

# DELTA COUNTY ECONOMIC UPDATE

Third Quarter, 2020



Provided by the Business Department  
of Colorado Mesa University

## Economic Summary

- Although still recovering from a COVID induced national recession, Delta County continues to outperform the nation and the state in this economic downturn and recovery. Delta County's July unemployment rate was 6.2%, lower than Colorado (7.4%) and the United States (10.2%).
- Sales tax collections for the City increased by 8.57%, while County sales tax collection increased by 17.53%. The combined sales tax numbers in June were \$7,570,791, 12.7% higher than Q2 of 2019.
- Initial unemployment claims have fallen drastically from their late March peak of 320 to a mid-August number of 30. Continued claims are moving down more slowly, peaking at 742 in early May and falling to 494 in early August. Both measures show strong signs of recovery, with continued claims being a particularly important data point.
- The national economy continues its recovery with an 8.4% unemployment rate, falling from a peak of 14.7% in April. GDP fell 32.9% (annualized growth rate) in Q2, but is expected to jump 25.6% in Q3.

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.

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## LOCAL ECONOMIC INDICATORS

	Q2 2020	Q1 2020	Q2 2019	change since last quarter	change since last year (comparable quarters)
<b>Local Labor Market</b>					
Unemployment Rate Delta County- NSA	9.40%	5.40%	3.33%	4.00%	6.07%
Unemployment Rate Colorado - NSA	11.00%	3.70%	2.80%	7.30%	8.20%
Unemployment Rate U.S. - NSA	12.90%	4.10%	3.50%	8.80%	9.40%
Labor Force	13,300	14,004	14,347	-704	-1,047
Employed	12,053	13,252	13,866	-1,200	-1,813
Unemployed	1,247	751	481	496	766
<b>Business Confidence</b>					
Leeds Colorado Business Confidence Index	44.3	29.7	50.5	49.16%	-12.28%
<b>Sales/Use Taxes</b>					
City of Delta Sales/Use Taxes (YTD)	\$3,862,375		\$3,557,596		8.57%
Delta County Sales/Use Tax (YTD)	\$3,708,416		\$3,155,345		17.53%
Lodging Tax (YTD)	\$40,536		\$34,879		16.22%
<b>Business Filings</b>					
	<b>2020 (YTD)</b>		<b>2019 (YTD)</b>		
Delta County New Business Entity Filings	441		560		-21.25%

<b>Standard of Living and Growth</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>% change since 2018</b>	<b>% change from 2017</b>
Population	31,162	30,884	30,519	0.90%	2.11%
	<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%
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

The Delta County labor market was hit hard by COVID fears and associated shutdowns, culminating in an unemployment rate in Q2 of 9.4%. However, the labor market has shown significant improvement in the subsequent months, ending July with a 6.2% unemployment. This is lower than both the U.S. (10.2% in July and 8.4% in August) and Colorado (7.4%). Unemployment peaked in April at 10.2%, fell in May to 8%, jumped in June to 9.7%, and fell drastically in July to 6.2%.

Labor force numbers peaked in October of 2019 at 15,200, with the 2019 average at 14,519. The labor force fell drastically 13,571 in March, 12,642 in April, rising to 13,953 in June, falling to 13,547 in July. The sharp increase in June is due to state economists adjusting their labor force numbers upwards based on new data and information they had collected. Since state labor force numbers went up, Delta County's numbers also increased. This is what is known as "noise" in the data, where there are random movements and statistical adjustments in time series data. Over time this stabilizes, but looking month-to-month it can be a bit volatile and may not perfectly reflect the actual changes occurring.

Although the unemployment rate falling is a positive sign for the economy, labor force numbers falling is not, as it means less people are trying to engage in work. Although we are certain the June numbers increase is a statistical anomaly, the drop in the July numbers may not be. People may be leaving the labor force due to lack of job opportunities, but we are only a few months into high unemployment, and it seems early to give up looking for a job. Another possibility is that many people are optionally leaving the labor force, perhaps to homeschool/online teach children, or other personal reasons that may be related to COVID.

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

	<b>Labor Force</b>	<b>Employed</b>	<b>Unemployed</b>
<b>Annual</b>	-1,047	-1,813	766
<b>5-Year</b>	-335	-794	459
<b>10-Year</b>	-1,235	-928	-307
<b>Annual %</b>	-7.3%	-13.1%	159.1%
<b>5-Year %</b>	-2.5%	-6.2%	58.2%
<b>10-Year %</b>	-8.5%	-7.1%	-19.8%

The drop in the number of unemployed was good news, falling from 1,353 in June to 839 in July. For comparison, the July 2019 average number of unemployed was 484.

Employment numbers fell from a 2019 average of 14,035 to 11,318 in April, climbing to 12,708 by July (figure 3). That means that as of July employment is still 1,327 lower than in 2019.

Surprisingly, sales tax numbers increased drastically for both the City and County. City numbers increased by 8.57% and County numbers by 17.53%. This is an impressive increase given the economic conditions. Many people in Delta County commute to Grand Junction when purchasing larger items, or items they may not find in the local shops in Delta. With COVID, people may be purchasing more locally and when they purchase online, it is not displacing local purchases, but purchases from Grand Junction, providing a net increase in sales taxes for the area. Lodging taxes are also up 16.22%, a huge increase.

