

MESA COUNTY ECONOMIC UPDATE

First Quarter 2022



Economic Summary

- Median household income for Mesa County was recently released and increased from \$60,249 in 2019 to \$64,141 in 2020. This is important because median household income for the United States fell from \$69,560 to \$67,521, which means Mesa County did better than the nation. Colorado median household income increased from \$72,499 to \$82,611, so Mesa County's increase was better than the nation but did not keep up with Colorado.
- Poverty estimates were also released, showing that poverty numbers inched lower. 2018's poverty estimate was 14.4%, falling to 11.2% in 2019, and 11.1% in 2020.
- Recent updates to local labor market data paint a much more positive picture for 2021, especially the last 6 months. The yearly average of employment for Mesa County in 2021 was 72,798, up from 69,424 in 2020 and close to the 2019 number of 72,931. The year ended with a monthly employment number of 74,698 in December.
- The U.S. inflation rate in February hit 7.9%. This is the highest inflation rate since 1982. Before Russia's invasion of Ukraine, a 3.5-4% inflation forecast by year end was a reasonable way to view inflation dynamics for the coming year. However, the Russia-Ukraine crisis has changed the inflation forecast and has much larger implications for the world and U.S. economy, bringing with it significant macroeconomic and financial risks.

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LOCAL ECONOMIC INDICATORS

	Q4 2021	Q3 2021	Q4 2020	change since last quarter	change since last year (comparable quarters)
Local Labor Market					
Unemployment Rate Mesa County -SA	5.70%	6.40%	7.00%	-0.70%	-1.30%
Unemployment Rate Mesa County -NSA	4.70%	5.70%	6.70%	-1.00%	-2.00%
Unemployment Rate Colorado -SA	5.10%	5.90%	6.90%	-0.80%	-1.80%
Unemployment Rate U.S. -SA	4.20%	5.10%	6.80%	-0.90%	-2.60%
Labor Force	77,246	76,490	77,008	756	237
Employed	73,662	72,145	71,835	1,518	1,827
Unemployed	3,583	4,345	5,173	-762	-1,590
Business Confidence					
Leeds Colorado Business Confidence	56.1	67.3	47.9	-16.64%	17.12%
Sales/Use Taxes					
	2021 (YTD)		2020 (YTD)		
City Sales/Use Taxes (YTD)	\$68,748,797		\$57,116,937		20.36%
Mesa County Sales/Use Tax (YTD)	\$48,612,508		\$40,067,989		21.33%
City Lodging Tax Revenue (YTD)	\$3,699,321		\$2,435,950		51.86%
Business Filings					
	2021 (YTD)		2020 (YTD)		
Mesa County New Business Entity Filings (as of Dec 8th, 2021)	2,402		2,019		18.97%

Grand Junction Regional Airport	2021		2020		% change from previous year
Scheduled Enplanements (YTD, through October)	262,240		145,854		79.80%

Standard of Living and Growth	2020	2019	2018	2017	% change from previous year
Personal Income	\$7,536,582	\$7,093,668	\$6,852,934	\$6,420,294	6.24%
Personal Income Per Capita	\$48,435	\$45,898	\$44,691	\$42,396	5.53%
Population	155,603	154,210	152,951	151,435	0.90%
Mesa County Gross Regional Product (in millions)	\$5,849,815	\$6,039,762	\$5,967,075	\$5,724,372	-3.14%
Median Household Income	\$64,141	\$60,249	\$51,132	\$52,623	6.46%
Percent of Population Below Poverty Line	11.1	11.2	14.4	14.9	-0.10

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

At the beginning of every year the Bureau of Labor Statistics revises their estimates based on new data available, and occasionally updates their methodologies. For the most recent labor market data release, changes were made for Mesa County for the past year. The changes affect data back to 2017. Specifically, the changes show more employment gains starting in the summer of this year, pushing employment past the 2019 peak. As of February, the employment data showed that Mesa County had not broken through the 2019 peak. The changes to the data paint a much more positive picture for 2021, especially the last 6 months. The yearly average of employment for Mesa County in 2021 was 72,798, up from 69,424 in 2020 and close to the 2019 number of 72,931. The year ended with a monthly employment number of 74,698 in December and 74,640 in January. The employment growth in these winter months bucks the usual trend of a downswing in employment during winter, and keeps Mesa County's employment numbers moving forward.

Other Indicators

The Leeds Business Confidence Index has fallen by 16.64 percent from last quarter, as businesses see the impacts of inflation, supply chain problems, and labor shortages. These issues do not seem to be impacting local spending, as sales tax collection continues to rise, with city sales/use taxes up 20.36% and county sales/use taxes up 21.33%. As businesses increase prices due to inflation, sales taxes will rise proportionally. City lodging tax revenue is up 51.86% from 2020.

Mesa County business filings are up 18.97% from 2020, showing increased interest for small business creation. Scheduled enplanements from the Grand Junction Regional Airport are up almost 80% from 145,854 to 262,240.

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

	Labor Force	Employed	Unemployed
Annual	948	1,912	-964
5-Year	4,455	3,454	1,001
10-Year	1,152	4,462	-3,310
Annual %	1.25%	2.73%	-17.10%
5-Year %	6.18%	5.05%	27.28%
10-Year %	1.53%	6.62%	-41.48%

Standard of Living Indicators

Two new standard of living measures were recently released for Mesa County 2020 data. Median household income increased from \$60,249 to \$64,141. This is important because median household income for the United States fell from \$69,560 to \$67,521, which means Mesa County did better than the nation. Colorado median household income increased from \$72,499 to \$82,611, so Mesa County's increase was better than the nation but did not keep up with Colorado.

Poverty estimates were also released, showing that poverty numbers inched lower. 2018's poverty estimate was 14.4%, falling to 11.2% in 2019, and 11.1% in 2020.

