

# JOINT ECONOMIC COMMITTEE

ROBERT F. BENNETT, VICE CHAIRMAN

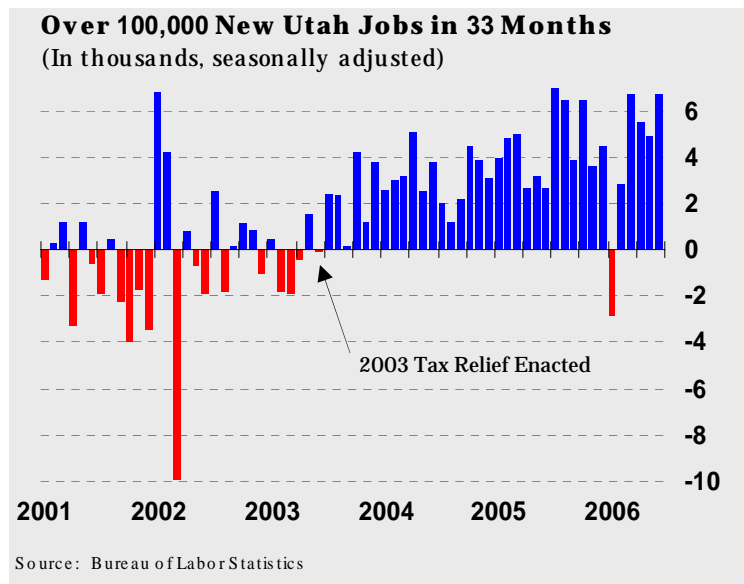
## THE STATE OF UTAH'S ECONOMY SUMMER 2006

### Overview

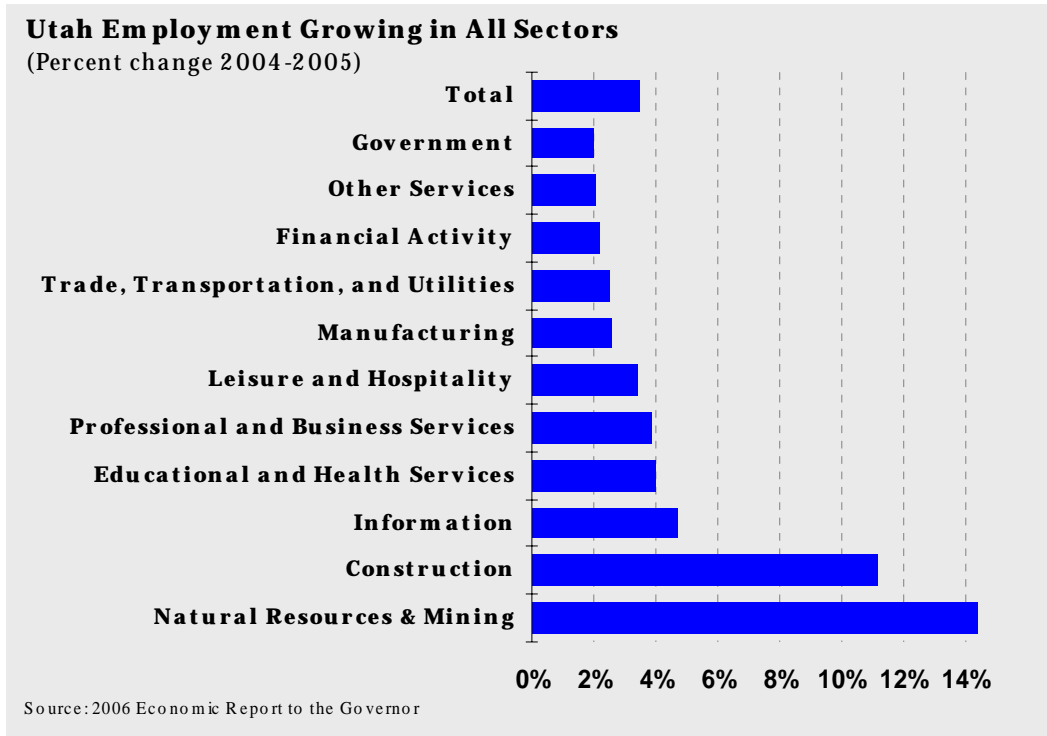
The state of Utah's economy is strong and all major sectors of the economy are enjoying expansion. Unemployment is low and has trended downward since Congress and President Bush enacted the *Job and Growth Tax Relief Reconciliation Act* in May 2003. Utah experienced a year-over-year job growth rate of 4.1 percent in 2005, much higher than the national rate of 1.6 percent. The state has moved well beyond the economic difficulty experienced at the beginning of the 2000s. Employment continues to expand in all major sectors of the Utah economy, unemployment in the state is trending down, and inflation-adjusted wages and incomes are growing. This report will highlight important economic data for Utah's economy in 2005 and part of 2006.

