

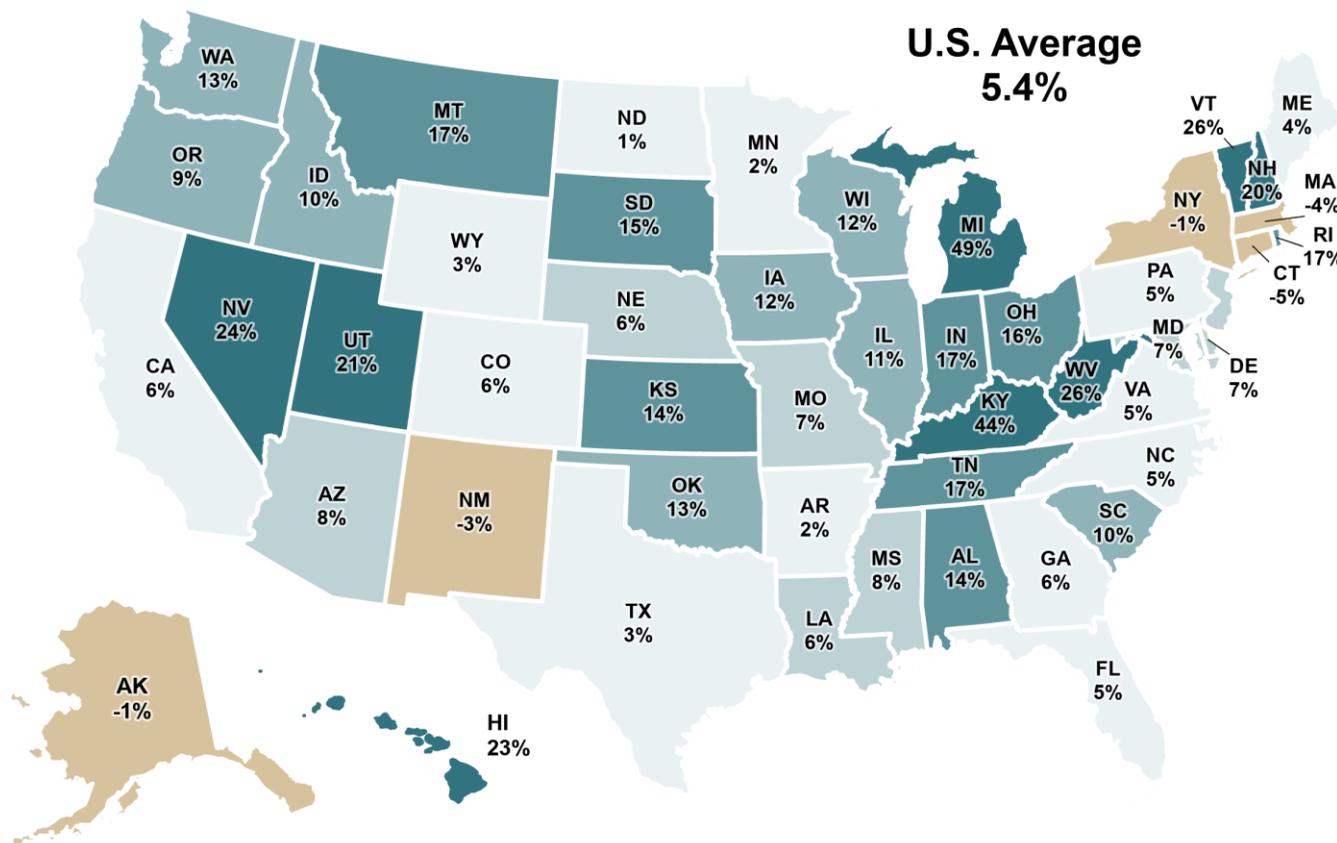
Overview - Economic Recovery

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 economic recovery signals 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. Because it is a three-month measure, it is sensitive to the timing of economic recovery. In the revised estimates for June, Utah was the only state in the nation that experienced positive growth in this measure, and as seen in the map below, Utah remains among the top states in three-month CEAI changes in preliminary estimates for July.

