

GARFIELD COUNTY ECONOMIC UPDATE

Third Quarter 2022



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

Economic Summary

- Garfield County employment has now surpassed the March 2019 high of 32,548 by reaching 32,851 in July 2022. Average employment has increased from 29,376 in 2020 to 30,749 in 2021, and 32,147 in 2022 as of August.
- The Garfield County real estate market remains tight, with median home values rising by 22.6% from Q2 of last year. Inventory is creeping up, rising from 109 to 144 compared to Q2 of last year, although new listings are actually down.
- The biggest job gains were in accomodation and food services (278), construction (154), and public administration (49). Every industry has recovered in Garfield County except oil and gas.
- Headline inflation printed at 8.3%, which was higher than many economists were expecting. Energy fell in August as expected, but food and shelter rose, keeping inflation above 8%. The Federal Reserve continues to ramp up the Federal Funds rate, with a current target range of 3.00%-3.25%. Markets are trying to determine how high the Fed is willing to go to fight inflation, with current market odds at a terminal rate of 4.5%.

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LOCAL ECONOMIC INDICATORS

	Q2 2022	Q1 2022	Q2 2021	change since last quarter	change since last year (comparable quarters)
Local Labor Market					
Unemployment Rate Garfield County -NSA	2.8%	3.5%	5.3%	-0.7%	-2.6%
Unemployment Rate Colorado -SA	3.2%	3.8%	6.4%	-0.6%	-3.2%
Unemployment Rate U.S. -SA	3.5%	4.1%	6.5%	-0.6%	-3.0%
Labor Force	32,366	33,583	31,501	-1,217	865
Employed	31,464	32,422	29,823	-958	1,641
Unemployed	902	1,161	1,678	-259	-776
Business Confidence					
Leeds Colorado Business Confidence	41.1	53.9	67.3	-23.75%	-38.93%
Sales/Use Taxes					
	2022 (YTD)		2021 (YTD)		
Rifle Sales/Use Taxes	\$4,473,397		\$4,280,018		4.5%
Garfield County Sales/Use Tax	\$6,302,100		\$5,358,309		17.6%
Glenwood Springs Sales/Use Tax	\$13,631,041		\$12,714,149		7.2%
Glenwood Springs Accomodation Tax	\$968,850		\$859,917		12.7%
Business Filings					
	2022 (YTD)		2021 (YTD)		
Garfield County New Business Entity Filings	1,252		1,108		13.0%

	2020	2019	2018	2017	% change from previous year
Standard of Living and Growth					
Gross Domestic Product (GDP)	\$4,218,575	\$4,427,385	\$4,328,140	\$4,544,978	-4.7%
Personal Income	\$3,777,744	\$3,624,440	\$3,458,991	\$3,316,690	4.2%
Personal Income Per Capita	\$62,581	\$60,376	\$57,918	\$56,153	3.7%
Median Household Income	\$79,958	\$73,788	\$74,421	\$71,897	8.4%
Percent of Population Below Poverty Line	6.7%	9.6%	8.4%	7.6%	-2.9%
	2021	2020	2019	2018	
Population	60,366	60,031	59,722	59,065	0.6%

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

Garfield County employment has now surpassed the March 2019 high of 32,548 by reaching 32,851 in July 2022. Average employment has increased from 29,376 in 2020 to 30,749 in 2021, to 32,147 in 2022 as of August. Garfield has now fully recovered its job losses from the 2020 recession. Unemployment continues to fall, averaging 2.8% in Q2, and still at 2.8% in August. The number of unemployed has fallen from 1,402 in August of 2021 to 928 in August of 2022.

Last quarter, I stated that the labor market response to the Federal Reserve's rising interest rate environment will be a factor to watch for the rest of 2022, and this has not changed. So far, the labor market has been slow to be impacted at both the national and local level, and the labor market remains tight. In order to bring down inflation, the Federal Reserve may need to soften the labor market to stop wage gains which contribute to inflation increases. How this manifests itself locally remains to be seen, but nationally with such a tight labor market, even a Fed-induced recession is not expected to bring high unemployment numbers akin to previous recessions like 2009.

Other Indicators

Rifle sales taxes are up 4.5% through April data, while Garfield County is up 17.6% as of May data. Glenwood Springs sales taxes are up 7.2% as of July. With 8.3% inflation, sales taxes become a more difficult measure to determine spending and economic activity. Neither Rifle or Glenwood Springs thus far in 2022 have sales tax collection that is keeping up with inflation.

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

	Labor Force	Employed	Unemployed
Annual	865	1,641	-776
5-Year	1,703	1,567	135
10-Year	1,499	3,379	-1,880
Annual %	2.7%	5.5%	-46.3%
5-Year %	5.6%	5.2%	17.7%
10-Year %	4.9%	12.0%	-67.6%

On a year-to-year comparison, as of the end of August, new business entity filings are up 13%, rising from 1,252 to 1,108 compared to August 31 of last year.

The Leeds Business Confidence Index, which measures business confidence in Colorado, continues to fall from its Q3 2021 peak, indicating that businesses are more pessimistic about the economy and their prospects. The index is primarily being pulled down by poor expectations for the national economy.

Most standard of living and growth data is released in the winter months, but population has been released, and showed that Garfield County slightly gained population in 2021, rising from 60,366 to 60,031.

