

DELTA COUNTY ECONOMIC UPDATE

Second Quarter, 2022



The Delta Economic Update is partially funded by One Delta County

Economic Summary

- Delta County employment averaged 13,479 for the first quarter of 2022, falling to 12,963 in April. This employment number is larger than the April 2020 low of 12,733 but lower than the October 2019 peak of 14,384.
- The Leeds Business Confidence Index, which measures business confidence in Colorado, continues to fall from its Q3 2021 peak, indicating businesses are feeling more pessimistic about the economy and their prospects. The index is primarily being pulled down by poor expectations for the national economy.
- Oil prices averaged \$95.18 in the first quarter of 2022, rising to \$109 during the month of May. Gasoline followed oil and rose from \$2.46 in the first quarter of 2021 to \$3.56 in the first quarter of 2022, rising to \$4.30 in May. Natural gas prices rose from \$3.56 in the first quarter of 2021 to \$4.45 in the first quarter of 2022, rising to \$8.14 in May. Rig counts in the region have increased from 2 to 3 this year.
- Inflation continues to soar, rising to an 8.6% inflation rate for the recently released May numbers. The energy index increased 3.9% since last month, while food increased 1.2%, and shelter increased 0.6%.

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LOCAL ECONOMIC INDICATORS

	Q1 2022	Q4 2021	Q1 2021	change since last quarter	change since last year (comparable quarters)
Local Labor Market					
Unemployment Rate Delta County- NSA	3.83%	4.77%	5.43%	-0.93%	-1.60%
Unemployment Rate Colorado - NSA	4.00%	5.10%	6.10%	-1.10%	-2.10%
Unemployment Rate U.S. - NSA	4.00%	5.20%	6.50%	-1.20%	-2.50%
Labor Force	14,538	14,576	14,538	-39	-1
Employed	13,975	13,881	13,750	94	225
Unemployed	563	695	788	-132	-226
Business Confidence					
Leeds Colorado Business Confidence Index	53.9	58	64.4	-7.07%	-16.30%
Sales/Use Taxes					
City of Delta Sales/Use Taxes (YTD, August)	\$2,643,285		\$2,624,103		0.73%
Delta County Sales/Use Tax (YTD, May)	\$1,873,049		\$1,650,487		13.48%
Lodging Tax (YTD, May)	\$142,379		\$97,021		46.75%
Business Filings					
	2022 (YTD)		2021 (YTD)		
Delta County New Business Entity Filings (as of May 31st)	236		315		-25.08%

Standard of Living and Growth	2020	2019	2018	2017	% change from 2019
Population	31,067	31,021	30,835	30,516	0.15%
Gross Domestic Product (GDP)	\$818,405	\$806,409	\$784,802	\$723,286	1.49%
Personal Income	\$1,308,770	\$1,187,891	\$1,168,661	\$1,108,464	10.18%
Personal Income Per Capita	\$42,127	\$38,293	\$37,900	\$36,324	10.01%
Median Household Income	\$53,553	\$51,525	\$46,786	\$43,528	3.94%
Percent of Population Below Poverty	12.1%	15.1%	14.6%	16.7%	-3.00%

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

Delta County employment averaged 13,479 for the first quarter of 2022, falling to 12,963 in April. This employment number is larger than the April 2020 low of 12,733 but lower than the October 2019 peak of 14,384. It's important to note that Delta County's employment has a large seasonal element, always peaking in October with lows in early spring. Using a simple regression analysis, since April of 2020 Delta County has increased its employment by 23 per month. This is a lower rate of increase than neighboring Mesa and Montrose Counties. The unemployment rate for the first quarter of 2022 was 4.27% (non-seasonally adjusted). The region in general has very low unemployment rates as illustrated by table 2, with regional unemployment ranging between 2.6% in Routt County and 3.4% in Delta County for the month of April.

Delta County's labor market response to the Federal Reserve's rising interest rate environment will be a factor to watch for the rest of 2022. The Federal Reserve is expected to continue raising interest rates in an attempt to curb wage and price inflation. This is expected to slow economic growth over the next year, which is expected to create a softer labor market.

Other Indicators

Through April, the City of Delta had a slight positive increase in sales tax collections at 0.73%, while Delta County shows an increase of 13.48% through March. With inflation high, using this value as an economic indicator becomes tricky as increase in prices will lead to higher sales tax activity, but despite this sales tax collection remains strong. Lodging taxes are up 46%, a trend seen across the Western Slope.

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

	Labor Force	Employed	Unemployed
Annual	15	370	-355
5-Year	433	464	-31
10-Year	-210	731	-941
Annual %	0.1%	2.8%	-37.2%
5-Year %	3.2%	3.6%	-4.9%
10-Year %	-1.5%	5.7%	-61.1%

New business entity filings are down from last year, falling from 315 to 236 compared to May 31st of last year and this year.

The Leeds Business Confidence Index, which measures business confidence in Colorado, continues to fall from its Q3 2021 peak, indicating that businesses are more pessimistic about the economy and their prospects. The index is primarily being pulled down by poor expectations for the national economy.

