

Economists worry a recession is on the horizon. How would Aspen be affected?

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Economists predict The United States will enter into a recession in 2023.

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Since the onset of COVID-19, public officials and the nation's top economists have warned of a likely recession.

For the past several years, the ominous "R" word has been looming over our heads like storm clouds we can see from miles away. Yet there's still a great deal of uncertainty as to if and when a recession would happen and what the potential effects would be.

As [Vox](#) put it recently, "Nobody knows what's going to happen with the economy. That's always true, but especially in 2023."

Leeds Business Confidence Index							
Component	Q1 2022	Q2 2022	Q2 2022	Q4 2022	Q1 2023	Quarterly Change	Annual Change
State Economy	57.6	51.9	39.8	40.0	41.8	▲	▼
National Economy	50.4	40.4	27.7	30.7	34.4	▲	▼
Industry Sales	60.2	59.1	46.4	42.2	40.9	▼	▼
Industry Profits	57.9	55.0	42.2	41.7	39.7	▼	▼
Industry Hiring	63.7	60.4	48.3	43.3	42.1	▼	▼
Capital Expenditures	58.3	56.7	42.1	40.8	39.7	▼	▼
LBCI	58.0	53.9	41.1	39.8	39.8	-	▼

In a quarterly survey of 143 Colorado business leaders, the Leeds Business Confidence Index recorded first-quarter 2023 sentiment as pessimistic with a rating of 39.8, tied for the fourth lowest rating in 20 years. A rating below 50 means the outlook is much more pessimistic. The report is provided by the Leeds School of Business at University of Colorado Boulder.

Leeds School of Business at University of Boulder

According to their reporting, the United States has "three mutually exclusive options": a hard landing (a full-blown recession); a soft landing (the Federal Reserve brings inflation down without crashing the economy); or no landing (the economy keeps growing, but so does inflation).

Elliot Eisenberg, Ph.D., a Miami-based economist, predicts the country will enter a recession sometime this year, but it will be a n economic downturn.

“Not that big. Not that bad,” he said.

As the U.S economy currently stands, unemployment is low (3.4%, according to the Bureau of Labor Statistics), inflation is cooling, and home prices are falling across the country, according to Eisenberg.

In Aspen, things are a little different. The “help wanted” signs on local storefronts, high cost of living, and astronomical real estate prices might leave you scratching your head at the aforementioned statement.

But even in Aspen, the price of single-family homes has come down recently, according to a [report](#) written by Aspen-based real estate broker Tim Estin.

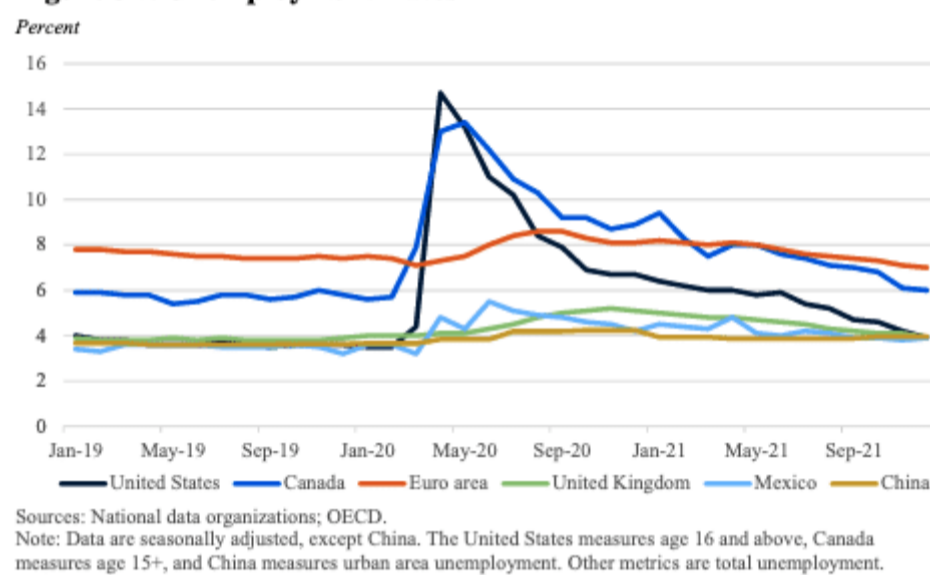
While real estate prices have cooled, Pitkin County still “probably has the most expensive real estate prices per square foot in the country,” according to Estin’s report.

“We all know that shelter inflation is going to start to come down, because home prices are starting to come down. Not so much in Vail, or Snowmass Village, but in places where ordinary people live prices are starting to fall – not a lot – but they’re coming down,” said Eisenberg.

Low unemployment, high inflation

So unemployment is low, wages have risen, home prices and inflation have gone down – why would economists think a recession is imminent now?

