

# MONTROSE COUNTY ECONOMIC UPDATE



Provided by the Business Department  
of Colorado Mesa University

Third Quarter, 2021

## Economic Summary

- The Montrose labor market has made a full recovery in terms of employment, with employment surpassing the October 2019 peak of 21,686 with an April number of 21,917 and a July number of 21,875. Although employment is back to Q4 2019 numbers, because labor force numbers have risen, the unemployment rate currently stands at 5.1% (August), which is higher than October 2019.
- Sales tax collection continues to be strong, up 25% for the city and 26% for the county (with most recent data) compared to a year ago. Telluride sales taxes are up 25%, showing that Telluride tourism has improved, which is good for neighboring Montrose. New business entity filings are up 53 from last year, or 9.43%, showing improved optimism for business creation.
- Although most industries have recovered fully from the lows of April 2020, several have not. Using the most recent industry jobs data from Q1 2021, manufacturing is down 17.5%, while administrative waste services is down 13.4%. Construction (7%) and accommodation and food services (6%) are the other two industries that have not fully recovered since Q4 of 2019.

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## LOCAL ECONOMIC INDICATORS

	Q2 2021	Q1 2021	Q2 2020	change since last quarter	change since last year (comparable quarters)
<b>Local Labor Market</b>					
Unemployment Rate Montrose County-NSA	5.60%	6.53%	10.37%	-0.93%	-4.77%
Unemployment Rate Colorado - NSA	6.10%	6.70%	11.80%	-0.60%	-5.70%
Unemployment Rate U.S. - NSA	5.80%	6.50%	12.90%	-0.70%	-7.10%
Labor Force	22,869	21,658	21,333	1,211	1,536
Employed	21,592	20,250	19,123	1,342	2,469
Unemployed	1,277	1,408	2,211	-131	-933
<b>Business Confidence</b>					
Leeds Colorado Business Confidence	67.3	64.4	44.3	4.50%	51.92%
<b>Sales/Use Taxes</b>					
City Sales/Use Taxes (YTD, June)	\$11,046,937		\$8,826,641		25.15%
County Sales/Use Tax (YTD, April)	\$5,868,352		\$4,633,321		26.66%
Hotel and Restaurant Tax (YTD, July)	\$397,583		\$296,882		33.92%
Telluride Sales/Use Tax (YTD, June)	\$4,158,872		\$3,326,038		25.04%
<b>Business Filings</b>					
	<b>2021 (YTD)</b>		<b>2020 (YTD)</b>		
Montrose County New Business Entity Filings (as of September)	615		562		9.43%

Montrose Regional Airport	2021	2020	% change from last year		
Enplanements (YTD, May)	129,192	74,683	72.99%		
Standard of Living and Growth	2019	2018	2017	% change since 2018	% change from 2017
Regional GDP	\$1,500,154	\$1,458,055	\$1,360,761	2.89%	10.24%
Personal Income	\$1,789,492	\$1,735,660	\$1,596,048	3.10%	12.12%
Personal Income Per Capita	\$41,852	\$41,124	\$38,226	1.77%	9.49%
Median Household Income	\$50,707	\$52,576	\$51,031	-3.55%	-0.63%
Percent of Population Below Poverty Line	15.1%	16.7%	17.80%	-1.60%	-2.70%
	2020	2019	2018	% change since 2019	% change from 2018
Population	43,322	42,791	42,309	1.24%	2.39%

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 has made a full recovery in terms of employment, with employment surpassing the October 2019 peak of 21,686 with an April mark of 21,917 and a July number of 21,875 (figure 1). The labor force has expanded since October of 2019, however, it is at 22,572 in August, compared to 22,219 in October of 2019, resulting in a higher unemployment rate. There are still approximately 700 more unemployed than at the peak of the business cycle in October of 2019.

The Montrose unemployment rate in August sits at 5.1%, trending lower since the winter months (figure 2). Both the employment data above, as well as the unemployment rate, are not seasonally adjusted. Montrose has a lower unemployment rate than Mesa County (5.7%) and Colorado (5.4%).

Montrose is performing well compared to the state and neighboring Mesa County. If you take October of 2019 employment numbers for Colorado and compare it to August 2021 numbers, Colorado is down 41,968 or 1.37%. If you do the same calculation for Mesa County, Mesa is down 2,255 in employment, or 3%, which is worse than the state. Montrose County, however, has the best percentage recovery of the three with losses of 264, or 1.2%.

Figure 3 illustrates average employment gains/losses per year. Year to date, Montrose has gained back 850 of the 909 jobs lost during 2020.

This is an interesting time for labor markets, as both employment and the labor force are down nationwide since Fall 2019. Several explanations for the lack of recovery in the labor market have been given, including extended unemployment benefits, lack of childcare, people wanting to work remotely and willing to leave their job to find this option, skills mismatch, a work culture mismatch between employers and new workers entering the job market, baby boomers retiring earlier than

Table 1:

### 1, 5, and 10 Year Employment Comparison (Yearly Data)

	Labor Force	Employed	Unemployed
<b>Annual</b>	1,536	2,469	-933
<b>5-Year</b>	2,694	2,244	450
<b>10-Year</b>	2,953	4,028	-1,075
<b>Annual %</b>	7.20%	12.91%	-42.22%
<b>5-Year %</b>	13.35%	11.60%	54.45%
<b>10-Year %</b>	14.83%	22.93%	-45.71%

expected, the continued threat of the Delta variant for the immunocompromised, new workforce participants having a higher reservation wage due to increased cost of living, and a variety of other explanations. Concerns in the labor market are not just a local issue, it is an issue everywhere, and it is proving to be a constraint on employment growth.

