

RIO BLANCO COUNTY ECONOMIC UPDATE

First Quarter 2022

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

Economic Summary

- Rio Blanco County GDP for 2020 fell by 3.8%. A big contributor to the loss in GDP was the bad year for the oil and gas industry, which fell by 8.7%.
- Poverty estimates for 2020 were recently released, showing that poverty numbers inched lower. 2018's poverty estimate was 10.8%, falling to 10.3% in 2019, and 9.8% in 2020.
- Comparing 2020 totals with 2021 totals, Rio Blanco County sales/use taxes are up 40%, Meeker is up 9%, and Rangely is up 11%.
- The U.S. inflation rate in February hit 7.9%. This is the highest inflation rate since 1982. Before Russia's invasion of Ukraine, a 3.5-4% inflation forecast by year end was a reasonable way to view inflation dynamics for the coming year. However, the Russia-Ukraine crisis has changed the inflation forecast and has much larger implications for the world and U.S. economy, bringing with it significant macroeconomic and financial risks.

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LOCAL ECONOMIC INDICATORS

	Q4 2021	Q3 2021	Q4 2020	change since last quarter	change since last year (comparable quarters)
Local Labor Market					
Unemployment Rate Moffat County -NSA	3.43%	4.30%	4.47%	-0.87%	-1.03%
Unemployment Rate Colorado -SA	4.00%	5.10%	6.10%	-1.10%	-2.10%
Unemployment Rate U.S. -SA	4.00%	5.20%	6.50%	-1.20%	-2.50%
Labor Force	7,264	7,328	7,214	-64	51
Employed	7,016	7,013	6,891	3	125
Unemployed	249	315	323	-66	-74
Business Confidence					
Leeds Colorado Business Confidence	56.1	67.3	47.9	-16.64%	17.12%
Sales/Use Taxes					
	2021 (YTD)		2020 (YTD)		
Meeker Sales/Use Taxes (YTD)	\$1,353,714		\$1,242,360		8.96%
Rangely Sales/Use Tax (YTD)	\$856,537		\$771,136		11.07%
Rio Blanco Sales/Use Taxes (YTD)	\$2,332,476		\$1,663,586		40.21%
Meeker Lodging Tax (YTD)	\$145,620		\$155,488		-6.35%
Business Filings					
	2021 (YTD)		2020 (YTD)		
Rio Blanco County Business Permits (YTD)	93		75		24.00%

	2020	2019	2018	2017	% change from previous year
Standard of Living and Growth					
Population	6,342	6,350	6,347	6,362	-0.13%
Gross Domestic Product (GDP)	\$776,121	\$807,105	\$756,446	\$819,300	-3.84%
Personal Income	\$332,459	\$310,066	\$297,860	\$281,277	7.22%
Personal Income Per Capita	\$52,422	\$48,829	\$46,929	\$44,212	7.36%
Median Household Income	\$64,039	\$65,960	\$63,411	\$58,336	-2.91%
Percent of Population Below Poverty Line	9.8%	10.3%	10.8%	9.5%	0.50%

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: Town of Meeker, Rangely, and Rio Blanco 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 Rio Blanco County labor market did not respond much to COVID-19. While other counties saw major employment lows in April of 2020, Rio Blanco continued their small employment fluctuations with employment ranging between 2,600 and 2,800 for most of 2020 and 2021. Employment numbers fell to 2,676 in April of 2020, rising to a seasonal high of 2,921 by October of 2020. Rio Blanco's yearly employment average has ranged between 2,603 in 2016 to 2,861 since 2019. Note that these are employment estimates (figures 1 and 2), and in this survey if a person has two jobs they are counted as employed once. Figure 6 shows total job estimates, and the job dataset counts total jobs and shows that total jobs are in decline since 2009, but have stabilized and have ranged between 4,200 and 4,350 since 2016.

The Rio Blanco unemployment rate is slightly higher than the rest of the region, with a 2021 yearly average of 5.5%, Q4 2021 of 4.3%, with the most recent estimate of January at 4.7%.

Business Confidence, Sales Tax, and Business Filings

The Leeds Business Confidence Index has fallen by 16.64 percent from last quarter, as businesses see the impacts of inflation, supply chain problems, and labor shortages. These issues do not seem to be impacting local spending, as sales tax collection continues to rise. Comparing 2020 totals with 2021 totals, Rio Blanco County sales/use taxes are up 40%, Meeker is up 9%, and Rangely is up 11%. As businesses increase prices due to inflation, sales taxes will rise proportionally, and with a 7.9% inflation rate, this increase in sales tax collection will be less meaningful.

Rio Blanco County business filings are up 24% from 2020, rising from 75 to 93, showing increased interest for small business creation.

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

	Labor Force	Employed	Unemployed
Annual	26	15	11
5-Year	197	166	30
10-Year	-184	-89	-94
Annual %	0.9%	0.6%	7.1%
5-Year %	7.2%	6.4%	22.9%
10-Year %	-5.9%	-3.1%	-36.8%

Standard of Living Indicators

Two new standard of living measures were recently released for Rio Blanco County 2020 data. Median household income fell slightly from \$65,960 to \$64,039. There is a large confidence interval around this estimate, hence watching the longer term trend is important. After stagnating for several years, there has been an increase since 2017 in median household income. For comparison, the United States median household income fell from \$69,560 to \$67,521, which means despite losing income, Rio Blanco County actually outperformed the nation on this measure. Colorado median household income increased from \$72,499 to \$82,611, so Rio Blanco County was slightly better than the nation but did not increase like Colorado.

Poverty estimates were also released, showing that poverty numbers inched lower. 2018's poverty estimate was 10.8%, falling to 10.3% in 2019, and 9.8% in 2020.

Rio Blanco County GDP for 2020 fell by 3.8%. A big contributor to the loss in GDP was the bad year for the oil and gas industry, falling by 8.7%. Transportation and warehousing and professional services were also down in 2020. There are several industry codes that are not available for Rio Blanco due to privacy restrictions due to the small size of the county.

