

MONTROSE COUNTY ECONOMIC UPDATE

Released: June, 2024



Economic Summary

- Business entity filings have been increasing at a rapid pace since 2015. In 2015 business entity filings were at 457, while in 2022 business filings peaked at 1,014. Business filings for 2023 fell slightly to 949, and in 2024 (through May) are at 464.
- Airport enplanements continue to increase, rising 4.52% from last year.
- Retirees have a large impact in Montrose County accounting for 25.12% of personal income. This is much larger than in Colorado as a whole (12.03% of income), and larger than neighboring Mesa County (21.82% of income). Retiree income helps to stabilize spending during economic downturns.
- U.S. GDP growth for Q1 2024 was 1.6%, which is a weak growth rate, leading to speculation that the economy is starting to slow. April inflation came in at 3.4%.

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LOCAL ECONOMIC INDICATORS

	Q1 2024	Q4 2022	Q1 2023	change since last quarter	change since last year (comparable quarters)
Local Labor Market					
Unemployment Rate Montrose County-NSA	4.33%	3.17%	3.63%	1.17%	0.70%
Unemployment Rate Colorado - NSA	4.00%	3.20%	3.10%	0.80%	0.90%
Unemployment Rate U.S. - NSA	4.10%	3.50%	3.80%	0.60%	0.30%
Labor Force	21,099	21,466	21,466	-367	-367
Employed	20,189	20,787	20,104	-598	85
Unemployed	910	679	757	231	153
Business Confidence					
Leeds Colorado Business Confidence	53.7	39.8	45.1	34.92%	19.07%
Sales/Use Taxes					
	2023		2022		
City Sales/Use Taxes	\$27,017,061		\$26,070,038		3.63%
County Sales/Use Tax	\$22,760,494		\$22,010,391		3.41%
Hotel and Restaurant Tax	\$859,536		\$770,308		11.58%
Telluride Sales/Use Tax	\$11,064,622		\$10,952,434		1.02%
Business Filings					
	2024 (YTD)		2023		
Montrose County New Business Entity Filings	464		949		

Montrose Regional Airport	2023	2022	% change from last year		
Enplanements	244,304	233,745	4.52%		
Standard of Living and Growth	2022	2021	2020	2019	% change since 2021
Median Household Income	\$65,736	\$56,686	\$59,764	\$50,707	15.97%
Percent of Population Below Poverty Line	11.7	12.5	10.4	13.2	-0.80
GDP Estimates	\$1,646,722	\$1,625,362	\$1,574,154	\$1,604,966	1.36%
Population	43,799	43,234	42,810	42,501	1.31%
Personal Income	\$2,227,688	\$2,186,806	\$1,963,643	\$1,810,838	1.87%
Per Capita Personal Income	\$50,848	\$50,585	\$45,861	\$42,798	0.52%

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, like the national labor market, shows some signs of slowing, with unemployment rising from 2.8% in April 2023 to 3.3% in April 2024. This is still a low unemployment rate, but it is slowly rising. This is similar comparing the winter months as well, with the peak unemployment month of February rising from 3.8% in 2023 to 4.6% in February 2024. Montrose ended 2023 with an average of 20,641 in employment, up from the 2021 lows of 19,976. Employment growth has stagnated since 2020. Employment grew at a rapid pace from 2015-2019, but has since grown much more slowly. Employment is growing slowly because the labor force is not growing, and labor force numbers are almost the same as they were in 2020, a year when many people left the labor force. This employment data is from the state and has a fairly small sample size at the county level. Employment estimates are by place of residence, and individuals are counted as employed once even if they have multiple jobs.

The jobs data from the BEA is by place of work and shows that jobs increased from 25,625 to 26,613 from 2021 to 2022. Note the year lag on BEA data. There are more jobs than employment due to the fact that if you work two jobs they are each counted, and many workers commute from surrounding counties like Delta. Top jobs by industry include government (3,395), construction (3,023), retail trade (2,986), and healthcare (2,524). The jobs data is more accurate than the employment data and paints a stronger picture of job growth in Montrose.

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

	Labor Force	Employed	Unemployed
Annual	222	242	-20
5-Year	-104	-66	-38
10-Year	2,060	3,154	-1,094
Annual %	1.05%	1.19%	-2.82%
5-Year %	-0.49%	-0.32%	-5.17%
10-Year %	10.69%	18.03%	-61.03%

Other Indicators

Montrose County sales taxes were up 3.41% and city sales taxes were up 3.63% (figure 4). Inflation for 2023 came in just above 4%, which means that sales tax collection was close to inflation, demonstrating that consumers did not buy more, they likely just paid more. Despite high “food away from home” inflation, the hotel and restaurant tax increased by 11.58%.

Business entity filings have been increasing at a rapid pace since 2015. In 2015 business entity filings were at 457, while in 2022 business filings peaked at 1,014. Business filings for 2023 fell slightly to 949, and in 2024 (through May) are at 464. Airport enplanements continue to increase, rising 4.52% from last year (figure 5).

Standard of living data remains the same, as most of the data was released in December.

Figure 1:
Montrose Employment

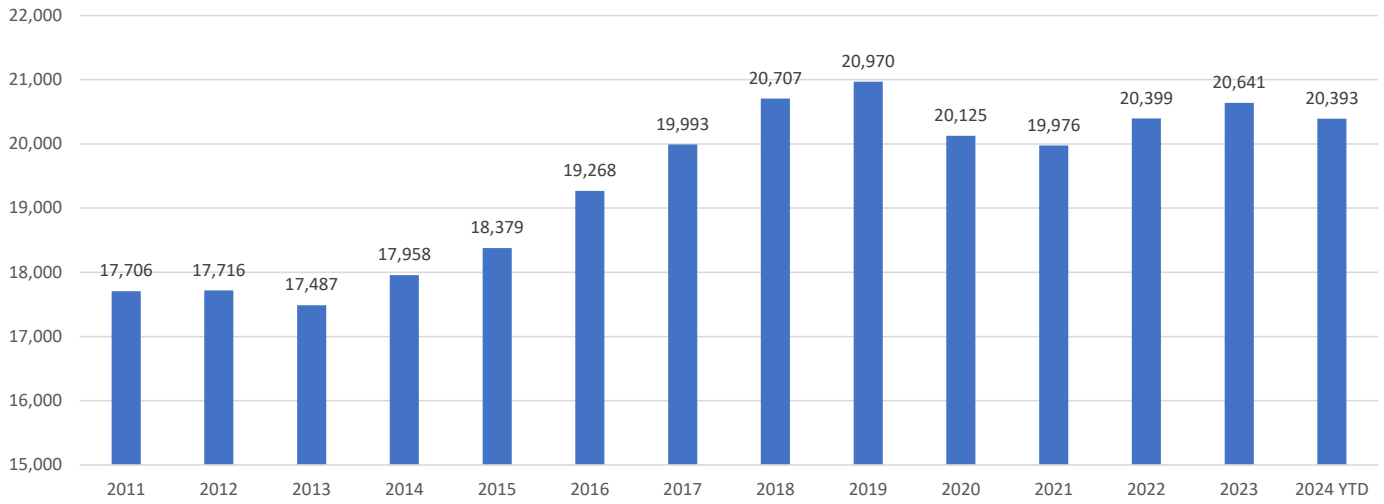


Figure 2:
Total Full and Part Time Jobs (BEA)

