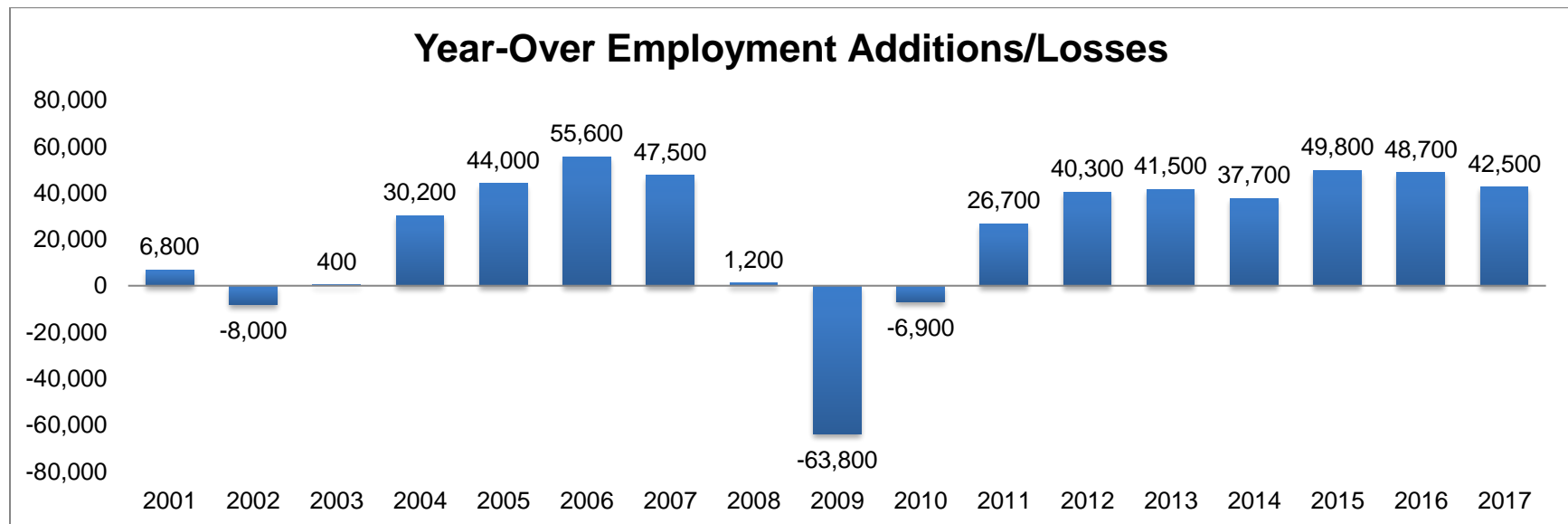


Utah's Economy — 2017

Carrie Mayne, Chief Economist

Utah's economy was healthy throughout 2017, although employment growth slowed marginally from the prior year. With a year-ending average growth rate of 3.0 percent, the labor market had slowed to one-tenth below the state's long run growth rate. While still growing at a healthy pace, the softening job growth possibly contributed to the state falling to number two in Forbes' ranking of best states to do business.¹ Utah also fell on CNBC's state rankings for business, moving to number eight after having taken the number one spot in 2016.² A likely contributor to the job growth slowdown was the low unemployment rate. This translates to fewer available workers to fill openings at Utah's businesses. The state made headlines in the New York Times as the bellwether for tight labor markets as "...labor shortages [weigh] on overall economic growth, slowing the pace of expansion in northern Utah..."³ The labor market indicators presented in this publication measure how the businesses and workers in our state are affected by growing labor shortages.

Utah's labor market grew by roughly 42,500 positions in 2017, 6,200 fewer than what was added in 2016 and 7,300 fewer than 2015.

