

DELTA COUNTY ECONOMIC UPDATE

October, 2024



The Delta Economic Update is in part funded by One Delta County

Economic Summary

- The September unemployment rate in Delta County is 4.1% (non-seasonally adjusted), slightly higher than the national average of 3.9% (non-seasonally adjusted). Following multiple years of declining labor force numbers, 2024 has seen a notable recovery in Delta County's labor force.
- Delta County sales taxes were up 8.02% compared to last year, while the City of Delta's sales/use taxes also saw growth. However, lodging taxes have remained relatively flat, showing a slight decrease of 0.71%.
- This newsletter covers industrial diversification and measures a Hachman Index and a Herfindahl Hirshman Index (HHI) in an attempt to quantify if Delta County has indeed become more diverse.
- U.S. GDP growth for Q2 2024 remained strong at 3%, while inflation continued to decline, reaching 2.3% by August.

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LOCAL ECONOMIC INDICATORS

| | Q2 2024 | Q1 2023 | Q2 2023 | change since last quarter | change since last year (comparable quarters) |
|--|-------------------|---------|-------------------|---------------------------|--|
| Local Labor Market | | | | | |
| Unemployment Rate Delta County- NSA | 3.87% | 4.87% | 3.43% | -1.00% | 0.43% |
| Unemployment Rate Colorado - NSA | 3.80% | 4.00% | 3.10% | -0.20% | 0.70% |
| Unemployment Rate U.S. - NSA | 3.80% | 4.10% | 3.40% | -0.30% | 0.40% |
| Labor Force | 14,309 | 13,419 | 13,665 | 890 | 644 |
| Employed | 13,756 | 12,766 | 13,196 | 990 | 560 |
| Unemployed | 553 | 653 | 469 | -100 | 84 |
| Business Confidence | | | | | |
| Leeds Colorado Business Confidence Index | 53.7 | 39.8 | 45.1 | 34.92% | 19.07% |
| Sales/Use Taxes | | | | | |
| | 2024 (YTD) | | 2023 (YTD) | | |
| City of Delta Sales/Use Taxes (as of March) | \$1,922,302 | | \$1,887,895 | | 1.82% |
| Delta County Sales/Use Tax (as of July) | \$5,071,181 | | \$4,694,777 | | 8.02% |
| Lodging Tax (as of July) | \$50,543 | | \$50,903 | | -0.71% |
| Business Filings | | | | | |
| | 2024 (YTD) | | 2023 | | |
| Delta County New Business Entity Filings (through September) | 465 | | 658 | | |

| Standard of Living and Growth | 2022 | 2021 | 2020 | 2019 | % change from previous year |
|--|-------------|-------------|-------------|-------------|-----------------------------|
| Population (Census) | 31,746 | 31,560 | 31,392 | 31,056 | 0.59% |
| | 2023 | 2022 | 2021 | 2020 | |
| Gross Domestic Product (GDP) | \$864,046 | \$848,581 | \$865,487 | \$857,113 | 1.82% |
| Personal Income | \$1,504,032 | \$1,450,878 | \$1,328,211 | \$1,197,461 | 3.66% |
| Personal Income Per Capita | \$47,593 | \$46,231 | \$42,775 | \$38,428 | 2.95% |
| Median Household Income | \$53,910 | \$52,403 | \$53,553 | \$51,525 | 2.88% |
| Percent of Population Below Poverty Line | 15.0% | 16.9% | 18.1% | 18.3% | -1.90% |

SOURCES IN ORDER OF LISTING: State and 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; Leeds Colorado Business Confidence Index: Leeds School of Business; Sales/Use Tax information: City of Delta and Delta County; Business Permits: Colorado Secretary of State's Office; Population, poverty, and median household income: U.S. Census Bureau; Personal income: 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 Delta County labor market continues to show growth, with summer 2024 employment numbers surpassing those of 2023. As of August 2024, there are 13,756 people employed in Delta County, compared to 13,196 in August 2023. Figure 1 illustrates the yearly employment average, showing Delta County with a yearly employment estimate (through August) of approximately 13,408.

Figure 4 shows the labor force changes over the last several years. Six months ago, Delta County's labor force was experiencing a consistent downward trend. However, over the summer, this trend was reversed, with the labor force increasing significantly since April.

The September unemployment rate for Delta is 4.1% (non-seasonally adjusted), slightly higher than the national average of 3.9% (non-seasonally adjusted). This employment data is from the state and has a fairly small sample size at the county level. Employment estimates are by place of residence, and individuals are counted as employed once even if they have multiple jobs.

The jobs data from the Bureau of Economic Analysis (BEA) provides a more detailed perspective, as it is based on place of work and accounts for individuals with more than one job. However, this data comes with a lag, with the most recent figures available from 2022. In that year, Delta County recorded 13,408 jobs. Leading industries by employment include government (2,702 jobs), retail trade (1,791 jobs), and healthcare and social assistance (1,575 jobs) (Figure 2).

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

| | Labor Force | Employed | Unemployed |
|------------------|-------------|----------|------------|
| Annual | 644 | 560 | 84 |
| 5-Year | 160 | 41 | 119 |
| 10-Year | 699 | 1,139 | -440 |
| Annual % | 4.7% | 4.2% | 17.9% |
| 5-Year % | 1.1% | 0.3% | 27.4% |
| 10-Year % | 5.1% | 9.0% | -44.3% |

Other Indicators

Delta County sales taxes were up 8.02% compared to last year, while the City of Delta's sales/use taxes also saw growth, reflecting year-to-date comparisons as of July (Figure 5). However, lodging taxes have remained relatively flat, showing a slight decrease of 0.71%.

Business entity filings in Delta County have shown consistent growth over the past decade. In 2015, business entity filings stood at 342, reaching a peak of 658 in 2023. As of 2024 (through September), there have been 465 new business filings, continuing the long-term trend of entrepreneurial activity in the region.

Figure 1:
Employment Estimate

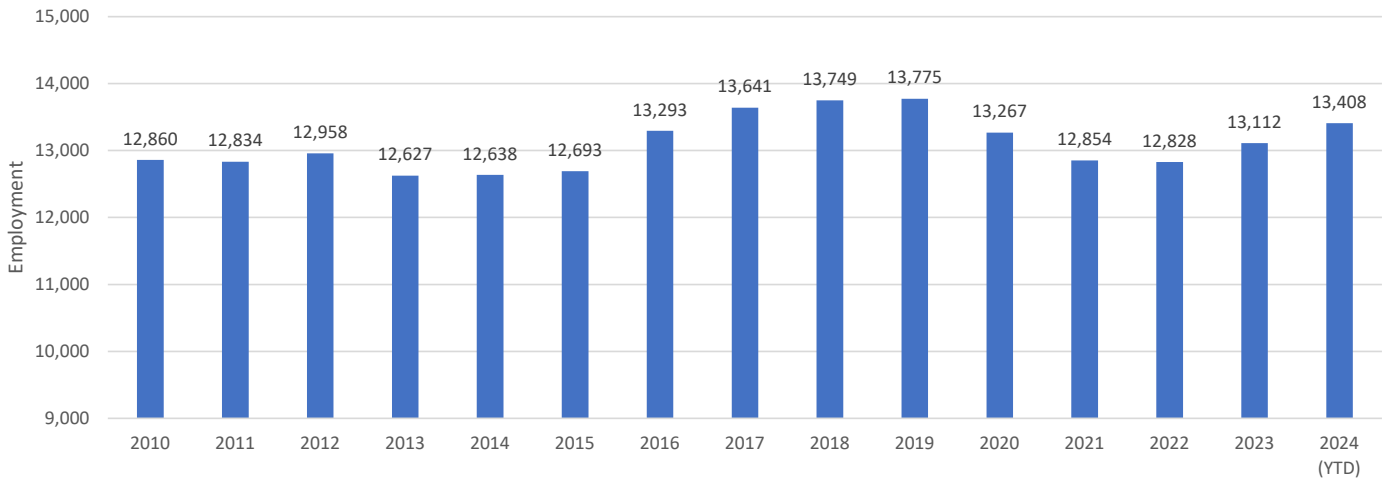


Figure 2:
Jobs by Industry

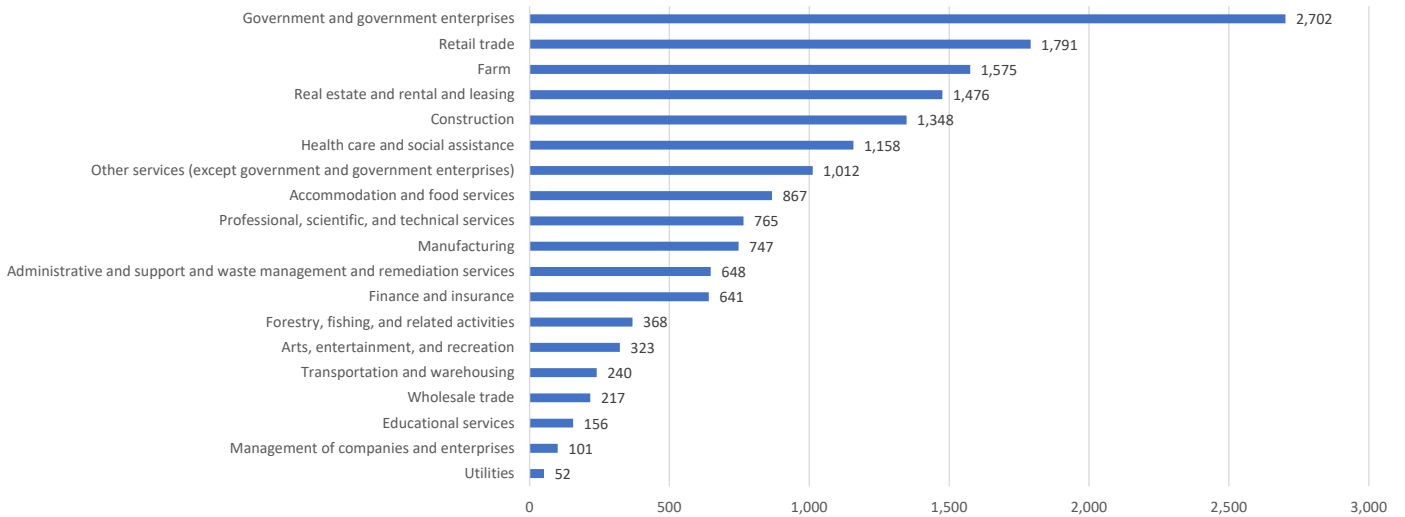


Figure 3:
Total Full and Part Time Jobs (BEA)



