

MONTROSE COUNTY ECONOMIC UPDATE

First Quarter, 2023



Economic Summary

- Montrose County median household income fell from \$59,746 to \$56,686. The Census Department's SAIPE (Small Area Income and Poverty Estimates) released their most recent poverty estimate, with Montrose County rising from 10.4% to 12.5%. Poverty estimates have generally been in a downward trend since 2015.
- Montrose County employment averaged 20,521 for the 2022, with a peak employment number of 20,894 in October. Employment began its normal winter decent in November, falling by almost 700 through January 2023.
- U.S. GDP for Q4 2022 was 2.9%, down slightly from the revised Q3 number of 3.2%. Q1 2023 GDP was at 1.1%, lower than the 2% forecast.
- Headline inflation printed lower at 5% in March. Inflation seems to be falling, with some leading indicators like the production price index (PPI) falling, but other contributors to inflation like wages and rent still rising. Energy prices continue to fall which should help reduce inflationary pressure.

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LOCAL ECONOMIC INDICATORS

	Q4 2022	Q3 2022	Q4 2021	change since last quarter	change since last year (comparable quarters)
Local Labor Market					
Unemployment Rate Montrose County-NSA	2.80%	2.83%	4.27%	-0.03%	-1.47%
Unemployment Rate Colorado - NSA	3.30%	3.20%	5.10%	0.10%	-1.80%
Unemployment Rate U.S. - NSA	3.60%	3.50%	5.20%	0.10%	-1.60%
Labor Force	21,222	21,428	21,428	-206	-206
Employed	20,620	20,816	20,482	-196	138
Unemployed	602	612	906	-10	-304
Business Confidence					
Leeds Colorado Business Confidence	39.8	39.8	58.0	0.00%	-31.38%
Sales/Use Taxes					
City Sales/Use Taxes (YTD)	\$26,070,038		\$23,533,483		10.78%
County Sales/Use Tax (YTD)	\$22,010,391		\$19,656,806		11.97%
Hotel and Restaurant Tax (YTD)	\$770,308		\$704,140		9.40%
Telluride Sales/Use Tax (YTD)	\$10,952,434		\$9,838,560		11.32%
Business Filings					
	2022 (YTD)		2021 (YTD)		
Montrose County New Business Entity Filings	1,007		846		19.03%

Montrose Regional Airport	2022	2021	% change from last year		
Enplanements (YTD, May)	233,745	193,285	20.93%		
Standard of Living and Growth	2020	2019	2018	2017	% change since 2018
Median Household Income	\$56,686	\$59,746	\$50,707	\$52,576	-5.12%
Percent of Population Below Poverty Line	12.5%	10.4%	13.2%	11.60%	2.10%
GDP Estimates	\$1,547,808	\$1,465,483	\$1,484,056	\$1,449,424	5.55%
Population	43,168	42,798	42,791	42,309	0.86%
Personal Income	\$2,192,453	\$2,000,661	\$1,827,306	\$1,739,781	9.59%
Per Capita Personal Income	\$50,789	\$46,747	\$43,187	\$41,537	8.65%

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

Montrose County employment averaged 20,521 for the 2022, with a peak employment number of 20,894 in October. Employment began its normal winter decent in November, falling by almost 700 through January 2023. Unemployment remains low, well below 3% from August on, rising in January to 3.6% as seasonal unemployment takes effect. The number of unemployed has remained below 1,000 since September of 2021.

The national labor market continues to be tight and this is the case at the state level and the county level. Despite some recessionary indicators, the labor market continues to stay strong.

Other Indicators

Montrose city and county sales and use tax collections for 2022 continue their upward trend, up over 10.8% and 11.9% year-over-year, respectively. Airport enplanements are up 20.93% year-over-year.

The Leeds Business Confidence Index held steady at 39.8, the third lowest point on the index since 2004 when the index began. Of the different parts of the weighted index, businesses were most pessimistic about the state of the national economy,

Montrose County new business entity filings were up 19.03% from 2021. The trend of new entity filings has increased every year since 2012, with the last 2 years having significantly increased.

Table 1:

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

	Labor Force	Employed	Unemployed
Annual	49	485	-437
5-Year	613	527	85
10-Year	1,449	2,805	-1,355
Annual %	0.23%	2.42%	-37.98%
5-Year %	2.97%	2.64%	13.56%
10-Year %	7.33%	15.83%	-65.51%

New standard of living measures have been released for 2021, as county level data has a significant lag. Montrose County median household income fell from \$59,746 to \$56,686. Median household income is an estimate with a fairly large confidence interval, so it is important to not overreact to one number that falls. It is more important with this data point to look at the overall trend, and the story is that the growth that hit the Western Slope in 2017 translated to increased median household income over the next four years, but that trend has now paused. It's important to note that Colorado's median household income also fell, as well as several other Western Slope counties.

The Census Department's SAIPE (Small Area Income and Poverty Estimates) released their most recent poverty estimate, with Montrose County rising from 10.4% to 12.5%. Poverty estimates have generally been in a downward trend since 2015.