Sales tax collection continues to be strong, up 25% for the city and 26% for the county (with most recent data) compared to a year ago. Telluride sales taxes are up 25%, showing that Telluride tourism has improved which is good for neighboring Montrose.

The Leeds Business Confidence Index shows that business optimism is rising, although with a smaller increase from the previous quarter's jump, with an increase in the index from 64.4 to 67.3. The big increase in the index came last quarter, rising from 47.9 to 64.4.

New business entity filings are up 53 from last year, or 9.43%, showing improved optimism for business creation.

Figure 1:  
**2 Year Employment**

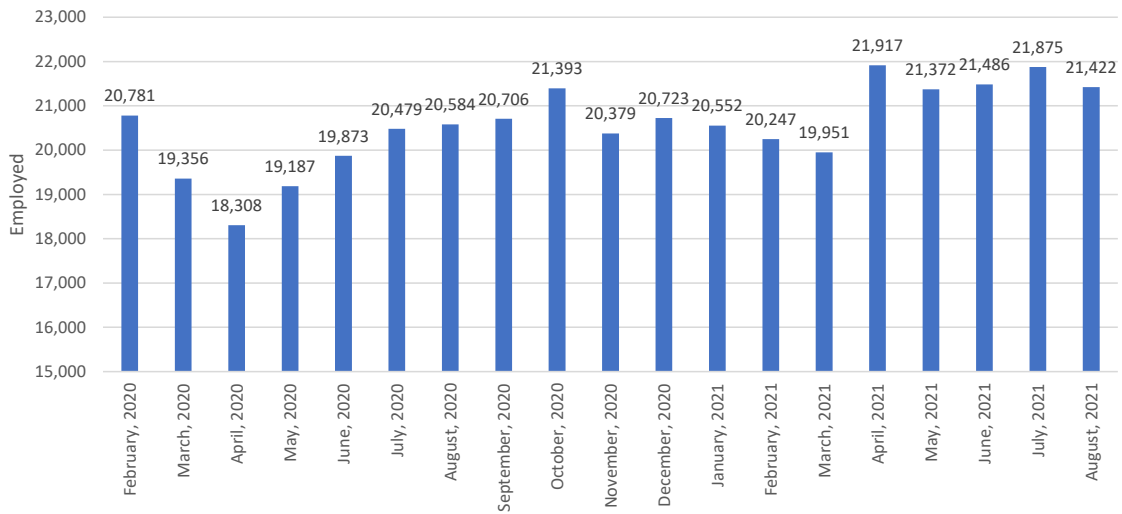


Figure 2:  
**Montrose and Colorado Unemployment**

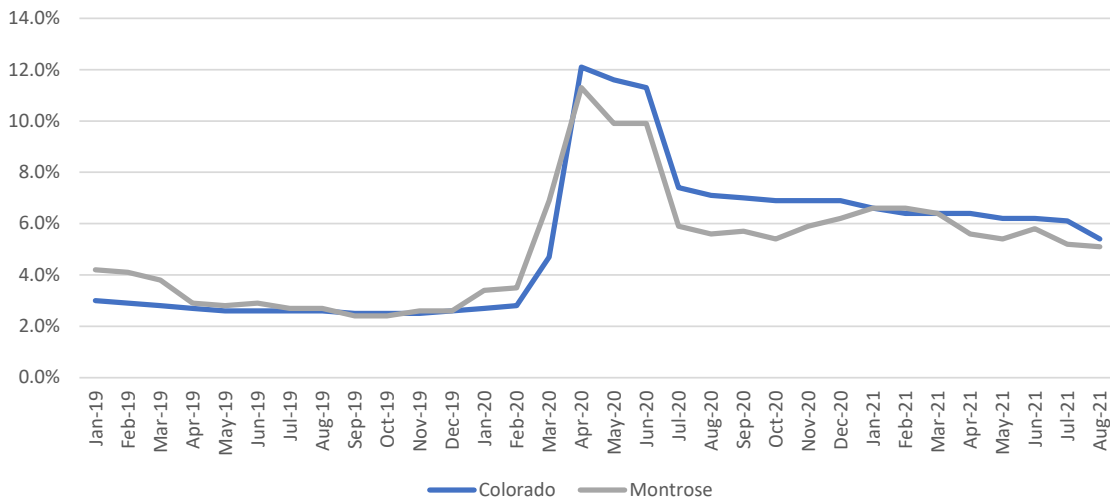
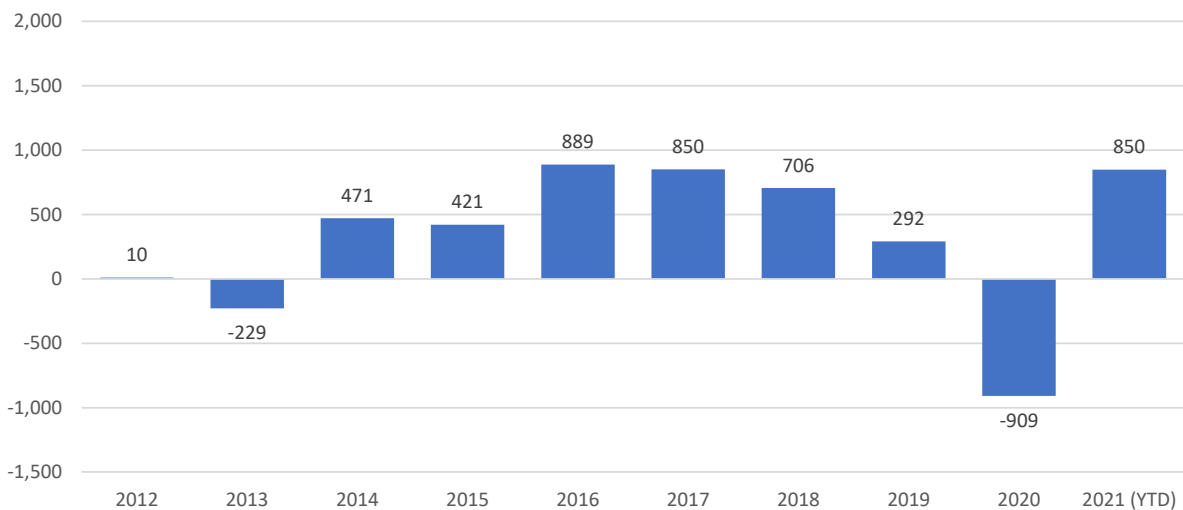


