

MESA COUNTY ECONOMIC UPDATE

Fourth Quarter 2020



Provided by the Business Department of Colorado Mesa University

Economic Summary

- October employment numbers hit 74,492, a drastic increase from the April 2020 low of 64,875. The labor market has steadily recovered, almost reaching the peak of 75,359 in September 2019. Rising initial and continued unemployment claims are expected to create stagnation in the labor market over the winter months with the expectation of an uptick in the unemployment rate.
- Sales tax collection continues to stay steady, with the city losing 4.49% of sales taxes, while the county increased by 4.03%, year to date. Given economic conditions, sales tax collections have been a positive surprise.
- County level GDP estimates for 2019 were recently released and show that Mesa County grew by 2.57% in 2019. Most industries improved from 2018, with losses in mining, oil, and gas as well as wholesale trade.
- The national unemployment rate has fallen steadily since the jump to 14.7% in April, falling to 6.9% in October. Although winter will be weaker than the past several months, many economists are predicting a full economic recovery by late 2021.

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LOCAL ECONOMIC INDICATORS

	Q3 2020	Q2 2020	Q3 2019	change since last quarter	change since last year (comparable quarters)
Local Labor Market					
Unemployment Rate Mesa County -SA	6.70%	10.50%	3.30%	-3.80%	3.40%
Unemployment Rate Mesa County -NSA	6.30%	10.60%	3.10%	-4.30%	3.20%
Unemployment Rate Colorado -SA	6.80%	11.00%	2.60%	-4.20%	4.20%
Unemployment Rate U.S. -SA	8.80%	13.00%	3.60%	-4.20%	5.20%
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	44.3	46.9	8.13%	2.13%
Sales/Use Taxes					
	2020		2019		
City Sales/Use Taxes (YTD)	\$41,338,000		\$43,282,227		-4.49%
Mesa County Sales/Use Tax (YTD)	\$29,587,641		\$28,442,455		4.03%
City Lodging Tax Revenue (YTD)	\$1,675,337		\$2,719,613		-38.40%
Business Filings					
	2020 (YTD)		2019 (YTD)		
Mesa County New Business Entity Filings (YTD, as of August)	1,835		1,810		1.38%

Grand Junction Regional Airport	Q3 2020	Q2 2020	Q3 2019	% change from last quarter	% change from last year
Scheduled Enplanements	36,737	11,152	69,573	229.42%	-47.20%
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%
	2018	2017	2016	% change since 2017	% change from 2016
Median Household Income	\$51,132	\$52,623	\$49,825	-2.83%	2.62%
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

October employment numbers hit 74,492, a drastic increase from the lows of 64,875 in April (figure 1). The labor market has steadily recovered, almost reaching the peak of 75,359 in September 2019. Mesa County has seen rising employment since April, and is one of the top performing areas in Colorado during the COVID pandemic as of October. Winter months and rising COVID numbers may test Mesa County's employment gains over the next three months. Much of Mesa County's advantage in recovery has been lower COVID numbers, and as COVID numbers elevate we may see some "mean reversion," or slowing as the county economy experiences what economic conditions look like under "red" health department conditions. In addition to this, winter months always have some seasonal unemployment which will create some weakness.

Although employment numbers are below their September/October 2019 peak, labor force numbers for October are now at their highest level since 2009. Employment plus unemployment equals labor force, and a rising labor force will help push Mesa County growth forward once unemployment turns to employment.

Unemployment numbers have begun to stagnate, as rising initial and continued claims start to rise. Figure 2 illustrates how unemployment numbers have begun to stagnate, and figure 3 shows how initial and continued claims are beginning to rise. Initial and continued claims are perhaps the most important indicator for recovery and show the real time strength of the labor market. Rising initial claims will translate to higher continued claims, which will translate to a higher unemployment

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

	Labor Force	Employed	Unemployed
Annual	633	-1,853	2,487
5-Year	5,695	4,540	1,155
10-Year	1,332	4,541	-3,209
Annual %	0.82%	-2.49%	103.89%
5-Year %	7.92%	6.66%	31.00%
10-Year %	1.75%	6.66%	-39.67%

rate. The October unemployment rate is 5.7%, the same as September. With rising claims and a rising labor force, it is likely that Mesa County will experience a higher unemployment rate during the winter months.

Sales tax collection continues to stay steady, with the city losing 4.49% of sales taxes while the county increased by 4.03%, year to date. Sales tax collections have been a positive surprise given economic conditions.

Yearly data for personal income and personal income per capita were recently released and show that Mesa County increased by 3.74% in personal income and 2.89% in personal income per capita in 2019 from 2018.

Table 2:
Monthly Unemployment Rates (Non-seasonally adjusted)

	February	March	April	May	June	July	August	September	October
Mesa	4.1%	7%	12.6%	9.1%	10.1%	7%	6.2%	5.7%	5.7%
Montrose	3.6%	7.5%	12.3%	9.3%	10.4%	6.5%	5.5%	5.3%	5.1%
Delta	4.2%	7.9%	10%	8%	9.7%	6.2%	5.8%	5.6%	5.3%
Garfield	3.3%	6%	13.7%	10.1%	9.7%	6.3%	5.8%	5.4%	5.5%
Colorado	2.5%	5.2%	12.2%	10.2%	10.6%	7.4%	6.7%	6.4%	6.4%
U.S.	3.8%	4.5%	14.4%	13%	11.2%	10.5%	8.5%	7.7%	6.6%

Figure 1:
Employment (Sept-20 through Oct-20)

