

ROUTT COUNTY ECONOMIC UPDATE

Released August 28th, 2025


COLORADO MESA
UNIVERSITY
DAVIS SCHOOL OF BUSINESS

The Routt Economic Update is funded by the
Associated Governments of Northwest Colorado.

Economic Summary

- Measuring sales tax data through June of 2025 and comparing through June of 2024 shows a slight increase in sales taxes. Routt County shows an increase of 2.27%, Steamboat Springs shows an increase of 2.42%, and Hayden an increase of 5.62%.
- The biggest job gains were in educational services (97) and construction (48). The biggest job losses were in accomodation and food services (-101) and real estate (-46). Several counties lost jobs in accomodation and food services, and this may be due to consumers pulling back after inflation reduced their spending power.
- As of August 7th, reciprocal tariffs have been imposed that are intended to reshape global trade imbalances and generate tariff income. According to the Yale Budget Lab, the current average effective tariff rate is now 18.3%, which is the highest since 1934. Thus far gloomy inflation predictions from many economists have not played out. However, it will take several months for the full inflationary impact of tariffs to be known.

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LOCAL ECONOMIC INDICATORS

	Q2 2025	Q1 2025	Q2 2024	change since last quarter	change since last year (comparable quarters)
Local Labor Market					
Unemployment Rate Routt County -NSA	3.80%	3.67%	3.87%	0.13%	-0.07%
Unemployment Rate Colorado -NSA	4.50%	4.00%	4.00%	0.50%	0.50%
Unemployment Rate U.S. -NSA	4.10%	4.10%	3.80%	0.00%	0.30%
Labor Force	14,435	15,720	14,400	-1,285	35
Employed	13,884	15,145	13,845	-1,261	39
Unemployed	551	575	554	-24	-3
Business Confidence					
Leeds Colorado Business Confidence	37.9	31.9	50.6	18.81%	-25.10%
Sales/Use Taxes (through June)					
	2025		2024		
Routt County Sales Tax	\$6,230,015		\$6,091,778		2.27%
Steamboat Springs Sales Taxes	\$22,466,709		\$21,935,728		2.42%
Hayden Sales Tax	\$1,334,454		\$1,263,496		5.62%
Business Filings					
	2024		2023		
Routt County New Business Entity Filings	852		938		-11.30%

	2023	2022	2021	2020	% change from previous year
Standard of Living and Growth					
Gross Domestic Product (GDP)	\$2,282,963	\$2,236,368	\$2,100,324	\$1,871,077	2.08%
Personal Income	\$3,296,097	\$3,058,265	\$2,661,670	\$2,257,471	7.78%
Personal Income Per Capita	\$131,507	\$121,979	\$106,220	\$90,910	7.81%
Median Household Income	\$112,377	\$104,407	\$93,776	\$82,330	7.63%
Percent of Population Below Poverty Line	6.4%	8.0%	8.6%	9.5%	1.60%
Place of Residence					
Adjustment for Place of Residence (in thousands)	-27,624	-\$30,795	-\$3,628	-\$21,376	

SOURCES IN ORDER OF LISTING: 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; Business Confidence: Leeds Business Confidence Index; Sales/Use/Lodging Taxes: City of Craig, Moffat County; Business Permits: Colorado Secretary of State's Office; Median Household Income, Poverty Rate, Population, and Personal Income: U.S. Bureau of the Census; Gross Regional Product: 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.

Local Labor Market

Routt County employment has averaged 14,506 through July, rising from 14,308 in 2024. The number of unemployed has stayed steady from 2024 to 2025 at 546, with a July unemployment rate of 3%. The Colorado unemployment rate (non-seasonally adjusted) for Q2 was 4.5%, and the national rate was 4.1%. The general trend is that the U.S. unemployment rate is lower than Colorado, with Routt County coming in even lower.

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.

Another way to gauge employment is to look at the jobs data. Data in Figure 2 comes from the state demography office, and shows Routt County has 21,824 jobs for 2023. The jobs data is more accurate than the employment estimates, and counts if a person works more than one job. Top jobs by industry include government (2,884), accomodation and food services (2,794), and retail trade (2,021) (Figure 3).

Other Indicators

Measuring sales tax data through June of 2025 and comparing through June of 2024 shows a slight increase in sales taxes. Routt County shows an increase of 2.27%, Steamboat Springs shows an increase of 2.42%, and Hayden an increase of 5.62%. A close inspection of Figure 4 shows that sales taxes have started to stagnate and are not increasing with the trend line on the graph.

Table 1:

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

	Labor Force	Employed	Unemployed
Annual	35	39	-3
5-Year	468	2,350	-1,883
10-Year	562	519	42
Annual %	0.2%	0.3%	-0.6%
5-Year %	3.3%	20.4%	-77.4%
10-Year %	4.0%	3.9%	8.3%

Figure 6 illustrates what is called a "place of residence adjustment." This data is from the Bureau of Economic Analysis, and shows inflows and outflows of income to and from the county. A positive number indicates that more income is flowing into the county from other counties than flowing out. A negative number indicates that people are living outside of the county but commuting in for work, hence an income outflow.

Routt County has a history of negative place of residence adjustment, indicating that many commute from outside the county into the county, likely to Steamboat Springs, where they work and then commute home.

Moffat County has a positive place of residence adjustment, indicating they commute to Routt. Note that during the COVID years of 2020 and 2021 there was decreased tourism in Steamboat Springs, so there was less income leaving the county due to less people commuting for jobs.

Figure 1:
Routt Employment Estimates

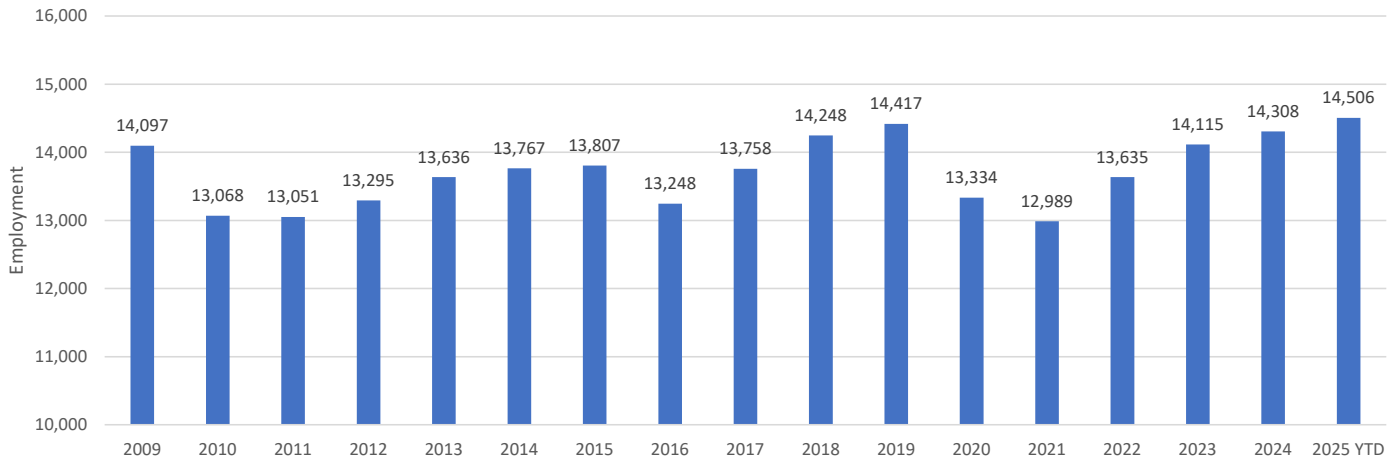


Figure 2:
Total Full and Part Time Jobs (State Demography Office)

