

# MONTROSE COUNTY ECONOMIC UPDATE

Second Quarter, 2023



## Economic Summary

- The unemployment rate is still extremely low at 2.8% in May. April's unemployment rate was 2.6%, with only 543 people unemployed.
- Montrose County new business entity filings are down 4.61% as of May. Montrose was up 19.03% when comparing 2022 to 2021, but is down compared to May of last year.
- Montrose City and County sales taxes are up 4.30% and 4.89% compared to last May, respectively, with the hotel and restaurant tax up 11.30%. Airport enplanements are down 3.57% as of May
- Inflation has fallen sharply the last few months, falling to 4% in May. Sharp declines in energy and used cars/trucks led the decline. Despite falling inflation, the Federal Reserve is signaling more rate increases.

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## LOCAL ECONOMIC INDICATORS

	Q1 2023	Q4 2022	Q1 2022	change since last quarter	change since last year (comparable quarters)
<b>Local Labor Market</b>					
Unemployment Rate Montrose County-NSA	3.40%	2.80%	4.47%	0.60%	-1.07%
Unemployment Rate Colorado - NSA	3.00%	2.70%	3.90%	0.30%	-0.90%
Unemployment Rate U.S. - NSA	3.80%	3.60%	4.10%	0.20%	-0.30%
Labor Force	21,211	21,222	21,222	-10	-10
Employed	20,489	20,620	20,209	-131	280
Unemployed	722	602	947	121	-225
<b>Business Confidence</b>					
Leeds Colorado Business Confidence	45.1	39.8	53.9	13.32%	-16.33%
<b>Sales/Use Taxes</b>					
City Sales/Use Taxes (YTD, April)	\$8,086,012		\$7,752,392		4.30%
County Sales/Use Tax (YTD, March)	\$5,064,110		\$4,827,888		4.89%
Hotel and Restaurant Tax (YTD, April)	\$234,933		\$211,073		11.30%
Telluride Sales/Use Tax (YTD, March)	\$3,603,117		\$3,412,610		5.58%
<b>Business Filings</b>					
	<b>2022 (YTD)</b>		<b>2021 (YTD)</b>		
Montrose County New Business Entity Filings (as of May 31st)	455		477		-4.61%

Montrose Regional Airport	2023	2022	% change from last year		
Enplanements (YTD, May)	113,439	117,636	-3.57%		
Standard of Living and Growth	2021	2020	2019	2018	% change since 2020
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 employment levels reached 21,036 in May, nearing the pre-COVID highs. The unemployment rate is still extremely low at 2.8% in May. April's unemployment rate was 2.6%, with only 543 people unemployed. Nationally the labor market continues to surprise, with rising payroll numbers and a low unemployment rate. Montrose seems to be following a similar trend, albeit perhaps less employment gains. Employment gains are difficult to come by without a rising labor force, as we have reached the point where the number of unemployed are likely frictionally unemployed, or people who have left their jobs and are taking a month or two to find something else.

The narrative remains the same: There is an expectation that the labor market will slow as GDP growth slows over the next year. Rising interest rates and an inflation wary consumer are expected to weaken economic activity. Due to a demographic shift in the labor market, unemployment has stayed extremely low. This demographic shift that is causing labor shortages may help to mitigate the impact of a recession on the labor market, meaning we could have a slight recession and not see a large unemployment spike.

## Other Indicators

Montrose City and County sales taxes are up 4.30% and 4.89% compared to last May, respectively, with the hotel and restaurant tax up 11.30%. Telluride sales taxes, which are used as a proxy for tourism that my impact Montrose, is up 5.58%.

Table 1:

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

	Labor Force	Employed	Unemployed
<b>Annual</b>	-10	-131	121
<b>5-Year</b>	55	280	-225
<b>10-Year</b>	462	590	-128
<b>Annual %</b>	-0.05%	-0.64%	20.06%
<b>5-Year %</b>	0.26%	1.39%	-23.75%
<b>10-Year %</b>	2.22%	2.96%	-15.09%

The Leeds Business Confidence Index increased last quarter, rising from an index of 39.8 to 45.1, up 13.32%. This is a large increase, and was driven by expectations for the Colorado economy and for industry profits.

Montrose County new business entity filings are down 4.61% as of May. Montrose was up 19.03% when comparing 2022 to 2021, but is down compared to May of last year. The trend of new entity filings has increased every year since 2012, with the last 2 years having significantly increased, so I do not think this is anything to worry about at the moment.

Airport enplanements are down 3.57% as of May.

There are no updates to the standard of living and growth data points, the BEA and Census will be updating that data over the next 6 months.

