

El Paso County Economic & Workforce Progress Report (EPR)

Highlights - May 2024

Remember, hyperlinks below take you either to the page where that graph or table is, or to a TV segment on the topic discussed.

The overarching theme in my mind these days is a U.S. economic slowdown. We do a monthly economic report for an international association that includes the Euro Area and the U.S., and most metrics in the Euro Area are improving after a marked cooling in the economy in 2023. By contrast, in the U.S. I see a mounting number of indicators that show our economy is straining under two years of high interest rates, much higher prices over 2020 levels, and an over reliance on credit for many households.

And it's not just (dour) economists who think this way. The University of Michigan **Consumer Sentiment {Page 3}** index dropped significantly to 69.1 in May from 77.2 in April – down 10%. As the graph shows, consumer confidence was generally improving since hitting a low in May 2022 (when inflation began to take off), but then dipped again this month. Part of the decline is due to a worsening one-year outlook for business conditions. The survey asks consumers if they think business conditions are better or worse than they were a year ago. If respondents are saying conditions are worse, they aren't planning to be as active as consumers, which is a precursor to lower retail sales for businesses and lower sales and use tax for government. In addition, consumers are not feeling as optimistic about the labor market. To be sure, April **Unemployment {Page 3}** in the U.S. (3.5%), Colorado (3.4%), and El Paso County (3.5%) are still at historical lows, but **Job Openings {Page 3}** are not what they have been. March openings (this metric lags a bit) were down to 8.5 million, which is down 3.7% from February and down 11.8% year-over-year. The quit rate is also down and more in the "normal" or pre-pandemic range. New job creation was also down in April with 175,000 new jobs in the U.S. while the prior three-month average was ~270,000 new jobs per month.

But let's not forget how everything is relative as I discuss in this [labor market segment](#). The unemployment rate averaged 6% from 2011 to 2019 and job openings averaged 5.3 million. I believe the issue for the average worker is that the labor market was so very tight during and after the pandemic that there was a fundamental shift in confidence around finding a job and getting a wage bump. And so, the relative moderation in job openings and wage gains is a reality check, and here's the linchpin: inflation is moderating, but prices are still so much higher than they were in 2020 that consumers feel sour overall. Yet, the average consumer has been spending rather freely (often with credit). Thus, if you aren't expecting any more big wage bumps (and/or you've already transitioned to another higher-paying job), you don't think you can make such a job move with wage gains again, you are spending more on essentials, and have mounting credit card or auto debt, it's rather sobering. But again, here is the relativity factor: April had roughly 100,000 fewer new jobs, job postings are down, but the unemployment rate is staying steady. That means that while labor demand is cooling, there are still not enough (especially qualified) workers, which is keeping the unemployment rate stable. The still-low unemployment rate also tells me that employers are reticent to let workers go – also an indicator of too few qualified people to fill jobs. Indeed, the April NFIB Small Business Survey showed 40% of firms had at least one position they found hard to fill.

Inflation {Page 3} in the U.S. did moderate slightly in April to 3.4% year-over-year versus the March annual rate (3.5%). The "core" rate minus food and energy also moderated to 3.6% in April (from 3.8% in March). I am eagerly awaiting the May report, which will be released in mid-June. I keep my eye on the Employment Cost Index (ECI) as a leading indicator of wages and inflation. That quarterly metric for Q1 of this year was not favorable with a higher index in Q1 (up 1.2% quarter-over-quarter), which was higher than the year-end index in 2023 Q4 (0.9%) – thus moving in the wrong direction. If you look at the latest ECI year-over-year, businesses are on average paying 4.2% more for workers (including benefits) indicating wage and thus, inflationary pressures are still with us. A more recent price-pressure indicator, the aforementioned NFIB Small Business Survey from April shows that about 26% of firms are likely to raise prices in the next few months. Similarly, the ISM Manufacturing Survey showed a jump in the "prices paid" component mostly due to the increase in commodity prices for manufacturers. This tells me that the downward pressure on goods prices that we experienced post pandemic as supply chains normalized is perhaps no longer going to help moderate overall inflation in coming months.

If the labor market were materially worse, I think it could be enough to tip the U.S. into recession. But as I often mention, it's not likely we will have a significant deterioration in the labor market due to demographics (e.g., the 11,000 U.S. residents turning 65 *a day*). The U.S. labor market metrics mentioned above is case in point, as is our local data. In April, our Colorado Springs had 19,814 **Job Openings {Page 4}**, but only 13,223 unemployed people translating to 0.67 workers per open position. Last month that ratio was a little higher at 0.70. Registered nurses are still the top demanded occupation, but with respect to local strides in this realm, I'd just like to share the [great news from PPSC on the 100% pass rate for the licensing exam of their graduating nursing class](#). This is a big deal as the national pass rate is 70% - and our local graduates have financial and other hurdles as that segment highlights.

[Page 3 - Macroeconomic "Big Picture"](#)

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For past reports go to <https://www.ddestrategies.org/>.

