

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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THE UTAH ECONOMY AT MID-YEAR 2012

The recently released economic forecast for Utah shows that all major economic indicators will improve in 2012 with the exception of nonresidential construction. Jobs will increase to 1,239,000, an increase of 30,000 and a near return to the pre-recession peak of 1,250,000. The unemployment rate will continue to decline and the beginning of the housing recovery will finally take hold in 2012.

The Revenue Assumption Committee forecast also shows accelerating growth in 2013 as nonresidential construction rebounds and nonfarm employment increases by 37,100 new jobs. Economic indicators that are expected to reach all-time highs in 2013 are employment, total wages, average pay, population, and retail sales. Exports at \$18.8 billion will be just a fraction under the all-time high of \$19 billion set in 2011, *Table 1*.

Although Utah's job growth is below its historic average of 3.1 percent it is still impressive. Utah currently ranks third among all states in the rate of job growth. The other four top ranked states, North Dakota, Oklahoma, Louisiana, and Texas, are all energy states benefiting from the boom in oil and natural gas, *Table 2*.

Table 1 Forecast of Utah's Major Economic Indicators
(Released June 13, 2012)

Indicator	2011	2012	2013	Percent Change 2012-13
Nonfarm employment (000)	1,208.80	1,238.80	1,275.90	3.0%
Unemployment rate	6.9%	6.7%	6.2%	NA
Total wages (billion)	\$47.9	\$50.6	\$53.9	6.6%
Average Pay	\$39,664	\$40,858	\$42,284	3.5%
Population	2,813.90	2,854.40	2,897.40	1.5%
Net migration (000)	2.3	3.8	6.0	NA
New auto/truck sales (000)	81.7	92.5	97.0	4.9%
Residential units	8.8	11.0	14.3	30.0%
Residential value (billion)	\$1.7	\$2.2	\$2.8	30.2%
Nonresidential value (billion)	\$1,195.8	\$750.0	\$1,000.0	33.3%
Retail sales (billion)	\$26.4	\$28.1	\$29.0	4.0%
Exports (billion)	\$19.0	\$18.5	\$18.8	1.6%
Housing price index (FHFA)	314.1	317.2	323.5	2.0%

Source: Governor's Office of Planning and Budget and Revenue Assumption Committee.

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Table 2 Top Five States Ranked by Change in Nonfarm Employment (May 2011 to May 2012)

	Absolute Change	Percent Change
North Dakota	26,500	6.78%
Oklahoma	38,200	2.47%
Utah	28,800	2.40%
Louisiana	43,700	2.30%
Texas	237,100	2.25%

Source: U.S. Bureau of Labor Statistics.

Table 3 Job Growth by Sector in Utah (May 2011 to May 2012)

	Change
Professional and Business Services	9,100
Manufacturing	5,000
Construction	3,300
Financial Activities	2,300
Health and Education (Private)	1,800
Information	1,700
Natural Resources	1,000
Government	600
Trade, Transportation & Utilities	500
Other Services	400
Leisure and Hospitality	-1,400

Source: Utah Department of Workforce Services.

Table 4 Best and Worst Performing Sectors in Utah Economy 2001-2011

	Change
Healthcare	40,129
Local Government	20,559
Professional, Scientific and Tech Services	17,869
Lodging and Food	13,485
Private Education (BYU, for profit higher ed.)	9,528
Information	-4,008
Construction	-6,422
Manufacturing	-8,427
Total Change (All Sectors)	127,645

