

MONTROSE COUNTY ECONOMIC UPDATE



Provided by the Business Department
of Colorado Mesa University

First Quarter 2020

Economic Summary

- The Montrose labor market remains strong, with a 2.47% unemployment rate. The number of people employed increased by 814 in 2019, which is the 4th year of large employment gains for Montrose County .
- Median household income, one of several measures of standard of living, increased to \$52,576, up 3% from 2017. Median household income has increased two straight years after trending down in 2016.
- Montrose County Gross Domestic Product (GDP) estimates for 2018 show that Montrose had a 4% growth rate in 2018, which was stronger than the national growth rate. This makes five consecutive years of positive GDP growth.
- The national economy remains strong with a 3.5% unemployment rate, while consumer spending remains steady. The coronavirus is a real threat to global supply chains, financial markets, and the global economy, and has the potential to slow U.S. and global growth during its outbreak.

The Montrose County Economic Update is provided by the Business Department of Colorado Mesa University and is published quarterly. Please direct all correspondence to Dr. Nathan Perry, Associate Professor of Economics, 970.248.1888, naperry@coloradomesa.edu.

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LOCAL ECONOMIC INDICATORS

	Q4 2019	Q3 2018	Q4 2018	change since last quarter	change since last year (comparable quarters)
Local Labor Market					
Unemployment Rate Montrose County-NSA	2.47%	2.53%	3.73%	-0.07%	-1.27%
Unemployment Rate Colorado - NSA	2.40%	3.30%	3.60%	-0.90%	-1.20%
Unemployment Rate U.S. - NSA	3.30%	3.90%	3.60%	-0.60%	-0.30%
Labor Force	22,878	23,137	22,422	-1.12%	2.03%
Employed	22,313	22,553	21,587	-1.07%	3.36%
Unemployed	565	584	836	-3.31%	-32.39%
Business Confidence					
Leeds Colorado Business Confidence	50.8	46.9	50.1	8.32%	1.40%
Sales/Use Taxes					
City Sales/Use Taxes (YTD)	\$18,454,460		\$17,861,368		3.32%
County Sales/Use Tax (YTD)	\$14,950,218		\$13,013,799		14.88%
Hotel and Restaurant Tax (YTD)	\$585,483		\$545,224		7.38%
Telluride Sales/Use Tax (YTD)	\$8,000,872		\$7,111,934		12.50%
Business Filings					
Montrose County New Business Entity Filings	2019 651		2018 638		2.04%

Montrose Regional Airport	Q4 2019	Q3 2019	Q4 2018	% change from last quarter	% change from last year
Enplanements	22,352	64,363	20,241	-65.27%	10.43%
Standard of Living and Growth	2018	2017	2016	% change since 2017	% change from 2016
Median Household Income	\$52,576	\$51,031	\$43,285	3.03%	21.46%
Percent of Population Below Poverty Line	16.7%	17.80%	18.00%	-1.10%	-1.30%
Personal Income	\$1,685,601	\$1,573,763	\$1,491,837	7.11%	12.99%
Per Capita Personal Income	\$39,930	\$37,663	\$36,238	6.02%	10.19%
Population	42,214	41,785	41,168	1.03%	2.54%
Montrose Gross Regional Product (in thousands)	\$1,413,627	\$1,359,203	\$1,314,618	4.00%	7.53%

SOURCES IN ORDER OF LISTING: State and 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; Leeds Colorado Business Confidence Index: Leeds School of Business; Sales/Use Tax information: City of Montrose, Montrose County, City of Telluride; Montrose Regional Airport enplanements/deplanements: Montrose Regional Airport; Population, poverty, and median household income: U.S. Census Bureau; Personal income: 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.

The Local Labor Market

The Montrose labor market remains strong, with a 2.47% unemployment rate. This is impressive as the rate is non-seasonally adjusted and usually increases in winter time due to the reduction of farm workers. The number of people employed increased by 814 in 2019, which is the 4th year of large employment gains for Montrose County (figure 1).

Using a simple regression forecast using the last five years of data, Montrose has added on average 71.81 jobs per month and 861 jobs per year (figure 2). Due to layoffs at Russell Stover and a generally tight labor market, these employment gains are not expected in 2020.

Other Local Data

Several new data points were released for Montrose County in the last quarter. Montrose County Gross Domestic Product (GDP) estimates for 2018 show that Montrose had a 4% growth rate in 2018, which was stronger than the national growth rate. This makes five straight years of positive GDP growth, and two years of strong growth rates (figure 3).

The Census department released data that their median household income, one of several measures of standard of living, increased to \$52,576, up 3% from 2017. Median household income has increased two straight years after trending down in 2016.

The percentage of population below the poverty line fell to 16.7%, down from 17.8% the previous year. Poverty rates peaked in 2015 at 19%, and have fallen steadily since. This spike in poverty rates was seen in several Western Slope counties after several years of economic stagnation.

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

	Labor Force	Employed	Unemployed
Annual	714	814	-99
5-Year	3,384	3,985	-601
10-Year	1,555	2,559	-1,004
Annual %	3.26%	3.85%	-12.33%
5-Year %	17.56%	22.18%	-45.99%
10-Year %	7.37%	13.19%	-58.71%

City and County sales taxes were both higher in 2019 compared to 2018, with the County increasing by 14.8%, and the City increasing by 3.32%. The hotel and restaurant industries were up by 7.38%, and Telluride sales taxes, which serves as a proxy for the tourism that flows through Montrose, was up 12.5%.

The airport continues its strong growth, increasing enplanements by 10.43%. New business filings for Montrose were up 2.04%, an indication that economic activity is strong and entrepreneurs still feel confident.

