

DELTA COUNTY ECONOMIC UPDATE

Fourth Quarter, 2021



Provided by the Business Department
of Colorado Mesa University

Economic Summary

- Delta real GDP data for 2020 was released and increased by 1.48%. For comparison, national GDP fell by 3.4%, Colorado's GDP number fell by 3%, Montrose fell by 0.77%, and Mesa County lost 3.14%. This puts Delta County as strong relative performer for 2020.
- The Delta County labor market is performing well, with a Q3 average unemployment rate of 4.77% (non-seasonally adjusted). Delta's latest monthly unemployment rate for October was 3.9%.
- Q2 QCEW data shows that biggest job gains from Q2 of last year were in accomodation and food services (161), manufacturing (69), and public administration (52).
- The November inflation rate was 6.9%, the highest since June of 1982. The largest changes in inflation were in energy, which has increased 33.3% since November of last year. New vehicles rose 11.1%, while used vehicles rose 31.4%. Food prices rose 6.4% at the grocery store, while food away from home rose 5.8%.

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LOCAL ECONOMIC INDICATORS

	Q3 2021	Q2 2021	Q3 2020	change since last quarter	change since last year (comparable quarters)
Local Labor Market					
Unemployment Rate Delta County- NSA	4.77%	5.53%	5.87%	-0.77%	-1.10%
Unemployment Rate Colorado - NSA	5.40%	6.10%	7.10%	-0.70%	-1.70%
Unemployment Rate U.S. - NSA	5.20%	5.80%	8.90%	-0.60%	-3.70%
Labor Force	15,060	15,247	14,433	-187	627
Employed	14,346	14,407	13,588	-61	758
Unemployed	714	840	845	-126	-132
Business Confidence					
Leeds Colorado Business Confidence Index	67.3	64.4	44.3	4.50%	51.92%
Sales/Use Taxes					
City of Delta Sales/Use Taxes (YTD, August)	\$7,287,180		\$6,152,482		18.44%
Delta County Sales/Use Tax (YTD, May)	\$6,222,128		\$5,559,178		11.93%
Lodging Tax (YTD, May)	\$141,309		\$97,021		45.65%
Business Filings					
	2021 (YTD)		2020 (YTD)		
Delta County New Business Entity Filings (as of Sept 19th)	596		411		45.01%

Standard of Living and Growth	2020	2019	2018	2017	% change from 2019
Population	31,067	31,021	30,835	30,516	0.15%
Real Gross Domestic Product (GDP) in thousands	\$818,405	\$806,409	\$784,802	\$723,286	1.53%
Personal Income (in thousands)	\$1,308,770	\$1,187,891	\$1,168,661	\$1,108,464	10.34%
Personal Income Per Capita	\$42,127	\$38,293	\$37,900	\$36,324	10.12%
	2019	2018	2017	2016	% change from 2018
Median Household Income	\$51,525	\$46,786	\$43,528	10.13%	10.89%
Percent of Population Below Poverty Line	15.1%	14.6%	16.70%	17.8%	2.99%

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 is performing well, with a Q3 average unemployment rate of 4.77% (non-seasonally adjusted). Delta's latest monthly unemployment rate for October was 3.9%. October is generally the lowest of the monthly unemployment rates due to seasonal employment changes. Employment estimates average 14,346 for Q3, with the October number at 14,870. The quarterly average hovers around 2019 levels, while the October number is the highest employment estimate since 2009. The number of unemployed for the quarter averages 714, which is still higher than 2019 unemployment numbers. It is important to note that these employment numbers are estimates, and it is more important to look at the trend of the data vs. the exact differences between months. The trend since early 2020 has been the addition of approximately 84 in employment per month. There are of course seasonal fluctuations, but that is the general trend.

The labor market still remains tight as Goldman Sachs estimates that about 3.4 million of the 5 million people who have left the labor market will not return, while 1.7 million that are open to returning to work. 2.5 million of these were early retirements. This is a seismic shift in labor market conditions, which along with other factors discussed in previous newsletters combined are causing an extremely tight labor market. This is not just a national issue, it is a local issue as well.

This reduction in labor market participation can be seen in Colorado in figure 5. Pre-COVID-19 labor force participation was 68.9%, falling to 64.9% in April 2020, and rising back to 68.2% in October 2021. Nationally, the pre-COVID-19 number was 63.2% in October 2019, fell to 60.2% in April 2020, and rose to 61.6% in October 2021. The national labor force has not recovered as much as the Colorado labor force, but even the Colorado labor force participation rate is still lower, reflecting this shift in the labor market.

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

	Labor Force	Employed	Unemployed
Annual	916	1,729	-813
5-Year	4,419	3,632	788
10-Year	1,092	4,465	-3,373
Annual %	1.21%	2.45%	-15.81%
5-Year %	6.12%	5.29%	22.23%
10-Year %	1.45%	6.59%	-43.78%

Standard of Living Measures

The Bureau of Economic Analysis has released several important data points, including 2020 GDP and job data. Delta's GDP in 2020 was a surprise positive number. With the nation, state, and neighboring Mesa and Montrose Counties having negative GDP numbers, Delta County grew by 1.48%. The GDP numbers are discussed in details in a later section below. Figure 6 illustrates the BEA's estimates of jobs for Delta County. Note that jobs and employment are different, as a person can have two jobs, but be employed only once. Delta County fell from 15,590 in 2019 to 15,263 in 2020. This drop expected given the economic conditions of 2020.

In addition to the GDP and accompanying jobs data, income per capita was also released and shows that income per capita increased from \$38,293 to \$42,127, or a 10.1% increase. Income per capita takes all personal income in the county and divides by the population.

Figure 1:
2 Year Employment

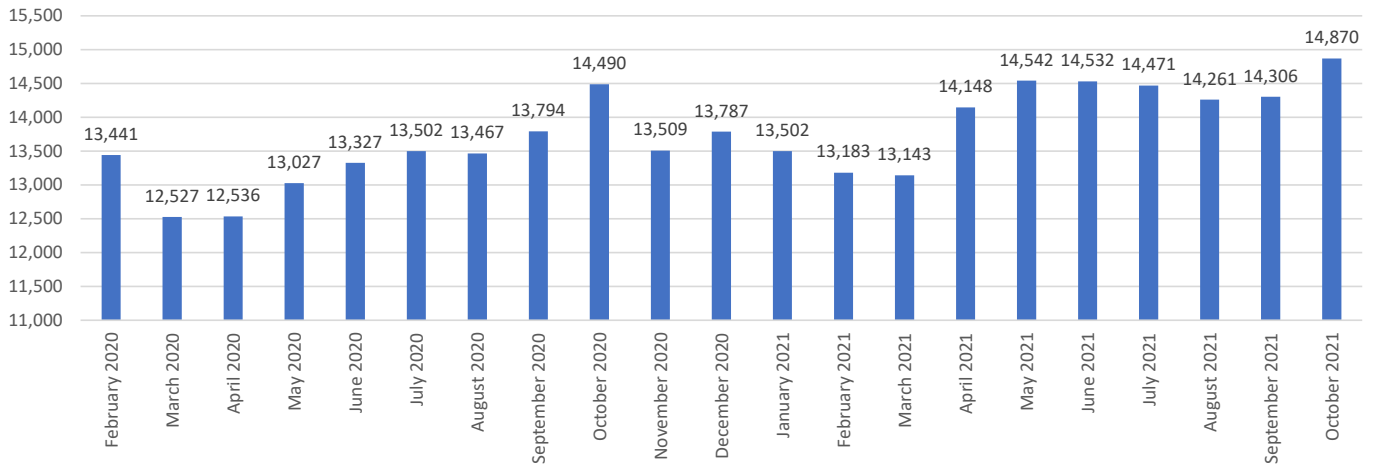


Figure 2:
Delta and Colorado Unemployment (NSA)

