

GARFIELD COUNTY ECONOMIC UPDATE

First Quarter 2022



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

Economic Summary

- Garfield County GDP for 2020 fell by 4.7%. Garfield was hit by the perfect storm of a pandemic that affected the tourism industry in eastern Garfield and pushed oil and gas prices to their lows, negatively impacting Western Garfield. Garfield's 4.7% GDP loss was one of the largest in the region.
- 2020 poverty estimates were also released, showing that poverty numbers inched lower. 2018's poverty estimate was 8.4%, falling to 9.6% in 2019, and 6.7% in 2020. Garfield County has some of the lower poverty numbers in the region.
- The Garfield County labor market has now surpassed the level of employment from the peak employment in 2019. The peak employment level for 2019 was July at 32,411, while January 2022's employment estimate was 32,600.
- The U.S. inflation rate in February hit 7.9%. This is the highest inflation rate since 1982. Before Russia's invasion of Ukraine, a 3.5-4% inflation forecast by year end was a reasonable way to view inflation dynamics for the coming year. However, the Russia-Ukraine crisis has changed the inflation forecast and has much larger implications for the world and U.S. economy, bringing with it significant macroeconomic and financial risks.

CONTENTS

Local Economic Indicators.....	1
The Local Labor Market	2
Standard of Living Graphs	5
Mesa Industry Trends	6
Local Real Estate Indicators	8
Regional Energy.....	10
Drilling Permits and Gas Jobs	11
National Economic Indicators	12
National Economic Performance	13

LOCAL ECONOMIC INDICATORS

	Q4 2021	Q3 2021	Q4 2020	change since last quarter	change since last year (comparable quarters)
Local Labor Market					
Unemployment Rate Garfield County -NSA	3.47%	4.13%	5.20%	-0.67%	-1.73%
Unemployment Rate Colorado -SA	4.00%	5.10%	6.10%	-1.10%	-2.10%
Unemployment Rate U.S. -SA	4.00%	5.20%	6.50%	-1.20%	-2.50%
Labor Force	32,298	32,944	31,034	-646	1,264
Employed	31,184	31,578	29,417	-394	1,767
Unemployed	1,114	1,365	1,617	-252	-503
Business Confidence					
Leeds Colorado Business Confidence	56.1	67.3	47.9	-16.64%	17.12%
Sales/Use Taxes					
	2021 (YTD)		2020 (YTD)		
Rifle Sales/Use Taxes	\$13,436,457		\$11,456,748		17.28%
Garfield County Sales/Use Tax	\$14,929,721		\$11,992,345		24.49%
Glenwood Springs Sales/Use Tax	\$20,212,997		\$16,063,688		25.83%
Glenwood Springs Accomodation Tax	\$1,348,109		\$762,695		76.76%
Business Filings					
	2021 (YTD)		2020 (YTD)		
Garfield County New Business Entity Filings	1,585		1,376		18.97%

	2020	2019	2018	2017	% change from previous year
Standard of Living and Growth					
Population	60,366	60,031	59,722	59,065	0.56%
Gross Domestic Product (GDP)	\$4,218,575	\$4,427,385	\$4,328,140	\$4,544,978	-4.72%
Personal Income	\$3,777,744	\$3,624,440	\$3,458,991	\$3,316,690	4.23%
Personal Income Per Capita	\$62,581	\$60,376	\$57,918	\$56,153	3.65%
Median Household Income	\$79,958	\$73,788	\$74,421	\$71,897	8.36%
Percent of Population Below Poverty Line	6.7%	9.6%	8.4%	7.6%	-2.90%

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 Rifle, Garfield County, Glenwood Springs; 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

The Garfield County labor market has now surpassed the recent peak employment level from 2019. The peak employment level for 2019 was in July at 32,411, while January 2022's employment estimate of 32,600 finally pushed Garfield County past the previous peak. Garfield has now recovered 7,123 jobs since the COVID-19 induced bottom of April 2020. The longer term trend for Garfield County's employment growth has been stagnation, ranging between 37,000 and 40,000 jobs since 2009, with no upward trend in job creation. Despite lack of long term employment growth, the non-seasonally adjusted unemployment rate for Q4 2021 remains very low at 3.5%, lower than both the state and the nation.

Business Confidence, Sales Tax, and Business Filings

The Leeds Business Confidence Index has fallen by 16.64 percent from last quarter, as businesses see the impacts of inflation, supply chain problems, and labor shortages. These issues do not seem to be impacting local spending, as sales tax collection continues to rise. Comparing 2020 totals with 2021 totals, Rifle sales/use taxes are up 17.3%, Garfield County is up 24.5%, and Glenwood Springs is up 25.8%. Glenwood Springs accommodation taxes, used as a proxy for tourism activity, is up 76.8%. As businesses increase prices due to inflation, sales taxes will rise proportionally.

Garfield County business filings are up 15.2% from 2020, showing increased interest for small business creation.

Standard of Living Indicators

Two new standard of living measures were recently released for Garfield County 2020 data. Median household income increased

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

	Labor Force	Employed	Unemployed
Annual	850	1,373	-523
5-Year	1,261	791	471
10-Year	934	2,501	-1,567
Annual %	2.7%	4.7%	-25.8%
5-Year %	4.1%	2.6%	45.5%
10-Year %	3.0%	8.9%	-51.0%

from \$73,788 to \$79,958. This is important because median household income for the United States fell from \$69,560 to \$67,521, which means Garfield County did better than the nation. Colorado median household income increased from \$72,499 to \$82,611, so Garfield County's increase was better than the nation but did not keep up with Colorado.

Poverty estimates were also released, showing that poverty numbers inched lower. 2018's poverty estimate was 8.4%, falling to 9.6% in 2019, and 6.7% in 2020. Garfield County has some of the lower poverty numbers in the region.

Garfield County GDP for 2020 fell by 4.7%. Garfield was hit by a perfect storm, a pandemic that affected the tourism industry in eastern Garfield and pushed oil and gas prices to their lows, hurting Western Garfield. Garfield's 4.7% GDP loss was one of the largest in the region.

