

# DELTA COUNTY ECONOMIC UPDATE



Provided by the Business Department  
of Colorado Mesa University

Second Quarter, 2020

## Economic Summary

- From March 21 through May 2, Delta County has had 1,119 people file for unemployment, equating to 8.25% of the March labor force numbers. The March unemployment rate was 7.9%, and the April rate 10.2%, which is lower than the state and neighboring counties.
- At the state level, 25.4% of the unemployment claims through May 2nd are in the accommodation and food services industry, with retail trade (14%), and healthcare (13.3%) the next largest. Colorado business confidence fell by 41% since last quarter, and Delta County new business entity filings were down 32% from last year.
- The April national unemployment rate was a dismal 14.7%, with the U6 rate that counts discouraged workers and marginally attached workers at 22.8%. Part of this unemployment is temporary due to shutdowns, but some of it will persist due to what has been a massive demand shock, both locally and nationally.

The Delta County Economic Update is provided by the Business Department of Colorado Mesa University and is published quarterly. Please direct all correspondence to Dr. Nathan Perry, Associate Professor of Economics, 970.248.1888, naperry@coloradomesa.edu.

## CONTENTS

<b>Local Economic Indicators.....</b>	<b>1</b>
Delta Labor Market.....	2
What type of Recovery? .....	4
Delta Industry Trends .....	6
<b>Local Real Estate Indicators .....</b>	<b>8</b>
<b>Regional Energy.....</b>	<b>9</b>
Drilling Permits and Coal Jobs.....	10
<b>National Economic Indicators .....</b>	<b>11</b>
National Economic Performance .....	12
National Growth Forecasts.....	14

## LOCAL ECONOMIC INDICATORS

	Q1 2020	Q4 2019	Q1 2019	change since last quarter	change since last year (comparable quarters)
<b>Local Labor Market</b>					
Unemployment Rate Delta County- NSA	5.40%	2.70%	4.77%	2.70%	0.63%
Unemployment Rate Colorado - NSA	3.70%	2.40%	3.30%	1.30%	0.40%
Unemployment Rate U.S. - NSA	4.10%	3.30%	4.10%	0.80%	0.00%
Labor Force	13,999	15,275	14,376	-1,276	-377
Employed	13,285	14,863	13,688	-1,578	-403
Unemployed	714	412	688	302	26
<b>Business Confidence</b>					
Leeds Colorado Business Confidence Index	29.7	50.8	52.7	-41.54%	-43.64%
<b>Sales/Use Taxes</b>					
City of Delta Sales/Use Taxes (YTD)	\$2,111,884		\$2,026,876		4.19%
Delta County Sales/Use Tax (YTD)	\$2,014,645		\$1,654,326		21.78%
Lodging Tax (YTD)	\$37,336		\$34,879		7.05%
<b>Business Filings</b>					
	<b>2020 (YTD)</b>		<b>2019 (YTD)</b>		
Delta County New Business Entity Filings	142		210		-32.38%

<b>Standard of Living and Growth</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>% change since 2017</b>	<b>% change from 2016</b>
Median Household Income	\$46,786	\$43,528	\$41,798	7.48%	11.93%
Percent of Population Below Poverty Line	17.6%	16.5%	16.8%	1.10%	0.80%
Population	30,953	30,537	30,356	1.36%	1.97%
Personal Income	\$1,202,670	\$1,110,726	\$1,017,245	8.28%	18.23%
Personal Income Per Capita	\$38,855	\$36,373	\$33,511	6.82%	15.95%
Gross Domestic Product (GDP)	\$785,652	\$750,050	\$756,267	4.75%	3.89%

SOURCES IN ORDER OF LISTING: State and Local Unemployment rates: Bureau of Labor Statistics (LAUS); National Unemployment rate: Bureau of Labor Statistics; Labor Force, Employed, and Unemployed: Colorado Department of Labor and Employment; Leeds Colorado Business Confidence Index: Leeds School of Business; Sales/Use Tax information: City of Delta and Delta County; Business Permits: Colorado Secretary of State's Office; Population, poverty, and median household income: U.S. Census Bureau; Personal income: Bureau of Economic Analysis. Note that in all rows where percentages are presented the % change since last quarter and % change since last year represents the difference between the two percentages, not the actual percentage change.

## The Local Labor Market

Like the rest of the nation, the Delta County labor market has been hit hard by COVID-19 fears and lockdowns. However, the good news for Delta County is that unemployment is lower than most other counties, the state, and the nation. April unemployment was 10.2%, vs. Mesa County (12.6%), Montrose County (12%), Colorado (12%), and the U.S. (14.7%).

Labor force numbers fell from 14,193 in February to 12,781 in April, while employment fell from 13,601 to 11,476 in the same time frame. Unemployment rose from 592 in February to 1,305. Much of this is temporary as a result of COVID-19 fears and shutdowns, but some of it will persist, and the County, State, and U.S. will have to grow their way back to lower unemployment numbers.

From March 21 through May 2, Delta County had 1,119 people file for unemployment, equating to 8.25% of the March labor force numbers.

## What Industries Are Most Affected?

Data from the Colorado Department of Labor shows which industries have been most affected. Table 4 illustrates unemployment claims by industry for Colorado from March 21-May 4. 25.4% of the unemployment claims (through May 2) were in the accommodation and food services industry, with retail trade (14%), and healthcare (13.3%) the next largest. Decline in elective surgeries, lack of emergency room visits, and COVID-19 worries in nursing homes have hurt healthcare since the pandemic began.

Table 5 illustrates unemployment claims by occupation for the state of Colorado. Note that occupation and industry classifications are different. Industry is the type of business the person works for.

Table 1:  
**1, 5, and 10 Year Employment Comparison (Yearly Comparison)**

	<b>Labor Force</b>	<b>Employed</b>	<b>Unemployed</b>
<b>Annual</b>	-377	-403	26
<b>5-Year</b>	789	988	-199
<b>10-Year</b>	-287	604	-891
<b>Annual %</b>	-2.6%	-2.9%	3.8%
<b>5-Year %</b>	6.0%	8.0%	-21.8%
<b>10-Year %</b>	-2.0%	4.8%	-55.5%

Occupation is the skill or task of the person. 22% of unemployment claims are food and serving related, with 14% sales, and 7.6% personal care and service.

