

Quarterly Updates and Estimates

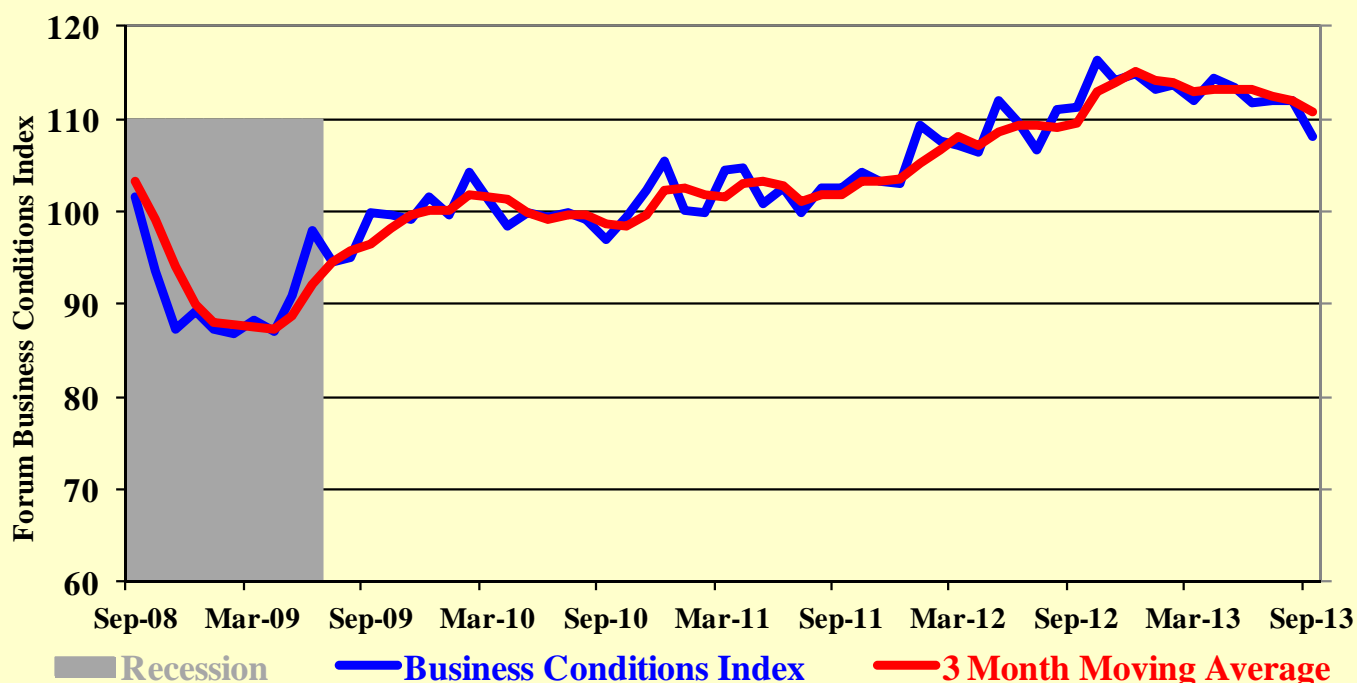
Volume 12 Number 2 October 2013

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Update on the El Paso County Economy

Uncertainties about the Federal Reserve's Quantitative Easing policy, possible increases in mortgage rates, the Affordable Care Act and the government shut down appear to have had an unsettling ripple effect on local economy. Growth in the local economy turned negative over the last five months. The Business Conditions Index (BCI) declined 5.37 points since May with 3.91 of the points declining in September. Since August, the most important declines took place in new residential permits (down 20.5 percent), regional manufacturing (down 10.9 percent), and consumer sentiment (down 5.6 percent). If not for the declines in these areas, the BCI would have remained unchanged, despite the 24.8 percent decline in enplanements at the airport.

Business Conditions Index El Paso County (Dec 2007-June 2009 = 100)



¹ The Business Conditions Index (BCI) is a geometric index of ten seasonally adjusted data series. The El Paso County data are single family and town home permits, new car sales, employment rate, foreclosures, QCEW employment and QCEW wages and salaries. Colorado Springs data are sales and use tax collections and airport enplanements. University of Michigan's Consumer Sentiment and the Federal Reserve Bank of Kansas City Manufacturing Index are non-local indicators in the BCI. The BCI is indexed to December 2007—June 2009 = 100. All raw series are seasonally adjusted by UCCS Southern Colorado Economic Forum using the Department of Commerce X12 adjustment process.

Business Conditions Index Components - All Values Indexed: Dec 2007 - June 2009 = 100

	COS Enplanements	El Paso County SF & TH Permits	U Of Mich Con Sent	Kansas City Fed Mfg Index	El Paso <u>Employment</u> Rate	CoSpgs 2% Sales & Use Tax	County New Car Registra- tions	El Paso County Fore- closures	El Paso County Employed	El Paso County Real Wages	BCI
Jun-12	84.72	169.14	114.01	122.09	96.86	111.67	123.57	100.38	95.73	97.98	109.64
Jul-12	83.87	142.09	112.61	124.18	96.71	108.08	117.18	100.53	96.19	97.18	106.73
Aug-12	83.85	212.35	115.72	133.70	97.09	110.78	101.74	100.70	96.75	97.60	111.11
Sep-12	81.05	188.45	121.95	126.83	97.37	114.40	115.69	100.99	97.01	97.24	111.24
Oct-12	84.03	208.39	128.65	121.29	97.32	115.04	149.19	100.90	97.42	102.08	116.43
Nov-12	83.23	193.95	128.81	116.61	97.54	113.73	139.03	101.25	97.31	102.24	114.18
Dec-12	82.91	199.77	113.54	123.56	97.54	115.35	152.81	101.37	97.64	101.76	114.94
Jan-13	82.66	214.86	114.94	120.02	98.07	113.38	133.10	101.22	97.92	96.47	113.24
Feb-13	78.51	233.09	120.86	107.05	97.99	119.34	135.94	101.38	98.21	96.49	113.71
Mar-13	70.58	186.69	122.42	110.72	98.06	117.67	155.49	101.50	97.82	96.73	111.90
Apr-13	70.01	222.69	118.99	110.09	98.01	125.00	160.15	101.46	97.44	96.32	114.33
May-13	66.03	211.45	131.61	115.37	98.27	115.94	151.08	101.51	98.40	96.91	113.45
Jun-13	71.41	202.97	130.99	113.07	97.71	121.33	123.44	101.56	98.12	97.16	111.76
Jul-13	64.95	207.90	132.54	129.82	98.20	114.39	127.95	101.61	97.60	93.81	112.00
Aug-13	61.04	193.33	127.87	140.38	97.54	114.18	140.09	101.77	97.93	94.05	111.97
Sep-13	60.93	153.69	120.71	125.13	97.54	117.06	145.19	101.77	97.53	93.47	108.08
September 2013 Compared to:											
Aug-13	-0.2%	-20.5%	-5.6%	-10.9%	0.0%	2.5%	3.6%	0.0%	-0.4%	-0.6%	-3.5%
Jun-13	-14.7%	-24.3%	-7.8%	10.7%	-0.2%	-3.5%	17.6%	0.2%	-0.6%	-3.8%	-3.3%
Mar-13	-13.7%	-17.7%	-1.4%	13.0%	-0.5%	-0.5%	-6.6%	0.3%	-0.3%	-3.4%	-3.4%
Sep-12	-24.8%	-18.4%	-1.0%	-1.3%	0.2%	2.3%	25.5%	0.8%	0.5%	-3.9%	-2.8%

Real wages in El Paso County were estimated by the Forum for Apr '13 - Sep '13. Enplanements for Sep were estimated by the Forum.

The uncertainty of QE3 unsettled financial markets through August. This contributed to a one percent increase of the 30-year conventional mortgage rate. Since then the Federal Reserve came out and reaffirmed its intentions to maintain its current monthly \$85 billion treasury bond and mortgage purchase program. This appears to have calmed markets and helped lower mortgage rates approximately 0.50 percent. Permit activity improved in October.

Regional manufacturing slowed in recent months. This hurts employment and income growth. While likely to be revised after all firms report employment and wage data, the trend in real wages is disappointing. Real wages are estimated to be down 3.9 percent from a year ago.

Sales tax collections are up 2.5 percent over August and 2.3 percent over a year ago. Much of the growth is supported by building materials, household furnishings and auto sales. The exact effect of refurbishing homes after the Waldo Canyon fire is not known. However, it is causing a spike in sales tax collections that local municipalities should factor into their respective budgets as not part of a sustainable growth pattern.

Enplanements at the airport continue to decline. At the current pace, enplanements for 2013 could be as much as 200,000 fewer than in 2012. This is not likely to change without growth in professional employment, rising employment and income levels and the presence of more carriers with better offerings of flights and prices.

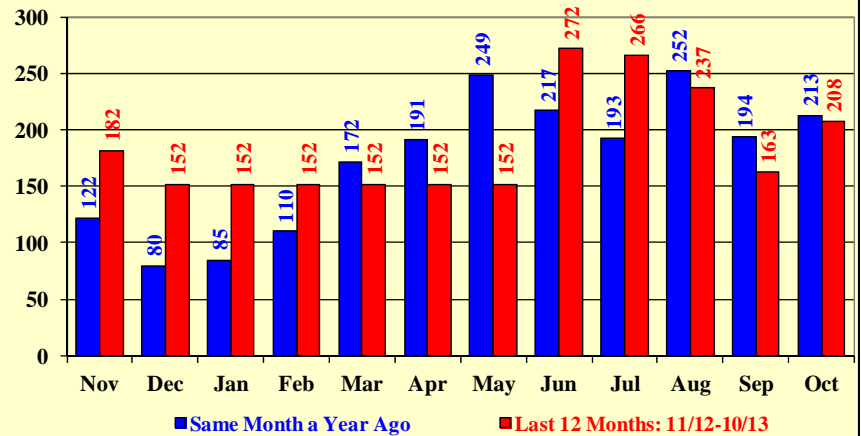
Analysis of the El Paso County Residential Housing Market

Detached, single family permit activity picked up noticeably in March 2011. The rebound continued through July 2013. Softening started in August and was easily seen in September. This is believed to be the results of an end of some pent up demand and the prospect of rising mortgage rates. The half point drop in mortgage rates since late August appears to have been welcomed with a rebound in permits in October.