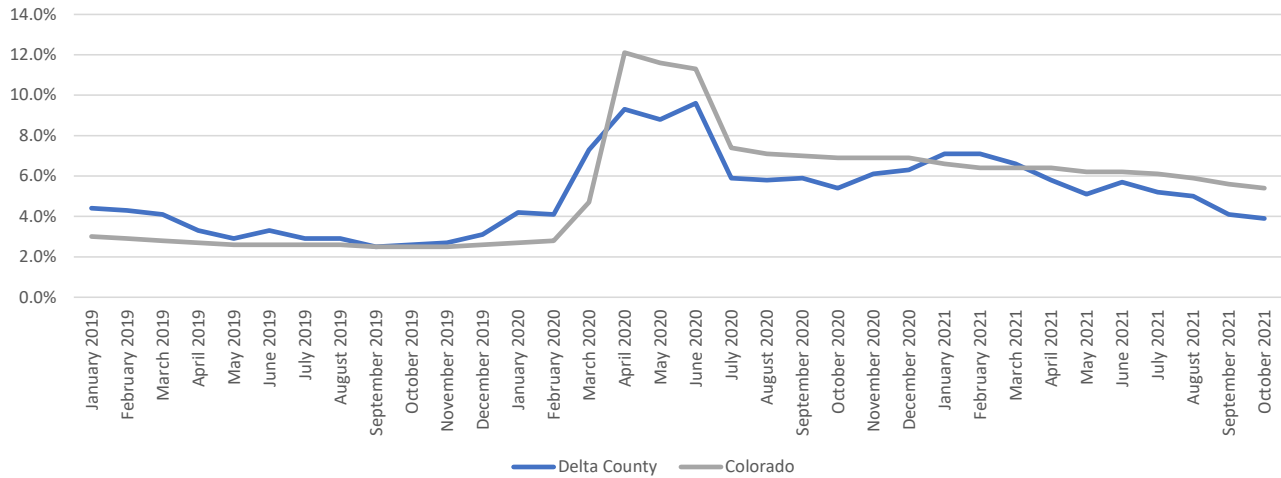


Figure 3:
Delta Unemployed

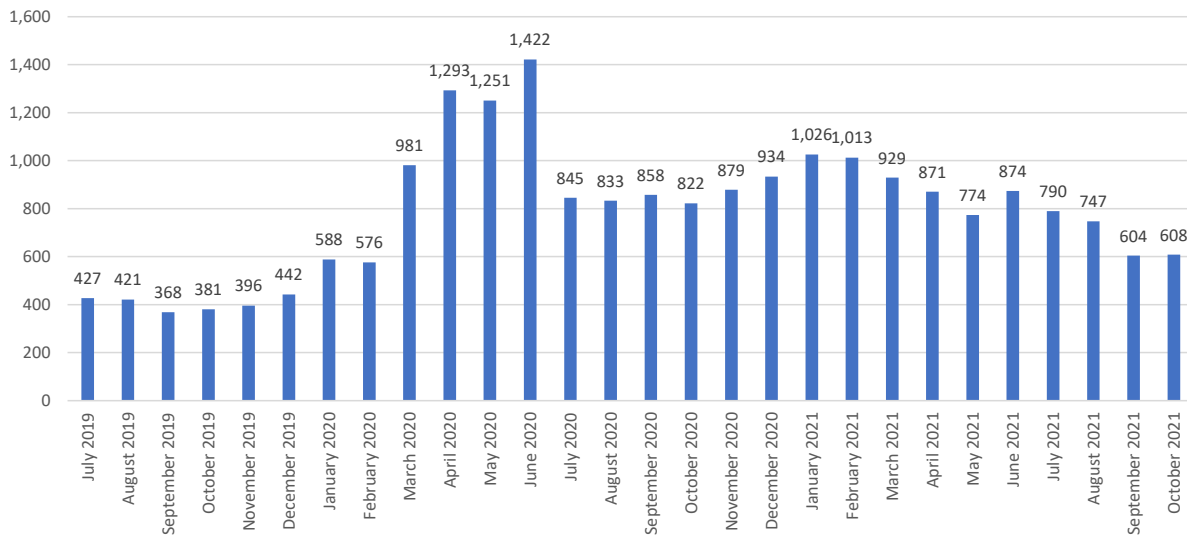


Figure 4:
Delta County Labor Force

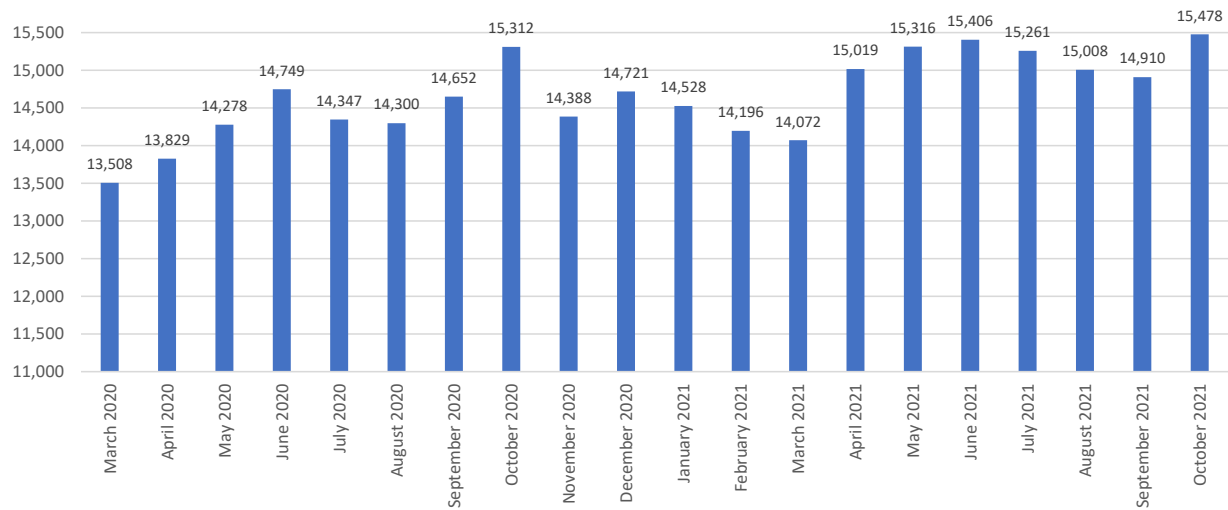


Figure 5:
Labor Force Participation Rate Colorado

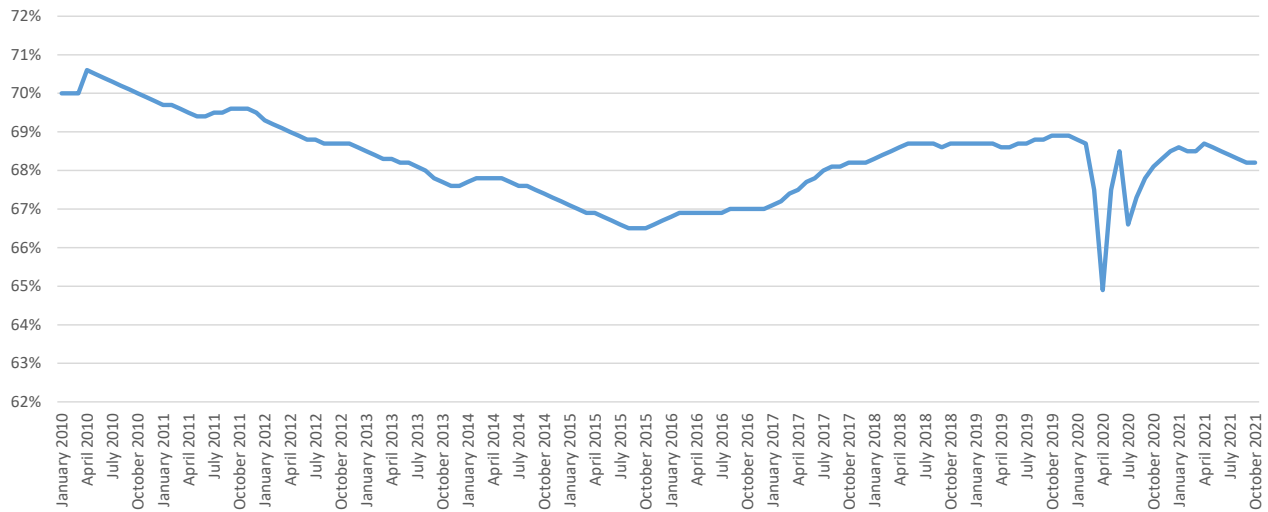
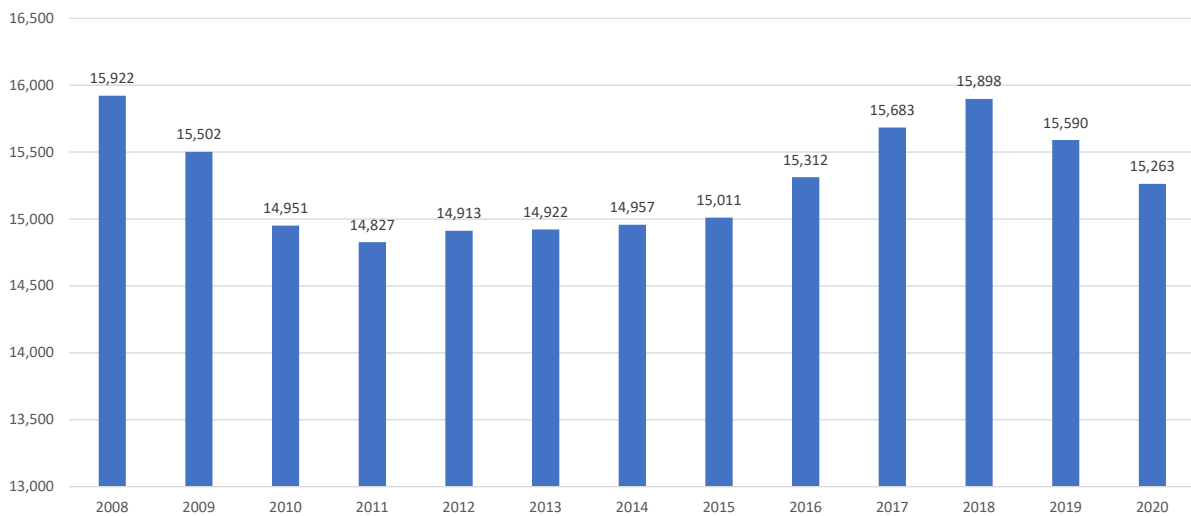


Figure 6:
Total Full and Part Time Jobs (BEA)



2020 GDP Data

County level Gross Domestic Product (GDP) numbers were released by the Bureau of Economic Analysis in December and show that Delta real GDP actually increased by 1.48% in 2020. Real GDP means the GDP number is adjusted for inflation, and this data at the county level takes almost a year to be released. Figure 6 illustrates the percentage change in GDP since 2007, and shows that the 2020 GDP number provides 3 positive years of GDP growth. Point of comparison is always important in these figures, so it is important to note that national GDP fell by 3.4%, Colorado's GDP number fell by 3%, while Mesa County lost 3.14%. This puts Delta County as a strong performer for 2020.

For 2020 GDP, the biggest losses were in health care and accomodation and food services (table 3). Agriculture was the biggest gainer and primarily responsible for the 2020 GDP gain, contributing a 3.7% gain to 2020 GDP. Note that the Bureau of Economic Analysis made some changes to their methodology, which changed the GDP estimates over the time series. Specifically for Delta and Montrose counties, they revised the farm estimates based on the 2017 Census of Agriculture, which increased farm output estimates in the GDP numbers.

Table 2:
GDP Growth Rate Comparisons

Area	GDP Growth Rate
Mesa County	-3.14%
Montrose County	-0.77%
Delta County	1.53%
Colorado	-3.01%
U.S.	-3.41%

Figure 7:
Delta County Real GDP (chained 2012 dollars)

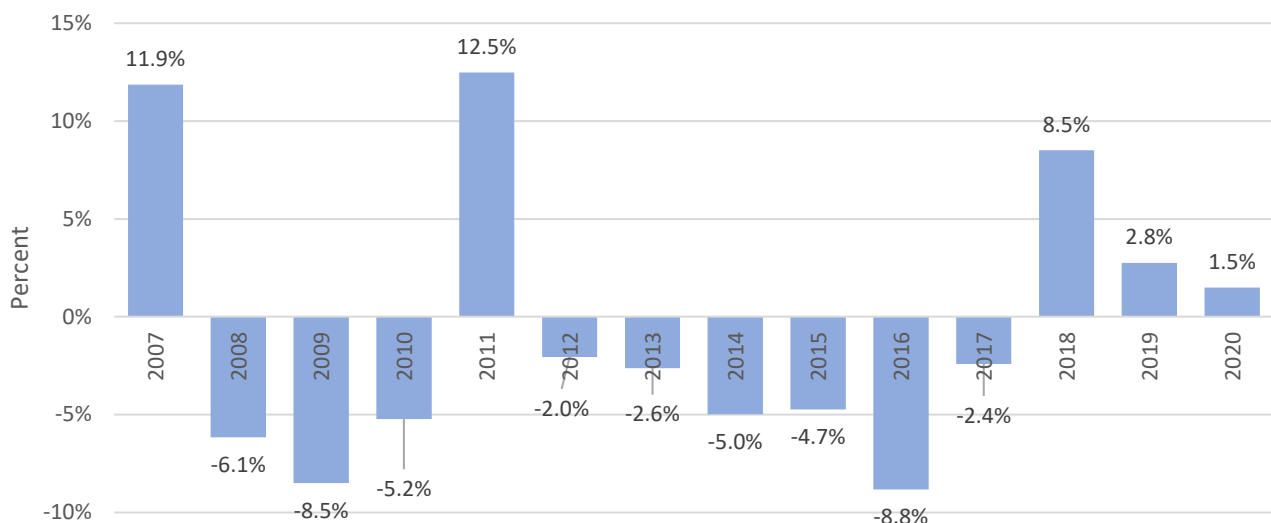


Table 3:
Delta County Real GDP by Industry (in thousands)

