

MESA COUNTY ECONOMIC UPDATE

Fourth Quarter 2021



Provided by the Business Department of Colorado Mesa University

Economic Summary

- County level Gross Domestic Product (GDP) numbers were released by the Bureau of Economic Analysis in December and show that Mesa County real GDP fell by 3.1% in 2020. For comparison, the United States' GDP fell by 3.4%, Colorado's GDP number fell by 3%, Montrose County fell by 0.77%, and Delta grew by 1.48%.
- The unemployment rate continues to fall, falling to a 5.7% average for Q3, with the September and October numbers coming in at 4.8% and 4.7% respectively. This beats the October Colorado unemployment rate of 5.4%.
- Q2 QCEW data shows that oil and gas is still down close to 30%, or 1,241 jobs from Q4 2019, while agriculture, forestry, fishing, and hunting is still down from its Q4 2019 peak by 20%, or 117 jobs. Other industries have either recovered or are close to a full recovery.
- The November inflation rate was 6.9%, the highest since June of 1982. The largest changes in inflation were in energy, which has increased 33.3% since November of last year. New vehicles rose 11.1%, while used vehicles rose 31.4%. Food prices rose 6.4% at the grocery store, while food away from home rose 5.8%.

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LOCAL ECONOMIC INDICATORS

	Q3 2021	Q2 2021	Q3 2020	change since last quarter	change since last year (comparable quarters)
Local Labor Market					
Unemployment Rate Mesa County -SA	6.40%	7.10%	6.90%	-0.70%	-0.50%
Unemployment Rate Mesa County -NSA	5.70%	6.50%	6.80%	-0.80%	-1.10%
Unemployment Rate Colorado -SA	5.90%	6.30%	7.20%	-0.40%	-1.30%
Unemployment Rate U.S. -SA	5.10%	5.90%	8.80%	-0.80%	-3.70%
Labor Force	76,578	76,224	75,662	354	916
Employed	72,247	71,247	70,517	999	1,729
Unemployed	4,332	4,977	5,145	-645	-813
Business Confidence					
Leeds Colorado Business Confidence	67.3	64.4	44.3	4.50%	51.92%
Sales/Use Taxes					
	2021 (YTD)		2020 (YTD)		
City Sales/Use Taxes (YTD)	\$57,353,760		\$47,509,725		20.72%
Mesa County Sales/Use Tax (YTD)	\$40,377,644		\$33,177,935		21.70%
City Lodging Tax Revenue (YTD)	\$3,117,641		\$2,012,255		54.93%
Business Filings					
	2021 (YTD)		2020 (YTD)		
Mesa County New Business Entity Filings (as of Dec 8th, 2021)	2,259		1,893		19.33%

Grand Junction Regional Airport	2021	2020	% change from previous year		
Scheduled Enplanements (YTD, through October)	218,883	121,087	80.77%		
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 Domestic Product (in thousands)	\$5,849,815	\$6,039,762	\$5,967,075	\$5,724,372	-3.14%
	2019	2018	2017	2016	
Median Household Income	\$60,249	\$51,132	\$52,623	\$49,825	17.83%
Percent of Population Below Poverty Line	14.2%	15.70%	16.00%	16.30%	-1.50%

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

After experiencing some slight stagnation, Mesa County employment estimates increased in August and September, falling slightly in October. The September estimate of 73,463 is the highest in the post-COVID-19 timeline, but is still lower than September 2019's employment of 74,708. This employment data shows that Mesa County is slowly moving towards its employment peak of late 2019. The data are not seasonally adjusted, and September and October are almost always peak employment months, hence the county will likely have to wait until next year to break past the late 2019 employment ceiling that seems to exist. It is important to note that these employment data are estimates, and it is more important to look at the trend of the data vs. the exact differences between months.

The unemployment rate continues to fall, falling to a 5.7% average for Q3, with the September and October numbers coming in at 4.8% and 4.7% respectively. This beats the Colorado unemployment rate for October of 5.4% (figure 2). The number of unemployed continues to fall, with recent quarterly data showing 4,332 unemployed. The lowest number for unemployment was September of 2019 at 2,087. The trend in the reduction of unemployed is positive and should continue, although seasonality may distort the numbers over the next few months.

The labor market still remains tight as Goldman Sachs estimates that about 3.4 million out of the 5 million people who have left the labor force nationally will not return, while 1.7 million are open to returning to work. 2.5 million of these were early retirements. This is a seismic shift in labor market conditions, along with other factors discussed in previous newsletters that combined are causing an extremely tight labor market.

Table 1:

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

	Labor Force	Employed	Unemployed
Annual	916	1,729	-813
5-Year	4,419	3,632	788
10-Year	1,092	4,465	-3,373
Annual %	1.21%	2.45%	-15.81%
5-Year %	6.12%	5.29%	22.23%
10-Year %	1.45%	6.59%	-43.78%

This reduction in labor market participation in Colorado can be seen in figure 5. Pre-COVID-19 labor force participation was 68.9%, which fell to 64.9% in April of 2020, and rose back to 68.2% in October of 2021. Nationally, the pre-COVID-19 number was 63.2% (October 2019), falling to 60.2% in April of 2020, and rising to 61.6% in October of 2021. The national labor force has not recovered as much as the Colorado labor force, but even the Colorado labor force participation rate is still lower, reflecting this shift in the labor market.

The Bureau of Economic Analysis has released several important data points, including 2020 GDP and job data. Figure 6 illustrates the BEA's estimates of jobs for Mesa County. Note that jobs and employment are different, as a person can have two jobs, but be employed only once. Mesa County fell from 90,875 in 2019 to 87,474 in 2020. This was not unexpected given the economic conditions of 2020.

Figure 1:
Employment: 2 Year View

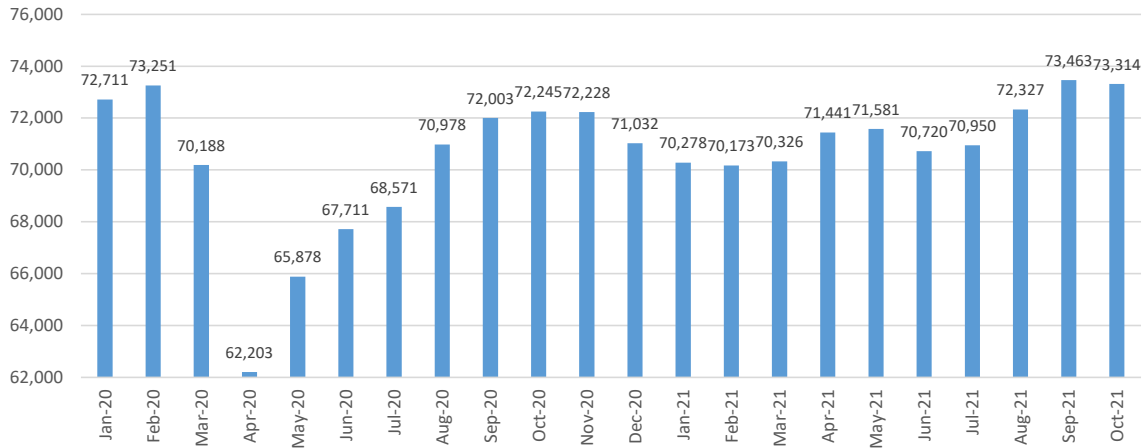


Figure 2:
Mesa and Colorado Unemployment Rate (NSA)

