

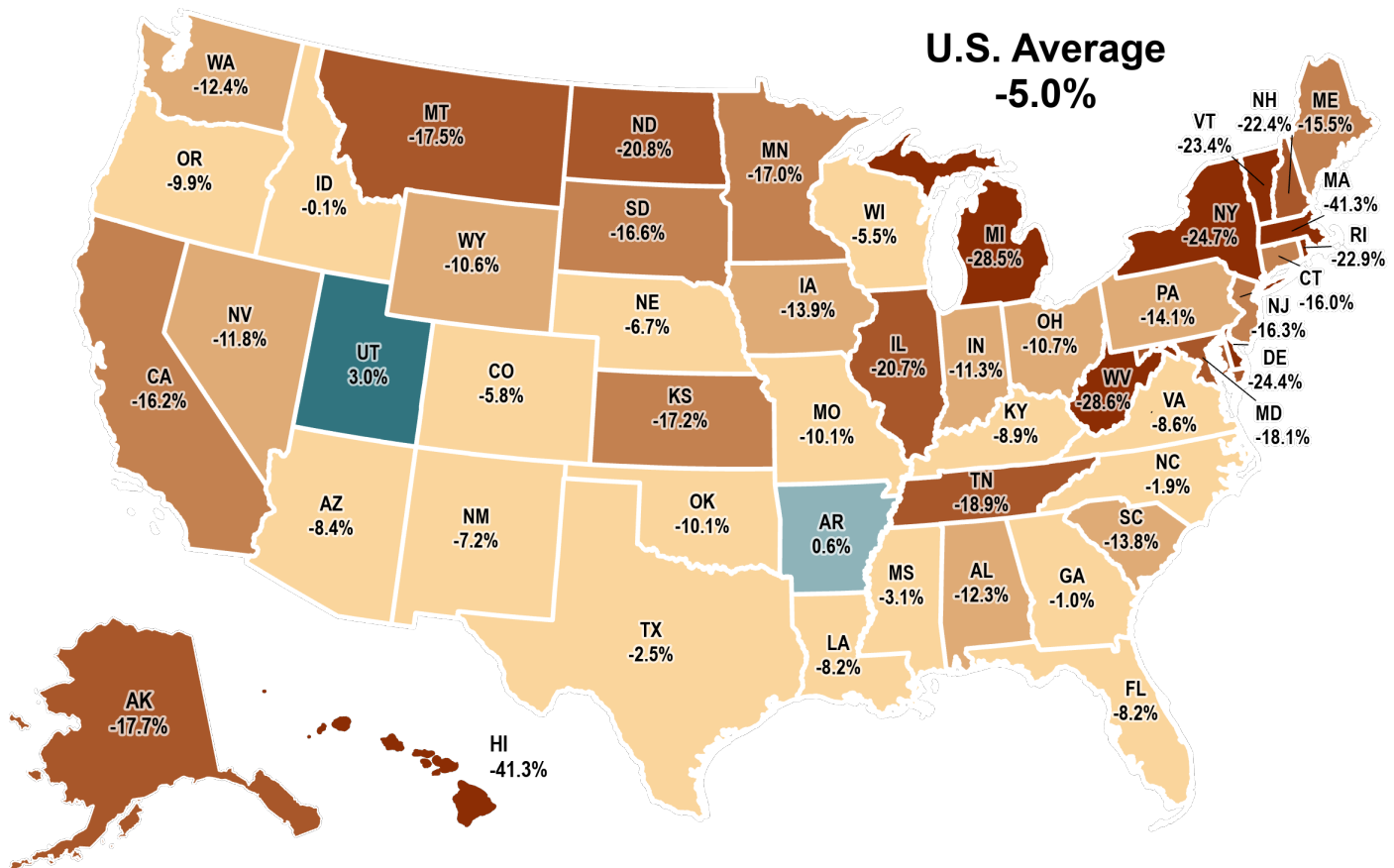
Overview - Economic Recovery

Due to the state's prompt and decisive action responding to the COVID-19 pandemic, multiple signals indicate that Utah is now solidly in the economic recovery phase. While economic challenges remain, Utah moved through the urgent and stabilization economic phases much quicker than initially anticipated.

