

MONTROSE COUNTY ECONOMIC UPDATE

First Quarter, 2021



Provided by the Business Department
of Colorado Mesa University

Economic Summary

- The Montrose labor market recovered better than other labor markets during COVID, spiking to 12.3% in April and falling to 5.1% in October. However, following the trend of other counties, the state, and the nation, the unemployment rate increased to 7.2% in December.
- Montrose County saw new business filings increase drastically in 2020, rising 17.33%. County and City sales tax collections were up for 2020, rising 8% and 11% respectively.
- This newsletter covers the Colorado State Demography Office's population forecasts. Montrose County is expected to rise from 43,242 to 51,933 by 2030, and 68,640 by 2050. Montrose is well positioned between Grand Junction and Telluride, with a growing airport for easy transportation.
- Q4 2020 annualized real GDP increased by 4%, ending the year at \$18.7 trillion compared to Q4 of 2019 at \$19.2 trillion. Potential GDP is at \$19.4 trillion, indicating a recessionary gap of \$700 billion.

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LOCAL ECONOMIC INDICATORS

	Q4 2020	Q3 2020	Q4 2019	change since last quarter	change since last year (comparable quarters)
Local Labor Market					
Unemployment Rate Montrose County-NSA	5.93%	5.77%	2.43%	0.17%	3.50%
Unemployment Rate Colorado - NSA	6.80%	6.70%	2.40%	0.10%	4.40%
Unemployment Rate U.S. - NSA	6.50%	8.90%	3.30%	-2.40%	3.20%
Labor Force	21,947	20,544	22,427	1,403	-480
Employed	20,644	19,362	21,879	1,282	-1,235
Unemployed	1,303	1,182	549	121	755
Business Confidence					
Leeds Colorado Business Confidence	47.9	47.9	50.8	0.00%	-5.71%
Sales/Use Taxes					
City Sales/Use Taxes (YTD)	\$19,727,507		\$18,265,827		8.00%
County Sales/Use Tax (YTD)	\$16,646,365		\$14,950,218		11.35%
Hotel and Restaurant Tax (YTD)	\$553,213		\$585,483		-5.51%
Telluride Sales/Use Tax (YTD)	\$6,929,090		\$7,068,537		-1.97%
Business Filings					
	2020 (YTD)		2019 (YTD)		
Montrose County New Business Entity Filings (As of August)	765		652		17.33%

Montrose Regional Airport	2020	2019		% change from last year	
Enplanements	100,718	159,354		-36.80%	
Standard of Living and Growth	2019	2018	2017	% change since 2018	% change from 2017
Regional Gross Domestic Product	\$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%
Population	42,758	42,206	41,753	1.31%	2.41%
Median Household Income	\$50,707	\$52,576	\$51,031	-3.55%	-0.63%
	2018	2017	2016	% change since 2017	% change from 2016
Percent of Population Below Poverty Line	16.7%	17.80%	18.00%	-1.10%	-1.30%

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 recovered better than other labor markets during COVID, spiking to 12.3% in April and falling to 5.1% in October. However, following the trend of other counties, the state, and the nation, the unemployment rate increased to 7.2% in December. Part of this spike in the winter is normal because of seasonal employment, however, a 2.1 percent spike from October to December is too large to be seasonal unemployment, as the spike in the same time period the last three years has been 0.3%, 0.3%, and 0.6% in 2019, 2018, and 2017 respectively.

Employment fell from a pre-COVID level of 21,614 in December of 2019, to 17,150 in April, to 21,265 in October, and down to 20,509 in December of 2020. The labor force is slightly down from last December, while the number of unemployed are up. The labor force only being slightly down is actually good news, as a falling labor force during COVID has been the national trend. In fact, the national labor force participation rate fell from 63.3% in December of 2019 to 61.5% in December of 2020.

For nine months I have written and presented on how initial and continued unemployment claims are a key data point in watching for economic recovery in the labor market. Due to unemployment fraud, the state has temporarily stopped tracking this data until they can get a better hold of the fraud situation. As of the last data point in December of 2020, initial claims were still rising, and it will be interesting to see how the data changes once it accounts for fraud.

Montrose County saw new business filings increase drastically in 2020, rising 17.33%. County and City sales tax collections were up for 2020, rising 8% and 11% respectively.

Table 1:

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

	Labor Force	Employed	Unemployed
Annual	-1,129	-1,848	719
5-Year	1,557	1,135	422
10-Year	257	1,119	-862
Annual %	-5.13%	-8.66%	105.31%
5-Year %	8.06%	6.19%	43.05%
10-Year %	1.24%	6.09%	-38.08%

This is great news as when the recession hit many municipalities were expecting catastrophic sales tax numbers.

Median Household Income

Last quarter this newsletter covered in detail the 2019 GDP numbers, but it is important to ask the question, "why do we want to see growth?" The goal of economic growth is not just to produce and consume more goods, but to increase the standard of living. One important measure of standard of living at the local level is median household income. Montrose median household income for 2019 was recently released and was slightly disappointing, showing a decrease from \$52,576 in 2018 to \$50,707 in 2019. This decline was surprising considering the positive economic data for 2019.

