

ECONOMIC
REPORT
2002
TO THE
GOVERNOR

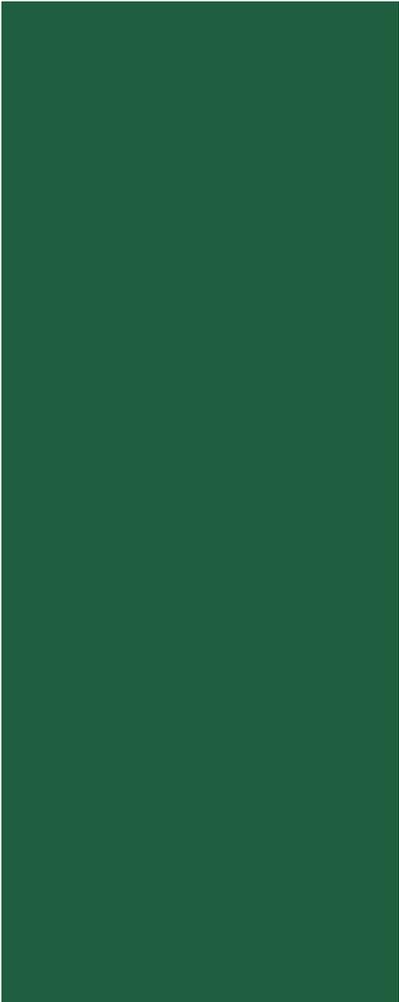
Annual

Utah Economic Review

Council of Economic Advisors

January 2002

**ECONOMIC
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Overview

- Contributors
- Context
 - Historical
 - Regional
- Important Factors
 - Tempering Influences
 - Sustaining Influences
- Overview of Key Indicators
 - Population
 - Employment and Labor Force
 - Income
- Outlook
 - Challenges
 - Opportunities



Council of Economic Advisors

Contributors

- Bureau of Economic and Business Research
- Utah Foundation
- Wells Fargo Bank
- Utah State University
- Utah Transit Authority
- State Government Agencies
 - Workforce Services
 - Tax Commission
 - Legislative Fiscal Analyst
 - Community and Economic Development
 - Natural Resources
 - Governor's Office of Planning and Budget

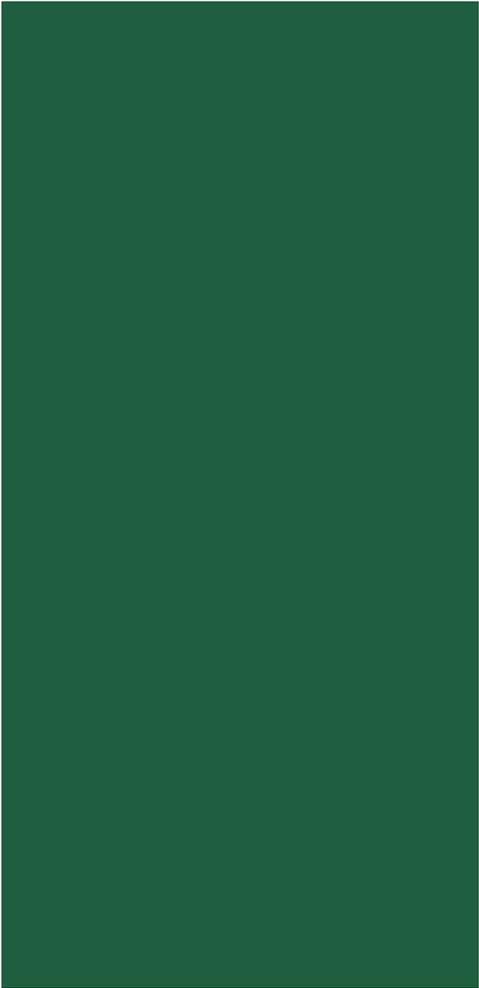
**Governor's
Office of
Planning and
Budget**



Special Thanks to ...



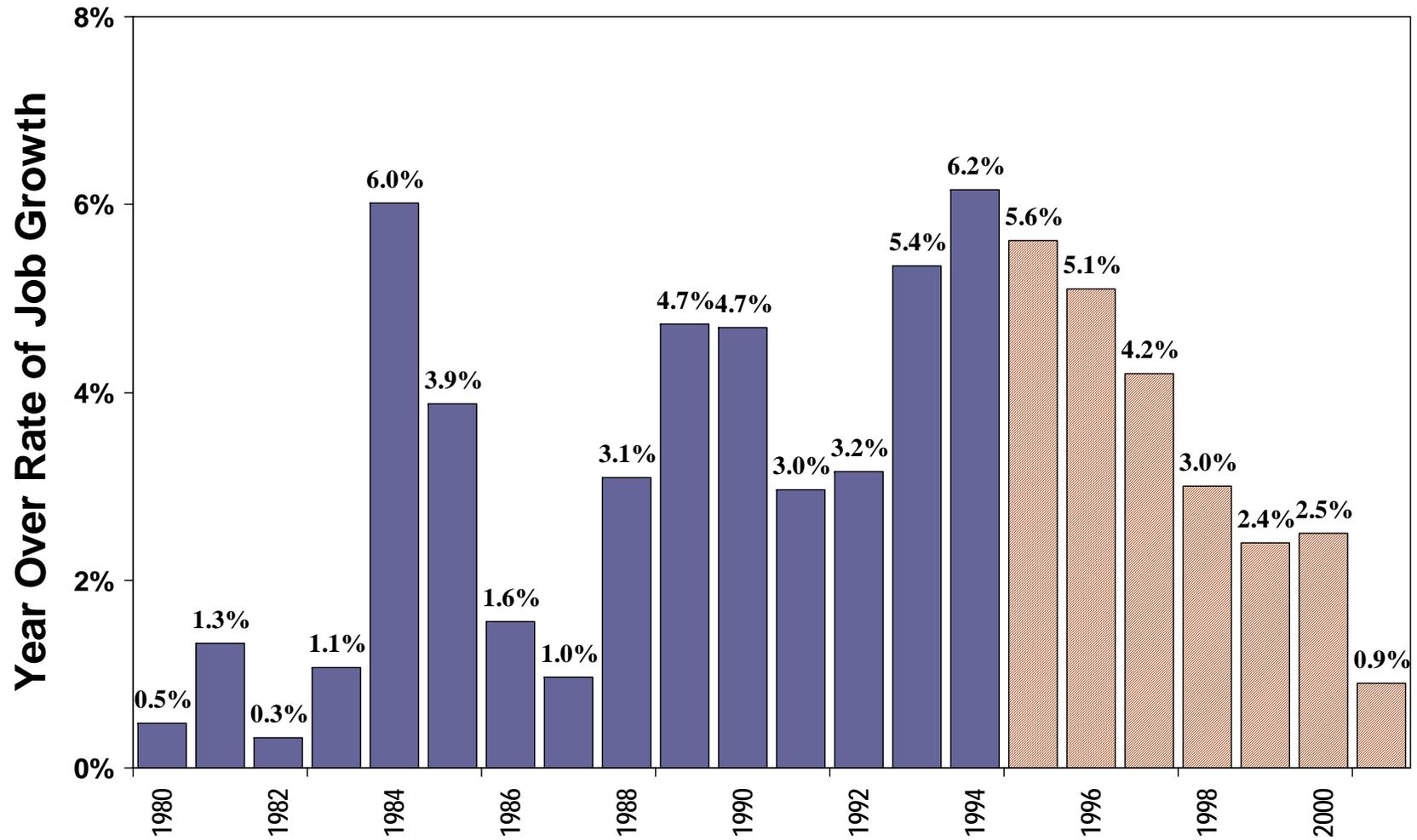
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Context

- Historical
- Regional

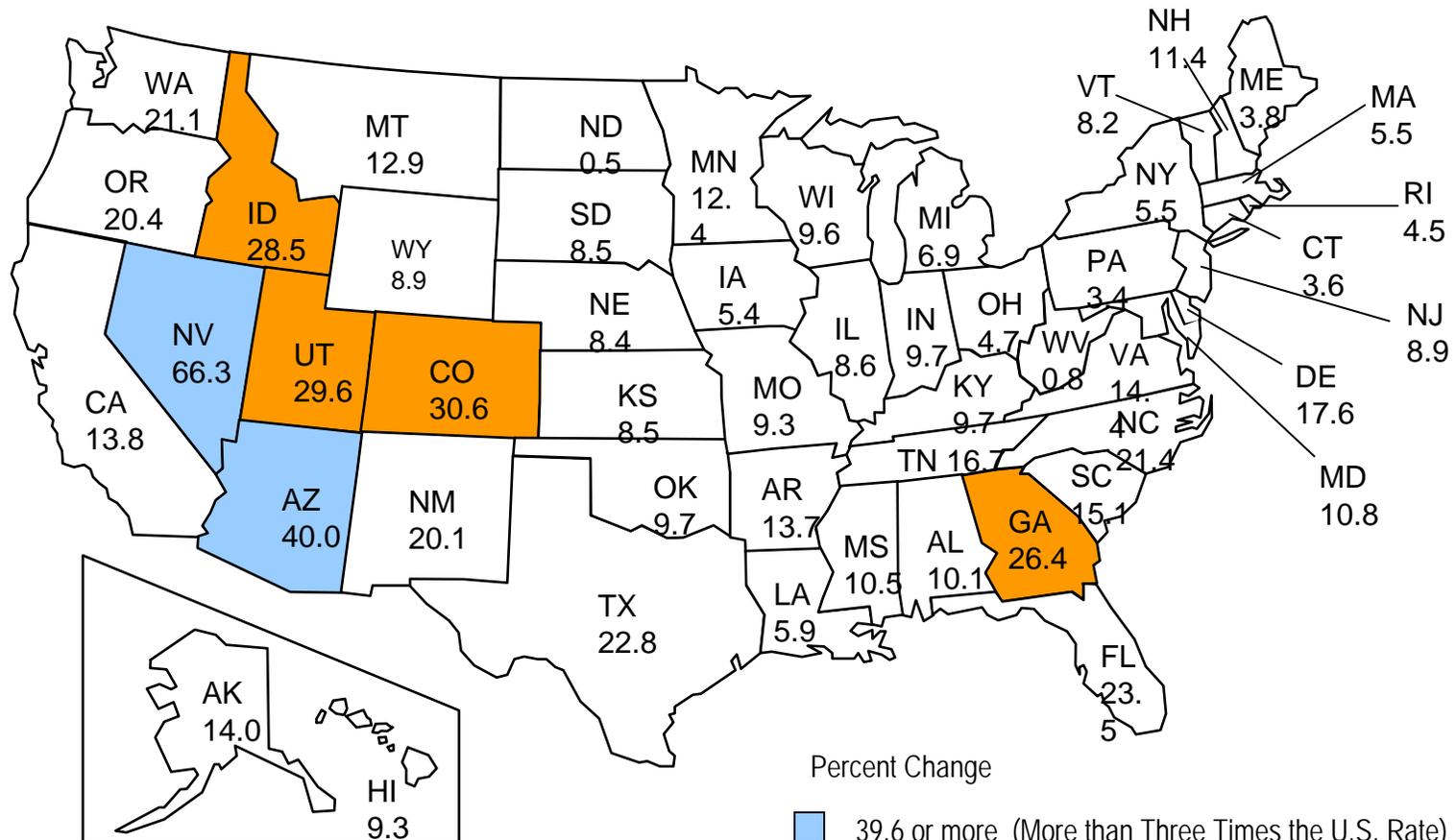
The Deceleration in Job Growth Continued



