

MOFFAT COUNTY ECONOMIC UPDATE

August 25th, 2025


COLORADO MESA
UNIVERSITY
DAVIS SCHOOL OF BUSINESS

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

Economic Summary

- Sales tax data gives an indication of how the consumer is doing at the county and municipal level. Moffat County sales tax collections are down 2% comparing 2024 and 2025 data through June. Craig sales taxes however, are up 5.21%. Data shows that Moffat County sales tax collection is moving horizontally, while Craig still has an upward trend.
- Q4 2024 Quarterly Census of Employment and Wage data shows both wage and job losses compared to Q4 of 2023. This is a similar story to the Moffat County newsletter from six months ago. The biggest job losses were in construction (185) and transportation and warehousing (44). This is the third quarter that shows industry losses, primarily in construction.
- 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 Moffat County -NSA	4.20%	5.17%	4.00%	-0.97%	0.20%
Unemployment Rate Colorado -SA	4.50%	4.90%	4.00%	-0.40%	0.50%
Unemployment Rate U.S. -SA	4.10%	4.40%	3.80%	-0.30%	0.30%
Labor Force	6,549	6,588	6,459	-39	90
Employed	6,273	6,248	6,200	25	73
Unemployed	276	340	259	-64	17
Business Confidence					
Leeds Colorado Business Confidence	37.9	31.9	50.6	18.81%	-25.10%
Sales/Use Taxes					
	2025		2024		
Moffat County Sales/Use Taxes (through June)	\$1,846,504		\$1,884,442		-2.01%
Craig Sales/Use Tax (through June)	\$3,735,696		\$3,550,638		5.21%
Business Filings					
	2025 (YTD)		2024		
Moffat County New Business Entity Filings (through May)	114		256		

	2023	2022	2021	2020	% change from previous year
Standard of Living and Growth					
Gross Domestic Product (GDP)	\$1,003,615	\$1,076,539	\$1,046,275	\$1,029,971	-6.77%
Personal Income	\$694,210	\$650,858	\$608,288	\$594,591	6.66%
Personal Income Per Capita	\$52,090	\$49,289	\$46,205	\$44,811	5.68%
Median Household Income	\$73,875	\$69,088	\$64,133	\$63,128	6.93%
Percent of Population Below Poverty Line	11.7%	14.8%	17.7%	17.8%	3.10%
Place of Residence					
Adjustment for Place of Residence (in thousands)	\$13,963	\$18,558	-\$7,308	\$6,988	

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

Moffat County employment recently saw a revision from the Colorado Department of Labor and Employment. The trend of employment stayed the same, but the number of employed fell in the revision. New estimates show that Moffat County has averaged 6,264 employed in 2025 (through June). This is higher than the 6,182 from 2024, and almost 300 higher than in 2021.

The non-seasonally adjusted unemployment rate in Moffat County is 4.2% in Q2, and 3.6% in July, lower than Colorado's Q2 unemployment rate (4.5%) but slightly higher than the nation's non-seasonally adjusted rate of 4.1%. The number of unemployed in Moffat County is 276, up 17 from the same time last year.

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. Jobs data are from the Colorado State Demography Office and illustrated in Figure 2. The jobs data is more accurate than the employment estimates, and counts if a person works more than one job. Note that both the employment data and jobs data show the same trend of Moffat County increasing employment the last 4 years. This is extremely important going into coal transition, which begins with the first mine shutdown at the end of 2025. Top jobs by industry include government (1,110), retail trade (864), and health services (644) (Figure 3).

Other Indicators

Moffat County sales tax collections are down 2% comparing 2024 and 2025 data through June. Craig sales taxes however, are up 5.21%. Sales tax data gives an indication of how the consumer is doing at the county and municipal level. Figure 4 shows that Moffat County sales tax collection is moving horizontally but Craig still has an upward trend.

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

	Labor Force	Employed	Unemployed
Annual	90	73	17
5-Year	167	486	-318
10-Year	-588	-551	-37
Annual %	1.4%	1.2%	6.7%
5-Year %	2.6%	8.4%	-53.5%
10-Year %	-8.2%	-8.1%	-11.9%

Moffat County business entity filings are on pace to match 2024 with 114 through May.

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 more income is flowing out of the county to other counties than flowing in. Moffat County has a history of positive place of residence adjustment, indicating that many commute to work in surrounding counties, but that has turned negative in 2021 due to COVID. This is likely due to the pandemic's impact on Steamboat Springs tourism and the jobs that workers in Moffat commute for.

Over the last decade, Moffat County has a positive place of residence adjustment, indicating they commute to Routt, while Routt has a negative place of residence adjustment, indicating people commute in to work from other counties.

Figure 1:
Yearly Employment Average

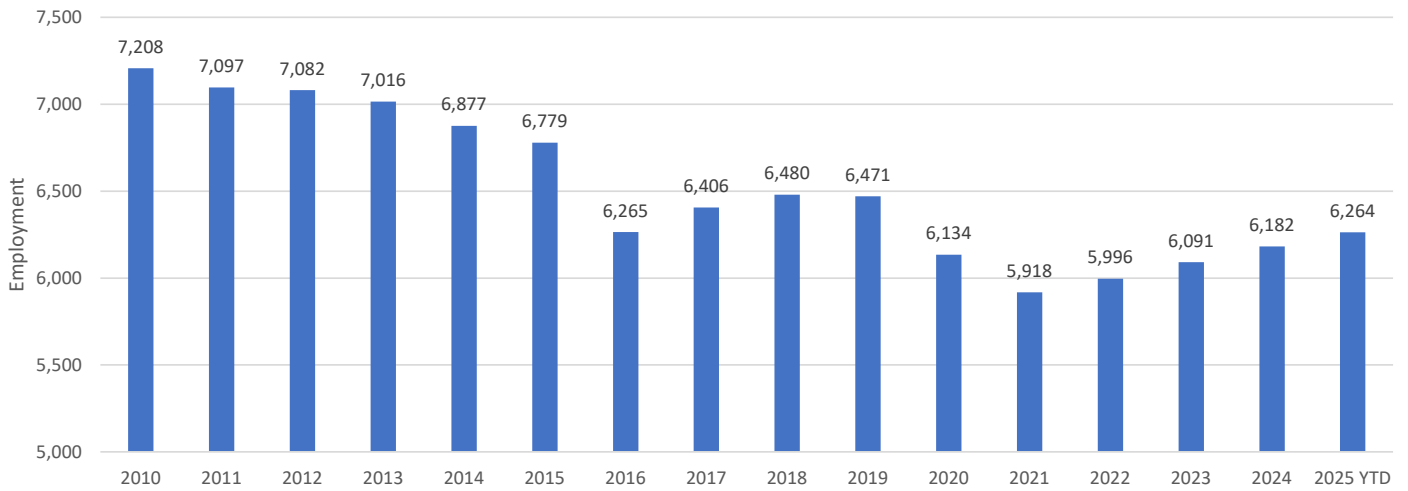


Figure 2:
Total Full and Part Time Jobs (State Demography Office)

