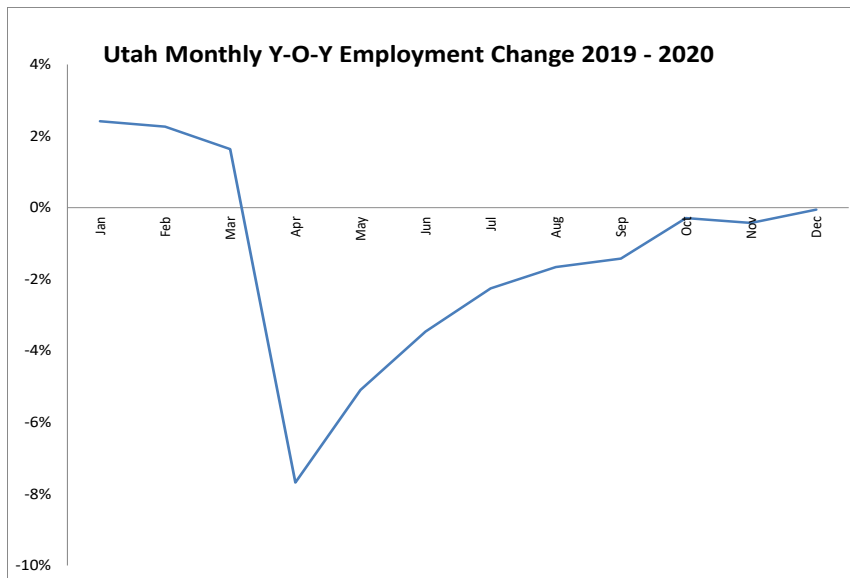


Utah's Economy — 2020

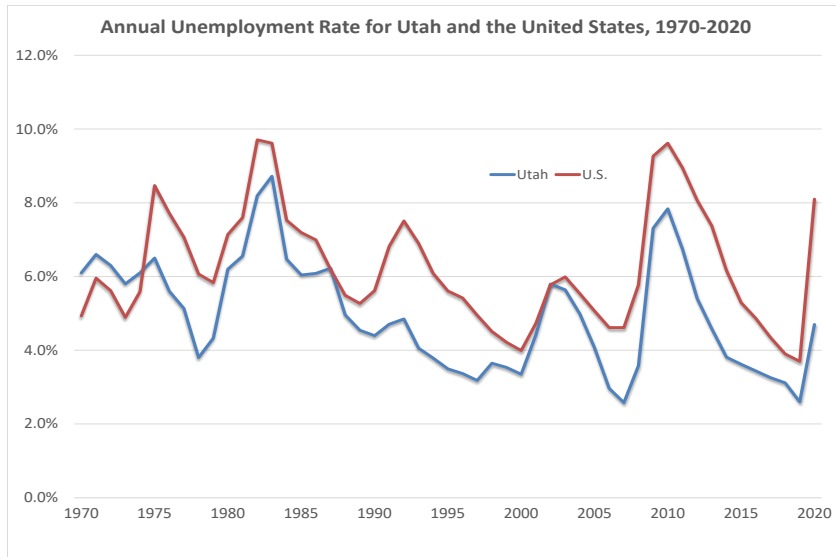
Mark Knold, Chief Economist

There are times when generational upheavals emerge. Such signifies the year. A health pandemic rapidly spread across the globe as 2020 developed. At first it was merely announcements in the media, but by March it had rapidly transformed into an actionable reality. All of society's health was thought to be in danger. Most had never lived through a time where the government had to shut down commerce for the sake of protecting society. People were told to stay home and not to go to work. If your job is not essential, stay home. Teleworking became an instant alternative for many who were able to do so.

