

# MONTROSE COUNTY ECONOMIC UPDATE

First Quarter 2018



Provided by the Business Department  
of Colorado Mesa University

## Economic Summary

- The Montrose County economy is performing well with a low unemployment rate of 3.0%, rising employment numbers, and rising sales tax income.
- The Montrose County real estate market is strong, with rising permit and permit valuation numbers.
- Western Colorado drilling permit applications are up drastically from 2016, while oil and gasoline prices continue to rise.
- The national economy is strong with a growth rate of 2.6%. Unemployment remains low and industrial production and consumer confidence are high.

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

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## LOCAL ECONOMIC INDICATORS

	Q4 2017	Q3 2017	Q4 2016	% change since last quarter	% change since last year (comparable quarters)
<b>Local Labor Market</b>					
Unemployment Rate Montrose County-NSA	3.0%	2.5%	3.3%	0.5%	-0.3%
Unemployment Rate Colorado - SA	2.8%	2.3%	2.7%	0.5%	0.1%
Unemployment Rate U.S. - SA	3.9%	4.4%	4.5%	-0.5%	-0.6%
Labor Force	21,527	21,133	19,958	1.9%	7.9%
Employed	20,869	20,612	19,291	1.2%	8.2%
Unemployed	657	521	667	26.2%	-1.5%
<b>Business Confidence</b>					
Leeds Colorado Business Confidence Index	59.5	56.5	60.3	5.3%	-1.3%
<b>Sales/Use Taxes</b>					
City Sales/Use Taxes (Quarterly)	\$4,407,129	\$4,620,488	\$4,199,607	-4.6%	4.9%
City Sales/Use Taxes (Cumulative)	\$16,669,143		\$15,750,014		5.8%
County Sales/Use Tax (Quarterly)	\$3,067,389	\$3,256,441	\$2,840,184	-5.8%	8.0%
County Sales/Use Tax (Cumulative)	\$12,319,536		\$11,673,373		5.5%
Montrose City Hotel and Restaurant Tax (Quarterly)	\$119,185	\$158,799	\$114,007	-24.9%	4.5%
Montrose City Hotel and Restaurant Tax (Cumulative)	\$515,424		\$484,286		6.4%

Local Labor Market Yearly Indicators	2016	2015	2014	% change since 2015	% change from 2014
Personal Income Per Capita	\$35,714	\$35,044	\$33,557	1.9%	6.4%
	2016	2015	2014	% change since 2015	% change from 2014
Population	41,471	40,800	40,747	1.6%	1.8%

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; Population: U.S. Census Bureau; Personal income per capita: Bureau of Economic Analysis

## The Local Labor Market

The Montrose County economy is performing well in the fourth quarter of 2017. The unemployment rate is 3.0% (non-seasonally adjusted), slightly higher than the state of Colorado, which has an unemployment rate of 2.8%. In comparison, the neighboring county of Mesa County has an unemployment rate of 3.8%. The labor force has risen to 21,527, while the number of employed increased by 257 people. The number of unemployed increased by 136 people since last quarter but has fallen by 10 since the same time last year. It is important to note that unemployment numbers always rise in the fourth quarter mainly due to seasonal agriculture, hence the slight increase in unemployment is not a cause for concern.

Table 1 illustrates the labor force, employment, and unemployment from 1, 5, and 10 year comparisons. Figure 1 illustrates the labor force numbers from 2007-present. Compared to Q4 2012, when the economy was coming out of the recession, employment is up by 2,997, or 8.2%. Compared to 10 years ago, employment is now officially higher, up 705 people. Unemployment has improved since last year and since 5 years ago. Unemployment has fallen by 1,227, or 65.1% since 2012. Compared to 2007, unemployment is down by 83, or 11.3%. Figure 2 illustrates the trend in unemployment since 1990. The labor force has risen since 2012, increasing by 1,770 or 9.0%. Since 2007, the labor force has increased by 621 participants, or 3.0%. Montrose County has now surpassed the peak labor force numbers from before the recession of 2009. Figure 4 illustrates Unemployment rates for Montrose County, Colorado, and the U.S. Unemployment in Montrose County is now approaching the low rates of the state, at 3.0% compared to Colorado's 2.8%.

