

UTAH'S ECONOMY—2013

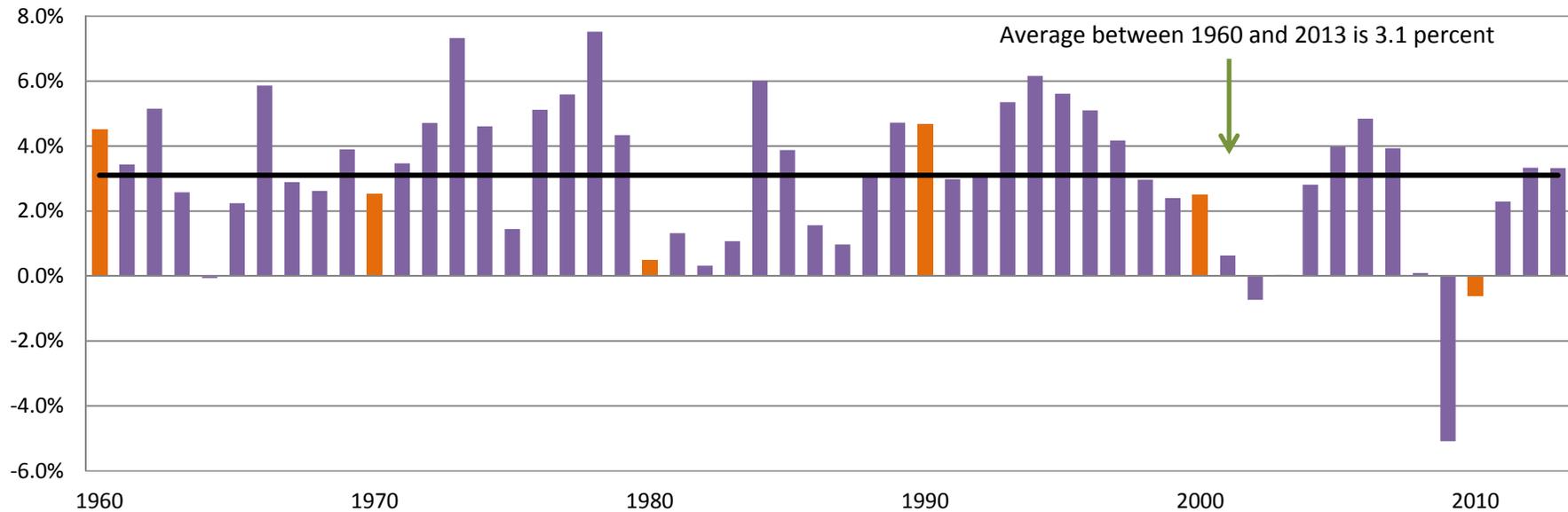
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The year 2013 is recorded in the annals of Utah's history as the second in a row of post-recession employment growth above the state's historical average rate of 3.1 percent. Having added 41,500 jobs over the year, the Utah labor market grew by 3.3 percent. This is the same rate of growth as 2012. The year 2013 also ended with employment at roughly 38,000 above the 2007 pre-recession peak. During the year, Utah's unemployment rate was 4.4¹ percent, a full percentage point lower than 2012 and 3.7 points lower than the recession peak of 8.1 percent.

The Great Recession held its grip on our state for almost six years, which constitutes a business downturn and aftermath much longer than the average recession. Yet our state currently ranks second of all fifty states in strength of recovery. Measures such as this speak to the profound depth of the national recession and the resiliency of the Utah economy.