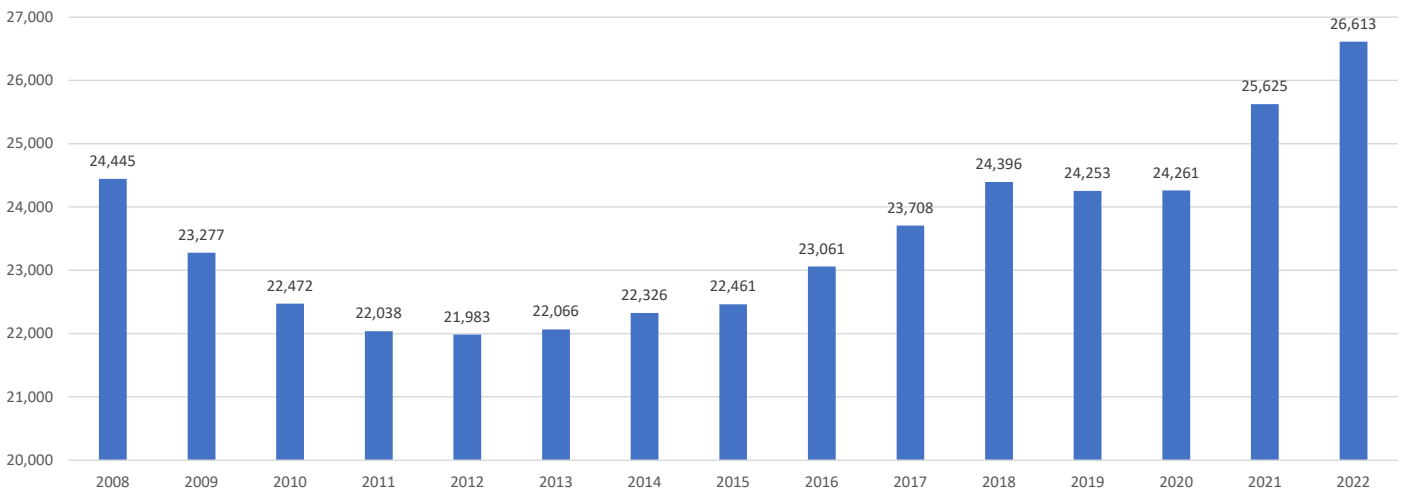


Figure 3
Jobs by Industry

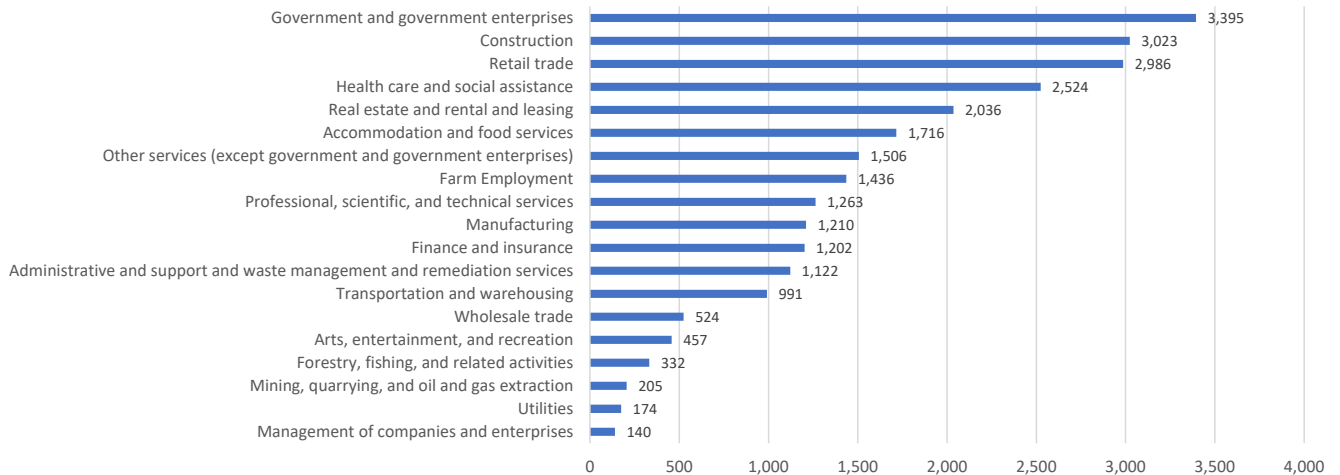


Figure 4:
Sales Taxes

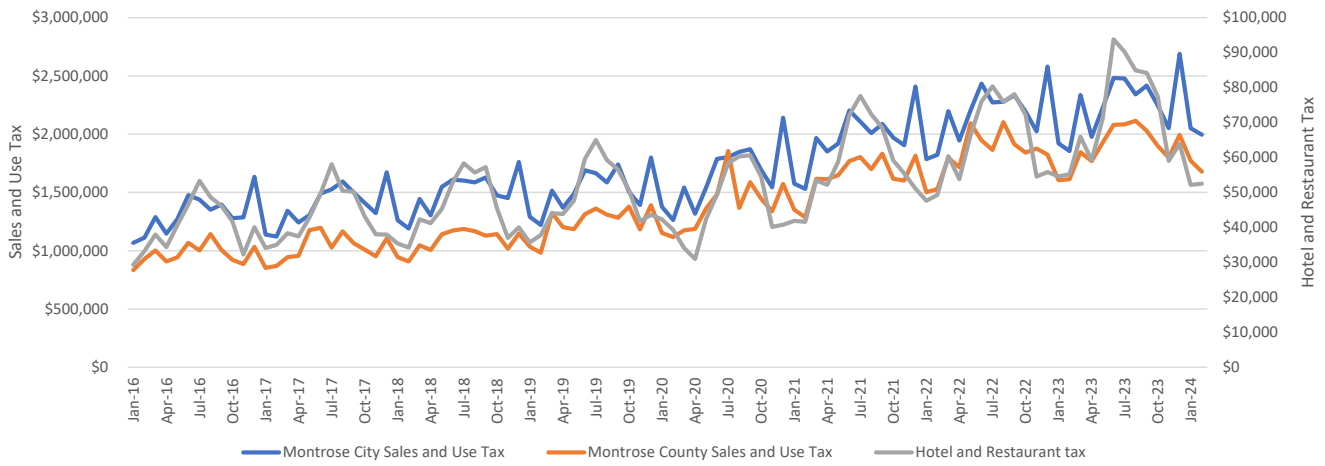


Figure 5:
Airport Enplanements

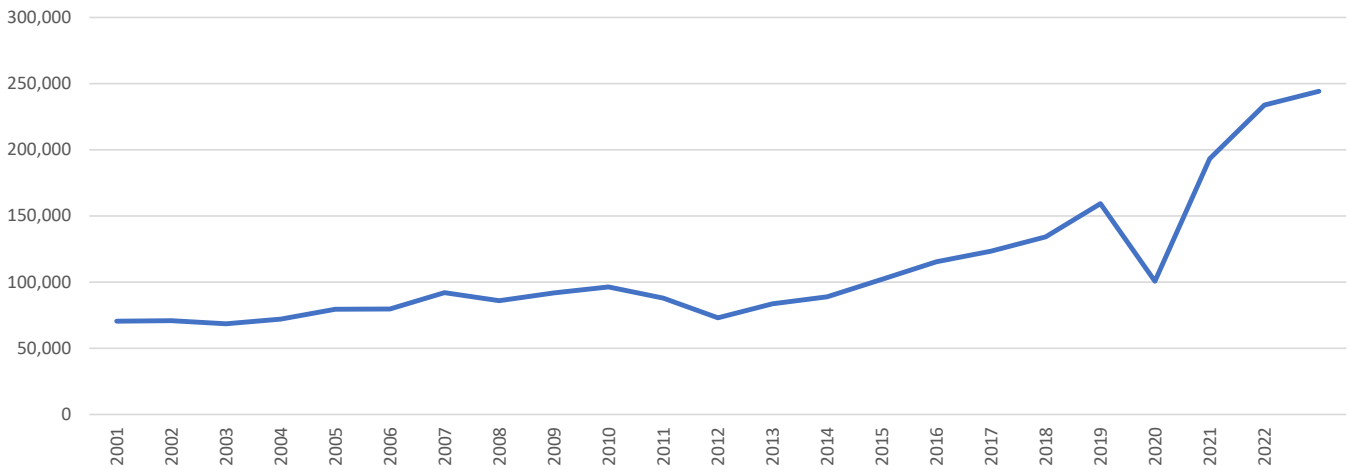


Figure 6:
