

ROUTT COUNTY ECONOMIC UPDATE

Third Quarter 2022



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

Economic Summary

- The Routt County labor market has moved closer to its pre-COVID level, with an August employment number of 16,177. The February 2020 high was 16,846. 2019 had an average employment of 15,843, while the average of 2022 so far is 15,846.
- The Routt County real estate market saw large increases in home values sold in 2022, much larger than the rest of the Western Slope and other regions. Median home values increased by 19% in Q2 2022 compared to Q2 2021. Comparing January to August of 2022, home values have increased by 98%. Comparing the average of January through August for 2021 to the average for 2022, home values have increased by 66%.
- 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	2.63%	2.83%	5.33%	-0.20%	-2.70%
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	15,629	16,641	15,507	-1,012	122
Employed	15,213	16,171	14,686	-958	528
Unemployed	416	469	821	-54	-405
Business Confidence					
Leeds Colorado Business Confidence	41.1	53.9	67.3	-23.75%	-38.93%
Sales/Use Taxes					
	2022 (YTD)		2021 (YTD)		
Routt County Sales Tax	\$5,617,454		\$4,489,184		25.13%
Steamboat Springs Sales Taxes	\$20,309,351		\$16,164,211		25.64%
Hayden Sales Tax	\$469,611		\$352,204		33.33%
Business Filings					
	2022 (YTD)		2021 (YTD)		
Routt County New Business Entity Filings (through August)	662		626		5.75%

	2020	2019	2018	2017	% change from previous year
Standard of Living and Growth					
Gross Domestic Product (GDP)	\$1,728,212	\$1,803,011	\$1,721,099	\$1,726,010	-4.15%
Personal Income	\$2,193,964	\$2,101,396	\$2,008,714	\$1,978,610	4.41%
Personal Income Per Capita	\$85,836	\$82,153	\$78,807	\$78,454	4.48%
Median Household Income	\$82,330	\$87,691	\$81,033	\$76,505	-6.11%
Percent of Population Below Poverty Line	6.30%	7.20%	7.00%	6.90%	0.90%
	2021	2020	2019	2018	
Population	25,091	24,839	25,579	25,489	1.01%

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 Routt County labor market has moved closer to its pre-COVID level, with the August employment number at 16,177. The February 2020 high was 16,846. 2019 had an average of 15,843, while the average of 2022 so far is 15,846. Generally speaking the fall is a lower employment period for Routt, but if employment can hold steady, Routt could end up at the 2019 average. Unemployment numbers have fallen from 821 to 416 comparing Q2 2021 to Q2 2022. Routt County currently has an extraordinarily low unemployment rate of 2.4% in August of 2022.

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	122	528	-405
5-Year	881	808	73
10-Year	1,831	2,553	-723
Annual %	0.8%	3.6%	-49.4%
5-Year %	6.0%	5.6%	21.2%
10-Year %	13.3%	20.2%	-63.5%

Other Indicators

Both Routt County and Steamboat Springs showed 25% increases in sales tax collection, far outweighing the 8.3% inflation rate. This is the largest sales tax change on the Western Slope.

On a year-to-year comparison, as of the end of August, new business entity filings are up from last year, rising from 626 to 662 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, showing that Routt County gained population from 2020, rising from 24,839 to 25,091.

