

# DELTA COUNTY ECONOMIC UPDATE

Third Quarter, 2021



Provided by the Business Department  
of Colorado Mesa University

## Economic Summary

- The Delta County labor market made a full recovery from the bottom of April 2020. When compared to the previous peak of employment, which is October of 2019 at 14,503, Delta surpassed these employment levels in May and June of 2021, falling slightly in August to 14,243. This brings the unemployment rate down to 5% as of August, lower than the state of Colorado and neighboring Mesa County.
- Sales and use tax numbers continue to impress, with the City of Delta seeing a 24% year-over-year increase in sales taxes as of August. The county saw a 15% increase through May. Business entity filings are up 54%, showing increased optimism for business creation.
- Although overall employment is recovering, some industries have not fully recovered from the business cycle peak (Q4 2019). Measured by jobs, mining is down 50%, information down 17%, accommodation and food services down 20%, agriculture, forestry, fishing and hunting down 25%, and real estate down 27%. These numbers are likely to improve over Q2 and Q3 data.

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## LOCAL ECONOMIC INDICATORS

	Q2 2021	Q1 2021	Q2 2020	change since last quarter	change since last year (comparable quarters)
<b>Local Labor Market</b>					
Unemployment Rate Delta County- NSA	5.53%	6.93%	9.23%	-1.40%	-3.70%
Unemployment Rate Colorado - NSA	6.10%	6.70%	11.80%	-0.60%	-5.70%
Unemployment Rate U.S. - NSA	5.80%	6.50%	12.90%	-0.70%	-7.10%
Labor Force	15,247	14,265	14,285	982	962
Employed	14,407	13,276	12,963	1,131	1,444
Unemployed	840	989	1,322	-150	-482
<b>Business Confidence</b>					
Leeds Colorado Business Confidence Index	67.3	64.4	44.3	4.50%	51.92%
<b>Sales/Use Taxes</b>					
City of Delta Sales/Use Taxes (YTD, August)	\$3,275,774		\$2,637,783		24.19%
Delta County Sales/Use Tax (YTD, May)	\$2,937,760		\$2,543,230		15.51%
Lodging Tax (YTD, May)	\$44,129		\$40,536		8.86%
<b>Business Filings</b>					
	<b>2021 (YTD)</b>		<b>2020 (YTD)</b>		
Delta County New Business Entity Filings (as of Sept 19th)	473		306		54.58%

Standard of Living and Growth	2019	2018	2017	% change since 2018	% change from 2017
Gross Domestic Product (GDP)	\$853,431	\$809,730	\$760,444	5.40%	12.23%
Personal Income	\$1,225,876	\$1,180,966	\$1,130,438	3.80%	8.44%
Personal Income Per Capita	\$39,339	\$38,239	\$37,040	2.88%	6.21%
Percent of Population Below Poverty Line	18.3%	17.6%	16.5%	0.70%	1.80%
Median Household Income	\$51,525	\$46,786	\$43,528	10.13%	18.37%
	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>% change since 2019</b>	<b>% change from 2018</b>
Population	31,067	31,021	30,835	0.15%	0.75%

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 made a full recovery from the bottom of April 2020. When compared to the previous peak of employment, which is October of 2019 at 14,503, Delta surpassed these employment levels in May and June of this year, falling slightly in July and August (figure 1). This brings the unemployment rate down to 5% as of August (figure 2), lower than the state of Colorado and neighboring Mesa County. Although employment is back to where it was at the peak in fall of 2019, the labor force has risen, which causes the unemployment rate to be higher. For comparison, there were approximately 400 unemployed in the fall of 2019, while now there are closer to 800.

Delta is performing well compared to the state and neighboring Mesa County. If you take October of 2019 employment numbers for Colorado and compare it to August 2021 numbers, Colorado is down 41,968 or 1.37%. If you do the same calculation for Mesa County, Mesa is down 2,255 in employment, or 3%, which is worse than the state. Delta County is down 260 in employment, for a 1.8% difference. If this number were to be calculated for July, then there would be no losses.

Figure 3 illustrates average employment gains/losses per year. Year to date, Delta has gained 570 in employment, while 2020 showed losses of 471 (figure 3). These are average employment gains and losses for each year, but it shows that Delta is recovering quite well.

This is an interesting time for labor markets, as both employment and the labor force are down nationwide since Fall 2019. Several explanations for the lack of recovery in the labor market have been given, including extended unemployment benefits, lack of childcare, people wanting to work remotely and willing to leave their job to find this option, skills mismatch, a work culture mismatch between employers and new workers entering the job market, baby boomers retiring earlier than expected, the continued threat of the Delta variant for the immunocompromised,

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

	Labor Force	Employed	Unemployed
<b>Annual</b>	962	1,444	-482
<b>5-Year</b>	1,192	1,007	185
<b>10-Year</b>	1,100	1,852	-752
<b>Annual %</b>	6.7%	11.1%	-36.5%
<b>5-Year %</b>	8.5%	7.5%	28.3%
<b>10-Year %</b>	7.8%	14.8%	-47.2%

new workforce participants having a higher reservation wage due to increased cost of living, and a variety of other explanations. Concerns in the labor market are not just a local issue, but an issue everywhere, and are proving to be a constraint on employment growth. Delta's labor market has surpassed the peak level from Q4 2019, however every economy seems to be experiencing labor shortages and skill mismatches, including the economies on the Western Slope.

### Other Local Data

Sales and use tax numbers continue to impress, with the City of Delta seeing a 24% year-over-year increase in sales taxes as of August. The county saw a 15% increase though May. Business entity filings are up 54%, showing increased optimism for business creation.

The Leeds Business Confidence Index shows that business optimism is rising, although with a smaller increase from the previous quarter's jump, with an increase in the index from 64.4 to 67.3. The big increase in the index came last quarter, rising from 47.9 to 64.4.

