

DELTA COUNTY ECONOMIC UPDATE

Third Quarter, 2022



The Delta Economic Update is partially funded by One Delta County

Economic Summary

- The Delta County labor market continues small employment gains, averaging 13,830 people employed in Q2 2022, which is 397 more than the same quarter in the previous year. Measuring employment change yearly, 2021 averaged 13,599, while 2022 has averaged (through August) 13,758, showing gains in employment in 2022.
- The median sales price increased by 12.7% compared to the same quarter last year. August had a 8.7% fall in prices, showing that high interest rates may have finally started to cause a pause in the Delta County housing market. Delta has a high months supply of inventory compared to other counties, at 4.1 in August. Foreclosures have started rising, rising from 9 to 57 comparing Q2 2022 to Q2 2021. This temporary spike has already returned to normalcy and was likely the result of end of mortgage forbearance programs in the fall of 2021.
- Headline inflation printed at 8.3%, which was higher than many economists were expecting. Energy fell in August as expected, but food and shelter rose, keeping inflation above 8%. The Federal Reserve continues to ramp up the Federal Funds rate, with a current target range of 2.25-2.50%. Markets are trying to determine how high the Fed is willing to go to fight inflation, with current market odds at a terminal rate of 4.5%.

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LOCAL ECONOMIC INDICATORS

	Q2 2022	Q1 2022	Q2 2021	change since last quarter	change since last year (comparable quarters)
Local Labor Market					
Unemployment Rate Delta County-NSA	3.30%	4.27%	5.83%	-0.97%	-2.53%
Unemployment Rate Colorado - NSA	3.20%	3.80%	6.00%	-0.60%	-2.80%
Unemployment Rate U.S. - NSA	3.50%	4.10%	5.80%	-0.60%	-2.30%
Labor Force	14,303	14,077	14,264	225	38
Employed	13,830	13,479	13,433	351	397
Unemployed	473	599	831	-126	-358
Business Confidence					
Leeds Colorado Business Confidence Index	41.1	53.9	67.3	-23.75%	-38.93%
Sales/Use Taxes					
City of Delta Sales/Use Taxes (YTD, June)	\$4,749,801		\$4,618,450		2.84%
Delta County Sales/Use Tax (YTD, June)	\$4,669,442		\$4,268,441		9.39%
Lodging Tax (YTD, June)	\$95,492		\$81,912		16.58%
Business Filings					
	2022 (YTD)		2021 (YTD)		
Delta County New Business Entity Filings (as of May 31st)	365		406		-10.10%

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 Line	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

The Delta County labor market continues its small employment gains over the summer months, averaging 13,830 employment in Q2 2022, which is 397 more than the same quarter in the previous year. Measuring employment change a different way, 2021 averaged 13,599, while 2022 has averaged 13,758 through August, showing gains in employment for 2022. Figure 3 illustrates average job gains with yearly employment data, and shows the big loss of 492 in 2020, with gains of 327 in 2021 and so far in 2022 gains of 158. September and October generally have high employment numbers, with the winter months fading due to seasonal unemployment. October is usually the yearly high in employment and it will be interesting to see if in the fall Delta County can push past the 2019 and 2021 employment highs.

Last quarter, I stated that the labor market response to the Federal Reserve's rising interest rate environment will be a factor to watch for the rest of 2022, and this has not changed. So far the labor market has been slow to be impacted at both the national and local level, and the labor market remains tight. In order to bring down inflation, the Federal Reserve may need to soften the labor market to stop wage gains which contribute to inflation increases. How this manifests itself locally remains to be seen, but nationally with such a tight labor market, even a Fed-induced recession is not expected to bring high unemployment numbers akin to previous recessions like 2009.

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

	Labor Force	Employed	Unemployed
Annual	38	397	-358
5-Year	230	216	14
10-Year	-256	683	-938
Annual %	0.3%	3.0%	-43.1%
5-Year %	1.6%	1.6%	3.1%
10-Year %	-1.8%	5.2%	-66.5%

Other Indicators

City sales taxes are up 2.84%, which sounds positive, but given inflation over 8%, this could be interpreted as a decline in sales tax collection adjusting for inflation. Delta County was up 9.4%, surpassing the inflation number. Lodging tax collection is up over 16%.

On a year-to-year comparison, as of the end of July, new business entity filings are down from last year, falling from 406 to 365 compared to May 31 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:
Employment Estimate