Source: Utah Department of Workforce Services

Utah is in the Center of the Fastest Growing Area in the Country

Percent Change in Population for States: 1990 to 2000
 U.S. Rate = 13.2%



Source: U.S. Census Bureau

Top 10 Job Growth States in the Nation

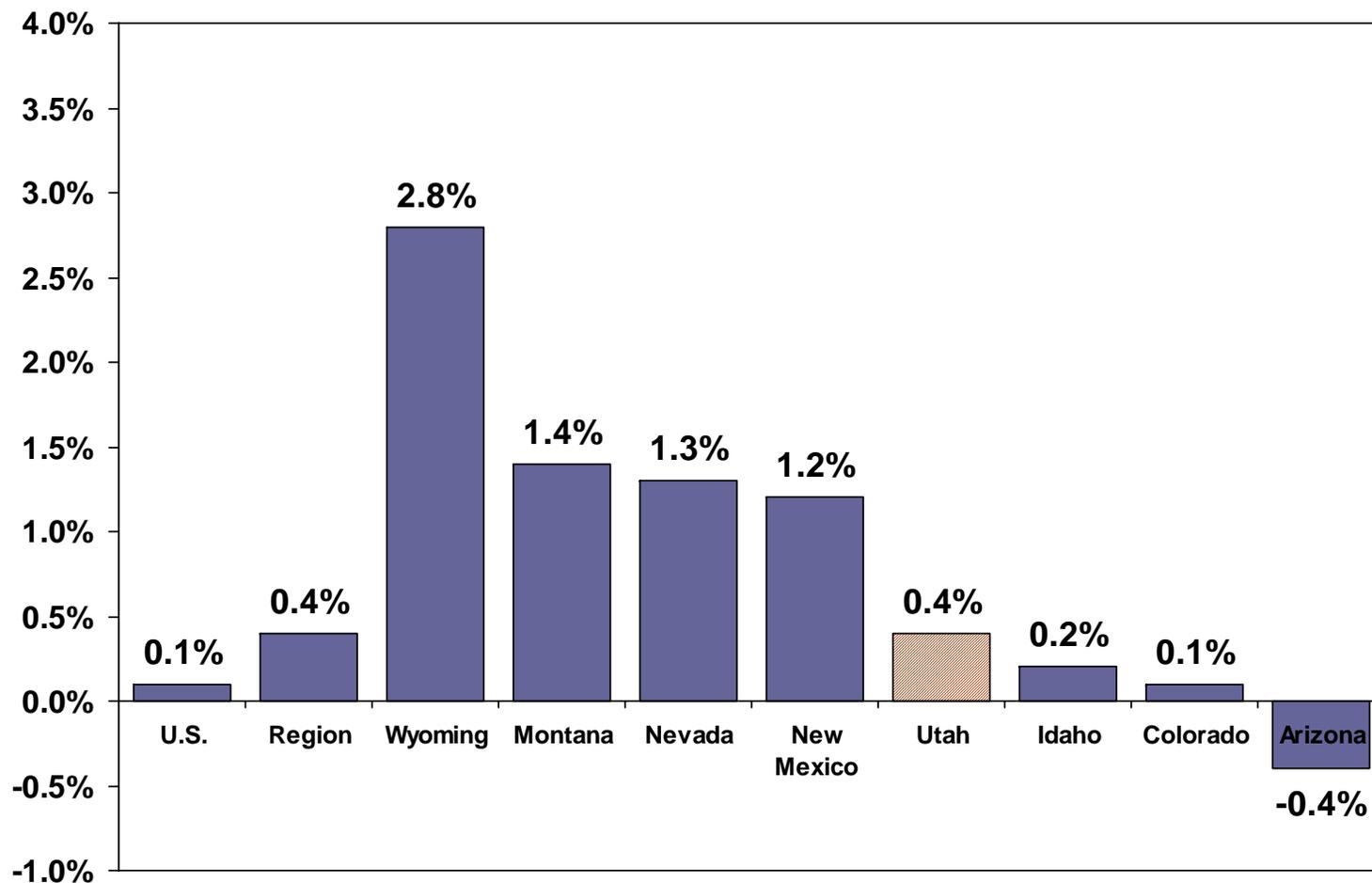
Oct. 2000 – Oct. 2001

1. Wyoming.....2.8%
2. Florida.....2.8%
3. Alaska.....2.0%
4. Kansas.....1.5%
5. Montana.....1.4%
6. Texas.....1.4%
7. Nevada.....1.3%
8. New Mexico...1.2%
9. Virginia.....1.0%
10. Oklahoma.....0.9%

Five of the top ten are in the West. Utah ranked 17th with a 0.4% rate of growth. The national average is 0.1%.

Utah and the Mountain States are Faring Better than the Nation

Nonagricultural Employment Growth:
October 2000 to October 2001



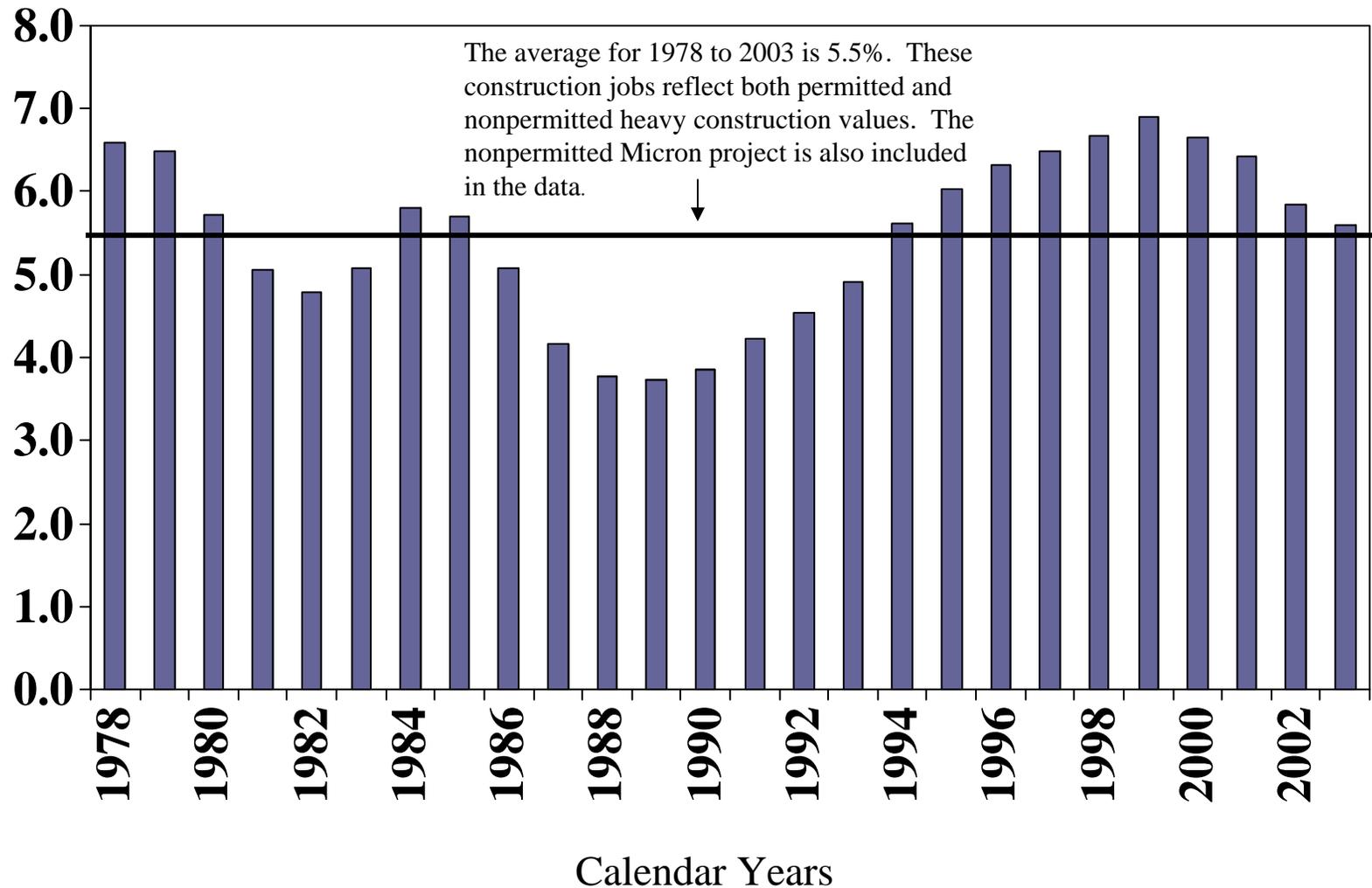
Source: U.S. Bureau of Labor Statistics

Important Factors

- Tempering Influences
 - Construction contraction
 - Deceleration in job growth in manufacturing industry

