

MOFFAT COUNTY ECONOMIC UPDATE

Third Quarter 2022



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

Economic Summary

- The Moffat County labor market continues its horizontal trend, averaging 6,974 jobs in Q2 2022 compared to 6,929 in Q2 of 2021. Despite no real changes in employment numbers, unemployment numbers have fallen, falling from 372 to 207 in the same time period.
- Most industries in Moffat have fully recovered from the 2020 recession. However, arts, entertainment, and recreation, as well as oil, gas, and mining continue to lag down 47% and 18%, respectively.
- Moffat County sales and use taxes increased 3.5% from the same time last year, while Craig's sales/use taxes up by 10.3%.
- 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 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%.

CONTENTS

Local Economic Indicators.....	1
The Local Labor Market	2
Moffat Industry Trends	6
Local Real Estate Indicators	8
Regional Energy.....	10
Drilling permits and coal.....	11
National Economic Indicators	12
GDP and Inflation	13

LOCAL ECONOMIC INDICATORS

	Q2 2022	Q1 2022	Q2 2021	change since last quarter	change since last year (comparable quarters)
Local Labor Market					
Unemployment Rate Moffat County -NSA	2.87%	3.90%	5.10%	-1.03%	-2.23%
Unemployment Rate Colorado -SA	3.20%	3.80%	6.00%	-0.60%	-2.80%
Unemployment Rate U.S. -SA	3.50%	4.10%	5.80%	-0.60%	-2.30%
Labor Force	7,181	7,241	7,301	-60	-120
Employed	6,974	6,958	6,929	16	45
Unemployed	207	283	372	-76	-165
Business Confidence					
Leeds Colorado Business Confidence	41.1	53.9	67.3	-23.75%	-38.93%
Sales/Use Taxes					
	2022 (YTD)		2021 (YTD)		
Moffat County Sales/Use Taxes (through May)	\$1,670,267		\$1,613,790		3.50%
Craig Sales/Use Tax (through July)	\$4,924,880		\$4,464,997		10.30%
Business Filings					
	2022 (YTD)		2021 (YTD)		
Moffat County New Business Entity Filings (through August 31st)	130		138		-5.80%

	2020	2019	2018	2017	% change from previous year
Standard of Living and Growth					
Gross Domestic Product (GDP)	\$988,747	\$993,518	\$952,534	\$1,026,884	-0.48%
Personal Income	\$623,904	\$565,368	\$553,941	\$524,030	10.35%
Personal Income Per Capita	\$47,467	\$42,802	\$42,131	\$40,018	10.90%
Median Household Income	\$63,128	\$63,232	\$59,500	\$57,680	-0.16%
Percent of Population Below Poverty Line	9.9%	12.2%	12.3%	11.0%	2.30%
	2021	2020	2019	2018	
Population	13,185	13,267	13,209	13,148	-0.62%

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

The Moffat County labor market continues its horizontal trend, averaging 6,974 jobs in Q2 2022 compared to 6,929 in Q2 of 2021. Despite no real changes in employment numbers, unemployment numbers have fallen, falling from 372 to 207 in the same time period. Moffat County current has an extraordinarily low unemployment rate of 2.8% in August of 2022. Figure 1 shows the summer unemployment numbers, specifically June, push to 7,129, approaching the pre-COVID-19 numbers of employment. Overall the yearly average of employment is still lower than the 2019 level of unemployment, and Moffat has still not fully recovered all of the jobs lost (352) on average during the COVID-19 induced recession. Moffat County has regained 219 of these jobs, using yearly employment averages as the method of calculation.

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.

Table 1:

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

	Labor Force	Employed	Unemployed
Annual	-120	45	-165
5-Year	-55	-61	7
10-Year	-550	-77	-474
Annual %	-1.6%	0.7%	-44.4%
5-Year %	-0.8%	-0.9%	3.3%
10-Year %	-7.1%	-1.1%	-69.6%

Other Indicators

City sales taxes are up 10.3% as of July, which beats out the 8.3% inflation the U.S. is facing. Moffat County is up 3.5% as of May data. With an inflation rate of 8.3%, meaning the price of goods that sales taxes are being collected on are rising, any increase below the rate of inflation indicates a potential slowdown in real sales tax collection.

On a year-to-year comparison, as of the end of August, new business entity filings are down from last year, falling from 138 to 130 compared to August 31st 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 Moffat County slightly lost population from 2020, falling from 13,267 to 13,185.

