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

Highlights - April 2023

Hello! First, if you have not yet registered for our upcoming **State of the Economy presentation on May 17th**, there are about 25 tickets left and you can get details and register at https://www.ddestrategies.org/. Second, today and tomorrow I am doing **one-on-one interviews with the two mayoral candidates** for Colorado Springs. They will air on Fox21 News on May 4th. They will take the place of my weekly economic updates, and will each be about six minutes long. Fox21 is also hosting a half-hour debate in their studio moderated by one of their anchors that will air on May 11th. I believe Fox21 is open to advertising slots for the debate (contact Donna D'Amico, DMackey@kxrm.com, or Joe Cole jcole@kxrm.com).

GDP {Page 1} for first quarter of this year was just released and it showed a lower growth rate in the U.S. than what was anticipated. Analysts had estimated that GDP in 2023 Q1 annualized for the year would be 1.9%, but it came in quite a bit lower at 1.1%. Year-over-year GDP increased by a larger amount (1.6%), but that's mostly due to a lower baseline growth rate last year. The subpar growth is mostly due to a fall in the volume of goods and services that were added to business inventories. This is very much in line with the fall in manufacturing we saw in March. The ISM manufacturer's index was in contraction territory (e.g., below 50) in March at 46.3 – and contracting manufacturing is typically a leading indicator for the economy as a whole. The primary reason GDP did not outright contract in Q1 of this year is because people are still out spending money. Consumer spending increased 3.7% in the first quarter of this year compared to 2022 Q4, which is significant and turned out to be the saving grace since about 2/3 of the U.S. economy is consumer spending. The bad news is that savings rates are now lower (4.6%) than pre-pandemic levels (~8-9%) and consumers are relying more on credit cards to finance their expenditures. In other words, the higher consumption that has been buoying GDP is not likely to continue. And in the face of high interest rates alongside declining manufacturing, investment, and other key indicators, a recession is looking more likely.

University of Michigan Consumer Sentiment {Page 3} did not materially change over the past month, but there are some nuances worth mentioning. Sentiment has more recently improved among lower-income consumers and deteriorated among those with higher incomes. This underscores that most of the layoffs we are seeing are in white-collar professions, and I highlighted the layoffs and job openings in a recent economic segment. Typically, recessions have first hit lower-income consumers, although I would argue that the Great Recession started with white collar professions particularly around the financial services industry but very quickly spread to other industries and lower-income earners. This time the layoffs are very concentrated in the information technology industry, which is estimated to be about 8% of total U.S. employment (not that big). Having said that, if the current economic slowdown in various aspects of the economy continues, it's likely layoffs will spread to other industries. Last week I was in Denver for our monthly meeting of economists and industry experts, and the chief economist for the Colorado Department of Labor and Employment (CDLE) stated that "high" unemployment in a 2023 downturn would still be very low by historic standards – in the range of 5.0%, and I agree. Employers are already stating in some closely watched surveys such as the small business survey and the manufacturer's survey that they are reducing their employment plans. However, there is an important difference between reducing plans to hire and laying people off. This is what many economists are highlighting: that the record

level of **Job Openings {Page 3}** will come back to earth, not as many people will quit, and that layoffs will not reach into the millions as they did during the Great Recession. In 2009 alone, 15 million people were unemployed, almost three times what it is today. Indeed, the adjacent graph shows the moderation in job openings, and that the current level is still well above trend at 9.9 million, which is almost seven times the level of layoffs and discharges (1.5 million).

Survey Employer Data through February 2023
Total U.S. Monthly Non-Farm Job Openings SA (000's)

Job Openings: 9.9 million
Layoffs & Discharges: 1.5 million

Source: U.S. Bureau of Labor Statistics; Data-Driven Economic Strategies

This is certainly playing out in our area. The **Number of Workers Available per Open Position {Page 4}** fell significantly in our region from 0.66 in February to 0.44 in March. The number unemployed fell by 2,000, and the number of postings increased by 4,000, and when the numerator falls and the denominator increases, the ratio falls a lot. According to Traci Marques, Director of the Pikes Peak Workforce Center, the significant increase in job postings is mostly due to seasonal hiring as we head into spring/summer, and the two new Amazon facilities that are now in hiring mode. And the latest data shows we have **Employment Growth {Page 4}** across most industries trending back to 2016 with transportation and warehousing (+89.5%), professional and technical services (+36.6%), construction (+20.3%), health care and social assistance (+22.9%) and public administration (+12.9%) as the leading industries. Take a look at the bottom red line on that graph that represents transportation and warehousing; a relatively small industry in terms of total employment, but with tremendous growth since 2021.
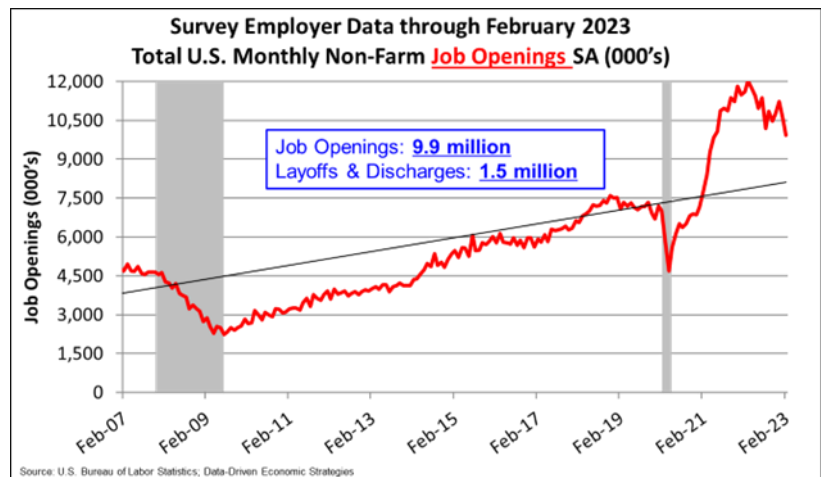
Data-Driven Economic Strategies