Figure 1:  
**2 Year Employment**

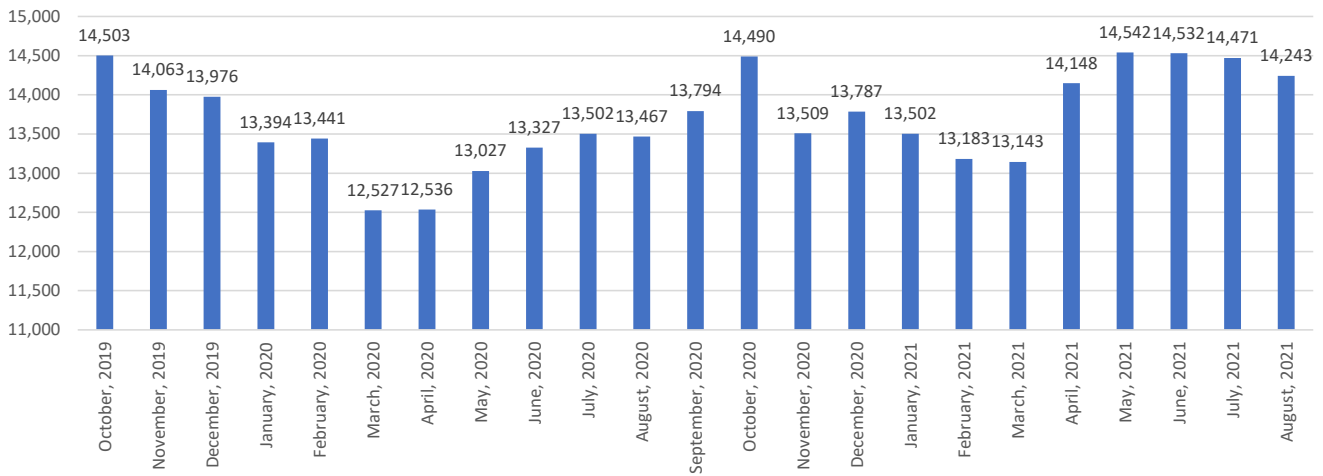


Figure 2:  
**Delta and Colorado Unemployment**

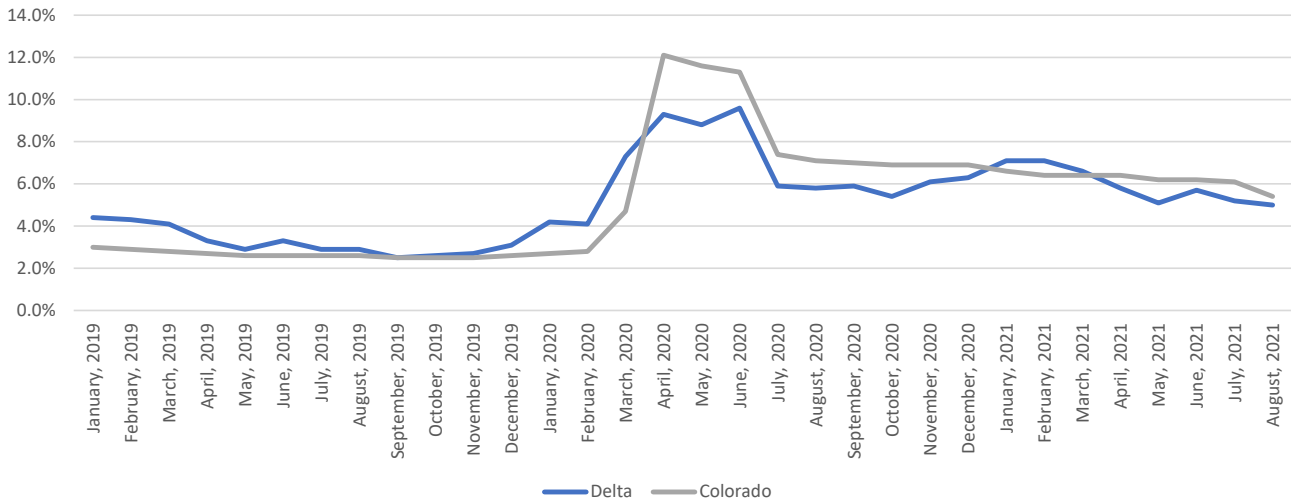
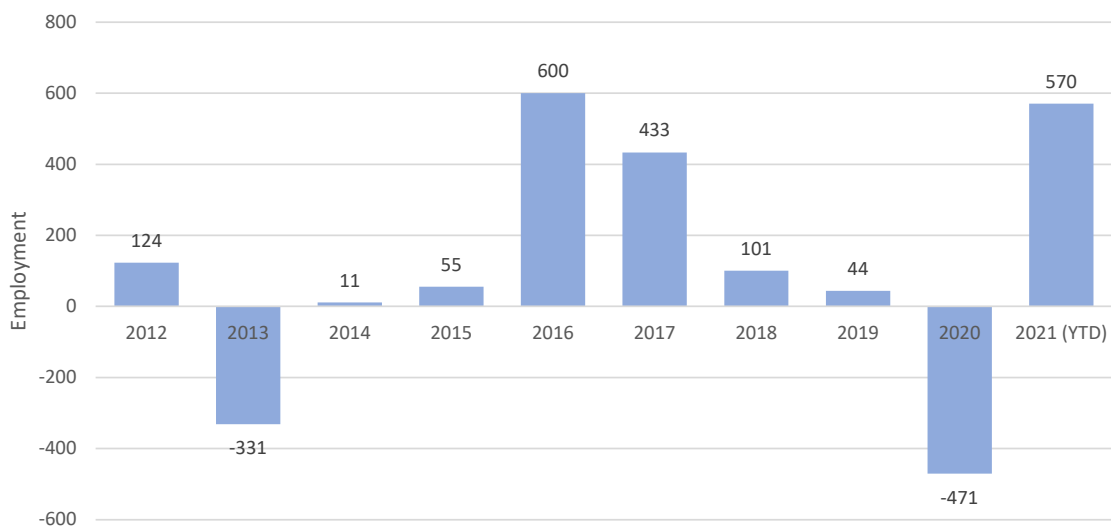


