

UTAH ECONOMIC SNAPSHOT

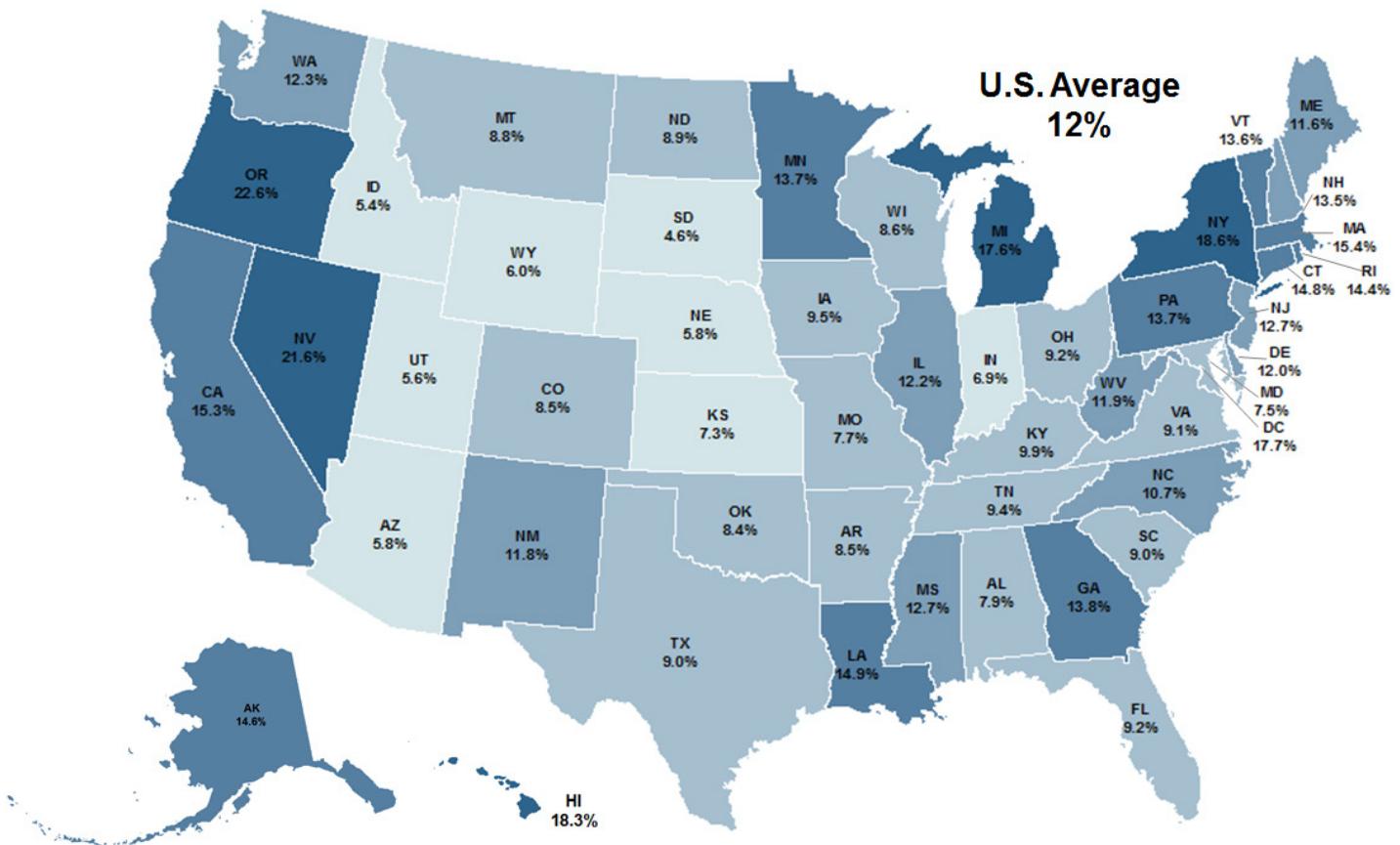
JUNE 17, 2020

Overview

Due to the state's prompt and decisive action responding to the COVID-19 pandemic, Utah has moved from the urgent phase through the stabilization phase much quicker than initially anticipated, and is now beginning to see glimmers of the recovery phase materialize. Utah now has a unique window of opportunity to accelerate economic reactivation before short-term job losses become permanent, while continuing to protect public health.

