

MESA COUNTY ECONOMIC UPDATE

Second Quarter 2023



Economic Summary

- Unemployment for April and May is now below 3%, at 2.7% for April and 2.9% for May. This matches the fall 2019 lows of unemployment.
- Mesa County new business entity filings are up by 13.36% comparing YTD May of last year to YTD May of this year.
- The biggest job gains compared to one year ago are in construction (367), mining, oil and gas (230), and healthcare (105).
- Inflation has fallen sharply the last few months, falling to 4% in May. Sharp declines in energy and used cars/trucks led the decline. Despite falling inflation, the Federal Reserve is signaling more rate increases.

CONTENTS

Local Economic Indicators.....	1
The Local Labor Market	2
Mesa Industry Trends	7
Local Real Estate Indicators	8
Regional Energy	10
Drilling permits and energy prices...	11
National Economic Indicators	12
GDP and Inflation	13

LOCAL ECONOMIC INDICATORS

	Q1 2023	Q4 2022	Q1 2022	change since last quarter	change since last year (comparable quarters)
Local Labor Market					
Unemployment Rate Mesa County -SA	3.20%	3.20%	3.90%	0.00%	-0.70%
Unemployment Rate Mesa County -NSA	3.50%	2.90%	4.50%	0.60%	-1.00%
Unemployment Rate Colorado -SA	2.80%	2.80%	3.60%	0.00%	-0.80%
Unemployment Rate U.S. -SA	3.50%	3.60%	3.80%	-0.10%	-0.30%
Labor Force	77,428	77,192	76,647	236	781
Employed	74,691	74,925	73,218	-234	1,474
Unemployed	2,737	2,267	3,430	470	-693
Business Confidence					
Leeds Colorado Business Confidence	45.1	39.8	53.9	13.32%	-16.33%
Sales/Use Taxes					
	2022 (YTD)		2021 (YTD)		
City Sales/Use Taxes	\$75,971,387		\$68,748,797		10.51%
Mesa County Sales/Use Tax (May 2022 to May 2023 comparison))	\$21,361,475		\$20,918,966		2.12%
City Lodging Tax Revenue (YTD)	\$4,703,014		\$3,699,321		27.13%
Business Filings					
	2022 (YTD)		2021 (YTD)		
Mesa County New Business Entity Filings (as of May)	1,264		1,115		13.36%

Grand Junction Regional Airport	2022	2021			% change from previous year
Scheduled Enplanements (YTD)	77,284	67,128			15.13%
Standard of Living and Growth	2021	2020	2019	2018	% change from previous year
Population	155,603	154,210	152,951	151,435	0.90%
Personal Income	\$8,200,469	\$7,622,988	\$7,170,335	\$6,860,139	7.58%
Personal Income Per Capita	\$52,121	\$48,884	\$46,318	\$44,673	6.62%
Mesa County Gross Regional Product (in millions)	\$6,142,260	\$5,921,002	\$6,066,610	\$5,967,716	3.74%
Median Household Income	\$63,531	\$64,141	\$60,249	\$51,132	-0.95%
Percent of Population Below Poverty Line	10.6	11.1	11.2	14.4	-0.50

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 is following the trend of the national labor market and staying strong. Nationally, non-farm payrolls continue to increase, fighting the recession narrative virtually every month. Locally, employment gains are not as strong as national gains but are trending towards a new 10 year high this fall. Last September, employment was estimated to be 75,562, while the May 2023 number was 75,058. There are seasonal fluctuations in employment (figure 1), with employment generally peaking in the fall. Unemployment for April and May is now below 3%, at 2.7% for April and 2.9% for May. This matches the fall 2019 lows of unemployment. The number of unemployed increased but so did the labor force, hence the reason for the low unemployment rate. The narrative remains the same: There is an expectation that the labor market will slow as GDP growth slows over the next year. Rising interest rates and an inflation wary consumer are expected to weaken economic activity. Due to a demographic shift in the labor market, unemployment has stayed extremely low. This demographic shift that is causing labor shortages may help to mitigate the impact of a recession on the labor market, meaning we could have a slight recession and not see a large unemployment spike.

Other Indicators

Mesa County sales taxes are holding steady comparing May 2022 to May 2023, up only 2.12%. City sales and use tax data is not updated through May and shows a 2022 to 2021 comparison, up 10.51%.

Airport enplanements have begun to rise, increasing from 67,128 at this time last year to 77,248 this year, up 15.13%.

Table 1:
10, 5, and 1 Year Employment Comparison

	Labor Force	Employed	Unemployed
Annual	781	1,474	-693
5-Year	3,690	4,159	-469
10-Year	2,987	6,995	-4,008
Annual %	1.02%	2.01%	-20.21%
5-Year %	5.00%	5.90%	-14.64%
10-Year %	4.01%	10.33%	-59.42%

The Leeds Business Confidence Index increased last quarter, rising from an index of 39.8 to 45.1, up 13.32%. This is a large increase, and was driven by expectations for the Colorado economy and for industry profits.

Mesa County new business entity filings are up by 13.36% comparing YTD May of last year to YTD May of this year. Figure 5 illustrates the growth in new business entity filings over the last 10 years.

There are no updates to the standard of living and growth data points.

