

MONTROSE COUNTY ECONOMIC UPDATE

Released: January, 2024



Economic Summary

- Montrose City and County sales taxes are up 3.5% and 2.8% compared to last November, respectively, with the hotel and restaurant tax up 12.8%. These sales tax numbers are stronger than other counties, including Delta County and Mesa County.
- Montrose County GDP for 2022 grew by 1.36 % compared to 2021. This is slightly disappointing, as several other data points indicated the potential for solid growth for 2022
- Montrose County median household income rose from \$56,686 in 2021 to \$65,736 in 2022.
- The Census Department's SAIGE program (Small Area Income and Poverty Estimates) released their most recent poverty estimate, with Montrose County falling to 11.7% from 12.5%.
- Inflation for December came in at 3.4% The primary reason for the increase was shelter, which finished the year at 6.2%. Medical care services also saw a sharp increase.

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LOCAL ECONOMIC INDICATORS

	Q3 2023	Q2 2023	Q3 2022	change since last quarter	change since last year (comparable quarters)
Local Labor Market					
Unemployment Rate Montrose County-NSA	3.37%	2.90%	2.83%	0.47%	0.53%
Unemployment Rate Colorado - NSA	3.40%	2.90%	2.70%	0.50%	0.70%
Unemployment Rate U.S. - NSA	3.80%	3.40%	3.60%	0.40%	0.20%
Labor Force	21,735	21,519	21,519	216	216
Employed	21,003	20,896	20,816	107	187
Unemployed	732	623	612	109	120
Business Confidence					
Leeds Colorado Business Confidence	45.3	43.6	39.8	3.90%	13.82%
Sales/Use Taxes					
	2023 (YTD)		2022 (YTD)		
City Sales/Use Taxes (through, Nov)	\$24,328,512		\$23,490,734		3.57%
County Sales/Use Tax (through, Nov)	\$20,766,955		\$20,185,264		2.88%
Hotel and Restaurant Tax (through, Nov)	\$795,628		\$714,473		11.36%
Telluride Sales/Use Tax (through, Aug)	\$7,746,696		\$7,526,595		2.92%
Business Filings					
	2023 (YTD)		2022 (YTD)		
Montrose County New Business Entity Filings (through Dec)	949		1,014		-6.41%

Montrose Regional Airport	2023 (YTD)		2022 (YTD)		% change from last year
Enplanements (through Oct)	200,409		188,526		6.30%
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 unemployment rate is lower than both Colorado and the nation at 3.37%. Figure 1 shows that employment has grown each of the last 3 years. Figure 3 shows Bureau of Economic Analysis jobs numbers, which are slightly different than employment numbers above. If you have two jobs you are counted as employed once. In the jobs data, you are counted as 2 jobs. Jobs data shows stronger growth in 2021 and 2022 than the employment data does. The employment data is estimated from a fairly small sample, hence the jobs data is much more accurate.

Other Indicators

Montrose City and County sales taxes are up 3.5% and 2.8% compared to last November, respectively, with the hotel and restaurant tax up 12.8%. These sales tax numbers are stronger than other counties, including Delta County and Mesa County. Montrose business filings are down 6.41%, whereas most other Western Slope counties saw increases.

Standard of Living Measures

New standard of living measures have been released for 2022, as county level data has a significant lag. Montrose County GDP for 2022 grew by 1.36 % compared to 2021. This is slightly disappointing, as several other data points indicated the potential for solid growth for 2022. The Bureau of Economic Analysis recently updated their GDP estimates. They do not have their updated data before 2017, so figure 9 is from the old dataset and will hopefully be updated in late January 2024.

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

	Labor Force	Employed	Unemployed
Annual	216	107	109
5-Year	307	187	120
10-Year	-115	-157	42
Annual %	1.00%	0.51%	17.44%
5-Year %	1.43%	0.90%	19.62%
10-Year %	-0.53%	-0.74%	6.09%

Figure 9 shows the old GDP data, while the table above shows the new GDP data.

Montrose County median household income rose from \$56,686 in 2021 to \$65,736 in 2022. Median household income is an estimate with a fairly large confidence interval, so it is important not to overreact to one number that changes. Despite that, the trend shows a distinctive upward trend since 2018, after stagnating from 2007 through 2017.

The Census Department's SAIPE program (Small Area Income and Poverty Estimates) released their most recent poverty estimate, with Montrose County falling to 11.7% from 12.5%.

Personal income per capita slightly increased from \$50,585 in 2021 to \$50,848 in 2022. Per capita personal income is a measure of all personal income in the county divided by the population. Per capita personal income has increased drastically the last decade (figure 6).

Figure 1:
Montrose Employment

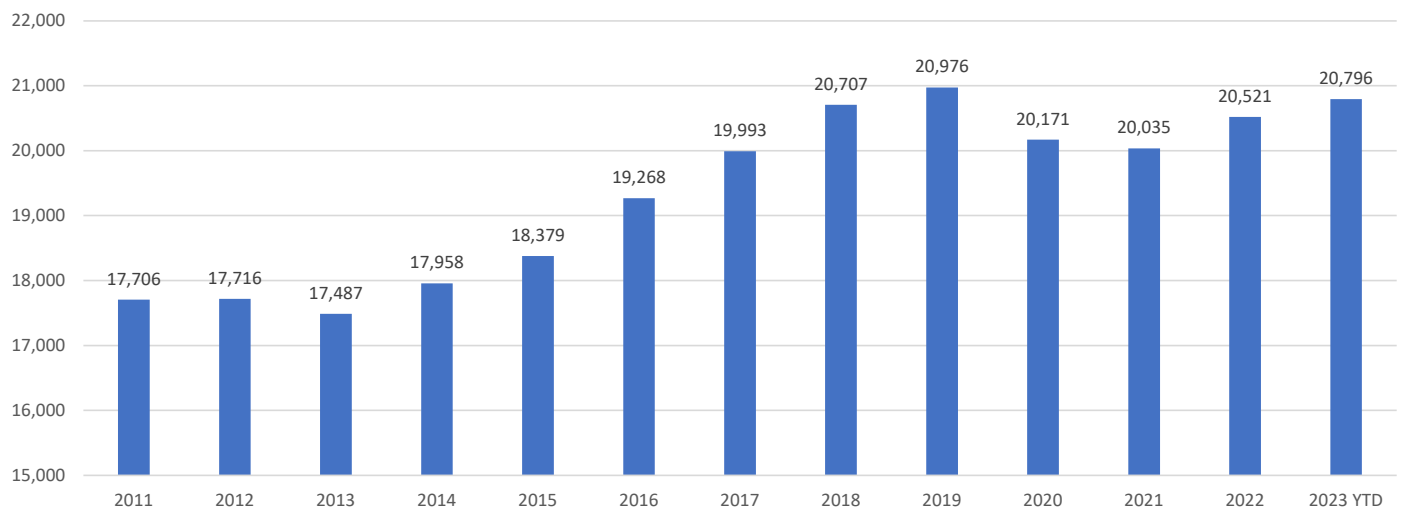


Figure 2:
Change in Yearly Employment

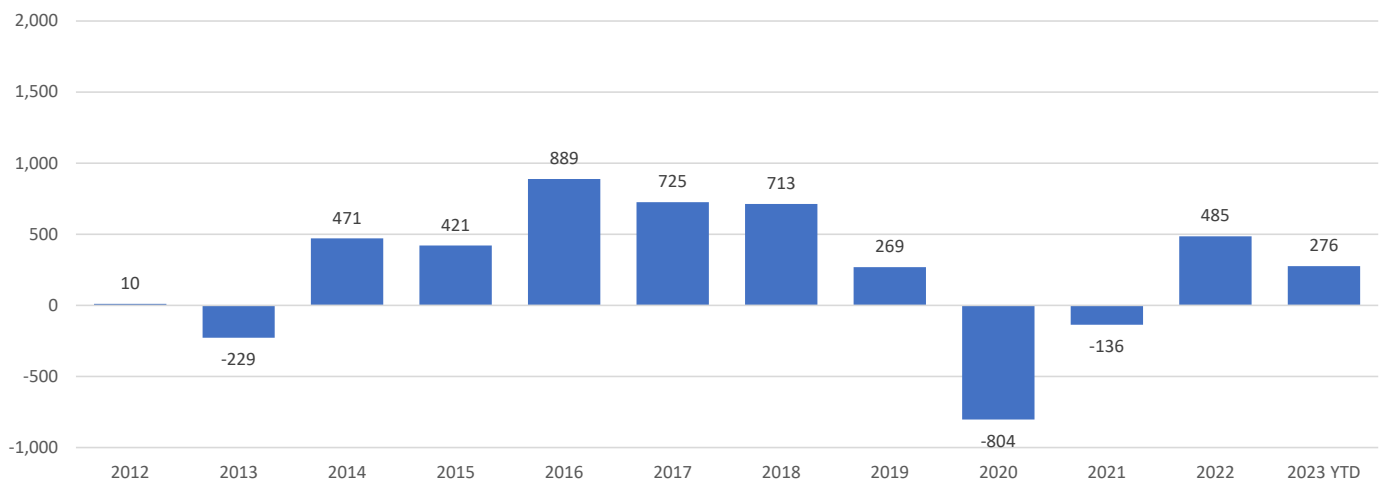


Figure 3:
Total Full and Part Time Jobs (BEA)

