

# Trends & Outlook for Southern Utah's Economy

Color Country HR Association, April 2023

April 18, 2023

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Utah Department of Workforce Services

**April 2023**



# Overview

- **Quick Facts on Utah & St George Economy**
- **Under Pressure**
  - Labor Shortage
  - Wage Gains
  - Inflation
  - Fed Response
- **2023 Outlook**
- **The Roots of the Labor Shortage**



Where are we?

# Unemployment rates near historic lows

## Seasonally Adjusted Unemployment Rate February 2023

2.7%

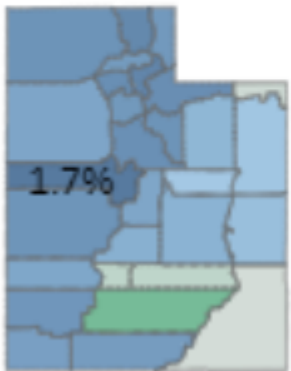
2.4%

3.5%

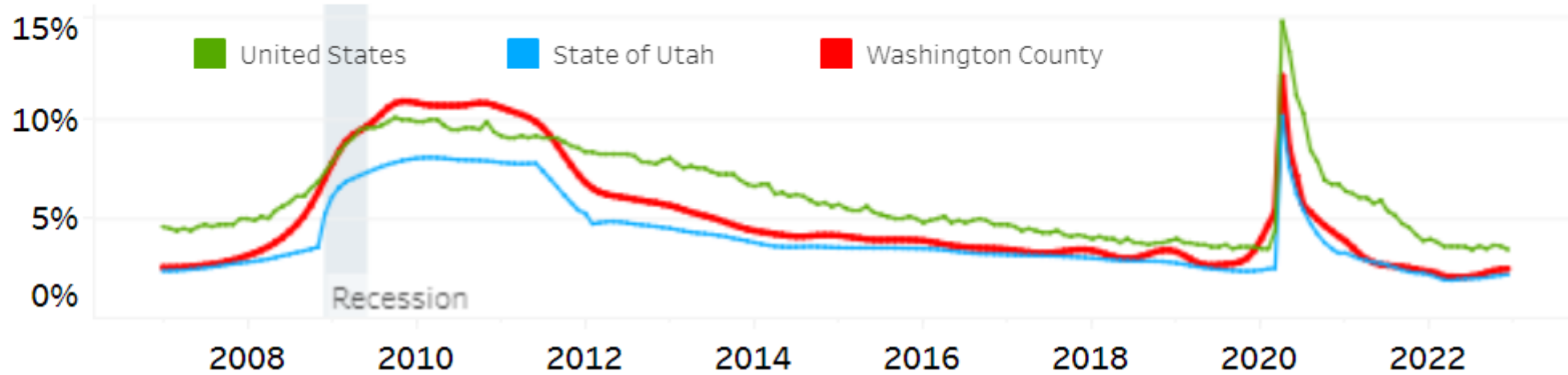
Washington County

State of Utah

United States



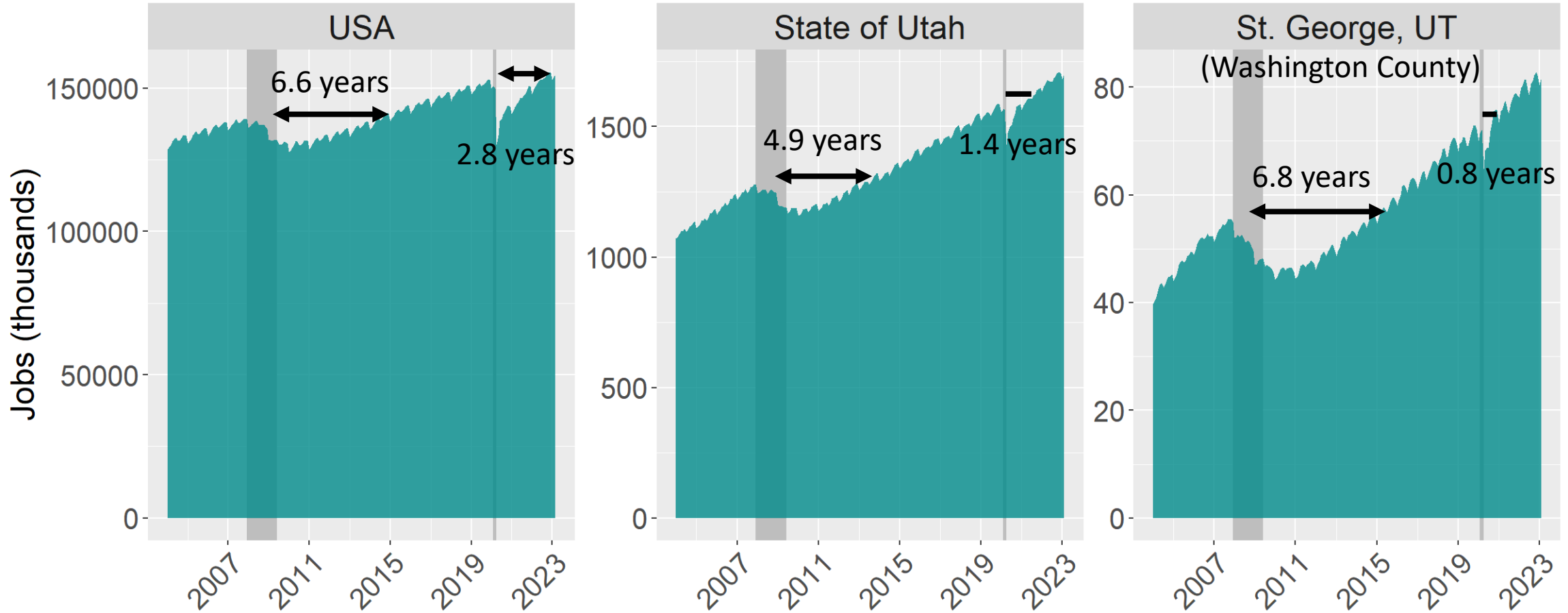
1.7% 5.9%



# Where are we? Utah's economy continues to grow.

Employment is above pre-pandemic levels.

- Utah has gained around 130,000 jobs since before the pandemic.
- Recovery outpaced the nation.

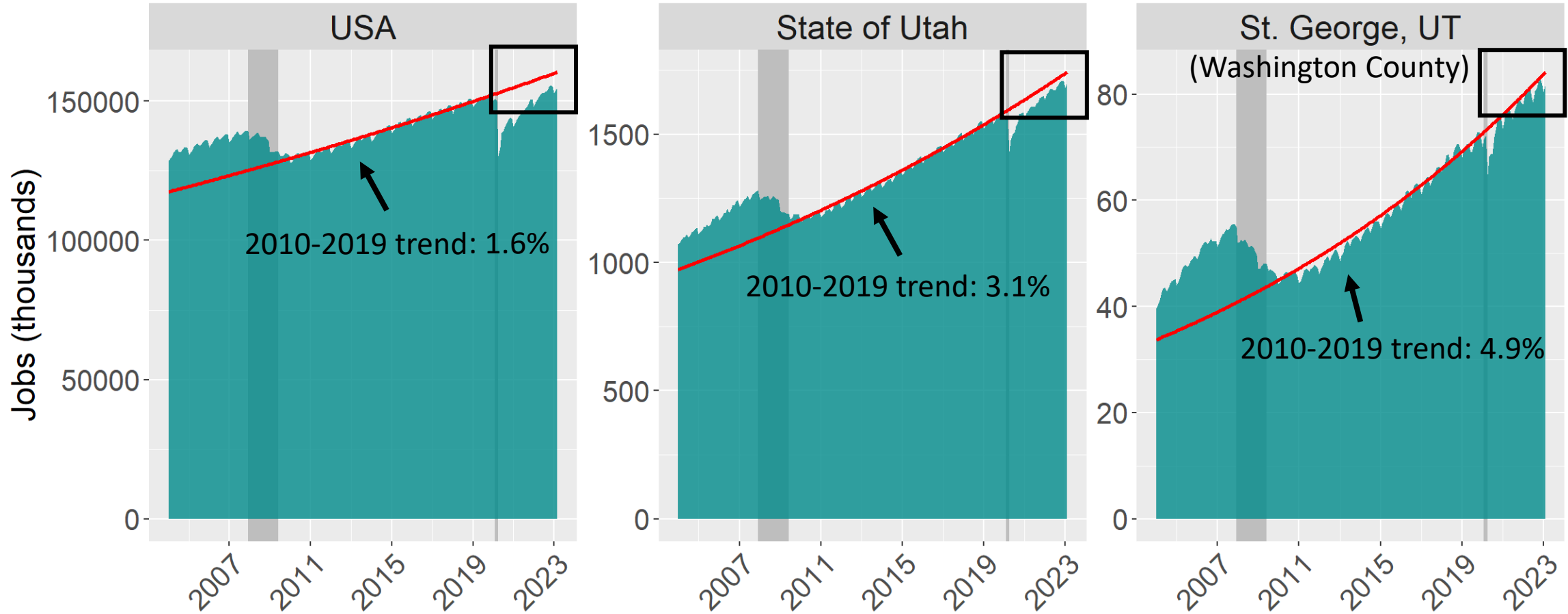


Source: BLS (CES)

# Where are we? Utah's economy continues to grow.

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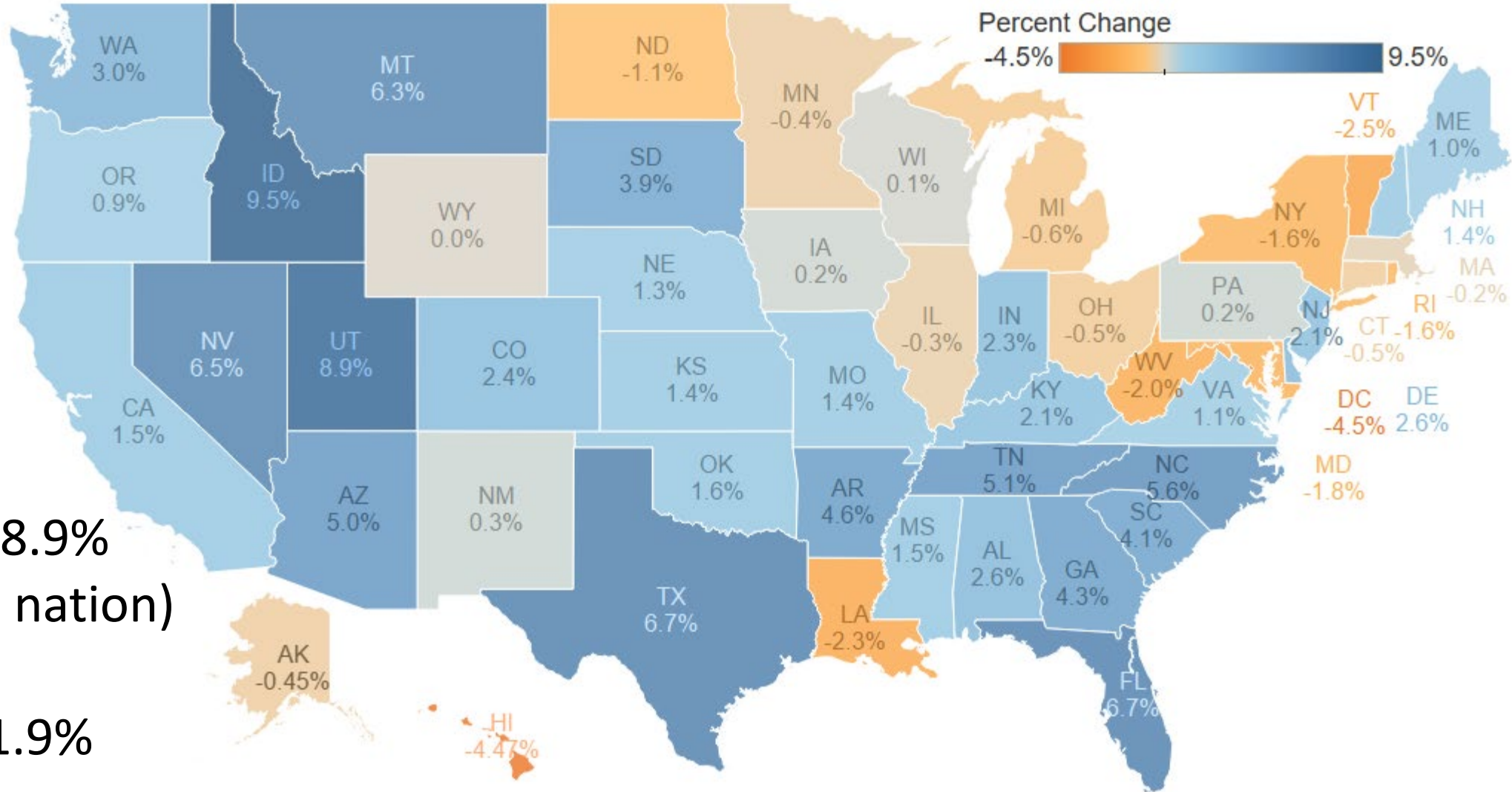