Figure 1:
2 Year Employment Estimates

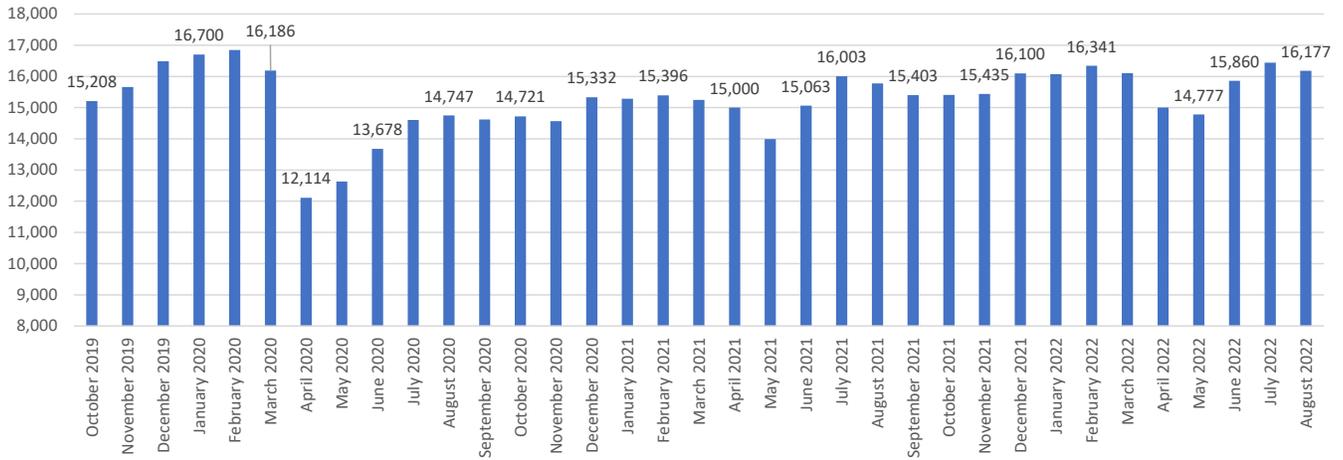


Figure 2:
Yearly Employment Average

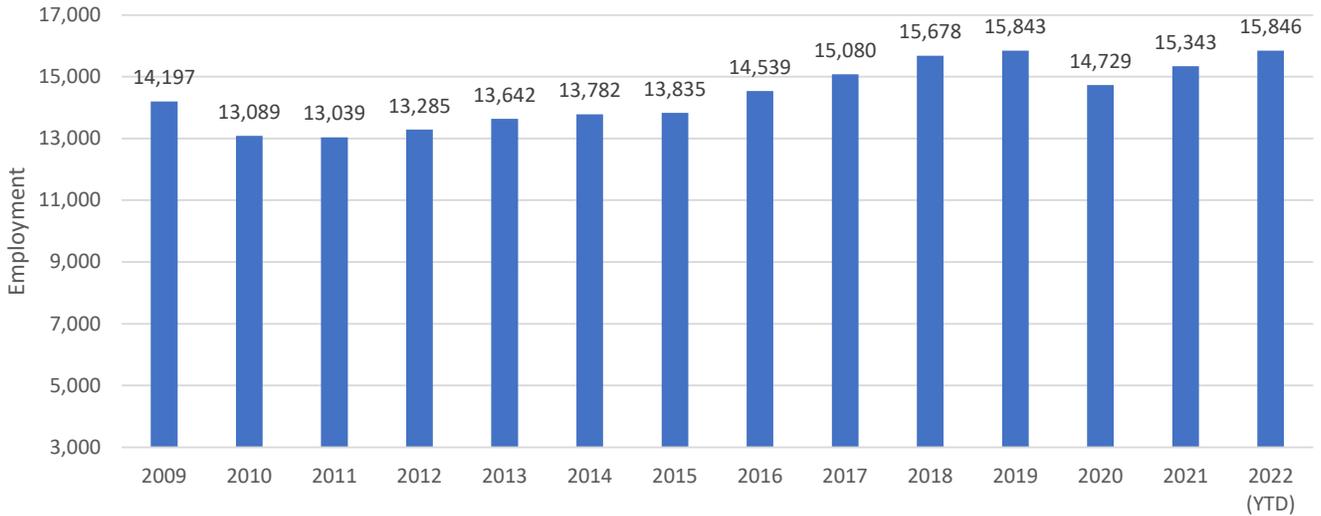


Figure 3:
Change in Yearly Employment Average

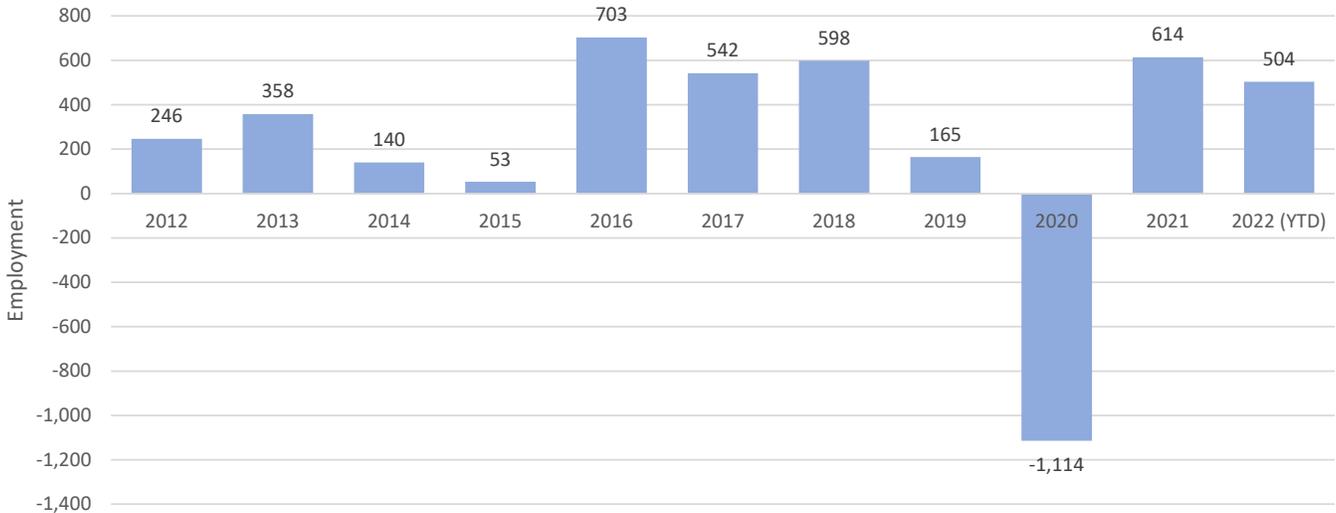