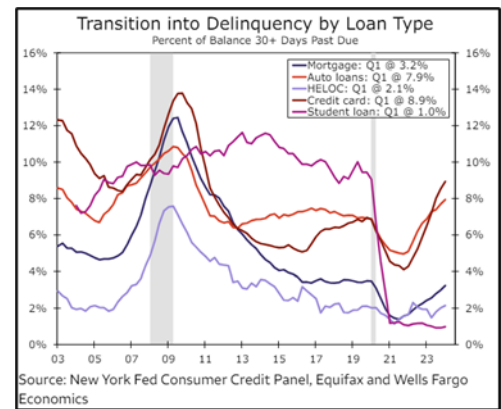
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El Paso County Economic & Workforce Progress Report (EPR)

Lamentably, I am going to pull you back to the bad news of slowing economic indicators. On a year-over-year basis, U.S. credit card debt was up 8% in March, which is double the average annual growth rate in 2019. Similarly, the share of disposable income that households are allotting to non-mortgage interest expenses (e.g., interest payments on credit cards, auto loans, student loans) each month is the highest it has been since the financial crisis in 2008. The most concerning aspect, however, is that delinquency rates on credit cards and auto loans have now surpassed their pre-pandemic levels and are similar to 2006 levels as the graph shows. I am equally concerned that delinquency rates on other loan types are now increasing all while the savings rate stands at 3.2% (and averaged 8% since 1970 other than the pandemic).



With respect to real estate, even with 30-year mortgage rates at around 7.0%, both rents and home prices are holding relatively steady. In terms of **Apartment Rents {Page 6}**, in the U.S.

and locally, prices have not moved much despite an increase in supply (and therefore vacancy rates). In terms of home construction, U.S. total permits have been down with a slight improvement in April. Specifically, a bump up in multi-family permits in April helped, but these (apartment/condo) permits are volatile month to month and are notably down 23% over the year. Conversely, single-family permits have declined for three consecutive months, but they are up 25% year-over-year. No one likes the high interest rates, but there is some acceptance of them and some people simply have to move. It does help that 59% of builders report offering some kind of incentive like mortgage rate buy down, and fully 25% used outright price cuts. Builders know new home inventory is the highest it's been since 2008 with current inventory able to sustain 9.1 months' worth of sales. And yet, prices are still up 3.9% year-over-year. Similarly, there has been a modest increase in existing home inventory, but existing home prices are still up 5.6% year-over-year.

This trend is equally true regionally. The National Association of Realtors released the 2024 Q1 **Median Existing Single-Family Home Prices {Page 6}**. Colorado Springs MSA prices decreased in Q1 compared to 2023 Q4, but at \$448,800 in Q1 prices are roughly similar to a year ago (up 0.9%). By contrast, Denver's median existing home price was up 2.3%, Boise was up 7.0%, and the U.S. was up 5.0%.

How does the moderation in local home prices impact local affordability? I'd like to point out that the affordability metric widely used in the U.S. that we also use, the **Housing Opportunity Index (HOI)**, has been replaced by the **Cost of Housing Index {Page 6}** for *existing* homes. The previous index (HOI) measured the share of homes sold in that area that would be affordable to a family earning the local median income. The revamped index (CHI) is the percentage of the median local pre-tax income that is needed for mortgage payments. As the chart shows, *for existing homes only*, 37% of the local median pre-tax income would be needed to fulfill mortgage payments. A historical rule of thumb is that about 30% of income should go towards shelter. I honestly prefer the previous metric because of the divergences in new and existing home prices now, the distortions in supply for each, the (local) skew towards expensive new construction, and the outsized influence of higher interest rates. Our local **MSA Home Price Rank {Page 6}** still gives some context with our region as the 46th most expensive out of roughly 180 measured MSAs. Similarly, we can look at the percentage difference between the U.S. median price and our regional prices: Colorado Springs is 15.3% more expensive than the U.S.

Lastly, we have some updates in the Crime and Safety data. There were fewer **Homicides {Page 7}** in the U.S. in 2022 (24,453) compared to 2021 (25,761), but unfortunately, homicides rose in Colorado in 2022 (407) compared to 2021 (362). Colorado's homicide rate (7.0 per 100,000 people) is still lower, however, than the U.S. rate (7.3). Colorado Springs also experienced an increase over the same time period (to 78 from 72). We've also updated the **Sworn Police Officers {Page 7}** to 2023 data and are now including comparison cities. As that table shows, our city has 15.8 sworn police officers per 10,000 inhabitants, which is higher than Boise (12.4), but lower than Kansas City (21.4) and Omaha (16.9).

Stepping back, the totality of economic data does confirm the overarching theme of a slowing economy. The question now is whether the U.S. economy is resilient enough to take another six months or so of higher interest rates and all negative externalities of that tightening. If yes, we should end 2024 with roughly the same growth rate (~2.0%) and same employment levels but with less exuberant consumer spending and concomitant corporate earnings. If that's the worst of it though, it won't be so bad.

Tatiana & Rebecca

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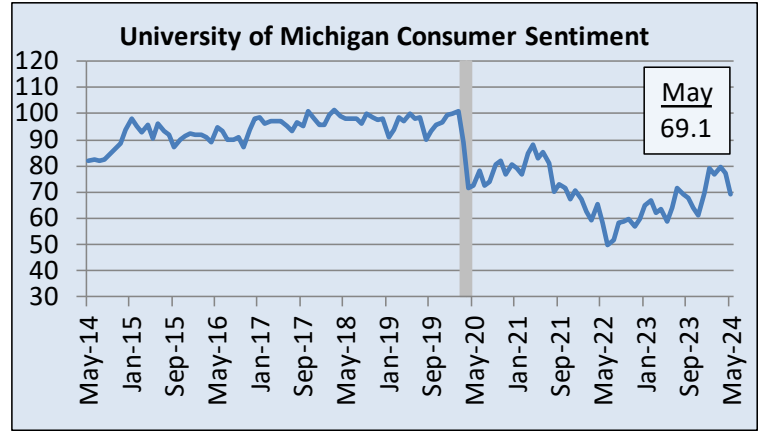
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MACROECONOMIC "BIG PICTURE" (PAGE 3)