How quickly these jobs return depends on consumer demand, and consumer demand is dependent on risk factors for COVID-19. We have likely seen the worst of the unemployment claims, but it may be years until the low unemployment rates of 2017-2019 return to not just Delta County, but the U.S. and World. After a demand shock such as this, even if COVID-19 risk factors fall drastically, it will take some time for employment to return to previous levels. The hope is that strong unemployment benefits and fiscal policy can keep people afloat in the short term.

Delta sales taxes are up, but this reflects pre-COVID-19 tax collections. Sales tax data lags by one or two months. Delta County business filings are down 32.38%, while Colorado business confidence is down 42% from last quarter.

Table 2:  
**Monthly Unemployment Rates**

	February	March	April
Mesa	4.1%	7%	12.6%
Montrose	3.6%	7.5%	12%
Delta	4.2%	7.9%	10.2%
Garfield	3.3%	6%	13.4%
Colorado	2.9%	5.4%	12.0%

Table 3:  
**Weekly Initial Claims for Unemployment**

	2019 Weekly Average	21-Mar-20	28-Mar-20	04-Apr-20	11-Apr-20	18-Apr-20	25-Apr-20	02-May-20	Total
Mesa	73	463	2,288	1,958	1,270	876	760	585	8,200
Montrose	22	116	596	493	333	238	218	178	2,172
Delta	15	60	305	239	181	126	129	79	1,119
Garfield	28	268	1,160	1,015	676	393	375	283	4,170
Colorado	2,044	25,760	86,500	80,445	55,859	40,479	36,899	28,445	354,387

Figure 1:  
**Delta Employment (Jan-19 through April-20)**

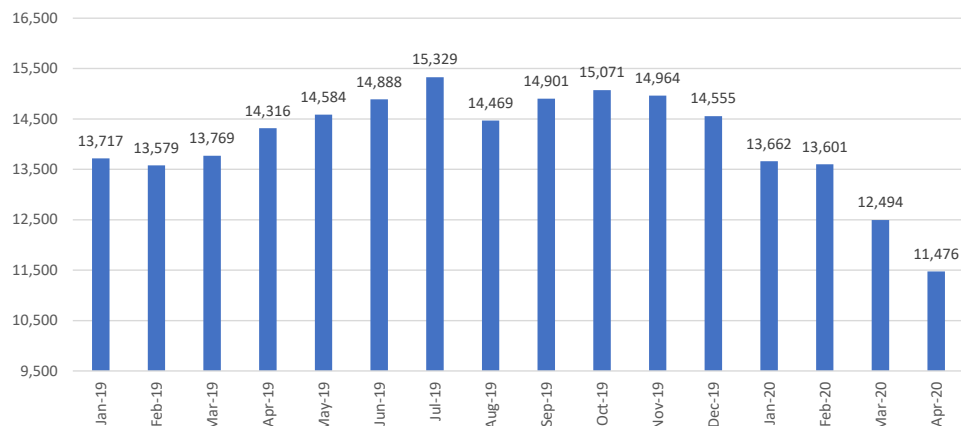


Table 4:  
**Colorado Unemployment Claims by Industry (March 15-May 2)**

	21-Mar	28-Mar	4-Apr	11-Apr	18-Apr	25-Apr	Total	Percentage of Total
Construction	23	93	64	51	29	35	295	3.7%
Education and health services	33	257	278	127	89	84	868	10.9%
Financial activities	6	48	29	31	24	17	155	2.0%
Information	7	11	20	9	7	12	66	0.8%
Leisure and hospitality	233	707	370	212	151	106	1,779	22.4%
Manufacturing	11	136	110	60	32	17	366	4.6%
N/A	57	432	393	275	203	171	1,531	19.3%
Natural resources and mining	21	62	67	33	48	32	263	3.3%
Other services	15	173	87	55	42	26	398	5.0%
Professional and business services	50	226	144	90	64	57	631	8.0%
Public administration	2	6	21	16	7	7	59	0.7%
Trade, transportation, and utilities	67	432	363	303	174	187	1,526	19.2%
Total	525	2,583	1,946	1,262	870	751	7,937	100.0%

SOURCE: Colorado Department of Labor and Employment, courtesy of the Mesa County Workforce Center.

## What Type of Recovery?

Economists talk about several shapes of potential recovery, including a V-shaped, U-shaped, L-shaped, a “Nike Swoosh” shaped, and a square-root shaped recovery. A V-shaped recovery has a sharp downturn but an equally sharp upturn. A historical example would be the recession of 1953. A U-shaped recovery is where the recession lingers for a year or two until it starts to turn upwards, such as the 1973 recession. A W-shaped recession is where the economy turns quickly, recovers, but then turns downward again until it eventually recovers. 1980/1981 is an example, and this particular recession has this potential if COVID-19 problems return in the Fall/Winter. Then there is an L-shaped recession where the economy enters a recession and then stays in recession for a continued time. The Western Slope experienced an L-shaped recession (if not a depression) from 2009-2016. Then there is the Nike swoosh, which would be in between the V-shaped and U-shaped recovery. The recession lasts longer than the V but recovers more quickly than the U. Lastly, there is the square-root recession, that looks like a square-root sign from an algebra class. The economy turns downward, but then there is a partial recovery, but not a full recovery, and then the economy stagnates at that point for some time. Of all of these scenarios, the “swoosh” recovery or the square-root recovery seem the most probable. As businesses open there will be a quick increase in employment, but the levels will not return to 2019 levels for some time, as long as COVID-19 remains a risk, there will be parts of the population that change their consumption habits creating some structural unemployment. In addition to this, with such a loss of GDP over the last two months, economies will need to grow their way out of high unemployment to return to previous levels. Expect unemployment to fall out of double digits quickly but then take some time to fall to their most recent levels.