Figure 1:
Employment Estimates

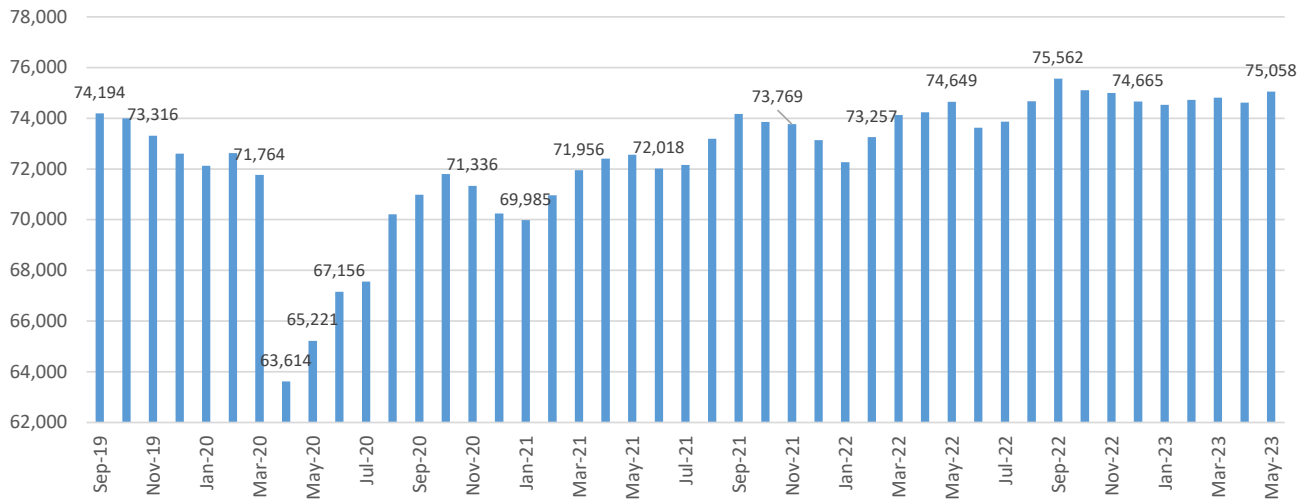


Figure 2:
Yearly Employment Average

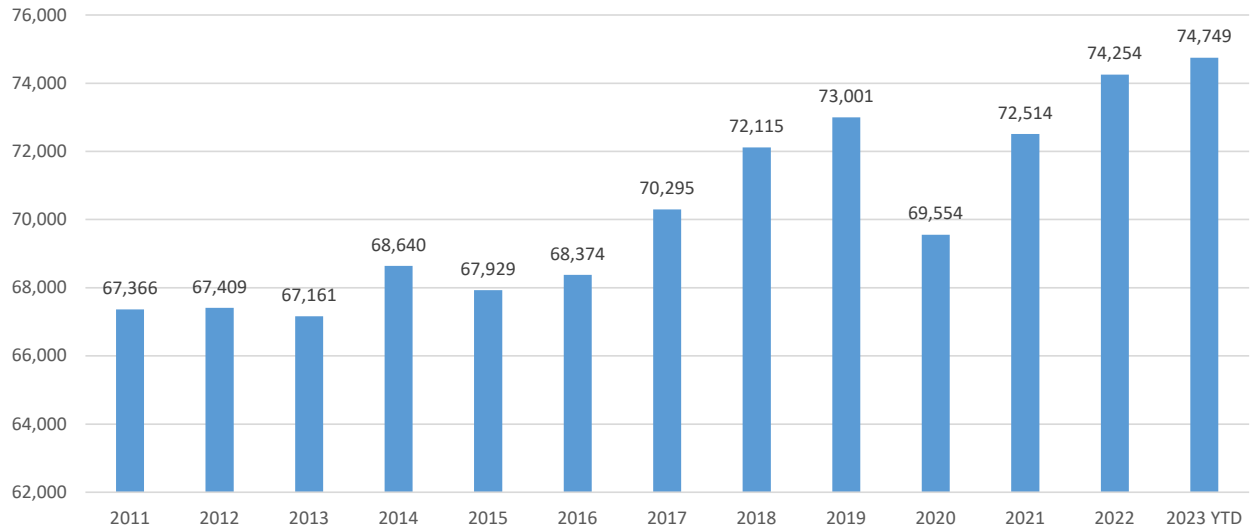


Figure 3:
Change in Yearly Employment

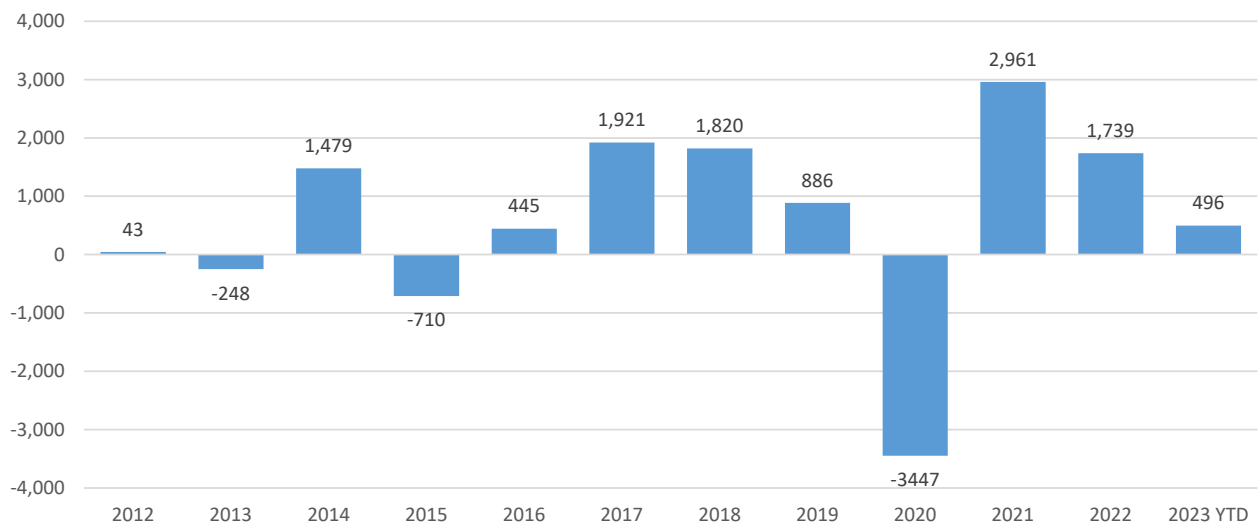


Figure 4:
Leeds Business Confidence Index

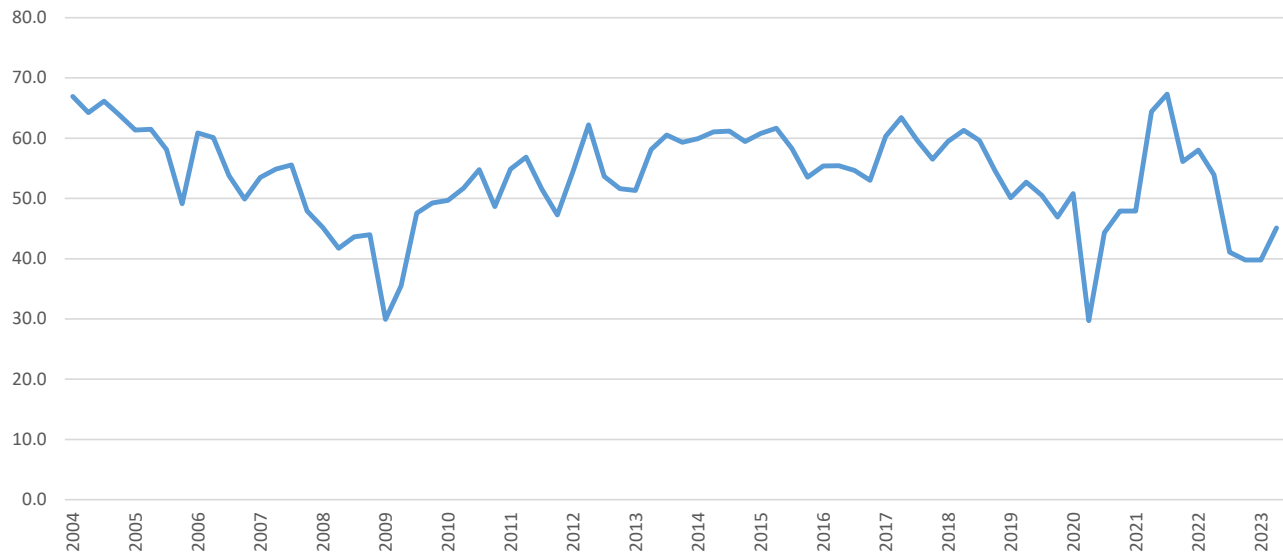


Figure 5:
Mesa County New Business Entity Filings

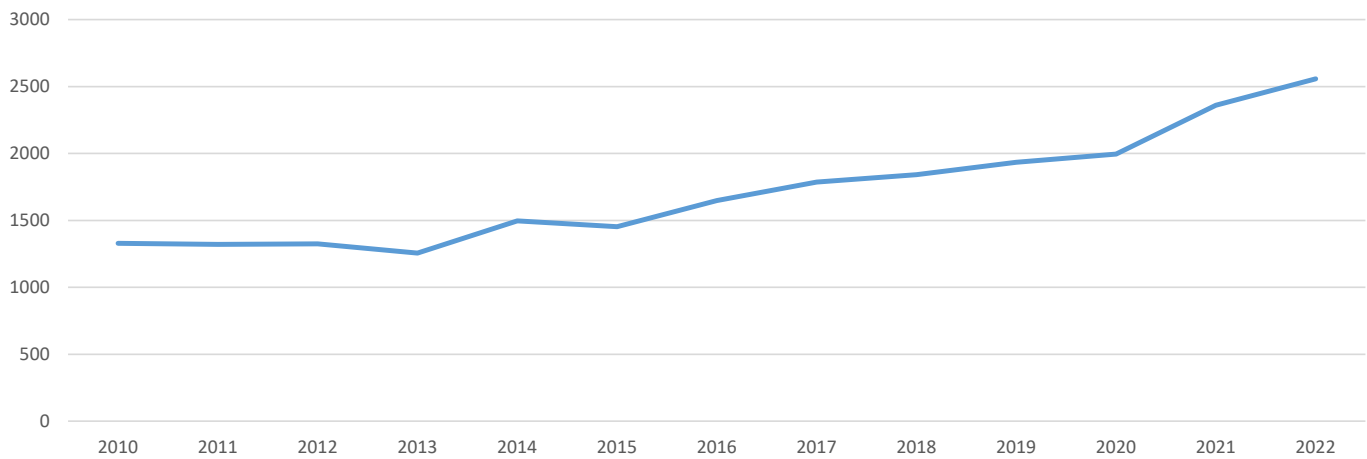


Figure 6:
Total Full and Part Time Jobs (BEA)