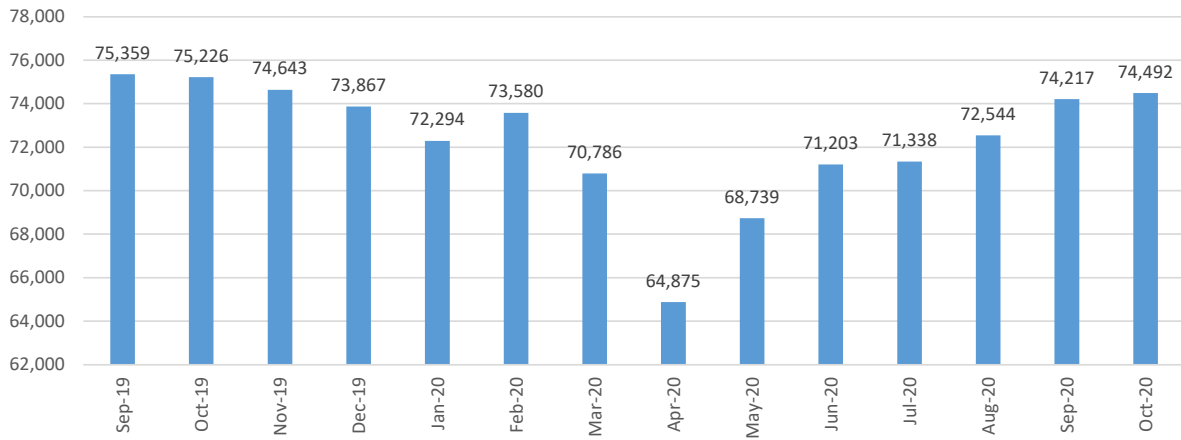


Figure 2:
Unemployment (Sept-20 through Oct-20)

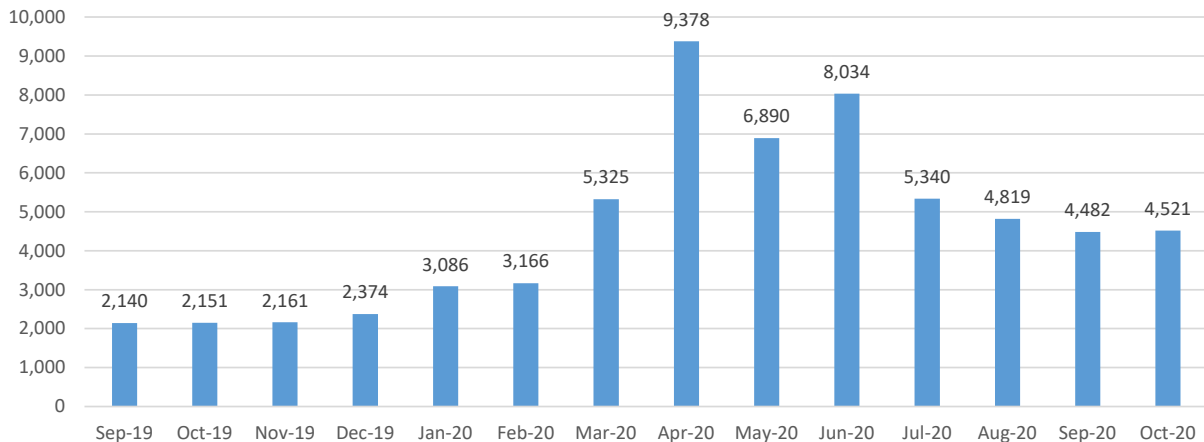
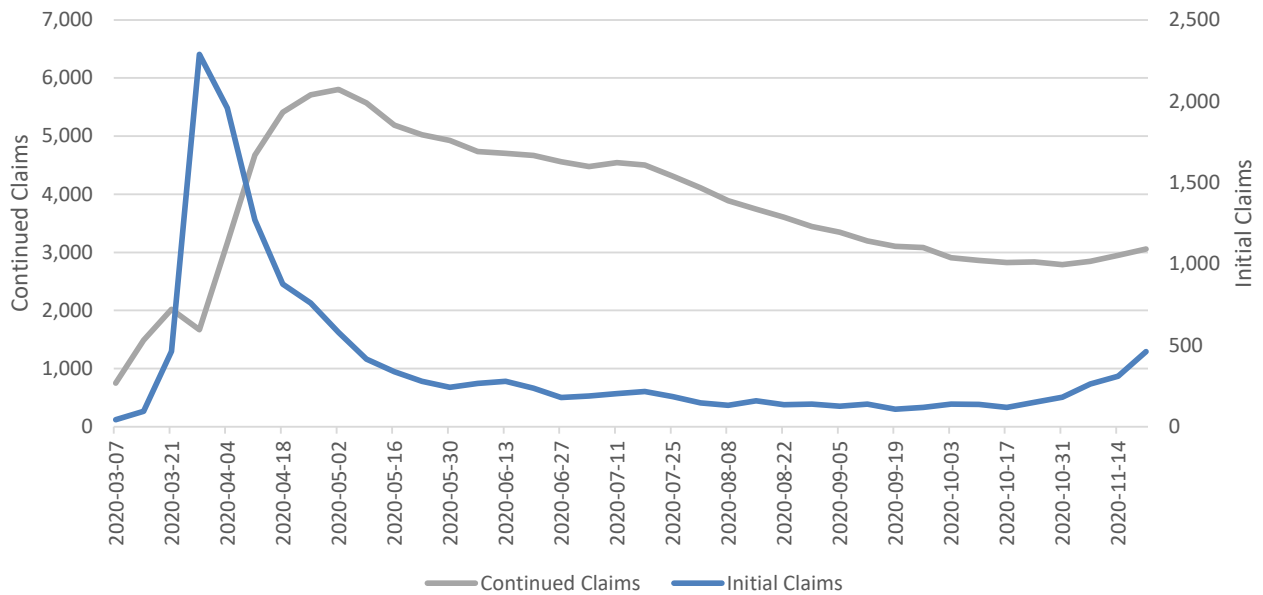


Figure 3:
Initial and Continued Unemployment Claims March through November 2020



Mesa County GDP

County level GDP estimates were also released and show that Mesa County grew by 2.57% in 2019. This can be compared to 5.4% growth rate in Delta, 2.89% in Montrose, and 5.51% in Colorado. Although this is a reasonably positive growth rate, given the labor market conditions and industry data in 2019, I expected growth to be in the 3-4% range. Table 3 shows GDP by industry. Although most industries improved, losses in mining, oil, and gas, durable goods manufacturing, agriculture, as well as wholesale trade kept GDP from reaching the 3-4% forecast. Oil and gas wages are much higher than average wages and losses in that industry affect GDP disproportionately to other industries. Figure 4 illustrates Mesa County Real GDP.

