

Utah's Economy – 2023

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Utah's labor market in calendar year 2023 was characterized by continued job expansion, low unemployment rates, and high levels of labor force participation. However, the year also presented some challenges, including inflationary pressures, ongoing shifts in industry demand, and high housing costs. This narrative provides an overview of Utah's labor market in 2023, examining key employment indicators, industry trends, and the state's broader economic context.

Economic overview of Utah in 2023

Utah's economy in 2023 continued to expand, building upon the recovery seen in 2020-2022 following the 2020 recession. Utah's job market in 2023 expanded at a slower rate than in the previous two years as available labor had largely been put to work in the rapid jobs expansions of 2021 and 2022. The expansion rate in Utah in 2023 closely tracked the national rate in 2023 with both registering at 2.3%. Unemployment rates remained low in 2023 at 2.6%, the third year of sub-3.0% unemployment in the state.

Economic growth was driven by population growth, a diverse industrial base, expanding consumer spending, and a thriving business environment, contributing to the expansion of the labor force. The state's population reached approximately 3.4 million people in 2023, with growth coming from both natural increase (births minus deaths) and domestic and international in-migration. The state has one of the youngest populations in the United States, with a median age of about 32 years. This demographic advantage, combined with a high level of educational attainment, provided Utah with a competitive workforce for its expanding job market.

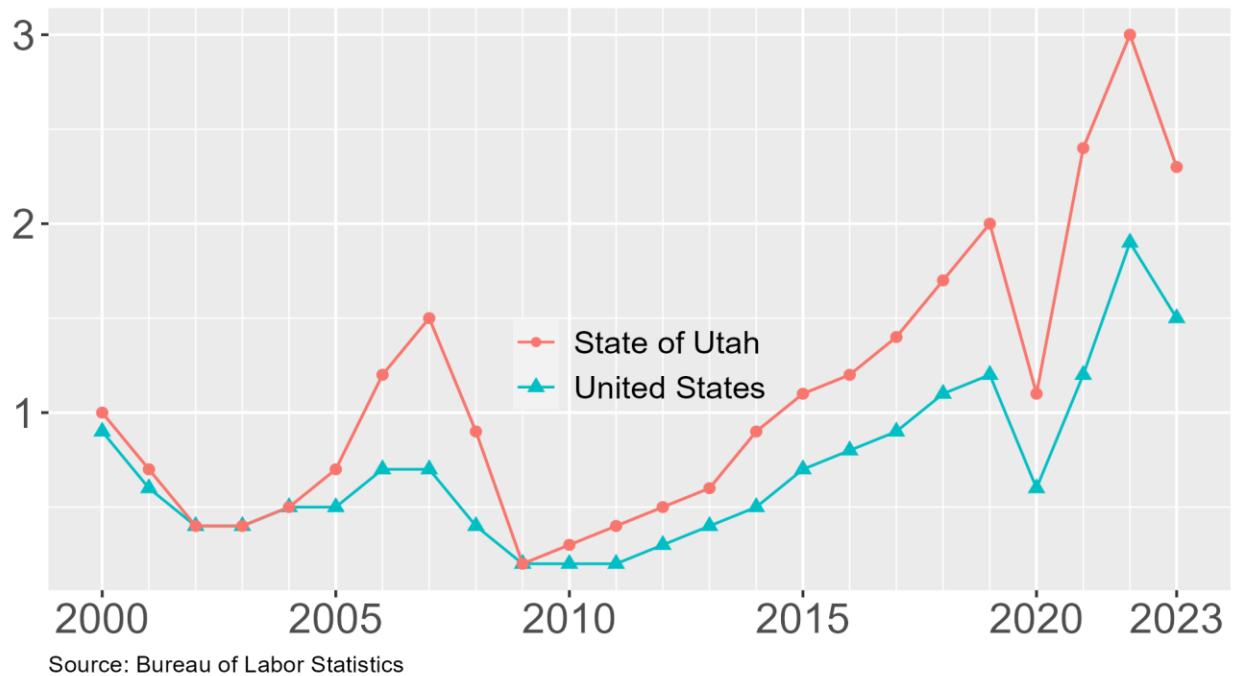
Unemployment rate and labor market dynamics

Unemployment rates in Utah remained low throughout 2023 at a statewide average of 2.6%, the third straight year of a sub-3.0% unemployment rate in the state. The rate increased from 2.5% in January to 2.8% in December, reflecting very little slack in the labor market and high competition for workers.