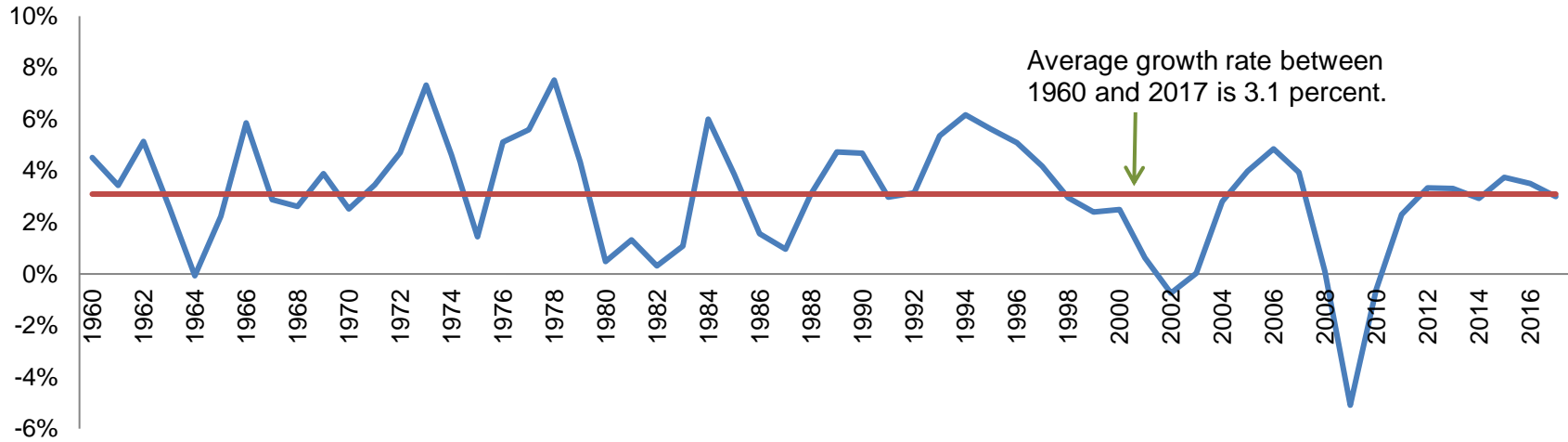


¹ <https://www.forbes.com/best-states-for-business/list/> Accessed on Nov. 30, 2018

² <https://www.cnbc.com/2017/07/11/top-states-for-business-8-utah.html> Accessed on Nov. 30, 2018

³ https://www.nytimes.com/2017/05/21/us/politics/utah-economy-jobs.html?_r=0 Accessed on Nov. 30, 2018

