

MESA COUNTY ECONOMIC UPDATE

Third Quarter 2022



Economic Summary

- Mesa County employment is holding steady and averaged 75,675 in Q2, rising to 75,944 in August. Since February of 2022, employment estimates have ranged from 75,174 to 76,207. The unemployment rate for the county is 3.6% as of August.
- The Mesa County real estate market saw another quarter of high increases in sale prices. The median sales price increased by 18.18% compared to the same quarter last year. Looking at just this year, since January there has been a 10.1% increase in median home value. More importantly, July showed a -4.5% fall in prices, showing that high interest rates may finally start to cause a pause in the Mesa County housing market.
- Foreclosures have started rising, rising from 9 to 57 comparing Q2 2022 to Q2 2021. This temporary spike has already returned to normalcy and was likely the result of the end of mortgage forbearance programs in the fall of 2021.
- Headline inflation printed at 8.3%, which was higher than many economists were expecting. Energy fell in August as expected, but food and shelter rose, keeping inflation above 8%. The Federal Reserve continues to ramp up the Federal Funds rate, with a current target range of 2.25-2.50%. Markets are trying to determine how high the Fed is willing to go to fight inflation, with current market odds at a terminal rate of 4.5%.

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LOCAL ECONOMIC INDICATORS

	Q2 2022	Q1 2022	Q2 2021	change since last quarter	change since last year (comparable quarters)
Local Labor Market					
Unemployment Rate Mesa County -SA	3.70%	4.30%	6.30%	-0.60%	-2.60%
Unemployment Rate Mesa County -NSA	3.40%	4.30%	6.30%	-0.90%	-2.90%
Unemployment Rate Colorado -SA	3.50%	4.00%	5.90%	-0.50%	-2.40%
Unemployment Rate U.S. -SA	3.60%	3.80%	5.90%	-0.20%	-2.30%
Labor Force	78,366	78,885	77,066	-519	1,300
Employed	75,675	75,482	72,227	193	3,448
Unemployed	2,691	3,403	4,839	-712	-2,148
Business Confidence					
Leeds Colorado Business Confidence	41.1	53.9	67.3	-23.75%	-38.93%
Sales/Use Taxes	2022 (YTD)		2021 (YTD)		
City Sales/Use Taxes (YTD)	\$36,867,898		\$32,851,374 12.23%		
Mesa County Sales/Use Tax (YTD)	\$25,583,875		\$23,010,344 11.18%		
City Lodging Tax Revenue (YTD)	\$1,987,218		\$1,335,593 48.79%		
Business Filings	2022 (YTD)		2021 (YTD)		
Mesa County New Business Entity Filings (as of July 31st, 2022)	1,521		1,463 3.96%		

Grand Junction Regional Airport	2022	2021			% change from previous year
Scheduled Enplanements (YTD)	106,277	106,846			-0.53%
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

Mesa County employment is holding steady and averaged 75,675 in Q2, rising to 75,944 in August. Since February of 2022, employment estimates have ranged from 75,174 to 76,207. The unemployment rate for the county is 3.6% as of August. The number of unemployed sits at 2,691, 712 lower than last quarter and 2,148 lower than last year.

Last quarter I stated that the labor market response to the Federal Reserve's rising interest rate environment will be a factor to watch for the rest of 2022. This has not changed. So far the labor market has been slow to be impacted at both the national and local level, and the labor market remains tight. In order to bring down inflation, the Federal Reserve may need to soften the labor market to stop wage gains which contribute to inflation increases. How this manifests itself locally remains to be seen, but nationally with such a tight labor market, even a Fed induced recession is not expected to bring high unemployment numbers akin to previous recessions like 2009.

Other Indicators

Grand Junction and Mesa County sales and use tax collections through June continue to be strong, up over 12% and 11% year over year, respectively. With inflation at 8.3%, using this value as an economic indicator becomes tricky as an increase in prices will lead to higher sales tax activity, but despite this, sales tax collection remains strong. Lodging tax revenue is up 49% over last year.

Table 1:

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

	Labor Force	Employed	Unemployed
Annual	1,300	3,448	-2,148
5-Year	5,810	5,513	297
10-Year	3,484	8,216	-4,732
Annual %	1.69%	4.77%	-44.39%
5-Year %	8.01%	7.86%	12.39%
10-Year %	4.65%	12.18%	-63.75%

New business entity filings as of the end of July are up slightly from last year, up 3.96%.

Scheduled enplanements at the Grand Junction Regional Airport were up 25% in the first quarter but are now even. Specifically, the June numbers are down from last summer, falling year over year from 27,602 to 18,832. This is due to the loss of Delta and Avelo, all compounded by a pilot shortage.

The Leeds Business Confidence Index, which measures business confidence in Colorado, fell to 41.1 from 53.9 last quarter. All categories fell, as businesses expect the national economy to falter over the next several months.