Figure 1:
Montrose Employment

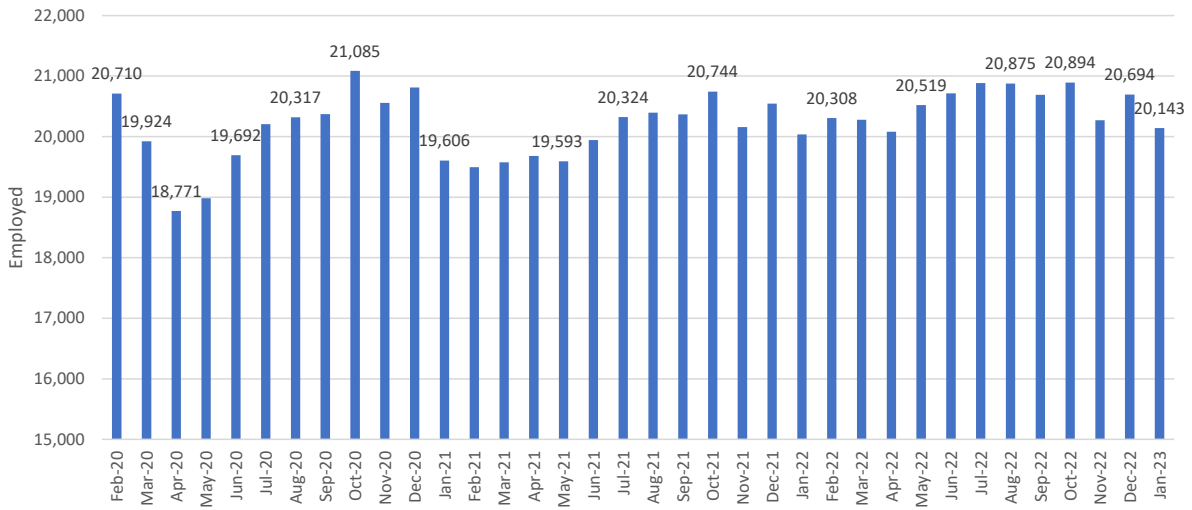


Figure 2:
Average Yearly Employment

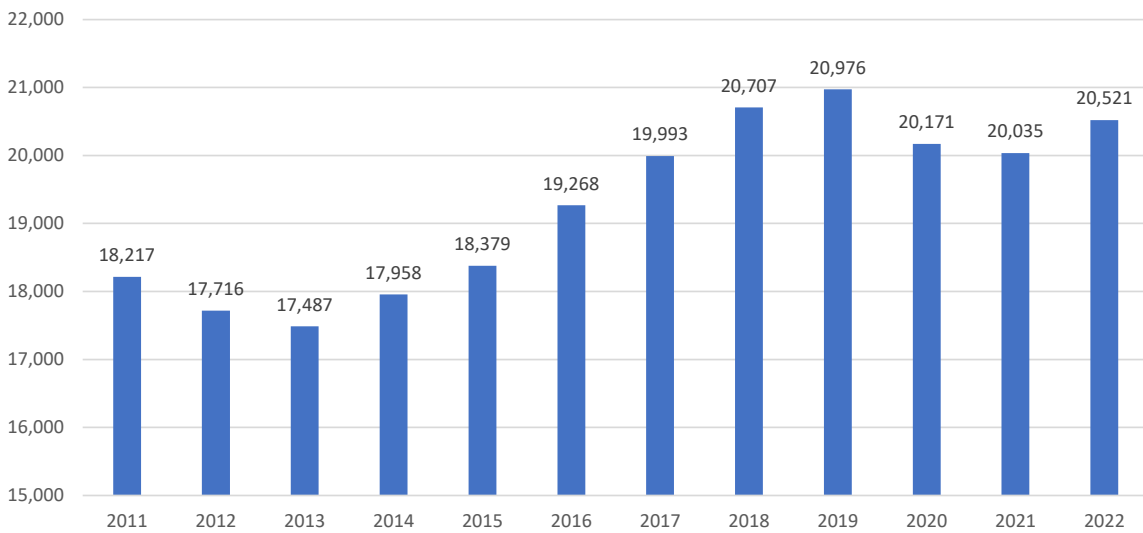


Figure 3:
Change in Average Yearly Employment

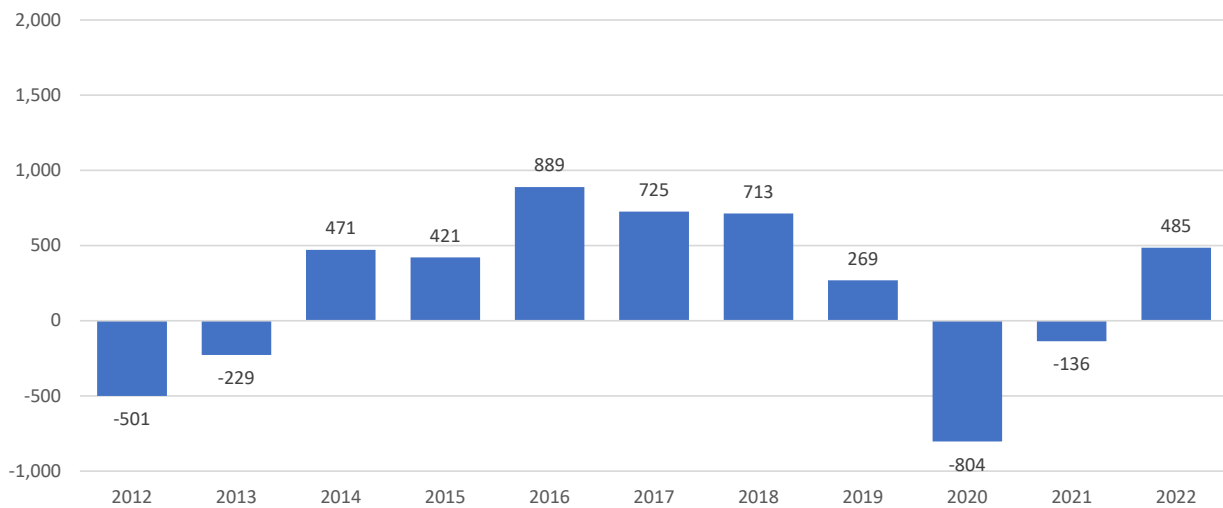


Figure 4:
Leeds Business Confidence Index

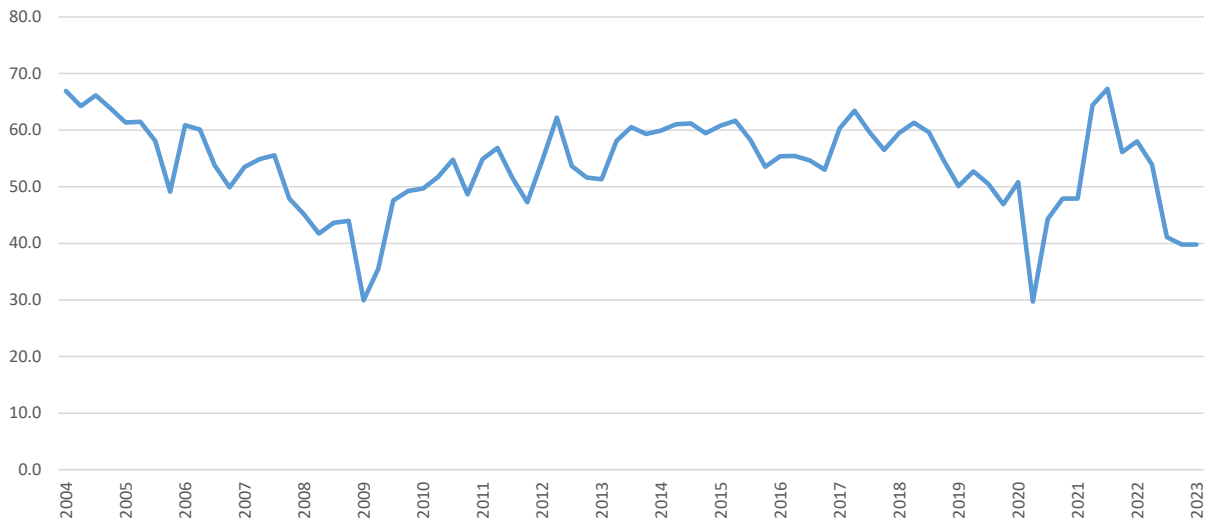


Figure 5:
Sales Tax Collection

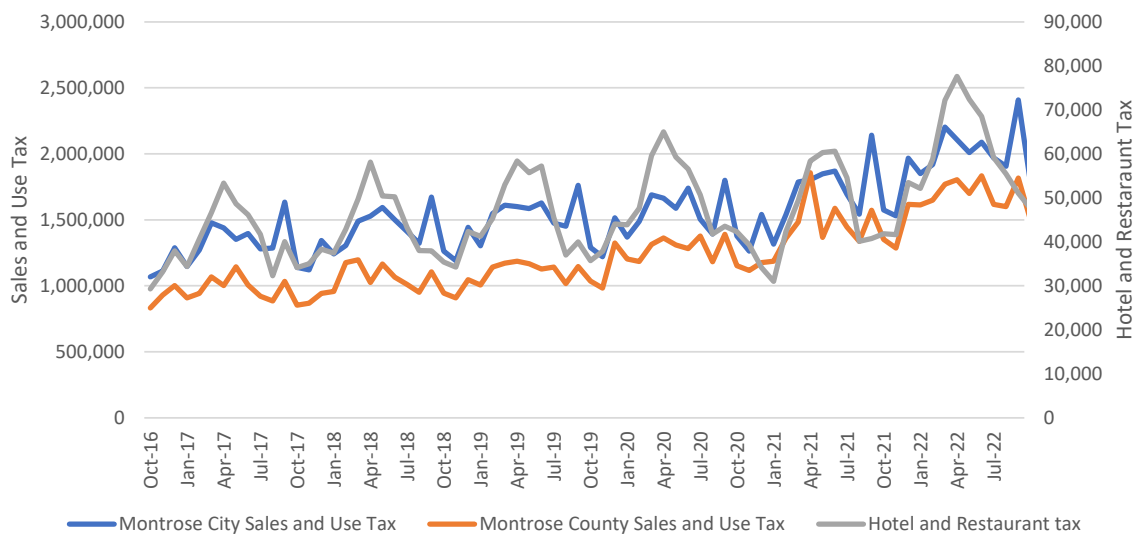


Figure 6:
Total Full and Part Time Jobs (BEA)

