

UTAH ECONOMIC SNAPSHOT

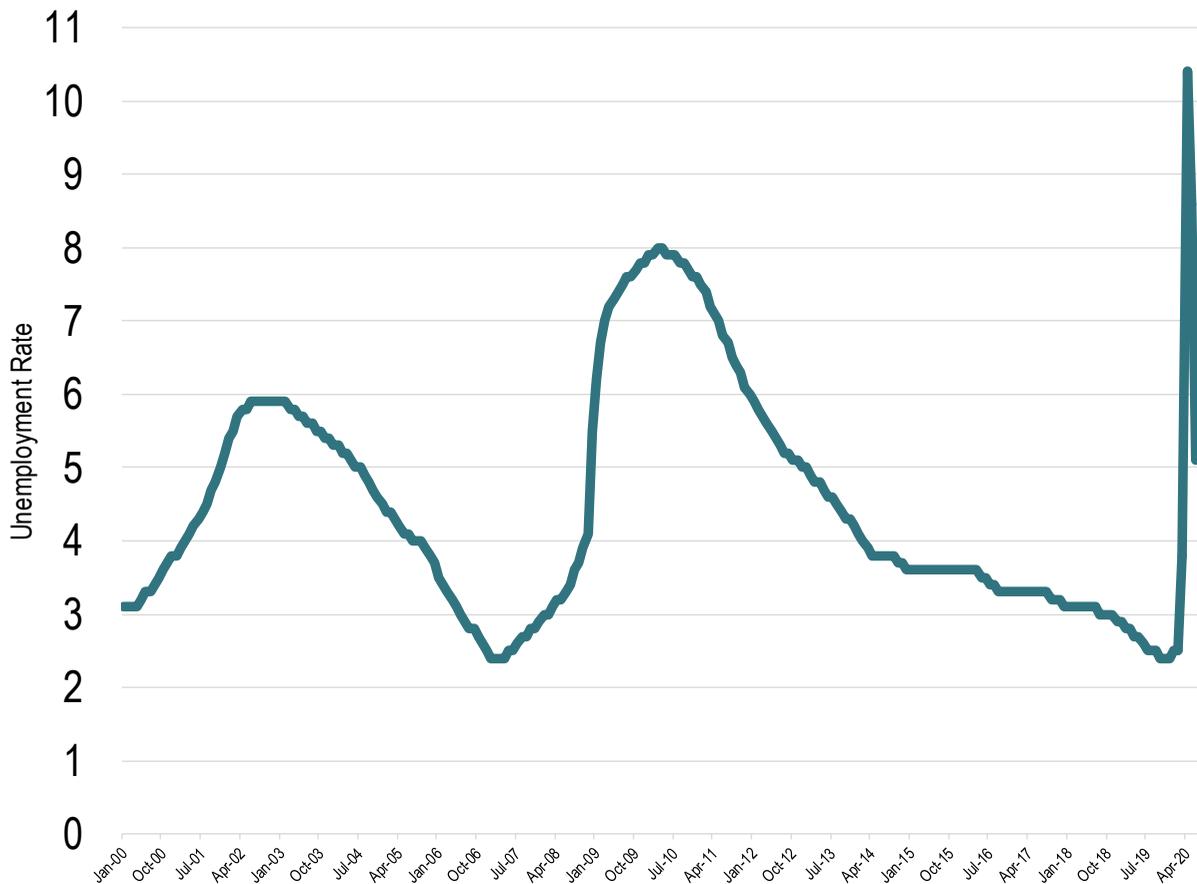
JULY 17, 2020

Overview

Due to the state's prompt and decisive action responding to the COVID-19 pandemic, Utah moved through the urgent and stabilization economic phases much quicker than initially anticipated. While economic challenges remain, multiple signals indicate that Utah is now solidly in the economic recovery phase. Among these signals is a significant drop in the unemployment rate, with the initial June estimate at 5.1%, less than half of the April unemployment peak of 10.4%.

Even with Utah's prompt response and economic improvement, the COVID-19 pandemic has caused significant economic disruption. Although Utah has fared much better than the nation to date, continued action to support economic activity while simultaneously protecting public health remains essential to accelerate economic recovery.