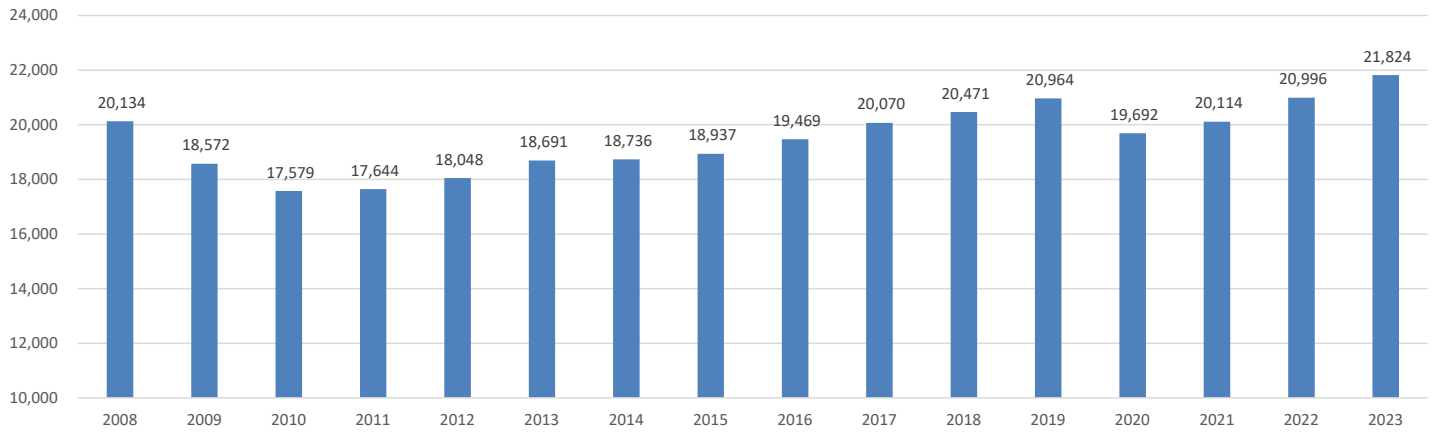


Figure 3:
Jobs by Industry

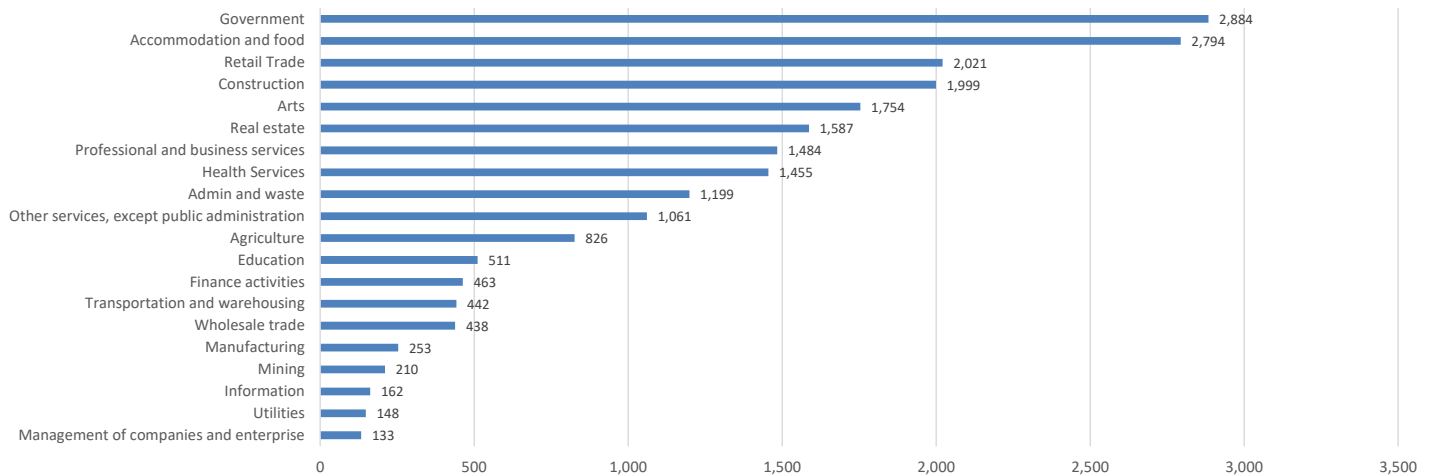


Figure 4:
Sales Tax

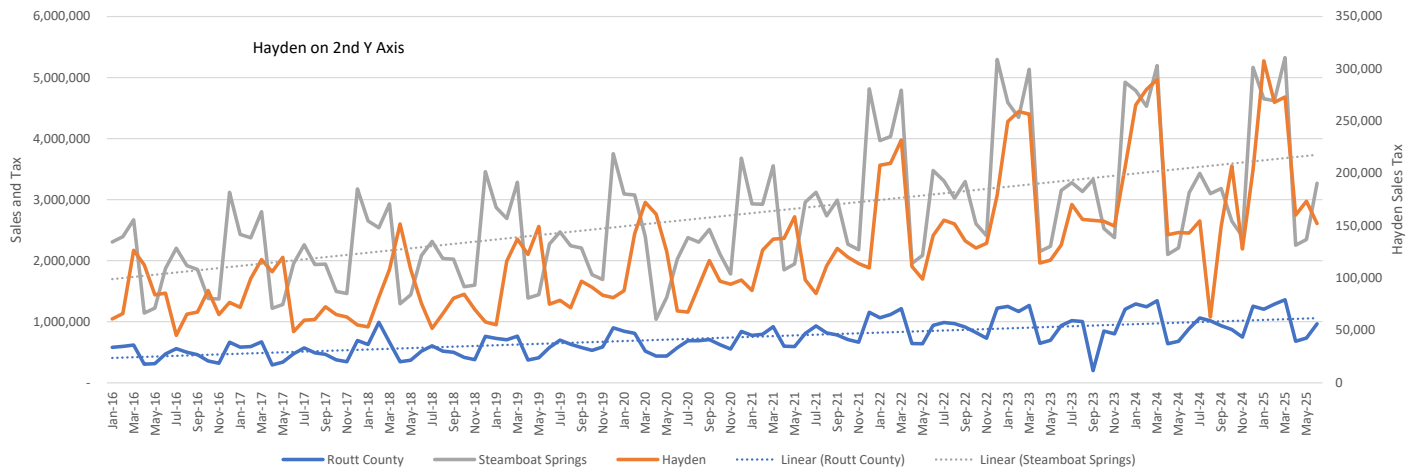


Figure 5:
Number of Unemployed

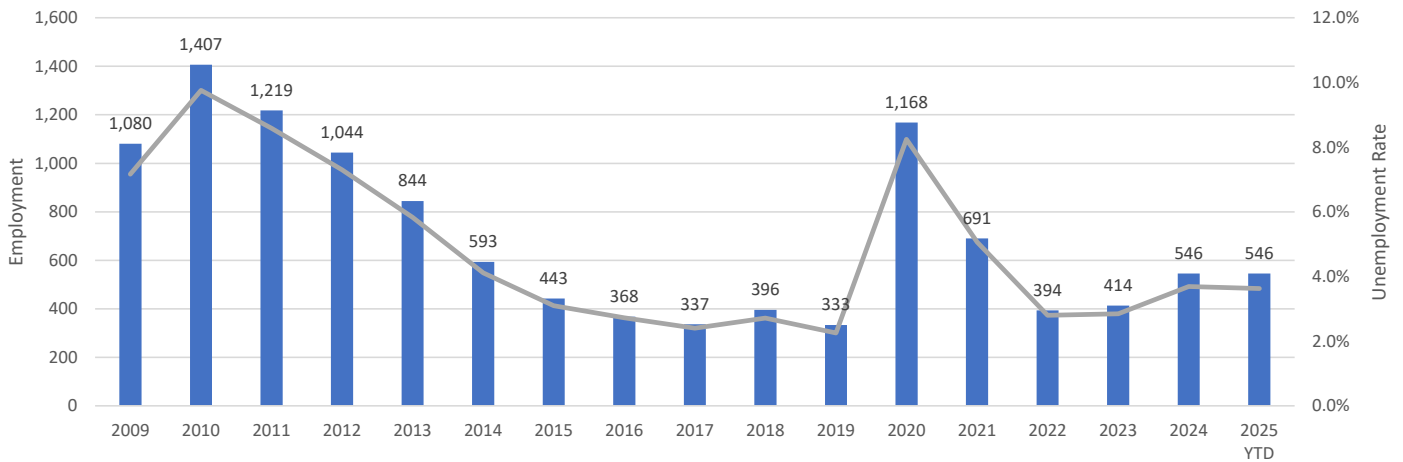
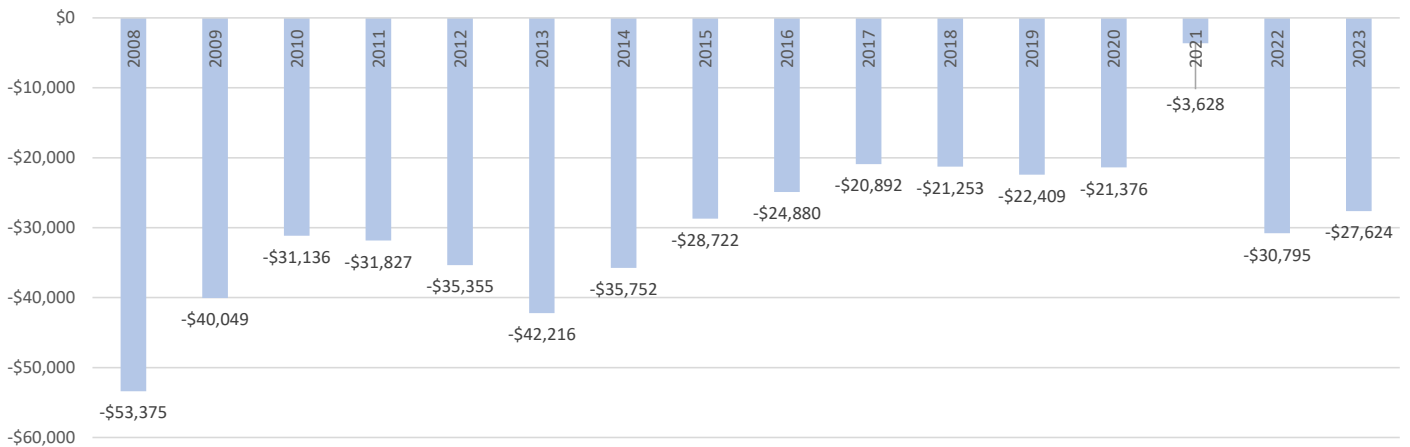


Figure 6:
Place of Residence Adjustment Routt County (in thousands of dollars)



Standard of Living Measures

Standard of living measures are generally released each year in December for the previous year's data. Routt County GDP for 2023 grew by 2.08% compared to 2022. The gains were led by retail trade and real estate.

Routt County median household income rose from \$104,407 in 2022 to \$112,377 in 2023. 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 a down year in 2020 for median household income, Routt County shows a distinctive long term upward trend since 2012 (Figure 9).

The Census Department's SAIPE program (Small Area Income and Poverty Estimates) released their most recent poverty estimate, with Routt County falling from 6% to 5.6%. Poverty has a distinctive downward trend, falling since 2015.

Personal income per capita (Figure 10) increased from \$121,975 in 2022 to \$131,507 in 2023.

