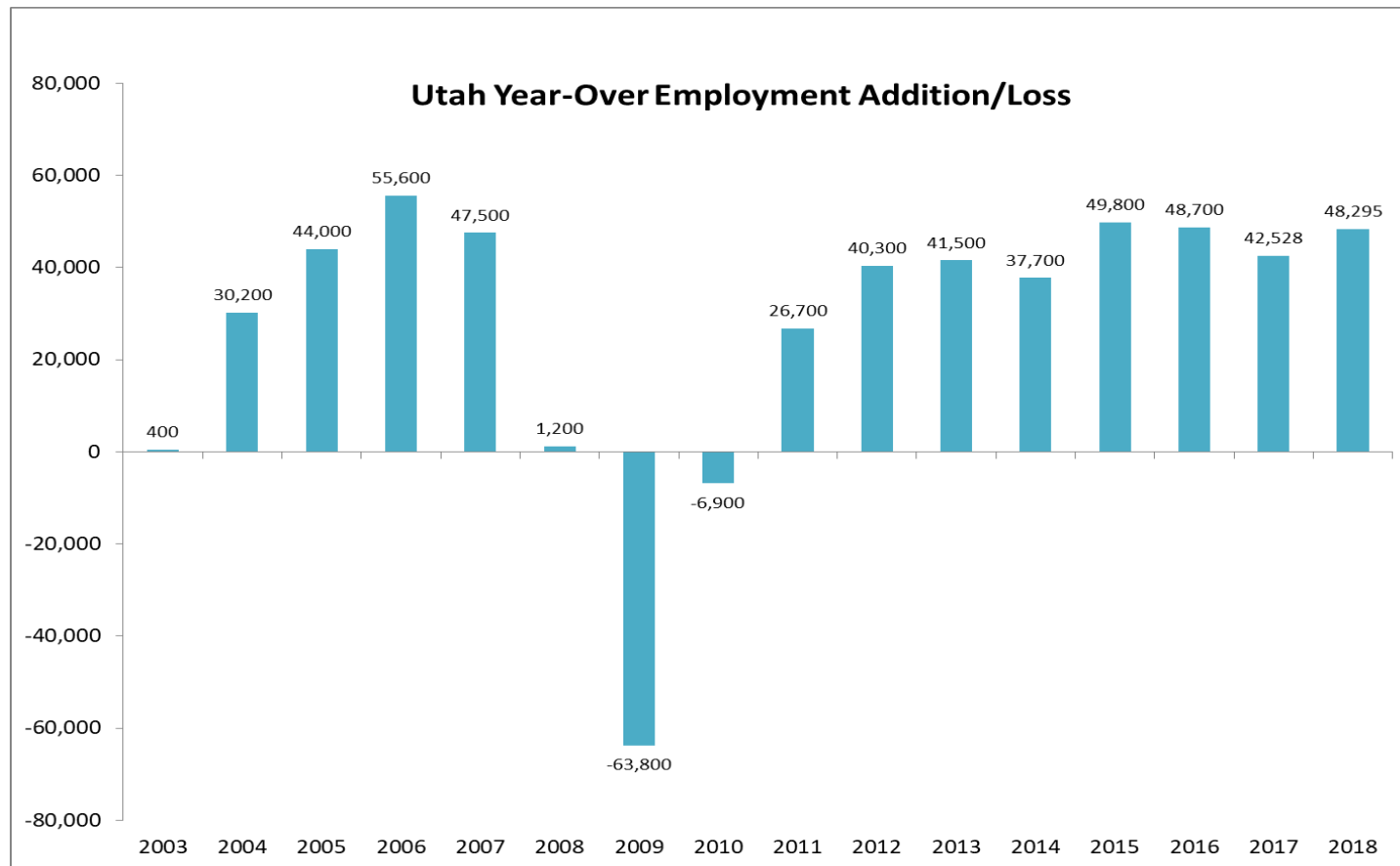