Figure 1:
Montrose County Employment Gains/Losses

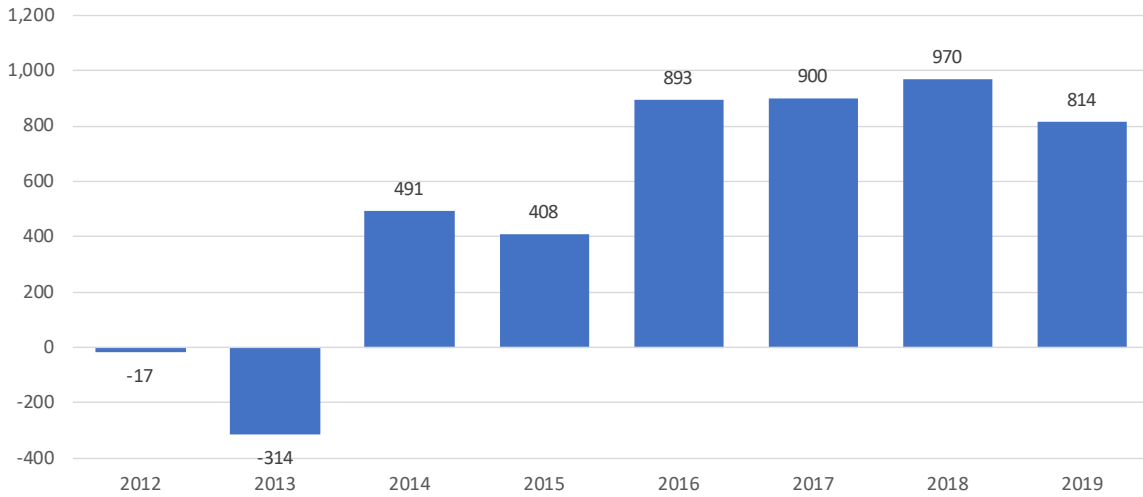


Figure 2:
Montrose County 5 Year Employment

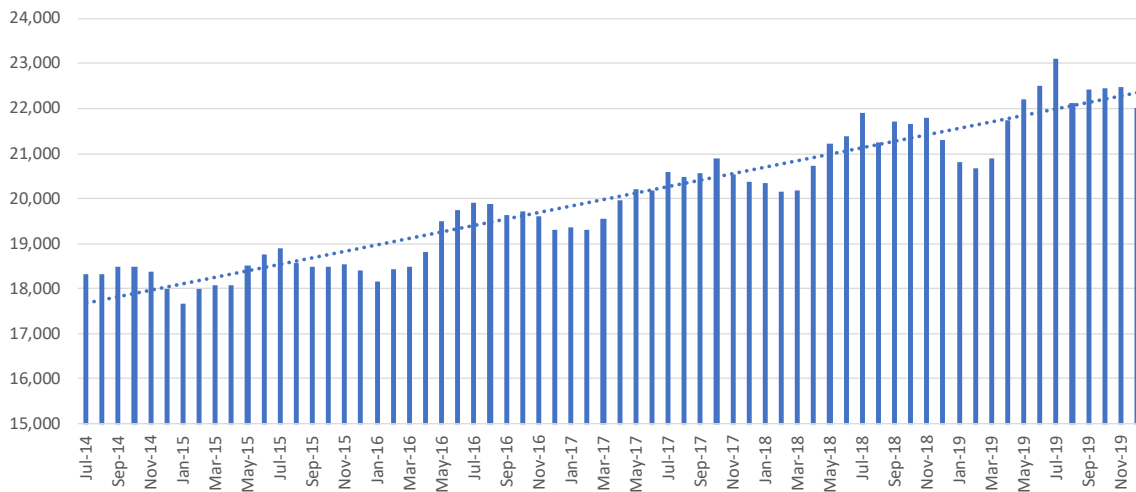
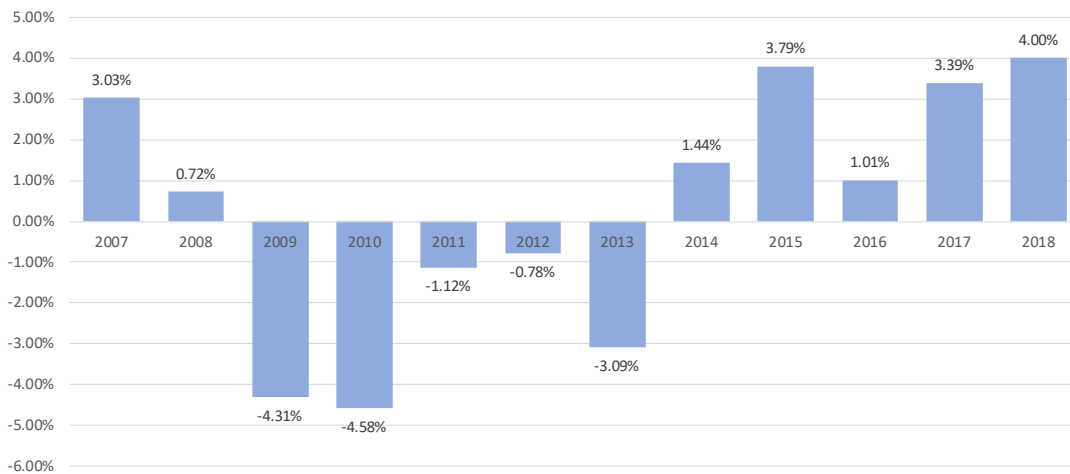


Figure 3:
Montrose County GDP Growth Rate



Montrose County Employment Trends

Montrose employment trends from the most recent data point, Q3 of 2019, show that construction is leading the way for Montrose County year over year with the addition of \$1,969,482 in new wages and 97 new jobs (see figures 4 and 5). Retail trade added 93 jobs, with \$1,285,387 in wages. Industry losses include manufacturing, wholesale trade, and public administration. Note that QCEW gets its data from unemployment insurance, so it does not count sole proprietors and much farm employment. Because of this, farm and sole proprietor data is listed below in table 3. Note that Educational Services and Management of Companies and Enterprises are both omitted by the BLS due to lack of reporting data points.