Source: BLS (CES)



# Where are we? Utah near top in job growth since COVID hit

Percent change in employment, February 2020 to February 2023



Utah: 8.9%  
(2<sup>nd</sup> in nation)

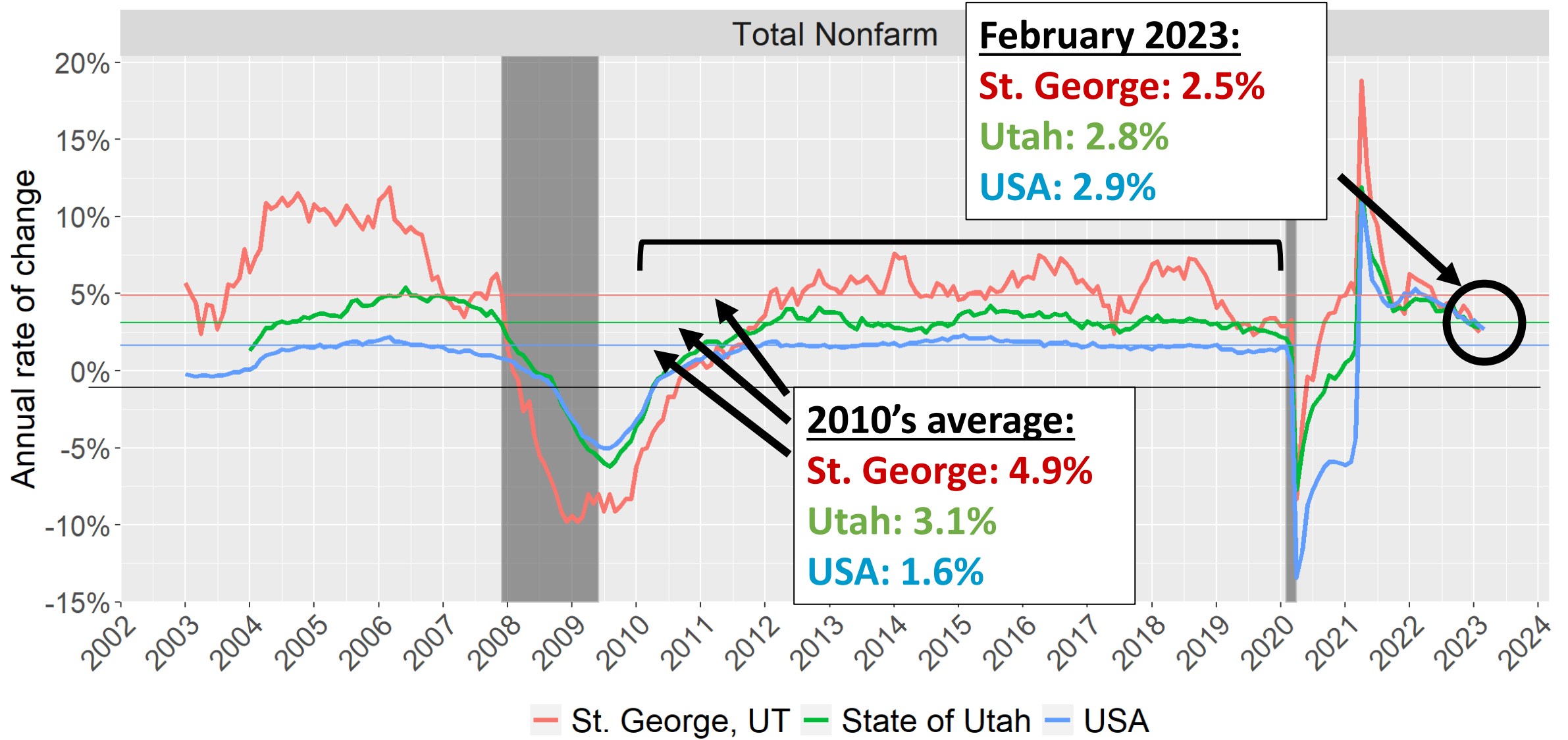
USA: 1.9%

Source: U.S Bureau of Labor Statistics

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Where are we?

# Annual rate of Jobs Growth

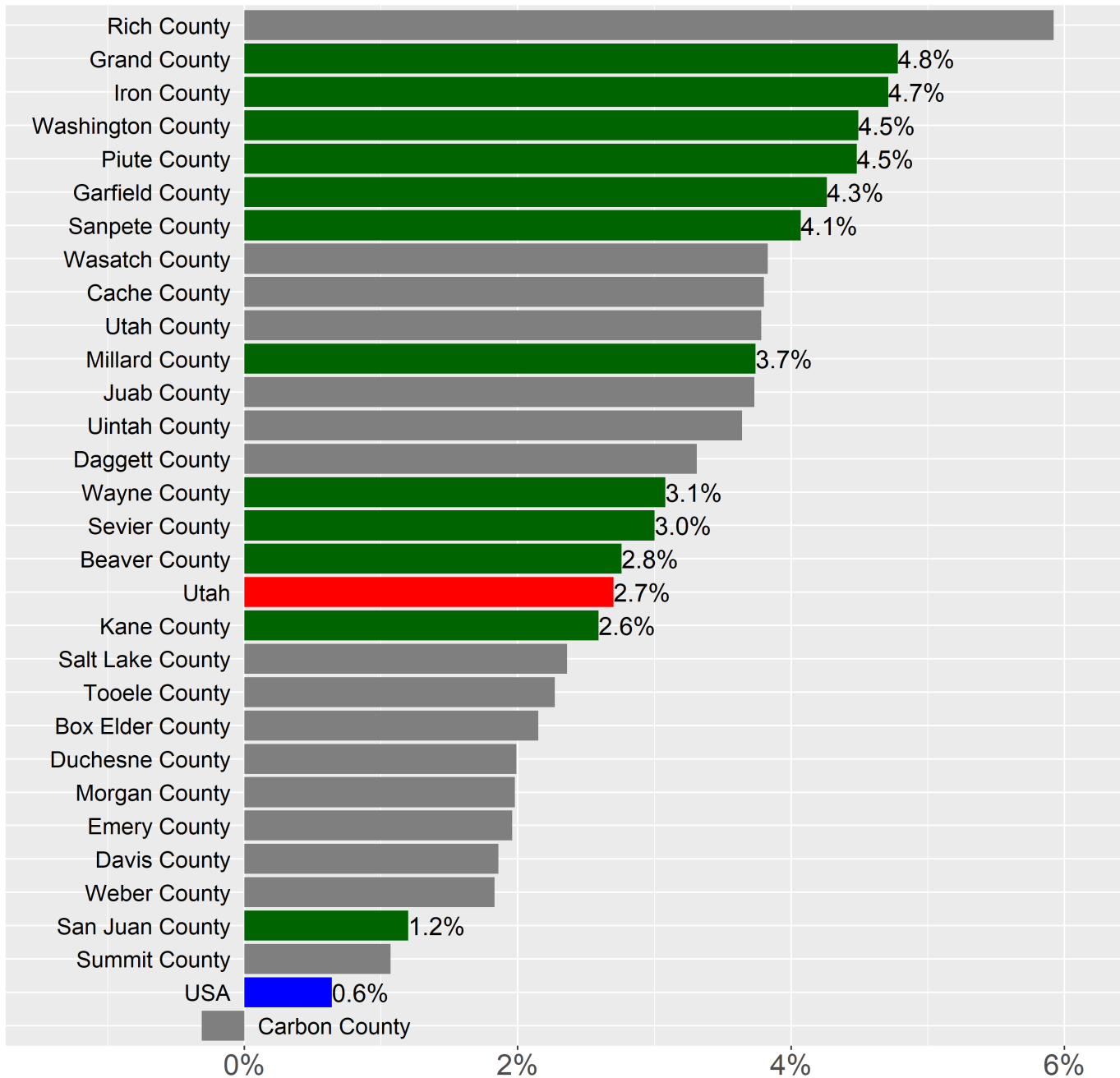


Source: BLS (CES)

# Where are we?

## Annual Rate of Job Growth: February 2020 to February 2023

### County-level job growth rates



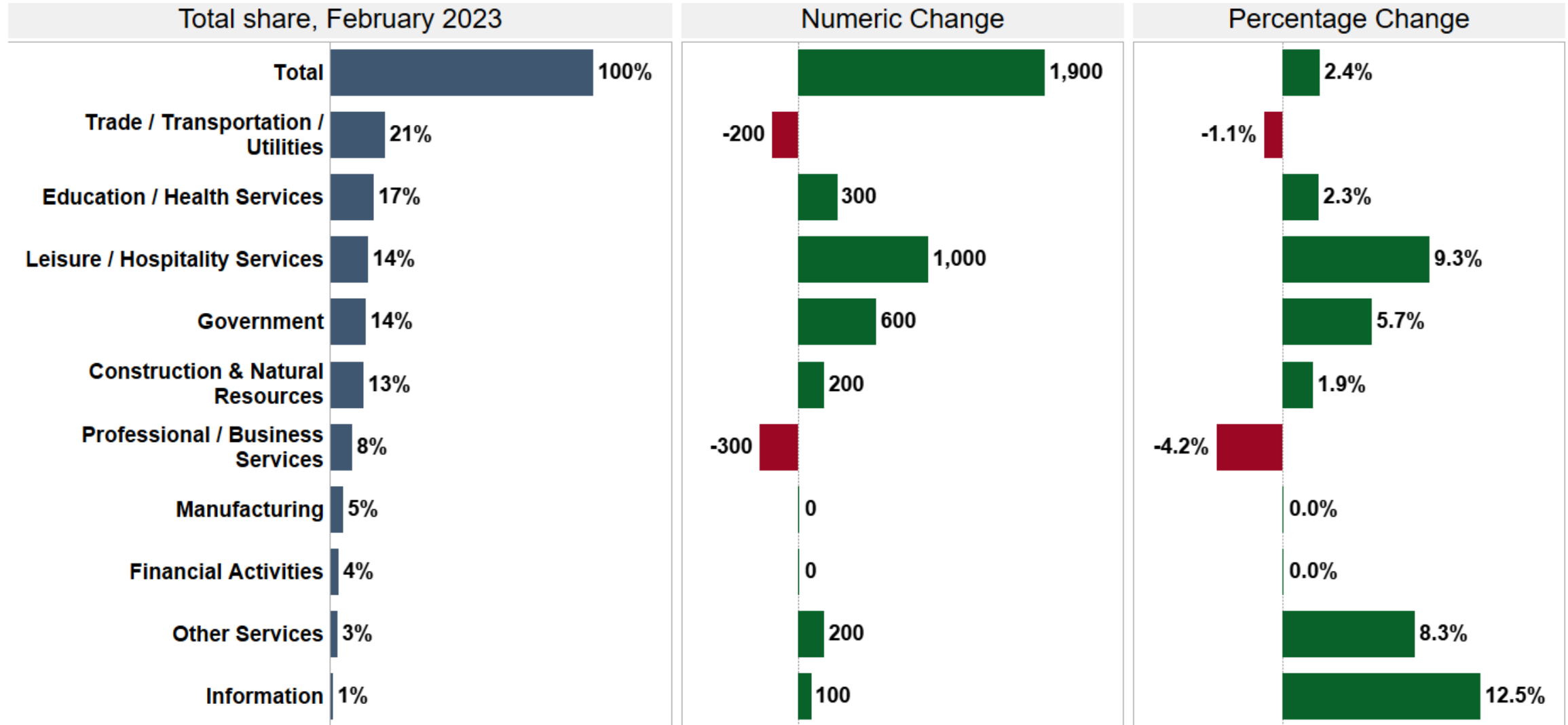
Southern Utah Counties among fastest growing

