

# MONTROSE COUNTY ECONOMIC UPDATE



Provided by the Business Department  
of Colorado Mesa University

Third Quarter 2020

## Economic Summary

- Although still recovering from a COVID induced national recession, Montrose County continues to outperform the nation and the state in this economic downturn and recovery. Montrose County's July unemployment rate was 6.5%, lower than Colorado (7.4%) and the United States (10.2%).
- Sales tax collections for the City increased by 2.66%, while County sales tax collection increased by 6.15%. The combined sales tax numbers in June were \$3,262,281, 7.8% higher than June of 2019.
- Initial unemployment claims have fallen drastically from their late March peak of 654 to a mid-August number of 43. Continued claims are moving down more slowly, peaking at 1,567 in early May and falling to 870 in early August. Both measures of claims show strong signs of recovery, with continued claims being a particularly important data point.
- The national economy continues its recovery with an 8.4% unemployment rate, falling from a peak of 14.7% in April. GDP fell 32.9% (annualized growth rate) in Q2, but is expected to jump 25.6% in Q3.

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.

## CONTENTS

<b>Local Economic Indicators.....</b>	<b>1</b>
The Local Labor Market .....	2
Unemployment Claims Data.....	4
Montrose Industry Trends .....	5
<b>Local Real Estate Indicators .....</b>	<b>7</b>
<b>Regional Energy.....</b>	<b>8</b>
<b>National Economic Indicators .....</b>	<b>10</b>
National Economic Performance .....	11
National Growth Forecasts.....	12

## LOCAL ECONOMIC INDICATORS

	Q2 2020	Q1 2020	Q2 2019	change since last quarter	change since last year (comparable quarters)
<b>Local Labor Market</b>					
Unemployment Rate Montrose County-NSA	10.67%	4.83%	3.10%	5.83%	7.57%
Unemployment Rate Colorado - NSA	11.00%	3.70%	2.80%	7.30%	8.20%
Unemployment Rate U.S. - NSA	12.90%	4.10%	3.50%	8.80%	9.40%
Labor Force	19,620	21,413	21,842	-1,793	-2,222
Employed	17,527	20,385	21,174	-2,858	-3,647
Unemployed	2,094	1,028	669	1,065	1,425
<b>Business Confidence</b>					
Leeds Colorado Business Confidence	44.3	29.7	50.5	49.16%	-12.28%
<b>Sales/Use Taxes</b>					
City Sales/Use Taxes (YTD)	\$8,804,151		\$8,576,149		2.66%
County Sales/Use Tax (YTD)	\$7,478,093		\$7,045,047		6.15%
Hotel and Restaurant Tax (YTD)	\$233,646		\$268,681		-13.04%
Telluride Sales/Use Tax (YTD)	\$3,326,038		\$3,709,274		-10.33%
<b>Business Filings</b>					
	<b>2020 (YTD)</b>		<b>2019 (YTD)</b>		
Montrose County New Business Entity Filings (As of August)	530		463		14.47%

Montrose Regional Airport	Q2 2020	Q1 2020	Q2 2019	% change from last quarter	% change from last year
Enplanements	4,355	30,426	64,363	-85.69%	-93.23%
Standard of Living and Growth	2019	2018	2017	% change since 2018	% change from 2017
Population	42,758	42,206	41,753	1.31%	2.41%
	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%
GDP Estimates	\$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 County unemployment rate for Q2 increased to 10.67% as COVID induced unemployment took its toll on the labor market. Since the unemployment peak of 12% in April, May (9.3%) and June (10.4%) unemployment stayed high, but the July number fell drastically to 6.5%. Montrose and most of the Western Slope have had lower unemployment rates than both the state of Colorado and the United States during this recession.

Employment peaked in October of 2020, with 22,075 people employed. The pre-recession number of 20,951 in January fell to 17,150 in April, slowly gaining every month with 18,395 in July. This puts the number of employed still 2,500 lower than in January and almost 3,600 less than in October. So despite the positive news with unemployment coming down, employment may take some time to recover.

Labor force numbers have been fairly volatile, falling from January to May, increasing in June, and then falling in July. A declining unemployment rate for July is positive, but what makes it less positive is that it is partly the result of a falling labor force. The sharp increase in June is due to state economists adjusting their labor force numbers upwards based on new data and information they collected. Since state labor force numbers went up, Montrose County's numbers also increased. This is what is known as "noise" in the data, where there are random movements and statistical adjustments in time series data. Over time this stabilizes, but looking month-to-month it can be a bit volatile and may not perfectly reflect the actual changes occurring. The July numbers fell almost 500, which is partly responsible for the drop in the unemployment rate.

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

	Labor Force	Employed	Unemployed
<b>Annual</b>	-2,222	-3,647	1,425
<b>5-Year</b>	181	-898	1,079
<b>10-Year</b>	-1,110	-940	-170
<b>Annual %</b>	-10.17%	-17.22%	213.11%
<b>5-Year %</b>	0.93%	-4.88%	106.34%
<b>10-Year %</b>	-5.36%	-5.09%	-7.51%

The total number of unemployed continues to fall. Unemployment numbers jumped to a high of 2,398 in April, then fell to 1,272 by July. For context, unemployment averaged 683 in 2019.

Sales tax collections for the City increased by 2.66%, while County sales tax collection increased by 6.15%. This is great news, as many municipalities in the nation saw sales tax collection fall. The combined sales tax numbers in June were \$3,262,281, 7.8% higher than June of 2019. Hotel and restaurant taxes are down 13%, and Telluride sales taxes are down 10%, indicating that tourism is down in the Montrose area due to COVID for Q2.

In addition to this, new business filings are actually up year over year by 14.47%, while consumer confidence and airport enplanements are down sharply.