Figure 1:
Employment Estimates

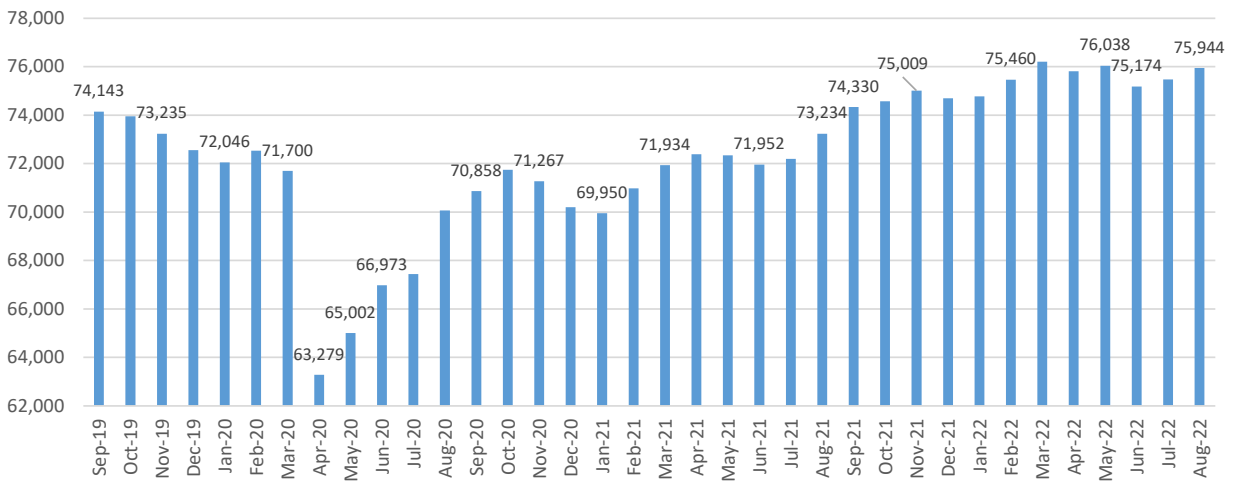


Figure 2:
Yearly Employment Average

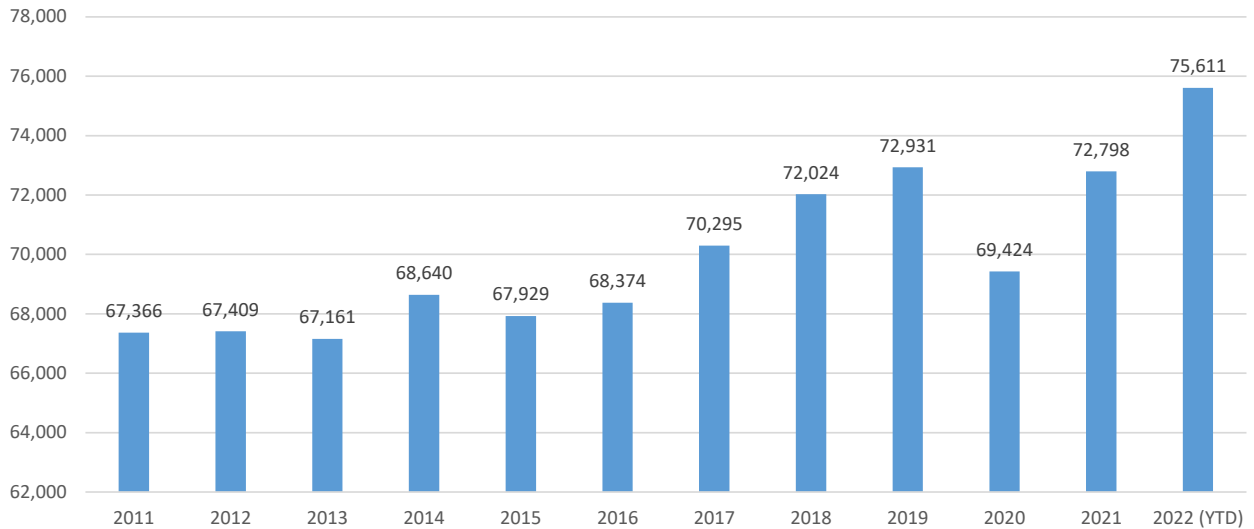


Figure 3:
Change in Yearly Employment

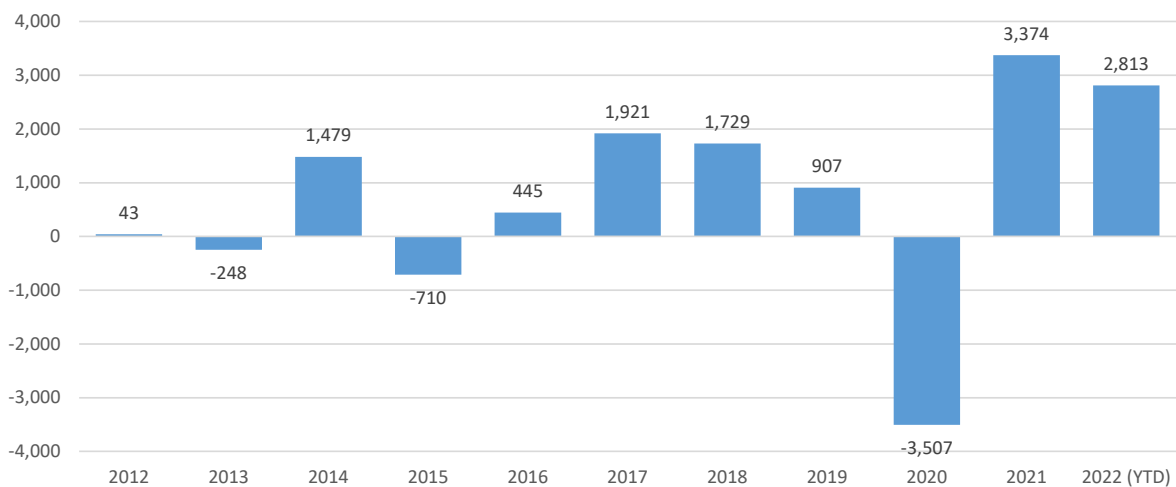


Figure 4:
Leeds Business Confidence Index

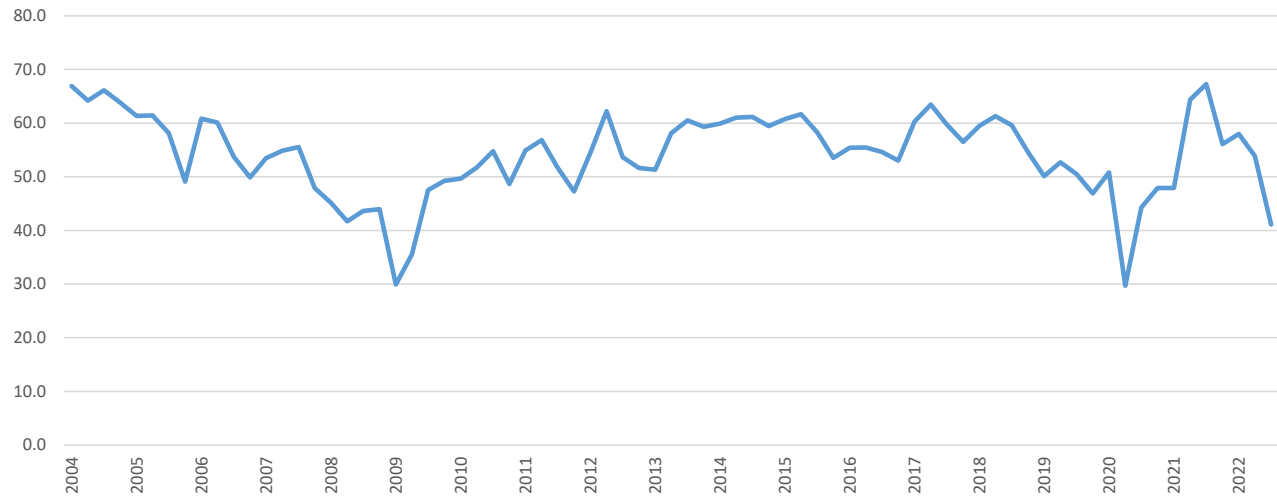


Figure 5:
Number of Unemployed Mesa County

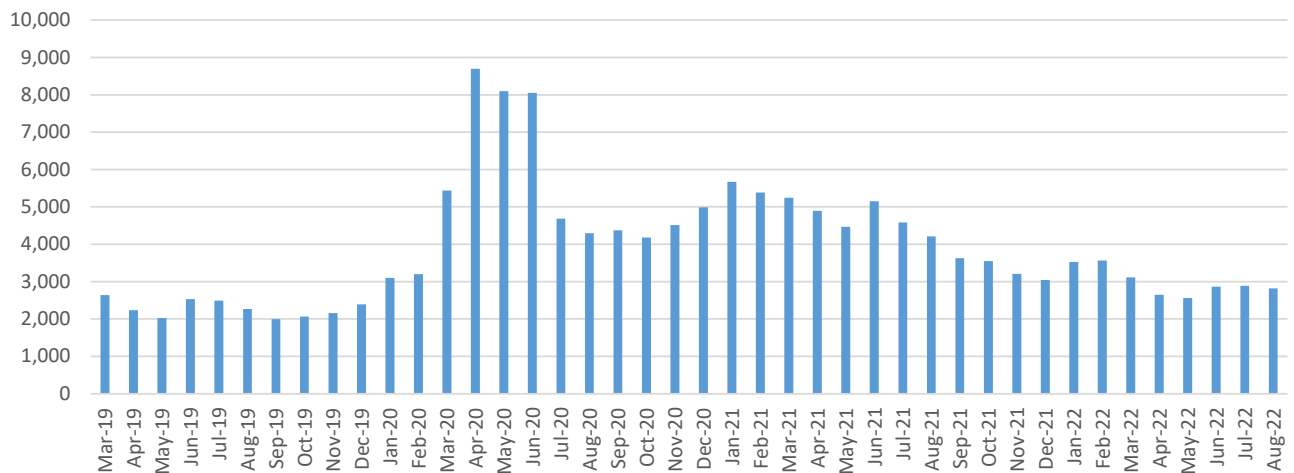


Figure 6:
Total Full and Part Time Jobs (BEA)