Figure 1:
Median Household Income

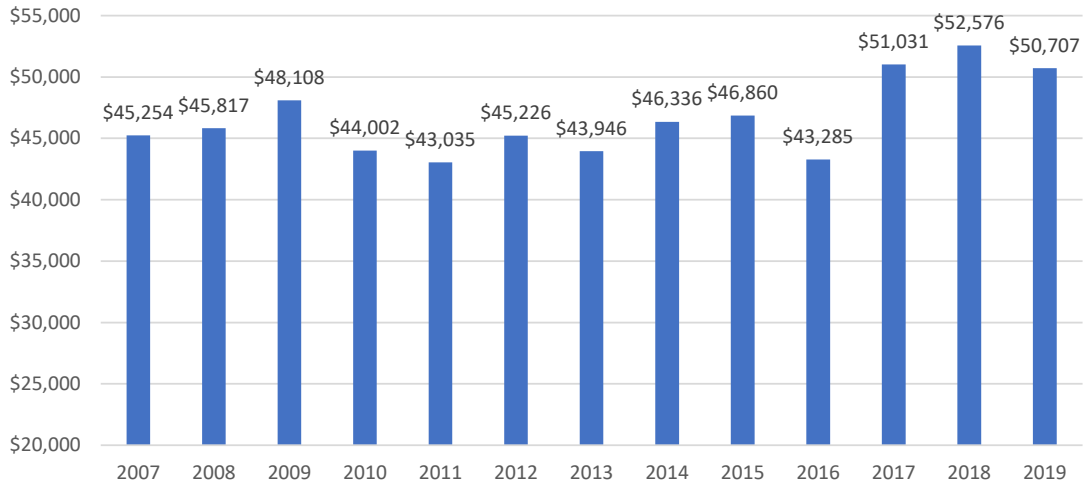


Figure 2:
Montrose Employment

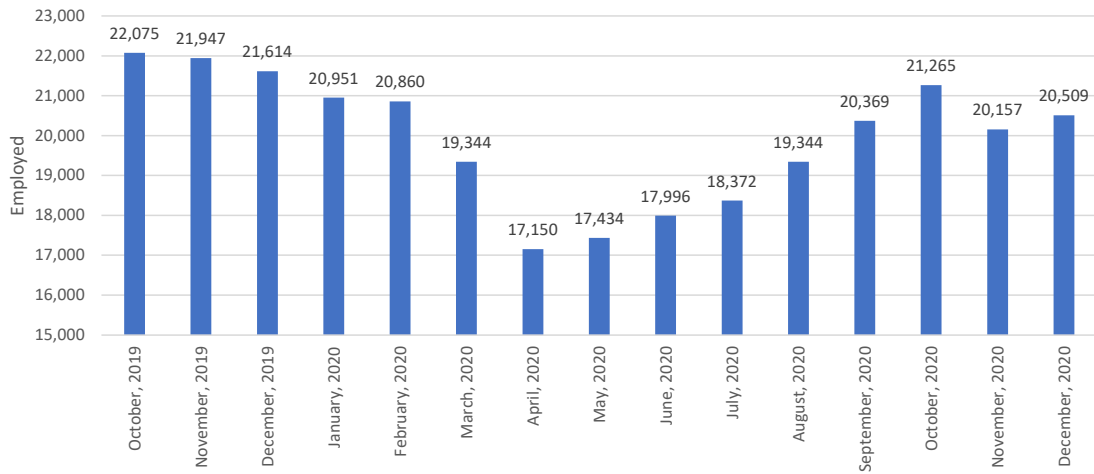
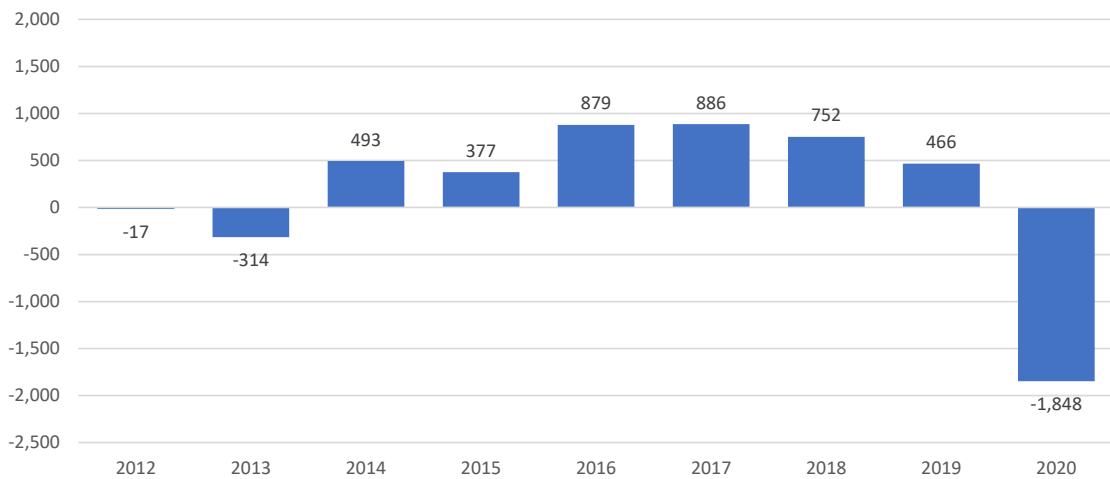


Figure 3:
Change in Yearly Employment Numbers



Population Forecasts

The Colorado State Demography Office tracks the population of Colorado and creates population forecasts for each county. These forecasts can help the state, counties, and municipalities plan for future growth. Although the most total population growth is expected to happen along the Front Range, much of the relative change in population is going to take place on parts of the Western Slope. Figure 4 illustrates relative population change, or percent population change. Red counties indicate large positive changes, blue indicates negative changes. Garfield, Mesa, and Montrose, and San Miguel are all expected to have strong population growth. Table 2 illustrates the population estimates for Mesa, Montrose, and Delta. Montrose County is expected to rise from 43,242 to 51,933 by 2030, and 68,640 by 2050. Montrose is positioned well for growth. Montrose sits between Grand Junction and Telluride, it has beautiful landscape, it is more affordable than the Front Range, and has an airport for easy transportation.

Population changes are the result of the birth rate, death rate, and migration rate. Figure 5 illustrates the birth rate. Mesa and Montrose have a slightly positive birth rate, while Delta has a negative birth rate. Figure 6 illustrates the death rate, with both Mesa, Montrose, and Delta, all with aging populations, all showing a high death rate. So if the natural rate of increase, or births minus deaths, is not the reason for the expected population growth, then what is the reason? The answer is the migration rate (figure 7). Mesa, Montrose, and Delta are all expected to have a large influx of migration, which is expected to be the key component to Western Slope population growth.

Source: All population heat maps and population data are from the Colorado State Demography Office.

