

Utah Economic History and Current Conditions

*Even with Headwinds,
Utah's Economic Fundamentals Remain Strong*

Wasatch Front Economic Development District Committee
December 14, 2022



Setting the Stage

1. **Strong Economic Fundamentals Help Utah Through the Business Cycle**
2. **U.S. Economy – Well-Advertised Risks, Underappreciated Strengths**
 - **Supply-side constraints still limit growth**
 - High inflation spurring rapid & ongoing interest rate increases
 - **Solid demand continues** - but (a) moderating from overheated demand and (b) shifting from goods to services
3. **Utah Not an Island - Mixed Signals & Muddled National Economic Picture Impact Utah**

Recurring Takeaways

- Prepare for continued **economic re-sorting**
- Structural (long-term) and cyclical (short-term) changes create **pockets of strength and weakness**
- Make your systems highly **adaptable to rapidly changing conditions**

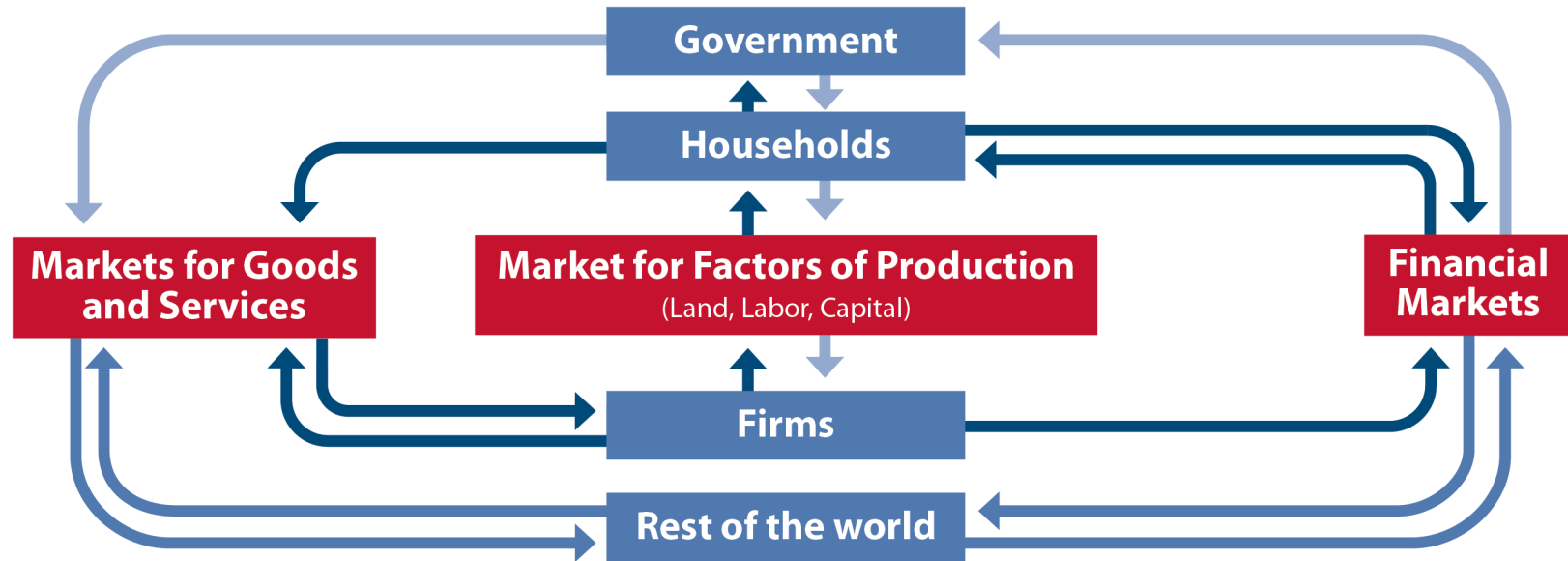
Fundamentals – An Economist's View of the Economy

Economic Fundamentals Part 1 – Six Insights

1. Demographics is destiny (and possibility).
2. Markets generally create efficient outcomes.
3. Government can sometimes improve market outcomes.
4. Economies function like an ecosystem.
Every action has a reaction.
5. Economies don't align with political boundaries
6. Economic analysis and leadership require interpretation and judgment.

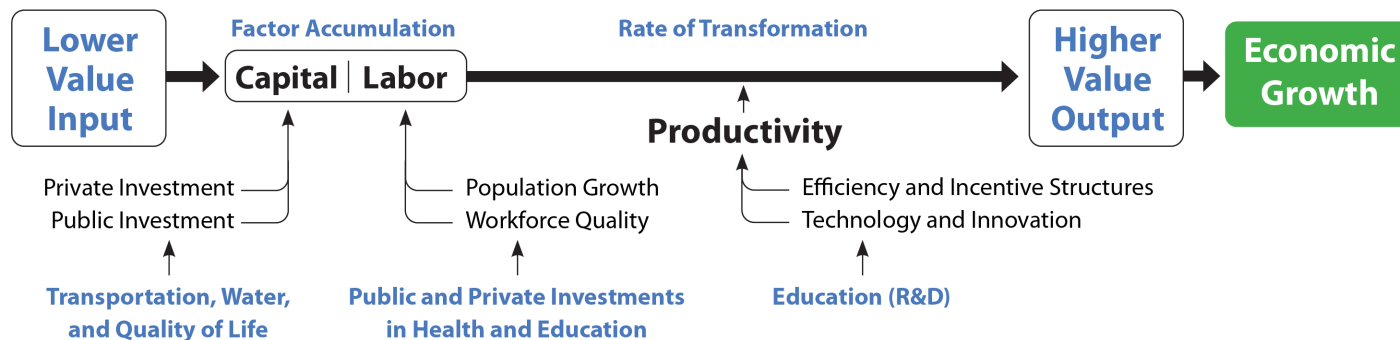
How Does an Economy Work?

Economic Fundamentals Part 2



What Makes an Economy Grow?

Economic Fundamentals Part 3



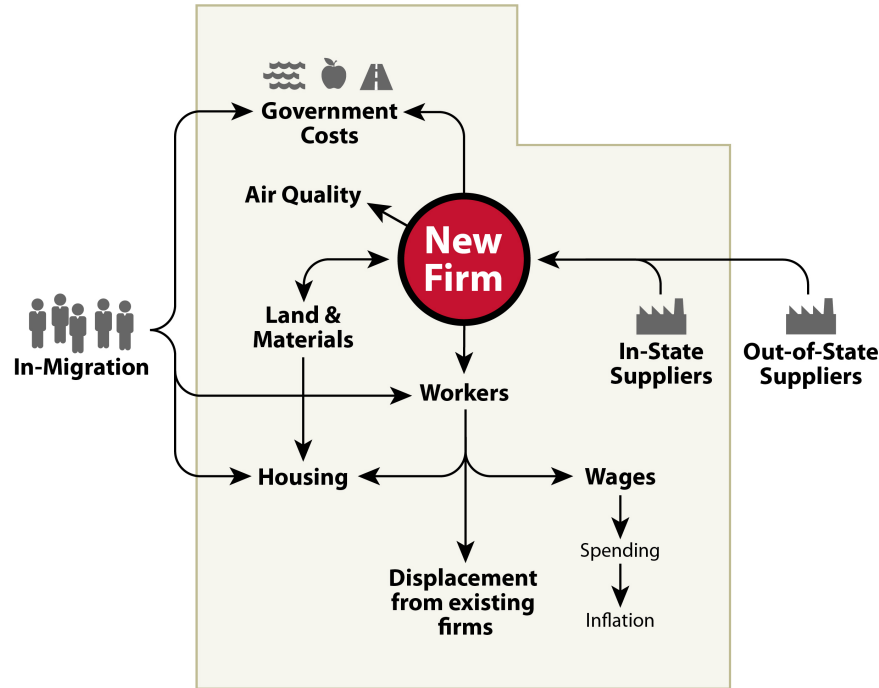
Broad Issues for Policymakers to Contemplate

- **Factor Accumulation** - private and public investments in human capital and physical capital
- **Productivity** - broad economic incentive structure and public and private investments in innovation
- **Distribution of Economic Resources** – who captures the value created via increased economic output?

Source: David Eccles School of Business, University of Utah

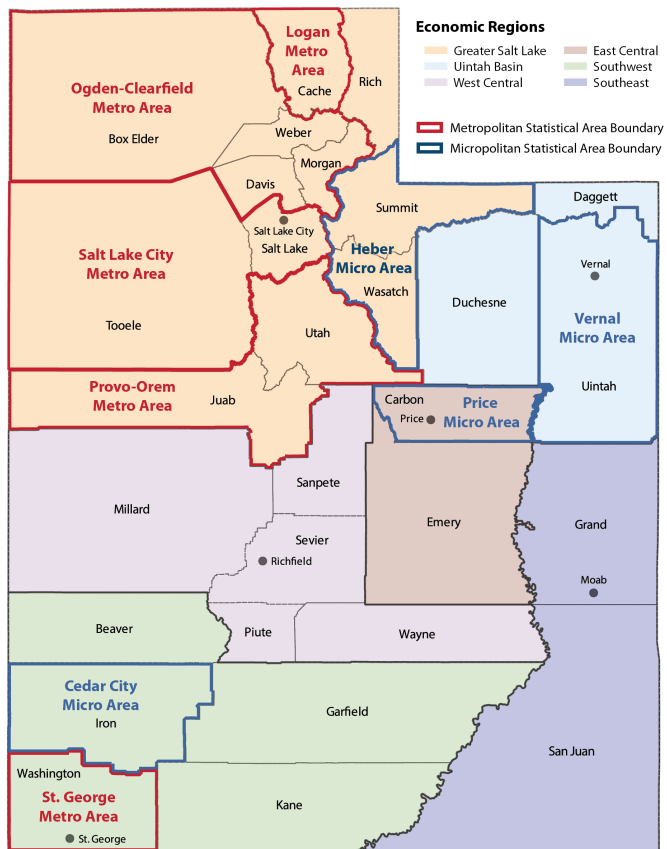
Utah's Economy is like an Ecosystem

Good Decisions Require a System-wide View



- Countless interconnections
 - Linkages
 - Leakages
- A new/expanding firm directly impacts some of the economy and indirectly impacts others
- **Important to consider net economic impacts with all linkages and leakages incorporated**

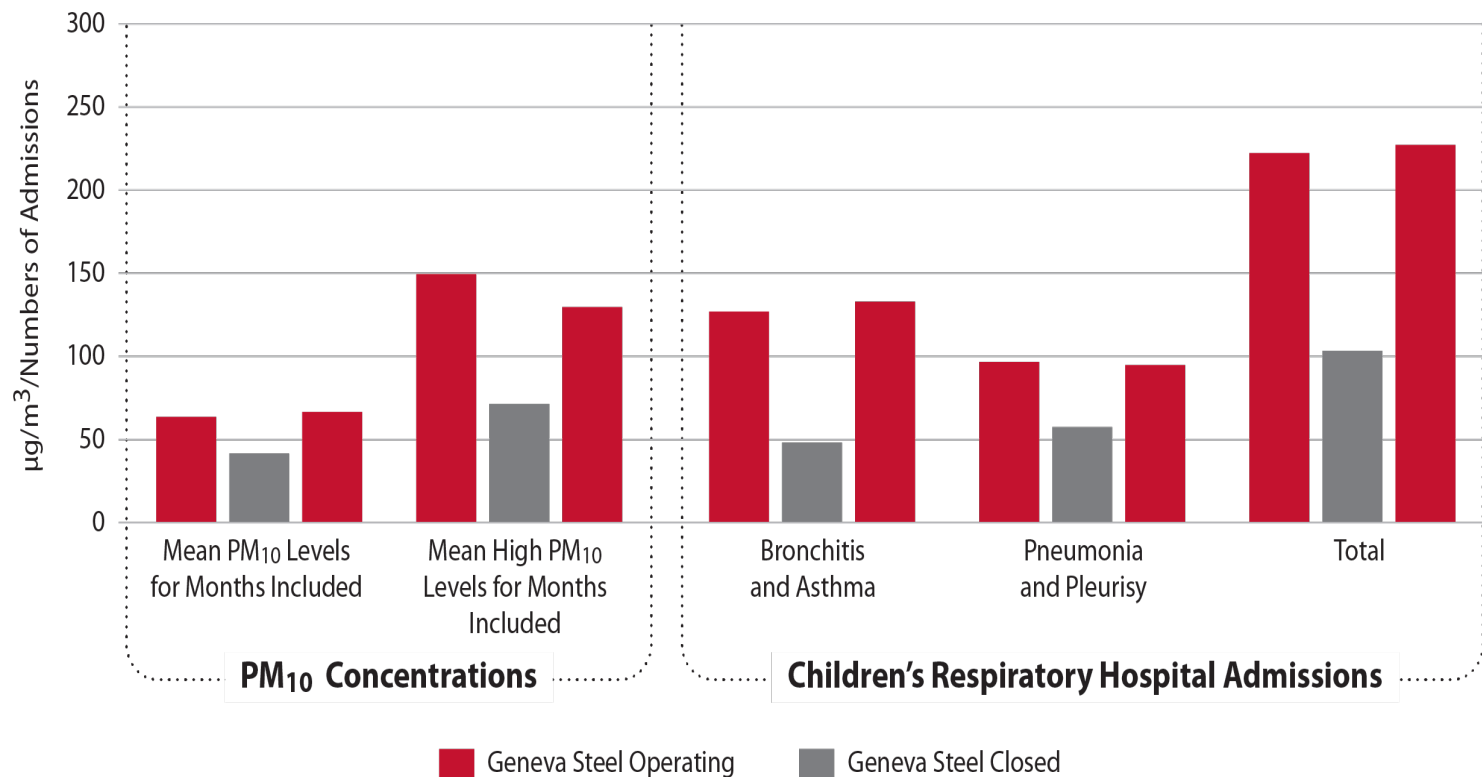
Utah's Economic Regions and Metro/Micro Areas



Examples of Imbalances (Market/Government Failures)

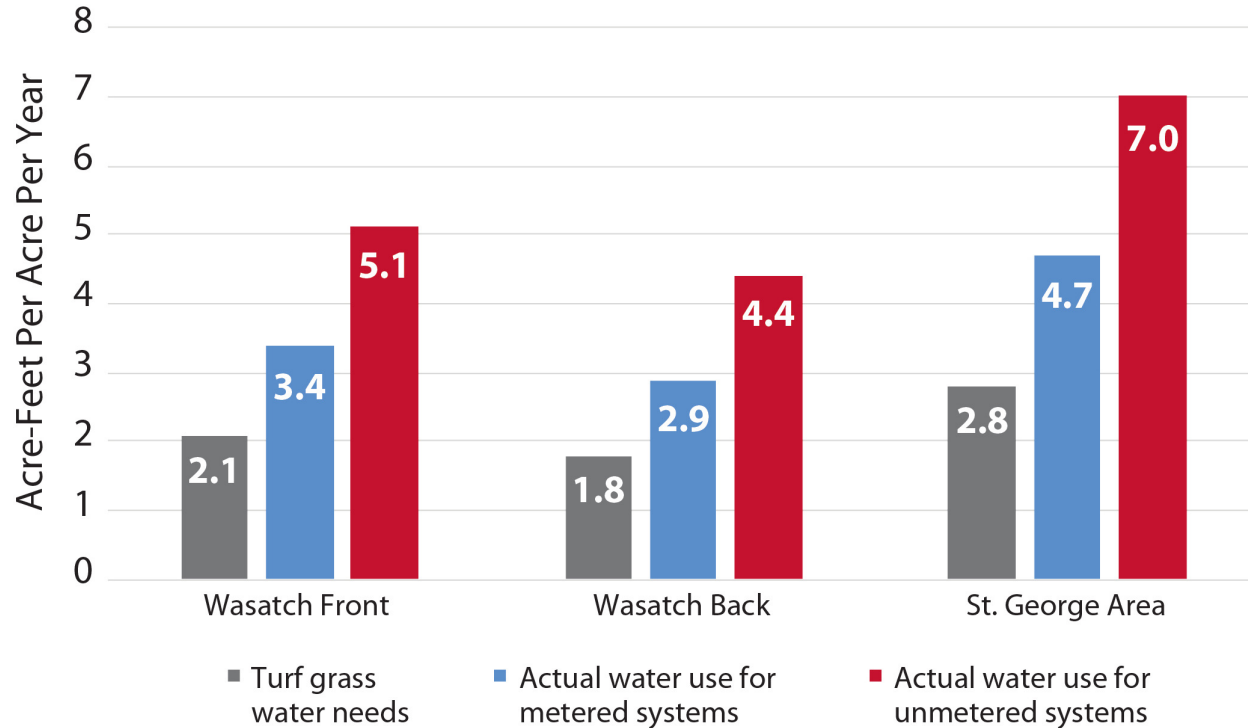
INFORMED DECISIONS™

Utah Valley Air Quality and Geneva Steel



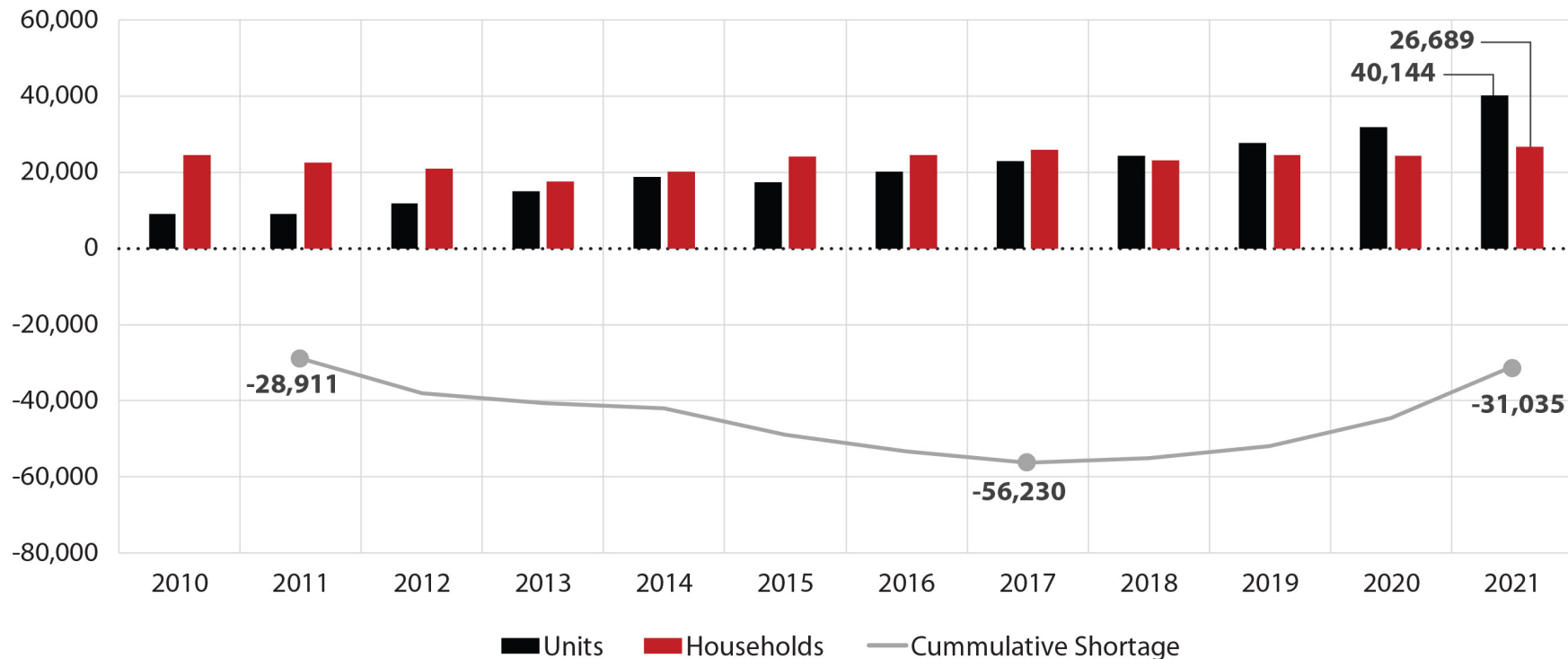
Sources: Pope. Am J Pub Health.1989; Pope. Arch Environ Health. 1991

