

DELTA COUNTY ECONOMIC UPDATE

Second Quarter, 2023



The Delta Economic Update is partially funded by
One Delta County

Economic Summary

- Employment in Delta has a medium term trend decline due to a declining labor force. The declining labor force is likely the result of the demographics of the county, which has a high death rate and low birth rate, and an aging population. The good news is that despite labor force and employment declines, unemployment is staying very low, with an unemployment rate of 3.1% in May, with only 421 unemployed.
- The City of Delta sales taxes are even from last year comparing May of this year to May of last year, year to date. The same can be said with County sales taxes, measured through April. Lodging taxes are up 7%.
- Delta County new business entity filings are down 2.5% comparing through May, falling from 160 to 156.
- Inflation has fallen sharply the last few months, falling to 4% in May. Sharp declines in energy and used cars/trucks led the decline. Despite falling inflation, the Federal Reserve is signaling more rate increases.

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LOCAL ECONOMIC INDICATORS

	Q1 2023	Q4 2022	Q1 2022	change since last quarter	change since last year (comparable quarters)
Local Labor Market					
Unemployment Rate Delta County- NSA	4.07%	3.13%	4.83%	0.93%	-0.77%
Unemployment Rate Colorado - NSA	3.00%	2.70%	3.90%	0.30%	-0.90%
Unemployment Rate U.S. - NSA	3.80%	3.60%	4.10%	0.20%	-0.30%
Labor Force	12,819	13,223	13,056	-404	-236
Employed	12,298	12,808	12,427	-510	-129
Unemployed	521	415	629	106	-108
Business Confidence					
Leeds Colorado Business Confidence Index	45.1	39.8	53.9	13.32%	-16.33%
Sales/Use Taxes					
City of Delta Sales/Use Taxes (YTD, Oct)	\$3,228,255		\$3,287,618		-1.81%
Delta County Sales/Use Tax (YTD, Oct)	\$2,526,514		\$2,540,360		-0.55%
Lodging Tax (YTD)	\$29,225		\$27,313		7.00%
Business Filings					
	2022 (YTD)		2021 (YTD)		
Delta County New Business Entity Filings (as of Dec 31st)	156		160		-2.50%

Standard of Living and Growth	2021	2020	2019	2018	% change from previous year
Population	31,661	31,232	31,021	30,835	1.37%
Personal Income	\$867,713	\$841,319	\$809,291	\$783,427	3.14%
Personal Income Per Capita	\$1,457,743	\$1,355,742	\$1,206,772	\$1,175,400	7.52%
Delta County Gross Regional Product (in millions)	\$46,042	\$43,409	\$38,727	\$37,968	6.07%
Median Household Income	\$52,403	\$53,553	\$51,525	\$46,786	-2.15%
Percent of Population Below Poverty Line	13.9%	12.1%	15.1%	14.60%	1.80%

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

The trend for Delta County remains the same as last quarter: Employment is in a slight trend decline due to a declining labor force. Figure 1 illustrates the downward trend in employment the last 3 years, while figure 3 shows the downward trend in the labor force data. The declining labor force is likely the result of the demographics of the county, which has a high death rate and low birth rate, and an aging population. The good news is that despite employment declines, unemployment is staying very low, with an unemployment rate of 3.1% in May, with only 421 unemployed. And despite declining labor force and employment, standard of living measures have had a positive trend, including median household income, personal income, and GDP. It is also important to point out that the Bureau of Economic Analysis job data shows a slightly different story. The BEA tracks jobs, whereby one person can have two jobs. The state estimates employment, where one person who has two jobs is counted as employed once. The BEA jobs data (figure 6) shows slight gains in jobs the last 3 years. 2022 data will be important to see if there is a continuing dichotomy between the employment estimates and the job numbers. One potential explanation is that overall employment is declining but more people are working multiple jobs.

As for the national labor market and its impact on Delta County, the narrative remains the same: There is an expectation that the labor market will slow as GDP growth slows over the next year. Rising interest rates and an inflation wary consumer are expected to weaken economic activity. Due to a demographic shift in the labor market, unemployment has stayed extremely low. This demographic shift that is causing labor shortages may help to mitigate the impact of a recession on the labor market, meaning we could have a slight recession and not see a large unemployment spike.

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

	Labor Force	Employed	Unemployed
Annual	-236	-129	-108
5-Year	-1,014	-913	-101
10-Year	-941	-58	-883
Annual %	-1.8%	-1.0%	-17.1%
5-Year %	-7.3%	-6.9%	-16.2%
10-Year %	-6.8%	-0.5%	-62.9%

Other Indicators

The City of Delta sales taxes are even from last year comparing May of this year to May of last year, year to date. The same can be said with County sales taxes, measured through April. Lodging taxes are up 7%.

Delta County new business entity filings are down 2.5% comparing through May, falling from 160 to 156.

The Leeds Business Confidence Index increased last quarter, rising from an index of 39.8 to 45.1, up 13.32%. This is a large increase, and was driven by expectations for the Colorado economy and for industry profits.

There are no updates to the standard of living and growth data points, the BEA and Census will be updating that data over the next 6 months.