Table 2:
Quarterly Census of Employment and Wages Q3 2019 Compared to Q3 2018

Sector	Average Employment Q3 2019	Total Quarterly Wages (Q3 2019)	Average Weekly Wage (Q3 2019)	Total Employment Change (Q3 2018 to Q3 2019)	Total Wage Change (Q3 2018 to Q3 2019)
Total, All Industries	15,749	163,346,958	798	179	\$7,532,419
Health Care and Social Assistance	2,850	31,697,616	856	-44	\$1,087,527
Retail Trade	2,215	17,359,583	603	93	\$1,285,387
Public Administration	1,069	17,289,038	1,244	-24	-\$394,583
Construction	1,443	17,200,476	917	97	\$1,969,482
Manufacturing	1,306	13,493,699	795	-97	-\$80,040
Accommodation and Food Services	1,506	7,509,572	384	60	\$623,826
Professional and Technical Services	468	6,265,388	1,030	23	\$36,920
Transportation and Warehousing	574	5,915,091	793	30	\$569,143
Wholesale Trade	400	5,433,459	1,045	-49	\$105,048
Utilities	271	5,326,618	1,512	-4	\$137,591
Administrative and Waste Services	601	4,444,943	569	32	-\$49,460
Other Services, Ex. Public Admin	395	4,301,538	838	33	\$568,732
Finance and Insurance	313	4,293,413	1,055	-5	\$22,614
Real Estate and Rental and Leasing	368	3,859,999	807	28	\$519,076
Agriculture, Forestry, Fishing & Hunting	308	2,850,775	712	8	\$488,826
Arts, Entertainment, and Recreation	375	2,095,199	430	5	\$246,081
Information	191	1,749,050	704	-2	\$55,563
Mining	25	502,367	1,546	-16	-\$293,991
Educational Services	N/A	N/A	N/A	N/A	N/A
Management of Companies and Enterprises	N/A	N/A	N/A	N/A	N/A

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

Table 3:
Farm and Sole Proprietor Employment

BEA Data	2018	2017	2016	% change since 2017	% change from 2016
Farm Employment	1,439	1,480	1,393	-2.77%	3.30%
Sole Proprietors (non-farm)	8,141	7,935	7,758	2.60%	4.94%

Figure 4:
Total Wage Changes from Q3 2018 to Q3 2019

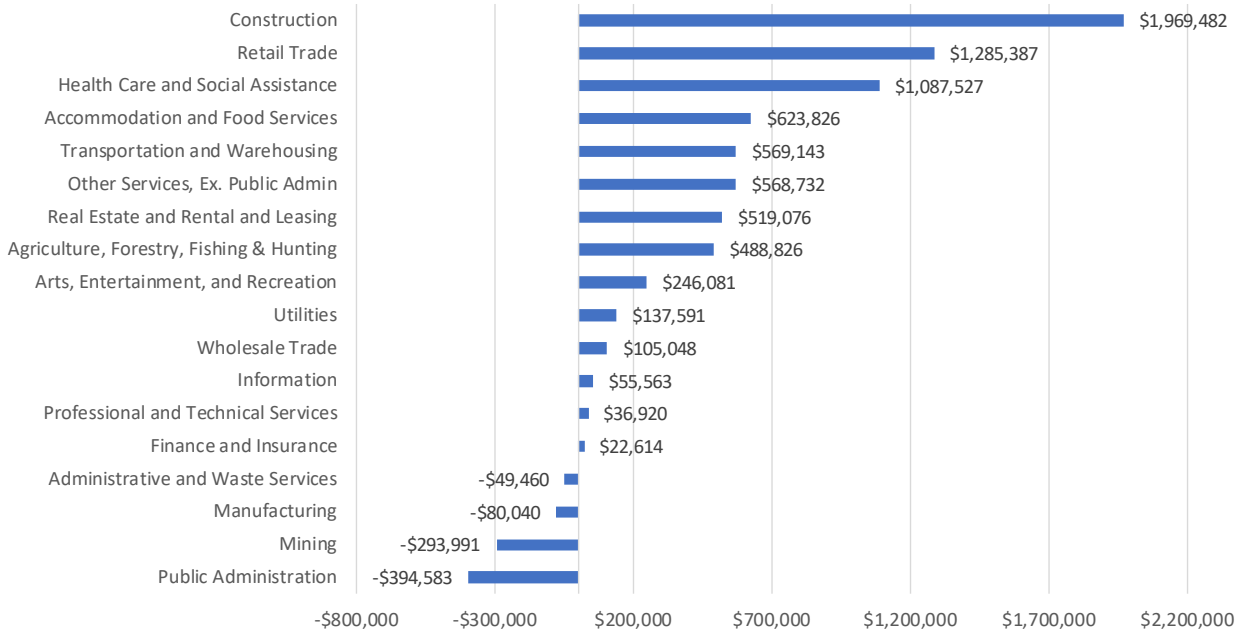
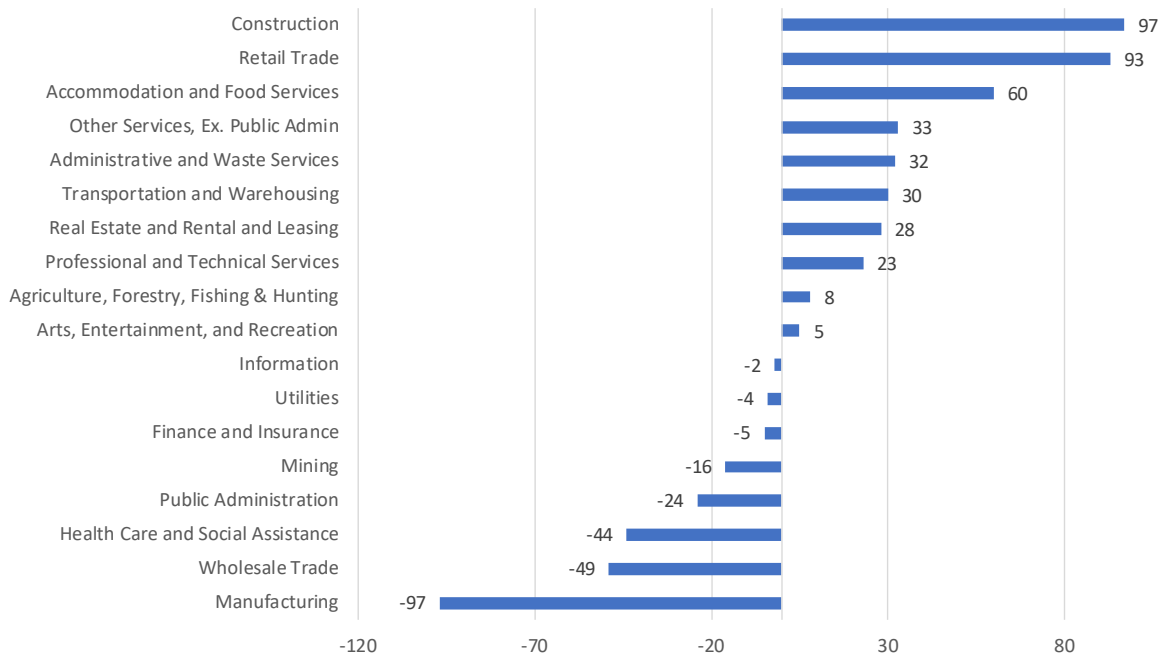