Figure 7:
Western Slope GDP % Change 2023

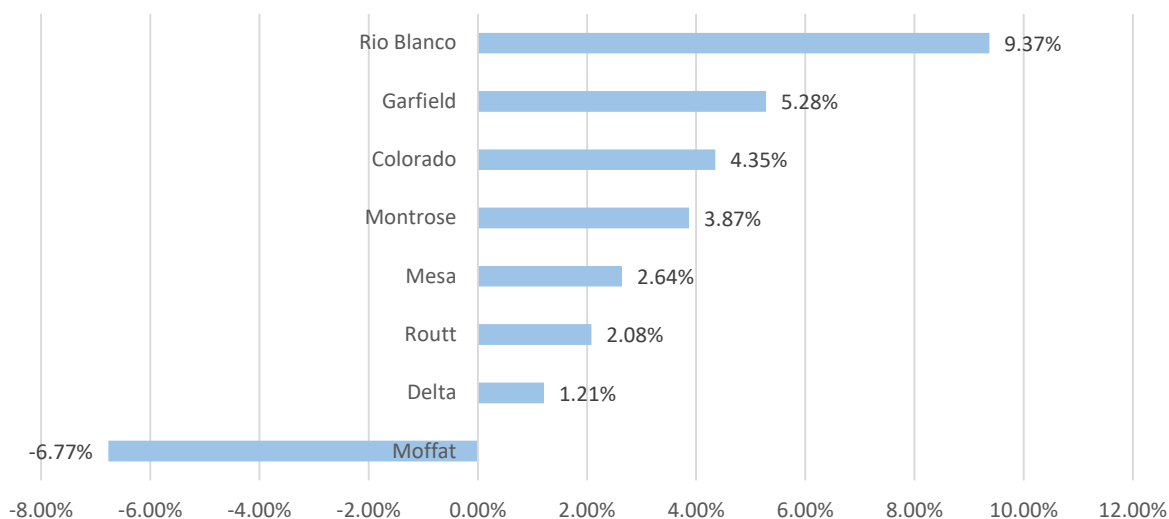


Figure 8:
Routt County Real GDP % Change (Chained 2017 dollars)

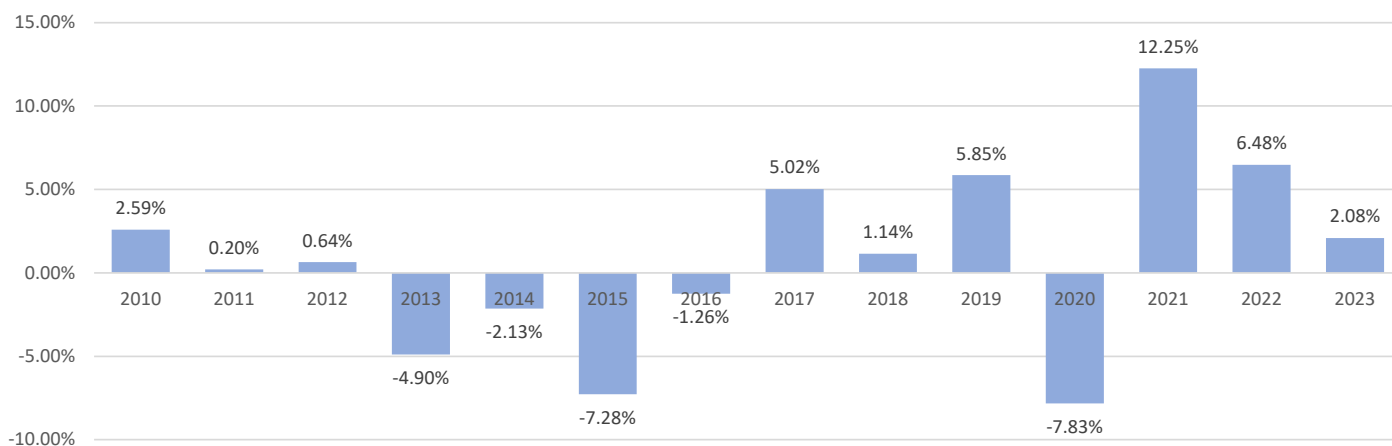


Figure 9:
Routt County Median Household Income

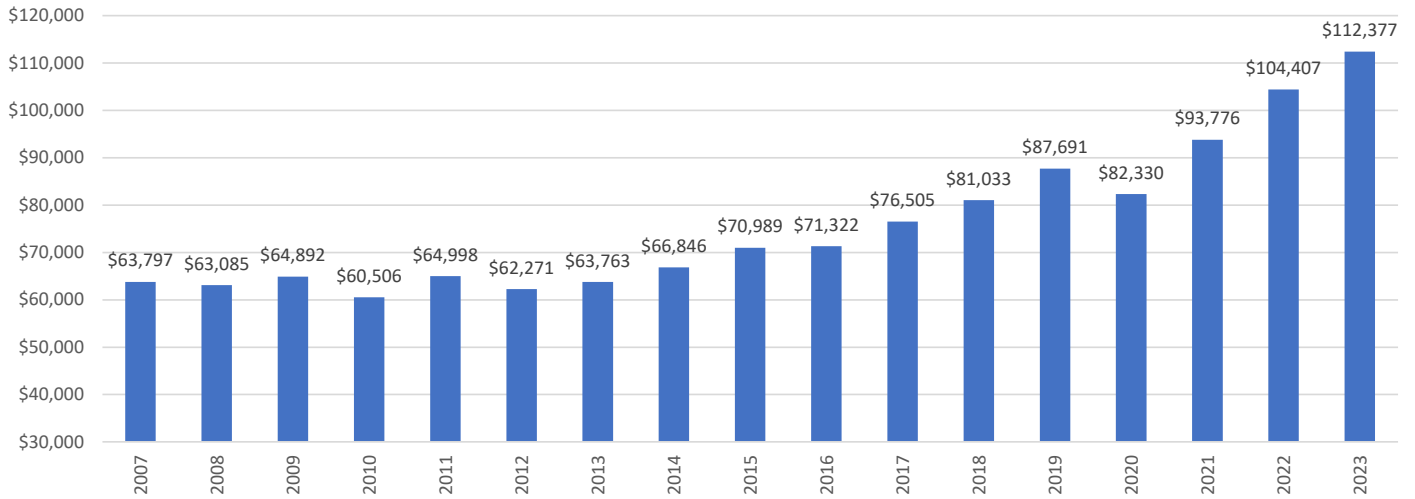


Figure 10:
Routt County Income Per Capita

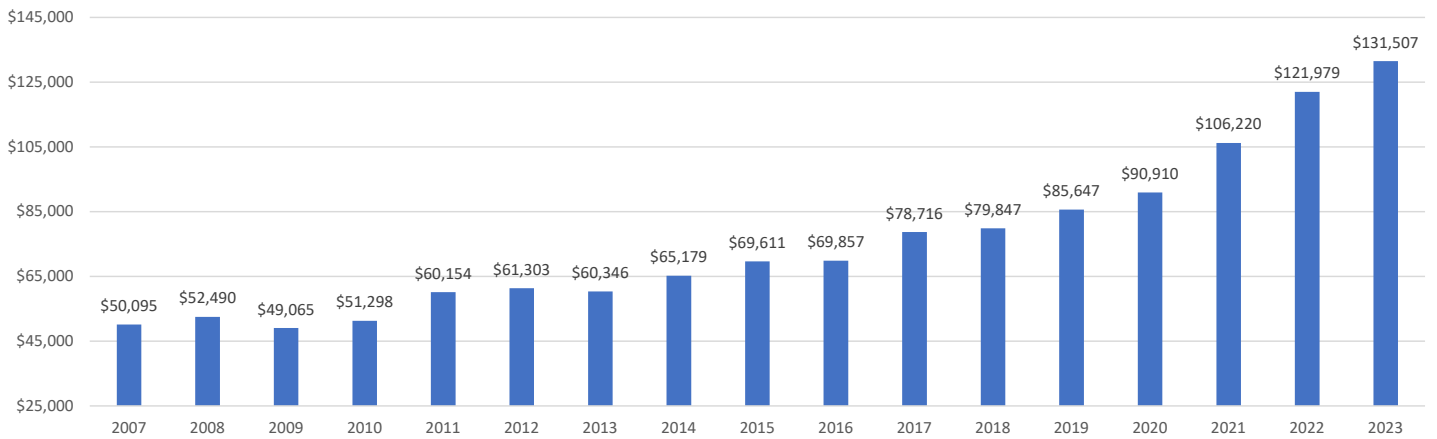
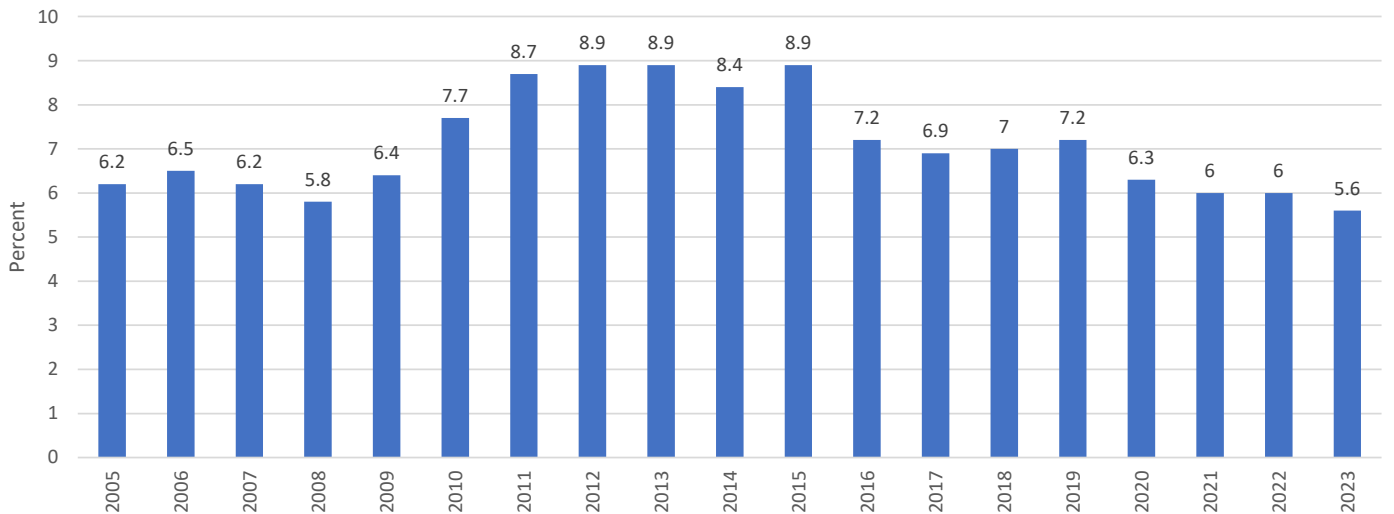