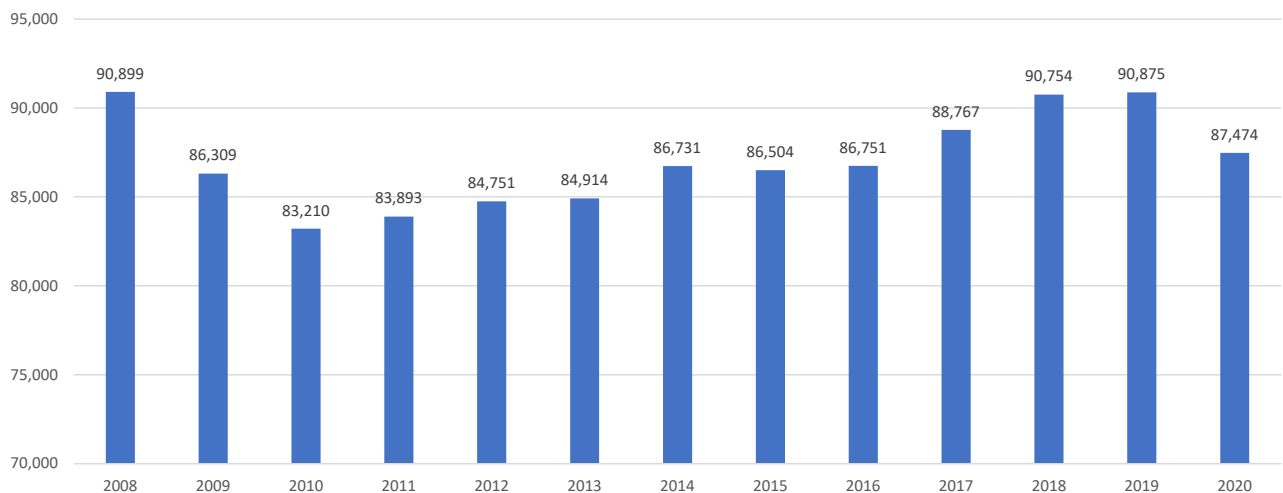


Figure 7:
Mesa County Median Household Income

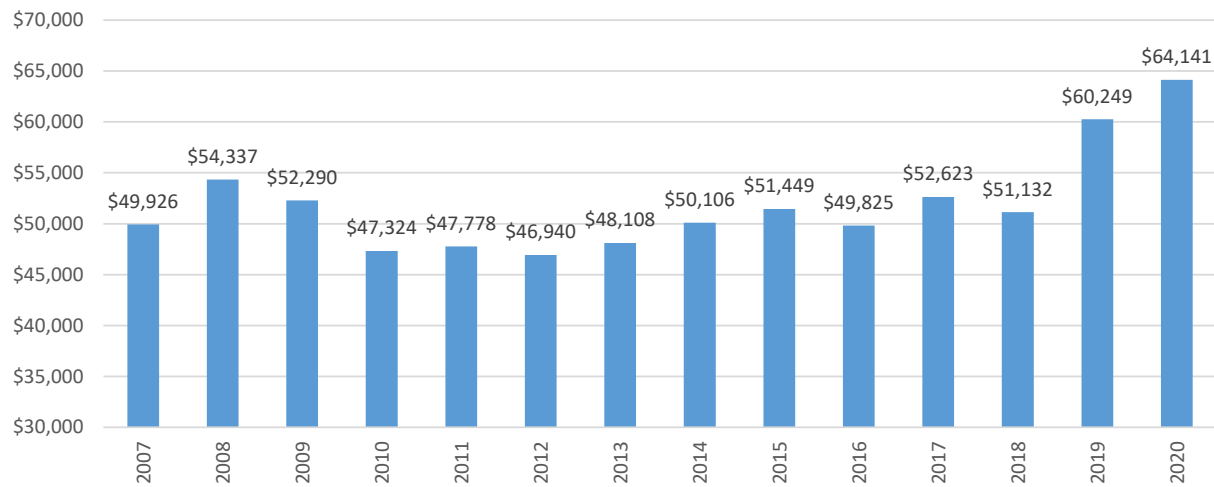


Figure 8:
Mesa County Poverty Rate Estimate

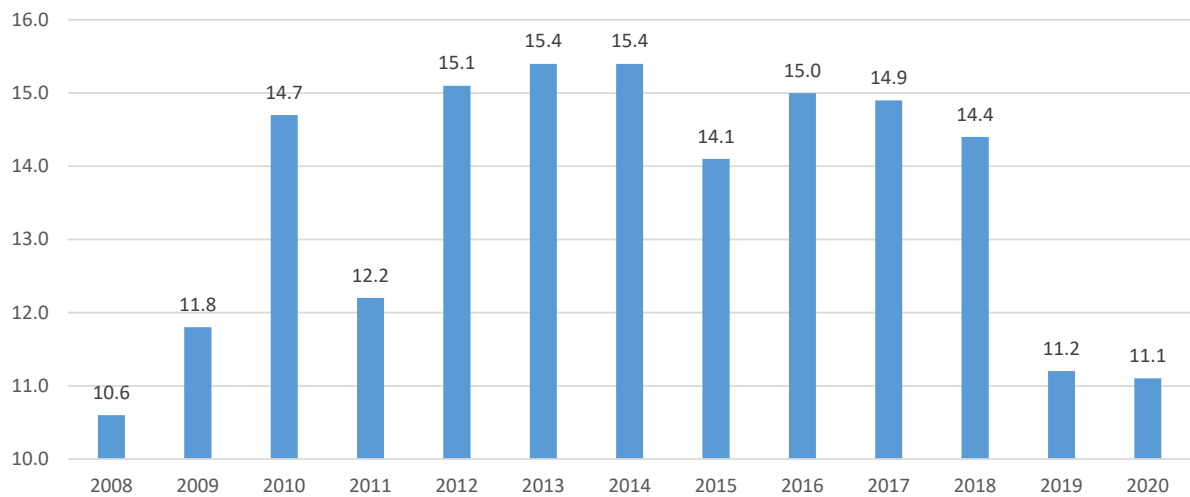
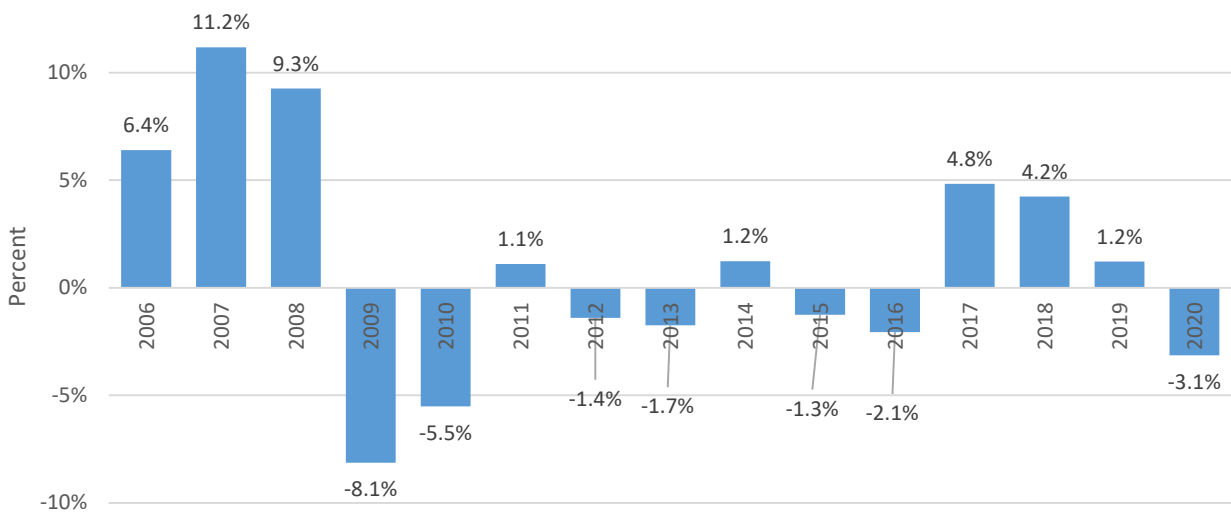


Figure 9:
Mesa County Real GDP % Change (chained 2012 dollars)



Mesa County Employment Trends

Quarter 1 2022 Quarterly Census of Employment and Wage data shows job and wage gains compared to Q1 2021. The biggest gainers on the wage side were retail trade, mining, oil, and gas, healthcare, and accomodation and food services. The biggest job gains were in accomodation and food services (607), retail trade (322), and mining (230). Although compared to a year ago oil and gas employment is higher, compared to last quarter it is lower, falling from 1,505 in Q4 of 2021 to 1,313 in Q1 2022. The reason for this is unknown, and it could just be a hiccup in the data, as rig counts have slowly risen as have prices. Oil and gas is the only industry that has not fully recovered to the Q4 2019 pre-COVID peak busines cycle levels.