Table 2:  
**Monthly Unemployment Rates**

	February	March	April	May	June	July
Mesa	4.1%	7%	12.6%	9.1%	10.1%	6.9%
Montrose	3.6%	7.5%	12%	9.3%	10.4%	6.5%
Delta	4.2%	7.9%	10.2%	8%	9.7%	6.2%
Garfield	3.3%	6%	13.4%	10.1%	9.7%	6.2%
Colorado	2.9%	5.4%	12.0%	10%	10.7%	7.4%
U.S.	3.5%	4.4%	14.7%	13.3%	11.1%	10.2%

Figure 1:  
**Labor Force (Jan-20-July-20)**

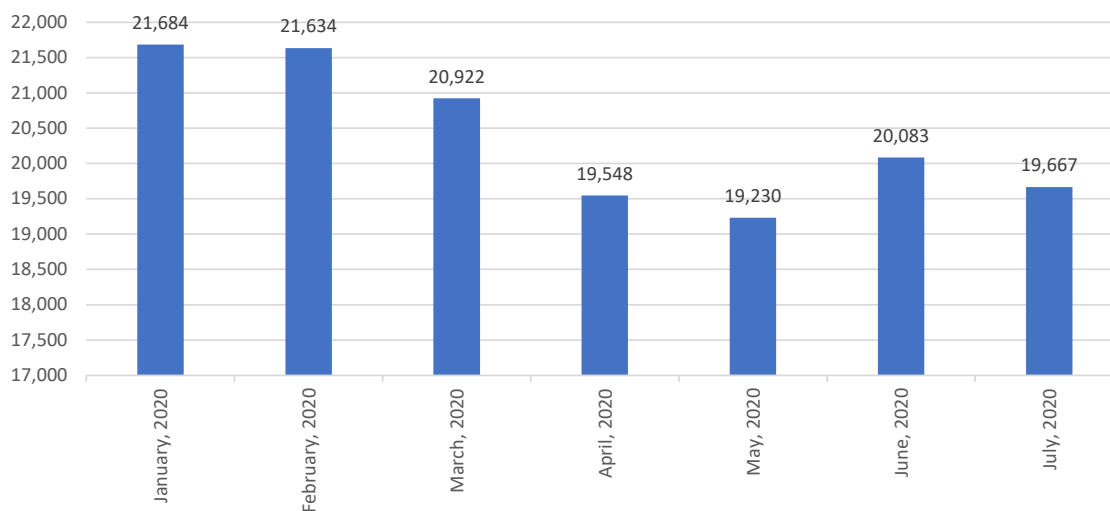


Figure 2:  
**Unemployment (Nov-19-July-20)**

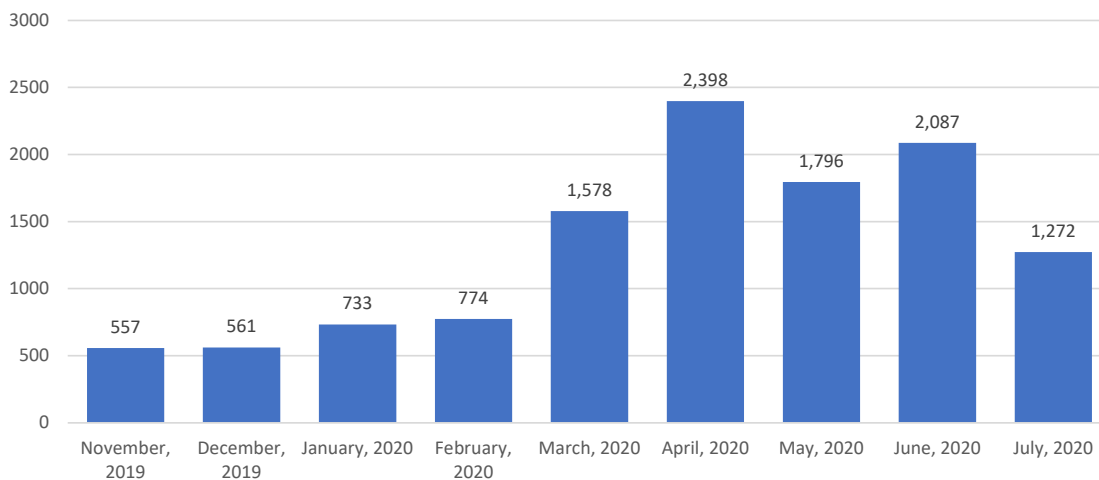
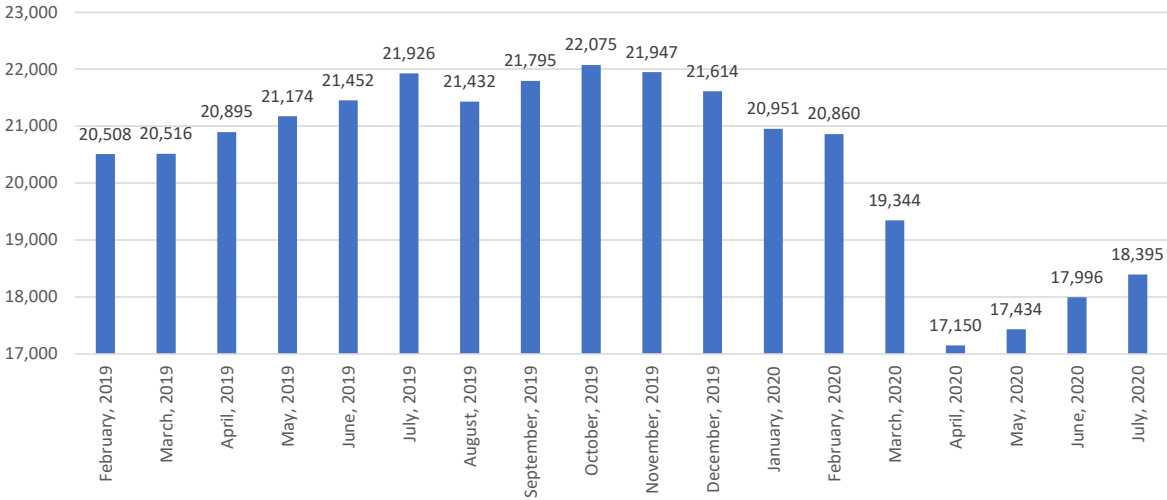


