

ECONOMIC  
REPORT  
2001  
TO THE  
GOVERNOR

Annual

# Utah Economic Review

Council of Economic Advisors  
January 2001

**ECONOMIC  
REPORT  
TO THE  
GOVERNOR**

# Overview

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- Important Factors
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  - Sustaining Influences
- Overview of Key Indicators
  - Population
  - Employment and Labor Force
  - Income
- Outlook
  - Challenges
  - Opportunities

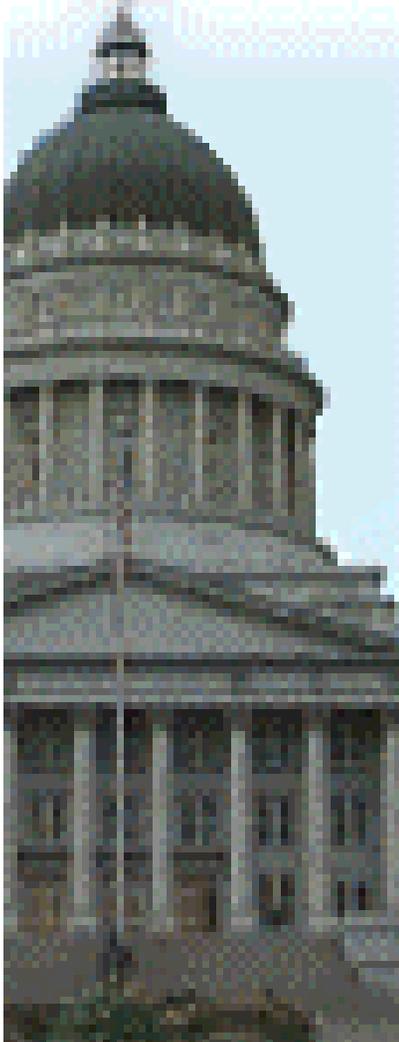


## **Council of Economic Advisors**

# **Contributors**

- Bureau of Economic and Business Research
- Utah Foundation
- First Security Bank
- Federal Reserve Bank of San Francisco
- Utah State University
- Utah Transit Authority
- State Government Agencies
  - Workforce Services
  - Tax Commission
  - Legislative Fiscal Analyst
  - Community and Economic Development
  - Natural Resources
  - Environmental Quality
  - Governor's Office of Planning and Budget

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



# Special Thanks to ...

*Jamie*

*Lisa*

*Peter*

*Lance*

*Scott*

*Neil*

*Ross*

*Robert*

*Lynne*

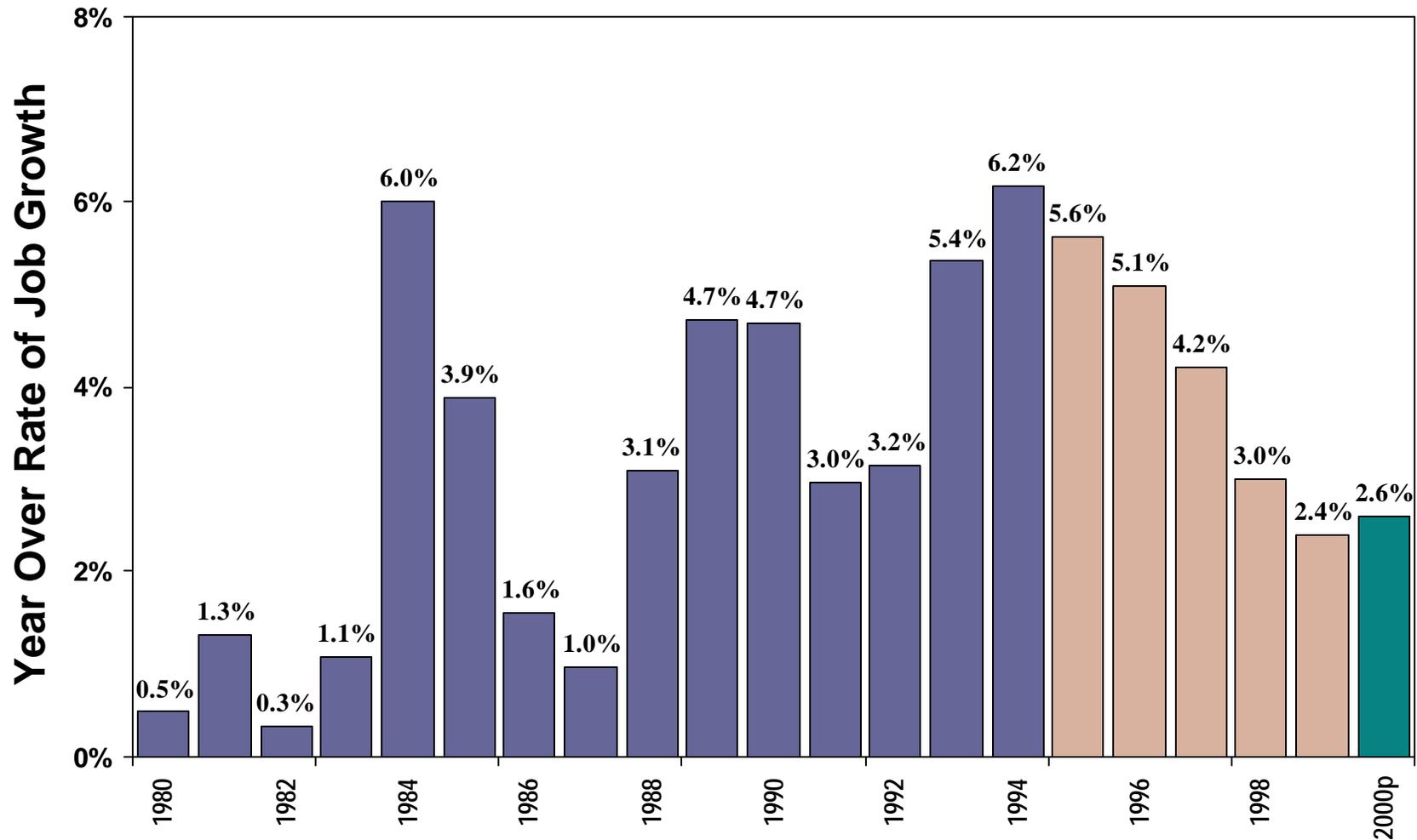
*Camille*

*Joe*

# Context

- Historical
- Regional

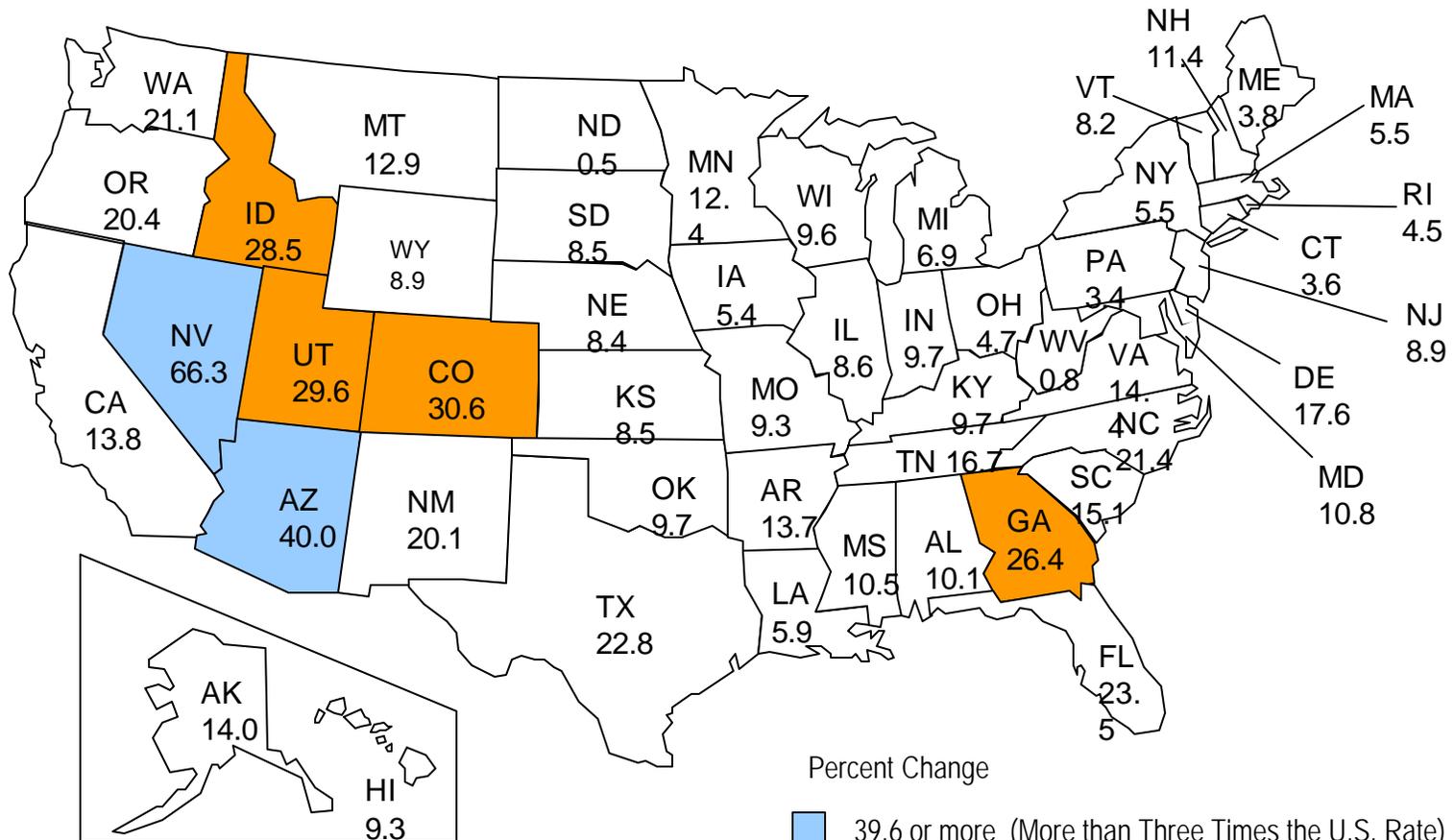
# The Deceleration in Job Growth has Stabilized