Table 2:

Quarterly Census of Employment and Wages (QCEW) Q1 2022 Compared to Q1 2021

Sector	Average Employment	Total Quarterly Wages	Average Weekly Wage	Total Employment Change	Total Wage Change
Total, All Industries	62,887	\$787,828,020	\$964	1,673	\$78,114,145
Health Care and Social Assistance	12,235	\$173,850,442	\$1,093	-437	\$9,783,302
Retail Trade	8,823	\$92,666,148	\$808	322	\$13,403,462
Construction	4,773	\$72,267,154	\$1,165	-66	\$3,863,016
Public Administration	3,338	\$52,630,190	\$1,213	82	\$4,284,015
Educational Services	5,197	\$48,850,421	\$723	222	\$3,581,950
Finance and Insurance	1,913	\$41,544,464	\$1,671	-27	-\$460,233
Accommodation and Food Services	6,754	\$38,789,238	\$442	607	\$6,315,475
Wholesale Trade	2,379	\$38,345,844	\$1,240	188	\$5,778,606
Transportation and Warehousing	2,727	\$38,317,936	\$1,081	116	\$5,183,062
Professional and Technical Services	2,528	\$37,782,231	\$1,150	188	\$5,612,411
Manufacturing	3,075	\$35,446,311	887	-21	\$2,382,808
Mining	1,313	\$33,911,226	\$1,987	230	\$11,959,849
Administrative and Waste Services	2,414	\$26,509,563	\$845	63	\$2,408,774
Other Services, Ex. Public Admin	1,966	\$17,438,533	\$682	159	\$2,244,215
Real Estate and Rental and Leasing	1,036	\$11,765,454	\$874	40	\$1,532,562
Information	654	\$9,868,416	\$1,161	13	\$1,170,020
Utilities	351	\$7,080,246	\$1,552	4	\$485,014
Arts, Entertainment, and Recreation	899	\$4,600,378	\$394	78	\$513,482
Agriculture, Forestry, Fishing & Hunting	366	\$3,209,283	\$675	-70	-\$968,763
Management of Companies and Enterprises	136	\$2,750,191	\$1,556	-25	-\$1,057,364

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	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:
Mesa Industry Job Recovery, Q4 2019 compared to Q1 2022

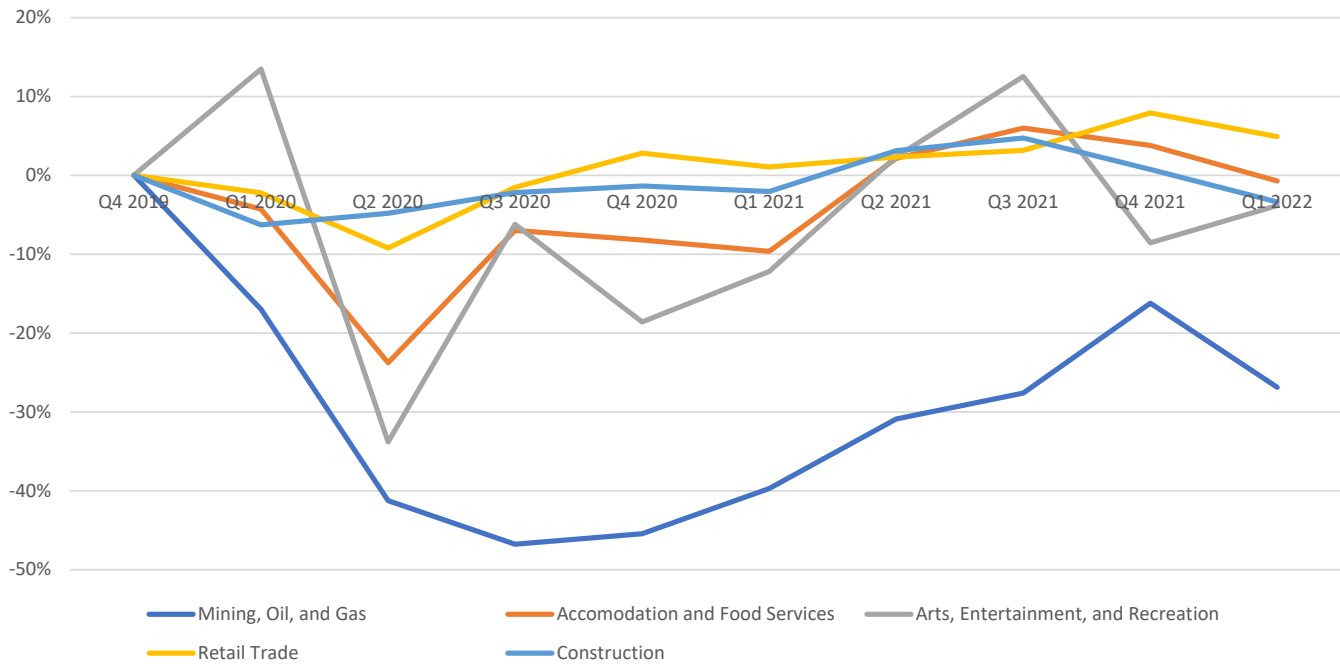
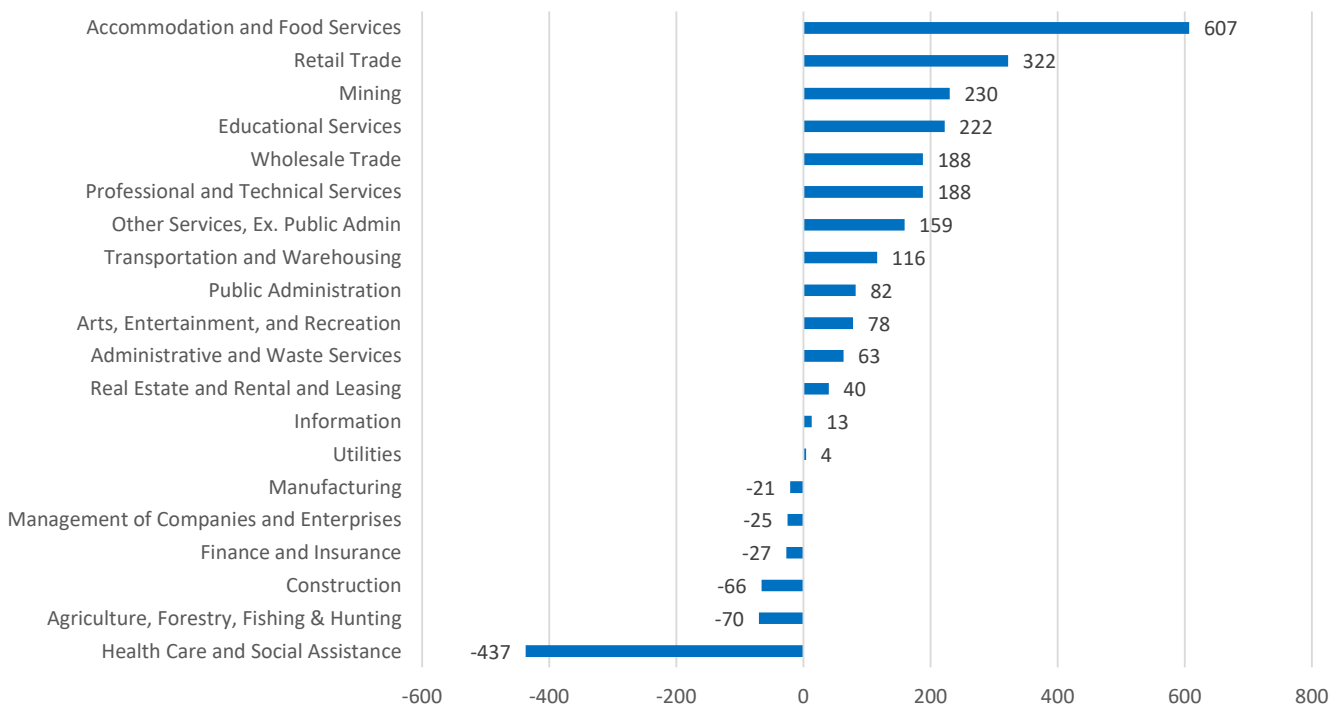