Montrose County Median Household Income

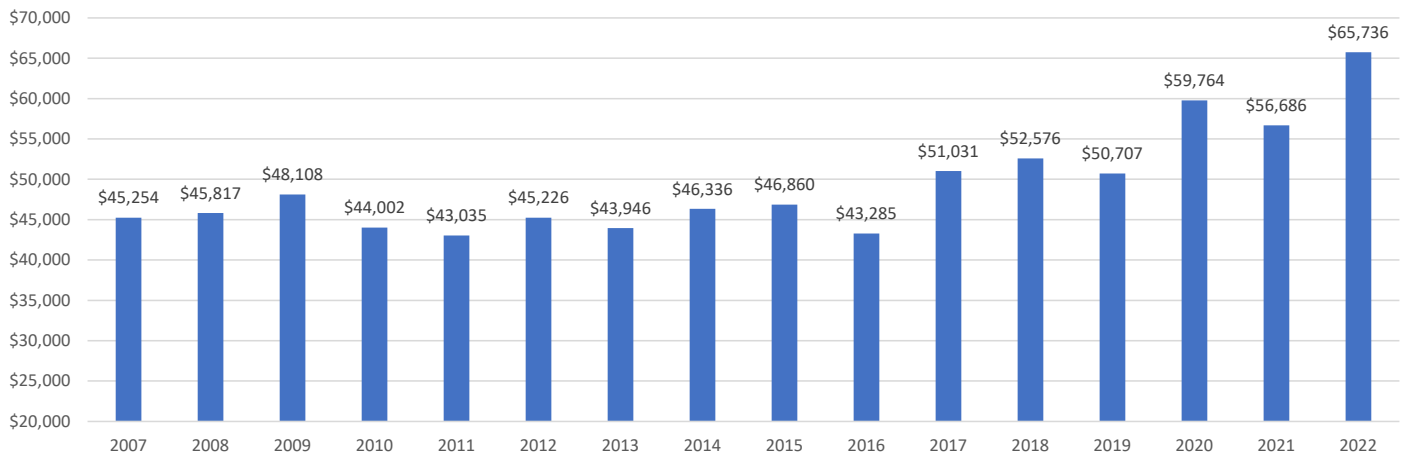


Figure 7:
Montrose County Poverty Rate

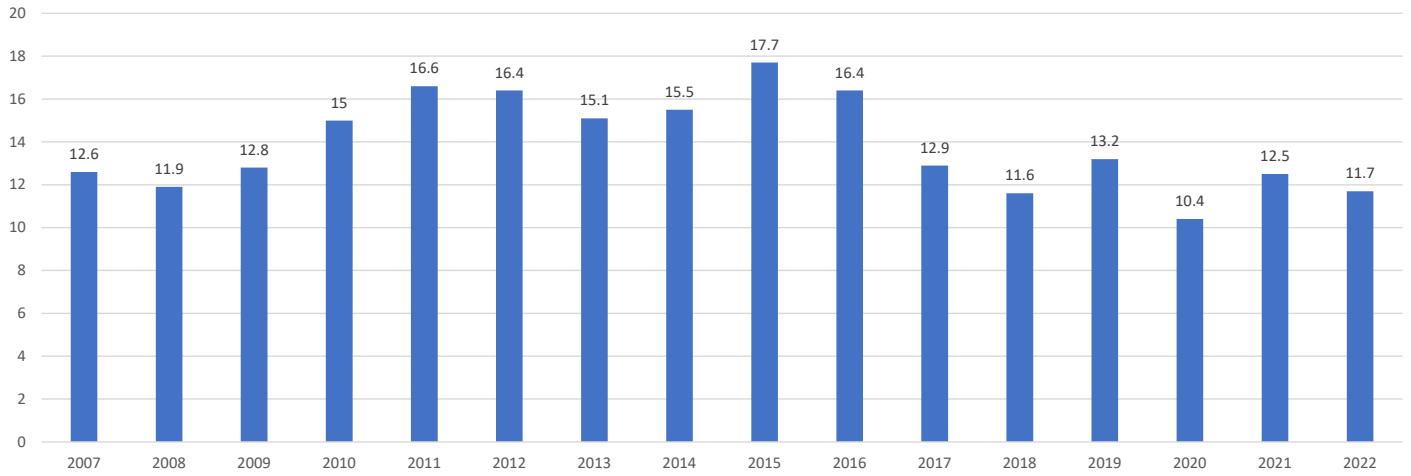


Figure 8:
Western Slope GDP % Change 2022

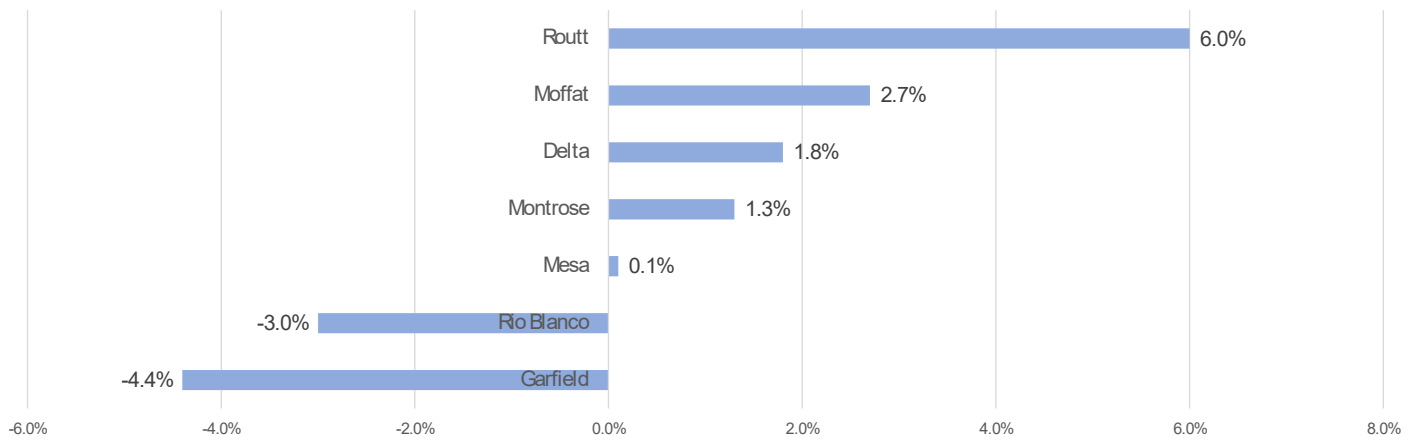
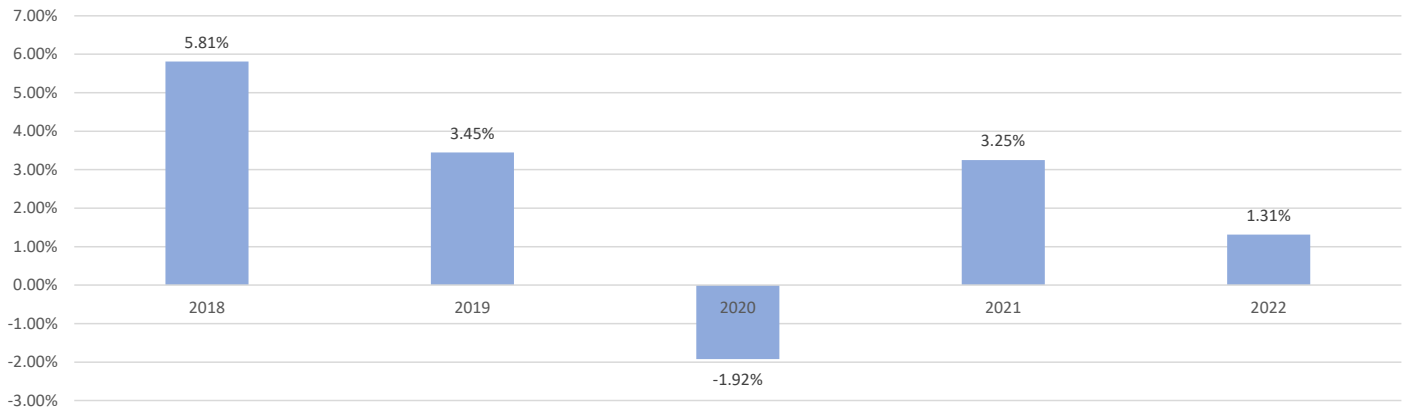