Table 5:  
**Colorado Unemployment Claims by Occupation (March 15-May 2)**

<b>Occupational Group</b>	<b>Total Initial Claims 3/15/20 - 5/2/20</b>	<b>Share of Total Initial Claims 3/15/20 - 5/2/20</b>
Food Preparation and Serving Related	82,890	22.4%
Sales and Related	52,068	14.1%
Personal Care and Service	28,003	7.6%
Management	27,537	7.4%
Office and Administrative Support	20,512	5.5%
Healthcare Practitioners and Technical	19,975	5.4%
Transportation and Material Moving	17,574	4.8%
Healthcare Support	17,144	4.6%
Construction and Extraction	15,124	4.1%
Arts, Design, Entertainment, Sports, and Media	14,647	4.0%
Installation, Maintenance, and Repair	12,920	3.5%
Production	12,729	3.4%
Education, Training, and Library	11,823	3.2%
Business and Financial Operations	9,752	2.6%
Building and Grounds Cleaning and Maintenance	8,327	2.3%
Computer and Mathematical	4,120	1.1%
Life, Physical, and Social Science	3,524	1.0%
Community and Social Service	3,488	0.9%
Architecture and Engineering	2,805	0.8%
Protective Service	1,672	0.5%
Farming, Fishing, and Forestry	1,563	0.4%
Legal	1,551	0.4%

SOURCE: Tables 3, 4, and 5 from Colorado Department of Labor and Employment

## Delta County Employment Trends

Fourth quarter QCEW data shows a total wage increase of \$3,675,045 and 32 new jobs. Q4 was significantly slower in job growth and saw job losses in several industries, showing that Delta County's economy before COVID-19, like the state and nation as a whole, was starting to slow. QCEW is industry level data that illustrates wages and employment by industry, but does not capture 100% of employment (sole proprietors and many farm employees are not counted in this dataset). Industry job gains were in administrative and waste services (56), agriculture (primarily hemp, 41), and retail trade (35), while job losses were in healthcare (43), construction (41), and accomodation and food services (37). Data shows that the average wage increased by 4.6% from Q4 of 2018 to Q4 of 2019, not accounting for inflation.

Table 2:

### Quarterly Census of Employment and Wages Q4 2019 Compared to Q4 2018

Sector	Average Employment Q4 2019	Total Quarterly Wages (Q4 2019)	Average Weekly Wage (Q4 2019)	Total Employment Change (Q4 2018 to Q4 2019)	Total Wage Change (Q4 2018 to Q4 2019)
Total, All Industries	8,602	\$81,988,890	\$733	\$3,675,045	32
Health Care and Social Assistance	1,886	\$18,511,156	\$755	\$554,745	-43
Retail Trade	1,216	\$9,176,482	\$580	\$479,054	35
Public Administration	728	\$8,515,174	\$900	\$494,570	13
Construction	465	\$5,553,716	\$919	-\$667,699	-41
Manufacturing	517	\$5,407,812	\$805	-\$14,555	-3
Real Estate and Rental and Leasing	241	\$4,195,056	\$1,339	\$713,671	5
Accommodation and Food Services	726	\$3,341,009	\$354	\$121,757	-37
Agriculture, Forestry, Fishing & Hunting	366	\$3,187,249	\$670	\$334,831	41
Finance and Insurance	219	\$2,832,495	\$995	\$187,150	-2
Professional and Technical Services	190	\$2,127,460	\$861	-\$206,243	-7
Other Services, Ex. Public Admin	238	\$2,106,673	\$681	\$320,057	15
Administrative and Waste Services	227	\$1,935,769	\$656	\$488,443	56
Mining	100	\$1,848,065	\$1,422	\$108,392	-16
Transportation and Warehousing	124	\$1,439,318	\$893	\$64,033	-2
Wholesale Trade	116	\$1,431,403	\$949	\$143,248	-8
Information	141	\$1,282,010	\$699	\$22,159	-5
Utilities	45	\$734,374	\$1,255	\$16,168	-2
Management of Companies and Enterprises	18	\$220,453	\$942	-\$24,960	-5
Arts, Entertainment, and Recreation	23	\$144,939	\$485	\$81,926	10
Educational Services	N/A	N/A	N/A	N/A	N/A

SOURCE: Colorado Department of Labor and Employment (QCEW). The most recent quarterly data available is reported.

Table 3:

### Farm and Sole Proprietor Employment

BEA Data	2018	2017	2016	% change since 2017	% change from 2016
Farm Employment	1,525	1,568	1,479	-2.7%	3.1%
Sole Proprietors (non-farm)	6,853	6,688	6,448	2.5%	6.3%