Figure 4:
Mesa County Real GDP

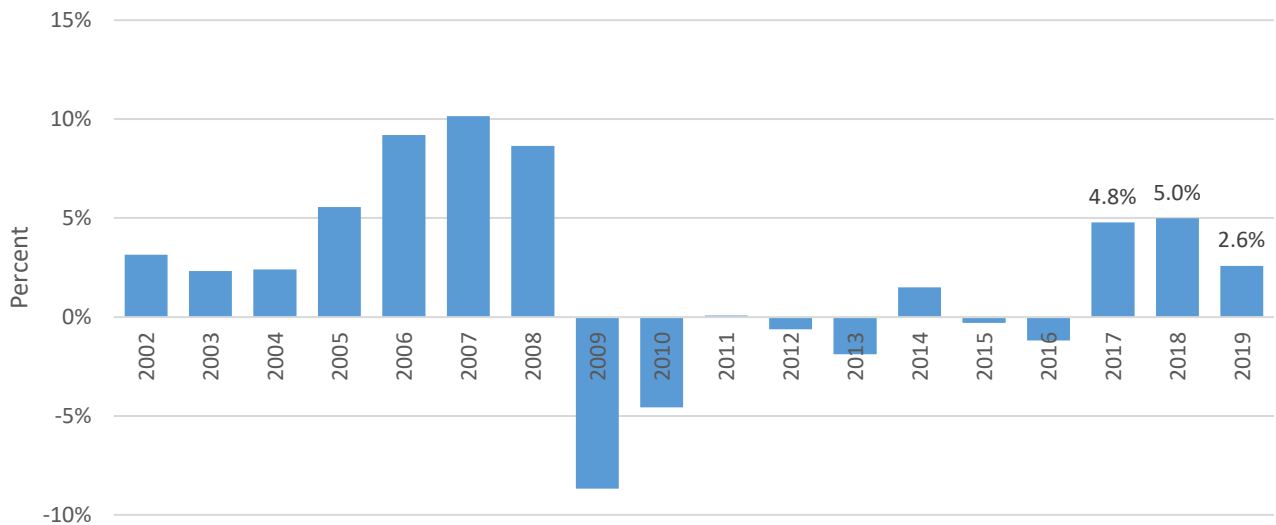


Table 3:
Mesa County Real GDP estimates (in thousands)

Description	2017	2018	2019	% Change from 2018 to 2019
All industry total	\$5,771,124	\$6,058,926	\$6,214,937	2.57%
Private industries	\$5,038,619	\$5,307,365	\$5,444,397	2.58%
Agriculture, forestry, fishing and hunting	\$25,541	\$15,845	\$9,361	-40.92%
Mining, quarrying, and oil and gas extraction	\$400,588	\$514,414	\$477,358	-7.20%
Utilities	\$22,741	\$21,996	\$25,225	14.68%
Construction	\$367,049	\$376,456	\$385,554	2.42%
Manufacturing	\$265,150	\$281,501	\$279,137	-0.84%
Durable goods manufacturing	(D)	\$171,265	\$168,744	-1.47%
Nondurable goods manufacturing	(D)	\$106,509	\$106,851	0.32%
Wholesale trade	\$258,599	\$261,720	\$255,358	-2.43%
Retail trade	\$496,557	\$515,926	\$536,275	3.94%
Transportation and warehousing	\$193,401	\$216,831	\$227,262	4.81%
Information	\$107,639	\$111,741	\$121,260	8.52%
Finance, insurance, real estate, rental	\$1,386,952	\$1,419,922	\$1,509,104	6.28%
Finance and insurance	\$381,495	\$376,586	\$381,734	1.37%
Real estate and rental and leasing	\$1,002,378	\$1,041,273	\$1,126,803	8.21%
Professional and business services	\$414,356	\$434,068	\$444,753	2.46%
Professional, scientific, and technical services	\$202,297	\$217,840	\$226,461	3.96%
Management of companies and enterprises	\$42,803	\$44,143	\$45,030	2.01%
Administrative and support and waste management and remediation services	\$169,532	\$172,592	\$173,948	0.79%
Educational services, health care, and social assistance	\$695,976	\$732,810	\$746,875	1.92%
Educational services	\$20,152	\$17,714	\$19,906	12.37%
Health care and social assistance	\$675,770	\$715,256	\$727,007	1.64%
Arts, entertainment, recreation, accommodation, and food services	\$240,990	\$247,236	\$251,987	1.92%
Arts, entertainment, and recreation	\$37,679	\$38,564	\$39,649	2.81%
Accommodation and food services	\$203,306	\$208,660	\$212,351	1.77%
Other services (except government and government enterprises)	\$147,713	\$156,868	\$160,225	2.14%
Government and government enterprises	\$732,002	\$751,595	\$770,590	2.53%

Mesa County Employment Trends

Q2 2020 QCEW data shows the magnitude of job losses at the industry level resulting from COVID-19. Table 4 illustrates changes from Q2 2019 to Q2 2020. Accommodation and food services lost 1,790 jobs from the same time last year, while mining, oil, and gas lost 1,168 jobs with a staggering \$28,671,460 in wages, pushing oil and gas jobs to their lowest level since Q1 2005. Part of this was due to low (and negative) oil prices in Q2. Retail trade lost 591 jobs, while construction lost 465 jobs. Healthcare only lost 32 jobs, despite the lack of demand for health care during COVID as people avoided elective surgeries and stayed in their homes (avoiding injury). It is important to note that as businesses were allowed to open over the summer months, some of these industries recovered many of their job losses, and hence we can expect Q3 QCEW data to show major industry gains. Table 5 shows that 2019 BEA data was released and that farm employment fell slightly, while sole proprietors (or small businesses) has increased from 2017, rising from 23,771 to 24,818 in 2019. Figure 5 and figure 6 illustrates QCEW wage and job changes, respectively.