Figure 9:
Montrose County Real GDP (chained 2017 dollars)



Montrose County Industry Trends

Montrose Quarterly Census of Employment and Wages data shows job gains of 902 compared to Q3 of 2022. Top gains in jobs were in construction (338), healthcare (159), and accomodation and food services (143). The biggest losses were in administrative and waste services (74). The large job gains show evidence discussed before of the discrepancy between job growth and employment estimate stagnation.

Figure 11 is not QCEW data, and instead shows the percentage of retiree income as a percentage of total income. Retirees have a larger impact in Montrose County accounting for 25.12% of personal income. This is much larger than in Colorado as a whole (12.03% of income), and larger than neighboring Mesa County (21.82% of income). Retiree income helps to stabilize spending during economic downturns. Conversely, inflation can hit retirees harder than other groups, hence the downward trend from last year.

Table 2:

Quarterly Census of Employment and Wages (QCEW) Q3 2022 Compared to Q3 2023

Sector	Average Employment	Total Quarterly Wages	Average Weekly Wage	Total Employment Change	Total Wage Change
Total, All Industries	16,984	\$207,987,773	\$942	902	\$4,984,208
Health Care and Social Assistance	3,087	\$39,258,594	\$978	159	-\$548,285
Construction	2,043	\$29,373,237	\$1,106	338	\$4,070,376
Retail Trade	2,388	\$23,773,457	\$766	-7	-\$1,109,612
Public Administration	1,157	\$20,226,791	\$1,345	51	-\$301,789
Manufacturing	1,069	\$13,811,861	\$994	35	\$226,161
Accommodation and Food Services	1,721	\$11,118,212	\$497	143	\$833,457
Transportation and Warehousing	767	\$9,341,734	\$936	28	\$388,860
Professional and Technical Services	590	\$8,704,644	\$1,134	80	-\$82,909
Wholesale Trade	446	\$7,121,135	\$1,227	24	\$73,670
Utilities	256	\$5,296,561	\$1,592	20	\$606,774
Administrative and Waste Services	481	\$5,168,635	\$827	-74	-\$1,045,918
Other Services, Ex. Public Admin	423	\$5,112,605	\$930	3	\$223,736
Finance and Insurance	317	\$4,962,724	\$1,204	2	\$1,129
Real Estate and Rental and Leasing	308	\$4,143,682	\$1,035	-38	-\$24,983
Information	211	\$3,486,248	\$1,273	57	\$1,551,075
Agriculture, Forestry, Fishing & Hunting	281	\$2,616,117	\$716	18	\$48,936
Arts, Entertainment, and Recreation	392	\$2,236,659	\$439	60	\$60,517
Management of Companies and Enterprises	56	\$1,368,776	\$1,891	-14	-\$397,821
Mining	7	\$110,484	\$1,214	-14	-\$308,220

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	2022	2021	2020	2019	% change from 2020
Farm Employment	1,123	1,128	1,122	1,121	-0.44%
Sole Proprietors (non-farm)	8,501	7,977	7,275	6,618	6.57%

Figure 10:
Total Job Change from Q3 2022 to Q3 2023

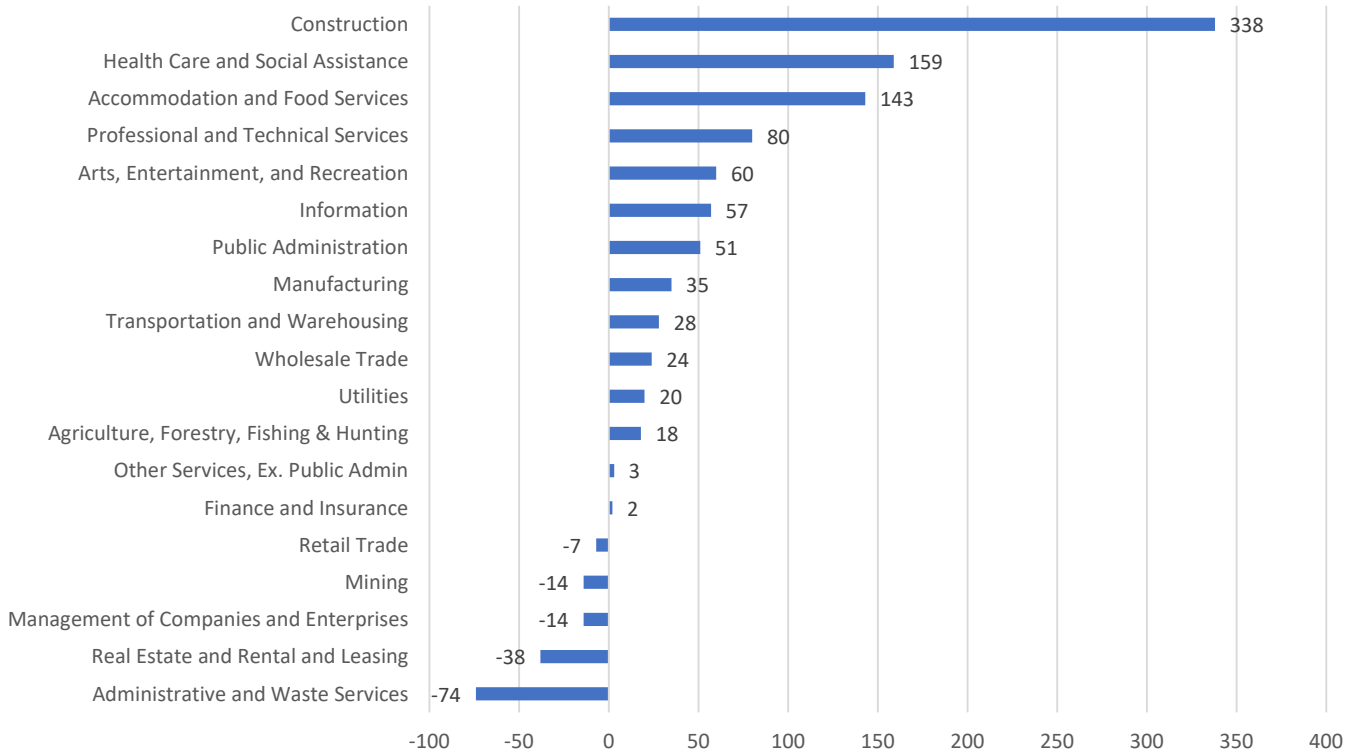
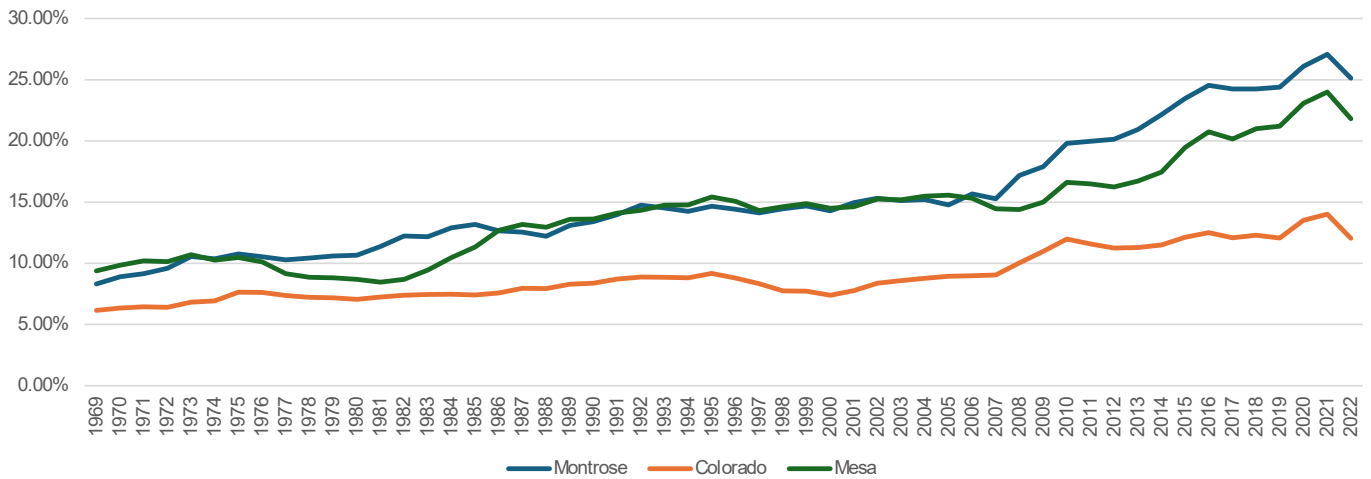


