

RIO BLANCO COUNTY ECONOMIC UPDATE

Third Quarter 2022

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

Economic Summary

- Rio Blanco County averaged 2,766 in employment in Q2 2022, ending August with 2,823 in employment. Rio Blanco employment remains remarkably consistent, ranging between 2,635 and 2,855 throughout 2022.
- Rio Blanco's real estate market remains tight. When measuring last year's average price against this year's average price, the county has seen a 7.4% increase in median home values. Days on market remains low at 2.4 as of August.
- The biggest job gains were in mining, oil, and gas (89) and healthcare (28), while the biggest job losses were in administrative and waste services (41).
- Headline inflation printed at 8.3%, which was higher than many economists were expecting. Energy fell in August as expected, but food and shelter rose, keeping inflation above 8%. The Federal Reserve continues to ramp up the Federal Funds rate, with a current target range of 3.00-3.50%. 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%.

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LOCAL ECONOMIC INDICATORS

	Q2 2022	Q1 2022	Q2 2021	change since last quarter	change since last year (comparable quarters)
Local Labor Market					
Unemployment Rate Moffat County -NSA	3.83%	4.70%	6.07%	-0.87%	-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	2,876	2,846	2,920	30	-45
Employed	2,766	2,713	2,743	53	23
Unemployed	110	133	178	-23	-68
Business Confidence					
Leeds Colorado Business Confidence	41.1	53.9	67.3	-23.75%	-38.93%
Sales/Use Taxes					
	2022 (YTD)		2021 (YTD)		
Meeker Sales/Use Taxes (YTD, Aug)	\$899,225		\$842,597		
Rangely Sales/Use Tax (YTD, Aug)	\$584,207		\$520,613		
Rio Blanco Sales/Use Taxes (YTD, Aug)	\$2,508,036		\$1,550,289		
Business Filings					
	2022 (YTD)		2021 (YTD)		
Rio Blanco County New Business Entity Filings (as of Aug 31st)	81		65		

	2020	2019	2018	2017	% change from previous year
Standard of Living and Growth					
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%
	2021	2020	2019	2018	
Population	6,476	6,518	6,350	6,347	-0.64%

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

Rio Blanco County averaged 2,766 in employment in Q2 2022, ending August at 2,823 in employment. Rio Blanco employment remains remarkably consistent, ranging between 2,635 and 2,855 through 2022. Rio Blanco is close to recovering all of the losses from the 2020 recession. In 2019, employment averaged 2,861, while in 2022 the employment average for the year through August is 2,764. September and October are usually high employment months and could push the yearly average up to erase previous job losses. Despite slow employment growth, unemployment has fallen from 178 in Q2 of 2021 to 110 in Q2 of 2022. The county ended August with a 4.1% unemployment rate. The unemployment rate in Rio Blanco is slightly higher than other Western Slope counties, which range from high 2% to mid 3%.

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	-45	23	-68
5-Year	114	90	24
10-Year	-254	-96	-158
Annual %	-1.5%	0.8%	-38.1%
5-Year %	4.1%	3.4%	27.4%
10-Year %	-8.1%	-3.4%	-58.9%

Standard of Living Indicators

Meeker sales and use taxes rose by 6.72%, which is below the rate of inflation. Rangely sales and use taxes rose by 12.22%. County sales/use taxes rose by 61.78%.

On a year-to-year comparison, as of the end of August, new business entity filings are up 24.62%, rising from 65 to 81 compared to August 31 of last year.

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

Most standard of living and growth data is released in the winter months, but population has been released, and showed that Rio Blanco County slightly lost population in 2021, falling from 6,513 to 6,476.