Figure 1:
2 Year Employment

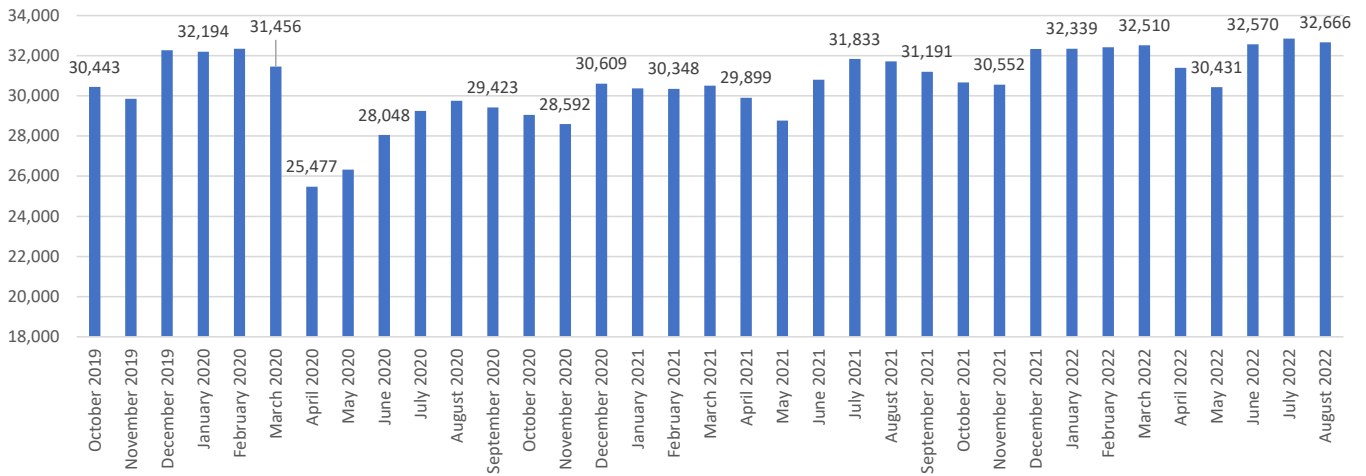


Figure 2:
Yearly Employment Average

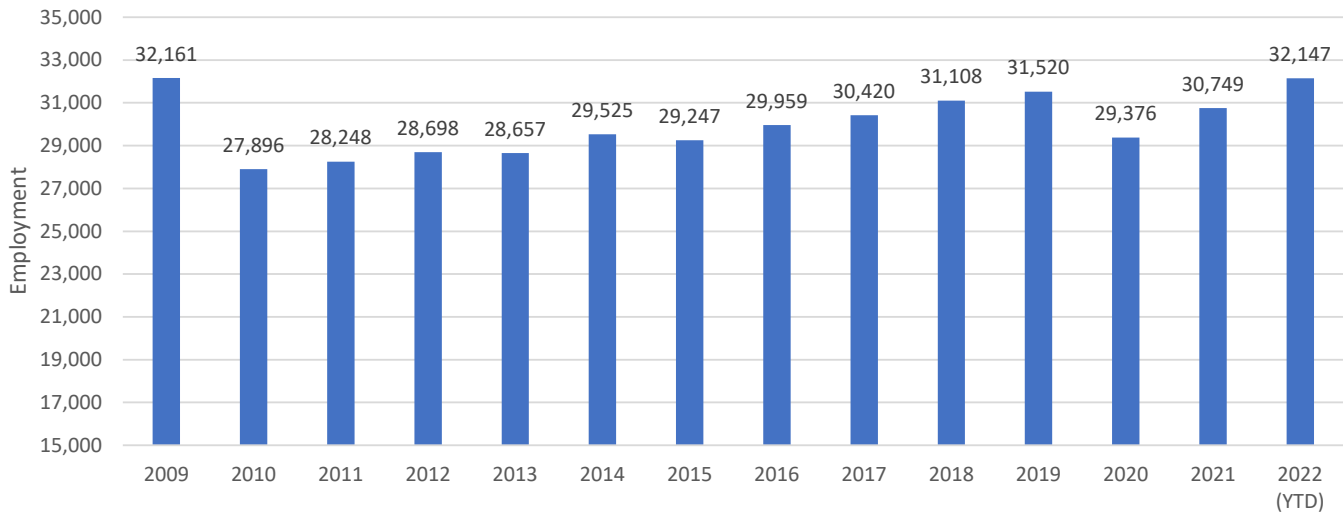


Figure 3:
Change in Yearly Employment Average

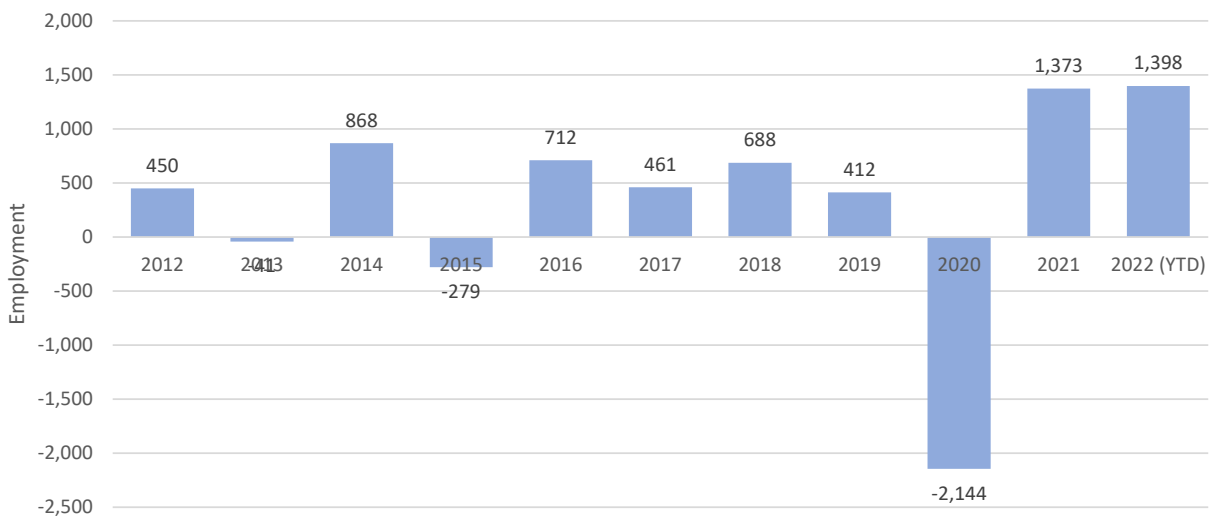


Figure 4:
Leeds Business Confidence Index

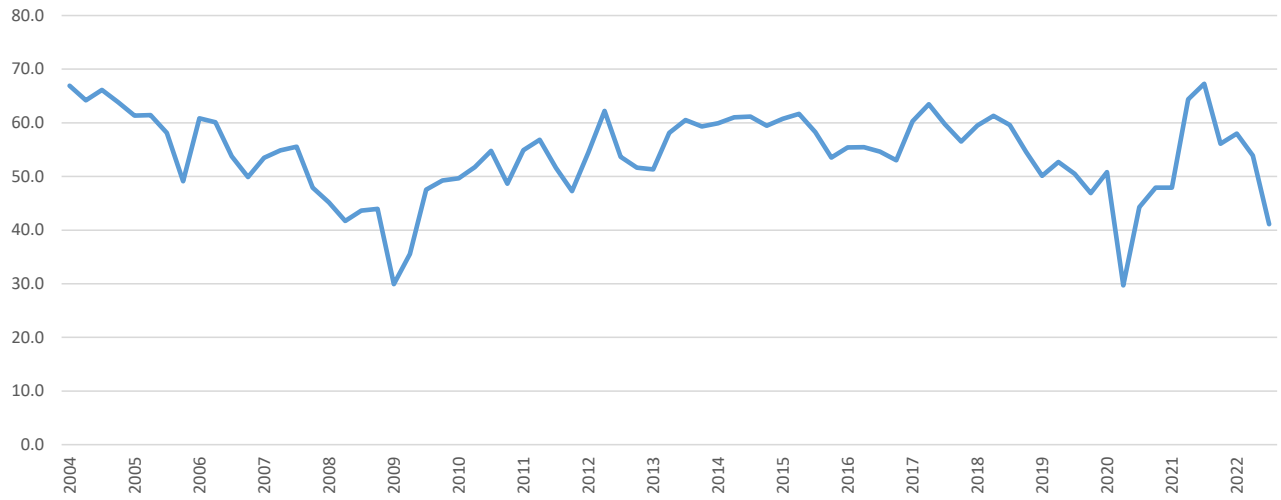


Figure 5:
Number of Unemployed Garfield County

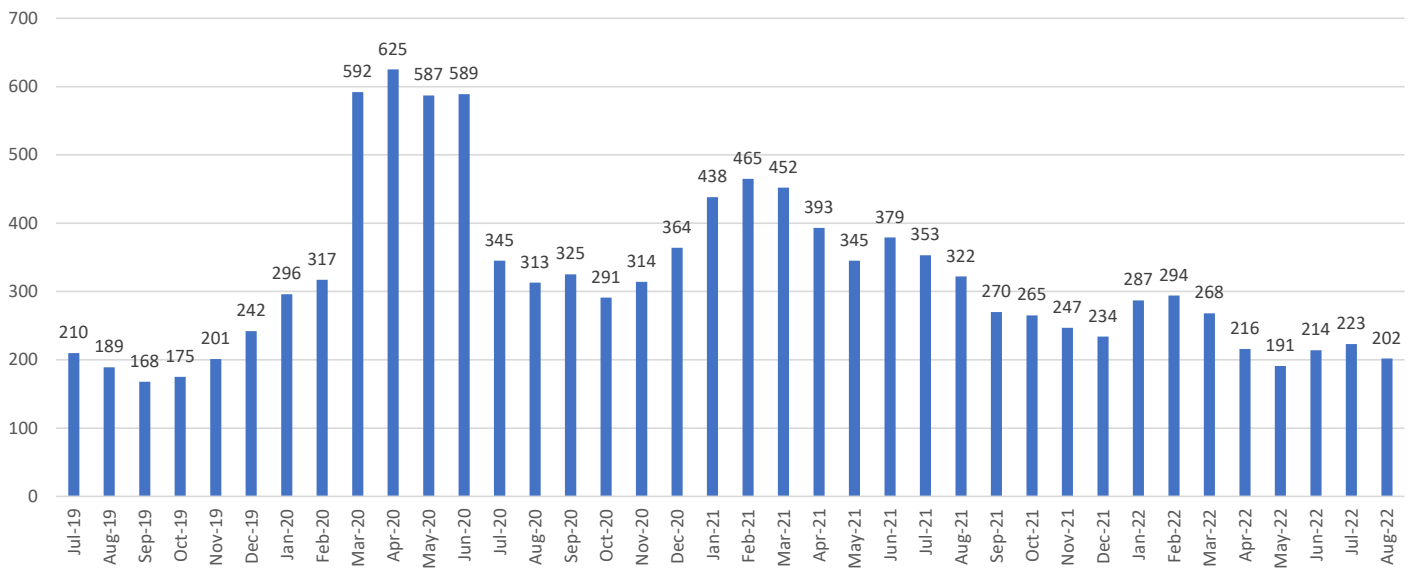


Figure 6:
Total Full and Part Time Jobs (BEA)

