

SAVE THE DATE!

THE CSBJ IS RELAUNCHING & TO CELEBRATE THEY ARE HOSTING AN ECONOMIC SUMMIT!

WHEN: 1:30 – 4:30 P.M. ON SEPTEMBER 5TH (INCLUDING HAPPY HOUR!)

WHERE: BOOT BARN HALL

PRESENTERS: TATIANA BAILEY, PH.D. & BRYCE COOKE, STATE ECONOMIST

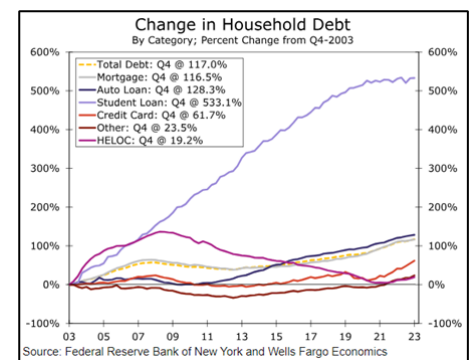
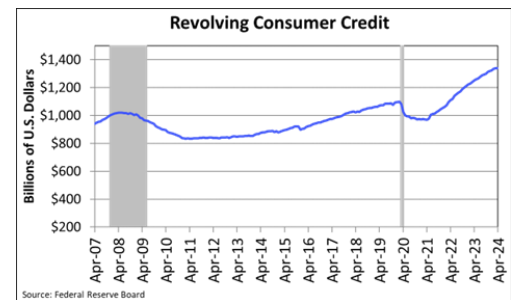
Highlights - June 2024

Last month I talked about the various indicators that are showing a slowdown in the U.S. economy. That trend continues. The preliminary **University of Michigan Consumer Sentiment {Page 3}** dropped again to 65.6 (from 69.1 in May). That marks the third consecutive monthly decline in sentiment. And as that chart shows, confidence is now about 35 points below pre-pandemic levels. Inflation continues to be top of mind for consumers, but an added dimension in the past few months has been worsening perceptions of personal finances. A study by UM notes that inflation concerns are higher now than other periods like the 1970s when U.S. inflation was significantly higher and that is likely due to the proliferation of “bad news” through various media channels (e.g., social media) as well as greater partisanship in mainstream media outlets. But perception is reality when it comes to how people “feel” and how they stimulate the economy through consumption (which is 2/3 of GDP). To be fair, however, I’m with the consumers who still have sticker shock on *cumulative* inflation.

The worsening views of personal finances are due to two primary drivers. First, the job market is no longer a free-for-all with **Job Openings {Page 3}** now at 8.1 million, which is down 18.6% from a year ago, but now roughly at pre-pandemic levels. Similarly, the quits rate has come down significantly, but is also back to pre-pandemic levels. Initial unemployment claims are holding steady although continuing claims are inching up showing that unemployed individuals are not finding new jobs quite as readily. But as I mentioned last month, we have more of a normalization of the labor market as opposed to any major correction, which I don’t see happening simply due to demographics. **Unemployment Rates {Page 3}** did tick up in May, but are roughly back to where they were in the spring for both Colorado and El Paso County. The U.S. rate also went up but still stands quite low at 3.7% in May. Colorado was slightly higher in May at 3.9%, while El Paso County stood at 4.0%. The dashboard graph illustrates the gradual ascent in unemployment rates, but also highlights that unemployment rates are roughly two full percentage points below 2014 levels.

The second major reason consumers are unhappy relates to inflation as more middle and particularly lower income groups rely on credit to make ends meet. What stands out to me from this revolving credit chart is that credit card usage is not only increasing (when I adjust for inflation it’s still higher than 2019 levels) but that a much larger chunk of payments are just going to cover today’s higher interest rates (~25% today versus 17% in 2019). Economists are increasingly talking about the bifurcated economy where higher income groups are still fueling consumption (and inflation) while lower-income groups have shifted to consumption on necessities. **Inflation {Page 3}** did moderate in May changing 0.0% for all items from April, and increasing on-target at 0.2% for all goods minus food and energy (“core” CPI). Not seasonally adjusted, headline inflation was up 3.3% year-over-year in May. If you look at the past several months, inflation is hovering around 3.3%, and there is some concern that it’s somewhat stuck at this level. This explains the historically low percentage (54%) of respondents who expect their income to beat inflation over the next two years.

Younger cohorts are particularly sour, and as I talk with my kids, I think I get it. Two of them own homes, and they revere their low interest rates (and say *they* will never move – so it’s not just the Boomers), but they lament increased property taxes and home and auto insurance rates. Thankfully, they don’t have student loans but their spouses and friends do, and those friends don’t own homes. In my daily reading I came across the second chart that shows the colossal increase in household debt attributable to student loans, which speaks for itself. I also hear from younger cohorts an acerbic cynicism around the upcoming federal elections, the advanced age of the candidates, the dysfunctionality of Congress, and politics in general. I thought “old people” were supposed to be the curmudgeons.



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El Paso County Economic & Workforce Progress Report (EPR)

Around the topic of homeownership, the residential real estate market has further retreated as evidenced by continued declines in U.S. single and multi-family construction. Single-family starts are now down for three consecutive months, and multi-family (MF) starts are nearly 50% below their year-ago pace (with permits down 29% over the year). Similarly, new home sales in the U.S. fell 11.3% over the month, and that's with 61% of builders offering some kind of sale incentive like mortgage buy-downs or other incentives (29% offered price cuts in May).