Even with Utah's prompt response, the COVID-19 pandemic has caused significant economic disruption. Because most economic data appear with a time lag, the full impacts remain difficult to ascertain. However, meaningful data is now becoming available and will become increasingly available going forward. Although Utah has fared much better than the nation to date, prompt action is needed to accelerate economic recovery.

Continued Unemployment Claims as Percent of Workforce by State



Source: Utah Department of Workforce Services, U.S. Employment and Training Administration and U.S. Bureau of Labor Statistics



The Goal

While federal support provides a meaningful bridge to the future, economic reactivation is the key to Utah's long-term future. The state generally experienced economic stabilization with the change in public health protocols that came from the move from a high ("red") to moderate ("orange") health guideline level, and began to experience net employment reabsorption as more businesses reactivated when moving from moderate to a low ("yellow") level.

Importantly, about 75% of those continuing to file unemployment claims are identified as "job attached," indicating they are temporarily furloughed and anticipate returning to their place of employment. With the launch of key components of Utah's recovery and revitalization plan, the state can look optimistically toward the prospect of more rapid economic normalization in the coming months.

As Utah "recovers to better", state leaders and decision-makers should consider methods for leveraging economic changes to create a stronger, more resilient, and inclusive economy for generations to come. Key to this outcome is promoting state policies and effectively deploying federal CARES Act and other resources for economic revitalization over the next 100, 250 and 500 day time horizons.

In making these decisions, state leaders should focus on these five guiding principles:

1. Speed - Act with pace
2. Targeted - Focus on industries, locations, and people that have suffered the greatest impact
3. Enduring - Favor policy solutions that solve an existing problem and provide an enduring benefit
4. Flexible - Combat uncertainty by preparing for a range of scenarios
5. Innovative - Find better ways to create value

Economic Indicators Overview

In reviewing economic indicators, it is important to remember that economic data represent snapshot glimpses. Each indicator has strengths and weaknesses in explaining economic activity. Because of this, no single economic indicator tells the full economic story. Moreover, given the magnitude of economic impacts to date and significant level of federal response, many traditional historic relationships among indicators may not apply.

Labor Markets

Unemployment Claims

Continued Unemployment Insurance Claims

- As shown below, continued unemployment insurance claims (those filers who remain out of work and continue to draw unemployment benefits) have been declining since April 25 to about 81,500 filers by the week ending June 6th. At this stage in the late stabilization / early recovery phase, the trend decline in continued claims should be emphasized more than new initial claims each week, since a trend decline in continued claimants means that filers are returning to work faster than new layoffs are occurring on net.
- As of the week ending June 6th, about 75% of claimants filed as "job attached," suggesting significant opportunity in Utah for economic re-engagement with quick action.

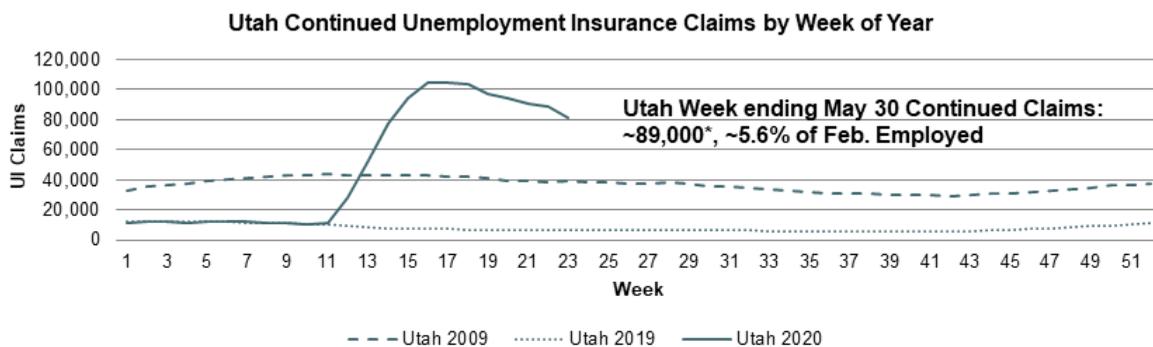
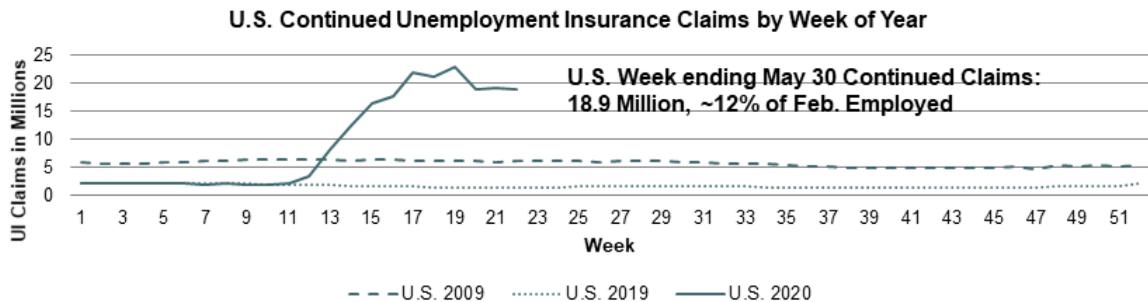


