UTAH ECONOMIC SNAPSHOT

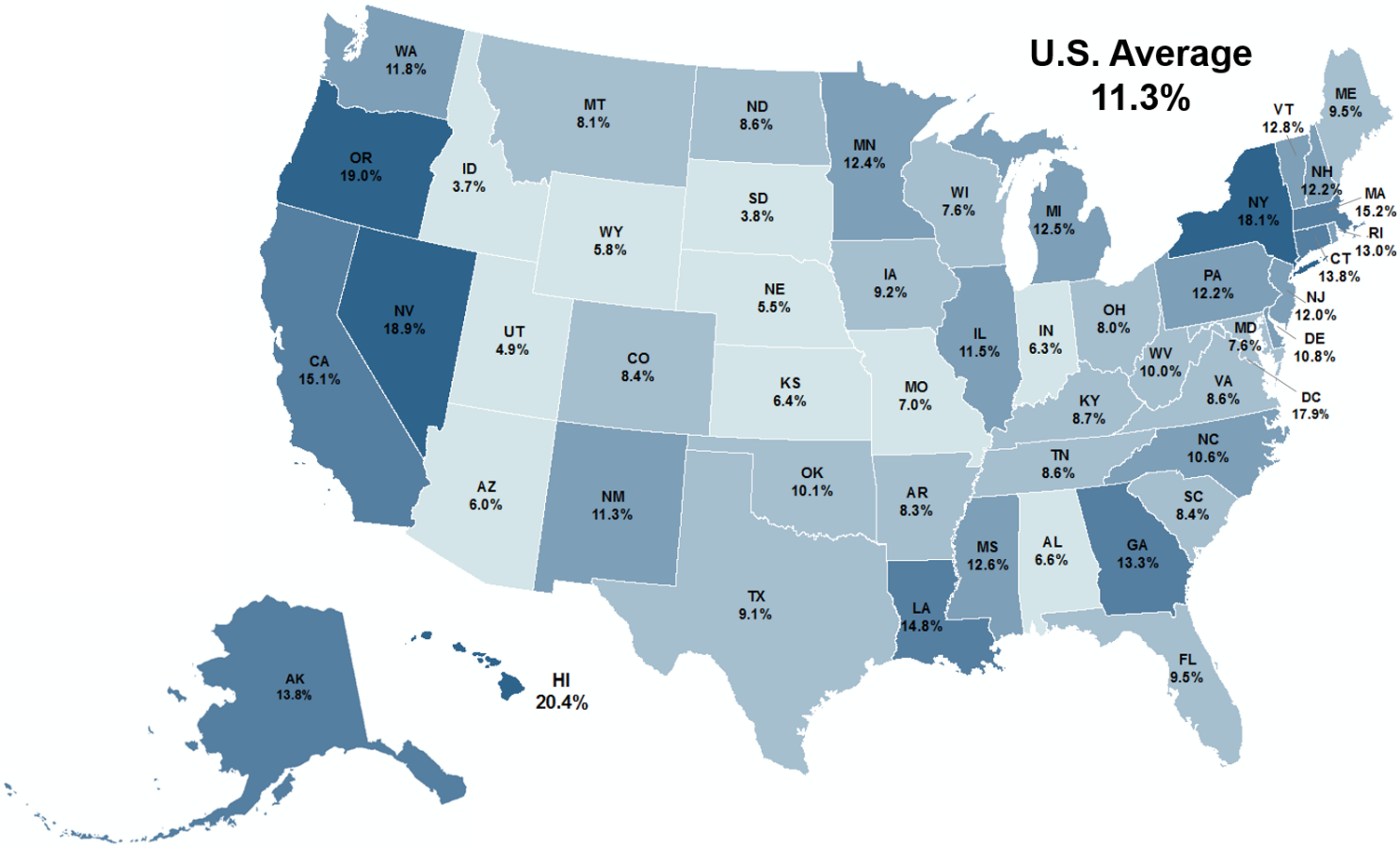
July 1, 2020

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 emphasize established public health guidelines to keep transmission manageable.