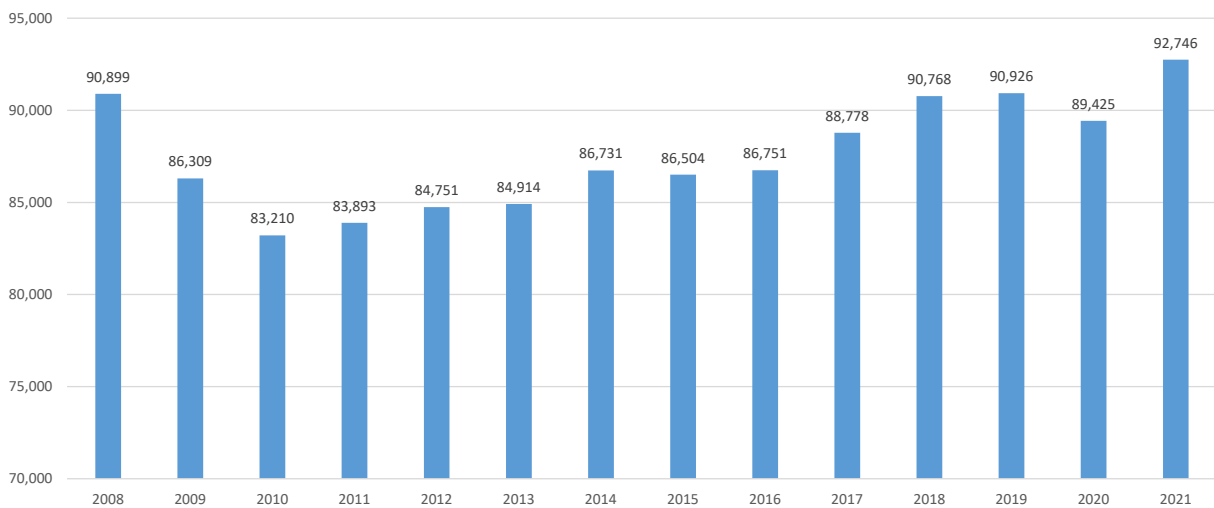


Figure 7:
Mesa County Median Household Income

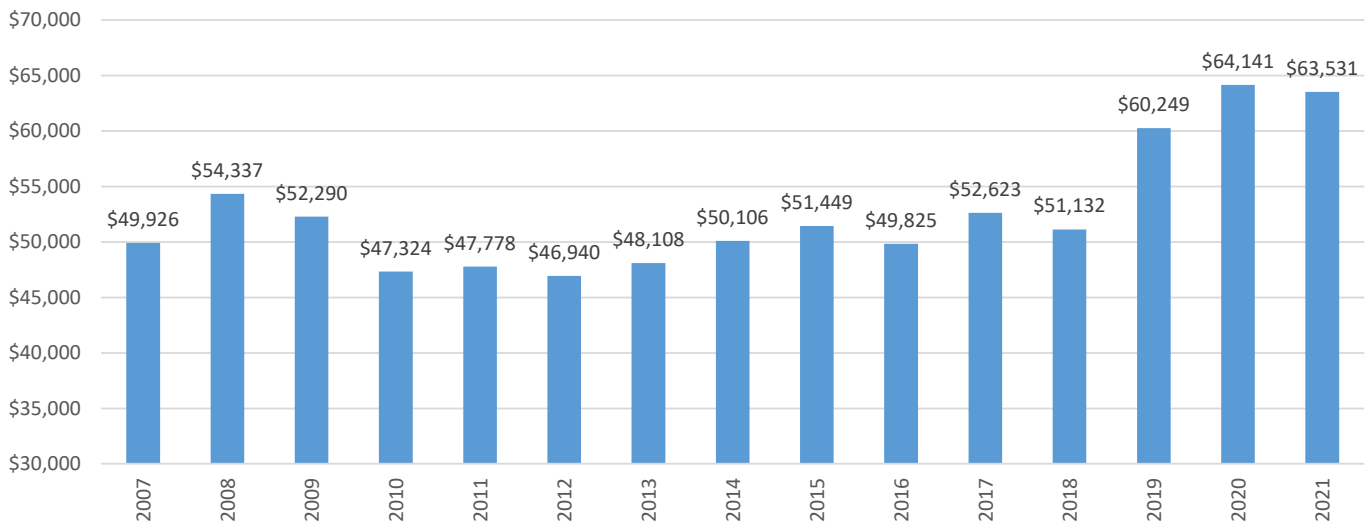


Figure 8:
Percent Below Poverty Line Mesa County

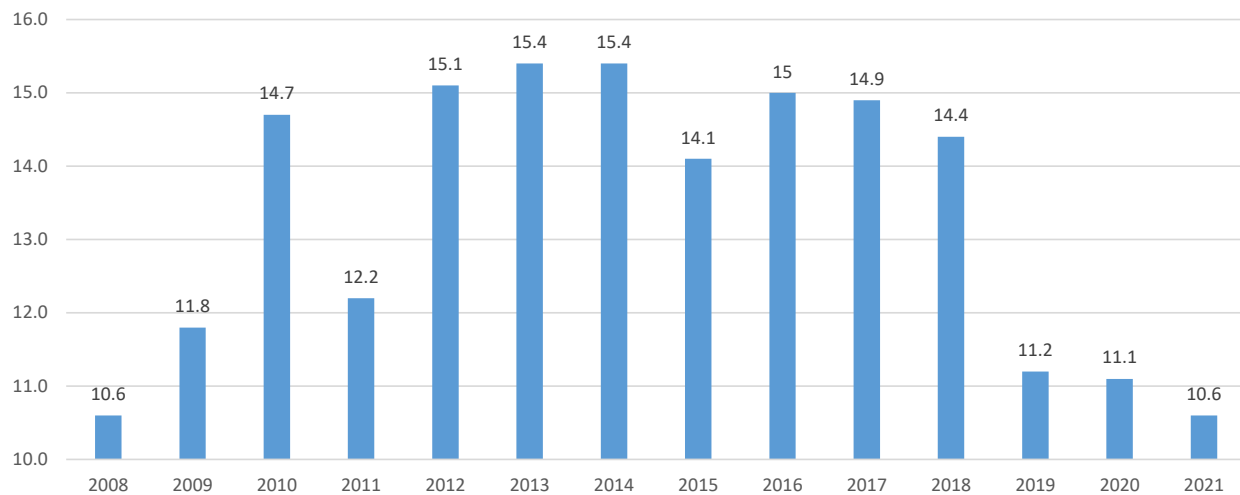
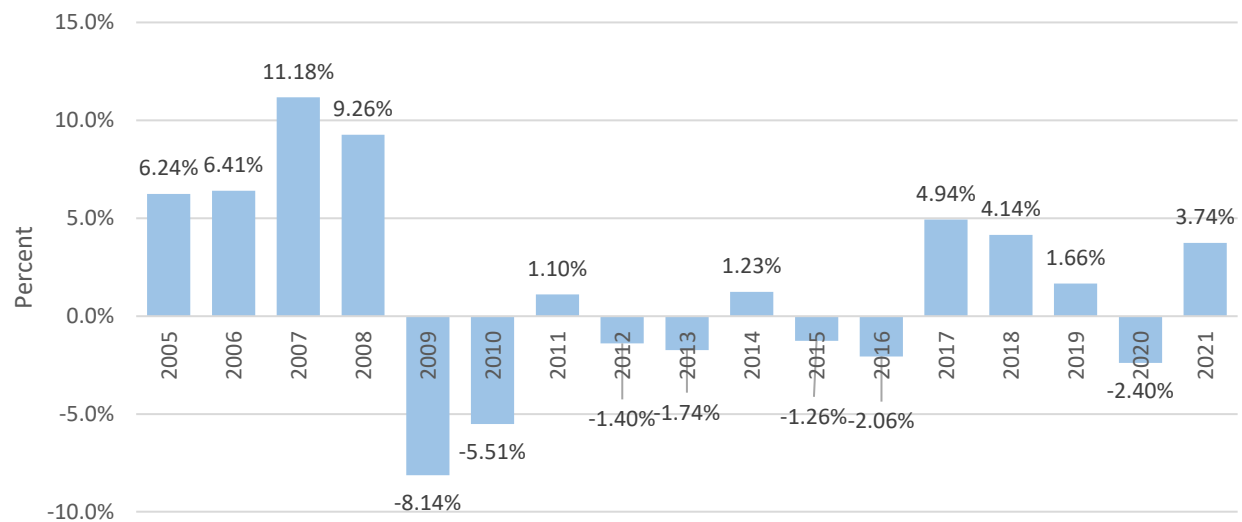


Figure 9:
Mesa County Real GDP % Change (chained 2012 dollars)



Mesa County Industry Trends

Q4 2022 Quarterly Census of Employment and Wage data shows job and wage gains compared to Q4 2021. The biggest gainers on the wage side were oil and gas (mining), retail trade, and construction. The biggest job gains compared to one year ago were in construction (367), mining, oil and gas (230), and healthcare (105). The gains in healthcare are important because that industry has lost jobs every quarter for several quarters. There were a few industries who saw job losses, including surprisingly retail trade (-84), finance and insurance (-100), manufacturing (-75), and agriculture, forestry, fishing, and hunting (-111). Despite that total jobs were up 838. The finance and insurance job losses are seen in several counties and the result of higher interest rates slowing real estate transactions.

