

RIO BLANCO COUNTY ECONOMIC UPDATE

Released December 4th, 2023

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

Economic Summary

- Meeker and Rangely have seen sales taxes increase by approximately 15% and 8%, comparing year to date through October. Rio Blanco County saw sales taxes decline, falling 8%.
- Recent population forecasts from the Colorado State Demography Office show that Rio Blanco County is projected to have a decline in population, falling from 6,558 in 2022 to 6,440 in 2030, to 6,147 in 2040, and to 5,773 in 2050.
- U.S. GDP growth for Q3 2023 was 4.9%, later revised to 5.2%. The Atlanta Federal Reserve's GDPNow estimates 1.2% growth for Q4.
- Inflation for October came in at 3.2%, falling from the previous month's number. Shelter still remains high at 6.7%, but is falling, while food is at 3.2% and falling. Falling energy prices from the previous year continue to help inflation numbers.

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LOCAL ECONOMIC INDICATORS

| | Q3 2023 | Q2 2022 | Q3 2022 | change since last quarter | change since last year (comparable quarters) |
|---|-------------|---------|-------------|---------------------------------|--|
| Local Labor Market | | | | | |
| Unemployment Rate Rio Blanco County -NSA | 3.17% | 2.87% | 3.30% | 0.30% | -0.13% |
| Unemployment Rate Colorado -SA | 3.40% | 2.90% | 2.70% | 0.50% | 0.70% |
| Unemployment Rate U.S. -SA | 3.80% | 3.40% | 3.60% | 0.40% | 0.20% |
| Labor Force | 2,966 | 2,920 | 2,880 | 46 | 86 |
| Employed | 2,871 | 2,836 | 2,784 | 35 | 87 |
| Unemployed | 94 | 84 | 96 | 10 | -2 |
| Business Confidence | | | | | |
| Leeds Colorado Business Confidence | 43.6 | 44.1 | 41.1 | -1.13% | 6.08% |
| Sales/Use Taxes | | | | | |
| | 2023 | | 2022 | | |
| Meeker Sales/Use Taxes (YTD, Oct) | \$1,499,352 | | \$1,304,158 | | 14.97% |
| Rangely Sales/Use Tax (YTD, Oct) | \$902,886 | | \$837,246 | | 7.84% |
| Rio Blanco Sales/Use Taxes (YTD, Oct) | \$3,019,861 | | \$3,282,380 | | -8.00% |
| Business Filings | | | | | |
| | 2023 | | 2022 | | |
| Rio Blanco County New Business Entity Filings (YTD, Sept) | 94 | | 92 | | 2.17% |

| | 2021 | 2020 | 2019 | 2018 | % change from previous year |
|--|-------------|-------------|-------------|-------------|-----------------------------|
| Standard of Living and Growth | | | | | |
| Gross Domestic Product (GDP) | \$748,521 | \$819,156 | \$828,994 | \$770,849 | -8.62% |
| Personal Income | \$354,530 | \$327,185 | \$306,769 | \$298,899 | 8.36% |
| Personal Income Per Capita | \$54,745 | \$50,197 | \$47,144 | \$46,084 | 9.06% |
| Median Household Income | \$65,334 | \$64,039 | \$65,960 | \$63,411 | 2.02% |
| Percent of Population Below Poverty Line | 10.2% | 9.8% | 10.3% | 10.8% | -0.40% |
| | 2022 | 2021 | 2020 | 2019 | |
| Population | 6,569 | 6,453 | 6,524 | 6,350 | 1.80% |

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's labor market has stayed consistent for several years and has averaged 2,749 employed since January 2017. Q3 2023 employment averaged 2,871. The sample size used for the employment estimates from counties the size of Rio Blanco can be very small, hence it is better to view the long term trend of the employment numbers and to not put much weight on the month-to-month changes. Figure 6 illustrates jobs data from the Bureau of Economic Analysis (BEA), which is released yearly and is more accurate than the employment data. If one person works two jobs they are counted twice in the BEA data, whereas in the employment data above they would be counted as employed once. Figure 6 shows 4,333 jobs in 2021, with 2022 data set to be released in December of 2023. The unemployment rate for Rio Blanco for Q3 is estimated at 3.1% , with Colorado's unemployment rate at 3.4%

Other Indicators

Comparing year to date through October, Meeker and Rangely have seen sales taxes increase by approximately 15% and 8%, respectively. Rio Blanco County actually saw sales taxes decline, falling 8%.

The Leeds Business Confidence Index still shows that Colorado businesses have a lack of confidence in the economy (figure 4). Expectations for the national economy, as well as capital expenditures have the lowest polling results for the index, indicating those are currently the biggest concerns for businesses.

Rio Blanco County new business entity filings are holding steady, at 94 (as of September) compared to 92 at the same time last year. The total new business filings for 2022 were 106, and 2023 numbers are on pace to match that number.

Table 1:

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

| | Labor Force | Employed | Unemployed |
|------------------|-------------|----------|------------|
| Annual | 86 | 87 | -1 |
| 5-Year | -12 | 13 | -24 |
| 10-Year | -243 | -119 | -124 |
| Annual % | 3.0% | 3.1% | -1.4% |
| 5-Year % | -0.4% | 0.4% | -20.5% |
| 10-Year % | -7.6% | -4.0% | -56.8% |

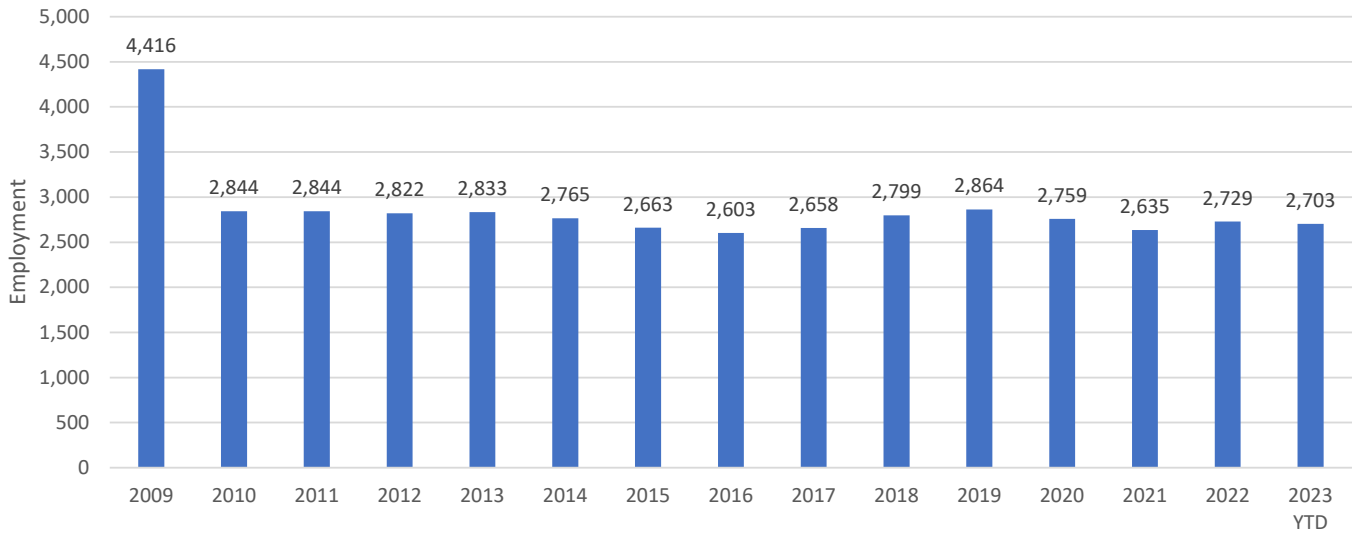
Rio Blanco County GDP data was released in December, showing a large loss in output of -8.63% for 2021 (figure 9). Note that there is a lag in GDP data at the county level. The loss in GDP was led by large losses in oil and gas output, as 2020 and 2021 were bad for natural gas and oil prices. Rio Blanco had the worst GDP number on the Western Slope due to its high reliance on energy, as approximately 70% of the county's GDP is energy related.

New standard of living measures have been released for 2021, as county level data has a significant lag. Rio Blanco County median household income rose slightly, rising from \$64,039 to \$65,334 (figure 7). Median household income has been rising slowly since 2017. Several other Western Slope counties saw median household income fall.

The Census Department's SAIPE (Small Area Income and Poverty Estimates) released their most recent poverty estimate, with Rio Blanco County rising from 9.8% to 10.2%. The county has been near the 10% poverty level since 2011.

Updated GDP and standard of living measures will be released December 7th, 2023, and will include data from 2022.