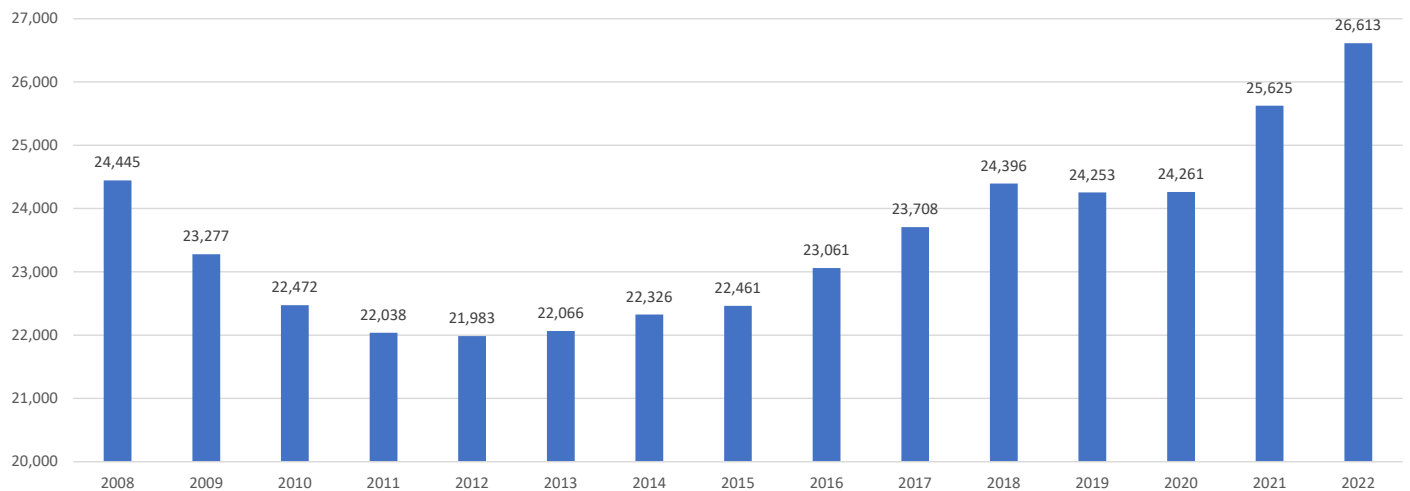


Figure 4:
Jobs by Industry

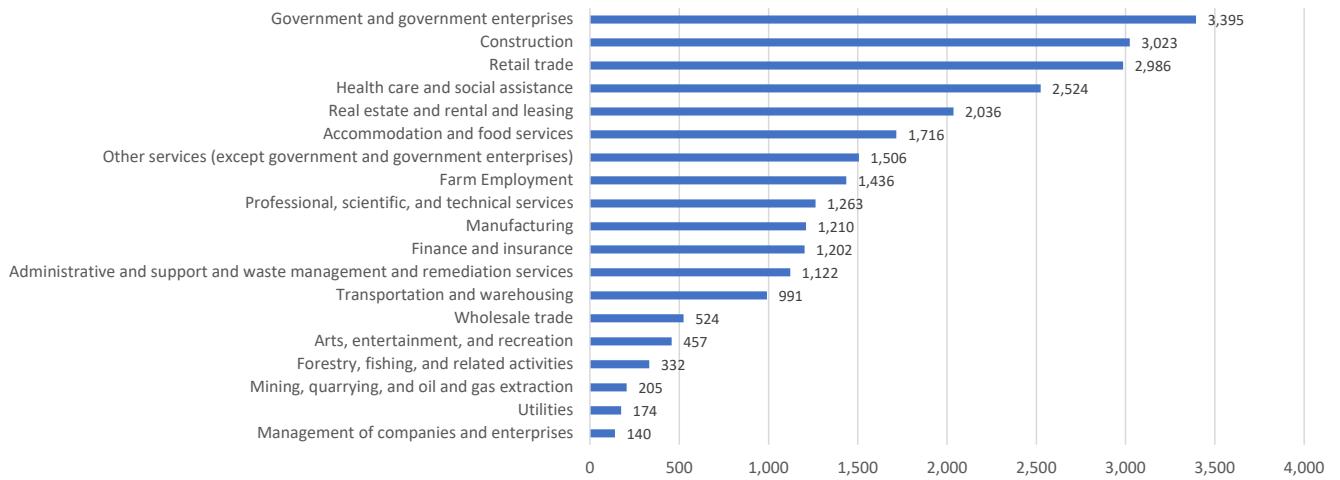


Figure 5:
Population Estimates and Forecast (State Demography Office)