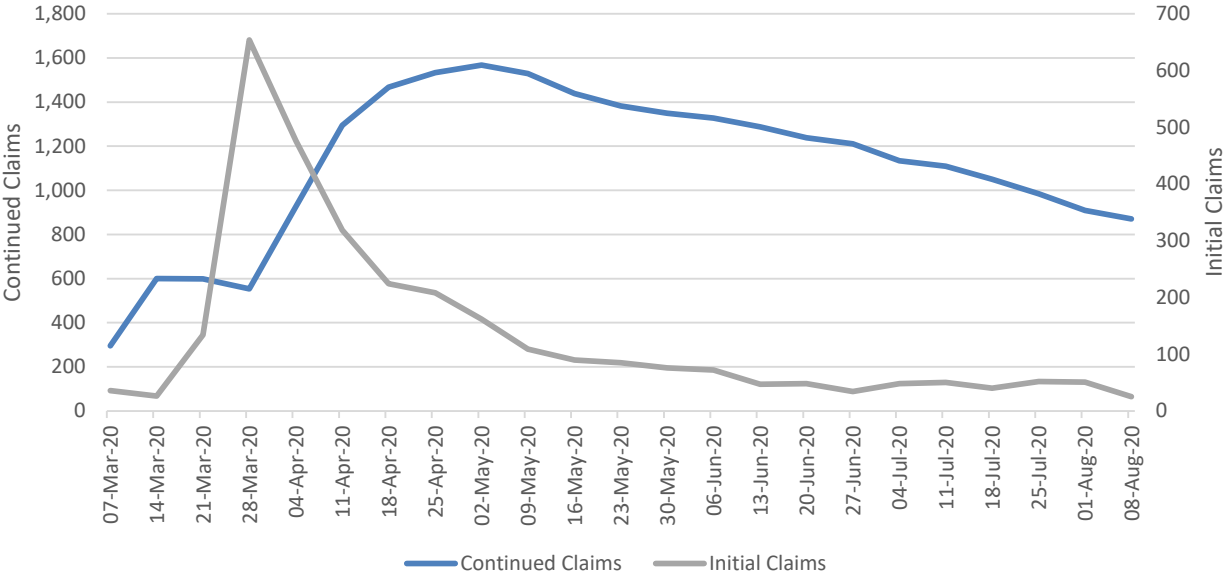
Figure 3:  
**Montrose Employment Feb-19 through July-20**



**Montrose County Unemployment Claims**

Unemployment insurance claims are perhaps the most important real time data point to measure the rate of change in employment losses during the COVID recession. Data from the Mesa County Workforce Center shows that Montrose County initial unemployment claims have fallen closer to the the 2019 average of 21.83 with a July average of 47.5 (figure 4). The peak of initial claims was in late March of 654, falling to double digits by mid-May. Continued claims, perhaps the more important measure of the two, shows a slow but consistent decline since mid-April. Continued claims are how many people who continue to collect unemployment, whereas initial claims are new unemployment claims. Continued claims started to spike in late March, and have been in decline since early May. As of mid August, continued claims were at 870, where the average in 2019 was 164.

Figure 4:  
**Initial and Continued Unemployment Claims March-August 2020**



Source for table 3 and figure 3: Mesa County Workforce Center

## Montrose County Employment Trends

Montrose QCEW data shows that from Q1 2019 to Q1 2020 total wages increased by \$9,644,829, with jobs increasing by 119. Note that Q1 was mostly pre-COVID. The biggest industry gains were in health care and social services, public administration, and accommodation and food services. The biggest losses were in manufacturing and wholesale trade. 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 3:  
**Quarterly Census of Employment and Wages Q4 2019 Compared to Q3 2018**

Sector	Average Employment Q4 2019	Total Quarterly Wages (Q4 2019)	Average Weekly Wage (Q4 2019)	Total Employment Change (Q4 2018 to Q4 2019)	Total Wage Change (Q4 2018 to Q4 2019)
Total, All Industries	15,260	\$159,283,153	803	119	\$9,644,829
Health Care and Social Assistance	2,954	\$33,419,418	\$870	105	\$3,275,100
Retail Trade	2,204	\$18,297,052	\$639	12	\$1,780,157
Public Administration	1,009	\$15,766,192	\$1,202	26	\$1,341,326
Construction	1,298	\$15,286,973	\$906	1	\$1,416,166
Manufacturing	1,213	\$11,775,296	\$747	-109	-\$460,254
Accommodation and Food Services	1,412	\$6,865,606	\$374	49	\$751,316
Transportation and Warehousing	650	\$6,841,305	\$810	29	\$1,165,620
Wholesale Trade	364	5,607,064	1,185	-24	-\$26,357
Utilities	265	\$5,469,841	\$1,588	-5	-124,633
Professional and Technical Services	457	\$5,302,783	\$893	42	\$160,294
Finance and Insurance	289	\$4,475,253	\$1,191	-19	\$110,549
Other Services, Ex. Public Admin	433	\$4,433,405	\$788	59	\$353,390
Real Estate and Rental and Leasing	371	\$3,691,672	\$765	5	\$107,652
Administrative and Waste Services	475	\$3,662,570	\$593	23	\$409,372
Agriculture, Forestry, Fishing & Hunting	228	\$2,023,085	\$683	-15	-\$18,906
Information	178	\$1,793,090	\$775	-6	\$50,437
Arts, Entertainment, and Recreation	277	\$1,302,825	\$362	-10	\$852
Mining	24	\$598,020	\$1,917	-15	-\$775,830
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 4:  
**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 5:  
**Total Wage Changes from Q1 2019 to Q1 2020**