Figure 11:
Retiree Income/Total Income



LOCAL REAL ESTATE

	2023	2022	% change since last year
Real Estate			
Inventory of Homes for Sale (average)	158	127	24.36%
New Residential Listings (average)	727	803	-9.46%
Sold Residential Listings (average)	572	707	-19.09%
Median Sales Price	\$432,506	\$409,679	5.57%
Average Sales Price	\$470,246	\$456,021	3.12%
Days on Market	90.42	76.50	18.19%
Months Supply of Inventory	3.12	1.93	61.90%
Building Permits (Census, most recent data 2022)	321.00	405.00	-20.74%
Total Building Permits	600	846	-29.08%
Total Building Permit Valuation	\$113,576,475	\$211,187,480	-46.22%
Single Family Home Permits	245	335	-26.87%
Single Family Home Permit Valuation	\$33,521,315	\$50,393,396	-33.48%
Foreclosures			
Foreclosure Filings (YTD)	35	48	-27.08%
Foreclosure Sales (YTD)	6	7	-14.29%
Mortgage Rates			
30 Year Mortgage Rate (April)	6.26%	5.66%	0.60%
15 year Mortgage Rate (April)	6.99%	6.34%	0.65%

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 remains tight, but is showing signs of returning to normalcy. In past newsletters this section has covered quarterly data, but for this newsletter the real estate data will compare yearly numbers. Inventory increased from 127 to 158, while months supply of inventory increased from 1.93 to 3.12. This increase in months supply of inventory is huge, and if it keeps rising, this could help alleviate price pressure. Median sales price of homes in Montrose averaged \$432,506 in 2023, up from \$409,679 in 2022. It took longer to sell homes in 2023, with days on market rising from 76.50 to 90.42.

Total building permits for both the county and city fell from 846 to 600, while single family home permits fell from 335 to 245. The fall in single family home permits is a trend across the Western Slope. High interest rates and high cost of building have reduced incentives to build affordable single family homes. It seems builders are currently focused on multifamily construction to meet housing needs.

Foreclosures are still historically low, and lower than 2022. Mortgage rates continue to be elevated, pushing the price of home ownership significantly higher compared to the previous 15 years. Mortgage rates have picked up in early 2024 due to higher than expected inflation numbers. The hope for rate cuts has almost vanished this year, pushing interest rates back to the 6-7% level. Mortgage rates falling will depend on inflation falling and Federal Reserve rate cuts.

Figure 12:
Months Supply of Inventory



Figure 13:
Median and Average Home Sales Price

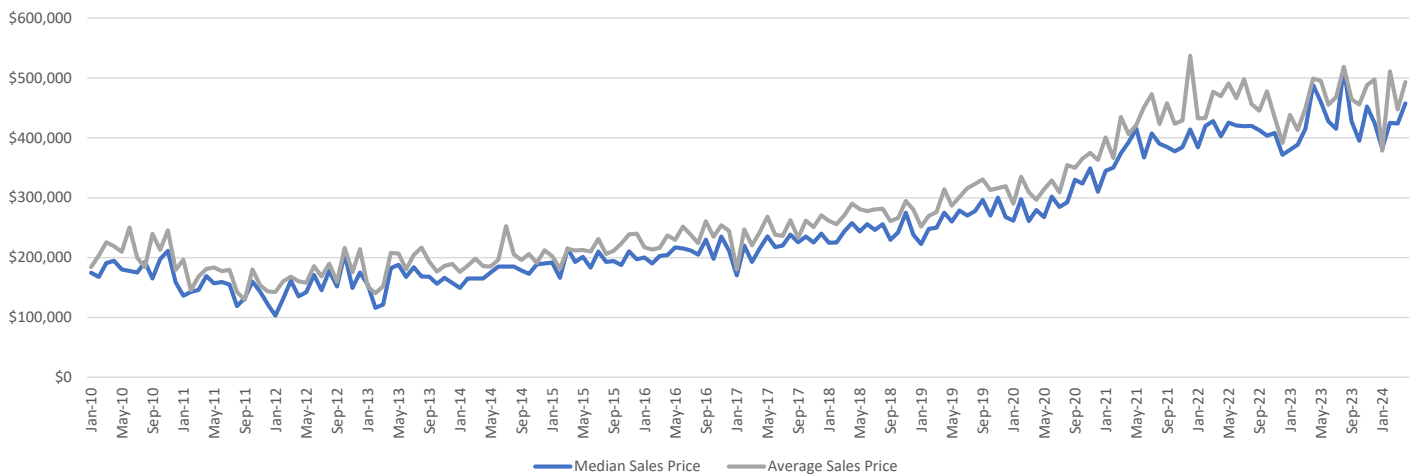
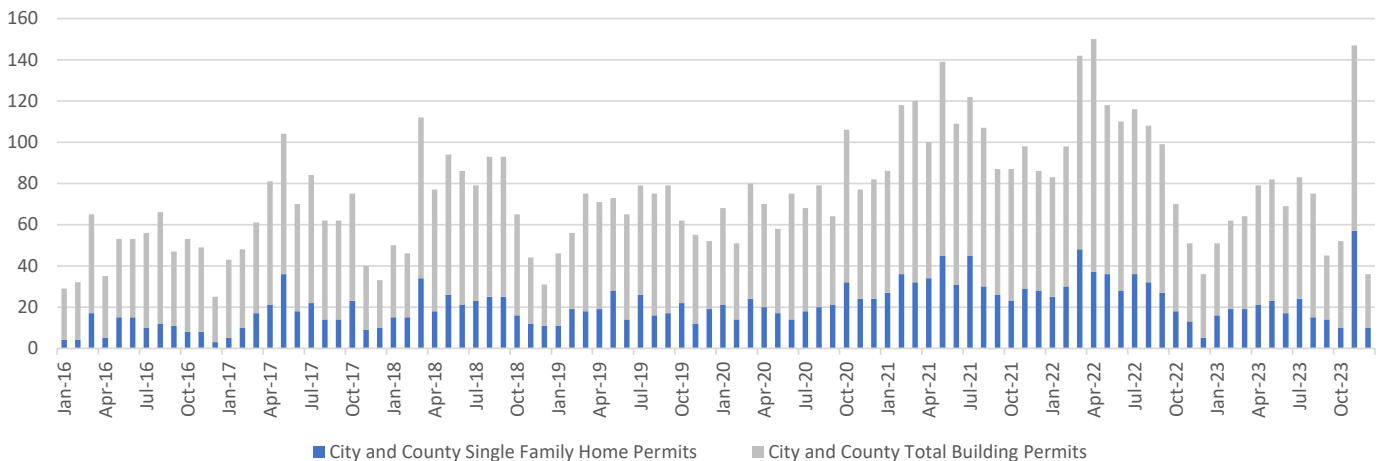


