

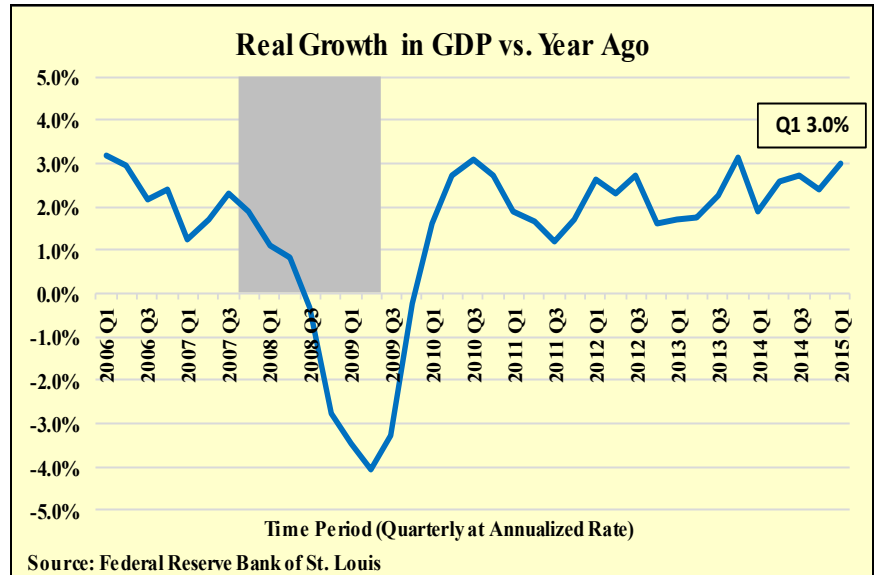
Quarterly Economic Update

1st Quarter, 2015 Data
Posted May 2015
Tatiana Bailey - Director

THE BIG PICTURE¹

U.S. Quarterly GDP

GDP for the first quarter of 2015 compared to Q1 from a year ago is up 3%. In the context of a negative GDP growth rate during the recession (gray block on the graph), a positive 3% rate is good news. Of particular interest is the fact that there has been an overall, steady upward trend since Q3 of 2011. If we look at the data a little differently, and measure GDP growth just from Q4, 2014 to Q1, 2015 and annualize that rate, GDP growth is quite modest at only 0.2%. The most commonly cited reasons for this is a harsh winter in much of the country, a strong dollar which increases imports and decreases our exports, cheaper oil which hurts our domestic oil production, west coast port disputes, and weak growth in Asia.



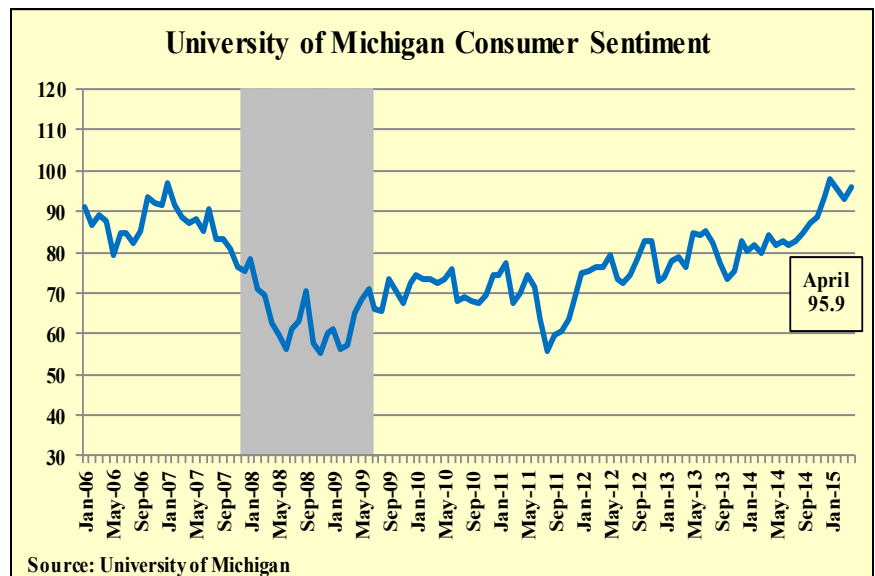
GDP: The monetary value of all of the finished goods and services produced within a country's border in a specific time period. Figures are seasonally adjusted and annualized.

$$GDP = C + G + I + NX$$

where "C" is consumer spending, "G" is government spending, "I" is all business spending on capital and "NX" is net exports, which is exports minus imports.

U.S. Consumer Sentiment

Consumer sentiment is a very important indicator because approximately 2/3 of all economic activity (as reflected by GDP) comes from personal consumption, which is also called consumer spending. As with virtually all economic indicators, there has been a marked increase since the recession. What is noteworthy more recently is that consumer sentiment is now above pre-recessionary levels. As recently as last summer, consumer sentiment was still in the 80s range, but in April of this year the U.S. consumer sentiment jumped to 95.9. This bodes well for home buying as well as the purchase of most other goods and services.



¹ The Forum is no longer publishing the BCI table because most of that data is already included in other sections of the quarterly updates in an easier-to-understand graphical format, which also includes a write-up. There were a few metrics that were not included separately, and those are now included in the same format as all other economic data (graph plus write-up).

THE BIG PICTURE (cont.)

Colorado Springs Annual GMP

The Forum is now tracking GMP, or gross metropolitan product. It is basically the same as GDP but for a defined geographic region. This data is also produced by the Bureau of Economic Analysis and the data shown here is for the Colorado Springs MSA. Again we see an upward trend since the recession and that increasing function appears to be continuing. Some comparable data for two other MSAs is included.