Figure 3:  
**Change in Average Employment, Yearly**



## Montrose County Employment Trends

Montrose QCEW data from Q1 2020 to Q1 2021 shows a slight decline in jobs and wages, which was expected because March of 2020 is when the economy started to grind to a halt due to the pandemic. Figure 4 and 5 show job gains/losses and wage gains/losses by industry. Job gains were in retail trade and transportation and warehousing, while job losses were primarily in manufacturing. Figure 7 illustrates job gains/losses from Q4 of 2020 to Q1 2021, a most recent quarter comparison. Figure 6 illustrates the percentage change in jobs losses/gains compared to Q4 2019, which was the top of the business cycle. Industries that have not fully recovered were selected for the graph (except retail trade). Manufacturing is down 17.5%, while administrative waste services is down 13.4%. Construction (7%) and accomodation and food services (6%) are the other two industries that have not fully recovered since Q4 of 2019. Note that QCEW data has a 6 month lag, so Q1 2021 is the most recent data point for industry level data. Educational services and management of companies and enterprises are both omitted due to lack of reporting data points.

Table 2:

### Quarterly Census of Employment and Wages (QCEW) Q1 2021 Compared to Q1 2020

Sector	Average Employment Q1 2020	Total Quarterly Wages (Q1 2021)	Average Weekly Wage (Q1 2021)	Total Employment Change (Q1 2020 to Q1 2021)	Total Wage Change (Q1 2020 to Q1 2021)
Total, All Industries	14,994	\$158,979,837	\$816	-266	-\$303,316
Health Care and Social Assistance	2,924	\$32,429,374	\$853	-30	-\$990,044
Retail Trade	2,345	\$20,155,469	\$661	141	\$1,858,417
Public Administration	1,032	\$15,903,698	\$1,185	23	\$137,506
Construction	1,309	\$15,080,980	\$886	11	-\$205,993
Manufacturing	1,016	\$11,166,338	\$845	-197	-\$608,958
Accommodation and Food Services	1,406	\$7,100,459	\$388	-6	\$234,853
Transportation and Warehousing	704	\$6,539,862	\$715	54	-\$301,443
Professional and Technical Services	450	\$6,057,272	\$1,035	-7	\$754,489
Wholesale Trade	387	\$5,609,341	\$1,115	23	\$2,277
Finance and Insurance	296	\$4,706,348	\$1,223	7	\$231,095
Utilities	245	\$4,653,055	1,461	-20	-\$816,786
Other Services, Ex. Public Admin	389	\$4,145,964	\$820	-44	-\$287,441
Real Estate and Rental and Leasing	352	\$3,886,183	\$849	-19	\$194,511
Administrative and Waste Services	458	\$3,766,172	\$633	-17	\$103,602
Information	160	\$2,177,095	\$1,047	-18	\$384,005
Management of Companies and Enterprises	100	\$2,081,550	\$1,601	N/A	N/A
Agriculture, Forestry, Fishing & Hunting	228	\$1,952,573	\$659	0	-\$70,512
Arts, Entertainment, and Recreation	238	\$1,724,141	\$557	-39	\$421,316
Mining	25	\$456,169	\$1,404	1	-\$141,851

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	2019	2018	2017	% change since 2018	% change from 2017
Farm Employment	1,128	1,134	1,133	-0.53%	-0.44%
Sole Proprietors (non-farm)	7,132	6,939	6,734	2.78%	5.91%