Figure 1:  
**Montrose Employment**

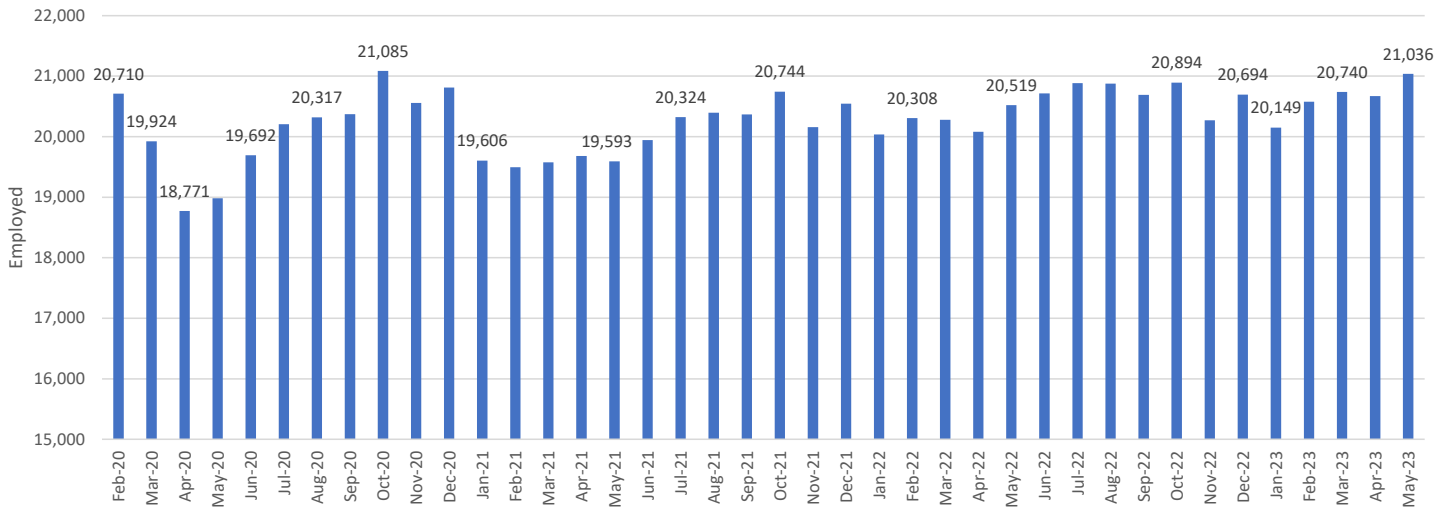


Figure 2:  
**Average Yearly Employment**

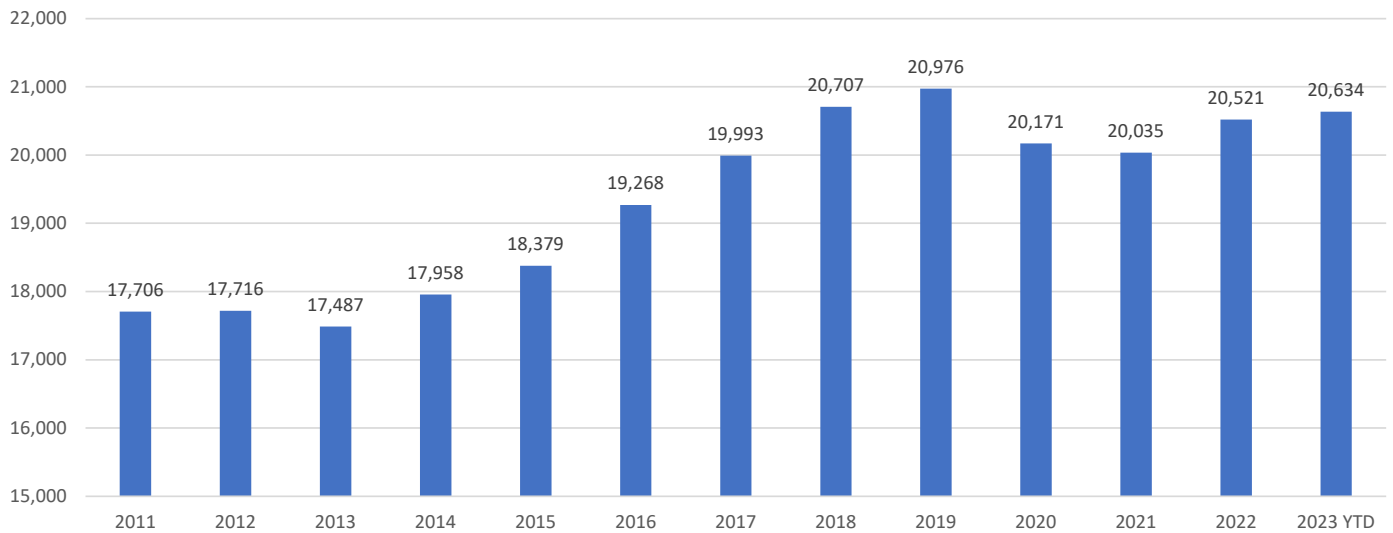


Figure 3:  
**Change in Average Yearly Employment**

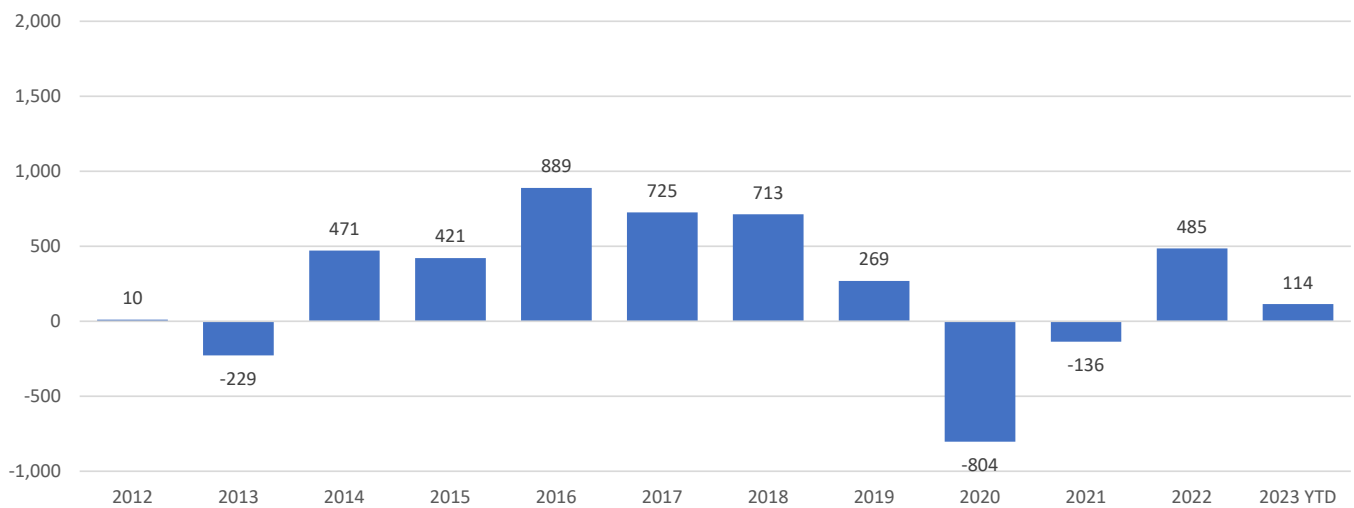
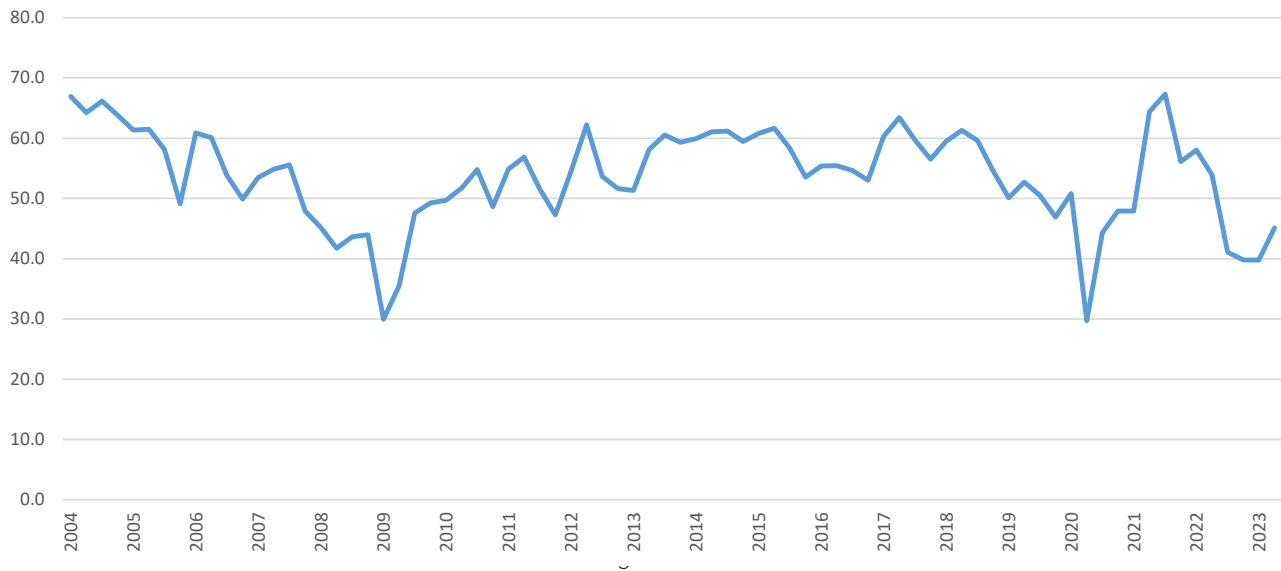


Figure 4:  
Leeds Business Confidence Index



Sales Tax Collection

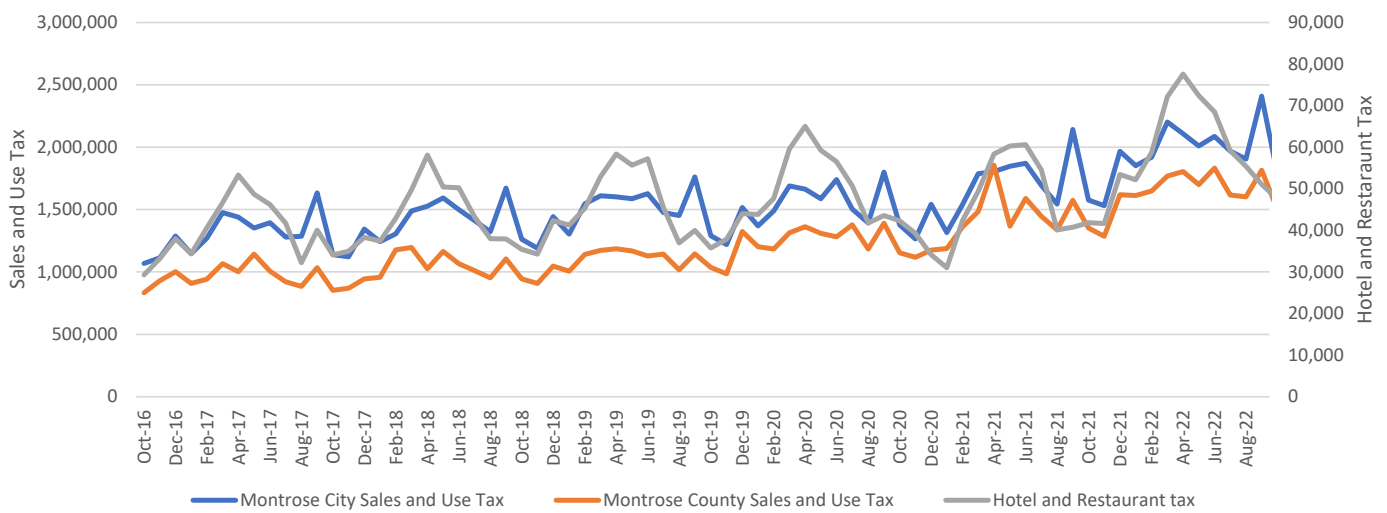


Figure 6:  
Total Full and Part Time Jobs (BEA)