The Forum generated a twelve month forecast for detached, single family building permits in El Paso County. The forecast for the next six months is shown in the adjacent chart. At the current rate, the forum expects there will be 2,963 permits in 2013, an increase of 259 over 2012. It is believed that local housing market will take off again in 2014 with a second round of pent up demand and an acceptance of mortgage rates in the mid 4.0 percent range. Allowing for additional permits in Mountain Shadows and Black Forest, single family permits are expected to increase by 10-15 percent in 2014.

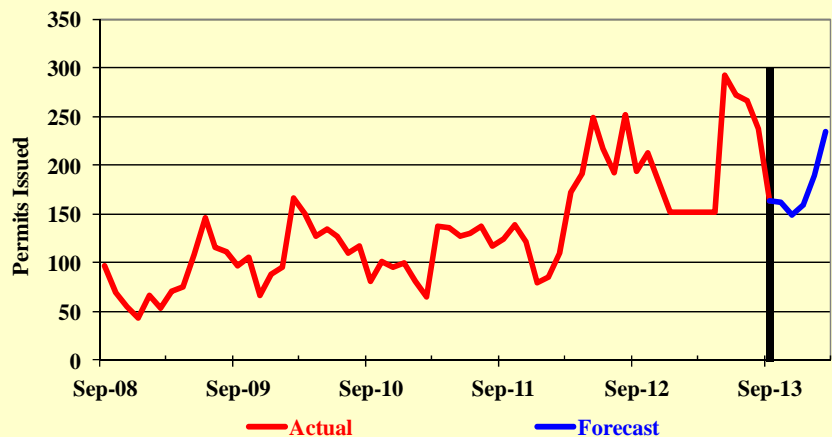
Townhome permit volume has been volatile in 2013. Through October, permits for 127 townhomes were issued compared to 147 through October 2012. At the current pace, it is unlikely there will be 200 townhome permits issues in 2013. The Forum continues to project there will be about 170 permits in 2013.

Single Family-Detached Building Permits in El Paso County



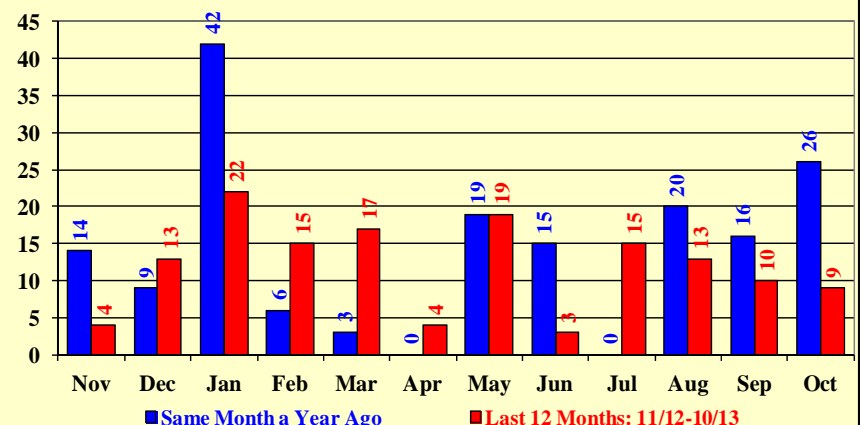
Source: Pikes Peak Rgl Bldg Dept, and UCCS Southern Colorado Economic Forum

Detached Single Family Permit Trends Actual and Forecast in El Paso County



Source: Pikes Peak Regional Bldg Dept, and UCCS Southern Colorado Economic Forum

Single Family-Townhomes Building Permits in El Paso County



Source: Pikes Peak Rgl Bldg Dept, and UCCS Southern Colorado Economic Forum

Despite the low number of townhome permits, the combination of detached and attached single family permit activity finished 2012 with 823 more units than were issued in 2011. Aside from the last three months, the prior nine months had more activity than the comparable month ago. As indicated in the single family detached discussion, the slowdown appears to be linked to the end of some pent up demand and a short lived rise in 30-year conventional mortgage rates.

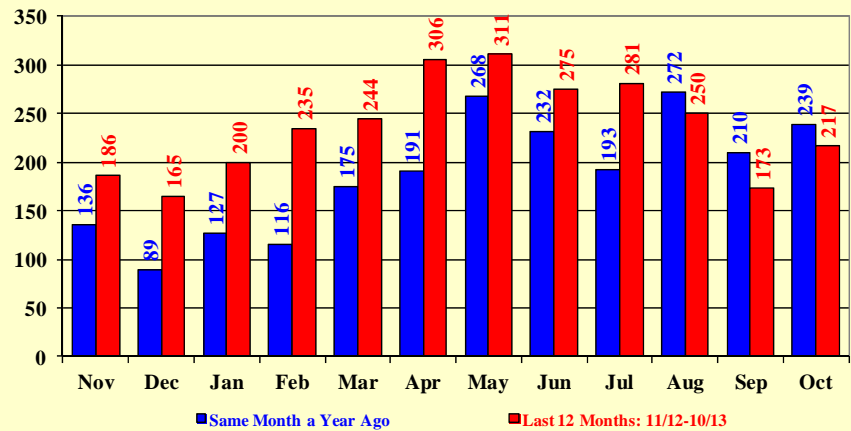
Permit activity started the year strong and has maintained the pace. It is expected to continue with an expected improvement in the local economy in 2014. Federal Reserve Chairman Ben Bernanke stated on July 10, 2013 that the Fed would continue to support the economy for the foreseeable future. As expected this showed up as a continued quantitative easing program. The likely new Chair of the Fed, Janet Yellen, also favors quantitative easing.

New multi-family housing permits are off to a third strong year in 2013 after similarly robust activity in 2012 (601 units) and 2011 (659 units). Multi-family strength is supported by:

1. the lack of multi-family construction during the recession
2. vacancies that declined to the 6 percent range
3. rising rents
4. investor interest in the Colorado Springs market

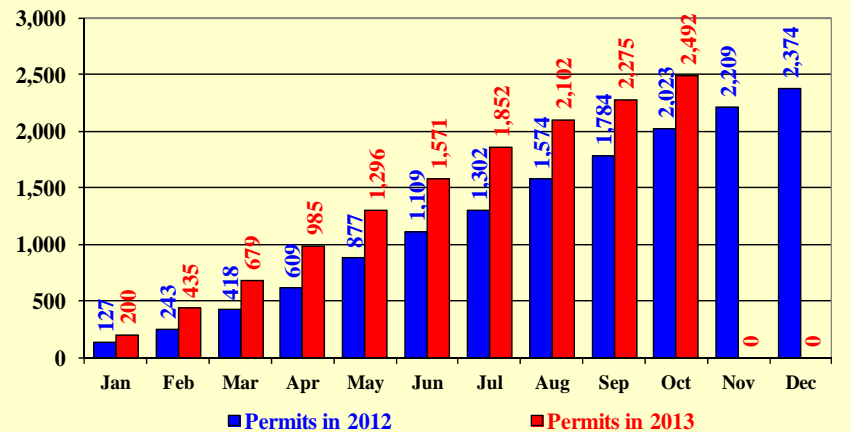
Through October, multi-family permits totaled 588 units. A handful more permits will put the county over 600 new units for the third consecutive year.

Single Family Detached & Townhomes Building Permits in El Paso County



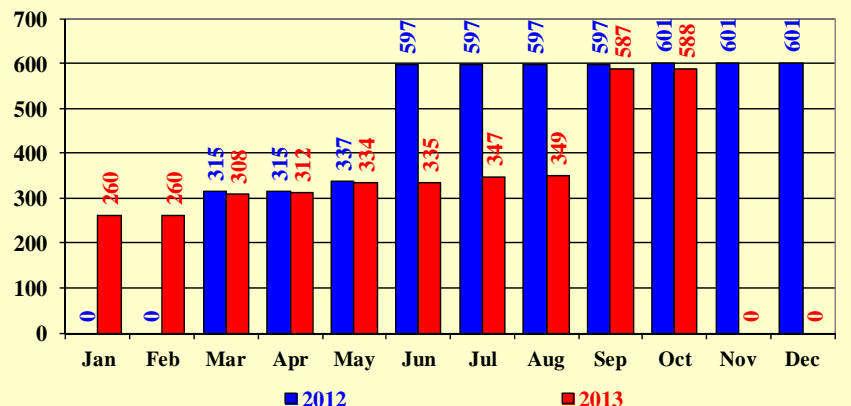
Source: Pikes Peak Rgl Bldg Dept, and UCCS Southern Colorado Economic Forum

Single Family Detached and Townhome Permits in El Paso County: Cumulative Comparison



Source: Pikes Peak Regional Building department and UCCS Southern Colorado Economic Forum

Multi-Family Housing Units in El Paso County - Year to Date Comparison



Source: Pikes Peak Rgl Bldg Dept, and UCCS Southern Colorado Economic Forum

Single Family Permit Forecast

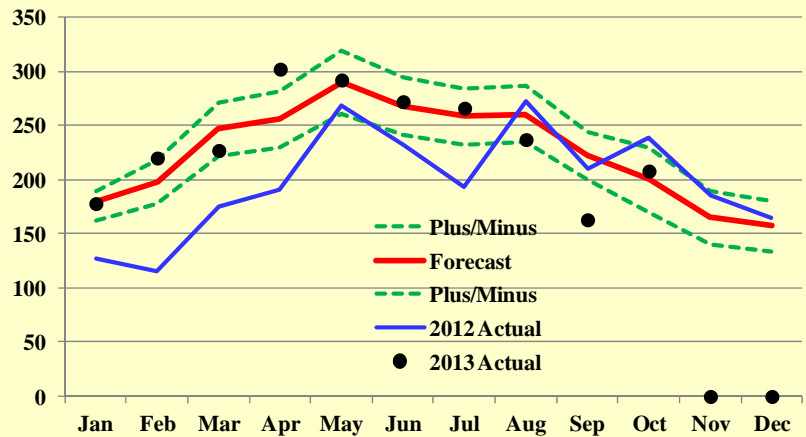
At the Sixteenth Annual Forum on September 28, 2012, the Forum forecast growth in single family home permits would be 6.5 percent in 2013. The forecast at the time was clouded by concerns over the fiscal cliff and how quickly construction would begin in Mountain Shadows. Congress has temporarily kicked the fiscal cliff down the road.

