

MONTROSE COUNTY ECONOMIC UPDATE

Second Quarter, 2022



Economic Summary

- Montrose County employment averaged 21,934 for the first quarter of 2022, falling to 20,994 in April. Montrose County had an unemployment rate of 3.97% for the first quarter, falling to 3.3% in April.
- The Leeds Business Confidence Index, which measures business confidence in Colorado, continues to fall from its Q3 2021 peak, indicating businesses are feeling more pessimistic about the economy and their prospects. The index is primarily being pulled down by poor expectations for the national economy.
- Oil prices averaged \$95.18 in the first quarter of 2022, rising to \$109 during the month of May. Gasoline followed oil and rose from \$2.46 in the first quarter of 2021 to \$3.56 in the first quarter of 2022, rising to \$4.30 in May. Natural gas prices rose from \$3.56 in the first quarter of 2021 to \$4.45 in the first quarter of 2022, rising to \$8.14 in May. Rig counts in the region have increased from 2 to 3 this year.
- Inflation continues to soar, rising to an 8.6% inflation rate for the recently released May numbers. The energy index increased 3.9% since last month, while food increased 1.2%, and shelter increased 0.6%.

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LOCAL ECONOMIC INDICATORS

	Q1 2022	Q4 2021	Q1 2021	change since last quarter	change since last year (comparable quarters)
Local Labor Market					
Unemployment Rate Montrose County-NSA	3.97%	3.60%	6.23%	0.37%	-2.27%
Unemployment Rate Colorado - NSA	3.80%	4.00%	6.40%	-0.20%	-2.60%
Unemployment Rate U.S. - NSA	4.10%	4.00%	6.50%	0.10%	-2.40%
Labor Force	22,839	22,963	21,734	-124	1,105
Employed	21,934	22,132	20,378	-198	1,556
Unemployed	905	831	1,356	74	-452
Business Confidence					
Leeds Colorado Business Confidence	53.9	58	64.4	-7.07%	-16.30%
Sales/Use Taxes					
	2021 (YTD)		2020 (YTD)		
City Sales/Use Taxes (YTD, Sept)	\$3,610,911		\$3,106,521		16.24%
County Sales/Use Tax (YTD, Sept)	\$4,827,828		\$4,255,831		13.44%
Hotel and Restaurant Tax (YTD, Sept)	\$96,930		\$83,459		16.14%
Telluride Sales/Use Tax (YTD, Sept)	\$3,503,675		\$2,479,827		41.29%
Business Filings					
	2022 (YTD)		2021 (YTD)		
Montrose County New Business Entity Filings (as of May 31st)	468		392		19.39%

Montrose Regional Airport	2021	2020	% change from last year		
Enplanements (YTD, May)	107,250	67,148	59.72%		
Standard of Living and Growth	2020	2019	2018	2017	% change since 2018
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

Montrose County employment averaged 21,934 for the first quarter of 2022, falling to 20,994 in April. The employment number has far surpassed the October 2019 peak of 21,509, and is also higher than the pre-real estate and energy bubble level of 20,769 in July of 2007. Employment growth since the COVID-19 induced 2020 lows of 18,672 has been strong. Based on a simple regression line, the trend since April of 2020 has been an increase in employment by 114 per month. The unemployment rate for the first quarter of 2022 was 3.97% (non-seasonally adjusted). The region in general has very low unemployment rates as illustrated by table 2, with regional unemployment ranging between 2.6% in Routt County and 3.4% in Delta County for the month of April.

Montrose County's labor market response to the Federal Reserve's rising interest rate environment will be a factor to watch for the rest of 2022. The Federal Reserve is expected to continue raising interest rates in an attempt to curb wage and price inflation. This is expected to slow economic growth over the next year, which is expected to create a softer labor market.

Other Indicators

City and County sales and use tax collections continue to be strong, up 16% and 13%, respectively. With inflation high, using this value as an economic indicator becomes tricky as increase in prices will lead to higher sales tax activity, but despite this, sales tax collection remains strong. Hotel and restaurant tax is up 13%, while Telluride sales tax collections, used a proxy for pass through tourism, is up 41% over last year.

Table 1:

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

	Labor Force	Employed	Unemployed
Annual	1,105	1,556	-452
5-Year	2,816	2,670	146
10-Year	3,327	4,758	-1,431
Annual %	5.08%	7.64%	-33.30%
5-Year %	14.06%	13.86%	19.30%
10-Year %	17.05%	27.70%	-61.27%

New business entity filings are up from last year, rising from 392 to 468 compared to May 31st of last year and this year. Scheduled enplanements at the Grand Junction Regional Airport are up 59.72% indicating strong demand for travel, despite high oil prices and a pilot shortage.

The Leeds Business Confidence Index, which measures business confidence in Colorado, continues to fall from its Q3 2021 peak, indicating that businesses are more pessimistic about the economy and their prospects. The index is primarily being pulled down by poor expectations for the national economy.