Industry Category	2019 GDP	2020 GDP	Difference in Dollars	Difference in Percent
All industry total	\$806,409	\$818,405	\$11,996	1.49%
Agriculture, forestry, fishing and hunting	\$18,429	\$48,973	\$30,544	165.74%
Mining, quarrying, and oil and gas extraction	\$14,981	\$12,963	-\$2,018	-13.47%
Utilities	\$3,962	\$4,886	\$924	23.32%
Construction	\$43,260	\$42,139	-\$1,121	-2.59%
Manufacturing	\$33,015	\$31,649	-\$1,366	-4.14%
Durable goods manufacturing	\$22,970	\$22,037	-\$933	-4.06%
Nondurable goods manufacturing	\$9,764	\$9,340	-\$424	-4.34%
Wholesale trade	\$8,167	\$8,104	-\$63	-0.77%
Retail trade	\$74,152	\$75,073	\$921	1.24%
Transportation and warehousing	\$10,777	\$10,104	-\$673	-6.24%
Information	\$17,879	\$19,608	\$1,729	9.67%
Finance, insurance, real estate, rental, and leasing	\$238,288	\$243,162	\$4,874	2.05%
Finance and insurance	\$19,401	\$18,706	-\$695	-3.58%
Real estate and rental and leasing	\$221,723	\$227,635	\$5,912	2.67%
Professional and business services	\$61,559	\$60,204	-\$1,355	-2.20%
Professional, scientific, and technical services	\$20,074	\$18,933	-\$1,141	-5.68%
Management of companies and enterprises	\$28,746	\$28,334	-\$412	-1.43%
Administrative and support and waste management and remediation services	\$12,807	\$12,995	\$188	1.47%
Educational services, health care, and social assistance	\$46,322	\$42,630	-\$3,692	-7.97%
Educational services	\$2,505	\$2,425	-\$80	-3.19%
Health care and social assistance	\$43,773	\$40,159	-\$3,614	-8.26%
Arts, entertainment, recreation, accommodation, and food services	\$21,891	\$17,129	-\$4,762	-21.75%
Arts, entertainment, and recreation	\$1,368	\$1,165	-\$203	-14.84%
Accommodation and food services	\$20,516	\$15,966	-\$4,550	-22.18%
Other services (except government and government enterprises)	\$26,654	\$24,817	-\$1,837	-6.89%
Government and government enterprises	\$157,047	\$156,901	-\$146	-0.09%

