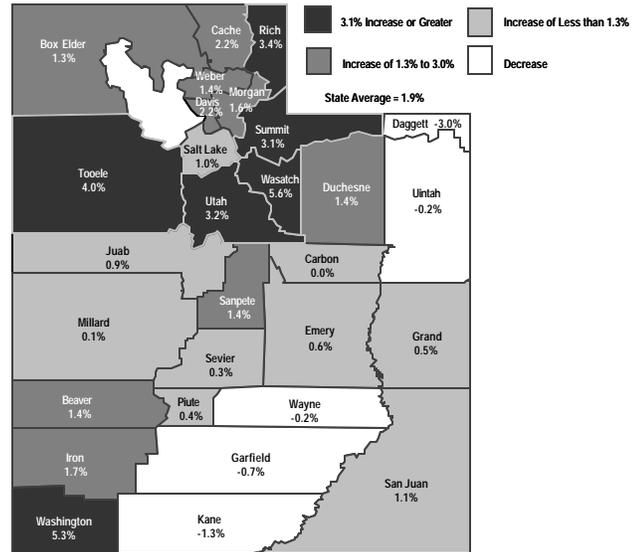




Demographics

- ▶ **Population:** The state's July 1, 2002 population was estimated to be 2.34 million, increasing 1.9% from 2001. Although the state continues to experience net migration, natural increase accounts for the majority of the state's population growth.
- ▶ **Rate of Growth:** Utah ranked fourth among states with a population growth increase of 29.6% from 1990 to 2000. Utah grew more than twice as fast as the U.S. during this ten year period. The U.S. rate of growth was 13.2%.
- ▶ **Median Age:** Utah continues to be the youngest in the nation, with a median age of 27.1 in 2000, compared to 35.3 nationally.
- ▶ **Long Term Projections:** The state's population is projected to be 2.79 million in 2010, surpass 3.0 million by 2020, and reach 3.7 million by 2030.

Population Growth Rates: 2001-2002

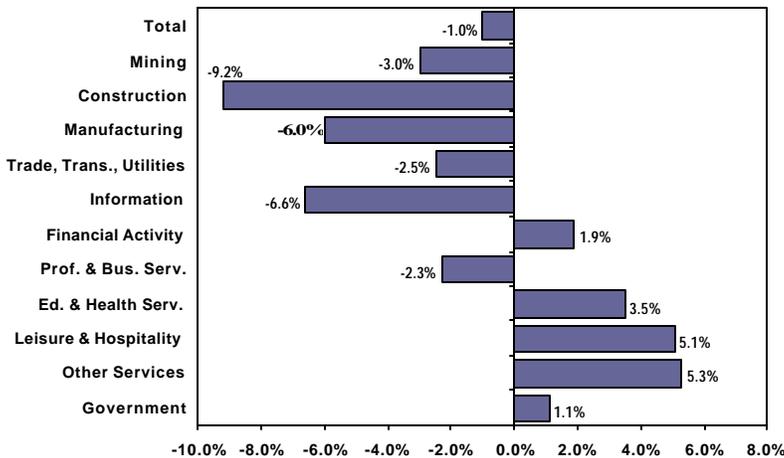


2002 Utah Population Estimate	2,338,761
2001-2002 Percent Change	1.9%
2002 Net Migration	7,411
2002 Natural Increase	35,379
2002 Fiscal Year Births	48,041
2002 Fiscal Year Deaths	12,662

Employment and Wages

- ▶ **Job Growth** – The 2002 rate of job growth, -1.0%, is the lowest in 48 years.
- ▶ **Leading Industry** – The service sector continues to be the leading industry in Utah. Education and health services, leisure and hospitality, as well as other services, all experienced positive job growth during 2001-2002, while most industries reflected a decline in job growth.
- ▶ **Unemployment** – Utah's 2002 unemployment rate of 6.0% is the highest in over a decade. On average, there were 67,660 Utahns unemployed in 2002.
- ▶ **Average Wage** – In 2002, Utah's average annual nonagricultural wage was \$30,400. This reflects a 2.6% year-over wage growth and marks the smallest yearly increase since 1993's 2.4% increase.

Percent Change in Utah Employment by Industry: 2001-2002 Annual Averages



Total Nonagricultural Employment (2002p)	1,070,400
Decrease (2001-2002)	-11,285
Percent Change(2001-2002)	-1.0%
Unemployment Rate(2002)	6.0%
Total Nonagricultural Wages (2002)	\$32.5 billion
Percent Change (2001-2002)	1.5%
Average Wage Per Job (2002)	\$30,400
Percent Change (2001-2002)	2.6%
Total Personal Income (2001)	\$54.8 billion
Percent Change (2000-2001)	4.3%
Per Capita Personal Income (2001)	\$24,180

