

GARFIELD COUNTY ECONOMIC UPDATE

August 2024



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

Economic Summary

- Rifle sales taxes increased by 9.3% from 2022 to 2023, Garfield County sales taxes increased by 10.2%, and Glenwood Springs increased by 4.6%.
- Retirement income as a percentage of total income is larger in Garfield County than in Colorado as a whole, accounting for 24.14% of personal income. This is larger than Colorado (12.03% of income), and similar to Mesa County (21.82% of income).
- A recent jobs report shows that job growth is decelerating. A recession indicator called the Sahm rule was triggered, which shows that a recession is likely starting when the three-month average unemployment rate rises by 0.50 percentage points or more compared to the lowest three month average of the previous 12 months. This has been a reliable indicator for recession historically. To combat a turning job market and a potential recession, the Fed is expected to lower rates in September.

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LOCAL ECONOMIC INDICATORS

| | Q2 2024 | Q1 2024 | Q2 2023 | change since last quarter | change since last year (comparable quarters) |
|---|--------------|---------|--------------|---------------------------|--|
| Local Labor Market | | | | | |
| Unemployment Rate Garfield County -NSA | 3.3% | 3.5% | 2.9% | -0.2% | 0.4% |
| Unemployment Rate Colorado -SA | 3.8% | 4.0% | 3.1% | -0.2% | 0.7% |
| Unemployment Rate U.S. -SA | 3.8% | 4.1% | 3.4% | -0.3% | 0.4% |
| Labor Force | 31,515 | 32,640 | 30,585 | -1,125 | 929 |
| Employed | 30,486 | 31,493 | 29,704 | -1,007 | 782 |
| Unemployed | 1,029 | 1,147 | 882 | -118 | 147 |
| Business Confidence | | | | | |
| Leeds Colorado Business Confidence | 50.6 | 45.1 | 44.1 | 12.20% | 14.74% |
| Sales/Use Taxes | | | | | |
| | 2023 | | 2022 | | |
| Rifle Sales/Use Taxes | \$15,704,160 | | \$14,369,036 | | 9.3% |
| Garfield County Sales/Use Tax | \$19,174,200 | | \$17,405,561 | | 10.2% |
| Glenwood Springs Sales/Use Tax | \$26,205,942 | | \$25,053,318 | | 4.6% |
| Glenwood Springs Accomodation Tax | \$1,748,763 | | \$1,655,298 | | 5.6% |
| Business Filings | | | | | |
| | 2023 | | 2022 | | |
| Garfield County New Business Entity Filings | 1,726 | | 1,812 | | -4.7% |

| | 2022 | 2021 | 2020 | 2019 | % change from previous year |
|--|-------------|-------------|-------------|-------------|-----------------------------|
| Standard of Living and Growth | | | | | |
| Gross Domestic Product (GDP) | \$3,576,538 | \$3,739,932 | \$3,569,193 | \$3,734,069 | -4.4% |
| Personal Income | \$4,088,503 | \$3,818,447 | \$3,566,217 | \$3,557,098 | 7.1% |
| Personal Income Per Capita | \$65,657 | \$61,395 | \$57,713 | \$58,049 | 6.9% |
| Median Household Income | \$86,566 | \$78,940 | \$79,958 | \$73,788 | 9.7% |
| Percent of Population Below Poverty Line | 15.9% | 15.6% | 16.4% | 16.5% | 0.3% |
| | 2023 | 2022 | 2021 | 2020 | |
| Population | 62,707 | 62,256 | 62,107 | 61,794 | 0.7% |
| Place of Residence | | | | | |
| Adjustment for Place of Residence (in thousands) | \$84,743 | \$23,032 | \$-57,405 | \$-2,618 | |

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 Rifle, Garfield County, Glenwood Springs; 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 Garfield County labor market has seen a slow but steady increase in employment for the last 3 years. After peaking at an annual employment average of 31,542 in 2019, Garfield County fell to 28,830 by 2021 but has now risen to 30,990 as of June 2024. Garfield County employment is rising but not at the same pace as neighboring Mesa County.

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 BEA is by place of work and paints a similar picture to the employment data (figure 2). Note the year lag on BEA data. The jobs data is more accurate than the employment estimates, and counts if a person works more than one job. Top jobs by industry include construction (5,993), government (5,400), and retail trade (3,812) (figure 3).

Other Indicators

Rifle sales taxes increased by 9.3% from 2022 to 2023, rising from \$14,369,036 to \$15,704,160. Garfield County sales taxes increased by 10.2%, and Glenwood Springs increased by 4.6%. The Glenwood Springs accommodation tax increased by 5.6%.

The Leeds Business Confidence Index shows some improvements in business confidence in Colorado, but after the August jobs report it will be interesting to see if that confidence continues.

Table 1:

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

| | Labor Force | Employed | Unemployed |
|------------------|-------------|----------|------------|
| Annual | 929 | 782 | 147 |
| 5-Year | -256 | -511 | 255 |
| 10-Year | 983 | 1,681 | -698 |
| Annual % | 3.0% | 2.6% | 16.7% |
| 5-Year % | -0.8% | -1.6% | 32.9% |
| 10-Year % | 3.2% | 5.8% | -40.4% |

Garfield County new business entity filings fell from 2022 to 2023, falling from 1,812 to 1,726. The 2024 number in figure 5 is through June.

Figure 6 illustrates what is called a "place of residence adjustment." This data is from the Bureau of Economic Analysis, and shows inflows and outflows of income to and from the county. A positive number indicates that more income is flowing into the county from other counties than flowing out. A negative number implies that more income is flowing out of the county to other counties than flowing in.

Garfield County has a history of negative place of residence adjustment. This implies that people from other counties commute to Garfield County and take their earnings back to their county of residence. Notice in figure 6 that Garfield County had a trend reversal and now has a positive place of residence, hinting that more people may now be commuting to work outside of Garfield and bringing that income into the county.

Figure 1:
Yearly Employment Average

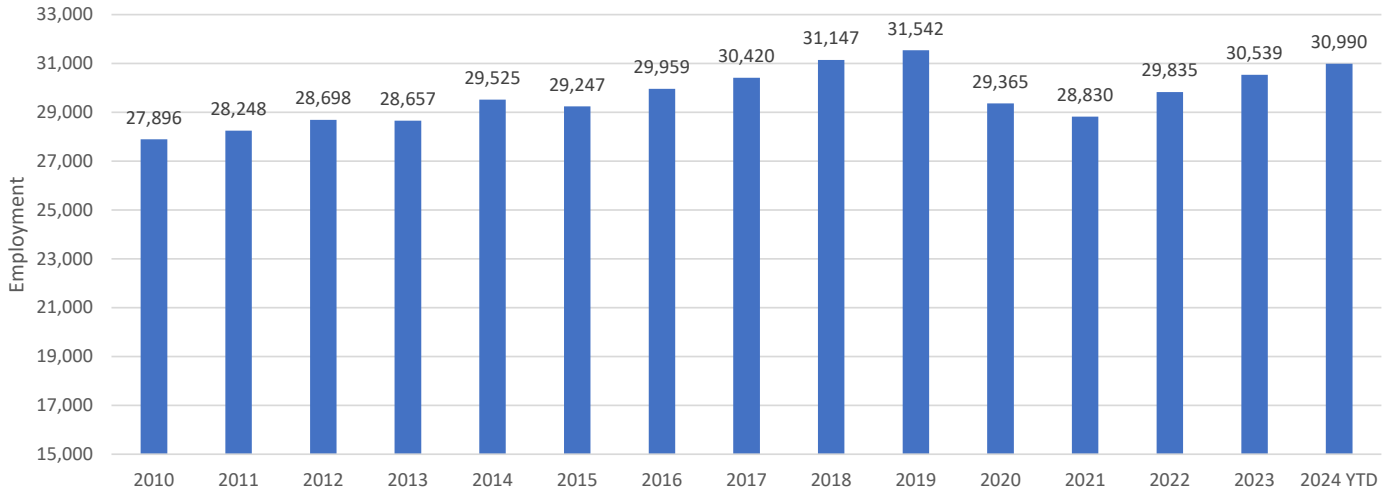


Figure 2:
Total Full and Part Time Jobs (BEA)