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

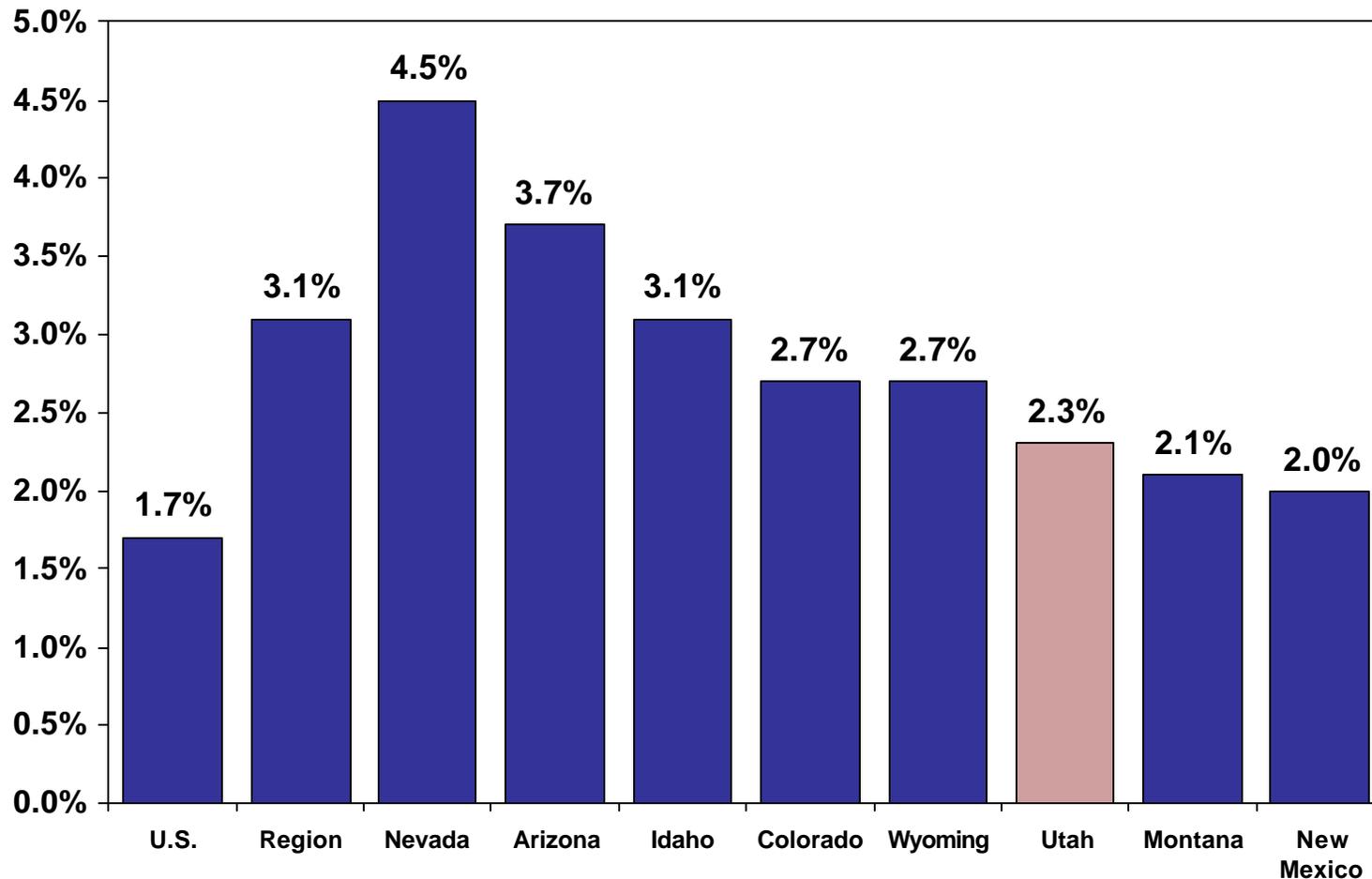
Nov. 1999 – Nov. 2000

- Nevada – 4.5%
- Florida – 3.8%
- Arizona – 3.7%
- California – 3.1%
- Idaho – 3.1%
- Wyoming – 2.7%
- Texas – 2.7%
- Colorado – 2.7%
- South Carolina – 2.4%
- Maryland – 2.3%

*Seven of the top ten are in the West. Utah ranked 11<sup>th</sup> with a 2.3% rate of growth. The national average is 1.7%.*

