

NOTES
ON
2006
THE
ECONOMY

ECONOMIC SUMMARY

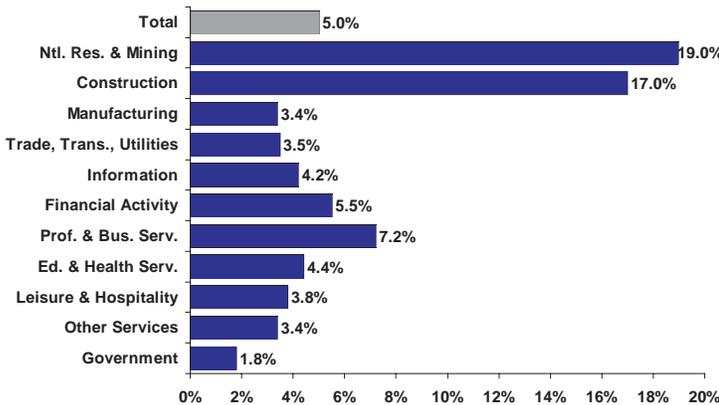


State of Utah
Governor Jon M. Huntsman, Jr.

Employment

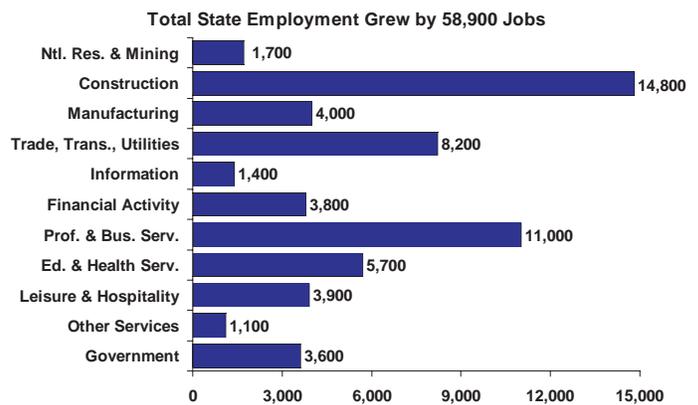
- ▶ **Employment Growth** – Year-over job growth increased by 5.0% in October 2006, more than triple the national rate of 1.4%. Utah ranks third behind Arizona and Wyoming. National nonagricultural employment increased 92,000 in October 2006, 148,000 in September 2006, and 230,000 in August 2006.
- ▶ **Unemployment** – Utah's October 2006 unemployment rate was 2.5%, down from 3.9% in October 2005. The national October unemployment rate fell 0.2 percentage points to 4.4%, its lowest level since May 2001, when it was 4.3%.

Percent Change in Utah Employment by Industry: October 2005-2006



Source: Department of Workforce Services

Numerical Change in Utah Employment by Industry: October 2005-2006



Source: Department of Workforce Services

GDP, CPI, Interest Rates and Home Prices

Indicator	Period	Value	Period	Value
GDP	Q3-06	1.6% ↓	Q2-06	2.6%
CPI	Oct-06	1.3% ↓	Sep-06	2.1%
CPI-core	Oct-06	2.7% ↓	Sep-06	2.9%

Note: CPI-core excludes Food and Energy

Average Home Sale Price		
	2nd Qtr. 2006	% Change
Cache/Rich County	\$174,719	8.85%
Salt Lake County	\$264,309	19.35%
Washington County	\$350,340	29.72%
State of Utah	\$247,668	15.90%
United States	\$227,500	3.69%

Source: Utah Association of Realtors, Multiple Listing Services

- ▶ **Interest Rates** – The 30-year fixed-rate mortgage (FRM) averaged 6.24 % for the week ending November 16, 2006 according to Freddie Mac. The Federal Reserve set the target for the federal funds rate at 5.25%.
- ▶ **Home Prices** – According to the Office of Federal Housing Enterprise Oversight (OFHEO) House Price Appreciation Ranking, Utah's house prices were up 15.2% from one year ago. This ranks Utah tenth in the nation.

Significant Utah Rankings

Demographic	State Rank	Value	Period
Population Growth Rate	5th	2.0%	2004-2005
Fertility Rate	1st	2.56	2002
Life Expectancy	3rd	78.6 years	2000
Median Age	1st	28.5 years	2005
Household Size	1st	3.07 persons	2005
Social Indicators			
Violent Crime	6th	227.2 per 100,000 people	2005
Poverty Rate	8th	9.4%	2003-2005
Educational Attainment	2nd	92.5% of persons 25+ w/ high school degree	2005

Economic	State Rank	Value	Period
Rate of Job Growth	3rd	5.0%	Oct. 2006
Urban Status	9th	88.3%	2000
Unemployment Rate	2nd	2.5%	Oct. 2006
Median Household Income	10th	\$53,226	2003-2005
Average Annual Pay	36th	\$32,171	2004
Per Capita Personal Income	45th	\$28,061	2005