Figure 4:
Leeds Business Confidence Index

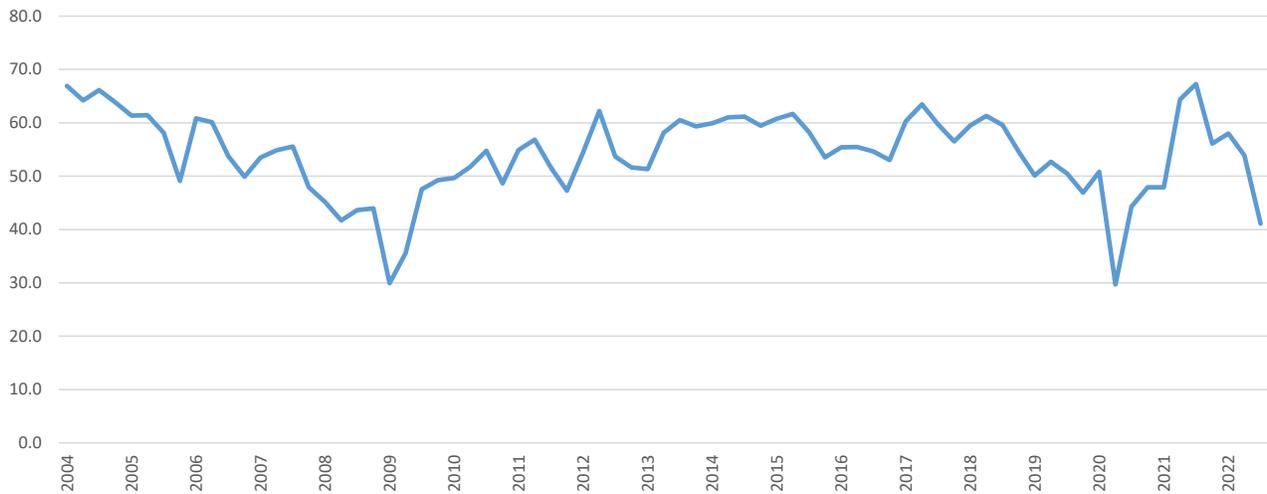


Figure 5:
Number of Unemployed Moffat County

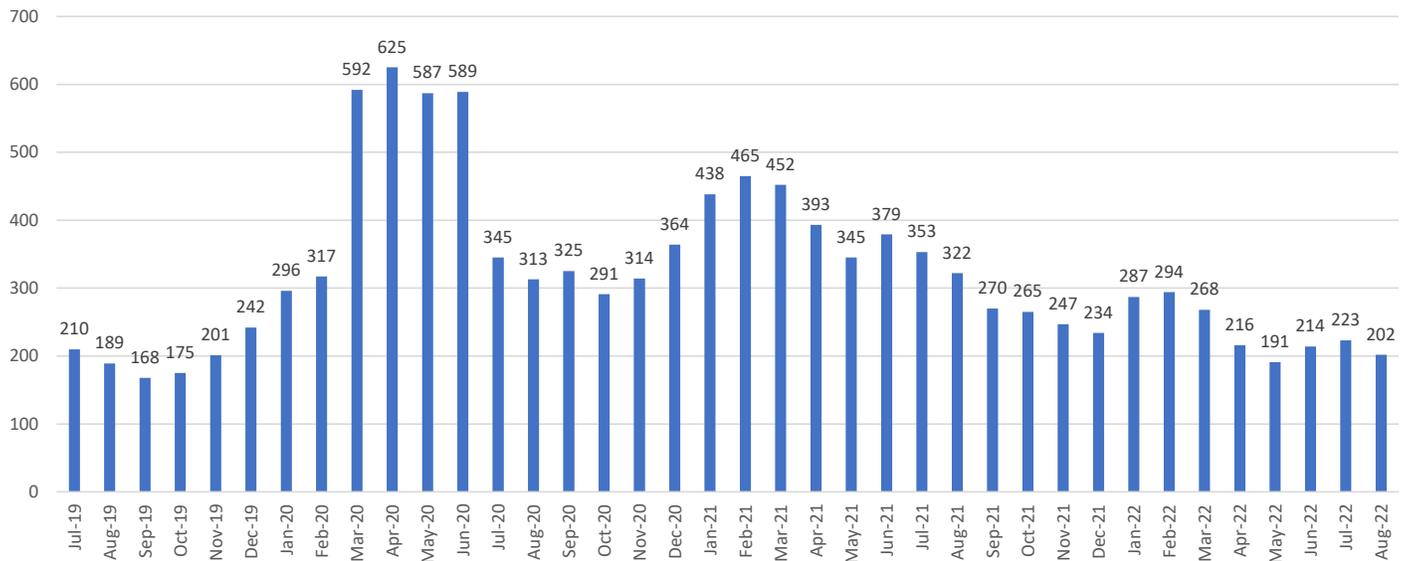


Figure 6:
Total Full and Part Time Jobs (BEA)