Table 3:

Quarterly Census of Employment and Wages (QCEW) Q4 2022 Compared to Q4 2021

Sector	Average Employment	Total Quarterly Wages	Average Weekly Wage	Total Employment Change	Total Wage Change
Total, All Industries	64,915	\$906,517,783	\$1,074	838	\$32,246,710
Health Care and Social Assistance	12,413	\$205,570,749	\$1,274	105	\$3,181,587
Retail Trade	8,994	\$100,778,759	\$862	-84	\$6,134,562
Construction	5,344	\$85,589,046	\$1,232	367	\$5,993,746
Public Administration	3,665	\$61,816,016	1,297	186	\$5,698,297
Educational Services	5,301	\$54,146,659	\$786	83	\$1,869,333
Professional and Technical Services	2,515	\$50,427,489	\$1,543	38	\$2,855,752
Mining	1,735	\$45,678,065	\$2,026	230	\$6,839,358
Accommodation and Food Services	7,034	\$45,587,759	\$499	-27	\$1,954,406
Wholesale Trade	2,351	\$44,114,159	\$1,444	39	-\$209,957
Manufacturing	3,118	\$41,496,934	\$1,024	-75	\$211,991
Transportation and Warehousing	2,749	\$40,608,805	\$1,136	0	\$2,216,532
Finance and Insurance	1,824	\$33,551,674	\$1,415	-100	-\$8,016,468
Administrative and Waste Services	2,494	\$31,561,799	\$973	-6	\$1,273,143
Other Services, Ex. Public Admin	1,905	\$19,653,681	\$794	77	\$1,395,834
Real Estate and Rental and Leasing	1,065	\$14,189,855	\$1,025	-3	-\$708,586
Information	686	\$11,108,392	\$1,245	59	\$1,457,313
Utilities	368	\$8,158,926	\$1,704	9	\$478,415
Arts, Entertainment, and Recreation	902	\$5,556,274	\$474	47	\$502,899
Management of Companies and Enterprises	145	\$3,525,082	\$1,870	4	\$211,022
Agriculture, Forestry, Fishing & Hunting	299	\$3,100,008	\$798	-111	-\$1,211,199

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	2021	2020	2019	2018	% change from 2020
Farm Employment	2,245	2,232	2,228	2,240	0.6%
Sole Proprietors (non-farm)	21,996	21,273	22,770	23,398	3.4%

Figure 11:
Total Wage Change from Q4 2021 to Q4 2022

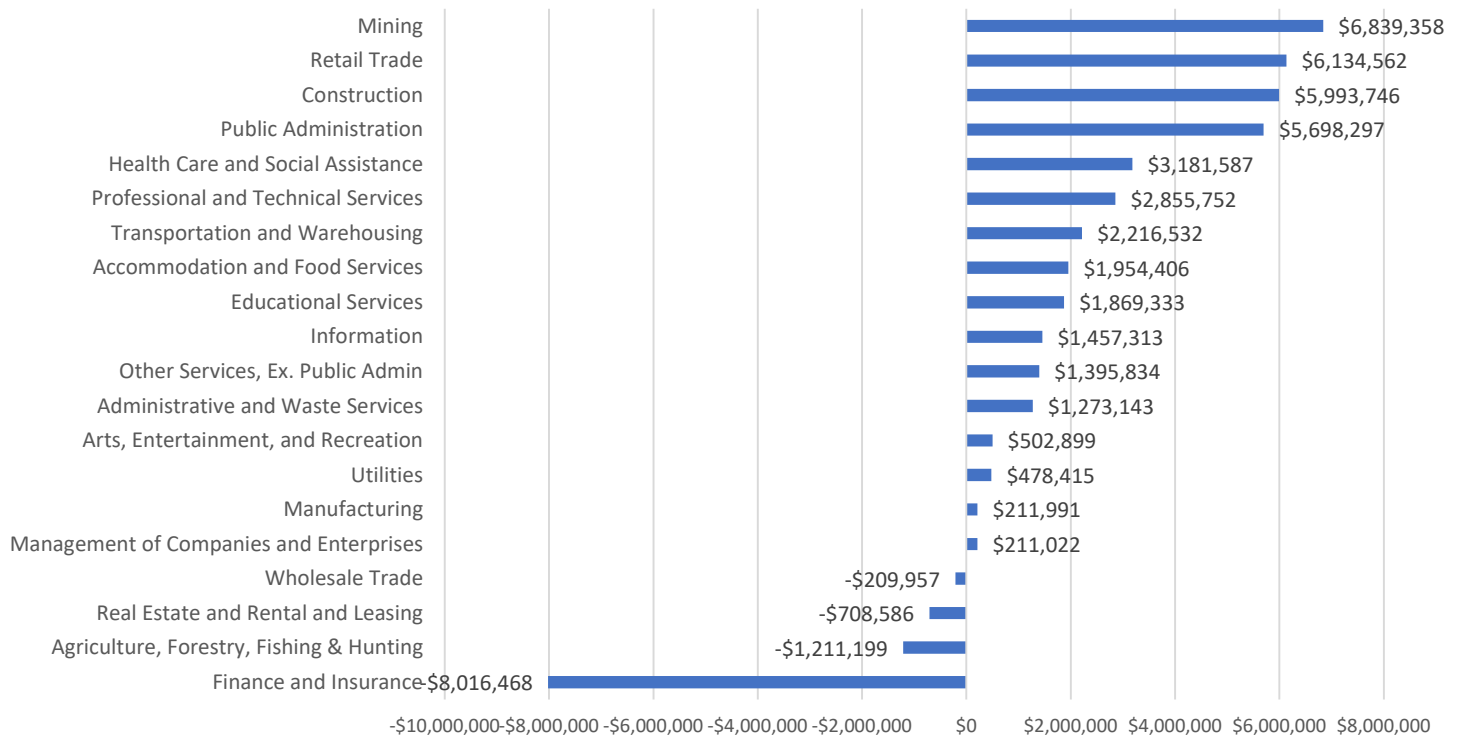
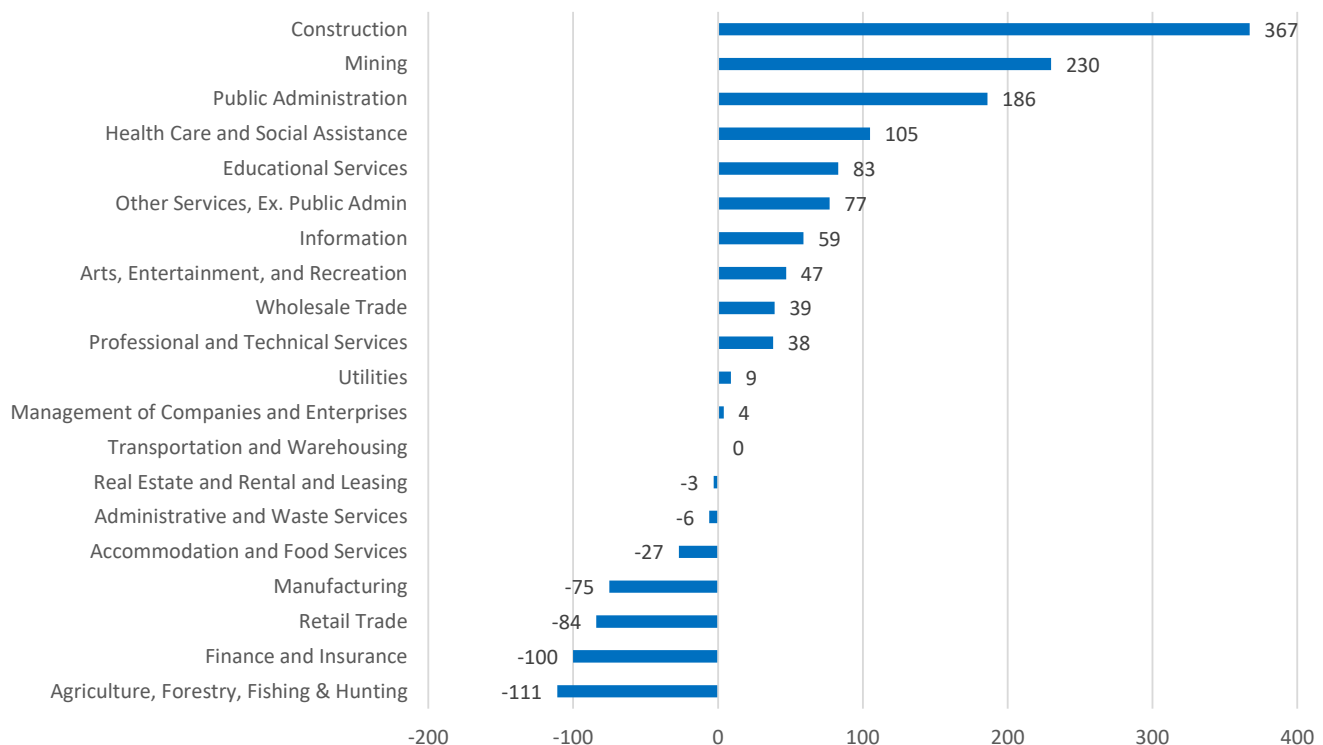