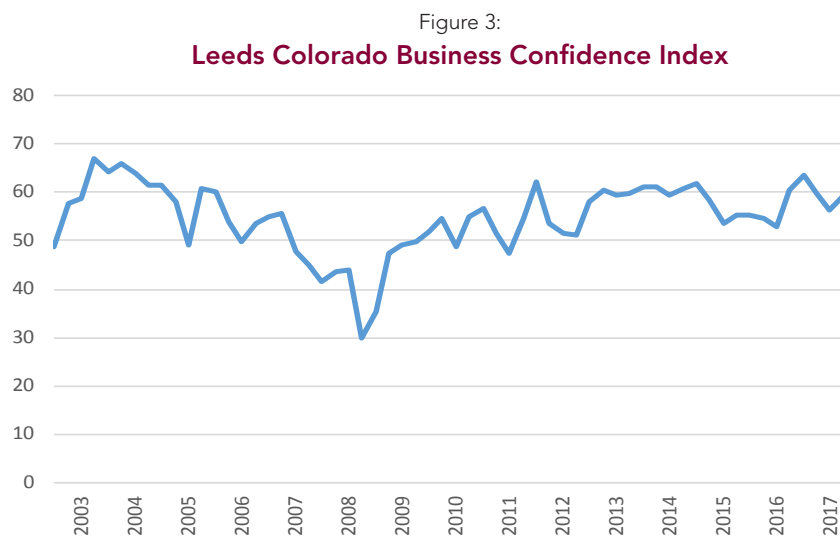
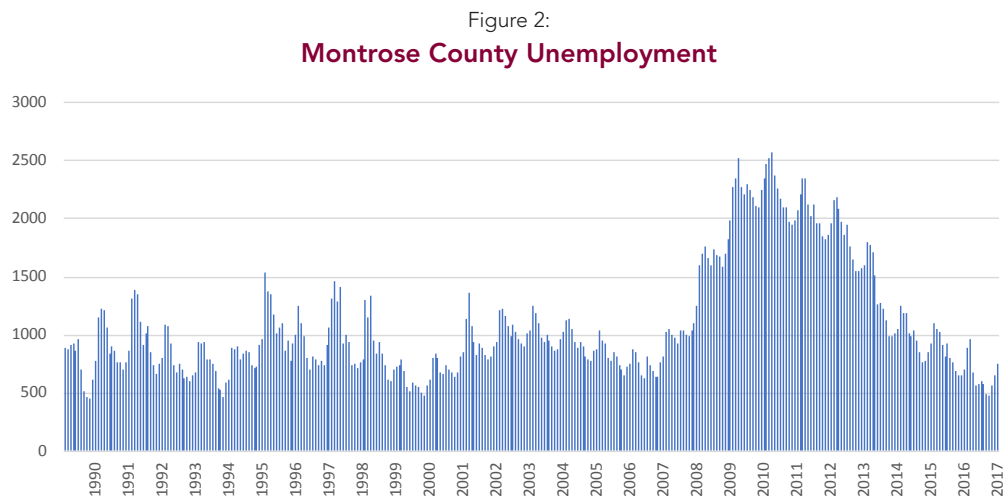
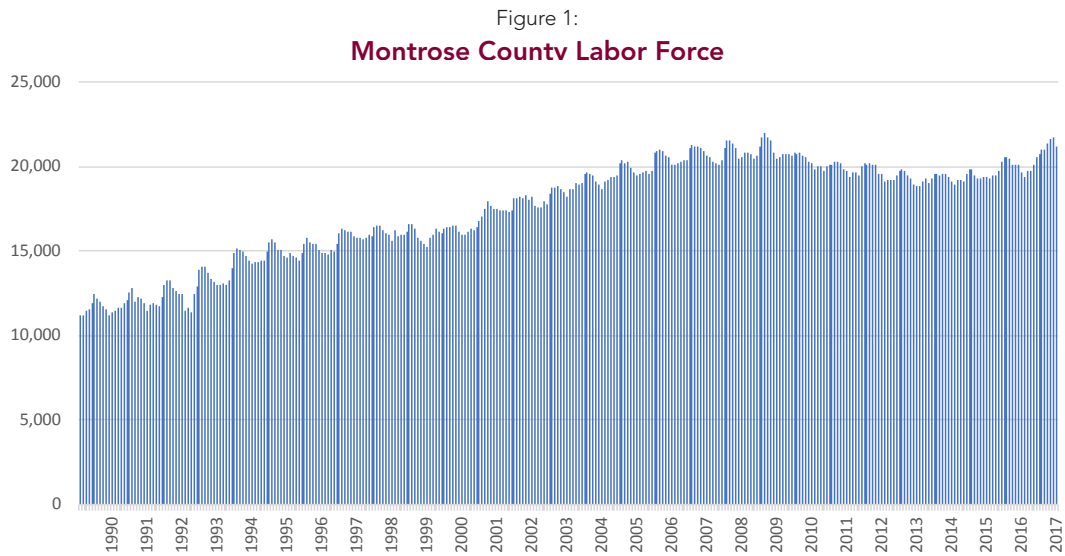
Table 1:

### Medium Run View of Employment

	Labor Force	Employed	Unemployed
<b>Annual</b>	1,568	1,578	-10
<b>5-Year</b>	1,770	2,997	-1,227
<b>10-Year</b>	621	705	-83
<b>Annual %</b>	7.9%	8.2%	-1.5%
<b>5-Year %</b>	9.0%	16.8%	-65.1%
<b>10-Year %</b>	3.0%	3.5%	-11.3%

