15th Annual
Southern Colorado Economic Forum

October 14, 2011
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Southern Colorado Economic Forum
University of Colorado at Colorado Springs
College of Business and Administration

Agenda

• Global and Domestic National Economic Issues
• Challenges for the Colorado Springs Area
• Scenario Analysis
• Employment Effects
• Operation 6035 and Building a Telecomm Cluster
• Forecast

Global Issues

• Revolutions/Unrest Among Arab Nations
  – Oil spikes
• Japan – Earthquake and tsunami
  – Disruption in the supply chain
• The PIGIS
• Basel III
• Dodd-Frank Bill
• Budget Control Act of 2011
Weak Domestic and Global Economies

- **Global Indicators**
  - Inflation
  - Unemployment Rates
  - GDP

- **Domestic Indicators**
  - Purchasing Managers Index
  - Durable Goods
  - Unemployment Rate
  - S&P 500
  - GDP

Key Indicators by Country and Region

Source: Trading Economics

U.S. Indicators
Challenges in the Colorado Springs Area

- Gross Metropolitan Product
- Federal Expenditures
- Military
- Primary Employers
- Employment and Income Trends
- Sales and Use Taxes
- Employment and Population Projections
- Housing

A Closer Look at GMP

- Military
- Primary Employers
- Income
- Sales Tax Collections
- Employment & Population Projections

Colorado Springs MSA: GMP Final Demand Share (2008)

Source: Iplan and UCSC Forum
El Paso County Wages in Cluster Industries

Employment Trends
(12/2007-6/2009 = 100)

Per Capita Personal Income: 1970-2010

Source: Derived from Colorado Quarterly Census of Employment and Wages

Source: BLS, Colorado LMI

Source: Bureau of Economic Analysis
Colorado Springs Sales & Use Tax
(Blue is in millions, Red is per capita, real and indexed to 2001=100)

Source: City of Colorado Springs and UCCS Forum; *Projection

- Population and Employment Projections
- Multipliers

Employment Projections

Source: Colorado Department of Labor & Employment
El Paso County: Employment and Population Growth and Projections

- Projected population
- Required employment
- Projected employment

*Projections Source: Colorado Departments of Labor and Local Affairs

Growth Projections for El Paso County: 2009-2019

- 115,561 jobs needed to keep unemployment rate at current levels.
- 58,000 jobs needed to lower unemployment to 5%.

Employment and Population

*Source: Colorado Departments of Labor and Local Affairs

Multipliers by Sector

- Source: Colorado Department of Labor and Employment
Scenario Analysis

Actual and Projected Multipliers

Source: Implan, Colorado Department of Labor & Employment and UCCS Forum

2% Sales Tax Projections for Colorado Springs

Source: Colorado Department of Labor & Employment and UCCS Forum
Employment Projections for El Paso County

![Chart showing employment projections for El Paso County with labels 2019 DL&E and 2019 Forum Scenario.]

Source: Colorado Department of Labor & Employment and UCCS Forum

Total Income Projections for El Paso County

![Chart showing total income projections for El Paso County with labels 2019 DL&E and 2019 Forum.]

Source: Colorado Department of Labor & Employment and UCCS Forum

Employment and Its Effects

- Employment and Income
- Employment and Its Effects on Housing
- Macro and Micro Perspectives
- The Recovery
- Operation 6035
- Cluster Development
Employment Growth and Housing Prices:
(Mar-Nov 2001 = 100)

Average and Median Home Prices

Single Family Permits in El Paso County
Housing Affordability

Multifamily and Commercial Property

Multi-Family Rents and Vacancy Rates in El Paso County

Source: Colorado Division of Housing
Industrial, Shopping Center and Office Vacancy Rates

![Graph showing vacancy rates for Industrial, Shopping Center, and Office from 2000 to 2010.]

Source: Turner Report and UCCS Forum

Industrial, Shopping Center and Office Rents

![Graph showing rents for Industrial, Shopping Center, and Office from 2000 to 2010.]

Source: Turner Report and UCCS Forum

Operation 6035 – Key Sectors

- Aerospace, defense and homeland security
- Software and information technology
- Renewable energy and energy efficiency
- Sports and related industries
- Emerging industries, entrepreneurs
### Location Quotients, Employment, Income and Tax Multipliers for Select Operation 6035 Sectors