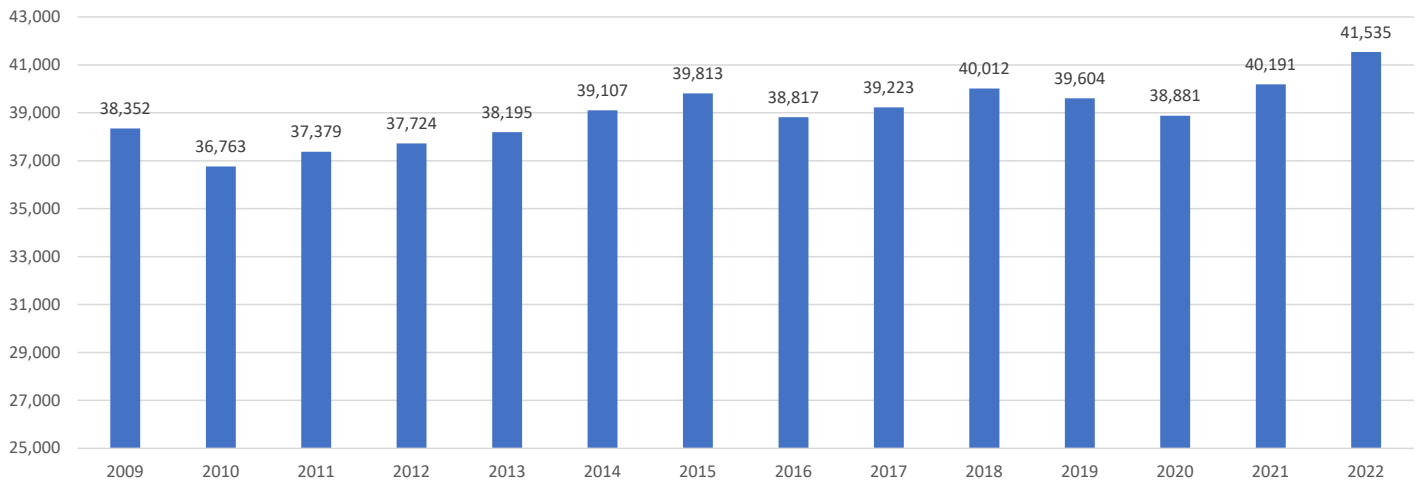


Figure 3:
Jobs by Industry

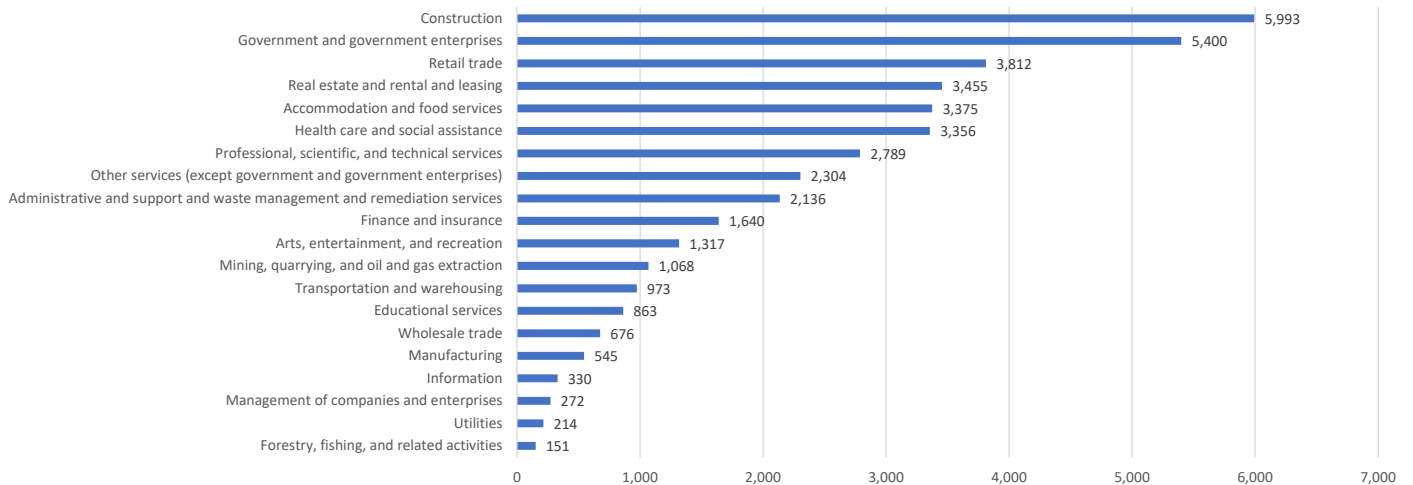


Figure 4:
Sales Taxes

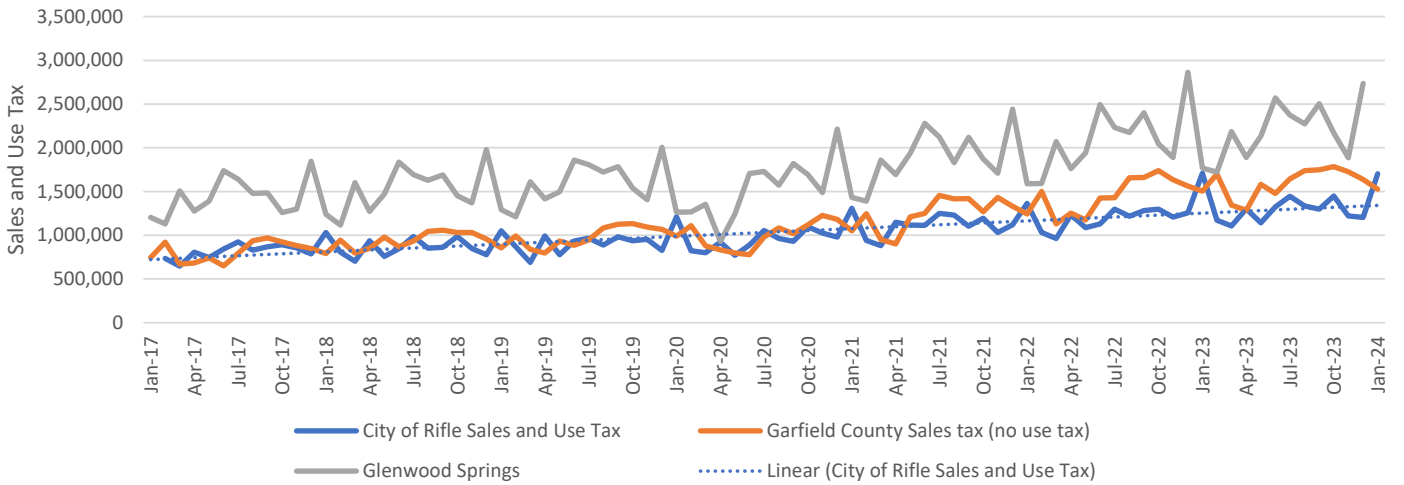


Figure 5:
New Business Entity Filings Garfield

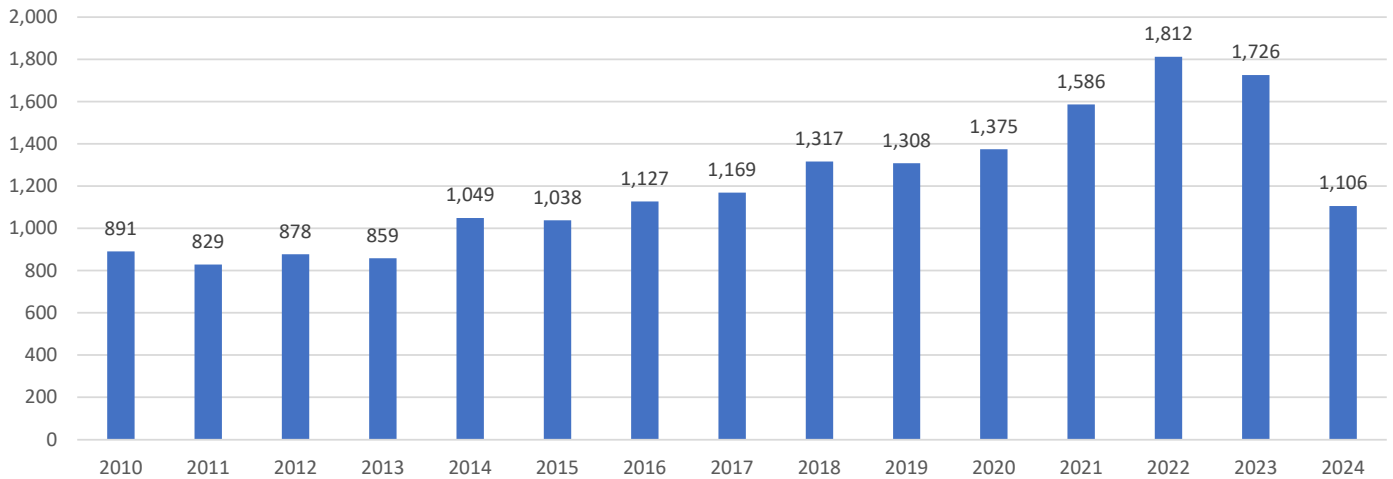
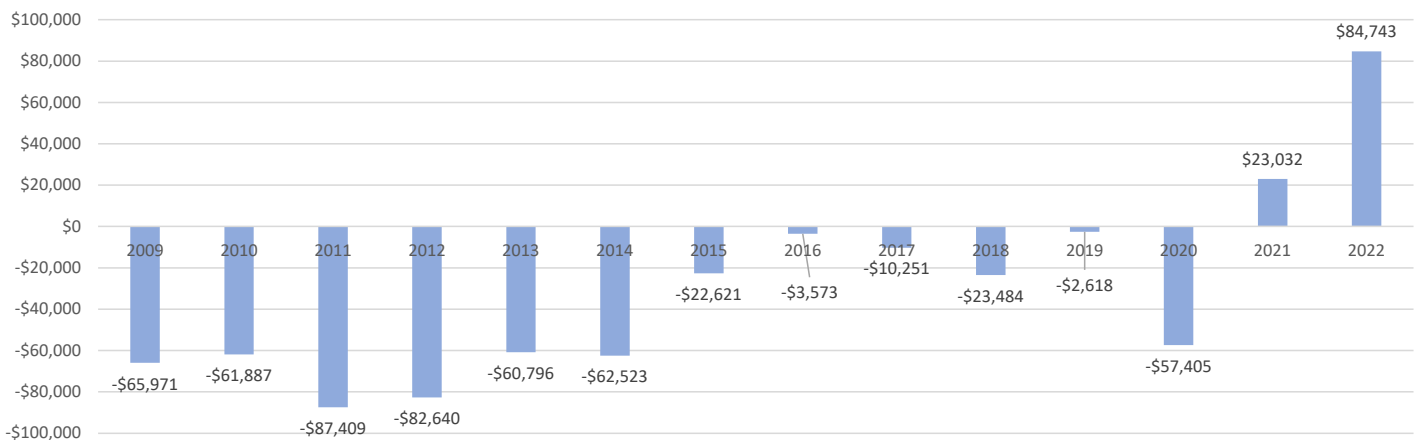