Delta County Employment Trends

Q2 2021 QCEW data shows an increase jobs and wages. This was expected because Q2 2020 (the comparison year) is the down quarter when COVID-19 shutdowns were in effect, so this comparison shows how much Delta has recovered since the bottom. The biggest gains in wages were from health care and social assistance, accomodation and food services, and public administration. The biggest job gains were in accomodation and food services (161), manufacturing (69), and public administration (52). Figure 10 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 were hard hit during 2020. Mining, which had no data this previous quarter, has not recovered, as well as real estate. 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) Q2 2021 Compared to Q2 2020

Sector	Average Employment Q2 2021	Total Quarterly Wages (Q2 2021)	Average Weekly Wage (Q2 2021)	Total Wage Change (Q2 2020 to Q2 2021)	Total Employment Change (Q2 2020 to Q2 2021)
Total, All Industries	8,441	\$79,455,066	\$724	\$3,986,117	241
Health Care and Social Assistance	1,795	\$19,169,571	\$821	\$1,879,657	-9
Retail Trade	1,238	\$9,895,088	\$615	\$568,818	33
Public Administration	804	\$8,683,239	\$831	\$812,980	52
Construction	515	\$6,062,005	\$905	\$780,192	38
Manufacturing	544	\$5,533,017	\$782	\$730,475	69
Accommodation and Food Services	700	\$3,264,743	\$359	\$862,623	161
Agriculture, Forestry, Fishing & Hunting	323	\$2,703,576	\$644	-\$462,229	-29
Finance and Insurance	192	\$2,346,156	\$940	-\$174,863	-8
Professional and Technical Services	203	\$2,257,086	\$855	\$428,095	30
Other Services, Ex. Public Admin	236	\$2,054,355	\$670	\$254,451	32
Real Estate and Rental and Leasing	173	\$1,911,430	\$850	-\$1,158,900	-55
Transportation and Warehousing	121	\$1,380,902	\$878	\$112,297	4
Wholesale Trade	124	\$1,363,200	\$846	\$166,260	15
Information	128	\$1,284,980	\$772	-\$112,144	-6
Administrative and Waste Services	138	\$1,112,436	\$620	-\$812,027	-101
Utilities	51	\$751,545	\$1,134	-\$116,899	-4
Management of Companies and Enterprises	48	\$573,492	\$919	\$332,861	32
Arts, Entertainment, and Recreation	42	\$197,578	\$362	\$6,372	9
Education	N/A	N/A	N/A	N/A	N/A
Mining	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 5:
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 8:
Total Wage Changes from Q2 2020 to Q2 2021