Figure 1:
2 Year Employment: Old vs. New Estimates

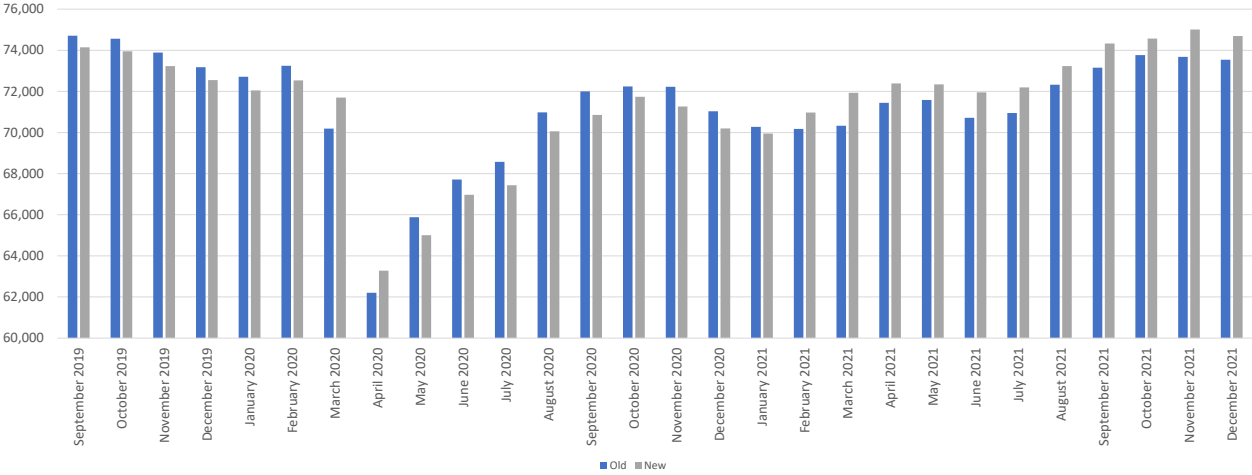


Figure 2:
Yearly Employment Average

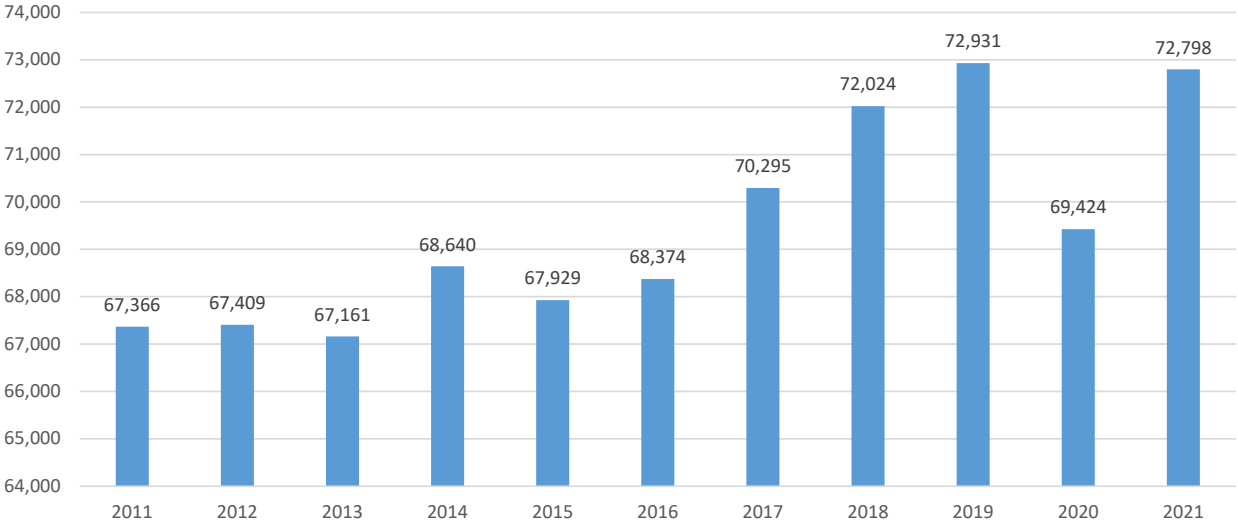


Figure 3:
Change in Yearly Employment Average

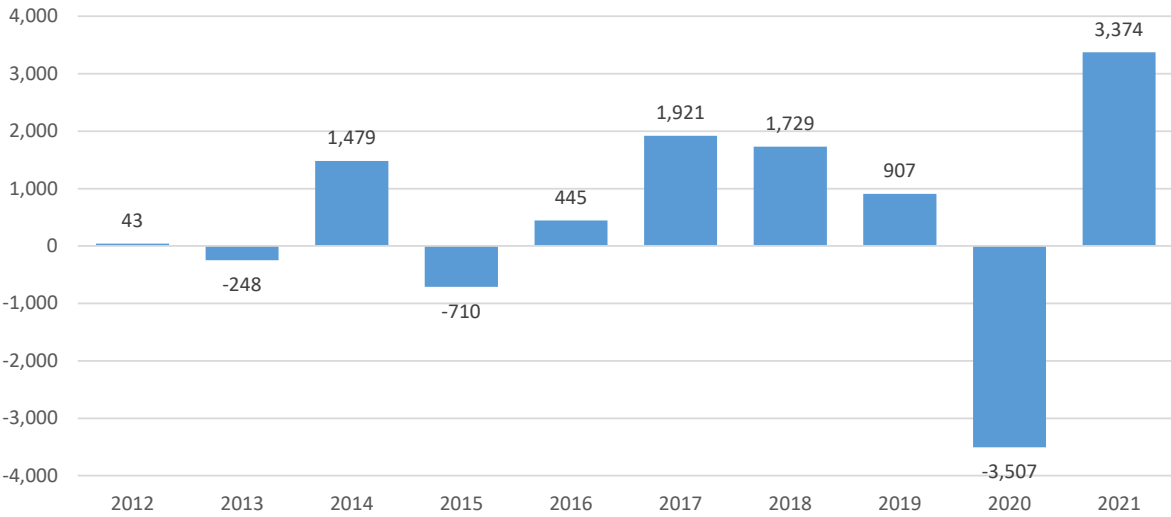


Figure 4:
Mesa County and Colorado Unemployment Rates

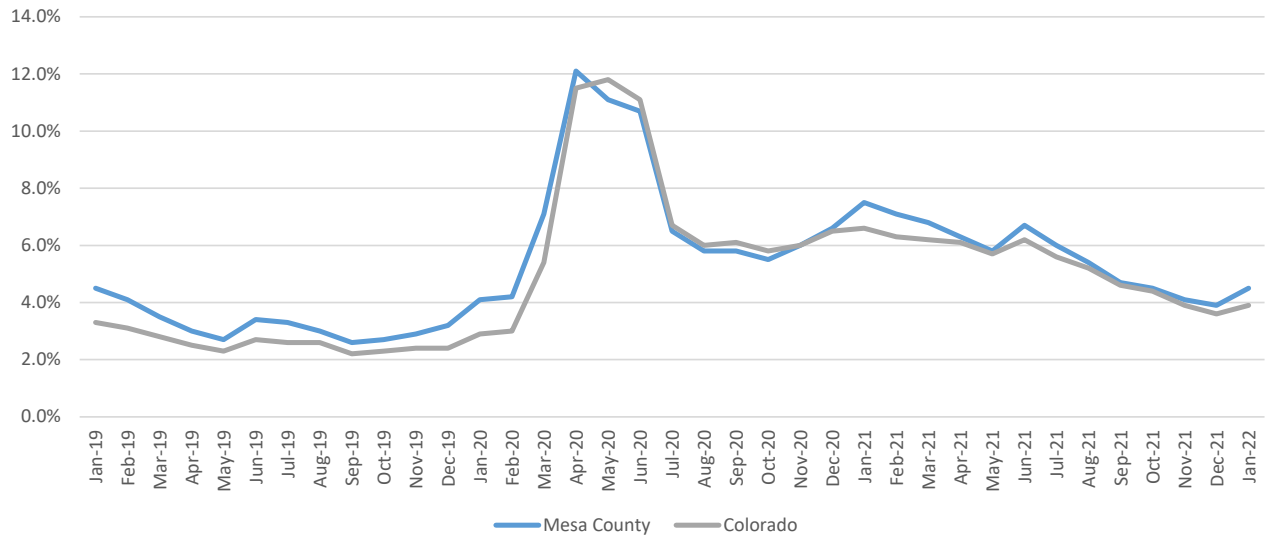


Figure 5:
Number of Unemployed Mesa County

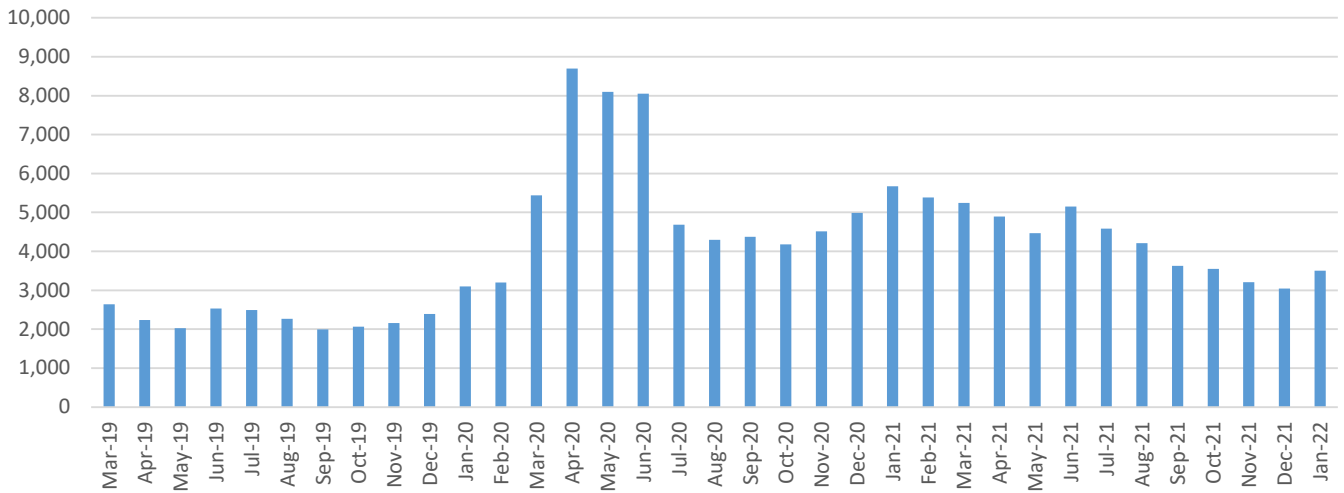


Figure 6:
Total Full and Part Time Jobs (BEA)

