

UTAH ECONOMIC SNAPSHOT

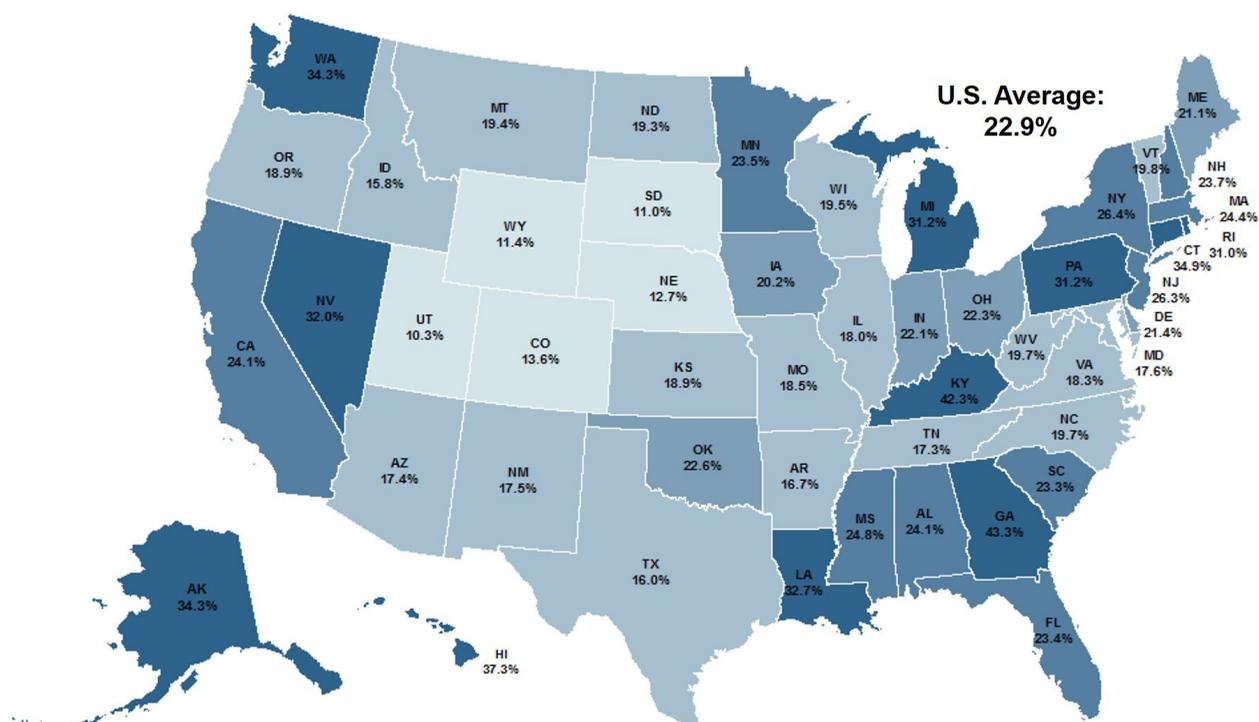
MAY 28, 2020

Overview

Due to the state's prompt and decisive action responding to the COVID-19 pandemic, Utah has moved from the urgent phase to the stabilization phase much quicker than initially anticipated. 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 severe 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.

Unemployment Claims as Percent of Workforce by State



Note: Unemployment claims are initial unemployment insurance claims between March 16 and May 23, 2020
Sources: Utah Department of Workforce Services 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 is beginning to experience some economic stabilization with the change in public health protocols that came from the move from a high ("red") to moderate ("orange") risk level. This initial foothold provided a positive signal for firms and households.

Moving from moderate ("orange") to low ("yellow") risk level in most areas of the state will further accelerate economic reactivation while continuing to protect public health. Importantly, about 70% of those filing unemployment claims are



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identified as “job attached,” indicating they are temporarily furloughed and anticipate returning to their place of employment. Moving to the “yellow” risk level will facilitate further economic re-engagement.

As the state looks to the future and focuses on allocating CARES Act and other resources for economic reactivation, the following principles should guide action:

- Get job-attached workers back into their jobs
- Focus CARES Act funding on creating permanent benefit from one-time funds
- Retrain Utahns out of work, with a strong focus on short-term technical education in high-demand fields
- Create new jobs by leveraging the state’s inherent strengths to seize current opportunities as companies change how they do business, including through re-shoring
- Look for creative opportunities to assist people and industries most in need

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 disruption to date, many traditional historic relationships among indicators may not apply.