Kansas City Fed Manufacturing

This index provides information on current manufacturing activity in the Tenth Federal Reserve District as reflected by a survey of manufacturers. Survey results reveal changes in several indicators of manufacturing activity, including production and shipments, as well as changes in prices of raw materials and finished products. More recently, this index for the seven regions (CO, KS, NE, OK, WY, western MS and northern NM) has been declining in the past few months mostly due to declines in oil and gas well drilling.

El Paso County Real Wages

Real wages in El Paso County have been relatively flat since 2006, which is troubling. This is not endemic to our region, however. Real wages have been either stagnant or even declining in most of the country. In El Paso County, the table below shows that real wages have actually fallen from an annual salary of \$36,046 in January, 2005 to \$34,101 in March, 2015. This is a structural issue that will have to be addressed if we want the number of “disgruntled” workers to decline and labor participation rates to increase. Real annual wages are pegged to the Denver, 2001 CPI.

Average Real Annual Wages

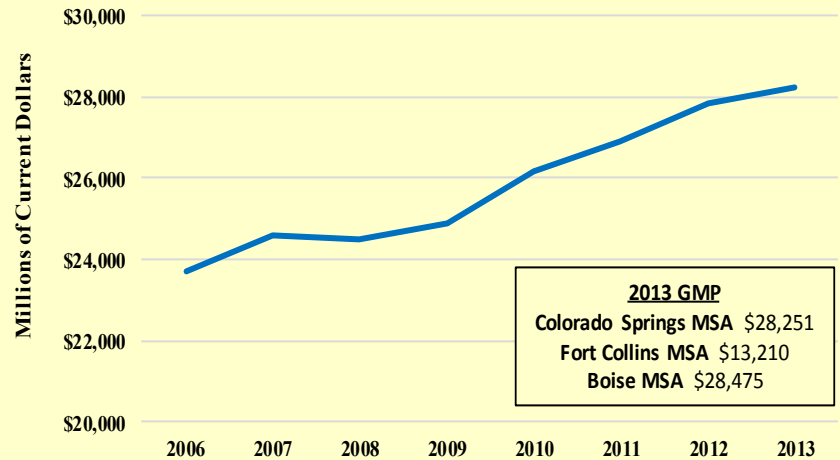
January 2005

March 2015

\$36,046

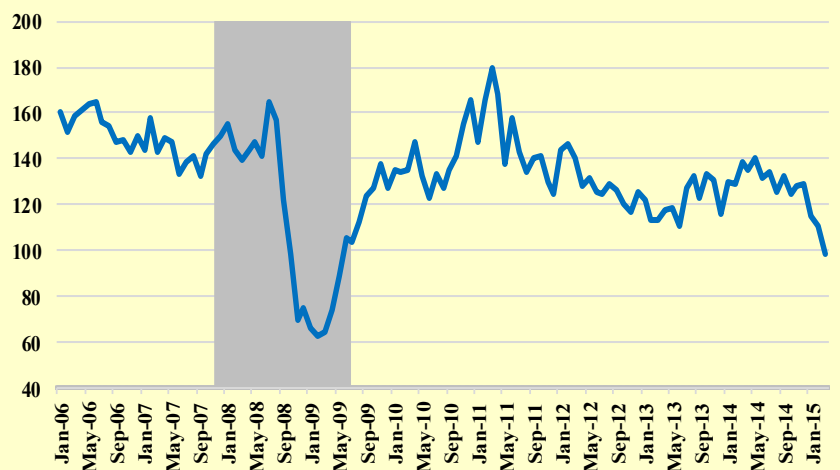
\$34,101

GMP for Colorado Springs MSA



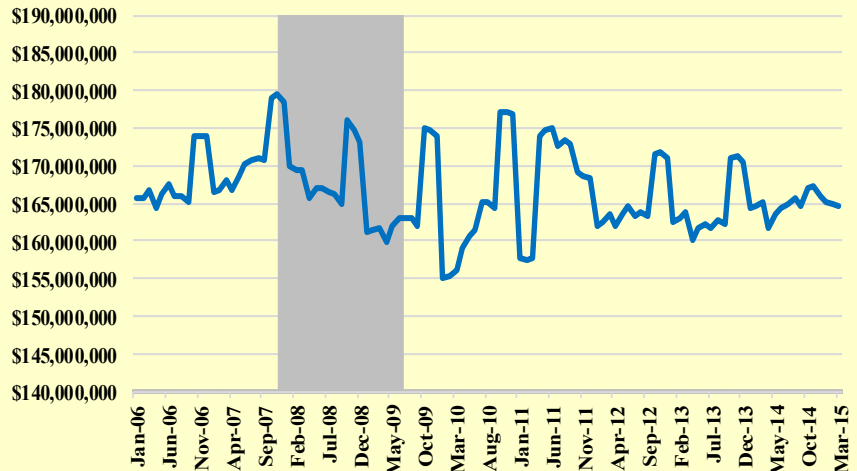
Source: Bureau of Economic Analysis

Kansas City Fed Manufacturing Index



Sources: Federal Reserve Bank of Kansas City; UCCS Southern Colorado Economic Forum

El Paso County Real Wages



Sources: Colorado Department of Labor QCEW; UCCS Southern Colorado Economic Forum