- Utah's continued claims as of the week ending May 30th (the most recently available U.S. and all-states' data), totaled about 89,000 and comprised roughly 5.6% of February's statewide employed. During that same week, the U.S. average continued claimants as a percent of February's national employment base was 12%.
- The hardest hit industries in terms of continued claims activity are generally consistent with those industries that have posted the most initial unemployment insurance claims over the course of the pandemic - that is, accommodation and food services, administrative support industries, and retail trade. The healthcare and social assistance category could be regarded as an exception here, as the return of elective surgeries and rescheduled medical appointments may facilitate a faster reduction in continued claims in those industries.
- At the most granular six-digit industry code level, the most pronounced continued claims impacts are in full-service restaurants, hotels and motels, temporary help services, musical groups, nail salons, and passenger car rental establishments.

Pandemic Unemployment Assistance Claims

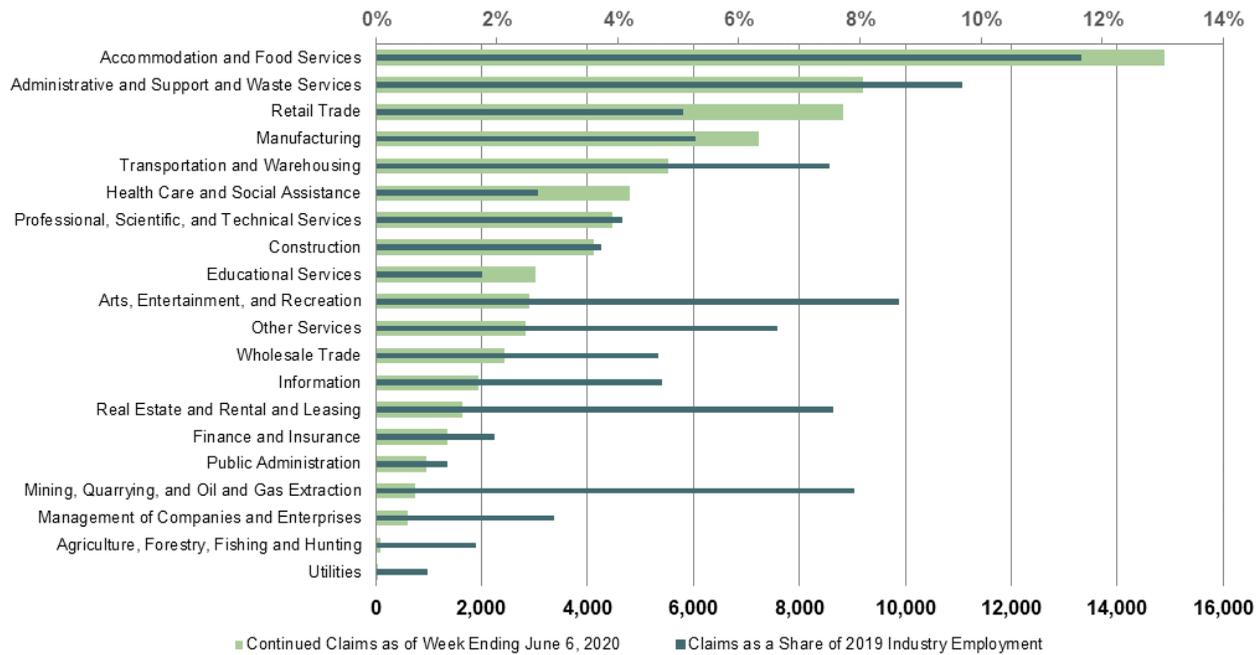
- Federal law created a new assistance program for those who do not qualify for traditional unemployment assistance claims.
- Over 29,000 Utahns have submitted a claim for this benefit. Similar to traditional unemployment insurance claims, these claims have moderated significantly, from a weekly peak of about 7,500 (week of April 12 – 18) to about 1,700 (week of May 31 – June 6).