With the job market remaining strong, consumers are staying positive as this not only keeps them confident about their current or future job prospects, it also helps keep some momentum in wages. And with some of the wage increases we saw during the pandemic, **Inflation {Page 3}** is now taking a little less of a bite out of the average household budget. Indeed, headline inflation fell from February (6.0%) to March (5.0%), and that was good news for households and the Federal Reserve. However, core inflation over the year (which strips out food and energy) rose from February (5.5%) to March (5.6%) showing not only the broad-based nature of our current inflationary pressures, but also that we shouldn't assume too much in terms of the rapidity of declining inflation. Note that the inflation/CPI table has the **Colorado Springs Cost of Living Index {Page 3}**, which was 105% of the U.S. average city.

This then translates to assumptions around **Interest Rates {Page 3}**. The Fed has increased interest rates 500 basis points (or 5.00%) in thirteen months, which has been so draconian that it has not only created distortions in the financial and real estate realms, it has prompted an assumption that the Fed will quickly and decisively reduce rates at the first signs of a recession. In fact, the stock market is pricing that into future corporate earnings, which I believe is questionable at best. It's true we have not had a pandemic in 100 years, so it is difficult to say with certainty how quickly those distortions will work themselves out. But if history is any indication, it usually takes a long time to bring down inflation. Moreover, many tactics are simultaneously being used to bring down inflation (interest rate hikes, ceasing fiscal payments to households, sanctions on Russia) and yet inflation is more than 2 times what the Fed would like it to be. For this reason, economists are divided on the speed at which both inflation and interest rates will normalize. Currently, I am siding with the camp that there will be one more 25 basis point hike with an elongated pause at the high rate for the remainder of 2023 – as long as we don't have an unexpected "shock" to the system like broader contagion in the financial sector or some geopolitical event. I'll let you know if my thinking on that changes.

Having said that, I am closely watching the commercial real estate (office) market and the impacts of its structural decline on banks and other lenders. I did a weekly segment on this, but a more detailed article will appear in The Gazette this Sunday (April 30th).

Demographics {Page 5} are still positive for our region with an estimated 1 million people in El Paso County by 2050, but state projections have been revised down to 7.5 million by the Colorado State Demographer's Office (from roughly 8 million previously). Since most of our state population is in Denver/Boulder, this got me curious about the current and projected population of Denver MSA (metropolitan statistical area) and I have to say I was surprised. We've all seen the press Denver has gotten these past few years, but I did not think it was as dramatic as it is. The blue textbox highlights the growth rates for our region (0.9%) and the Denver MSA (0.2%). This makes me think about how important it is to be proactive in maintaining and/or fostering the attributes that make a region attractive to live in such as affordable housing, good schools, safe neighborhoods, good jobs, and vibrant downtowns (to name a few). By the time a

region starts losing population, it's often too late to reverse the trend. I think most residents inherently know this and that is why most people are stating that this mayoral election is pivotal to the future of our city.
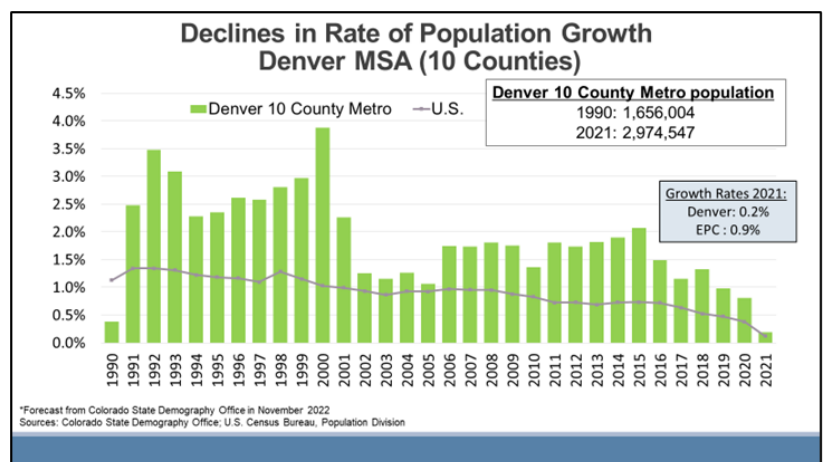
The May 17th economic presentation will be the day after the mayoral runoff election, and we should know who our next mayor will be by the time of our event. On that note, thank you to Community Banks of Colorado for being the happy hour sponsor. We will have a DDES signature drink, and our libations sponsor is providing one free drink ticket for those who wish to partake. As always, thank you and happy spring!

Tatiana & Rebecca

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

Data-Driven Economic Strategies
For past reports go to https://www.ddestrategies.org/.