Labor Markets

Unemployment Claims

Initial Unemployment Insurance Claims

- As shown below, while initial unemployment insurance claims continue, new weekly claims have dropped significantly, from roughly 33,000 in the week of March 29 – April 4 to about 5,500 in the week of May 17 – May 23. While still high, this downward trend suggests movement toward economic stabilization.
- About 70% of claimants filed as “job attached,” suggesting significant opportunity in Utah for economic re-engagement with quick action.
- Cumulative unemployment insurance claims (the sum of initial claims over weeks 12 through 21) relative to workforce size are less than half in Utah (10.4%) compared to the US (23.6%).
- Cumulative new claims were initially the most meaningful real-time economic indicator as the pandemic’s economic effects took hold. However, while new weekly initial claims remain an important indicator, cumulative unemployment insurance claims will be a less meaningful measure going forward as people who previously claimed unemployment benefits move back to work.

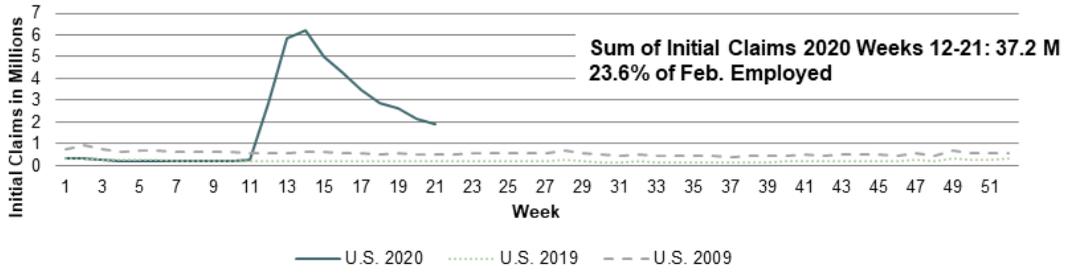
Pandemic Unemployment Assistance Claims

- Federal law created a new assistance program for those who do not qualify for traditional unemployment assistance claims.
- Over 26,000 Utahns have submitted a claim for this benefit. Similar to traditional unemployment insurance claims, these claims have moderated significantly, from a peak of about 7,500 (week of April 12 – 18) to about 2,300 (week of May 17 – 23).

