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# Stability in numbers isn't translating to households

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Note

As I mentioned in a previous article, one of the more important realities becoming increasingly evident this year is that economic growth and economic confidence are resoundingly not moving in the same direction.



Note

Some key macroeconomic data may suggest a degree of stability, but households appear increasingly uncertain and even despondent about future conditions. This divergence is important, because sentiment often influences consumer behavior long before broader economic data begins to deteriorate. A recent Fox21 economic segment addresses this topic of which economic reality is true. As one key example, The Great Recession prompted by the housing financial crisis started brewing around 2001, according to most experts, which is well before mortgage defaults began rising sharply (in 2007) and the recession actually hit.

Note

Consumer sentiment provides one of the clearest examples of this disconnect. The University of Michigan Consumer Sentiment Index fell from 49.8 in April to 44.8 in May. This is the lowest it has been since UM started tracking this metric in 1952.

Consumers continue to express concern about affordability, purchasing power and overall economic conditions. If we juxtapose this to what's in the typical household's pocketbook, it's worrisome as "real," or inflation-adjusted, disposable income actually fell into negative territory in April (-0.5%). In other words, consumer income actually decreased in terms of purchasing power in April compared to March precisely because of higher prices.

Note

As such, it's not surprising that the savings rate is now about one-third of what it has historically averaged with April's rate at 2.6%. That's not a lot of financial buffer for most American households. And

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the low savings rate tells me that consumers are drawing down savings to maintain consumption. And inflation accelerated in April, which suggests price pressures will continue to weigh heavily on the average consumer. Note

April's year-over-year inflation rate increased to 3.8%, which is almost double the rate that is considered stable and desirable. The "core" rate, minus food and energy, also accelerated to 2.8%. Hence, while the sizable increase in price levels is mostly due to energy costs, the elevated "core" rate means we have inflationary headaches above and beyond energy (think health and home insurance).

The Federal Reserve's preferred inflationary measure, the Personal Consumption Expenditures (PCE) deflator, also showed inflation significantly accelerating in April. For those of you who follow this closely, the acceleration in prices is now prompting some Fed officials to talk about rate increases. This is vastly different from the rate cuts everyone was expecting for this year and next — perhaps as disappointing is the elimination of the Avalanche in the Stanley Cup playoffs. (I'm bitter about both things.)

And most people feel interest rates are already high, which affects virtually all household and business investments. They are, indeed, high compared to earlier this decade with an average credit-card interest rate of 21% and the average 30-year mortgage at about 6.5%. The latter largely explains the disappointing home sales data for April, which showed those new home sales down 11.3% year over year across the U.S.

While we are on the topic of housing, home sales remain flat overall in the Pikes Peak region although there is typically a bit of a pop in April with spring buying. But if we compare home sales these past few years under higher interest rates to trend-level home sales, it's easy to see that higher rates have, indeed, dampened what had been a solid housing market (from around 2016 to 2022).

At the same time, home price trends indicate moderation. Colorado Springs median single-family home prices declined 1.1% year over year to \$459,500. Denver experienced a similar decline, while Boise, Idaho, also moved lower. The U.S. overall had a modest increase in home prices (+0.5%). Home sellers and builders have to adjust their expectations when interest rates are high, as those higher rates increase the monthly mortgage payments and price many people out of the market.

The good news is that prices are moderating, which particularly helps first-time home buyers. If and when interest rates come down, that will be the linchpin for many first-time buyers in terms of affording that new home. Note

In terms of affordability, the cost-of-housing index showed Colorado Springs and the nation as a whole both at 32%. This metric measures the percentage of the local median pre-tax income needed for mortgage payments. I think it's important to remember that affordability challenges, particularly for young families, is a national theme and most definitely a problem. However, in the scheme of things, Colorado Springs is aggressively average in terms of overall housing affordability; at least, according to this national data.

Of course, a key tactic to improving affordability is to increase housing supply. The great irony here is that higher interest rates dampen demand, which reduces new construction. However, what we precisely need is more housing because of a structural shortage of housing prompted by the Great Recession. This is true for most U.S. regions, but we are perhaps more challenged locally because people are still moving to the Pikes Peak region. Note

Our single-family permits declined from 312 in March to 270 in April, while multifamily permits fell from 74 dwelling units to just eight. An infographic in our monthly report shows we need about 8,500 permits (single- or multifamily) per year, but we are falling short, which circuitously brings us back to low supply and higher prices (Note: contact me if you want to be on that distribution list for that monthly report with the visuals). This is why you hear such grumbling from builders. They know we need more housing, but they are constrained by higher construction costs (yes) but also limited demand due to high interest rates. Note

So, if we step back, these metrics

I am sharing directly reflect how consumers are feeling ... not great. But if you look at the U.S. unemployment rate, which fell from 4.3% in March to 4% in April, things actually look pretty good. Colorado's performance was even better in April, with an unemployment rate that fell from 4.4% in February to 3.5% in April (El Paso County's unemployment rate also dropped from 4.6% to 3.6% over that same period.) Our state also had a very respectable increase in employment in April (up by 11,800 jobs) after several quarters of unusually low employment gains. I hope this holds! Note

Similarly, local job openings rose from 17,644 in March to 18,283 in April, while the number of unemployed individuals declined by 8.2%. As a result, the number of local available workers per job opening fell to just 0.76. In practical terms, there is fewer than one unemployed worker available for every open position, signaling a tight local labor market. Note

Again, seemingly a strong local labor market, yet the newly released annual Quarterly Census of Employment and Wages data for 2025 shows our region once again vastly underperformed in terms of new jobs. El Paso County employment in 2025 declined by 1,478 jobs, compared to 2024. Other than the initial pandemic year (2020), job losses have not occurred in Colorado Springs since the Great Recession (2009-10). My concern began in 2024, which had only 2,019 new jobs (while 2021-2023 had over 10,000 new jobs per year).

Although job losses are job losses, it's important to highlight that we've also adjusted the number of new jobs needed to match the number of working-age people moving here. Population growth has been revised downward both statewide and locally, and by significant levels. By extension, that means that the number of jobs required to keep pace with population growth has now been revised downward from approximately 5,600 annually to 3,800. That's a big change. Note

So you get the theme of a low unemployment rate that makes things look good on the surface, but then when we step back, we see other data like local job losses that reflect vulnerabilities. Similarly, gross domestic product is not fantastic, but it was respectable in Q1 of this year at 1.6% — certainly not in recession territory. Note

However, business investment in AI and data-center construction was a big component of that, and overreliance on one growth sector makes me nervous. The same can be said about the stock market. As I tell my husband, who is a "high-net-worth" financial planner whose clients have benefited from the stock market, if something looks too good to be true, it probably is. Note

I mentioned these points previously and how most Americans don't directly experience the economy through GDP or the stock market. Many Americans are distraught, because they experience the economy through day-to-day prices including gas prices, interest rates on their credit cards or other large-ticket items, and how easily they can find a better, higher-paying job. An added important nuance is Note

that even those macroeconomic variables like GDP and the unemployment rate are not as robust or stable as they may appear on the surface.

In summary, it's the "average" U.S. consumer and economists who are sounding the alarm bells. If you ask very wealthy households that have ridden the abundant stock market gains or large corporations that have benefited from those gains, all looks great. The question is when that glaring disconnect will come to roost.

Tatiana Bailey is executive director of the nonprofit Data-Driven Economic Strategies. Other Denver Gazette articles, TV segments, DDES monthly economic dashboards with technical explanations, and how to sponsor their work can be found at [ddestrategies.org](http://ddestrategies.org).