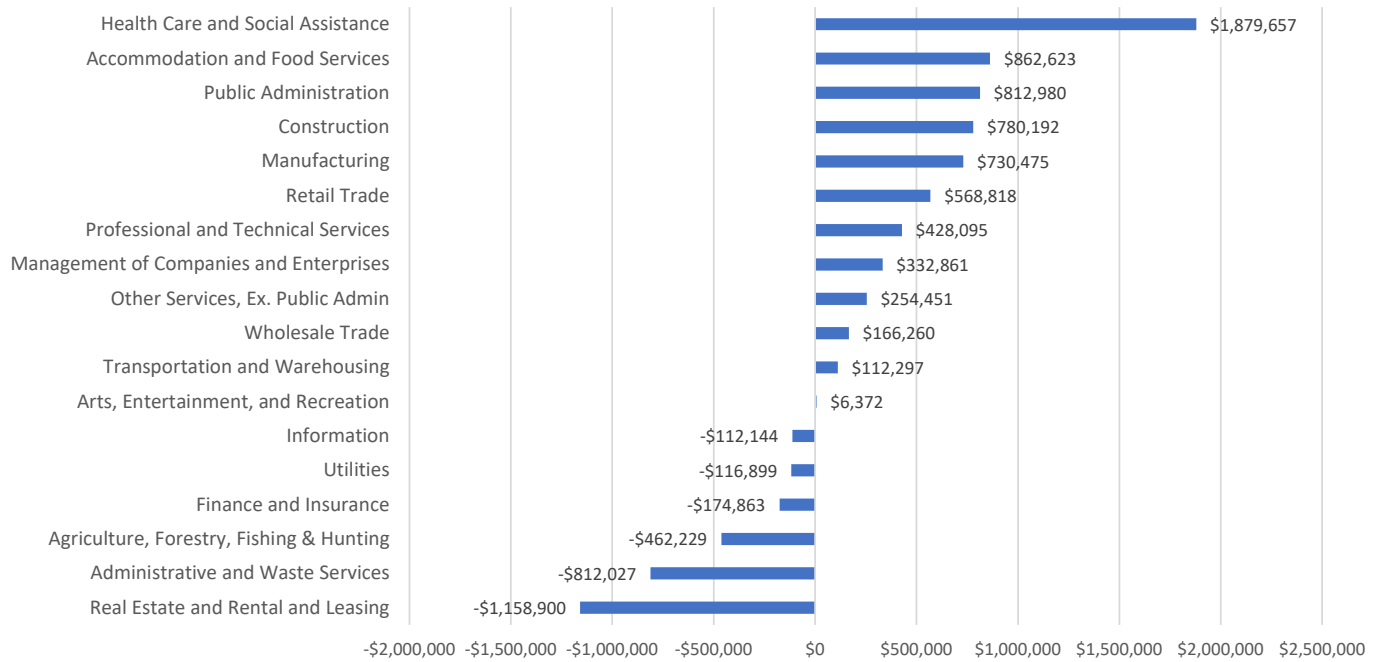


Figure 9:
Total Jobs Change from Q2 2020 to Q2 2021

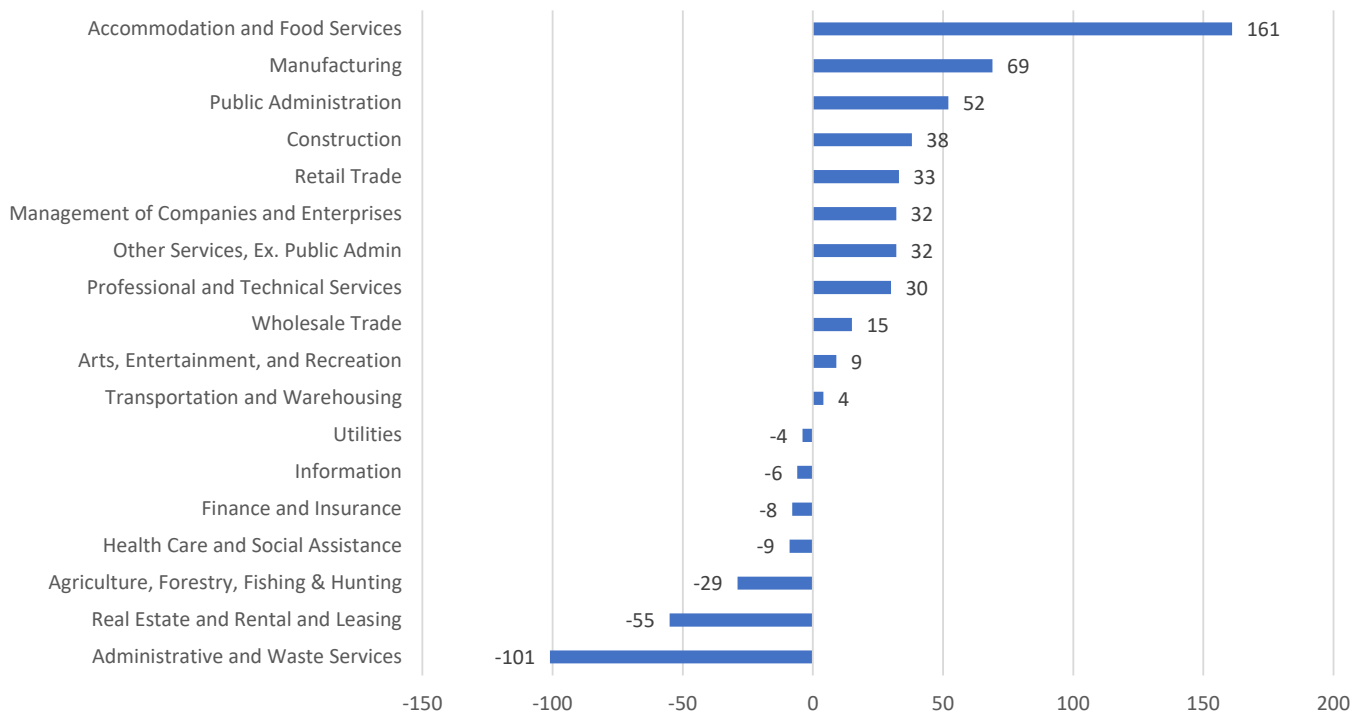


Figure 10:
Job Losses Percentage Compared to Q4 2019

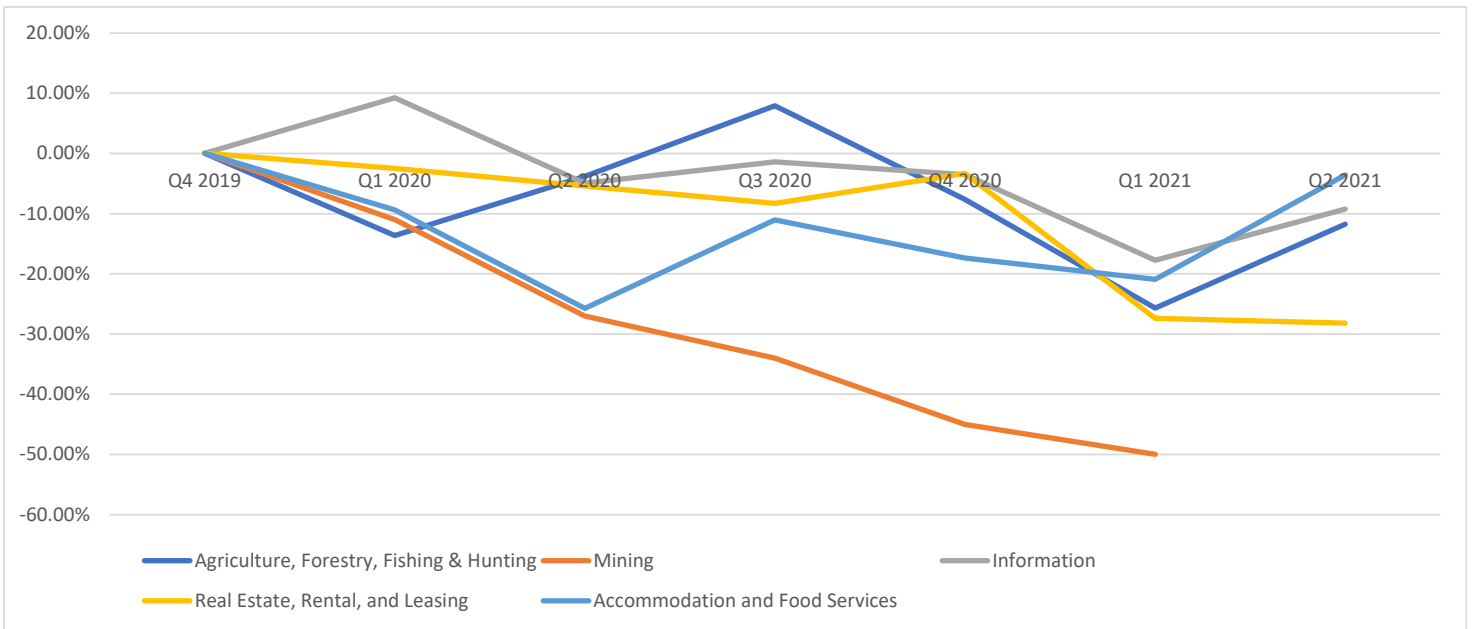
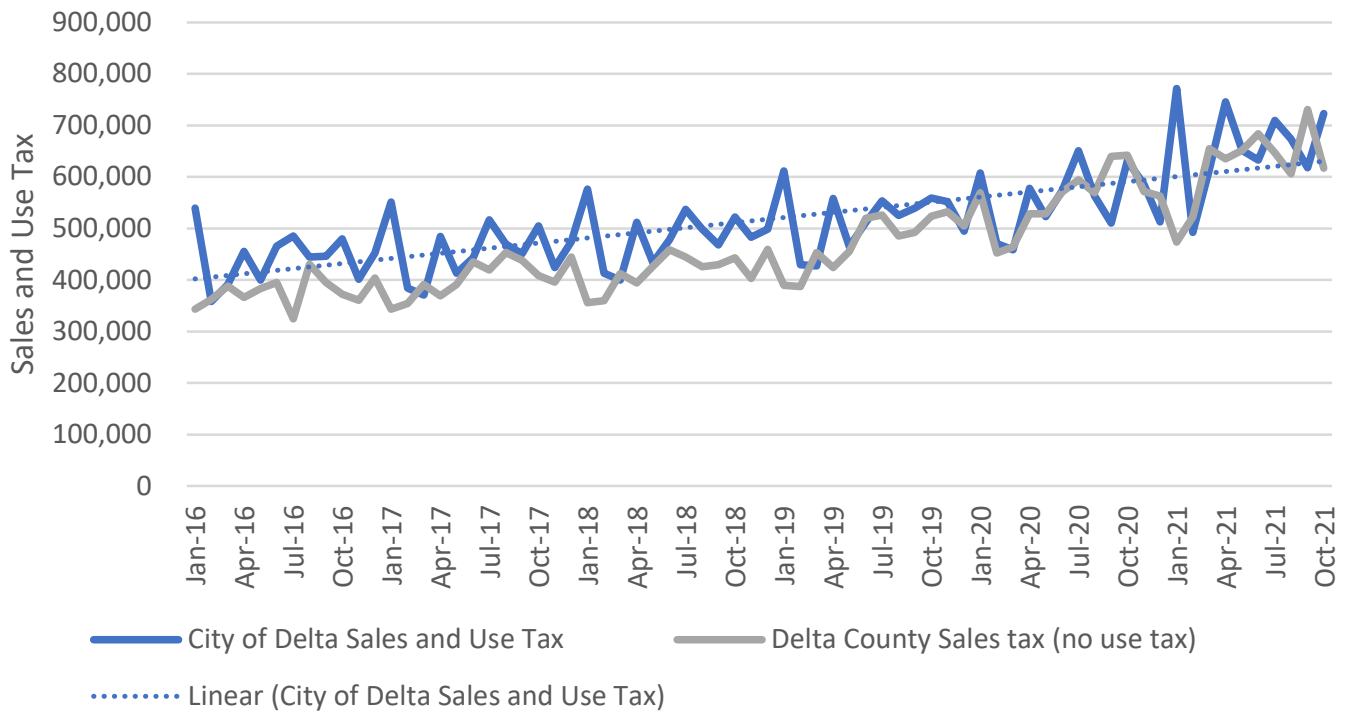


