

Weighing U.S. economy's comparative strengths

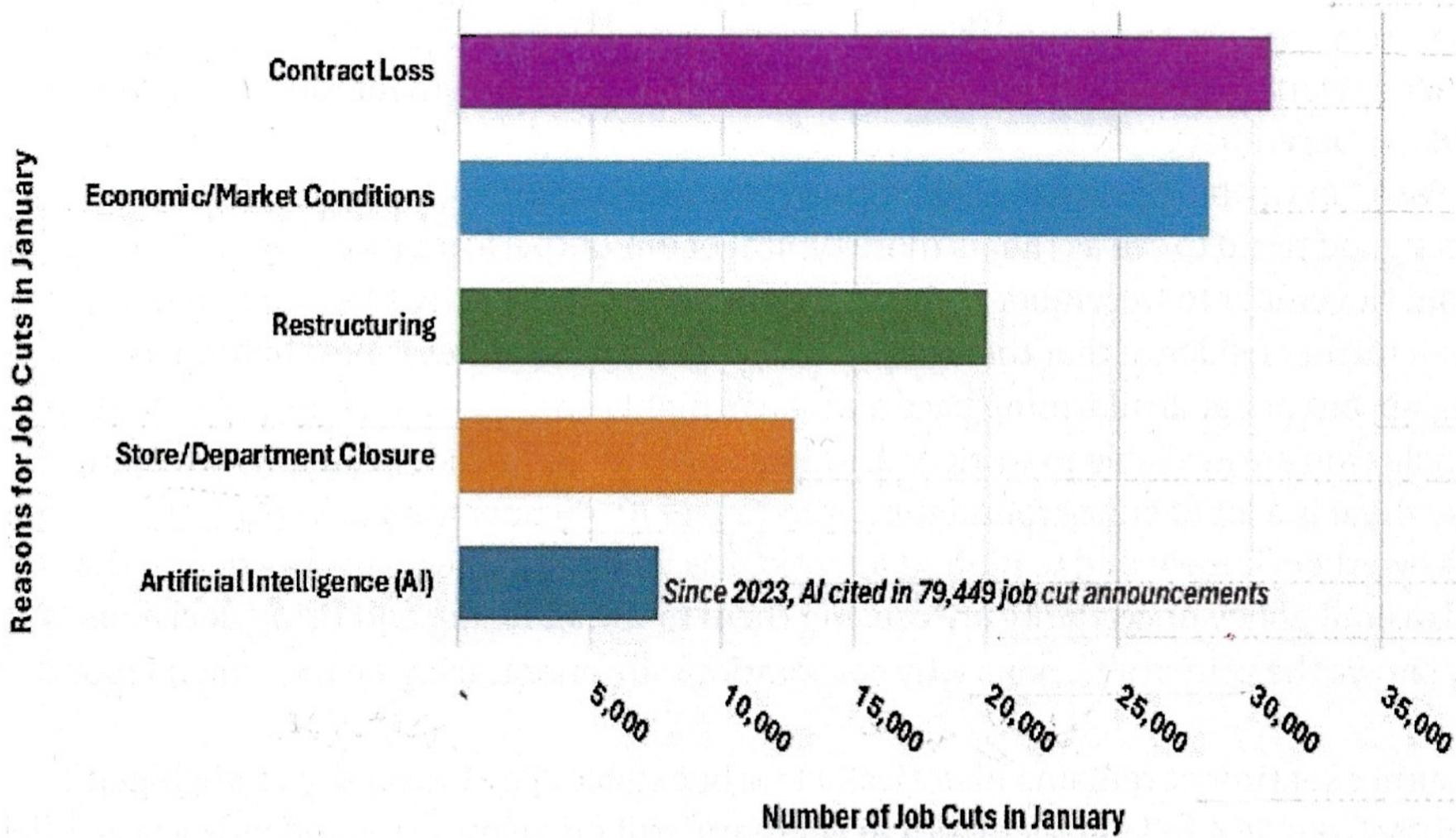
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The national and regional economic environments reflect a complex combination of moderating growth, labor market deceleration, and early signs of shifting consumer and business conditions mostly tied to high price levels and general economic uncertainty.

Reasons for Job Cuts in January 2026



Source: Challenger, Gray & Christmas Job Cut Announcement Report, January 2026.

We all know this, but I have to admit I've struggled lately in presentations, articles and social settings (with libations!) to talk about the economy without sounding like Debbie Downer. I feel like I was Perky Patty for the first few years I was here: Colorado is in the top five for job creation, population growth, quality of life, and pretty much everything. Colorado Springs was out of the doldrums of an anemic recovery from the Great Recession finally meeting or exceeding the number of new jobs needed to match population growth, still a ordable and one of the leaders in the state in terms of in-migration, etc. Having had five kids, I am what many would call a stupid optimist and focusing on the negative is not my thing. However, we have to have data on what's transpiring in order to address it. I do sincerely believe that the U.S. still has massive comparative advantages, and I absolutely believe we can leverage

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those even during economic uncertainty and even downturns. I will end this missive with some of those more constructive thoughts.

Starting at the national level, real GDP growth for 2025 Q4 came in at 2.2% year-over-year, with an annualized quarterly pace of 1.4%. Full-year 2025 also averaged out to a 2.2% growth rate, which is respectable, but not quite as high as what was expected.

The fourth quarter of 2025, in particular, was forecasted to be in the 3.5% range (annualized), but ended up at 1.4% mostly due to the 43-day government shutdown. This means government spending was down, but so was government worker's consumer spending as well as government contracting with private firms.

Hence, the ripple effects (or "economic multiplier") of the shutdown were widespread and deep in their impact. Exports also declined and foreign demand was softer. Consumer spending held up at the end of 2025, but it decelerated relative to previous quarters and that too was a drag on 2025 Q4 GDP.