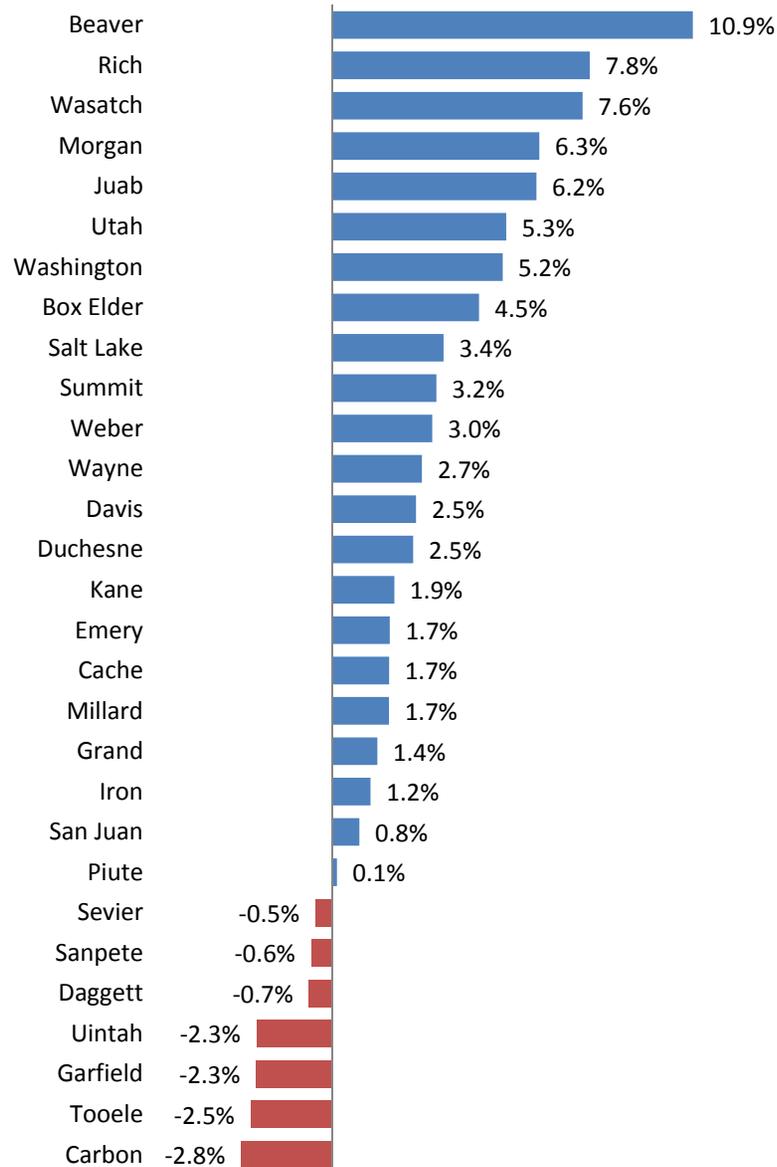
All industry sectors expanded in 2013 but for one: mining. Despite the healthy economic climate statewide, the mining industry faced unique

Statewide Employment Growth Rates, 1960-2013



¹ The unemployment rate is subject to additional revisions.

County Employment Change 2012-2013



challenges that caused its overall performance to dip into the negative for the year. However, because mining holds a relatively small statewide employment footprint of only 0.9 percent, the statewide employment story remained positive. Another industry which has struggled through the recession is construction; this was the slowest sector to transition from recessionary job losses to job gains and has had a more pronounced effect with a statewide employment footprint of 5.7 percent. The transition from construction employment losses to gains finally occurred in 2012 and continued in 2013 with the addition of 4,200 positions.

While Utah has indeed recovered the volume of jobs lost in the recession, not all elements of the labor market have returned to pre-recession conditions. There are lasting effects that show the Great Recession was not just an extreme cyclical event, but also brought structural changes that could redefine Utah's economy for years to come. Those lingering effects are evident in the labor force statistics. For example, labor force participation averaged 68.6 percent in 2013, which is significantly below the pre-recession average of 72.1 percent. Raising labor force participation to the pre-recession average would require another 67,000 or so working age adults to re/enter the workforce (holding population levels constant).

COUNTY SUMMARY

Nine of Utah's counties experienced job growth above the statewide rate of 3.3 percent. Beaver topped the rankings as the only county with double-digit growth for the year. As a small county for employment however, the number of jobs added over the year was 229, only 0.6 percent of all the Utah jobs added in 2013. The county's expansion is derived largely from the construction industry erecting wind power equipment. Utah County, which ranked sixth in the rate of job growth for the year, added roughly one-quarter of the total state jobs for 2013. It too experienced high growth in construction employment, but was also fueled by wholesale and retail trade employment.

Within the state, seven counties posted year-over job losses. Sevier, Sanpete and Daggett counties each posted losses of less than one percent and all happen to be smaller counties, so the total size of net job contraction across the three counties was 90 positions. The remaining job

shedders were Uintah, Garfield, Tooele, and Carbon counties, whose net job loss rates measured 2.3, 2.3 2.5 and 2.8 percent, respectively. For Uintah County, much of the employment contraction was driven by losses in construction and mining. Mining was also the primary contributor to Carbon County’s job losses, where the year-over net decline was 127 in that industry. For Garfield County, the main driver was a slow-down in leisure and hospitality services, and in Tooele County the primary cause continues to stem from the ongoing closure of the Deseret Chemical Depot.

EMPLOYMENT BY INDUSTRY

Mining employment contracted by 440 positions due to two significant forces: a long-standing decline in the demand for coal and the landslide at the Kennecott copper mine which occurred in April of 2013. Since the slide, Kennecott began to replace the lost employment, but there is no indication that the downward trend in coal will stop. Future assessments of the industry will be driven by whether expansion in oil and gas extraction will outweigh the losses in coal mining.

