

Quarterly Economic Update

4th Quarter, 2015 Data
Posted February 2016
Tatiana Bailey - Director

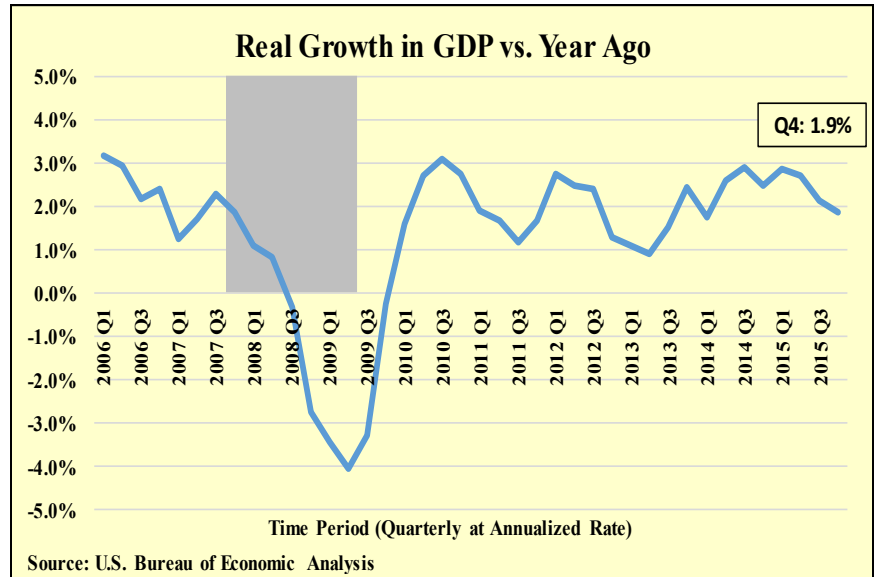
THE BIG PICTURE

U.S. Quarterly GDP

GDP for the fourth quarter of 2015 compared to Q4 from a year ago is up 1.9%, which represents a small, upward revision from previous estimates. The increase in Q4 is mostly due to increases in personal consumption index (tied closely to consumer sentiment discussed below), increases in residential fixed investment, and increases in federal government spending. These increases were partially offset by decelerations in nonresidential fixed investment (what businesses spend on equipment, software, buildings and intellectual property), exports, state and local government spending and private inventory investment. Imports increased, undoubtedly due to the strong dollar, and this reduces GDP as can be seen in the explanation to the right. In both 2014 and 2015, GDP in real dollars increased 2.4%.

U.S. Consumer Sentiment

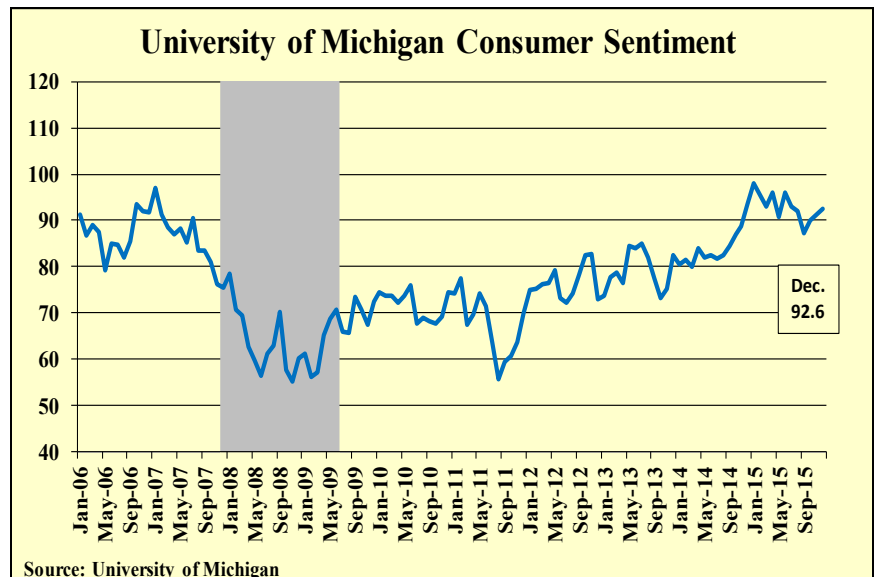
Consumer sentiment was up at the end of 2015 (in December) to 92.6. At the end of Q3, 2015 (September), consumer sentiment was at 87.2. Typically, higher consumer sentiment translates into increased GDP, but in this case higher confidence did not significantly impact GDP. Overall, consumer sentiment has been higher in 2015 than in any other year since 2004. The University of Michigan projects real consumption expenditures will increase by 2.7% during 2016, which is a good news for U.S. businesses that cater to domestic consumers. The University of Michigan information is based off of a survey distributed across the country to a broad and representative group of consumers. Interestingly, much of the more recent confidence is based off of the expectation of continued low inflation rates.



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

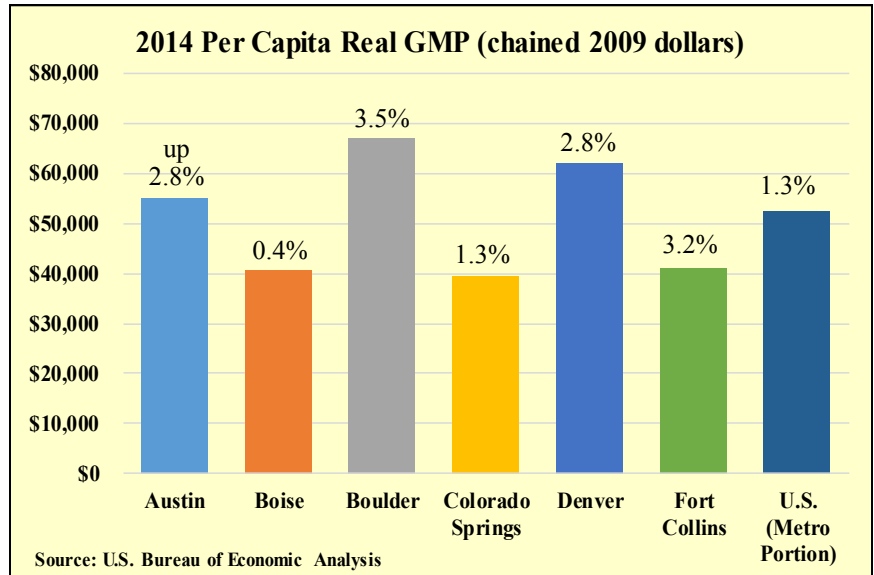
where "C" is consumer spending, "G" is government spending, "I" is all business spending on capital and "NX" is net exports, which is exports minus imports.