Figure 3:  
**Change in Average Employment, Yearly**



## Delta County Employment Trends

Q1 2021 QCEW data shows a decline in jobs and wages. This was expected because Q1 2020, the comparison year, has March in it, and March is when the initial wave of COVID hit. See figure 4 and 5 for year-over-year changes in wages and jobs. Compared to the previous quarter, Q4 of 2020, Delta saw job losses in agriculture, forestry, fishing and hunting (66), real estate rental and leasing (58), and administrative and waste services (44) (see figure 7). Figure 6 illustrates the percentage change in jobs since Q4 of 2019, the peak of the business cycle. The industries chosen for the graph are industries that have not yet recovered. Measured by jobs, mining is down 50%, information down 17%, accomodation and food services down 20%, agriculture, forestry, fishing and hunting down 25%, and real estate down 27%. These numbers are likely to improve over Q2 and Q3 data. 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).

Table 4:

### Quarterly Census of Employment and Wages (QCEW) Q1 2021 Compared to Q1 2020

Sector	Average Employment Q1 2020	Total Quarterly Wages (Q1 2021)	Average Weekly Wage (Q1 2021)	Total Employment Change (Q1 2020 to Q1 2021)	Total Wage Change (Q1 2020 to Q1 2021)
Total, All Industries	8,067	\$76,476,286	\$729	-\$2,559,049	-204
Health Care and Social Assistance	1,804	\$18,780,158	\$801	-\$1,399,673	-81
Retail Trade	1,219	\$9,348,549	\$590	\$700,660	40
Public Administration	732	\$9,184,362	\$965	\$909,530	26
Construction	488	\$5,359,762	\$845	\$634,661	58
Manufacturing	508	\$4,802,481	\$727	\$115,148	12
Accommodation and Food Services	574	\$2,641,720	\$354	-\$229,418	-84
Agriculture, Forestry, Fishing & Hunting	272	\$2,566,337	\$726	-\$273,680	-44
Professional and Technical Services	198	\$2,378,431	\$924	\$493,481	6
Finance and Insurance	191	\$2,248,934	\$906	\$120,526	-4
Other Services, Ex. Public Admin	224	\$1,934,596	\$664	\$95,258	1
Real Estate and Rental and Leasing	175	\$1,863,614	\$819	-\$3,036,680	-60
Wholesale Trade	127	\$1,367,167	\$828	\$260,437	12
Administrative and Waste Services	178	\$1,311,203	\$567	-\$258,853	-5
Transportation and Warehousing	119	\$1,203,727	\$778	\$90,630	9
Information	116	\$1,184,703	\$786	-\$255,591	-38
Utilities	50	\$919,051	\$1,414	\$131,556	4
Management of Companies and Enterprises	38	\$734,767	\$1,487	-\$147,298	20
Mining	50	\$609,373	\$937	-\$548,640	-39
Arts, Entertainment, and Recreation	23	\$102,049	\$341	-\$3,993	0

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

Table 5:

### Farm and Sole Proprietor Employment

BEA Data	2019	2018	2017	% change since 2018	% change from 2017
Farm Employment	1,553	1,559	1,601	-0.4%	-3.0%
Sole Proprietors (non-farm)	5,732	5,574	5,438	2.8%	5.4%