Figure 11:
Total Jobs Change from Q1 2021 to Q1 2022



LOCAL REAL ESTATE

	Q2 2022	Q2 2021	% change since last year
Real Estate			
Inventory of Homes for Sale (3 month avg)	371	236	56.84%
New Residential listings (3 month total)	1,135	1,087	4.42%
Sold Residential Listings (3 month total)	839	942	-10.93%
Median Sales Price	\$414,633	\$350,846	18.18%
Average Sales Price	\$451,380	\$386,616	16.75%
Days on Market	56.33	63.00	-10.58%
Months Supply of Inventory	1.27	0.73	72.73%
Total Building Permits (YTD)	4,236	1,344	215.18%
Single Family Permits (YTD)	558	274	103.65%
Foreclosures			
Foreclosure Filings	57	9	533.3%
Foreclosure Sales	4	4	0.0%
Freddie Mac House Price Index			
Grand Junction	304.4	258.3	17.85%
Colorado	308.9	260.6	18.55%
National	281.0	238.8	17.67%
Mortgage Rates			
	August 2022	August 2021	
15 Year Mortgage Rate	4.56%	2.15%	2.41%
30 year Mortgage Rate	5.22%	2.84%	2.38%

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 saw another quarter of high increase in sale prices. The median sales price increased by 18.18% compared to the same quarter last year. Looking at just this year, since January there has been an 6.3% increase in median home price on sales. More importantly, July showed a -4.5% fall in prices, and August a -1.3% fall, showing that high interest rates may have finally started to cause a pause in the Mesa County housing market. Other data points are showing signs of slowing, including months supply of inventory which sits at 2.2 in August (figure 12). This measure needs to be closer to 5 to 6 months supply of inventory before home prices really start falling, but months supply of inventory has picked up every month since January, following interest rates. Current active listings are rising, and the percentage of list price received is falling (now at 98.5%, down from over 100% last year). As of September 20th, mortgage rates had reached over 6% from the lows of 2.75% less than a year ago (figure 14). This has increased monthly payments of new purchases upwards of 50%.

Foreclosures have started rising, rising from 9 to 57 comparing Q2 2022 to Q2 2021 (figure 13). During the 2020-2021 COVID-19 period there were mortgage forbearance programs. Many of these programs ended in the fall of 2021. If a person/family is still struggling when the program ends they don't foreclose immediately, it's usually a 3-4 month process, which puts a spike right in February and March when we see it. Since March they have fallen back to "normal" levels. The 2020-2021 low foreclosure numbers were not normal, and were low in part due to mortgage forbearance programs. There is a similar trend nationally, and is not just a Mesa County issue. As the economy and labor market slow with the current and looming economic slowdown we will likely have an increase in foreclosures locally and nationally. At this point there is nothing to suggest it will be bad, but that depends on the depth of the economic downturn. If it's mild like most economists are predicting then don't expect foreclosures to spike, maybe just trend slightly higher.

Figure 12:
Months Supply of Inventory



Figure 13:
Foreclosures

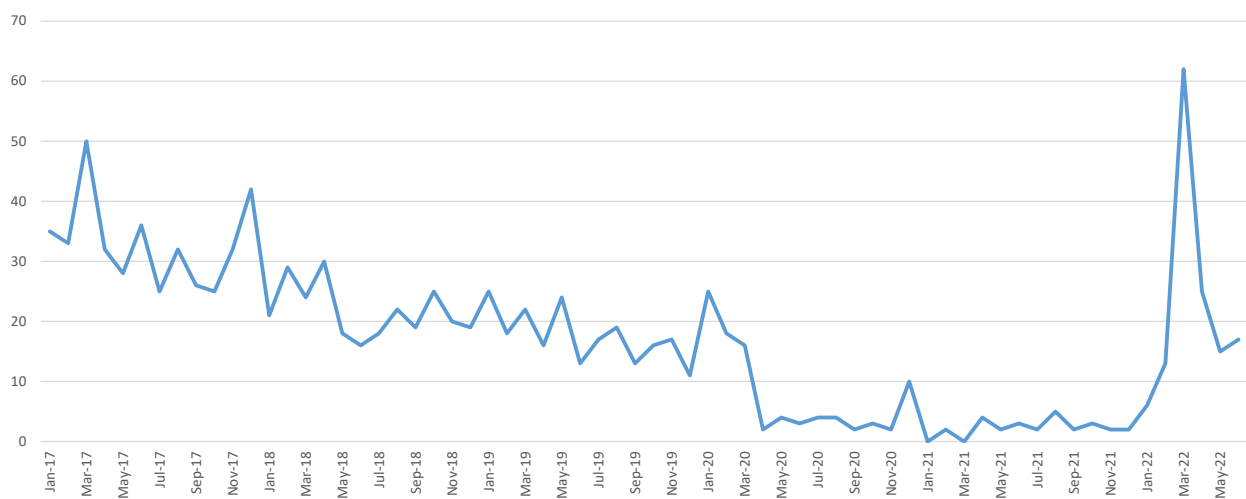
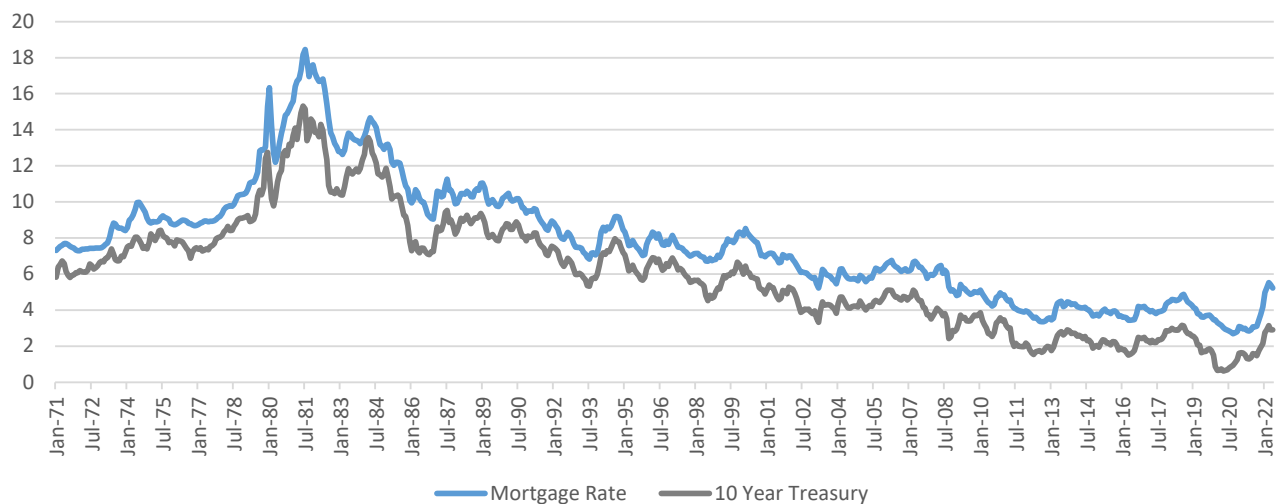