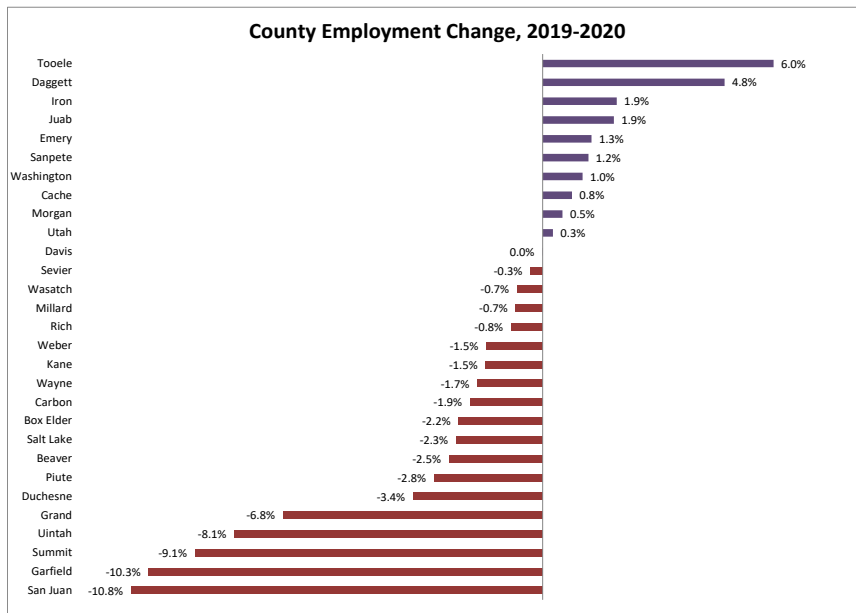


The disruption was rapid and extreme. Virtually overnight the Utah economy transformed from a tight-labor, full-employment economy to an April unemployment rate of 10.1%--the highest single month unemployment rate in Utah's modern records. Job counts made a parallel rapid transformation from 2.4% growth in February to a 7.7% job loss by April. In short order, nearly 120,000 Utah jobs were idled. By the time the year was complete, with the pandemic dominating most of the year's economics, the state recorded a calendar year decline of nearly 20,700 jobs—a 1.3% decline.

Throughout April the economy was "closed." Many jobs were either idled or transferred to workers homes via teleworking. Teleworking was the great transformational emergence from the pandemic. Its instantaneous ubiquity caused the U.S. Bureau of Labor Statistics by May to include teleworking questions in its monthly household survey. The initial results were that roughly 35% of Utah's labor force had switched to teleworking. (What the percentage was before is unknown). It was greater for those with higher educational attainments (advanced degrees 70%; bachelor's 55%).

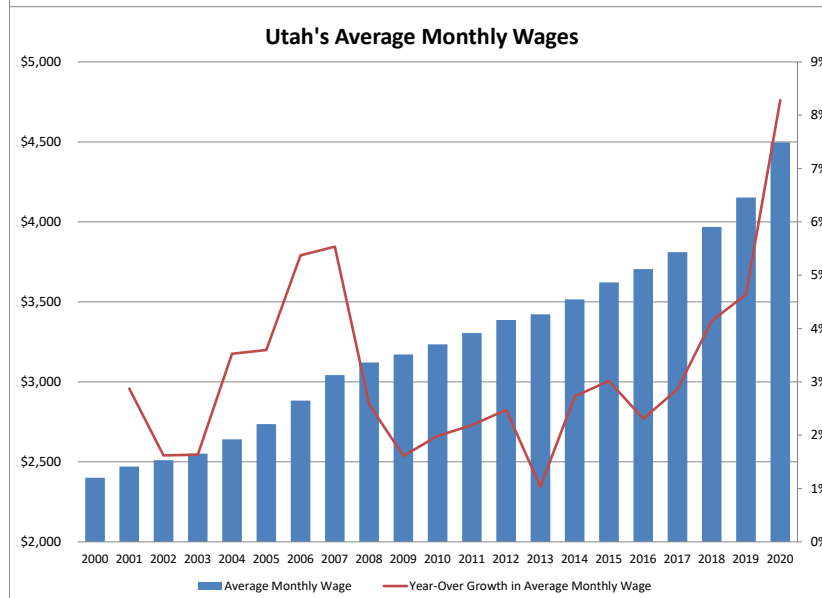
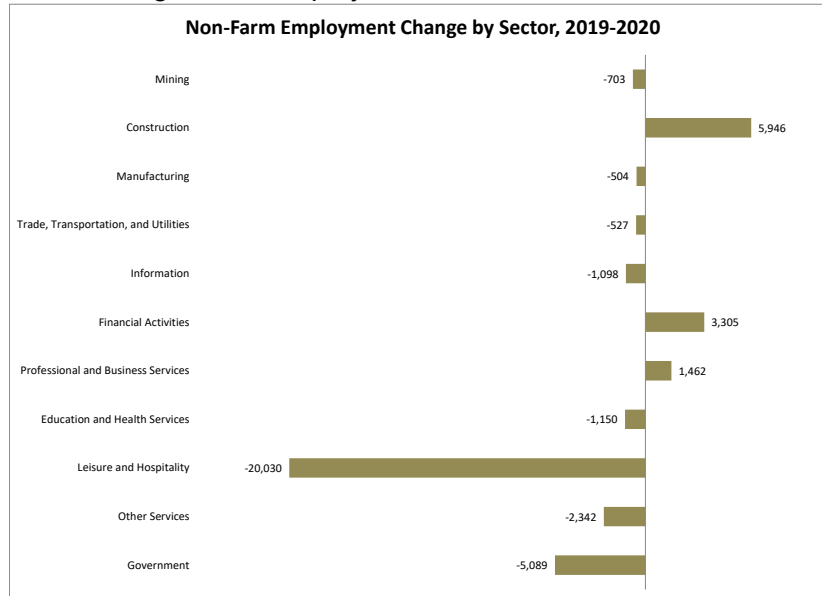


