

DELTA COUNTY ECONOMIC UPDATE

First Quarter, 2020



Provided by the Business Department
of Colorado Mesa University

Economic Summary

- 2019 was a solid year for Delta County, with a low unemployment rate of 2.7%. The labor force held steady from 2018 to 2019, but employment increased by 289 people.
- Recently released GDP data shows that Delta County had a strong 2018, with a 4.75% growth rate, the first positive growth rate in Delta County since 2012. Median household income increased to \$46,786 from \$43,528. However, poverty rates are higher, showing that increased economic activity may not be helping lower income people.
- 2019 was a strong economic year for the nation, however, the coronavirus will likely push the U.S. into a severe recession for Q1 2020 and especially Q2 2020. With restaurants closed, travel non-existent, and consumption grinding to a halt, economic data will be bleak for the first half of the year while the state, nation, and world fight off a global pandemic. Economists are expecting rising unemployment and economic contraction.

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

	Q4 2019	Q3 2018	Q4 2018	change since last quarter	change since last year (comparable quarters)
Local Labor Market					
Unemployment Rate Delta County- NSA	2.70%	2.70%	4.00%	0.00%	-1.30%
Unemployment Rate Colorado - NSA	2.40%	2.60%	3.60%	-0.20%	-1.20%
Unemployment Rate U.S. - NSA	3.30%	3.70%	3.60%	-0.40%	-0.30%
Labor Force	15,275	15,316	15,184	-40	91
Employed	14,863	14,900	14,574	-36	289
Unemployed	412	416	610	-4	-198
Business Confidence					
Leeds Colorado Business Confidence Index	50.8	46.9	50.1	8.32%	1.40%
Sales/Use Taxes					
City of Delta Sales/Use Taxes (YTD)	\$6,228,425		\$5,821,891		6.98%
Delta County Sales/Use Tax (YTD)	\$5,697,940		\$5,013,139		13.66%
Lodging Tax (YTD)	\$113,112		\$104,467		8.28%
Business Filings					
	2019		2018		
Delta County New Business Entity Filings	417		458		-8.95%

Standard of Living and Growth	2018	2017	2016	% change since 2017	% change from 2016
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%
Population	30,953	30,537	30,356	1.36%	1.97%
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 finished 2019 positive, with a 2.7% non-seasonally adjusted unemployment rate, which is slightly better than the national average but worse than the Colorado average. Delta County added 289 to employment from Q4 of 2018, and added 91 to the labor force, for a reduction in unemployed by 198.

Figure 1 illustrates Delta County's 5 year employment trend. After losing 4,000 in employment, Delta has seen an uptick in growth the last few years. Compared to 5 years ago, Delta County has added 1,870 employed people, and unemployed has fallen by 456. Compared to 10 years ago, Delta County, like other Western Slope counties, is still below the peak of 2008.

Expect increases in unemployment in Q1 and Q2 data due to the coronavirus. As restaurants, small businesses, and other business entities deal with closures and lack of spending, unemployment will increase.

Other Local Data

Several important county level data points were released in Q4 of 2019. The first is county level GDP estimates for 2018, which shows that Delta County experienced its first positive GDP growth year since 2012 (figure 2). Since 2008, Delta County has seen growth contract 8 out of 11 years, with 2011, 2012, and 2018 being positive growth years. The positive GDP year in 2018 was much needed, and given 2019 labor force and industry data, 2019 is likely to be another positive GDP year when the data is released in Fall 2020.

Median household income, one of several measures of standard of living, increased drastically for 2018, rising from \$43,528 in

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

	Labor Force	Employed	Unemployed
Annual	161	246	-85
5-Year	1,413	1,870	-456
10-Year	-1,961	-1,249	-713
Annual %	1.1%	1.7%	-14.6%
5-Year %	10.4%	14.8%	-47.7%
10-Year %	-11.6%	-7.9%	-58.8%

2017 to \$46,786 in 2018 (figure 3). Delta County's overall median household income trend has been relatively stagnant, but there have been three straight years of increase for this data point.

A major negative data point for Delta County was the increase in poverty rate. It is concerning that despite overall GDP increasing, employment increasing, and other positive data points, the jobs being created are not paying high enough wages enough to lift lower income families above the poverty level.

County and City taxes increased year over year, with City sales/use taxes increasing by 6.98%, and the County 13.66%. Lodging taxes were up 8.28% as well.

Delta County business filings, a new data point for the Delta County newsletter, were down 8.95%.