Figure 14:
10 Year Treasury and 30 Year Mortgage Rates (through Aug 2022)



REGIONAL ENERGY

	Q2 2022	Q1 2022	Q2 2021	% change since last quarter	% change since last year (comparable quarters)
Energy Prices					
WTI Crude Oil	\$108.83	\$95.18	\$66.19	14.34%	64.42%
Henry Hub Natural gas	\$7.48	\$4.66	\$2.94	60.52%	154.42%
Retail Gasoline Price	\$4.33	\$3.56	\$2.87	21.86%	50.78%
Drilling Permits					
	2022 (YTD)	2021	2020		
Drilling Permits (Mesa County)	0	0	1		
Drilling Permits (Rio Blanco County)	1	40	33		
Drilling Permits (Garfield County)	51	133	127		
Drilling Permits (Moffat County)	3	4	1		
Total Permits (Mesa, Rio Blanco, Garfield, Moffat)	55	177	162		
Total Permits (Colorado)	285	805	1,543		
Local Rig Count					
	Aug-22	Jun-22	Jan-22		
Rig Count (Western Colorado, Mesa, Rio Blanco, Garfield, Moffat)	4	3	2		

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

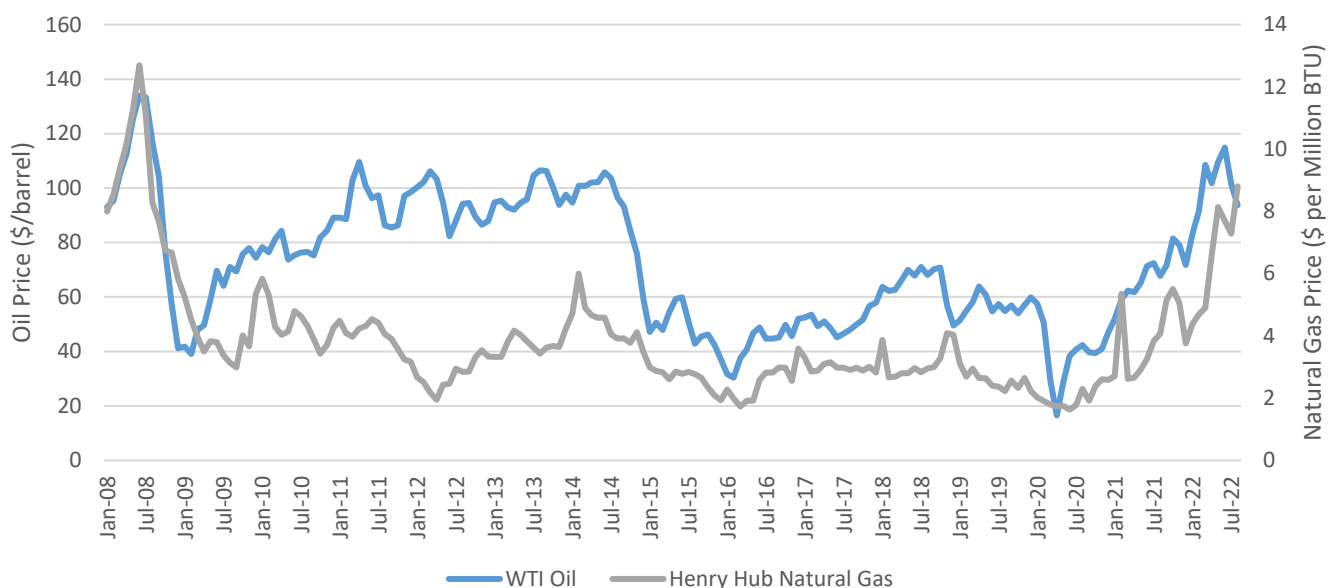


Figure 16:
Oil/Gas Drilling Permits and Oil/Gas Jobs

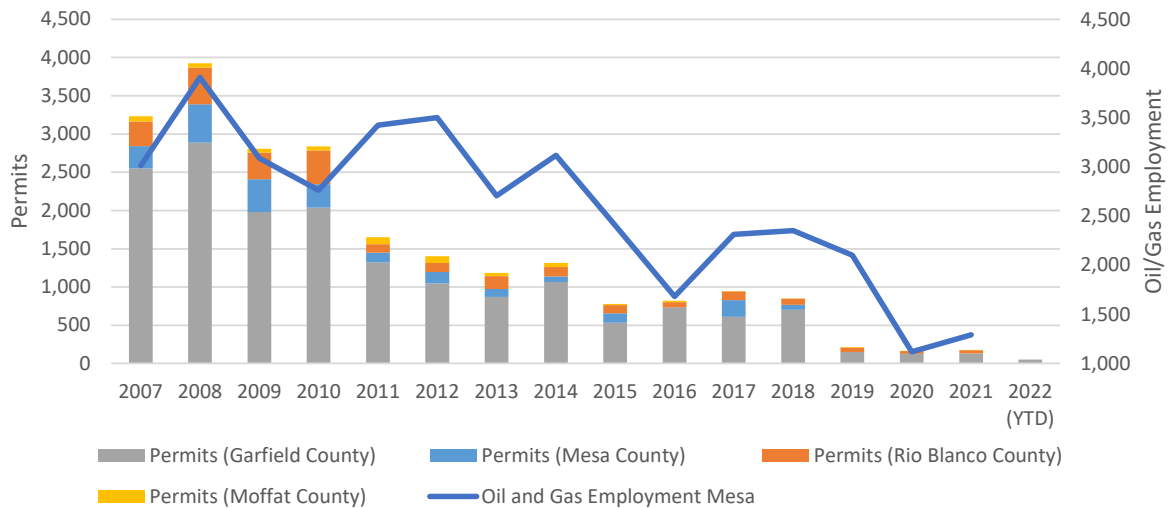
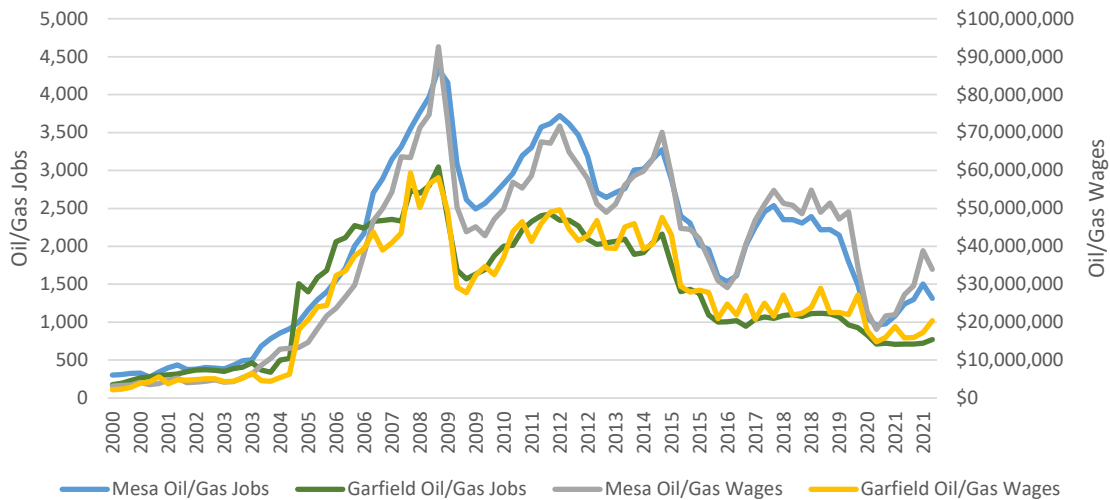