Figure 11:
Delta Sales and Use Taxes



LOCAL REAL ESTATE

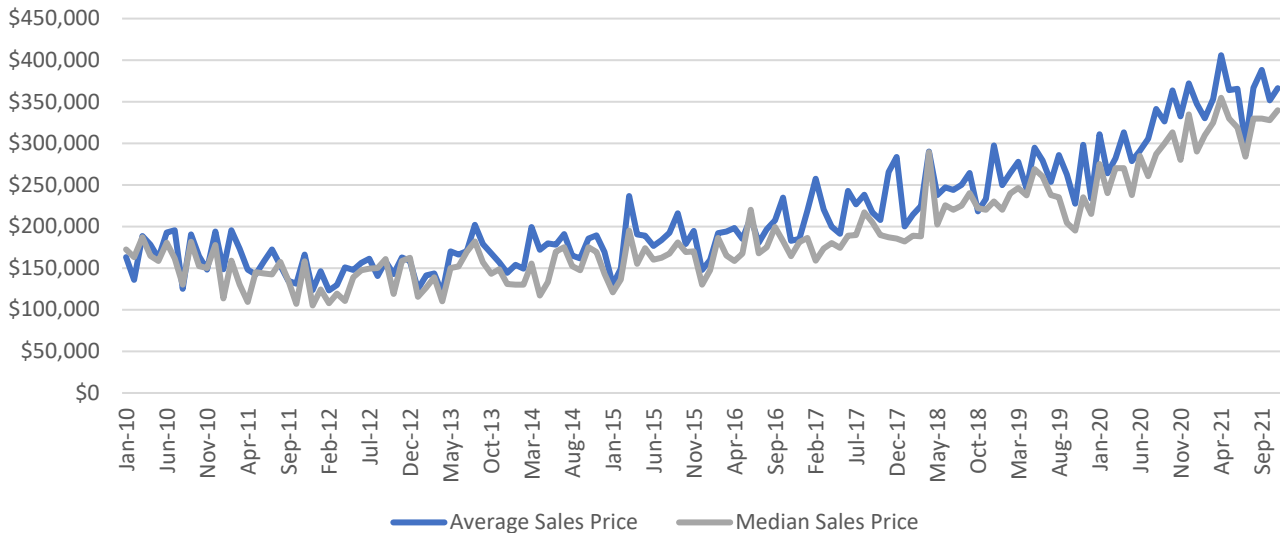
	Q3 2021	Q3 2020	% change since last year
Real Estate			
Inventory of Homes for Sale (3 month avg)	118	162	-27.22%
New Residential listings (3 month total)	195	214	-8.88%
Sold Residential Listings (3 month total)	141	232	-39.22%
Median Sales Price	\$314,667	\$282,417	11.42%
Average Sales Price	\$351,537	\$324,464	8.34%
Days on Market	71.67	118.33	-39.44%
Months Supply of Inventory	2.17	3.87	-43.97%
Foreclosures			
Foreclosure Filings	9	3	200.00%
Foreclosure Sales	2	2	0.00%
Mortgage Rates			
15 Year Mortgage Rate	2.17%	2.46%	-0.29%
30 Year Mortgage Rate	2.87%	2.95%	-0.08%

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 Q3 of 2021 continues to be tight, with inventory falling 27% from the previous year, and median prices rising by 11.42%. Strangely, an increase of 11.42% is small compared to Montrose (30.42%), and Mesa (15.66%). The increase in prices have taken the median price of a home in Delta from \$187,000 in November of 2017 to \$351,537 in Q3 of 2021. This is almost double the price of a single family home in 4 years. Interest rates are expected to increase over the next year which many believe will help slow home price growth.

Figure 12:
Median and Average Home Values



REGIONAL ENERGY

	Q3 2021	Q2 2021	Q3 2020	% change since last quarter	% change since last year (comparable quarters)
Energy Prices					
WTI Crude Oil	\$70.58	\$66.19	\$40.89	6.63%	72.61%
Henry Hub Natural gas	\$4.36	\$2.94	\$2.00	48.30%	118.00%
Retail Gasoline Price	\$3.06	\$2.87	\$2.10	6.58%	46.09%
Drilling Permits					
	2021 (YTD)	2020	2019	% Change since same time last year	
Drilling Permits (Mesa County)	0	1	0	N/A	
Drilling Permits (Rio Blanco County)	39	33	59	-44.07%	
Drilling Permits (Garfield County)	133	127	149	-14.77%	
Drilling Permits (Moffat County)	1	1	7	-85.71%	
Total Permits (Mesa, Rio Blanco, Garfield, Moffat)	173	162	215	-24.65%	
Total Permits (Colorado)	757	1,543	2,032	-24.06%	
Regional Rig Count					
	Dec-21	Sep-21	Sep-20		
Rig Count (Western Colorado, Mesa, Rio Blanco, Garfield, Moffat)	2	2	1		
Delta/Gunnison Coal Industry					
	2021 (YTD)	2020 (YTD)	% Change		
Delta/Gunnison Average Monthly Employment for Coal Mining	214	301	-28.93%		
Delta/Gunnison Coal Production (tons)	235,435	354,422	-33.57%		

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 13:
Oil and Natural Gas Prices

