

# MESA COUNTY ECONOMIC UPDATE

September 2024



## Economic Summary

- The Mesa County labor market has slowed drastically in 2024, with employment estimates falling from 74,145 in June of 2023 to 72,993 in June of 2024.
- This newsletter covers industrial diversification and measures a Hachman Index and a Herfindahl Hirshman Index (HHI) in an attempt to quantify if Mesa County has indeed become more diverse.
- Total building permits are comparable to Q2 of last year, and still at a historically high level. Single Family Home permits have finally started to rise after almost 2 years of decline, and are up 46.98%.
- U.S. GDP growth for Q2 2024 was 3%, while inflation fell to 2.5% as of August. Inflation seems to have subsided as the Federal Reserve turns its attention the other part of its dual mandate, jobs and growth. The jobs data has been weaker the past several months and has been the most important data point for watching for a potential economic slowdown. The Federal Reserve is now expected to start lowering rates.

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## LOCAL ECONOMIC INDICATORS

	Q2 2024	Q1 2024	Q2 2023	change since last quarter	change since last year (comparable quarters)
<b>Local Labor Market</b>					
Unemployment Rate Mesa County -SA	3.90%	3.80%	3.40%	0.10%	0.50%
Unemployment Rate Mesa County -NSA	4.00%	4.50%	3.30%	-0.50%	0.70%
Unemployment Rate Colorado -SA	3.80%	3.50%	3.10%	0.30%	0.70%
Unemployment Rate U.S. -SA	4.00%	3.80%	3.60%	0.20%	0.40%
Labor Force	76,069	76,184	77,103	-115	-1,034
Employed	73,022	72,783	74,715	239	-1,694
Unemployed	3,048	3,401	2,388	-354	660
<b>Business Confidence</b>					
Leeds Colorado Business Confidence	50.6	45.1	44.1	12.20%	14.74%
<b>Sales/Use Taxes</b>					
	<b>2024 (YTD)</b>		<b>2023 (YTD)</b>		
City Sales/Use Taxes (through July)	\$56,800,207		\$51,988,209		9.26%
Mesa County Sales/Use Tax (through July)	\$31,579,669		\$30,827,173		2.44%
City Lodging Tax Revenue (YTD, through July)	\$2,636,981		\$2,444,409		7.88%
<b>Business Filings</b>					
	<b>2024 (YTD)</b>		<b>2023 (YTD)</b>		
Mesa County New Business Entity Filings (through July)	2,584		2,561		0.90%

<b>Grand Junction Regional Airport</b>	<b>2023</b>	<b>2022</b>			<b>% change from previous year</b>
Scheduled Enplanements (through December)	251,310	228,782			9.85%
<b>Standard of Living and Growth</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>% change from previous year</b>
Population	158,534	157,432	155,993	155,109	0.70%
Personal Income	\$8,670,085	\$8,374,551	\$7,573,662	\$7,118,150	3.53%
Personal Income Per Capita	\$54,654	\$53,194	\$48,548	\$45,981	2.74%
Mesa County Gross Regional Product (in millions)	\$6,893	\$6,886	\$6,635	\$6,825	0.10%
Median Household Income	\$69,578	\$63,531	\$64,141	\$60,249	9.52%
Percent of Population Below Poverty Line	10.7	10.6	11.1	11.2	0.10
<b>Place of Residence</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	
Adjustment for Place of Residence (in thousands)	\$252,343	\$244,376	\$229,008	\$257,576	

SOURCES: 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 Grand Junction, Mesa County; Business Permits: Colorado Secretary of State's Office; Scheduled Enplanements: Grand Junction Regional Airport; Median Household Income, Poverty Rate, and Personal Income: U.S. Bureau of the Census; Gross Regional Product: Bureau of Economic Analysis. Population: Colorado State Demography Office. 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 Mesa County labor market has slowed drastically in 2024, with employment estimates falling from 74,145 in June of 2023 to 72,993 in June of 2024. Figure 1 shows the yearly average, and apparently is this dropoff, which reflects the slowing labor market nationally. Other Western Slope counties have not seen the decline in 2024 that Mesa County has seen. The June unemployment rate is 4.4%, slightly higher than the national average (as of September) of 4.2%. 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. In the QCEW section later in this newsletter, the Q1 2024 QCEW data tells a different story than the employment data in this section and shows job growth in early 2024.

The jobs data from the BEA is by place of work and comes with a lag as the most recent data point is from 2022 (figure 2). 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 healthcare (12,610), government (11,351), and retail trade (10,901) (figure 3).

## Other Indicators

Mesa County sales taxes have increased through July, rising 2.44%, while Grand Junction sales taxes have increased 9.26% (figure 4).

Mesa County business filings are up slightly, rising from 2,561 to 2,584. Despite the less than 1% increase, there is a strong positive trend since 2015 (figure 5).

Table 1:  
**10, 5, and 1 Year Employment Comparison**

	<b>Labor Force</b>	<b>Employed</b>	<b>Unemployed</b>
<b>Annual</b>	-1,034	-1,694	660
<b>5-Year</b>	784	18	766
<b>10-Year</b>	2,662	4,385	-1,723
<b>Annual %</b>	-1.34%	-2.27%	27.64%
<b>5-Year %</b>	1.04%	0.02%	33.59%
<b>10-Year %</b>	3.63%	6.39%	-36.12%

Grand Junction Regional Airport enplanements increased 11.17% comparing YTD through July of 2024 to 2024.

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 implies that more income is flowing out of the county to other counties than flowing in.

Mesa County has a history of a positive place of residence adjustment. This implies that there are more people who commute to other counties and bring back income than other counties deriving income from Mesa County. Figure 6 illustrates the positive place of residence data for Mesa County.