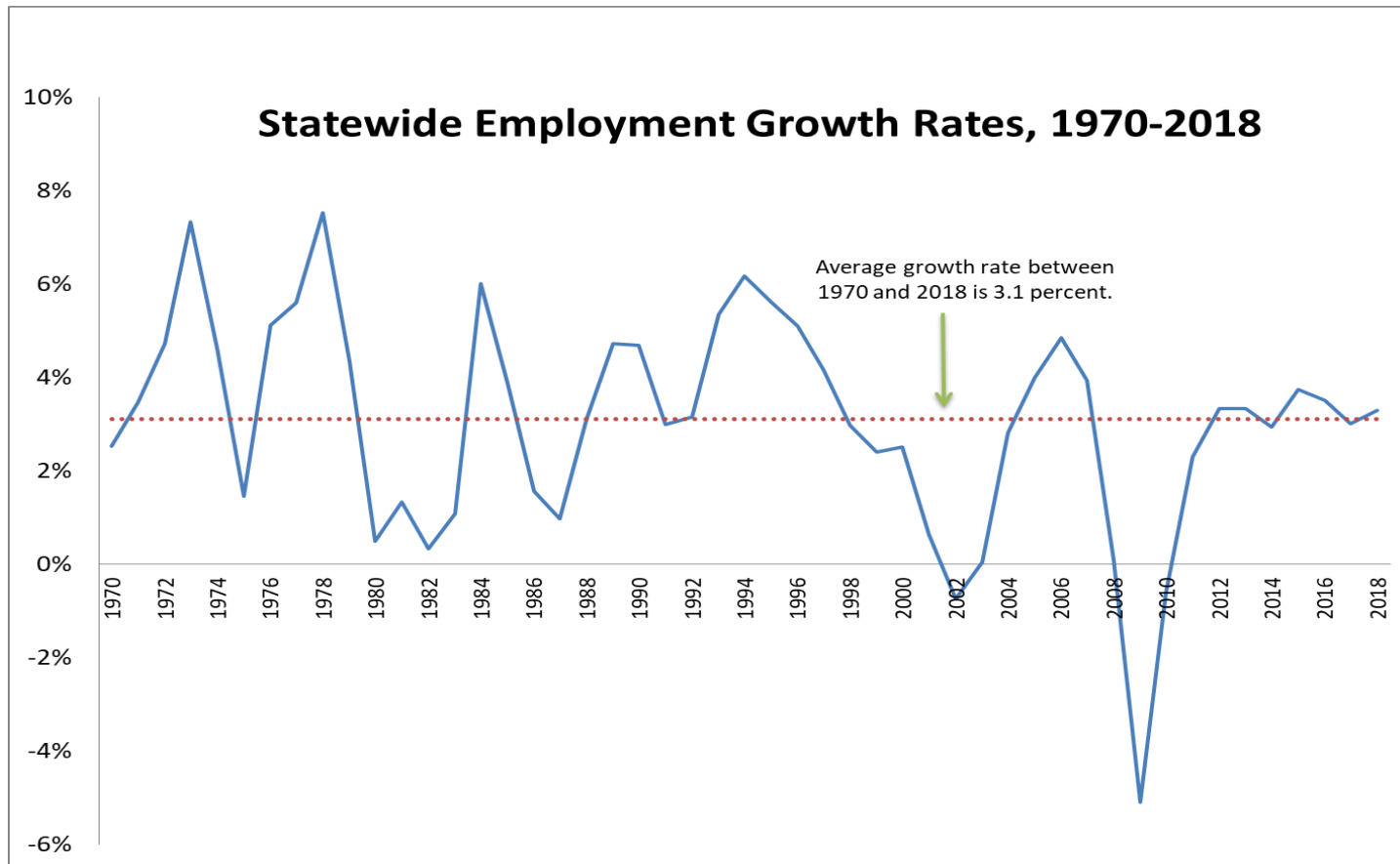