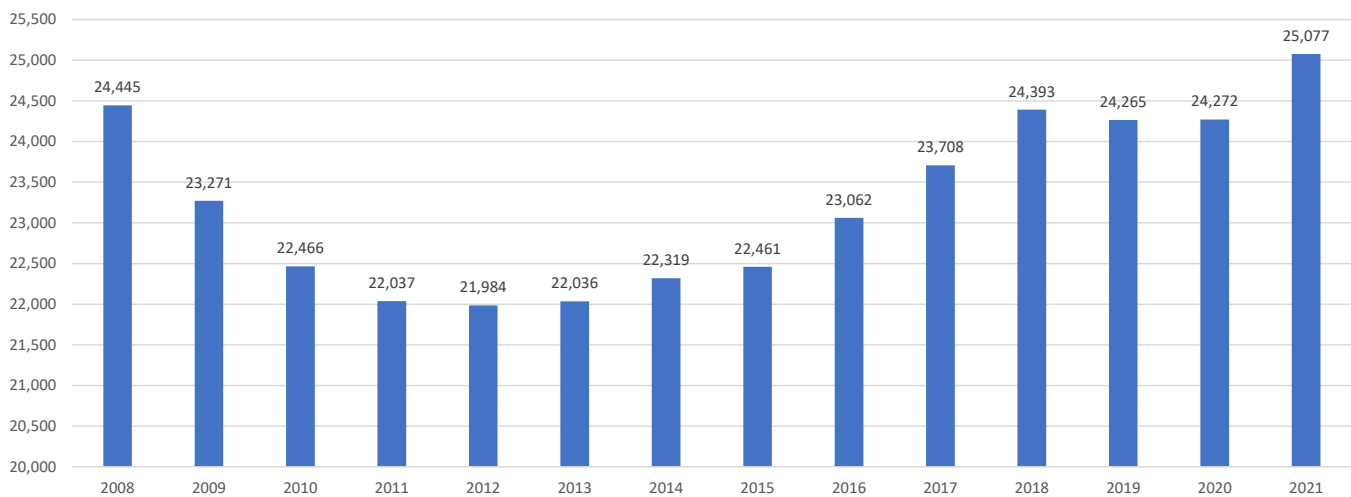


Figure 7:  
**Montrose County Median Household Income**

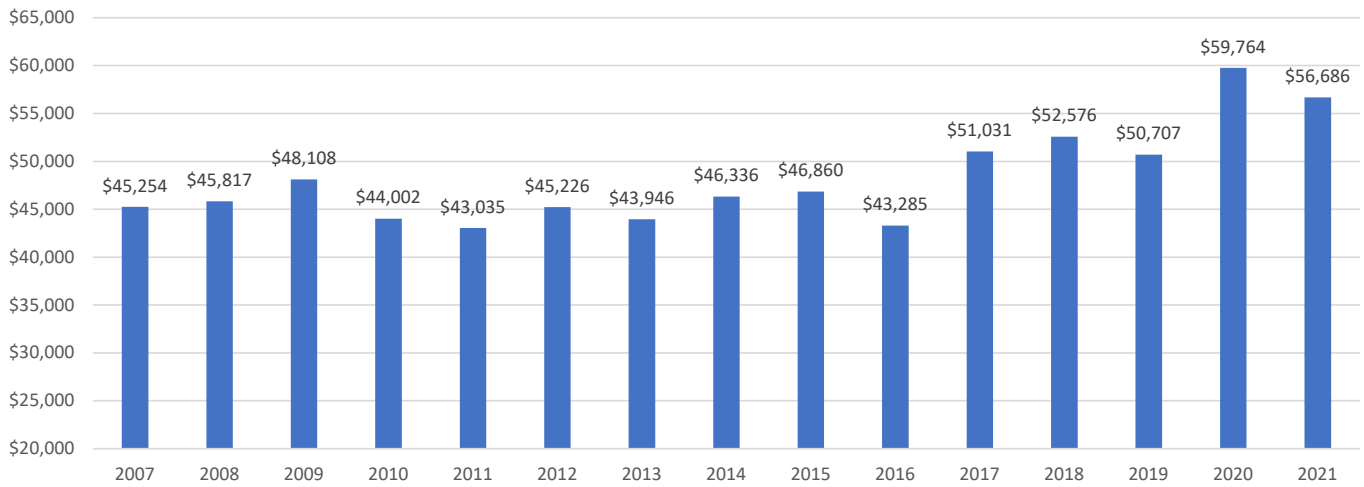


Figure 8:  
**Montrose County Poverty Rate**

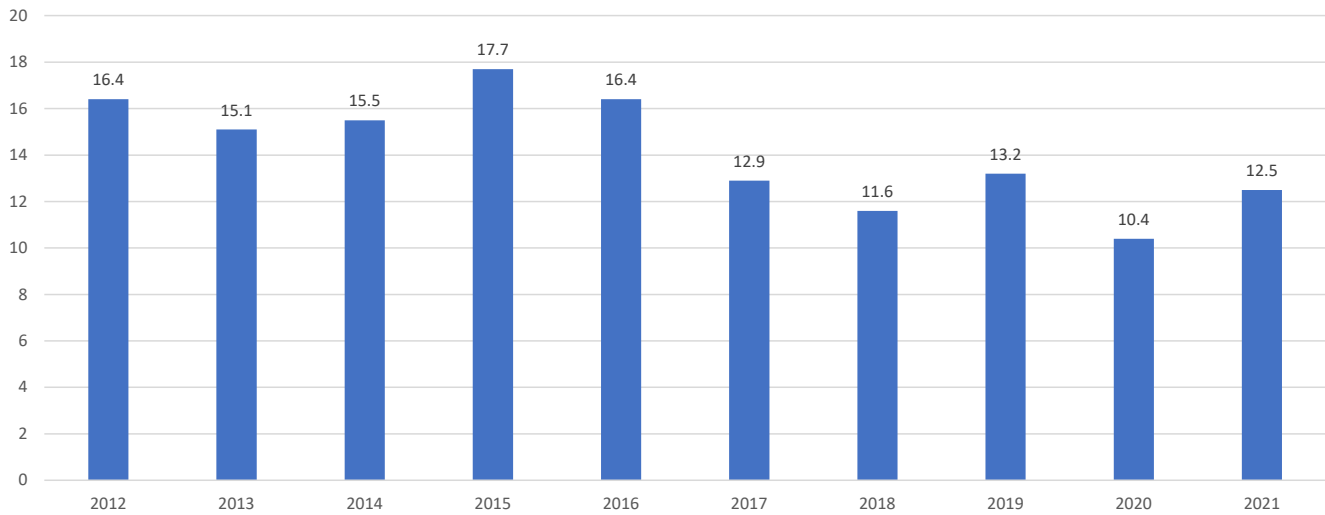
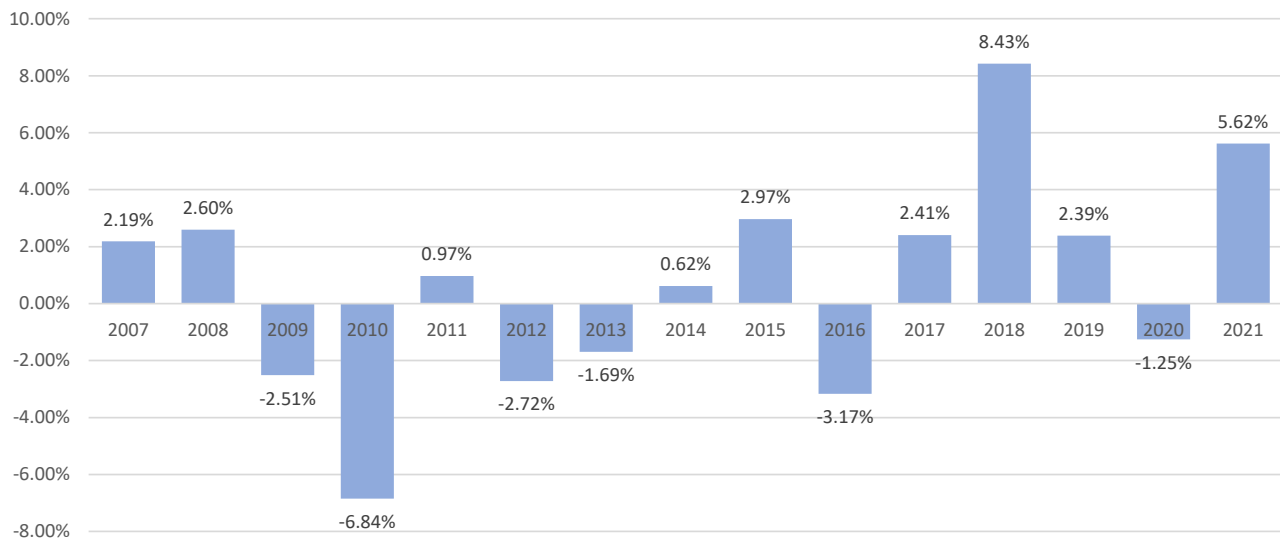