Statewide Employment Growth Rates, 1960-2017



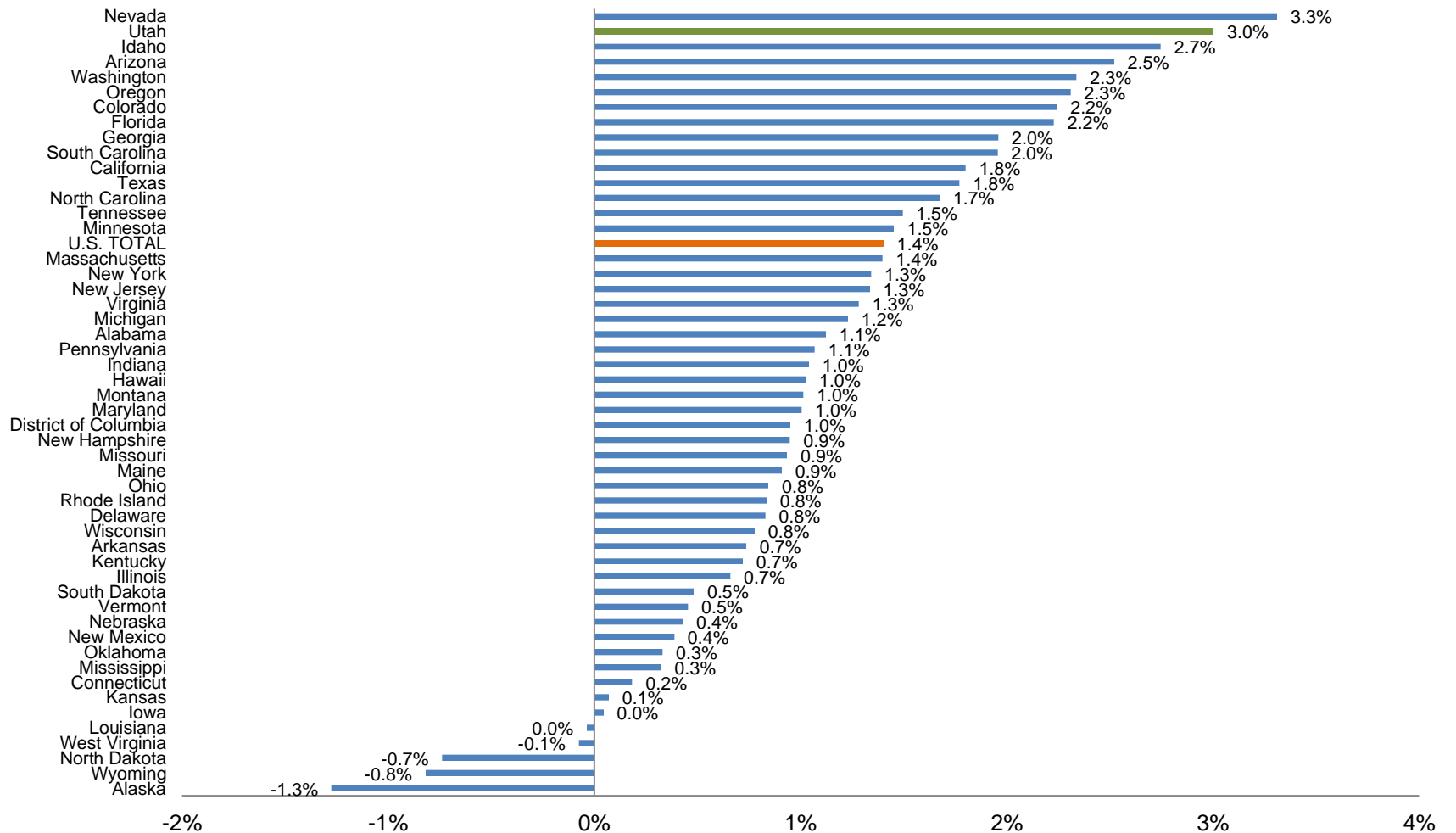
The job growth rate for 2017 registered 3.0 percent, which, as stated, is one-tenth below the state's long-run average growth rate. Utah's post-recession performance in 2017 continued to follow a typical trend in employment expansion but an atypical trend in wage growth. In 2005, when 44,000 jobs were added to the state, wage growth was at 3.6 percent; whereas, in 2017, when roughly the same number of jobs was added, wage growth was only 2.9 percent. Both of those years were marked with low unemployment rates, so the wage pressures should have been comparable. The slow growth in wages, while bringing relatively lower rewards to workers, will possibly allow for a longer sustained expansion before inflationary pressures arise.

Utah's Average Monthly Wages



Utah's position amongst the states for job growth dropped to number two behind Nevada's 3.3 percent in 2017. Falling behind Nevada is not unexpected as that state has operated with labor market slack for several years. Still, Utah's job growth rate more than doubled the national average. It is likely that Utah will continue to drop in the rankings as states with adequate labor market supply and growing economies continue to expand whereas Utah may slow due to labor market tightness.