Figure 1:  
**Employment Estimates**

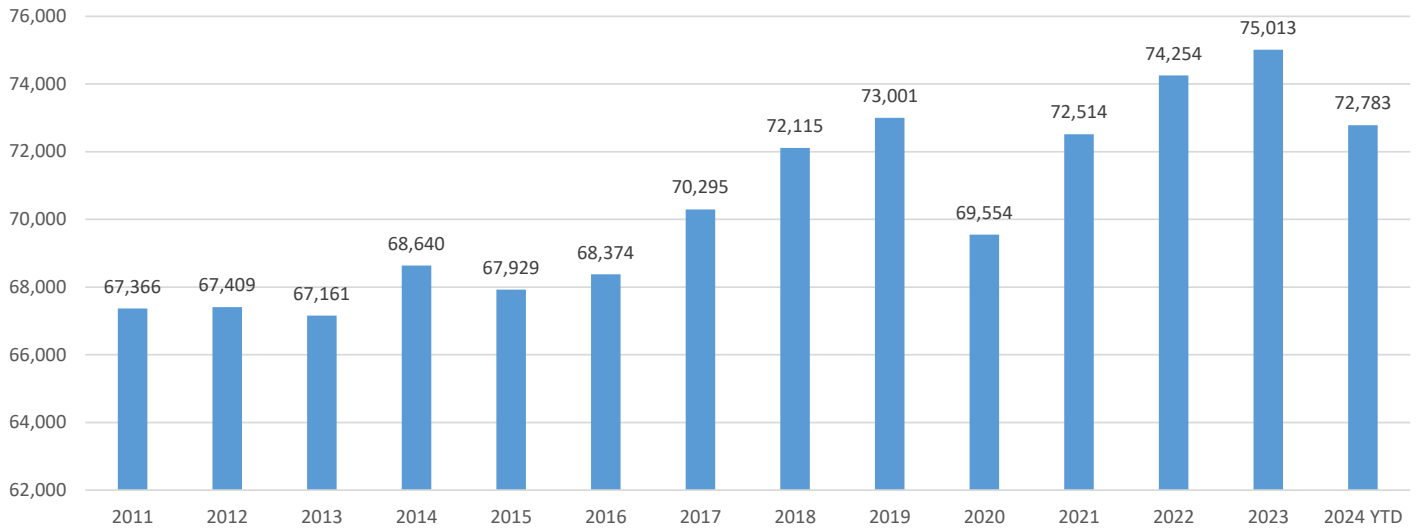


Figure 2:  
**Total Full and Part Time Jobs (BEA)**

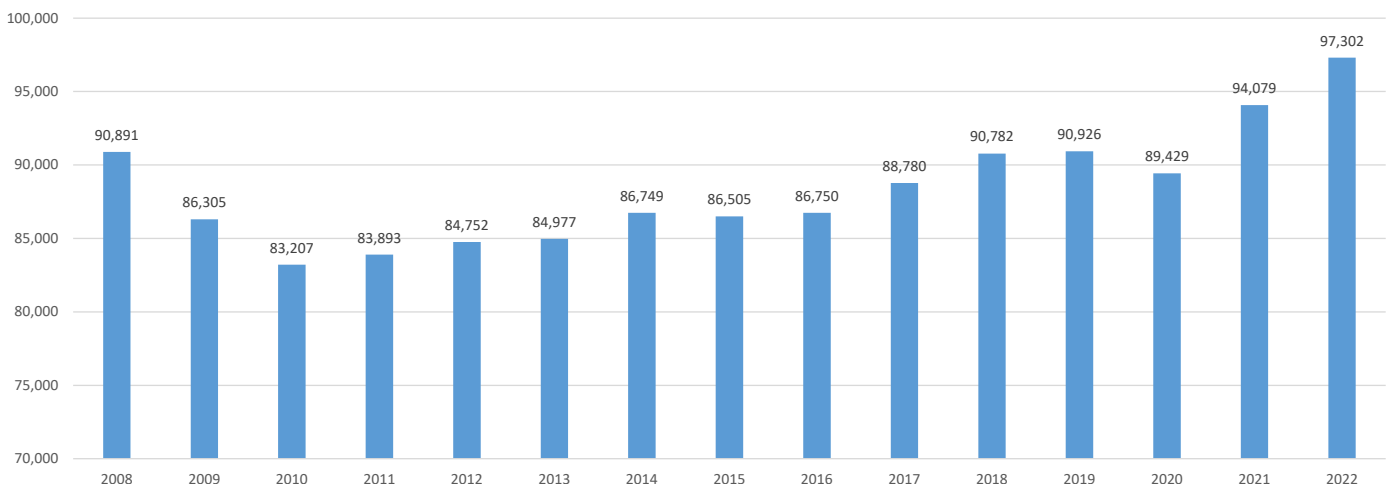


Figure 3:  
**Jobs by Industry**

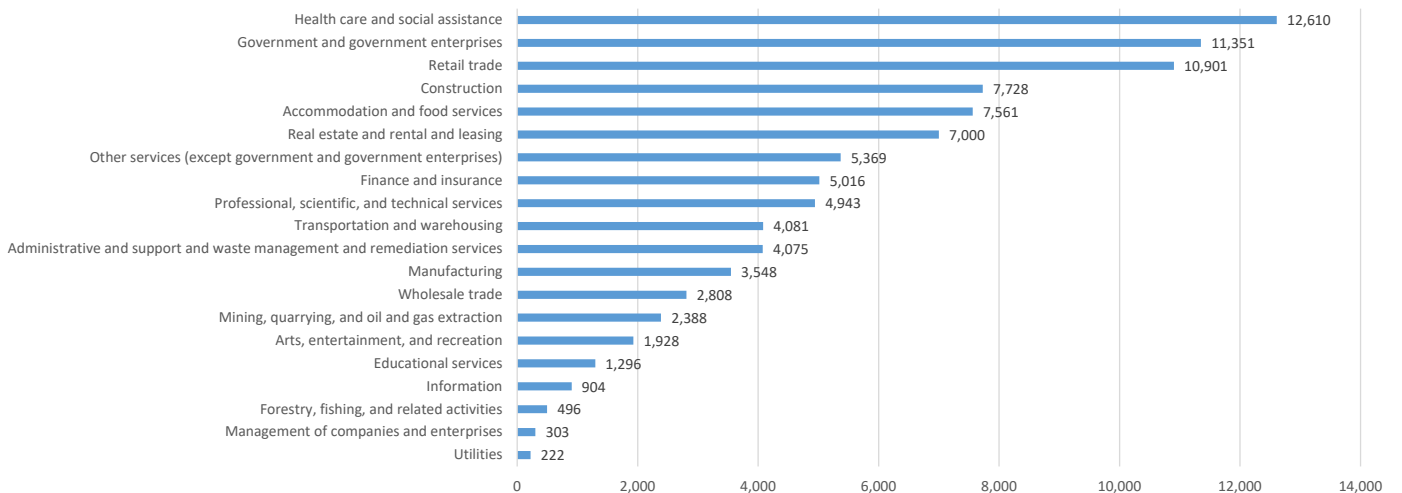


Figure 4:  
Sales Taxes

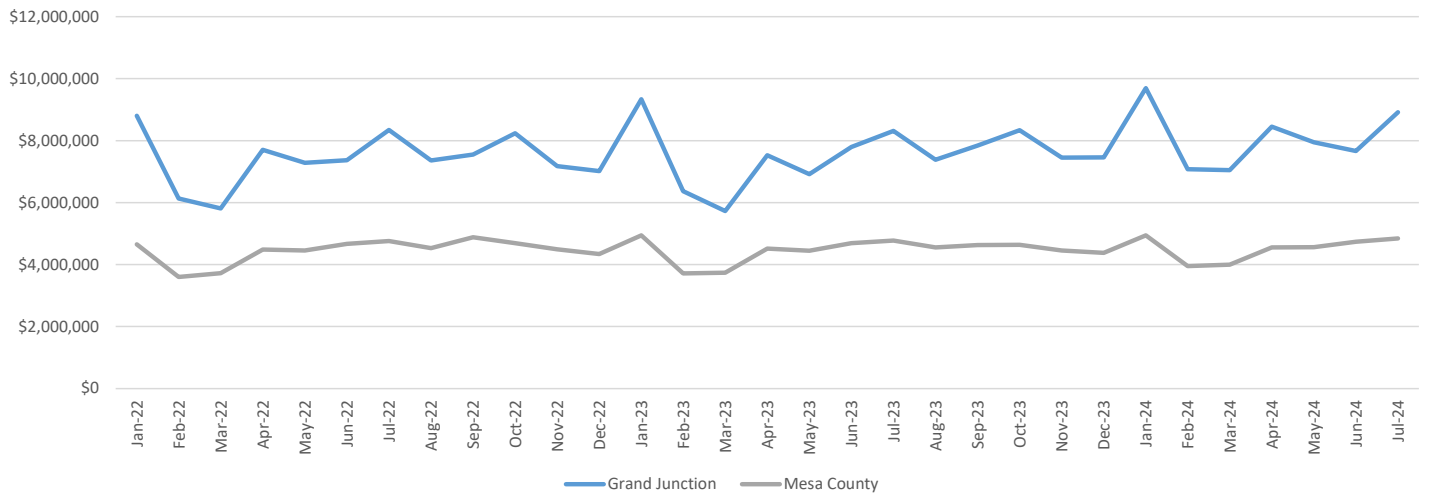


Figure 5:  
New Business Entity Filings Mesa

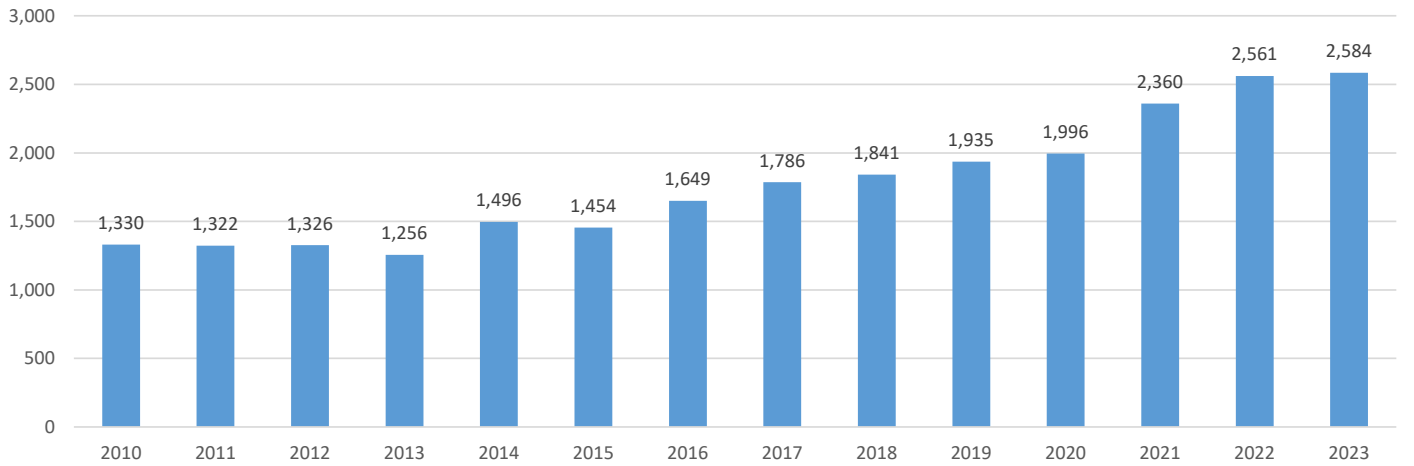
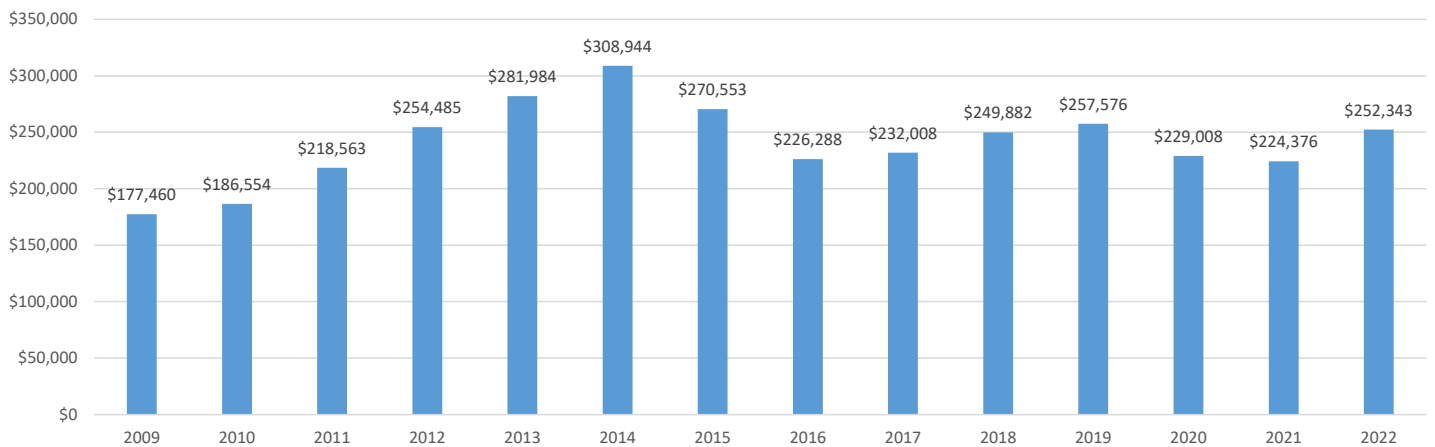


Figure 6:  
Place of Residence Adjustment Mesa County (in thousands of dollars)



## Standard of Living Measures

Standard of living measures are the same from the last newsletter, and are only updated once per year by the BEA and Census Departments as they are yearly data. Mesa County GDP for 2022 grew by 0.10% compared to 2021. This is a disappointing number for Mesa County, as several other data points indicated the potential for solid growth for 2022.

Mesa County median household income rose from \$63,531 in 2021 to \$69,578 in 2022 (figure 9). 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 Mesa County holding steady at 10.7% (up from 10.6%).