Figure 9:  
**Montrose County Real GDP (chained 2012 dollars)**



## Montrose County Industry Trends

Montrose Quarterly Census of Employment and Wages data shows job gains of 215 compared to Q4 of 2021. Top gains in jobs were in construction (252), and accomodation and food services (60). The biggest losses were in real estate, rental, and leasing (-57), and healthcare (-60). Healthcare job losses have been a trend in many counties, and especially Montrose and Delta. Mesa County finally saw healthcare gains this last quarter. Wage gains were largest in construction and public administration. 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) Q4 2022 Compared to Q4 2021**

Sector	Average Employment	Total Quarterly Wages	Average Weekly Wage	Total Employment Change	Total Wage Change
Total, All Industries	15,957	203,062,972	979	215	\$9,786,538
Health Care and Social Assistance	2,924	40,049,522	1,053	-60	\$218,586
Construction	1,729	27,091,920	1,206	252	\$5,907,968
Retail Trade	2,396	24,035,882	772	-8	\$880,001
Public Administration	1,060	18,665,056	1,355	-12	\$1,301,399
Manufacturing	1,030	13,279,302	991	0	-\$17,861
Accommodation and Food Services	1,554	9,805,023	485	60	\$945,045
Professional and Technical Services	515	9,577,028	1,430	29	\$873,605
Transportation and Warehousing	790	8,788,558	856	13	\$402,959
Wholesale Trade	429	7,476,867	1,342	31	\$846,692
Administrative and Waste Services	488	5,525,989	872	1	\$150,791
Finance and Insurance	310	5,335,061	1,322	-10	-\$350,524
Utilities	237	5,199,854	1,685	1	\$95,758
Other Services, Ex. Public Admin	401	4,689,900	899	4	-\$382,678
Real Estate and Rental and Leasing	285	4,247,191	1,145	-57	-\$352,699
Agriculture, Forestry, Fishing & Hunting	227	2,282,350	775	-15	-\$172,215
Information	150	1,984,221	1,020	-18	-\$93,963
Arts, Entertainment, and Recreation	355	1,978,482	428	2	-\$508,203
Management of Companies and Enterprises	66	1,545,423	1,792	-15	-\$556,638
Mining	17	685,631	3,164	-6	\$60,913

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**

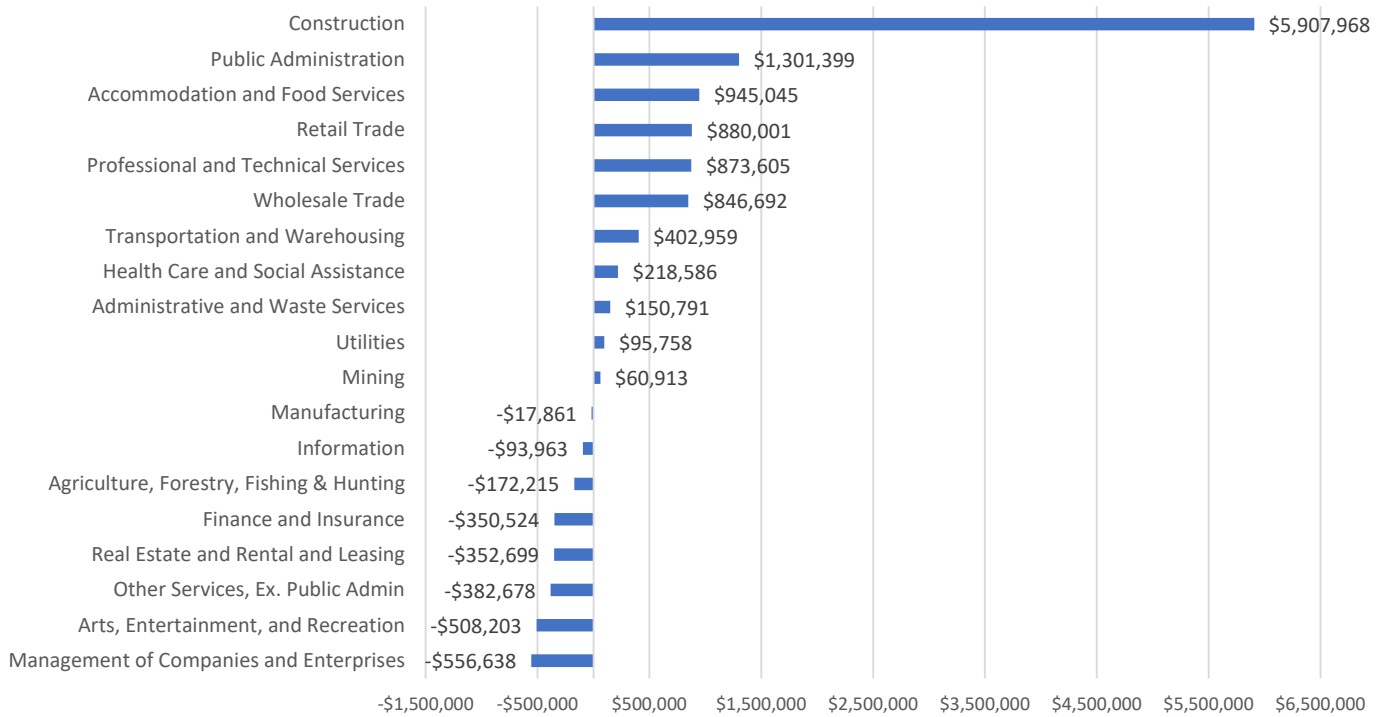
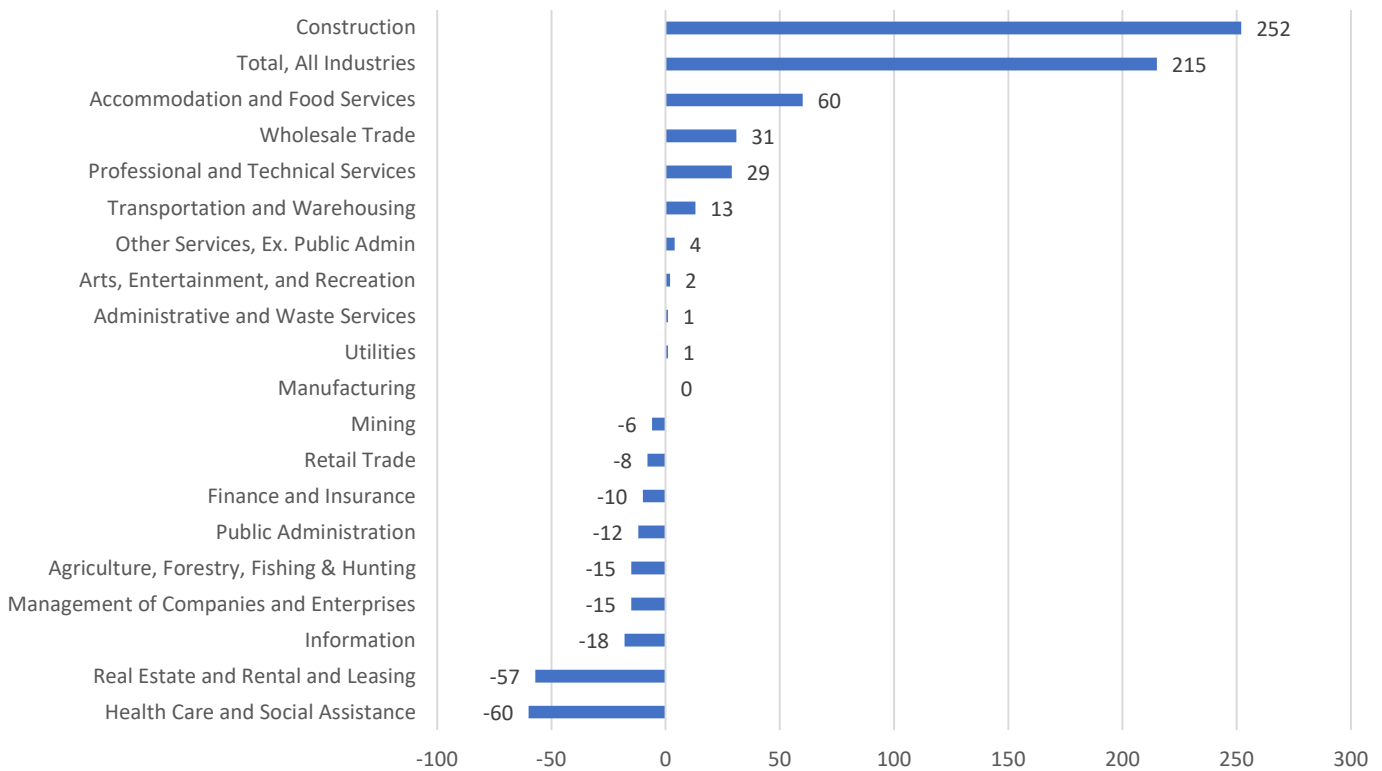