Figure 6:
Place of Residence Adjustment Garfield County (in thousands of dollars)



Standard of Living Measures

Standard of living measures are the same from the last newsletter, and are only updated once per year by the BEA and Census Departments as they are yearly data. Garfield County GDP shows a large loss in output of 4.37% for 2022 (figure 8). The loss in GDP was led by large losses in oil and gas output.

Garfield County median household income rose slightly, rising from \$78,940 to \$86,566 (figure 9). Median household income has been rising quickly since 2012.

The Census Department's SAIPE (Small Area Income and Poverty Estimates) released their most recent poverty estimate, with Garfield County falling from 9.2% to 8%.

Figure 7:
Western Slope GDP % Change 2022

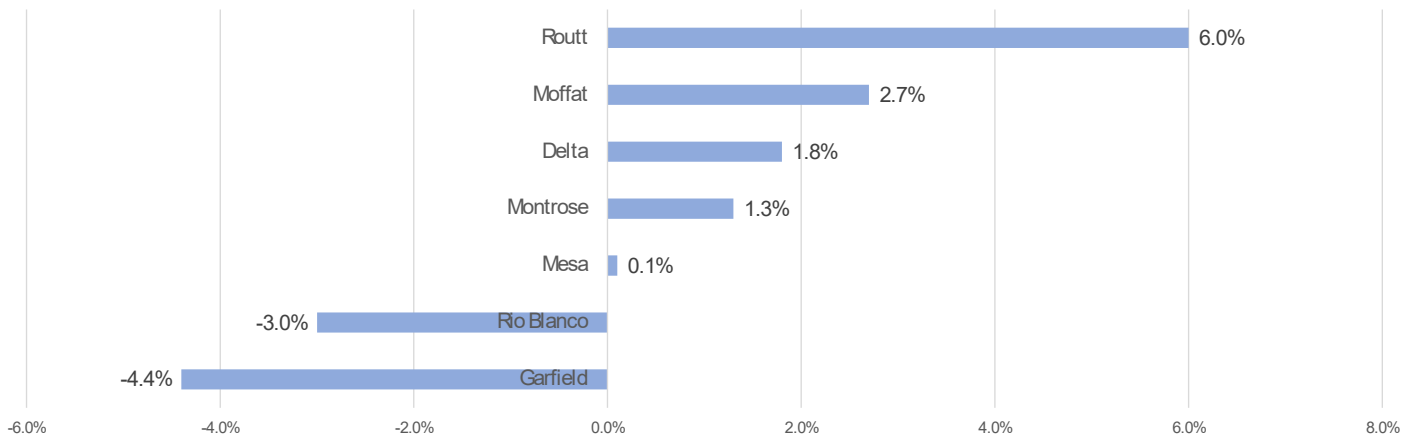


Figure 8:
Garfield County Real GDP % Change (chained 2017 dollars)