Personal income per capita increased from \$53,194 in 2021 to \$54,654 in 2022 (figure 10). 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 7:  
**Western Slope GDP % Change 2022**

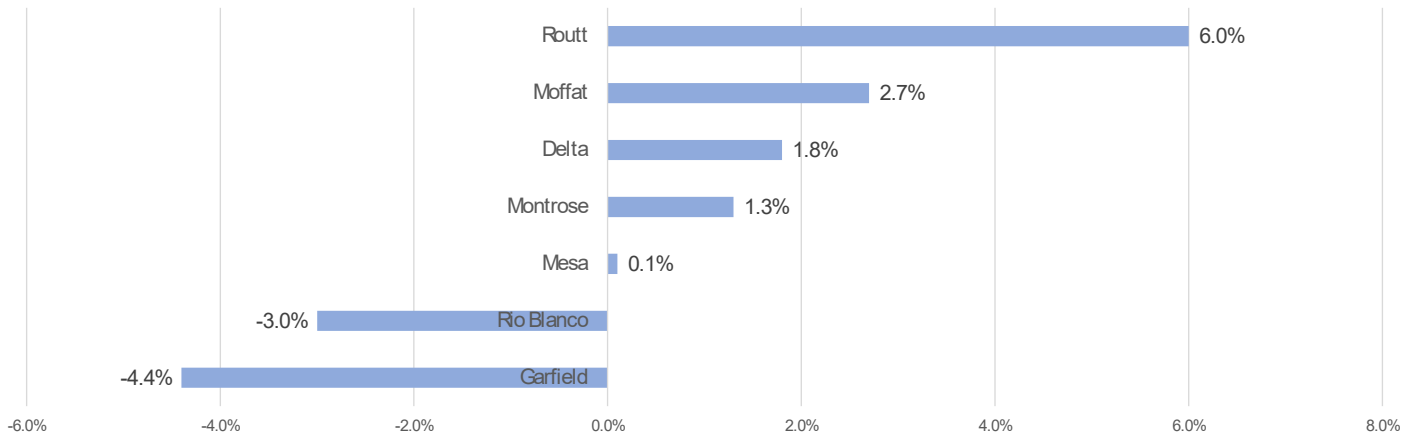


Figure 8:  
**Mesa County Real GDP % Change (chained 2017 dollars)**

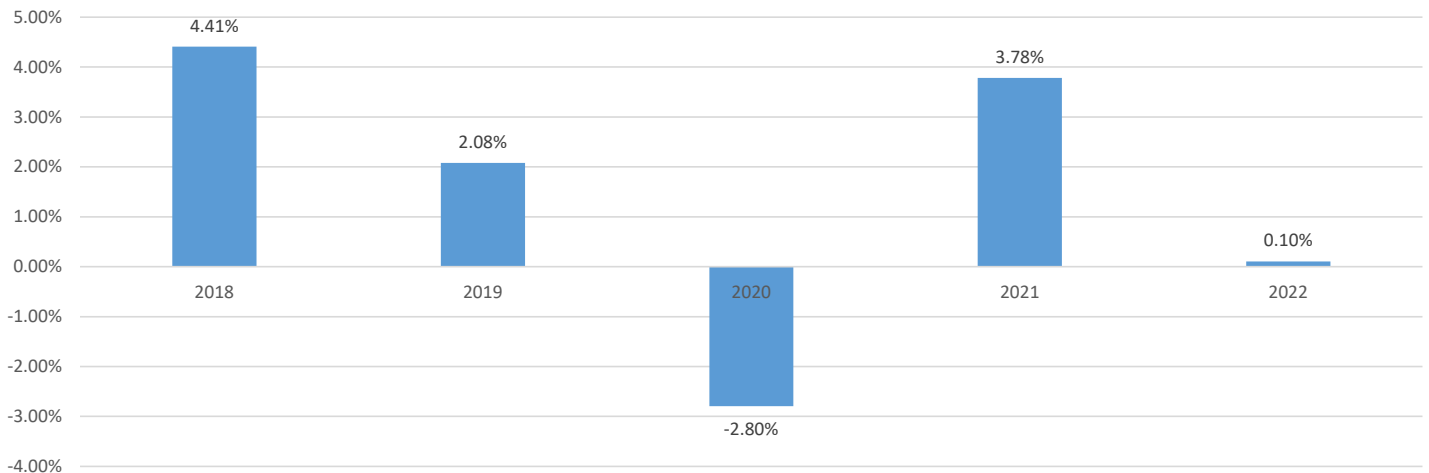


Figure 9:  
Mesa County Median Household Income

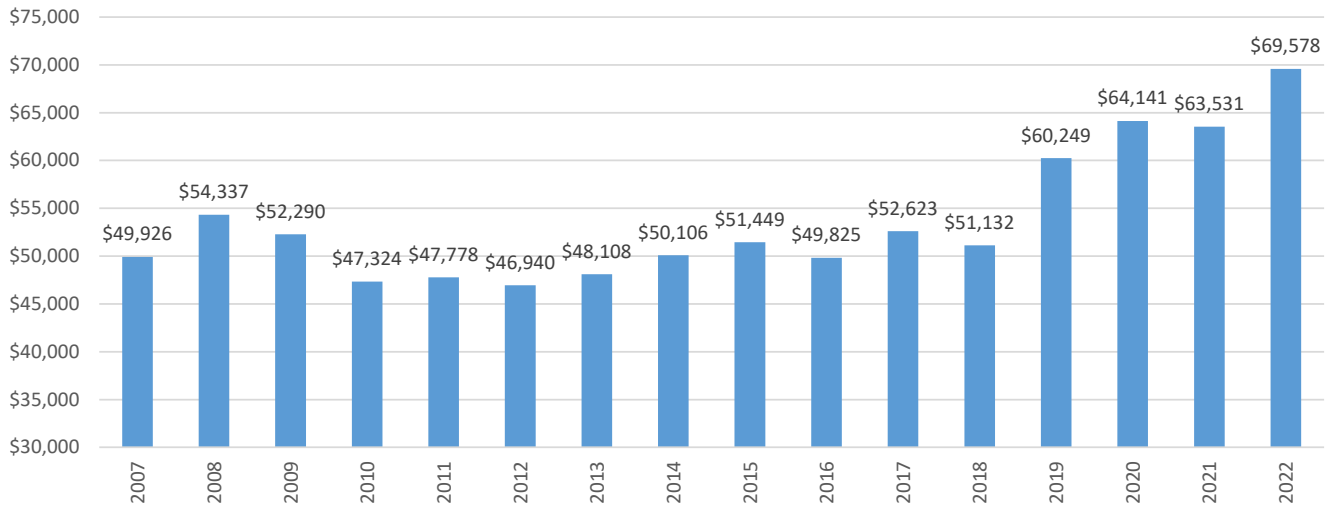


Figure 10:  
Per Capita Income

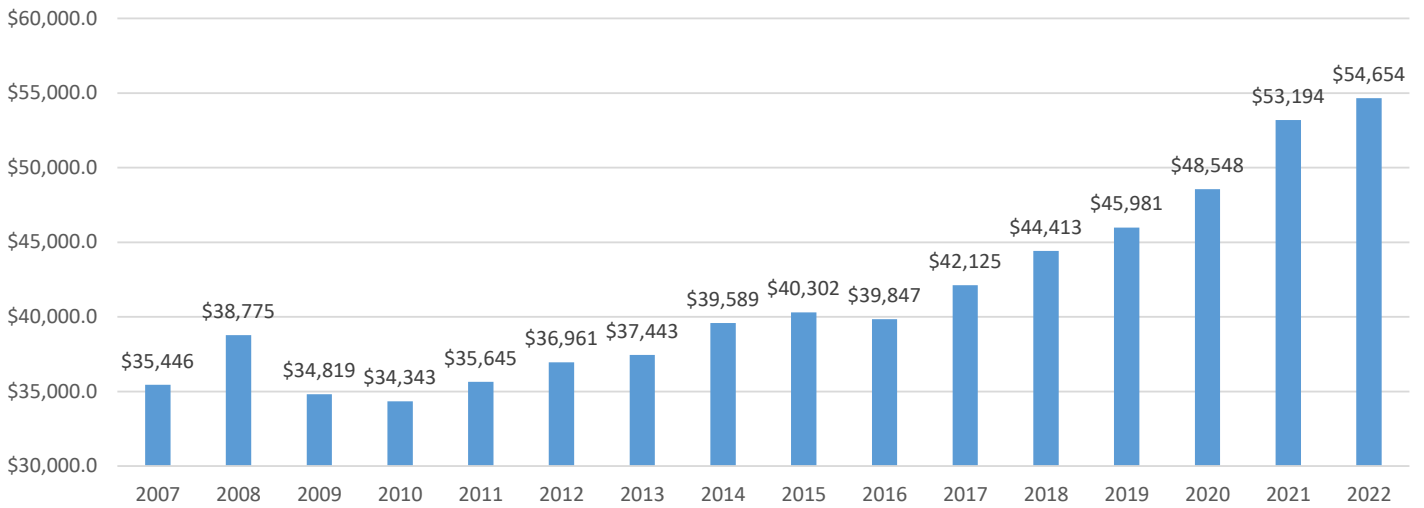
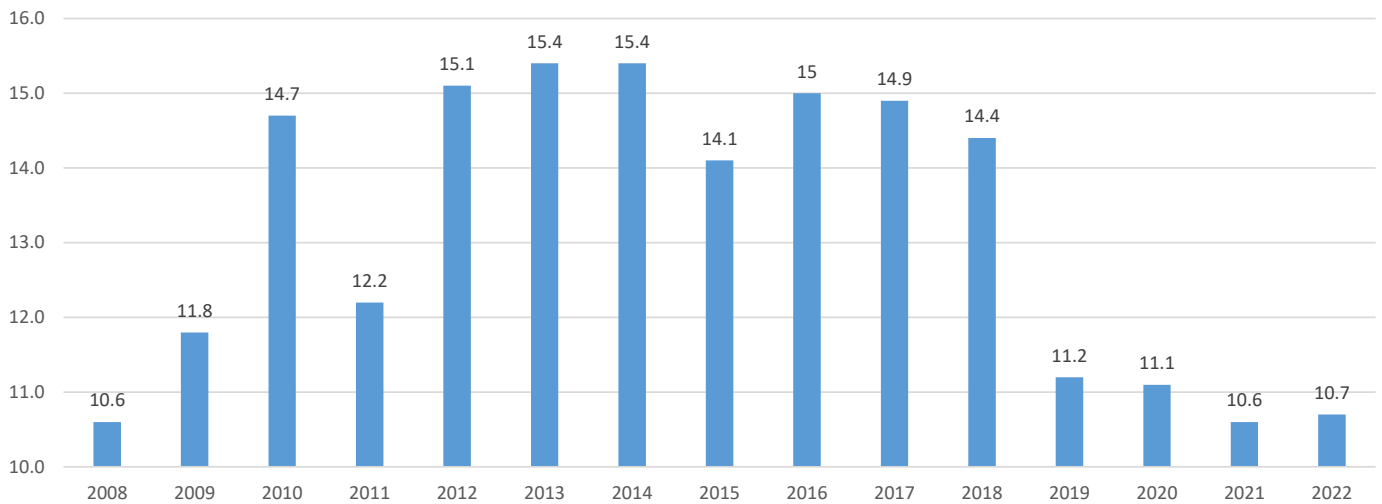


Figure 11:  
Percent Below Poverty Line Mesa County



## Population Trends

The Colorado State Demography Office produces population estimates and population forecasts. Table 2 illustrates these forecasts for the Western Slope counties. Mesa County is expected to grow from the previous 2020 estimate of 155,993 to 174,827 in 2030, 198,890 in 2040, to 214,206 in 2050. Population is a function of birth rate, death rate, and migration. Mesa County is expected to be fairly neutral with births and deaths, which means natural population growth is not what is expected to push Mesa County's population higher. It is in fact migration that is expected to fuel Mesa County's growth.