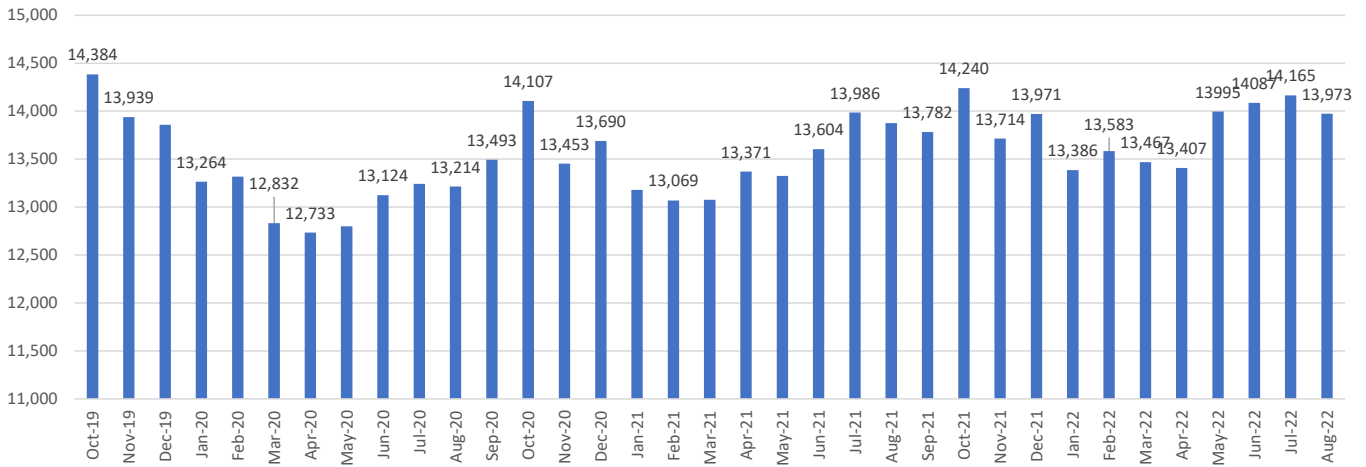


Figure 2:
Yearly Employment Average

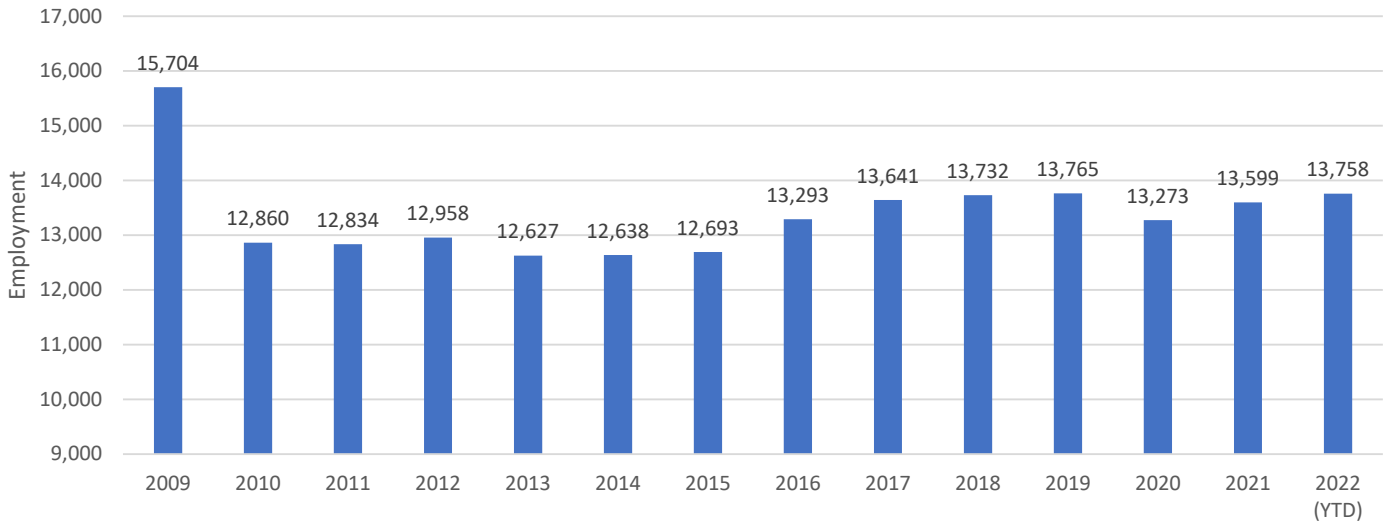


Figure 3:
Change in Yearly Employment Average

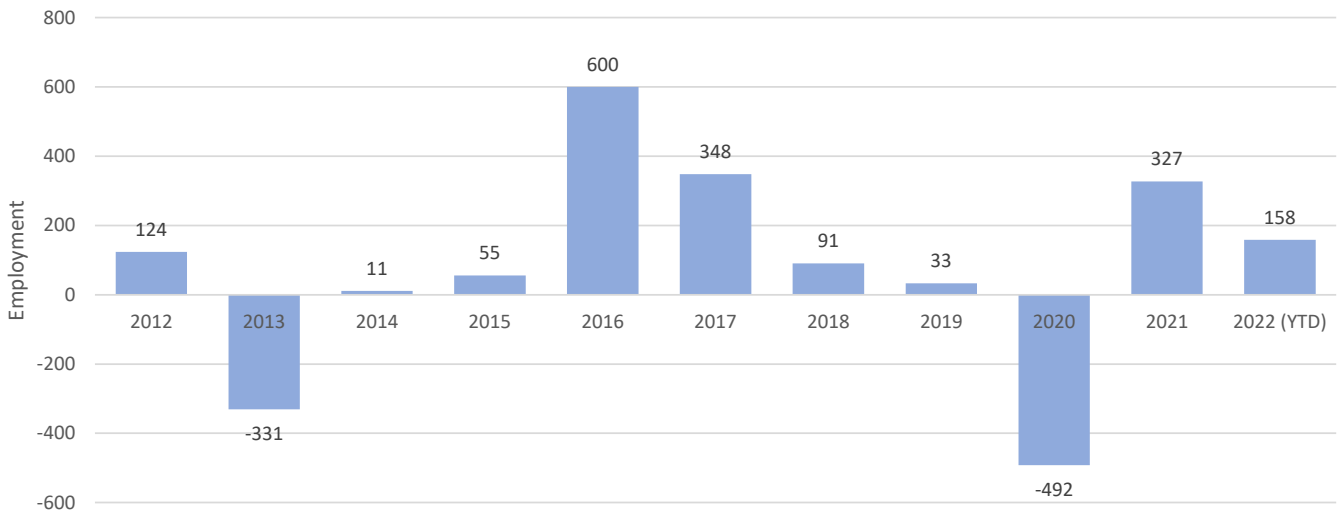


Figure 4:
Leeds Business Confidence Index

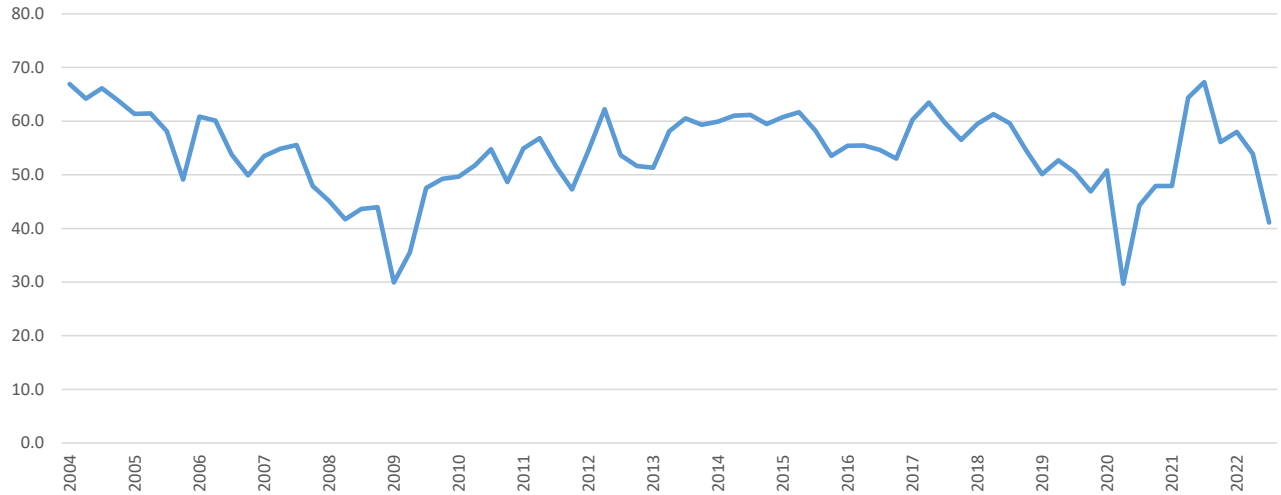


Figure 5:
Number of Unemployed Delta County

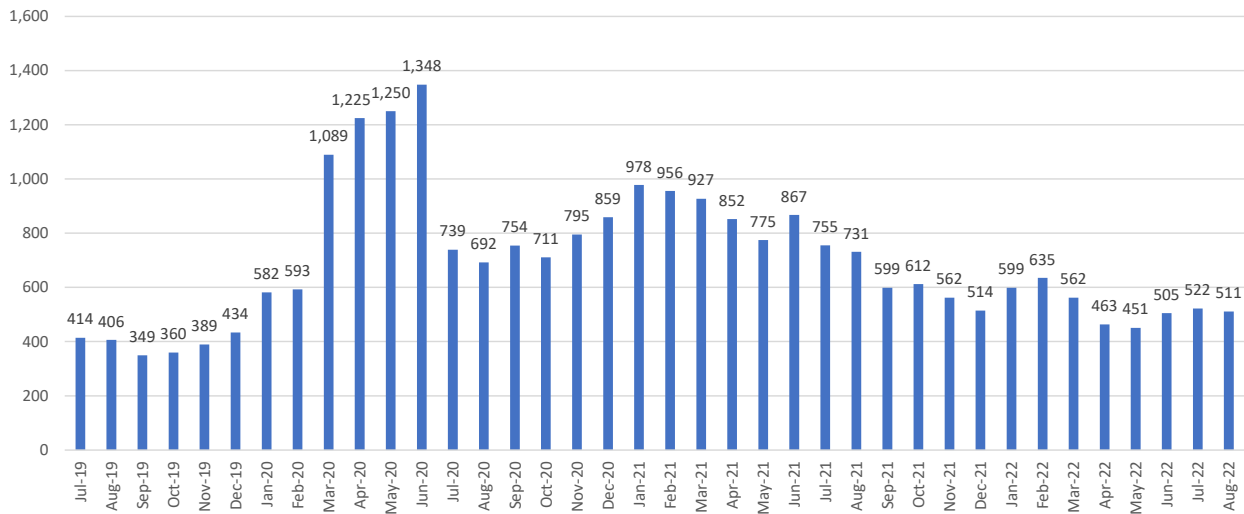


Figure 6:
Total Full and Part Time Jobs (BEA)