Among the signals of economic recovery is Utah's three-month change in the Coincident Economic Activity Index (CEAI), published by the Federal Reserve Bank of Philadelphia. This index is a hybrid of various economic indicators, measuring changes in nonfarm payroll employment, the unemployment rate, wage and salary disbursements, proprietors' inflation adjusted income, and the average hours worked in manufacturing by production workers. As seen in the map below, Utah had the highest increase in the CEAI and was one of only two states that experienced growth in this measure in June.

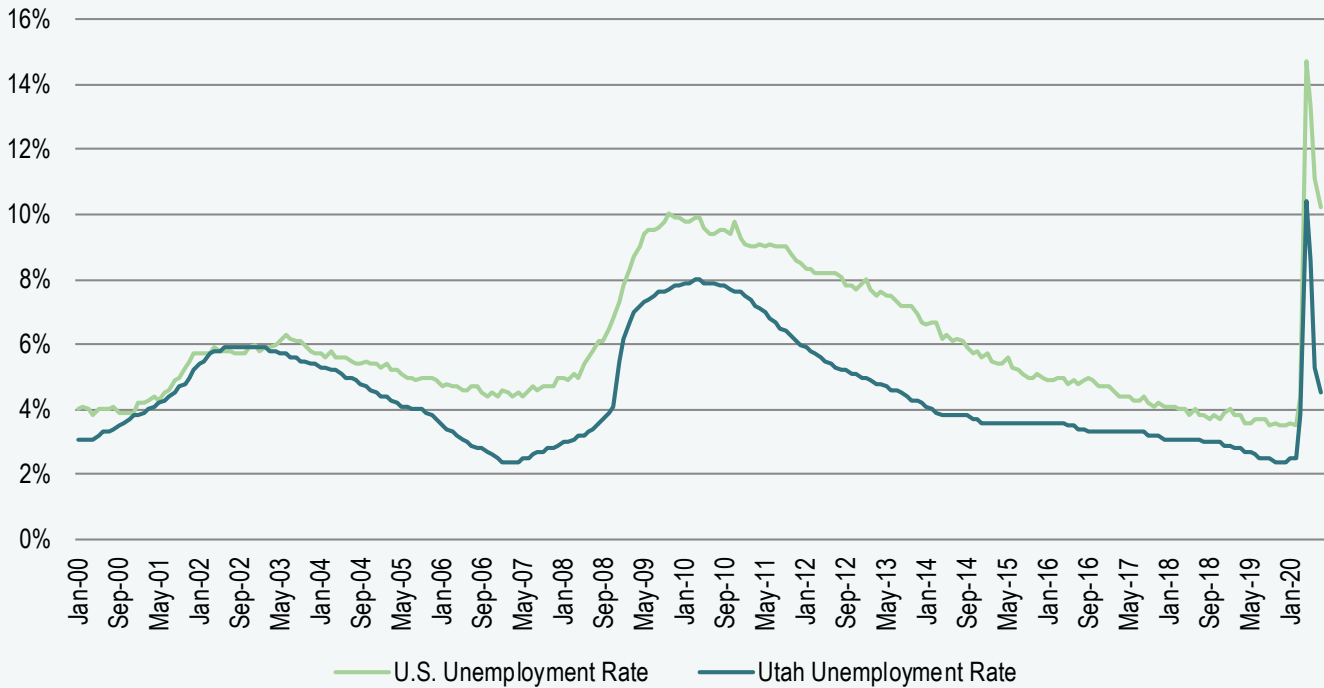
Even with Utah's prompt response and economic improvement, the COVID-19 pandemic has caused significant economic disruption. Although Utah has fared much better than the nation to date, continued action to support economic activity while simultaneously protecting public health remains essential to accelerate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

