

# MONTROSE COUNTY ECONOMIC UPDATE

First Quarter, 2022



## Economic Summary

- Median household income increased from \$50,707 to \$59,746 in Montrose County. This is important because median household income for the United States fell from \$69,560 to \$67,521, showing that Montrose County did better than the nation.
- Poverty estimates were also released, showing that poverty numbers inched lower. The poverty estimate in 2018 was 11.6%, which rose to 13.2% in 2019, and fell to 10.4% in 2020.
- Montrose has surpassed the employment levels of 2019, at an average employment for of 21,270 in 2021. The 2019 employment number was 20,955, while the 2020 number was 20,134.
- The U.S. inflation rate in February hit 7.9%. This is the highest inflation rate since 1982. Before Russia's invasion of Ukraine, a 3.5-4% inflation forecast by year end was a reasonable way to view inflation dynamics for the coming year. However, the Russia-Ukraine crisis has changed the inflation forecast and has much larger implications for the world and U.S. economy, bringing with it significant macroeconomic and financial risks.

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## LOCAL ECONOMIC INDICATORS

	Q4 2021	Q3 2021	Q4 2020	change since last quarter	change since last year (comparable quarters)
<b>Local Labor Market</b>					
Unemployment Rate Montrose County-NSA	3.60%	4.60%	5.23%	-1.00%	-1.63%
Unemployment Rate Colorado - NSA	4.00%	5.10%	6.10%	-1.10%	-2.10%
Unemployment Rate U.S. - NSA	4.00%	5.20%	6.50%	-1.20%	-2.50%
Labor Force	22,963	22,803	21,952	160	1,010
Employed	22,132	21,750	20,801	382	1,331
Unemployed	831	1,053	1,152	-222	-321
<b>Business Confidence</b>					
Leeds Colorado Business Confidence	56.1	67.3	47.9	-16.64%	17.12%
<b>Sales/Use Taxes</b>					
	<b>2021 (YTD)</b>		<b>2020 (YTD)</b>		
City Sales/Use Taxes (YTD, Sept)	\$23,533,483		\$19,727,507		19.29%
County Sales/Use Tax (YTD, Sept)	\$19,656,806		\$16,646,365		18.08%
Hotel and Restaurant Tax (YTD, Sept)	\$704,140		\$553,213		27.28%
Telluride Sales/Use Tax (YTD, Sept)	\$8,539,498		\$6,929,090		23.24%
<b>Business Filings</b>					
	<b>2021 (YTD)</b>		<b>2020 (YTD)</b>		
Montrose County New Business Entity Filings (as of Dec 5th)	862		774		11.37%

<b>Montrose Regional Airport</b>	<b>2021</b>	<b>2020</b>	<b>% change from last year</b>		
Enplanements (YTD, May)	193,285	100,718	91.91%		
<b>Standard of Living and Growth</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>% change since 2018</b>
Median Household Income	\$59,746	\$50,707	\$52,576	\$51,031	17.83%
Percent of Population Below Poverty Line	10.4%	13.2%	11.60%	12.9	-2.80%
GDP Estimates	\$1,467,479	\$1,478,875	\$1,449,318	\$1,335,236	-0.79%
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

At the beginning of every year the Bureau of Labor Statistics revises their estimates based on new data available, and occasionally updates their methodologies. For the most recent labor market data release, changes were made for Montrose County for the past year. The changes affect data back to 2017, and do not change the employment narrative for Montrose. Montrose has surpassed the employment levels of 2019, at an average employment for 2021 of 21,270. The 2019 employment number was 20,955, while the 2020 number was 20,134. Figure 2 shows a strong march upwards in employment, one of many graphs showing recent growth in Montrose County. Montrose ended the year at 22,126 in employment for December.

## Other Indicators

The Leeds Business Confidence Index has fallen by 16.64 percent from last quarter as businesses see the impacts of inflation, supply chain problems, and labor shortages. These issues do not seem to be impacting local spending, as sales tax collection continues to rise, with city sales/use taxes up 19% and county sales/use taxes up 18%. As businesses increase prices due to inflation, sales taxes will rise proportionally. Hotel and restaurant tax revenue is up 27% from 2020.

Montrose County business filings are up 18.97% from 2020, showing increased interest for small business creation. Scheduled enplanements from the Grand Junction Regional Airport are up almost 92% from 100,718 to 193,285.

Table 1:

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

	<b>Labor Force</b>	<b>Employed</b>	<b>Unemployed</b>
<b>Annual</b>	901	1,136	-235
<b>5-Year</b>	2,330	2,002	328
<b>10-Year</b>	2,402	3,563	-1,162
<b>Annual %</b>	4.19%	5.64%	-17.30%
<b>5-Year %</b>	11.61%	10.39%	41.37%
<b>10-Year %</b>	12.01%	20.12%	-50.87%

## Standard of Living Measures

Two new standard of living measures were recently released for Montrose County 2020 data. Median household income increased from \$50,707 to \$59,746. This is important because median household income for the United States fell from \$69,560 to \$67,521, which means Montrose County did better than the nation. Colorado median household income increased from \$72,499 to \$82,611, so the increase in Montrose County was more in line with Colorado.

Poverty estimates were also released, showing that poverty numbers inched lower. The poverty estimate in 2018 was 11.6%, which rose to 13.2% in 2019, and fell to 10.4% in 2020.