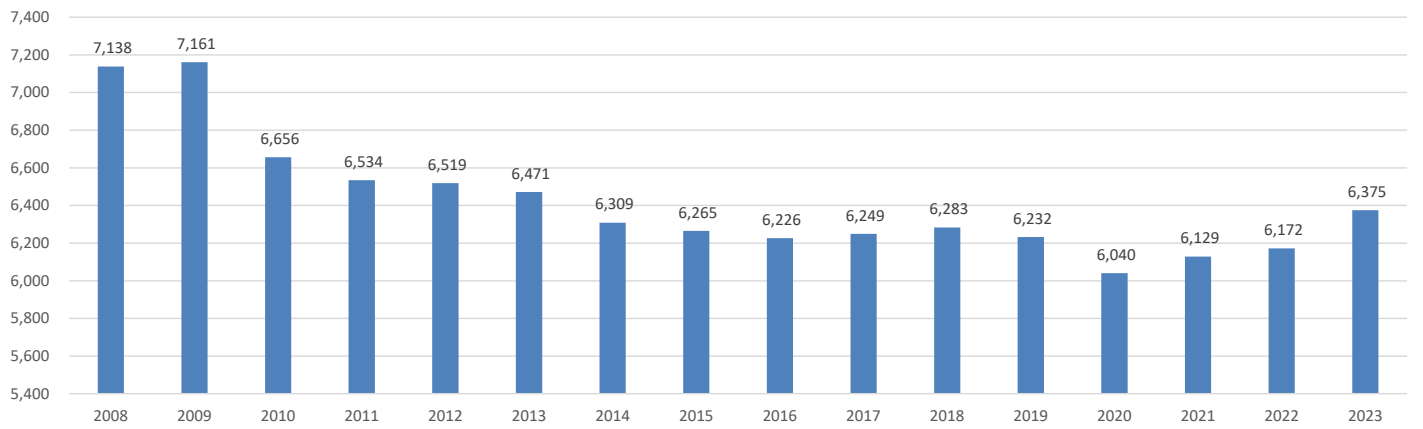


Figure 3:
Jobs by Industry

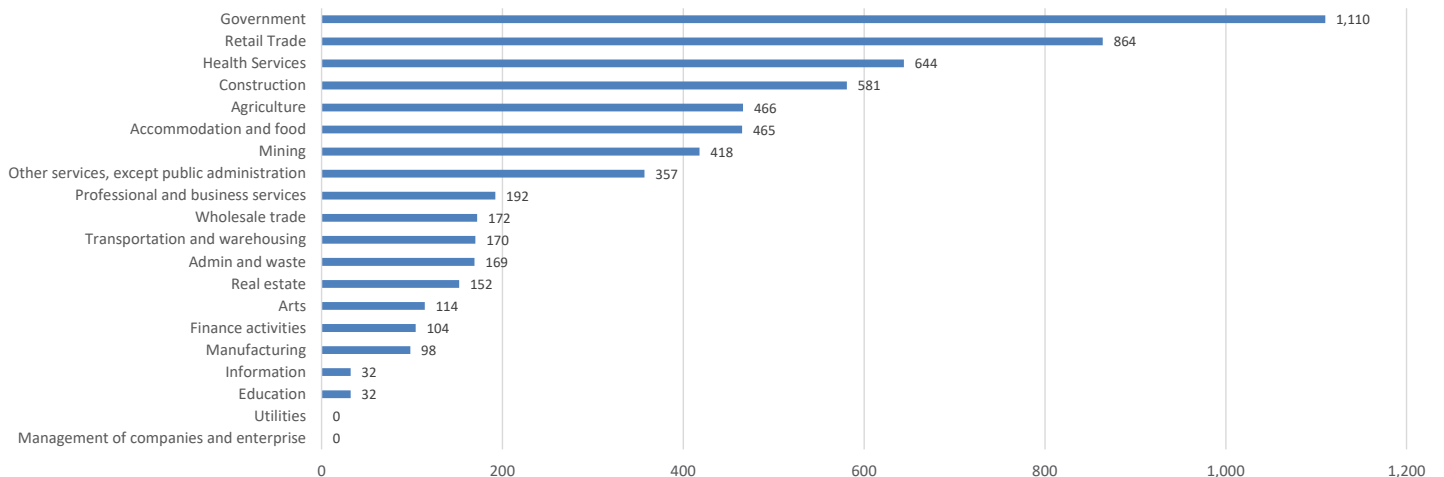


Figure 4:
Sales Taxes

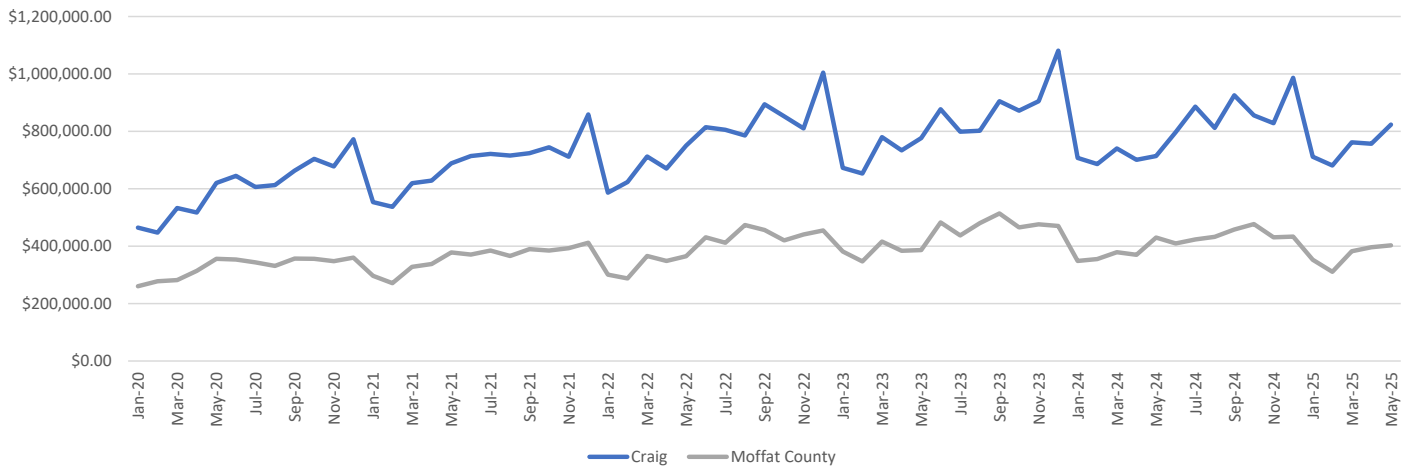


Figure 5:
New Business Entity Filings Moffat

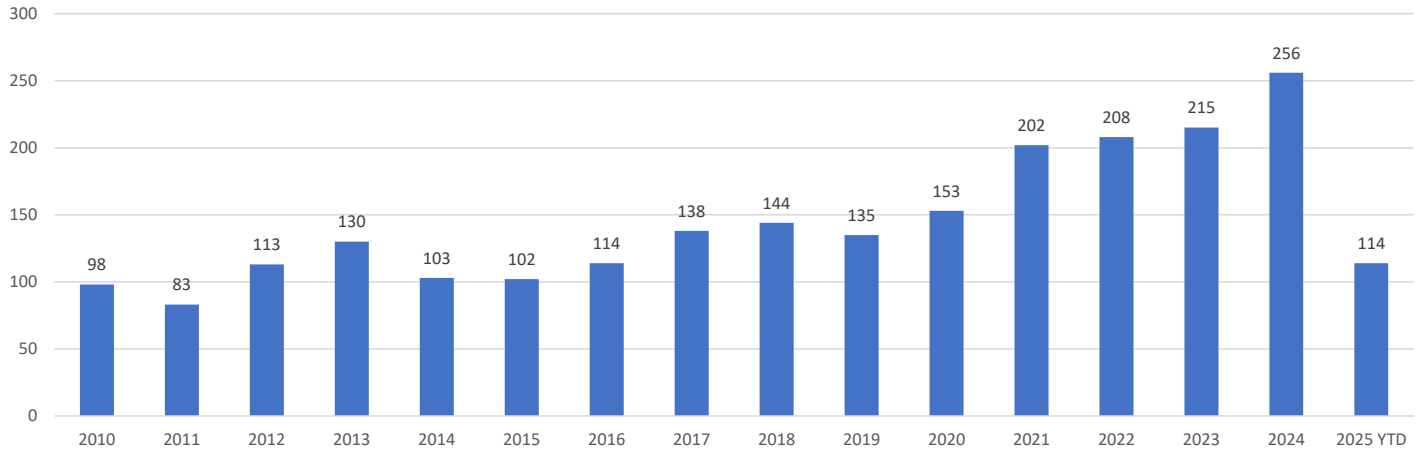
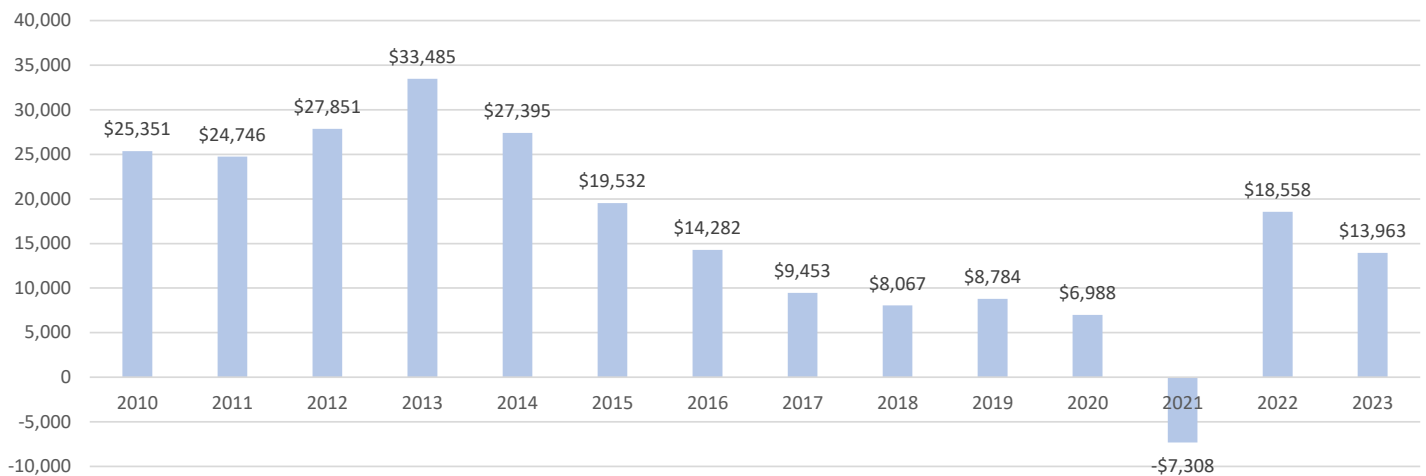