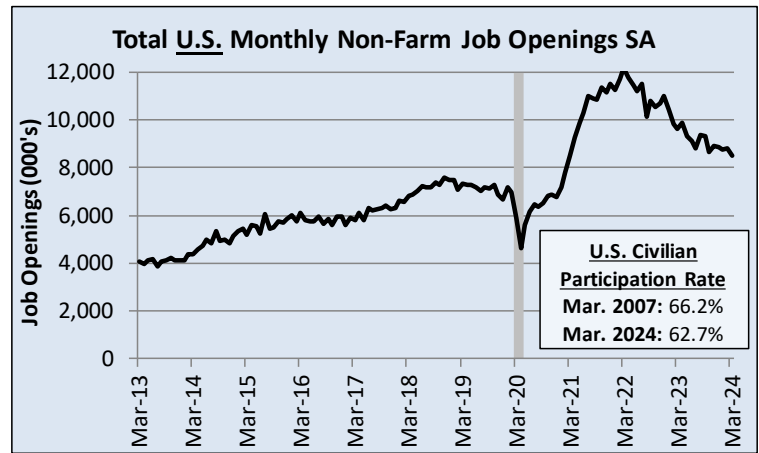
*Estimate of real GDP percent change from same quarter a year ago, SA
 **If quarterly changes were annualized over the year.
 Source: U.S. Bureau of Economic Analysis



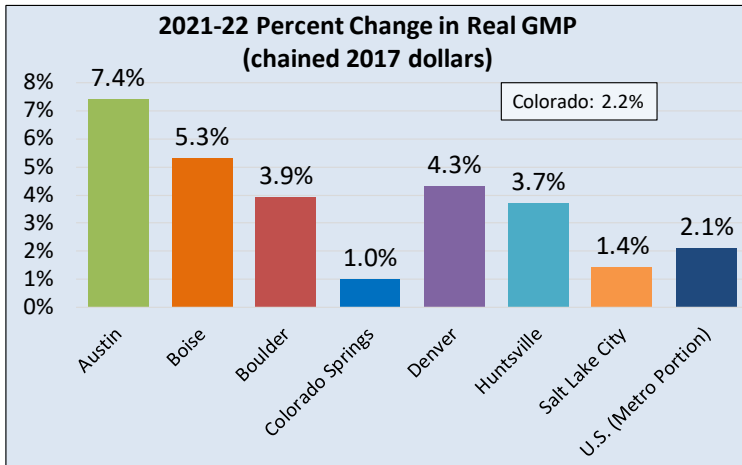
Source: University of Michigan

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



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

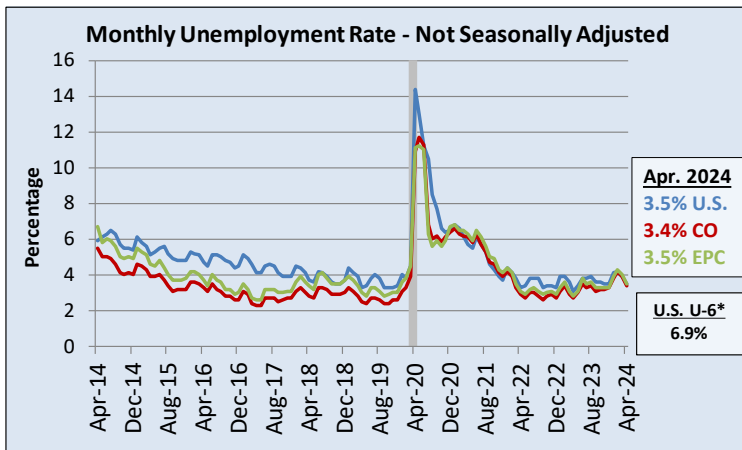


Note: Data includes military. Real GMP is adjusted for regional price parity (RPP). This regional data lags ~23 months.
 Source: U.S. Bureau of Economic Analysis

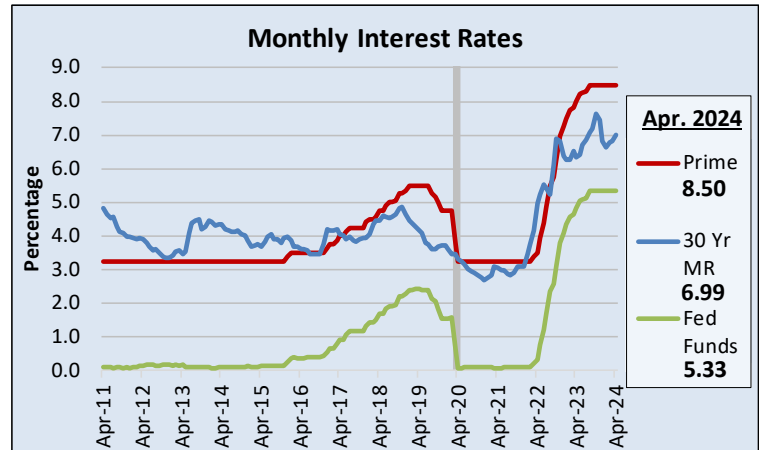
U.S. Consumer Price Index - April 2024		
	All items	Less food & energy
Change from March to April 2024 (SA)	0.3%	0.3%
Last 12-months (NSA)	3.4%	3.6%

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)



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



Source: Board of Governors of the Federal Reserve System

LOCAL LABOR MARKET (PAGE 4)