Figure 2:  
**Total Wage Changes from Q4 2018 to Q4 2019**

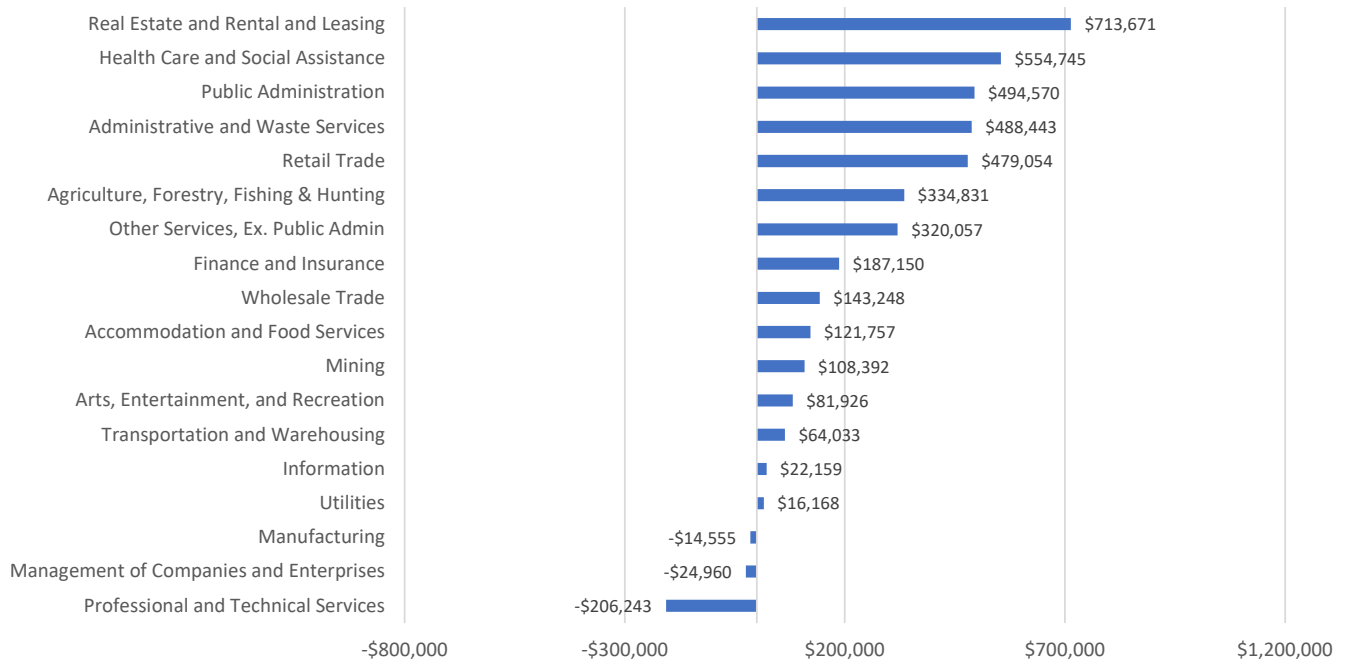
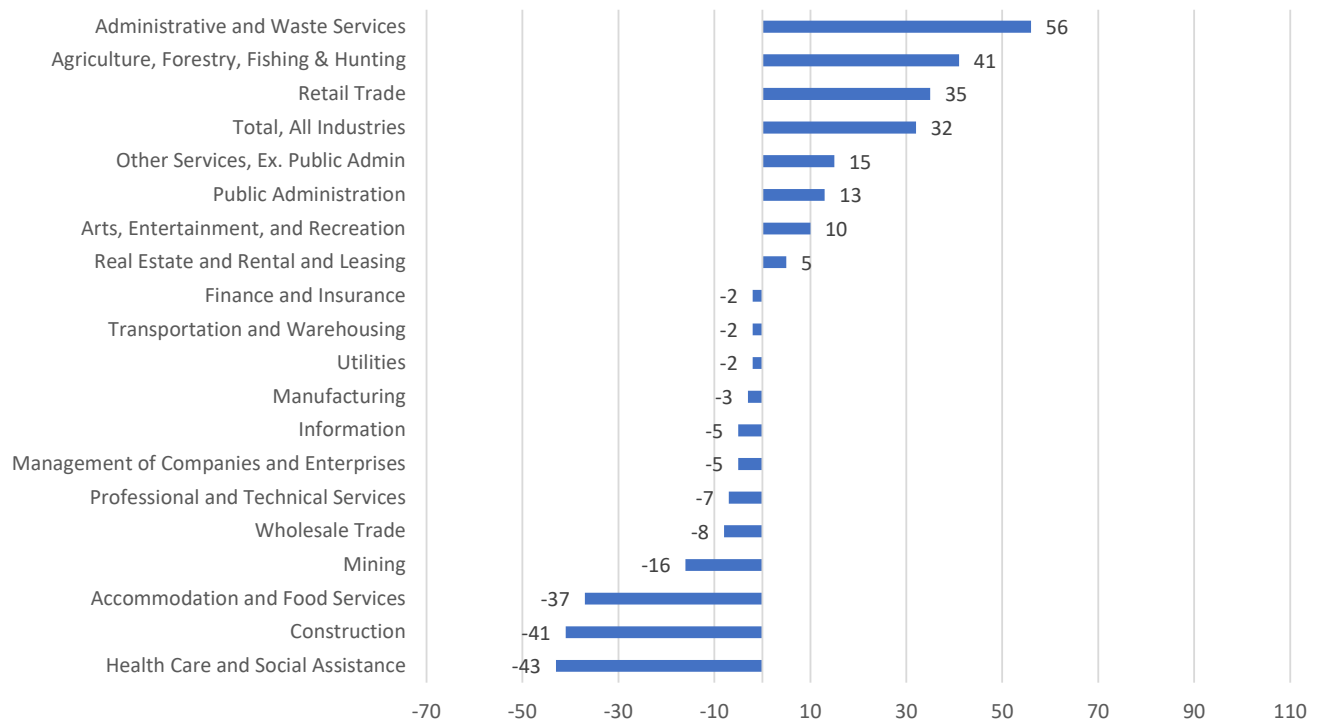


Figure 3:  
**Total Jobs Change from Q4 2018 to Q4 2019**



## LOCAL REAL ESTATE

	Q1 2020	Q1 2019	% change since last year
<b>Real Estate</b>			
Current Residential Listings (3 month avg)	189	201	-5.65%
New Residential listings (3 month total)	150	145	3.45%
Sold Residential Listings (3 month total)	101	103	-1.94%
Median Sales Price	\$261,667	\$235,483	11.12%
Average Sales Price	\$285,587	\$264,096	8.14%
Days on Market	128.00	140.67	-9.00%
Months Supply of Inventory	4.50	4.43	1.50%
Total Building Permits	19	21	-9.52%
Total Building Permit Valuation	\$1,741,932	\$2,478,800	-29.73%
Single Family Home Permits	6	8	-25.00%
Single Family Home Permit Valuation	\$1,180,483	\$1,722,454	-31.47%
<b>Foreclosures</b>			
Foreclosure Filings	9	12	-25.00%
Foreclosure Sales	2	11	-81.82%
<b>Mortgage Rates</b>			
15 Year Mortgage Rate	2.98%	3.82%	-0.84%
30 Year Mortgage Rate	3.52%	4.37%	-0.85%

SOURCES IN ORDER OF LISTING: Real Estate Data: Colorado Association of Realtors Market Trends Program through ShowingTime; Building Permits and Valuation: City of Delta and Orchard City totals; Foreclosure Filings and Sales: Delta County; Mortgage rates: Freddie Mac.