Figure 1:
Montrose Employment

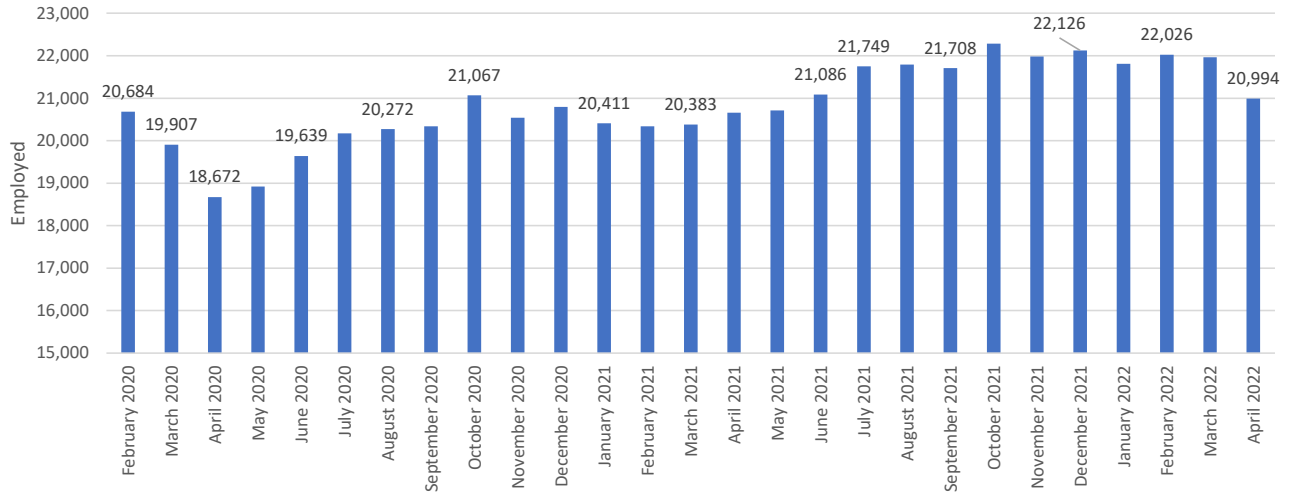


Figure 2:
Average Yearly Employment

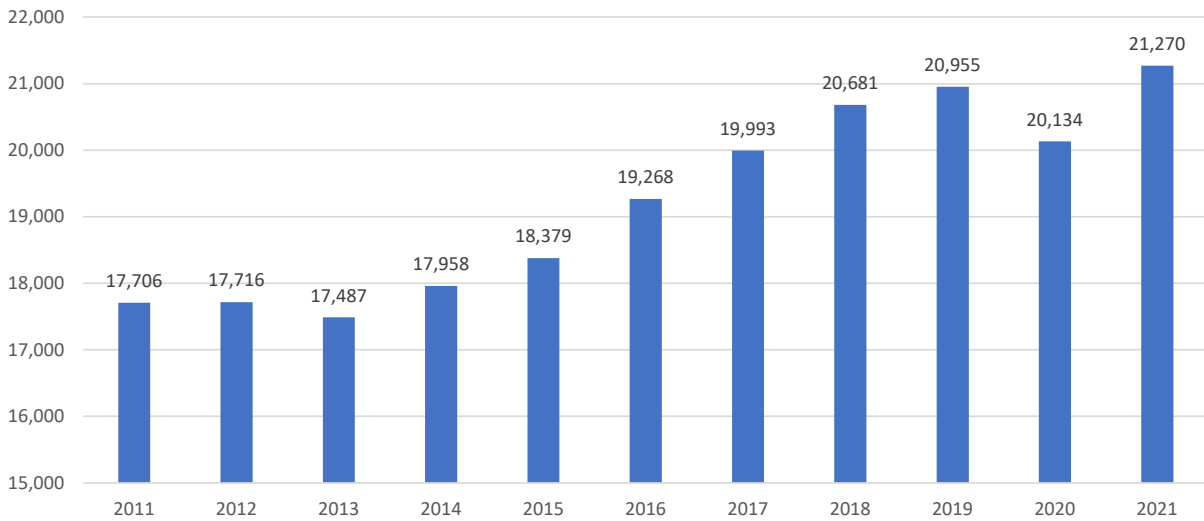


Figure 3:
Change in Average Yearly Employment

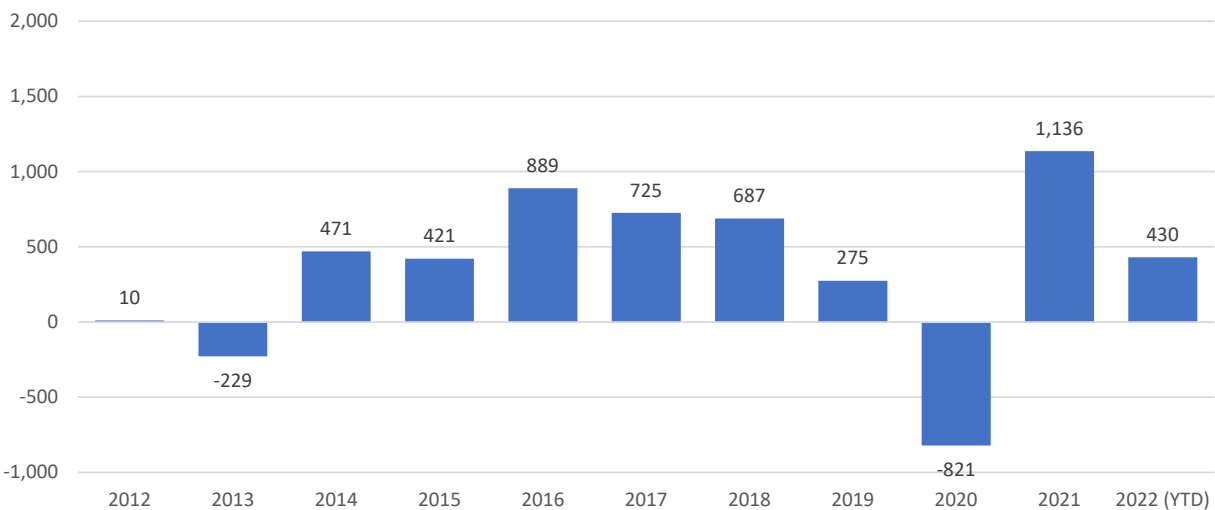


Table 2:
Regional Unemployment Rates for April

County	Unemployment Rate
Mesa	3.30%
Montrose	3.30%
Delta	3.40%
Garfield	2.80%
Rio Blanco	3.90%
Moffat	3.10%
Routt	2.60%
Colorado	3.10%

Figure 4:
Number of Unemployed Montrose County

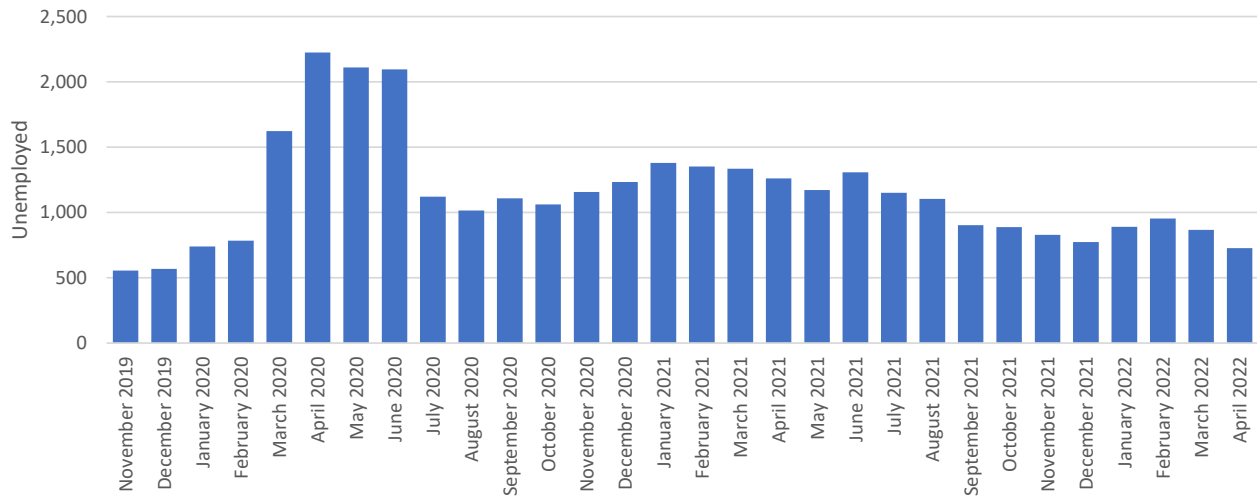


Figure 5:
Total Full and Part Time Jobs (BEA)