Figure 6:
Place of Residence Adjustment Moffat County (in thousands of dollars)



Standard of Living Measures

Standard of living measures are generally released each year in December for the previous year's data. Moffat County was the only Western Slope county to see a negative GDP number for 2023, falling by 6.7%. The decline in GDP is due to utilities and mining falling from the previous year.

Moffat County median household income rose to \$73,875 in 2023 from \$69,088 in 2022. Median household income is an estimate with a fairly large confidence interval, so it is important not to overreact to one number that changes. Despite that, the trend shows a distinctive upward trend since 2016, after stagnating from 2007 through 2016.

The Census Department's SAPE program (Small Area Income and Poverty Estimates) shows the Moffat County poverty rate rising from 10% in 2022 to 10.8% in 2023 (Figure 11).

Personal income per capita (Figure 10) increased to \$52,090 in 2023 from \$49,289 in 2022. Since 2019, personal income per capita has drastically increased.

Figure 7:
Western Slope GDP % Change 2023

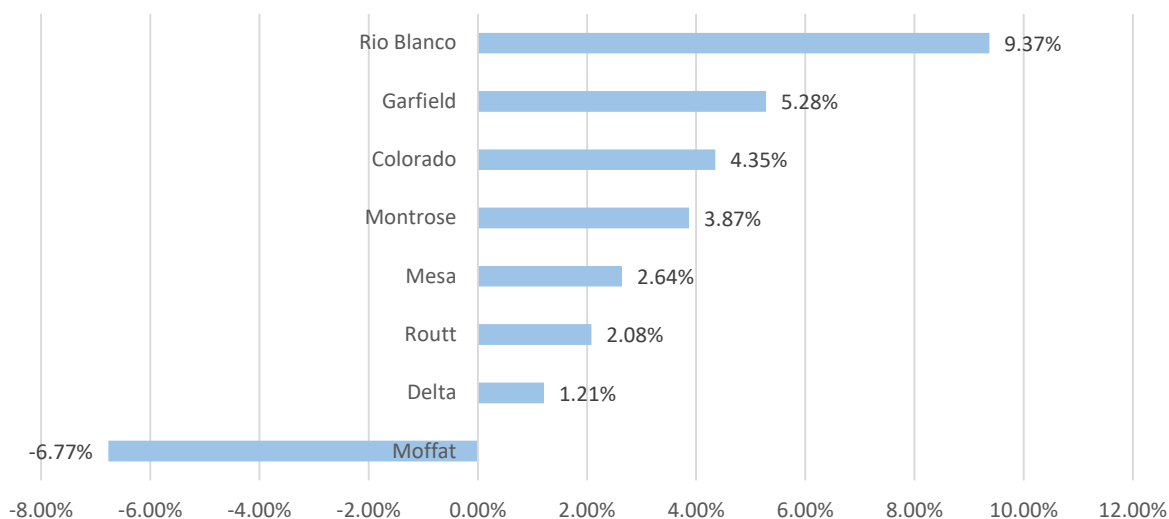


Figure 8:
Moffat County Real GDP % Change (chained 2017 dollars)