Table 4:
Quarterly Census of Employment and Wages (QCEW) Q2 2020 Compared to Q2 2019

Sector	Average Employment Q2 2020	Total Quarterly Wages (Q2 2020)	Average Weekly Wage (Q2 2020)	Total Employment Change (Q2 2019 to Q2 2020)	Total Wage Change (Q2 2019 to Q2 2020)
Total, All Industries	57,577	\$668,362,609	\$893	-6,466	-\$48,301,482
Health Care and Social Assistance	12,068	\$152,090,040	\$969	-32	\$170,441
Retail Trade	7,634	\$69,008,890	\$695	-591	\$2,811,356
Construction	4,702	\$62,035,803	\$1,015	-465	-\$6,338,345
Educational Services	4,722	\$51,401,495	\$837	-205	\$974,806
Public Administration	3,294	\$44,688,758	\$1,044	-158	\$2,386,241
Finance and Insurance	1,884	\$38,447,462	\$1,570	-52	\$5,196,560
Manufacturing	2,833	\$32,556,617	\$884	-273	-\$3,783,225
Professional and Technical Services	2,221	\$31,426,133	\$1,088	-86	-\$344,668
Transportation and Warehousing	2,336	\$30,999,876	\$1,021	-198	-\$2,717,600
Wholesale Trade	2,176	29861729	1056	-259	-\$4,646,579
Accommodation and Food Services	5,185	\$27,215,863	\$404	-1,790	-\$9,346,046
Administrative and Waste Services	2,581	\$24,633,805	\$734	-302	-\$901,433
Mining	1,055	\$22,770,063	\$1,660	-1,168	-\$28,671,460
Other Services, Ex. Public Admin	1,634	\$13,928,072	\$656	-249	-\$1,716,099
Real Estate and Rental and Leasing	931	\$10,231,663	\$845	-117	-\$281,456
Information	633	\$7,710,964	\$937	-54	-\$112,953
Utilities	355	\$6,504,964	\$1,410	13	\$33,029
Agriculture, Forestry, Fishing & Hunting	572	\$6,110,385	\$822	1	\$611,122
Arts, Entertainment, and Recreation	619	\$3,367,200	\$418	-463	-\$1,568,504
Management of Companies and Enterprises	139	\$3,158,436	\$1,748	-2	-\$67,649

SOURCE: Colorado Department of Labor and Employment (QCEW). The most recent quarterly data available is reported.

Table 5:
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 5:
Total Wage Changes from Q2 2019 to Q2 2020

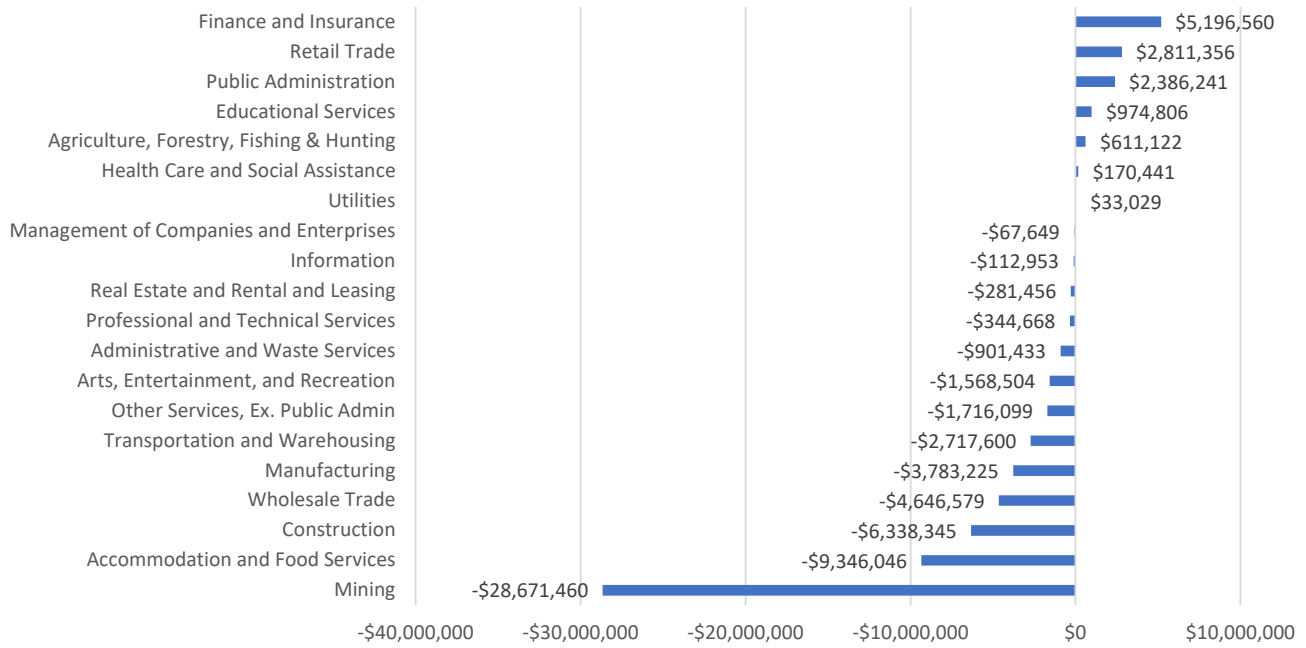
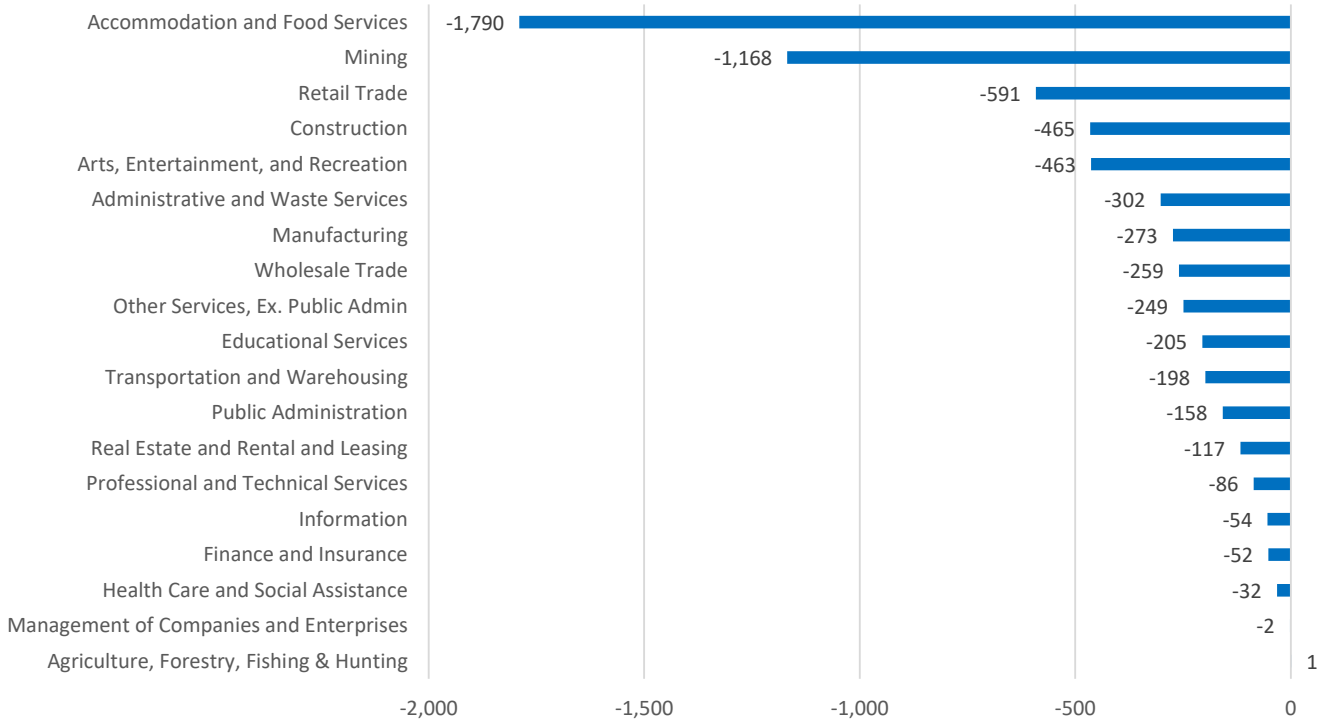