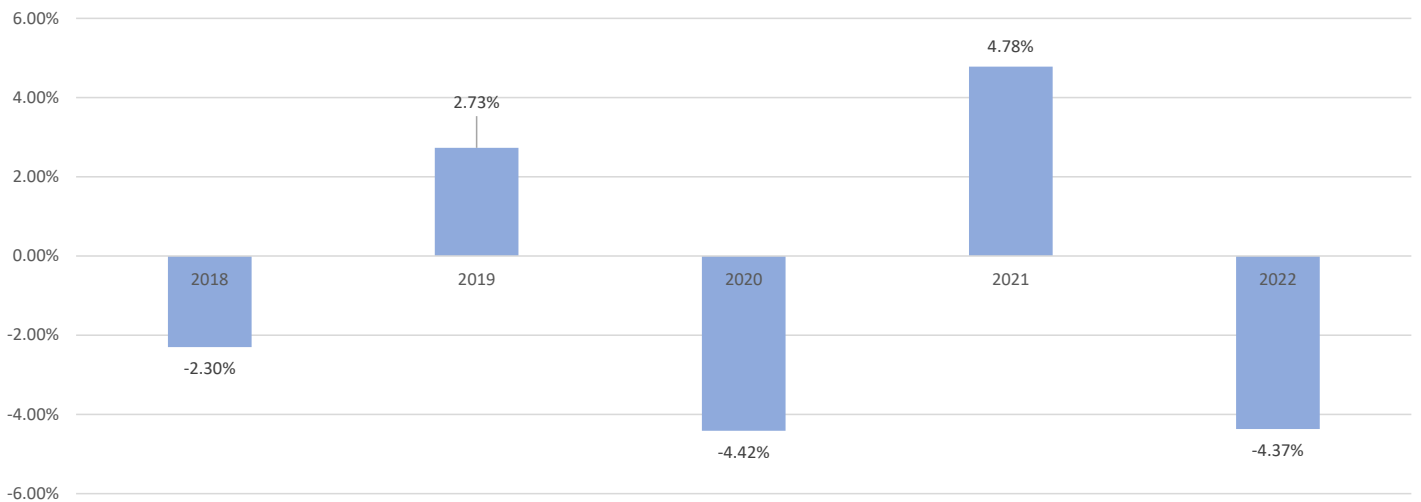


Figure 9:
Garfield County Median Household Income

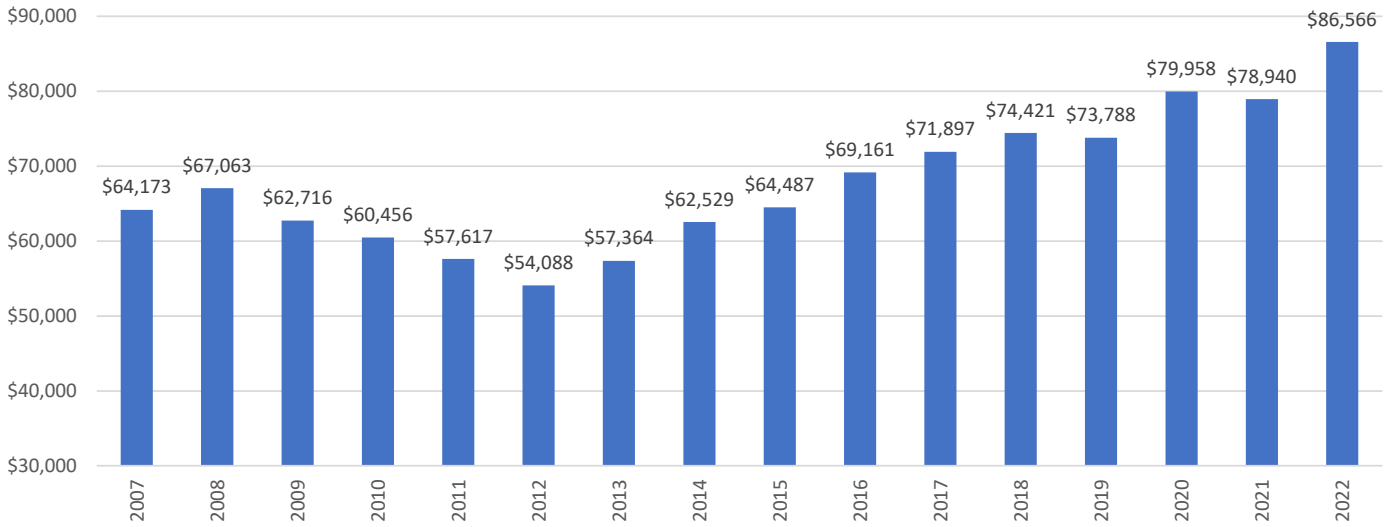


Figure 10:
Garfield County Income Per Capita

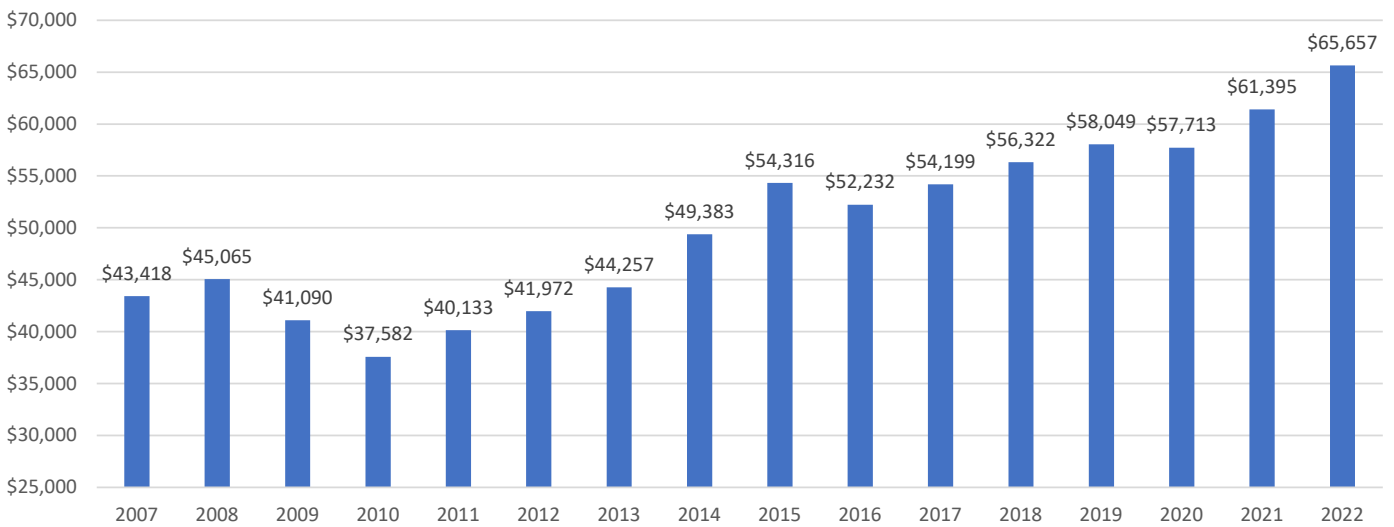
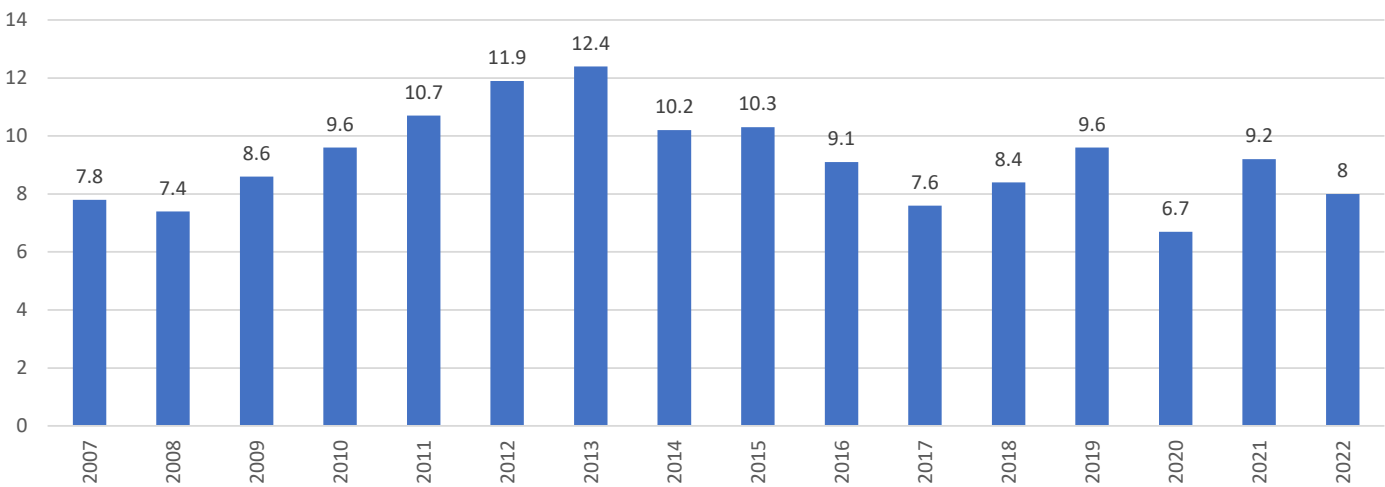


Figure 11:
Garfield County Poverty Rate Estimate



Population Trends

The Colorado State Demography Office produces population estimates and population forecasts. Table 2 illustrates these forecasts for counties in the Western Slope. Garfield County is expected to gain population, rising from 61,791 in 2022 to 69,950 in 2030, to 82,780 in 2040, and to 92,516 in 2050. Population is a function of birth rate, death rate, and migration. Garfield County population growth is expected to be driven by its very high birth rate. In addition to a high birth rate, the expected migration rate is high. Population growth is a primary determinant of economic growth, and bodes well for Garfield County's future. Cost of living may be the issue that curbs Garfield's population growth in the future.

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:
**Garfield County Population Change Breakdown,
 Colorado State Demography Office**

| | Population | Change | Births | Deaths | Net Migration |
|-------------|------------|--------|--------|--------|---------------|
| 2018 | 59,769 | 898 | 781 | 340 | 457 |
| 2019 | 60,558 | 789 | 754 | 376 | 411 |
| 2020 | 61,791 | 1233 | 748 | 358 | 843 |
| 2021 | 62,164 | 373 | 729 | 437 | 81 |
| 2022 | 62,254 | 90 | 717 | 414 | -213 |
| 2023 | 62,942 | 688 | 709 | 420 | 399 |
| 2030 | 69,950 | 1270 | 909 | 471 | 832 |

Garfield County Employment Trends

Q4 2023 Quarterly Census of Employment and Wage data shows job and wage gains compared to Q4 2022. The biggest wage gains were in healthcare, construction, and mining. The biggest job gains were in healthcare (246), construction (210), and professional and accomodation and food services (255).

Figure 13 is not QCEW data, and instead shows the percentage of retiree income as a percentage of total income. Retirement income as a percentage of total income is larger in Garfield County than in Colorado as a whole, accounting for 24.14% of personal income. This is larger than Colorado (12.03% of income), and similar to Mesa County (21.82% of income).

Table 3:
Quarterly Census of Employment and Wages (QCEW) Q4 2023 Compared to Q4 2022

| Sector | Average Employment | Total Quarterly Wages | Average Weekly Wage | Total Employment Change | Total Wage Change |
|--|--------------------|-----------------------|---------------------|-------------------------|-------------------|
| Total, All Industries | 27,537 | \$450,579,388 | \$1,259 | 1,603 | \$36,409,560 |
| Health Care and Social Assistance | 3,805 | \$75,387,326 | \$1,524 | 246 | \$7,979,776 |
| Construction | 3,832 | \$74,225,356 | \$1,490 | 210 | \$7,648,563 |
| Educational Services | 2,907 | \$37,286,638 | \$987 | 136 | \$3,213,949 |
| Retail Trade | 3,186 | \$36,802,710 | \$889 | 150 | \$1,987,282 |
| Professional and Technical Services | 1,458 | \$35,559,327 | \$1,876 | 66 | \$1,745,116 |
| Public Administration | 1,827 | \$32,173,706 | \$1,354 | 92 | \$3,202,607 |
| Accommodation and Food Services | 3,134 | \$25,183,179 | \$618 | 255 | \$2,405,685 |
| Mining | 927 | \$22,030,715 | \$1,828 | 129 | \$3,387,102 |
| Administrative and Waste Services | 1,164 | \$18,123,239 | \$1,198 | 6 | \$892,280 |
| Real Estate and Rental and Leasing | 694 | \$17,009,847 | \$1,885 | 70 | \$1,756,378 |
| Finance and Insurance | 543 | \$12,985,093 | \$1,840 | 5 | -\$1,289,088 |
| Transportation and Warehousing | 685 | \$11,956,969 | \$1,342 | 34 | \$485,040 |
| Other Services, Ex. Public Admin | 817 | \$11,252,542 | \$1,059 | 65 | \$1,322,159 |
| Wholesale Trade | 534 | \$9,266,228 | \$1,335 | 23 | \$431,512 |
| Utilities | 306 | \$8,064,873 | \$2,025 | 2 | \$1,011,295 |
| Manufacturing | 367 | \$5,932,698 | \$1,242 | 63 | \$1,015,141 |
| Arts, Entertainment, and Recreation | 653 | \$5,878,219 | \$692 | 58 | \$303,612 |
| Information | 305 | \$4,598,704 | \$1,161 | 37 | \$385,428 |
| Management of Companies and Enterprises | 196 | \$4,432,425 | \$1,737 | -13 | -\$835,713 |
| Agriculture, Forestry, Fishing & Hunting | 196 | \$2,429,594 | \$952 | -29 | -\$607,384 |

SOURCE: Colorado Department of Labor and Employment (QCEW). The most recent quarterly data available is reported.

