

2019

ECONOMIC
REPORT
to the
GOVERNOR

HIGHLIGHTS



PREPARED BY THE
UTAH ECONOMIC COUNCIL

A collaborative endeavor of
David Eccles School of Business and
Governor's Office of Management and Budget

2019 Economic Report to the Governor

2018: Better-than-anticipated economic growth. 2019: Steady but softening.

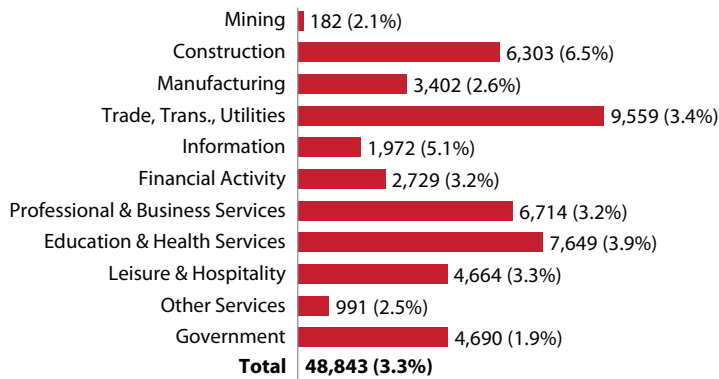
Against a backdrop of low interest rates, federal tax cuts, and positive global growth, 2018 marked a year of accelerated economic growth for Utah. Every major industrial sector expanded, adding over 48,800 new jobs. The state's 3.3 percent pace of job growth ranked highest in the nation, and the unemployment rate dropped to a 10-year low of 3.1 percent.

Four major sectors drove job growth in Utah in 2018: professional and business services, with a gain of 6,700 jobs, followed by construction and retail trade, each with 6,300 additional jobs, and health care with an increase of 5,000 jobs. The job growth

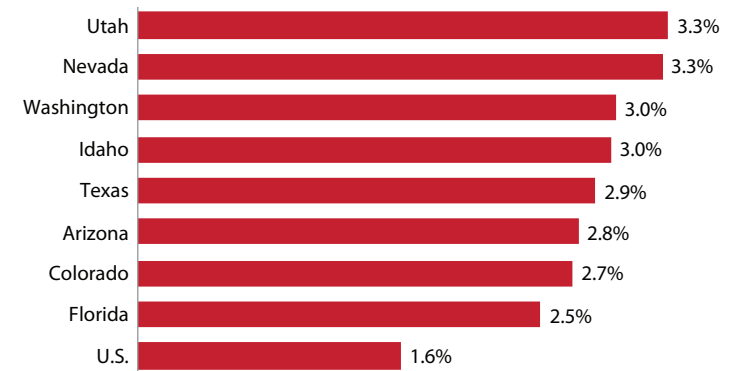
in professional and business services, which includes many of Utah's high-tech companies, is particularly notable as a high-skill, high-wage sector with an average wage above \$70,000. Rapid job growth in Utah's construction industry is tied to the state's residential construction boom and multi-year, mega public projects, including the redevelopment of the Salt Lake City International Airport, construction of a new Utah State Prison, a billion dollars in state road construction, and \$600 million in public school renovation and new construction.

The Utah economy's solid post-recession growth is due, in part, to its diversity. According to the Hachman Index, a measure of

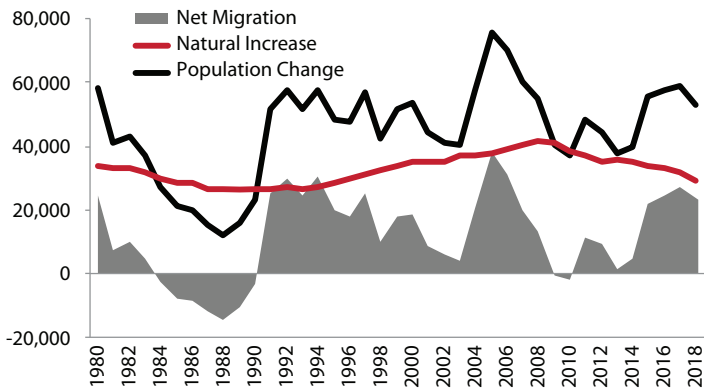
Utah Employment Growth, Level and Percent 2017–2018



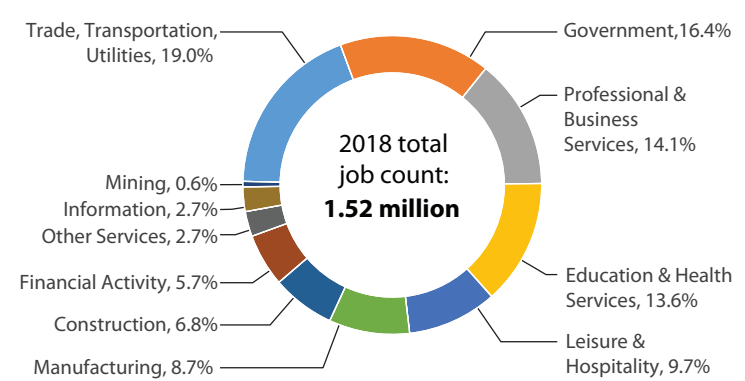
States with Strongest Job Growth 2017–2018