Figure 6:
Total Jobs Change from Q2 2019 to Q2 2020



LOCAL REAL ESTATE

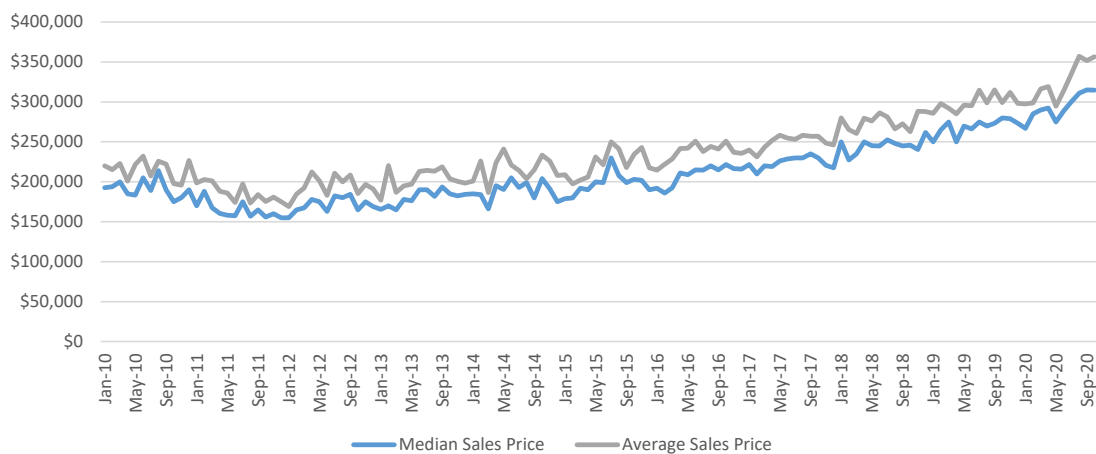
	Q3 2019	Q3 2018	% change since last year
Real Estate			
Inventory of Homes for Sale (3 month avg)	428	724	-40.87%
New Residential listings (3 month total)	1,075	1,210	-11.16%
Sold Residential Listings (3 month total)	1,019	945	7.83%
Median Sales Price	\$308,667	\$272,699	13.19%
Average Sales Price	\$347,883	\$292,119	19.09%
Days on Market	76.33	80.67	-5.37%
Months Supply of Inventory	1.50	2.57	-41.56%
Total Building Permits	1,428	1,427	0.07%
Single Family Permits	235	194	21.13%
Foreclosures			
Foreclosure Filings	10	49	-79.6%
Foreclosure Sales	9	28	-67.9%
Freddie Mac House Price Index			
Grand Junction	217.9	202.0	7.89%
Colorado	225.2	210.3	7.11%
National	209.7	195.5	7.29%
Mortgage Rates			
15 Year Mortgage Rate	2.46%	3.13%	-0.67%
30 year Mortgage Rate	2.95%	3.66%	-0.71%

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

Real estate inventory dropped drastically, falling from 724 homes on market to 428, a 41% drop from Q3 of last year. This has had the effect of increasing average prices by a staggering 19%, increasing the median price by 13%. To meet this demand, single family permits are up 21% from last year. Mortgage rates continue to be extraordinarily low, fueling demand for real estate.