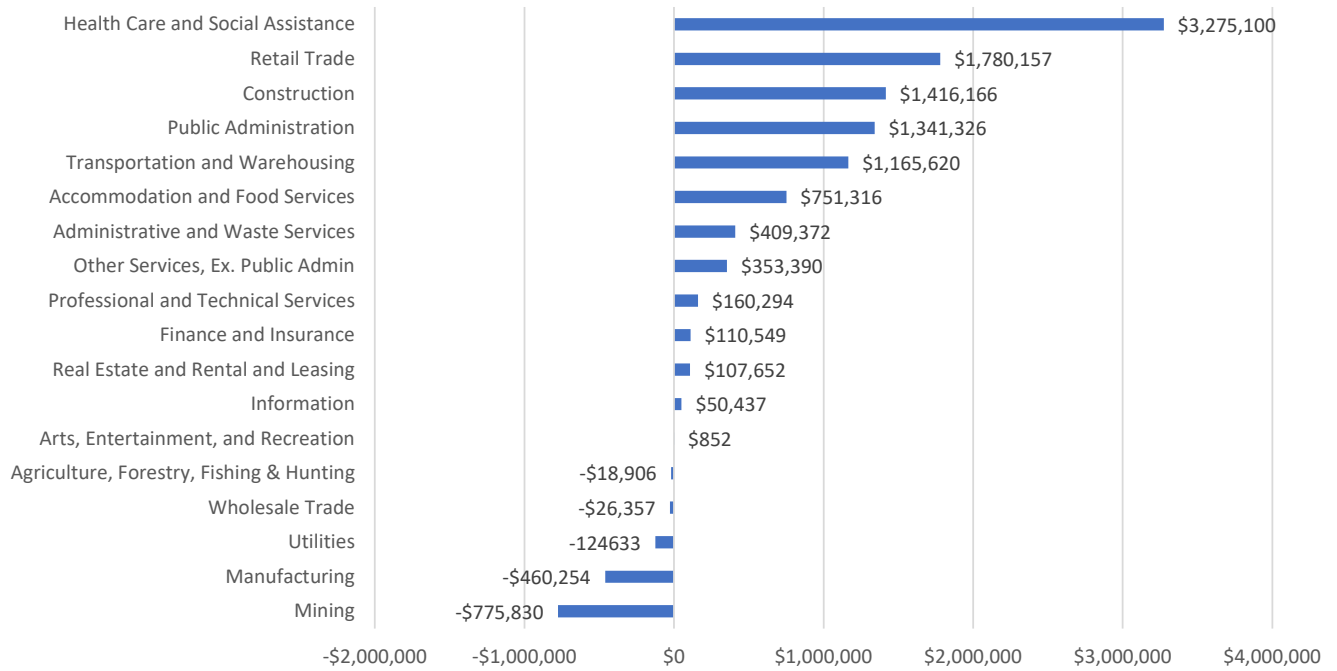
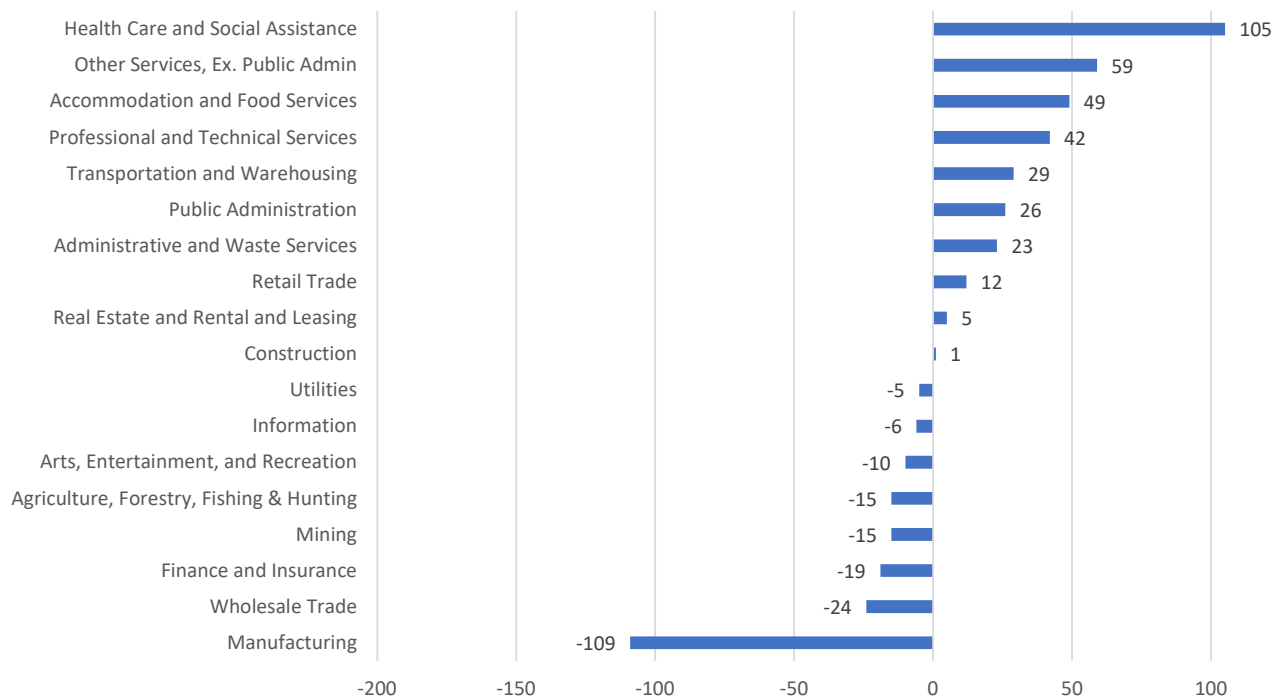