Table 2:  
**Monthly Unemployment Rates**

	February	March	April	May	June	July
Mesa	4.1%	7%	12.6%	9.1%	10.1%	6.9%
Montrose	3.6%	7.5%	12%	9.3%	10.4%	6.5%
Delta	4.2%	7.9%	10.2%	8%	9.7%	6.2%
Garfield	3.3%	6%	13.4%	10.1%	9.7%	6.2%
Colorado	2.9%	5.4%	12.0%	10%	10.7%	7.4%
U.S.	3.5%	4.4%	14.7%	13.3%	11.1%	10.2%

Figure 1:  
**Labor Force (Jan-20-July-20)**

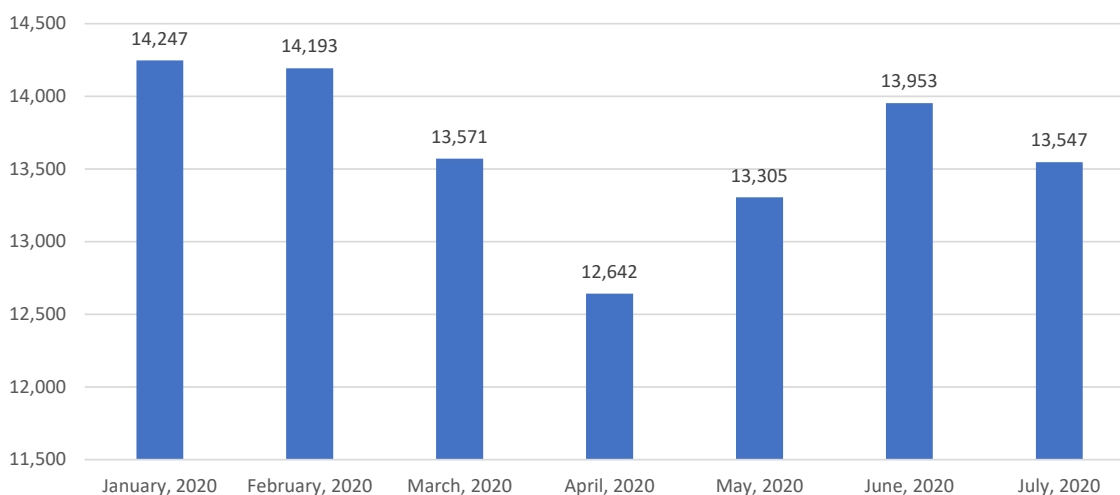


Figure 2:  
**Unemployment (Jan-20-July-20)**

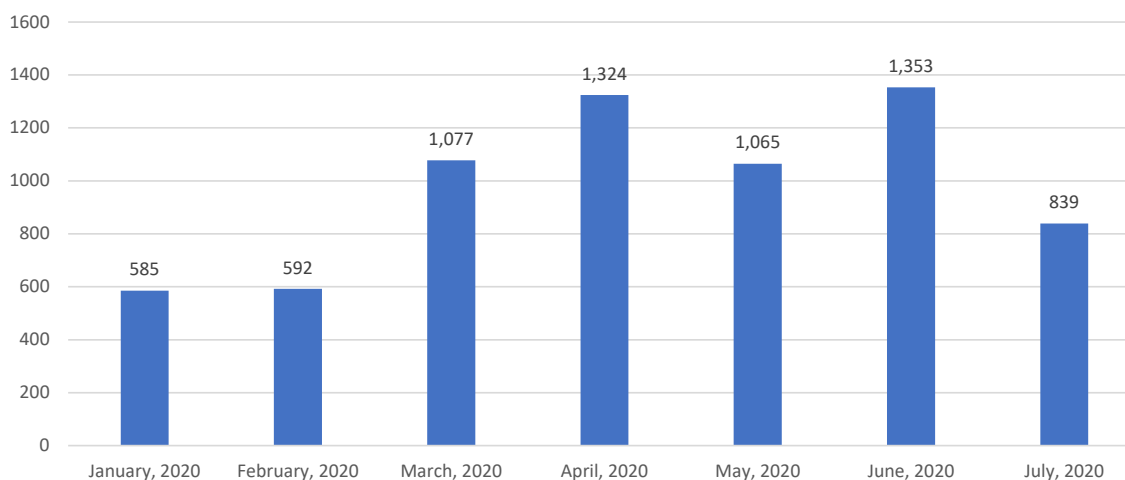
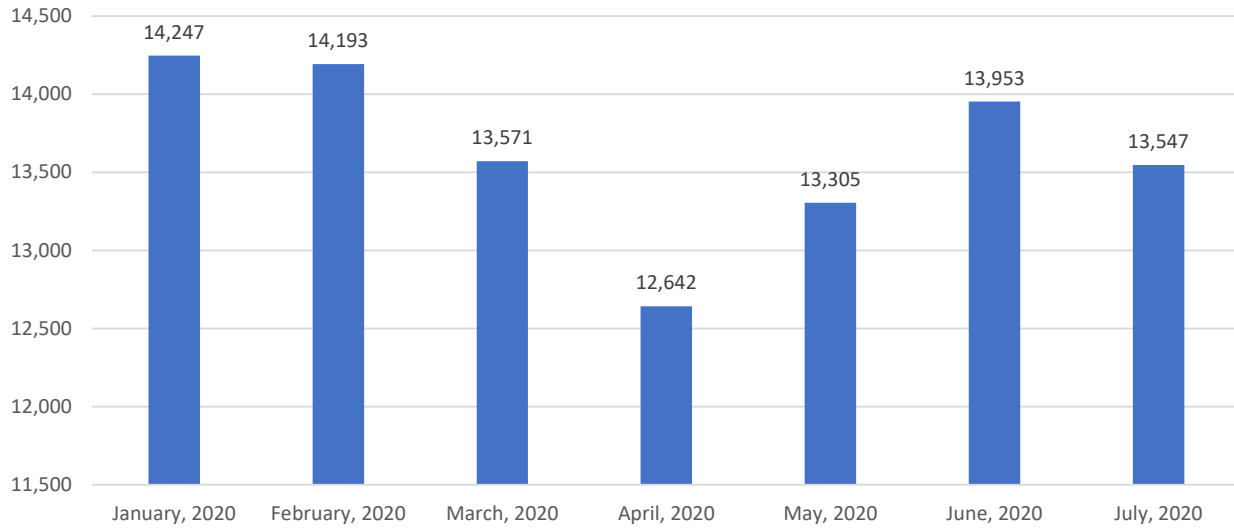