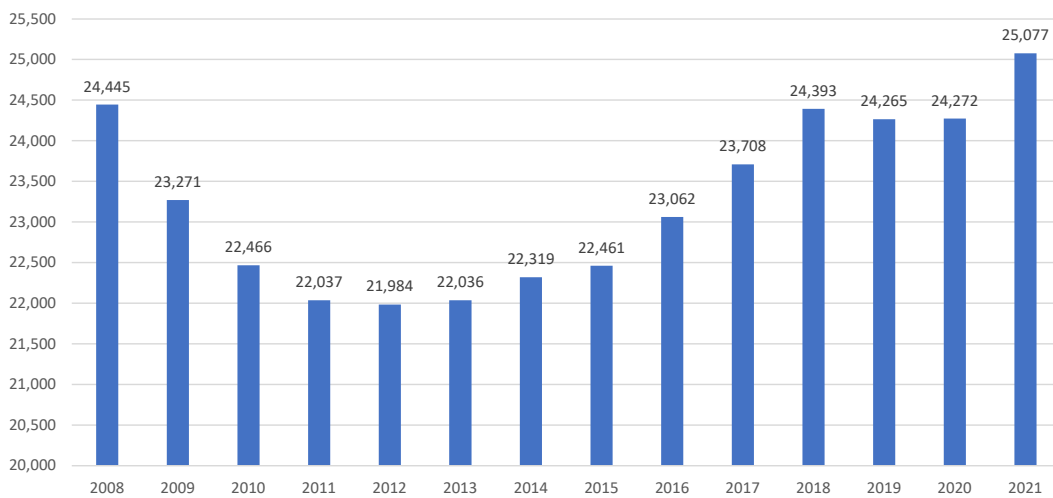


Figure 7:
Montrose County Median Household Income

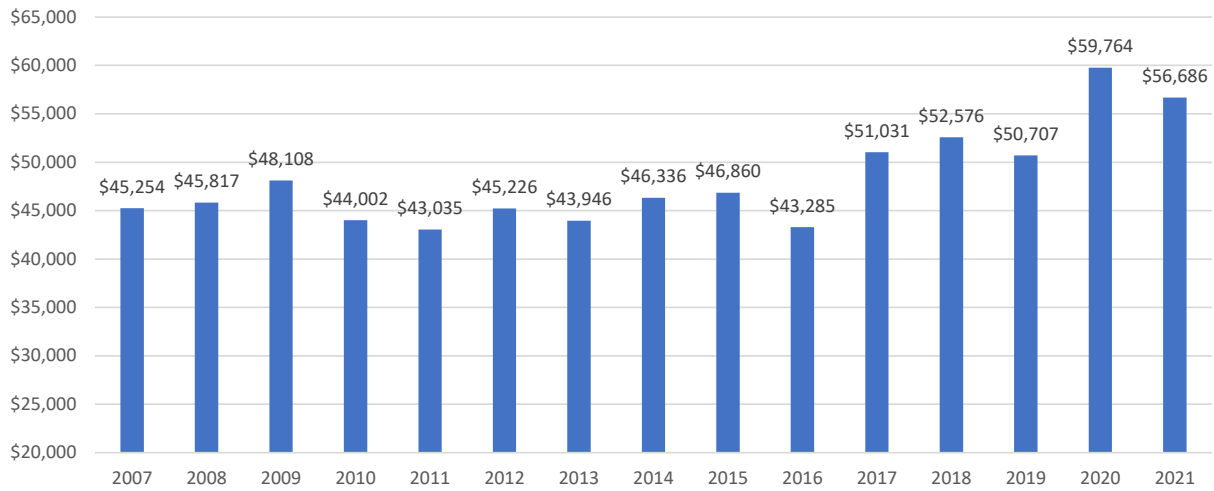


Figure 8:
Montrose County Poverty Rate

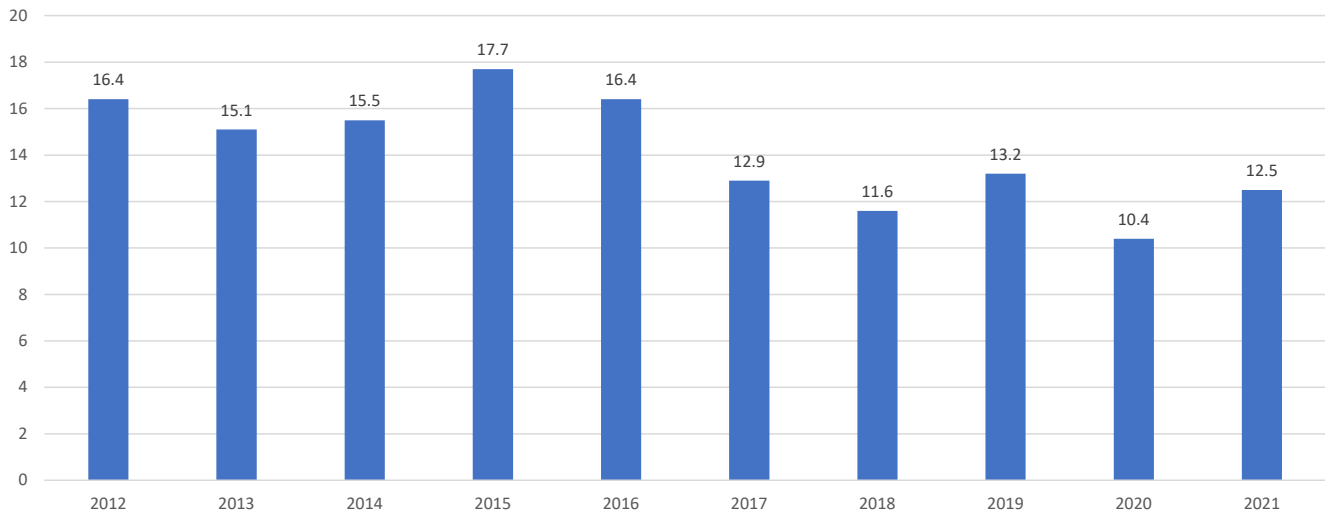
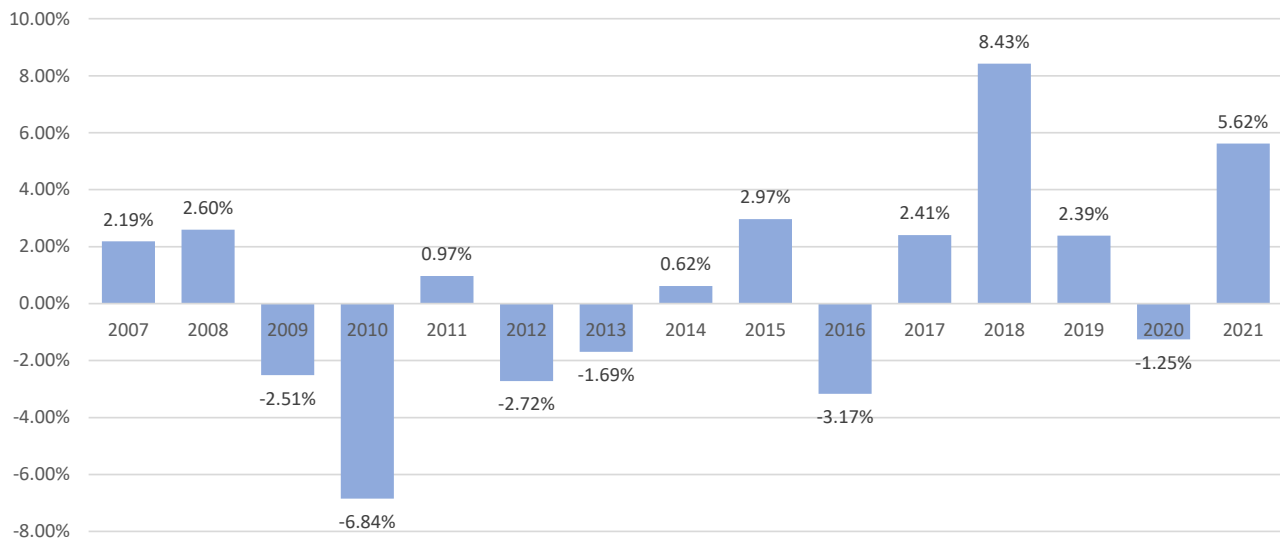


Figure 9:
Montrose County Real GDP (chained 2012 dollars)



Montrose County Employment Trends

Montrose Quarterly Census of Employment and Wages data shows job gains of 245 compared to the same quarter of 2021. Top gains in jobs were in construction (212), and transportation and warehousing (41). The biggest losses were in arts, entertainment, and recreation (86), and agriculture, forestry, fishing, and hunting (26). Wage losses were fairly small, all under \$1 million, while wages gains were led by construction, which has had a few quarters of strong growth. Bureau of Economic Analysis data shows that farm employment held steady at 1,136 for 2021. 2022 numbers will be available near the end of this year. Sole proprietors increased by 2.47%.