Figure 1:
Delta County 5 Year Employment

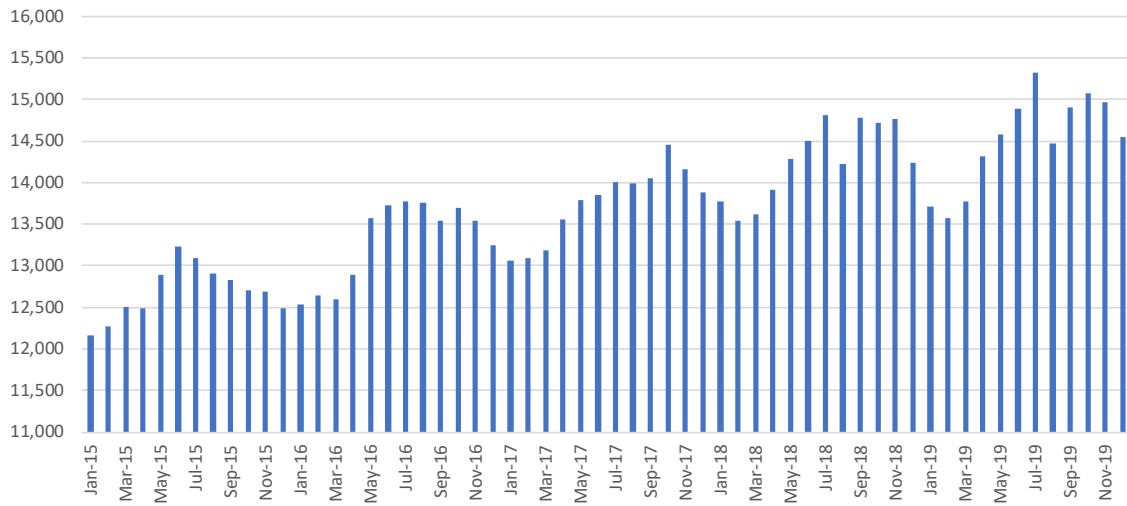


Figure 2:
Delta County GDP

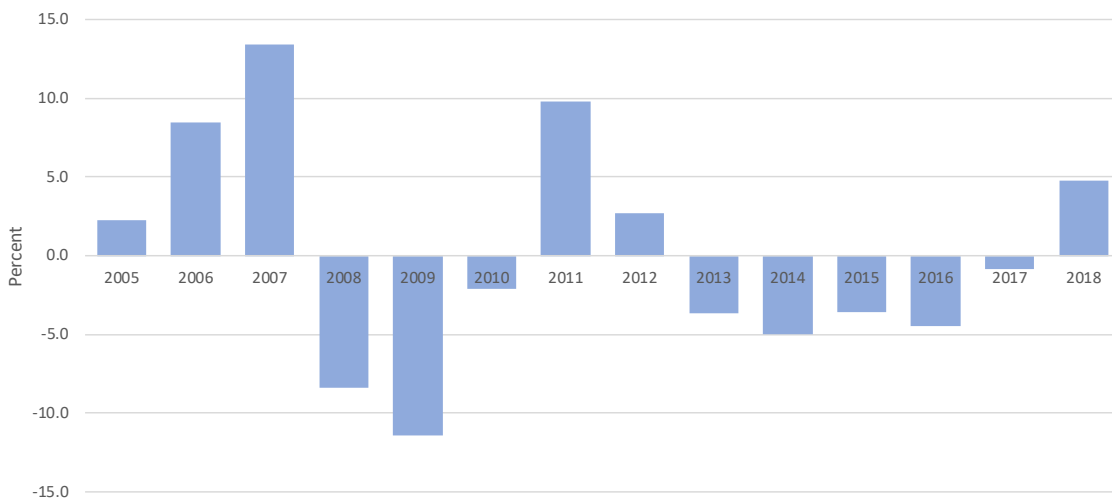
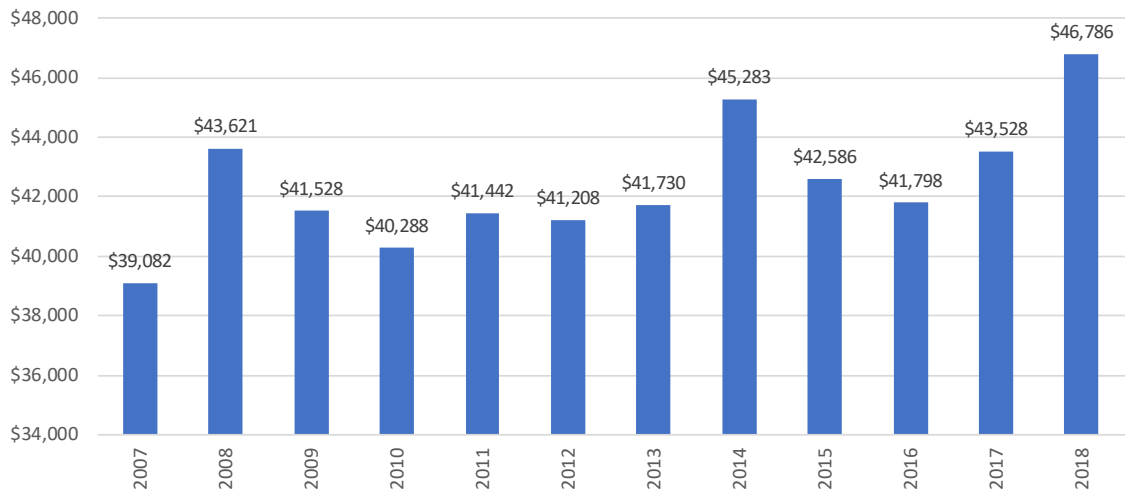


Figure 3:
Median Household Income Delta County



Delta County Employment Trends

Third quarter QCEW data shows a total wage increase of \$3,906,567 and 133 new jobs. 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 included in this dataset). Industry job gains were in public administration (64), administrative and waste services (36), manufacturing (31), agriculture, forestry, fishing and hunting (26). The agriculture data is largely driven by an increase in hemp farming, which is a trend across the state. Job losses were focused in mining (41), accomodation and food services (46), and construction (19). Data shows that the average wage increased by 3.7% year over year.