Table 4:
Farm and Sole Proprietor Employment

| BEA Data | 2022 | 2021 | 2020 | 2019 | % change from 2021 |
|-----------------------------|--------|--------|--------|--------|--------------------|
| Farm Employment | 866 | 840 | 857 | 831 | 3.0% |
| Sole Proprietors (non-farm) | 14,048 | 13,248 | 12,724 | 11,178 | 6.0% |

Figure 12:
Total Jobs Change Q4 2022 to Q4 2023

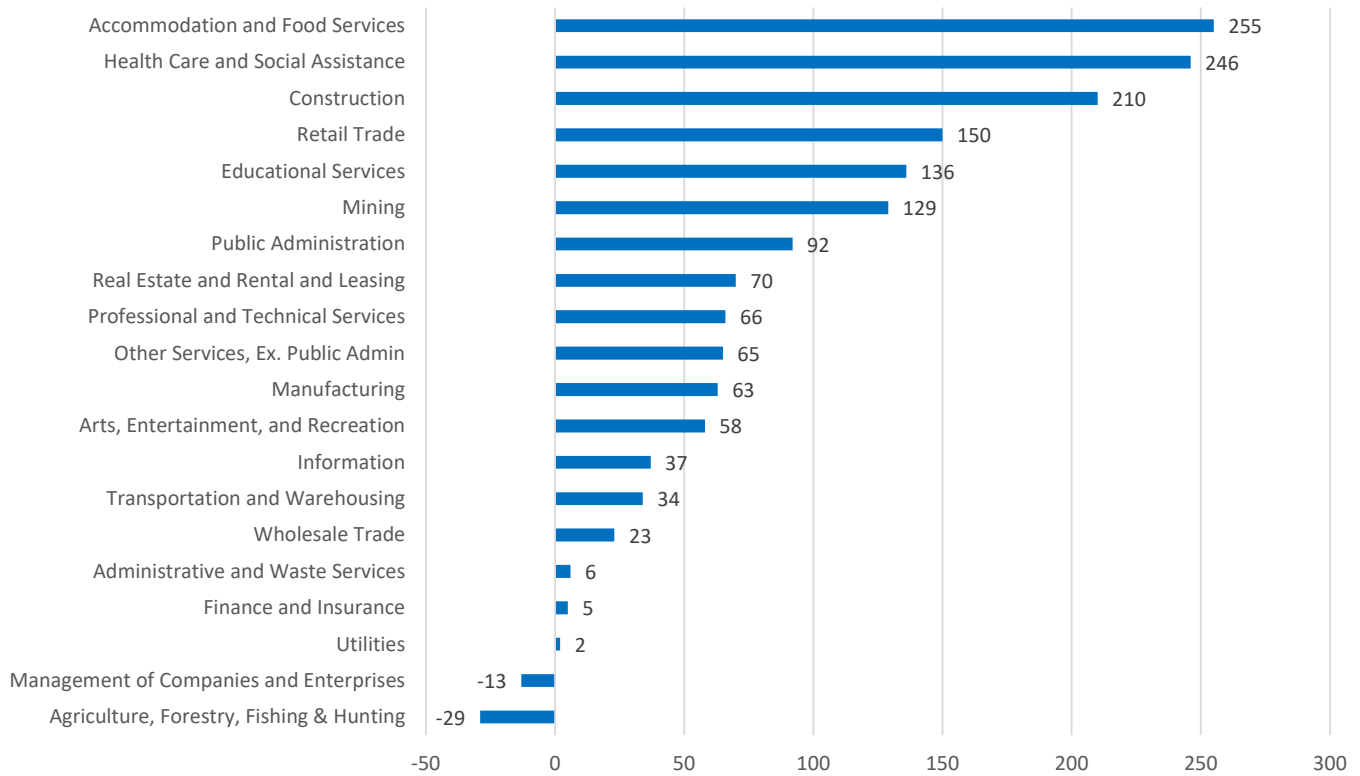
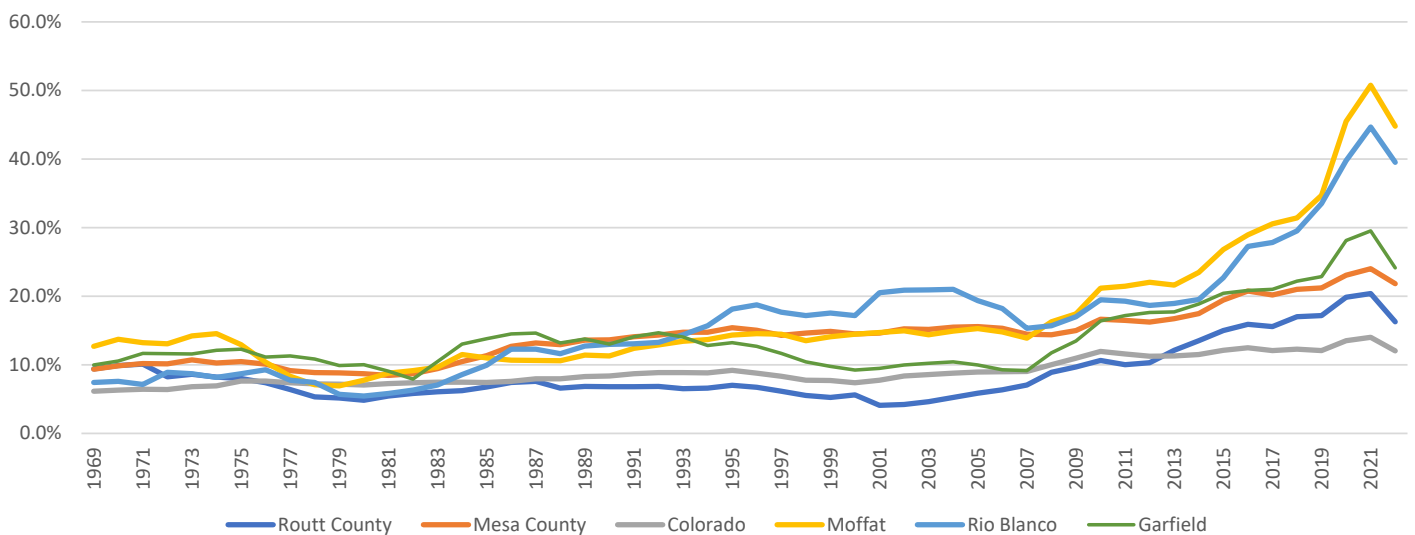


Figure 13:
Retiree Income/Total Personal Income



LOCAL REAL ESTATE

| | Q2 2024 | Q2 2023 | % change since last year |
|--|------------------|------------------|--------------------------|
| Real Estate | | | |
| Inventory of Homes for Sale (3 month avg) | 163 | 136 | 19.3% |
| New Residential listings (3 month total) | 271 | 253 | 7.1% |
| Sold Residential Listings (3 month total) | 170 | 165 | 3.0% |
| Median Sales Price | \$690,000 | \$669,167 | 3.1% |
| Average Sales Price | \$1,020,438 | \$1,016,458 | 0.4% |
| Days on Market | 71.00 | 47.33 | 50.0% |
| Months Supply of Inventory | 3.17 | 2.63 | 20.3% |
| Building Permits and House Price Data | | | |
| | 2023 | 2022 | |
| House Price Index (Federal Housing Finance Agency) | 272.51 | 242.76 | 12.25% |
| New Private Housing Structures (All types, Census) | 155 | 240 | -35.42% |
| Foreclosures | | | |
| | 2023 | 2022 | |
| Foreclosure Filings (YTD) | 51 | 69 | |
| Mortgage Rates | | | |
| | July 2023 | July 2022 | |
| 15 Year Mortgage Rate | 6.14% | 6.18% | -0.04% |
| 30 year Mortgage Rate | 6.85% | 6.84% | 0.01% |

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: Garfield County Public Trustee Office; Mortgage rates: Freddie Mac.

Local Real Estate Indicators

The Garfield County real estate market shows rising inventory, with inventory increasing year over year from 136 single family homes to 163. The median sales prices is currently at \$690,000, rising 3.1% from the year before. Days on market has increased from 47 to 71, indicating that homes are taking longer to sell. The Federal Housing Finance Agency house price index for Garfield County shows that homes increased in value by 12.25% from 2022 to 2023. The Census department shows that new private housing structures of all types have fallen from 240 to 155. Falling building permits and structures is a trend across the Western Slope.

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.

The Federal Reserve is now expected to lower interest rates in September after a bad jobs report in early August which showed a slowing economy. As a result of the jobs report on August 2nd, treasuries rallied, pushing interest rates and mortgage rates down. As of the writing of this newsletter, mortgage rates fell far below 7% and are likely moving towards 6%. The average mortgage rate was 6.85% in July.