# Most of Utah's Peers Performed Better in 2000

Nonagricultural Employment Growth:  
November 1999 to November 2000



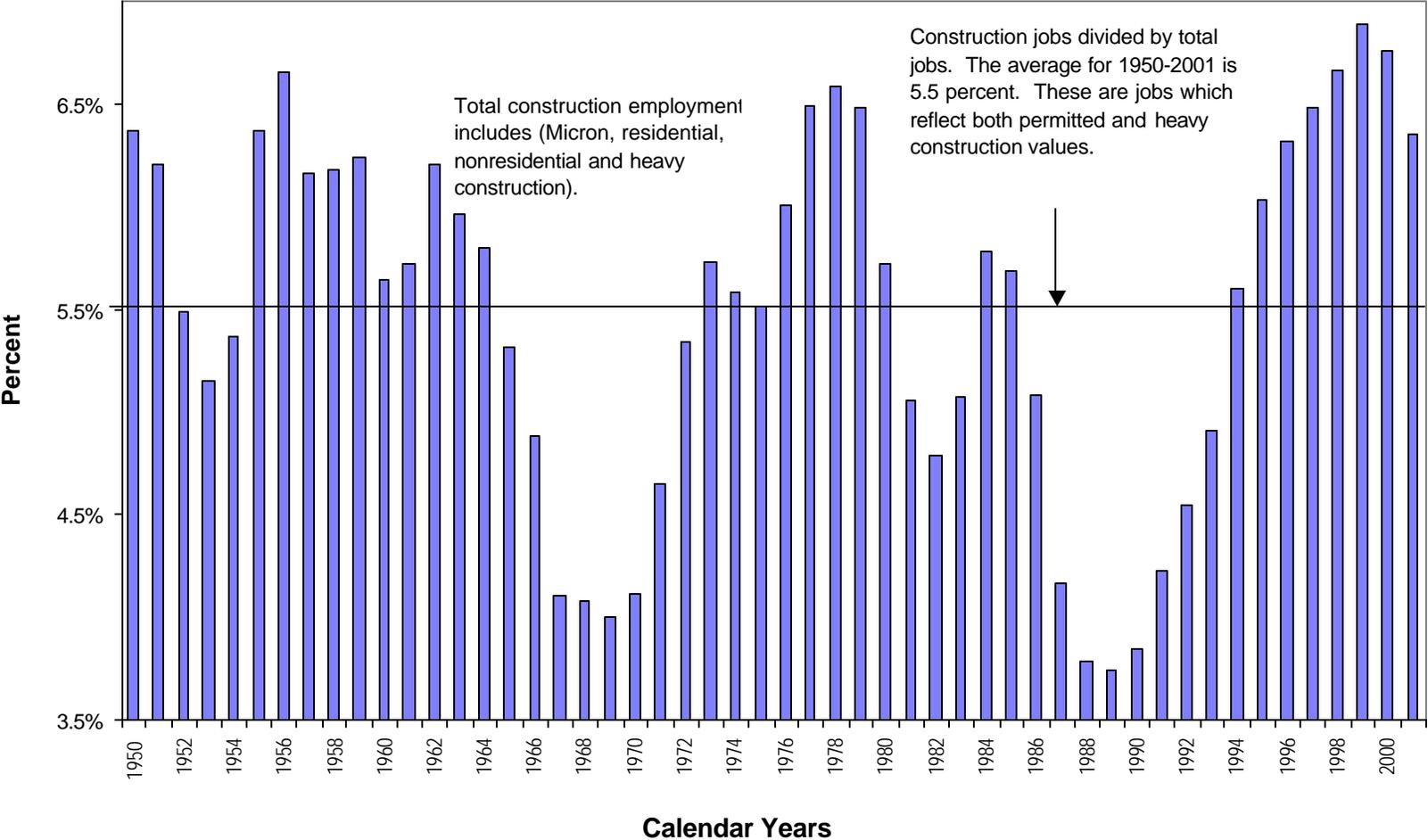
Source: U.S. Bureau of Labor Statistics

# Important Factors

- Tempering Influences
  - Construction contraction
  - Flat exports

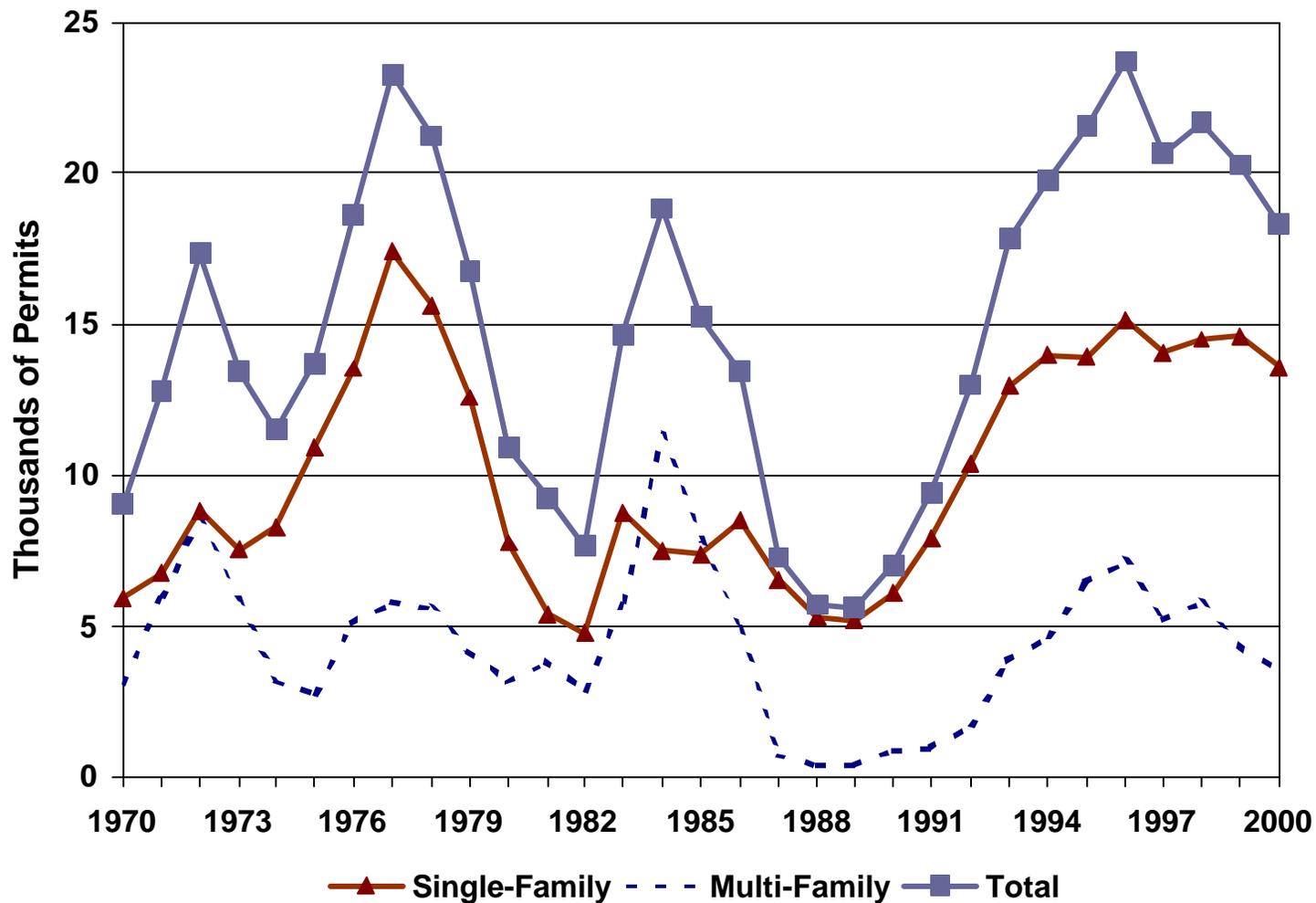
# The Construction Contraction has Begun ...

## Construction Jobs as a Percent of Total Jobs



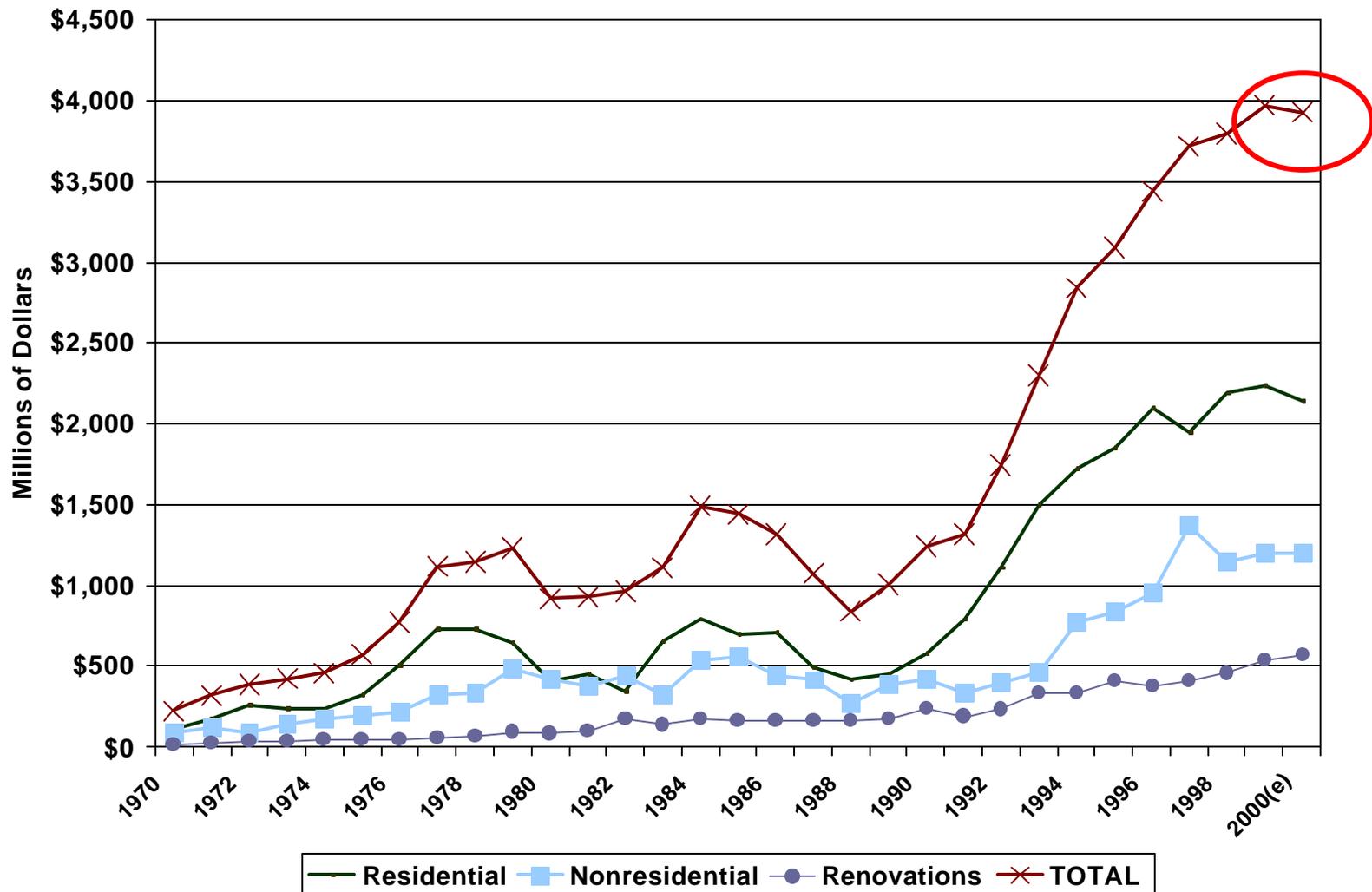
# Construction Permits Decline for 2<sup>nd</sup> Consecutive Year