Source: Bureau of Labor Statistics



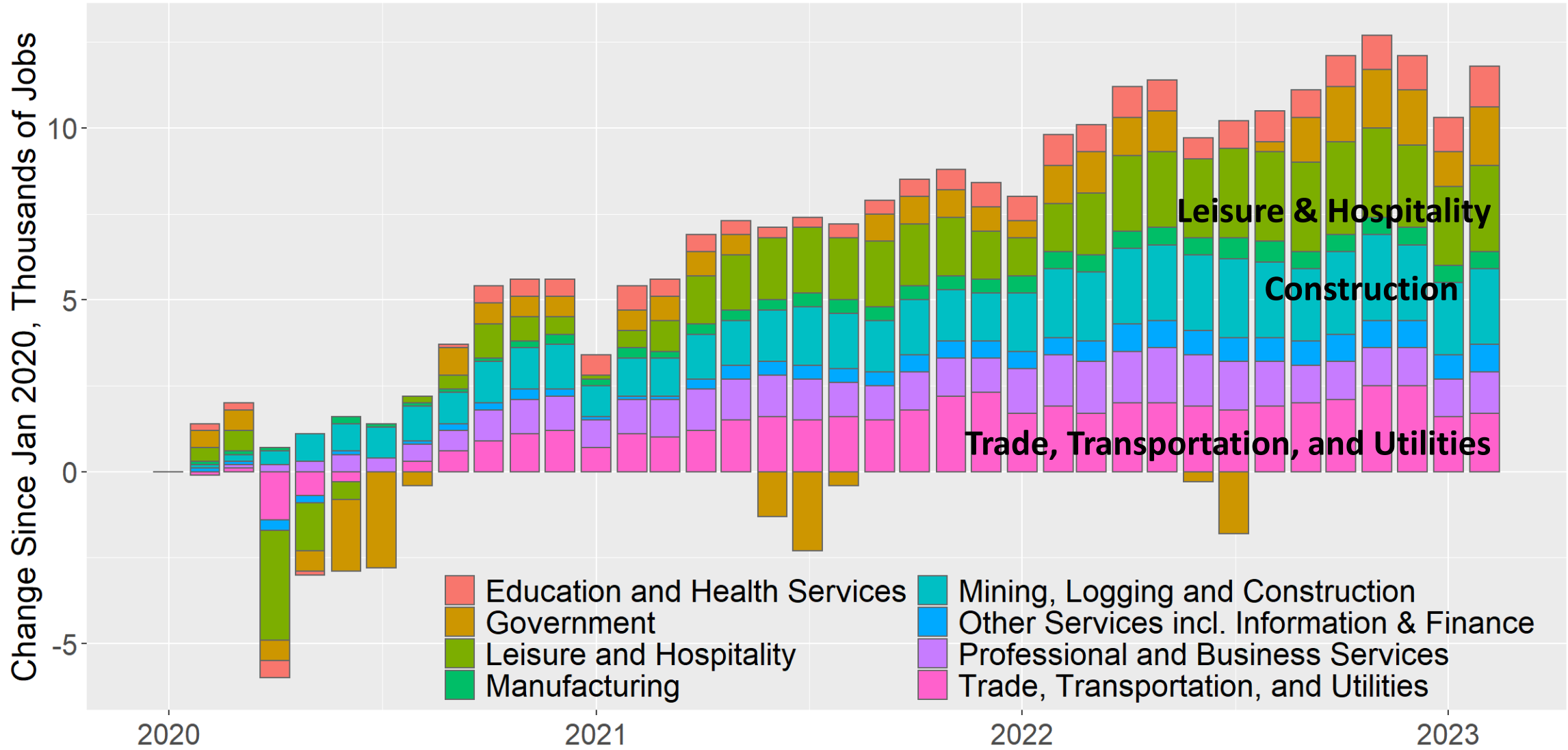
# St George Nonfarm Industry Profiles

## February 2022 - 2023



Source: U.S. Bureau of Labor Statistics (CES)

# The Shape of Washington County Job Growth



Source: BLS (CES) data for St. George, UT

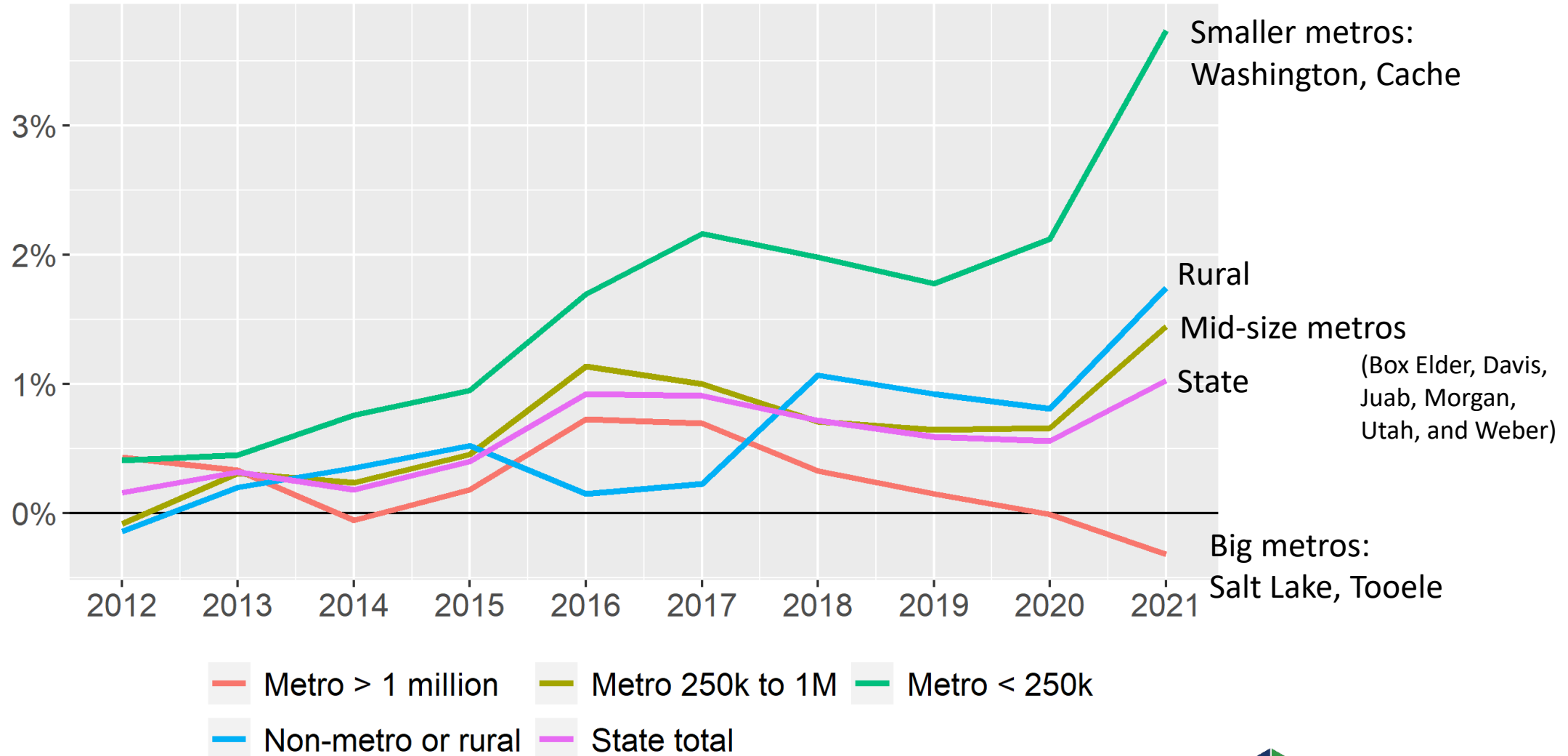
# Drivers of Southern Utah growth

- Population Growth
- Diverse local economies



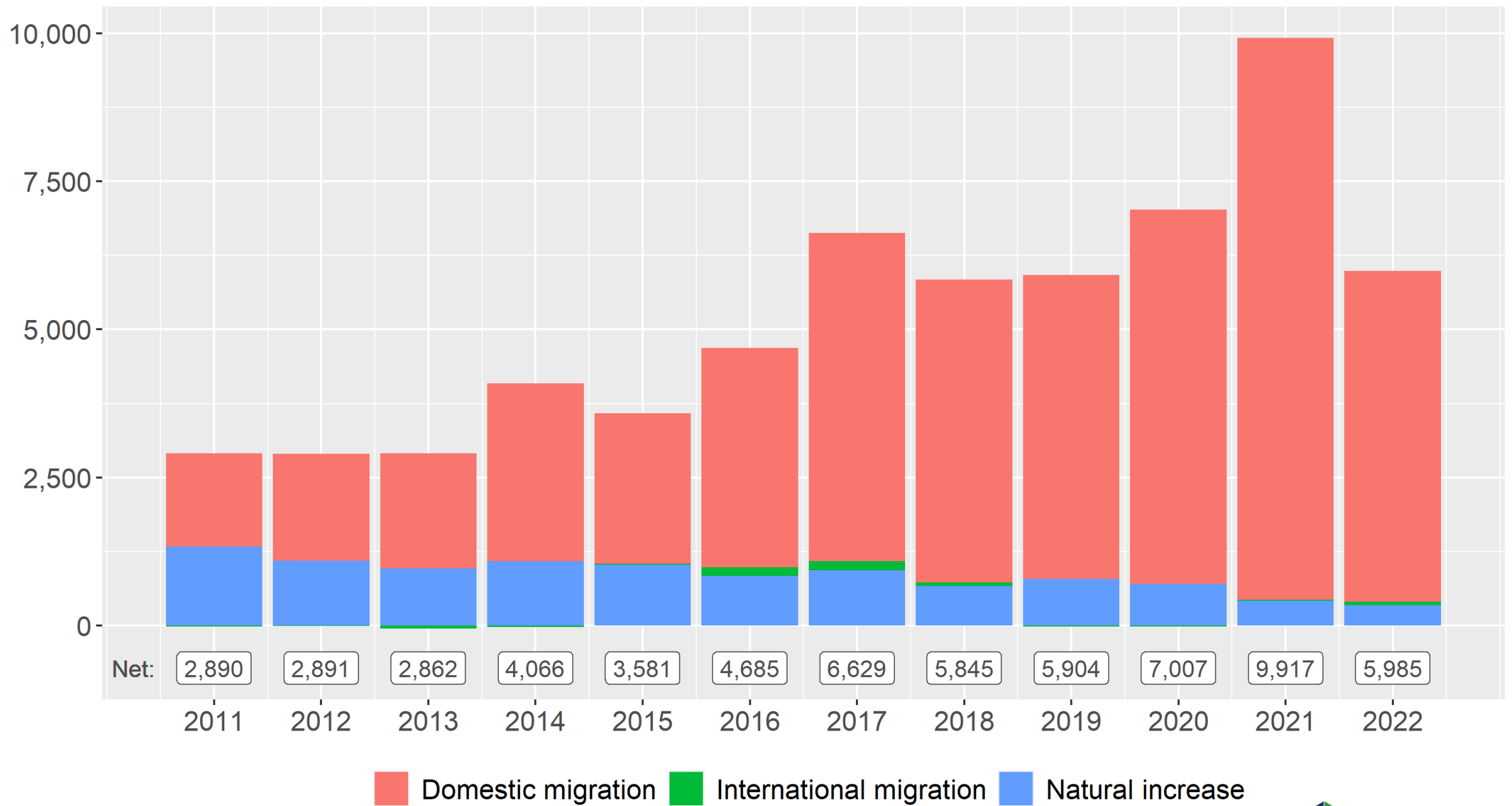
# Population trends favoring smaller regions