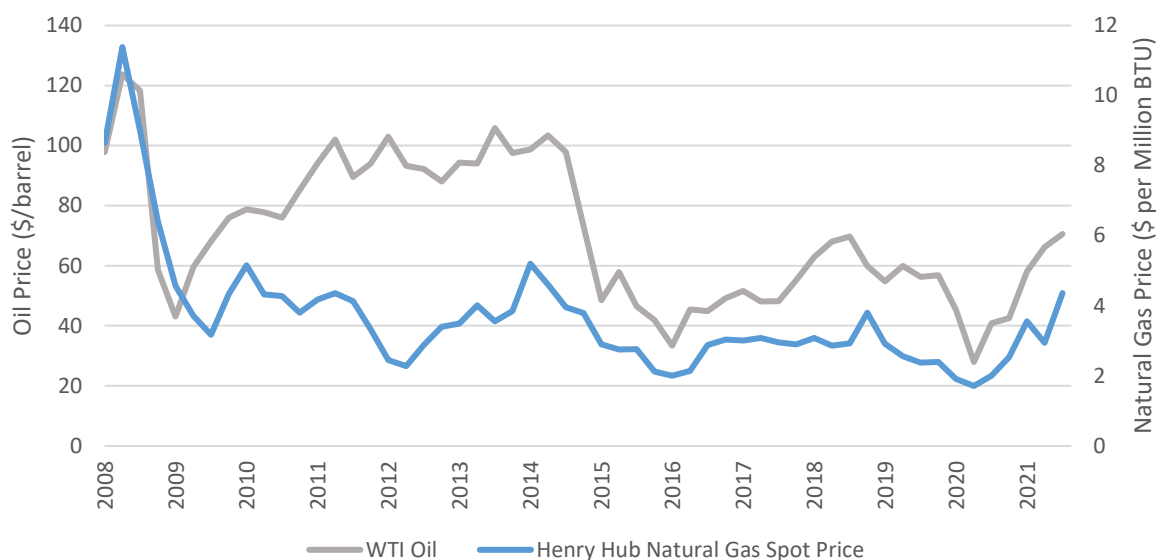


Figure 14:
Oil/Gas Drilling Permits and Oil/Gas Jobs

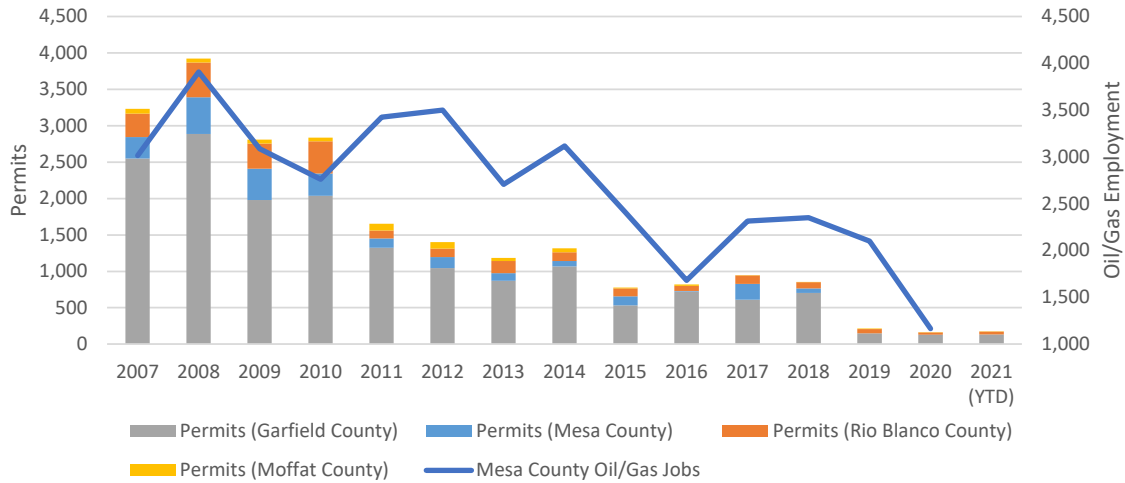
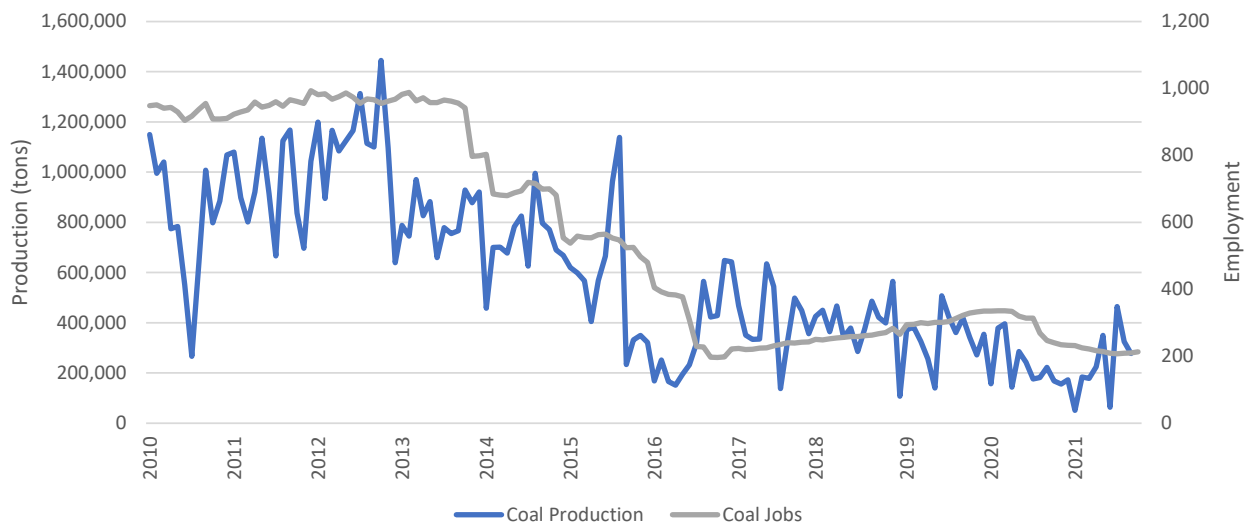


Figure 15:
Delta/Gunnison Coal Production and Employment



Western Slope Oil, Gas, and Coal

The Energy Information Agency (EIA) reports that in November, natural gas spot price at Henry Hub averaged \$5.05/MMBtu, up from the first half of 2021 at \$3.25/MMBtu, but lower than \$5.51/MMBtu in October. The EIA reports that mild weather across the county contributed to the price drop in November. The EIA forecasts a price of \$4.58/MMBtu from December 2021 through February 2022, with EIA forecasting natural gas pricing falling for the rest of 2022 to \$3.98/MMBtu.

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

Although oil and natural gas prices have risen (figure 13), there is no sign of increased activity from either drill rigs or permit applications. Permit applications (figure 14) have stayed low since 2019, and as of December 8th, look to remain low for 2021. The price spike has been substantial in the past several months for natural gas and oil, and it begs the question whether price is going to have the same impact on production that it has in the past, and the employment that comes with it.

West Elk mine coal production is trending slightly higher in the last few months, but is down overall from last year with production falling 33.57% and coal jobs falling by 87, or 28.93%.

NATIONAL ECONOMIC INDICATORS

	Q3 2021	Q2 2021	Q3 2020	% change since last period	% change since last year (comparable quarters)
Business Cycle Indicators					
Real GDP	2.10%	6.70%	33.80%	-4.60%	-31.70%
Personal Consumption Expenditures	1.70%	12.00%	41.40%	-10.30%	-39.70%
Gross Private Domestic Investment	11.60%	-3.90%	82.10%	15.50%	-70.50%
National Consumer Confidence	74.8	85.6	75.7	-12.62%	-1.19%
Industrial Production Index	100.8	99.9	95.5	0.97%	5.63%
Initial Weekly Unemployment Claims (4 week MA)	369,788	520,038	1,112,442	-28.89%	-66.76%
Non Farm Payroll Change (in thousands)	2,385,333	1,701,000	7,195,000	40.23%	-66.85%
Unemployment					
Unemployment Rate-U3-SA	5.10%	5.90%	8.80%	-0.80%	-3.70%
Unemployment Rate-U6-SA	8.80%	10.10%	14.50%	-1.30%	-5.70%
Interest Rates					
Federal Funds Rate	0.09%	0.07%	0.09%	0.02%	0.00%
10 Year U.S. Treasury	1.32%	1.59%	0.65%	-0.27%	0.67%
30 Year U.S. Treasury	1.93%	2.26%	1.36%	-0.33%	0.57%
Inflation Measures					
Inflation Rate (CPI)	5.29%	4.80%	1.26%	0.49%	4.03%
Core Inflation Rate (All Items Less Food and Energy)	4.08%	3.74%	1.66%	0.35%	2.42%
Inflation Rate (Shelter)	2.92%	2.29%	2.23%	0.63%	0.70%
Producer Price Index (PPI)	20.02%	18.82%	-2.59%	1.20%	22.61%
Employment Cost Index	3.68%	2.84%	2.46%	0.83%	1.21%
Stock Prices					
S&P 500	4,422	4,184	3,320	5.69%	33.19%
Dow Jones Industrial Average	34,916	34,121	27,299	2.33%	27.90%
Trade Balance and Debt					
Trade Balance (% of GDP)	-939.684	-881.689	-725.723	6.58%	29.48%
Federal Debt (% of GDP)*	125.5%	135.9%	135.9%	-10.5%	-10.5%

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 16:

Real GDP

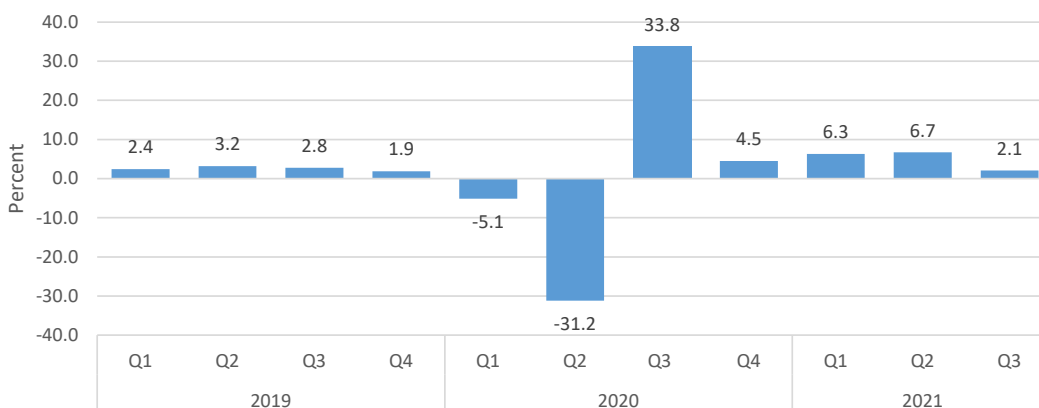
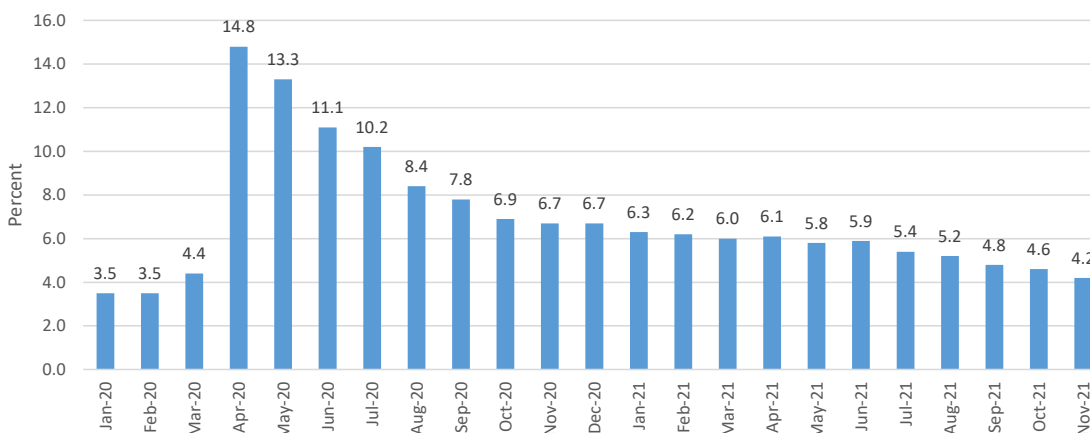


Figure 17:

U.S. Unemployment Rate: January 2020 through November 2021



National Economic Performance

U.S. growth fell in Q3 to a growth rate of 2.1% (figure 16). This follows two quarters of 6.3% and 6.7% respectively. The Atlanta Federal Reserve has a GDP Now forecast of 8.7% for Q4 as of December 12th. The national unemployment rate fell to 4.2% in November, bringing the unemployment rate down to 2019 levels (figure 17). Figure 18 shows the GDP gap, with the grey line showing the actual level of GDP, and the blue line representing what is called “potential GDP”, which is where we want to be. The difference is called the “GDP gap,” and there is still a GDP gap of \$326,422,000 dollars.

Inflation

I have discussed the threat of inflation in detail the last several economic newsletters and it continues to be an issue. Inflation showed its head last quarter, but this quarter gave us the highest inflation rate in 39 years. The November Consumer Price Index was 6.9%, the highest since June of 1982. The largest changes in the CPI were in energy, which has increased 33.3% since November of last year. New vehicles rose 11.1%, while used vehicles rose 31.4%. Food prices rose 6.4% at the grocery store, while food away from home rose 5.8%.

Energy inflation was predicted, as energy usage was so low in

2020 that a huge bounce was expected. Compared to 2019, energy prices are not as high as the CPI indicates, and the jump is the result of a low energy demand in 2020. There was some expectation that there would be a spike in inflation after the economy returned to normal, however the Fed has recently signaled that their “transitory” inflation call may be longer lasting than expected. The longer inflation stays elevated, the more likely it is that inflationary expectations start to set in. “Inflation expectation” is the idea that when people and businesses begin to expect inflation, they will raise prices in anticipation, actually creating the inflation they are anticipating. This begs the question: Will the Federal Reserve become more hawkish on inflation and raise interest rates faster? This leads to another question: Will raising rates defeat inflation, which seems to be contributed by in large part on the supply side with issues in the labor market and supply chain? With the unemployment rate falling, the Fed has signaled they may be willing to act faster. They have already signaled they will be tapering faster and slowing their purchase of 10 year treasury bonds. Slowing their purchases will lower prices in bonds, raising interest rates.

Figure 18:
GDP Gap

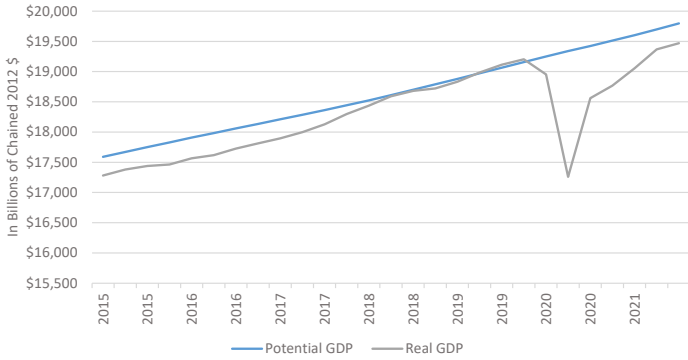


Figure 19:
Employment Cost Index

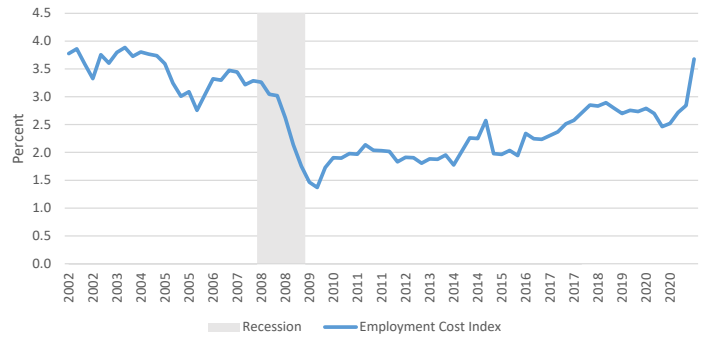
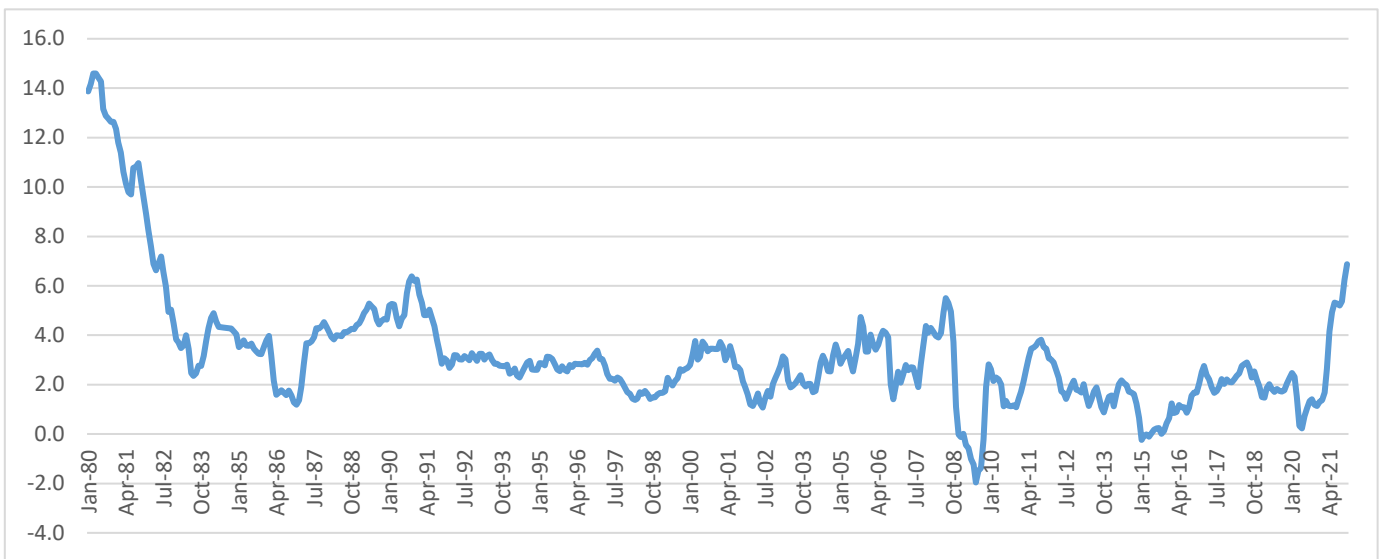


Figure 20:
Inflation Rate



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