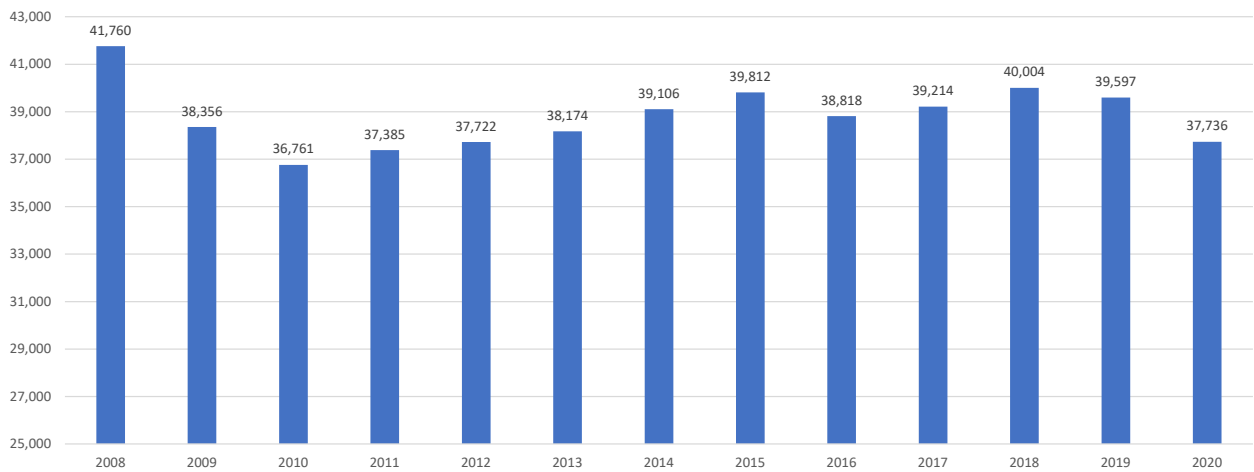


Figure 7:
Garfield County Median Household Income

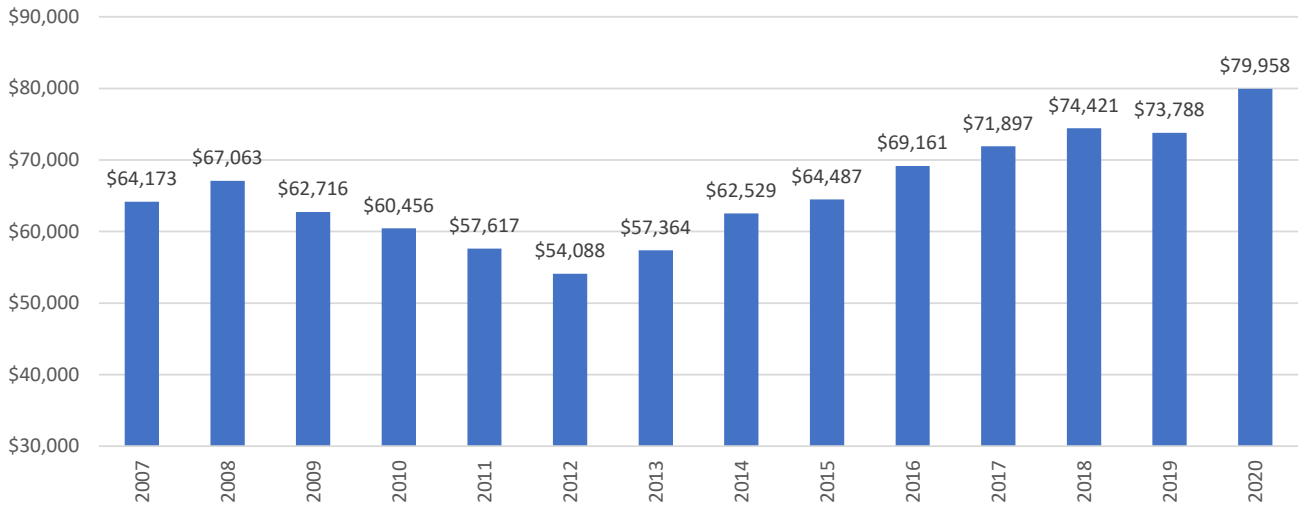


Figure 8:
Garfield County Poverty Rate Estimate

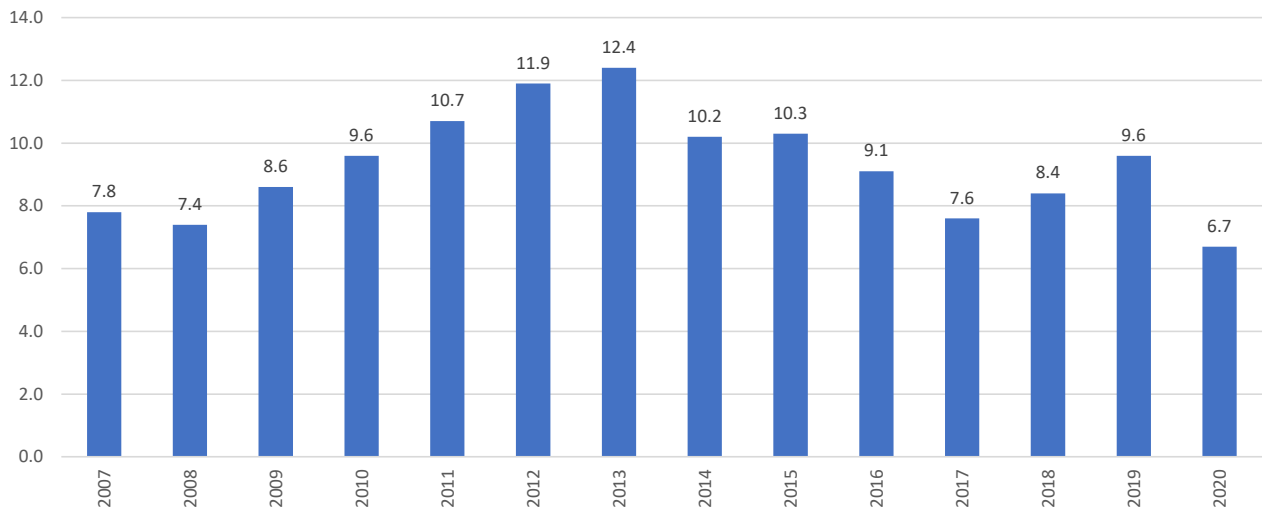
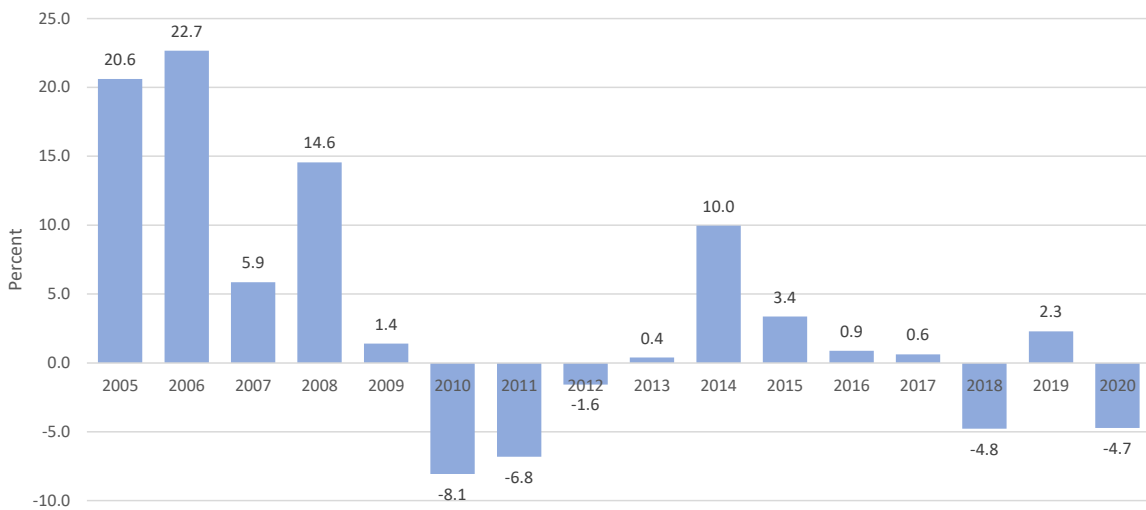