Figure 17:
Oil and Gasoline Prices



Western Slope Energy

West Texas Intermediate crude oil prices averaged \$108.83 in the second quarter of 2022, falling to \$88 by mid September. Gasoline followed oil and rose to \$5.00, peaking on June 13th, falling to \$3.65 a gallon by mid-September. Natural gas prices rose from \$2.94 in Q2 2021 to 7.48 in Q2 2022, rising to a peak of \$9.85 on August 22nd. Despite high natural gas prices, the Piceance rig count remains at 4, with 3 natural gas rigs, and an oil rig. This high of price of natural gas has not been seen since 2008 when rig counts were exponentially higher in the region. Even as recently as 2017 when natural gas prices ranged between \$3.00 and \$4.50 rig counts that year ranged between 8 and 9. There are several potential reasons for the slow move upwards in rig count, including lack of labor force to deploy the rigs, permitting delays, the loss of major capital deployments to other basins during the 2020 oil and gas downturn, industry interpretation of H.B. 181, and other potential explanations. With oil and gas prices expected to sustain their price increases, it would be surprising if the Piceance did not participate in the oil and gas surge. Data on oil and gas permits is as of April, as the COGCC has not responded to my requests for data.

NATIONAL ECONOMIC INDICATORS

	Q2 2022	Q1 2022	Q2 2021	% change since last period	% change since last year (comparable quarters)
Business Cycle Indicators					
Real GDP	-0.90%	-1.60%	6.70%	0.70%	-7.60%
Personal Consumption Expenditures	1.00%	1.80%	12.00%	-0.80%	-11.00%
Gross Private Domestic Investment	-13.50%	5.00%	-3.90%	-18.50%	-9.60%
National Consumer Confidence	57.9	63.1	85.6	-8.24%	-32.36%
Industrial Production Index	104.2	102.9	99.7	1.32%	4.60%
Initial Weekly Unemployment Claims (4 week MA)	198,846	207,673	518,365	-4.25%	-61.64%
Non Farm Payroll Change (in thousands)	1,261,333	1,720,333	1,452,667	-26.68%	-13.17%
Unemployment					
Unemployment Rate-U3-SA	3.60%	3.80%	5.90%	-0.20%	-2.30%
Unemployment Rate-U6-SA	6.90%	7.10%	10.10%	-0.20%	-3.20%
Interest Rates					
Federal Funds Rate	0.75%	0.12%	0.07%	0.63%	0.68%
10 Year U.S. Treasury	2.93%	1.94%	1.59%	0.99%	1.34%
30 Year U.S. Treasury	3.04%	2.26%	2.26%	0.78%	0.78%
Inflation Measures					
Inflation Rate (CPI)	8.58%	8.00%	4.81%	0.58%	3.77%
Core Inflation Rate (All Items Less Food and Energy)	6.02%	6.30%	3.74%	-0.28%	2.28%
Inflation Rate (Shelter)	5.40%	4.71%	2.29%	0.69%	3.11%
Producer Price Index (PPI)	21.96%	20.42%	18.82%	1.54%	3.13%
Employment Cost Index	5.04%	4.45%	2.91%	0.59%	2.13%
Stock Prices					
S&P 500	4,106	4,464	4,184	-8.02%	-1.86%
Dow Jones Industrial Average	32,688	34,679	34,121	-5.74%	-4.20%
Trade Balance and Debt					
Trade Balance (% of GDP)	-1078.339	-1177.904	-881.689	-8.45%	22.30%
Federal Debt (% of GDP)*	124.7%	123.4%	127.7%	1.3%	-3.0%

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. Regional CPI data from the Bureau of Labor Statistics. Yield Curve from the Federal Reserve Board.

Figure 18:
Real GDP for U.S.

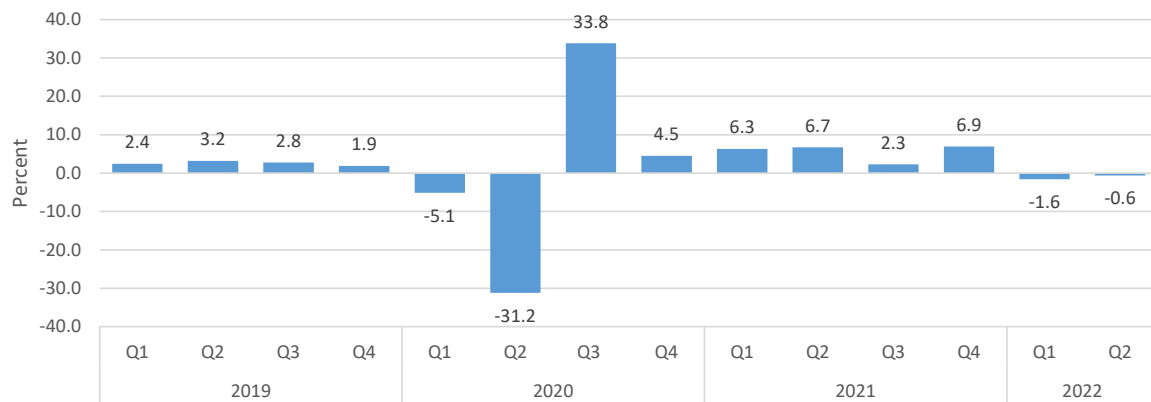
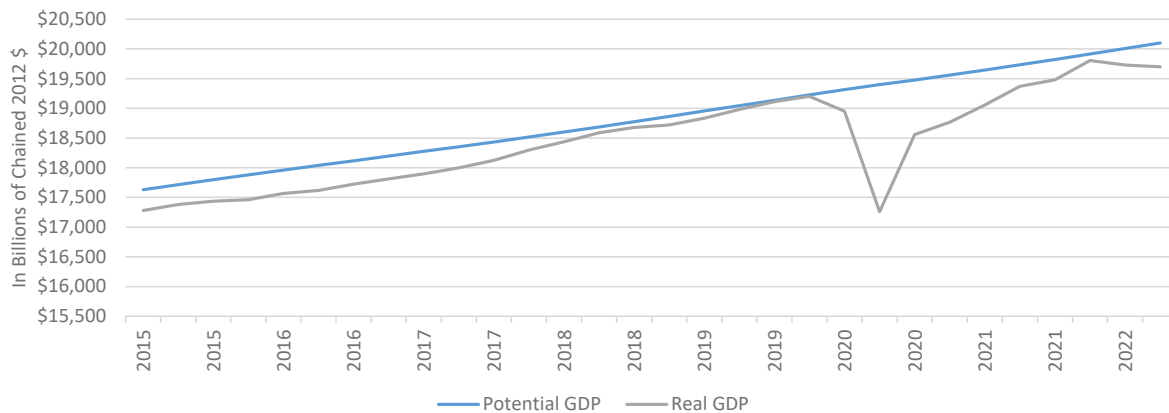


Figure 19:
GDP Gap



Economic Growth

U.S. GDP came in negative for a second straight quarter at -0.6% (figure 18). There have been debates about whether the U.S. is in a recession or not after two negative quarters of GDP. The National Bureau of Economic Research (NBER) makes this decision after looking at many different data points, not just GDP. Recession calls by NBER are usually made many months after the recession began, as economic data lags. There are some data points showing the economy is softening, but as of summer 2022, the labor market is so strong it would be difficult to say the U.S. is in recession yet. It is possible as the economy turns this fall and that in late 2022 or early 2023 the NBER backdates a recession to sometime in summer 2022. Due to the lagging nature of economic data we won't know for several more months.

Inflation Watch

Headline inflation printed at 8.3%, which was higher than many economists were expecting (figure 20). Energy fell in August as expected, but food and shelter rose keeping inflation above 8%. The continued high inflation rate puts pressure on the Federal Reserve to keep raising interest rates.

