

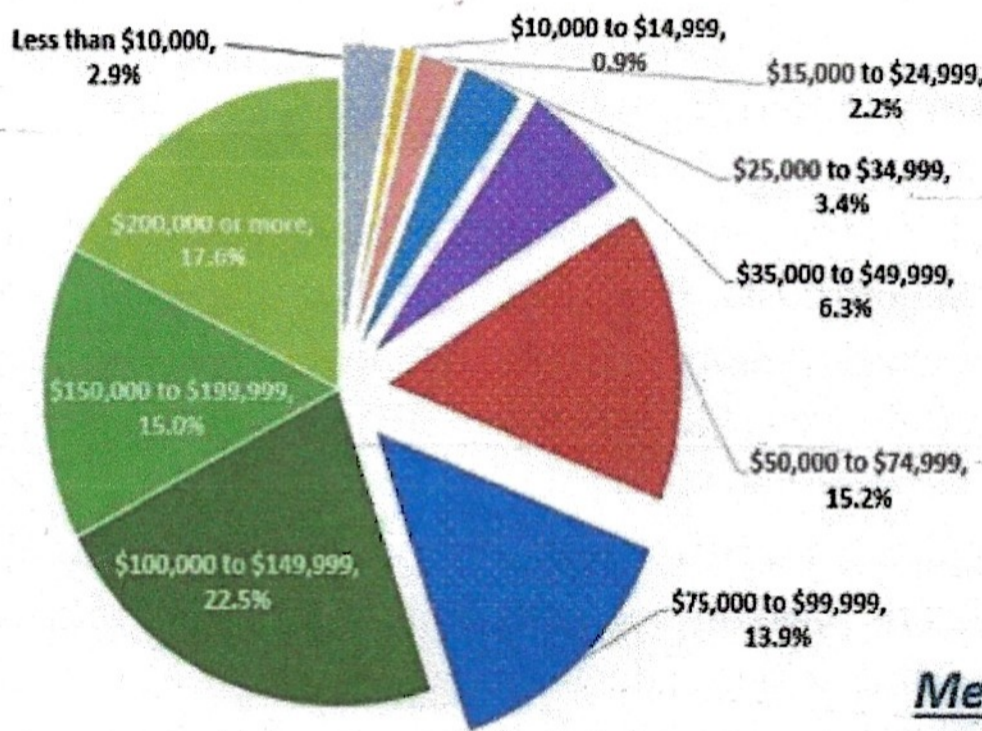
# Economy buffeted by significant cross-winds

CWRP - Gen RB

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Recent economic data reflects an economy that continues to send mixed signals with (mostly AI-driven) growth, persistent inflationary pressures and structural challenges in labor markets that are becoming more pronounced.

2024 Families by Income El Paso County



Median Income: \$110,425

Source: U.S. Census Bureau, American Community Survey 1-year estimates

Our state, in particular, showed job losses in 2025, which is alarmingly different than decades prior. At the national level, economic growth as measured by gross domestic product (GDP) for the fourth quarter of 2025 was revised down to just 0.5% annualized growth, or 2% year-over-year, a notable step down from earlier expectations.

However, in the first quarter of 2026 “real,” or inflation-adjusted GDP growth returned to trend levels at a 2% annualized rate. Note that this is the first release of information, which can have significant revisions.

The Q1 growth was mostly driven by investment in artificial intelligence and decent growth in consumer spending. As I’ve discussed before, while still increasing consumer spending may appear positive on the surface, it is increasingly concentrated among higher-income households, contributing to what many economists describe as a “K-shaped” economy. It is also important to remember that when we look at consumption indicators like U.S. “retail sales” those sales are expressed in dollars, meaning higher sales incorporate higher prices.

The same is true for local sales and use tax, which rose 6.7% year over year in March. This tempers commentary from some who say, “The economy is doing great — look at how people are spending!”

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We have to remember who is spending (disproportionately higher-income groups); how much of that increased “spending” is due to inflation; and how (disproportionately lower-income groups) are relying on credit cards for their spending. Hence, the “mixed signals” in terms of economic indicators.

Consumer sentiment reinforces this cautionary tone about spending and inflation impacts. The University of Michigan Consumer Sentiment Index fell from 53.3 in March to 49.8 in April, the lowest ever recorded since 1946. The April decline was broadbased across age, income and political groups. Consumers reported worsening views of current conditions, declining expectations for the future, and ever-rising concern over inflation, which rose 0.9% in March to 3.3% (the “core” rate without energy and food was still high at 2.6%).

Consumers expect inflation to increase in one year (to 3.8%) while buying conditions for homes, vehicles and durable goods deteriorated significantly. Much of this decline has been attributed to geopolitical instability and rising prices in the UM survey.

It is interesting to me that there is enough uncertainty (and inflation) that higher-income groups are now also negatively impacting overall consumer sentiment. It’s “bougie,” but some of my friends who own second homes or commercial real estate are bitterly complaining about their property insurance as one major example of inflationary pressures.

For those who do not have fixed mortgages, higher interest rates today via shorter-term, variable-rate loans also trigger a material increase in household costs. The “average” person may not sympathize much with the “have-yachts,” but if higher-income cohorts are driving most of the consumption (and business activity) in the U.S., their lack of confidence is likely to translate to lower consumption patterns at some point.

Politically liated survey respondents are typically more optimistic if their party is in the White House and, as such, it is not surprising that Republicans have higher sentiment than Democrats in the UM survey. But it is notable that Republicans’ sentiment also is declining as of late. It’s also notable to me that some millennial and Gen Z Republicans I talk to are livid at the current administration saying the current president (who they voted for) ran and won on the premise of a) taming inflation, and b) absolutely positively not entering any (expensive) wars. They say they feel hoodwinked.