Figure 1:
2 Year Employment Estimates

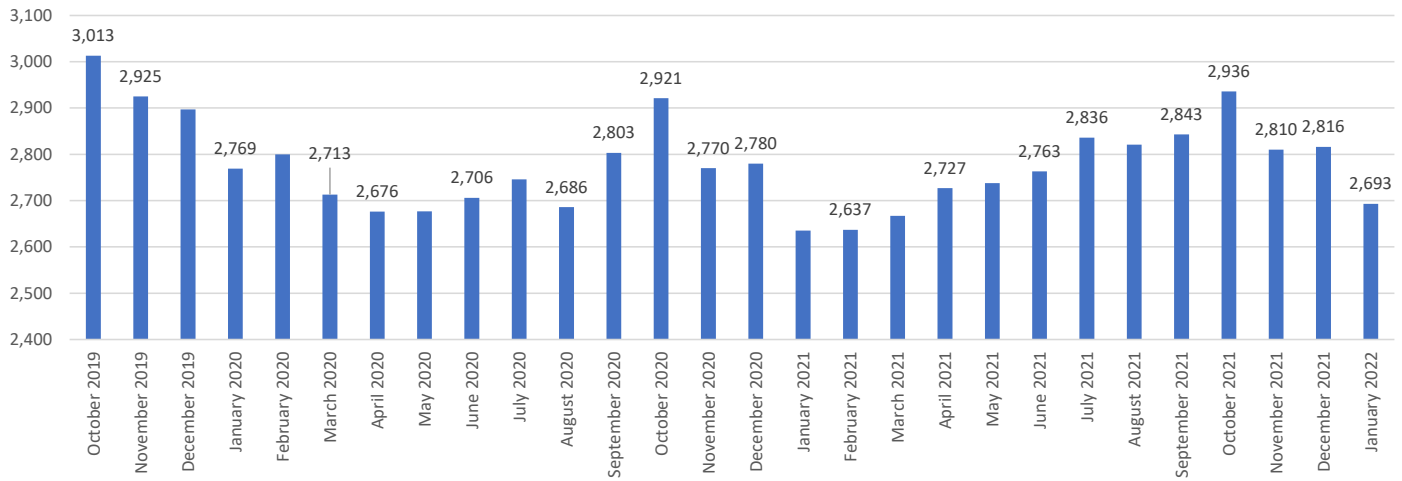


Figure 2:
Yearly Employment Average

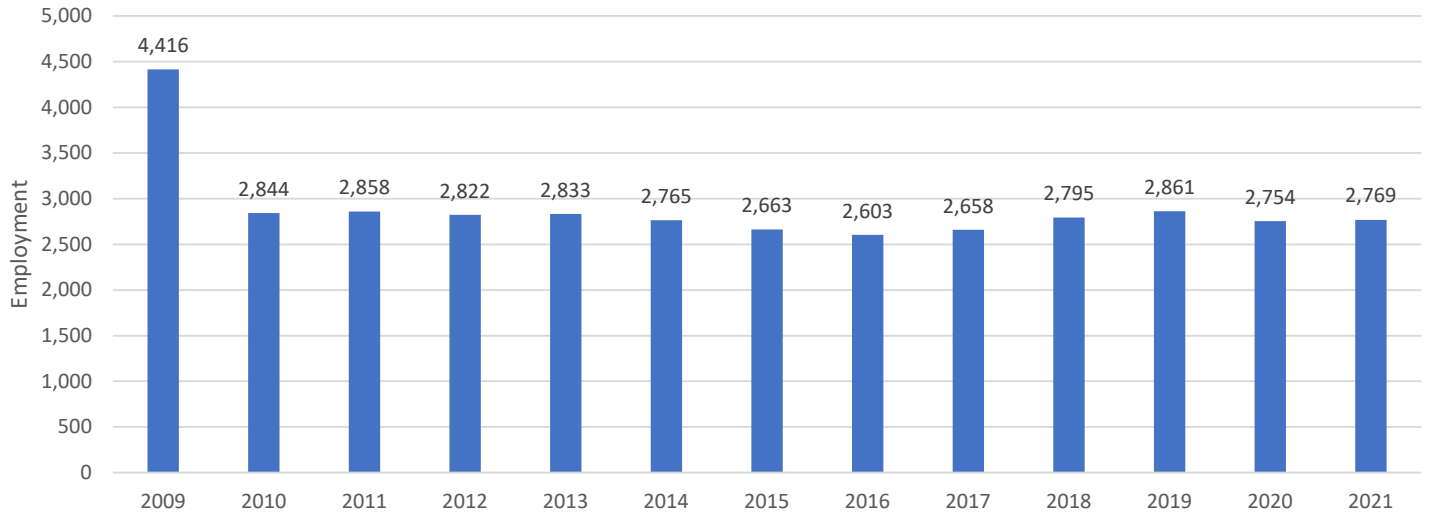


Figure 3:
Change in Yearly Employment Average

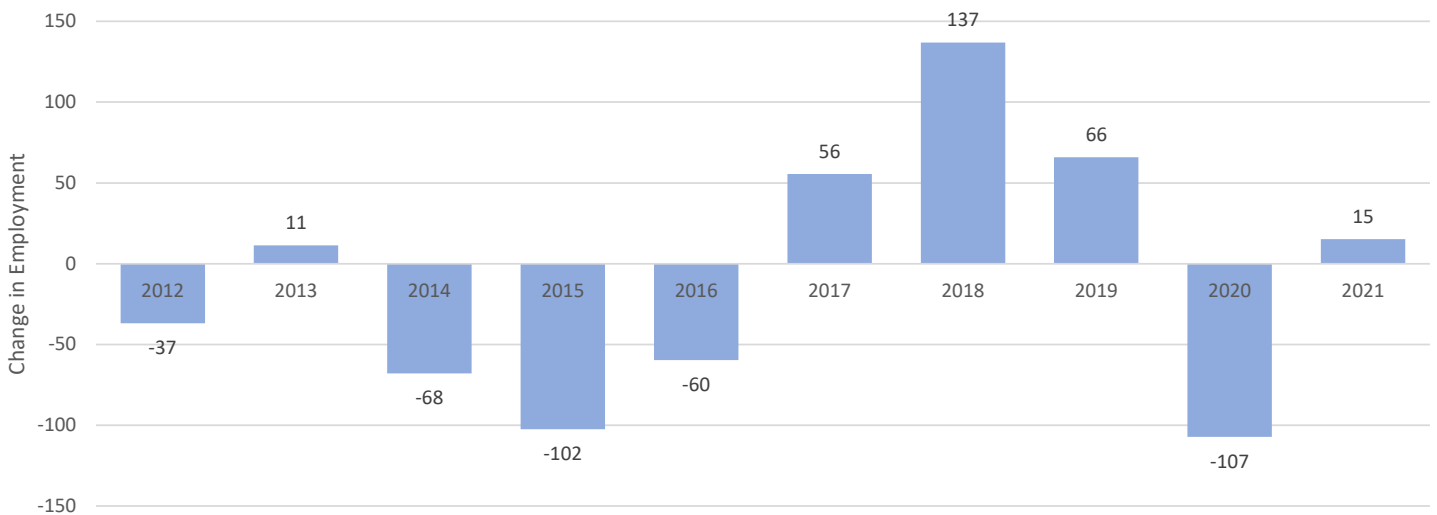


Figure 4:
Rio Blanco County and Colorado Unemployment Rates

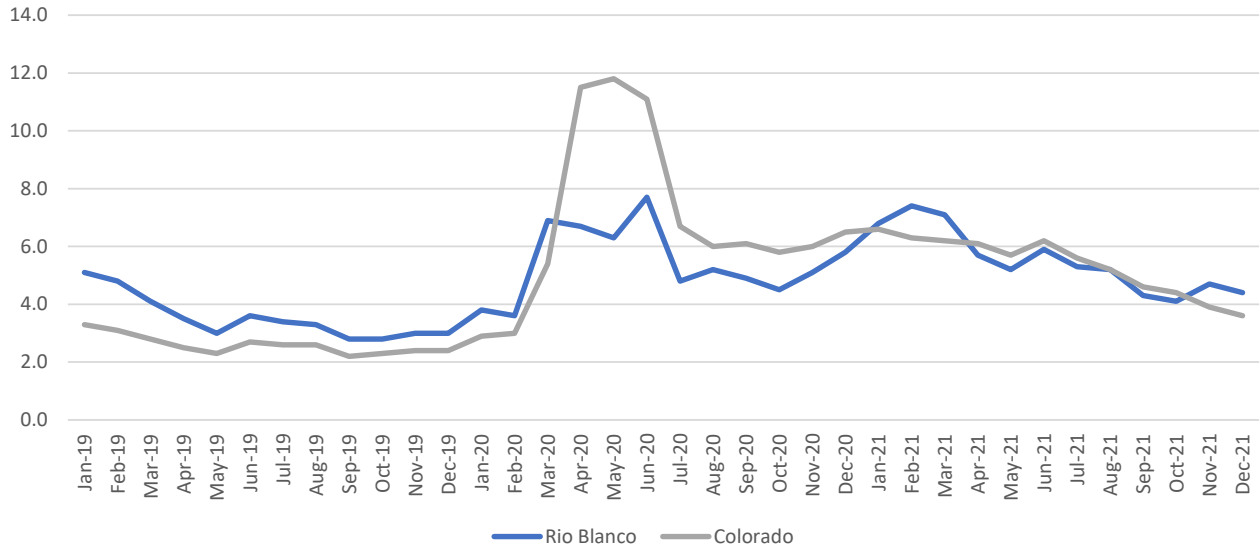


Figure 5:
Number of Unemployed Moffat County

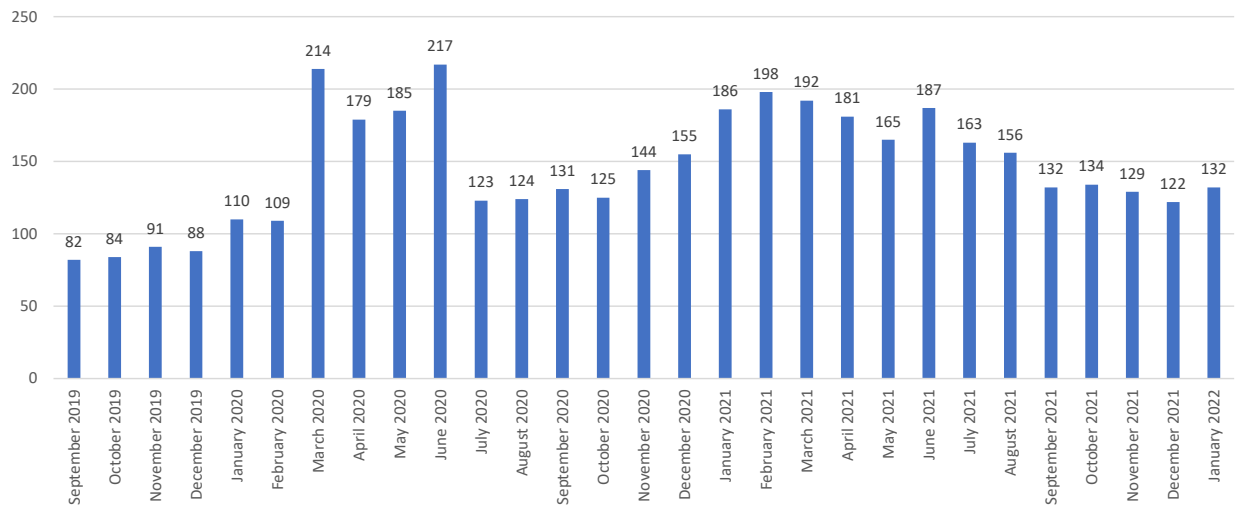


Figure 6:
Total Full and Part Time Jobs (BEA)