Figure 18:
Inventory of Active Listings

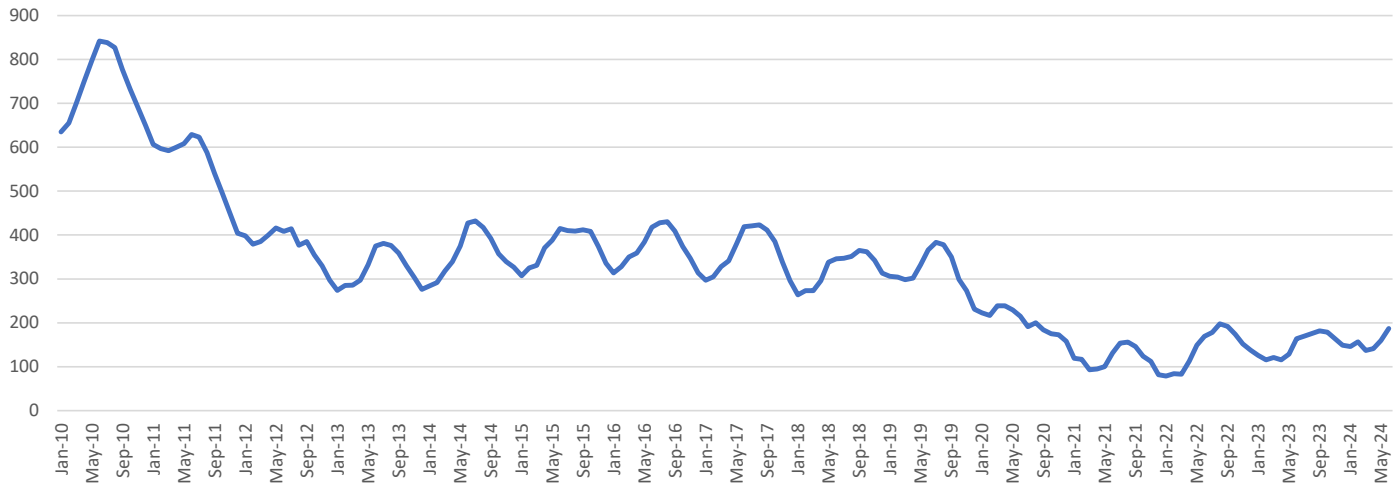


Figure 19:
Census Housing Permits

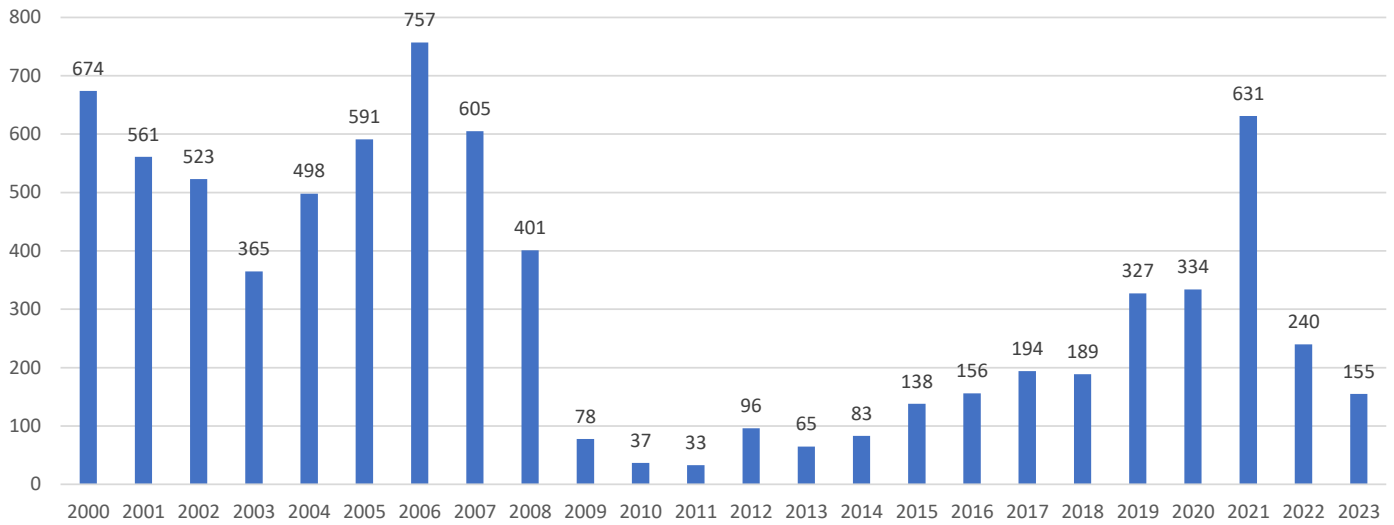
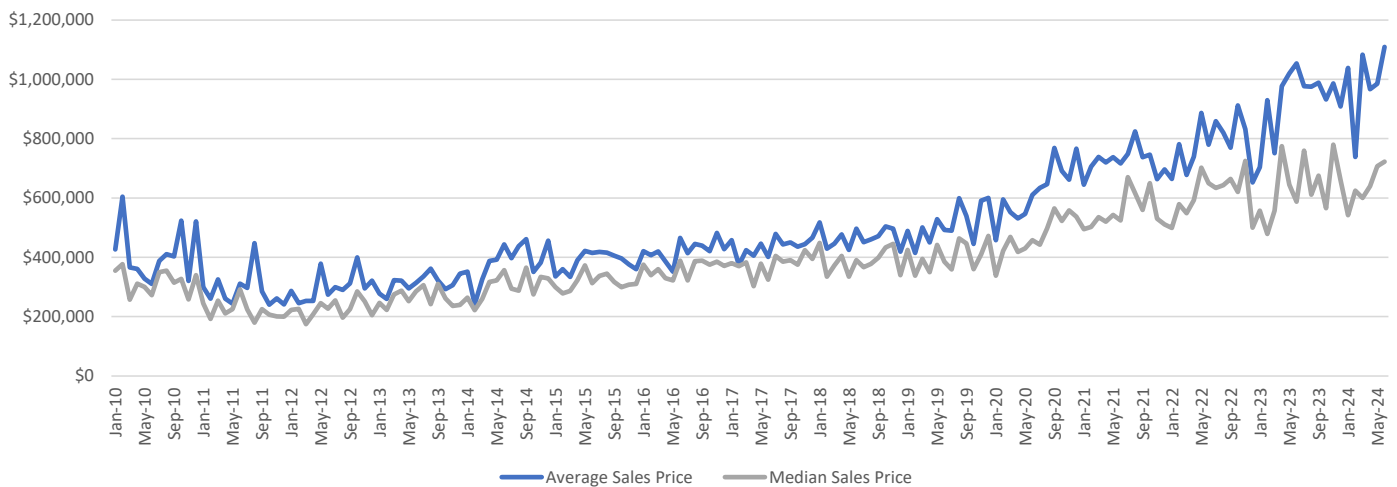


Figure 20:
Median and Average Sales Price



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 | | |

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 17:
Oil and Natural Gas Prices

