

Utah's Economy - 2010

The negative effects of the national recession that began in late 2007 finally beginning to abate in Utah in 2010.

Employment-wise, 2010 will mark the year that Utah started to recover from the Great Recession. Whereas employment levels in Utah fell throughout 2008, 2009, and even much of 2010, employment counts started to rebound by late 2010. Employment still remains noticeably below the previous peak reached in 2007, but the business cycle is just that—a cycle—with highs and lows. Fortunately, Utah has passed its low and has returned to the upswing.

Utah's employment slide reversed in mid 2010, and an employment turnaround began to materialize. Whereas 2010 began with job losses of 44,000 over the prior 12 months (January 2010 to January 2011), by the close of December 2010 that 12-month employment profile had reversed to a gain of 14,000 positions. The cumulative effect for the year is a 2010 average of 7,300 fewer jobs than for calendar year 2009—a contraction of 0.6%. But the momentum has shifted.

All industry sectors lost jobs over the year, with the lone exception being government.

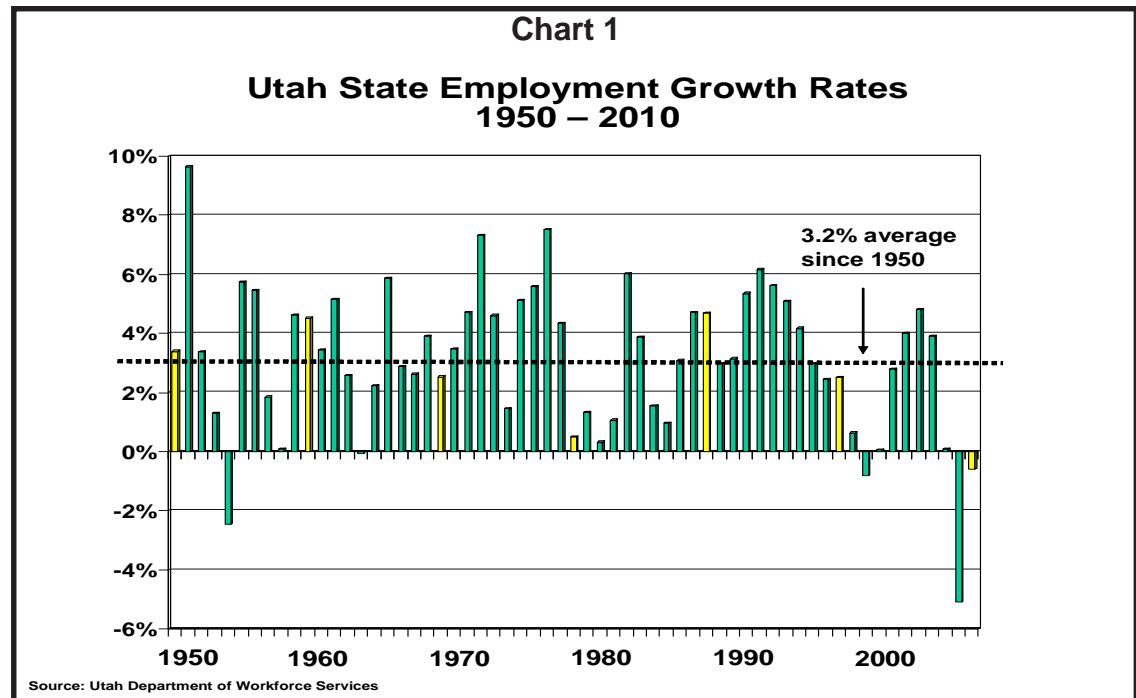
Employment by Industry

Mining Mining employment was down 250 positions in 2010 compared with 2009. National energy prices began to rise in the latter portion of 2010, but that late stimulation into Utah's oil and gas employment did not occur long enough to translate into a mining employment rebound for the entire calendar year.