Figure 1:
Employment Estimate

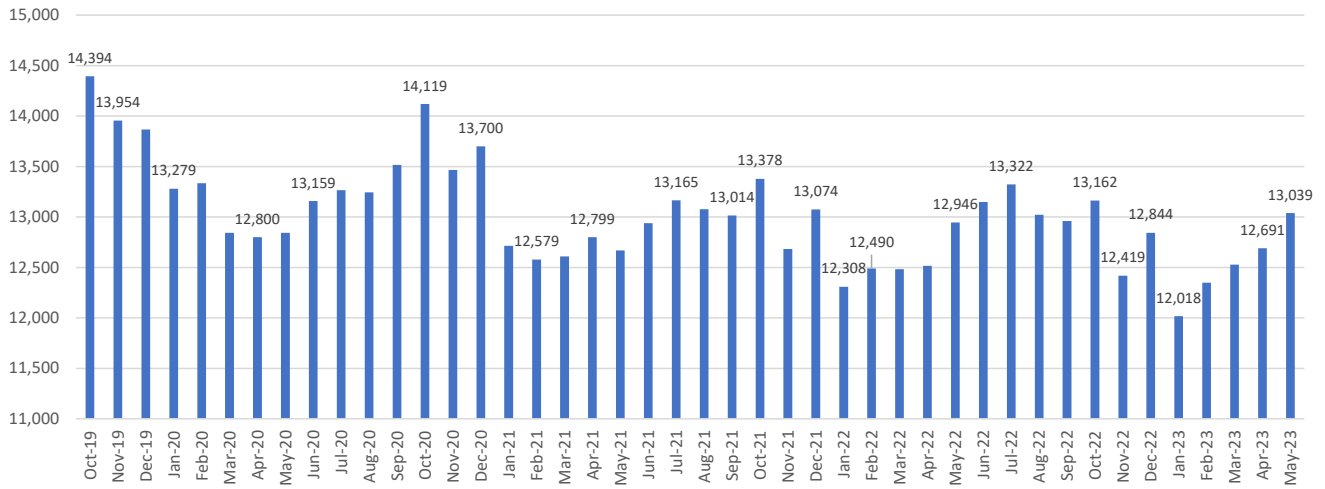


Figure 2:
Yearly Employment Average

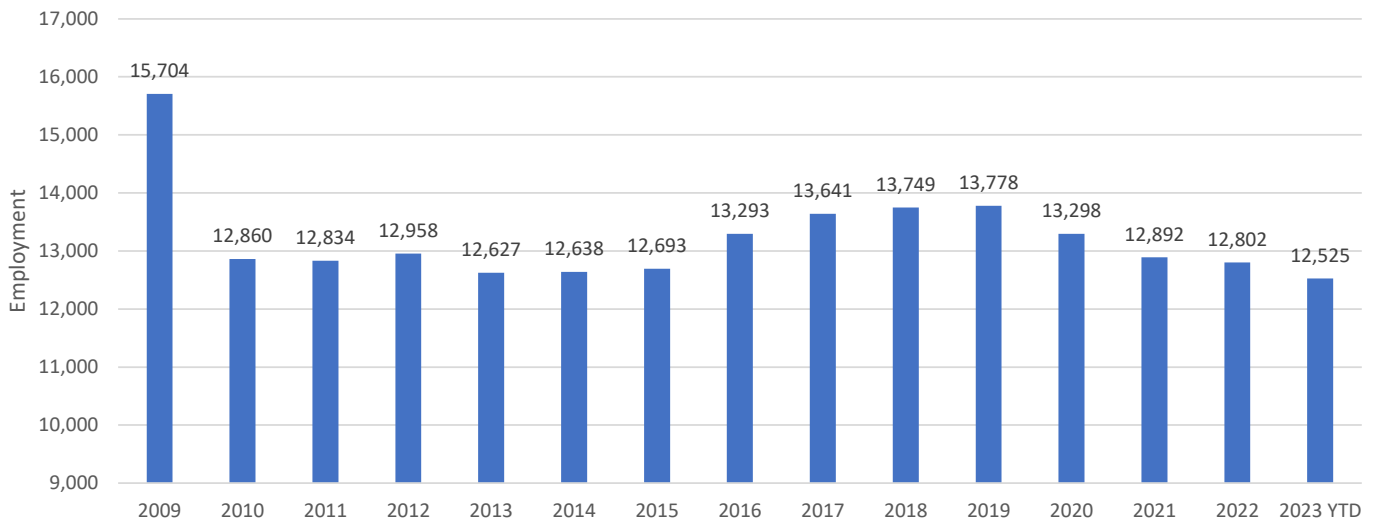


Figure 3:
Delta County Labor Force Estimates

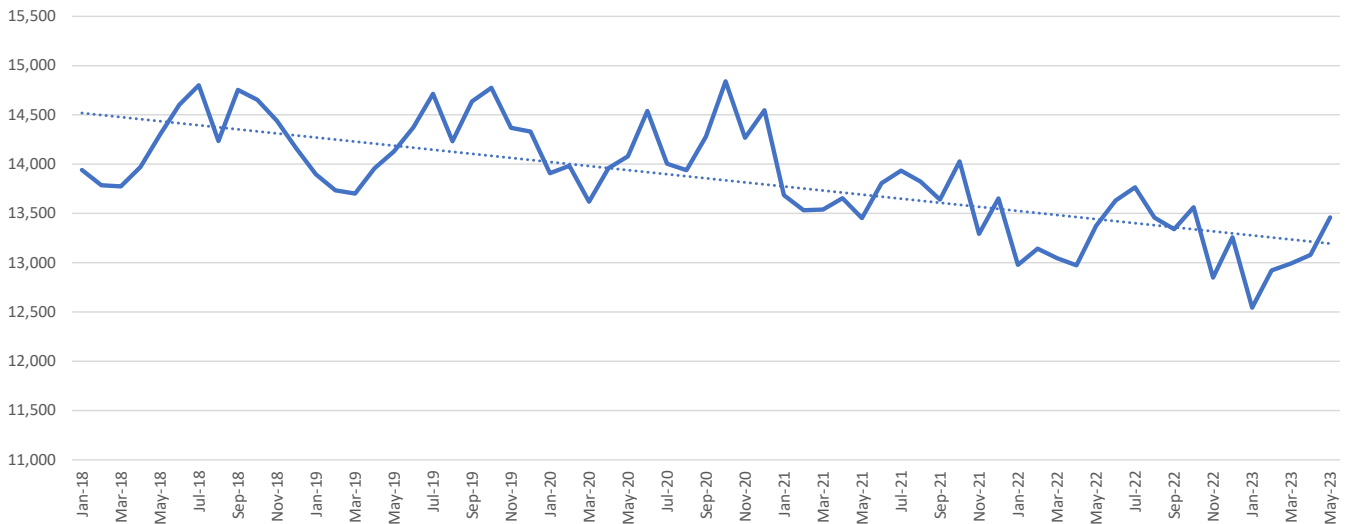


Figure 4:
Leeds Business Confidence Index

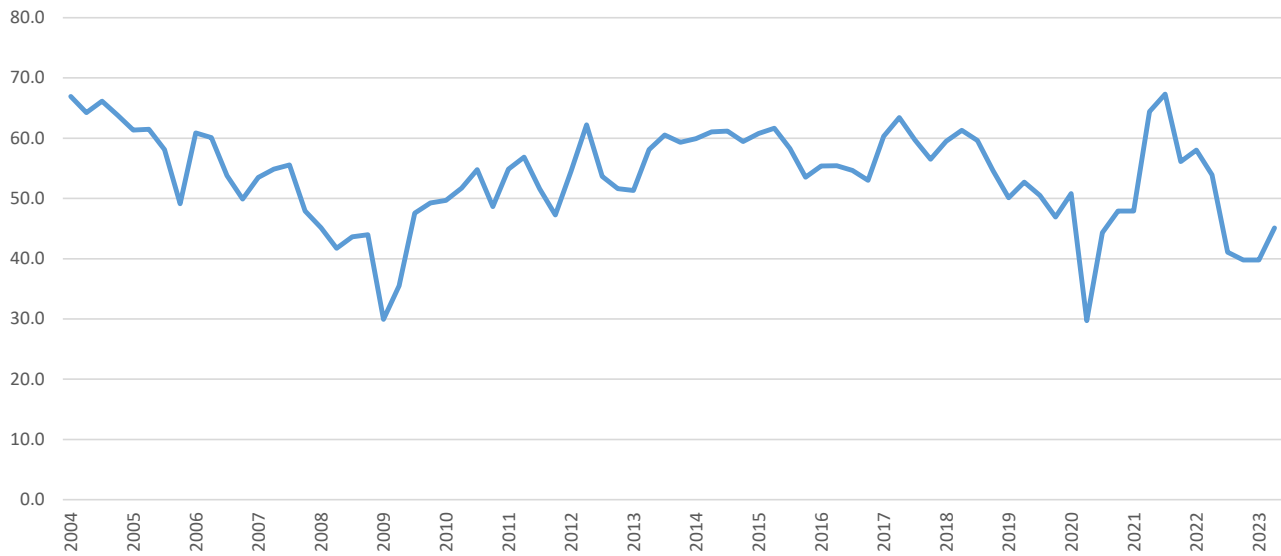


Figure 5:
Delta Sales and Use Tax

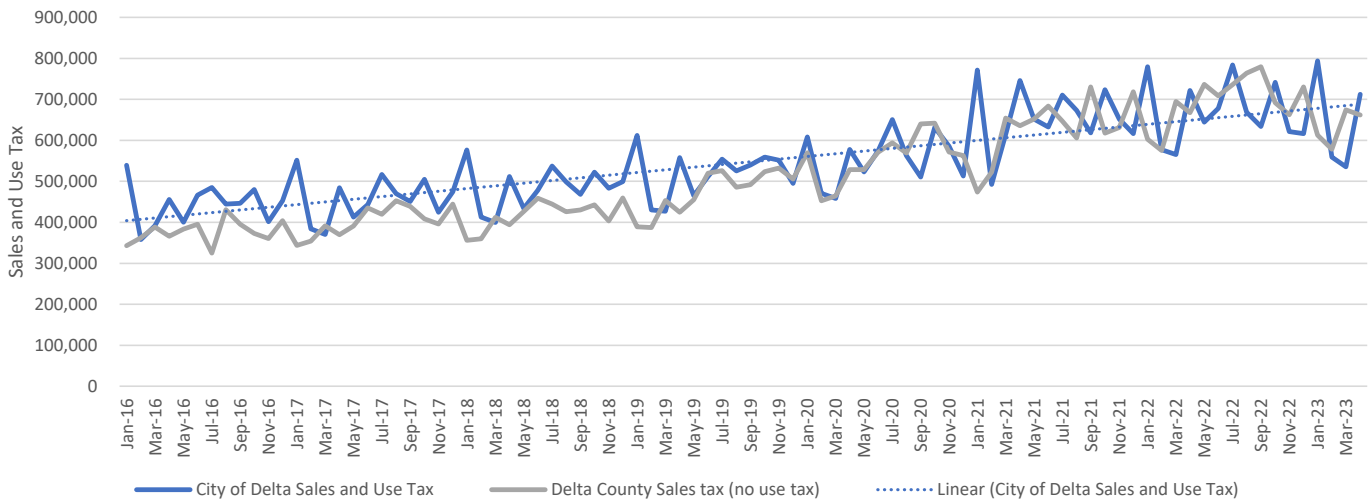


Figure 6:
Total Full and Part Time Jobs (BEA)