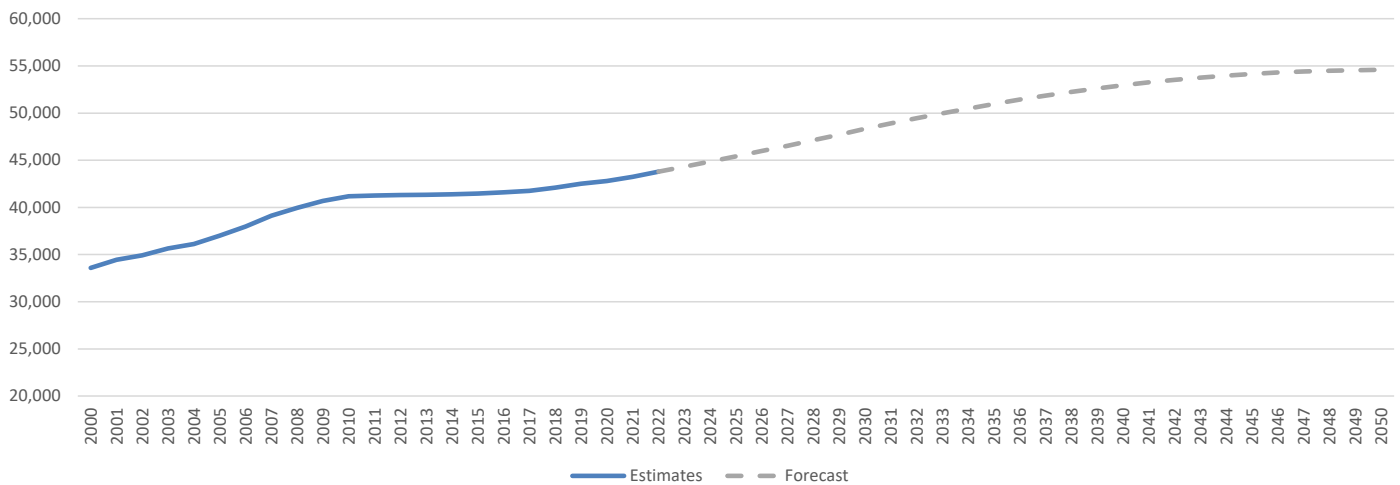


Figure 6:
Per Capita Income

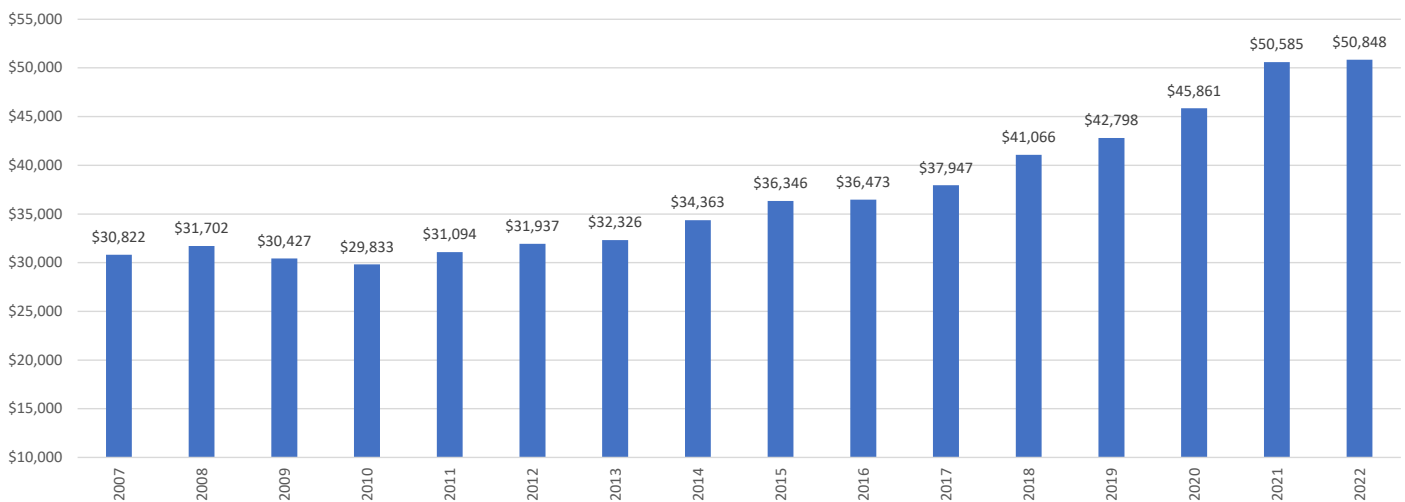


Figure 7:
Montrose County Median Household Income

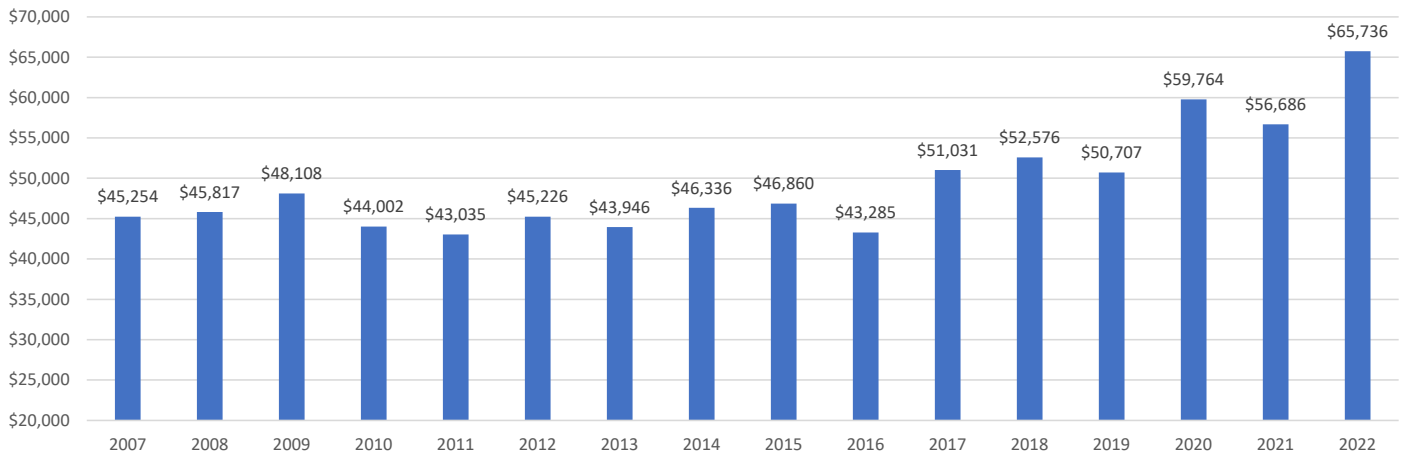


Figure 8:
Montrose County Poverty Rate

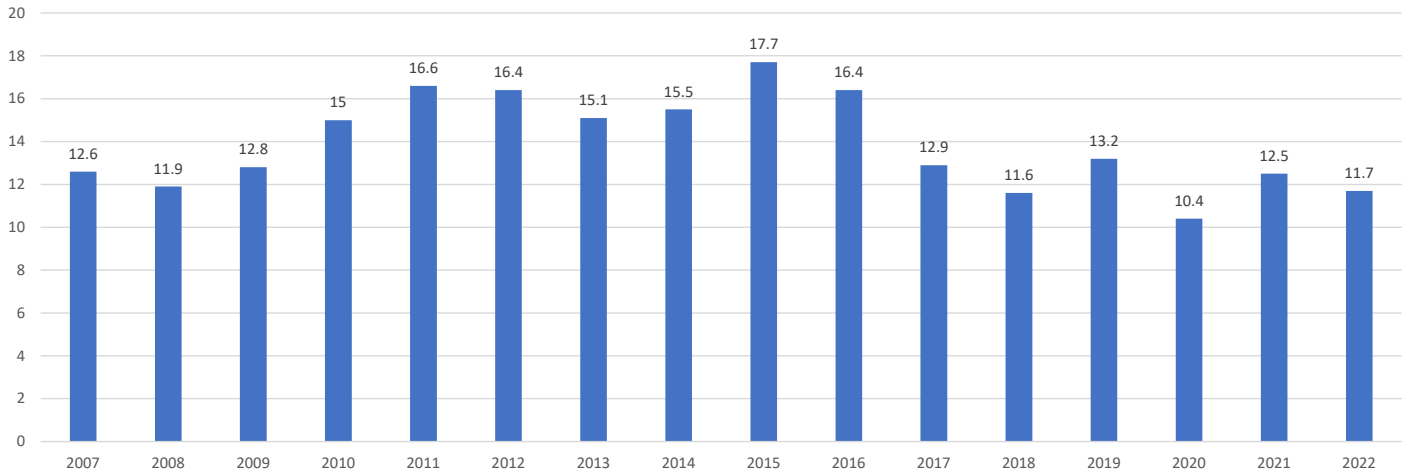
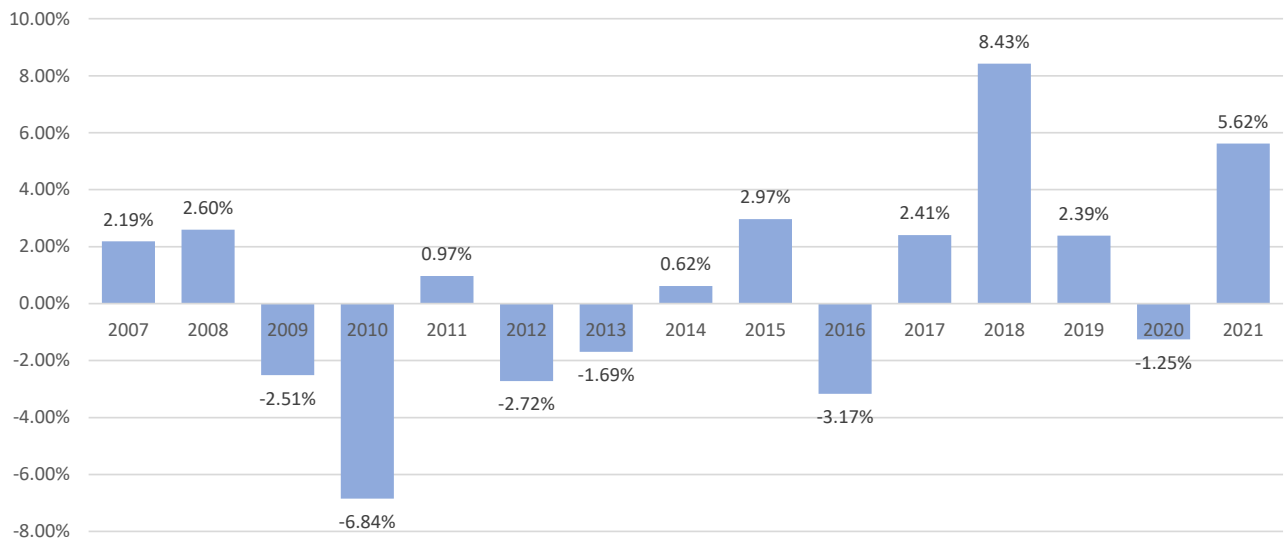


Figure 9:
Montrose County Real GDP (chained 2012 dollars)



Montrose County Industry Trends

Montrose Quarterly Census of Employment and Wages data shows job gains of 412 compared to Q2 of 2022. Top gains in jobs were in construction (272), which was similar to last quarter, and healthcare (97). The biggest losses were in retail trade (104) and real estate (38). The Bureau of Economic Analysis jobs data includes estimates for farm employment and sole proprietors for 2022. Sole proprietors increased by 6.57%, while farm employment fell by 0.44%.