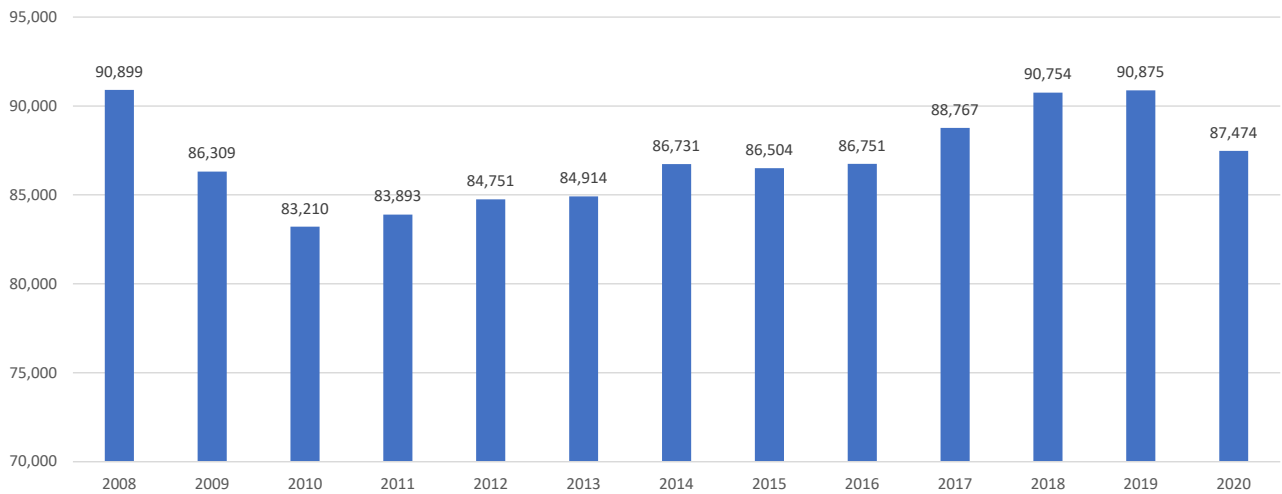


Figure 7:
Mesa County Median Household Income

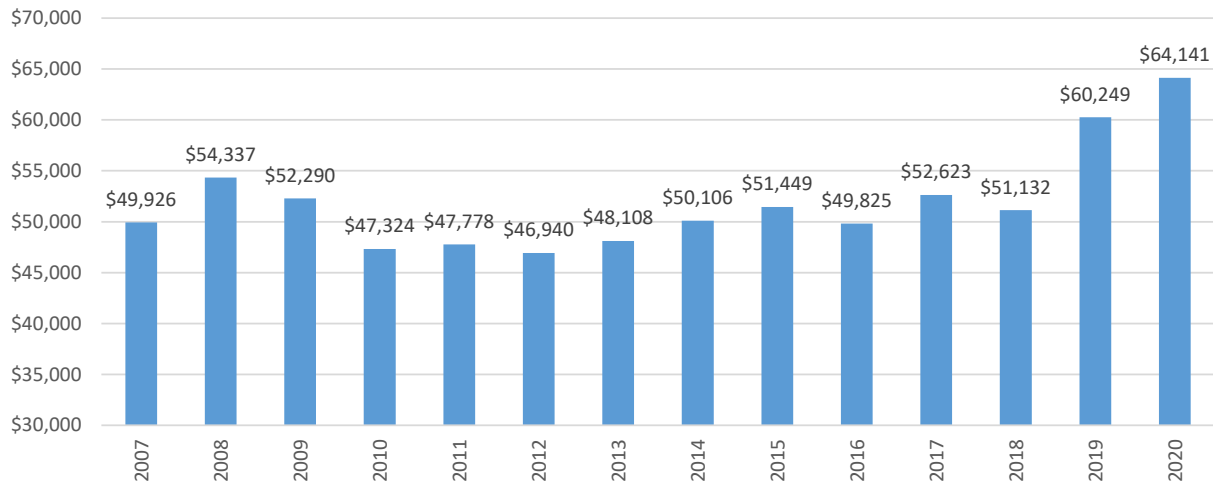


Figure 8:
Mesa County Poverty Rate Estimate

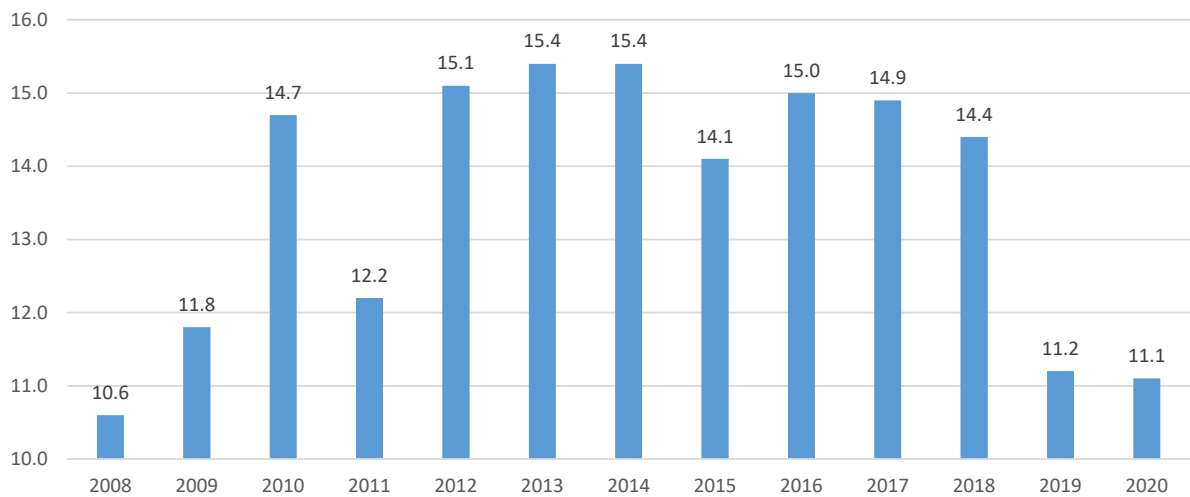
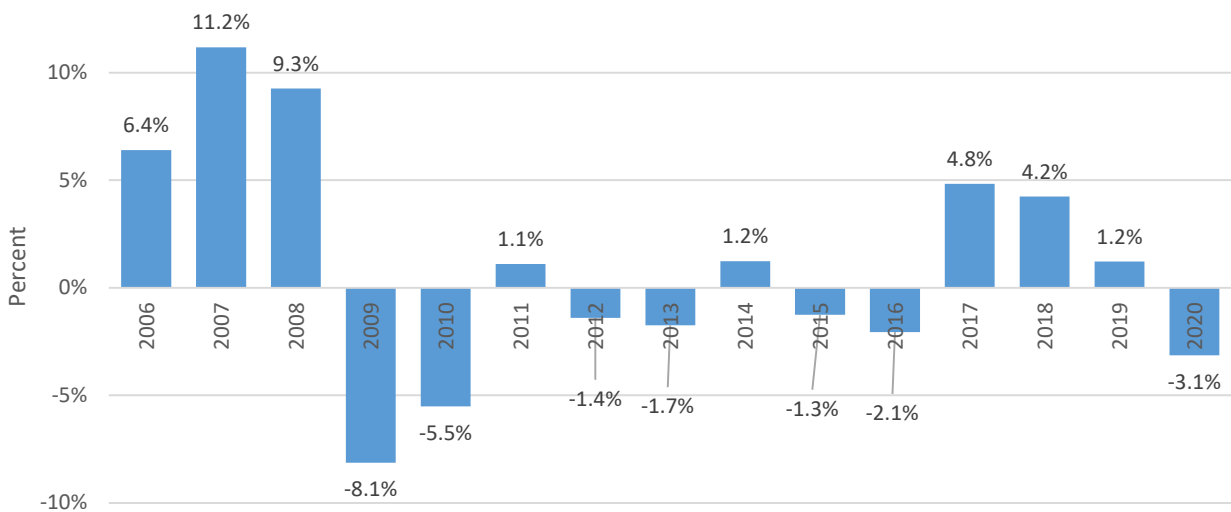