Figure 3-i. Unemployment Rates



Screenshot

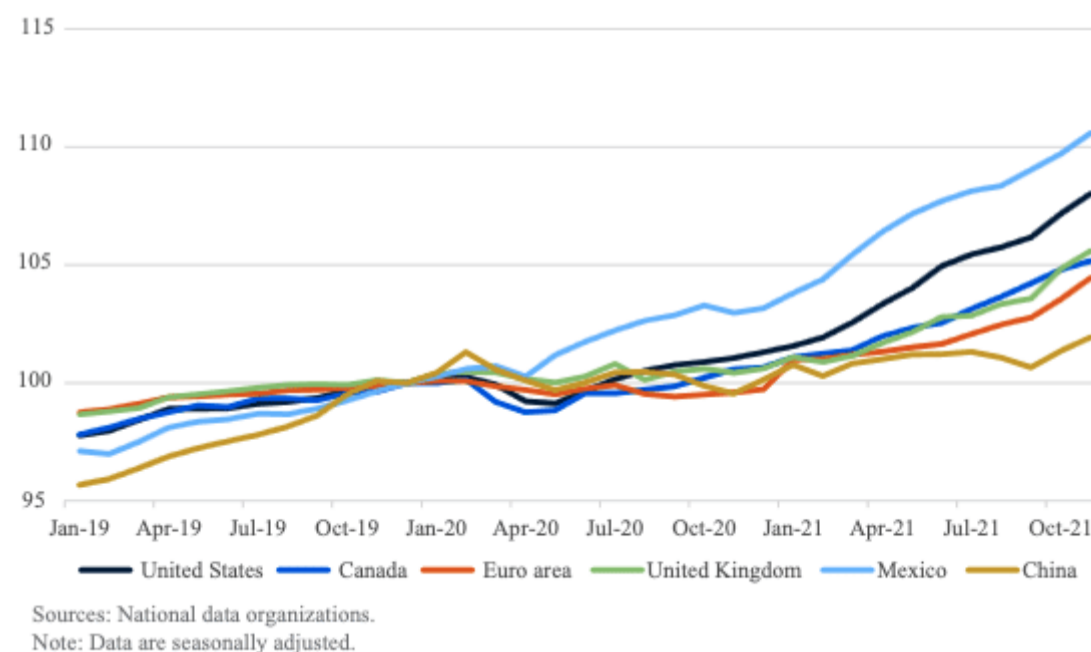
Well, the economy requires high levels of equilibrium to function properly. This means that unemployment being too low, wages being too high, and home prices dropping can actually cause adverse effects to the economy.

“Wages are going up too fast because the unemployment rate is too damn low,” said Eisenberg. “Therefore, the inflation will persist.”

“It’s (the inflation rate) too high. There’s no way our economy can chug this fast. We don’t have enough people. So the economy has to slow down,” he said.