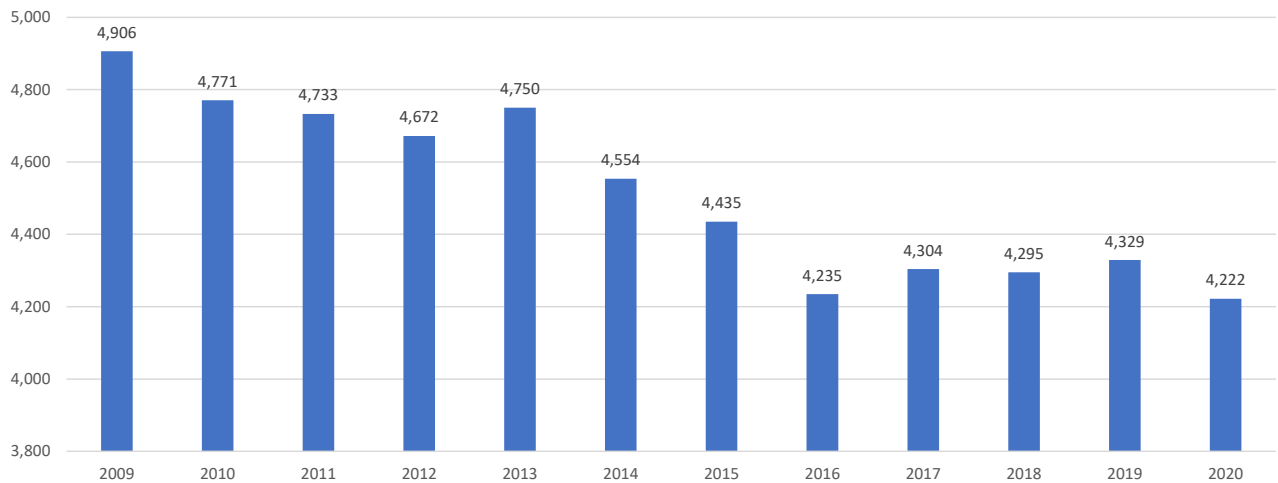


Figure 7:
Rio Blanco County Median Household Income

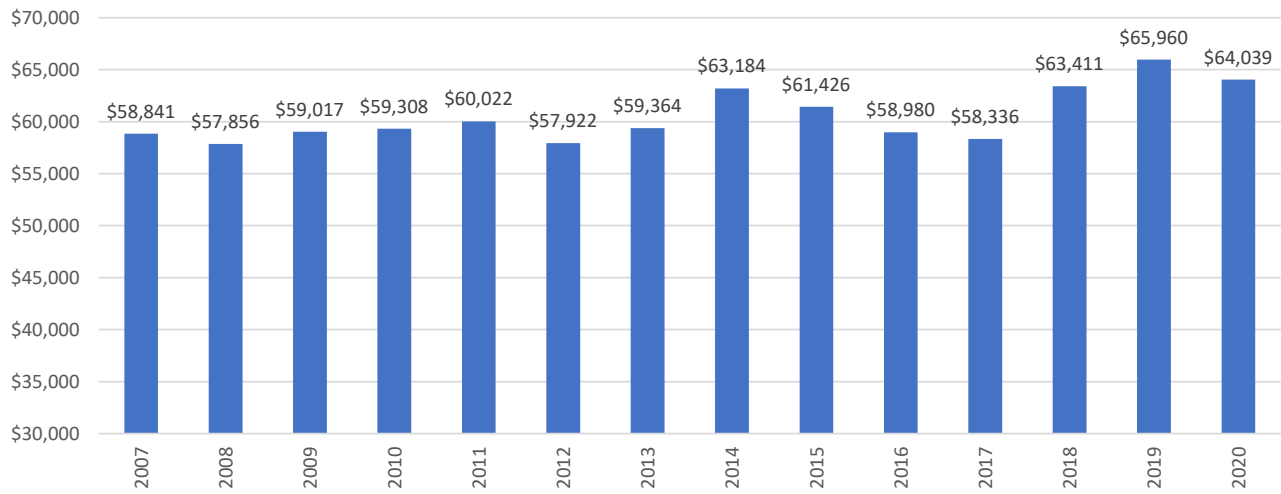


Figure 8:
Rio Blanco County Poverty Rate Estimate

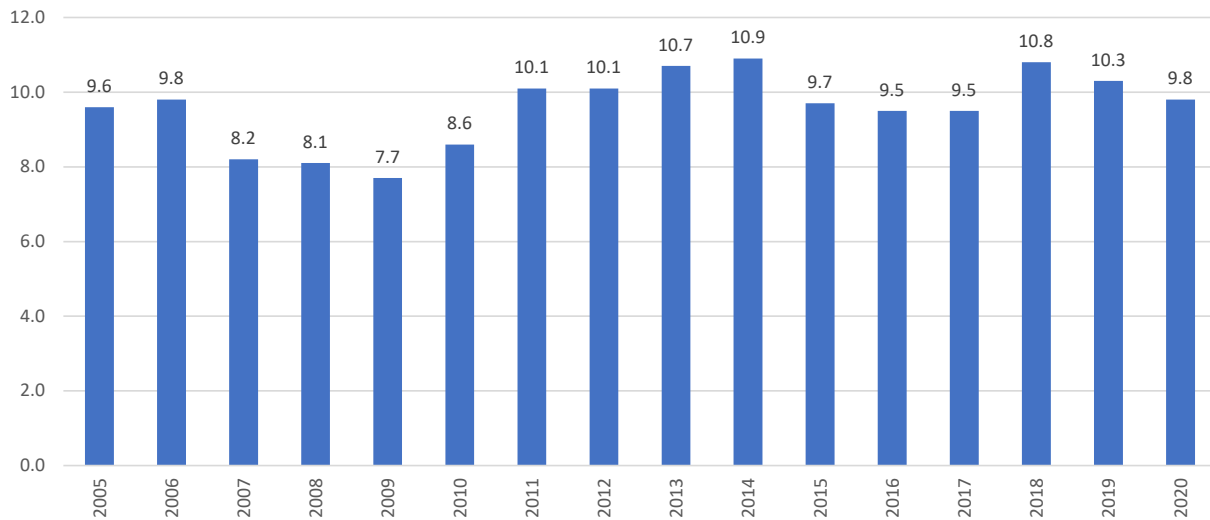
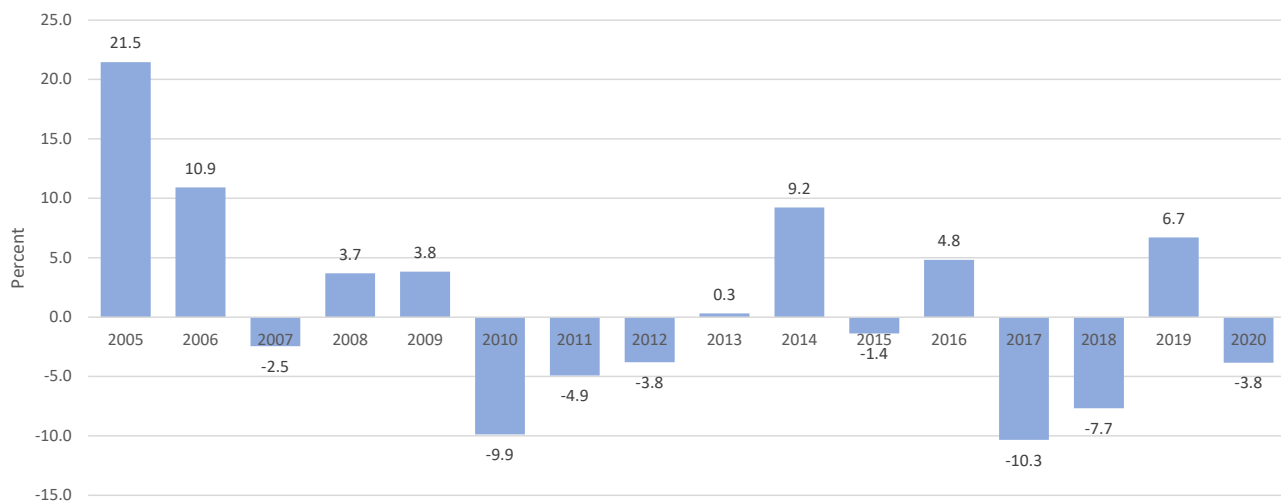