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

GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET

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, over 90% 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

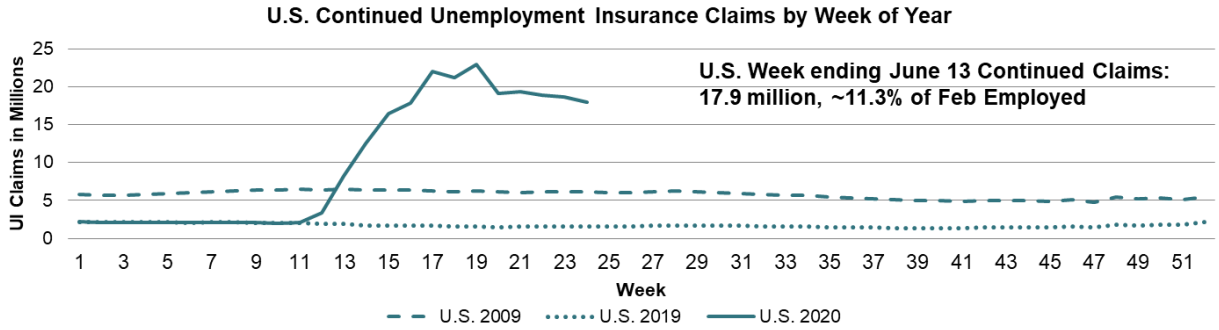
- As shown below, continued unemployment insurance claims (those filers who remain out of work and continue to draw unemployment benefits) have been declining since April 25 to about 78,000 filers by the week ending June 20th. At this stage in the late stabilization / early recovery phase, the trend 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 20th, over 90% of claimants filed as "job attached," suggesting significant opportunity in Utah for economic re-engagement with quick action.

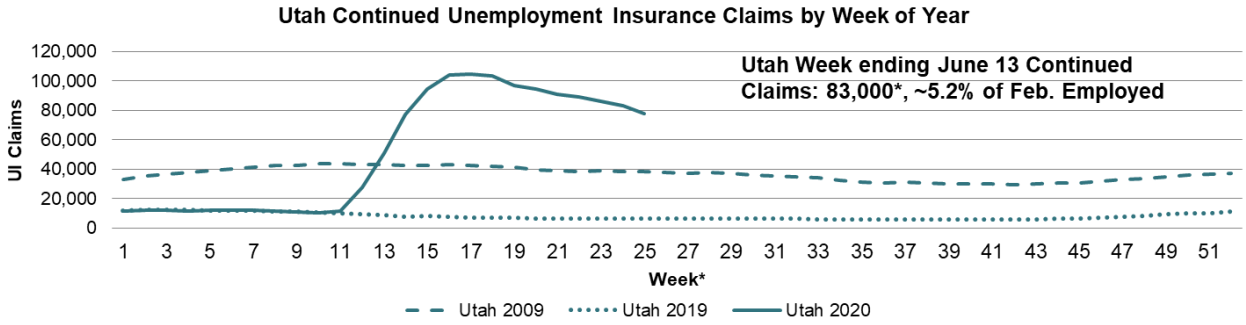
- Utah's continued claims as of the week ending June 13th (the most recently available U.S. and all-states' data), totaled about 83,000 and comprised roughly 5.2% of February's statewide employed. During that same week, the U.S. average continued claimants as a percent of February's national employment base was 11.3%.
- 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 and administrative support industries. When considering peak continued unemployment insurance claims by industry relative to last year's employment base by industry, sectors such as other services (e.g. hair and nail salons) and arts, entertainment and recreation were also among the hardest hit.
- Measuring the percent reduction in continued claims by industry from peak claims activity during the pandemic through the current reporting week can provide a sense for which industries are furthest along the road to recovery. Industries such as healthcare and social assistance, other services, and retail trade have shown the greatest reduction in continued claims from this year's peak.

Pandemic Unemployment Assistance Claims

- Federal law created a new assistance program for those who do not qualify for traditional unemployment assistance claims.
- Nearly 33,000 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 1,600 (week of June 14 – June 20).