Table 2:
Quarterly Census of Employment and Wages (QCEW) Q1 2022 Compared to Q1 2023

Sector	Average Employment	Total Quarterly Wages	Average Weekly Wage	Total Employment Change	Total Wage Change
Total, All Industries	16,427	\$204,416,891	\$957	412	\$17,376,825
Health Care and Social Assistance	3,019	\$40,652,813	\$1,036	97	\$4,397,768
Construction	1,906	\$26,808,440	\$1,082	272	\$5,266,098
Retail Trade	2,315	\$23,007,019	\$764	-104	\$671,774
Public Administration	1,129	\$19,773,428	\$1,348	36	\$2,684,827
Manufacturing	1,047	\$12,857,110	\$945	-1	-\$623,013
Professional and Technical Services	603	\$10,211,880	\$1,302	91	\$1,124,812
Accommodation and Food Services	1,598	\$10,122,809	\$487	33	\$1,061,451
Transportation and Warehousing	747	\$8,452,047	\$870	8	\$441,554
Wholesale Trade	446	\$7,243,749	\$1,250	25	\$911,390
Utilities	261	\$5,535,880	\$1,629	30	\$740,281
Other Services, Ex. Public Admin	425	\$5,086,693	\$921	23	\$242,903
Finance and Insurance	320	\$5,074,045	\$1,220	8	\$30,358
Administrative and Waste Services	428	\$4,825,710	\$868	-83	-\$224,659
Real Estate and Rental and Leasing	305	\$4,107,858	\$1,035	-38	\$42,818
Information	214	\$3,368,652	\$1,209	40	\$971,562
Agriculture, Forestry, Fishing & Hunting	229	\$2,299,528	\$771	-5	\$141,125
Arts, Entertainment, and Recreation	368	\$2,129,862	\$446	-22	-\$400,219
Management of Companies and Enterprises	75	\$1,712,004	\$1,764	1	-\$274,364
Mining	8	\$110,917	\$1,067	-17	-\$335,000

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 Wage Change from Q2 2022 to Q2 2023

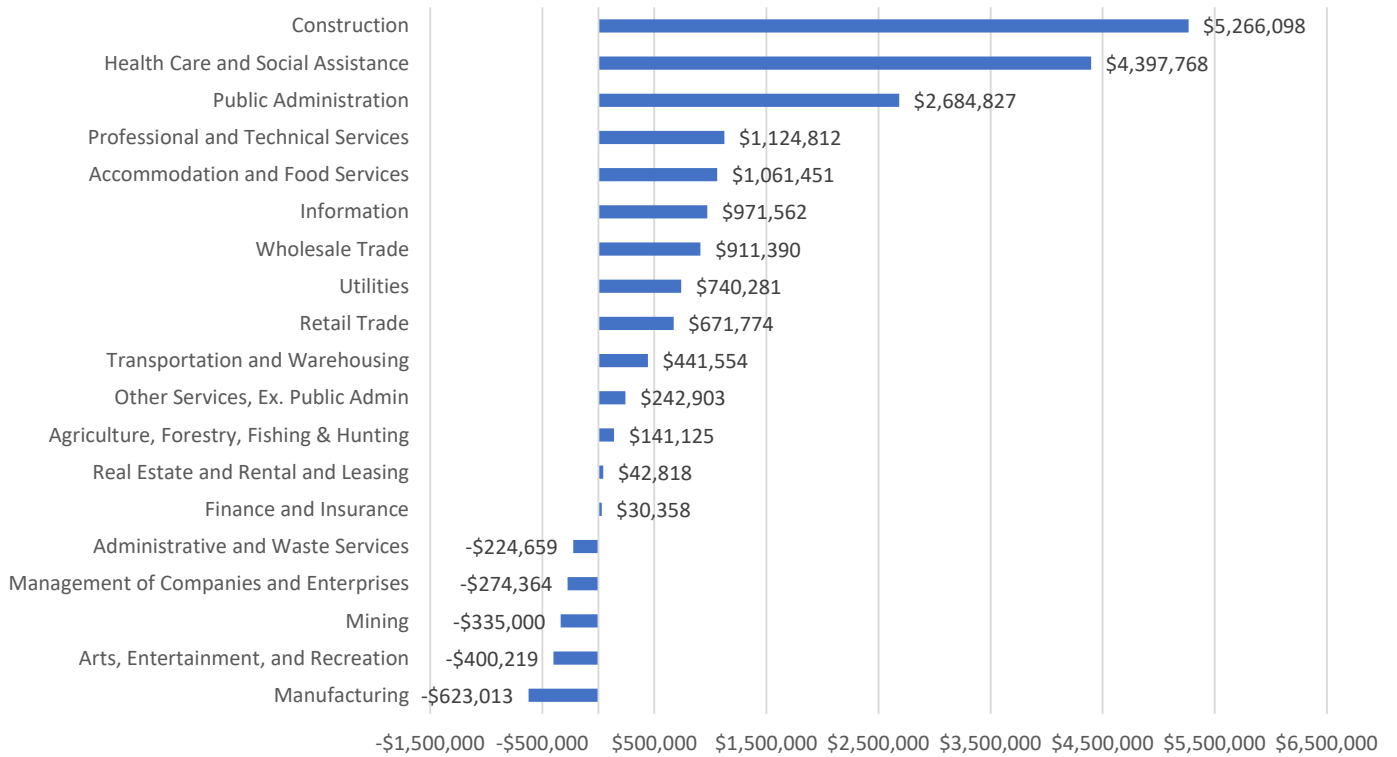
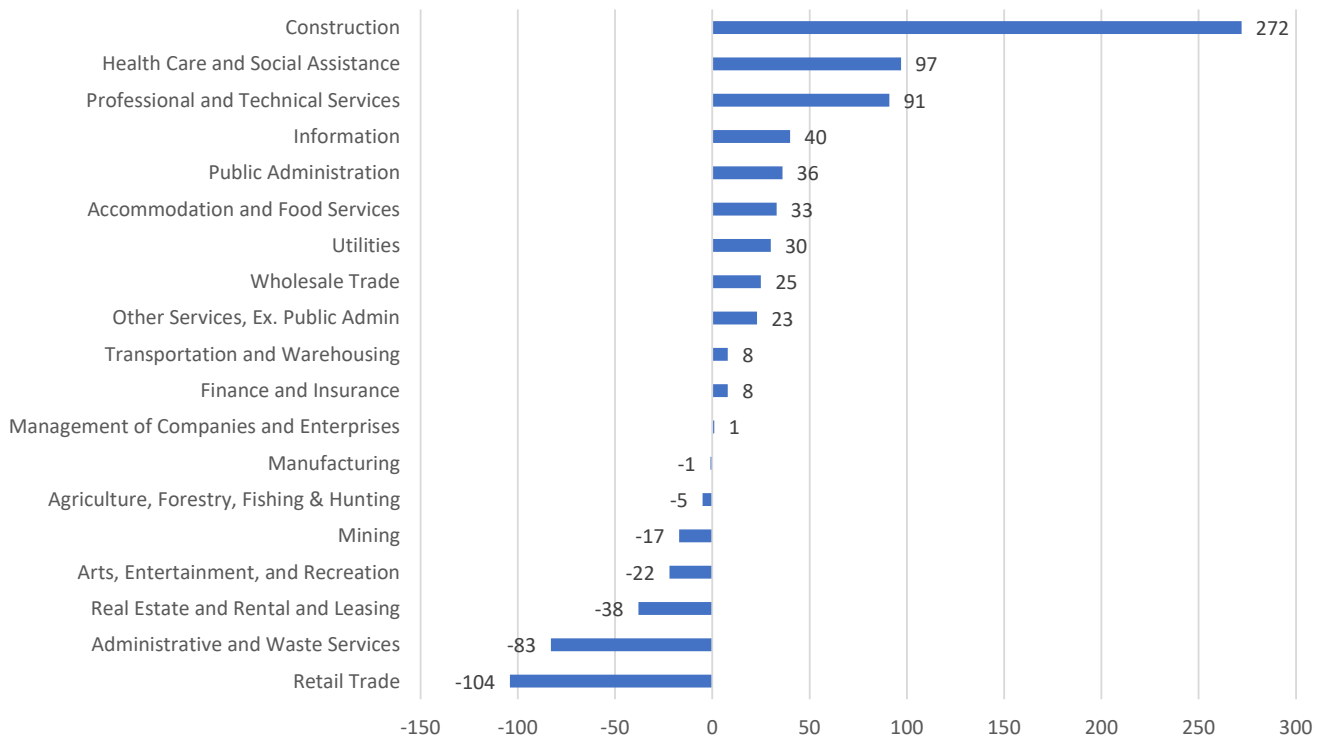