Table 3:
Quarterly Census of Employment and Wages (QCEW) Q3 2022 Compared to Q3 2021

Sector	Average Employment	Total Quarterly Wages	Average Weekly Wage	Total Employment Change	Total Wage Change
Total, All Industries	16,082	203,003,565	971	245	\$19,219,011
Health Care and Social Assistance	2,928	39,806,879	1,046	12	\$3,695,264
Construction	1,705	25,302,861	1,142	212	\$5,427,981
Retail Trade	2,395	24,883,069	799	31	\$2,183,922
Public Administration	1,106	20,528,580	1,428	-2	\$1,080,692
Manufacturing	1,034	13,585,700	1,010	-10	\$1,499,786
Accommodation and Food Services	1,578	10,284,755	501	9	\$889,162
Transportation and Warehousing	739	8,952,874	931	41	\$982,930
Professional and Technical Services	510	8,787,553	1,325	34	\$1,599,135
Wholesale Trade	422	7,047,465	1,284	25	\$1,279,729
Administrative and Waste Services	555	6,214,553	861	7	\$896,250
Finance and Insurance	315	4,961,595	1,212	-2	\$240,655
Other Services, Ex. Public Admin	420	4,888,869	895	8	\$175,593
Utilities	236	4,689,787	1,529	-7	-\$211,254
Real Estate and Rental and Leasing	346	4,168,665	926	1	\$301,739
Agriculture, Forestry, Fishing & Hunting	263	2,567,181	751	-26	-\$153,291
Arts, Entertainment, and Recreation	332	2,176,142	505	-86	-\$387,086
Information	154	1,935,173	965	-23	-\$52,601
Management of Companies and Enterprises	70	1,766,597	1,932	-19	-\$506,350
Mining	21	418,704	1,534	-5	-\$66,483

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	2021	2020	2019	2018	% change from 2020
Farm Employment	1,136	1,131	1,128	1,134	0.44%
Sole Proprietors (non-farm)	7,455	7,275	6,621	6,939	2.47%

Figure 10:
Total Wage Change from Q3 2021 to Q3 2022

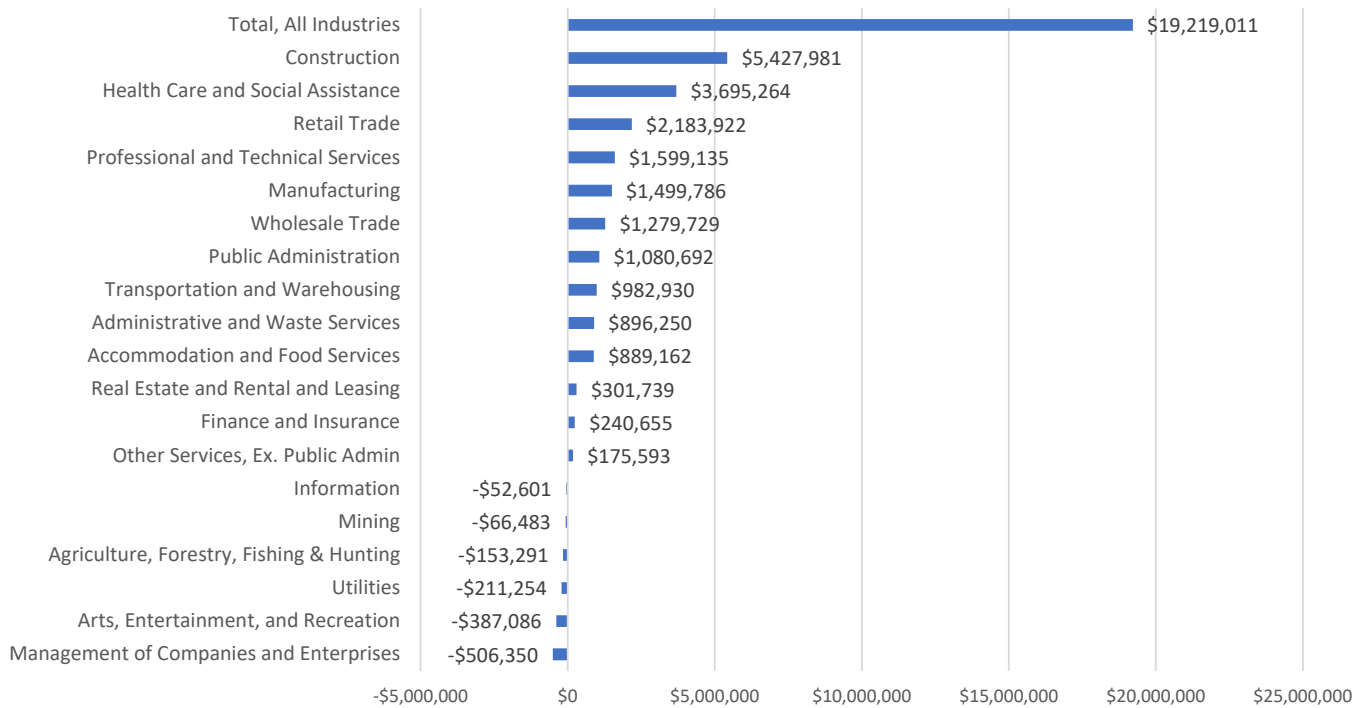
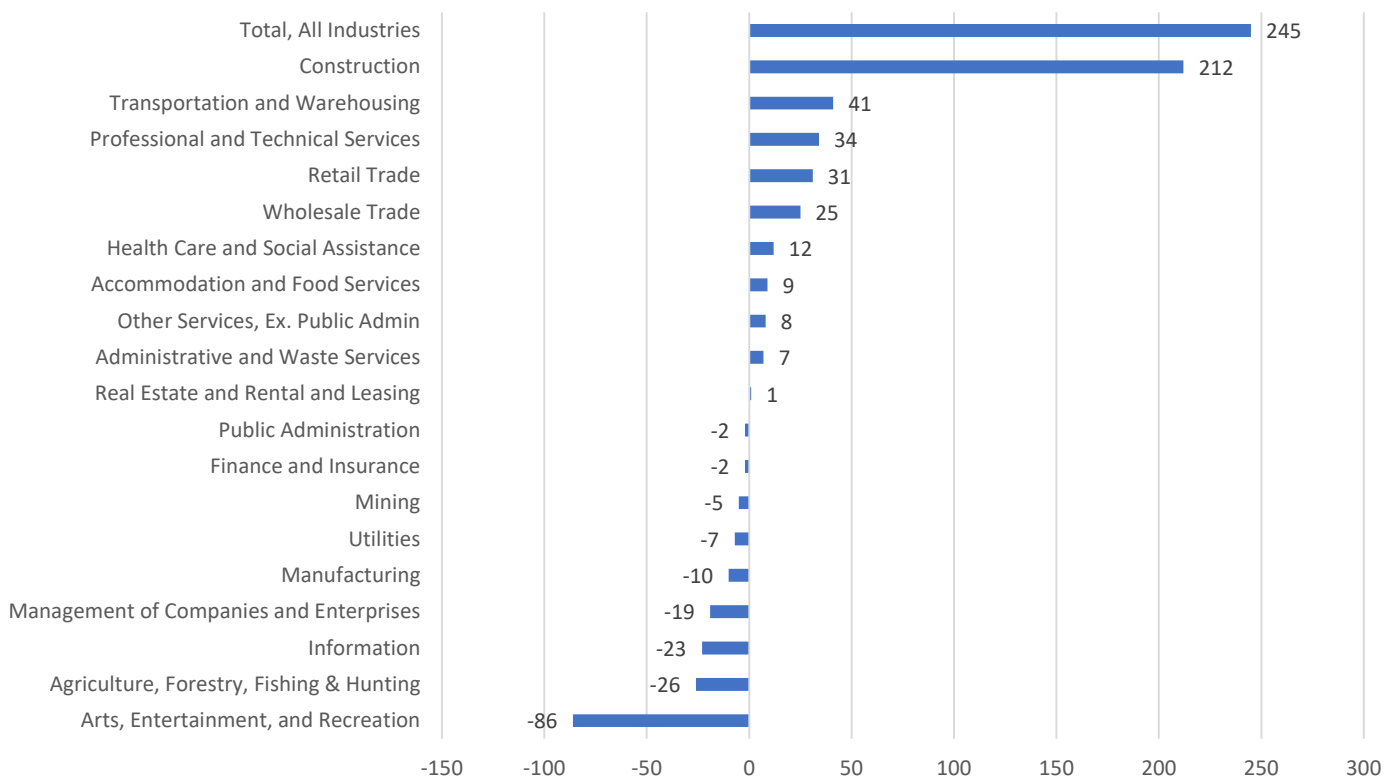