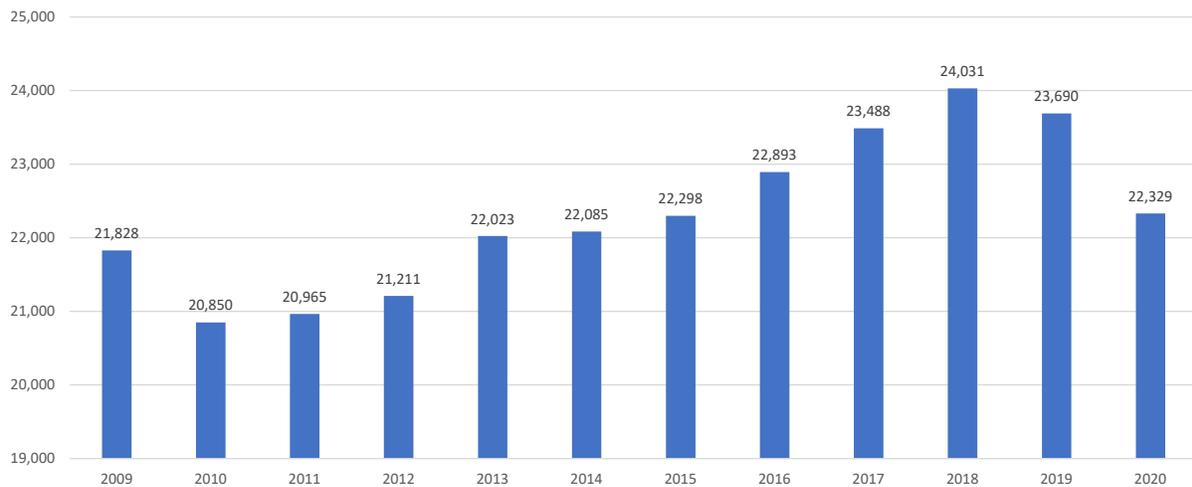


Figure 7:
Routt County Median Household Income

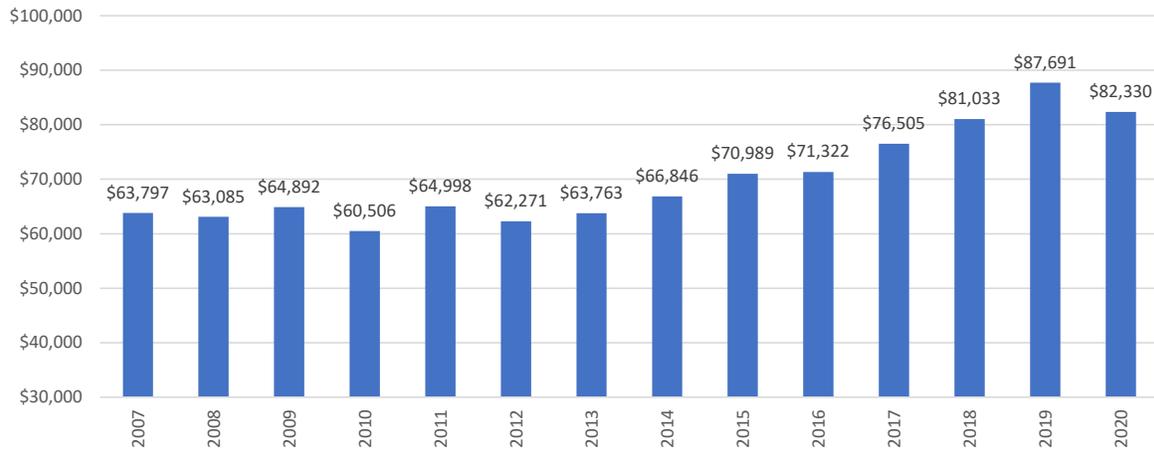


Figure 8:
Routt County Poverty Rate Estimate

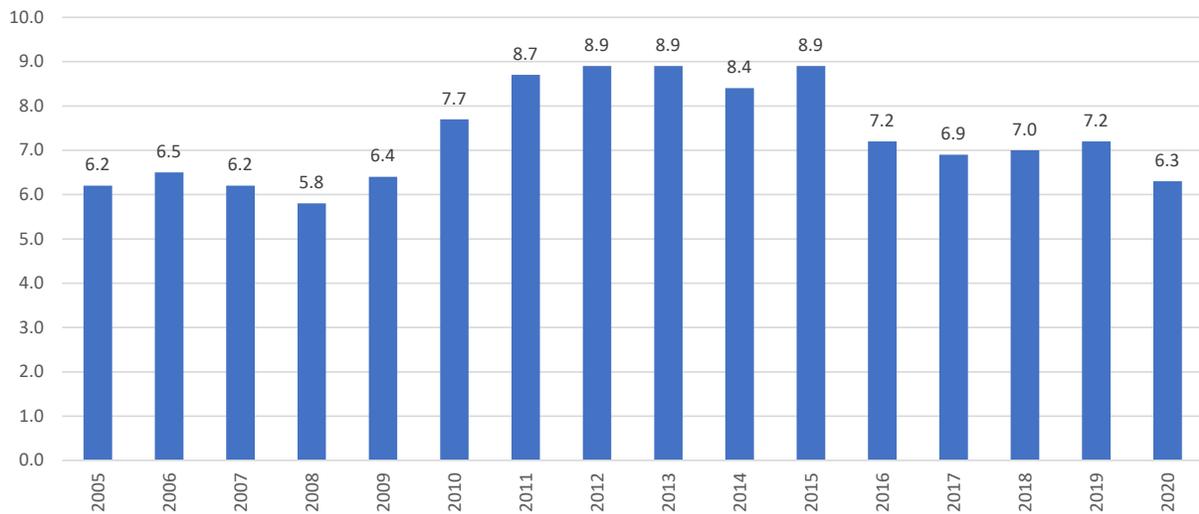
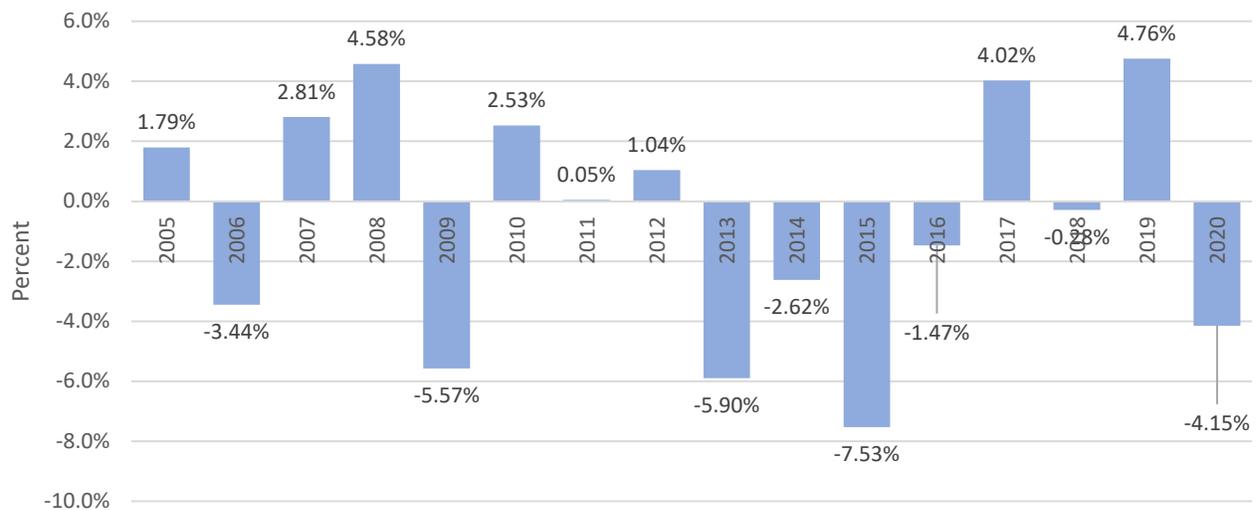


Figure 9:
Routt County Real GDP % Change (chained 2012 dollars)



Routt County Employment Trends

Q1 2022 Quarterly Census of Employment and Wage data shows wage and job gains compared to Q1 2021. The biggest gains in wages were in administrative and waste services and accomodation and food services. The only wage loss was in professional and technical services. The biggest job gains were in accomodation and food services (317), and administrative and waste services (243), with biggest job losses in retail trade (41) and information (8). From an industry perspective, almost all industries have recovered fully from the COVID-19 induced recession, as seen in figure 10.

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	16,333	\$220,766,451	\$1,040	1,374	\$35,968,335
Health Care and Social Assistance	1732	\$29,233,470	\$1,298	29	\$2,788,571
Accommodation and Food Services	2,657	\$25,219,533	\$730	317	\$6,145,990
Retail Trade	1,692	\$17,912,221	\$814	-41	\$1,690,645
Arts, Entertainment, and Recreation	2,037	\$17,850,787	\$674	N/A	N/A
Construction	1,270	\$16,739,908	\$1,014	27	\$1,241,304
Finance and Insurance	363	\$14,721,633	\$3,120	39	\$1,516,807
Public Administration	870	\$14,278,212	\$1,262	14	\$1,525,345
Professional and Technical Services	676	\$14,021,540	\$1,596	35	-\$1,240,674
Real Estate and Rental and Leasing	944	\$12,126,007	\$988	63	\$1,975,869
Administrative and Waste Services	746	\$11,464,851	\$1,182	243	\$6,262,714
Educational Services	1,109	\$10,660,043	\$739	40	\$44,451
Wholesale Trade	367	\$6,985,564	\$1,464	65	\$1,640,240
Mining	221	\$5,902,845	\$2,055	72	\$1,938,347
Other Services, Ex. Public Admin	475	\$4,652,513	\$753	29	\$725,717
Management of Companies and Enterprises	172	\$4,552,340	\$2,036	98	\$2,468,314
Transportation and Warehousing	324	\$4,167,850	\$990	8	\$847,075
Utilities	166	\$4,047,705	\$1,876	2	\$212,583
Manufacturing	230	\$2,751,201	\$920	68	\$839,747
Information	136	\$2,133,449	\$1,207	-8	\$133,881
Agriculture, Forestry, Fishing & Hunting	128	\$1,195,792	\$719	2	\$85,622

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	756	755	758	758	0.1%
Sole Proprietors (non-farm)	6,392	6,491	7,045	6,877	-1.5%