Utah's Economy — 2018

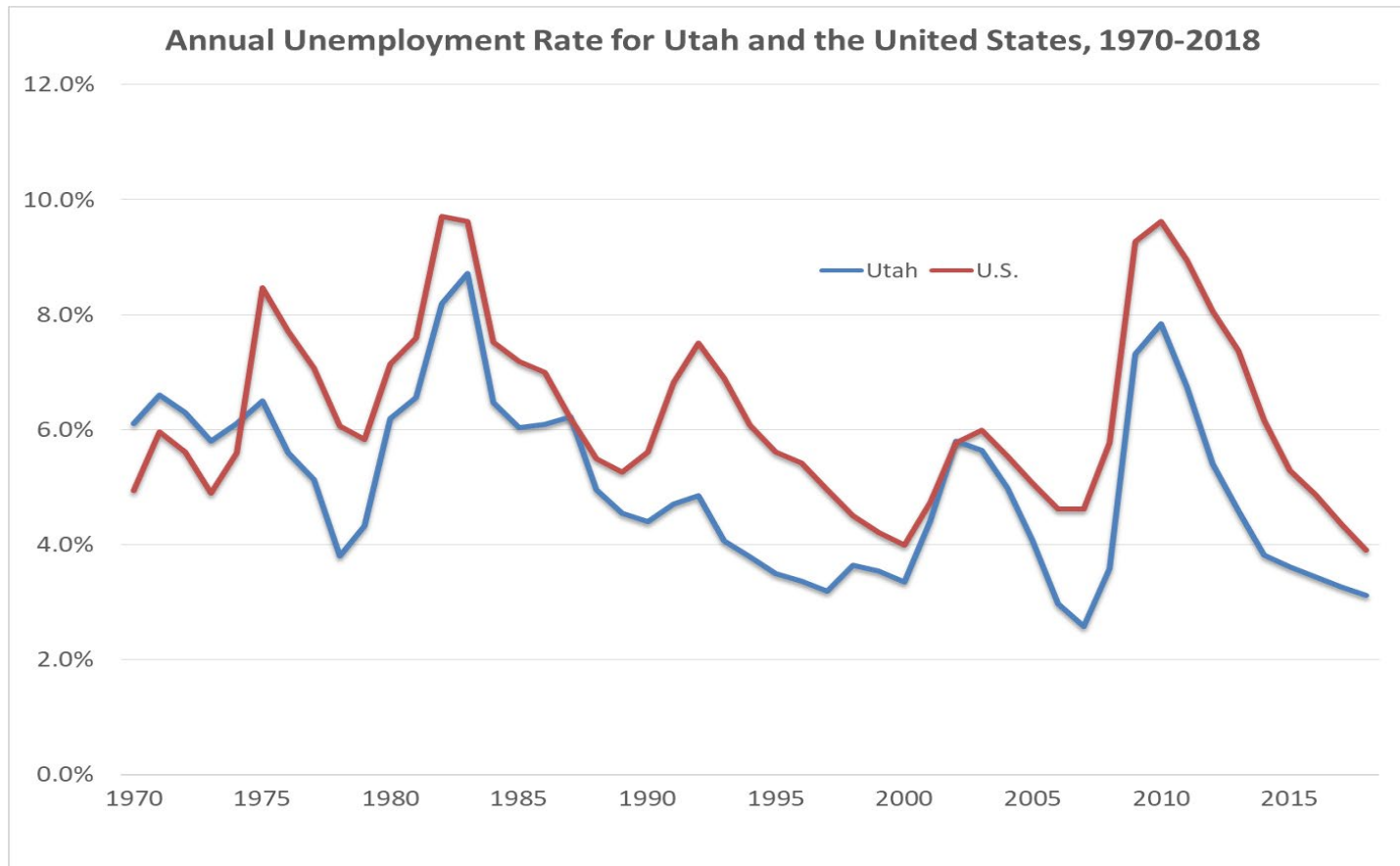
Mark Knold, Chief Economist

The Utah economy posted another strong year in its post-Great Recession recovery. Employment growth of 3.3% marks a seventh year of at-or-above-average employment growth and continues to highlight Utah as one of the nation's best-performing state economies. More than 48,000 new jobs were created across the year. This is the sixth in a seven-year span of 40,000-plus jobs created annually in Utah. All major industry sectors added new jobs, with the lone exception being the Information sector with 400 fewer jobs.