### Local Real Estate Indicators

Real estate seems to be unaffected by COVID-19 through March, although that is expected to change in the April and May data. Inventory is down by 5.65%, while the median price of homes is up 11.2%. COVID-19 will affect the real estate market in several potential ways. The first is the possibility of a short term spike in home values brought on by a decrease in inventory due to social distancing, and sellers delaying listing their house. After this and a few months into this recession as unemployment takes its toll, there will be selling pressure as more people cannot keep paying their mortgage payment, likely putting downward pressure on prices (although do not expect anything like 2009). One countervailing factor is extraordinarily low mortgage rates. Both the 15 and 30 year mortgage rates are 0.85% lower than they were a year ago, and home owners are refinancing at record rates to take advantage. Mortgage rates are expected to stay low as the Federal Reserve engages in unprecedented treasury buying.

At the national level, Zillow predicts a 3-4% drop in home values for 2020, while Fannie Mae predicts home sales will fall by 15%, with prices rising very slightly. New residential home permits are expected to fall as higher unemployment pushes new housing demand down. This will likely have an adverse affect on the construction industry, which was due for a softening this year without COVID-19. Although Delta County home values may not appreciate as much as the last few years, home values are not expected lose value.



## REGIONAL ENERGY

	Q1 2020	Q4 2019	Q1 2019	% change since last quarter	% change since last year (comparable quarters)
<b>Energy Prices</b>					
WTI Crude Oil	\$45.34	\$56.84	\$54.82	-20.23%	-17.29%
Henry Hub Natural gas	\$1.91	\$2.40	\$2.92	-20.42%	-34.59%
Retail Gasoline Price	\$2.31	\$2.48	\$2.27	-6.89%	1.81%

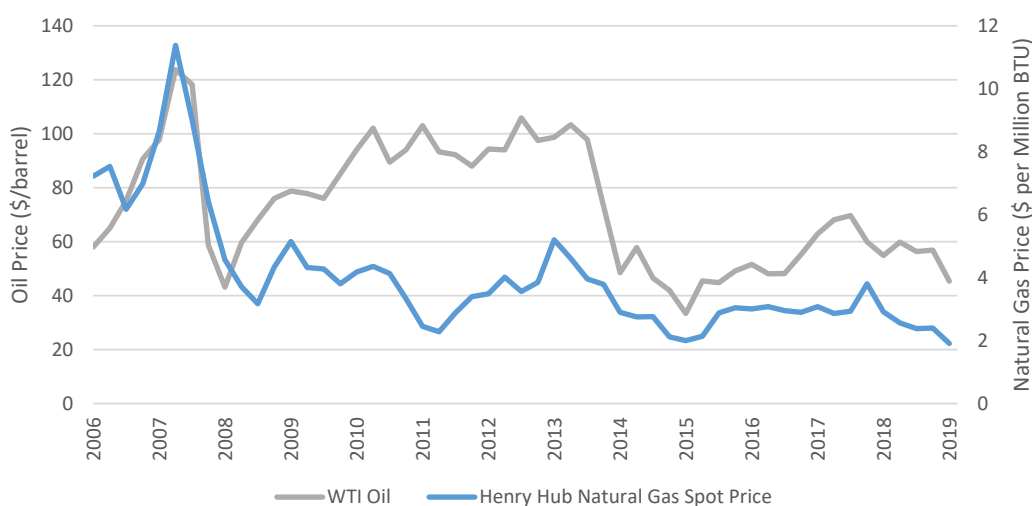
Drilling Permits	2020 (YTD, as of May)	2019 (YTD, May)	% Change since same time last year
Drilling Permits (Mesa County)	0	0	0
Drilling Permits (Rio Blanco County)	1	27	-96.30%
Drilling Permits (Garfield County)	24	67	-64.18%
Drilling Permits (Moffat County)	0	0	0
Total Permits (Mesa, Rio Blanco, Garfield, Moffat)	25	94	-73.40%
Total Permits (Colorado)	553	1,103	-49.86%

Local Rig Count	May-20	Feb-20	May-19
Rig Count (Western Colorado, Mesa, Rio Blanco, Garfield, Moffat)	1	3	4

Delta/Gunnison Coal Industry	2020 (YTD)	2019 (YTD)	% Change
Delta/Gunnison Average Monthly Employment for Coal Mining	336	254	32.54%
Delta/Gunnison Coal Production (tons)	536,074	754,903	-28.99%

SOURCES: All energy prices: Energy Information Agency; All permit data from Colorado Oil and Gas Conservation Commission (COGCC); Local Rig Count: Baker Hughes Rig Count; Coal: Colorado Division of Reclamation and Safety.

Figure 4:  
**Oil and Natural Gas Prices**



## Natural Gas Prices

The Henry Hub natural gas spot price averaged \$1.91/MMBtu for Q1, 2020, and hit a low of \$1.55/MMBtu on April 2nd. Previous years production along with a mild winter have increased year over year inventory levels, pushes prices down. Natural gas power generation has been the largest source of natural gas demand for the past year. Natural gas power is forecast to increase in 2020, however, U.S. electricity consumption in general is forecast to be lower.

The EIA forecasts that natural gas demand will decrease significantly due to the poor economic outlook for the next year. This lower demand may be offset by a drastic reduction in national rig count. The national rig count as of May 2020 is 408, down 582 from last years count of 990. The EIA forecast for natural gas price in 2020 is \$2.11/MMBtu, while the 2021 forecast is \$2.98/MMBtu. The higher 2020 price is expected due to rig counts falling and production declining as a result.