Labor-market data continues to show resilience on the surface, but underlying trends suggest more meaningful softening, particularly in Colorado. Most notably, our state had job losses in 2025 of 7,700, which is a decline (-0.3%) while the U.S. increased (+0.5%). According to a former senior labor economist for the state, for almost half of the years since 1961, Colorado has ranked in the top 10 states for job growth. As such, 2025 was an unusual year for our state.

With respect to unemployment, the U.S. rate declined to 4.3% in March. Colorado’s rate in February was almost identical at 4.4%, and El Paso County stood at 4.6%. (February is the latest month available for our state and region.) While these rates are not high by any means, it is notable that, despite the high level of business and consumer uncertainty unemployment, they remain as low as they are.

As I often address, it’s all about demographics and the shortage in the sheer number of working-age people (who also participate in the labor force) relative to the high number of retirees. This is much of what is creating the “low-hire, low-fire” dynamic.

The statewide job-loss dynamic also is apparent locally, as I’ve noted in previous reports. El Paso County lost 3,079 jobs between 2024 Q3 and 2025 Q3 based on the latest available data. At the same

time, job openings in the Colorado Springs Metropolitan Statistical Area increased significantly from 14,501 in January (a traditionally low hire month) to 17,644 in March.

It's obviously favorable to have a high number of job openings, but the imbalance underscores a structural mismatch between locally available skills and employer needs. One clear example is in education. Secondary schoolteachers returned to the list of top 10 job openings (215 for secondary schoolteachers alone), reflecting ongoing workforce shortages and, in this case, of critical or essential workers.

But here's some great news I love to share. In response, Pikes Peak State College is expanding its role in workforce development. The college recently launched a new bachelor of applied science degree in elementary education designed to address Colorado's teacher shortage. It is specifically designed for recent graduates, paraprofessionals, career changers, and military-affiliated students.

This meaningfully helps retain talent locally while directly responding to workforce needs. We (DDES) are thrilled to be part of another stellar program at PPSC: the D2 Promise Scholarship program, which provides free PPSC tuition to Harrison School District 2 high school graduates. For a plethora of high-demand jobs, including teachers, Promise Scholarships can completely redefine a student and their future household's wealth and standard of living prospects, and that change typically perpetuates to future generations.

Our region is truly fortunate and somewhat unique: Not every community has such a stellar and responsive community college or free tuition via Promise scholarships.

Shifting to real estate, the Federal Reserve kept interest rates steady this past week, so real estate activity probably will stay relatively muted. Nationwide, prices are projected to increase roughly 2% over the year, which is actually lower than the current rate of inflation (3.3%).

U.S. home builders are particularly pessimistic with their (NAHB) sentiment index at 34 in April (50 is neutral). Current new home sales conditions, buyer traffic and six-month expectations all declined.

In terms of our local median existing home price, there's been a decline (-1.7%) from 2024 Q4 to 2025 Q4, while prices were up 1.2% across the U.S. If we can figure out how to build more locally, especially in the affordable range, it's possible our moderating prices may moderate further, which would be a boon, especially given our lower local wages.

It's challenging with materials and labor costing as much as they do, but some projects are moving forward. For example, Sugarbowl Grove (117 units) and Trinity Apartments (75 units) recently received funding through our state's Proposition 123 program. These developments will serve older adults earning 60% or less of area median income and are supported through a mix of state funding, grants and innovative construction approaches, including modular building techniques.

While there is a lot of attention on baby boomers who are comfortable homeowners who don't want to move with no (or low rate) mortgages, there are also a lot of seniors who rent and/ or are severely cost-burdened with respect to housing who have no other income than Social Security. This is a population that will only continue to grow and as such, it would be great if these kinds of programs could scale.

It's worth noting that I have been keeping my eye on nationwide and local foreclosure rates. Those rates are nowhere near Great Recession levels, but the trend is moving in the wrong direction, with 118,727 foreclosures in the U.S. during the first quarter of this year, an increase of 26% year over year.

The uptick is largely due to homes that had variable-rate loans that expired (and now have to be refinanced at approximately 6.5% mortgage rates), increasing homeowner's insurance premiums, and over-

all higher price levels impacting overall household budgets.

In terms of local quality of life, two annual metrics have been updated. Air-quality data for 2025 show encouraging trends. Carbon monoxide levels remain well below national standards, and particulate matter has declined compared to the previous year. While ozone levels in some areas remain slightly above federal thresholds, overall environmental conditions remain favorable. Now we just need to hope and pray for no significant wildfires, as that impacts all three measures of air quality significantly (albeit through different mechanisms).

And quality of life is huge, as it is our day-to-day life. As such, even with the state and local headwinds, I believe living in Colorado Springs remains a privilege. Our high educational attainment levels bode well for new business formation, business growth and business attraction. This, in tandem with our natural resources, continues to make our region and state one of the most desirable places to live and work.

In other words, the fundamentals are all there (smart people and environment). Yes, other things matter like policies, regulations, funding high return-on-investment initiatives (like education and child care), but we have bankable assets in Colorado. The challenge moving forward will be capitalizing on these advantages and ensuring significant barriers to our own growth are removed or mitigated (for example, the bipartisan Senate Bill 26-137, reviewing and reforming state regulations). *Note*

In turn, this can ensure that our growth is both sustainable and inclusive, so that our assets stay put and future generations can reap the benefits as we have.

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).