In [my most recent segment](#), I talk about how our local apartment market is "soft" according to HUD with low absorption of (ample) new product and climbing vacancy rates. These unfavorable stats seem counter to the narrative of a national and local housing shortage, but I don't think that higher vacancy rates mean that the housing shortage is a myth. Most of the new MF construction is for higher-end renters due to the significantly higher cost of building and higher financing costs. What we have is a shortage of *affordable* housing (to lease or own). The National Low Income Housing Coalition estimates the U.S. is short 7.3 million housing units for low-income renters. And I know the housing shortage is real because regionally and nationally, a historically high percentage of home sales (including condos) are new builds, meaning the supply of existing homes is too low. In addition, home prices have just stabilized, but stand about 40% higher than pre-pandemic levels. If we really had a glut of homes on the market, new or existing, prices would come down by 10 percentage points or more like they did during the Great Recession. Condo prices specifically have increased from \$450,000 in 2018 to \$550,000 in 2023. According to a recent statement by the National Association of Realtors, "the mortgage payment for a typical home today is more than double that of homes purchased before 2020." No wonder (non-home-owning) younger cohorts are bitter. I will say that the phenomenon of elevated MF vacancy rates, due primarily to a mismatch between renter affordability and actual lease rates, may play out to some extent in the broader real estate market. As more and more new single-family construction occurs – and at higher price points – we may find a situation where builders do not have the overabundance of buyers they thought they did because buyers are looking for affordable homes and not million-dollar-range homes.

Bringing it back to the local, the recently released QCEW (Quarterly Census of Employment and Wages) for 2023 Q4 shows that our top growing industries stayed the same as shown in the [Quarterly Employees in the Top 12 Sectors {Page 4}](#) graph. Our top sectors include Transportation & Warehousing (+116.3% since 2017), Professional and Technical Services (+41.7%), Healthcare and Social Assistance (+25.0%), Public Administration (+15.3%), and Accommodation and Food Services (+12.8%). Overall [Average Annual Wages {Page 4}](#) in 2023 were 10.6% lower in El Paso County than in the U.S. and 16.1% lower than Colorado average wages.

I'll end with the updated [El Paso County Population Projections by Age Group {Page 5}](#). Previously, those projections went out to 2040, but we now have those projections from the State Demographer's Office through 2050. The previous projections from 2018 to 2040 showed the highest rates of population increase in the 30 to 49 age cohort and 65+ cohort. It's quite different in the latest 2022 to 2050 projections with a flattening of the 65+ cohort (by 2041 most Boomers will have died). Those projections still have a nice increase through 2040 in the 30-49 age cohort, which are prime working ages, but a flattening of that population from 2040 to 2050 as you can easily see in the graph. The largest rate of increase from 2040 to 2050 is in the 50 to 64 year-old cohort, which is good because these slightly older workers can compensate for the stagnation in the 30 to 49 year-old population. You will also notice a flattening in the population of children (ages 0-17) from 2040 to 2050. This may all sound like Trekkie talk, but 2040 is only about 15 years away. And as an astute attendee pointed out at a presentation I did yesterday, these numbers can change quickly if affordability deteriorates. I'll add that 50% of U.S. government expenditures go towards retirees, and the opportunity cost is that we are crowding out investments in younger people who are our workers/tax payers. It's very important to take care of our elderly, and those cohorts have paid into Social Security. It's just that the rapid increase in those expenditures mean fewer dollars for K-12 education, postsecondary subsidies for high-demand training, initiatives to increase childcare affordability, and research and development. These are some of the forward-thinking investments that are imperative if we want sufficient workers and global competitiveness. And now I sound like the curmudgeon.

Tatiana & Rebecca

If you wish to unsubscribe from this monthly report, please email rwilder@ddestrategies.org. If you'd like to know more about supporting our economic reporting and workforce development initiatives, please contact gglassford@ddestrategies.org.

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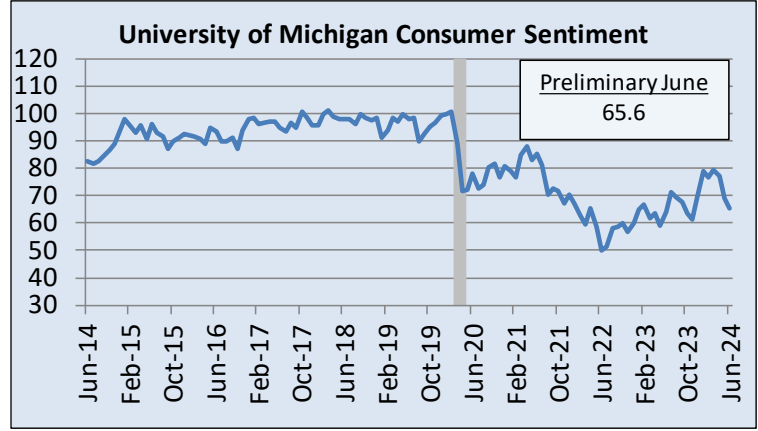
[Page 7 - Crime & Safety](#)

El Paso County Economic & Workforce Progress Report (EPR)

MACROECONOMIC "BIG PICTURE" (PAGE 3)