Figure 4:
Delta County Labor Force

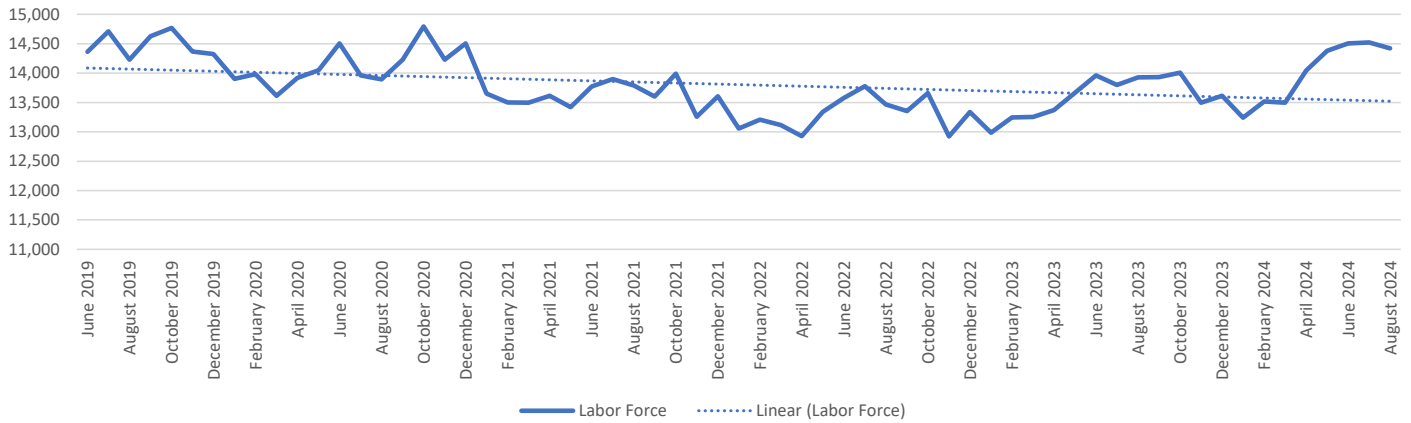


Figure 5:
Delta Sales Taxes

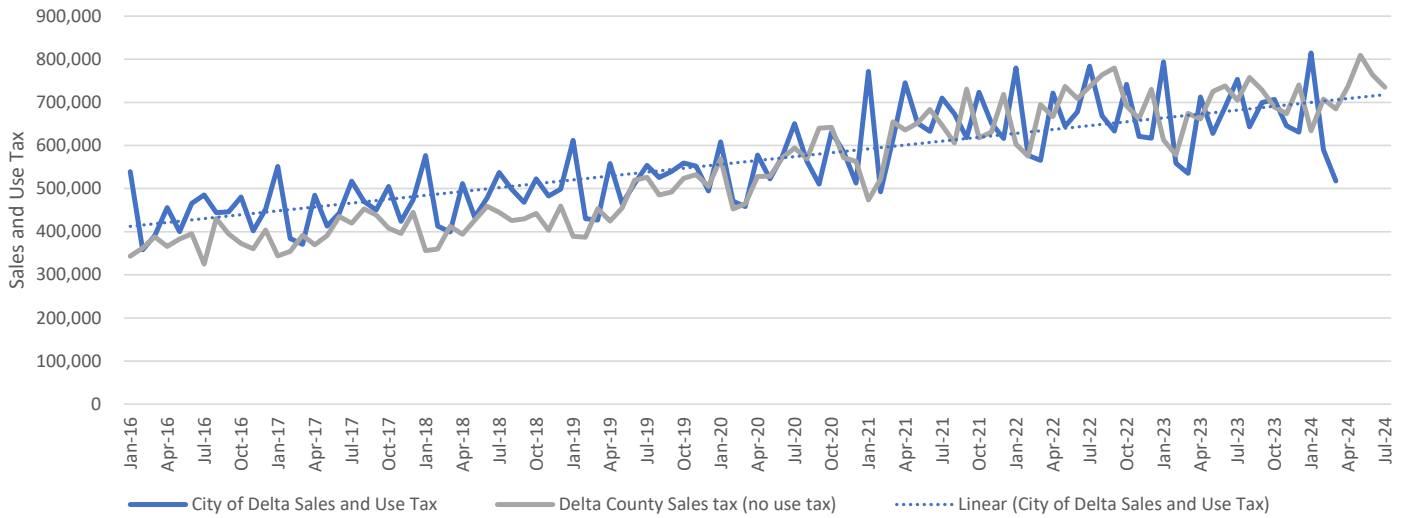
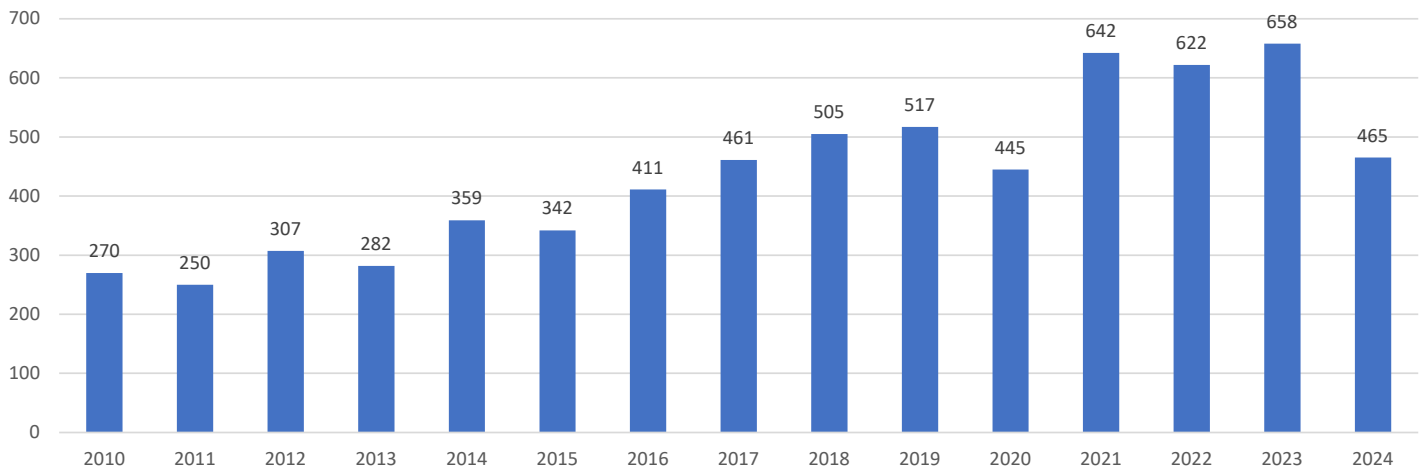


Figure 6:
Delta County Business Entity Filings



Standard of Living Measures

Standard of living measures were released in December for 2022. Delta County GDP for 2022 grew by 1.8% compared to 2021. The Bureau of Economic Analysis recently updated their GDP estimates. Figure 8 illustrates real GDP, and shows Delta grew by 1.8%.

Delta County median household income rose from \$52,403 in 2021 to \$53,910 in 2022 (figure 9). Median household income is an estimate with a fairly large confidence interval, so it is important not to overreact to one number that changes.

The Census Department's SAIPE program (Small Area Income and Poverty Estimates) released their most recent poverty estimate, with Delta County's poverty rising to 14.6% (up from 13.9%) (figure 11).

Personal income per capita increased from \$46,231 in 2021 to \$47,593 in 2022. Per capita personal income is a measure of all personal income in the county divided by the population. Per capita personal income has increased drastically the last decade (figure 10).