Construction Construction employment sustained its third straight year of employment loss. The pace of loss was slower than in the

preceding two years, but a decline of 5,270 positions reveals that this industry had still not shed the negative consequences of the housing collapse of late 2007. So far, the cumulative loss of construction employment since the 2007 housing-recession began numbers around 38,000.

Manufacturing Manufacturing was another industry heavily impacted by the recession in Utah. Since 2008, this industry has dropped 14,800 jobs. It still employs 111,100 Utah workers, accounting for 9.4 percent of all Utah



employment. Manufacturing mirrors the overall employment performance in that its slide of job losses hit bottom in mid-2010 and by year end was on the rebound again.

Trade, Transportation, Utilities This is the largest employment sector in Utah, accounting for nearly 20 percent of all jobs. The trade component is the largest in this sector. It is one of the major areas within the economy that captures consumer spending, therefore, its employment count was negatively impacted by the recession. The sector as a whole dropped 5,000 jobs, of which 2,900 were in retail trade. The wholesale trade industry lost 1,150 jobs. The trucking and air transportation industries were also casualties of the recession, leading the overall transportation industry into a total job loss of 850. These are all less dramatic losses than seen by these industries in 2009.

Information This is one of Utah's smallest sectors with employment of around 29,300. It was not a very strong industry going into the recession so it did not have as lofty of a perch to fall from, as was the case with some other industries. Job losses for 2010 totaled 300.

Financial Activity The financial sector played a high-profile role in the recession of 2007-2009. Losses for the year were 3,100 positions. Although other industries had higher numeric losses, only construction had a higher percentage of employment loss than this sector. Financial activities account for around 6 percent of all Utah employment, but

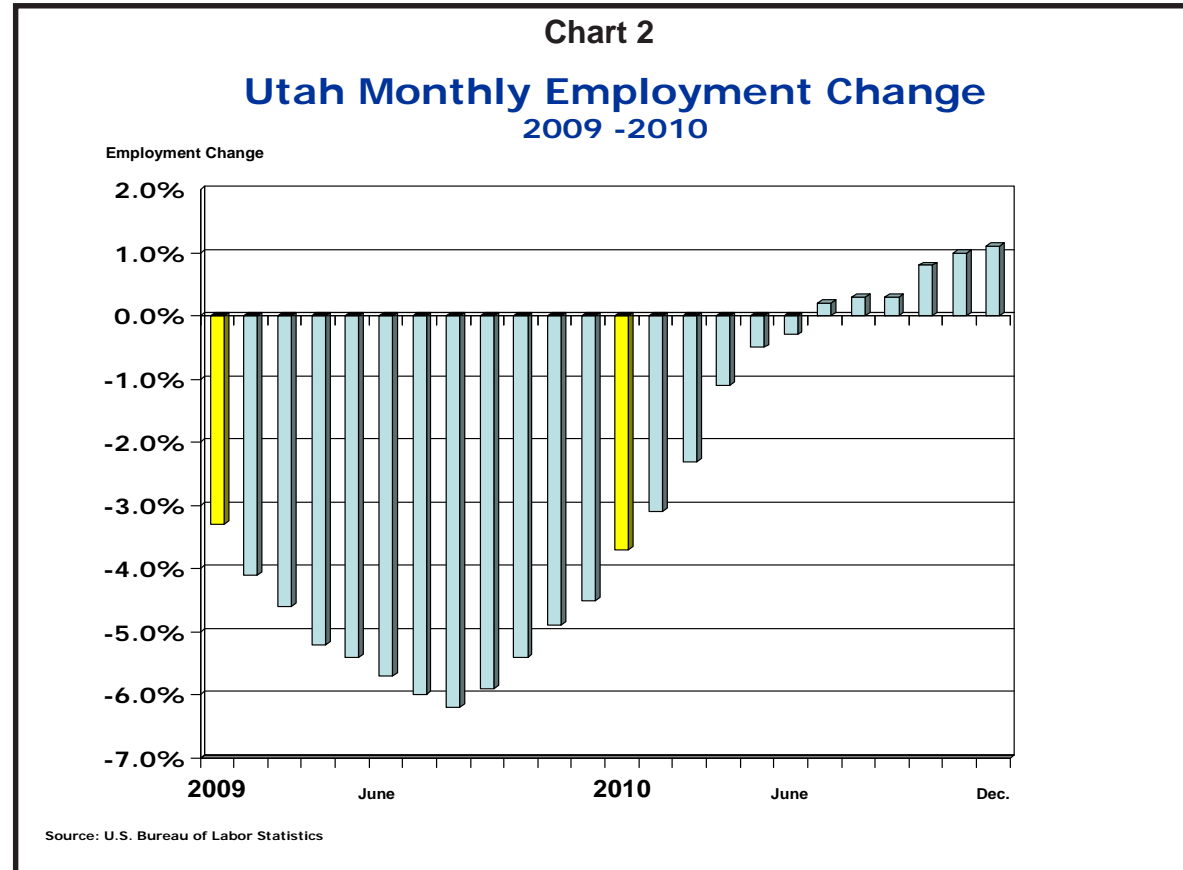
much of this employment is concentrated in the Salt Lake City area, so it has a heavier localized impact.