Figure 11:
Routt County Poverty Rate Estimate



Population Trends

The Colorado State Demography Office produces population estimates and population forecasts. Table 2 illustrates these forecasts for counties in the Western Slope. Routt County is expected to increase in population, rising from 25,332 in 2025 to 26,785 in 2030, to 29,898 in 2040, and then to 31,839 in 2050. Population is a function of birth rate, death rate, and migration. Routt County has a positive natural rate of increase. This is despite a relatively low birth rate, the compensating factor is an even lower death rate. The primary driver of population growth is in-migration. High standard of living costs will prohibit too much migration as the county's housing market is prohibitive for many buyers. Table 3 shows the change in population and its components the last 5 years, and in 2030.

Table 2:
**Population Estimates Table (2020-2050),
Colorado State Demography Office**

	Mesa	Montrose	Delta	Garfield	Rio Blanco	Moffat	Routt
2020	155,993	44,832	31,052	61,791	6,521	13,265	24,834
2025	162,123	47,255	32,325	63,668	6,510	13,221	25,332
2030	173,194	49,652	34,040	68,594	6,317	13,023	26,785
2035	185,317	51,510	35,530	74,980	6,041	12,855	28,404
2040	195,212	52,695	36,713	81,467	5,774	12,700	29,898
2045	202,778	53,212	37,584	87,161	5,498	12,528	31,059
2050	208,260	54,586	38,168	91,068	5,213	12,320	31,839

Table 3:
**Routt County Population Change Breakdown,
Colorado State Demography Office**

	Population	Change	Births	Deaths	Net Migration
2020	24,836	316	194	130	252
2021	25,065	229	182	117	164
2022	25,087	22	219	145	-52
2023	25,064	-23	193	139	-77
2024	25,185	121	202	127	46
2025	25,332	147	202	141	86
2030	26,785	326	225	171	271

Routt County Industry Trends

Q4 2024 Quarterly Census of Employment and Wage data shows small jobs losses compared to Q4 last year. The biggest job gains were in construction (48), and educational services (97). The biggest job losses were in accomodation and food services (-101) and real estate (-46). Several counties lost jobs in accomodation and food services, and may be due to the consumer pulling back after inflation reduced their spending power.

Figure 13 shows four of the top industries in Routt County (construction, healthcare, arts entertainment and recreation, accommodation and food services) and shows job trends over the last four years. Routt County deals with seasonality from the tourism industry but in general, the post COVID trend is a slow and steady increase in jobs for these industries. Healthcare is the largest wage contributor, while accomodation and food service is the largest in jobs. Note that QCEW does not count government jobs, as QCEW is an industry survey.

Table 4:

Quarterly Census of Employment and Wages (QCEW) Q4 2023 Compared to Q4 2024

Sector	Average Employment	Total Quarterly Wages	Average Weekly Wage	Total Employment Change	Total Wage Change
Total, All Industries	16,519	\$257,258,704	\$1,198	-91	\$6,900,595
Health Care and Social Assistance	1,976	\$33,293,053	\$1,296	4	-\$3,903,799
Construction	1,581	\$31,876,446	\$1,551	48	\$2,644,418
Accommodation and Food Services	2,539	\$22,645,876	\$686	-101	\$86,938
Retail Trade	1,820	\$20,944,752	\$885	0	\$960,737
Professional and Technical Services	761	\$19,450,754	\$1,965	-28	\$1,024,226
Public Administration	1,038	\$18,784,826	\$1,392	-6	\$1,193,523
Educational Services	1,290	\$15,195,225	\$906	97	\$1,692,367
Real Estate and Rental and Leasing	675	\$13,827,685	\$1,577	-46	\$75,504
Arts, Entertainment, and Recreation	1,429	\$12,923,821	\$696	N/A	N/A
Finance and Insurance	364	\$12,232,048	\$2,587	17	\$97,541
Administrative and Waste Services	832	\$10,974,355	\$1,015	19	\$173,907
Mining	232	\$10,089,326	\$3,345	15	\$3,071,397
Wholesale Trade	346	\$8,290,137	\$1,841	-7	-\$270,534
Other Services, Ex. Public Admin	544	\$6,262,790	\$886	-4	\$472,294
Utilities	169	\$5,112,075	\$2,327	1	-\$55,150
Transportation and Warehousing	308	\$4,326,150	\$1,082	7	\$518,352
Information	184	\$3,275,156	\$1,367	10	\$187,507
Management of Companies and Enterprises	112	\$2,921,105	\$2,006	0	-\$95,179
Manufacturing	198	\$2,910,345	\$1,129	-14	\$203,774
Agriculture, Forestry, Fishing & Hunting	119	\$1,852,779	\$1,198	-18	\$108,083

SOURCE: Colorado Department of Labor and Employment (QCEW). The most recent quarterly data available is reported.

Figure 12:
Total Job Change from Q4 2023 to Q4 2024

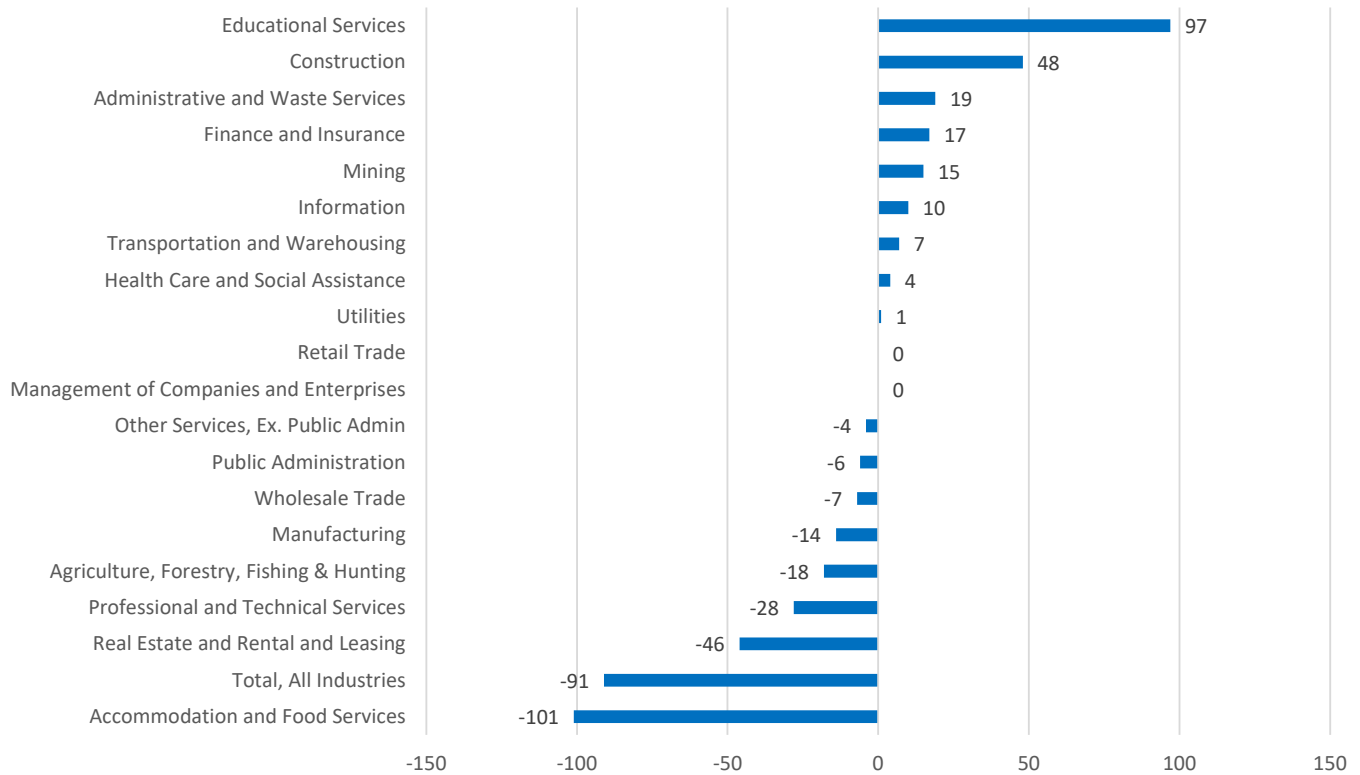
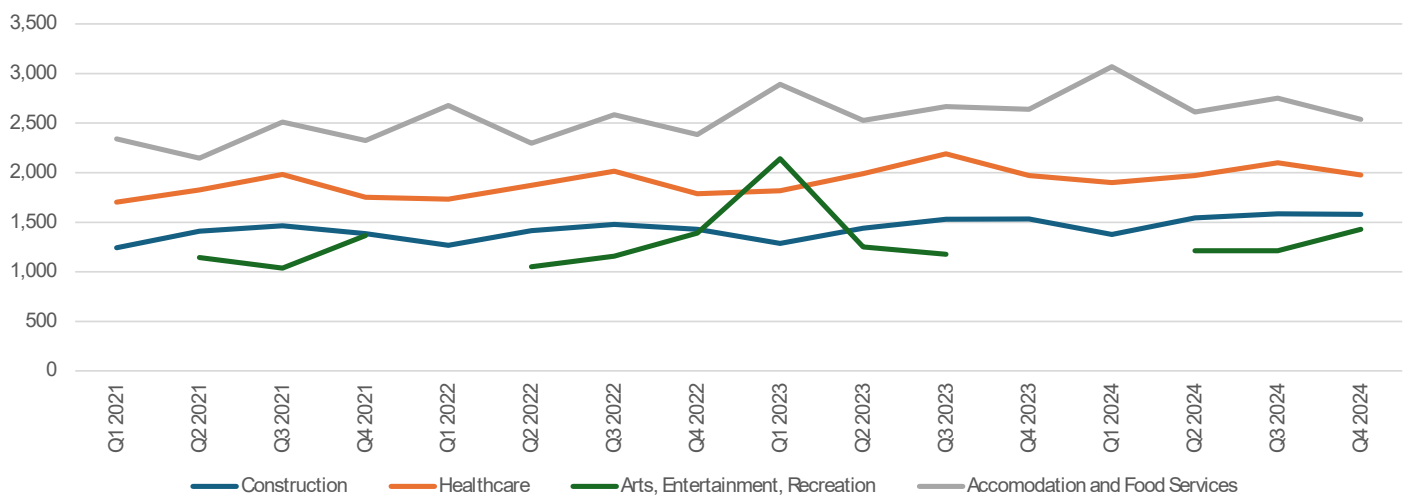