Water - Estimated Water Use Compared to Turf Needs



Source: Utah Department of Natural Resources

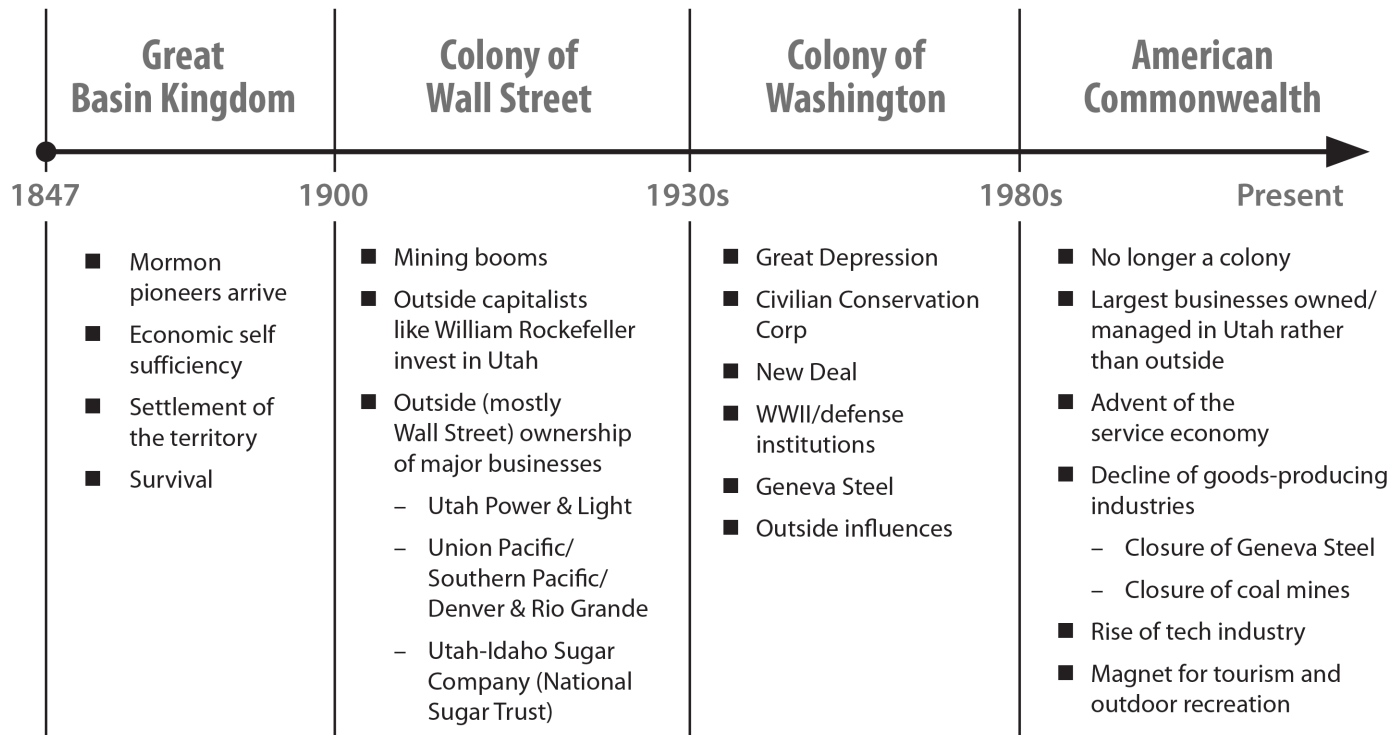
Utah's Housing Shortage



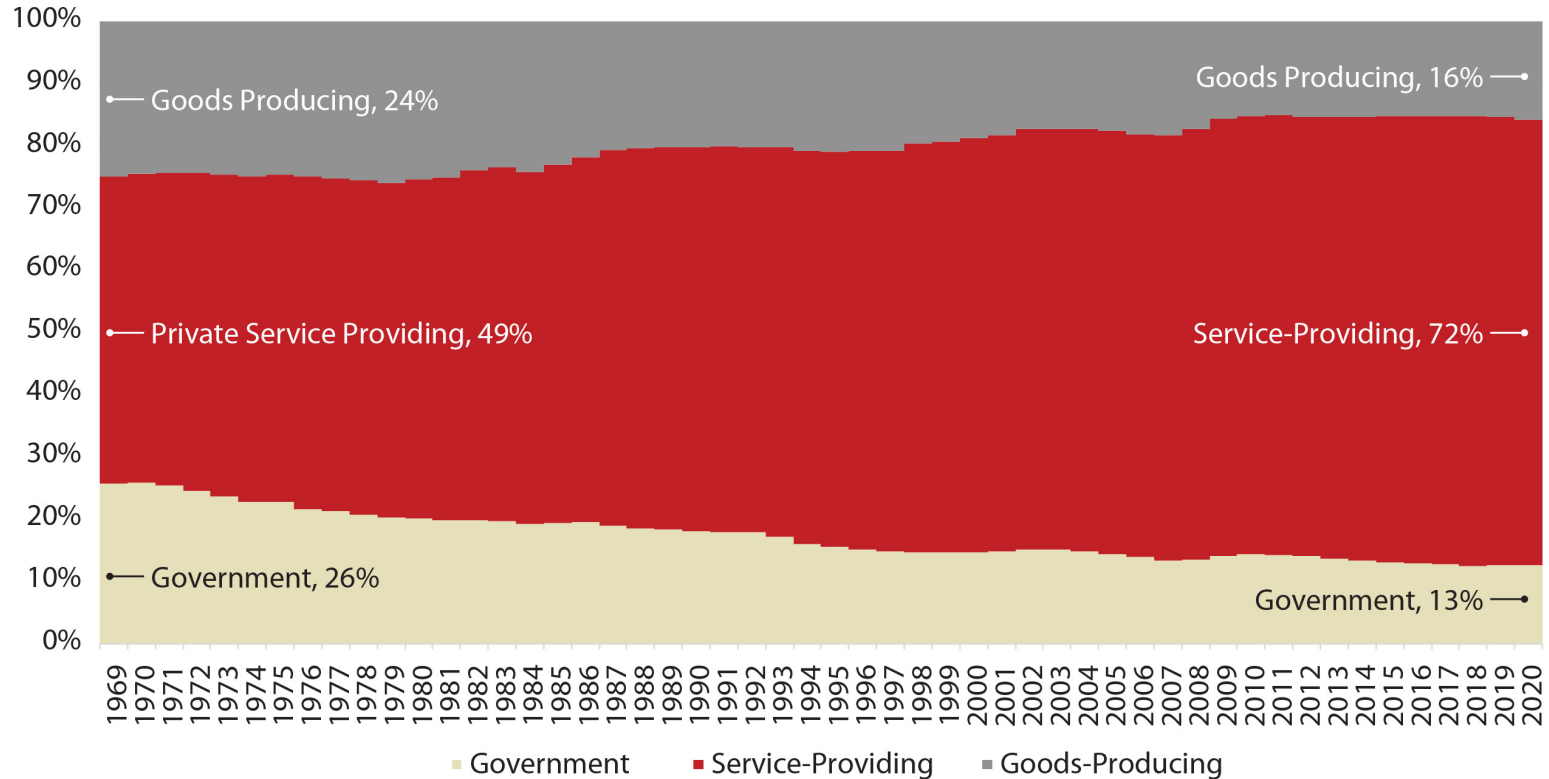
Source: Kem C. Gardner Policy Institute

Utah's Economic History

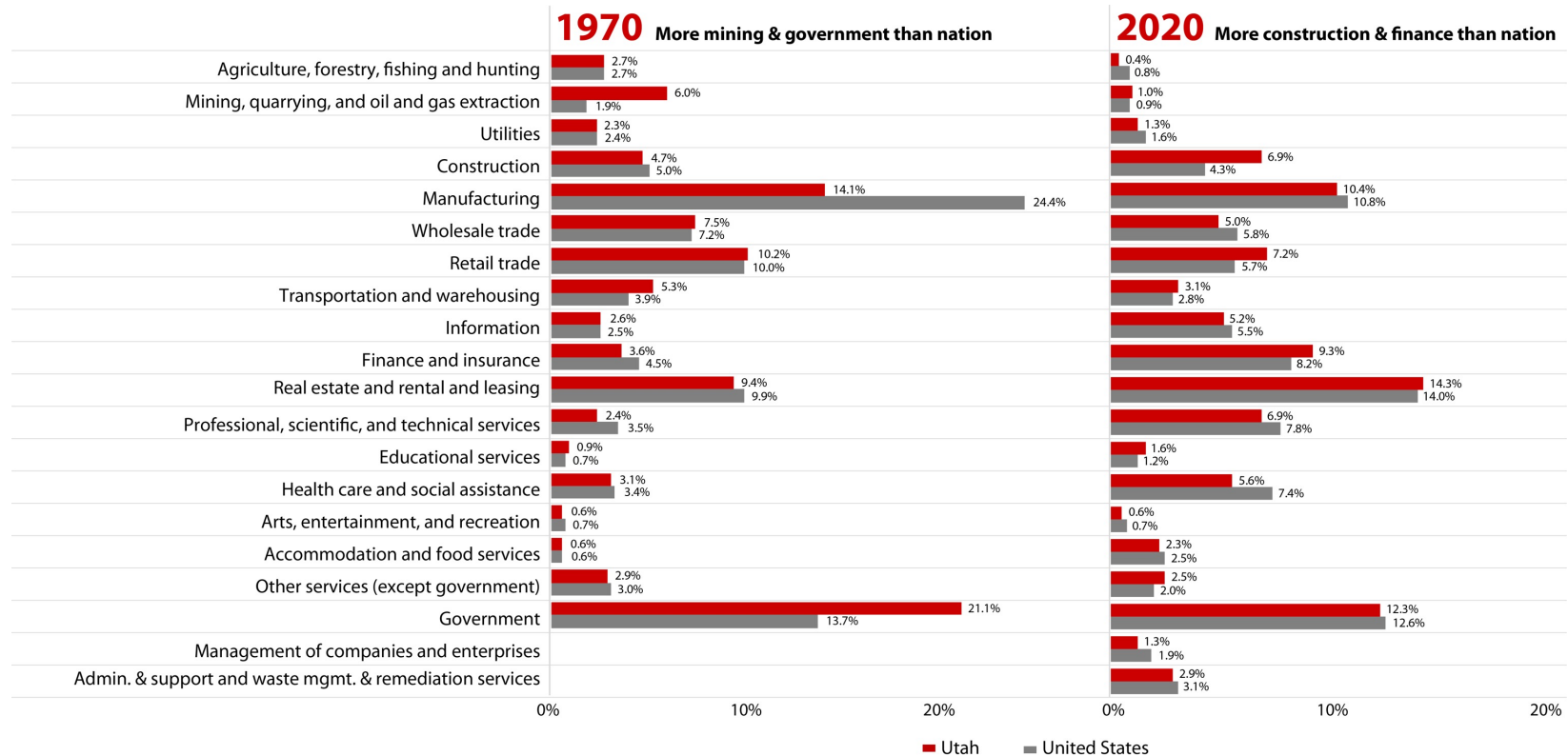
Utah's Economic History- Differing Eras



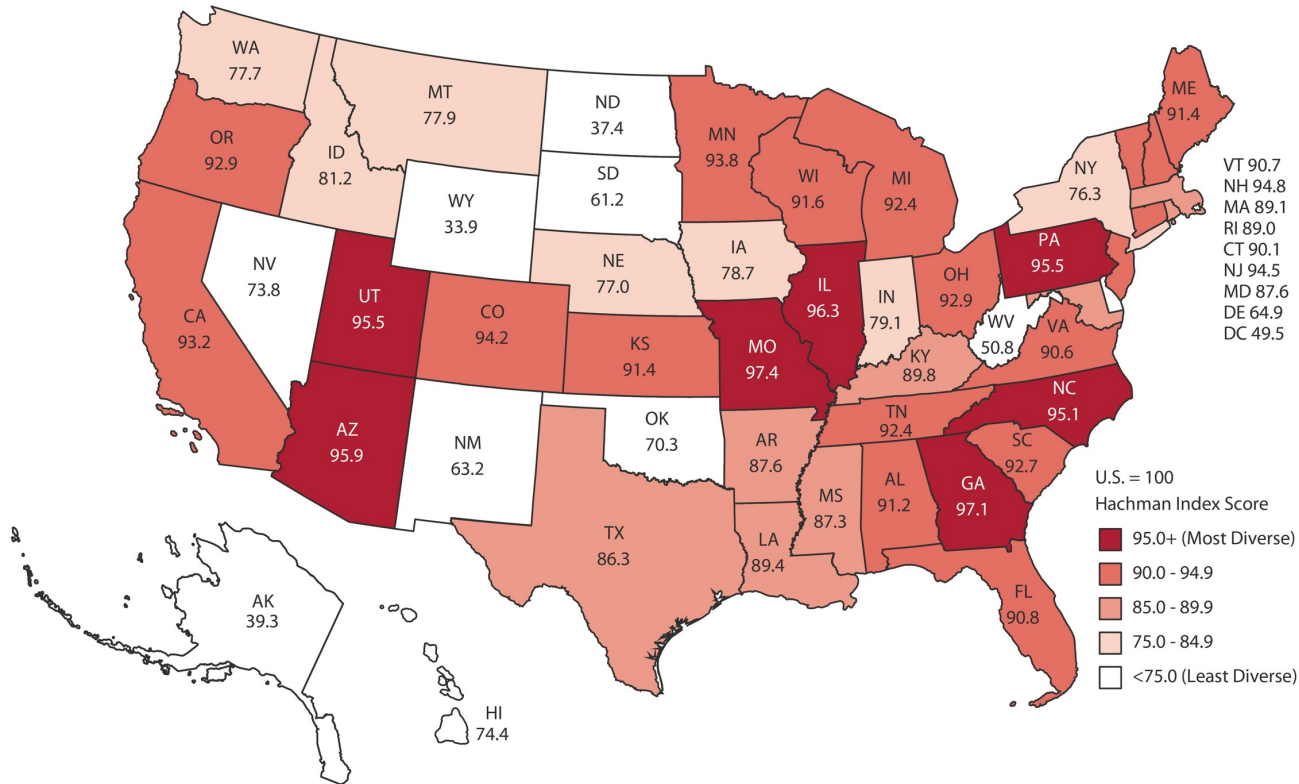
Rise of the Service Economy



1970 and 2020 Differ Dramatically



Today, Utah's Diverse Economy



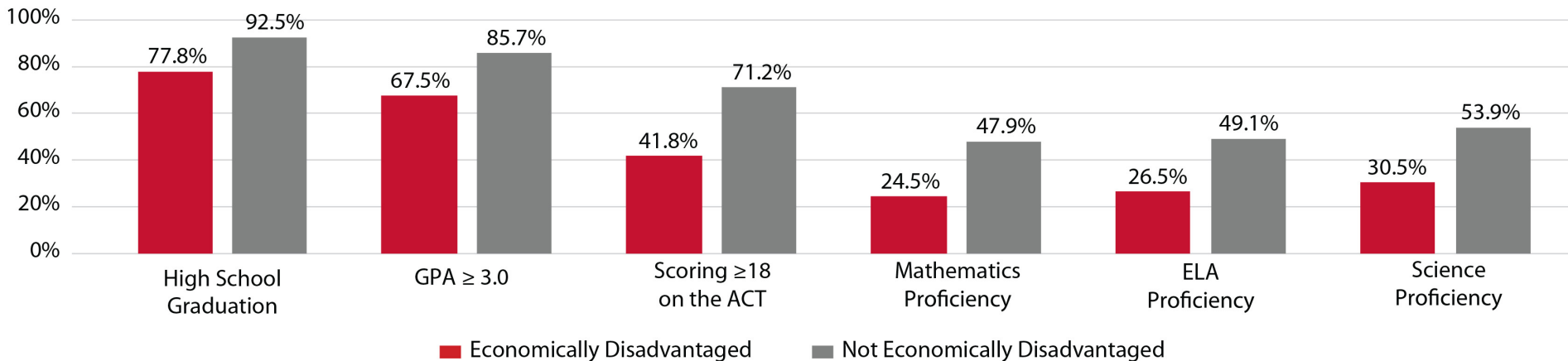
Significant Utah Opportunities and Challenges

Continuing Growth	Structural Changes in Post-Pandemic Reality	Disadvantaged Utahns
<ul style="list-style-type: none">• Life quality• Infrastructure investment• Affordability• Cost of doing business• Air quality and water• Congestion• Crossroads of the West• Young, well-educated population• Declining fertility rate• Diverse economy	<ul style="list-style-type: none">• Labor shortages• Inflation• Supply chain constraints• Remote work• Relative positioning among states	<ul style="list-style-type: none">• Intergenerational poverty• Equitable access to opportunities• Social mobility• Massive untapped potential• Mental health• Homeless services