Figure 1:  
2 Year Employment: Old vs. New Estimates

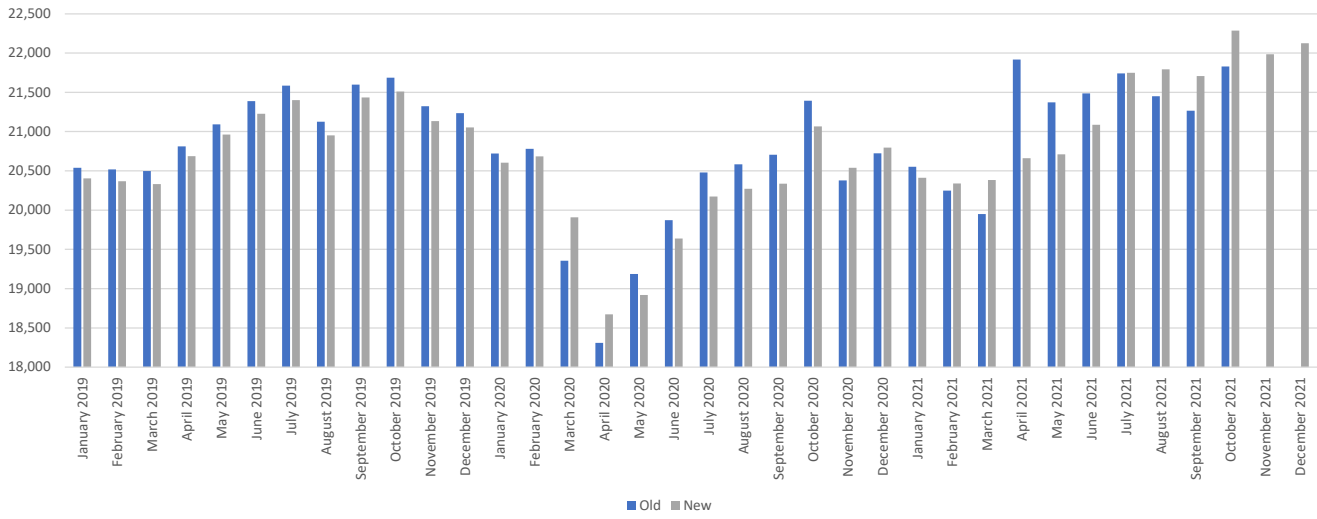


Figure 2:  
Average Yearly Employment

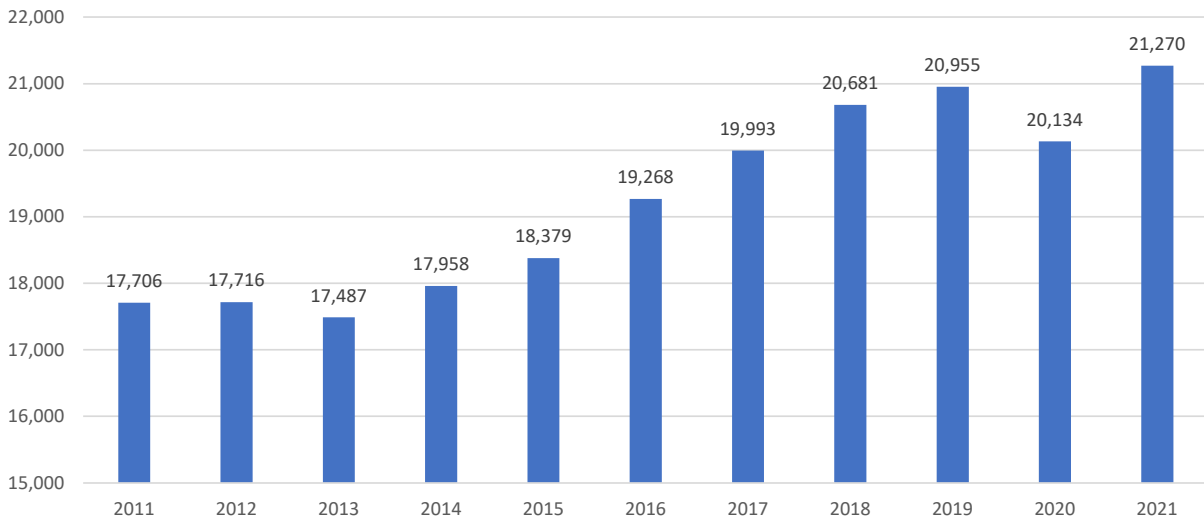


Figure 3:  
Change in Average Yearly Employment

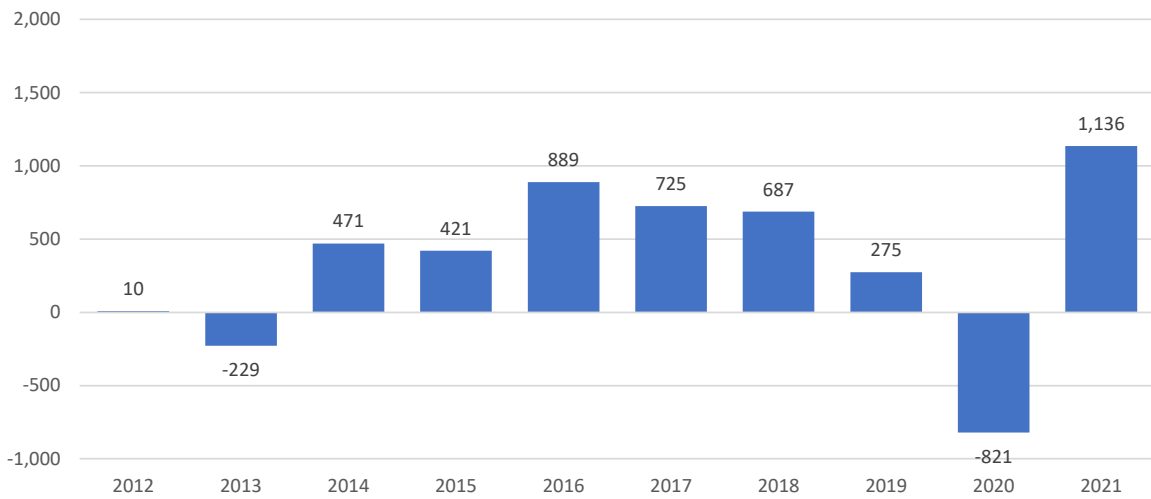


Figure 4:  
**Montrose County and Colorado Unemployment Rates**

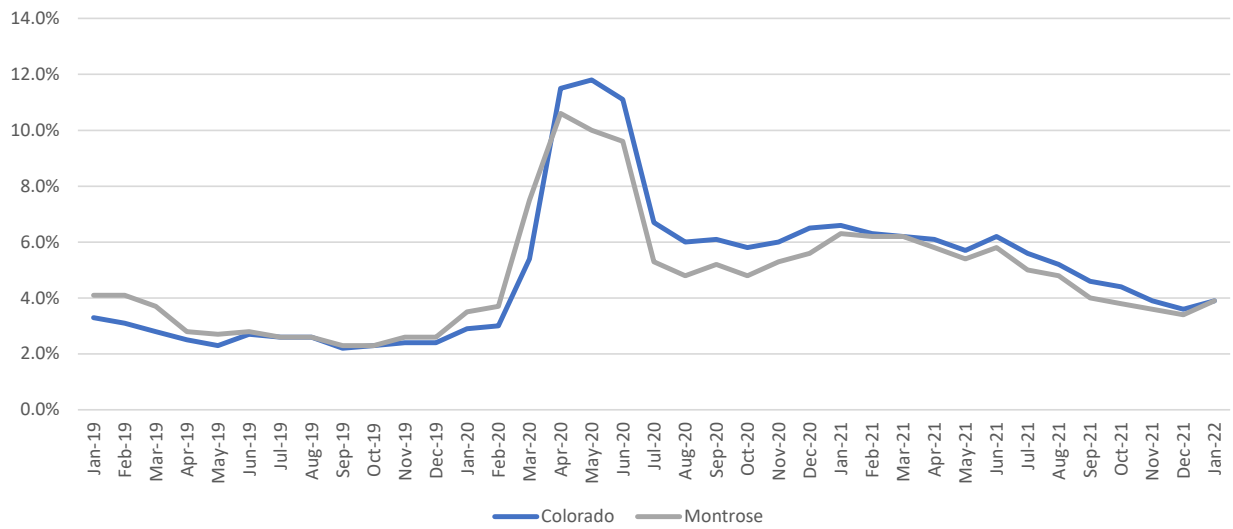


Figure 5:  
**Number of Unemployed Montrose County**

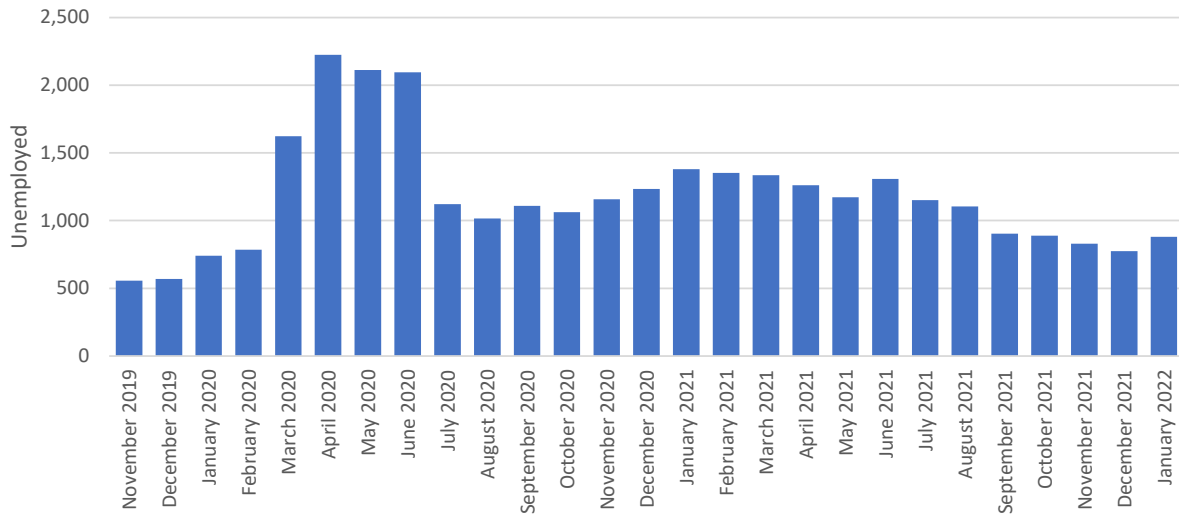


Figure 6:  
**Total Full and Part Time Jobs (BEA)**

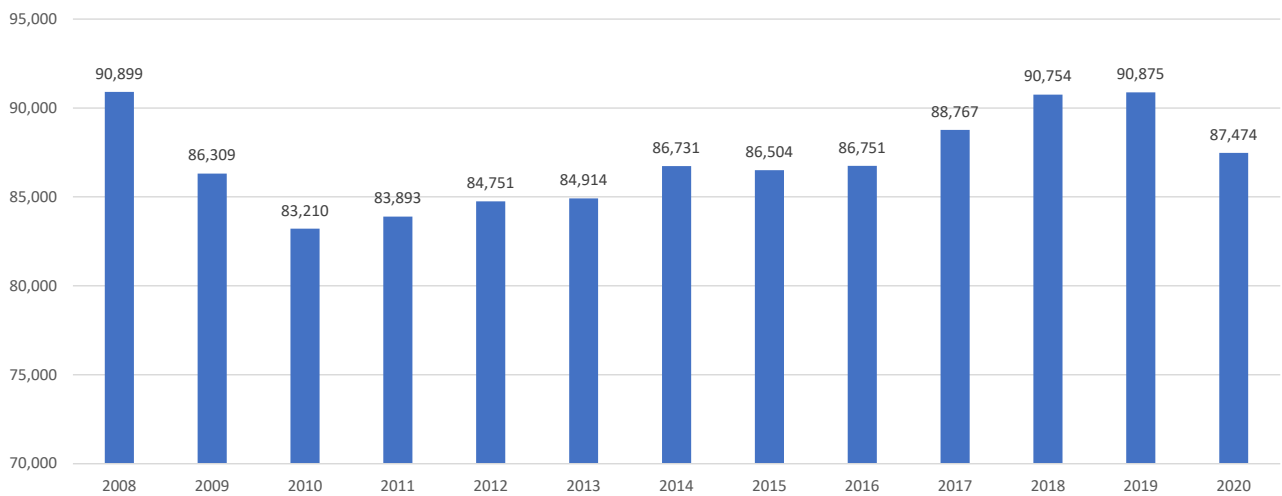


Figure 7:  
**Montrose County Median Household Income**

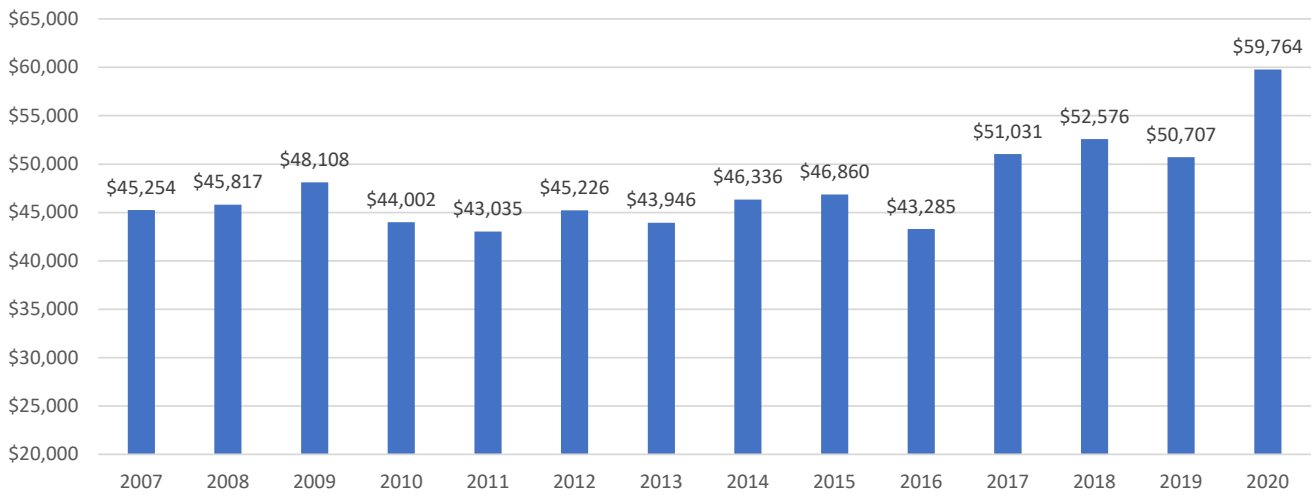


Figure 8:  
**Montrose County Poverty Rate Estimate**

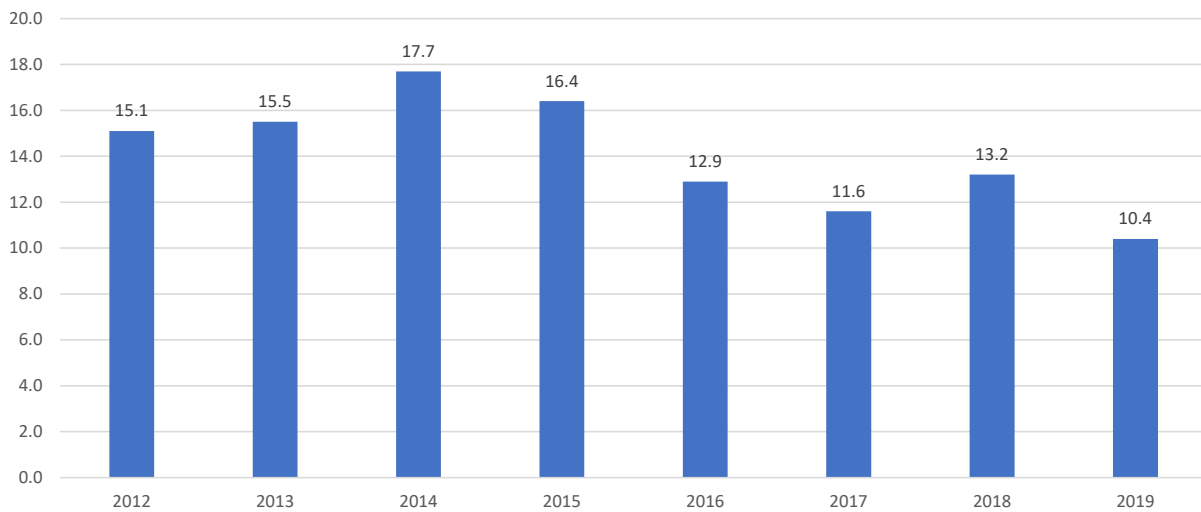
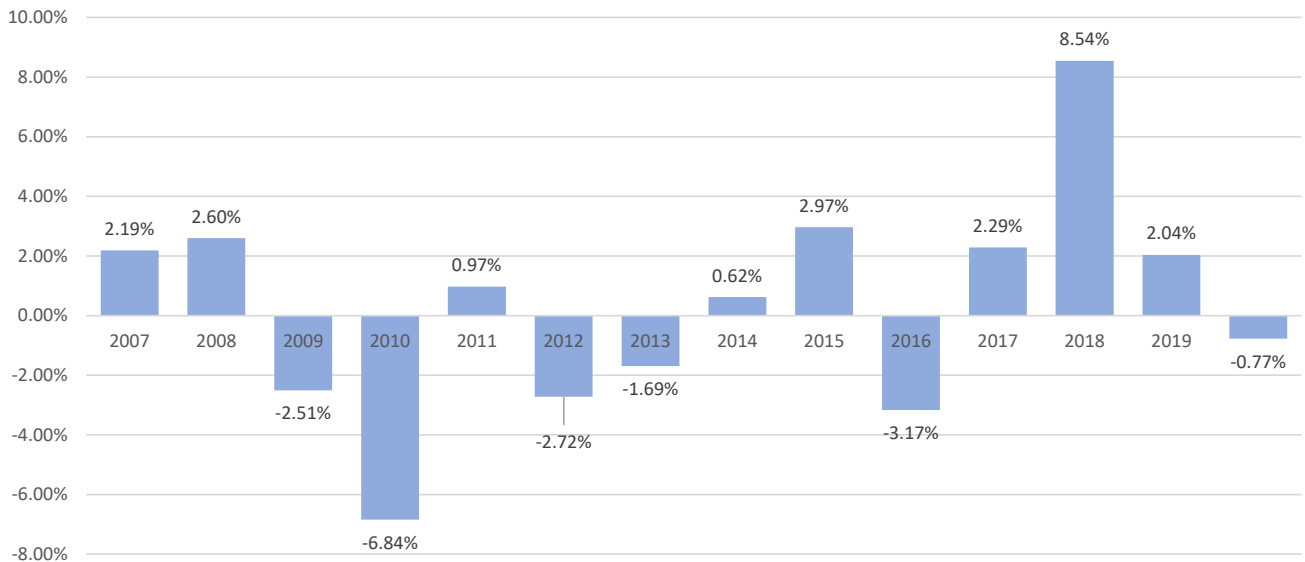


Figure 9:  
**Montrose County Real GDP (chained 2012 dollars)**



## Montrose County Employment Trends

Montrose QCEW data from Q3 2020 to Q3 2021 shows continued gains in most industries. Several industries