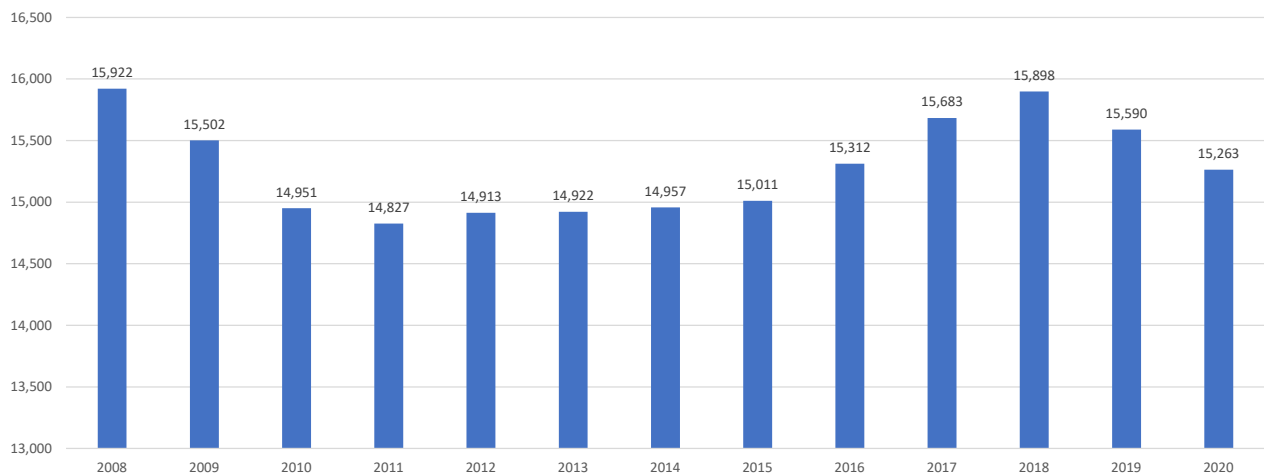


Figure 7:
Delta County Median Household Income

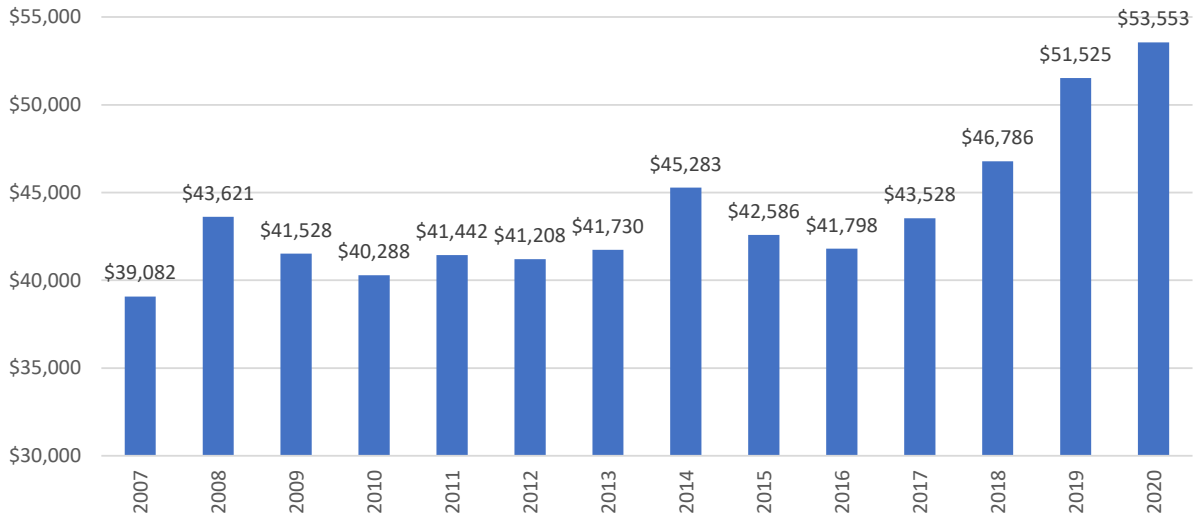


Figure 8:
Delta County Poverty Rate Estimate

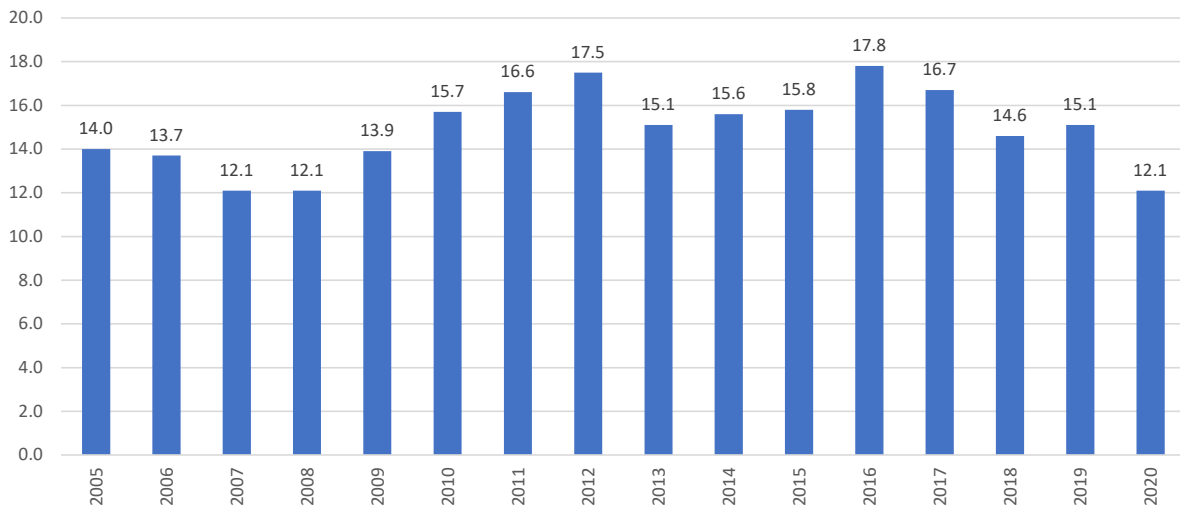
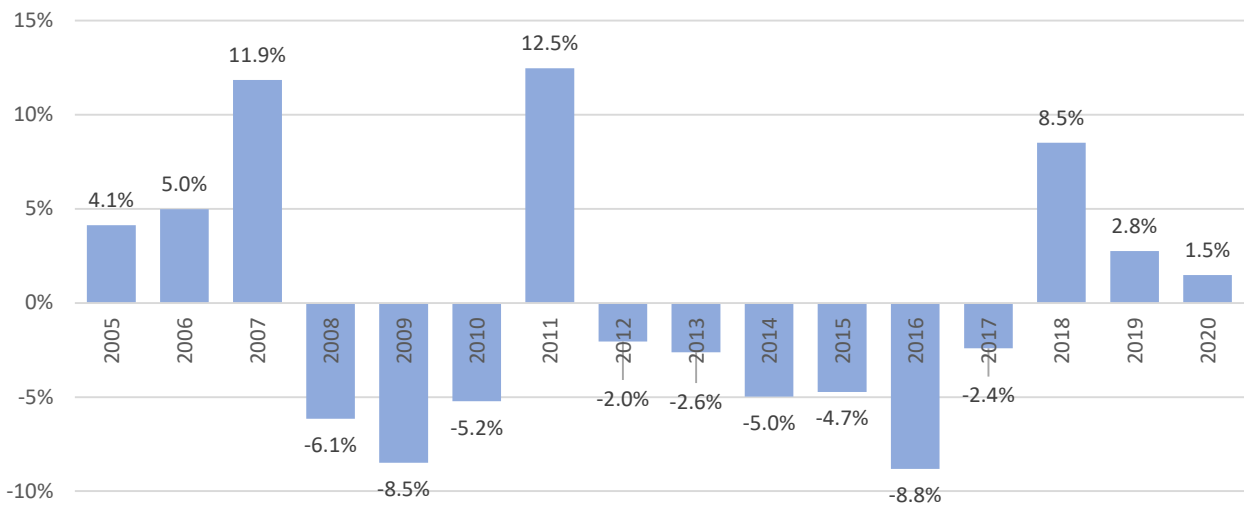


Figure 9:
Delta County Real GDP % Change (chained 2012 dollars)



Delta County Employment Trends

Q1 2022 QCEW data shows a loss in jobs but a slight gain in wages. The job losses were mainly in healthcare, real estate, and retail trade. The trend from Q1 2021 to Q1 2022 was the same as the last quarter. Job gains were in accomodation and food services and manufacturing. Finance and insurance led wage gains along with retail trade, wage losses were in mining, which has also shown a large loss in jobs. 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) Q1 2022 Compared to Q1 2021