Figure 1:
2 Year Employment

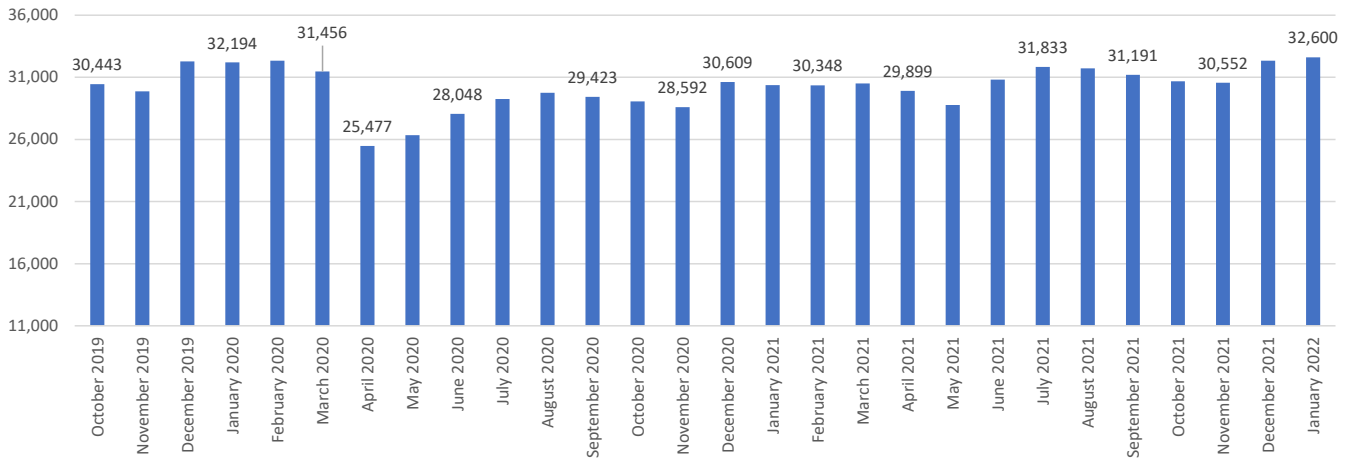


Figure 2:
Yearly Employment Average

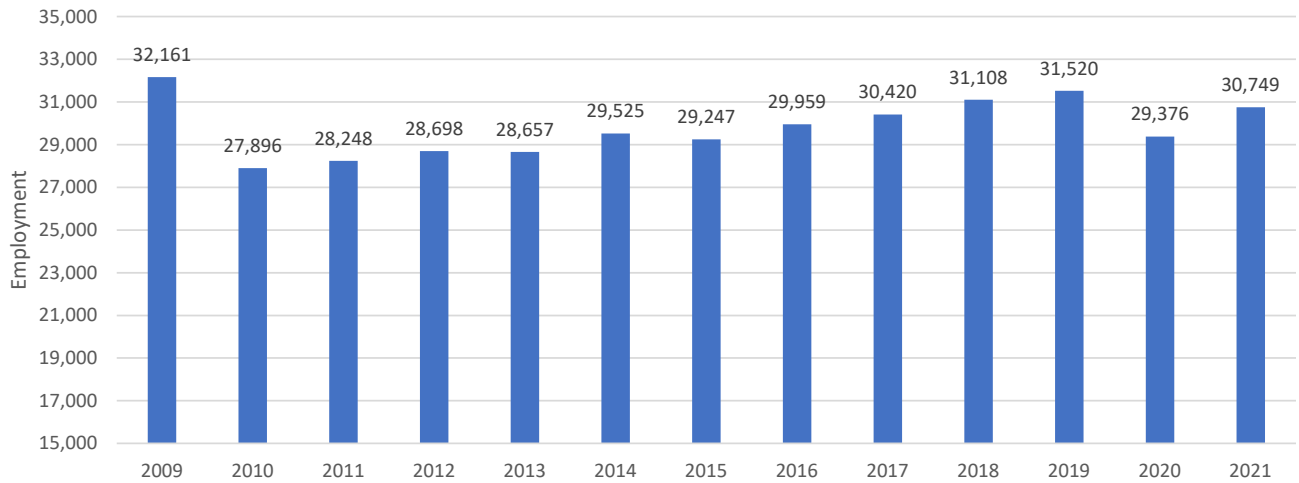


Figure 3:
Change in Yearly Employment Average

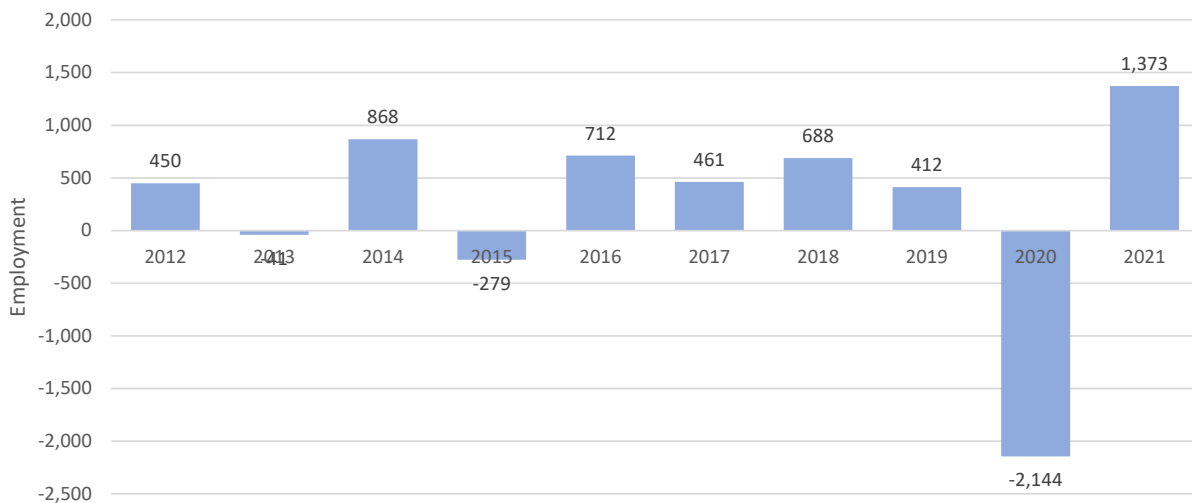


Figure 4:
Garfield County and Colorado Unemployment Rates

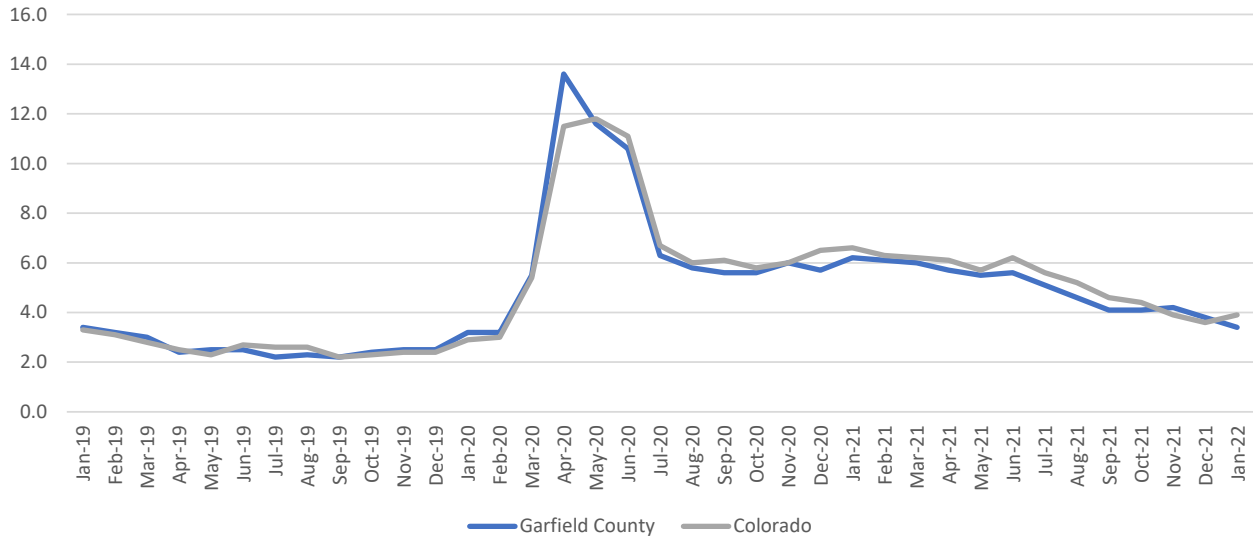


Figure 5:
Number of Unemployed Garfield County

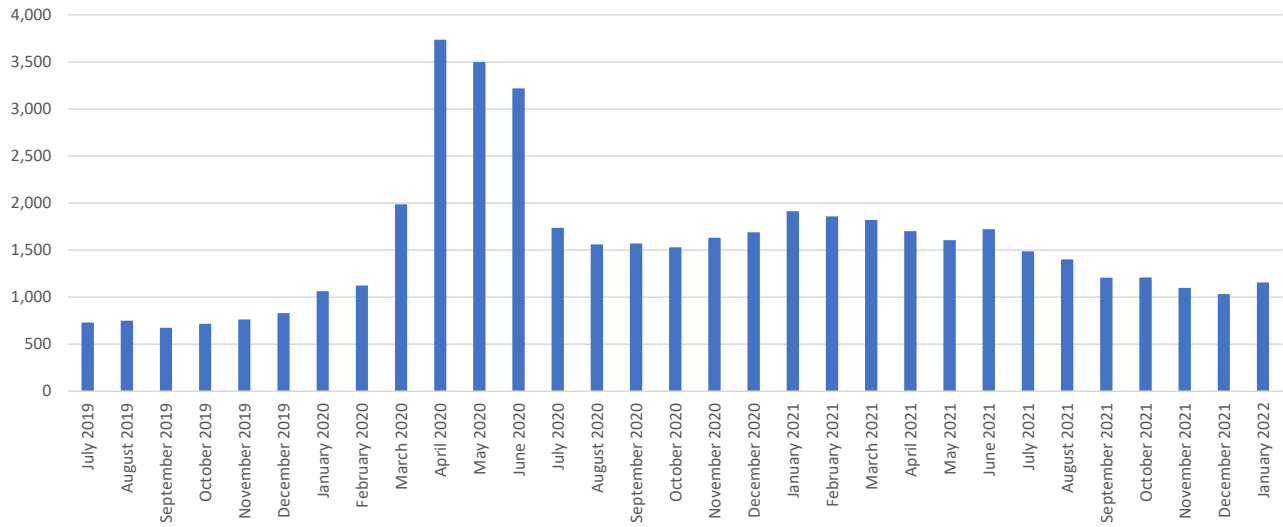


Figure 6:
Total Full and Part Time Jobs (BEA)