Source: Department of Workforce Services

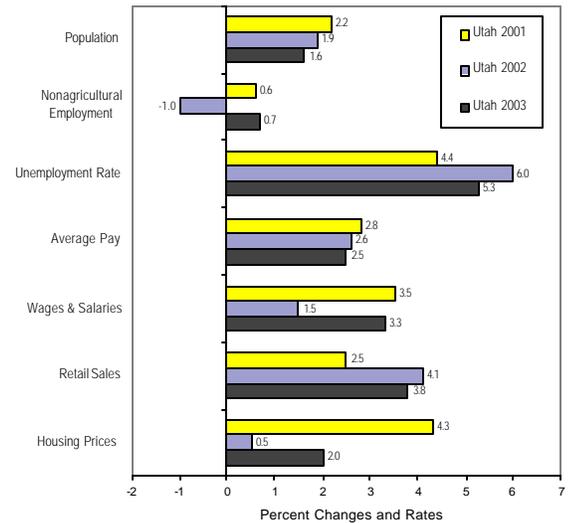
Industry Focus

- ▶ **Defense** - The defense industry in Utah continued to rebound in 2001, with spending totaling \$2.35 billion, rising 23% from the previous year. New operations beginning at Hill Air Force Base should prove to be a strengthening influence on the remainder of Utah's defense industry.
- ▶ **Tourism** - Following two years of declines, non-resident tourism arrivals to Utah increased slightly in 2002, to 17.5 million. Hotel occupancies increased to nearly 62% in 2002, marking the first increase in eight years. The downturn in air travel continued during 2002, with 2% fewer passengers at the Salt Lake International Airport compared to 2001. Drought-induced difficulties at many state parks prompted a 5% decline in state park visitation during the year. As expected, ski resorts reported a 9% decline in skier days as the Olympics kept many skiers away.
- ▶ **Exports** - Utah's exports fell 9% during 2002, from \$3.5 billion to \$3.2 billion. Although Utah's exports more than doubled during the 1990s, most of the growth occurred before 1997. Since then, exports have remained in the range of \$3.0 billion to \$3.5 billion. The fact that the world economy is barely growing, but exports to East Asia are holding up, bodes well for future Utah export growth.
- ▶ **High Tech** - The downturn in Utah's high technology sector that began in 2001 gained momentum in 2002. For the first six months of the current year, employment in Utah's technology sector declined by 9%, representing a net loss of nearly 5,000 jobs. Only two industries, Medical Equipment and Supplies, and Scientific Research and Development Services, reported job gains. While High-Tech's downturn has had significant repercussions in the Utah economy over the past two years, analysts still expect this sector to be one of the leading drivers in future economic growth. Numerous publications have ranked Utah as a state that appears to be well-positioned to prosper in the "New Economy", where an educated workforce, quality infrastructure, and attractive business climate have become increasingly more important.
- ▶ **Energy and Minerals** - Utah's 2002 crude oil production was less than half of its peak year production in 1985. However, Utah's natural gas capacity has risen steadily over the years, primarily due to an increase in its coal bed methane fields. At \$1.8 billion during 2002, the value of mineral production dropped only slightly from 2001. The value of industrial minerals was up, while the value of base metals, coal, and precious metals all declined.
- ▶ **Agriculture** - Drought and lower prices reduced farm income during 2002. A sharp decline in cattle and milk prices, coupled with increasing input costs, especially feed, resulted in lower incomes. The high feed prices had a negative impact for ranchers, but increased income for farmers growing grain and hay.

Major Findings

- ▶ **Economy Slows Down** - Utah's economy slowed down significantly in 2002 as the national recession eventually caught up with the state. Income, jobs, population, exports, construction, and housing prices, all had slower growth, or outright declines in 2002.
- ▶ **School Age Population Boom** - The state is expecting a substantial increase in the school age population (ages 5-17) beginning in 2004 and extending to at least 2015. According to the baseline, the school age population is projected to increase to 524,267 by 2005 and to 600,612 in 2010. Educating these children, while maintaining a reasonable tax burden, will be a major challenge for policy makers in the coming years.
- ▶ **Defense Contracts are up** - In recent years, defense contracting in Utah has increased significantly. Contract awards increased 73.1% in 2000 and an additional 34.4% in 2001. TRW has been the state's top contract recipient with \$296.5 million in 2000 and \$566.7 million in 2001 in prime contract awards. The remaining top nine contractors averaged \$35.8 million in 2001.
- ▶ **Outlook for 2003** - The outlook calls for a return to moderate growth during 2003, accelerating into 2004. Utah's job growth is currently below the nation's, and the unemployment rate is above. During 2003, however, this dynamic should switch as Utah returns to higher job growth than the U.S. and a lower unemployment rate. Service industries will remain the largest source of new jobs in the state in 2003. Manufacturing job growth will be flat, while the mining and construction industries will continue to contract in 2003. Overall, employment should grow 0.7%. With record-high births, but near-zero migration, population growth should remain around 1.6% during 2003.

Utah Economic Indicators: 2001-2002



Source: Council of Economic Advisors' Revenue Assumptions Committee

Significant Utah Rankings

Demographic	State Rank	Value*	Year	Economic	State Rank	Value*	Year
Population Growth Rate	4th	29.6%	1990-2000	Rate of Job Growth	N/A	-1.0%	(Nov) 2002(p)
Fertility Rate	1st	2.51	2000	Urban Status	9th	88.3% urban	2000
Life Expectancy	3rd	78.6 years	2000	Unemployment Rate	N/A	6.0%	(Nov) 2002(p)
Median Age	1st	26.7 years	2000	Median Household Income	12th	\$48,378	1999-2001
Household Size	1st	3.13 persons	2000	Average Annual Pay	35th	\$30,074	2001
Social Indicators				Per Capita Income	41st	\$23,364	2000
Violent Crime	7th	234.1 per 100,000 people	2001				
Poverty Rate	10th	8.0%	1999-2001				
Educational Attainment	4th	87.7% of persons 25+ w/ high school degree	2000				

*Rankings are based on the most current data available for all states, and may differ from more recent data available for Utah only.
Note: Rank is most favorable to least favorable. N/A = Not Available.