Figure 1:
2 Year Employment

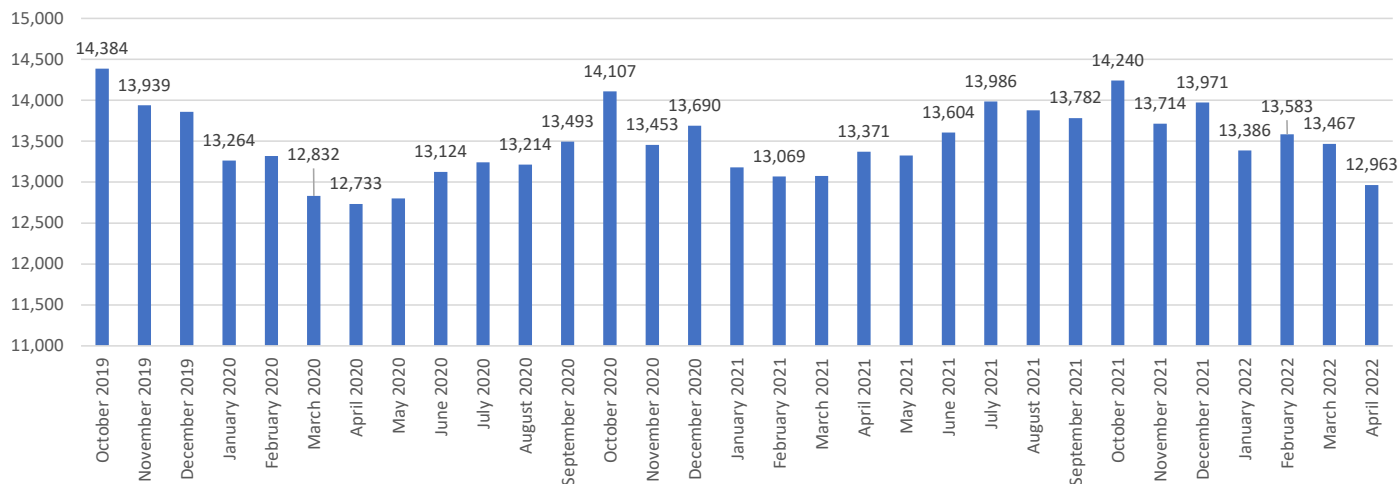


Figure 2:
Yearly Employment Average

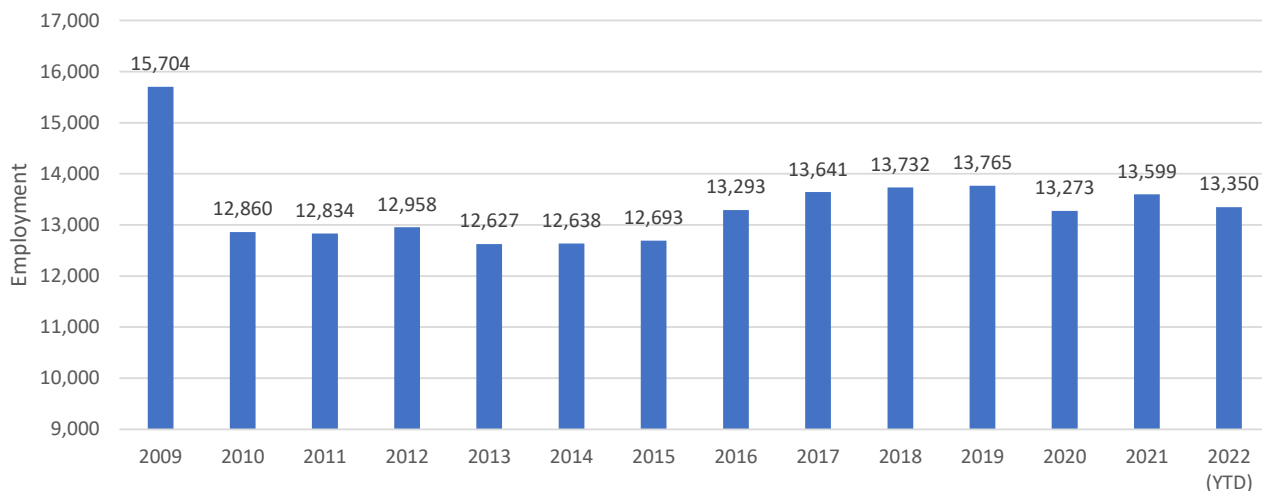


Figure 3:
Change in Yearly Employment Average

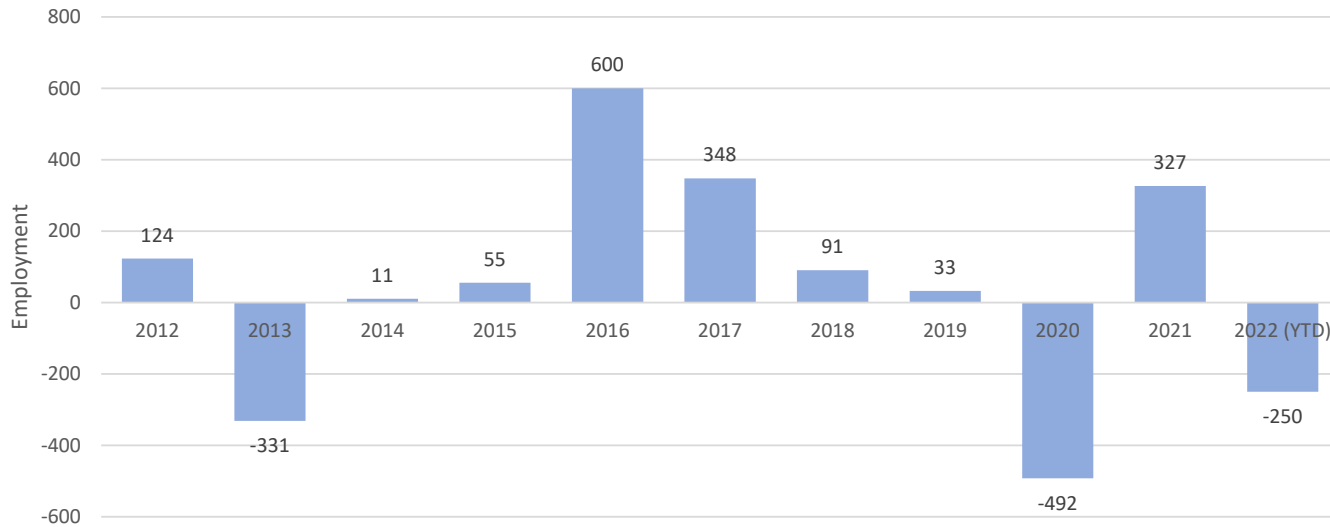


Table 2:
Regional Unemployment Rates for April

County	Unemployment Rate
Mesa	3.30%
Montrose	3.30%
Delta	3.40%
Garfield	2.80%
Rio Blanco	3.90%
Moffat	3.10%
Routt	2.60%
Colorado	3.10%

Figure 4:
Number of Unemployed Delta County

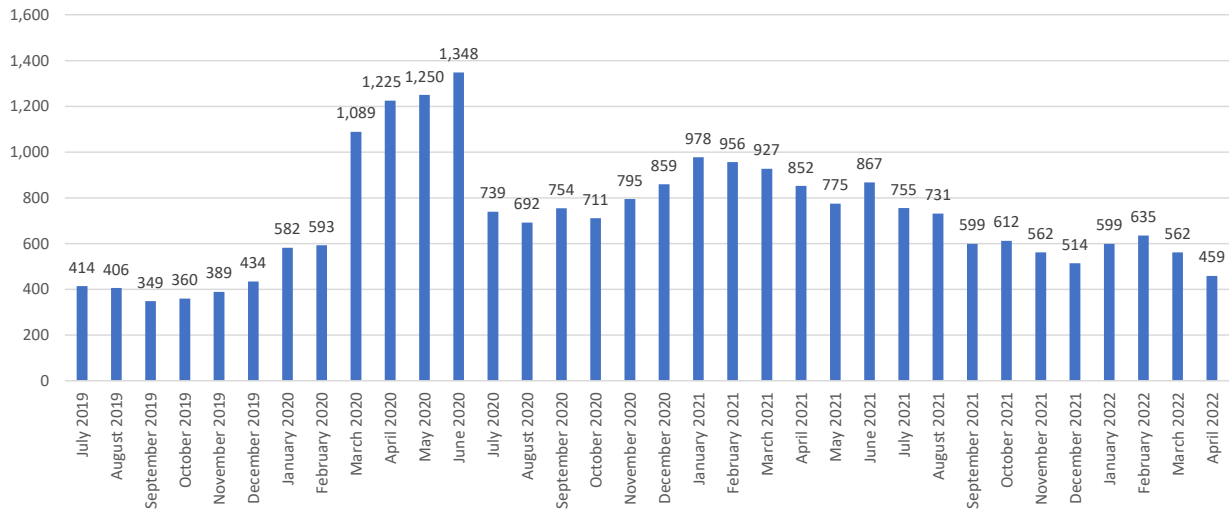


Figure 5:
Total Full and Part Time Jobs (BEA)