Utah Residential Construction Permits: 1970 to 2000



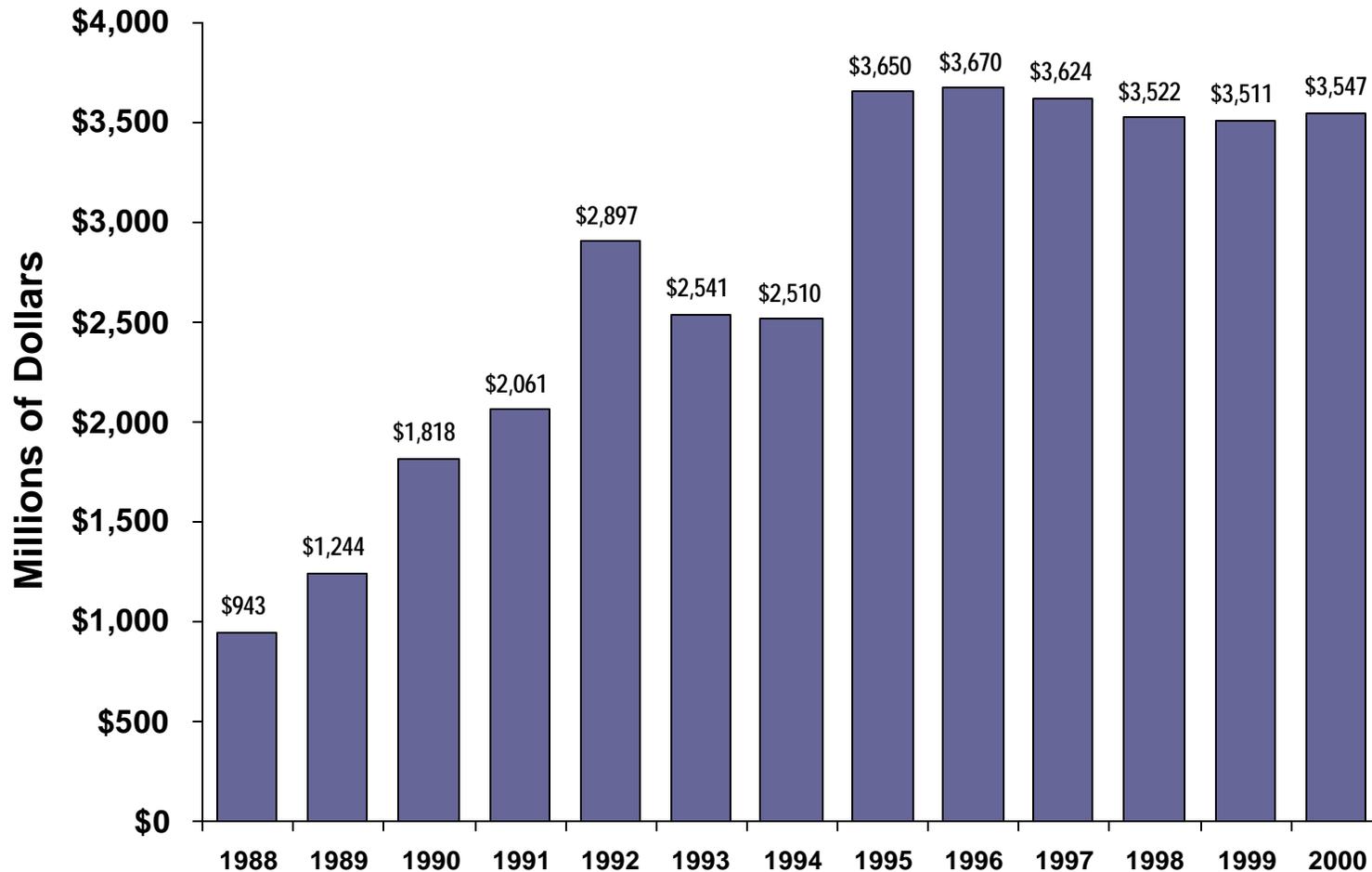
# Construction Values Decline for the First Time in Eleven Years

Value of New Construction: 1970-2000



# Exports Have Been Flat for Six years

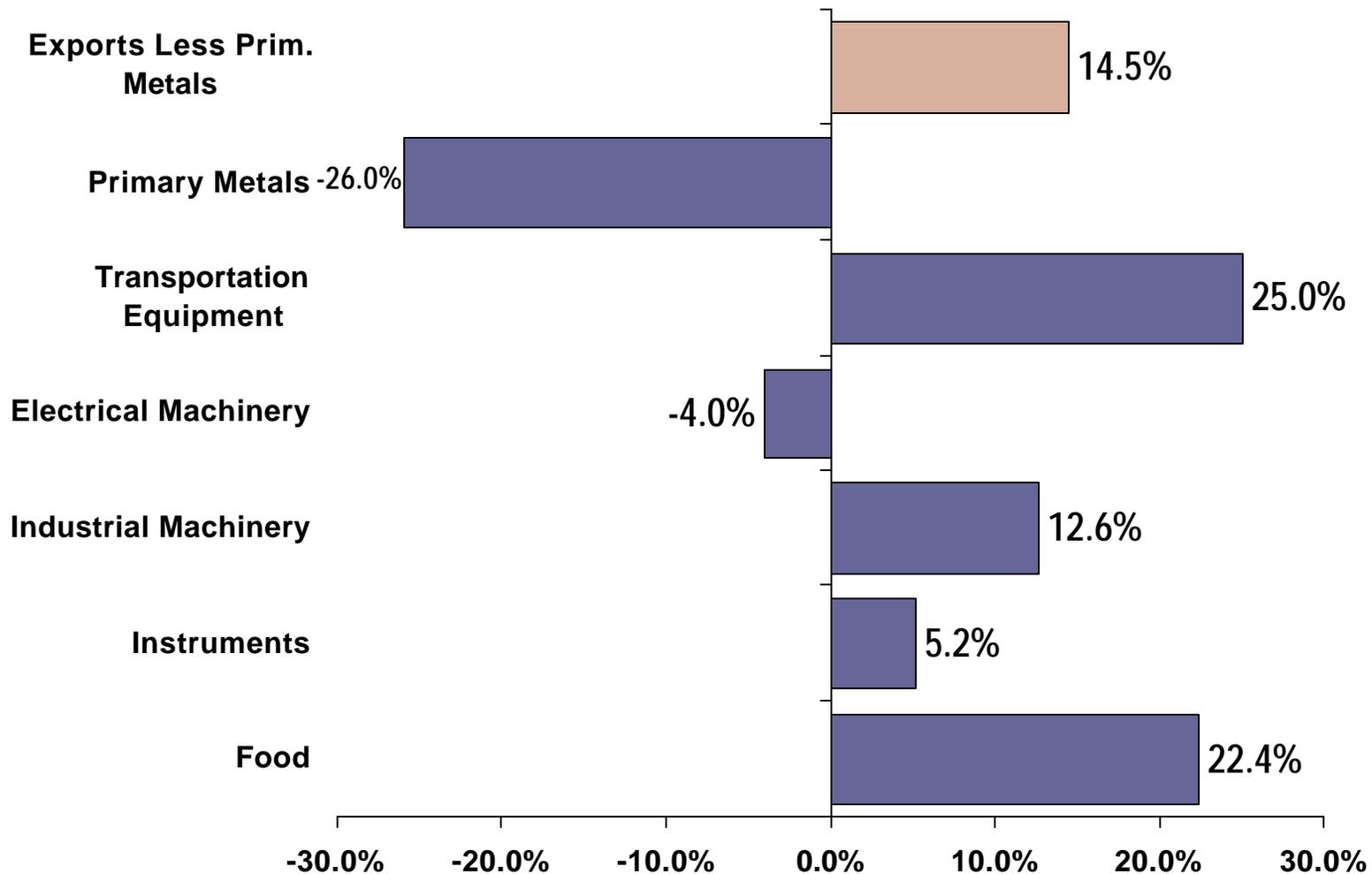
## Utah Merchandise Exports



Source: U.S. Census Bureau, Massachusetts Institute for Social and Economic Research

Note: 2000 exports estimated.