Figure 1:
2 Year Employment Estimates

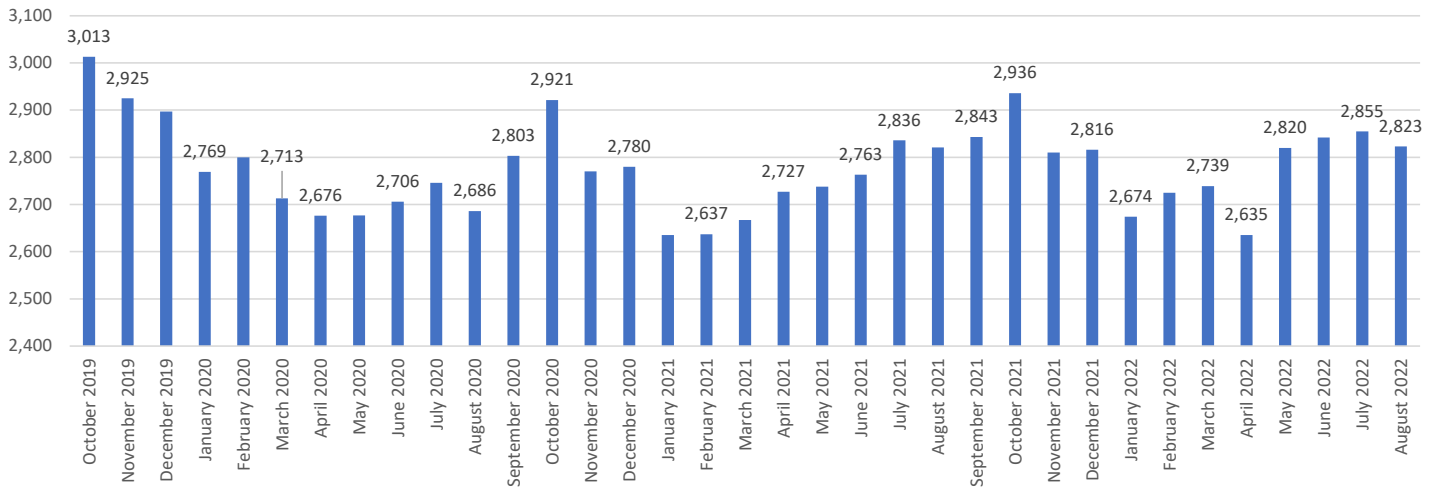


Figure 2:
Yearly Employment Average

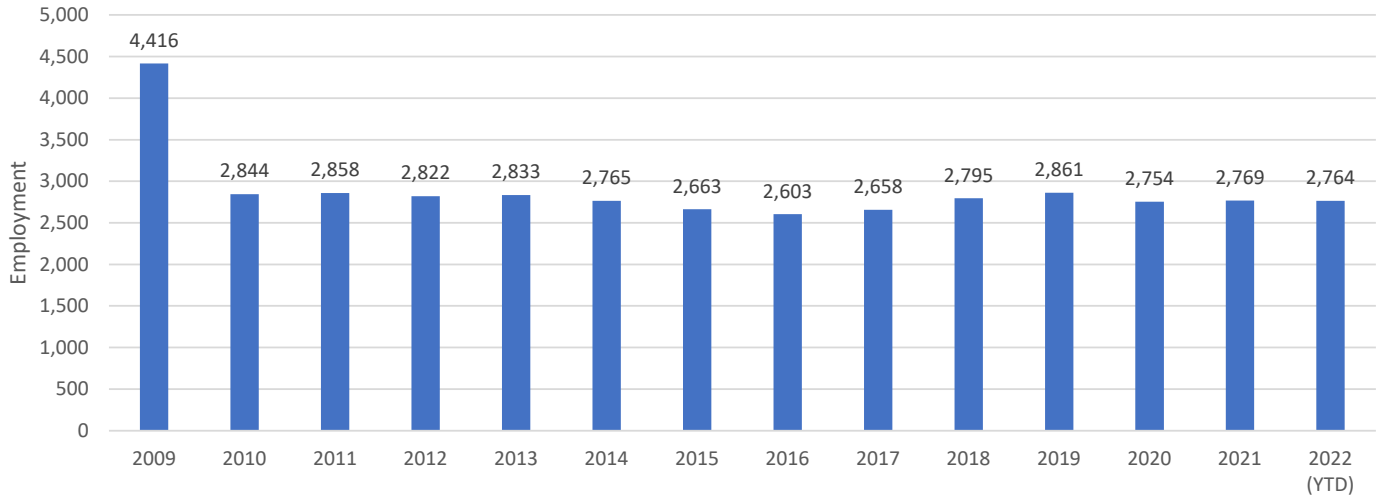


Figure 3:
Change in Yearly Employment Average

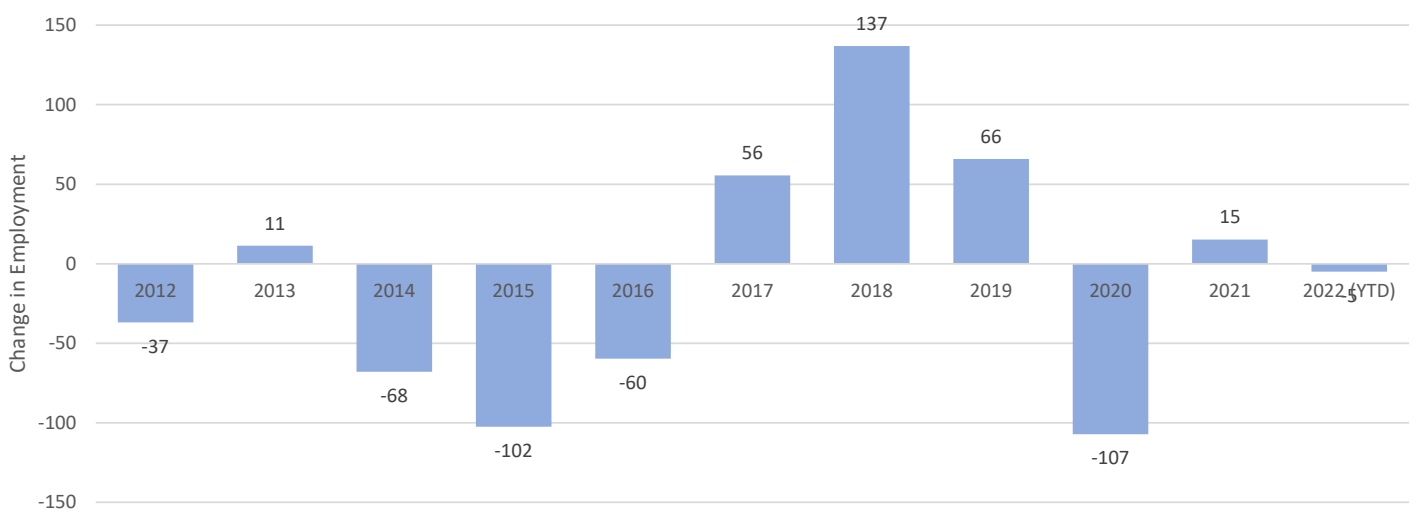