EMPLOYMENT

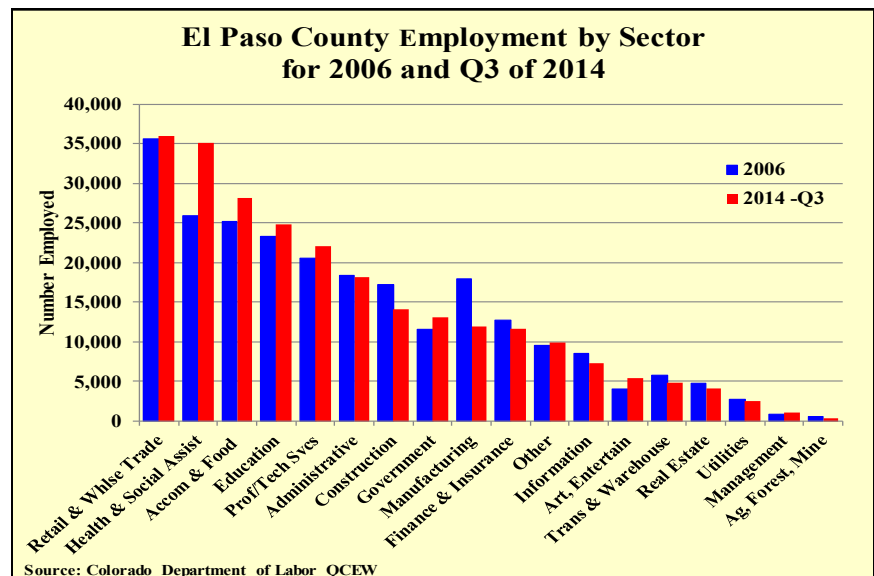
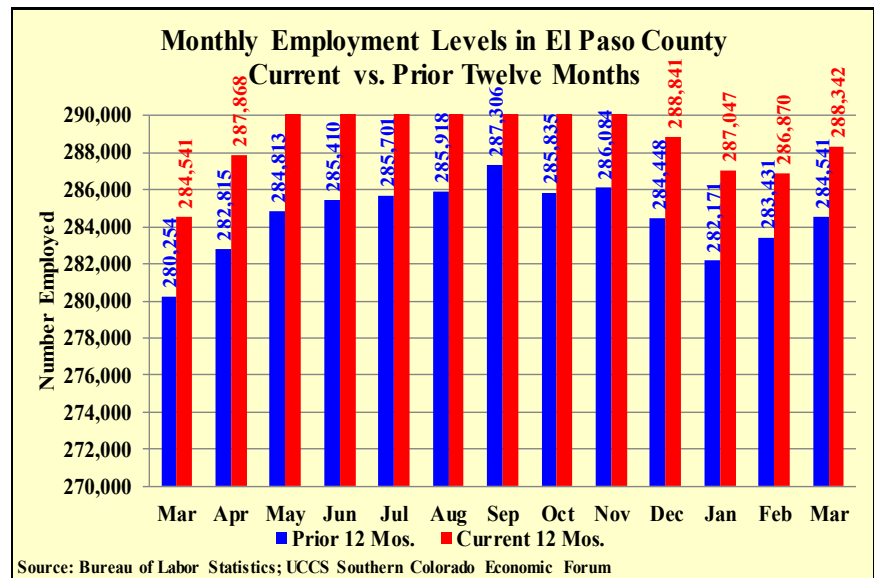
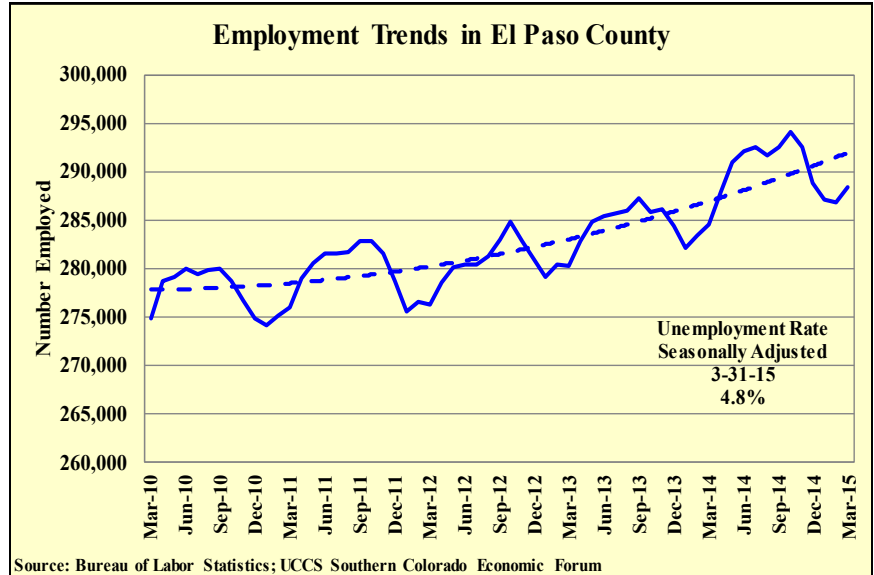
Employment Levels

The seasonally adjusted unemployment rate for El Paso County for March was 4.8%. It continues the downward trend taking place since the unemployment rate peaked at 10.6% in 2010. By comparison, the seasonally adjusted unemployment rate in Colorado was 4.2% in March, down from 9.1% in 2010.

The local labor force decreased by 2,147 (-0.7%) over the past year, which seems to be emblematic of the national trend. The Federal Reserve is now saying that the persistently low civilian participation rate appears to be not only cyclical (due to the discouraged workers during and after the recession) but also structural. The increasing number of baby boomers who are retiring seems to be pushing participation rates downward along with other reasons such as the mismatch between existing skill sets and employer needs. Local employment increased by 3,801 (1.3%) over the same month the previous year. Unemployment decreased by 5,948 workers (-26.5%) in comparing March, 2015 to 2014. While encouraging, the employment statistics for El Paso County continue to lag behind the 290,544 employed persons in September 2007. Employment levels are calculated by the Forum using the BLS unemployment rate and the civilian labor force values.