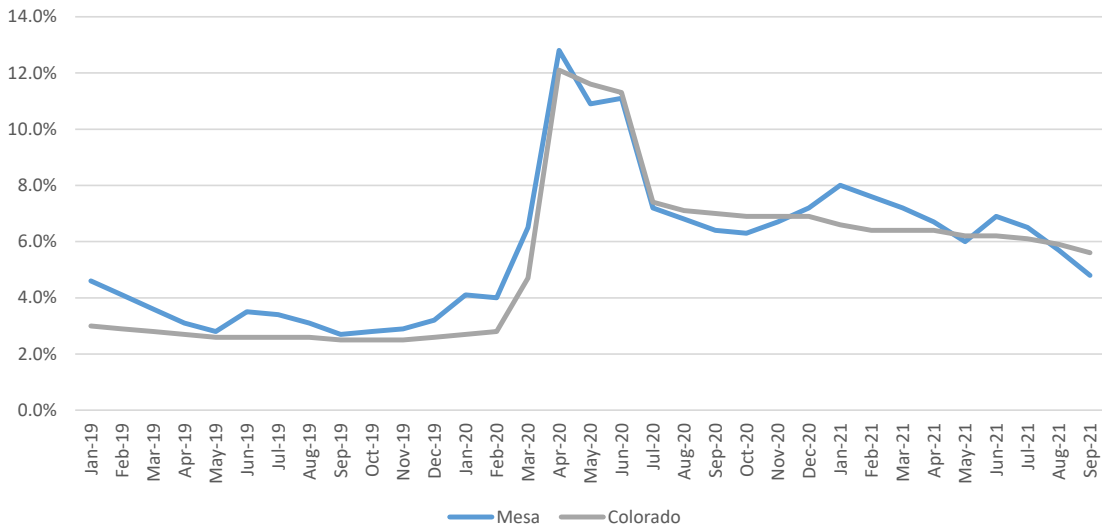


Figure 3:
Mesa County Unemployed

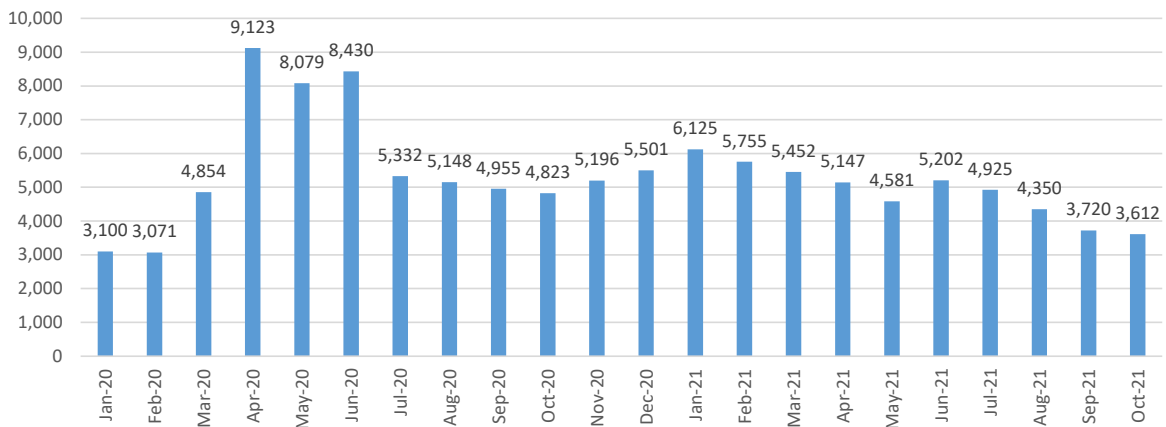


Figure 4:
Mesa County Labor Force

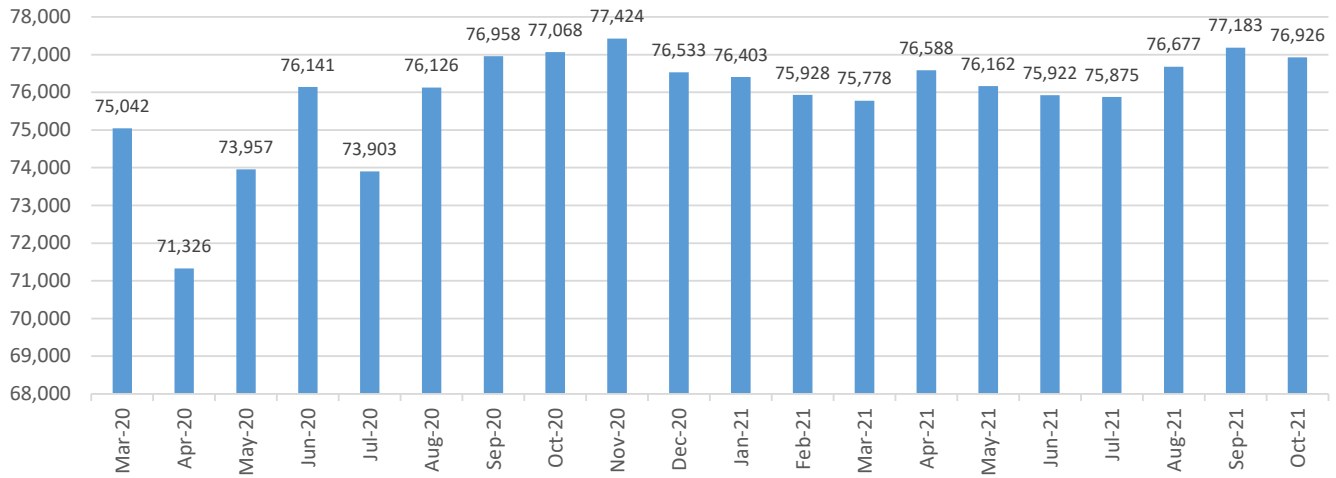


Figure 5:
Labor Force Participation Rate Colorado

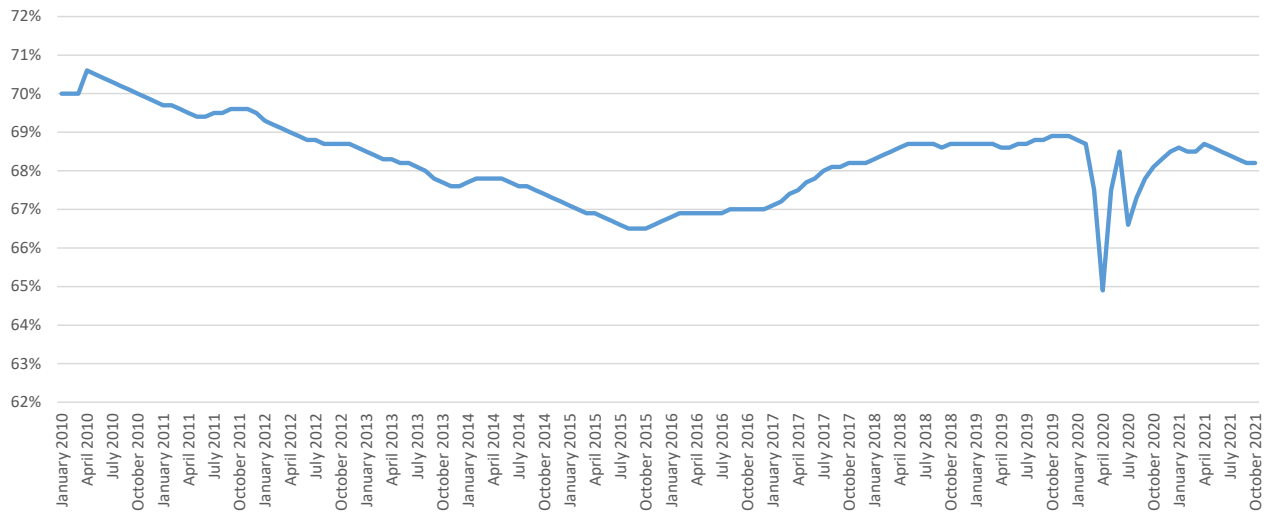
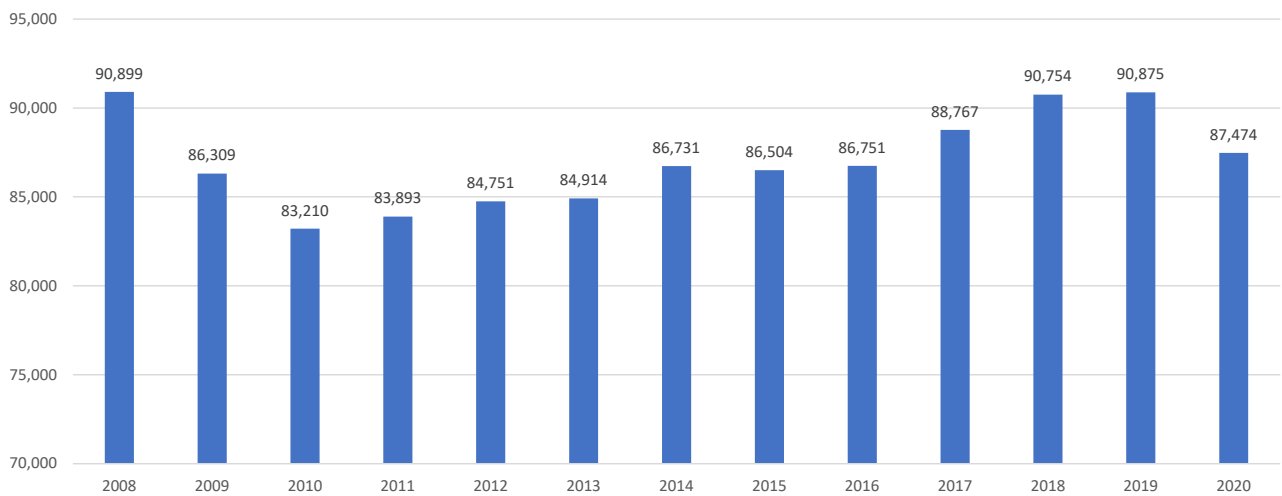