Figure 4:  
**Total Wage Changes from Q1 2020 to Q1 2021**

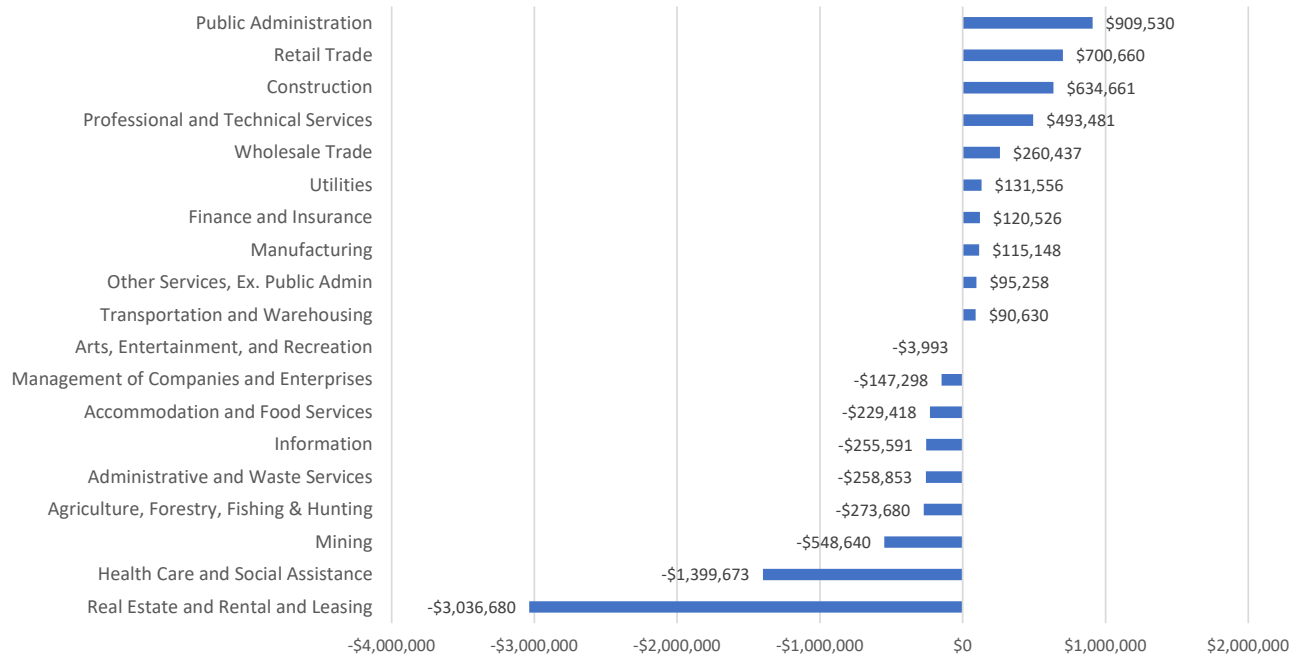


Figure 5:  
**Total Jobs Change from Q1 2020 to Q1 2021**

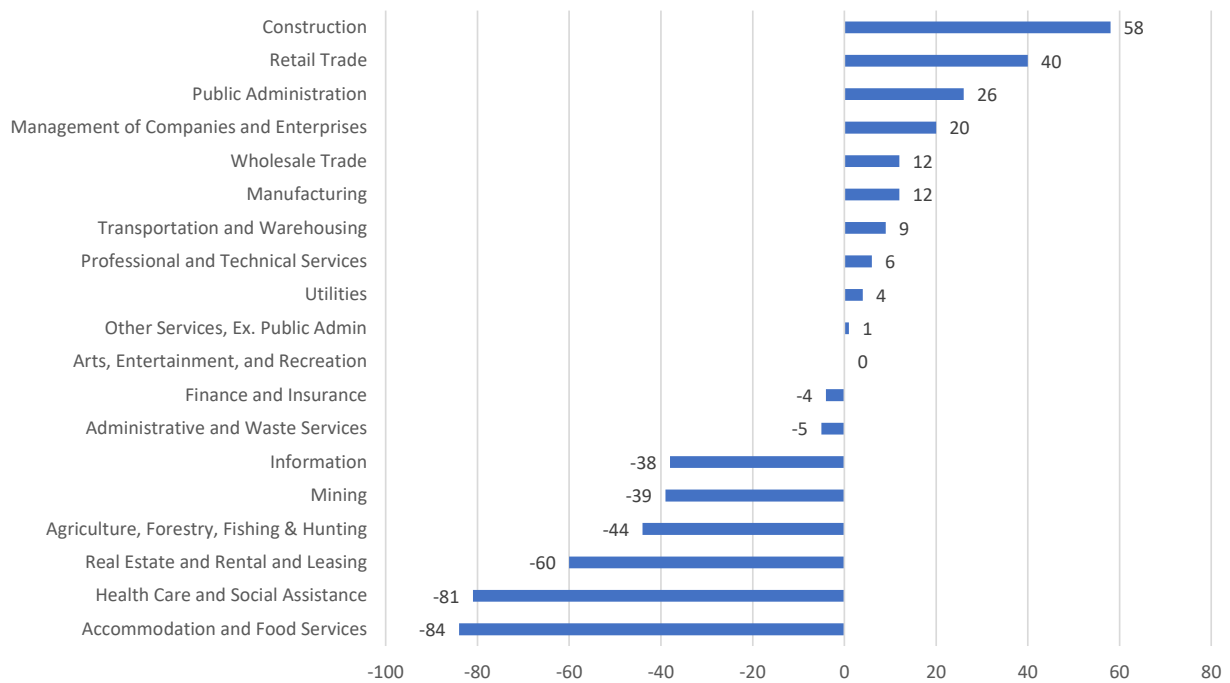


Figure 6:  
**Job Losses Percentage Compared to Q4 2019**

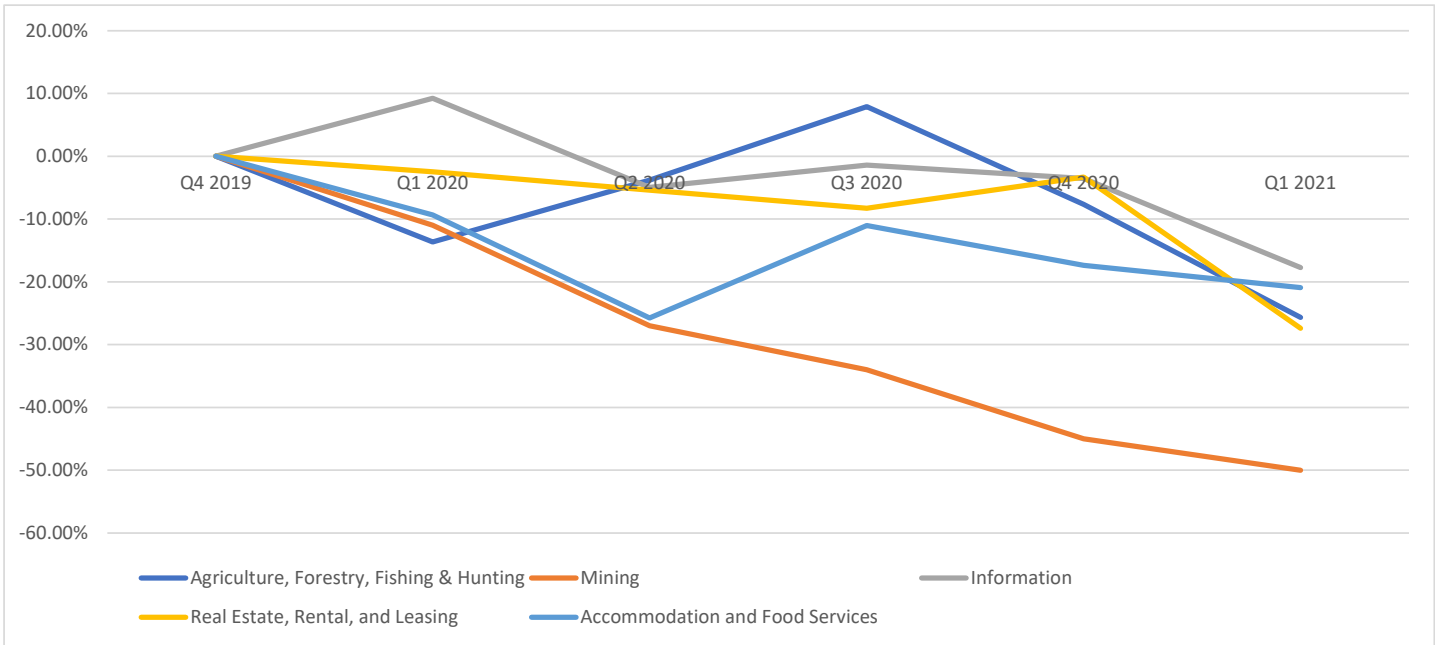
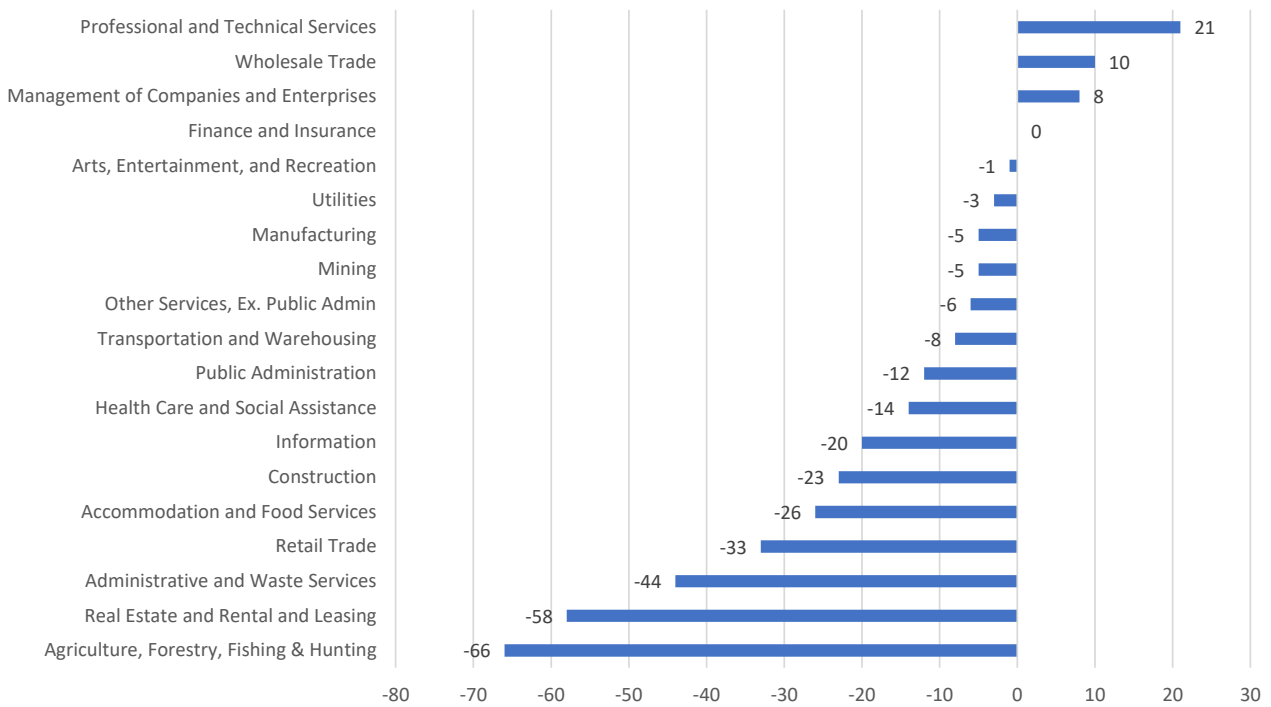


Figure 7:  
**Total Jobs Change from Q4 2020 to Q1 2021**



## LOCAL REAL ESTATE

	Q2 2021	Q2 2020	% change since last year
<b>Real Estate</b>			
Inventory of Homes for Sale (3 month avg)	81	208	-60.90%
New Residential listings (3 month total)	220	202	8.91%
Sold Residential Listings (3 month total)	182	101	80.20%
Median Sales Price	\$334,667	\$264,333	26.61%
Average Sales Price	\$378,610	\$294,340	28.63%
Days on Market	93.00	104.00	-10.58%
Months Supply of Inventory	1.43	5.33	-73.13%
<b>Foreclosures</b>			
Foreclosure Filings	4	1	300.00%
Foreclosure Sales	0	2	-100.00%
<b>Mortgage Rates</b>			
15 Year Mortgage Rate	2.31%	2.71%	-0.40%
30 Year Mortgage Rate	3.00%	3.24%	-0.24%

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 real estate market for Q2 of 2021 was one of the tightest real estate markets in history, both nationally and locally. Inventory of homes for sales for the quarter fell from 208 to 81, a 61% drop. Median sales price rose 27%, while average sales price rose 29%. Days on market fell from 104 days to 93, while months supply of inventory fell from 5.33 to 1.43. Perhaps the most interesting data point is the percentage of list price received, which rose to over 100% in June. Figure 8 illustrates inventory of active listings, which fell to a low of 69 in April.