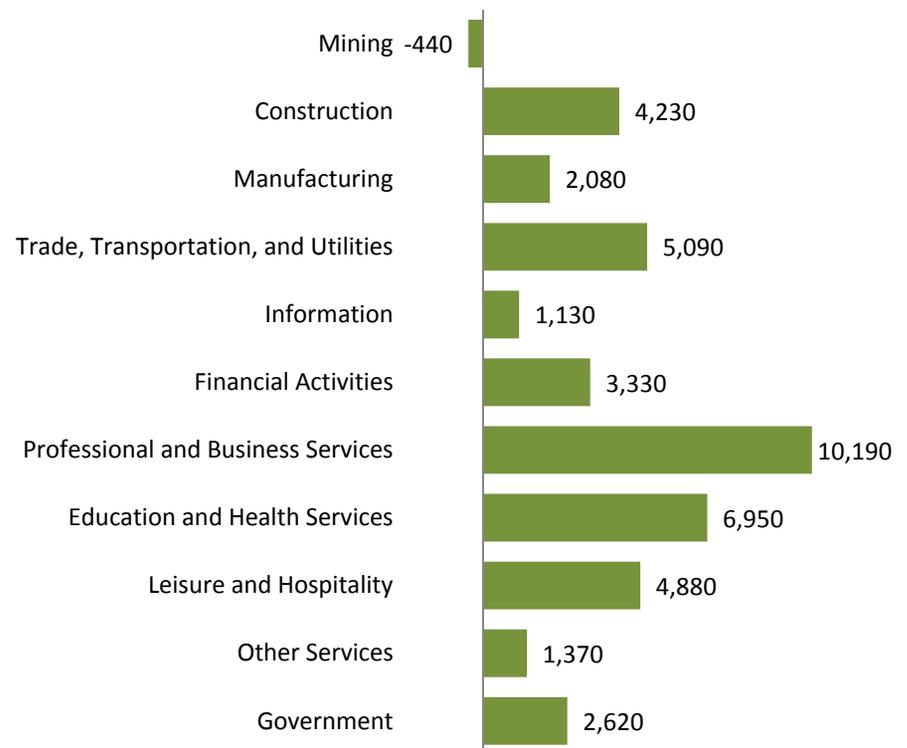
Construction employment showed moderately strong gains, expanding by 5.7 percent over 2012’s annual average. This marks the second consecutive year of post-recession job gains with the addition of 4,230 positions in 2013. Expansion occurred in the construction of buildings and specialty trade subsectors, while heavy and civil engineering construction posted a contraction. Though 2013 construction job gains outnumber those in 2012, the sector’s employment level remains well below its pre-recession peak.

Manufacturing, which was also heavily impacted by the recession, continues to regain employment. In 2013, the industry added 2,030 positions which were concentrated in the primary and fabricated metals, transportation and equipment, and non-durable goods manufacturing subsectors. Pre-recession peak employment reached an annual average of 127,600, so there is still an overall job deficit for manufacturing compared to pre-recession employment levels.

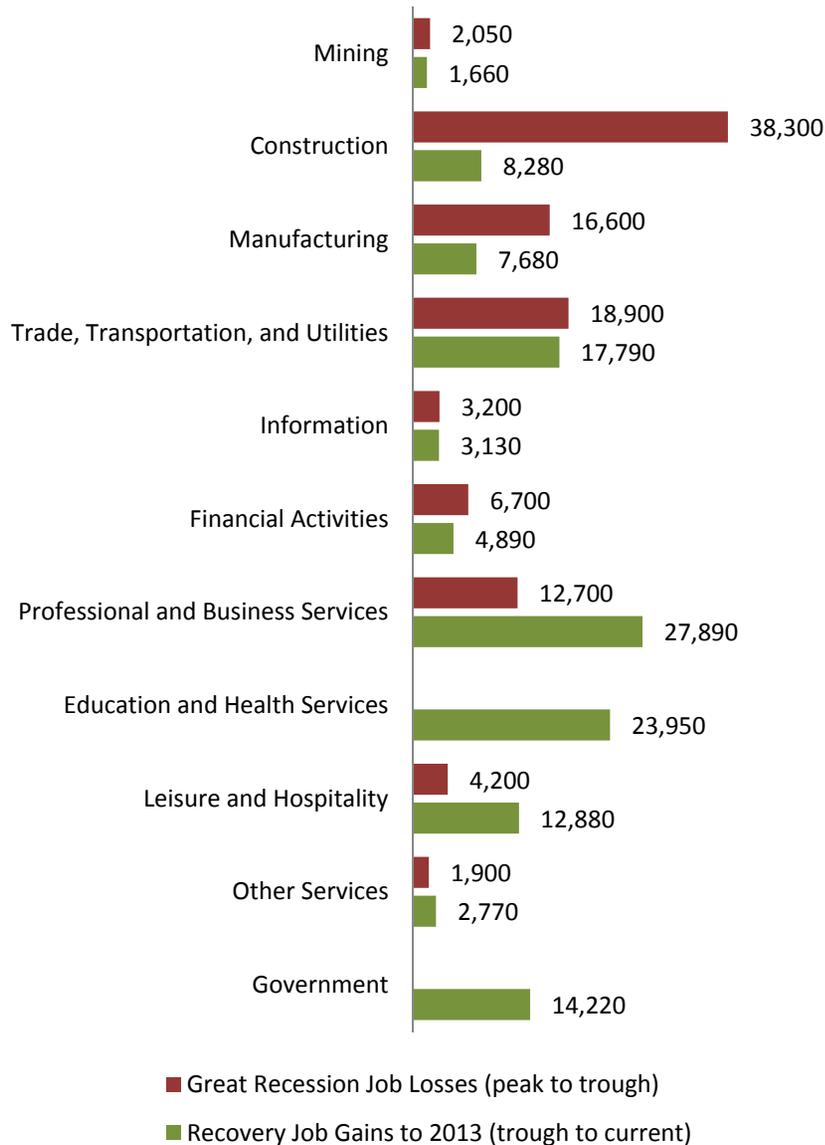
Trade, Transportation, and Utilities is the state’s largest industry sector with 19 percent of total jobs. The sector experienced 2.1 percent growth over 2012. A contraction of 110 jobs in utilities was outweighed by expansions in wholesale trade (430 jobs), retail trade (3,990 jobs), and transportation (720 jobs).