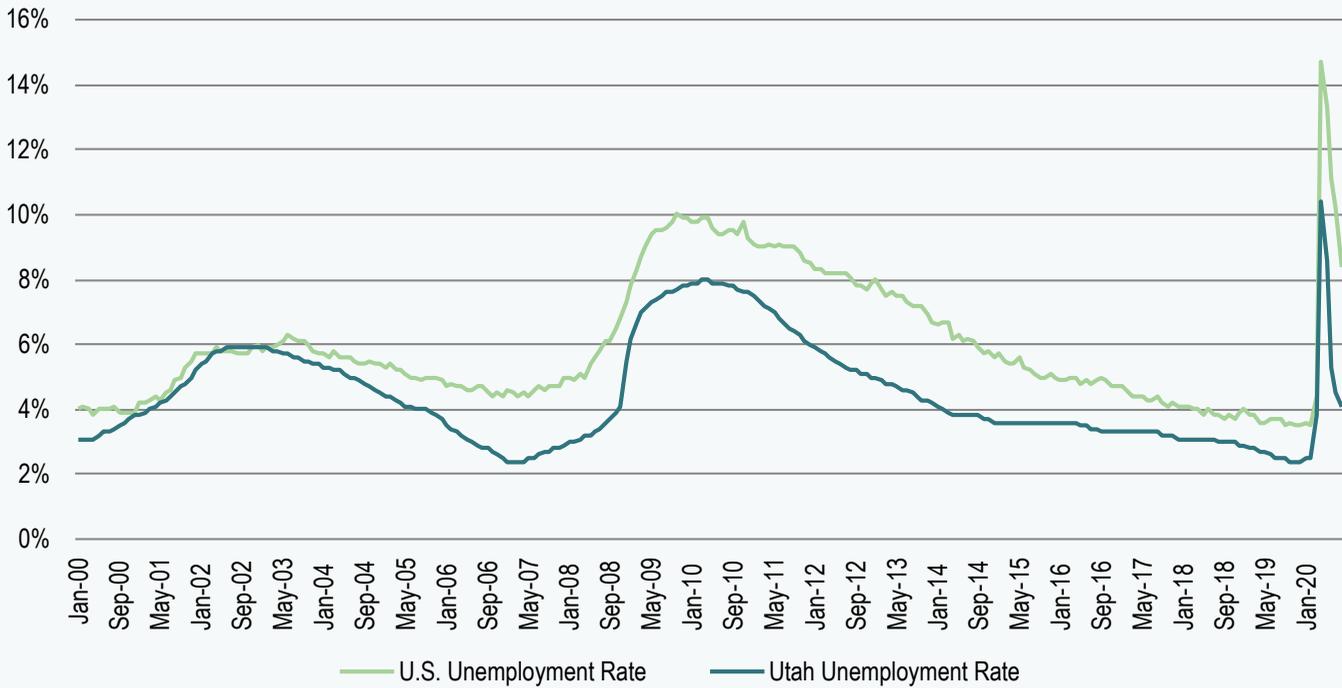
Even with Utah’s prompt response and economic improvement, the COVID-19 pandemic has caused significant economic disruption. Although Utah has fared much better than the nation to date, continued action to support economic activity while simultaneously protecting public health remains essential to accelerate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

Coincident Economic Activity Index Map



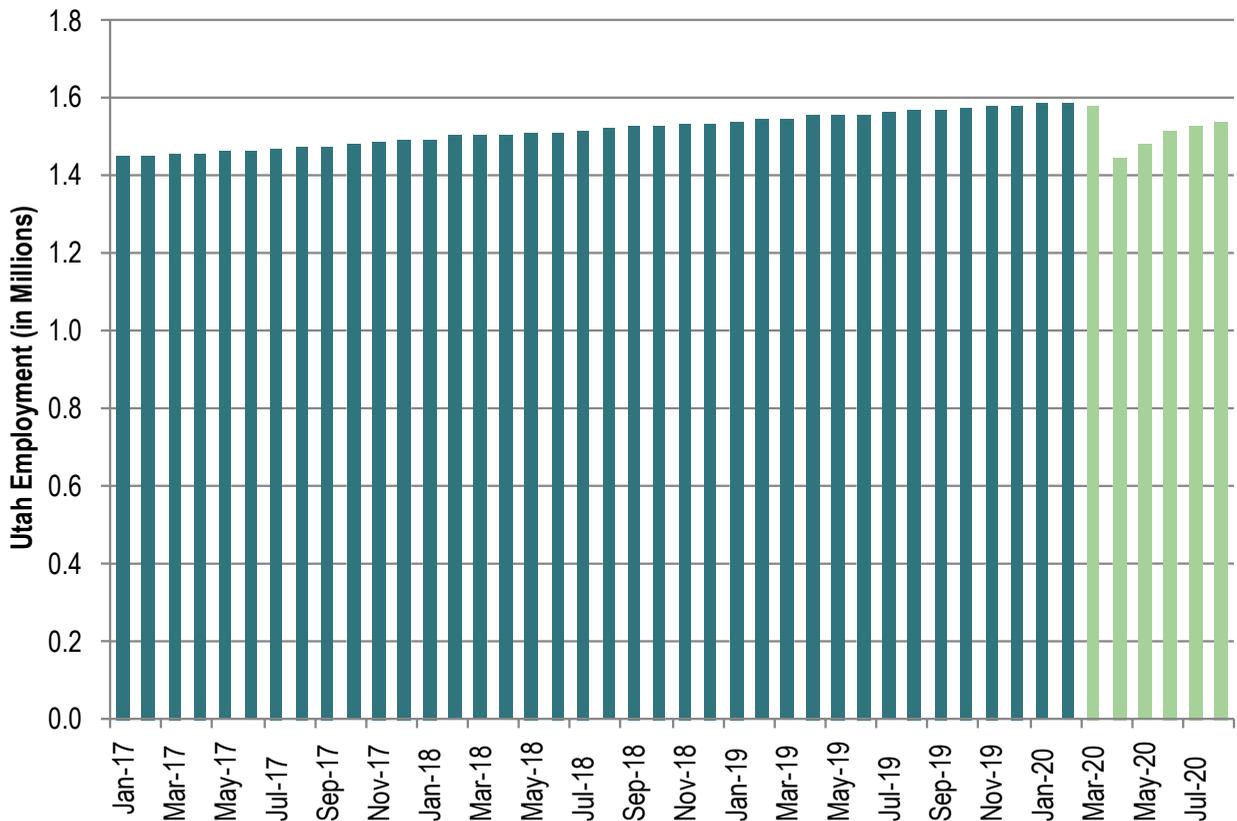
Source: Federal Reserve Bank of Philadelphia