Employment by Sector

From 2006 to Q3, 2014, the largest increase in employment has been in the health and social services sector, which is true for the rest of the country. Increases have also occurred in accommodations and food services, education and professional/technical services. The largest declines have been seen in manufacturing and the finance & insurance sectors.



HOUSING

Single Family Permits

Single family building permits had a significant decline in January and then began to make steady growth in February and March of 2015. In these two latter months of the quarter, permits have been slightly higher than the same months compared to a year ago. The Pikes Peak region has not seen the tremendous boom in building that has happened in other areas of Colorado simply because the local economy is not quite as strong. The upside, however, is that slow, steady growth in housing can often be more desirable than the distortions caused by overbuilding. It is also noteworthy that across the nation, home building was very strong in April (the first month of Q2). U.S. home construction in April rose 20.2% over March to a seasonally adjusted annual rate of 1.135 million, the highest number since 2007 and the biggest percentage jump in almost 24 years.

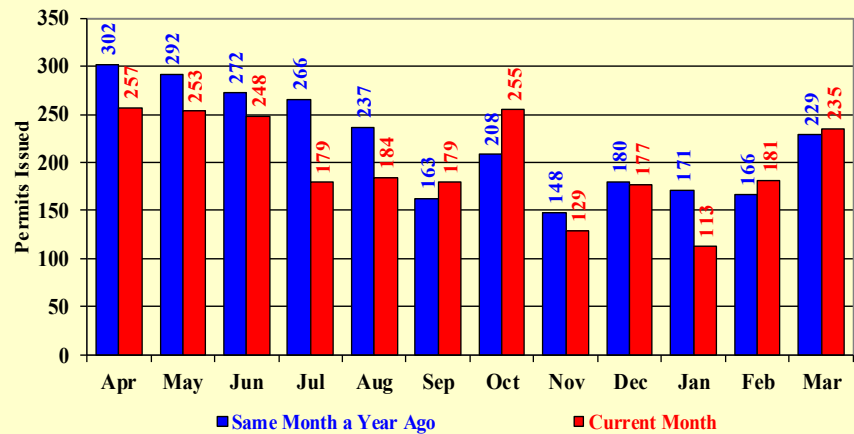
Single Family Permit Trends

The figure to the right illustrates the trend in detached housing permits for the last five years. The overall, upward trend line over the five year period demonstrates that we have slowly been coming out of a rather severe recession. The peaks seen in 2012 and 2013 were largely driven by the rebuilding from fires. More recently we have seen relatively steady rates in home building.

Multi-Family Housing

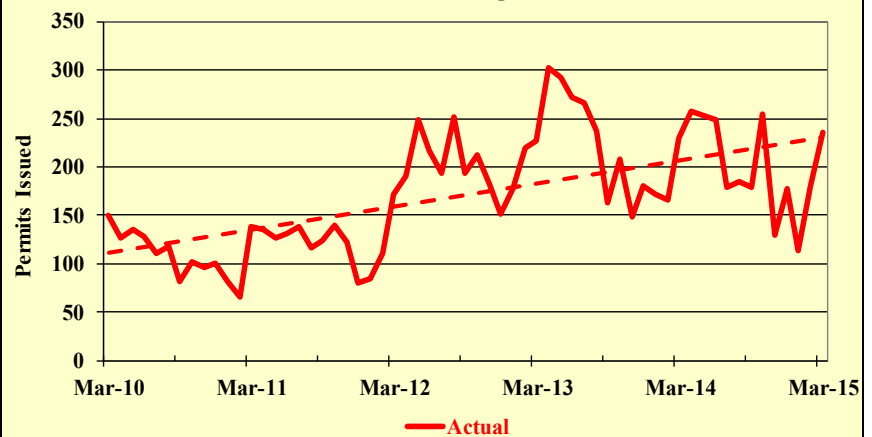
Multi-family housing data represent dwellings gained off of the permits pulled. This activity was strong in 2014 after a slow start with no permits pulled in January and February. In 2015, there were no multi-family permits pulled in all of Q1. Over the course of the past year, however, multi-family housing demand has been strong perhaps due to baby boomers.

Single Family-Detached
Building Permits in Pikes Peak Region



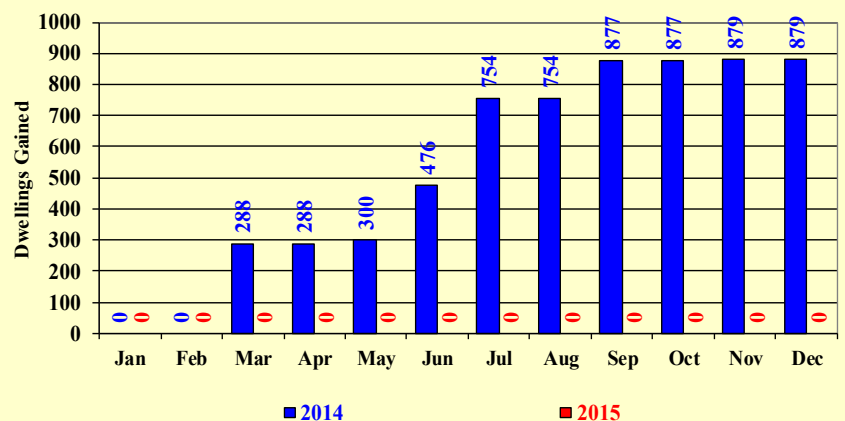
Source: Pikes Peak Regional Building Dept.