Figure 7:
Western Slope GDP % Change 2022

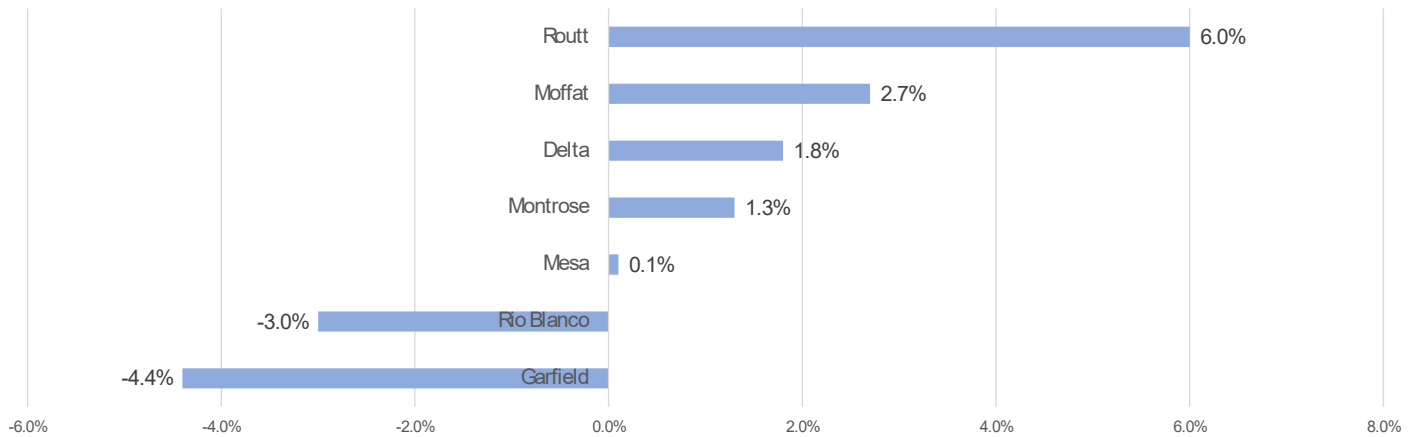


Figure 8:
Delta County Real GDP % Change (chained 2017 dollars)

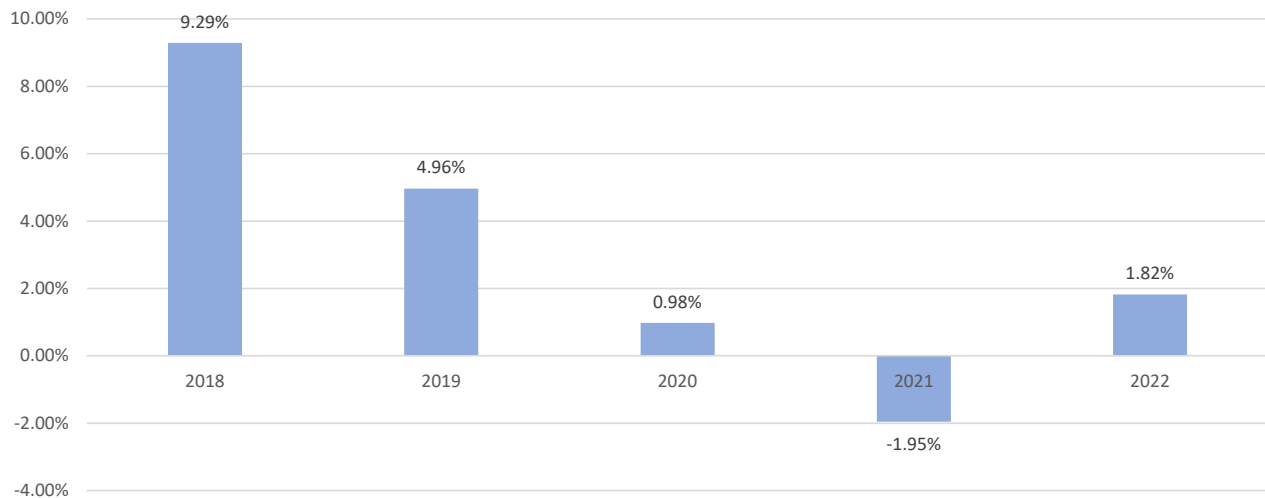


Figure 9:
Delta County Median Household Income

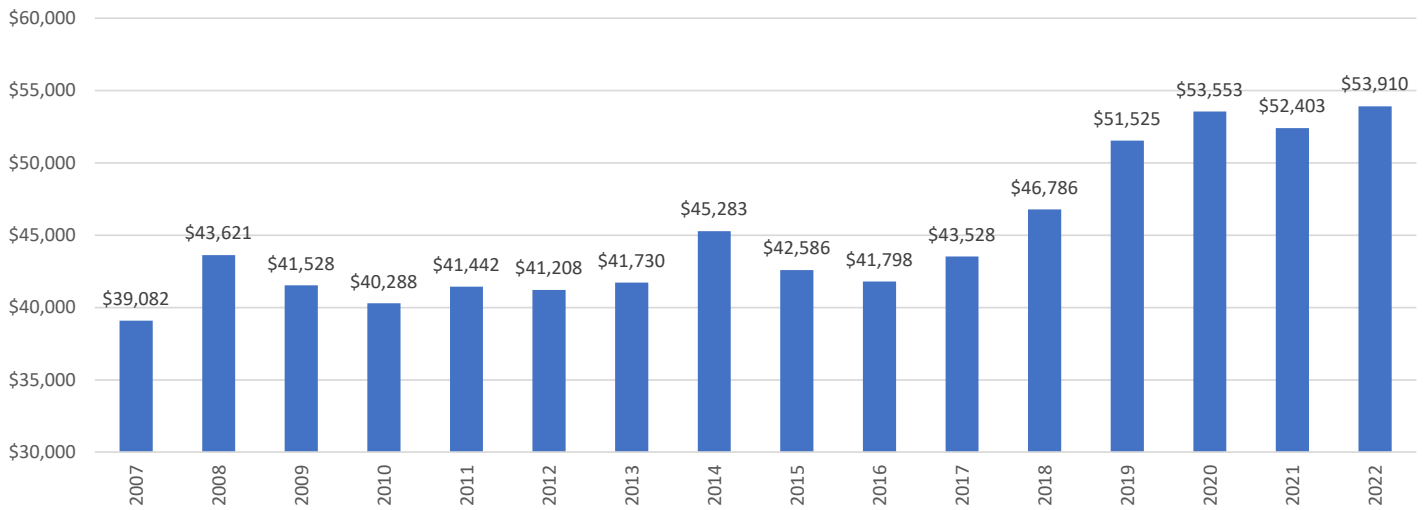


Figure 10:
Delta County Per Capita Income

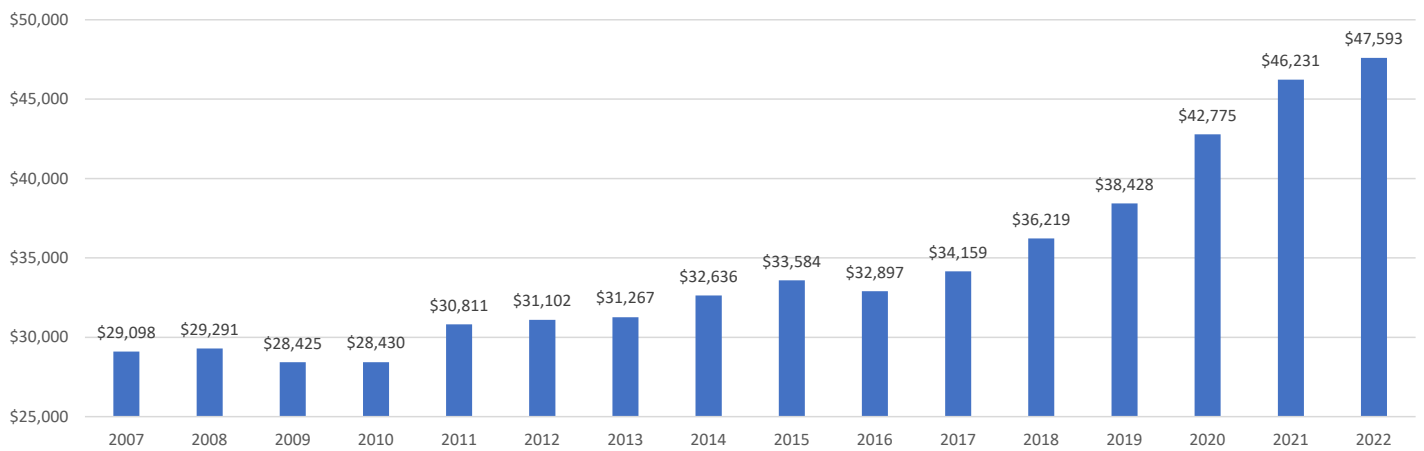
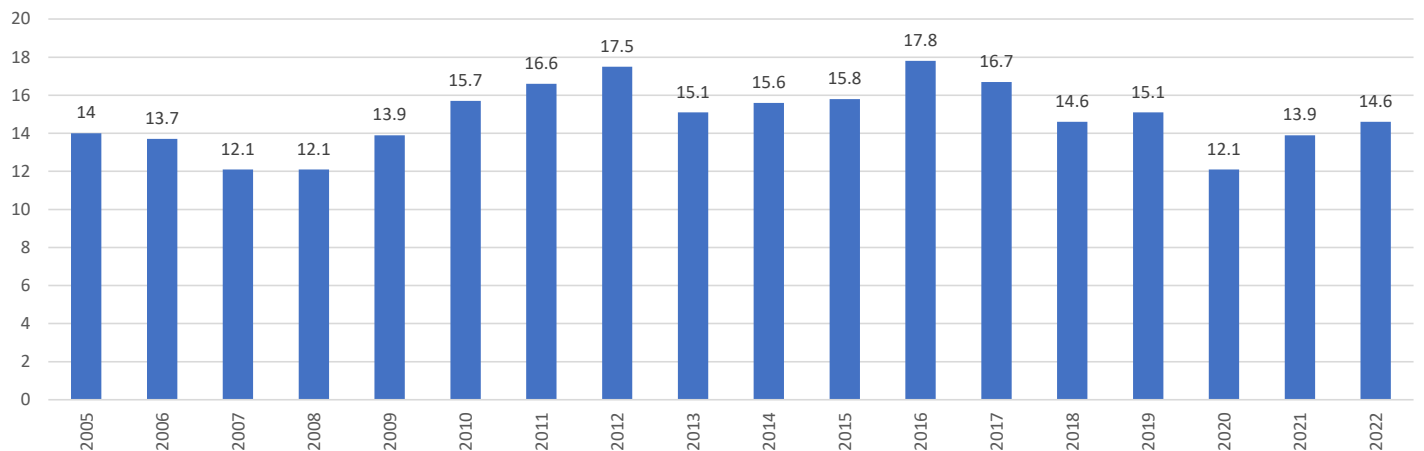