Figure 3-5. Consumer Price Level

Index level: Dec. 2019 = 100

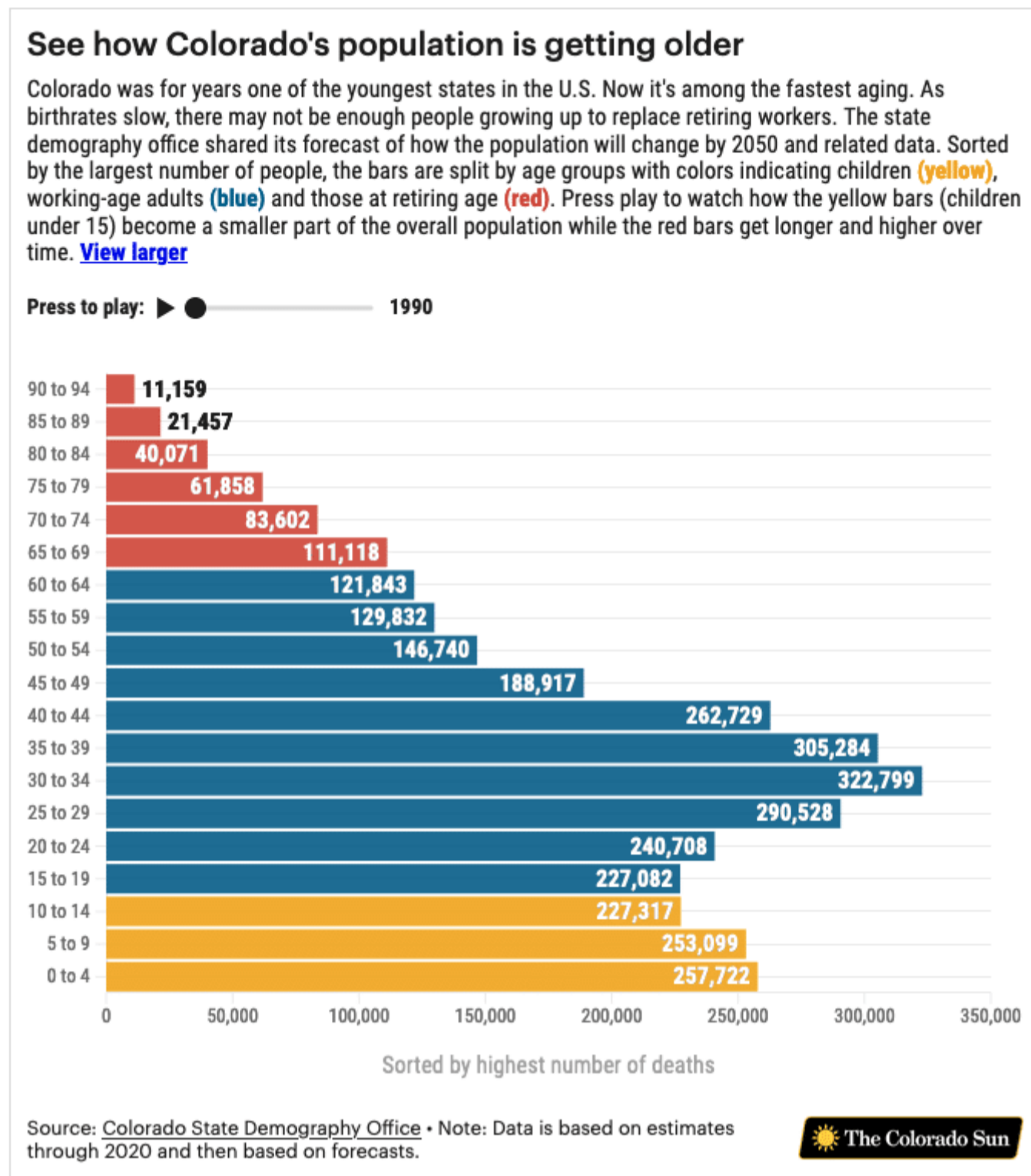


Screenshot

According to [Investopedia](#): “Wage inflation comes about by increasing demand for labor as the unemployment rate is falling. With fewer people available to work, employers are forced to increase wages to attract and hold on to talent. A knock-on effect from rising wages is that some small firms have to dip into the less talented work pool, reducing productivity.”

Now, you might be thinking to yourself, wasn't everyone and their uncle screaming into the void "Nobody wants to work anymore!"

It's true, by last year at this time, [4.5 million Americans quit their jobs](#), sparking "The Great Resignation." These Americans quit their jobs in pursuit of higher paying wages and better working conditions — hence wage inflation.



The Colorado Sun

Now, this isn't to say the potential recession is completely catalyzed by people earning better wages and trying to pursue a career that offers better work-life balance.

It's also important to remember that as the pandemic unfolded and thousands of people lost their jobs, [U.S. billionaires got \\$1.2 trillion richer](#), according to Forbes.

The pandemic brought the entire world to a shrieking halt — production of goods slowed significantly, and companies relied on the government for PPP loans and other support.

As a result, the "U.S. GDP fell by 8.9 percent in the second quarter of 2020, the largest single-quarter contraction in more than 70 years," according to a report from [The White House](#).

Despite this, in 2021 the economy not only regained all pandemic-related GDP losses, it also [surpassed](#) pre-pandemic levels, according to American Progress.

So yes, although the economy made a massive recovery since the onset of COVID-19, economists still say a recession is likely.

How would Aspen fare?



A “help wanted” sign hangs in the doorway of Aspen Pie Shop downtown as customers enjoy an afternoon meal on the patio in Aspen in July 2021. (Kelsey Brunner/The Aspen Times)

According to the Aspen Chamber Resort Association, the Aspen area has been enjoying a strong economy for the past few years. However, if a recession were to hit, Pitkin County would certainly not be immune.

With this, the association is prepared to assist businesses facing economic hurdles as needed, association officials said.

“As a Chamber, supporting our member businesses, we would pivot to assist businesses as needed, and as a destination marketing organization we would do the same,” ACRA said in an email to The Aspen Times.

ACRA has a finance committee that meets quarterly. If an economic downturn were to hit, the committee would be able to financially assist businesses with money set aside in their reserve fund, according to Eliza Voss, vice president of destination marketing for ACRA.

“We typically have seasonal marketing dollars available to be able to activate for needed periods,” said Voss. “We’re pretty flexible and nimble to be able to respond to what we’re hearing from the business community as the needs as to what the need is.”

For now, with regard to the tourism economy, Pitkin County is faring pretty well compared to the past two years. However, due to a lack of hospitality industry workers, tourists are paying a “high average daily rate,” said Voss.



Top job openings in Colorado are also among the lower-paying occupations, such as food service, retail and health care, which ZipRecruiter estimates has a \$30,429 annual salary in Colorado. Aspen Tech Labs, which tracks job openings and wages globally, provided this chart to show what occupations in Colorado have the most job openings. (Aspen Tech Labs)

Aspen Tech Labs

If an economic downturn were to happen, it's hard to know what kind of impact it could have on tourism, especially if daily rates remain high.

With regard to the real estate market — another big player in Pitkin County's economy — economic uncertainty doesn't necessarily lead to purchasing luxury Aspen homes, even for the wealthiest of potential buyers.

“Any possible recession in 2023 will likely translate to changes in the local Aspen economy, although I think it's ultimately economic uncertainty that impacts Aspen real estate more than actual recession measurements,” said Andrew Ernemann, president of Aspen Snowmass Sotheby's International Realty.

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