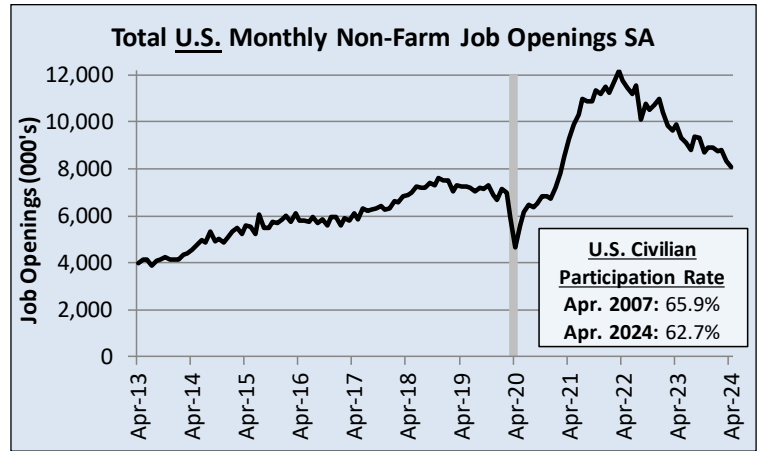
*Estimate of real GDP percent change from same quarter a year ago, SA
 **If quarterly changes were annualized over the year.
 Source: U.S. Bureau of Economic Analysis



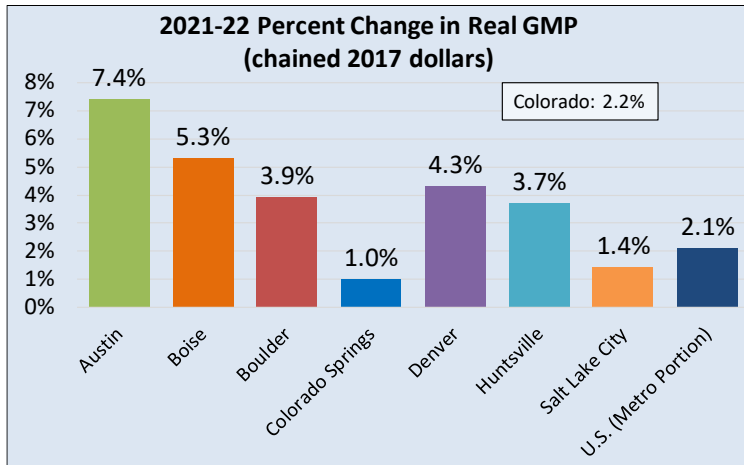
Source: University of Michigan

Forecasts for U.S. Real GDP and Unemployment (SA)				
	2022 Actual	2023 Actual	2024 Forecast	2025 Forecast
Real GDP Growth	1.9%	2.5%	2.1%	1.5%
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.

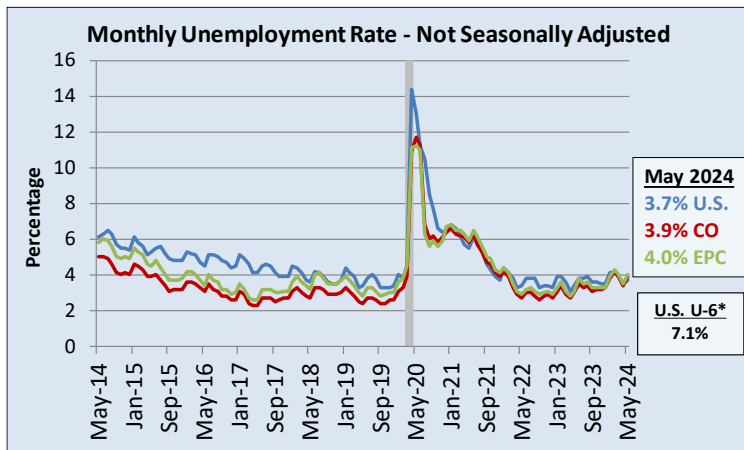


Note: Data includes military. Real GMP is adjusted for regional price parity (RPP). This regional data lags ~23 months.
 Source: U.S. Bureau of Economic Analysis

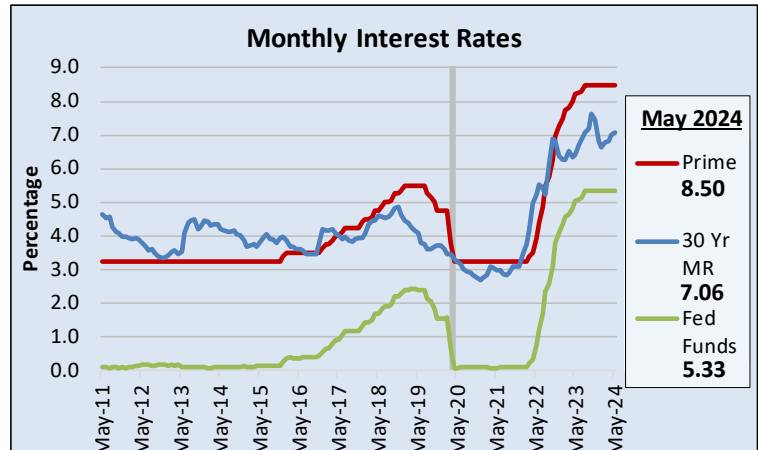
U.S. Consumer Price Index - May 2024		
	All items	Less food & energy
Change from April to May 2024 (SA)	0.0%	0.2%
Last 12-months (NSA)	3.3%	3.4%