Figure 9:
Garfield County Real GDP % Change (chained 2012 dollars)



Garfield County Employment Trends

Q3 2021 Quarterly Census of Employment and Wage data shows job and wage gains compared to Q1 2021. The biggest wage gains were in construction, and real estate rental and leasing. The biggest job gains were in accomodation and food services (278), construction (154), and public administration (49). There were job losses in healthcare (115) and retail trade (97). Figure 11 illustrates job recovery indexed to Q4 2019, and shows that every industry has recovered in Garfield County except oil and gas. Extremely high oil and gas prices should help facilitate some activity in oil and gas. This is the most recent data point and it lags six months, so the next two quarters will be more telling for that industry.

Table 2:
Quarterly Census of Employment and Wages (QCEW) Q1 2022 Compared to Q1 2021

Sector	Average Employment	Total Quarterly Wages	Average Weekly Wage	Total Employment Change	Total Wage Change
Total, All Industries	24,985	\$359,240,744	\$1,106	595	\$43,279,467
Health Care and Social Assistance	3,410	\$60,251,486	\$1,359	-115	\$4,036,226
Construction	3,266	\$51,042,325	\$1,202	154	\$9,185,445
Retail Trade	3,062	\$32,459,252	\$815	-97	\$2,663,986
Educational Services	2,670	\$29,235,260	\$842	3	\$880,307
Professional and Technical Services	1,349	\$26,136,631	\$1,490	78	\$3,668,744
Public Administration	1,649	\$25,837,871	\$1,205	26	\$917,265
Mining	770	\$20,379,176	\$2,036	64	\$1,540,336
Accommodation and Food Services	2,935	\$19,605,199	\$514	278	\$3,076,839
Finance and Insurance	542	\$14,704,416	\$2,087	5	\$1,689,112
Real Estate and Rental and Leasing	573	\$14,288,739	\$1,918	31	\$6,183,393
Administrative and Waste Services	964	\$11,629,154	\$928	-4	\$1,448,130
Wholesale Trade	502	\$11,134,834	\$1,706	-37	\$2,338,978
Transportation and Warehousing	690	\$9,465,936	\$1,055	19	\$1,444,026
Other Services, Ex. Public Admin	763	\$8,390,334	\$846	49	\$1,124,656
Utilities	282	\$6,084,098	\$1,660	2	-\$554,802
Manufacturing	338	\$4,211,044	\$958	-14	\$156,740
Arts, Entertainment, and Recreation	558	\$4,183,394	\$577	29	\$795,206
Management of Companies and Enterprises	202	\$4,164,617	\$1,586	43	\$804,818
Information	247	\$3,492,871	\$1,088	19	\$841,448
Agriculture, Forestry, Fishing & Hunting	208	\$2,520,963	\$932	56	\$1,015,470

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

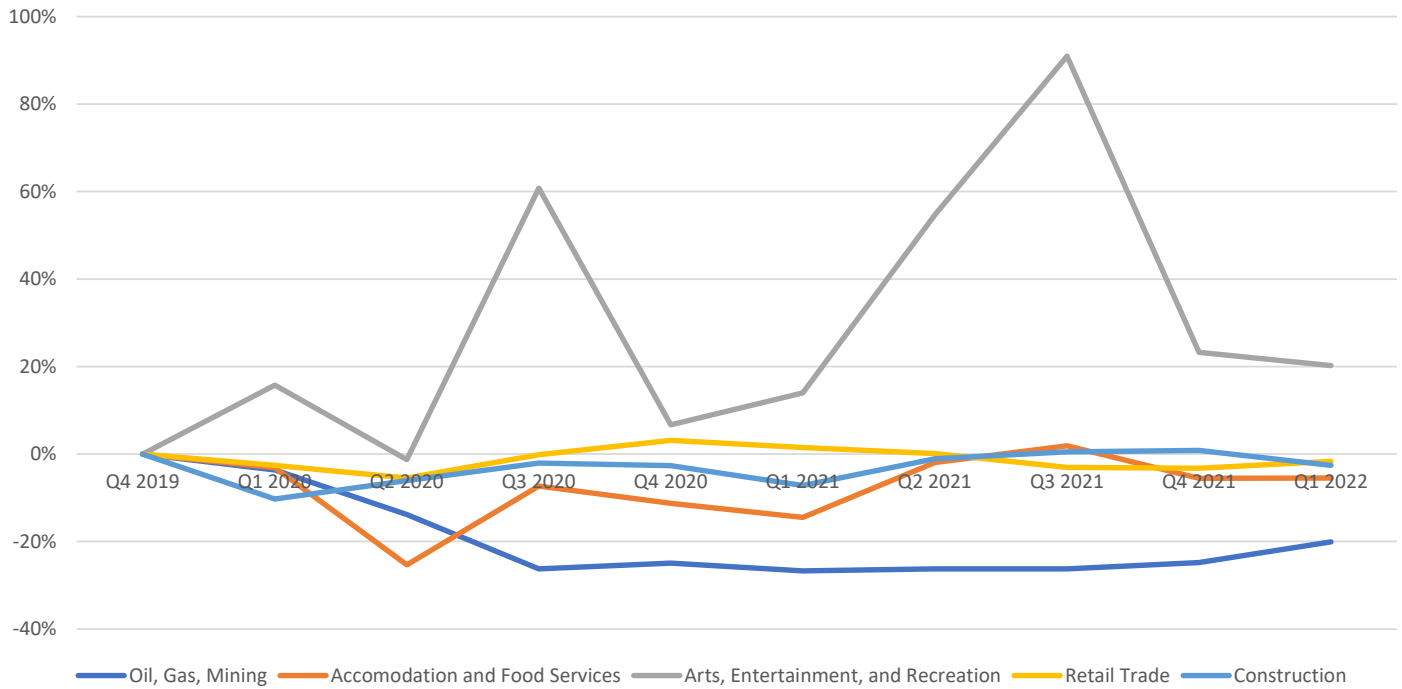
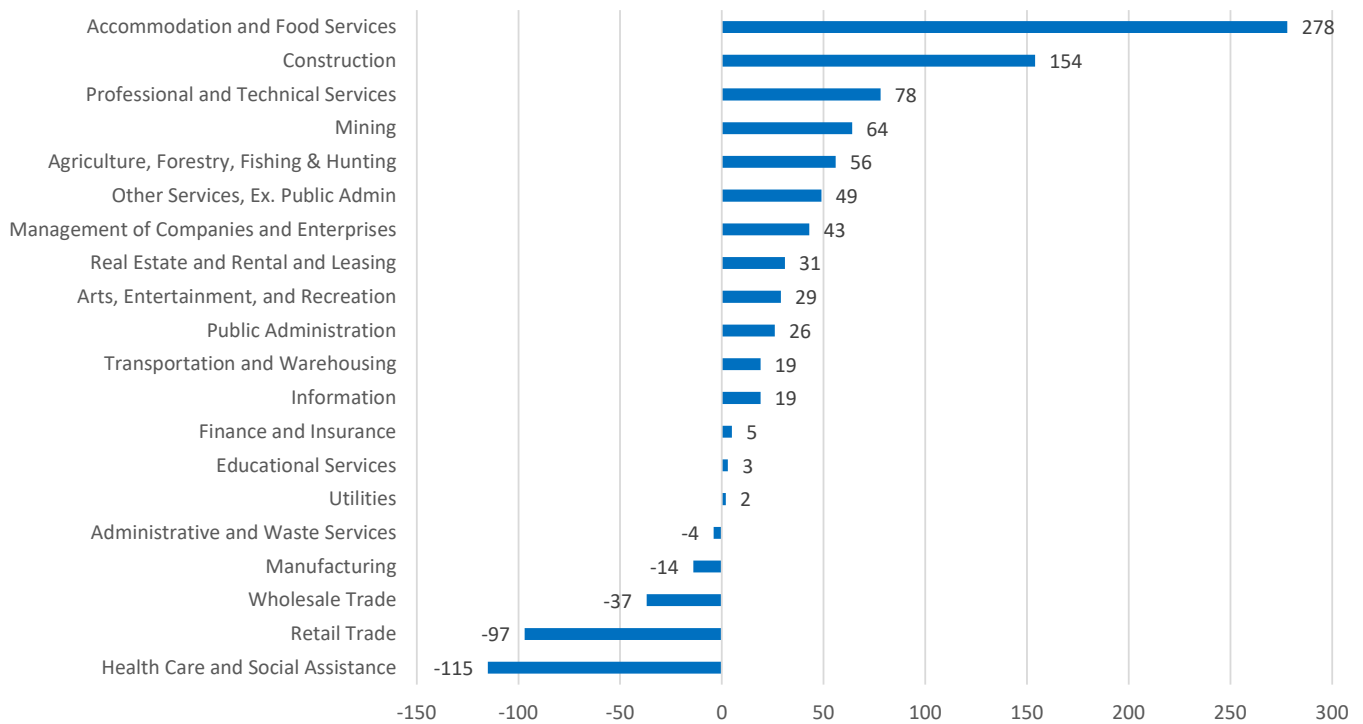