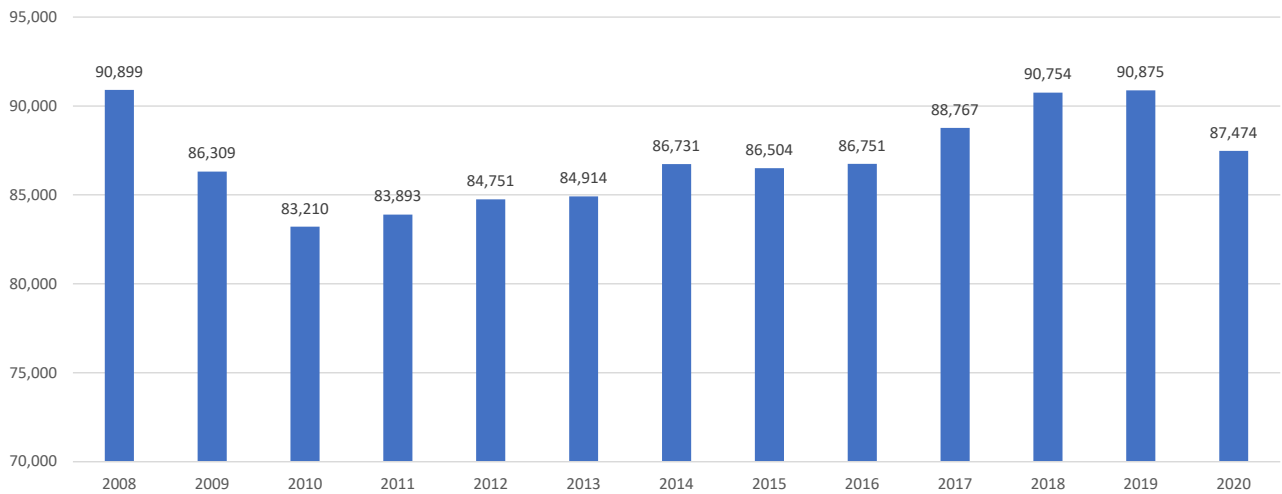


Figure 6:
Montrose County Median Household Income

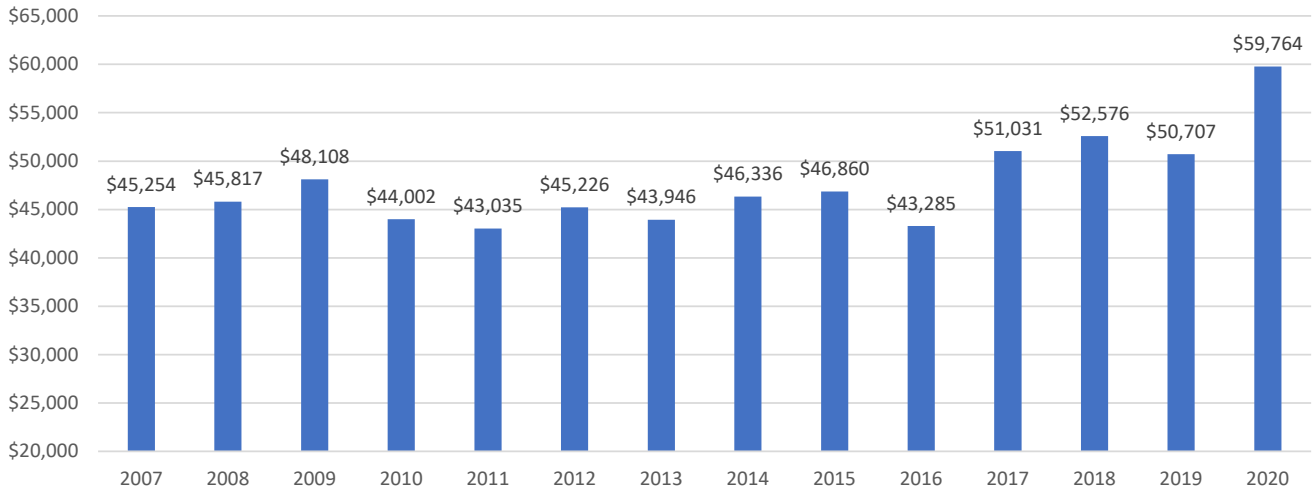


Figure 7:
Montrose County Poverty Rate Estimate

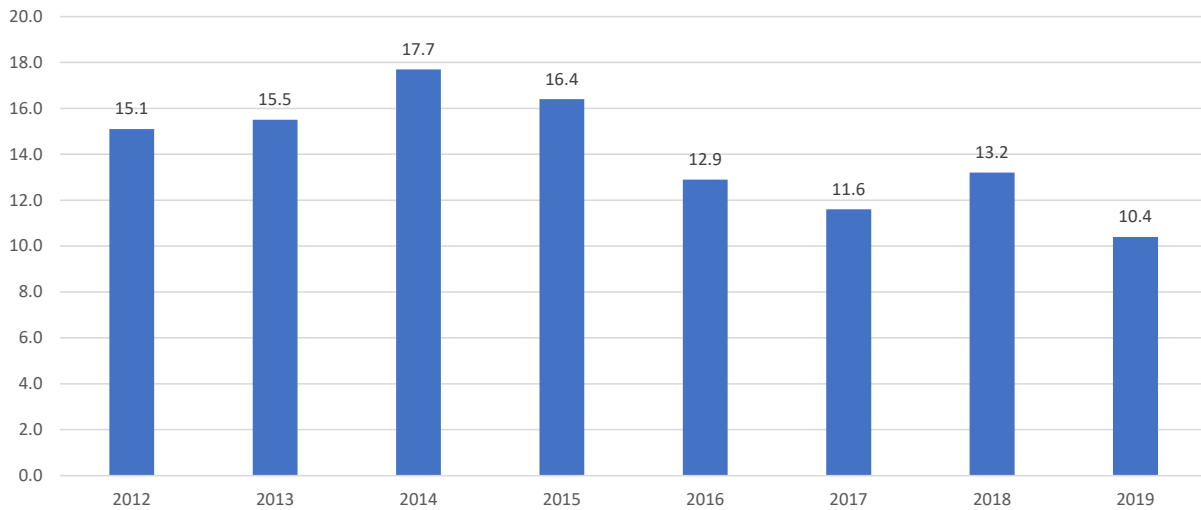
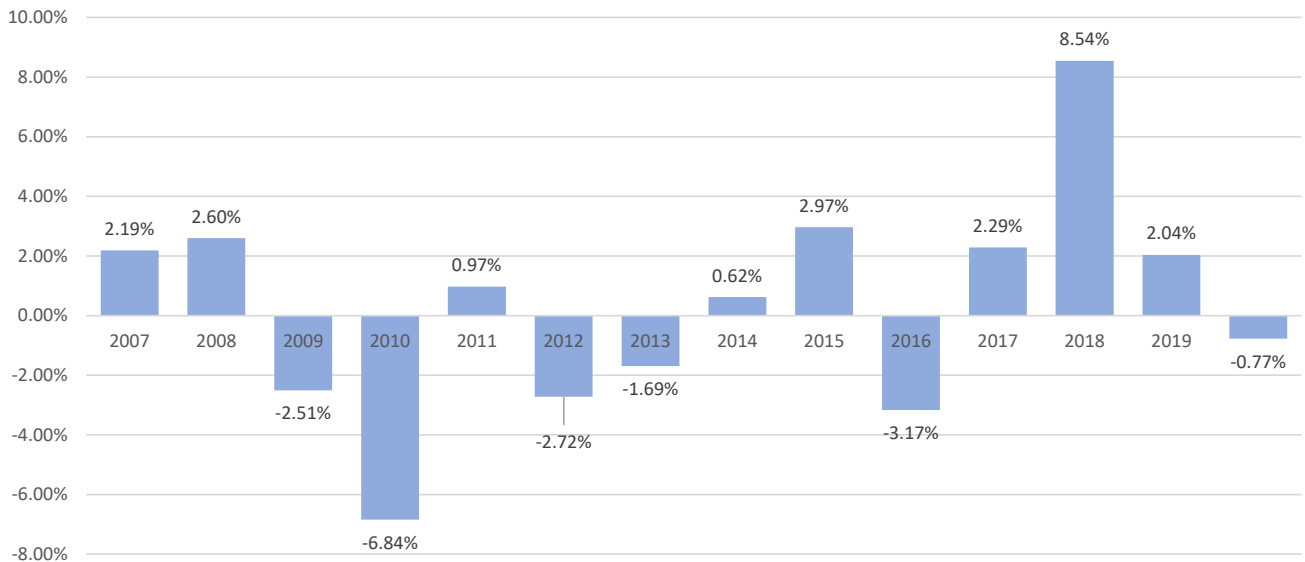


Figure 8:
Montrose County Real GDP (chained 2012 dollars)



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 construction (130), transportation and warehousing (112), and healthcare (89). Healthcare, construction, and professional and technical services led wage gains. There were only small losses in a few industries, including agriculture and management of companies. Note that QCEW data has a 6 month lag, so Q4 2021 is the most recent data point for industry level data.

Table 3:
Quarterly Census of Employment and Wages (QCEW) Q4 2021 Compared to Q4 2020

Sector	Average Employment	Total Quarterly Wages	Average Weekly Wage	Total Employment Change	Total Wage Change
Total, All Industries	15,742	\$193,276,434	\$944	591	\$15,672,183
Health Care and Social Assistance	2,984	\$39,830,936	\$1,027	89	\$2,702,235
Retail Trade	2,404	\$23,155,881	\$741	52	\$1,215,943
Construction	1,477	\$21,183,952	\$1,103	130	\$2,582,206
Public Administration	1,072	\$17,363,657	\$1,246	-2	\$338,539
Manufacturing	1030	\$13,297,163	\$993	33	\$1,001,366
Accommodation and Food Services	1,494	\$8,859,978	\$456	69	\$1,315,504
Professional and Technical Services	486	\$8,703,423	\$1,378	37	\$1,327,248
Transportation and Warehousing	777	\$8,385,599	\$830	112	\$1,147,391
Wholesale Trade	398	\$6,630,175	\$1,281	3	\$1,033,469
Finance and Insurance	320	\$5,685,585	\$1,367	19	\$449,345
Administrative and Waste Services	487	\$5,375,198	\$849	4	\$1,043,610
Utilities	236	\$5,104,096	\$1,664	-9	\$45,297
Other Services, Ex. Public Admin	397	\$5,072,578	\$983	-5	\$210,165
Real Estate and Rental and Leasing	342	\$4,599,890	\$1,035	-9	\$608,370
Arts, Entertainment, and Recreation	353	\$2,486,685	\$542	71	\$564,268
Agriculture, Forestry, Fishing & Hunting	242	\$2,454,565	\$780	-32	\$10,429
Management of Companies and Enterprises	81	\$2,102,061	\$1,996	-21	-\$468,436
Information	168	\$2,078,184	\$952	8	-\$252,240
Mining	23	\$624,718	\$2,089	0	\$91,212

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	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 9:
Total Wage Changes from Q4 2020 to Q4 2021

