

UTAH'S ECONOMY

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



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ISSUE | 18 JANUARY 2015



VENTURE CAPITAL AND HIGHTECH EMPLOYMENT IN UTAH

Utah's 2015 Economic Report to the Governor was released in early January. It's the twenty-seventh year of the publication, which is a collaboration between the Utah Economic Council, Salt Lake Chamber, David Eccles School of Business and the Governor's Office of Management and Budget. The 138 page document provides a 2015 economic outlook for Utah, a review of the performance of major economic indicators, and an analysis of key industries.

The report forecasts the growth in the Utah job market to moderate in 2015, but a tight labor market will continue to persist. "Utah's employment is expected to grow at 2.5 percent, below its long-term average, while the nation holds steady at 1.8 percent growth. If wage growth accelerates in the early months of 2015, then employment growth could increase. The unemployment rate will remain stable at 3.6 percent."

While the report provides a comprehensive narrative of the Utah economy and an outlook for each major industrial sector, some of the most interesting reading is in some of the minor details laced throughout the document. One of the most interesting is the growth of venture capital investments in Utah. In recent years Utah compares very favorably with Colorado and Washington in venture capital investments. Sources beyond the Economic Report to the Governor confirm this positive development for the Utah economy.

Venture Capital and High Technology - Utah's high technology sector is flourishing. Two measures, one from the Brookings Institution, the other from PricewaterhouseCoopers, show that Utah does very well compared to other states. While Utah ranks 32nd in the number of non-farm jobs, the state ranks 10th in venture capital investment, much better than expected given the size of the state. From 2012 to 2014 \$1.4 billion in venture capital was invested in Utah firms, *Table 1*. Only three western states had higher levels of investment; California, Washington, and Colorado. The typical state had an investment of \$280 million in venture capital investments over the three year period, only 20 percent of the level of investment in Utah firms.

Another measure is per capita investment. On a per capita basis, Utah ranks seventh in venture capital investment, *Table 2*. In 2013 the per capita investment in Utah was \$109. Massachusetts was top ranked with \$457 in venture capital investment per person. Nationally the average per capita investment was \$93.

TABLE 1 - VENTURE CAPITAL INVESTMENT BY STATE 2012-2014 (MILLIONS)	
California	\$56,810.4
Massachusetts	\$11,081.2
New York	\$8,993.7
Texas	\$3,870.7
Washington	\$3,026.8
Illinois	\$2,145.6
Colorado	\$1,868.2
Pennsylvania	\$1,761.8
Florida	\$1,490.6
Utah	\$1,435.6
Median	\$279.9

Source:PricewaterhouseCoopers, Money Tree.

TABLE 2 - PER CAPITA VENTURE CAPITAL INVESTMENTS IN 2013	
Dollars Per Capita	
Massachusetts	\$457
DC	\$443
California	\$382
New York	\$145
Washington	\$131
Maryland	\$112
Utah	\$109
U.S.	\$93

Source: State Science and Technology Institute.

TABLE 3 - METROPOLITAN AREAS RANKED BY SHARE OF ADVANCED INDUSTRIES EMPLOYMENT

		Share of Employment	Advanced Industries Employment
1	San Jose-Sunnyvale-Santa Clara, CA	30.0%	291,700
2	Seattle-Tacoma-Bellevue, WA	16.0%	295,000
3	Wichita, KS	15.5%	46,800
4	Detroit-Warren-Dearborn, MI	14.8%	279,400
5	San Francisco-Oakland-Hayward, CA	14.0%	297,200
6	Washington-Arlington-Alexandria, DC, VA	13.7%	503,500
7	Palm Bay-Melbourne-Titusville, FL	13.4%	26,600
8	Boston-Cambridge-Newton, MA	13.3%	338,900
9	Houston-The Woodlands-Sugar Land, TX	12.8%	361,000
10	San Diego-Carlsbad, CA	12.3%	176,300
11	Austin-Round Rock, TX	12.1%	106,300
12	Provo-Orem, UT	12.0%	25,100
13	Raleigh, NC	11.7%	64,400
14	Ogden-Clearfield, UT	11.3%	26,500
15	Salt Lake City, UT	11.1%	71,600
	United States	8.7%	12,284,000

Source: America's Advanced Industries, The Brookings Institution, 2015.

¹ The Economic Report to the Governor is available on the website of the Bureau of Economic and Business Research, University of Utah at www.bebr.business.utah.edu.