### Employment

Over 100,000 new jobs have been created in Utah during the past 33 months. All major sectors of Utah's economy have enjoyed job expansion throughout the past year, and with a year-over-year statewide job growth rate of 4.1 percent in 2005, employment gains outstripped population growth. The state's rate of job growth is particularly impressive in relation to nationwide growth of 1.6 percent for the same period. There were 54,400 new jobs created in Utah last year, and in the first six months of 2006 the state has experienced a net increase of 23,900 jobs.

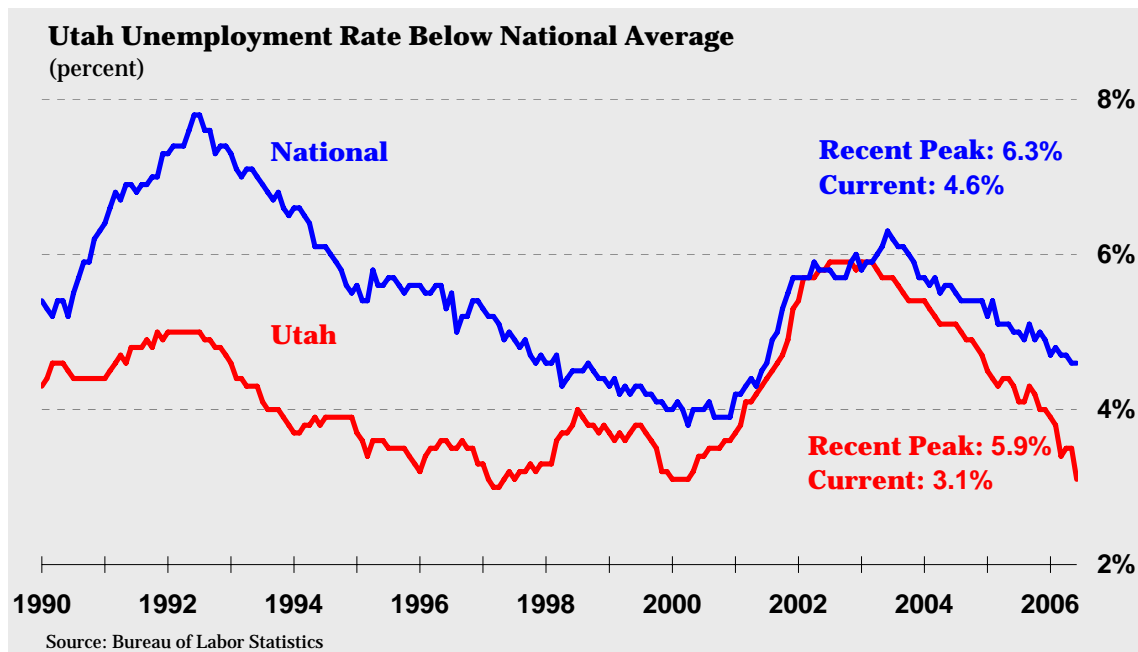


The most significant 2005 job growth occurred in Natural Resources and Mining (14.4 percent growth), Construction (11.2 percent), Information (4.7 percent), Educational and Health Services (4.0 percent), and Professional and Business Services (3.9 percent). St. George has done particularly well, experiencing 8.5 percent over-the-year job growth from May 2005 to May 2006 and ranking first in the nation for job growth among metro areas.



## Unemployment

Utah's unemployment rate has fallen back to the lows experienced prior to the nationwide recession of 2001. The unemployment rate in the state has dropped considerably – from a recent peak of 5.9 percent in March 2003 to 3.1 percent in June 2006.



## Wages

Average non-agricultural pay in Utah increased 3.8 percent from 2004 to 2005, and for the second consecutive year has exceeded inflation. In addition, average personal income in Utah, which includes factors such as interest payments and appreciation in home values, increased by 6.7 percent between 2004 and 2005. This growth was above the national average of 6.0 percent, and ranked Utah 16<sup>th</sup> in the nation.

## Aggregate Growth

Growth in Utah's inflation-adjusted ("real") Gross State Product (GSP), a broad measure of output produced in the state, was a robust 5.8 percent in 2005. This is the highest rate of growth since the 1990s, the 6<sup>th</sup> best in the nation, and well above the 3.5 percent rate of growth in the national real Gross Domestic Product (GDP). The top five contributors to Utah's GSP expansion in 2005 were trade, professional & business services, durable goods manufacturing, financial activities, and transportation & utilities.