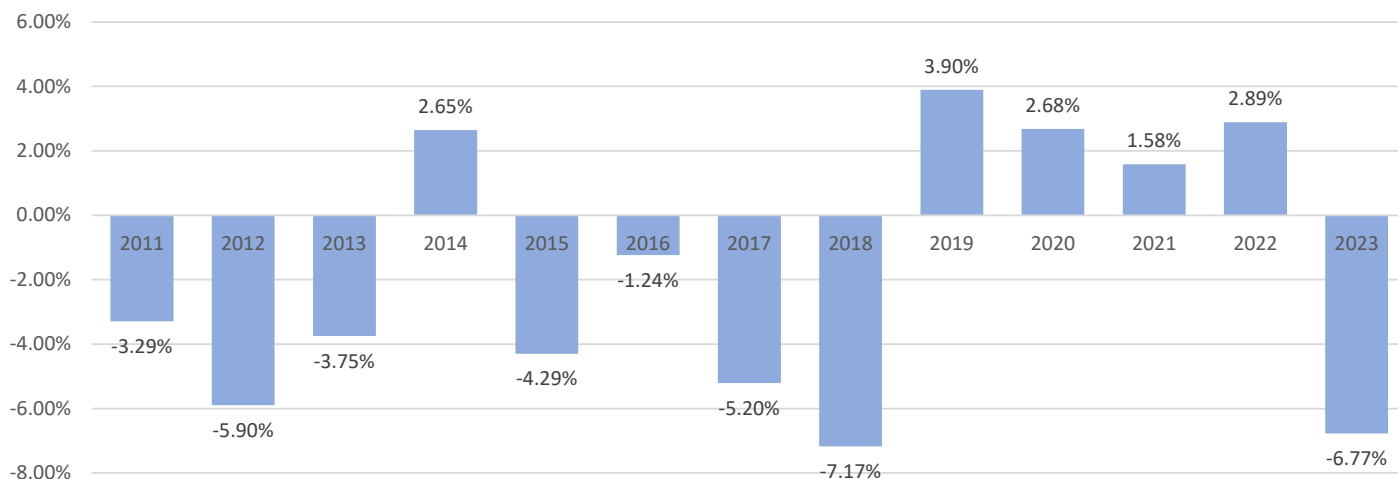


Figure 9:
Moffat County Median Household Income

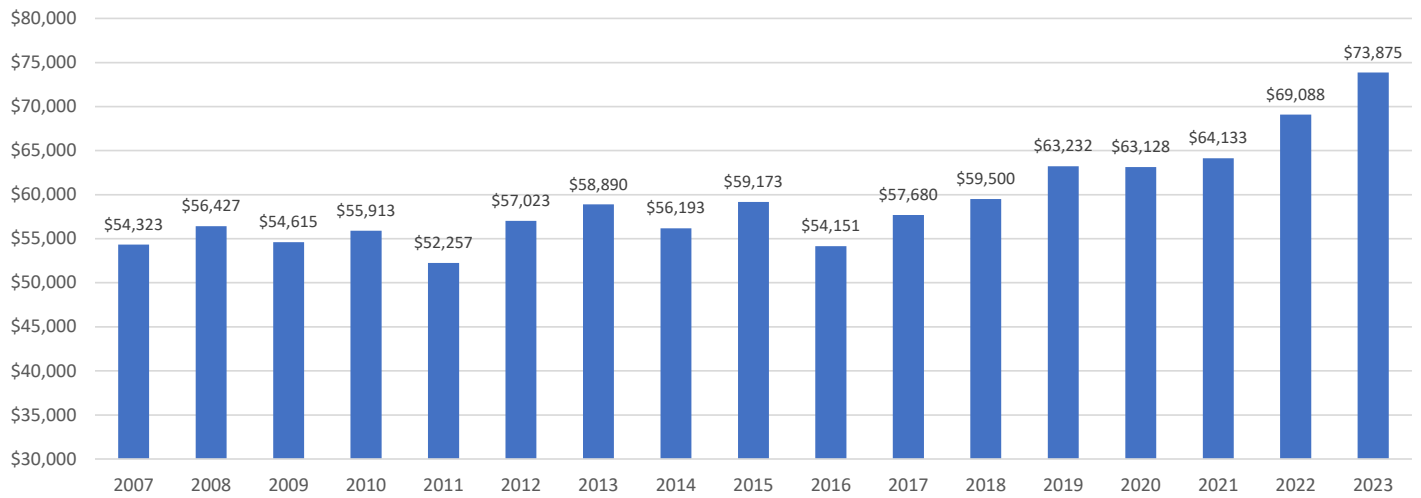


Figure 10:
Moffat County Personal Income Per Capita

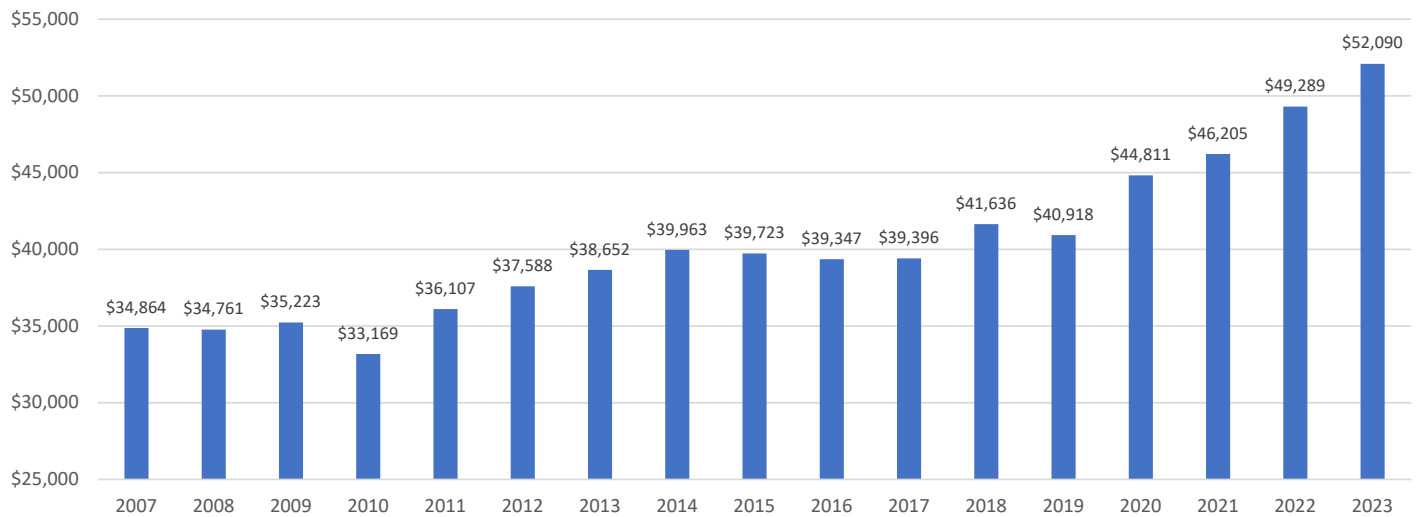
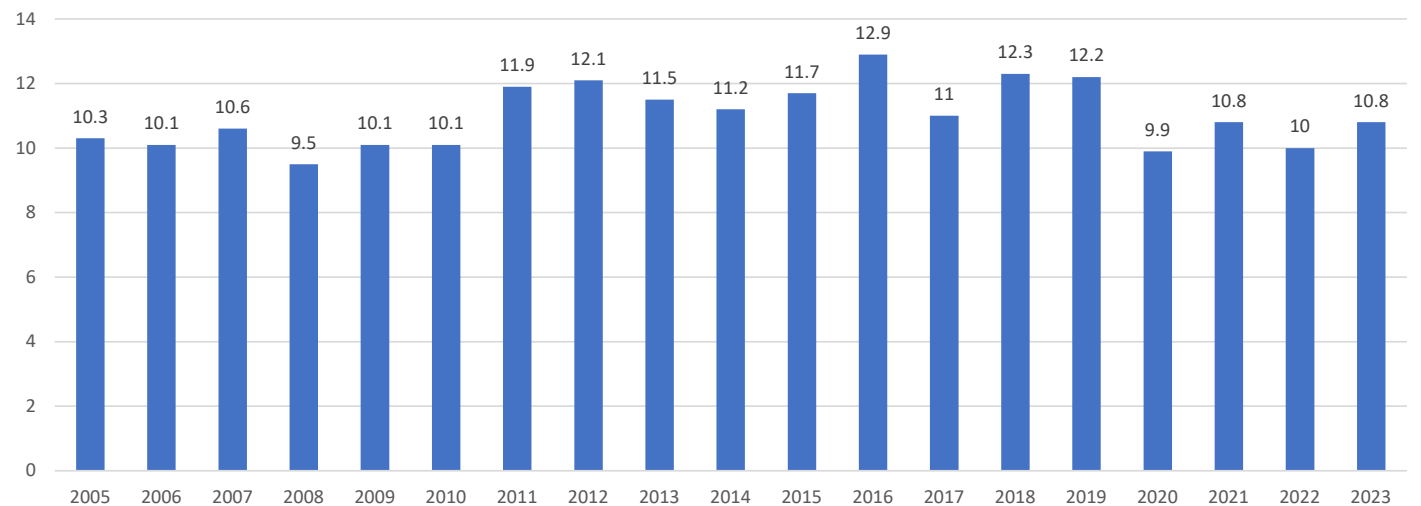


Figure 11:
Moffat County Poverty Rate Estimate



Population Trends

The Colorado State Demography Office produces population estimates and population forecasts. Table 2 illustrates these forecasts for counties in the Western Slope. Moffat County is expected to lose population, falling from 13,265 in 2020 to 12,13,023 in 2030, to 12,700 in 2040, and to 12,320 in 2050. Population is a function of birth rate, death rate, and migration. Moffat County has a high birth rate and a lower death rate, leading to an overall increase in natural population. Moffat County population decline is expected to be driven by out-migration. As the region moves towards different economic development ideas to replace coal, it is possible that this out-migration forecast will change over the decade.

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:
**Moffat County Population Change Breakdown,
Colorado State Demography Office**

	Population	Change	Births	Deaths	Net Migration
2020	13,266	-98	140	118	-120
2021	13,161	-105	147	159	-93
2022	13,164	3	120	162	45
2023	13,317	153	148	95	100
2024	13,266	-51	146	107	-90
2025	13,221	-45	145	118	-72
2030	13,023	-37	142	121	-59

Moffat County Employment Trends

Q4 2024 Quarterly Census of Employment and Wage data shows both wage and job losses compared to Q4 of 2023. This is a similar story to the Moffat County newsletter from six months ago. The biggest job losses were in construction (185) and transportation and warehousing (44). There are four industries that do not have data (N/A) in Table 4, and this is because of privacy concerns. In small counties, there may be only one or two companies that make up an industry, and the State of Colorado and Bureau of Labor Statistics does not want to violate the privacy of these companies. Overall, the QCEW data the last few quarters is showing some potential losses and slowing in the Moffat County economy. There was a large spike in construction jobs in Q3 of 2023, with construction jobs almost doubling for two quarters, but since it has fallen by 200 workers. This is the biggest contributor to the industry data decline.

Figure 13 shows oil/gas/mining jobs with non-oil/gas/mining jobs and shows that non-oil/gas/mining jobs are rising, which is a very positive thing going into the coal transition years, while oil/gas/mining jobs have been in decline since 2008. Figure 14 shows the percentage of mining jobs of total jobs, and shows a precipitous drop since 2018.