Sector	Average Employment	Total Quarterly Wages	Average Weekly Wage	Total Wage Change	Total Employment Change
Total, All Industries	7,912	\$79,417,052	772	\$2,940,766	-155
Health Care and Social Assistance	1,560	\$17,383,422	857	-\$1,396,736	-244
Retail Trade	1,192	\$10,368,581	669	\$1,020,032	-27
Public Administration	728	\$8,835,380	934	-\$348,982	-4
Construction	494	\$5,783,740	901	\$423,978	6
Manufacturing	536	\$5,353,288	768	\$550,807	28
Finance and Insurance	215	\$3,312,879	1,185	\$1,063,945	24
Accommodation and Food Services	635	\$3,070,213	372	\$428,493	61
Agriculture, Forestry, Fishing & Hunting	301	\$2,925,198	748	\$358,861	29
Professional and Technical Services	203	\$2,640,949	1,001	\$262,518	5
Other Services, Ex. Public Admin	253	\$2,052,145	624	\$117,549	29
Real Estate and Rental and Leasing	154	\$1,735,612	867	-\$128,002	-21
Administrative and Waste Services	168	\$1,526,492	699	\$215,289	-10
Transportation and Warehousing	121	\$1,291,786	821	\$88,059	2
Information	116	\$1,248,245	828	\$63,542	0
Wholesale Trade	50	\$923,707	1,421	\$4,656	0
Management of Companies and Enterprises	27	\$622,904	1,775	-\$111,863	-11
Mining	9	\$127,574	1,090	-\$481,799	-41
Arts, Entertainment, and Recreation	27	\$114,383	326	\$12,334	4

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 10:
Delta Industry Job Recovery, Q4 2019 compared to Q1 2022

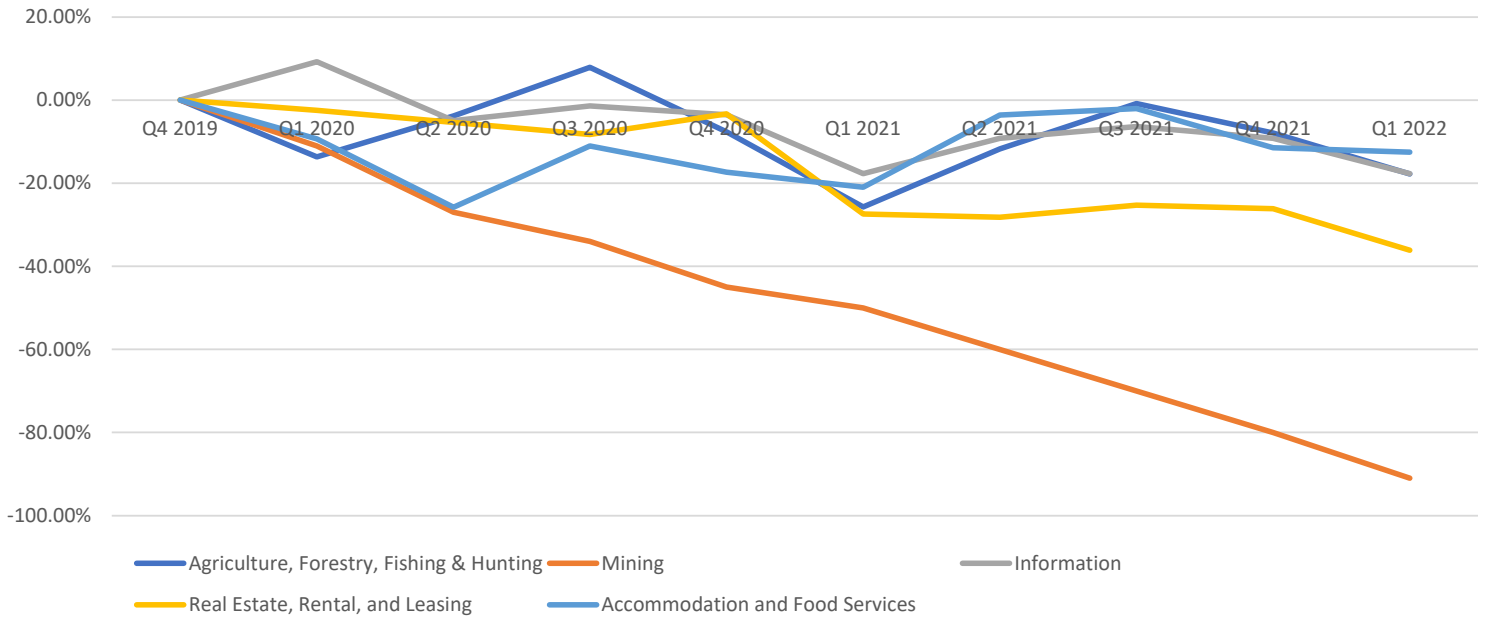
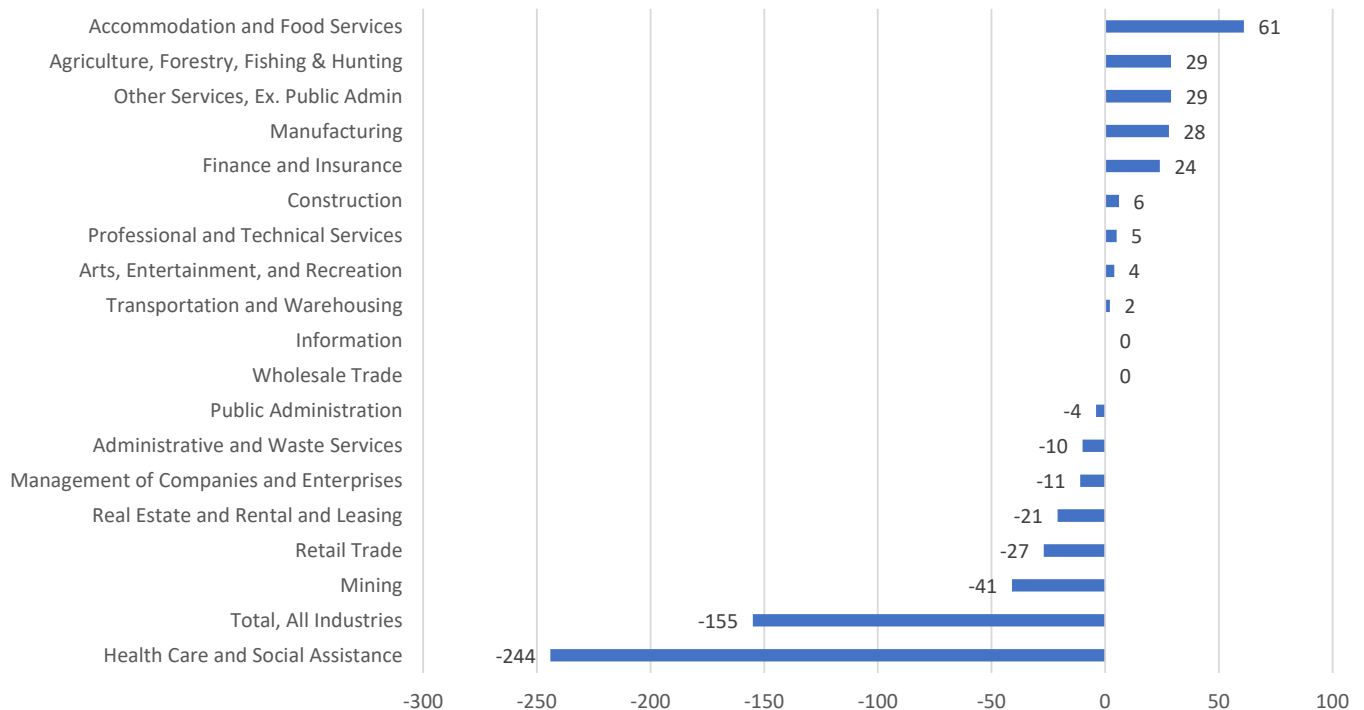


Figure 11:
Total Jobs Change from Q1 2021 to Q1 2022



LOCAL REAL ESTATE

	Q2 2022	Q2 2021	% change since last year
Real Estate			
Inventory of Homes for Sale (3 month avg)	109	81	34.02%
New Residential listings (3 month total)	209	220	-5.00%
Sold Residential Listings (3 month total)	133	182	-26.92%
Median Sales Price	\$377,167	\$334,667	12.70%
Average Sales Price	\$425,371	\$378,610	12.35%
Days on Market	79.33	93.00	-14.70%
Months Supply of Inventory	2.37	1.43	65.12%
Foreclosures			
Foreclosure Filings	20	4	400.00%
Foreclosure Sales	2	0	N/A
Mortgage Rates			
15 Year Mortgage Rate	4.56%	2.15%	2.41%
30 Year Mortgage Rate	5.22%	2.84%	2.38%