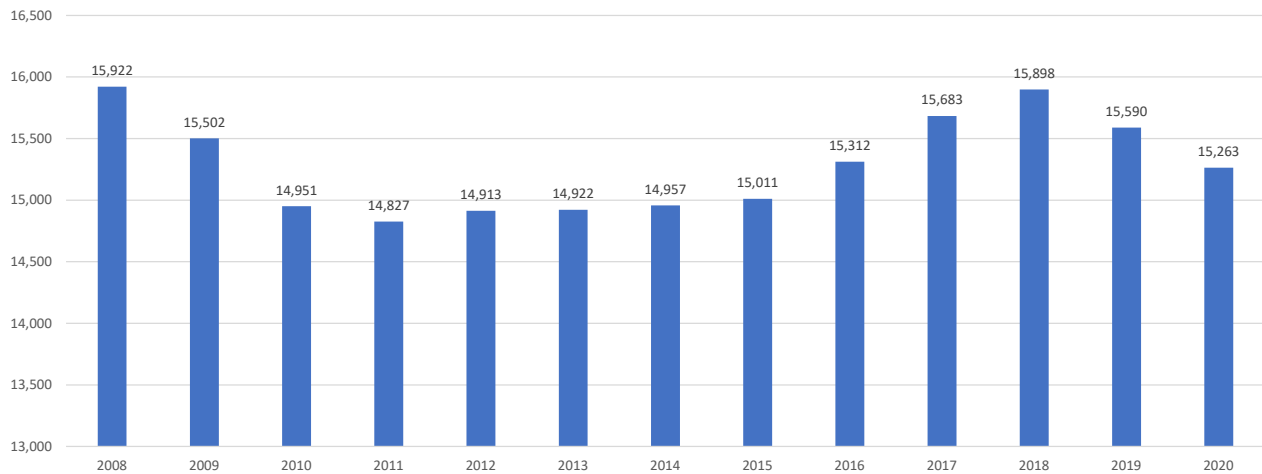


Figure 6:
Delta County Median Household Income

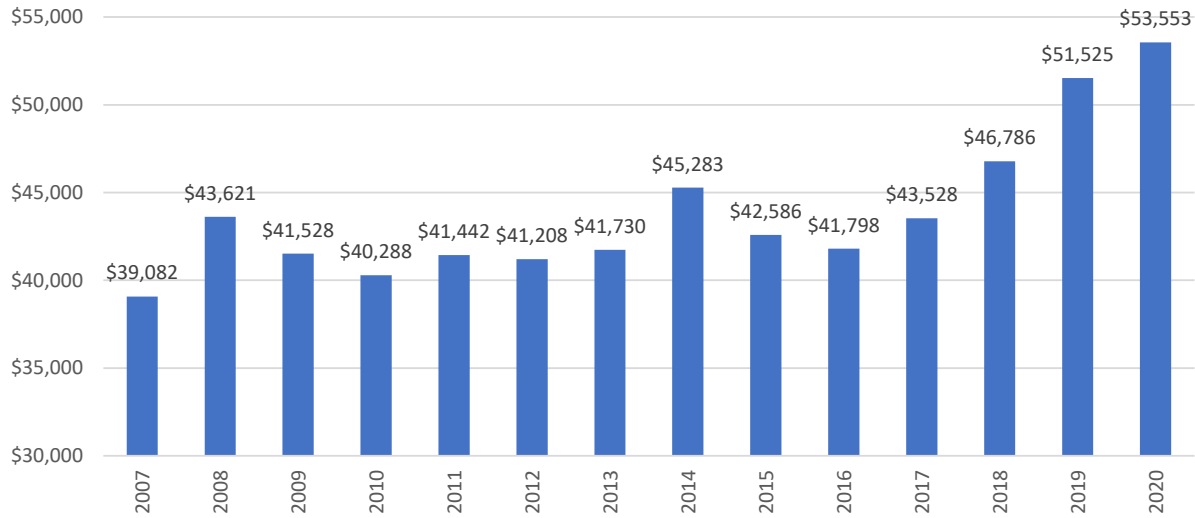


Figure 7:
Delta County Poverty Rate Estimate

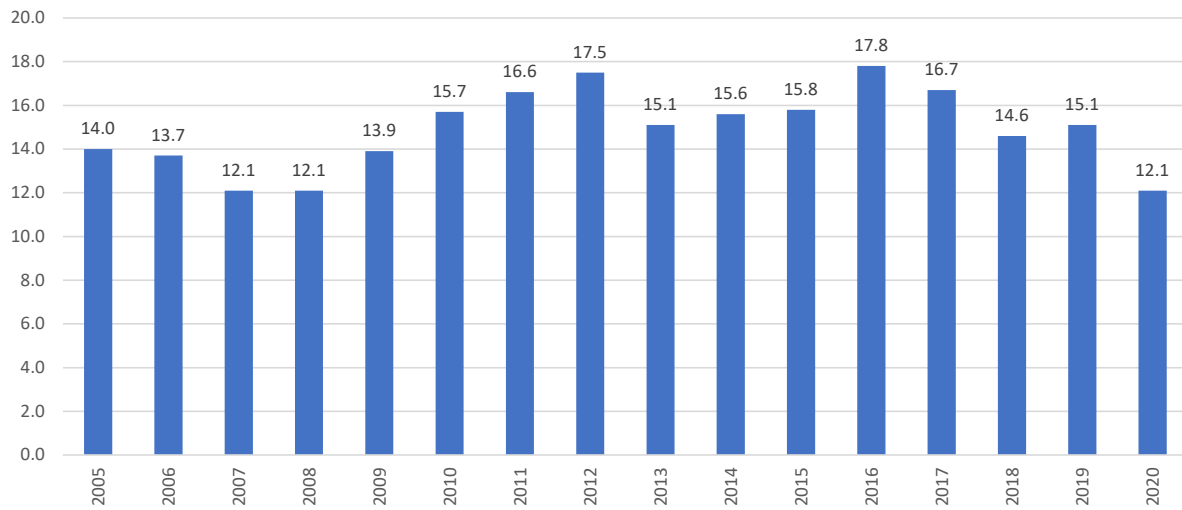
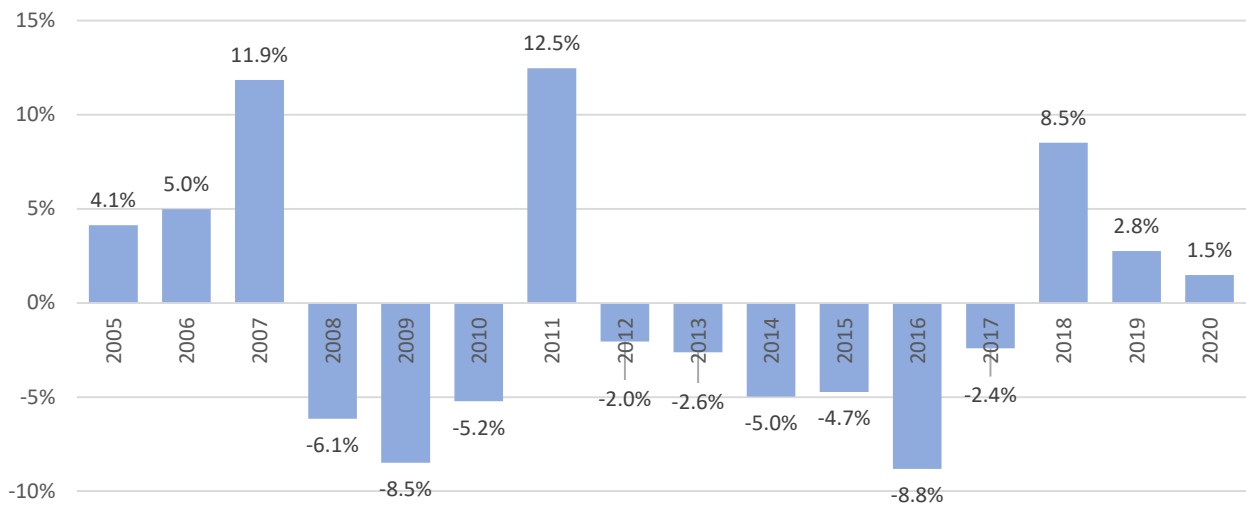


Figure 8:
Delta County Real GDP % Change (chained 2012 dollars)



Delta County Employment Trends

Q4 2021 QCEW data shows loss in jobs but a slight gain in wages. The job losses were mainly in healthcare, real estate, and administrative and waste services. Job gains were in accomodation and food services, professional and technical services, and manufacturing. Manufacturing and professional and technical services led wage gains, while real estate, healthcare, and administrative and waste services led wages losses. Note that 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). Educational services and mining are omitted due to confidentiality.

Table 3:
Quarterly Census of Employment and Wages (QCEW) Q4 2021 Compared to Q4 2020

Sector	Average Employment	Total Quarterly Wages	Average Weekly Wage	Total Wage Change	Total Employment Change
Total, All Industries	8,242	\$92,354,574	\$862	\$1,709,022	-107
Health Care and Social Assistance	1,646	\$20,696,769	\$967	-\$826,921	-172
Retail Trade	1,228	\$10,429,244	\$653	\$199,949	-24
Public Administration	754	\$9,595,432	\$979	\$415,407	10
Construction	510	\$6,883,270	\$1,038	\$581,831	-1
Manufacturing	540	\$6,358,084	\$906	\$742,108	27
Accommodation and Food Services	643	\$3,497,198	\$418	\$534,127	43
Agriculture, Forestry, Fishing & Hunting	337	\$3,305,393	\$754	-\$47,722	-1
Real Estate and Rental and Leasing	178	\$3,288,816	\$1,421	-\$2,175,978	-55
Finance and Insurance	211	\$3,257,942	\$1,188	\$840,114	20
Professional and Technical Services	207	\$2,956,431	\$1,099	\$738,294	30
Other Services, Ex. Public Admin	255	\$2,473,623	\$746	\$304,565	25
Transportation and Warehousing	127	\$1,582,406	\$958	\$50,263	0
Wholesale Trade	125	\$1,548,312	\$953	\$200,638	8
Information	128	\$1,431,623	\$860	-\$183,168	-8
Administrative and Waste Services	149	\$1,371,229	\$708	-\$518,682	-73
Utilities	50	\$826,567	\$1,272	-\$71,393	-3
Management of Companies and Enterprises	46	\$487,023	\$814	\$56,697	16
Arts, Entertainment, and Recreation	43	\$221,055	\$395	\$124,664	19