Figure 9:
Rio Blanco County Real GDP % Change (chained 2012 dollars)



Rio Blanco County Employment Trends

Q3 2021 Quarterly Census of Employment and Wage data shows overall jobs increased by only 10, with wages rising by a small amount. The biggest wages gains were in administrative and waste services as well as healthcare. The biggest wage losses were in mining and construction. The biggest job gains were in administrative and waste services (67), and accomodation and food services (28), with the biggest job losses in mining (47) and construction (43). Accomodation and food services, retail trade, art entertainment and recreation, and oil and gas were the industries hit hardest by COVID-19 for most regions. In Rio Blanco, neither construction or mining jobs have recovered to their Q4 2019 level, and are down by 30% and 16%, respectively (figure 11).

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

Sector	Average Employment	Total Quarterly Wages	Average Weekly Wage	Total Employment Change	Total Wage Change
Total, All Industries	2,851	\$38,245,220	\$1,032	10	\$1,234,330
Mining	452	\$10,080,601	\$1,716	-47	-\$706,035
Health Care and Social Assistance	387	\$5,112,624	\$1,016	14	\$653,465
Public Administration	393	\$4,661,208	\$912	-36	-\$311,613
Educational Services	286	\$3,113,038	\$837	19	\$132,676
Administrative and Waste Services	189	\$3,034,989	\$1,235	67	\$1,362,180
Construction	155	\$2,073,007	\$1,029	-43	-\$635,793
Accommodation and Food Services	223	\$1,569,934	\$542	28	\$304,074
Retail Trade	199	\$1,287,414	\$498	11	-\$14,601
Utilities	43	\$1,256,808	\$2,248	-1	-\$1,659
Other Services, Ex. Public Admin	71	\$1,234,078	\$1,337	-17	\$59,179
Transportation and Warehousing	68	\$1,034,847	\$1,171	-4	-\$49,383
Arts, Entertainment, and Recreation	150	\$975,143	\$500	2	\$36,975
Finance and Insurance	42	\$682,502	\$1,250	-1	\$143,799
Manufacturing	49	\$650,996	1,022	7	\$208,242
Agriculture, Forestry, Fishing & Hunting	49	\$527,106	\$827	-2	-\$37,578
Professional and Technical Services	32	\$367,009	\$882	0	-\$23,648
Real Estate and Rental and Leasing	21	\$218,178	\$799	2	\$22,051
Information	24	\$166,978	\$535	2	\$16,103
Wholesale Trade	16	\$158,589	\$762	8	\$35,725
Management of Companies and Enterprises	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	289	289	291	290	0.0%
Sole Proprietors (non-farm)	916	936	984	954	-2.0%

Figure 11:
Industry Job Change Percentage Compared to Q4 2019

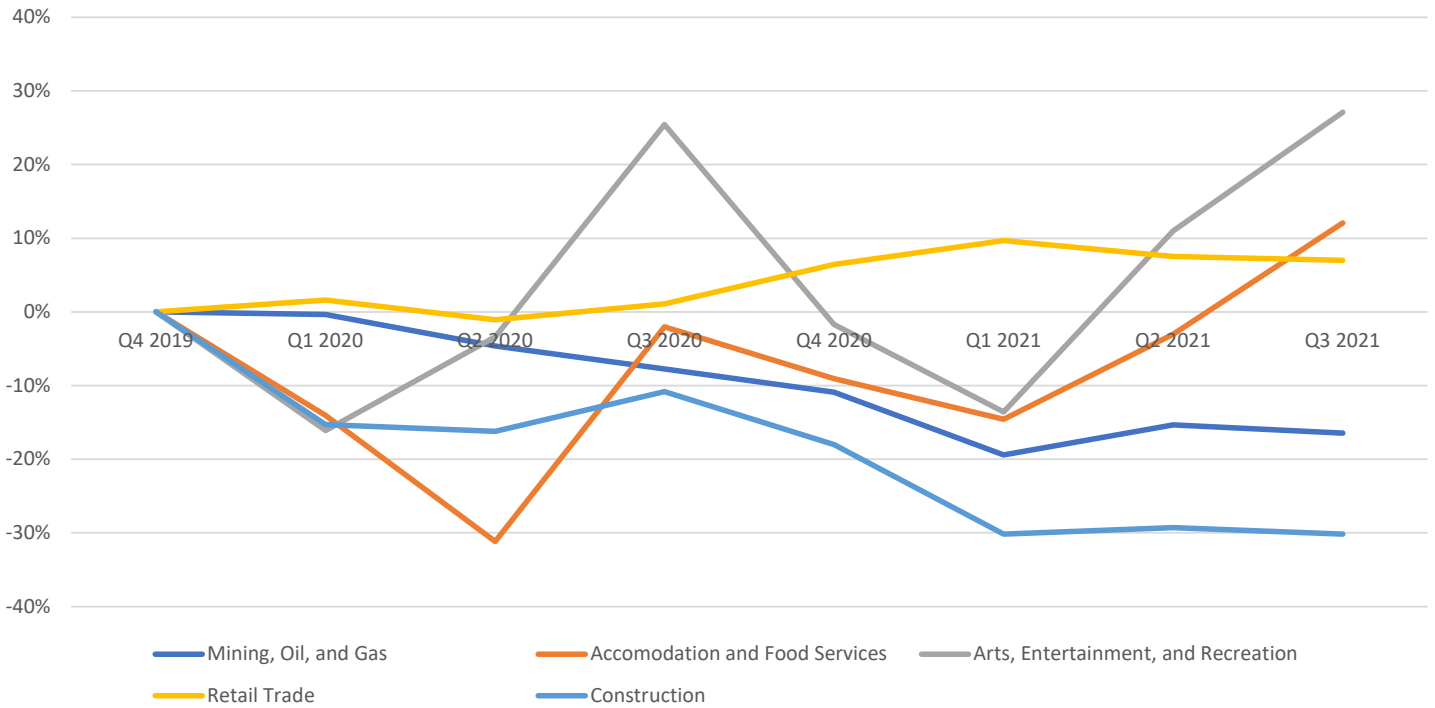
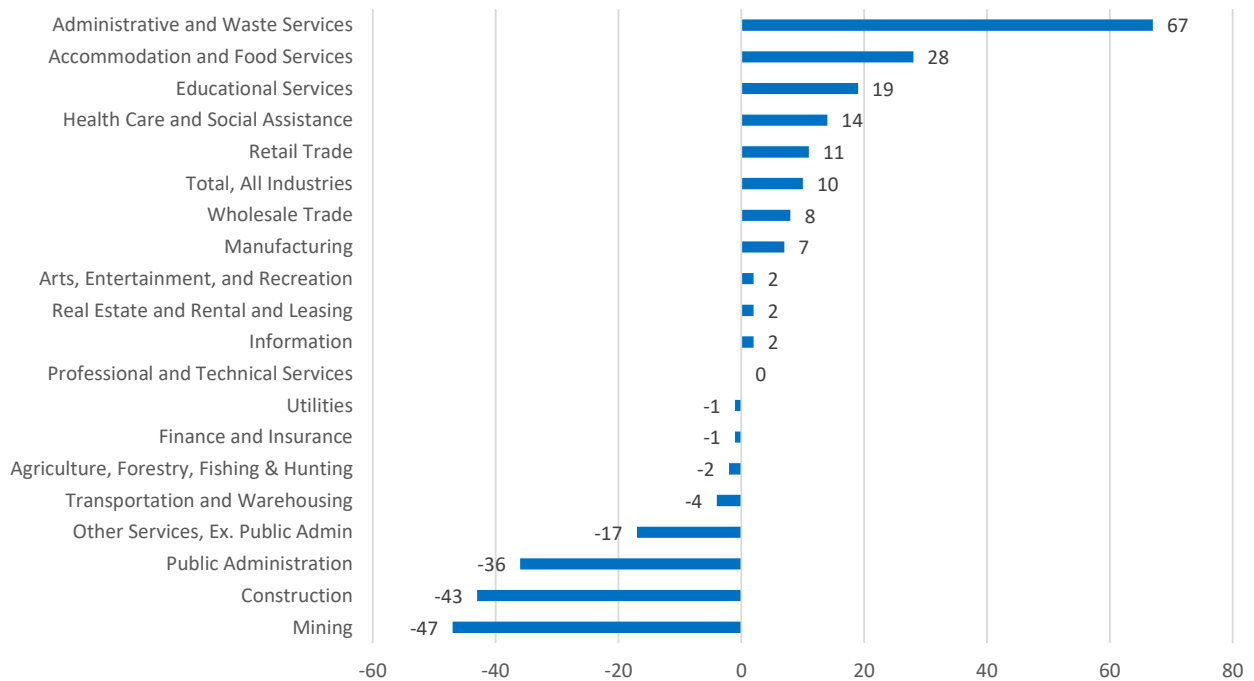