Top Job Openings, Colorado Springs MSA April 2024		
Top Job Titles	# of Job Postings	Median Advertised Salary
Registered Nurses (L)	622	\$87,936
Retail Salespersons (M)	607	\$33,408
Software Developers (L)	410	\$125,696
Customer Service Reps (M)	332	\$39,552
Computer Sys Engineers/Architects (L)	298	\$134,656
1st-Line Supervisors, Retail Sales (L)	297	\$46,976
Food Service Managers (H)	261	\$51,328
Maintenance & Repair Workers (M)	255	\$45,952
Fast Food & Counter Workers (H)	254	\$33,152
General & Operations Managers (L)	241	\$68,480

Colorado Springs MSA, April 2024
TOTAL Job Openings: 19,814
TOTAL Unemployed: 13,223
Workers Available per Job Opening: 0.67

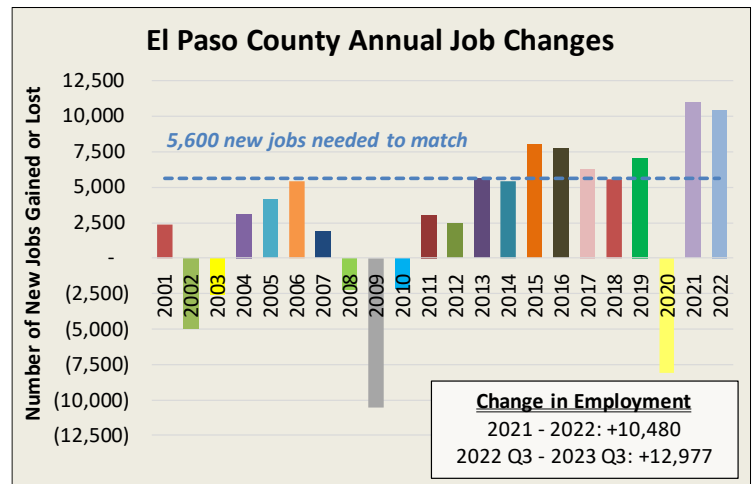
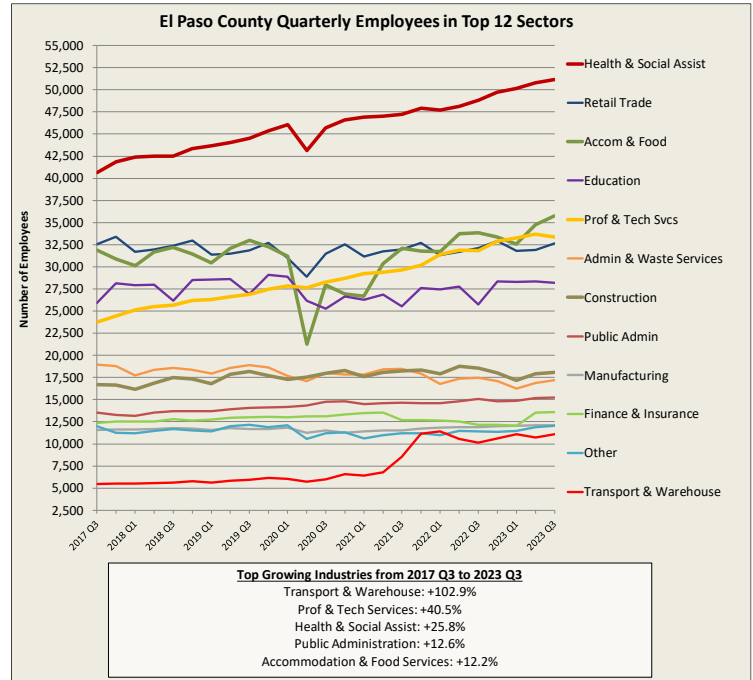
Risk of Automation: L = Low; M = Medium; H = High
 Sources: The Conference Board® Lightcast® Help Wanted OnLine® via Pikes Peak Workforce Center; CO Dept. of Labor & Employment

2022 Federal Poverty Level (FPL)		
	El Paso County	U.S.
% people at FPL or below	8.3%	12.6%
<i>Note: FPL in 2022 was \$18,310 for an individual and \$27,750 for a family of four.</i>		

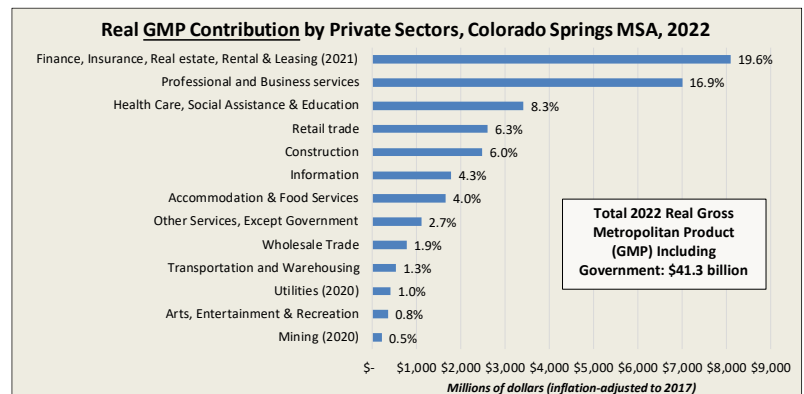
2023 Q3 Average Annual Wages for All Industries		
<i>El Paso County wages are 8.7% lower than U.S. wages and 14.8% lower than CO wages.</i>		
U.S.	Colorado	El Paso County
\$69,368	\$74,360	\$63,336
2023 Q3 El Paso County Total Employment (excluding military)		309,615
*Estimated military employment in 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
<i>*Living wage is for each working adult. For specifics, go to livingwage.mit.edu.</i>		