Table 2:

Quarterly Census of Employment and Wages Q3 2019 Compared to Q3 2018

Sector	Average Employment Q3 2019	Total Quarterly Wages (Q3 2019)	Average Weekly Wage (Q3 2019)	Total Wage Change (Q3 2018 to Q3 2019)	Total Employment Change (Q3 2018 to Q3 2019)
Total, All Industries	8,801	\$82,024,788	\$717	\$3,906,567	103
Health Care and Social Assistance	1,886	\$20,420,749	\$833	\$763,909	-17
Public Administration	796	\$9,759,502	\$943	\$641,828	64
Retail Trade	1,271	\$9,108,712	\$551	\$849,994	43
Construction	478	\$5,342,329	\$860	-\$590,668	-19
Manufacturing	527	\$5,067,371	\$740	\$386,122	31
Agriculture, Forestry, Fishing & Hunting	428	\$3,540,132	\$636	\$420,274	26
Accommodation and Food Services	770	\$3,537,884	\$353	\$190,789	-46
Real Estate and Rental and Leasing	241	\$3,450,964	\$1,101	\$282,125	3
Finance and Insurance	219	\$2,228,973	\$783	\$7,866	1
Administrative and Waste Services	252	\$1,989,677	\$607	\$462,792	36
Other Services, Ex. Public Admin	223	\$1,905,515	\$657	\$232,744	-4
Professional and Technical Services	179	\$1,777,285	\$764	-\$15,864	-9
Mining	100	\$1,347,305	\$1,036	-\$296,796	-41
Information	153	\$1,267,782	\$637	\$130,574	5
Transportation and Warehousing	135	\$1,252,489	\$714	\$53,591	8
Wholesale Trade	110	\$1,130,949	\$791	-\$118,962	2
Utilities	48	\$782,559	\$1,254	-\$12,892	-1
Arts, Entertainment, and Recreation	59	\$307,528	\$401	\$126,880	11
Management of Companies and Enterprises	21	\$238,424	\$873	-\$18,100	-1
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 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 4:
Total Wage Changes from Q3 2018 to Q3 2019

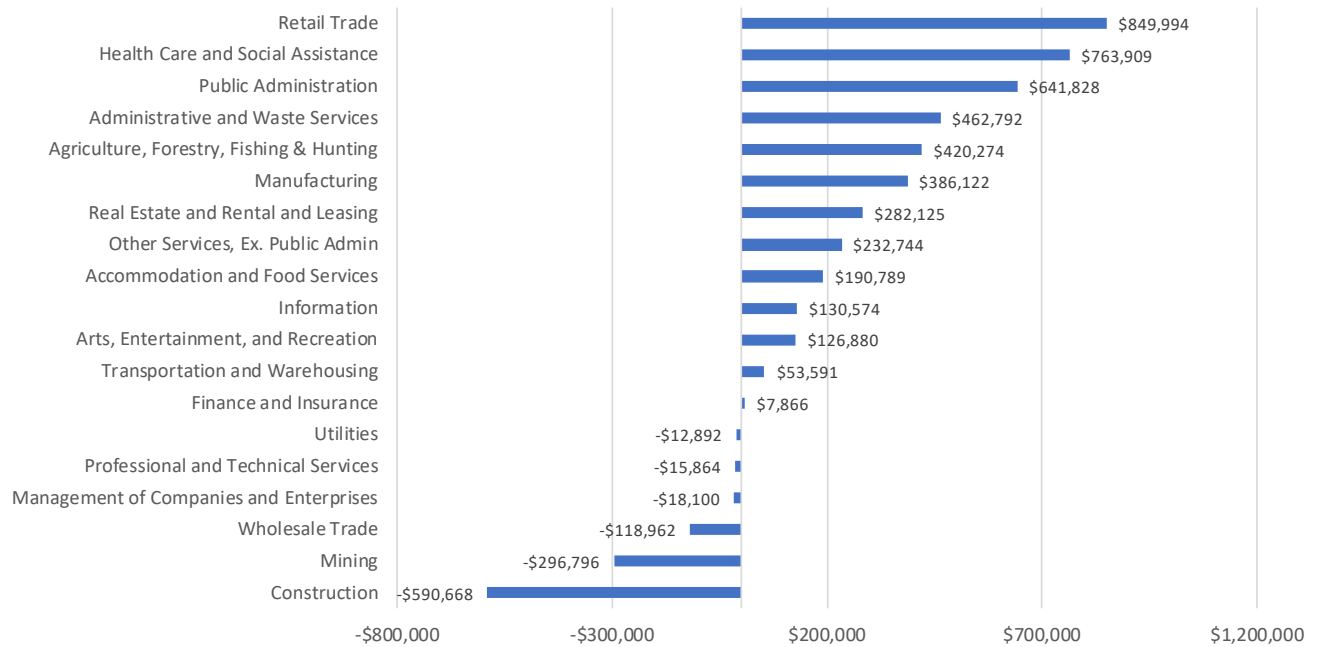
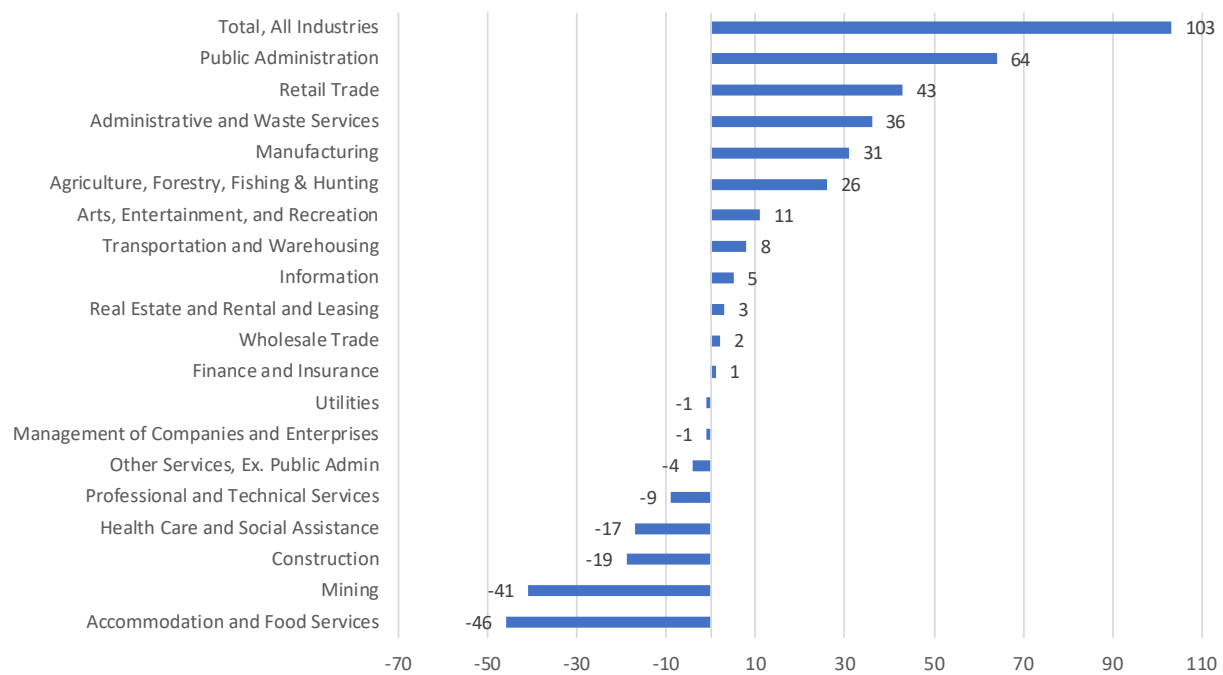