Severely impacted industries during this initial phase were all of the leisure and hospitality components, portions of healthcare, education, and retail trade. By May, Utah began to ease commerce restrictions. From that point forward, jobs began to re-emerge and re-engage. Healthcare bounced back quickly. By the end of the year, retail trade had largely bounced back also. The education industry remained constricted throughout the remainder of the year, as did the leisure and hospitality industry.



Some industries actually thrived the pandemic. These include construction, finance, and professional and technical services. Extremely low interest rates, as undertaken by the Fed to combat the pandemic's economic fallout, spurred on an already vibrant and short-supplied housing market. Construction permitting increased quickly. Mortgage financing and re-financing were stimulated, and professional and technical businesses picked up in response to supporting the large increase in teleworking. The most remarkable business increase was in courier services, where the switch from hands-on commerce to the internet increased courier service employment by 32%.

As seen through the industry impacts, economic disruptions are rarely equal. They impact some parts of the economy harder than others. This is seen in the county-level impacts. The range of impact up and down the county scale is noticeable. What stands out is that the counties that are heavily influenced by either the leisure and hospitality or mining industries are the counties with the most significant employment setbacks.



An interesting byproduct has emerged surrounding the industries impacted by the pandemic. The leisure and hospitality industry was far-and-away the most impacted. That industry is characterized with the lowest average monthly wage. All industries contribute to the overall statewide average monthly wage. Therefore, if one were to eliminate a significant number of jobs in the lowest wage-earning industry and then recalculate the overall average monthly wage, the average wage would rise even as the job count is diminished. That is the effect seen in 2020. The year's average monthly wage of \$4,497 is 8.3% higher than the 2019 average monthly wage. Do not misinterpret that increase. It is not a result of a spurt of significant wage raises, but instead, is a case of addition by subtraction.

Employment by Industry

Mining was one of the industries significantly impacted by the pandemic. With commerce virtually shut down for several months of the year, the demand for gasoline and jet fuel collapsed. With that, so did the demand for oil. The state saw the contraction of 700 mining jobs, which translates to a 7.5% decline.

Construction continued to thrive in Utah even in the face of the pandemic. Construction has the advantage of the nature of its work environment. Much of it is outside, and even when it is inside it is generally not in crowded settings. Therefore, the need to restrict its workings is virtually nil. There was much building momentum in place when the pandemic hit, and there was no waning in the demand to continue with both the ongoing residential and commercial activities. Residential construction actually picked up during the pandemic with lowering interest rates, although for a while a shortage of lumber drove up prices. But that didn't seem to stop anything. Many commercial and apartment building projects in downtown Salt Lake City continued unabated. The industry added almost 6,000 jobs during the year for a 5.4% growth rate.

Manufacturing employment was negatively impacted by the pandemic's initial outbreak as manufacturing can present a crowded work environment, but these fears quickly faded and the sector returned to work. But the pandemic's disruption around the globe affected the international supply chain and material inputs became restricted, especially computer chips. Automobile manufacturing seemed to be the most impacted, but that is not a major component within Utah manufacturing. Therefore, the industry only dropped 500 jobs during the year, down just 0.4%.