Figure 4:  
**Total Wage Changes from Q1 2020 to Q1 2021**

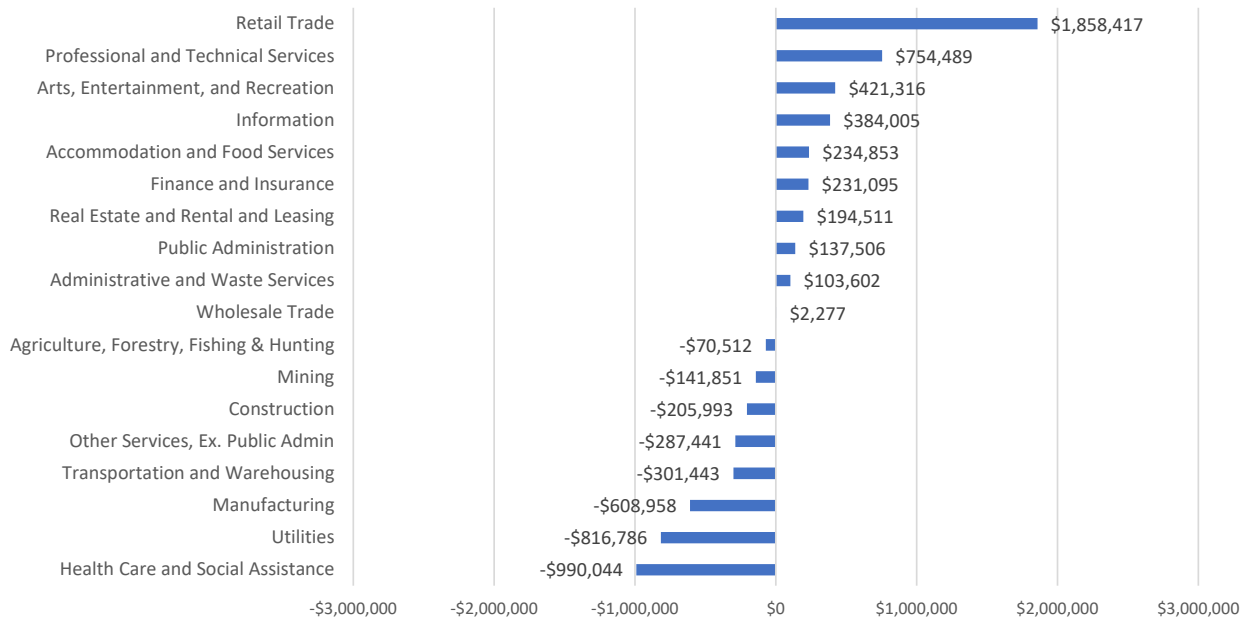


Figure 5:  
**Total Jobs Change from Q1 2020 to Q1 2021**

