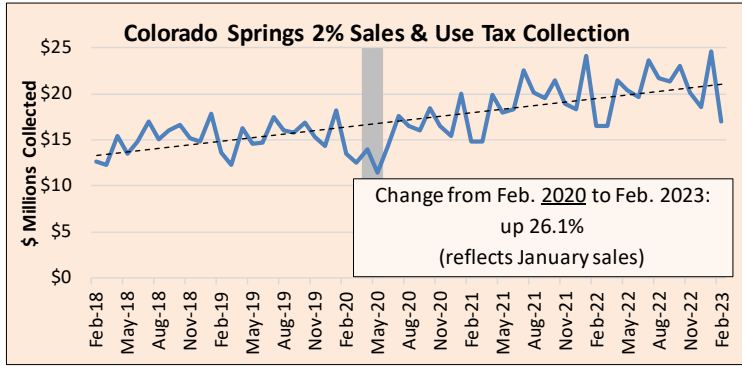
*Most recent Pueblo data is not available so Pueblo HOI above is still 2022 Q3.
Notes: The Housing Opportunity Index (HOI) is defined as the share of homes sold in that area that are affordable to a family earning the local median income, based on standard mortgage underwriting criteria. It includes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



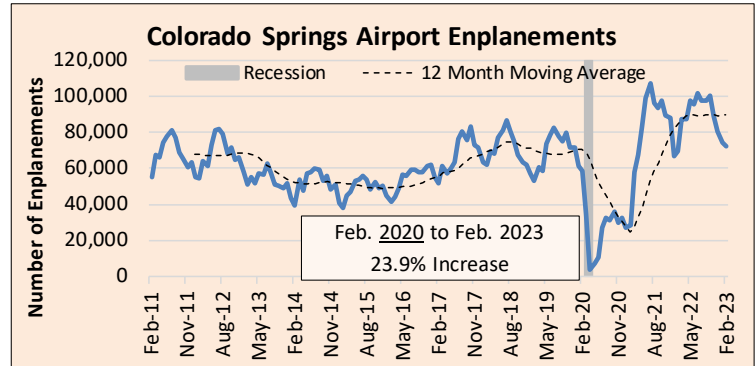
Sources: CoStar Group™; Olive Real Estate Group, Inc.

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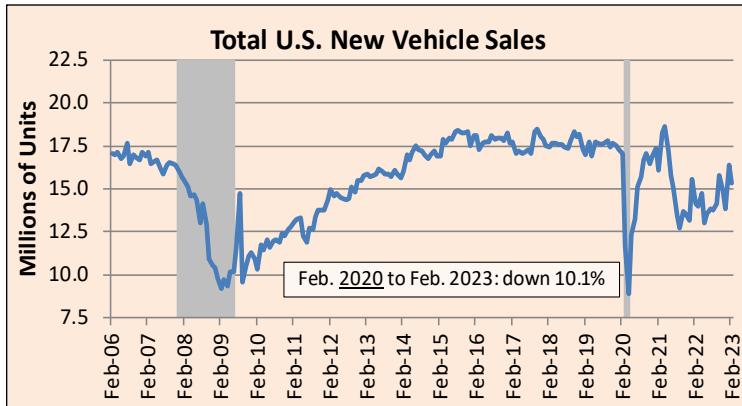
TAXATION, VEHICLE SALES, AIR QUALITY, AND TOURISM (PAGE 7)



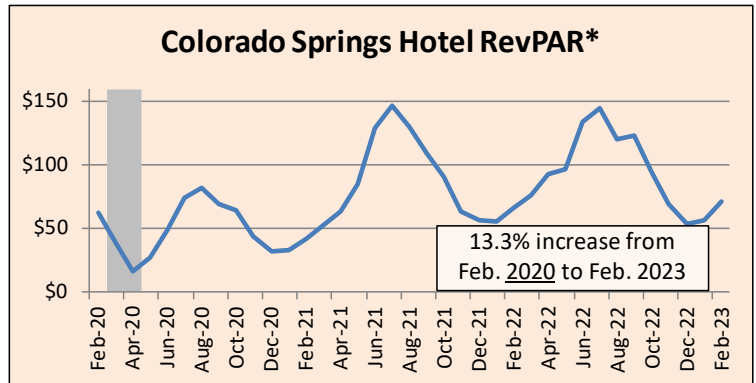
Source: City of Colorado Springs



Source: Colorado Springs Airport



Source: U.S. Bureau of Economic Analysis



| Hotel Occupancy Rate February 2023 | | |
|------------------------------------|--------|----------|
| Colorado Springs | Denver | Colorado |
| 60.0% | 62.1% | 62.9% |