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

	Mesa	Montrose	Delta	Garfield	Rio Blanco	Moffat	Routt
<b>2020</b>	155,993	42,810	31,052	61,791	6,521	13,265	24,834
<b>2025</b>	162,833	45,413	32,027	64,496	6,511	13,037	25,786
<b>2030</b>	174,827	48,327	33,286	69,950	6,440	12,851	27,336
<b>2035</b>	187,931	50,973	34,303	76,392	6,291	12,706	28,840
<b>2040</b>	198,890	52,958	35,029	82,780	6,147	12,577	30,133
<b>2045</b>	207,560	54,152	35,512	88,422	5,978	12,435	31,082
<b>2050</b>	214,206	54,586	35,769	92,516	5,773	12,261	31,700

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

	Population	Change	Births	Deaths	Net Migration
<b>2018</b>	154,047	1,899	1,657	1,527	1,769
<b>2019</b>	155,109	1,062	1,604	1,543	1,001
<b>2020</b>	155,993	884	1,568	1,685	1,001
<b>2021</b>	157,432	1,439	1,527	1,898	1,810
<b>2022</b>	158,534	1,102	1,448	2,015	1,669
<b>2023</b>	159,503	969	1,426	1,776	1,319
<b>2030</b>	174,827	2,836	1,760	2,040	3,116

## Industrial Diversification

Figure 12 illustrates the Hachman Index for Mesa County. The Hachman Index is an industrial diversification index that compares the industrial composition of Mesa County to the industrial composition of Colorado. A higher Hachman Index indicates in this case that Mesa County is closer to the composition of Colorado, whereas a lower Hachman Index implies less diversification compared to Colorado. Figure 12 shows that the Hachman Index indicates Mesa County has been increasing in industrial diversification since the oil and gas bubble burst.

Another way to measure industrial diversification is through the Herfindah-Hirshman (HHI) Index. This measure only takes into account the market concentration of Mesa County, and does not use a comparison the state like the Hachman Index. A higher HHI indicates more industrial concentration. The HHI shows that Mesa County has seen an increase in concentration since 2008 (figure 13). The reason for this is health care. The reason that the Hachman Index differs from the HHI is that Colorado as a state has seen an increase in job concentration in health care as well, so the growth in healthcare in Mesa County is offset by the growth in Colorado. Notice the small changes on the Y axis on the HHI Index, indicating that the HHI has not moved too much.

Figure 14 shows the percentage of healthcare jobs in Mesa County, while figure 15 illustrates oil and gas jobs vs. non-oil and gas jobs. Non-oil and gas jobs have been on a steady growth trend, while oil and gas have fallen. Ultimately I believe the Hachman Index is a better measure of industrial diversification as it uses Colorado as a comparison baseline.

Figure 12:  
**Hachman Index Mesa County**

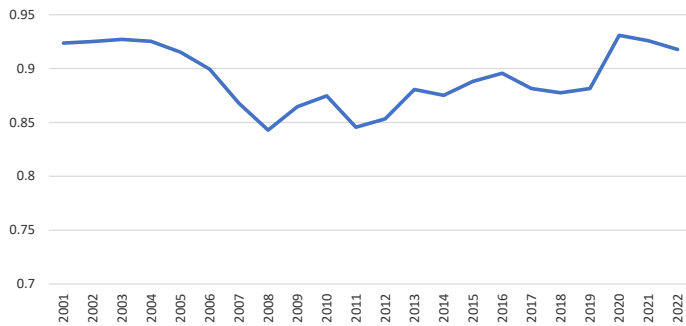


Figure 13:  
**HHI Index Mesa County**

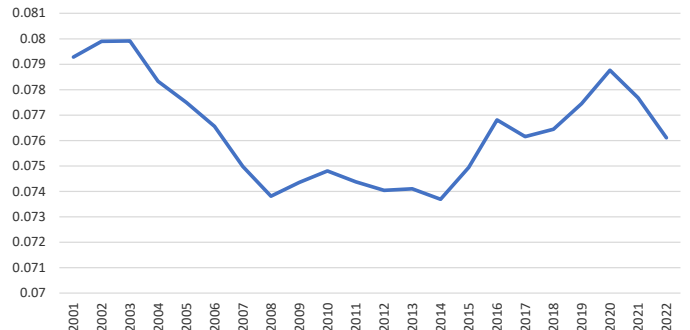


Figure 14:  
**Healthcare Percentage of Jobs**

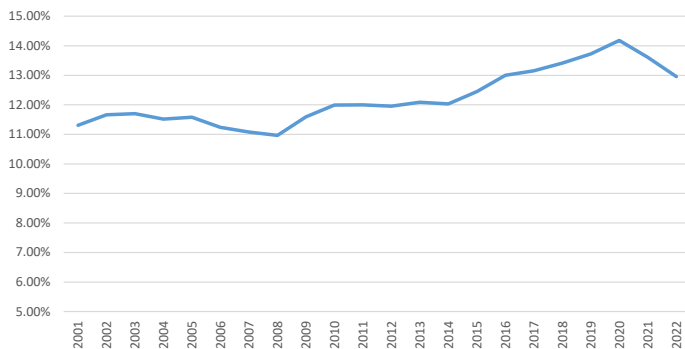
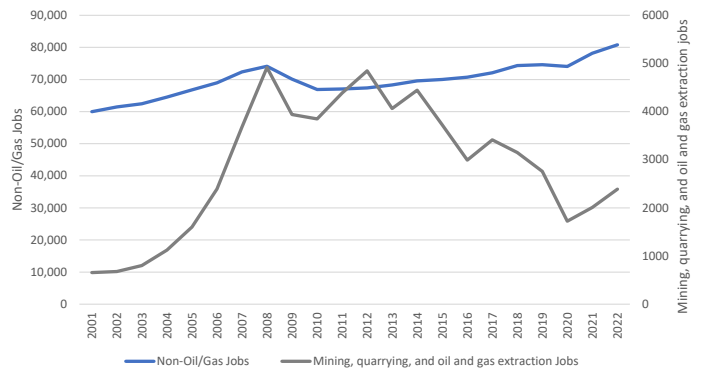


Figure 15:  
**Non-Oil and Gas Jobs**





## Mesa County Industry Trends

Q1 2024 Quarterly Census of Employment and Wage data shows job and wage gains compared to Q1 2023. The biggest gains in jobs were in healthcare, which had a huge increase from the previous year after falling in 2022 and parts of 2023. Public administration and transportation and warehousing also saw large gains. Note that the Q1 2024 QCEW data, which is a place of work business survey, shows large gains in jobs, while the employment number in the labor market section above, which is a household survey by place of residence, shows employment losses. We now have two diverging datasets telling two different stories. It will take a few quarters to see which story persists.

Figure 17 is not QCEW data, and instead shows the percentage of retiree income as a percentage of total income. Retirees have a larger impact in Mesa County than in Colorado as a whole, and help to stabilize spending during economic downturns. Conversely, inflation can hit retirees harder than other groups, hence the downward trend from last year.

Table 4:  
**Quarterly Census of Employment and Wages (QCEW) Q1 2024 Compared to Q1 2024**

Sector	Average Employment	Total Quarterly Wages	Average Weekly Wage	Total Employment Change	Total Wage Change
Total, All Industries	65,654	\$973,270,142	\$1,140	1,814	\$92,479,697
Health Care and Social Assistance	13,209	\$223,387,394	\$1,301	707	\$33,905,645
Retail Trade	8,771	\$102,711,124	\$901	2	\$2,167,768
Construction	5,097	\$88,536,306	\$1,336	38	\$3,475,139
Mining	1,780	\$78,242,906	\$3,381	107	\$27,462,772
Educational Services	5,382	\$61,271,669	\$876	60	\$7,986,970
Public Administration	3,748	\$61,069,609	\$1,253	266	\$3,785,266
Transportation and Warehousing	2,954	\$47,710,166	\$1,243	256	\$3,660,757
Wholesale Trade	2,412	\$45,268,766	\$1,444	-2	\$174,473
Professional and Technical Services	2,658	\$44,525,763	\$1,289	155	\$3,636,984
Accommodation and Food Services	6,928	\$44,051,051	\$489	56	\$1,284,761
Manufacturing	3,057	\$42,513,671	1,070	-14	\$1,740,192
Finance and Insurance	1,661	\$35,953,899	\$1,665	-40	-\$1,875,527
Administrative and Waste Services	2,364	\$29,837,088	\$971	75	\$1,203,241
Other Services, Ex. Public Admin	1,998	\$21,775,660	\$838	71	\$1,777,173
Information	691	\$12,761,763	\$1,421	13	\$1,453,385
Real Estate and Rental and Leasing	994	\$11,982,629	\$927	4	-\$61,018
Utilities	380	\$9,398,081	\$1,904	19	\$1,023,810
Arts, Entertainment, and Recreation	1,098	\$6,068,297	\$425	34	\$41,377
Management of Companies and Enterprises	197	\$3,902,214	\$1,526	11	\$184,118
Agriculture, Forestry, Fishing & Hunting	273	\$2,229,341	\$629	2	-\$385,735