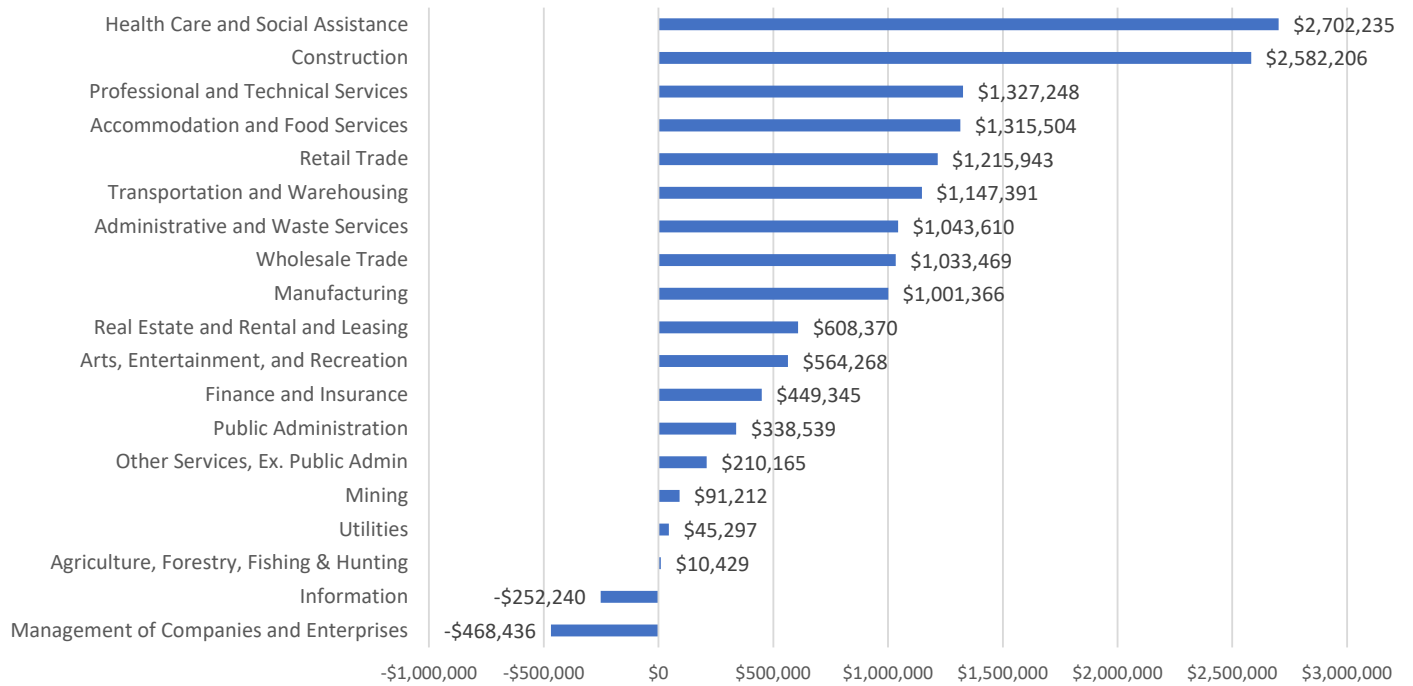
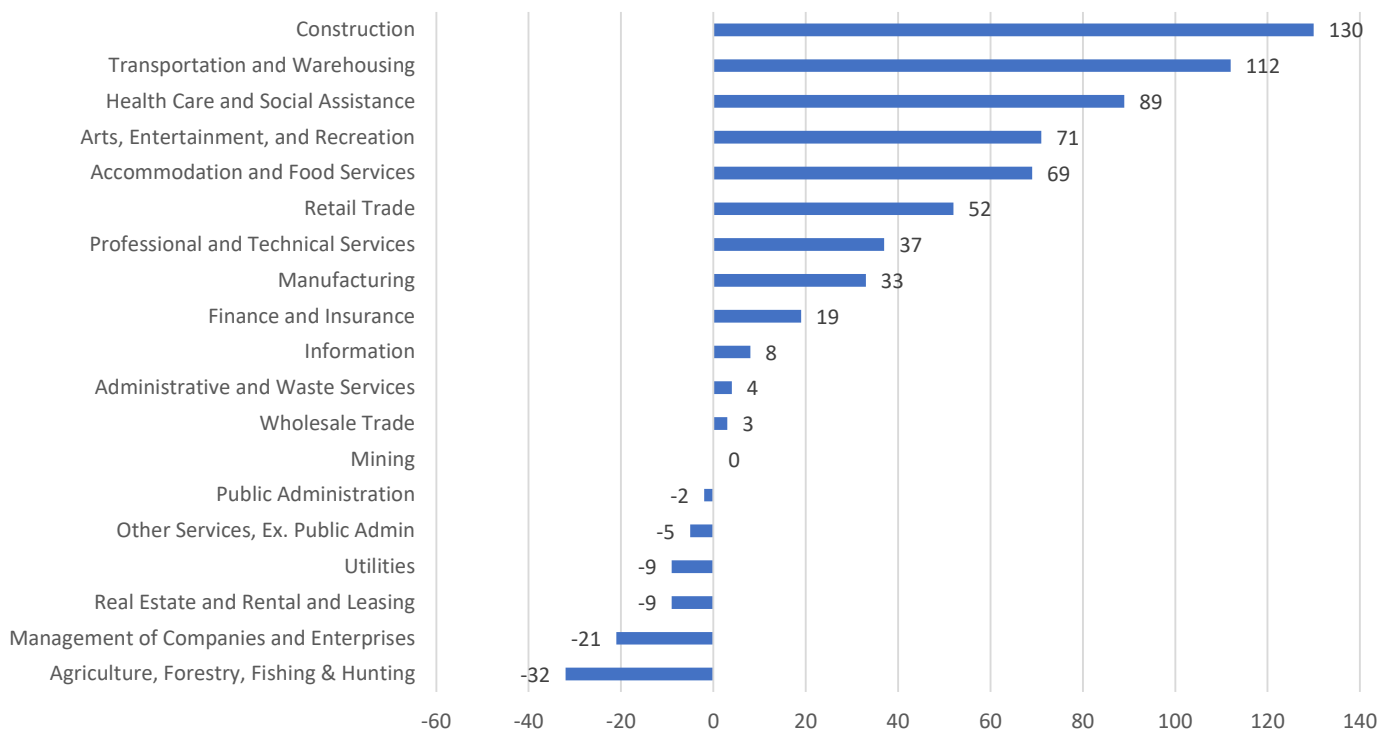


Figure 10:
Total Jobs Change from Q4 2020 to Q4 2021



LOCAL REAL ESTATE

	Q1 2022	Q1 2021	% change since last year
Real Estate			
Inventory of Homes for Sale (3 month avg)	72	84	-15.02%
New Residential Listings (3 month total)	166	174	-4.60%
Sold Residential Listings (3 month total)	172	151	13.91%
Median Sales Price	\$410,667	\$356,333	15.25%
Average Sales Price	\$447,500	\$400,584	11.71%
Days on Market	85.67	96.00	-10.76%
Months Supply of Inventory	0.90	1.30	-30.77%
Total Building Permits	415	389	6.68%
Total Building Permit Valuation	\$94,386,575	\$57,081,473	65.35%
Single Family Home Permits	176	174	1.15%
Single Family Home Permit Valuation	\$25,578,740	\$31,815,513	-19.60%
Foreclosures			
Foreclosure Filings (YTD)	21	5	320.00%
Foreclosure Sales (YTD)	2	4	-50.00%
Mortgage Rates			
30 Year Mortgage Rate	4.44%	2.28%	2.16%
15 year Mortgage Rate	5.23%	2.96%	2.27%

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 saw another quarter of high increase in sale prices. The median sales price increased by 15.25%, while average prices increased 11.71% since the same time last year. Inventory of homes continues to fall, falling from 84 to 72 year over year for quarterly data, while new listings are down 4.6%, days on market are down 10.76%, and months supply of inventory is down 30.77%. All signs point to a very tight housing market for Montrose County.