Figure 11:
Total Jobs Change from Q1 2021 to Q1 2022



LOCAL REAL ESTATE

	Q2 2022	Q2 2021	% change since last year
Real Estate			
Inventory of Homes for Sale (3 month avg)	144	109	32.2%
New Residential listings (3 month total)	262	284	-7.7%
Sold Residential Listings (3 month total)	193	242	-20.2%
Median Sales Price	\$648,188	\$528,833	22.6%
Average Sales Price	\$801,903	\$724,759	10.6%
Days on Market	35.33	46.00	-23.2%
Months Supply of Inventory	2.03	1.33	52.5%
Foreclosures			
Foreclosure Filings (YTD)	N/A	N/A	N/A
Mortgage Rates			
15 Year Mortgage Rate	4.56%	2.15%	2.41%
30 year Mortgage Rate	5.22%	2.84%	2.38%

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 remains tight, with median home values rising by 22.6% from Q2 of last year. Inventory is creeping up, rising from 109 to 144 compared to Q2 of last year, although new listings are actually down. Months supply of inventory is an important measure for gauging if home values will rise or fall. The general point where the market becomes a buyers market instead of a sellers market, and the point where prices have the potential to really fall, is around 5-6 month supply of inventory. Garfield's month supply of inventory is still very low at 2.03, rising from 1.33. In contrast, Delta County's months supply of inventory is over 4, and Mesa County is at 2.2 as of August.

Quarterly averages for mortgage rates are listed above, however, as of the writing of this newsletter in late September, mortgage rates had pushed past 7%. Seven percent interest is significant, drastically changing the monthly payment on a house. Taking the median sales price on a Garfield County home of \$648,188, at 2.75% interest that payment is approximately \$2,646 (without taxes/insurance). At 6.7%, that same home costs approximately \$4,183 per month, a very large increase that pushes many people out of the housing market or into a much different price range.

Figure 12:
Days on Market

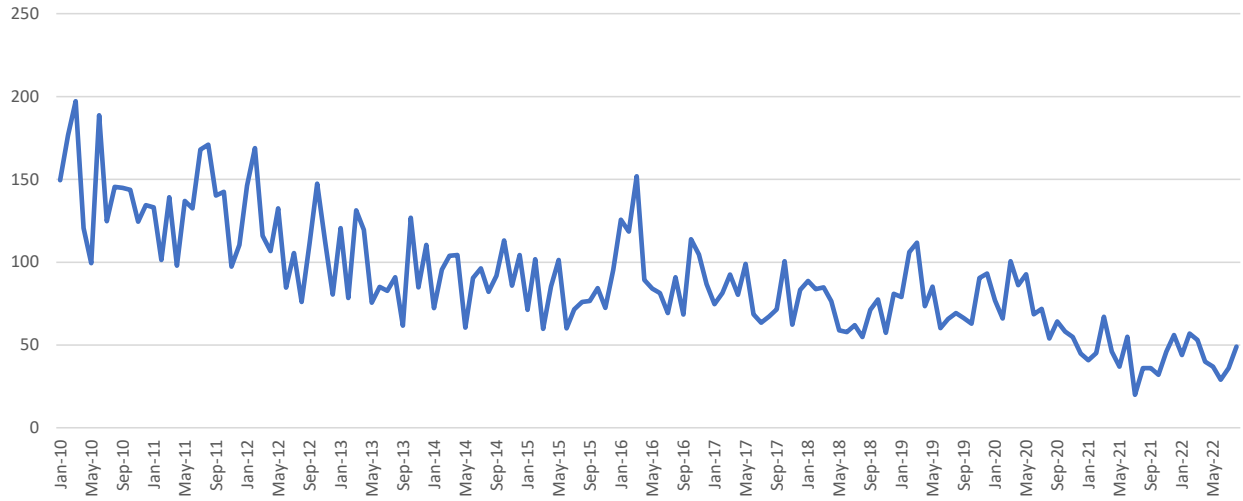
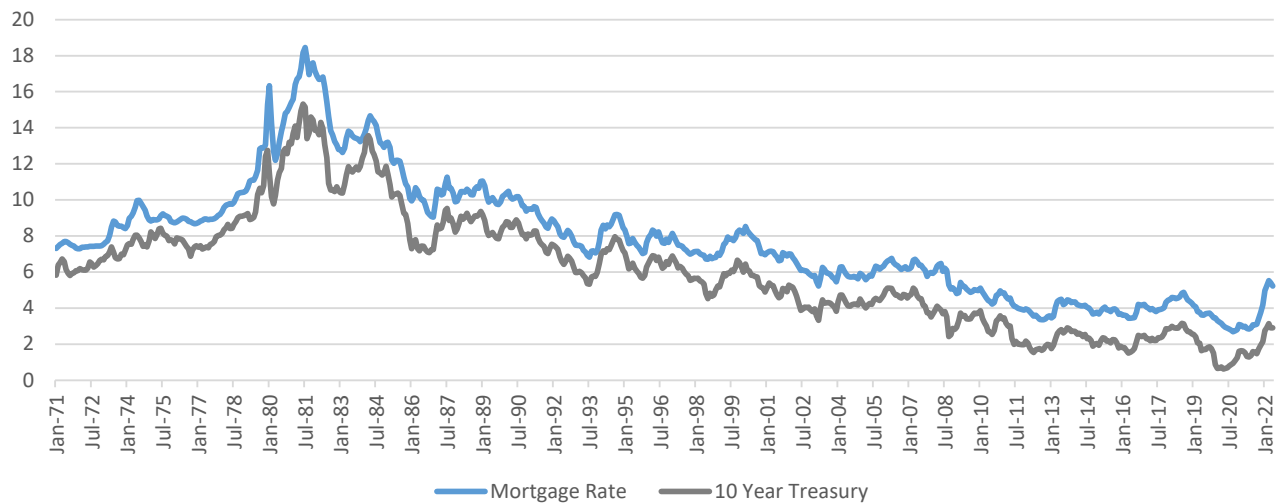