Figure 6:  
**Total Jobs Change from Q1 2019 to Q1 2020**



## LOCAL REAL ESTATE

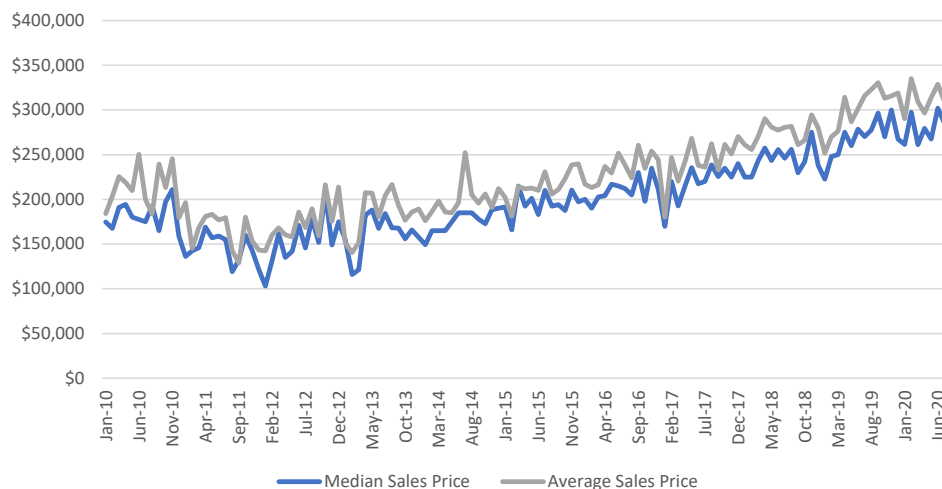
	Q2 2020	Q2 2019	% change since last year
<b>Real Estate</b>			
Inventory of Homes for Sale (3 month avg)	196	220	-10.89%
New Residential Listings (3 month total)	237	301	-21.26%
Sold Residential Listings (3 month total)	142	204	-30.39%
Median Sales Price	\$282,983	\$271,150	4.36%
Average Sales Price	\$313,041	\$300,701	4.10%
Days on Market	94.33	105.00	-10.16%
Months Supply of Inventory	3.47	3.90	-11.11%
Total Building Permits	152	148	2.70%
Total Building Permit Valuation	\$14,444,093	\$16,957,552	-14.82%
Single Family Home Permits	51	61	-16.39%
Single Family Home Permit Valuation	\$8,278,590	\$9,948,503	-16.79%
<b>Foreclosures</b>			
Foreclosure Filings	5	6	-16.67%
Foreclosure Sales	0	6	-100.00%
<b>Mortgage Rates</b>			
30 Year Mortgage Rate	2.71%	3.46%	-0.75%
15 year Mortgage Rate	3.24%	4.01%	-0.77%

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

Post-COVID real estate shows a tight real estate market with inventory falling by 10.89%, new residential listings down 21.26%, and sold residential listings decreased by 30.39%. With COVID fears, less inventory is hitting the market, and the declining supply has the result of increasing prices by more than 4%. Days on market have fallen 10%, showing that homes are selling faster, while months supply of inventory also fell. Building permits are up 2.7%, while permit valuation is down 14.8%. Single family home permits are down 16.39%, with SFH permit valuation down 16.79%.

Figure 7:  
Median and Average Sales Prices





## REGIONAL ENERGY

	Q2 2020	Q1 2020	Q2 2019	% change since last quarter	% change since last year (comparable quarters)
<b>Energy Prices</b>					
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 August)	2019 (YTD, August)	% Change since same time last year
Drilling Permits (Mesa County)	1	0	N/A
Drilling Permits (Rio Blanco County)	1	32	-96.88%
Drilling Permits (Garfield County)	85	105	-19.05%
Drilling Permits (Moffat County)	1	1	0.00%
Total Permits (Mesa, Rio Blanco, Garfield, Moffat)	88	138	-36.23%
Total Permits (Colorado)	768	1,330	-42.26%

Local Rig Count	Aug-20	May-20	Feb-20
Rig Count (Western Colorado, Mesa, Rio Blanco, Garfield, Moffat)	1	1	3