had large job gains, including accomodation and food services (224), construction (146), and transportation and warehousing (117). Retail trade, construction, and healthcare led the wage gains. There were only small losses in a few industries, including agriculture, management of companies, and utilities. Note that QCEW data has a 6 month lag, so Q3 2021 is the most recent data point for industry level data.

Table 2:  
**Quarterly Census of Employment and Wages (QCEW) Q3 2021 Compared to Q3 2020**

Sector	Average Employment	Total Quarterly Wages	Average Weekly Wage	Total Employment Change	Total Wage Change
Total, All Industries	15,837	\$183,784,554	\$893	780	\$14,882,508
Health Care and Social Assistance	2,916	\$36,111,615	\$953	13	\$2,398,962
Retail Trade	2,364	\$22,699,147	\$739	52	\$2,736,332
Construction	1,493	\$19,874,880	\$1,024	146	\$2,567,487
Public Administration	1,108	\$19,447,888	\$1,350	-6	\$588,882
Manufacturing	1,044	\$12,085,914	\$891	0	-\$968,325
Accommodation and Food Services	1,569	\$9,395,593	\$461	224	\$2,182,999
Transportation and Warehousing	698	\$7,969,944	\$878	117	\$1,869,275
Professional and Technical Services	476	\$7,188,418	\$1,162	38	\$879,154
Wholesale Trade	397	\$5,767,736	\$1,118	16	\$667,288
Administrative and Waste Services	548	\$5,318,303	747	72	\$1,384,710
Utilities	243	\$4,901,041	\$1,551	-11	-\$341,591
Finance and Insurance	317	\$4,720,940	\$1,146	19	\$191,730
Other Services, Ex. Public Admin	412	\$4,713,276	\$880	10	\$341,785
Real Estate and Rental and Leasing	345	\$3,866,926	\$862	2	\$268,797
Agriculture, Forestry, Fishing & Hunting	289	\$2,720,472	\$724	-36	-\$283,744
Arts, Entertainment, and Recreation	418	\$2,563,228	\$472	115	\$567,332
Management of Companies and Enterprises	89	\$2,272,947	\$1,965	-18	-\$5,668
Information	177	\$1,987,774	864	25	\$349,925
Mining	26	\$485,187	\$1,435	2	-\$339,226

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	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 10:  
**Total Wage Changes from Q3 2020 to Q3 2021**

