

MONTROSE COUNTY ECONOMIC UPDATE

Fourth Quarter, 2021



Provided by the Business Department
of Colorado Mesa University

Economic Summary

- Montrose County real GDP fell by 0.77% in 2020. National GDP fell by 3.4%, Colorado's GDP number fell by 3%, while Mesa County lost 3.14%. This puts Montrose County as a comparatively strong performer for 2020.
- The Montrose County labor market in Q3 had an average unemployment rate of 4.90% (non-seasonally adjusted). This is slightly higher than Delta County (4.77%) but lower than Mesa County (5.70%) and Colorado (5.40%). Montrose's latest monthly unemployment rate for October was 4%.
- Q2 2021 QCEW data shows that most industries in Montrose that were hurt during Covid have made either a full recovery or close to it. The exception is manufacturing, which continues to lose jobs.
- The November inflation rate was 6.9%, the highest since October of 1990 (6.37%), and the highest since June of 1982. The largest changes in inflation were in energy, which has increased 33.3% since November of last year. New vehicles rose 11.1%, while used vehicles rose 31.4%. Food prices rose 6.4% at the grocery store, while food away from home rose 5.8%.

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LOCAL ECONOMIC INDICATORS

	Q3 2021	Q2 2021	Q3 2020	change since last quarter	change since last year (comparable quarters)
Local Labor Market					
Unemployment Rate Montrose County-NSA	4.90%	5.60%	5.73%	-0.70%	-0.83%
Unemployment Rate Colorado - NSA	5.40%	6.10%	7.10%	-0.70%	-1.70%
Unemployment Rate U.S. - NSA	5.20%	5.80%	8.90%	-0.60%	-3.70%
Labor Force	22,595	22,869	21,839	-274	755
Employed	21,486	21,592	20,590	-105	897
Unemployed	1,108	1,277	1,250	-169	-141
Business Confidence					
Leeds Colorado Business Confidence	67.3	64.4	44.3	4.50%	51.92%
Sales/Use Taxes					
City Sales/Use Taxes (YTD, Sept)	\$17,249,683		\$14,348,507		20.22%
County Sales/Use Tax (YTD, Sept)	\$14,623,439		\$12,289,058		19.00%
Hotel and Restaurant Tax (YTD, Sept)	\$538,452		\$417,790		28.88%
Telluride Sales/Use Tax (YTD, Sept)	\$7,541,928		\$5,983,108		26.05%
Business Filings					
	2021 (YTD)		2020 (YTD)		
Montrose County New Business Entity Filings (as of Dec 5th)	791		725		9.10%

Montrose Regional Airport	2021	2020			% change from last year
Enplanements (YTD, May)	129,192	86,815			48.81%
Standard of Living and Growth	2019	2018	2017	2016	% change since 2018
Median Household Income	\$50,707	\$52,576	\$51,031	-3.55%	-3.55%
Percent of Population Below Poverty Line	15.1%	16.7%	17.80%	-1.60%	-1.60%
	2020	2019	2018	2017	% change since 2019
GDP Estimates	\$1,500,154	\$1,458,055	\$1,360,761	2.89%	2.89%
Population	43,322	42,791	42,309	41,795	1.24%
Personal Income	\$1,960,840	\$1,793,896	\$1,731,853	\$1,579,464	9.31%
Per Capita Personal Income	\$45,262	\$41,922	\$40,933	\$37,791	7.97%

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 labor market showed a Q3 average unemployment rate of 4.90% (non-seasonally adjusted). This is slightly higher than Delta County (4.77%) but lower than Mesa County (5.70%) and Colorado (5.40%). Montrose's latest monthly unemployment rate for October was 4%. October is generally peak employment season when the bottom unemployment rate due to seasonal employment changes. Employment estimates average 21,486 for Q3, with the October number at 21,828. Using a simple trend line estimate from early 2020, Montrose County is adding approximately 111 in employment per month. There are of course seasonal fluctuations, but that is the general trend.

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

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

Table 1:

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

	Labor Force	Employed	Unemployed
Annual	755	897	-141
5-Year	2,085	1,697	388
10-Year	2,385	3,433	-1,048
Annual %	3.46%	4.35%	-11.31%
5-Year %	10.16%	8.58%	53.79%
10-Year %	11.80%	19.01%	-48.59%

Standard of Living Measures

The Bureau of Economic Analysis has released several important data points, including 2020 GDP and job data. Montrose's real GDP in 2020 was slightly negative at -0.77%. Montrose lost GDP but had a better growth rate than the nation, state, and neighboring Mesa County. The GDP numbers are discussed in details in a later section below. Figure 6 illustrates the BEA's estimates of jobs for Montrose County. Note that jobs and employment are different, as a person can have two jobs, but be employed only once. Montrose County fell from 24,256 in 2019 to 23,517 in 2020. This was not unexpected given the economic conditions of 2020.

In addition to the GDP and accompanying jobs data, income per capita was also released and shows that income per capita increased from \$41,922 to \$45,262, or an 8% increase. Income per capita takes all personal income in the county and divides by the population.