Net migration rates in Utah counties by metropolitan size class



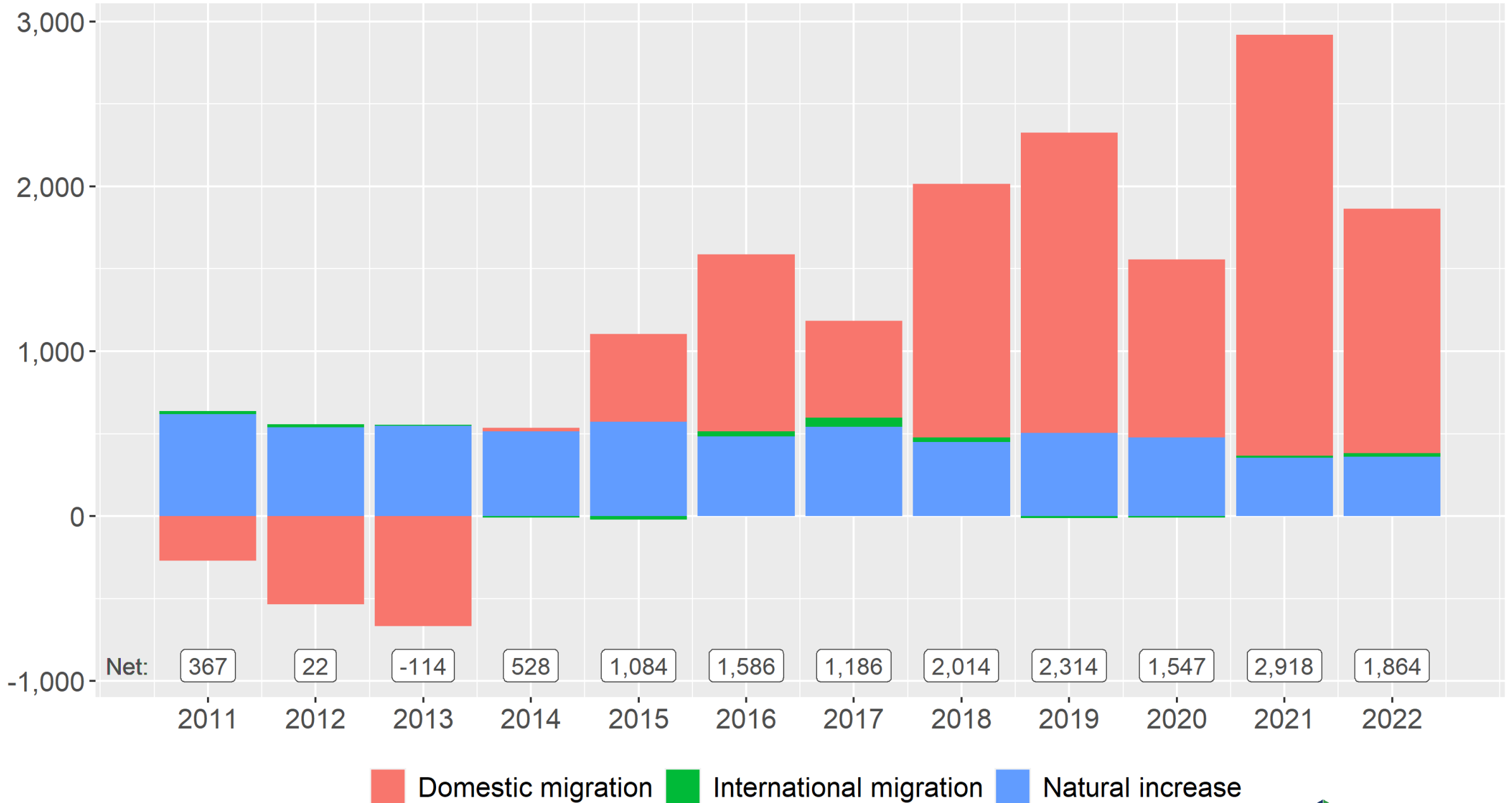
Source: U.S. Census Bureau, Population Division & USDA ERS 2013 Rural-Urban Continuum Codes

# Washington County: Components of population change



Source: U.S. Census Bureau, Population Division

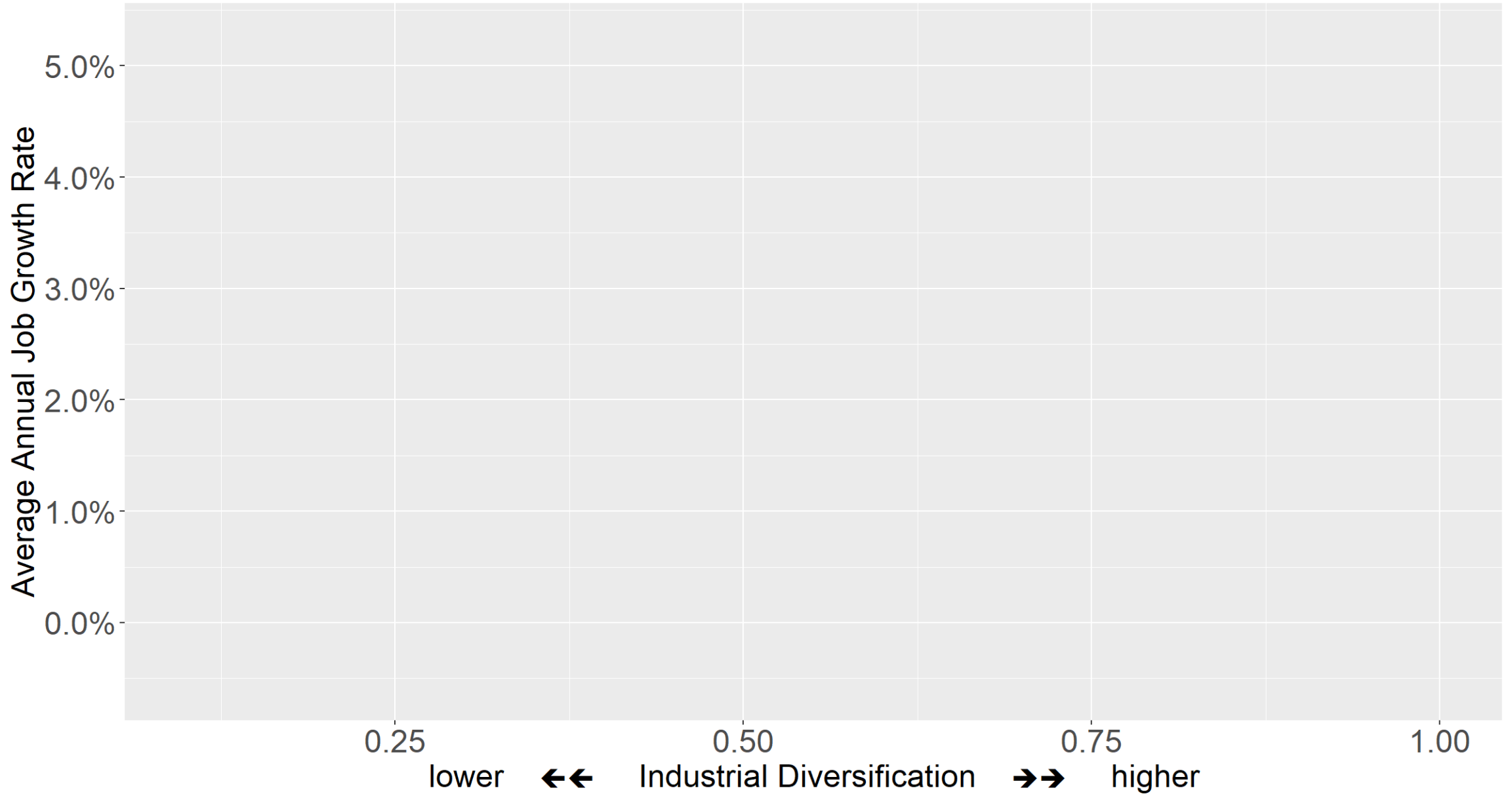
# Iron County: Components of population change



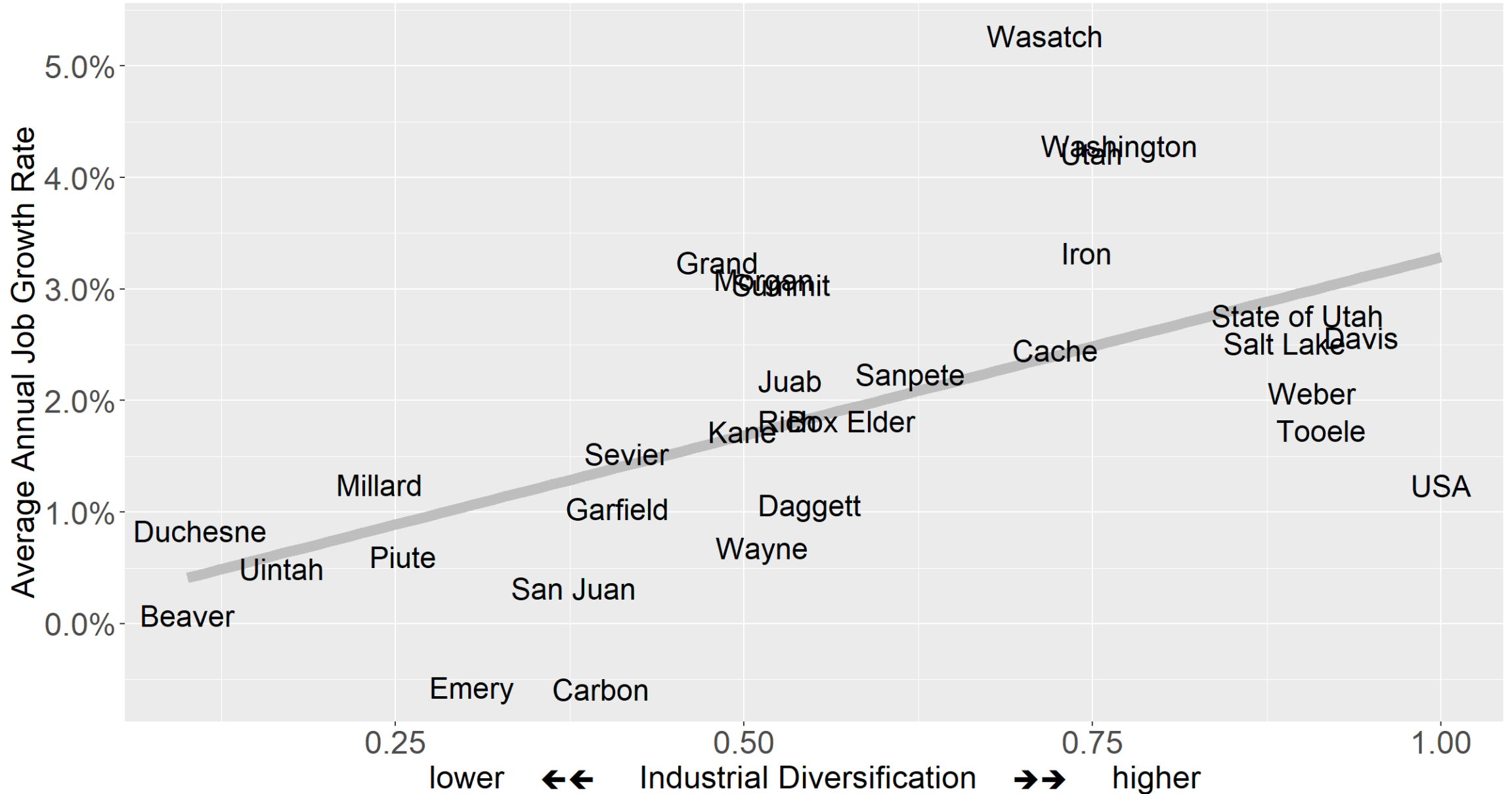
Source: U.S. Census Bureau, Population Division