Source: Kem C. Gardner Policy Institute

One Example of Challenge/Opportunity

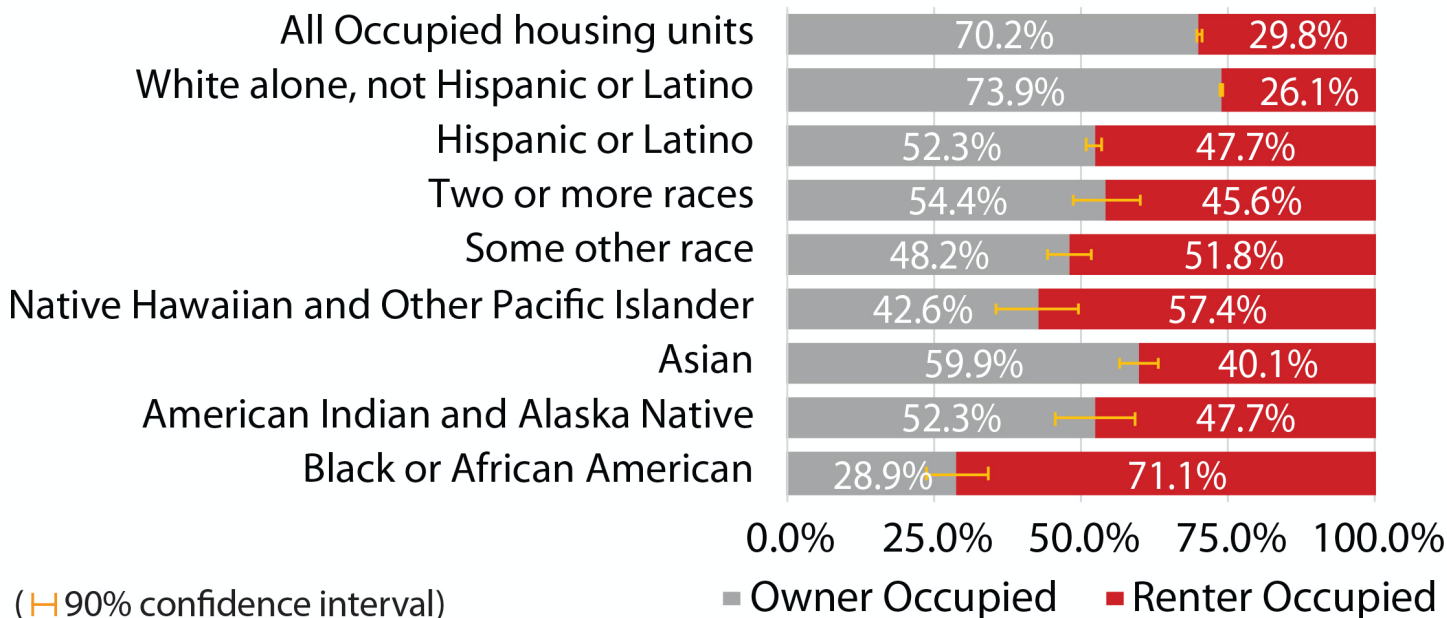
Massive Potential to Develop Untapped Human Capital



Source: Kem C. Gardner Policy Institute

Housing Tenure by Race and Ethnicity

Share of Utah Households



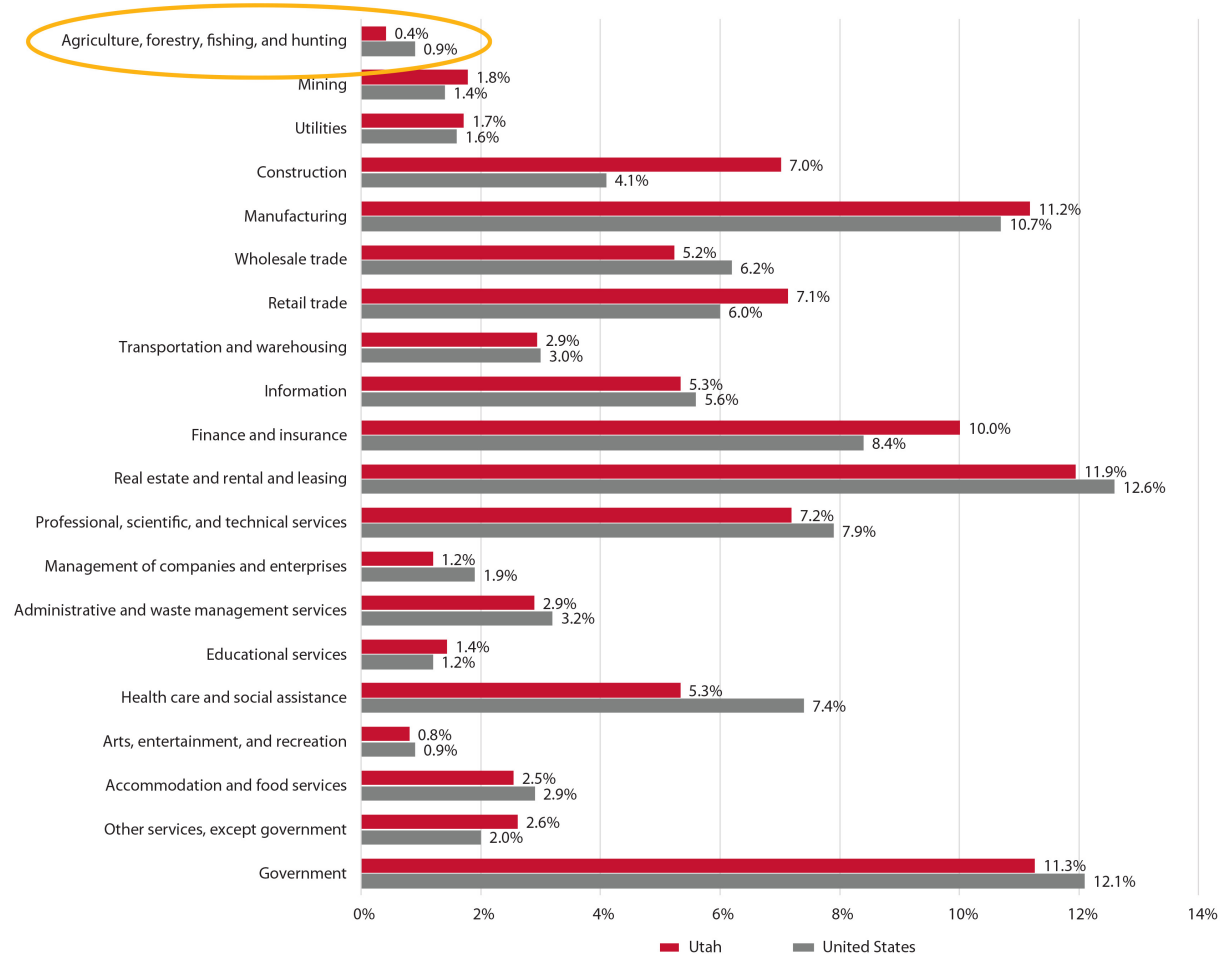
Source: U.S. Census Bureau, 2019 5-Year American Community Survey Estimates

Utah Myth Busters

Myth –
Agriculture makes up 20%
of the Utah economy

Utah and U.S. GDP

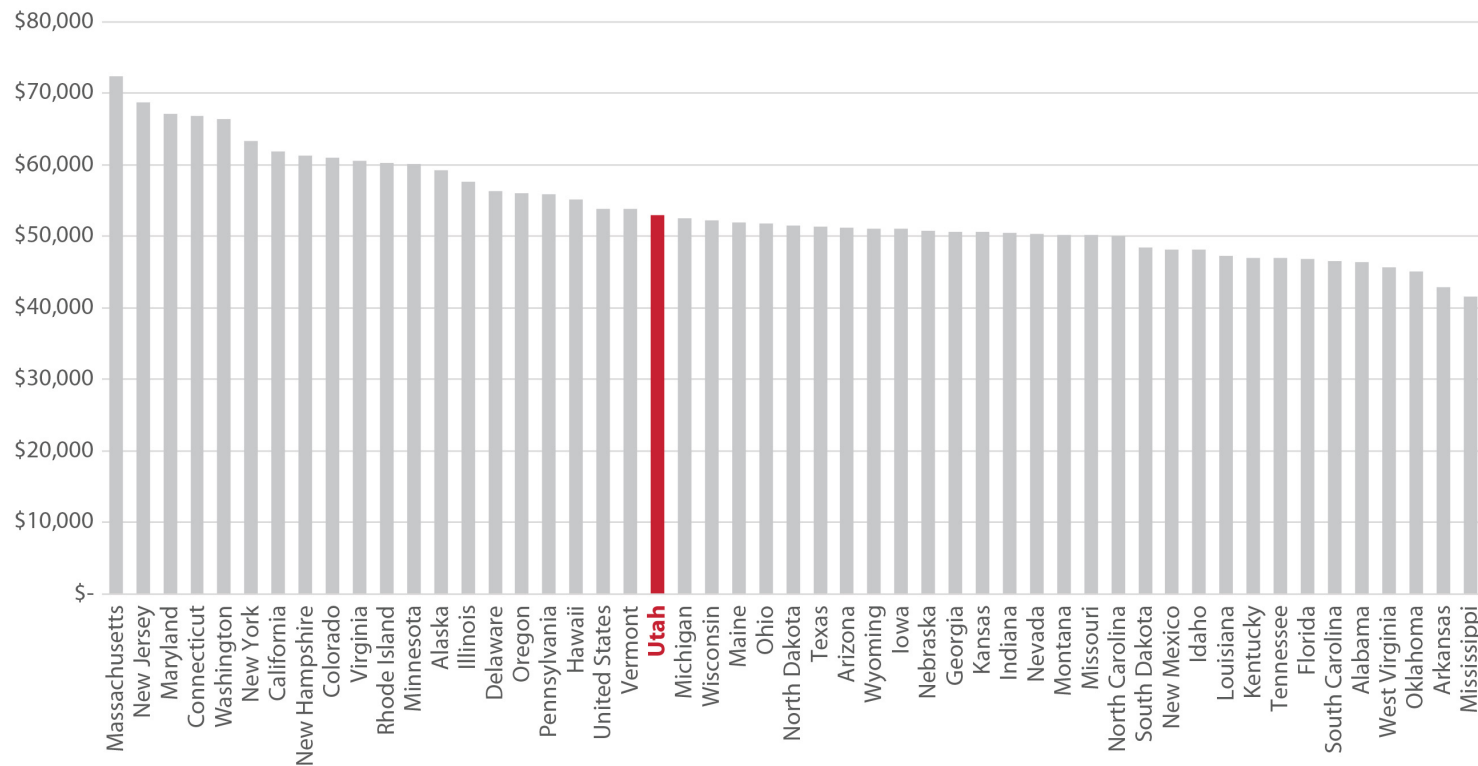
2021 Percent of Total



Myth – Utah is a low-wage / low-income state

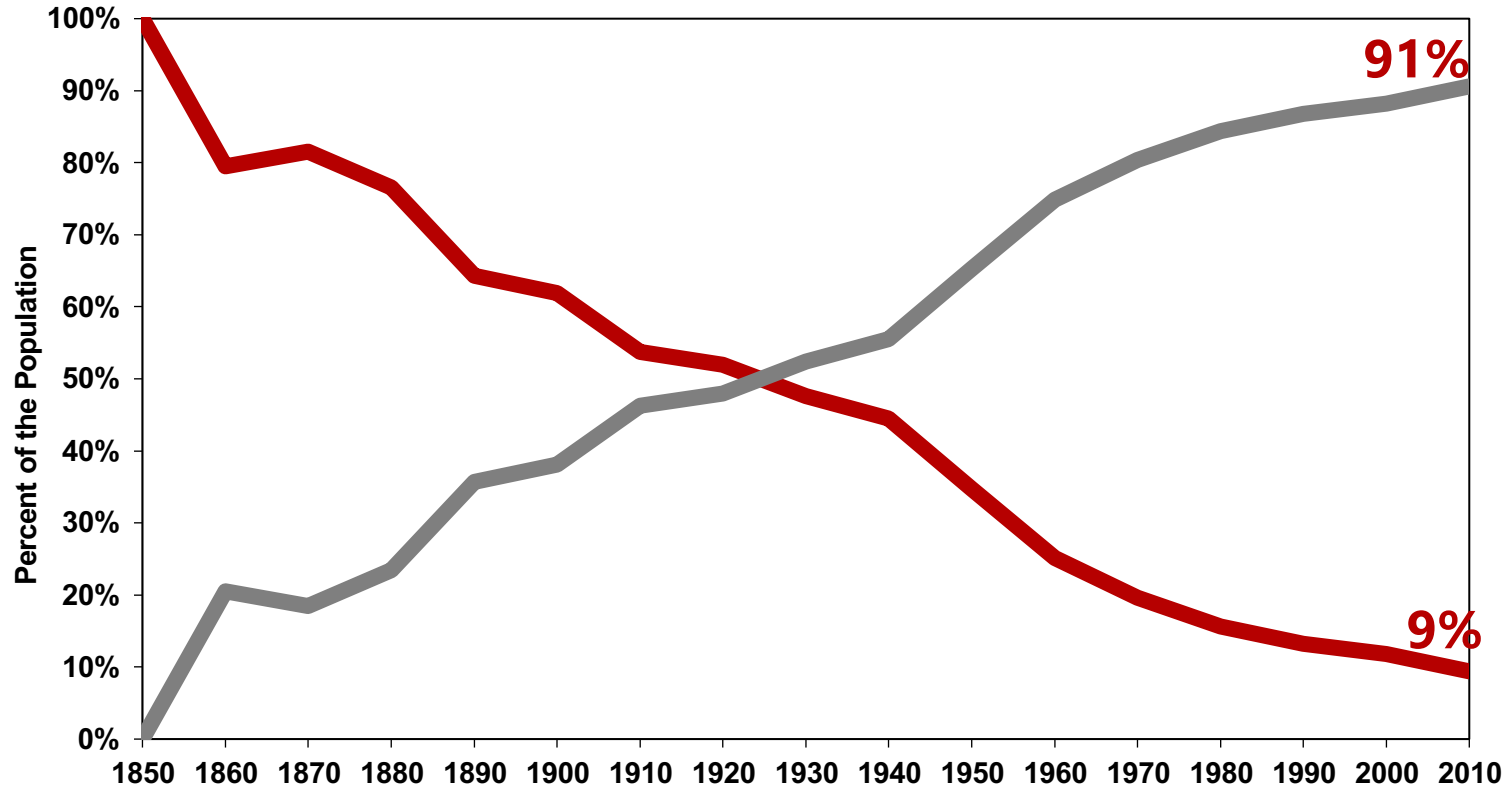
Median Annual Earnings, Full Time/Year-Round Workers

