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# Economy shows signs of strength and strain

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The September economic data continued to tell a mixed story about the national, state and local economies.



Retailers that reflect discretionary spending (often coined "luxury" goods) mostly report strong sales while retailers like Walmart that reflect more typical consumers report weakened sales. Similarly, there are mixed signals for businesses. According to the Federal Reserve Bank of Kansas City, which represents Colorado, business activity has neither grown nor contracted, but it notes signs of softening. These business surveys also hint at further price increases. This combination is important because an economy does not typically move uniformly in one direction. Right now, there are clear areas of strength alongside increasing signs of financial strain for households as well as caution among businesses. Conditions will never be uniform across household income levels or across all businesses. However, the divergence within those households and businesses is predicated upon whether they reflect the higher- or lower-end consumer. Historically, that increasing divergence is a predictor of a slowdown in broad-based economic growth. The labor market data embodies these contradictions. The seasonally adjusted U.S. unemployment rate held at 4.1% in July and August. On a nonseasonally adjusted basis (NSA), the national rate edged down from 4.4% to 4.3%. Remember that we report seasonally and nonseasonally adjusted because available local county data only reports NSA, and we like to give you an apples-to-apples comparison between the U.S., state and local data. With that in mind, Colorado and El Paso County moved in the opposite direction to the U.S. Colorado's unemployment rate increased from 4.1% in July to 4.6% in August while El Paso County's rate increased from 4.3% to 4.7%. The number of unemployed people in the Colorado Springs metropolitan area increased almost 9% from a revised 16,782 in July to 18,258 in August. As the saying goes, one month does not make a trend, but given the employment slowdown across the state and our region, the 9% rise in local unemployment is noteworthy. I hope it does not signal further softening in the labor market. Meanwhile, local job openings were unchanged. The just-released U.S. job openings show a decline of 256,000 jobs to 7.08 million openings, although layoffs remain relatively low. The Federal Reserve report referenced above highlights that businesses

are still saying they cannot find the qualified labor they need and that helps explain low layoffs despite tepid business confidence.

Two factors to consider are the aging of our workforce and the roughly 40,000 immigrant deportations per month. However, the U.S. Labor Force Participation Rate continues to exacerbate this conundrum with the latest data showing a participation rate of only 61.6% in August. July's rate was similar at 61.4%, which was the lowest level since February 2021. Hence, you have a low unemployment rate, which is "good," but low business confidence with price pressures and "typical" Americans financially strained.

Yes, retail sales continue to increase, but when you adjust for inflation and the increased spending attributable to higher gasoline expenditures, the retail sales numbers are not as impressive. Hence, the earlier assertions about an economy with "mixed signals."

And the price pressures continue. The Consumer Price Index increased 0.4% in August on a seasonally adjusted basis, compared with a 0.1% increase in July. Overall prices were 3.4% higher than a year earlier. Core inflation, which excludes food and energy, increased 0.3% for the month and 2.4% over the year.

A separate consumer confidence survey by The Conference Board showed a marked decline in how consumers are feeling, and it's all about prices, while the University of Michigan Sentiment Index is at historic lows. As the Iran conflict drags on, consumers are expecting no resolution anytime soon and that not only further erodes confidence and "real" income, it also embeds inflation expectations for both businesses and consumers. Economists and the Fed watch these price expectations carefully as they can eventually wreak havoc with medium- and longer-term business and consumer decision-making that is hard to unravel.

In a recent Fox21 economic update and corresponding The Denver Gazette article, I dug further into the topic of rising personal income and how that aggregate statistic adds up income across all income levels that doesn't fully reflect the average American.

The same can be said about the U.S. savings rate. The Personal Savings Rate graphic shows the incredible difference in terms of the economic buffer depending upon income levels. You would expect higher-income Americans to save more, but the difficulty lies in the negative savings rate of such a large proportion of individuals. 2023 is the most recent data available, but this dichotomy in the savings rate is certainly more acute now than it was then as the overall savings rate is lower now, prices are higher and credit card use and delinquencies are also higher.

Now let's look at the typical Pikes Peak region resident in terms of housing. The September interest rate hike meant the 30-year mortgage rate as of mid-month stood at 6.95%, which further inhibits home-buying. The challenge is particularly acute among first-time buyers.

I did an analysis showing that with our median Pikes Peak home price at \$470,000 in August, a household would need \$94,000 upfront for the 20% down payment. At current mortgage rates, the estimated monthly housing cost approaches \$3,200 once estimated property taxes and homeowners' insurance are included. Using the conventional guideline that housing costs should remain below 30% of gross income, the household would need an annual income of about \$127,760.

Yet, the latest available median household income for El Paso County (2024) is \$91,009. That creates an income affordability gap of nearly \$37,000 a year between what the typical household earns and the

income needed to afford the median-priced home under these assumptions. And remember that calculation already assumes the household has accumulated the \$94,000 down payment. I don't believe the lagging (Census) income data materially changes the picture because house prices have actually declined slightly since 2024.

The problem becomes even clearer when we look at the local income distribution. In 2024, 54.7% of El Paso County households earned less than \$100,000, while 74.9% earned less than \$150,000. In other words, most local households do not have the income needed to purchase a median-priced home. If we did the same analysis for the average-priced home (\$550,000), the barriers are even higher.

There are some reasons for optimism. Bliss Mobil, a Netherlands-based manufacturer of premium off-grid living systems (kinda cool), selected Colorado Springs for its U.S. headquarters. The company is expected to invest about \$4 million locally and is exploring bringing portions of its manufacturing operations to the United States.

Visit Colorado Springs, our local tourism office, was the recipient of the 2026 Governor's Award for Creative Marketing Campaign. The award recognizes particularly creative and effective campaigns promoting Colorado destinations to domestic or international visitors. The project uses videos, web content and an interactive map to showcase attractions and amenities including from lesser-known regions/attractions. The campaign generated nearly 1 million social-media engagements and is designed to encourage visitors to explore lesser-known areas and stay longer.

In 2025, our local tourism industry generated \$2.4 billion in direct spending while employing over 18,000 workers. Now we just have to hope "super El Niño" will produce a ton of snow for our state economy. In any event, it's always sad to see summer end, but the snowy peaks in Colorado make us all smile — especially skiers and economists.

Tatiana Bailey, executive director of the nonprofit Data-Driven Economic Strategies, writes a weekly business column. Other Denver Gazette articles, TV segments, DDES monthly economic dashboards and how to sponsor their work can be found at [ddestrategies.org](https://ddestrategies.org).