Figure 4:
Leeds Business Confidence Index

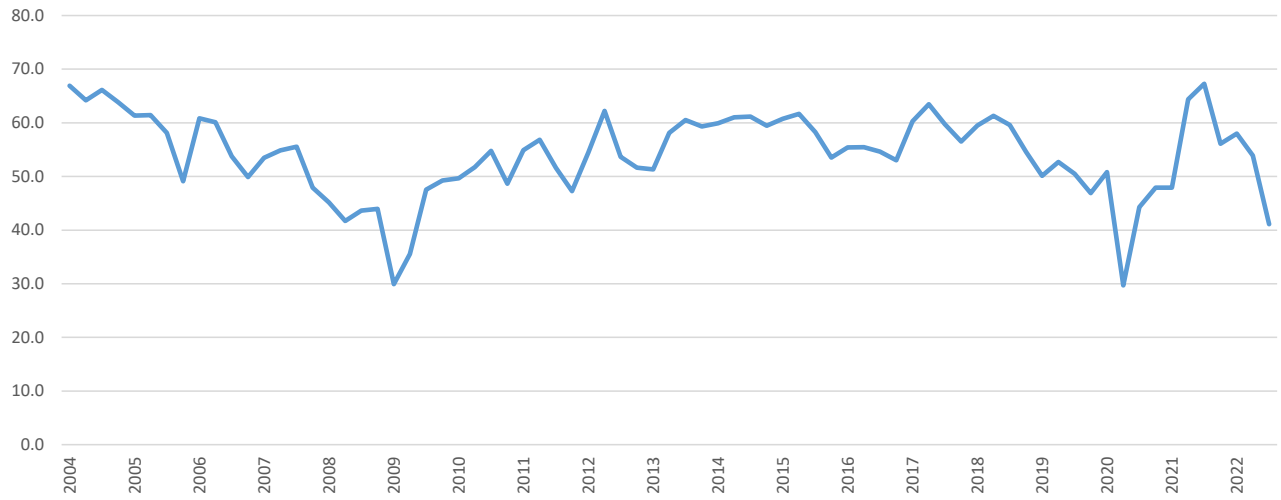


Figure 5:
Number of Unemployed Garfield County

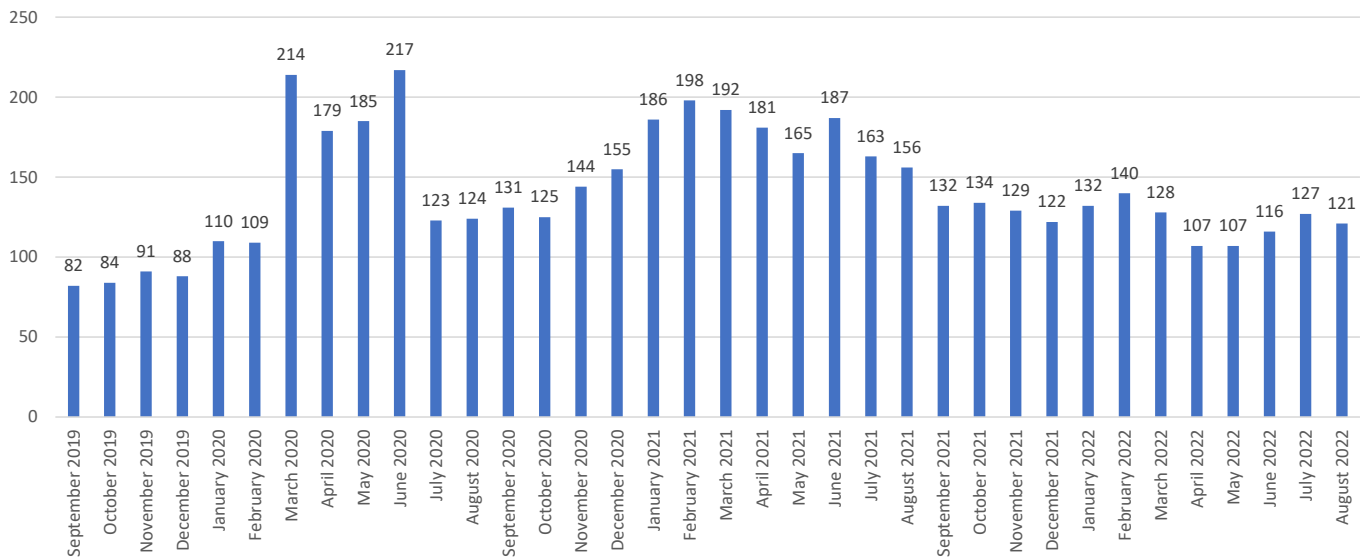


Figure 6:
Total Full and Part Time Jobs (BEA)