Figure 1:
Yearly Employment Average



Change in Yearly Employment Average

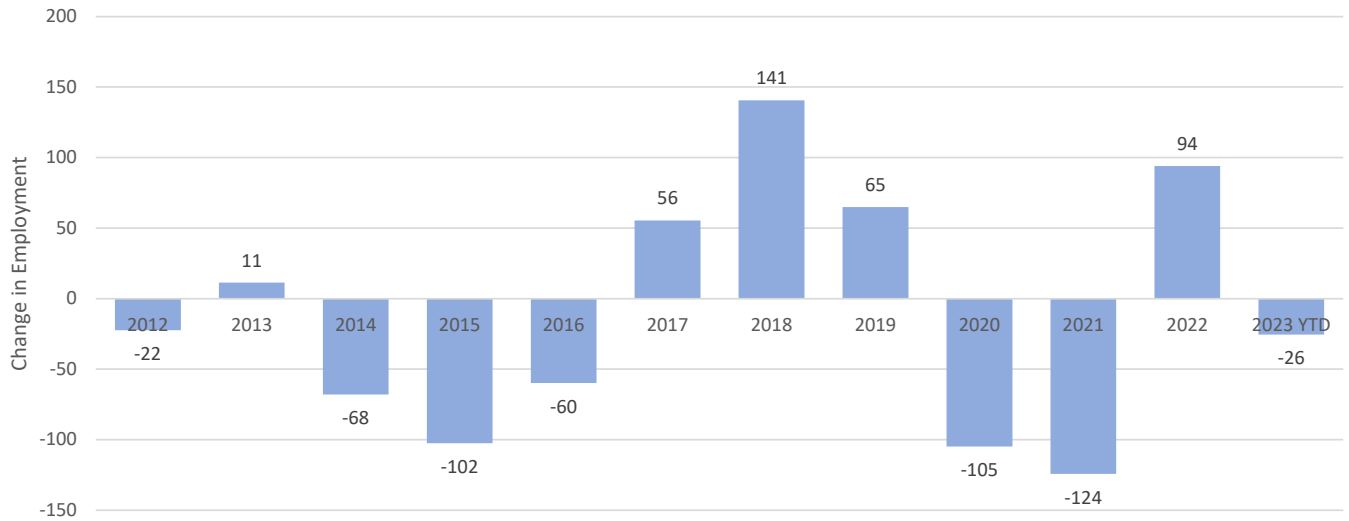


Figure 3:
Unemployed

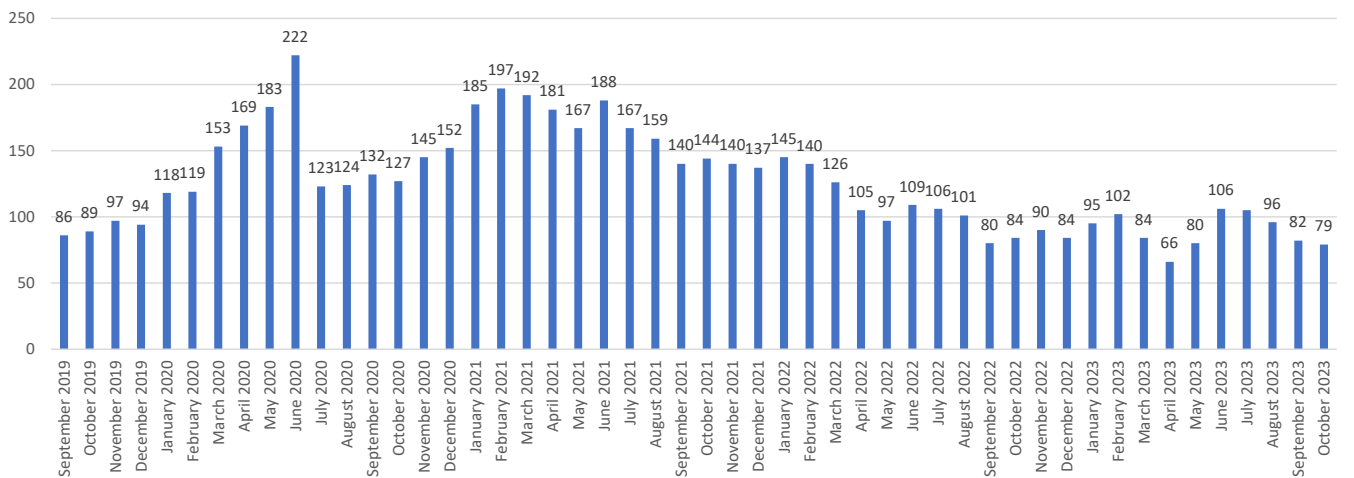


Figure 4:
Leeds Business Confidence Index

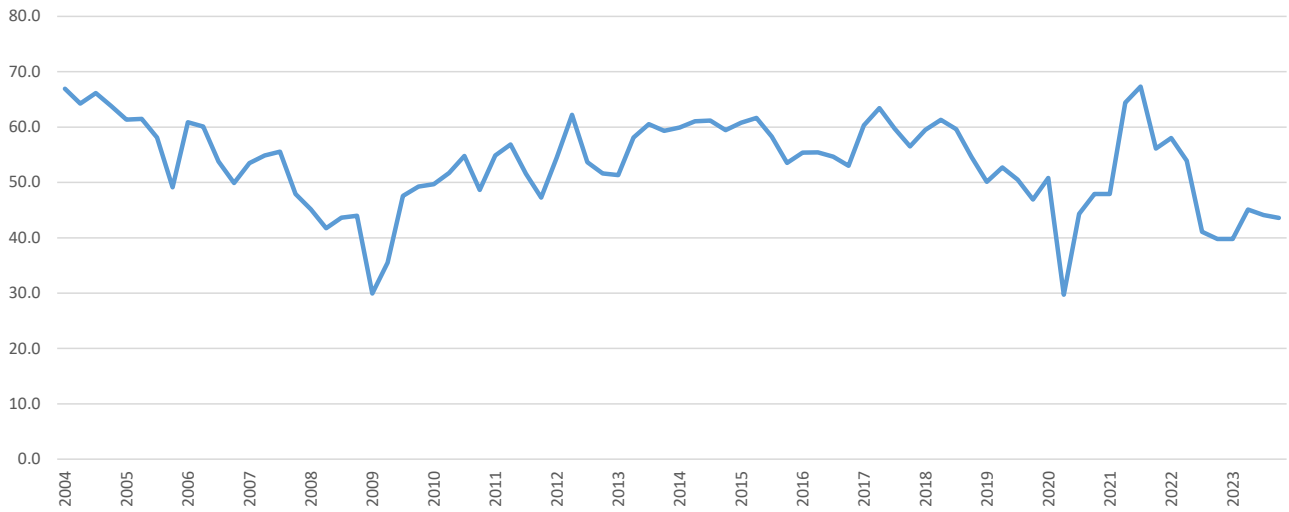


Figure 5:
Meeker and Rangely Sales Taxes

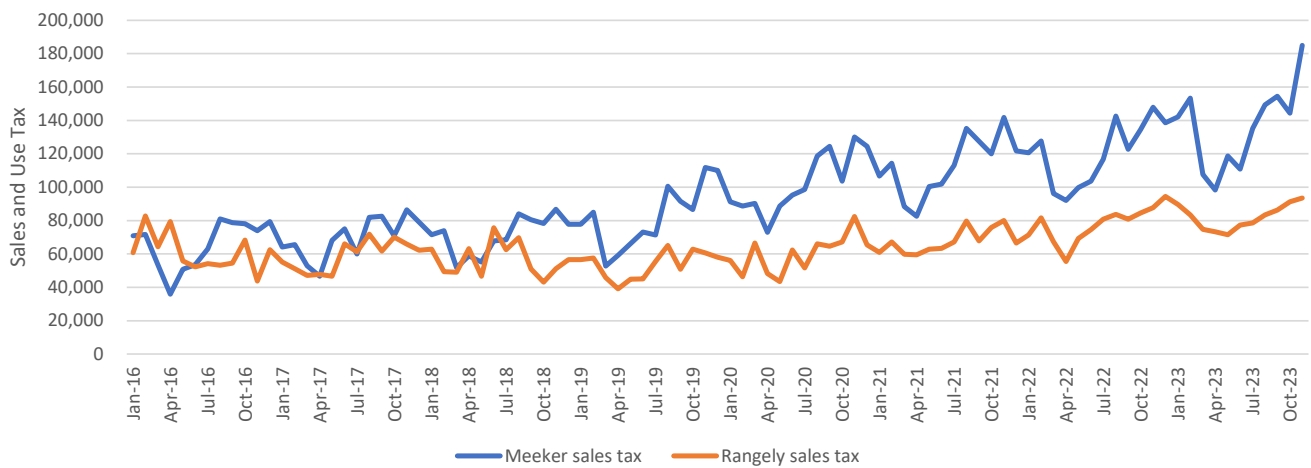


Figure 6:
Total Full and Part Time Jobs (BEA)