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.

While continued unemployment claims remain higher than in recent history, claims levels continue to drop and about 60% 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 continued execution 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 August 2020 unemployment rate is initially estimated at 4.1%, down from 4.5% in July and down further from the revised 10.4% peak in April. Utah's August unemployment rate is the second lowest in the country. The 4.1% unemployment rate corresponds to 66,100 unemployed Utahns, compared to 40,500 in February prior to the pandemic. Moreover, the August labor force participation rate was a percentage point lower than it was in February (67.4% vs. 68.4%), which translates into about 25,000 fewer individuals in the workforce than would have been at February rates of engagement.

Job Growth Rate. Utah's August 2020 year-over job loss rate is initially estimated at 1.6%, holding flat at against the revised 1.6% in July. However, year-over losses in the private sector moderated from 2.1% in July to 1.6% in August. Utah is second only to Idaho in August year-over job loss, as these two states experienced fewer job losses relative to last year's total employment base than any other state in the nation.

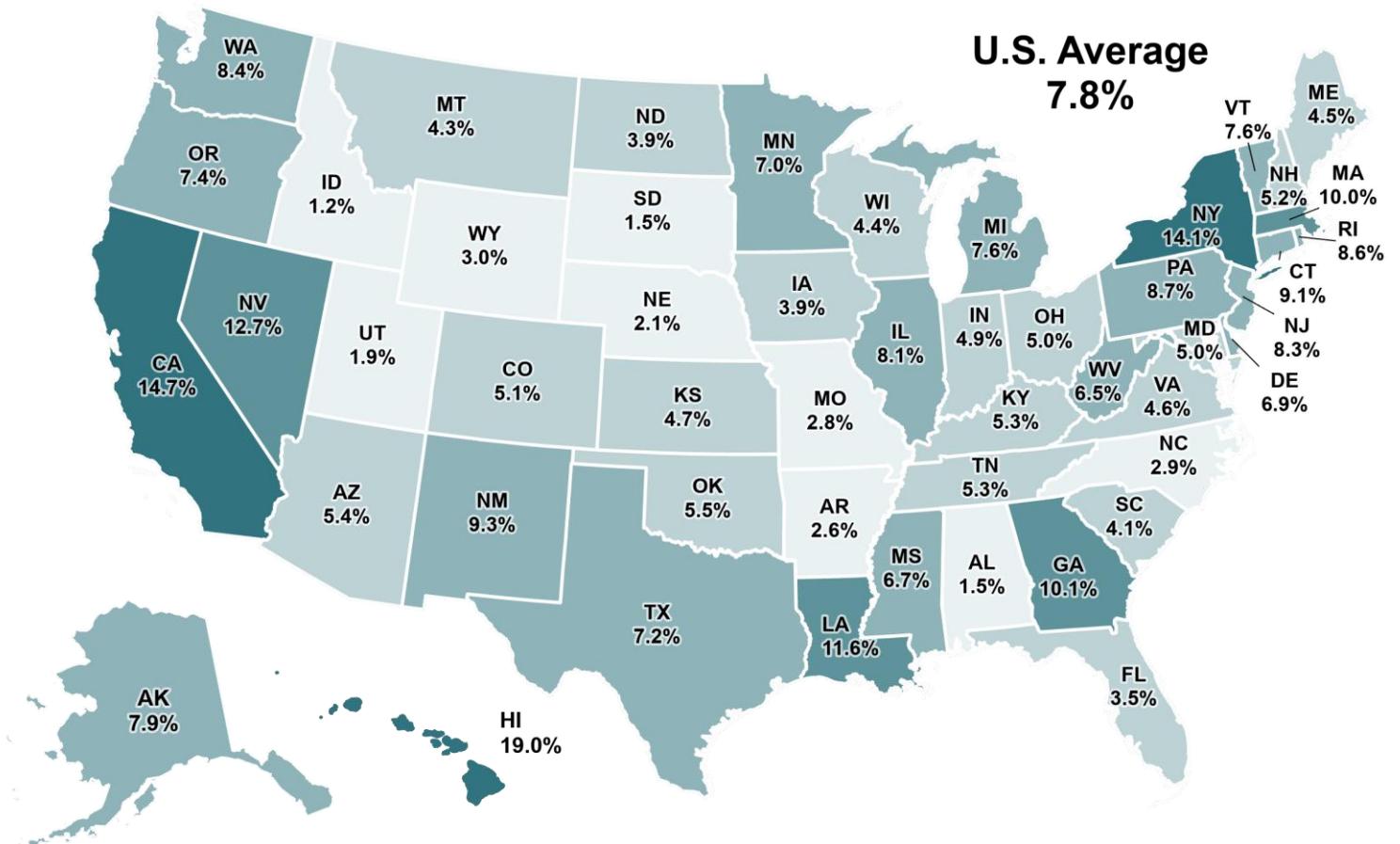


Job Openings. While the simple count of job openings has limitations, including that it doesn't address the job quality or address skills matches for those who are unemployed, several sources indicate that roughly 30,000 jobs remain available in Utah. One key focus area for policymakers should be matching those who have lost a job with available job openings.

Continued Unemployment Insurance Claims

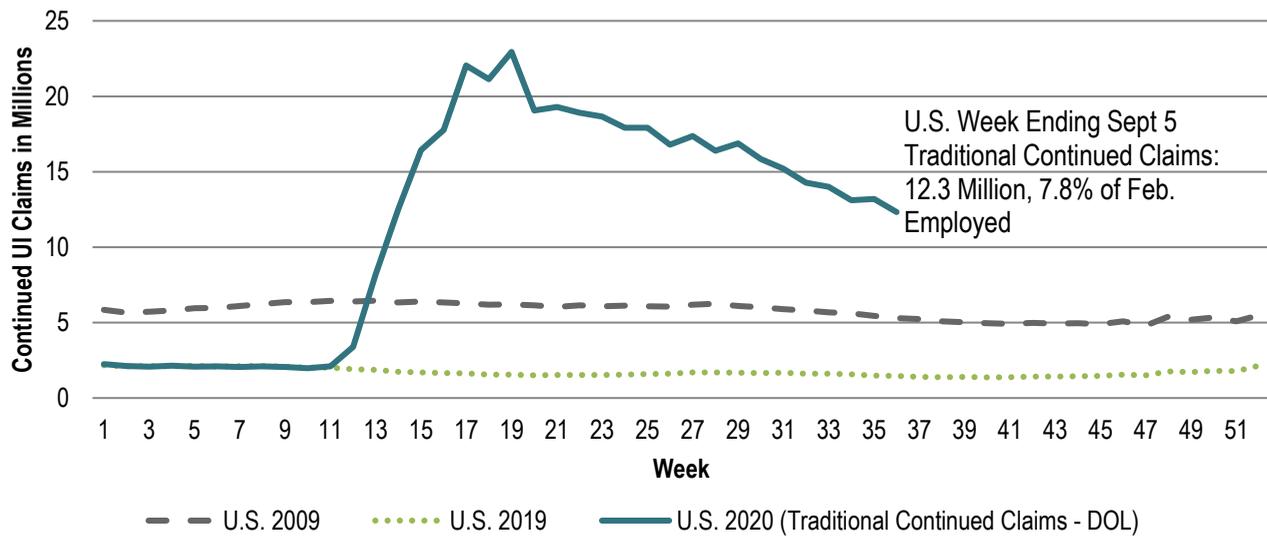
- As shown below, continued unemployment insurance claims – those filers who remain out of work and continue to draw unemployment benefits – have been declining since a peak of about 127,500 during the week ending on May 2 to about 50,000 filers by the week ending September 12 (note: this includes those seeking benefits across all continued claim types). 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, on net, filers are returning to work faster than new layoffs are occurring.