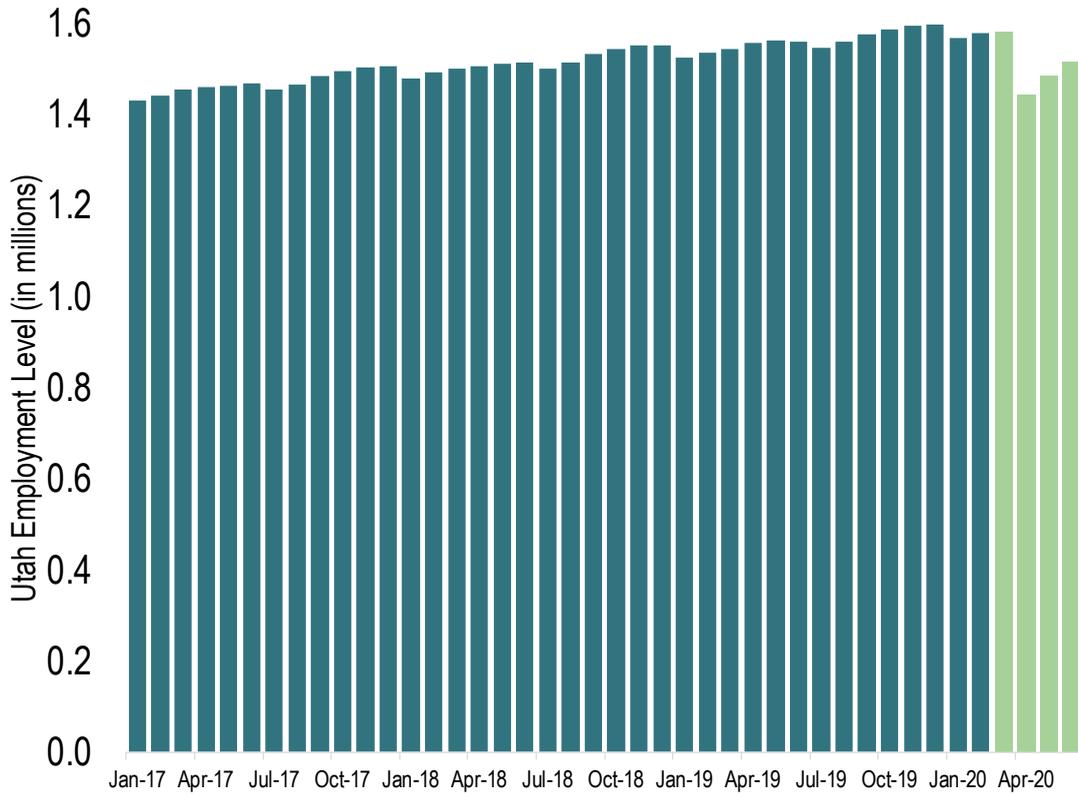
Utah Monthly Unemployment Rate 2000-2020