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

Table 5:  
**Farm and Sole Proprietor Employment**

BEA Data	2022	2021	2020	2019	% change from 2021
Farm Employment	2,224	2,235	2,221	2,232	-0.5%
Sole Proprietors (non-farm)	26,452	24,637	22,776	21,271	7.4%

Figure 16:  
**Total Jobs Change from Q1 2023 to Q1 2024**

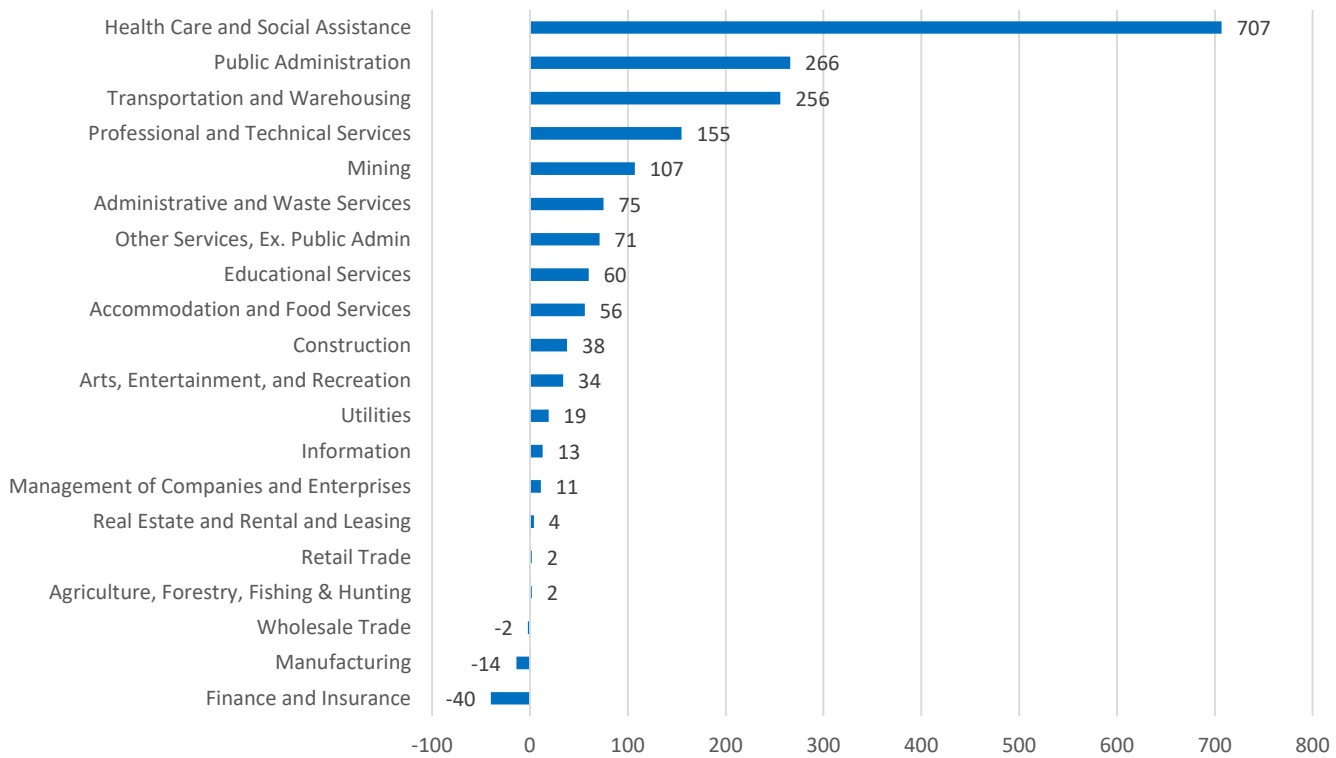
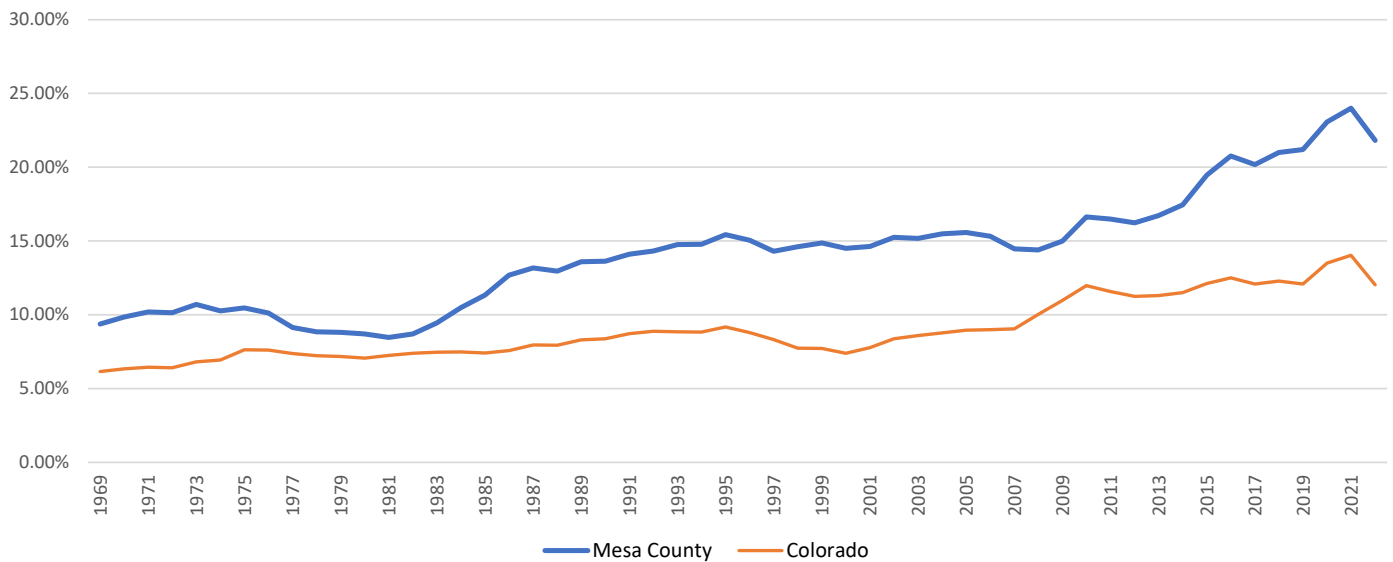


Figure 17:  
**Retiree Income/Personal Income**



## LOCAL REAL ESTATE

	Q2 2024	Q2 2023	% change since last year
<b>Real Estate</b>			
Inventory of Homes for Sale (3 month avg)	470	412	14.00%
New Residential listings (3 month total)	899	823	9.23%
Sold Residential Listings (3 month total)	725	726	-0.14%
Median Sales Price	\$438,317	\$414,700	5.69%
Average Sales Price	\$500,673	\$457,253	9.50%
Days on Market	75.67	82.00	-7.72%
Months Supply of Inventory	2.43	1.90	28.07%
Total Building Permits (YTD)	3,792	3,880	-2.27%
Single Family Permits (YTD)	341	232	46.98%
<b>Foreclosures</b>			
Foreclosure Filings	45	65	-30.8%
Foreclosure Sales	5	11	-54.5%
<b>Freddie Mac House Price Index</b>			
	<b>2024</b>	<b>2023</b>	
Grand Junction	320.3	302.5	5.89%
Colorado	303.0	294.3	2.95%
National	294.0	277.2	6.05%
<b>Zillow Rental Price Index</b>			
	<b>2024</b>	<b>2023</b>	
All rentals combined	\$1,589	\$1,514	4.9%
Single Family	\$1,879	\$1,774	6.0%
Multifamily	\$1,272	\$1,217	4.5%
<b>Mortgage Rates</b>			
	<b>Aug 2024</b>	<b>Aug 2023</b>	
15 Year Mortgage Rate	5.68%	6.43%	-0.75%
30 year Mortgage Rate	6.50%	7.07%	-0.57%

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

### Local Real Estate Indicators

The Mesa County real estate market shows continued price increases year over year, with median sales prices of single family homes rising to \$438,317 from \$414,700 last year in Q2. The average median sales price for 2024 has been \$414,628. Inventory has increased by 14%, as well as new listings. Months supply of inventory increased from 1.9 to 2.43 year over year, and rising from 2.2 in Q1 of 2024. Rental prices continue to climb, rising 4.9% comparing YTD rental prices in 2024 to 2023. Total building permits are even compared to Q2 of last year, but still at a historically high level. Single Family Home permits have finally started to rise after almost 2 years of decline, and are up 46.98% (figure 18).

The mortgage market continues to be challenging for both buyers and sellers. Buyers want homes but cannot afford them at these prices and interest rates. Meanwhile, those who want to sell feel locked into their lower interest rate mortgage and find a lack of inventory when looking to move. Rising interest rates, which are the result of the Federal Reserve's attempt to curve inflation, have dampened buyer demand.

The Federal Reserve is now expected to lower interest rates in September after a bad jobs report in early August which showed a slowing economy. As a result of the jobs report on August 2nd, treasuries rallied, pushing interest rates and mortgage rates down. As of the writing of this newsletter in early September, the only question is whether the Fed cuts rates by 25 or 50 basis points in September.