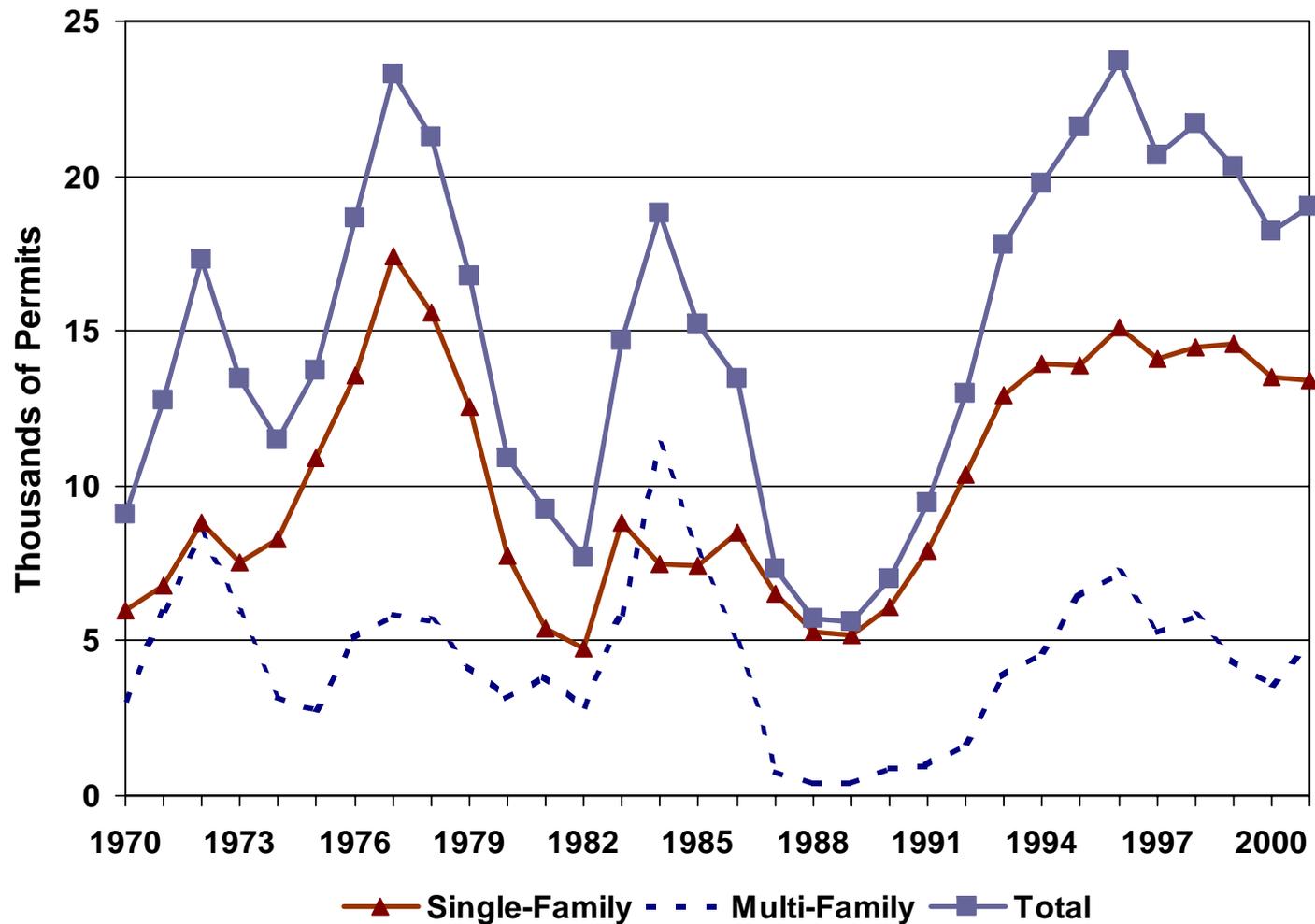
The Construction Contraction Continues

Construction Jobs as a Percent of Total Jobs



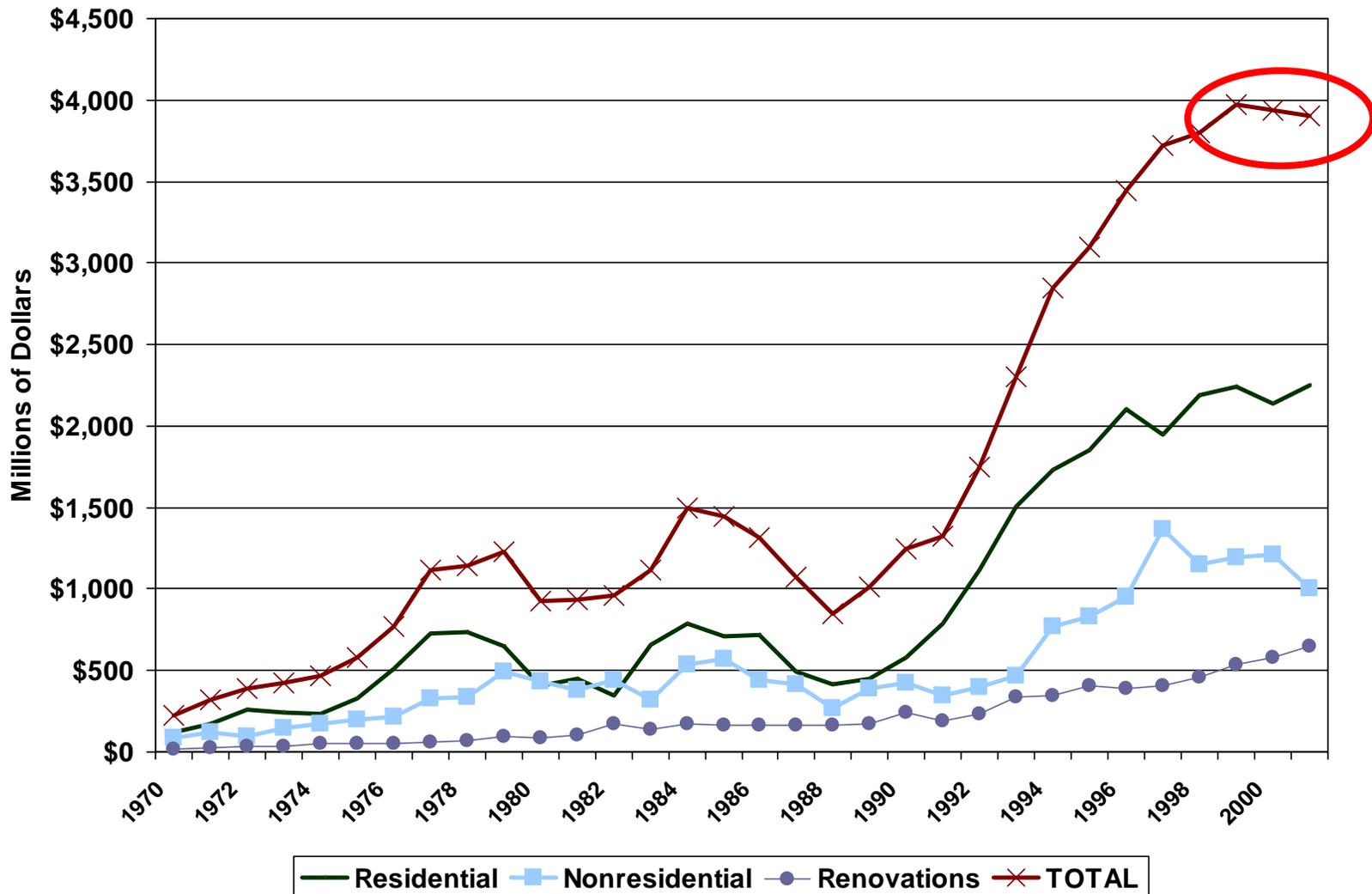
Construction Permits Rebound in 2001

Utah Residential Construction Permits: 1970 to 2001

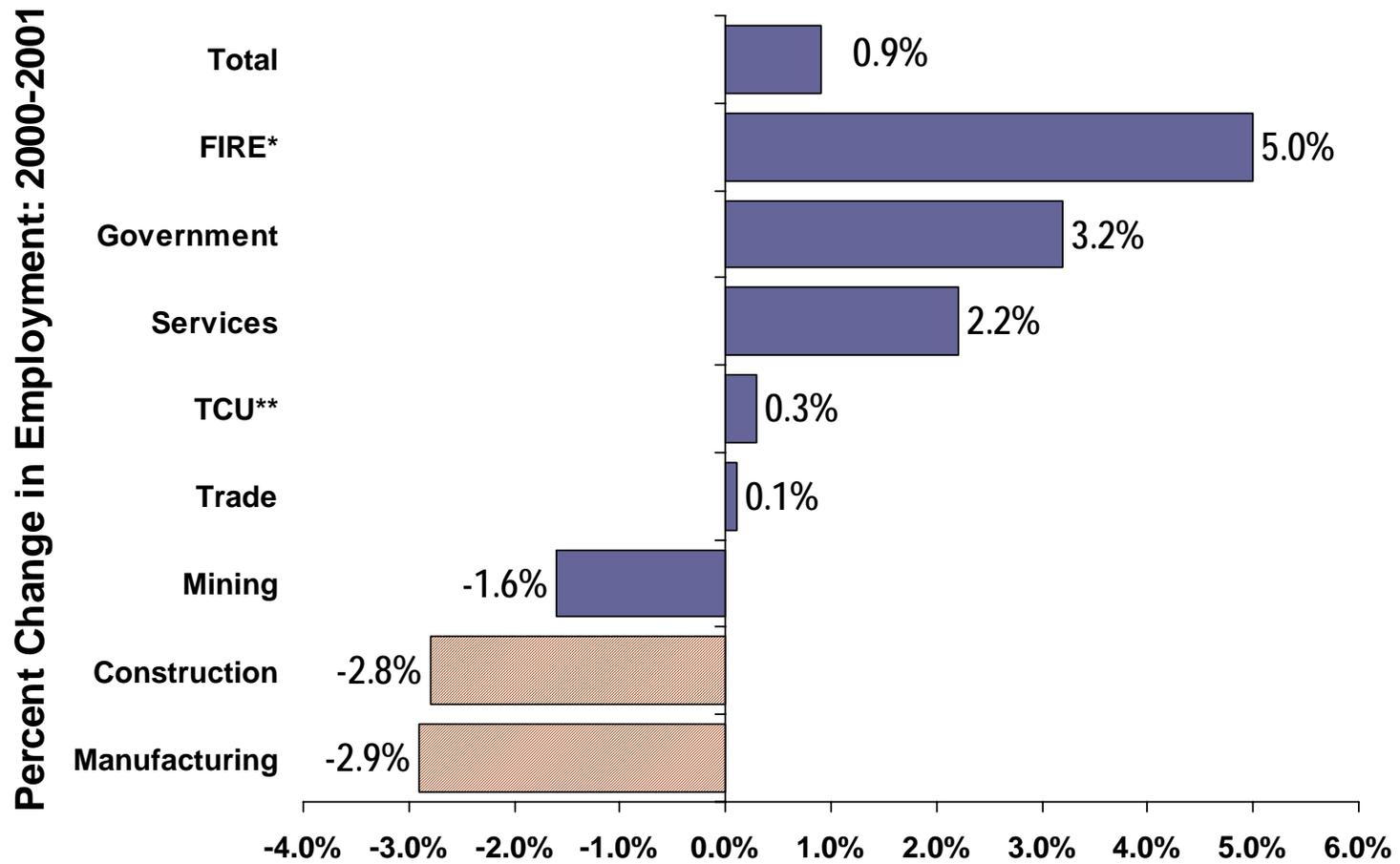


The Continued Strength of the Residential Sector Contributed to Near Record Valuation