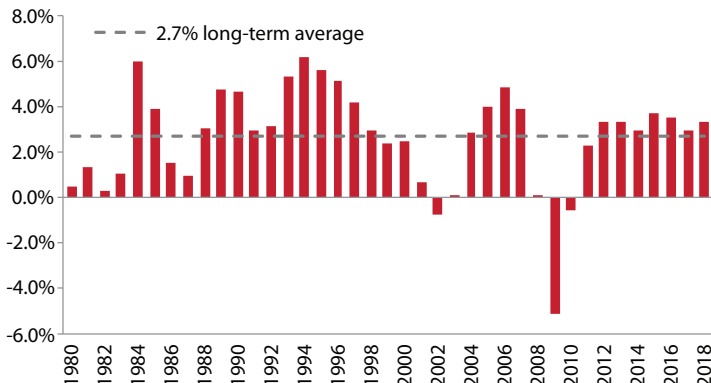
Utah Components of Population Change



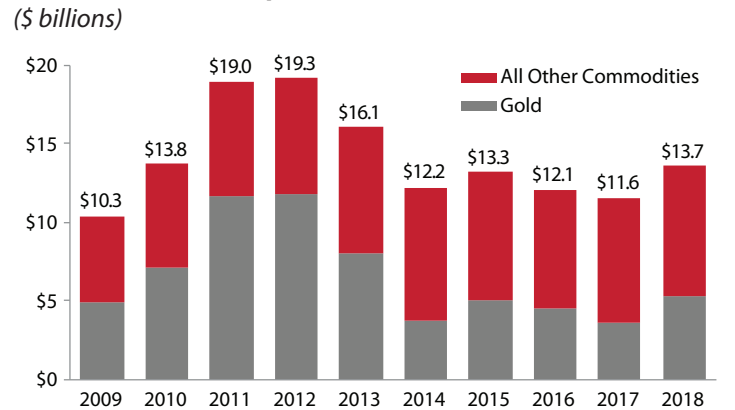
Total Share of Utah Jobs by Sector 2018



Utah Annual Job Growth History



Utah International Exports (\$ billions)



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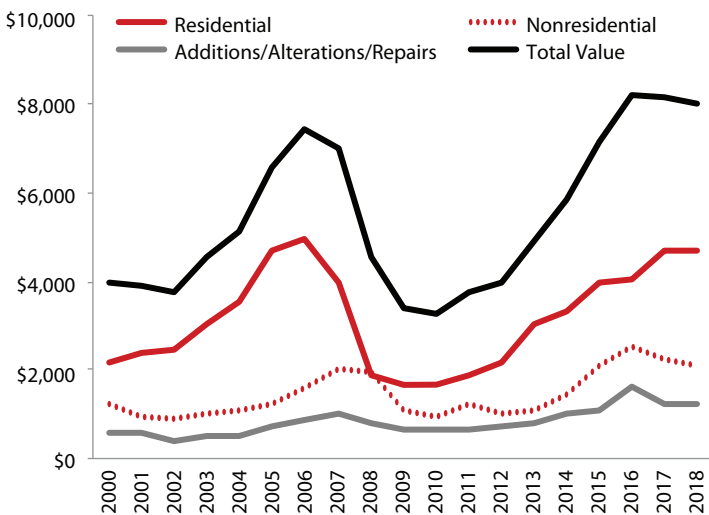
economic diversity developed at the David Eccles School of Business, Utah's economy is the most diverse in the nation. Diverse economies exhibit resilience in the face of economic stress and sustained, solid growth in times of expansion.

With nearly 53,000 new Utahns in 2018, population growth was slightly lower than in 2017. Still, Utah's rate of growth was the third fastest in the nation, behind our neighbors Nevada and Idaho. Net in-migration was a relatively strong 23,200 while natural increase was the lowest since 1994 at 29,400.

The Utah Economic Council projects Utah and the nation's economic expansion will surpass 10 years by mid-summer 2019 and be the longest on record. While we can't predict the timing of the economic cycle, we expect 2019 to remain relatively steady, even as most indicators soften. We forecast growth rates in employment, personal income, wages, population, residential permit values, and taxable sales will all be lower in 2019. Decision-makers should keep a close eye on rising costs, labor supply constraints, housing affordability, risk taking, stock market volatility, and economic policy. We forecast Utah will follow national economic conditions in 2019, but do better.