*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



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)



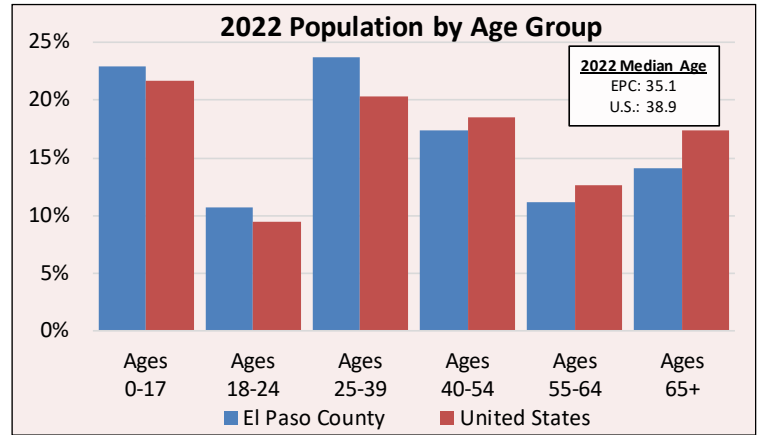
Manufacturing data last disclosed in 2012 when it was 7.1% of real GMP. Government data is no longer released by sector for 2016 when federal military was 12.7%, state & local government was 8.2% and federal civilian government was 5.3% of real GMP. Utilities and Mining data last disclosed in 2020. GMP (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

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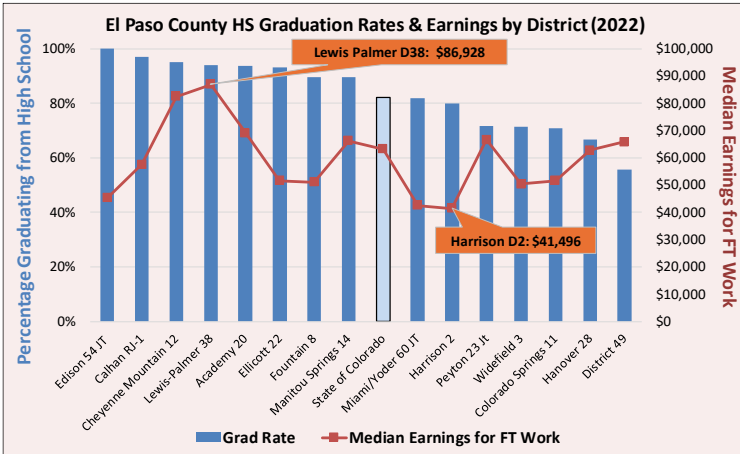
DEMOGRAPHICS (PAGE 5)

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

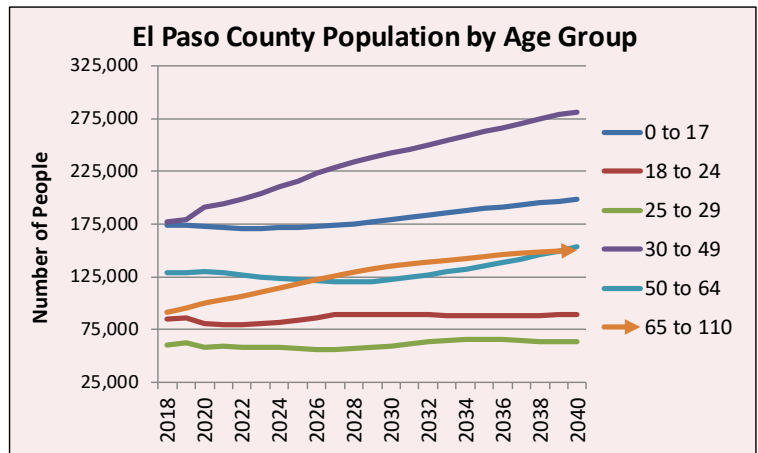


Source: U.S. Census Bureau, Population Division

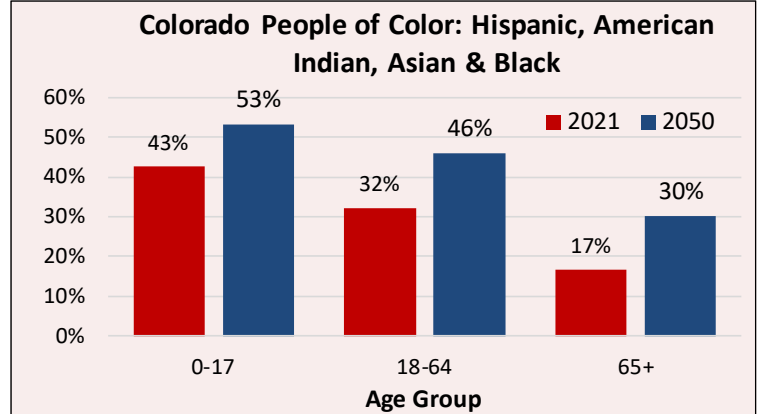
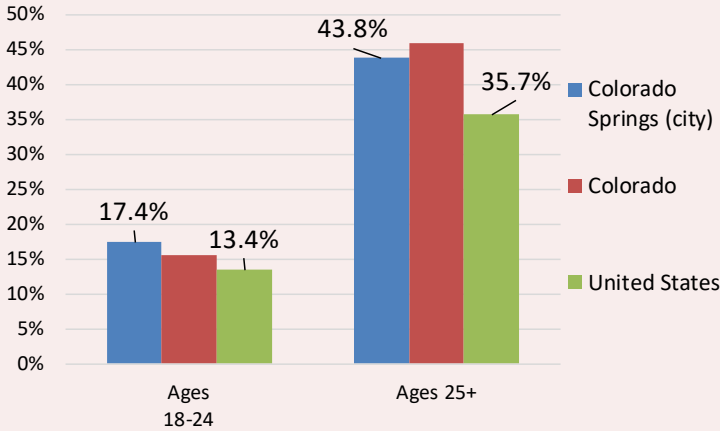