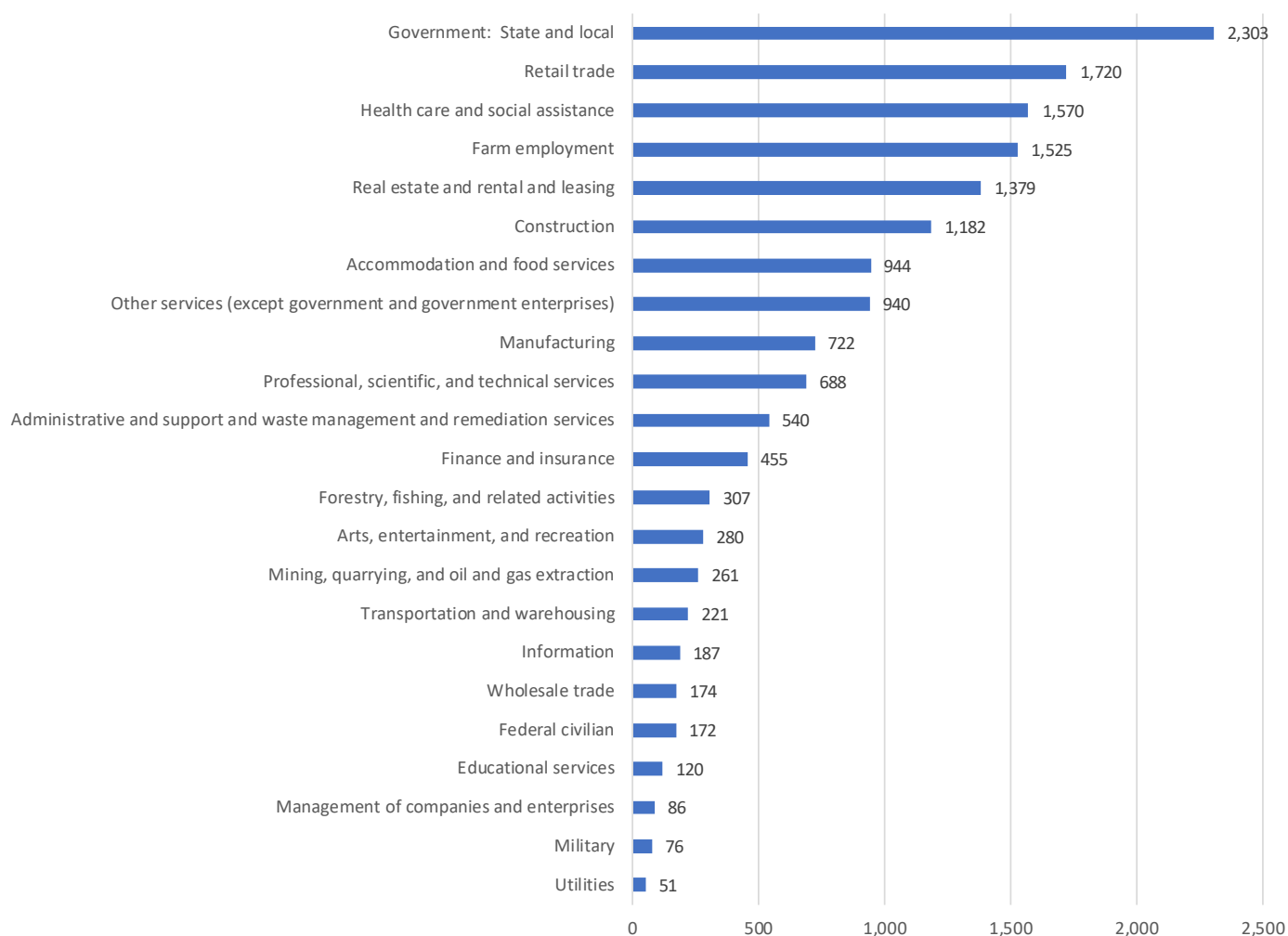
Figure 5:
Total Jobs Change from Q3 2018 to Q3 2019