Recent global data suggests Europe has bottomed out and is beginning to grow slowly in 2013. Growth in China has picked up in the third quarter. Employment gains in the U.S. are improving. Initial claims for unemployment insurance continue to drop. The Federal Reserve has repeatedly assured financial markets it will continue to pursue an aggressive pro-growth monetary policy. Inflation concerns appear to be minimal. The emerging economic recovery made it appropriate to revise the 2013 forecast for single family permits in El Paso County.

The quarterly revised forecast has proven to be very reliable. The cumulative forecast through October 2013 was 2,369. The actual number of permits was 2,365. This is an error of four permits (-0.2%) for the first ten months of 2013.

The model calls for modest gains in 2014. The uncertainty of continued rebuilding in Mountain Shadows and initial rebuilding in Black Forest make it difficult to apply traditional forecasting techniques. Trying to allow for these unique situations, the Forum believes there will be an increase of 10-15 percent in single family permits in 2014. This would push single family permits over 3,000 in 2014.

Forecast of Monthly Detached Single Family Permits for 2013
El Paso County



Data Source: PPRBD. Forecast by UCCS Forum

Forecast - Detached Single Family Permits in El Paso County

Prior Forecast Review

Month	Low	Likely	High	Actual Permits	Error	Cum Error	Cum Error %
Jan 2013	162	180	189	178	-2	-2	-1.1%
Feb 2013	178	198	218	220	22	20	5.0%
Mar 2013	222	247	271	227	-20	0	0.0%
Apr 2013	230	256	281	302	46	46	5.0%
May 2013	261	290	319	292	2	48	3.9%
Jun 2013	241	268	295	272	4	52	3.5%
Jul 2013	232	258	284	266	8	60	3.4%
Aug 2013	234	260	286	237	-23	37	1.9%
Sep 2013	200	222	244	163	-59	-22	-1.0%
Oct 2013	162	190	219	208	18	-4	-0.2%
Forecast				Year Ago	Actual	Projected	Projected
Month	Low	Likely	High	Month	Permits	Growth	Growth %
Nov 2013	146	172	198	Nov 2012	182	-10	-5.5%
Dec 2013	135	159	183	Dec 2012	152	7	4.6%
Jan 2014	145	171	197	Jan 2013	178	-7	-3.9%
Feb 2014	170	200	230	Feb 2013	110	90	81.8%
Mar 2014	209	246	283	Mar 2013	227	19	8.4%
Apr 2014	225	265	305	Apr 2013	302	-37	-12.3%
May 2014	230	271	312	May 2013	292	-21	-7.2%
Jun 2014	210	247	284	Jun 2013	272	-25	-9.2%
Jul 2014	201	236	271	Jul 2013	266	-30	-11.3%
Aug 2014	194	228	262	Aug 2013	237	-9	-3.8%
Sep 2014	157	185	213	Sep 2013	163	22	13.5%
Oct 2014	167	197	227	Oct 2013	208	-11	-5.3%
Total	2,189	2,577	2,964	Total	2,589	-12	-0.5%

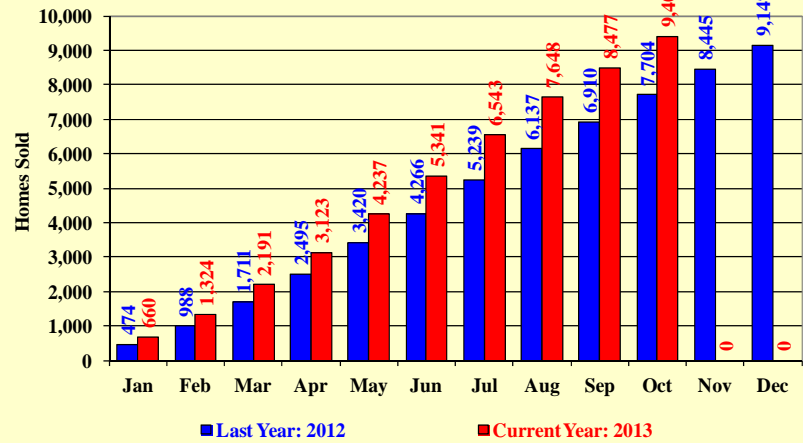
MLS Activity

The trend in home sales continues to improve. Through October, there were 1,702 (22.1%) more homes sold than the same period in 2012. While not a record pace, this is a significant departure from the weak sales trends over the last five years. Low inventory levels (listings) and slightly higher conventional mortgage rates may constrain sales growth for the balance of 2013.

The demand for housing appears to be increasing. Monthly home sales in the region were higher in all of the last 16 months compared to the prior 16 months. The Pikes Peak Association of Realtors reported there were 9,406 sales through October 2013. This is an increase of 1,702 home sales (22.1%). At the current pace, sales should be about 10,500 to 11,000 in 2013.

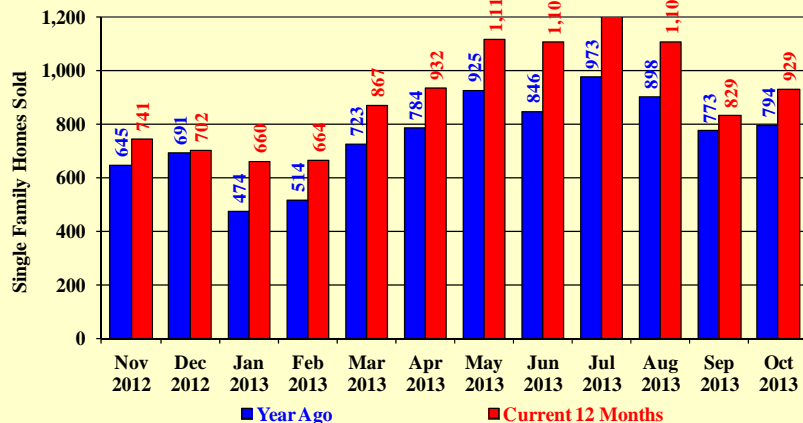
Since March of 2011 (the apparent turning point for listings), active listings of homes have been significantly lower than the year ago month. This changed in May and June of 2013. Currently, there are 400 more listings for October 2013 than there were in October 2012. This is believed to reflect a strengthening market and not an over supply of homes for sale. Higher demand and lower interest rates have helped push prices higher despite the increased number of listings.

**Year to Date Sales
(Pikes Peak Region)**



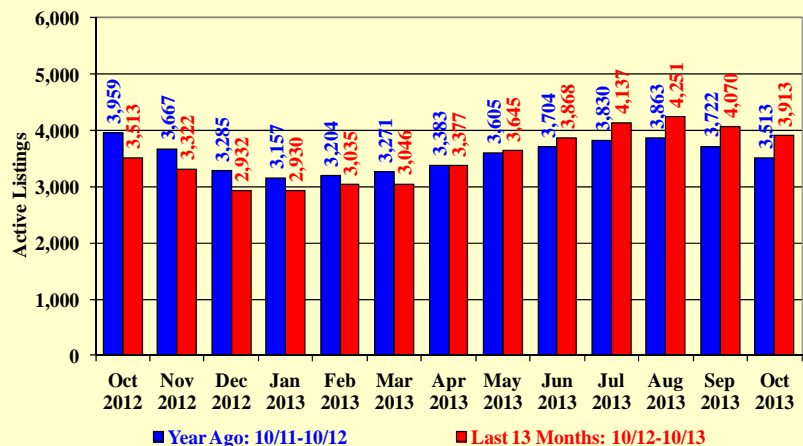
Source: Pikes Peak REALTOR Services Corp. and UCCS Southern Colorado Economic Forum

**Monthly Single Family Home Sales
(Pikes Peak Region)**



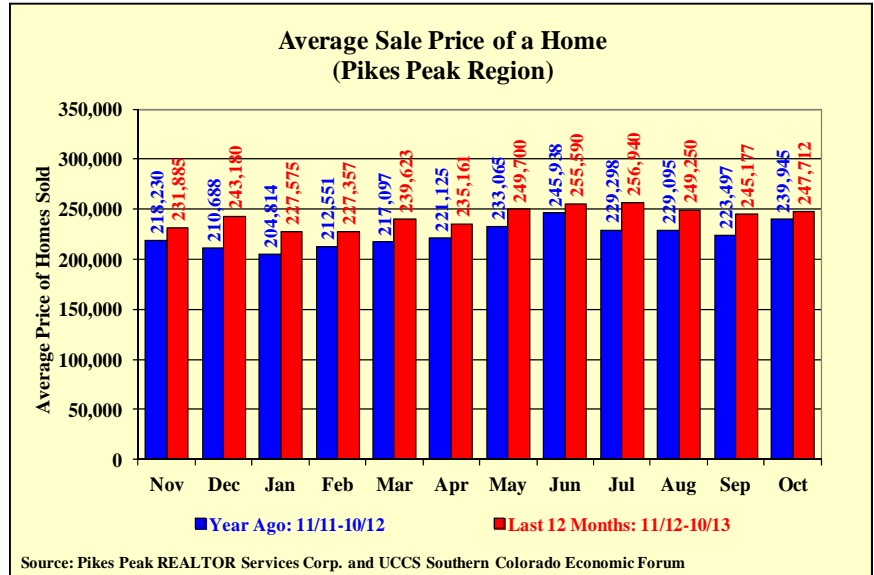
Source: Pikes Peak REALTOR Services Corp. and UCCS Southern Colorado Economic Forum