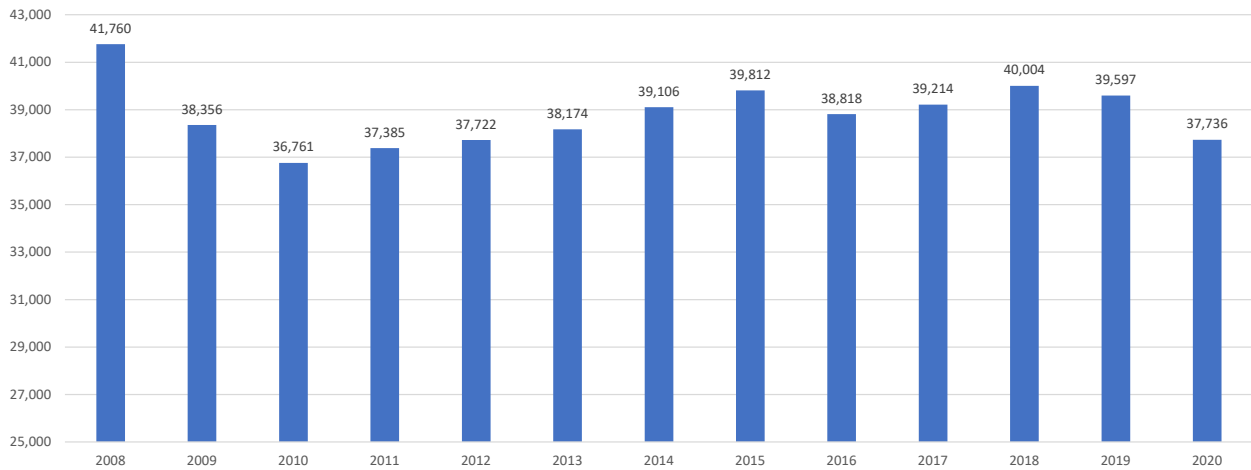


Figure 7:
Garfield County Median Household Income

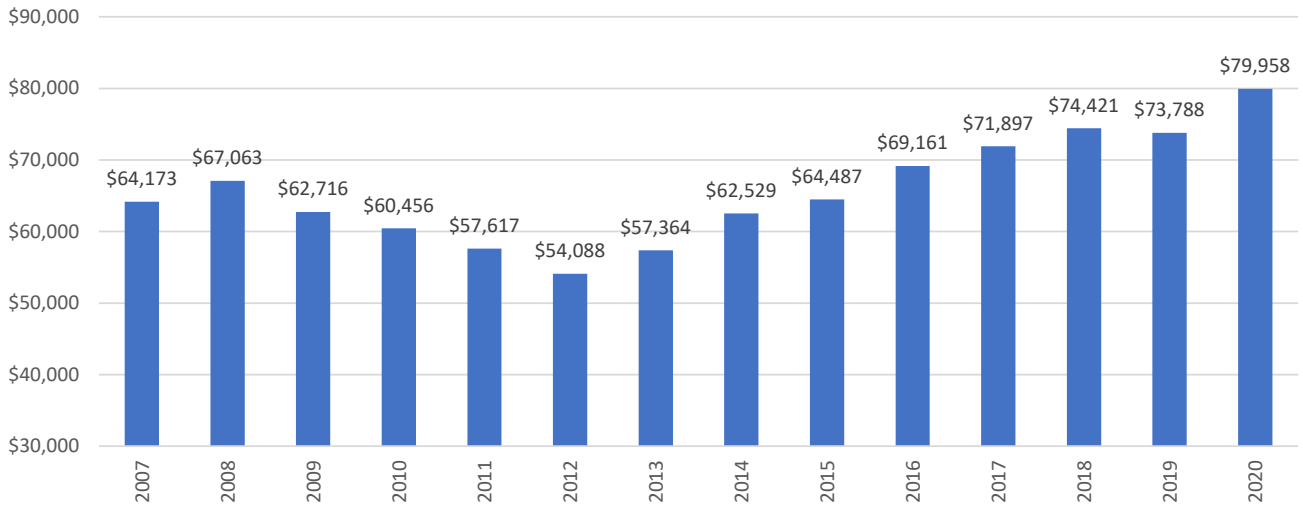


Figure 8:
Garfield County Poverty Rate Estimate

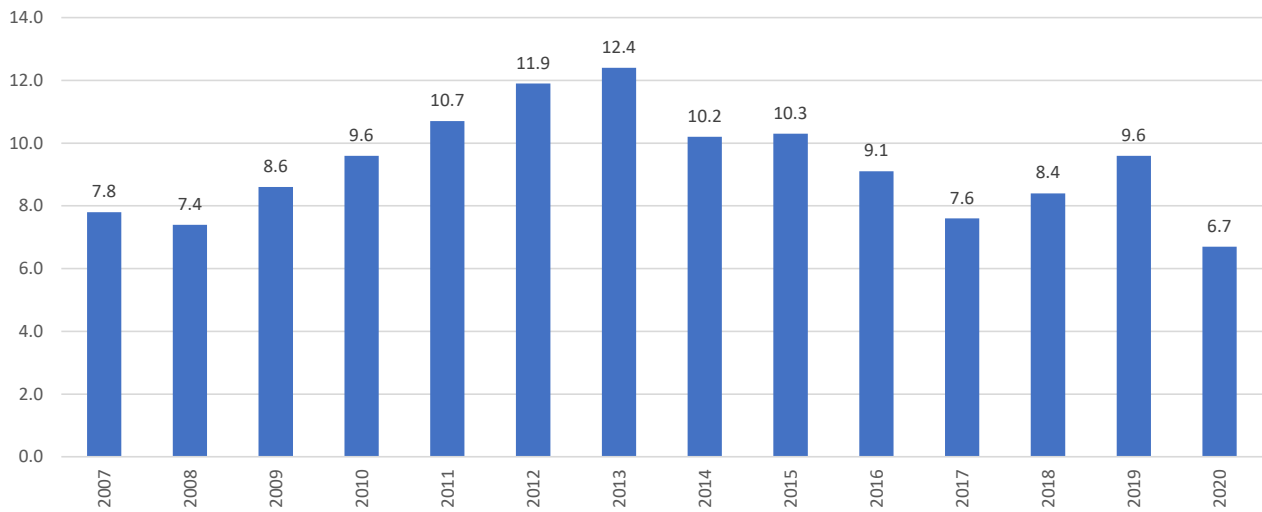
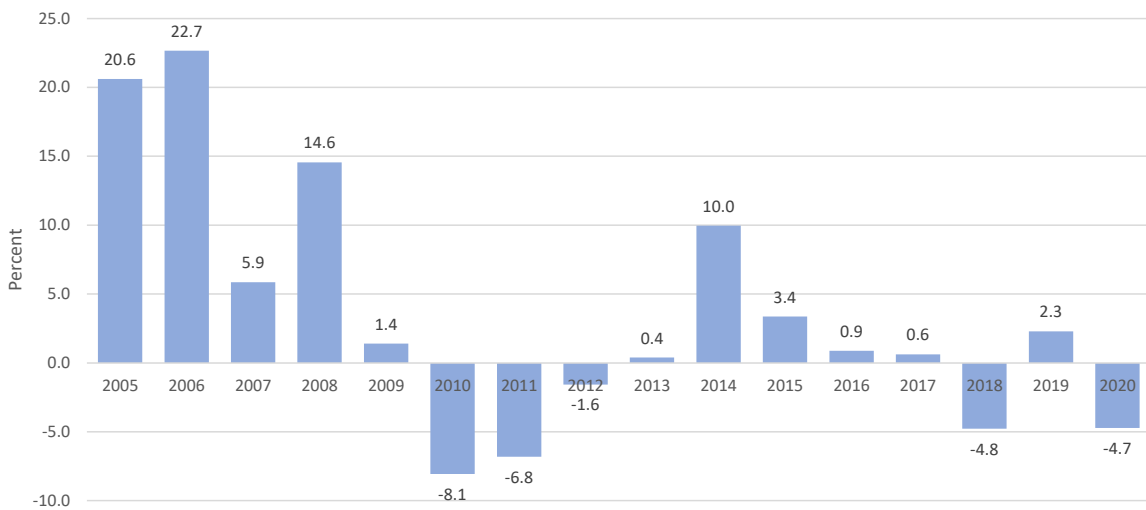