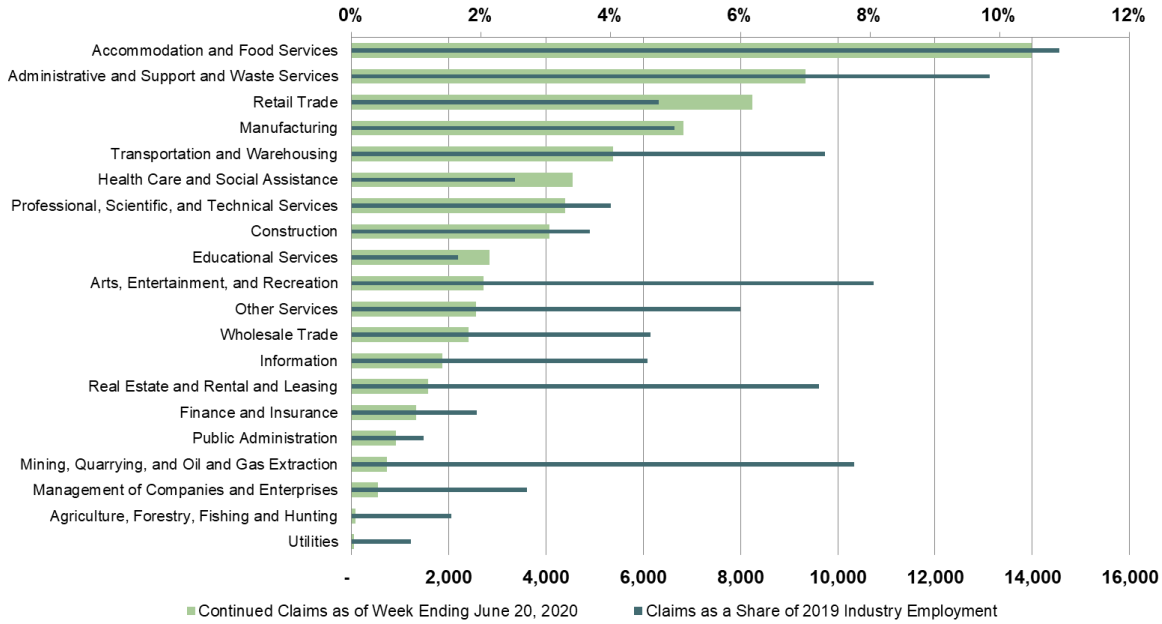
Continued Unemployment Insurance Claims





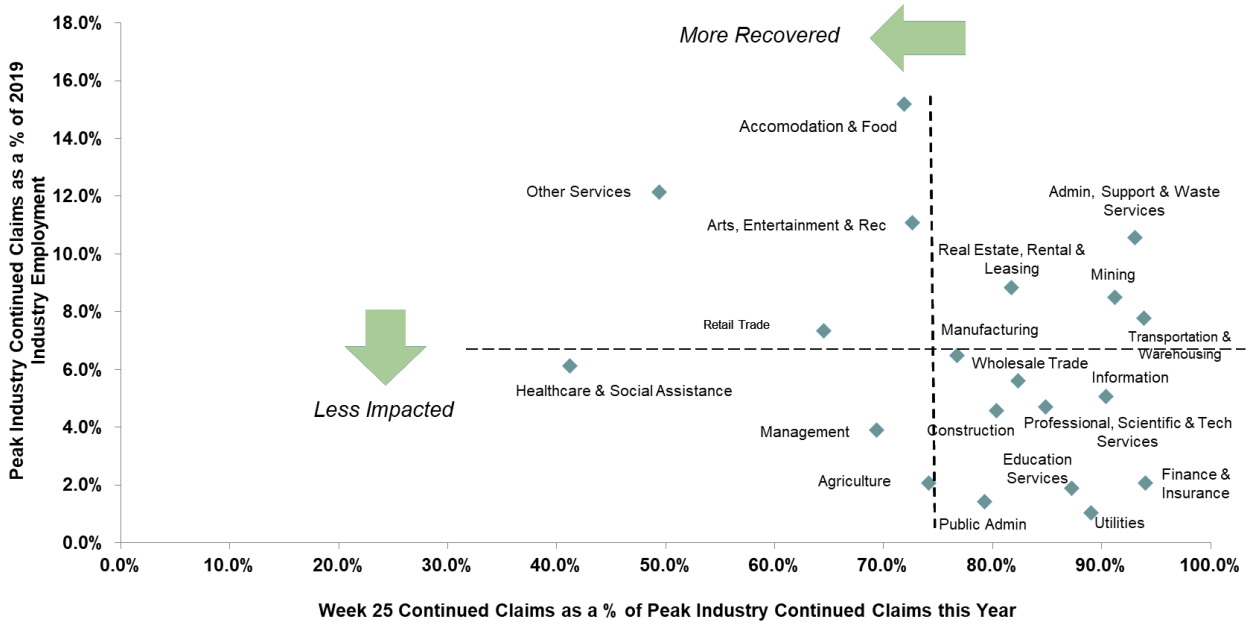
*Note: Utah continued claims data is available via the Department of Workforce Services a week ahead of U.S. data. Utah posted about 78,000 continued claims for the period week ending June 20th, but the previous week's values are shown in the text box for comparison purposes.
Source: Utah Department 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 Claims Peak Impact and Week 25 Recovery by Industry