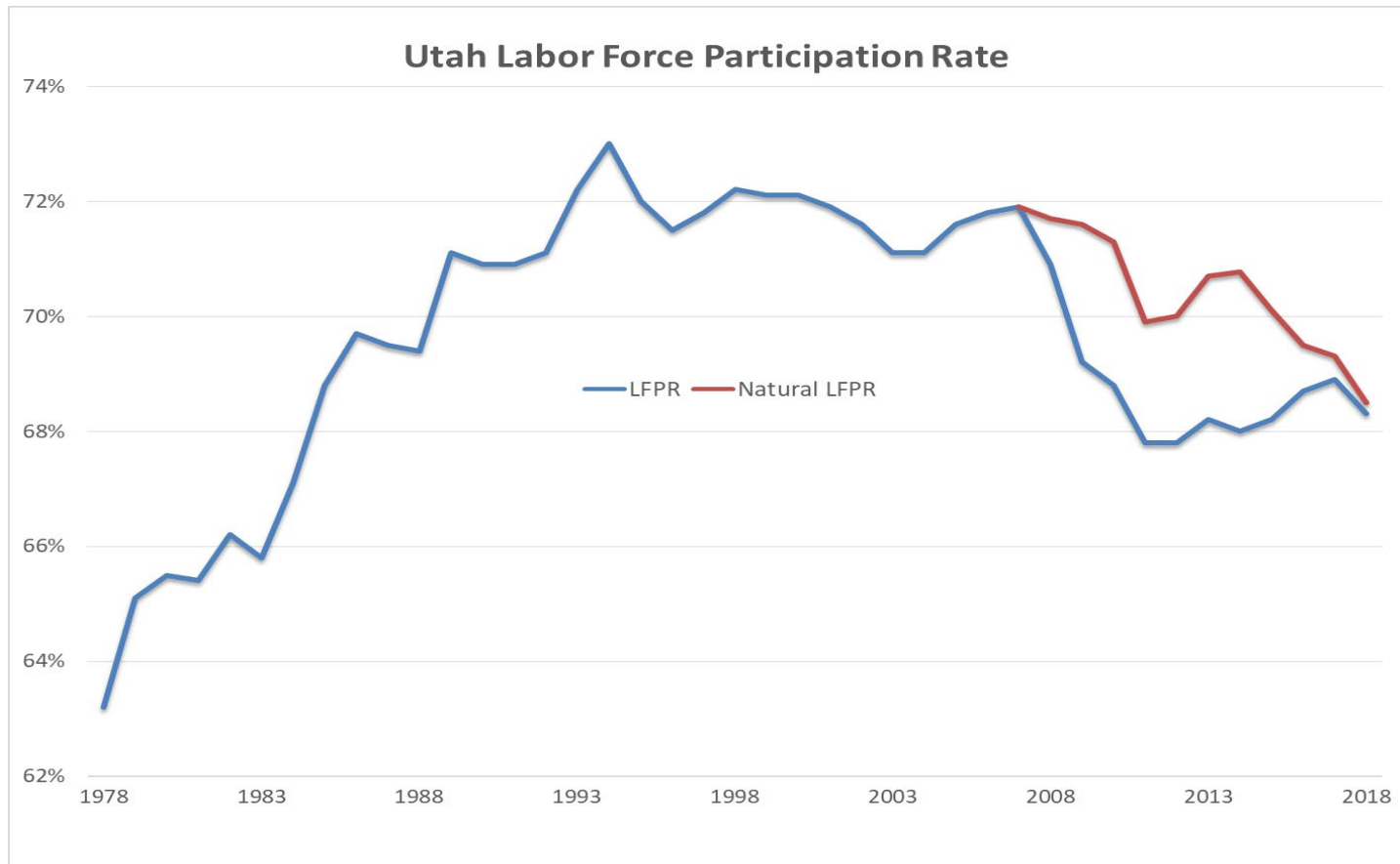




This strong job creation is correspondingly lowering the state's unemployment rate. The Great Recession raised Utah's unemployment rate to 8.0% by 2010. It has since declined, falling to 3.1% this year. This places Utah's unemployment rate into the lowest realms seen across a 45-year span. This is arguably the realm of full-employment and signals a tight labor market. In order for Utah's economy to maintain average employment growth, given a constrained labor supply, the supporting factor has to be labor migrating into Utah.



The Great Recession resulted in high unemployment. Its duration across several years pushed some workers out of the labor market. The unemployment rate only captures those actively seeking employment. Therefore, the unemployment rate initially lowered not due to strong job creation and worker re-employment but instead because of reduced worker participation. This was unique as not since the Great Depression did a sizeable segment of the Utah labor force retreat from the labor market. These actions were largely not voluntary. This movement can be observed in the labor force participation rate's rapid decline between 2008 and 2011, as it dropped from a 15-year sustained average around 72.0% to 68.0% by 2011, and where it still remains (each percentage-point decline represented approximately 22,000 workers).