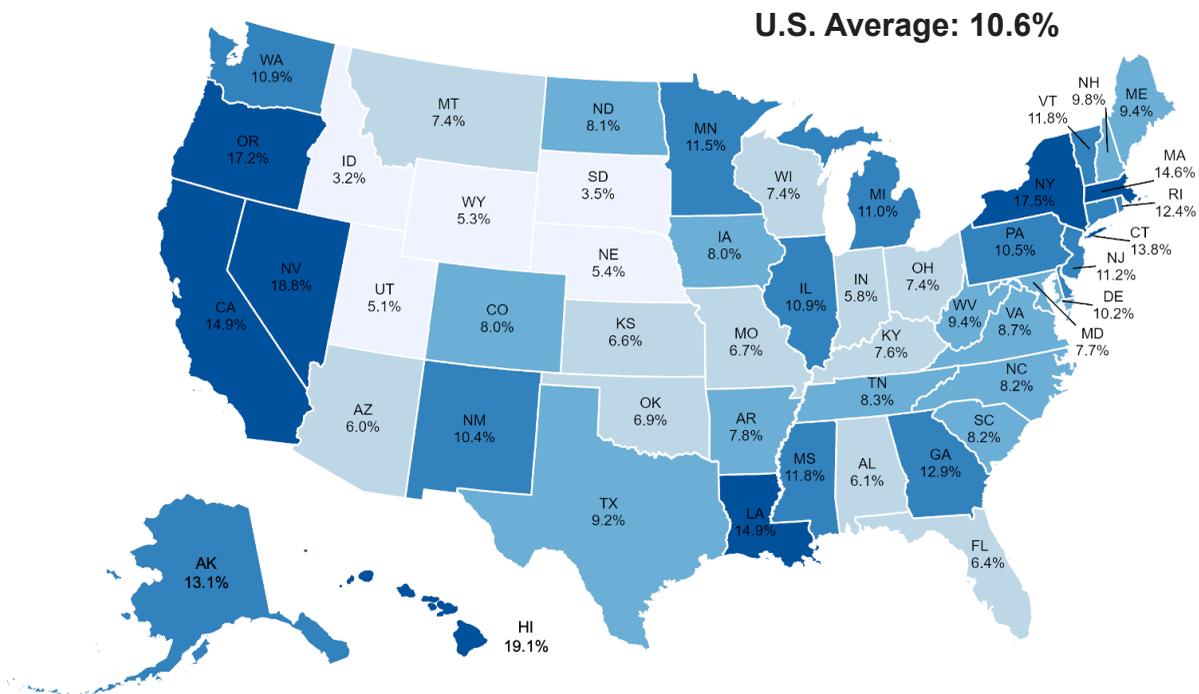
Source: U.S. Bureau of Labor Statistics



Utah Employment Levels 2017 - 2020



Continued Unemployment Claims as Percent of Workforce by State



The Goal

While federal support has clearly helped Utah through the pandemic and provided a meaningful bridge to the future, continued economic reactivation remains key to Utah's long-term future. Utah's economic stabilization began with the change in public health color-coded health guidelines from red to orange, and the state experienced net employment reabsorption as more businesses reactivated after moving from orange to yellow and "new normal" green color-coded health guideline level in many rural counties.

While continued unemployment claims remain higher than in recent history, about 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 as the business fully reactivates. With the launch of key components of Utah's recovery and revitalization plan, Utahns can look optimistically toward the prospect of further economic improvement in 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, as outlined in the various volumes of the Utah Leads Together plan.

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 the significant level of federal response, many traditional historic relationships among indicators may not apply. For example, the historic relationship between unemployment and income has changed dramatically during the pandemic due to strong federal income support in recent months.

Labor Markets

Utah Unemployment Rate

As shown on page 1, Utah's June 2020 unemployment rate is initially estimated at 5.1%, down from the revised 10.4% rate in April and 8.6% in May. Utah's June unemployment rate ranks as the second lowest in the country.

Job Growth Rate

As shown on page 2, Utah's June 2020 year-over job loss rate is initially estimated at 2.8%, significantly improved from the revised 7.3% job loss rate posted in April and 5.0% posted in May. Utah tied with Idaho to lead the nation in this indicator, as these two states experienced fewer job losses relative to last year's total employment base than any other state in the nation.



Job Openings

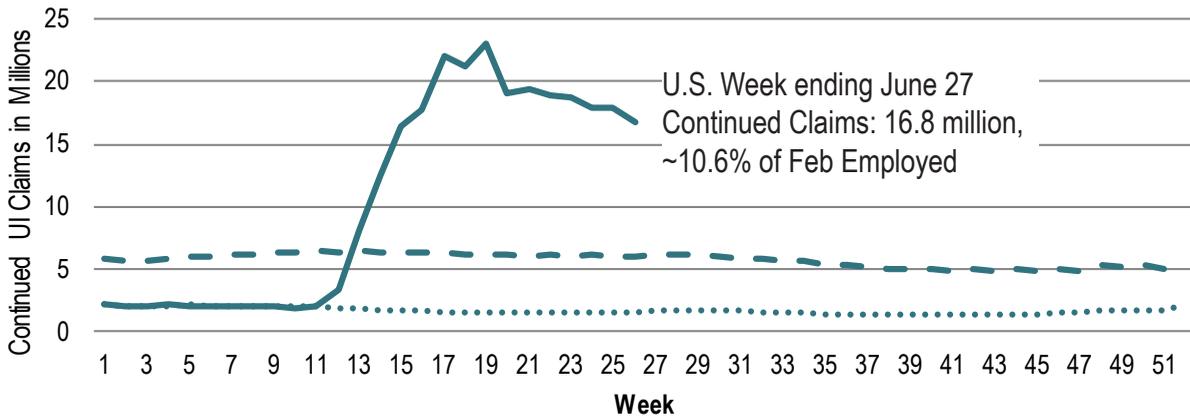
While the simple count of job openings has limitations, including that it doesn't address the job quality or address skills matches for those who are unemployed, several sources indicate that 24,000 - 28,000 jobs remain available in Utah. One key focus area for policymakers should be matching those who have lost a job with available job openings.