Figure 11:
Total Jobs Change from Q3 2020 to Q3 2021



LOCAL REAL ESTATE

	Q4 2021	Q4 2020	% change since last year
Real Estate			
Inventory of Homes for Sale (3 month avg)	18	48	-62.07%
New Residential listings (3 month total)	17	25	-32.00%
Sold Residential Listings (3 month total)	11	42	-73.81%
Median Sales Price	\$179,167	\$236,000	-24.08%
Average Sales Price	\$256,856	\$245,029	4.83%
Days on Market	114.33	107.18	6.68%
Months Supply of Inventory	2.03	4.42	-53.98%
Foreclosures			
Foreclosure Filings (YTD)	3	5	-40.00%
Mortgage Rates			
15 Year Mortgage Rate	2.34%	2.29%	0.05%
30 year Mortgage Rate	3.08%	2.76%	0.32%

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

Local Real Estate Indicators

The Rio Blanco County real estate is experiencing the same tightness in inventory as the rest of the region, but without the price appreciation that is seen in the rest of Colorado and the nation. The trend in median sales price is positive the last 11 years, but not significantly, rising only \$2.45 per month since 2010 (according to a simple regression analysis). The data in the table above reflects changes comparing Q4 2020 to Q4 2021. In general, the graphs illustrating days on market and inventory of active listings show that since 2016 the real estate market has become tighter every year. The Federal Reserve is raising the Federal Funds rate and reducing their purchases of 10 year treasury bonds, with the goal of raising interest rates. The hope is to slow what has become one of the strongest housing markets in recent history.