Figure 11:
Total Jobs Change from Q4 2021 to Q4 2022



LOCAL REAL ESTATE

	Q1 2023	Q1 2022	% change since last year
Real Estate			
Inventory of Homes for Sale (3 month avg)	446	214	108.89%
New Residential listings (3 month total)	650	785	-17.20%
Sold Residential Listings (3 month total)	489	676	-27.66%
Median Sales Price	\$374,650	\$391,400	-4.28%
Average Sales Price	\$420,885	\$430,447	-2.22%
Days on Market	98.33	72.00	36.57%
Months Supply of Inventory	1.93	0.73	163.64%
Total Building Permits (YTD)	2,735	2,425	12.78%
Single Family Permits (YTD)	152	370	-58.92%
Foreclosures			
Foreclosure Filings	54	7	671.4%
Foreclosure Sales	5	6	-16.7%
Freddie Mac House Price Index			
Grand Junction	299.5	295.3	1.42%
Colorado	291.8	294.9	-1.07%
National	272.4	267.6	1.79%
Mortgage Rates			
	May 2023	May 2022	
15 Year Mortgage Rate	5.81%	4.44%	1.37%
30 year Mortgage Rate	6.43%	5.23%	1.20%

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

Mesa County single family real estate shows a decline in prices. Figure 13 shows how since the summer of 2022, there has been a general trend downward. In that slight downward trend, there have been quarters of price increase and decreases, showing a fair amount of volatility. Figure 13 is from the Colorado Association of Realtors. The Freddie Mac house price index also shows a slight increase in prices in Grand Junction, rising by 1.42%. Ultimately, interest rates have put the brakes on price increases despite the quarterly price volatility. 30 year mortgage rates averaged 6.43% in Q1, and as of late June, are pushing higher again at 6.67%. The Federal Reserve is expected to raise interest rates two more times this year, despite their late summer pause.

Single family home inventory is much higher than it was a year ago, rising from 214 in Q1 of 2022 to 446 in Q1 of 2023. The extremely low inventory of Q1 2022 seems to be the bottom of inventory shortages, as rising interest rates and building have helped to increase inventory. Foreclosures have risen sharply, but are still at the 2019 level. Total building permits are up by 27%, but single family home permits are down by 18.73%. Part of this reflects the demand and economics of building multifamily homes over single family homes in this environment.

Figure 12:
Months Supply of Inventory



Figure 13:
Median and Average Sales Price Mesa County

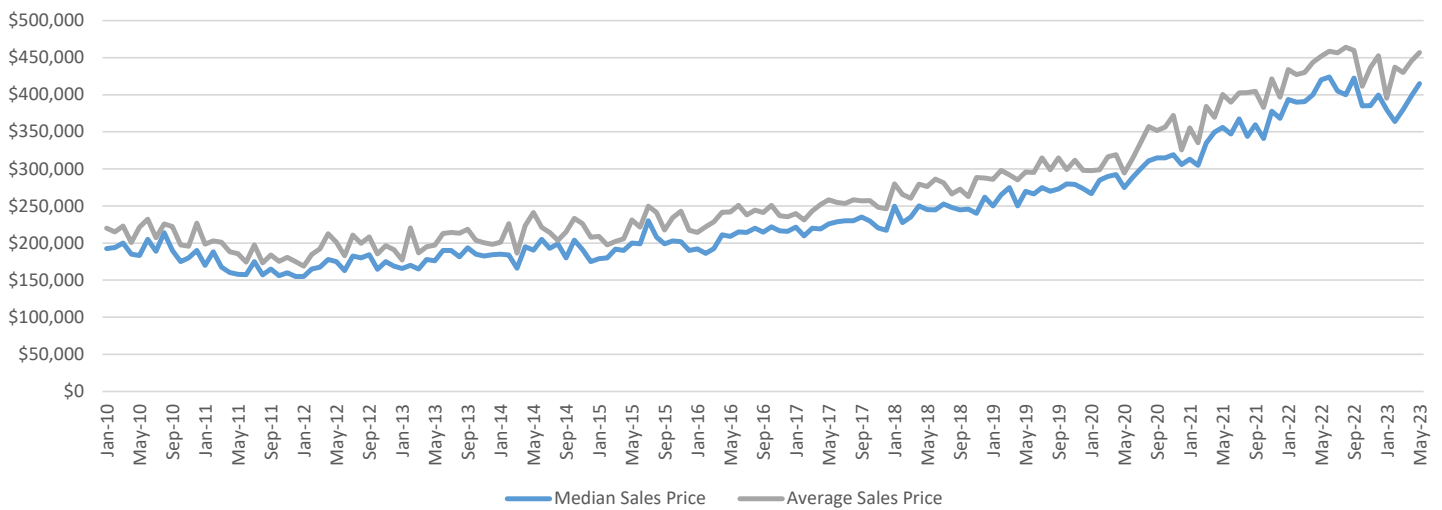
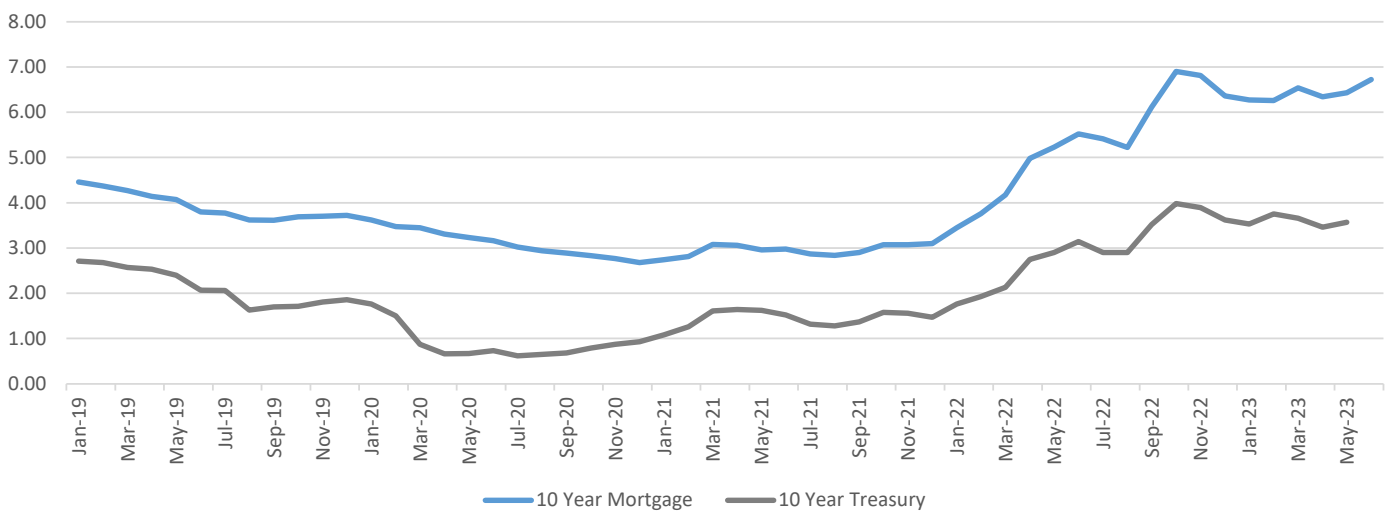


