

MESA COUNTY ECONOMIC UPDATE

First Quarter 2021



Provided by the Business Department
of Colorado Mesa University

Economic Summary

- The Mesa County labor market softened during winter months, with the unemployment rate falling from 5.7% in September to 8.2% in December. As a comparison, Colorado went from 6.4% in September to 8.4% in December. Mesa County had a lower unemployment rate through the COVID pandemic than the State of Colorado, but the winter months have seen a convergence in the unemployment rates.
- Oil and gas wages and employment as of Q3 2020 are at the lowest level since 2005. From Q3 of 2019 to Q3 of 2020, oil and gas lost \$29,074,243 in wages and 956 jobs. Expected economic growth, more consolidated industry, and rising natural gas prices have oil and gas expecting a positive 2021.
- This newsletter covers the Colorado State Demography Office's population forecasts. Mesa County is expected to grow in population from 155,238 to 178,297 by 2030, and 238,172 by 2050.
- Q4 2020 annualized real GDP increased by 4%, ending the year at \$18.7 trillion compared to Q4 of 2019 at \$19.2 trillion. Potential GDP is at \$19.4 trillion, indicating a recessionary gap of \$700 billion.

CONTENTS

Local Economic Indicators.....	1
The Local Labor Market	2
Population Forecasts	4
Regional GDP Breakdown.....	5
Mesa Industry Trends	7
Local Real Estate Indicators	9
Regional Energy.....	10
Drilling Permits and Gas Jobs	11
National Economic Indicators	12
National Economic Performance	13
U.S. Deficit and Debt.....	14

LOCAL ECONOMIC INDICATORS

	Q4 2020	Q3 2020	Q4 2019	change since last quarter	change since last year (comparable quarters)
Local Labor Market					
Unemployment Rate Mesa County -SA	7.10%	6.70%	3.10%	0.40%	4.00%
Unemployment Rate Mesa County -NSA	6.70%	6.30%	2.90%	0.40%	3.80%
Unemployment Rate Colorado -SA	7.10%	6.80%	2.50%	0.30%	4.60%
Unemployment Rate U.S. -SA	6.80%	8.80%	3.60%	-2.00%	3.20%
Labor Force	77,580	76,373	76,947	1207	633
Employed	72,700	68,272	74,553	4,427	-1,853
Unemployed	4,880	8,101	2,394	-3,220	2,487
Business Confidence					
Leeds Colorado Business Confidence	47.9	47.9	50.8	0.00%	-5.71%
Sales/Use Taxes					
	2020		2019		
City Sales/Use Taxes (YTD)	\$57,015,563		\$58,705,383		-2.88%
Mesa County Sales/Use Tax (YTD)	\$40,373,990		\$38,659,149		4.44%
City Lodging Tax Revenue (YTD)	\$2,245,577		\$3,375,014		-33.46%
Business Filings					
	2020 (YTD)		2019 (YTD)		
Mesa County New Business Entity Filings (as of Dec 31st, 2020)	1,999		1,930		3.58%

Grand Junction Regional Airport	2020	2019	% change from last year		
Scheduled Enplanements	145,854	268,060	-45.59%		

Standard of Living and Growth	2019	2018	2017	% change since 2018	% change from 2017
Regional GDP	\$6,214,937	\$6,058,926	\$5,771,124	2.57%	7.69%
Personal Income	\$7,204,611	\$6,944,767	\$6,496,022	3.74%	10.91%
Personal Income Per Capita	\$46,719	\$45,405	\$42,972	2.89%	8.72%
Population	154,210	152,951	151,170	0.82%	2.01%
Median Household Income	\$60,249	\$51,132	\$52,623	17.83%	14.49%

	2018	2017	2016	% change since 2017	% change from 2016
Percent of Population Below Poverty Line	15.70%	16.00%	16.30%	-0.30%	-0.60%

SOURCES IN ORDER OF LISTING: 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; Business Confidence: Leeds Business Confidence Index; Sales/Use/Lodging Taxes: City of Grand Junction, Mesa County; Business Permits: Colorado Secretary of State's Office; Scheduled Enplanements: Grand Junction Regional Airport; Median Household Income, Poverty Rate, Population, and Personal Income: U.S. Bureau of the Census; Gross Regional Product: 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.

Local Labor Market

The Mesa County labor market softened during winter months, with the unemployment rate rising from 5.7% in September to 8.2% in December. As a comparison, Colorado went from 6.4% in September to 8.4% in December. Mesa County has had a lower unemployment rate through the COVID pandemic than Colorado, but the winter months have seen a convergence in the unemployment rates (figure 3).

Employment numbers fell from 74,763 in November to 73,344 in December, with labor market numbers rising from 78,699 to 79,880. Falling employment and rising labor force means higher unemployment, which rose from 4,482 to 6,536. The rising labor force is actually a good sign, as economists have worried about the drop in the national labor force participation rate, which fell from 63.3% in December 2019 to 61.5% in December 2020. The labor force is now significantly higher than the December 2019 amount of 76,241. People are counted in the labor force if they are either working or actively trying to find work.

For nine months I have written and presented on how initial and continued unemployment claims are a key data point in watching for economic recovery in the labor market. Due to unemployment fraud, the state has temporarily stopped tracking this data until they can get a better hold of the fraud situation. As of the last data point in December of 2020, initial claims were still rising, and it will be interesting to see how the data changes once it accounts for fraud.

The City finished the year down slightly in sales tax revenue, which is a huge success given the economic situation. The County finished 2020 up 4.5%.

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

	Labor Force	Employed	Unemployed
Annual	2,669	-379	3,048
5-Year	7,554	5,949	1,605
10-Year	3,665	6,443	-2,777
Annual %	3.48%	-0.51%	136.76%
5-Year %	10.50%	8.72%	43.73%
10-Year %	4.83%	9.51%	-34.48%

Median Household Income

Last quarter this newsletter covered in detail the 2019 GDP numbers, but it is important to ask the question, "why do we want to see growth?" The goal of economic growth is not just to produce and consume more goods and services, but to increase the standard of living. One important measure of standard of living at the local level is median household income. Mesa County median household income increased from 2018 to 2019 from \$51,132 to \$60,249, a whopping 17.83% increase. This increase in median household income is higher than expected but in many ways compensates for the lower than expected increase in 2018. 2017-2019 were strong growth years for Mesa County and it is very positive to see that growth translate to a higher standard of living.