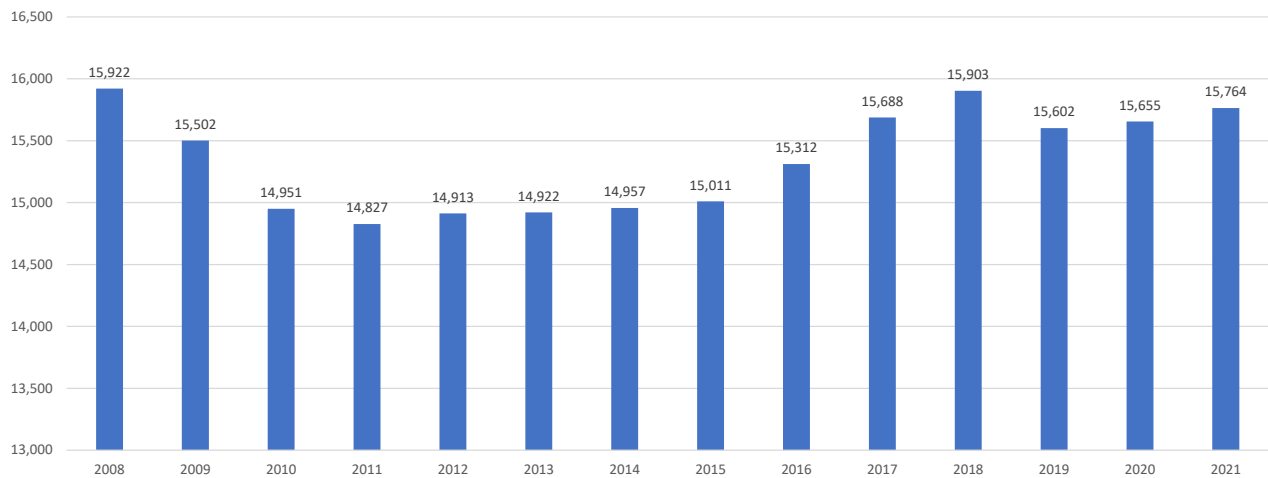


Figure 7:
Delta County Median Household Income

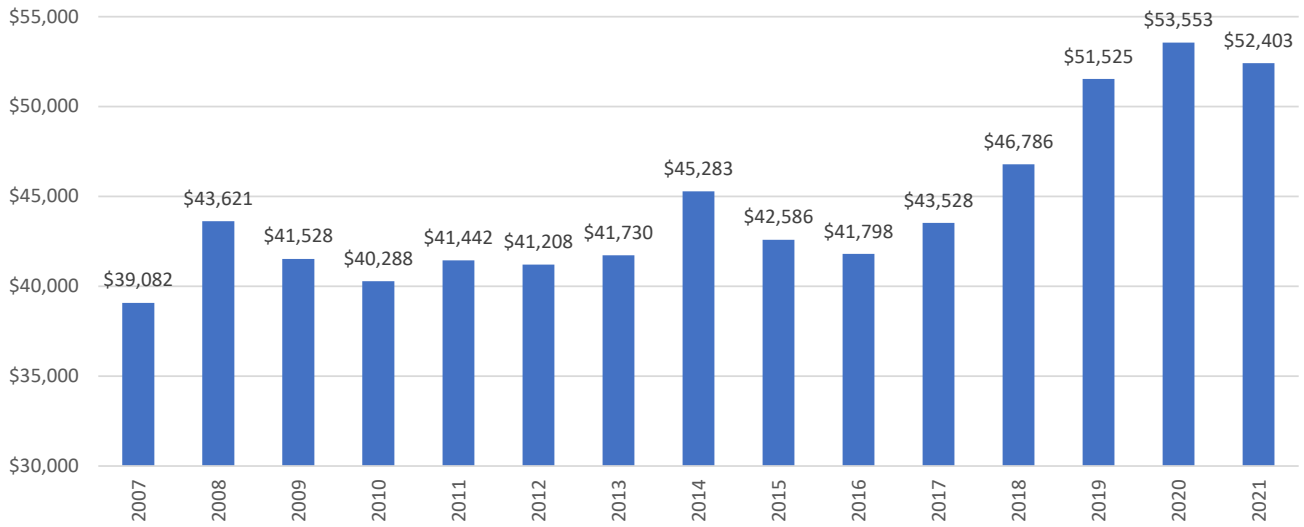


Figure 8:
Delta County Poverty Rate

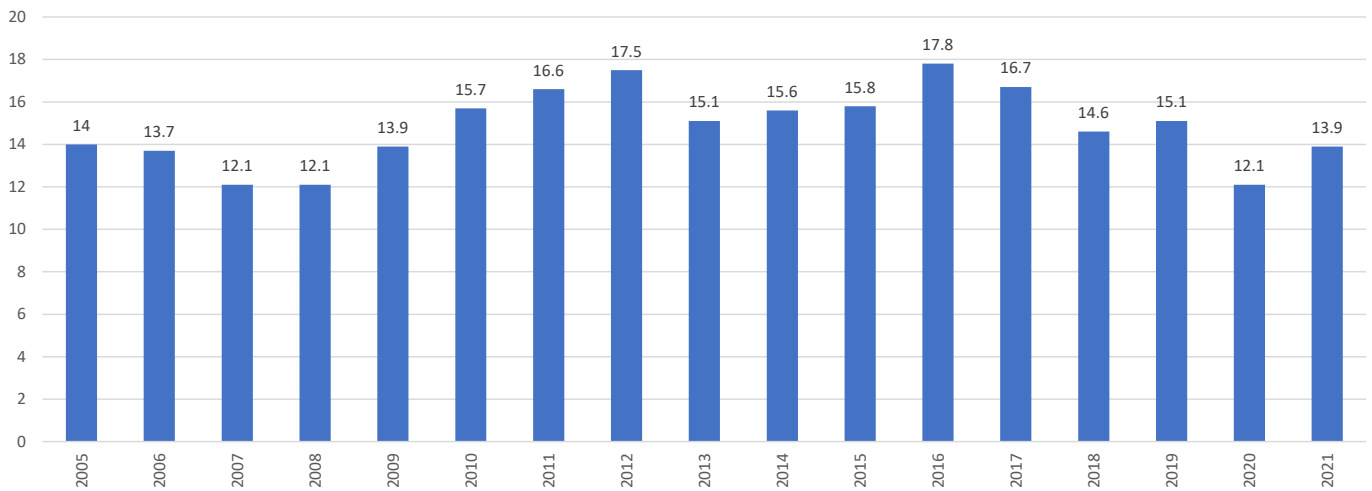
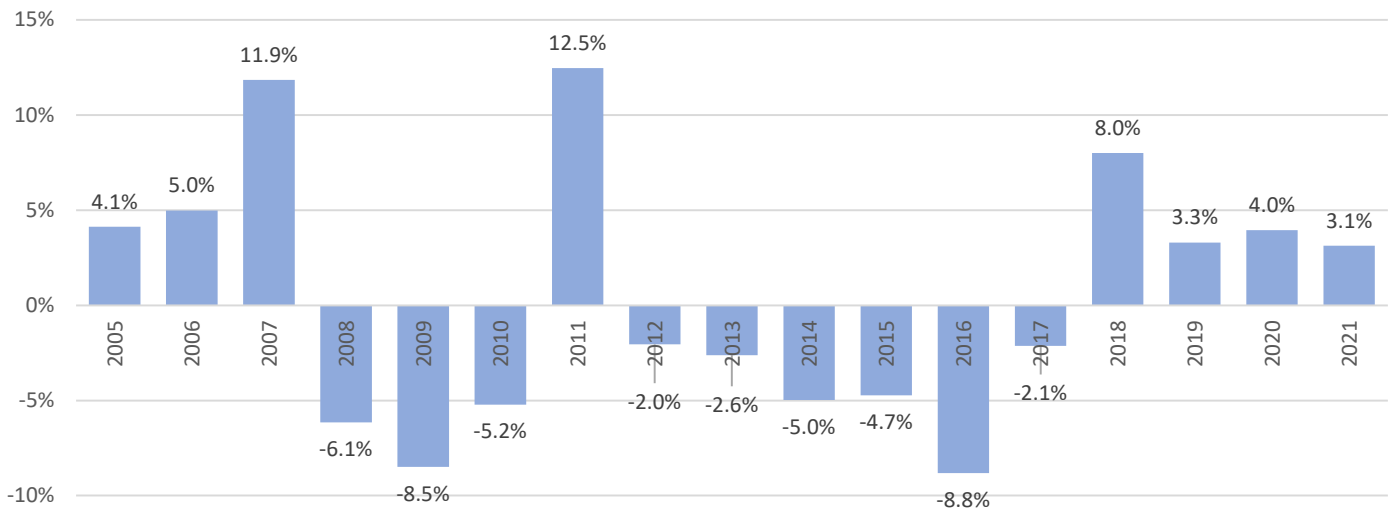


Figure 9:
Delta County Real GDP % Change (chained 2012 dollars)



Delta County Employment Trends

Q4 2022 QCEW data shows a gain in jobs and wages. The job losses were mainly in healthcare, with the healthcare industry struggling to staff workers in qualified positions. There were also losses in construction. Job gains were in administrative and waste services and agriculture, forestry, fishing, and hunting. Administrative and waste services includes subcategories such as janitors and cleaners, laborers and freight, stock, material movers, landscaping and groundskeeping, office clerks, and security guards. Healthcare led wage gains along with administrative and waste services. 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). However, table 4 below illustrates updated farm and sole proprietor jobs with sole proprietors increasing by 6%. Educational services and mining are omitted due to confidentiality.