Figure 11:
Total Jobs Change from Q2 2022 to Q2 2023



LOCAL REAL ESTATE

	Q3 2023	Q3 2022	% change since last year
Real Estate			
Inventory of Homes for Sale (3 month avg)	193	173	11.75%
New Residential Listings (3 month total)	219	245	-10.61%
Sold Residential Listings (3 month total)	175	186	-5.91%
Median Sales Price	\$452,833	\$417,483	8.47%
Average Sales Price	\$483,760	\$466,625	3.67%
Days on Market	85.33	71.33	19.63%
Months Supply of Inventory	3.83	2.63	45.57%
Total Building Permits (YTD, through Oct)	484	777	-37.71%
Total Building Permit Valuation (YTD, through Oct)	\$95,408,251	\$187,770,464	-49.19%
Single Family Home Permits (YTD, through Oct)	178	317	-43.85%
Single Family Home Permit Valuation (YTD, through Oct)	\$27,514,865	\$46,993,667	-41.45%
Foreclosures			
Foreclosure Filings (YTD)	27	37	-27.03%
Foreclosure Sales (YTD)	6	4	50.00%
Mortgage Rates			
30 Year Mortgage Rate (September)	6.14%	5.67%	0.47%
15 year Mortgage Rate (September)	6.82%	6.36%	0.46%

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

The Montrose real estate market remains tight, with inventory rising by 11.75% but still historically low. Most Western Slope counties, as well as the state and nation saw prices decreases year over year, but Montrose has seen an increase compared to Q3 of 2022 of 8.47% on the median home price. Figure 13 shows the price flucturations the last two years, but that ultimately prices have not really retreated in Montrose the last two years. Interest rates have taken a toll on other counties median home values, but not Montrose so far. Months supply of inventory did creep up to 3.83, generally you need to get to 5 or 6 to see prices stabilize or pull back.

Despite the housing shortage, Montrose single family permits are down 43.85%. Total building permits are down 37.71%. To be fair, 2022 was a big year for building permits, which is helping to exaggerate the effect. If you look at figure 14, you will see that building permits levels for 2023 are not historically out of line, although single family building is lower. This is not an uncommon trend where building permit is available. In many ways raising interest rates made affordable home building unaffordable for both the builder and buyer.

Foreclosures fell and are still historically low looking at year to date data. Interest rates have begun to fall after the Fed's reversal about interest rates in December. The market is now expecting three cuts next year, dropping mortgage rates from 7.62% in October to 6.82% in December.

Figure 12:
Months Supply of Inventory



Figure 13:
Median and Average Home Sales Price

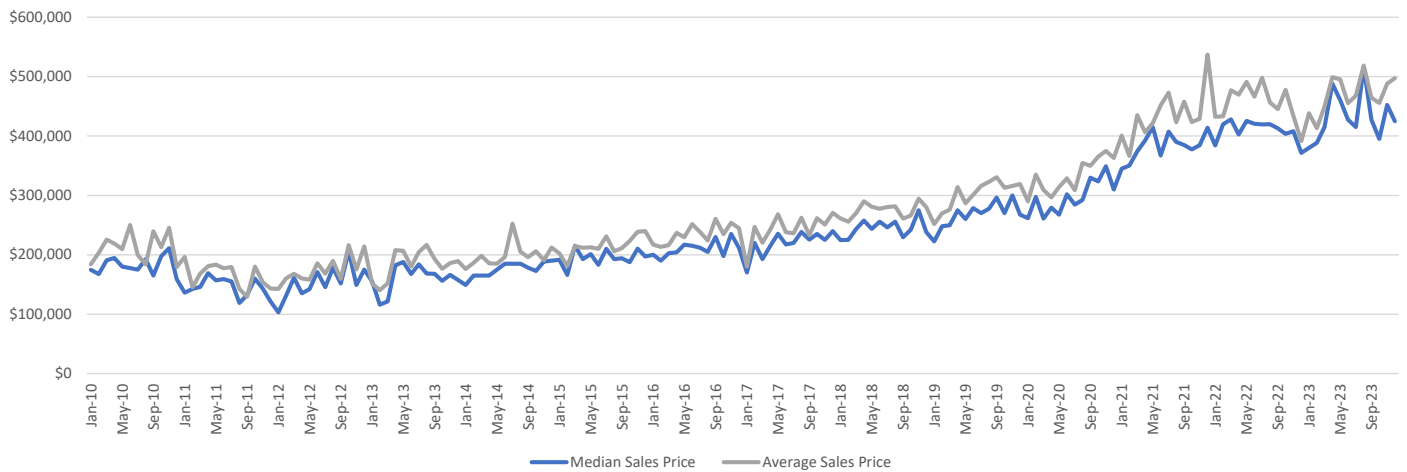
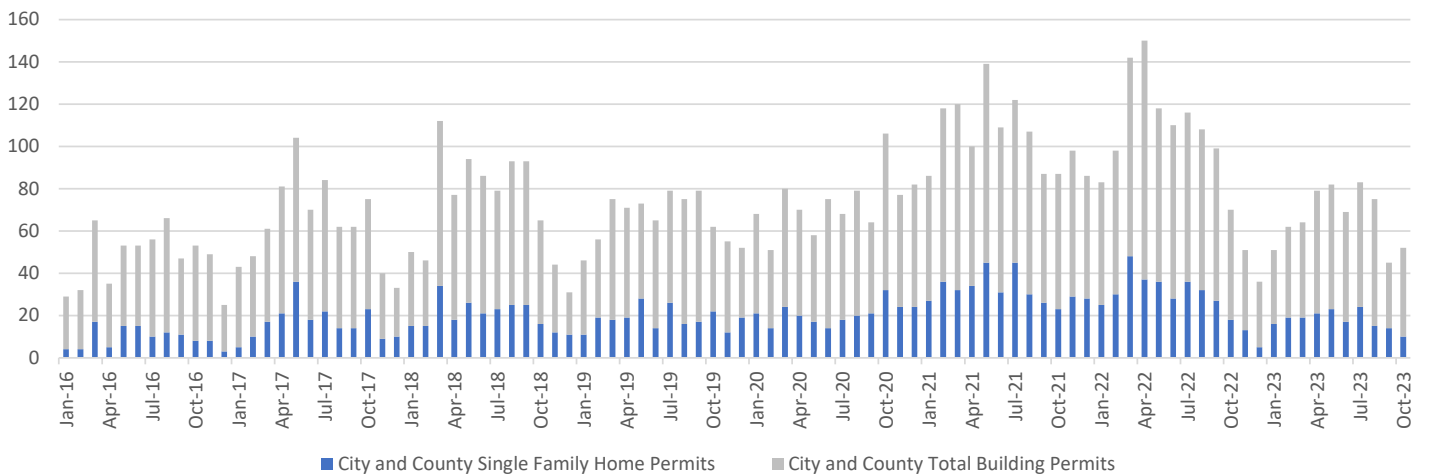