## Confidence and Taxes

The Colorado Business Confidence Index produced by the Leeds school of business shows that business confidence in Colorado is still strong, rising 5.3% since Q3. Compared to Q4 of 2016, business confidence is down slightly by 1.3% (Figure 3). City and County sales and use tax numbers are up. City sales and use taxes increased 14.4% from last quarter, and increased 10.4% from last year. On a cumulative basis, City sales and use taxes are up 6.2% since last year. County sales and use tax numbers are up 8.0% since Q4 of 2016 and up 5.8% for all of 2017 compared to 2016. For the year, 2017 was a stronger tax collection year than 2017, reflecting the peak economic performance that is taking place nationally. Low unemployment, rising wages, and a strong stock market have consumers feeling confident to spend. In addition to sales and use taxes, Montrose hotel and restaurant taxes are up year over year by 6.4%.



SOURCE: Figures 1 and 2: Colorado Department of Labor and Employment; Figure 3: Leeds Schools of Business.

## Montrose County Employment Trends

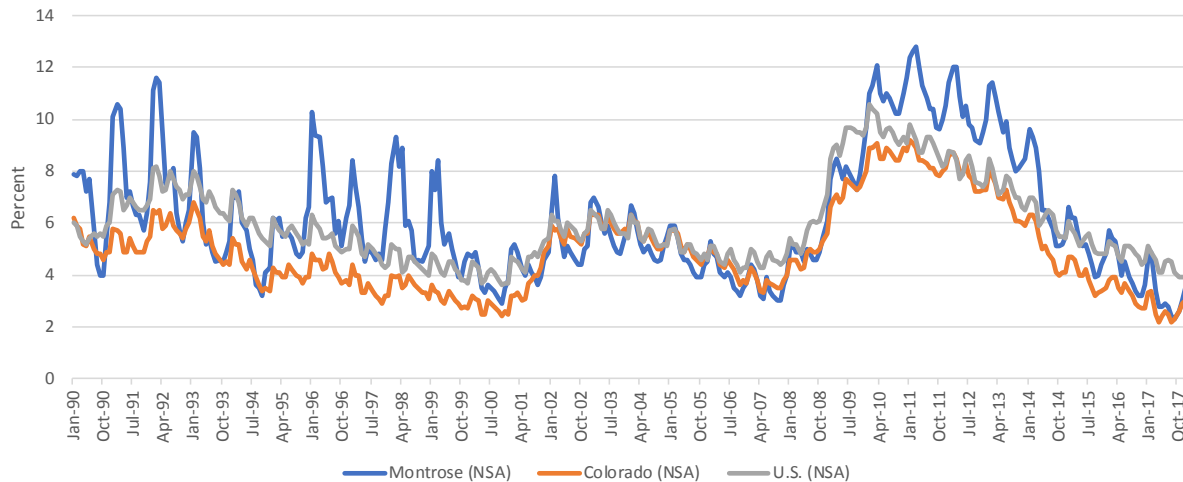
Table 2 illustrates average employment, total quarterly wages, and average weekly wage for all major industries in Montrose County. There are several industries with positive employment gains including construction, mining, quarrying, and gas, the service industry, and accommodation and food services. The only noticeable losses were in management of companies and enterprises, transportation and warehousing, and administrative waste services. Government leads all industries with 3,206 jobs, while retail trade and health care come in second and third. Utilities (\$1,454), management of companies (\$1,738), and mining/natural gas extraction (\$1,620) lead all industries with the highest average weekly wages.

Table 2:  
Quarterly Census of Employment and Wages for Q2 2017

Sector	Average Employment 2nd Quarter 2017	Total Quarterly Wages	Average Weekly Wage	Annual Percent Change in Employment (Compared to Q2 2016)	Annual Percent Change in Average Weekly Wages (Compared to Q2 2016)
<b>Total</b>	14842	\$138,193,807	\$716	2.7%	2.9%
<b>Total Government</b>	3206	\$35,608,140	\$855	2.3%	-2.1%
<b>Total Private</b>	11636	\$102,585,667	\$678	2.8%	-3.4%
Health care and social assistance*	1984	\$17,488,039	\$678	6.2%	8.8%
Retail trade	2077	\$14,789,831	\$548	-1.8%	3.2%
Manufacturing	1247	\$11,933,263	\$736	-2.0%	11.5%
Construction	1021	\$11,192,656	\$843	7.1%	6.4%
Professional and technical services	441	\$6,252,943	\$1,092	2.9%	5.6%
Accommodation and food services	1321	\$5,881,642	\$342	4.3%	5.6%
Wholesale trade	487	\$5,347,962	\$845	2.3%	-2.6%
Other services, except public administration	439	\$4,173,901	\$731	20.4%	4.1%
Utilities	216	\$4,089,906	\$1,454	-1.2%	11.5%
Finance and insurance	306	\$4,070,944	\$1,023	3.0%	-3.9%
Administrative and waste services	486	\$3,769,041	\$597	-4.8%	31.2%
Transportation and warehousing	430	\$3,564,432	\$637	-4.9%	4.6%
Real estate and rental and leasing	322	\$2,611,060	\$624	2.9%	-4.0%
Management of companies and enterprises	111	\$2,516,132	\$1,738	-25.6%	9.1%
Agriculture, forestry, fishing and hunting	238	\$1,707,031	\$551	6.6%	-7.1%
Information	160	\$1,346,023	\$647	-5.9%	2.7%
Mining, quarrying, and oil and gas extraction	51	\$1,074,213	\$1,620	6.3%	4.4%
Arts, entertainment, and recreation	165	\$699,369	\$327	-0.4%	9.0%
Educational services*	17	\$86,576	\$400	0.0%	0.0%
Unclassified*	1	\$8,350	\$642	-89.7%	-21.9%