Interest rates have increased drastically in April and May, and the impact that this will have on the real estate market should start to show in the next few quarters of data. The 30 year mortgage rate has increased by 2.27% compared to May of last year. The current 30 year mortgage rate as of May is 5.23%. For context on affordability, consider two price points: \$350,000 and \$800,000, as well as two interest rates, the low of 2.75% and the recent high of 5.23%. At 2.75%, a \$350,000 mortgage payment without taxes and PMI would be \$1,429. At 5.23%, that same house is \$1,928. At the \$800,000 price point, a 2.75% interest rate is \$3,266, while a 5.23% interest rate raises the payment to \$4,408. For each house, that is a 34% increase in the monthly payment. There is no doubt that the real estate market will be impacted by rising rates.

Foreclosures rose for the first time in several years. Comparing year to date from May 31st of last year to May 31st of this year, foreclosures have risen from 5 to 21. For context, there were 14 total foreclosures in 2021, meaning Montrose has surpassed that number already. This is an increase in foreclosures, but compared to the last several years still relatively low number compared to the last decade. As the Federal Reserve hikes rates, mortgages that have an adjustable rate will be more costly. In addition, as the labor market weakens resulting from Federal Reserve action and world economic turmoil, foreclosures are likely to rise over the next year.

Figure 11:
Montrose Foreclosures

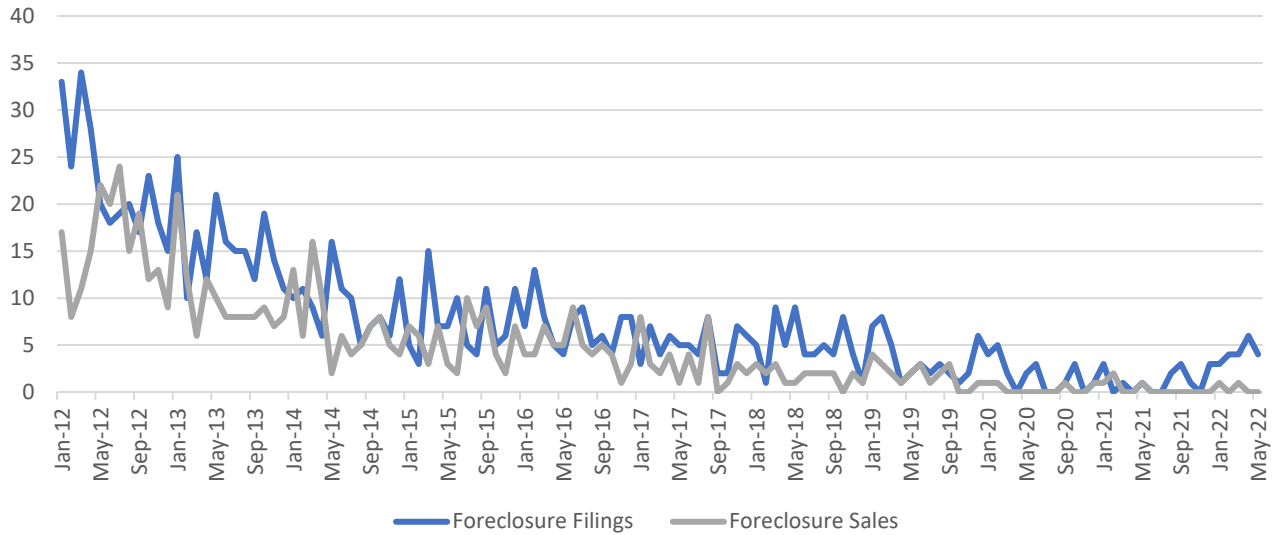


Figure 12:
Montrose Median and Average Prices

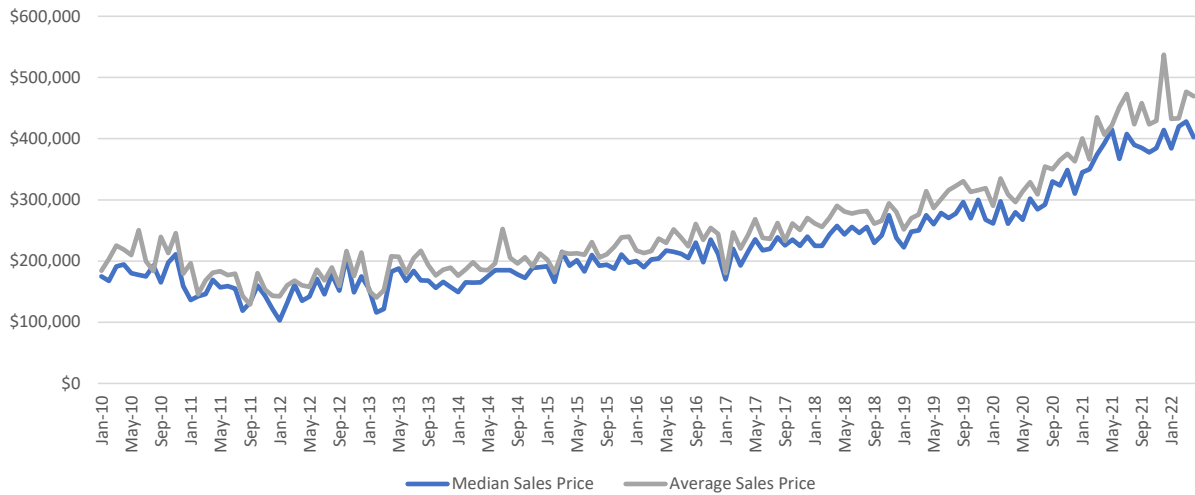
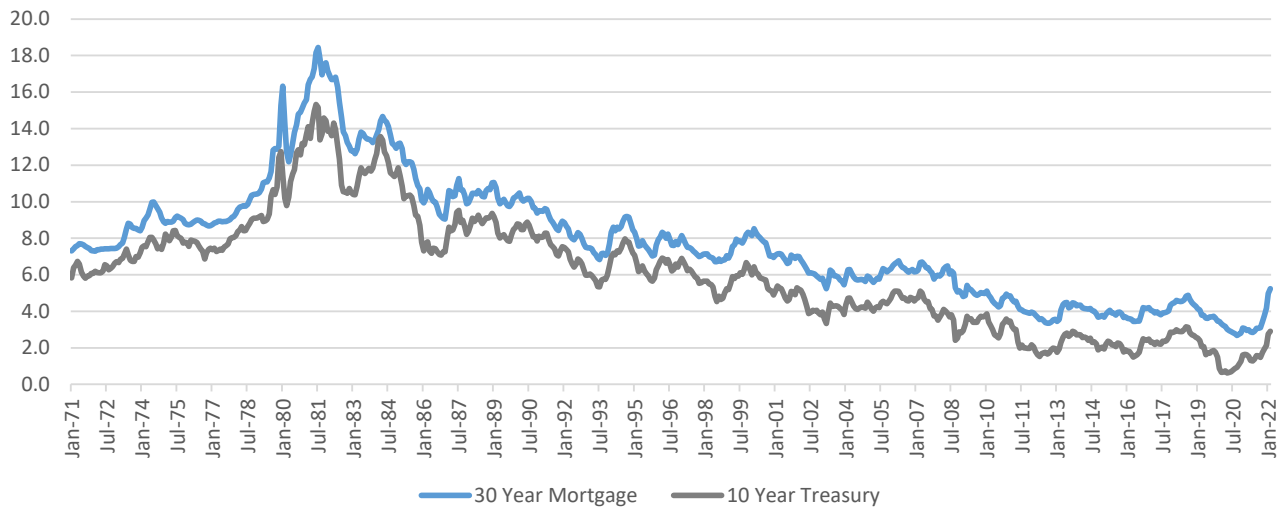


Figure 13:
10 Year Treasury and 30 Year Mortgage Rates (though May 2022)



REGIONAL ENERGY

	Q1 2022	Q4 2021	Q1 2021	% change since last quarter	% change since last year (comparable quarters)
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Energy Prices

WTI Crude Oil	\$95.18	\$77.33	\$58.09	23.08%	63.85%
Henry Hub Natural gas	\$4.66	\$4.77	\$3.56	-2.31%	30.90%
Retail Gasoline Price	\$3.56	\$3.21	\$2.46	10.68%	44.51%

Drilling Permits

	2022 (YTD)	2021	2020
Drilling Permits (Mesa County)	0	0	1
Drilling Permits (Rio Blanco County)	1	40	33
Drilling Permits (Garfield County)	51	133	127
Drilling Permits (Moffat County)	3	4	1
Total Permits (Mesa, Rio Blanco, Garfield, Moffat)	55	177	162
Total Permits (Colorado)	285	805	1,543