The year began with the high inflation rates of 2022 beginning to abate. In January 2023, nationwide inflation stood at 6.4%, down from a high of 9.0% in June 2022, as a series of rapid interest rate hikes by the Federal Reserve helped dampen aggregate demand in the economy. The effective Federal Funds Rate in January 2023 was 4.3%, up from 0.1% in February 2022 and reached 5.3% by August 2023, a level where it stayed for the rest of the year.

The 40-year high interest rate environment helped bring inflation down through the course of 2023, with the national Consumer Price Index ending the year at 3.3%. The interest rate environment also weighed on job openings, which declined over the year from 119,000 in January to 90,000 in December. This helped alleviate some of the tightness in the state's labor market as the number of job openings to unemployed workers declined to 2.3 from 3.0 in 2022. Even with this marginal cooling, the state's labor market remained tight as the number of job openings per unemployed worker was higher than any year going back to 2000, with the exception of 2021 and 2022.

Job openings per unemployed person

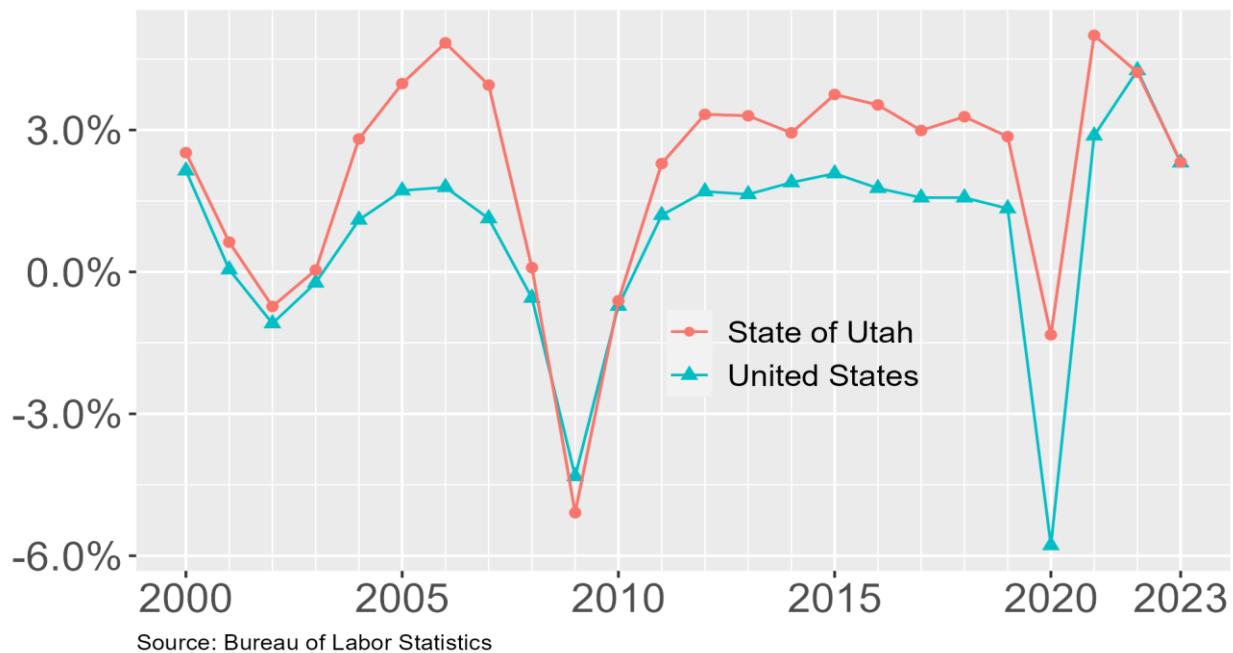


Source: Bureau of Labor Statistics