SOURCE: Bureau of Labor Statistics (QCEW). Note that QCEW statistics have a 6 month lag between when the end of the quarter and when the data is released. Also note that for a county as small as Montrose some industry data is not reported every quarter. Asterisk denotes that data was not available for the most recent quarter. In this case data for the most recent available quarter is used.

Figure 4:  
**Unemployment Rates**



SOURCE: U.S. Bureau of Labor Statistics

## LOCAL REAL ESTATE

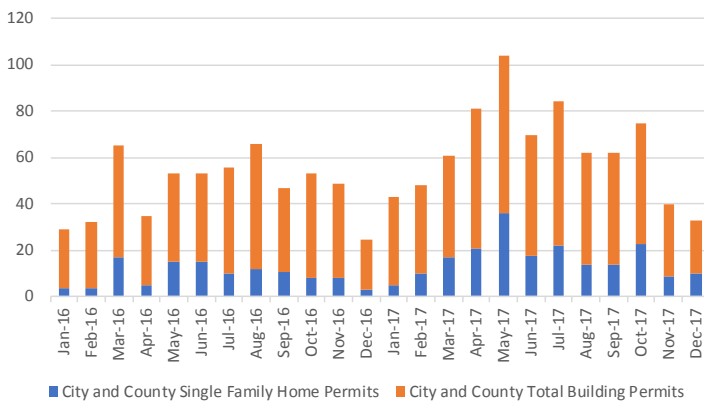
	Q4 2017	Q4 2016	% change since last year
<b>Real Estate</b>			
Current Residential Listings	547	656	-16.6%
Sold Residential Listings	198	214	-7.5%
Days on Market	66	69	-4.3%
Median Sales Price	\$265,250.00	\$240,000.00	10.5%
Single Family Home Sales	198	214	-7.5%
Total Building Permits	106	108	-1.9%
Total Building Permit Valuation	\$8,803,801	\$8,431,538	4.4%
Single Family Home Permits	42	19	121.1%
Single Family Home Permit Valuation	\$7,030,167	\$3,536,700	98.8%
<b>Foreclosures</b>			
Foreclosure Filings	15	20	-25.0%
Foreclosure Sales	6	8	-25.0%
<b>Mortgage Rates</b>			
30 Year Mortgage Rate	3.9%	3.8%	0.1%
15 year Mortgage Rate	3.3%	3.1%	0.2%

SOURCES IN ORDER OF LISTING: Sources in order of listing: Current and Sold Residential Listings, Absorption rate, Median Sales Price, Single Family Home Sales: Atha Real Estate Team (from MLS); Building Permits and Valuation: Montrose County and Montrose City; Foreclosure Filings and Sales: Montrose County; Mortgage rates: Freddie Mac.

## Local Real Estate Indicators

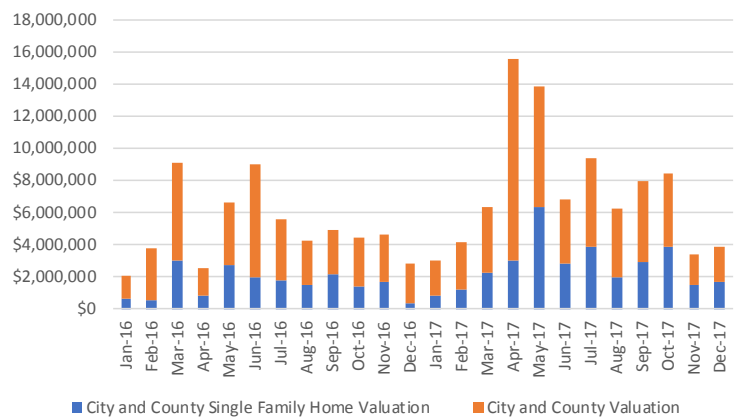
The Montrose real estate market is in a strong sellers market with shrinking inventory, encouraging more building of homes. The average number of days on the market for homes has fallen from 69 days to 66 days, a relatively small change for a year over year basis. Home values are up, with the median home price for Montrose County increasing to \$265,250 from \$240,000, or an increase of 10.5%. Figure 7 illustrates foreclosure trends. Foreclosure filings have fallen from 20 to 15, while single family home sales are down 7.5%. Figures 5 and 6 illustrate building permits and building permit valuation. Total building permits are about even at 106, down from 108 the previous year. Total building permit valuation is up 4%. Single family home permits are up to 42 from 19, while single family permit valuation is almost double from Q4 of 2016. It is inevitable that building will increase as inventory falls, and these single family home numbers reflect that. The only threat to home building is a national lumber shortage that is pushing up the price of lumber, making new homes more expensive to build.