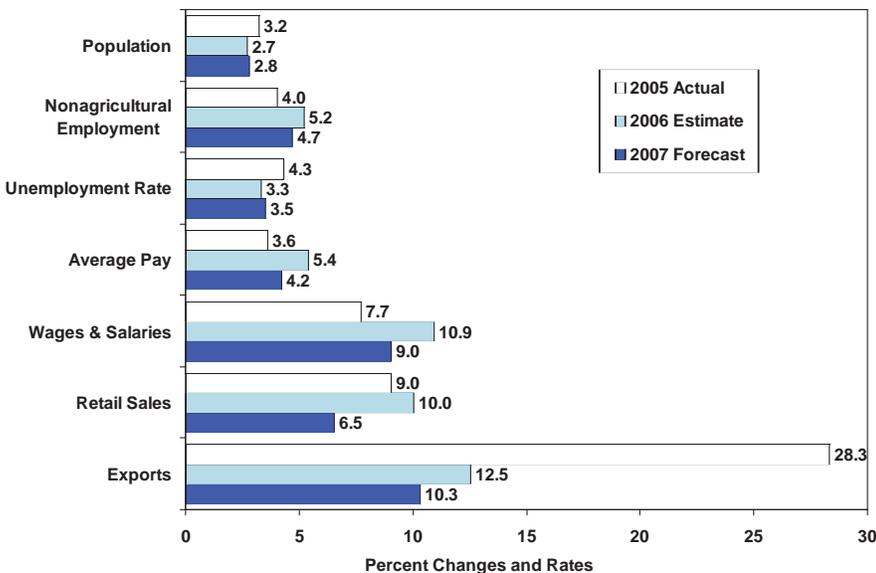
- Notes: 1) Rankings are based on the most current national data available for all states, and may differ from other data.
2) Rank is most favorable to least favorable.
3) Job Growth and Unemployment rate are not seasonally adjusted

Industry Focus

- ▶ **Construction** - Continuing low interest rates and a growing economy powered construction value to an all time high in 2005 of \$6.6 billion, a 28.7% increase from the 2004 record of \$5.1 billion. Salt Lake City approved a 5 year, billion dollar project, to renovate the downtown area.
- ▶ **Tourism** - Utah's travel and tourism sector experienced strong growth in 2006. The outlook for 2007 is cautiously optimistic. September 2006 hotel occupancy rates in Utah increased to 72.4% from 66.8% a year ago.
- ▶ **High Technology** - The number of technology industry companies grew by over 7% in 2005. The industry provides almost 60,000 jobs with an average salary 66% higher than the statewide average.
- ▶ **Exports** - Utah's exports increased at 28.3%, the seventh fastest in the nation, from \$4.7 billion in 2004 to \$6.1 billion in 2005. Utah's largest export markets are Western Europe, East Asia, and Canada. Exports to China have grown from \$40.6 million in 2000 to \$320.6 million in 2005. China is the now Utah's fifth largest market.
- ▶ **Defense** - Defense related spending in FY 2005 was an estimated \$3.9 billion, 18.2% higher than the previous year. Hill Air Force Base was announced as the likely location of the first fighter squadron for the new F-35 Lightning II.
- ▶ **Energy and Minerals** - Energy and mineral production reached an all-time high of \$7.6 billion in 2006. Natural gas, coal, oil, copper and molybdenum were particularly strong. The outlook for 2007 indicates another strong, even record breaking year as both prices and production remain high.
- ▶ **Agriculture** - Net farm income grew 3.8%, from \$368 million in 2003 to \$382 million in 2004, setting a record in 2005, and should continue growing in 2006 and 2007. Relatively high prices for livestock and crops are generating income growth for Utah's ranchers and farmers.
- ▶ **Manufacturing** - The manufacturing sector is realizing growth in Utah. In August 2006, Cephallon Inc. completed a \$100 million dollar facility expansion. Adam Aircraft is constructing a 96,000-square-foot facility at the Ogden airport, which will eventually be the company's primary assembly point for the A-700 light jet.
- ▶ **Professional** - Utah companies captured \$53 million in venture capital money Q3-2006, a 77% increase over Q3-2005.

Economic Outlook

Utah Economic Indicators: 2005-2007



- ▶ **Overview of the Economy** - Utah's economy experienced strong growth during 2006. The state continues to outperform the nation with job growth at 5.2% compared to 1.4% for the nation; with near record unemployment at 3.3%. Utah's economy continues to look robust with strong growth in construction, professional and business services, and the energy industry. Utah appears to be in an excellent position for continued economic expansion.
- ▶ **Outlook for 2006 and 2007** - The current economic expansion has taken many economic indicators to near record levels, leaving little room for acceleration. While the expansion is expected to continue, it is anticipated growth will moderate slightly. Employment growth will move from 5.2% to 4.7%, while the unemployment rate should move slightly higher from the near record 3.3% to 3.5%. The explosive growth in construction and natural resource and mining employment is expected to moderate somewhat in 2007. Property valuation is expected to increase slightly through 2007, led largely by commercial activity.

Demographics

- ▶ **Population:** The state's official July 1, 2006 population was estimated to be 2.61 million, an increase of 2.7% since 2005. Net migration made up 42.4% of this increase.
- ▶ **Rate of Growth:** The U.S. Census Bureau ranked Utah fifth among states with a population growth rate of 2.0% from 2004 to 2005. The U.S. rate of growth was 0.9%.
- ▶ **Long-Term Projections:** The state's population is projected to be 2.8 million in 2010, 3.5 million by 2020, 4.1 million in 2030, 4.7 million in 2040, and 5.4 million by 2050.
- ▶ **School Enrollment** - In 2006, an estimated 526,000 students were in Utah's public education system, a 3.2% increase over 2005.

2006 Utah Population Estimate	2,614,129
2005-2006 Percent Change	2.7%
2005-2006 Absolute Change	67,740
2006 Net Migration	28,730
2006 Natural Increase	39,010
2006 Fiscal Year Births	52,368
2006 Fiscal Year Deaths	13,358