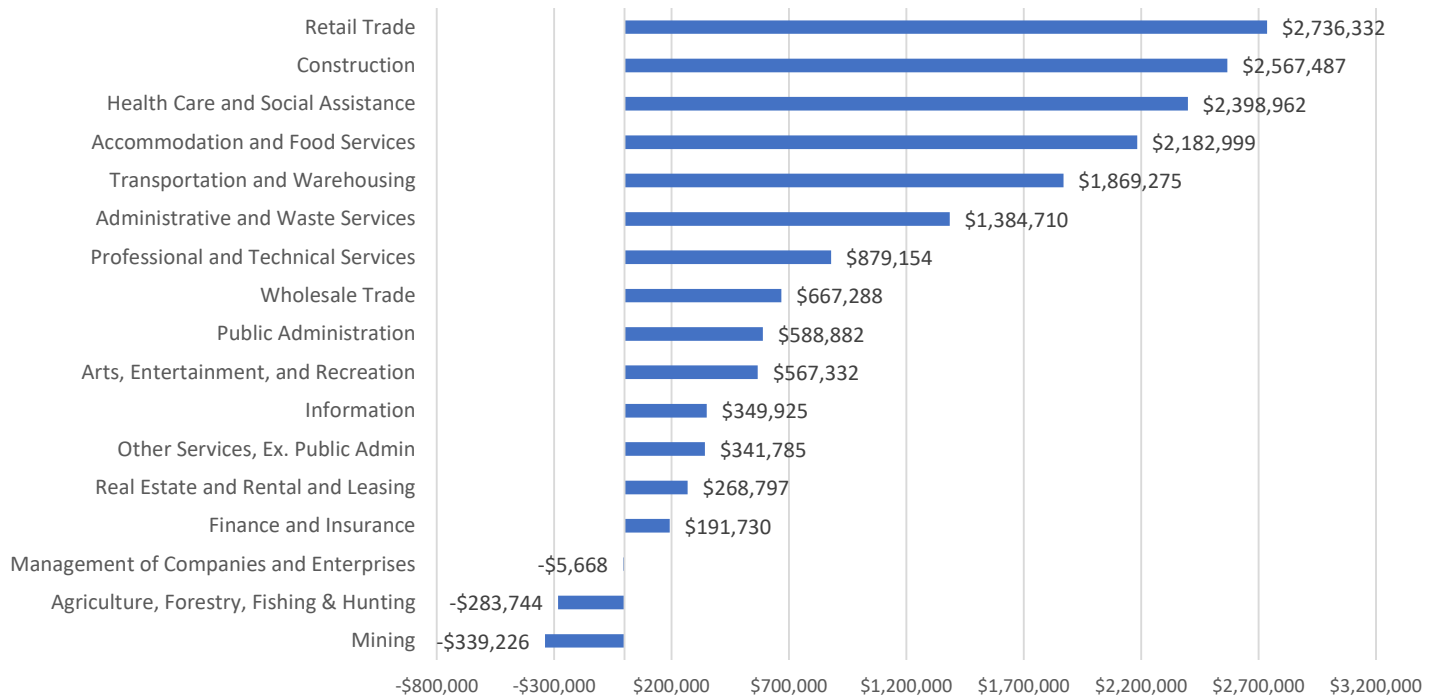
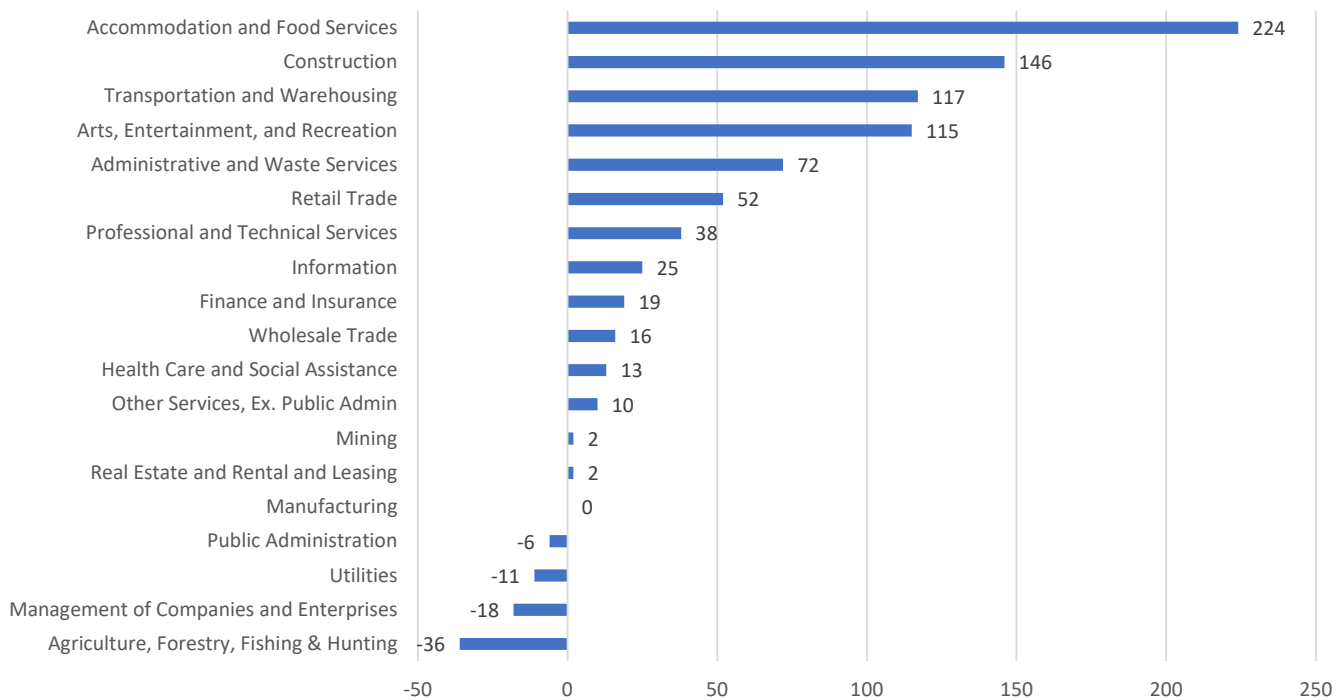


Figure 11:  
**Total Jobs Change from Q3 2020 to Q3 2021**



## LOCAL REAL ESTATE

	Q4 2021	Q4 2020	% change since last year
<b>Real Estate</b>			
Inventory of Homes for Sale (3 month avg)	109	109	0.61%
New Residential Listings (3 month total)	173	155	11.61%
Sold Residential Listings (3 month total)	207	233	-11.16%
Median Sales Price	\$392,017	\$327,550	19.68%
Average Sales Price	\$463,282	\$367,733	25.98%
Days on Market	79.33	102.00	-22.22%
Months Supply of Inventory	1.53	1.77	-13.21%
Total Building Permits	873	629	38.79%
Total Building Permit Valuation	\$130,733,906	\$70,695,129	84.93%
Single Family Home Permits	386	249	55.02%
Single Family Home Permit Valuation	\$64,254,094	\$37,311,289	72.21%
<b>Foreclosures</b>			
Foreclosure Filings	11	20	-45.00%
Foreclosure Sales	4	3	33.33%
<b>Mortgage Rates</b>			
30 Year Mortgage Rate	2.34%	2.29%	0.05%
15 year Mortgage Rate	3.08%	2.76%	0.32%

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 County real estate market continues to be tight, with median prices rising by 19.68%. Days on market have fallen by 22.22%, and months supply of inventory by 13.21%. Inventory of homes for sales remains even from last year, but that is likely because it cannot go much lower, as months supply of inventory is now at 1.53. All data points show a very tight housing market with limited inventory. The Federal Reserve is raising the Federal Funds rate and reducing their purchases of 10 year treasury bonds, with the goal of raising interest rates. The hope is to slow what has become one of the strongest housing markets in recent history.