Unemployment Claims

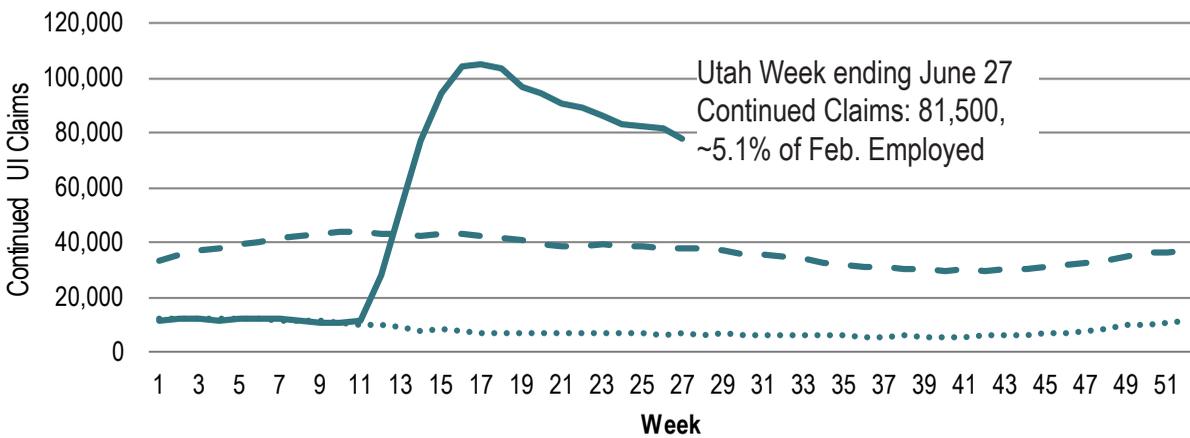
Continued Unemployment Insurance Claims

- As shown below, continued unemployment insurance claims (those filers who remain out of work and continue to draw traditional unemployment benefits) have been declining since a peak of about 105,000 the week of April 25 to about 78,000 filers by the week ending July 4th. At this stage in the 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 July 4th, about 90% of claimants filed as "job attached," suggesting significant opportunity in Utah for economic re-engagement with quick action.