Figure 11:
Total Jobs Change from Q3 2021 to Q3 2022



LOCAL REAL ESTATE

	Q4 2022	Q4 2021	% change since last year
Real Estate			
Inventory of Homes for Sale (3 month avg)	155	109	42.07%
New Residential Listings (3 month total)	119	173	-31.21%
Sold Residential Listings (3 month total)	147	207	-28.99%
Median Sales Price	\$394,417	\$392,017	0.61%
Average Sales Price	\$434,338	\$463,282	-6.25%
Days on Market	83.33	79.33	5.04%
Months Supply of Inventory	2.53	1.53	65.22%
Total Building Permits	846	873	-3.09%
Total Building Permit Valuation	\$211,187,480	\$130,733,906	61.54%
Single Family Home Permits	335	386	-13.21%
Single Family Home Permit Valuation	\$50,393,396	\$64,254,094	-21.57%
Foreclosures			
Foreclosure Filings (YTD)	48	14	242.86%
Foreclosure Sales (YTD)	7	4	75.00%
Mortgage Rates			
	Feb 2023	Feb 2022	
30 Year Mortgage Rate	5.42%	3.00%	2.42%
15 year Mortgage Rate	6.26%	3.76%	2.50%

SOURCES IN ORDER OF LISTING: Real Estate: Colorado Association fo 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

Montrose County real estate prices continue to slow, with average sales price falling by 6.25%. Median sales price change was close to zero. Figure 13 illustrates that home values are distinctly falling from their 2021 peak. Inventory of homes has risen, with the three month average rising from 109 to 155. Months supply of inventory rose in Q4 2022 from Q4 2021, rising from 1.53 to 2.53, however in the first two months of 2023 that number has dipped below two. Single family permit applications have fallen, while total building permit valuation has skyrocketed 61.5%, despite building permits holding steady. Forclosure filings are up from 14 in 2021 to 48 in 2022. Although this seems like a large increase 48 is more in line with normal forclosure filings and is not yet an area of concern. Higher interest rates have increased the risks of building single family homes. Mortgage rates continue to stay elevated in the mid 6% range, however many economists are forecasting rates closer to 6% this summer as the economy begins to slow down.

Figure 12:
Months Supply of Inventory



Figure 13:
Median and Average Home Sales Price

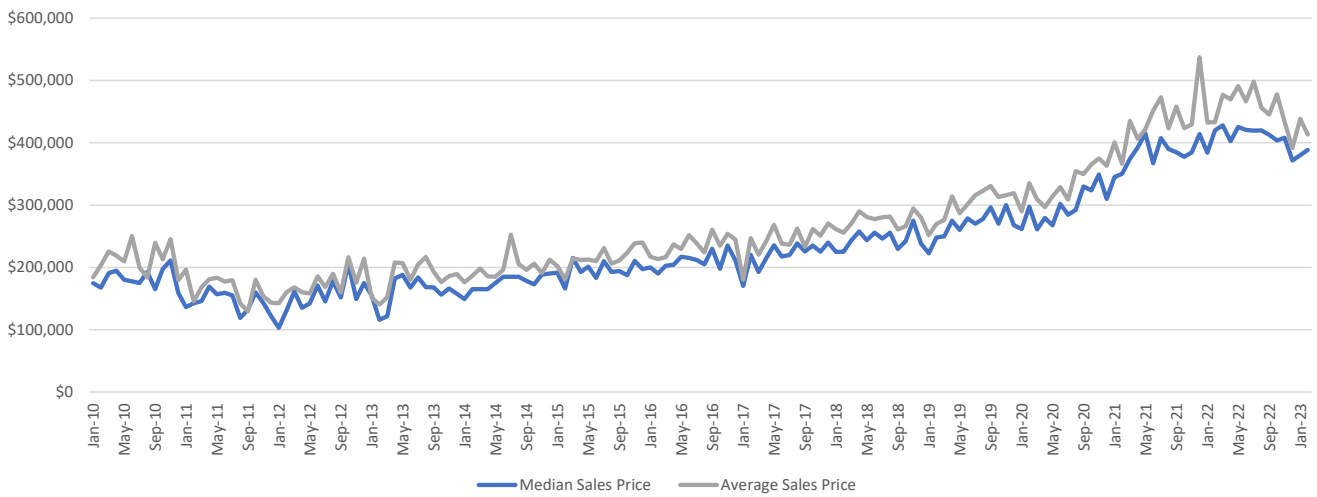
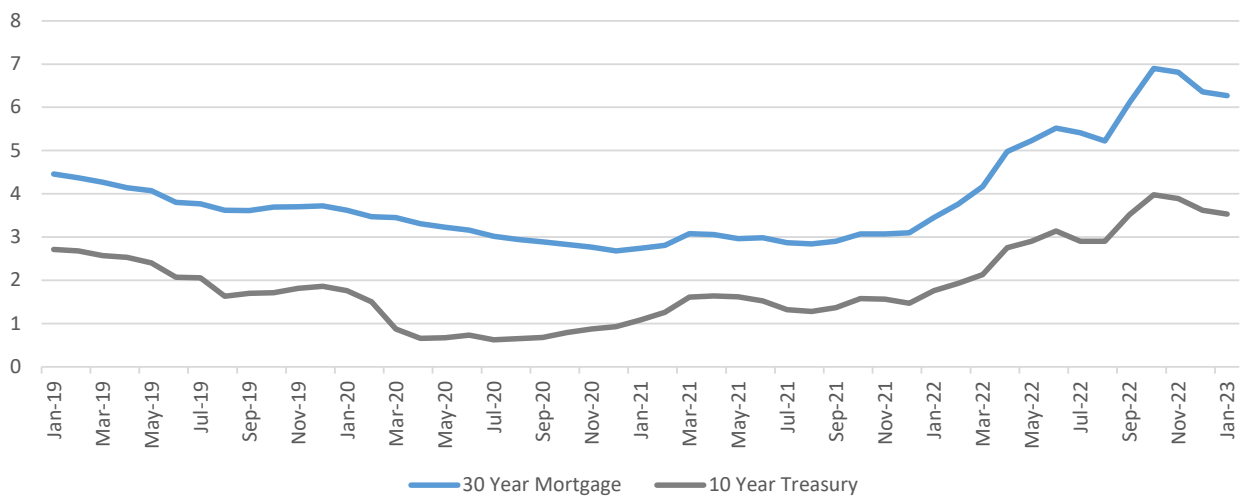


Figure 14:
10 Year Treasury and 30 Year Mortgage Rates



REGIONAL ENERGY

	Q4 2022	Q3 2022	Q4 2021	% change since last quarter	% change since last year (comparable quarters)
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Energy Prices

WTI Crude Oil	\$82.79	\$93.06	\$77.33	-11.04%	7.06%
Henry Hub Natural gas	\$5.55	\$7.99	\$4.77	-30.54%	16.35%
Retail Gasoline Price	\$3.42	\$3.93	\$3.21	-13.12%	6.38%

Drilling Permits

	2023 (YTD)	2022	2021	2020
Drilling Permits (Mesa County)	0	0	0	1
Drilling Permits (Rio Blanco County)	0	40	40	33
Drilling Permits (Garfield County)	21	133	133	127
Drilling Permits (Moffat County)	0	4	4	1
Total Permits (Mesa, Rio Blanco, Garfield, Moffat)	21	177	177	162
Total Permits (Colorado)	199	805	805	1,543

Local Rig Count

	Mar-23	Nov-22	Aug-22
Rig Count (Western Colorado, Mesa, Rio Blanco, Garfield, Moffat)	3	3	4

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 15:
Oil and Natural Gas Prices