Source: Utah Department of Workforce Services

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	18.0%	13,352	629	1,493
56	Administrative and Support and Waste Management and Remediation Services	12.0%	8,232	1,113	1,427
44-45	Retail Trade	10.6%	7,423	829	2,241
31-33	Manufacturing	8.8%	6,114	711	840
48-49	Transportation and Warehousing	6.9%	5,024	354	384
62	Health Care and Social Assistance	5.8%	4,065	480	1,443
54	Professional, Scientific, and Technical Services	5.6%	3,836	554	1,568
23	Construction	5.2%	3,401	667	567
99	Unclassified	4.4%	3,091	338	6,900
71	Arts, Entertainment, and Recreation	3.5%	2,625	85	18
61	Educational Services	3.6%	2,497	337	1,447
81	Other Services except Public Administration	3.3%	2,380	189	281
42	Wholesale Trade	3.1%	2,114	296	1,596
51	Information	2.4%	1,679	191	513
53	Real Estate and Rental and Leasing	2.0%	1,436	136	207
52	Finance and Insurance	1.7%	1,085	250	885
92	Public Administration	1.2%	798	120	405
21	Mining, Quarrying, and Oil and Gas Extraction	0.9%	652	74	32
55	Management of Companies and Enterprises	0.7%	501	51	118
11	Agriculture, Forestry, Fishing and Hunting	0.1%	70	19	189
22	Utilities	0.1%	47	10	8
Total	**All Industries**	**100.0%**	**70,422**	**7,433**	**22,562**

Source: Utah Department of Workforce Services

Utah Unemployment Rate

- The May 2020 unemployment rate was 8.5% for Utah, down from the revised 10.4% rate in April. Utah's May unemployment rate ranked second lowest in the country.

Job Growth Rate

- The May 2020 year-over job loss rate was 4.8% for Utah, falling significantly from the revised 7.3% job loss rate posed for the month of April. 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.