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	4,632	\$66,188,628	\$1,099	-324	-\$5,938,882
Health Care and Social Assistance	605	\$9,993,676	\$1,270	7	\$192,442
Mining	347	\$8,954,160	\$1,987	-35	-\$581,752
Public Administration	533	\$7,704,327	\$1,111	47	\$391,481
Retail Trade	802	\$7,519,967	\$722	-13	-\$55,464
Construction	378	\$6,313,616	\$1,286	-185	-\$4,503,714
Accommodation and Food Services	397	\$2,495,505	\$484	-59	-\$123,348
Transportation and Warehousing	88	\$1,516,812	\$1,326	-44	-\$692,943
Professional and Technical Services	112	\$1,414,217	\$971	10	\$189,980
Finance and Insurance	80	\$1,385,660	\$1,338	5	-\$60,415
Arts, Entertainment, and Recreation	91	\$1,197,693	\$1,016	-3	\$135,498
Other Services, Ex. Public Admin	128	\$1,118,112	\$672	-7	\$670
Manufacturing	91	\$743,989	\$627	-12	-\$322,393
Real Estate and Rental and Leasing	30	\$528,174	\$1,354	-16	-\$236,148
Administrative and Waste Services	67	\$500,283	\$572	9	\$106,545
Information	30	\$274,561	\$696	-4	-\$12,384
Agriculture, Forestry, Fishing & Hunting	27	\$220,457	\$628	-7	-\$96,243
Educational Services	N/A	N/A	N/A	N/A	N/A
Management of Companies and Enterprises	N/A	N/A	N/A	N/A	N/A
Utilities	N/A	N/A	N/A	N/A	N/A
Wholesale Trade	N/A	N/A	N/A	N/A	N/A

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

Figure 12:
Total Jobs Change Q4 2023 to Q4 2024

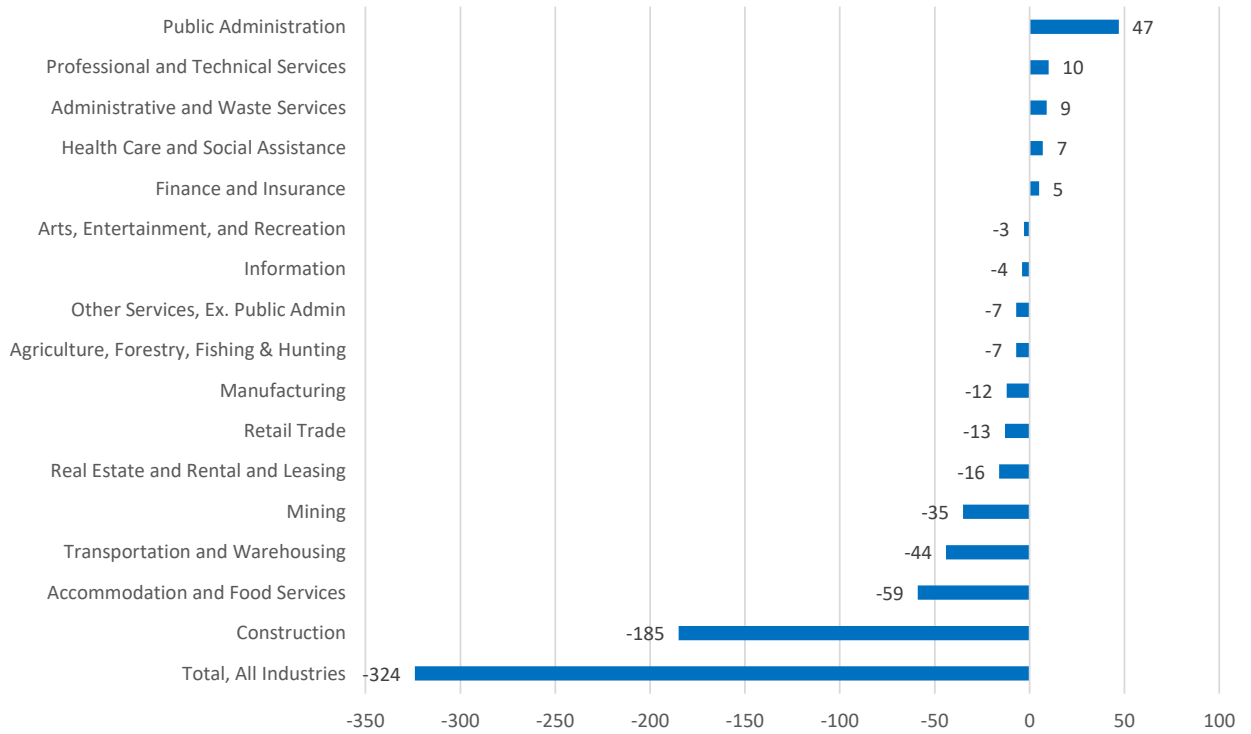


Figure 13:
Moffat Mining vs. Non-Mining Jobs

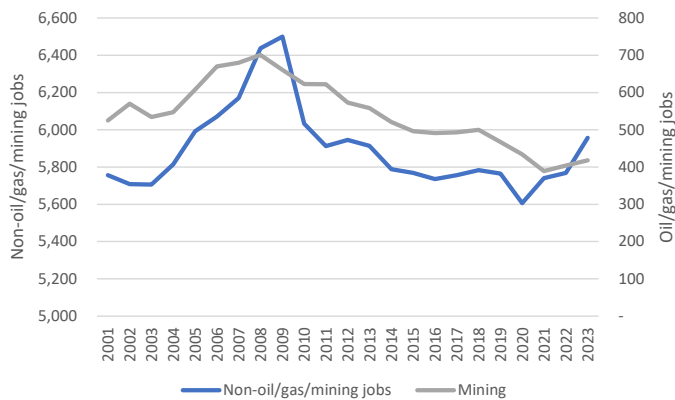
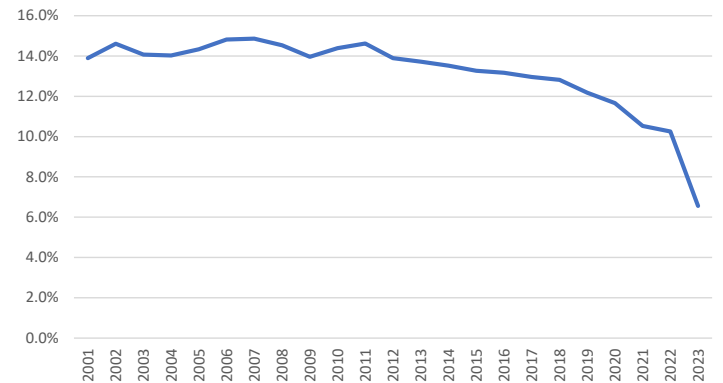


Figure 14:
% of Total Jobs Mining



LOCAL REAL ESTATE

	Q2 2025	Q2 2024	% change since last year
Real Estate			
Inventory of Homes for Sale (3 month avg)	83	56	48.50%
New Residential listings (3 month total)	114	88	29.55%
Sold Residential Listings (3 month total)	55	54	1.85%
Median Sales Price	\$323,333	\$306,167	5.61%
Average Sales Price	\$837,572	\$330,044	153.78%
Days on Market	113.00	44.00	156.82%
Months Supply of Inventory	5.43	3.27	66.33%
Building Permits and House Price Data			
	2024	2023	
House Price Index (Federal Housing Finance Agency)	266.18	243.79	9.18%
New Private Housing Structures (All types, Census)	16.00	14.00	14.29%
Foreclosures			
	2024	2023	
Foreclosure Filings	21	24	-12.50%
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; Foreclosure Filings and Sales: Moffat County Treasurer and Public Trustee; Mortgage rates: Freddie Mac.

Local Real Estate Indicators

The Moffat County real estate market shows inventory rising from 56 to 86, while median sales price also rose to \$323,333, or up 5.61%. Note the high average sales price. This is either a mistake from the data source (which was input correctly) or a very expensive home sold in Moffat County, pushing the average up to a historically high number. Days on market has increased from 44 to 113, quite a drastic increase, and indicates that homes are taking much longer to sell. This was the trend in the Moffat County newsletter six months ago as well.

The Federal Housing Finance Agency house price index shows that prices have risen 9.18% from 2023 to 2024. The Census Department tracks new private housing structures, and this data point includes all types of housing structures (single family, and all types of multi-family). This data point shows that new housing structures have fallen from increased from 14 to 16. This can be seen in Figure 16.