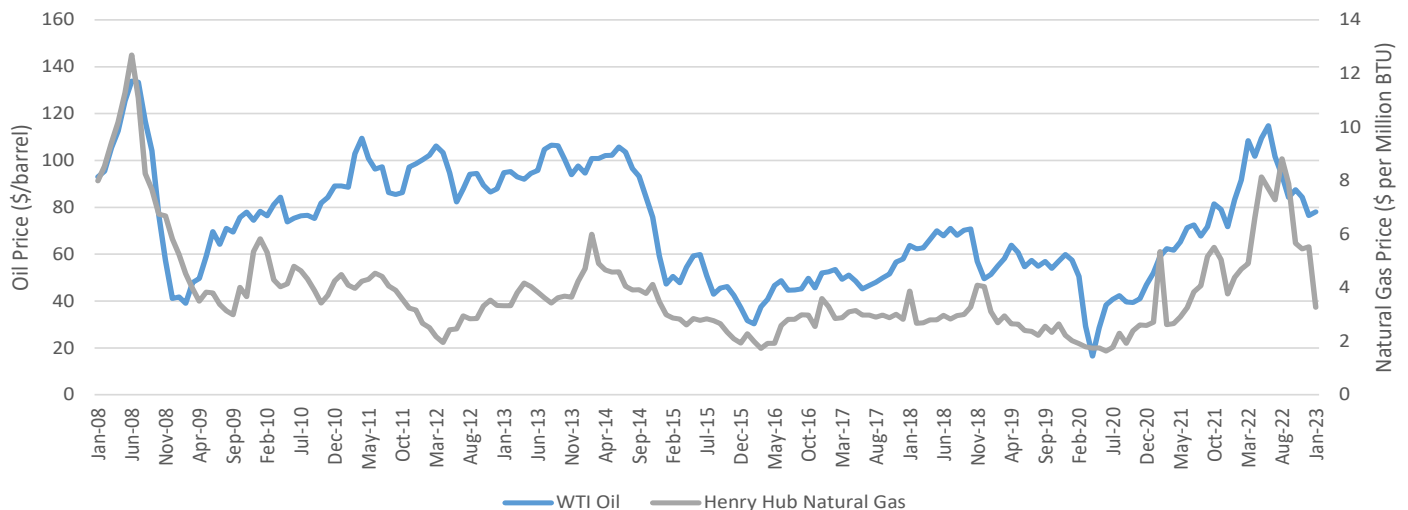


Figure 16:
Oil/Gas Drilling Permits and Oil/Gas Jobs

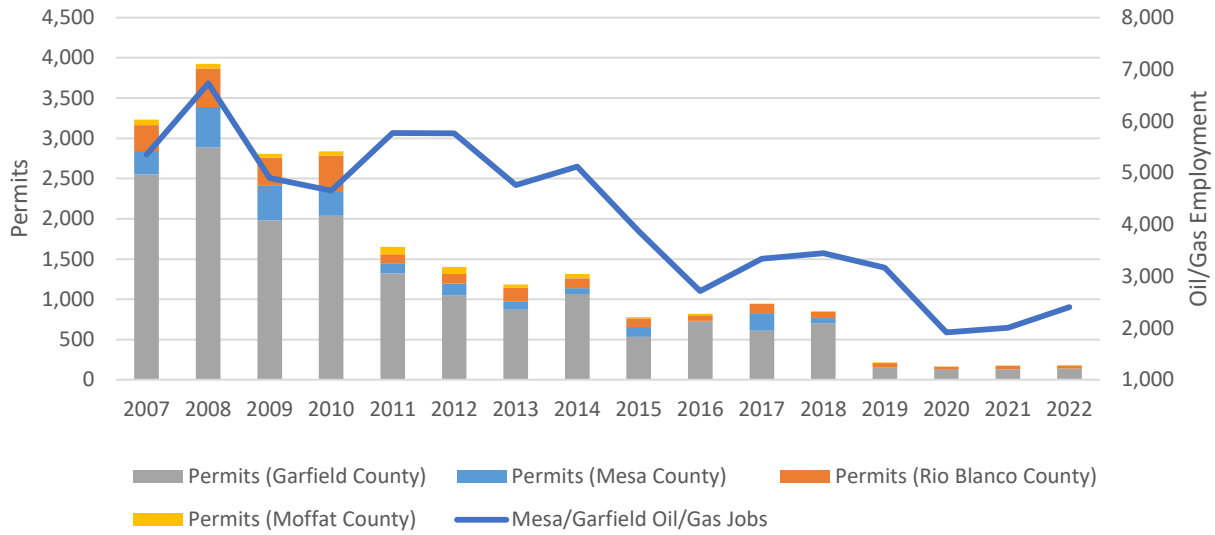
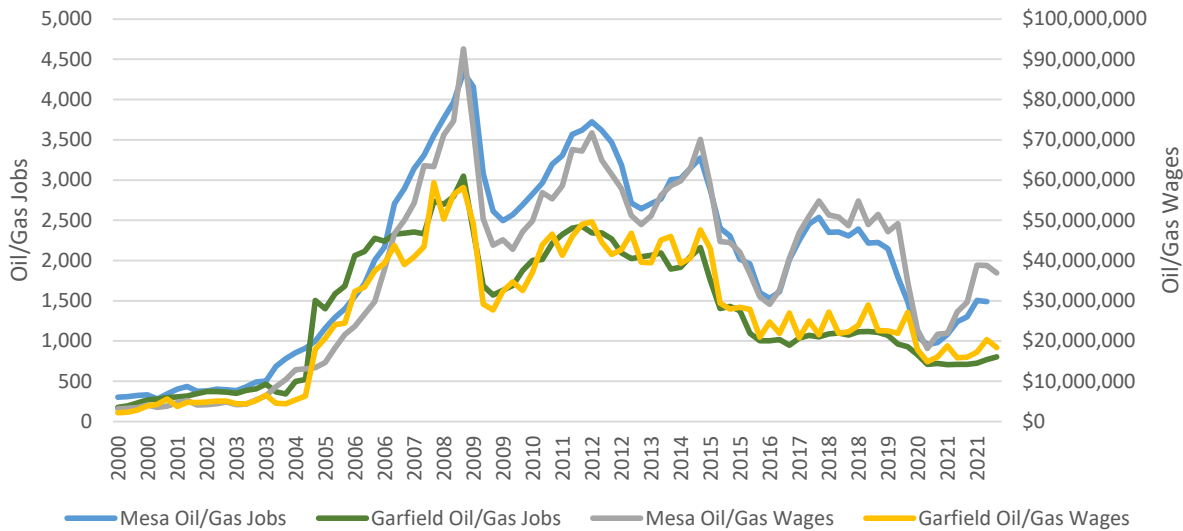


Figure 17:
Oil and Gasoline Prices



Western Slope Energy

WTI oil decreased from last quarter, falling to \$93.06 for Q4 from \$82.79 in Q3. As of mid-March, the price of WTI oil is hovering in the mid 70's. Much of this is due to concerns about slowing global growth. Natural gas prices averaged close to \$5.55 in Q4, falling from \$8.00 in Q3. Natural gas prices have fallen significantly in the last quarter as mild winter in Europe eroded concerns of a natural gas shortage due to the Russian/Ukraine war. 2022 drilling permit applications on the Western Slope finished at 1,005, rising from 805 the previous year. Drill rig counts are rotating between three and four, with March showing three rigs, down from four over the summer.