Figure 1:
2 Year Employment Estimates

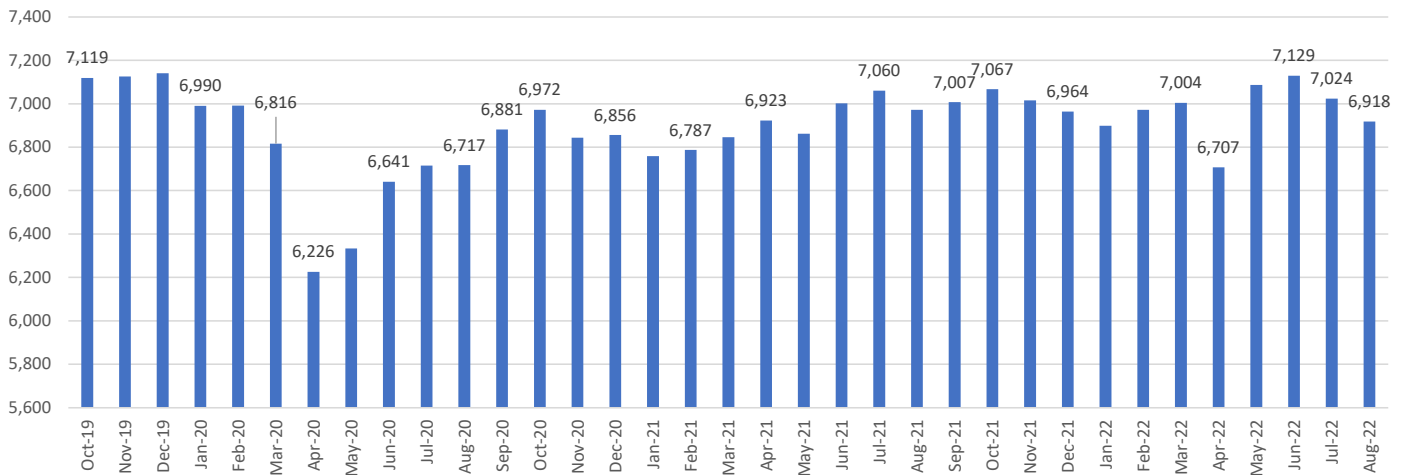


Figure 2:
Yearly Employment Average

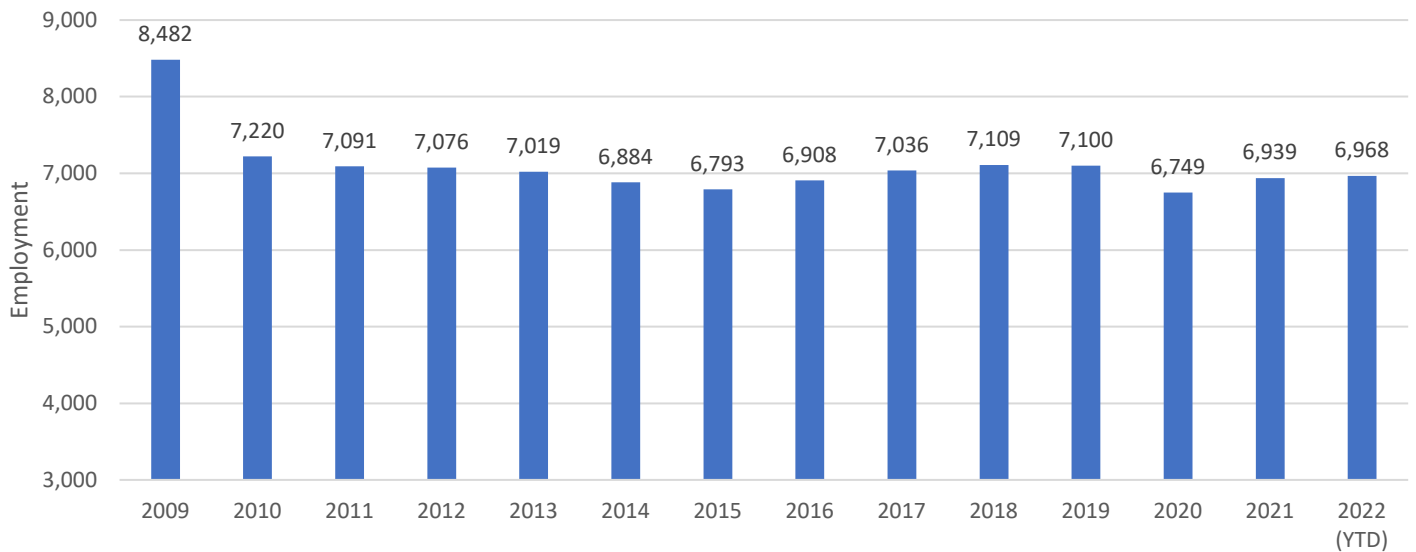


Figure 3:
Change in Yearly Employment Average

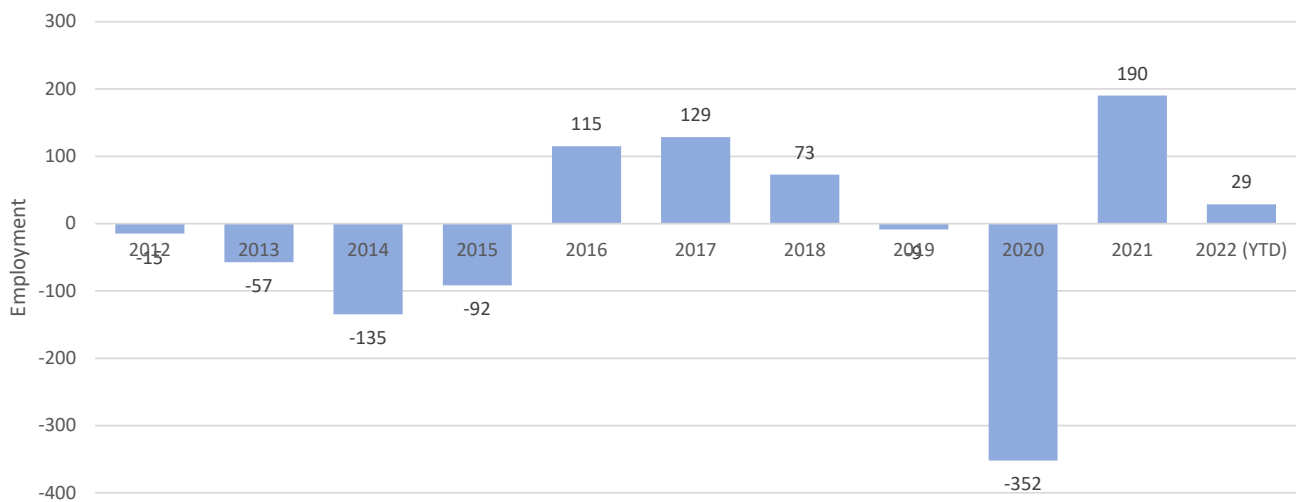