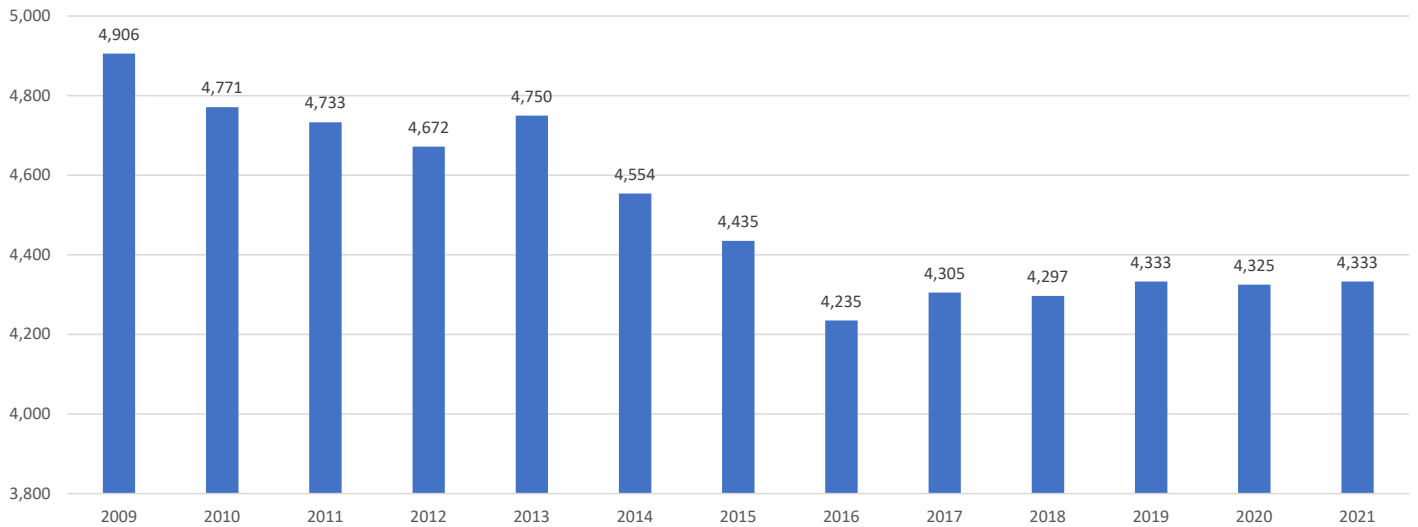


Figure 7:
Rio Blanco County Median Household Income

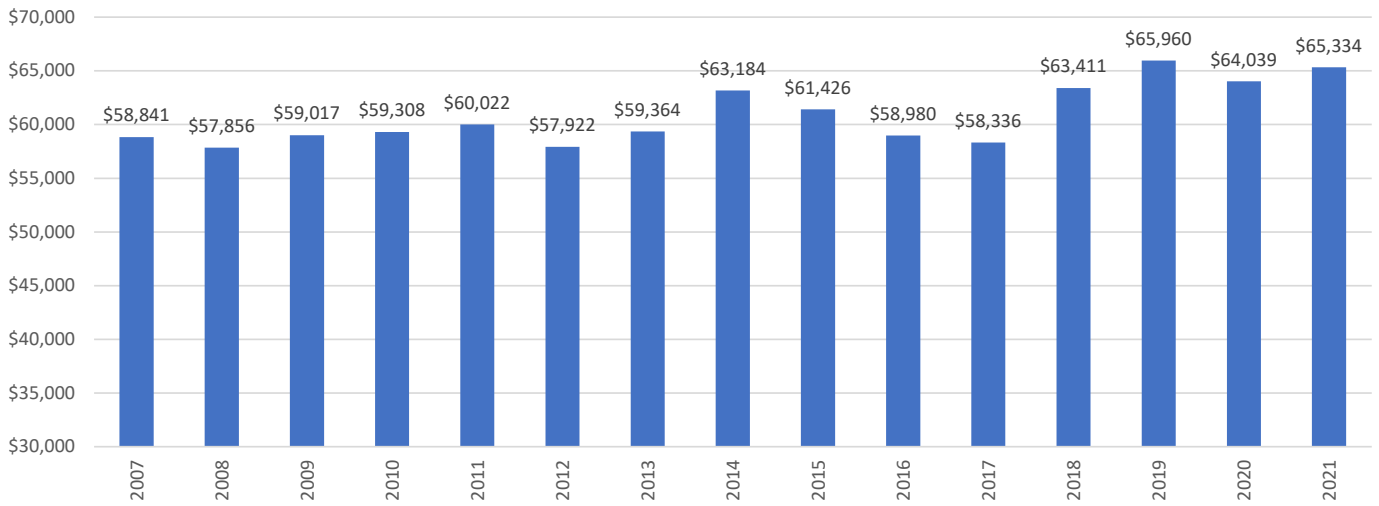


Figure 8:
Rio Blanco County Poverty Rate Estimate

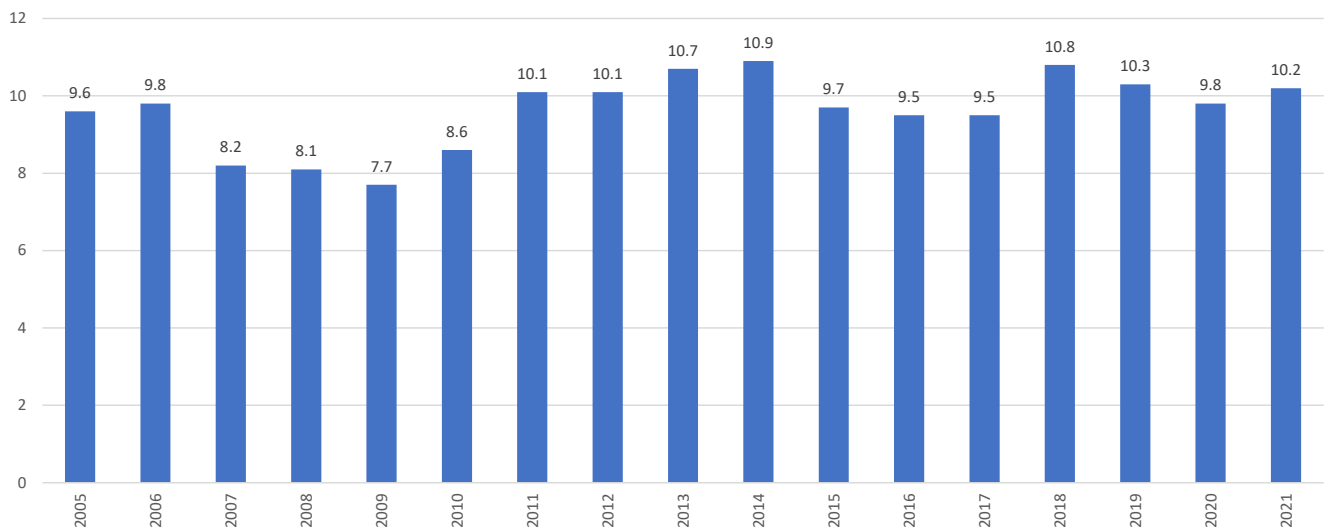
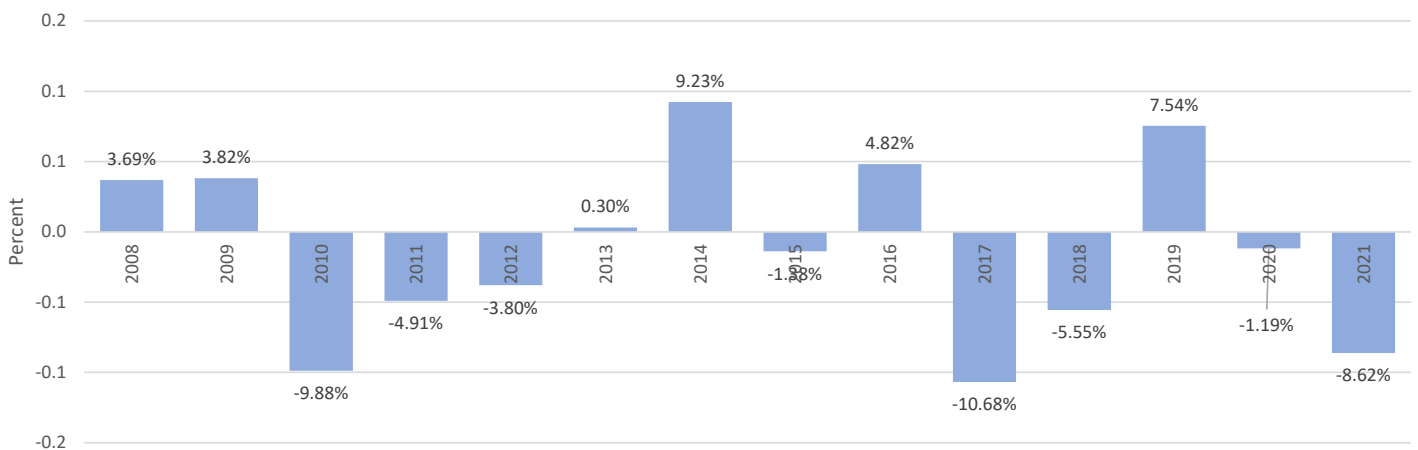


Figure 9:
Rio Blanco County Real GDP % Change (chained 2012 dollars)



Population Trends

The Colorado State Demography Office produces population estimates and population forecasts. Table 2 illustrates these forecasts for counties in the Western Slope. Rio Blanco County is expected to lose population, falling from 6,558 in 2022 to 6,440 in 2030, to 6,147 in 2040, and to 5,773 in 2050. Population is a function of birth rate, death rate, and migration. Figures 10 through 15 are sourced from the Colorado State Demography Office, and are heat maps of different population components. Red means large increases, while blue means decreases. There is a key to the right of each figure. Figure 10 illustrates total population change, which for the small counties doesn't accurately represent how relative population change will impact the county. Figure 11 illustrates percent population change, which tells a better story as to the relative change in the county populations. Figures 12 and 13 show birth and death rate, with figure 14 showing the natural rate of increase, or births minus deaths. Rio Blanco County population decline is expected to be driven by out migration. Rio Blanco has a slightly positive natural rate of increase (births minus deaths) but the out migration in figure 15 leads to negative population growth.

Table 2:
**Population Estimates Table (2020-2050),
 Colorado State Demography Office**

| | Mesa | Montrose | Delta | Garfield | Rio Blanco | Moffat | Routt |
|-------------|---------|----------|--------|----------|------------|--------|--------|
| 2020 | 155,993 | 42,810 | 31,052 | 61,791 | 6,521 | 13,265 | 24,834 |
| 2025 | 162,833 | 45,413 | 32,027 | 64,496 | 6,511 | 13,037 | 25,786 |
| 2030 | 174,827 | 48,327 | 33,286 | 69,950 | 6,440 | 12,851 | 27,336 |
| 2035 | 187,931 | 50,973 | 34,303 | 76,392 | 6,291 | 12,706 | 28,840 |
| 2040 | 198,890 | 52,958 | 35,029 | 82,780 | 6,147 | 12,577 | 30,133 |
| 2045 | 207,560 | 54,152 | 35,512 | 88,422 | 5,978 | 12,435 | 31,082 |
| 2050 | 214,206 | 54,586 | 35,769 | 92,516 | 5,773 | 12,261 | 31,700 |

Figure 10:
Total Population Change (2022-2032)

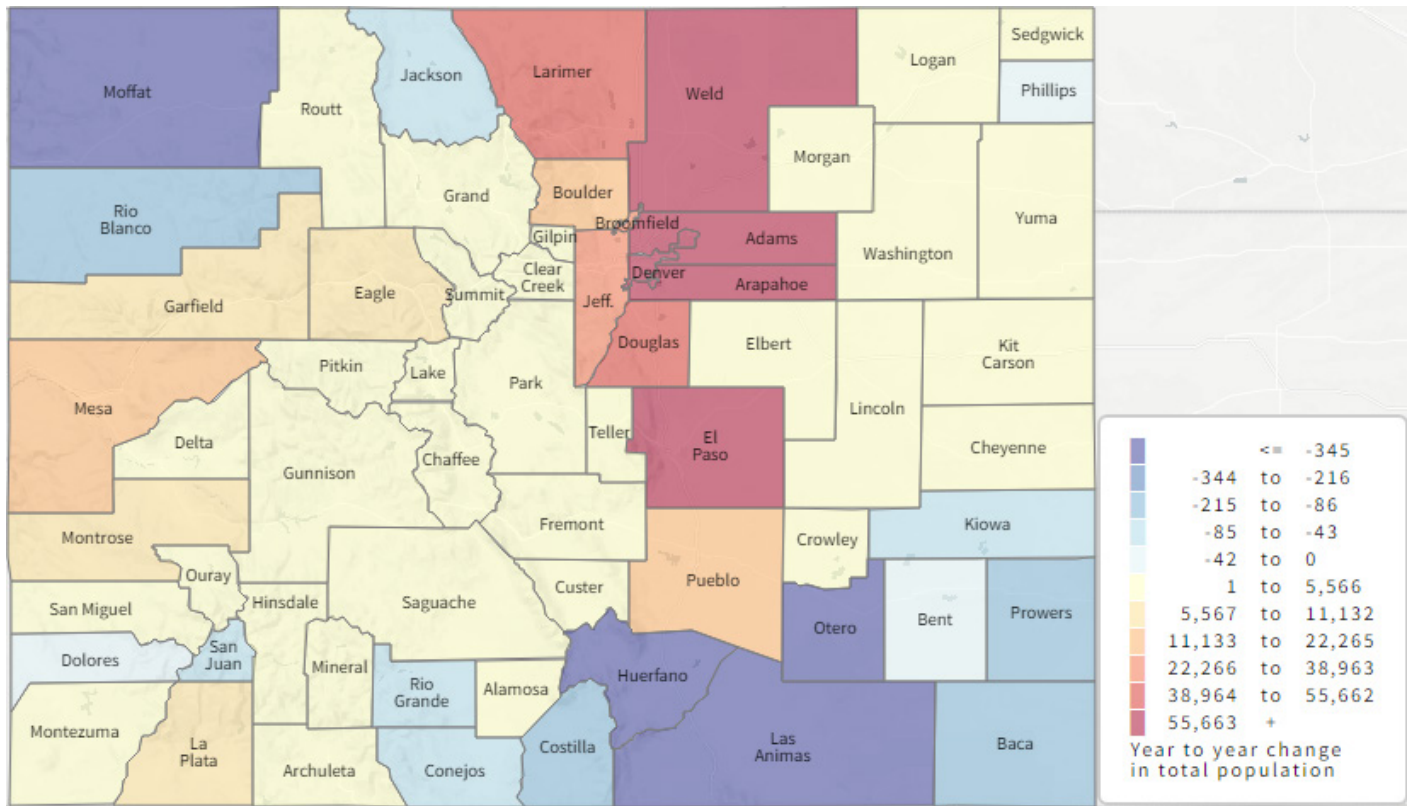


Figure 11:
Percent Population Change (2022-2032)

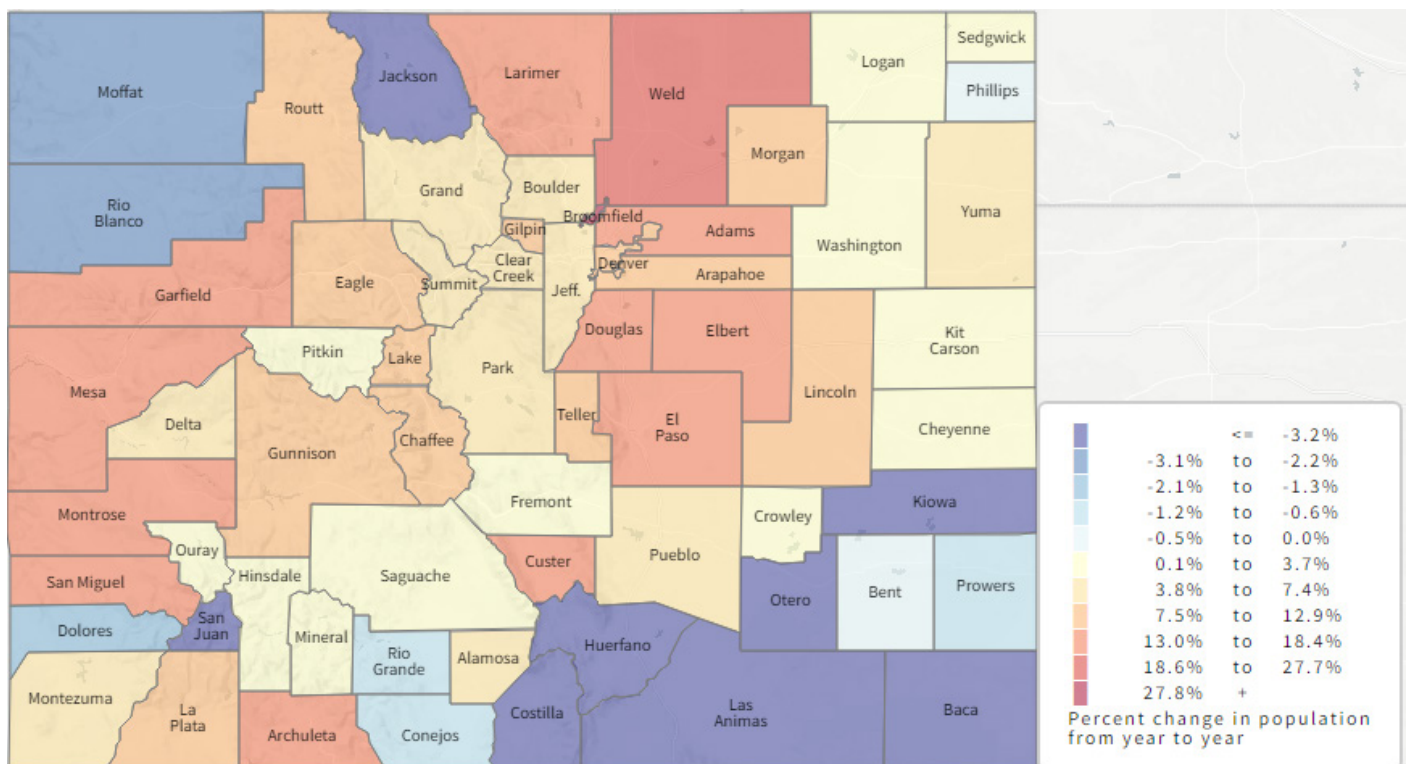


Figure 12:
Birth Rate (2022-2032)