Figure 5:  
City and County Building Permits



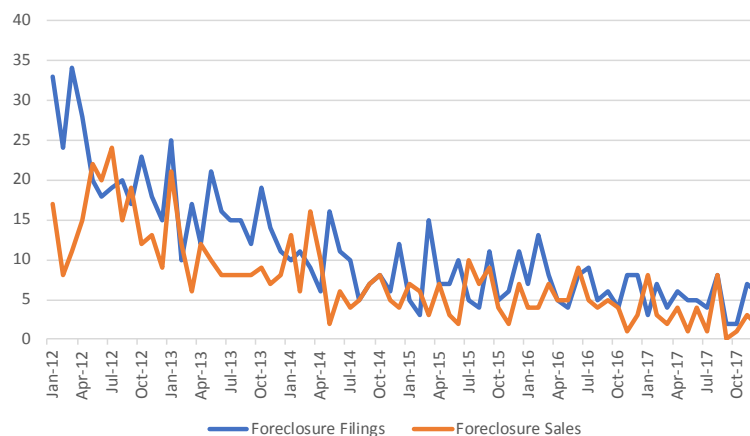
SOURCE: Montrose City and Montrose County

Figure 6:  
City and County Building Permit Valuation



SOURCE: Montrose City and Montrose County

Figure 7:  
Foreclosure Filings and Sales (2012–Present)



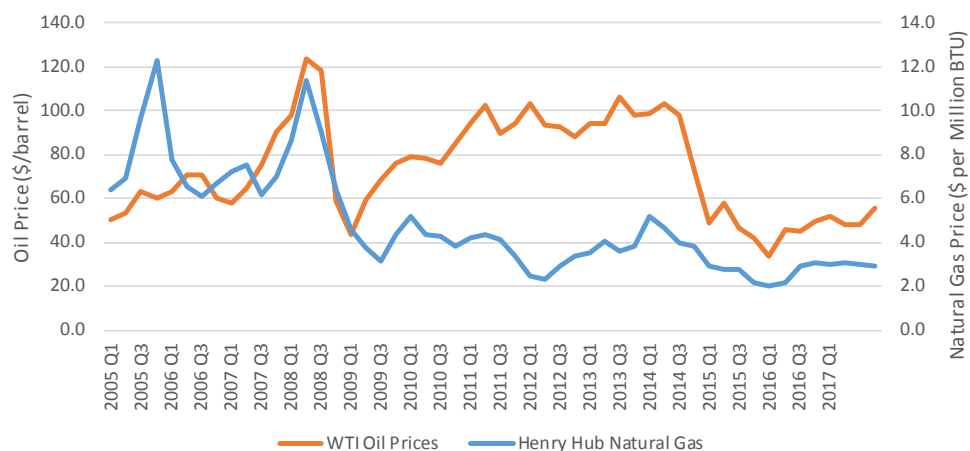
SOURCE: Montrose City and Montrose County

## REGIONAL ENERGY

	Q4 2017	Q3 2017	Q4 2016	% change since last quarter	% change since last year (comparable quarters)
Energy Prices					
WTI Crude Oil	\$55.3	\$48.2	\$49.1	14.7%	12.6%
Brent Crude Oil	\$61.4	\$52.1	\$49.1	17.9%	25.1%
Henry Hub Natural gas	\$2.9	\$3.0	\$3.0	-3.3%	-3.3%
Retail Gasoline Price	\$2.4	\$2.4	\$2.2	0.0%	9.1%
Drilling Permits					
	2017 Total	2016 Total	% change since last year		
Drilling Permits (Mesa County)	215	7	N.A		
Drilling Permits (Rio Blanco County)	118	71	66.2%		
Drilling Permits (Garfield County)	612	724	-15.5%		
Drilling Permits (Moffat County)	5	17	-70.6%		
Total Permits (Mesa, Rio Blanco, Garfield, Moffat)	950	819	16.0%		
Total Permits (Colorado)	3,909	2835	37.9%		
Local Rig Count					
	Feb-18	Nov-17			
Rig Count (Western Colorado, Mesa, Rio Blanco, Garfield, Moffat)	8	8			

SOURCES IN ORDER OF LISTING: 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 February 25th, 2018.