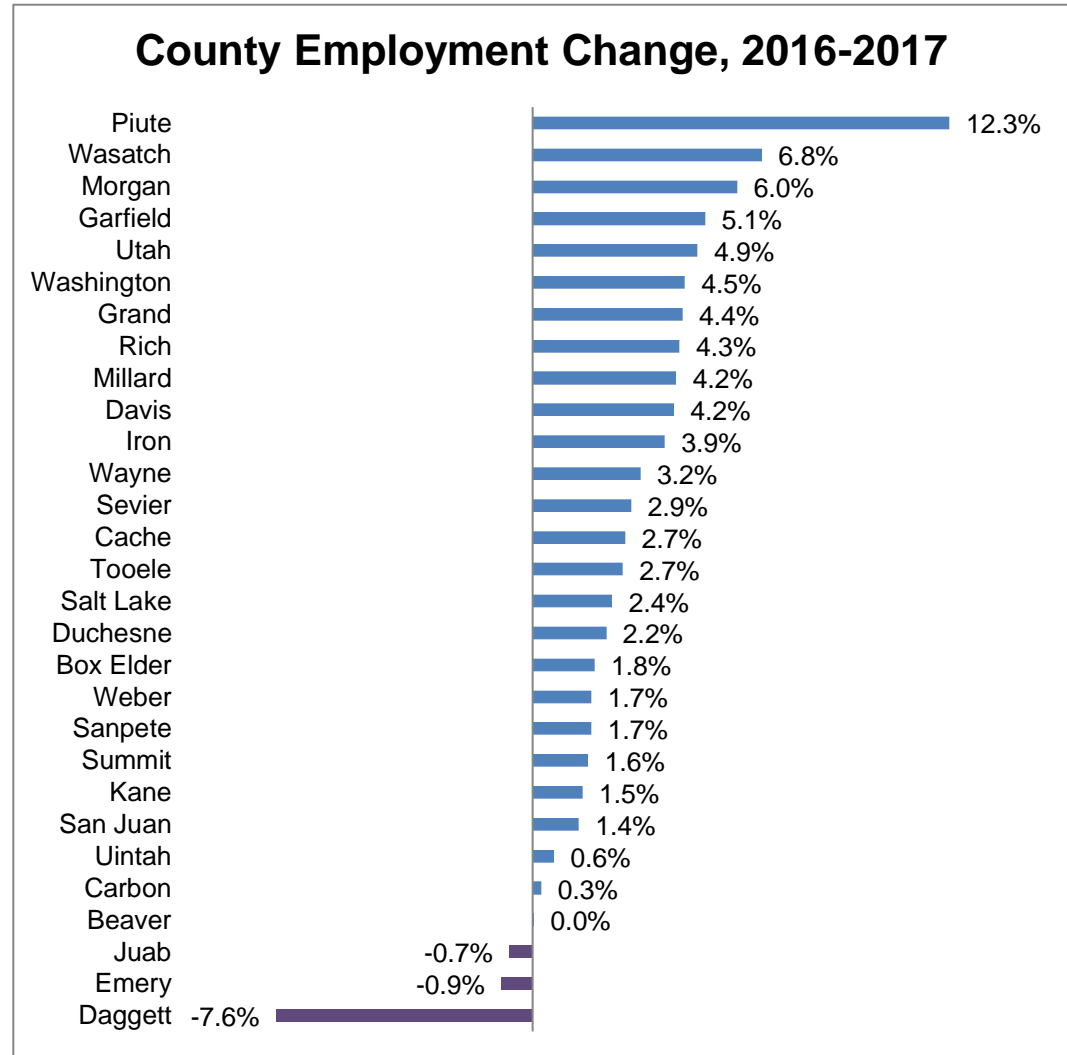
Year-Over Growth in Non-Farm Employment, by State and U.S. Total, 2016-2017