Employment trends

Utah continued to see steady job growth in 2023, with an estimated 38,500 more jobs than a year previous, for a 2.3% rate of growth. This rate of expansion is lower than the approximately 3.0% growth the state experienced throughout the 2010s and matches the national rate of job growth in 2023.

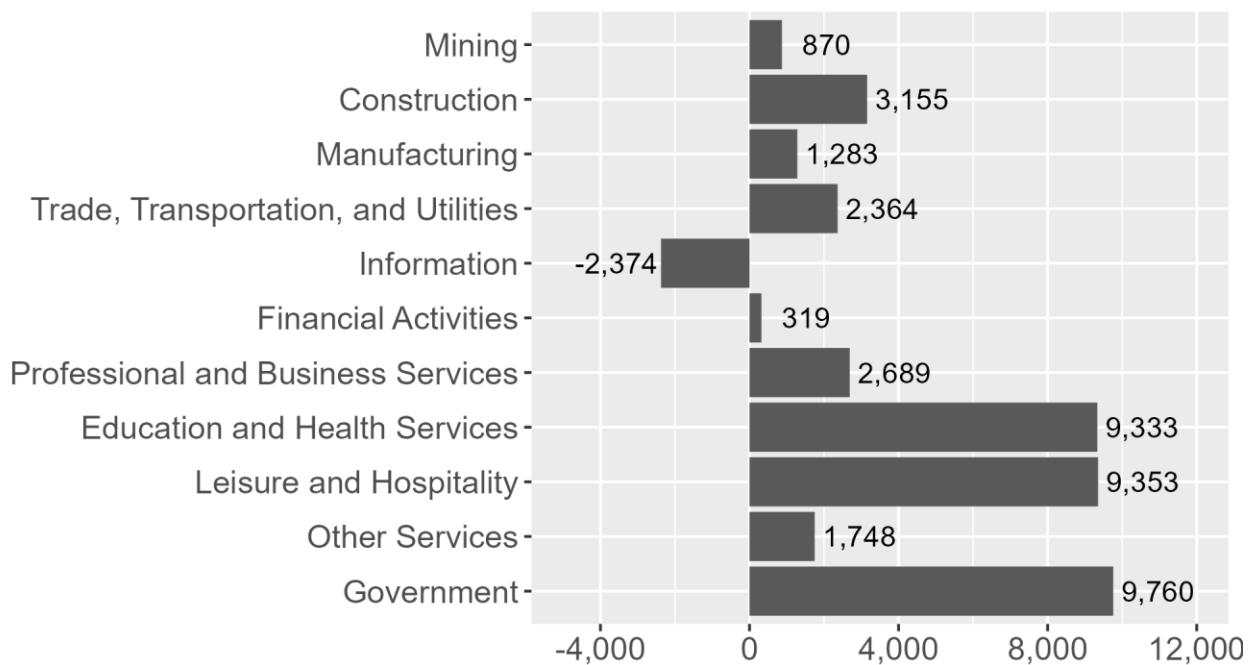
Job growth rates, Utah and USA



Source: Bureau of Labor Statistics

The state's economy benefited from a diverse industrial base, with notable expansions in the education and health services, leisure and hospitality, government, and construction industries. Nearly all industrial sectors expanded in 2023, albeit generally at slower rates than what occurred in 2022 during the state's rapid expansion during recovery from the 2020 recession. An exception to this was the health care sector, which expanded faster in 2023 than it did in 2022, propelled by employment growth in hospitals and nursing and residential care facilities to care for a growing and aging population. Of industrial supersectors, only the information sector, home to many technology firms, experienced a contraction in 2023, shedding 2,300 positions, or 5.3% of its workforce.