Detached Single Family Permit Trends
in Pikes Peak Region



Source: Pikes Peak Regional Building Dept.

Multi-Family Housing Units
in Pikes Peak Region - Year to Date Comparison



Source: Pikes Peak Regional Building Dept.

HOUSING (continued)

Year-to-Date Sales

The trend in home sales continues to improve. In Q1 of 2015, there were 361 more homes sold than in Q1 of 2014. This represents an 18.0% increase. When coupling this with the very modest home building, it seems that local home buyers are equally if not more interested in buying existing homes than in building new homes. Also noteworthy is the trend stated by Pikes Peak Area Realtors that homes around the local, median price (\$235,000 in March) are selling much more readily than higher end homes (\$500,000+).

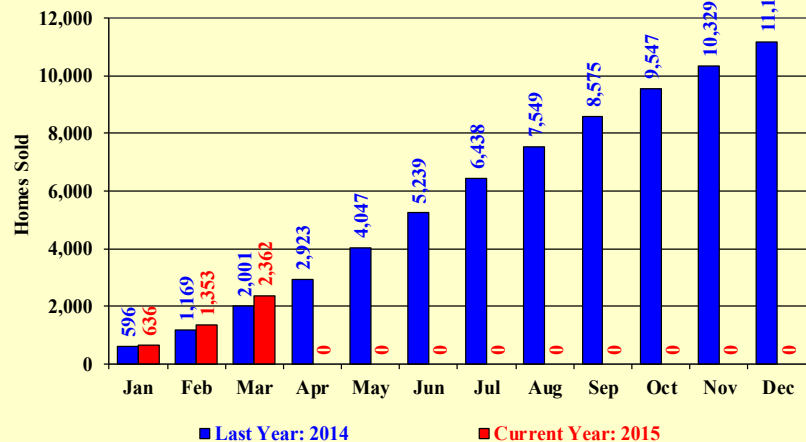
Active Listings

The number of active listings in March 2015 within the Pikes Peak region was lower than it was in March of last year (-24.2%). The average price of a home sold in March 2015, however, was 9.3% higher than a year ago. The average price in March of 2015 was \$259,352 and in the same month a year ago, it was \$237,256.

Foreclosures

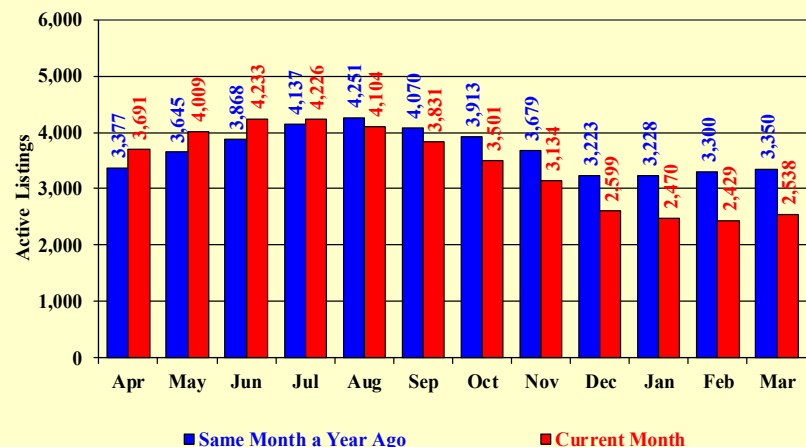
There were 312 foreclosure proceedings in Q1 of 2015, which is 46.6% fewer than in the same period last year (584 foreclosures). These are actual, year-end numbers and they are not seasonally adjusted. There is a historical, inverse relationship between foreclosures and detached single family building permits. The good news is that foreclosures and permits continue to be much closer in volume, which indicates that much of the needed adjustment in the housing market has occurred and the economy in general has improved.

Year-to-Date Sales
(Pikes Peak Region)



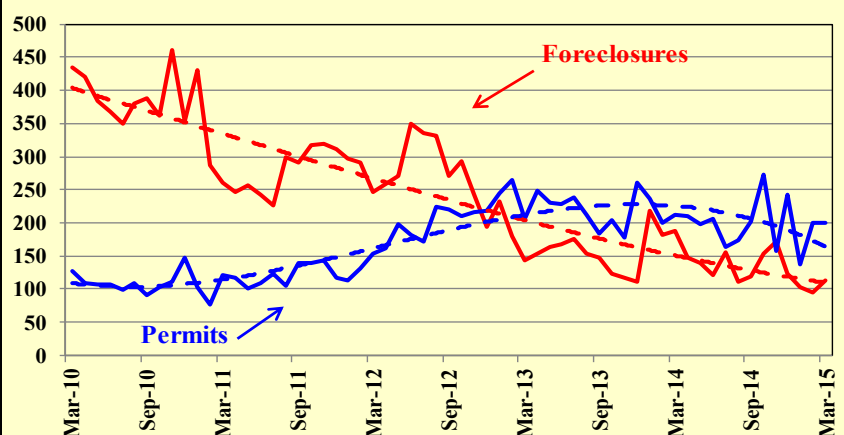
Source: Pikes Peak REALTOR Services Corp.

Active Listings of Homes
(Pikes Peak Region)



Source: Pikes Peak REALTOR Services Corp.