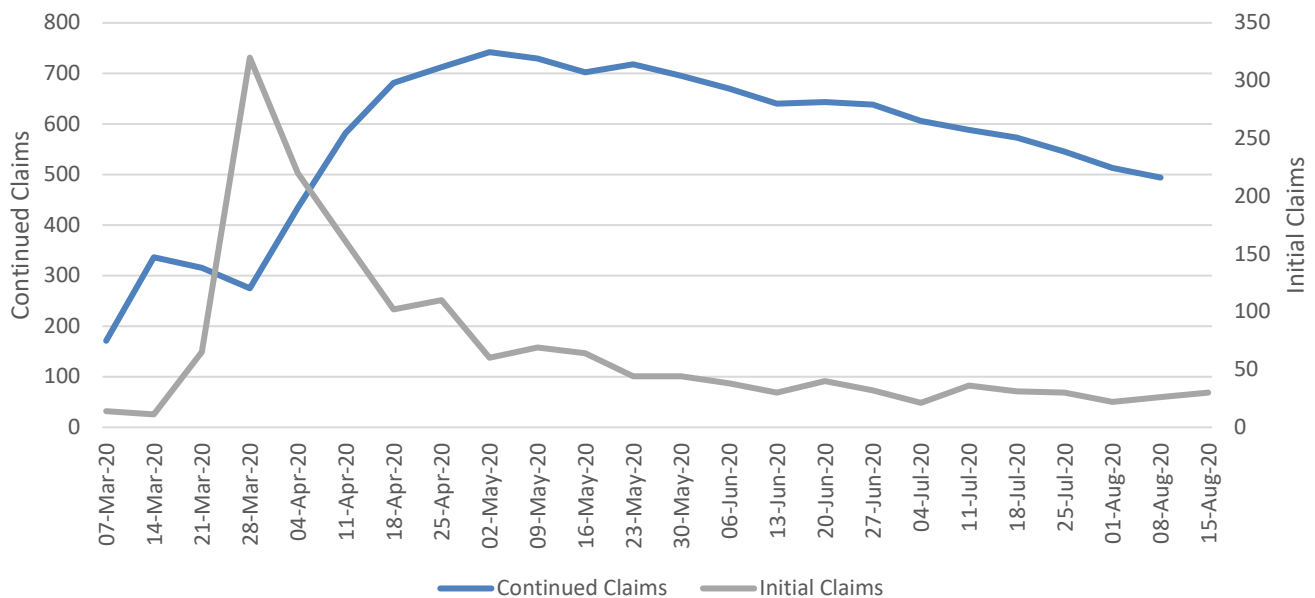
Figure 3:  
**Employment**



### Delta County Unemployment Claims

Unemployment insurance claims are perhaps the most important real time data point to measure the rate of change of employment losses during the COVID recession. Delta County unemployment claims continue to fall, spiking in late March and early April, falling to much lower levels as early as late May. Continued unemployment claims, which show the number of people who continue to collect unemployment, is also falling but more slowly. Continued claims peaked in early May at 742, with recent numbers (as of early August) at 494. To provide context on how high these are, the 2019 weekly average was 101.

Figure 4:  
**Initial and Continued Unemployment Claims March-August 2020**



## Delta County Employment Trends

First quarter QCEW data shows a total wage increase of \$3,856,196 with a loss of 36 jobs. Q4 2019 and Q1 2020 both show slower in job growth and saw job losses in several industries, showing that Delta County's economy had begun to slow before COVID-19. 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). Industry job gains were in agriculture, fishing, and hunting, and administrative and waste services. The biggest losses were in accomodation and food services, and health care.

Table 2:  
**Quarterly Census of Employment and Wages (QCEW) Q1 2020 Compared to Q1 2019**

Sector	Average Employment Q1 2020	Total Quarterly Wages (Q1 2020)	Average Weekly Wage (Q1 2020)	Total Wage Change (Q1 2019 to Q1 2020)	Total Employment Change (Q1 2019 to Q1 2020)
Total, All Industries	8,271	\$79,035,335	\$735	\$3,856,196	-36
Health Care and Social Assistance	1,885	\$20,179,831	\$823	\$147,451	-30
Retail Trade	1,179	\$8,647,889	\$564	\$408,244	9
Public Administration	706	\$8,274,832	\$902	\$479,688	14
Real Estate and Rental and Leasing	235	\$4,900,294	\$1,604	\$608,283	6
Construction	430	\$4,725,101	\$845	-\$196,875	-38
Manufacturing	496	\$4,687,333	\$727	\$287,459	-11
Accommodation and Food Services	658	\$2,871,138	\$336	\$60,163	-36
Agriculture, Forestry, Fishing & Hunting	316	\$2,840,017	\$691	\$433,453	28
Finance and Insurance	195	\$2,128,408	\$840	-\$191,194	-19
Professional and Technical Services	192	\$1,884,950	\$755	-\$72,994	-21
Other Services, Ex. Public Admin	223	\$1,839,338	\$634	\$36,047	-5
Administrative and Waste Services	183	\$1,570,056	\$660	\$480,262	24
Information	154	\$1,440,294	\$719	\$307,364	10
Mining	89	\$1,158,013	\$1,001	N/A	N/A
Transportation and Warehousing	110	\$1,113,097	\$778	-\$125,303	-17
Wholesale Trade	115	\$1,106,730	\$740	\$36,337	17
Management of Companies and Enterprises	18	\$882,065	\$3,770	\$614,038	-6
Utilities	46	\$787,495	\$1,317	\$18,640	0
Arts, Entertainment, and Recreation	23	\$106,042	\$355	\$64,376	14
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 5:  
**Total Wage Changes from Q1 2019 to Q1 2020**