MACROECONOMIC "BIG PICTURE" (PAGE 3)

Real Growth in GDP vs. Year Ago

Q1: 1.6%*
Q1: 1.1%**

*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

2020-21 Percent Change in Real GMP (chained 2012 dollars)

Colorado: 5.8%

- Austin: 10.5%
- Boise: 9.0%
- Boulder: 7.9%
- Colorado Springs: 5.1%
- Denver: 7.0%
- Huntsville: 5.9%
- Salt Lake City: 7.1%
- U.S. (Metro Portion): 6.2%

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

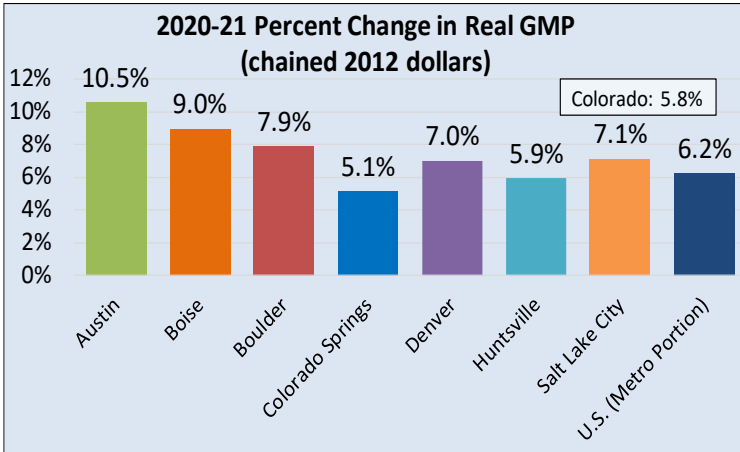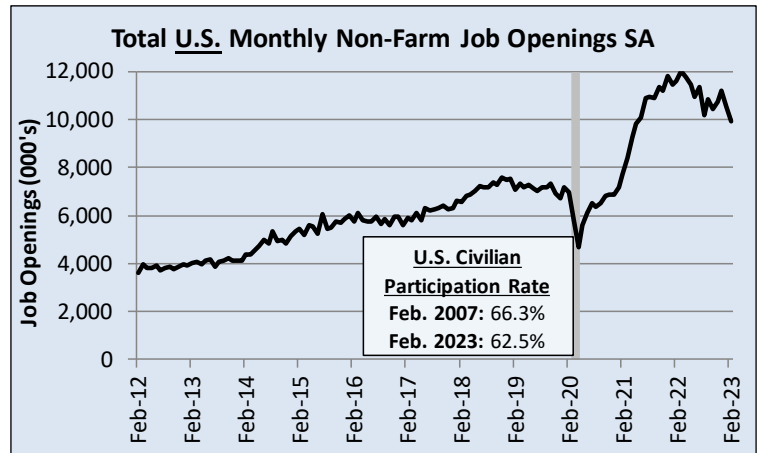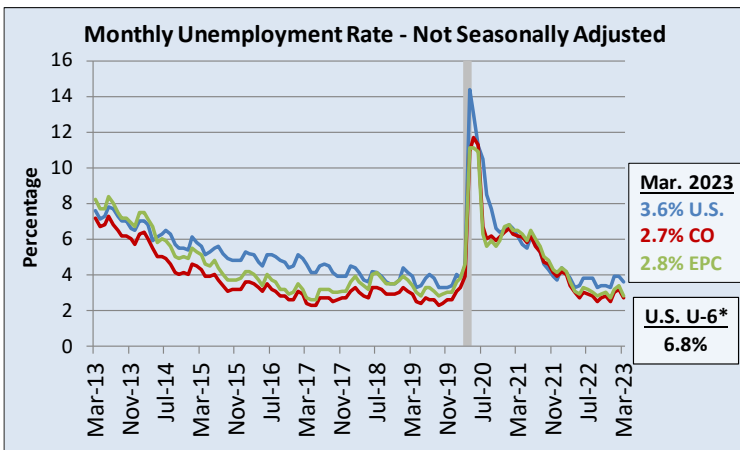### Monthly Unemployment Rate - Not Seasonally Adjusted

Mar. 2023
3.6% U.S.
2.7% CO
2.8% EPC

U.S. U-6*
6.8%

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

University of Michigan Consumer Sentiment

Preliminary April
63.5

Source: University of Michigan

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

Job Openings (000's)

U.S. Civilian Participation Rate
Feb. 2007: 66.3%
Feb. 2023: 62.5%

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

U.S. Consumer Price Index - March 2023

	All items	Less food & energy
Change from February to March 2023 (SA)	0.1%	0.4%
Last 12-months (NSA)	5.0%	5.6%

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)

Monthly Interest Rates

Mar. 2023
Prime **7.82**
30 Yr MR **6.54**
Fed Funds **4.65**
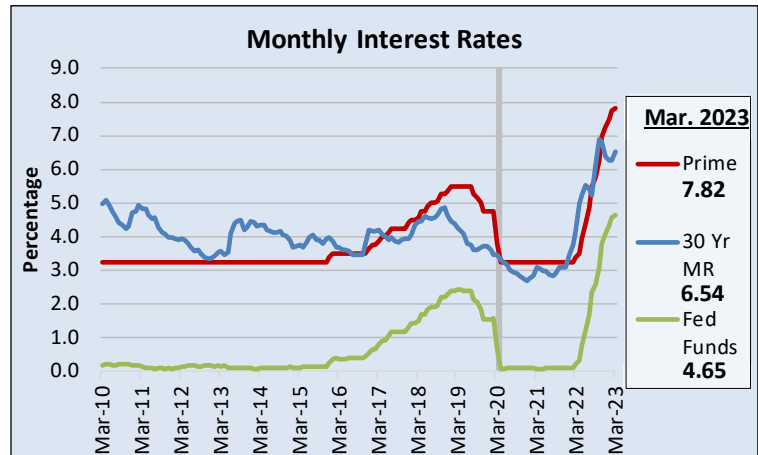
Source: Board of Governors of the Federal Reserve System