Figure 18:  
**Building Permits**

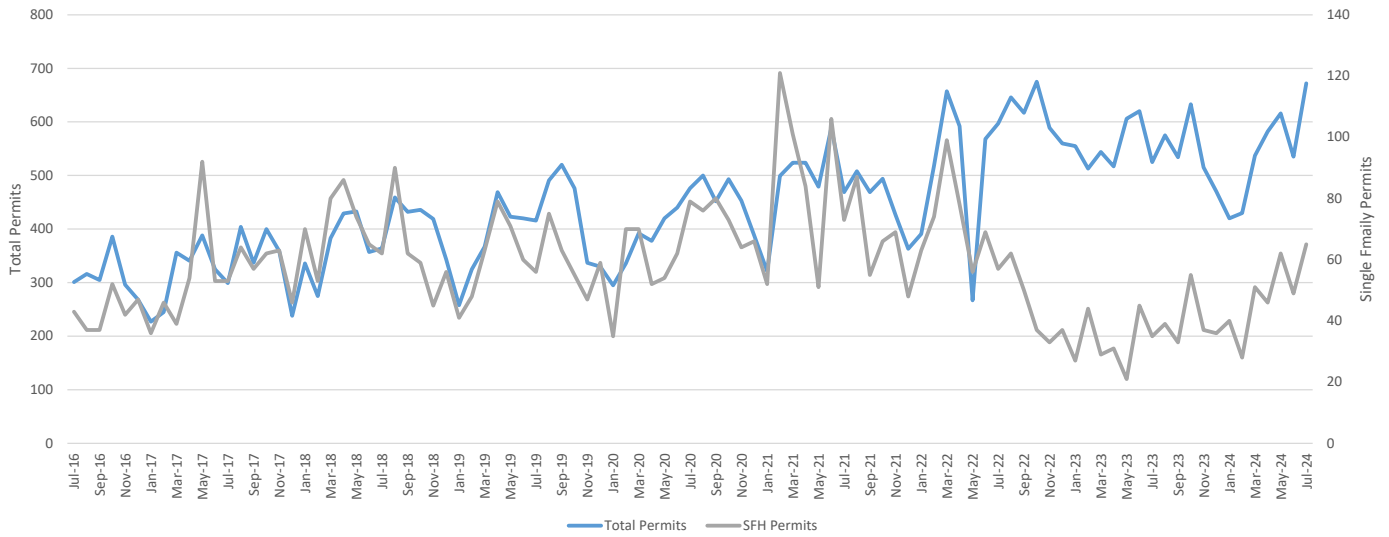


Figure 19:  
**Median and Average Sales Price**

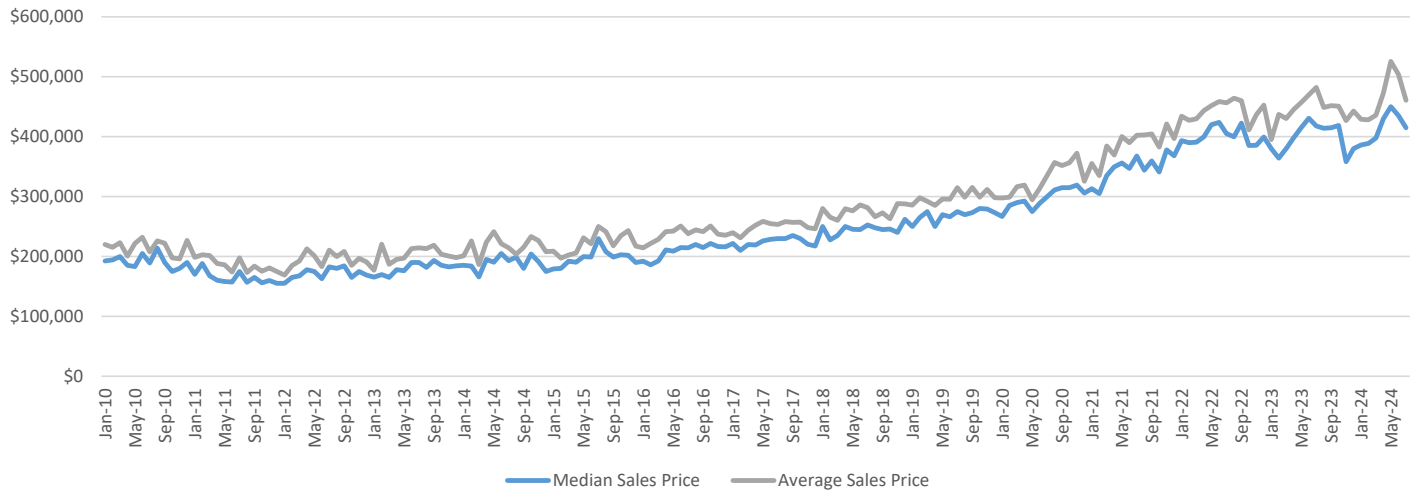
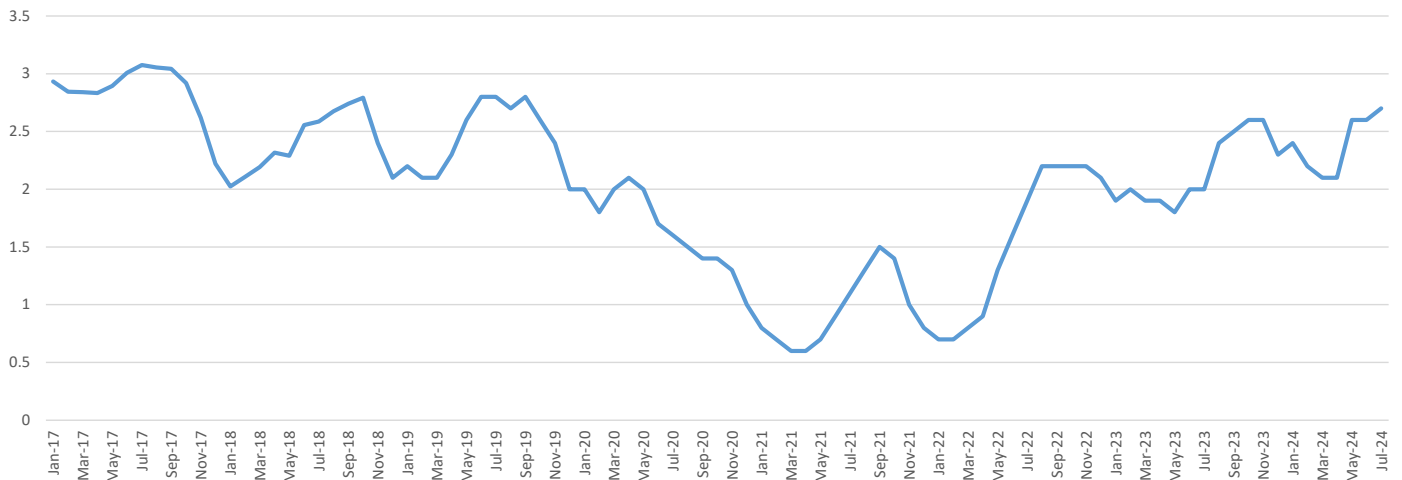


Figure 20:  
**Months Supply of Inventory**



## REGIONAL ENERGY

	Q2 2024	Q1 2024	Q2 2023	% change since last quarter	% change since last year (comparable quarters)
<b>Energy Prices</b>					
WTI Crude Oil	\$81.81	\$77.50	\$73.54	5.56%	11.25%
Henry Hub Natural gas	\$2.08	\$2.13	\$2.16	-2.35%	-3.70%
Retail Gasoline Price	\$3.42	\$3.13	\$3.46	9.31%	-1.16%
<b>Drilling Permits</b>					
	2023	2022	2021	2020	
Drilling Permits (Mesa County)	23	0	0	1	
Drilling Permits (Rio Blanco County)	61	40	40	33	
Drilling Permits (Garfield County)	21	139	133	127	
Drilling Permits (Moffat County)	0	3	4	1	
Total Permits (Mesa, Rio Blanco, Garfield, Moffat)	105	182	177	162	
Total Permits (Colorado)	199	1,005	805	1,543	
<b>Local Rig Count</b>					
	Jul-24	Apr-24	Oct-23		
Rig Count (Western Colorado, Mesa, Rio Blanco, Garfield, Moffat)	1	1	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; Coal data from the Colorado Division of Reclamation, Mining, and Safety.