Figure 9:
Garfield County Real GDP % Change (chained 2012 dollars)



Garfield County Employment Trends

Q3 2021 Quarterly Census of Employment and Wage data shows job and wage gains compared to Q3 2020. The biggest wage gains were in construction, accomodation and food services, and real estate rental and leasing. The biggest job gains were in accomodation and food services (267), educational services (167), and arts entertainment and recreation (140). Accomodation and food services, retail trade, art entertainment and recreation, and oil and gas were the industries hit hardest by COVID-19. Thus far only oil and gas has not recovered when compared to Q4 2019 (figure 11). However, this industry is finally improving since bottoming in Q3 of 2020. Extremely high oil and gas prices should help facilitate some activity in oil and gas. There was a larger uptick in oil and gas employment in Mesa County than in Garfield in the same time period.

Table 2:
Quarterly Census of Employment and Wages (QCEW) Q3 2021 Compared to Q3 2020

Sector	Average Employment	Total Quarterly Wages	Average Weekly Wage	Total Employment Change	Total Wage Change
Total, All Industries	26,124	\$357,110,454	\$1,052	1,056	\$31,614,772
Health Care and Social Assistance	3,522	\$60,740,470	\$1,327	33	\$3,017,715
Construction	3,370	\$52,266,040	\$1,193	87	\$4,117,538
Retail Trade	3,018	\$32,523,926	\$829	-91	\$3,191,088
Public Administration	1,812	\$29,391,505	\$1,248	-2	\$1,142,757
Educational Services	2,492	\$28,215,888	\$871	167	\$1,226,044
Professional and Technical Services	1,345	\$24,976,173	\$1,428	98	\$2,738,565
Accommodation and Food Services	3,165	\$22,491,351	\$547	287	\$3,756,502
Administrative and Waste Services	1,343	\$16,199,520	\$928	102	\$2,442,801
Mining	710	\$15,956,791	\$1,729	0	\$1,115,803
Real Estate and Rental and Leasing	710	\$11,547,364	\$1,251	115	\$3,276,320
Finance and Insurance	546	\$11,002,704	\$1,550	17	\$57,714
Transportation and Warehousing	626	\$8,898,880	\$1,093	9	\$393,001
Other Services, Ex. Public Admin	783	\$8,606,694	\$846	80	\$1,629,892
Wholesale Trade	551	\$8,061,697	\$1,125	-9	\$339,276
Utilities	307	\$6,783,192	\$1,700	6	\$475,191
Arts, Entertainment, and Recreation	886	\$6,366,348	\$553	140	\$1,244,947
Manufacturing	356	\$4,820,137	\$1,042	-21	\$132,250
Management of Companies and Enterprises	171	\$3,277,134	\$1,474	21	\$710,724
Information	224	\$2,783,644	\$956	21	\$417,090
Agriculture, Forestry, Fishing & Hunting	179	\$2,107,803	\$906	-10	\$96,361

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	2020	2019	2018	2017	% change from 2019
Farm Employment	869	856	858	888	1.5%
Sole Proprietors (non-farm)	10,988	11,178	11,711	11,358	-1.6%