Utah Ranks 20th Among States, 2021



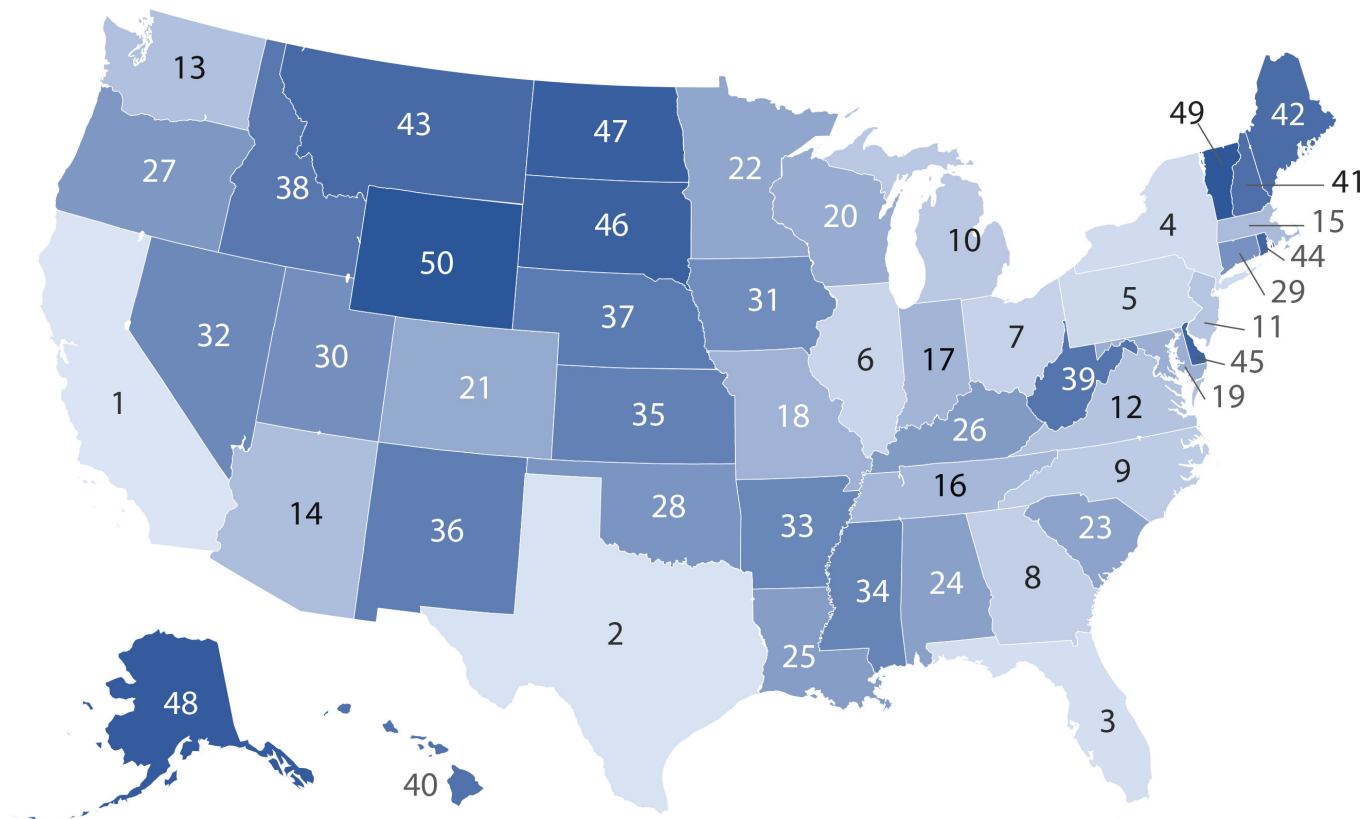
Myth – Utah is a rural state

Utah is an Urban State with Urban Issues



Myth – Utah is a small population state

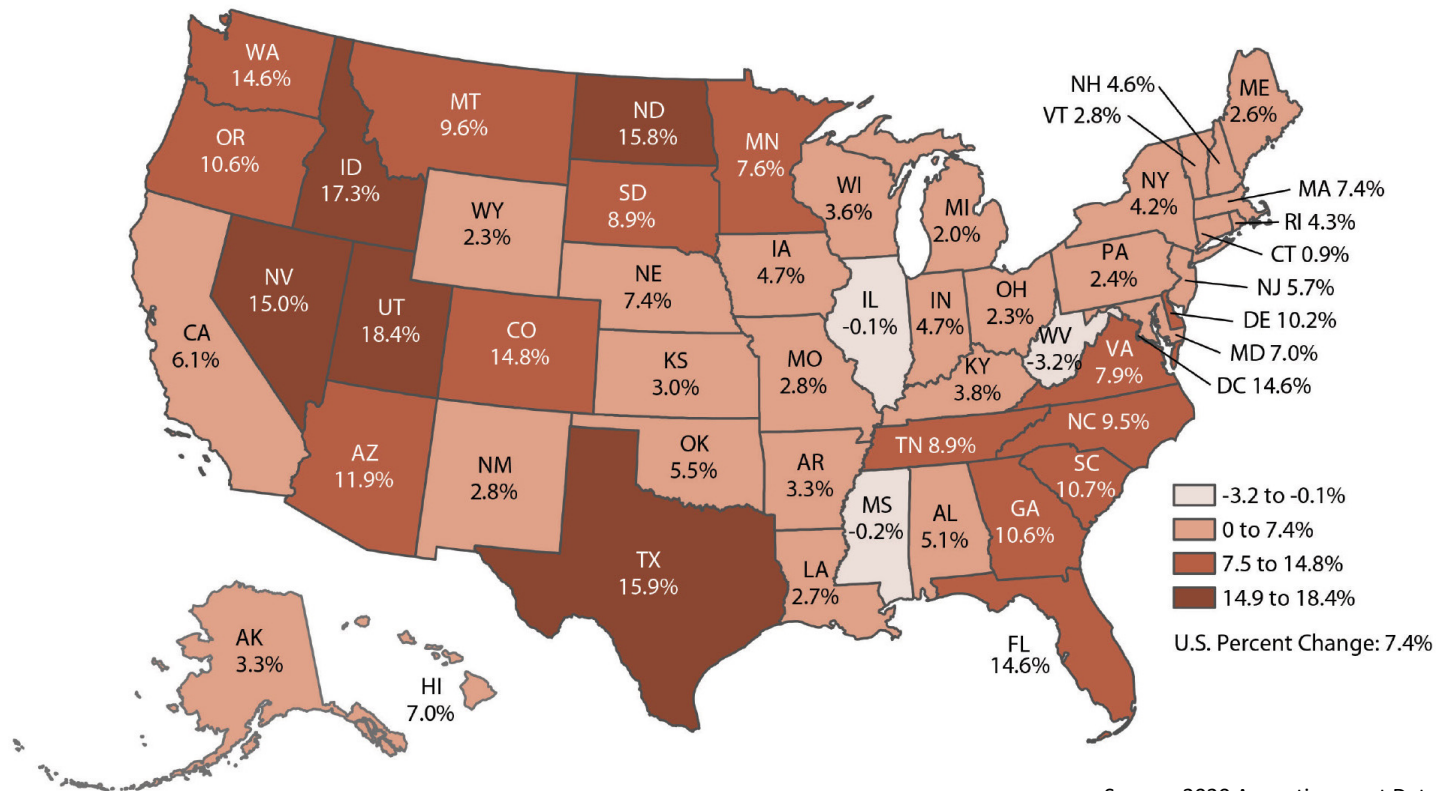
Utah is Now a “Mid-Sized” State



Current Economic Conditions

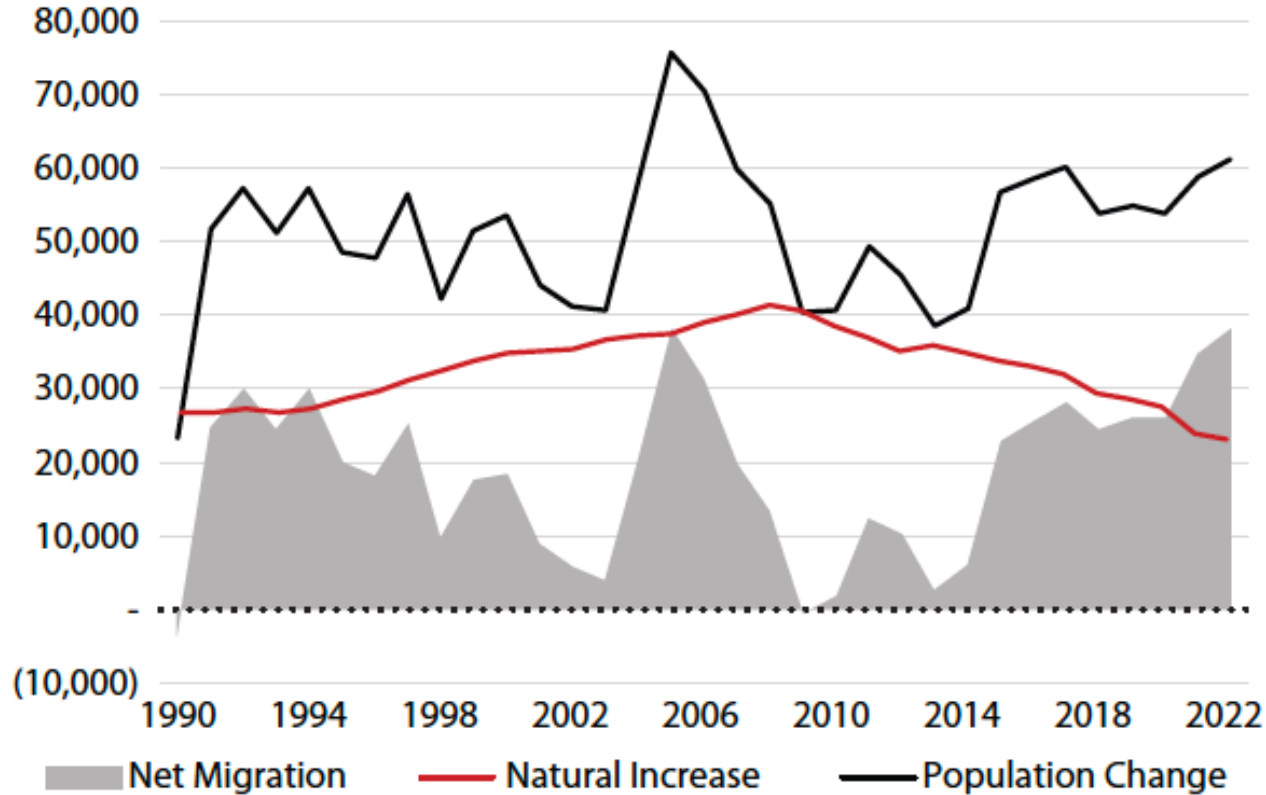
Utah's Population Growth Rate Led the Nation

Percent Change, 2010-2020



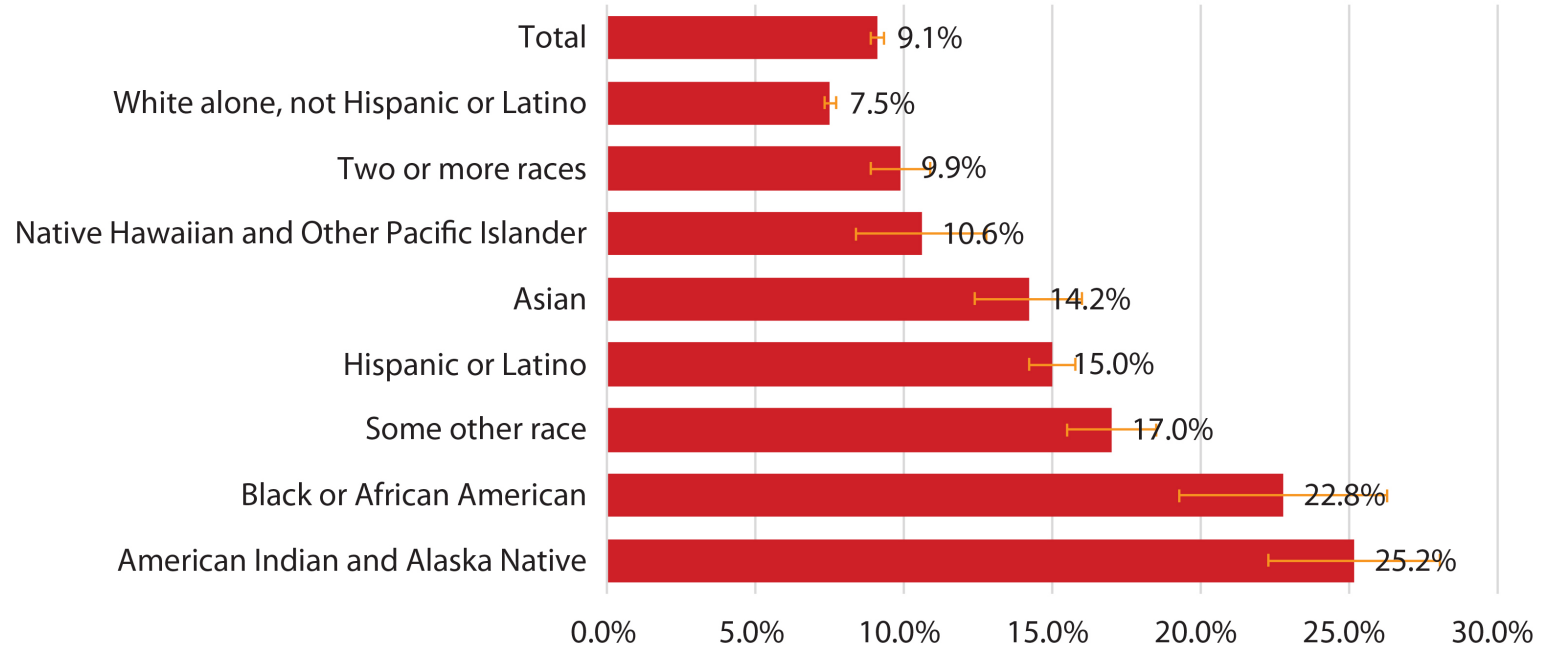
Source: 2020 Apportionment Data, U.S. Census Bureau

Utah's Population Growth Changing



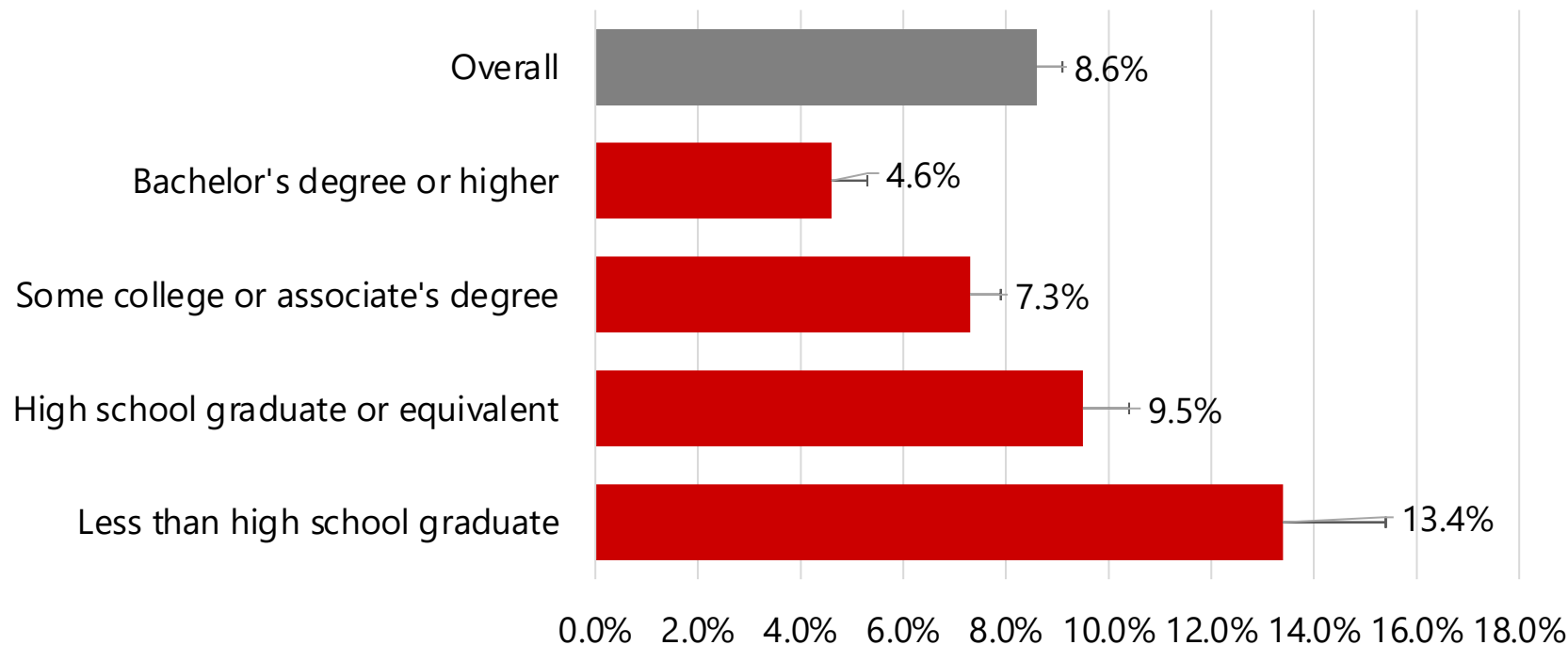
Source: Kem C. Gardner Policy Institute

Utah Population in Poverty by Race & Ethnicity



Source: U.S. Census Bureau, Population Division

Utah Poverty Rate by Educational Attainment, 2021

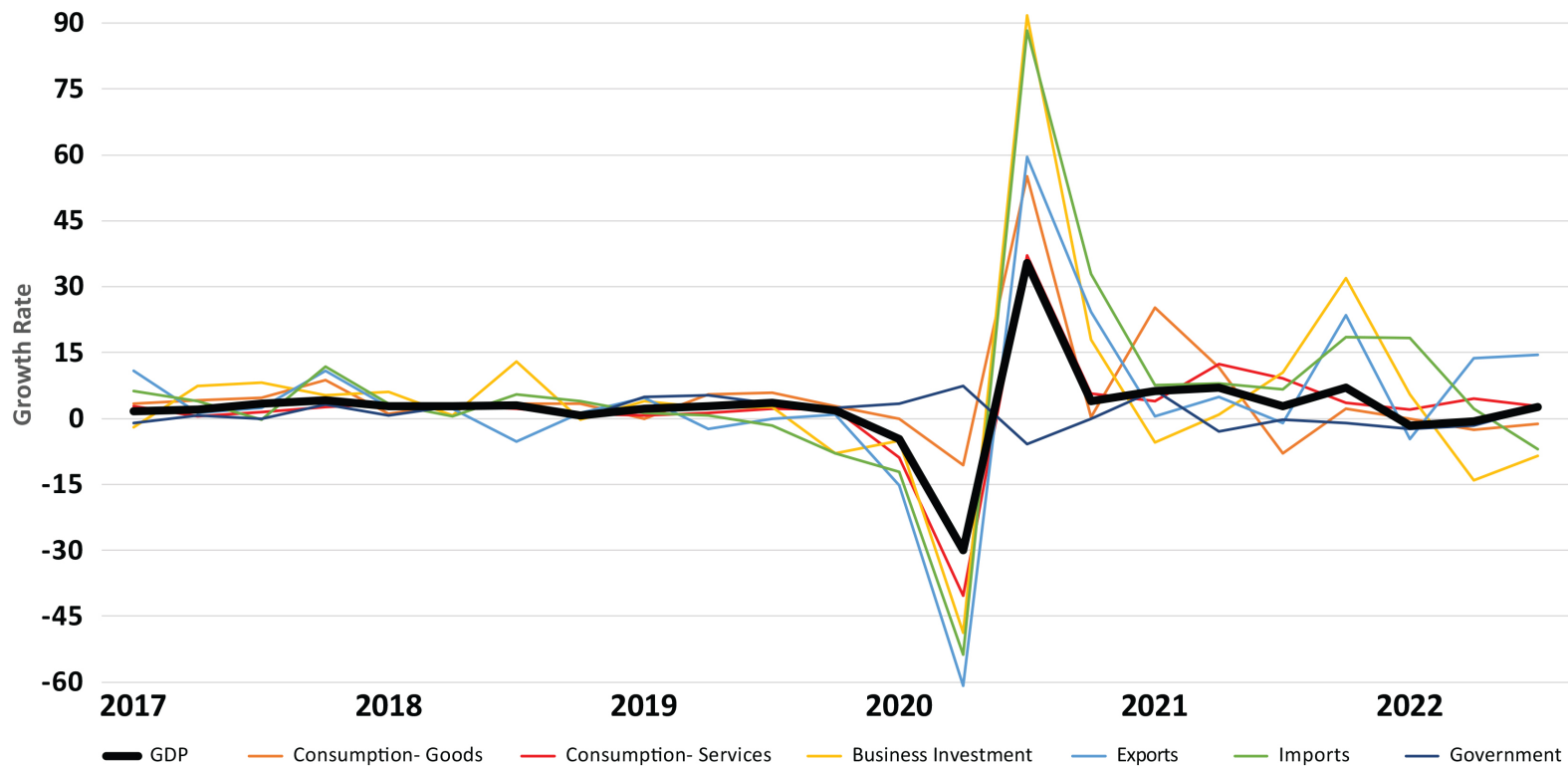


Note: Data are for individuals age 25 and older. These are survey-based estimates subject to sample variation. Each estimate is shown with its 90% confidence interval.