Continued Unemployment Insurance Claims



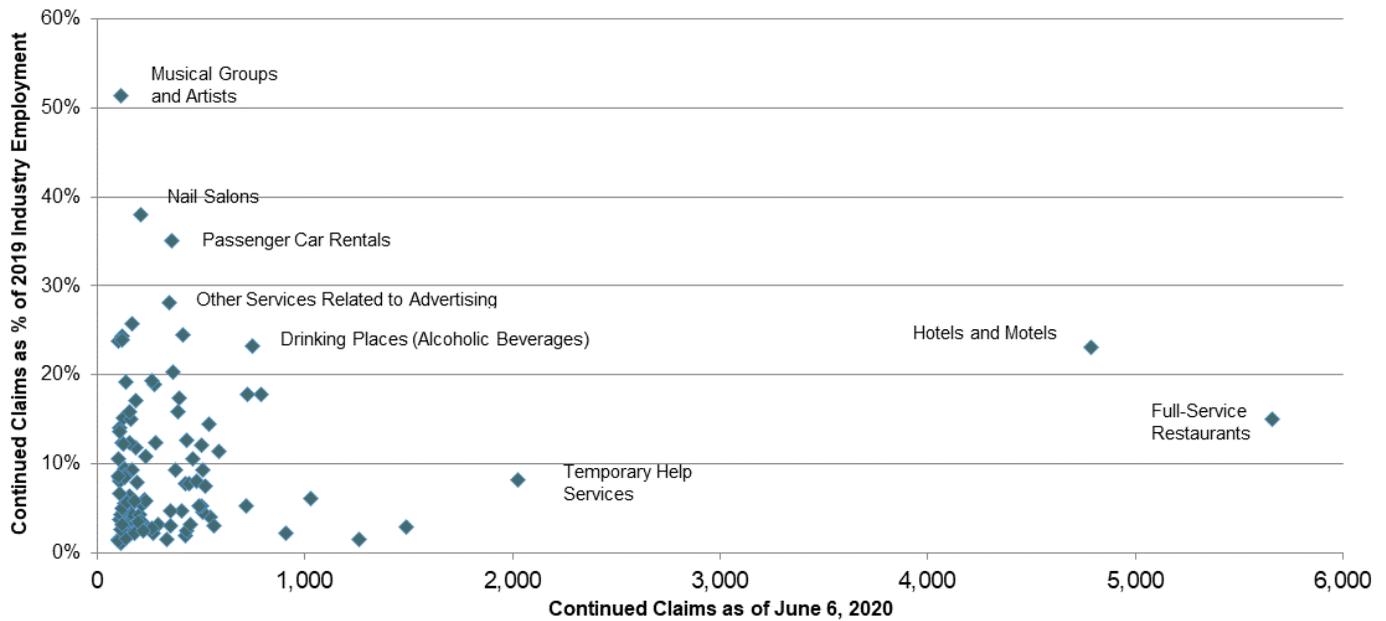
*Note: Utah continued claims data is available via the Department of Workforce Services a week ahead of U.S. data. Utah posted about 81,500 continued claims for the period week ending June 6th, but the previous week's values are shown in the text box for comparison purposes.
Source: Utah Department of Workforce Services, U.S. Employment and Training Administration and U.S. Bureau of Labor Statistics

Continued Unemployment Insurance Claims by Industry



Source: Utah Department of Workforce Services

Continued Unemployment Insurance Claims by 6-Digit Industry



Source: Utah Department of Workforce Services and U.S. Bureau of Labor Statistics