Trade, Transportation, and Utilities is a conglomeration of several industries and is the state's largest employment sector. Overall, it was minimally impacted by the pandemic, losing just 525 jobs and down 0.2%. However, some subcomponents were significantly impacted, such as the airline industry. Air travel was severely restricted and didn't start to show signs of life until the latter part of 2020. It's 2020 employment levels fell by 11%. Another employment setback was in trucking, whose employment levels dropped by 5.3%. A counter to these was courier services, where pandemic-driven changes pushed employment in this industry up by 32%.

The largest employment subsector is retail trade, which is the main intersection point of commercial buying and selling. When the pandemic initially hit, much of this industry was closed. Large amounts of customer purchases immediately moved to online purchases, thus the large increase in courier services employment. But after a few months, in-person retail trade interactions returned. Given this large pandemic interruption, retail trade was fortunate to only experience a 1.7% employment decline for the calendar year.

Information is one of Utah's smaller industry sectors. The industry's largest segments are publishing, motion picture production, broadcasting, telecommunications, data processing and hosting, and internet publishing and broadcasting. These segments performed differently in the face of the pandemic. Publishing, data processing, and internet publishing employment

increased. Conversely, motion picture, broadcasting, and telecommunications employment fell. In total, the industry had 1,100 fewer jobs in 2020 than the year before, a decline of 2.8%.

Financial Activities employment increased by 3.7% with over 3,300 new jobs. With the large amount of federal stimulus money injected into the economy to combat the pandemic's presence, this money found a rapid outlet in the housing market. In turn, that spurred on mortgage initiations and mortgage refinancing, particularly the refinancing as interest rates fell sharply.

Professional and Business Services is Utah's third largest employment sector. It was one of the industry sectors that added jobs during the pandemic. Employment rolls increased by over 1,450 jobs, a 0.7% gain. This sector has three major subcomponents. The first is professional and technical services. This largely includes many high-paying, high-education jobs, including much of the high-technology classification. This segment added over 3,350 new jobs this year; a growth rate of 3.1%. A second subcomponent is the lesser-paying business services side, which includes among other things employment services, call centers, and building and facilities support. Its employment levels contracted by close to 2,500 positions. A third subcomponent is the management of companies (headquarters). Employment here grew by 480 positions.

Education and Health Services¹ is an industry where its product deliverance requires close social interaction. Therefore, it was naturally negatively impacted by the actions taken to mitigate the pandemic which limited direct personal interaction. One would think the pandemic would increase the need for health services, but the elective surgeries portion was interrupted for several months. The education community was also interrupted. Students were sent home. Web-based training became the short-term response. All of these combined to decrease this industry conglomeration's employment levels for the year. A decline of 1,150 positions translates to a 0.5% setback.

Leisure and Hospitality businesses provide services in arts, entertainment, recreation, accommodation, and food service. This industry was the most severely impacted during the pandemic for two reasons. First; its commerce generally occurs in a heavy personal interaction, socially dense environment that is not desired during a pandemic. Second; the services it provides are generally non-essential. Therefore, the need to close or limit this industry's commerce to avoid social concentrating meant that it would be impacted by deep and lengthy employment losses. Overall, the industry recorded for the year just over 20,000 fewer jobs—a 13.1% employment decline. The entertainment and recreation side of the equation dropped over 5,000 jobs, while the accommodation and food services side saw nearly 15,000 jobs go idle.

Other Services is somewhat of a miscellaneous catchall industry that contains a wide range of service activities, such as repair and maintenance, personal care, and membership organizations. There can be aspects of dense social interaction in business activities here, therefore the industry's overall employment levels fell by over 2,300 positions, a 5.5% setback.

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

All of the above industry sectors constitute the **Private Sector**, a conglomerated description of all industries not classified as government. This conglomeration accounts for nearly 84% of all 2020 Utah employment. The private sector lost nearly 15,700 jobs in 2020 for a contraction rate of 1.2%. Nearly 84% of the state's private-sector employment losses were recorded in Salt Lake County.

Government consists of three classification levels — federal, state and local. Nearly 5,100 fewer government jobs were recorded in 2020 across these three levels. 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. The largest is the aggregation of local government employment, as most K-12 education is administered by local governments. Because of the school disruptions from the pandemic, local government employment declined by over 4,500 positions. State government also has a heavy education component along with healthcare. It too saw employment losses amounting to over 2,600 positions. The federal government is the smallest of the three but is not insignificant with over 39,000 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. Federal government employment increased by 2,000 positions in 2020.