Figure 8:  
**Oil and Gas Prices**



SOURCE: Energy Information Agency

## Natural Gas Prices

Natural gas prices settled lower in Q4 than in Q3, falling from \$3.0/MMBtu to \$2.9/MMBtu. This was due largely to a warmer than expected winter. This changed near the end of December when temperatures finally dropped, increasing natural gas spot price to 3.69/MMBtu by the end of January. Large natural gas reserve withdrawals due to cold weather contributed to this monthly spike in price. Continued cold weather is expected to push natural gas prices higher in early Q1. Through 2018 natural gas prices are expected to be higher than last year, but to fall from the Q1 2018 spike in cold weather prices. For 2018, the EIA forecasts the largest production of natural gas ever, with a forecast of 80.3 Bcf/d. This would be 6.7 Bcf/d higher than 2017. The EIA forecasts that natural gas prices will average 3.20/MMBtu for 2018.

## Oil Prices

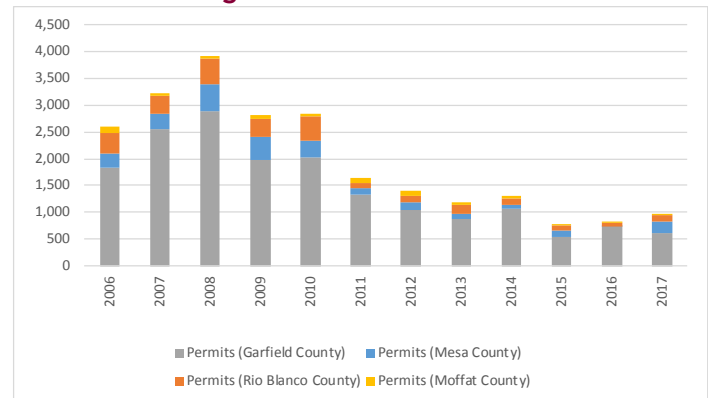
The price of WTI crude oil for Q4 was 55.3, 4.7% higher than Q3 and 12.6% higher than Q4 of 2016. Oil inventories across the world continue to fall, and crude oil is expected to move moderately higher. An OPEC agreement that has limited production to increase prices seems to have had the intended effect, and has the potential to be extended into 2018. Retail gasoline prices remain unchanged from last quarter, but are up by 9.1% from Q4 2016. As oil prices rise led by oil supply cuts and increased demand, gasoline prices will follow. The Energy Information Agency has increased its forecast for gasoline prices to \$2.62/gal in 2018.

## Western Slope Drilling Activity

Western Slope drilling permits are up 16% from 2016, while State of Colorado drilling permits are up 37.9%. Mesa County had a huge increase of drilling permits from 2016's meager 7 permits, with 215 drilling permits issued. Rio Blanco drilling permits increased 66.2% from 2016. Rig counts have are holding steady at 8, but are expected to increase with more drilling permits being issued.

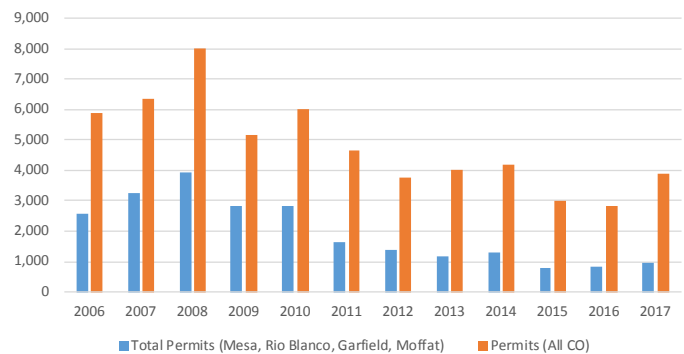
Sources for Energy Information: <https://www.eia.gov/outlooks/steo/report/natgas.php> Retrieved February 24th, 2017.  
<https://www.eia.gov/outlooks/steo/marketreview/crude.php>. Retrieved February 24th, 2017.