The Federal Reserve continues to ramp up the Federal Funds rate, with a current target range of 2.25-2.50%. Markets are trying to determine how high the Fed is willing to go to fight inflation, with current market odds at a terminal rate of 4.5%.

The Core CPI, which omits food and energy and is an important measure for the Federal Reserve, rose to 6.3%. Core CPI is important because the Fed does not have as much influence over food and energy prices.

Comparing different regional measures of the CPI shows that the national CPI, the "West" CPI, and the Denver, Aurora, Lakewood CPI all show inflation around the same rate of 8.1-8.3% (figure 22). The Mountain CPI, however, shows significantly higher inflation at 9.6%. The Mountain region includes Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Utah, and Wyoming, while the West region includes the Mountain region and the Pacific states.

The yield curve continues to invert, signaling recession in the coming months (figure 24). The 10 year minus the 2 year treasury has been negative since early July and has been highly predictive of recession 9 months later.

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

Table A. Percent changes in CPI for All Urban Consumers (CPI-U): U.S. city average

	Seasonally adjusted changes from preceding month							Un-adjusted 12-mos. ended Aug. 2022
	Feb. 2022	Mar. 2022	Apr. 2022	May 2022	Jun. 2022	Jul. 2022	Aug. 2022	
All items.....	0.8	1.2	0.3	1.0	1.3	0.0	0.1	8.3
Food.....	1.0	1.0	0.9	1.2	1.0	1.1	0.8	11.4
Food at home.....	1.4	1.5	1.0	1.4	1.0	1.3	0.7	13.5
Food away from home ¹	0.4	0.3	0.6	0.7	0.9	0.7	0.9	8.0
Energy.....	3.5	11.0	-2.7	3.9	7.5	-4.6	-5.0	23.8
Energy commodities.....	6.7	18.1	-5.4	4.5	10.4	-7.6	-10.1	27.1
Gasoline (all types).....	6.6	18.3	-6.1	4.1	11.2	-7.7	-10.6	25.6
Fuel oil ¹	7.7	22.3	2.7	16.9	-1.2	-11.0	-5.9	68.8
Energy services.....	-0.4	1.8	1.3	3.0	3.5	0.1	2.1	19.8
Electricity.....	-1.1	2.2	0.7	1.3	1.7	1.6	1.5	15.8
Utility (piped) gas service.....	1.5	0.6	3.1	8.0	8.2	-3.6	3.5	33.0
All items less food and energy.....	0.5	0.3	0.6	0.6	0.7	0.3	0.6	6.3
Commodities less food and energy.....	0.4	-0.4	0.2	0.7	0.8	0.2	0.5	7.1
New vehicles.....	0.3	0.2	1.1	1.0	0.7	0.6	0.8	10.1
Used cars and trucks.....	-0.2	-3.8	-0.4	1.8	1.6	-0.4	-0.1	7.8
Apparel.....	0.7	0.6	-0.8	0.7	0.8	-0.1	0.2	5.1
Medical care commodities ¹	0.3	0.2	0.1	0.3	0.4	0.6	0.2	4.1
Services less energy services.....	0.5	0.6	0.7	0.6	0.7	0.4	0.6	6.1
Shelter.....	0.5	0.5	0.5	0.6	0.6	0.5	0.7	6.2
Transportation services.....	1.4	2.0	3.1	1.3	2.1	-0.5	0.5	11.3
Medical care services.....	0.1	0.6	0.5	0.4	0.7	0.4	0.8	5.6

¹ Not seasonally adjusted.

Figure 21:
Inflation Rate

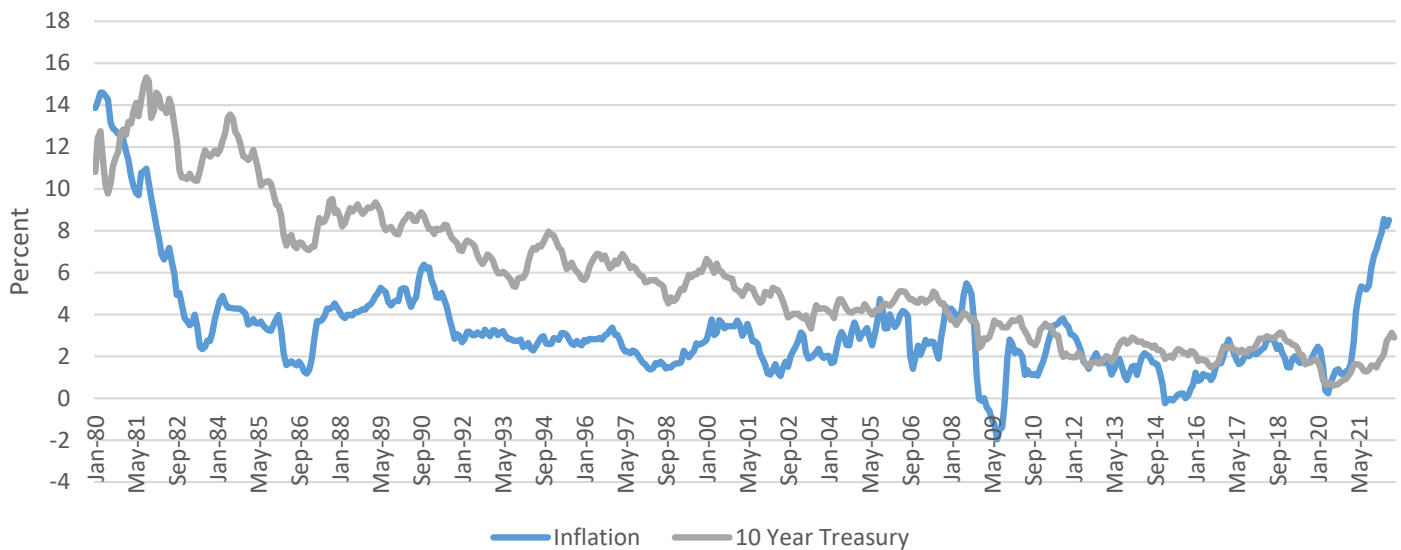


Figure 22:
Regional CPI Comparison

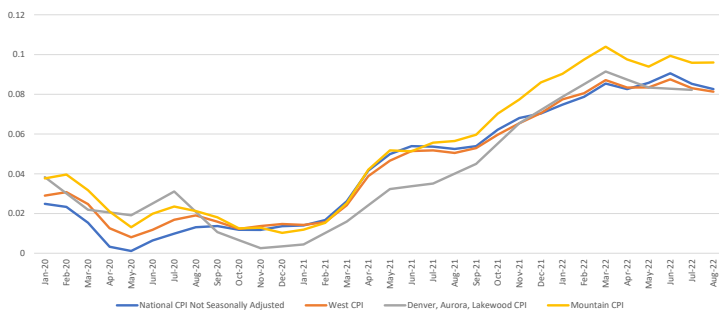


Figure 23:
Employment Cost Index

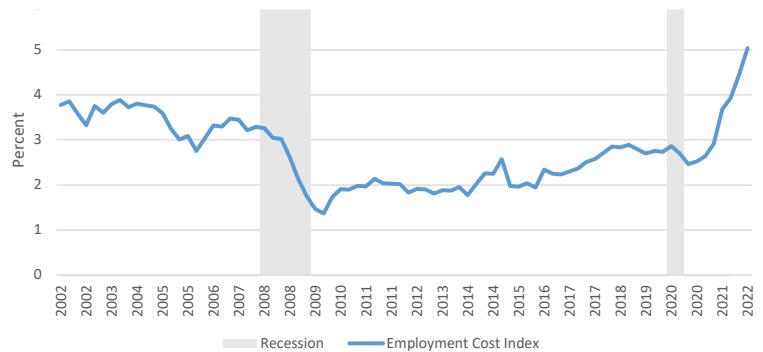


Figure 24:
Yield Curve: 10 Year Treasury minus 2 year Treasury



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