Figure 4:
Leeds Business Confidence Index

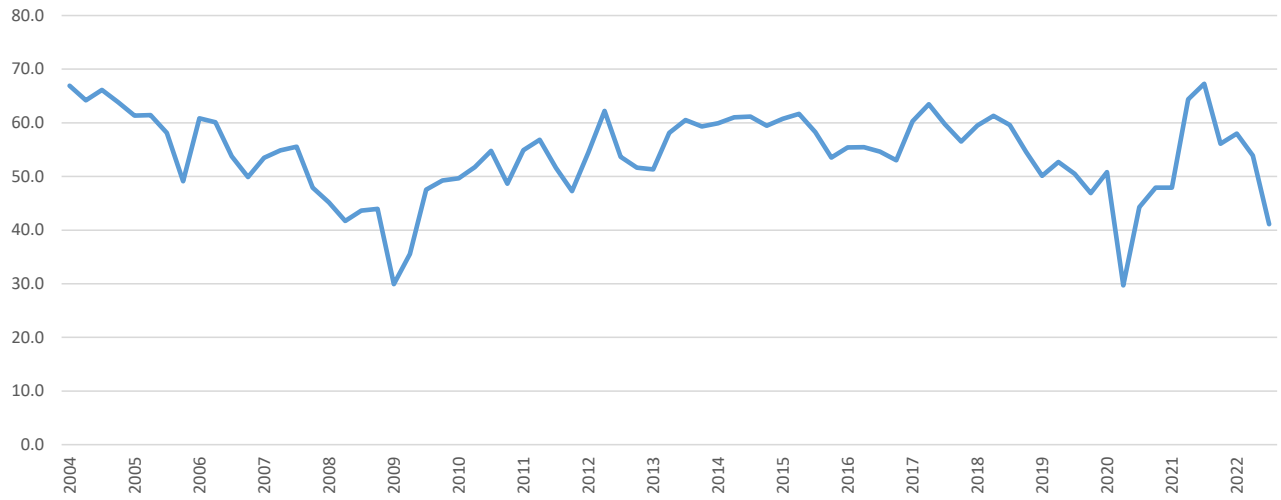


Figure 5:
Number of Unemployed Moffat County

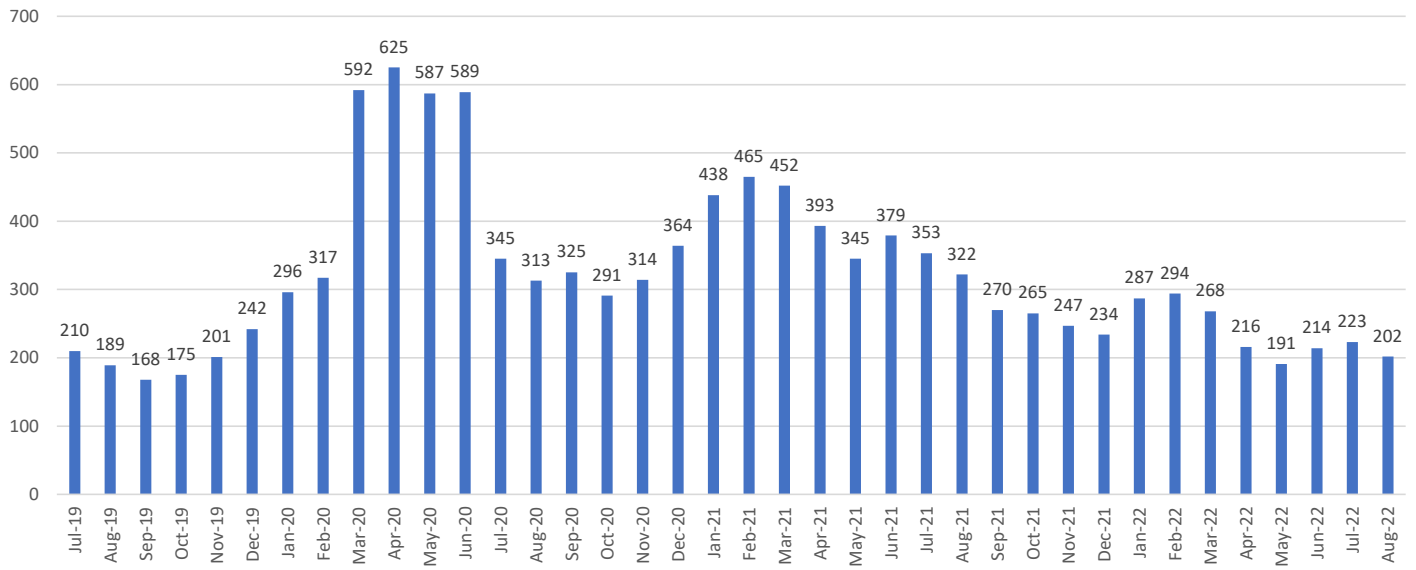


Figure 6:
Total Full and Part Time Jobs (BEA)