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 12.7% compared to the same quarter last year. Looking at just this year, since January through July there has been a 10% increase in median home price on sales. August, however, showed a 8.7% fall in prices, showing that high interest rates may have finally started to cause a pause in the Delta County housing market. It is important to note there there is a large amount of variation in median home sales due to the small size of Delta County. Other data points are showing signs of slowing, including months supply of inventory which sits at 4.1 in August (figure 12). This measure needs to be closer to 5 to 6 months supply of inventory before home prices really start falling, but months

supply of inventory has picked up every month since January, following interest rates. Delta's months supply of inventory is much higher than Mesa and Montrose, and could be the first of the three counties to have a price pause or see prices fall. Current active listings are rising, and the percentage of list price received is falling (now at 96.1%, down from over earlier in the year). As of September 20th, mortgage rates had reached over 6% from the lows of 2.75% less than a year ago (figure 14). This has increased monthly payments of new purchases upwards of 50%.

Foreclosures have started rising, rising from 4 to 20 comparing Q2 2022 to Q2 2021 (figure 13). During the 2020-2021 COVID-19 period there were mortgage forbearance programs. Many of these programs ended in the fall of 2021. If a person is still struggling when the program ends, they don't foreclose immediately, it is usually a 3-4 month process, which causes a spike in February and March when we see it. Since March they have fallen back to "normal" levels. The 2020-2021 low foreclosure numbers were not normal, and were low in part due to mortgage forbearance programs. There is a similar trend nationally, and not just locally. As the economy and labor market slow with the current and looming economic slowdown, we will likely have an increase in foreclosures locally and nationally. At this point there is nothing to suggest it will be bad, but that depends on the depth of the economic downturn. If it is mild like most economists are predicting, then don't expect foreclosures to spike, maybe just trend slightly higher.

Figure 12:
Months Supply of Inventory

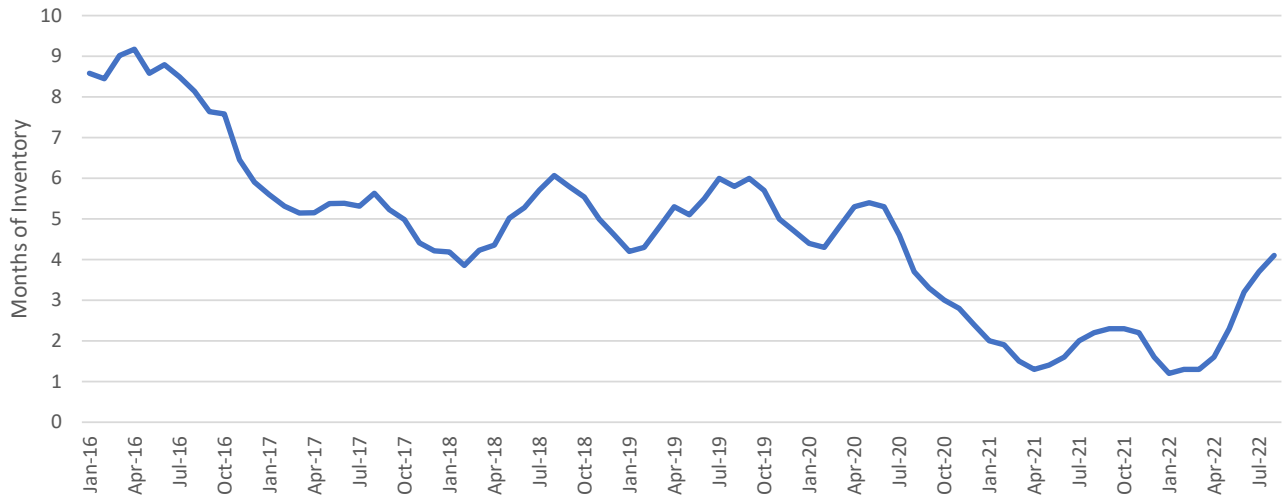


Figure 13:
Foreclosures

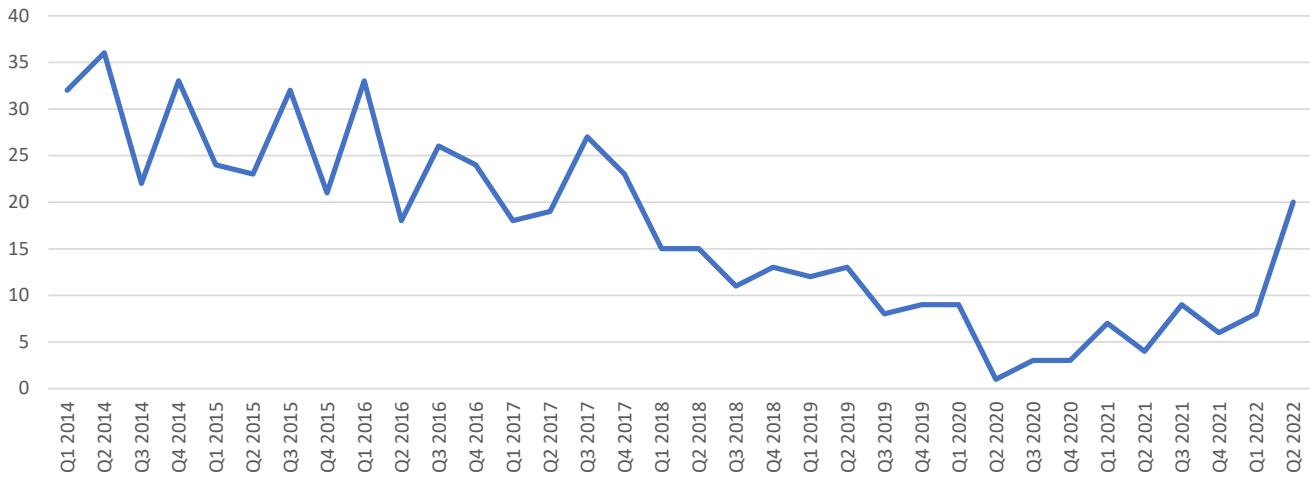
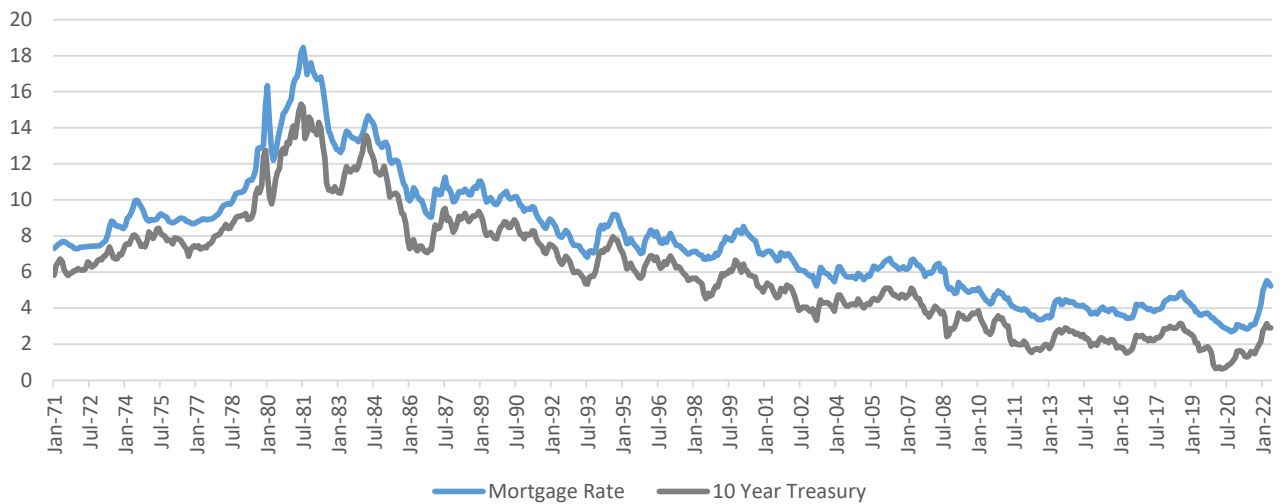