Continued Unemployment Claims as Percent of Workforce by State



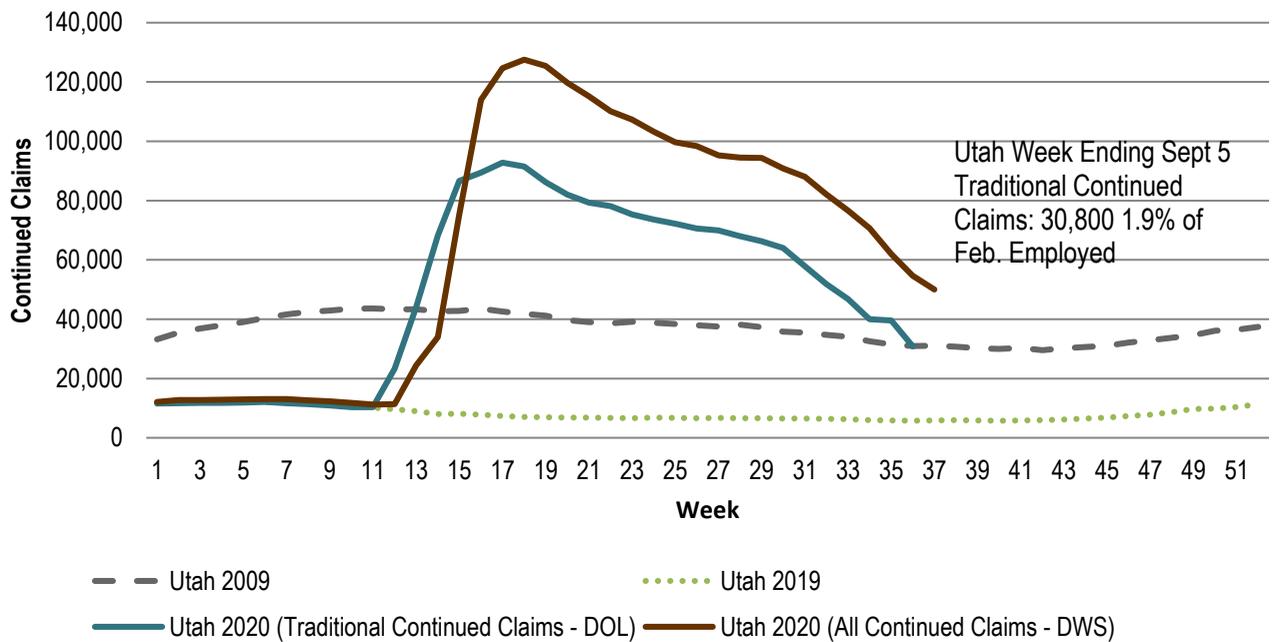
Source: Utah Department of Workforce Services, U.S. Employment and Training Administration and U.S. Bureau of Labor Statistics