Table 3:
Quarterly Census of Employment and Wages (QCEW) Q4 2022 Compared to Q4 2021

Sector	Average Employment	Total Quarterly Wages	Average Weekly Wage	Total Wage Change	Total Employment Change
Total, All Industries	8,450	\$97,792,418	\$890	\$5,437,844	208
Health Care and Social Assistance	1,585	\$22,001,579	\$1,068	\$1,304,810	-61
Retail Trade	1,235	\$10,608,125	\$661	\$178,881	7
Public Administration	781	\$10,230,641	\$1,008	\$635,209	27
Construction	486	\$6,920,955	\$1,095	\$37,685	-24
Manufacturing	557	\$6,823,747	\$942	\$465,663	17
Agriculture, Forestry, Fishing & Hunting	420	\$4,451,580	\$815	\$1,146,187	83
Finance and Insurance	259	\$4,360,824	\$1,294	\$1,102,882	48
Accommodation and Food Services	688	\$3,854,130	\$431	\$356,932	45
Professional and Technical Services	227	\$3,625,379	\$1,229	\$668,948	20
Administrative and Waste Services	268	\$3,182,256	\$915	\$1,811,027	119
Real Estate and Rental and Leasing	167	\$2,856,599	\$1,316	-\$432,217	-11
Other Services, Ex. Public Admin	261	\$2,613,457	\$770	\$139,834	6
Wholesale Trade	127	\$1,800,686	\$1,094	\$252,374	2
Transportation and Warehousing	131	\$1,512,937	\$891	-\$69,469	4
Information	113	\$1,482,153	\$1,009	\$50,530	-15
Utilities	45	\$860,502	\$1,471	\$33,935	-5
Management of Companies and Enterprises	27	\$474,002	\$1,367	-\$13,021	-19
Arts, Entertainment, and Recreation	48	\$269,520	\$435	\$48,465	5
Mining	10	\$149,920	\$1,153	N/A	N/A

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	2021	2020	2019	2018	% change from 2020
Farm Employment	1,266	1,259	1,257	1,263	0.6%
Sole Proprietors (non-farm)	5,573	5,247	5,542	5,673	6.2%

Figure 10:
Total Wage Change from Q4 2021 to Q4 2022

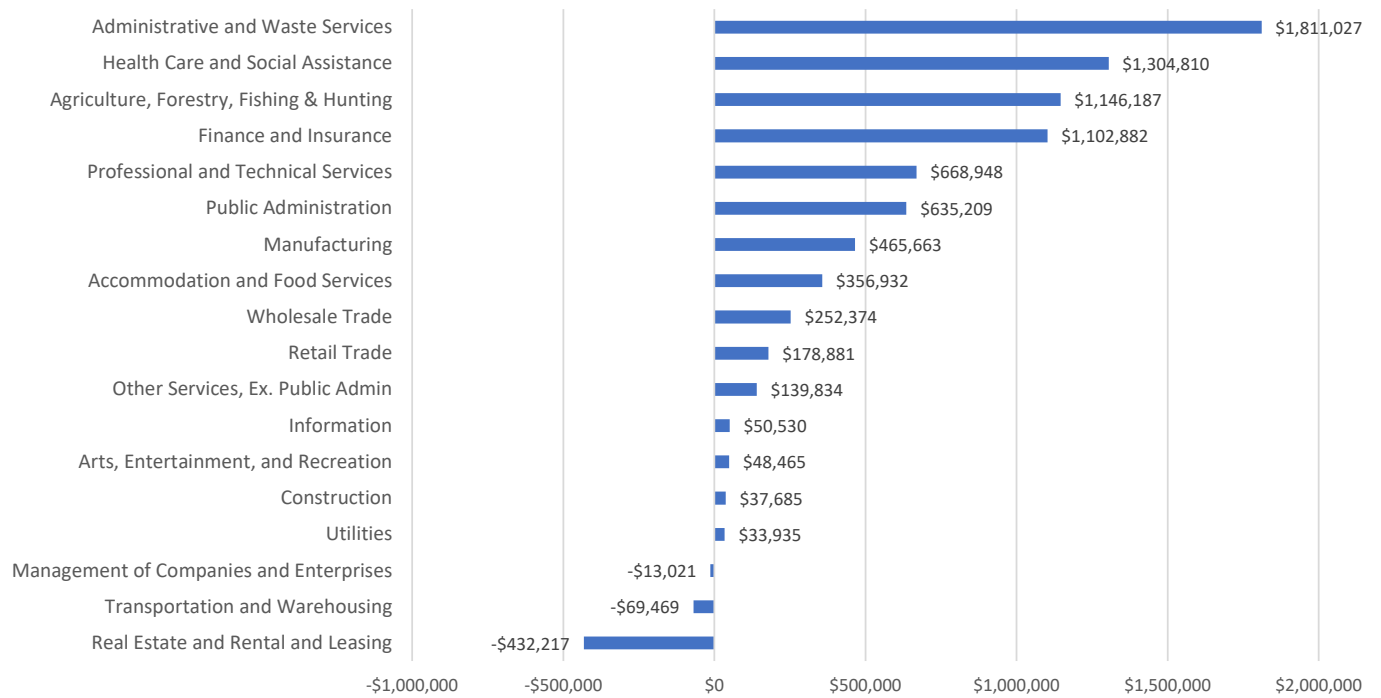
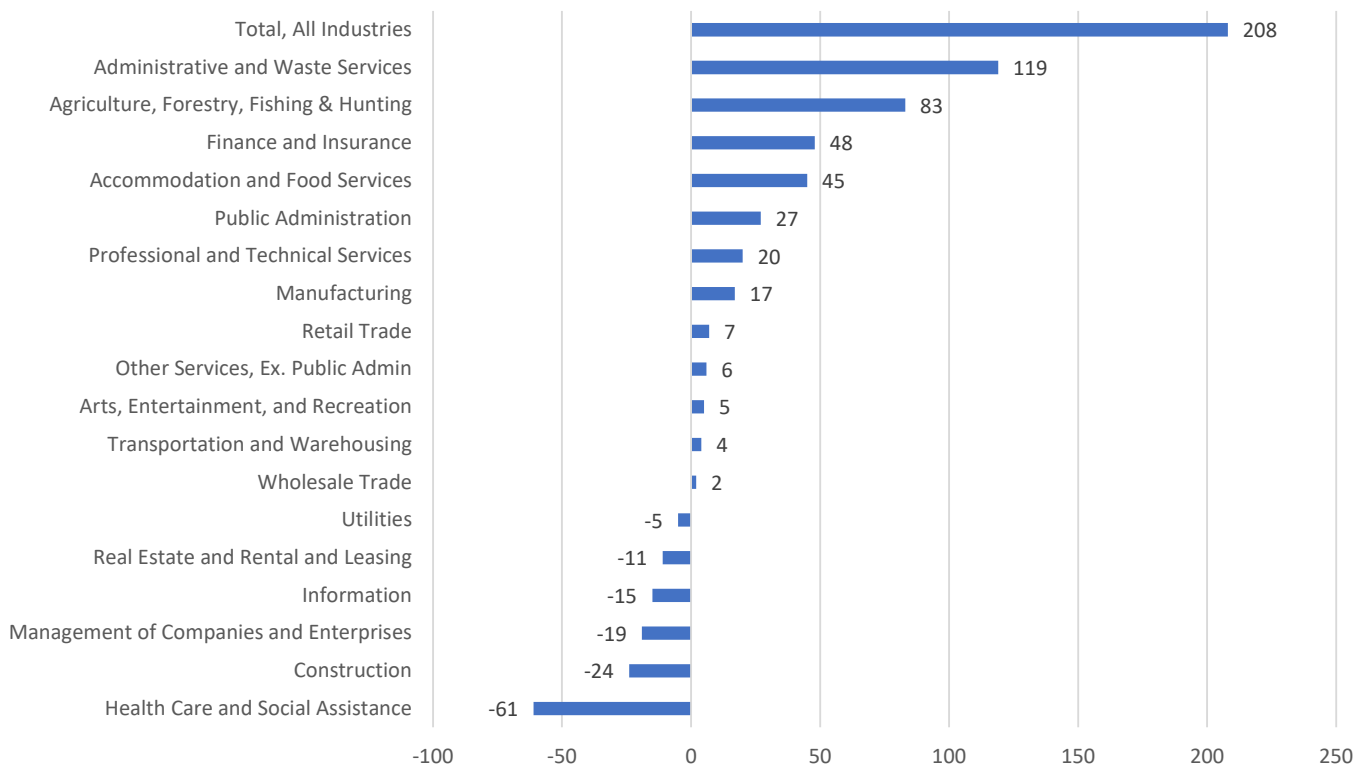