Figure 11:  
**Total Jobs Change from Q3 2021 to Q3 2022**



## LOCAL REAL ESTATE

	Q1 2023	Q1 2022	% change since last year
<b>Real Estate</b>			
Inventory of Homes for Sale (3 month avg)	107	72	48.84%
New Residential Listings (3 month total)	137	166	-17.47%
Sold Residential Listings (3 month total)	122	172	-29.07%
Median Sales Price	\$394,533	\$410,667	-3.93%
Average Sales Price	\$433,604	\$447,500	-3.11%
Days on Market	99.33	85.67	15.95%
Months Supply of Inventory	1.93	1.00	93.33%
Total Building Permits	181	333	-45.65%
Total Building Permit Valuation	\$28,525,717	\$76,796,753	-62.86%
Single Family Home Permits	75	140	-46.43%
Single Family Home Permit Valuation	\$11,820,219	\$20,531,915	-42.43%
<b>Foreclosures</b>			
Foreclosure Filings (YTD)	12	18	-33.33%
Foreclosure Sales (YTD)	3	2	50.00%
<b>Mortgage Rates</b>			
	May 2023	May 2022	
30 Year Mortgage Rate	5.81%	4.44%	1.37%
15 year Mortgage Rate	6.43%	5.23%	1.20%

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 fall, falling by almost 4% compared to the same time last year. Figure 13 shows the quarter to quarter volatility in the median home value, there has definitely been a decline since the peak of September of 2021, but in the short term it looks as though January 2023 may be the bottom for home values. Inventory is up from the same time last year, rising from 72 to 107 (single family home). Despite this, new listings are down 17%. Days on market continues to increase, rising from 85 to 99. Another way to look at this is months supply of inventory, which in Q1 averaged 1.96 but in April and May rose to 2.8 and 3.1. Generally when months supply of inventory gets past 4, closer to 5, price declines are seen and it becomes more of a buyers market.

Ultimately, interest rates have put the brakes on price declines despite the quarterly price volatility. 30 year mortgage rates averaged 6.43% in Q1, and as of late June, are pushing higher again at 6.67%. The Federal Reserve is expected to raise interest rates two more times this year, despite their late summer pause.

As of May, total building permits are down significantly, falling from 333 to 181, while single family home applications fell from 140 to 75. This is surprising considering the demand for homes and increase in construction activity that is so apparent in the data. Single family home permits were also down significantly, down 46%.



Figure 12:  
Months Supply of Inventory



Figure 13:  
Median and Average Home Sales Price

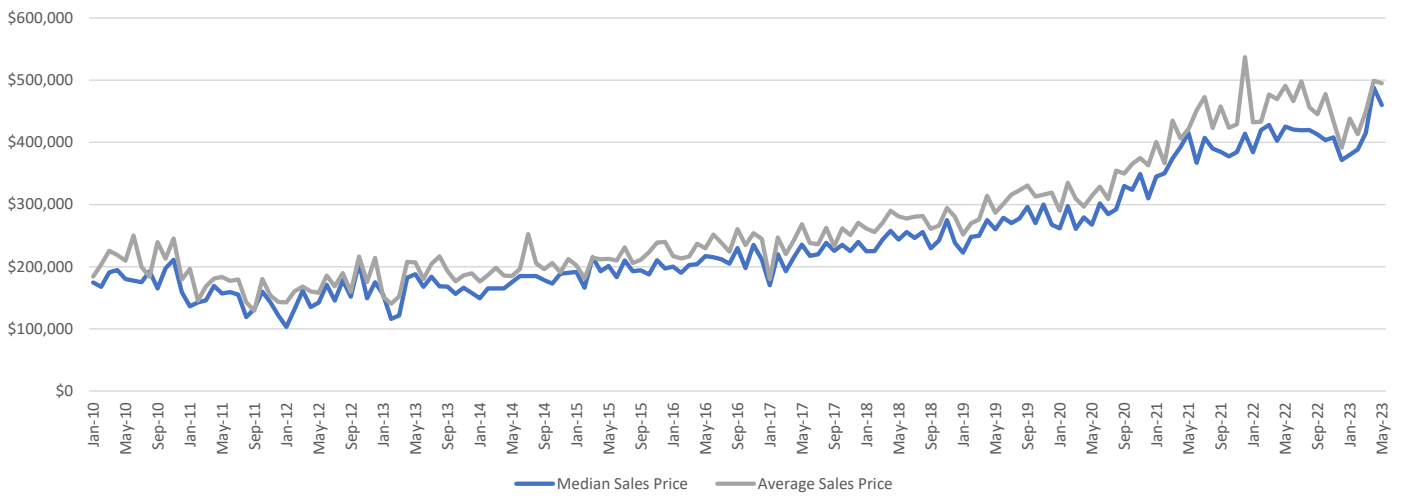
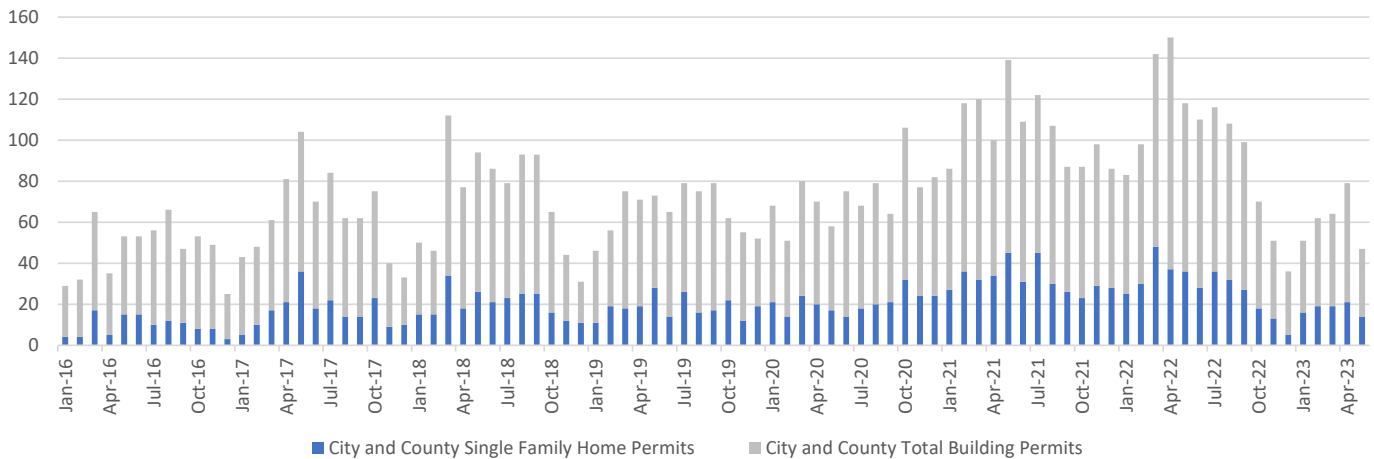