Figure 9:
Mesa County Real GDP % Change (chained 2012 dollars)



Mesa County Employment Trends

Q3 2021 Quarterly Census of Employment and Wage data shows job and wage gains compared to Q3 2020. The biggest gainers on the wage side were retail trade, healthcare, and oil and gas (mining). The biggest job gainers were accomodation and food services (882), retail trade (396), and oil and gas (344). Accomodation and food services, retail trade, art entertainment and recreation, and oil and gas were the industries hit hardest by COVID-19. Thus far only oil and gas has not recovered, however, this industry is finally improving since bottoming in Q3 of 2020. Extremely high oil and gas prices should help facilitate some activity in oil and gas.

Table 2:
Quarterly Census of Employment and Wages (QCEW) Q3 2021 Compared to Q3 2020

Sector	Average Employment	Total Quarterly Wages	Average Weekly Wage	Total Employment Change	Total Wage Change
Total, All Industries	64,102	\$801,430,085	\$962	3,357	\$81,153,705
Health Care and Social Assistance	12,527	\$182,103,824	\$1,118	56	\$12,688,811
Retail Trade	8,678	\$90,095,732	\$799	396	\$14,942,786
Construction	5,174	\$73,458,230	\$1,092	342	\$6,729,485
Public Administration	3,603	\$59,872,699	\$1,278	78	\$4,232,452
Educational Services	4,808	\$47,810,352	\$765	149	-\$2,218,486
Accommodation and Food Services	7,210	\$44,953,431	\$480	882	\$9,016,490
Finance and Insurance	1,917	\$39,211,238	\$1,573	25	\$333,479
Professional and Technical Services	2,366	\$38,160,725	\$1,241	125	\$4,423,676
Transportation and Warehousing	2,659	\$37,050,499	\$1,072	221	\$4,707,114
Manufacturing	3,189	\$36,469,375	\$880	180	\$3,074,308
Wholesale Trade	2,243	\$33,685,553	1,155	106	\$3,845,416
Mining	1,300	\$29,662,848	\$1,755	344	\$11,549,032
Administrative and Waste Services	2,647	\$28,653,246	\$833	-56	\$321,265
Other Services, Ex. Public Admin	1,919	\$17,655,157	\$708	163	\$2,275,632
Real Estate and Rental and Leasing	1,090	\$12,163,396	\$858	90	\$1,823,191
Information	623	\$8,949,965	\$1,105	-4	\$989,639
Utilities	364	\$7,314,418	\$1,546	17	\$528,088
Arts, Entertainment, and Recreation	1,052	\$5,607,724	\$410	175	\$1,202,385
Agriculture, Forestry, Fishing & Hunting	575	\$5,488,156	\$734	54	\$1,023,529
Management of Companies and Enterprises	148	\$2,878,847	\$1,496	11	-\$196,845

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	2020	2019	2018	2017	% change from 2019
Farm Employment	2,232	2,228	2,240	2,239	0.2%
Sole Proprietors (non-farm)	20,902	21,273	21,996	21,534	-1.7%

Figure 10:
Total Wage Changes from Q3 2020 to Q3 2021

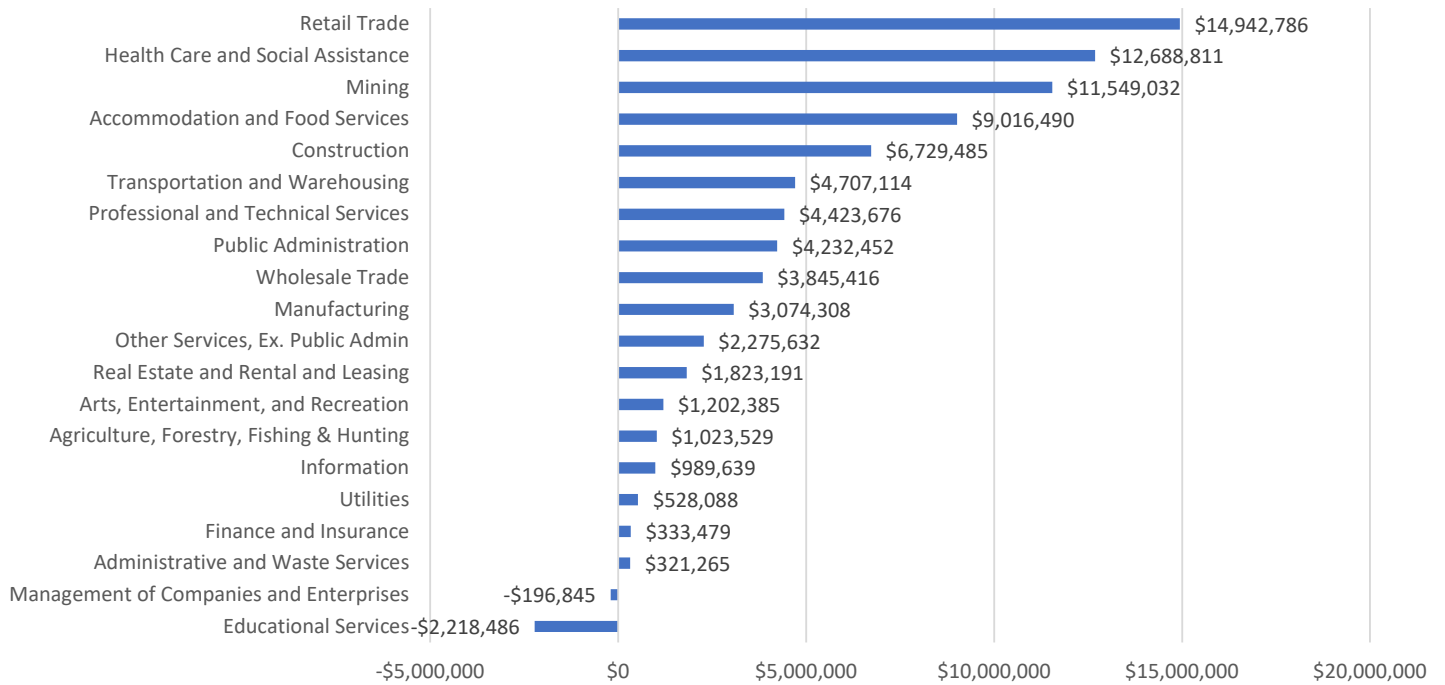
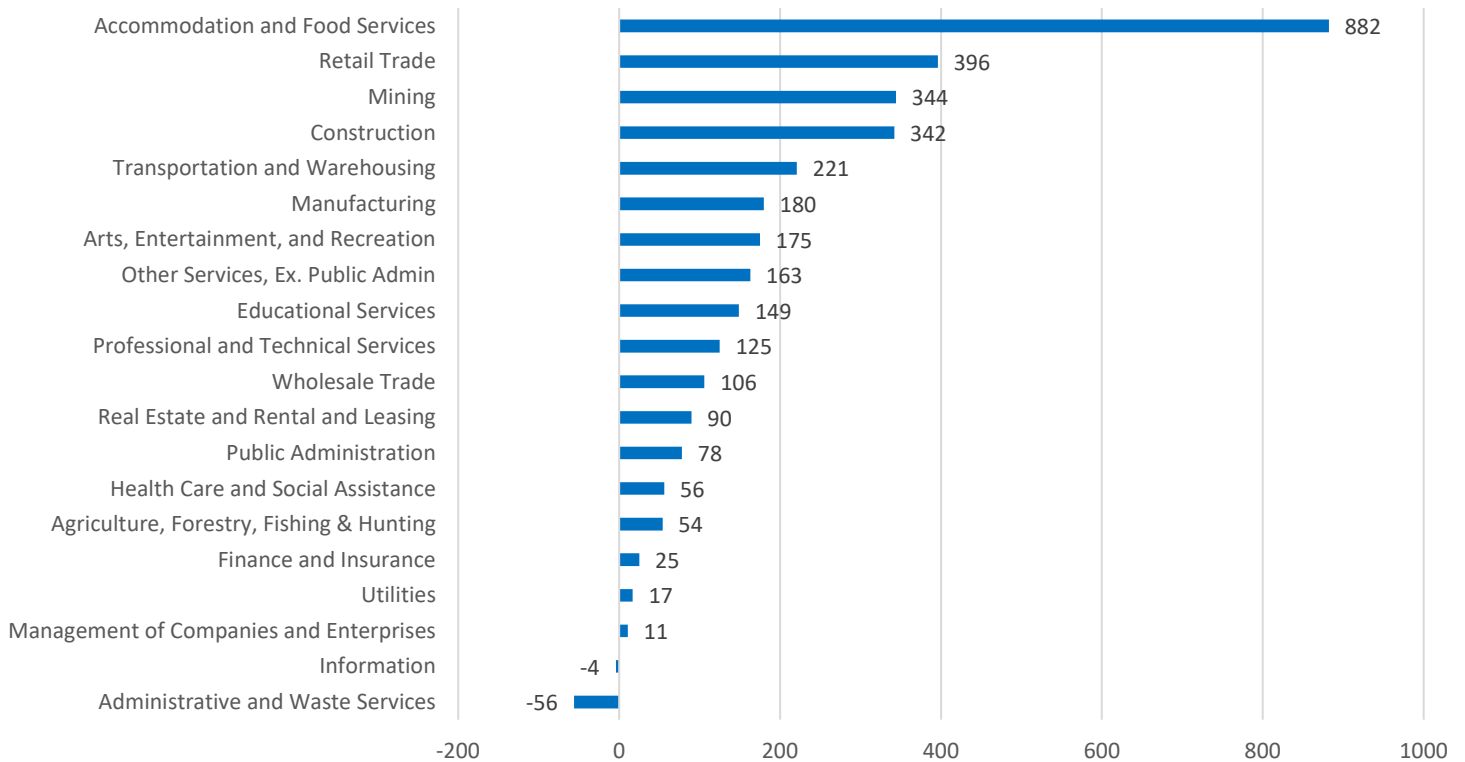