Figure 21:  
**Oil and Natural Gas Prices**

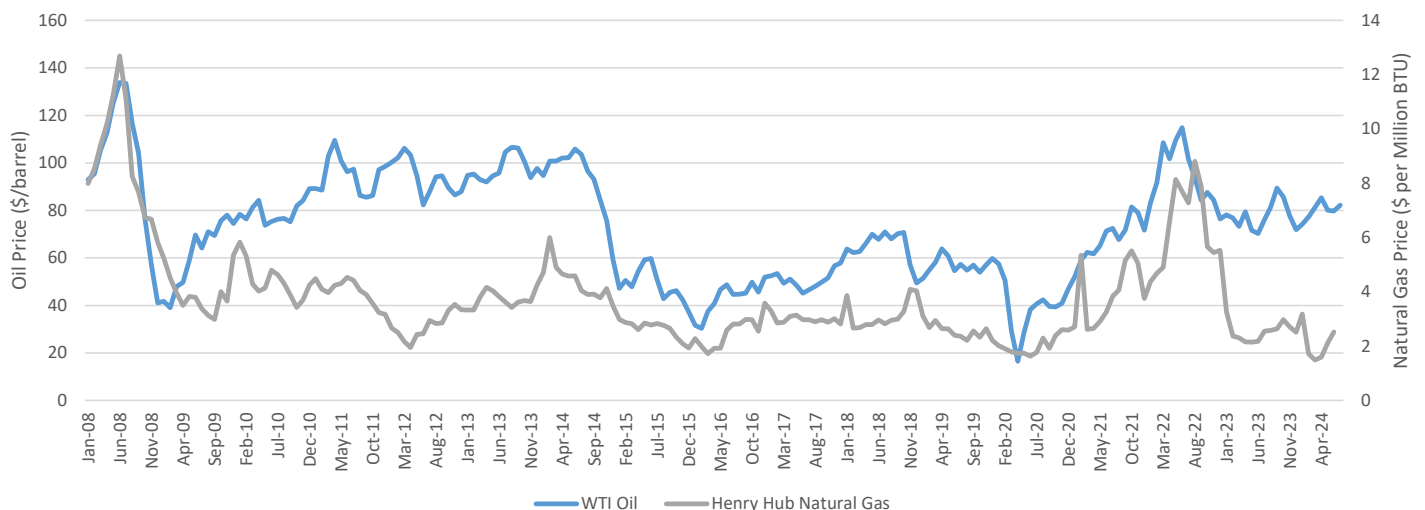


Figure 22:  
Oil/Gas Drilling Permits and Oil/Gas Jobs

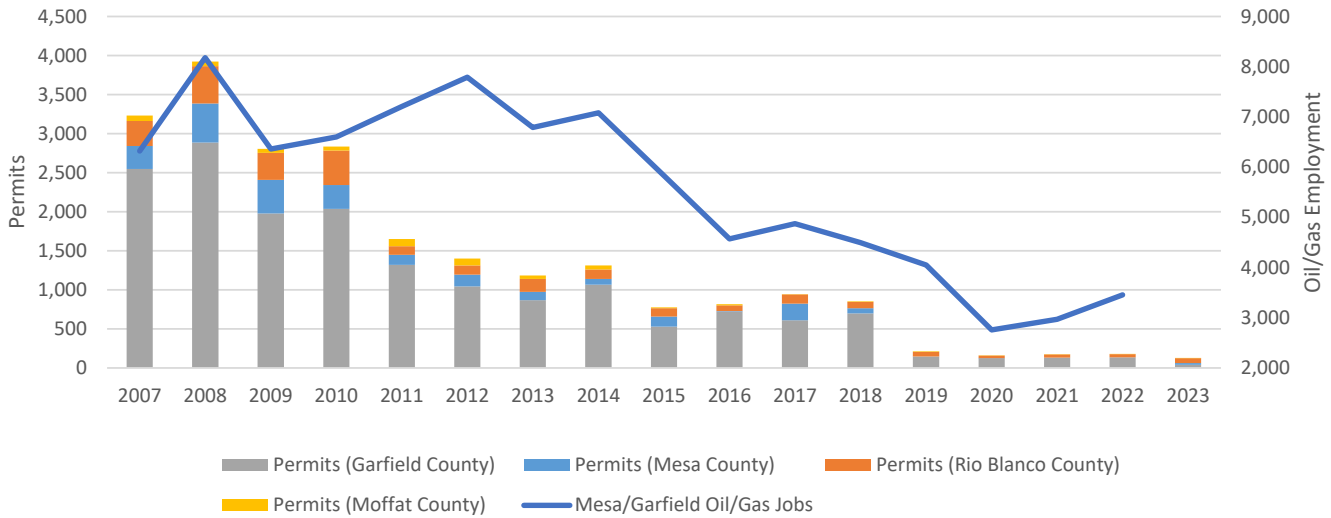
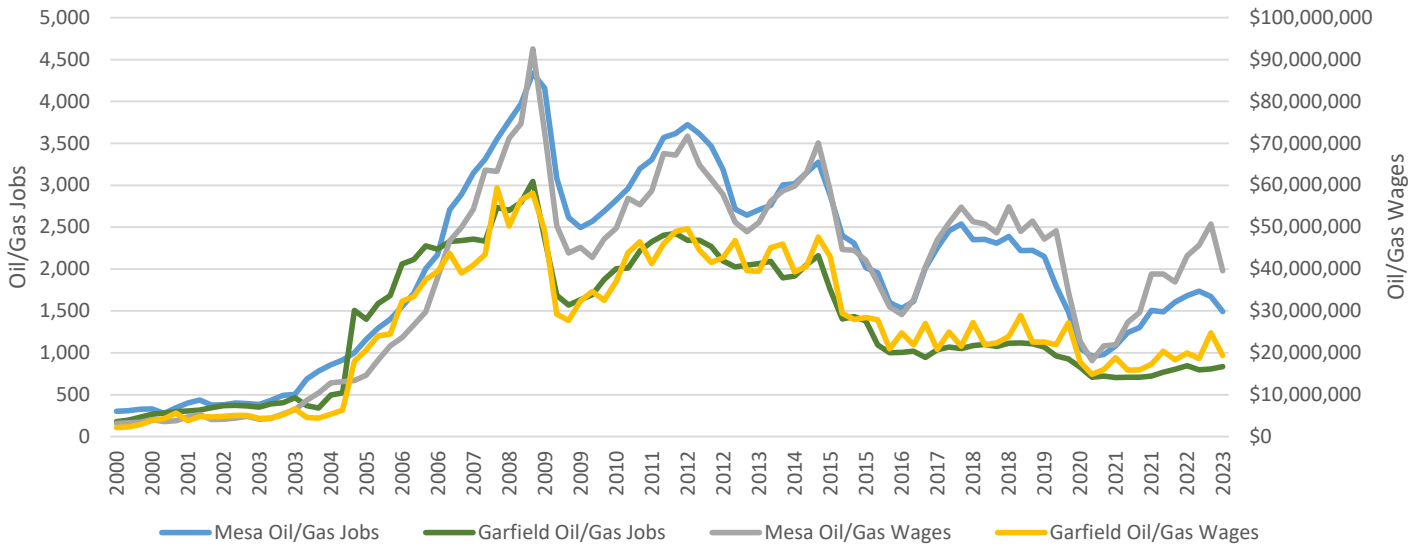


Figure 23:  
Mesa and Garfield Oil and Gas Jobs/Wages



### Western Slope Energy

WTI oil prices averaged \$81.81 in Q2 2024, and as of early August are in the mid-\$70 range. The Energy Information Agency expects Brent Crude oil price to stay near \$90 per barrel in the second half of 2024 due to geopolitical risks and OPEC+ production cuts. Record amounts of natural gas production have caused natural gas prices to fall, falling to \$2.08 in Q2. The EIA expects natural gas prices to increase to \$2.90 in the second half of 2024. Low prices have forced production cuts, which over several months should increase the price of natural gas.

## NATIONAL ECONOMIC INDICATORS

	Q2 2024	Q1 2024	Q2 2023	% change since last period	% change since last year (comparable quarters)
<b>Business Cycle Indicators</b>					
Real GDP	2.80%	1.40%	2.10%	1.40%	0.70%
Personal Consumption Expenditures	2.30%	1.50%	0.80%	0.80%	1.50%
Gross Private Domestic Investment	8.40%	4.40%	5.20%	4.00%	3.20%
National Consumer Confidence	71.5	78.4	62.3	-8.80%	14.77%
Industrial Production Index	103.3	102.2	102.9	1.06%	0.38%
Initial Weekly Unemployment Claims (4 week MA)	222,038	209,558	228,788	5.96%	-2.95%
Non Farm Payroll Change (in thousands)	597,000	770,667	753,000	-22.53%	-20.72%
<b>Unemployment</b>					
Unemployment Rate-U3-SA	4.00%	3.80%	3.60%	0.20%	0.40%
Unemployment Rate-U6-SA	7.40%	7.30%	6.80%	0.10%	0.60%
<b>Interest Rates</b>					
Federal Funds Rate	5.33%	5.33%	4.98%	0.00%	0.35%
10 Year U.S. Treasury	4.44%	4.16%	3.59%	0.28%	0.85%
30 Year U.S. Treasury	4.58%	4.33%	3.81%	0.25%	0.77%
<b>Inflation Measures</b>					
Inflation Rate (CPI)	3.19%	3.25%	4.03%	-0.05%	-0.84%
Core Inflation Rate (All Items Less Food and Energy)	3.43%	3.81%	5.23%	-0.38%	-1.80%
Inflation Rate (Shelter)	5.35%	5.82%	7.97%	-0.47%	-2.62%
Producer Price Index (PPI)	0.37%	-1.90%	-6.64%	2.27%	7.01%
Employment Cost Index	4.09%	4.19%	4.54%	-0.11%	-0.45%
<b>Stock Prices</b>					
S&P 500	5,247	4,993	4,206	5.09%	24.74%
Dow Jones Industrial Average	38,807	38,517	33,643	0.75%	15.35%
<b>Trade Balance and Debt</b>					
Trade Balance (% of GDP)	-894.362	-834.896	-806.093	7.12%	10.95%
Federal Debt (% of GDP)*	122.3%	121.6%	117.3%	0.7%	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. Regional CPI data from the Bureau of Labor Statistics. Yield Curve from the Federal Reserve Board.

Figure 24:  
Real GDP for U.S.

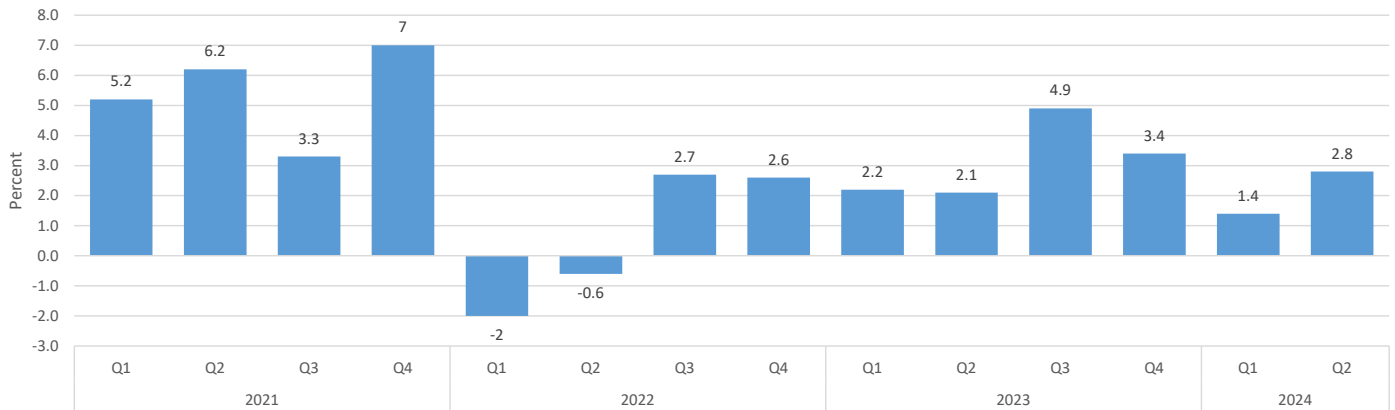
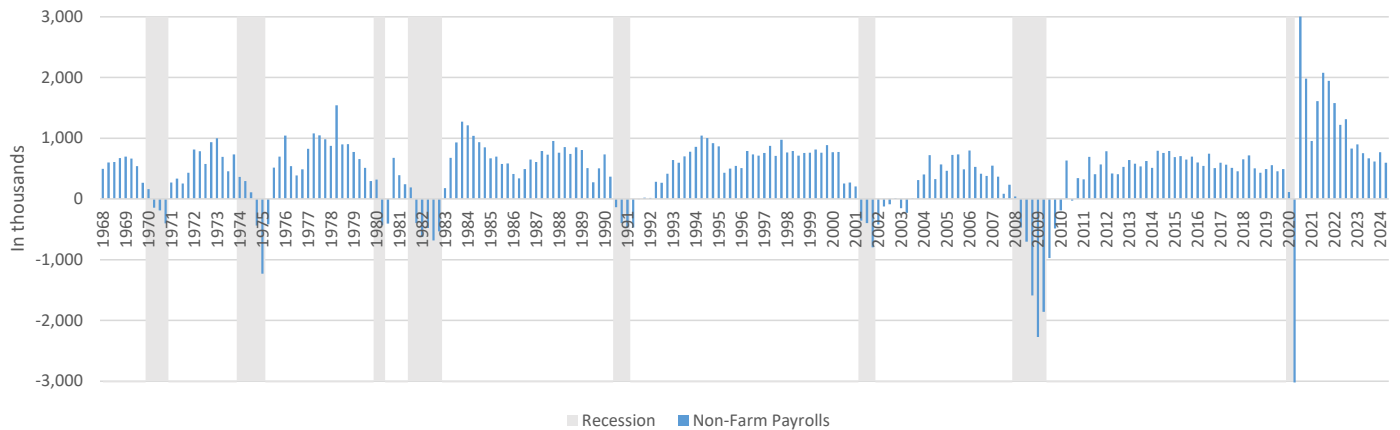