Figure 1:
2 Year Employment

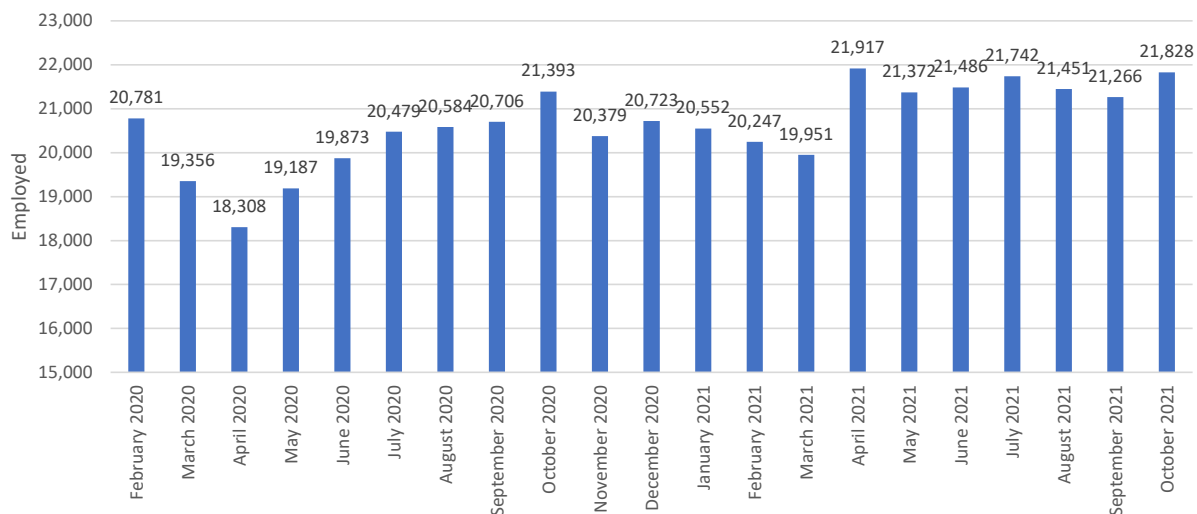


Figure 2:
Montrose and Colorado Unemployment

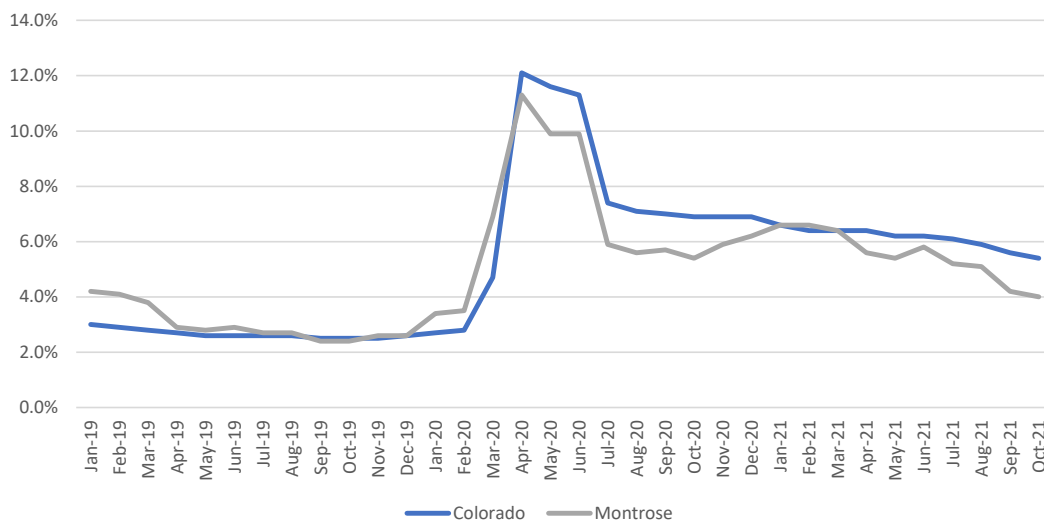


Figure 3:
Montrose Unemployed

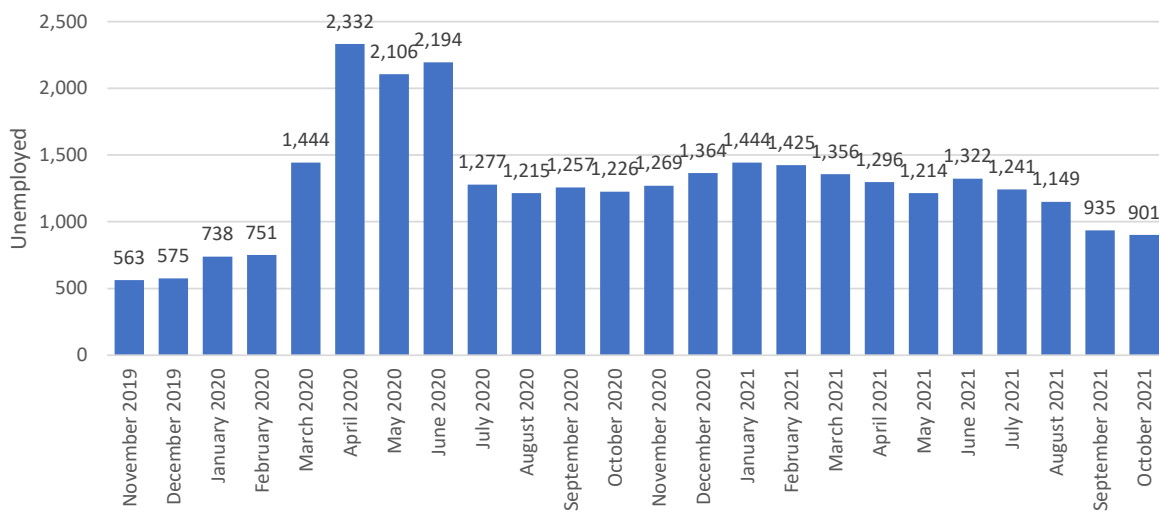


Figure 4:

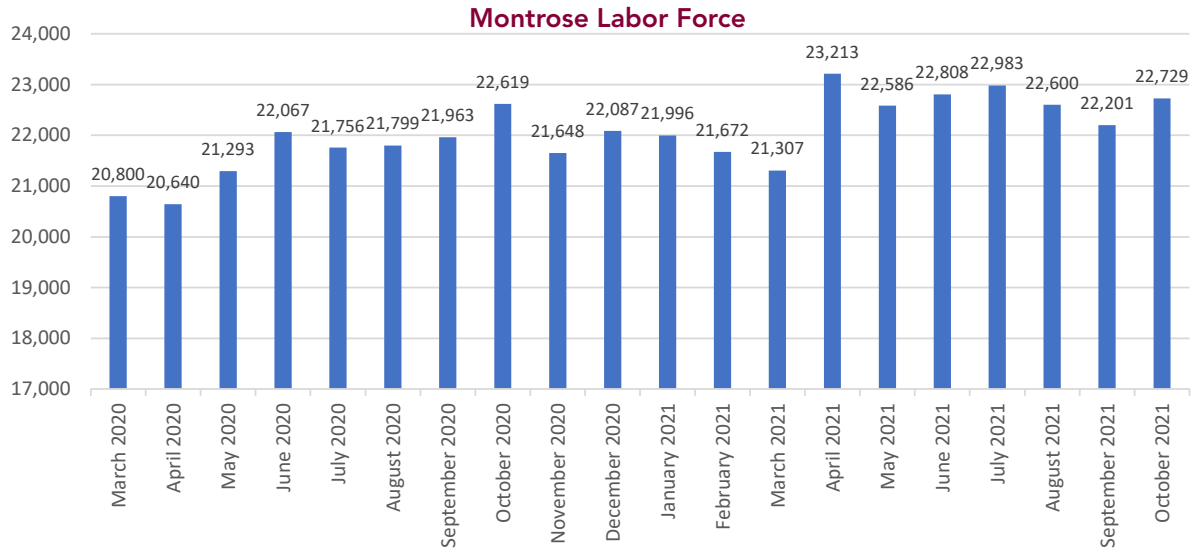


Figure 5:

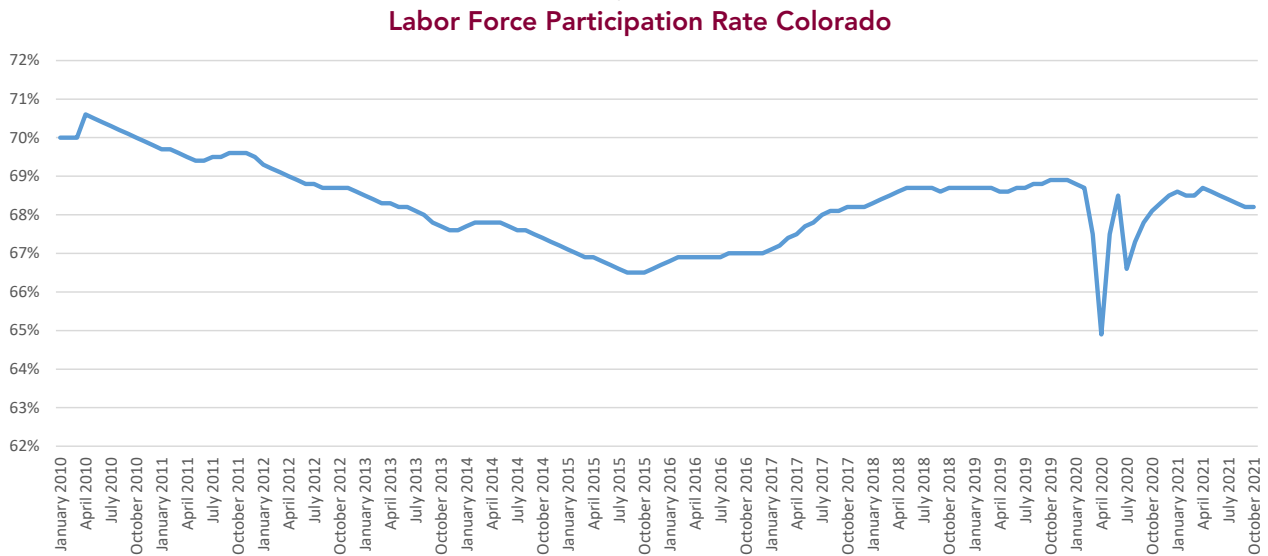
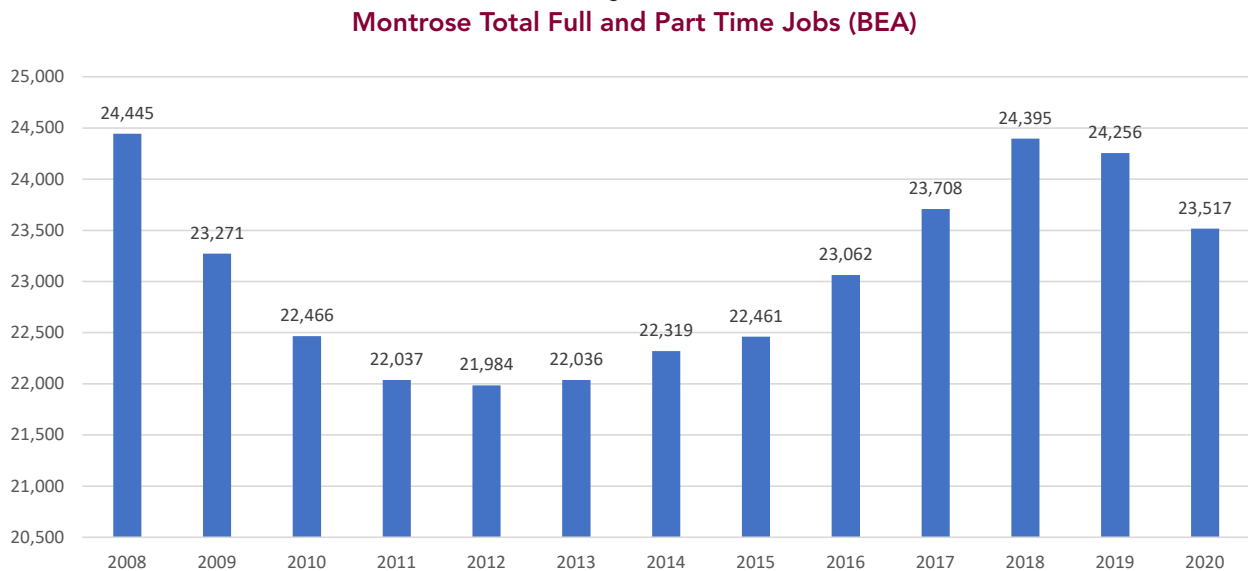


Figure 6:



2020 GDP Data

County level Gross Domestic Product (GDP) numbers were released by the Bureau of Economic Analysis in December and show that Montrose County real GDP fell by -0.77% in 2020. Real GDP means the GDP number is adjusted for inflation, and this data at the county level takes almost a year to be released. Figure 6 illustrates the percentage change in GDP since 2007, and shows that the 2020 GDP number puts an end to Montrose County's 3-year growth spurt. Point of comparison is always important in these figures, so it is important to note that the National GDP fell by 3.4%, Colorado's GDP number fell by 3%, and Mesa County lost 3.14%. This puts Montrose County as relatively strong performer for 2020.

The biggest contributor to the GDP loss was the manufacturing sector, followed by accommodation and food services (table 3). Agriculture was the biggest gainer and primarily responsible for offsetting most of the 2020 losses, contributing an almost 2% gain to 2020 GDP. Note that the Bureau of Economic Analysis made some changes to their methodology, which changed the GDP estimates over the time series slightly. Specifically for Montrose County, they revised the farm estimates based on the 2017 Census of Agriculture, which increased farm output estimates in the GDP numbers.

Table 2:
GDP Growth Rate Comparisons

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

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

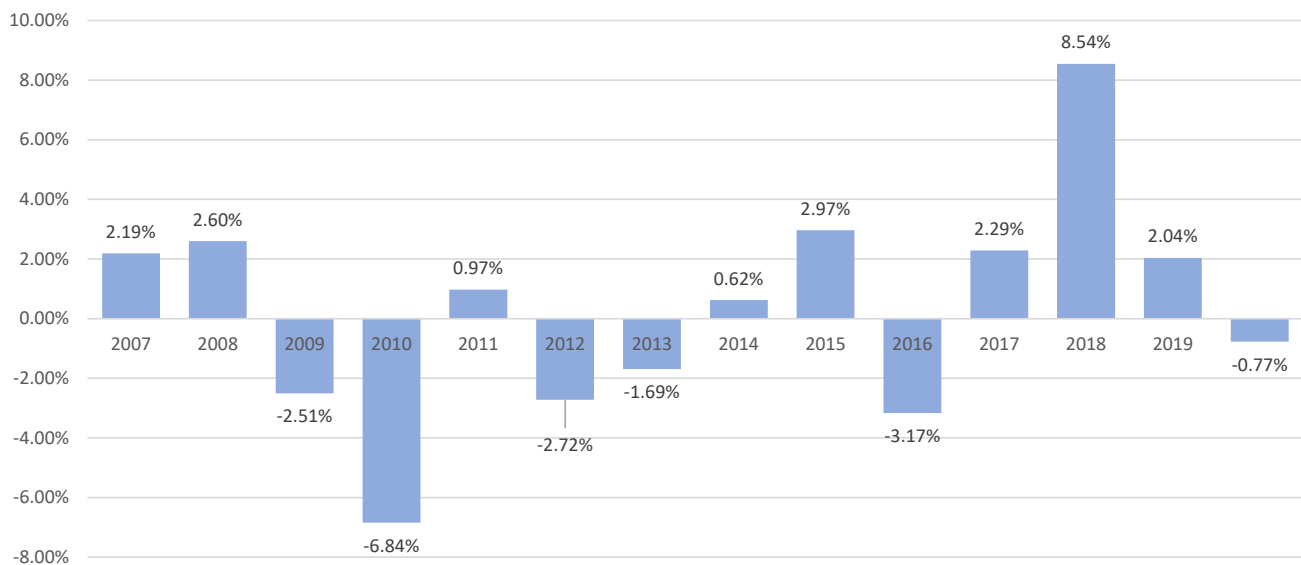


Table 3:
Mesa County Real GDP by Industry (in thousands)