THE BIG PICTURE (cont.)

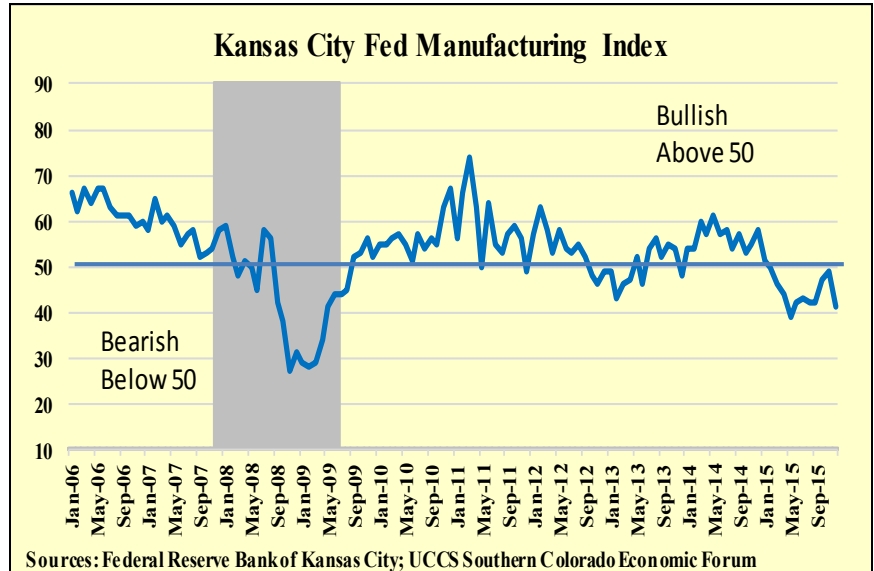
Per Capita GMP

The Forum is now tracking GMP, or gross metropolitan product. It is conceptually the same as GDP but for a (smaller) defined geographic region. Including other metropolitan statistical areas, or MSAs, allows us see how we are doing compared to other cities. The percentages in the boxes represent the incremental change in GMP from 2013 to 2014 (available data is lagged). As is shown, the greatest level of increase happened in Boulder (3.5%) and the lowest was Boise (0.4%). Colorado Springs had a 1.3% increase.



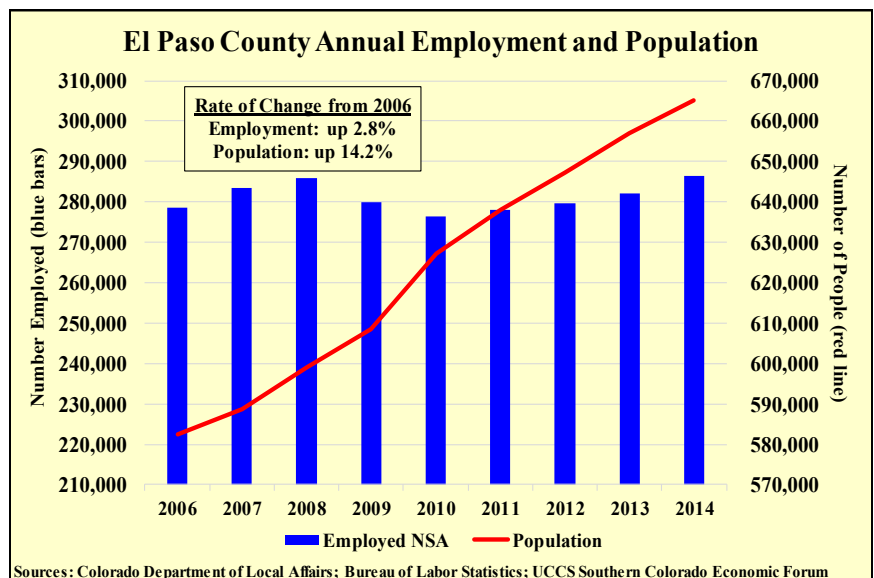
Kansas City Fed Manufacturing

Since February of last year, the Kansas City Fed manufacturing index has been below 50 reflecting unfavorable survey results in responses about production and shipments, changes in prices of raw materials and finished products. In December, the index was at 41 down from 49 in November. This is primarily due to the strong dollar and the marked decline in oil and gas production. The manufacturing survey has more recently shown a more optimistic outlook for six months out into the future with levels again (slightly) above 50.



Employment to Population— El Paso County

There is often discussion in the community about job growth (or lack thereof) in the region. The graph to the right shows that the number of people employed has indeed been relatively stagnant if we look back to 2006 (left hand axis). Concomitantly, population has increased significantly (right hand axis). In fact, from 2006 to 2014, employment levels increased by 2.8%, but population increased by 14.2%. Some recent analyses by the Forum shows that this is likely due in part to a combination of a low civilian participation rate and an increase in the population ages 0-17 in El Paso County.