Figure 6:
Total Full and Part Time Jobs (BEA)



2020 GDP Data

County-level Gross Domestic Product (GDP) numbers were released by the Bureau of Economic Analysis in December and show that Mesa County real GDP fell by 3.1% in 2020. Real GDP means the GDP number is adjusted for inflation, and this data at the county level takes almost a year to be released. Figure 7 illustrates the percentage change in GDP since 2006, and shows that the 2020 GDP number puts an end to Mesa County's 3 year growth spurt. Point of comparison is always important in these figures, so it's important to note that the national GDP fell by 3.4%, and Colorado's GDP number fell by 3%. This puts Mesa County in line with the state's GDP loss, which is slightly better than the nation's GDP loss.

The biggest contributor to the GDP change was the loss in oil and gas. Table 3 shows that the oil and gas sector fell \$313,602,000, or 57% during 2020. With a total real GDP number of \$5,849,815,000, this means that the oil and gas sector fell 5.3% of GDP, hence the negative GDP number. The other big losses were in accommodation and food services (17%) and arts, entertainment, and recreation (19.5%). These losses were expected due to the massive downturn in oil and gas prices, and the COVID-19-related shutdowns and consumer spending deviations that these industries faced. Growth was buoyed by the finance and insurance industry, which increased by 28.5%. Note that the Bureau of Economic Analysis made some changes to their methodology which changed the GDP estimates over the time series slightly. Specifically for Mesa County, they revised the support activities for oil and gas category, which slightly changed the GDP time series.

Table 2:
GDP Growth Rate Comparisons

Area	GDP Growth Rate
Mesa County	-3.14%
Montrose County	-0.77%
Delta County	1.53%
Colorado	-3.01%
U.S.	-3.41%

Figure 7:
Mesa County Real GDP (chained 2012 dollars)

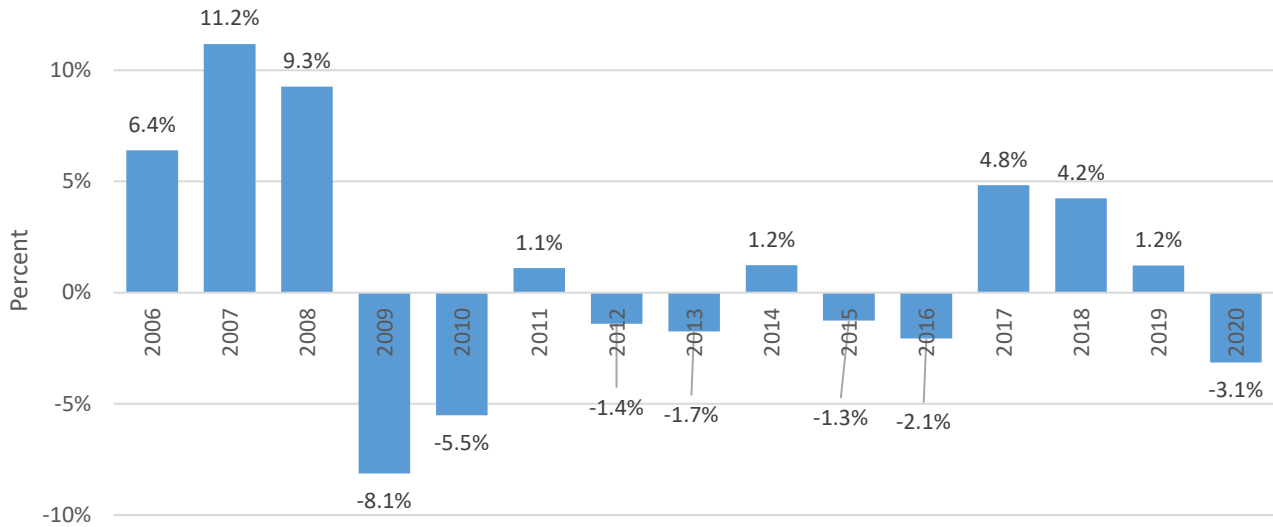


Table 3:
Mesa County Real GDP by Industry (in thousands)

Industry Category	2019 GDP	2020 GDP	Difference in Dollars	Difference in Percent
All industry total	\$6,039,762	\$5,849,815	-\$189,947	-3.14%
Agriculture, forestry, fishing and hunting	\$8,527	N/A	N/A	N/A
Mining, quarrying, and oil and gas extraction	\$547,984	\$234,382	-\$313,602	-57.23%
Utilities	\$25,839	N/A	N/A	N/A
Construction	\$389,044	\$371,353	-\$17,691	-4.55%
Manufacturing	\$276,832	\$269,587	-\$7,245	-2.62%
Durable goods manufacturing	\$172,474	\$163,016	-\$9,458	-5.48%
Nondurable goods manufacturing	\$99,005	\$102,518	\$3,513	3.55%
Wholesale trade	\$268,150	\$258,628	-\$9,522	-3.55%
Retail trade	\$530,158	\$551,475	\$21,317	4.02%
Transportation and warehousing	\$187,206	\$167,365	-\$19,841	-10.60%
Information	\$130,897	\$136,713	\$5,816	4.44%
Finance, insurance, real estate, rental, and leasing	\$1,315,236	\$1,411,289	\$96,053	7.30%
Finance and insurance	\$376,604	\$483,931	\$107,327	28.50%
Real estate and rental and leasing	\$935,254	\$917,426	-\$17,828	-1.91%
Professional and business services	\$440,280	\$426,522	-\$13,758	-3.12%
Professional, scientific, and technical services	\$226,543	\$219,846	-\$6,697	-2.96%
Management of companies and enterprises	\$45,330	\$45,646	\$316	0.70%
Administrative and support and waste management and remediation services	\$169,353	\$162,346	-\$7,007	-4.14%
Educational services, health care, and social assistance	\$747,447	\$748,618	\$1,171	0.16%
Educational services	\$20,978	\$20,939	-\$39	-0.19%
Health care and social assistance	\$726,426	\$727,641	\$1,215	0.17%
Arts, entertainment, recreation, accommodation, and food services	\$254,732	\$209,820	-\$44,912	-17.63%
Arts, entertainment, and recreation	\$38,295	\$30,829	-\$7,466	-19.50%
Accommodation and food services	\$216,335	\$178,857	-\$37,478	-17.32%
Other services (except government and government enterprises)	\$152,063	\$138,369	-\$13,694	-9.01%
Government and government enterprises	\$768,031	\$777,259	\$9,228	1.20%