Coincident Economic Activity Index Map



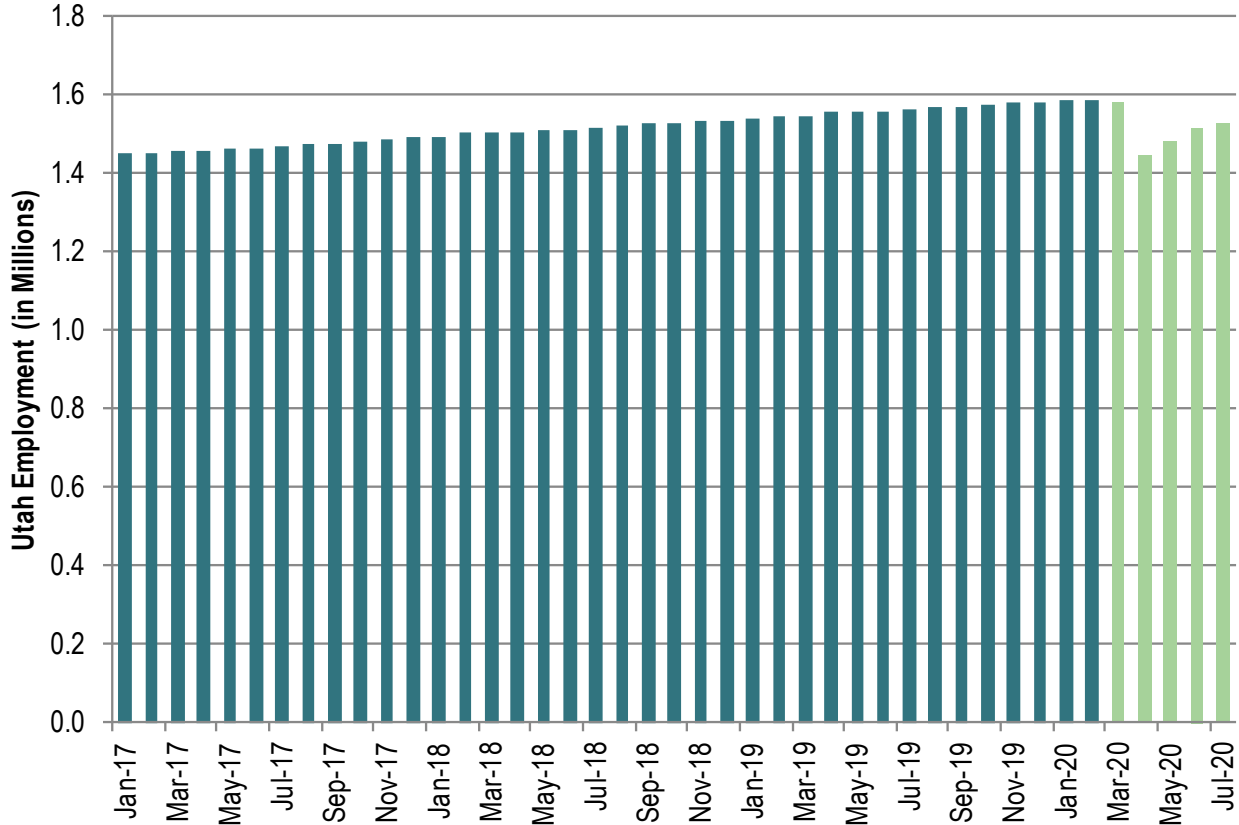
Source: Federal Reserve Bank of Philadelphia

U.S. and Utah Unemployment Rate



Source: U.S. Bureau of Labor Statistics

Utah Employment Levels 2017 - 2020 Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics



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, claims levels continue to drop and 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 as the business fully reactivates. With the launch and ongoing momentum of key components of Utah's recovery and revitalization plan, Utahns can look optimistically toward the continuation 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 remaining 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 (i.e. a large unemployment increase leading to a large drop in income) changed dramatically during the pandemic due to very strong initial federal income support.

Labor Markets

Utah Unemployment Rate. As shown above, Utah's July 2020 unemployment rate is initially estimated at 4.5%, down from the revised 5.3% in June and down further from the revised 10.4% peak in April. Utah's July unemployment rate is the lowest in the country.