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

Table 4:
Farm and Sole Proprietor Employment

BEA Data	2020	2019	2018	2017	% change from 2019
Farm Employment	1,259	1,257	1,263	1,262	-0.3%
Sole Proprietors (non-farm)	5,154	5,247	5,573	5,436	-7.5%

Figure 9:
Total Wage Changes from Q4 2020 to Q4 2021

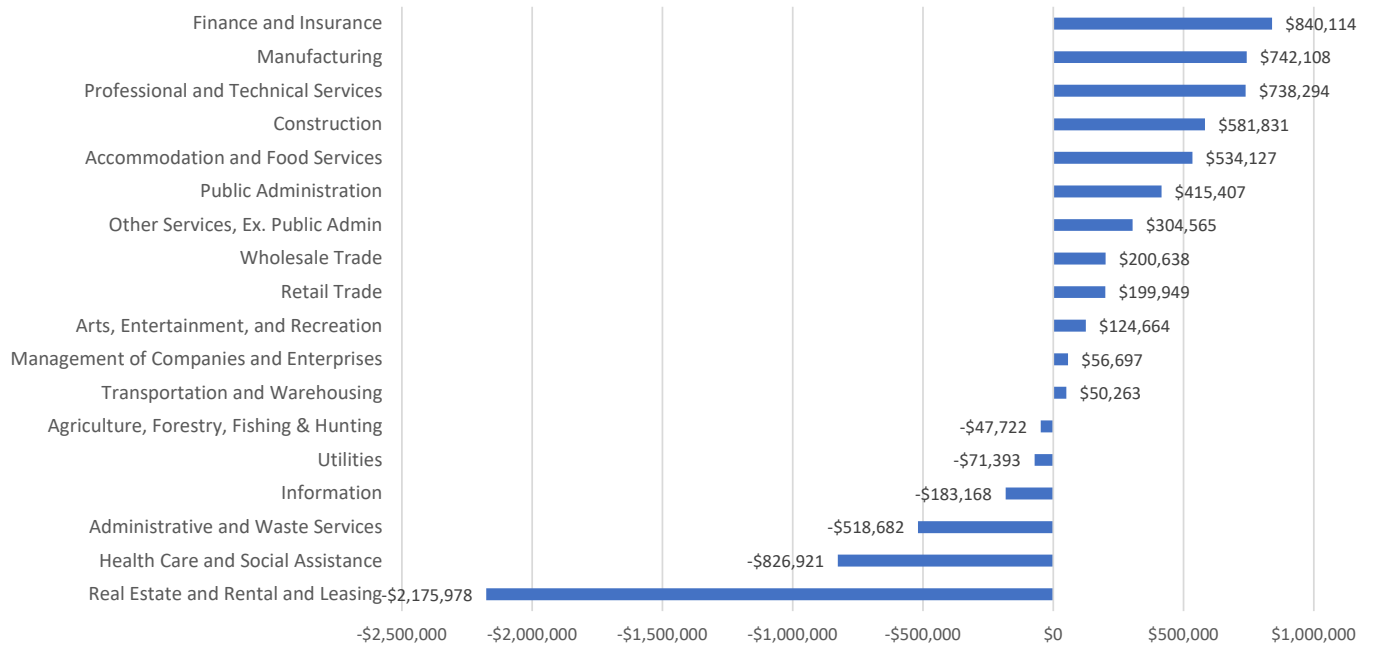
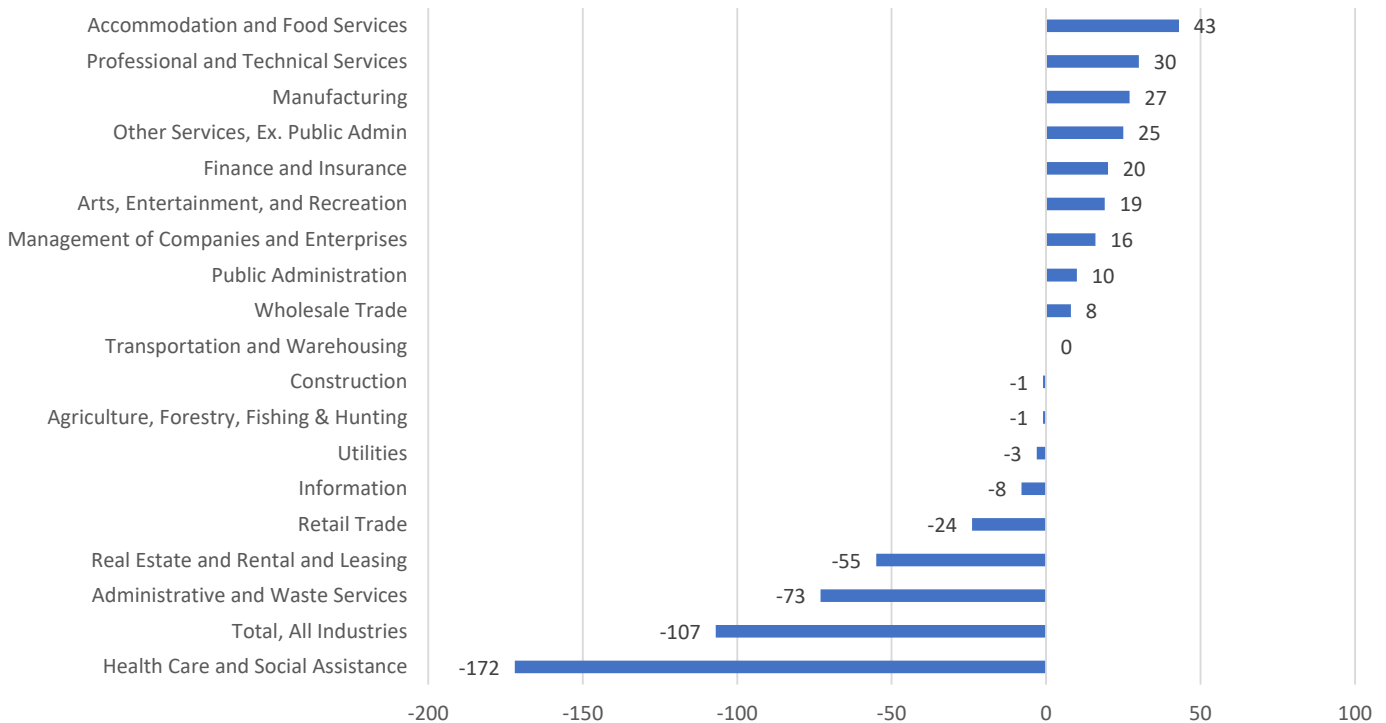


Figure 10:
Total Jobs Change from Q4 2020 to Q4 2021



LOCAL REAL ESTATE

	Q1 2022	Q1 2021	% change since last year
Real Estate			
Inventory of Homes for Sale (3 month avg)	62	91	-32.48%
New Residential listings (3 month total)	123	141	-12.77%
Sold Residential Listings (3 month total)	116	119	-2.52%
Median Sales Price	\$398,817	\$308,417	29.31%
Average Sales Price	\$443,468	\$343,738	29.01%
Days on Market	110.33	117.00	-5.70%
Months Supply of Inventory	1.27	1.80	-29.63%
Foreclosures			
Foreclosure Filings	8	7	14.29%
Foreclosure Sales	2	1	100.00%
Mortgage Rates			
15 Year Mortgage Rate	4.44%	2.28%	2.16%
30 Year Mortgage Rate	5.23%	2.96%	2.27%

SOURCES IN ORDER OF LISTING: Real Estate Data: Colorado Association of Realtors; 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

The Delta County real estate market saw another quarter of high increase in sale prices. The median sales price increased by 29.31%, while average prices increased 29% since the same time last year. This was the largest increase between Mesa, Montrose, and Delta. Inventory of homes continues to fall, falling from 91 to 62 year over year for quarterly data, while new listings are down 12.7%, days on market are down 5.7%, and months supply of inventory is down 29.63%. All signs point to a very tight housing market for the County, which is a problem because incomes and jobs are not improving at the same rate as housing appreciation, creating an affordability problem.