**Active Listings of Homes
(Pikes Peak Region)**

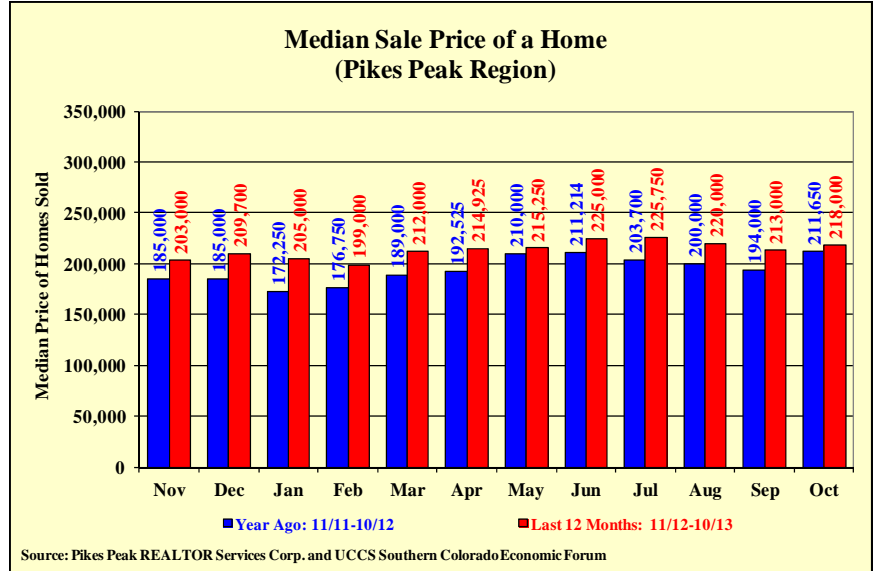


Source: Pikes Peak REALTOR Services Corp. and UCCS Southern Colorado Economic Forum

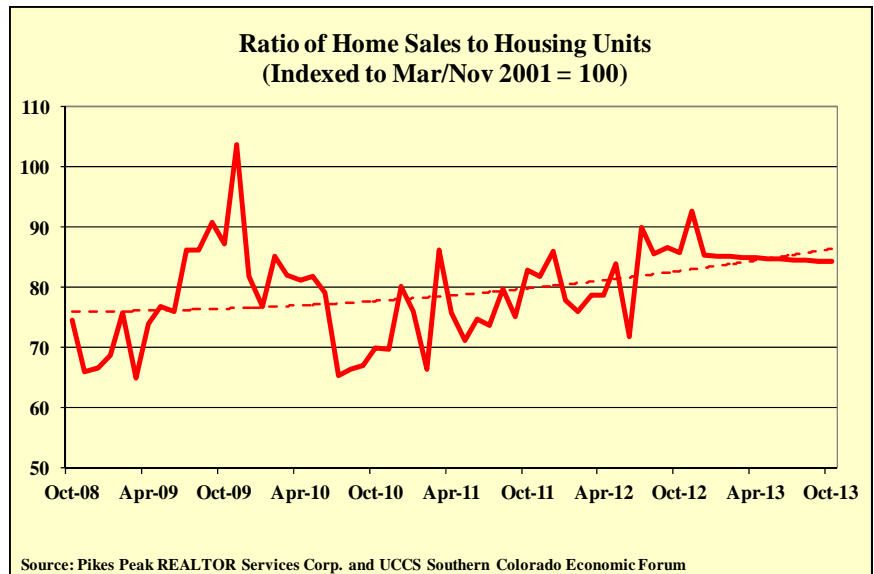
Prices of homes sold have been trending up since early 2011. The average price of a home sold through October was \$247,712. This is 3.2 percent higher than a year ago. It also follows an 11.6 percent increase for 2012 compared to 2011.



Trends in median prices of homes sold are behaving similarly to the average price trend. The median price of a home sold in October was \$218,000. This is 3.0 percent higher than a year ago. It also follows an 13.4 percent increase for 2012 compared to 2011.

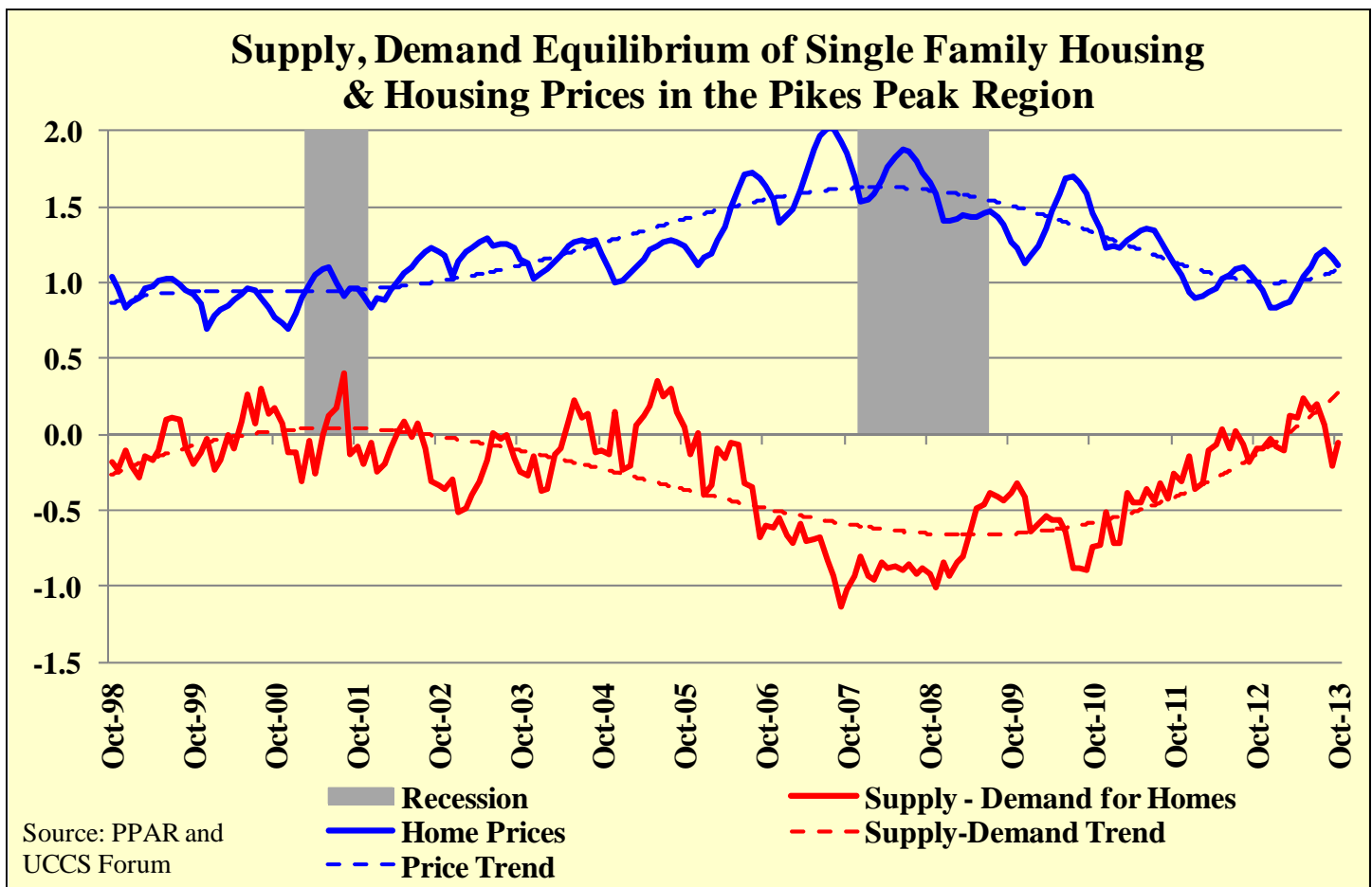


The ratio of homes sold to total single family homes in El Paso County has proven to be a good indicator of strength/weakness in housing. Spikes caused by home buyer tax credits can be seen in late 2009 and early 2010. The trend (dashed line) continues to suggest there is an improving local housing market compared to a flat/declining market over the last few years. The most recent value of the trend is approximately 16 percent higher than the it was during the recession in 2009.



Housing Price Equilibrium in the Region

The relation between supply and demand for private residential housing in the region was out of balance because of a significant oversupply in late 2006. This persisted through the middle of 2009. The excess supply of housing contributed to declines in housing prices (blue line) through the end of 2008. Tax credits stimulated an increase in demand through the first half of 2010. Since then, market forces appear to have driven supply/demand to equilibrium since June 2012. The movement toward supply/demand balance (red line) was noted in the last several issues of the *QUE*. The expected increase in prices (blue line) has taken place. Continued improvement in housing prices will depend on low mortgage rates and income and job growth. The bad news is mortgage rates are heading up and job growth is struggling.



Explanation of Data and Process

The Forum was asked to study the effect demand and supply of single family housing has on housing prices. The Forum gathered monthly demand, supply and price data from the Pikes Peak Association of REALTORS® and its Pikes Peak REALTOR® Services Corporation (RSC) for this study. Demand was identified as actual sales reported by RSC. Supply was identified as the number of active listings by RSC. Price is the average price of an MLS facilitated sale in the region. Demand, supply and price data were seasonally adjusted and indexed. If sustained demand exceeded supply the excess demand would suggest prices would trend upward. If sustained demand is less than supply, the excess supply would suggest prices would trend downward. If trends in supply and demand of housing were roughly equal, prices should behave “normally” with limited plus and minus variations around an upward price trend. Pricing equilibrium takes place on the graph at the horizontal “1” value. Relative supply/demand equilibrium tends to be observed in a band +/- 0.25 around “0.”

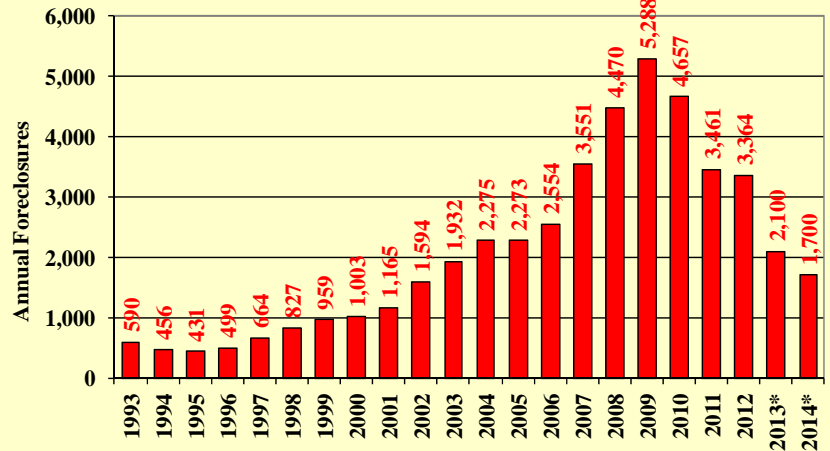
Foreclosures

Foreclosures continue to trend downward. As with other recent housing trends, this suggests the local housing market is improving. The return of Fort Carson troops from deployments in the middle east might contribute to another drop in foreclosures. The effect of sequestration at Fort Carson, and its impact on housing is not known. At the current trend, foreclosures in 2013 are expected to decline, perhaps to 2,000-2,400.