EMPLOYMENT & WAGES

The seasonally adjusted unemployment rate for El Paso County at the end of December was 4.1%, which is lower than the U.S. average (5.0%). Yet, employment levels in El Paso County declined from 288,841 to 287,280 (down 0.5%) comparing December 2014 to December 2015. Although the low unemployment rate is favorable, it is important to remember that the unemployment rate takes into account the number of people who consider themselves part of the workforce. We have a low unemployment rate partially because employers are hiring, but also because there are fewer people in the “workforce.” In fact, over the past year, the local labor force decreased by 5,114 representing a 1.7% decrease. As aforementioned, this is a structural issue partially due to demographic composition, but also due to some mismatch between the skills of the working age population and the skill sets needed by employers.

Employment by Sector

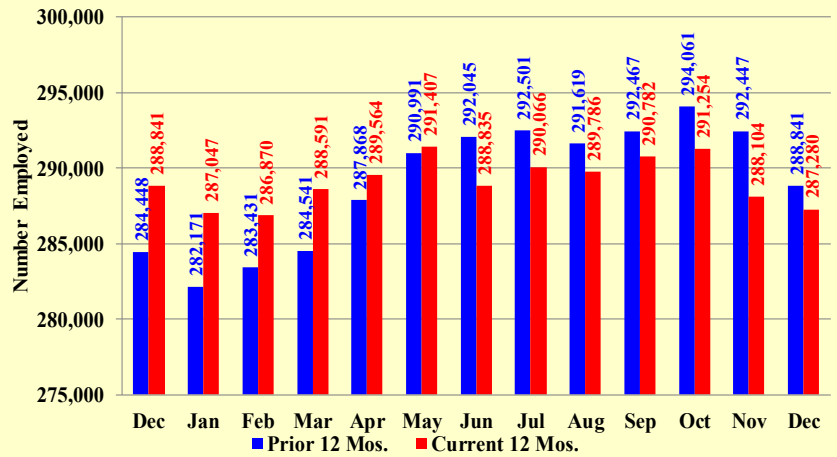
From 2006 to Q3 2015 (the latest available data), the largest increase in employment was in the health and social services sector. Significant increases have also occurred in accommodations and food services, education and professional/technical services. The largest declines were in manufacturing and construction.

Wages

A tight labor market usually translates into higher wages although that has not happened to the extent expected, especially locally. Nationally, wages increased 2.5% in 2015, which is an improvement over the previous year. Real wages in El Paso County, however, have been relatively stagnant. The table below highlights this point.

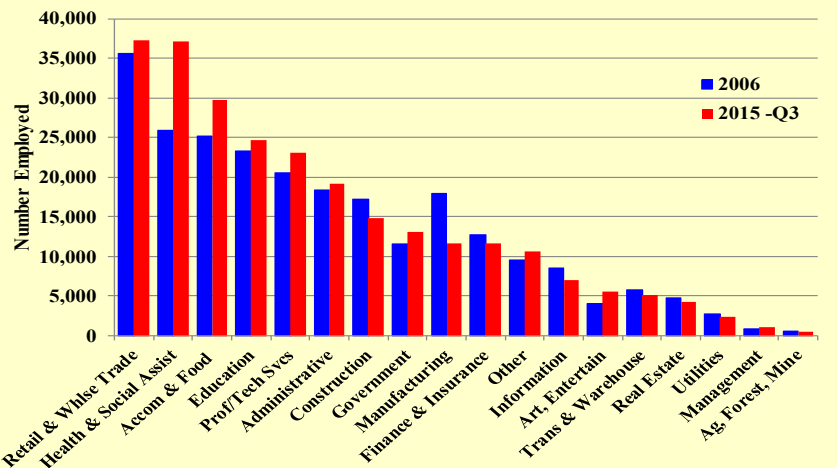
Average Real Annual Wages	
September 2006	September 2015
\$40,138	\$40,855

Monthly Employment Levels in El Paso County
Current vs. Prior Twelve Months



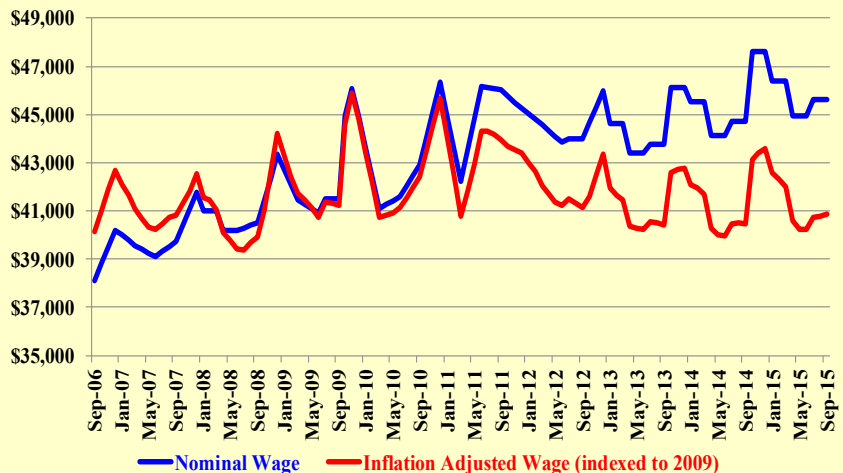
Source: Bureau of Labor Statistics; UCCS Southern Colorado Economic Forum

El Paso County Employment by Sector
for 2006 and Q3 of 2015



Source: Colorado Department of Labor QCEW

Average Annual Wage in El Paso County



Sources: Colorado Department of Labor and Employment QCEW; U.S. Bureau of Labor Statistics; UCCS Southern Colorado Economic Forum