Mesa County Employment Trends

Q2 2021 Quarterly Census of Employment and Wage data shows job and wage gains compared to Q2 2020. Q2 2020 was the peak of the COVID-19 induced recession, so the figures below illustrate the recovery from the recessionary months. The biggest gainers are illustrated in figure 9 were accomodation and food services (1,765), retail trade (971), and construction (393). The largest wage gainers, illustrated in figure 8 were health care, retail trade, and accomodation and food services. New 2020 data for farm employment and sole proprietors was released, showing that farm employment was mostly unchanged, while the number of sole proprietors in the county fell from 21,273 to 20,902, or 1.7%. Figure 10 illustrates job recovery in a few key industries that lost jobs in 2020. Oil and gas is still down close to 30%, or 1,241 jobs, and seems to be making some gains, while agriculture, forestry, fishing, and hunting is still down from its Q4 2019 peak by 20%, or 117 jobs. The other industries listed in the graph have either recovered or are close to a full recovery. The gap in Q4 2019 employment compared to current employment can mostly be explained by the difference in oil and gas jobs at this point.

Table 4:
Quarterly Census of Employment and Wages (QCEW) Q2 2021 Compared to Q2 2020

Sector	Average Employment Q2 2020	Total Quarterly Wages (Q2 2021)	Average Weekly Wage (Q2 2021)	Total Employment Change (Q2 2020 to Q2 2021)	Total Wage Change (Q2 2020 to Q2 2021)
Total, All Industries	63,455	\$759,441,831	\$921	5,878	\$91,079,222
Health Care and Social Assistance	12,546	\$168,082,764	\$1,031	478	\$15,992,724
Retail Trade	8,605	\$84,015,047	\$751	971	\$15,006,157
Construction	5,095	\$70,150,403	\$1,059	393	\$8,114,600
Educational Services	5,065	\$52,361,671	\$795	343	\$960,176
Public Administration	3,572	\$49,433,610	\$1,065	278	\$4,744,852
Finance and Insurance	1,964	\$43,644,410	\$1,709	80	\$5,196,948
Accommodation and Food Services	6,950	\$41,160,772	\$456	1,765	\$13,944,909
Manufacturing	3,191	\$37,306,879	\$899	358	\$4,750,262
Professional and Technical Services	2,383	\$35,445,973	\$1,144	162	\$4,019,840
Transportation and Warehousing	2,548	\$34,925,703	\$1,054	212	\$3,925,827
Wholesale Trade	2,212	\$32,226,799	\$1,121	36	\$2,365,070
Mining	1,241	\$27,282,911	\$1,691	186	\$4,512,848
Administrative and Waste Services	2,620	\$26,768,650	\$786	39	\$2,134,845
Other Services, Ex. Public Admin	1,841	\$16,578,405	\$693	207	\$2,650,333
Real Estate and Rental and Leasing	1,029	\$11,309,597	\$845	98	\$1,077,934
Information	642	\$8,571,906	\$1,027	9	\$860,942
Utilities	364	\$6,902,512	\$1,459	9	\$397,548
Arts, Entertainment, and Recreation	957	\$5,096,123	\$410	338	\$1,728,923
Agriculture, Forestry, Fishing & Hunting	471	\$4,625,520	\$755	-101	-\$1,484,865
Management of Companies and Enterprises	154	\$3,344,162	\$1,670	15	\$185,726

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 2017
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 8:
Total Wage Changes from Q2 2020 to Q2 2021