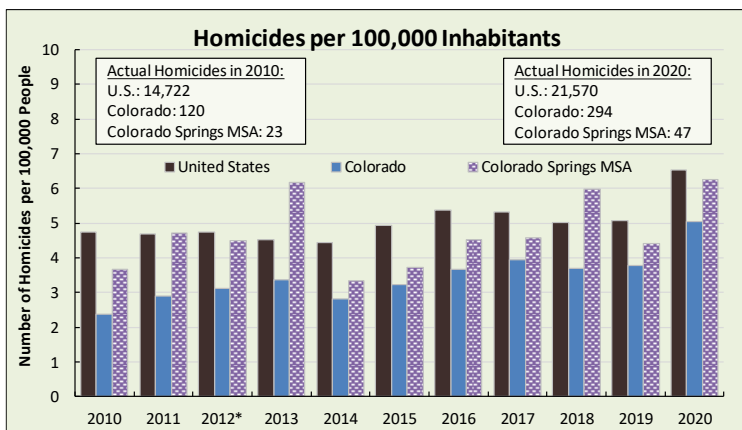
| Hotel RevPAR February 2023 | | |
|----------------------------|---------|----------|
| Colorado Springs | Denver | Colorado |
| \$70.67 | \$84.93 | \$132.58 |

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

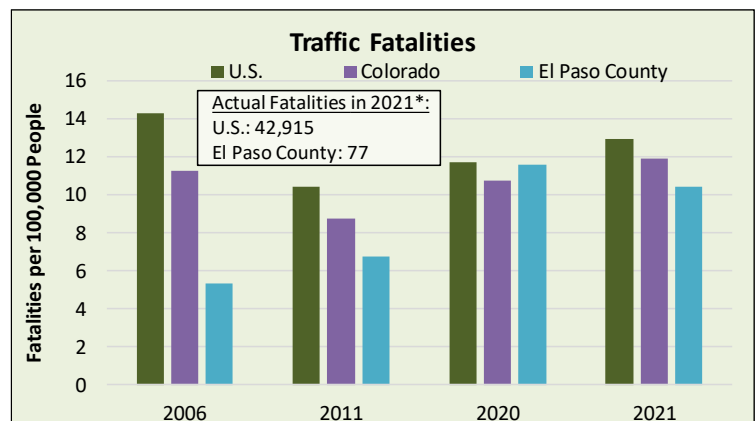
| 2022 Air Quality | | |
|---|-------------------|---------------|
| | Colorado Springs* | U.S. Standard |
| Carbon Monoxide (CO) Concentration (ppm) | 0.9 | 9.0 |
| Particulate Matter ($\mu\text{g}/\text{m}^3$) | 4.50 | 12.00 |
| Ozone (ppm) at USAFA | 0.74 | 0.70 |
| Ozone (ppm) at Manitou Springs | 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; 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; Colorado State Demography Offices; Data-Driven Economic Strategies

| 2020 Mortality Rates due to Homicide per 100,000 Population | | | | |
|---|---------|-------|-------|---------------|
| Canada | Germany | Italy | Japan | United States |
| 2.0 | 0.9 | 0.5 | 0.3 | 6.5 |

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 2021 | |
|--|------|
| City of Colorado Springs | 15.7 |
| Colorado Springs MSA | 7.1 |
| Cities with Population 500,000-999,999 | 22.7 |

Source: Federal Bureau of Investigation, Uniform Crime Report

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

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SUPPORTERS (PAGE 8)



THANK YOU!