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**

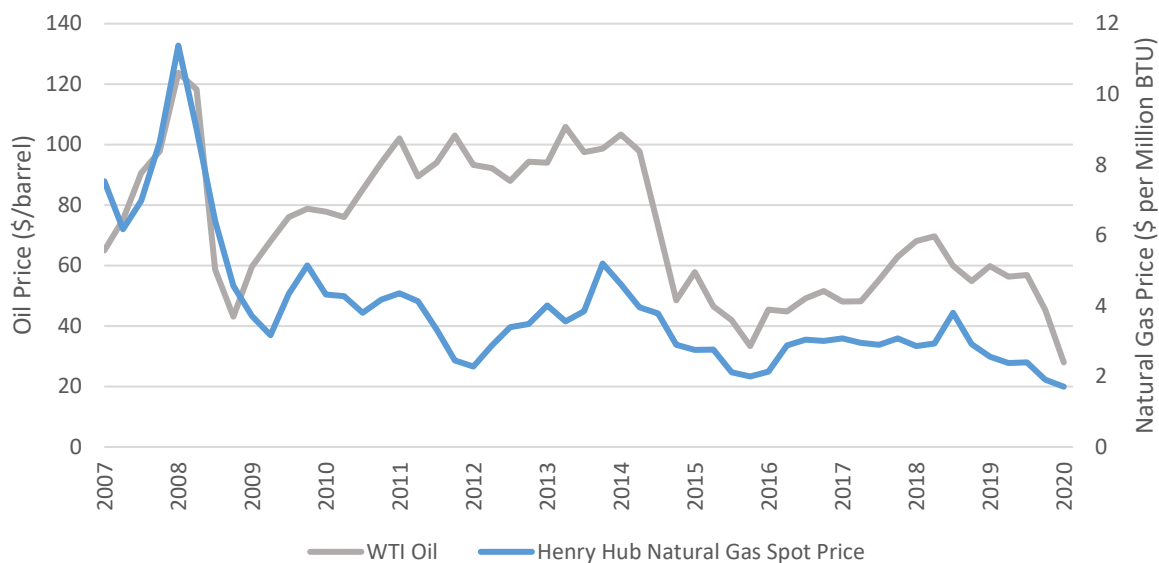
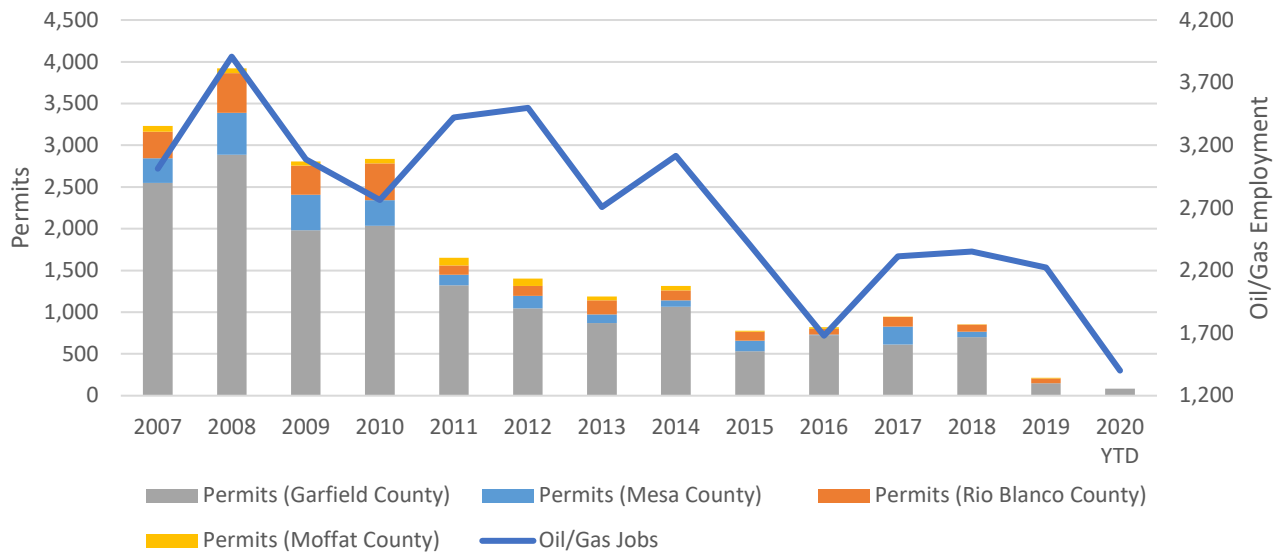




Figure 9:  
Oil/Gas Drilling Permits and Oil/Gas Jobs



### Natural Gas Prices

The Henry Hub natural gas spot price averaged \$1.71/MMBtu for the second quarter of 2020, rising to \$2.17/MMBtu in early August. Natural gas prices received support from strong demand for natural gas fired power generation. In fact, electric power generation in July increased to 43.6/Bcf per day, the highest month on record. Due to low prices, natural gas production has begun to decline, falling by 9.5 Bcf/d from the November highs to 86.8 Bcf/d.

Source: Energy Information Agency

### Oil and Gasoline Prices

WTI oil averaged \$27.96 in Q2, increasing to \$40.71 per barrel in July. Brent crude oil prices reached \$43 in July, and the EIA expects oil to average \$43/barrel during the second half of 2020, rising to an average of \$50/barrel in 2021. COVID demand issues have pushed oil prices down from previous prices, reducing traveling, flying, and some industrial production. The EIA estimates that the demand for global petroleum and liquid fuels averaged 93.4 million b/d in July, down 9.1 million b/d from July of the previous year.

As oil prices have fallen, gasoline prices have followed. Gas prices averaged \$1.83 in Q2, rising to \$2.18 in August. Gas prices in Mesa County range between \$2.23 and \$2.40 according to GasBuddy.com (August 31st).

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

### Western Slope Drilling Activity

Western Slope drilling activity is on pace for record low permitting, with the 2020 YTD numbers lagging the 2019 YTD numbers. Figure 9 illustrates drilling permit applications and oil and gas employment. Oil and gas jobs have fallen to almost 1,400, the lowest number since long before the run-up in oil and gas activity in 2008. With natural gas prices hovering just above \$2, oil and gas permits and employment are not expected to pick up in the near future.