Figure 13:
Months Supply of Inventory



Figure 14:
10 Year Treasury and 30 Year Mortgage Rates (through Aug 2022)



REGIONAL ENERGY

	Q2 2022	Q1 2022	Q2 2021	% change since last quarter	% change since last year (comparable quarters)
Energy Prices					
WTI Crude Oil	\$108.83	\$95.18	\$66.19	14.34%	64.42%
Henry Hub Natural gas	\$7.48	\$4.66	\$2.94	60.52%	154.42%
Retail Gasoline Price	\$4.33	\$3.56	\$2.87	21.86%	50.78%

Drilling Permits	2022 (YTD)	2021	2020
Drilling Permits (Mesa County)	0	0	1
Drilling Permits (Rio Blanco County)	1	40	33
Drilling Permits (Garfield County)	51	133	127
Drilling Permits (Moffat County)	3	4	1
Total Permits (Mesa, Rio Blanco, Garfield, Moffat)	55	177	162
Total Permits (Colorado)	285	805	1,543

Local Rig Count	Aug-22	Jun-22	Jan-22
Rig Count (Western Colorado, Mesa, Rio Blanco, Garfield, Moffat)	4	3	2

SOURCES: All energy prices: Energy Information Agency; All permit data from Colorado Oil and Gas Conservation Commission (COGCC); Local Rig Count: Baker Hughes Rig Count

Figure 15:
Oil and Natural Gas Prices

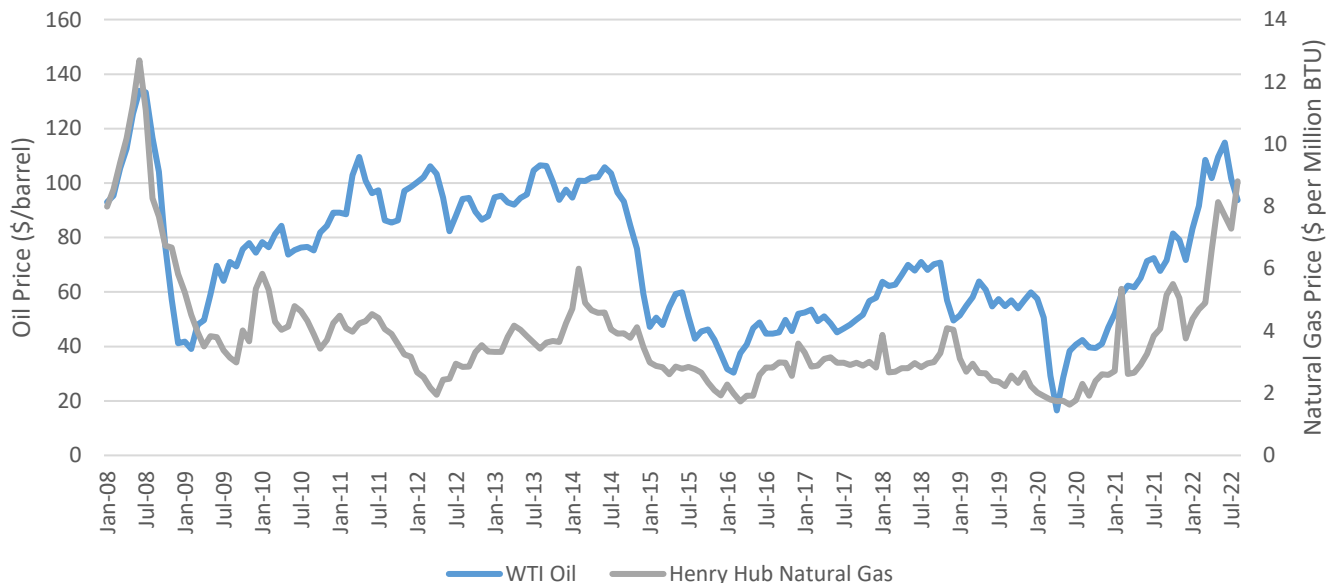


Figure 16:
Oil/Gas Drilling Permits and Oil/Gas Jobs

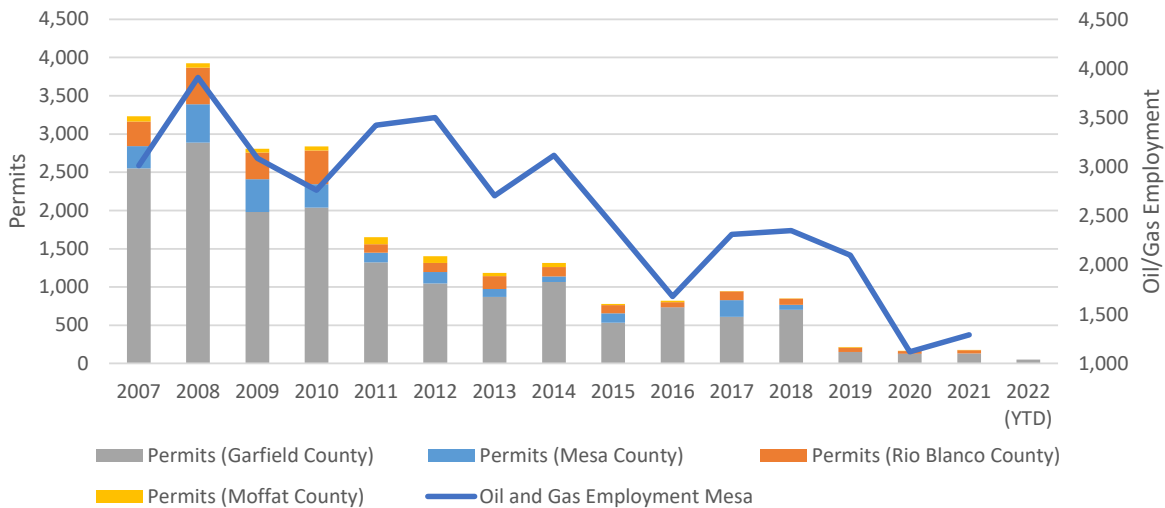
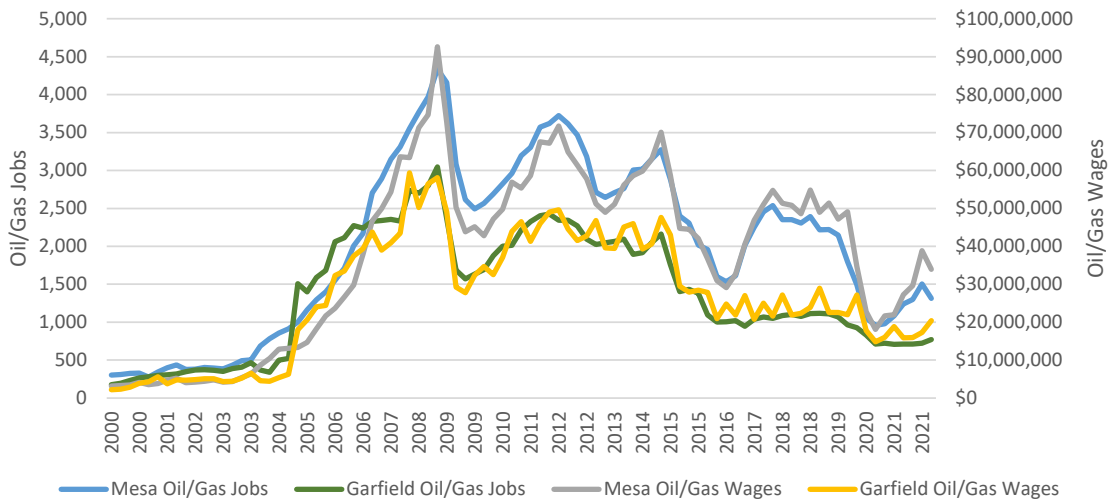