Figure 1:
Mesa County Median Household Income

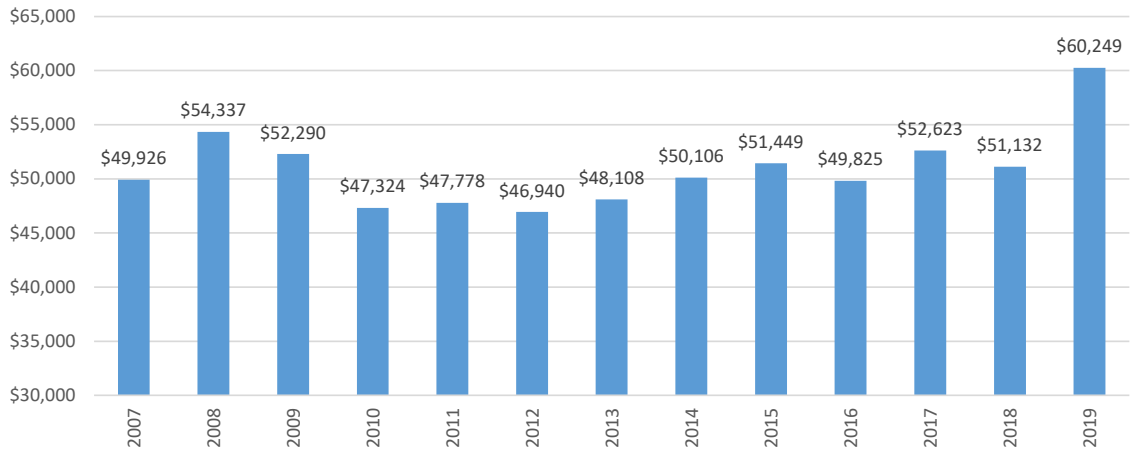


Figure 2:
Employment (Sept-19 through Dec-20)

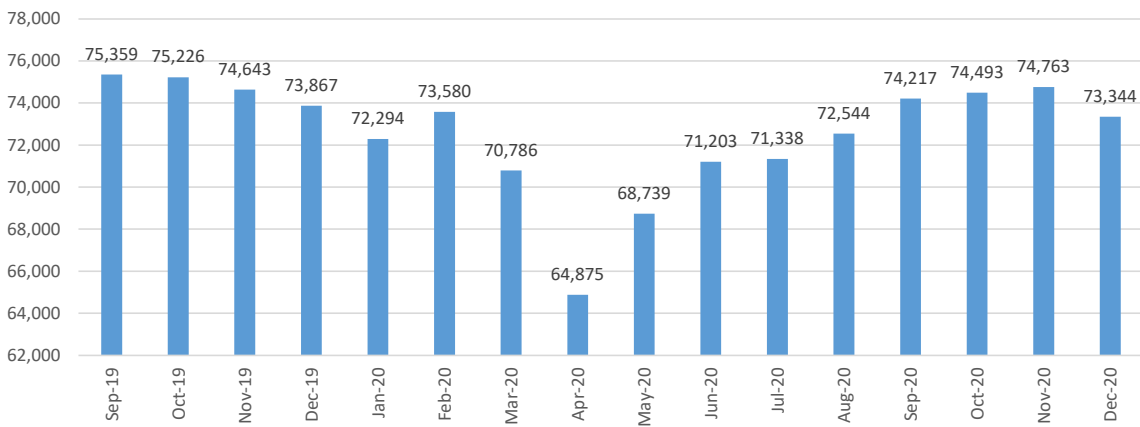
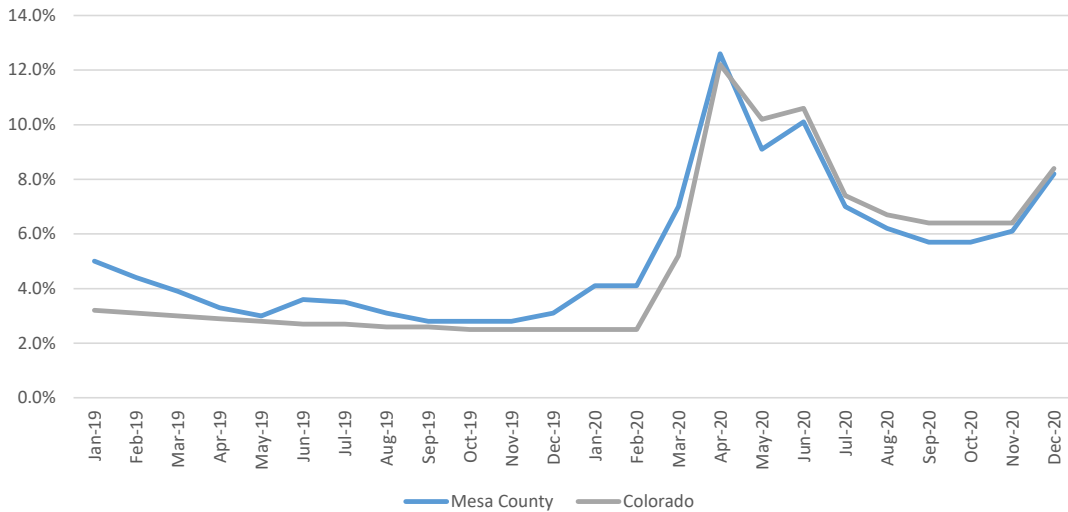


Figure 3:
Mesa and Colorado Unemployment Rate



Population Forecasts

The Colorado State Demography Office tracks the population of Colorado and creates population forecasts for each county. These forecasts can help the state, counties, and municipalities plan for future growth. Although the most total population growth is expected to happen along the Front Range, much of the relative change in population is going to take place on parts of the Western Slope. Figure 4 illustrates relative population change, or percent population change. Red counties indicate large positive changes, blue indicates negative changes. Garfield, Mesa, and Montrose, and San Miguel are all expected to have strong population growth. Table 2 illustrates the population estimates for Mesa, Montrose, and Delta. Mesa County is expected to rise from 155,238 to 178,297 by 2030, and 238,172 by 2050.

Population changes are the result of the birth rate, death rate, and migration rate. Figure 5 illustrates the birth rate. Mesa and Montrose have a slightly positive birth rate, while Delta has a negative birth rate. Figure 6 illustrates the death rate, with both Mesa, Montrose, and Delta, all with aging populations, all showing a high death rate. So if the natural rate of increase, or births minus deaths, is not the reason for the expected population growth, then what is the reason? The answer is the migration rate (figure 7). Mesa, Montrose, and Delta are all expected to have a large influx of migration, which is expected to be the key component to Western Slope population growth.

Source: All population heat maps and population data are from the Colorado State Demography Office.