Figure 14:
City and County Building Permits



REGIONAL ENERGY

	Q3 2023	Q2 2023	Q3 2022	% change since last quarter	% change since last year (comparable quarters)
Energy Prices					
WTI Crude Oil	\$82.25	\$73.54	\$93.06	11.84%	-11.62%
Henry Hub Natural gas	\$2.59	\$2.16	\$7.99	19.91%	-67.58%
Retail Gasoline Price	\$3.63	\$3.46	\$3.93	5.03%	-7.68%
Drilling Permits					
	2023 (YTD, August 9th)	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					
	Dec-23	Oct-23	Dec-22		
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

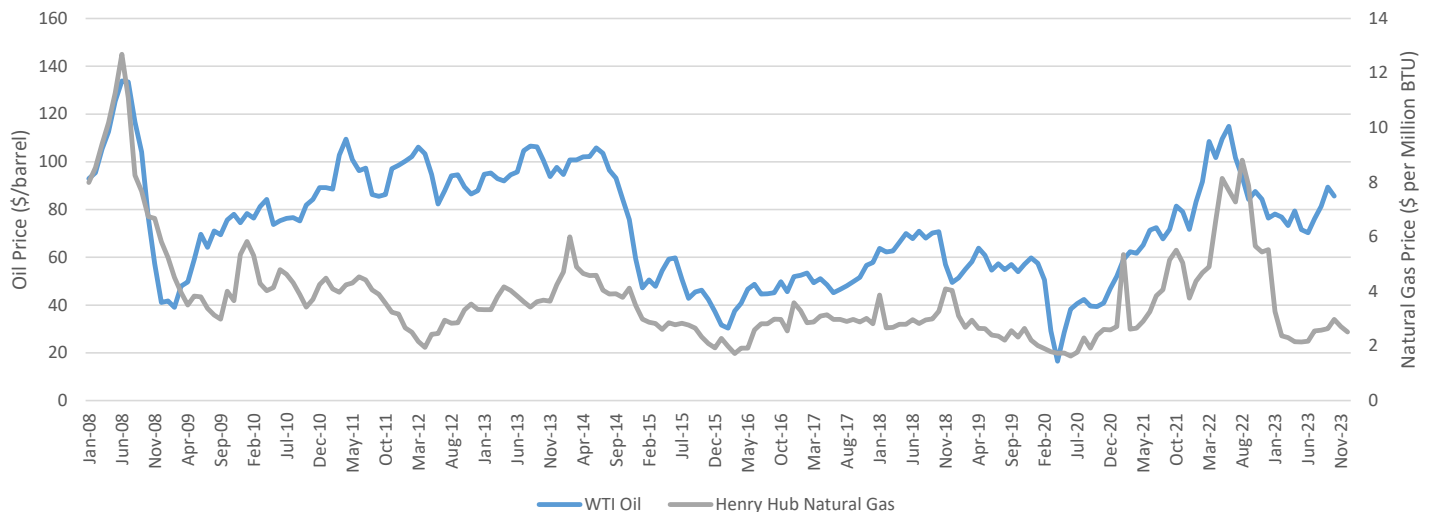


Figure 16:
Oil/Gas Drilling Permits and Oil/Gas Jobs

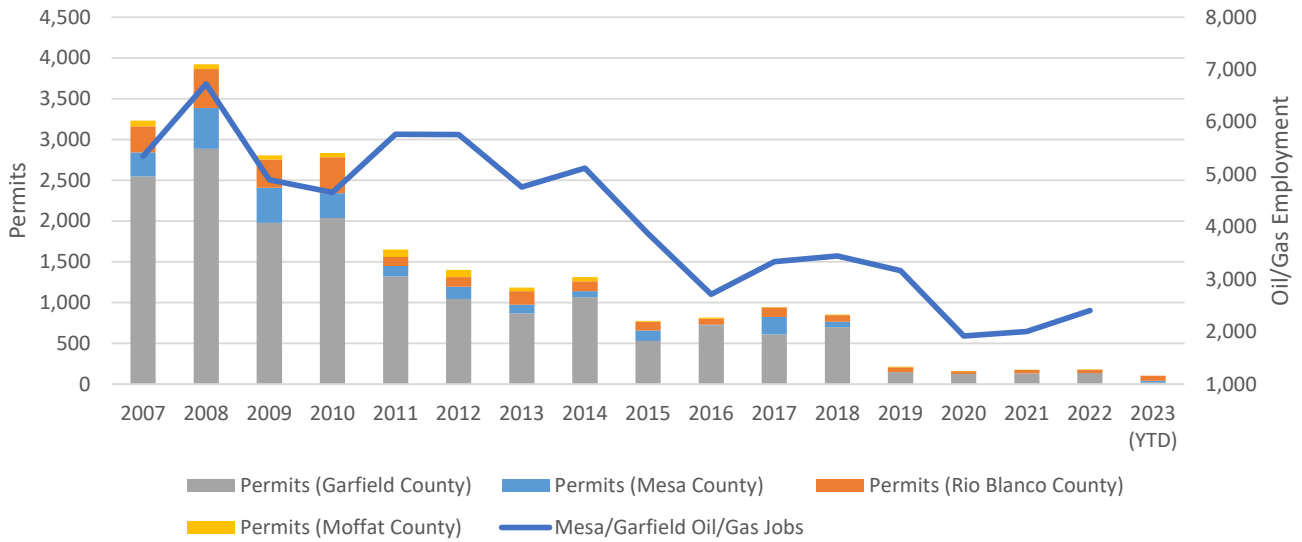
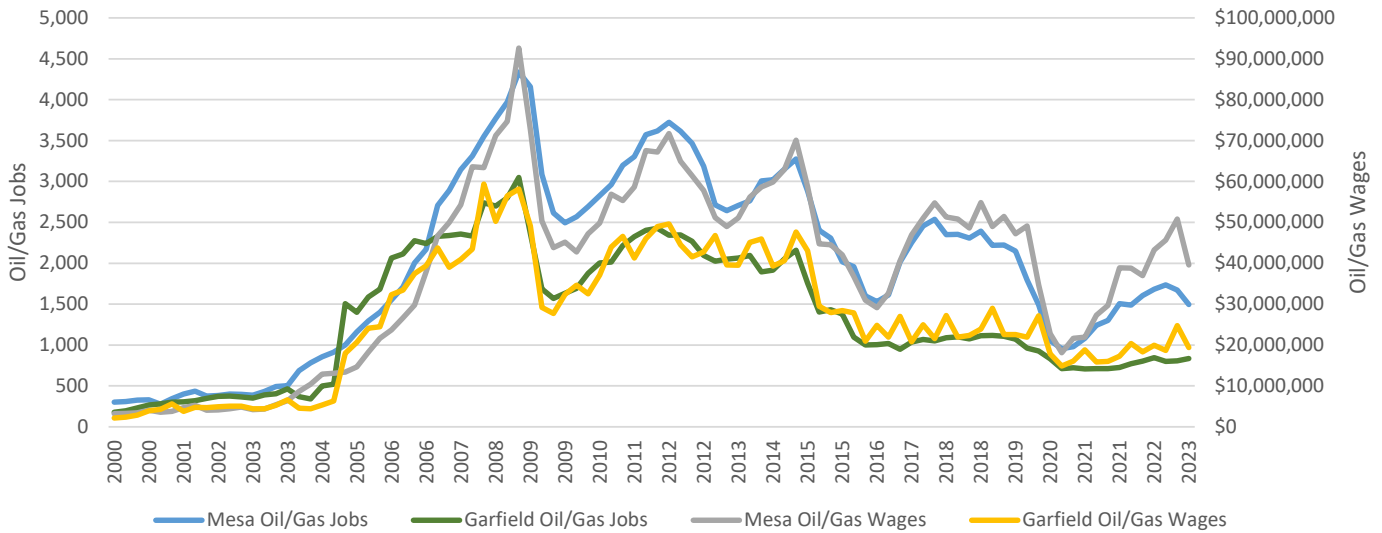


Figure 17:
Mesa and Garfield Oil and Gas Jobs/Wages



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.