LOCAL LABOR MARKET (PAGE 4)
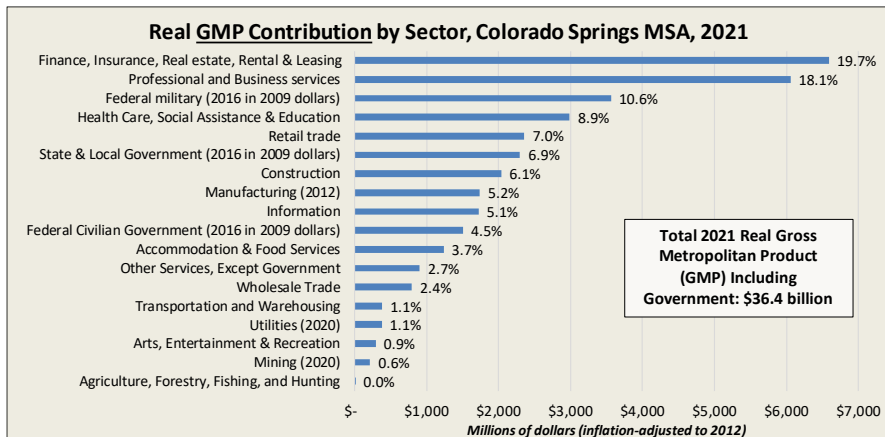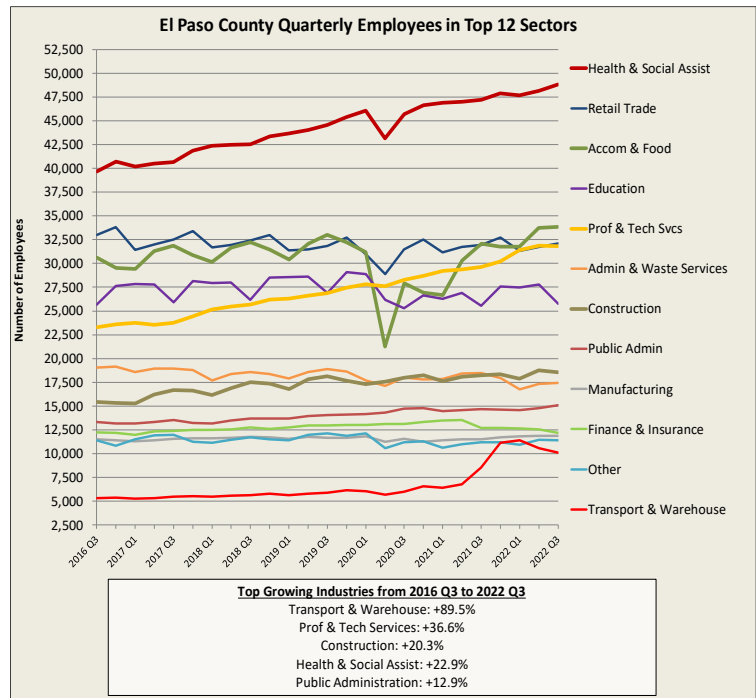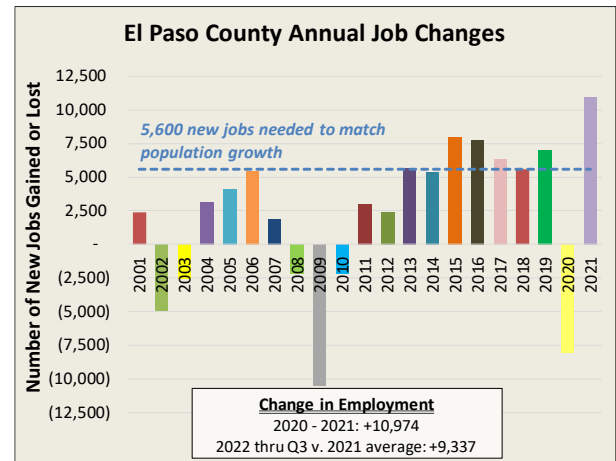
Top Job Openings, Colorado Springs MSA March 2023

Top Job Titles	# of Job Postings	Median Advertised Salary
Registered Nurses (L)	1,637	$87,808
Software Developers (L)	665	$115,456
Retail Salespersons (M)	558	$33,408
Computer Sys Engineers/Architects (L)	503	$125,184
1st-Line Supervisors, Retail Sales (L)	438	$47,488
Sales Reps, Wholesale & Mfg (M)	431	$60,032
Customer Service Reps (M)	420	$38,784
Maintenance & Repair Workers (H)	362	$43,648
Managers (L)	358	$92,416
Fast Food & Counter Workers (H)	327	$32,128

Colorado Springs MSA, March 2023
TOTAL Job Openings: 23,992
TOTAL Unemployed: 10,627
Workers Available per Job Opening: 0.44

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

El Paso County Quarterly Employees in Top 12 Sectors

Legend: Health & Social Assist, Retail Trade, Accom & Food, Education, Prof & Tech Svcs, Admin & Waste Services, Construction, Public Admin, Manufacturing, Finance & Insurance, Other, Transport & Warehouse

Top Growing Industries from 2016 Q3 to 2022 Q3
Transport & Warehouse: +89.5%
Prof & Tech Services: +36.6%
Construction: +20.3%
Health & Social Assist: +22.9%
Public Administration: +12.9%