Figure 14:
10 Year Treasury and 30 Year Mortgage Rates (through Aug 2022)



REGIONAL ENERGY

	Q2 2022	Q1 2022	Q2 2021	% change since last quarter	% change since last year (comparable quarters)
Energy Prices					
WTI Crude Oil	\$108.83	\$95.18	\$66.19	14.34%	64.42%
Henry Hub Natural gas	\$7.48	\$4.66	\$2.94	60.52%	154.42%
Retail Gasoline Price	\$4.33	\$3.56	\$2.87	21.86%	50.78%
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					
	Aug-22	Jun-22	Jan-22		
Rig Count (Western Colorado, Mesa, Rio Blanco, Garfield, Moffat)	4	3	2		
Delta/Gunnison Coal Industry					
	2022 (YTD)	2021 (YTD)	% Change		
Delta/Gunnison Average Monthly Employment for Coal Mining	249	215	15.74%		
Delta/Gunnison Coal Production (tons)	356,001	175,284	103.10%		

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

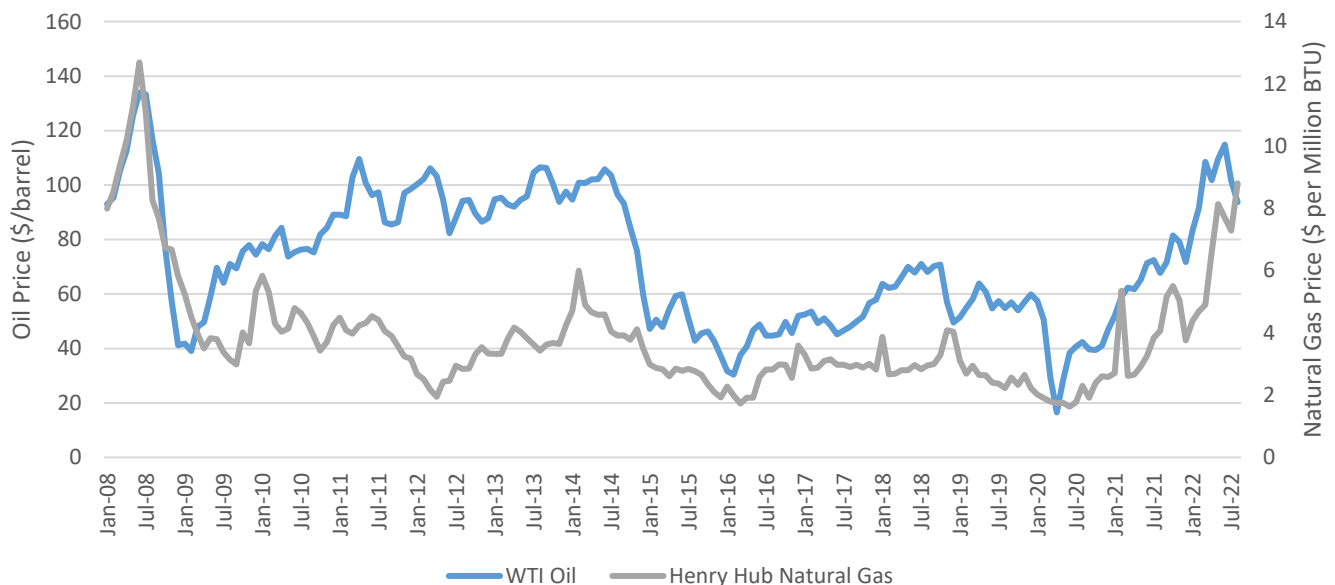


Figure 16:
Delta/Gunnison Coal Production and Employment

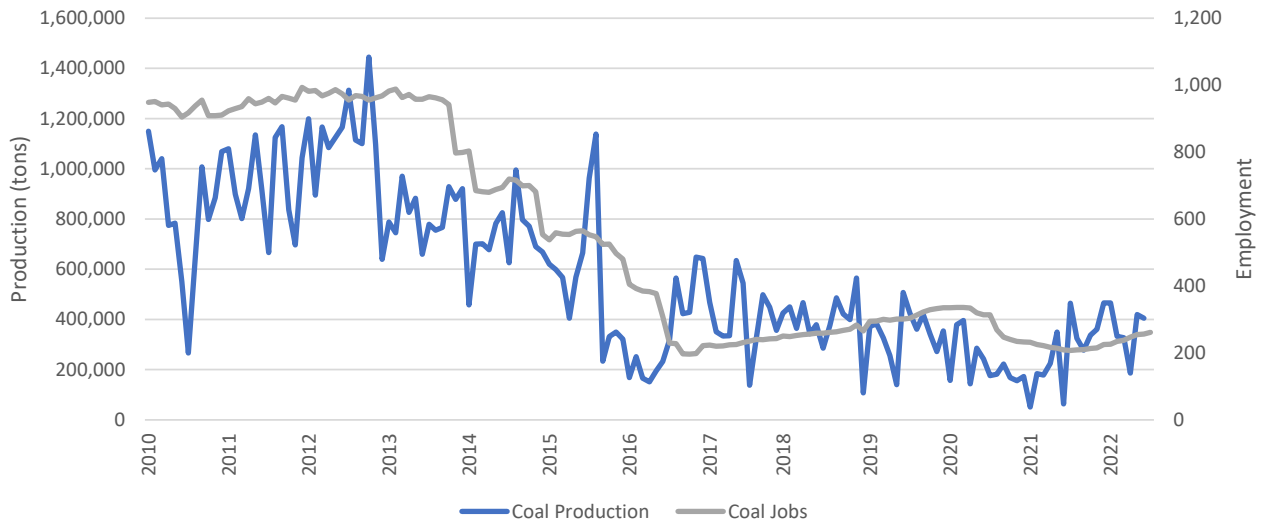
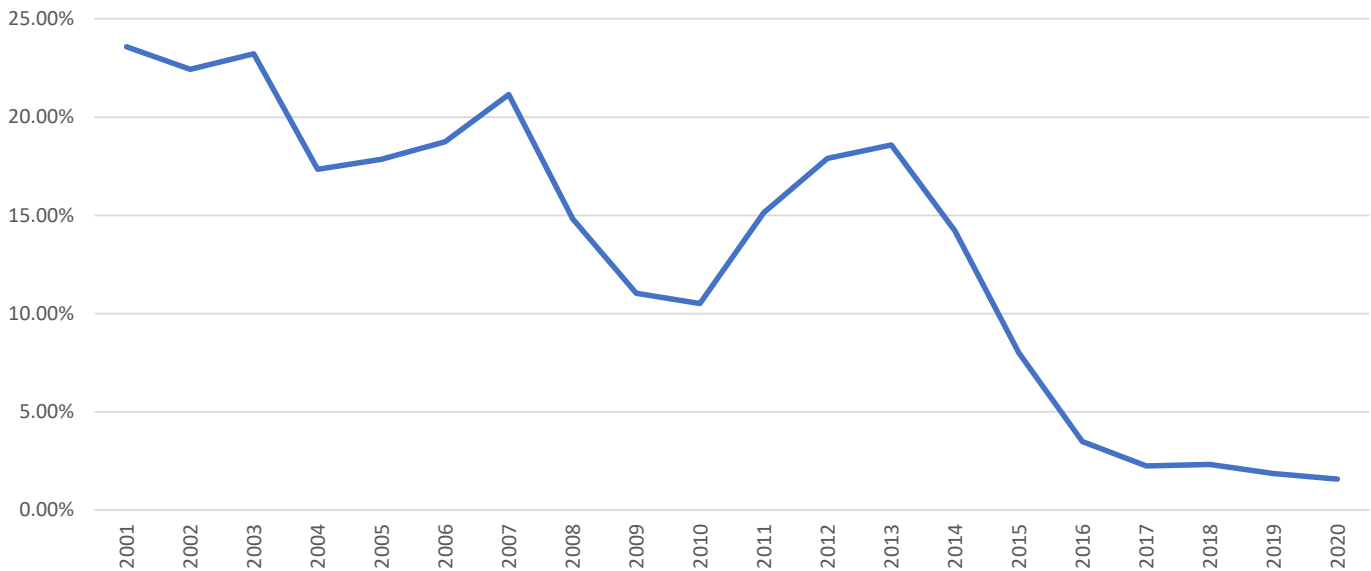