Bureau of Economic Analysis 2018 Employment Data

This newsletter tracks quarterly employment trends (above) using a quarterly dataset called Quarterly Census of Employment and Wages (QCEW). This data is reported by companies when reporting unemployment insurance to the Government. QCEW data does not cover sole proprietors, some farm employment, and a few other small categories. The data point is important because we get it every six months and it serves to show industry trends. Every year the Bureau of Economic Analysis (BEA) creates its employment dataset using the QCEW data, and a variety of other datasets to fill in the gaps with sole proprietors, farmers, etc. This dataset provides a more comprehensive view of jobs. The only problem with this dataset is it is created annually, and takes almost a year to release, so it can only show us what happened in the past and it cannot be used as a leading or current indicator. This more comprehensive employment data is graphically illustrated below in figure 6. There were 15,903 full or part time jobs in Delta County in 2018. This is different from the figures earlier in the newsletter which shows that 14,683 people are employed. Figures 4 and 5 are not “people employed” but “number of jobs,” since one individual can work multiple jobs. Any difference between the BEA data in figure 6 and the QCEW data in table 2 is likely the result of sole proprietors.

Figure 6:
BEA Total Jobs for 2018 by Industry



SOURCE: Bureau of Economic Analysis

LOCAL REAL ESTATE

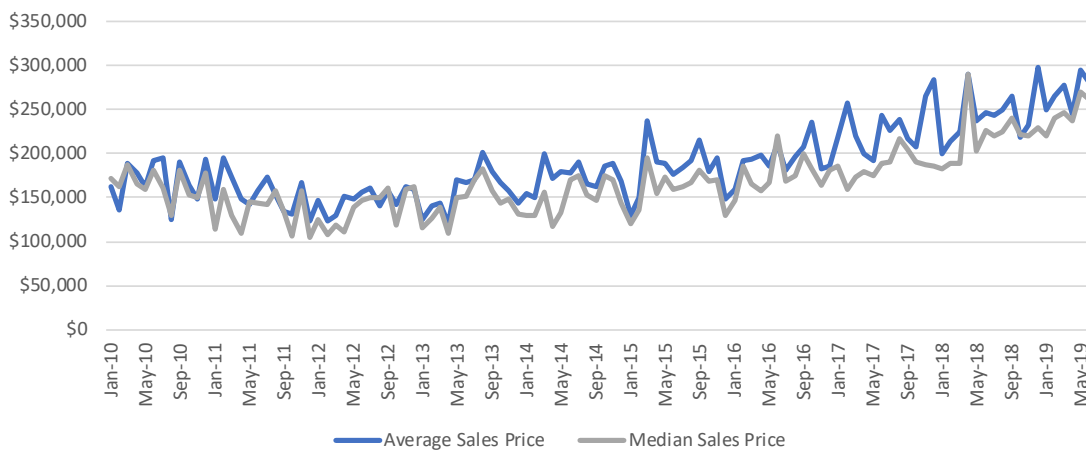
	Q4 2019	Q4 2018	% change since last year
Real Estate			
Current Residential Listings (3 month avg)	216	249	-13.24%
New Residential listings (3 month total)	113	133	-15.04%
Sold Residential Listings (3 month total)	99	132	-25.00%
Median Sales Price	\$214,983	\$224,083	-4.06%
Average Sales Price	\$253,224	\$249,543	1.47%
Days on Market	102.67	107.29	-4.31%
Months Supply of Inventory	5.13	5.05	1.71%
Total Building Permits	24	26	-7.69%
Total Building Permit Valuation	\$1,594,220	\$2,437,272	-34.59%
Single Family Home Permits	5	4	25.00%
Single Family Home Permit Valuation	\$882,611	\$639,541	38.01%
Foreclosures			
Foreclosure Filings	9	13	-30.77%
Foreclosure Sales	3	8	-62.50%
Mortgage Rates			
15 Year Mortgage Rate	3.16%	4.21%	-1.05%
30 Year Mortgage Rate	3.70%	4.78%	-1.08%

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

Real estate activity is down for the second consecutive quarter, with current listings, new listings, and sold listings all falling. Median home price fell for the second consecutive quarter, falling by 4.06% to \$214,983. Days on market is down, falling from 107 days to 103. Building permits are slightly down, while building permit valuation is down significantly. However, single family home permits rose by one and valuation was higher as a result. Real estate markets will be susceptible to the coming coronavirus caused recession, as low spending and layoffs will put pressure on family finances, putting further pressure on what appears to be a real estate market that may be beginning to slow.