Figure 10:
Industry Job Change Percentage Compared to Q4 2019
 2019

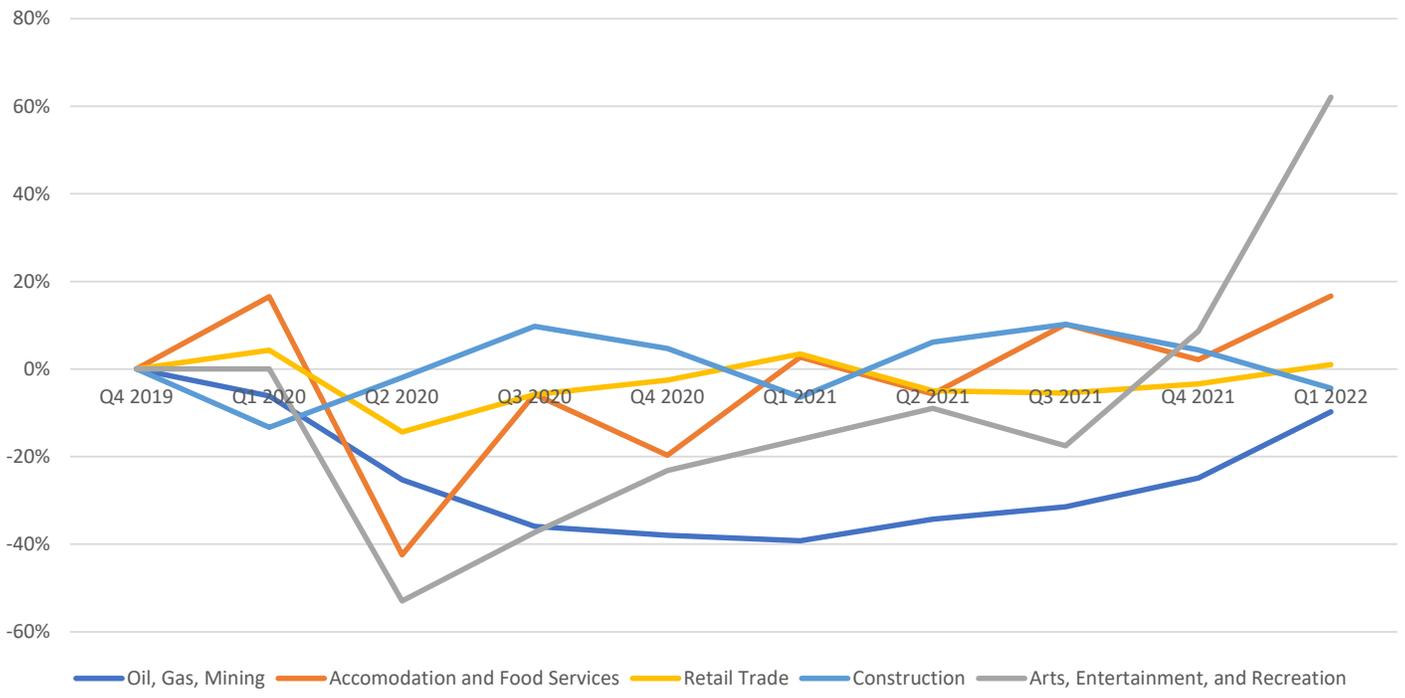
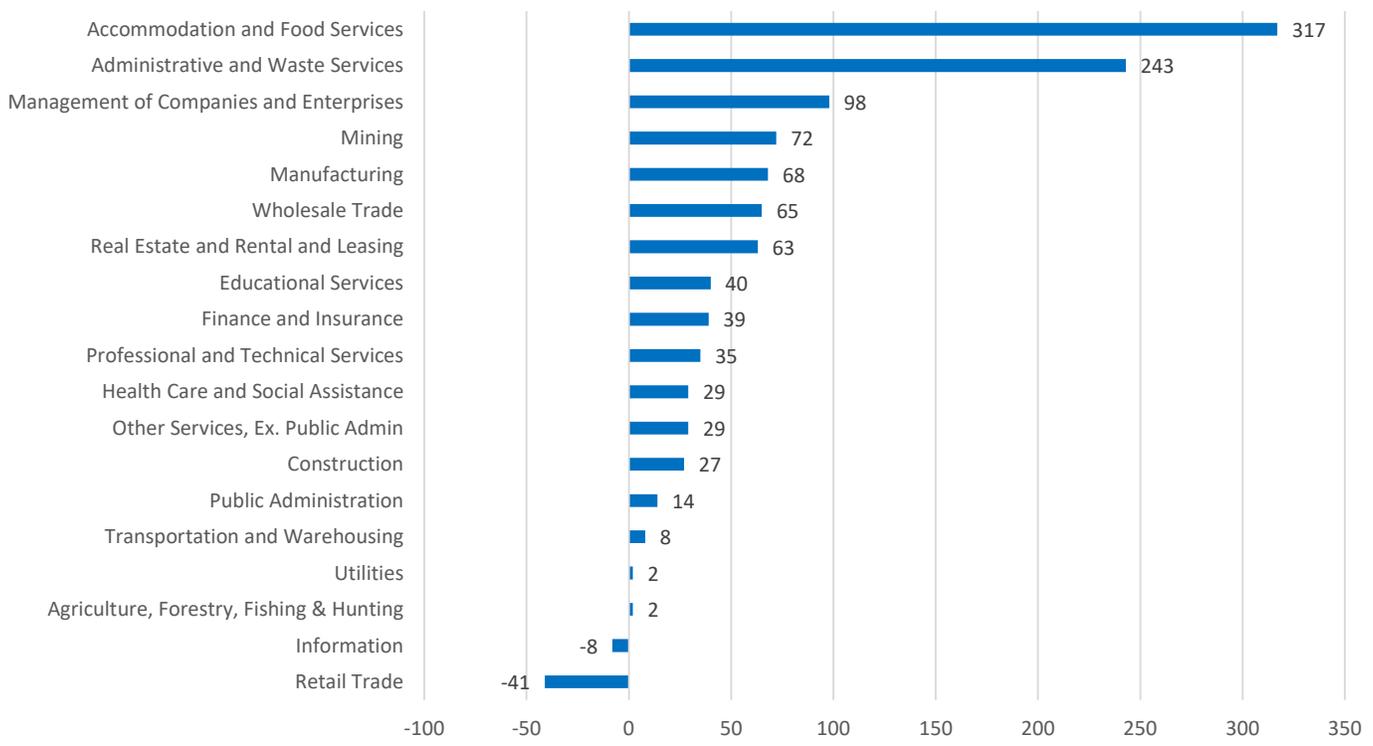


Figure 11:
Total Jobs Change from Q3 2020 to Q3 2021



LOCAL REAL ESTATE

	Q2 2022	Q2 2021	% change since last year
Real Estate			
Inventory of Homes for Sale (3 month avg)	63	74	-14.86%
New Residential listings (3 month total)	147	137	7.30%
Sold Residential Listings (3 month total)	93	111	-16.22%
Median Sales Price	\$1,295,000	\$1,087,333	19.10%
Average Sales Price	\$1,521,738	\$1,433,457	6.16%
Days on Market	63.00	38.67	62.93%
Months Supply of Inventory	1.80	1.60	12.50%
Foreclosures			
Foreclosure Filings	3	0	533.3%
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; Building permit and valuation: Routt County Building Department; Mortgage rates: Freddie Mac.