Figure 17:
Mining and Oil and Gas as a Percentage of GDP for Delta County



Western Slope Energy

West Texas Intermediate crude oil prices averaged \$108.83 in the second quarter of 2022, falling to \$88 by mid-September. Gasoline followed oil and rose to \$5.00, peaking on June 13, and falling to \$3.65 a gallon by mid-September. Natural gas prices rose from \$2.94 in Q2 2021 to 7.48 in Q2 2022, rising to a peak of \$9.85 on August 22. Despite high natural gas prices, the Piceance rig count remains at 4, with 3 natural gas rigs, and an oil rig. This high of price of natural gas has not been seen since 2008 when rig counts were exponentially higher in the region. Even as recently as 2017, when natural gas prices ranged between \$3.00 and \$4.50, rig counts that year ranged between 8 and 9. There are several potential reasons for the slow move upwards in rig counts, including lack of labor force to deploy the rigs, permitting delays, the loss of major capital deployments to other basins during the 2020 oil and gas downturn, industry interpretation of H.B. 181, and other potential explanations. With oil and gas prices expected to sustain their price increases, it would be surprising if the Piceance did not participate in the oil and gas surge. Data on Western Slope oil and gas permits is as of April, as the COGCC has not responded to my requests for data.

Delta coal employment has now dropped to 9 in the QCEW data, although the mine in Gunnison has increased the number of workers from 215 to 249 year over year. Production has also drastically increased at the mine, almost doubling when comparing years through June.

NATIONAL ECONOMIC INDICATORS

	Q2 2022	Q1 2022	Q2 2021	% change since last period	% change since last year (comparable quarters)
Business Cycle Indicators					
Real GDP	-0.90%	-1.60%	6.70%	0.70%	-7.60%
Personal Consumption Expenditures	1.00%	1.80%	12.00%	-0.80%	-11.00%
Gross Private Domestic Investment	-13.50%	5.00%	-3.90%	-18.50%	-9.60%
National Consumer Confidence	57.9	63.1	85.6	-8.24%	-32.36%
Industrial Production Index	104.2	102.9	99.7	1.32%	4.60%
Initial Weekly Unemployment Claims (4 week MA)	198,846	207,673	518,365	-4.25%	-61.64%
Non Farm Payroll Change (in thousands)	1,261,333	1,720,333	1,452,667	-26.68%	-13.17%
Unemployment					
Unemployment Rate-U3-SA	3.60%	3.80%	5.90%	-0.20%	-2.30%
Unemployment Rate-U6-SA	6.90%	7.10%	10.10%	-0.20%	-3.20%
Interest Rates					
Federal Funds Rate	0.75%	0.12%	0.07%	0.63%	0.68%
10 Year U.S. Treasury	2.93%	1.94%	1.59%	0.99%	1.34%
30 Year U.S. Treasury	3.04%	2.26%	2.26%	0.78%	0.78%
Inflation Measures					
Inflation Rate (CPI)	8.58%	8.00%	4.81%	0.58%	3.77%
Core Inflation Rate (All Items Less Food and Energy)	6.02%	6.30%	3.74%	-0.28%	2.28%
Inflation Rate (Shelter)	5.40%	4.71%	2.29%	0.69%	3.11%
Producer Price Index (PPI)	21.96%	20.42%	18.82%	1.54%	3.13%
Employment Cost Index	5.04%	4.45%	2.91%	0.59%	2.13%
Stock Prices					
S&P 500	4,106	4,464	4,184	-8.02%	-1.86%
Dow Jones Industrial Average	32,688	34,679	34,121	-5.74%	-4.20%
Trade Balance and Debt					
Trade Balance (% of GDP)	-1078.339	-1177.904	-881.689	-8.45%	22.30%
Federal Debt (% of GDP)*	124.7%	123.4%	127.7%	1.3%	-3.0%

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.

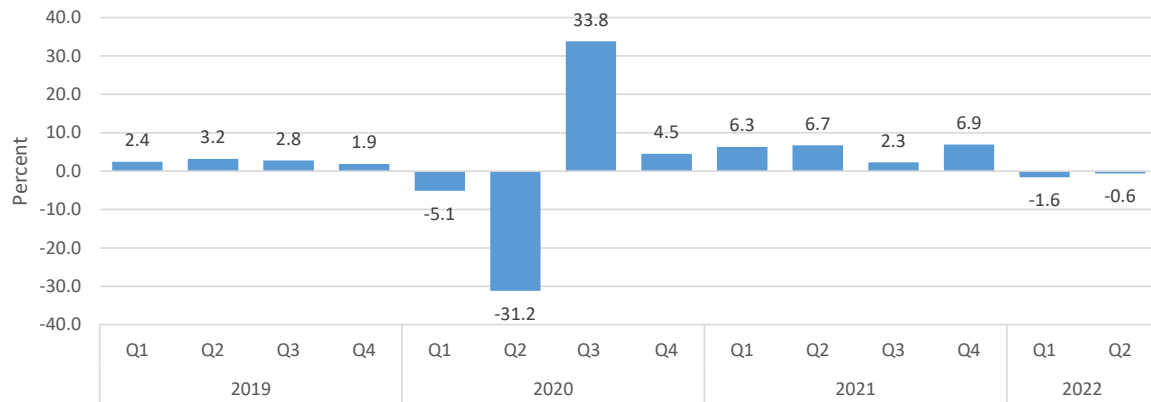
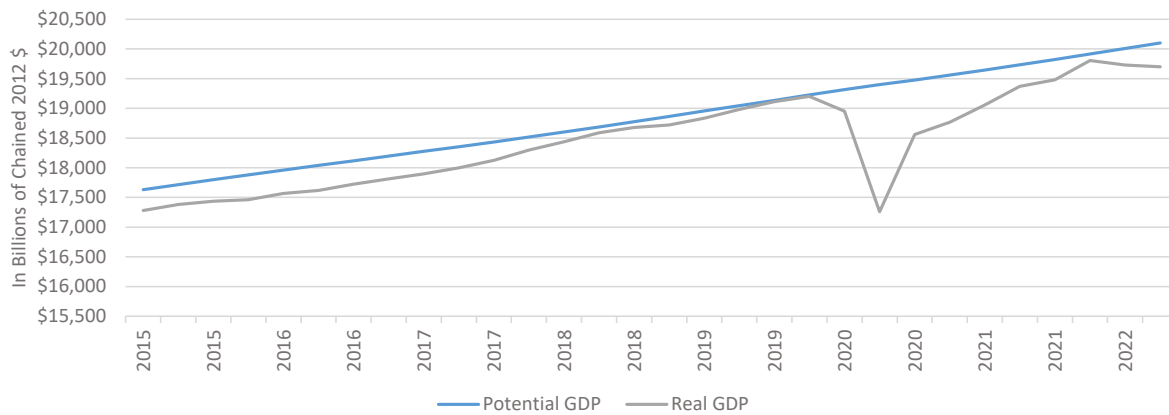


Figure 19:
GDP Gap



Economic Growth

U.S. GDP was negative for a second straight quarter at -0.6% (figure 18). There have been debates about whether the U.S. is in a recession or not after two negative quarters of GDP. The National Bureau of Economic Research (NBER) makes this decision after looking at many different data points, not just GDP. Recession calls by NBER are usually made many months after the recession began, as economic data lags. There are some data points showing the economy is softening, but as of summer 2022, the labor market is so strong it would be difficult to say the U.S. is in recession yet. It is possible as the economy turns this fall and that in late 2022 or early 2023 the NBER backdates a recession to sometime in summer 2022. Due to the lagging nature of economic data we won't know for several more months.