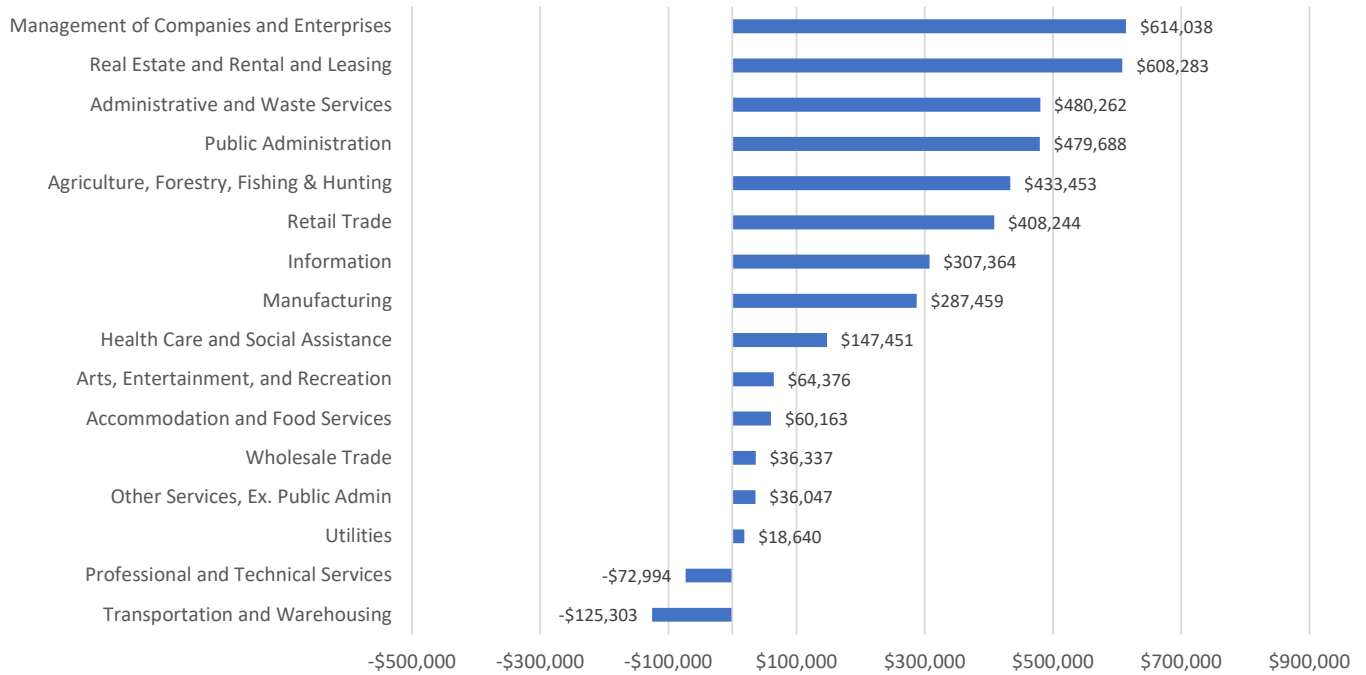
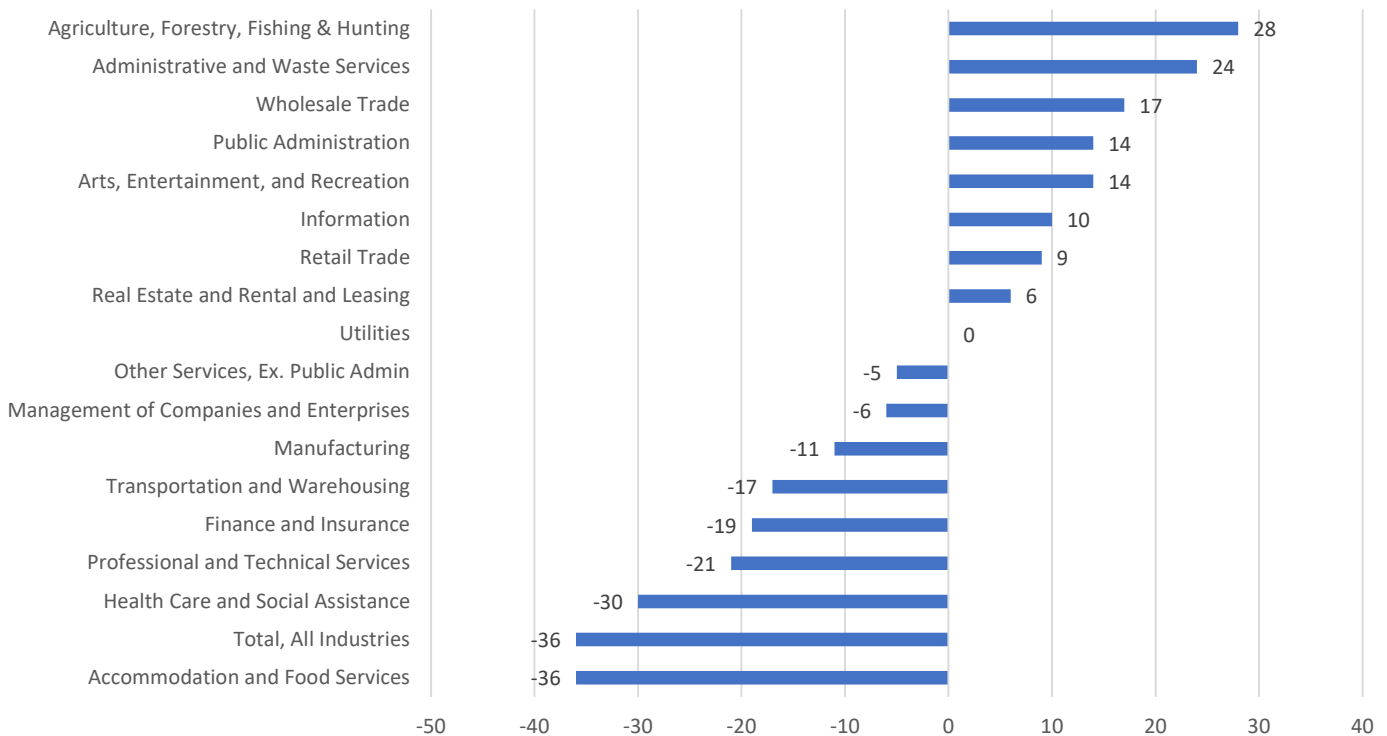