Figure 12:
Median and Average Sales Price

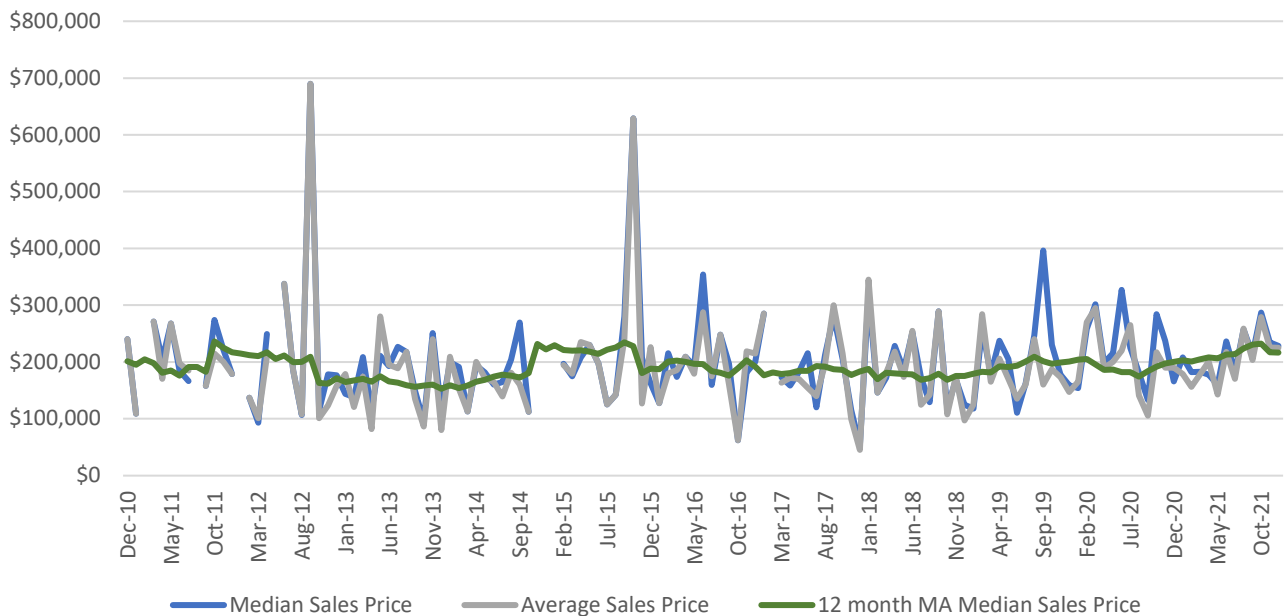


Figure 13:
Days on Market Until Sale

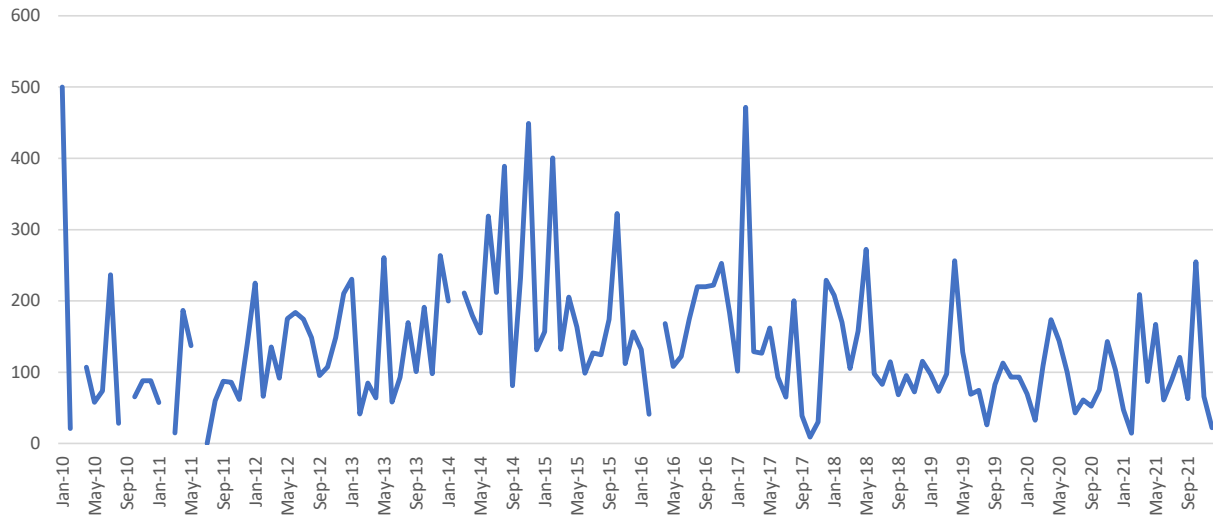


Figure 14:
Months Supply of Inventory

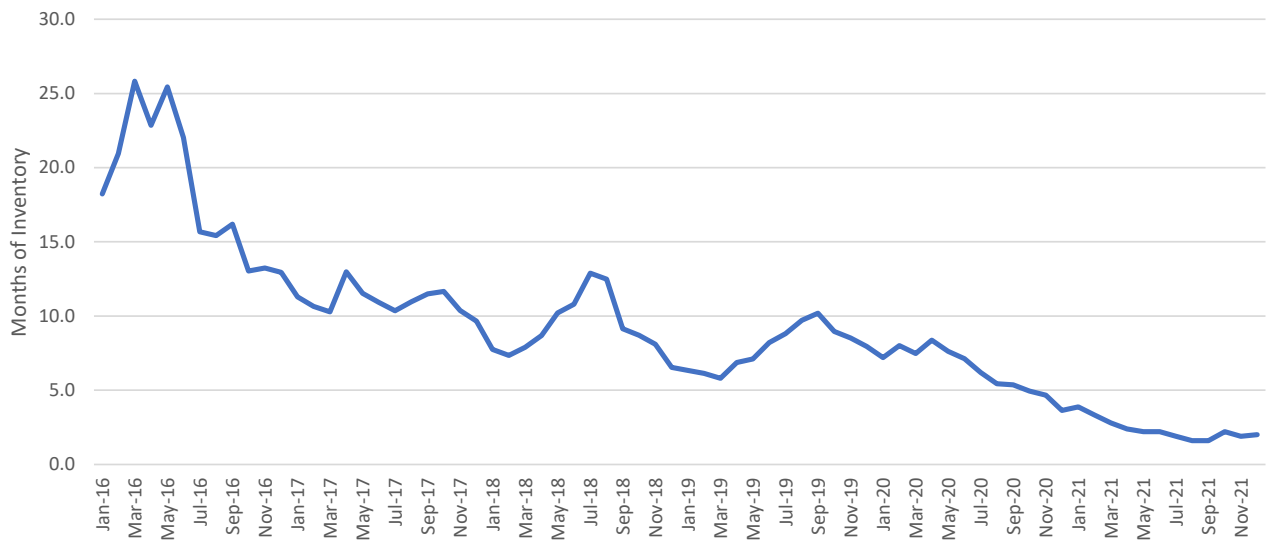


Figure 15:
Inventory of Active Listings



REGIONAL ENERGY

	Q4 2021	Q3 2021	Q4 2020	% change since last quarter	% change since last year (comparable quarters)
Energy Prices					
WTI Crude Oil	\$77.33	\$70.58	\$42.52	9.56%	81.87%
Henry Hub Natural gas	\$4.77	\$4.36	\$2.53	9.40%	88.54%
Retail Gasoline Price	\$3.21	\$3.06	\$2.06	4.90%	55.62%
Drilling Permits					
	2021 (YTD)	2020	2019	% Change since same time last year	
Drilling Permits (Mesa County)	0	1	0	N/A	
Drilling Permits (Rio Blanco County)	39	33	59	-44.07%	
Drilling Permits (Garfield County)	133	127	149	-14.77%	
Drilling Permits (Moffat County)	1	1	7	-85.71%	
Total Permits (Mesa, Rio Blanco, Garfield, Moffat)	173	162	215	-24.65%	
Total Permits (Colorado)	757	1,543	2,032	-24.06%	
Local Rig Count					
	Feb-22	Aug-21	Feb-21		
Rig Count (Western Colorado, Mesa, Rio Blanco, Garfield, Moffat)	2	2	1		
Regional Coal Industry					
	2021 (YTD)	2020 (YTD)	% Change		
Moffat, Rio Blanco, Routt Average Monthly Employment for Coal Mining	544	613	-11.28%		
Moffat, Rio Blanco, Routt Coal Production (tons)	685,267	613,380	11.72%		

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 16:

Oil and Natural Gas Prices

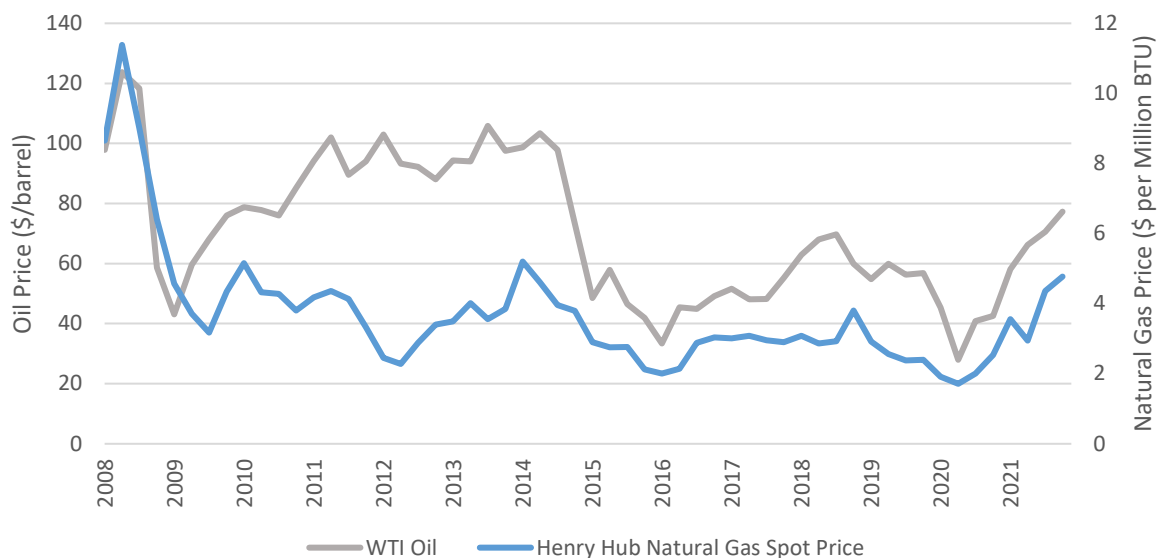


Figure 17:
Oil/Gas Drilling Permits and Oil/Gas Jobs

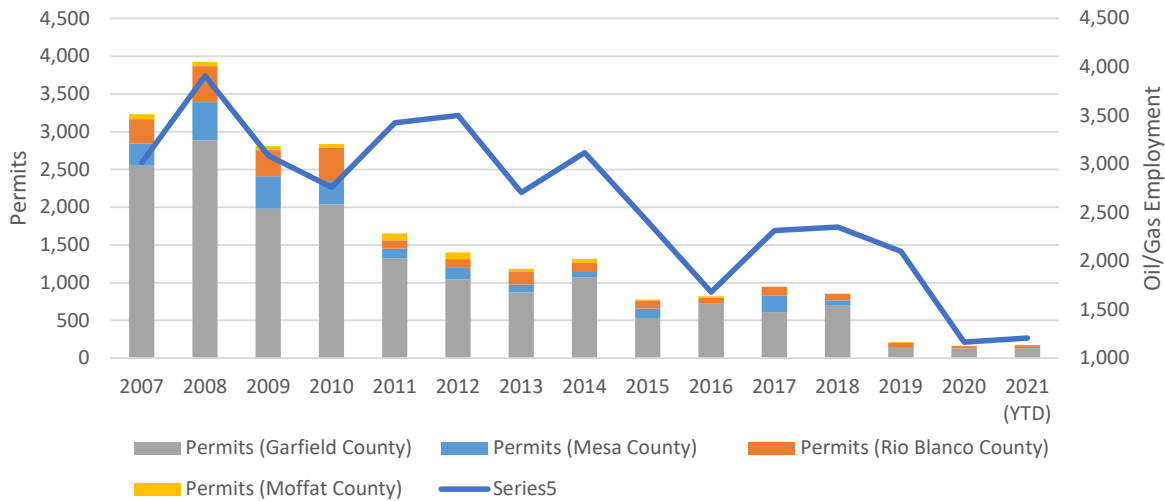
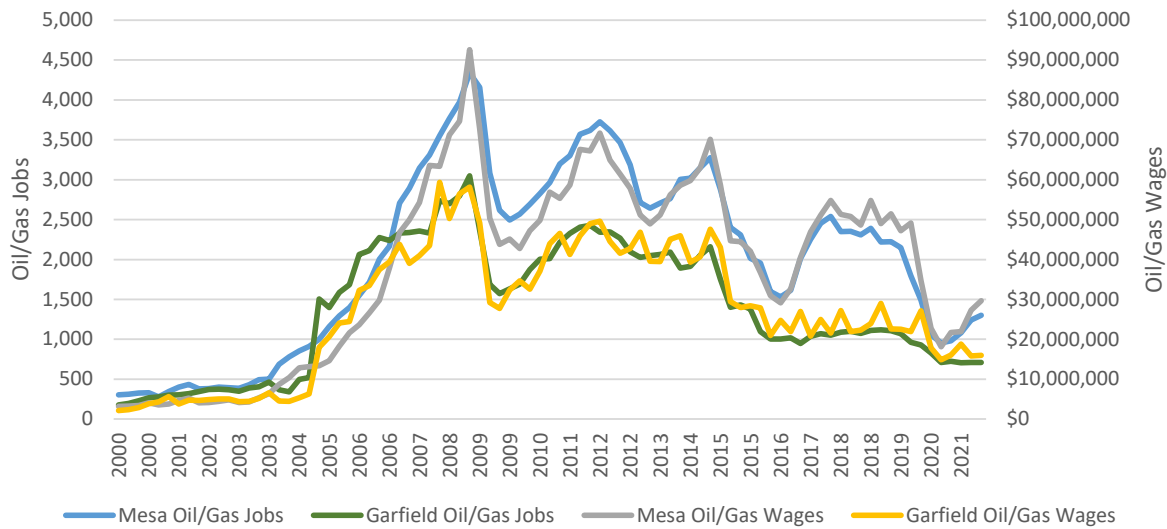