Figure 13:
Top 4 Routt County Industries QCEW Jobs Trend



LOCAL REAL ESTATE

	Q2 2025	Q2 2024	% change since last year
Real Estate			
Current Residential Listings (yearly avg)	143	102	40.33%
New Residential listings (yearly total)	176	162	8.64%
Sold Residential Listings (yearly total)	58	72	-19.44%
Median Sales Price	\$1,568,262	\$1,464,167	7.11%
Average Sales Price	\$2,391,552	\$1,828,096	30.82%
Days on Market	76.00	83.00	-8.43%
Months Supply of Inventory	6.53	3.07	113.04%
Building Permits Data			
	2024	2023	
Total Building Permits	1,204	1,317	-8.58%
Total Building Permit Valuation	629,437,774	405,838,604	55.10%
Single Family Home Permits	145	126	15.08%
Single Family Home Permit Valuation	237,197,939	186,970,069	26.86%
New Private Housing Structures (All types, Census)	597	329	81.46%
Foreclosures			
	2024	2023	
Foreclosure Filings	6	11	-45.45%
Mortgage Rates			
	July 2025	July 2024	
15 Year Mortgage Rate	5.86%	6.14%	-0.28%
30 year Mortgage Rate	6.72%	6.85%	-0.13%

SOURCES: Real Estate: Colorado Association of Realtors Market Trends Program through ShowingTime. Note that real estate data is just single family homes; Building permit and valuation: Routt County Building Department; Mortgage rates: Freddie Mac.

Local Real Estate Indicators

The Routt County real estate market has seen an increase in listings, rising from 102 last year to 143 in 2025. Days on market has decreased from 83 to 76, while months supply of inventory has decreased from increased quite drastically to 6.53. Note that a months supply of inventory above five usually indicates a buyers market. The median sales price of single family homes rose by 7.11%, rising from \$1,464,167 to \$1,568,262.

On the permit side, data from Routt County shows a decrease in total building permits, falling from 1,317 in 2023 to 1,204 in 2024. Despite the fall in total permits, total permit valuation increased 55%. Single family home permits increased from 126 to 145, with single permit valuation increasing by 26.86%. Updated Census data on new private housing structures, that counts all types of housing structures, shows an increase from 329 to 597, or a 81.46% increase.

As of August 2025, U.S. mortgage rates remain elevated, with the average 30-year fixed-rate mortgage at 6.72%, having been elevated since late 2022. Those hoping for lower interest rates because of potential Federal Reserve intervention may be disappointed. Although there is a relationship between the Federal Funds Rate and the 10 year treasury (the treasury that the 30 year mortgage is based on), they can operate as separate markets and many economists are anticipating even as the federal funds rate goes lower due to potential Fed cuts, the 10 year treasury and hence mortgage rates will not fall proportionately. Markets are showing close to a 90% chance of a rate cut in September, primarily due to the poor job numbers discussed earlier. However, the Fed will likely remain cautious with rate cuts until the full inflationary impact of tariffs is known, which could be several months.

Figure 14:
Routt County Building Permit Data

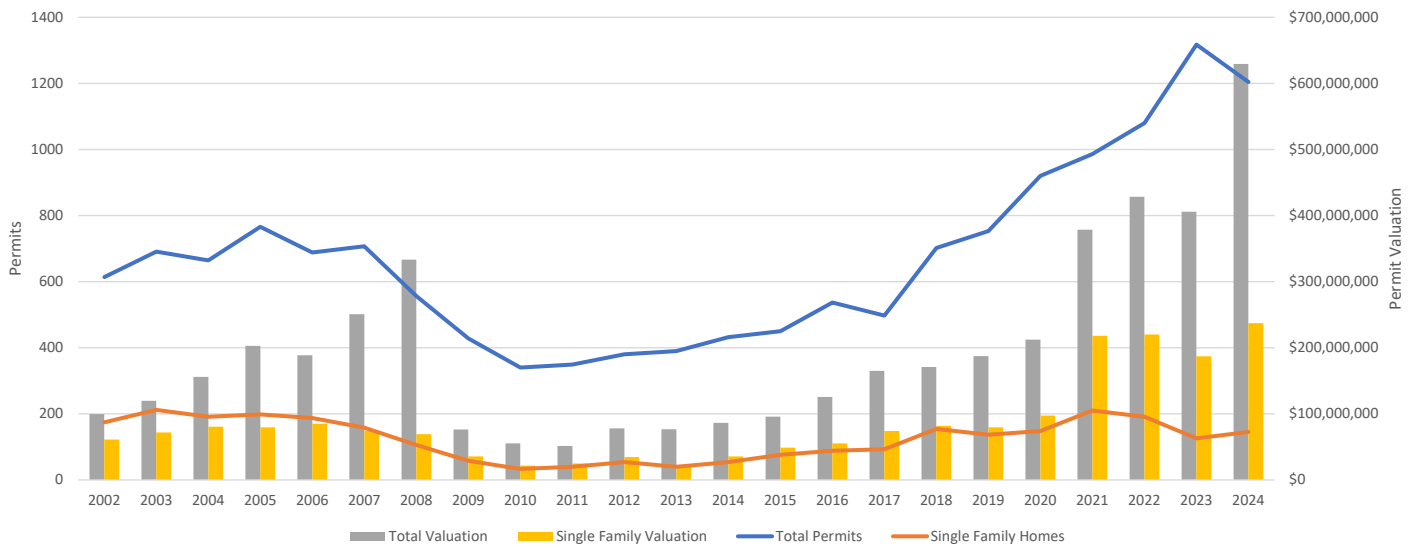
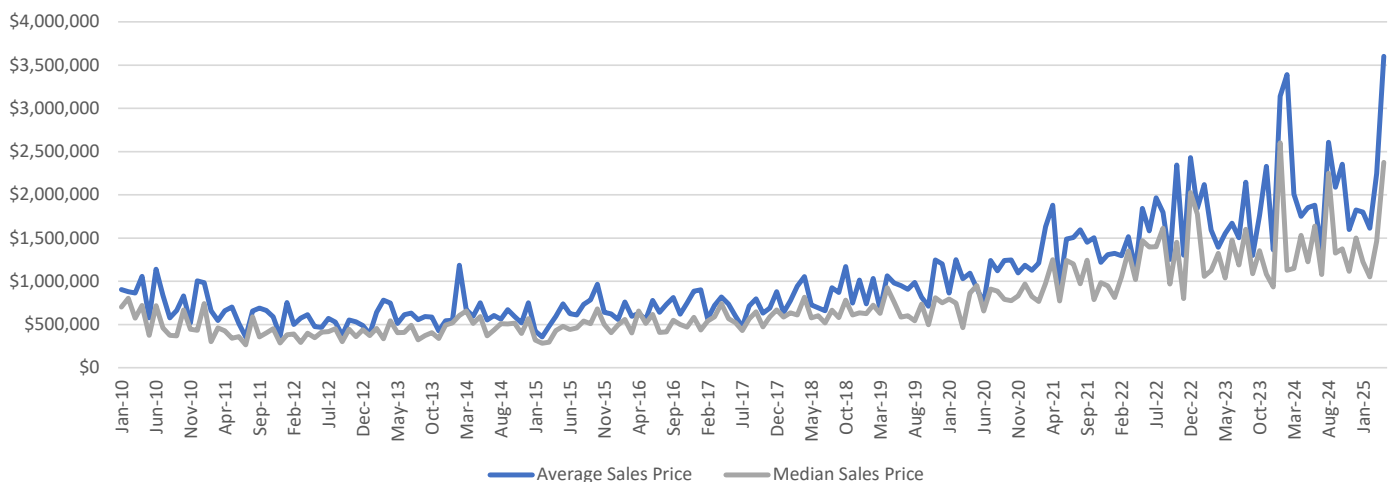