# Growth in Utah's Largest Export Industries: 3Q99-3Q00



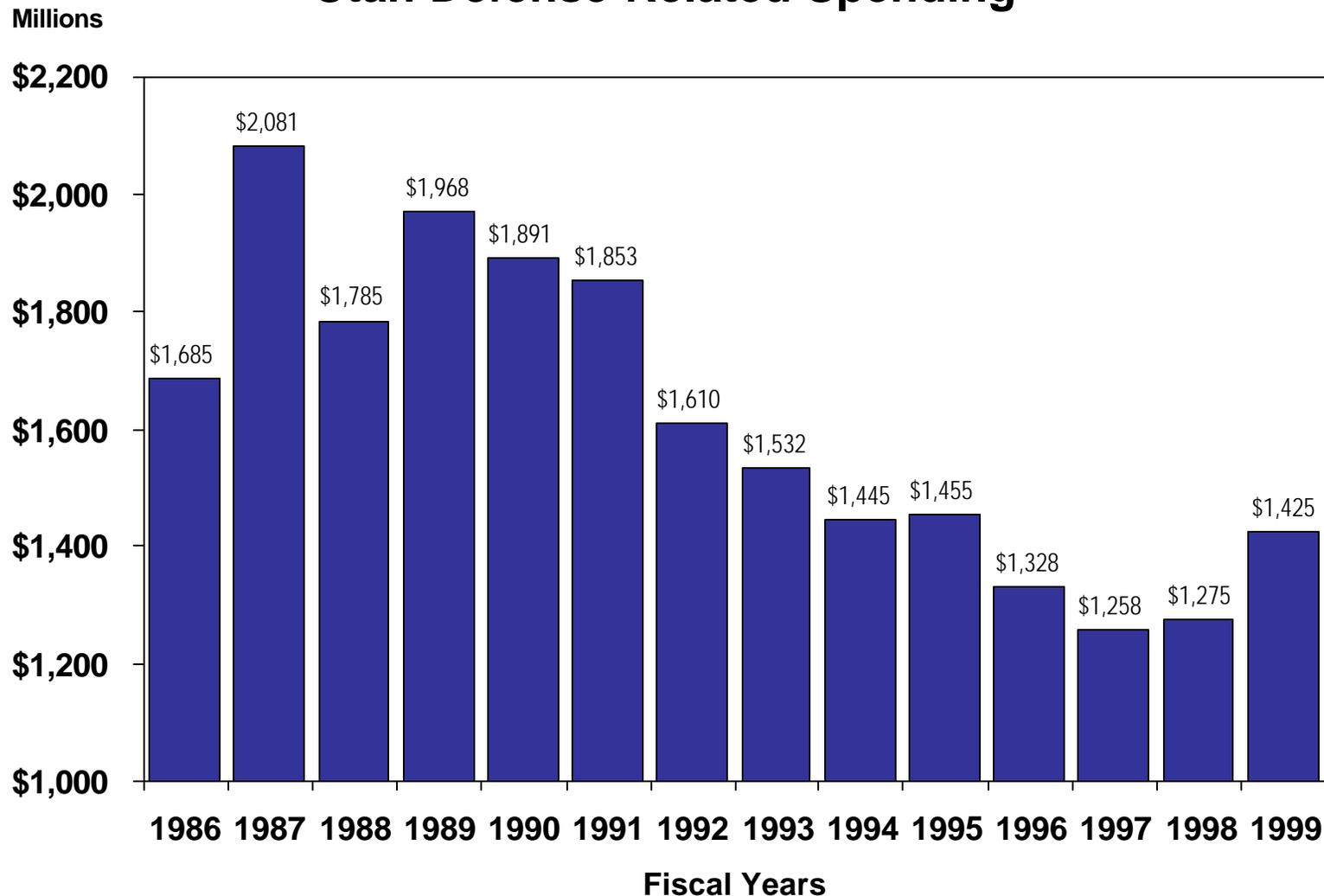
Source: MISER Foreign Trade Data

# Important Factors

- Stabilizing Influences
  - Defense industry
  - New Economy firms
  - Build up for 2002 Olympic Winter Games

# Defense Spending Increased Nearly 12% in 1999

## Utah Defense-Related Spending

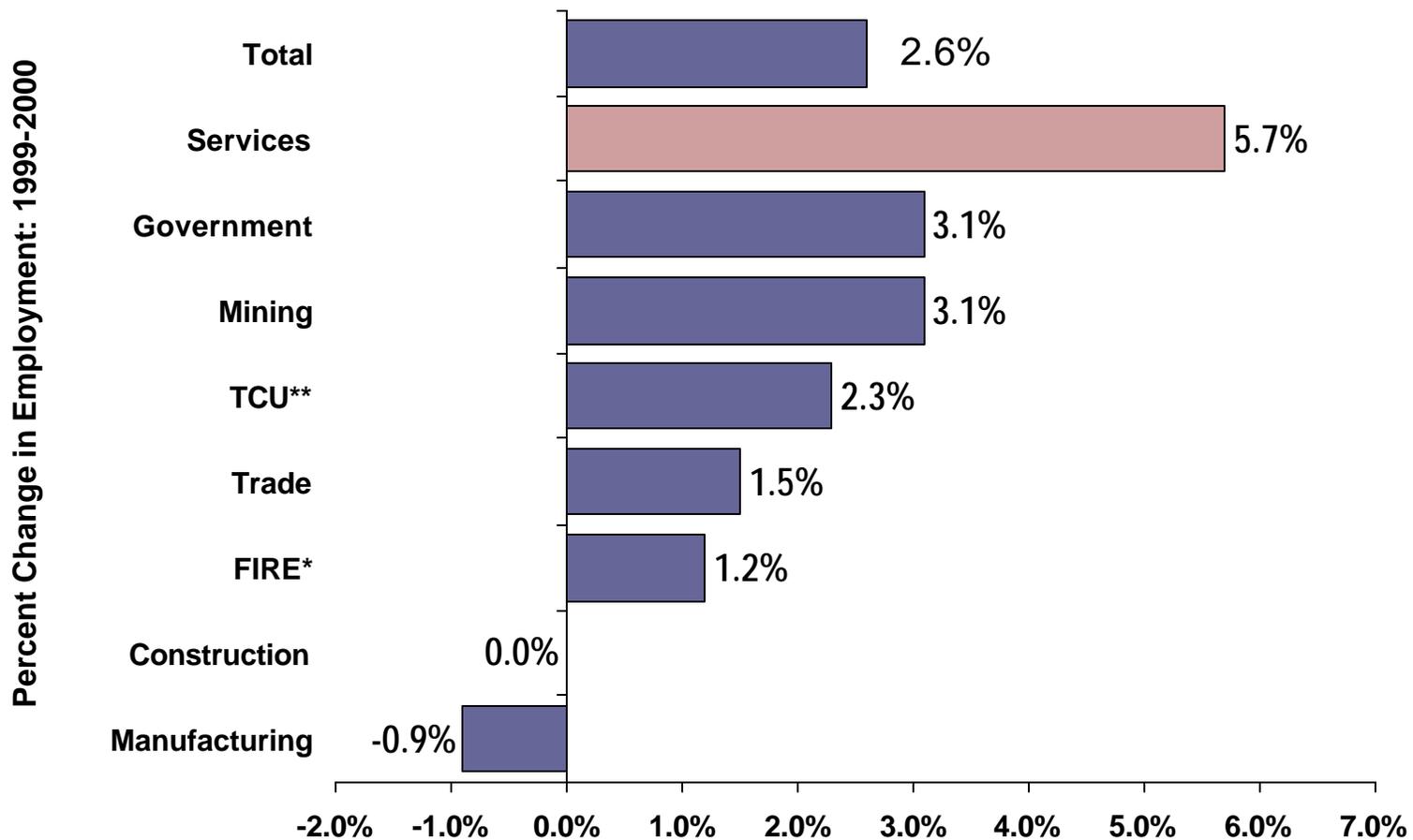


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# Hill Air Force Base

- Utah's second largest employer
  - 4,769 active duty
  - 11,484 civilian
- 2,000 new hires in last two years
- B-2 maintenance
- Headquarters for Expeditionary Force
- Center of Excellence for Low Observable Technologies

# Services are the Driving Force in the Economy



\*Finance, Insurance and Real Estate

\*\*Transportation, Communication and Utilities

Source: Utah Department of Workforce Services

# **New Economy Job Growth in 2000**

- Growth in computer and data processing services (SIC 737)
  - 374 new establishments
  - 7,173 new jobs, 31% increase
- New Economy Firm Additions of 100+
  - Center 7/Inc.
  - Fairchild Semiconductor International Inc.
  - Fresenius Medical Care
  - Intel
  - Lineo Inc.
  - Medicity
  - Micron
  - NextPage Inc.
  - Riverstone Inc.
  - Star Bridge