Interest rates have increased drastically in April and May, and the impact that this will have on the real estate market should start to show in the next few quarters of data. The 30 year mortgage rate has increased by 2.27% compared to May of last year. The current 30 year mortgage rate as of May is 5.23%. For context on affordability, consider two price points: \$350,000 and \$800,000, as well as two interest rates, the low of 2.75% and the recent high of 5.23%. At 2.75%, a \$350,000 mortgage payment without taxes and PMI would be \$1,429. At 5.23%, that same house is \$1,928. At the \$800,000 price point, a 2.75% interest rate is \$3,266, while a 5.23% interest rate raises the payment to \$4,408. For each house, that is a 34% increase in the monthly payment. There is no doubt that the real estate market will be impacted by rising rates.

Foreclosures rose for the first time in several years. Comparing year to date from May 31st of last year to May 31st of this year, foreclosures have risen from 11 to 26. Comparing quarter 1 2021 to quarter 1 2022, foreclosures have risen from 7 to 8. Most of the Delta foreclosures were in April and May. For context, there were 26 total foreclosures in 2021, and there are 26 as of May, meaning Delta has surpassed that number already. This is an increase in foreclosures, but compared to the last several years still relatively low number compared to the last decade. As the Federal Reserve hikes rates, mortgages that have an adjustable rate will be more costly. In addition, as the labor market weakens resulting from Federal Reserve action and world economic turmoil, foreclosures are likely to rise over the next year.

Figure 11:
Delta County Foreclosures

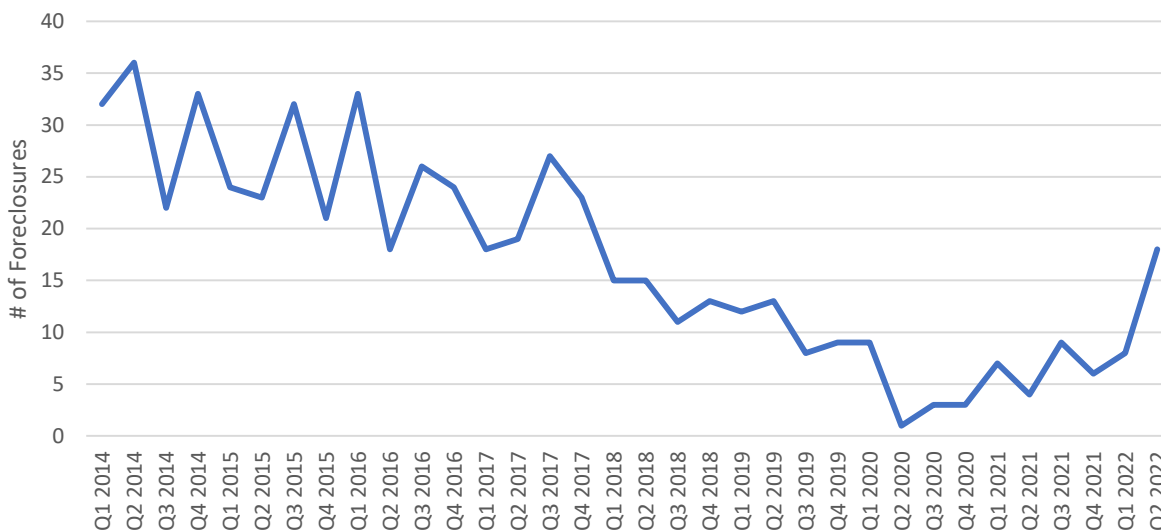


Figure 12:
Median and Average Sales Price

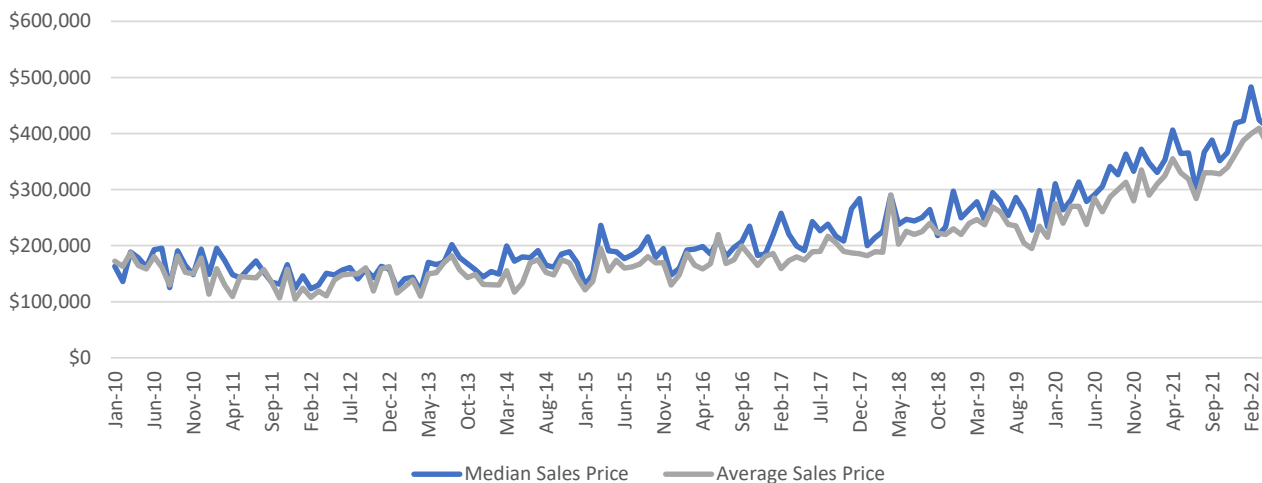
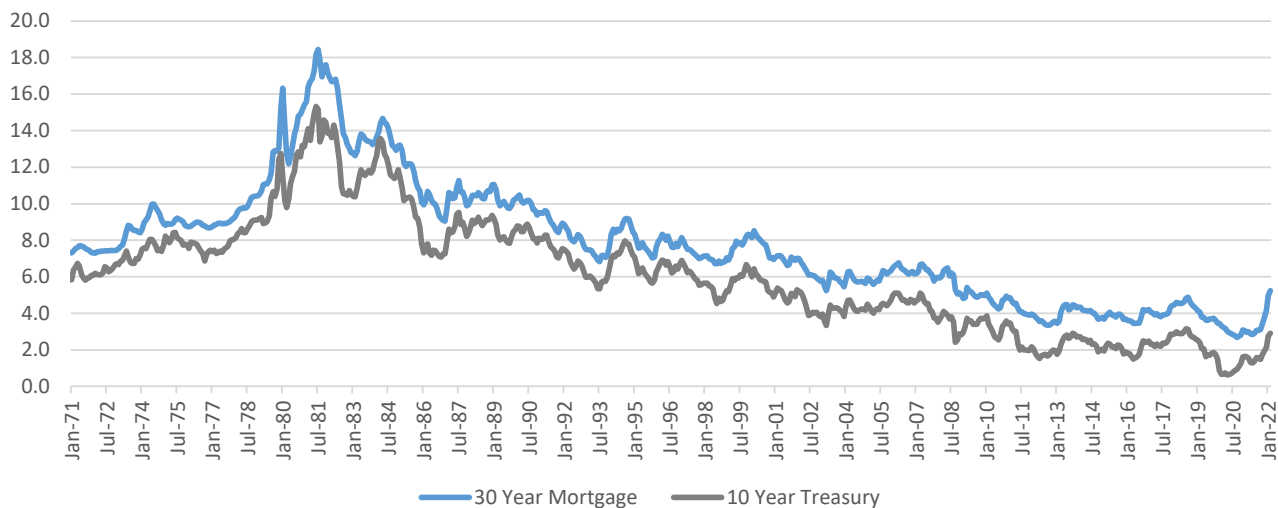


Figure 13:
10 Year Treasury and 30 Year Mortgage Rates (though May 2022)