Figure 7:
Median and Average Home Values



REGIONAL ENERGY

	Q4 2019	Q3 2019	Q4 2018	% change since last quarter	% change since last year (comparable quarters)
Energy Prices					
WTI Crude Oil	\$56.82	\$59.88	\$59.97	-5.11%	-5.25%
Henry Hub Natural gas	\$2.40	\$2.56	\$3.80	-6.25%	-36.84%
Retail Gasoline Price	\$2.48	\$2.68	\$2.54	-7.21%	-2.13%

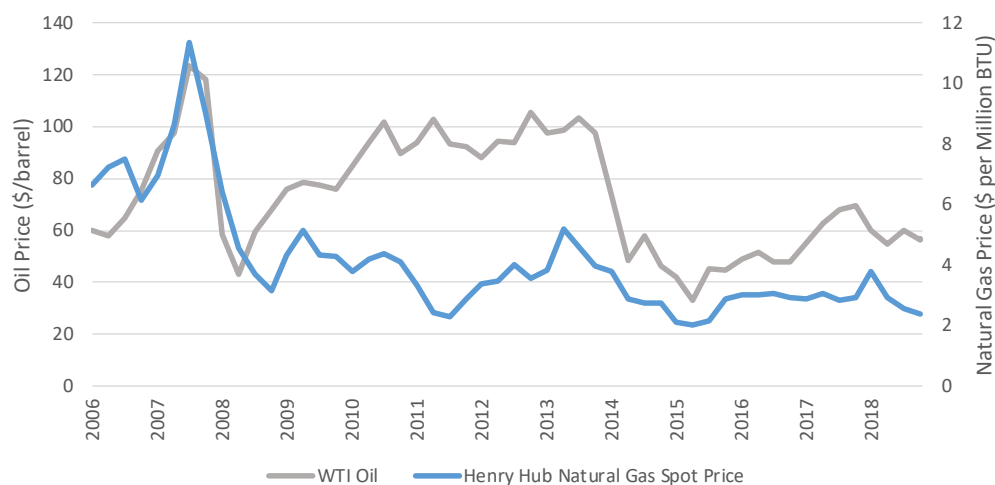
Drilling Permits	2019	2018	% Change since same time last year
Drilling Permits (Mesa County)	0	64	-100.00%
Drilling Permits (Rio Blanco County)	59	83	-28.92%
Drilling Permits (Garfield County)	149	702	-78.77%
Drilling Permits (Moffat County)	7	4	75.00%
Total Permits (Mesa, Rio Blanco, Garfield, Moffat)	215	853	-74.79%
Total Permits (Colorado)	2,032	5,116	-60.28%

Local Rig Count	Feb-20	Nov-19	18-Dec
Rig Count (Western Colorado, Mesa, Rio Blanco, Garfield, Moffat)	3	5	7

Delta/Gunnison Coal Industry	2019 (YTD)	2018 (YTD)	% Change
Delta/Gunnison Average Monthly Employment for Coal Mining	314	266	18.17%
Delta/Gunnison Coal Production (tons)	4,157,835	4,643,374	-10.46%

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 and Natural Gas Prices



Natural Gas Prices

The Henry Hub natural gas spot prices averaged \$2.40/MMBtu in Q4 of 2019. However, this number shot down in January to \$2.02/MMBtu due to warm weather keeping demand for natural gas inventories low. The Energy Information Agency (EIA) forecasts that the Henry Hub spot prices will be below \$2.00 for February and March, but will rise to an average of \$2.36/MMBtu in the third quarter of 2020. The yearly forecast for natural gas spot prices from EIA is \$2.21/MMBtu for 2020. These price expectations are the result of the record setting dry natural gas production in 2019, averaging 92.1 Bcf/d. EIA expects total natural gas production to be 2% higher in 2020 than in 2019. Production is expected to decline through the year, as production in the Appalachian region is falling due to such low prices. Permian production is expected to fall due to lower oil prices, as much natural gas production is the byproduct of oil fracking, so as oil production slows due to lower prices natural gas production will slow. The recent decline in oil prices may help to reduce excess natural gas production in the future, which would help alleviate downward price pressure.

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

Oil and Gasoline Prices

Crude oil prices averaged \$56.82 in Q4, steady with prices from Q3. Oil prices have been trending downward and are expected to move slightly lower in the short to medium term as a result of slowing economic conditions, and the potential effects of the coronavirus on international trade and Chinese GDP. Gasoline prices averaged \$2.48 in Q4, down from both last quarter and last year. As of early March, Saudi Arabia and Russia have started an engaged price war, where a failed OPEC agreement now has oil producers pumping significantly more oil. Add to this the lack of demand due to coronavirus related travel cancellations, lack of everyday travel due to social distancing, and you have the recipe for very low oil prices. As of this writing (March 18th), the WTI oil price stood at \$22. A perfect storm of low demand and high supply may push oil prices lower.