Continued Claims by Industry, Job Attached Status and Job Openings

NAICS Code	NAICS Description	All Continued Claims Week Ending 6/6 % of 2019 Employment	Job Attached Claimants	Laid Off Claimants	Job Openings
72	Accommodation and Food Services	11.6%	12,882	2,021	1,559
56	Administrative and Support and Waste Management and Remediation Services	9.7%	6,341	2,857	1,375
71	Arts, Entertainment, and Recreation	8.6%	2,336	569	16
21	Mining, Quarrying, and Oil and Gas Extraction	7.9%	537	202	28
53	Real Estate and Rental and Leasing	7.6%	1,258	391	189
48-49	Transportation and Warehousing	7.5%	3,515	2,005	291
81	Other Services except Public Administration	6.6%	2,365	474	270
31-33	Manufacturing	5.3%	5,019	2,207	777
44-45	Retail Trade	5.1%	6,873	1,948	2,196
51	Information	4.7%	1,357	577	493
42	Wholesale Trade	4.7%	1,779	655	1,569
54	Professional, Scientific, and Technical Services	4.1%	3,293	1,168	1,568
23	Construction	3.7%	2,888	1,224	503
55	Management of Companies and Enterprises	2.9%	488	114	142
62	Health Care and Social Assistance	2.7%	3,704	1,094	1,224
52	Finance and Insurance	2.0%	851	497	926
61	Educational Services	1.7%	1,922	1,092	1,439
11	Agriculture, Forestry, Fishing and Hunting	1.6%	69	26	193
92	Public Administration	1.2%	642	323	360
22	Utilities	0.9%	38	15	7
99	Unclassified		2,920	915	6,568
Total		5.2%	61,077	20,374	21,693

Source: Utah Department of Workforce Services

Utah Unemployment Rate

- The April 2020 unemployment rate was 9.7% for Utah, up significantly from 3.8% rate in March 2020. However, Utah's unemployment rate ranked sixth lowest among all states during the month of April and contrasts very favorably to the national unemployment rate of 14.7% that month as well.

Job Growth Rate

- The April 2020 job loss rate was 7.1% for Utah, down from a 2.5% growth rate in March 2020. While also a starkly negative figure in absolute terms, Utah led the nation in this indicator as Utah experienced fewer job losses relative to last year's total employment base than any other state in the nation.

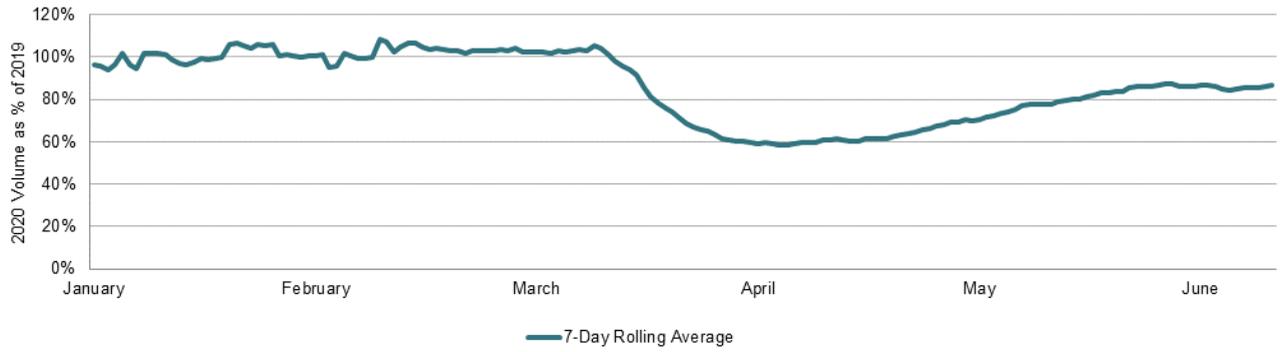
Job Openings

- While the simple count of job openings has limitations, including that it doesn't address the job quality or address skills matches for those who are unemployed, 20,000 - 25,000 jobs remain available in Utah. As shown above, many of these job openings exist in areas of the economy that may soon be further reactivated, such as accommodation and food services, retail trade, and administrative support industries.