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



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

Utah Continued Unemployment Insurance Claims by Week of Year

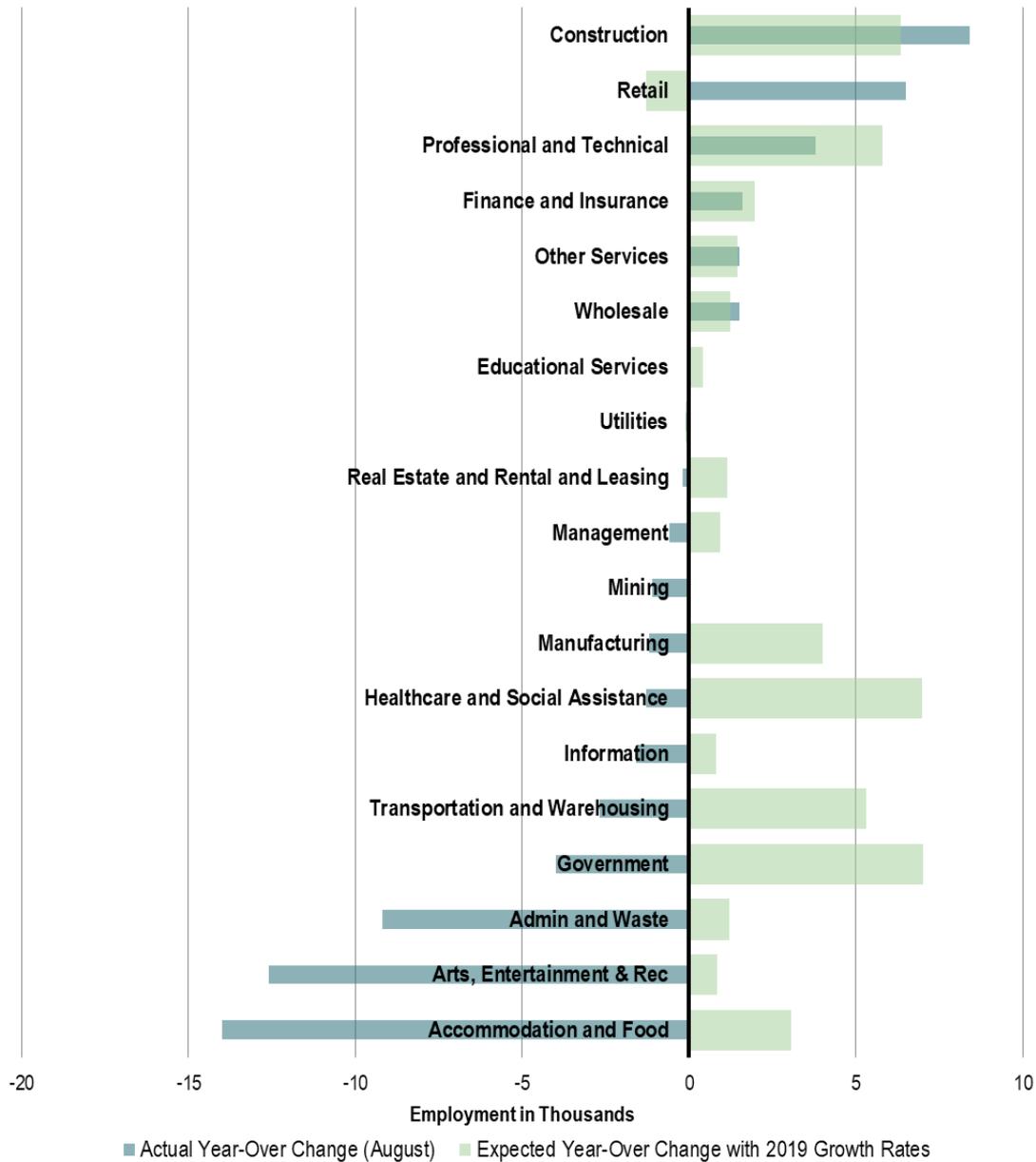


Source: Utah Department of Workforce Services, U.S. Employment and Training Administration and U.S. Bureau of Labor Statistics.

- As of the week ending September 12, about 60% of claimants filed as “job attached,” suggesting significant opportunity in Utah for economic re-engagement.

- Utah's traditional continued claims as reported by the U.S. Department of Labor for week ending September 5 totaled about 30,800 and comprised roughly 1.9% 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 7.8%. It should also be noted that Utah's traditional unemployment insurance claims have dropped below 2009 levels (the Great Recession reference year) as of week ending September 5.
- As shown below, not all industry groups experienced year-over losses in August. The construction, retail, professional and technical, finance and insurance, other services, and wholesale trade industries added jobs on a year-over basis last month. Meanwhile, accommodation and food, entertainment and recreation, and administration and support continued to incur the largest losses.