Inflation Watch

Headline inflation printed at 8.3%, which was higher than many economists were expecting (figure 20). Energy fell in August as expected, but food and shelter rose keeping inflation above 8%. The continued high inflation rate puts pressure on the Federal Reserve to keep raising interest rates.

The Federal Reserve continues to ramp up the Federal Funds rate, with a current target range of 2.25-2.50%. Markets are trying to determine how high the Fed is willing to go to fight inflation, with current market odds at a terminal rate of 4.5%.

The Core CPI, which omits food and energy and is an important measure for the Federal Reserve, rose to 6.3%. Core CPI is important because the Fed does not have as much influence over food and energy prices.

Comparing different regional measures of the CPI shows that the national CPI, the "West" CPI, and the Denver, Aurora, Lakewood CPI all show inflation around the same rate of 8.1-8.3% (figure 22). The Mountain CPI, however, shows significantly higher inflation at 9.6%. The Mountain region includes Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Utah, and Wyoming, while the West region includes the Mountain region and the Pacific states.

The yield curve continues to invert, signaling recession in the coming months (figure 24). The 10 year minus the 2 year treasury has been negative since early July and has been highly predictive of recession 9 months later.

Figure 20:
CPI (Inflation) Release from the Bureau of Labor Statistics (reproduced from BLS.gov)

Table A. Percent changes in CPI for All Urban Consumers (CPI-U): U.S. city average

	Seasonally adjusted changes from preceding month							Un-adjusted 12-mos. ended Aug. 2022
	Feb. 2022	Mar. 2022	Apr. 2022	May 2022	Jun. 2022	Jul. 2022	Aug. 2022	
All items.....	0.8	1.2	0.3	1.0	1.3	0.0	0.1	8.3
Food.....	1.0	1.0	0.9	1.2	1.0	1.1	0.8	11.4
Food at home.....	1.4	1.5	1.0	1.4	1.0	1.3	0.7	13.5
Food away from home ¹	0.4	0.3	0.6	0.7	0.9	0.7	0.9	8.0
Energy.....	3.5	11.0	-2.7	3.9	7.5	-4.6	-5.0	23.8
Energy commodities.....	6.7	18.1	-5.4	4.5	10.4	-7.6	-10.1	27.1
Gasoline (all types).....	6.6	18.3	-6.1	4.1	11.2	-7.7	-10.6	25.6
Fuel oil ¹	7.7	22.3	2.7	16.9	-1.2	-11.0	-5.9	68.8
Energy services.....	-0.4	1.8	1.3	3.0	3.5	0.1	2.1	19.8
Electricity.....	-1.1	2.2	0.7	1.3	1.7	1.6	1.5	15.8
Utility (piped) gas service.....	1.5	0.6	3.1	8.0	8.2	-3.6	3.5	33.0
All items less food and energy.....	0.5	0.3	0.6	0.6	0.7	0.3	0.6	6.3
Commodities less food and energy commodities.....	0.4	-0.4	0.2	0.7	0.8	0.2	0.5	7.1
New vehicles.....	0.3	0.2	1.1	1.0	0.7	0.6	0.8	10.1
Used cars and trucks.....	-0.2	-3.8	-0.4	1.8	1.6	-0.4	-0.1	7.8
Apparel.....	0.7	0.6	-0.8	0.7	0.8	-0.1	0.2	5.1
Medical care commodities ¹	0.3	0.2	0.1	0.3	0.4	0.6	0.2	4.1
Services less energy services.....	0.5	0.6	0.7	0.6	0.7	0.4	0.6	6.1
Shelter.....	0.5	0.5	0.5	0.6	0.6	0.5	0.7	6.2
Transportation services.....	1.4	2.0	3.1	1.3	2.1	-0.5	0.5	11.3
Medical care services.....	0.1	0.6	0.5	0.4	0.7	0.4	0.8	5.6

¹ Not seasonally adjusted.

Figure 21:
Inflation Rate

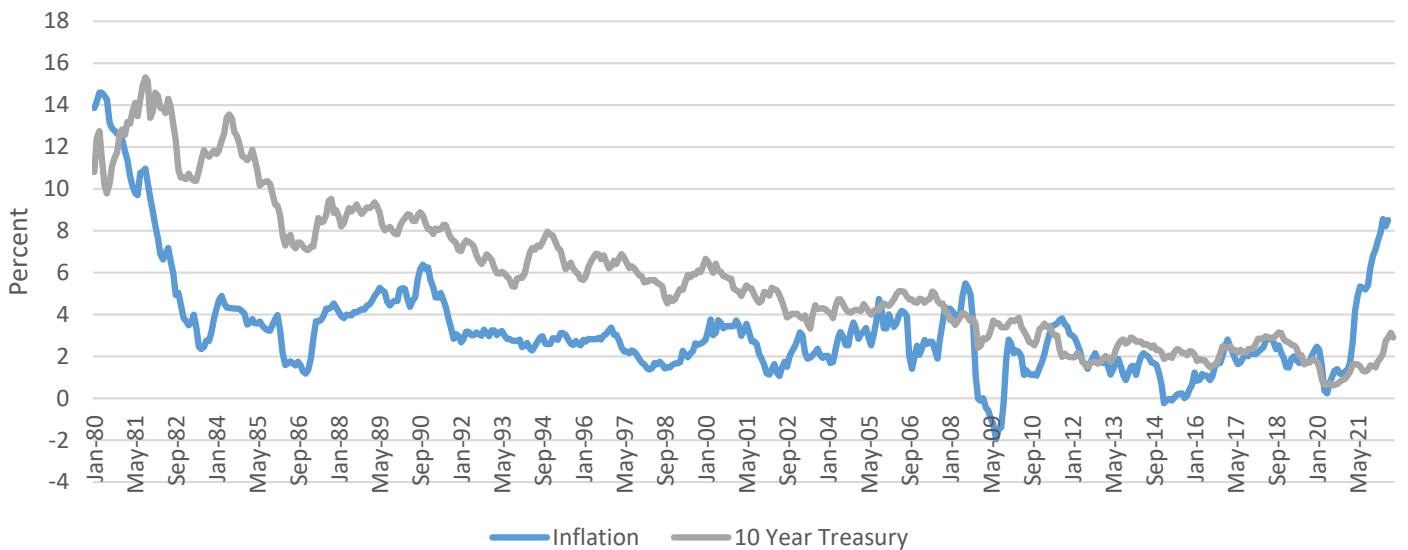


Figure 22:
Regional CPI Comparison

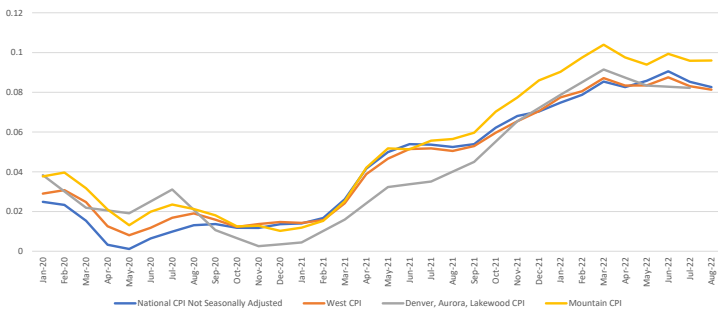


Figure 23:
Employment Cost Index

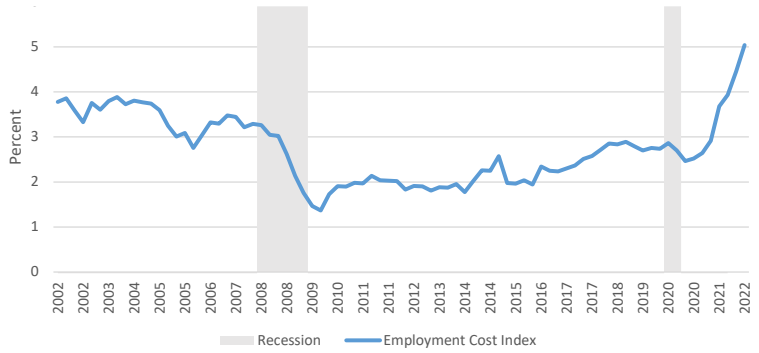


Figure 24:
Yield Curve: 10 Year Treasury minus 2 year Treasury



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