Job Growth Rate. Utah's July 2020 year-over job loss rate is initially estimated at 1.8%, improved from the revised 2.6% job loss rate in June and significantly improved from the 7.3% job loss rate posted in April. Utah is second only to Idaho in this measure, as these two states experienced fewer job losses relative to last year's total employment base than any other state in the nation.

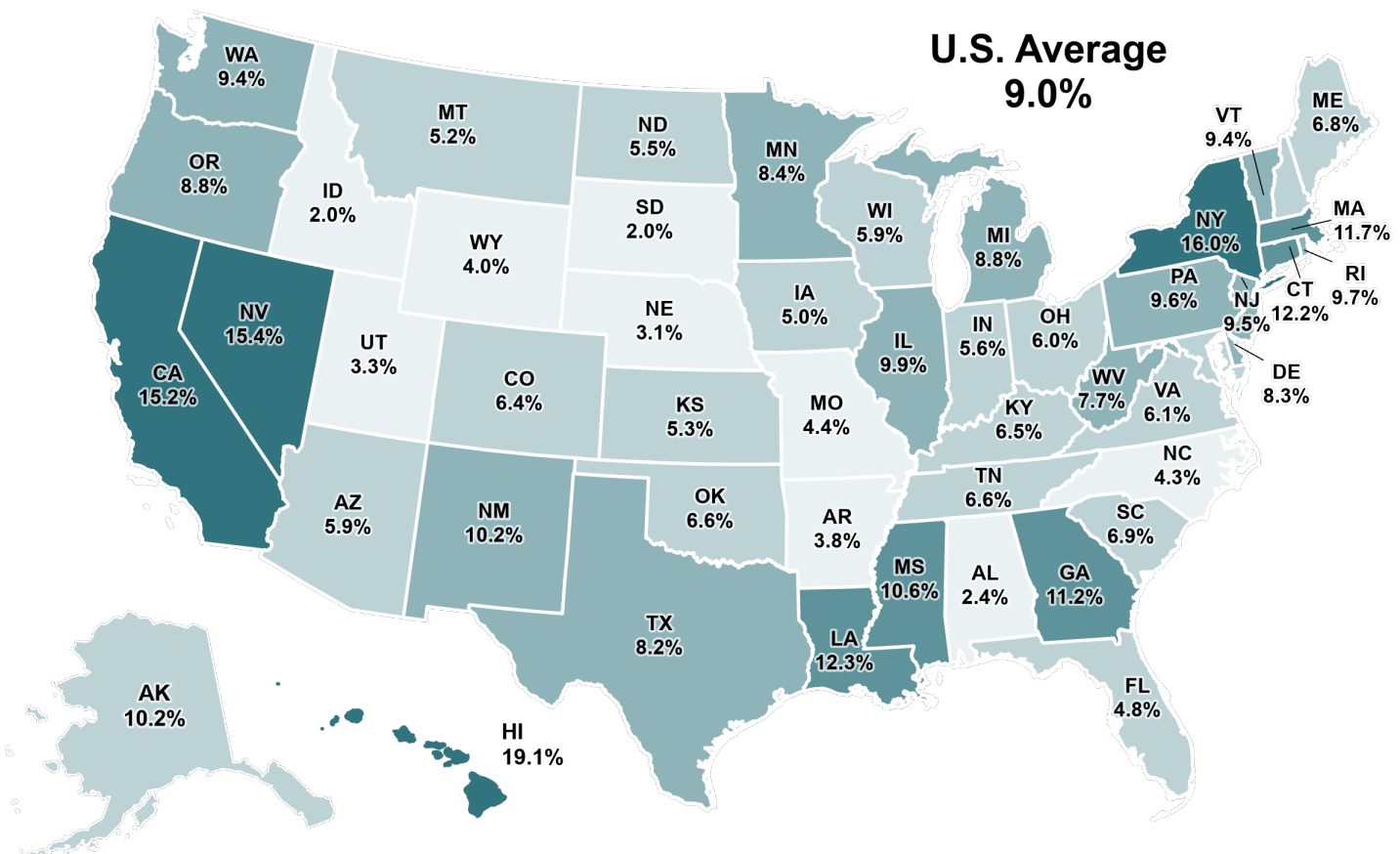


Job Openings. While the simple count of job openings has limitations, including that it doesn't address the job quality or address skills matches for those who are unemployed, several sources indicate that roughly 30,000 jobs remain available in Utah. One key focus area for policymakers should be matching 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 unemployment benefits – have been declining since a peak of about 105,000 during the week of April 25 to about 57,500 filers by the week ending August 15th (note: these counts include Pandemic Extended Unemployment Insurance as reported by the Department of Workforce Services). 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.