El Paso County foreclosure proceedings per 1,000 single family homes continue to decline from the peak in 2009. The Forum's latest foreclosure proceedings forecast ratio points to about 11 foreclosures per 1,000 single family homes in 2013. This is a much healthier foreclosure market that compares well with the foreclosure market that existed in the early 2000's.

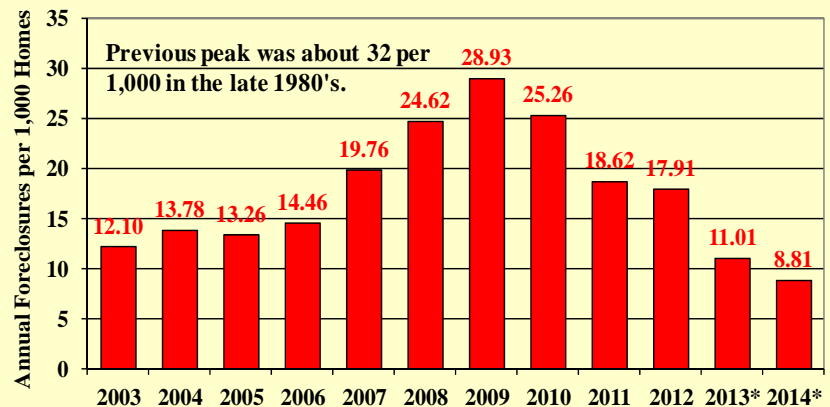
An alternative view that supports an improving trend in the area's single family housing market is illustrated in the chart to the right. New residential permits and foreclosures are inversely related. After peaking in mid 2009, foreclosures have trended down. Single family permits bottomed out in 2009 before beginning to increase slowly. The downward trend in foreclosures through 2012 was accompanied by an increase in new permits. This is expected to continue into 2014.

El Paso County Foreclosure Proceedings



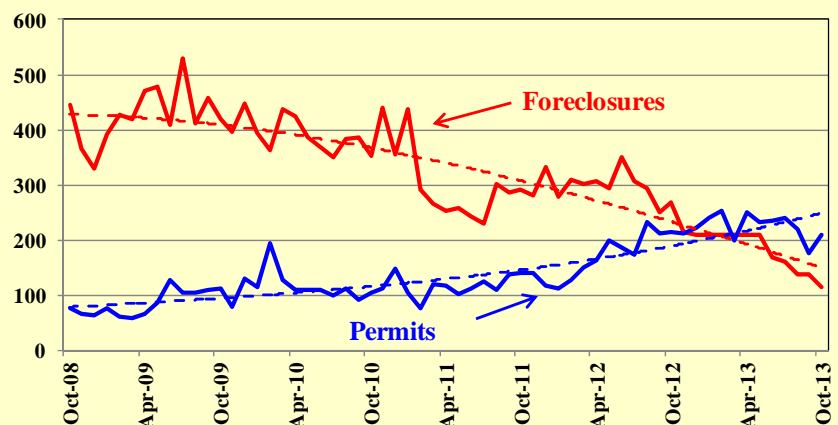
Source: El Paso County Public Trustee and UCCS Southern Colorado Economic Forum.
*2012 are projections by the Forum.

El Paso County, Foreclosure Proceedings per 1,000 Single Family Homes (Detached + Townhomes)



Source: El Paso County Public Trustee and UCCS Southern Colorado Economic Forum
*Projection

Detached Single Family Permits and Initiated Foreclosure Proceedings in El Paso County (Seasonally Adjusted)



Source: El Paso County Trustee, PPRBD and UCCS Forum

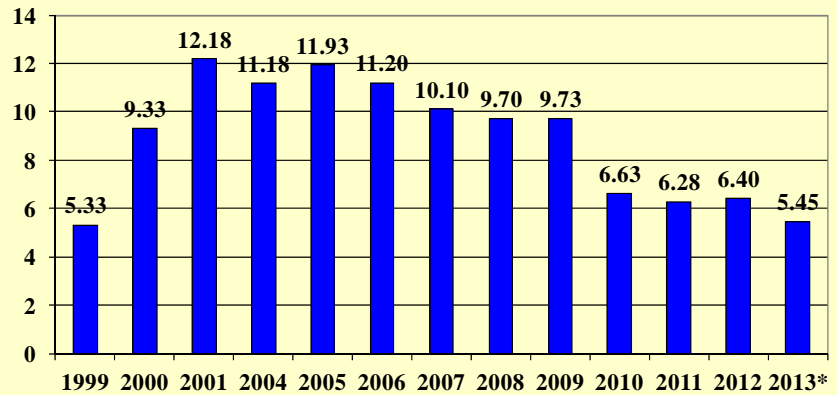
Multi-family Market

The market for multi-family housing remains tight. The third quarter vacancy report from the Colorado Division of Housing states that multi-family vacancy is 5.4 percent. This points to a shortage of available rental units. The increase in demand contributed to an increase in rents from \$787 a year ago to \$830 in the third quarter. Recent and planned multi-family permit activity will alleviate some of the pressure on this market. However, it is not expected to offset the increase of troops at Fort Carson who will be at the base rather than being deployed in the middle east. The market for multi-family housing is expected to remain tight through 2013 and into 2014.

A large unknown about multi-family housing in 2013 is the effect federal budget cuts will have on the number of active military stationed at the region's bases. The Department of Defense examined a scenario in which troop levels at Fort Carson might be reduced by 8,000. Some cuts can be expected. If cuts do occur, they may take place over several years.

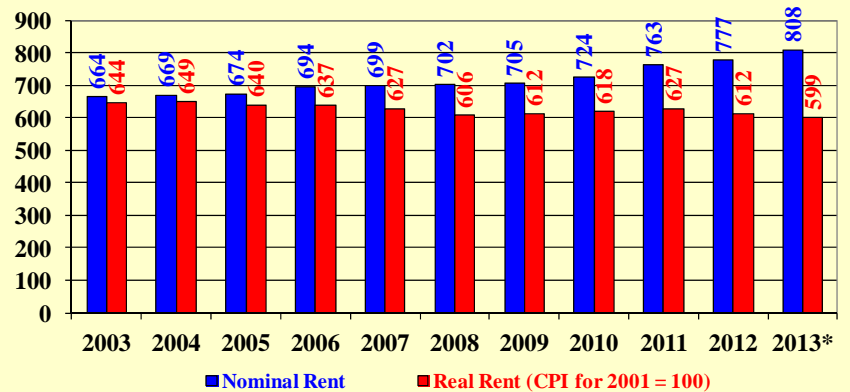
Alternatively, Fort Carson might see an increase of 3,000 troops as part of the sequestration process. This scenario was also considered by the Department of Defense. If this happens, the market for multi-family housing would be expected to tighten over the next nine months. Another factor that merits attention is the growth in student enrollments at UCCS. Enrollments in the fall 2013 semester were over 10,800 students. This affected apartment demand around the campus.

Multi-Family Annual Vacancy Rates in El Paso County



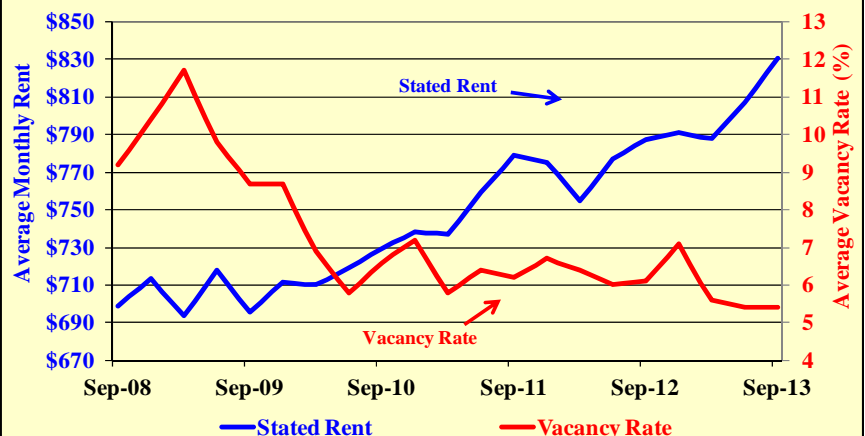
Source: Colorado Division of Housing
*Estimate by UCCS Forum

Annual Nominal & Real Multi-Family Rents in El Paso County



Source: Colorado Division of Housing
*Estimated by the Forum

Monthly Apartment Rents and Vacancy Rates in El Paso County



Source: Colorado Division of Housing, UCCS Forum estimated for latest quarter

Colorado Springs Airport Trends

Enplanements at the Colorado Springs Airport continued a downward trend. This is believed to be the result of:

1. realignment of airline routes
2. the slow economy
3. decline in business travel
4. weak tourism activity
5. high fuel prices
6. fewer strategic carriers
7. reduced flights.

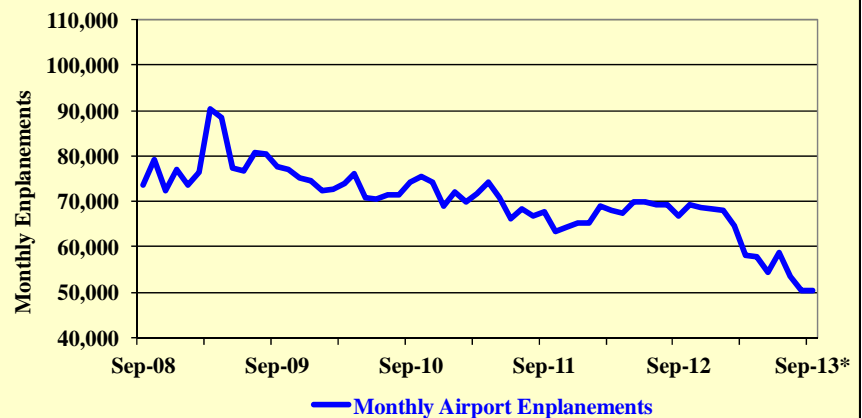
Frontier Airlines announced in February 2012 that it would offer four new non-stop routes from Colorado Springs to Phoenix, Los Angeles, Portland and Seattle. This proved to be a short-lived reprieve for the airport.