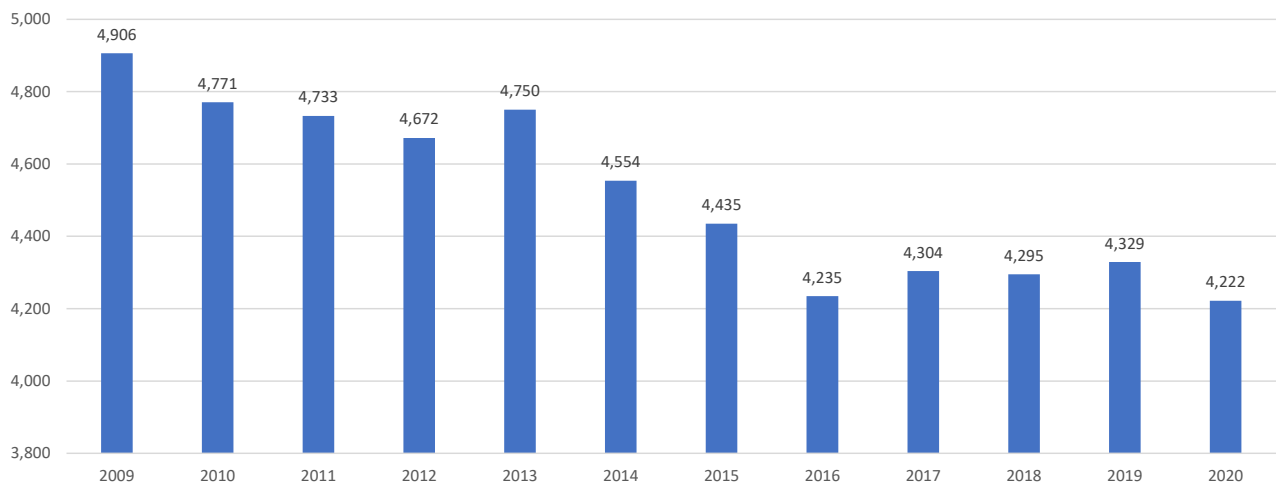


Figure 7:
Rio Blanco County Median Household Income

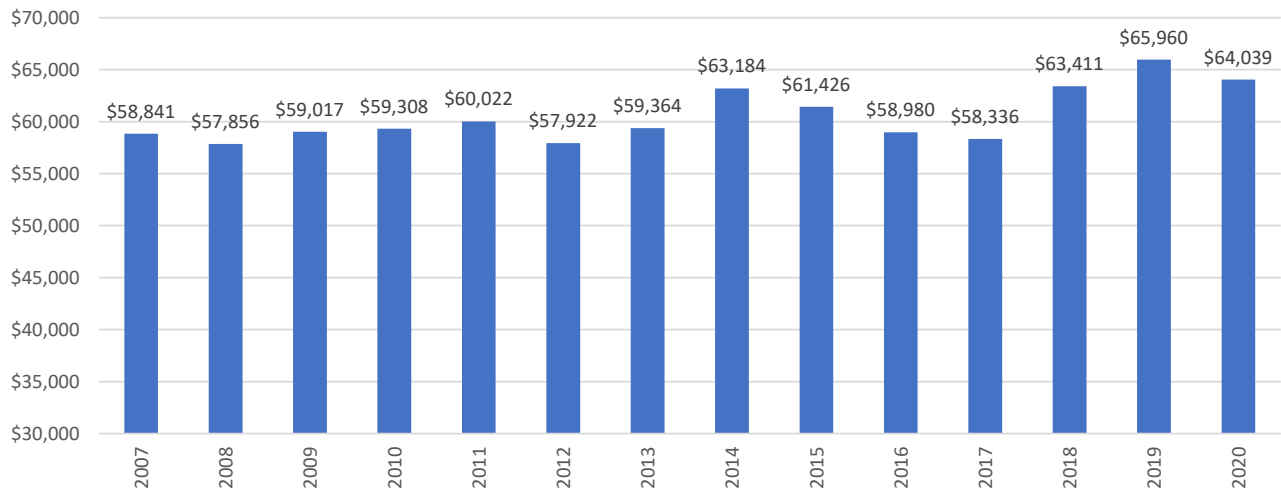


Figure 8:
Rio Blanco County Poverty Rate Estimate

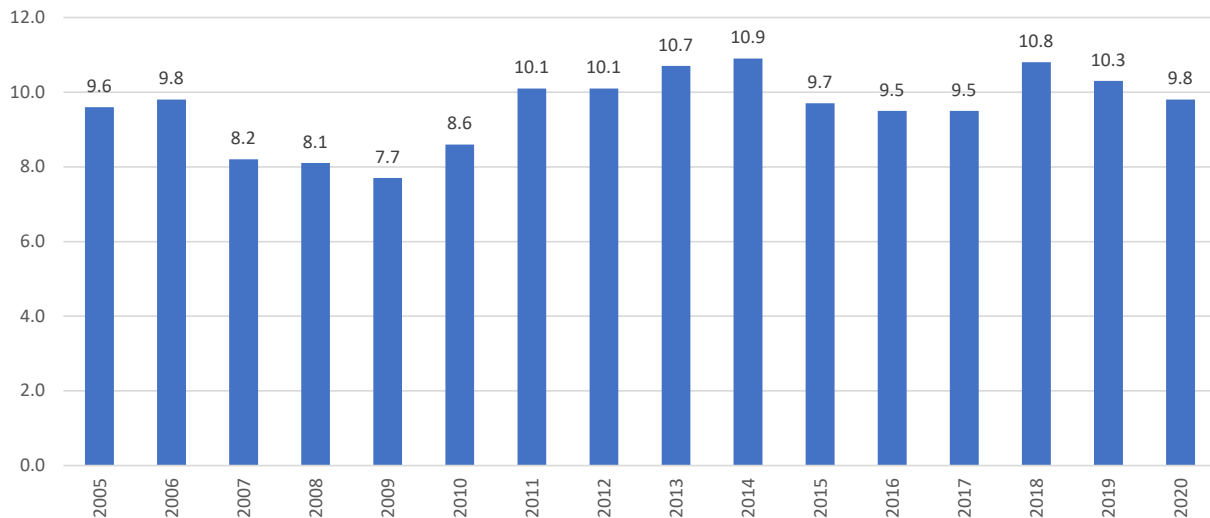


Figure 9:
Rio Blanco County Real GDP % Change (chained 2012 dollars)



Rio Blanco County Employment Trends

Q1 2022 Quarterly Census of Employment and Wage data shows overall jobs increased by 91, with wages rising by \$3,413,434. The biggest wages gains were in mining, oil, and gas, and healthcare. The biggest wage losses were in administrative and health services. The biggest job gains were in mining, oil, and gas, as well as healthcare, while the biggest job losses were in administrative and waste services. Accommodation and food services, retail trade, art entertainment and recreation, and oil and gas were the industries hit hardest by COVID-19 for most regions. Figure 10 illustrates job recovery compared to Q4 2019. Note there are seasonal fluctuations in some of these industries, as seen in accomodation and food services, and arts, entertainment, and recreation. Aside from seasonality, construction is the only industry that has not fully recovered in Rio Blanco County.

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	2,719	\$37,536,990	\$1,062	91	\$3,413,434
Mining	525	\$12,134,210	\$1,778	89	\$1,532,343
Health Care and Social Assistance	398	\$5,304,582	\$1,025	28	\$732,831
Public Administration	351	\$3,885,522	\$852	-7	\$96,537
Educational Services	342	\$3,296,454	\$741	17	\$298,185
Construction	148	\$1,844,959	\$959	-7	-\$60,071
Administrative and Waste Services	98	\$1,551,394	\$1,218	-40	-\$316,033
Finance and Insurance	43	\$1,476,006	2,640	-1	\$349,133
Retail Trade	199	\$1,233,661	\$477	-5	\$48,740
Utilities	42	\$1,118,539	\$786	-2	-\$16,691
Accommodation and Food Services	158	\$1,100,090	\$536	-12	\$131,791
Transportation and Warehousing	60	\$947,537	\$1,215	0	\$8,232
Other Services, Ex. Public Admin	62	\$798,033	\$990	11	\$134,696
Agriculture, Forestry, Fishing & Hunting	34	\$694,443	\$1,571	-7	\$290,510
Arts, Entertainment, and Recreation	101	\$674,171	\$513	-1	-\$24,638
Manufacturing	54	\$522,864	\$745	10	\$50,311
Professional and Technical Services	38	\$446,187	\$903	3	\$126,178
Wholesale Trade	18	\$184,001	\$786	5	-\$8,642
Real Estate and Rental and Leasing	20	\$167,004	\$642	7	\$48,820
Information	26	\$156,333	\$463	1	-\$9,798
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 10:
Industry Job Change Percentage Compared to Q4 2019