Source: Energy Information Agency

## Oil and Gasoline Prices

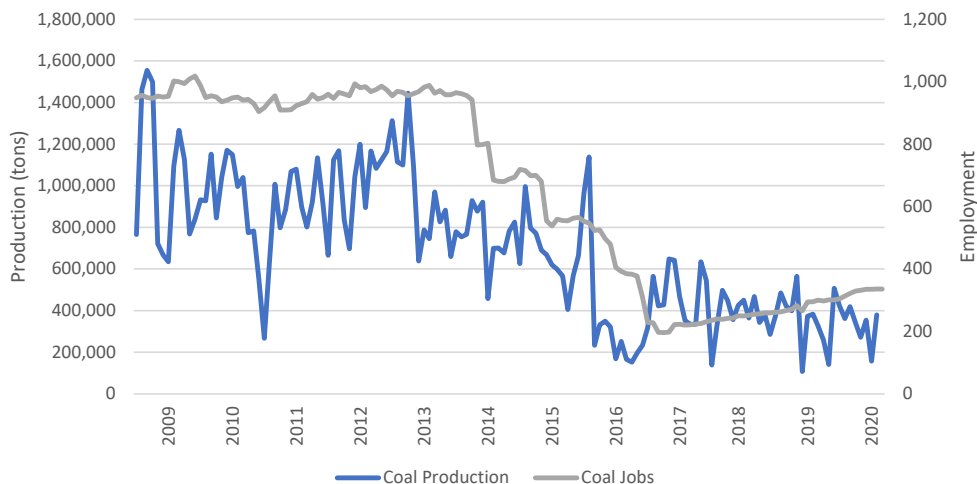
It has been a wild quarter for oil prices, with a perfect storm of COVID-19 and OPEC politics coming together. In mid March it became clear that COVID-19 was going to change consumption patterns, hurt the economy, and force potential shelter in place policies, drastically reducing short term demand for oil. At the same time, an OPEC plus agreement to cut production fell through, resulting in Saudi Arabia launching an all out price war by drastically increasing supply output to punish Russia for not agreeing to output cuts. The result was a simultaneous demand and supply shock that forced oil into negative territory. On April 20th crude oil futures hit -\$37, as storage capacity was completely full resulting in people being willing to pay to not receive physical barrels of oil. This has turned and as of early May prices have returned to the low \$20 level. EIA forecasts that Brent crude oil prices will average \$33 for the rest of 2020. Note that WTI prices are generally lower than Brent prices.

Source: <https://www.eia.gov/outlooks/steo/>

## Coal Industry

Total production for Delta/Gunnison coal from the West Elk mine is down 29%, looking at January and February 2020 compared to January and February 2019 (note that March and April data for 2020 have not been released yet). When including December in both calculations, production is actually up from last year at 889,999 tons from 862,826 tons the previous year. There has been an increase in coal miners from 254 in early 2019 to 336 in early 2020, which has been the trend the last few quarters.

Figure 5:  
**Delta/Gunnison Coal Production and Employment (July 2008 through Feb 2020)**



## NATIONAL ECONOMIC INDICATORS

	Q1 2020	Q4 2019	Q1 2019	% change since last period	% change since last year (comparable quarters)
<b>Business Cycle Indicators</b>					
Real GDP	-4.80%	2.10%	3.10%	-6.90%	-7.90%
Personal Consumption Expenditures	-7.60%	1.80%	1.10%	-9.40%	-8.70%
Gross Private Domestic Investment	-5.60%	-6.00%	6.20%	0.40%	-11.80%
National Consumer Confidence	96.6	97.2	94.5	-0.62%	2.22%
Industrial Production Index	107.4	109.6	109.8	-1.94%	-2.14%
Initial Weekly Unemployment Claims (4 week MA)	464,000	217,731	221,846	113.11%	109.15%
Non Farm Payroll Change (in thousands)	287,000	628,000	484,667	-54.30%	-40.78%
<b>Unemployment</b>					
Unemployment Rate-U3-SA	3.80%	3.50%	3.90%	0.30%	-0.10%
Unemployment Rate-U6-SA	7.50%	6.80%	7.50%	0.70%	0.00%
<b>Interest Rates</b>					
Federal Funds Rate	1.35%	1.66%	2.40%	-0.31%	-1.05%
10 Year U.S. Treasury	1.38%	1.79%	2.65%	-0.41%	-1.27%
30 Year U.S. Treasury	1.87%	2.25%	3.01%	-0.38%	-1.14%
<b>Inflation Measures</b>					
Inflation Rate (CPI)	2.11%	2.03%	1.62%	0.07%	0.48%
Core Inflation Rate (All Items Less Food and Energy)	2.24%	2.29%	2.09%	-0.05%	0.15%
Inflation Rate (Shelter)	3.21%	3.31%	3.33%	-0.09%	-0.11%
Producer Price Index (PPI)	-1.57%	-1.83%	0.44%	0.26%	-2.00%
Employment Cost Index	2.79%	2.74%	2.79%	0.05%	0.00%
<b>Stock Prices</b>					
S&P 500	3,056	3,083	2,721	-0.87%	12.31%
Dow Jones Industrial Average	26,554	27,537	25,147	-3.57%	5.60%
<b>Trade Balance and Debt</b>					
USD Exchange Rate (trade weighted)	N/A	130	127	N/A	N/A
Trade Balance (% of GDP)	-527.927	-577.867	-633.848	-8.64%	-16.71%
Federal Debt (% of GDP)*	106.8%	105.5%	105.2%	1.3%	1.6%

SOURCES: GDP, Consumption, Investment, and Trade Balance: Bureau of Economic Analysis; Consumer Confidence: University of Michigan; Industrial Production, Interest Rates and USD Exchange Rate: Board of Governors of the Federal Reserve System; Weekly Unemployment Claims: U.S. Employment and Training Administration. Non-Farm Payroll, Unemployment Rates, Inflation Measures: Bureau of Labor Statistics; Stock Prices: S&P Dow Jones Indices, LLC.; USD Exchange Rate: Board of Governors of the Federal Reserve; Trade Balance: BEA; Federal Debt: U.S. Office of Management and Budget. \* indicates data is lagged by one quarter.