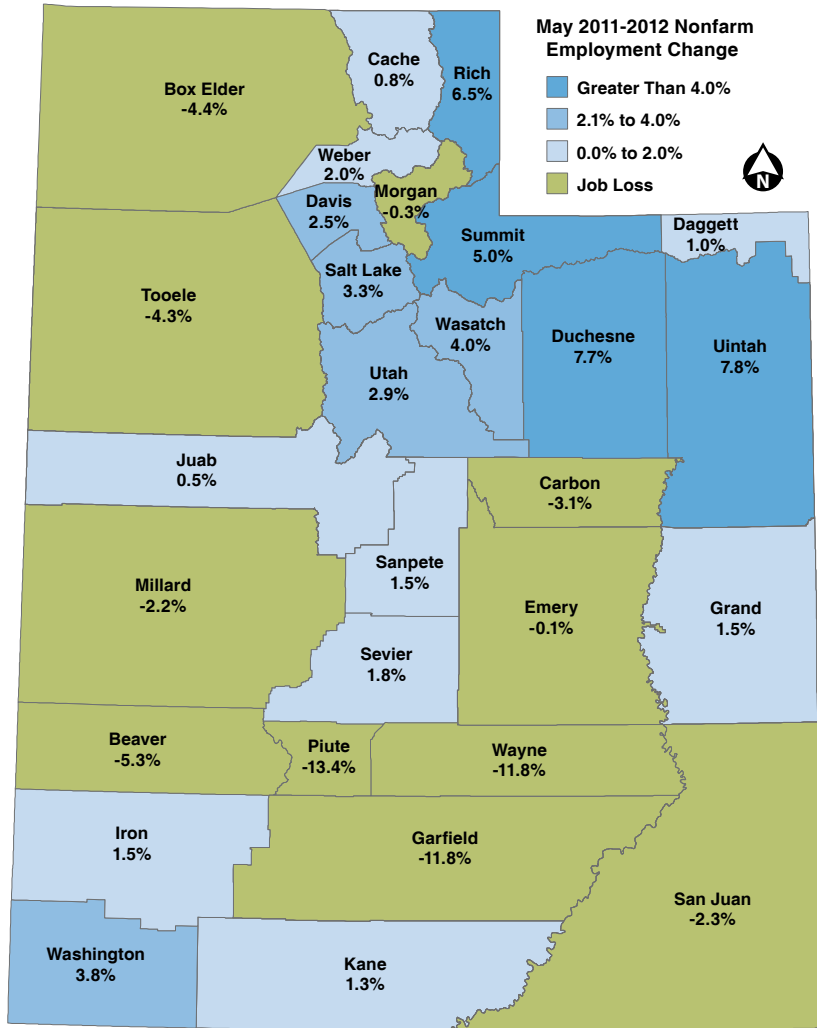
Source: Utah Department of Workforce Services.

Over the past year Utah's job growth has been lead by professional and business services, *Table 3*. This sector has grown by 9,100 jobs in the past 12 months. This sector includes professionals (lawyers, engineers, architects), scientists, and business services (establishments supporting day-to-day operation of other organizations). The most surprising numbers are the 5,000 new jobs in manufacturing, the 3,300 additional jobs in construction, and the relatively slow growth of the healthcare sector, only 1,800 new jobs. Healthcare's growth rate of 1.2 percent is well below the 4 to 6 percent annual rate of growth for this sector during the past 10 years.

Healthcare has been the top performing sector in the Utah economy over the past 10 years. Between 2001 and 2011 healthcare employment increased by 40,129, which represents about 30 percent of all employment growth in Utah 2001-2011, *Table 4*. Local government ranks second followed by professional and scientific services. Three sectors have had significant job losses over the ten-year period; information, construction and manufacturing. These sectors have each been hurt by weakness in major subsectors; publishing and printing in the information sector, home building in the construction sector, and transportation equipment (ATK rocket motors) in the manufacturing sector.

Utah's employment good fortune has not been spread evenly across the state. Of the 15 counties in the southern half of the state only one, Washington County, has recorded relatively strong growth. Employment growth has been concentrated in the urban core of Utah, Salt Lake and Davis Counties and east to Summit and Wasatch Counties and farther east to the oil and gas producing counties of Duchesne and Uintah. The number of jobs in these two counties has increased at the phenomenal rates of 7.7 percent and 7.8 percent respectively, *Map 1*. Few other rural counties have been so prosperous. It will probably take another 12 to 18 months for the recovery to reach rural Utah, nevertheless for major counties where large population and economic concentrations are located, the recovery is well underway.

Map 1 Percent Change in Nonfarm Employment by County (May 2011-May 2012)



Source: Utah Department of Workforce Services, May 2012 Employment Summary.
Map by John Downen, BEBR | June 2012