Figure 4:
Percent Population Change 2019-2030

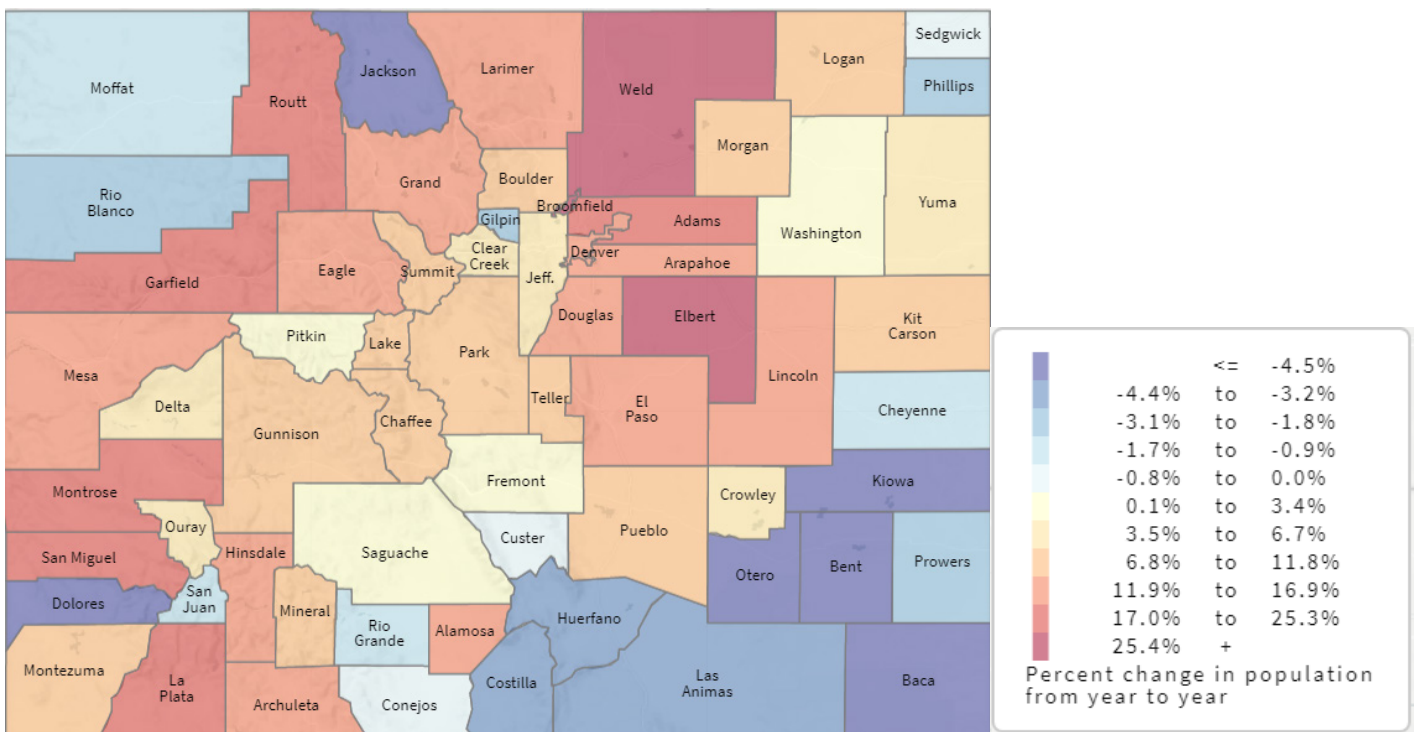


Figure 5:
Birth Rate 2019-2030

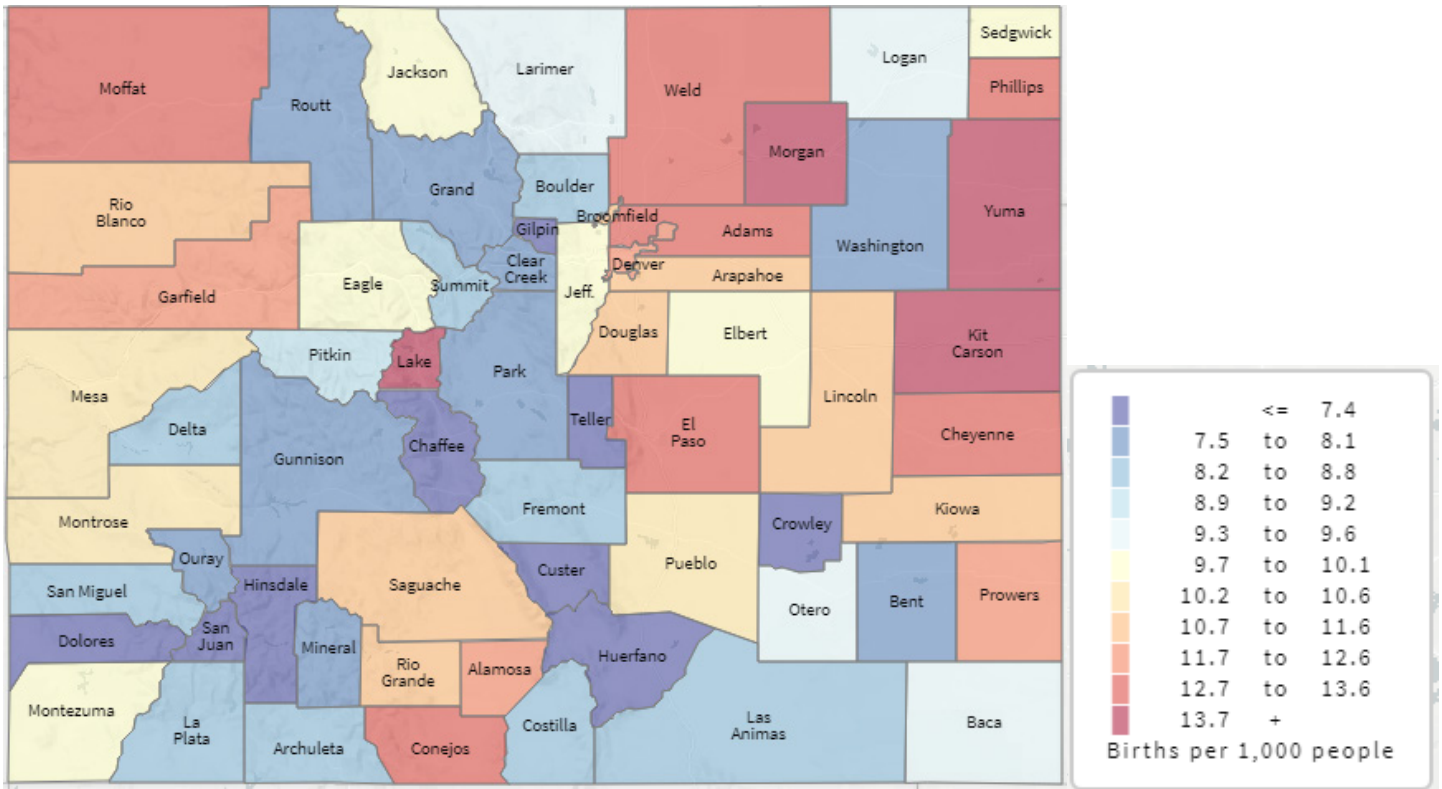


Figure 6:
Death Rate 2019-2030

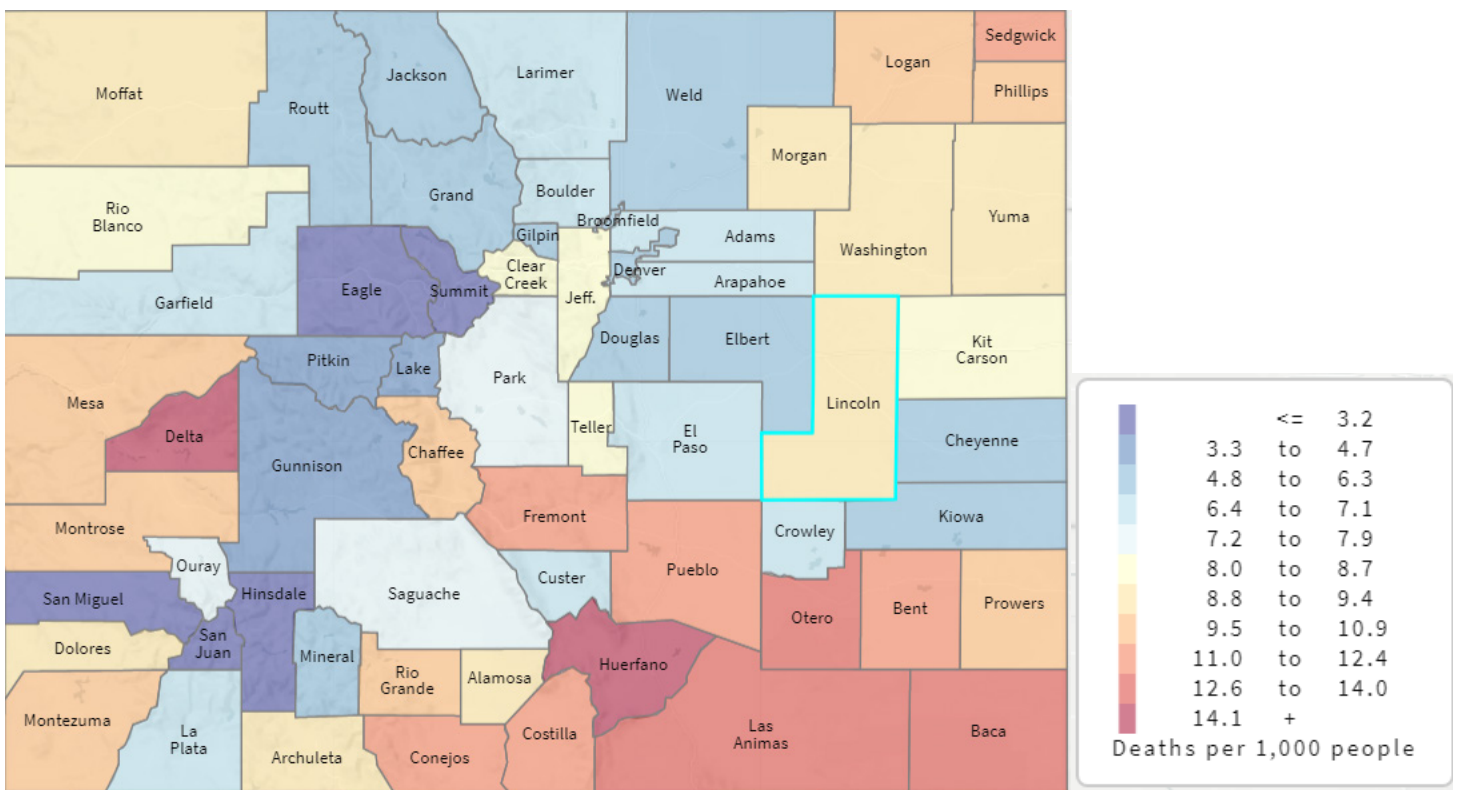


Figure 7:
Migration Rate 2019-2030

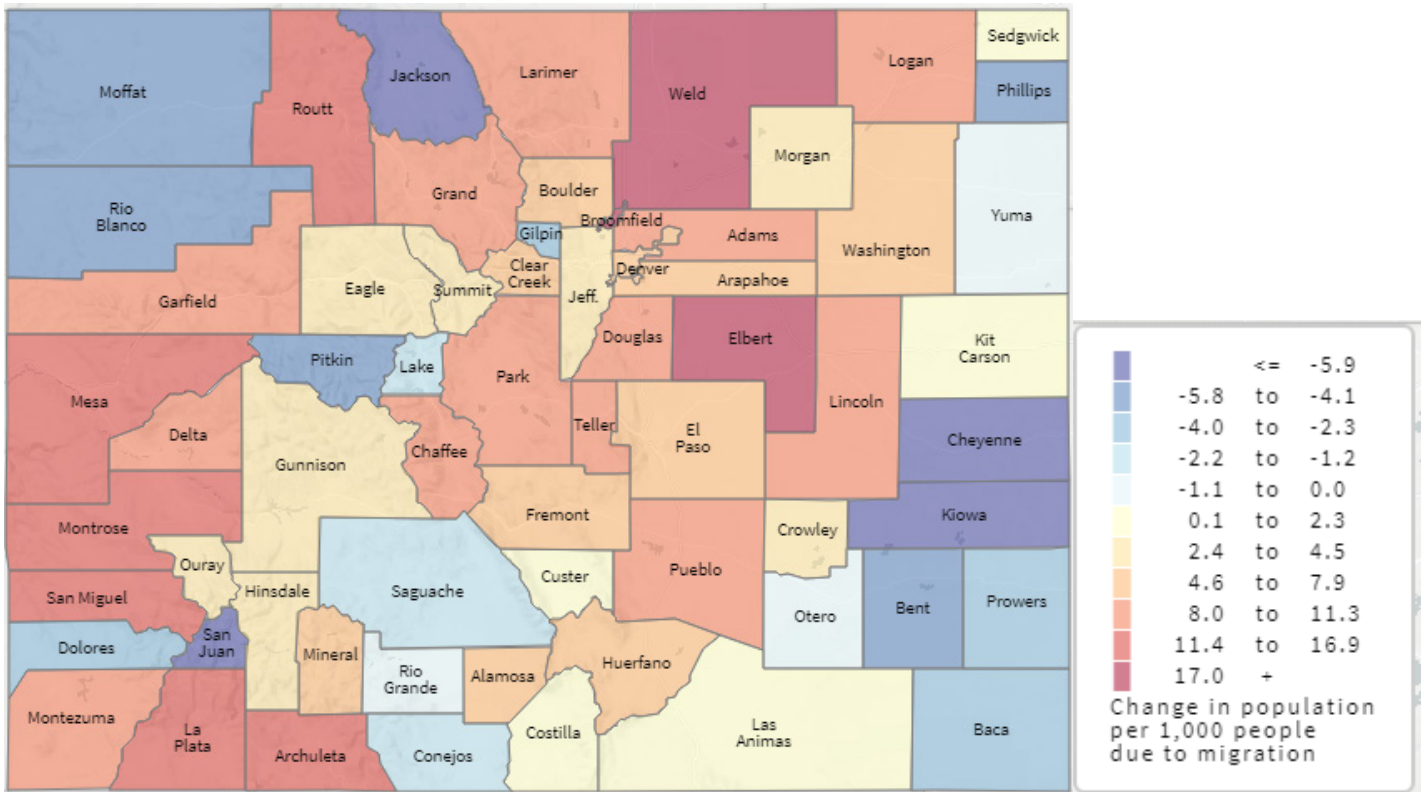


Table 2:
Population Forecasts (Colorado State Demography Office)

	Montrose	Mesa	Delta
2020	43,242	155,738	31,141
2025	47,080	163,484	31,625
2030	51,933	178,297	33,175
2035	56,433	195,340	35,013
2040	60,730	212,055	36,775
2045	64,791	228,142	38,408
2050	68,640	238,172	39,921

Montrose County Employment Trends

Montrose QCEW data from Q3 2019 to Q2 2020 shows more job losses year over year. The biggest losses were in manufacturing (262), accomodation and food services (161), and administrative and waste services (125). Job gains were in retail trade (97), healthcare (53), and public administration (45). Although jobs were down, wages were up, rising by \$5,555,088, led by gains in healthcare and retail 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 4. Note that Educational Services and Management of Companies and Enterprises are both omitted by the BLS due to lack of reporting data points. Figure 8 and 9 illustrate QCEW changes in wages and jobs, respectively.