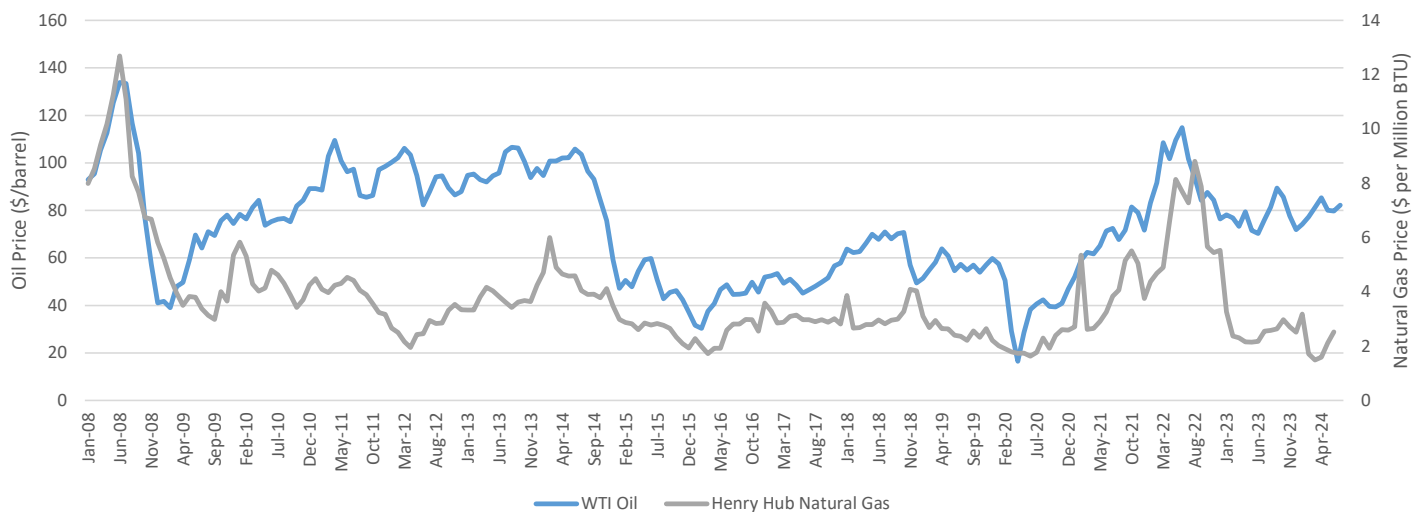


Figure 16:
Oil/Gas Drilling Permits and Oil/Gas Jobs

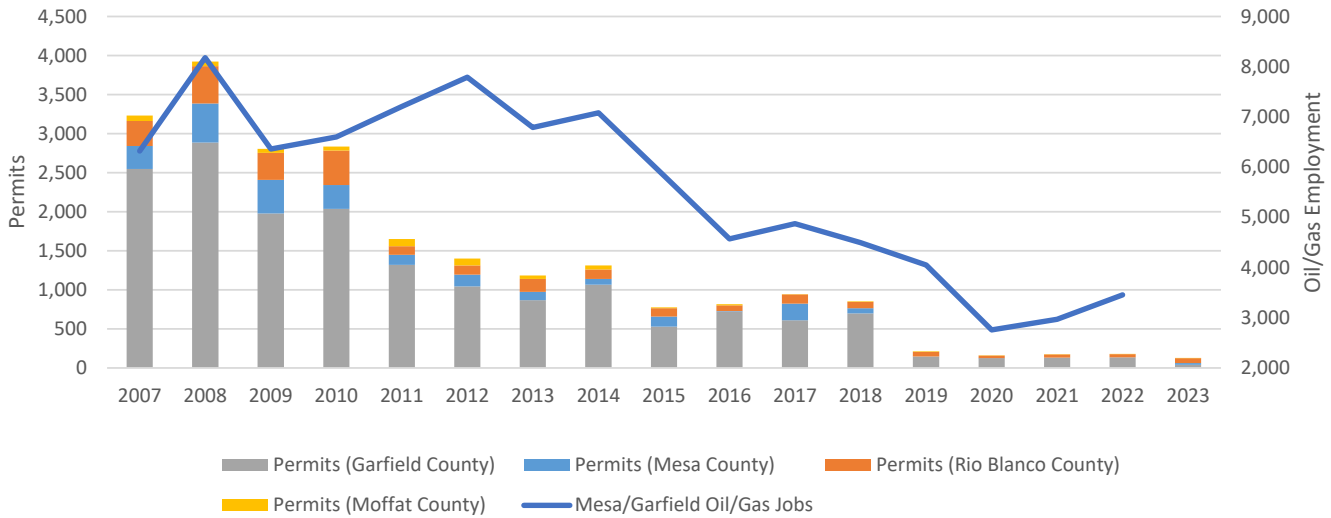
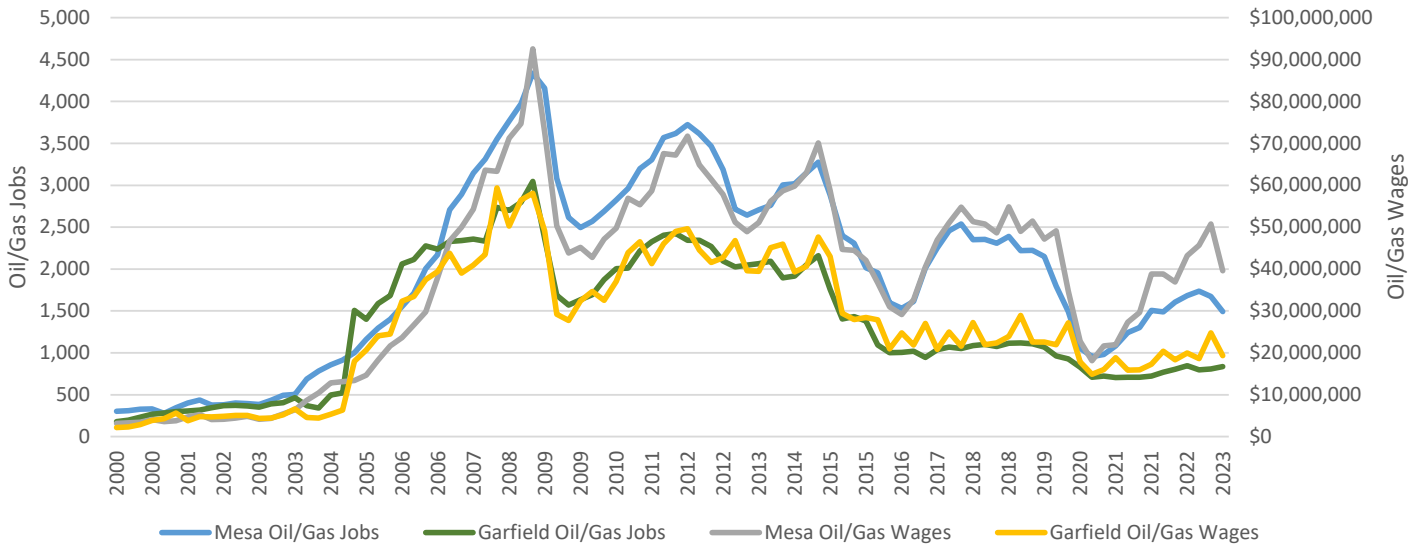


Figure 17:
Mesa and Garfield Oil and Gas Jobs/Wages



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.

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 20:
Real GDP for U.S.

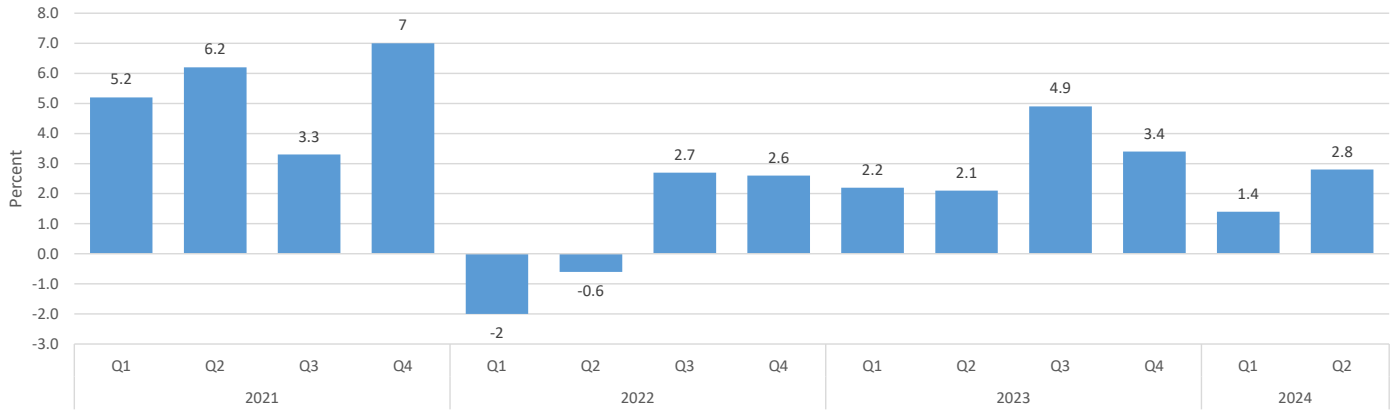
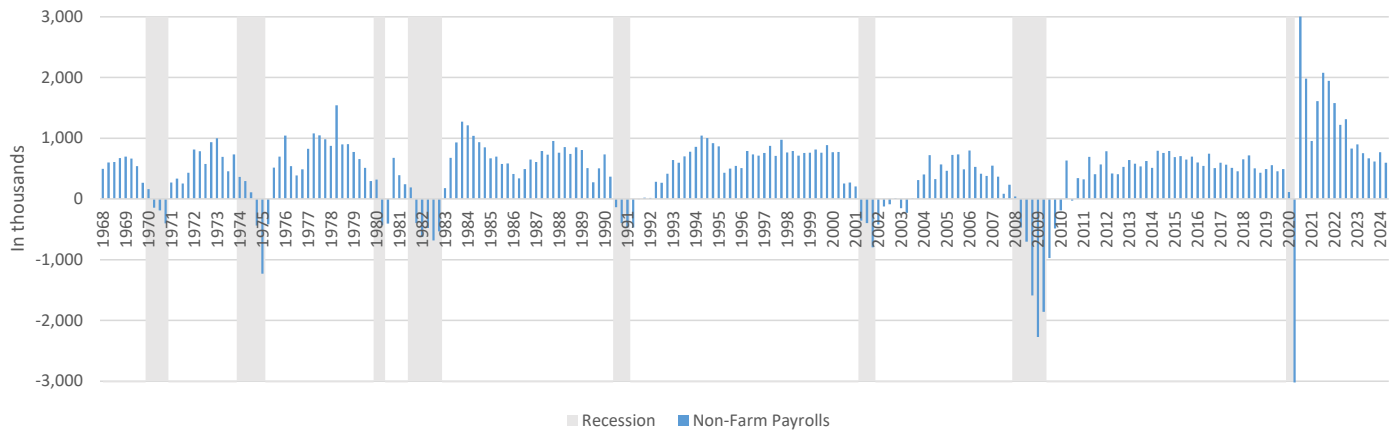


Figure 21:
Non-Farm Payrolls (Quarterly)



Economic Growth

U.S. GDP growth for Q1 2024 was 1.6%, revised recently to 1.4%. Q2 GDP growth came in at 2.8% (figure 20). Many new data points, both GDP and jobs, have had downward revisions as of late. However, the Atlanta Federal Reserve's GDPNow estimates 2.5% (as of August 3rd) growth for Q3, which is a reasonable growth rate. The GDP number is important because the jobs report on August 2nd was significantly lower than forecast, leading many economists to predict a recession.