## NATIONAL ECONOMIC INDICATORS

	Q2 2020	Q1 2020	Q2 2019	% change since last period	% change since last year (comparable quarters)
<b>Business Cycle Indicators</b>					
Real GDP	-32.90%	-5.00%	1.50%	-27.90%	-34.40%
Personal Consumption Expenditures	-34.60%	-6.90%	3.70%	-27.70%	-38.30%
Gross Private Domestic Investment	-49.00%	-9.00%	-5.80%	-40.00%	-43.20%
National Consumer Confidence	74.1	96.6	98.5	-23.29%	-24.77%
Industrial Production Index	93.5	107.7	109.2	-13.20%	-14.37%
Initial Weekly Unemployment Claims (4 week MA)	3,321,404	464,000	217,481	615.82%	1427.22%
Non Farm Payroll Change (in thousands)	-18,205,000	133,333	425,667	-13753.75%	-4376.82%
<b>Unemployment</b>					
Unemployment Rate-U3-SA	13.00%	3.80%	3.60%	9.20%	9.40%
Unemployment Rate-U6-SA	20.70%	7.50%	7.20%	13.20%	13.50%
<b>Interest Rates</b>					
Federal Funds Rate	0.06%	1.35%	2.40%	-1.29%	-2.34%
10 Year U.S. Treasury	0.69%	1.38%	2.33%	-0.69%	-1.64%
30 Year U.S. Treasury	1.38%	1.87%	2.78%	-0.49%	-1.40%
<b>Inflation Measures</b>					
Inflation Rate (CPI)	0.44%	2.11%	1.83%	-1.66%	-1.39%
Core Inflation Rate (All Items Less Food and Energy)	1.29%	2.24%	2.07%	-0.95%	-0.78%
Inflation Rate (Shelter)	2.52%	3.21%	3.43%	-0.69%	-0.90%
Producer Price Index (PPI)	-6.22%	-1.67%	-0.59%	-4.55%	-5.63%
Employment Cost Index	2.70%	2.79%	2.70%	-0.09%	0.00%
<b>Stock Prices</b>					
S&P 500	2,932	3,056	2,882	-4.06%	1.71%
Dow Jones Industrial Average	24,571	26,554	26,096	-7.47%	-5.84%
<b>Trade Balance and Debt</b>					
Trade Balance (% of GDP)	-544.706	-494.307	-644.744	10.20%	-15.52%
Federal Debt (% of GDP)*	107.7%	106.7%	104.3%	1.0%	3.4%

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 10:  
Real GDP

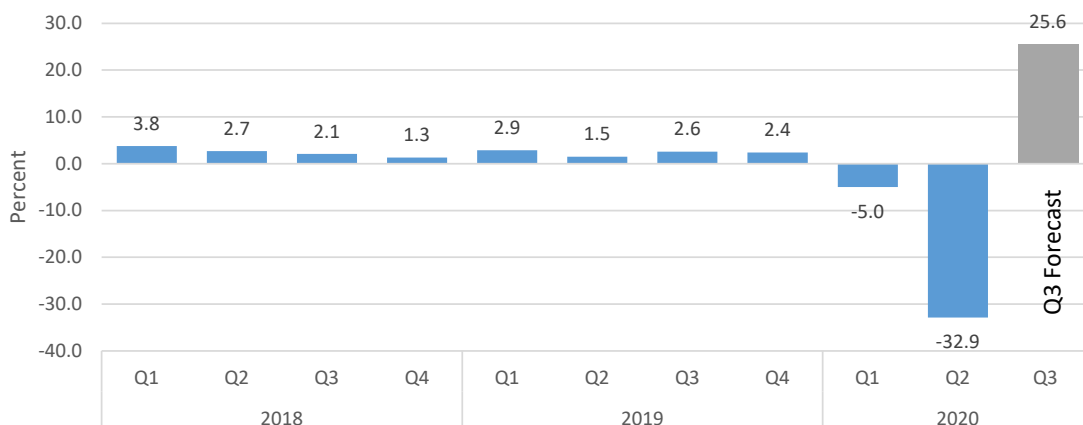
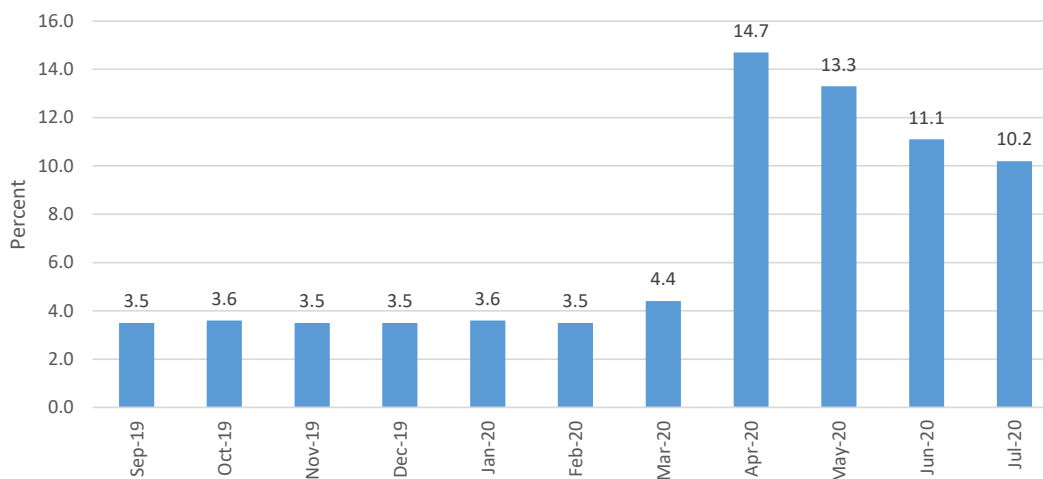