Year-Over Employment Change by Industry



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

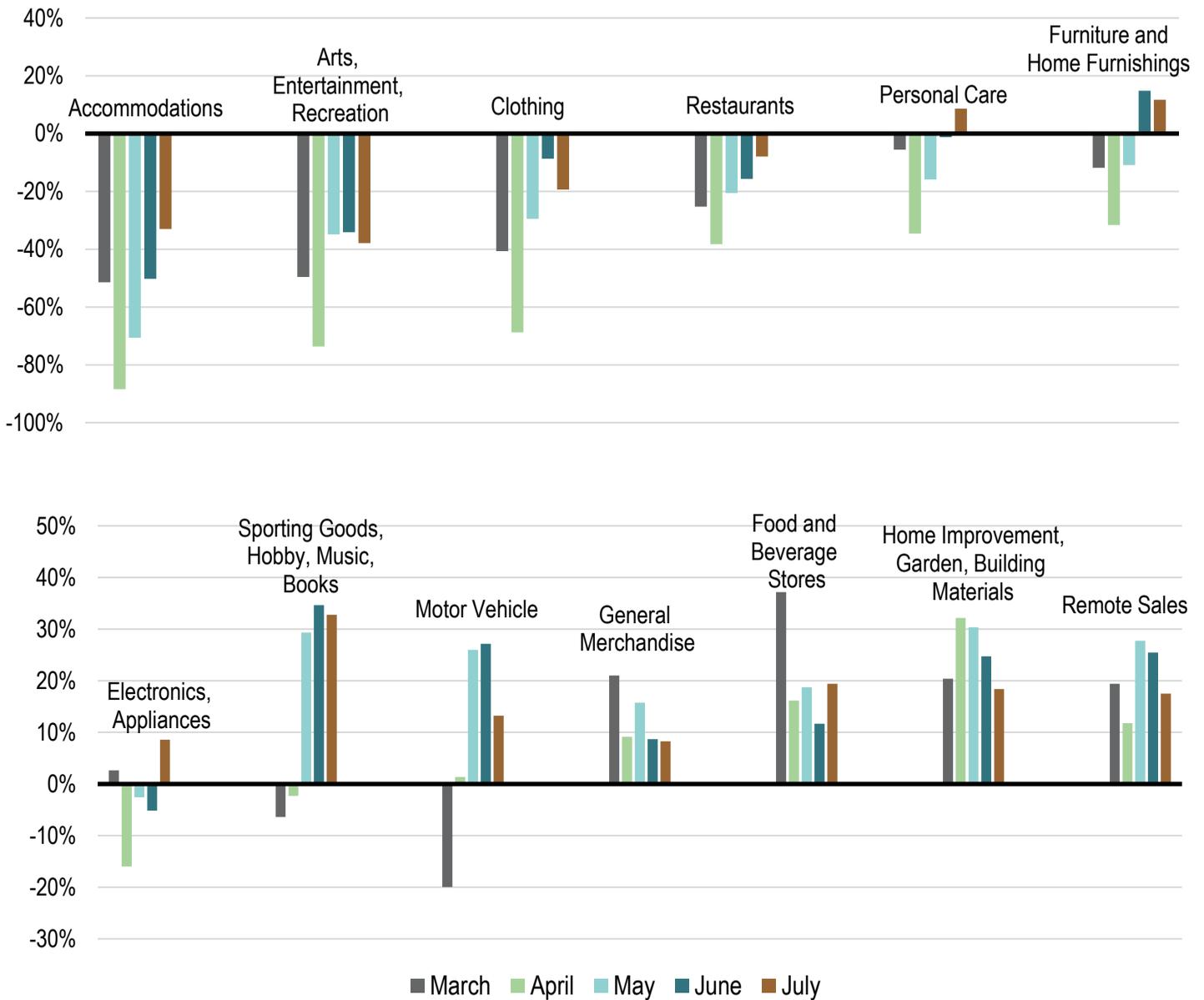
NAICS CODE	NAICS Description	Share of All Continued Claims Week Ending 9/12	Job Attached Claimants	Laid Off Claimants	Job Openings (DWS)
72	Accommodation and Food Services	14.5%	3,286	2,390	1,947
56	Administrative and Support and Waste Management and Remediation Services	13.6%	3,750	1,570	1,768
44-45	Retail Trade	10.1%	2,215	1,728	3,262
31-33	Manufacturing	8.0%	1,801	1,339	1,030
48-49	Transportation and Warehousing	6.1%	1,581	807	534
54	Professional, Scientific, and Technical Services	7.1%	1,524	1,258	588
62	Health Care and Social Assistance	5.3%	1,152	926	2,785
23	Construction	6.8%	1,377	1,266	588
99	Unclassified	5.0%	1,082	867	9,363
61	Educational Services	3.1%	675	534	1,555
71	Arts, Entertainment, and Recreation	2.8%	794	286	17
42	Wholesale Trade	3.8%	832	657	1,678
81	Other Services except Public Administration	3.1%	731	485	411
51	Information	2.6%	597	428	723
53	Real Estate and Rental and Leasing	2.1%	491	336	237
52	Finance and Insurance	2.5%	470	500	1,244
92	Public Administration	1.2%	219	240	509
21	Mining, Quarrying, and Oil and Gas Extraction	1.3%	323	194	74
55	Management of Companies and Enterprises	0.6%	157	85	106
11	Agriculture, Forestry, Fishing and Hunting	0.1%	26	29	80
22	Utilities	0.1%	29	16	10
Total		100%	23,112	15,941	29,833