REGIONAL ENERGY

	Q1 2022	Q4 2021	Q1 2021	% change since last quarter	% change since last year (comparable quarters)
Energy Prices					
WTI Crude Oil	\$95.18	\$77.33	\$58.09	23.08%	63.85%
Henry Hub Natural gas	\$4.66	\$4.77	\$3.56	-2.31%	30.90%
Retail Gasoline Price	\$3.56	\$3.21	\$2.46	10.68%	44.51%
Drilling Permits					
	2022 (YTD)	2021	2020		
Drilling Permits (Mesa County)	0	0	1		
Drilling Permits (Rio Blanco County)	1	40	33		
Drilling Permits (Garfield County)	51	133	127		
Drilling Permits (Moffat County)	3	4	1		
Total Permits (Mesa, Rio Blanco, Garfield, Moffat)	55	177	162		
Total Permits (Colorado)	285	805	1,543		
Local Rig Count					
	Jun-22	Jan-22	Jun-22		
Rig Count (Western Colorado, Mesa, Rio Blanco, Garfield, Moffat)	3	2	2		
Delta/Gunnison Coal Industry					
	2021 (YTD)	2020 (YTD)	% Change		
Delta/Gunnison Average Monthly Employment for Coal Mining	216	284	-23.97%		
Delta/Gunnison Coal Production (tons)	273,521	223,307	22.49%		

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 14:
Oil and Natural Gas Prices

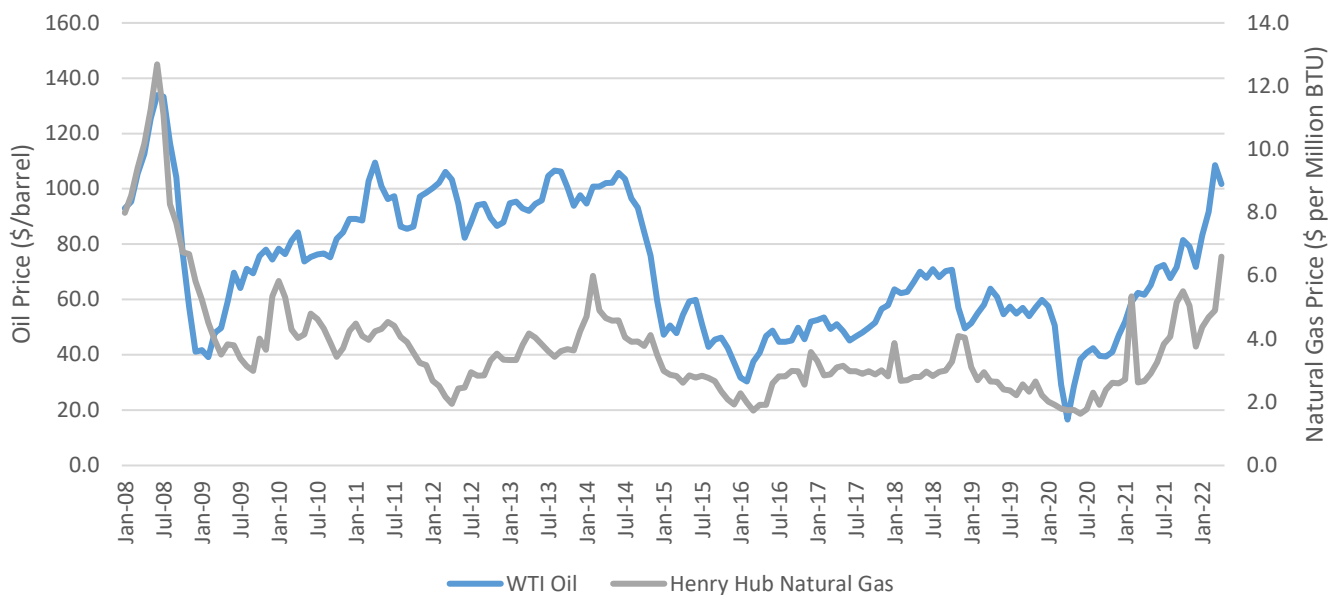


Figure 15:
Oil and Gasoline Prices

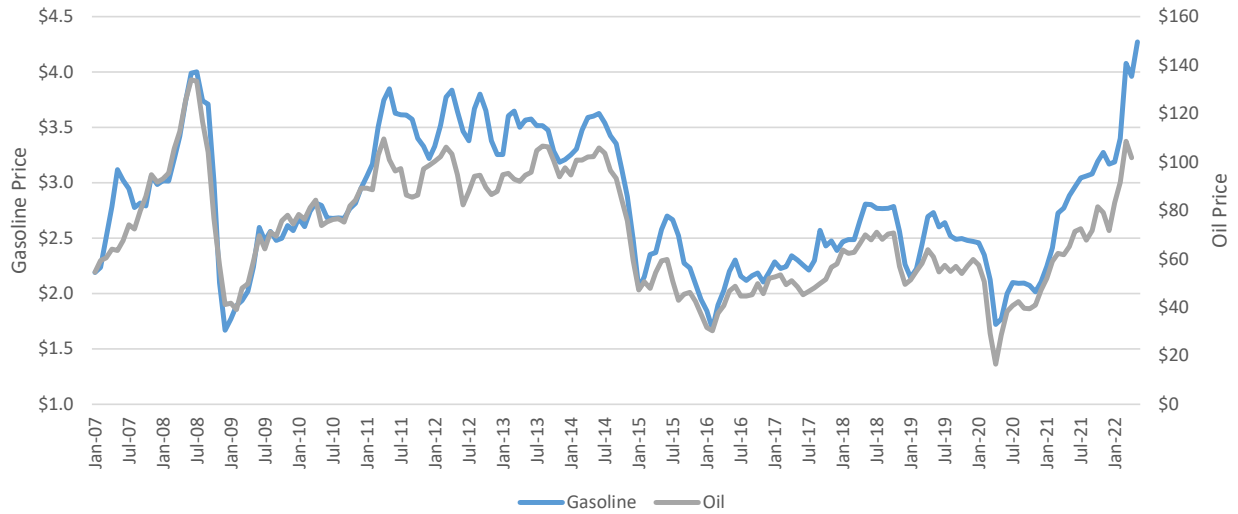
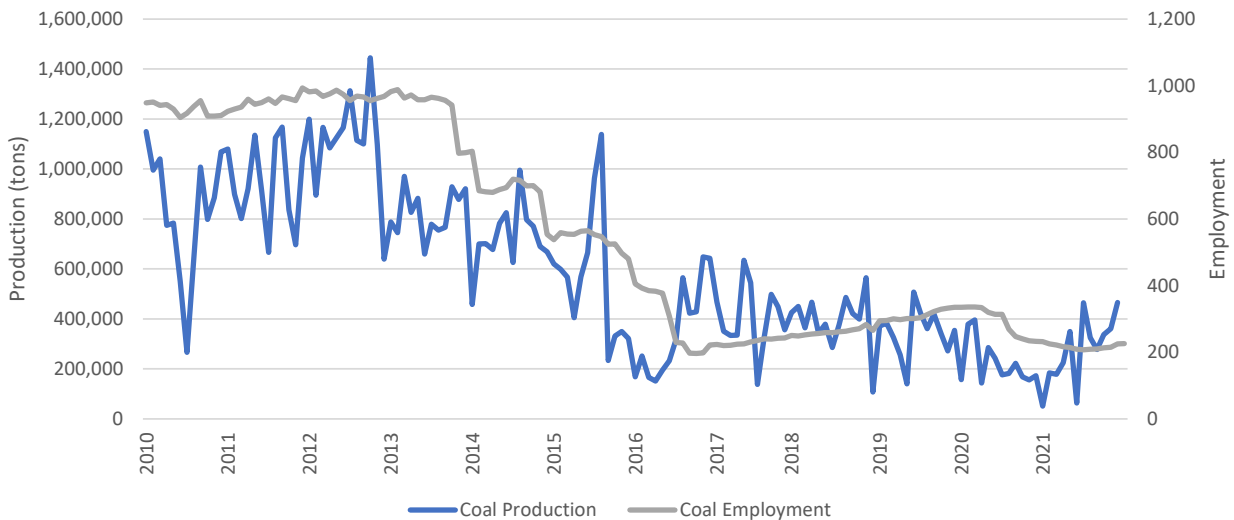


Figure 16:
Delta/Gunnison Coal Production and Employment



Western Slope Energy

West Texas Intermediate crude oil prices averaged \$95.18 in the first quarter of 2022, rising to \$109 during the month of May. Gasoline followed oil and rose from \$2.46 in the first quarter of 2021 to \$3.56 in the first quarter of 2022, rising to \$4.30 in May. Natural gas prices rose from \$3.56 in the first quarter of 2021 to \$4.45 in the first quarter of 2022, rising to \$8.14 in May. Rising oil and gas prices would normally increase oil and gas activity in the region, and we do see rig counts increasing from 2 to 3 in June of 2022. However, drilling permits are still lower than they were at the same time last year and not in proportion with the expected activity we should see from high energy prices. In my experience tracking the drilling permit data, this data can be very volatile, and it's possible that at the end of the year there is a large increase in drill permits, especially as the impacts of H.B. 181 settle, but as of now, the pace of permits is lower than last year. National rig counts have been rising steadily from the low in August of 2020 at 244 to 727 on June 3rd, 2022. The recent peak in rig counts was in late 2018 at 1,083. Historically, the energy industry responds to high prices with significantly higher output, which given enough time helps to reduce the price.