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



Utah Continued Unemployment Insurance Claims by Week of Year

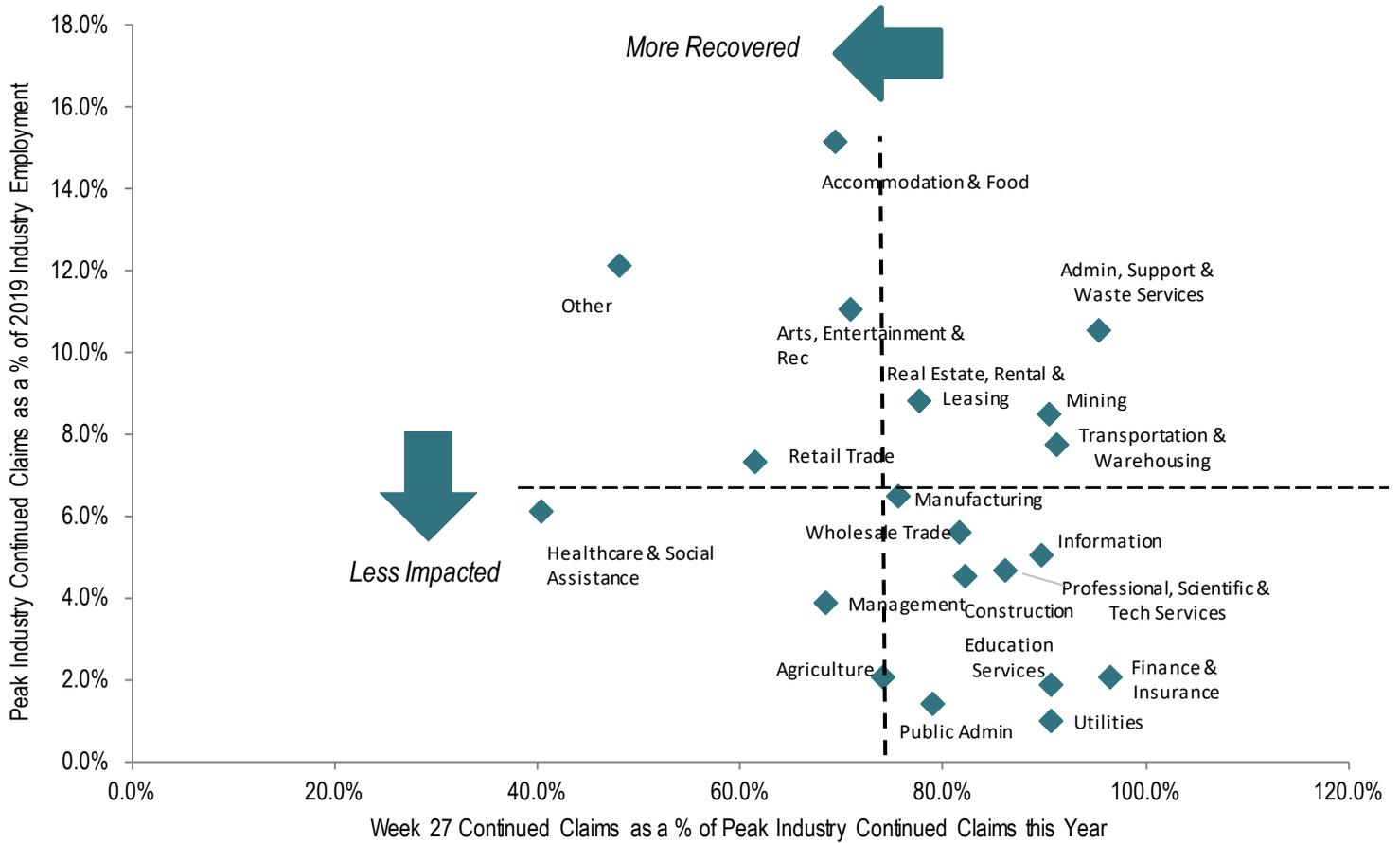


— Utah 2009 Utah 2019 — Utah 2020



- Utah's continued claims as of the week ending June 27th totaled about 81,500 and comprised roughly 5.1% 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 10.6%.
- As shown below, 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.

Continued Unemployment Claims Peak Impact and Week 27 Recovery by Industry



Continued Unemployment by Industry, Job Attached Status, and Job Openings

NAICS CODE	NAICS Description	Share of All Continued Claims Week Ending 7/4	Job Attached Claimants	Laid Off Claimants	Job Openings
72	Accommodation and Food Services	17.3%	12,879	629	1,488
56	Administrative and Support and Waste Management and Remediation Services	12.3%	8,472	1,113	1,521
44-45	Retail Trade	10.1%	7,026	829	2,336
31-33	Manufacturing	8.6%	6,019	711	851
48-49	Transportation and Warehousing	6.7%	4,878	354	409
62	Health Care and Social Assistance	5.7%	3,969	480	1,615
54	Professional, Scientific, and Technical Services	5.7%	3,903	554	1,539
23	Construction	5.3%	3,496	667	539
99	Unclassified	5.7%	3,107	1,346	7,829
61	Educational Services	3.8%	2,606	337	1,457
71	Arts, Entertainment, and Recreation	3.4%	2,560	85	22
81	Other Services except Public Administration	3.2%	2,307	189	287
42	Wholesale Trade	3.1%	2,096	296	1,501
51	Information	2.4%	1,663	191	548
53	Real Estate and Rental and Leasing	1.9%	1,358	136	214
52	Finance and Insurance	1.8%	1,120	250	980
92	Public Administration	1.2%	794	120	392
21	Mining, Quarrying, and Oil and Gas Extraction	0.9%	646	74	33
55	Management of Companies and Enterprises	0.7%	493	51	146
11	Agriculture, Forestry, Fishing and Hunting	0.1%	70	19	168
22	Utilities	0.1%	48	10	9
Total		100.00%	69,510	8,441	23,884