Frontier announced in January 2013 that it would only keep the Phoenix and Los Angeles routes. It has since terminated all service at the airport.

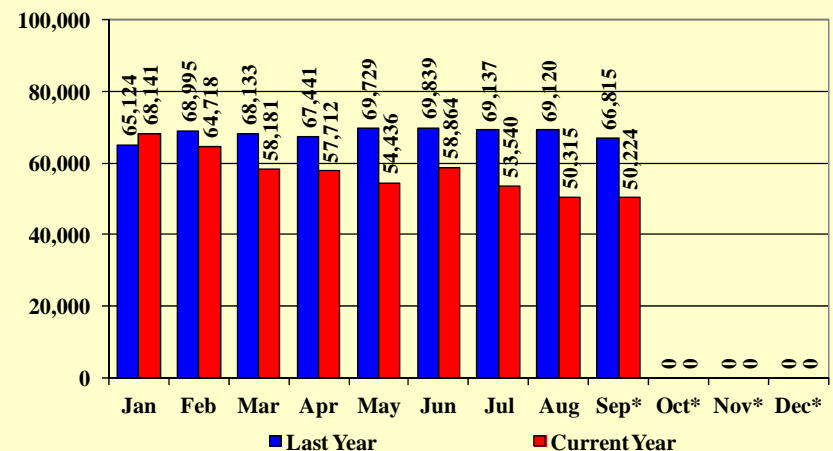
Without new carriers or replacement routes, enplanements at the airport will decline in 2013. A decline of 15-20 percent is likely.

Steve Bach, Mayor of Colorado Springs, announced the formation of an Airport Air Service Task Force. The task force is charged with finding ways to improve service, the frequency of flights and destinations, and airport financial operations. The Air Service Task Force is expected to complete its analysis and make its recommendations by the end of 2013.

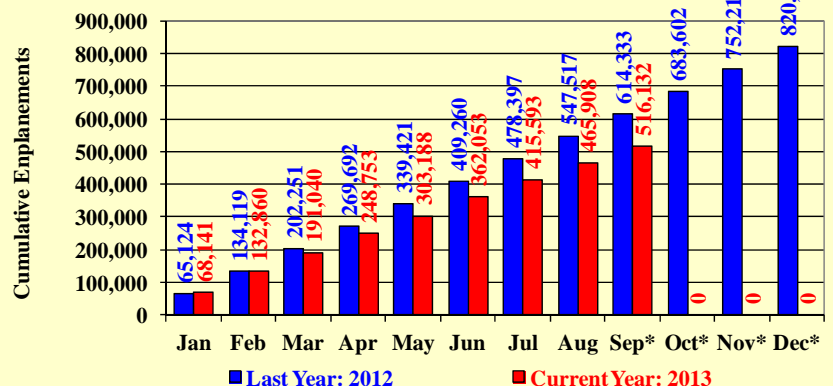
Enplanement Trends at Colorado Springs Airport (Seasonally Adjusted)



Colorado Springs Airport Enplanements Monthly Comparisons: Current & Previous Year



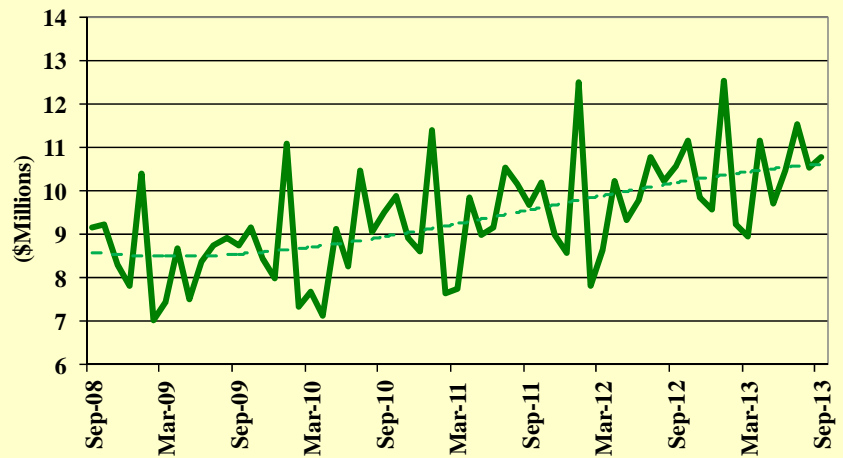
Colorado Springs Airport Enplanements Year to Date Comparison



Colorado Springs Sales Taxes

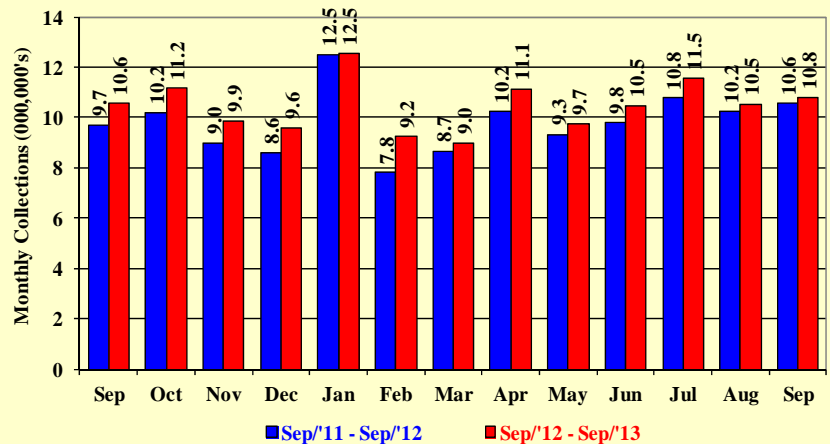
Despite the increase in payroll taxes that took effect in January 2013, consumers are finding ways to spend more of their money. The largest percentage increases were in hotels, building materials—furniture, appliance and electronics, utilities and medical marijuana. The latest collection figures point to a general increase in sales tax collections across most categories that are reported by Colorado Springs. A year-to-date comparison indicates sales tax collections are 6.2 percent higher than in 2012. The caveat to this indicator is the large increase in sales tax collections from refurbishing and rebuilding homes that were damaged or destroyed in the recent forest fires in the area. These are not sustainable contributors to growth in sales tax collections.

Colorado Springs
2% Monthly Sales Tax Collections



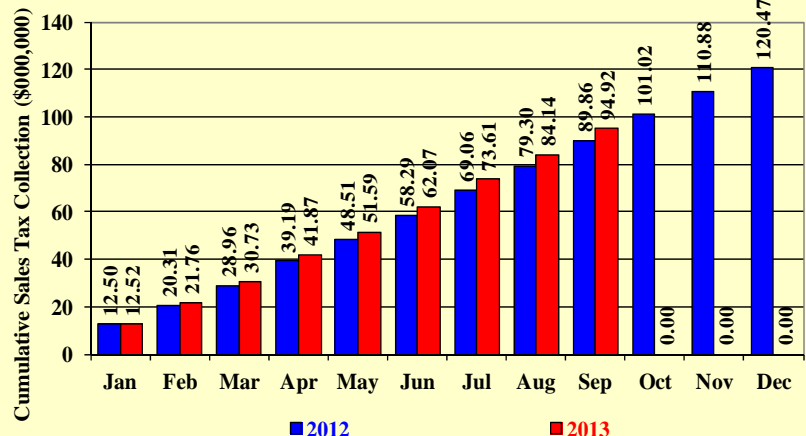
Source: City of Colorado Springs and UCCS Southern Colorado Economic Forum

Sales Tax Collections City of Colorado Springs



Source: City of Colorado Springs and UCCS Southern Colorado Economic Forum

Colorado Springs Cumulative Sales Tax Collections:
Prior and Current Year



Source: City of Colorado Springs and UCCS Southern Colorado Economic Forum

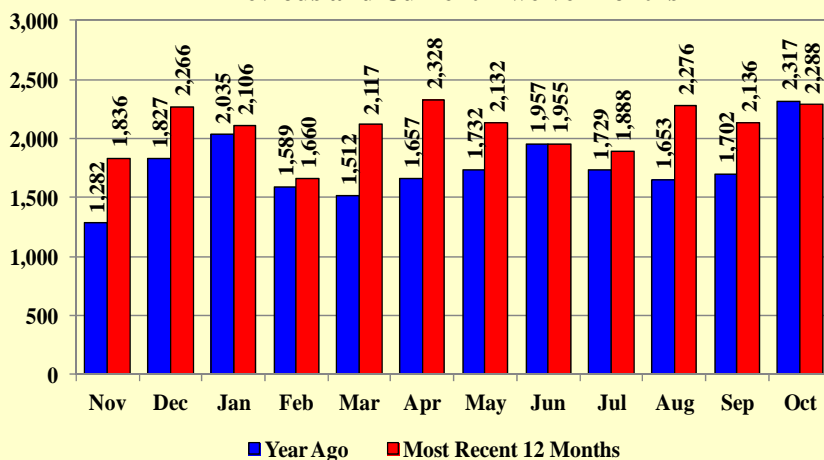
New Car Registration Trends

Registrations reflect a two month lag from the time a vehicle is sold until it is registered. As with most other indicators that the Forum monitors, new vehicle registrations in El Paso County bottomed out around the first quarter of 2009.

Increased new car sales and registrations are believed to reflect rising consumer sentiment, the return of troops at Fort Carson and a pent up demand that developed over the last several years. The average age of a vehicle in the U.S. is 11.4 years. Registrations have been higher in 11 of the last 12 months vs. year ago registrations. Registrations in 2012 were up 24.1 percent over 2011. The trend is continuing in 2013. Through October, registrations are up 16.8 percent (3,003 vehicles). New registrations through October 2013 were 20,886 compared to 17,883 through October 2012.