Figure 4:
Percent Population Change 2019-2030

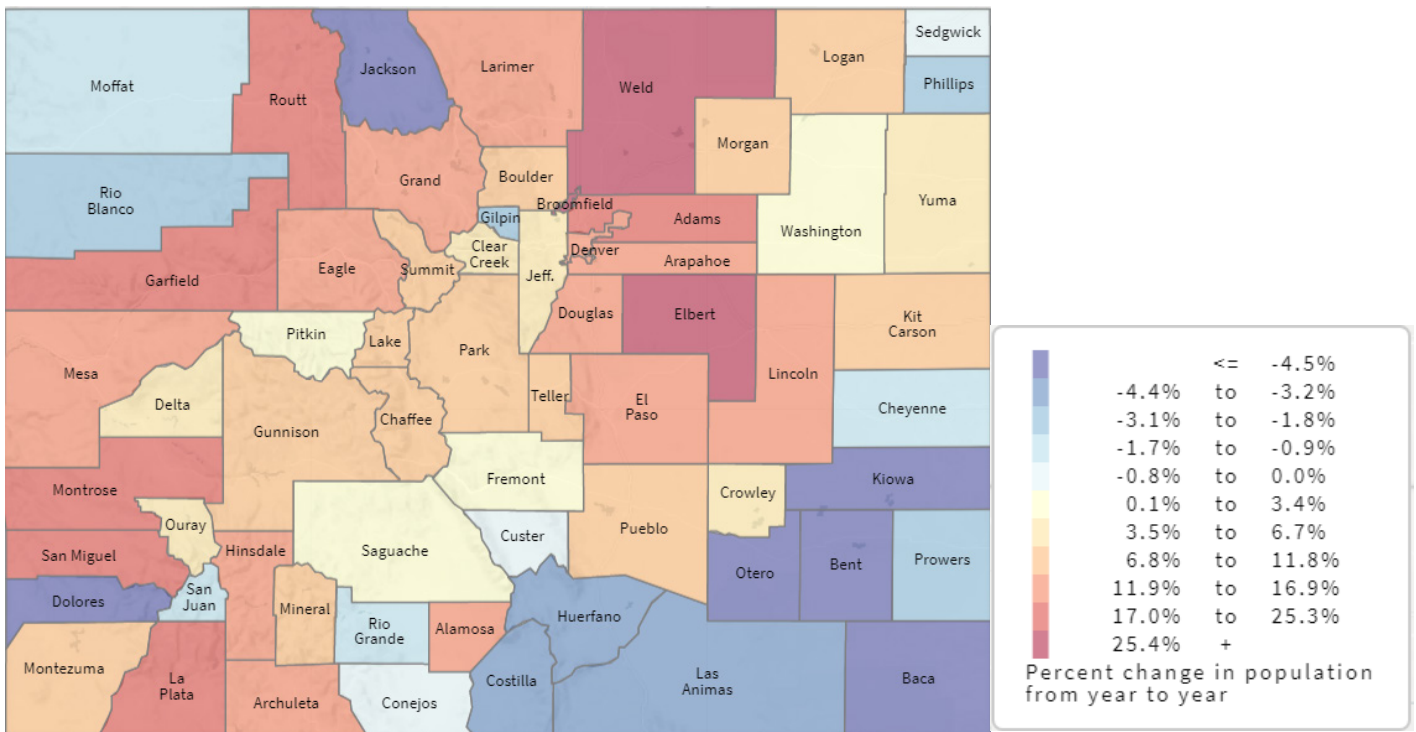


Figure 5:
Birth Rate 2019-2030

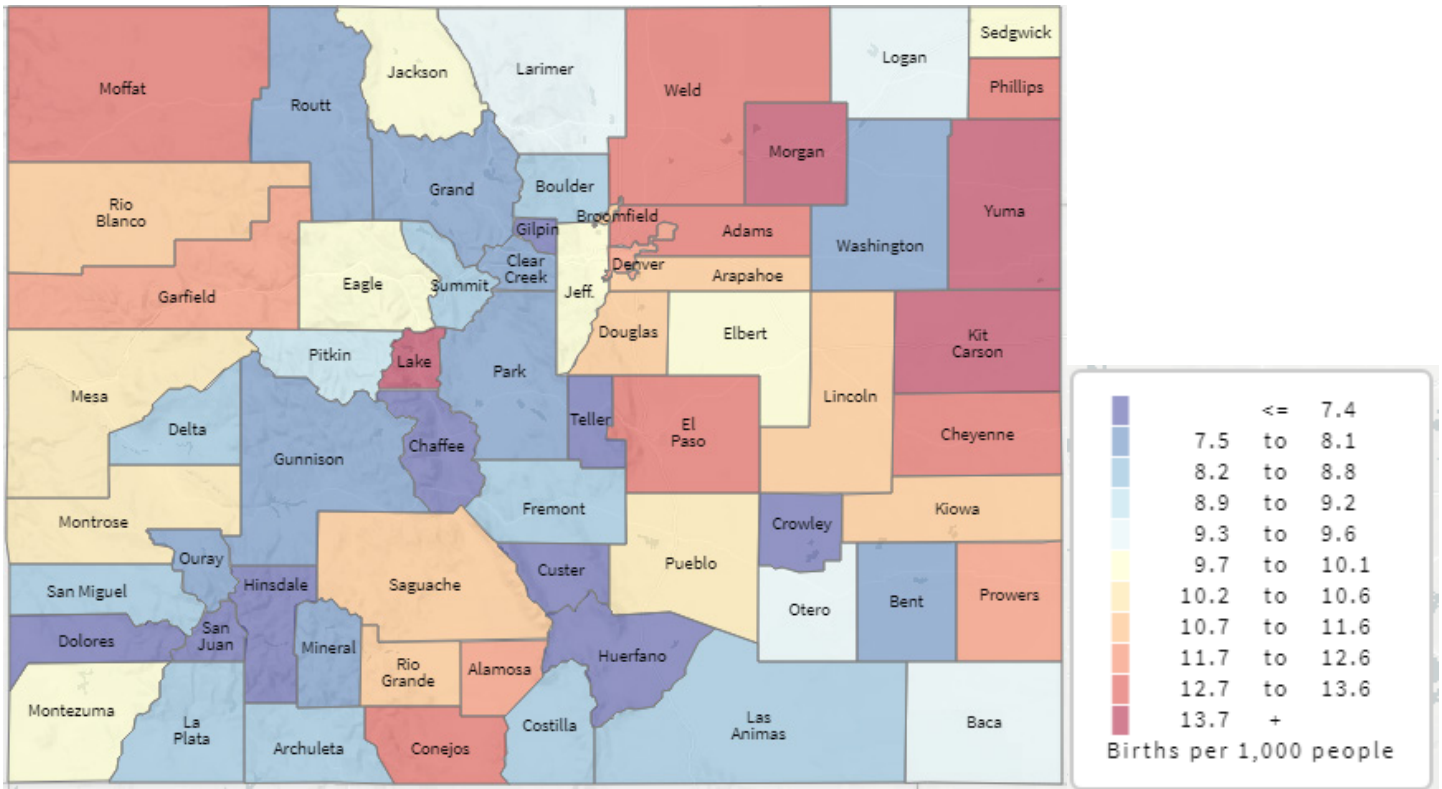


Figure 6:
Death Rate 2019-2030

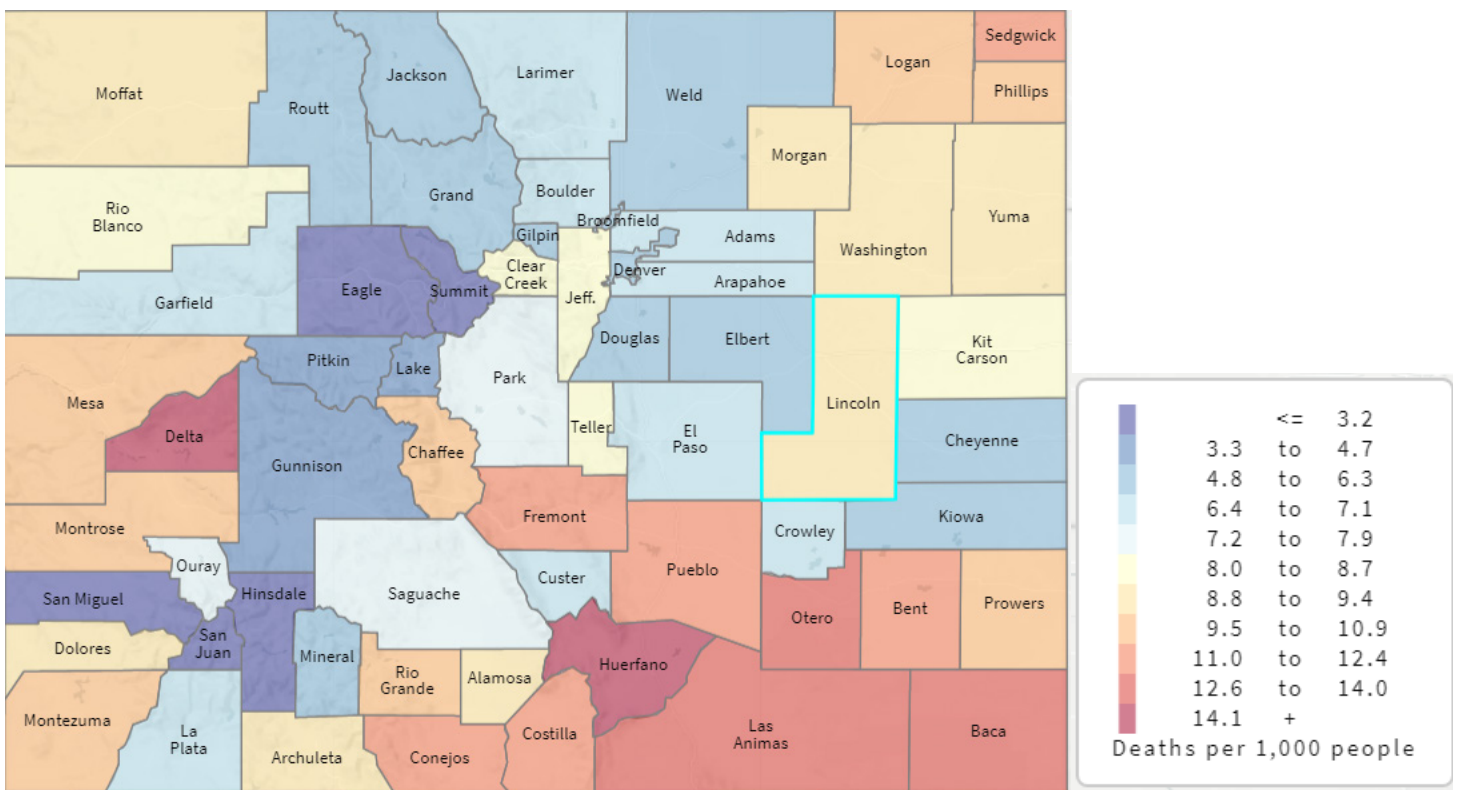


Figure 7:
Migration Rate 2019-2030

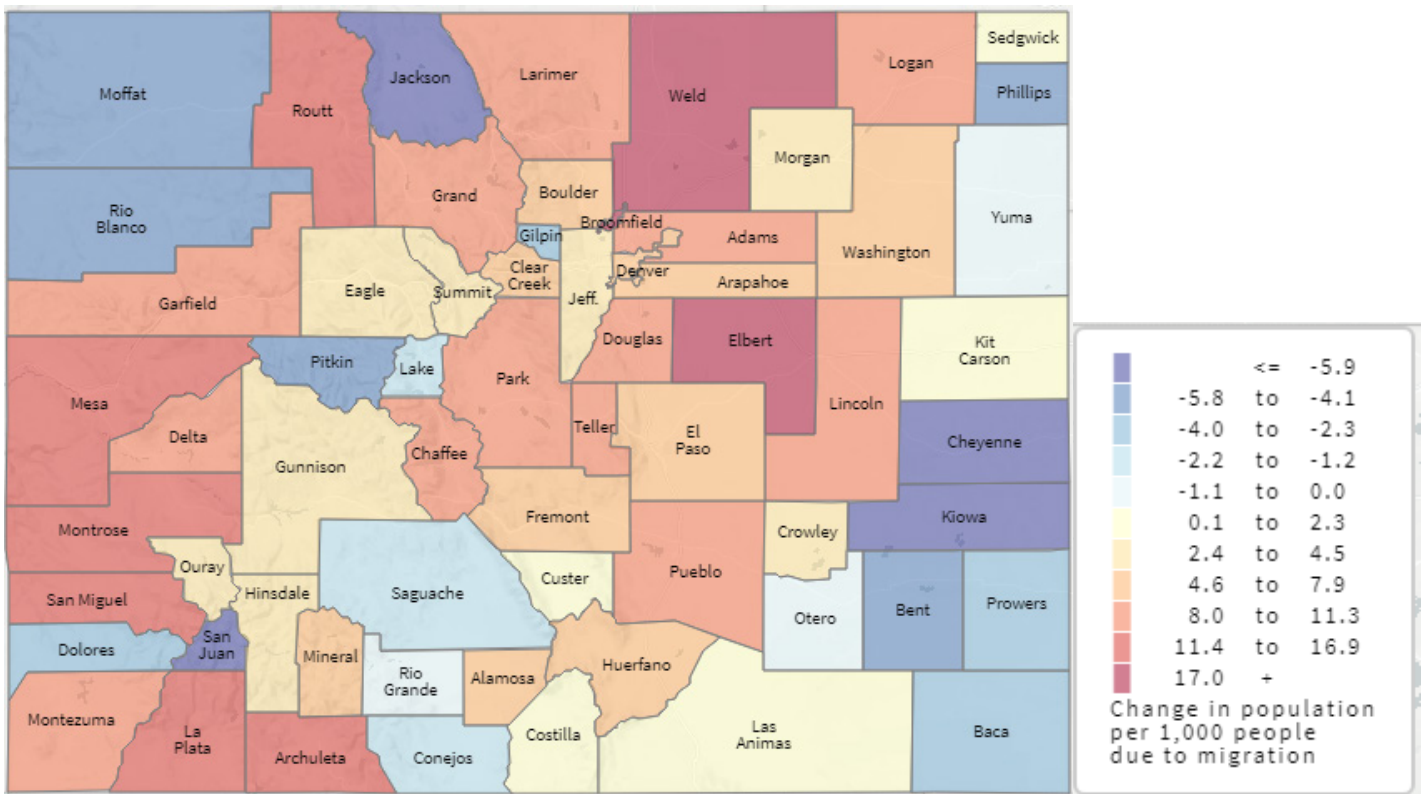


Table 2:
Population Forecasts (Colorado State Demography Office)

	Montrose	Mesa	Delta
2020	43,242	155,738	31,141
2025	47,080	163,484	31,625
2030	51,933	178,297	33,175
2035	56,433	195,340	35,013
2040	60,730	212,055	36,775
2045	64,791	228,142	38,408
2050	68,640	238,172	39,921

Mesa County Employment Trends

Q3 2020 QCEW data shows huge losses in oil and gas resulting from the drop in oil and gas prices in quarter 2. Oil and gas wages and employment as of Q3 are at the lowest level since 2005. From Q3 of 2019 to Q3 of 2020, oil and gas lost \$29,074,243 in wages and 956 in jobs. Figure 13 in the energy section shows wages and employment for oil and gas over time. These jobs averaged \$1,690 in weekly wages in Q3 2019, and fell to \$1,458 in Q3 2020. Overall, job losses were 3,498, which was surprising given the recovery in employment data. Excluding oil and gas, there were actually wage gains in Mesa County of close to \$9 million, but including oil and gas wage losses were at \$20 million. Industries that made gains year over year include health care, retail trade, finance and insurance (who had wage gains but employment losses). Major losses include oil and gas, accomodation and food service, wholesale trade, agriculture, fishing and hunting. Figure 8 and figure 9 illustrates QCEW wage and job changes, respectively.