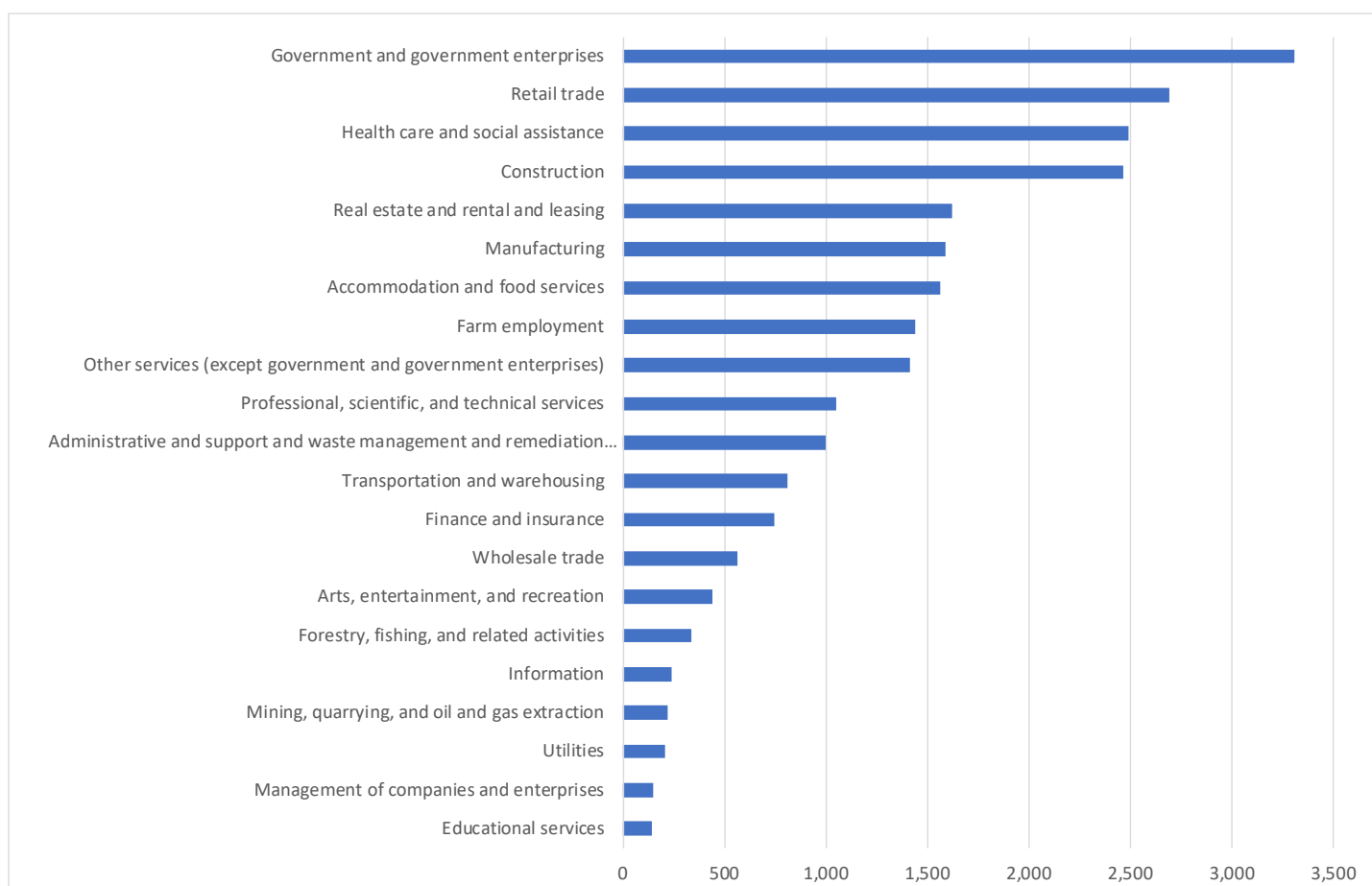
Figure 5:
Total Jobs Change from Q3 2018 to Q3 2019