Industry Category	2019 GDP	2020 GDP	Difference in Dollars	Difference in Percent
All industry total	\$1,478,875	\$1,467,479	-\$11,396	-0.77%
Agriculture, forestry, fishing and hunting	\$8,389	\$38,994	\$30,605	364.82%
Mining, quarrying, and oil and gas extraction	\$5,525	\$4,093	-\$1,432	-25.92%
Utilities	\$48,814	\$46,052	-\$2,762	-5.66%
Construction	\$122,806	\$117,981	-\$4,825	-3.93%
Manufacturing	\$113,836	\$101,594	-\$12,242	-10.75%
Durable goods manufacturing	\$58,125	\$55,708	-\$2,417	-4.16%
Nondurable goods manufacturing	\$55,372	\$45,204	-\$10,168	-18.36%
Wholesale trade	\$41,402	\$40,768	-\$634	-1.53%
Retail trade	\$142,941	\$152,398	\$9,457	6.62%
Transportation and warehousing	\$31,459	\$30,032	-\$1,427	-4.54%
Information	\$39,360	\$39,931	\$571	1.45%
Finance, insurance, real estate, rental, and leasing	\$334,520	\$338,008	\$3,488	1.04%
Finance and insurance	\$33,711	\$35,572	\$1,861	5.52%
Real estate and rental and leasing	\$302,561	\$303,813	\$1,252	0.41%
Professional and business services	\$121,740	\$114,506	-\$7,234	-5.94%
Professional, scientific, and technical services	\$45,372	\$44,695	-\$677	-1.49%
Management of companies and enterprises	\$43,676	\$40,093	-\$3,583	-8.20%
Administrative and support and waste management and remediation services	\$34,239	\$31,121	-\$3,118	-9.11%
Educational services, health care, and social assistance	\$117,825	\$114,050	-\$3,775	-3.20%
Educational services	\$1,909	\$1,446	-\$463	-24.25%
Health care and social assistance	\$115,959	\$112,689	-\$3,270	-2.82%
Arts, entertainment, recreation, accommodation, and food services	\$52,302	\$43,862	-\$8,440	-16.14%
Arts, entertainment, and recreation	\$8,753	\$7,415	-\$1,338	-15.29%
Accommodation and food services	\$43,481	\$36,395	-\$7,086	-16.30%
Other services (except government and government enterprises)	\$48,835	\$45,241	-\$3,594	-7.36%
Government and government enterprises	\$228,951	\$230,802	\$1,851	0.81%

Montrose County Employment Trends

Montrose QCEW data from Q2 2020 to Q2 2021 shows recovery in several hard hit industries. This is expected because the comparison quarter of one year ago (Q2 2020) is the quarter with the most Covid-related employment losses. Several industries had large job gains, including accomodation and food services (394), retail trade (178), construction (170), and arts, entertainment, and recreation (137). 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. Figure 10 illustrates job recovery using Q4 2019 as the base year. The graph includes industries that had major employment losses during Covid. The graph shows that all industries have made close to a full recovery except for manufacturing, which continues to lose jobs.

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

Sector	Average Employment Q2 2020	Total Quarterly Wages (Q2 2021)	Average Weekly Wage (Q2 2021)	Total Employment Change (Q2 2020 to Q2 2021)	Total Wage Change (Q2 2020 to Q2 2021)
Total, All Industries	15,513	\$170,117,388	\$844	1,278	\$16,859,969
Health Care and Social Assistance	2,917	\$33,116,543	\$873	143	\$2,920,805
Retail Trade	2,385	\$20,868,931	673	178	\$2,168,724
Construction	1,444	\$18,260,297	\$973	170	\$3,191,630
Public Administration	1,102	\$15,636,824	\$1,091	20	\$730,970
Manufacturing	1,020	\$12,241,098	\$923	-62	\$76,580
Accommodation and Food Services	1,485	\$8,206,022	\$425	394	\$3,107,407
Professional and Technical Services	476	\$7,960,866	\$1,287	40	\$2,202,125
Transportation and Warehousing	667	\$6,931,879	\$799	142	\$880,705
Wholesale Trade	410	\$5,487,697	1,030	42	\$627,076
Utilities	252	\$4,985,175	\$1,522	-21	-\$918,490
Administrative and Waste Services	520	\$4,676,317	\$692	57	\$879,900
Finance and Insurance	295	\$4,641,850	\$1,210	2	\$190,436
Other Services, Ex. Public Admin	398	\$4,494,958	\$869	15	\$75,533
Real Estate and Rental and Leasing	348	\$3,764,403	\$832	6	\$535,064
Agriculture, Forestry, Fishing & Hunting	263	\$2,294,082	\$671	-9	-\$39,023
Arts, Entertainment, and Recreation	321	\$2,212,248	\$530	137	\$969,185
Information	165	\$1,704,658	\$795	21	\$237,988
Mining	28	\$546,896	\$1,502	8	\$142,055

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

Table 5:
Farm and Sole Proprietor Employment

BEA Data	2020	2019	2018	2017	% change from 2019
Farm Employment	1,131	1,128	1,134	1,133	0.26%
Sole Proprietors (non-farm)	6,510	6,621	6,939	6,734	-1.60%