Figure 12:  
**Median and Average Home Value**

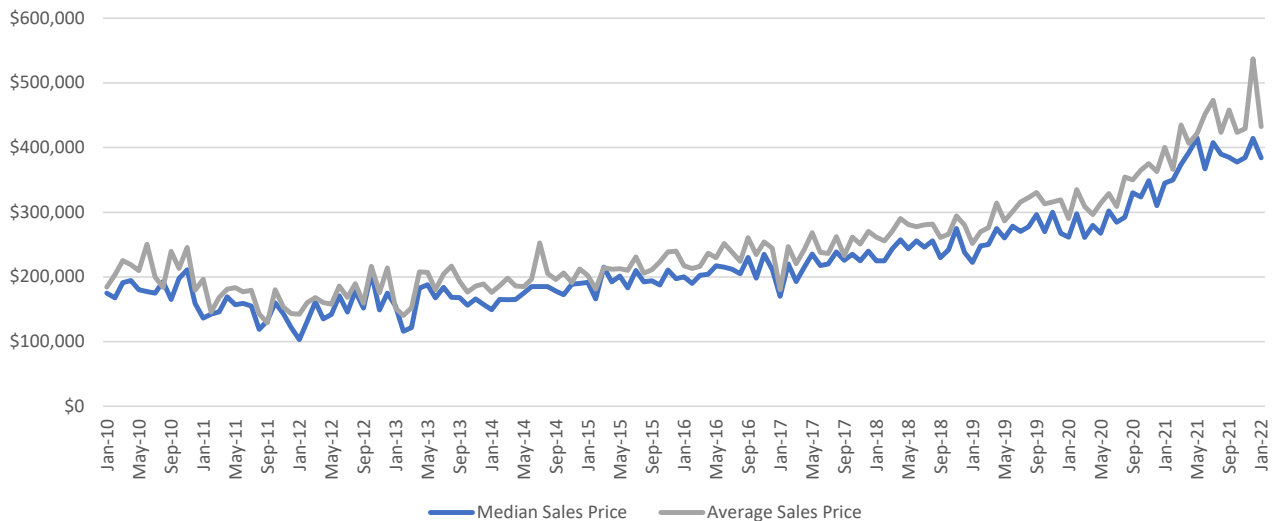




Figure 13:  
Days on Market Until Sale

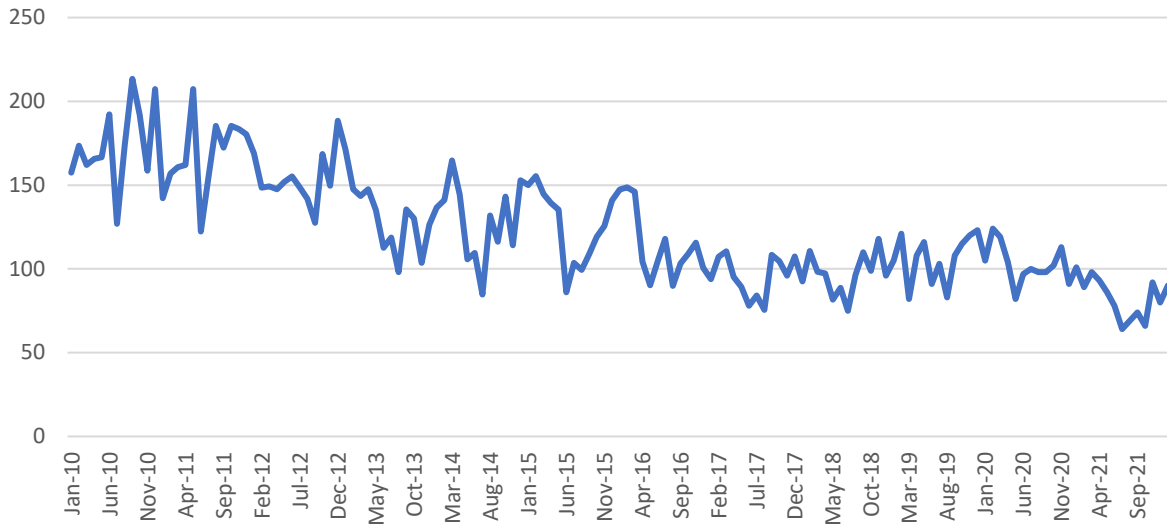


Figure 14:  
Months Supply of Inventory

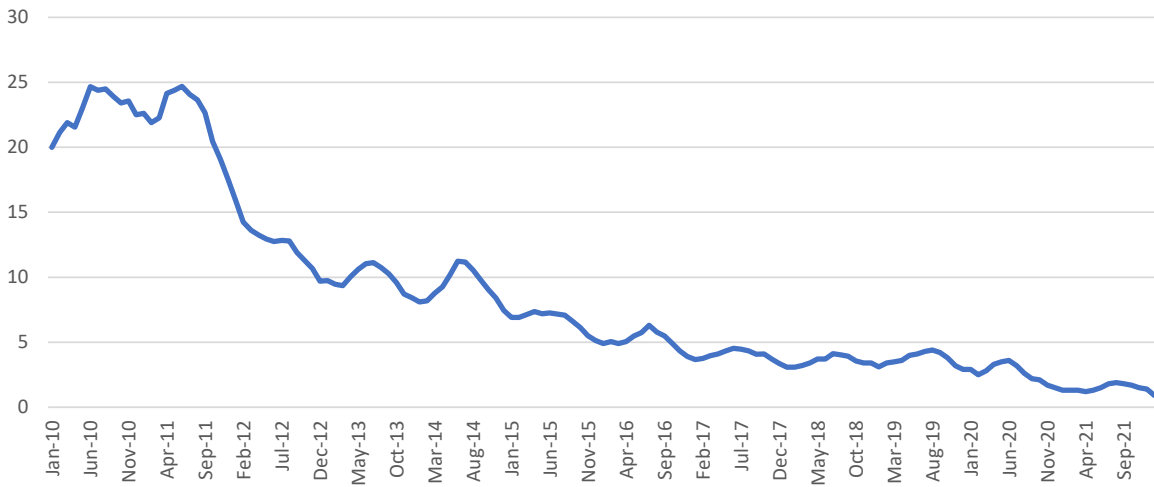
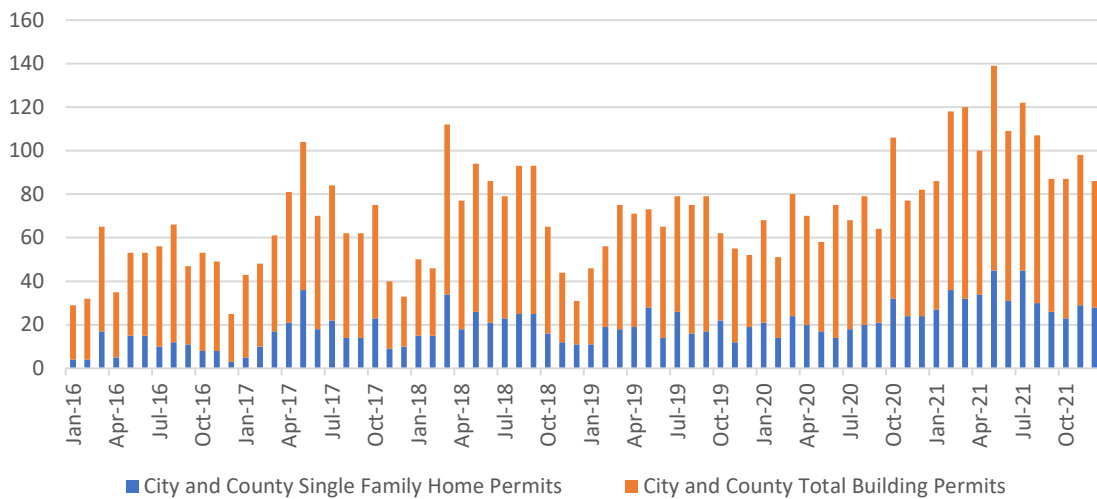