Figure 6:  
**Total Jobs Change from Q1 2019 to Q1 2020**



## LOCAL REAL ESTATE

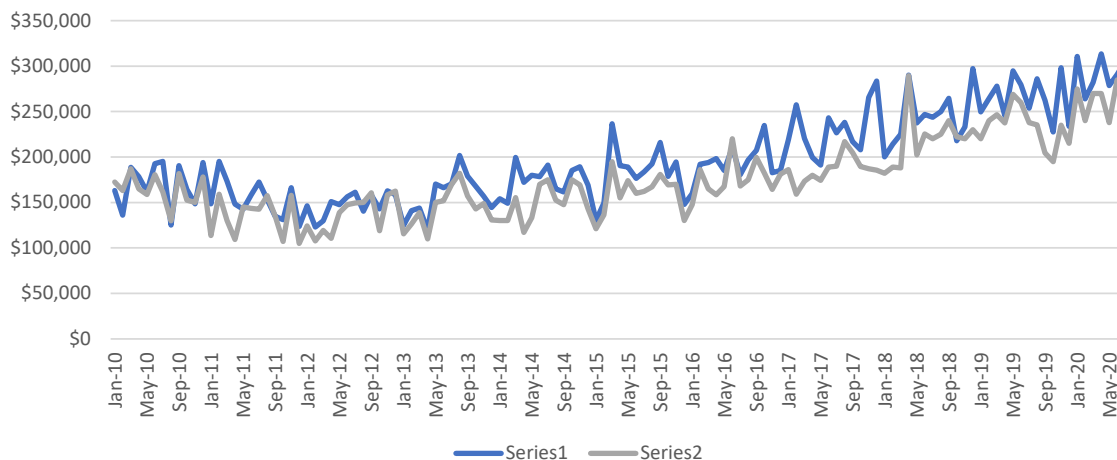
	Q2 2020	Q2 2019	% change since last year
<b>Real Estate</b>			
Current Residential Listings (3 month avg)	208	222	-6.45%
New Residential listings (3 month total)	202	221	-8.60%
Sold Residential Listings (3 month total)	101	151	-33.11%
Median Sales Price	\$264,333	\$255,500	3.46%
Average Sales Price	\$294,340	\$273,332	7.69%
Days on Market	104.00	117.00	-11.11%
Months Supply of Inventory	5.33	5.30	0.63%
Total Building Permits	47	52	-9.62%
Total Building Permit Valuation	\$5,267,785	\$7,425,481	-29.06%
Single Family Home Permits	11	16	-31.25%
Single Family Home Permit Valuation	\$1,833,483	\$3,341,919	-45.14%
<b>Foreclosures</b>			
Foreclosure Filings	1	13	-92.31%
Foreclosure Sales	2	3	-33.33%
<b>Mortgage Rates</b>			
15 Year Mortgage Rate	2.71%	3.46%	-0.75%
30 Year Mortgage Rate	3.24%	4.01%	-0.77%

SOURCES IN ORDER OF LISTING: Real Estate Data: Colorado Association fo 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

Quarter 2 data shows the impact of COVID on real estate, with the impact being significantly less inventory, less single family home permits, and higher prices as a result of lower inventory. The median sales price rose by 3.46%, with the mean price increasing by 7.69%. Foreclosures were down significantly due a state moratorium on evictions, and several programs that allowed homeowners to skip or delay payments due to COVID shutdowns. With an economy in a recession, unless there are further programs, foreclosures are expected to increase through late 2020 as unemployment translates to lack of income and missed home payments.