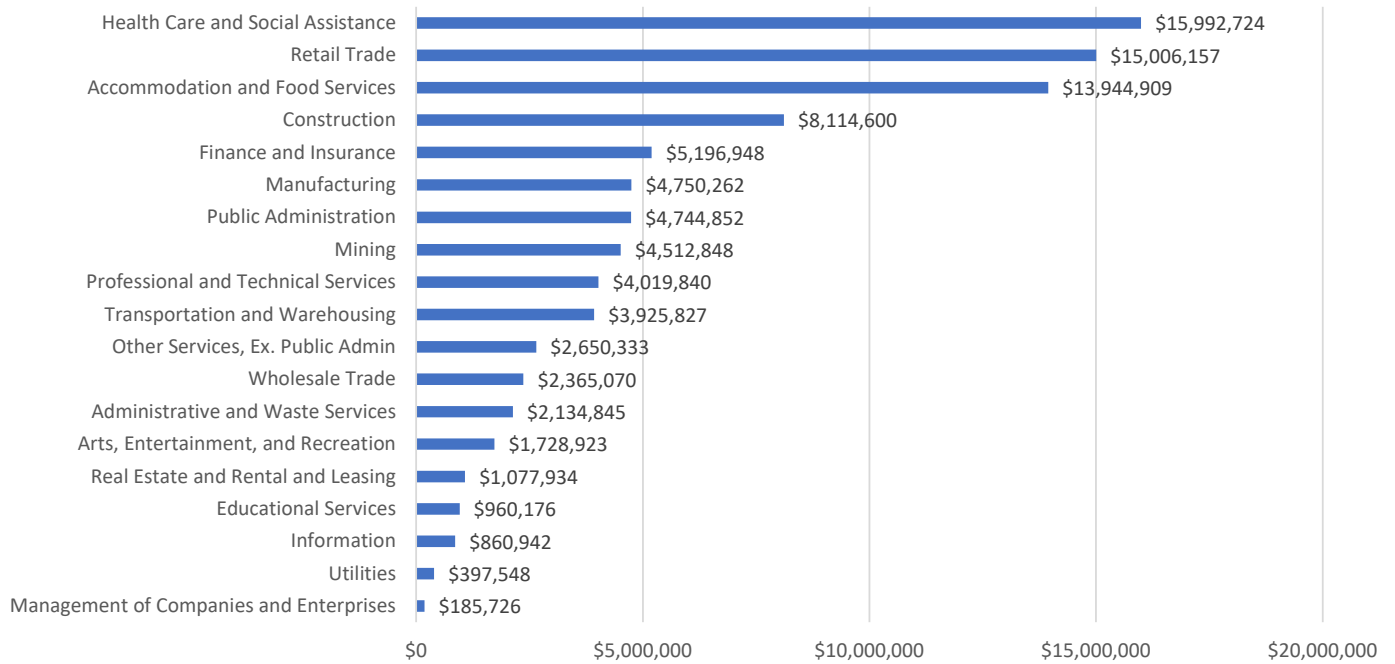


Figure 9:
Total Jobs Change from Q2 2020 to Q2 2021

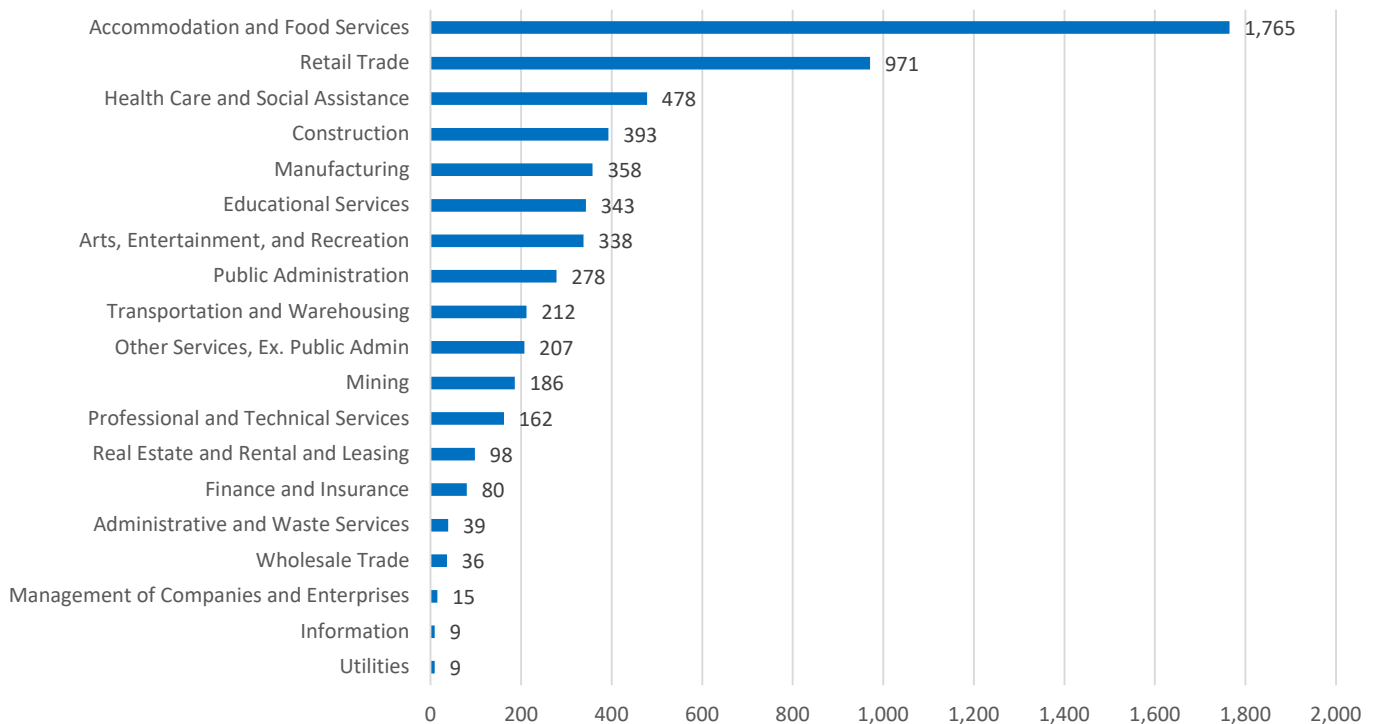


Figure 10:
Job Losses Percentage Compared to Q4 2019

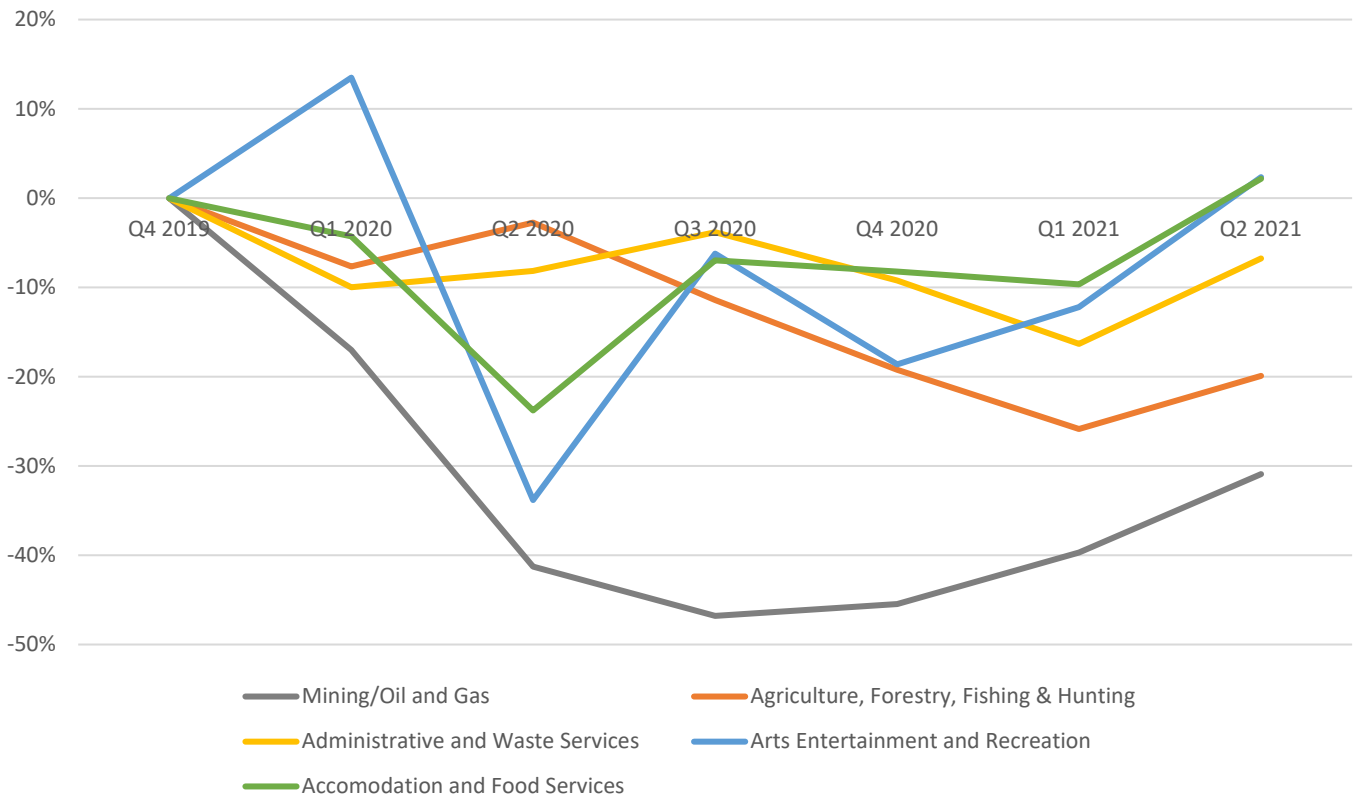
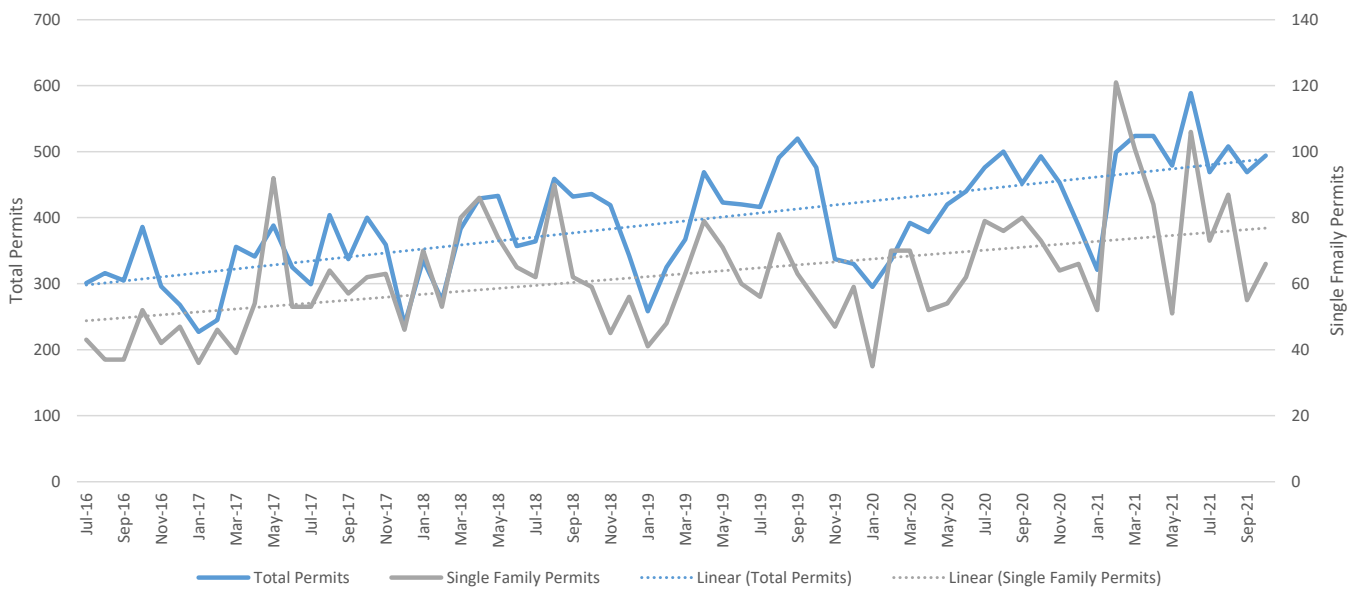