Figure 15:  
Total and Single Family Home Building Permits



## REGIONAL ENERGY

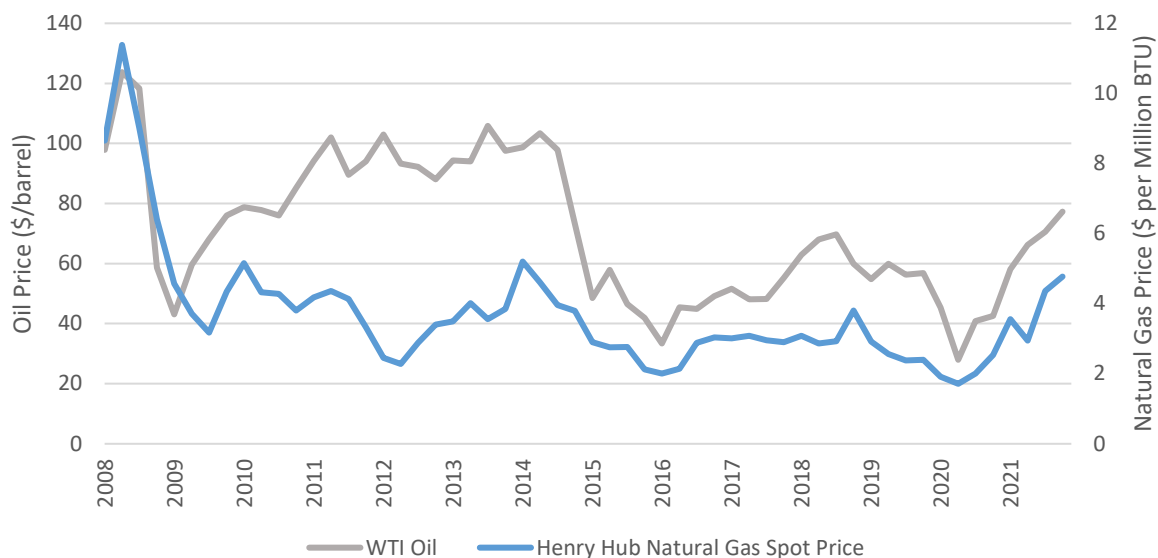
	Q4 2021	Q3 2021	Q4 2020	% change since last quarter	% change since last year (comparable quarters)
<b>Energy Prices</b>					
WTI Crude Oil	\$77.33	\$70.58	\$42.52	9.56%	81.87%
Henry Hub Natural gas	\$4.77	\$4.36	\$2.53	9.40%	88.54%
Retail Gasoline Price	\$3.21	\$3.06	\$2.06	4.90%	55.62%

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	Feb-22	Aug-21	Feb-21
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 16:  
**Oil and Natural Gas Prices**



## NATIONAL ECONOMIC INDICATORS

	Q4 2021	Q3 2021	Q4 2020	% change since last period	% change since last year (comparable quarters)
<b>Business Cycle Indicators</b>					
Real GDP	6.90%	2.30%	4.50%	4.60%	2.40%
Personal Consumption Expenditures	3.30%	2.00%	3.40%	1.30%	-0.10%
Gross Private Domestic Investment	32.00%	12.40%	24.70%	19.60%	7.30%
National Consumer Confidence	69.9	74.8	79.8	-6.55%	-12.41%
Industrial Production Index	101.8	100.7	97.4	1.09%	4.55%
Initial Weekly Unemployment Claims (4 week MA)	265,923	369,788	787,250	-28.09%	-66.22%
Non Farm Payroll Change (in thousands)	1,733,333	1,695,333	1,998,333	2.24%	-13.26%
<b>Unemployment</b>					
Unemployment Rate-U3-SA	4.20%	5.10%	6.80%	-0.90%	-2.60%
Unemployment Rate-U6-SA	7.70%	8.80%	11.90%	-1.10%	-4.20%
<b>Interest Rates</b>					
Federal Funds Rate	0.08%	0.09%	0.09%	-0.01%	-0.01%
10 Year U.S. Treasury	1.54%	1.32%	0.86%	0.22%	0.68%
30 Year U.S. Treasury	1.94%	1.93%	1.62%	0.01%	0.32%
<b>Inflation Measures</b>					
Inflation Rate (CPI)	6.72%	5.29%	1.20%	1.43%	5.52%
Core Inflation Rate (All Items Less Food and Energy)	5.01%	4.07%	1.62%	0.94%	3.39%
Inflation Rate (Shelter)	3.86%	2.92%	1.93%	0.94%	1.93%
Producer Price Index (PPI)	21.77%	20.27%	-0.22%	1.50%	21.99%
Employment Cost Index	4.00%	3.68%	2.52%	0.33%	1.48%
<b>Stock Prices</b>					
S&P 500	4,602	4,422	3,555	4.08%	29.47%
Dow Jones Industrial Average	35,517	34,916	29,092	1.72%	22.09%
<b>Trade Balance and Debt</b>					
Trade Balance (% of GDP)	-962.593	-947.023	-798.431	1.64%	20.56%
Federal Debt (% of GDP)*	122.5%	127.5%	127.5%	-5.0%	-5.0%

Figure 17:  
Real GDP for U.S.

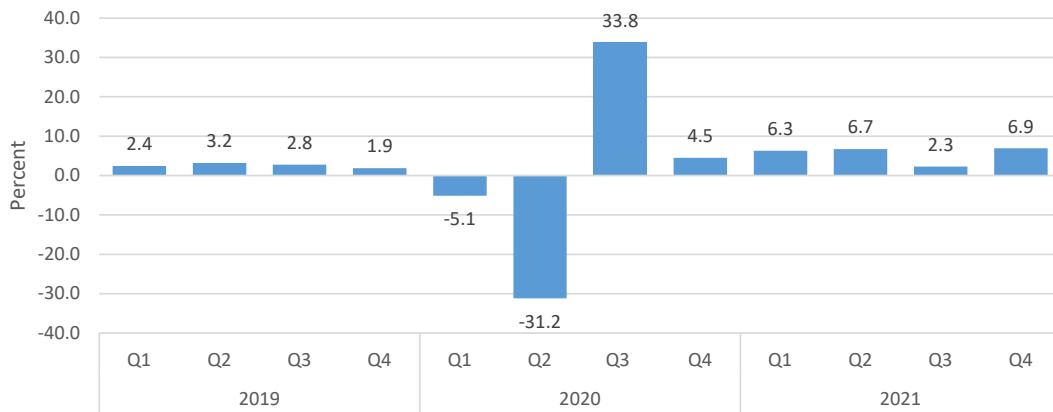
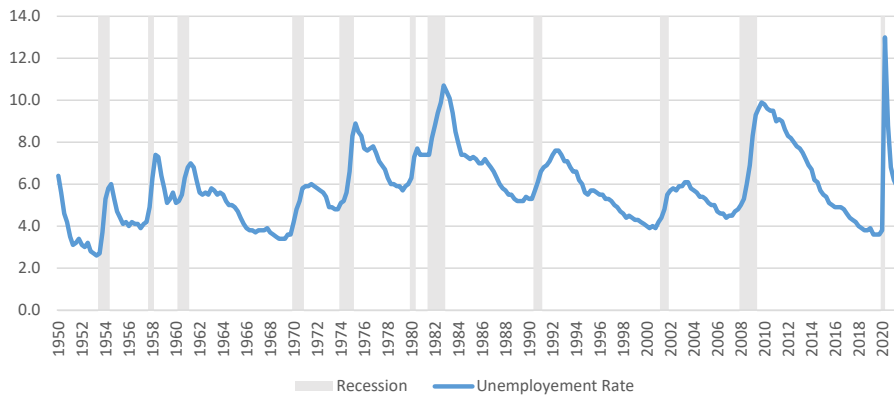