Bureau of Economic Analysis 2018 Employment Data

This newsletter tracks quarterly employment trends (above) using a quarterly dataset called Quarterly Census of Employment and Wages (QCEW). This data is reported by companies when reporting employees potentially eligible for unemployment insurance. QCEW data does not cover sole proprietors, some farm employment and a few other small categories. The data point is important because we get it every six months and it serves to show industry trends. Every year the Bureau of Economic Analysis (BEA) creates its employment dataset using the QCEW data, and a variety of other datasets to fill in the gaps with sole proprietors, farmers, etc., and this dataset provides a more comprehensive view of employment. The only problem with this dataset is it is only provided annually, and takes almost a year to release, so it cannot be used as a leading or current indicator, it can only show us what happened in the past. This more comprehensive employment data is graphically illustrated below in figure 6. There were 24,489 full or part time jobs in Montrose County in 2018. This is different from the figures earlier in the newsletter which shows that 23,313 people are employed. Figures 3, 4, and 5 are not “people employed” but “number of jobs,” as one person can work multiple jobs. Any difference between the BEA data in figure 5 and the QCEW data in table 2 is likely the result of sole proprietors.

Figure 6:
BEA Total Jobs for 2018 by Industry



SOURCE: Bureau of Economic Analysis

LOCAL REAL ESTATE

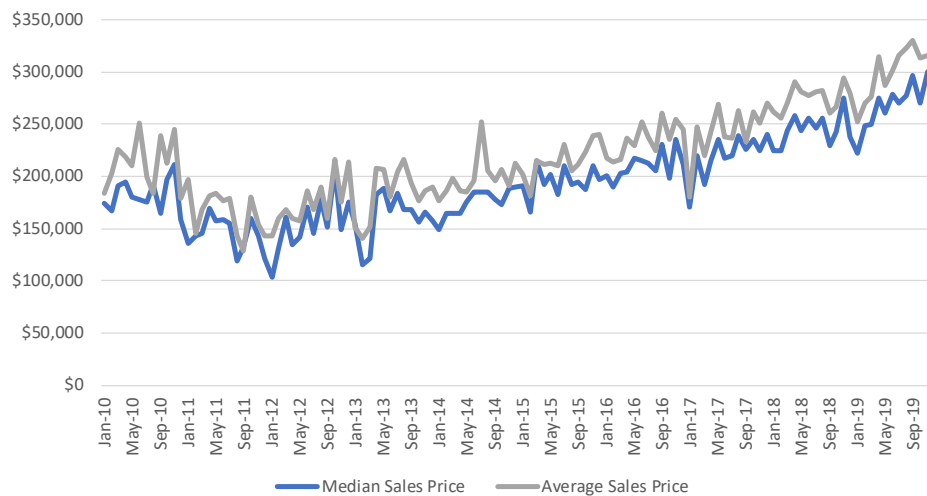
	Q4 2019	Q4 2018	% change since last year
Real Estate			
Inventory of Homes for Sale (3 month avg)	190	233	-18.48%
New Residential Listings (3 month total)	125	170	-26.47%
Sold Residential Listings (3 month total)	187	175	6.86%
Median Sales Price	\$279,150	\$251,667	10.92%
Average Sales Price	\$315,931	\$280,134	12.78%
Days on Market	119.33	104.28	14.43%
Months Supply of Inventory	3.30	3.45	-4.44%
Total Building Permits	116	101	14.85%
Total Building Permit Valuation	\$12,472,245	\$10,331,743	20.72%
Single Family Home Permits	53	39	35.90%
Single Family Home Permit Valuation	\$9,080,141	\$6,355,686	42.87%
Foreclosures			
Foreclosure Filings	7	13	-46.15%
Foreclosure Sales	6	6	0.00%
Mortgage Rates			
30 Year Mortgage Rate	3.16%	4.21%	-1.05%
15 year Mortgage Rate	3.70%	4.78%	-1.08%

SOURCES IN ORDER OF LISTING: Real Estate: Colorado Association of Realtors Market Trends Program through ShowingTime. Note that real estate data is just single family homes; Building Permits and Valuation: Montrose County and Montrose City; Foreclosure Filings and Sales: Montrose County; Mortgage rates: Freddie Mac.

Local Real Estate Indicators

The Montrose housing market remains tight, with inventory of homes for sales falling by 18%, new residential listings falling by 26%, and sold listings increasing by 7%. This tight housing market has led to an increase in the median sales price of homes by 11% to \$279,150. To fill the demand gap, new single family home permits increased by 14 to 52 total single family home permits for the quarter. Both total building valuation and single family home valuation are up significantly. Despite how tight the housing market is, days on market actually increased, likely due to the price range on many new listings.