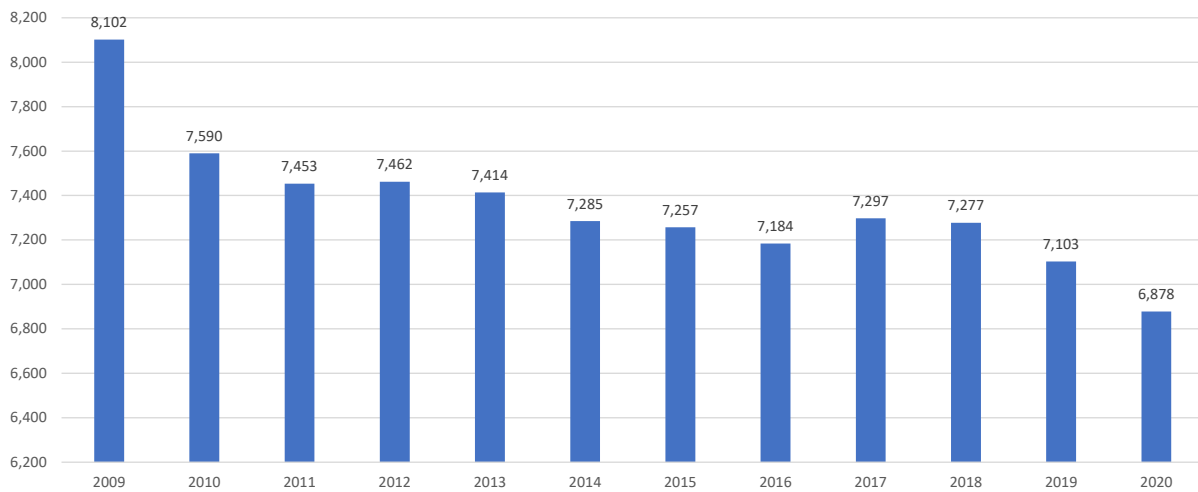


Figure 7:
Moffat County Median Household Income

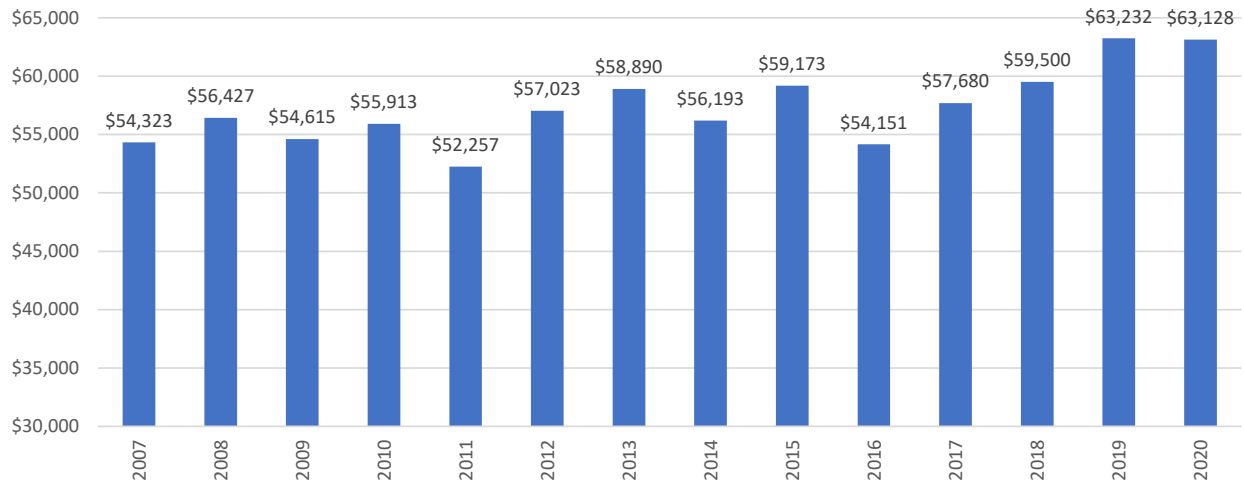


Figure 8:
Moffat County Poverty Rate Estimate

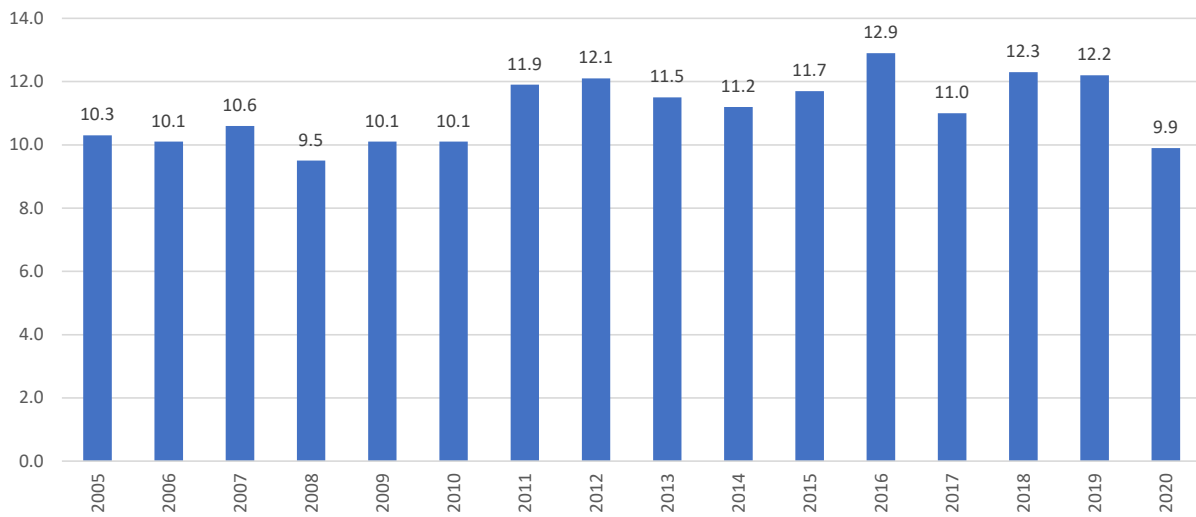
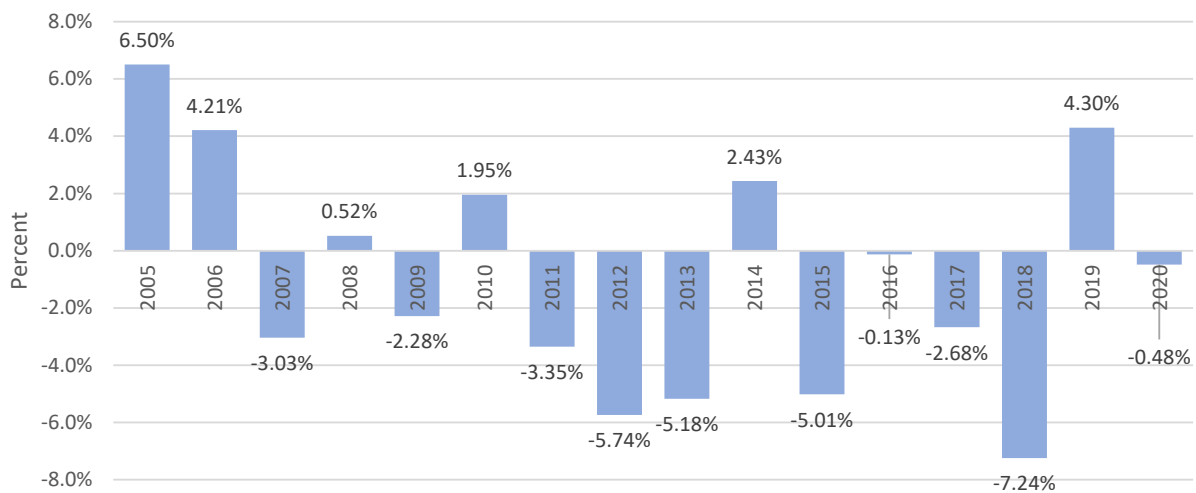


Figure 9:
Moffat County Real GDP % Change (chained 2012 dollars)



Moffat County Employment Trends

Q1 2022 Quarterly Census of Employment and Wage data shows no job gains but slight wage increases compared to the previous year. The biggest gains in wages were in retail trade and accomodation and food services. The biggest wages losses were in healthcare and mining. The biggest job gains were in accomodation and food services (35), and retail trade (27). Figure 10 shows job recovery by industry, indexed to Q4 2019. Most industries have fully recovered, however, arts, entertainment, and recreation , as well as oil, gas, and mining continue to lag in terms of job recovery from the COVID-19 recession, down 47% and 18% respectively.

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

Sector	Average Employment	Total Quarterly Wages	Average Weekly Wage	Total Employment Change	Total Wage Change
Total, All Industries	4,458	\$58,166,057	\$1,004	0	\$2,396,892
Mining	353	\$9,156,311	\$1,995	-22	-\$551,404
Health Care and Social Assistance	538	\$8,421,689	\$1,204	-46	\$615,771
Retail Trade	802	\$6,873,736	\$659	27	\$583,529
Public Administration	458	\$6,060,999	\$1,018	-13	-\$282,206
Construction	256	\$3,275,065	\$984	-9	\$86,694
Accommodation and Food Services	456	\$2,362,766	\$399	35	\$284,678
Finance and Insurance	79	\$2,300,515	\$2,240	4	\$603,896
Wholesale Trade	149	2289506	1182	5	395458
Transportation and Warehousing	85	1254483	1135	-12	103771
Professional and Technical Services	101	\$1,128,189	\$859	13	\$286,381
Other Services, Ex. Public Admin	129	\$934,810	\$557	4	\$55,208
Administrative and Waste Services	100	\$662,280	\$509	-7	\$98,290
Manufacturing	67	\$571,921	\$657	9	\$50,159
Arts, Entertainment, and Recreation	60	\$566,972	\$727	-6	-\$67,630
Real Estate and Rental and Leasing	38	\$442,212	\$895	-2	-\$85,428
Agriculture, Forestry, Fishing & Hunting	39	\$348,570	\$688	-8	-\$29,424
Information	22	\$193,668	\$677	1	-\$1,215
Management of Companies and Enterprises	N/A	N/A	N/A	N/A	N/A
Education	N/A	N/A	N/A	N/A	N/A
Utilities	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.