Regionally, rig counts in the Piceance remain at three. Oil and gas permits are updated as of August. QCEW data shows that Q2 of 2023 brought a drop in oil and gas data, with Mesa County losing both jobs and wages for the quarter in oil and gas. Garfield lost wages, but held steady with employment.

NATIONAL ECONOMIC INDICATORS

	Q3 2023	Q2 2023	Q3 2022	% change since last period	% change since last year (comparable quarters)
Business Cycle Indicators					
Real GDP	4.90%	2.10%	2.70%	2.80%	2.20%
Personal Consumption Expenditures	3.10%	0.80%	1.60%	2.30%	1.50%
Gross Private Domestic Investment	10.00%	5.20%	-7.60%	4.80%	17.60%
National Consumer Confidence	69.6	62.3	56.1	11.72%	24.06%
Industrial Production Index	103.3	102.8	103.3	0.45%	-0.04%
Initial Weekly Unemployment Claims (4 week MA)	230,911	240,077	209,231	-3.82%	10.36%
Non Farm Payroll Change (in thousands)	597,000	666,667	1,287,333	-10.45%	-53.63%
Unemployment					
Unemployment Rate-U3-SA	3.70%	3.60%	3.50%	0.10%	0.20%
Unemployment Rate-U6-SA	6.90%	6.80%	6.80%	0.10%	0.10%
Interest Rates					
Federal Funds Rate	5.25%	4.98%	2.16%	0.27%	3.09%
10 Year U.S. Treasury	4.15%	3.59%	3.11%	0.56%	1.04%
30 Year U.S. Treasury	4.24%	3.81%	3.26%	0.43%	0.98%
Inflation Measures					
Inflation Rate (CPI)	3.57%	4.05%	8.28%	-0.49%	-4.72%
Core Inflation Rate (All Items Less Food and Energy)	4.41%	5.24%	6.28%	-0.83%	-1.87%
Inflation Rate (Shelter)	7.35%	7.97%	6.19%	-0.62%	1.16%
Producer Price Index (PPI)	-4.86%	-6.64%	15.52%	1.78%	-20.38%
Employment Cost Index	4.42%	4.54%	5.05%	-0.12%	-0.63%
Stock Prices					
S&P 500	4,458	4,206	3,980	5.99%	12.00%
Dow Jones Industrial Average	34,669	33,643	31,774	3.05%	9.11%
Trade Balance and Debt					
Trade Balance (% of GDP)	-779.231	-806.093	-892.026	-3.33%	-12.64%
Federal Debt (% of GDP)*	119.5%	117.3%	119.7%	2.1%	-0.2%

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.

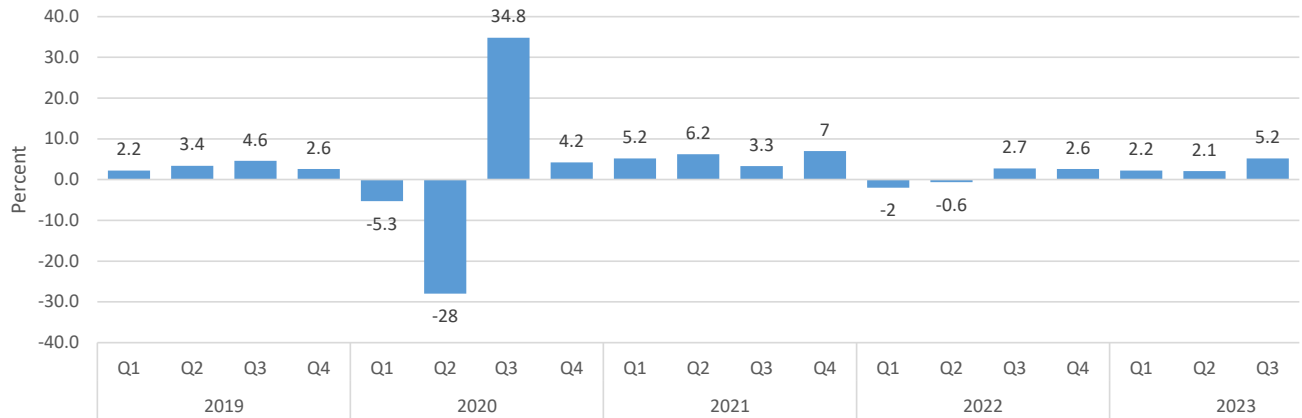
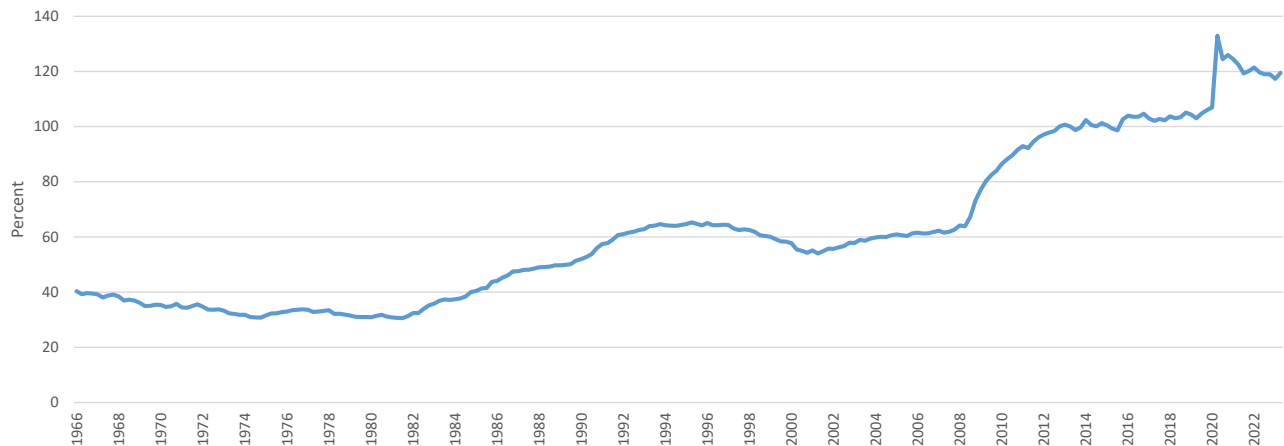


Figure 19:
U.S. Debt/GDP



Economic Growth

U.S. GDP growth for Q3 2023 was 5.2%. The Atlanta Federal Reserve’s GDPNow estimates 1.2% growth for Q4. The unemployment rate remains low at 3.9%. The labor market remains tight, although it seems to be slowing. Wages are starting to fall as seen in figure 29, which is one of the Federal Reserve’s goals, as rising wages contribute to inflation.

Inflation and Interest Rates

Inflation for December came in at 3.4%, rising from November’s 3.1%. The primary reason for the increase was shelter, which jumped in December to finish the year at 6.2%. Medical care services also saw a sharp increase.

Prior to December, interest rates had continued to rise due to signaling from the Federal Reserve about keeping rates “higher for longer.” Then in December, the Fed reversed their messaging, signaling three rate cuts in 2024. The bond market responded quickly, ending the rise in long term rates from the past several months. The 10-year treasury bond quickly fell from a peak of almost 5% in late October to around 4% in

mid-December. This has caused mortgage rates to fall, and has spurred a stock market rally. The Federal Reserve now sees that the inflation battle is likely won, and are trying to preempt a recession in spring 2024.

Recession talk has continued for over a year, with several signals showing recession, including the yield curve inversion. There are signs of slowing, as the labor market gains are lower each month. Savings rates have fallen, leading many to believe that the consumer would pull back on spending for Christmas, but this ended up not being the case. At some point, the consumer has to slow down and that time may be spring of 2024.

Although surprising, the Federal Reserve’s announcement of lower rates for next year shows they are trying for a soft landing. They believe they can tame inflation (that it is mostly tamed), and that they keep growth from slowing and unemployment rising by lowering rates.