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

Western Slope Drilling Activity

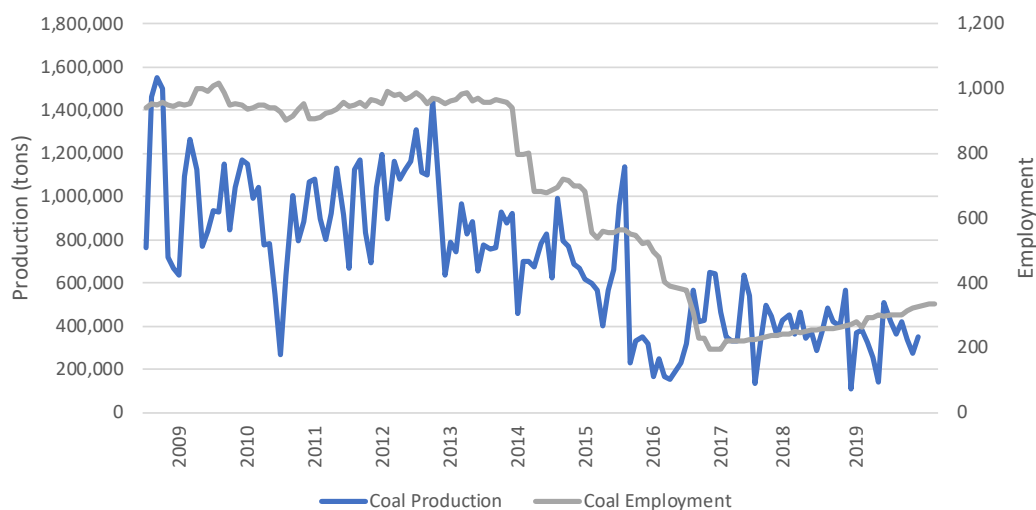
Rig counts have fallen from seven one year ago, to five in September, to currently three (as of February 2019). This drop in rigs will equate to job losses in the natural gas industry. In addition to this, figure 9 illustrates drilling permits and oil/gas employment with the full 2019 drilling permit data. There is a clear relationship between permits and oil/gas employment. The 2019 numbers are drastically lower for the Piceance than the 2018 numbers, showing a legitimate slowdown in this industry.

Coal Industry

Total production for Delta/Gunnison coal from the West Elk mine is down 10.5% from the same time last year. However, average monthly employment in the same time period is up 18.17% from 266 miners per month to 314 miners per month. There is a clear slight increasing trend for coal employment since late 2016 (figure 9). Note that numbers are year to date comparisons between 2019 and 2018.

Figure 9:

Delta/Gunnison Coal Production and Employment (2008 through 2019)



NATIONAL ECONOMIC INDICATORS

	Q4 2019	Q3 2019	Q4 2018	% change since last period	% change since last year (comparable quarters)
Business Cycle Indicators					
Real GDP	2.10%	2.10%	1.10%	0.00%	1.00%
Personal Consumption Expenditures	1.80%	3.20%	1.40%	-1.40%	0.40%
Gross Private Domestic Investment	-6.10%	-1.00%	3.00%	-5.10%	-9.10%
National Consumer Confidence	97.2	98.5	98.1	-1.32%	-0.92%
Industrial Production Index	109.3	109.2	110.3	0.17%	-0.89%
Initial Weekly Unemployment Claims (4 week MA)	220,231	215,904	220,058	2.00%	0.08%
Non Farm Payroll Change (in thousands)	572,667	437,333	649,333	30.95%	-11.81%
Unemployment					
Unemployment Rate-U3-SA	3.50%	3.60%	3.80%	-0.10%	-0.30%
Unemployment Rate-U6-SA	6.80%	7.20%	7.50%	-0.40%	-0.70%
Interest Rates					
Federal Funds Rate	1.66%	2.40%	2.21%	-0.74%	-0.55%
10 Year U.S. Treasury	1.79%	2.33%	3.03%	-0.54%	-1.24%
30 Year U.S. Treasury	2.25%	2.78%	3.27%	-0.53%	-1.02%
Inflation Measures					
Inflation Rate (CPI)	2.04%	1.82%	2.22%	0.21%	-0.18%
Core Inflation Rate (All Items Less Food and Energy)	2.29%	2.07%	2.21%	0.23%	0.09%
Inflation Rate (Shelter)	3.30%	3.43%	3.21%	-0.14%	0.09%
Producer Price Index (PPI)	-1.84%	-2.16%	3.54%	0.32%	-5.39%
Employment Cost Index	2.74%	2.78%	2.89%	-0.04%	-0.16%
Stock Prices					
S&P 500	3,083	2,882	2,699	6.95%	14.22%
Dow Jones Industrial Average	27,537	26,096	24,916	5.53%	10.52%
Trade Balance and Debt					
USD Exchange Rate (trade weighted)	130	128	128	1.43%	1.69%
Trade Balance (% of GDP)	-578.387	-662.66	-684.148	-12.72%	-15.46%
Federal Debt (% of GDP)*	105.5%	103.2%	105.2%	2.3%	0.3%