Real GMP Contribution by Sector, Colorado Springs MSA, 2021

Sector	%
Finance, Insurance, Real estate, Rental & Leasing	19.7%
Professional and Business services	18.1%
Federal military (2016 in 2009 dollars)	10.6%
Health Care, Social Assistance & Education	8.9%
Retail trade	7.0%
State & Local Government (2016 in 2009 dollars)	6.9%
Construction	6.1%
Manufacturing (2012)	5.2%
Information	5.1%
Federal Civilian Government (2016 in 2009 dollars)	4.5%
Accommodation & Food Services	3.7%
Other Services, Except Government	2.7%
Wholesale Trade	2.4%
Transportation and Warehousing	1.1%
Utilities (2020)	1.1%
Arts, Entertainment & Recreation	0.9%
Mining (2020)	0.6%
Agriculture, Forestry, Fishing, and Hunting	0.0%

Total 2021 Real Gross Metropolitan Product (GMP) Including Government: $36.4 billion

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

El Paso County Annual Job Changes

5,600 new jobs needed to match population growth

Change in Employment
2020 - 2021: +10,974
2022 thru Q3 v. 2021 average: +9,337

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

Source: 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.

2022 Q3 Average Annual Wages for All Industries

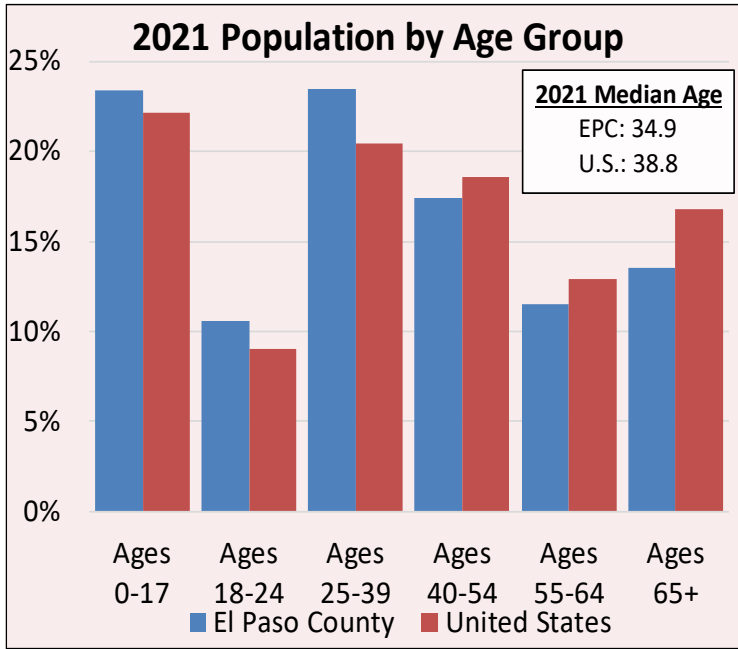*El Paso County wages are 8.1% lower than U.S. wages and 14.7% lower than CO wages.*