Table 3:
Quarterly Census of Employment and Wages (QCEW) Q3 2020 Compared to Q3 2019

Sector	Average Employment Q3 2020	Total Quarterly Wages (Q3 2020)	Average Weekly Wage (Q3 2020)	Total Employment Change (Q3 2019 to Q3 2020)	Total Wage Change (Q3 2019 to Q3 2020)
Total, All Industries	60,745	\$720,276,380	\$912	-3,498	-\$20,133,085
Health Care and Social Assistance	12,471	\$169,415,013	\$1,045	307	\$7,613,743
Retail Trade	8,282	\$75,152,946	\$698	59	\$7,522,517
Construction	4,832	\$66,728,745	\$1,062	-199	-\$822,176
Public Administration	3,525	\$55,640,247	\$1,214	61	\$1,618,705
Educational Services	4,659	\$50,028,838	\$826	28	\$1,217,478
Finance and Insurance	1,892	\$38,877,759	\$1,581	-48	\$5,274,019
Accommodation and Food Services	6,328	\$35,936,941	\$437	-688	-\$774,509
Professional and Technical Services	2,241	\$33,737,049	\$1,158	-71	\$639,264
Manufacturing	3,009	\$33,395,067	\$854	-133	-\$1,214,506
Transportation and Warehousing	2,438	\$32,343,385	\$1,020	-164	-\$1,029,278
Wholesale Trade	2,137	\$29,840,137	\$1,074	-265	-\$5,916,845
Administrative and Waste Services	2,703	\$28,331,981	\$806	-280	-\$653,101
Mining, oil, and gas	956	\$18,113,816	\$1,458	-1,192	-\$29,074,243
Other Services, Ex. Public Admin	1,756	\$15,379,525	\$674	-206	-\$942,699
Real Estate and Rental and Leasing	1,000	\$10,340,205	\$795	-58	-\$403,056
Information	627	\$7,960,326	\$977	-66	-\$92,451
Utilities	347	\$6,786,330	\$1,504	9	\$228,742
Agriculture, Forestry, Fishing & Hunting	521	\$4,464,627	\$659	-201	-\$2,377,940
Arts, Entertainment, and Recreation	877	\$4,405,339	\$386	-372	-\$800,425
Management of Companies and Enterprises	137	\$3,075,692	\$1,727	-9	-\$160,775

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	2019	2018	2017	% change since 2018	% change from 2017
Farm Employment	2,726	2,734	2,807	-0.3%	-2.9%
Sole Proprietors (non-farm)	24,818	24,236	23,771	2.4%	4.4%

Figure 8:
Total Wage Changes from Q3 2019 to Q3 2020

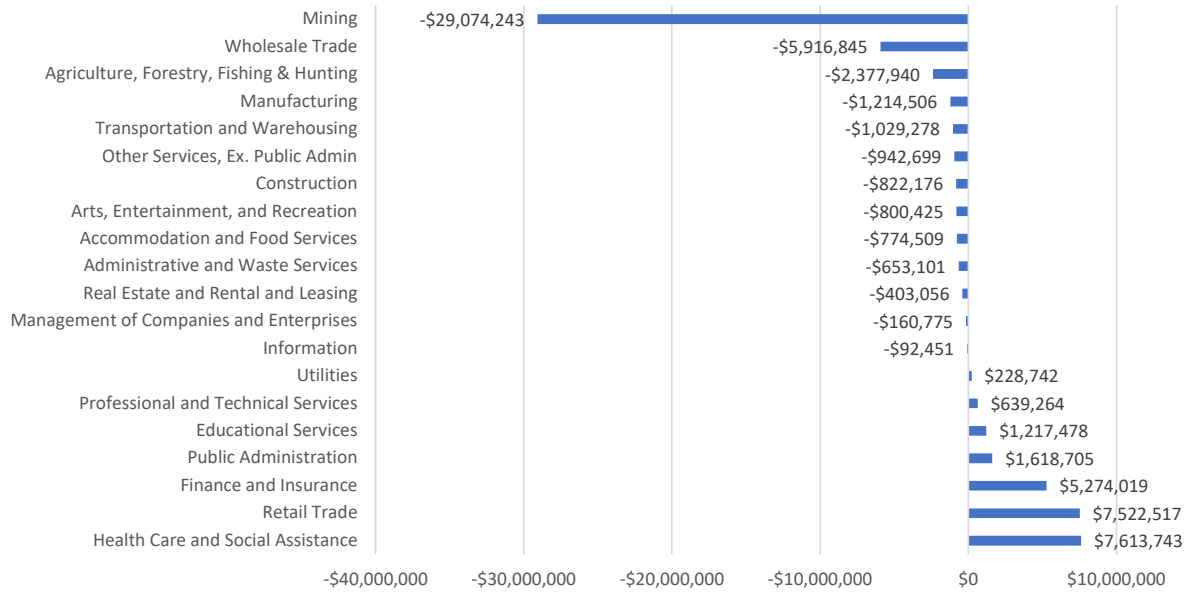
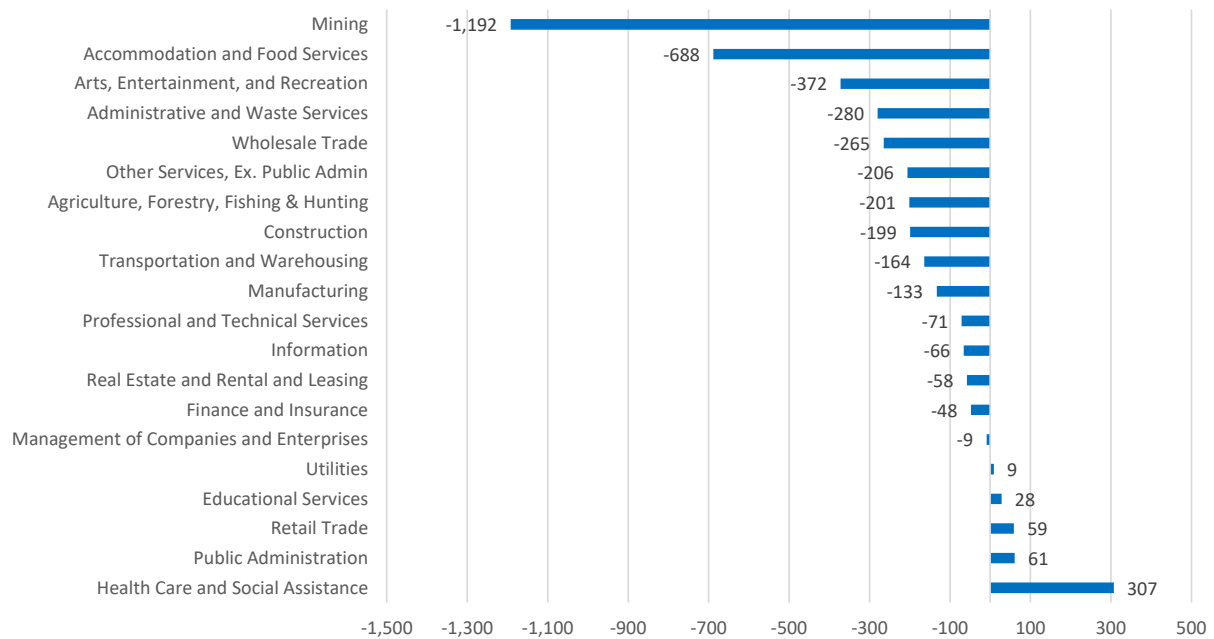