Figure 11:
Delta County Poverty Rate



Population Trends

The Colorado State Demography Office produces population estimates and population forecasts. Table 2 illustrates these forecasts for the Western Slope counties. Delta County is expected to grow from the previous 2020 estimate of 31,052 to 33,286 in 2030, 35,029 in 2040, to 35,769 in 2050. Population is a function of birth rate, death rate, and migration. Delta County has a higher birth rate than death rate which means natural population growth is not what is expected to push Delta County's population higher. It is in fact migration that is expected to fuel Delta County's 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 |

Table 3:
**Delta County Population Change Breakdown,
 Colorado State Demography Office**

| | Population | Change | Births | Deaths | Net Migration |
|-------------|------------|--------|--------|--------|---------------|
| 2018 | 31,033 | 330 | 280 | 438 | 488 |
| 2019 | 31,237 | 204 | 269 | 407 | 342 |
| 2020 | 31,052 | -185 | 277 | 416 | -46 |
| 2021 | 31,386 | 334 | 300 | 489 | 523 |
| 2022 | 31,581 | 195 | 261 | 503 | 437 |
| 2023 | 31,693 | 112 | 264 | 445 | 293 |
| 2030 | 33,286 | 236 | 282 | 484 | 438 |

Industrial Diversification

Figure 12 illustrates the Hachman Index for Delta County. The Hachman Index is an industrial diversification index that compares the industrial composition of Delta County to the industrial composition of Colorado. A higher Hachman Index indicates in this case that Delta County is closer to the composition of Colorado, whereas a lower Hachman Index implies Delta is less like Colorado, with Colorado considered the comparison of diversification. Figure 12 shows that the Hachman Index indicates Delta County has seen a decrease in diversification peaking in 2007, and moving horizontally since 2013.

Another way to measure industrial diversification is through the Herfindah-Hirshman (HHI) Index. This measure only takes into account the market concentration of Delta County, and does not use a comparison to the state like the Hachman Index. A higher HHI indicates more industrial concentration. The HHI shows that from 2014 through 2021 Delta become more concentrated. Notice the small changes on the Y axis on the HHI Index, indicating that the HHI has not moved too much. Ultimately I believe the Hachman Index is a better measure of industrial diversification as it uses Colorado as a comparison baseline.

Figure 12:
Hachman Index Delta County

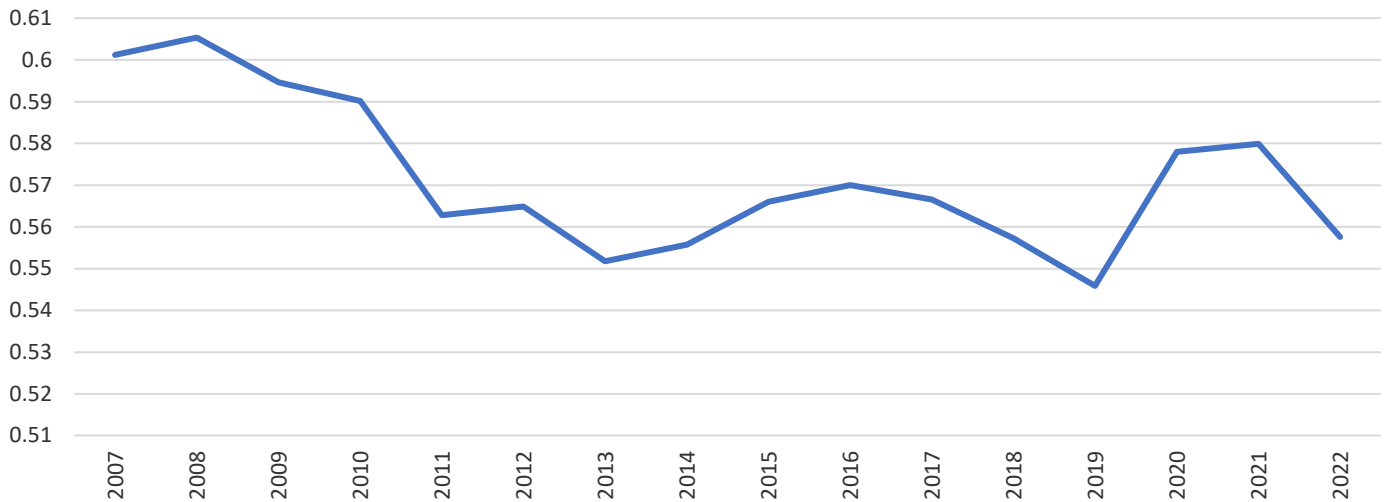
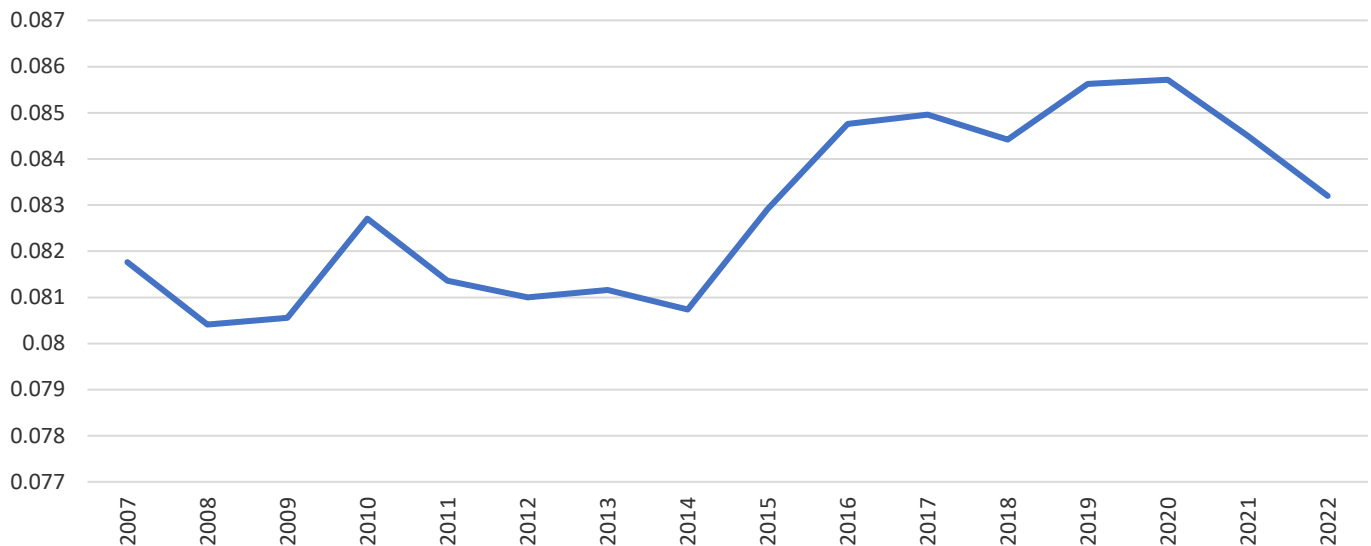


Figure 13:
HHI Index Delta County



Delta County Employment Trends

Q1 2024 QCEW data shows gains in jobs and wages year over year. The largest job gains were in construction (87), finance and insurance (57), and accomodation and food services (55). Healthcare maintains the top spot as the largest wage contributor, with retail trade and public administration coming in second and third. Education is omitted due to limited responses to the QCEW survey. The QCEW survey is by place of work and is a business survey.

Figure 15 is not QCEW data, and instead shows the percentage of retiree income as a percentage of total income. Retirees have a larger impact in Delta County (29.09%) than in Colorado (12.03%) and Mesa County (21.82%), and help to stabilize spending during economic downturns. Conversely, inflation can hit retirees harder than other groups, hence the downward trend from last year.

Table 2:
Quarterly Census of Employment and Wages (QCEW) Q3 2023 Compared to Q3 2022

| Sector | Average Employment | Total Quarterly Wages | Average Weekly Wage | Total Wage Change | Total Employment Change |
|--|--------------------|-----------------------|---------------------|-------------------|-------------------------|
| Total, All Industries | 8,557 | \$97,136,082 | 873 | \$5,115,409 | 229 |
| Health Care and Social Assistance | 1,588 | \$19,899,635 | 964 | \$704,411 | -21 |
| Public Administration | 784 | \$11,117,911 | 1,090 | \$1,252,078 | 24 |
| Retail Trade | 1,197 | \$10,931,847 | 702 | -\$152,456 | 13 |
| Construction | 577 | \$7,828,361 | 1,044 | \$1,550,797 | 87 |
| Manufacturing | 576 | \$6,683,323 | 892 | \$716,687 | 33 |
| Finance and Insurance | 329 | \$6,263,634 | 1,464 | \$1,446,580 | 57 |
| Agriculture, Forestry, Fishing & Hunting | 360 | \$3,878,837 | 829 | \$285,494 | 33 |
| Accommodation and Food Services | 725 | \$3,746,620 | 398 | \$91,875 | 55 |
| Administrative and Waste Services | 351 | \$3,717,826 | 815 | -\$104,520 | 9 |
| Professional and Technical Services | 230 | \$3,281,465 | 1,096 | -\$364,829 | 8 |
| Other Services, Ex. Public Admin | 275 | \$2,884,547 | 808 | \$144,275 | -2 |
| Transportation and Warehousing | 137 | \$1,849,016 | 1,041 | \$287,422 | 19 |
| Wholesale Trade | 127 | \$1,489,729 | 900 | -\$148,351 | 5 |
| Information | 100 | \$1,143,438 | 880 | -\$399,857 | -15 |
| Utilities | 49 | \$926,002 | 1,464 | \$4,870 | 2 |
| Real Estate and Rental and Leasing | 76 | \$684,864 | 690 | -\$938,447 | -71 |
| Management of Companies and Enterprises | 23 | \$382,978 | 1,281 | -\$159,753 | -7 |
| Mining | 13 | \$219,129 | 1,331 | \$20,242 | 2 |
| Arts, Entertainment, and Recreation | 33 | \$184,997 | 431 | \$11,187 | 0 |