Figure 8:  
**Inventory of Active Listings**



## REGIONAL ENERGY

	Q2 2021	Q1 2021	Q2 2020	% change since last quarter	% change since last year (comparable quarters)
<b>Energy Prices</b>					
WTI Crude Oil	\$66.19	\$58.09	\$27.96	13.94%	136.73%
Henry Hub Natural gas	\$2.94	\$3.56	\$1.71	-17.42%	71.93%
Retail Gasoline Price	\$2.87	\$2.46	\$1.83	16.79%	57.08%
<b>Drilling Permits</b>					
	2021 (YTD)	2020 (YTD)	% Change since same time last year		
Drilling Permits (Mesa County)	1	0	N/A		
Drilling Permits (Rio Blanco County)	33	59	-44.07%		
Drilling Permits (Garfield County)	127	149	-14.77%		
Drilling Permits (Moffat County)	1	7	-85.71%		
Total Permits (Mesa, Rio Blanco, Garfield, Moffat)	162	215	-24.65%		
Total Permits (Colorado)	1,543	2,032	-24.06%		
<b>Local Rig Count</b>					
	Sept-21	May-21	Sept-20		
Rig Count (Western Colorado, Mesa, Rio Blanco, Garfield, Moffat)	2	3	1		
<b>Delta/Gunnison Coal Industry</b>					
	2021 (YTD)	2020 (YTD)	% Change		
Delta/Gunnison Average Monthly Employment for Coal Mining	217	328	-33.72%		
Delta/Gunnison Coal Production (tons)	197,559	295,540	-33.15%		

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 9:  
**Oil and Natural Gas Prices**

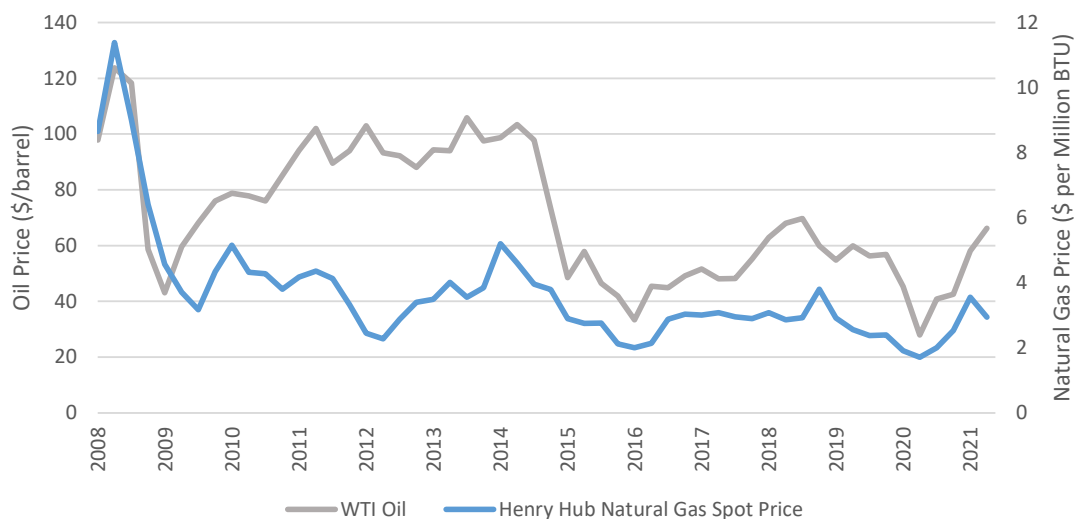




Figure 10:  
**Oil/Gas Drilling Permits and Oil/Gas Jobs**

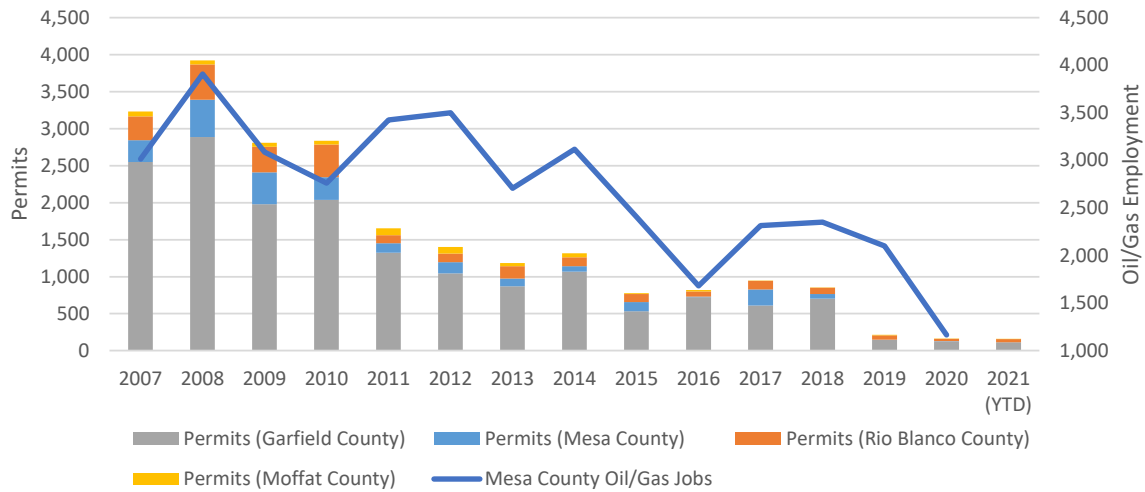
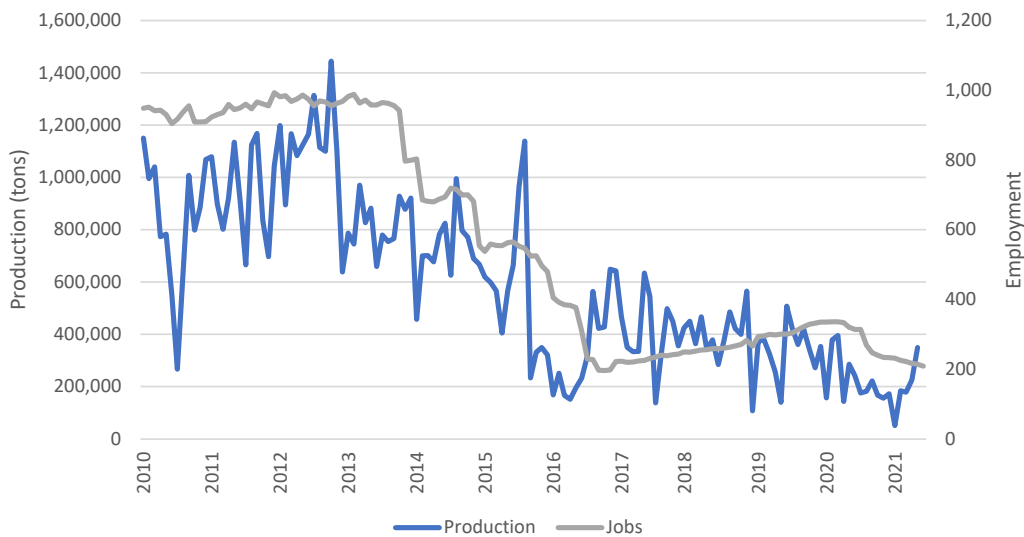