Figure 5:
Median and Average Home Sale Price



REGIONAL ENERGY

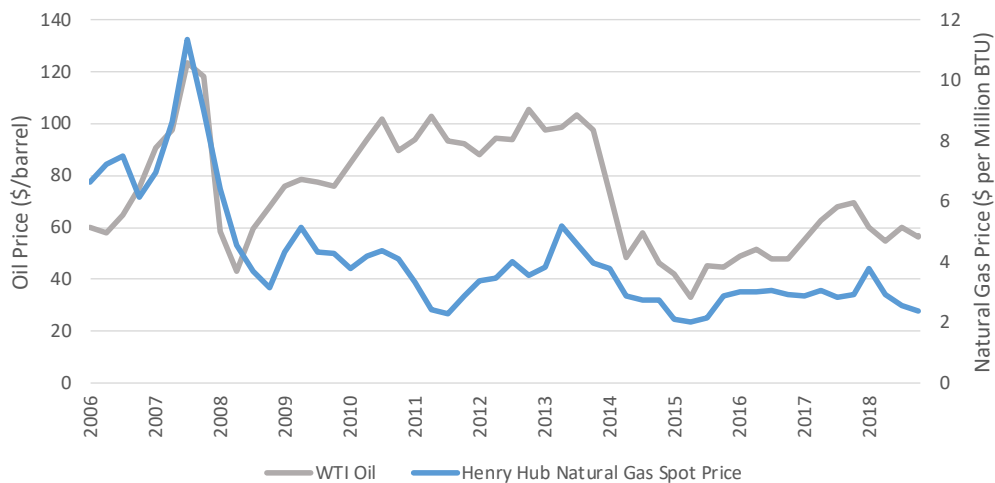
	Q4 2019	Q3 2019	Q4 2018	% change since last quarter	% change since last year (comparable quarters)
Energy Prices					
WTI Crude Oil	\$56.82	\$59.88	\$59.97	-5.11%	-5.25%
Henry Hub Natural gas	\$2.40	\$2.56	\$3.80	-6.25%	-36.84%
Retail Gasoline Price	\$2.48	\$2.68	\$2.54	-7.21%	-2.13%

Drilling Permits	2019	2018	% Change since same time last year
Drilling Permits (Mesa County)	0	64	-100.00%
Drilling Permits (Rio Blanco County)	59	83	-28.92%
Drilling Permits (Garfield County)	149	702	-78.77%
Drilling Permits (Moffat County)	7	4	75.00%
Total Permits (Mesa, Rio Blanco, Garfield, Moffat)	215	853	-74.79%
Total Permits (Colorado)	2,032	5,116	-60.28%

Local Rig Count	Feb-20	Nov-19	18-Dec
Rig Count (Western Colorado, Mesa, Rio Blanco, Garfield, Moffat)	3	5	7

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



Natural Gas Prices

The Henry Hub natural gas spot prices averaged \$2.40/MMBtu in Q4 of 2019. However, this number shot down in January to \$2.02/MMBtu due to warm weather keeping demand for natural gas inventories low. The Energy Information Agency (EIA) forecasts that the Henry Hub spot prices will be below \$2.00 for February and March, but will rise to an average of \$2.36/MMBtu in the third quarter of 2020. The yearly forecast for natural gas spot prices from EIA is \$2.21/MMBtu for 2020. These price expectations are the result of record setting natural gas production in 2019, averaging 92.1 Bcf/d. EIA expects total natural gas production to be 2% higher in 2020 than in 2019. Production is expected to decline through the year, as production in the Appalachian region is falling due to low prices, and Permian production being expected to fall due to lower oil prices. Natural gas production is the byproduct of oil fracking, so as oil production slows due to lower prices natural gas production will slow.

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

Oil and Gasoline Prices

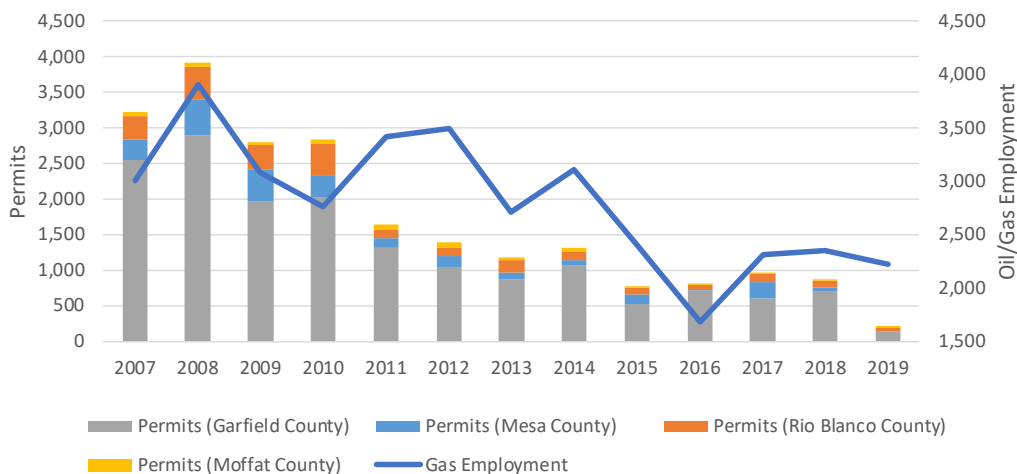
Crude oil prices averaged \$56.82 in Q4, steady with prices from Q3. Oil prices have been trending downward and are expected to move slightly lower in the short to medium term as a result of slowing economic conditions, and the potential effects of the coronavirus on international trade and Chinese GDP. Gasoline prices averaged \$2.48 in Q4, down from both last quarter and last year. Gasbuddy.com shows that as of early February, Montrose County gas prices average between \$2.47 and \$2.64.