Figure 11:
Total and Single Family Building Permits



LOCAL REAL ESTATE

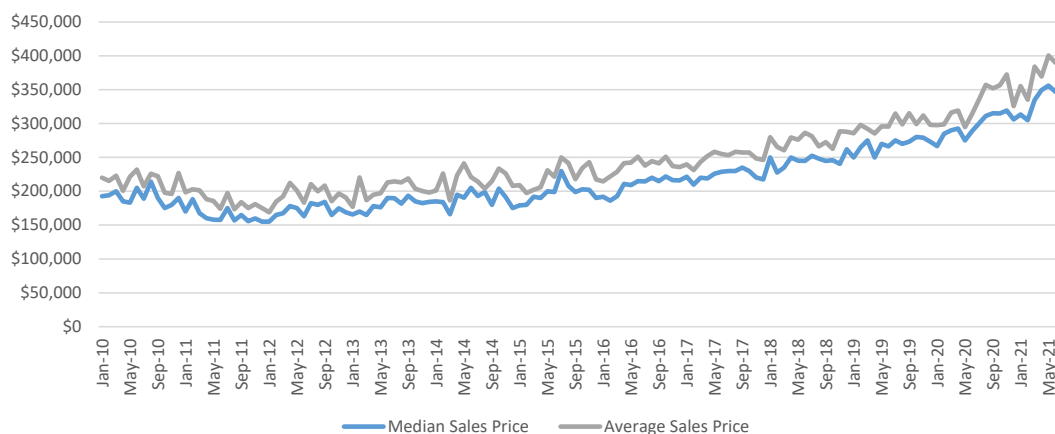
	Q3 2021	Q3 2020	% change since last year
Real Estate			
Inventory of Homes for Sale (3 month avg)	404	428	-5.60%
New Residential listings (3 month total)	1,136	1,075	5.67%
Sold Residential Listings (3 month total)	942	1,019	-7.56%
Median Sales Price	\$357,000	\$308,667	15.66%
Average Sales Price	\$403,353	\$347,883	15.94%
Days on Market	60.33	76.33	-20.96%
Months Supply of Inventory	1.30	1.50	-13.33%
Total Building Permits (YTD through August)	4,876	4,182	16.59%
Single Family Permits (YTD through August)	796	651	22.27%
Foreclosures			
Foreclosure Filings	5	10	-50.0%
Foreclosure Sales	2	9	-77.8%
Freddie Mac House Price Index			
Grand Junction	269.6	218.9	23.19%
Colorado	271.3	224.6	20.81%
National	248.4	209.6	18.52%
Mortgage Rates			
15 Year Mortgage Rate	2.17%	2.46%	-0.29%
30 year Mortgage Rate	2.87%	2.95%	-0.08%

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

Local Real Estate Indicators

The real estate market continues to be tight, with inventory of homes falling by 5.6%, and prices rising by 15.66%. The Freddie Mac House Price Index shows Grand Junction again outpaced Colorado and the U.S. in housing price gains. The big news in real estate locally is the continued rise in single family and total building permits, which has increased by 22.27% and 16.59%, respectively. Single and multifamily housing development will be important to meet the growing needs of the population in Mesa County, and is illustrated in figure 11.

Figure 12:
Median and Average Sales Price



REGIONAL ENERGY

	Q3 2021	Q2 2021	Q3 2020	% change since last quarter	% change since last year (comparable quarters)
Energy Prices					
WTI Crude Oil	\$70.58	\$66.19	\$40.89	6.63%	72.61%
Henry Hub Natural gas	\$4.36	\$2.94	\$2.00	48.30%	118.00%
Retail Gasoline Price	\$3.06	\$2.87	\$2.10	6.58%	46.09%

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	Dec-21	Sep-21	Sep-20
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 13:
Oil and Natural Gas Prices