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# Call/Service Centers

- 53,000 total jobs in Utah
- Additions of 100 or More Jobs in 2000 and 2001
  - Alorica
  - Brigade Corp.
  - Buyersonline.com
  - Convergys (Utah's 5<sup>th</sup> largest employer)
  - Communications and Commerce Inc.
  - DLJdirect
  - Ebay Inc.
  - Goldman Sachs
  - Kiano
  - Jet Blue Airways
  - Neighborhood Box Office



# Olympic Impacts

1996-2003

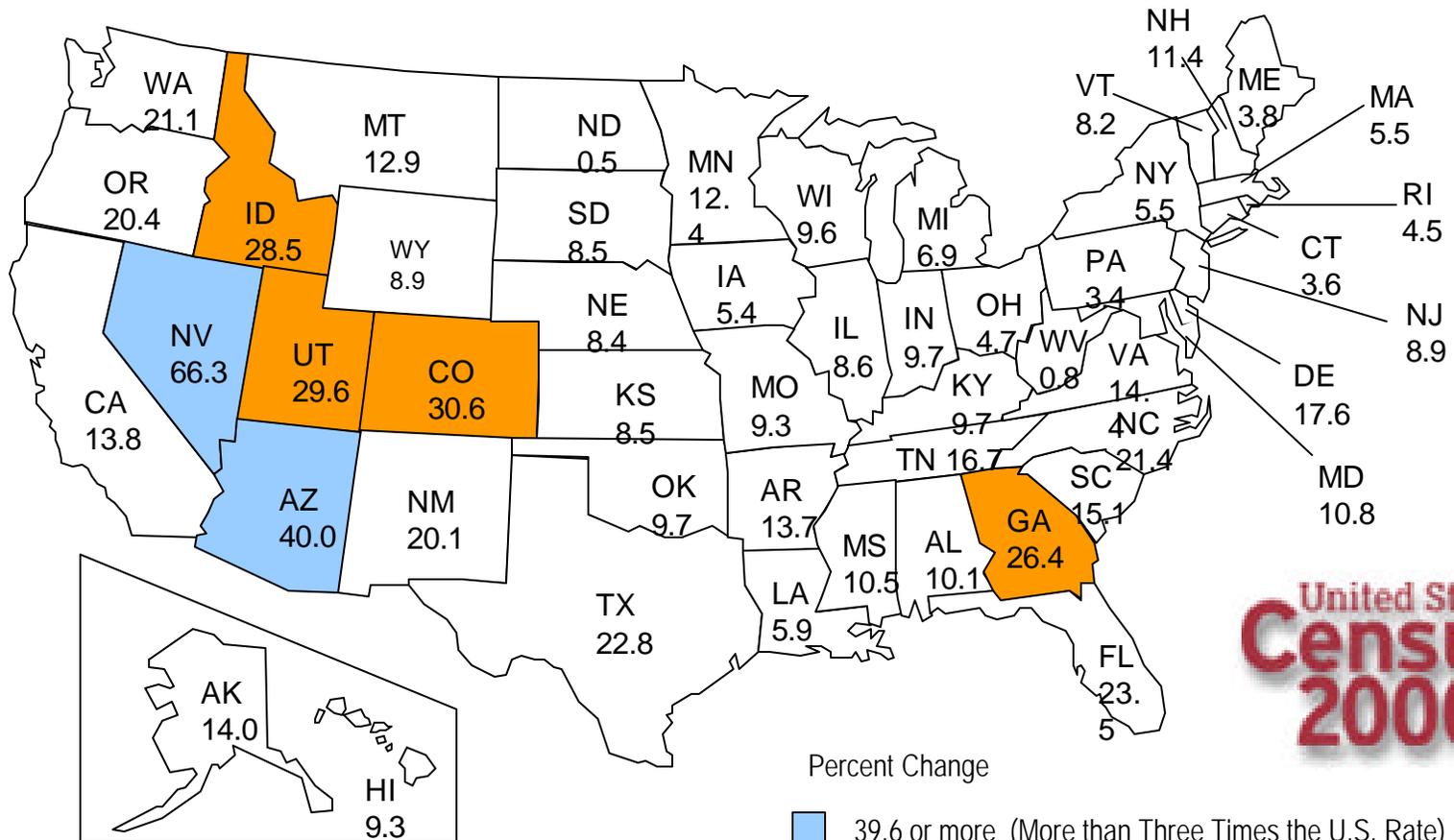
- \$4.5 billion in economic output
- 35,000 job years of employment
- \$680 million of public and private infrastructure investment
- Lasting legacy impacts

# **Overview of Key Indicators**

- **Population**
- **Employment and Labor Force**
- **Income**

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

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



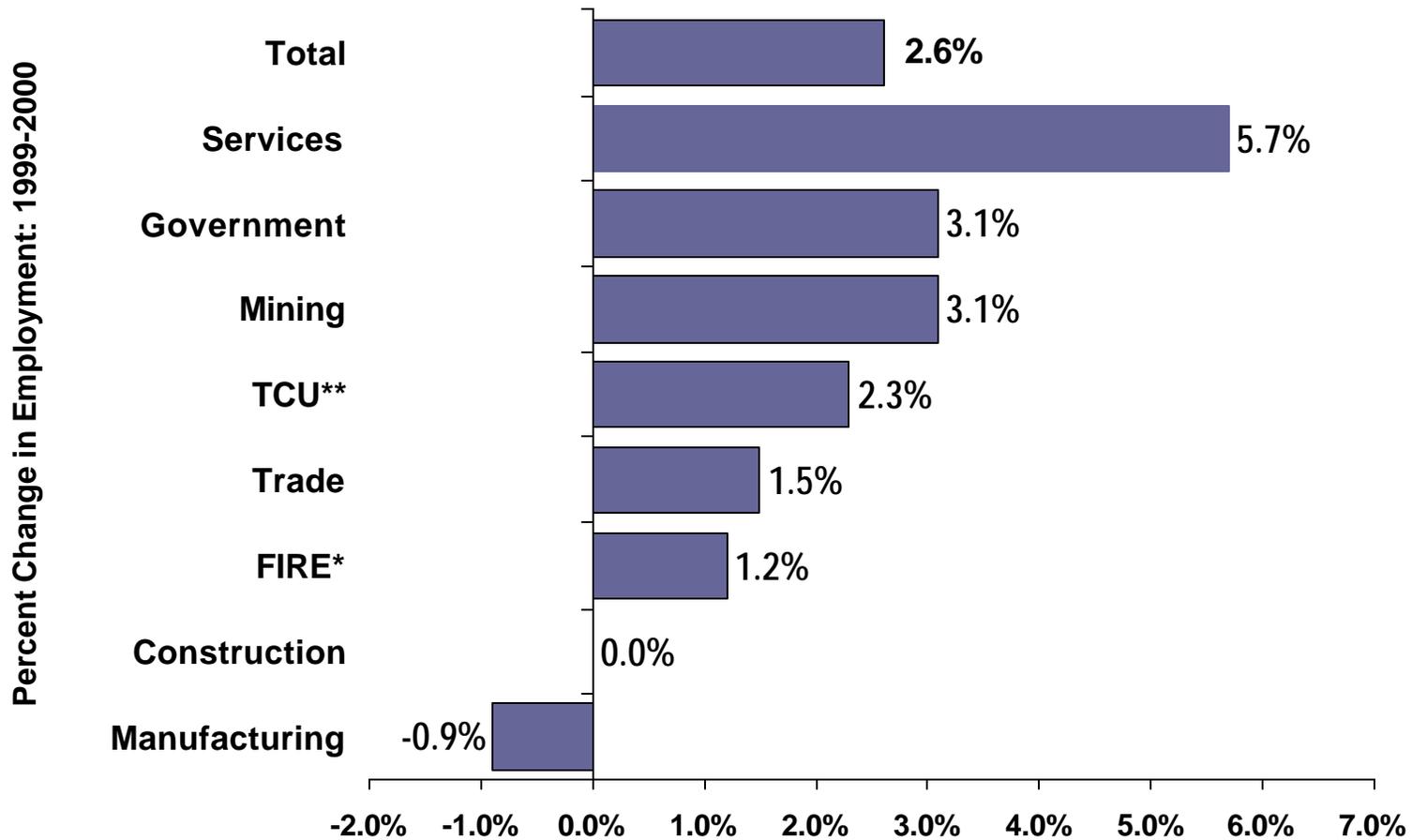
United States  
**Census  
 2000**

Percent Change

- 39.6 or more (More than Three Times the U.S. Rate)
- 26.4 to 39.5 (More than Twice the U.S. Rate)