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
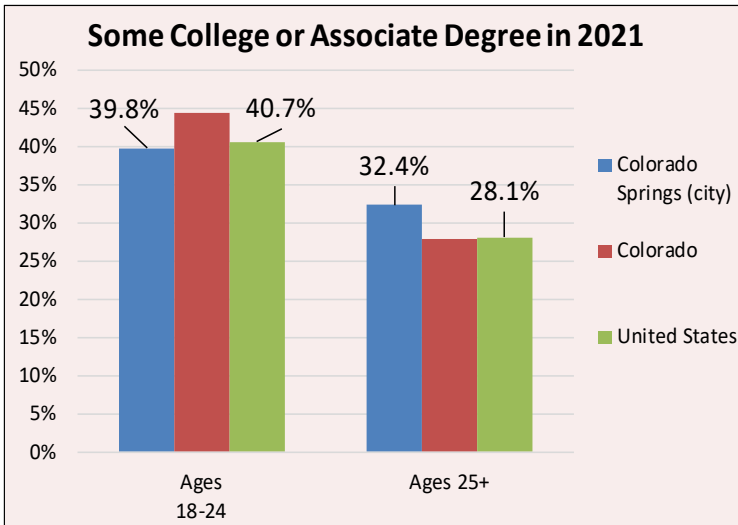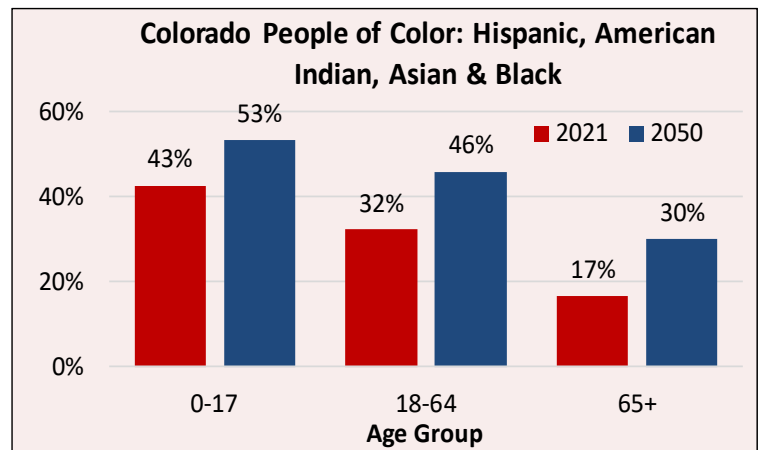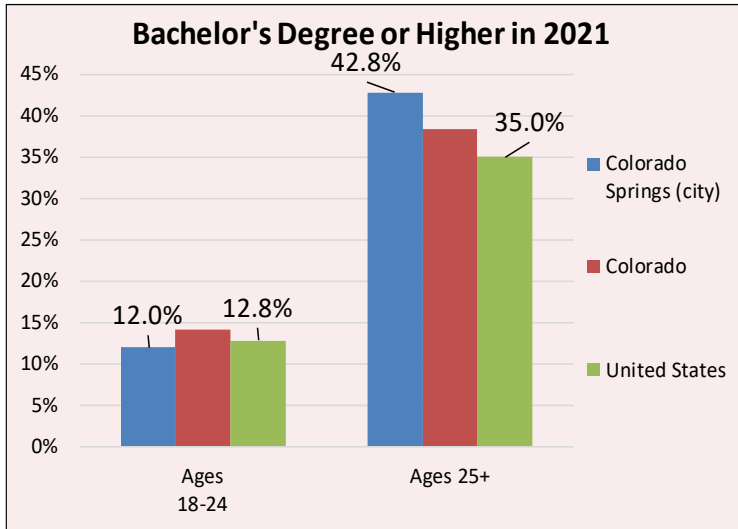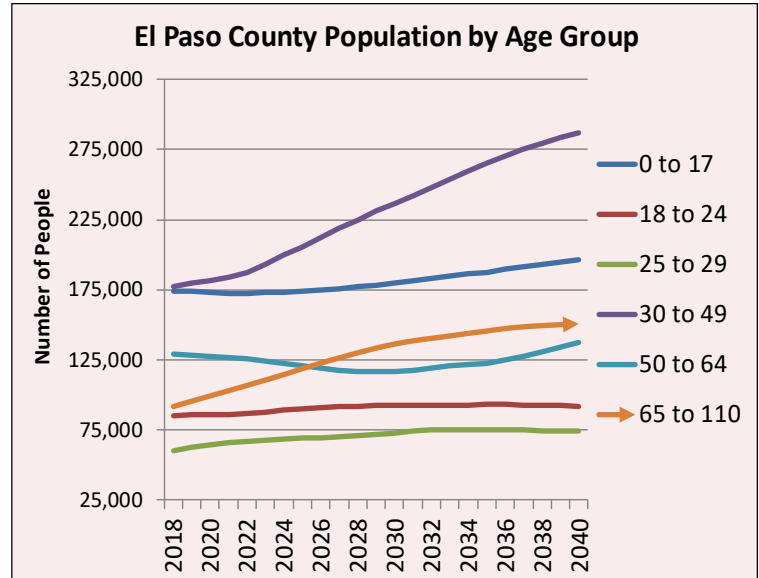
2021 Population by Age Group

2021 Median Age
EPC: 34.9
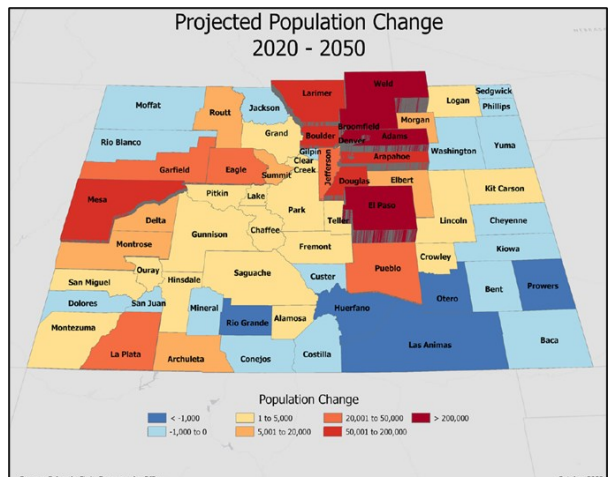U.S.: 38.8

Legend: El Paso County (blue), United States (red)

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

El Paso County Population by Age Group

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

Bachelor's Degree or Higher in 2021

42.8%
35.0%
12.0%
12.8%
32.4%
28.1%

Legend: Colorado Springs (city), Colorado, United States

Ages 18-24, Ages 25+

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

Legend: 2021 (red), 2050 (blue)

43% / 53% (0-17), 32% / 46% (18-64), 17% / 30% (65+)

Some College or Associate Degree in 2021

39.8%
40.7%
32.4%
28.1%

Legend: Colorado Springs (city), Colorado, United States

Ages 18-24, Ages 25+

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

Projected Population Change 2020 - 2050

Population Change: < -1,000; -1,000 to 0; 1 to 5,000; 5,001 to 20,000; 20,001 to 50,000; 50,001 to 200,000; > 200,000

Source: Colorado State Demography Office

October 2022

Source: Colorado State Demography

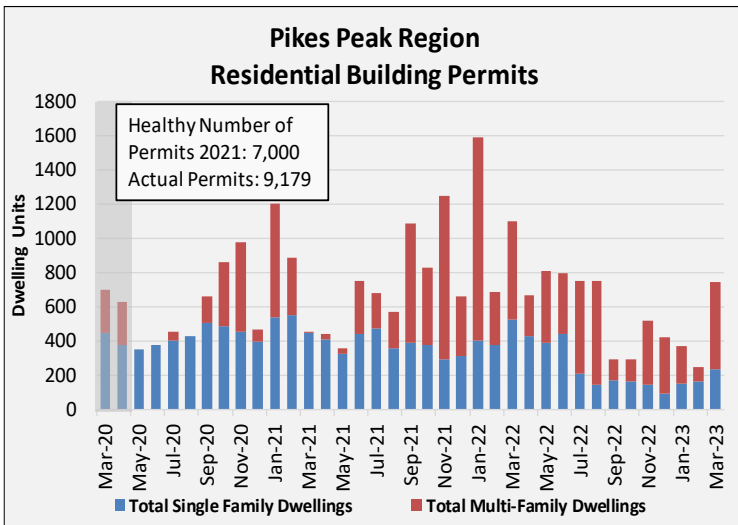### Pikes Peak Region New & Existing Home Sales

Source: Pikes Peak REALTOR® Services Corp.