Venture capital investment leads to job growth which is reflected in the relative size of Utah's high technology sector. The Brookings Institution has just released a metropolitan comparison of advance industries (high technology). The study is limited to the country's largest 100 metropolitan areas. Three metropolitan areas in Utah ranked in the top 15 metropolitan areas in terms of concentration of high technology workers, *Table 3*. Provo-Orem ranked 12th with 12 percent of the metropolitan area's employment in advanced industries. Most of the high tech companies in the Provo-Orem metro area are located north of Provo. Two-thirds of the advanced industries employment in the Provo-Orem metro area is service related. High tech service employment includes, but is not limited to, computer systems design, information services, scientific research, software publishers, and scientific and technical consulting.

The Ogden-Clearfield metropolitan area ranks 14th with 11.3 percent of its non-farm employment in advanced industries. Many of the advanced industries in the Ogden-Clearfield metro area are manufacturing firms located at the Freeport Center in

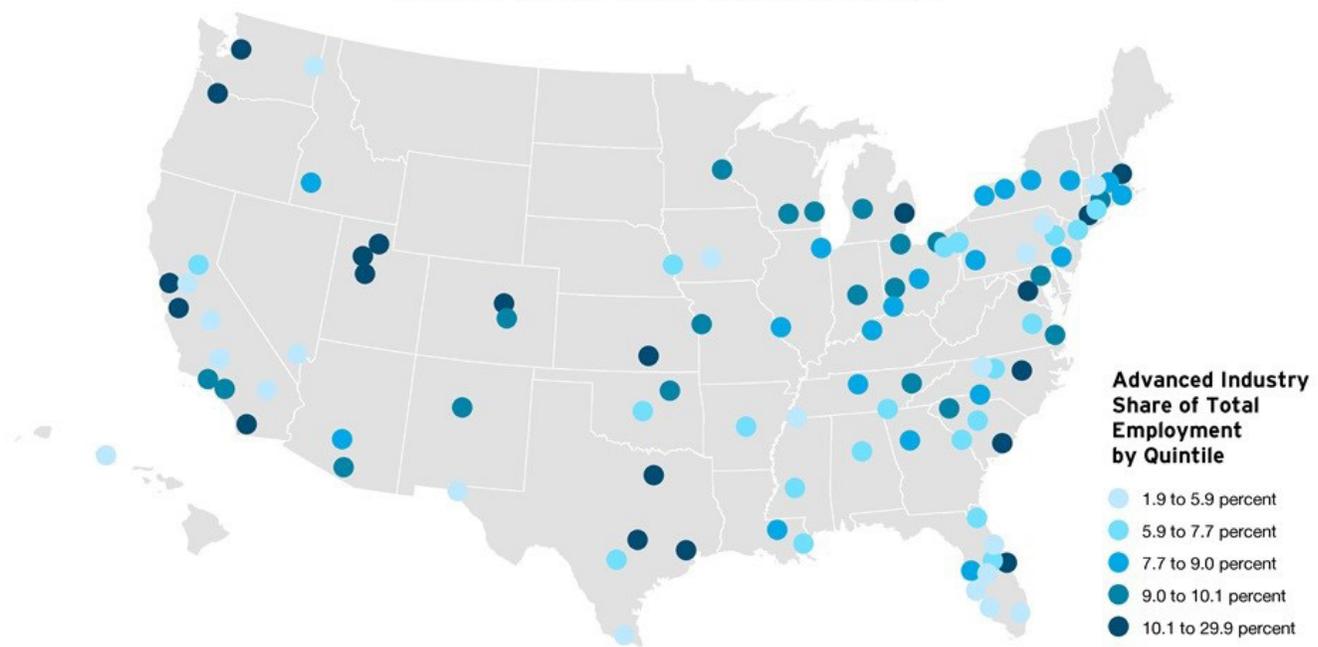
Clearfield and companies providing product and services to Hill Air Force Base. In the Ogden-Clearfield metro area, nearly two-thirds of advanced industries employment is in manufacturing, and only one-third in services, just the reverse of Provo-Orem.

The Salt Lake City Metropolitan area ranks 15th with 11.1 percent of the area's employment in advanced industries. Advance industries employment is almost evenly divided in the Salt Lake metro area between manufacturing and services.

Figure 1 shows that of the 12 western states only California, Colorado, Washington and Utah have metropolitan areas with high concentrations of advanced industries employment. Advanced industries are a major source of economic activity at the national and state level and have led the post-recession employment recovery. In Utah, employment in professional and technical services is the leading employment sector in both relative and numeric terms. Since 2010 employment in this sector has grown by 20 percent, adding nearly 17,000 jobs.

FIGURE 1

Advanced industries' share of total employment varies significantly across major metropolitan areas



Source: The Brookings Institution, *America's Advance Industries*, February 2015

² Advanced industries were identified using two criteria: (1) an industry's R&D spending per worker must fall in the 80th percentile of industries or higher, exceeding \$450 per worker and (2) the share of workers in an industry whose occupations require a high degree of STEM knowledge must also be above the national average, or 21 percent of all workers.



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