Figure 11:
Total Jobs Change from Q4 2021 to Q4 2022



LOCAL REAL ESTATE

	Q1 2023	Q1 2022	% change since last year
Real Estate			
Inventory of Homes for Sale (3 month avg)	127	62	105.41%
New Residential listings (3 month total)	104	123	-15.45%
Sold Residential Listings (3 month total)	56	116	-51.72%
Median Sales Price	\$378,833	\$398,817	-5.01%
Average Sales Price	\$416,046	\$443,468	-6.18%
Days on Market	135.67	110.33	22.96%
Months Supply of Inventory	3.57	1.27	181.58%
Foreclosures			
Foreclosure Filings	13	8	62.50%
Foreclosure Sales	5	2	150.00%
Mortgage Rates			
15 Year Mortgage Rate (as of November)	5.81%	4.44%	1.37%
30 Year Mortgage Rate (as of November)	6.43%	5.23%	1.20%

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

Delta County real estate inventory for single family homes has increased drastically, rising from 62 to 127. This coincides with a drop in prices, with the median home value falling by 5% and the average home sale value falling by 6.2%. Days on market have picked up, rising to 135 from 110. Months supply of inventory has also increased, rising to 3.57 from 1.27. This is an important change, as a rule of thumb is that as months supply of inventory gets to 4 or 5 the market reverses and changes towards a buyers market. This is a strange market because there is a lack of supply and high demand, yet interest rates keep some of that high demand from manifesting itself. Foreclosures are increasing but still not at a level that is concerning.

Ultimately, interest rates have put the brakes on price increases despite the quarterly price volatility. 30 year mortgage rates averaged 6.43% in Q1, and as of late June, are pushing higher again at 6.67%. The Federal Reserve is expected to raise interest rates two more times this year, despite their late summer pause.

Figure 12:
Months Supply of Inventory

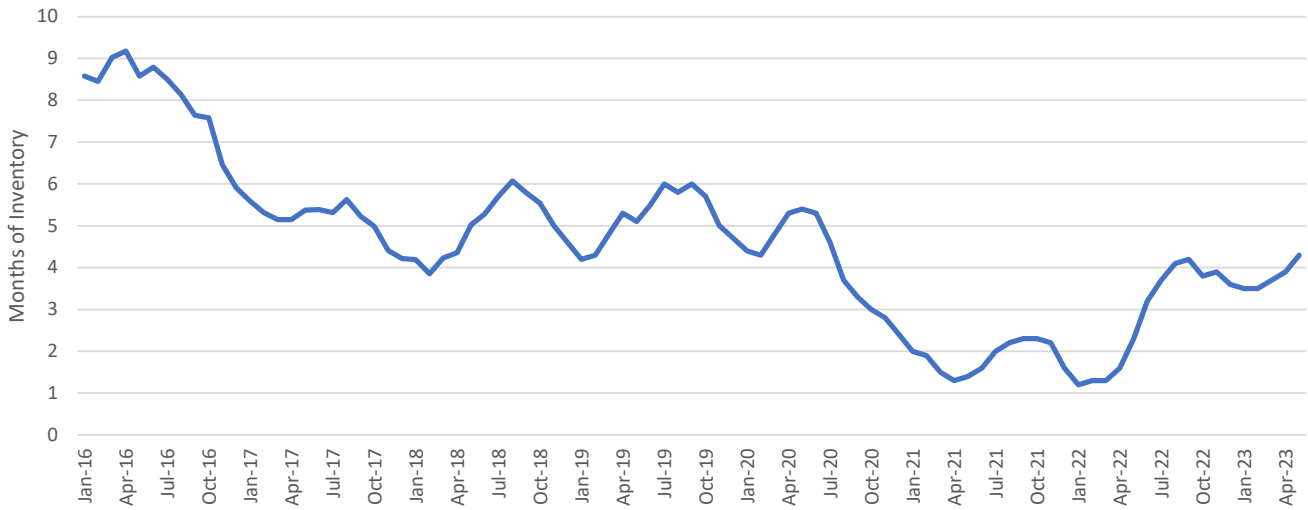


Figure 13:
Median and Average Sales Price

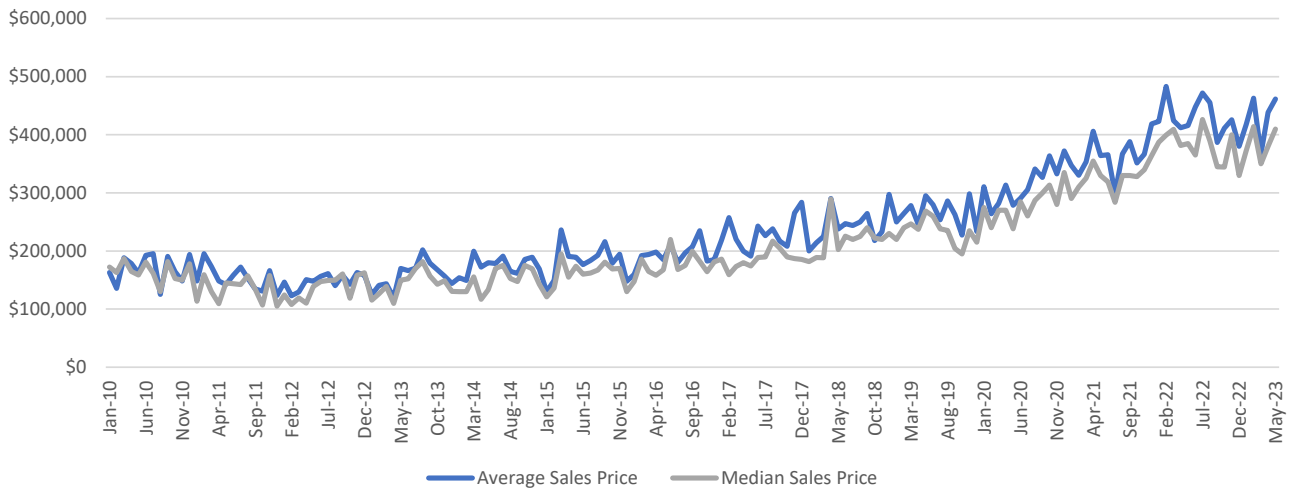
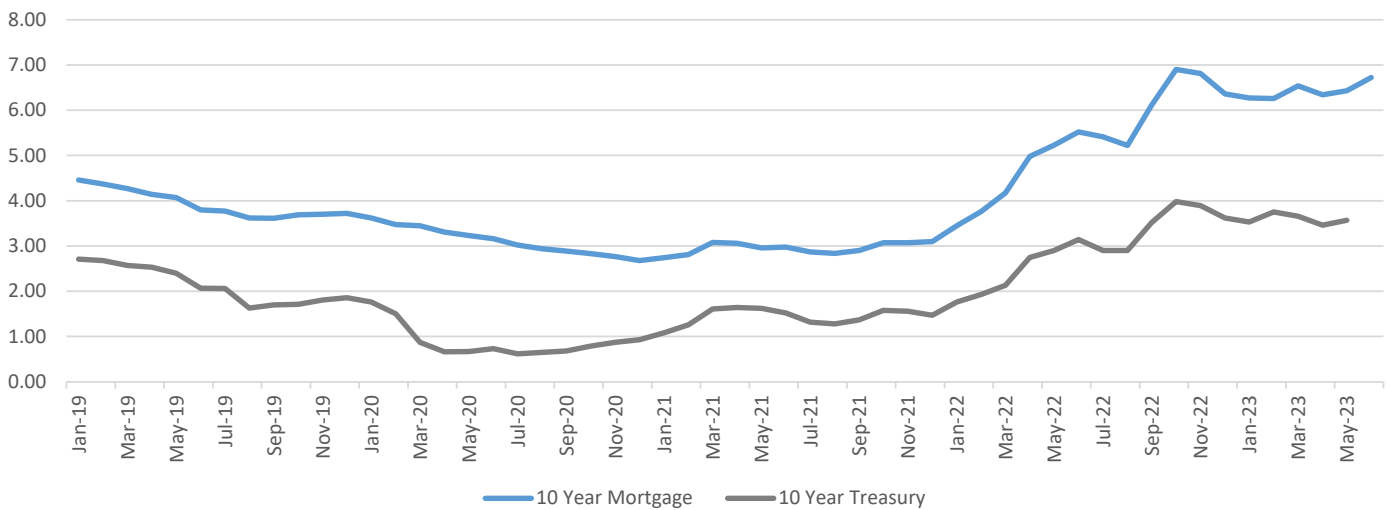