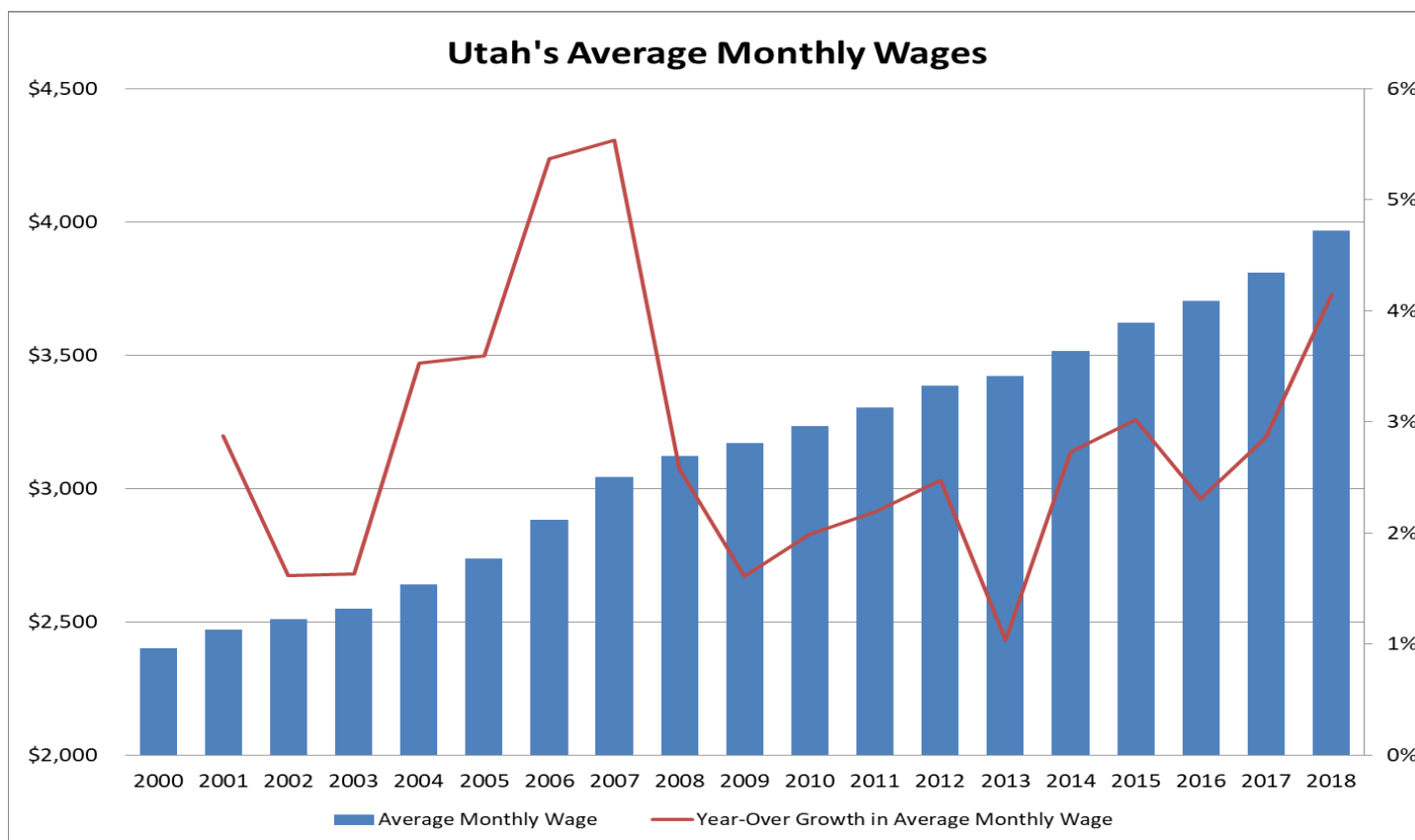


All persons 16 and older have the potential to be in the labor force. The percentage who either works or looks for work constitutes the participation rate. The rate is not prone to rapid movements but instead correlates with slower-moving demographic trends. The participation rate's rapid decline during the Great Recession's immediate aftermath is attributed to the recession's impact and less to demographic trends. However, by 2018, the participation rate hovering at 68.3% now corresponds with a demographic-induced participation rate decline.