Source: U.S. Census Bureau American Community Survey, 1-Year Estimates

Even, then Uneven, Components of U.S. GDP 2017-2022

(Bad Graph With A Purpose)



Source: U.S. Bureau of Economic Analysis

Total GDP and Household Consumption 2020-2022



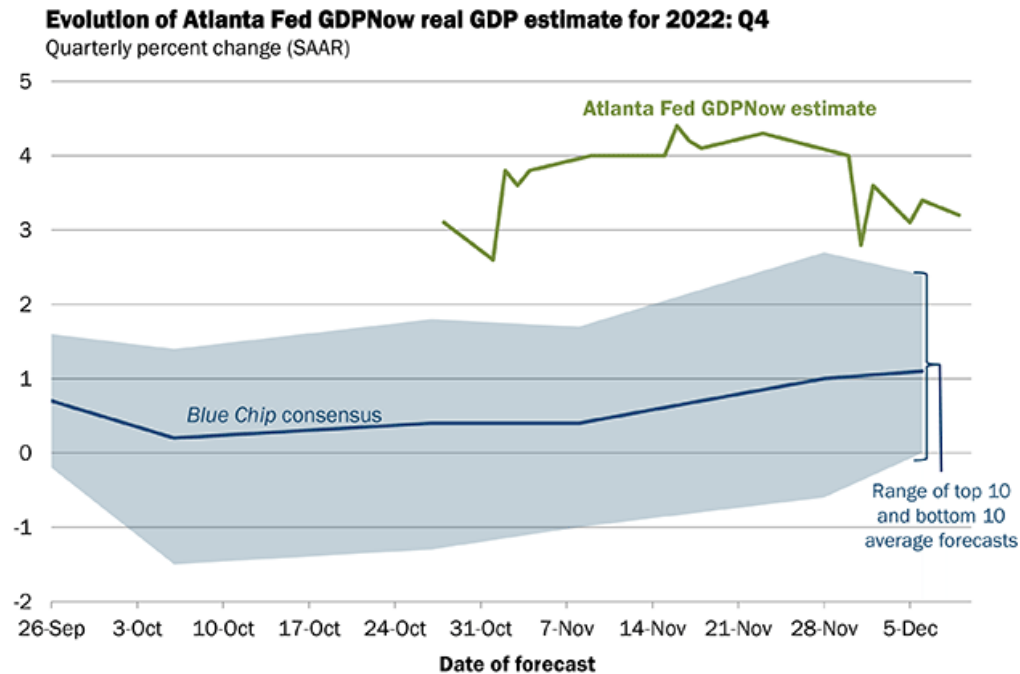
**Real GDP declined
2022 Q1 and Q2,
increased Q3**

**Household
consumption
INCREASED each
quarter in 2022**

**BUT services grew,
goods declined**

Source: U.S. Bureau of Economic Analysis

2022 Q4 Real GDP "Nowcast" On Pace for Good Growth (Above Forecasts)



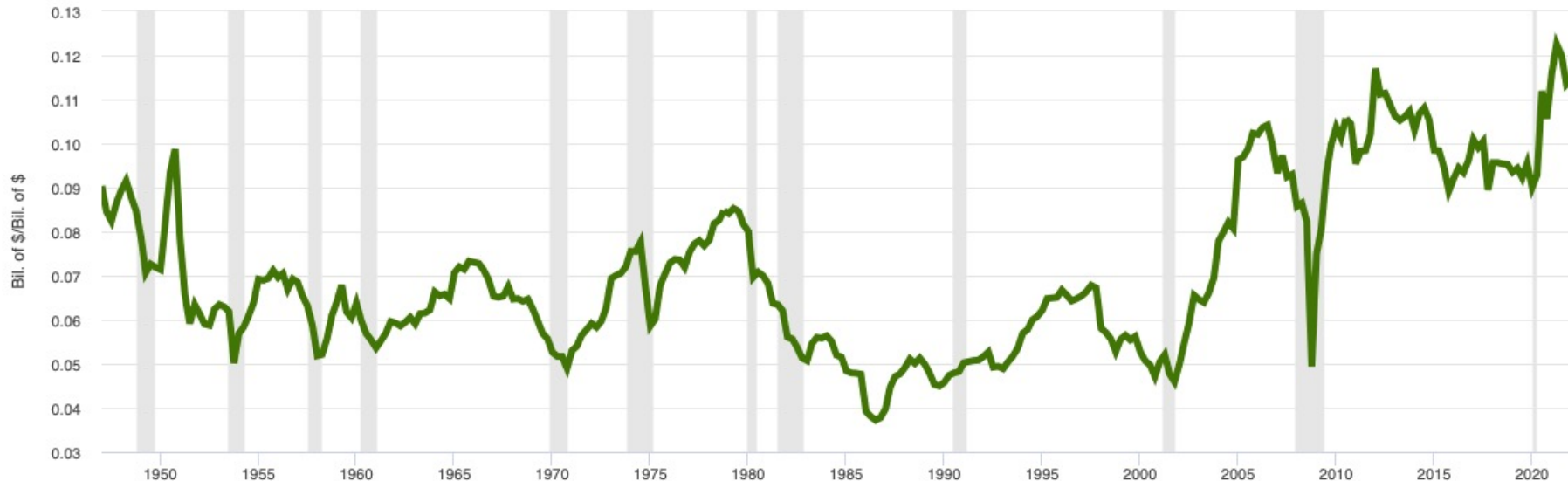
Sources: Blue Chip Economic Indicators and Blue Chip Financial Forecasts

Note: The top (bottom) 10 average forecast is an average of the highest (lowest) 10 forecasts in the Blue Chip survey.

Source: Federal Reserve Bank of Atlanta

Strength Signal: Corporate Profits as % of GDP Near All-Time Highs

FRED  **Corporate Profits After Tax (without IVA and CCAdj)/Gross Domestic Product**

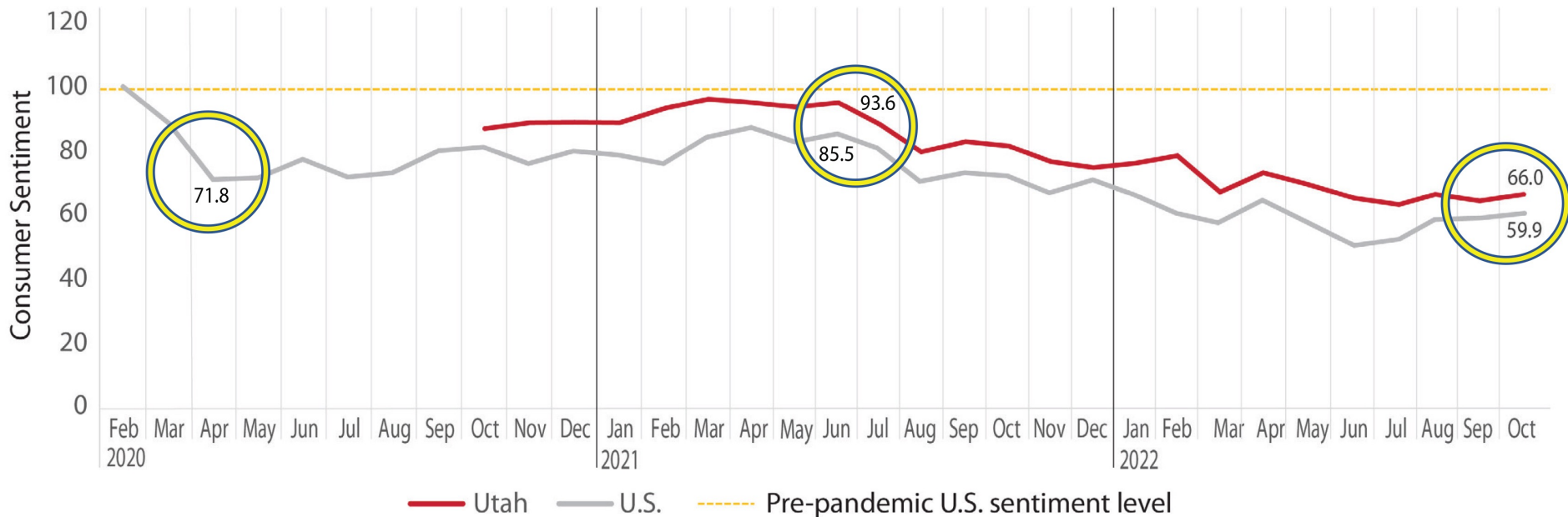


Shaded areas indicate U.S. recessions.

Source: U.S. Bureau of Economic Analysis

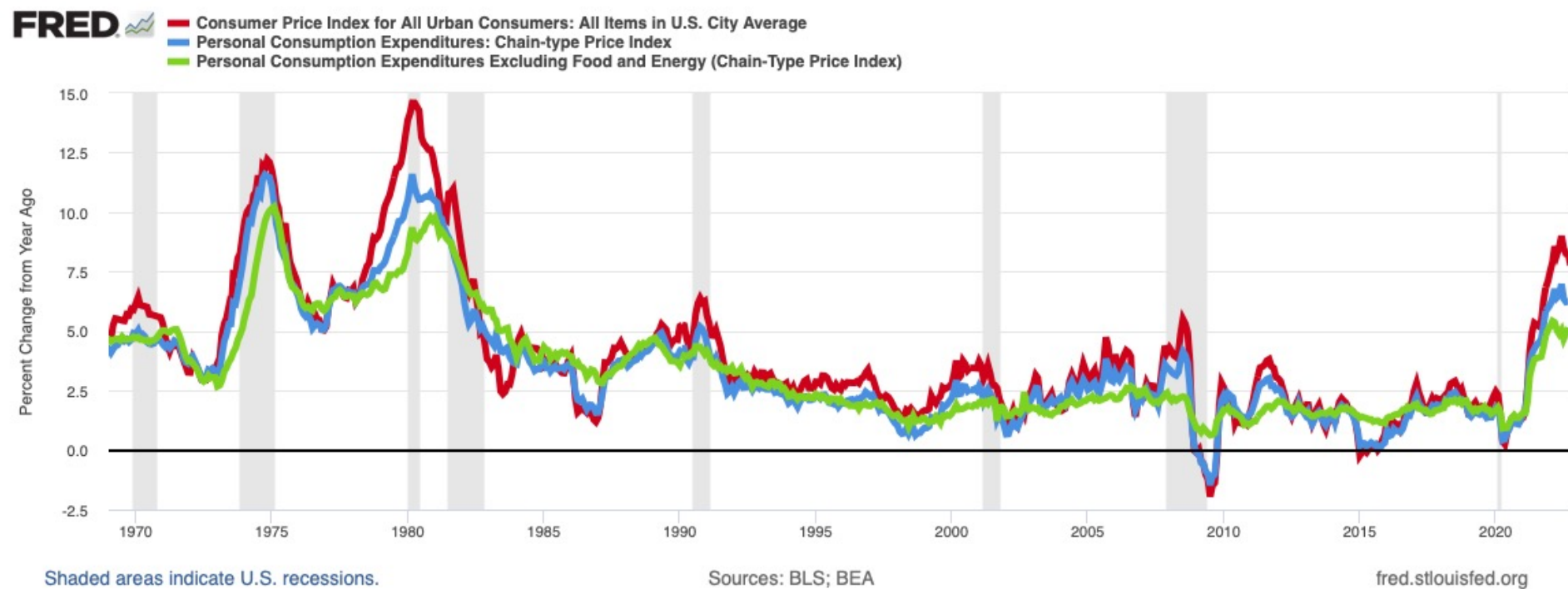
fred.stlouisfed.org

Warning Signal: Low Utah and U.S. Consumer Sentiment



Source: Kem C. Gardner Policy Institute and University of Michigan

Major Warning Signal: The Sting of High Inflation



Source: Bureau of Labor Statistics and Bureau of Economic Analysis via FRED

Monetary Policy Behind the Curve

“I think we now understand better how little we understand about inflation.”

Jerome Powell, Chair of the Federal Reserve, June 2022

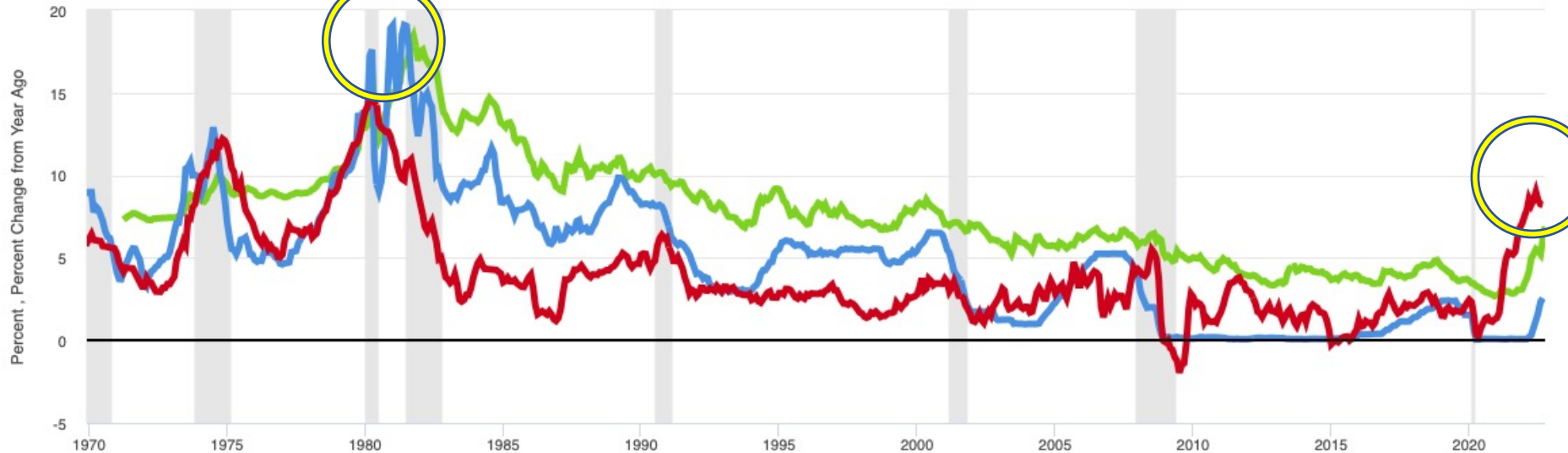
“We see today that there is a bit of a savings buffer still sitting for households, that may allow them to continue to spend in a way that keeps demand strong. This suggests we may have to keep at this for a while.”

**Esther George, President, Federal Reserve Bank of Kansas City,
November 2022**

Warning Signal: Interest Rates Remain Well Below Inflation & Likely to Continue Increasing

FRED

30-Year Fixed Rate Mortgage Average in the United States
Federal Funds Effective Rate
Consumer Price Index for All Urban Consumers: All Items in U.S. City Average



Shaded areas indicate U.S. recessions.

Sources: FHLMC; Board of Governors; BLS

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Source: Federal Reserve Economic Data

Why Do Interest Rates Matter?

- Interest rates influence goods financed over time

Households

- Homes
- Cars

Businesses

- Equipment
- Facilities

- By making financed goods more expensive, higher interest rates moderate economic activity

Neutral Financial Conditions

FRED

— Chicago Fed National Financial Conditions Index



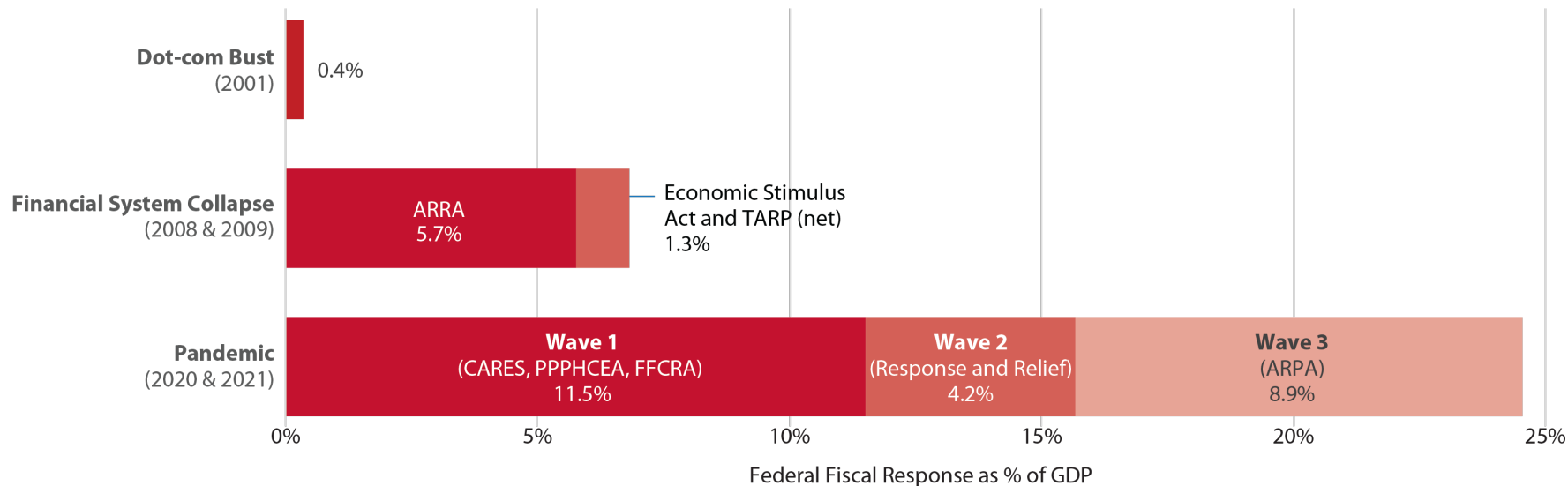
Shaded areas indicate U.S. recessions.

Source: Federal Reserve Bank of Chicago

fred.stlouisfed.org

Source: Federal Reserve Economic Data

“Unprecedented” Federal Fiscal Support



Source: Congressional Budget Office and National Bureau of Economic Research

Strength Signals: Household Finances Surprisingly Strong in Aggregate

- 1. High Savings**
- 2. Low Debt Service**
- 3. Consumption Spending Continues**
- 4. Ample Jobs**

- 5. BUT....not everyone is doing well**

Fiscal Stimulus Impacts – Personal Saving Spiked & Returned

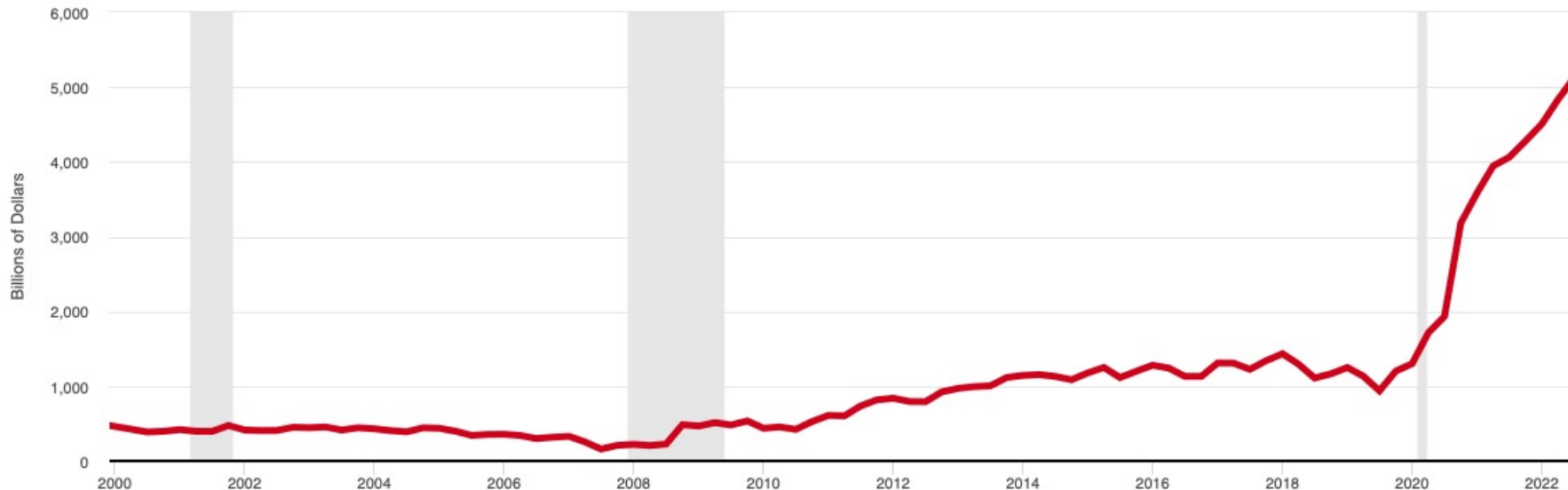


Strength Signal: Lots of Liquidity

Household Reserves High & Growing through 2022Q3

FRED

Households and Nonprofit Organizations; Checkable Deposits and Currency; Asset, Level



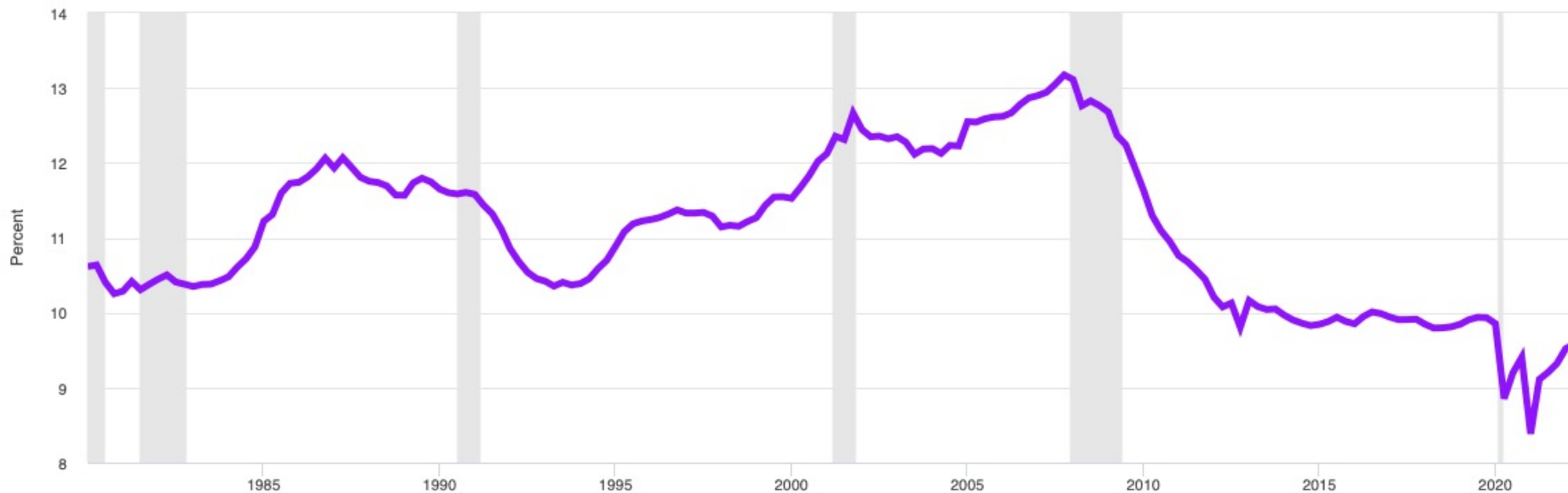
Shaded areas indicate U.S. recessions.