Local Rig Count

	Jun-22	Jan-22	Jun-22
Rig Count (Western Colorado, Mesa, Rio Blanco, Garfield, Moffat)	3	2	2

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 14:
Oil and Natural Gas Prices

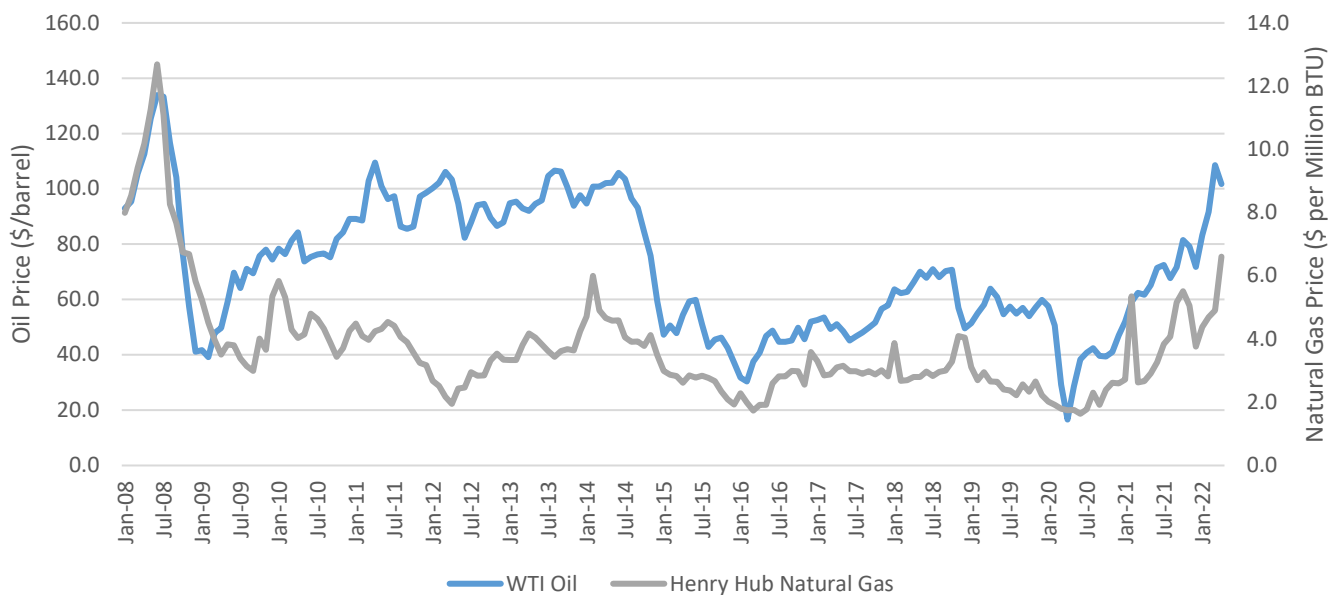


Figure 15:
Oil/Gas Drilling Permits and Oil/Gas Jobs

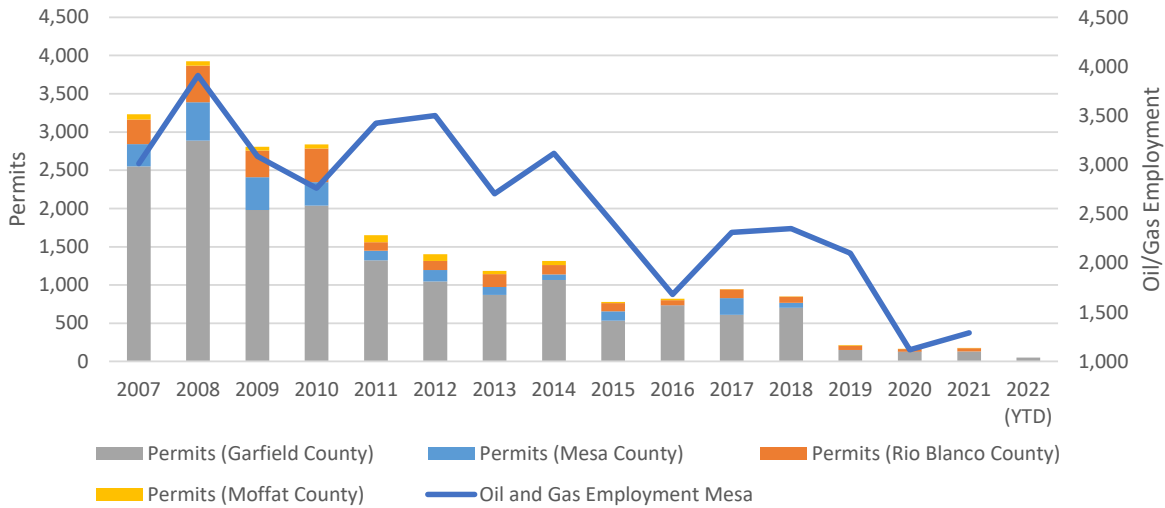
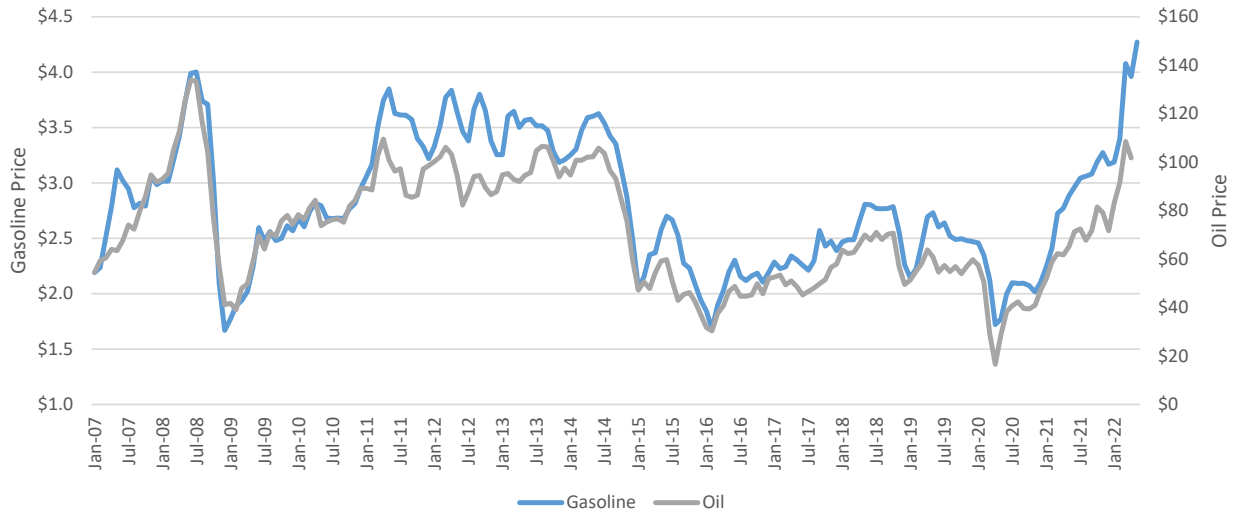


Figure 16:
Oil and Gasoline Prices



Western Slope Energy

West Texas Intermediate crude oil prices averaged \$95.18 in the first quarter of 2022, rising to \$109 during the month of May. Gasoline followed oil and rose from \$2.46 in the first quarter of 2021 to \$3.56 in the first quarter of 2022, rising to \$4.30 in May. Natural gas prices rose from \$3.56 in the first quarter of 2021 to \$4.45 in the first quarter of 2022, rising to \$8.14 in May. Rising oil and gas prices would normally increase oil and gas activity in the region, and we do see rig counts increasing from 2 to 3 in June of 2022. However, drilling permits are still lower than they were at the same time last year and not in proportion with the expected activity we should see from high energy prices. In my experience tracking the drilling permit data, this data can be very volatile, and it's possible that at the end of the year there is a large increase in drill permits, especially as the impacts of H.B. 181 settle, but as of now, the pace of permits is lower than last year. National rig counts have been rising steadily from the low in August of 2020 at 244 to 727 on June 3rd, 2022. The recent peak in rig counts was in late 2018 at 1,083. Historically, the energy industry responds to high prices with significantly higher output, which given enough time helps to reduce the price.