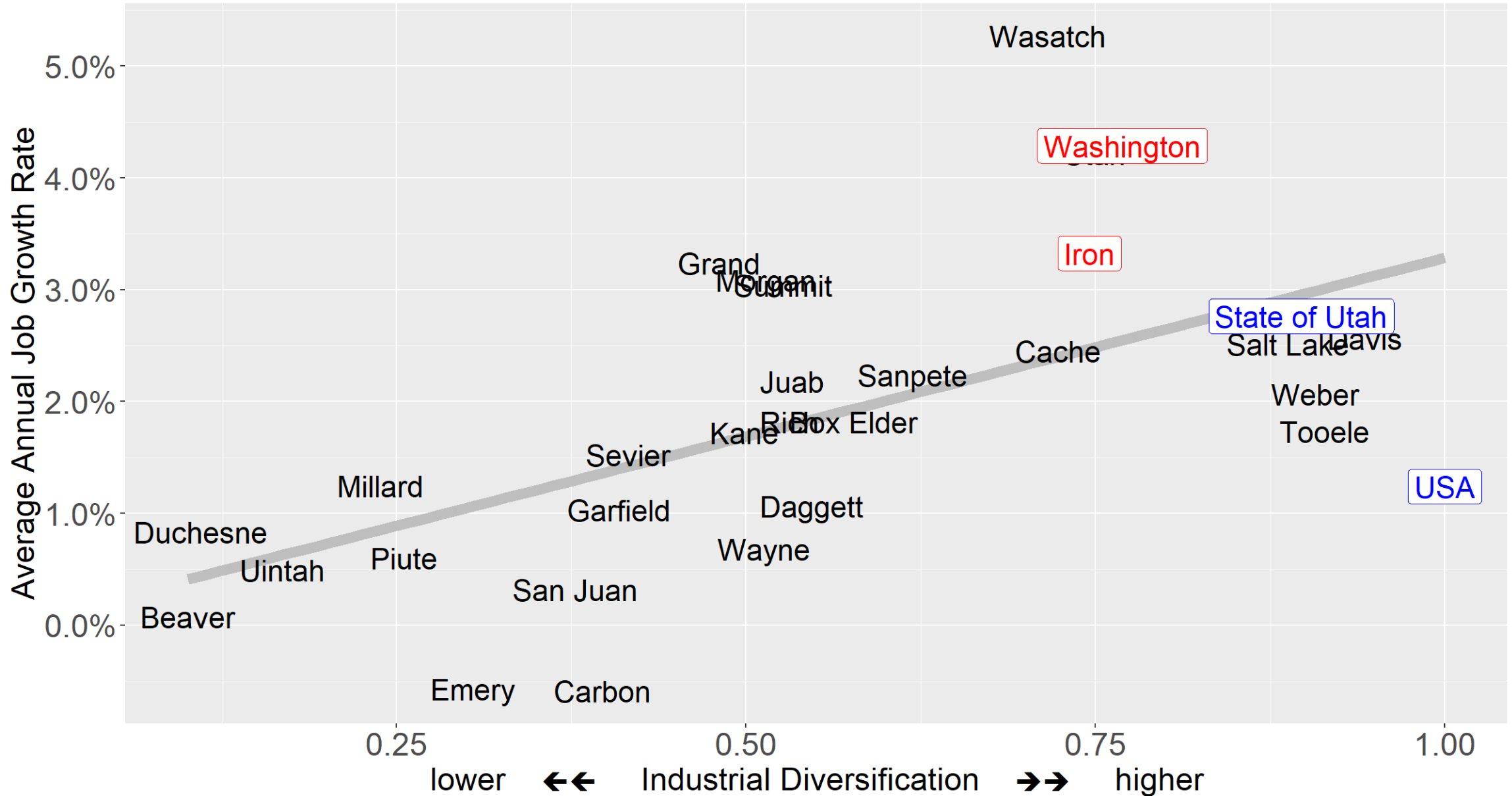
# Industrial Diversity versus Job Growth Rates, 2010-2022



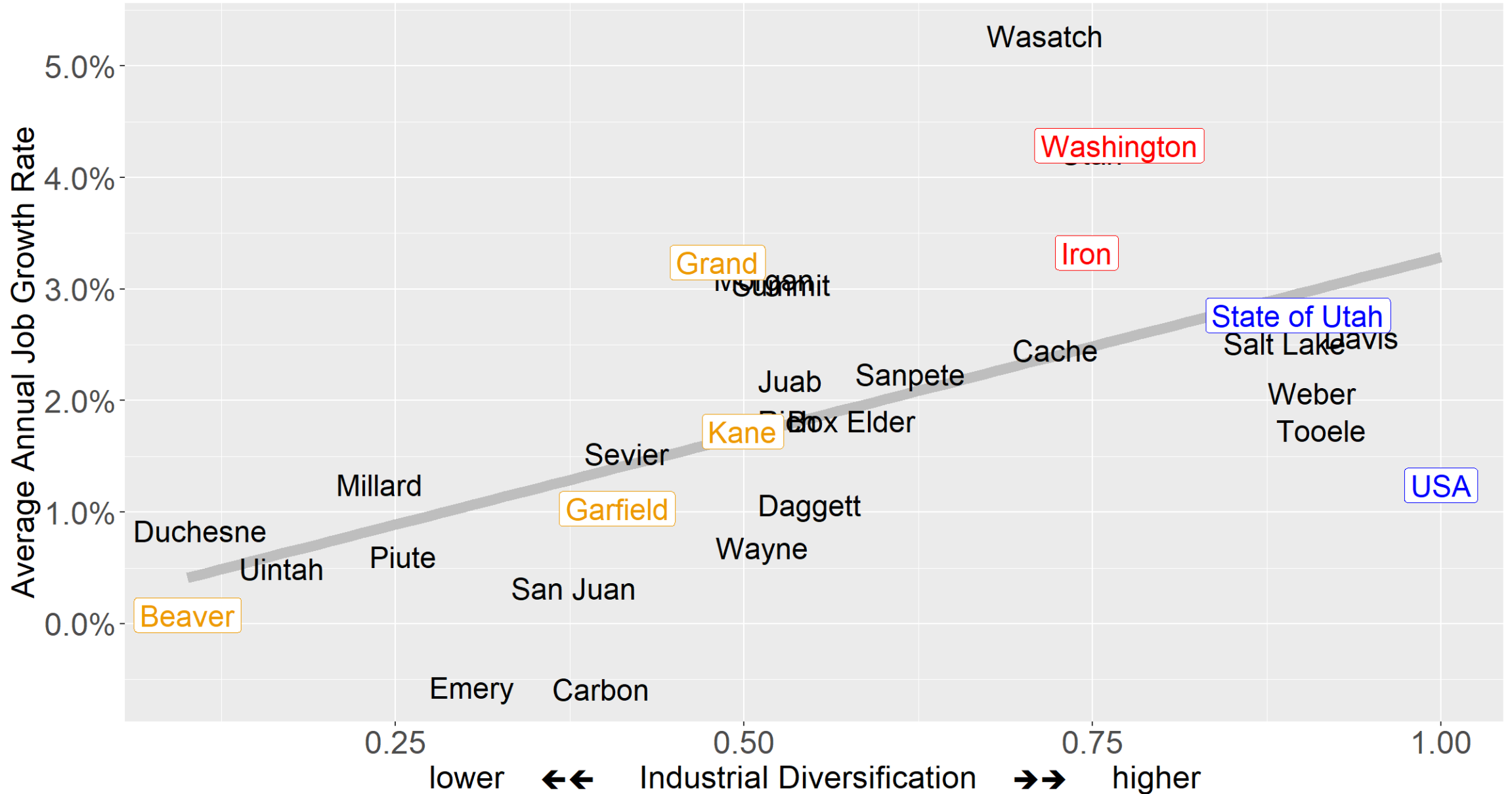
# Industrial Diversity versus Job Growth Rates, 2010-2022



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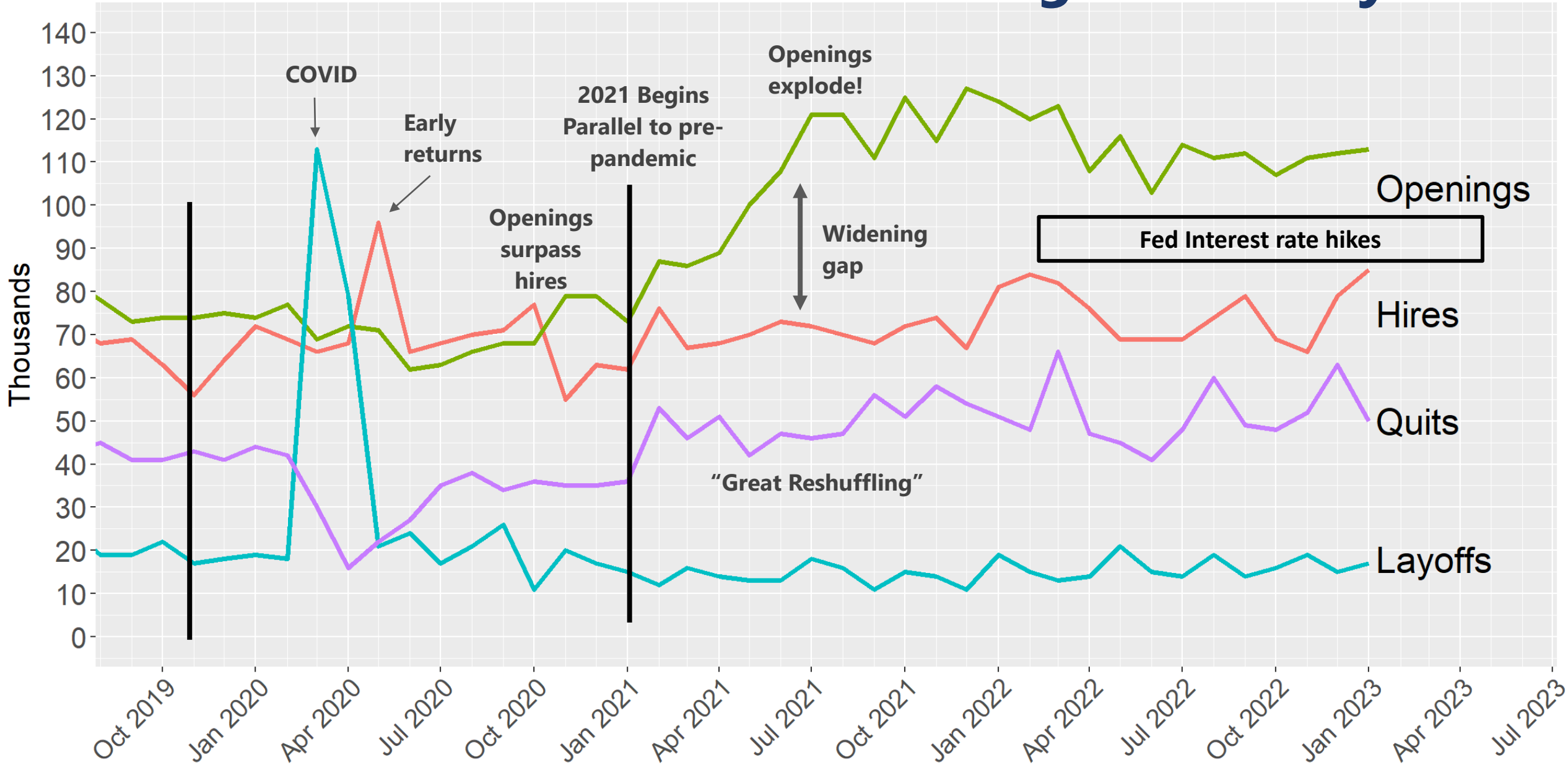