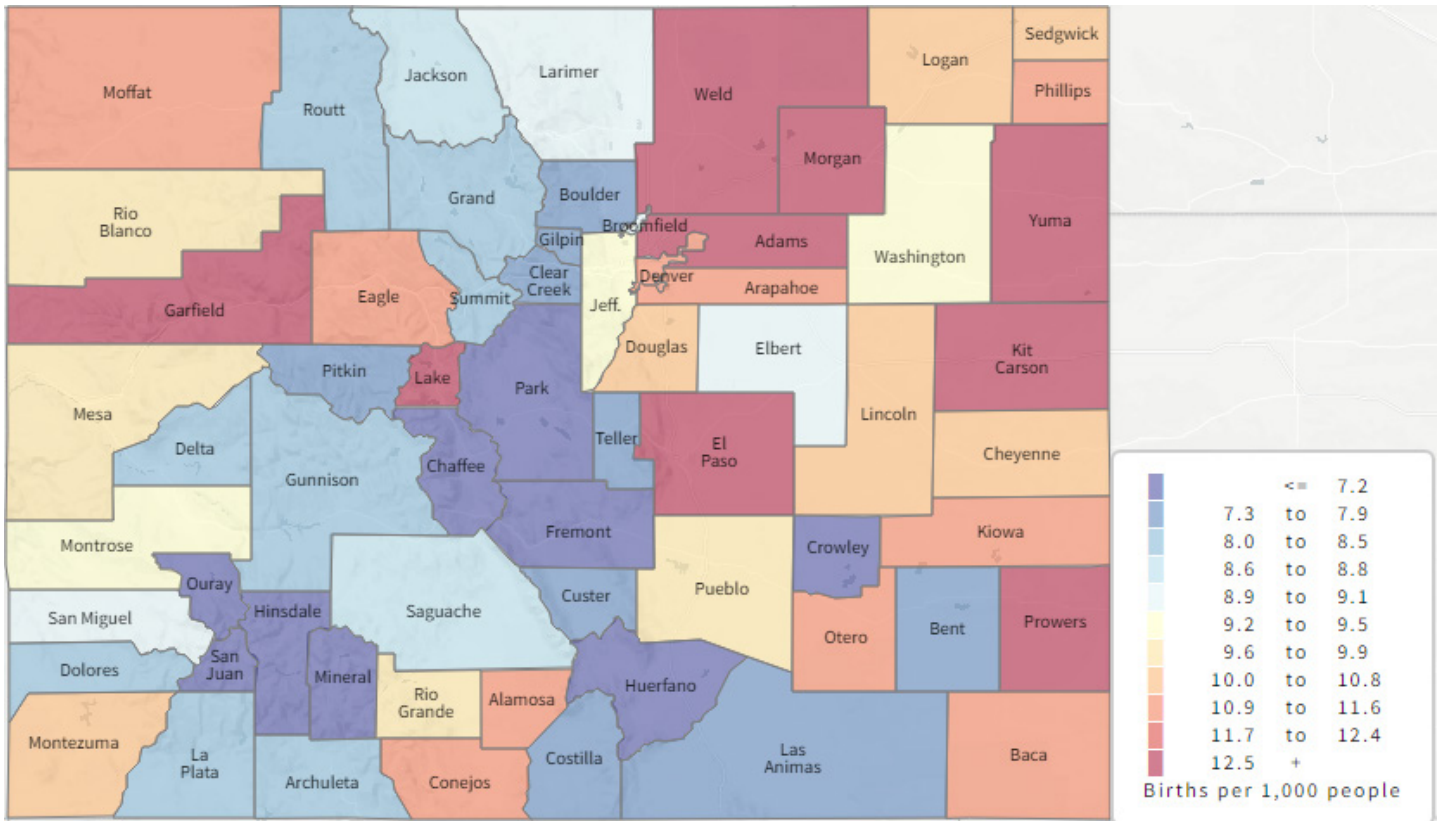


Figure 13:
Death Rate (2022-2032)

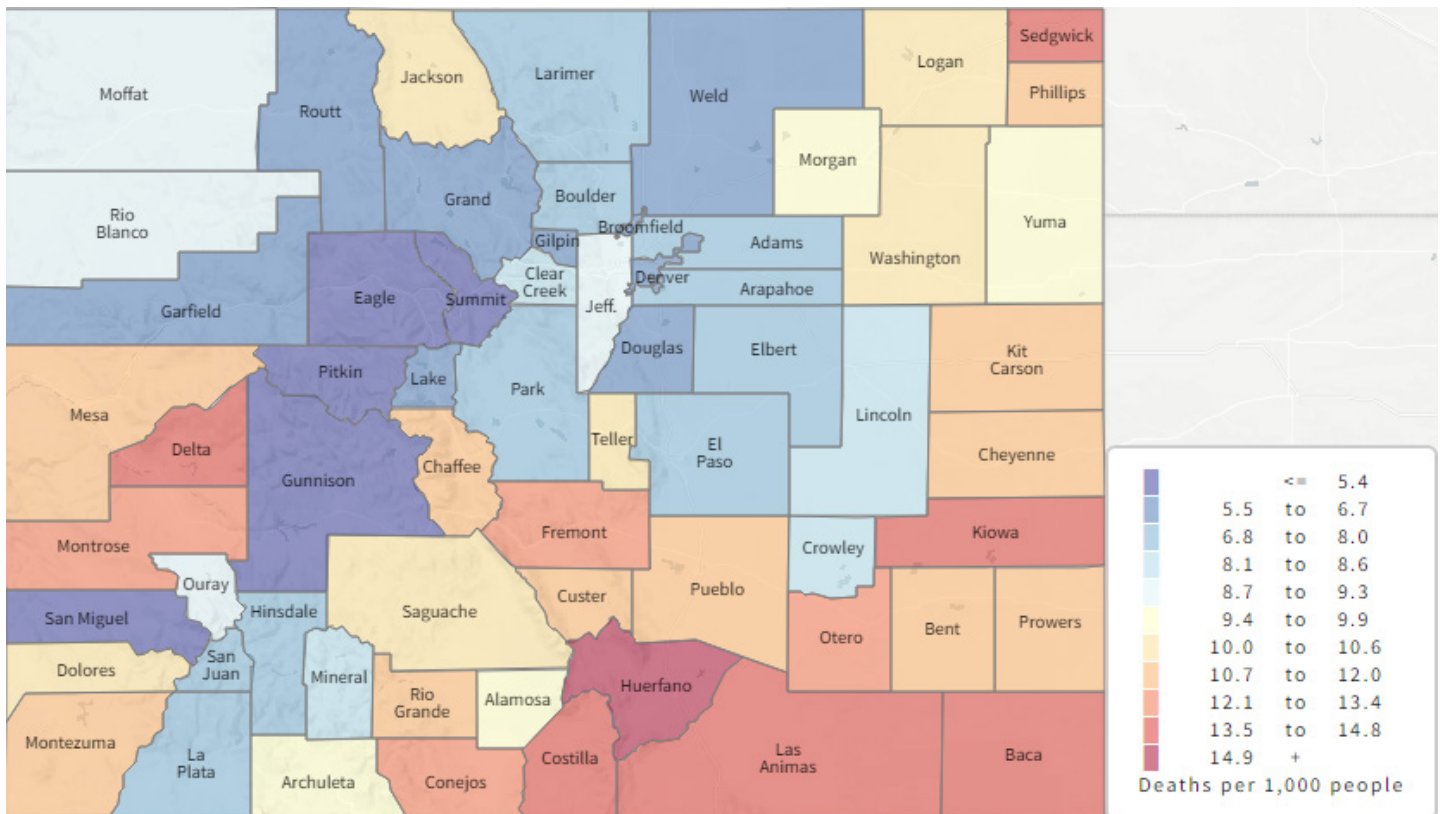


Figure 14:
Rate of Natural Increase (2022-2032)

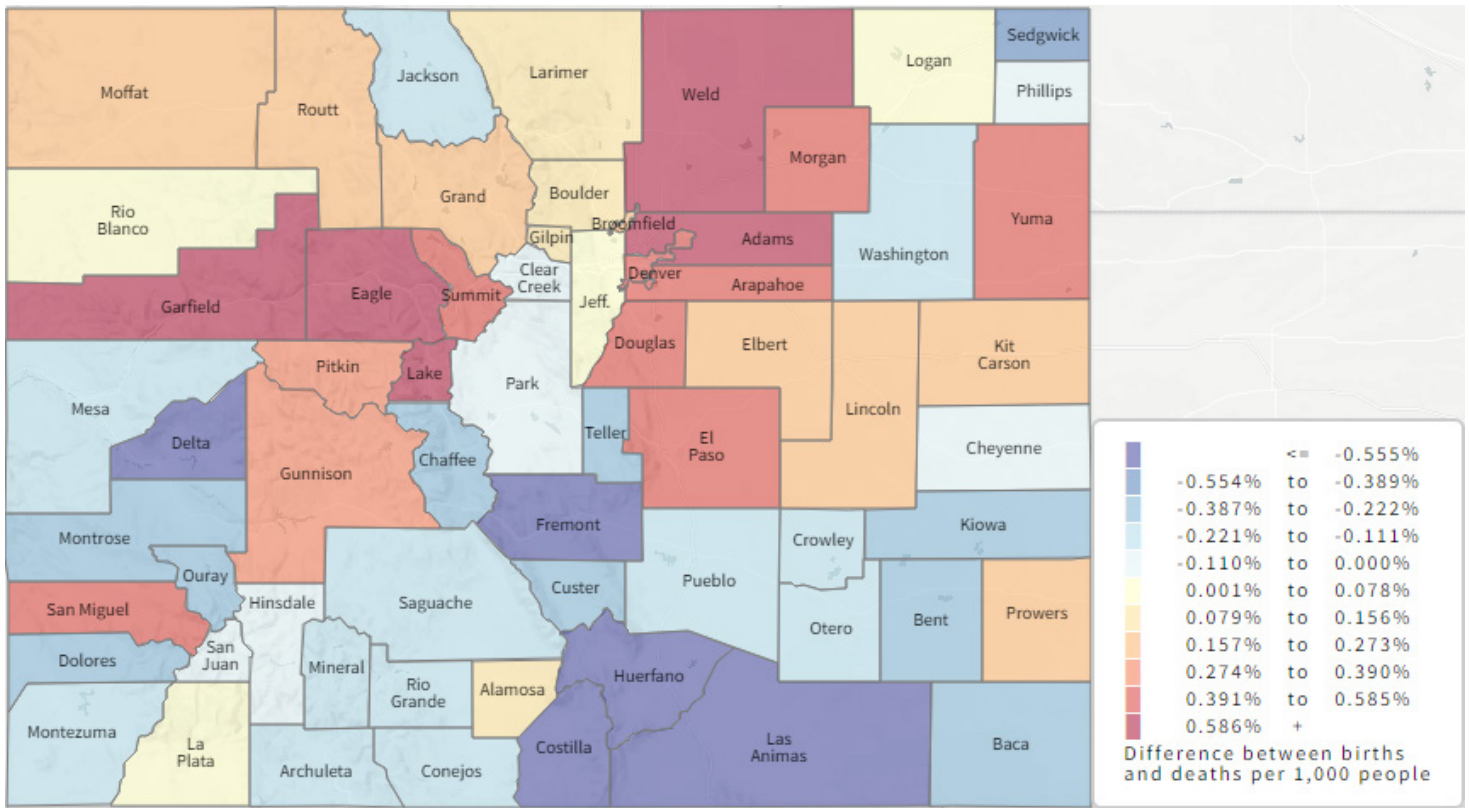
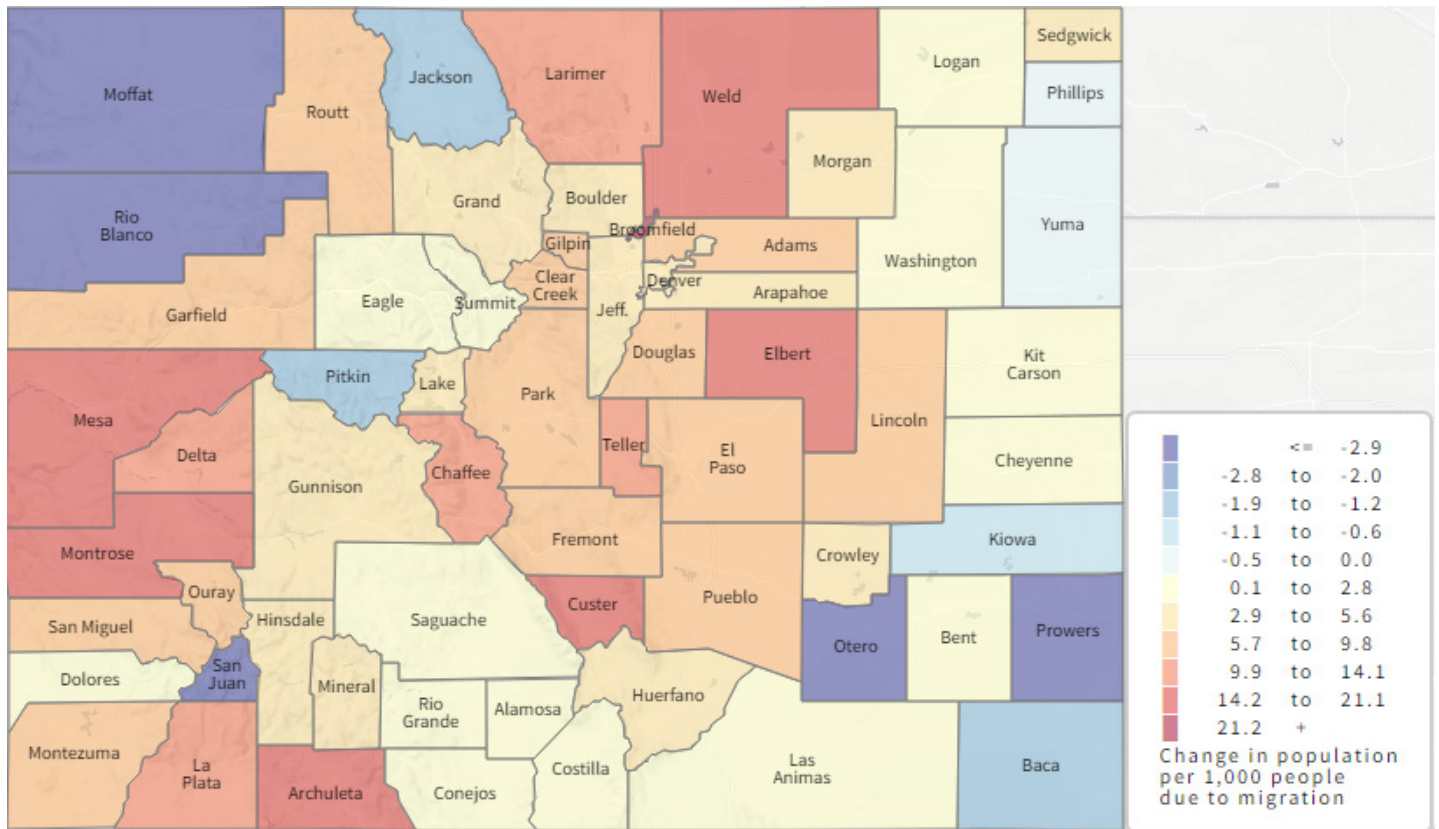