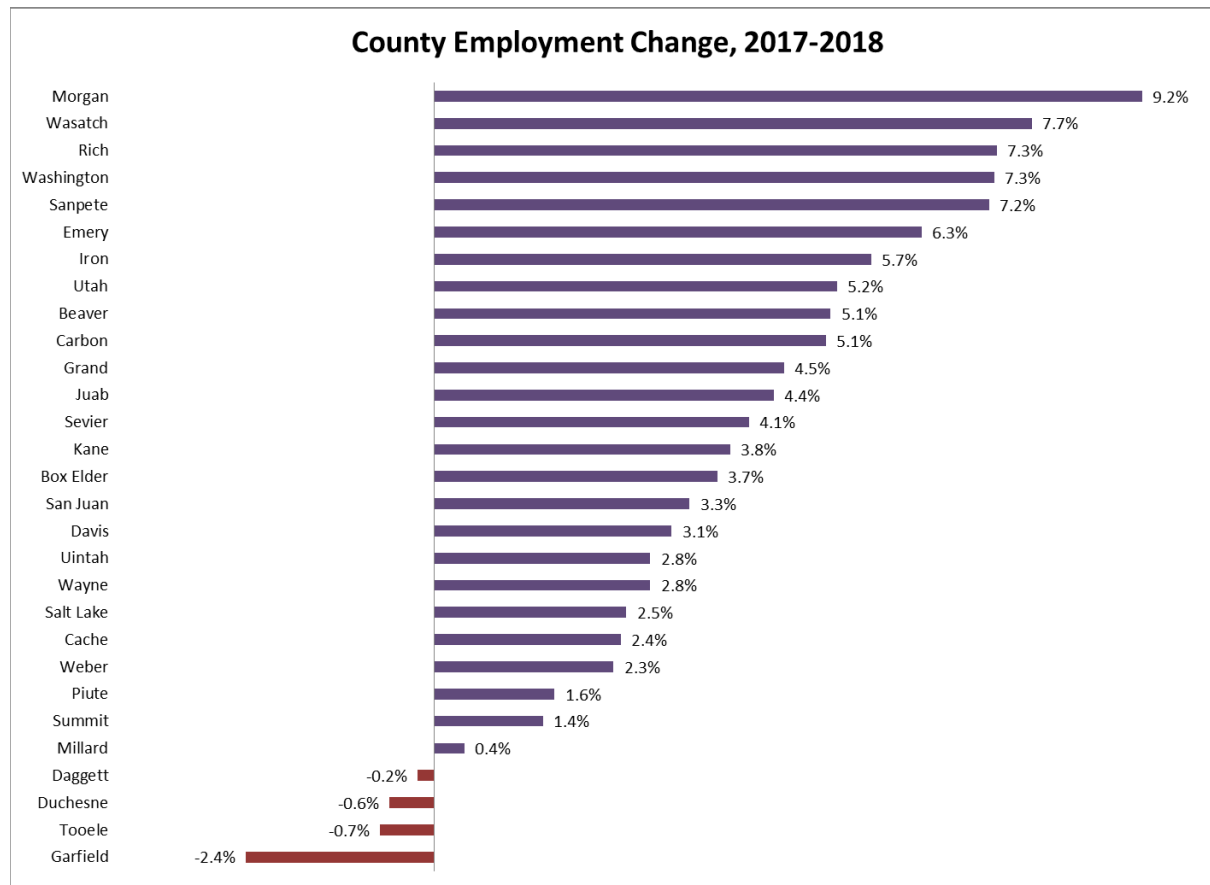
As mentioned, all persons 16 and older have the potential to be in the labor force. For natural reasons, the largest age group with the lowest participation rate is the 65-and-older segment. Since 2008, that segment's share of the 16-and-older population in Utah has

risen from 11.0% to 16.0%. If that segment's share increases, the participation rate naturally decreases. By holding the pre-recession 2007 participation rates constant upon age segments, yet allowing the actual quantity of persons in those age segments to change over time, Utah's natural participation rate can be assessed. Following the Great Recession, the natural performance was destined to decline and be around 68.5% by 2018. Therefore, 2018's rate of 68.3% means the Utah labor force is close to once again being fully participatory given its demographic makeup.