In terms of labor markets, the not seasonally adjusted U.S. unemployment rate rose from 4.1% in December to 4.6% in January, but seasonal adjustment is particularly important this month because it's post holidays. That seasonal adjustment brought the January U.S. unemployment rate to 4.3% (down slightly from 4.4% in December).

Colorado and El Paso County both had lower unemployment rates than the U.S., which is a good trend to see as that is more typical of our outperformance. National job openings fell 5.6% from November to December to 6.5 million and are down nearly 13% compared to December 2024 — further evidence that the exceptionally tight labor market is now behind us.

Layoffs are edging up, but not at an alarming pace and that's highly correlated to simply having fewer working-age people who are available to work or are already working. I am still carefully watching, however, because there is a lot of buzz around the approximate 10.5% unemployment rate of young/entry-level workers largely tied to high AI adoption, as well as business surveys saying that higher costs and overall policy uncertainty are causing them to revisit hiring and firing decisions. A large U.S. survey shows the primary reasons why corporations are announcing layoffs, which I found interesting.

Meanwhile, consumer sentiment remains historically low, but stable. The University of Michigan's reading rose slightly from 56.4 in January to 56.6 in February, still far below pre-pandemic levels. I field questions about why there is continued consumer spending if consumer confidence is so low. I think there are two important considerations. One who is spending? Every piece of data I've seen demonstrates it's the top Ten percent of income earners who are fueling about 60% of all spending. Two if the middle and lower-income quartiles are still spending, is it primarily for necessities and what kind of buffer (e.g., savings rate) do they have? Bank of America produced data showing credit cards are increasingly used for necessities like groceries while savings rates are less than half (3.6%) of what they historically have been (approximately 8%). That's a major indicator to me of where consumer spending is headed — especially if the more recent AI-related stock market jitters impact the (perceived) wealth of the highest income quartile.

Inflation data for January provides additional nuance. The U.S. Consumer Price Index (CPI) rose 0.2% from the previous month — slower than December's 0.3% gain — with the year-over-year rate easing to 2.4%. Core inflation rose 0.3% month-over-month and 2.5% year over year.

While these numbers reflect continuing progress toward the Fed's 2% target, it's overall price levels that consumers and businesses lament. It's also important to track what the Federal Reserve (and Tatiana) use as a better barometer of inflation, which is the PCE deflator. It reflects not just a basket of goods (used for the CPI headline measure), but the actual expenditures of consumers.

That PCE deflator increased from 2.8% in November to 2.9% in December. It had been on a downward trajectory and was 2.4% in March 2025 (before the April 2025 tari announcements). Core PCE also increased (to 3.0%). Higher PCE deflators lower the probability of more aggressive interest rate cuts — at least with the data available now.

Turning to regional economic performance, newly released Bureau of Economic Analysis data allows us to compare real growth by county for 2024. El Paso County (2.8%) mirrored U.S. growth while Bernalillo County (Albuquerque, N.M.) grew at a 2.2% rate, Boulder County at 1.5%, Madison County (half of Huntsville) at 3.4%, Pueblo County at 0.5%, and Colorado at 2%. The shift to county and not city/MSA level data reflects the shift in how the BEA now measures regional economic growth. I prefer city/MSA data, but lamentably no one in D.C. asked me.

Now the tough nugget. New job (or job loss) information for our region was just released for 2025 Q3, and it shows regional employment is down by 3,079 jobs compared to the same quarter in 2024 — a significant contraction. Our visualizations in the monthly report painfully show this troubling trend with job growth in 2024 about one-fifth what it had been (2,019-plus jobs) and outright declines in the most recent data (minus-3,079). DDES has calculated that roughly 5,600 new jobs a year are needed just to match population growth. The state also saw subpar job growth, and I am indeed concerned about going into 2026 and 2027 in a position of little to no new job formation.

In terms of real estate, the U.S. median existing single-family price rose 1.2% year over year in 2025 Q4, but in Colorado Springs home prices fell 1.7%, dropping the region from the 49th to the 54th most expensive Metropolitan Statistical Area. Denver also saw price declines (minus-1%). This bodes well for our region and state if we want to reestablish ourselves as a desirable and attainable place to live as that would help our declining in-migration.

I always look at the confluence of factors, and I admit that I see a lot of headwinds ahead and as such, my forecasts for GDP growth in 2026 (1.6%) and 2027 (1.5%) are lower than consensus.

Having said that, let's focus on what's right and what's doable. At a national, state and local level, I think challenging times are precisely when we look to big and bold initiatives that have a high return on investment. I agree with many experts who wonder why decision-makers don't home in on two to three challenges that all parties agree need fixing.

In the realm of housing, why not use the power of government contracting and economies of scale to request builder bids for two to three (price) tiers of a ordable housing? Government can help identify feasible parcels of land and the private sector can build it (while also putting people to work).

Same for modernization of our electrical grid. Free community college for those households under a certain income level who enter the in-demand occupations of today and tomorrow. A sample ROI for Pikes Peak State College and Red Rocks Community College (RRCC) that we did shows massive returns for students and communities (e.g., for every \$1 a student invests in PPSC's cybersecurity certificate, they receive back \$5.21 in their first year of working and over three years that \$1 yields \$15.63 accounting for the initial educational investment).

RRCC's radiology tech associate degree yields \$3.09 for every dollar invested in the first year and \$9.27 over three years. And these figures don't even account for increased labor participation (the more educated you are, the more likely you are to work) or the increased tax base for governments that are increasingly squeezed by the high number of retirees and increasing costs of providing infrastructure and governmental services.

All in, we are the United States of America. We know how to think big — and act upon it in admirable and inspiring ways.

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.