HOUSING

Single Family Permits

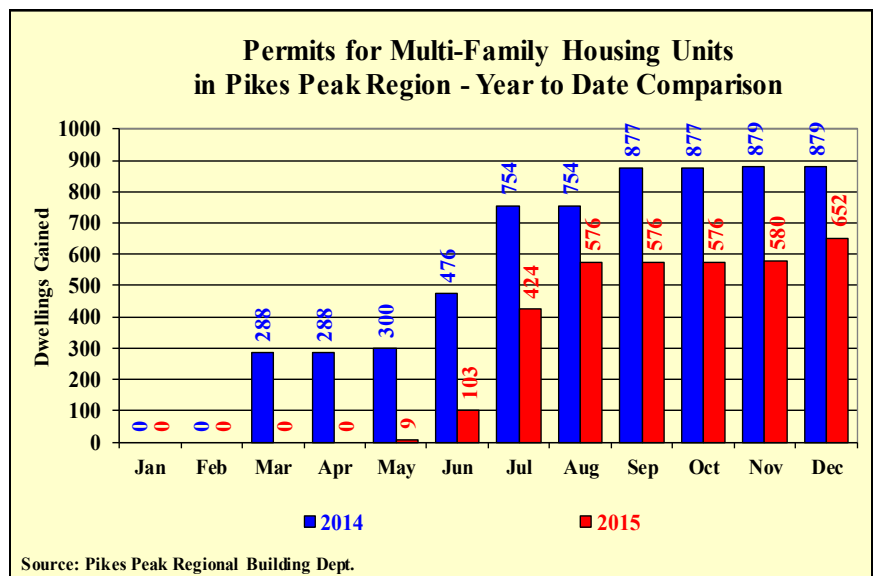
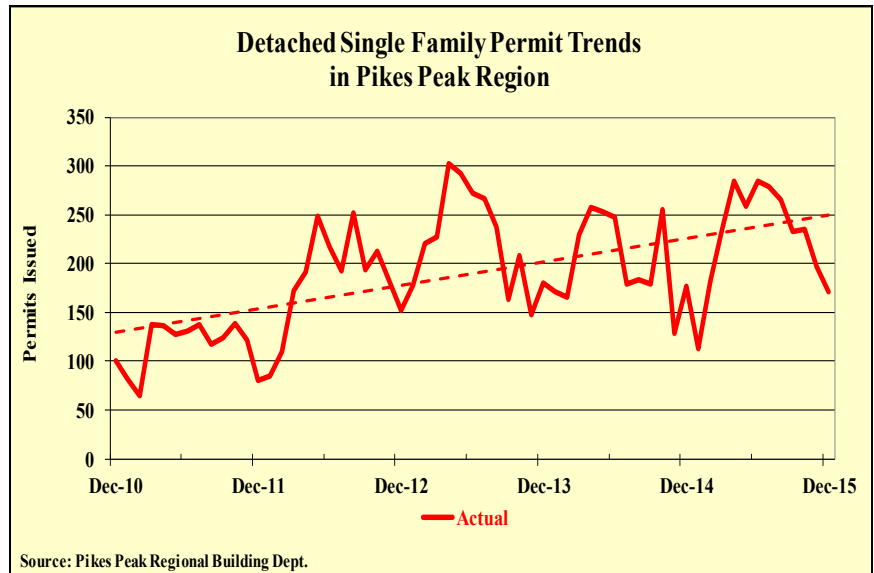
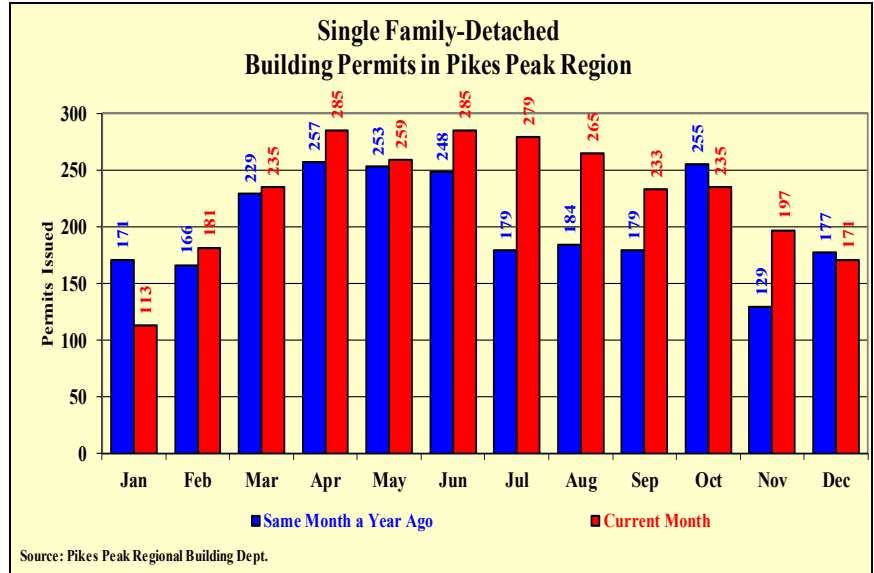
Single family building permits have had large increases in 2015 in the Pikes Peak region. November 2015, in particular had a large bump in pulled permits. With the stronger U.S. economy, consumers are more confident about building a new home or upgrading to a different (existing) home. First time home purchases are especially high, which is a good indicator. Second, there is still pent up demand from the prolonged recession. Third, at least for our region, homes are still relatively affordable with interest rates at historical lows and this further incentivizes home purchases. Colorado Springs is an affordable community and that is working to our advantage especially with much higher home prices in the Denver/Boulder areas. All of this is creating some upward pressure on newly built and existing homes.

Single Family Permit Trends

The figure to the right illustrates the trend in detached housing permits for the last five years. There has been a steady increase since 2010 with the expected seasonality of fewer permits towards the winter months. Not enough existing homes are going up for sale, which has significantly increased prices as well as demand for new construction. In fact, from 2014 to 2015, single family home permits increased 9.6% in the Pikes Peak region. Kiplinger's is forecasting a 15% increase in single family home construction for 2016 in the U.S.