Figure 15:
Migration Rate (2022-2032)



Rio Blanco County Employment Trends

Q1 2023 Quarterly Census of Employment and Wage data shows overall jobs increased by 28 from Q1 of 2022, with wages rising by \$4,196,926. The biggest wage gains were in healthcare and mining. The biggest wage losses were in finance and insurance, and transportation and warehousing. The biggest job gains were in healthcare (50) and retail trade (27), while the biggest job losses were in mining (29). Figure 16 illustrates jobs changes and figure 17 illustrates wage changes.

Yearly farm employment and sole proprietor numbers from the Bureau of Economic Analysis for 2021 show that farm employment is holding steady at 292, while sole proprietors have grown slowly the last three years, rising to 1,032 from 936 in 2019.

Table 2:
Quarterly Census of Employment and Wages (QCEW) Q3 2021 Compared to Q3 2022

| Sector | Average Employment | Total Quarterly Wages | Average Weekly Wage | Total Employment Change | Total Wage Change |
|--|--------------------|-----------------------|---------------------|-------------------------|-------------------|
| Total, All Industries | 2,731 | \$41,810,489 | \$575 | 28 | \$4,196,926 |
| Mining | 496 | \$13,851,557 | \$1,841 | -29 | \$1,717,347 |
| Health Care and Social Assistance | 448 | \$7,033,255 | \$523 | 50 | \$1,728,673 |
| Public Administration | 351 | \$4,524,154 | Confidential | 0 | \$638,632 |
| Educational Services | 356 | \$3,522,135 | \$678 | 14 | \$225,681 |
| Construction | 154 | \$2,504,413 | \$1,251 | 6 | \$659,454 |
| Retail Trade | 226 | \$1,539,808 | \$1,207 | 27 | \$306,147 |
| Utilities | 37 | \$1,063,580 | \$992 | -5 | -\$54,959 |
| Accommodation and Food Services | 157 | \$1,031,059 | \$1,178 | 15 | -\$145,604 |
| Finance and Insurance | 42 | \$1,013,250 | \$812 | -1 | -\$462,756 |
| Other Services, Ex. Public Admin | 64 | \$817,529 | \$855 | 2 | \$19,496 |
| Transportation and Warehousing | 37 | \$594,254 | \$506 | -23 | -\$353,283 |
| Arts, Entertainment, and Recreation | 71 | \$528,366 | \$2,211 | -30 | -\$145,805 |
| Professional and Technical Services | 40 | \$521,051 | 994 | 2 | \$74,864 |
| Agriculture, Forestry, Fishing & Hunting | 37 | \$471,547 | \$2,150 | 3 | -\$222,896 |
| Manufacturing | 51 | \$446,805 | \$692 | -3 | -\$76,059 |
| Information | 28 | \$252,066 | \$1,224 | 2 | \$95,733 |
| Real Estate and Rental and Leasing | 21 | \$237,217 | \$760 | 1 | \$70,213 |
| Wholesale Trade | 18 | \$193,627 | \$992 | 0 | \$9,626 |
| Information | 27 | \$201,142 | \$580 | 3 | \$34,164 |

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 | 2021 | 2020 | 2019 | 2018 | % change from 2020 |
|-----------------------------|-------|-------|------|------|--------------------|
| Farm Employment | 292 | 289 | 289 | 291 | 1.0% |
| Sole Proprietors (non-farm) | 1,032 | 1,014 | 936 | 984 | 1.9% |

Figure 16:

Total Jobs Change from Q1 2022 to Q1 2023

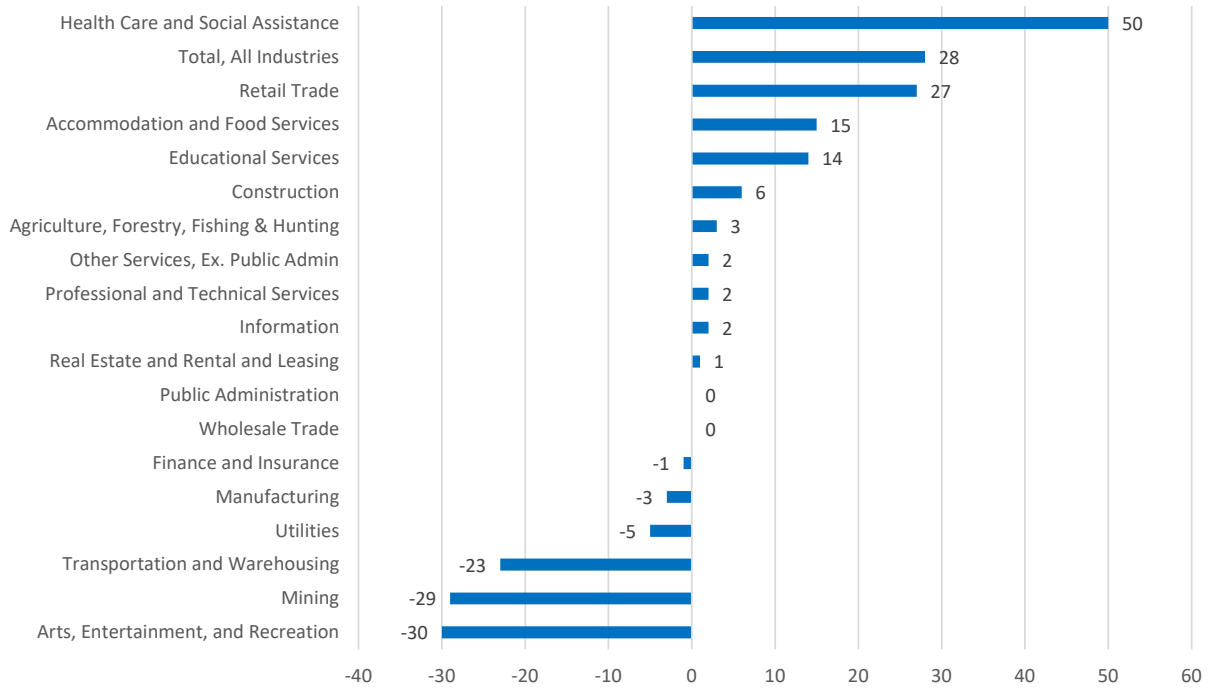
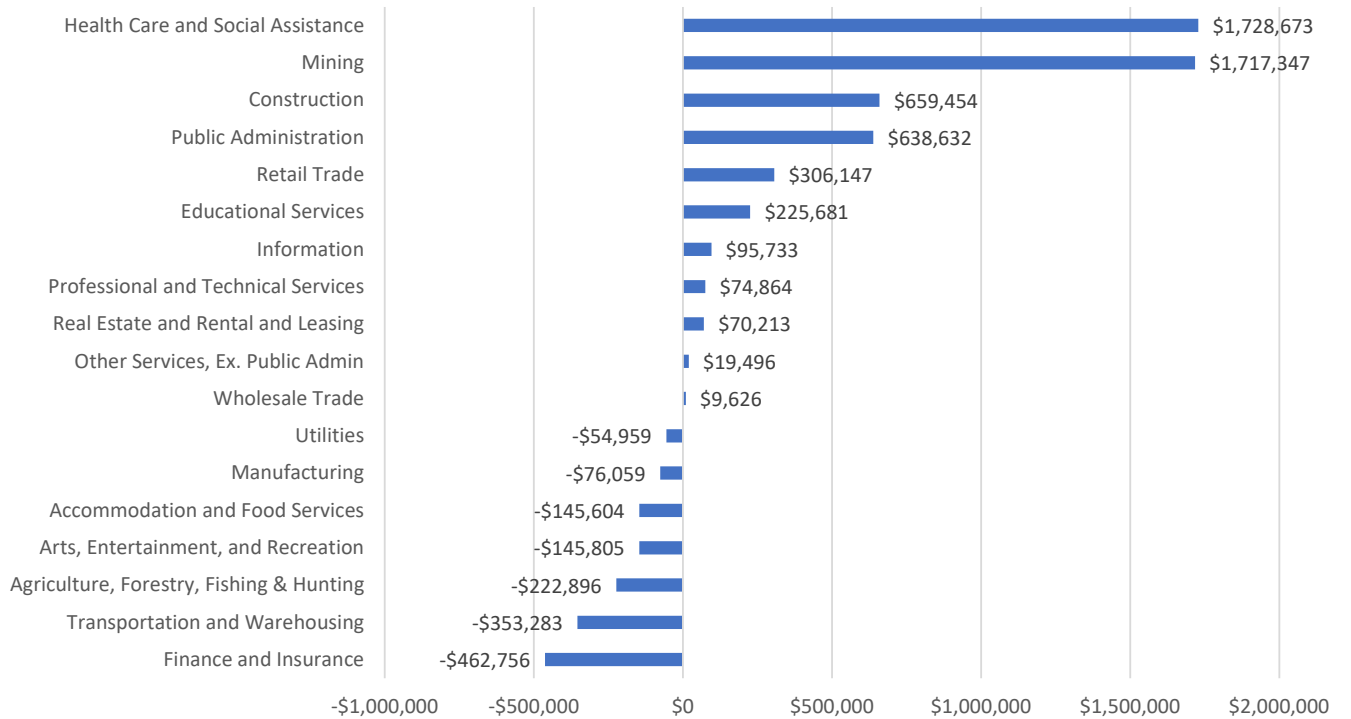


Figure 17:

Total Wage Change Q1 2022 to Q1 2023



LOCAL REAL ESTATE

| | Q3 2023 | Q3 2022 | % change since last year |
|---|---------------------|---------------------|--------------------------|
| Real Estate | | | |
| Inventory of Homes for Sale (3 month avg) | 28 | 20 | 40.00% |
| New Residential listings (3 month total) | 45 | 27 | 66.67% |
| Sold Residential Listings (3 month total) | 23 | 32 | -28.13% |
| Median Sales Price | \$266,150 | \$299,833 | -11.23% |
| Average Sales Price | \$291,159 | \$311,440 | -6.51% |
| Days on Market | 40.00 | 33.67 | 18.81% |
| Months Supply of Inventory | 4.70 | 2.43 | 93.15% |
| Foreclosures | | | |
| | 2023 | 2022 | |
| Foreclosure Filings (YTD) | 11 | 8 | |
| Mortgage Rates | | | |
| | October 2023 | October 2022 | |
| 15 Year Mortgage Rate | 6.57% | 5.35% | 1.22% |
| 30 year Mortgage Rate | 7.62% | 6.11% | 1.51% |

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 shows signs of a market that may be pulling back. Inventory rose from 20 to 28, with new listings rising and sold listings falling. Median sales price fell by 11%, although in a small county there is a lot of volatility in the median and average price. Figure 20 tries to solve this volatility problem by using a rolling average, and this rolling average has a downward trend in 2023. Days on market has increased from 34 to 40, while months supply of inventory rose from 2.43 to 4.70. All show that real estate is slowing, inventory is rising, and prices are responding.