**Where are we?**

# **A Look at Utah's COVID-era Labor Market**

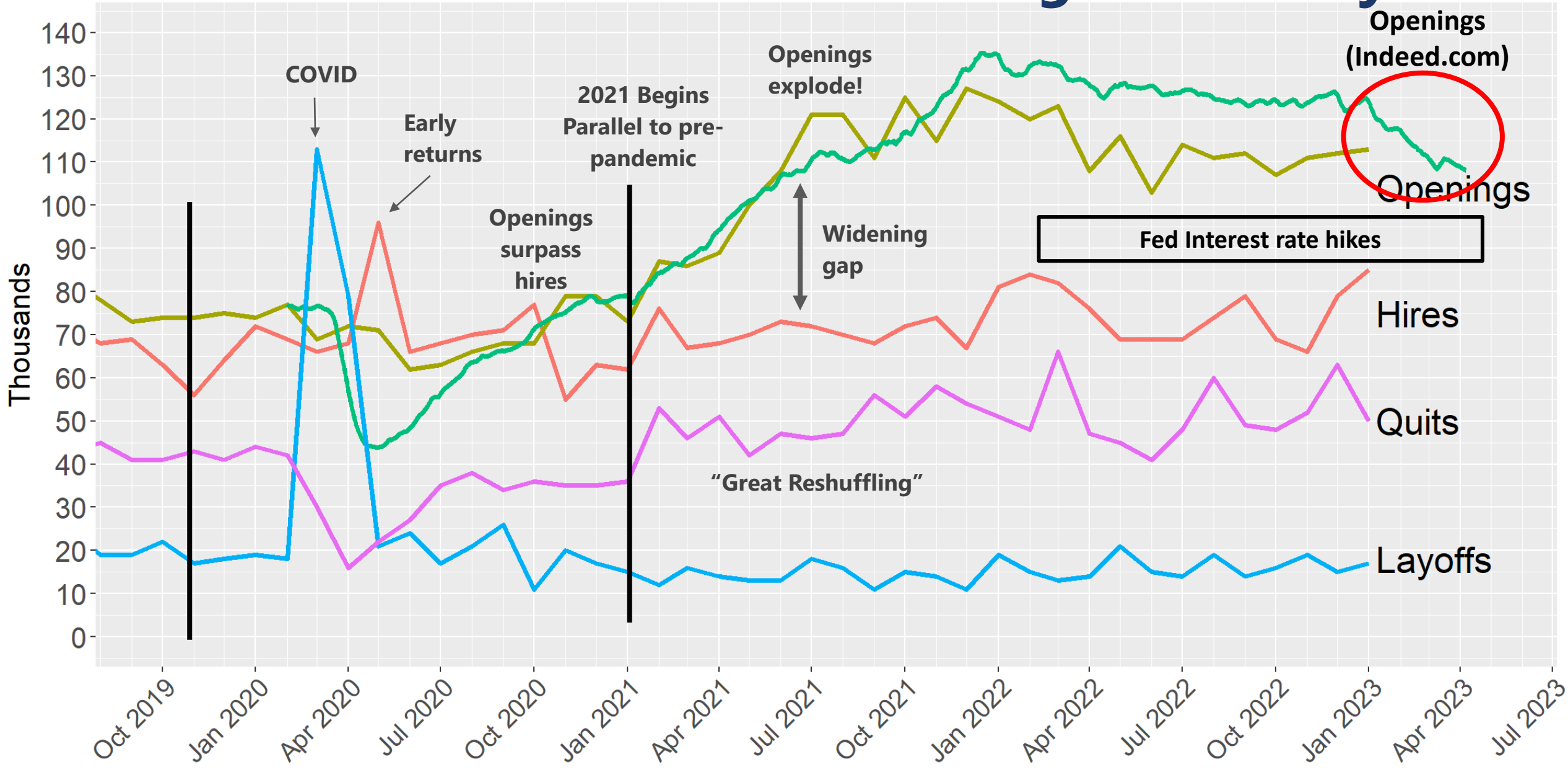
**Using the Job Openings and Labor  
Turnover Survey (JOLTS) from BLS**

# Utah Short-Term Labor Shortage Summary



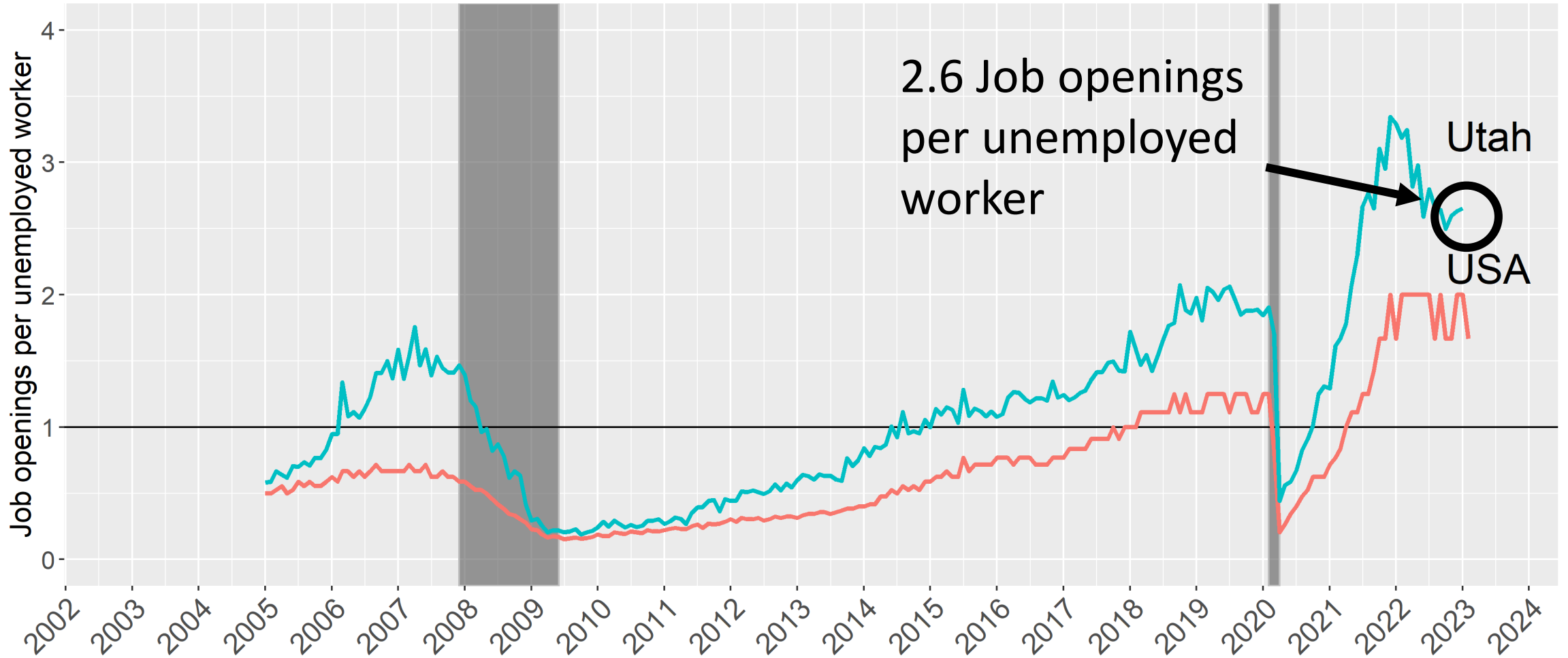


# Utah Short-Term Labor Shortage Summary



# Buffer of Job Openings

Job openings per unemployed worker



Source: BLS

# Utah's Labor Force Participation Rate: Back to pre-COVID level

## Utah Labor Force Participation Rate



Source: BLS

**Where are we?**

# **National Trends**

- **Inflation**
- **Wages**
- **Fed Interest Rates**

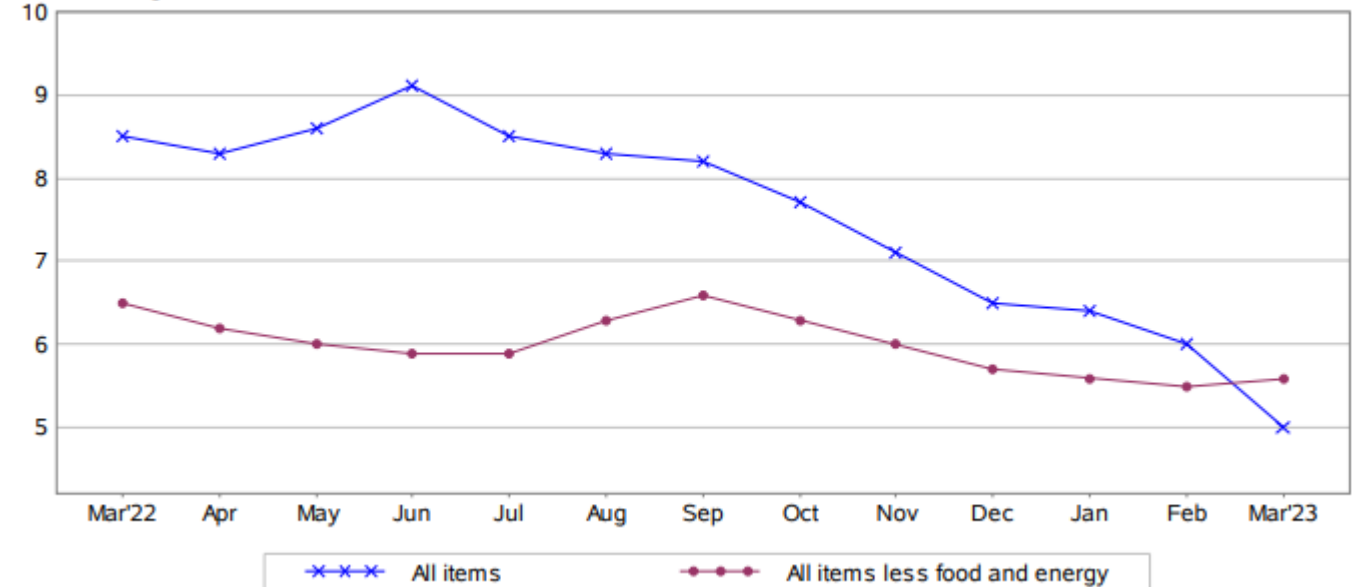
# Under Pressure

## Historic Inflation

### *More money chasing fewer goods = Inflation*

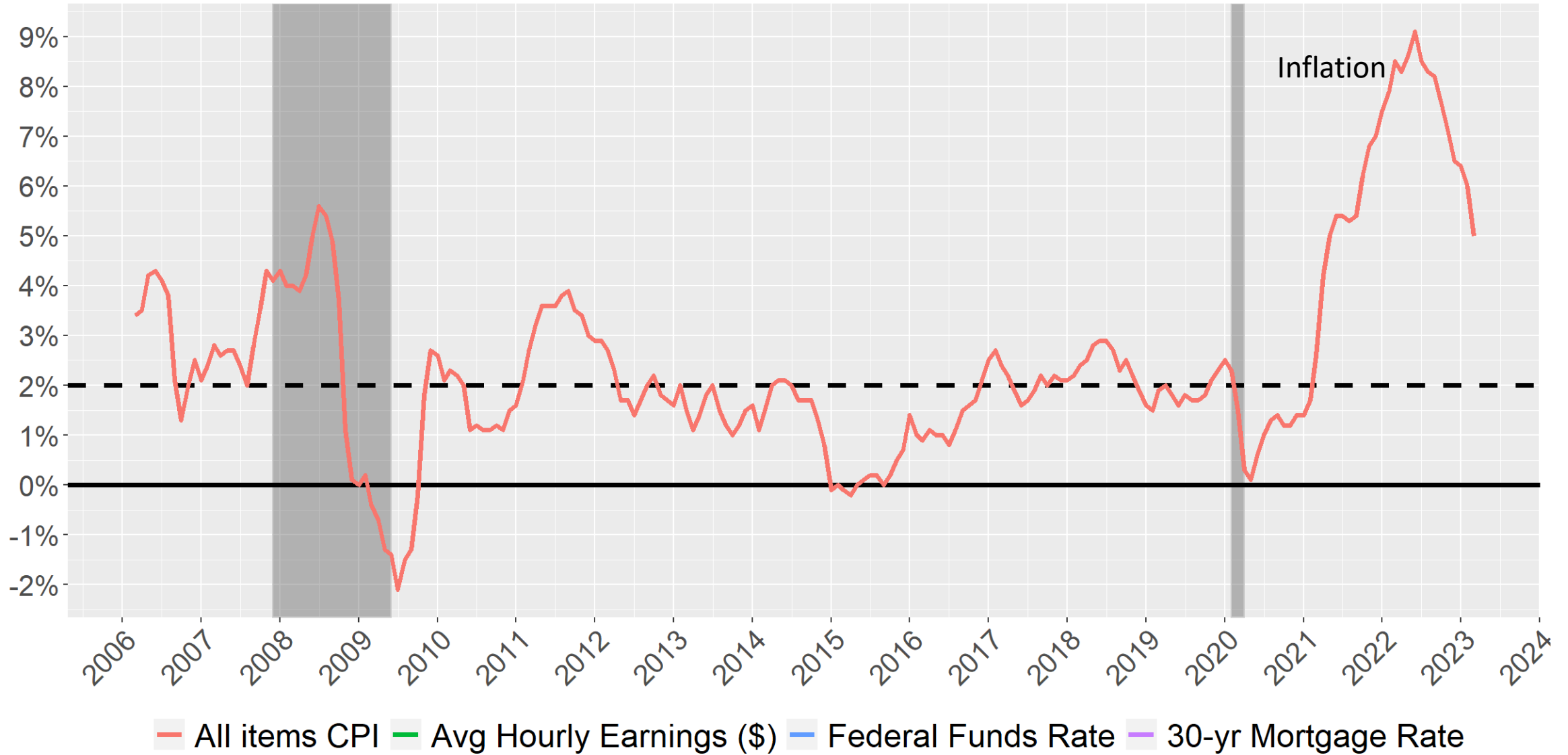
- Multiple sources....
  1. Federal aid from pandemic
  2. High demand for goods
  3. Supply chain disruption / Ukraine War
  4. Labor shortage
- Is inflation always bad?
- March inflation at 5.0% year-over.
- Federal Reserve responding with consistent interest rate hikes.