Nonfarm employment change by sector, 2022-2023



Source: Utah Department of Workforce Services

Occupational employment dynamics saw high demand for tech workers and those in STEM (science, technology, engineering and math) fields, with many job openings for software engineers, electrical engineers, data scientists, and other computer occupations. In the fast-growing health care industry, employers had difficulty filling positions with registered nurses, pharmacy technicians, health services managers, and surgical, health, and radiologic technicians, while in the social services field child and family social workers were in high demand.

The construction industry continued its expansion in 2023, fueled by the ongoing development of commercial real estate, housing, and infrastructure projects. The demand for construction workers remained high, however, labor shortages presented challenges, with employers struggling to find skilled tradespeople like electricians, carpenters, and plumbers.

Wages and salary trends

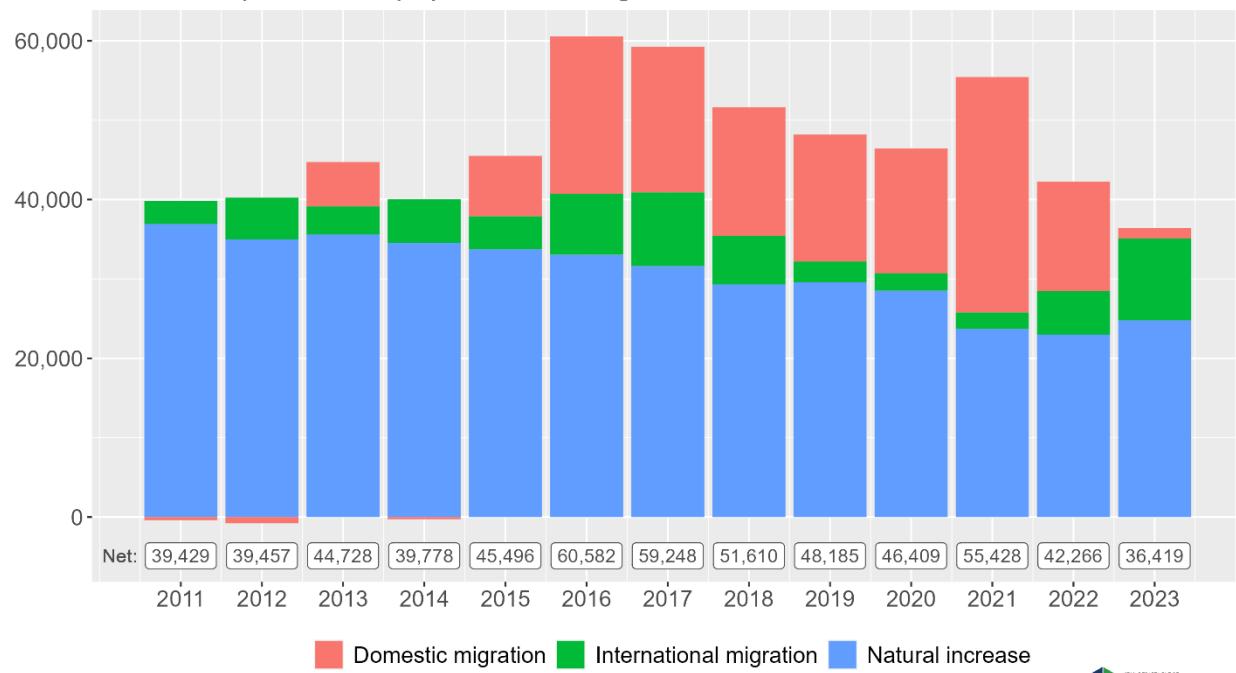
Wages in Utah continued to rise in 2023, though at a slightly slower pace compared to previous years. The average annual wage in Utah reached \$62,900 in 2023, a 4.1% increase from the previous year. High

demand for workers in technology, healthcare, and construction prompted employers to offer higher salaries and benefits to attract talent.