Source: Board of Governors of the Federal Reserve System (US)

fred.stlouisfed.org

Strength Signal: Low Monthly Debt Service Payments

FRED   Household Debt Service Payments as a Percent of Disposable Personal Income

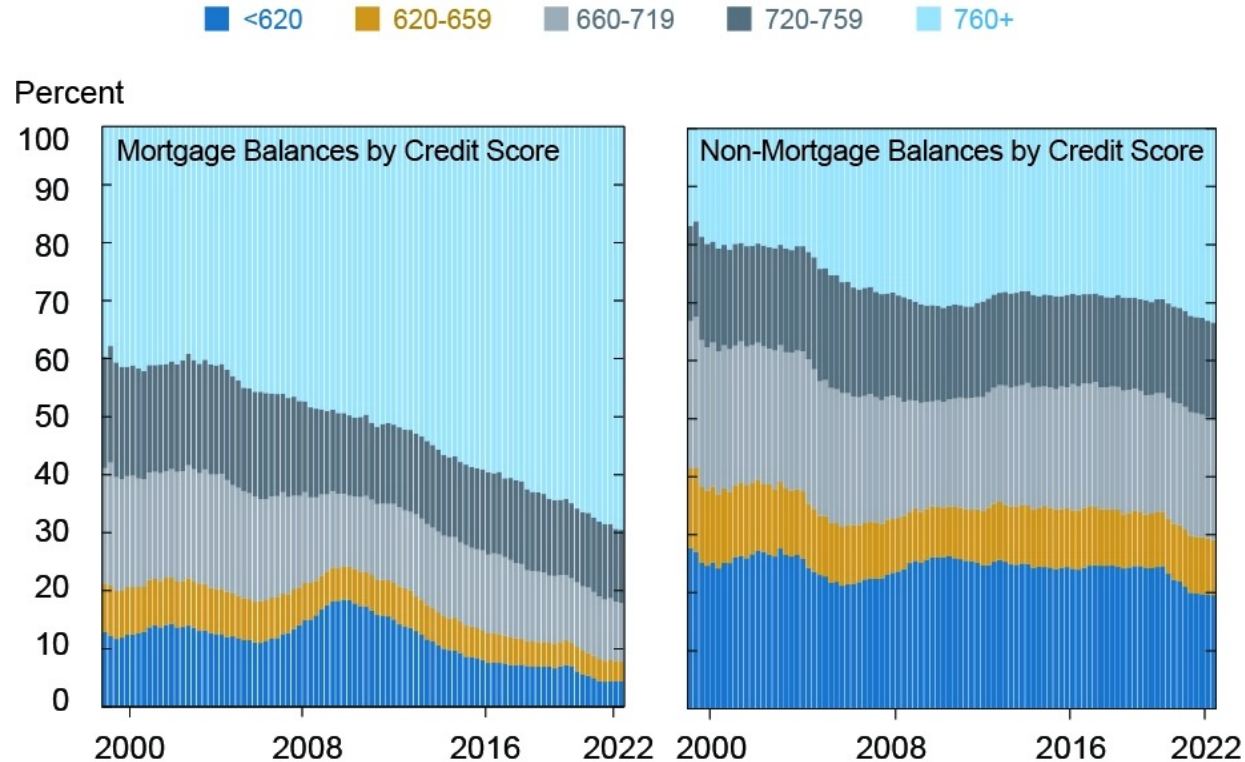


Shaded areas indicate U.S. recessions.

Source: Board of Governors of the Federal Reserve System (US)

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Strength Signal: Most Debt Held by High Credit Score Borrowers

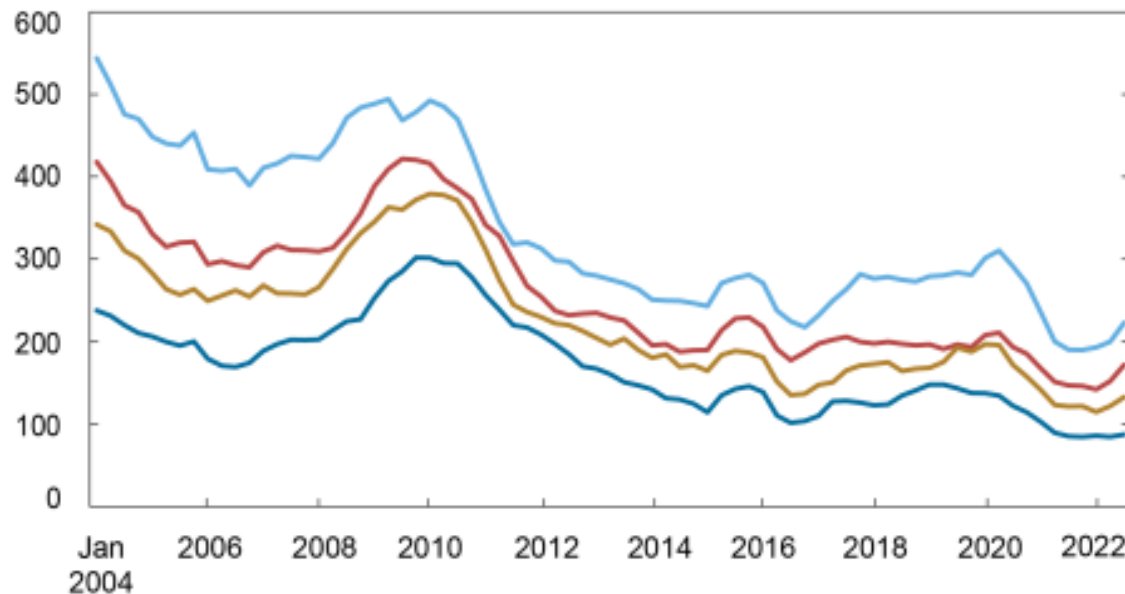


Source: Federal Reserve Bank of New York

Mixed Signal: Increasing Debt & Delinquencies Among Low-Income Households, but Still Low

— Quartile 1 — Quartile 2 — Quartile 3 — Quartile 4

Flow into delinquency by zip code-income (in percent)



Although still well below pre-pandemic levels:

- **Delinquencies increasing, especially among low-income households**
- **Inflation led to increasing household debt in 2022 Q3**

Source: Federal Reserve Bank of New York

The Great Resignation / The Great Rethink

- Utah Sept 2022 year-over job growth 54,000 (3.5%)
- Utah Sept 2022 unemployment rate 2.1%
- About **36,000 unemployed** Utahns
- About **65,000 Utah jobs available today**

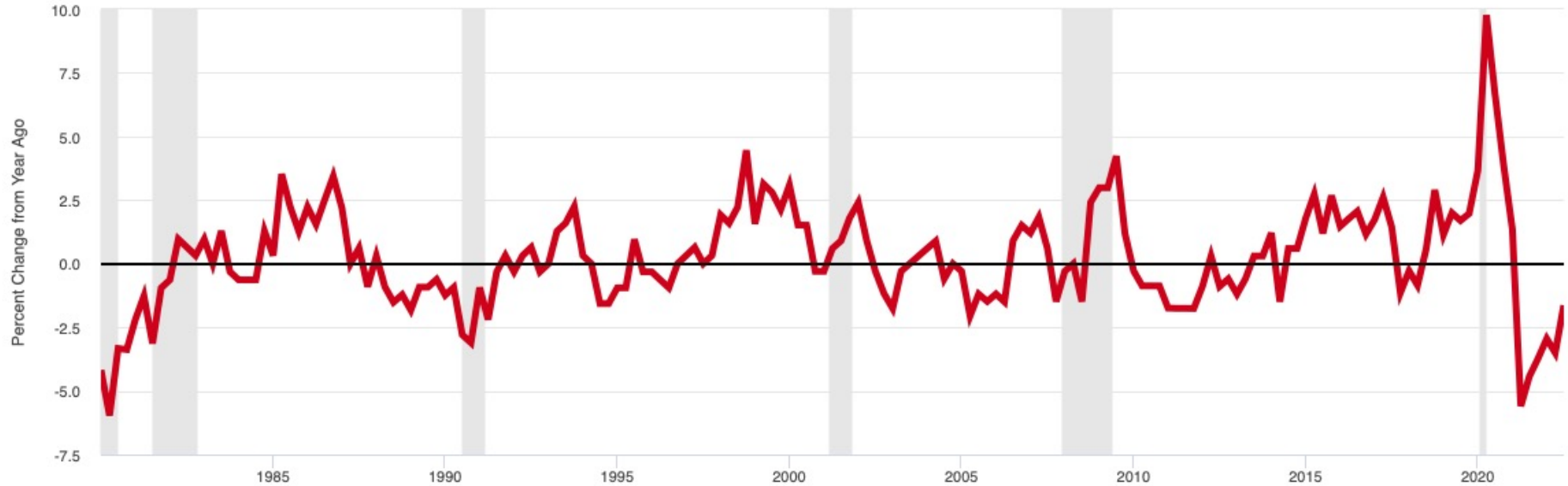


Source: Utah Department of Workforce Services and Indeed.com

Real (Inflation-Adjusted) Wages Decreasing

FRED

— Employed full time: Median usual weekly real earnings: Wage and salary workers: 16 years and over



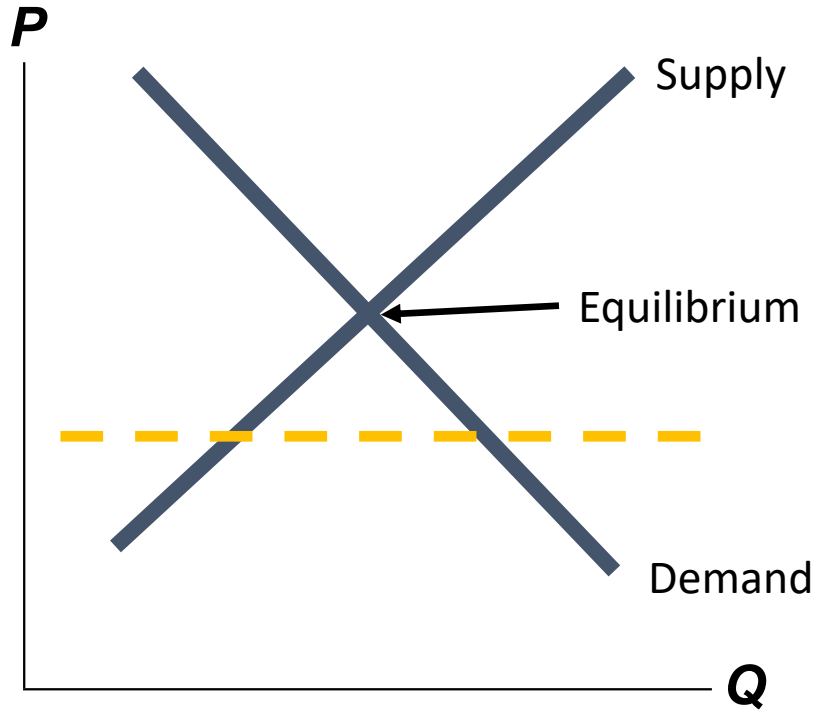
Shaded areas indicate U.S. recessions.

Source: U.S. Bureau of Labor Statistics

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Source: Federal Reserve Bank of Atlanta

Labor Shortages (??) – Econ 101

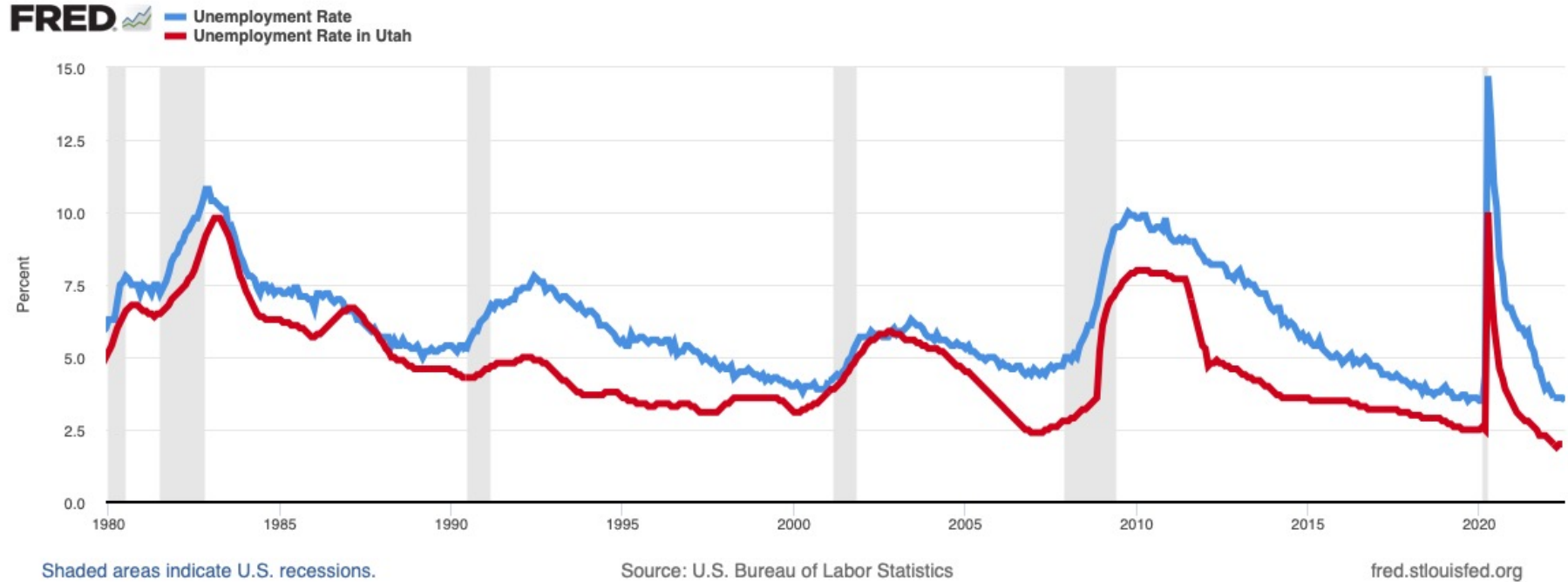


Wages are the price of labor

When prevailing prices fall below the market equilibrium, shortages result

(That is, maybe we have a **WAGE shortage**)

Strength Signal: Utah Unemployment Consistently Lower Than U.S.