Figure 11:
Total Jobs Change from Q3 2020 to Q3 2021



LOCAL REAL ESTATE

	Q4 2021	Q4 2020	% change since last year
Real Estate			
Inventory of Homes for Sale (3 month avg)	323	364	-11.25%
New Residential listings (3 month total)	693	744	-6.85%
Sold Residential Listings (3 month total)	839	923	-9.10%
Median Sales Price	\$362,333	\$313,321	15.64%
Average Sales Price	\$400,253	\$351,422	13.90%
Days on Market	69.00	75.67	-8.81%
Months Supply of Inventory	1.07	1.23	-13.51%
Total Building Permits (YTD through August)	5,666	5,023	12.80%
Single Family Permits (YTD through August)	910	781	16.52%
Foreclosures			
Foreclosure Filings	27	93	-71.0%
Foreclosure Sales	20	35	-42.9%
Freddie Mac House Price Index			
Grand Junction	278.2	225.7	23.29%
Colorado	274.6	230.3	19.23%
National	252.5	215.8	17.01%
Mortgage Rates			
15 Year Mortgage Rate	2.34%	2.29%	0.05%
30 year Mortgage Rate	3.08%	2.76%	0.32%

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 Mesa County real estate market continues to have rising prices and low inventory. This is not just a local problem, it's a problem everywhere. The median sale price increased 15.64%. Months supply of inventory is at its lowest level in the recent decades. On the building front, total building permits increased 12.8% and single family permits increased 16.5%. All data points show a very tight housing market with limited inventory. The Federal Reserve is raising the Federal Funds rate and reducing their purchases of 10 year treasury bonds, with the goal of raising interest rates. The hope is to slow what has become one of the strongest housing markets in recent history.

Figure 12:

Median and Average Sales Price

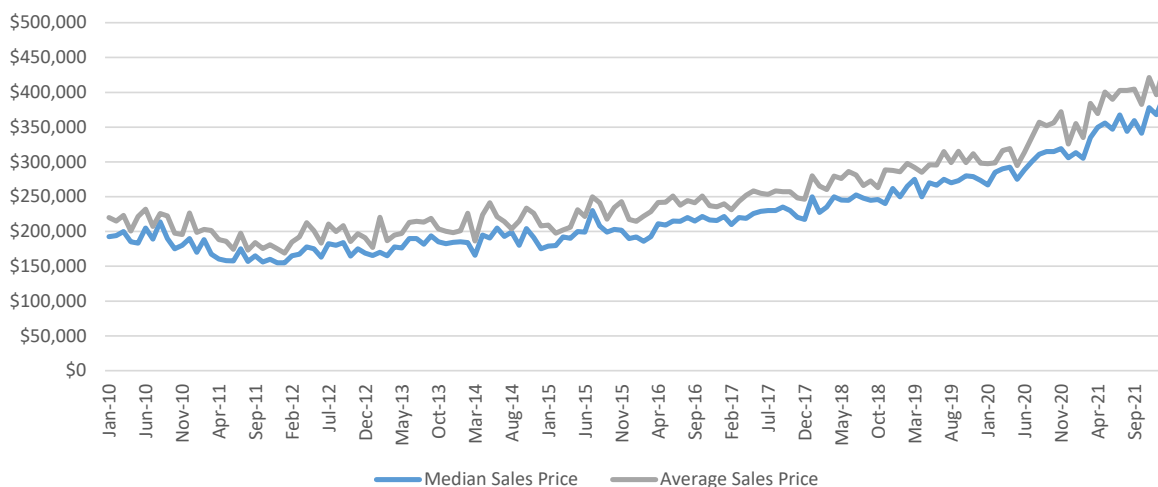


Figure 13:
Days on Market Until Sale

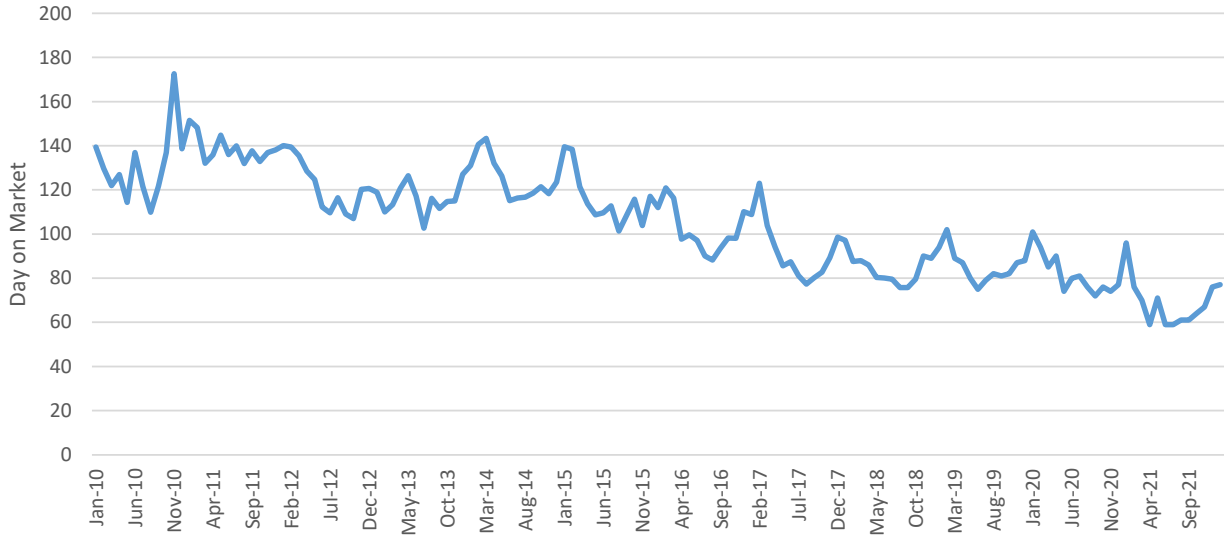


Figure 14:
Months Supply of Inventory

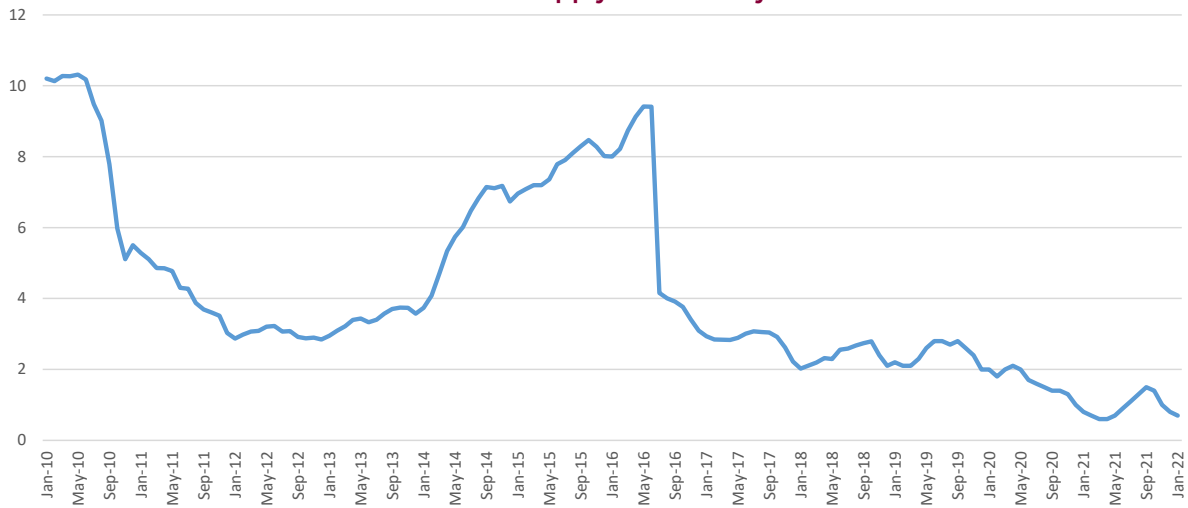
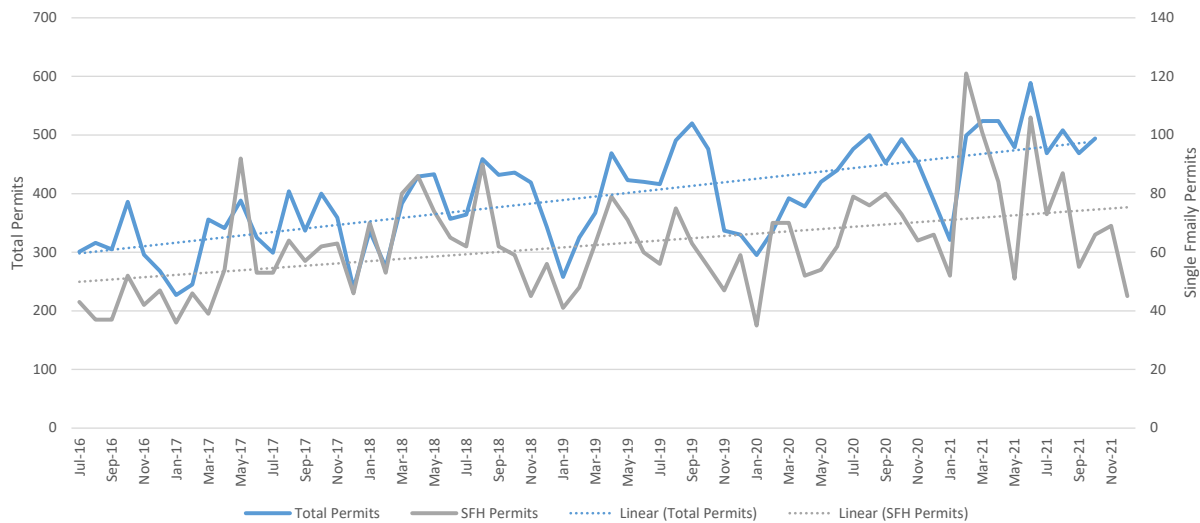


Figure 15:
Total and Single Family Home Building Permits



REGIONAL ENERGY

	Q4 2021	Q3 2021	Q4 2020	% change since last quarter	% change since last year (comparable quarters)
Energy Prices					
WTI Crude Oil	\$77.33	\$70.58	\$42.52	9.56%	81.87%
Henry Hub Natural gas	\$4.77	\$4.36	\$2.53	9.40%	88.54%
Retail Gasoline Price	\$3.21	\$3.06	\$2.06	4.90%	55.62%
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%	
Local Rig Count					
	Feb-22	Aug-21	Feb-21		
Rig Count (Western Colorado, Mesa, Rio Blanco, Garfield, Moffat)	2	2	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 16:
Oil and Natural Gas Prices