Figure 6:  
**Real GDP**

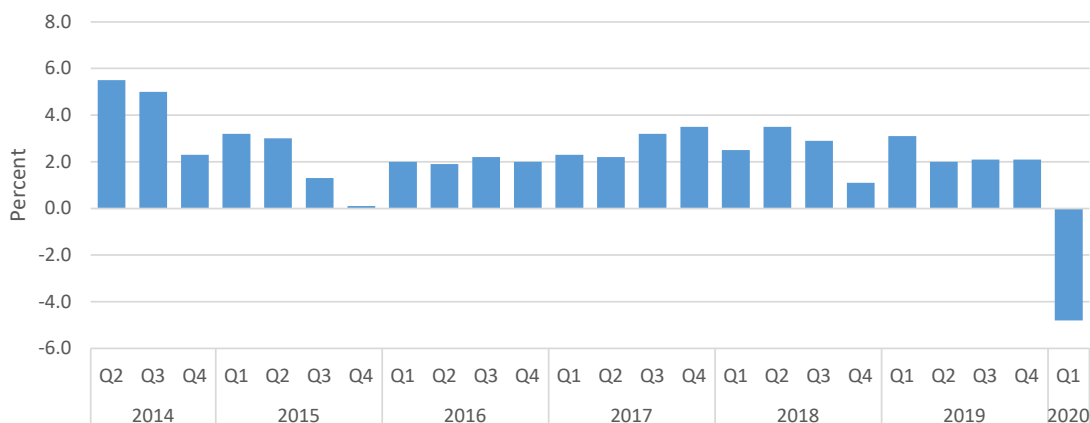
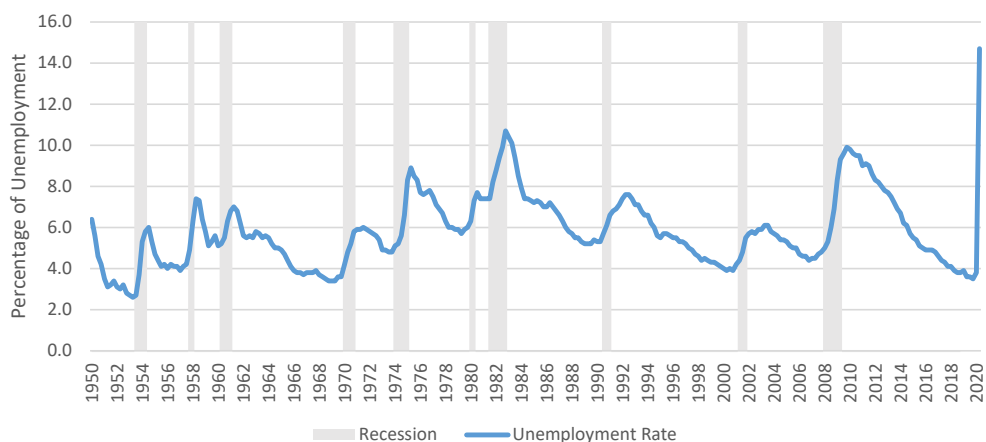


Figure 7:  
**U.S. Unemployment: 1950-April 2020**



## National Economic Performance

COVID-19 has created an unprecedented demand shock to the economy, pushing the U.S. into what will most certainly be defined as a recession. The only comparison would be the flu epidemic of 1918, however the nation did not collect data the way it does now, and what data we do have is distorted by WWI. The April Unemployment rate jumped to 14.7%, the highest level since the Great Depression. The quarterly rate for Q1 was 3.8%, with a January rate of 3.6%, a February rate of 3.5%, and a March rate of 4.4%. Most layoffs were in the second half of March, so the COVID-19 effects are very apparent in the April data. This is the case for almost every data point. The U6 unemployment rate, which counts so called discouraged workers/people marginally attached to the labor force rose from 7% in February, to 8.7% in March, to an incredible 22.8% in April. Many economists believe the U6 rate is a more accurate rate of unemployment.

Q1 seasonally adjusted real GDP fell by -4.8%, and is expected to fall in Q2 by -34.9% (annual rate, Atlanta Federal Reserve estimates, GDP Now).

## Interest Rates and the Fed

Interest rates on the 10 year treasury bond fell from 1.88% in early January to 0.7% at the end of March, hitting 0.63% by early May. This rush into treasury bonds is a result of a) the Federal Reserve purchasing bonds b) investors seeking safety. The Federal Reserve lowered the Federal Funds rate from 1.5% in early March to 0% by mid March. The fall in the 10 year treasury has caused the 30 year treasury to fall from 3.75% in early January to 3.25% in early May.

In addition to lowering interest rates, the Federal Reserve has announced it will engage in buying corporate bonds (Secondary Market Corporate Credit Facility) to provide liquidity to companies that have been hit hardest by COVID-19. The Fed has re-opened 2008-09 era lending facilities to provide liquidity to banks, the commercial paper market, direct lending to corporate employers (Primary Market Corporate Credit Facility), and an assortment of other programs. The sheer scope of Federal Reserve action during this crisis has no historical comparison and vastly outweighs the response in 2008-09. Figure 11 illustrates the Federal Reserve's balance sheet (assets) increasing from \$4 trillion to almost \$7 trillion dollars (Figure 9).