NATIONAL ECONOMIC INDICATORS

	Q1 2022	Q4 2021	Q1 2021	% change since last period	% change since last year (comparable quarters)
Business Cycle Indicators					
Real GDP	-1.50%	6.90%	6.30%	-8.40%	-7.80%
Personal Consumption Expenditures	3.10%	2.50%	11.40%	0.60%	-8.30%
Gross Private Domestic Investment	0.50%	36.70%	-2.30%	-36.20%	2.80%
National Consumer Confidence	63.1	69.9	80.2	-9.73%	-21.32%
Industrial Production Index	103.5	101.7	98.3	1.86%	5.31%
Initial Weekly Unemployment Claims (4 week MA)	207,673	284,115	774,077	-26.91%	-73.17%
Non Farm Payroll Change (in thousands)	1,730,333	1,759,333	1,262,333	-1.65%	37.07%
Unemployment					
Unemployment Rate-U3-SA	3.80%	4.20%	6.20%	-0.40%	-2.40%
Unemployment Rate-U6-SA	7.10%	7.70%	11.00%	-0.60%	-3.90%
Interest Rates					
Federal Funds Rate	0.12%	0.08%	0.08%	0.04%	0.04%
10 Year U.S. Treasury	1.94%	1.54%	1.32%	0.40%	0.62%
30 Year U.S. Treasury	2.26%	1.94%	2.09%	0.32%	0.17%
Inflation Measures					
Inflation Rate (CPI)	8.00%	6.72%	1.90%	1.28%	6.10%
Core Inflation Rate (All Items Less Food and Energy)	6.30%	5.01%	1.45%	1.29%	4.85%
Inflation Rate (Shelter)	4.71%	3.86%	1.58%	0.85%	3.13%
Producer Price Index (PPI)	20.28%	21.80%	7.01%	-1.52%	13.27%
Employment Cost Index	4.45%	3.93%	2.64%	0.52%	1.81%
Stock Prices					
S&P 500	4,464	4,602	3,866	-3.00%	15.47%
Dow Jones Industrial Average	34,679	35,517	31,551	-2.36%	9.92%
Trade Balance and Debt					
Trade Balance (% of GDP)	-1182.813	-971.43	-872.54	21.76%	35.56%
Federal Debt (% of GDP)*	123.4%	129.2%	129.2%	-5.8%	-5.8%

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 17:
Real GDP for U.S.

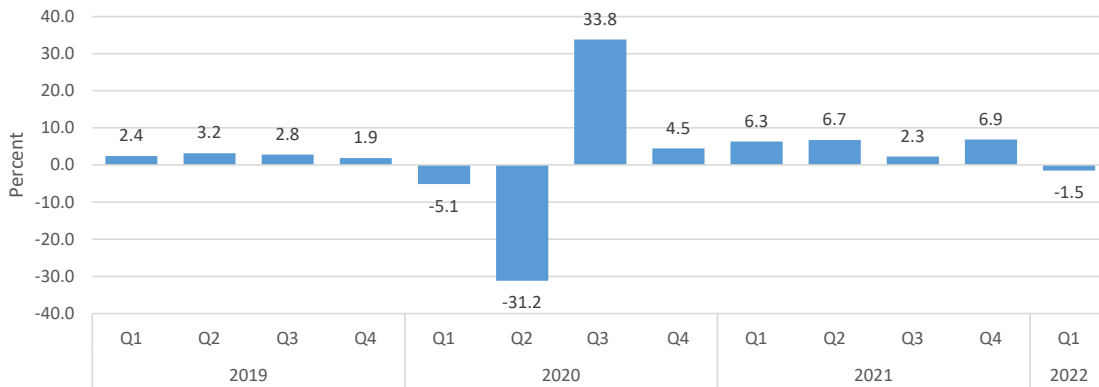
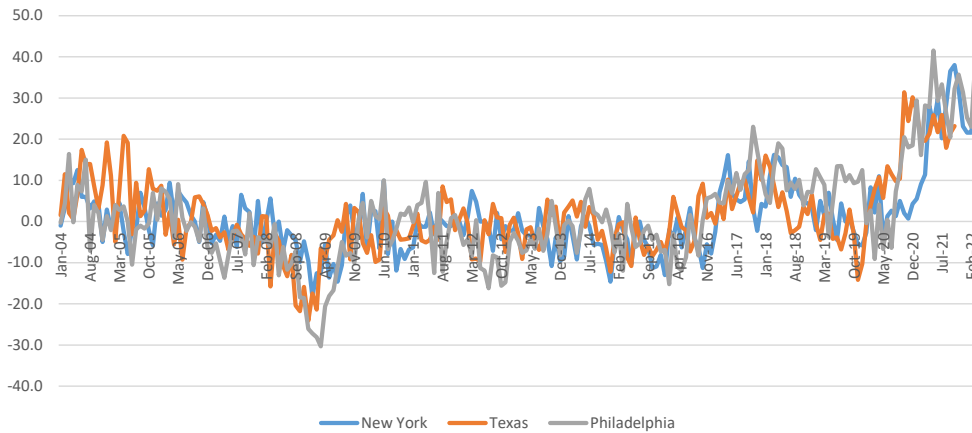


Figure 18:
Delivery Time (Supply Chain Index)



Economic Growth

U.S. economic growth surprised to the downside with a -1.5% GDP number (figure 17). This negative number set back the march towards potential GDP recovery we have seen for several quarters. As of June 8th, the Atlanta Federal Reserves GDP Now forecast for Q2 is at 0.9%. There is real concern that rising interest rates and falling asset prices, as well as the potential for a weaker labor market may lead to a recession, perhaps by early 2023.

Inflation

Inflation continues to soar, rising to an 8.6% inflation rate for the recently released May numbers. Many were hoping that May would show signs that March was the peak of inflation but that was not the case. Figure 19 illustrates the Bureau of Labor Statistics May inflation release, and is reproduced from the Bureau of Labor Statistics website. The energy index increased 3.9% since last month, while food increased 1.2%, and shelter increased 0.6%. The April numbers showed that energy and consumer items may slow their price inflation but May numbers eliminated that hope.

Supply pressures continue to create cost push inflation. Figure

18 illustrates delivery time from the New York, Texas, and Philadelphia Federal Reserves regions. The figure illustrates the increase in delivery time for manufacturing firms. Another cost push inflation factor is wages. Figure 22 illustrates the employment cost index, which increased by 4.5%. Energy prices show no signs of slowing as the Russian-Ukraine conflict rages on. Oil prices reached \$109 and natural gas breached \$9 in early June. Rig counts are increasing in the United States which over time will create more supply. This inflation has been incredibly persistent despite a drastic increase in the U.S. dollar exchange rate. Generally when the dollar increases, it reduces the price of imports, but that has brought no relief from inflation.

In addition to cost push factors, there is still strong demand for goods and services from consumers. There is debate over how long this will last, as consumer confidence has fallen to the lows of the 1981 recession, the 1991 recession, and the 2009 recession (figure 23). The Federal Reserve still expects to continue to raise rates until inflation comes down. Unfortunately it is not clear that rising rates, which generally affects demand, will be able to alleviate much of the supply or cost push inflation.