Figure 11:
Industry Job Change Percentage Compared to Q4 2019
 2019

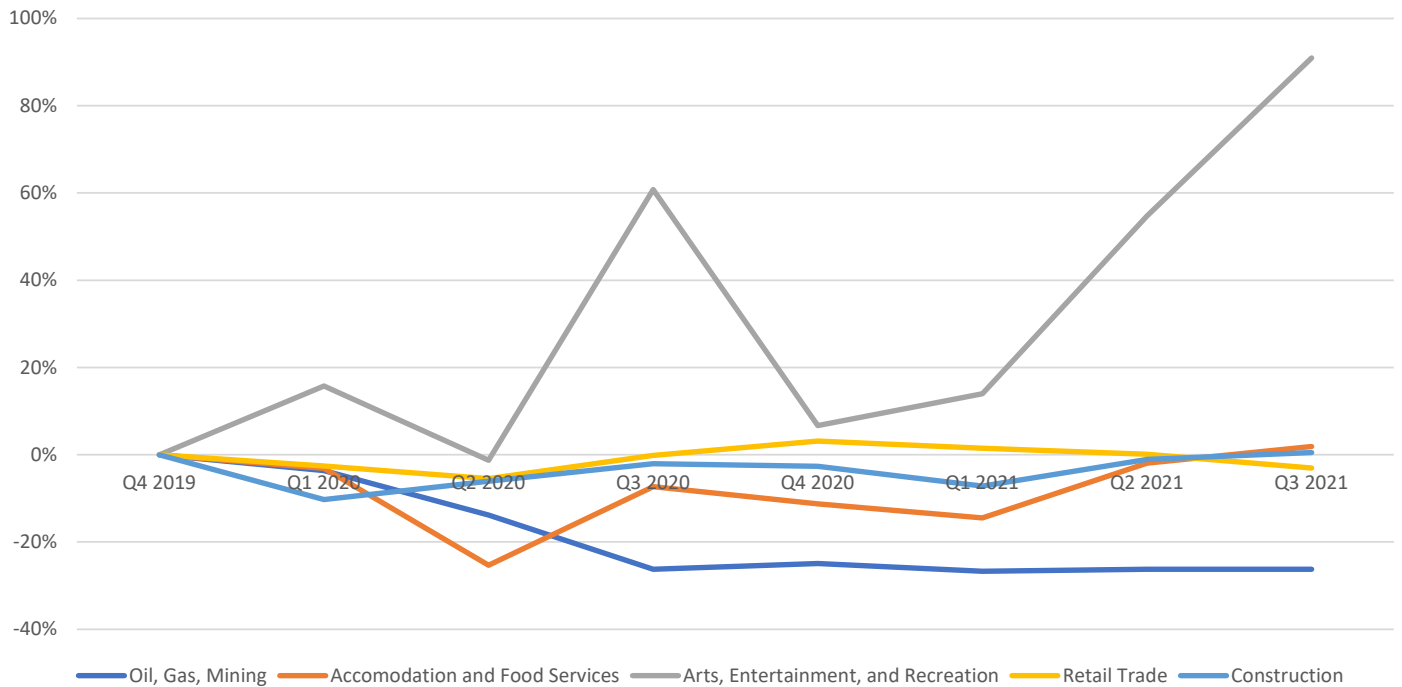
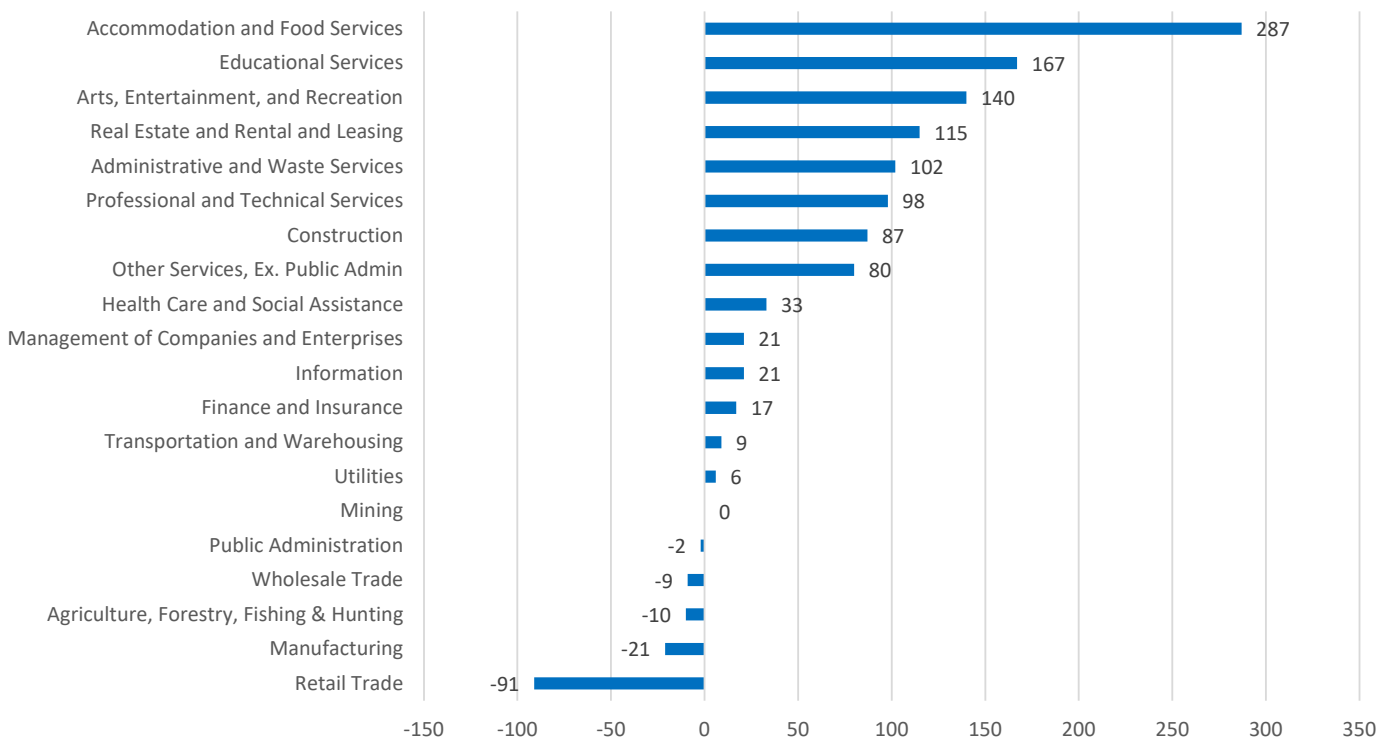


Figure 11:
Total Jobs Change from Q3 2020 to Q3 2021



LOCAL REAL ESTATE

	Q4 2021	Q4 2020	% change since last year
Real Estate			
Inventory of Homes for Sale (3 month avg)	106	169	-37.2%
New Residential listings (3 month total)	156	227	-31.3%
Sold Residential Listings (3 month total)	245	248	-1.2%
Median Sales Price	\$563,750	\$539,067	4.6%
Average Sales Price	\$701,870	\$706,343	-0.6%
Days on Market	44.67	52.61	-15.1%
Months Supply of Inventory	1.33	2.18	-38.9%
Foreclosures			
Foreclosure Filings (YTD)	13	34	-61.8%
Mortgage Rates			
15 Year Mortgage Rate	2.34%	2.29%	0.05%
30 year Mortgage Rate	3.08%	2.76%	0.32%

SOURCES: Real Estate: Colorado Association of Realtors Market Trends Program through ShowingTime. Note that real estate data is just single family homes; Foreclosure Filings and Sales: Garfield County Public Trustee Office; Mortgage rates: Freddie Mac.

Local Real Estate Indicators

The Garfield County real estate market is extremely tight, but is showing signs of topping. Drastically reduced inventory and slowing price appreciation hint that the market may be close to slowing down. The median sale price increased 4.6%, while months supply of inventory is at its lowest level in recent decades. All data points show a very tight housing market with limited inventory. The Federal Reserve is raising the Federal Funds rate and reducing their purchases of 10 year treasury bonds, with the goal of raising interest rates. The hope is to slow what has become one of the strongest housing markets in recent history.