Multi-Family Housing

Permits for multi-family housing units have been consistently lower in 2015 compared to 2014. Multi-family housing data represent dwellings gained off of the permits pulled.



HOUSING (continued)

Year-to-Date Sales

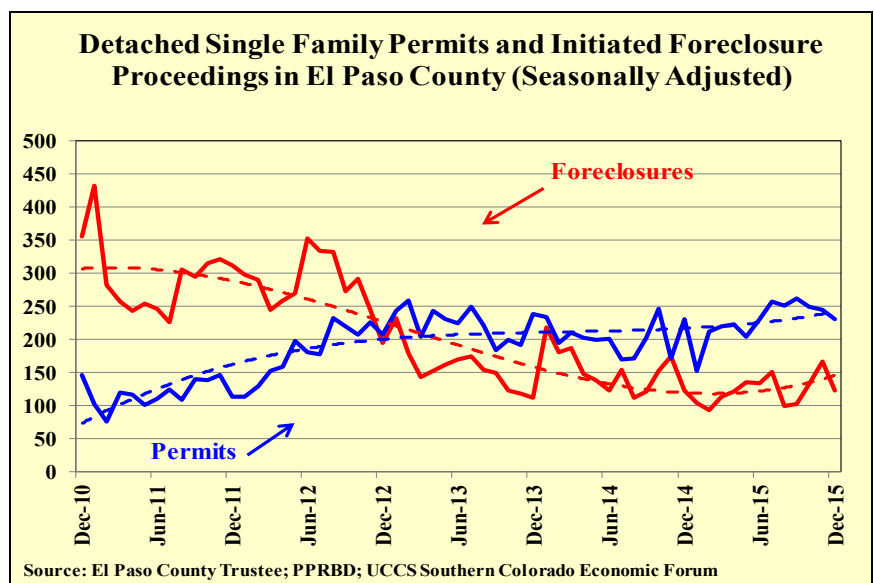
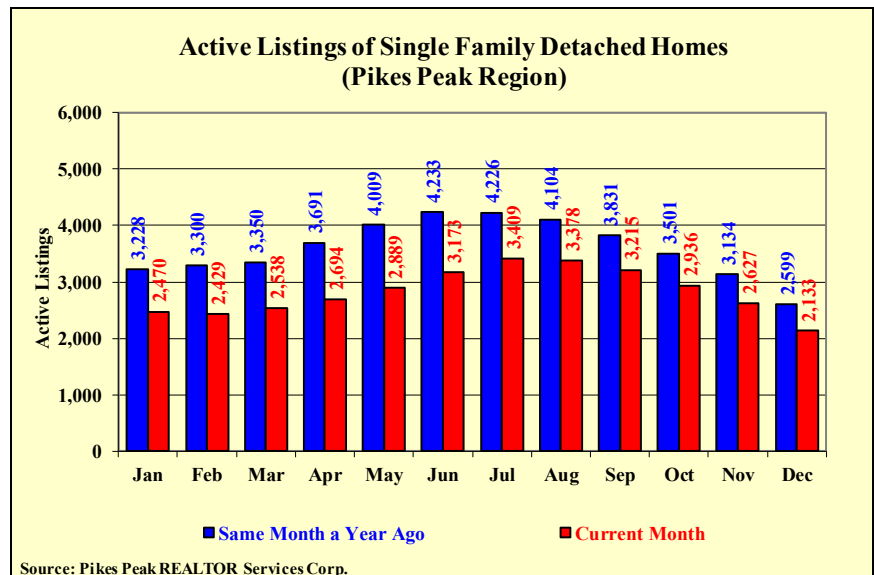
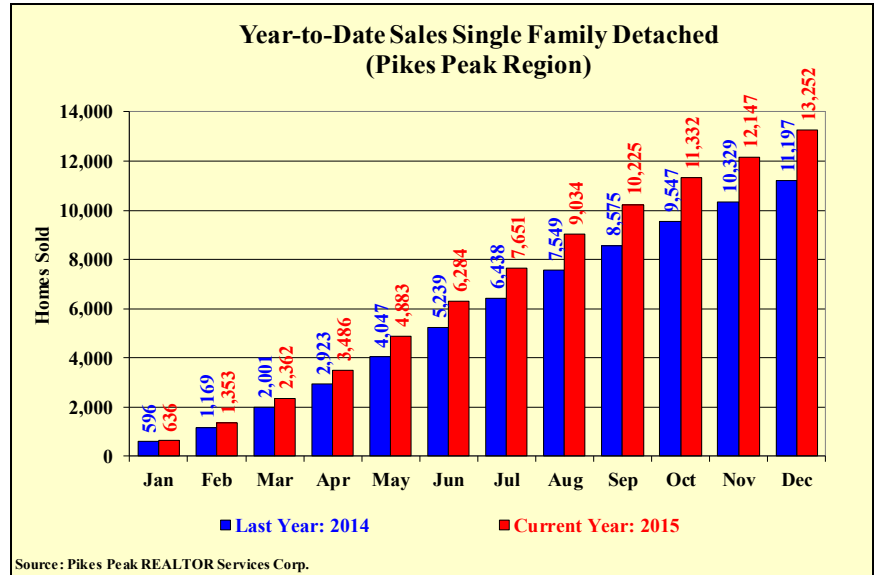
The trend in home sales continues to improve. In 2015, there were 2,055 more homes sold than in 2014 representing a robust 18.4% increase. Looking just at December 2015, the median home price in the Pikes Peak region was \$239,900 whereas it was less at \$225,000 in December 2014. The residential real estate market is very strong although homes in the lower price ranges are selling more quickly than homes in the higher price ranges: 95% of all homes sold in El Paso County were under \$500,000 (Patterson Group). Housing experts are projecting that new home sales will increase as much as 20.0% nationally and existing home sales will increase at least 3.0% in 2016.