Figure 19:
CPI (Inflation) Release from the Bureau of Labor Statistics (reproduced from BLS.gov)

	Seasonally adjusted changes from preceding month							Un-adjusted 12-mos. ended May 2022
	Nov. 2021	Dec. 2021	Jan. 2022	Feb. 2022	Mar. 2022	Apr. 2022	May 2022	
All items.....	0.7	0.6	0.6	0.8	1.2	0.3	1.0	8.6
Food.....	0.8	0.5	0.9	1.0	1.0	0.9	1.2	10.1
Food at home.....	0.9	0.4	1.0	1.4	1.5	1.0	1.4	11.9
Food away from home ¹	0.6	0.6	0.7	0.4	0.3	0.6	0.7	7.4
Energy.....	2.4	0.9	0.9	3.5	11.0	-2.7	3.9	34.6
Energy commodities.....	4.2	1.3	-0.6	6.7	18.1	-5.4	4.5	50.3
Gasoline (all types).....	4.5	1.3	-0.8	6.6	18.3	-6.1	4.1	48.7
Fuel oil ¹	3.5	-2.4	9.5	7.7	22.3	2.7	16.9	106.7
Energy services.....	0.2	0.3	2.9	-0.4	1.8	1.3	3.0	16.2
Electricity.....	0.2	0.5	4.2	-1.1	2.2	0.7	1.3	12.0
Utility (piped) gas service.....	0.3	-0.3	-0.5	1.5	0.6	3.1	8.0	30.2
All items less food and energy.....	0.5	0.6	0.6	0.5	0.3	0.6	0.6	6.0
Commodities less food and energy commodities.....	0.9	1.2	1.0	0.4	-0.4	0.2	0.7	8.5
New vehicles.....	1.2	1.2	0.0	0.3	0.2	1.1	1.0	12.6
Used cars and trucks.....	2.4	3.3	1.5	-0.2	-3.8	-0.4	1.8	16.1
Apparel.....	0.7	1.1	1.1	0.7	0.6	-0.8	0.7	5.0
Medical care commodities ¹	0.1	0.0	0.9	0.3	0.2	0.1	0.3	2.4
Services less energy services.....	0.4	0.3	0.4	0.5	0.6	0.7	0.6	5.2
Shelter.....	0.5	0.4	0.3	0.5	0.5	0.5	0.6	5.5
Transportation services.....	0.7	0.0	1.0	1.4	2.0	3.1	1.3	7.9
Medical care services.....	0.3	0.3	0.6	0.1	0.6	0.5	0.4	4.0

¹ Not seasonally adjusted.

Figure 20:
Inflation Rate

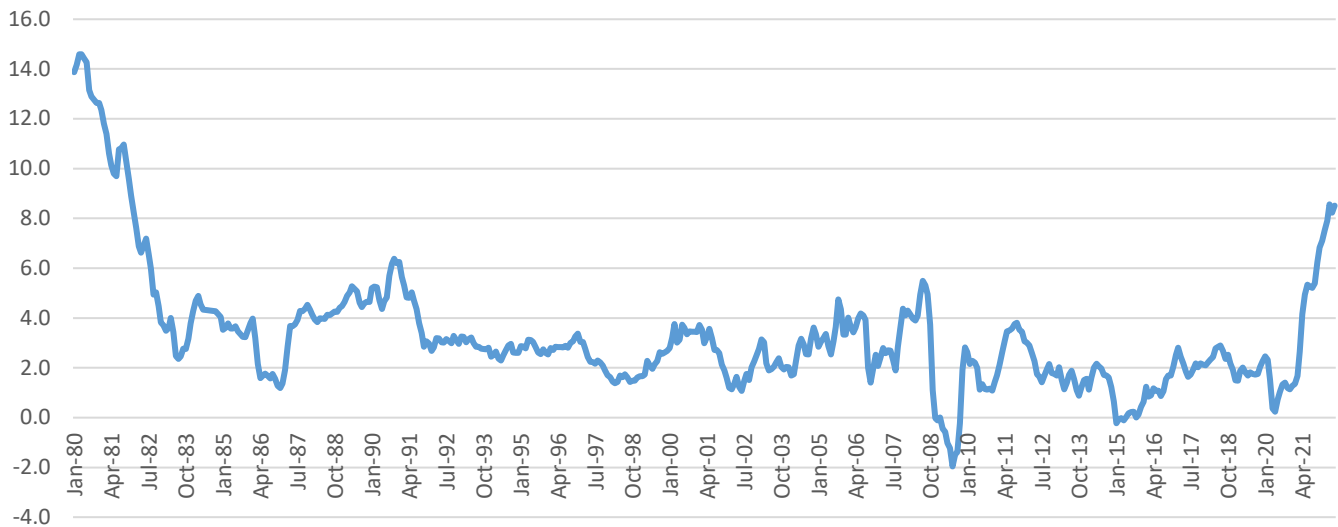


Figure 21:
GDP Gap

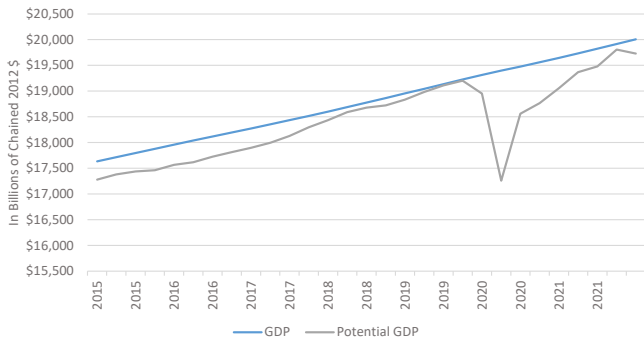


Figure 22:
Employment Cost Index

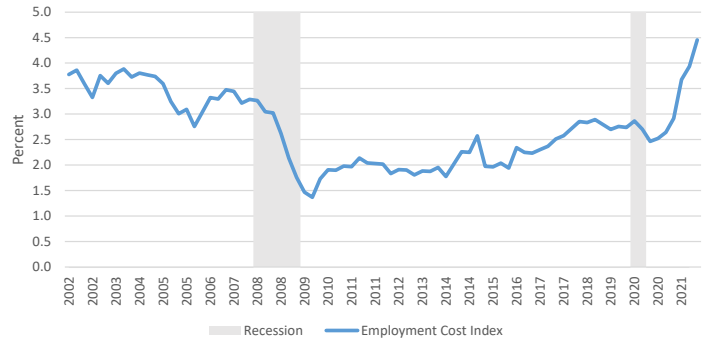
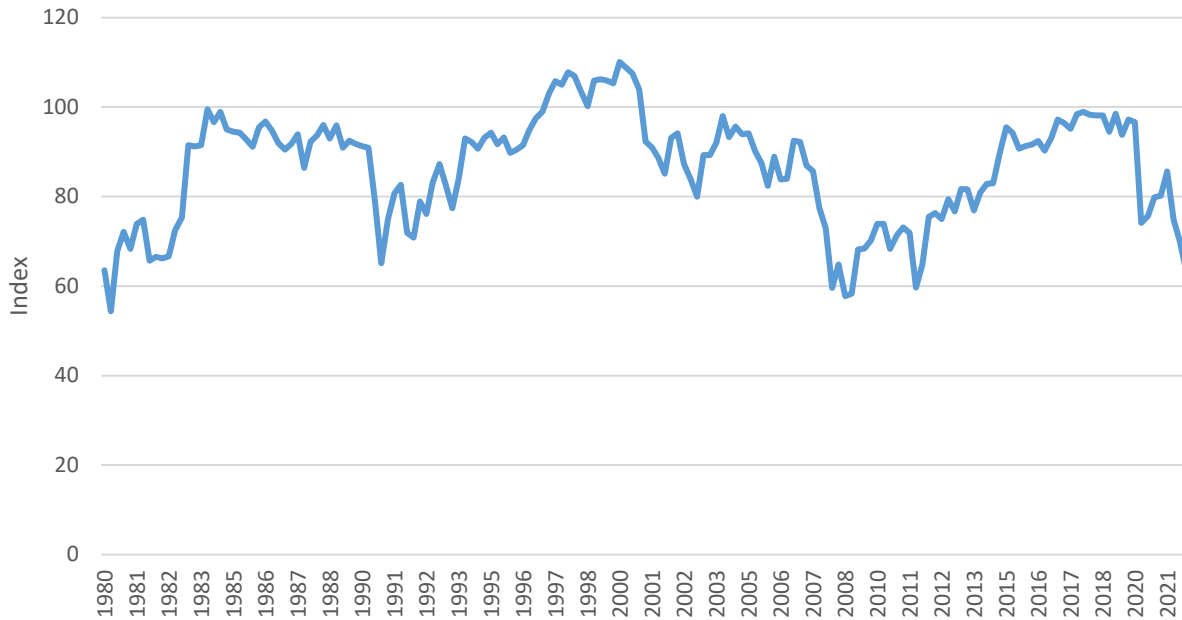


Figure 23:
University of Michigan Consumer Confidence Index



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

☎ 970.248.1888
✉ naperry@coloradomesa.edu



1100 North Avenue
Grand Junction, Colorado 81501-3122
970.248.1778 • 970.248.1138 (f)
coloradomesa.edu