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 | 2022 | 2021 | 2020 | 2019 | % change from 2021 |
|-----------------------------|-------|-------|-------|-------|--------------------|
| Farm Employment | 1,249 | 1,255 | 1,249 | 1,245 | -0.5% |
| Sole Proprietors (non-farm) | 6,327 | 5,958 | 5,534 | 5,235 | 6.2% |

Figure 14:
Total Wage Change from Q1 2024 to Q1 2024

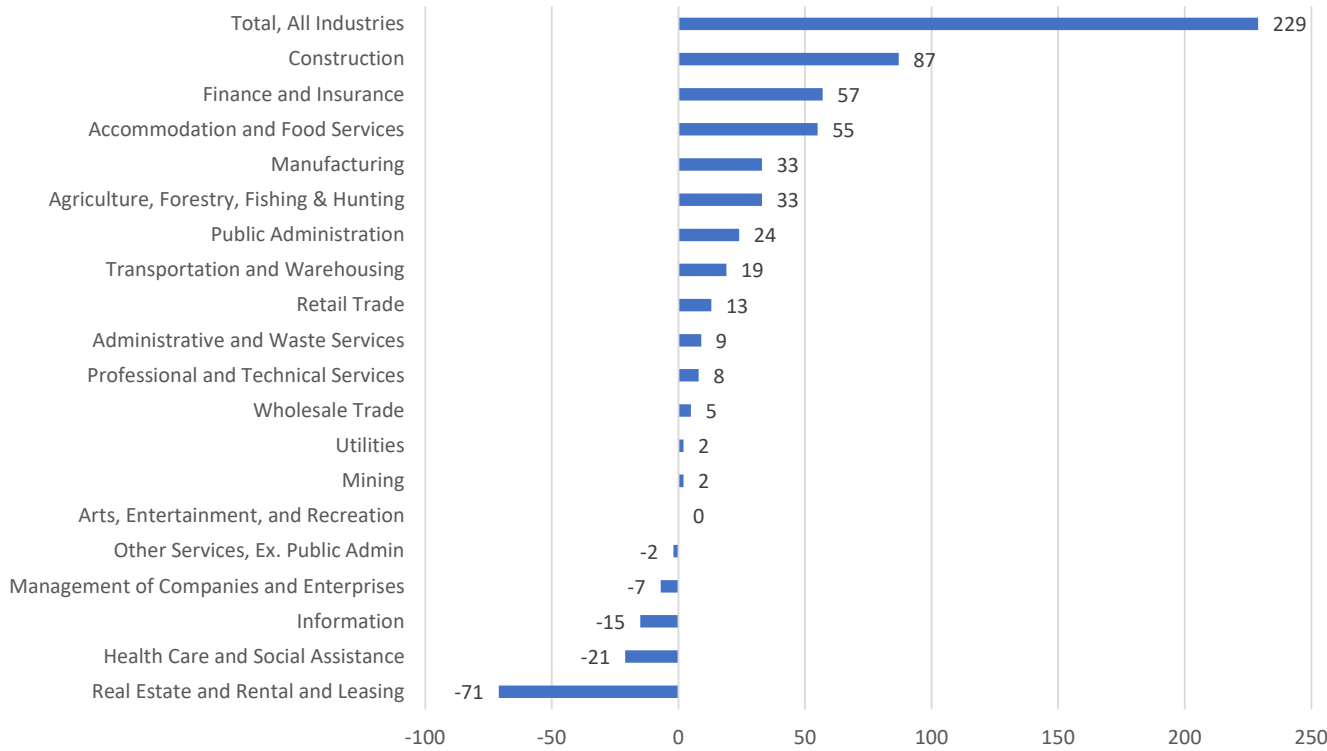
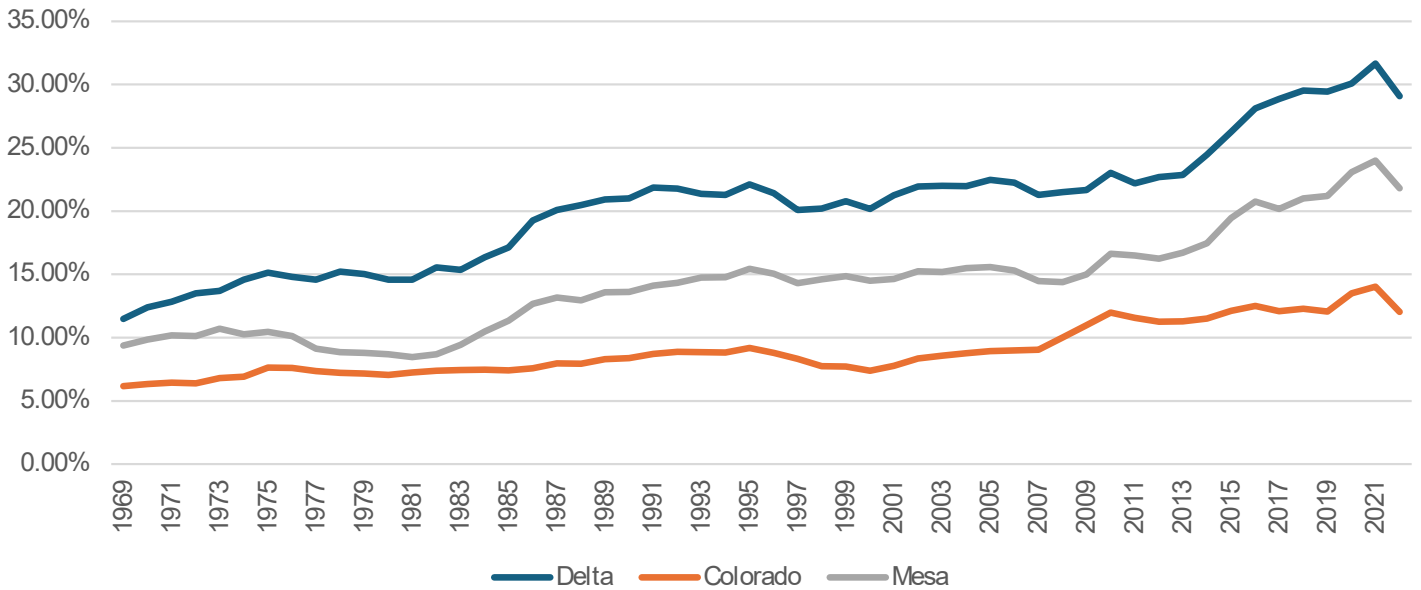


Figure 15:
Retirement Income as a Percent of Total Income



LOCAL REAL ESTATE

| | Q3 2024 | Q3 2023 | % change since last year |
|---|------------|------------|--------------------------|
| Real Estate | | | |
| Inventory of Homes for Sale (3 month avg) | 176 | 177 | -0.75% |
| New Residential listings (3 month total) | 159 | 172 | -7.56% |
| Sold Residential Listings (3 month total) | 114 | 124 | -8.06% |
| Median Sales Price | \$375,233 | \$367,967 | 1.97% |
| Average Sales Price | \$410,532 | \$407,434 | 0.76% |
| Days on Market | 101.67 | 97.67 | 4.10% |
| Months Supply of Inventory | 5.30 | 5.77 | -8.09% |
| Building Permits (Census) | 60 | 223 | -73.09% |
| Foreclosures | | | |
| Foreclosure Filings (YTD) | 6 | 15 | -60.00% |
| Foreclosure Sales (YTD) | 3 | 4 | -25.00% |
| Mortgage Rates | | | |
| | March 2024 | March 2023 | |
| 30 Year Mortgage Rate (August) | 5.68% | 6.43% | -0.75% |
| 15 year Mortgage Rate (August) | 6.50% | 7.07% | -0.57% |

SOURCES IN ORDER OF LISTING: Real Estate Data: Colorado Association of Realtors; Building Permits and Valuation: City of Delta and Orchard City totals; Foreclosure Filings and Sales: Delta County; Mortgage rates: Freddie Mac.

Local Real Estate Indicators

Delta County's real estate market shows home values have stopped increasing, generally moving horizontally for the last couple of years with median prices at \$375,233 and average prices at \$410,532. Inventory has stayed consistent at 176 single family homes for sale, with new listings and sold listings down slightly from last year. Days on market rose slightly, from 97 to 101, while months supply of inventory fell from 5.77 to 5.30. Comparing the first three quarters of 2024 to the first 3 quarters of 2023 we can see that foreclosure filings have fallen from last year.

The mortgage market continues to be challenging for both buyers and sellers. Buyers want homes but cannot afford them at these prices and interest rates. Meanwhile, those who want to sell feel locked into their lower interest rate mortgage and find a lack of inventory when looking to move. Rising interest rates, which are the result of the Federal Reserve's attempt to curve inflation, have dampened buyer demand. Over the summer it was believed that the Federal Reserve would cut rates at a fast rate, but data in September and October show inflation falling and the economy performing well, curbing expectations for as many rate cuts. This could keep mortgage rates higher than many consumers would like to see.