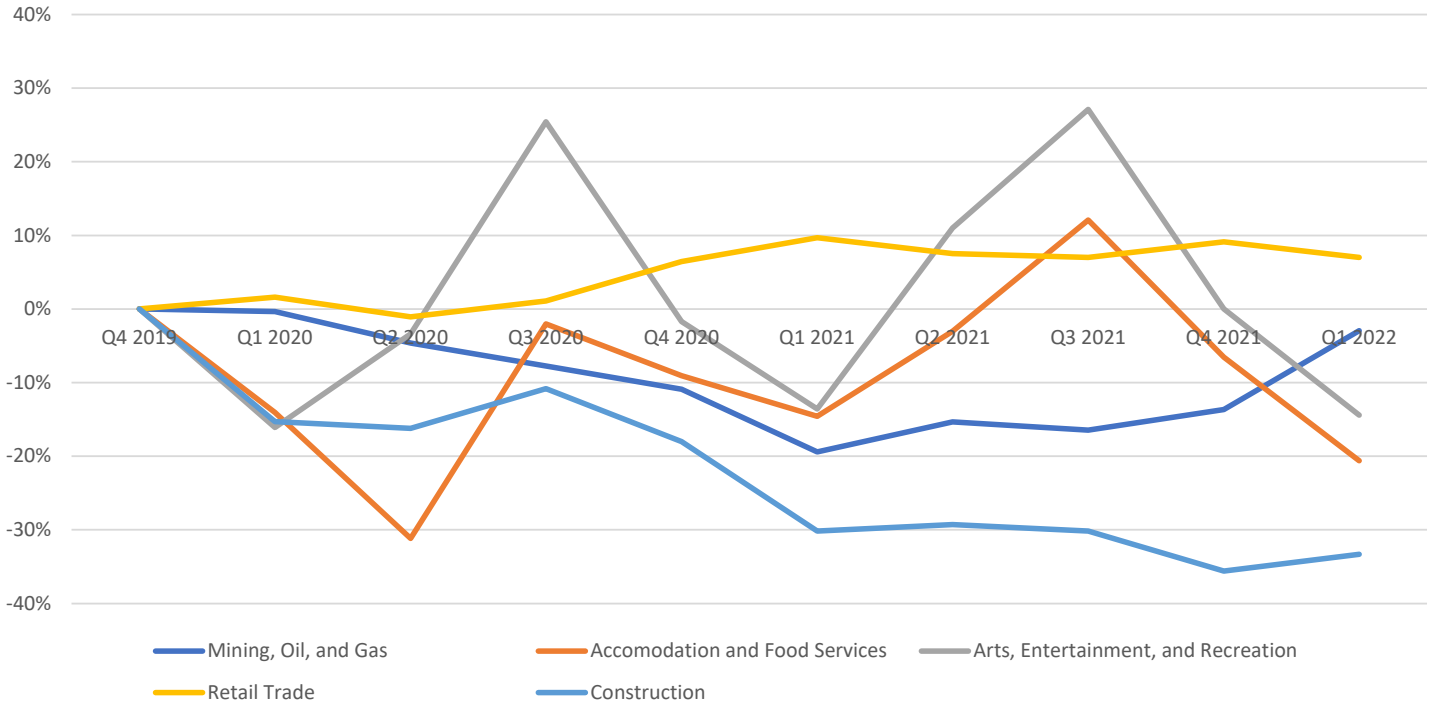
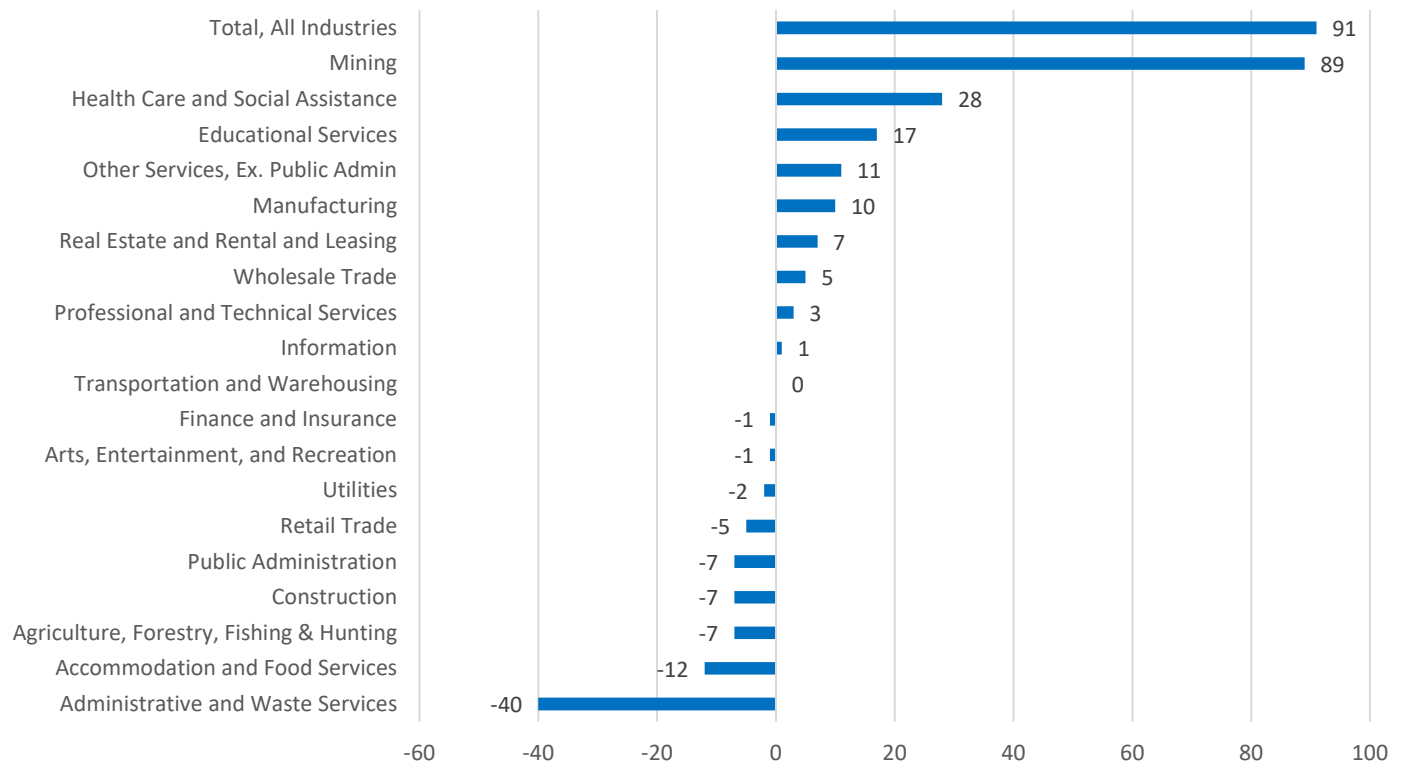


Figure 11:
Total Jobs Change from Q3 2020 to Q3 2021



LOCAL REAL ESTATE

	Q2 2022	Q2 2021	% change since last year
Real Estate			
Inventory of Homes for Sale (3 month avg)	20	25	-21.05%
New Residential listings (3 month total)	27	37	-27.03%
Sold Residential Listings (3 month total)	32	33	-3.03%
Median Sales Price	\$299,833	\$208,983	43.47%
Average Sales Price	\$311,440	\$249,476	24.84%
Days on Market	33.67	105.00	-67.94%
Months Supply of Inventory	2.43	2.27	7.35%
Foreclosures			
Foreclosure Filings (YTD)	8	3	166.67%
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 Rio Blanco County real estate market remains tight, with median home values rising by 43.47% from Q2 of last year. This may be misleading due to the volatility of home sale prices that Rio Blanco sees due to their small size and low inventory. Another way to view price increases is to take the average sales price from 2021 (\$214,092) and compare it to the average sales price through August for 2022 (\$229,945). This shows a 7.4% increase year over year, which is a more realistic measure than the quarter to quarter comparison. Inventory is increasing in other counties, but is not increasing at the same rate in Rio Blanco. Comparing to Q2 of last year, inventory is down from 25 to 20. 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 fall, is around 5-6 month supply of inventory. Rio Blanco's month supply of inventory is still very low at 2.41, rising from 2.27. In contrast, Delta County's months supply of inventory is over 4, and Mesa County is at 2.2 as of August.

Quarterly averages for mortgage rates are listed above, however, as of the writing of this newsletter in late September, mortgage rates had pushed past 7%. Seven percent interest is significant, drastically changing the monthly payment on a house. Taking the median sales price on a Rio Blanco County home of \$299,803, at 2.75% interest that payment is approximately \$1,224 (without taxes/insurance). At 6.7%, that same home costs approximately \$1,935 per month, a large increase that pushes many people out of the housing market or into a different price range.