Figure 14:
10 Year Treasury and 30 Year Mortgage Rates



REGIONAL ENERGY

	Q3 2022	Q2 2022	Q3 2021	% change since last quarter	% change since last year (comparable quarters)
Energy Prices					
WTI Crude Oil	\$75.93	\$82.79	\$95.18	-8.29%	-20.22%
Henry Hub Natural gas	\$2.65	\$5.55	\$4.66	-52.25%	-43.13%
Retail Gasoline Price	\$3.29	\$3.42	\$3.56	-3.69%	-7.43%
Drilling Permits					
	2023 (YTD, March)	2022	2021	2020	
Drilling Permits (Mesa County)	0	0	0	1	
Drilling Permits (Rio Blanco County)	0	40	40	33	
Drilling Permits (Garfield County)	21	133	133	127	
Drilling Permits (Moffat County)	0	4	4	1	
Total Permits (Mesa, Rio Blanco, Garfield, Moffat)	21	177	177	162	
Total Permits (Colorado)	199	805	805	1,543	
Local Rig Count					
	Jun-23	Mar-23	Nov-22		
Rig Count (Western Colorado, Mesa, Rio Blanco, Garfield, Moffat)	3	3	3		
Delta/Gunnison Coal Industry					
	2022 (YTD)	2021 (YTD)	% Change		
Delta/Gunnison Average Monthly Employment for Coal Mining	297	240	23.92%		
Delta/Gunnison Coal Production (tons)	341,125	375,168	-9.07%		

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 15:
Oil and Natural Gas Prices

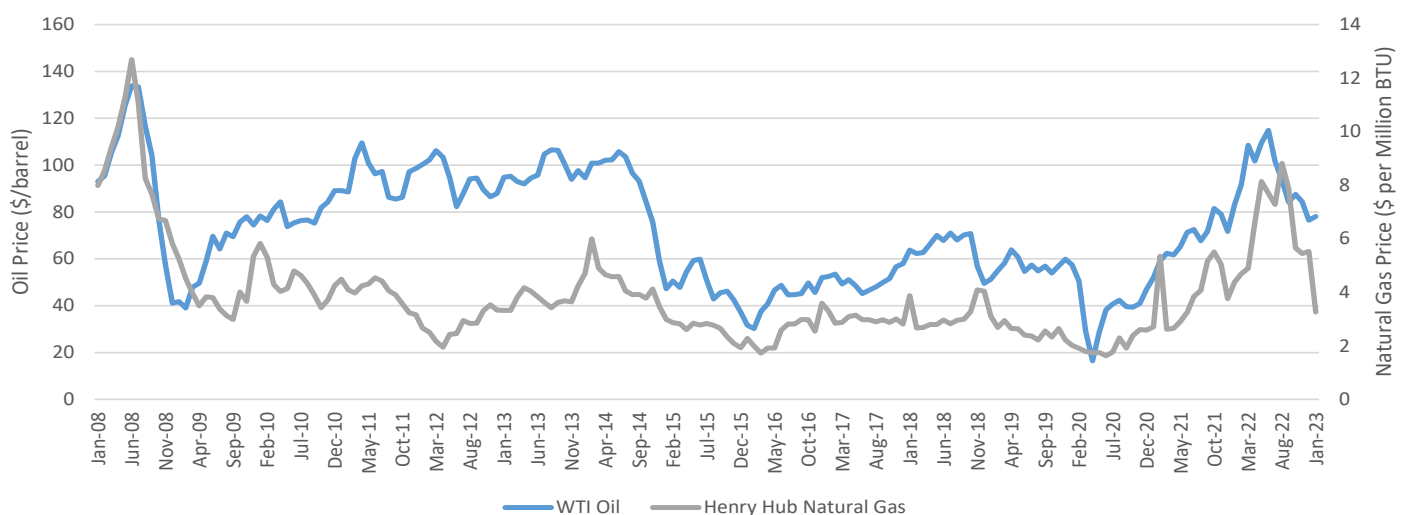


Figure 16:
Delta/Gunnison Coal Production and Employment

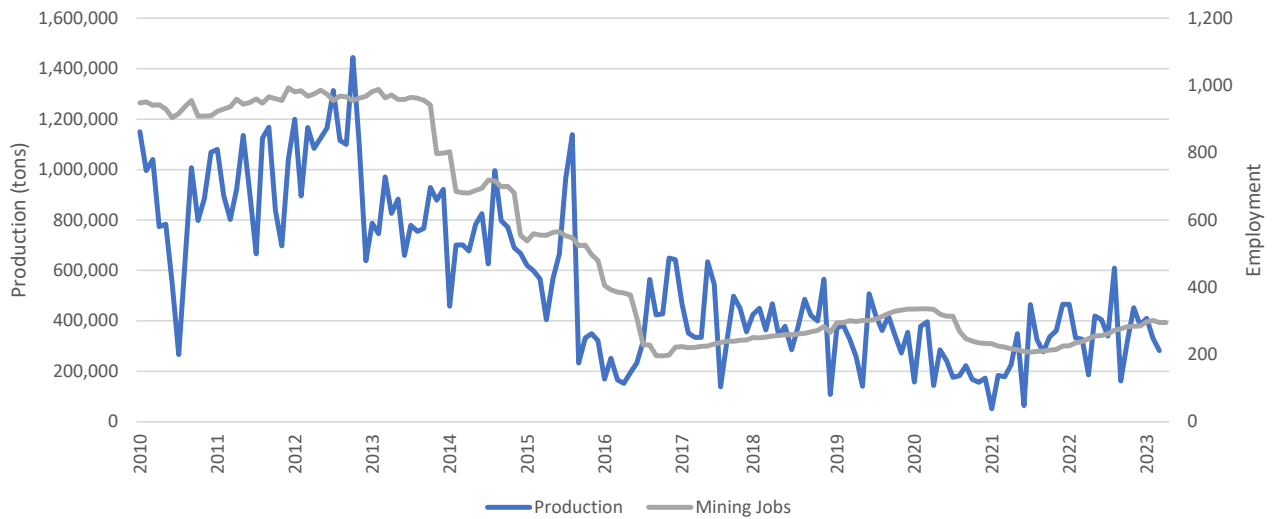
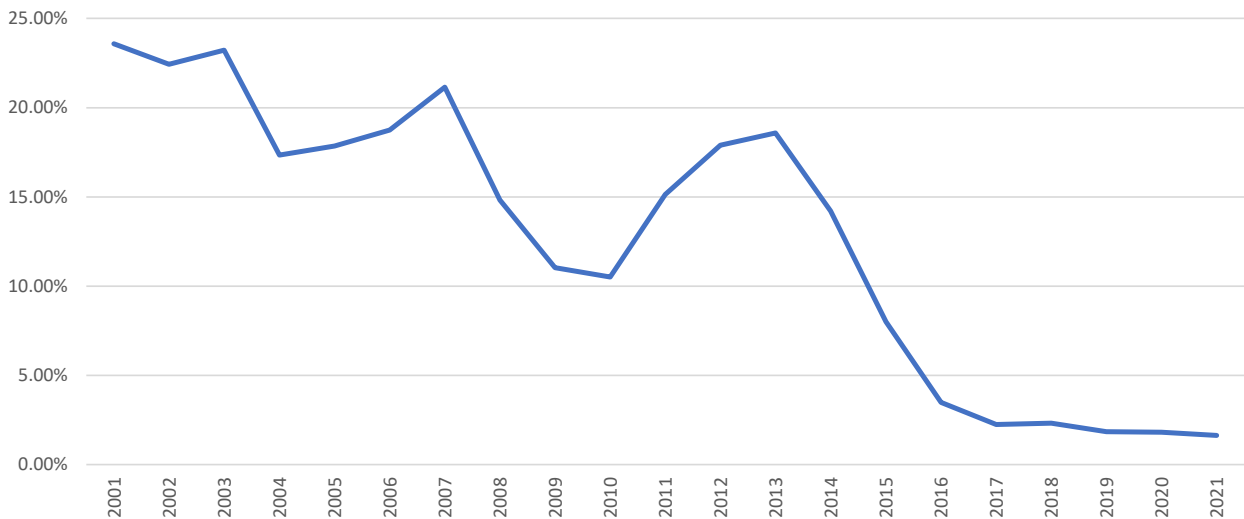