Figure 14:  
City and County Building Permits



## REGIONAL ENERGY

	Q1 2023	Q4 2022	Q1 2022	% change since last quarter	% change since last year (comparable quarters)
<b>Energy Prices</b>					
WTI Crude Oil	\$75.93	\$82.79	\$95.18	-8.29%	-20.22%
Henry Hub Natural gas	\$2.65	\$5.55	\$4.66	-52.25%	-43.13%
Retail Gasoline Price	\$3.29	\$3.42	\$3.56	-3.69%	-7.43%
<b>Drilling Permits</b>					
	<b>2023 (YTD, March)</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	
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	
<b>Local Rig Count</b>					
	<b>Jun-23</b>	<b>Mar-23</b>	<b>Nov-22</b>		
Rig Count (Western Colorado, Mesa, Rio Blanco, Garfield, Moffat)	3	3	3		

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

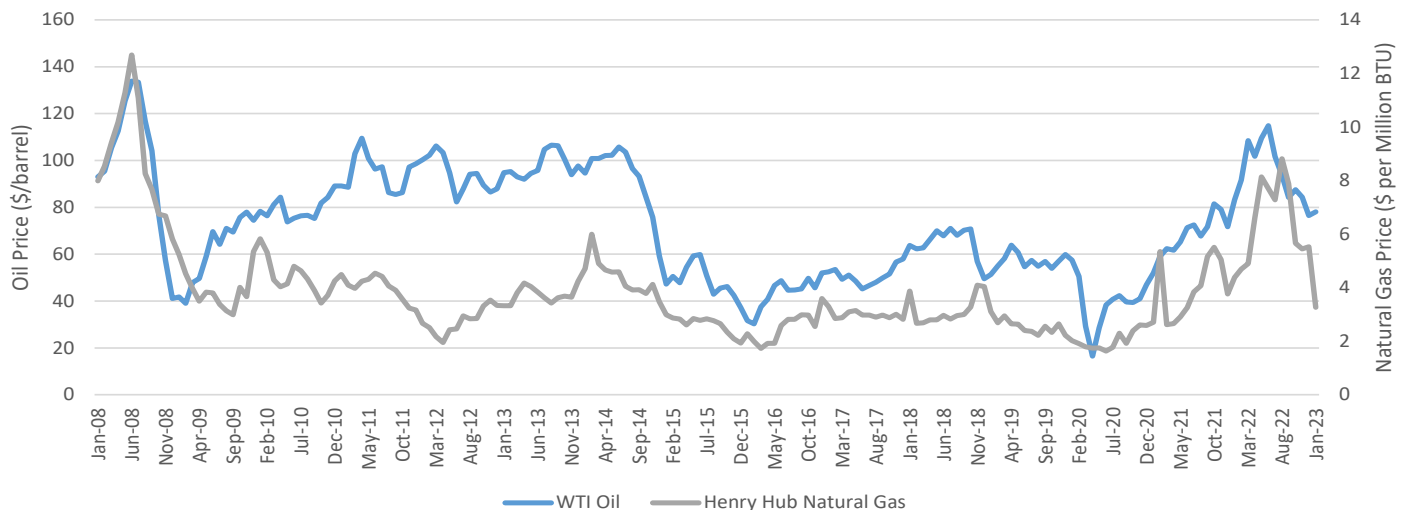


Figure 16:  
Oil/Gas Drilling Permits and Oil/Gas Jobs

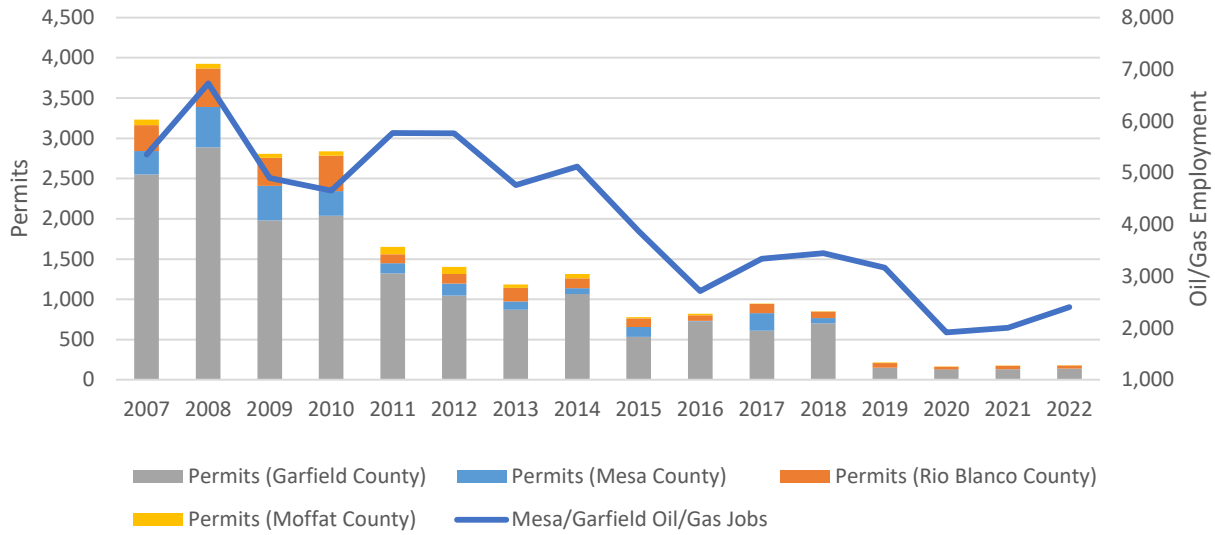
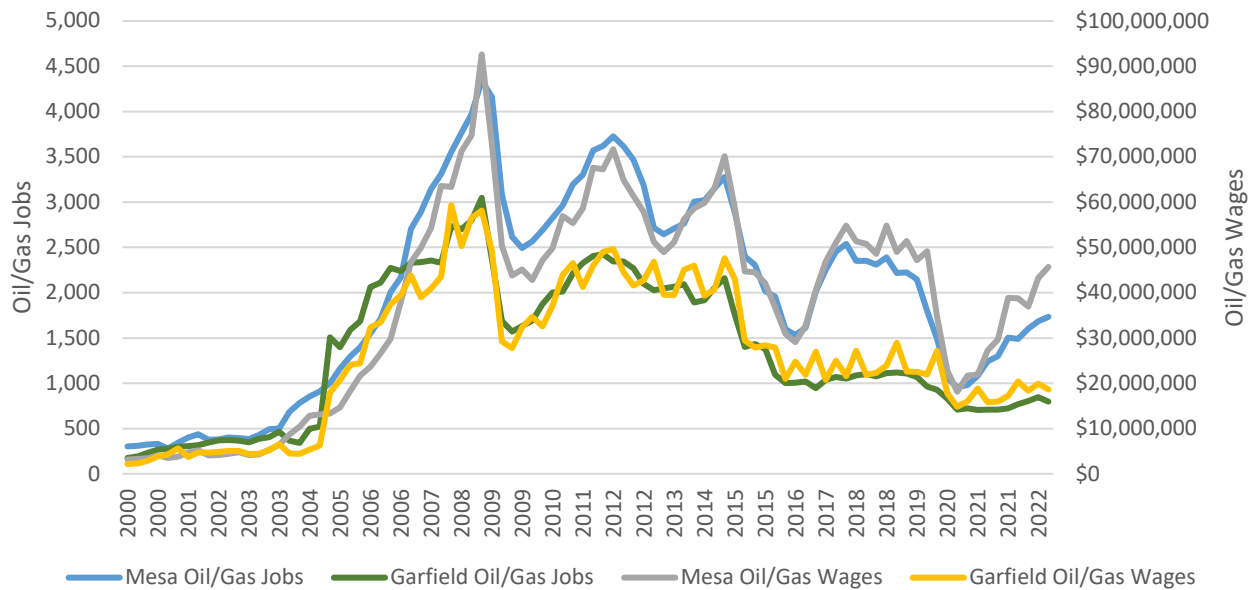