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 15:
Inventory of Active Listings

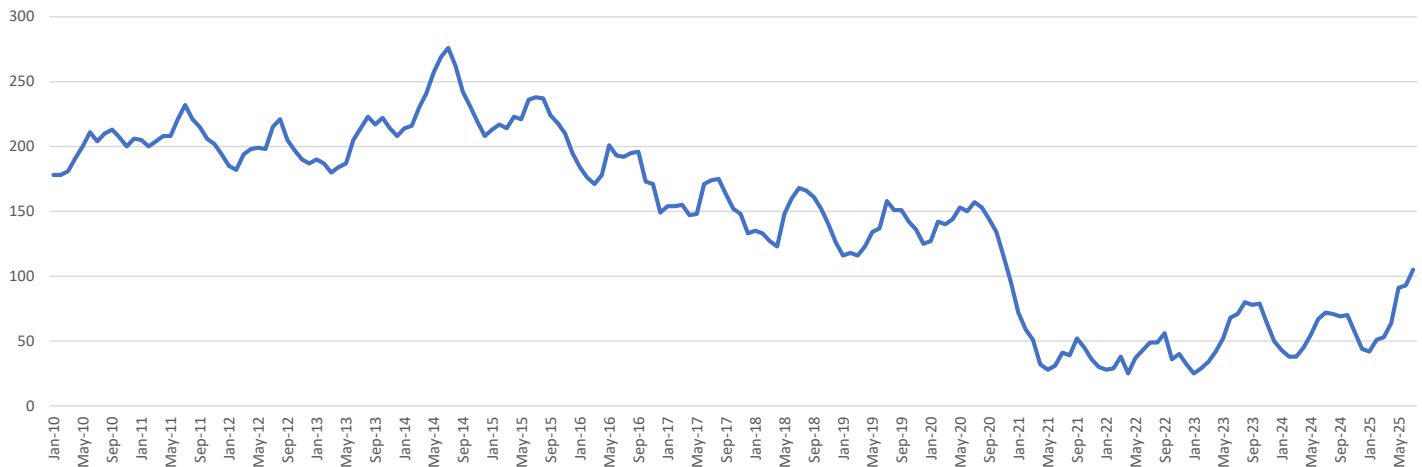


Figure 16:
Housing Structures (All types, Census)

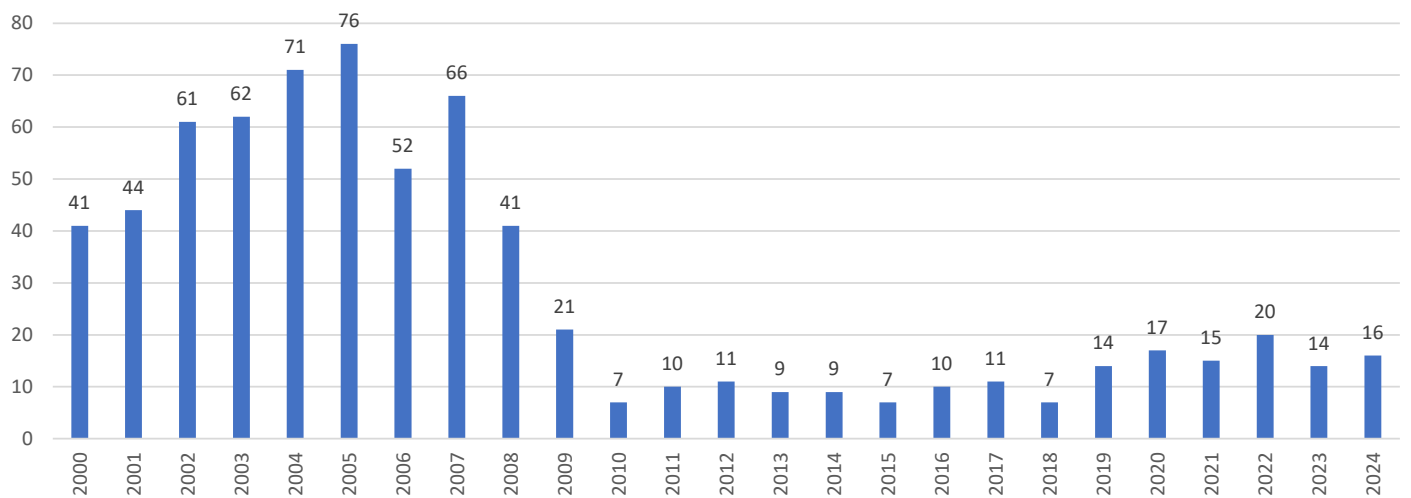
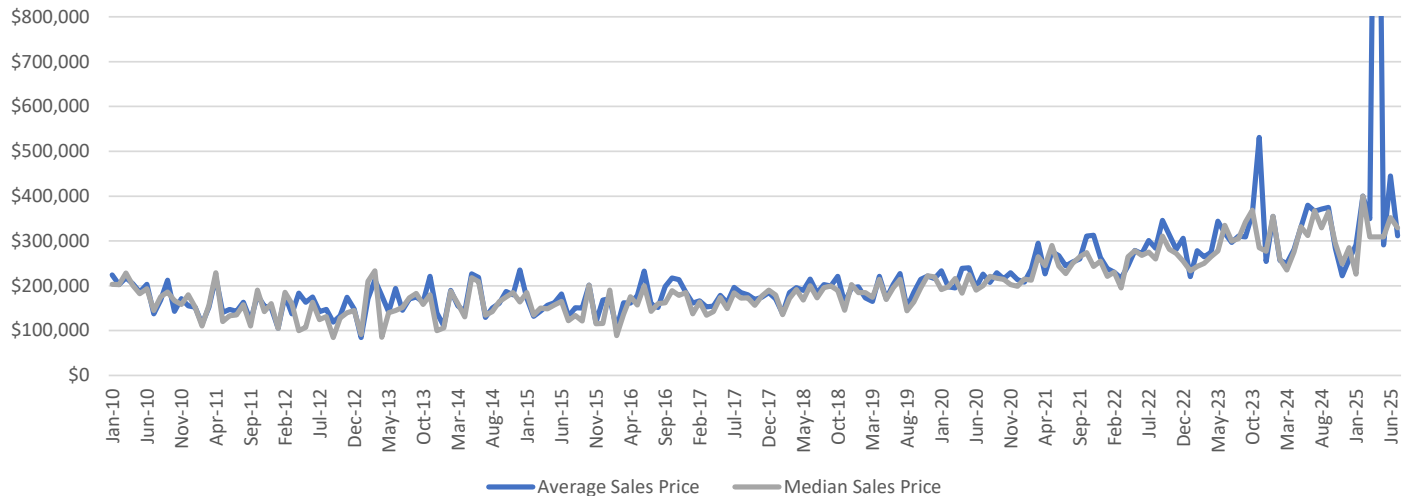