Table 3:
Farm and Sole Proprietor Employment

BEA Data	2020	2019	2018	2017	% change from 2019
Farm Employment	471	471	474	473	0.0%
Sole Proprietors (non-farm)	1,554	1,587	1,694	1,739	-2.1%

Figure 10:
Industry Job Change Percentage Compared to Q4 2019

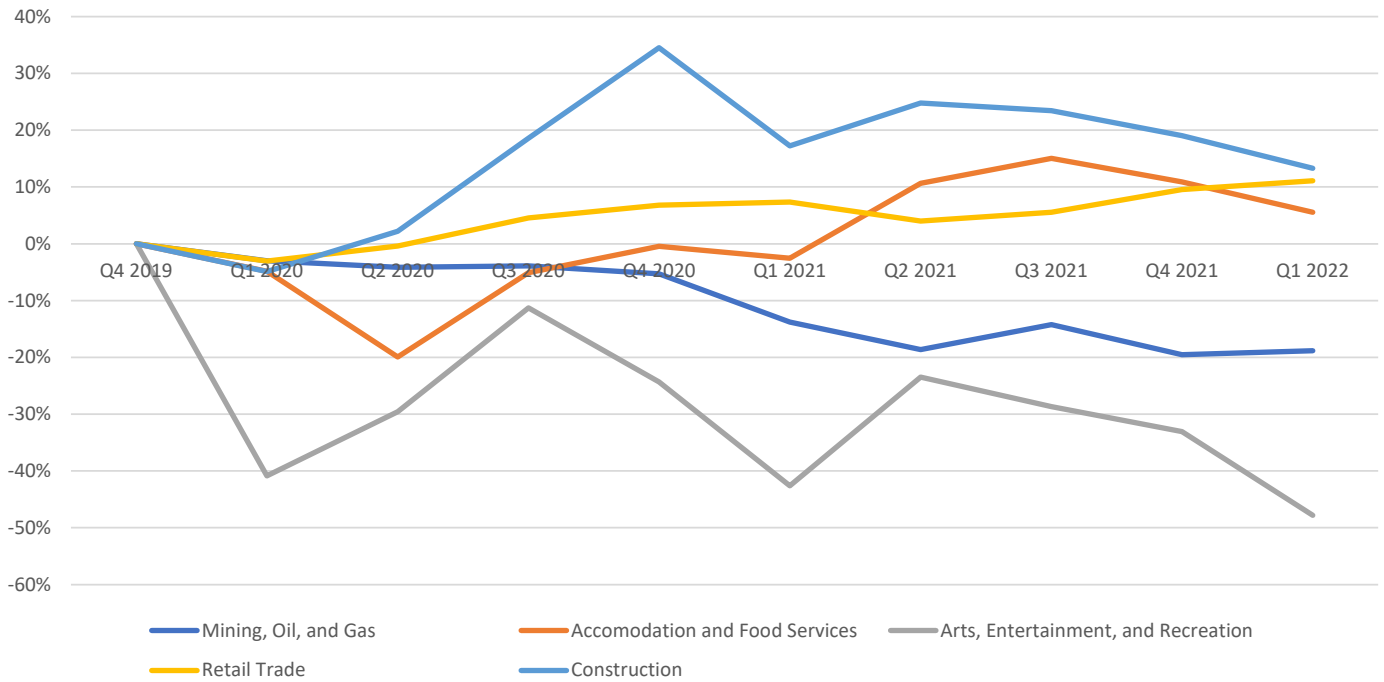
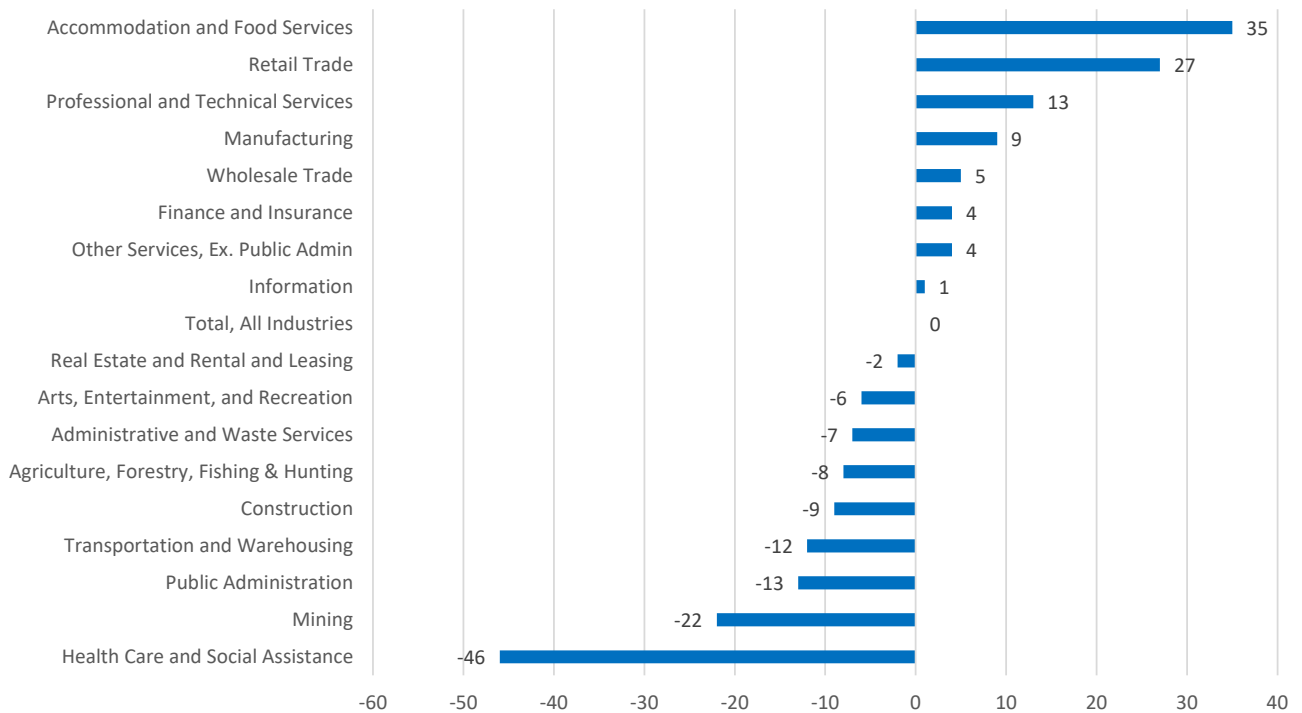


Figure 11:
Total Jobs Change Q1 2021 to Q1 2022



LOCAL REAL ESTATE

	Q2 2022	Q2 2021	% change since last year
Real Estate			
Inventory of Homes for Sale (3 month avg)	35	30	15.38%
New Residential listings (3 month total)	92	110	-16.36%
Sold Residential Listings (3 month total)	68	107	-36.45%
Median Sales Price	\$270,267	\$259,667	4.08%
Average Sales Price	\$264,965	\$256,571	3.27%
Days on Market	48.00	91.00	-47.25%
Months Supply of Inventory	1.40	1.17	20.00%
Foreclosures			
Foreclosure Filings (YTD)	10 (YTD, Sept 15th)	9	11.11%
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: Moffat County Treasurer and Public Trustee; Mortgage rates: Freddie Mac.