Figure 18:
Oil/Gas Jobs and Wages (Mesa and Garfield, QCEW)



Western Slope Drilling Activity

The Energy Information Agency (EIA) reports that in February, the natural gas spot price at Henry Hub averaged \$4.69/MMBtu, while Brent crude oil averaged \$97 per barrel. There is much uncertainty in energy markets currently due to Russia's invasion of Ukraine. EIA forecasts Brent crude oil to average \$117 per barrel in March, and \$102 per barrel for the second half of 2022. How rising oil and gas prices affects the Piceance Basin remains to be seen. In the past, when oil and natural gas prices have risen, the region would see rig activity pick up, but there are still two rigs operating in the Piceance as of March 14th. There was an uptick in jobs and wages in this industry, but for employment and wages to really pick up rig activity will have to increase. Garfield County did not experience the uptick in oil and gas activity that Mesa County experienced the last two quarters. Note that for Rio Blanco, because of its small size, QCEW data does not differentiate between mining and oil/gas, hence Rio Blanco is omitted from figure 18. Figure 21 below shows Rio Blanco mining as a percentage of GDP, and this mining number includes oil and gas.

Regional Mining Activity

Mining in the region makes up a very large portion of GDP and wages. Total coal production was up 11.7%, but coal jobs were down from an average of 613 in 2020 to 544 in 2021, or 11.3%. The four mines ended the year with 551 jobs in December.

Figure 19:

Colowyo, Trapper, Deserado, and Foidel Creek Coal Production and total Coal Jobs

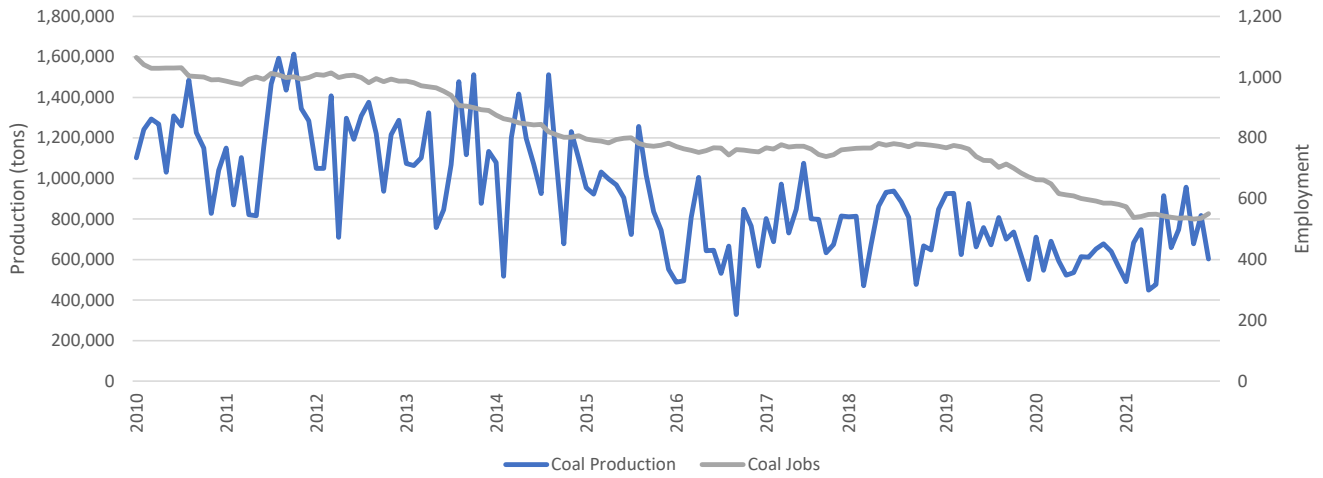


Figure 20:

Colowyo, Trapper, Deserado, and Foidel Creek Mining Jobs

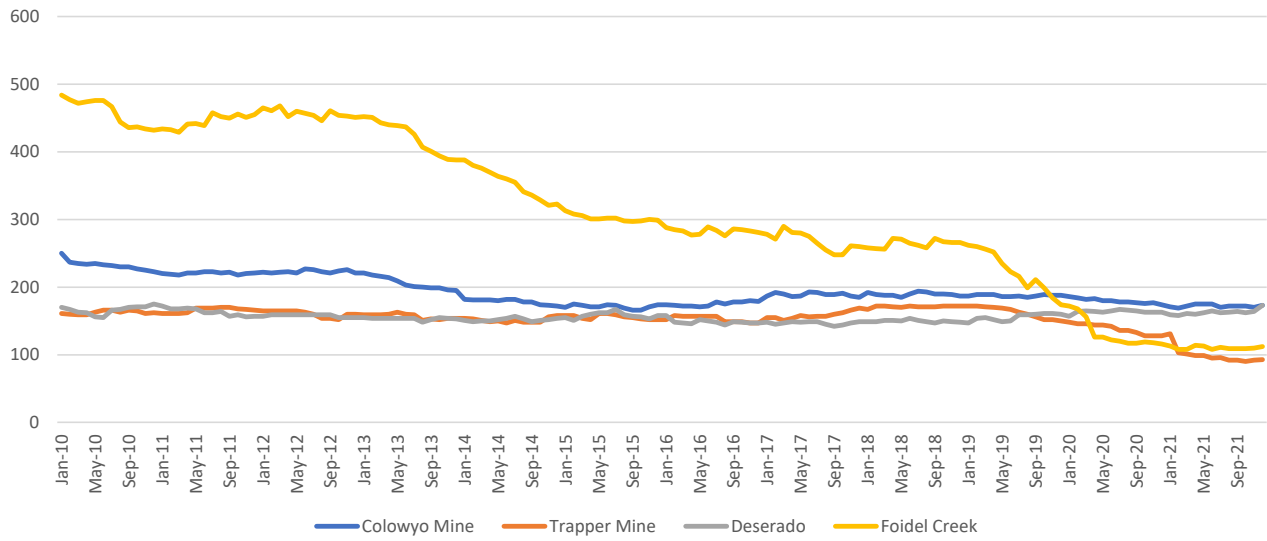
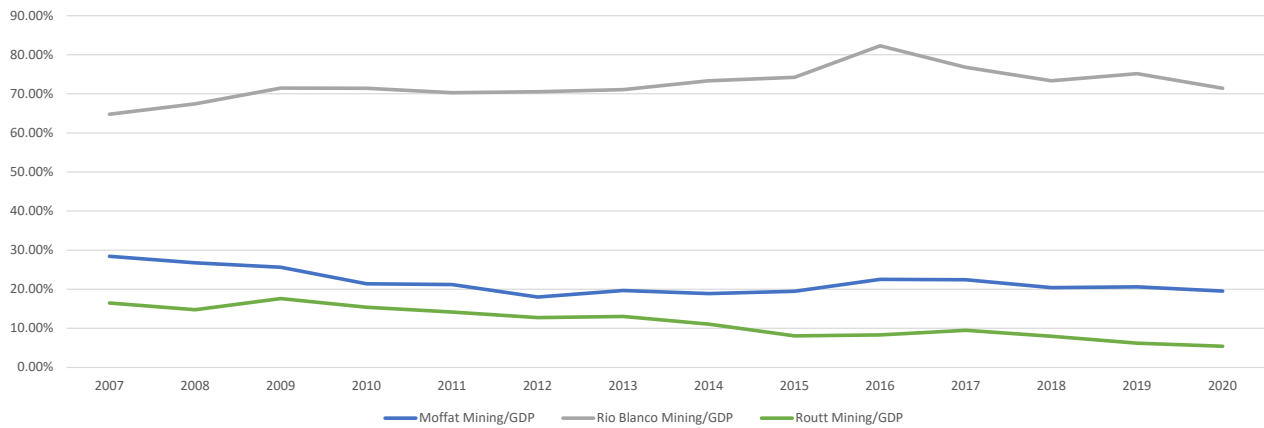