Figure 14:
City and County Building Permits



REGIONAL ENERGY

	Q4 2023	Q3 2023	Q4 2022	% change since last quarter	% change since last year (comparable quarters)
Energy Prices					
WTI Crude Oil	\$78.53	\$82.25	\$82.79	-4.52%	-5.15%
Henry Hub Natural gas	\$2.74	\$2.59	\$5.55	5.79%	-50.63%
Retail Gasoline Price	\$3.21	\$3.63	\$3.42	-11.65%	-6.12%
Drilling Permits					
	2023	2022	2021	2020	
Drilling Permits (Mesa County)	23	0	0	1	
Drilling Permits (Rio Blanco County)	61	40	40	33	
Drilling Permits (Garfield County)	21	139	133	127	
Drilling Permits (Moffat County)	0	3	4	1	
Total Permits (Mesa, Rio Blanco, Garfield, Moffat)	105	182	177	162	
Total Permits (Colorado)	199	1,005	805	1,543	
Local Rig Count					
	April-24	Dec-23	Oct-23		
Rig Count (Western Colorado, Mesa, Rio Blanco, Garfield, Moffat)	1	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

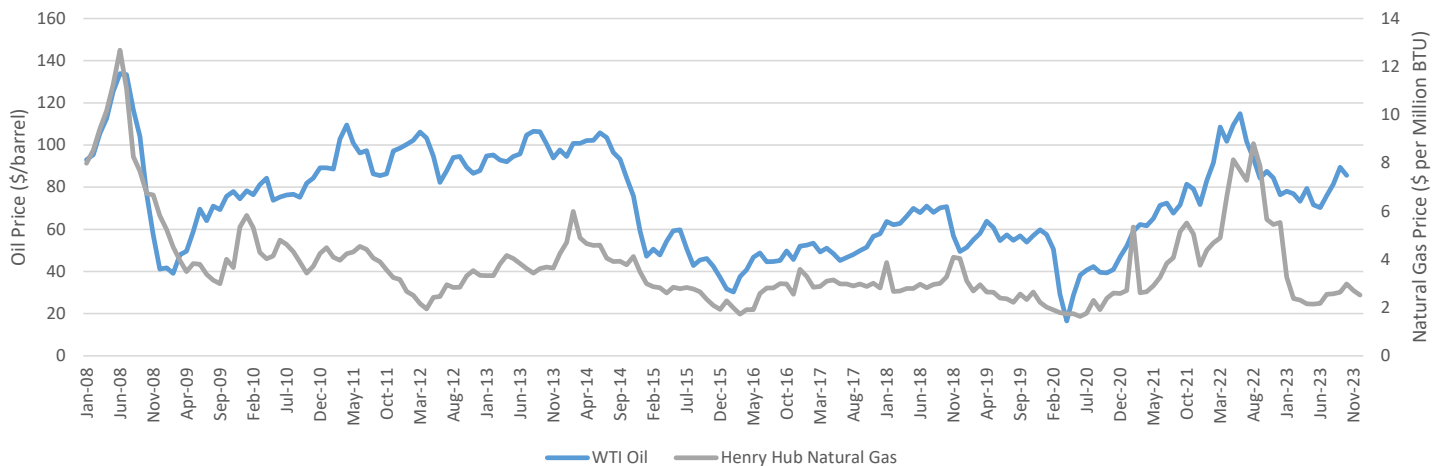


Figure 16:
Oil/Gas Drilling Permits and Oil/Gas Jobs

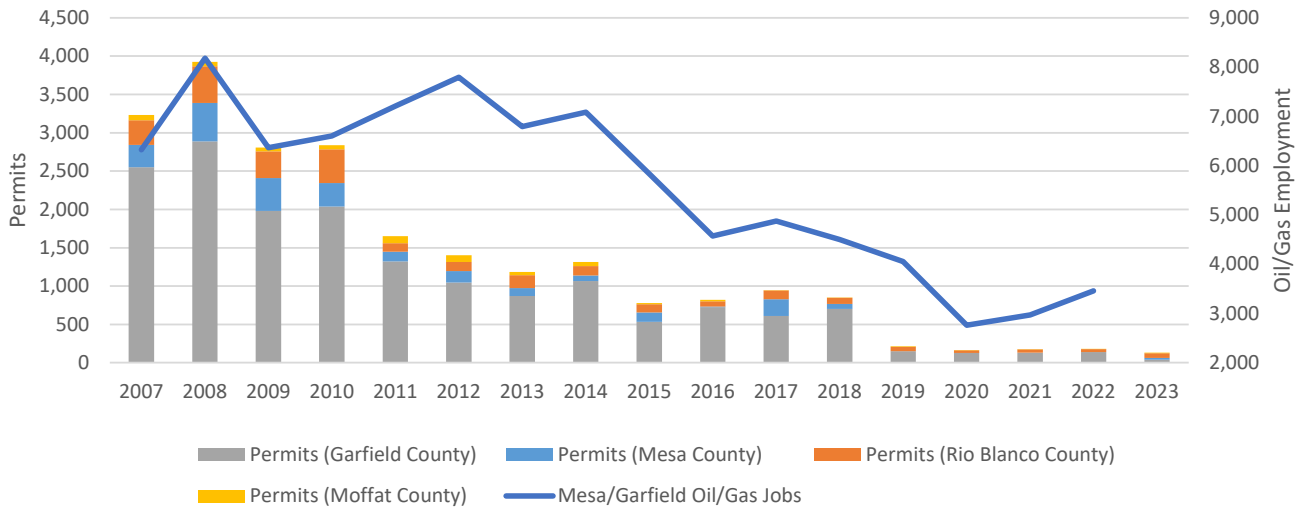
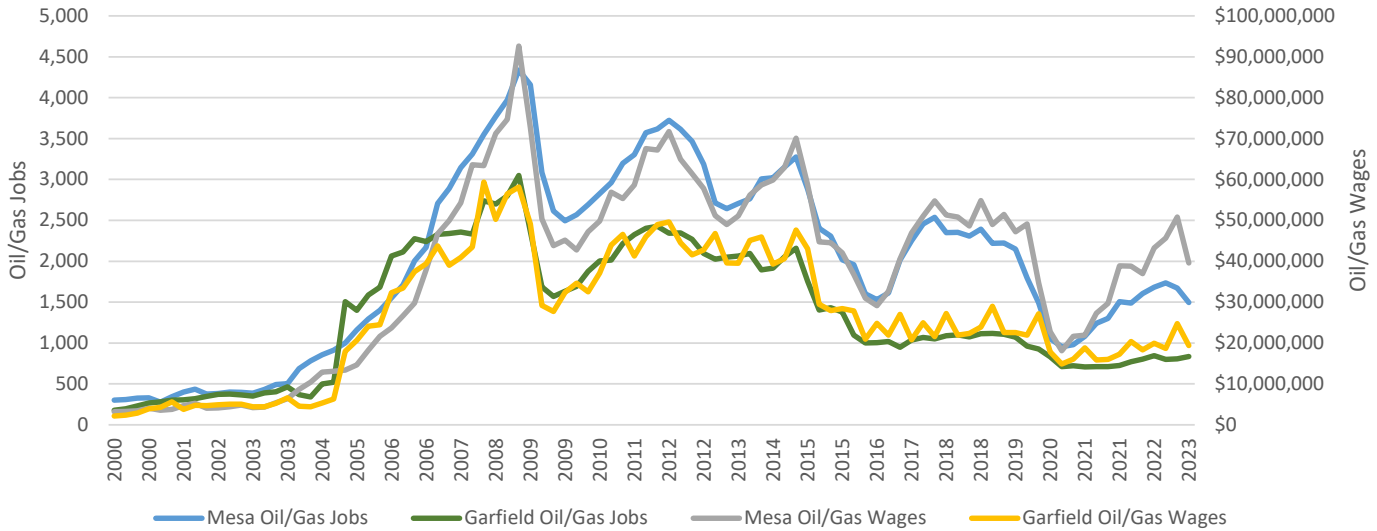