Source: U.S. Census Bureau

# Utah Job Growth by Major Industry



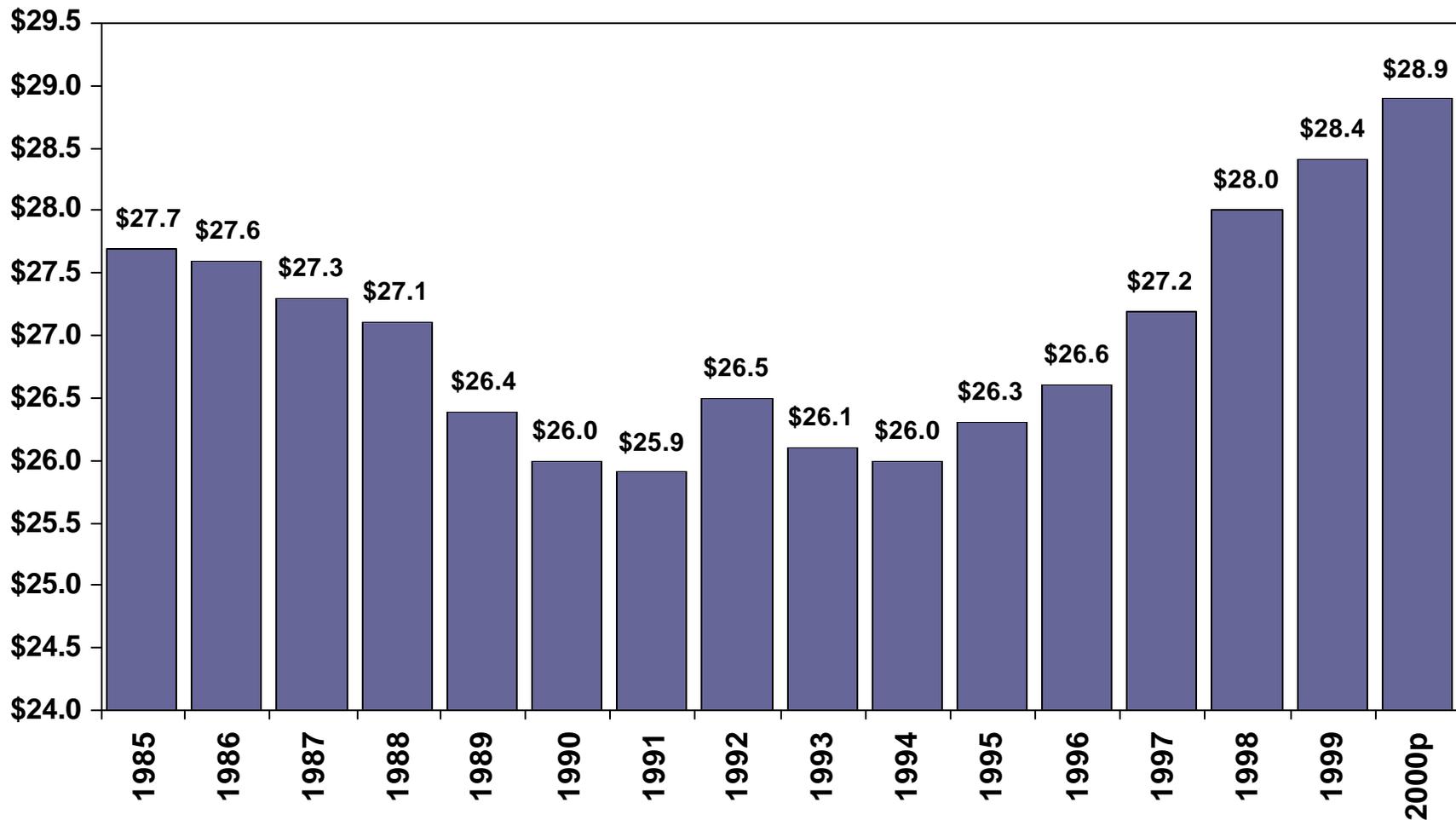
\*Finance, Insurance and Real Estate

\*\*Transportation, Communication and Utilities

Source: Utah Department of Workforce Services

# Real Wages Have Increased for 6 Consecutive Years

Utah Nonagricultural Average Annual Wages  
Inflation-Adjusted to Year 2000 Dollars  
(Thousands)



# **Outlook: Challenges**

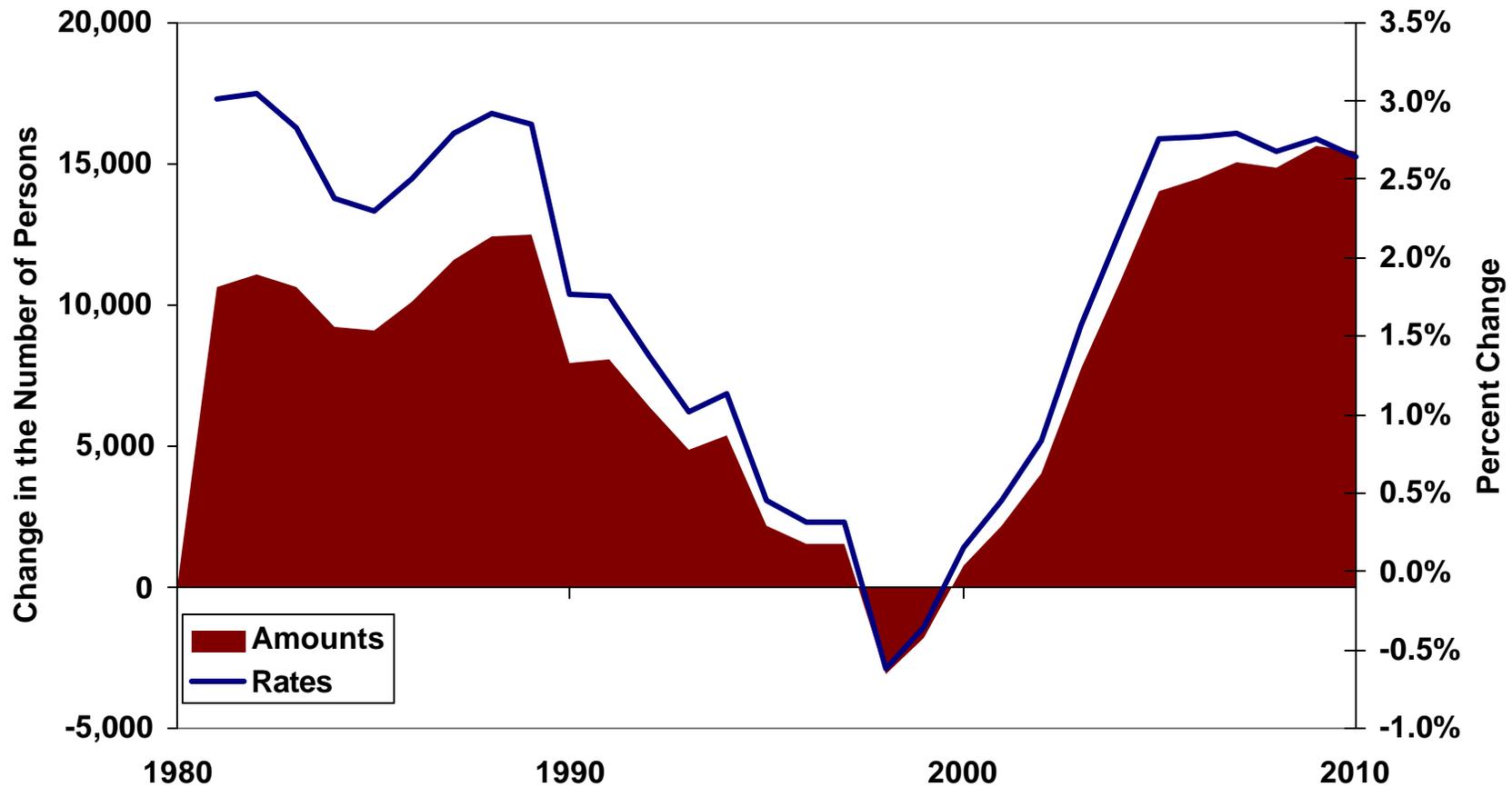
- **Construction contraction**
- **Pending surge in public education growth**
- **Fragile national economy**

# Construction Contraction

- 72,000 construction jobs currently (more than three times the amount in 1990)
- Utah could lose around 10,000-15,000 construction jobs over the next few years

# Utah's School Age Population is Expected to Increase by 100,000 from 2003-2010

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



Source: UPED Model System (Baseline 2000).