<table>
<thead>
<tr>
<th>Location Quotient</th>
<th>Employment Multiplier</th>
<th>Income Multiplier</th>
<th>Tax Multiplier</th>
<th>Overall Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>334 Computer &amp; electronic mfg</td>
<td>2.73</td>
<td>1</td>
<td>8.17</td>
<td>1</td>
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<tr>
<td>511 Publishing except internet</td>
<td>2.24</td>
<td>2</td>
<td>4.77</td>
<td>4</td>
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<tr>
<td>813 Membership assoc and orgs</td>
<td>1.84</td>
<td>3</td>
<td>2.71</td>
<td>10</td>
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<tr>
<td>451 Sporting goods, hobby, toy &amp; toy stores</td>
<td>1.6</td>
<td>4</td>
<td>1.54</td>
<td>19</td>
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<tr>
<td>541 Professional and tech services</td>
<td>1.55</td>
<td>5</td>
<td>2.39</td>
<td>12</td>
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<tr>
<td>517 Telecommunications</td>
<td>1.52</td>
<td>6</td>
<td>5.55</td>
<td>2</td>
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<tr>
<td>339 Miscellaneous manufacturing</td>
<td>1.34</td>
<td>7</td>
<td>1.7</td>
<td>18</td>
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<tr>
<td>238 Specialty trade contractors</td>
<td>1.31</td>
<td>8</td>
<td>2.04</td>
<td>16</td>
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<td>713 Amusements, and recreation</td>
<td>1.21</td>
<td>9</td>
<td>2.08</td>
<td>14</td>
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<tr>
<td>621 Ambulatory health care</td>
<td>1.14</td>
<td>10</td>
<td>2.46</td>
<td>11</td>
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<tr>
<td>332 Fabricated metal product mfg</td>
<td>1.01</td>
<td>11</td>
<td>2.97</td>
<td>9</td>
</tr>
<tr>
<td>711 Performing arts/spectator sports</td>
<td>0.99</td>
<td>12</td>
<td>1.39</td>
<td>21</td>
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<tr>
<td>237 Heavy/civil engineering cons</td>
<td>0.93</td>
<td>13</td>
<td>2.06</td>
<td>15</td>
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<tr>
<td>611 Educational services</td>
<td>0.9</td>
<td>14</td>
<td>1.54</td>
<td>19</td>
</tr>
<tr>
<td>518 Data processing, hosting &amp; services</td>
<td>0.8</td>
<td>15</td>
<td>3.33</td>
<td>6</td>
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<tr>
<td>423 Merchant wholesalers, durable gds</td>
<td>0.67</td>
<td>16</td>
<td>1.82</td>
<td>17</td>
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<tr>
<td>221 Utilities</td>
<td>0.67</td>
<td>16</td>
<td>5.01</td>
<td>3</td>
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<tr>
<td>551 Management of companies</td>
<td>0.26</td>
<td>18</td>
<td>3.08</td>
<td>8</td>
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<tr>
<td>335 Electrical equipment mfg</td>
<td>0.25</td>
<td>19</td>
<td>2.38</td>
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<tr>
<td>333 Machinery manufacturing</td>
<td>0.24</td>
<td>20</td>
<td>3.54</td>
<td>5</td>
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<tr>
<td>336 Transportation equip mfg</td>
<td>0.23</td>
<td>21</td>
<td>3.1</td>
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</tbody>
</table>

**Cluster Development**

- **Telecommunications**
  - Ranked 1st from Multiplier Analysis
  - Projected by CDL&E to Decline
  - Significant Economic Benefits if Employment Levels Are Maintained
  - Good Local/Regional Supply Access
  - Good Local/Regional End User Access

**Telecommunications**

- **Major Suppliers (Inputs)**
  - Wire Manufacturing (5%)
  - Monetary Institutions (4%)
  - Internet Publishing (4%)
  - Lessors of Non-Financial Intangibles (3%)
  - Employment Services (3%)
  - Petroleum Refineries (3%)

- **Major Users (Outputs)**
  - Telecommunications (40%)
  - Securities Dealers (6%)
  - Custom Programming (4%)
  - Wholesale Trade (3%)
  - Management of Companies (3%)
  - Construction of Residential and Non-Residential Structures (2%)
  - Internet Providers (2%)

Source: Implan, UCCS Forum
Telecommunications Cluster Summary

- Comparative Advantage
- Higher Multiplier Benefits (Employment, Income and Taxes)
- El Paso County has a core component of Operation 6035 sectors
- Successful cluster development may require regional efforts
- Trade missions to neighboring communities in Colorado can identify suppliers and end users
Forecast

- A global recession is likely, led by Europe
- The U.S. is less likely to be as adversely affected as the 12/2007-06/2009 recession
- El Paso County should be only modestly affected, provided the troops at Fort Carson are not deployed in 2012.

### Holiday Spending Plans

- Less than last year: 24.6% (2009), 25.2% (2010), 36.4% (2011)
- About the same: 56.8% (2009), 62.1% (2010), 87.1% (2011)
- More than last year: 6.5% (2009), 13.3% (2010), 7.7% (2011)

Source: Results prepared by Dr. Sam White

### Projections for El Paso County (%)

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population Growth</td>
<td>1.5</td>
<td>1.3</td>
</tr>
<tr>
<td>Unemployment Rate</td>
<td>9.6</td>
<td>9.4</td>
</tr>
<tr>
<td>Non-Agricultural Employment</td>
<td>-1.5</td>
<td>-0.5</td>
</tr>
<tr>
<td>Total Wages and Salaries</td>
<td>-0.5</td>
<td>0.5</td>
</tr>
<tr>
<td>Average Wages and Salaries</td>
<td>1.0</td>
<td>1.0</td>
</tr>
</tbody>
</table>
### Projections for El Paso County (%)

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal Income</td>
<td>1.0</td>
<td>1.1</td>
</tr>
<tr>
<td>Per Capita Personal Income</td>
<td>0.5</td>
<td>0.8</td>
</tr>
<tr>
<td>Retail Trade</td>
<td>2.5</td>
<td>1.5</td>
</tr>
<tr>
<td>Single Family Housing Permits</td>
<td>-5.0</td>
<td>2.0</td>
</tr>
<tr>
<td>Non-Residential Construction</td>
<td>67.1</td>
<td>0.0</td>
</tr>
</tbody>
</table>

### Business Conditions Index (BCI)

**December 2007-June 2009 = 100**

![Graph showing Business Conditions Index (BCI) from December 2007 to December 2012.](image)

Source: Southern Colorado Economic Forum

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Thank You