The 2024 Q1 cost of living in the **Colorado Springs MSA** was **102.6%** 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 May 2024		
Top Job Titles	# of Job Postings	Median Advertised Salary
Retail Salespersons (M)	607	\$33,408
Registered Nurses (L)	600	\$87,936
Software Developers (L)	419	\$137,984
Computer Sys Engineers/Architects (L)	319	\$130,048
Customer Service Reps (M)	312	\$39,552
1st-Line Supervisors, Retail Sales (L)	302	\$46,208
Maintenance & Repair Workers (M)	262	\$45,696
Secretaries & Admin Assistants (M)	243	\$42,624
General & Operations Managers (L)	238	\$70,016
Heavy & Tractor-Trailer Truck Drivers (H)	235	\$47,744

Colorado Springs MSA, May 2024
TOTAL Job Openings: 19,363
TOTAL Unemployed: 15,090
Workers Available per Job Opening: 0.78

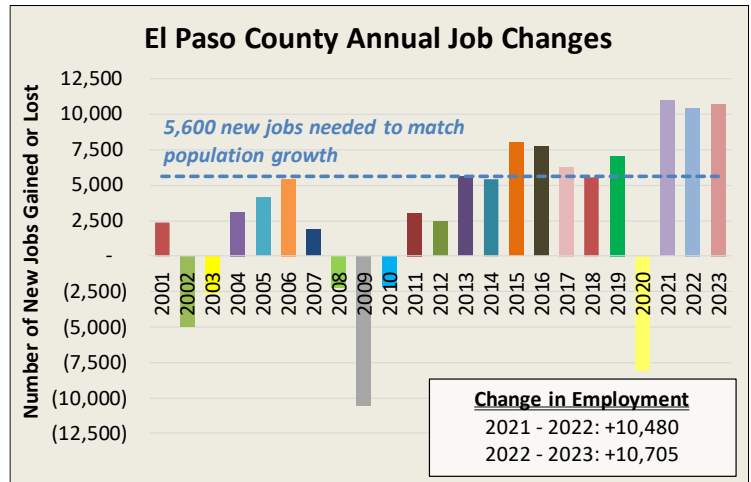
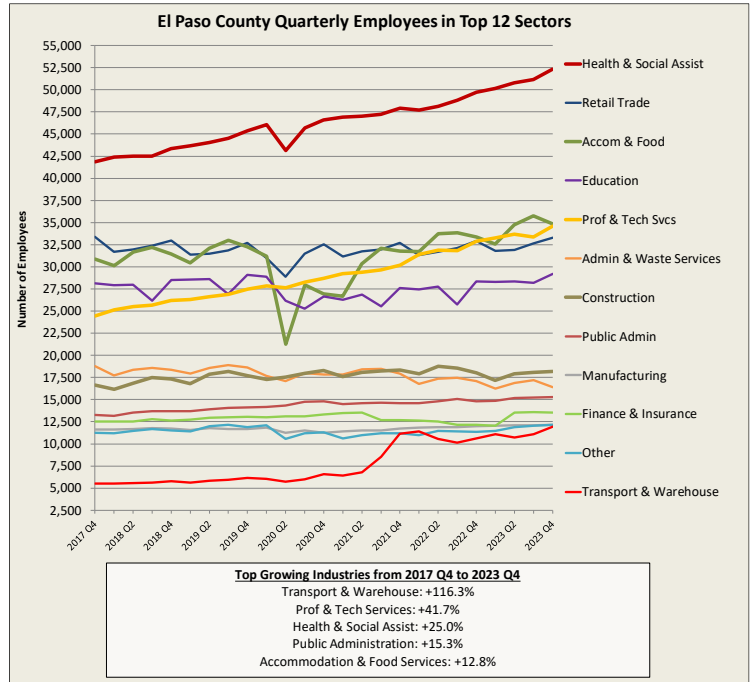
Risk of Automation: L = Low; M = Medium; H = High
 Sources: The Conference Board® Lightcast® Help Wanted OnLine® via Pikes Peak Workforce Center; CO Dept. of Labor & Employment

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>		

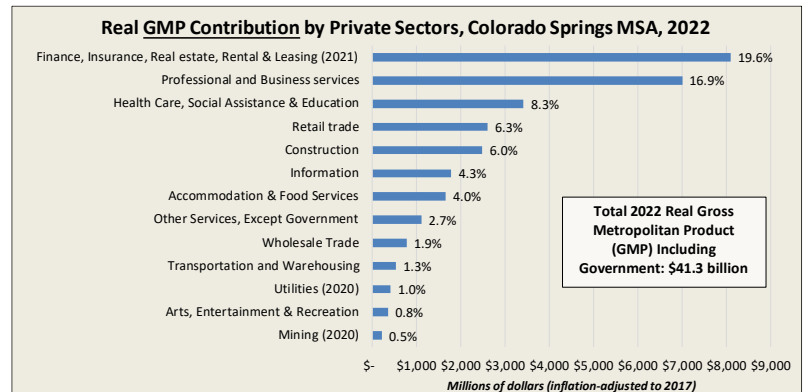
2023 Average Annual Wages for All Industries		
<i>El Paso County wages are 10.6% lower than U.S. wages and 16.1% lower than CO wages.</i>		
U.S.	Colorado	El Paso County
\$72,357	\$77,116	\$64,688
2023 El Paso County Total Employment (excluding military)		307,455
*Estimated military employment in 2021 (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)