Table 3:
Quarterly Census of Employment and Wages (QCEW) Q3 2020 Compared to Q3 2019

Sector	Average Employment Q3 2020	Total Quarterly Wages (Q3 2020)	Average Weekly Wage (Q3 2020)	Total Employment Change (Q3 2019 to Q3 2020)	Total Wage Change (Q3 2019 to Q3 2020)
Total, All Industries	15,057	\$168,902,046	\$863	-692	\$5,555,088
Health Care and Social Assistance	2,903	\$33,712,653	\$893	53	\$2,015,037
Retail Trade	2,312	\$19,962,815	\$664	97	\$2,603,232
Public Administration	1,114	\$18,859,006	\$1,302	45	\$1,569,968
Construction	1,347	\$17,307,393	\$988	-96	\$106,917
Manufacturing	1,044	\$13,054,239	\$962	-262	-\$439,460
Accommodation and Food Services	1,345	\$7,212,594	\$413	-161	-\$296,978
Professional and Technical Services	438	\$6,309,264	\$1,108	-30	\$43,876
Transportation and Warehousing	581	\$6,100,669	\$808	7	\$185,578
Utilities	254	\$5,242,632	\$1,588	-17	-\$83,986
Wholesale Trade	381	\$5,100,448	\$1,030	-19	-\$333,011
Finance and Insurance	298	\$4,529,210	\$1,169	-15	\$235,797
Other Services, Ex. Public Admin	402	\$4,371,491	\$836	7	\$69,953
Administrative and Waste Services	476	\$3,933,593	\$636	-125	-\$511,350
Real Estate and Rental and Leasing	343	\$3,598,129	\$807	-25	-\$261,870
Agriculture, Forestry, Fishing & Hunting	325	\$3,004,216	\$711	17	\$153,441
Management of Companies and Enterprises	107	\$2,278,615	\$1,638	N/A	N/A
Arts, Entertainment, and Recreation	303	\$1,995,896	\$507	-72	-\$99,303
Information	152	\$1,637,849	\$829	-39	-\$111,201
Mining	24	\$824,413	\$2,642	-1	\$322,046

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	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 8:
Total Wage Changes from Q3 2019 to Q3 2020

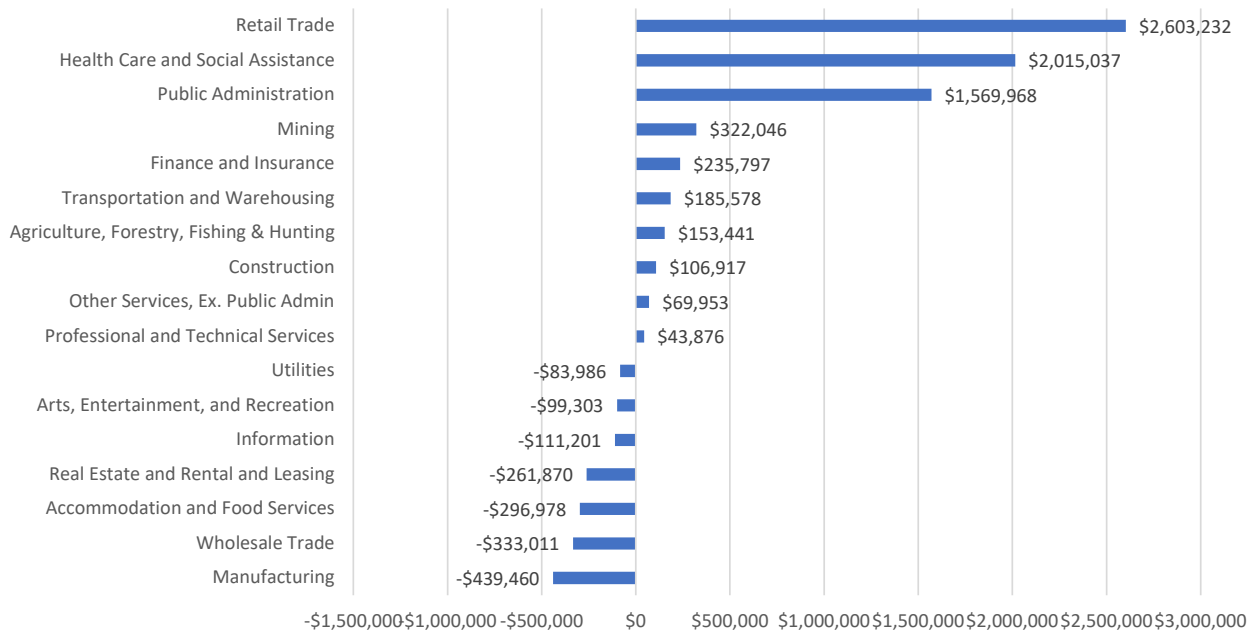
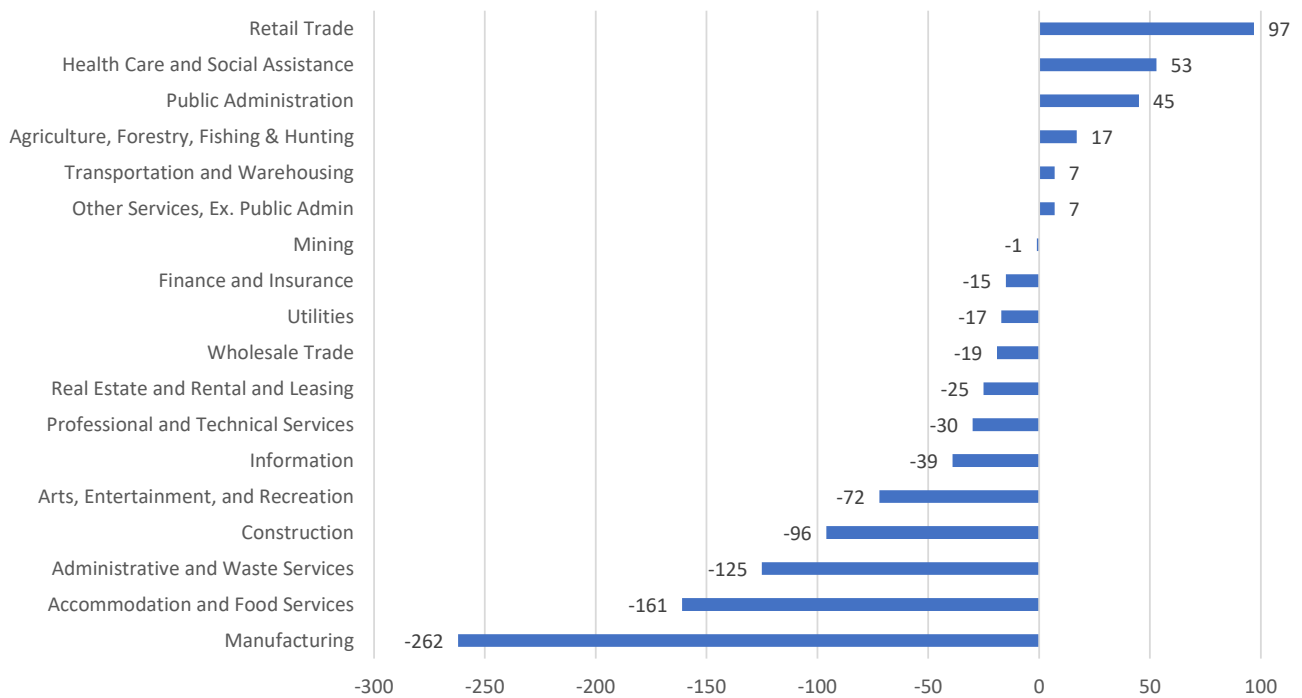