Figure 12:
Median and Average Sales Price

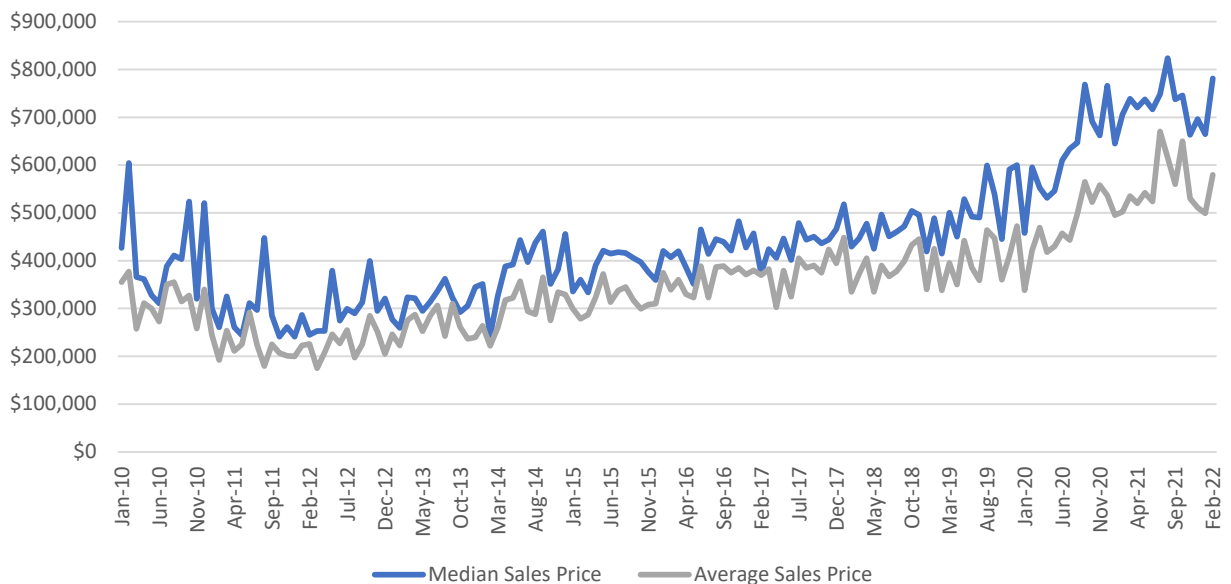


Figure 13:
Days on Market Until Sale

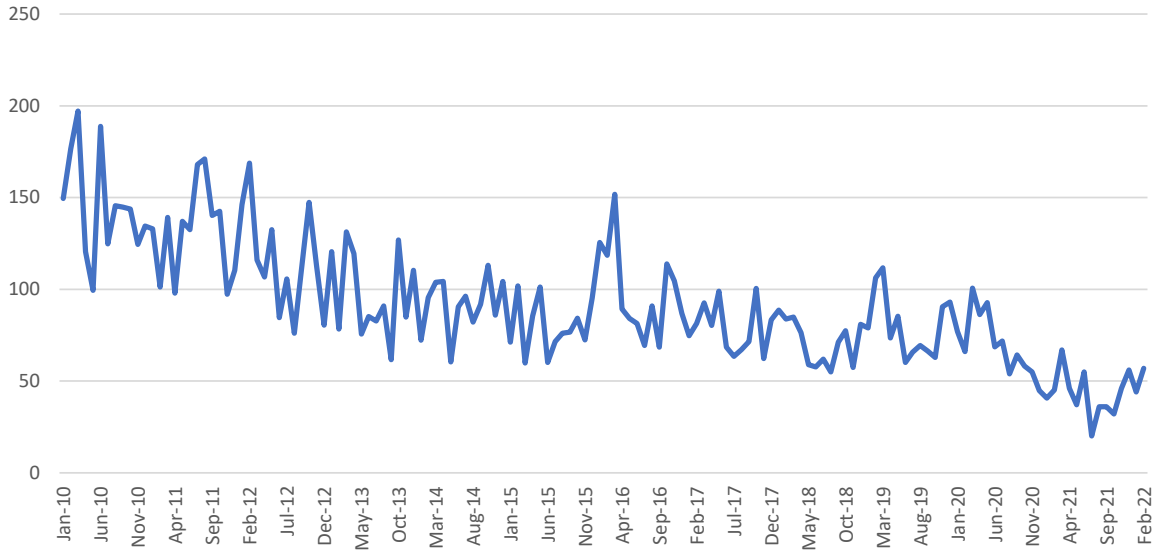
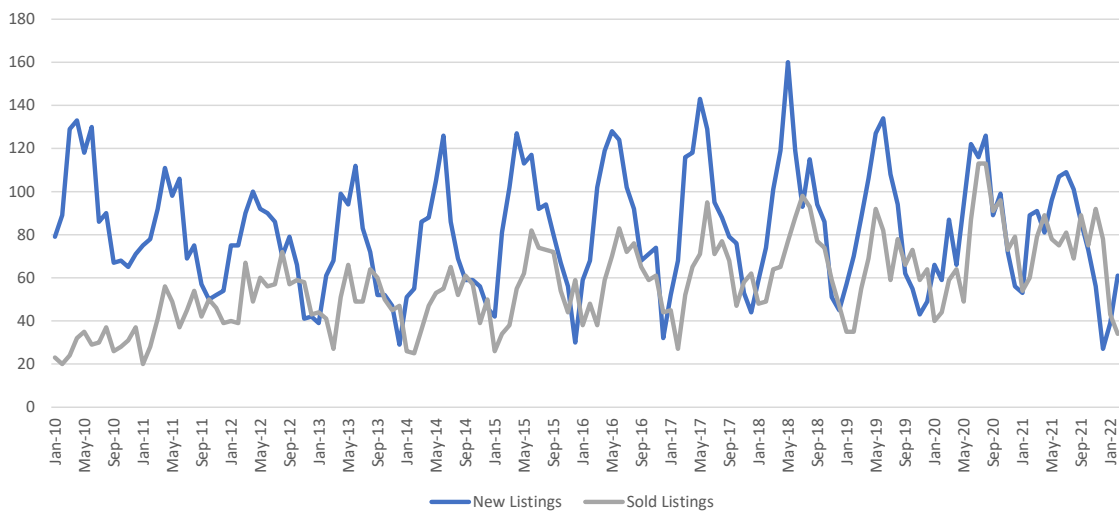


Figure 14:
Months Supply of Inventory



Figure 15:
New and Sold Listings



REGIONAL ENERGY

	Q4 2021	Q3 2021	Q4 2020	% change since last quarter	% change since last year (comparable quarters)
Energy Prices					
WTI Crude Oil	\$77.33	\$70.58	\$42.52	9.56%	81.87%
Henry Hub Natural gas	\$4.77	\$4.36	\$2.53	9.40%	88.54%
Retail Gasoline Price	\$3.21	\$3.06	\$2.06	4.90%	55.62%
Drilling Permits					
	2021 (YTD)	2020	2019	% Change since same time last year	
Drilling Permits (Mesa County)	0	1	0	N/A	
Drilling Permits (Rio Blanco County)	39	33	59	-44.07%	
Drilling Permits (Garfield County)	133	127	149	-14.77%	
Drilling Permits (Moffat County)	1	1	7	-85.71%	
Total Permits (Mesa, Rio Blanco, Garfield, Moffat)	173	162	215	-24.65%	
Total Permits (Colorado)	757	1,543	2,032	-24.06%	
Local Rig Count					
	Feb-22	Aug-21	Feb-21		
Rig Count (Western Colorado, Mesa, Rio Blanco, Garfield, Moffat)	2	2	1		

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 16:
Oil and Natural Gas Prices