Figure 11:  
U.S. Unemployment: Sept 2019 through June 2020



## National Economic Performance

The national economy is recovering from the initial shock of COVID, and the induced shutdowns and shifted consumption resulting from the pandemic. Figure 11 shows unemployment hit a peak of 14.7% in April to 13.3% in May, to 11.1% in June, 10.2% in July, falling to 8.4% in August. The National Bureau of Economic Research (NBER) declared an official recession starting in late February. Figure 10 illustrates a massive 32.9% annualized decline in GDP, illustrating just how precipitous the drop in economic activity was. The Atlanta Federal Reserve's GDP Now forecast expects a 25.6% bounceback in quarter 3, still leaving a relatively large gap. To illustrate this gap further, figure 12 illustrates real GDP and potential GDP. Real GDP is our actual level of GDP, whereas potential GDP can be seen as the level of output produced if the economy were performing well and most of our industrial resources were being put to use. Potential GDP is where we want to be. The graph shows just how far below potential GDP actual output has fallen, and note how much further from the previous recession real GDP has fallen.

## Interest Rates and the Fed

Interest rates remain incredibly low, with the 10 year treasury bond yielding between 0.50% and 0.75%. The Federal Reserve intends on keeping interest rates low, and the Federal Reserve has recently changed a policy that will allow them to keep interest rates low even longer. The Fed will now allow inflation to increase past 2%, instead putting more emphasis on labor market outcomes and less on inflation in their dual mandate. Lower interest rates means lower mortgage rates, which means real estate will likely continue its run as an economic recovery leader.

The intention of low interest rates is to spur both investment and consumption. The unintended consequence of a low interest rate policy can be increased asset prices, specifically stocks and real estate. Since bond yields are so incredibly low, many investors do not want to invest in them, so their other choice is to put money into the stock market, which is one of the reasons that stocks have rallied so much. Another financial asset that is desirable in a low interest rate environment is real estate, which continues to increase in price.

Figure 12:  
**Real and Potential GDP**

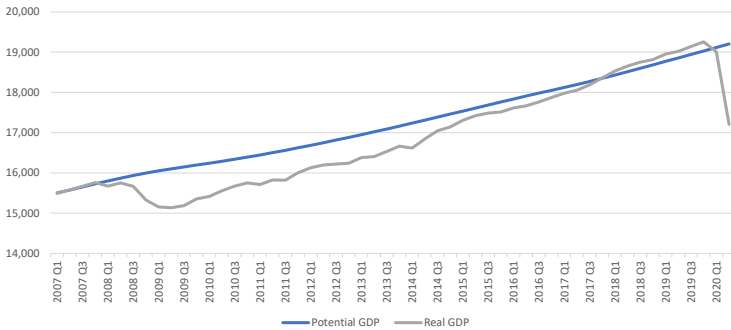
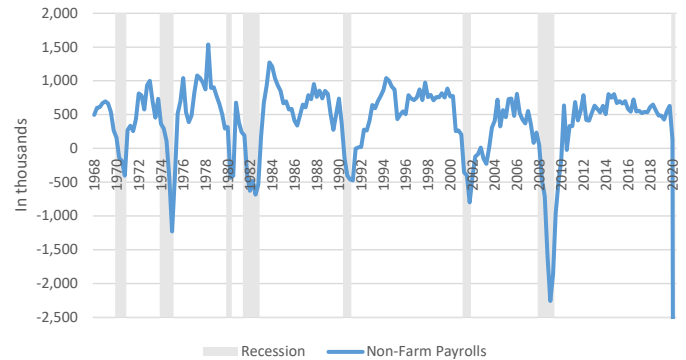


Figure 13:  
**Change in Non-Farm Payrolls**



### The Path to Economic Recovery

In the last economic newsletter, different types of recoveries were discussed. Thus far, there has been a sharp bounceback in several economic data points, indicating either a V shaped, “swoosh-shaped,” or the “square root” shaped recovery. A V-shaped recovery may be optimistic, as there are still limitations on certain businesses for COVID safety reasons, but more importantly many consumers are still altering their consumption habits, which has created some structural unemployment. Fiscal policy was keeping many of these unemployed people afloat, but as stimulus wears out, savings run out and there will be negative consequences from so many people without jobs (i.e. negative multiplier effects). This is an argument for why we may be approaching the horizontal part of the square root recovery, as recovery from structural unemployment will take time. This can be seen with a slowing of job growth in the last jobs report. If COVID actual or perceived risks change drastically, and as a result of this government safety mandates are changed, and most importantly if consumers return to their previous consumption patterns, we could move towards more of a V-shaped recovery or perhaps a swoosh-shaped recovery.

Recovery will be reached when actual GDP returns to near potential GDP (figure 12). The previous newsletter showed a Congressional Budget Office (CBO) forecast that was extremely pessimistic. The CBO has since updated their forecast to show a total growth decline in 2020 of -5.9% , with an average unemployment of 10.6%. The CBO forecasts a 4.8% growth rate in 2021 with an average unemployment rate of 7.1%, with 2022 at 2.2% growth (an average growth rate) and unemployment at 6.3%. The CBO sees GDP recovering to its pre-pandemic level by the middle of 2022. Overall, the economy is recovering quicker than many economists predicted, but it will take multiple years to recover from the economic losses incurred.



The Montrose County Economic Update is compiled and written by Dr. Nathan Perry, Associate Professor of Economics at Colorado Mesa University.

☎ 970.248.1888  
✉ [naperry@coloradomesa.edu](mailto:naperry@coloradomesa.edu)



1100 North Avenue  
Grand Junction, Colorado 81501-3122  
970.248.1778 • 970.248.1138 (f)  
[coloradomesa.edu](http://coloradomesa.edu)