Source: US Bureau of Labor Statistics

Baby Boomer Retirements Heavily Influence Labor Markets



Source: US Bureau of Labor Statistics

Food For Thought - Build Resiliency

- Interpreting past and present conditions challenging due to complex and uncertain economic environment. Forecasting future events even harder.
- Develop early warning systems
- “Just in time” failed. Consider how you need to redesign your systems to enhance resiliency:
 - (a) build appropriate protective buffers - financial, personnel, supply chain, stock of supplies, etc.
 - (b) reliably deliver value during economy’s ups and downs
 - (c) seize opportunities that arise during uncertain times

Wasatch Front Economic Development District

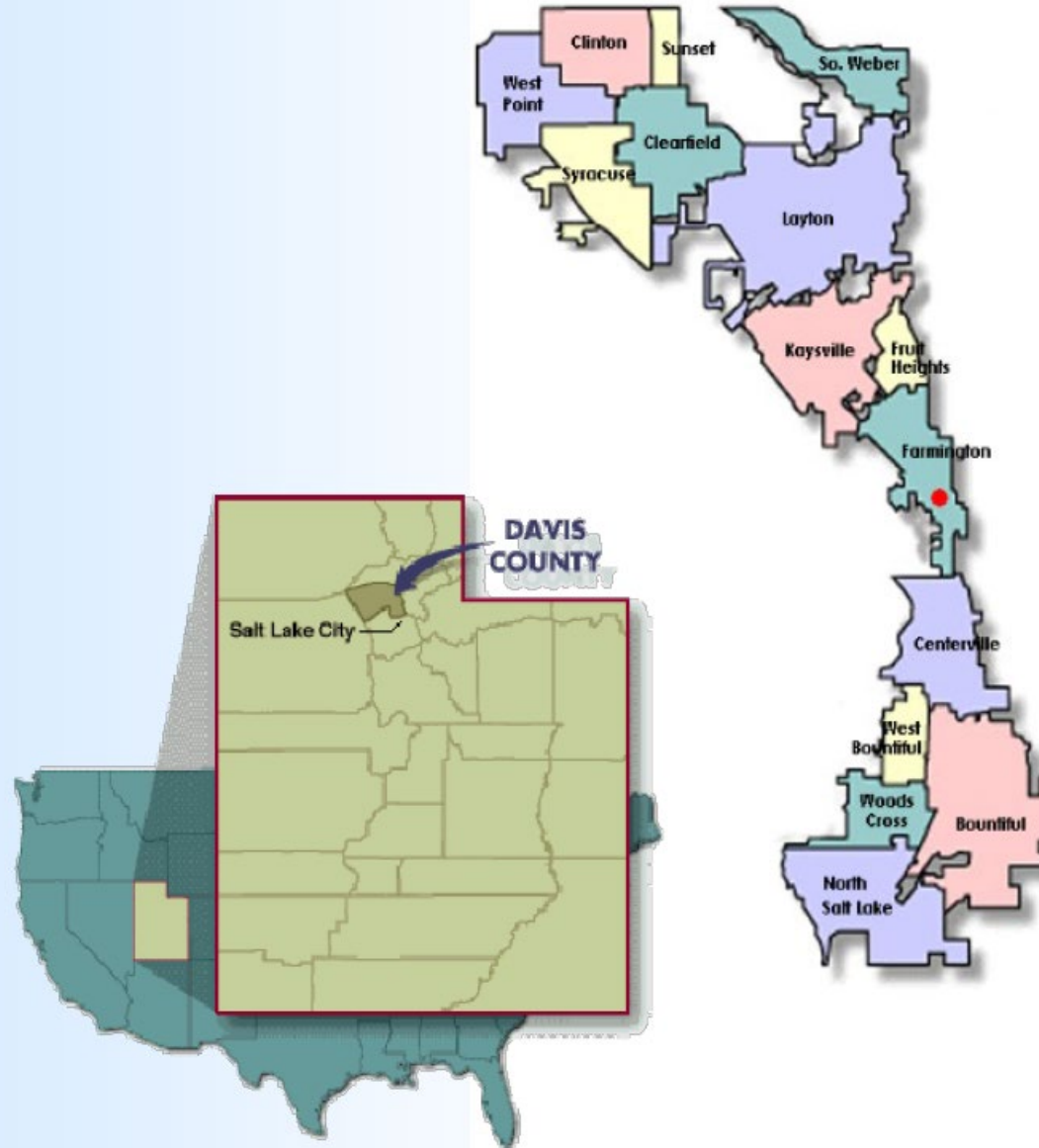
Growth and the West Davis Corridor Market Study

December 14, 2022



Davis
COUNTY

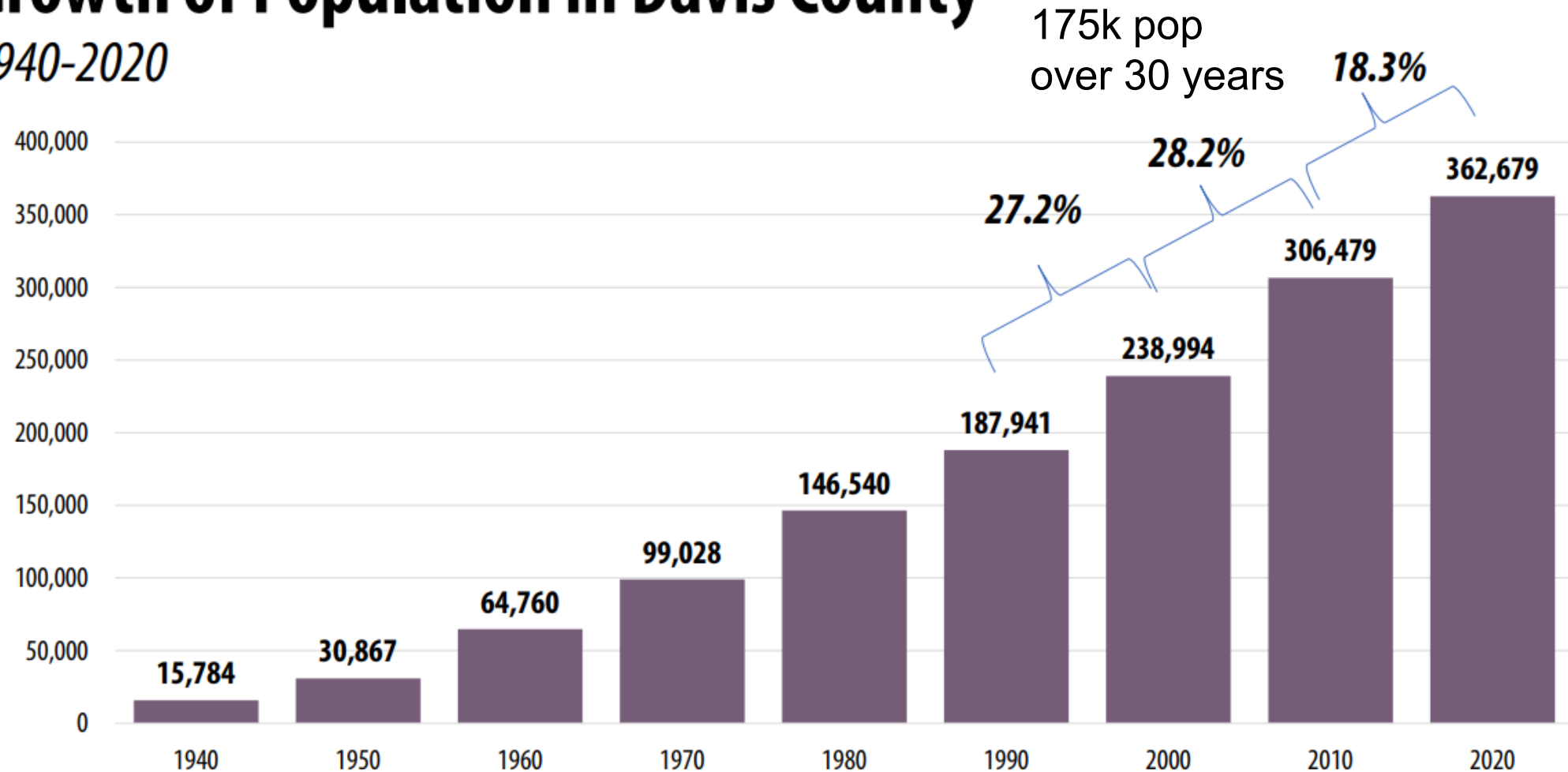
Davis County



- 15 incorporated cities
- 634 Sq Miles (299 Land Area)
- Utah's smallest county by land area, but 3rd largest by population.

Growth

Growth of Population in Davis County 1940-2020



Source: U.S. Census Bureau, Decennial Census

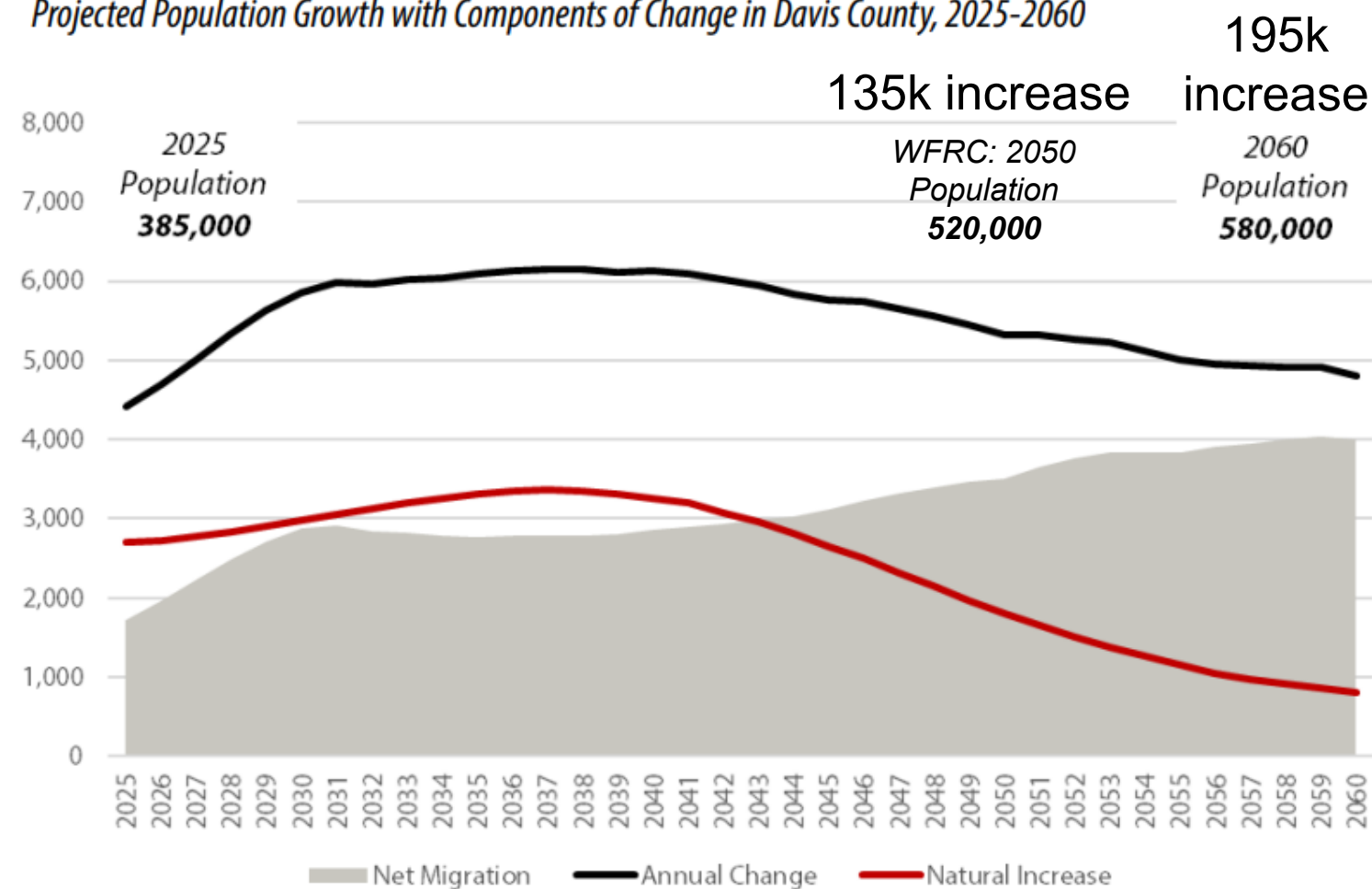
Projected Population Growth



Natural increase is projected to be the primary driver of growth until the mid 2040s.

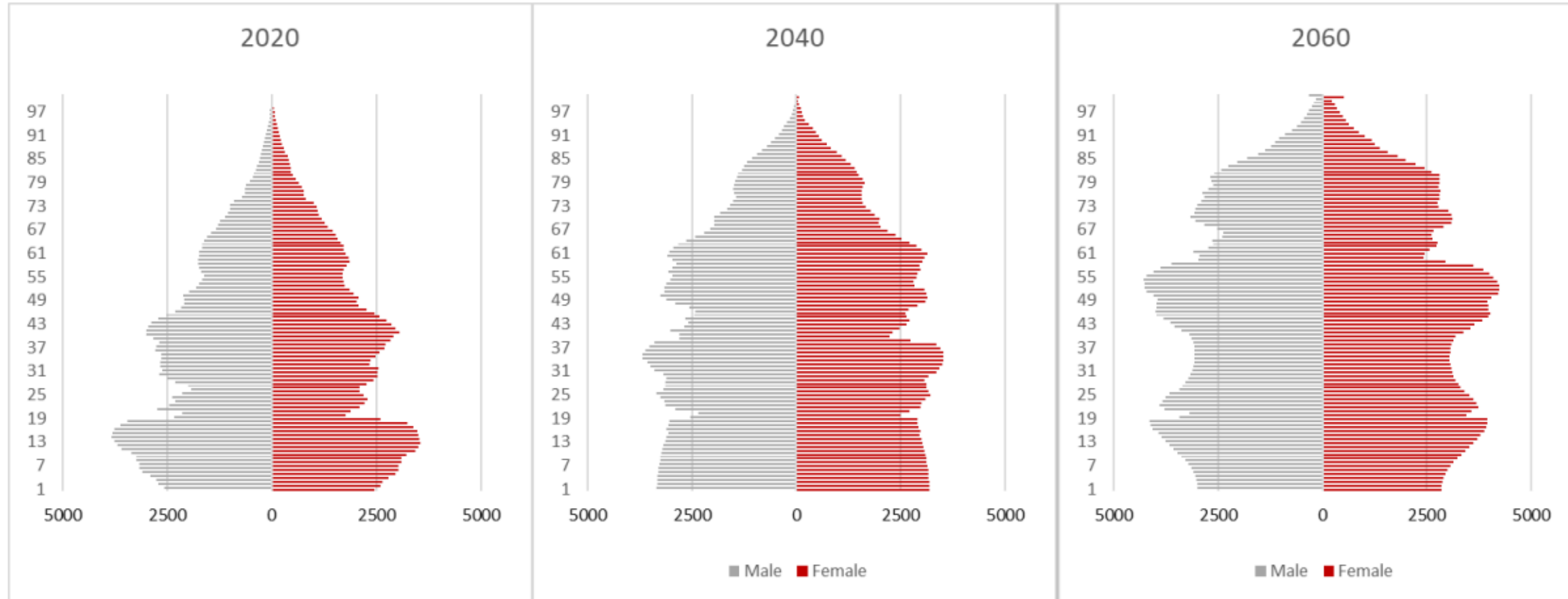
Continued employment growth drives net migration becoming a more significant contributor.