Figure 17:
Mesa and Garfield Oil and Gas Jobs/Wages



Western Slope Energy

WTI oil prices fell from \$82.25 in Q3 to \$78.52 in Q4. Natural gas prices averaged \$2.59 in Q3, rising to \$2.74 in Q4. Record natural gas production and inventories keep natural gas prices from rising. The Energy Information Agency (EIA) forecasts the Brent crude oil price to average \$82 per barrel in 2024, falling to \$79 per barrel in 2025. The EIA forecasts natural gas prices to average \$2.70 in 2024 and to rise to \$3.00 in 2025. Locally, rig counts in the Piceance fell to 1. Rig counts had stayed consistent at 3 for several quarters. Oil and gas permits in figure 16 are updated through end of year 2023, and show the lowest number of drilling permits since 2000, which is the starting year for the dataset.

NATIONAL ECONOMIC INDICATORS

	Q1 2024	Q4 2023	Q1 2023	% change since last period	% change since last year (comparable quarters)
Business Cycle Indicators					
Real GDP	1.30%	3.40%	2.20%	-2.10%	-0.90%
Personal Consumption Expenditures	2.00%	3.30%	3.80%	-1.30%	-1.80%
Gross Private Domestic Investment	3.20%	0.70%	-9.00%	2.50%	12.20%
National Consumer Confidence	78.4	64.9	64.6	20.80%	21.36%
Industrial Production Index	102.4	102.7	102.6	-0.28%	-0.19%
Initial Weekly Unemployment Claims (4 week MA)	209,558	212,712	211,521	-1.48%	-0.93%
Non Farm Payroll Change (in thousands)	772,333	617,000	898,667	25.18%	-14.06%
Unemployment					
Unemployment Rate-U3-SA	3.80%	3.70%	3.50%	0.10%	0.30%
Unemployment Rate-U6-SA	7.30%	7.10%	6.70%	0.20%	0.60%
Interest Rates					
Federal Funds Rate	5.33%	5.33%	4.50%	0.00%	0.83%
10 Year U.S. Treasury	4.16%	4.44%	3.65%	-0.28%	0.51%
30 Year U.S. Treasury	4.33%	4.59%	3.75%	-0.26%	0.58%
Inflation Measures					
Inflation Rate (CPI)	3.25%	3.24%	5.75%	0.01%	-2.50%
Core Inflation Rate (All Items Less Food and Energy)	3.81%	3.98%	5.53%	-0.17%	-1.72%
Inflation Rate (Shelter)	5.82%	6.47%	8.05%	-0.65%	-2.23%
Producer Price Index (PPI)	-1.92%	-3.59%	2.22%	1.67%	-4.13%
Employment Cost Index	4.19%	4.18%	4.86%	0.02%	-0.67%
Stock Prices					
S&P 500	4,993	4,465	4,000	11.82%	24.81%
Dow Jones Industrial Average	38,517	34,933	33,219	10.26%	15.95%
Trade Balance and Debt					
Trade Balance (% of GDP)	-850.094	-783.734	-825.687	8.47%	2.96%
Federal Debt (% of GDP)*	121.6%	120.1%	119.0%	1.5%	2.6%

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.

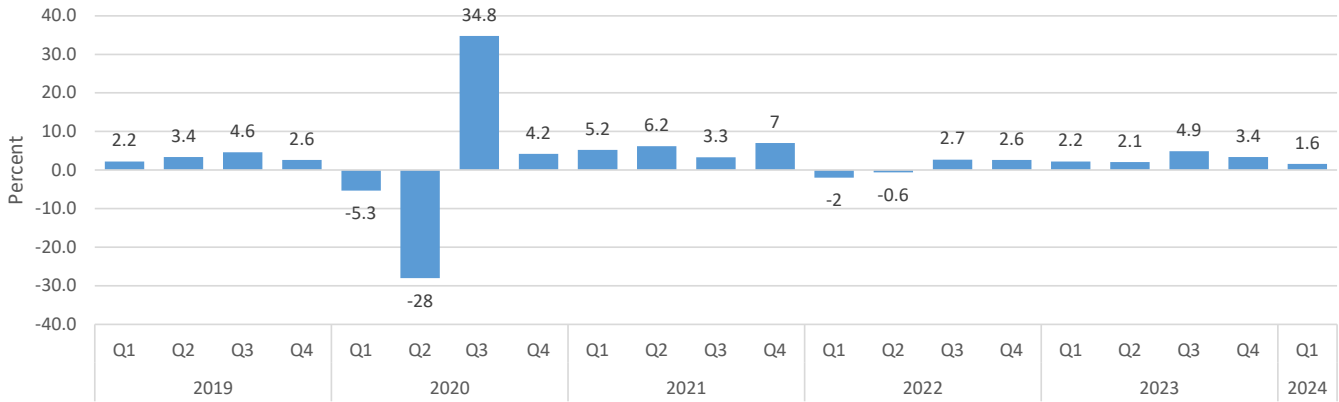
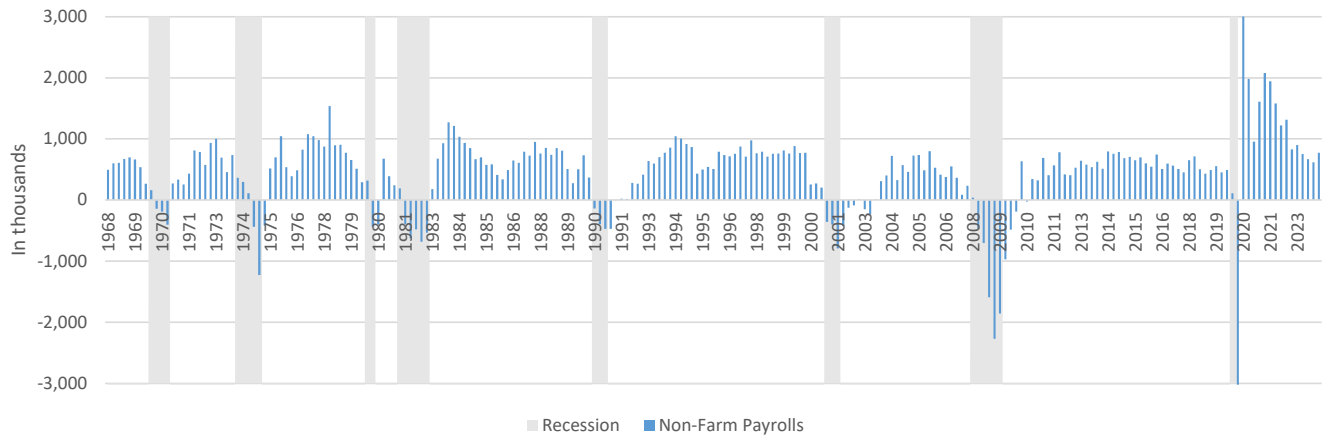


Figure 19:
Non-Farm Payrolls



Economic Growth

U.S. GDP growth for Q1 2024 was 1.6%, which is a weak growth rate, leading to speculation that the economy is starting to slow. However, the Atlanta Federal Reserve's GDPNow estimates 4.2% growth for Q2, which is a high growth rate. The unemployment rate remains low at 3.9% as of April. The labor market remains tight and continues to add jobs, although the number of jobs being added each month is slowing. The slowing of job gains shown in figure 19 is expected, as the labor force can only support so much employment. However, this labor force is expanding with large immigration numbers the last few years.