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

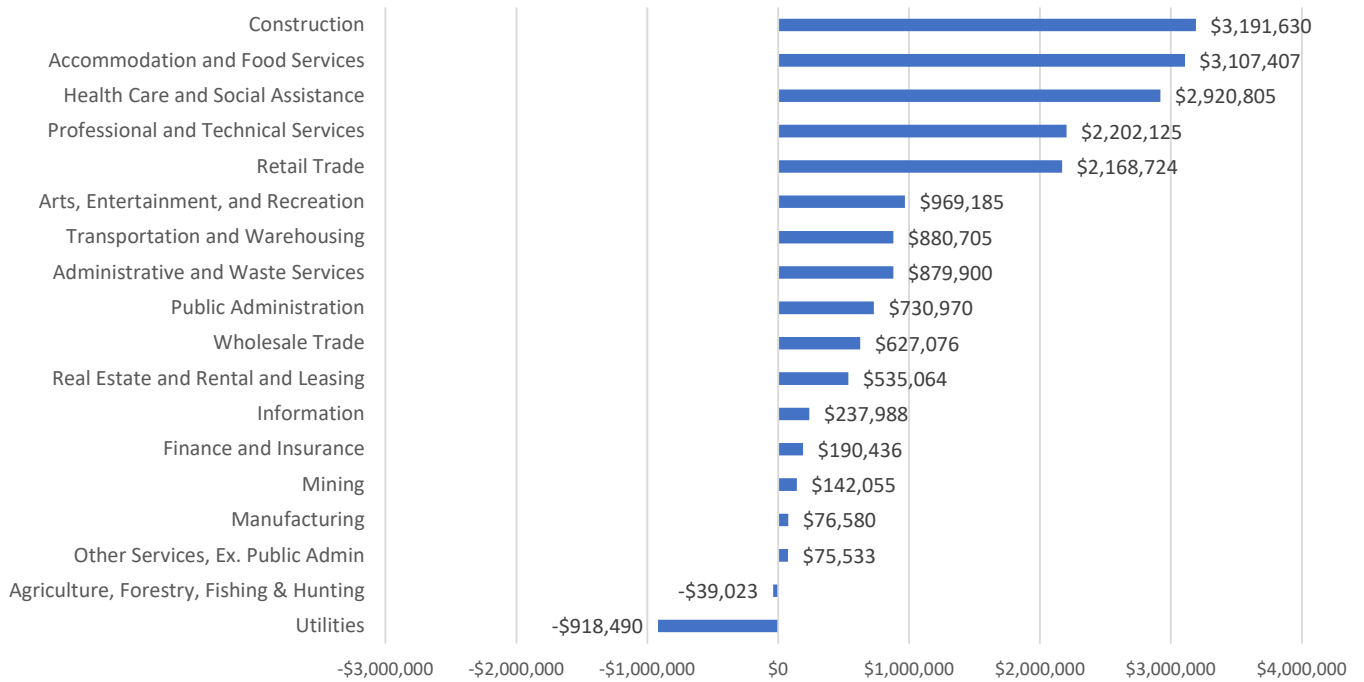


Figure 9:
Total Jobs Change from Q2 2020 to Q2 2021

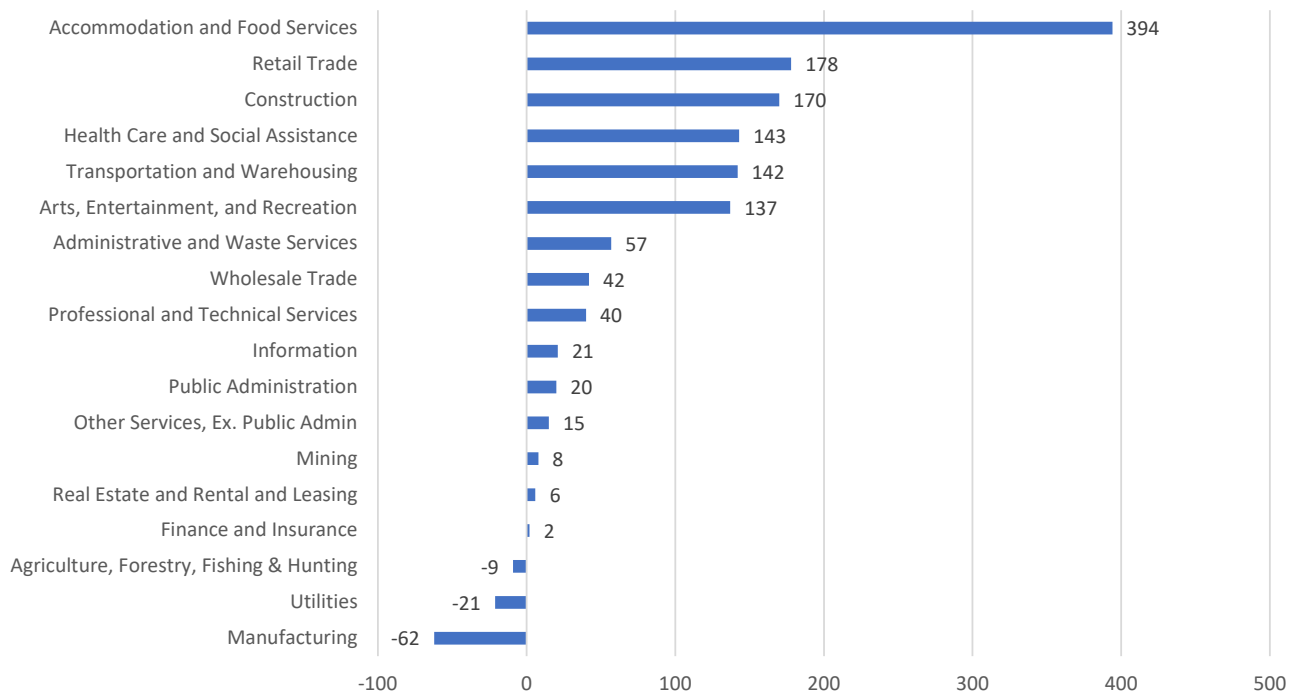


Figure 10:
Job Losses Percentage Compared to Q4 2019

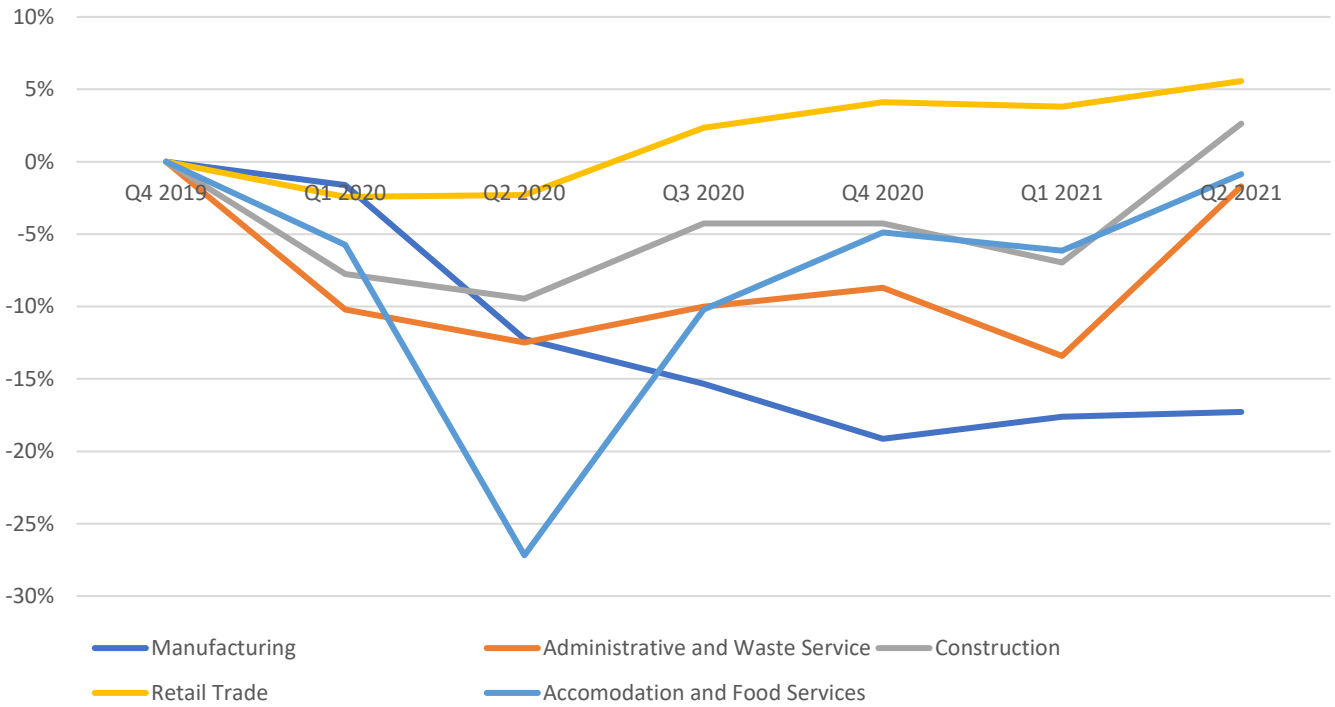
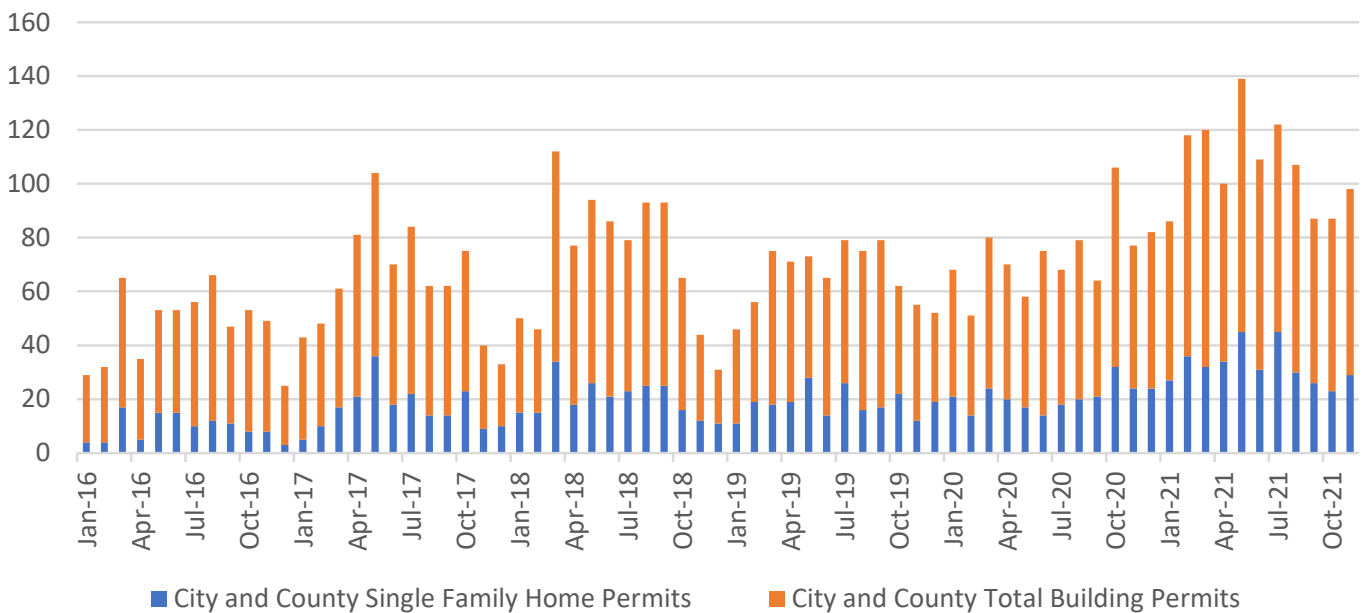


Figure 11:
City and County Total and Single Family Building Permits



LOCAL REAL ESTATE

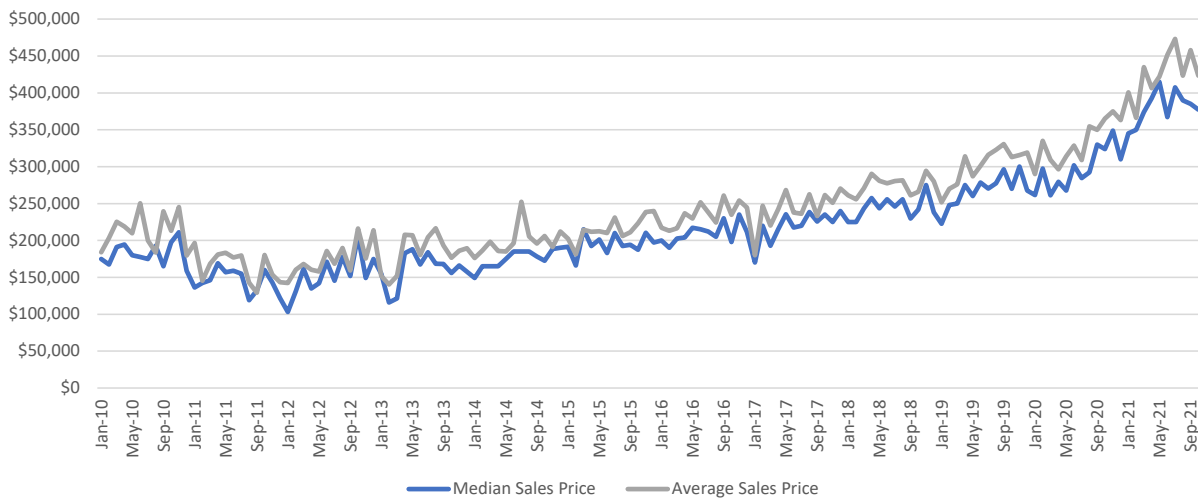
	Q3 2021	Q3 2020	% change since last year
Real Estate			
Inventory of Homes for Sale (3 month avg)	132	151	-12.61%
New Residential Listings (3 month total)	260	216	20.37%
Sold Residential Listings (3 month total)	247	246	0.41%
Median Sales Price	\$394,150	\$302,225	30.42%
Average Sales Price	\$451,494	\$337,698	33.70%
Days on Market	69.00	98.67	-30.07%
Months Supply of Inventory	1.83	2.67	-31.25%
Total Building Permits	815	571	42.73%
Total Building Permit Valuation	\$124,487,250	\$64,491,466	93.03%
Single Family Home Permits	358	225	59.11%
Single Family Home Permit Valuation	\$59,637,139	\$33,559,118	77.71%
Foreclosures			
Foreclosure Filings	11	20	-45.00%
Foreclosure Sales	4	3	33.33%
Mortgage Rates			
30 Year Mortgage Rate	2.17%	2.46%	-0.29%
15 year Mortgage Rate	2.87%	2.95%	-0.08%