## Nationwide and Regional Comparisons

Utah is performing well in comparison to other states. Non-agricultural employment increased by 4.1 percent in 2005 (compared with 1.6 percent nationally) and the unemployment rate of 3.1 percent in June 2006 was lower than the national rate of 4.6 percent. The state's employment growth rate is impressive and ranks near the median of other states in the region and well above the national average. Utah ranks second in the Rocky Mountain region for median household income and fewer Utahns live in poverty (9.6 percent) than anywhere else in the surrounding region.

## Sector Analysis

**Agriculture:** High livestock and crop prices have created significant growth opportunities for Utah farmers and ranchers, adding to overall sector expansion. Farm income grew 3.8 percent from 2003 to 2004 (the latest period of data availability). Cattle account for the majority of agricultural profit (34.4 percent), followed by dairy (20 percent), hogs (12.4 percent), hay (9.2 percent), and poultry (7.1 percent).

**Construction:** This fast growing sector in Utah's economy increased in total value by 25 percent in 2005. Residential construction accounted for the largest portion of this growth, \$4.5 billion, and nonresidential construction comprised the remaining \$1.2 billion. Low mortgage rates and net in-migration have provided a strong impetus for this vigorous growth. Home values in Utah, which for many years remained low in comparison to most of the United States, increased by 11 percent in 2005. Considerable appreciation has occurred in St. George, where home values increased by over 38 percent from March 2005 to March 2006, making the city the top growing metro area in the nation in terms of house price appreciation. Over that period, Salt Lake City also experienced considerable growth, with home values increasing by 16 percent.

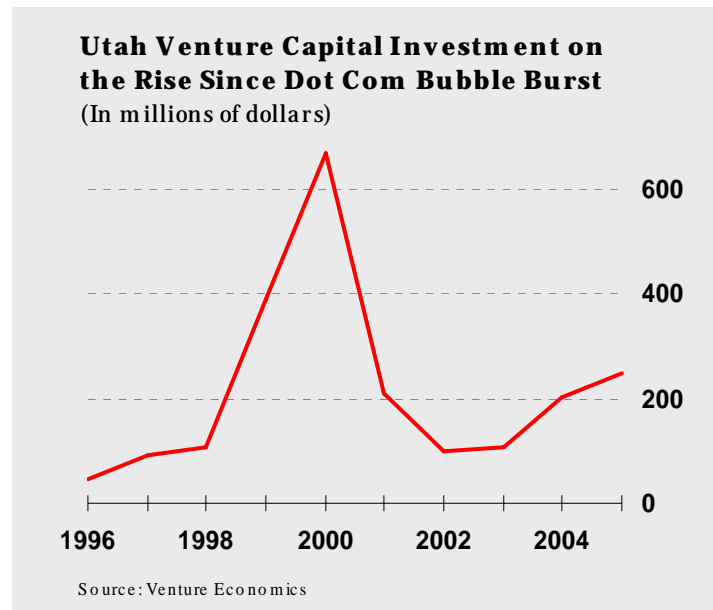
**Defense:** Since 1999, defense spending in Utah has increased significantly and was relatively unharmed by recent base realignments and closures. Spending increased by 3.6 percent in 2004

(the latest period of data availability) and continued military involvement overseas suggests that growth should continue.

**Energy:** In 2005, energy production in Utah increased notably in response to record high price levels for oil and natural gas. All of Utah's major energy outputs increased in value during 2005. The volume of production also increased – by 6.1 percent in crude oil and 11.9 percent in coal. Despite rising energy costs nationwide, electricity rates in Utah have remained well below the nationwide average.

**Minerals:** Mineral production in Utah was valued at \$3.5 billion in 2005, up 52 percent from \$2.3 billion in 2004. This increase in overall value was primarily the result of increased price levels. The following industries, in order of significance, contributed to this growth: base metals, industrial minerals, coal, and precious metals.

**Technology:** Utah's high-tech sector experienced positive growth in 2005 after several years of decline. Although contraction continued in several sub sectors, the most significant changes have occurred as positive job growth within the following areas: aerospace products and parts manufacturing, software, internet service providers, engineering services, and computer systems design. As the following graph demonstrates, venture capital investment has steadily increased following the burst of the dot .com bubble.



**Tourism:** Each component of this sector (transportation, dining, hotels & lodging, amusement & recreation, and car rentals) experienced solid employment and economic growth in 2005.

**Exports:** Exports grew in value by 28.4 percent in 2005 to \$6.1 billion – a growth rate substantially higher than in previous years (e.g., 14.7 percent in 2004). Refined gold contributed most significantly to the 2005 total, followed by computers & electronics, minerals, transportation equipment, and chemicals. The top five foreign markets purchasing Utah exports are the UK, Switzerland, Canada, Japan, and China.