Value of New Construction: 1970-2001



Utah Job Growth by Industry



*Finance, Insurance and Real Estate

**Transportation, Communication and Utilities

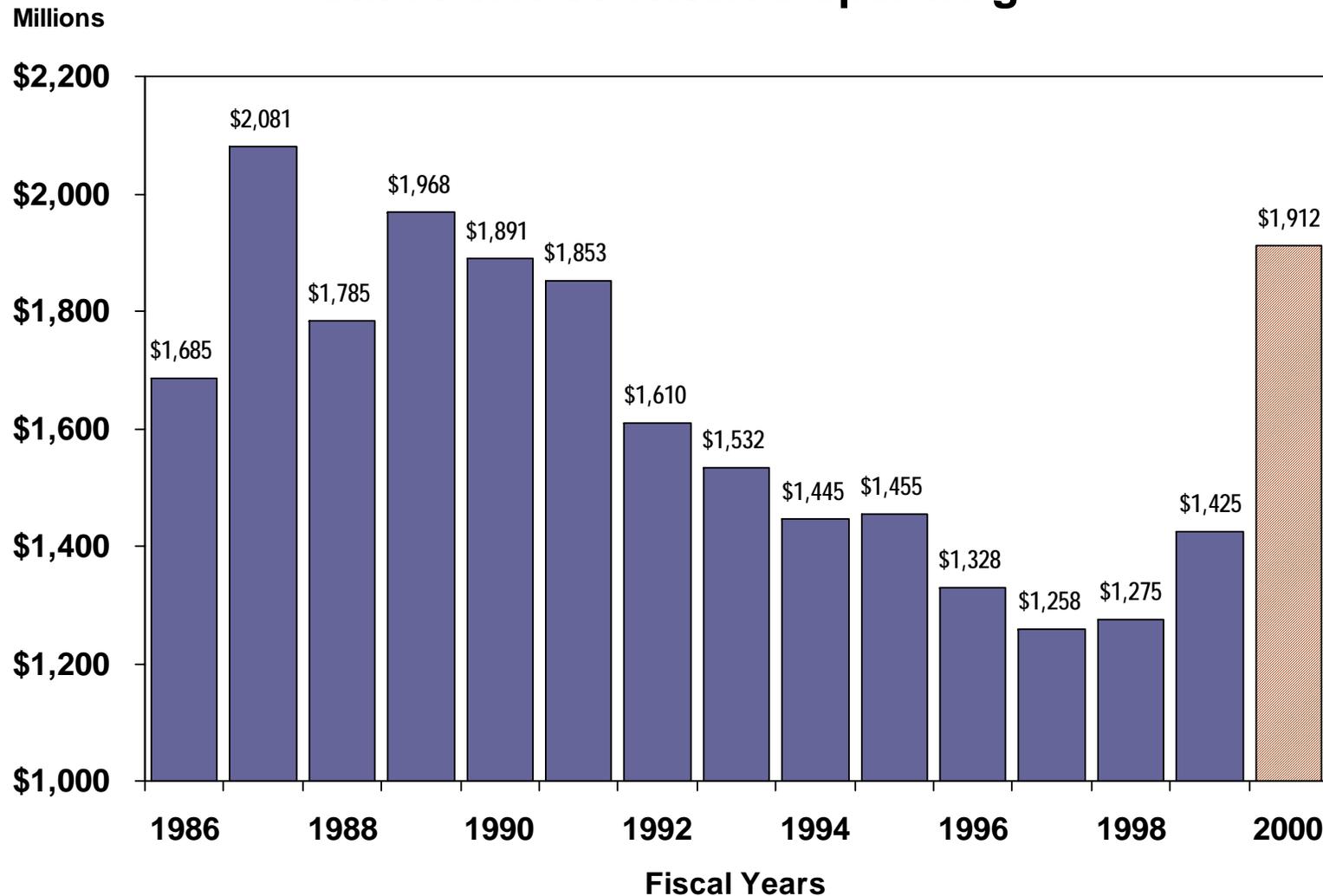
Source: Utah Department of Workforce Services

Important Factors

- Stabilizing Influences
 - Defense industry
 - Merchandise exports
 - Finance, Insurance & Real Estate