Figure 9:  
Drilling Permits Western Colorado



SOURCE: Colorado Oil and Gas Conservation Commission

Figure 10:  
Total Drilling Permits:  
Western Colorado vs. Colorado



SOURCE: Colorado Oil and Gas Conservation Commission

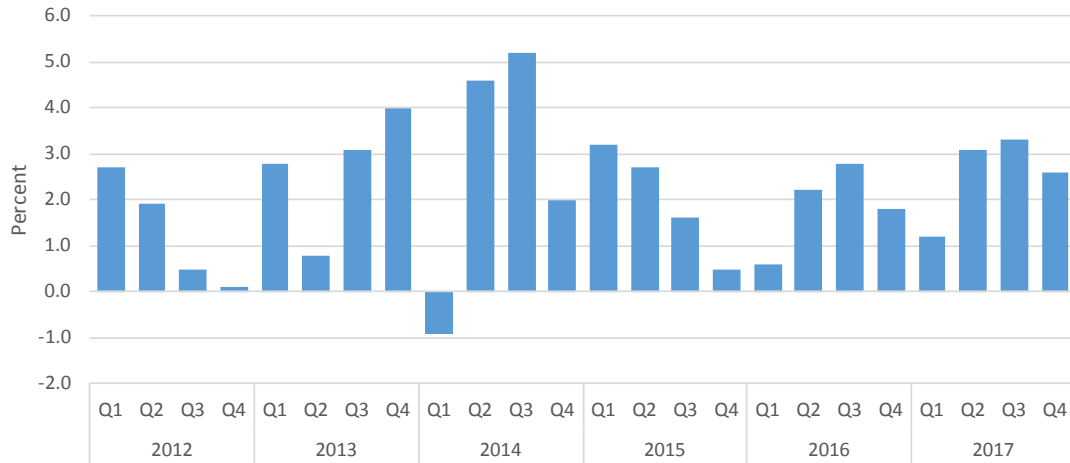


## NATIONAL ECONOMIC INDICATORS

	Q4 2017	Q3 2017	Q4 2016	% change since last period	% change since last year (comparable quarters)
<b>Business Cycle Indicators</b>					
Real GDP	2.6%	3.2%	1.8%	-0.6%	0.8%
Consumption	3.8%	2.2%	2.9%	1.6%	0.9%
Business Fixed Investment	6.8%	4.7%	0.2%	2.1%	6.6%
National Consumer Confidence	98.4	95.10	93.1	3.5%	5.7%
Industrial Production Index	106.9	104.8	103.3	2.0%	3.5%
Purchasing Managers Index	58.9	58.7	53.2	0.3%	10.7%
<b>Unemployment</b>					
Unemployment Rate	4.1%	4.3%	4.7%	-0.2%	-0.6%
Unemployment Rate-U6	8.0%	8.5%	9.3%	-0.5%	-1.3%
<b>Interest Rates</b>					
10 Year U.S. Treasury	2.4%	2.2%	2.1%	0.2%	0.3%
30 Year U.S. Treasury	2.8%	2.8%	2.8%	0.0%	0.0%
Federal Funds Rate	1.2%	1.2%	0.4%	0.0%	0.8%
<b>Inflation Measures</b>					
Inflation Rate	2.1%	2.0%	1.8%	0.1%	0.3%
Inflation Rate (All Items Less Food and Energy)	1.7%	1.7%	2.2%	0.0%	-0.5%
Inflation Rate (Shelter)	3.2%	3.2%	3.6%	0.0%	-0.4%
Employment Cost Index	2.7%	2.5%	2.2%	0.2%	0.5%
<b>Stock Prices</b>					
S&P 500	2,603	2,467	2,185	5.5%	19.1%
Dow Jones Industrial Average	23,689	21,891	18,865	8.2%	25.6%

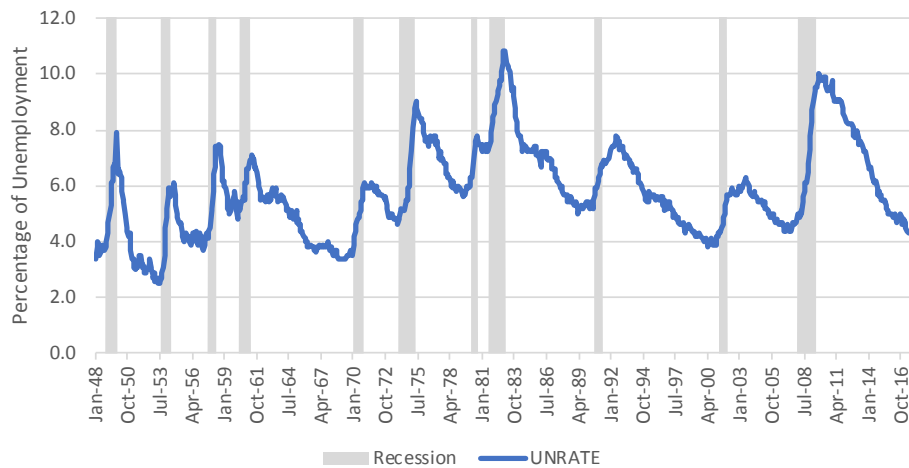
SOURCES IN ORDER OF LISTING: GDP, Consumption, and Investment: Bureau of Economic Analysis; Consumer Expectations: University of Michigan; Industrial Production: Board of Governors of the Federal Reserve System; PMI: Institute for Supply Management; Unemployment: Bureau of Labor Statistics; Inflation: Bureau of Labor Statistics; Stock Prices: S&P Dow Jones Indices, LLC.