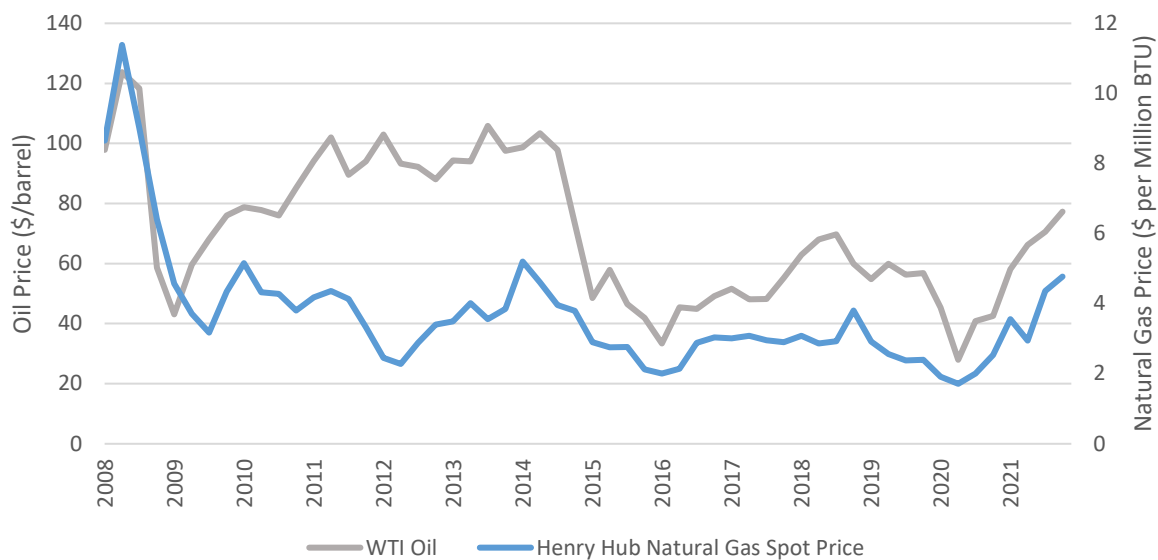


Figure 17:
Oil/Gas Drilling Permits and Oil/Gas Jobs

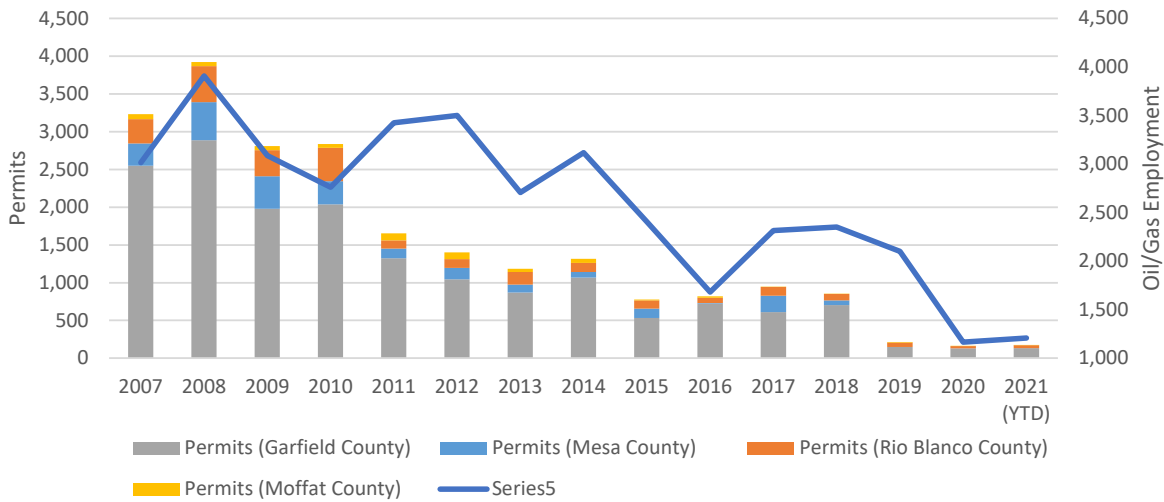
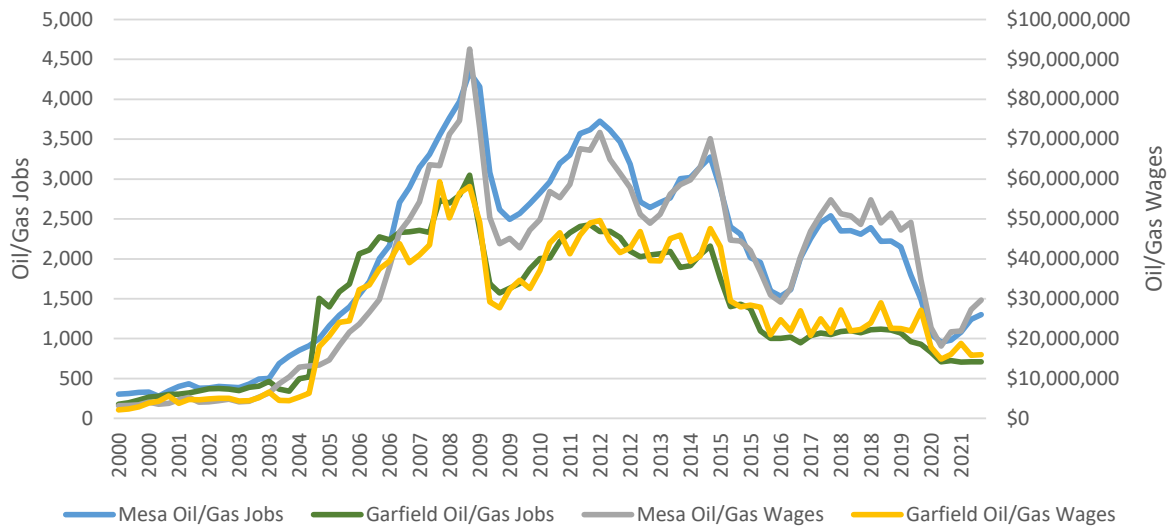


Figure 18:
Oil/Gas Jobs and Wages (Mesa and Garfield, QCEW)



Western Slope Drilling Activity

The Energy Information Agency (EIA) reports that in February, the natural gas spot price at Henry Hub averaged \$4.69/MMBtu, while Brent crude oil averaged \$97 per barrel. There is much uncertainty in energy markets currently due to Russia’s invasion of Ukraine. EIA forecasts Brent crude oil to average \$117 per barrel in March, and \$102 per barrel for the second half of 2022. U.S. retail gasoline prices averaged \$3.52 in February, while Gasbuddy.com shows that the average gas price as of March 14th in Mesa County ranged between \$3.83 and \$4.05.

How rising oil and gas prices affects the Piceance Basin remains to be seen. In the past, when oil and natural gas prices have risen, the region sees rig activity pick up, but there are still two rigs operating in the Piceance as of March 14th. There was an uptick in jobs and wages in this industry but for employment and wages to really pick up rig activity will have to increase. Garfield County did not experience the uptick in oil and gas activity that Mesa County experienced the last two quarters.

NATIONAL ECONOMIC INDICATORS

	Q4 2021	Q3 2021	Q4 2020	% change since last period	% change since last year (comparable quarters)
Business Cycle Indicators					
Real GDP	6.90%	2.30%	4.50%	4.60%	2.40%
Personal Consumption Expenditures	3.30%	2.00%	3.40%	1.30%	-0.10%
Gross Private Domestic Investment	32.00%	12.40%	24.70%	19.60%	7.30%
National Consumer Confidence	69.9	74.8	79.8	-6.55%	-12.41%
Industrial Production Index	101.8	100.7	97.4	1.09%	4.55%
Initial Weekly Unemployment Claims (4 week MA)	265,923	369,788	787,250	-28.09%	-66.22%
Non Farm Payroll Change (in thousands)	1,733,333	1,695,333	1,998,333	2.24%	-13.26%
Unemployment					
Unemployment Rate-U3-SA	4.20%	5.10%	6.80%	-0.90%	-2.60%
Unemployment Rate-U6-SA	7.70%	8.80%	11.90%	-1.10%	-4.20%
Interest Rates					
Federal Funds Rate	0.08%	0.09%	0.09%	-0.01%	-0.01%
10 Year U.S. Treasury	1.54%	1.32%	0.86%	0.22%	0.68%
30 Year U.S. Treasury	1.94%	1.93%	1.62%	0.01%	0.32%
Inflation Measures					
Inflation Rate (CPI)	6.72%	5.29%	1.20%	1.43%	5.52%
Core Inflation Rate (All Items Less Food and Energy)	5.01%	4.07%	1.62%	0.94%	3.39%
Inflation Rate (Shelter)	3.86%	2.92%	1.93%	0.94%	1.93%
Producer Price Index (PPI)	21.77%	20.27%	-0.22%	1.50%	21.99%
Employment Cost Index	4.00%	3.68%	2.52%	0.33%	1.48%
Stock Prices					
S&P 500	4,602	4,422	3,555	4.08%	29.47%
Dow Jones Industrial Average	35,517	34,916	29,092	1.72%	22.09%
Trade Balance and Debt					
Trade Balance (% of GDP)	-962.593	-947.023	-798.431	1.64%	20.56%
Federal Debt (% of GDP)*	122.5%	127.5%	127.5%	-5.0%	-5.0%

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.

Figure 19:
Real GDP for U.S.