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



Source: El Paso County Trustee; PPRBD; UCCS Southern Colorado Economic Forum

COMMERCIAL REAL ESTATE & AIRPORT

Commercial Real Estate

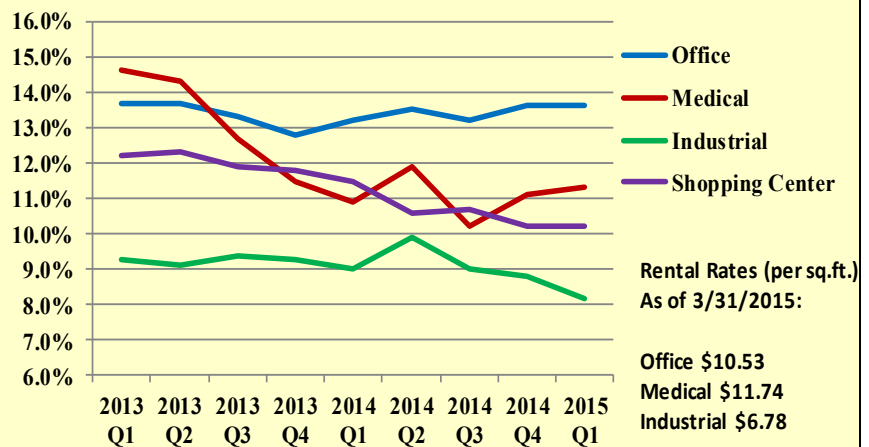
Commercial real estate has continued to improve in Colorado Springs. Most rates have been falling since Q1 of 2013. In particular, medical, shopping center and industrial rates have been falling, while office vacancy rates have been relatively steady. Of note is the marked fall in industrial space vacancy rates since Q2 of 2014, largely due to increased demand for medical marijuana space. The good news is that overall commercial real estate vacancy rates are reflective of the improved local, state and national economy.

Colorado Springs Airport Trends

Enplanements at the Colorado Springs Airport continued their downward trend. Seasonally adjusted, enplanements were 46,032 in March 2015. This is 1.5% lower than March of last year (54,056 seasonally adjusted) and 2.0% lower than March 2013 (57,284 seasonally adjusted). This significant decline is the result of decreasing demand for local flights alongside the decision of airlines to reduce or cancel service to Colorado Springs. Enplanements are at their lowest monthly levels in the 16 years the Forum has monitored airport activity. This has created a negative feedback cycle that does not appear to have a solution in the near future. It is more difficult for local companies to expand and more difficult to recruit new companies to the area if service to and from the local airport is limited. There is promise, however, that this may change with the increased activity that will occur starting in 2016 with Sierra Completions. This company will be building additional infrastructure at the airport and will increase the airport's activity bringing down marginal costs for the existing flights.

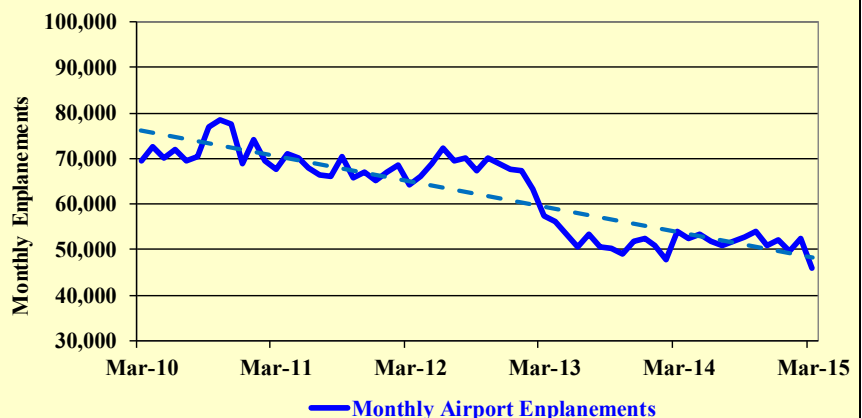
Note: Actual enplanements (not seasonally adjusted) for March 2015 were 46,032 or 1.4% lower than March 2014 (53,587) and 1.6% lower than March 2013 (54,967).

Colorado Springs Quarterly Vacancy Rates



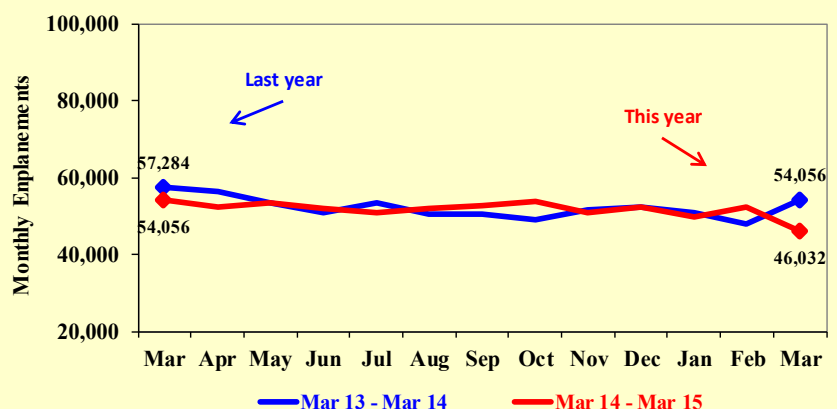
Source: Turner Report

Enplanement Trends at Colorado Springs Airport (Seasonally Adjusted)



Source: Colorado Springs Airport; UCCS Southern Colorado Economic Forum

Colorado Springs Airport: Year over Year, Enplanement Comparison (Seasonally Adjusted)



Source: Colorado Springs Airport, Prepared by UCCS Southern Colorado Economic Forum

SALES TAX & CAR REGISTRATIONS

Colorado Springs Sales & Use Taxes

As the national and local economy continues to improve, consumer sentiment also becomes more positive and this impacts consumption patterns. The 2% sales and use tax collections for March 2015 (reported in April 2015), were \$10,336,828. This represents a 8.3% increase over last year. The largest month to month increases within each category were in grocery stores (18.8%), auto repairs and leases (7.2%), and medical marijuana (6.6%).