Figure 7:  
Median and Average Sales Prices



## REGIONAL ENERGY

	Q2 2020	Q1 2020	Q2 2019	% change since last quarter	% change since last year (comparable quarters)
<b>Energy Prices</b>					
WTI Crude Oil	\$27.96	\$45.34	\$59.88	-38.33%	-53.31%
Henry Hub Natural gas	\$1.71	\$1.91	\$2.56	-10.47%	-33.20%
Retail Gasoline Price	\$1.83	\$2.31	\$2.68	-20.86%	-31.63%

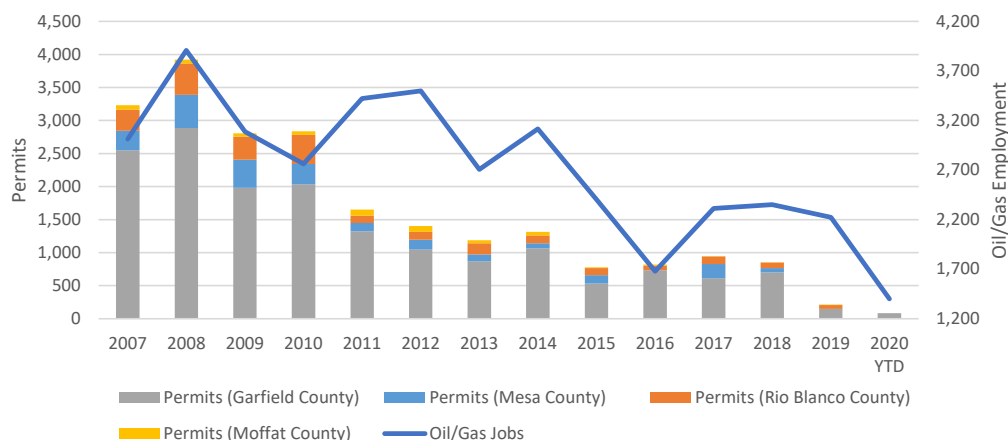
Drilling Permits	2020 (YTD, as of August)	2019 (YTD, August)	% Change since same time last year
Drilling Permits (Mesa County)	1	0	N/A
Drilling Permits (Rio Blanco County)	1	32	-96.88%
Drilling Permits (Garfield County)	85	105	-19.05%
Drilling Permits (Moffat County)	1	1	0.00%
Total Permits (Mesa, Rio Blanco, Garfield, Moffat)	88	138	-36.23%
Total Permits (Colorado)	768	1,330	-42.26%

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

Delta/Gunnison Coal Industry	2020 (YTD)	2019 (YTD)	% Change
Delta/Gunnison Average Monthly Employment for Coal Mining	332	256	29.75%
Delta/Gunnison Coal Production (tons)	1,075,468	1,337,281	-19.58%

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 8:  
**Oil/Gas Drilling Permits and Oil/Gas Jobs**





## Natural Gas Prices

The Henry Hub natural gas spot price averaged \$1.71/MMBtu for the second quarter of 2020, rising to \$2.17/MMBtu in early August. Natural gas prices received support from strong demand for natural gas fired power generation. In fact electric power generation in July increased to 43.6/Bcf per day, the highest month on record. Due to low prices, natural gas production has begun to decline, falling by 9.5 Bcf/d from the November highs to 86.8 Bcf/d.

Source: Energy Information Agency

## Oil and Gasoline Prices

WTI oil averaged \$27.96 in Q2, increasing to \$40.71 per barrel in July. Brent crude oil prices reached \$43 in July, and the EIA expects oil to average \$43/barrel during the second half of 2020, rising to an average of \$50/barrel in 2021. COVID demand issues have pushed oil prices down from previous prices, reducing traveling, flying, and some industrial production. The EIA estimates that the demand for global petroleum and liquid fuels averaged 93.4 million b/d in July, down 9.1 million b/d from July of the previous year.

As oil prices have fallen, gasoline prices have followed. Gas prices averaged \$1.83 in Q2, rising to \$2.18 in August. Gas prices in Mesa County range between \$2.23 and \$2.40 according to GasBuddy.com (August 31st).

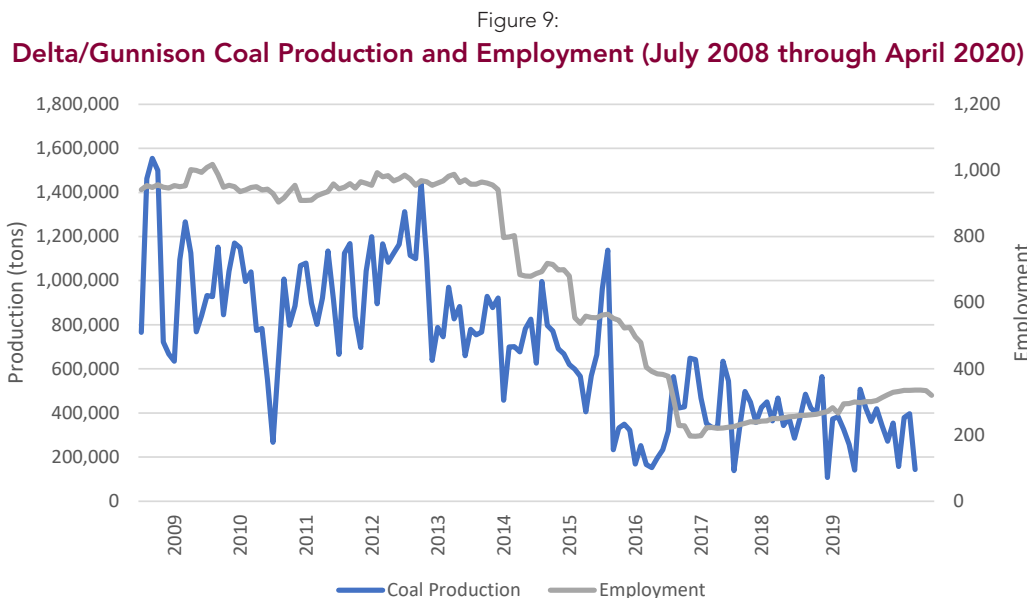
Source: <https://www.eia.gov/outlooks/steo/>

## Western Slope Drilling Activity

Western Slope drilling activity is on pace for record low permitting, with the 2020 YTD numbers lagging the 2019 YTD numbers. Figure 8 illustrates drilling permit applications and oil and gas employment. Oil and gas jobs have fallen to almost 1,400, the lowest number since long before the run-up in oil and gas activity in 2008. With natural gas prices hovering just above \$2, oil and gas permits and employment are not expected to pick up in the near future.