Figure 16:
Foreclosures

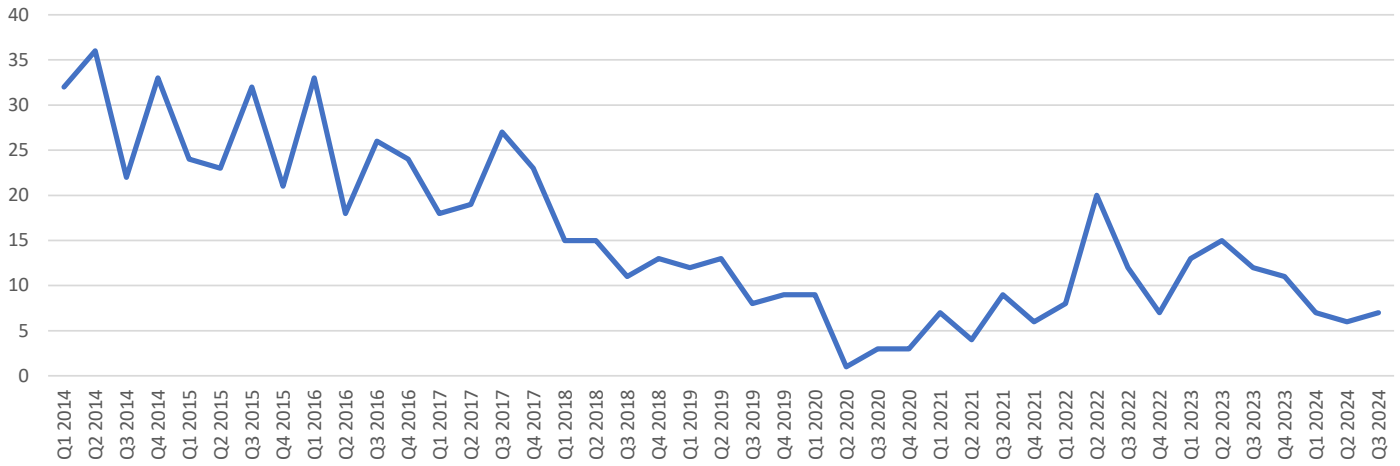


Figure 17:
Median and Average Sales Price

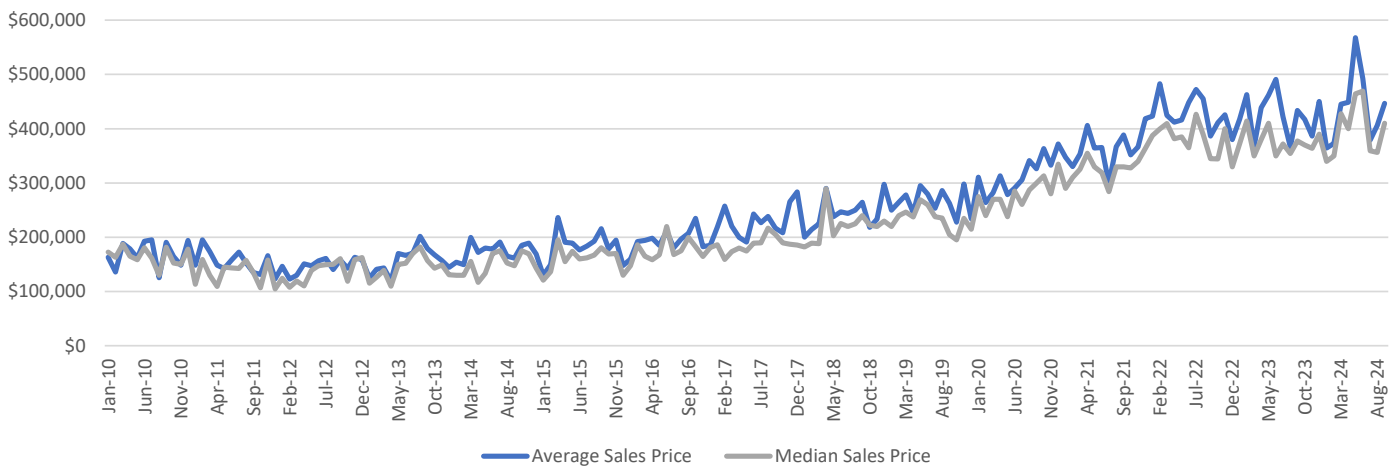


Figure 18:
Months Supply of Inventory



REGIONAL ENERGY

| | Q2 2024 | Q1 2024 | Q2 2023 | % change since last quarter | % change since last year (comparable quarters) |
|--|-----------------|-----------------|----------|-----------------------------|--|
| Energy Prices | | | | | |
| WTI Crude Oil | \$81.81 | \$77.50 | \$73.54 | 5.56% | 11.25% |
| Henry Hub Natural gas | \$2.08 | \$2.13 | \$2.16 | -2.35% | -3.70% |
| Retail Gasoline Price | \$3.42 | \$3.13 | \$3.46 | 9.31% | -1.16% |
| Drilling Permits | | | | | |
| | 2023 | 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 | | | | | |
| | Jul-24 | Apr-24 | Oct-23 | | |
| Rig Count (Western Colorado, Mesa, Rio Blanco, Garfield, Moffat) | 1 | 1 | 3 | | |
| Delta/Gunnison Coal Industry | | | | | |
| | 2024 (YTD, May) | 2023 (YTD, May) | % Change | | |
| Delta/Gunnison Average Monthly Employment for Coal Mining | 294 | 249 | 18.31% | | |
| Delta/Gunnison Coal Production (tons) | 312,184 | 356,001 | -12.31% | | |

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: Colorado Division of Reclamation and Safety.

Figure 19:
Oil and Natural Gas Prices

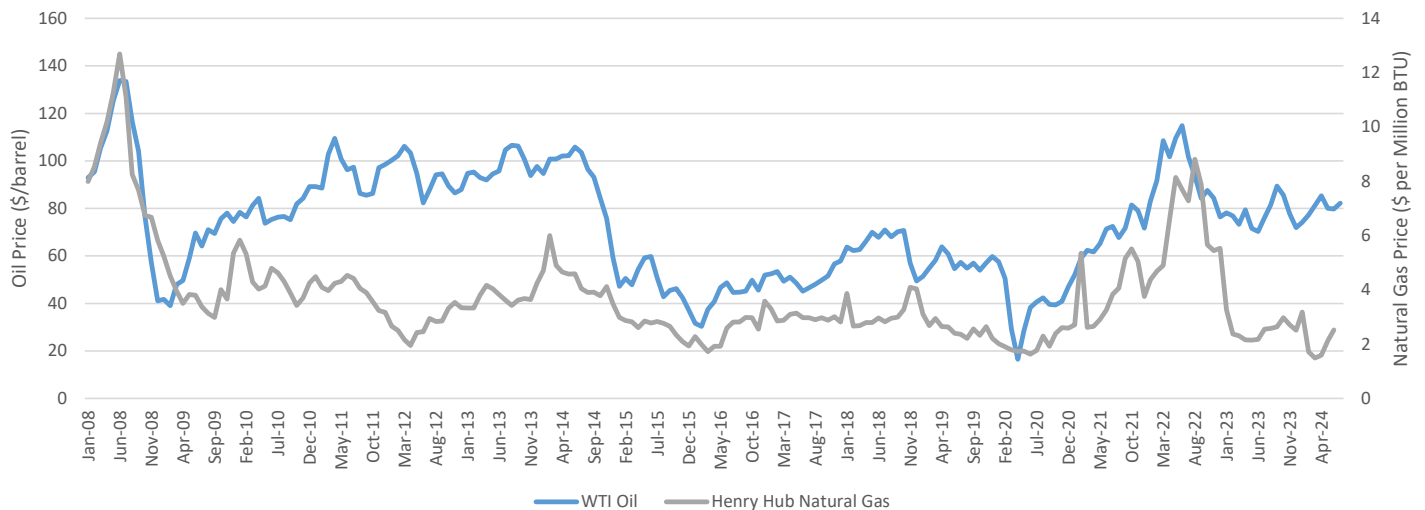


Figure 20:
Delta/Gunnison Coal Production and Employment

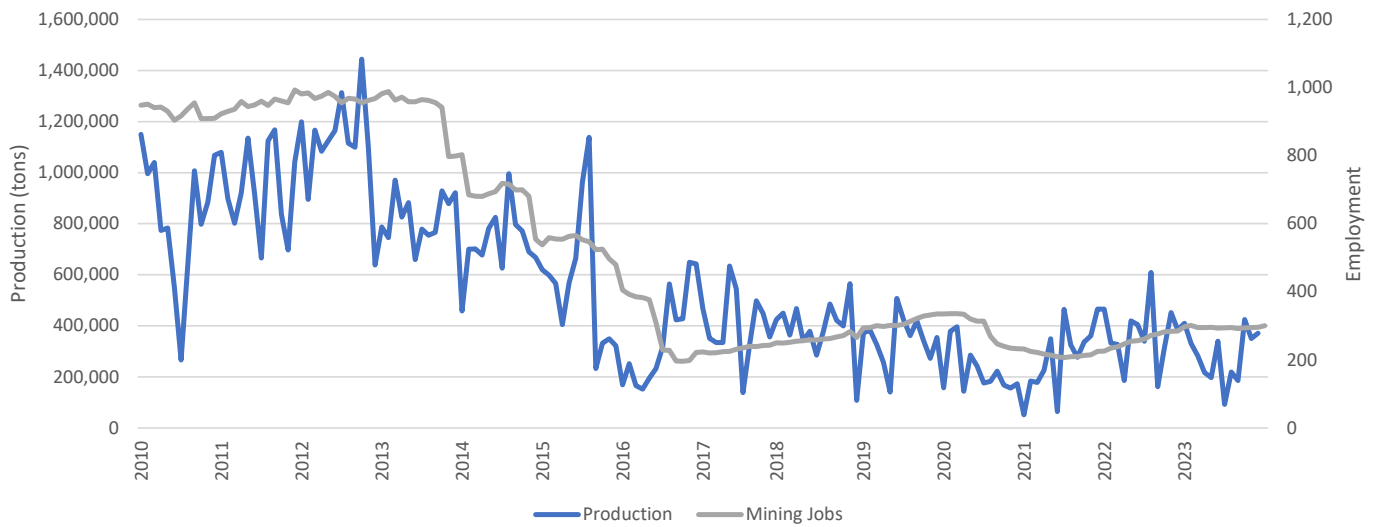
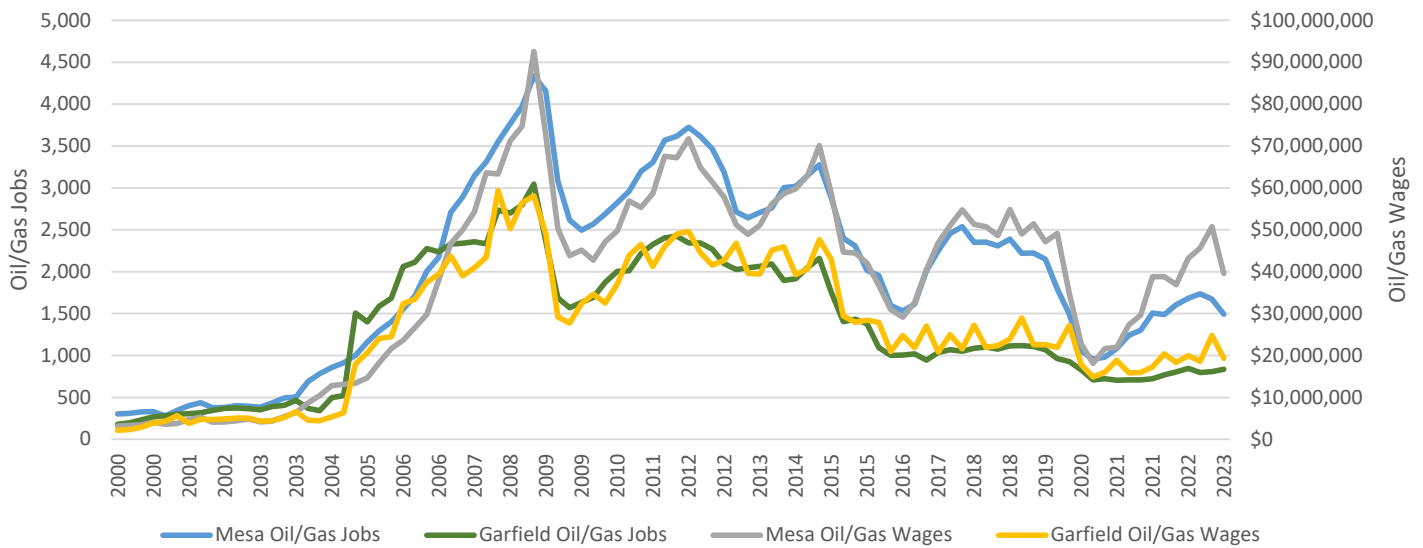