NATIONAL ECONOMIC INDICATORS

	Q4 2022	Q3 2022	Q4 2021	% change since last period	% change since last year (comparable quarters)
Business Cycle Indicators					
Real GDP	2.90%	3.20%	7.00%	-0.30%	-4.10%
Personal Consumption Expenditures	2.10%	2.30%	3.10%	-0.20%	-1.00%
Gross Private Domestic Investment	1.40%	-9.60%	32.00%	11.00%	-30.60%
National Consumer Confidence	58.8	56.1	69.9	4.81%	-15.88%
Industrial Production Index	103.8	104.5	101.7	-0.61%	2.11%
Initial Weekly Unemployment Claims (4 week MA)	219,857	235,500	284,115	-6.64%	-22.62%
Non Farm Payroll Change (in thousands)	954,667	1,287,333	1,972,333	-25.84%	-51.60%
Unemployment					
Unemployment Rate-U3-SA	3.60%	3.60%	4.20%	0.00%	-0.60%
Unemployment Rate-U6-SA	6.60%	6.80%	7.70%	-0.20%	-1.10%
Interest Rates					
Federal Funds Rate	3.62%	2.16%	0.08%	1.46%	3.54%
10 Year U.S. Treasury	3.83%	3.11%	1.54%	0.72%	2.29%
30 Year U.S. Treasury	3.90%	3.26%	1.94%	0.64%	1.96%
Inflation Measures					
Inflation Rate (CPI)	7.11%	8.28%	6.77%	-1.17%	0.34%
Core Inflation Rate (All Items Less Food and Energy)	5.99%	6.28%	5.03%	-0.29%	0.96%
Inflation Rate (Shelter)	7.16%	6.19%	3.85%	0.96%	3.31%
Producer Price Index (PPI)	8.47%	15.53%	21.80%	-7.06%	-13.34%
Employment Cost Index	5.07%	5.05%	3.93%	0.02%	1.13%
Stock Prices					
S&P 500	3,852	3,980	4,602	-3.23%	-16.30%
Dow Jones Industrial Average	32,490	31,774	35,517	2.25%	-8.52%
Trade Balance and Debt					
Trade Balance (% of GDP)	-847.216	-890.825	-914.708	-4.90%	-7.38%
Federal Debt (% of GDP)*	120.2%	121.1%	120.7%	-0.8%	-0.5%

Figure 18:
Real GDP for U.S.

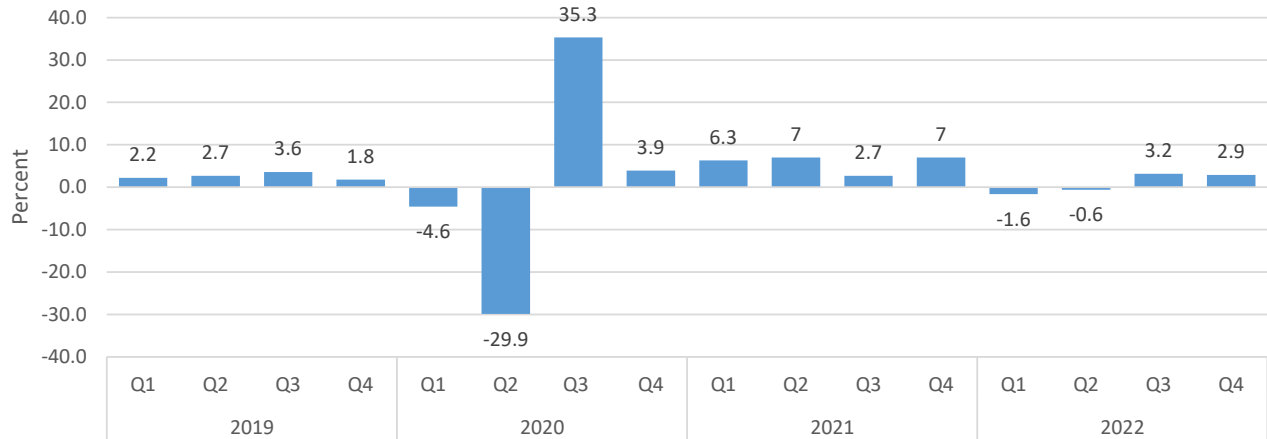
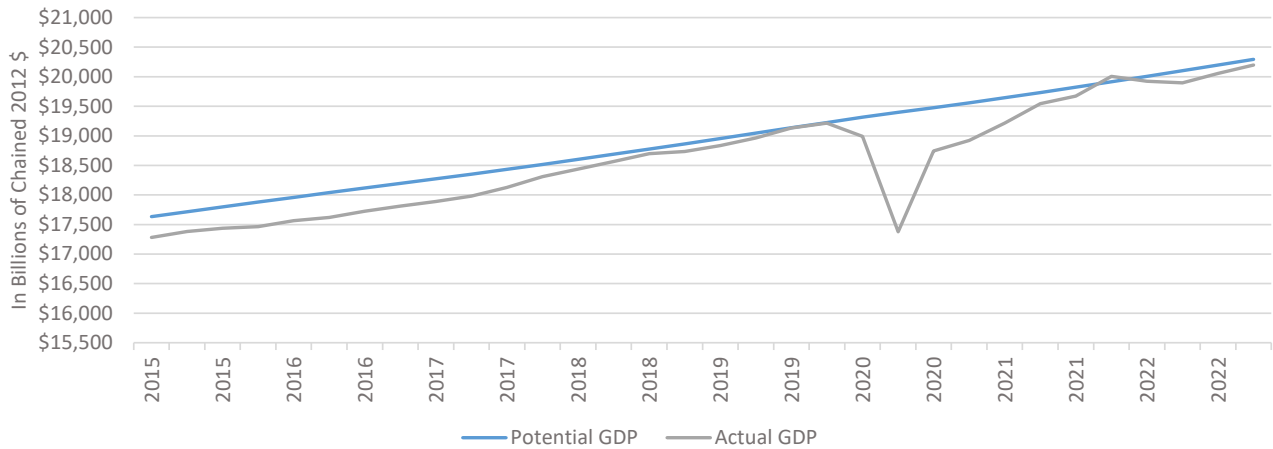


Figure 19:
GDP Gap



Economic Growth

U.S. GDP for Q4 2022 was 2.9%, down slightly from the revised Q3 number of 3.2%. Q1 2023 GDP was at 1.1%, lower than the 2% forecast. There have been risks of a global slowdown for several months, but more recently a small and mid-cap banking crisis starting with Silicon Valley Bank has markets on edge and several investment banks forecasting lower growth. As of this writing Silicon Valley Bank issues have not caused a contagion but these are the type of issues that an economist looks for when a potential recession is around the corner. Many economists have taken the opinion that unless something “breaks” we may avoid a recession at all. With the fall of Silicon Valley Bank, the fall of Credit Suisse (which has been happening for some time), if there is contagion, this could be the “break” event, as higher rates put more and more pressure on banks and the financial system. The low Q1 GDP number adds weight to the argument that the economy is significantly slowing.

The unemployment rate as of February is 3.6%, with unemployment looking to form a trough. Unemployment troughs are good recession indicators, predicting recession 9-10 months out on average.

Another recessionary indicator is the inverted yield curve. Inverted yield curves have been strong recession indicators as well, with the current 10 year treasury to 2 year treasury being extremely inverted, in fact the most inverted since 1981 (figure 24).

Inflation Watch

Headline inflation printed lower at 5% in March. Inflation seems to be falling, with some leading indicators like the production price index (PPI) falling, but other contributors to inflation like wages and rent still rising. Energy prices continue to fall which should help reduce inflationary pressure.

The Federal Reserve continues to signal more rate increases in the face of falling inflation. The Fed is concerned that the labor market is still too tight and that wage inflation may continue, they are also still concerned about housing and rental prices. A month ago many believed the Fed would increase the Fed Funds rate by 50 basis points, but after Silicon Valley Bank’s implosion the debate has changed to whether it is smart to continue to raise rates. It is more likely that the Fed goes into a holding pattern for the intermediate term with inflation falling.

