

All vital signs indicate economic recovery for El Paso County

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OPINION

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Strategies for the business sector

The Colorado Springs economy continues to improve.

Retail sales in Colorado Springs set several records in 2004. The rebound actually began in November 2003.

Since then, retail sales have been higher in every month compared to the year-earlier month. That makes 14 months of improvements. Total retail sales set a record in 2004.

New car sales in El Paso County were the third-highest, ever, in 2004. Building permits for single-family homes also were at record levels. Employment also is at a record level. The unemployment rate is in the 5.4 percent range. Interest rates and inflation continue to be low, despite the record high prices in oil during 2004.

In short, the economy is doing well.

Single-family-home construction is one of the strengths in the local economy. The average permit value in 2001 was \$120,000, a small decline from 2000, when the average value was \$122,400. 2002 saw a slight improvement, when the average single-family permit value was \$121,500. It was not until 2003 that signs of an improving economy became obvious.

By 2004, the average singlefamily-permit value was \$141,000. Adjusting for inflation, single-family permits in 2004 should have averaged \$136,500. The extra \$4,500 in permit value reflects real increases in the quality of housing in our county. People are building a mix of larger homes with more upgrades and personal amenities.

The buyers of new homes are also buying home-theater equipment, furnishings and automobiles.

Despite all the spending, debt service as a percentage of household income has remained stable. People are spending because they are feeling better about the economy, employment, incomes and security.

Local business owners can benefit from a timely indicator that points to the direction the economy is headed. The Southern Colorado Economic Forum at the University of Colorado at Colorado Springs developed a Business Conditions Index (BCI) for the El Paso economy in 2002. We have monitored and improved the BCI since then. The BCI continues to perform well as a reliable indicator of local economic conditions.

By June 2003, the BCI pointed to a clear bottoming out in the local economy. The forum first wrote about the emerging recovery in June 2003. By September 2003, it was clear the local economy was on an upward trend.

In December, the BCI stood at a record level of 108.80. This means the local economy, in aggregate, is operating at a level about 9 percent higher than it did in the reference period of March 2001. This translates into a 2.27 percent compound annual increase. It's especially impressive considering the phase of the business cycle we just experienced.

The forum's analysis of the BCI indicates we can expect to see continued growth in the local economy for the next six months, at a minimum. Support for this expectation comes from strong building activity, falling unemployment and rising income levels as well as business and consumer belief that the economy will be strong for the next six months.

Consumer and business confidence are especially valuable insights to emerging trends. If pessimism were the dominant voice, spending would drop. Reduced consumption would first slow the economy, and eventually reverse the upward trend currently observed in the BCI.

The forum monitors and reports on trends. It has developed an apparently reliable monitor for current economic conditions and emerging trends.

If you would like to receive the forum's BCI in its publication, Quarterly Updates and Estimates, e-mail fcrowley@uccs.edu and put the word SUBSCRIBE on the subject line. The QUE is distributed electronically for free.

If you have a particular question about how to apply the BCI to your business strategies, please contact me at fcrowley@uccs.edu or 262-3531.

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