Mortgage rates in October averaged 7.62%, falling to 7.44% in November. This is due to 10 year treasury bond prices falling, causing yields (interest rates) to increase drastically. This change in the 10 year treasury bond has several explanations, including a response to Federal Reserve policy and its impact on raising short term rates, the Fed's absence in purchasing 10 year treasury bonds, stagnating inflation, and rising U.S. treasury debt. It is unlikely that rates will go higher, as inflation is falling, and as of November, the Fed is not currently expected to raise the Federal Funds rate any further. How far interest rates will fall without the Fed lowering interest rates is a different question. The Fed is not expected to lower interest rates until late 2024.

Figure 18:
Inventory of Active Listings

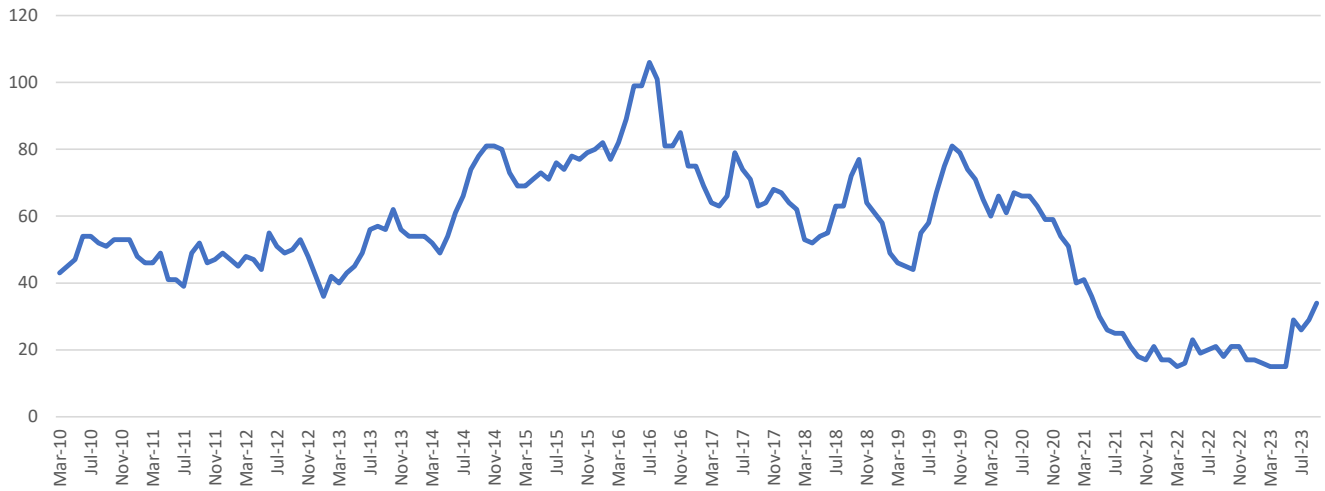


Figure 19:
Months Supply of Inventory

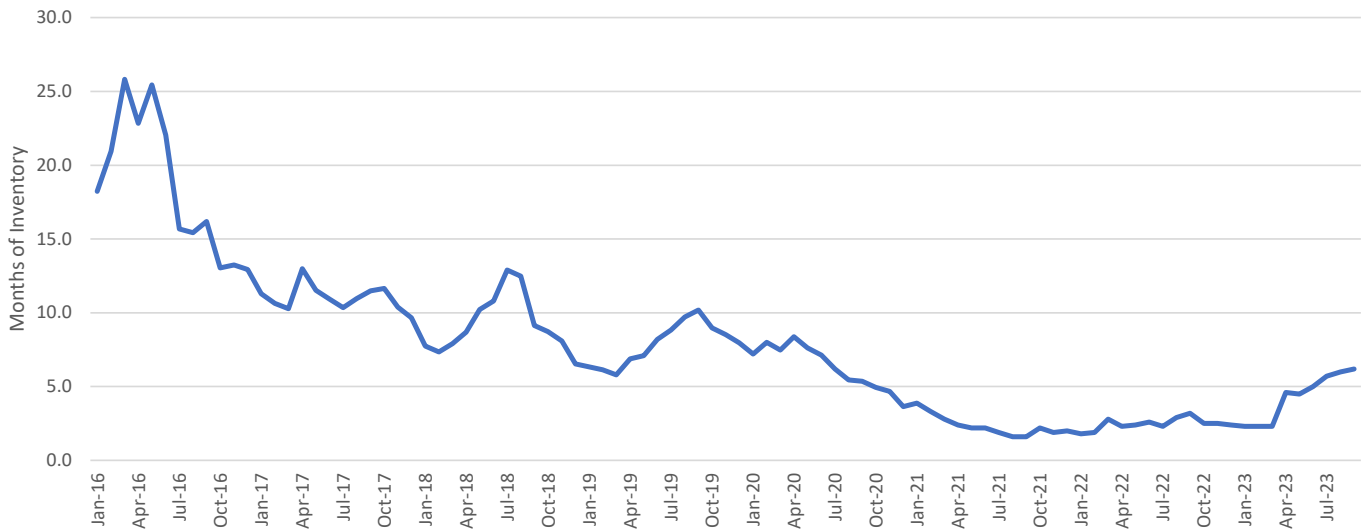
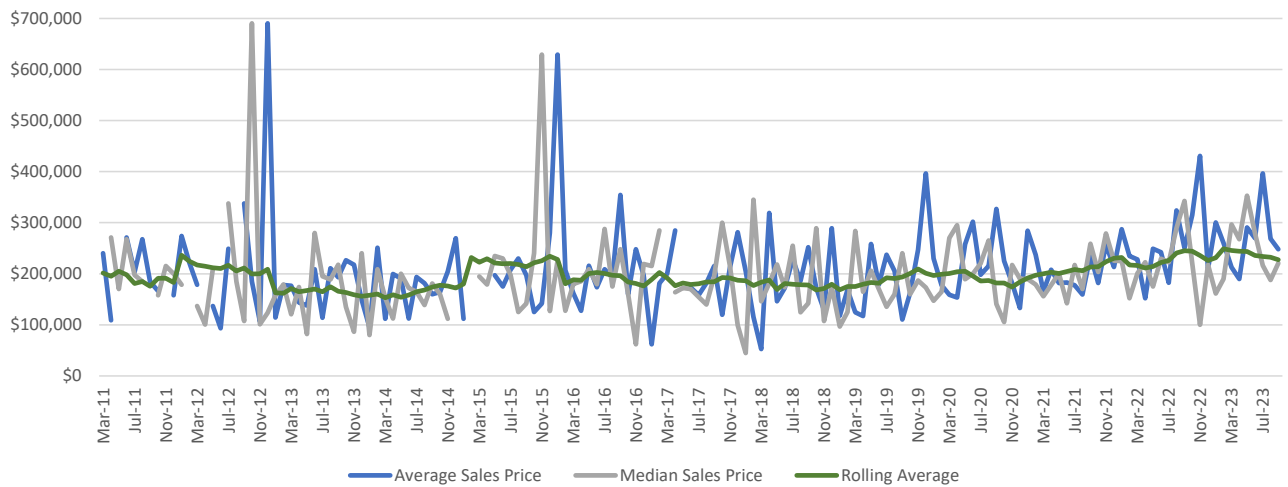


Figure 20:
Median and Average Sales Price



REGIONAL ENERGY

| | Q3 2023 | Q2 2023 | Q3 2022 | % change since last quarter | % change since last year (comparable quarters) |
|--|------------------------|------------|----------|-----------------------------|--|
| Energy Prices | | | | | |
| WTI Crude Oil | \$82.25 | \$73.54 | \$93.06 | 11.84% | -11.62% |
| Henry Hub Natural gas | \$2.59 | \$2.16 | \$7.99 | 19.91% | -67.58% |
| Retail Gasoline Price | \$3.63 | \$3.46 | \$3.93 | 5.03% | -7.68% |
| Drilling Permits | | | | | |
| | 2023 (YTD, August 9th) | 2022 | 2021 | 2020 | |
| Drilling Permits (Mesa County) | 23 | 0 | 0 | 1 | |
| Drilling Permits (Rio Blanco County) | 61 | 40 | 40 | 33 | |
| Drilling Permits (Garfield County) | 21 | 139 | 133 | 127 | |
| Drilling Permits (Moffat County) | 0 | 3 | 4 | 1 | |
| Total Permits (Mesa, Rio Blanco, Garfield, Moffat) | 105 | 182 | 177 | 162 | |
| Total Permits (Colorado) | 199 | 1,005 | 805 | 1,543 | |
| Local Rig Count | | | | | |
| | Oct-23 | Jun-23 | Nov-22 | | |
| Rig Count (Western Colorado, Mesa, Rio Blanco, Garfield, Moffat) | 3 | 3 | 3 | | |
| Regional Coal Industry | | | | | |
| | 2023 (YTD) | 2022 (YTD) | % Change | | |
| Moffat, Rio Blanco, Routt Average Monthly Employment for Coal Mining | 640 | 580 | 10.33% | | |
| Moffat, Rio Blanco, Routt Coal Production (tons) | 636,408 | 649,656 | -2.04% | | |

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 21:
Oil and Natural Gas Prices