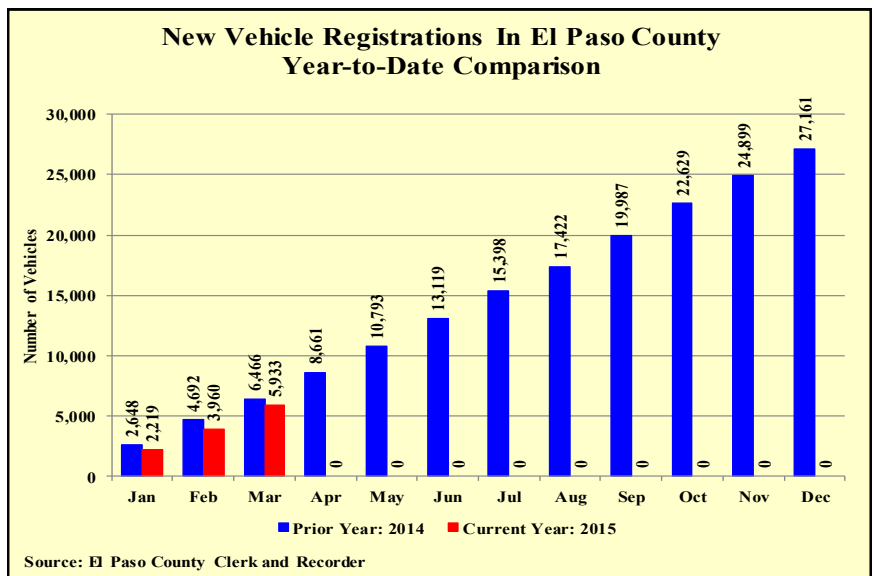
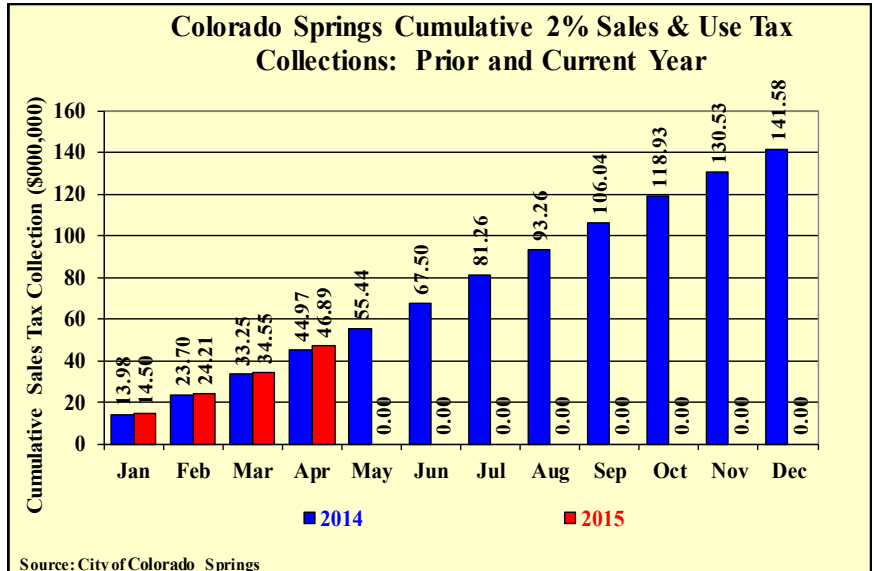
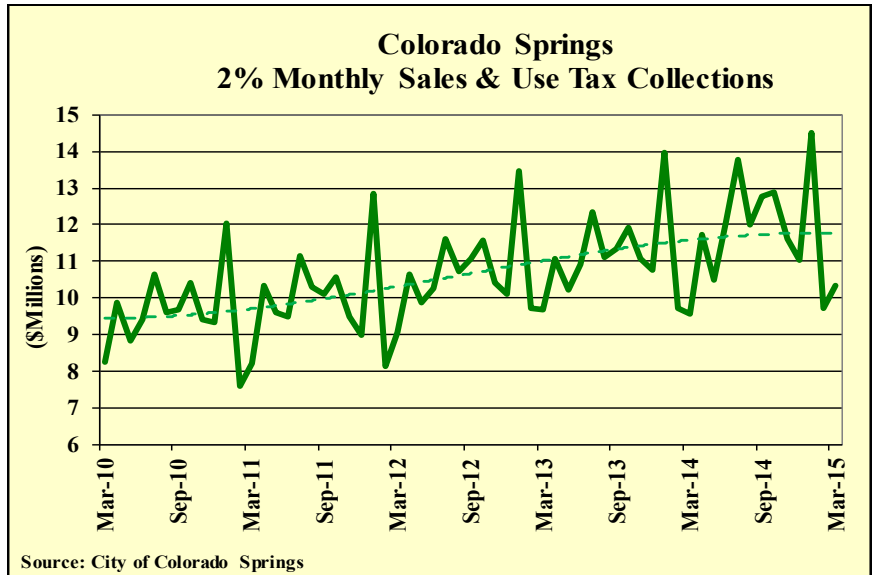
A year-to-date comparison as of April indicates sales and use tax collections are 4.3% higher than in 2014. The largest percentage increases were in grocery stores (19.9%), hotel/motel accommodations (15.5%), auto dealers (12.1%), and medical marijuana (9.9%).