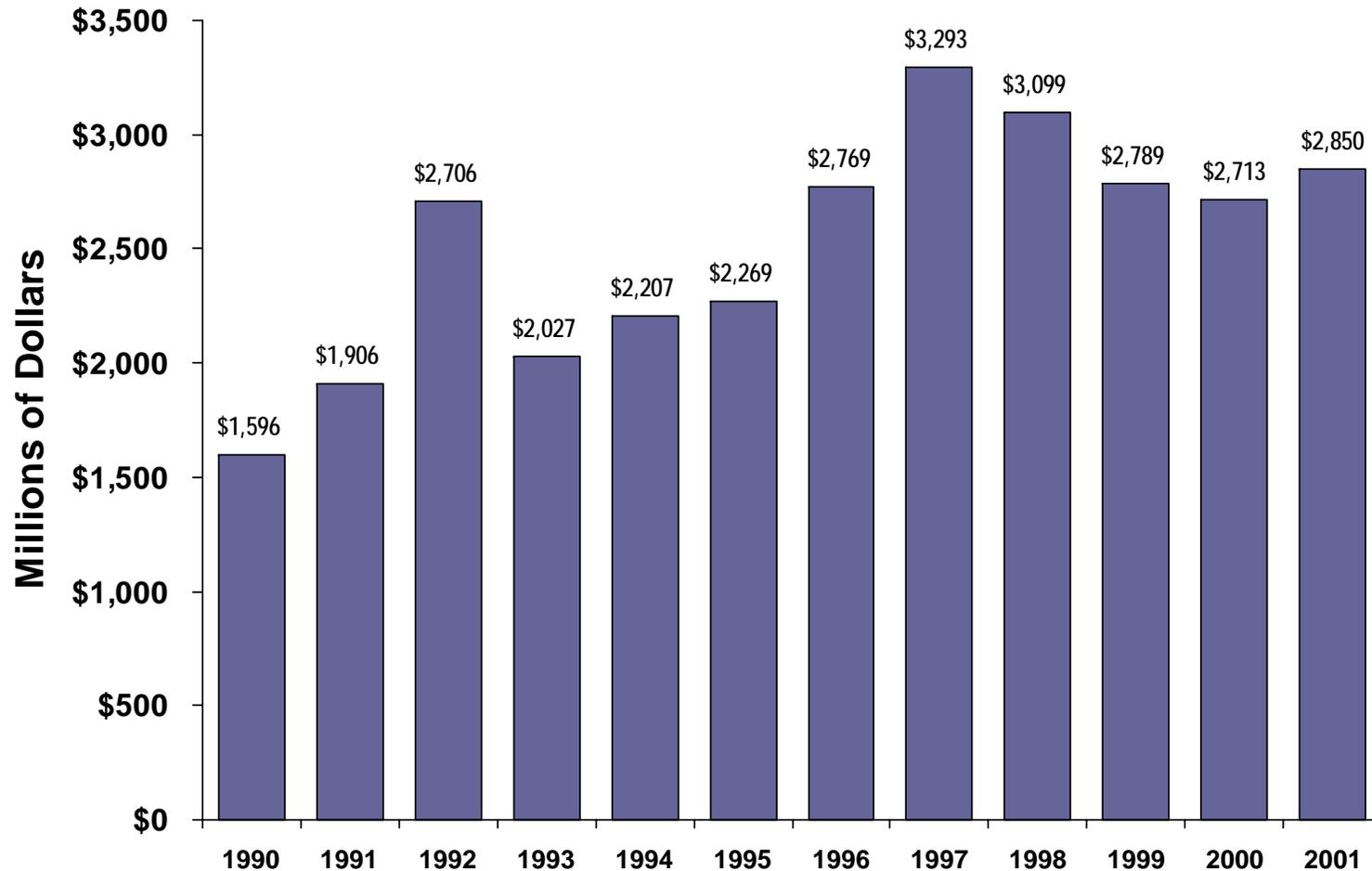
Defense Spending Increased 34% in 2000

Utah Defense-Related Spending



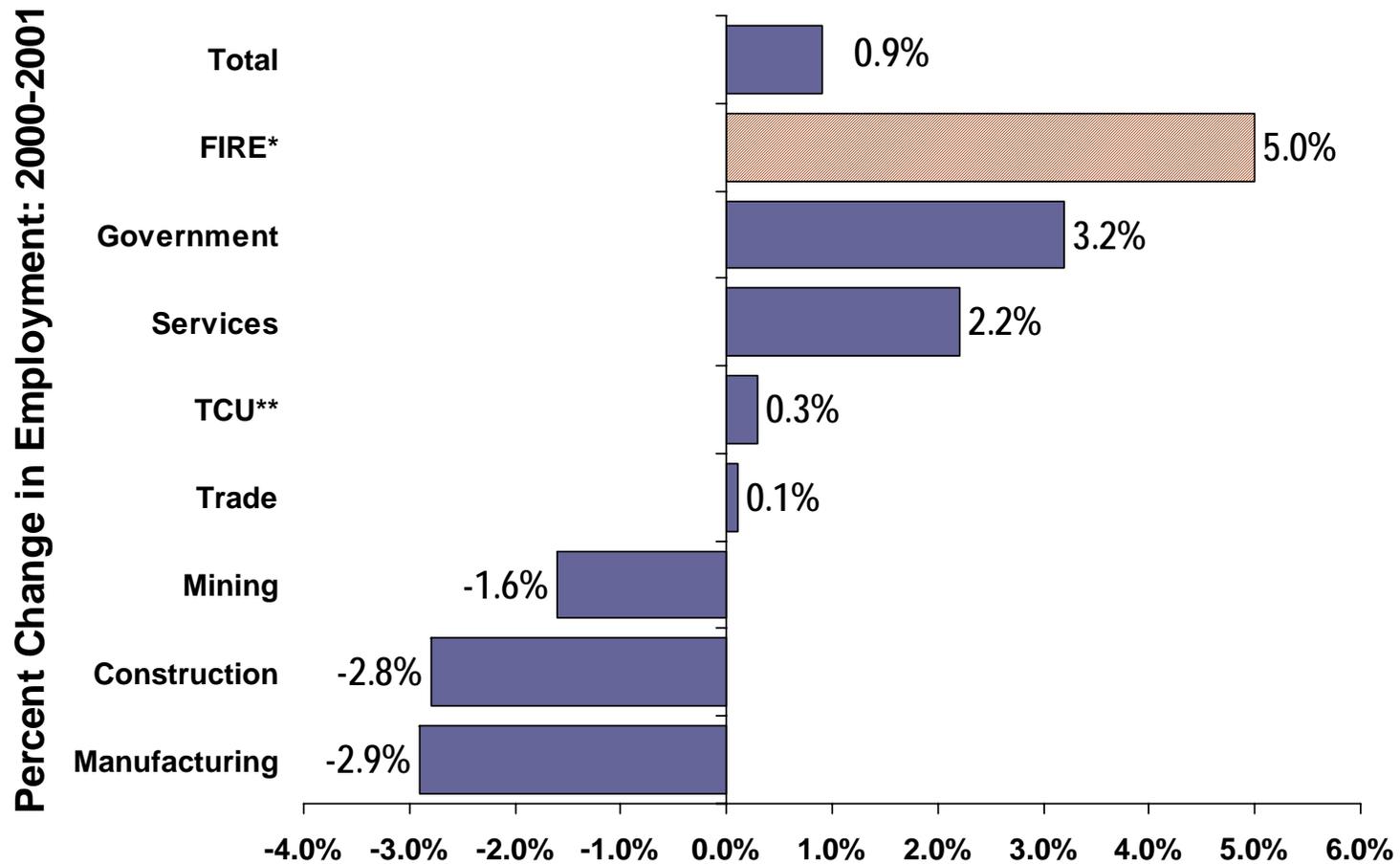
Utah Exports Held Up Well Relative to Other States and the Nation

Utah Merchandise Exports



Source: U.S. Census Bureau

Finance, Insurance and Real Estate are the Driving Force in the Economy



*Finance, Insurance and Real Estate

**Transportation, Communication and Utilities

Source: Utah Department of Workforce Services



Olympic Impacts

1996-2003

- \$4.5 billion in economic output
- 35,000 job years of employment
- \$680 million of public and private infrastructure investment
- Lasting legacy impacts

Overview of Key Indicators

- Population
- Employment and Labor Force
- Income

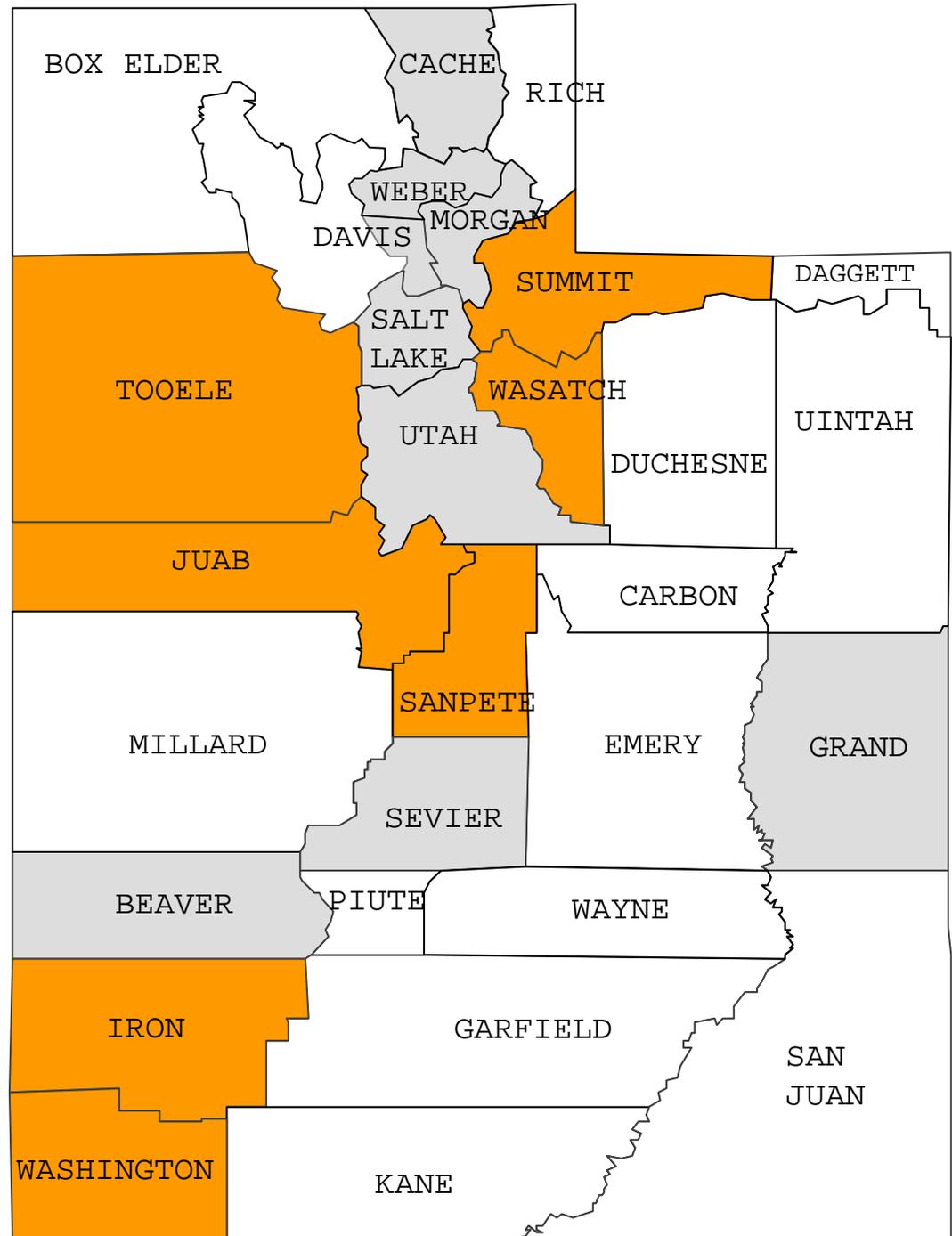
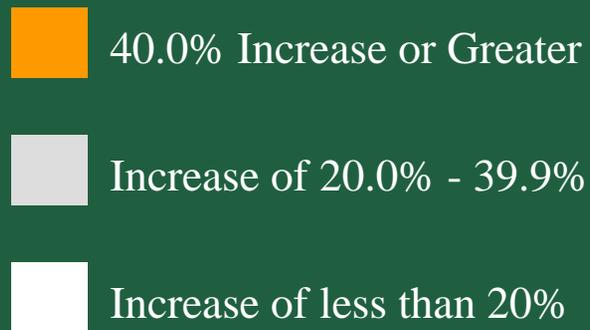
Utah Ranked as the Fourth Fastest Growing State During the 1990s

1. Nevada.....66.3%
2. Arizona.....40.0%
3. Colorado.....30.6%
4. **Utah.....29.6%**
5. Idaho.....28.5%
6. Georgia.....26.4%
7. Florida.....23.5%
8. Texas.....22.8%
9. North Carolina.....21.4%
10. Washington.....21.2%

Seven of the top ten fastest growing states are located in the west.

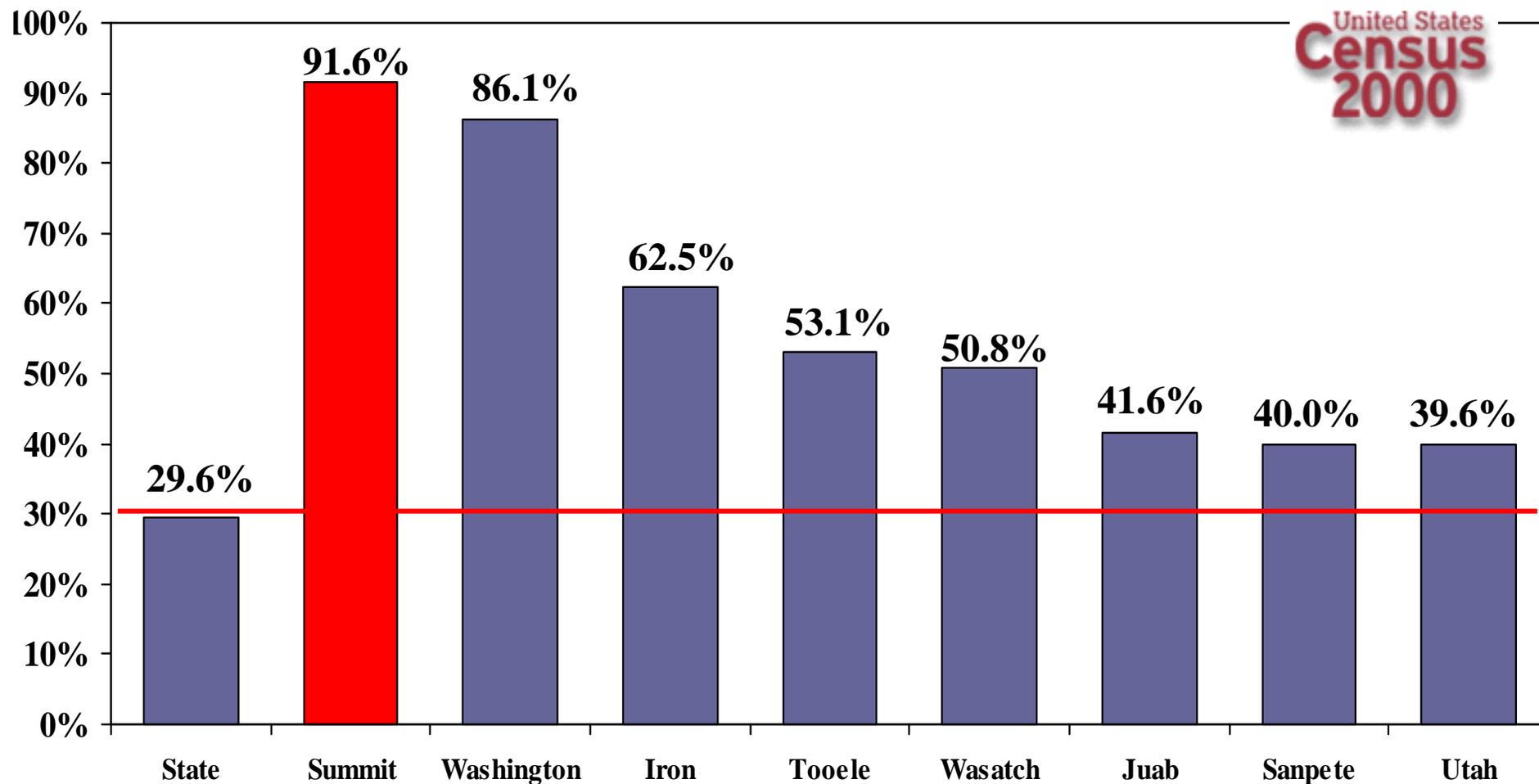
Utah's Fastest Growing Counties 1990 to 2000