Inflation and Interest Rates

Inflation for April came in at 3.4%, lower than March's 3.5%, which was higher than expected. The March number reversed the recent trend of falling inflation, but April shows that trend may start again. The March number was alarming and caused the Federal Reserve to reconsider anticipated interest rate cuts. The April number may put rate cuts back on the table in the fall.

Wages have been falling for the past several quarters as seen in figure 23, which is good for inflation, but the most recent

employment cost index number raised alarm bells as it increased slightly. In addition, the purchaser price index (PPI), which tracks inputs into businesses and producers, has been rising, which could translate into higher consumer price inflation.

There is a real debate about where inflation will go from here. To some, inflation is looking more sticky than expected. Inflation fell so quickly that many economists thought inflation may be tamed quickly, accomplishing a so-called "soft landing." There is a debate in the economics profession regarding whether inflation can fall without unemployment rising. Historically, in order to lower inflation, the unemployment rate has risen. This relationship between the inflation rate and unemployment rate is called the Philips Curve, and illustrates a tradeoff between inflation and unemployment. As a recipe for fighting inflation, and based on historical Philips Curve estimates, some economists are calling for the Fed to push interest rates high enough to raise the unemployment rate past 5%, which by some estimates would then bring inflation down. It's too soon to say if rising unemployment will be necessary to curb inflation, but if inflation continues to creep up it may become a possibility.

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 Apr. 2024
	Oct. 2023	Nov. 2023	Dec. 2023	Jan. 2024	Feb. 2024	Mar. 2024	Apr. 2024	
All items.....	0.1	0.2	0.2	0.3	0.4	0.4	0.3	3.4
Food.....	0.3	0.2	0.2	0.4	0.0	0.1	0.0	2.2
Food at home.....	0.3	0.0	0.1	0.4	0.0	0.0	-0.2	1.1
Food away from home ¹	0.4	0.4	0.3	0.5	0.1	0.3	0.3	4.1
Energy.....	-2.1	-1.6	-0.2	-0.9	2.3	1.1	1.1	2.6
Energy commodities.....	-4.3	-3.8	-0.7	-3.2	3.6	1.5	2.7	1.1
Gasoline (all types).....	-4.3	-4.0	-0.6	-3.3	3.8	1.7	2.8	1.2
Fuel oil.....	-6.4	-1.1	-3.3	-4.5	1.1	-1.3	0.9	-0.8
Energy services.....	0.4	1.0	0.3	1.4	0.8	0.7	-0.7	3.6
Electricity.....	0.4	1.0	0.6	1.2	0.3	0.9	-0.1	5.1
Utility (piped) gas service.....	0.3	1.2	-0.6	2.0	2.3	0.0	-2.9	-1.9
All items less food and energy.....	0.2	0.3	0.3	0.4	0.4	0.4	0.3	3.6
Commodities less food and energy commodities.....	0.0	-0.2	-0.1	-0.3	0.1	-0.2	-0.1	-1.3
New vehicles.....	-0.1	0.0	0.2	0.0	-0.1	-0.2	-0.4	-0.4
Used cars and trucks.....	-0.4	1.4	0.6	-3.4	0.5	-1.1	-1.4	-6.9
Apparel.....	0.0	-0.6	0.0	-0.7	0.6	0.7	1.2	1.3
Medical care commodities ¹	0.4	0.5	-0.1	-0.6	0.1	0.2	0.4	2.5
Services less energy services.....	0.3	0.5	0.4	0.7	0.5	0.5	0.4	5.3
Shelter.....	0.3	0.4	0.4	0.6	0.4	0.4	0.4	5.5
Transportation services.....	0.9	1.0	0.1	1.0	1.4	1.5	0.9	11.2
Medical care services.....	0.2	0.5	0.5	0.7	-0.1	0.6	0.4	2.7

Figure 21:
Inflation Rate and 10 Year Treasury

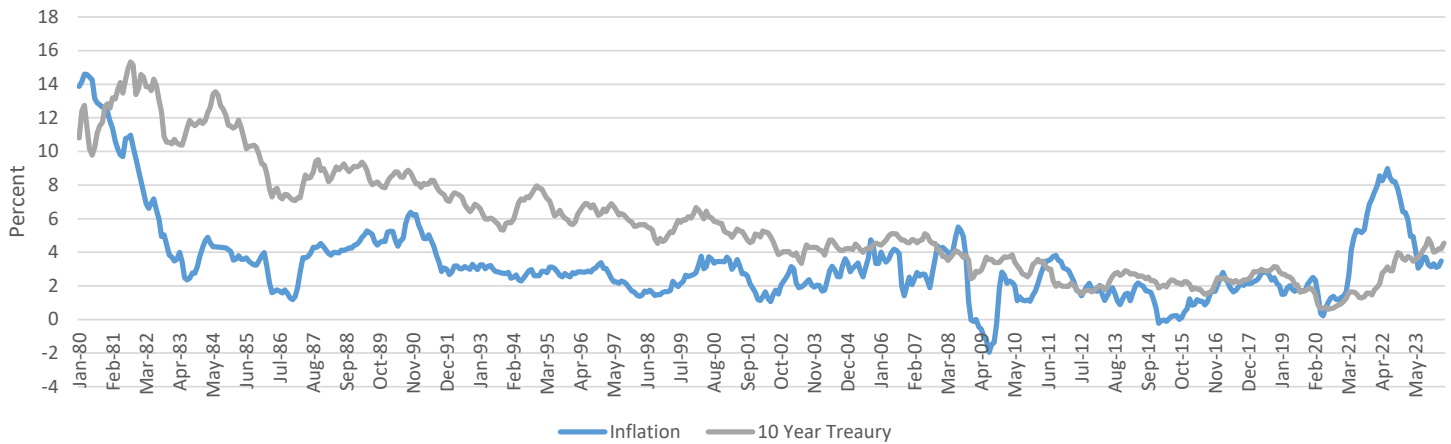


Figure 22:
Unemployment Rate

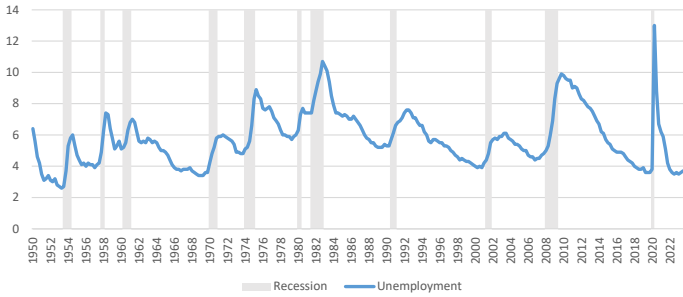


Figure 23:
Employment Cost Index

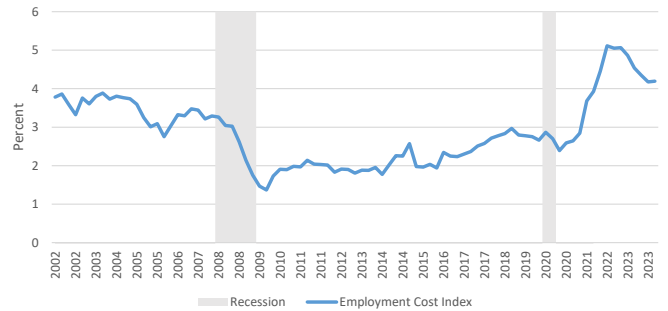


Figure 24:
Personal Savings Rate



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