Chart 2. 12-month percent change in CPI for All Urban Consumers (CPI-U), not seasonally adjusted, Mar. 2022 - Mar. 2023  
Percent change



Source: BLS. <https://www.bls.gov/news.release/pdf/cpi.pdf>

# National scene: Inflation

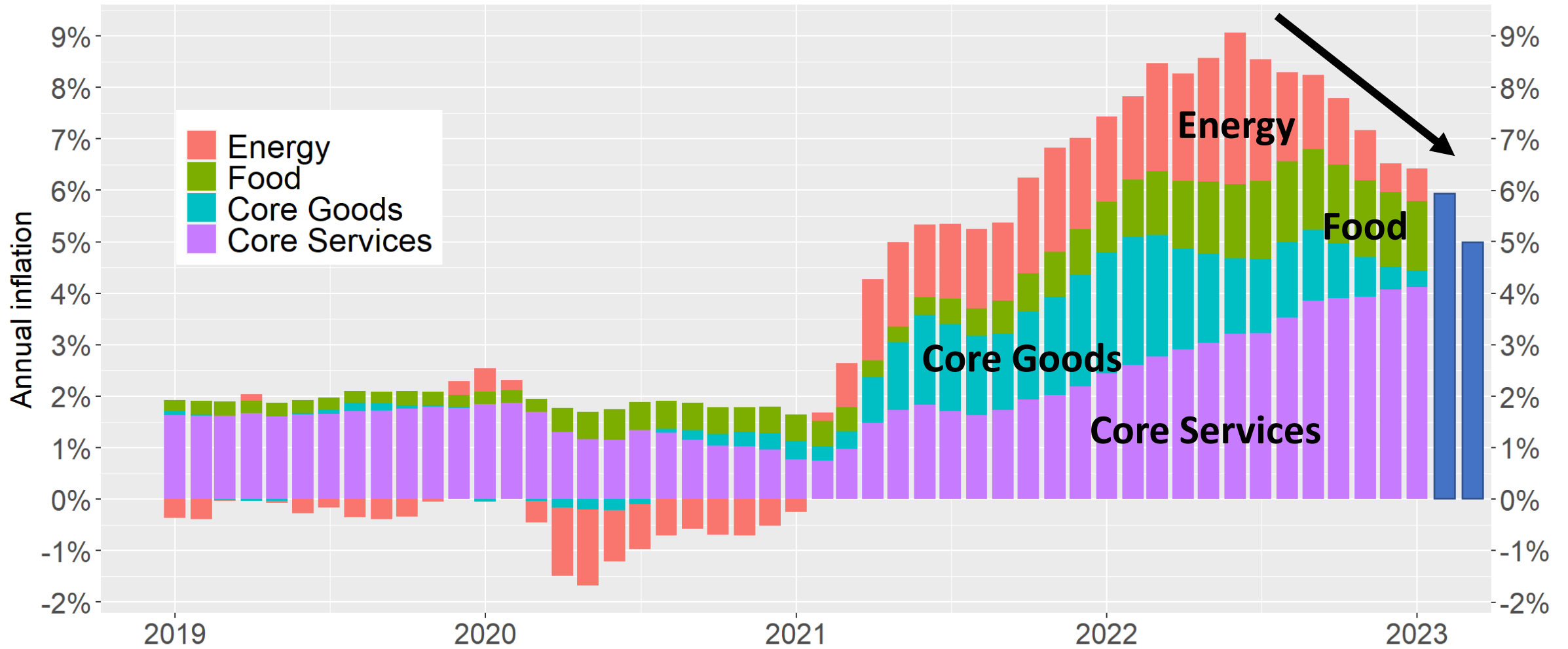






# Pandemic Prices

Inflation has been declining since July 2022

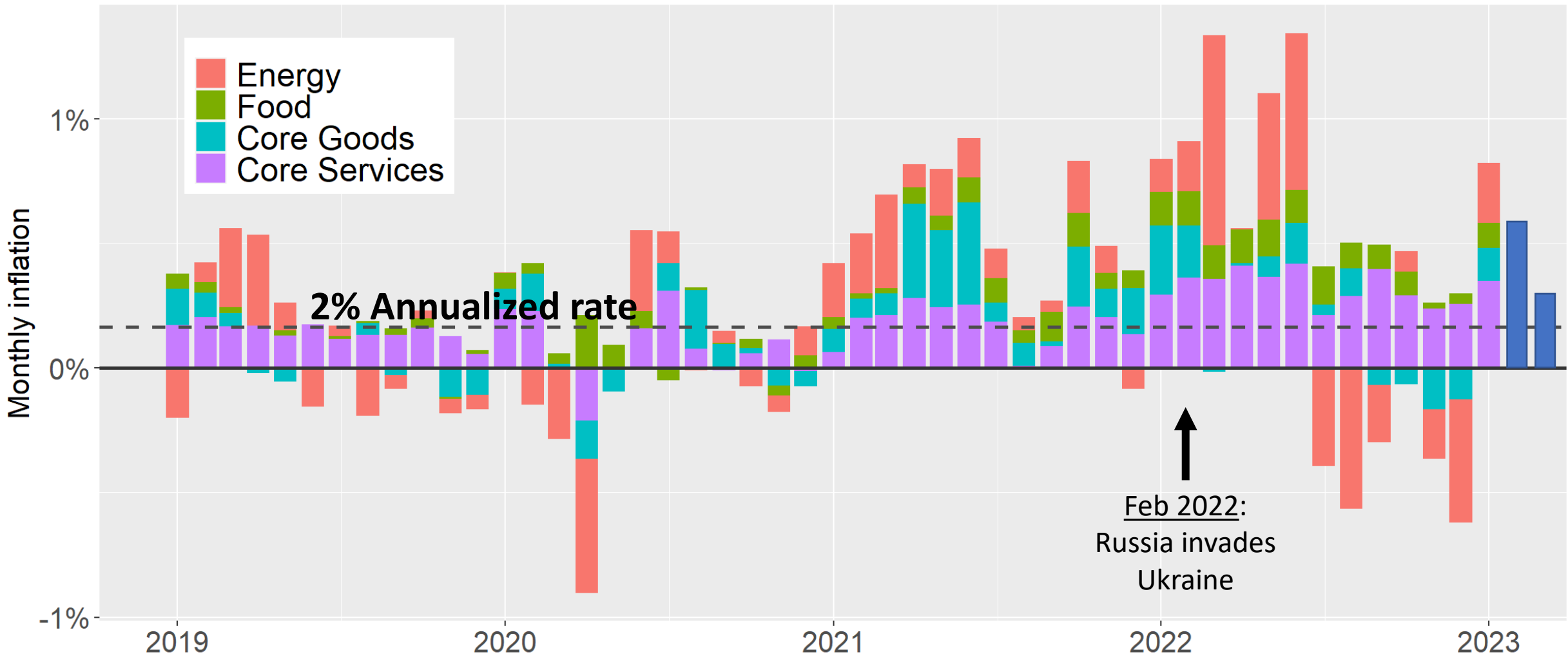


Source: BLS, Consumer Price Index for All Urban Consumers (CPI-U): U.S. city average



# Pandemic Prices: Monthly inflation

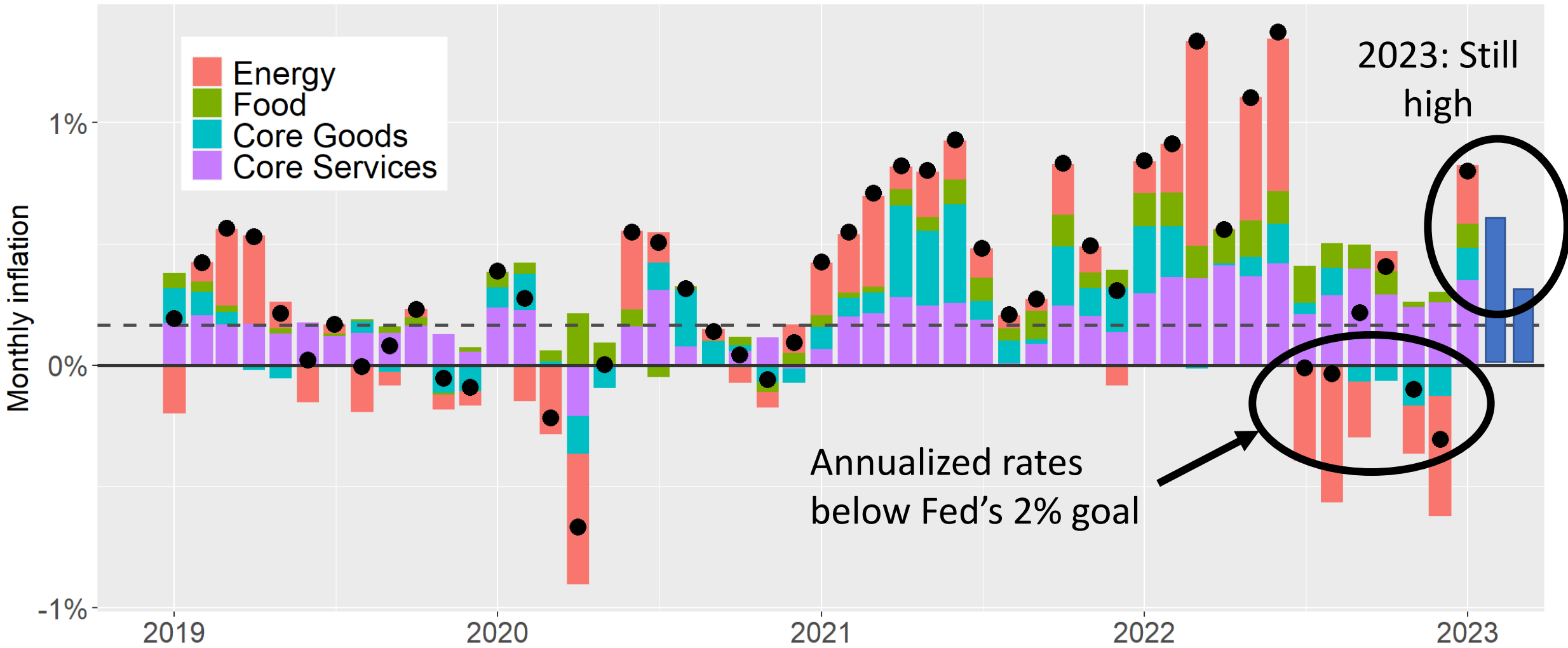
January – March 2023 show persistence of inflation