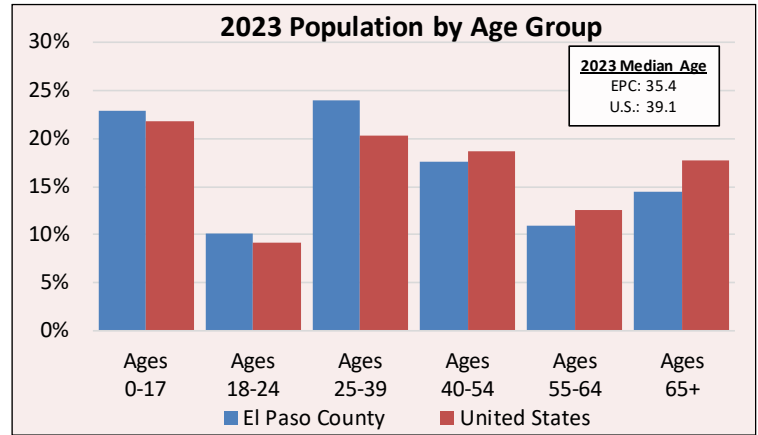


Manufacturing data last disclosed in 2012 when it was 7.1% of real GMP. Government data is no longer released by sector for 2016 when federal military was 12.7%, state & local government was 8.2% and federal civilian government was 5.3% of real GMP. Utilities and Mining data last disclosed in 2020. Finance,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

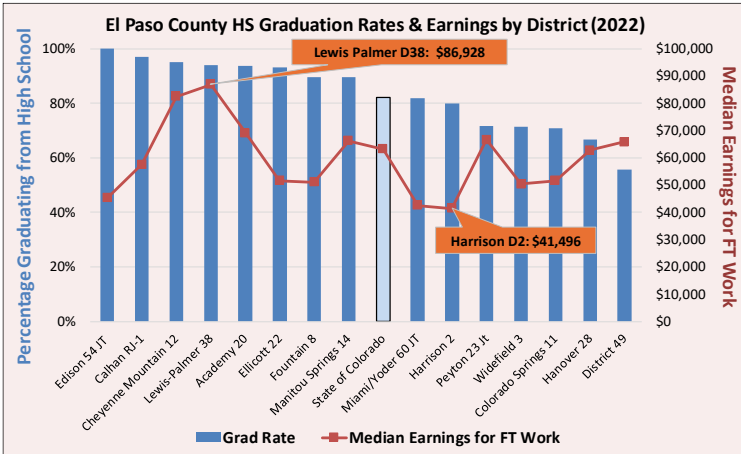
DEMOGRAPHICS (PAGE 5)

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

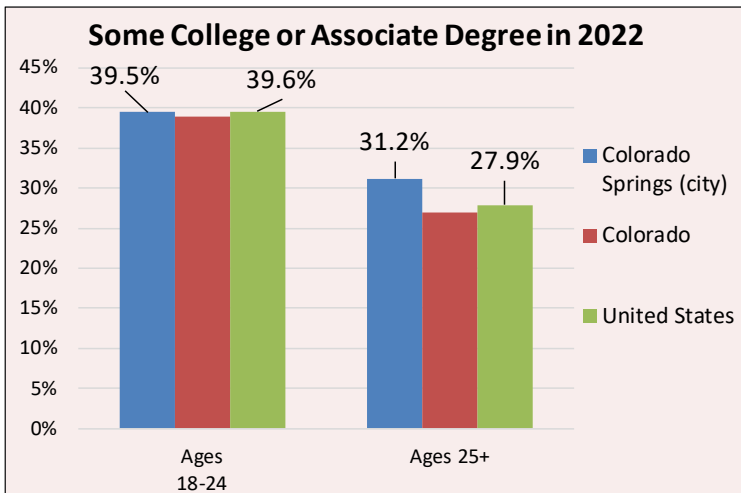
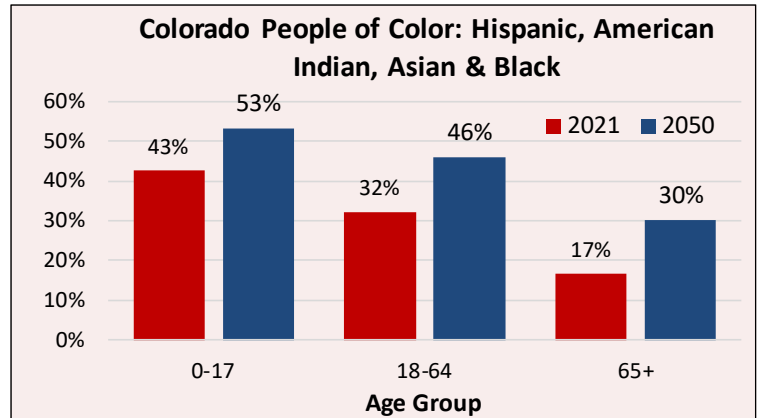
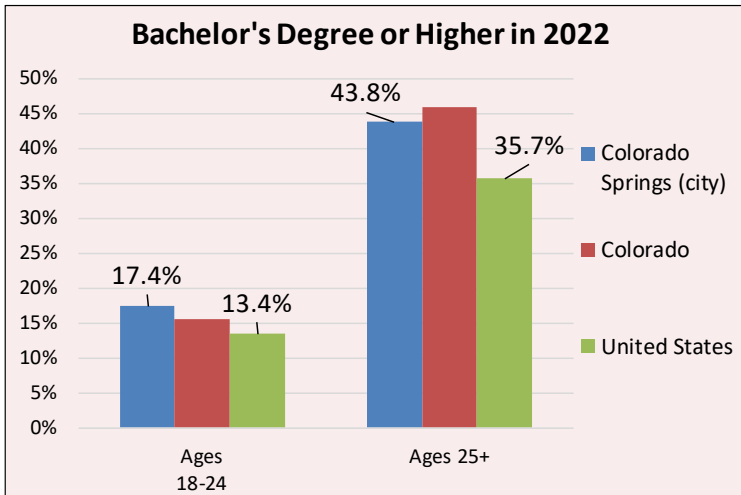
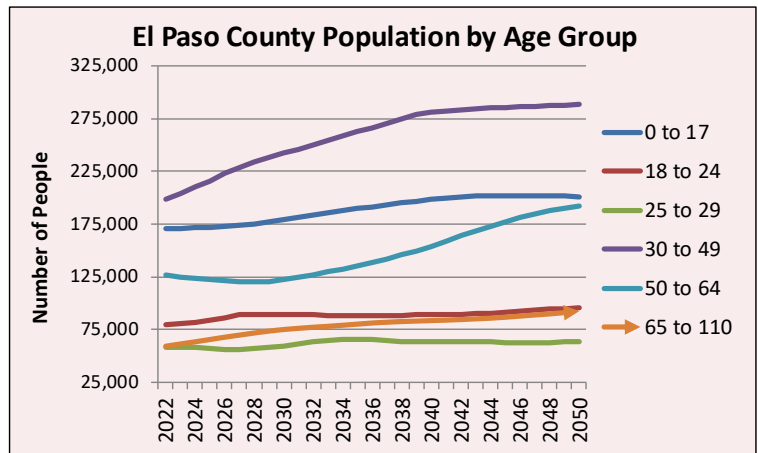