Figure 14:
10 Year Treasury and 30 Year Mortgage Rates



REGIONAL ENERGY

	Q1 2023	Q4 2022	Q1 2022	% change since last quarter	% change since last year (comparable quarters)
Energy Prices					
WTI Crude Oil	\$75.93	\$82.79	\$95.18	-8.29%	-20.22%
Henry Hub Natural gas	\$2.65	\$5.55	\$4.66	-52.25%	-43.13%
Retail Gasoline Price	\$3.29	\$3.42	\$3.56	-3.69%	-7.43%
Drilling Permits					
	2023 (YTD, March)	2022	2021	2020	
Drilling Permits (Mesa County)	0	0	0	1	
Drilling Permits (Rio Blanco County)	0	40	40	33	
Drilling Permits (Garfield County)	21	133	133	127	
Drilling Permits (Moffat County)	0	4	4	1	
Total Permits (Mesa, Rio Blanco, Garfield, Moffat)	21	177	177	162	
Total Permits (Colorado)	199	805	805	1,543	
Local Rig Count					
	Jun-23	Mar-23	Nov-22		
Rig Count (Western Colorado, Mesa, Rio Blanco, Garfield, Moffat)	3	3	3		

SOURCES: All energy prices: Energy Information Agency; All permit data from Colorado Oil and

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 15:
Oil and Natural Gas Prices

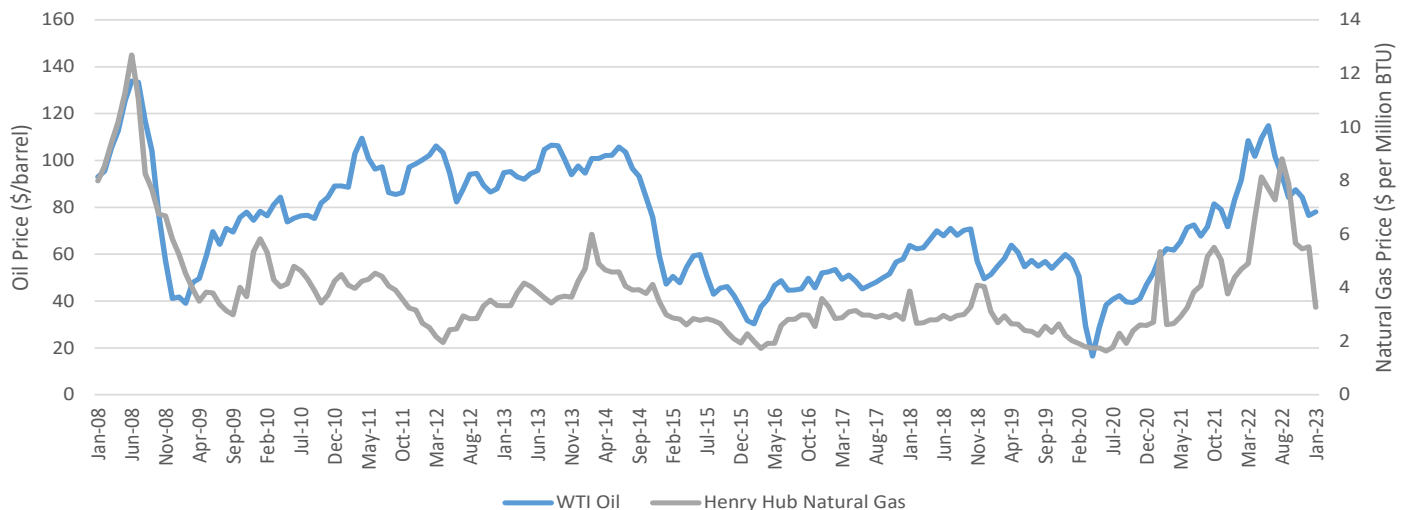


Figure 16:
Oil/Gas Drilling Permits and Oil/Gas Jobs

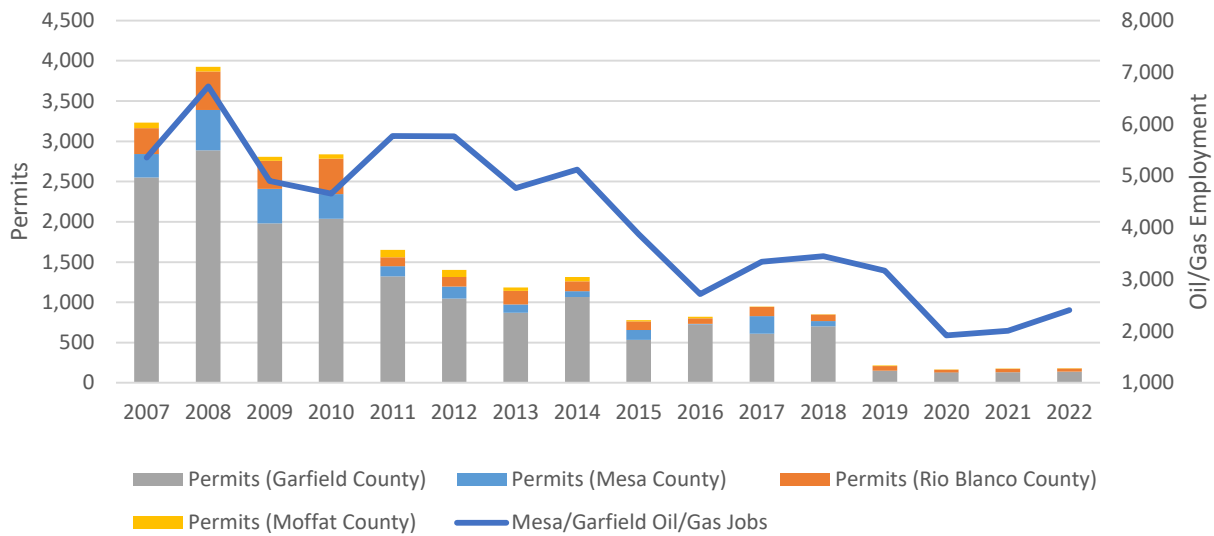
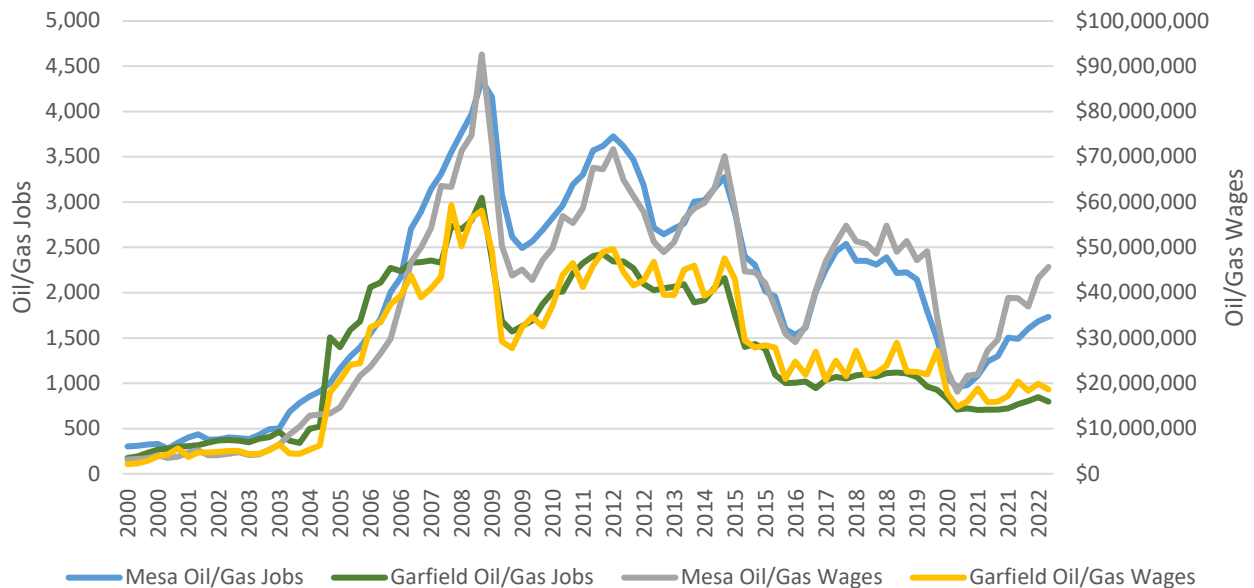