Figure 15:
Months Supply of Inventory



Figure 16:
Median and Average Sales Price



REGIONAL ENERGY

	Q2 2025	Q1 2025	Q2 2024	% change since last quarter	% change since last year (comparable quarters)
Energy Prices					
WTI Crude Oil	\$64.57	\$71.78	\$81.81	-10.04%	-21.07%
Henry Hub Natural gas	\$3.19	\$4.15	\$2.09	-23.13%	52.63%
Retail Gasoline Price	\$3.04	\$2.99	\$3.42	1.61%	-11.18%
Drilling Permits					
	2025 (YTD)	2024	2023	2022	2021
Drilling Permits (Mesa County)	2	40	0	0	1
Drilling Permits (Rio Blanco County)	12	67	40	40	33
Drilling Permits (Garfield County)	35	18	139	133	127
Drilling Permits (Moffat County)	0	10	3	4	1
Total Permits (Mesa, Rio Blanco, Garfield, Moffat)	49	135	182	177	162
Total Permits (Colorado)	260	980	1,005	805	1,543
Local Rig Count					
	25-Aug	25-May	Feb-23	Aug-22	
Rig Count (Western Colorado, Mesa, Rio Blanco, Garfield, Moffat)	1	1	3	4	
Regional Coal Industry					
	2024	2023	% Change		
Moffat, Rio Blanco, Routt Average Monthly Employment for Coal Mining	639	643	-0.67%		
Moffat, Rio Blanco, Routt Coal Production (tons)	563,190	632,619	-10.97%		

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; Coal data from the Colorado Division of Reclamation, Mining, and Safety.

Figure 18:
Oil and Natural Gas Prices

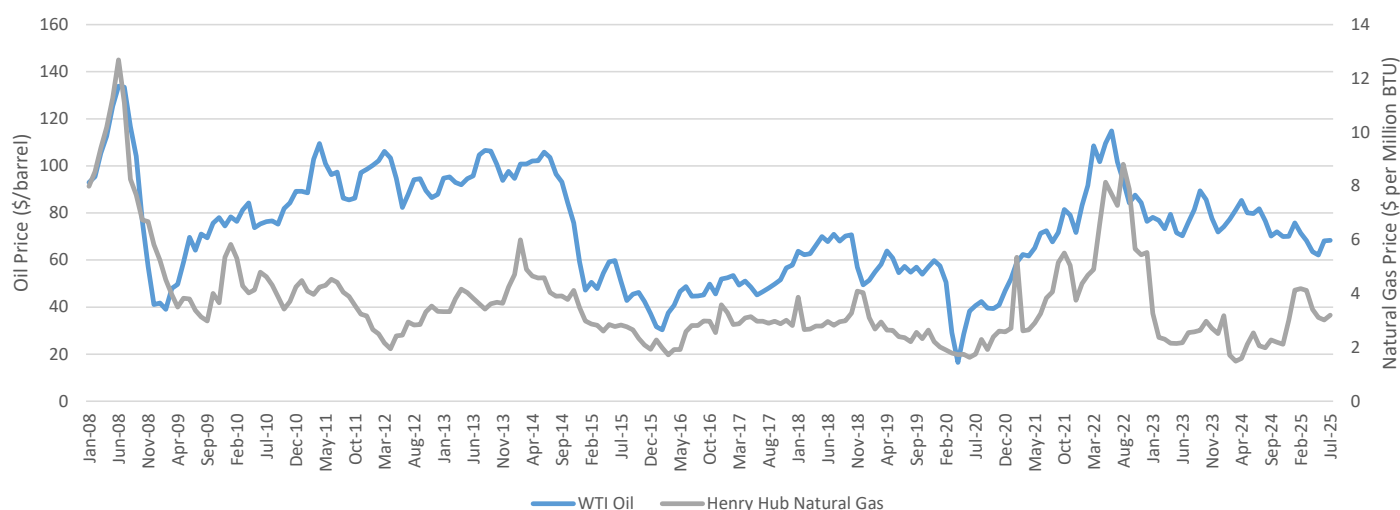


Figure 19:
Coal Jobs by Mine

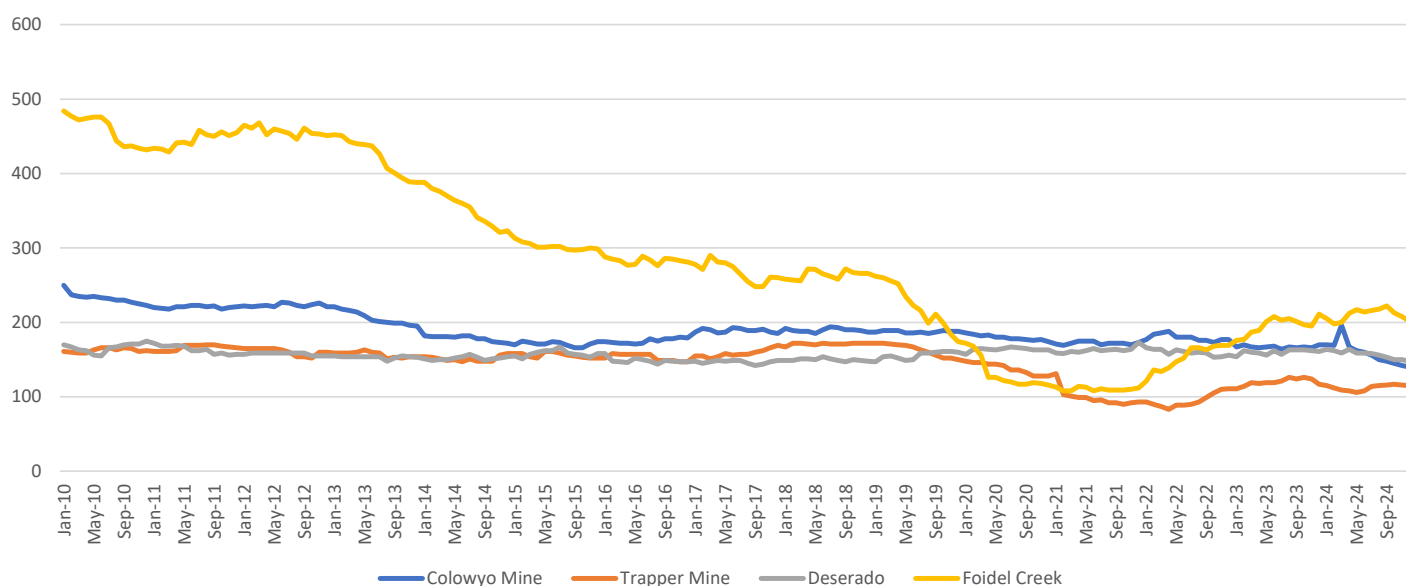
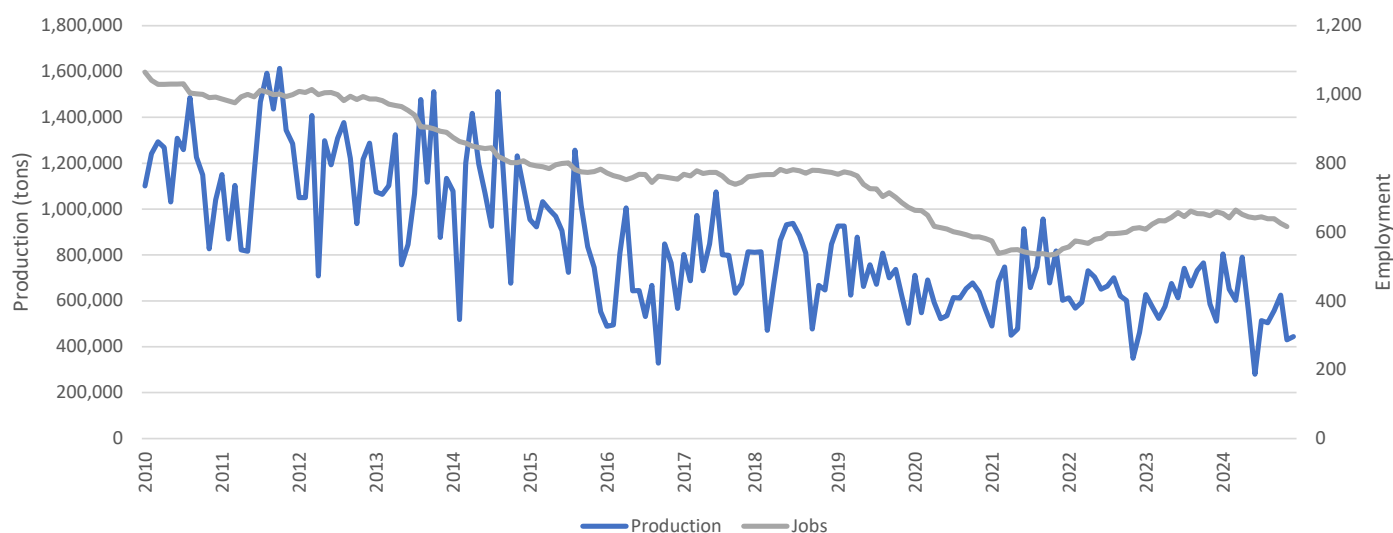


Figure 20:
NW Colorado Coal Jobs and Production



Western Slope Oil and Gas Activity

Natural gas prices averaged \$3.19/per million British thermal units (MMBtu) in Q2 of 2025. The U.S. Energy Information Administration (EIA) projects the Henry Hub spot price to average \$3.40/MMBtu in Q3, and \$3.70/MMBtu by the end of the year, rising to \$4.40/MMBtu in 2026. This increase is driven by several factors including increasing storage levels this summer, slightly falling production, and increased liquified natural gas export demand.