Figure 9:
Total Jobs Change from Q3 2019 to Q3 2020



LOCAL REAL ESTATE

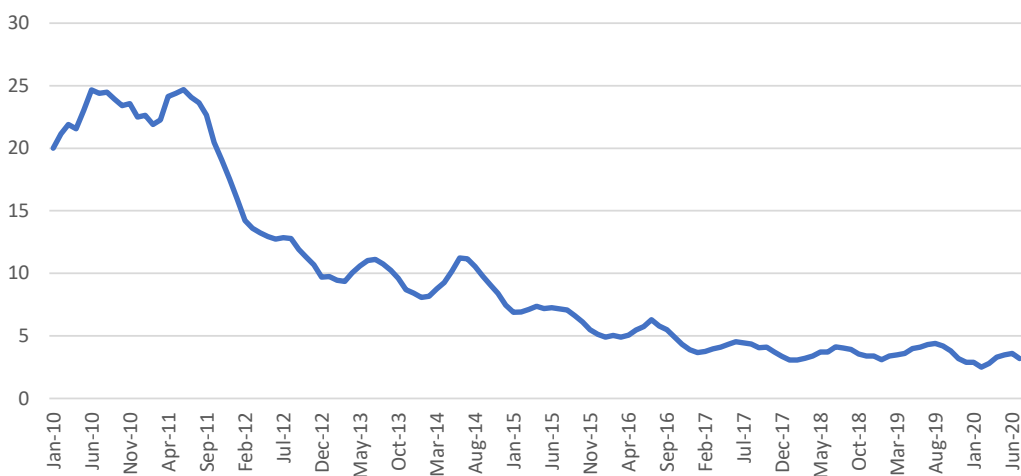
	Q4 2020	Q4 2019	% change since last year
Real Estate			
Inventory of Homes for Sale (3 month avg)	109	190	-42.71%
New Residential Listings (3 month total)	155	125	24.00%
Sold Residential Listings (3 month total)	233	187	24.60%
Median Sales Price	\$327,550	\$279,150	17.34%
Average Sales Price	\$367,733	\$315,931	16.40%
Days on Market	102.00	119.33	-14.53%
Months Supply of Inventory	1.77	3.30	-46.46%
Total Building Permits	629	567	10.93%
Total Building Permit Valuation	\$70,695,129	\$59,290,166	19.24%
Single Family Home Permits	249	221	12.67%
Single Family Home Permit Valuation	\$37,311,289	\$37,536,216	-0.60%
Foreclosures			
Foreclosure Filings	21	42	-50.00%
Foreclosure Sales	4	22	-81.82%
Mortgage Rates			
30 Year Mortgage Rate	2.29%	3.16%	-0.87%
15 year Mortgage Rate	2.76%	3.70%	-0.94%

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 have low inventory and high prices. The median price increased by 17.34%, rising from \$279,150 to \$327,550 year over year. Both new listings and sold listing increased, indicating more market activity, but the market remains extremely tight. Total building permits as well as single family home permits increased year over year, bringing much needed new inventory to the market. There is a distinct housing shortage right now, not just in Montrose County, but nationally. Rising rates may curb some demand, while falling COVID numbers may facilitate more activity. Despite these factors, economists forecast strong demand for housing. As housing prices rise and wages stagnate, housing affordability becomes a distinctive problem.

Figure 10:
Months Supply of Inventory



REGIONAL ENERGY

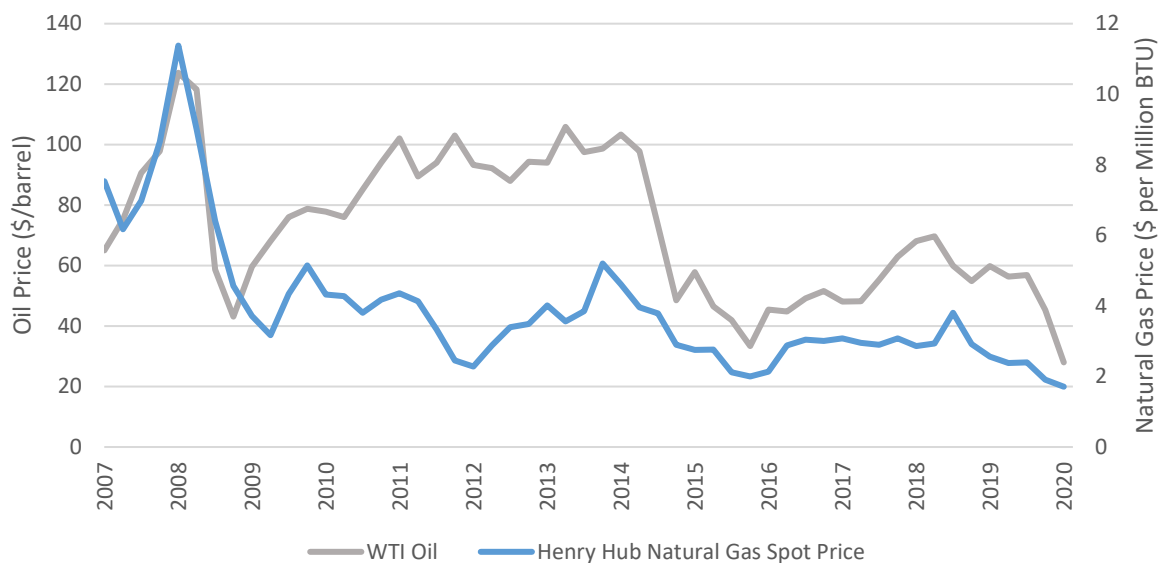
	Q4 2020	Q3 2020	Q4 2019	% change since last quarter	% change since last year (comparable quarters)
Energy Prices					
WTI Crude Oil	\$27.96	\$45.34	\$59.88	-38.33%	-53.31%
Henry Hub Natural gas	\$1.71	\$1.91	\$2.56	-10.47%	-33.20%
Retail Gasoline Price	\$1.83	\$2.31	\$2.68	-20.86%	-31.63%