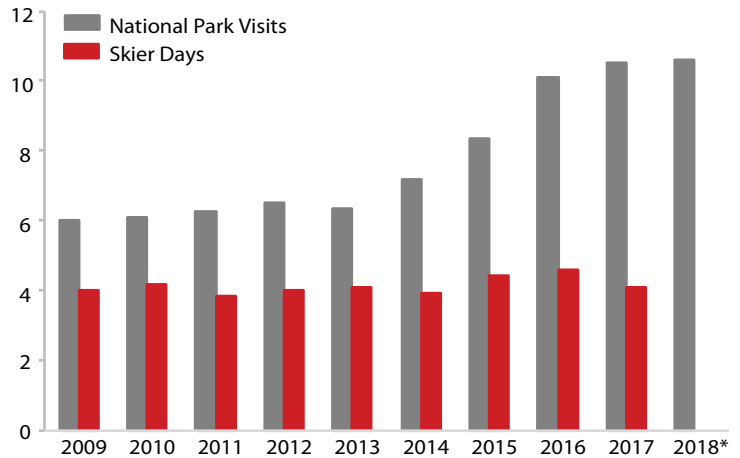
Utah Value of New Construction

(\$ millions)



Utah National Park and Skier Visits

(millions)

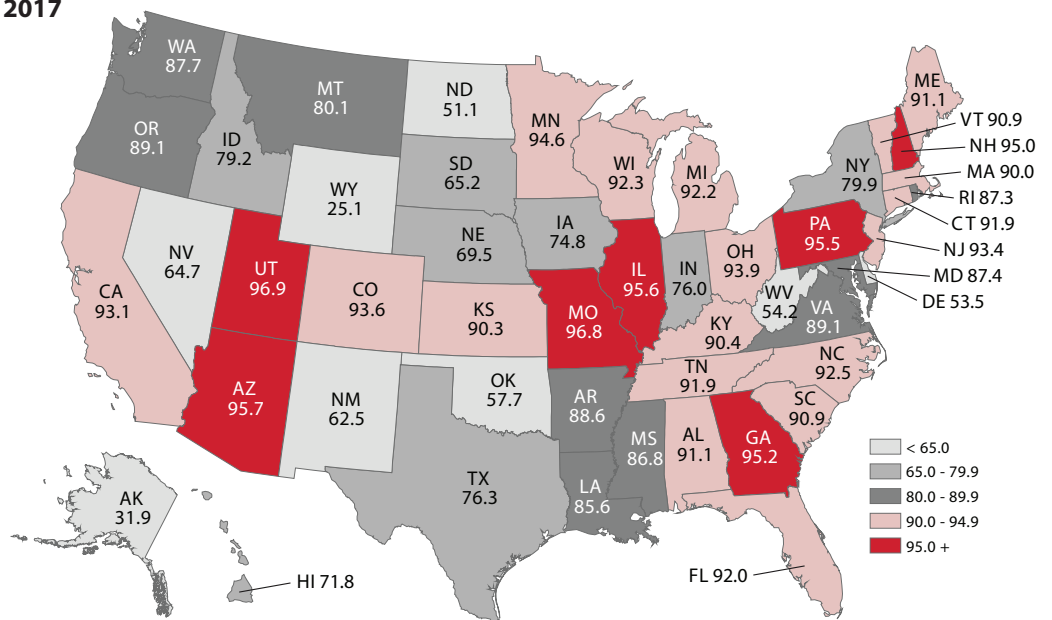


* 2018 skier days will be released in June 2019. Skier days include season that begins with year shown (e.g. 2017 = 2017-2018 ski season).

Hachman Index of Economic Diversity, 2017

According to the Hachman Index, a measure of economic diversity, Utah and Missouri led the nation in economic diversity in 2017 with scores of 96.9 and 96.8, respectively, based on gross domestic product by industry. A higher score, closer to 100, indicates more economic diversity.

A timely example of the advantage of diversity is the impact of globalization and tariffs on state economies. Those states with employment concentrations in auto, textiles, or steel production experienced severe job losses. In contrast, Utah's economic diversity protected the state from the negative impacts of tariffs.



Note: All 2018 data is estimated.

Sources: Kem C. Gardner Policy Institute; U.S. Bureau of Labor Statistics; U.S. Bureau of Economic Analysis; U.S. National Park Service; Ski Utah; Utah Economic Council; U.S. Census Bureau; and Utah Population Committee.