Utah Traffic Counts

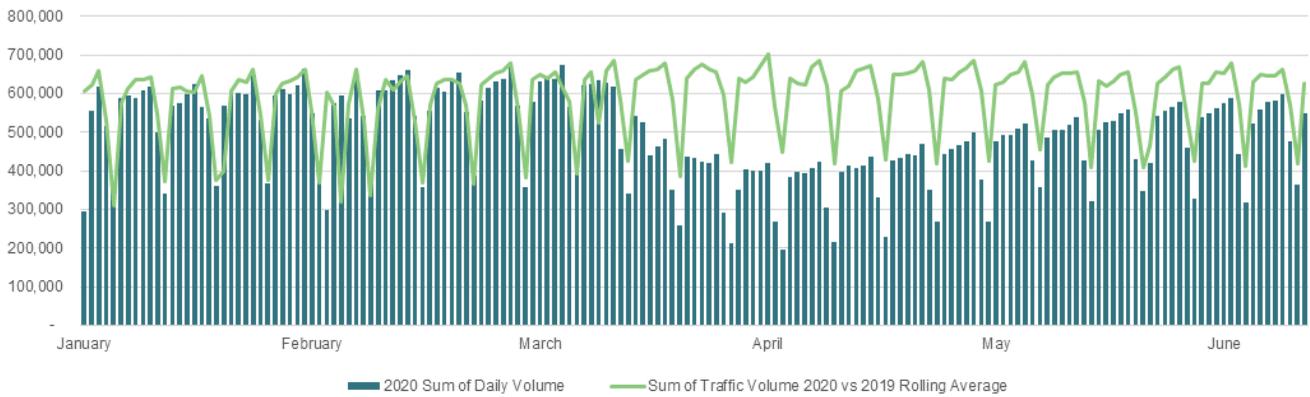
While not a pure economic indicator, real-time traffic counts provide a sense of activity on Utah's roads, which can provide a sense of economic activity. In March of this year, statewide traffic levels dropped to about 60% of last year's regular traffic volume, but have increased steadily since mid-April to current plateaued levels of about 85% of last year's averaged traffic volumes. That same pattern of a significant decrease and partial return in volume is evident not only along Utah's major urban corridors (Interstate 15, 215, and 80) but also within Utah's rural areas and tourist locations.

Statewide Traffic Volume: 2020 Volume Relative to 2019



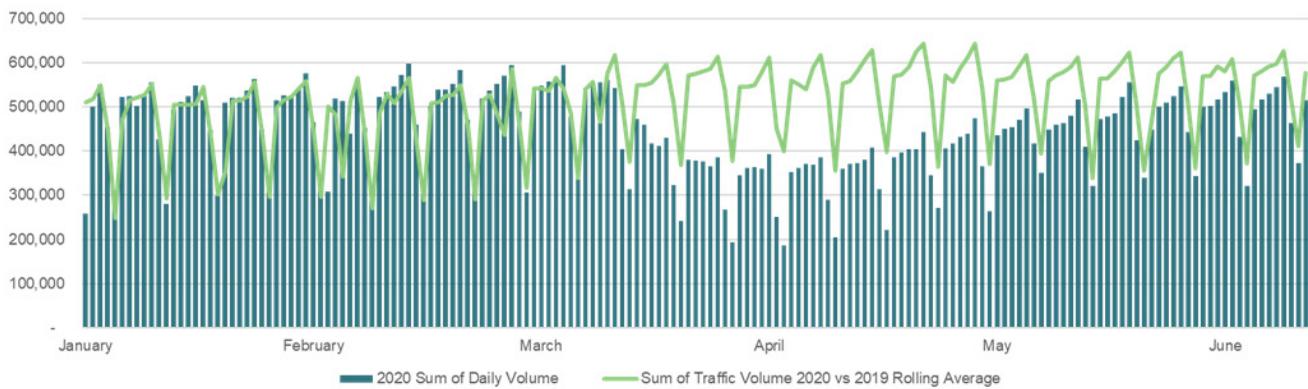
Source: Utah Department of Transportation