Drilling Permits	2020 (YTD, as of Dec. 8th)	2019 (YTD)	% Change since same time last year
Drilling Permits (Mesa County)	1	0	N/A
Drilling Permits (Rio Blanco County)	19	59	-67.80%
Drilling Permits (Garfield County)	113	149	-24.16%
Drilling Permits (Moffat County)	1	7	-85.71%
Total Permits (Mesa, Rio Blanco, Garfield, Moffat)	134	215	-37.67%
Total Permits (Colorado)	1,340	2,032	-34.06%

Local Rig Count	Nov-20	Aug-20	May-20
Rig Count (Western Colorado, Mesa, Rio Blanco, Garfield, Moffat)	1	1	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 as of September 1st, 2019. Note that drilling permits are from Q1 of 2019.

Figure 11:
Oil and Natural Gas Prices



NATIONAL ECONOMIC INDICATORS

	Q4 2020	Q3 2020	Q4 2019	% change since last period	% change since last year (comparable quarters)
Business Cycle Indicators					
Real GDP	4.00%	33.40%	2.40%	-29.40%	1.60%
Personal Consumption Expenditures	2.50%	41.00%	1.60%	-38.50%	0.90%
Gross Private Domestic Investment	25.30%	86.30%	-3.70%	-61.00%	29.00%
National Consumer Confidence	79.8	75.7	97.2	5.42%	-17.90%
Industrial Production Index	105.0	102.5	109.6	2.41%	-4.17%
Initial Weekly Unemployment Claims (4 week MA)	792,481	1,154,558	217,731	-31.36%	263.97%
Non Farm Payroll Change (in thousands)	1,785,333	7,195,000	617,000	-75.19%	189.36%
Unemployment					
Unemployment Rate-U3-SA	6.80%	8.80%	3.60%	-2.00%	3.20%
Unemployment Rate-U6-SA	11.90%	14.50%	6.90%	-2.60%	5.00%
Interest Rates					
Federal Funds Rate	0.09%	0.09%	1.66%	0.00%	-1.57%
10 Year U.S. Treasury	0.86%	0.65%	1.79%	0.21%	-0.93%
30 Year U.S. Treasury	1.62%	1.36%	2.25%	0.26%	-0.63%
Inflation Measures					
Inflation Rate (CPI)	1.21%	1.26%	2.03%	-0.05%	-0.82%
Core Inflation Rate (All Items Less Food and Energy)	1.63%	1.66%	2.29%	-0.03%	-0.66%
Inflation Rate (Shelter)	1.93%	2.23%	3.31%	-0.30%	-1.38%
Producer Price Index (PPI)	-0.32%	-2.59%	-1.86%	2.27%	1.54%
Employment Cost Index	2.52%	2.46%	2.74%	0.06%	-0.22%
Stock Prices					
S&P 500	3,555	3,320	3,083	7.07%	15.30%
Dow Jones Industrial Average	29,092	27,299	27,537	6.57%	5.64%
Trade Balance and Debt					
Trade Balance (% of GDP)	-805.323	-736.124	-549.757	9.40%	46.49%
Federal Debt (% of GDP)*	127.3%	103.3%	105.5%	24.0%	21.8%

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

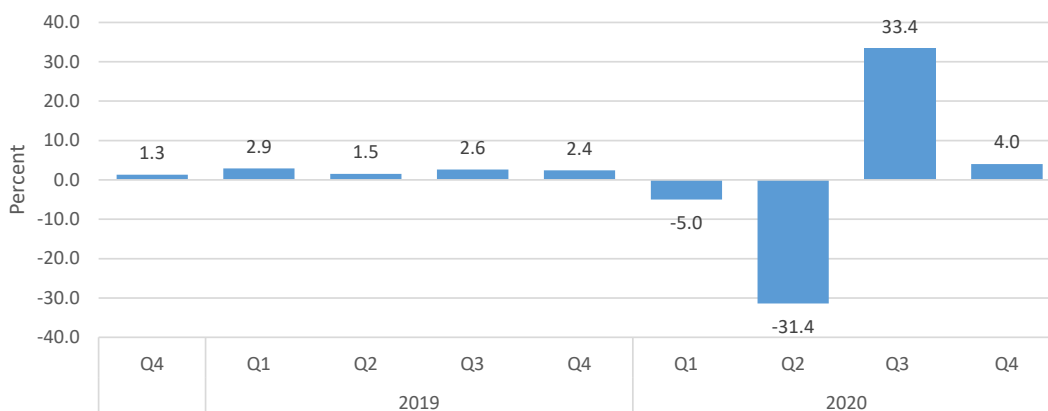
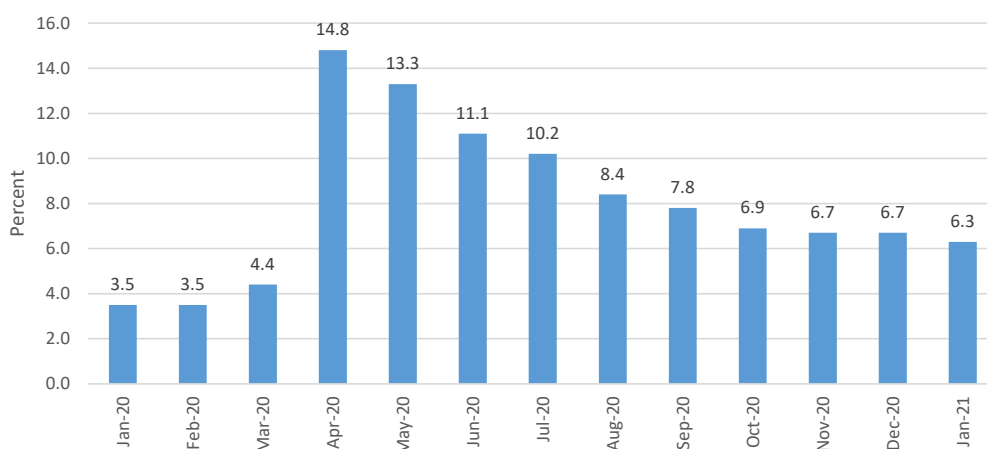


Figure 15:
U.S. Unemployment: January 2020 through January 2021



National Economic Performance

Although winter months have seen stagnation in the labor market, the expectations for the economy are very high heading into Spring. Rising COVID cases and state lockdowns dented economic recovery November through January, but February COVID numbers and vaccination numbers indicate the worst is likely behind us, and a return to normalcy within our reach.