NATIONAL ECONOMIC INDICATORS

	Q1 2022	Q4 2021	Q1 2021	% change since last period	% change since last year (comparable quarters)
Business Cycle Indicators					
Real GDP	-1.50%	6.90%	6.30%	-8.40%	-7.80%
Personal Consumption Expenditures	3.10%	2.50%	11.40%	0.60%	-8.30%
Gross Private Domestic Investment	0.50%	36.70%	-2.30%	-36.20%	2.80%
National Consumer Confidence	63.1	69.9	80.2	-9.73%	-21.32%
Industrial Production Index	103.5	101.7	98.3	1.86%	5.31%
Initial Weekly Unemployment Claims (4 week MA)	207,673	284,115	774,077	-26.91%	-73.17%
Non Farm Payroll Change (in thousands)	1,730,333	1,759,333	1,262,333	-1.65%	37.07%
Unemployment					
Unemployment Rate-U3-SA	3.80%	4.20%	6.20%	-0.40%	-2.40%
Unemployment Rate-U6-SA	7.10%	7.70%	11.00%	-0.60%	-3.90%
Interest Rates					
Federal Funds Rate	0.12%	0.08%	0.08%	0.04%	0.04%
10 Year U.S. Treasury	1.94%	1.54%	1.32%	0.40%	0.62%
30 Year U.S. Treasury	2.26%	1.94%	2.09%	0.32%	0.17%
Inflation Measures					
Inflation Rate (CPI)	8.00%	6.72%	1.90%	1.28%	6.10%
Core Inflation Rate (All Items Less Food and Energy)	6.30%	5.01%	1.45%	1.29%	4.85%
Inflation Rate (Shelter)	4.71%	3.86%	1.58%	0.85%	3.13%
Producer Price Index (PPI)	20.28%	21.80%	7.01%	-1.52%	13.27%
Employment Cost Index	4.45%	3.93%	2.64%	0.52%	1.81%
Stock Prices					
S&P 500	4,464	4,602	3,866	-3.00%	15.47%
Dow Jones Industrial Average	34,679	35,517	31,551	-2.36%	9.92%
Trade Balance and Debt					
Trade Balance (% of GDP)	-1182.813	-971.43	-872.54	21.76%	35.56%
Federal Debt (% of GDP)*	123.4%	129.2%	129.2%	-5.8%	-5.8%

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 17:
Real GDP for U.S.

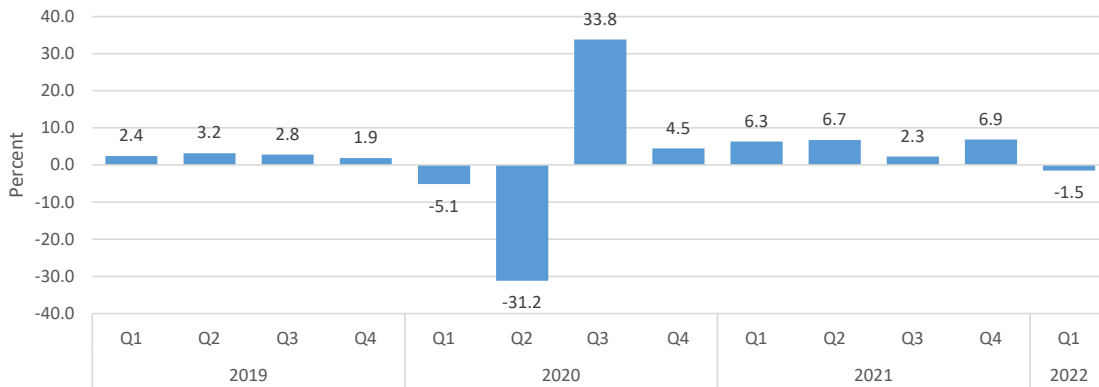
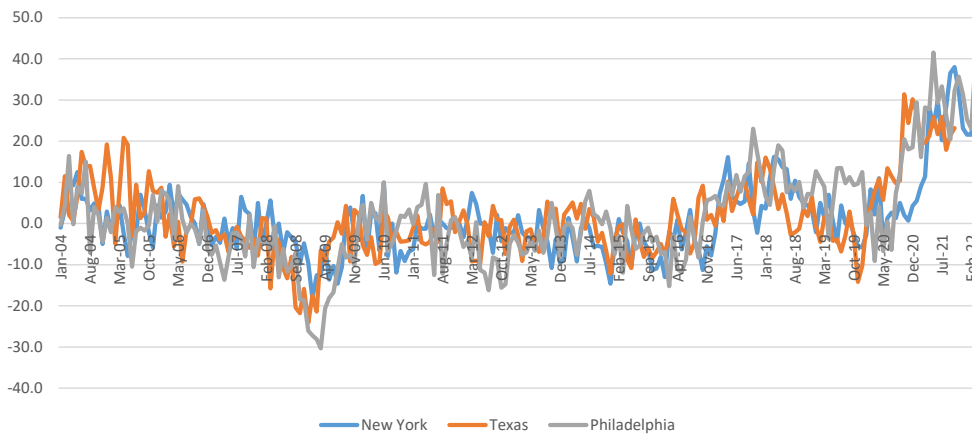


Figure 18:
Delivery Time (Supply Chain Index)



Economic Growth

U.S. economic growth surprised to the downside with a -1.5% GDP number (figure 17). This negative number set back the march towards potential GDP recovery we have seen for several quarters. As of June 8th, the Atlanta Federal Reserves GDP Now forecast for Q2 is at 0.9%. There is real concern that rising interest rates and falling asset prices, as well as the potential for a weaker labor market may lead to a recession, perhaps by early 2023.

Inflation

Inflation continues to soar, rising to an 8.6% inflation rate for the recently released May numbers. Many were hoping that May would show signs that March was the peak of inflation but that was not the case. Figure 19 illustrates the Bureau of Labor Statistics May inflation release, and is reproduced from the Bureau of Labor Statistics website. The energy index increased 3.9% since last month, while food increased 1.2%, and shelter increased 0.6%. The April numbers showed that energy and consumer items may slow their price inflation but May numbers eliminated that hope.

Supply pressures continue to create cost push inflation. Figure

18 illustrates delivery time from the New York, Texas, and Philadelphia Federal Reserves regions. The figure illustrates the increase in delivery time for manufacturing firms. Another cost push inflation factor is wages. Figure 22 illustrates the employment cost index, which increased by 4.5%. Energy prices show no signs of slowing as the Russian-Ukraine conflict rages on. Oil prices reached \$109 and natural gas breached \$9 in early June. Rig counts are increasing in the United States which over time will create more supply. This inflation has been incredibly persistent despite a drastic increase in the U.S. dollar exchange rate. Generally when the dollar increases, it reduces the price of imports, but that has brought no relief from inflation.

In addition to cost push factors, there is still strong demand for goods and services from consumers. There is debate over how long this will last, as consumer confidence has fallen to the lows of the 1981 recession, the 1991 recession, and the 2009 recession (figure 23). The Federal Reserve still expects to continue to raise rates until inflation comes down. Unfortunately it is not clear that rising rates, which generally affects demand, will be able to alleviate much of the supply or cost push inflation.