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

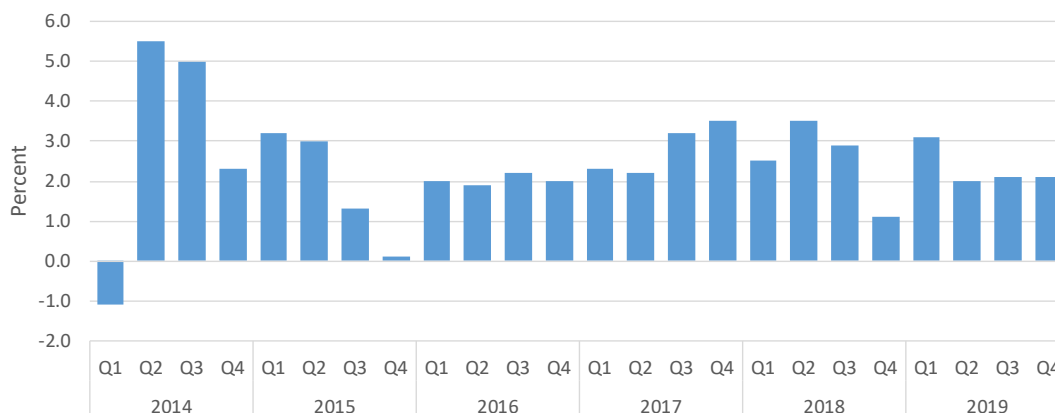
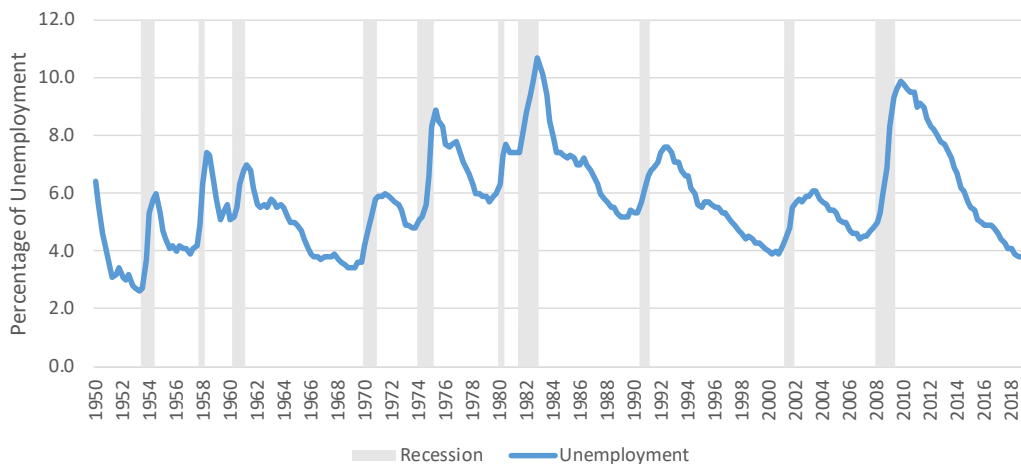


Figure 11:
U.S. Unemployment: 1950-2019



National Economic Performance

2019 GDP continued to stay reasonably strong, with a 2.1% increase in GDP for Q4 2019 (figure 10). The consumer continues to hold up GDP numbers as investment is negative for the third straight quarter. National consumer confidence ticked down but not enough to indicate any problems with the consumer.

The unemployment rate hit lows of 3.5% in November and December, but increased to 3.6% in January. The U6 unemployment rate, which includes so called “discouraged workers” fell from 7.2% to 6.8%, indicating that the low U3 rate is translating to a better job market for even those who are under-employed. Quarterly weekly unemployment claims as well as quarterly non-farm payrolls continue to be strong.

Interest Rates

Interest rates have been trending downward for almost a year, with the 10 year treasury bond falling from 3.27% in Q4 of 2018 to 2.25% in Q4 of 2019. That is a full percentage point drop, which is why mortgage rates have dropped by 1% as well. Part of this is due to the Federal Reserve dropping the Federal Funds rate, which is the rate at which banks borrow from other banks to meet their nightly reserve requirements. This rate has fallen by -0.74%, the rest of the drop in the 10 year treasury has been attributed to both perceived higher risk, or even a bubble in treasuries as some economists are claiming. Note that there is an inverse relationship between the price of a bond and its yield (interest rate), so if people are buying treasuries due to risk or speculation, it pushes the price up and the interest rate down.

Figure 12:
Dow Jones Industrial Average Stock Prices



Figure 13:
10 Year Treasury Bond Yield



Coronavirus Update

Since the Montrose and Mesa newsletters were released in February, the coronavirus crisis has completely enveloped the United States and the rest of the world. In one month, we went from a positive economic forecast for 2020 to what is most certainly going to be two quarters of recession. The only question is how bad and deep the recession will get, 2001 bad, 2008 bad, or worse? As families stay in their homes for the next 4-8 weeks, as workers telecommute to work, and as spending grinds to a halt, what will be the economic consequences? There will most certainly be layoffs, small businesses failing, missed mortgage payments, an increase in unemployment, falling local and national tax revenues, lost retirement incomes, etc. This has prompted the Federal Reserve to impose an emergency rate cut of 75 basis points, lowering the Federal Funds rate to close to 0. The Fed has also re-engaged in quantitative easing, purchasing \$700B worth of treasuries, and lowered the primary credit market rate by 150 basis points. As of this writing, the Federal government is looking into fiscal policy packages that could send cash directly to consumers and businesses, as well as other assistance programs to small businesses while consumers stay home to avoid spreading the virus. However, as long as the virus prevents people from engaging in normal economic activity, we can expect a deep recession that will likely take several quarters to recover from.

Figure 12 illustrates the Dow Jones Industrial Average, and the precipitous drop experienced in the month of March. Figure 13 illustrates the 10 year treasury bond yield, which shows investors moving into bonds and lowering yields. This normally would lower mortgage rates, however, due to increase in demand for refinancing, some uncertainty in the mortgaged backed security market, and the idea that there is ultimately a mortgage rate floor, mortgage rates have not fallen in line with interest rate cuts.

Goldman Sachs has recently predicted a 5% reduction in GDP for Q2 2020 (as of the week of 3/16/20). The industries most impacted will be the travel, entertainment, retail and restaurant sectors. There is so much uncertainty around how long the pandemic will last that it is difficult to forecast accurately what the total economic impact will be, and what recovery will look like. After the pandemic ends will the economy recovery quickly, or will this take several years like the last recession? As of right now, this is completely unknown.



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