State Rate = 29.6%



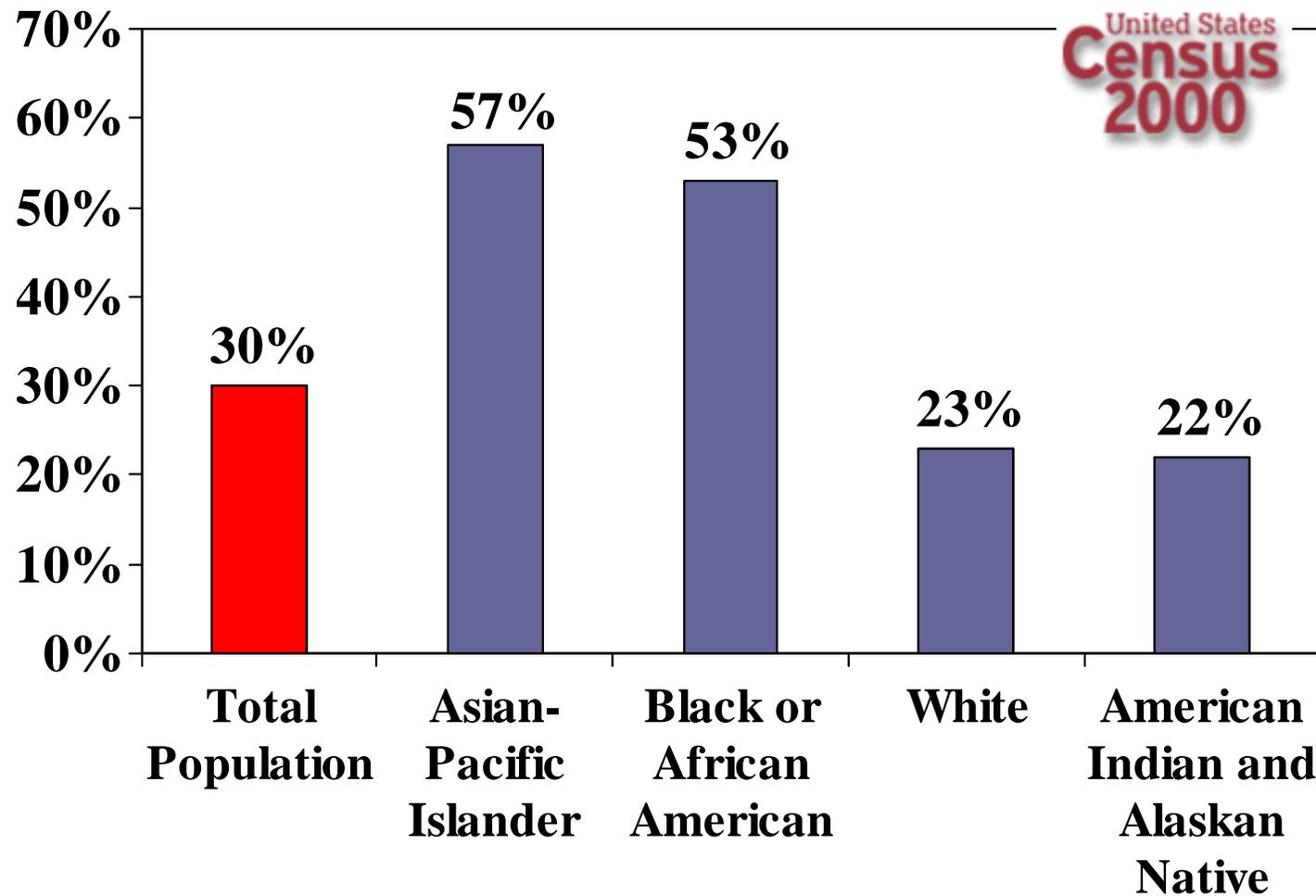
Summit County was Utah's Fastest Growing County

Percent Change 1990-2000



Source: U.S. Census Bureau

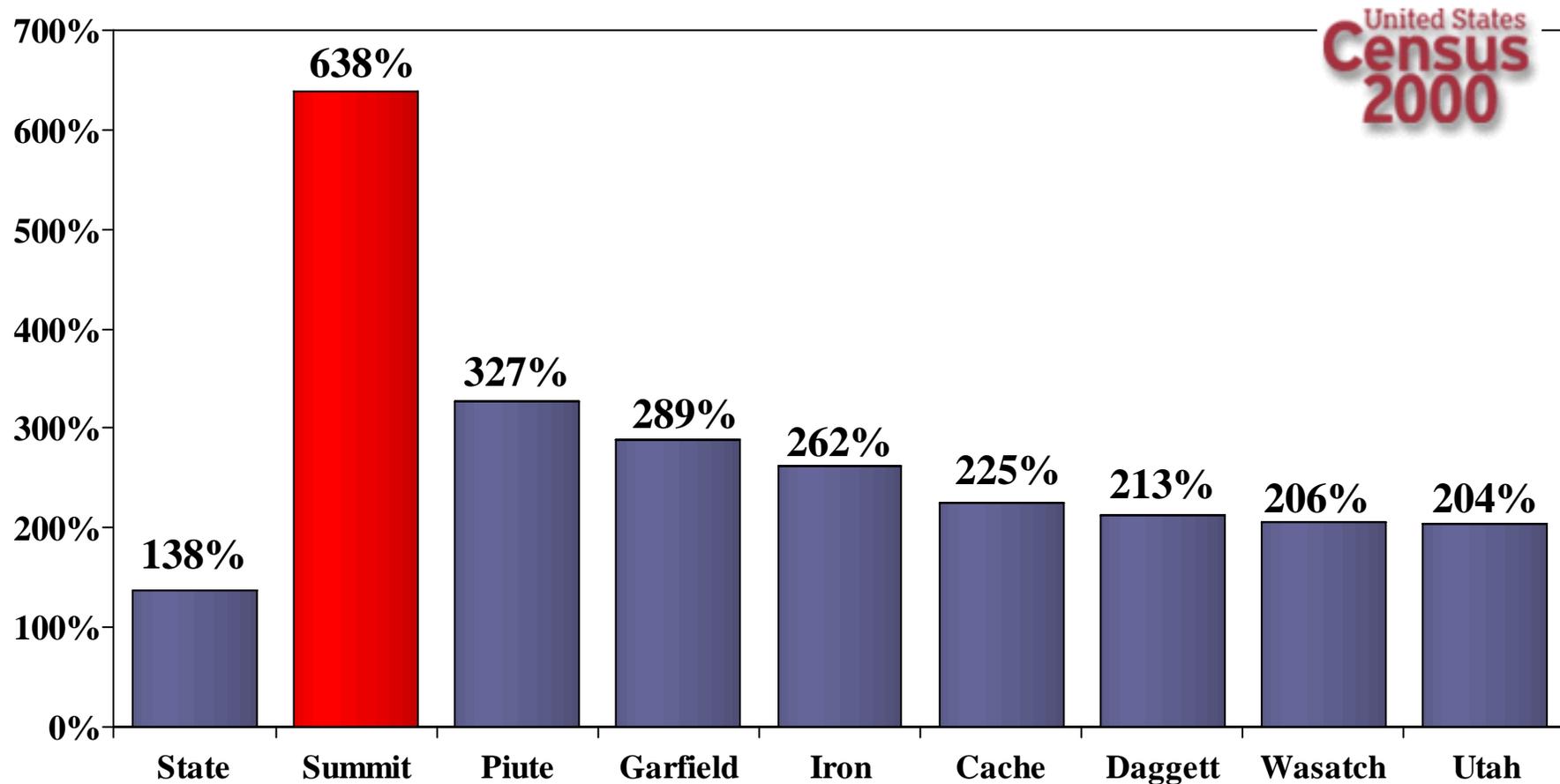
Fastest Growing Race Groups in Utah 1990-2000



Note: In 1990 Asian and Pacific Islander was a single race category. For comparisons of the 1990-2000 population, the Census 2000 Asian, and Native Hawaiian or Other Pacific Islander Categories have been combined.