Note: Calhan, Ellicott, Peyton, Hanover, Edison, and Miami/Yoder districts all have fewer than 100 students. District 49 has a significant number of online students, which pull down the districtwide average. (Without the largest online school, the district average is 88%.)

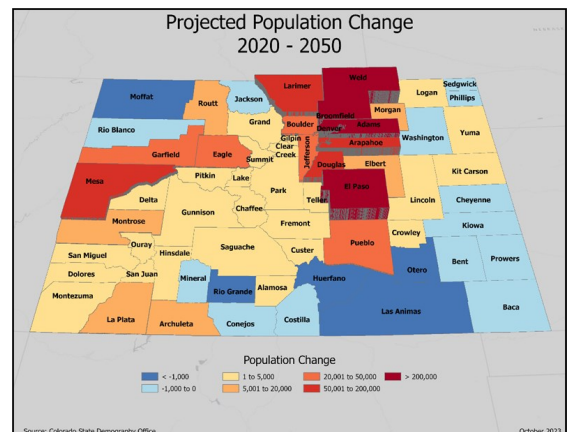
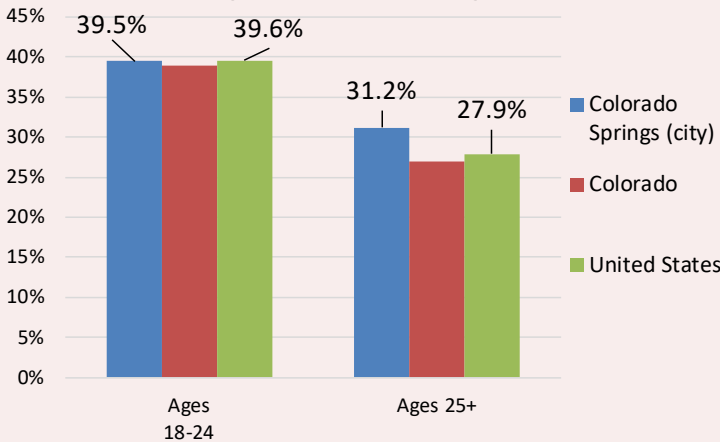
Sources: Colorado Department of Education; U.S. Census Bureau, American Community Survey 5-year estimates



Bachelor's Degree or Higher in 2022



Some College or Associate Degree in 2022

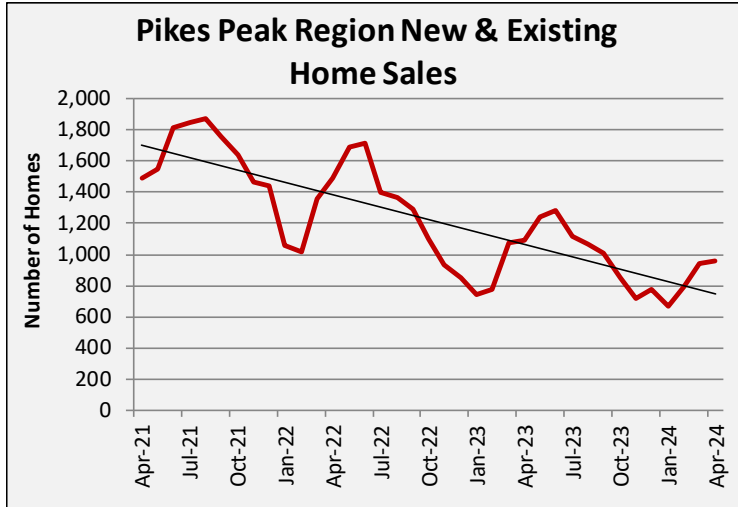


Source: Colorado State Demography Office

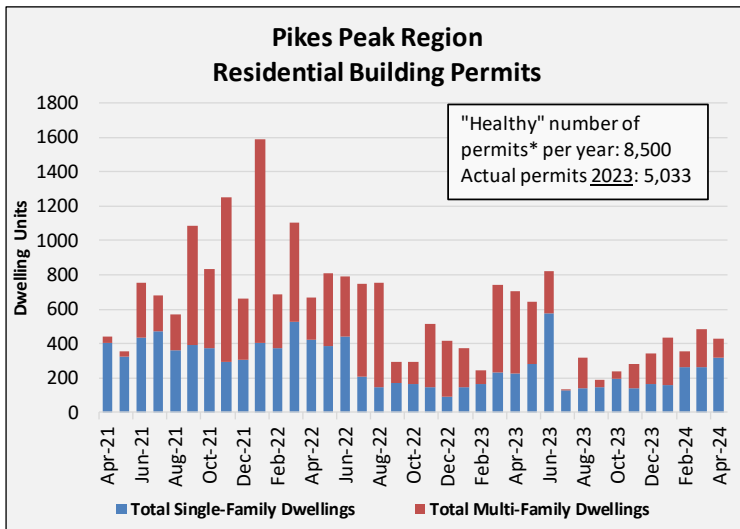
Source: U.S. Census Bureau, American Community Survey 1-year estimates