Oil prices (WTI) averaged \$64.57 in Q2, falling from the previous quarter and previous year. The EIA forecasts Brent oil prices to average \$69 per barrel through the rest of the year. The EIA forecasts an even lower oil price for 2026, expecting Brent crude oil to average \$58 per barrel. This is based on rising global inventory. U.S. crude oil production is expected to fall due to falling prices, with 13.4 million barrels per day in Q2 of 2025, expecting a decline to 13.3 million barrels per day by Q4 2026.

Regional Mining Activity

Total production of coal in Northwest Colorado is down compared to 2023. Note that the production and jobs numbers compare January through December of 2023 and 2024, as 2025 data has not been released as of the writing of this report. Production fell 10.97% compared to last year, while jobs remain even at 639.

NATIONAL ECONOMIC INDICATORS

	Q2 2025	Q1 2025	Q2 2024	% change since last period	% change since last year (comparable quarters)
Business Cycle Indicators					
Real GDP	3.00%	-0.50%	3.00%	3.50%	0.00%
Personal Consumption Expenditures	1.40%	0.50%	2.80%	0.90%	-1.40%
Gross Private Domestic Investment	-15.60%	23.80%	8.30%	-39.40%	-23.90%
National Consumer Confidence	55.0	64.5	71.5	-14.73%	-23.08%
Industrial Production Index	103.8	103.5	102.9	0.28%	0.90%
Initial Weekly Unemployment Claims (4 week MA)	232,154	220,212	221,558	5.42%	4.78%
Non Farm Payroll Change (in thousands)	289,333	521,333	513,667	-44.50%	-43.67%
Unemployment					
Unemployment Rate-U3-SA	4.20%	4.10%	4.00%	0.10%	0.20%
Unemployment Rate-U6-SA	7.80%	7.80%	7.40%	0.00%	0.40%
Interest Rates					
Federal Funds Rate	4.33%	4.33%	5.33%	0.00%	-1.00%
10 Year U.S. Treasury	4.36%	4.45%	4.44%	-0.09%	-0.08%
30 Year U.S. Treasury	4.83%	4.71%	4.58%	0.12%	0.25%
Inflation Measures					
Inflation Rate (CPI)	2.46%	2.74%	3.19%	-0.28%	-0.73%
Core Inflation Rate (All Items Less Food and Energy)	2.82%	3.08%	3.42%	-0.26%	-0.61%
Inflation Rate (Shelter)	3.90%	4.21%	5.35%	-0.32%	-1.46%
Producer Price Index (PPI)	1.14%	1.84%	0.49%	-0.70%	0.65%
Employment Cost Index	3.62%	3.60%	4.03%	0.02%	-0.40%
Stock Prices					
S&P 500	5,732	5,895	5,247	-2.76%	9.25%
Dow Jones Industrial Average	41,478	43,240	38,807	-4.08%	6.88%
Trade Balance and Debt					
Trade Balance (% of GDP)	-872.384	-1245.141	-906.87	-29.94%	-3.80%
Federal Debt (% of GDP)*	120.9%	121.9%	120.8%	-1.0%	0.0%

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. Tariff rate from (10.5281/zenodo.15151391).

Figure 21:
Real GDP for U.S.

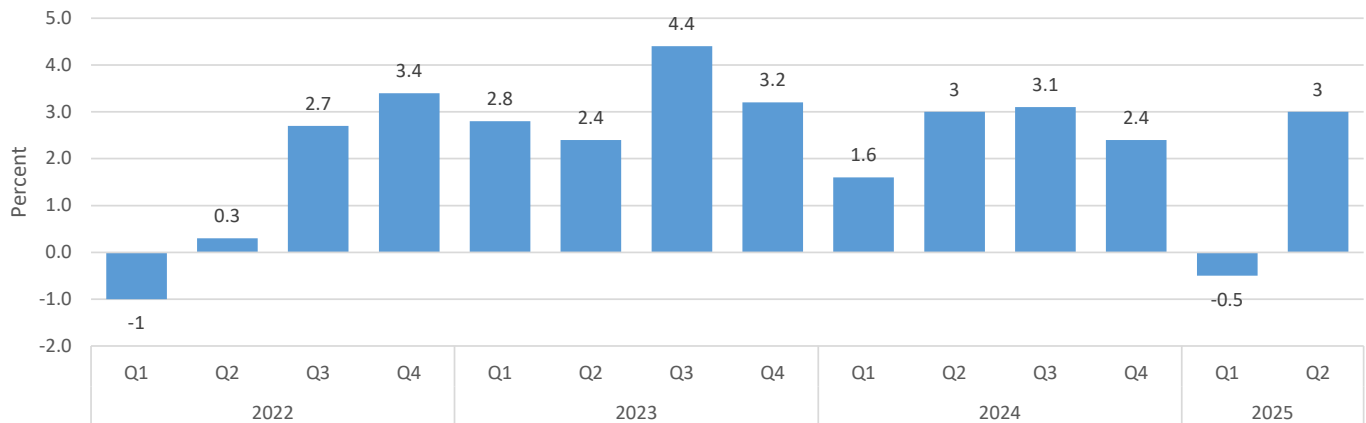
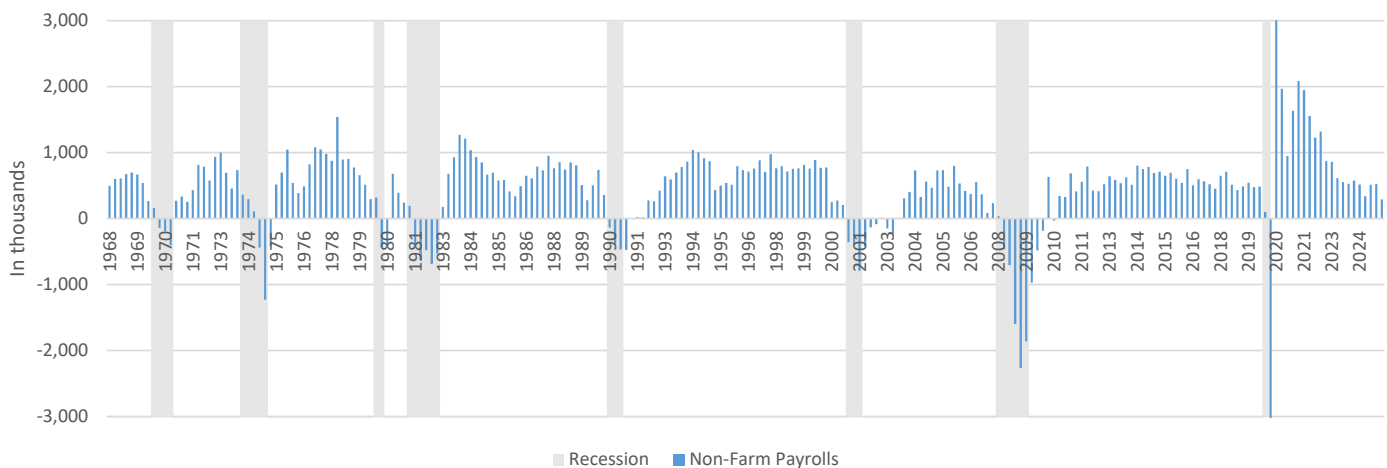


Figure 22:
Non-Farm Payrolls (Quarterly)



Economic Growth

U.S. GDP growth for Q2 2025 was 3%, rising from last quarter's -0.3% (Figure 20). This was expected, the Q1 negative number was due to large pre-tariff purchases that pushed imports up (a subtraction from GDP) due to businesses buying inventory from overseas before tariffs hit, while Q2 had less business imports for the exact opposite reason. As of August 7th, the Atlanta Federal Reserve's GDPNow forecasts Q3 GDP at 2.5%. Many are watching the tariff situation closely to see how it impacts growth. So far growth seems strong but the full impact of the tariffs has not been felt. The Wall Street Journal's quarterly economist survey (published July 18th) shows a 12 month recession probability of 33%.

Labor Market

The seasonally adjusted unemployment rate has been at 4.2% for several months, while Colorado's seasonally adjusted unemployment rate has hovered around 4.8%. Ultimately, labor market data still shows a stagnating labor market. Layoffs are not accelerating, but neither is hiring.

A recent jobs report caused controversy as the Bureau of Labor Statistics (BLS) revised a payroll report from May and June significantly downward, erasing 258,000 from the spring job estimates. The July jobs number showed 73,000 jobs, far below estimates. This revision was unexpected and was due to poor establishment survey response rate, a seasonality correction, and some sector-specific misestimates. The newly updated data now fits the narrative of other labor market data, that layoffs are low but job gains are declining leading to a stagnating labor market. Figure 22 illustrates the drop in job estimates.