Projected Population Growth with Components of Change in Davis County, 2025-2060

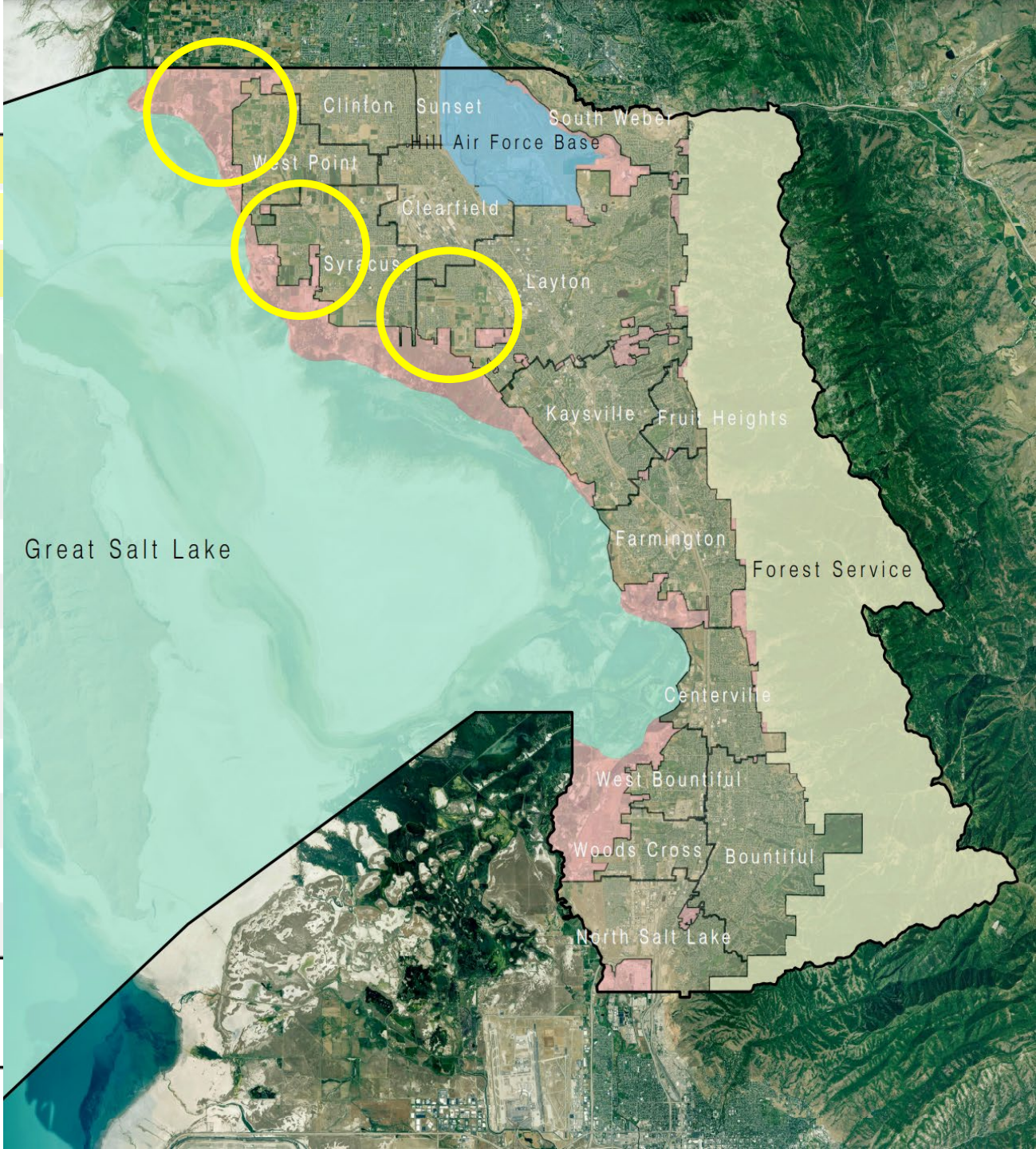


Population Pyramids

Davis County Population Pyramids, 2020, 2040, 2060

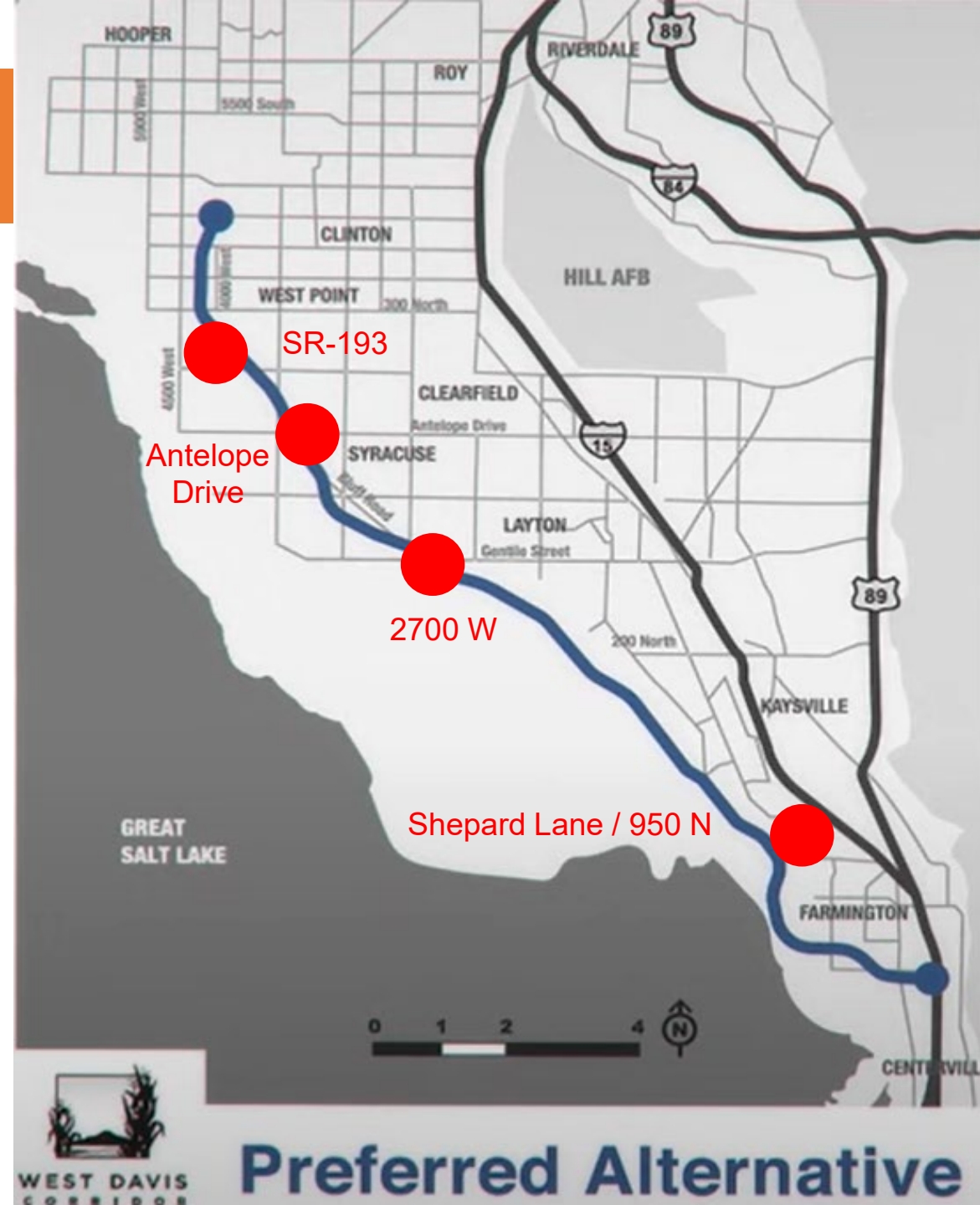


City	Open Land (acres)	Percent of Available Open Land in County
West Point	1,895	15.7%
Layton	1,615	13.4%
Syracuse	1,110	9.2%
Farmington	819	6.8%
Kaysville	695	5.8%
South Weber	582	4.8%
Clinton	564	4.7%
Woods Cross	509	4.2%
Centerville	415	3.4%
West Bountiful	384	3.2%
Clearfield	314	2.6%
North Salt Lake	272	2.3%
Bountiful	159	1.3%
Fruit Heights	73	0.6%
Sunset	6	0.0%
Totals	9,412	77.9%
Unincorporated Davis County	2,665	22.1%



West Davis Corridor

- 14 mile, 4-lane
- Glovers Lane in Farmington to S.R. 193 in West Point
- 6 interchanges
- 12 miles of trail
- West Davis Corridor Interchange Market Study
 - Partners: West Point, Syracuse, Layton, Kaysville, Farmington, Davis County





400
acres

SR-193

Antelope Drive

2700 W



\$7.1
Billion



SR-193

Job Center, Retail & Residential

- Industrial/Flex: 2.2m ft²
- Retail: 503k ft²
- Office: 381k ft²
- Residential: 2,404



RESIDENTIAL
with 139.82 acres
acres
G.C.
ES

Antelope Drive

Regional & Neighborhood retail

- Retail: 855k ft²
- Accommodation / Arts: 125k ft²
- Office: 69k ft²
- Residential: 511



Layton – 2700 W

Business Park

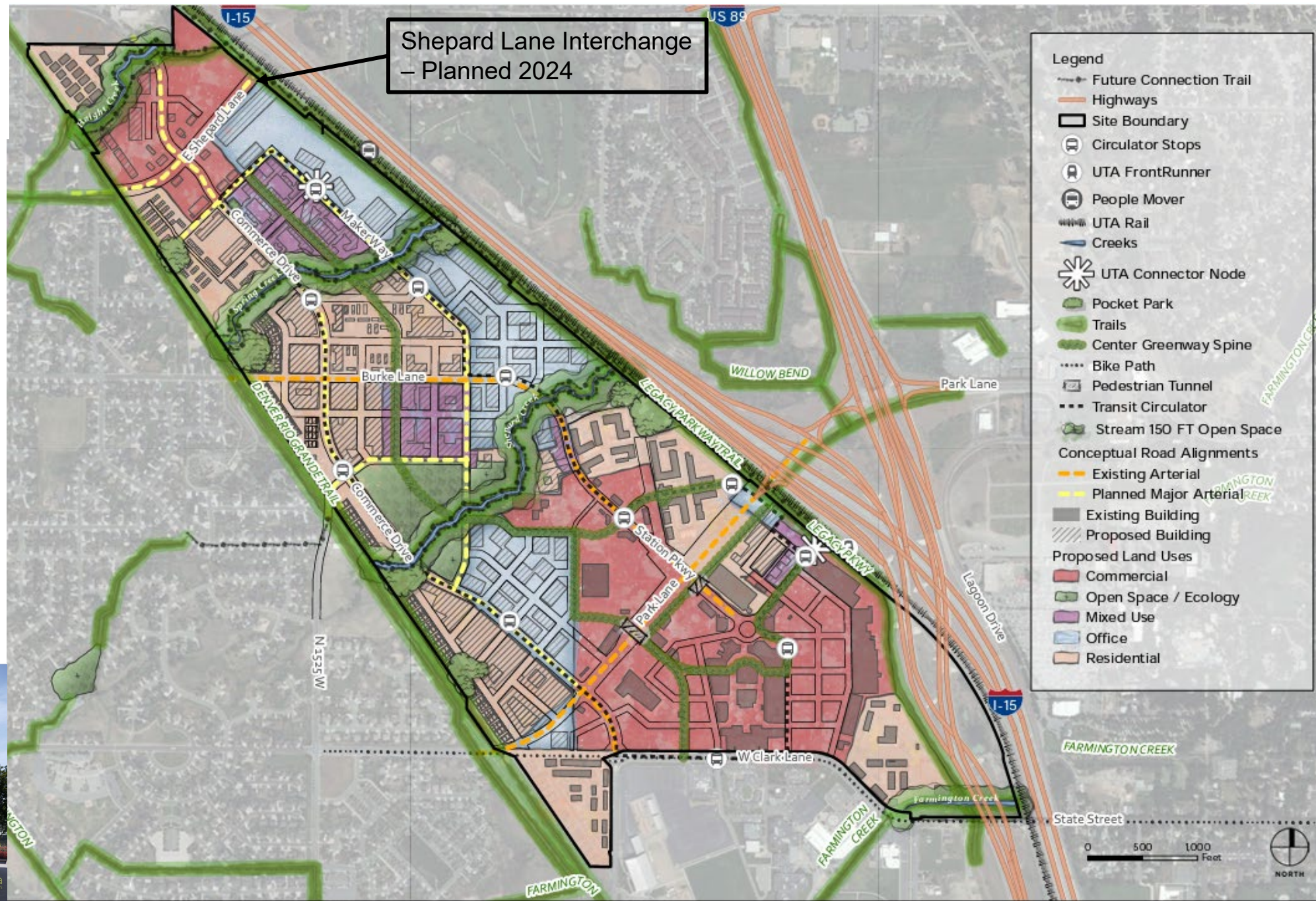
- Office & Flex: 3.3m ft²
- Retail: 95k ft²
- Residential: 414





Build Out:

- Office: 2.4m ft²
- Retail: 542k ft²
- MF: 3,700
- TH: 709
- Pop: 15,000



West Davis Corridor – Impact



Building Type	Sq. Ft. or Unit	Build Out Taxable Value*	Potential Jobs / Residents
Retail	1,720,000	\$353,000,000	2,900
Office	3,060,000	\$634,000,000	16,200
Industrial/Flex	5,880,000	\$731,000,000	4,400
Residential	8,700	\$1,885,000,000	30,850
Total		\$3,603,000,000	

23,500 jobs

Construction absorption: 2023-2043

WDC

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Utah's Coordinated Action Plan for Economic Vision 2030



**Governor's Office of
Economic Opportunity**



**GOVERNOR'S OFFICE OF
Planning & Budget**





Unified Economic
Opportunity Commission

Utah Economic Vision 2030

Industry • Community • Individual • Opportunity



September 2021

Strategies

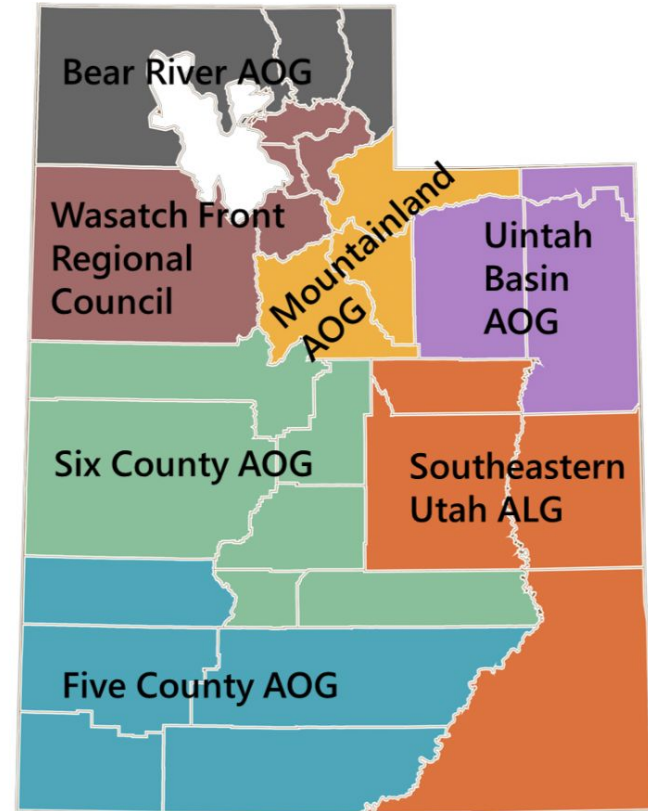
- Education and Talent Pipeline
- Community Growth and Economic Planning Alignment
- Economic Opportunity for All
- Low Regulations/Taxes
- Strong Targeted Industries
- Startup State
- Rural Affairs
- International Connections

About the Project

The state of Utah is embarking on strategic planning process that will ultimately create Utah's Coordinated Action Plan for Economic Vision 2030 – a comprehensive economic development strategy that links the efforts and outcomes of seven existing regional Comprehensive Economic Development Strategies (CEDS) developed by each of the state's Association of Governments (AOGs).

The Value of a Coordinated Action Plan

This planning effort will articulate the competitive advantages and unique value proposition for the state and each of its regions. The goal of Utah's Coordinated Action Plan for Economic Vision 2030 is to align state, regional, and local efforts to accomplish local priorities.



Mutual Goals



Support and ensure success for each regional CEDS



Help regions and the state leverage federal resources and philanthropic funds



Demonstrate leadership with a unified, One Utah approach to economic development

Outcomes



Cultivate the state's business climate and growth



Improve quality of life for all Utahns



Enhance economic and community development capabilities

Project Timeline

April 2022

January 2023

PHASE 1

ORGANIZING
FOR SUCCESS

PHASE 3

STRATEGIC
PRIORITIES

PHASE 5

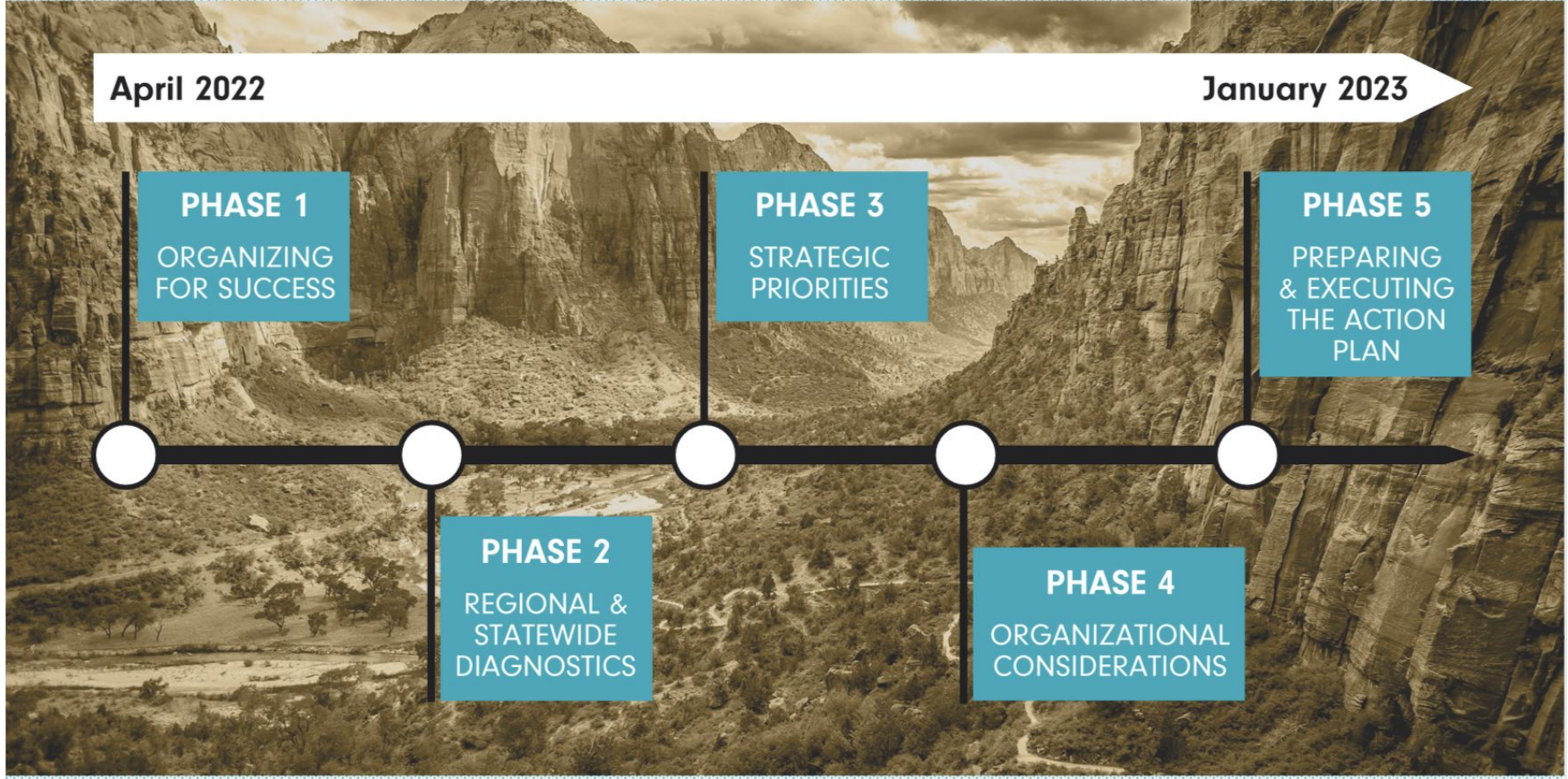
PREPARING
& EXECUTING
THE ACTION
PLAN

PHASE 2

REGIONAL &
STATEWIDE
DIAGNOSTICS

PHASE 4

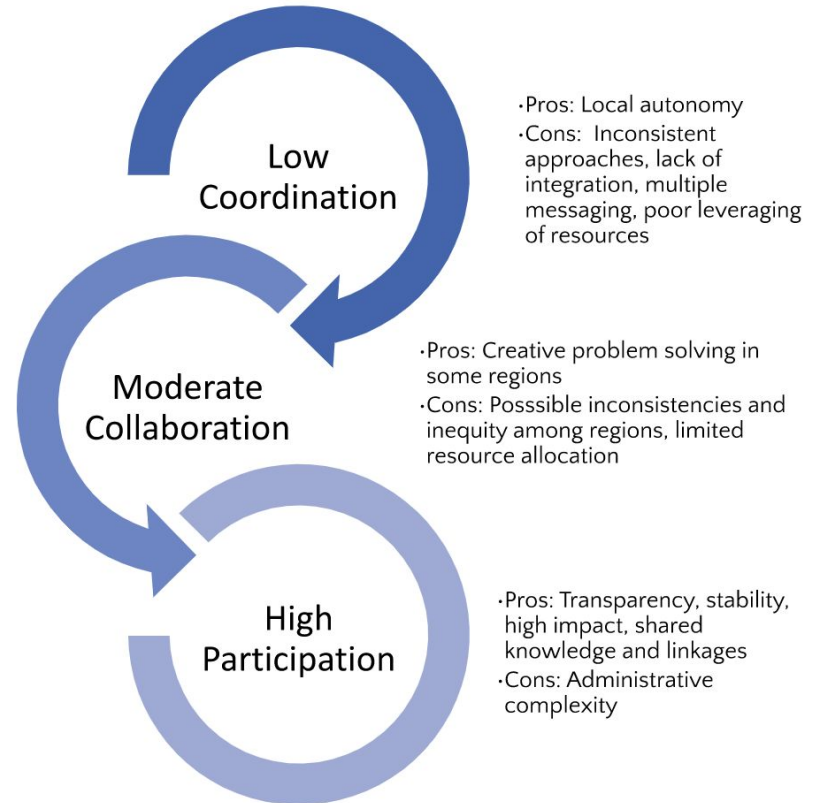
ORGANIZATIONAL
CONSIDERATIONS



Project Deliverables & Next Steps

Research / Analysis

- [Six “I” Analysis](#) - completed
- [Industry and workforce analysis](#) - completed
- [Business Survey analysis and report out](#) - completed
- Organizational / Resiliency assessment - in process
- Assess target infrastructure priority lists: region priorities w/ state priorities



Project Deliverables & Next Steps

Strategy / Launch

- Develop strategy outline
- Communications Plan
- Metrics/dashboard

Final Plan

- A state economic profile
- A profile of each AOG region
- Executive summary
- Action Plan Matrix
- Data appendix

GOAL: Education and Talent Pipeline						
Priority	Action	Region	Champion	Resources	Timeline	Metric