Local Real Estate Indicators

The Routt County real estate market saw large increases in home values sold in 2022, much larger than the rest of the Western Slope and other regions. Median home values increased by 19% in Q2 2022 compared to Q2 2021. Comparing January to August of 2022, home values have increased by 98%. Comparing the average of January through August for 2021 to the average for 2022, home values have increased by 66%. Regardless of how you break it down, Routt County has had a steep increase in home values over the last year. Days on market rose from 38 to 63, which is interesting because higher days on market usually accompany less steep price increases. Months supply of inventory is still low, rising from 1.6 to 1.8. In order for prices to really start slowing, months supply of inventory generally needs to rise to 5 or 6 months. Routt has a lower months supply of inventory than other counties. Foreclosures remain low, rising from 0 to 3 in comparable quarters.

Quarterly averages for mortgage rates are listed above, however, as of the writing of this newsletter in late September, mortgage rates had pushed close to 7%. Seven percent interest is significant, drastically changing the monthly payment on a house. Taking the median sales price on a Routt County home of \$1,295,000 at 2.75% interest that payment is approximately \$5,287 (without taxes/insurance). At 6.7%, that same home costs approximately \$8,356, a very large increase that pushes many people out of the housing market or into a much different price range.

Figure 12:
Days on Market Until Sale

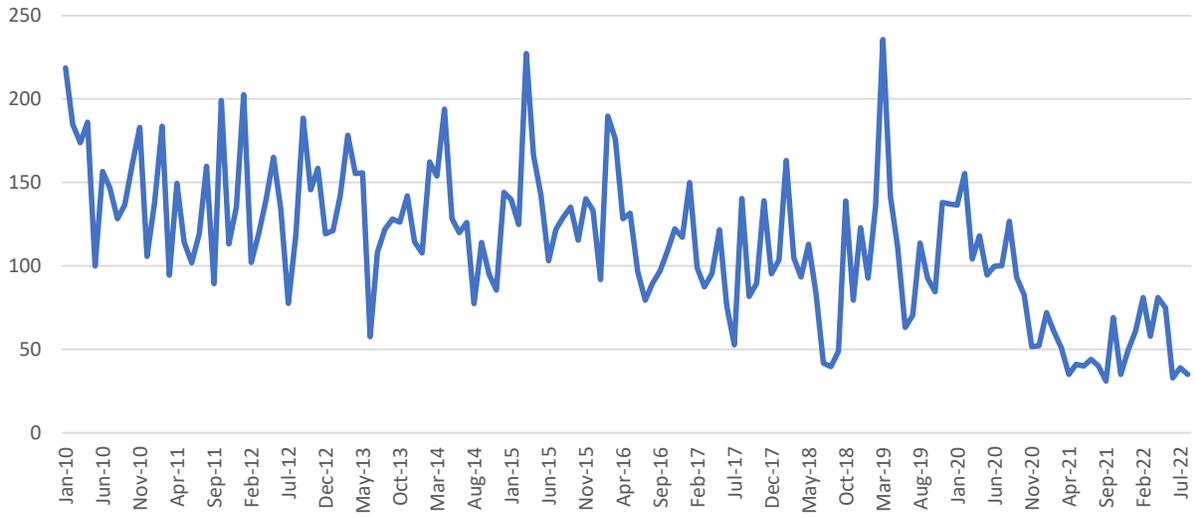


Figure 13:
Months Supply of Inventory

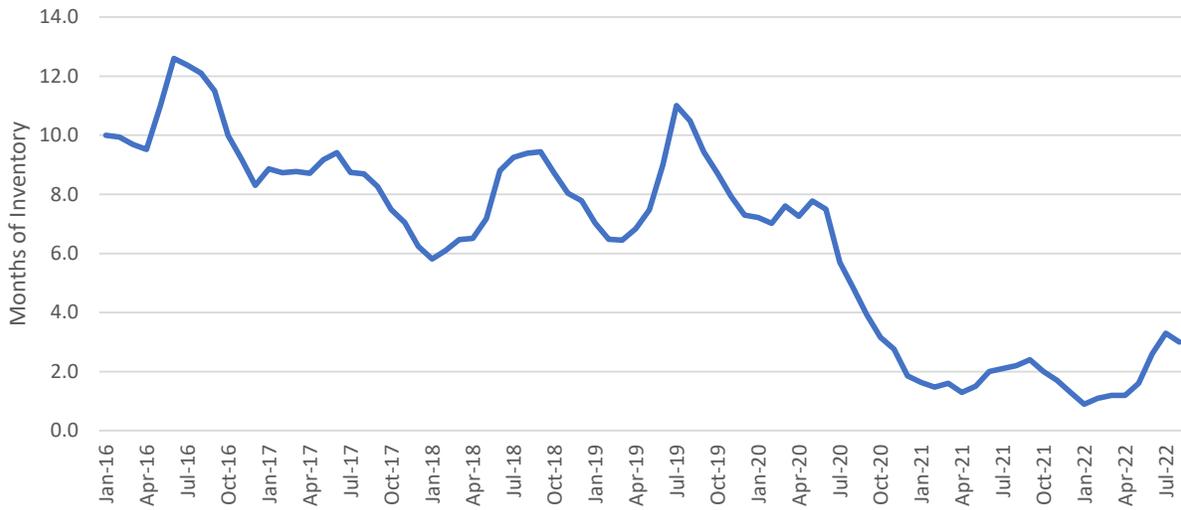
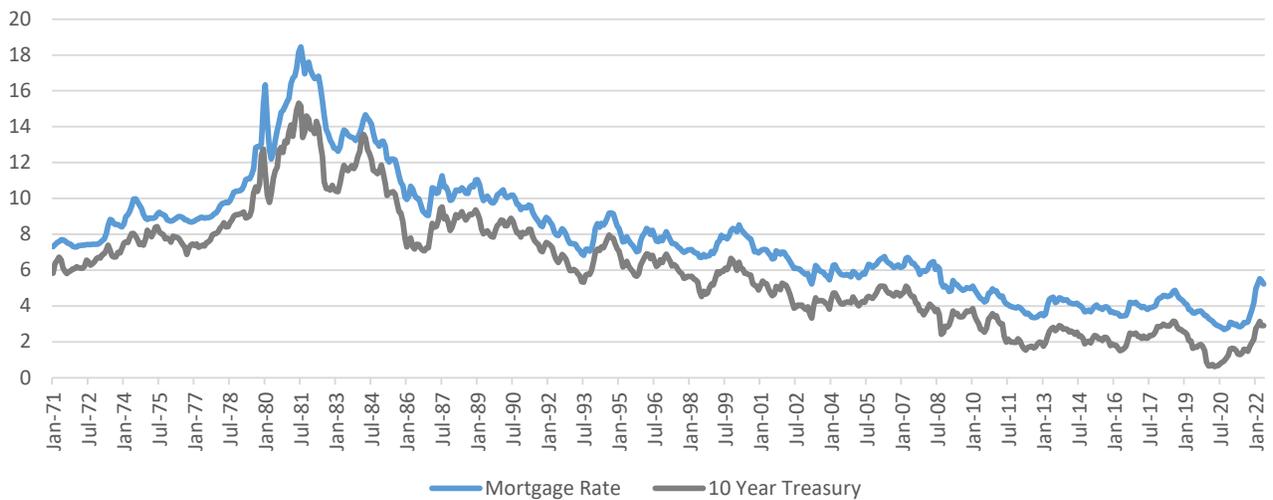