Local Real Estate Indicators

The Moffat County real estate market remains extremely tight, with median home values rising by 4.08% from Q2 of last year. In a county as small as Moffat, there is a lot of volatility and seasonality in the median price month to month. Given this context, since January, home prices have risen 17.6%, rising from \$221,000 to \$259,900. Inventory is creeping up, rising from 30 to 35 year over 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. Moffat's month supply of inventory is still very low at 1.40. 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%. 7% interest is significant, drastically changing the monthly payment on a house. Taking the median sales price on a Moffat County home of \$270,267, at 2.75% interest that payment is approximately \$1,100 (without taxes/insurance). At 7.5%, that same home costs approximately \$1,900, a very large increase that pushes many people out of the housing market or into a much different price range.

Foreclosures rose from 9 in all of 2021 to 10 in 2022 through September. Other counties, specifically Mesa County, as well as the nation, saw an increase in foreclosures in the spring due to mortgage forbearance programs expiring. Moffat County does not seem to have the same trend. Figure 13 illustrates yearly data for Moffat County foreclosures, which compared to the last decade are still historically low.

Figure 12:
Months Supply of Inventory



Figure 13:
Foreclosures

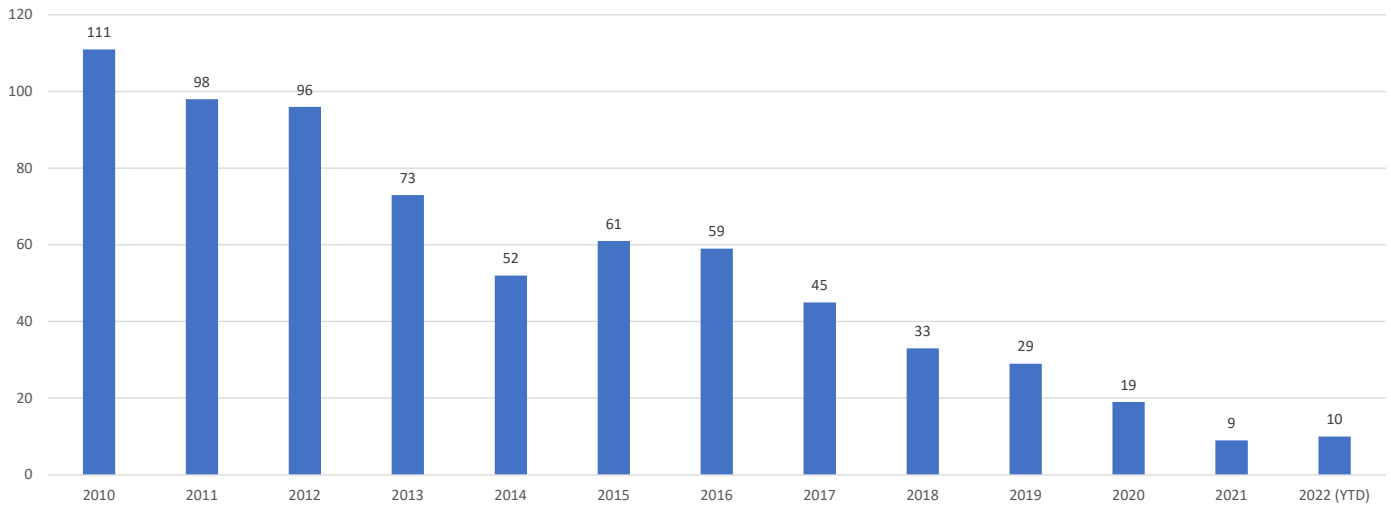
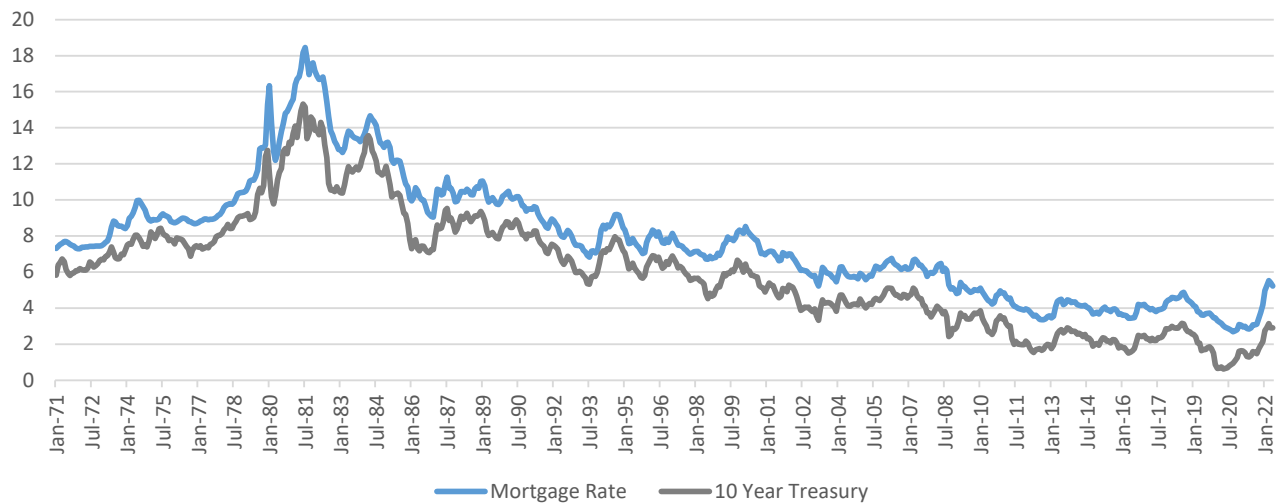


Figure 14:
10 Year Treasury and 30 Year Mortgage Rates (through Aug 2022)



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		
Regional Coal Industry					
	2022 (YTD)	2021 (YTD)	% Change		
Moffat, Rio Blanco, Routt Average Monthly Employment for Coal Mining	572	549	4.13%		
Moffat, Rio Blanco, Routt Coal Production (tons)	639,003	627,133	1.89%		

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 15:
Oil and Natural Gas Prices