Despite the wage increases, inflation remained a concern, impacting the purchasing power of workers. Inflation in the mountain region (a region including Utah, Arizona, Colorado, Idaho, Montana, New Mexico, Nevada, and Wyoming), while declining over the year, averaged 4.5% in 2023 (BLS 2024). With inflation exceeding nominal wage gains, purchasing power for the average worker declined in 2023. Rising housing costs, in particular, placed pressure on low- and middle-income families. Despite these stresses, consumer spending expanded during 2023. While the increase in taxable sales was modest at just 1.75%, the growth in consumer spending allows for positive feedback with other parts of the labor market including wage levels and job growth (Utah State Tax Commission 2024).

Utah's increased housing costs contributed to a reduction in the rate of in-migration to the state compared to recent years. With lower in-migration, labor force expansion also slowed. While the average size of the labor force in 2023 exceeded the 2022 level by a robust 3.0%, during 2023 itself labor force expansion slowed, growing by just 2.1% from January through December.

Utah: Components of population change



Source: U.S. Census Bureau, Population Division



Labor Force Participation

Labor force participation in Utah increased to 69.5% in 2023 from 68.8% a year earlier, as many individuals sought employment due to the state's strong economy. Labor force participation rates stayed relatively steady across most age cohorts, but a notable increase was seen in the 55-64 age group as the pre-retirement cohort worked to shore up retirement savings in the midst of historically high inflation. The state's aging population, with a large proportion of Baby Boomers nearing or in retirement, also contributed to tight labor markets and abundant job opportunities for those of working age.

Employment by Industry

Mining employment in Utah expanded by 8.8% or 870 jobs in 2023 as high oil and gas prices helped support the industry. The oil and gas rich Uintah Basin region of the state experienced strong job growth associated with the good fortunes of the oil and gas industry in 2023.

Construction expanded by 2.4%. This large sector is composed of three subsectors: "Specialty Trade Contractors," "Construction of Buildings," and "Heavy and Civil Engineering Construction." Growth in construction jobs in 2023 was driven primarily by demand in the "Specialty Trade Contractors" and "Construction of Buildings" subsectors. In contrast, employment in the "Heavy and Civil Engineering Construction" subsector contracted over the past year. Despite the high cost of housing in the state and impetus to expand the housing supply, much of the growth in the "Construction of Buildings" subsector was associated with nonresidential building construction, which grew by nearly 14% or 1,490 jobs, while residential building construction actually contracted by 2.5% or 436 positions. The large specialty trade contractors subsector makes up two-thirds of all construction jobs in the state and can reflect work on either residential or non-residential building projects.

Manufacturing employment expanded by 0.9% or 1,283 jobs in 2023. The manufacturing sector in Utah includes a wide variety of firms and manufacturing sub-industries from plastics to food to textiles to pharmaceuticals. The manufacturing base around Hill Air Force base helped drive much of the overall manufacturing sector growth as aerospace manufacturing added 1,671 jobs. Other manufacturing industries that experienced strong growth were architectural and structural metals manufacturing and electrical component manufacturing. Plastics and pharmaceuticals manufacturing declined.

Trade, Transportation, and Utilities is a conglomeration of several industries and is the state's largest employment sector. It expanded in 2023 by 0.8% or 2,364 jobs. The air transportation and couriers and messengers industries experienced the largest gains in this sector during 2023, expanding by 1,007 and 925 jobs, respectively. The expansion of the Salt Lake City airport and continued growth of courier services associated with online shopping helped contribute to these growth dynamics. The retail trade sector contracted during 2023, but industries within the retail landscape experienced divergent fortunes as specialty retailers such as furniture, sporting goods, and hobby stores declined while general merchandise retailers expanded.