Figure 21:
Mesa and Garfield Oil and Gas Jobs/Wages



Western Slope Energy

WTI oil prices averaged \$81.81 in Q2 2024, and as of early August are in the mid-\$70 range. The Energy Information Agency expects Brent Crude oil price to stay near \$90 per barrel in the second half of 2024 due to geopolitical risks and OPEC+ production cuts. Record amounts of natural gas production have caused natural gas prices to fall, falling to \$2.08 in Q2. The EIA expects natural gas prices to increase to \$2.90 in the second half of 2024. Low prices have forced production cuts, which over several months should increase the price of natural gas. Figure 21 shows Mesa and Garfield oil and gas jobs and wages. These data points don't impact Delta directly but do impact the region.

Coal mining jobs have increased year over year, comparing data through May, rising from 249 in 2023 to 294 in 2024. Production is always volatile and has fallen 12.31% in the same time comparison, but looking at figure 20 it's clear that production has been in a neutral trend since 2016. .

NATIONAL ECONOMIC INDICATORS

| | Q2 2024 | Q1 2024 | Q2 2023 | % change since last period | % change since last year (comparable quarters) |
|--|----------|----------|----------|----------------------------|--|
| Business Cycle Indicators | | | | | |
| Real GDP | 2.80% | 1.40% | 2.10% | 1.40% | 0.70% |
| Personal Consumption Expenditures | 2.30% | 1.50% | 0.80% | 0.80% | 1.50% |
| Gross Private Domestic Investment | 8.40% | 4.40% | 5.20% | 4.00% | 3.20% |
| National Consumer Confidence | 71.5 | 78.4 | 62.3 | -8.80% | 14.77% |
| Industrial Production Index | 103.3 | 102.2 | 102.9 | 1.06% | 0.38% |
| Initial Weekly Unemployment Claims (4 week MA) | 222,038 | 209,558 | 228,788 | 5.96% | -2.95% |
| Non Farm Payroll Change (in thousands) | 597,000 | 770,667 | 753,000 | -22.53% | -20.72% |
| Unemployment | | | | | |
| Unemployment Rate-U3-SA | 4.00% | 3.80% | 3.60% | 0.20% | 0.40% |
| Unemployment Rate-U6-SA | 7.40% | 7.30% | 6.80% | 0.10% | 0.60% |
| Interest Rates | | | | | |
| Federal Funds Rate | 5.33% | 5.33% | 4.98% | 0.00% | 0.35% |
| 10 Year U.S. Treasury | 4.44% | 4.16% | 3.59% | 0.28% | 0.85% |
| 30 Year U.S. Treasury | 4.58% | 4.33% | 3.81% | 0.25% | 0.77% |
| Inflation Measures | | | | | |
| Inflation Rate (CPI) | 3.19% | 3.25% | 4.03% | -0.05% | -0.84% |
| Core Inflation Rate (All Items Less Food and Energy) | 3.43% | 3.81% | 5.23% | -0.38% | -1.80% |
| Inflation Rate (Shelter) | 5.35% | 5.82% | 7.97% | -0.47% | -2.62% |
| Producer Price Index (PPI) | 0.37% | -1.90% | -6.64% | 2.27% | 7.01% |
| Employment Cost Index | 4.09% | 4.19% | 4.54% | -0.11% | -0.45% |
| Stock Prices | | | | | |
| S&P 500 | 5,247 | 4,993 | 4,206 | 5.09% | 24.74% |
| Dow Jones Industrial Average | 38,807 | 38,517 | 33,643 | 0.75% | 15.35% |
| Trade Balance and Debt | | | | | |
| Trade Balance (% of GDP) | -894.362 | -834.896 | -806.093 | 7.12% | 10.95% |
| Federal Debt (% of GDP)* | 122.3% | 121.6% | 117.3% | 0.7% | 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. Regional CPI data from the Bureau of Labor Statistics. Yield Curve from the Federal Reserve Board.

Figure 22:
Real GDP for U.S.

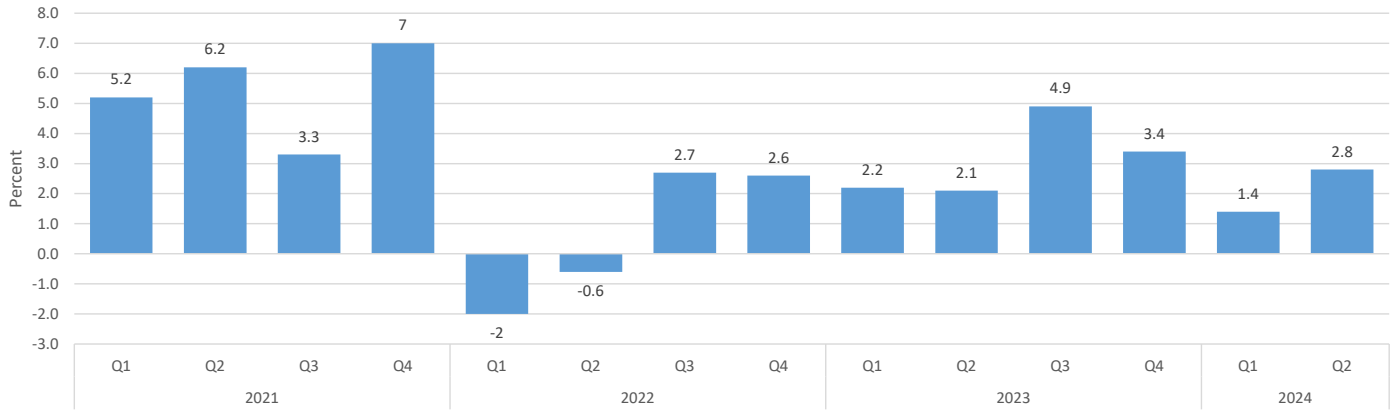
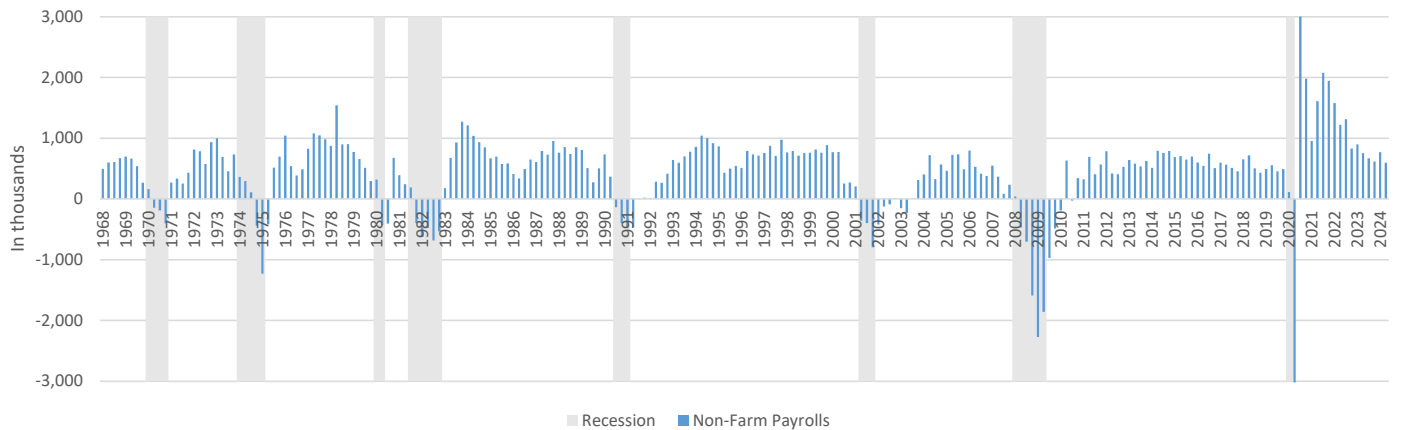


Figure 23:
Non-Farm Payrolls (Quarterly)



Economic Growth

U.S. GDP growth for Q1 was revised to 1.4%, while Q2 growth stood firm at 3%. Despite these gains, downward revisions in key metrics have created uncertainty. The Atlanta Federal Reserve's GDPNow model estimates 2.5% growth for Q3, higher than earlier predictions, but with ongoing concerns about the overall trajectory. The importance of these numbers is underscored by a slowing labor market. Should economic growth falter, recession predictions could gain traction.