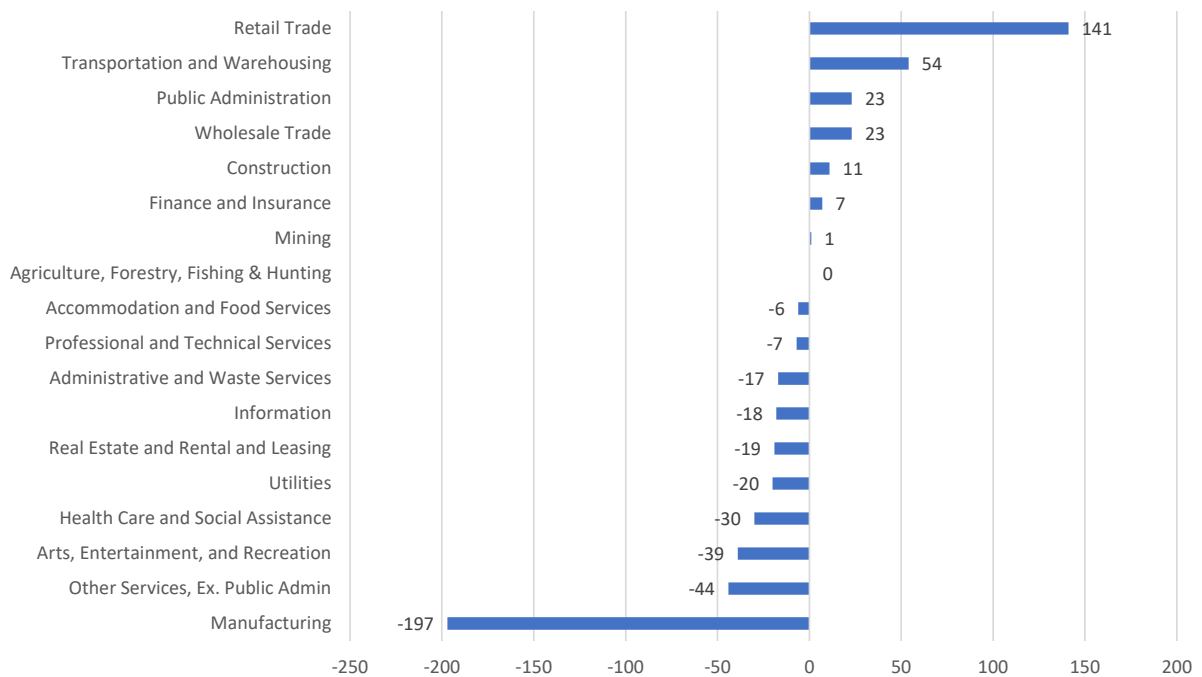


Figure 6:  
**Job Losses Percentage Compared to Q4 2019**

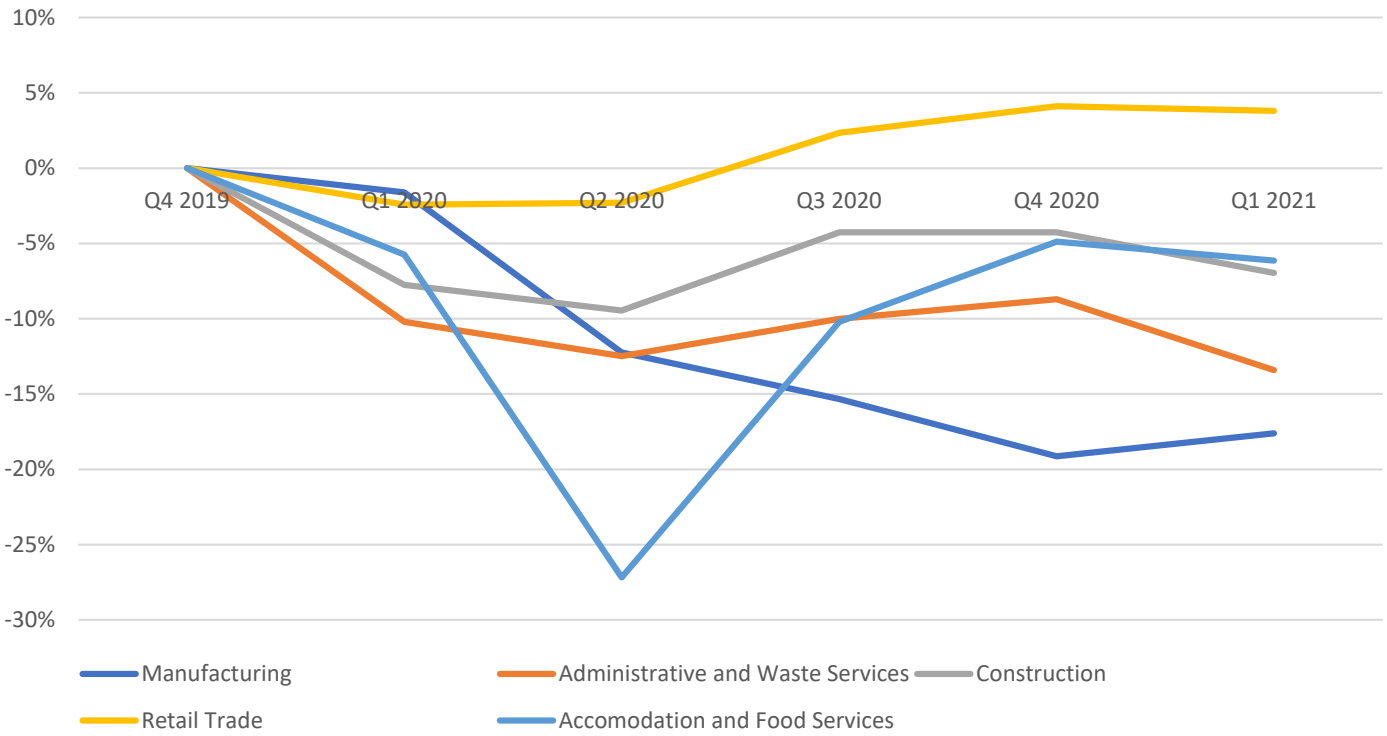
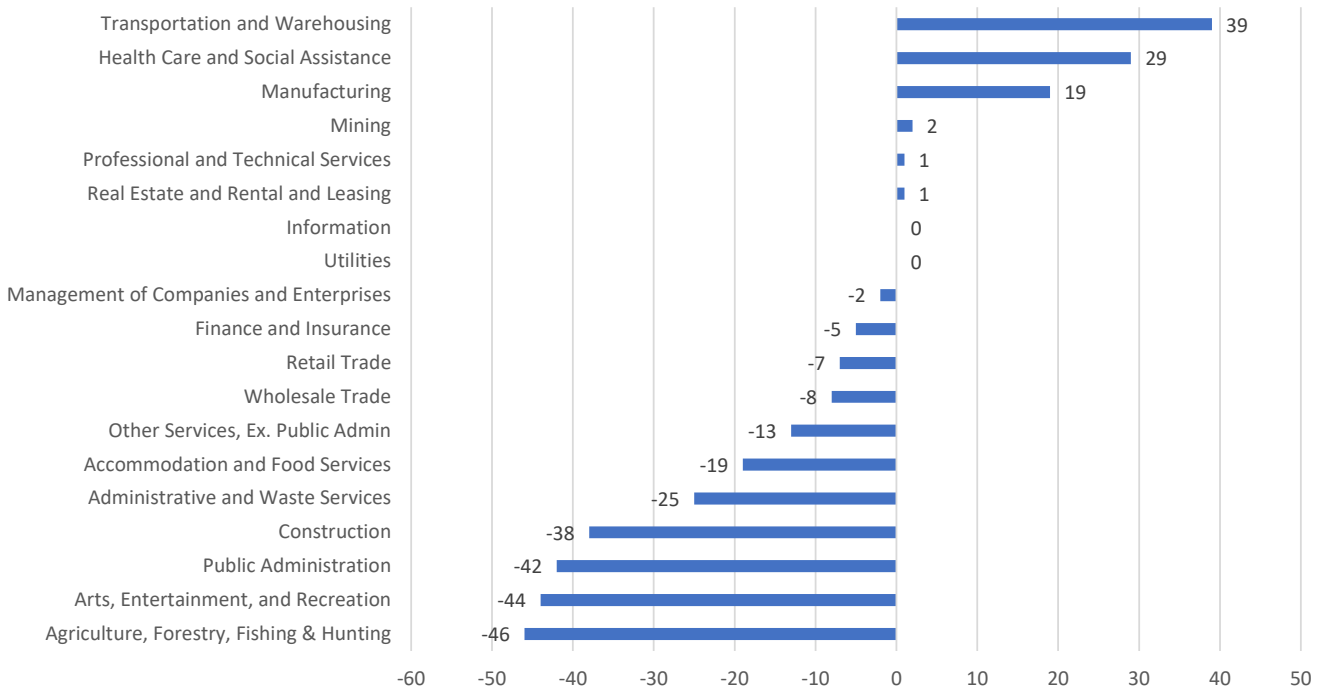