Source: U.S. Census Bureau, Population Division

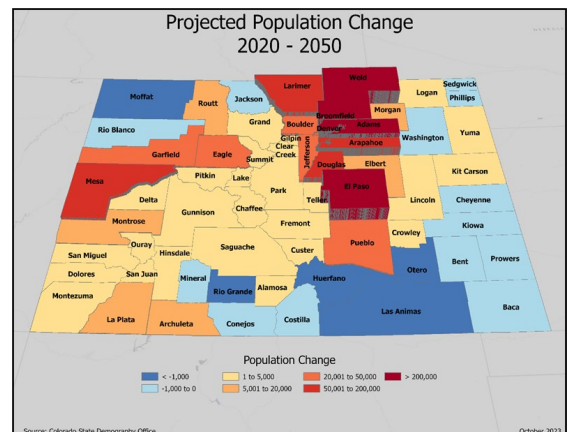


Note: Calhan, Ellicott, Peyton, Hanover, Edison, and Miami/Yoder districts all have fewer than 100 students. District 49 has a significant number of online students, which pull down the districtwide average. (Without the largest online school, the district average is 88%.)

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



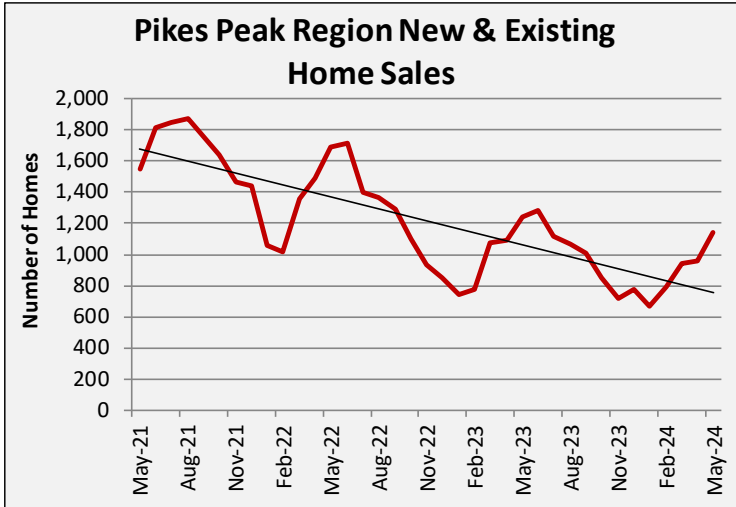
Source: U.S. Census Bureau, American Community Survey 1-year estimates



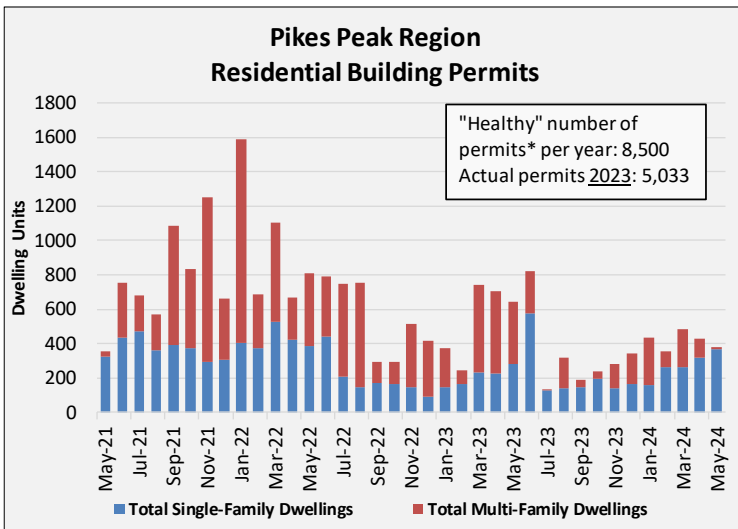
Source: Colorado State Demography Office