Active Listings

Active listings were down 17.9% in December 2015 compared to December 2014. This relatively decreasing and low supply of listed homes is much of the reason there has been upward pressure on prices. Similarly, the average days on market was 60 in December 2015 and it was 98 in December of last year indicating that existing homes are selling more quickly.

Foreclosures

There were 1,476 foreclosure proceedings in 2015, which is 19.4% lower than in 2014 (1,832 foreclosures). These numbers are seasonally adjusted. In Q4 of 2015, foreclosures were in the 140 range (per month) and the average even prior to the recession (2005-07) was 233 per month. There is an inverse relationship between foreclosures and detached single family building permits. The good news is that foreclosures have remained low and permit activity continues to be strong. This is indicative of a strong economy overall within the region.



COMMERCIAL REAL ESTATE & AIRPORT

Commercial Real Estate

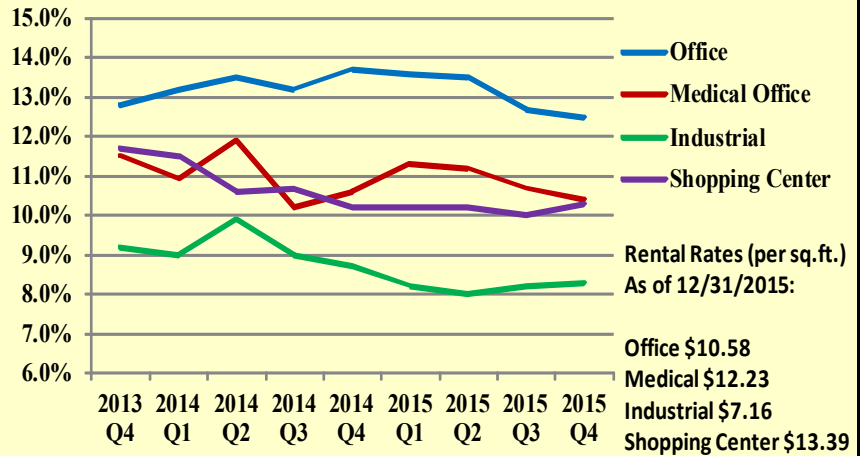
Commercial real estate vacancy rates have continued their downward trend since Q4 of 2013 although there was a small upward tick in vacancy rates for shopping center as well as industrial spaces. The strong economy has translated into a stronger, local commercial real estate market. This includes new leases in downtown Colorado Springs primarily for mixed use (retail and office). Also of note is the continued expansion of the medical office space. It is anecdotal, but some commercial leasing companies have noted an increase in customers from more expensive markets (e.g. Denver).

Colorado Springs Airport Trends

Seasonally adjusted, enplanements were 50,922 in December 2015. This is 0.4% higher than December of last year (50,735 seasonally adjusted) and 1.4% lower than December 2013 (51,671 seasonally adjusted). There is hope and expectation that the recent investments in the local airport will increase activity. Some benefit came quickly in the positive announcement by Frontier over the summer that they were coming back to the region and offering daily flights to Las Vegas. The hope is that this will prove profitable for the carrier and they will expand service to other cities. In the past, it has been difficult for the local airport (COS) to compete with the price wars of the major carriers in Denver. The major airlines are competing for market share and are holding prices artificially low. This cannot be sustained in the long run, and depending upon how this all plays out, certain regional carriers like COS will either win or lose in the (profitable) routes chosen by the major carriers in the future, especially for connecting flights.

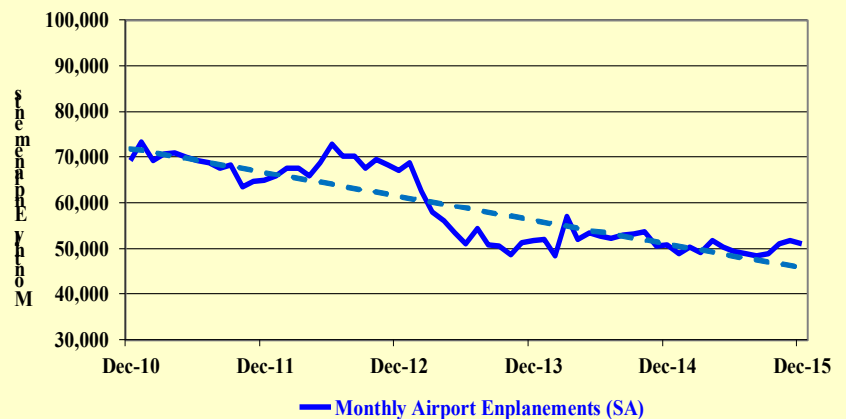
Note: Actual enplanements (not seasonally adjusted) for December 2015 were 51,295 or 0.6% higher than December 2014 (50,980) and 0.6% lower than December 2013 (51,610).