Figure 17:
Moffat Median and Average Sales Price



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

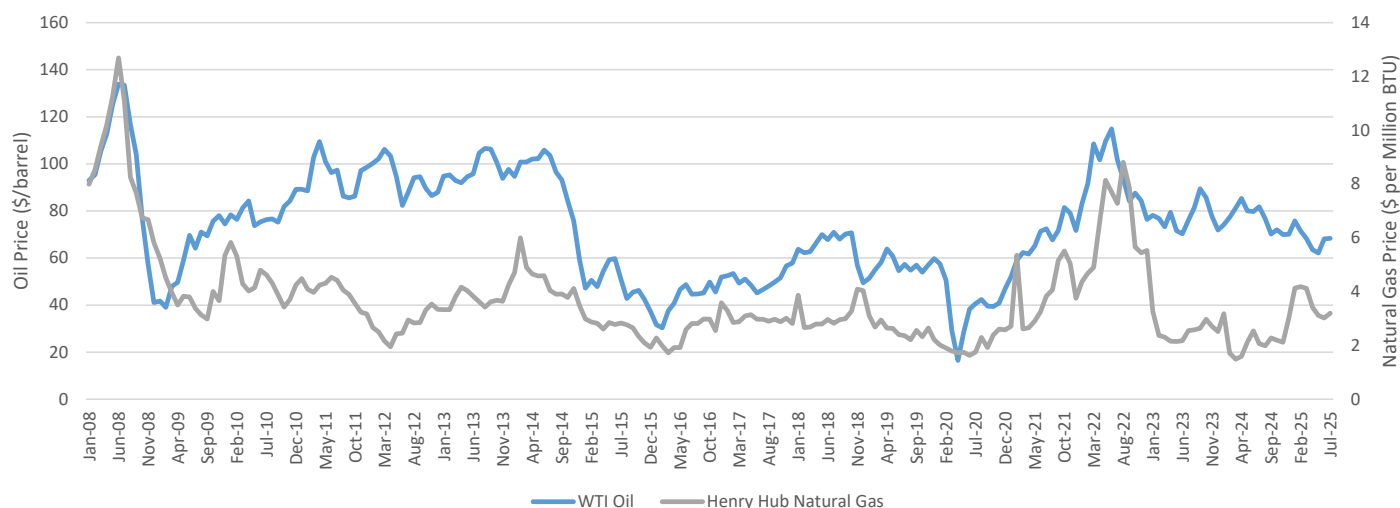


Figure 19:
Coal Jobs by Mine

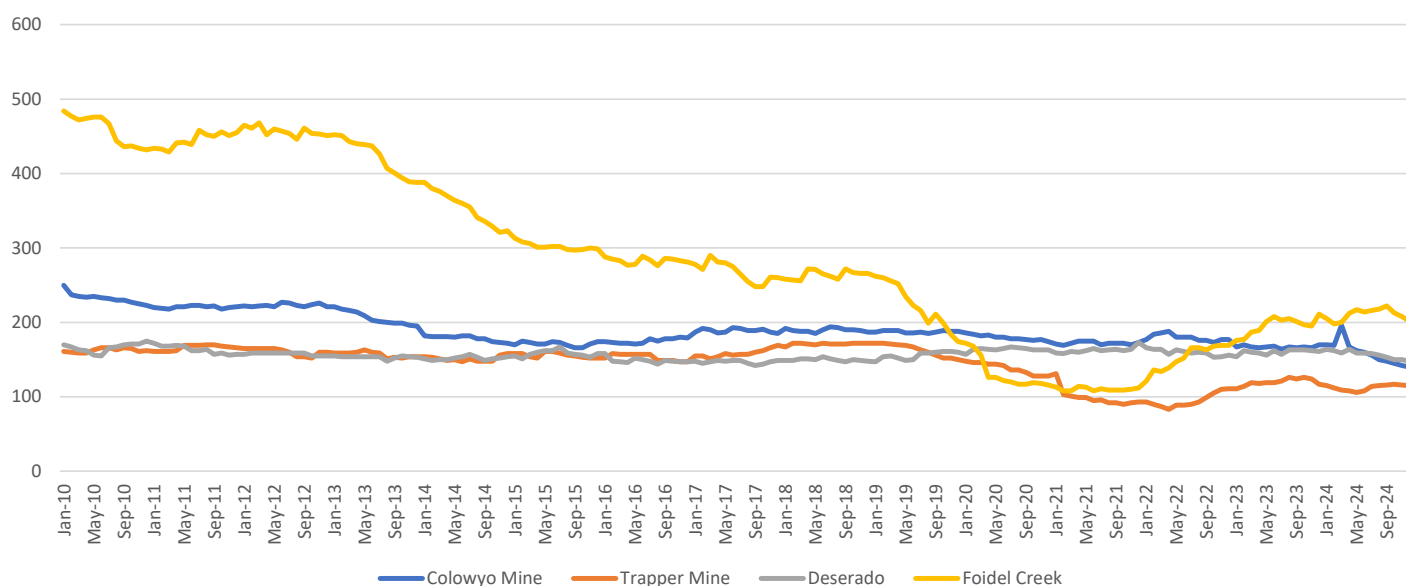
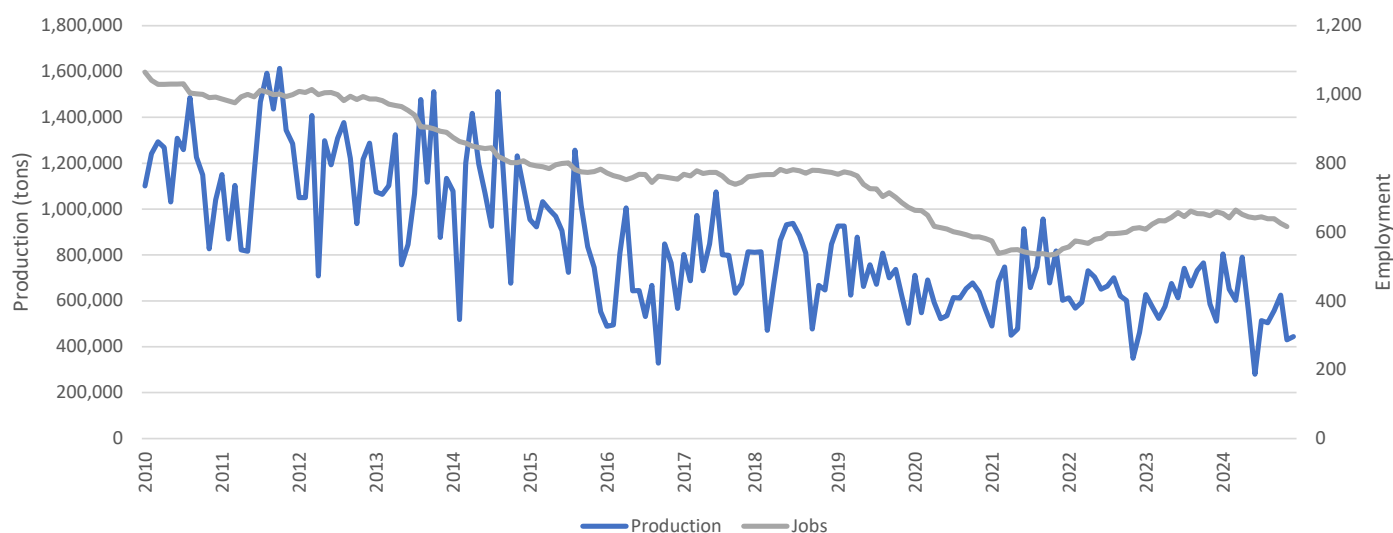


Figure 20:
NW Colorado Coal Jobs and Production



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 coal production of coal in NW 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.

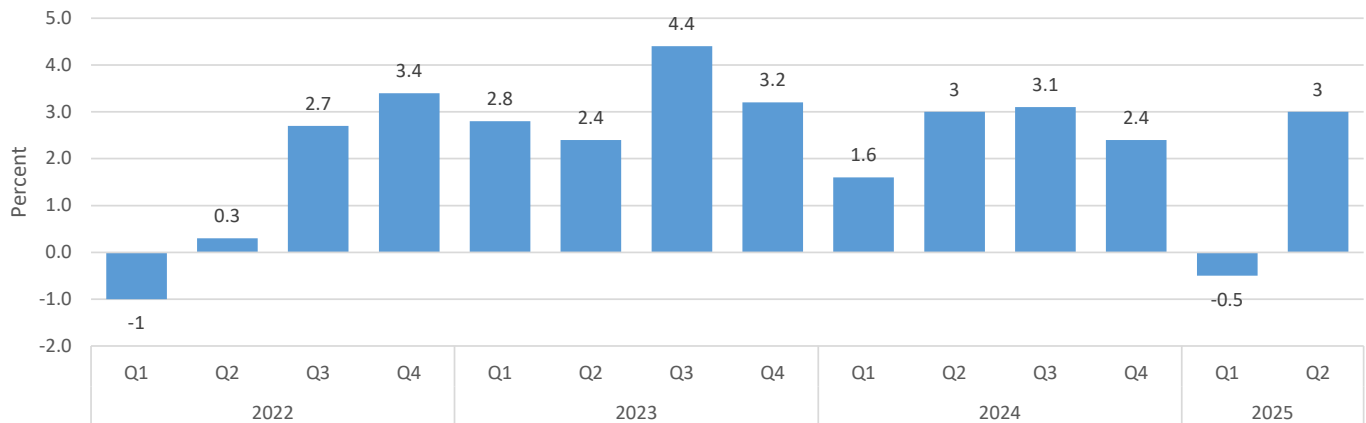
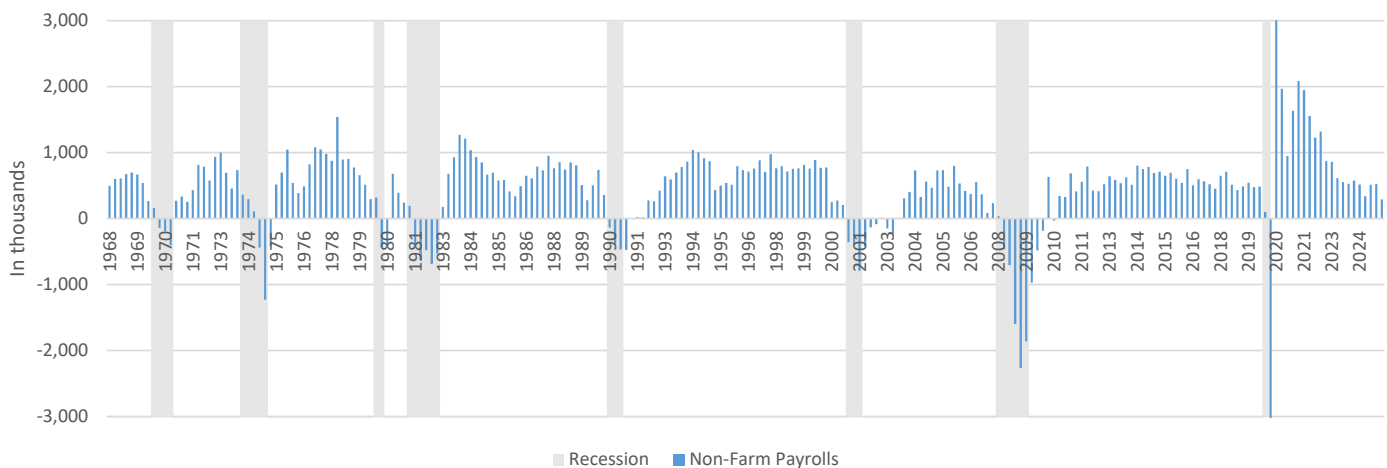