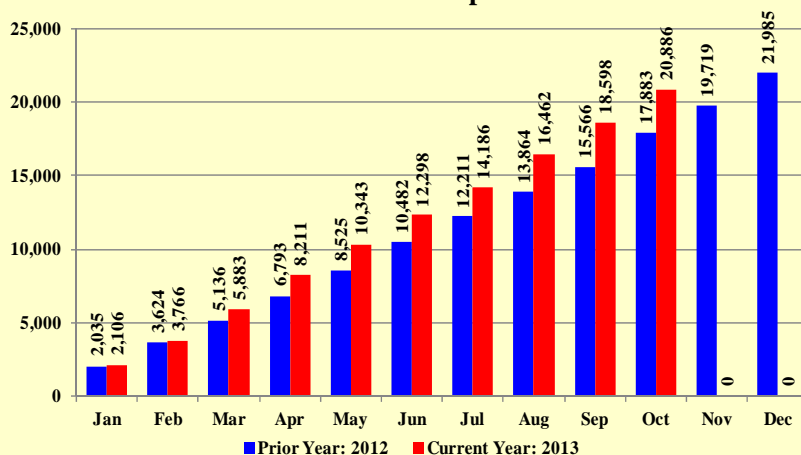
An alternative measure of the strength in new vehicle registrations is registrations per capita. The three month moving average number of new vehicle registrations was 135.4 per 1,000 residents (July-September). This is 15.8 percent higher than the average for July-September 2012 (116.9 new vehicle registrations per 1,000 residents).

**New Vehicle Registrations in El Paso County:
Previous and Current Twelve Months**



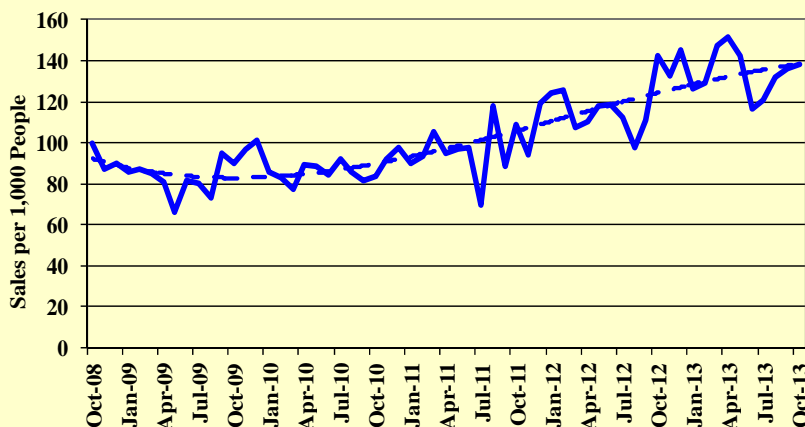
Source: El Paso County Clerk and Recorder and UCCS Forum

**New Vehicle Registrations In El Paso County
Year to Date Comparison**



Source: El Paso County Clerk and Recorder and UCCS Southern Colorado Forum

**Monthly, Per Capita New Vehicle Registrations
in El Paso County, SA & Indexed: 12/07-6/09 = 100**



Source: El Paso County Clerk and Recorder, CO DOLA and UCCS Southern Colorado Economic Forum

Employment Trends and Wages

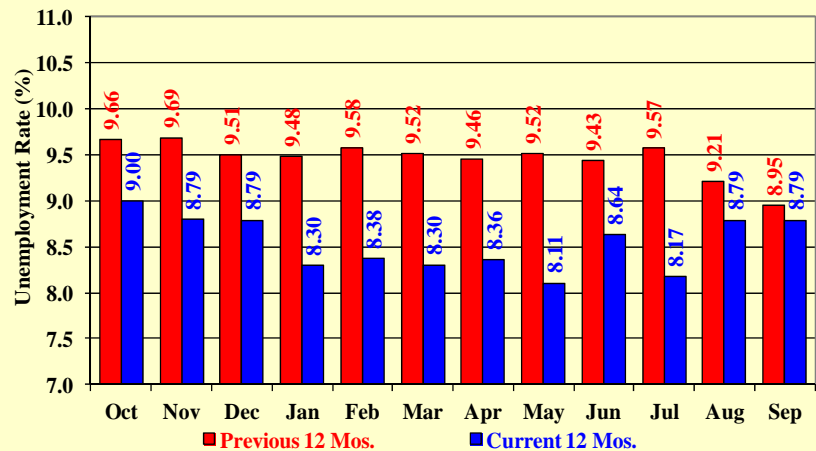
The preliminary seasonally adjusted unemployment rate for September was 8.79 percent (8.0% non-seasonally adjusted). The increase since July is attributed to declines in tourism related jobs that were lost because of the national attention the area received from coverage of the Black Forest fire and flash floods in the summer. The lack luster employment growth has been a continuing drag on the local economy.

While the improvement in local unemployment rates is welcome, it should be noted that employment in El Paso County continues to be well below the levels experienced in 2007. Employment in September 2013 is 12,704 lower than the peak employment level of 290,544 in September 2007.

Put into context, the county's population grew approximately 67,000 since 2007. A population increase of 67,000 would normally translate to an increase in the labor force of 33,000. The labor force actually shrank by 6,305 from its peak of 308,305 in June 2009. The effective decrease of 39,305 (33,000 + 6,305) indicates there is a large number of people who are no longer looking for work. Nevertheless, employment levels are improving, albeit very slowly.

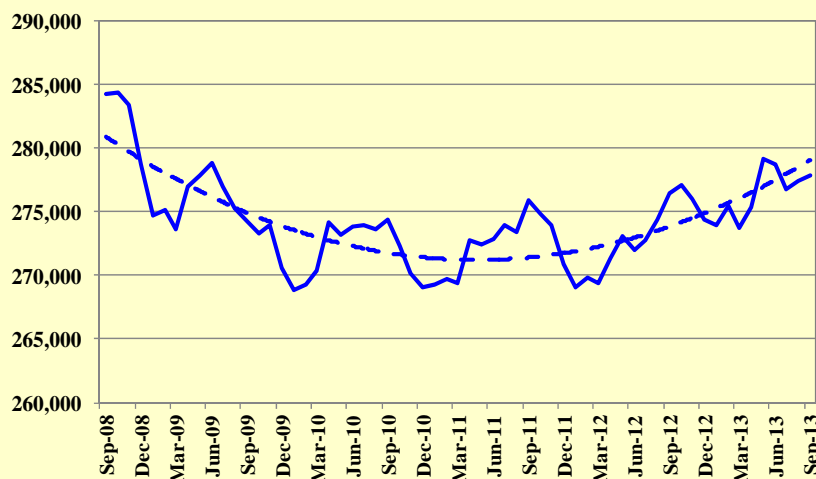
The department of labor revised its labor force and wage data. Based on the revisions, aggregate real wages in 2012 were unchanged from 2011. Through September 2013, the Forum estimated aggregate real wages decreased approximately 3 percent since January. This number will be revised in the next several months. Revisions aside, it would appear employment gains are in low wage positions.

El Paso County Unemployment Rate:
(Seasonally Adjusted)



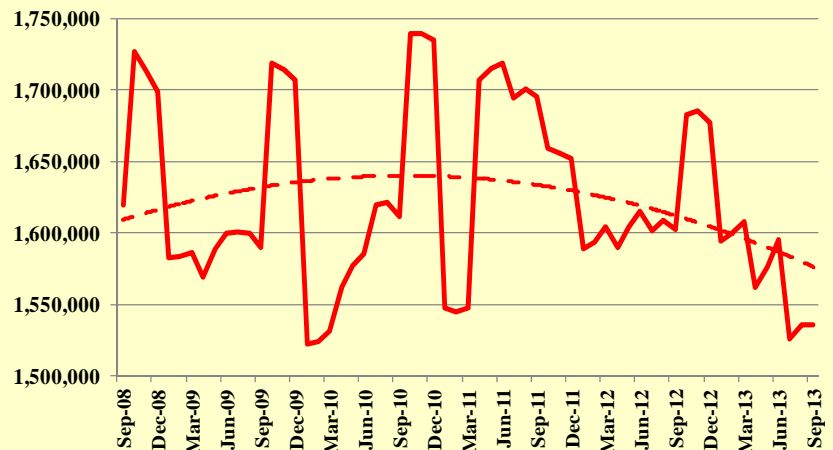
Source: CO LMI and UCCS Forum

Employment Trends in El Paso County



Source: CO LMI and UCCS Forum

Total Monthly Real Wages in El Paso County (000's)



Source: Colorado LMI and UCCS Forum.
July 2012 - December 2012 values were estimated by UCCS Forum.

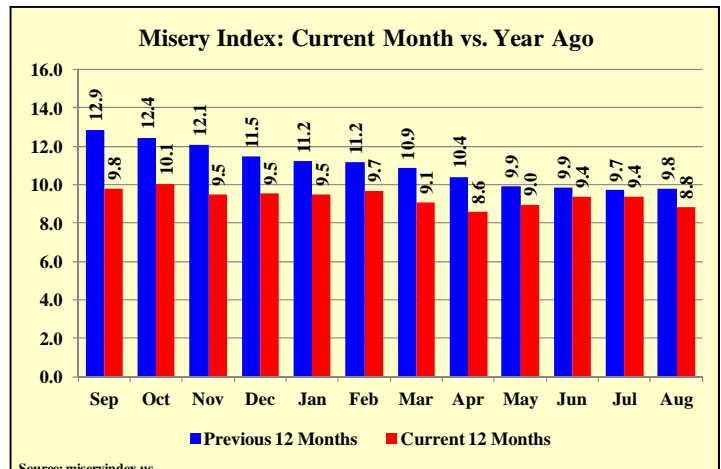
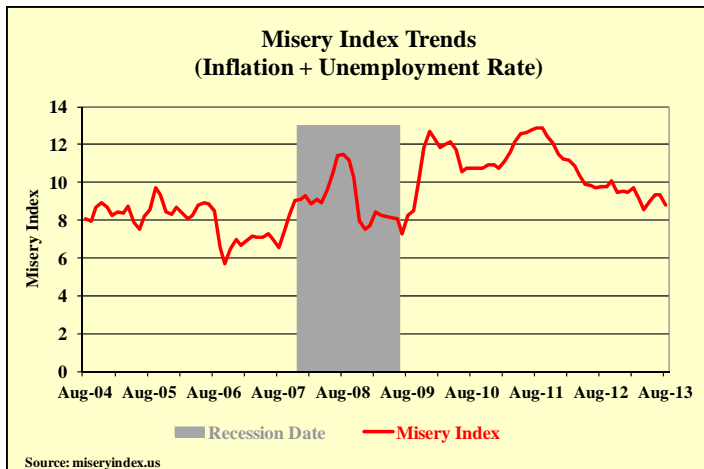
National Expectations

The Federal Reserve Bank of Philadelphia August 2013 *Survey of Professional Economists* (<http://www.philadelphiafed.org/index.cfm>) points toward an improving national economy. Slowly improving employment conditions, higher GDP and industrial output are expected over the next twelve months. Inflation is anticipated will be about 1.9 percent. Higher interest rates are expected to accompany the growing demand for money as the economy expands. Concern about a near-term recession is waning. New residential construction is expected to continue to contribute to growing economy. Real growth in GDP is expected to be in the 2.6 percent range.