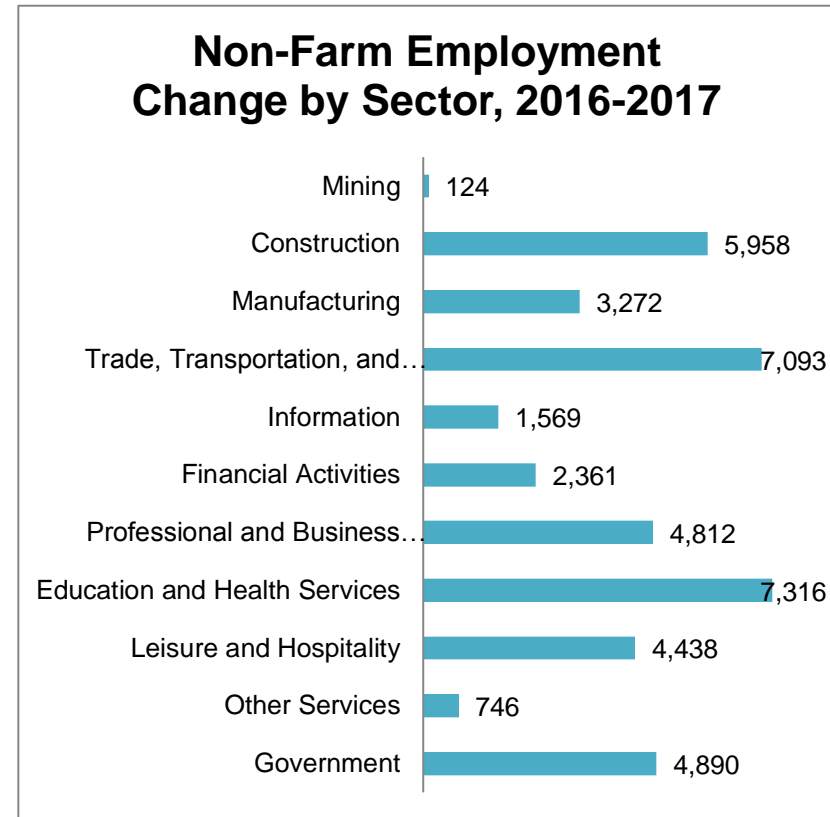
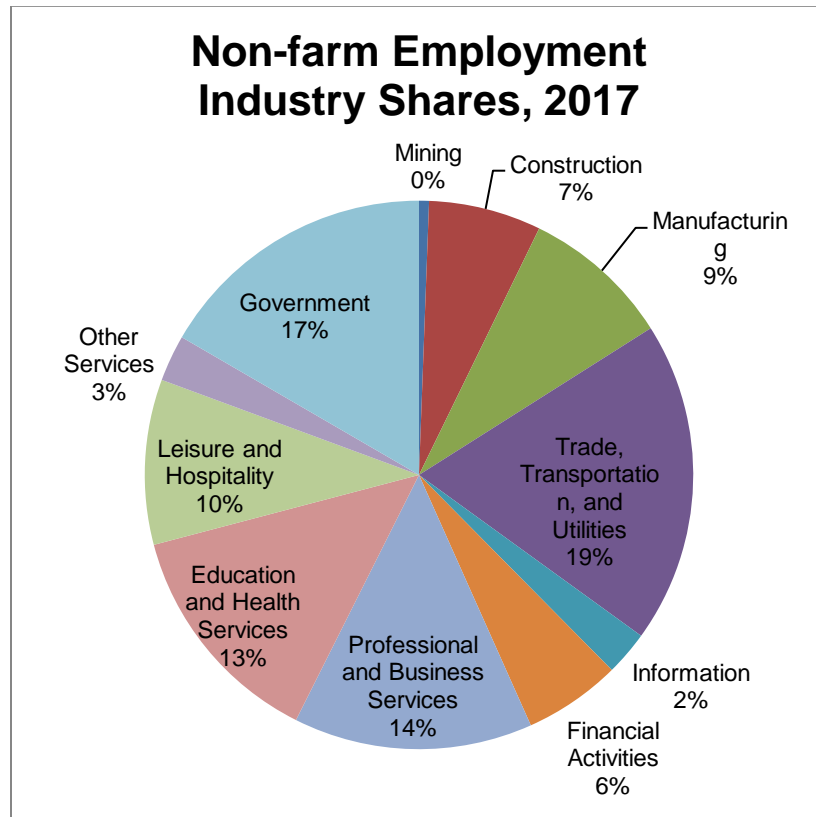
Utah's job expansion absorbed workers off the unemployment rolls and drew new ones into the workforce. The unemployment rate remained at or below 3.3 percent each month of the year, with a 3.2 percent the annual rate. On average, approximately 50,600 individuals were unemployed each month and actively seeking work. Across the entire year, the total number of individuals in the labor force rose by almost 50,000.

County Employment

Twelve of Utah's counties experienced job growth above the statewide average of 3.0 percent, eight of which are considered part of rural Utah. Piute County grew the fastest at 12.3 percent. This constituted a growth of 28 jobs in a county of 256 total employment and was the third lowest amount among the counties for which jobs were added. The second fastest growing county was Wasatch County, which likely benefitted from the economic growth within neighboring Summit and Utah counties. It grew at a rate of 6.8 percent, an addition of 555 jobs for the year. The fastest growing urban county was Utah County, which added the second most number of jobs to the state at 11,430 and experienced the fifth fastest growth rate at 4.9 percent. Three counties, Juab, Emery and Daggett, posted net job losses in 2017, but the total number of jobs lost was only 84. Prior year's county job losses were driven primarily by the shrinking mining, oil and gas industry, concentrating the losses in the state's eastern region. Since then, oil prices have leveled off and employers in that industry started to re-employ workers.