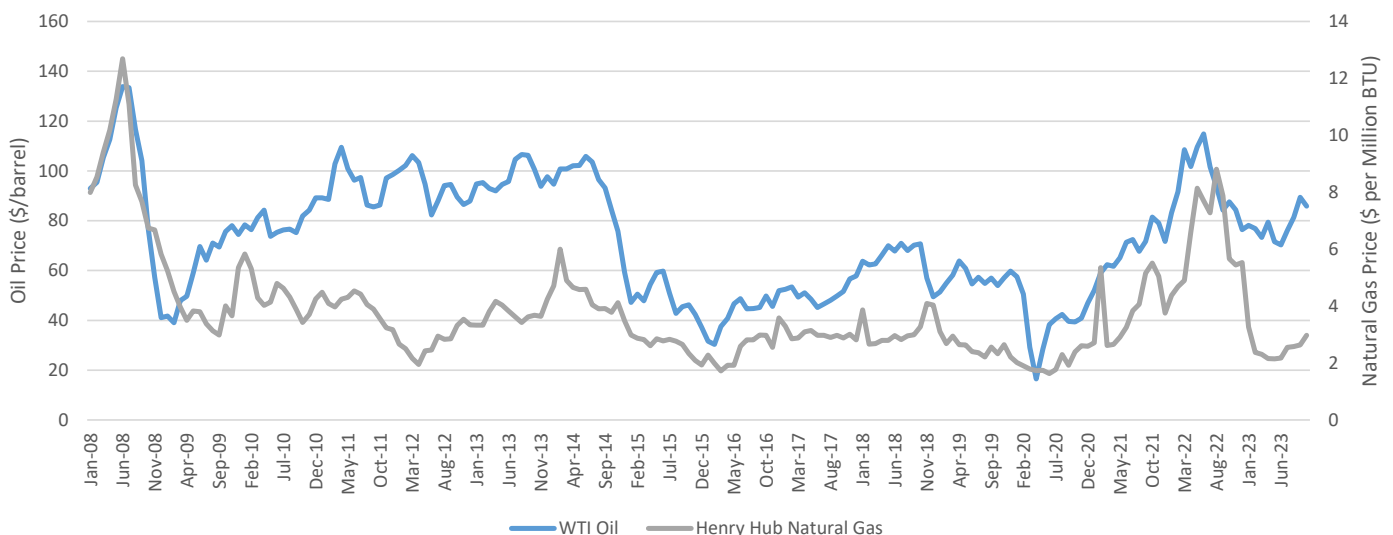


Figure 22:
Oil/Gas Drilling Permits and Oil/Gas Jobs

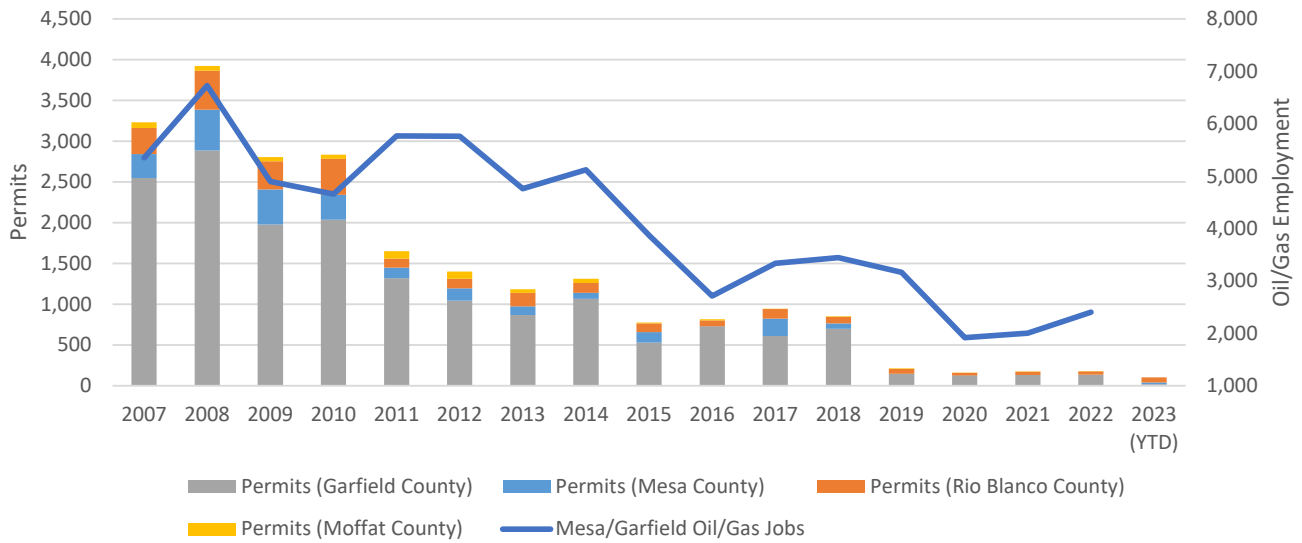
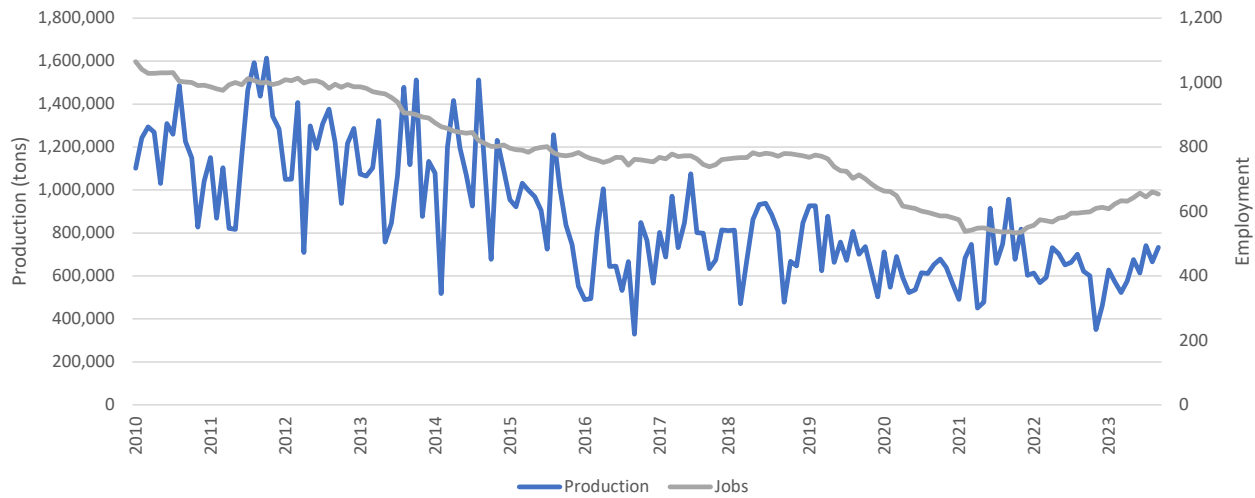


Figure 17:
NW Colorado Coal Jobs and Production



Western Slope Drilling Activity

WTI oil prices fell from a peak of \$114.84 in June 2022 to a recent low of \$70.25, rising every month since, with October averaging \$85.84. Natural Gas prices went on the same roller coaster, peaking in the summer of 2022 at \$8.81, falling to \$2.15 in early 2023, and unlike oil, staying low, at \$2.98 in October. The Energy Information Agency forecasts that U.S. natural gas exports will reach a record in 2023, as the U.S. is the largest LNG exporter in the world as of early 2023. Oil prices are expected to rise due to further Saudi Arabia crude oil production cuts through the end of 2023. The EIA forecasts Brent crude oil prices at \$96 per barrel by early 2024.

Regional Mining Activity

Total coal production was down year over year by 2%, while coal jobs were up close to 10% (comparing year to date through September for 2023 and 2022). Foidel Creek Mine continues to see an increase in mining jobs, with Trapper Mine also seeing a slight increase.

NATIONAL ECONOMIC INDICATORS

| | Q3 2023 | Q2 2023 | Q3 2022 | % change since last period | % change since last year (comparable quarters) |
|--|----------|----------|-----------|----------------------------|--|
| Business Cycle Indicators | | | | | |
| Real GDP | 4.90% | 2.10% | 2.70% | 2.80% | 2.20% |
| Personal Consumption Expenditures | 4.00% | 0.80% | 1.60% | 3.20% | 2.40% |
| Gross Private Domestic Investment | 8.40% | 5.20% | -7.60% | 3.20% | 16.00% |
| National Consumer Confidence | 69.6 | 62.3 | 56.1 | 11.72% | 24.06% |
| Industrial Production Index | 103.4 | 102.8 | 103.3 | 0.62% | 0.10% |
| Initial Weekly Unemployment Claims (4 week MA) | 230,911 | 240,077 | 209,231 | -3.82% | 10.36% |
| Non Farm Payroll Change (in thousands) | 608,667 | 666,667 | 1,287,333 | -8.70% | -52.72% |
| Unemployment | | | | | |
| Unemployment Rate-U3-SA | 3.70% | 3.60% | 3.60% | 0.10% | 0.10% |
| Unemployment Rate-U6-SA | 6.90% | 6.70% | 6.80% | 0.20% | 0.10% |
| Interest Rates | | | | | |
| Federal Funds Rate | 5.25% | 4.98% | 2.16% | 0.27% | 3.09% |
| 10 Year U.S. Treasury | 4.15% | 3.59% | 3.11% | 0.56% | 1.04% |
| 30 Year U.S. Treasury | 4.24% | 3.81% | 3.26% | 0.43% | 0.98% |
| Inflation Measures | | | | | |
| Inflation Rate (CPI) | 3.57% | 4.05% | 8.28% | -0.49% | -4.72% |
| Core Inflation Rate (All Items Less Food and Energy) | 4.41% | 5.24% | 6.28% | -0.83% | -1.87% |
| Inflation Rate (Shelter) | 7.35% | 7.97% | 6.19% | -0.62% | 1.16% |
| Producer Price Index (PPI) | -4.80% | -6.63% | 15.52% | 1.84% | -20.31% |
| Employment Cost Index | 4.42% | 4.54% | 5.05% | -0.12% | -0.63% |
| Stock Prices | | | | | |
| S&P 500 | 4,458 | 4,206 | 3,980 | 5.99% | 12.00% |
| Dow Jones Industrial Average | 34,669 | 33,643 | 31,774 | 3.05% | 9.11% |
| Trade Balance and Debt | | | | | |
| Trade Balance (% of GDP) | -784.581 | -806.093 | -892.026 | -2.67% | -12.05% |
| Federal Debt (% of GDP)* | 119.5% | 117.3% | 119.7% | 2.1% | -0.2% |

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 24:
Real GDP for U.S.

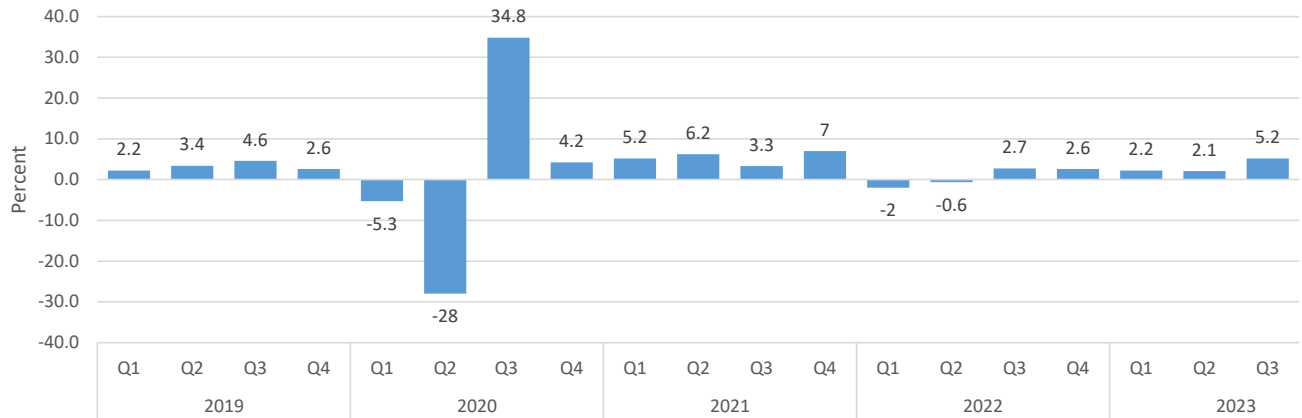
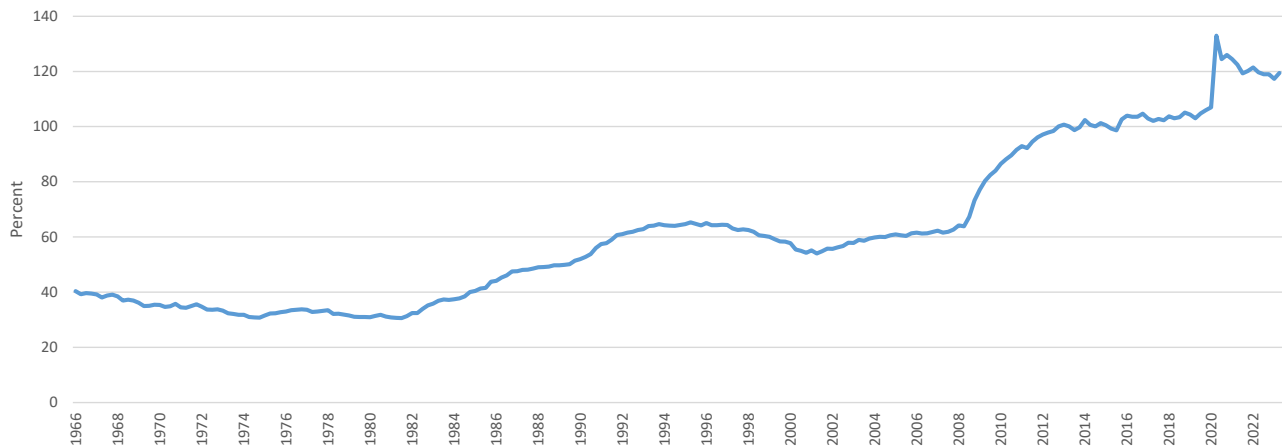


Figure 25:
U.S. Debt/GDP



Economic Growth

U.S. GDP growth for Q3 2023 was 4.9%, later revised to 5.2%. The Atlanta Federal Reserve’s GDPNow estimates 1.2% growth for Q4. The unemployment rate remains low at 3.9%. The labor market remains tight, although seems to be slowing. Wages are starting to fall as seen in figure 29, which is one of the Federal Reserve’s goals, as rising wages contribute to inflation.