Figure 7:  
**Total Jobs Change from Q4 2020 to Q1 2021**



## LOCAL REAL ESTATE

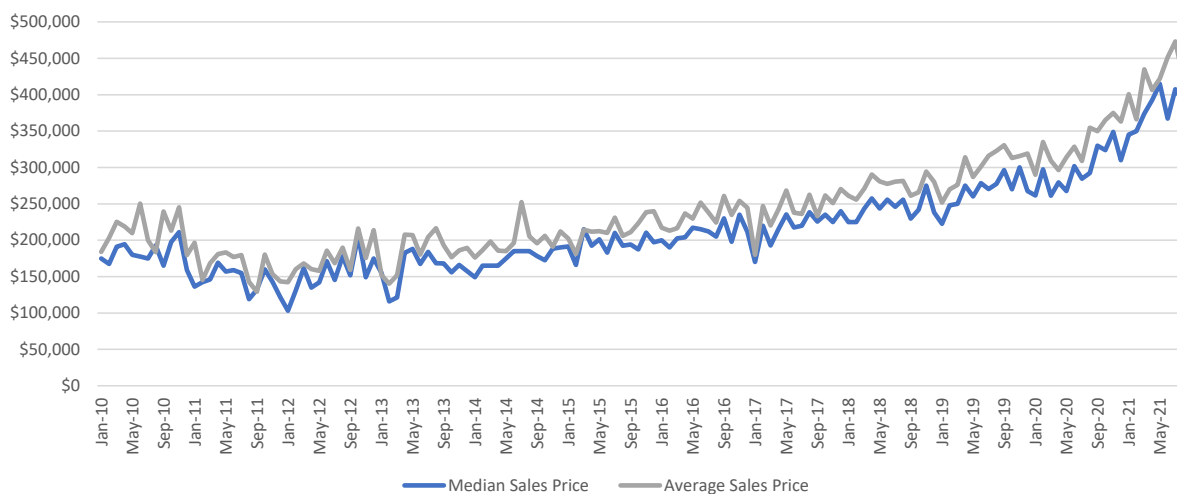
	Q2 2021	Q2 2020	% change since last year
<b>Real Estate</b>			
Inventory of Homes for Sale (3 month avg)	92	196	-53.31%
New Residential Listings (3 month total)	261	237	10.13%
Sold Residential Listings (3 month total)	230	142	61.97%
Median Sales Price	\$391,483	\$282,983	38.34%
Average Sales Price	\$426,570	\$313,041	36.27%
Days on Market	85.67	94.33	-9.19%
Months Supply of Inventory	1.33	3.47	-61.54%
Total Building Permits	621	401	54.86%
Total Building Permit Valuation	\$96,874,846	\$47,739,026	102.93%
Single Family Home Permits	280	148	89.19%
Single Family Home Permit Valuation	\$47,070,921	\$21,536,367	118.56%
<b>Foreclosures</b>			
Foreclosure Filings	5	13	-61.54%
Foreclosure Sales	4	2	100.00%
<b>Mortgage Rates</b>			
30 Year Mortgage Rate	2.31%	2.71%	-0.40%
15 year Mortgage Rate	3.00%	3.24%	-0.24%

SOURCES IN ORDER OF LISTING: Real Estate: Colorado Association for 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 real estate market Q2 of 2021 was one of the tightest real estate markets in history, both nationally and locally. Inventory of homes fell to 92, a 53% drop from the same time last year. Median sales price was 38.34% higher than Q2 of 2020, while the average sales price was 36.27% higher. Days on market fell from 94.33 to 85.67, a drop of 9.19% from last year. Perhaps the most interesting data point for the quarter is the percentage of sales price received. The percentage of list price received moved past 100%, implying that home purchases were completed for more than the list price in the average transaction. Building permits increased by 54.86%, while single family home permits increased by 89.19%, rising from 148 to 280, a considerable increase needed to meet housing demand.

Figure 8:  
**Median and Average Home Value**



## REGIONAL ENERGY

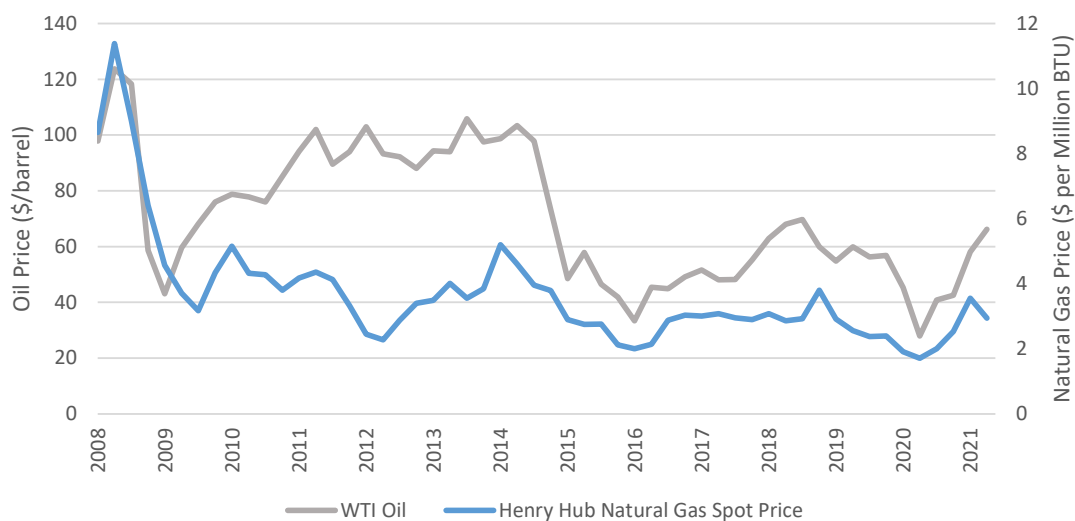
	Q2 2021	Q1 2021	Q2 2020	% change since last quarter	% change since last year (comparable quarters)
<b>Energy Prices</b>					
WTI Crude Oil	\$66.19	\$58.09	\$27.96	13.94%	136.73%
Henry Hub Natural gas	\$2.94	\$3.56	\$1.71	-17.42%	71.93%
Retail Gasoline Price	\$2.87	\$2.46	\$1.83	16.79%	57.08%

Drilling Permits	2021 (YTD)	2020 (YTD)	% Change since same time last year
Drilling Permits (Mesa County)	1	0	N/A
Drilling Permits (Rio Blanco County)	33	59	-44.07%
Drilling Permits (Garfield County)	127	149	-14.77%
Drilling Permits (Moffat County)	1	7	-85.71%
Total Permits (Mesa, Rio Blanco, Garfield, Moffat)	162	215	-24.65%
Total Permits (Colorado)	1,543	2,032	-24.06%