Figure 17:  
Oil and Gasoline Prices



### Western Slope Energy

WTI oil prices fell from \$82.79 in Q4 of 2022 to \$75.93 in Q1 of 2023. As of late June, WTI continues its slight downward trend, falling between \$70 and \$71. Natural gas prices (Henry Hub) fell from \$5.55 to \$2.65, a huge decrease in price. Since the Piceance is mostly natural gas activity, falling gas prices could hurt the job gains seen by the energy industry the last several quarters (figure 17). Rig count continues steady at 3, staying at three for the entire year of 2023. Retail gas prices have fallen with oil prices, falling from \$3.42 to \$3.29 since late last year. Crude oil prices will likely increase due to production cuts from OPEC in early June. Natural gas prices will likely hover in the \$2.00 range, rising into 2024.

## NATIONAL ECONOMIC INDICATORS

	Q1 2023	Q4 2022	Q1 2022	% change since last period	% change since last year (comparable quarters)
<b>Business Cycle Indicators</b>					
Real GDP	1.30%	2.60%	-1.60%	-1.30%	2.90%
Personal Consumption Expenditures	3.80%	1.00%	1.30%	2.80%	2.50%
Gross Private Domestic Investment	-11.50%	4.50%	5.40%	-16.00%	-16.90%
National Consumer Confidence	64.6	58.8	63.1	9.86%	2.38%
Industrial Production Index	102.6	102.7	101.7	-0.10%	0.81%
Initial Weekly Unemployment Claims (4 week MA)	215,708	205,429	226,288	5.00%	-4.68%
Non Farm Payroll Change (in thousands)	965,667	947,667	1,688,667	1.90%	-42.81%
<b>Unemployment</b>					
Unemployment Rate-U3-SA	3.50%	3.60%	3.80%	-0.10%	-0.30%
Unemployment Rate-U6-SA	6.70%	6.60%	7.10%	0.10%	-0.40%
<b>Interest Rates</b>					
Federal Funds Rate	4.50%	3.62%	0.12%	0.88%	4.38%
10 Year U.S. Treasury	3.65%	3.83%	1.94%	-0.18%	1.71%
30 Year U.S. Treasury	3.75%	3.90%	2.26%	-0.15%	1.49%
<b>Inflation Measures</b>					
Inflation Rate (CPI)	5.77%	7.11%	8.02%	-1.34%	-2.25%
Core Inflation Rate (All Items Less Food and Energy)	5.56%	5.99%	6.32%	-0.43%	-0.76%
Inflation Rate (Shelter)	8.07%	7.16%	4.71%	0.91%	3.35%
Producer Price Index (PPI)	2.22%	8.42%	20.42%	-6.20%	-18.20%
Employment Cost Index	4.86%	5.06%	4.45%	-0.20%	0.41%
<b>Stock Prices</b>					
S&P 500	4,000	3,852	4,464	3.84%	-10.39%
Dow Jones Industrial Average	33,219	32,490	34,679	2.24%	-4.21%
<b>Trade Balance and Debt</b>					
Trade Balance (% of GDP)	-844.371	-857.068	-1116.682	-1.48%	-24.39%
Federal Debt (% of GDP)*	120.2%	120.2%	121.6%	0.0%	-1.4%

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. Regional CPI data from the Bureau of Labor Statistics. Yield Curve from the Federal Reserve Board.

Figure 18:

**Real GDP for U.S.**

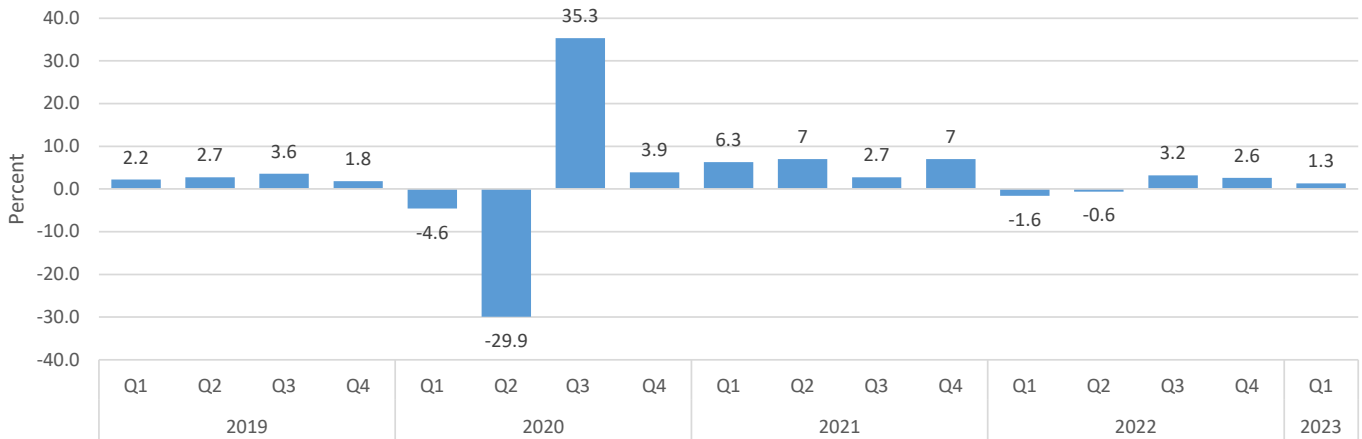
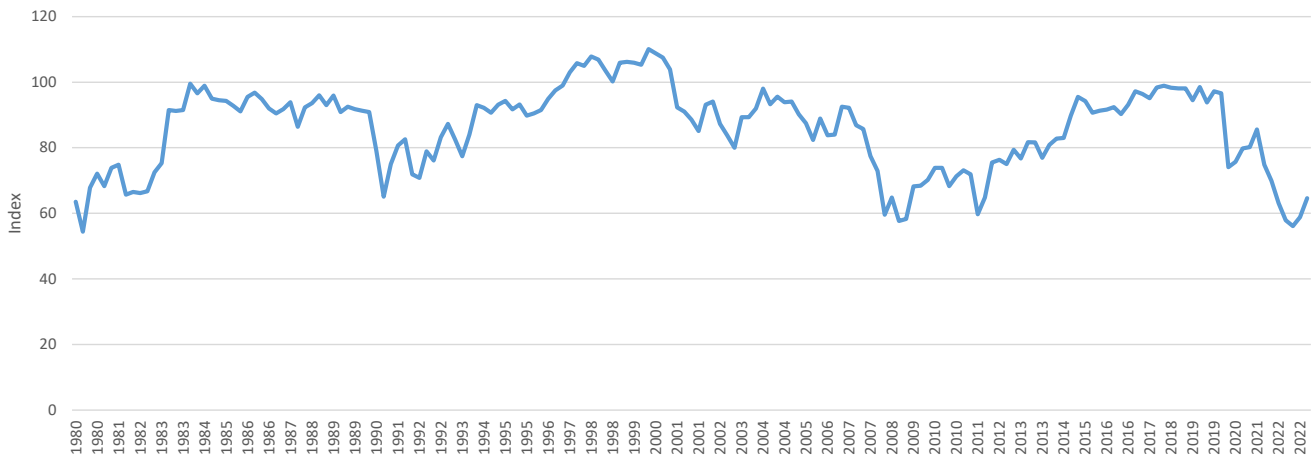


Figure 19:

**National Consumer Confidence Index (U Michigan)**



**Economic Growth**

U.S. GDP growth for Q1 2023 was 1.3%, down from the previous quarter’s 2.6%. The Atlanta Federal Reserve’s GDPNow estimates 1.9% for quarter 2. Economists are expecting growth to slow as interest rates and inflation impact consumer decisions.