Figure 11:  
**Delta/Gunnison Coal Production and Employment**



### Western Slope Oil, Gas, and Coal

Natural gas prices have been steadily increasing in 2021, rising to \$4.07/MMBtu in August, surpassing the EIA's forecast. Natural gas prices were high in August due to hot temperatures and Hurricane Ida. As of early September, there are two natural gas rigs in the Piceance. The EIA's forecast for natural gas futures by the end of the year is \$4.25/MMBtu, peaking in January, and declining through most of 2022. WTI oil prices averaged 67.73 in August, continuing a gradual increase in oil seen since the beginning of 2021. The EIA forecasts that Brent Crude oil prices will stay steady through 2021.

Rising oil and natural gas prices are good news for the Piceance, specifically rising natural gas prices. However, this so far has not led to significantly higher rig counts. In May of 2021, the rig count was three, with two oil rigs and one natural gas rig. In early September, the rig count is two, with both rigs for natural gas. This is better than one rig, which is the number of rigs Mesa County had for almost the entire year following the oil/gas decline in March 2020. Permit applications are looking to be higher than 2020, but slowed from May through September. It is important to note that drilling permit application data can be very unpredictable and can change quickly.

West Elk mine coal production and jobs are down, each falling 33% from last year (figure 11). As of Q1 2021 jobs data, there are only 50 mining jobs in Delta County.

## NATIONAL ECONOMIC INDICATORS

	Q2 2021	Q1 2021	Q2 2020	% change since last period	% change since last year (comparable quarters)
<b>Business Cycle Indicators</b>					
Real GDP	6.60%	6.30%	-31.20%	0.30%	37.80%
Personal Consumption Expenditures	11.90%	11.40%	-33.40%	0.50%	45.30%
Gross Private Domestic Investment	-4.00%	-2.30%	-48.80%	-1.70%	44.80%
National Consumer Confidence	85.6	80.2	74.1	6.73%	15.52%
Industrial Production Index	99.8	98.3	87.1	1.50%	14.60%
Initial Weekly Unemployment Claims (4 week MA)	520,038	805,615	3,011,942	-35.45%	-82.73%
Non Farm Payroll Change (in thousands)	1,693,000	736,000	-18,200,667	130.03%	-109.30%
<b>Unemployment</b>					
Unemployment Rate-U3-SA	5.90%	6.20%	13.10%	-0.30%	-7.20%
Unemployment Rate-U6-SA	10.10%	11.00%	20.70%	-0.90%	-10.60%
<b>Interest Rates</b>					
Federal Funds Rate	0.07%	0.08%	0.06%	-0.01%	0.01%
10 Year U.S. Treasury	1.59%	1.32%	0.69%	0.27%	0.90%
30 Year U.S. Treasury	2.26%	2.09%	1.38%	0.17%	0.88%
<b>Inflation Measures</b>					
Inflation Rate (CPI)	4.80%	1.89%	0.43%	2.91%	4.37%
Core Inflation Rate (All Items Less Food and Energy)	3.74%	1.44%	1.30%	2.29%	2.44%
Inflation Rate (Shelter)	2.29%	1.59%	2.52%	0.70%	-0.23%
Producer Price Index (PPI)	18.59%	7.01%	-6.42%	11.58%	25.01%
Employment Cost Index	2.84%	2.72%	2.70%	0.13%	0.14%
<b>Stock Prices</b>					
S&P 500	4,184	3,866	2,932	8.22%	42.70%
Dow Jones Industrial Average	34,121	31,551	24,571	8.15%	38.87%
<b>Trade Balance and Debt</b>					
Trade Balance (% of GDP)	-884.675	-872.54	-538.876	1.39%	64.17%
Federal Debt (% of GDP)*	127.7%	108.1%	108.1%	19.5%	19.5%

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 12:

**Real GDP**

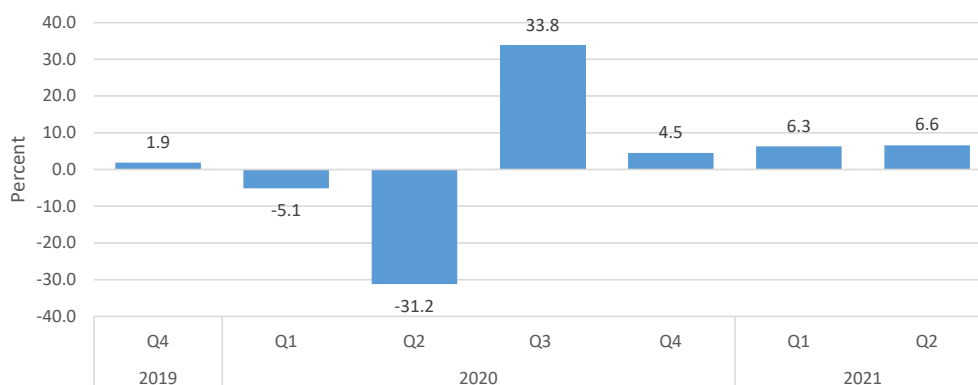
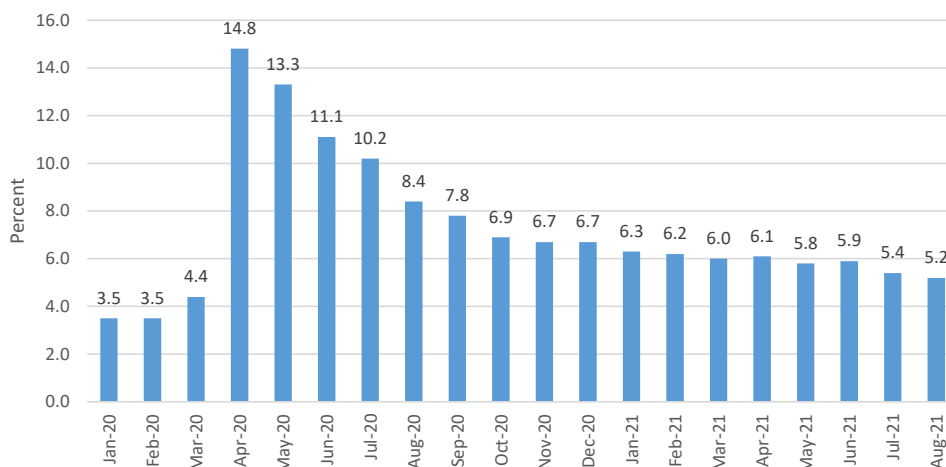


Figure 13:

**U.S. Unemployment: January 2020 through August 2021**



**National Economic Performance**

U.S. growth was strong in quarter 2 coming in at a 6.6% growth rate (figure 12). The Atlanta Federal Reserve’s GDP Now forecast as of September 10th is 3.7% for Q3 GDP. The Delta variant spike over the last few months is expected to keep Q3 growth lower than was initially expected.

The national unemployment rate fell to 5.2% in August due to the U.S. economy adding 1,701,000 jobs in Q2 (figure 13). This Q2 jobs report was huge, as was the July employment number, but the August monthly report was disappointing, only adding 235,000 vs. the expected 720,000 jobs. The GDP gap now stands at \$336 billion. Figure 14 illustrates the GDP gap, and although we have now surpassed the previous high in GDP, reaching potential output is the ultimate goal for the economy.

**Inflation**

After discussing the potential for inflation in last quarter’s newsletter, inflation has finally arrived with a July inflation rate of 5.4%. The March rate was at 2.6%, rising to 4.2% in April, 5% in May, 5.4% in June, and finally 5.4% in July (figure 16). The debate over whether inflation will be transitory or not is still raging, however, the more months we have inflation the more likely it will persist. The last newsletter discussed four factors driving inflation including pent up demand, supply chain effects, a tight

labor market, and rising energy costs. I also explained how wages tend to be “sticky,” and are a key indicator for persistent inflation, and also discussed the idea of inflation expectations.

One last point I would like to introduce is the idea of menu costs, the theory that as firms raise prices due to the factors listed above, even if intending to be temporary, the most likely they are to stay at the increased price. This is because there is a cost to changing prices for firms, as it both takes time and effort to change a price and creates consumer confusion. In addition to this, if firms know people are willing to pay these higher prices, and people are used to them, why would they lower the prices even after supply chain problems work themselves out? The point of the menu costs theory is to show that once prices rise, there are many logical reasons they may not come down, which can cause inflation.

The Fed has signalled in their meetings that they are considering inflation a bigger threat than before, although it is still not their top priority, as their top priority is full labor market recovery (reaching the natural rate of unemployment, or in GDP terms, reaching the point of potential output in figure 14). To prevent inflation, the Fed will likely start tapering their purchases of bonds, which means they will reduce over time their purchase of longer maturity treasury bonds, putting upward pressure on long term interest rates.

Figure 14:  
**GDP Gap**

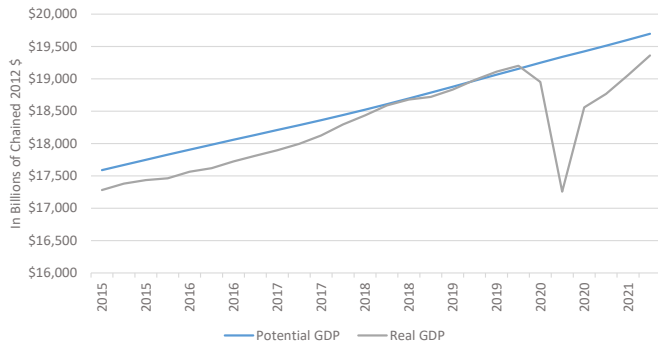


Figure 15:  
**National Consumer Confidence**

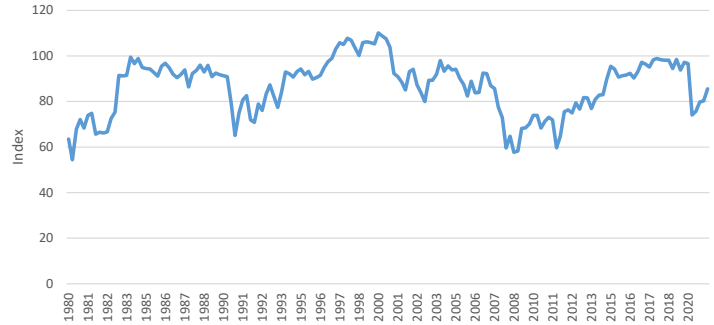


Figure 16:  
**Inflation Rate**



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