Figure 21:

Mining as a Percentage of GDP in Moffat, Rio Blanco, and Routt Counties



NATIONAL ECONOMIC INDICATORS

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

SOURCES: GDP, Consumption, Investment, and Trade Balance: Bureau of Economic Analysis; Consumer Confidence: University of Michigan; Industrial Production, Interest Rates and USD Exchange Rate: Board of Governors of the Federal Reserve System; Weekly Unemployment Claims: U.S. Employment and Training Administration. Non-Farm Payroll, Unemployment Rates, Inflation Measures: Bureau of Labor Statistics; Stock Prices: S&P Dow Jones Indices, LLC.; USD Exchange Rate: Board of Governors of the Federal Reserve; Trade Balance: BEA; Federal Debt: U.S. Office of Management and Budget. * indicates data is lagged by one quarter.

Figure 22:
Real GDP for U.S.

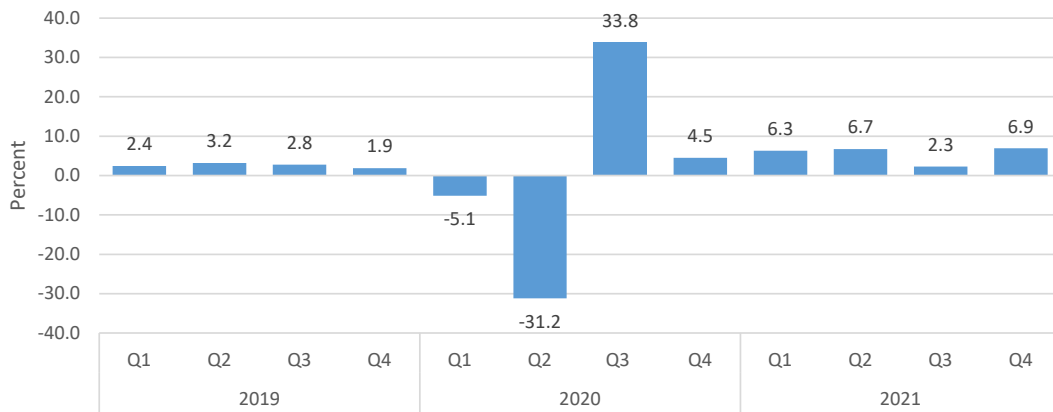
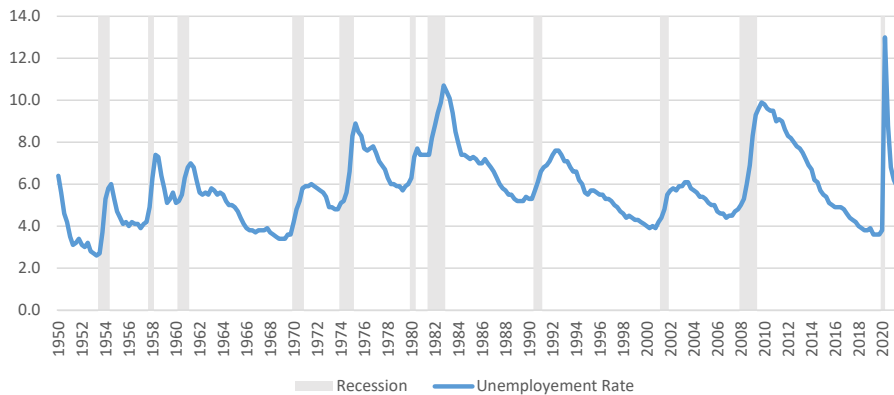


Figure 23:
U.S. Unemployment Rate



National Economic Performance

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

Inflation

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

Russia-Ukraine

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

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

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

Figure 24:
GDP Gap

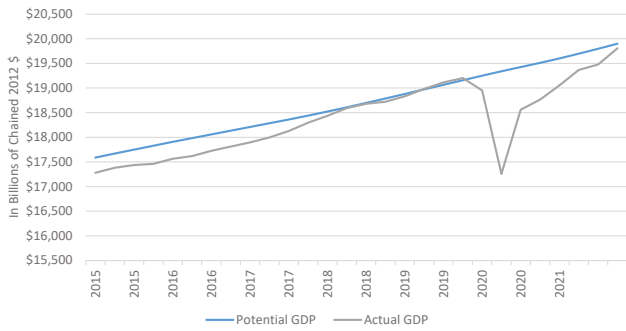


Figure 25:
Employment Cost Index

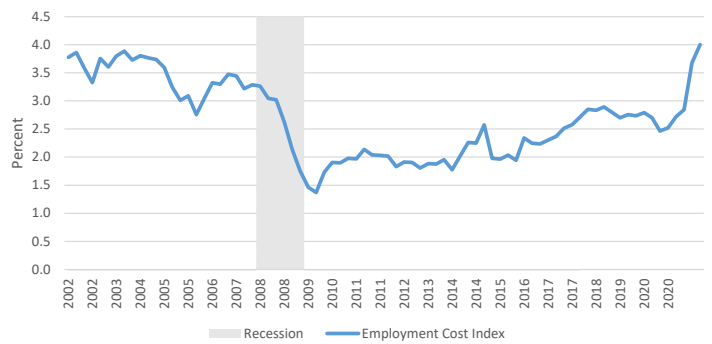
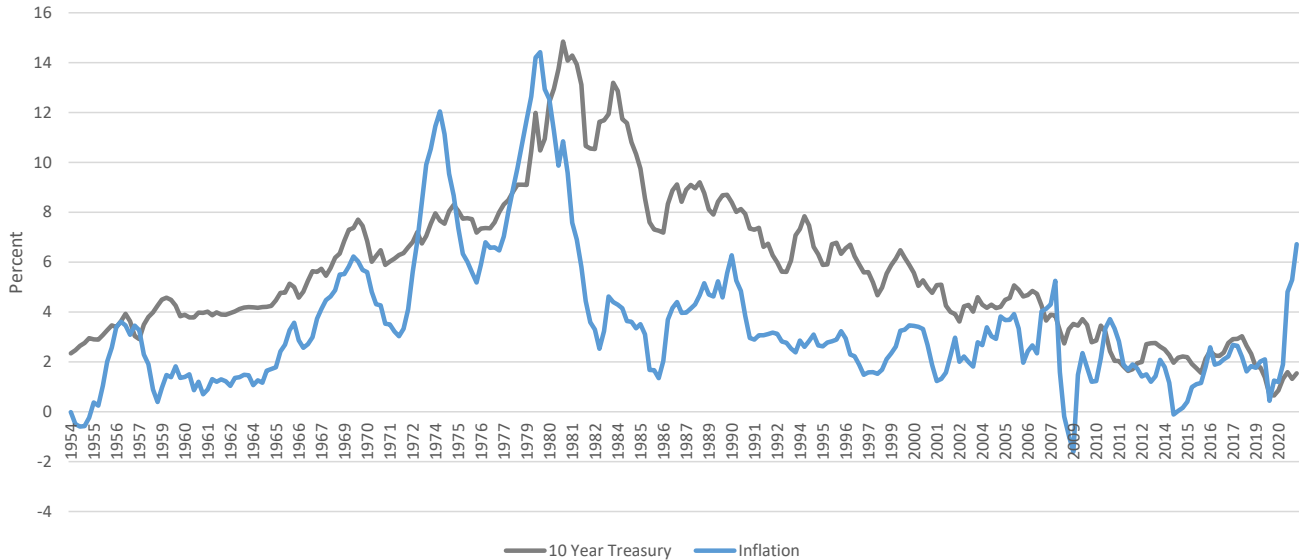


Figure 26:
Inflation Rate and 10 Year Treasury Rate



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