Figure 8:  
Initial and Continuing Unemployment Claims

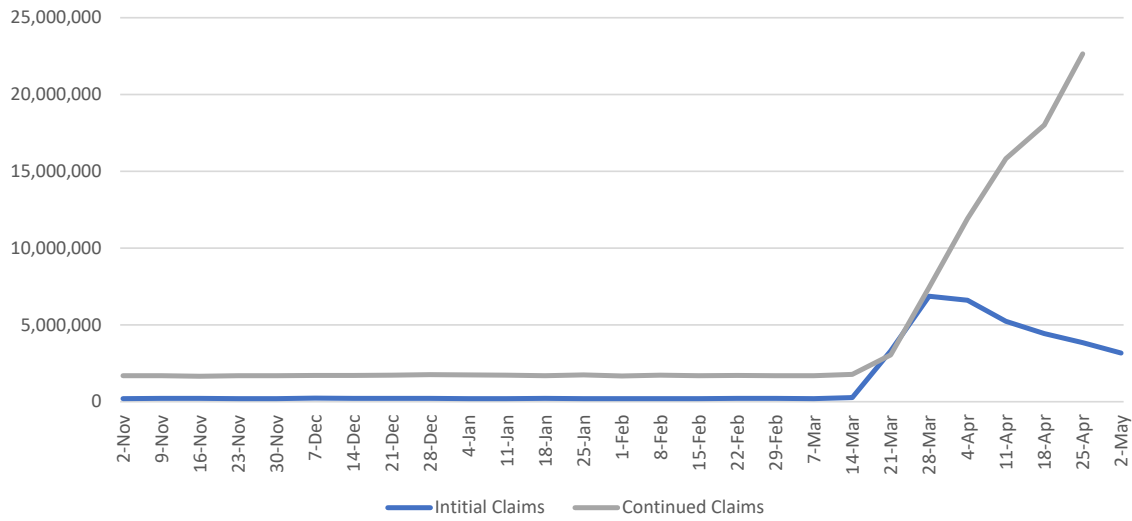


Figure 9:  
Federal Reserve Assets

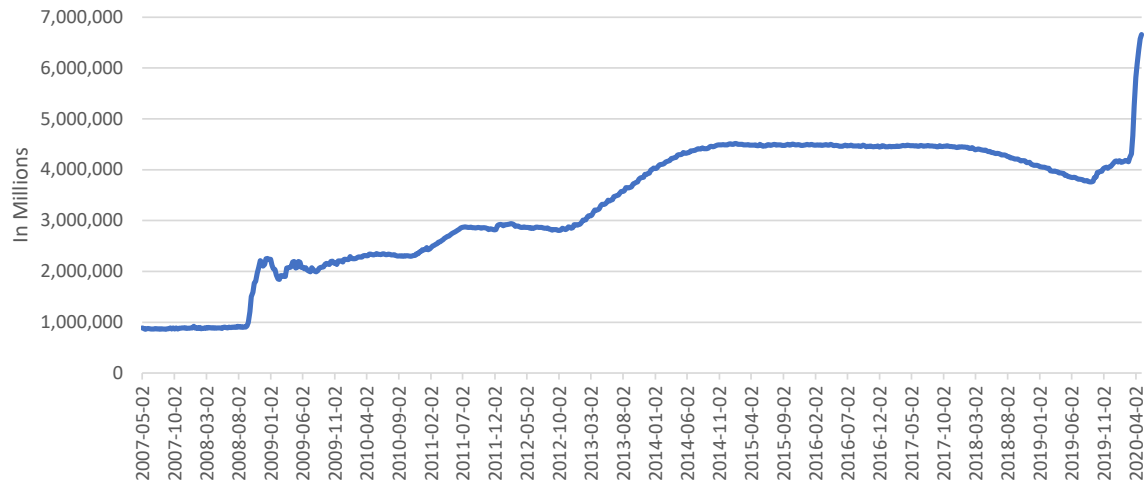


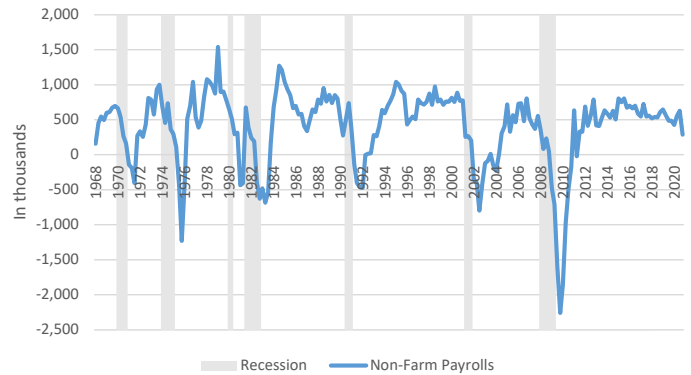
Table 7:  
Congressional Budget Office Economic Forecast

	2020				Annual	
	Q1	Q2	Q3	Q4	2020	2021
Real GDP (annual rate)	-3.5%	-39.6%	23.5%	10.5%	-5.6%	2.8%
GDP (Trillions of dollars)	21.6	19.1	20.1	20.7	20.4	21.3
Unemployment Rate	3.8%	14.0%	16.0%	11.7%	11.4%	10.1%

Figure 10:  
**S&P 500 Stock Prices (Dec-19-May19)**



Figure 11:  
**Change in Non-Farm Payrolls**



## Fiscal Policy

Congress and the treasury department have acted quickly in response to the economic devastation and enacted a few key programs that may help the the economy. The \$2 trillion fiscal stimulus bill included direct checks to Americans, expanded COVID-19 related unemployment insurance, and mortgage and student loan relief. In order to fund this and a potential new fiscal stimulus package, the treasury department issued new bonds (debt), which the Federal Reserve is buying (monetizing the debt). This brings up two important long term issues: 1) The increase in U.S. debt as a % of GDP and 2) the threat of inflation. Neither of these are likely a short term worry, as low interest rates will keep debt payments as a percentage of the Federal budget low, while the negative demand shock will outweigh the fiscal and monetary response, keeping inflation low in the short term. Rising food costs are the only potential threat to inflation, as the April CPI shows a 0.37% inflation rate, which means the U.S. should be more worried about deflation than inflation in the short term.

## Growth Forecasts

Despite unprecedented Federal Reserve action and a large fiscal stimulus bill (with a second likely this summer), unemployment is expected to stay relatively high for the rest of the year. The congressional budget office forecasts -39.6% growth decline (annual rate), or GDP falling from \$21.6 trillion to \$19.1 trillion from Q1 to Q2. They forecast 14% unemployment for Q2, 16% unemployment for Q3, and 11.4% unemployment for Q4, with 10.1% unemployment for 2021. This forecast is likely a worst case scenario, and is drastically different than many people’s expectations, including the financial markets which have priced in a quick full recovery, known as a V-shaped recovery. It’s not as simple as states allowing people to go to work, as demand has been significantly altered until a COVID-19 treatment or vaccine is available, or we learn or perceive that risks are significantly lower than currently perceived. Employers will not hire back 100% of their workforce until they see demand return to normal. The U.S. will have to grow its way out of unemployment, and this could take some time. It is important to note that information about the risk of COVID-19 and the potential for better treatments change every week. Any economic forecast, such as the CBO forecast, are deeply impacted by the expected impacts of COVID-19. National forecasts are more dire than Western Slope and Colorado forecasts because U.S. data is driven by densely populated areas such as New York, L.A., and Seattle, whose population density make COVID-19 more devastating. However, even if the Western Slope is expected to outperform the nation, World and U.S. demand are lower than before COVID-19, and Western Slope businesses will feel these impacts.



The Delta County Economic Update is compiled and written by Dr. Nathan Perry, Associate Professor of Economics at Colorado Mesa University.

☎ 970.248.1888  
 ✉ [naperry@coloradomesa.edu](mailto:naperry@coloradomesa.edu)



1100 North Avenue  
 Grand Junction, Colorado 81501-3122  
 970.248.1778 • 970.248.1138 (f)  
[coloradomesa.edu](http://coloradomesa.edu)