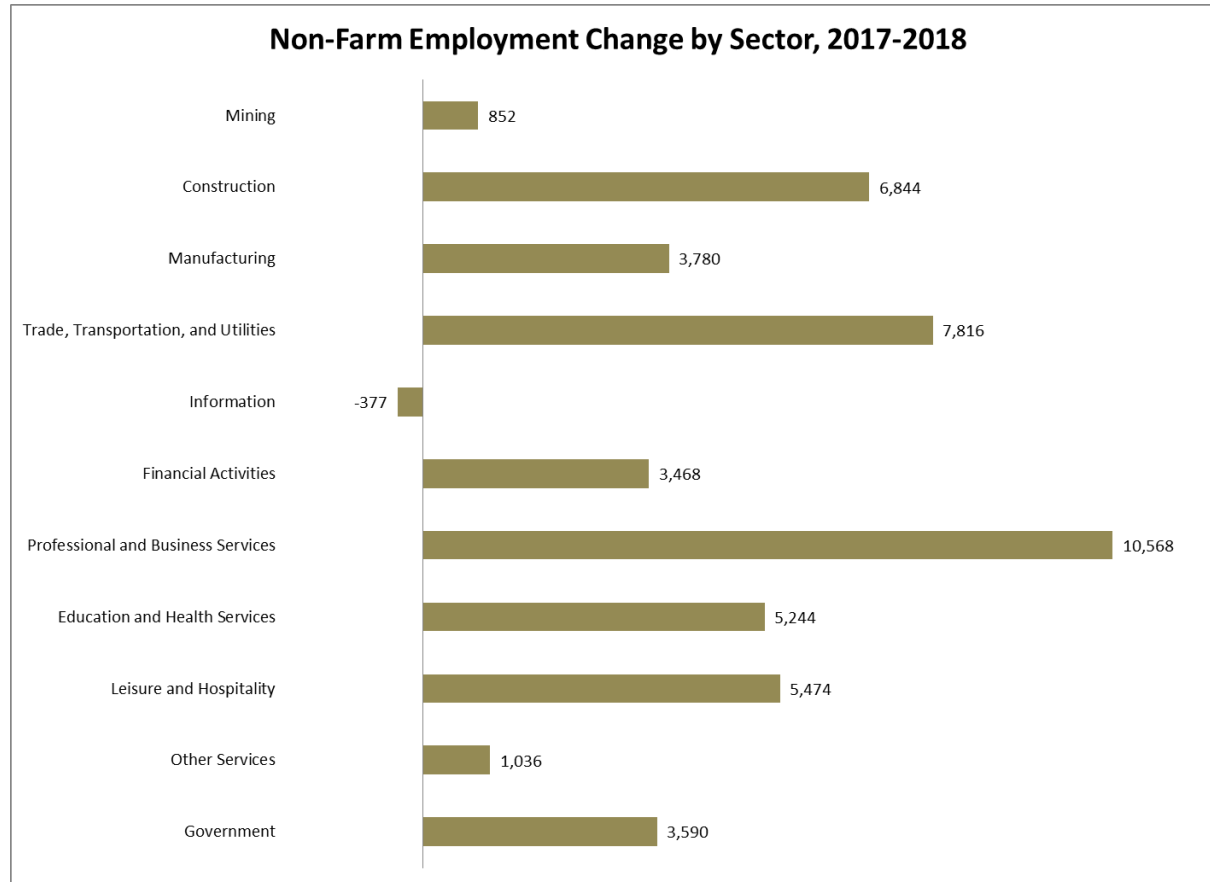
The gap between the natural labor force participation rate and actual participation rate implies an unmeasured quantity of potentially available labor. Given an improved economic climate, those in that gap might once again gain employment. The unemployment rate only measures those who are actively seeking employment, not those who could be seeking employment.



Movements in the unemployment rate and wage gains customarily move concurrently and inversely. As the unemployment rate declines the pace of wage growth generally increases. But that relationship historically corresponds with little, if any, gap between the natural and the actual participation rates. The unemployment rate is a measure of actively-available labor. But with a Great Recession-induced gap between the natural and actual participation rates, that gap means idle but potentially available labor is not measured by the unemployment rate. One of the Great Recession's aftermaths was while the Utah unemployment rate fell briskly the anticipated inverse-relation wage gains were not materializing. It was only in 2018 that 4.1% average wage growth matched the historical expectation of an economy with only 3.1% unemployment. The strong wage gains appeared because the gap between the natural and actual participation rates finally closed.



Employment by Industry



Mining companies scored a second-straight year of additional jobs, with nearly 900 added across 2018 for growth of 9.9%. More than 400 of these developed in Salt Lake County and more than 200 in Carbon County. The Carbon County gains are in coal mining operations. These additions buck a national trend where coal mining is generally in decline. Construction sand and gravel mining in Washington County added 65 jobs. Utah’s large oil and gas region (i.e., the Uintah Basin) saw the addition of 39 jobs.