Figure 14:
10 Year Treasury and 30 Year Mortgage Rates (through Aug 2022)



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

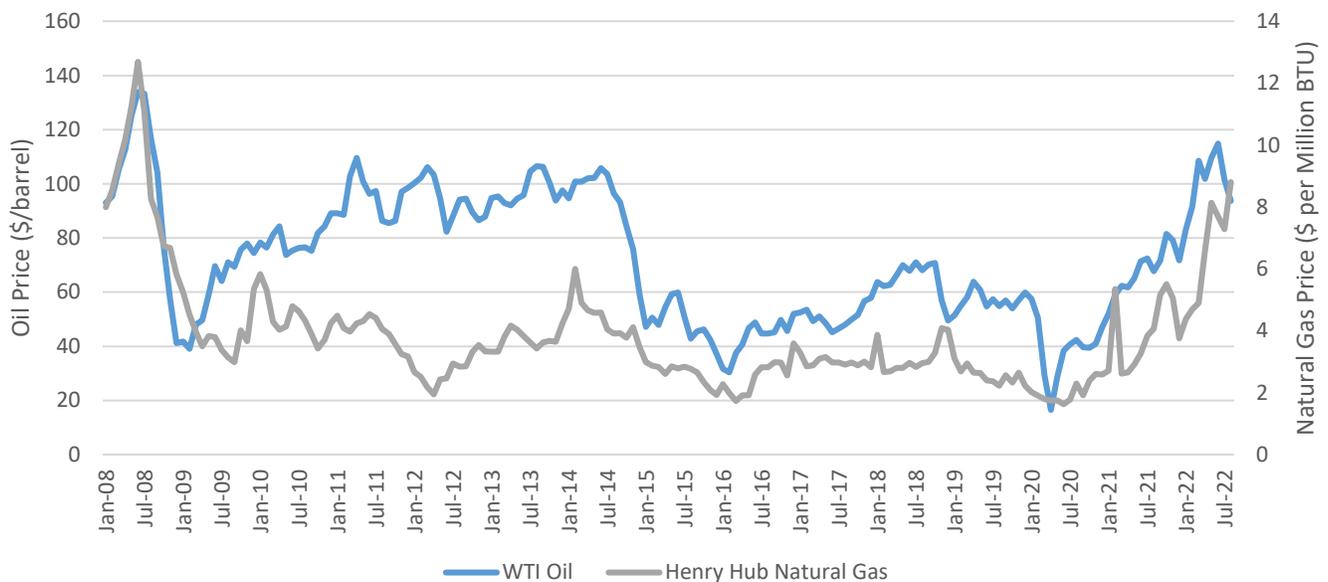


Figure 16:
Oil/Gas Drilling Permits and Oil/Gas Jobs

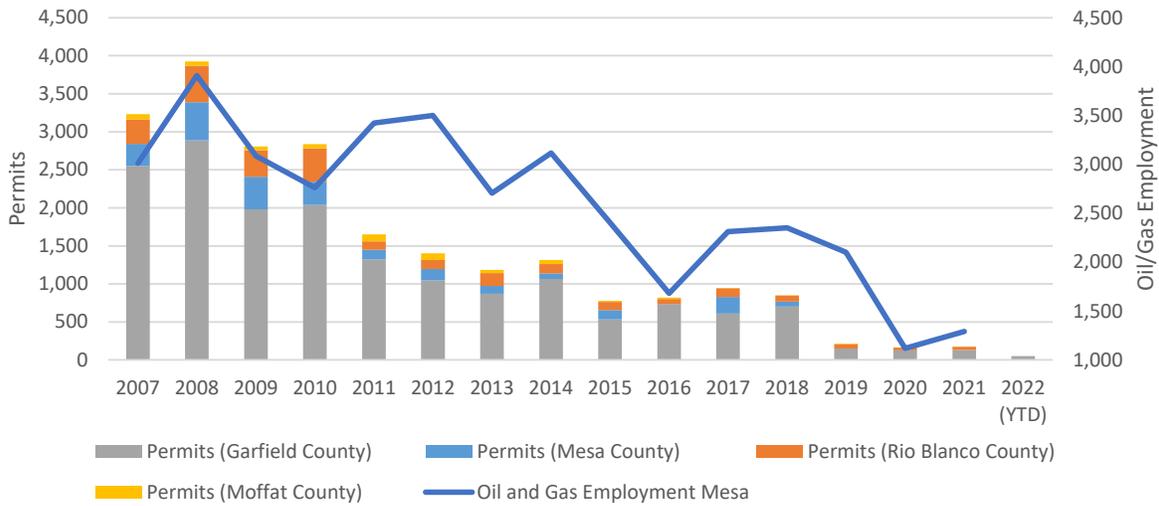
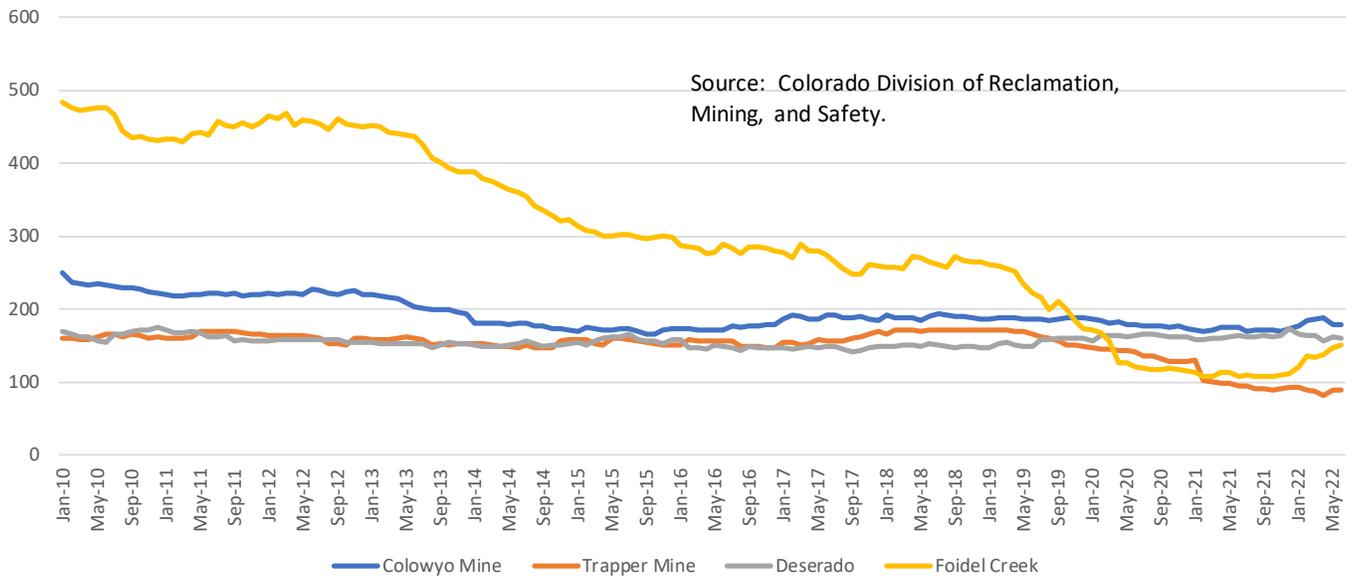