Figure 17:
Oil and Gasoline Prices



Western Slope Energy

WTI oil prices fell from \$82.79 in Q4 of 2022 to \$75.93 in Q1 of 2023. As of late June, WTI continues its slight downward trend, falling between \$70 and \$71. Natural gas prices (Henry Hub) fell from \$5.55 to \$2.65, a huge decrease in price. Since the Piceance is mostly natural gas activity, falling gas prices could hurt the job gains seen by the energy industry the last several quarters (figure 17). Rig count continues steady at 3, staying at the for the entire year of 2023. Retail gas prices have falling with oil prices, falling from \$3.42 to \$3.29 since late last year. Crude oil prices will likely increase due to production cuts from OPEC in early June. Natural gas prices will likely hover in the \$2.00 range, rising into 2024.

NATIONAL ECONOMIC INDICATORS

	Q1 2023	Q4 2022	Q1 2022	% change since last period	% change since last year (comparable quarters)
Business Cycle Indicators					
Real GDP	1.30%	2.60%	-1.60%	-1.30%	2.90%
Personal Consumption Expenditures	3.80%	1.00%	1.30%	2.80%	2.50%
Gross Private Domestic Investment	-11.50%	4.50%	5.40%	-16.00%	-16.90%
National Consumer Confidence	64.6	58.8	63.1	9.86%	2.38%
Industrial Production Index	102.6	102.7	101.7	-0.10%	0.81%
Initial Weekly Unemployment Claims (4 week MA)	215,708	205,429	226,288	5.00%	-4.68%
Non Farm Payroll Change (in thousands)	965,667	947,667	1,688,667	1.90%	-42.81%
Unemployment					
Unemployment Rate-U3-SA	3.50%	3.60%	3.80%	-0.10%	-0.30%
Unemployment Rate-U6-SA	6.70%	6.60%	7.10%	0.10%	-0.40%
Interest Rates					
Federal Funds Rate	4.50%	3.62%	0.12%	0.88%	4.38%
10 Year U.S. Treasury	3.65%	3.83%	1.94%	-0.18%	1.71%
30 Year U.S. Treasury	3.75%	3.90%	2.26%	-0.15%	1.49%
Inflation Measures					
Inflation Rate (CPI)	5.77%	7.11%	8.02%	-1.34%	-2.25%
Core Inflation Rate (All Items Less Food and Energy)	5.56%	5.99%	6.32%	-0.43%	-0.76%
Inflation Rate (Shelter)	8.07%	7.16%	4.71%	0.91%	3.35%
Producer Price Index (PPI)	2.22%	8.42%	20.42%	-6.20%	-18.20%
Employment Cost Index	4.86%	5.06%	4.45%	-0.20%	0.41%
Stock Prices					
S&P 500	4,000	3,852	4,464	3.84%	-10.39%
Dow Jones Industrial Average	33,219	32,490	34,679	2.24%	-4.21%
Trade Balance and Debt					
Trade Balance (% of GDP)	-844.371	-857.068	-1116.682	-1.48%	-24.39%
Federal Debt (% of GDP)*	120.2%	120.2%	121.6%	0.0%	-1.4%

SOURCES: GDP, Consumption, Investment, and Trade Balance: Bureau of Economic Analysis; Consumer Confidence: University of Michigan; Industrial Production, Interest Rates and USD Exchange Rate: Board of Governors of the Federal Reserve System; Weekly Unemployment Claims: U.S. Employment and Training Administration. Non-Farm Payroll, Unemployment Rates, Inflation Measures: Bureau of Labor Statistics; Stock Prices: S&P Dow Jones Indices, LLC.; USD Exchange Rate: Board of Governors of the Federal Reserve; Trade Balance: BEA; Federal Debt: U.S. Office of Management and Budget. * indicates data is lagged by one quarter. Regional CPI data from the Bureau of Labor Statistics. Yield Curve from the Federal Reserve Board.

Figure 18:

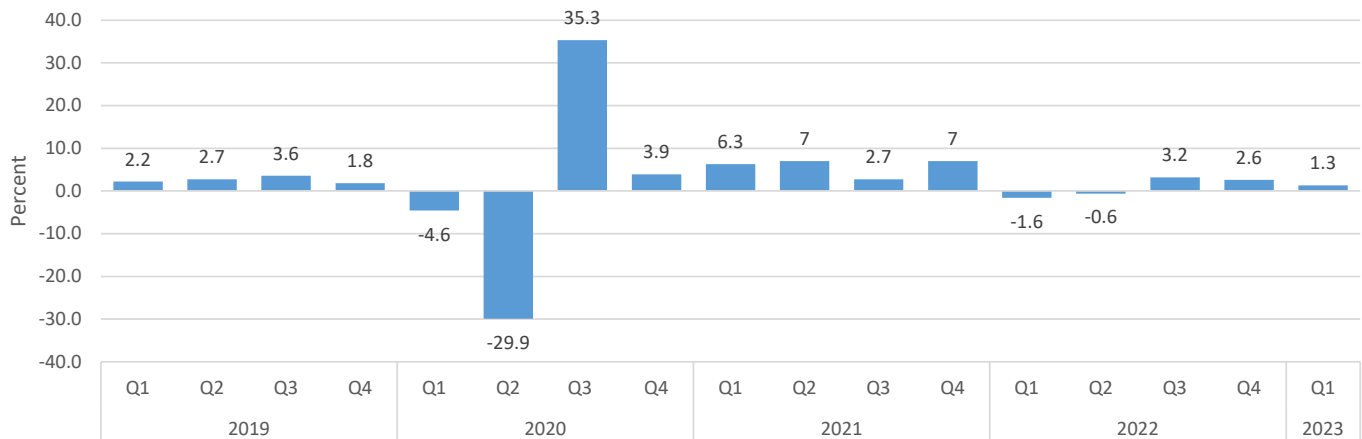
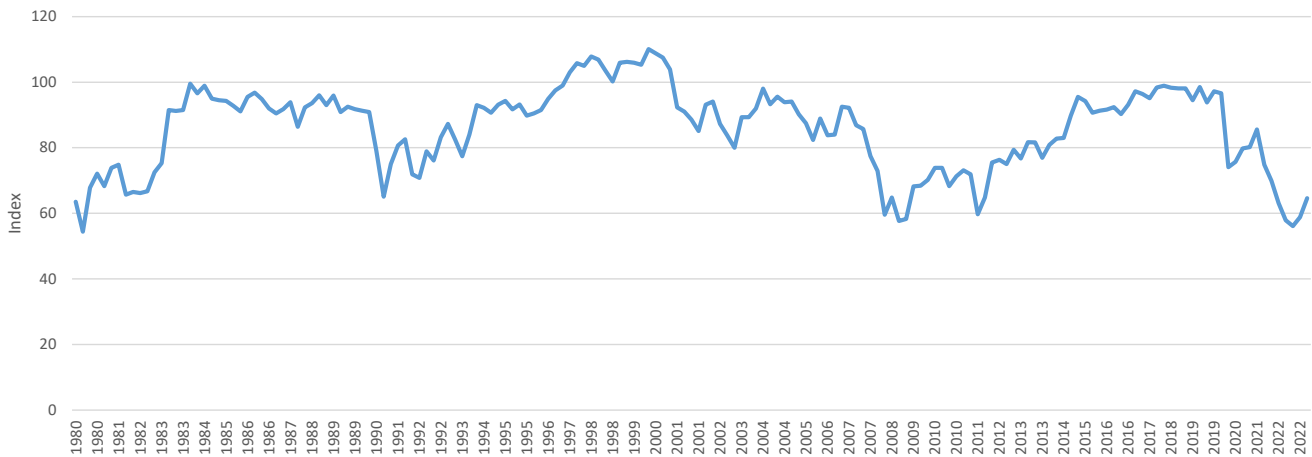
Real GDP for U.S.