Figure 18:  
U.S. Unemployment Rate



## National Economic Performance

U.S. GDP growth showed a 6.9% gain. The Q1 2022 GDP Now forecast shows a much more subdued quarter at 0.5%. The national unemployment rate fell to 3.8% in February, bringing the unemployment rate down to 2019 levels. Figure 21 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 the graph shows that the U.S. is very close to full economic recovery from the COVID-19 induced economic downturn.

## Inflation

The U.S. inflation rate in February hit 7.9%, a continued increase of the inflation we began to see in mid-2021. This is the highest inflation rate since 1982. Like last quarter, energy and vehicles lead the charge with a 25.6% increase in energy and used cars and trucks increasing by 41.2%, and not to be outdone, food increased by 7.9%. Before Russia’s invasion of Ukraine, a 3.5-4% inflation forecast by year end was a reasonable way to view inflation dynamics in the coming year. Energy shows inflation because 2020 energy prices were so low, supply chains would eventually work themselves out, etc. However, the Russia-Ukraine crisis has changed the inflation forecast and has much larger implications for the world and U.S. economy.

## Russia-Ukraine

Russia is a huge exporter of oil and natural gas, and although

the U.S. only imports 3% of its oil from Russia, any disruption in the world market will affect the price of oil domestically. Russia and Ukraine also produce a sizable portion of the world’s wheat supply. Commodities are a world market, hence the price of food will increase. Russia also produces platinum, aluminum, fertilizers, and other important products.

Perhaps the more esoteric risk is the risk to the international financial system and global trade. This includes global supply chains, reliance on the U.S. dollar, and trade flows between the U.S. and China. This is clearly a coordinated challenge from China and Russia to the existing global order, a challenge that has resulted in sanctions on Russia and may necessitate a form of de-coupling from China economically. This is an enormous amount of risk for the financial markets to digest, which is one of the reasons markets have been trending downwards since the invasion. How Russia-Ukraine resolves itself is unknown, but what is certain is that politically the global order, and economically the trade and financial flows we have been accustomed to are under threat and likely to change to some degree. This means lower growth, higher inflation (or what we call stagflation), and the distinct possibility of a world recession this year. The Fed raising interest rates can help bring inflation down, certainly helping with housing, vehicle inflation, but because so much of the inflationary pressure is a supply shock, the Fed will likely not be able to eliminate all inflation with monetary policy.

Figure 19:  
**GDP Gap**

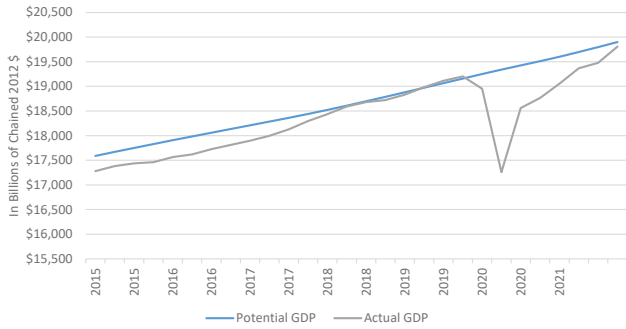


Figure 20:  
**Employment Cost Index**

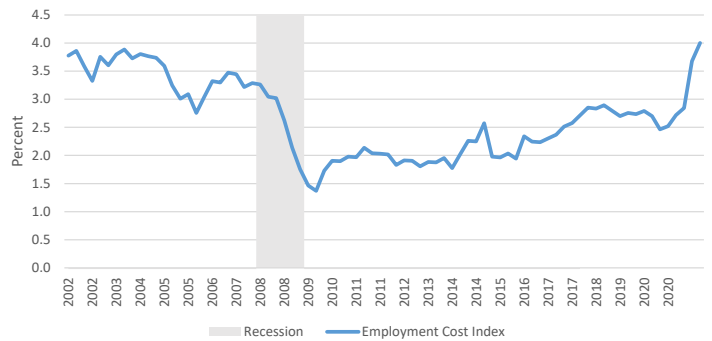
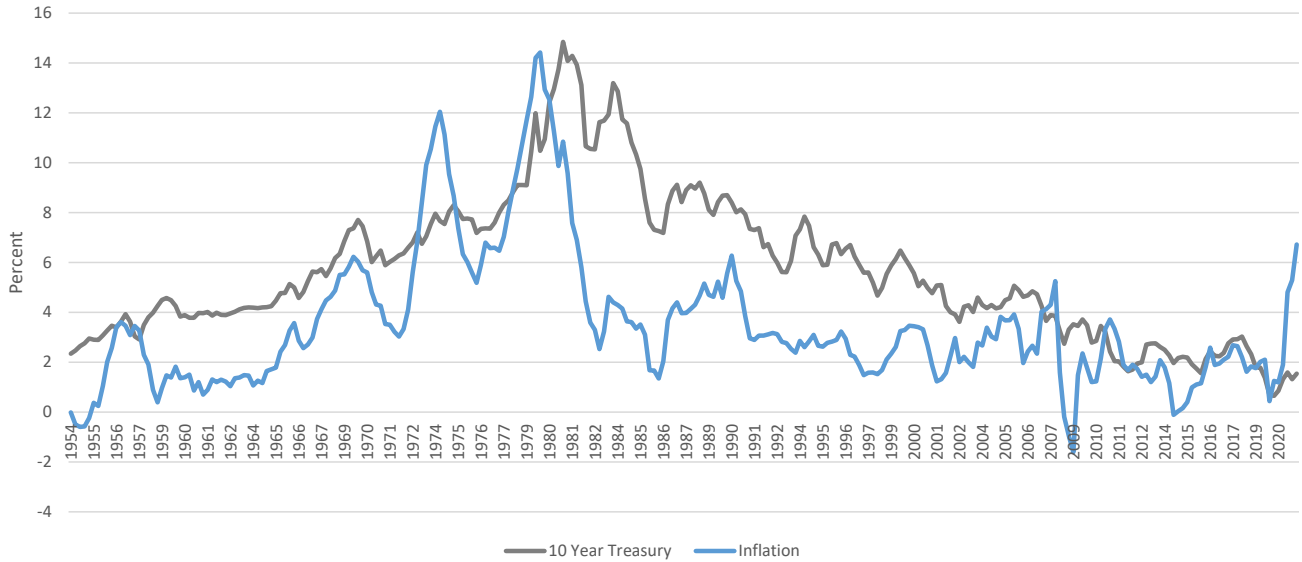


Figure 21:  
**Inflation Rate and 10 Year Treasury Rate**



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