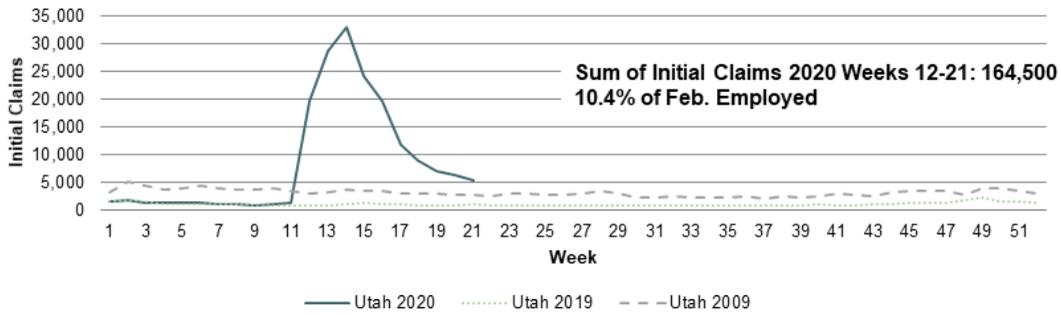


Unemployment Insurance Claims

U.S. Initial Unemployment Insurance Claims by Week of Year

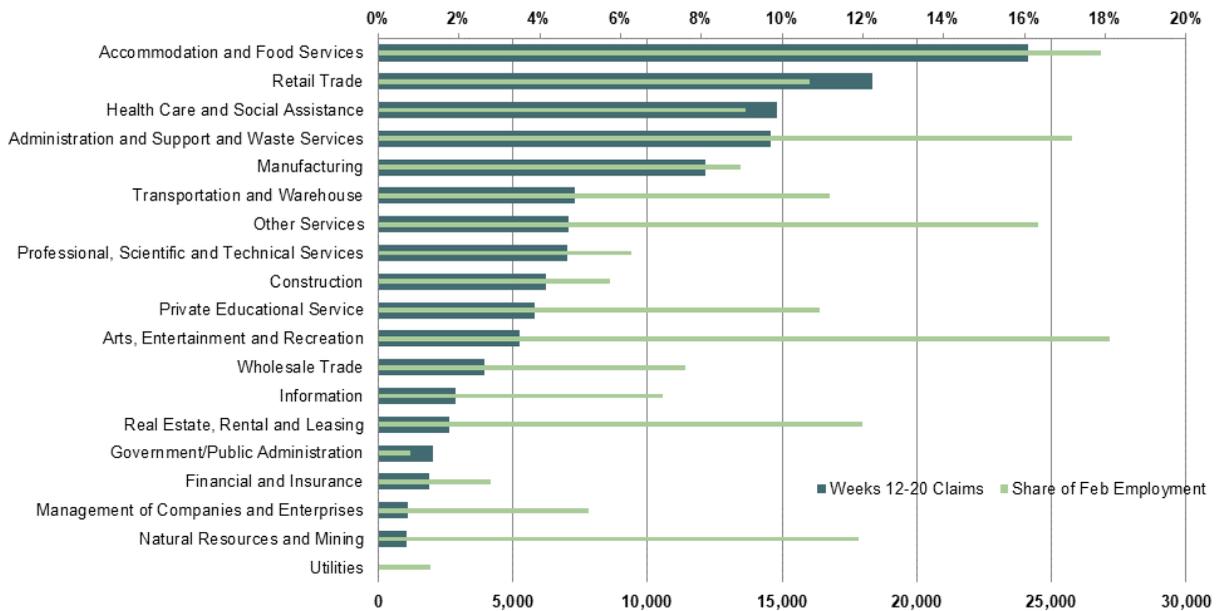


Utah Initial Unemployment Insurance Claims by Week of Year



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

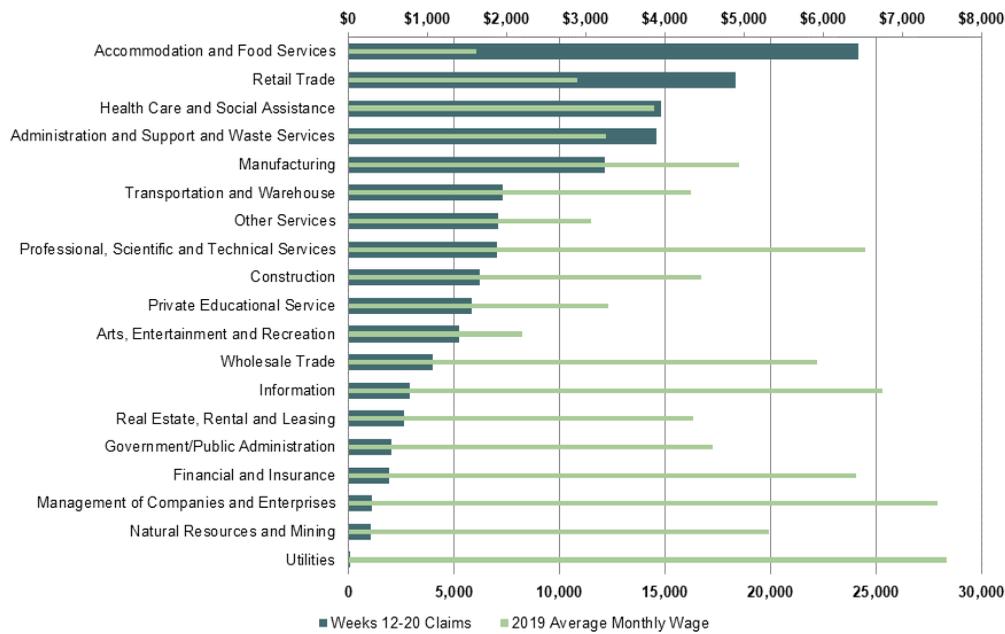
Unemployment Insurance Claims by Industry