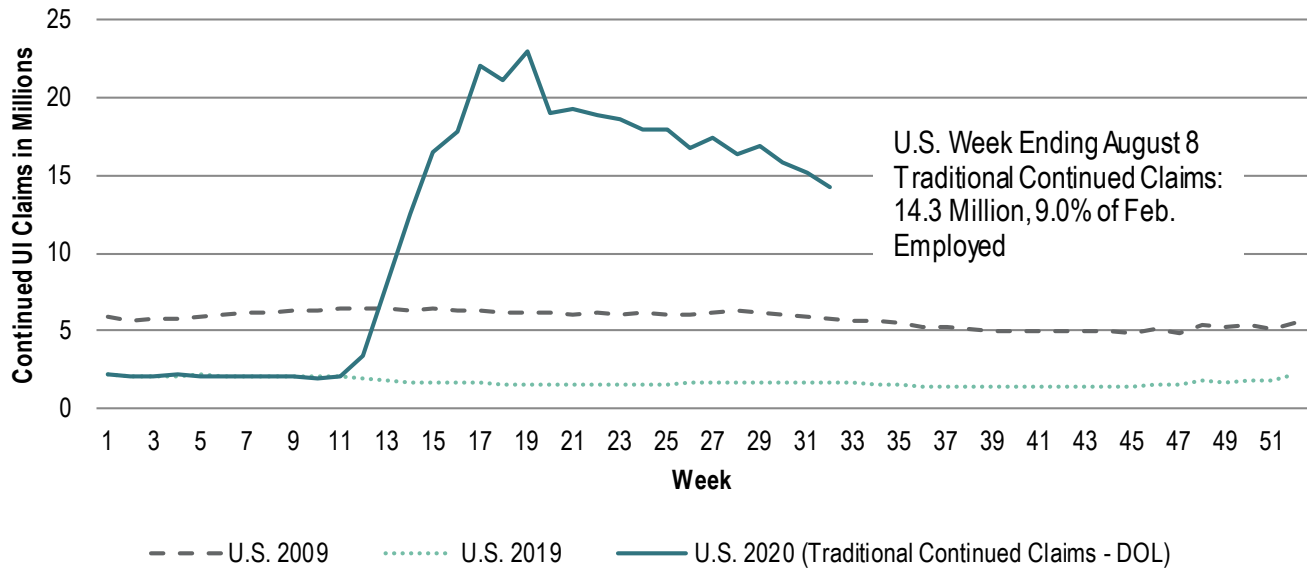
Continued Unemployment Claims as Percent of Workforce by State