Figure 17:
Mining and Oil and Gas as a Percentage of GDP for Delta County



Western Slope Energy

WTI oil prices fell from \$82.79 in Q4 of 2022 to \$75.93 in Q1 of 2023. As of late June, WTI continues its slight downward trend, falling between \$70 and \$71. Natural gas prices (Henry Hub) fell from \$5.55 to \$2.65, a huge decrease in price. Since the Piceance is mostly natural gas activity, falling gas prices could hurt the job gains seen by the energy industry the last several quarters (figure 17). Rig count continues steady at 3, staying at three for the entire year of 2023. Retail gas prices have fallen with oil prices, falling from \$3.42 to \$3.29 since late last year. Crude oil prices will likely increase due to production cuts from OPEC in early June. Natural gas prices will likely hover in the \$2.00 range, rising into 2024.

Coal mining in the region has increased the number of workers from 240 in the first quarter of 2022 to 297 in the first quarter of 2023. Production increased last year but is down the first quarter of this year, falling 9% from last year.

NATIONAL ECONOMIC INDICATORS

	Q1 2023	Q4 2022	Q1 2022	% change since last period	% change since last year (comparable quarters)
Business Cycle Indicators					
Real GDP	1.30%	2.60%	-1.60%	-1.30%	2.90%
Personal Consumption Expenditures	3.80%	1.00%	1.30%	2.80%	2.50%
Gross Private Domestic Investment	-11.50%	4.50%	5.40%	-16.00%	-16.90%
National Consumer Confidence	64.6	58.8	63.1	9.86%	2.38%
Industrial Production Index	102.6	102.7	101.7	-0.10%	0.81%
Initial Weekly Unemployment Claims (4 week MA)	215,708	205,429	226,288	5.00%	-4.68%
Non Farm Payroll Change (in thousands)	965,667	947,667	1,688,667	1.90%	-42.81%
Unemployment					
Unemployment Rate-U3-SA	3.50%	3.60%	3.80%	-0.10%	-0.30%
Unemployment Rate-U6-SA	6.70%	6.60%	7.10%	0.10%	-0.40%
Interest Rates					
Federal Funds Rate	4.50%	3.62%	0.12%	0.88%	4.38%
10 Year U.S. Treasury	3.65%	3.83%	1.94%	-0.18%	1.71%
30 Year U.S. Treasury	3.75%	3.90%	2.26%	-0.15%	1.49%
Inflation Measures					
Inflation Rate (CPI)	5.77%	7.11%	8.02%	-1.34%	-2.25%
Core Inflation Rate (All Items Less Food and Energy)	5.56%	5.99%	6.32%	-0.43%	-0.76%
Inflation Rate (Shelter)	8.07%	7.16%	4.71%	0.91%	3.35%
Producer Price Index (PPI)	2.22%	8.42%	20.42%	-6.20%	-18.20%
Employment Cost Index	4.86%	5.06%	4.45%	-0.20%	0.41%
Stock Prices					
S&P 500	4,000	3,852	4,464	3.84%	-10.39%
Dow Jones Industrial Average	33,219	32,490	34,679	2.24%	-4.21%
Trade Balance and Debt					
Trade Balance (% of GDP)	-844.371	-857.068	-1116.682	-1.48%	-24.39%
Federal Debt (% of GDP)*	120.2%	120.2%	121.6%	0.0%	-1.4%

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. Regional CPI data from the Bureau of Labor Statistics. Yield Curve from the Federal Reserve Board.

Figure 18:

Real GDP for U.S.

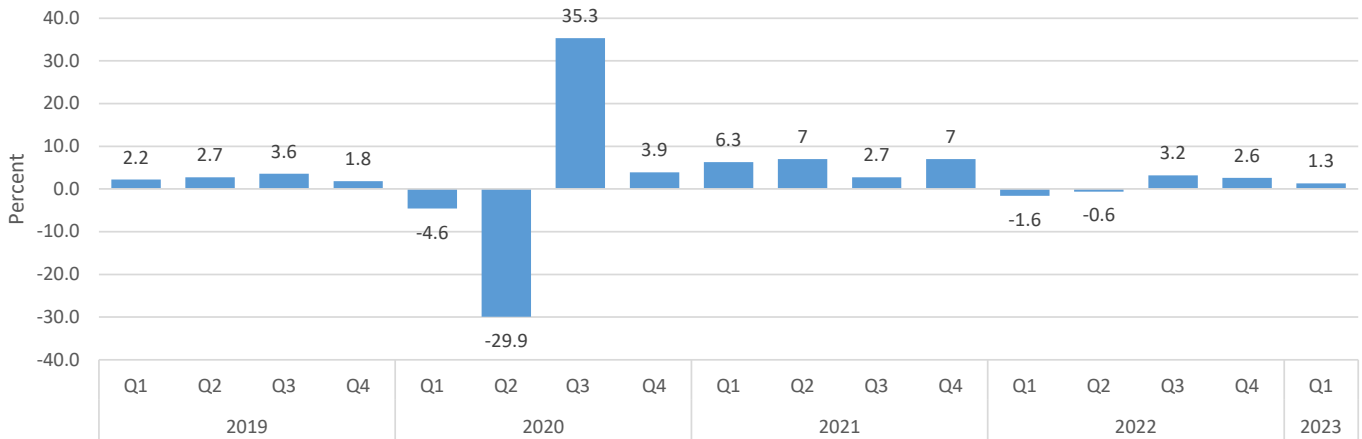
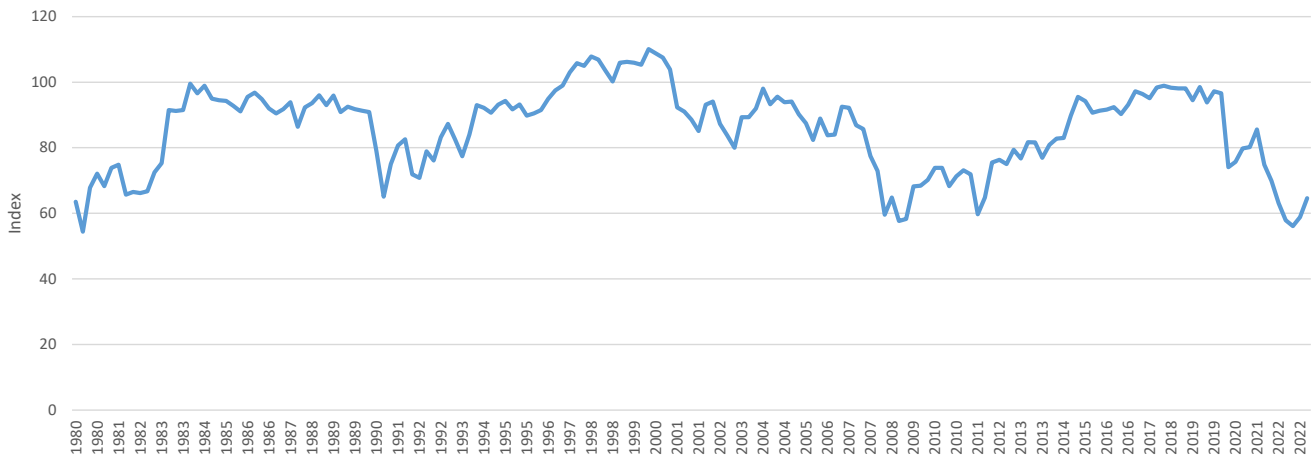


Figure 19:

National Consumer Confidence Index (U Michigan)



Economic Growth

U.S. GDP growth for Q1 2023 was 1.3%, down from the previous quarter’s 2.6%. The Atlanta Federal Reserve’s GDPNow estimates 1.9% for quarter 2. Economists are expecting growth to slow as interest rates and inflation impact consumer decisions.