Colorado Springs Quarterly Vacancy Rates



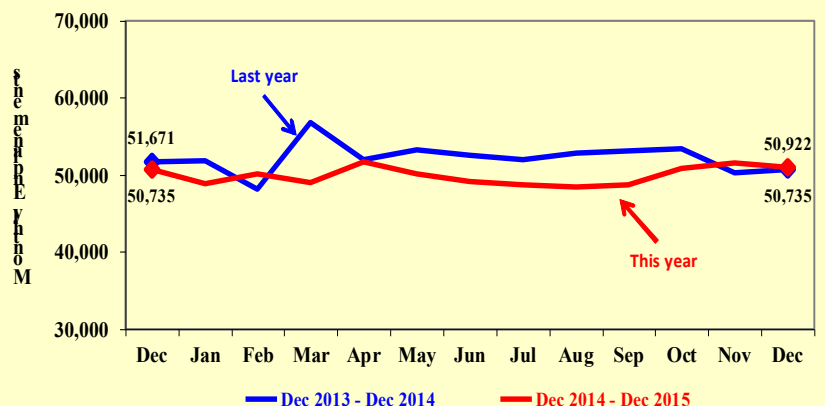
Source: Turner Report

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

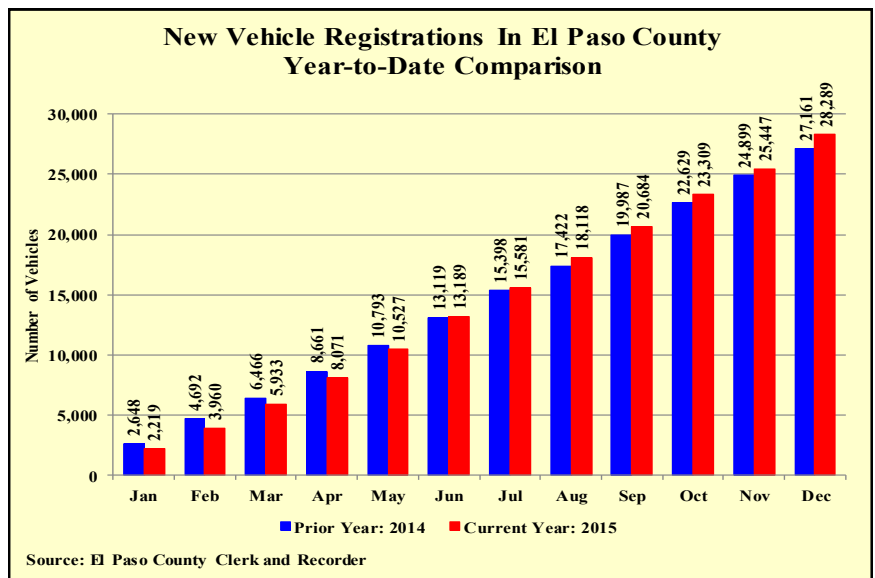
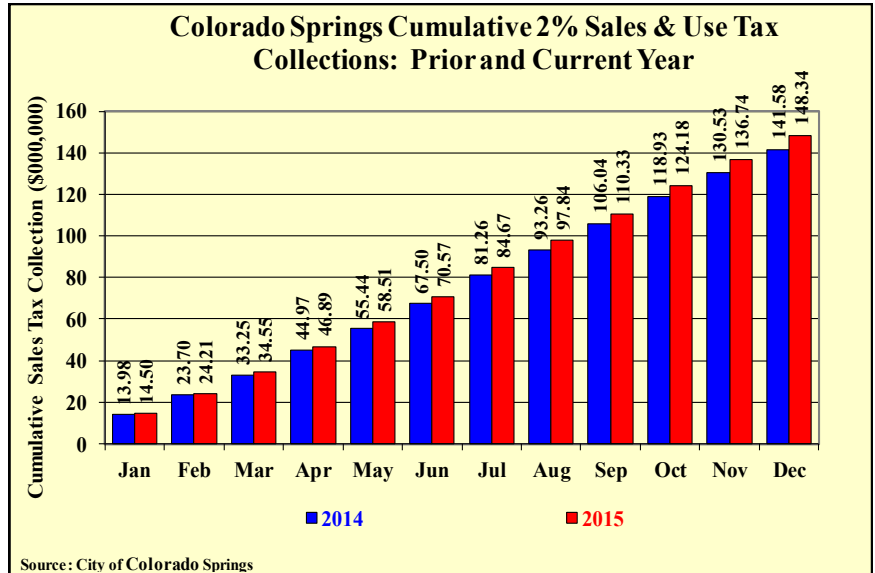
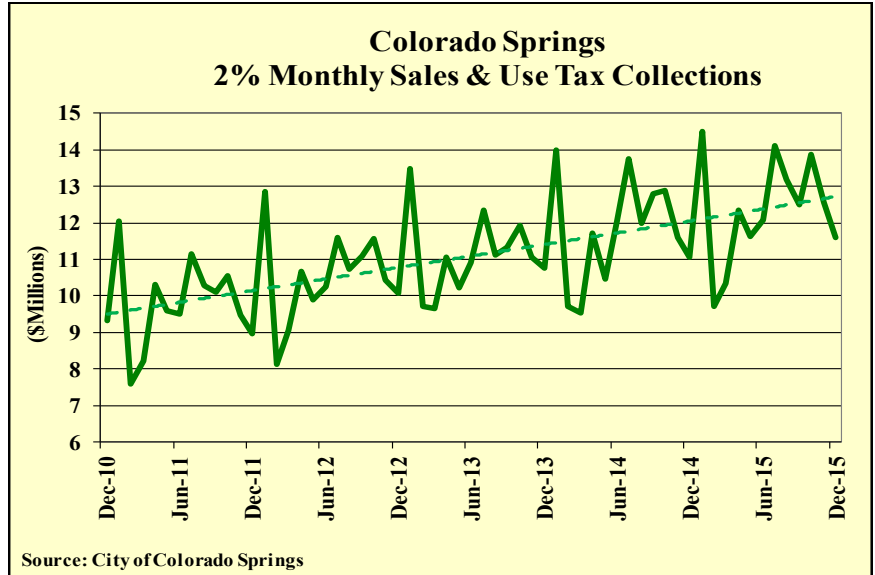
The strong national and local economies and, in particular, strong consumer sentiment (see page 1) have resulted in higher, local sales and use tax collections. The 2% sales and use tax collections for December 2015 (for November sales) were \$11,597,062. This represents a 5.0% increase from the same month last year. Cumulatively, sales and use tax collections were up from last year as well (second graph). In December 2015, the largest month-to-month percentage increases by major industries were in business services (46.57%), medical marijuana (29.1%), and auto repair & leases (23.2%).