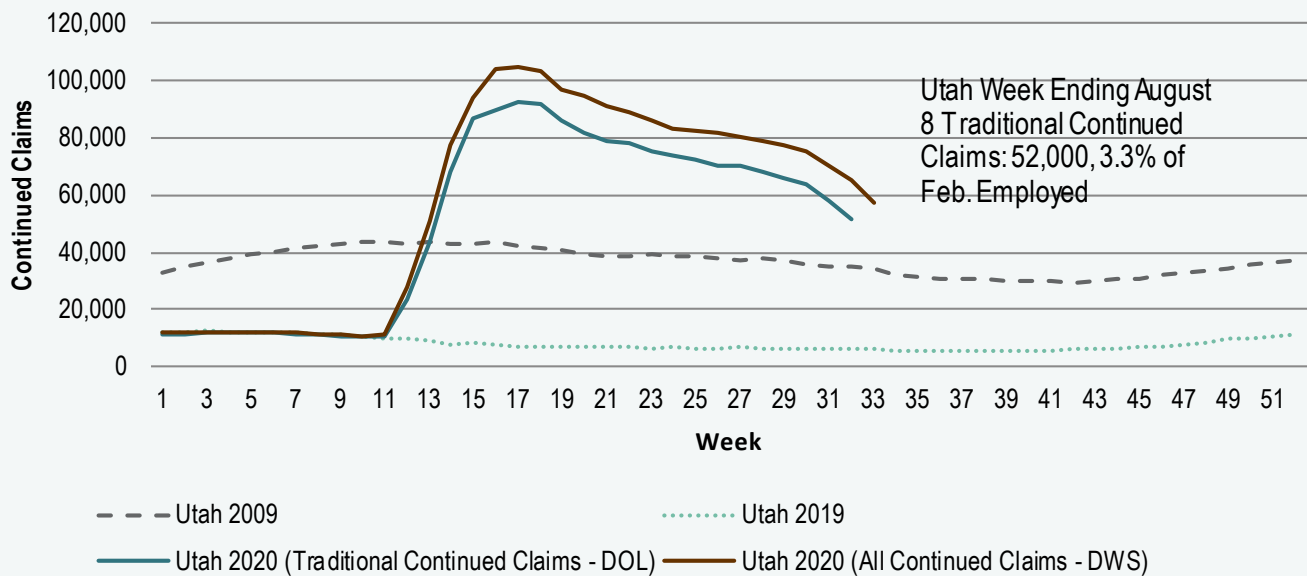
Source: Utah Department of Workforce Services, U.S. Employment and Training Administration and U.S. Bureau of Labor Statistics



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