Figure 9:
Total Jobs Change from Q3 2019 to Q3 2020



LOCAL REAL ESTATE

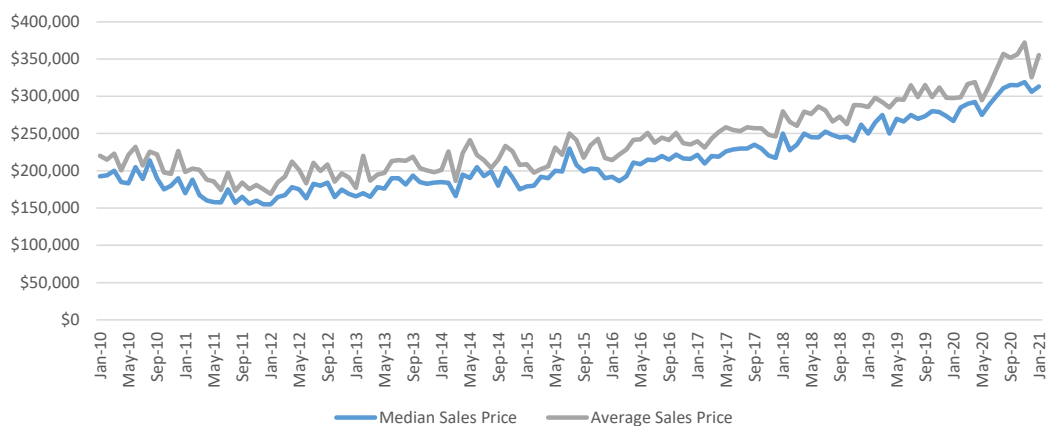
	Q4 2020	Q4 2019	% change since last year
Real Estate			
Inventory of Homes for Sale (3 month avg)	364	664	-45.13%
New Residential listings (3 month total)	744	744	0.00%
Sold Residential Listings (3 month total)	923	806	14.52%
Median Sales Price	\$313,321	\$277,417	12.94%
Average Sales Price	\$351,422	\$302,965	15.99%
Days on Market	75.67	85.67	-11.67%
Months Supply of Inventory	1.23	2.33	-47.14%
Total Building Permits	1,334	1,143	16.71%
Single Family Permits	203	161	26.09%
Foreclosures			
Foreclosure Filings	15	44	-65.9%
Foreclosure Sales	7	24	-70.8%
Freddie Mac House Price Index			
Grand Junction	225.1	202.7	11.05%
Colorado	231.1	210.2	9.92%
National	251.5	217.8	15.47%
Mortgage Rates			
15 Year Mortgage Rate	2.29%	3.16%	-0.87%
30 year Mortgage Rate	2.76%	3.70%	-0.94%

SOURCES: Real Estate: Colorado Association of Realtors Market Trends Program through ShowingTime. Note that real estate data is just single family homes; Permit data: Mesa County; Foreclosure Filings and Sales: Mesa County Public Trustee Office; Freddie Mac House Price Index and Mortgage rates: Freddie Mac.

Local Real Estate Indicators

The real estate market continues to be tight, with current active listings falling below the lows of 2012. The lack of inventory has pushed prices drastically higher, with the Freddie Mac house price index showing Grand Junction prices increasing 11% since Q4 of last year, compared to 15.5% for the nation and 10% for Colorado. The median sales price in Mesa County is now \$313,321, with an average sale price of \$351,422. With inventory at lows and prices at all time highs, economists wonder how long this boom can go on. There is a distinct housing shortage right now, not just in Mesa County, but nationally. Rising rates may curb some demand, while falling COVID numbers may facilitate more activity. Despite these factors, economists forecast strong demand for housing. As housing prices rise and wages stagnate, housing affordability becomes a distinctive problem.

Figure 10:
Average and Median Home Sales Value



REGIONAL ENERGY

	Q4 2020	Q3 2020	Q4 2019	% change since last quarter	% change since last year (comparable quarters)
Energy Prices					
WTI Crude Oil	\$42.52	\$40.89	\$56.84	3.99%	-25.19%
Henry Hub Natural gas	\$2.53	\$2.00	\$2.40	26.50%	5.42%
Retail Gasoline Price	\$2.06	\$2.10	\$2.48	-1.53%	-16.84%

Drilling Permits	2020	2019	% 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%

Local Rig Count	Feb-21	Nov-20	May-20
Rig Count (Western Colorado, Mesa, Rio Blanco, Garfield, Moffat)	1	1	1