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 real estate market continues to outpace the surrounding counties, the state, and the nation in terms of price appreciation. Montrose median home values increased 30.42% year-over-year, while neighboring Mesa County for comparison, which has consistently outpaced the state and nation in home price appreciation, was up 15.66%. According to the Freddie Mac house price index, Colorado (20.81%) and the nation (18.52%) had smaller price increases over the last year. To meet what has become an insatiable housing demand, single family permits increased by 59%, while total building permits increased by 42%. Figure 11 shows the growth in building permits.

Figure 12:
Median and Average Home Value



REGIONAL ENERGY

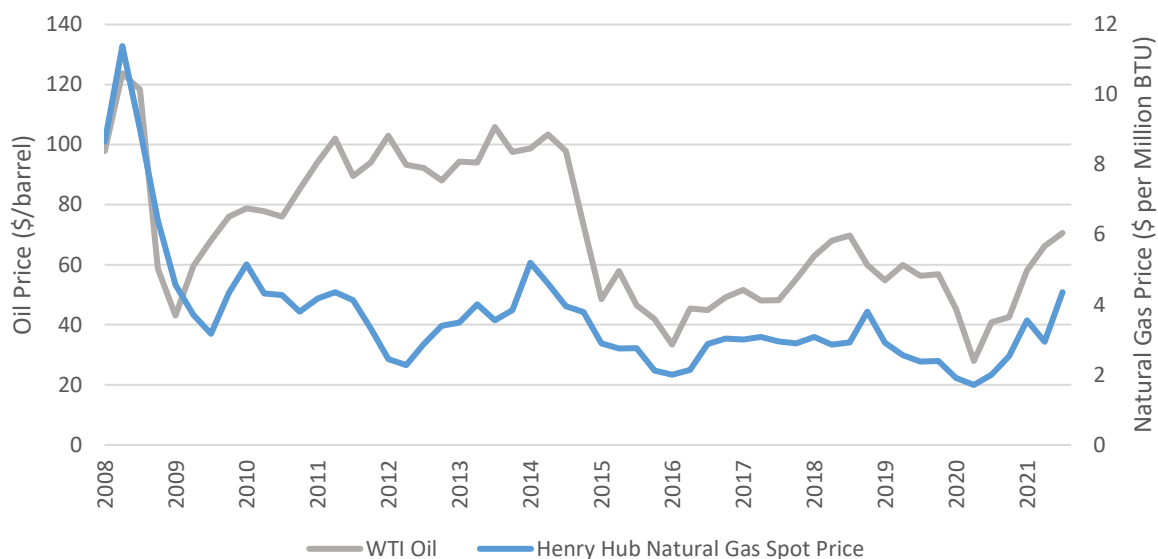
	Q3 2021	Q2 2021	Q3 2020	% change since last quarter	% change since last year (comparable quarters)
Energy Prices					
WTI Crude Oil	\$70.58	\$66.19	\$40.89	6.63%	72.61%
Henry Hub Natural gas	\$4.36	\$2.94	\$2.00	48.30%	118.00%
Retail Gasoline Price	\$3.06	\$2.87	\$2.10	6.58%	46.09%

Drilling Permits	2021 (YTD)	2020	2019	% Change since same time last year
Drilling Permits (Mesa County)	0	1	0	N/A
Drilling Permits (Rio Blanco County)	39	33	59	-44.07%
Drilling Permits (Garfield County)	133	127	149	-14.77%
Drilling Permits (Moffat County)	1	1	7	-85.71%
Total Permits (Mesa, Rio Blanco, Garfield, Moffat)	173	162	215	-24.65%
Total Permits (Colorado)	757	1,543	2,032	-24.06%

Local Rig Count	Dec-21	Sep-21	Sep-20
Rig Count (Western Colorado, Mesa, Rio Blanco, Garfield, Moffat)	2	2	1

SOURCES: All energy prices: Energy Information Agency; All permit data from Colorado Oil and Gas Conservation Commission (COGCC); Local Rig Count: Baker Hughes Rig Count

Figure 13:
Oil and Natural Gas Prices



NATIONAL ECONOMIC INDICATORS

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

SOURCES: GDP, Consumption, Investment, and Trade Balance: Bureau of Economic Analysis; Consumer Confidence: University of Michigan; Industrial Production, Interest Rates and USD Exchange Rate: Board of Governors of the Federal Reserve System; Weekly Unemployment Claims: U.S. Employment and Training Administration. Non-Farm Payroll, Unemployment Rates, Inflation Measures: Bureau of Labor Statistics; Stock Prices: S&P Dow Jones Indices, LLC.; USD Exchange Rate: Board of Governors of the Federal Reserve; Trade Balance: BEA; Federal Debt: U.S. Office of Management and Budget. * indicates data is lagged by one quarter.

Figure 14:

Real GDP

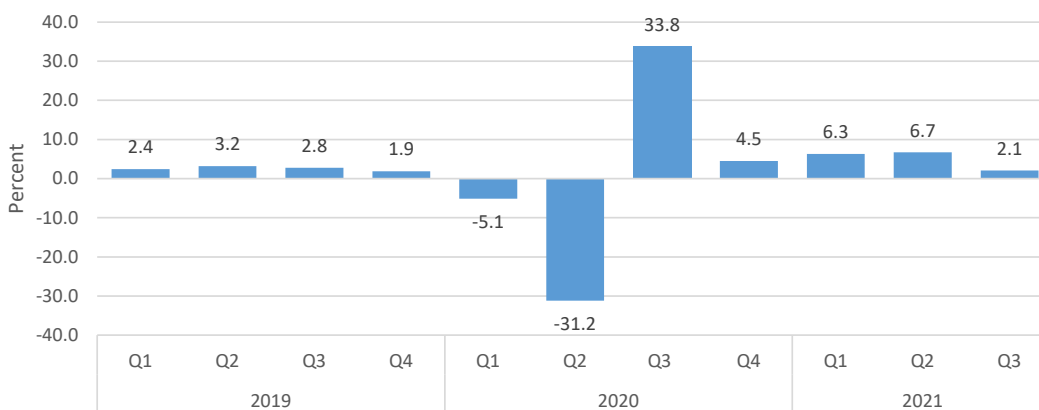
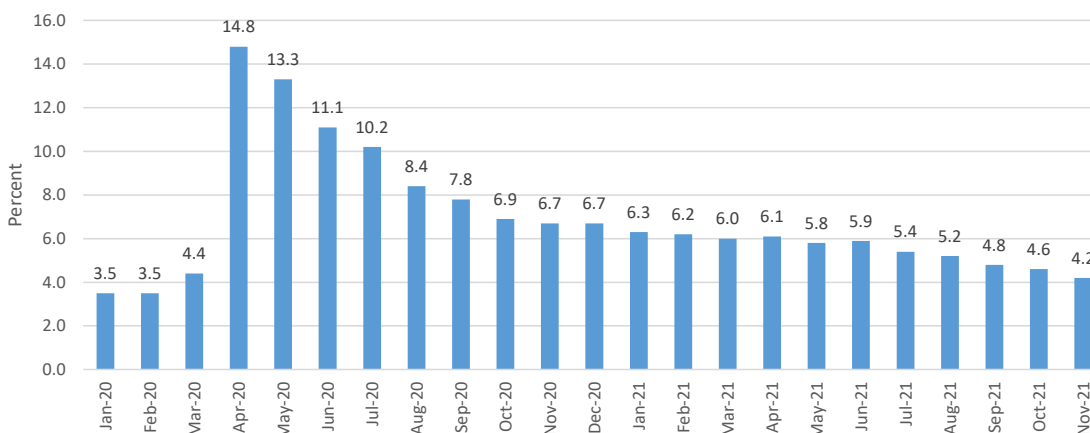


Figure 15:

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



National Economic Performance

U.S. growth fell in Q3 to a growth rate of 2.1% (figure 16). This follows two quarters of 6.3% and 6.7% respectively. The Atlanta Federal Reserve has a GDP Now forecast of 8.7% for Q4 as of December 12th. The national unemployment rate fell to 4.2% in November, bringing the unemployment rate down to 2019 levels (figure 15). Figure 16 shows the GDP gap, with the grey line showing the actual level of GDP, and the blue line representing what is called “potential GDP”, which is where we want to be. The difference is called the “GDP gap,” and there is still a GDP gap of \$326,422,000 dollars.

Inflation

I have discussed the threat of inflation in detail the last several economic newsletters and it continues to be an issue. Inflation showed its head last quarter, but this quarter gave us the highest inflation rate in 39 years. The November Consumer Price Index was 6.9%, the highest since October of 1990 (6.37%), and the highest since June of 1982. The largest changes in the CPI were in energy, which has increased 33.3% since November of last year. New vehicles rose 11.1%, while used vehicles rose 31.4%. Food prices rose 6.4% at the grocery store, while food away from home rose 5.8%.

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

Figure 16:
GDP Gap

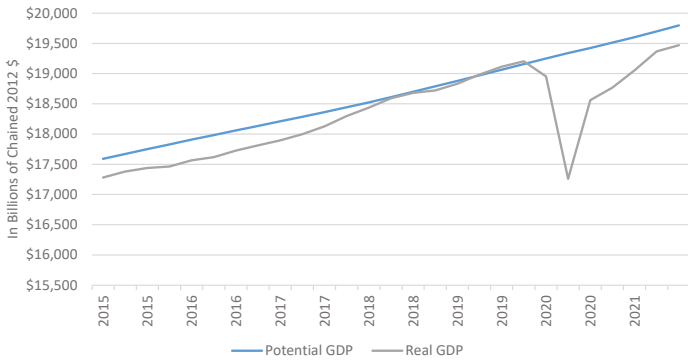


Figure 17:
Employment Cost Index

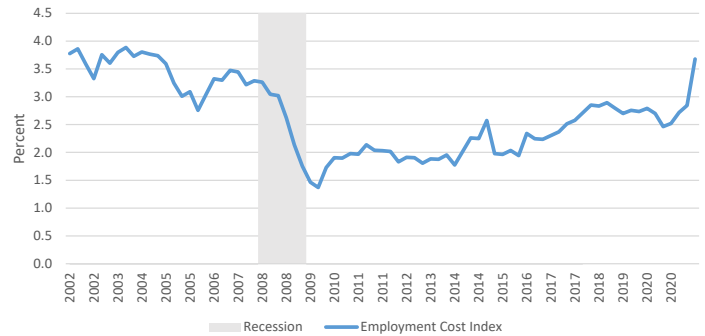
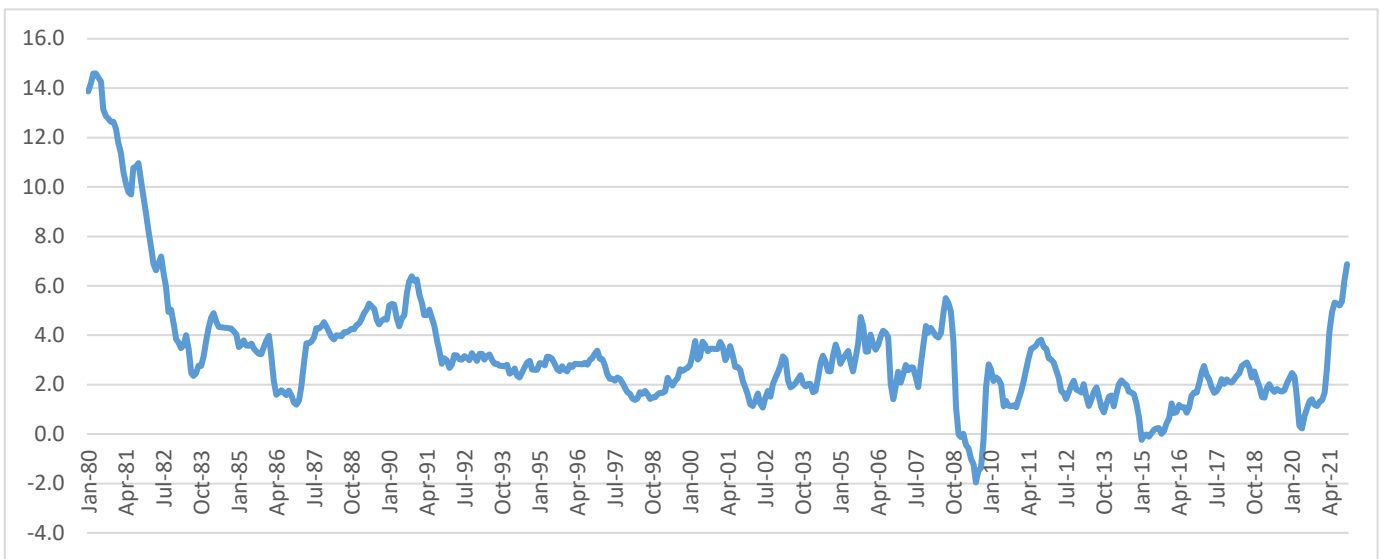


Figure 18:
Inflation Rate



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