Information is one of the smaller industries in Utah but has added roughly 100 establishments since 2012. Employment expansion also occurred, at an average annual rate of 2.5 percent and was mainly driven by software

Non-Farm Employment Change by Sector 2012-2013



Recession-Recovery Comparison by Industry



publishing, motion picture and sound recording, telecommunications, and internet publishing and broadcasting. Information continued to expand at a healthy pace in 2013, but has cooled somewhat from the faster growth that occurred in 2012.

Financial Activities made a significant leap in the pace of job growth in 2013, adding 3,330 jobs. This increase is triple the number of jobs posted in 2012, which bodes well for an industry climbing out of a 6,700 job deficit created during the Great Recession. The rate of job growth in 2013 was 4.8 percent whereas in 2012 it was 1.7 percent. One prominent feature of the recession was the dramatic tightening of credit that slowed job recovery in the industry. But as credit markets have slowly loosened and the housing market has rebounded, jobs in financial activities are following suit.

Professional and Business Services added the most jobs in 2013, increasing payroll employment by 10,190 positions. This industry brings together a wide spectrum of jobs in terms of typical wage and skill levels, including professional, scientific and technical services expanding by 8.4 percent; management of companies inching up by 0.7 percent; and administration, support and waste management services growing by 5.4 percent. While this industry lost 12,700 jobs in the Great Recession, recovery over the last several years has added more than double the number of jobs lost.

Education and Health Services² provides amenities that are essential to human beings. Therefore, demand for the services tends to grow along with the population, and that tends to make them recession proof. Such was indeed the case for education and health care in Utah, where no jobs were lost during the Great Recession and since that time the industry has expanded to an employment level of 170,541. In 2013 the industry's rate of expansion was 4.2 percent. Of the jobs added over the year, 1,220 were in educational services and 5,730 were in health care and social assistance.

² This includes private sector entities only. Education or health care entities that are run by federal, state, or local government are included in the government employment totals.

Leisure and Hospitality runs the gambit of businesses providing services in arts, entertainment, recreation, accommodation, and food services. In some Utah counties, especially those containing national parks and other tourist attractions, leisure and hospitality is one of the largest sources of employment. Statewide, 4,880 jobs were added in the industry, which has now regained its recessionary job losses three-times over.

Other Services is an industry containing a wide range of establishments such as repair services, personal care, and membership organizations. In 2013 this assortment added enough jobs to declare a full recovery from the recession. Employment grew by 1,370 positions in 2013, which constitutes an annual average growth rate of 3.9 percent.

Government employment overall added 2,620 jobs in 2013, but this sector is better explained by examining the details. There are actually three levels of government contained in the group: federal, state, and local. And the three sub-groups are trending much differently post-recession. While federal government employment has shown a slow downward trend, state and local governments have trended upward. In 2013, federal government employment contracted 3.5 percent while state government grew 3.7 percent and local government grew 2.9 percent. A portion of the upward trends at the state and local levels can be attributed to employment in education (state universities and local school districts). As stated earlier, education tends to growth with population.

Non-Farm Employment Distribution, 2013