Professional and Business Services

Those businesses whose major input is human capital are grouped together within this sector. It consists of high-paying professional services, and lesser-paying business services, such as telemarketing and temporary help. Both groups were impacted during the recession with job losses. Over the past year, the high-paying professional side has stabi-

lized, with no growth or loss observed. Business service jobs, on the other hand, have increased by 2,800 positions. This is quite natural in the beginning phases of rebound from recession. Businesses use the temporary help industry to meet new demand while still apprehensive about whether this demand will continue. Placement hiring gives them the flexibility to meet their labor demand no matter which way their business demand moves.

Education and Health Services This sector is Utah's most consistent. It has been a



continuous grower, and this year is no exception. Even in the face of the early 2000s recession the 2007-2009 recession, while many other industrial sectors were shedding jobs or pausing to gauge the surrounding environment, this industry expanded at full force. This sector continued that strong pace again this year, adding over 4,100 new jobs to Utah's employment base. This marks this industry as the leader in job creation in 2010.

Leisure and Hospitality This sector was assembled to be a proxy for tourism. But with a recession in full swing, tourism, being considered a discretionary commodity, was something that may have been sacrificed by consumers in the 2007-2009 recession. The employment losses in this industry suggest just that. Over 4,100 fewer jobs were recorded in this industry than in 2008, but the loss over the past year has been only 200. It appears that the worst the recession will place upon this industry has passed.

Other Services This is kind of a catch-all sector on the service-producing side of the ledger. It has a potpourri of businesses within its classification, such as repair services, personal services, and membership organizations. It's not a particularly large sector, employing around 33,700 Utah workers. It experienced a job loss of 400 positions for the year.

Government Government is a large employer in Utah. It consists of three components—federal, state, and local. To-