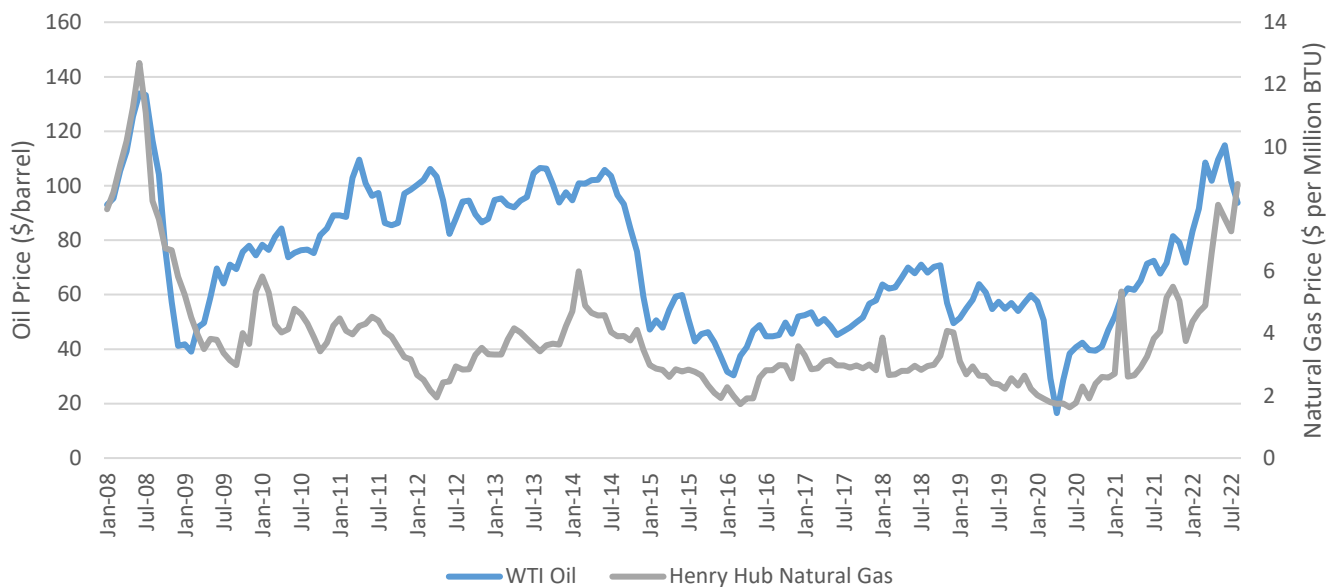


Figure 16:
Oil/Gas Drilling Permits and Oil/Gas Jobs

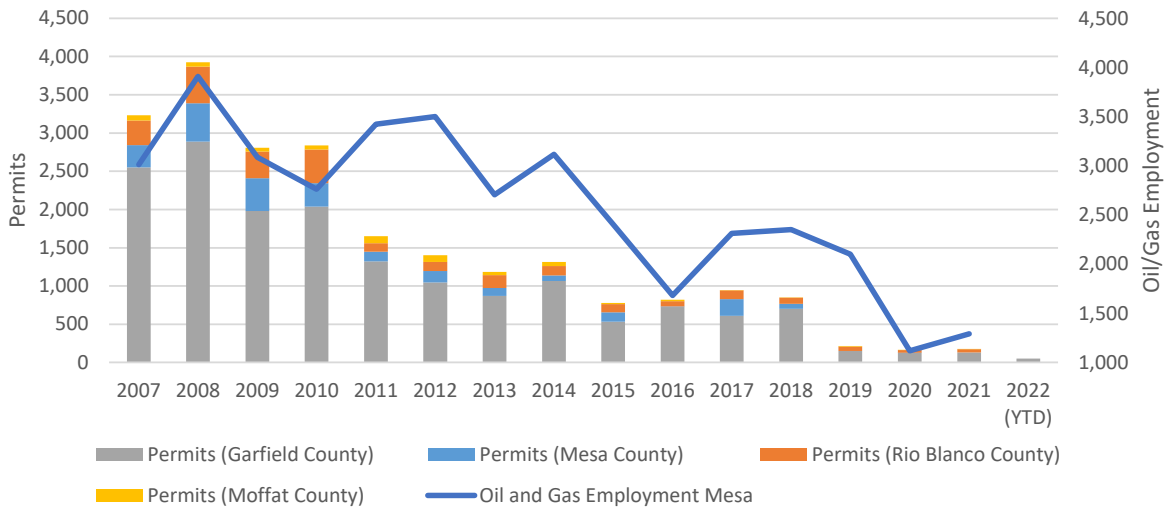
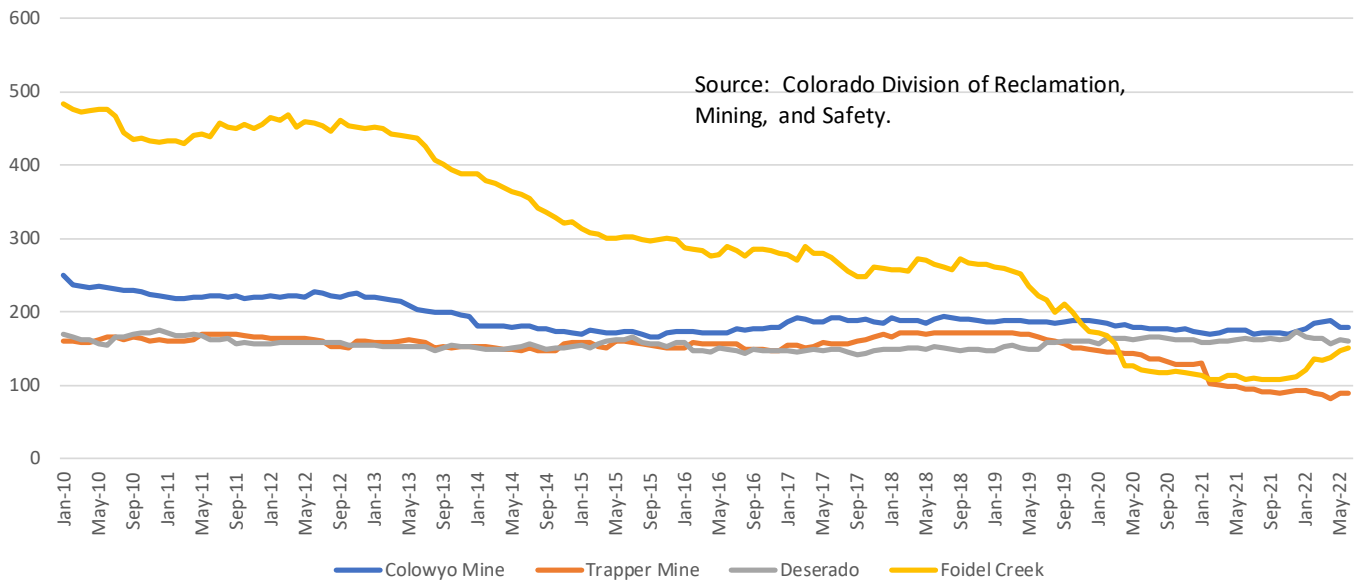


Figure 17:
NW Colorado Jobs per Mine



Western Slope Drilling Activity

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 22nd. Despite high natural gas prices, the Piceance rig count remains at 4, with 3 natural gas rigs, and an oil rig. This high of price of 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 that year 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.