Local Rig Count	Sept-21	May-21	Sept-20
Rig Count (Western Colorado, Mesa, Rio Blanco, Garfield, Moffat)	2	3	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 9:  
**Oil and Natural Gas Prices**





## NATIONAL ECONOMIC INDICATORS

	Q2 2021	Q1 2021	Q2 2020	% change since last period	% change since last year (comparable quarters)
<b>Business Cycle Indicators</b>					
Real GDP	6.60%	6.30%	-31.20%	0.30%	37.80%
Personal Consumption Expenditures	11.90%	11.40%	-33.40%	0.50%	45.30%
Gross Private Domestic Investment	-4.00%	-2.30%	-48.80%	-1.70%	44.80%
National Consumer Confidence	85.6	80.2	74.1	6.73%	15.52%
Industrial Production Index	99.8	98.3	87.1	1.50%	14.60%
Initial Weekly Unemployment Claims (4 week MA)	520,038	805,615	3,011,942	-35.45%	-82.73%
Non Farm Payroll Change (in thousands)	1,693,000	736,000	-18,200,667	130.03%	-109.30%
<b>Unemployment</b>					
Unemployment Rate-U3-SA	5.90%	6.20%	13.10%	-0.30%	-7.20%
Unemployment Rate-U6-SA	10.10%	11.00%	20.70%	-0.90%	-10.60%
<b>Interest Rates</b>					
Federal Funds Rate	0.07%	0.08%	0.06%	-0.01%	0.01%
10 Year U.S. Treasury	1.59%	1.32%	0.69%	0.27%	0.90%
30 Year U.S. Treasury	2.26%	2.09%	1.38%	0.17%	0.88%
<b>Inflation Measures</b>					
Inflation Rate (CPI)	4.80%	1.89%	0.43%	2.91%	4.37%
Core Inflation Rate (All Items Less Food and Energy)	3.74%	1.44%	1.30%	2.29%	2.44%
Inflation Rate (Shelter)	2.29%	1.59%	2.52%	0.70%	-0.23%
Producer Price Index (PPI)	18.59%	7.01%	-6.42%	11.58%	25.01%
Employment Cost Index	2.84%	2.72%	2.70%	0.13%	0.14%
<b>Stock Prices</b>					
S&P 500	4,184	3,866	2,932	8.22%	42.70%
Dow Jones Industrial Average	34,121	31,551	24,571	8.15%	38.87%
<b>Trade Balance and Debt</b>					
Trade Balance (% of GDP)	-884.675	-872.54	-538.876	1.39%	64.17%
Federal Debt (% of GDP)*	127.7%	108.1%	108.1%	19.5%	19.5%

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 10:

**Real GDP**

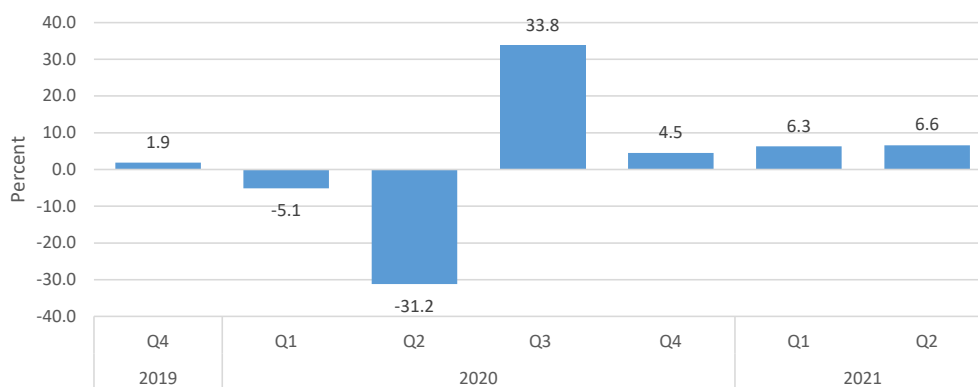
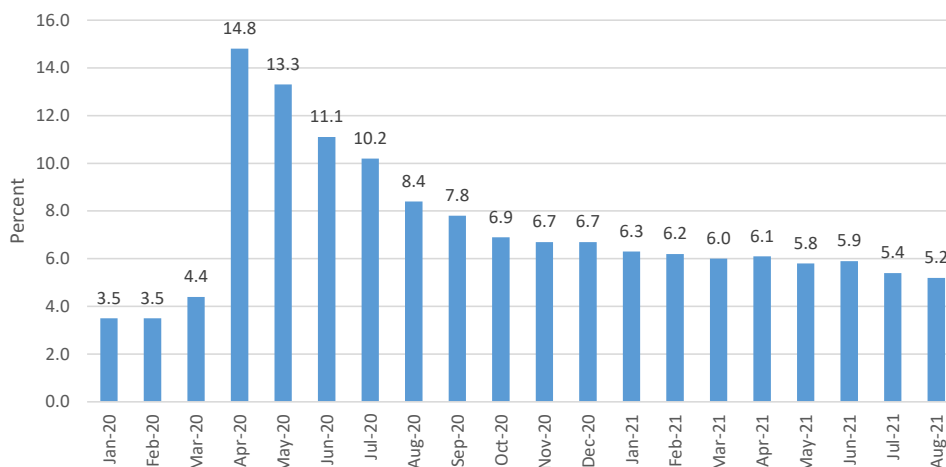


Figure 11:

**U.S. Unemployment: January 2020 through August 2021**



**National Economic Performance**

U.S. growth was strong in quarter 2 coming in at a 6.6% growth rate (figure 10). The Atlanta Federal Reserve’s GDP Now forecast as of September 10th is 3.7% for Q3 GDP. The Delta variant spike over the last few months is expected to keep Q3 growth lower than was initially expected.