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

Western Slope Drilling Activity

Rig counts have fallen from seven one year ago, to five in September, to currently three (as of February 2019). This drop in rigs will equate to job losses in the natural gas industry. In addition to this, figure 9 illustrates drilling permits and oil/gas employment with the full 2019 drilling permit data. There is a clear relationship between permits and oil/gas employment. The 2019 numbers are drastically lower for the Piceance than the 2018 numbers, showing a legitimate slowdown in this industry. The recent employment low of 2016 was approximately 1,600 oil/gas jobs (for Mesa County). QCEW data shows we are still above 2,000 oil/gas jobs, but with the decline in rigs and the decline in drilling permit applications, new employment lows in the industry on the Western Slope will likely be tested in the coming quarters. Montrose does not derive much employment from oil/gas, however, the larger economic changes on the rest of the Western Slope can be felt in Montrose.

Figure 9:
Drilling Permits: Western Colorado



NATIONAL ECONOMIC INDICATORS

	Q4 2019	Q3 2019	Q4 2018	% change since last period	% change since last year (comparable quarters)
Business Cycle Indicators					
Real GDP	2.10%	2.10%	1.10%	0.00%	1.00%
Personal Consumption Expenditures	1.80%	3.20%	1.40%	-1.40%	0.40%
Gross Private Domestic Investment	-6.10%	-1.00%	3.00%	-5.10%	-9.10%
National Consumer Confidence	97.2	98.5	98.1	-1.32%	-0.92%
Industrial Production Index	109.3	109.2	110.3	0.17%	-0.89%
Initial Weekly Unemployment Claims (4 week MA)	220,231	215,904	220,058	2.00%	0.08%
Non Farm Payroll Change (in thousands)	572,667	437,333	649,333	30.95%	-11.81%
Unemployment					
Unemployment Rate-U3-SA	3.50%	3.60%	3.80%	-0.10%	-0.30%
Unemployment Rate-U6-SA	6.80%	7.20%	7.50%	-0.40%	-0.70%
Interest Rates					
Federal Funds Rate	1.66%	2.40%	2.21%	-0.74%	-0.55%
10 Year U.S. Treasury	1.79%	2.33%	3.03%	-0.54%	-1.24%
30 Year U.S. Treasury	2.25%	2.78%	3.27%	-0.53%	-1.02%
Inflation Measures					
Inflation Rate (CPI)	2.04%	1.82%	2.22%	0.21%	-0.18%
Core Inflation Rate (All Items Less Food and Energy)	2.29%	2.07%	2.21%	0.23%	0.09%
Inflation Rate (Shelter)	3.30%	3.43%	3.21%	-0.14%	0.09%
Producer Price Index (PPI)	-1.84%	-2.16%	3.54%	0.32%	-5.39%
Employment Cost Index	2.74%	2.78%	2.89%	-0.04%	-0.16%
Stock Prices					
S&P 500	3,083	2,882	2,699	6.95%	14.22%
Dow Jones Industrial Average	27,537	26,096	24,916	5.53%	10.52%
Trade Balance and Debt					
USD Exchange Rate (trade weighted)	130	128	128	1.43%	1.69%
Trade Balance (% of GDP)	-578.387	-662.66	-684.148	-12.72%	-15.46%
Federal Debt (% of GDP)*	105.5%	103.2%	105.2%	2.3%	0.3%

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 10:
Real GDP

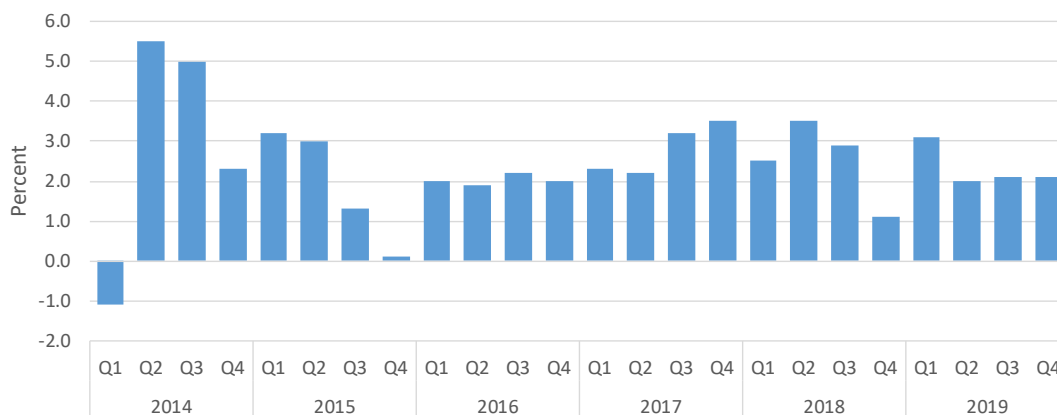
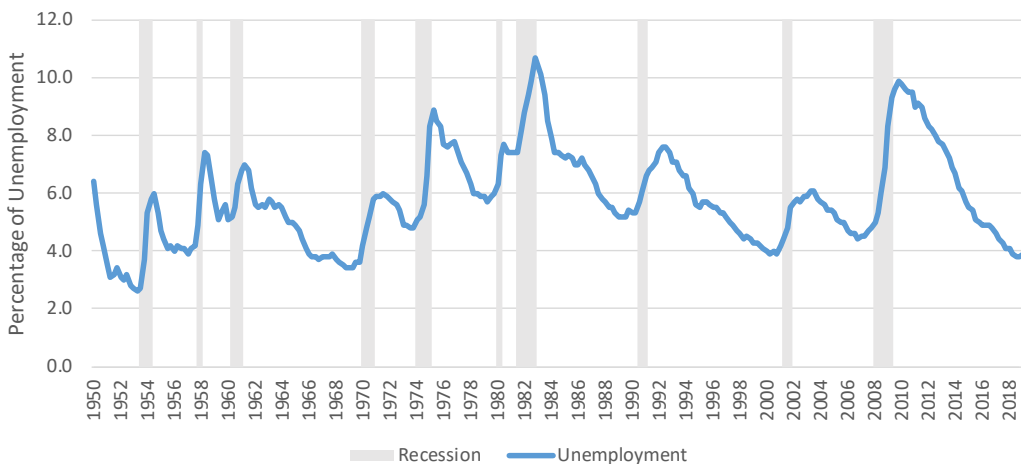