The national unemployment rate peaked in April at 14.7%, falling to 6.9% in October, and to 6.3% in January. Although the unemployment rate has fallen, employment fell in December and remained stagnant through January. The unemployment rate fell in part due to a fall in the labor force from December to January. A fall in the labor force is considered negative, as less people are working or trying to seek work.

Q4 2020 annualized real GDP increased by 4%, ending the year at \$18.7 trillion compared to Q4 of 2019 at \$19.2 trillion. Potential GDP is at \$19.4 trillion, indicating a recessionary gap of \$700 billion. The size of the GDP gap is key to understanding the debates surrounding the size of the pending 2021 fiscal stimulus bill, which as of writing is \$1.9 trillion in spending.

Monetary and Fiscal Policy

The Biden administration has proposed a \$1.9 trillion fiscal stimulus package, with \$1 trillion that includes stimulus checks, vaccine funding, expanded unemployment benefits, and money for states. Some form of this package is expected to be passed in March, with the expectation that it will boost consumer spending, create additional liquidity, and push economic growth forward.

Jerome Powell, Chairman of the Federal Reserve, recently reiterated the Fed's view that Federal Funds rate will be kept low. The Fed currently sees no threat of inflation, and believes that raising rates will not be necessary because there is no threat of inflation. The CPI remains low, at 1.21%, well below the Fed's target of 2%.

The big story in financial markets in February was the rise in the 10 year treasury bond. Figure 16 illustrates how the 10 year bond rate has risen from 0.52% in August to 1.34% in February. This rise in rates shows that investors believe that economic growth is on the horizon as well as inflation (likely due to stimulus). Rising rates can hurt the stock market, hurt mortgage rates and housing, and hurt discretionary consumer "big ticket" purchases.

Figure 16:
10 Year Treasury and FF Rate

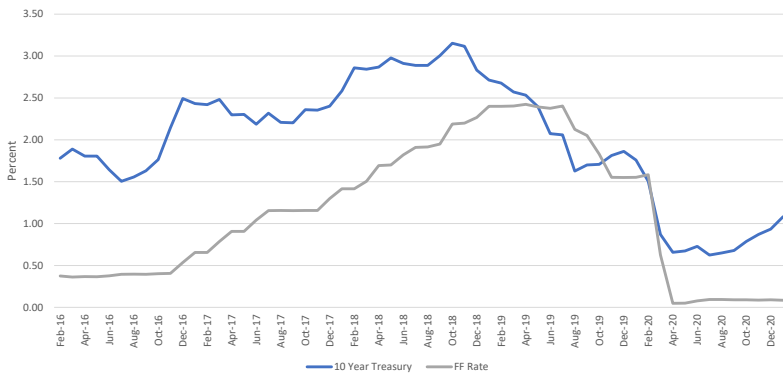
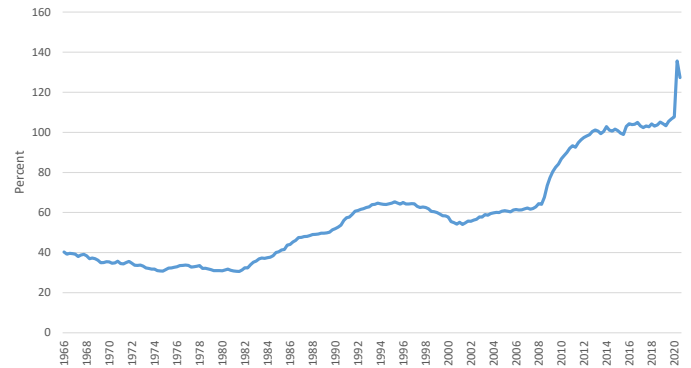


Figure 17:
Debt/GDP



U.S. Deficit and Debt

As a second fiscal policy package is being negotiated, the question of how we pay for it becomes an important one. The Federal government can pay for things in two ways, (1) through taxes, and (2) through debt (selling treasury bonds). Figure 15 illustrates the U.S. debt/GDP ratio, which is currently at 127%. There are many questions about whether the U.S. can continue to borrow for fiscal stimulus, especially after tax cuts reduced tax revenues. However, figure 14 illustrates the 10 year treasury bond yield, which is at historical lows. Shorter term bonds are astronomically low, and much like when purchasing a house, lower interest rates allow governments to borrow more while paying less to service the debt. A better way to measure the burden to government is to look at interest payments as a percentage of Federal spending. Because interest rates fell, and in part because expenditures increased, interest payments as a percentage of spending fell from 12.2% of the budget in 2019 to 8.6% of the budget in 2020. The total interest payments made fell from \$581 billion to \$556 billion from 2019 to 2020. Both of these data points illustrate that higher debt levels are sustainable if interest rates stay low. As a comparison, interest payments as a percent of federal spending during the 1980's, a decade with high interest rates, was higher than 20%. In fact, historically the interest payments as a percentage of spending is significantly lower than the historical average, measuring from 1948.

This tells us two things: (1) The U.S. can accrue more debt compared to the historical burden of interest rates, and (2) there will be significant pressure on the Fed to keep interest rates low until the debt burden is reduced. This is one of the reasons the Federal Reserve has signaled its desire to keep interest rates low for years to come. If interest rates were to drastically increase, it could hurt the ability of the U.S. government to issue new debt as it would increase the cost of servicing new debt, and rolling over old debt. Interest rates generally move for a few reasons: (1) They rise because inflation is rising, and (2) they rise because economic growth is strong and investors move out of bonds to more desirable equities. There is little evidence of significant inflation (although there are some signs such as energy prices and housing) and the Fed does not expect it. The return of a strong economy could push bond yields higher, despite the Fed's best attempts to keep them low, especially on the long end of the curve (the 10 year and 30 year treasury bonds).



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

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