Annualized Rate for					
	Q3-13	Q4-13	Q1-14	Q2-14	Q3-14
10-Year T-Bond Rate (%)	2.60	2.62	2.70	2.81	2.96
3-Month T-Bill Rate (%)	0.10	0.10	0.10	0.10	0.10
AAA Corp Bond Rate (%)	4.36	4.40	4.46	4.51	4.60
New Private Housing Starts (Annualized Rate Millions)	0.96	1.00	1.06	1.11	1.16
Industrial Production Index (2007=100)	99.6	100.4	101.1	102.0	102.8
CPI Annual Rate %	2.0	1.7	1.8	1.9	2.1
Real GDP Growth %	2.5	2.3	2.7	2.9	2.9
Unemployment Rate %	7.4	7.3	7.2	7.1	7.0
Employment Growth					
Nonfarm Payroll Employment Growth (000's)	169.4	178.6	171.2	185.4	181.4
Nonfarm Payroll Employment Growth (%)	1.5	1.6	1.5	1.6	1.6
Likelihood of Decline in Real GDP					
Mean Likelihood of a Decline in Real GDP (%)	11.2	11.7	11.5	11.8	na

Misery Index

The Misery Index, a consumer economic wellness measure (www.miseryindex.us), defines consumer misery as the sum of the rates of unemployment and inflation. The lower left chart illustrates the historical values for the last ten years through August 2013. The index proved to be better than anticipated because inflation was about 1.6 percent and unemployment dropped slightly to 7.3 percent. Current conditions in the economy suggest inflation will be around 2 percent and the unemployment rate is likely to continue to decline. Together, they are expected to produce a misery index in the 9 percent range over the next few months. Significant changes in the index require a drop in the unemployment rate to the 6 percent range.





Selected Economic Indicators													
National Quarterly Data			2012 Q4			2013 Q1			2013 Q2			2013 Q3	Change vs. Yr Ago
Ttl Loans/Lease Charge-off Rate %			0.92			0.87			0.77			na	-0.40
Loan Delinquency Rate %			4.65			4.41			4.16			na	-0.99
Benefit Costs SA 2005=100			118.6			119.1			119.6			na	2.20
Compensation Costs SA 2005=100			117.3			117.8			118.5			na	2.20
Total Retail Sales NSA (billions)			1104.6			1116.5			1126.5			1139.7	61.08
e-Sales NSA (billions)			72.1			58.1			60.2			na	9.35
e-Sales as % of Retail Sales			6.5%			5.2%			5.3%			na	0.007
GDP Real % Growth SA			0.1%			1.1%			2.5%			2.8%	0.000
Household Debt Service Ratio			10.3%			10.5%			0.0%			na	-0.11
National Monthly Data	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Change vs. Yr Ago
Capacity Utilization SA	77.00	77.90	77.80	77.70	78.10	78.20	77.90	77.90	77.90	77.70	77.90	78.30	1.10
Car & Lt Trk Sales Millions SA	14.33	15.26	15.18	15.18	15.31	15.27	15.16	15.43	15.83	15.74	16.03	15.21	0.49
Cons Sent (1966=100) SA	82.6	82.7	72.9	73.8	77.6	78.6	76.4	84.5	84.1	85.1	82.1	77.5	-0.8
CPI-U 1982-84=100 SA	231.62	231.07	231.14	231.20	232.77	232.34	231.49	231.83	232.94	233.32	233.53	233.95	1.2%
Federal Funds Rate (Effective)	0.16%	0.16%	0.16%	0.14%	0.15%	0.14%	0.15%	0.11%	0.09%	0.09%	0.08%	0.08%	-0.06%
Gasoline Price per Gal. of Regular	3.75	3.45	3.31	3.32	3.67	3.71	3.57	3.62	3.63	3.59	3.57	3.53	-\$0.32
Ind Production (1997=100) SA	96.84	98.11	98.15	98.17	98.83	99.08	98.80	98.93	99.15	99.07	99.48	100.04	3.09
Inventory/Sales Ratio SA	1.30	1.29	1.29	1.30	1.29	1.30	1.30	1.29	1.29	1.29	1.29	na	-0.01
Mtg Rate, 30 Yr Conventional NSA	3.38	3.35	3.35	3.41	3.53	3.57	3.45	3.54	4.07	4.37	4.46	4.49	0.99
Prime Rate (%) NSA	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	0.00
Purch Mgr Index SA	51.70	49.90	50.20	53.10	54.20	51.30	50.70	49.00	50.90	55.40	55.70	56.20	4.60
Real Rtl/Food Svc Sales SA (billions)	411.94	413.44	414.65	415.13	419.51	418.23	418.97	421.02	423.84	425.47	426.34	425.88	13.32
S&P500	1444.5	1427.6	1416.2	1462.4	1513.2	1518.2	1562.2	1582.7	1630.7	1615.0	1706.9	1633.0	226.4
Tech Index SA - Mar 2001 = 100	107.5	108.2	107.1	105.5	105.4	105.6	108.35	109.97	109.51	106.57	105.96	105.67	-0.4
Trade Weighted Dollar	72.8	73.7	73.2	73.7	74.7	76.3	76.4	77.1	76.4	77.4	76.5	76.2	3.6
West Texas Oil Spot Price NSA	89.5	86.5	87.9	94.8	95.3	92.9	92.0	94.5	95.8	104.7	106.6	106.3	11.8
Colorado Data	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Change vs. Yr Ago
Denver-Boulder CPI SA (est)	231.54	232.68	233.81	233.81	233.81	233.81	233.81	233.81	233.81	233.81	233.81	233.81	0.24%
Kansas City Fed Mfg Index (NSA)	121.2	119.0	125.0	120.9	109.2	111.8	113.0	118.6	109.6	128.4	138.6	125.0	125.0
Labor Force NSA (000's)	2,766	2,744	2,742	2,741	2,753	2,740	2,746	2,763	2,799	2,786	2,781	2,771	11.6
Labor Force SA (000's)	2,744	2,746	2,748	2,754	2,762	2,763	2,767	2,775	2,777	2,771	2,765	2,761	18.9
Employment NSA (000's)	2,561	2,543	2,536	2,533	2,544	2,540	2,559	2,575	2,586	2,594	2,595	2,591	35.7
Employment SA (000's)	2,532	2,537	2,541	2,552	2,563	2,567	2,576	2,583	2,583	2,574	2,572	2,570	14.7
Unemployment Rate NSA	7.4%	7.3%	7.5%	7.6%	7.6%	7.3%	6.8%	6.8%	7.6%	6.9%	6.7%	6.5%	-0.9%
Unemployment Rate SA	7.7%	7.6%	7.5%	7.3%	7.2%	7.1%	6.9%	6.9%	7.0%	7.1%	7.0%	6.9%	-1.0%
Colorado Springs Data	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Change vs. Yr Ago
Business Conditions Index SA	116.43	114.18	114.94	113.24	113.71	111.90	114.33	113.45	111.76	112.00	111.97	108.18	-3.1
Co Spgs Airport Boardings SA	69,269	68,611	68,351	68,141	64,718	58,181	57,712	54,436	58,864	53,540	50,315	50,224	-18,033
Foreclosures SA	304	207	220	214	180	155	173	165	162	166	154	138	-114
New Car Registrations SA	2,182	2,033	2,235	1,946	1,988	2,274	2,342	2,209	1,805	1,871	2,049	2,123	431
Sales & Use Tax (\$million) SA	11.040	10.915	11.070	10.881	11.452	11.292	11.996	11.126	11.644	10.978	10.958	11.337	0.358
Single Family & TH Permits SA	246	229	235	253	275	220	262	249	239	245	228	181	-41
Labor Force NSA (000's)	303.2	301.3	300.6	300.4	301.8	299.6	299.6	303.1	306.6	302.2	301.6	na	-0.36
Employment NSA (000's)	277.1	276.0	274.4	274.0	275.5	273.8	275.4	279.2	278.7	276.8	277.4	na	2.99
Unemployment Rate NSA	8.6%	8.4%	8.7%	8.8%	8.7%	8.6%	8.1%	7.9%	9.1%	8.4%	8.0%	na	-1.1%
Unemployment Rate SA	9.0%	8.8%	8.8%	8.3%	8.4%	8.3%	8.4%	8.1%	8.6%	8.2%	8.8%	na	-0.4%



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The Southern Colorado Economic Forum (SCEF) is part of the College of Business outreach to the Colorado Springs Community. The Forum gathers, analyzes and disseminates information relevant to the economic health of the region. Through its efforts, the Forum has gathered a number of unique data sets. The Forum and its staff are available for fee-for-service work to analyze business situations, develop forecasts, conduct and analyze surveys and develop solutions to other business problems you may have. Examples of prior work include Small Area Forecast for the Pikes Peak Area Council of Governments, Colorado Springs Airport Passenger Survey, exit survey for La-Z-Boy, a Community Audit for the Pikes Peak Workforce Center and the Data Mining Project for the Colorado Workforce Centers. If you would like additional information about how the Forum can assist you, contact Fred Crowley at (719) 255-3531 or e-mail at fcrowley@uccs.edu.

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