

UTAH'S ECONOMY

A monthly report Produced for COMMERCE REAL ESTATE SOLUTIONS by Jim Wood, Bureau of Economic and Business Research University of Utah

ISSUE 72 NOVEMBER 2010

THE UTAH ECONOMY: 2010 & 2011

In November, the Revenue Assumption Committee¹ released projections of Utah's major economic indicators, *Table 1*. These projections show that by 2011 the number of jobs in the Utah economy will increase by about 16,500. Welcome news after two years of job losses. All of Utah's major economic indicators turn positive by 2011 with the exception of permit authorized nonresidential construction, which is projected to decline by 22 percent.

¹ The Revenue Assumption Committee provides a consensus forecast for Utah's major economic indications that is used by the Legislative and Executive branches of state government in producing state tax revenue forecasts.

COMMERCE REAL ESTATE SOLUTIONS
comre.com

TO RECEIVE THIS NEWSLETTER BY E-MAIL,
PLEASE CONTACT LUANE CUTLER AT
801-303-5445 OR LCUTLER@COMRE.COM

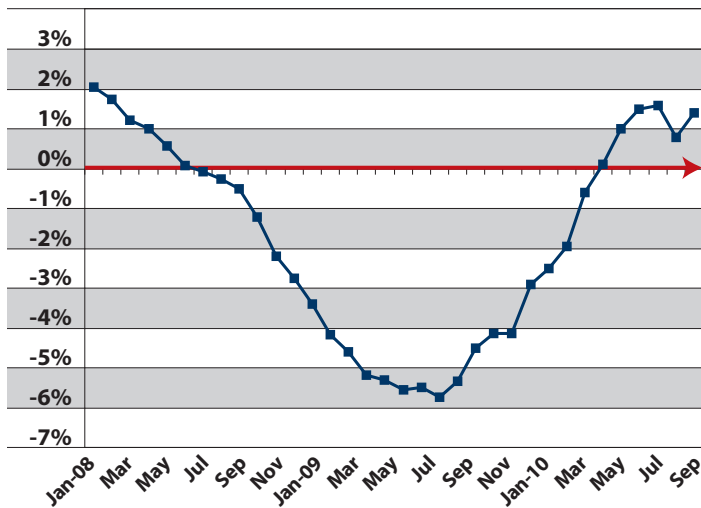
Employment

The rate of job loss in Utah hit bottom in the summer of 2009. From August 2008 to August 2009 nonfarm employment in Utah fell by 5.7 percent, a loss of 72,000 jobs, *Figure 1*. The rate of job loss steadily declined until

Table 1
Forecast of Utah's Major Economic Indicators

	2010	2011	% Change
Nonagricultural Employment (000)	1,180.0	1,196.5	1.4%
Unemployment Rate	7.6%	7.1%	NA
Total Wages (billion)	\$45.4	\$47.2	4.0%
Average Annual Wage	\$38,547	\$39,433	2.3%
Total Personal Income (billion)	\$90.3	\$94.0	4.1%
Population (000)	2,849	2,896	1.7%
Net Migration (000)	10.0	10.0	---
New Auto/Truck Sales (000 vehicles)	70.7	80.7	14.1%
Residential Units (000)	9.3	11.0	18.3%
Residential Valuation (million)	\$1.7	\$2.0	17.6%
Nonresidential Valuation (million)	\$0.9	\$0.7	-22.2%
Taxable Retail Sales (billion)	\$25.4	\$26.4	3.9%

Figure 1
Percent Change in Nonfarm Employment in Utah
 (same month previous year comparison)



May 2010 when job growth was reported for the first time in 22 months. In each of the last six months job growth has occurred, but the growth has been very modest; between one and two percent.

While job growth has been modest it has been broad based. Nine of the eleven major industrial sectors in Utah have had job growth in the past year, *Table 2*. Only the government and manufacturing sectors have had losses. The professional and business services sector is the leader in job gains with an increase of 6,800 jobs followed by the health services sector with an increase of 5,000 jobs. In October 2010 16 of Utah's 29 counties reported job growth, including Salt Lake, Utah and Davis Counties. Six months earlier only four counties had year-over job growth. Economic improvement has spread throughout

Table 2
Change in Employment in Utah (October 2009 to October 2010)

Sector	Change
Professional and Business Services	6,800
Health and Private Education	5,000
Leisure and Hospitality	1,800
Financial Activities	1,200
Other Services	1,000
Trade, Trans. Utilities	700
Natural Resources	600
Information	400
Construction	100
Government	-300
Manufacturing	-900

Source: Utah Department of Workforce Services.

Utah, although Iron and Washington Counties, in the southwestern part of the state, have yet to register job growth.

Unemployment Rate - Utah's unemployment rate will peak in 2010 at 7.6 percent and drop slightly in 2011 to 7.1 percent. The historic (1950-2008) average unemployment rate in Utah is 5.0 percent. This historic average includes the 1960s and 1970s when the unemployment rate rarely dropped below 5 percent. Shortening the time horizon to 1990-2008 yields an average unemployment rate of 4.1 percent for Utah. It will probably take four to five years for unemployment in Utah to get back down to 4.1 percent.