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

Figure 11:
Oil and Natural Gas Prices

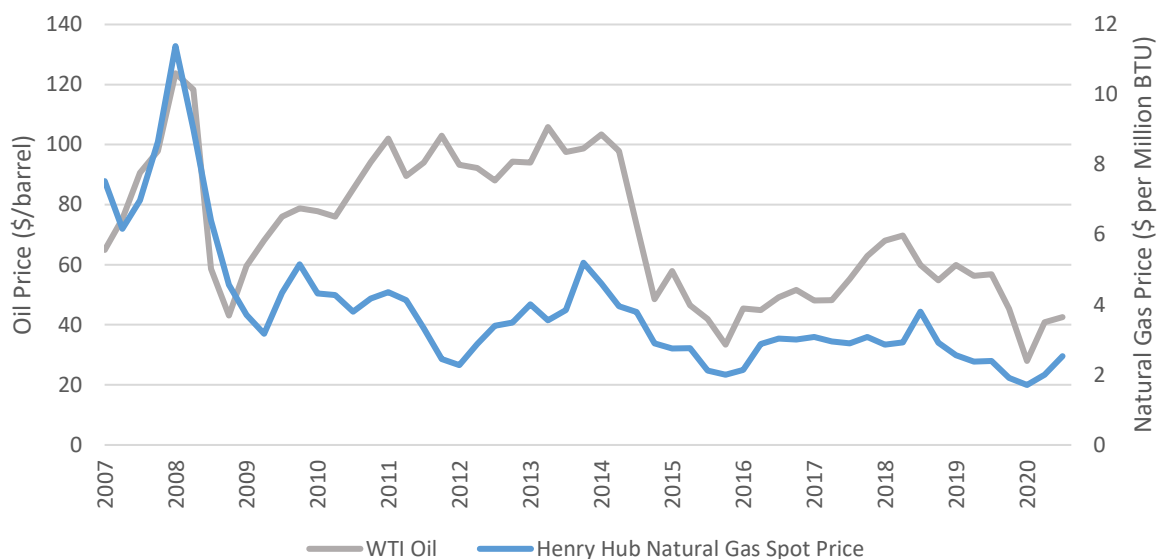


Figure 12:
Oil/Gas Drilling Permits and Oil/Gas Jobs

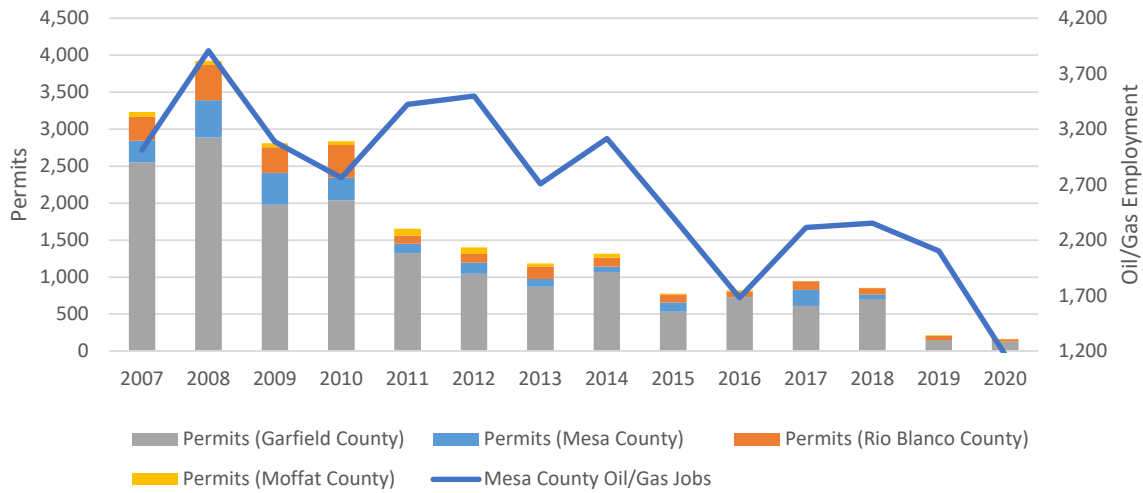
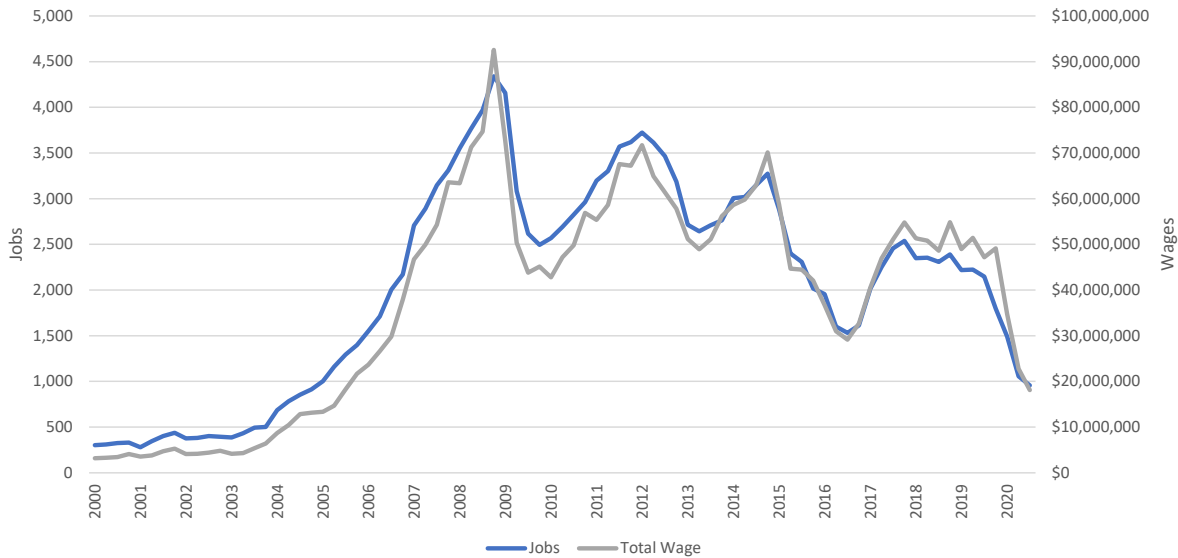


Figure 13:
Oil/Gas Jobs and Wages (Mesa County, QCEW)



Western Slope Drilling Activity

Natural gas prices bottomed in 2020, rose sharply in mid-February 2021, and fell back in late February. The EIA's forecast for natural gas futures is \$3.14/MMBtu for 2021. After low prices and industry consolidation, an increase in economic activity in a post-COVID world has many economists expecting higher oil and gas prices. This may help the Piceance Basin recover from extremely low natural gas prices that pushed oil and gas employment and wages to their lowest level since 2005 (figure 13). Figure 12 illustrates total drilling permits, and shows a distinctive downward trend in both permits and oil/gas jobs. Rig counts are still at 1, and rising rig counts will indicate that rising employment in this industry will follow.

NATIONAL ECONOMIC INDICATORS

	Q4 2020	Q3 2020	Q4 2019	% change since last period	% change since last year (comparable quarters)
Business Cycle Indicators					
Real GDP	4.00%	33.40%	2.40%	-29.40%	1.60%
Personal Consumption Expenditures	2.50%	41.00%	1.60%	-38.50%	0.90%
Gross Private Domestic Investment	25.30%	86.30%	-3.70%	-61.00%	29.00%
National Consumer Confidence	79.8	75.7	97.2	5.42%	-17.90%
Industrial Production Index	105.0	102.5	109.6	2.41%	-4.17%
Initial Weekly Unemployment Claims (4 week MA)	792,481	1,154,558	217,731	-31.36%	263.97%
Non Farm Payroll Change (in thousands)	1,785,333	7,195,000	617,000	-75.19%	189.36%
Unemployment					
Unemployment Rate-U3-SA	6.80%	8.80%	3.60%	-2.00%	3.20%
Unemployment Rate-U6-SA	11.90%	14.50%	6.90%	-2.60%	5.00%
Interest Rates					
Federal Funds Rate	0.09%	0.09%	1.66%	0.00%	-1.57%
10 Year U.S. Treasury	0.86%	0.65%	1.79%	0.21%	-0.93%
30 Year U.S. Treasury	1.62%	1.36%	2.25%	0.26%	-0.63%
Inflation Measures					
Inflation Rate (CPI)	1.21%	1.26%	2.03%	-0.05%	-0.82%
Core Inflation Rate (All Items Less Food and Energy)	1.63%	1.66%	2.29%	-0.03%	-0.66%
Inflation Rate (Shelter)	1.93%	2.23%	3.31%	-0.30%	-1.38%
Producer Price Index (PPI)	-0.32%	-2.59%	-1.86%	2.27%	1.54%
Employment Cost Index	2.52%	2.46%	2.74%	0.06%	-0.22%
Stock Prices					
S&P 500	3,555	3,320	3,083	7.07%	15.30%
Dow Jones Industrial Average	29,092	27,299	27,537	6.57%	5.64%
Trade Balance and Debt					
Trade Balance (% of GDP)	-805.323	-736.124	-549.757	9.40%	46.49%
Federal Debt (% of GDP)*	127.3%	103.3%	105.5%	24.0%	21.8%

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 14:
Real GDP

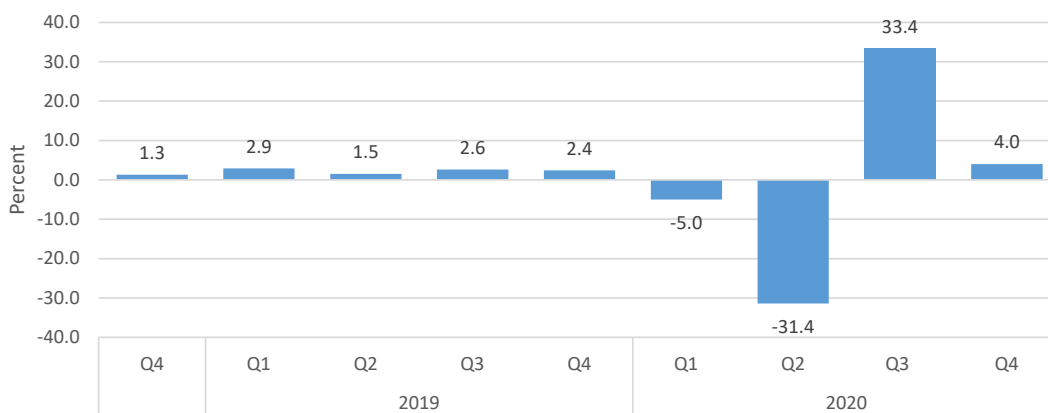
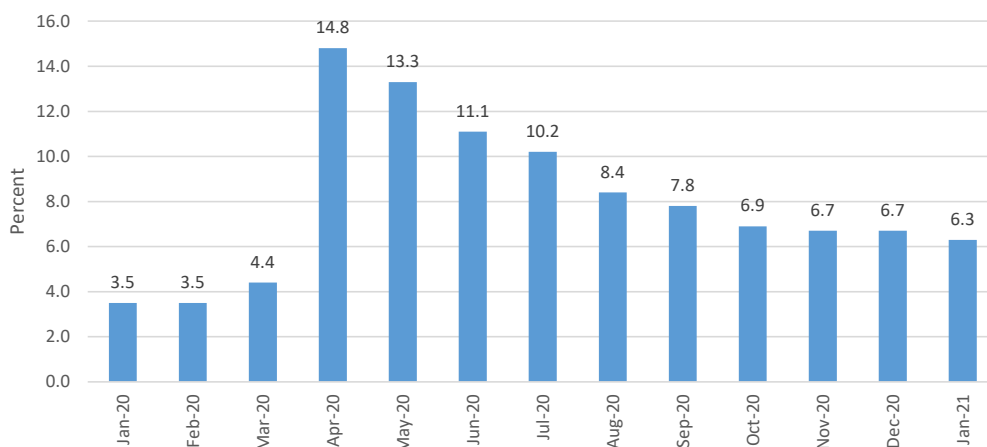


