

UTAH'S ECONOMIC INDICATORS 2009-2011

In November the Revenue Assumption Committee 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 20,000. Welcome news after two years of serious decline. If the national economy is through shedding jobs, as the recently released November employment numbers suggest, a turnaround for the Utah economy should be on track for 2011. All major indicators turn positive by 2011 with the exception of nonresidential construction, which is projected to have an 11 percent decline in construction value in 2011.

Employment - The rate of employment decline likely touched bottom in the third quarter of 2009 at slightly more than negative five percent. Through the next three quarters the number of jobs in Utah will continue to be lower than the same month the previous year, but those declines will get smaller and smaller, finally turning positive by the third quarter of 2010. The rebound will take some time to gather momentum, but by 2011 the Utah economy should expand by about 20,000 jobs, or 1.7 percent growth. If job growth reaches 2.5 percent in 2012 and 3.0 percent in 2013 the number of jobs will rise to 1.25 million, the level of 2008.

Table 1
Forecast of Utah's Major Economic Indicators

	2009	2010	2011	2009-2010	2010-2011
Nonagricultural Employment (000)	1,191.6	1,170.4	1,189.9	-1.8%	1.7%
Unemployment Rate	6.5%	6.8%	6.4%	na	na
Total Wages (billion)	\$45.0	\$44.9	\$46.6	-0.3%	3.8%
Average Annual Wage	\$37,764	\$38,337	\$39,146	1.5%	2.1%
Total Personal Income (billion)	\$81.8	\$83.4	\$87.2	2.0%	4.5%
Population (000)	2,805	2,853	2,900	1.7%	1.7%
Net Migrations (000)	1.5	8.0	8.0	433%	0.0%
New Auto/Truck Sales (000)	65.6	72.0	78.8	9.7%	9.4%
Residential Units (000)	10.0	10.0	13.0	0.0%	30.0%
Residential Valuations (million)	\$1,600.0	\$1,600.0	2,200.0	0.0%	37.5%
Nonresidential Valuation (million)	\$1,200.0	\$900.0	800.0	-25.0%	-11.1%
Taxable Retail Sales (billion)	\$24.3	\$24.9	\$25.7	2.2%	3.4%

Source: Governor's Office of Planning and Budget.

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The Utah Department of Workforce Services has made projections at the broad 11 sector level, [Table 2](#). By 2011 the projection for manufacturing jobs, a large and important sector, shows little improvement, however, construction employment is expected to increase by 4,500 jobs. The greatest gain will be in the health care sector, which will increase nearly 12,000 jobs over the next two years.

Unemployment – Utah’s unemployment rate will peak in 2010 at 6.8 percent and drop slightly in 2011 to 6.4 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 5.0 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.

Wages – Total wages paid actually held up quite well during the recession, not falling nearly as much as employment. Wages paid peaked in 2008 at \$46.9 billion, but are projected to fall 4.2 percent through 2010 to \$44.9 billion. By 2011 total wages paid will be restored to the level of 2008, nearly \$47 billion.

The average annual wage in Utah in 2009 was \$37,764, only one percent higher than in 2008. The growth rate in average annual wage in Utah has remained positive throughout the recession, however, the state’s average wage is only 79 percent of the U.S. average wage of \$47,714.

Wages are included in the broader measure of personal income. Personal income also includes dividends, interest, transfer payments (retirement, Social Security, food stamps) and self-employed earnings. Personal income in Utah in 2009 was

Table 2
Nonagricultural Employment Projections in Utah by Sector
(000)

	2009	2010	2011
Total Nonfarm Jobs	1,191.6	1,170.4	1,189.9
Mining	10.8	10.0	10.2
Construction	70.0	60.5	65.0
Manufacturing	113.0	106.2	106.8
Trade, Trans. Utilities	235.2	232.4	233.0
Information	29.7	29.0	29.2
Financial Activity	71.4	70.7	70.9
Professional & Business Services	148.7	143.2	147.2
Education & Health Services	152.6	158.3	164.4
Leisure & Hospitality	111.3	110.0	111.0
Other Services	34.4	34.5	34.8
Government	214.5	215.6	217.4

Source: Utah Department of Workforce Services.

\$81.8 billion compared to total wages of \$45 billion. During the recession personal income has fared even better than total wages paid. The growth in total personal income was negative in only 2009 with a slight 1.3 percent decline. In 2010 personal income is projected to be up 2.0 percent and in 2011 4.5 percent.

Demographics – Utah’s annual population growth rate has fallen to about 1.7 percent. This level is near the floor for demographic growth in Utah. Utah’s age structure and high fertility rate results in around 55,000 births annually. Deaths total nearly 14,000 annually. Therefore, the natural increase of births minus deaths is 41,000, which guarantees growth of about 1.5 percent and anything above this rate reflects net in-migration. Utah’s population growth rate has not been below two percent since the 1980s when the state suffered high rates of net out-migration. In 2009 net in-migration fell to only 1,500. By next year net in-migration is projected to increase to 8,000. In 2007 net in-migration peaked in Utah at 44,250.

Retail Sales – Retail sales are expected to be at \$24.3 billion in 2009, 8.1 percent lower than in 2008. A modest rebound of 2.2 percent is forecast for 2010, followed by a 3.4 percent gain in 2011. Nevertheless, it will probably take until 2012 for retail sales to return to the pre-recession level of \$26.5 billion. Building/garden and furniture are two of the hardest hit sectors, down 20.6 percent and 24.1 percent respectively. The motor vehicle sector’s woes continue as second quarter sales were down \$300 million. For the year, motor vehicle sales will be down close to \$1 billion, well over 20 percent. Vehicles sales in Utah peaked in 2007 at 115,000 vehicles. By 2011 sales are projected to be back to 78,800 vehicles, a good increase over the trough of 65,600 vehicles in 2009, but still well below the peak year of 2007.

Residential Construction - This past year was the fourth year of the residential contraction. No residential construction contraction in Utah’s postwar history has lasted longer than five years and there are hints in recent data that a turning point may have been reached for the state’s home building industry. It is likely, however, that 2010 will be very similar to 2009, at around 10,000 new dwelling units receiving permits; with new detached single-family homes accounting for 5,500 –units, and multifamily units (condominiums, town homes and apartments) accounting for 4,500 units. The rebound for housing is expected in 2011, with the number of new dwelling units rising to 13,000, a 30 percent increase.

Nonresidential Construction - Excess capacity and rising vacancy rates will probably result in further declines in 2010. The value of permit authorized nonresidential construction will likely drop below \$1 billion in 2010. The loss of 60,000 Utah jobs in 2009 has hurt the demand for office, retail and industrial space and will continue to be a problem into 2010-11. The rebound for this sector will likely not occur until beyond 2011.

The forecast for Utah’s economic indicators shows that the worst is probably over for the Utah economy. The most difficult years were 2008-2009 with modest improvement expected in 2010 and accelerating improvement into 2011.