Regional Mining Activity

Mining in the region makes up a very large portion of GDP and wages. Total coal production was up 1.9%, and coal jobs were up 4.8% from an average of 549 through June of 2021 to 572 through June of 2022. Foidel Creek Mine saw an increase in mining jobs (figure 17).

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.

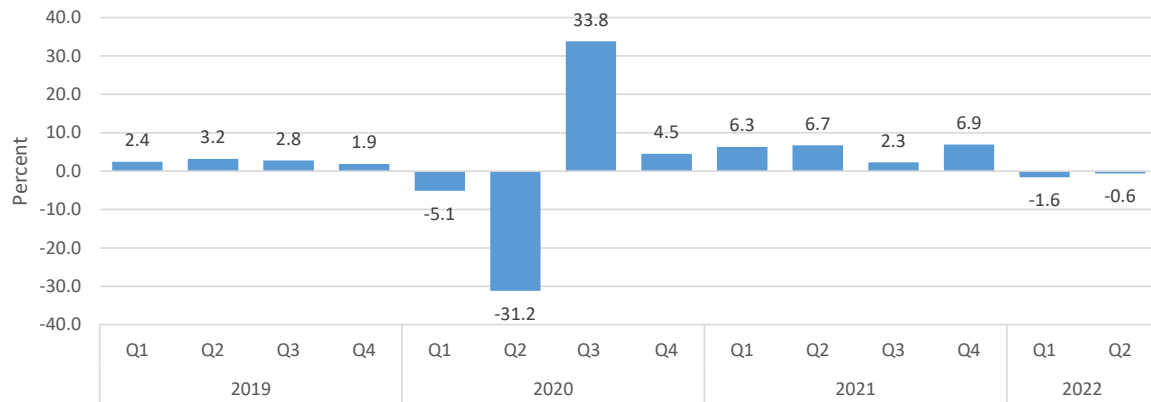
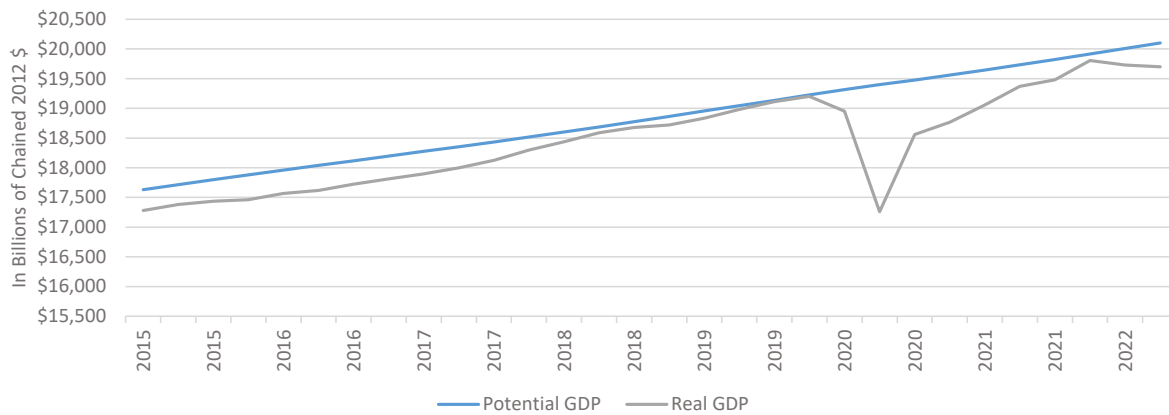


Figure 19:
GDP Gap



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

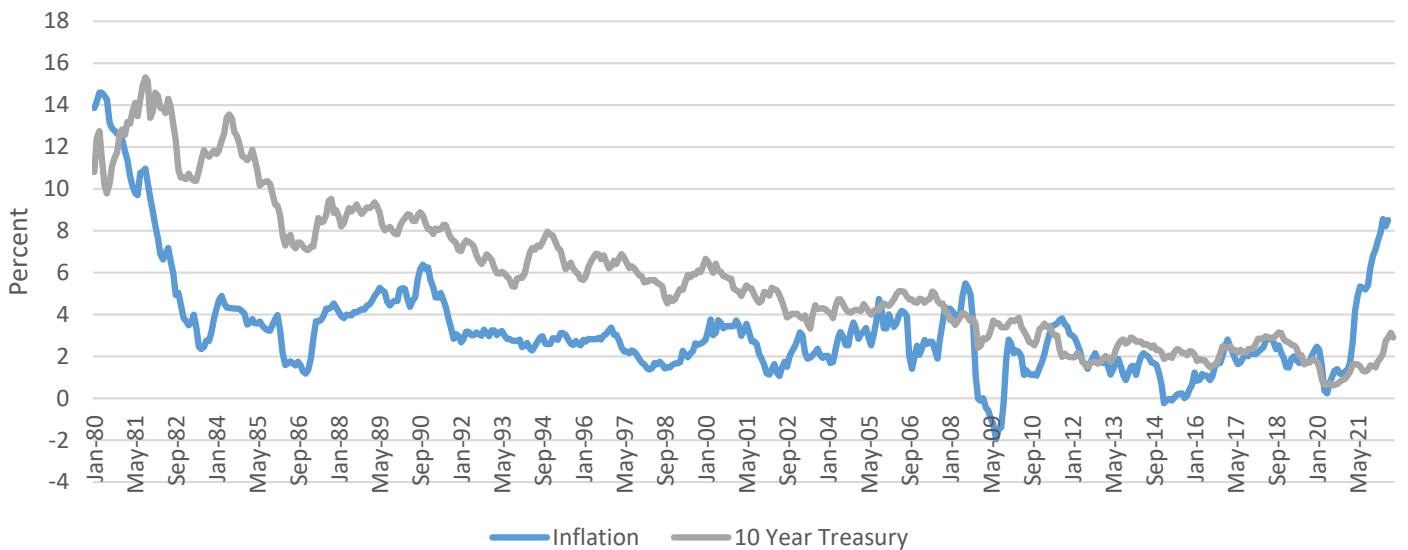


Figure 22:
Regional CPI Comparison

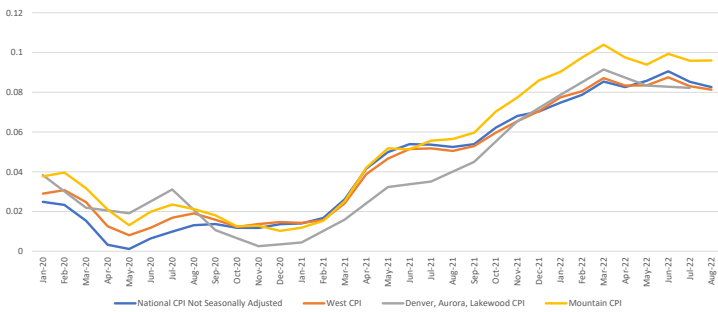


Figure 23:
Employment Cost Index



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



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