A (cumulative) year-to-date comparison as of December 2015 indicates sales and use tax collections were 4.8% higher than in 2014. The largest percentage increases year to date were in medical marijuana (28.4%), grocery stores (16.9%), hotel/motel accommodations (14.7%), and auto repair & leases (10.1%). The marked increases in hotel accommodations and auto leases mirror the local data that tourism and vehicle registrations have both been very healthy sectors.

New Vehicle Registrations

Vehicle registrations were up 4.2% in the year-to-date comparison, and have been increasing since 2010. In fact, as the table below shows, registrations are more than double what they were in 2010 (up 87.5%). The Forum is now also separately tracking luxury utility registrations, which have increased 22% comparing January 2016 to January 2015. This can be a good indicator of economic "health" in the region.

New Vehicle Registrations	
2010	2015
15,087	28,289





Selected Economic Indicators													
National Quarterly Data			2015 Q1			2015 Q2			2015 Q3			2015 Q4	Change vs. Yr Ago
Total Retail Sales NSA (\$ billions)			1153.6			1171.5			1184.5			1184.8	\$14.66
e-Sales NSA (\$ billions)			74.9			78.8			81.1			107.1	\$13.53
e-Sales as % of Retail Sales			6.5%			6.7%			6.8%			9.0%	1.04%
GDP Real % Annual Growth SA (from prior year's same quarter)			2.9%			2.7%			2.1%			1.9%	*
GDP Real % Quarterly Growth SA (at annualized rate)			0.6%			3.9%			2.0%			1.0%	*
Household Debt Service Ratio			10.0%			10.0%			10.0%			na	-0.01%
National Monthly Data	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Change vs. Yr Ago
Capacity Utilization SA	78.70	78.40	78.20	78.00	77.60	77.50	78.00	78.00	77.90	77.70	77.00	76.40	-2.60
Car & Lt Trk Sales Millions SA	16.63	16.32	17.06	16.70	17.63	16.95	17.47	17.73	18.07	18.13	18.06	17.22	0.41
Cons Sent (1966=100) NSA	95.1	93.6	92.3	94.2	88.6	93.2	92.9	93.2	88.9	93.6	93.7	91.8	0.5
CPI-U 1982-84=100 SA	234.95	235.42	235.86	236.20	236.88	237.42	237.73	237.70	237.49	237.95	238.30	238.04	1.58
Federal Funds Rate (Effective)	0.11%	0.11%	0.11%	0.12%	0.12%	0.13%	0.13%	0.14%	0.14%	0.12%	0.12%	0.24%	0.12%
Gasoline Price per Gal. of Regular	\$2.12	\$2.22	\$2.46	\$2.47	\$2.72	\$2.80	\$2.79	\$2.64	\$2.37	\$2.29	\$2.16	\$2.04	-\$0.51
Ind Production (1997=100) SA	107.60	107.44	107.24	107.06	106.68	106.66	107.47	107.50	107.53	107.40	106.58	105.87	-2.04
Inventory/Sales Ratio SA	1.36	1.37	1.36	1.36	1.36	1.36	1.36	1.37	1.37	1.38	1.38	1.39	0.06
Mtg Rate, 30 Yr Conventional NSA	3.71	3.71	3.77	3.67	3.84	3.98	4.05	3.91	3.89	3.80	3.94	3.96	0.10
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	3.37	0.12
Purch Mgr Index SA	53.90	53.30	52.30	51.60	53.10	53.10	51.90	51.00	50.00	49.40	48.40	48.00	-6.90
Real Rtl/Food Svc Sales SA (\$ billions)	434.93	431.92	438.57	438.72	443.91	443.73	447.10	447.13	446.86	446.93	448.38	449.11	\$10.69
S&P 500 (average)	2028.2	2082.2	2080.0	2094.9	2111.9	2099.3	2094.1	2039.9	1944.4	2024.8	2080.6	2054.1	-0.2
Tech Index SA - Mar 2001 = 100	113.7	113.8	117.7	114.3	114.2	114.8	116.0	117.2	117.9	118.0	119.3	118.5	4.2
Trade Weighted Dollar Index	87.5	89.2	91.7	90.9	89.2	89.7	91.7	91.9	91.7	91.3	93.9	94.1	9.9
Crude Oil Price NSA (\$ per barrel)	47.22	50.58	47.82	54.45	59.27	59.82	50.90	42.87	45.48	46.22	42.44	37.19	-\$22.10
CPI & Employment Data	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Change vs. Yr Ago
Western Region CPI	238.32	239.75	241.69	242.30	244.23	244.33	245.04	244.74	244.26	244.34	243.75	243.43	4.34
Colorado Labor Force SA (000's)	2,828	2,831	2,833	2,829	2,829	2,823	2,813	2,807	2,805	2,807	2,812	2,819	-5.1
Colorado Employment SA (000's)	2,709	2,712	2,714	2,711	2,707	2,699	2,692	2,689	2,693	2,701	2,710	2,720	14.8
Colorado Unemployment Rate SA	4.2%	4.2%	4.2%	4.2%	4.3%	4.4%	4.3%	4.2%	4.0%	3.8%	3.6%	3.5%	-0.7%
El Paso County Unemployment Rate NSA	5.7%	5.7%	5.4%	5.2%	5.0%	5.5%	4.9%	4.5%	4.0%	3.9%	4.1%	4.0%	-1.1%
El Paso County Unemployment Rate SA	5.3%	5.3%	5.1%	5.3%	5.2%	5.2%	4.8%	4.6%	4.2%	4.2%	4.2%	4.1%	-1.1%

“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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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 economic and business-related information with the goal of assisting economic development efforts. The Forum provides this information to help business leaders, government officials and other make better and more informed decisions. The Forum, as part of the College of Business, now provides further support to the community through contractual work.

If you would like additional information about how the Forum can assist you, contact Tatiana Bailey at (719) 255-3661 or e-mail at tbailey6@uccs.edu.

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