Figure 11:

**Real GDP**

Source: Bureau of Economic Analysis

Figure 12:

**U.S. Unemployment: 1948-2017**

Source: Bureau of Labor Statistics

**National Economic Performance**

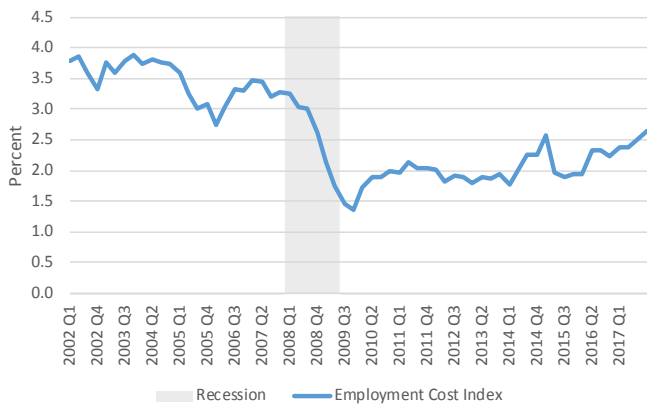
The national economy continues to sit atop the business cycle, with GDP growth at 2.6%, down from 3.2% in Q3 but up from 1.8% in Q4 2016 (figure 11). Consumption remains strong, increasing at 3.8%. Stock market gains were extraordinarily higher in 2017, likely leading to a wealth effect where consumers feel free to spend. Investment remains high at 6.8%, and with tax cuts that are intended to reduce the cost of investment, capital investment is expected to stay relatively high in the short term. Consumer confidence is at its highest level since the year 2000, up 3.5% since last quarter and 5.7% since last year. The purchasing managers index remains high at 58.9, while the industrial production index increased by 2% since last quarter.

U.S. seasonally adjusted unemployment continues to fall from 4.3% the previous quarter to 4.1% in Q4 (figure 12). U6, a

measure of unemployment that counts discouraged workers, fell from 8.5% in Q3 to 8% in Q4. Looking at figure 12, it is worth noting that historically speaking it is unlikely that unemployment gets much lower.

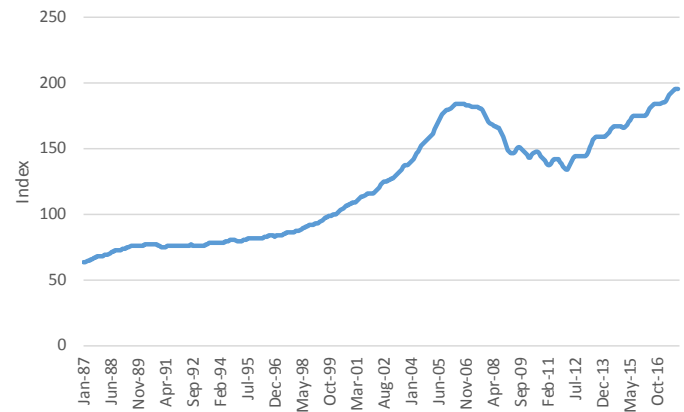
The financial markets had one of the best years on record, with the Dow Jones Industrial Average finishing at 23,689, 25.6% higher than 2016. The S&P finished 19.1% higher than last year. Most economists are warning that stock market growth cannot continue at this pace, with many of the recent tax cuts being priced in during the 2017 year. The Case Schiller home price index (figure 14) shows that home values are now surpassing the peak of 2008. All of this data combined indicate strongly that we are at peak economic performance.

Figure 13:  
**Employment Cost Index**



Source: Bureau of Labor Statistics

Figure 14:  
**S&P/Case Schiller National Home Price Index**



Source: S&P Dow Jones Indices LLC

## Inflation and Interest Rates

Inflation is slowly inching up, a result of a hot economy with wages finally increasing. Inflation came in at 2.1%, which is still in safe territory and not a concern as of yet. The Federal Reserve aims for between 2-3% inflation. The inflation of housing is much higher than the CPI at 3.2%. This is due to rising home values and the associated rents. The employment cost index shows that business costs associated with employment are rising (figure 13). This is a large contributor to the actual inflation rate, but also a sign that the labor market is tight enough that workers can demand higher wages, which is positive.

The Federal Reserve is expected to raise the Federal Funds rate again in their next meeting. As long as growth remains strong and inflation creeps up, small interest rate increases are likely. It is important to point out that inflation numbers are not historically high, and until they increase more, it is unlikely that the Fed drastically increases rates. The 10 year treasury has risen from 2.2% to 2.4%, while the 30 year treasury remains unchanged from last year at 2.8%. The Federal Reserve moved the Federal Funds rate from 0.4% to 1.2% from Q4 2016 to Q4 2017. As a result of this mortgage rates only increased by a small amount, moving from 3.8% to 3.9%.



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