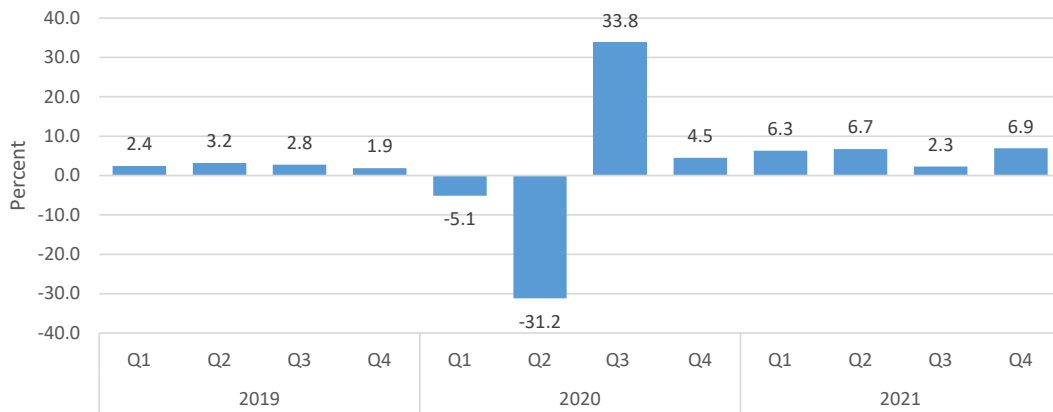
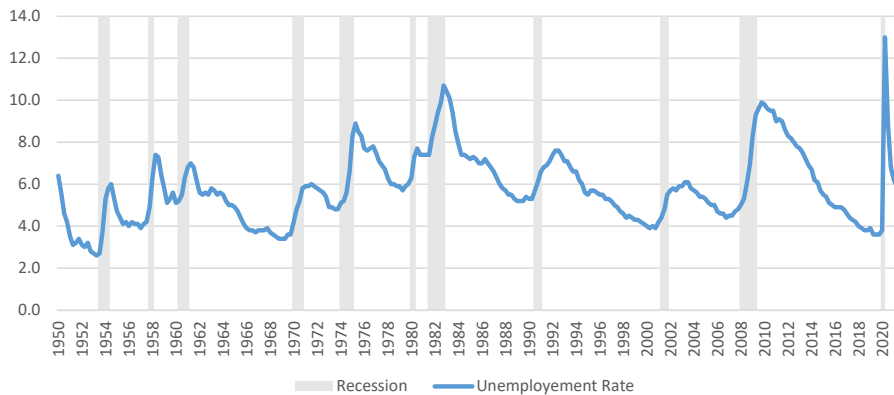


Figure 20:
U.S. Unemployment Rate



National Economic Performance

U.S. GDP growth showed a 6.9% gain. The Q1 2022 GDP Now forecast shows a much more subdued quarter at 0.5%. The national unemployment rate fell to 3.8% in February, bringing the unemployment rate down to 2019 levels. Figure 21 shows the GDP gap, with the grey line showing the actual level of GDP, and the blue line representing what is called “potential GDP”, which is where we want to be. The difference is called the “GDP gap,” and the graph shows that the U.S. is very close to full economic recovery from the COVID-19 induced economic downturn.

Inflation

The U.S. inflation rate in February hit 7.9%, a continued increase of the inflation we began to see in mid-2021. This is the highest inflation rate since 1982. Like last quarter, energy and vehicles lead the charge with a 25.6% increase in energy and used cars and trucks increasing by 41.2%, and not to be outdone, food increased by 7.9%. Before Russia’s invasion of Ukraine, and 3.5-4% inflation forecast by year end was a reasonable way to view inflation dynamics in the coming year. Energy shows inflation because 2020 energy prices were so low, supply chains would eventually work themselves out, etc. However, the Russia-Ukraine crisis has changed the inflation forecast and has much larger implications for the world and U.S. economy.

Russia-Ukraine

Russia is a huge exporter of oil and natural gas, and although

the U.S. only imports 3% of its oil from Russia, any disruption in the world market will affect the price of oil domestically. Russia and Ukraine also produce a sizable portion of the world’s wheat supply. Commodities are a world market, hence the price of food will increase. Russia also produces platinum, aluminum, fertilizers, and other important products.

Perhaps the more esoteric risk is the risk to the international financial system and global trade. This includes global supply chains, reliance on the U.S. dollar, and trade flows between the U.S. and China. This is clearly a coordinated challenge from China and Russia to the existing global order, a challenge that has resulted in sanctions on Russia and may necessitate a form of de-coupling from China economically. This is an enormous amount of risk for the financial markets to digest, which is one of the reasons markets have been trending downwards since the invasion. How Russia-Ukraine resolves itself is unknown, but what is certain is that politically the global order, and economically the trade and financial flows we have been accustomed to are under threat and likely to change to some degree. This means lower growth, higher inflation (or what we call stagflation), and the distinct possibility of a world recession this year. The Fed raising interest rates can help bring inflation down, certainly helping with housing, vehicle inflation, but because so much of the inflationary pressure is a supply shock, the Fed will likely not be able to eliminate all inflation with monetary policy.

Figure 21:
GDP Gap

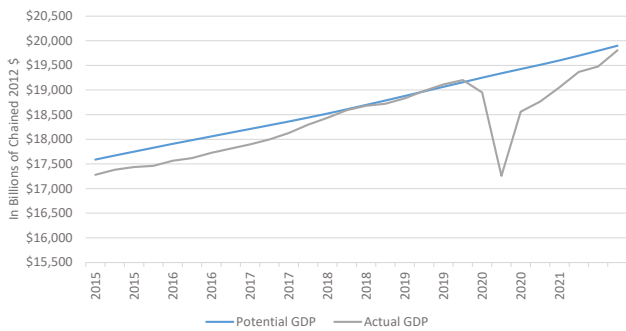


Figure 22:
Employment Cost Index

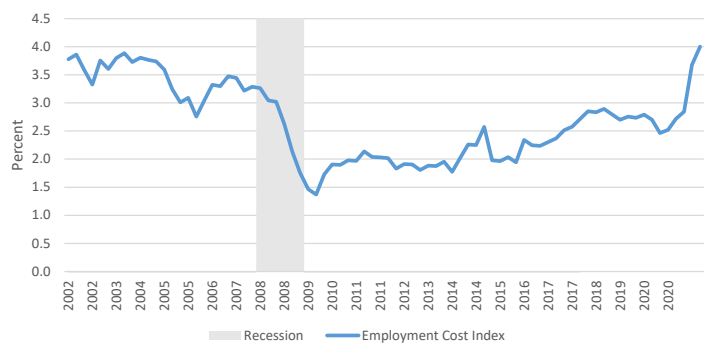
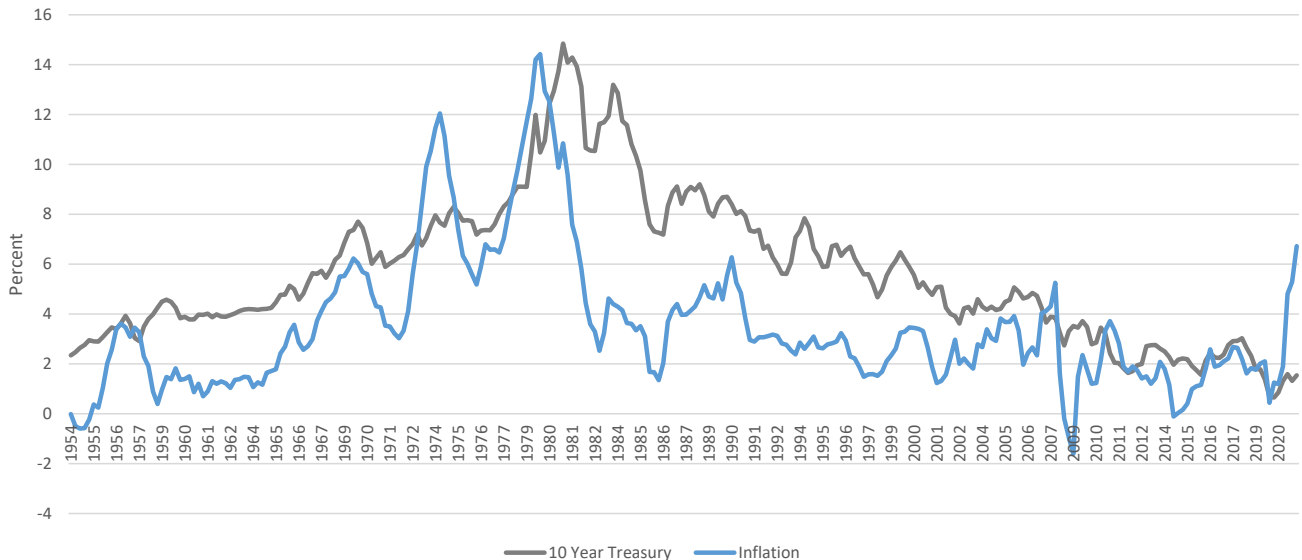


Figure 22:
Inflation Rate and 10 Year Treasury Rate



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



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