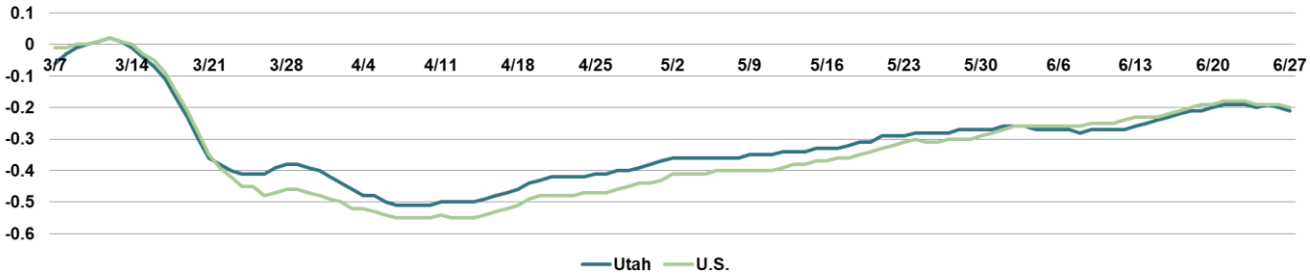
Job Openings

- 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 & U.S. Foot Traffic

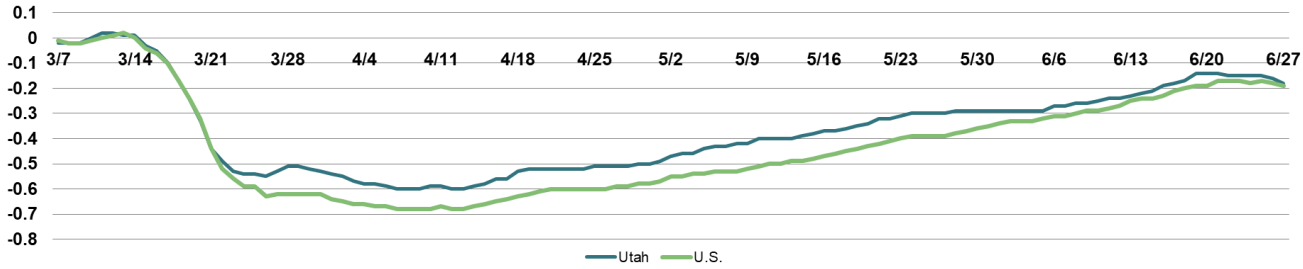
Over the course of the pandemic, many technology firms and other data analytics companies have published information that can help to assess the severity of economic impacts and status of economic recovery during the COVID-19 crisis. The below data comes from a publicly available dashboard by SafeGraph, and depicts the estimated change in foot traffic to businesses nationally and in Utah indexed against early March. The algorithm also applies a seven-day rolling window in order to smooth day-of-week variability. Utah generally outperforms the nation with respect to trough foot traffic losses and is generally on par with the nation in terms of foot traffic recovered to date.

Change in Foot Traffic to Businesses



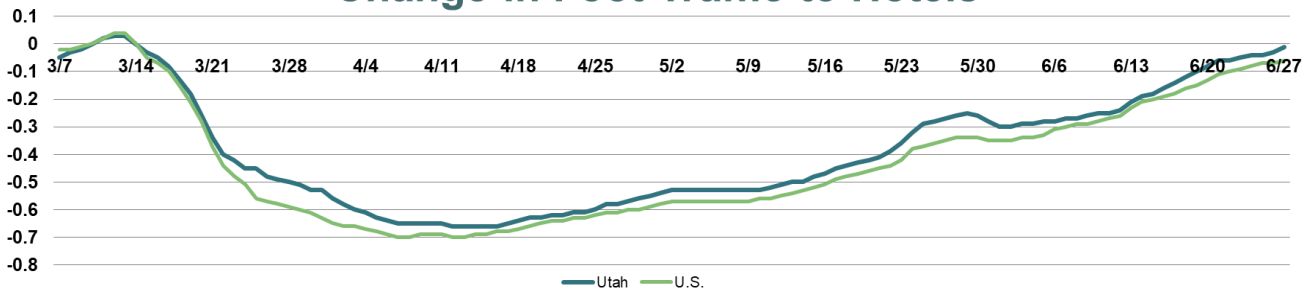
Source: Safe Graph Reopening the Economy Dashboard: Foot Traffic Patterns Across the U.S., 6/30/20

Change in Foot Traffic to Sit Down Restaurants



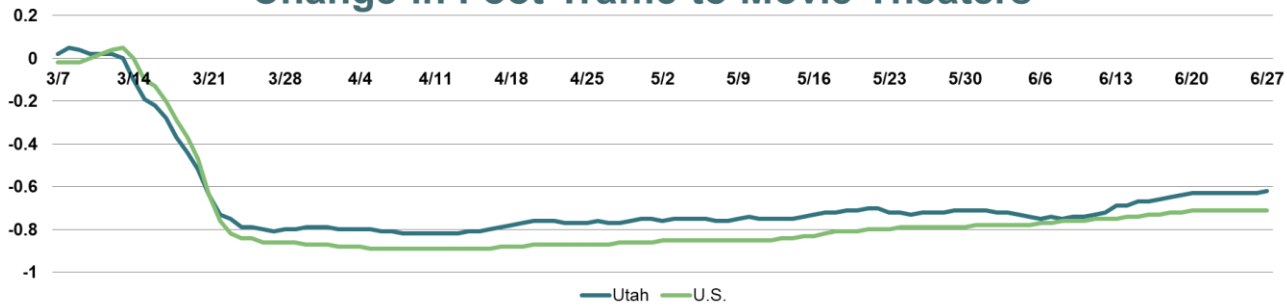
Source: Safe Graph Reopening the Economy Dashboard: Foot Traffic Patterns Across the U.S., 6/30/20