Please note that city data no longer includes audit revenue whereas in the past it was included. This change has small impact on the total tax collections, and the graphs reflect the new calculations.

New Car Registrations

New vehicle registrations for Q1 of 2015 were a bit lower than Q1 of 2014. New car registrations were down 9.0% when comparing these two quarters. However, in looking at a wider time span, new car registrations have been steadily increasing since 2010. Given the strong consumer sentiment and the falling unemployment level, it seems likely that 2015 will continue to have strong new car sales or at the very least, relatively flat car sales.

New Car Registrations	
March 2010	March 2015
1,083	1,973





Selected Economic Indicators													
National Quarterly Data			2014 Q2			2014 Q3			2014 Q4			2015 Q1	Change vs. Yr Ago
Total Retail Sales NSA (\$ billions)			1160.0			1167.0			1168.6			1151.2	\$18.14
e-Sales NSA (\$ billions)			68.9			70.4			93.5			74.9	\$9.40
e-Sales as % of Retail Sales			5.9%			6.0%			8.0%			6.5%	0.73%
GDP Real % Annual Growth SA (from prior year's same quarter)			2.6%			2.7%			2.4%			3.0%	*
GDP Real % Quarterly Growth SA (at annualized rate)			4.6%			5.0%			2.2%			0.2%	*
Household Debt Service Ratio			9.9%			9.9%			9.9%			na	-0.11%
National Monthly Data	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Change vs. Yr Ago
Capacity Utilization SA	79.00	79.10	79.20	79.30	79.10	79.40	79.20	79.80	79.50	79.20	78.90	78.60	-0.50
Car & Lt Trk Sales Millions SA	15.97	16.67	16.85	16.40	17.44	16.33	16.35	17.09	16.80	16.57	16.16	17.05	0.63
Cons Sent (1966=100) NSA	84.1	81.9	82.5	81.8	82.5	84.6	86.9	88.8	93.6	98.1	95.4	93.0	13.0
CPI-U 1982-84=100 SA	236.24	236.95	237.35	237.60	237.41	237.63	237.75	237.07	236.28	234.68	235.19	235.74	-0.05
Federal Funds Rate (Effective)	0.09%	0.09%	0.10%	0.09%	0.09%	0.09%	0.09%	0.09%	0.12%	0.11%	0.11%	0.11%	0.03%
Gasoline Price per Gal. of Regular	\$ 3.66	\$ 3.67	\$ 3.69	\$ 3.61	\$ 3.49	\$ 3.41	\$ 3.17	\$ 2.91	\$ 2.54	\$ 2.12	\$ 2.22	\$ 2.46	-\$1.07
Ind Production (1997=100) SA	103.19	103.68	104.11	104.47	104.45	105.19	105.14	106.27	106.22	105.86	105.80	105.45	2.35
Inventory/Sales Ratio SA	1.30	1.30	1.30	1.29	1.30	1.30	1.31	1.32	1.33	1.36	1.37	1.36	0.06
Mtg Rate, 30 Yr Conventional NSA	4.34	4.19	4.16	4.13	4.12	4.16	4.04	4.00	3.86	3.71	3.71	3.77	-0.57
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	55.30	55.60	55.70	56.40	58.10	56.10	57.90	57.60	55.10	53.50	52.90	51.50	-2.90
Real Rtl/Food Svc Sales SA (\$ billions)	432.97	434.24	435.37	436.18	438.71	437.31	439.19	441.44	437.59	434.23	431.92	436.78	\$7.42
S&P 500 (average)	1864.3	1889.8	1947.1	1973.1	1961.5	1993.2	1937.3	2044.6	2054.3	2028.2	2082.2	2080.0	216.5
Tech Index SA - Mar 2001 = 100	109.8	108.0	111.2	109.2	111.5	110.1	110.0	109.9	109.1	108.3	108.2	112.3	2.2
Trade Weighted Dollar Index	76.4	76.2	76.5	76.3	77.6	79.6	80.8	82.8	84.2	87.4	89.1	91.7	15.0
Crude Oil Price NSA (\$ per barrel)	102.07	102.18	105.79	103.59	96.54	93.21	84.40	75.79	59.29	47.22	50.58	47.82	-\$52.98
CPI & Employment Data	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Change vs. Yr Ago
Denver-Boulder CPI SA (est)	234.64	235.19	235.74	236.22	236.71	237.20	237.69	238.18	238.66	239.46	240.26	241.05	6.96
Colorado Labor Force SA (000's)	2,810	2,813	2,816	2,818	2,820	2,821	2,822	2,824	2,824	2,828	2,831	2,833	28.5
Colorado Employment SA (000's)	2,658	2,667	2,675	2,683	2,690	2,694	2,698	2,702	2,706	2,709	2,712	2,714	63.8
Colorado Unemployment Rate SA	5.4%	5.2%	5.0%	4.8%	4.6%	4.5%	4.4%	4.3%	4.2%	4.2%	4.2%	4.2%	-1.3%
El Paso County Unemployment Rate NSA	6.5%	5.9%	6.2%	6.0%	5.6%	5.0%	4.8%	5.0%	5.1%	5.7%	5.7%	5.4%	-1.9%
El Paso County Unemployment Rate SA	7.3%	6.8%	5.8%	5.8%	5.7%	5.2%	5.1%	5.2%	5.2%	4.8%	4.9%	4.8%	-3.0%

“na” data is not available as of publication; * indicates an item that does not apply based on how data is calculated.



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