Inflation and Interest Rates

Inflation for October came in at 3.2%, falling from the previous months’ number. Shelter still remains high at 6.7%, but is falling, while food is at 3.2% and falling. Falling energy prices from the previous year continue to help inflation numbers.

The biggest story the last few months is the rise in long term interest rates, specifically the 10 year treasury bond. The 10 year treasury bond is important because it is what mortgage rates are based on. Figure 30 shows the yield curve, and specifically illustrates the 10 year treasury minus the 2 year treasury. Normally, a 10 year bond will have a higher yield or interest rate than a 2 year bond, but when the yield curve becomes inverted, this

reverses. This has been a signal for recession, and is quite an accurate signal. Normally, short term interest rates fall to cause the yield curve to revert back to its normal shape. This time, short term yields are not falling, it is long term yields that are rising, which is pushing the yield curve back to its normal shape.

As discussed in the real estate section, there are several factors pushing yields higher: Inflation, U.S. treasury debt rising, lack of Federal Reserve purchasing of bonds, etc. Specifically, U.S. debt levels jumped since 2020 (figure 25), and with higher interest rates the servicing on this debt becomes expensive. High interest rates combined with debt now make U.S. debt servicing a larger part of the Federal budget, which will limit spending options in the future. The Federal Reserve is expected to pause interest rate hikes because there is a lagged impact to monetary policy on inflation, and with long term yields rising on their own, the Fed does not have to be as aggressive.

Figure 26:
CPI (Inflation) Release from the Bureau of Labor Statistics (reproduced from BLS.gov)

| | Seasonally adjusted changes from preceding month | | | | | | | Un-adjusted 12-mos. ended Oct. 2023 |
|---|--|----------|-----------|-----------|-----------|-----------|-----------|-------------------------------------|
| | Apr. 2023 | May 2023 | Jun. 2023 | Jul. 2023 | Aug. 2023 | Sep. 2023 | Oct. 2023 | |
| All items..... | 0.4 | 0.1 | 0.2 | 0.2 | 0.6 | 0.4 | 0.0 | 3.2 |
| Food..... | 0.0 | 0.2 | 0.1 | 0.2 | 0.2 | 0.2 | 0.3 | 3.3 |
| Food at home..... | -0.2 | 0.1 | 0.0 | 0.3 | 0.2 | 0.1 | 0.3 | 2.1 |
| Food away from home ¹ | 0.4 | 0.5 | 0.4 | 0.2 | 0.3 | 0.4 | 0.4 | 5.4 |
| Energy..... | 0.6 | -3.6 | 0.6 | 0.1 | 5.6 | 1.5 | -2.5 | -4.5 |
| Energy commodities..... | 2.7 | -5.6 | 0.8 | 0.3 | 10.5 | 2.3 | -4.9 | -6.2 |
| Gasoline (all types)..... | 3.0 | -5.6 | 1.0 | 0.2 | 10.6 | 2.1 | -5.0 | -5.3 |
| Fuel oil ¹ | -4.5 | -7.7 | -0.4 | 3.0 | 9.1 | 8.5 | -0.8 | -21.4 |
| Energy services..... | -1.7 | -1.4 | 0.4 | -0.1 | 0.2 | 0.6 | 0.5 | -2.3 |
| Electricity..... | -0.7 | -1.0 | 0.9 | -0.7 | 0.2 | 1.3 | 0.3 | 2.4 |
| Utility (piped) gas service..... | -4.9 | -2.6 | -1.7 | 2.0 | 0.1 | -1.9 | 1.2 | -15.8 |
| All items less food and energy..... | 0.4 | 0.4 | 0.2 | 0.2 | 0.3 | 0.3 | 0.2 | 4.0 |
| Commodities less food and energy commodities..... | 0.6 | 0.6 | -0.1 | -0.3 | -0.1 | -0.4 | -0.1 | 0.1 |
| New vehicles..... | -0.2 | -0.1 | 0.0 | -0.1 | 0.3 | 0.3 | -0.1 | 1.9 |
| Used cars and trucks..... | 4.4 | 4.4 | -0.5 | -1.3 | -1.2 | -2.5 | -0.8 | -7.1 |
| Apparel..... | 0.3 | 0.3 | 0.3 | 0.0 | 0.2 | -0.8 | 0.1 | 2.6 |
| Medical care commodities ¹ | 0.5 | 0.6 | 0.2 | 0.5 | 0.6 | -0.3 | 0.4 | 4.7 |
| Services less energy services..... | 0.4 | 0.4 | 0.3 | 0.4 | 0.4 | 0.6 | 0.3 | 5.5 |
| Shelter..... | 0.4 | 0.6 | 0.4 | 0.4 | 0.3 | 0.6 | 0.3 | 6.7 |
| Transportation services..... | -0.2 | 0.8 | 0.1 | 0.3 | 2.0 | 0.7 | 0.8 | 9.2 |
| Medical care services..... | -0.1 | -0.1 | 0.0 | -0.4 | 0.1 | 0.3 | 0.3 | -2.0 |

¹ Not seasonally adjusted.

Figure 27:
Inflation Rate and 10 Year Treasury

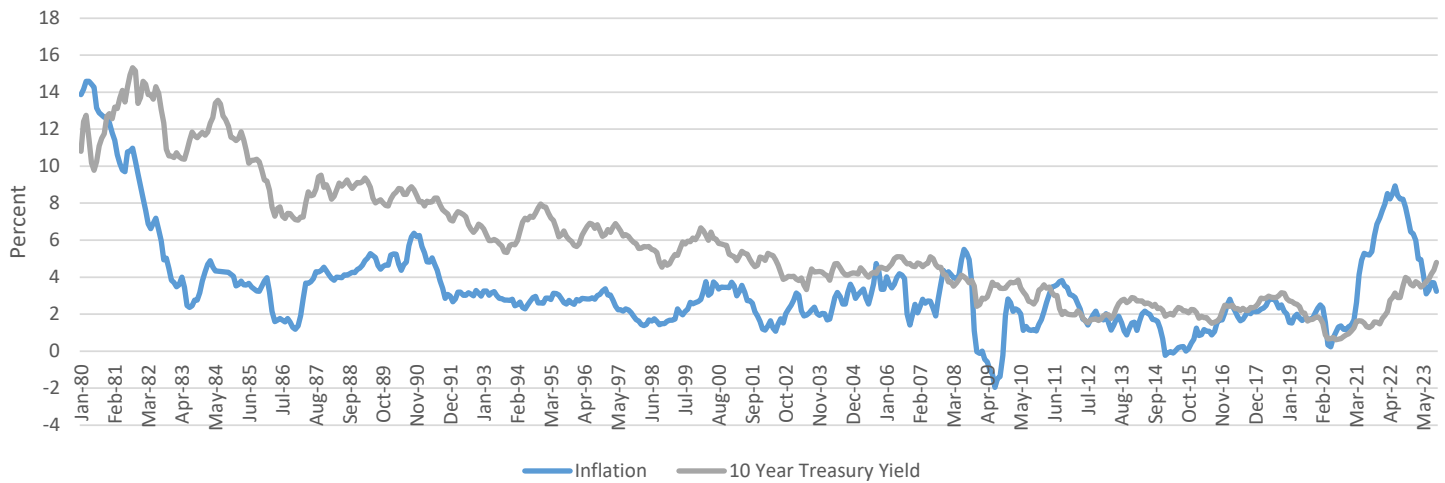


Figure 28:
Unemployment Rate

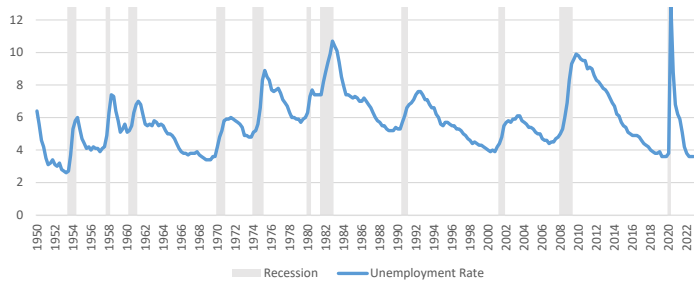


Figure 29:
Employment Cost Index

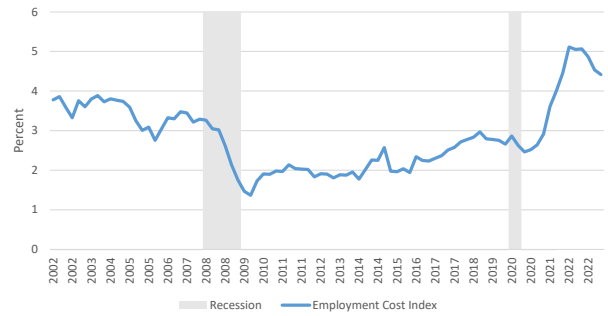
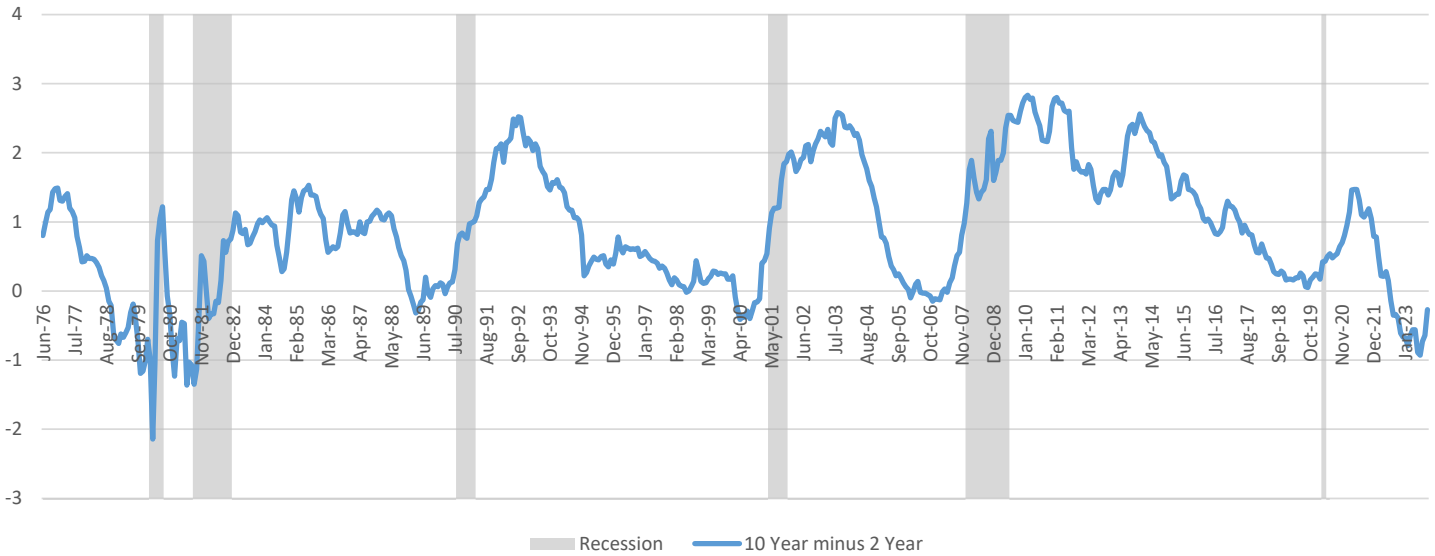


Figure 30:
Yield Curve: 10 Year Treasury minus 2 year Treasury



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ECONOMIC DEVELOPMENT DISTRICT

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



The Rio Blanco County Economic Update is compiled and written by Dr. Nathan Perry, Associate Professor of Economics at Colorado Mesa University, and funded by the Associated Governments of Northwest Colorado.

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