## 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.



## NATIONAL ECONOMIC INDICATORS

	Q2 2020	Q1 2020	Q2 2019	% change since last period	% change since last year (comparable quarters)
<b>Business Cycle Indicators</b>					
Real GDP	-32.90%	-5.00%	1.50%	-27.90%	-34.40%
Personal Consumption Expenditures	-34.60%	-6.90%	3.70%	-27.70%	-38.30%
Gross Private Domestic Investment	-49.00%	-9.00%	-5.80%	-40.00%	-43.20%
National Consumer Confidence	74.1	96.6	98.5	-23.29%	-24.77%
Industrial Production Index	93.5	107.7	109.2	-13.20%	-14.37%
Initial Weekly Unemployment Claims (4 week MA)	3,321,404	464,000	217,481	615.82%	1427.22%
Non Farm Payroll Change (in thousands)	-18,205,000	133,333	425,667	-13753.75%	-4376.82%
<b>Unemployment</b>					
Unemployment Rate-U3-SA	13.00%	3.80%	3.60%	9.20%	9.40%
Unemployment Rate-U6-SA	20.70%	7.50%	7.20%	13.20%	13.50%
<b>Interest Rates</b>					
Federal Funds Rate	0.06%	1.35%	2.40%	-1.29%	-2.34%
10 Year U.S. Treasury	0.69%	1.38%	2.33%	-0.69%	-1.64%
30 Year U.S. Treasury	1.38%	1.87%	2.78%	-0.49%	-1.40%
<b>Inflation Measures</b>					
Inflation Rate (CPI)	0.44%	2.11%	1.83%	-1.66%	-1.39%
Core Inflation Rate (All Items Less Food and Energy)	1.29%	2.24%	2.07%	-0.95%	-0.78%
Inflation Rate (Shelter)	2.52%	3.21%	3.43%	-0.69%	-0.90%
Producer Price Index (PPI)	-6.22%	-1.67%	-0.59%	-4.55%	-5.63%
Employment Cost Index	2.70%	2.79%	2.70%	-0.09%	0.00%
<b>Stock Prices</b>					
S&P 500	2,932	3,056	2,882	-4.06%	1.71%
Dow Jones Industrial Average	24,571	26,554	26,096	-7.47%	-5.84%
<b>Trade Balance and Debt</b>					
Trade Balance (% of GDP)	-544.706	-494.307	-644.744	10.20%	-15.52%
Federal Debt (% of GDP)*	107.7%	106.7%	104.3%	1.0%	3.4%

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.

Figure 10:  
Real GDP

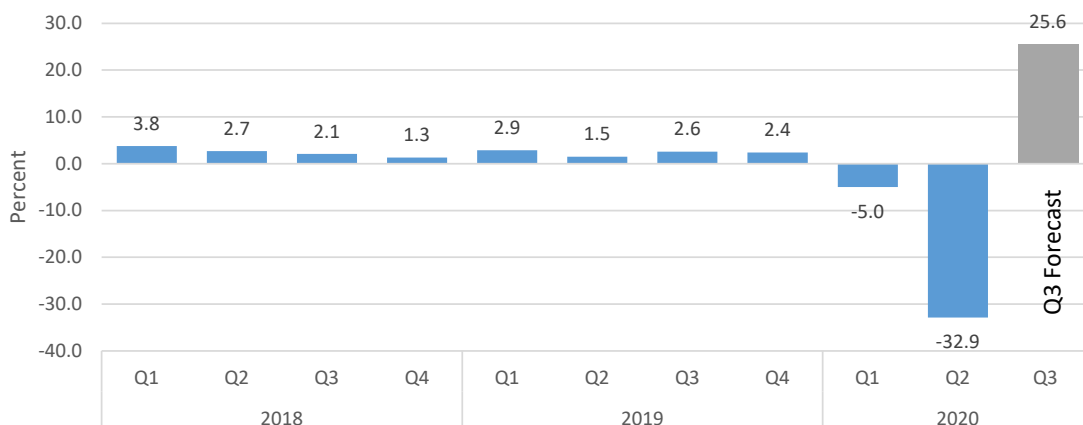
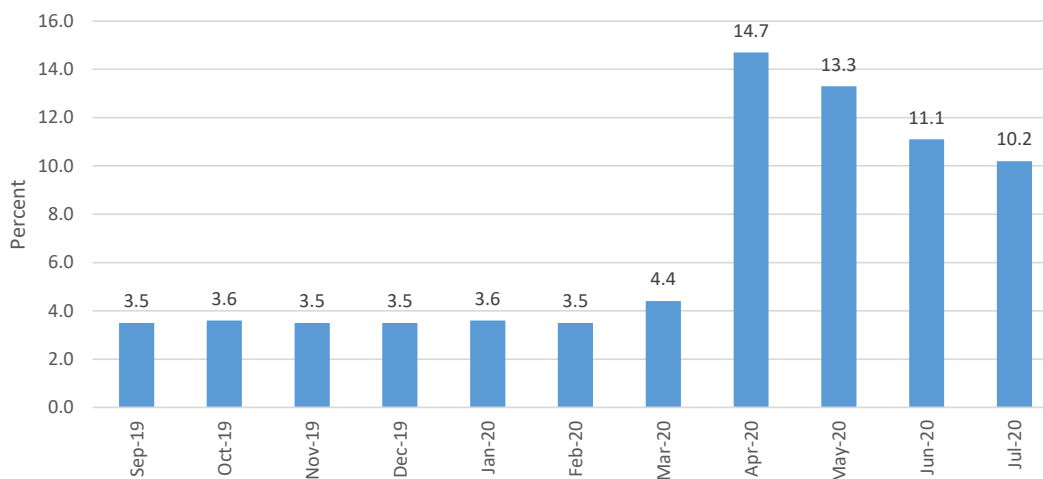