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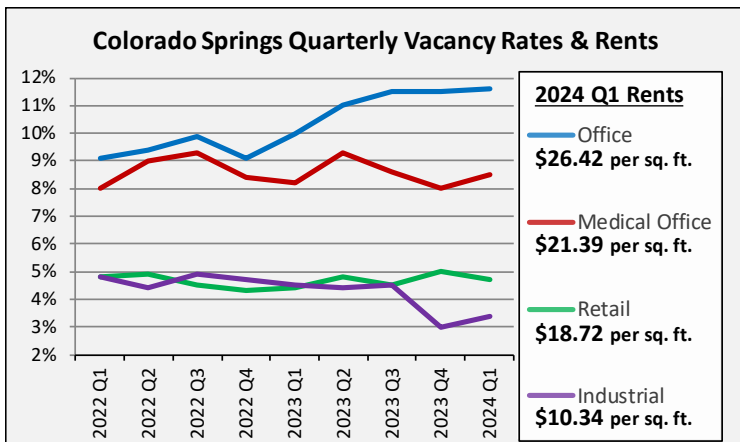
REAL ESTATE (PAGE 6)



Source: Pikes Peak REALTOR® Services Corp.



*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

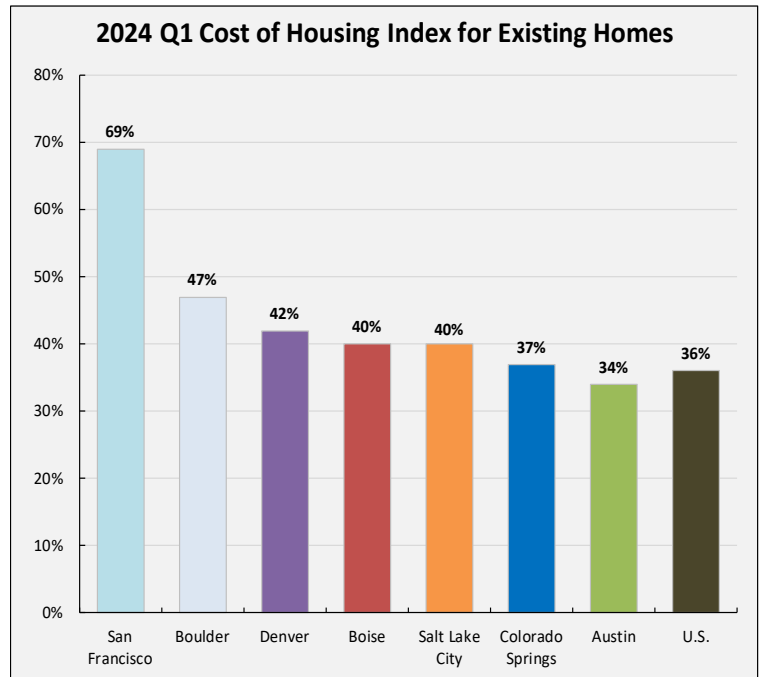


Sources: CoStar Group™; Olive Real Estate Group, Inc.

Median Existing Single-Family Home Price 2024 Q1

Location	Colorado Springs	Denver	Boise	United States
Price	\$448,800	\$651,000	\$471,500	\$389,400
1-year % Change	0.9% increase	2.3% increase	7.0% increase	5.0% increase
MSA Rank	46	19	37	n/a

Sources: National Association of REALTORS®



Notes: The Cost of Housing Index (CHI) is defined as the percentage of the local median pre-tax income needed for mortgage payments, based on standard mortgage underwriting criteria. It includes only existing home prices. Sources: National Association of Home Builders; Wells Fargo

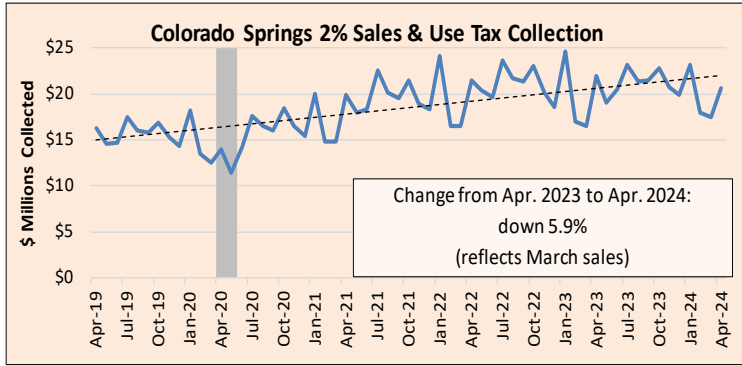
Apartment Rental Information

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

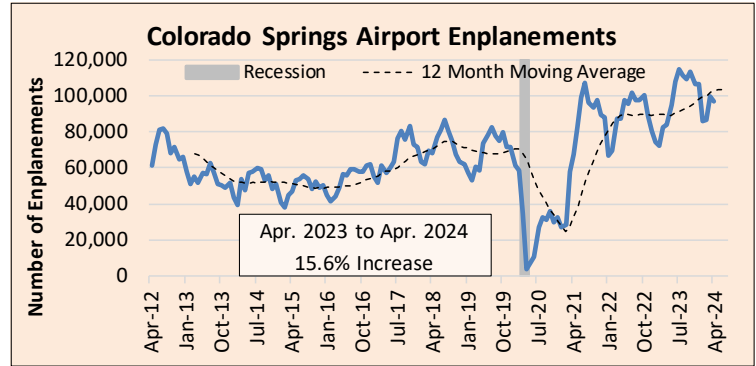
Source: U.S. Department of Housing & Urban Development (HUD), U.S. Market Conditions report