# Fragile National Economy

- Link between equity markets and the economy
  - DJIA lost 6.2% in 2000; S&P 500 lost 10.1%; and NASDAQ lost 39.3%
  - Wealth effect disappearing
  - Deflating consumer and business confidence
- Energy prices and instability
- Tight labor markets
- High debt burdens
- Bumpy or lower end of a soft landing

# Outlook: Opportunities

- New Economy advantages
  - Proximity/Location
  - Cost
  - Workforce
  - Quality of Life
- Economic diversity
- Mega-Projects
- 2002 Olympic Winter Games

# Milken Institute

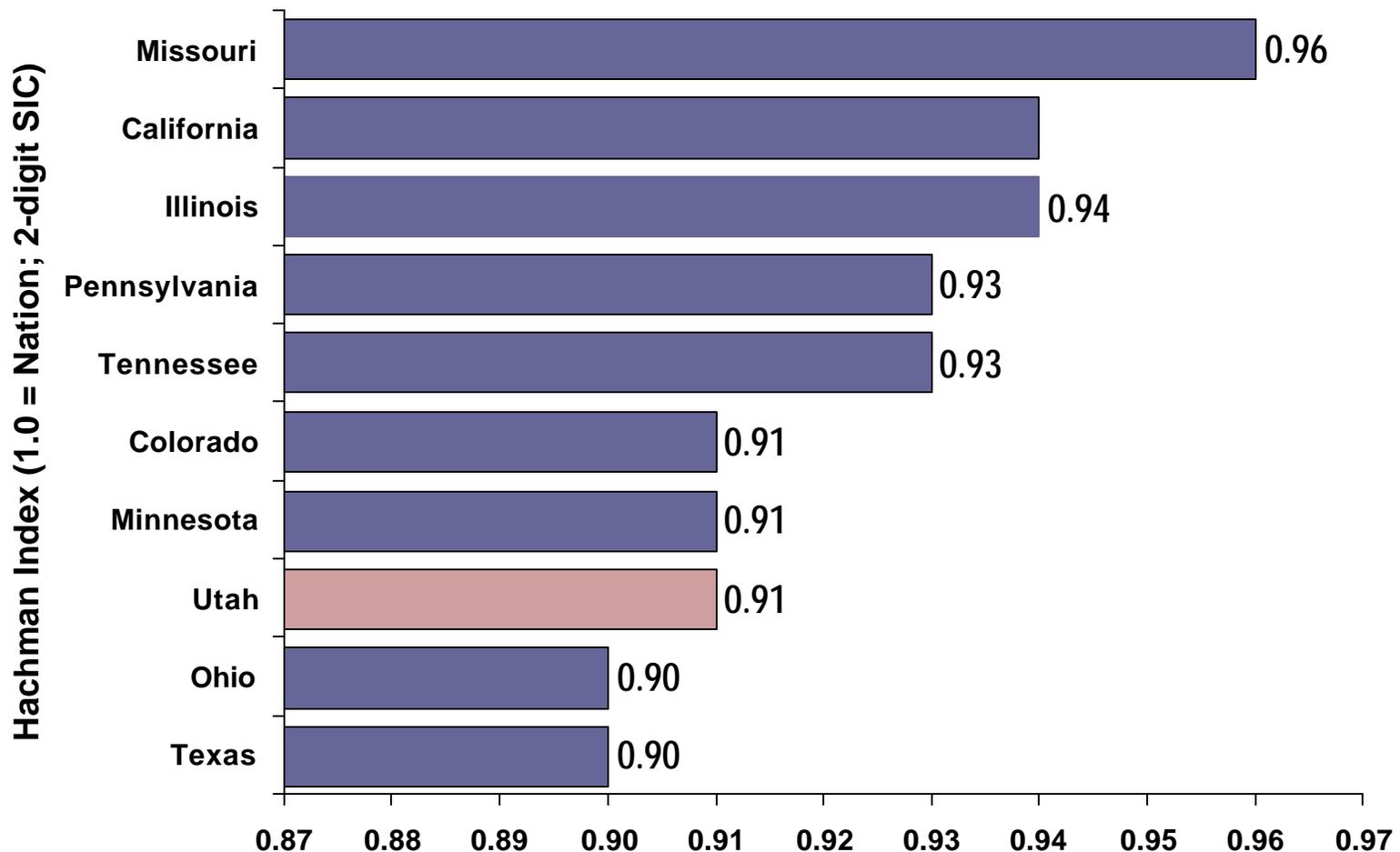
## New Economy Index

- Massachusetts
- California
- Connecticut
- Colorado
- Washington
- Maryland
- New Jersey
- New York
- New Hampshire
- New Mexico
- Delaware
- **Utah**
- Virginia
- Oregon
- Vermont

*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: 1999





# Mega-Projects on the Horizon



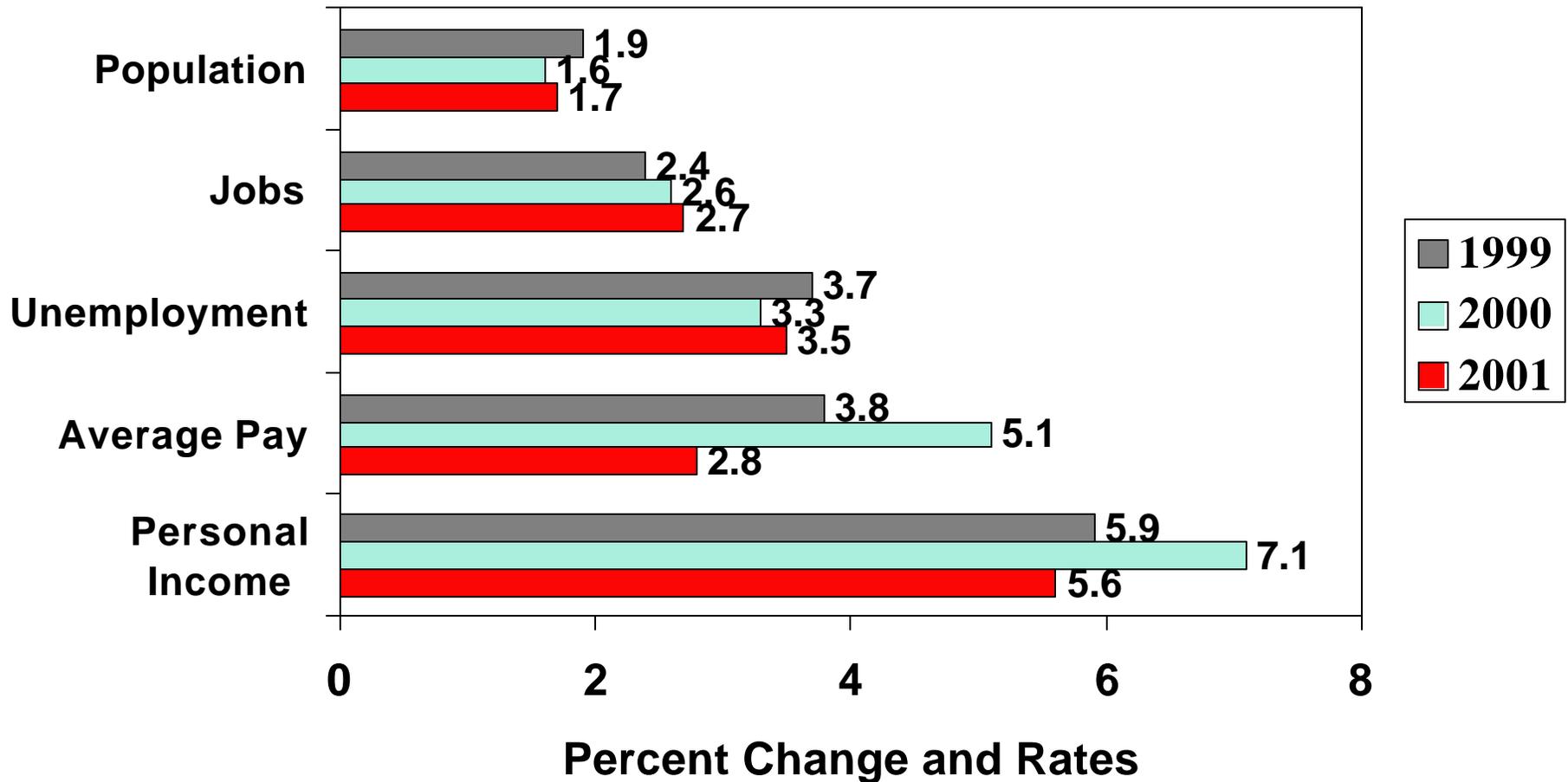
- Gateway - \$375 million
- Huntsman Cancer Institute Research Hospital - \$100 million
- Intermountain Health Care - \$1.2 billion construction program
- Legacy Parkway - \$400 million
- East-West TRAX - \$119 million
- Salt Lake City Library - \$84 million



# 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 sport venues
  - \$247 million in SLOC financed infrastructure
- \$163 million in federally financed transportation projects

# Utah Economic Forecast



Source: Council of Economic Advisors