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®

Pikes Peak Region Residential Building Permits

Healthy Number of Permits 2021: 7,000
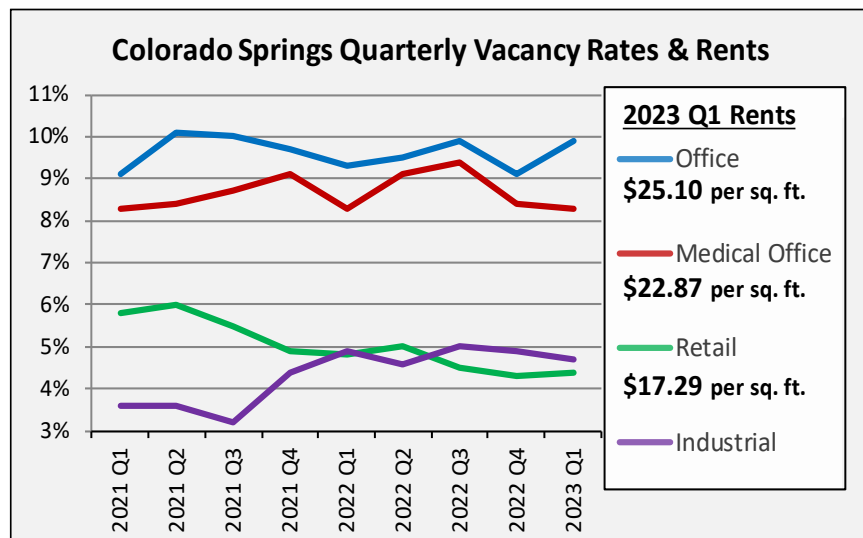Actual Permits: 9,179

Total Single Family Dwellings   Total Multi-Family Dwellings

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

2022 Q4 Housing Opportunity Index

Colorado Springs is down from 71.4% in 2019 Q3.

San Francisco 4.9%, Boise 13.6%, Colorado Springs 18.0%, Salt Lake City 18.7%, Boulder 19.4%, Austin 21.4%, Denver 24.5%, Pueblo* 45.5%, U.S. 38.1%
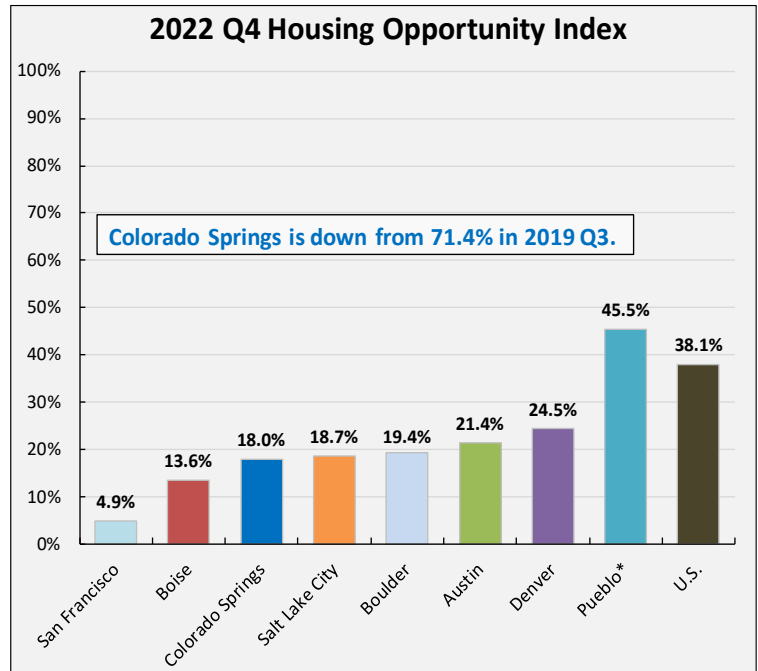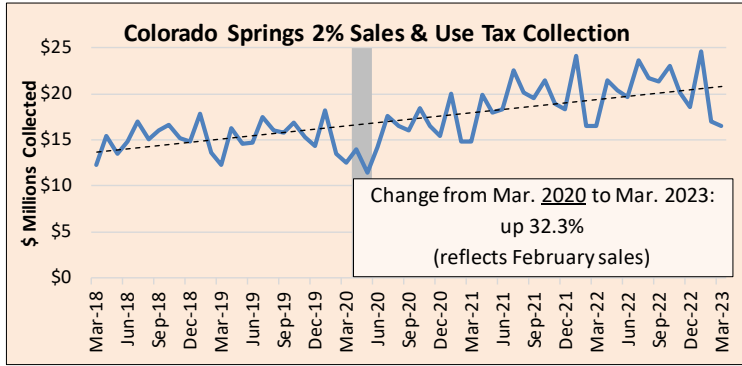
*Most recent Pueblo data is not available so Pueblo HOI above is still 2022 Q3.
Notes: The Housing Opportunity Index (HOI) is defined as the share of homes sold in that area that are affordable to a family earning the local median income, based on standard mortgage underwriting criteria. It includes new and existing homes.
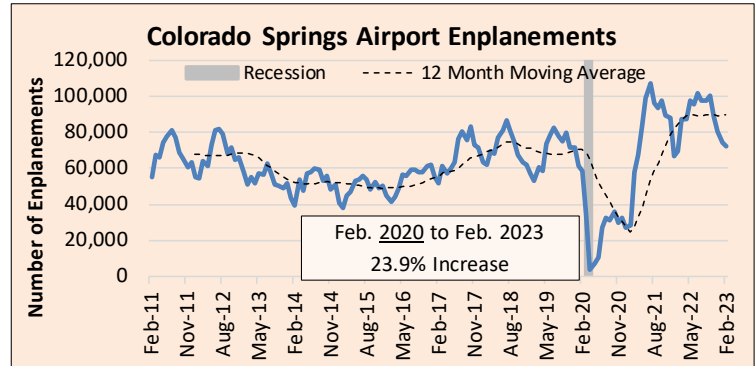Sources: National Association of Home Builders; Wells Fargo