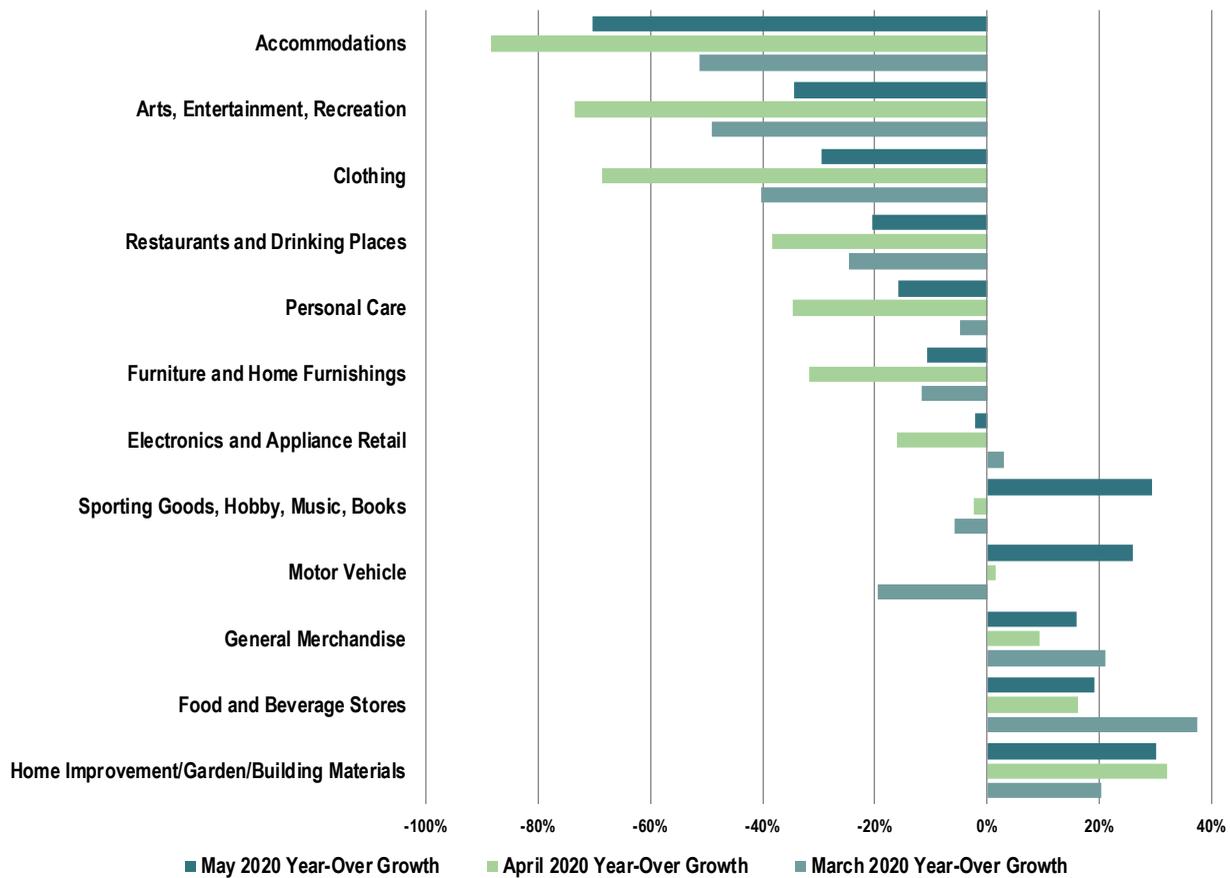
Tax Collections

Taxable Sales

For industries with sales subject to sales and use tax, taxable sales represent a solid economic indicator. With remote sales, taxable sales have proven remarkably resilient overall throughout the pandemic, beginning with a flattening of taxable sales as the pandemic's impacts took hold (March 2020 year-over taxable sales at 1.2% overall and April 2020 year-over taxable sales at -0.4%). Solid sales tax growth returned in May, with an initially-estimated 7.9% increase in total taxable sales. However, these aggregate amounts hide significant consumption shifts. 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 pandemic impacts.



Year-Over Percent Change in Taxable Sales For Sales Tax Filers in 2019 and 2020



Sales Tax Revenues

State sales tax collections are preliminarily estimated to have grown by 9.7% overall in Fiscal Year 2020. Although the state's fiscal year ended June 30, additional closeout adjustments could change the growth percentage. The General Fund portion of this sales tax is estimated to have grown at 7.2%, above the revised General Fund sales tax estimate of 5.7%.

Income Tax Revenues

Individual income tax collections are preliminarily estimated to have shrunk by 7.6% in Fiscal Year 2020 compared to Fiscal Year 2019, significantly impacted by the income tax filing deadline extension from April 15, 2020 to July 15, 2020. This exceeds the projection of a 9.3% reduction. Corporate income tax revenues shrunk by 31.1%, slightly lower than the 30.7% estimated reduction.

Combined Education Fund / General Fund Surplus

Initial revenue estimates suggest a moderate year-end revenue surplus of about \$70 million. This initial estimate will be adjusted as final accounting closeout occurs.