Summit County Experienced the Largest Percent Increase in Hispanics Over the Decade

Percent Change in Hispanic Population 1990-2000



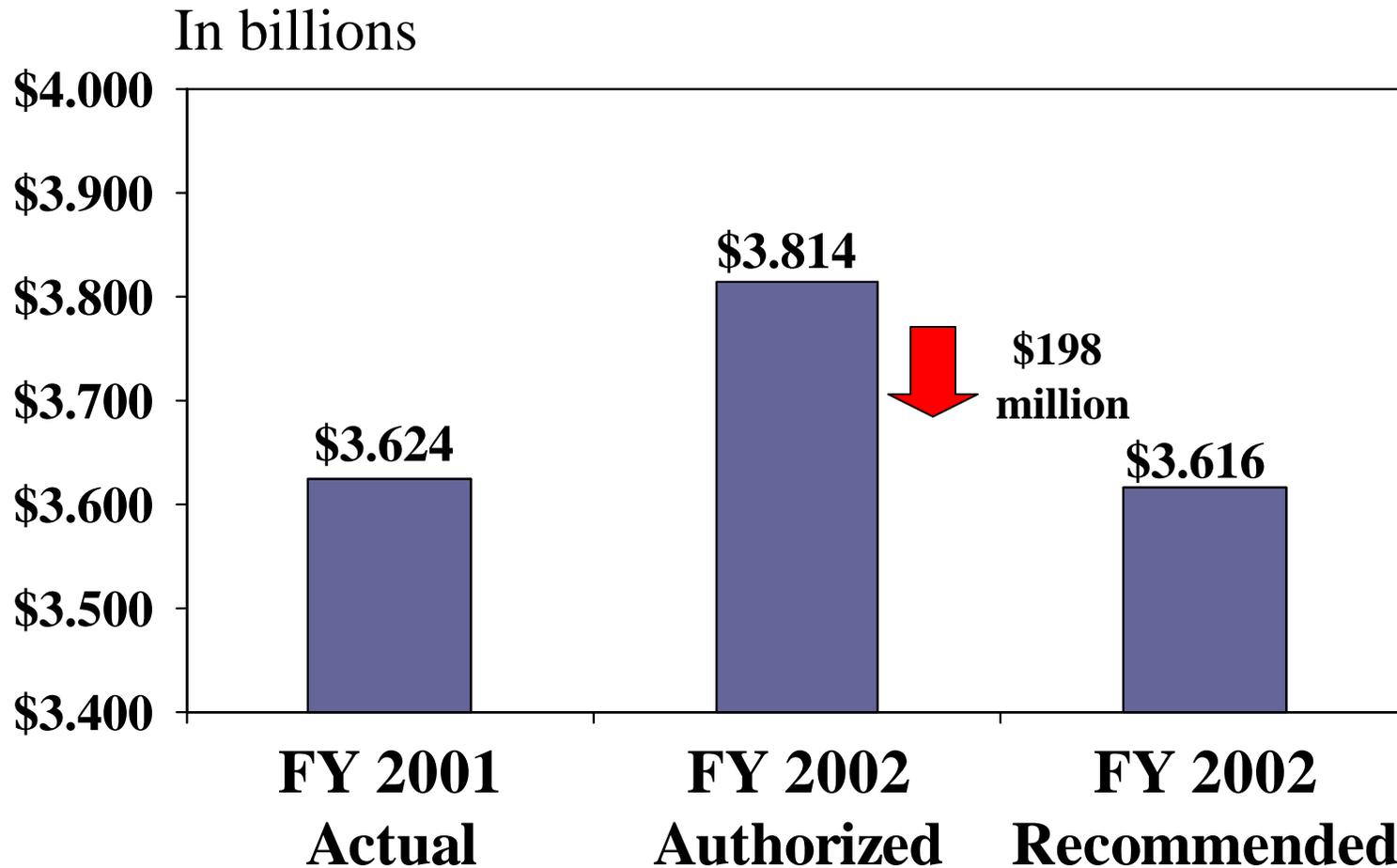
Outlook: Challenges

- Construction contraction
- State budget holdbacks
- Pending surge in public education growth
- Fragile national economy

Construction Contraction

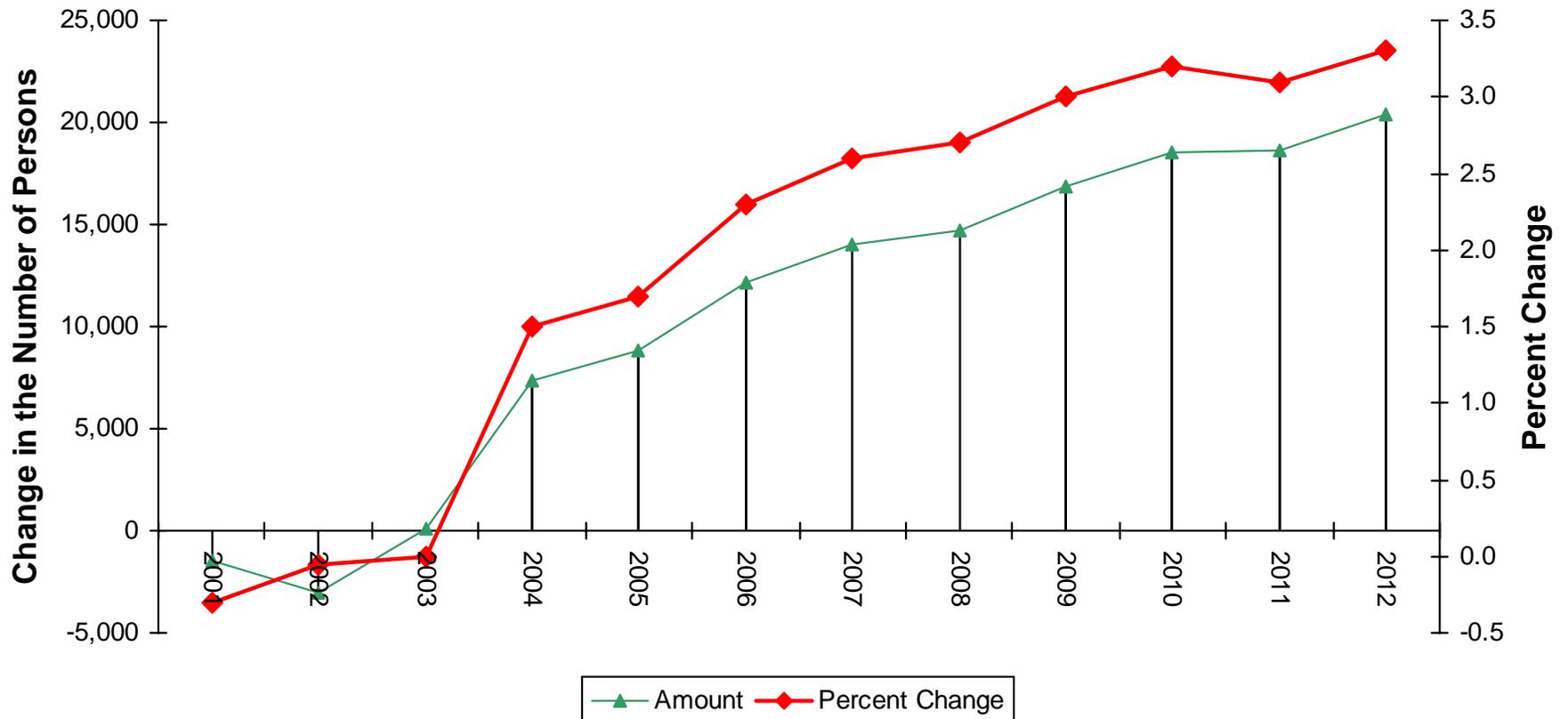
- 70,000 construction jobs currently (nearly three times the amount in 1990)
- The decline in construction employment that began in 2000 will continue into 2002 as many large projects are completed.

General Fund/School Fund Revenues FY 2001 and FY 2002



Utah's School Age Population is Expected to Increase by 100,000 Over the Next Decade

Utah Year Over Amounts and Rates of Change in the School Age Population



Source: UPED Model System (Baseline 2002).

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Fragile National Economy

- The September 11th terrorists attacks pushed a weak economy into recession.
- The current economic recession is most evident in manufacturing, inventory liquidation, and capital spending.
- Despite the decline in employment growth in 2001, consumer spending remained strong.
- Monetary stimulus by the Federal Reserve has positively affected consumers and tempered downward pressures on the economy.
- 2002 will be a year of moderate economic rebuilding, with growth picking up in the second half of the year.

Outlook: Opportunities

- Economic diversity
- Mega-Projects
- 2002 Olympic Winter Games

Milken Institute

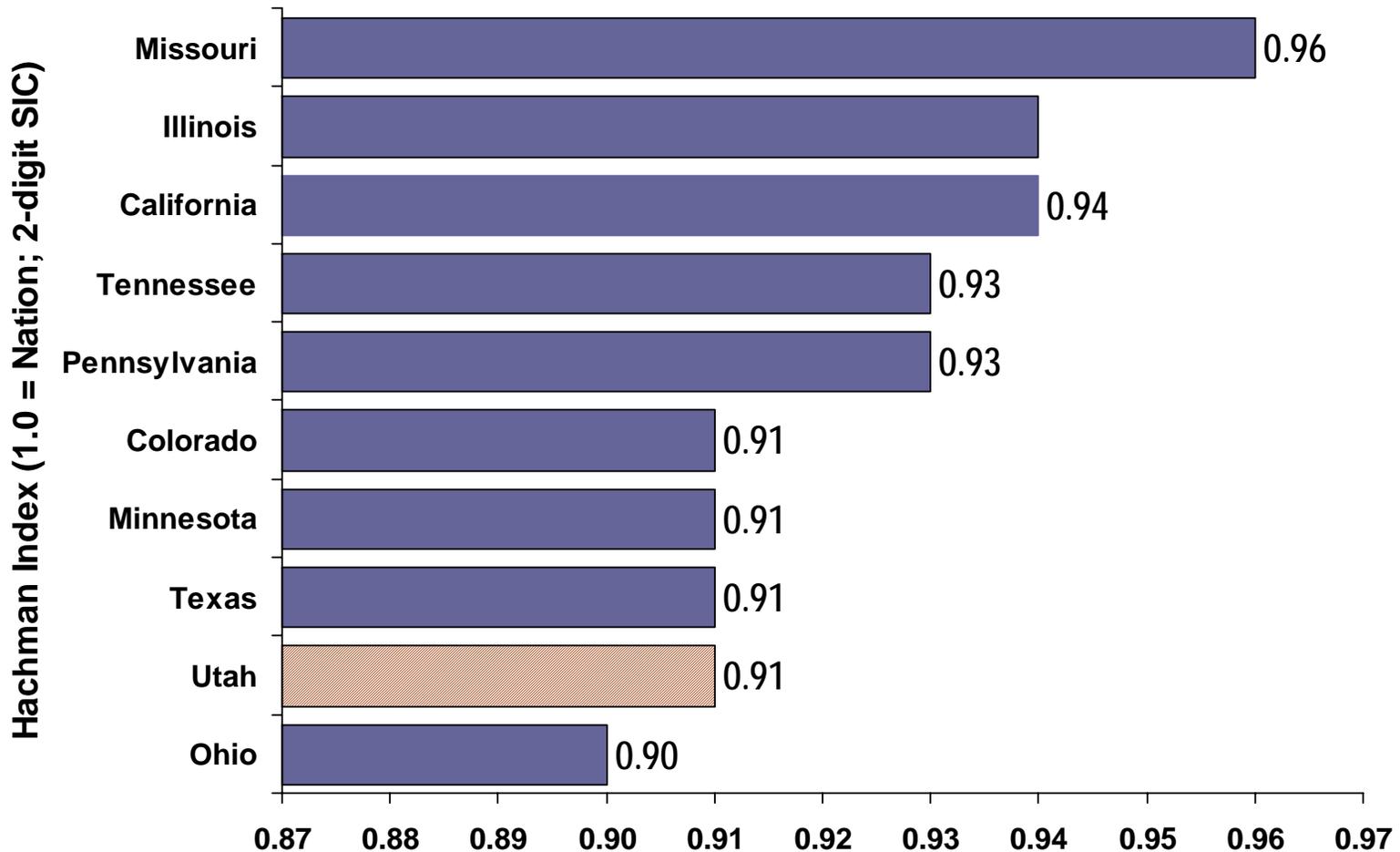
New Economy Index

1. Massachusetts
2. California
3. Colorado
4. Connecticut
5. Maryland
6. New York
7. Washington
8. Delaware
9. New Jersey
10. New Hampshire
11. Utah
12. Texas
13. Arizona
14. Oregon
15. Virginia