[Return to highlights](#)

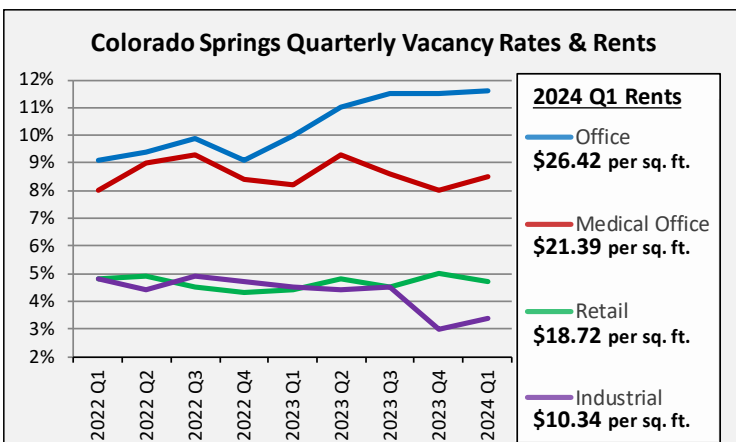
REAL ESTATE (PAGE 6)



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

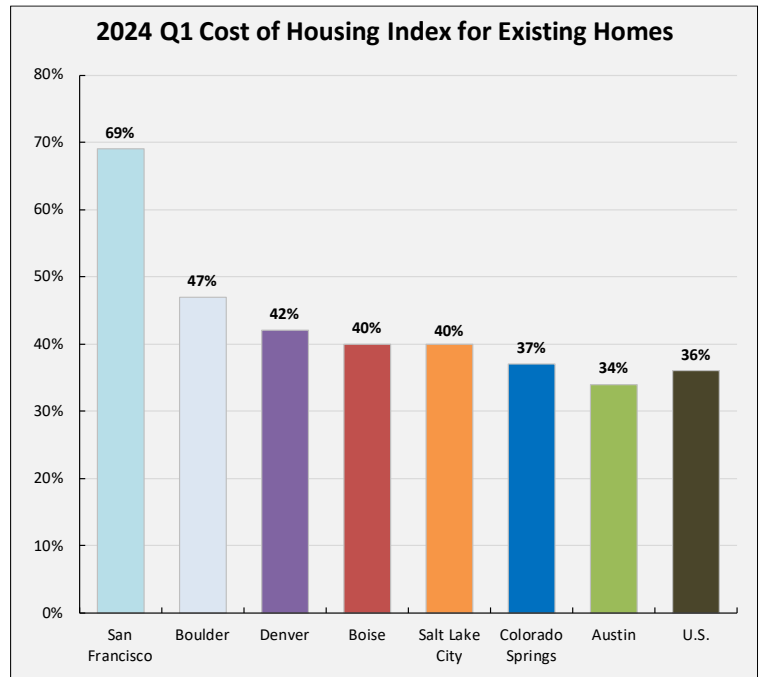


Sources: CoStar Group™; Olive Real Estate Group, Inc.

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

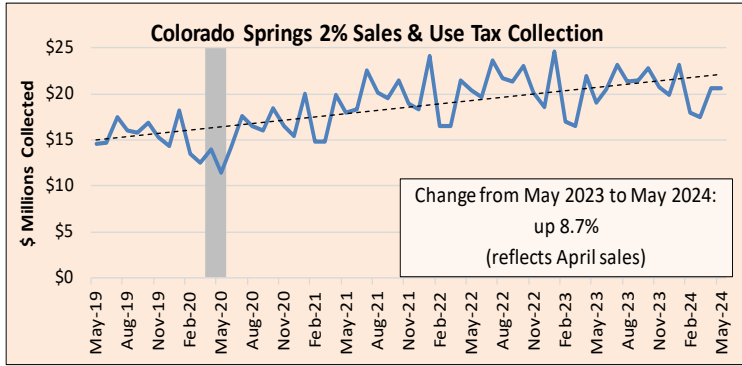
Apartment Rental Information

	Colorado Springs	Denver	Salt Lake City
Market Conditions 2024 Q1	<u>Soft</u>	<u>Soft</u>	<u>Soft</u>
Vacancy Rate 2023 Q1	11.8%	7.5%	9.1%
Vacancy Rate 2024 Q1	<u>11.8%</u>	<u>9.2%</u>	<u>10.7%</u>
Average Rent 2023 Q1	\$1,492	\$1,838	\$1,602
Average Rent 2024 Q1	<u>\$1,473</u>	<u>\$1,853</u>	<u>\$1,587</u>