Change in Foot Traffic to Hotels



Source: Safe Graph Reopening the Economy Dashboard: Foot Traffic Patterns Across the U.S., 6/30/20

Change in Foot Traffic to Movie Theaters



Source: Safe Graph Reopening the Economy Dashboard: Foot Traffic Patterns Across the U.S., 6/30/20

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:

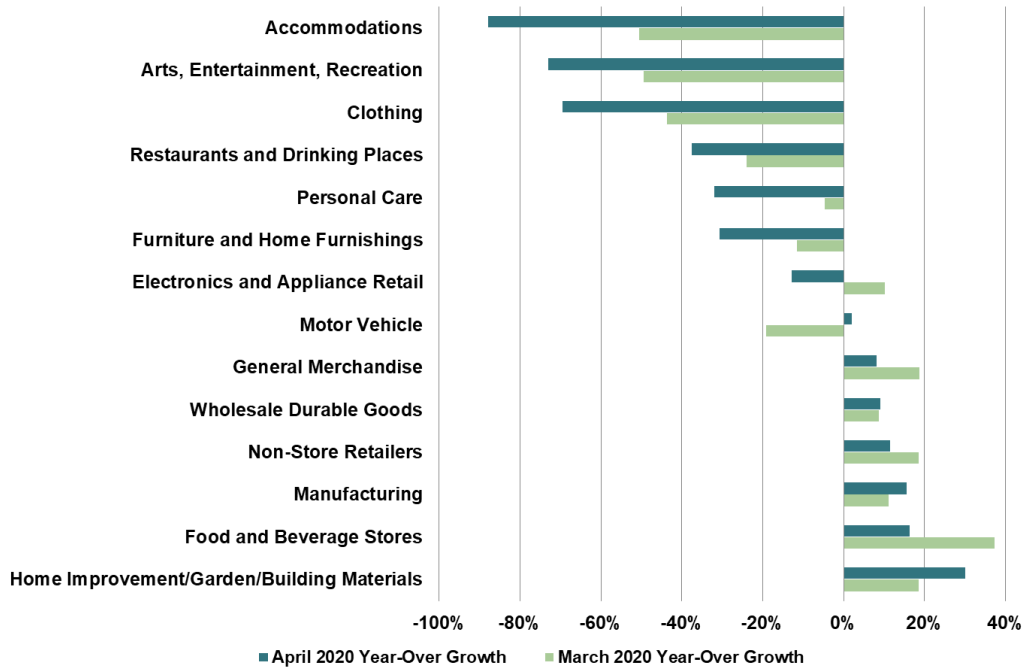
- "The state is well-positioned to address an economic downturn, given its broad control over expenditures, revenue raising capacity, and maintenance of sound reserves." - Fitch
- "Utah's AAA rating reflects the state's tradition of strong conservative fiscal governance that is expressed in frequent 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 (1.0%) overall compared to March 2019 taxable sales and April 2020 taxable sales were down by 0.6% 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 6.2% year-to-date as of the end of June, adjusted for the increased sales tax rate that took effect in April, 2019. Although the fiscal year has ended, additional sales tax revenue will come in from the five-day accrual period in July, which may change the growth percentage. 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 7.2% on a year-over-year basis through the end of June, compared to an average growth rate of about 8% through most of FY 2020. Although the fiscal year has ended, additional withholding revenue will come in from the five-day accrual period in July, which may change the growth percentage. Income tax as a whole remains far below the comparable fiscal year 2019 amount 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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- $470 million in federal pandemic unemployment compensation