Index ranks states based upon 12 criteria critical to future high tech growth. Categories include R&D dollars, educational attainment, patents issued, business starts, venture capital investment, and IPO proceeds.

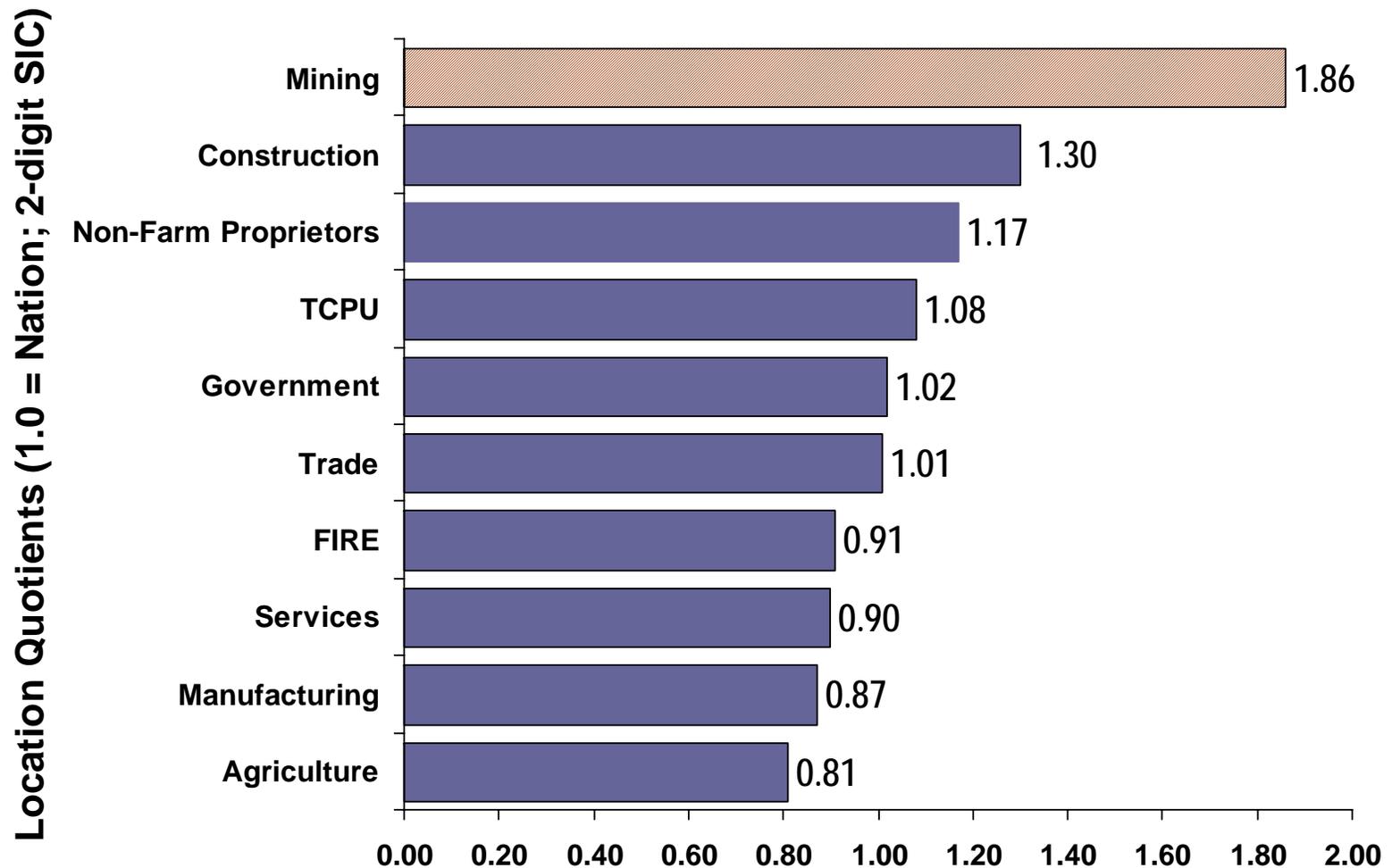
Utah's Economy Remains Relatively Well-Diversified

Ten Most Diversified Economies in the Country: 2000



Largest Concentration of Employment in 2000 was in the Mining Sector

Relative Shares of Industries in Utah: 2000



Mega-Projects on the Horizon



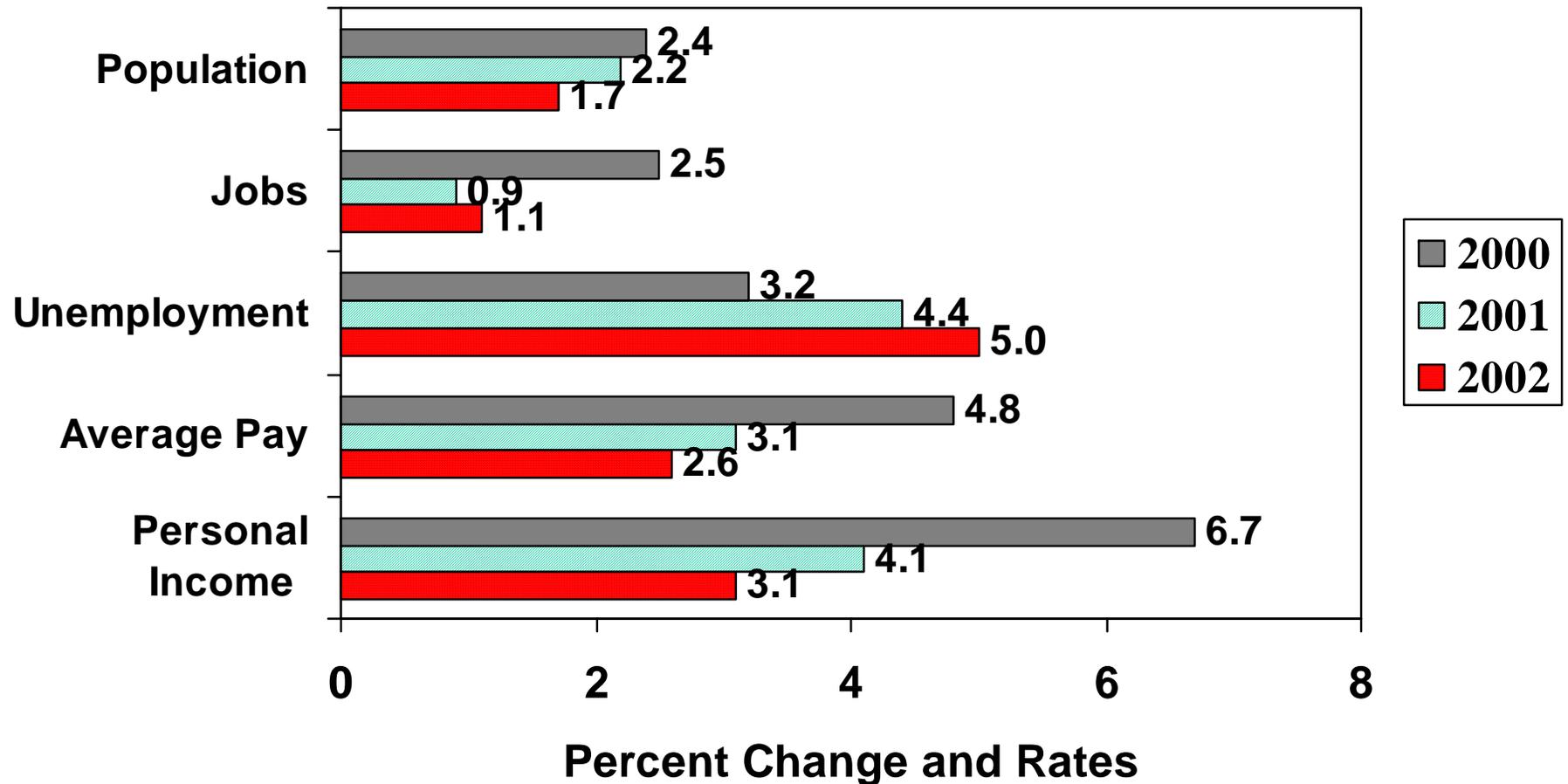
- IHC Murray Hospital - \$350 million
- Traverse Mountain (Fox Ridge) - \$2 billion
- McKay-Dee Hospital Complex - \$180 million
- Jordan Landing (mixed use) - \$500 million
- Pleasant Grove Town Center - \$200 million
- Huntsman Cancer Institute - \$100 million
- RiverPark Corporate Center - \$300 million
- Legacy Highway - \$451 million



Capitalizing on the 2002 Olympic Winter Games

- 9,000 accredited media in-state to cover the Games in 2002
- 230,000 total visitors over 17 days
- World class winter sports venue
 - \$247 million in SLOC financed infrastructure
- \$163 million in federally financed transportation projects

Utah Economic Forecast



Source: Council of Economic Advisors

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