National consumer confidence hit a recent low last quarter but is now on an upswing. Figure 19 illustrates the University of Michigan’s national consumer confidence survey and shows a slight increase from last quarter.

Both measures of the yield curve are still inverted, which is a recession signal. Figure 24 illustrates the 10 year treasury minus the 2 year treasury and still shows a deep inversion.

The unemployment rate remains low at 3.7%, with strong job gains in the jobs data. The labor market remains tight, and many economists believe the Fed will not rest until the labor market has some slack, in order to defeat rising wages that contribute to inflation. Ultimately, the story from the last few quarters still remains, there has been a demographic shift in the labor market and the Fed’s attempt to weaken the labor market has not been successful primarily due to the 5 million or so people who left the labor force over the last few years.

Inflation

Inflation has fallen sharply the last few months, falling to 4% in May. Sharp declines in energy and used cars/trucks led the decline. The decline in energy was expected because energy prices were so high one year ago. Energy prices are currently at standard levels. Inflation measures that still remain high include transportation services (10%), shelter (10%) and food (6.7%). Figure 20 illustrates the Bureau of Labor Statistics inflation release. Figure 23 illustrates the employment cost index, and shows that wages are still elevated. In fact, with wages still elevated and inflation falling, real wages, or wages adjusted for inflation are finally positive, meaning workers are actually making gains on inflation right now.

The Federal Reserve is expected to raise interest rates two more times after pausing this summer. The pause was to allow the lagged effect of monetary policy to have some impact before potentially raising rates too high.

Figure 20:
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 2023
	Nov. 2022	Dec. 2022	Jan. 2023	Feb. 2023	Mar. 2023	Apr. 2023	May 2023	
All items.....	0.2	0.1	0.5	0.4	0.1	0.4	0.1	4.0
Food.....	0.6	0.4	0.5	0.4	0.0	0.0	0.2	6.7
Food at home.....	0.6	0.5	0.4	0.3	-0.3	-0.2	0.1	5.8
Food away from home ¹	0.5	0.4	0.6	0.6	0.6	0.4	0.5	8.3
Energy.....	-1.4	-3.1	2.0	-0.6	-3.5	0.6	-3.6	-11.7
Energy commodities.....	-2.1	-7.2	1.9	0.5	-4.6	2.7	-5.6	-20.4
Gasoline (all types).....	-2.3	-7.0	2.4	1.0	-4.6	3.0	-5.6	-19.7
Fuel oil ¹	1.7	-16.6	-1.2	-7.9	-4.0	-4.5	-7.7	-37.0
Energy services.....	-0.6	1.9	2.1	-1.7	-2.3	-1.7	-1.4	1.6
Electricity.....	0.5	1.3	0.5	0.5	-0.7	-0.7	-1.0	5.9
Utility (piped) gas service.....	-3.4	3.5	6.7	-8.0	-7.1	-4.9	-2.6	-11.0
All items less food and energy.....	0.3	0.4	0.4	0.5	0.4	0.4	0.4	5.3
Commodities less food and energy commodities.....	-0.2	-0.1	0.1	0.0	0.2	0.6	0.6	2.0
New vehicles.....	0.5	0.6	0.2	0.2	0.4	-0.2	-0.1	4.7
Used cars and trucks.....	-2.0	-2.0	-1.9	-2.8	-0.9	4.4	4.4	-4.2
Apparel.....	0.1	0.2	0.8	0.8	0.3	0.3	0.3	3.5
Medical care commodities ¹	0.2	0.1	1.1	0.1	0.6	0.5	0.6	4.4
Services less energy services.....	0.5	0.6	0.5	0.6	0.4	0.4	0.4	6.6
Shelter.....	0.6	0.8	0.7	0.8	0.6	0.4	0.6	8.0
Transportation services.....	0.3	0.6	0.9	1.1	1.4	-0.2	0.8	10.2
Medical care services.....	-0.5	0.3	-0.7	-0.7	-0.5	-0.1	-0.1	-0.1

¹ Not seasonally adjusted.

Figure 21:
Inflation Rate and 10 Year Treasury

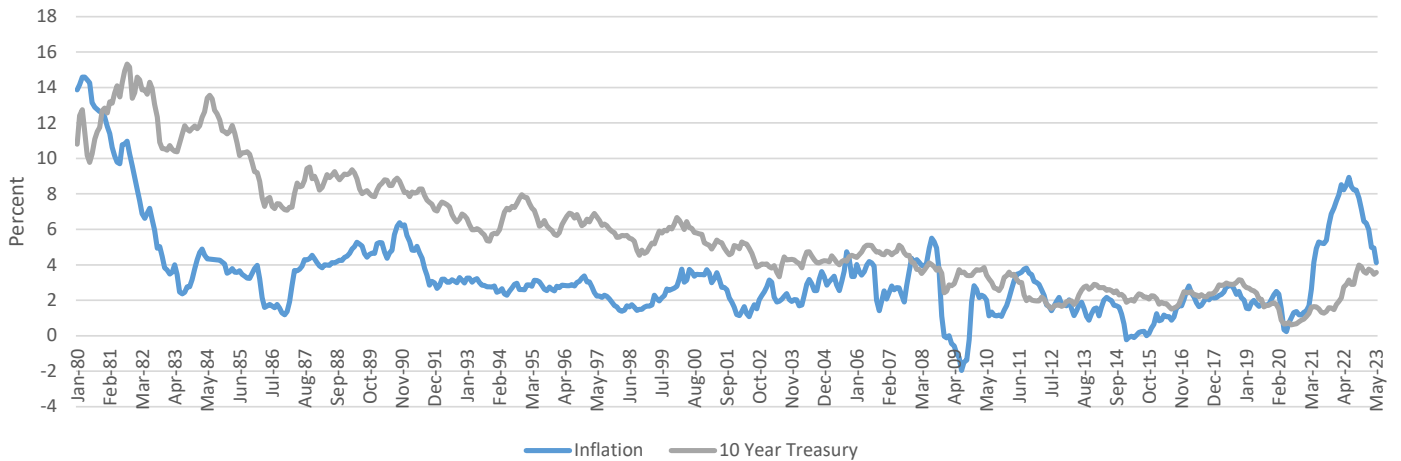


Figure 22:
Unemployment Rate

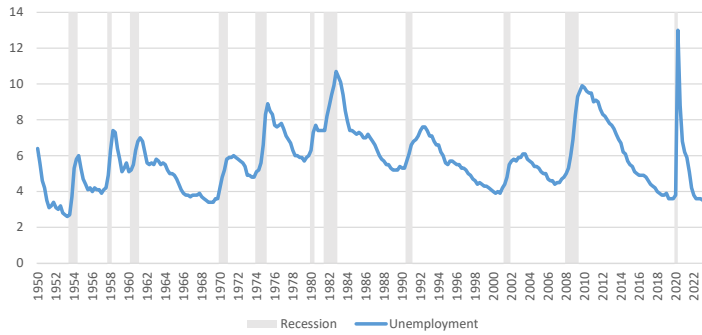


Figure 23:
Employment Cost Index

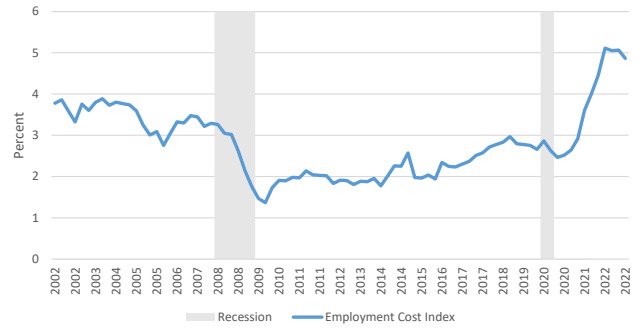


Figure 24:
Yield Curve: 10 Year Treasury minus 2 year Treasury



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