Figure 7:
Average and Median Sales Price for Mesa County



REGIONAL ENERGY

	Q3 2020	Q2 2020	Q3 2019	% change since last quarter	% change since last year (comparable quarters)
Energy Prices					
WTI Crude Oil	\$27.96	\$45.34	\$59.88	-38.33%	-53.31%
Henry Hub Natural gas	\$1.71	\$1.91	\$2.56	-10.47%	-33.20%
Retail Gasoline Price	\$1.83	\$2.31	\$2.68	-20.86%	-31.63%

Drilling Permits	2020 (YTD, as of Dec. 8th)	2019 (YTD)	% Change since same time last year
Drilling Permits (Mesa County)	1	0	N/A
Drilling Permits (Rio Blanco County)	19	59	-67.80%
Drilling Permits (Garfield County)	113	149	-24.16%
Drilling Permits (Moffat County)	1	7	-85.71%
Total Permits (Mesa, Rio Blanco, Garfield, Moffat)	134	215	-37.67%
Total Permits (Colorado)	1,340	2,032	-34.06%

Local Rig Count	Nov-20	Aug-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 as of September 1st, 2019. Note that drilling permits are from Q1 of 2019.

Figure 8:
Oil and Natural Gas Prices

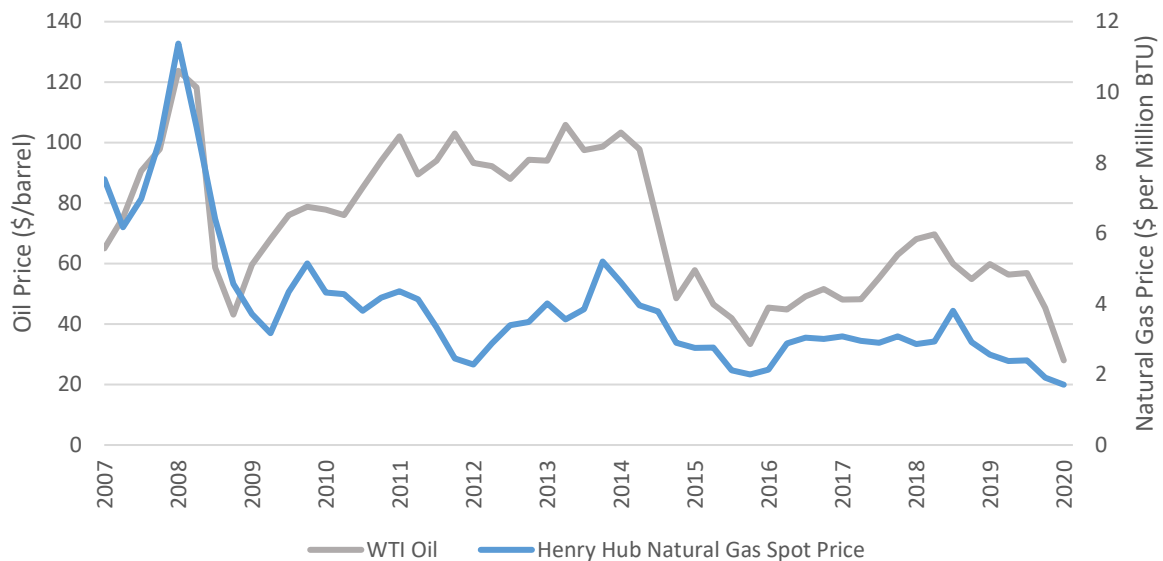


Figure 9:
Oil/Gas Drilling Permits and Oil/Gas Jobs

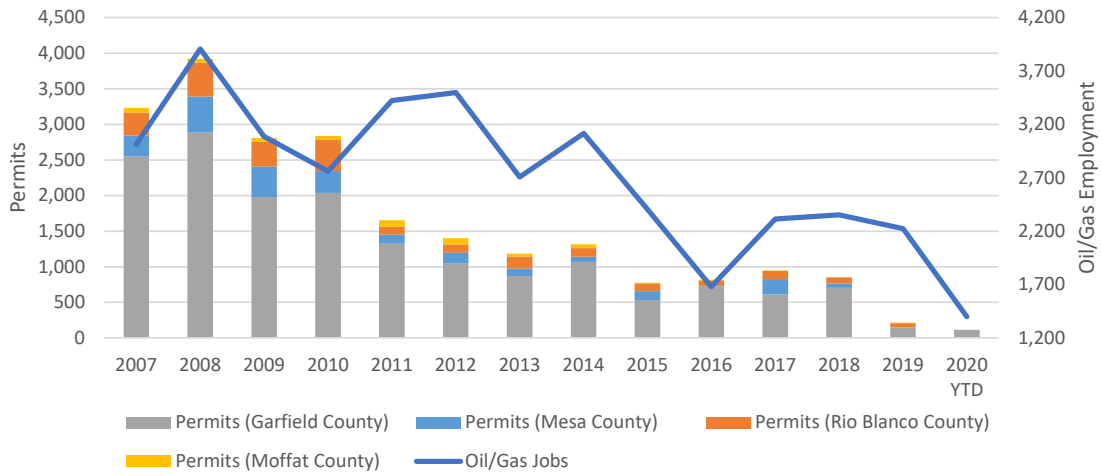
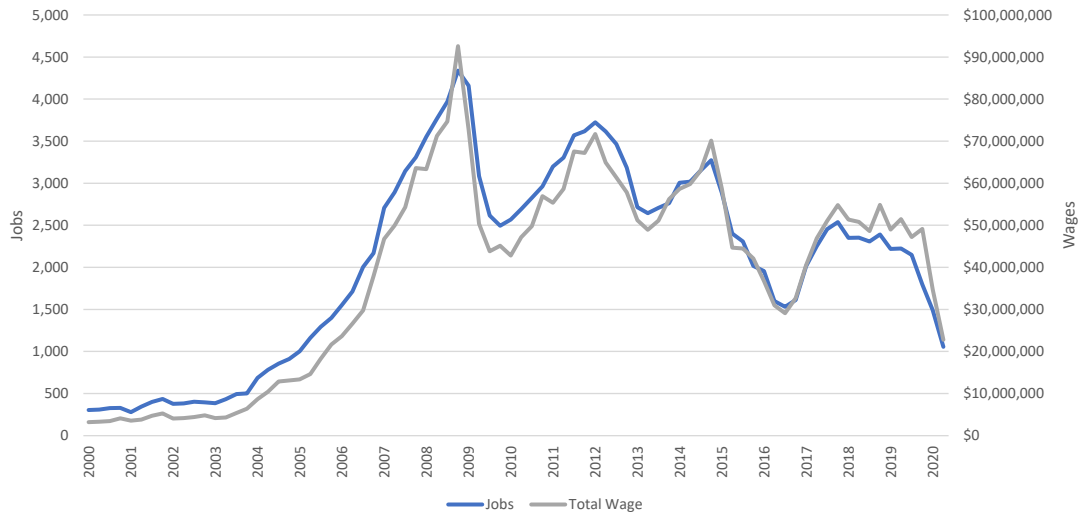