The unemployment rate has crept up to 4.3% in July. The jobs report showed 114,000 jobs created nationally in July, but it is important to note that is a preliminary estimate. There are revisions a few months later. Figure 21 shows that job growth is decelerating, but note the graph uses quarterly data. July's 114,000 jobs is significantly less than June's 179,000.

Inflation and Recession Watch

May inflation came in at 3%, with most inflationary indicators 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 25) 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 in the form of "checks" that household received have finally been spent. Figure 26 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.

On Friday, August 2nd, the Sahm rule was triggered, which shows that a recession is likely starting when the three-month average unemployment rate rises by 0.50 percentage points or more compared to the lowest three month average of the previous 12 months. This has been a reliable indicator for recession, and can be seen graphically after an unemployment trough forms. To combat potential recession, the Fed is now expected to lower rates in September, possibly by 50 basis points to spur investment and lower consumer borrowing rates.

Figure 22:
CPI (Inflation) Release from the Bureau of Labor Statistics (reproduced from BLS.gov)

| | Seasonally adjusted changes from preceding month | | | | | | | Un-adjusted 12-mos. ended Jun. 2024 |
|---|--|-----------|-----------|-----------|-----------|----------|-----------|-------------------------------------|
| | Dec. 2023 | Jan. 2024 | Feb. 2024 | Mar. 2024 | Apr. 2024 | May 2024 | Jun. 2024 | |
| All items..... | 0.2 | 0.3 | 0.4 | 0.4 | 0.3 | 0.0 | -0.1 | 3.0 |
| Food..... | 0.2 | 0.4 | 0.0 | 0.1 | 0.0 | 0.1 | 0.2 | 2.2 |
| Food at home..... | 0.1 | 0.4 | 0.0 | 0.0 | -0.2 | 0.0 | 0.1 | 1.1 |
| Food away from home ¹ | 0.3 | 0.5 | 0.1 | 0.3 | 0.3 | 0.4 | 0.4 | 4.1 |
| Energy..... | -0.2 | -0.9 | 2.3 | 1.1 | 1.1 | -2.0 | -2.0 | 1.0 |
| Energy commodities..... | -0.7 | -3.2 | 3.6 | 1.5 | 2.7 | -3.5 | -3.7 | -2.2 |
| Gasoline (all types)..... | -0.6 | -3.3 | 3.8 | 1.7 | 2.8 | -3.6 | -3.8 | -2.5 |
| Fuel oil..... | -3.3 | -4.5 | 1.1 | -1.3 | 0.9 | -0.4 | -2.4 | 0.8 |
| Energy services..... | 0.3 | 1.4 | 0.8 | 0.7 | -0.7 | -0.2 | -0.1 | 4.3 |
| Electricity..... | 0.6 | 1.2 | 0.3 | 0.9 | -0.1 | 0.0 | -0.7 | 4.4 |
| Utility (piped) gas service..... | -0.6 | 2.0 | 2.3 | 0.0 | -2.9 | -0.8 | 2.4 | 3.7 |
| All items less food and energy..... | 0.3 | 0.4 | 0.4 | 0.4 | 0.3 | 0.2 | 0.1 | 3.3 |
| Commodities less food and energy..... | -0.1 | -0.3 | 0.1 | -0.2 | -0.1 | 0.0 | -0.1 | -1.8 |
| New vehicles..... | 0.2 | 0.0 | -0.1 | -0.2 | -0.4 | -0.5 | -0.2 | -0.9 |
| Used cars and trucks..... | 0.6 | -3.4 | 0.5 | -1.1 | -1.4 | 0.6 | -1.5 | -10.1 |
| Apparel..... | 0.0 | -0.7 | 0.6 | 0.7 | 1.2 | -0.3 | 0.1 | 0.8 |
| Medical care commodities ¹ | -0.1 | -0.6 | 0.1 | 0.2 | 0.4 | 1.3 | 0.2 | 3.1 |
| Services less energy services..... | 0.4 | 0.7 | 0.5 | 0.5 | 0.4 | 0.2 | 0.1 | 5.1 |
| Shelter..... | 0.4 | 0.6 | 0.4 | 0.4 | 0.4 | 0.4 | 0.2 | 5.2 |
| Transportation services..... | 0.1 | 1.0 | 1.4 | 1.5 | 0.9 | -0.5 | -0.5 | 9.4 |
| Medical care services..... | 0.5 | 0.7 | -0.1 | 0.6 | 0.4 | 0.3 | 0.2 | 3.3 |

¹ Not seasonally adjusted.

Figure 23:
Inflation Rate and 10 Year Treasury

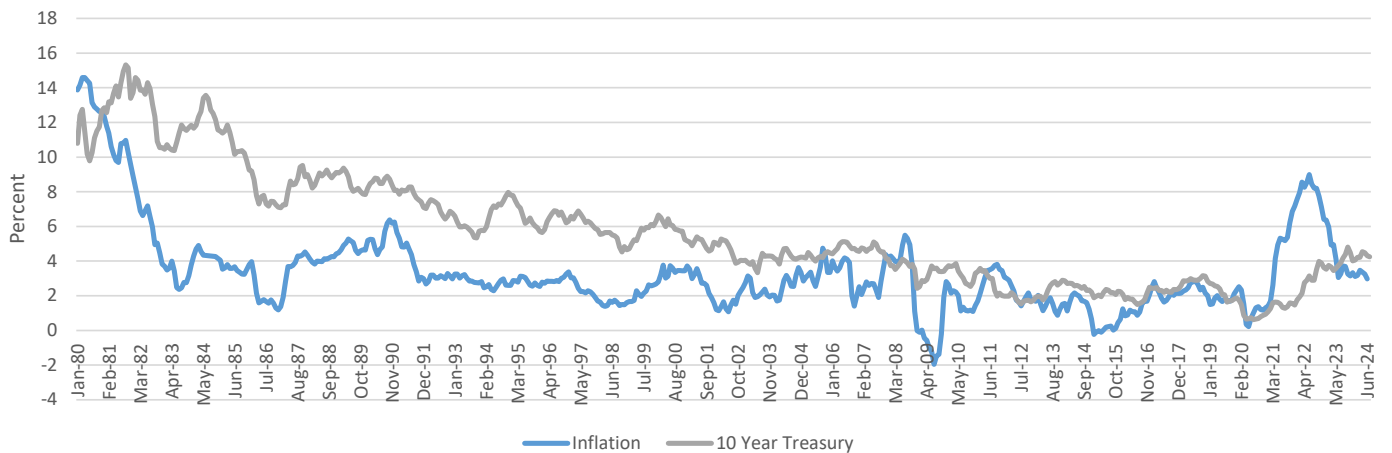


Figure 24:
Unemployment Rate

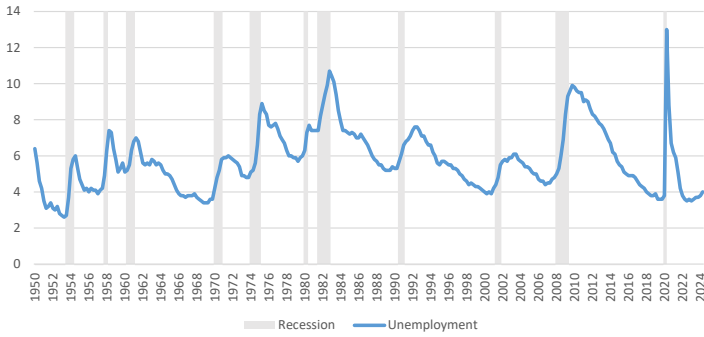


Figure 25:
Employment Cost Index

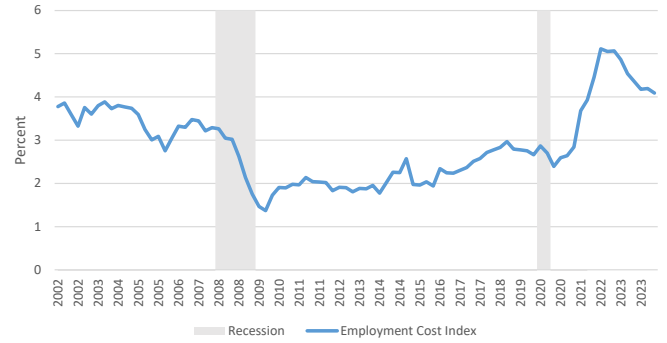


Figure 26:
Personal Savings Rate



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