Figure 19:
CPI (Inflation) Release from the Bureau of Labor Statistics (reproduced from BLS.gov)

	Seasonally adjusted changes from preceding month							Un-adjusted 12-mos. ended May 2022
	Nov. 2021	Dec. 2021	Jan. 2022	Feb. 2022	Mar. 2022	Apr. 2022	May 2022	
All items.....	0.7	0.6	0.6	0.8	1.2	0.3	1.0	8.6
Food.....	0.8	0.5	0.9	1.0	1.0	0.9	1.2	10.1
Food at home.....	0.9	0.4	1.0	1.4	1.5	1.0	1.4	11.9
Food away from home ¹	0.6	0.6	0.7	0.4	0.3	0.6	0.7	7.4
Energy.....	2.4	0.9	0.9	3.5	11.0	-2.7	3.9	34.6
Energy commodities.....	4.2	1.3	-0.6	6.7	18.1	-5.4	4.5	50.3
Gasoline (all types).....	4.5	1.3	-0.8	6.6	18.3	-6.1	4.1	48.7
Fuel oil ¹	3.5	-2.4	9.5	7.7	22.3	2.7	16.9	106.7
Energy services.....	0.2	0.3	2.9	-0.4	1.8	1.3	3.0	16.2
Electricity.....	0.2	0.5	4.2	-1.1	2.2	0.7	1.3	12.0
Utility (piped) gas service.....	0.3	-0.3	-0.5	1.5	0.6	3.1	8.0	30.2
All items less food and energy.....	0.5	0.6	0.6	0.5	0.3	0.6	0.6	6.0
Commodities less food and energy commodities.....	0.9	1.2	1.0	0.4	-0.4	0.2	0.7	8.5
New vehicles.....	1.2	1.2	0.0	0.3	0.2	1.1	1.0	12.6
Used cars and trucks.....	2.4	3.3	1.5	-0.2	-3.8	-0.4	1.8	16.1
Apparel.....	0.7	1.1	1.1	0.7	0.6	-0.8	0.7	5.0
Medical care commodities ¹	0.1	0.0	0.9	0.3	0.2	0.1	0.3	2.4
Services less energy services.....	0.4	0.3	0.4	0.5	0.6	0.7	0.6	5.2
Shelter.....	0.5	0.4	0.3	0.5	0.5	0.5	0.6	5.5
Transportation services.....	0.7	0.0	1.0	1.4	2.0	3.1	1.3	7.9
Medical care services.....	0.3	0.3	0.6	0.1	0.6	0.5	0.4	4.0

¹ Not seasonally adjusted.

Figure 20:
Inflation Rate

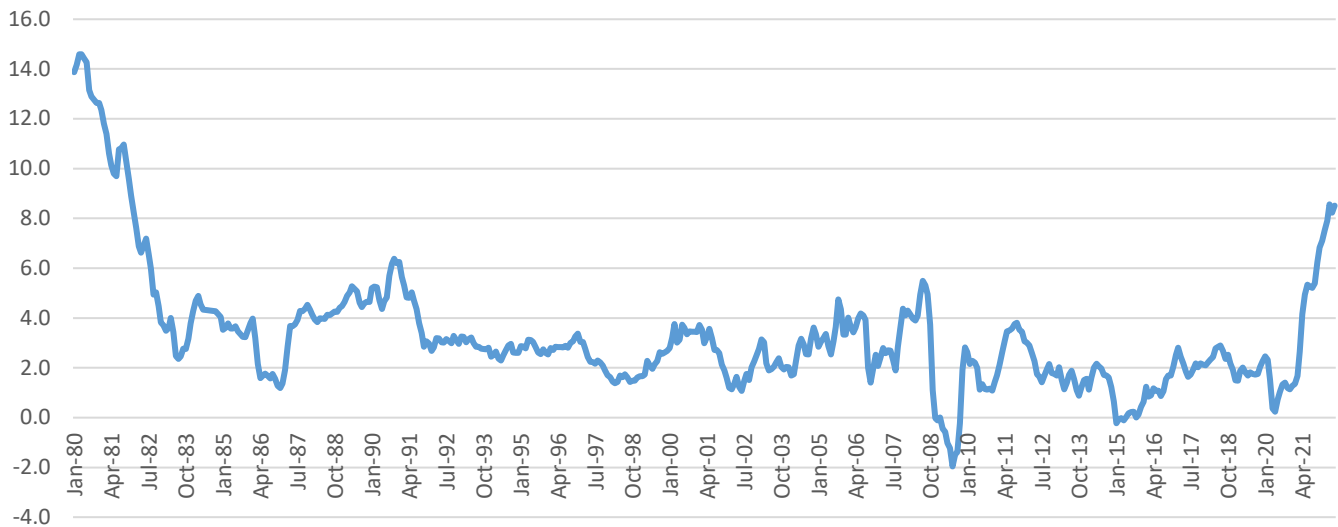


Figure 21:
GDP Gap

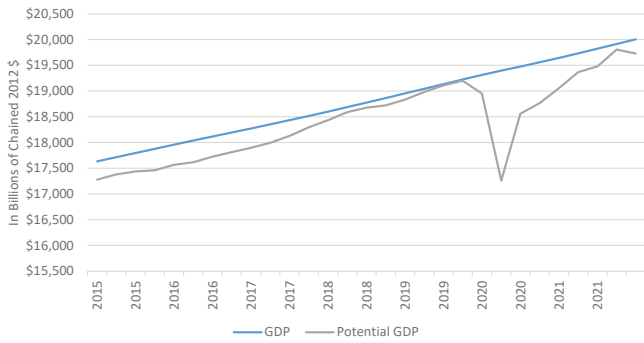
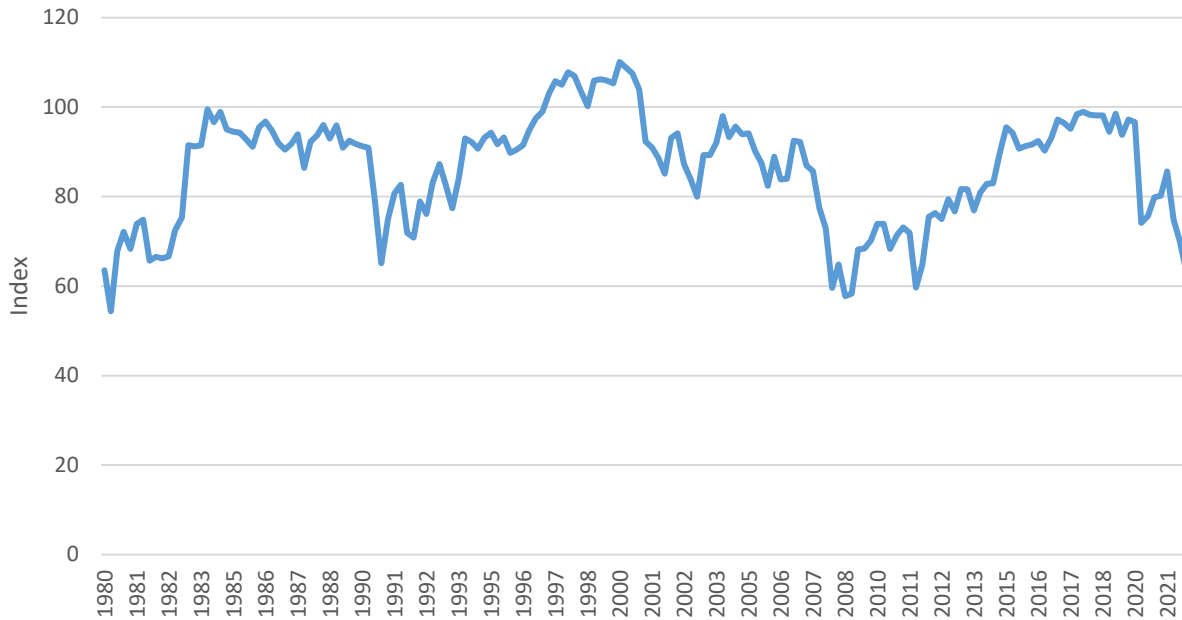


Figure 22:
Employment Cost Index



Figure 23:
University of Michigan Consumer Confidence Index



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