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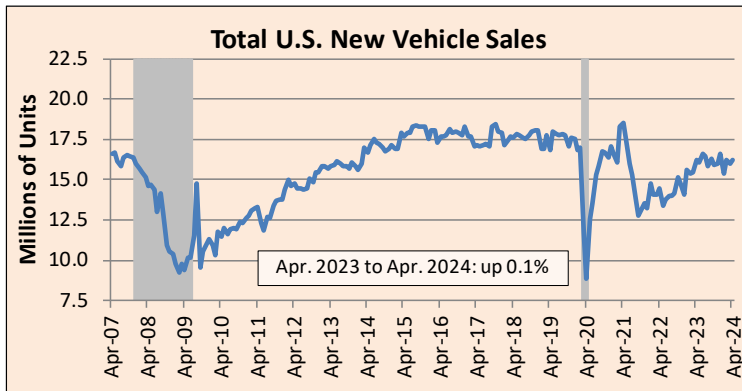
TAXATION, VEHICLE SALES, AIR QUALITY, AND TOURISM (PAGE 7)



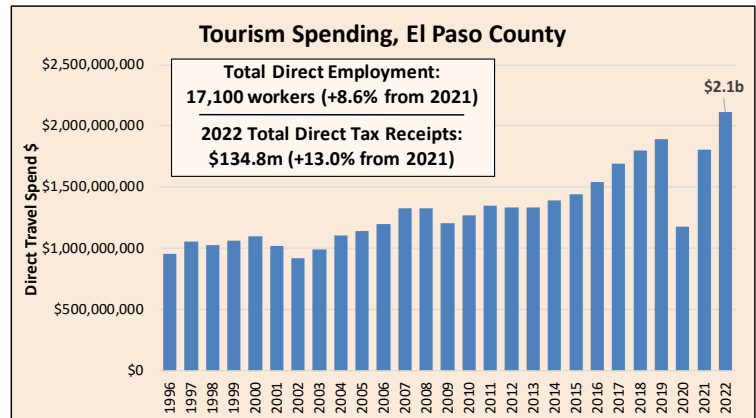
Source: City of Colorado Springs



Source: Colorado Springs Airport



Source: U.S. Bureau of Economic Analysis



Note: Direct travel includes day and overnight visitors.

Source: Colorado Tourism Office

2023 Air Quality		
	Colorado Springs*	U.S. Standard
Carbon Monoxide (CO) Concentration (ppm)	1.1	9.0
Particulate Matter ($\mu\text{g}/\text{m}^3$)	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

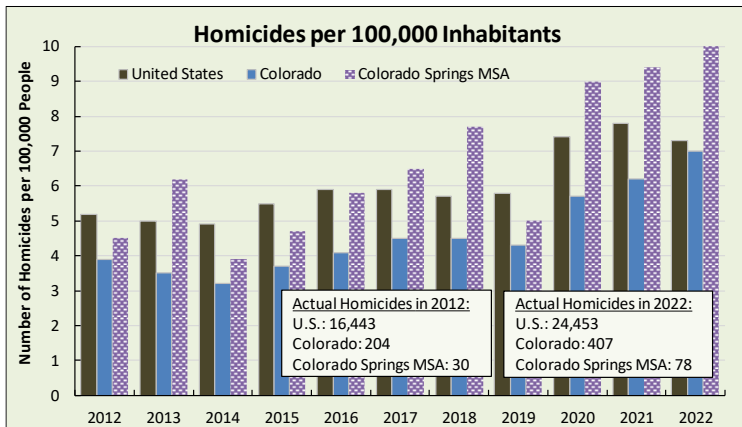
Hotel Occupancy Rate April 2024	
Colorado Springs	Denver
61.1%	72.2%

Hotel RevPAR* April 2024	
Colorado Springs	Denver
\$88.23	\$105.40

*RevPAR measures hotel revenue by taking the average room rate times hotel occupancy.

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

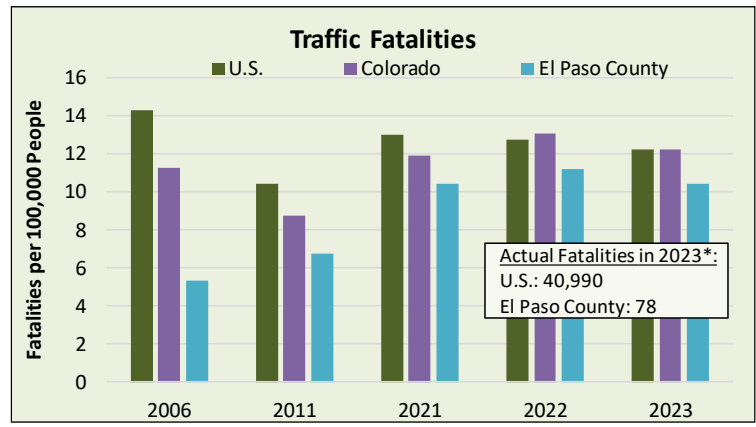
CRIME & SAFETY (PAGE 7)



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.

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



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

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 2023	
City of Colorado Springs	15.8
City of Boise	12.4
Kansas City	21.4
City of Omaha	16.9

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

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SUPPORTERS (PAGE 8)



THANK YOU!