National consumer confidence hit a recent low last quarter but is now on an upswing. Figure 19 illustrates the University of Michigan’s national consumer confidence survey and shows a slight increase from last quarter.

Both measures of the yield curve are still inverted, which is a recession signal. Figure 24 illustrates the 10 year treasury minus the 2 year treasury and still shows a deep inversion.

The unemployment rate remains low at 3.7%, with strong job gains in the jobs data. The labor market remains tight, and many economists believe the Fed will not rest until the labor market has some slack, in order to defeat rising wages that contribute to inflation. Ultimately, the story from the last few quarters still remains, there has been a demographic shift in the labor market and the Fed’s attempt to weaken the labor market has not been successful primarily due to the 5 million or so people who left the labor force over the last few years.

**Inflation**

Inflation has fallen sharply the last few months, falling to 4% in May. Sharp declines in energy and used cars/trucks led the decline. The decline in energy was expected because energy prices were so high one year ago. Energy prices are currently at standard levels. Inflation measures that still remain high include transportation services (10%), shelter (10%) and food (6.7%). Figure 20 illustrates the Bureau of Labor Statistics inflation release. Figure 23 illustrates the employment cost index, and shows that wages are still elevated. In fact, with wages still elevated and inflation falling, real wages, or wages adjusted for inflation are finally positive, meaning workers are actually making gains on inflation right now.

The Federal Reserve is expected to raise interest rates two more times after pausing this summer. The pause was to allow the lagged effect of monetary policy to have some impact before potentially raising rates too high.

Figure 20:  
**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 2023
	Nov. 2022	Dec. 2022	Jan. 2023	Feb. 2023	Mar. 2023	Apr. 2023	May 2023	
All items.....	0.2	0.1	0.5	0.4	0.1	0.4	0.1	4.0
Food.....	0.6	0.4	0.5	0.4	0.0	0.0	0.2	6.7
Food at home.....	0.6	0.5	0.4	0.3	-0.3	-0.2	0.1	5.8
Food away from home <sup>1</sup> .....	0.5	0.4	0.6	0.6	0.6	0.4	0.5	8.3
Energy.....	-1.4	-3.1	2.0	-0.6	-3.5	0.6	-3.6	-11.7
Energy commodities.....	-2.1	-7.2	1.9	0.5	-4.6	2.7	-5.6	-20.4
Gasoline (all types).....	-2.3	-7.0	2.4	1.0	-4.6	3.0	-5.6	-19.7
Fuel oil <sup>1</sup> .....	1.7	-16.6	-1.2	-7.9	-4.0	-4.5	-7.7	-37.0
Energy services.....	-0.6	1.9	2.1	-1.7	-2.3	-1.7	-1.4	1.6
Electricity.....	0.5	1.3	0.5	0.5	-0.7	-0.7	-1.0	5.9
Utility (piped) gas service.....	-3.4	3.5	6.7	-8.0	-7.1	-4.9	-2.6	-11.0
All items less food and energy.....	0.3	0.4	0.4	0.5	0.4	0.4	0.4	5.3
Commodities less food and energy commodities.....	-0.2	-0.1	0.1	0.0	0.2	0.6	0.6	2.0
New vehicles.....	0.5	0.6	0.2	0.2	0.4	-0.2	-0.1	4.7
Used cars and trucks.....	-2.0	-2.0	-1.9	-2.8	-0.9	4.4	4.4	-4.2
Apparel.....	0.1	0.2	0.8	0.8	0.3	0.3	0.3	3.5
Medical care commodities <sup>1</sup> .....	0.2	0.1	1.1	0.1	0.6	0.5	0.6	4.4
Services less energy services.....	0.5	0.6	0.5	0.6	0.4	0.4	0.4	6.6
Shelter.....	0.6	0.8	0.7	0.8	0.6	0.4	0.6	8.0
Transportation services.....	0.3	0.6	0.9	1.1	1.4	-0.2	0.8	10.2
Medical care services.....	-0.5	0.3	-0.7	-0.7	-0.5	-0.1	-0.1	-0.1

<sup>1</sup> Not seasonally adjusted.

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

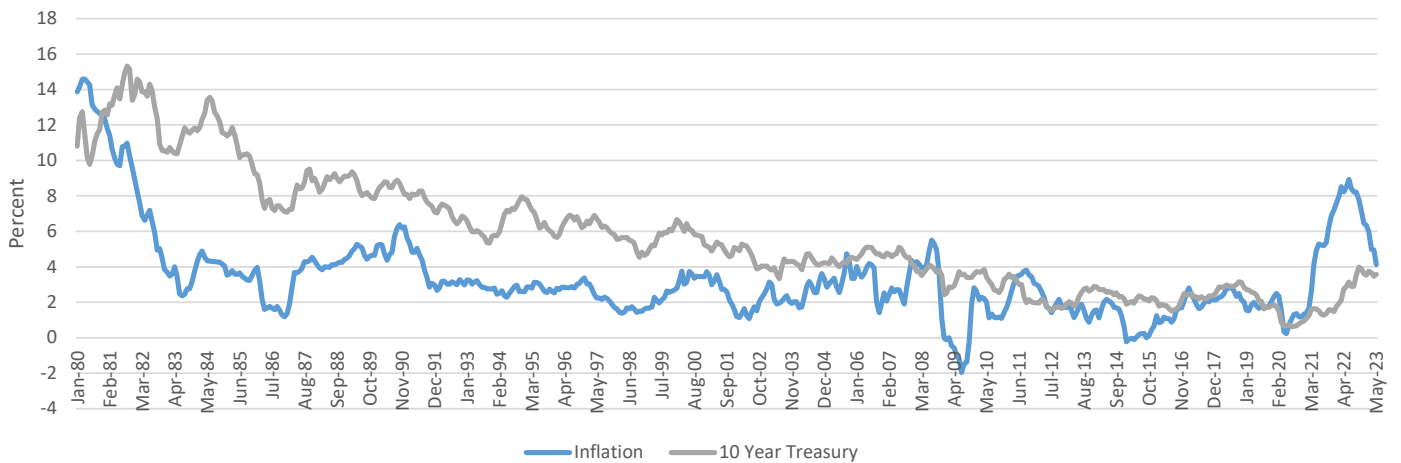


Figure 22:  
**Unemployment Rate**

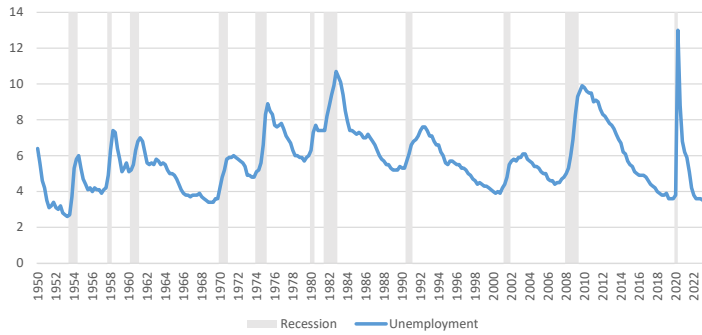


Figure 23:  
**Employment Cost Index**

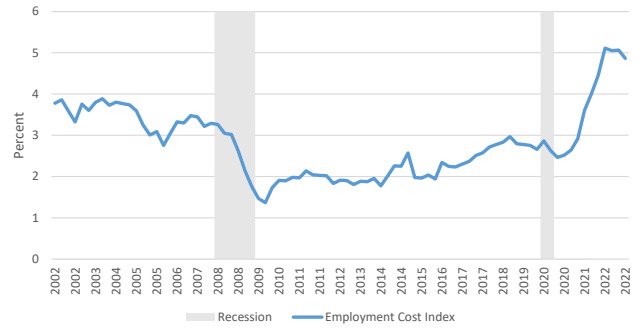


Figure 24:  
**Yield Curve: 10 Year Treasury minus 2 year Treasury**



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