The national unemployment rate fell to 5.2% in August due to the U.S. economy adding 1,701,000 jobs in Q2 (figure 11). This Q2 jobs report was huge, as was the July employment number, but the August monthly report was disappointing, only adding 235,000 vs. the expected 720,000 jobs. The GDP gap now stands at \$336 billion. Figure 12 illustrates the GDP gap, and although we have now surpassed the previous high in GDP, reaching potential output is the ultimate goal for the economy.

**Inflation**

After discussing the potential for inflation in last quarter’s newsletter, inflation has finally arrived with a July inflation rate of 5.4%. The March rate was at 2.6%, rising to 4.2% in April, 5% in May, 5.4% in June, and finally 5.4% in July (figure 14). The debate over whether inflation will be transitory or not is still raging, however, the more months we have inflation the more likely it will persist. The last newsletter discussed four factors driving inflation including pent up demand, supply chain effects, a tight

labor market, and rising energy costs. I also explained how wages tend to be “sticky,” and are a key indicator for persistent inflation, and also discussed the idea of inflation expectations.

One last point I would like to introduce is the idea of menu costs, the theory that as firms raise prices due to the factors listed above, even if intending to be temporary, the most likely they are to stay at the increased price. This is because there is a cost to changing prices for firms, as it both takes time and effort to change a price and creates consumer confusion. In addition to this, if firms know people are willing to pay these higher prices, and people are used to them, why would they lower the prices even after supply chain problems work themselves out? The point of the menu costs theory is to show that once prices rise, there are many logical reasons they may not come down, which can cause inflation.

The Fed has signalled in their meetings that they are considering inflation a bigger threat than before, although it is still not their top priority, as their top priority is full labor market recovery (reaching the natural rate of unemployment, or in GDP terms, reaching the point of potential output in figure 12). To prevent inflation, the Fed will likely start tapering their purchases of bonds, which means they will reduce over time their purchase of longer maturity treasury bonds, putting upward pressure on long term interest rates.

Figure 12:  
**GDP Gap**

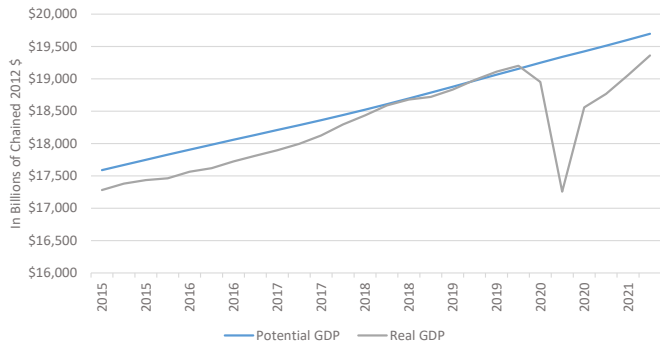


Figure 13:  
**National Consumer Confidence**

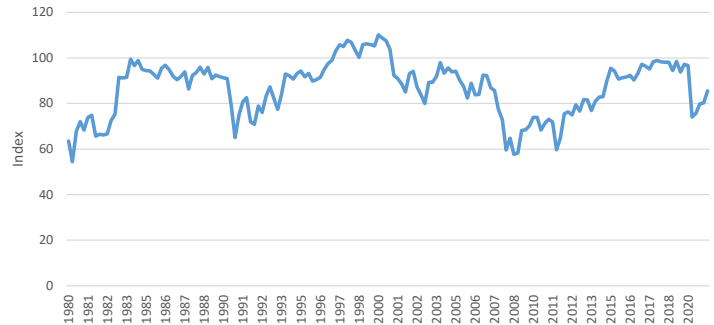
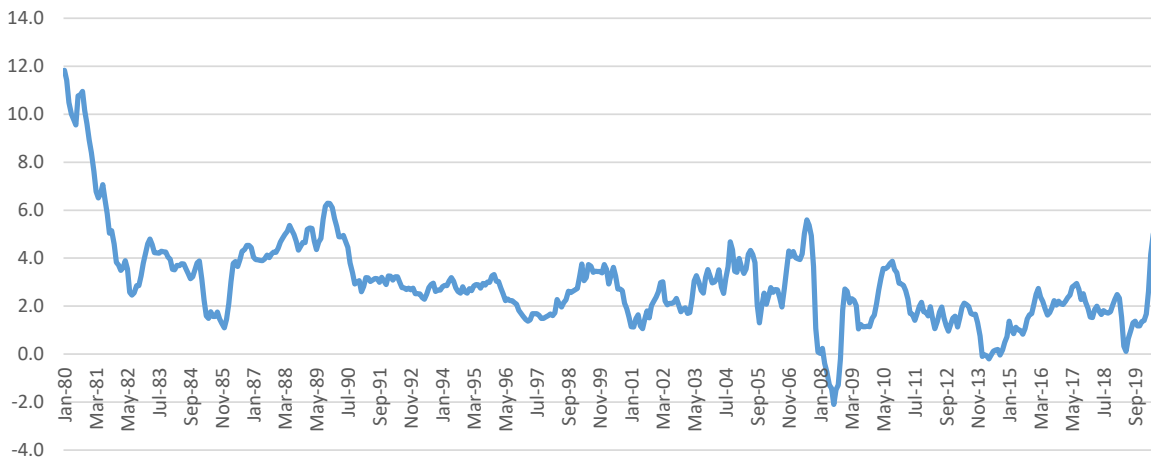


Figure 14:  
**Inflation Rate**



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