Figure 11:
U.S. Unemployment: 1950-2019



National Economic Performance

GDP continues to stay reasonably strong with a 2.1% increase in GDP for Q4 2019 (figure 10). The consumer continues to hold up GDP numbers as investment is negative for the third straight quarter. National consumer confidence ticked down but not enough to indicate any problems with the consumer.

The unemployment rate hit lows in in November and December of 3.5%, but increased to 3.6% in January. The U6 unemployment rate, which includes so called “discouraged workers” fell from 7.2% to 6.8%, indicating that the low U3 rate is translating to a better job market for even those who are under-employed. Quarterly weekly unemployment claims as well as quarterly non-farm payrolls continue to be strong.

Interest Rates

Interest rates have been trending downward for almost a year, with the 10 year treasury bond falling from 3.27% in Q4 of 2018 to 2.25% in Q4 of 2019. That is a full percentage point drop, which is why mortgage rates have dropped by 1% as well. Part of this is due to the Federal Reserve dropping the Federal Funds rate, which is the rate at which banks borrow from other banks to meet their nightly reserve requirements. This rate has fallen by -0.74%, the rest of the drop in the 10 year treasury has been attributed to both perceived higher risk, or even a bubble in treasuries as some economists are claiming. Note that there is an inverse relationship between the price of a bond and its yield (interest rate), so if people are buying treasuries due to risk or speculation, it pushes the price up and the interest rate down.

Figure 12:
S&P 500 Stock Prices

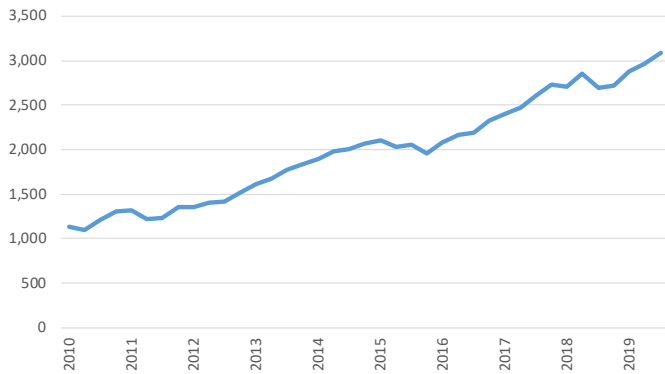
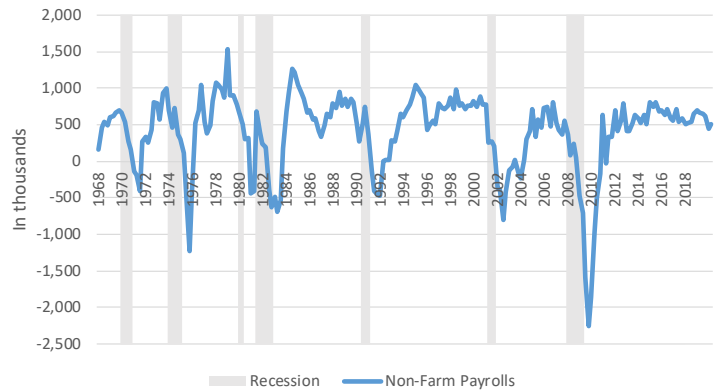


Figure 13:
Change in Non-Farm Payrolls



Inflation

Inflation continues to remain low, averaging 2.04% for Q4. The Federal Reserve targets around 2% inflation, and in the previous months inflation was actually lower than 2%. Inflation has increased each of the past four months through January, but is however very low historically. If inflation were to rise significantly, the Federal Reserve would likely consider increasing rates to stop it. The producer price index (PPI) for all commodities fell for the second straight quarter, showing some slowing in raw materials. Wages are still relatively low for this point in the business cycle, helping to contain inflation. The employment cost index moved horizontally to 2.74%, and average hourly earnings of all private employees was at 3% in December. This shows that workers are only getting .75% to 1% real wage increases above inflation.

Risks to Growth

Despite last fall's recession watch, the national economy continues to perform well. The stock market continues to test new highs, and low interest rates continue to fuel a strong housing market and strong consumer. Some threats include slowing global growth, as several economies are on the brink of recession, including Japan, Germany, Italy, and even China. The biggest news as of February 2020 is the threat of the coronavirus on the global economy. As the coronavirus spreads, global supply chains, the global labor force, and financial markets will be hurt as workers have to stay home, miss work (or much worse), and trade falls due to the risk of spreading disease. If the stock market were to get hit badly from the coronavirus news, it could be the blow to consumer confidence that finally puts the economy into a downturn. The bond market continues to see risk as one of the measures of the yield curve (the 10 year minus 3 month) has inverted for the second time this year. Yield curve inversions have predicted recessions well in the post WWII U.S.



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