Figure 17:
Oil and Gasoline Prices



Western Slope Energy

West Texas Intermediate crude oil prices averaged \$108.83 in the second quarter of 2022, falling to \$88 by mid-September. Gasoline followed oil and rose to \$5.00, peaking on June 13th, falling to \$3.65 a gallon by mid-September. Natural gas prices rose from \$2.94 in Q2 2021 to \$7.48 in Q2 2022, rising to a peak of \$9.85 on August 22. Despite high natural gas prices, the Piceance rig count remains at 4, with 3 natural gas rigs, and an oil rig. This high of a price for natural gas has not been seen since 2008, when rig counts were exponentially higher in the region. Even as recently as 2017, when natural gas prices ranged between \$3.00 and \$4.50, rig counts ranged between 8 and 9. There are several potential reasons for the slow move upwards in rig count, including lack of labor force to deploy the rigs, permitting delays, the loss of major capital deployments to other basins during the 2020 oil and gas downturn, industry interpretation of H.B. 181, and other potential explanations. With oil and gas prices expected to sustain their price increases, it would be surprising if the Piceance did not participate in the oil and gas surge. Data on oil and gas permits is as of April, as the COGCC has not responded to my requests for data.

NATIONAL ECONOMIC INDICATORS

	Q2 2022	Q1 2022	Q2 2021	% change since last period	% change since last year (comparable quarters)
Business Cycle Indicators					
Real GDP	-0.90%	-1.60%	6.70%	0.70%	-7.60%
Personal Consumption Expenditures	1.00%	1.80%	12.00%	-0.80%	-11.00%
Gross Private Domestic Investment	-13.50%	5.00%	-3.90%	-18.50%	-9.60%
National Consumer Confidence	57.9	63.1	85.6	-8.24%	-32.36%
Industrial Production Index	104.2	102.9	99.7	1.32%	4.60%
Initial Weekly Unemployment Claims (4 week MA)	198,846	207,673	518,365	-4.25%	-61.64%
Non Farm Payroll Change (in thousands)	1,261,333	1,720,333	1,452,667	-26.68%	-13.17%
Unemployment					
Unemployment Rate-U3-SA	3.60%	3.80%	5.90%	-0.20%	-2.30%
Unemployment Rate-U6-SA	6.90%	7.10%	10.10%	-0.20%	-3.20%
Interest Rates					
Federal Funds Rate	0.75%	0.12%	0.07%	0.63%	0.68%
10 Year U.S. Treasury	2.93%	1.94%	1.59%	0.99%	1.34%
30 Year U.S. Treasury	3.04%	2.26%	2.26%	0.78%	0.78%
Inflation Measures					
Inflation Rate (CPI)	8.58%	8.00%	4.81%	0.58%	3.77%
Core Inflation Rate (All Items Less Food and Energy)	6.02%	6.30%	3.74%	-0.28%	2.28%
Inflation Rate (Shelter)	5.40%	4.71%	2.29%	0.69%	3.11%
Producer Price Index (PPI)	21.96%	20.42%	18.82%	1.54%	3.13%
Employment Cost Index	5.04%	4.45%	2.91%	0.59%	2.13%
Stock Prices					
S&P 500	4,106	4,464	4,184	-8.02%	-1.86%
Dow Jones Industrial Average	32,688	34,679	34,121	-5.74%	-4.20%
Trade Balance and Debt					
Trade Balance (% of GDP)	-1078.339	-1177.904	-881.689	-8.45%	22.30%
Federal Debt (% of GDP)*	124.7%	123.4%	127.7%	1.3%	-3.0%

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.

Figure 18:
Real GDP for U.S.

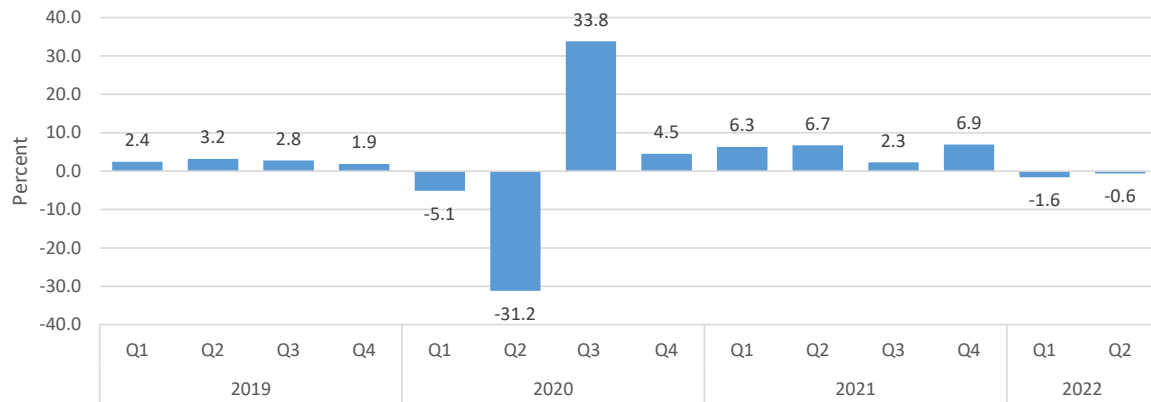
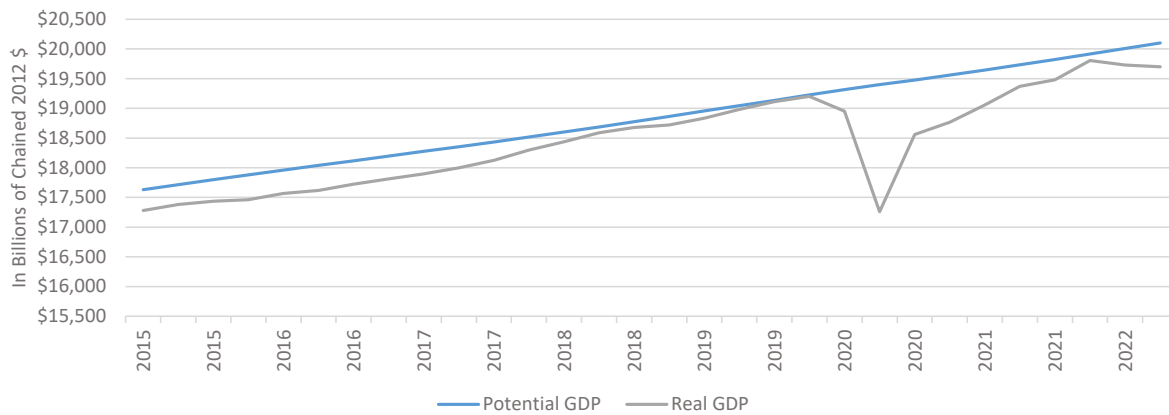


Figure 19:
GDP Gap



Economic Growth

U.S. GDP came in negative for a second straight quarter at -0.6% (figure 18). There have been debates about whether the U.S. is in a recession or not after two negative quarters of GDP. The National Bureau of Economic Research (NBER) makes this decision after looking at many different data points, not just GDP. Recession calls by NBER are usually made many months after the recession began, as economic data lags. There are some data points showing the economy is softening, but as of summer 2022, the labor market is so strong it would be difficult to say the U.S. is in recession yet. It is possible as the economy turns this fall and that in late 2022 or early 2023 the NBER backdates a recession to sometime in summer 2022. Due to the lagging nature of economic data we won't know for several more months.