Figure 22:
Non-Farm Payrolls (Quarterly)



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 it's 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

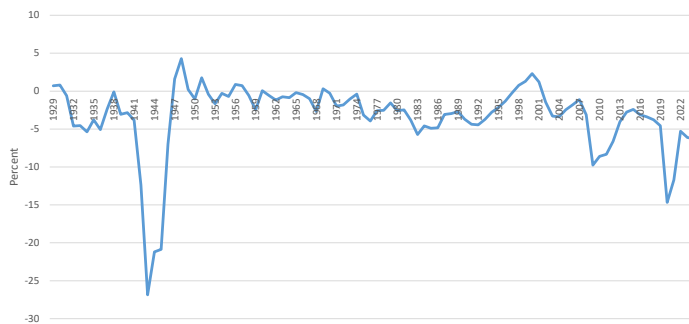


Figure 24:
Debt/GDP

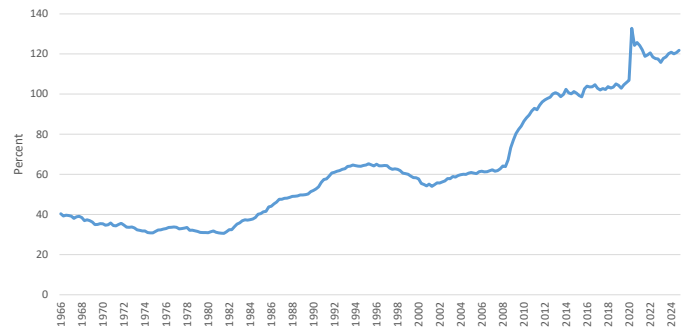


Figure 25:
Inflation and the 10 Year Treasury

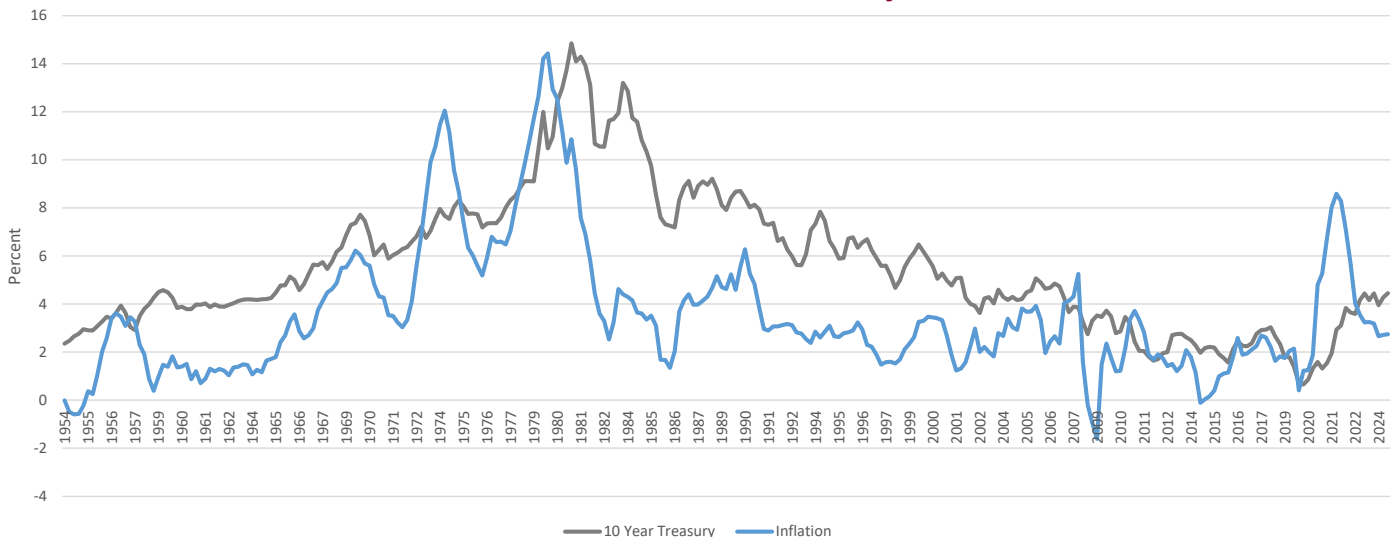


Figure 26:
Change in M2

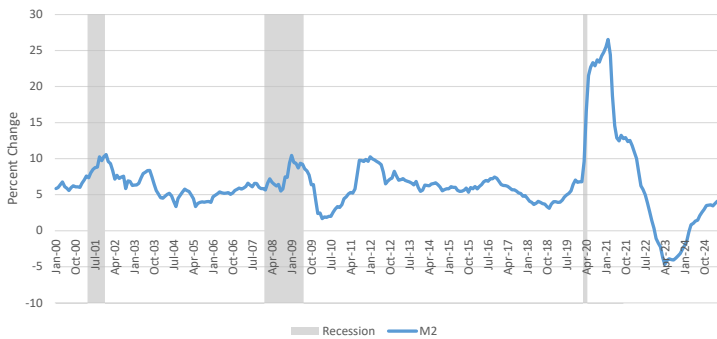


Figure 27:
University of Michigan Consumer Confidence Index

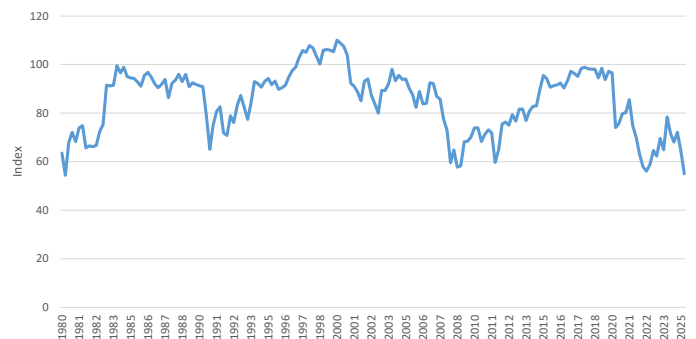


Figure 28:
Unemployment Rate

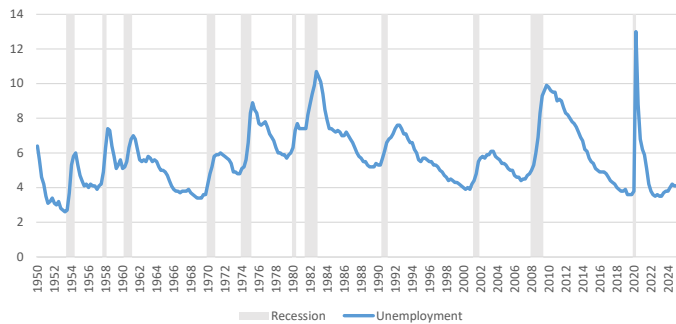
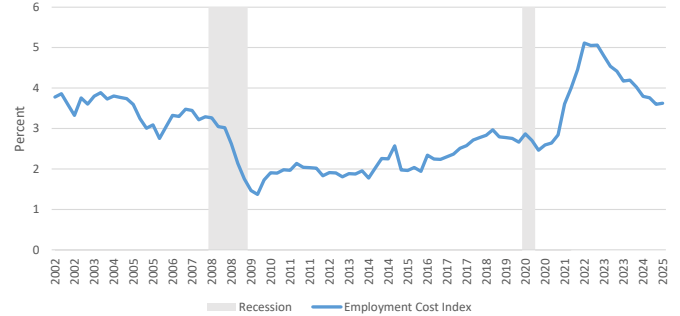


Figure 29:
Employment Cost Index



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