The unemployment rate increased to 4.4% in September, after being at 4.2% in August, as non-farm payroll employment rose by 136,000 jobs. However, the pace of job growth continues to decelerate, reinforcing the narrative of a labor market slowdown. The recent data suggests that while jobs are still being added, gains are becoming more modest.

Inflation and Recession Watch

August's inflation rate came in at 2.3%, continuing a downward trend from July's 2.9%, showing that the inflation has likely been tamed. There have been two components to inflation, the supply side and the demand side. On the supply side, the employment cost index (figure 27) shows that the labor market wages have fallen. The U.S. has added a significant number of people to the

labor force through immigration, which in certain sectors pushes wages down. On the demand side, the COVID era fiscal policy that households received have finally been spent. Figure 28 shows that personal savings rates are very low and that people have spent their COVID level savings. The consumer has been pummeled by inflation the last two years and is finally changing spending habits. This can be seen in company earnings calls that are consumer-related. Job growth is slowing and employees can no longer feel confident about finding a different job that pays more, which has been the trend the last three years. These two factors have led to the likely defeat of inflation.

The economic narrative has shifted quickly from August to October. In August, many were worried about an economic slowdown and critical of the Federal Reserve's inaction and lack of urgency to lower rates. In the last two months, economic data has maintained its strength and now the narrative has shifted to the Federal Reserve being more cautious with rate cuts. As of October economic conditions, a recession looks unlikely without some sort of unexpected event.

Figure 24:
CPI (Inflation) Release from the Bureau of Labor Statistics (reproduced from BLS.gov)

| | Seasonally adjusted changes from preceding month | | | | | | | Un-adjusted 12-mos. ended Jul. 2024 |
|---|--|-----------|-----------|-----------|----------|-----------|-----------|-------------------------------------|
| | Jan. 2024 | Feb. 2024 | Mar. 2024 | Apr. 2024 | May 2024 | Jun. 2024 | Jul. 2024 | |
| All items..... | 0.3 | 0.4 | 0.4 | 0.3 | 0.0 | -0.1 | 0.2 | 2.9 |
| Food..... | 0.4 | 0.0 | 0.1 | 0.0 | 0.1 | 0.2 | 0.2 | 2.2 |
| Food at home..... | 0.4 | 0.0 | 0.0 | -0.2 | 0.0 | 0.1 | 0.1 | 1.1 |
| Food away from home ¹ | 0.5 | 0.1 | 0.3 | 0.3 | 0.4 | 0.4 | 0.2 | 4.1 |
| Energy..... | -0.9 | 2.3 | 1.1 | 1.1 | -2.0 | -2.0 | 0.0 | 1.1 |
| Energy commodities..... | -3.2 | 3.6 | 1.5 | 2.7 | -3.5 | -3.7 | 0.1 | -2.0 |
| Gasoline (all types)..... | -3.3 | 3.8 | 1.7 | 2.8 | -3.6 | -3.8 | 0.0 | -2.2 |
| Fuel oil..... | -4.5 | 1.1 | -1.3 | 0.9 | -0.4 | -2.4 | 0.9 | -0.3 |
| Energy services..... | 1.4 | 0.8 | 0.7 | -0.7 | -0.2 | -0.1 | -0.1 | 4.2 |
| Electricity..... | 1.2 | 0.3 | 0.9 | -0.1 | 0.0 | -0.7 | 0.1 | 4.9 |
| Utility (piped) gas service..... | 2.0 | 2.3 | 0.0 | -2.9 | -0.8 | 2.4 | -0.7 | 1.5 |
| All items less food and energy..... | 0.4 | 0.4 | 0.4 | 0.3 | 0.2 | 0.1 | 0.2 | 3.2 |
| Commodities less food and energy..... | -0.3 | 0.1 | -0.2 | -0.1 | 0.0 | -0.1 | -0.3 | -1.9 |
| New vehicles..... | 0.0 | -0.1 | -0.2 | -0.4 | -0.5 | -0.2 | -0.2 | -1.0 |
| Used cars and trucks..... | -3.4 | 0.5 | -1.1 | -1.4 | 0.6 | -1.5 | -2.3 | -10.9 |
| Apparel..... | -0.7 | 0.6 | 0.7 | 1.2 | -0.3 | 0.1 | -0.4 | 0.2 |
| Medical care commodities ¹ | -0.6 | 0.1 | 0.2 | 0.4 | 1.3 | 0.2 | 0.2 | 2.8 |
| Services less energy services..... | 0.7 | 0.5 | 0.5 | 0.4 | 0.2 | 0.1 | 0.3 | 4.9 |
| Shelter..... | 0.6 | 0.4 | 0.4 | 0.4 | 0.4 | 0.2 | 0.4 | 5.1 |
| Transportation services..... | 1.0 | 1.4 | 1.5 | 0.9 | -0.5 | -0.5 | 0.4 | 8.8 |
| Medical care services..... | 0.7 | -0.1 | 0.6 | 0.4 | 0.3 | 0.2 | -0.3 | 3.3 |

¹ Not seasonally adjusted.

Figure 25:
Inflation Rate and 10 Year Treasury

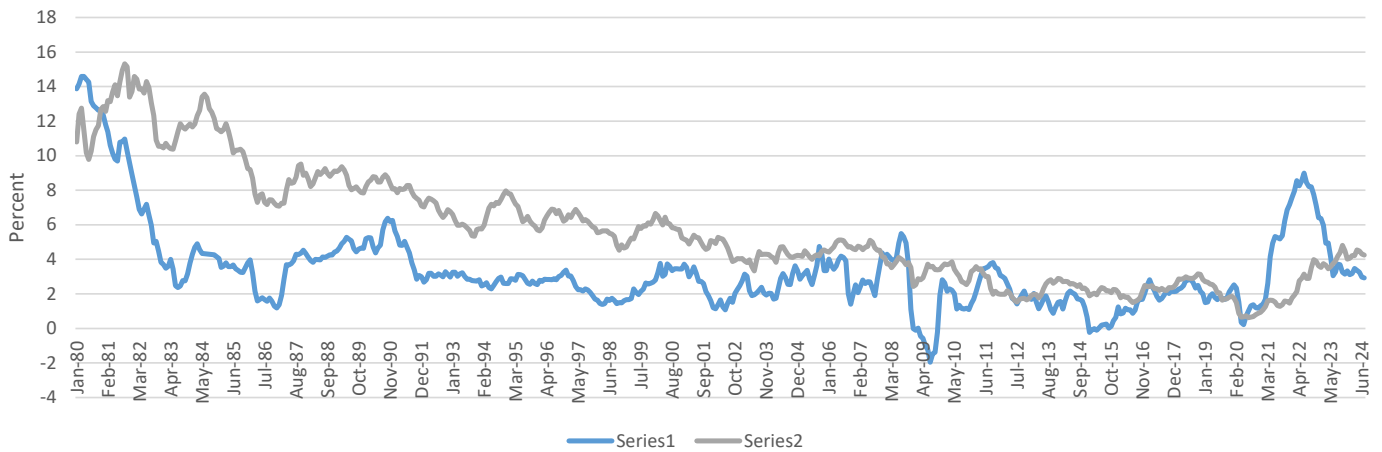


Figure 26:
Unemployment Rate

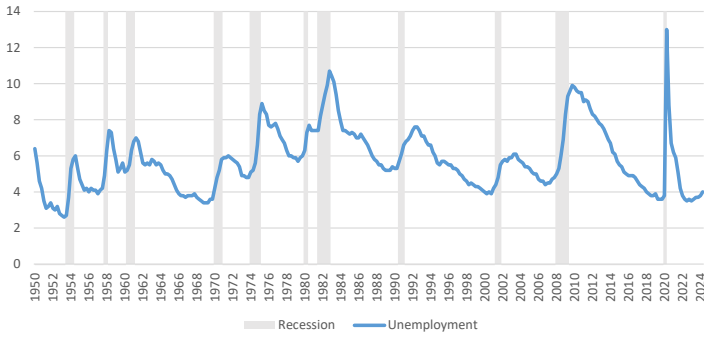


Figure 27:
Employment Cost Index

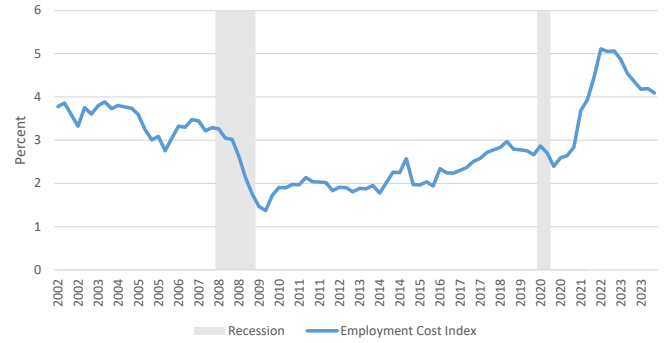


Figure 28:
Personal Savings Rate



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