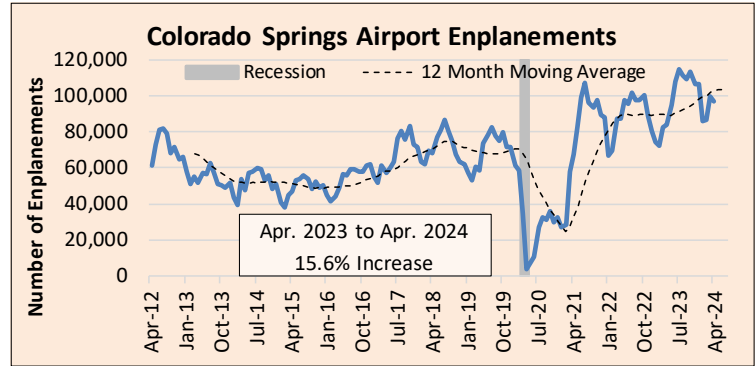
Source: U.S. Department of Housing & Urban Development (HUD), U.S. Market Conditions report

El Paso County Economic & Workforce Progress Report (EPR)

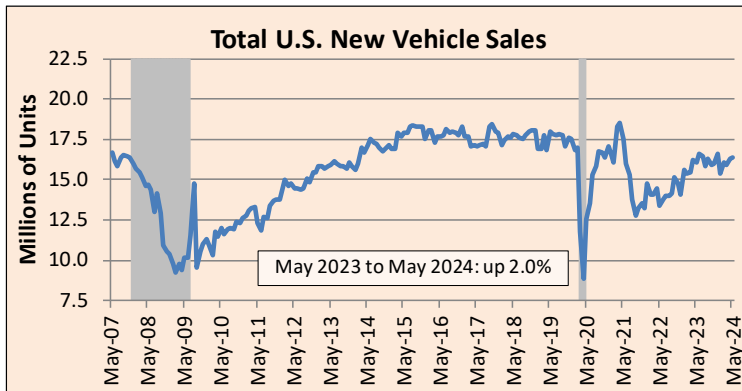
TAXATION, VEHICLE SALES, AIR QUALITY, AND TOURISM (PAGE 7)



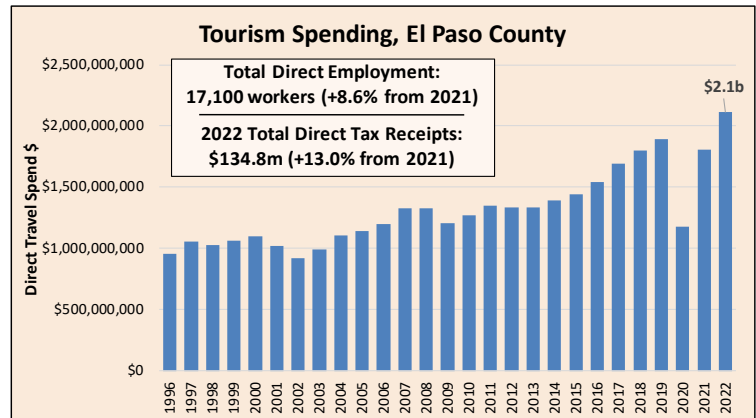
Source: City of Colorado Springs



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

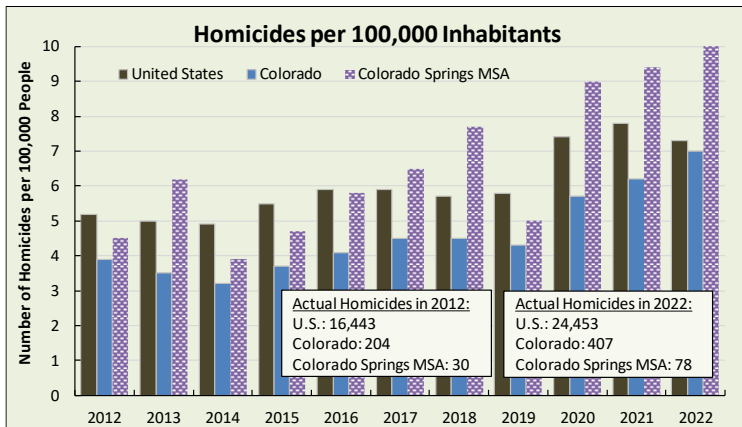
Hotel Occupancy Rate May 2024	
Colorado Springs	Denver
71.2%	72.4%

Hotel RevPAR* May 2024	
Colorado Springs	Denver
\$103.73	\$112.54

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

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

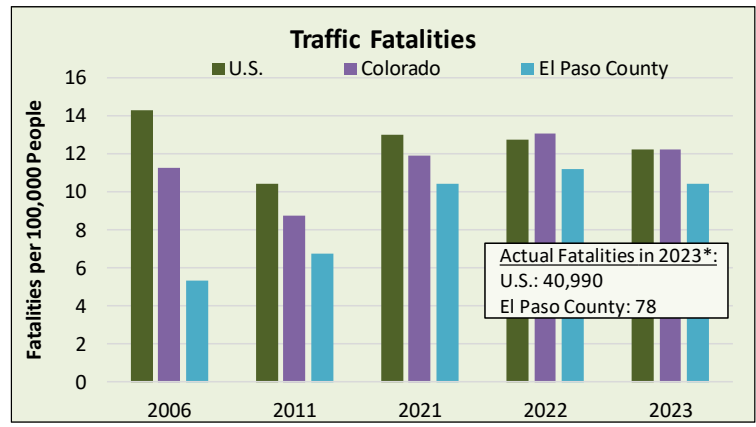
CRIME & SAFETY (PAGE 7)



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

El Paso County Economic & Workforce Progress Report (EPR)

SUPPORTERS (PAGE 8)



THANK YOU!