Figure 19:

National Consumer Confidence Index (U Michigan)**Economic Growth**

U.S. GDP growth for Q1 2023 was 1.3%, down from the previous quarter's 2.6%. The Atlanta Federal Reserve's GDPNow estimates 1.9% for quarter 2. Economists are expecting growth to slow as interest rates and inflation impact consumer decisions.

National consumer confidence hit a recent low last quarter but is now on an upswing. Figure 19 illustrates the University of Michigan's national consumer confidence survey and shows a slight increase from last quarter.

Both measures of the yield curve are still inverted, which is a recession signal. Figure 24 illustrates the 10 year treasury minus the 2 year treasury and still shows a deep inversion.

The unemployment rate remains low at 3.7%, with strong job gains in the jobs data. The labor market remains tight, and many economists believe the Fed will not rest until the labor market has some slack, in order to defeat rising wages that contribute to inflation. Ultimately, the story from the last few quarters still remains, there has been a demographic shift in the labor market and the Fed's attempt to weaken the labor market has not been successful primarily due to the 5 million or so people who left the labor force over the last few years.

Inflation

Inflation has fallen sharply the last few months, falling to 4% in May. Sharp declines in energy and used cars/trucks led the decline. The decline in energy was expected because energy prices were so high one year ago. Energy prices are currently at standard levels. Inflation measures that still remain high include transportation services (10%), shelter (10%) and food (6.7%). Figure 20 illustrates the Bureau of Labor Statistics inflation release. Figure 23 illustrates the employment cost index, and shows that wages are still elevated. In fact, with wages still elevated and inflation falling, real wages, or wages adjusted for inflation are finally positive, meaning workers are actually making gains on inflation right now.

The Federal Reserve is expected to raise interest rates two more times after pausing this summer. The pause was to allow the lagged effect of monetary policy to have some impact before potentially raising rates too high.

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

	Seasonally adjusted changes from preceding month							Un-adjusted 12-mos. ended May 2023
	Nov. 2022	Dec. 2022	Jan. 2023	Feb. 2023	Mar. 2023	Apr. 2023	May 2023	
All items.....	0.2	0.1	0.5	0.4	0.1	0.4	0.1	4.0
Food.....	0.6	0.4	0.5	0.4	0.0	0.0	0.2	6.7
Food at home.....	0.6	0.5	0.4	0.3	-0.3	-0.2	0.1	5.8
Food away from home ¹	0.5	0.4	0.6	0.6	0.6	0.4	0.5	8.3
Energy.....	-1.4	-3.1	2.0	-0.6	-3.5	0.6	-3.6	-11.7
Energy commodities.....	-2.1	-7.2	1.9	0.5	-4.6	2.7	-5.6	-20.4
Gasoline (all types).....	-2.3	-7.0	2.4	1.0	-4.6	3.0	-5.6	-19.7
Fuel oil ¹	1.7	-16.6	-1.2	-7.9	-4.0	-4.5	-7.7	-37.0
Energy services.....	-0.6	1.9	2.1	-1.7	-2.3	-1.7	-1.4	1.6
Electricity.....	0.5	1.3	0.5	0.5	-0.7	-0.7	-1.0	5.9
Utility (piped) gas service.....	-3.4	3.5	6.7	-8.0	-7.1	-4.9	-2.6	-11.0
All items less food and energy.....	0.3	0.4	0.4	0.5	0.4	0.4	0.4	5.3
Commodities less food and energy commodities.....	-0.2	-0.1	0.1	0.0	0.2	0.6	0.6	2.0
New vehicles.....	0.5	0.6	0.2	0.2	0.4	-0.2	-0.1	4.7
Used cars and trucks.....	-2.0	-2.0	-1.9	-2.8	-0.9	4.4	4.4	-4.2
Apparel.....	0.1	0.2	0.8	0.8	0.3	0.3	0.3	3.5
Medical care commodities ¹	0.2	0.1	1.1	0.1	0.6	0.5	0.6	4.4
Services less energy services.....	0.5	0.6	0.5	0.6	0.4	0.4	0.4	6.6
Shelter.....	0.6	0.8	0.7	0.8	0.6	0.4	0.6	8.0
Transportation services.....	0.3	0.6	0.9	1.1	1.4	-0.2	0.8	10.2
Medical care services.....	-0.5	0.3	-0.7	-0.7	-0.5	-0.1	-0.1	-0.1

¹ Not seasonally adjusted.

Figure 21:
Inflation Rate and 10 Year Treasury

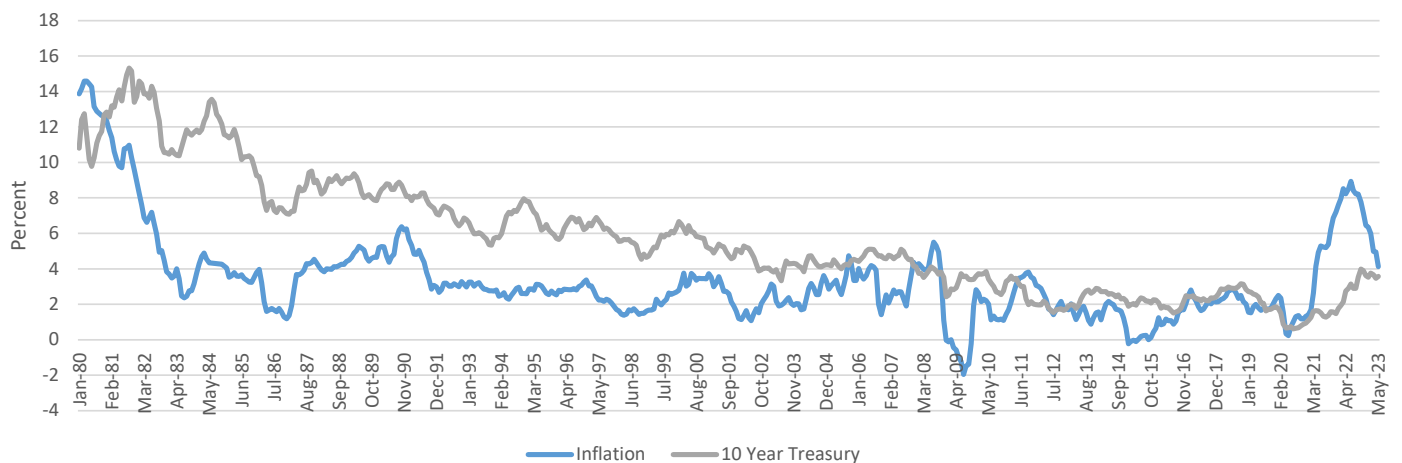


Figure 22:
Unemployment Rate

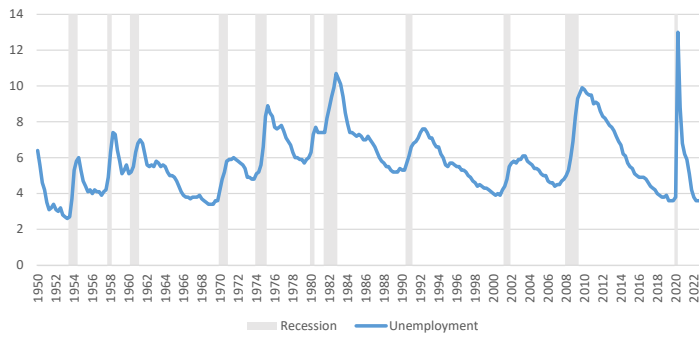


Figure 23:
Employment Cost Index

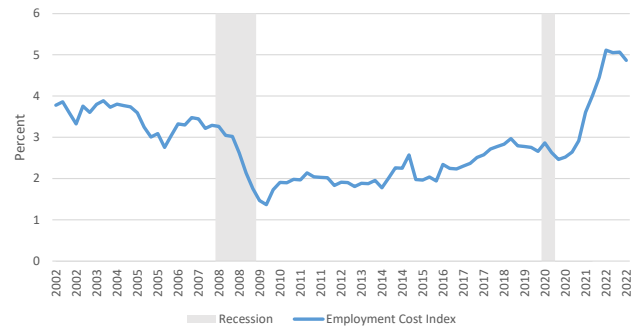


Figure 24:
Yield Curve: 10 Year Treasury minus 2 year Treasury



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