Construction was one of Utah's more vibrant job-creation industries with the addition of more than 6,800. A growth rate of 7.0% was the state's highest by large industry sector. Employment of 104,300 is Utah's highest since 2007, the year prior to the Great Recession undercutting construction employment. In 2007, construction was 8.3% of all Utah employment. In 2018 it is 6.9%. Both percentages are higher than Utah's long-term average of 6.0%, but the 2018 percentage does not impart an alarming over-stimulation as the 2007 quantity did. Salt Lake, Utah and Washington counties were the prime areas for new construction jobs.

Manufacturing gains in Utah continue to buck the national trend of declining employment. Another 3,800 jobs developed in 2018 for a growth rate of 2.9%. Manufacturing was another industry undercut by the Great Recession. It took until 2017 for manufacturing employment to surpass its prior 2007 peak. This year added to that recovery. Nearly half of 2018's gains were in Davis County.

Trade, Transportation, and Utilities is a conglomeration of several industries and is the state's largest employment sector. It was vibrant in 2018 by adding more than 7,800 jobs for a growth rate of 2.8%. Retail trade is the largest subsector and it grew by 2.7%, even given the downsizing pressures upon the big box retailers from online sales. Utah's expanding population keeps the retail sector growing. Transportation employment is only one-fifth the size of retail employment, but its addition of more than 3,000 jobs was a 5.6% gain.

Information is one of Utah's smaller industry sectors and the only with job declines in 2018 — 377 fewer. The industry's largest segments are publishing, motion picture production, broadcasting, telecommunications, data processing and hosting, and internet publishing and broadcasting. Employment gains in telecommunications were overshadowed by employment declines in all other areas, particularly publishing.

Financial Activities increased employment by 4.1% with more than 3,400 new jobs. Half of these were in Salt Lake County, but that is not unexpected as that county accounts for two-thirds of the state's financial employment. The other Wasatch Front counties of Utah, Davis and Weber account for most of the other 2018 employment gains.

Professional and Business Services added the most new Utah jobs with 10,500, a robust 5.1% pace. This is Utah's third largest employment sector. Professional and technical services is the sector's most impactful subset as it includes many high-paying, high-education jobs, including much of the high-technology classification. This segment added more than 8,700 new jobs this year; a growth rate of 9.1%. The lesser-paying business services side grew by 2.3%, adding 2,100 new jobs.

Education and Health Services¹ is an industry where its service demand is driven by population growth. As Utah's population is on a perpetual upswing, especially with recent additions from in-migration, this industry added more than 5,200 jobs. Most were in health services (4,200 jobs) as this is the largest segment. Educational services generated an additional 1,000 jobs.

Leisure and Hospitality businesses provide services in arts, entertainment, recreation, accommodation and food service. In some Utah counties, especially those containing national parks and other tourist attractions, this employment sector is one of the largest. Vibrant Utah and national economies help spur this industry along as tourism flourishes. Nearly 5,500 new jobs developed in 2018. Restaurants and lodging in the major metropolitan counties account for much of this gain; but in the smaller, rural Utah counties where this industry is so vital, another 600 jobs developed.

Other Services is somewhat of a miscellaneous catchall industry that contains a wide range of activities, such as repair and maintenance services, personal care, and membership organizations. In 2018, employment reached 41,250. That is an increase of more than 1,000 new jobs and a 2.4% gain. Not surprisingly, most of this sector's jobs are in Salt Lake County.

All of the above industry sectors constitute the **Private Sector**. Together they account for 83.7% of all 2018 Utah employment. The private sector added 44,700 new jobs in 2018 for a growth rate of 3.7%. Salt Lake and Utah counties alone accounted for 65.0% of these private-sector employment gains.

Government consists of three classification levels — federal, state and local. Overall, nearly 3,600 additional government jobs were created in 2018. Government is Utah's second largest employment sector. As most of Utah's education entities are under government administration, whether K-12 or higher education, it is not surprising that government is a large Utah employer. The largest is the aggregation of local government employment, as most K-12 education is administered by local governments. State government is the next largest government employment presence, with the driving factors being education and healthcare. The federal government is the smallest sector but is not insignificant at around 36,000 workers, including Hill Air Force Base, the Internal Revenue Service processing center, Utah's numerous national parks, the U.S. Forest Service and other land management agencies.

¹ Only private sector employers included. Education or health care entities run by federal, state, or local government are included in the government employment totals.