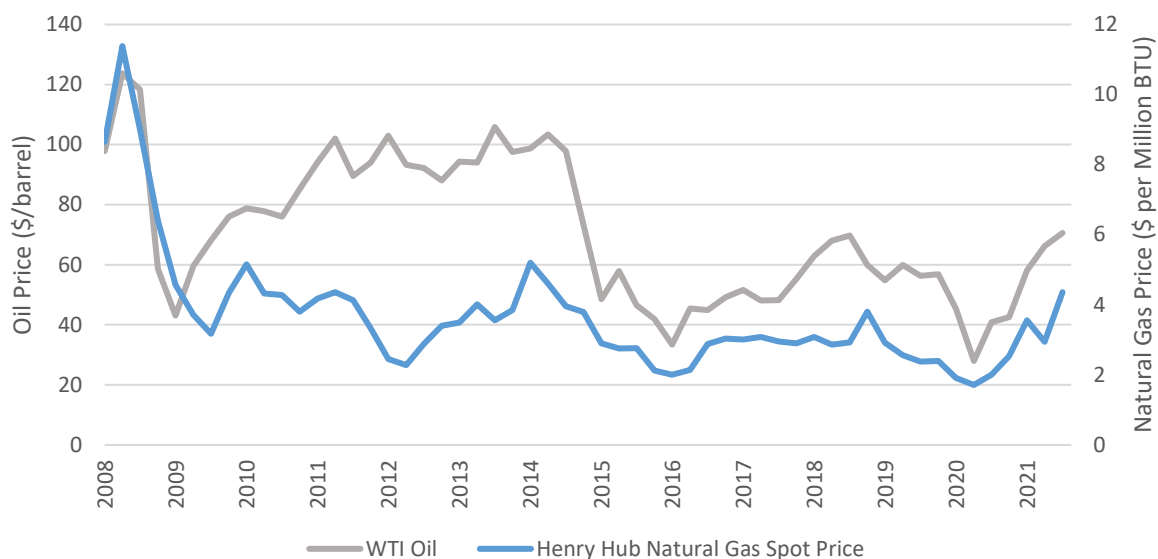


Figure 14:
Oil/Gas Drilling Permits and Oil/Gas Jobs

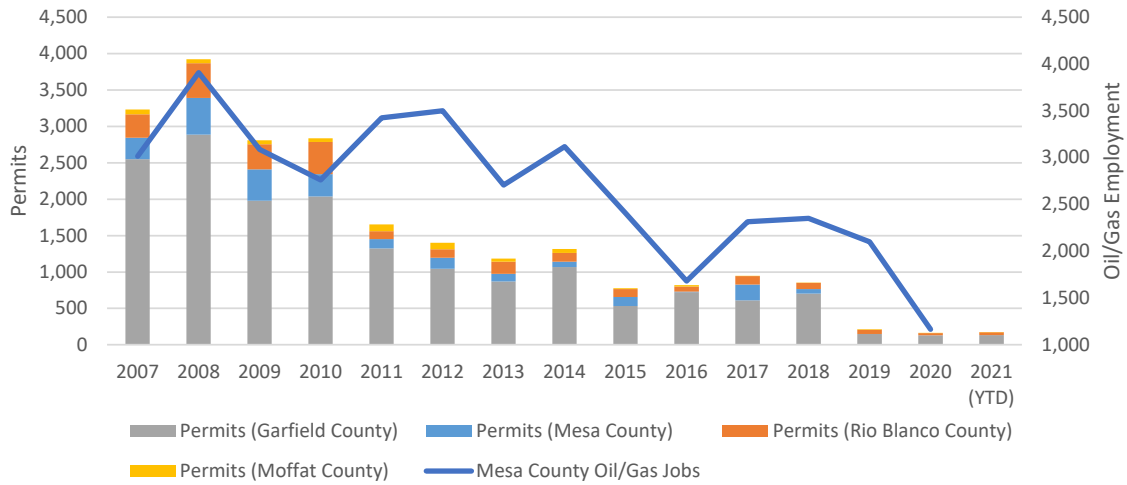
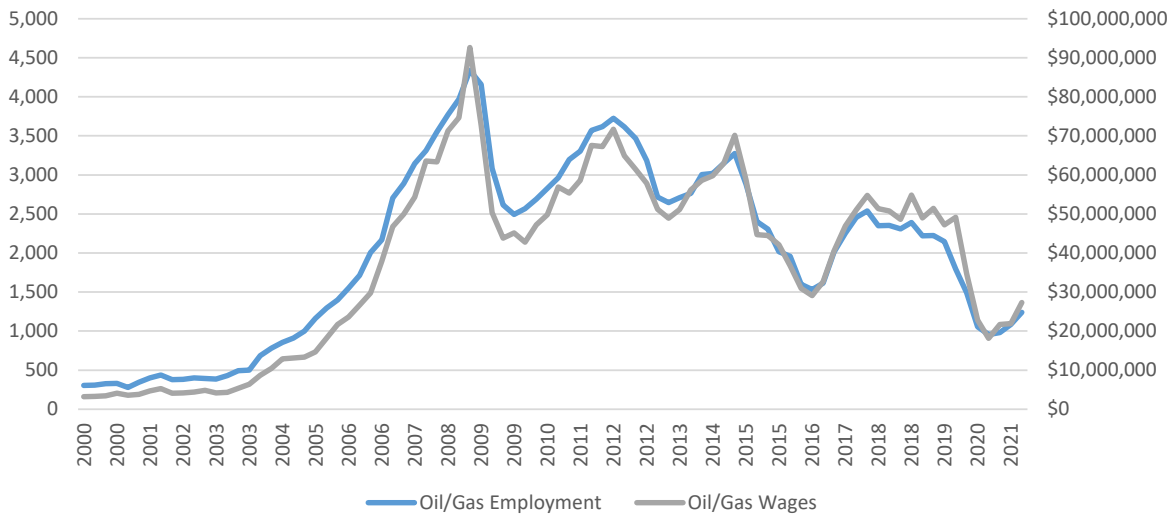


Figure 15:
Oil/Gas Jobs and Wages (Mesa County, QCEW)



Western Slope Drilling Activity

The Energy Information Agency (EIA) reports that in November, natural gas spot price at Henry Hub averaged \$5.05/MMBtu, up from the first half of 2021 at \$3.25/MMBtu, but lower than \$5.51/MMBtu in October. The EIA reports that mild weather across the county contributed to the price drop in November. The EIA forecasts a price of \$4.58/MMBtu from December 2021 through February 2022, with EIA forecasting natural gas pricing falling for the rest of 2022 to \$3.98/MMBtu.

Source: <https://www.eia.gov/outlooks/steo/>

Although oil and natural gas prices have risen (figure 15) there is no sign of increased activity from either drill rigs or permit applications. Permit applications (figure 14) have stayed low since 2019, and as of December 8th, look to remain low for 2021. The price spike has been substantial in the past several months for natural gas and oil, and it begs the question whether the price is going to have the same impact on production as it has in the past, and the employment that comes with it.

NATIONAL ECONOMIC INDICATORS

	Q3 2021	Q2 2021	Q3 2020	% change since last period	% change since last year (comparable quarters)
Business Cycle Indicators					
Real GDP	2.10%	6.70%	33.80%	-4.60%	-31.70%
Personal Consumption Expenditures	1.70%	12.00%	41.40%	-10.30%	-39.70%
Gross Private Domestic Investment	11.60%	-3.90%	82.10%	15.50%	-70.50%
National Consumer Confidence	74.8	85.6	75.7	-12.62%	-1.19%
Industrial Production Index	100.8	99.9	95.5	0.97%	5.63%
Initial Weekly Unemployment Claims (4 week MA)	369,788	520,038	1,112,442	-28.89%	-66.76%
Non Farm Payroll Change (in thousands)	2,385,333	1,701,000	7,195,000	40.23%	-66.85%
Unemployment					
Unemployment Rate-U3-SA	5.10%	5.90%	8.80%	-0.80%	-3.70%
Unemployment Rate-U6-SA	8.80%	10.10%	14.50%	-1.30%	-5.70%
Interest Rates					
Federal Funds Rate	0.09%	0.07%	0.09%	0.02%	0.00%
10 Year U.S. Treasury	1.32%	1.59%	0.65%	-0.27%	0.67%
30 Year U.S. Treasury	1.93%	2.26%	1.36%	-0.33%	0.57%
Inflation Measures					
Inflation Rate (CPI)	5.29%	4.80%	1.26%	0.49%	4.03%
Core Inflation Rate (All Items Less Food and Energy)	4.08%	3.74%	1.66%	0.35%	2.42%
Inflation Rate (Shelter)	2.92%	2.29%	2.23%	0.63%	0.70%
Producer Price Index (PPI)	20.02%	18.82%	-2.59%	1.20%	22.61%
Employment Cost Index	3.68%	2.84%	2.46%	0.83%	1.21%
Stock Prices					
S&P 500	4,422	4,184	3,320	5.69%	33.19%
Dow Jones Industrial Average	34,916	34,121	27,299	2.33%	27.90%
Trade Balance and Debt					
Trade Balance (% of GDP)	-939.684	-881.689	-725.723	6.58%	29.48%
Federal Debt (% of GDP)*	125.5%	135.9%	135.9%	-10.5%	-10.5%

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 16:

Real GDP

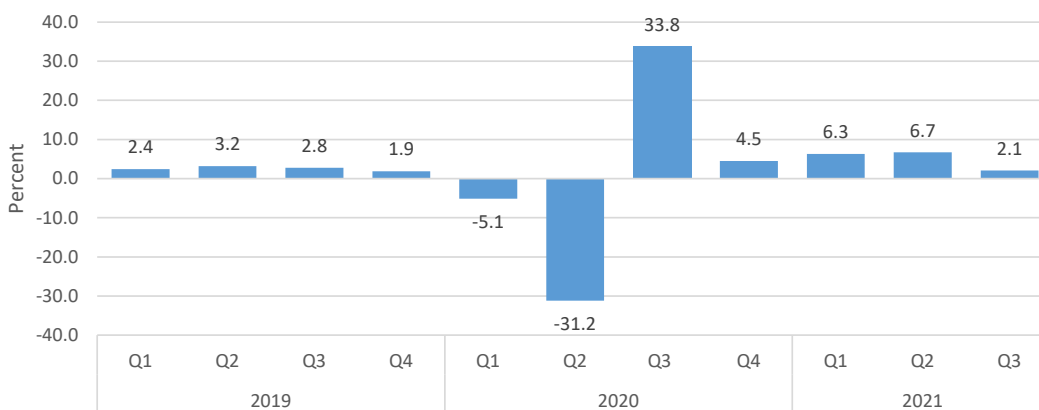
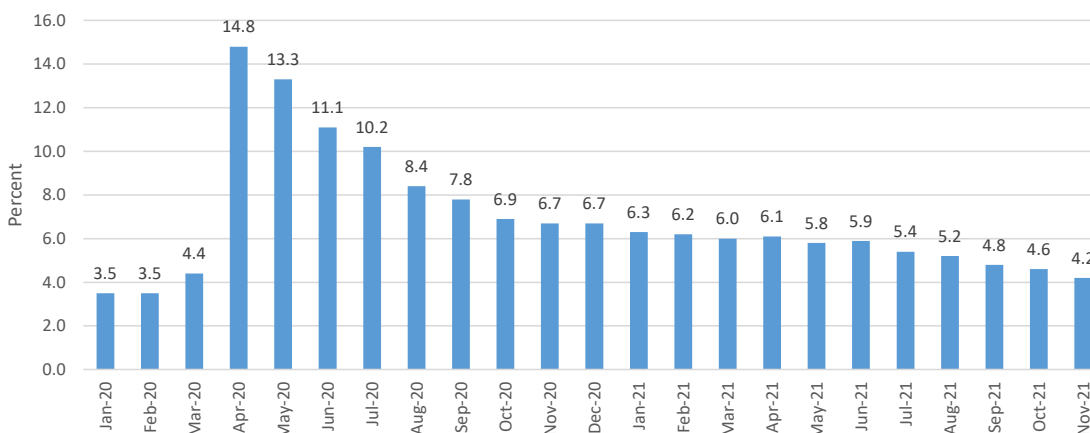


Figure 17:

U.S. Unemployment Rate: January 2020 through November 2021



National Economic Performance

U.S. growth fell in Q3 to a growth rate of 2.1% (figure 16). This follows two quarters of 6.3% and 6.7% respectively. The Atlanta Federal Reserve has a GDP Now forecast of 8.7% for Q4 as of December 12th. The national unemployment rate fell to 4.2% in November, bringing the unemployment rate down to 2019 levels (figure 17). Figure 18 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 there is still a GDP gap of \$326,422,000 dollars.

Inflation

I have discussed the threat of inflation in detail the last several economic newsletters and it continues to be an issue. Inflation showed its head last quarter, but this quarter gave us the highest inflation rate in 39 years. The November Consumer Price Index was 6.9%, the highest since June of 1982. The largest changes in the CPI were in energy, which has increased 33.3% since November of last year. New vehicles rose 11.1%, while used vehicles rose 31.4%. Food prices rose 6.4% at the grocery store, while food away from home rose 5.8%.

Energy inflation was predicted, as energy usage was so low in

2020 that a huge bounce was expected. Compared to 2019, energy prices are not as high as the CPI indicates, and the jump is the result of a low energy demand in 2020. There was some expectation that there would be a spike in inflation after the economy returned to normal, however the Fed has recently signaled that their “transitory” inflation call may be longer lasting than expected. The longer inflation stays elevated, the more likely it is that inflationary expectations start to set in. “Inflation expectation” is the idea that when people and businesses begin to expect inflation, they will raise prices in anticipation, actually creating the inflation they are anticipating. This begs the question: Will the Federal Reserve become more hawkish on inflation and raise interest rates faster? This leads to another question: Will raising rates defeat inflation, which seems to be contributed by in large part on the supply side with issues in the labor market and supply chain? With the unemployment rate falling, the Fed has signaled they may be willing to act faster. They have already signaled they will be tapering faster and slowing their purchase of 10 year treasury bonds. Slowing their purchases will lower prices in bonds, raising interest rates.

Figure 18:
GDP Gap

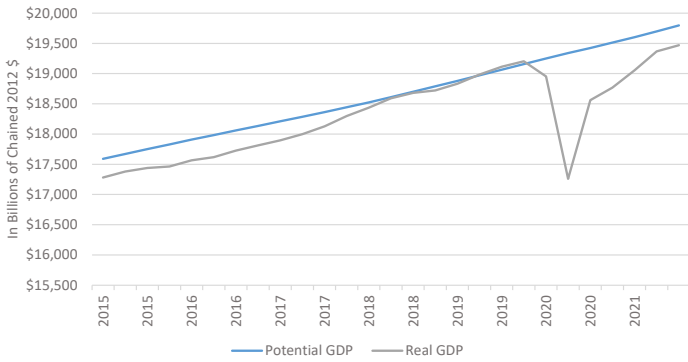


Figure 19:
Employment Cost Index

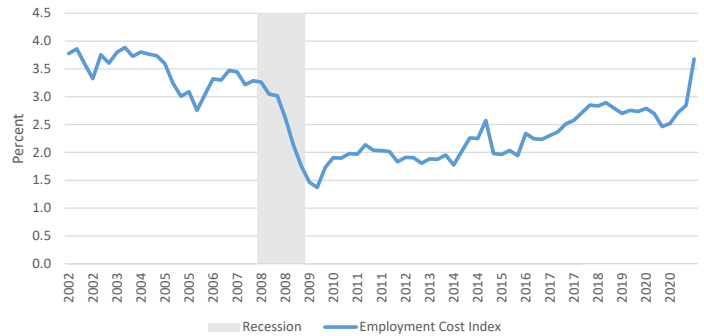
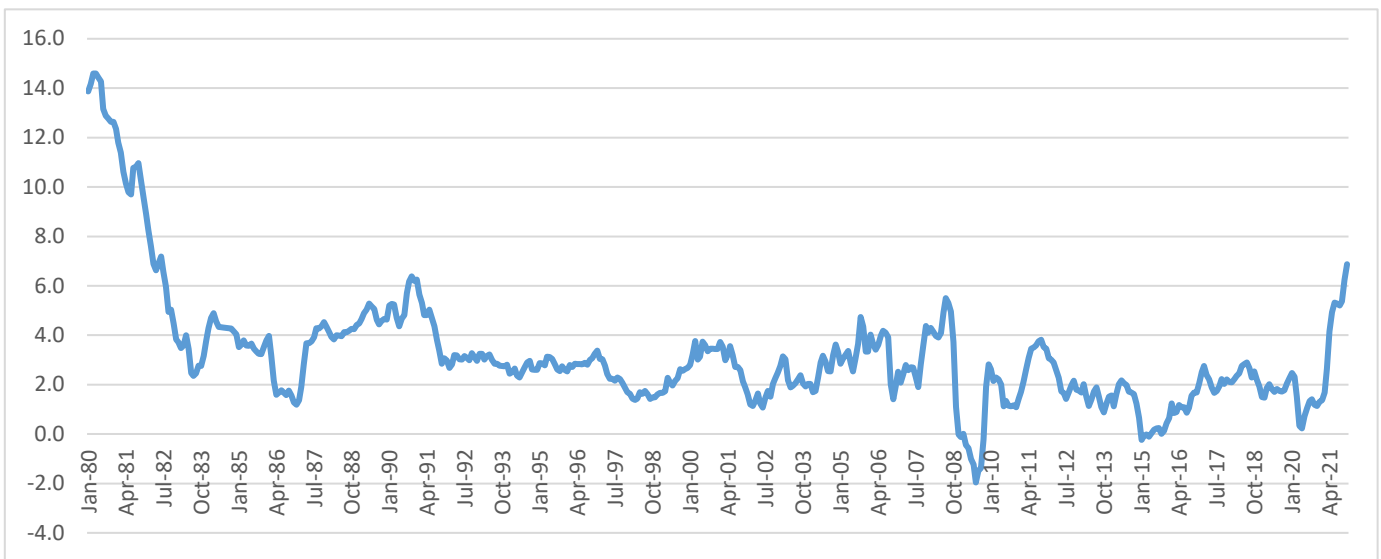


Figure 20:
Inflation Rate



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