

FIRST HINTS OF RECOVERY

The February meeting of Utah's Revenue Assumption Committee¹ produced further evidence of the beginning of an economic recovery in Utah. In summary, the projections for Utah's economic indicators show that the worst is over, with modest improvement expected in 2010 and accelerating gains in 2011.

Some signs of improvement:

Job Market Conditions

The number of job openings posted by employers with the Utah Department of Workforce Services has increased in the past few months. Posted job openings are now running at about double the rate of one year ago; 20,000 versus 10,000.²

Initial unemployment claims are down 13 percent compared to a year ago; from an average of 4,150 new claims weekly in January 2009 to 3,600 in January 2010.

The number of temporary workers is growing. Increases in temporary workers indicates a willingness by employers to add workers; this is generally one of the first signs of a recovering labor market. The number of temporary workers has increased from 14,800 to 17,700 between April and September of 2009.

Job losses in 2010 will slow to 18,000, down from the 61,000 in 2009. In 2011 job gains are expected to be near 20,000.

In Utah the unemployment rate for males in the prime working age group of 25-54 years is 6.5 percent compared to 11.1 percent nationally. Consequently family incomes and economic well-being have fared better in Utah.

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.

² Labor markets are very dynamic and even in a deep recession job opportunities exist and hiring occurs, but they are overwhelmed by the number of layoffs and the number of people looking for work.

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Wages and Income

Total wages paid in Utah will be flat in 2010 at \$45 billion. In 2009 wages paid dropped nearly \$2 billion. No more declines are expected and a \$1.6 billion increase is forecast for 2011.

Total personal income will increase by \$1.8 billion in 2010. Personal income includes wages plus dividends, interest and transfer payments (social security), as well as income of self-employed.

Retail Sales and Tax Revenue

The decline in retail sales slowed considerably in the fourth quarter of 2009. First and second quarter sales were off 10 percent but by the fourth quarter retail sales were down only 2.9 percent. Retail sales are expected to be up 2.2 percent in 2010.

Auto and truck sales are projected to increase by 10 percent in 2010 to 72,000 vehicles, with another 10 percent gain projected in 2011. Sales bottomed in 2009 at 65,400 vehicles.

Likewise, the decline in tax revenues has decelerated in the past quarter. State tax revenues will likely finish near the projected level of a year ago. Greater declines were anticipated a few months ago and would have lead to additional budget cutting, but the state revenue picture appears to be improving and budget cuts should be minimal for the next fiscal year.

Energy and Exports

Energy production—oil, natural gas and coal—has stabilized with only slight declines expected in 2010. The level of job losses in the Uintah Basin will be substantially reduced.

Utah exports are projected to be up 23 percent in 2010 to \$11.4 billion, and up another 10 percent in 2011. Principal exports are gold, computers and electronics, chemicals and transportation equipment.

New Home Construction and Real Estate Sales

The number of permits issued for new home construction has been positive since June 2009. After 38 months of monthly declines—April 2006 to June 2009—new home construction finally moved into positive territory in the summer of 2009.

In Utah County—the county with the highest level of new home construction during the boom—the recovery began in April 2009. For 2009, new home construction in Utah County was up 30 percent. The number of new homes in Spanish Fork was up 117 percent to 224 homes (highest in the state) and in Eagle Mountain new home construction was up 63 percent to 150 homes.

While sales declined for real estate agents for 29 consecutive months—much shorter than for home builders—sales have now been positive over the last seven months. It appears that the residential real estate market is in synch with the new home market and began its recovery in June of 2009.

The decline in housing prices is expected to run its course in 2010. The median sales price of an existing home in the Wasatch Front area will probably fall by another 3-5 percent in 2010. The overall decline in housing prices during the recession will be between 12-15 percent.

Nonresidential Construction

The third largest nonresidential construction project in Utah's history will begin in late 2010.³ The National Security Administrations data center at Camp Williams in Utah County is projected to have a construction value of \$1.5 billion. The project award is scheduled for October 2010. Construction will begin 30 days after award. The construction period is estimated at three years. The facility will total one million square feet in several buildings. The electrical contract could reach \$500 million and the mechanical contract \$200 million. The construction of the NSA data center will cushion the decline in nonresidential building. Employment at the data center is reported to be about 1,000.

³ Both the Intermountain Power Plant in the late 1980s in Millard County and the reconstruction of I-15 in the late 1990s had construction values of over \$2 billion in inflation adjusted dollars. The Micron Plant built in Utah County in 1999 was \$1.2 billion in inflation adjusted dollars. The building permit value for City Creek Center now under construction in Salt Lake City, has been less than \$500 million.