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 Dec. 2023
	Jun. 2023	Jul. 2023	Aug. 2023	Sep. 2023	Oct. 2023	Nov. 2023	Dec. 2023	
All items.....	0.2	0.2	0.6	0.4	0.0	0.1	0.3	3.4
Food.....	0.1	0.2	0.2	0.2	0.3	0.2	0.2	2.7
Food at home.....	0.0	0.3	0.2	0.1	0.3	0.1	0.1	1.3
Food away from home ¹	0.4	0.2	0.3	0.4	0.4	0.4	0.3	5.2
Energy.....	0.6	0.1	5.6	1.5	-2.5	-2.3	0.4	-2.0
Energy commodities.....	0.8	0.3	10.5	2.3	-4.9	-5.8	-0.1	-2.9
Gasoline (all types).....	1.0	0.2	10.6	2.1	-5.0	-6.0	0.2	-1.9
Fuel oil ¹	-0.4	3.0	9.1	8.5	-0.8	-2.7	-5.5	-14.7
Energy services.....	0.4	-0.1	0.2	0.6	0.5	1.7	0.9	-1.1
Electricity.....	0.9	-0.7	0.2	1.3	0.3	1.4	1.3	3.3
Utility (piped) gas service.....	-1.7	2.0	0.1	-1.9	1.2	2.8	-0.4	-13.8
All items less food and energy.....	0.2	0.2	0.3	0.3	0.2	0.3	0.3	3.9
Commodities less food and energy commodities.....	-0.1	-0.3	-0.1	-0.4	-0.1	-0.3	0.0	0.2
New vehicles.....	0.0	-0.1	0.3	0.3	-0.1	-0.1	0.3	1.0
Used cars and trucks.....	-0.5	-1.3	-1.2	-2.5	-0.8	1.6	0.5	-1.3
Apparel.....	0.3	0.0	0.2	-0.8	0.1	-1.3	0.1	1.0
Medical care commodities ¹	0.2	0.5	0.6	-0.3	0.4	0.5	-0.1	4.7
Services less energy services.....	0.3	0.4	0.4	0.6	0.3	0.5	0.4	5.3
Shelter.....	0.4	0.4	0.3	0.6	0.3	0.4	0.5	6.2
Transportation services.....	0.1	0.3	2.0	0.7	0.8	1.1	0.1	9.7
Medical care services.....	0.0	-0.4	0.1	0.3	0.3	0.6	0.7	-0.5

Figure 21:
Inflation Rate and 10 Year Treasury

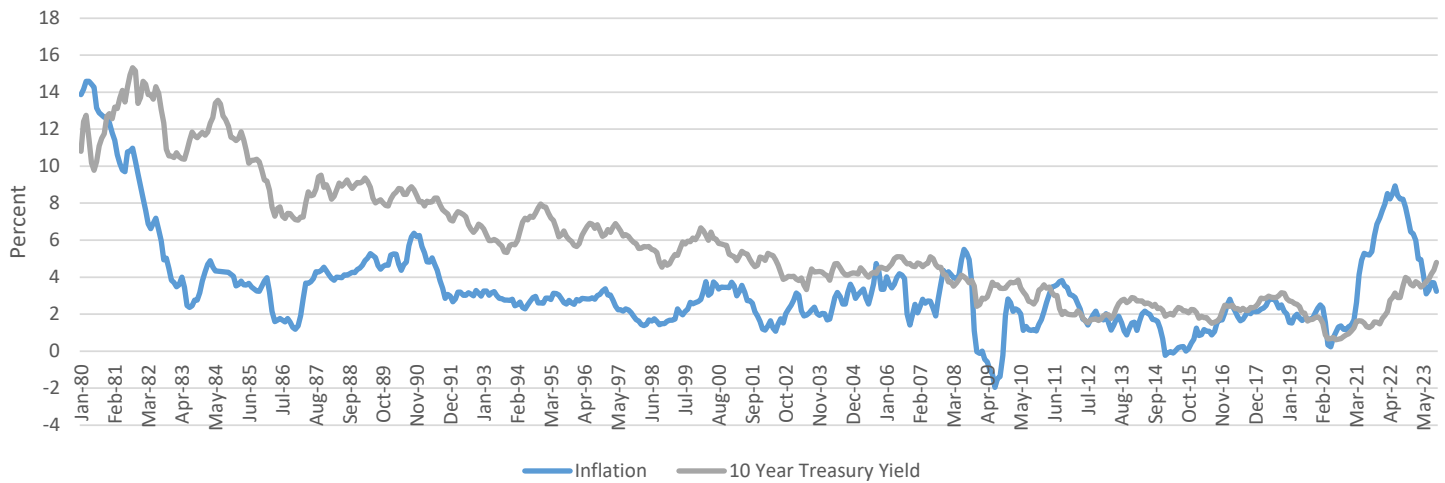


Figure 22:
Unemployment Rate



Figure 23:
Employment Cost Index

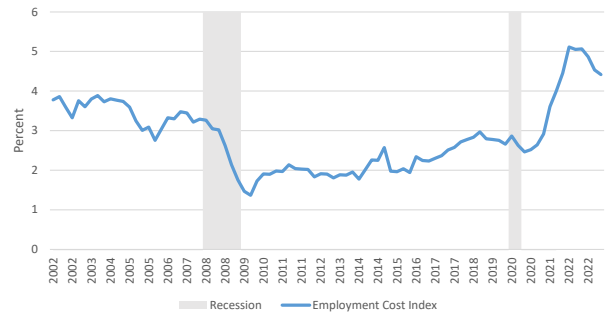
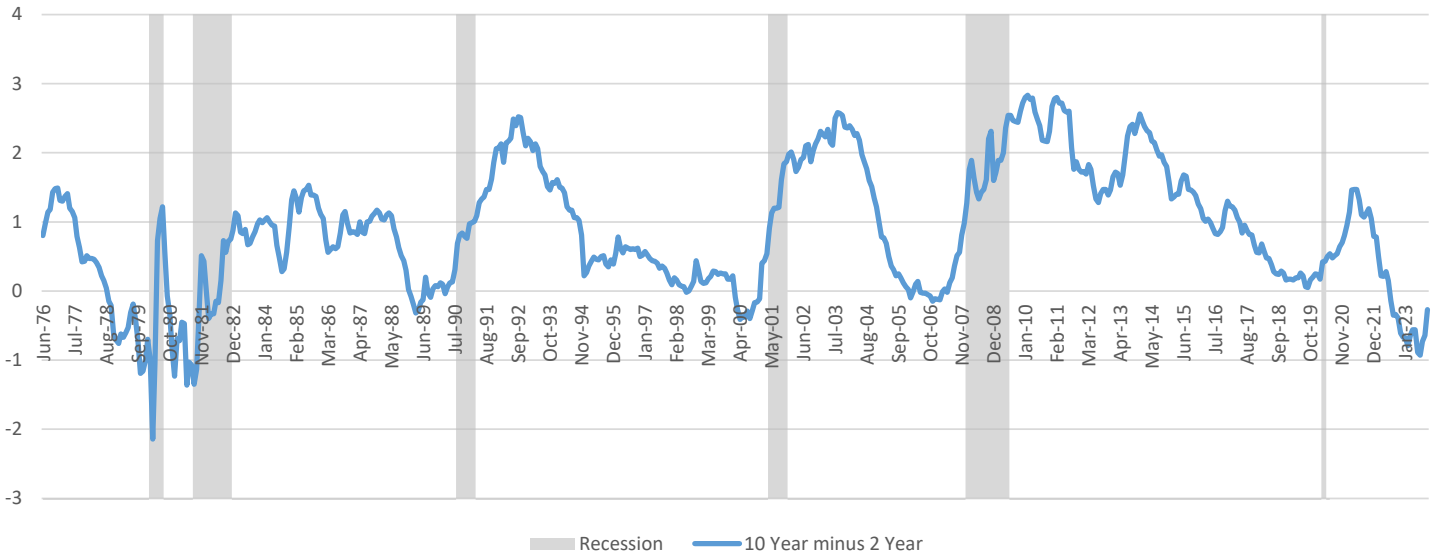


Figure 24:
Yield Curve: 10 Year Treasury minus 2 year Treasury



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