Taxable Sales

For industries with sales subject to sales and use tax, taxable sales represent a meaningful economic indicator. Because taxable sales now include most remote sales, they have proven remarkably resilient overall throughout the pandemic. Instead of a sharp decline, taxable sales merely flattened as the pandemic's impacts took hold (March 2020 year-over taxable sales grew at 1.2% overall and April 2020 saw the only dip into negative territory at -0.4%). Solid sales tax growth returned in May and June with an 8.5% increase in total taxable sales in both months. July posted even stronger growth, with an initial rate of 9.3%, 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



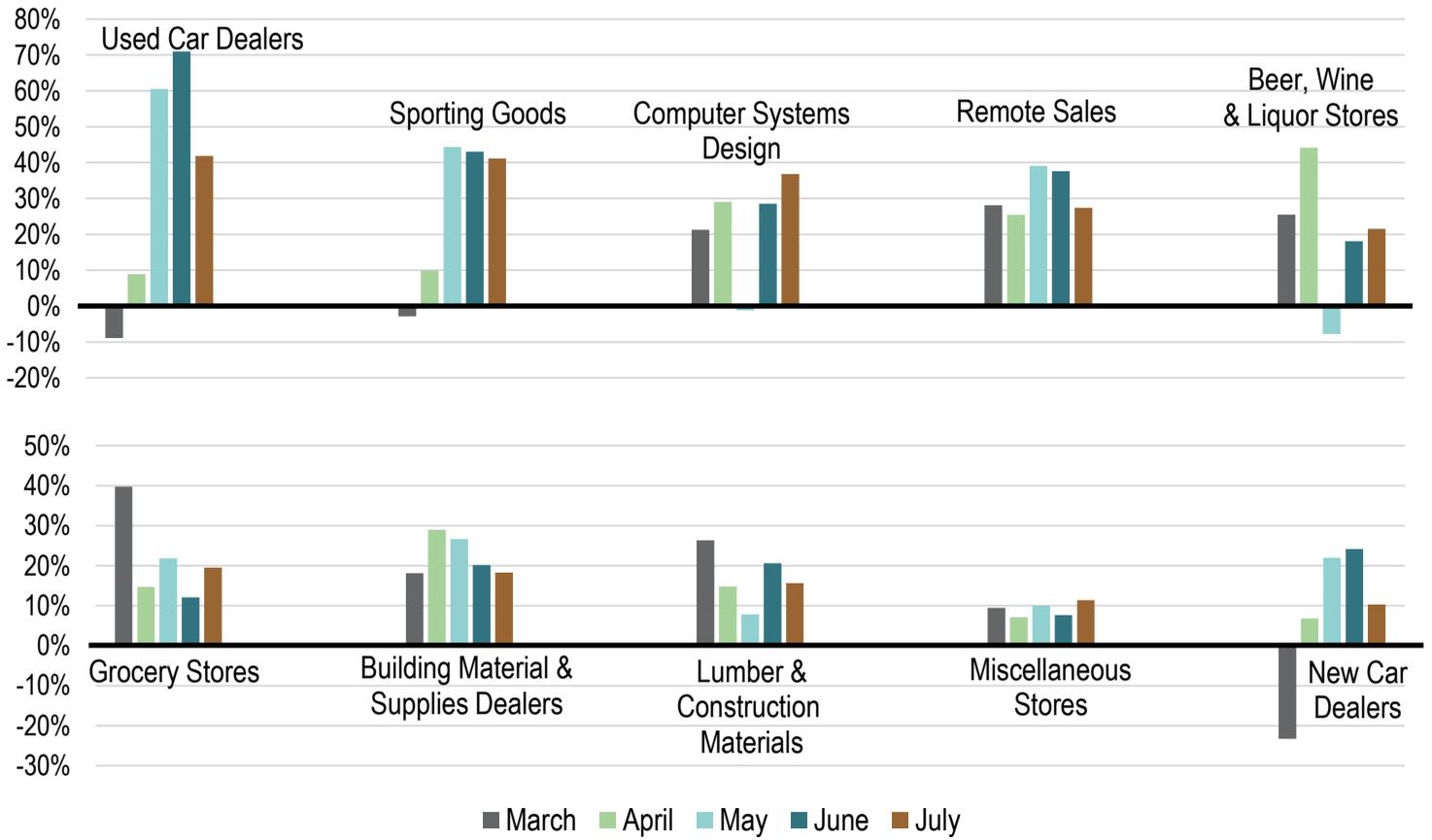
Tax Collections

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 outperforms 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.

Ten Best-Performing Large Industries: Year-Over Taxable Sales



Ten Hardest-Hit Large Industries: Year-Over Taxable Sales