Daily Traffic Volume I-15 Salt Lake County



Source: Utah Department of Transportation

Daily Traffic Volume I-15 Utah County



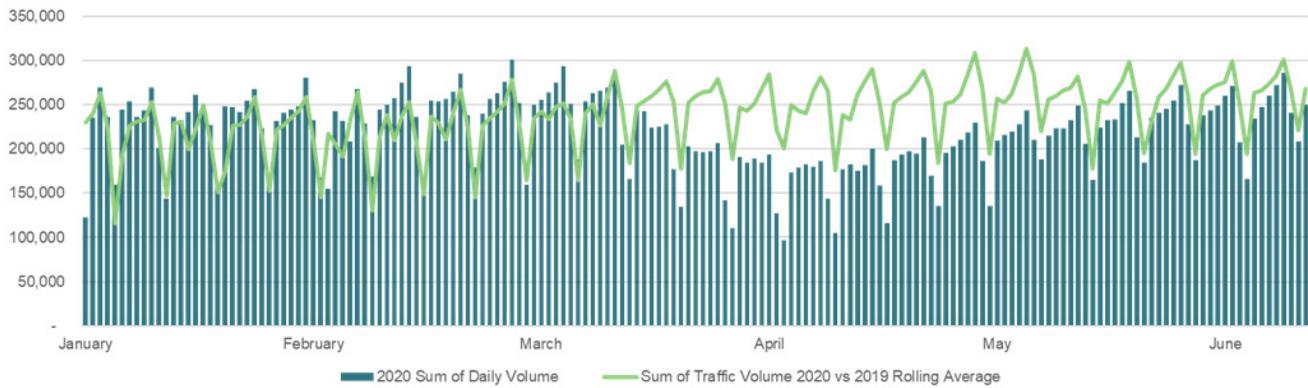
Source: Utah Department of Transportation

Daily Traffic Volume I-15 Davis County



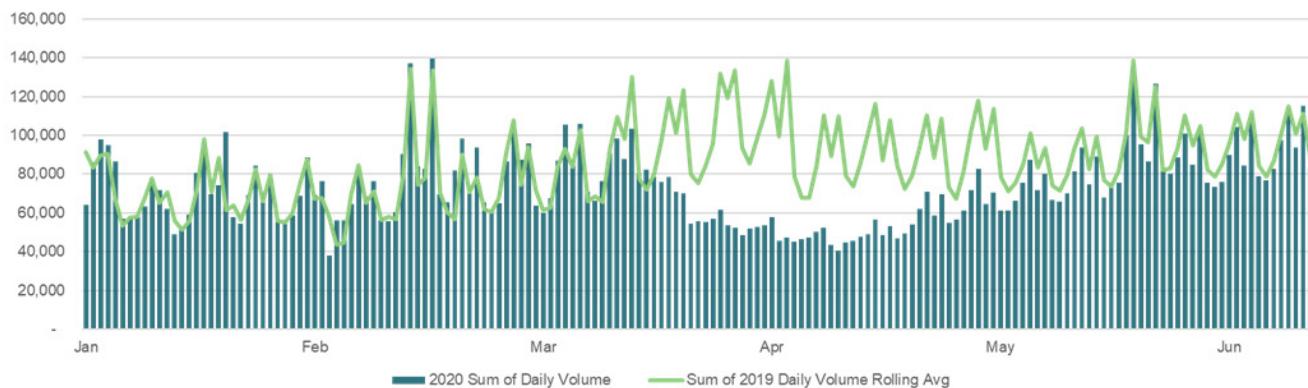
Source: Utah Department of Transportation

Daily Traffic Volume I-15 Weber County



Source: Utah Department of Transportation

Daily Traffic Volume I-15 Southern Utah



Source: Utah Department of Transportation

Utah AAA Bond Rating Reaffirmed

In May 2020, the State Treasurer and Governor's Office of Management and Budget discussed the state's economic and financial situation with the three major bond rating agencies. Even in the midst of economic turmoil, all three rating agencies reaffirmed the state's AAA bond rating. When the state took its bonds to market on May 14, bond markets had a very strong positive response.

The three bond rating agencies had positive comments regarding Utah's economic and financial standing:

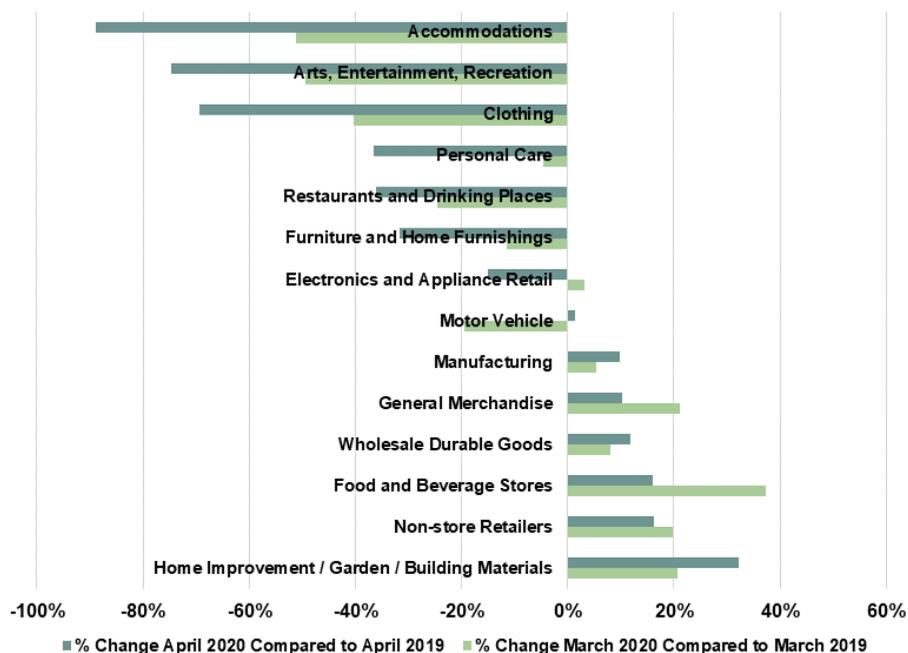
- "The state is well-positioned to address an economic downturn, given its broad control over expenditures, revenue raising capacity, and maintenance of sound reserves." - Fitch
- "Utah's AAA rating reflects the state's tradition of strong conservative fiscal governance that is expressed in frequent revenue forecast adjustments, structurally balanced budgets, a willingness to make both spending and revenue adjustments when necessary, and accumulation of ample reserves." – Moody's
- "S&P Global Ratings believes Utah's strong credit fundamentals will allow the state to navigate through the economic uncertainty and challenges brought about by the COVID-19 pandemic." - S & P Global

Tax Collections

Taxable Sales

- For industries with sales subject to sales and use tax, taxable sales represent a solid economic indicator. March 2020 taxable sales were slightly up (0.8%) overall compared to March 2019 taxable sales and preliminary reports of April 2020 taxable sales were down by 0.8% compared to April 2019 taxable sales. However, this aggregate amount hides significant shifts in consumption. Some industries experienced major decreases while other industries experienced major increases. The graph below shows comparisons of changes in taxable sales for selected sectors experiencing significant impacts.

% Change in Taxable Sales for Selected Sectors - March & April 2020



Source: Utah State Tax Commission

Sales Tax Revenues

- Sales tax revenues represent not a single month snapshot, but Fiscal Year-to-date collections. State sales tax collections are growing at about 7.1% year-to-date over Fiscal Year 2020 as of mid-June. With a recent and potentially pending deceleration in collections, the updated consensus sales tax target for Fiscal Year 2020 is 5.7%.

Income Tax Withholding

- Income tax withholding collections are growing at 7.4% on a year-over-year basis through mid-June, compared to an average growth rate of about 8% through most of FY 2020. However, this is projected to moderate by year end. Income tax as a whole remains below the February target due to the income tax filing deadline extension from April 15, 2020 to July 15, 2020.

Revenue Estimates

- Updated consensus revenue estimates show an anticipated \$7.9 billion in General Fund and Education Fund collections in Fiscal Year 2020 and \$7.66 billion in General Fund and Education Fund collections in Fiscal Year 2021. These revenue expectations yield a \$93 million shortfall (1.2%) against the General Session expectations for Fiscal Year 2020 and a \$757 million shortfall (9%) in Fiscal Year 2021. In terms of General and Education Fund components, the General Fund is expected to be down \$26 million and \$106 million in Fiscal Years 2020 and 2021, respectively, and the Education Fund is expected to be down \$67 million and \$651 million in those years as well. These estimates remove the timing of payments issues between fiscal years related to the change in tax filing deadlines, which are newly estimated at approximately \$770 million.

\$11-12 Billion Federal Support (CARES and Other Federal Support)

- \$11.5 Billion in estimated federal support as of June 2020 (excluding \$2.7 billion in maximum eligible Municipal Liquidity Facility)
- \$5.2 billion Paycheck Protection Program awards
- \$1.25 billion Coronavirus Relief Fund (\$935 million to state; \$315 million to Salt Lake and Utah counties)
- \$900 million other CARES Act funding to state and local governments \$2.5–2.8 billion IRS economic impact payments to households
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- \$380 million in federal pandemic unemployment compensation