Job Loss Comparison of Utah, Western States and Nation - Historically, employment conditions in Utah have been far better than at the national level, but in the current contraction Utah has not fared any better than the overall U.S. economy. Utah is tracking almost exactly with the national employment trends and doing better than most western states, *Table 3*. Since the peak month (December 2007 for Utah) the number of jobs in the state has declined by 5.5 percent compared to a decline of 5.4 percent nationally. Of the 11 western states seven experienced percentage losses larger than Utah.

Table 3
Percent Change in Nonagricultural Employment
from Peak Employment to October 2010

	% Change	Jobs Loss (000)
Nevada	-14.8%	-191.5
Arizona	-10.0%	-267.2
California	-8.8%	-1,345.1
Oregon	-7.9%	-136.8
Idaho	-7.8%	-51.1
Colorado	-6.5%	-154.4
Washington	-5.6%	-167.8
Utah	-5.5%	-69.0
U.S.	-5.4%	-7,489.0
Wyoming	-5.3%	-15.9
Montana	-5.0%	-22.5
New Mexico	-5.0%	-22.3

Source: U.S. Bureau of Labor Statistics.

Employment Projections - The Utah Department of Workforce Services has made employment projections for each major industrial sector, *Table 4*. In 2011 employment in every sector, with the exception of mining, is expected to grow, albeit the growth will be very modest

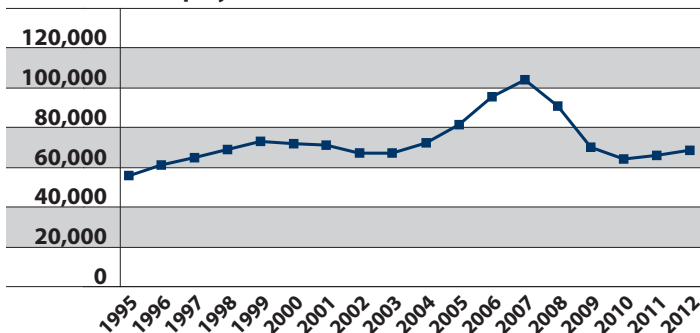
Table 4
Nonagricultural Employment Projections in Utah by Sector

	2010	2011	% Change
Total Nonfarm Jobs	1,180,000	1,196,500	1.4%
Mining	10,200	10,000	-2.0%
Construction	64,500	66,300	2.8%
Manufacturing	109,800	111,600	1.6%
Trade, Trans. Utilities	229,700	231,500	0.8%
Information	29,200	29,300	0.3%
Financial Activity	67,700	68,200	0.7%
Professional & Business Services	153,600	157,900	2.8%
Health Services & Private Education	155,500	160,700	3.3%
Leisure & Hospitality	110,900	111,400	0.5%
Other Services	33,500	33,800	0.9%
Government	215,400	215,800	0.2%

Source: Utah Department of Workforce Services.

for most sectors. Four sectors will have above average job growth; health services, professional and business services, construction and manufacturing. Throughout the recession health services maintained growth rates above 3 percent. Most notable is the upturn in construction employment. During the housing and real estate boom construction employment increased from 70,000 to 103,500 in three years. From this peak, employment plunged over the next two years back to pre-expansion levels, *Figure 2*. In 2010 construction employment is expected to bottom out at 64,500 jobs and in 2011 increase by 1,800 jobs. The increase in construction jobs will be due to the \$1.6 billion National Security Administration (NSA) project near Camp Williams in Utah County. The NSA project will be the largest building project in Utah’s history. Only non-building projects such as Intermountain Power Plant and the reconstruction of I-15 had higher construction valuation.

Figure 2
Construction Employment in Utah



Other Signs of an Improving Economy

In addition to an improving job market there are a number of other developments that portend better economic conditions in 2011:

- The unsold inventory of new homes is at very low levels, a good sign for homebuilders.
- The number of mortgage loans in foreclosure appears to have peaked at 14,900 in the first quarter of 2010. Over the past two quarters the number of foreclosures statewide has fallen to 13,800.
- The state continues to have net in-migration. In 2011 the state is expected to have net in-migration of 10,000.
- Pent-up demand for housing is increasing and will help support a housing recovery.
- Retail sales are improving. In 2011 sales are expected to be up 3.8 percent, an increase of nearly \$1 billion in sales.
- Auto and truck sales will help boost retail sales in 2011. The number of new vehicle sales is expected to grow from 70,000 in 2010 to 80,000 units in 2011, an increase of 13 percent.
- Tax revenues for state and local governments are improving in FY2011. State tax revenues were up 9.6 percent through the first four months of the fiscal year.
- Utah exports will grow to \$13.5 billion in 2011 up 7.3 percent. Exports were up double-digits in 2010.

All of these factors will help support economic recovery but the local recovery will not gain much traction until the rate of growth of the U.S. economy improves from the current 2-2.5 percent growth to at least 3 percent growth. In the meantime, Utah will outperform most states creating 20,000 new jobs in 2011 and 27,000 in 2012. But the state will not get back to the long-term average employment growth rate of 3 percent, which would produce 37,000 new jobs, until 2013.