Figure 10:
Oil/Gas Jobs and Wages (Mesa County, QCEW)



Western Slope Drilling Activity

Western Slope drilling activity is on pace for the lowest permitting activity in 15 years, with the 2020 YTD numbers lagging the 2019 YTD numbers. Figure 9 illustrates drilling permit applications and oil and gas employment, and shows permit applications through November. Figure 10 illustrates Mesa County oil and gas jobs and wages, showing the downturn in the industry that began in late 2019. As of November, 2020, oil and gas prices have begun to rise and economic conditions for the industry slowly improve. Time will tell if these rising prices can push this industry forward in the Piceance Basin.

NATIONAL ECONOMIC INDICATORS

	Q3 2020	Q2 2020	Q3 2019	% change since last period	% change since last year (comparable quarters)
Business Cycle Indicators					
Real GDP	33.10%	-31.40%	2.60%	64.50%	30.50%
Personal Consumption Expenditures	40.60%	-33.20%	2.70%	73.80%	37.90%
Gross Private Domestic Investment	84.90%	-46.60%	1.80%	131.50%	83.10%
National Consumer Confidence	75.7	74.1	93.8	2.16%	-19.30%
Industrial Production Index	102.1	93.6	109.5	9.05%	-6.72%
Initial Weekly Unemployment Claims (4 week MA)	1,154,558	3,321,404	215,192	-65.24%	436.52%
Non Farm Payroll Change (in thousands)	7,076,000	-18,208,333	551,000	-138.86%	1184.21%
Unemployment					
Unemployment Rate-U3-SA	8.80%	13.00%	3.60%	-4.20%	5.20%
Unemployment Rate-U6-SA	14.50%	20.70%	7.00%	-6.20%	7.50%
Interest Rates					
Federal Funds Rate	0.09%	0.06%	2.22%	0.03%	-2.13%
10 Year U.S. Treasury	0.65%	0.69%	1.80%	-0.04%	-1.15%
30 Year U.S. Treasury	1.36%	1.38%	2.29%	-0.02%	-0.93%
Inflation Measures					
Inflation Rate (CPI)	1.25%	0.44%	1.76%	0.81%	-0.51%
Core Inflation Rate (All Items Less Food and Energy)	1.68%	1.29%	2.31%	0.39%	-0.63%
Inflation Rate (Shelter)	2.23%	2.52%	3.45%	-0.29%	-1.21%
Producer Price Index (PPI)	-2.67%	-6.42%	-2.13%	3.75%	-0.55%
Employment Cost Index	2.46%	2.70%	2.76%	-0.24%	-0.29%
Stock Prices					
S&P 500	3,320	2,932	2,958	13.24%	12.24%
Dow Jones Industrial Average	27,299	24,571	26,676	11.10%	2.34%
Trade Balance and Debt					
Trade Balance (% of GDP)	-733.777	-545.164	-631.838	34.60%	16.13%
Federal Debt (% of GDP)*	135.6%	104.3%	103.3%	31.3%	32.4%

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.

Figure 11:
Real GDP

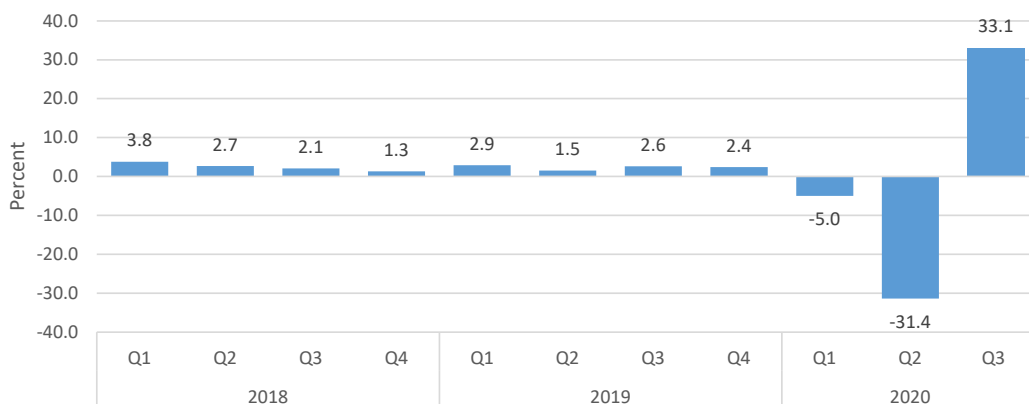
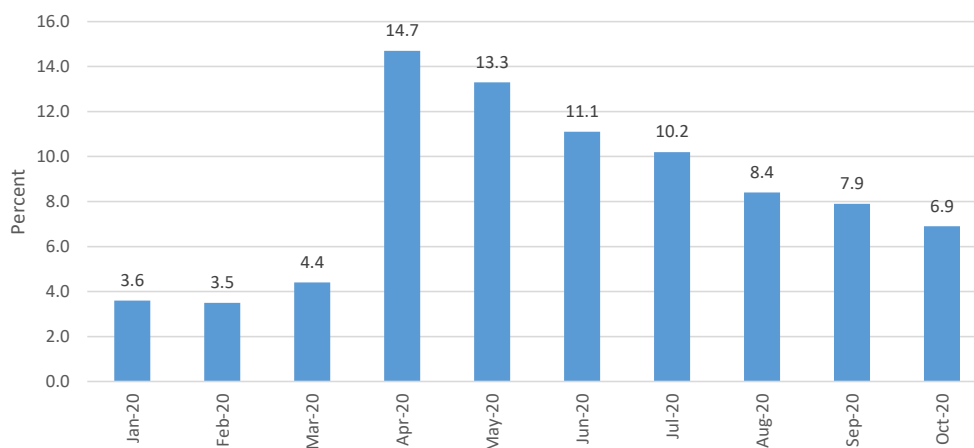


Figure 12:
U.S. Unemployment: January 2020 through October 2020



National Economic Performance

National economic performance has thus far surpassed the expectations of economists, showing a reasonably V- shaped recovery. Moving forward over winter, with rising COVID cases, there is a high likelihood of some negative labor market momentum data from December through February. Although “lockdowns” are unlikely to be implemented the way they were in April on a national level, as COVID numbers rise there will be some restrictions and altering of consumption habits by consumers as we reach what are hopefully the “last innings” of the COVID pandemic.