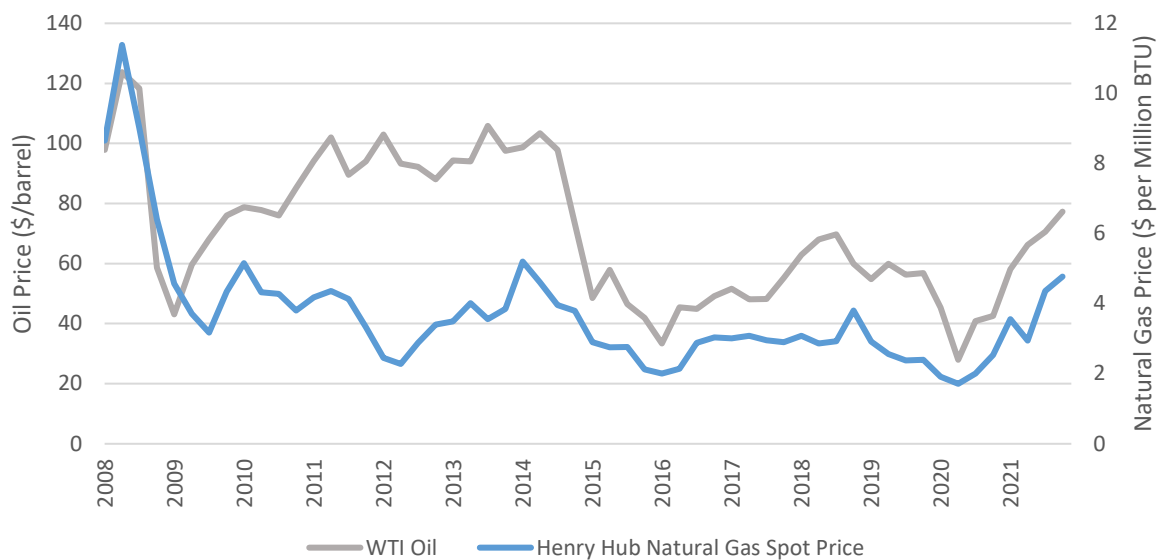


Figure 17:
Oil/Gas Drilling Permits and Oil/Gas Jobs

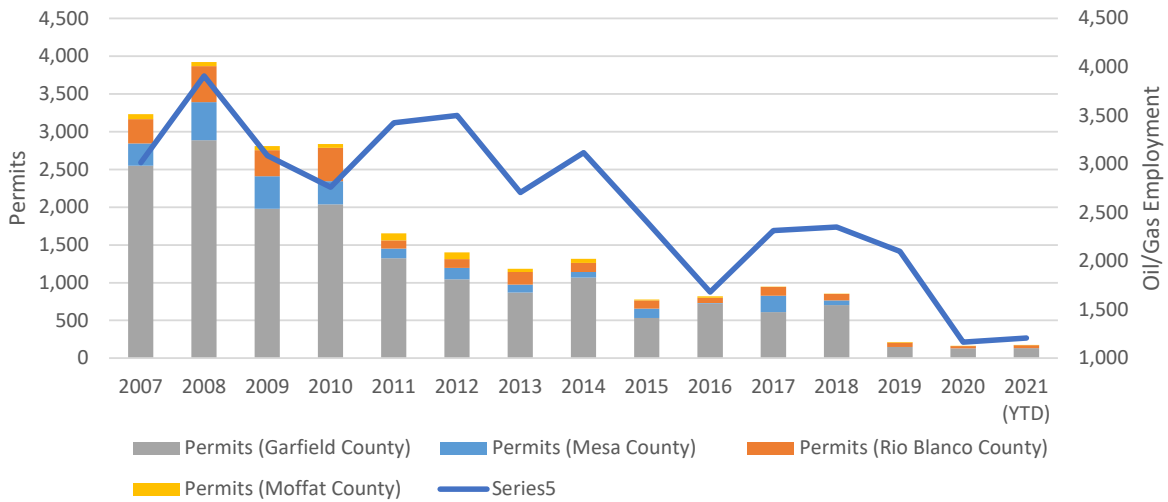
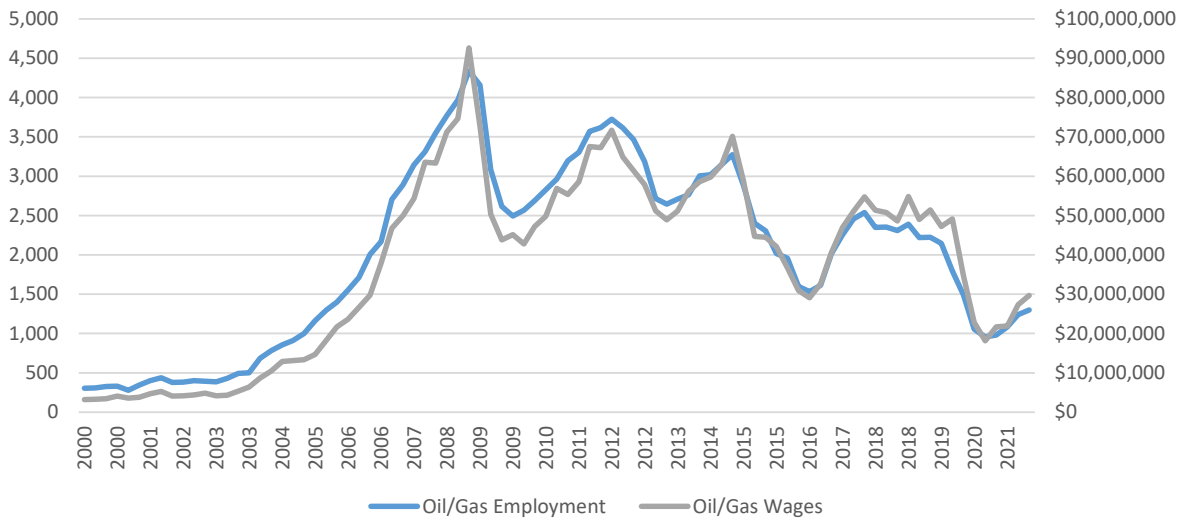


Figure 18:
Oil/Gas Jobs and Wages (Mesa County, QCEW)



Western Slope Drilling Activity

The Energy Information Agency (EIA) reports that in February, the natural gas spot price at Henry Hub averaged \$4.69/MMBtu, while Brent crude oil averaged \$97 per barrel. There is much uncertainty in energy markets currently due to Russia’s invasion of Ukraine. EIA forecasts Brent crude oil to average \$117 per barrel in March, and \$102 per barrel for the second half of 2022. U.S. retail gasoline prices averaged \$3.52 in February, while Gasbuddy.com shows that the average gas price as of March 14th in Mesa County ranged between \$3.83 and \$4.05.

How rising oil and gas prices affects the Piceance Basin remains to be seen. In the past, when oil and natural gas prices rise, the region would see rig activity pick up, but there are still two rigs operating in the Piceance as of March 14th. There was an uptick in jobs and wages in this industry but for employment and wages to really pick up rig activity will have to increase.

NATIONAL ECONOMIC INDICATORS

	Q4 2021	Q3 2021	Q4 2020	% change since last period	% change since last year (comparable quarters)
Business Cycle Indicators					
Real GDP	6.90%	2.30%	4.50%	4.60%	2.40%
Personal Consumption Expenditures	3.30%	2.00%	3.40%	1.30%	-0.10%
Gross Private Domestic Investment	32.00%	12.40%	24.70%	19.60%	7.30%
National Consumer Confidence	69.9	74.8	79.8	-6.55%	-12.41%
Industrial Production Index	101.8	100.7	97.4	1.09%	4.55%
Initial Weekly Unemployment Claims (4 week MA)	265,923	369,788	787,250	-28.09%	-66.22%
Non Farm Payroll Change (in thousands)	1,733,333	1,695,333	1,998,333	2.24%	-13.26%
Unemployment					
Unemployment Rate-U3-SA	4.20%	5.10%	6.80%	-0.90%	-2.60%
Unemployment Rate-U6-SA	7.70%	8.80%	11.90%	-1.10%	-4.20%
Interest Rates					
Federal Funds Rate	0.08%	0.09%	0.09%	-0.01%	-0.01%
10 Year U.S. Treasury	1.54%	1.32%	0.86%	0.22%	0.68%
30 Year U.S. Treasury	1.94%	1.93%	1.62%	0.01%	0.32%
Inflation Measures					
Inflation Rate (CPI)	6.72%	5.29%	1.20%	1.43%	5.52%
Core Inflation Rate (All Items Less Food and Energy)	5.01%	4.07%	1.62%	0.94%	3.39%
Inflation Rate (Shelter)	3.86%	2.92%	1.93%	0.94%	1.93%
Producer Price Index (PPI)	21.77%	20.27%	-0.22%	1.50%	21.99%
Employment Cost Index	4.00%	3.68%	2.52%	0.33%	1.48%
Stock Prices					
S&P 500	4,602	4,422	3,555	4.08%	29.47%
Dow Jones Industrial Average	35,517	34,916	29,092	1.72%	22.09%
Trade Balance and Debt					
Trade Balance (% of GDP)	-962.593	-947.023	-798.431	1.64%	20.56%
Federal Debt (% of GDP)*	122.5%	127.5%	127.5%	-5.0%	-5.0%

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.

Figure 19:
Real GDP for U.S.