Foreclosure filings are up slightly, rising from 3 in all of 2021 to 8 in 2022. Many counties saw an increase in foreclosures in February and March of 2022. It is expected that foreclosures will start to rise as interest rates rise and economic conditions tighten.

Figure 12:
Inventory of Active Listings



Figure 13:
Months Supply of Inventory

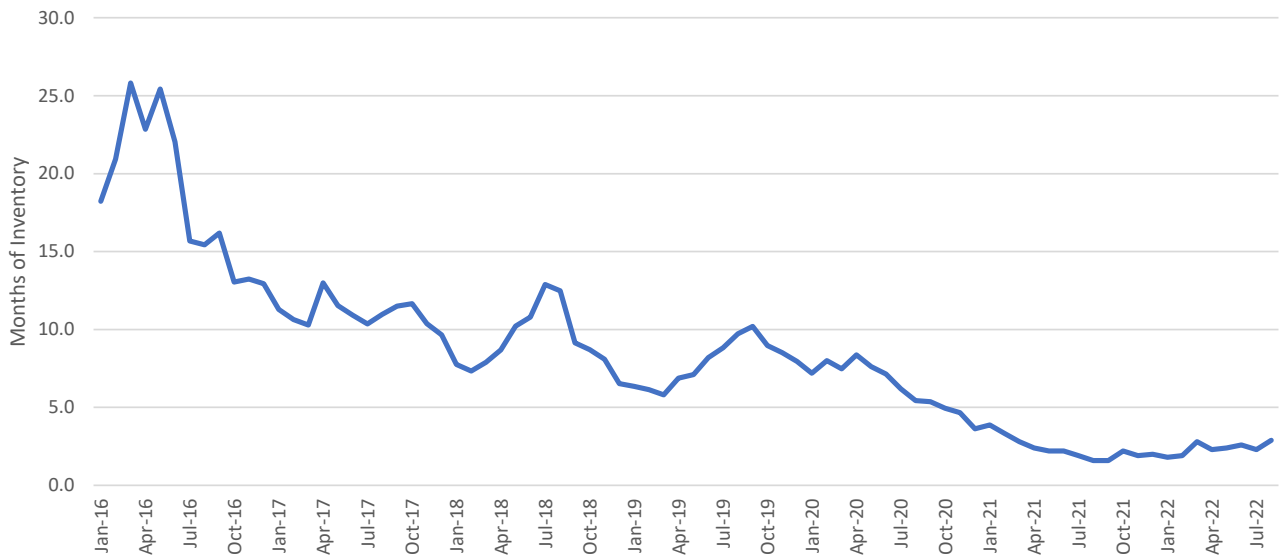
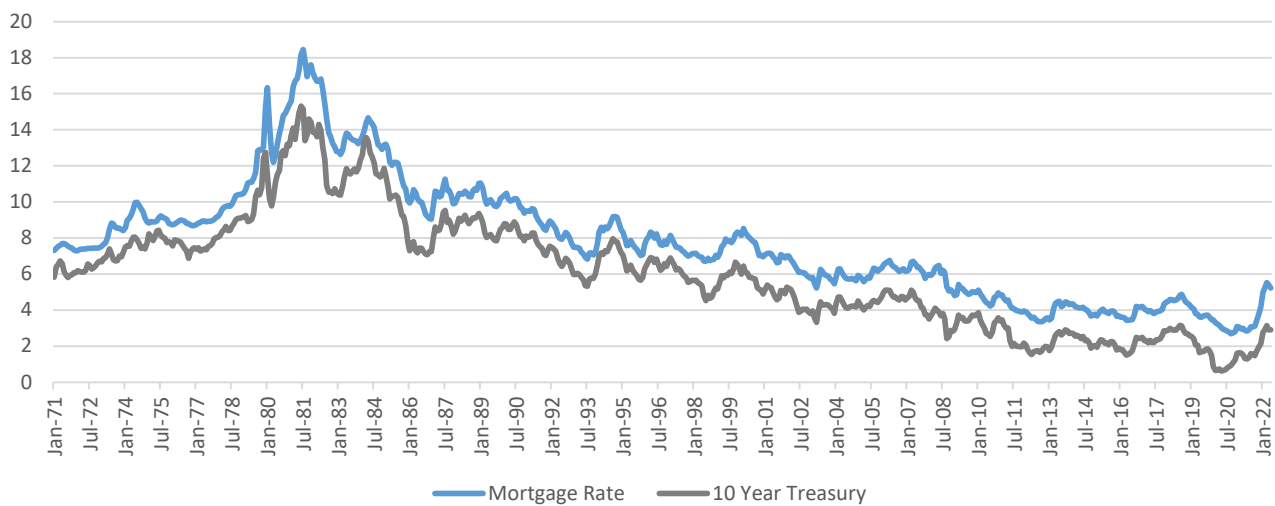


Figure 14:
10 Year Treasury and 30 Year Mortgage Rates (through Aug 2022)



REGIONAL ENERGY

	Q2 2022	Q1 2022	Q2 2021	% change since last quarter	% change since last year (comparable quarters)
Energy Prices					
WTI Crude Oil	\$108.83	\$95.18	\$66.19	14.34%	64.42%
Henry Hub Natural gas	\$7.48	\$4.66	\$2.94	60.52%	154.42%
Retail Gasoline Price	\$4.33	\$3.56	\$2.87	21.86%	50.78%
Drilling Permits					
	2022 (YTD)	2021	2020		
Drilling Permits (Mesa County)	0	0	1		
Drilling Permits (Rio Blanco County)	1	40	33		
Drilling Permits (Garfield County)	51	133	127		
Drilling Permits (Moffat County)	3	4	1		
Total Permits (Mesa, Rio Blanco, Garfield, Moffat)	55	177	162		
Total Permits (Colorado)	285	805	1,543		
Local Rig Count					
	Aug-22	Jun-22	Jan-22		
Rig Count (Western Colorado, Mesa, Rio Blanco, Garfield, Moffat)	4	3	2		
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