Inflation Watch

Headline inflation printed at 8.3%, which was higher than many economists were expecting (figure 20). Energy fell in August as expected, but food and shelter rose keeping inflation above 8%. The continued high inflation rate puts pressure on the Federal Reserve to keep raising interest rates.

The Federal Reserve continues to ramp up the Federal Funds rate, with a current target range of 2.25-2.50%. Markets are trying to determine how high the Fed is willing to go to fight inflation, with current market odds at a terminal rate of 4.5%.

The Core CPI, which omits food and energy and is an important measure for the Federal Reserve, rose to 6.3%. Core CPI is important because the Fed does not have as much influence over food and energy prices.

Comparing different regional measures of the CPI shows that the national CPI, the "West" CPI, and the Denver, Aurora, Lakewood CPI all show inflation around the same rate of 8.1-8.3% (figure 22). The Mountain CPI, however, shows significantly higher inflation at 9.6%. The Mountain region includes Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Utah, and Wyoming, while the West region includes the Mountain region and the Pacific states.

The yield curve continues to invert, signaling recession in the coming months (figure 24). The 10 year minus the 2 year treasury has been negative since early July and has been highly predictive of recession 9 months later.

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 Aug. 2022
	Feb. 2022	Mar. 2022	Apr. 2022	May 2022	Jun. 2022	Jul. 2022	Aug. 2022	
All items.....	0.8	1.2	0.3	1.0	1.3	0.0	0.1	8.3
Food.....	1.0	1.0	0.9	1.2	1.0	1.1	0.8	11.4
Food at home.....	1.4	1.5	1.0	1.4	1.0	1.3	0.7	13.5
Food away from home ¹	0.4	0.3	0.6	0.7	0.9	0.7	0.9	8.0
Energy.....	3.5	11.0	-2.7	3.9	7.5	-4.6	-5.0	23.8
Energy commodities.....	6.7	18.1	-5.4	4.5	10.4	-7.6	-10.1	27.1
Gasoline (all types).....	6.6	18.3	-6.1	4.1	11.2	-7.7	-10.6	25.6
Fuel oil ¹	7.7	22.3	2.7	16.9	-1.2	-11.0	-5.9	68.8
Energy services.....	-0.4	1.8	1.3	3.0	3.5	0.1	2.1	19.8
Electricity.....	-1.1	2.2	0.7	1.3	1.7	1.6	1.5	15.8
Utility (piped) gas service.....	1.5	0.6	3.1	8.0	8.2	-3.6	3.5	33.0
All items less food and energy.....	0.5	0.3	0.6	0.6	0.7	0.3	0.6	6.3
Commodities less food and energy commodities.....	0.4	-0.4	0.2	0.7	0.8	0.2	0.5	7.1
New vehicles.....	0.3	0.2	1.1	1.0	0.7	0.6	0.8	10.1
Used cars and trucks.....	-0.2	-3.8	-0.4	1.8	1.6	-0.4	-0.1	7.8
Apparel.....	0.7	0.6	-0.8	0.7	0.8	-0.1	0.2	5.1
Medical care commodities ¹	0.3	0.2	0.1	0.3	0.4	0.6	0.2	4.1
Services less energy services.....	0.5	0.6	0.7	0.6	0.7	0.4	0.6	6.1
Shelter.....	0.5	0.5	0.5	0.6	0.6	0.5	0.7	6.2
Transportation services.....	1.4	2.0	3.1	1.3	2.1	-0.5	0.5	11.3
Medical care services.....	0.1	0.6	0.5	0.4	0.7	0.4	0.8	5.6

¹ Not seasonally adjusted.

Figure 21:
Inflation Rate

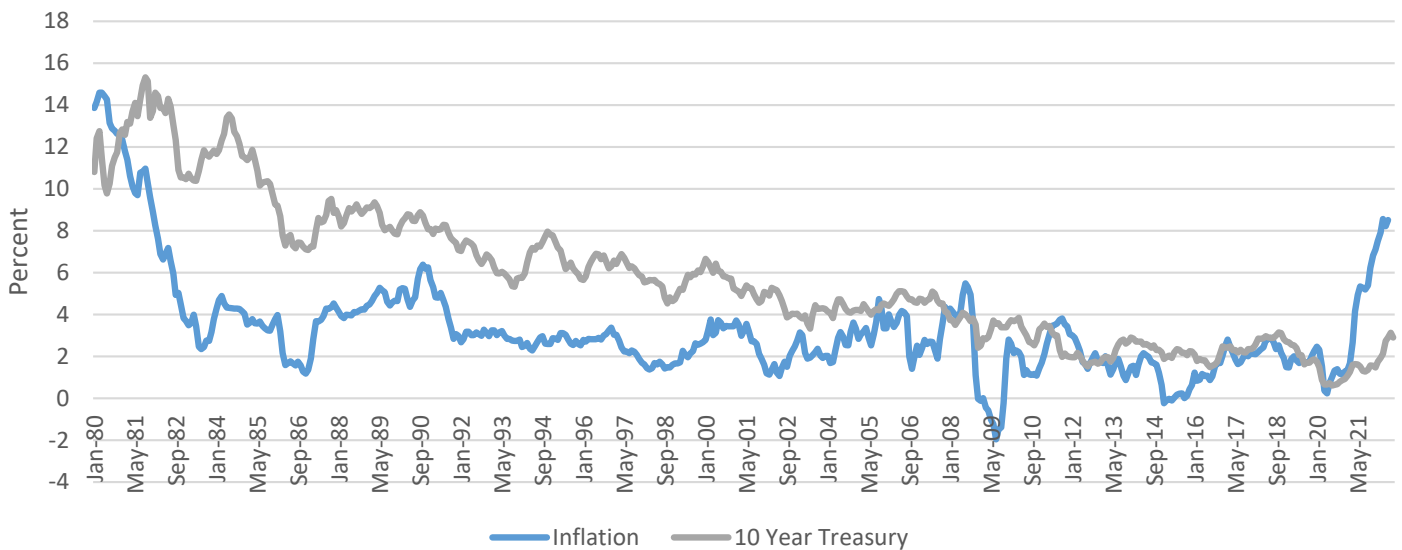


Figure 22:
Regional CPI Comparison

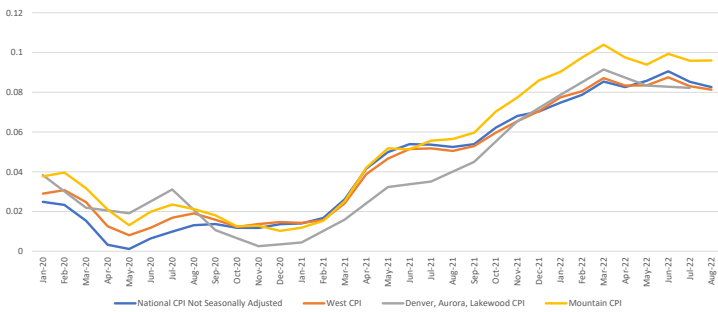


Figure 23:
Employment Cost Index



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



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