Utah Continued Unemployment Insurance Claims by Week of Year



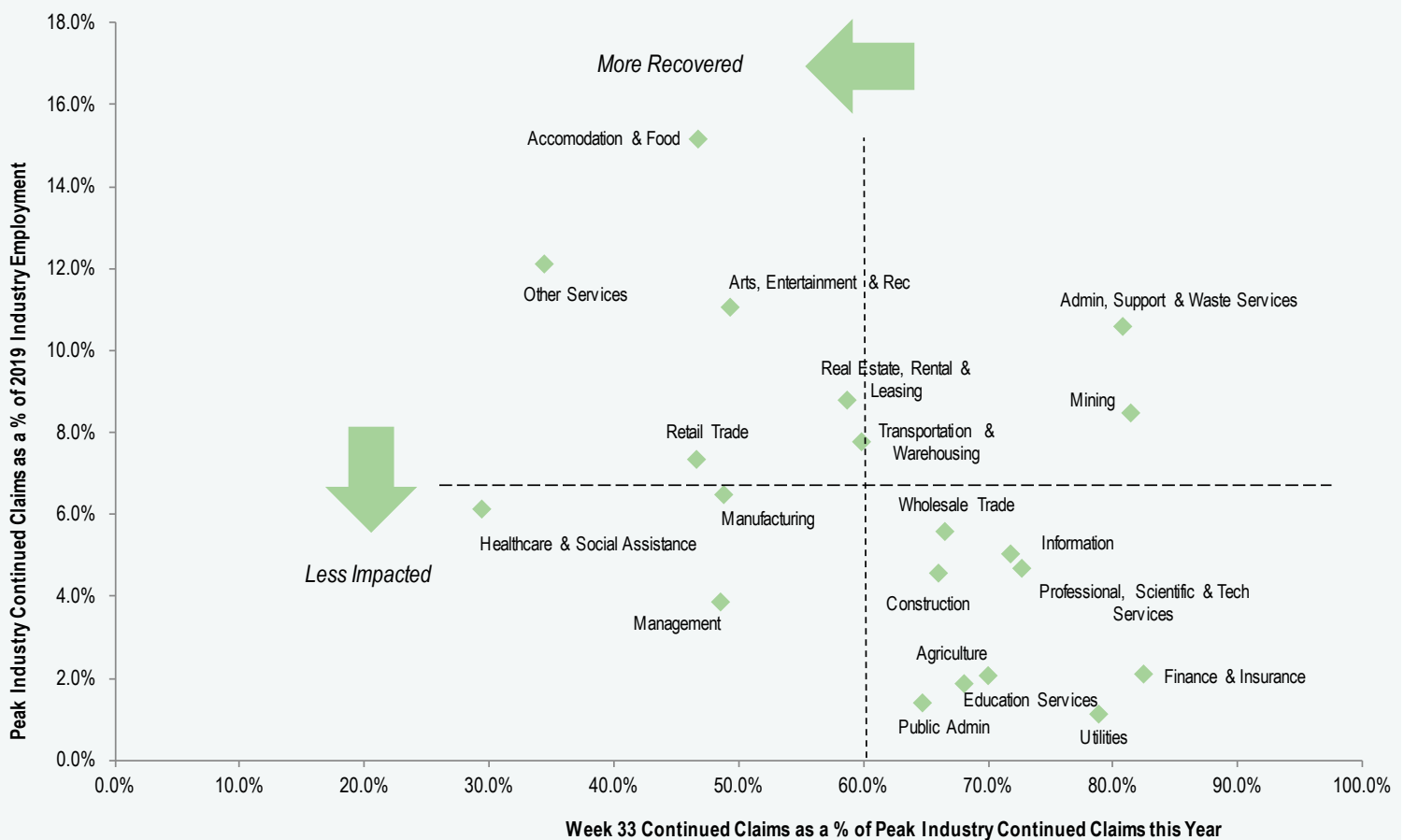
Source: Utah Department of Workforce Services, U.S. Employment and Training Administration and U.S. Bureau of Labor Statistics.