Figure 17:
NW Colorado Jobs per Mine



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 13, 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 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 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.

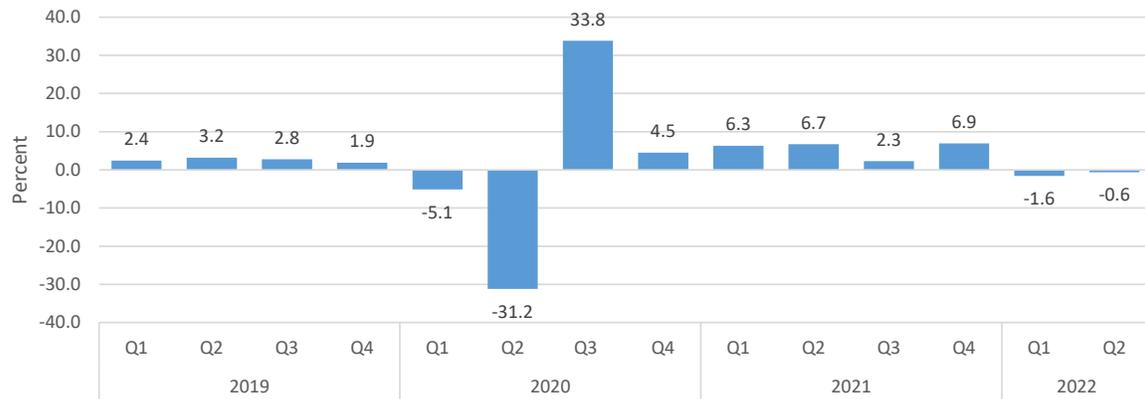
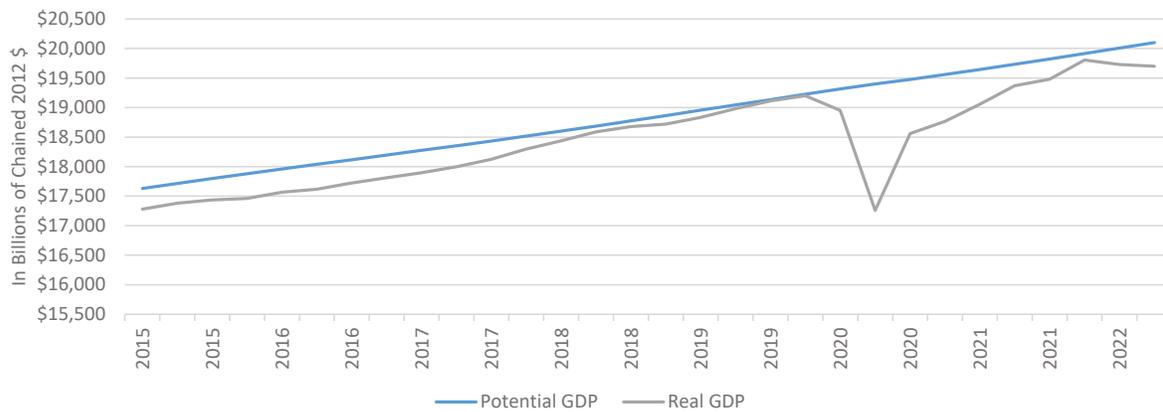


Figure 19:
GDP Gap



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 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

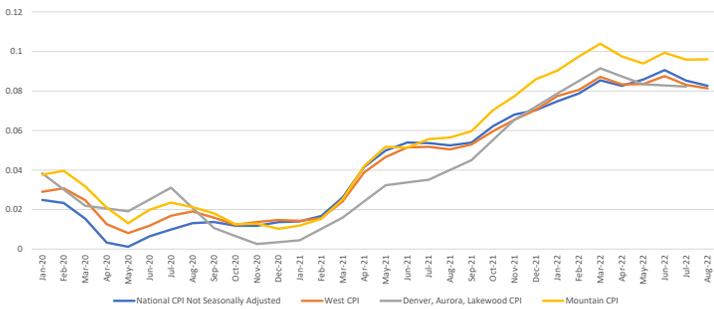


Figure 23:
Employment Cost Index



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



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📞 970.248.1888

✉️ naperry@coloradomesa.edu



1100 North Avenue
Grand Junction, Colorado 81501-3122
970.248.1778 • 970.248.1138 (f)

coloradomesa.edu