Figure 25:  
Non-Farm Payrolls (Quarterly)



## Economic Growth

U.S. GDP growth for Q1 2024 was 1.6%, revised recently to 1.4%. Q2 GDP growth came in at 3% (figure 24). Many new data points, both GDP and jobs, have had downward revisions as of late. However, the Atlanta Federal Reserve's GDPNow estimates 2.1% (as of September 5th) growth for Q3, which is a reasonable growth rate. The GDP number is important because the labor market is slowing. If growth starts to slow as well we will very quickly start to predict recession.

The unemployment rate has crept up to 4.3% in July, falling to 4.2% in August. The September jobs report showed an increase in non-farm payroll employment of 142,000, up from the previous months. The jobs picture is still one of a slowing labor market with less job gains.

## Inflation and Recession Watch

July inflation came in at 2.9%, with August at 2.5% with most inflationary indicators showing that the inflation has likely been tamed. There have been two components to inflation, the supply side and the demand side. On the supply side, the employment cost index (figure 29) shows that the labor market wages have fallen. The U.S. has added a significant number of people to the labor force through immigration, which in certain sectors

pushes wages down. On the demand side, the COVID era fiscal policy that household received have finally been spent. Figure 26 shows that personal savings rates are very low and that people have spent their COVID level savings. The consumer has been pummeled by inflation the last two years and is finally changing spending habits. This can be seen in company earnings calls that are consumer-related. Job growth is slowing and employees can no longer feel confident about finding a different job that pays more, which has been the trend the last three years. These two factors have led to the likely defeat of inflation.

On Friday, August 2nd, the Sahm rule was triggered, which shows that a recession is likely starting when the three-month average unemployment rate rises by 0.50 percentage points or more compared to the lowest three month average of the previous 12 months. This has been a reliable indicator for recession, and can be seen graphically after an unemployment trough forms. To combat potential recession, the Fed is now expected to lower rates in September, possibly by 50 basis points to spur investment and lower consumer borrowing rates. As of early September, we are not in a recession and many economists are still predicting a soft landing.



Figure 26:  
**CPI (Inflation) Release from the Bureau of Labor Statistics (reproduced from BLS.gov)**

	Seasonally adjusted changes from preceding month							Un-adjusted 12-mos. ended Jul. 2024
	Jan. 2024	Feb. 2024	Mar. 2024	Apr. 2024	May 2024	Jun. 2024	Jul. 2024	
All items.....	0.3	0.4	0.4	0.3	0.0	-0.1	0.2	2.9
Food.....	0.4	0.0	0.1	0.0	0.1	0.2	0.2	2.2
Food at home.....	0.4	0.0	0.0	-0.2	0.0	0.1	0.1	1.1
Food away from home <sup>1</sup> .....	0.5	0.1	0.3	0.3	0.4	0.4	0.2	4.1
Energy.....	-0.9	2.3	1.1	1.1	-2.0	-2.0	0.0	1.1
Energy commodities.....	-3.2	3.6	1.5	2.7	-3.5	-3.7	0.1	-2.0
Gasoline (all types).....	-3.3	3.8	1.7	2.8	-3.6	-3.8	0.0	-2.2
Fuel oil.....	-4.5	1.1	-1.3	0.9	-0.4	-2.4	0.9	-0.3
Energy services.....	1.4	0.8	0.7	-0.7	-0.2	-0.1	-0.1	4.2
Electricity.....	1.2	0.3	0.9	-0.1	0.0	-0.7	0.1	4.9
Utility (piped) gas service.....	2.0	2.3	0.0	-2.9	-0.8	2.4	-0.7	1.5
All items less food and energy.....	0.4	0.4	0.4	0.3	0.2	0.1	0.2	3.2
Commodities less food and energy.....	-0.3	0.1	-0.2	-0.1	0.0	-0.1	-0.3	-1.9
New vehicles.....	0.0	-0.1	-0.2	-0.4	-0.5	-0.2	-0.2	-1.0
Used cars and trucks.....	-3.4	0.5	-1.1	-1.4	0.6	-1.5	-2.3	-10.9
Apparel.....	-0.7	0.6	0.7	1.2	-0.3	0.1	-0.4	0.2
Medical care commodities <sup>1</sup> .....	-0.6	0.1	0.2	0.4	1.3	0.2	0.2	2.8
Services less energy services.....	0.7	0.5	0.5	0.4	0.2	0.1	0.3	4.9
Shelter.....	0.6	0.4	0.4	0.4	0.4	0.2	0.4	5.1
Transportation services.....	1.0	1.4	1.5	0.9	-0.5	-0.5	0.4	8.8
Medical care services.....	0.7	-0.1	0.6	0.4	0.3	0.2	-0.3	3.3

<sup>1</sup> Not seasonally adjusted.

Figure 27:  
**Inflation Rate and 10 Year Treasury**

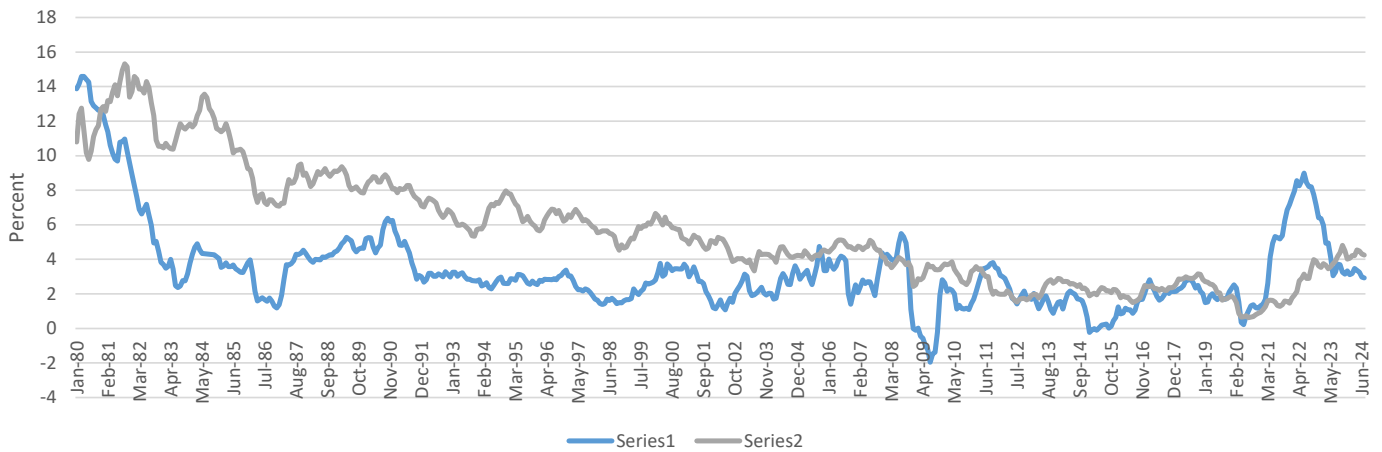


Figure 28:  
**Unemployment Rate**

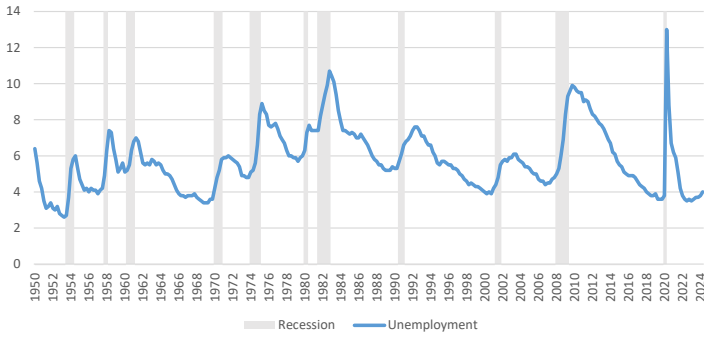


Figure 29  
**Employment Cost Index**

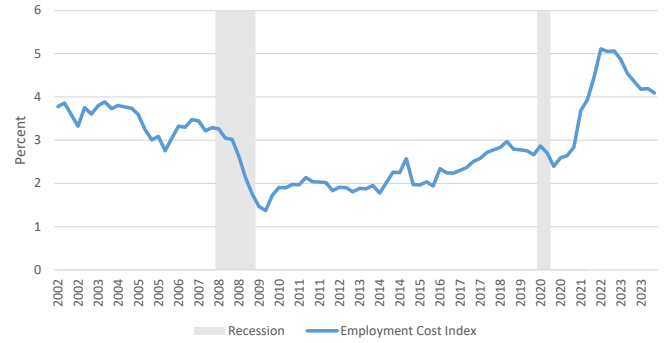


Figure 30:  
**Personal Savings Rate**



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