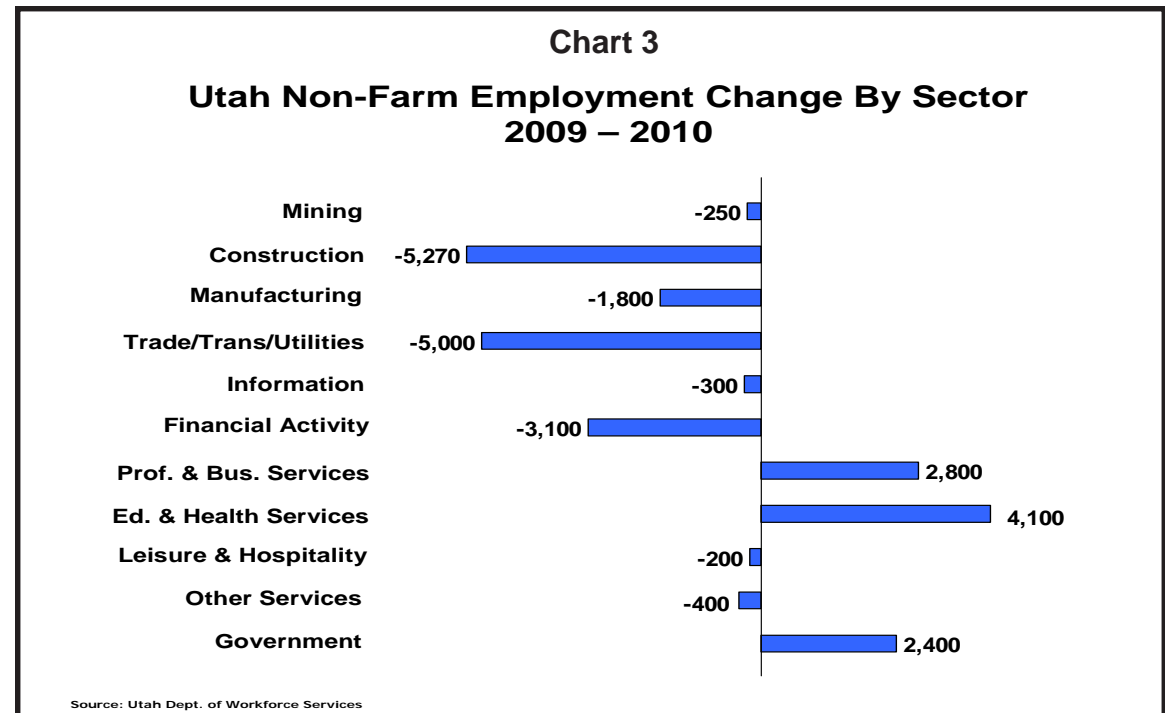
gether, they make up just over 18 percent of Utah's employment base, the second highest among all industries.

Governments can be different to respond to recessions than private-sector businesses. Government oftentimes acts as society's safety net in tough times. The need for its services often rise. All three branches of government saw their employment numbers go up, although for different reasons. Total government employment rose 2,400 positions. Federal government rose as the stimulus money was meted out through the economy. State and local governments needed to respond to the growing demand for educational

services, even in a declining-revenue environment.

Unemployment

Naturally with job losses, the unemployment rate will rise. Utah entered 2008 with an unemployment rate at 3.0 percent. By the end of the year it was 5.0 percent. By the end of 2009 it has risen to 8.0 percent. For 2010, the unemployment rate stands at 7.7 percent, but future revisions may move this higher. The rate reflects the weak nature of the economy, but may not capture its entire scope. To be included in the labor force one must be actively looking for a job. If one stops looking,



then they are not counted as unemployed. The number of people who have left the labor force is a significant factor in this recessionary environment. While the number of unemployed stands around 106,000, another 80,000 or so that were employed in 2007 are no longer employed and not looking for a job.

Wage Growth Begins to Rebound in 2010.

Total payroll wages paid by all industries into the Utah economy totaled \$45.9 billion. That is up \$628 million from 2009's \$45.2 billion, an increase of 1.4 percent. Although that increase is small in relation to past history, at least it is an increase in relation to 2009's \$1.7-

billion decline. Even with this increase, Utah total wages still remain \$1 billion below the previous high in 2008.

Construction and financial activities were the only industries where total payroll wages were lower in 2010 than the year prior. The industries with the largest increases this year are professional and business services (up \$256 million), education and healthcare (\$151 million), and manufacturing (\$110 million).

Utah's average monthly payroll wage measured \$3,234, up 2.0 percent from 2009's \$3,171. Average wage growth is an improvement over last year's 1.6-percent gain, but 2.0 percent is still below Utah's long-term

average wage growth of over 3.0 percent. The slow pace of wage growth is a reflection of an unemployment rate near 8.0 percent. This makes for many idled and available workers, which does not translate into much upward pressure upon wage bidding for new workers.

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