Employment by Industry



Mining companies ended the year with a net job gain after two years of significant job losses caused by a major drop in oil prices in 2014 and the negative view toward coal-fired energy. Robust production from U.S. shale-oil fields pushed the oil market into oversupply by late 2014. Prices fell, and in 2015, production was decreased resulting in oil field layoffs. This trend continued into 2016, but leveled off in 2017, resulting in a gain of 124 jobs for the year, or a growth rate of 1.5 percent.

Construction employers continued to expand their workforce, at 6.5 percent, although at a slower rate than 2016's 8.1 percent. 2017 was also the seventh consecutive year of permitted construction-volume growth, driven by both residential and non-residential construction. All three subsectors of the Construction industry posted net employment gains, with Construction of Buildings growing 6.2 percent, Heavy and Civil Engineering growing 6.0 percent and Specialty Trade Contractors growing 6.6 percent.

Manufacturing employment growth rate of 2.6 percent for 2017 was eight-tenths of a percentage point above the 2016 rate. The 3,272 jobs created were concentrated mainly in Box Elder, Salt Lake and Utah counties. Notable job losses were posted in Tooele and Weber counties (227 and 305, respectively).

Trade, Transportation, and Utilities — the state’s largest employment sector — ended the year with average employment of 278,521, an expansion of roughly 7,100 jobs over the 2016 level. With 19 percent of the state’s total nonfarm jobs, trends in this industry can have a weighty effect on the state’s overall labor market performance. A breakdown of the industry shows that more than 3,200 jobs were created in Retail Trade, roughly 2,800 in Transportation and Warehousing, 60 jobs in Utilities, and just under 900 in Wholesale Trade. This industry added the second most jobs in 2017, next to Education and Health Services.

Information is one of Utah’s smaller industry sectors, constituting only 3.0 percent of the state’s employment with approximately 38,400 positions. The industry grew by 4.3 percent in 2017, slower than its 2016 growth rate of 7.1 percent, with the addition of 1,569 jobs. Primary employment drivers include Publishing, Telecommunications and Data Processing.

Financial Activities slowed its job growth dramatically in 2017, from a rate of 7.1 percent in 2016 to 2.9 percent in 2017. At an employment level of 84,000, this industry is the fourth-smallest employer in the state, but is significantly tied to other industries, such as construction.

Professional and Business Services increased payroll employment by approximately 4,800 positions over the year, which was significantly less than the 8,000 positions gained in 2016. This industry brings together a wide spectrum of jobs in terms of wage and skill levels, including the higher wage and skill Professional, Scientific and Technical Services, which expanded by 4.4 percent; Management of Companies, which contracted by 1.3 percent; and the generally lower wage and skill Administration, Support and Waste Management Services, which grew by 1.0 percent.

Education and Health Services⁴ is an industry where demand for the services is driven by population growth. As such, employment tends to grow at a steady and moderate pace. This was indeed the case in 2017 as the industry added more than 7,316 jobs, a growth rate of 3.8 percent and the largest number of positions added by any industry. Of the jobs added over the year, roughly 2,500 were in Educational Services and 4,800 were in Health Care and Social Assistance.

Leisure and Hospitality runs the gamut of businesses providing services in arts, entertainment, recreation, accommodation and food services. In some Utah counties, especially those containing national parks and other tourist attractions, Leisure and Hospitality is one of the largest sources of employment. 2015 was a banner year for the state with the “Mighty Five” advertisement campaign

⁴ Only private sector employers included. Education or health care entities run by federal, state or local government are included in the government employment totals.

from the state's Tourism Bureau. The momentum carried through in 2016 and 2017, but to a lesser extent, with employment growth of 3.7 percent and 3.2 percent, respectively. Statewide, more than 4,400 jobs were added in the industry making it one of the above-average growth-rate sectors.

Other Services is an industry containing a wide range of establishments, such as repair services, personal care and membership organizations. In 2017, employment reached a level of 40,200, 7,500 more jobs than the 2016 level. Employment grew by an annual average growth rate of 1.9 percent.

Government employment increased by 4,890 positions in 2017, a somewhat slower growth rate than exhibited in 2016, and well below the private sector's overall growth rate. There are three levels of government contained in the group: federal, state and local. State and local governments added jobs over the year, while federal government employment in the state contracted by 0.1 percent.