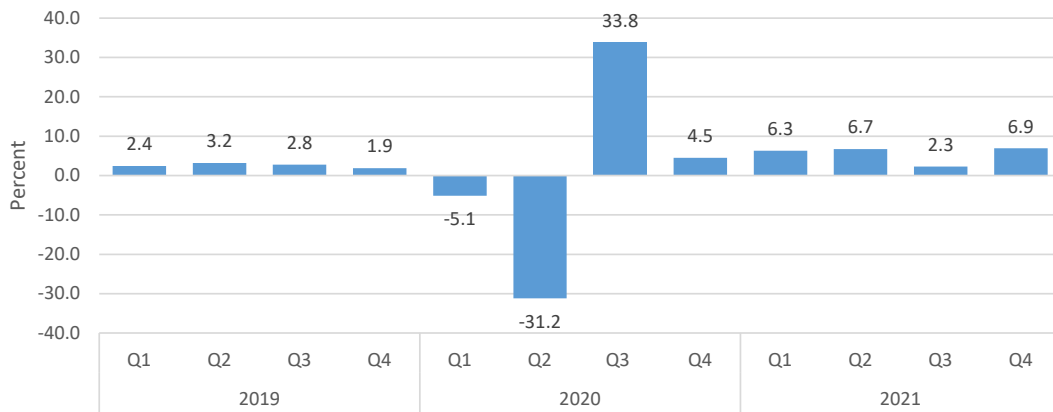
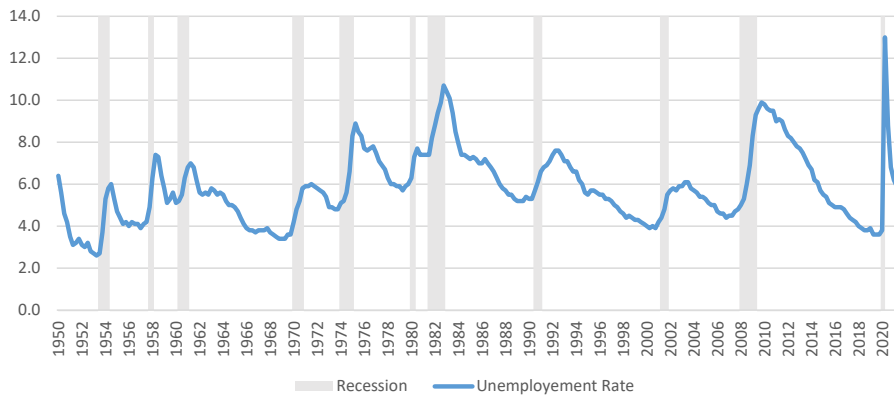


Figure 20:
U.S. Unemployment Rate



National Economic Performance

U.S. GDP growth showed a 6.9% gain. The Q1 2022 GDP Now forecast shows a much more subdued quarter at 0.5%. The national unemployment rate fell to 3.8% in February, bringing the unemployment rate down to 2019 levels. Figure 21 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 the graph shows that the U.S. is very close to full economic recovery from the COVID-19 induced economic downturn.

Inflation

The U.S. inflation rate in February hit 7.9%, a continued increase of the inflation we began to see in mid-2021. This is the highest inflation rate since 1982. Like last quarter, energy and vehicles lead the charge with a 25.6% increase in energy and used cars and trucks increasing by 41.2%, and not to be outdone, food increased by 7.9%. Before Russia’s invasion of Ukraine, and 3.5-4% inflation forecast by year end was a reasonable way to view inflation dynamics in the coming year. Energy shows inflation because 2020 energy prices were so low, supply chains would eventually work themselves out, etc. However, the Russia-Ukraine crisis has changed the inflation forecast and has much larger implications for the world and U.S. economy.

Russia-Ukraine

Russia is a huge exporter of oil and natural gas, and although

the U.S. only imports 3% of its oil from Russia, any disruption in the world market will affect the price of oil domestically. Russia and Ukraine also produce a sizable portion of the world’s wheat supply. Commodities are a world market, hence the price of food will increase. Russia also produces platinum, aluminum, fertilizers, and other important products.

Perhaps the more esoteric risk is the risk to the international financial system and global trade. This includes global supply chains, reliance on the U.S. dollar, and trade flows between the U.S. and China. This is clearly a coordinated challenge from China and Russia to the existing global order, a challenge that has resulted in sanctions on Russia and may necessitate a form of de-coupling from China economically. This is an enormous amount of risk for the financial markets to digest, which is one of the reasons markets have been trending downwards since the invasion. How Russia-Ukraine resolves itself is unknown, but what is certain is that politically the global order, and economically the trade and financial flows we have been accustomed to are under threat and likely to change to some degree. This means lower growth, higher inflation (or what we call stagflation), and the distinct possibility of a world recession this year. The Fed raising interest rates can help bring inflation down, certainly helping with housing, vehicle inflation, but because so much of the inflationary pressure is a supply shock, the Fed will likely not be able to eliminate all inflation with monetary policy.

Figure 21:
GDP Gap

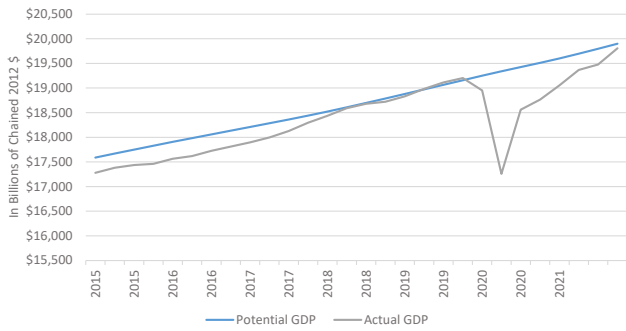


Figure 22:
Employment Cost Index

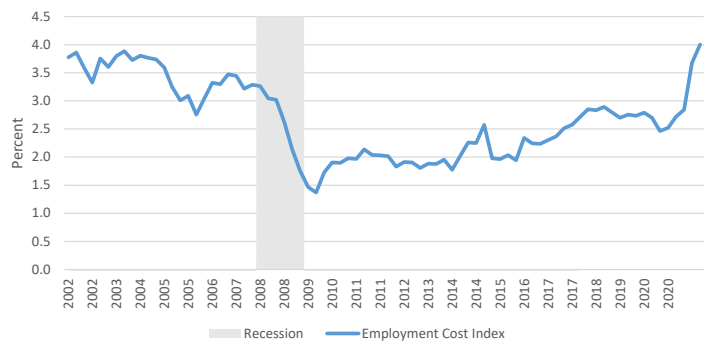
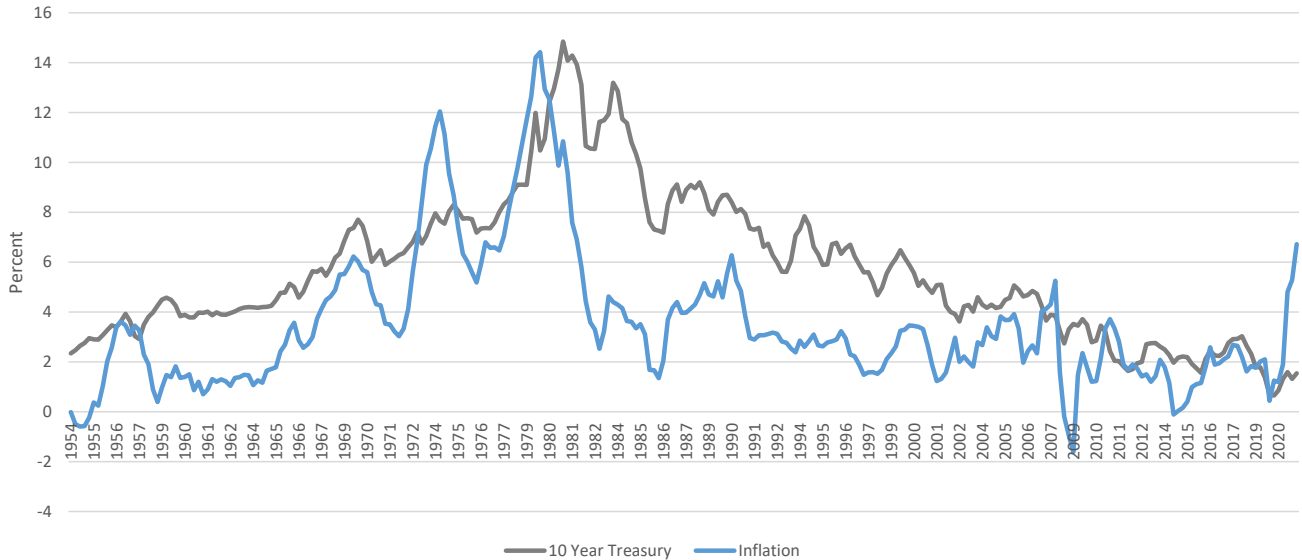


Figure 22:
Inflation Rate and 10 Year Treasury Rate



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)
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