Information is one of Utah's smaller industry groups and the only nonfarm sector to experience job declines in 2023. The information sector includes publishing industries, telecommunications, and broadcasting, in addition to computing infrastructure providers, data processing, and web hosting. Mirroring the national downturn in these technology-centric industries, Utah's information sector shed 2,374 jobs in 2023 for a 5.4% contraction.

Financial Activities expanded payroll employment by 0.3% in 2023, adding 319 jobs. The biggest industry within the financial activities sector is credit intermediation and related activities, which accounts for 40% total sector employment and is engaged primarily in lending funds. Hit hard by the high interest rate environment of 2023, credit intermediation lost over 1,600 jobs for a 4.0% contraction. The other industries within the financial activities sector expanded, including securities and other financial investments, real estate, and rental and leasing services.

Professional and Business Services was Utah's second largest private sector employment sector in 2023. Employment in this sector grew by 1.1% over the year, adding 2,689 jobs. The sector consists primarily of establishments specializing in delivering professional, scientific, and technical services. Architectural, engineering, accounting, research and development, and office administrative services all experienced strong expansions in 2023, as did services for buildings and dwellings. On the other end of the spectrum, with abundant job openings and a tight labor market in 2023, the employment services industry declined as its value proposition is weaker in tight labor markets. Business support services, mirroring national trends, also shed positions as that industry – which includes call centers, copy centers, collection agencies, and document preparation services – struggled to adapt to changing technological conditions.

Education and Health Services is an industry where its service demand is driven largely by population growth and demographic changes. With a growing and aging population, the growth of this sector continued in 2023, expanding by 4.1% or 9,333 positions. Most job gains occurred in health care industries, notably in hospitals, offices of health practitioners, and nursing and outpatient care centers. Educational employment also expanded in the state in 2023, but much of this industry's job growth is tabulated in the government sector as publicly owned educational services. Even still, private sector educational services expanded by 2.6% or 1,335 jobs. Among the only industries within this large agglomeration to see employment decline in 2023 were junior colleges and technical and trade schools.

Leisure and Hospitality businesses provide services in arts, entertainment, recreation, accommodation, and food service. In some Utah counties, especially those containing national parks and other outdoor attractions, this employment sector is one of the largest. Continuing its expansion in meeting pent-up demand accumulated during the extremely trying period surrounding the 2020 recession, leisure and hospitality employment expanded by 5.8% statewide in 2023, adding 9,353 jobs.

Other Services is somewhat of a miscellaneous catch-all industry that contains a wide range of service activities, such as repair and maintenance, personal care, and membership organizations. This sector expanded by 1.7% in 2023, adding 1,748 jobs. Most of the industries classified within this sector expanded, especially automotive repair and maintenance, and personal care services.

All of the above industry sectors constitute the **Private Sector**, a conglomerated description of all industries not classified as government. This conglomeration accounts for approximately 85% of all 2023 Utah employment. The private sector gained 28,665 jobs in 2023 for a growth rate of 2.0%.

Government employment consists of three classification levels — federal, state and local. The private sector's fast growth during 2021 and 2022 left the public sector occupying a smaller share of total employment in the state than it did in 2019, before the 2020 recession. The public sector expanded at a fast rate of 3.8% or over 9,760 jobs in 2023 as the government raised wages to try to attract employees and re-staff to its previous employment share. Government is one of the largest employment sectors in the state as most of Utah's education entities are under government administration, whether K-12 or higher education. The largest is local government employment, as most K-12 education is administered by local governments. Of the 139,000 local government employees in the state, 76,000 were employed in educational services, and 38,000 were in public administration. State government follows, with 88,000 employees, of which 58% were employed in educational services, 24% were in public administration, and 16% were employed in health care and social assistance. The federal government is the smallest of the three, but is not insignificant with 40,000 workers, including Hill Air Force Base, the

Internal Revenue Service processing center, Utah's numerous national parks, the U.S. Forest Service, and other land management agencies.

Sources

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