- As of the week ending August 15, about 75% of claimants filed as “job attached,” suggesting significant opportunity in Utah for economic re-engagement. Importantly, at time of this snapshot’s publication, the added support of the \$600 weekly federal stimulus has expired across all programs effective July 25, 2020. However, President Trump signed four Presidential Memorandums on August 8, 2020, including one to offer enhanced unemployment insurance benefits of \$300 per week. Utah has been approved to offer three weeks of this benefit from July 26 - August 15.



- Utah's traditional continued claims as reported by the U.S. Department of Labor for week ending August 8th totaled about 52,000 and comprised roughly 3.3% 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 9.0%.
- 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 33 Recovery by Industry



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

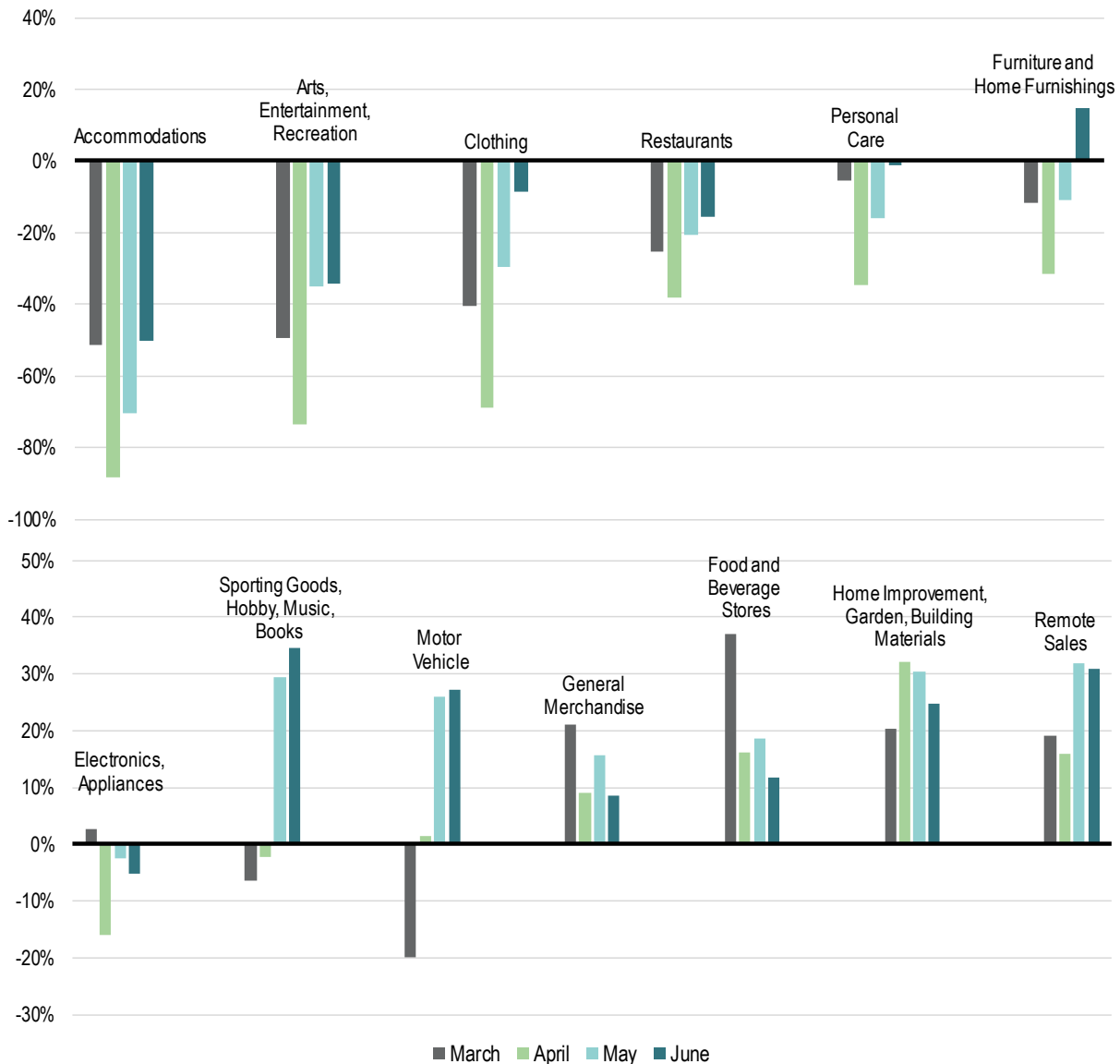
NAICS CODE	NAICS Description	Share of All Continued Claims Week Ending 8/15	Job Attached Claimants	Laid Off Claimants	Job Openings (DWS)
72	Accommodation and Food Services	15.8%	7,850	1,237	1,727
56	Administrative and Support and Waste Management and Remediation Services	14.1%	5,900	2,235	1,764
44-45	Retail Trade	10.4%	4,348	1,616	2,889
31-33	Manufacturing	7.5%	3,130	1,212	1,141
48-49	Transportation and Warehousing	6.5%	2,670	756	503
54	Professional, Scientific, and Technical Services	6.0%	2,633	1,128	1,637
62	Health Care and Social Assistance	5.8%	2,333	908	2,606
23	Construction	5.6%	2,244	1,097	614
99	Unclassified	4.8%	1,974	768	8,427
61	Educational Services	3.8%	1,601	609	1,769
71	Arts, Entertainment, and Recreation	3.4%	1,617	222	22
42	Wholesale Trade	3.2%	1,345	603	1,753
81	Other Services except Public Administration	3.1%	1,408	382	386
51	Information	2.6%	1,093	392	696
53	Real Estate and Rental and Leasing	2.1%	847	281	270
52	Finance and Insurance	2.0%	743	454	1,293
92	Public Administration	1.3%	517	232	506
21	Mining, Quarrying, and Oil and Gas Extraction	1.1%	455	193	55
55	Management of Companies and Enterprises	0.7%	298	88	184
11	Agriculture, Forestry, Fishing and Hunting	0.1%	43	41	98
22	Utilities	0.1%	37	19	13
Total		100%	43,086	14,473	28,353

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 8.3% increase in total taxable sales. June also posted strong growth, with an initial rate of 8.0%, though that is expected to be revised upward when all returns are included. 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 Change in Taxable Sales by Industry



Tax Collections

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 numbers suggest a moderate year-end revenue surplus conservatively estimated at about \$70 million. This initial estimate will be adjusted as final accounting closeout occurs.