Figure 20:
CPI (Inflation) Release from the Bureau of Labor Statistics (reproduced from BLS.gov)

Table A. Percent changes in CPI for All Urban Consumers (CPI-U): U.S. city average

	Seasonally adjusted changes from preceding month							Un-adjusted 12-mos. ended Mar. 2023
	Sep. 2022	Oct. 2022	Nov. 2022	Dec. 2022	Jan. 2023	Feb. 2023	Mar. 2023	
All items.....	0.4	0.5	0.2	0.1	0.5	0.4	0.1	5.0
Food.....	0.8	0.7	0.6	0.4	0.5	0.4	0.0	8.5
Food at home.....	0.7	0.5	0.6	0.5	0.4	0.3	-0.3	8.4
Food away from home ¹	0.9	0.9	0.5	0.4	0.6	0.6	0.6	8.8
Energy.....	-1.7	1.7	-1.4	-3.1	2.0	-0.6	-3.5	-6.4
Energy commodities.....	-4.1	3.7	-2.1	-7.2	1.9	0.5	-4.6	-17.0
Gasoline (all types).....	-4.2	3.4	-2.3	-7.0	2.4	1.0	-4.6	-17.4
Fuel oil ¹	-2.7	19.8	1.7	-16.6	-1.2	-7.9	-4.0	-14.2
Energy services.....	1.2	-0.7	-0.6	1.9	2.1	-1.7	-2.3	9.2
Electricity.....	0.8	0.5	0.5	1.3	0.5	0.5	-0.7	10.2
Utility (piped) gas service.....	2.2	-3.7	-3.4	3.5	6.7	-8.0	-7.1	5.5
All items less food and energy.....	0.6	0.3	0.3	0.4	0.4	0.5	0.4	5.6
Commodities less food and energy.....	0.0	-0.1	-0.2	-0.1	0.1	0.0	0.2	1.5
New vehicles.....	0.7	0.6	0.5	0.6	0.2	0.2	0.4	6.1
Used cars and trucks.....	-1.1	-1.7	-2.0	-2.0	-1.9	-2.8	-0.9	-11.2
Apparel.....	0.0	-0.2	0.1	0.2	0.8	0.8	0.3	3.3
Medical care commodities ¹	-0.1	0.0	0.2	0.1	1.1	0.1	0.6	3.6
Services less energy services.....	0.8	0.5	0.5	0.6	0.5	0.6	0.4	7.1
Shelter.....	0.7	0.7	0.6	0.8	0.7	0.8	0.6	8.2
Transportation services.....	1.9	0.6	0.3	0.6	0.9	1.1	1.4	13.9
Medical care services.....	0.8	-0.4	-0.5	0.3	-0.7	-0.7	-0.5	1.0

¹ Not seasonally adjusted.

Figure 21:
Inflation Rate

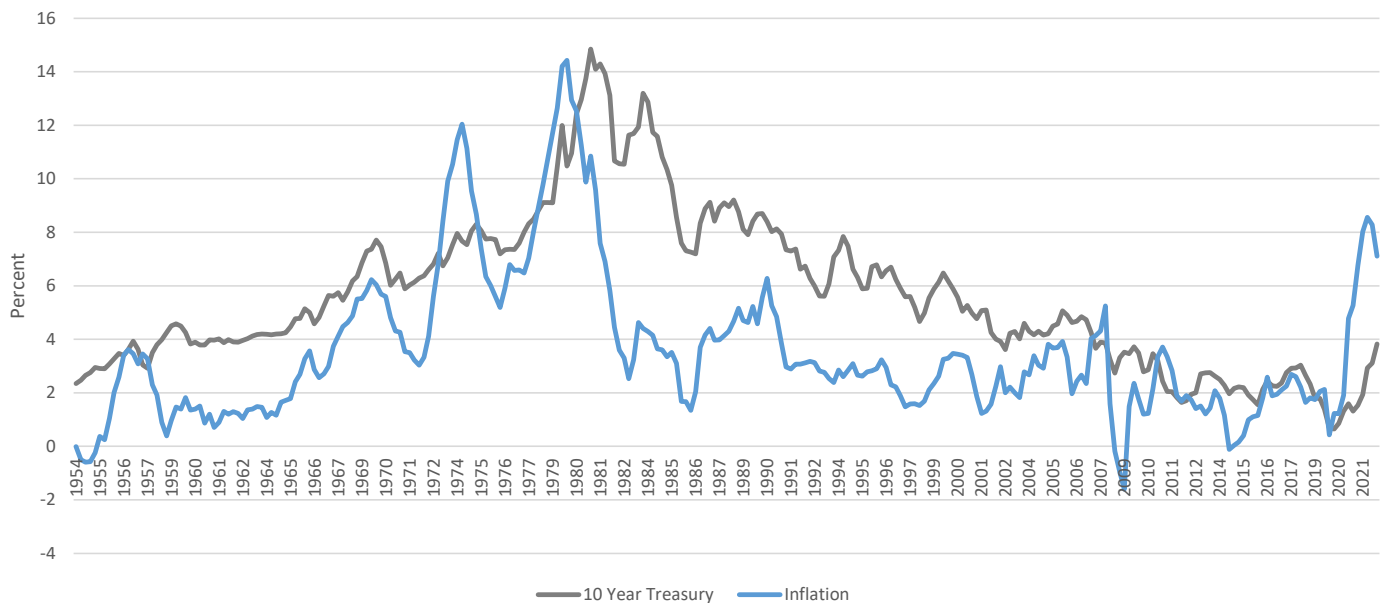


Figure 22:
Unemployment Rate

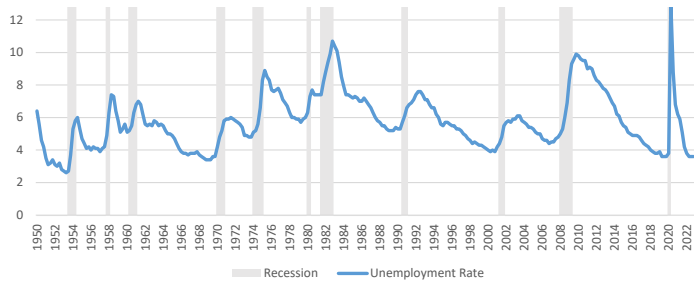


Figure 23:
Employment Cost Index

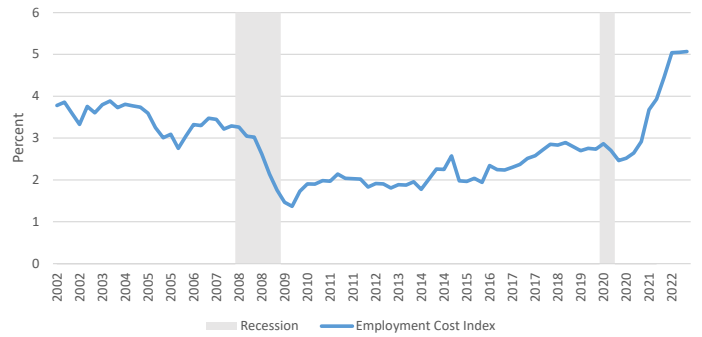
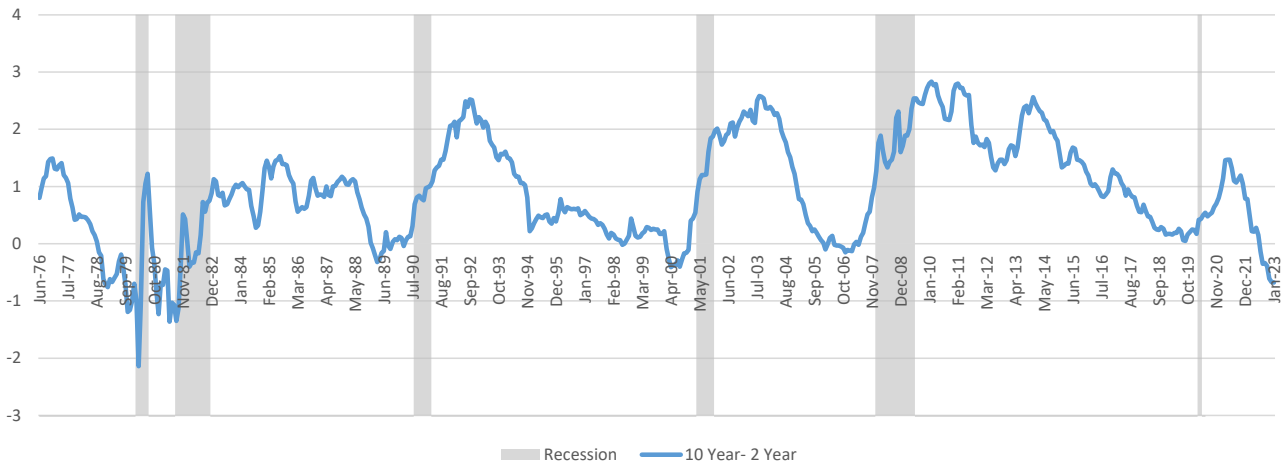


Figure 24:
Yield Curve: 10 Year Treasury minus 2 year Treasury



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