Economic Indicators for Utah and the United States

PRODUCTION AND SPENDING	UNITS					PERCENT CHANGE		
		2016 ACTUAL	2017 ACTUAL	2018 ESTIMATE	2019 FORECAST	16-17	17-18	18-19
U.S. Real Gross Domestic Product	Billion Chained \$2009	17,659	18,051	18,574	19,048	2.2	2.9	2.6
U.S. Real Exports	Billion Chained \$2009	2,378	2,450	2,550	2,653	3.0	4.1	4.0
Utah Exports (NAICS, Census)	Million Dollars	12,078	11,583	13,774	14,234	-4.1	18.9	3.3
Utah Coal Production	Million Tons	14.0	14.4	14.2	15.0	3.1	-1.5	5.6
Utah Crude Oil Production	Million Barrels	30.5	34.5	36.8	38.2	12.9	6.8	3.8
Utah Natural Gas Production Sales	Billion Cubic Feet	319	278	257	246	-12.9	-7.6	-4.3
Utah Copper Mined Production	Million Pounds	347	341	436	436	-1.8	27.9	-0.1

SALES AND CONSTRUCTION

U.S. Private Residential Investment	Billion Dollars	699	755	796	821	8.0	5.5	3.1
U.S. Nonresidential Structures	Billion Dollars	546	585	640	679	7.3	9.2	6.2
U.S. Purchase-only Home Price Index	1991Q1 = 100	231	247	263	274	6.6	6.5	4.5
U.S. Retail Sales	Billion Dollars	5,498	5,757	6,048	6,306	4.7	5.1	4.3
Utah Dwelling Unit Permits	Thousands	19.9	22.9	24.0	23.0	14.9	4.7	-4.2
Utah Residential Permit Value	Million Dollars	4,054	4,653	4,704	4,688	14.8	1.1	-0.3
Utah Nonresidential Permit Value	Million Dollars	2,529	2,268	2,100	1,750	-10.3	-7.4	-16.7
Utah Purchase-only Home Price Index	1991Q1 = 100	396	434	475	513	9.5	9.5	8.0
Utah Taxable Retail Sales	Million Dollars	29,303	31,779	33,687	36,799	8.4	6.0	9.2
Utah All Taxable Sales	Million Dollars	56,502	61,032	65,215	69,136	8.0	6.9	6.0

DEMOGRAPHICS

U.S. July 1st Population	Millions	324	326	329	331	0.7	0.7	0.7
Utah July 1st Population	Thousands	3,055	3,114	3,167	3,219	1.9	1.7	1.6
Utah Net Migration	Thousands	24.3	27.1	23.2	20.5			

PRICES, INFLATION, AND INTEREST RATES

West Texas Intermediate Crude Oil	\$ Per Barrel	43.2	51.0	65.6	63.6	17.9	28.7	-3.0
U.S. CPI Urban Consumers	1982-84 = 100	240	245	251	257	2.1	2.4	2.2
U.S. 3-Month Treasury Bills	Discount Rate	0.32	0.93	1.95	2.76			
U.S. 10-Year Treasury Notes	Yield (%)	1.84	2.33	2.93	3.31			
30-Year Mortgage Rate	Percent	3.65	3.99	4.56	5.05			
Utah Coal Prices	\$ Per Short Ton	36.4	35.3	34.0	34.5	-3.1	-3.6	1.5
Utah Oil Prices	\$ Per Barrel	36.9	44.2	57.0	46.0	19.8	28.8	-19.3
Utah Natural Gas Prices	\$ Per MCF	2.24	2.72	2.80	2.70	21.4	2.9	-3.6
Utah Copper Prices	\$ Per Pound	2.25	2.80	2.98	3.10	24.4	6.4	4.0

EMPLOYMENT AND WAGES*

U.S. Nonfarm Employment	Millions	144.3	146.6	149.0	151.1	1.6	1.6	1.4
U.S. Average Annual Pay	Dollars	55,980	57,657	59,228	60,863	3.0	2.7	2.8
U.S. Total Nonfarm Wages	Billion Dollars	8,081	8,454	8,826	9,198	4.6	4.4	4.2
Utah Nonfarm Employment	Thousands	1,426	1,469	1,518	1,565	3.0	3.3	3.1
Utah Average Annual Pay	Dollars	44,459	45,726	47,441	48,606	2.8	3.8	2.5
Utah Total Nonfarm Wages	Million Dollars	63,419	67,179	72,016	76,049	5.9	7.2	5.6

INCOME AND UNEMPLOYMENT

U.S. Personal Income	Billion Dollars	16,125	16,831	17,566	18,359	4.4	4.4	4.5
U.S. Unemployment Rate	Percent	4.9	4.4	3.9	3.5			
Utah Personal Income	Million Dollars	128,407	134,804	143,067	151,222	5.0	6.1	5.7
Utah Unemployment Rate	Percent	3.4	3.2	3.1	3.0			

*Bureau of Labor Statistics Quarterly Census of Employment and Wages (QCEW) concept of employment and wages.

Sources: Kem C. Gardner Policy Institute; Utah Economic Council; State of Utah Revenue Assumptions Working Group; and IHS Global Insight.

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