Figure 15:
U.S. Unemployment: January 2020 through January 2021



National Economic Performance

Although winter months have seen stagnation in the labor market, the expectations for the economy are very high heading into Spring. Rising COVID cases and state lockdowns deterred economic recovery November through January, but February COVID numbers and vaccination numbers indicate the worst is likely behind us, and a return to normalcy within our reach.

The national unemployment rate peaked in April at 14.7%, falling to 6.9% in October, and to 6.3% in January. Although the unemployment rate has fallen, employment fell in December and remained stagnant through January. The unemployment rate fell in part due to a fall in the labor force from December to January. A fall in the labor force is considered negative, as less people are working or trying to seek work.

Q4 2020 annualized real GDP increased by 4%, ending the year at \$18.7 trillion compared to Q4 of 2019 at \$19.2 trillion. Potential GDP is at \$19.4 trillion, indicating a recessionary gap of \$700 billion. The size of the GDP gap is key to understanding the debates surrounding the size of the pending 2021 fiscal stimulus bill, which as of writing is \$1.9 trillion in spending.

Monetary and Fiscal Policy

The Biden administration has proposed a \$1.9 trillion fiscal stimulus package, with \$1 trillion that includes stimulus checks, vaccine funding, expanded unemployment benefits, and money for states. Some form of this package is expected to be passed in March, with the expectation that it will boost consumer spending, create additional liquidity, and push economic growth forward.

Jerome Powell, Chairman of the Federal Reserve, recently reiterated the Fed's view that Federal Funds rate will be kept low. The Fed currently sees no threat of inflation, and believes that raising rates will not be necessary because there is no threat of inflation. The CPI remains low, at 1.21%, well below the Fed's target of 2%.

The big story in financial markets in February was the rise in the 10 year treasury bond. Figure 16 illustrates how the 10 year bond rate has risen from 0.52% in August to 1.34% in February. This rise in rates shows that investors believe that economic growth is on the horizon as well as inflation (likely due to stimulus). Rising rates can hurt the stock market, hurt mortgage rates and housing, and hurt discretionary consumer "big ticket" purchases.

Figure 16:
10 Year Treasury and FF Rate

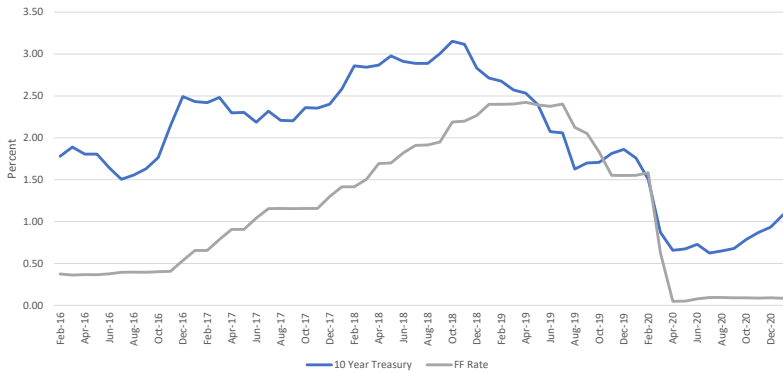
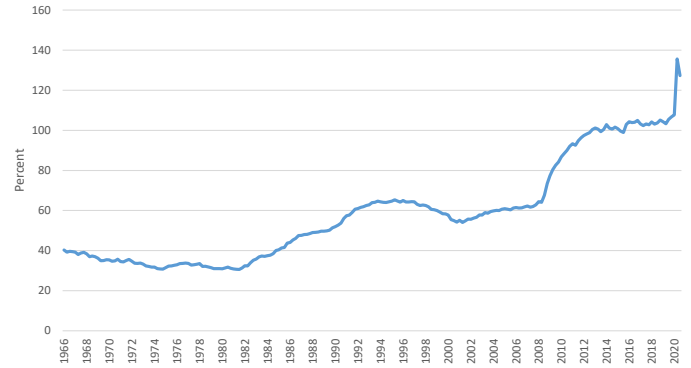


Figure 17:
Debt/GDP



U.S. Deficit and Debt

As a second fiscal policy package is being negotiated, the question of how we pay for it becomes an important one. The Federal government can pay for things in two ways, (1) through taxes, and (2) through debt (selling treasury bonds). Figure 15 illustrates the U.S. debt/GDP ratio, which is currently at 127%. There are many questions about whether the U.S. can continue to borrow for fiscal stimulus, especially after tax cuts reduced tax revenues. However, figure 14 illustrates the 10 year treasury bond yield, which is at historical lows. Shorter term bonds are astronomically low, and much like when purchasing a house, lower interest rates allow governments to borrow more while paying less to service the debt. A better way to measure the burden to government is to look at interest payments as a percentage of Federal spending. Because interest rates fell, and in part because expenditures increased, interest payments as a percentage of spending fell from 12.2% of the budget in 2019 to 8.6% of the budget in 2020. The total interest payments made fell from \$581 billion to \$556 billion from 2019 to 2020. Both of these data points illustrate that higher debt levels are sustainable if interest rates stay low. As a comparison, interest payments as a percent of federal spending during the 1980's, a decade with high interest rates, was higher than 20%. In fact, historically the interest payments as a percentage of spending is significantly lower than the historical average, measuring from 1948.

This tells us two things: (1) The U.S. can accrue more debt compared to the historical burden of interest rates, and (2) there will be significant pressure on the Fed to keep interest rates low until the debt burden is reduced. This is one of the reasons the Federal Reserve has signaled its desire to keep interest rates low for years to come. If interest rates were to drastically increase, it could hurt the ability of the U.S. government to issue new debt as it would increase the cost of servicing new debt, and rolling over old debt. Interest rates generally move for a few reasons: (1) They rise because inflation is rising, and (2) they rise because economic growth is strong and investors move out of bonds to more desirable equities. There is little evidence of significant inflation (although there are some signs such as energy prices and housing) and the Fed does not expect it. The return of a strong economy could push bond yields higher, despite the Fed's best attempts to keep them low, especially on the long end of the curve (the 10 year and 30 year treasury bonds).



The Mesa County Economic Update is compiled and written by Dr. Nathan Perry, Associate Professor of Economics at Colorado Mesa University.

📞 970.248.1888
✉️ naperry@coloradomesa.edu



1100 North Avenue
Grand Junction, Colorado 81501-3122
970.248.1778 • 970.248.1138 (f)
coloradomesa.edu