The national unemployment rate has fallen steadily since the jump in April to 14.7%, falling to 6.9% in October (figure 12). The unemployment rate will likely stagnate over the winter months as COVID cases rise, and then as cases fall the rest of the labor market recovery should commence. Many economists are predicting a full economic recovery by mid- to late 2021.

Q3 2020 real GDP increased by 33.1% (seasonally adjusted annual rate, figure 11), with the Atlanta Federal Reserve’s GDP NOW estimating 11.1% growth for Q4 (as of December 1st). The recovery thus far has in part fiscal policy to thank (PPP program,

stimulus checks, etc.) as the impact of these programs has been incredibly positive.

Monetary and Fiscal Policy

The Federal Reserve and Treasury Department continue to provide liquidity to financial markets and the economy through three primary approaches: 1) The Treasury has provided injections of money through stimulus checks and PPP loans, with the potential for a second round. 2) The Federal Reserve has kept the Federal Funds rate at 0. 3) The Fed has engaged in quantitative easing, buying long term bonds (such as the 10 year treasury bond) to increase the price and lower the yield (interest rate). Both Federal Reserve actions increase excess reserves at banks (increasing liquidity) and keep interest rates low.

So what does this mean? Lower interest rates have helped facilitate more consumer spending, and have pushed real estate activity and prices higher, and also pushed stock prices higher. With interest rates so low, there is little incentive to hold bonds, so investors move to stocks. As stock prices increase, the wealth effect kicks in, and people start spending. The Federal Reserve is expected to be just as accommodative in 2021, which is good news for financial markets and the economy.

Figure 13:
Real and Potential GDP

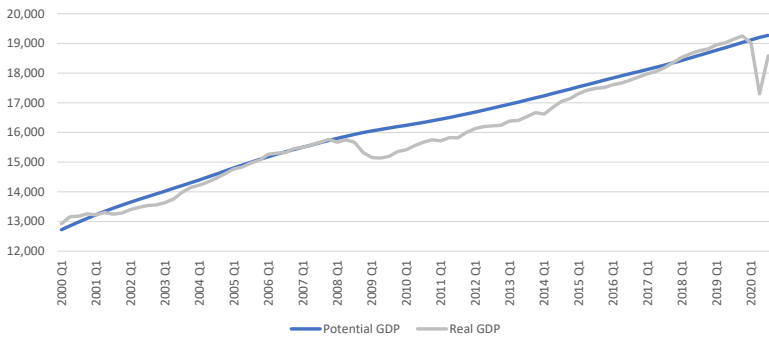
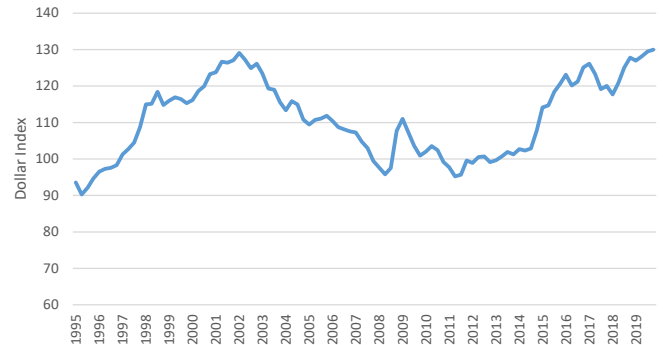


Figure 14:
U.S. Dollar Index



2021 Outlook

With the Federal Reserve expecting to keep interest rates low for the next 2 to 3 years, they are signalling that labor market recovery and GDP are the short term priorities over the potential of inflation. Inflation remains low, with a Q3 inflation rate of 1.25%, up from 0.44% in Q2. The Federal Reserve targets inflation between 2-3%, which means that the current inflation rate is far below the Fed's target, allowing them to implement pro labor market and growth policies. Congress is currently (as of Dec 1st) negotiating a second round of fiscal stimulus to help offset the potential economic stagnation expected through winter due to COVID-19. Both of these policies will help push growth forward in 2021.

Figure 13 illustrates real and potential GDP, with the gray line real GDP and the blue line potential GDP. The goal is to get real GDP back to potential GDP, and after a 33.1% increase in real GDP we are heading in the right direction. Many economists believe it will take until late summer to the end of 2021 for the economy to recover, which is defined by real GDP reaching the point of potential GDP. In a recent release by Goldman Sachs, the investment bank estimates a 5.3% growth rate for 2021, higher than the consensus of other estimates of 3.8%. Although growth will be slower early in 2021 due to rising COVID-19 cases, there is likely to be a sharp bounceback like the economy experienced in the summer of 2020 after March and April lockdowns. Much of economic conditions are dependent on COVID cases.

Other economic variables expected to move in 2021 include the U.S. Dollar, which is expected to fall. (figure 14). The dollar is expected to slide due to low interest rates, and the potential for inflation to increase (even if it modestly increases to 2%). As growth picks up and inflation increases, real yields (interest rates minus inflation) look less attractive, pushing investors into other non-dollar denominated assets. This fall in the dollar should have a positive impact on the economy, making exports cheaper. On the negative side, a falling dollar is associated with rising commodity prices including oil prices.

Goldman Sachs Source: <https://www.goldmansachs.com/insights/pages/gs-research/macro-outlook-2021/report.pdf>



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