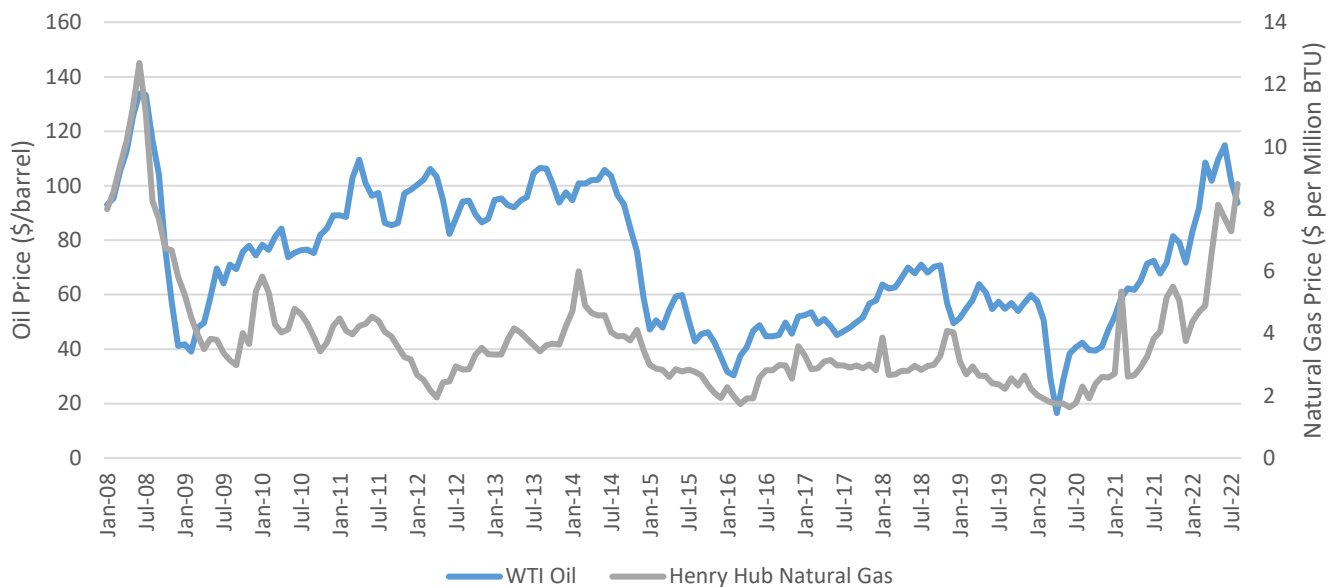


Figure 16:
Oil/Gas Drilling Permits and Oil/Gas Jobs

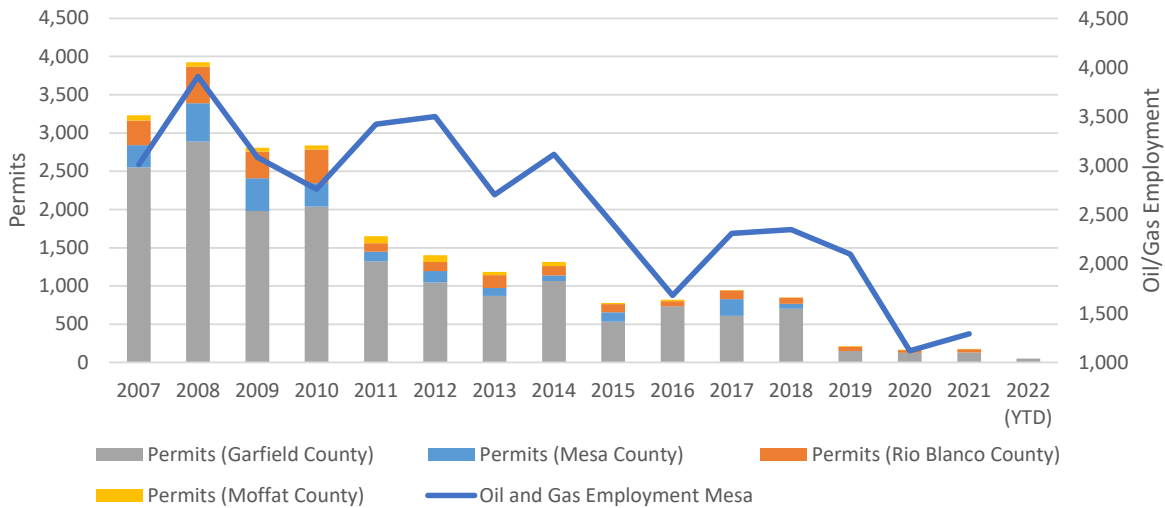
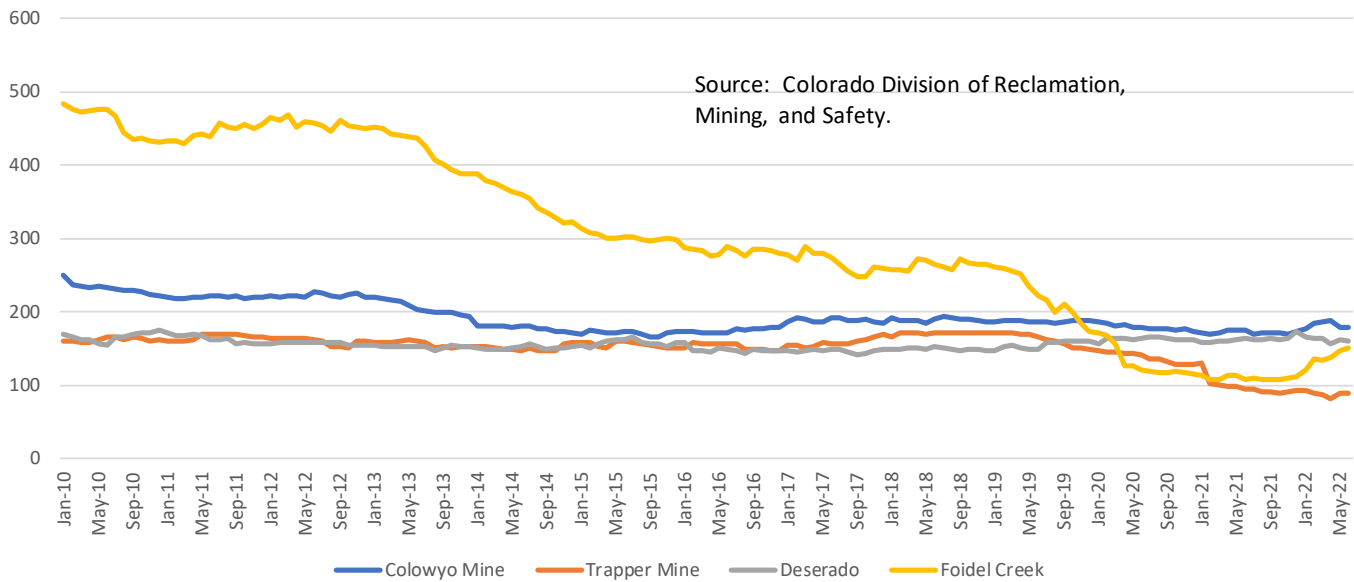


Figure 17:
NW Colorado Jobs per Mine



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

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.