Source: Utah Department of Workforce Services & Bureau of Labor Statistics



Unemployment Insurance Claims by Industry

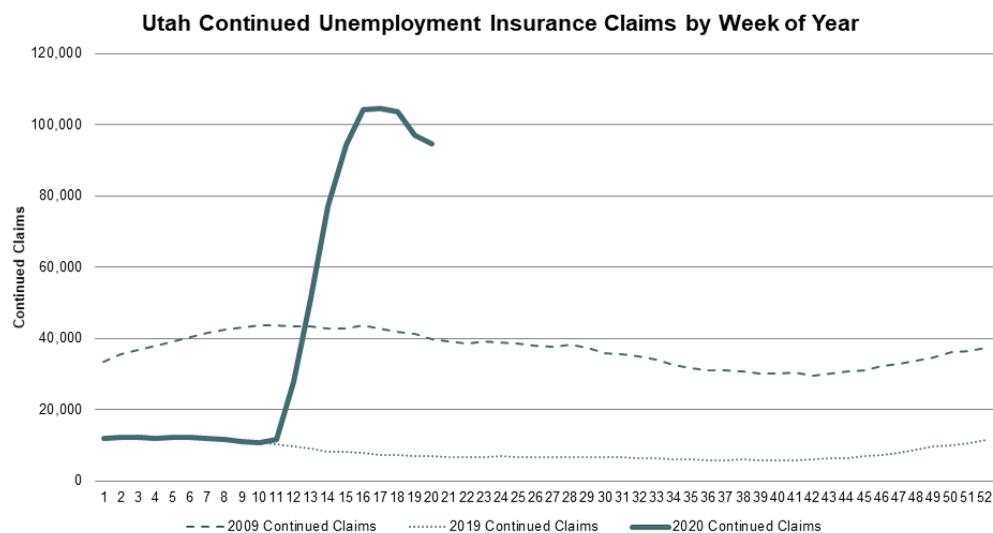


Source: Utah Department of Workforce Services & Bureau of Labor Statistics

Continued Unemployment Insurance Claims

- As Utah's economic reactivation continues to expand, continued unemployment insurance claims (those who continue receiving unemployment insurance benefits after initially filing), will be the more meaningful economic measure.
- As shown below, weekly continued claims increased from about 11,500 for the week of March 8 – 14 to over 100,000 by the week of April 12 - 18. However, growth in continued claims moderated toward the end of April, and declined by over 6,500 filers by the week of May 3 – 9, per the Department of Workforce Services.

Continued Unemployment Insurance Claims



Source: Utah Department of Workforce Services & Bureau of Labor Statistics



Utah Unemployment Rate

- The April 2020 unemployment was 9.7% for Utah (up from a revised 3.8% in March 2020), with roughly 156,000 Utahns counted as unemployed that month by the Bureau of Labor Statistics.

Job Growth Rate

- The April 2020 year-over total job growth rate was -7.1% for Utah and -8.1% for the private sector that month as well. Utah ranked first in the nation in job growth performance in April, meaning that Utah experienced fewer job losses relative to last year's April employment base than did any other state.

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, over 20,000 jobs remain available in Utah.

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. Traffic counts in most areas of the state show increases since the end of March and early April through May, but traffic counts generally still remain about 15% below 2019 levels as of May 27.

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 down by 0.4% overall compared to March 2019 taxable sales. Some industries experienced major decreases while other industries experienced major increases. The table below shows comparisons for selected sectors of sales and use tax filers that filed returns in both March 2019 and March 2020.



Industry	Share of March 2019 Taxable Sales	Taxable Sales % Change March 2020 compared to March 2019
Motor Vehicle	11%	-20%
General Merchandise	10%	+21%
Food Services and Drinking Places	9%	-25%
Food and Beverage Stores	7%	+37%
Wholesale - Durable Goods	7%	+8%
Building Materials, Home Improvement, Garden	5%	+21%
Manufacturing	4%	+7%
Accommodation	4%	-51%
Non-store Retailers	4%	+19%
Real Estate, Rental, Leasing	3%	-11%
Clothing	3%	-41%
Arts, Entertainment, Recreation	2%	-49%

Source: Utah State Tax Commission

Sales Tax Revenues

- Sales tax revenues represent not a single month snapshot, but fiscal year-to-date collections. The General Fund share of state sales tax collections are growing at a slightly lower rate than the projected FY 2020 growth rate through May 27. Since tax returns are filed with a lag from economic activity, this primarily represents economic activity through March 2020. However, this is projected to deteriorate in coming months.

Income Tax Withholding

- Income tax withholding collections are growing at 7.7% on a year-over-year basis through May 27, compared to an average growth rate of about 8% through most of FY 2020. However, this is projected to moderate in coming months. 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 Estimate Range

- Although revenue estimates have not formally been updated until additional data is gathered, the initial range estimate is for a \$200 - 500 million Education Fund / General Fund revenue loss in FY 2020 and a \$600 million to \$1.3 billion loss in FY 2021, separate from the \$840 million income tax deadline timing shift.

\$10-12 Billion Federal Support (CARES and Other Federal Support)

- \$5.5 billion Paycheck Protection Program awards (\$3.7 billion first round; \$1.8 billion second round as of May 8, 2020)
- \$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
- Enhanced unemployment benefits