Inflation

July inflation landed at 2.7%, a 0.2% increase for the month of June. Figure 28 illustrates the inflation rate along with the 10 year treasury bond yield. Figures 29 show the change in money supply (M2). M2 has fallen from its COVID-19 high but has crept up again. M2 is theoretically associated with rising inflation. Wages continue to fall from their peak as seen in the employment cost index. This is good news for inflation, but bad news for workers hoping for wage gains. All eyes on are tariffs and how they will impact inflation over the next several months.

Tariffs

In April, the Trump administration imposed a 10% across the board tariff on U.S. trading partners while they evaluated trade agreements and trade imbalances. As of August 7th, reciprocal tariffs have been imposed that are intended to reshape global trade imbalances and generate tariff income. According to the Yale Budget Lab, the current average effective tariff rate is now 18.3%, which is the highest since 1934.

In addition to across the board tariffs, several materials have had tariffs imposed including aluminum, copper, lumber, and steel. So far, the April tariffs have not contributed significantly to inflation. Some economists argue that it is going to take longer for an impact. Economic theory shows that tariffs would have to increase prices or decrease profitability, unless businesses find cheaper alternatives for their input sourcing. Some of the tariffs will be pushed on to the consumer, while some will be absorbed by the firm. We see some signs of tariff impact in the July CPI report but so far no major price increases from tariffs. We will find out precisely how this plays out over the next several months. For now, the gloomy inflation predictions of many economists have not come to fruition.

Deficit/Debt

Another important economic topic that has hit the national stage is the U.S. debt and deficit. The debt is the total amount owed, while the deficit is the yearly accrual of debt. The U.S. is currently at a 121% debt/GDP ratio. Some like to view the total value of the debt, which is close to \$36 trillion, however, the best way to view it historically is as a percentage of GDP (Figure 24). The current deficit is -6.2% of GDP (Figure 23), which is very high compared to the post WW2 era.

The debt can be burdensome on the economy through a variety of channels. The first is that future taxpayers have to pay it back. The second is that the long term treasury market prices in more risk as debt levels rise, which pushes long term interest rates up. This is one of the main obstacles to lower rates. There are two solutions, the first is to raise taxes or cut spending. The second is to grow our way out of it. Ultimately as the debt continues to expand, interest rates will begin to slowly drift higher. It also puts a damper on fiscal policy if the U.S. enters into a recession.

Figure 23:
Deficit/GDP

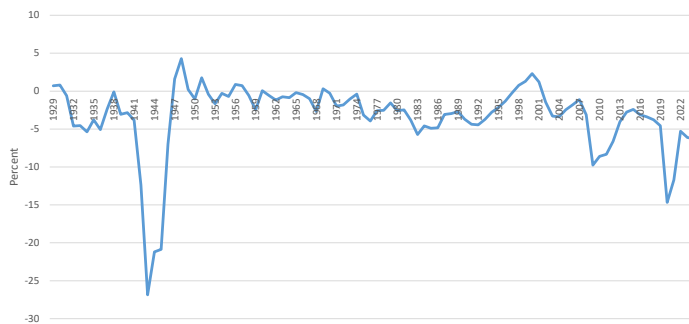


Figure 24:
Debt/GDP

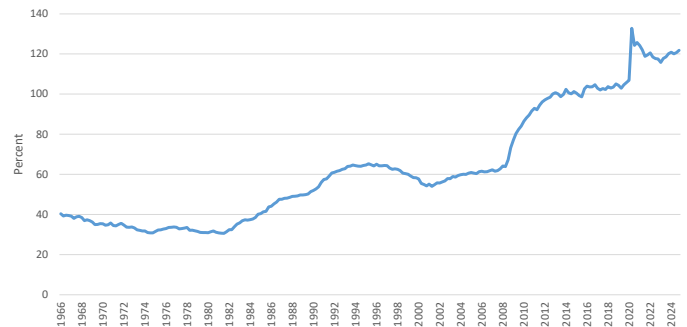


Figure 25:
Inflation and the 10 Year Treasury

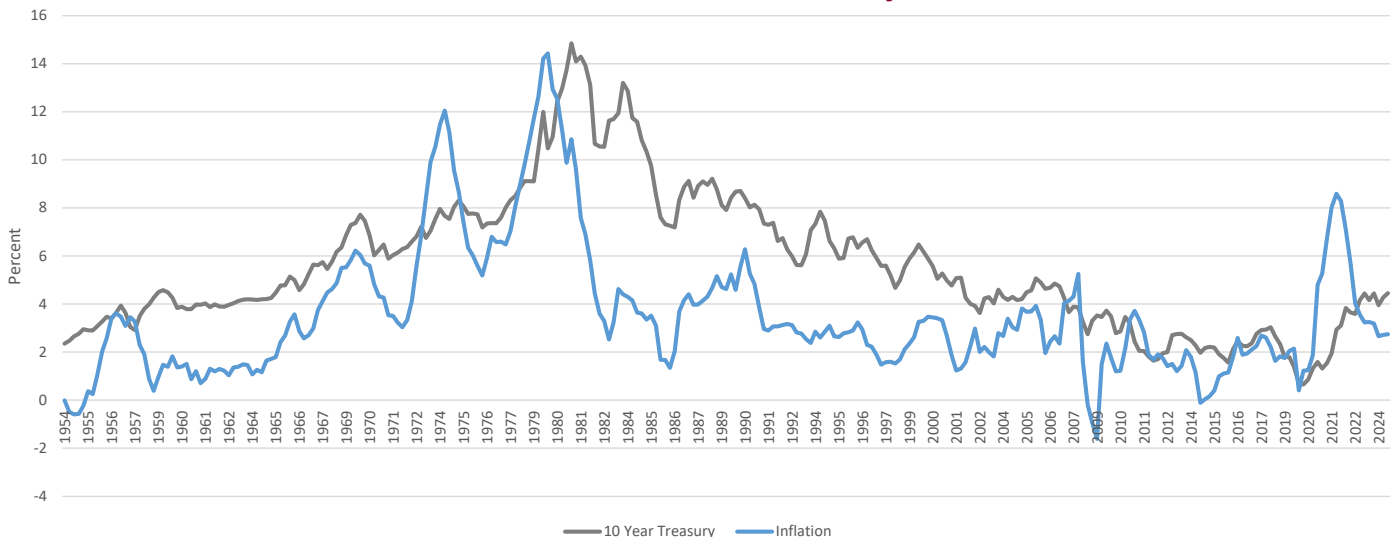


Figure 26:
Change in M2

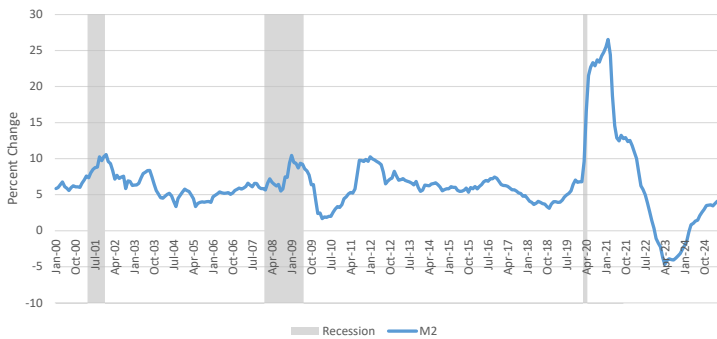


Figure 27:
University of Michigan Consumer Confidence Index

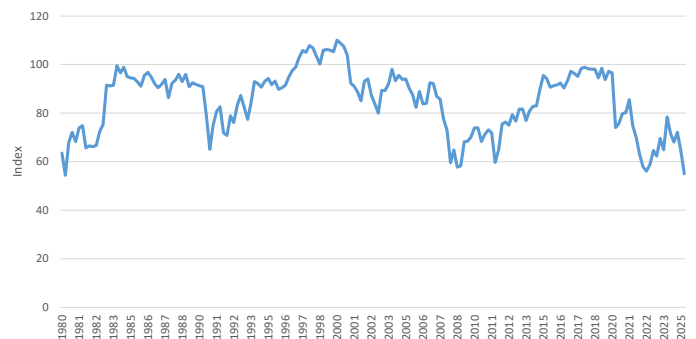


Figure 28:
Unemployment Rate

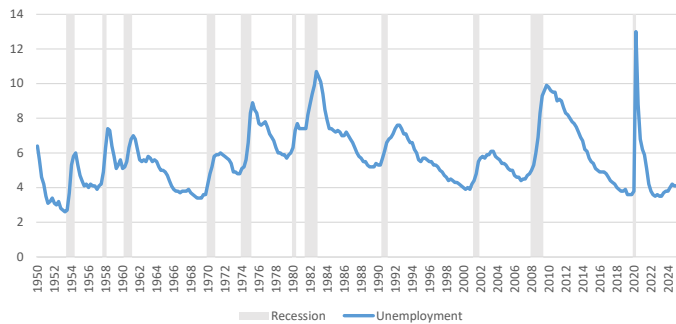
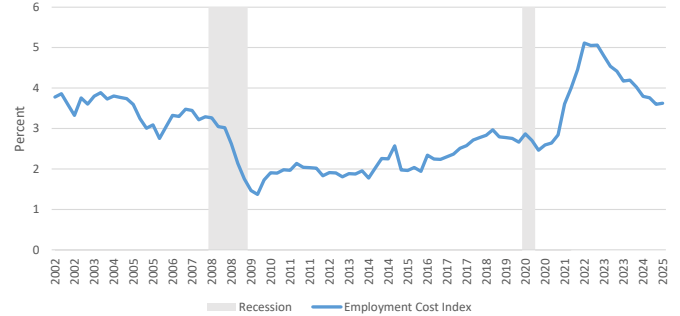


Figure 29:
Employment Cost Index



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