Colorado Springs Quarterly Vacancy Rates & Rents

2023 Q1 Rents

Office
$25.10 per sq. ft.

Medical Office
$22.87 per sq. ft.

Retail
$17.29 per sq. ft.

Industrial

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

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

Colorado Springs 2% Sales & Use Tax Collection

Change from Mar. 2020 to Mar. 2023:
up 32.3%
(reflects February sales)

Source: City of Colorado Springs

Colorado Springs Airport Enplanements

Recession — 12 Month Moving Average

Feb. 2020 to Feb. 2023
23.9% Increase

Source: Colorado Springs Airport

Total U.S. New Vehicle Sales

Mar. 2019 to Mar. 2023: down 13.7%

Source: U.S. Bureau of Economic Analysis

Colorado Springs Hotel RevPAR*

1.2% increase from
Mar. 2019 to Mar. 2023

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; SO$_2$ at Hwy 24		

Source: Colorado Department of Public Health & Environment

Hotel Occupancy Rate March 2023		
Colorado Springs	Denver	Colorado
62.3%	67.3%	66.0%

Hotel RevPAR March 2023		
Colorado Springs	Denver	Colorado
$70.37	$96.50	$135.18

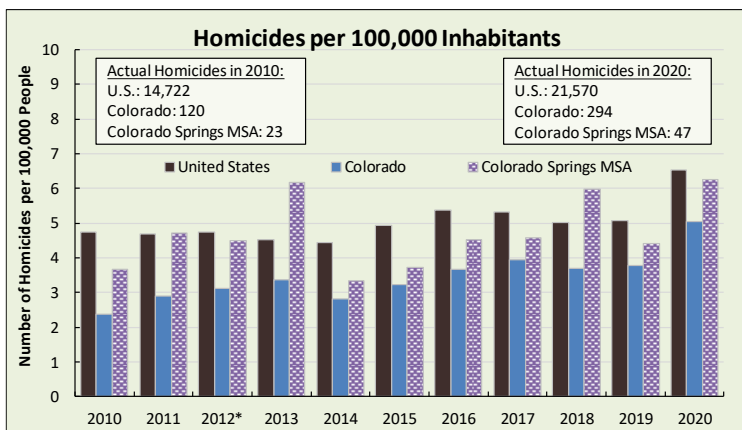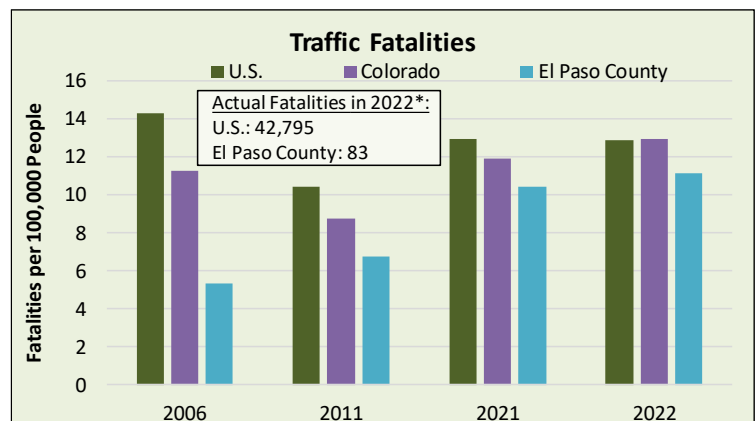*RevPAR measures hotel revenue by taking the average room rate times hotel occupancy.
Source: Colorado Hotel & Lodging Assoc., Rocky Mountain Lodging Report

CRIME & SAFETY (PAGE 7)

Homicides per 100,000 Inhabitants

Actual Homicides in 2010:
U.S.: 14,722
Colorado: 120
Colorado Springs MSA: 23

Actual Homicides in 2020:
U.S.: 21,570
Colorado: 294
Colorado Springs MSA: 47

United States — Colorado — Colorado Springs MSA

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

Traffic Fatalities

U.S. — Colorado — El Paso County

Actual Fatalities in 2022*:
U.S.: 42,795
El Paso County: 83

Sources: National Highway Safety Administration; Colorado Department of Transportation; World Bank; U.S. Census Bureau; 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

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 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

SUPPORTERS (PAGE 8)

THANK YOU!