Figure 11:  
U.S. Unemployment: Sept 2019 through June 2020



## National Economic Performance

The national economy is recovering from the initial shock of COVID, and the induced shutdowns and shifted consumption resulting from the pandemic. Figure 11 shows unemployment hit a peak of 14.7% in April to 13.3% in May, to 11.1% in June, 10.2% in July, falling to 8.4% in August. The National Bureau of Economic Research (NBER) declared an official recession starting in late February. Figure 10 illustrates a massive 32.9% annualized decline in GDP, illustrating just how precipitous the drop in economic activity was. The Atlanta Federal Reserve's GDP Now forecast expects a 25.6% bounceback in quarter 3, still leaving a relatively large gap. To illustrate this gap further, figure 12 illustrates real GDP and potential GDP. Real GDP is our actual level of GDP, whereas potential GDP can be seen as the level of output produced if the economy were performing well and most of our industrial resources were being put to use. Potential GDP is where we want to be. The graph shows just how far below potential GDP actual output has fallen, and note how much further from the previous recession real GDP has fallen.

## Interest Rates and the Fed

Interest rates remain incredibly low, with the 10 year treasury bond yielding between 0.50% and 0.75%. The Federal Reserve intends on keeping interest rates low, and the Federal Reserve has recently changed a policy that will allow them to keep interest rates low even longer. The Fed will now allow inflation to increase past 2%, instead putting more emphasis on labor market outcomes and less on inflation in their dual mandate. Lower interest rates means lower mortgage rates, which means real estate will likely continue its run as an economic recovery leader.

The intention of low interest rates is to spur both investment and consumption. The unintended consequence of a low interest rate policy can be increased asset prices, specifically stocks and real estate. Since bond yields are so incredibly low, many investors do not want to invest in them, so their other choice is to put money into the stock market, which is one of the reasons that stocks have rallied so much. Another financial asset that is desirable in a low interest rate environment is real estate, which continues to increase in price.

Figure 12:  
**Real and Potential GDP**

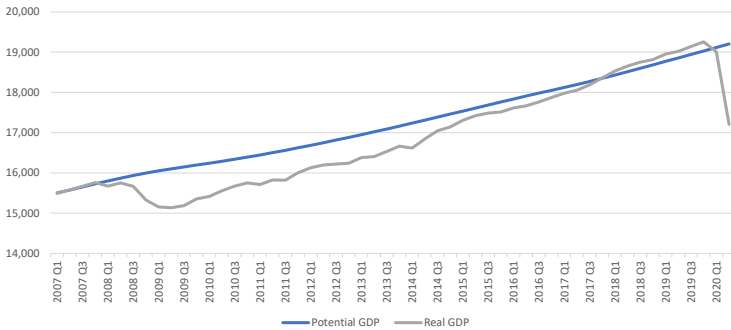
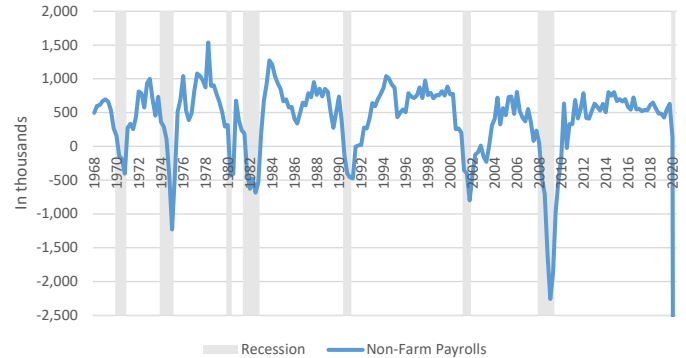


Figure 13:  
**Change in Non-Farm Payrolls**



### The Path to Economic Recovery

In the last economic newsletter, different types of recoveries were discussed. Thus far, there has been a sharp bounceback in several economic data points, indicating either a V shaped, “swoosh-shaped,” or the “square root” shaped recovery. A V-shaped recovery may be optimistic, as there are still limitations on certain businesses for COVID safety reasons, but more importantly many consumers are still altering their consumption habits, which has created some structural unemployment. Fiscal policy was keeping many of these unemployed people afloat, but as stimulus wears out, savings run out and there will be negative consequences from so many people without jobs (i.e. negative multiplier effects). This is an argument for why we may be approaching the horizontal part of the square root recovery, as recovery from structural unemployment will take time. This can be seen with a slowing of job growth in the last jobs report. If COVID actual or perceived risks change drastically, and as a result of this government safety mandates are changed, and most importantly if consumers return to their previous consumption patterns, we could move towards more of a V-shaped recovery or perhaps a swoosh-shaped recovery.

Recovery will be reached when actual GDP returns to near potential GDP (figure 12). The previous newsletter showed a Congressional Budget Office (CBO) forecast that was extremely pessimistic. The CBO has since updated their forecast to show a total growth decline in 2020 of -5.9% , with an average unemployment of 10.6%. The CBO forecasts a 4.8% growth rate in 2021 with an average unemployment rate of 7.1%, with 2022 at 2.2% growth (an average growth rate) and unemployment at 6.3%. The CBO sees GDP recovering to its pre-pandemic level by the middle of 2022. Overall, the economy is recovering quicker than many economists predicted, but it will take multiple years to recover from the economic losses incurred.



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