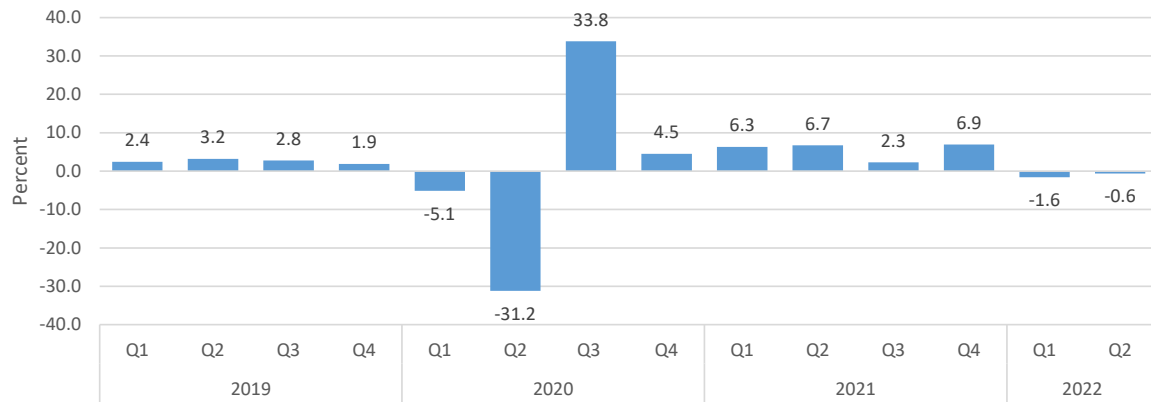
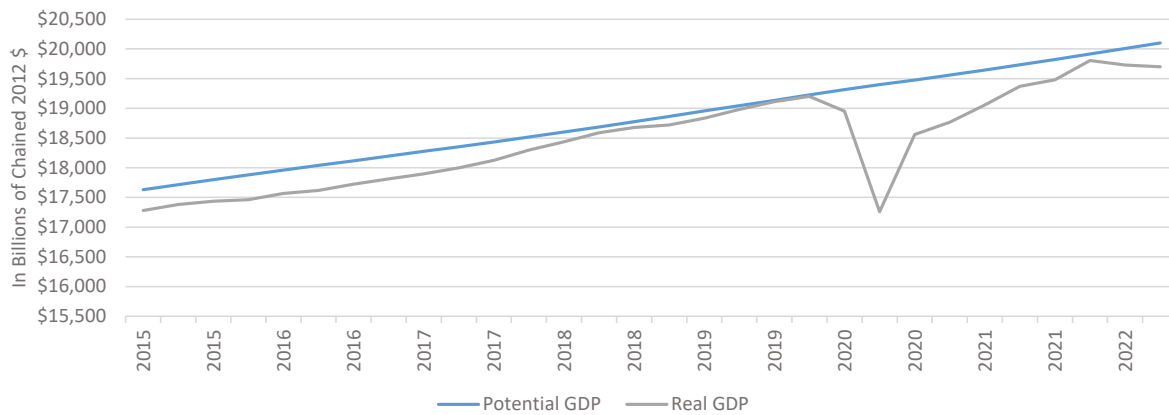


Figure 19:
GDP Gap



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 3.00%-3.50%. 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

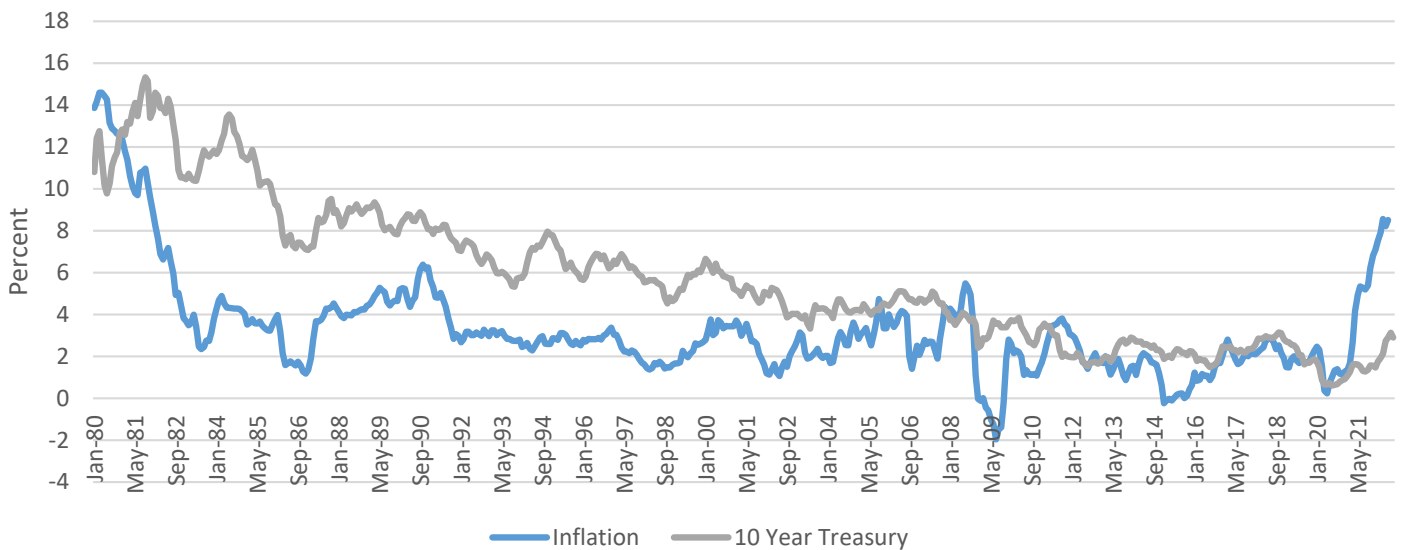


Figure 22:
Regional CPI Comparison

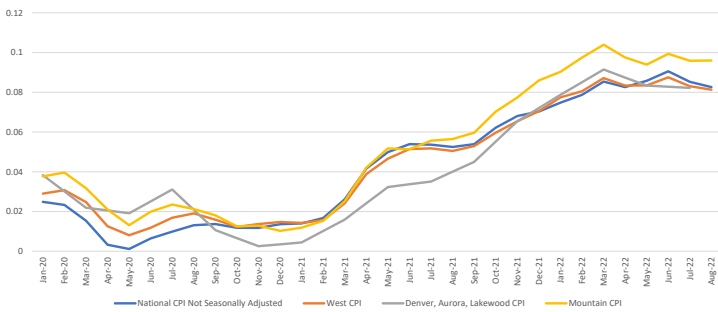


Figure 23:
Employment Cost Index



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



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