Source: BLS, Consumer Price Index for All Urban Consumers (CPI-U): U.S. city average

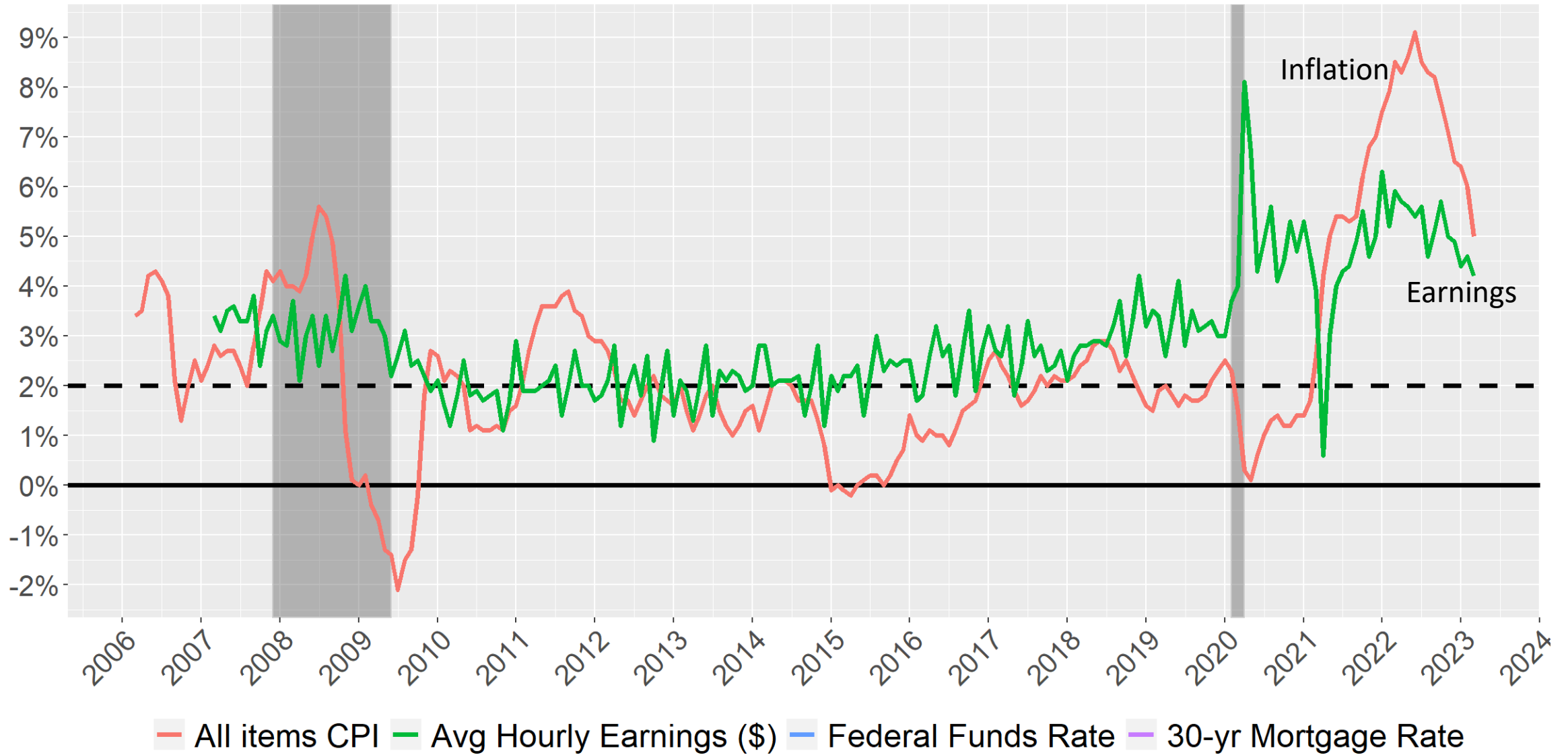
# Pandemic Prices: Monthly inflation

January – March 2023 show persistence of inflation



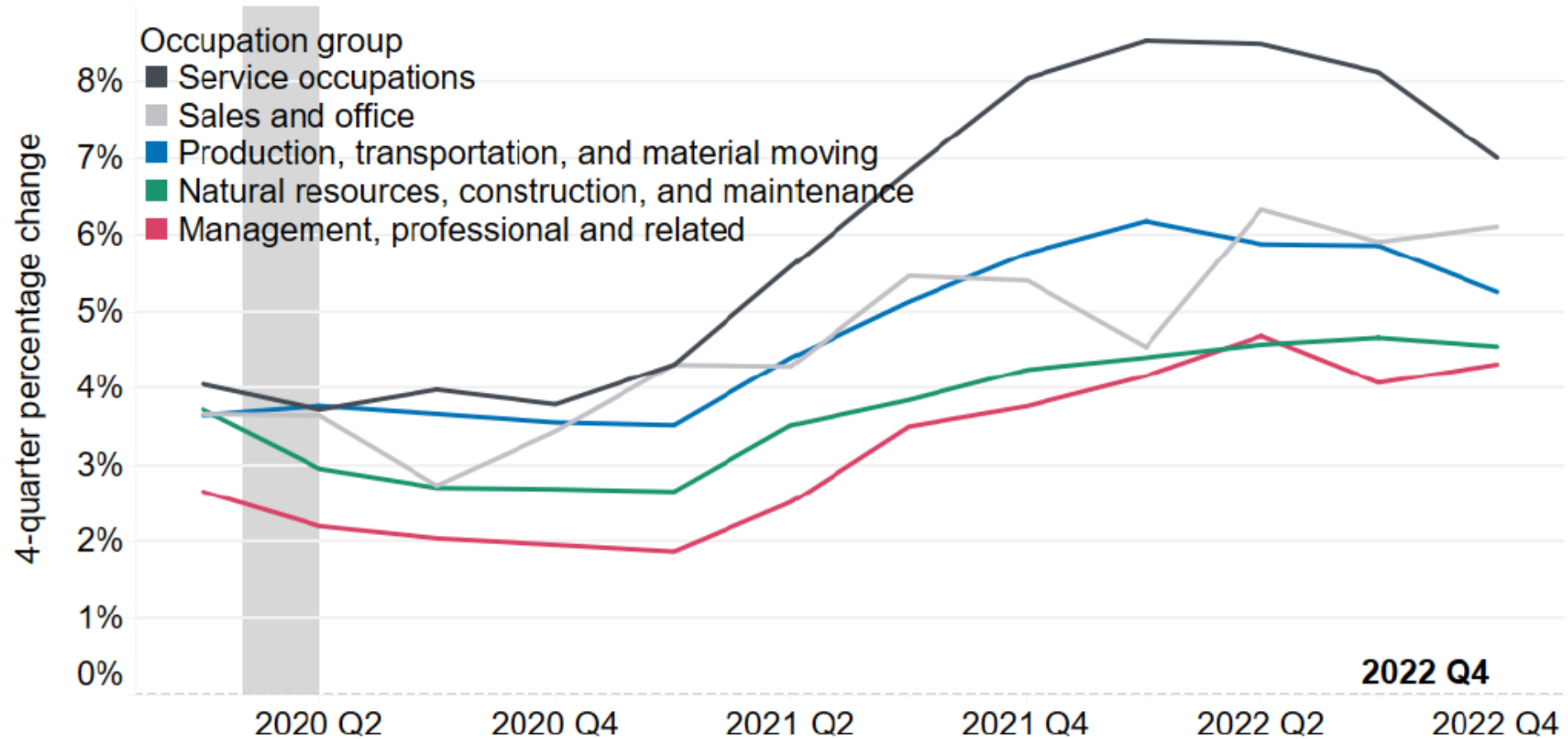
Source: BLS, Consumer Price Index for All Urban Consumers (CPI-U): U.S. city average

# National scene: Inflation & earnings



# Wage growth is gradually declining, driven by slower pay increases in in-person jobs.

Employment Cost Index (private sector wages and salaries) by occupation, 4-quarter percentage change, seasonally adjusted



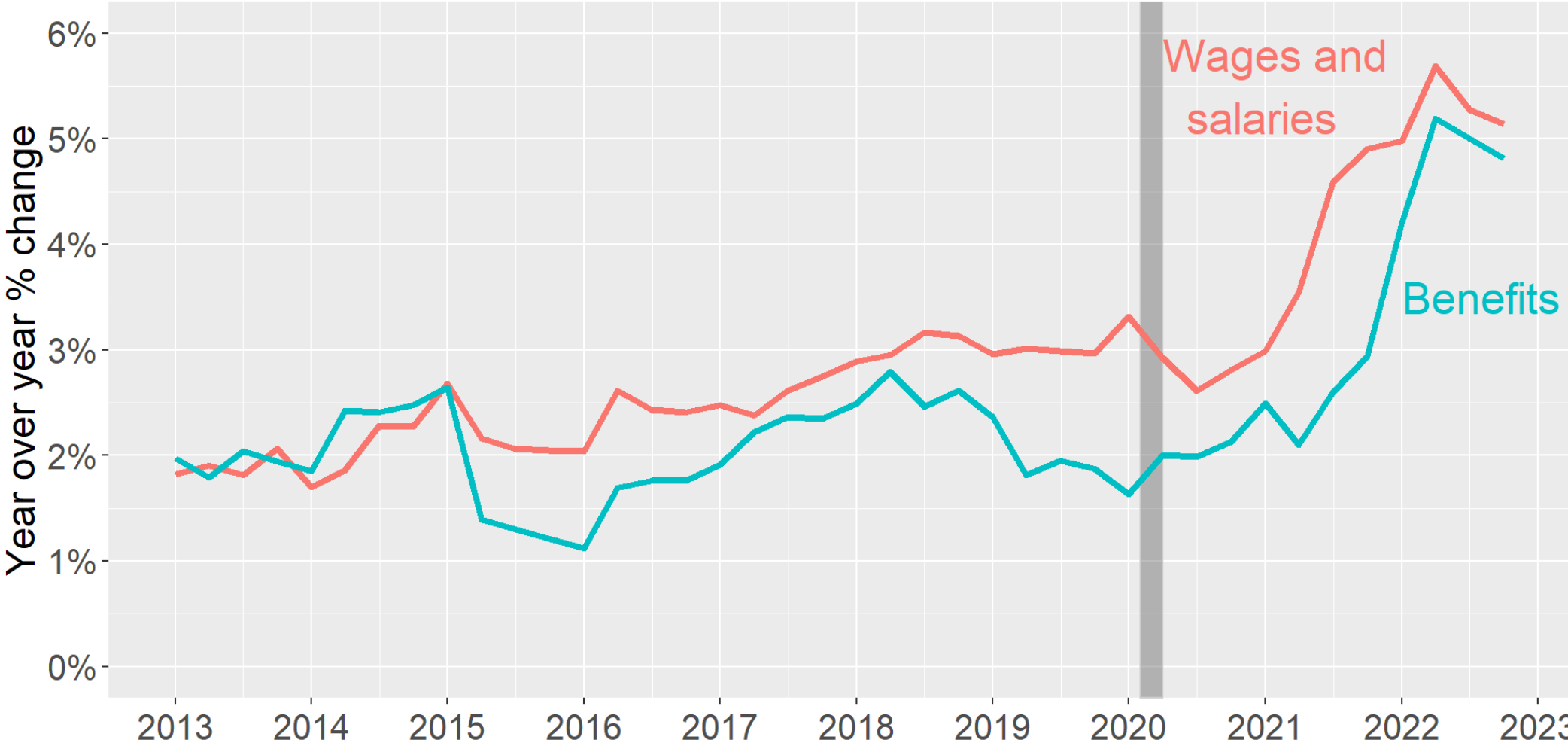
Note: Shaded area represents recession.

Source: US Bureau of Labor Statistics

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# Wages and benefits are rapidly growing, but not further accelerating.

Employment cost index (ECI), wages and salaries and benefits for private industry workers, year over year percentage change, seasonally adjusted

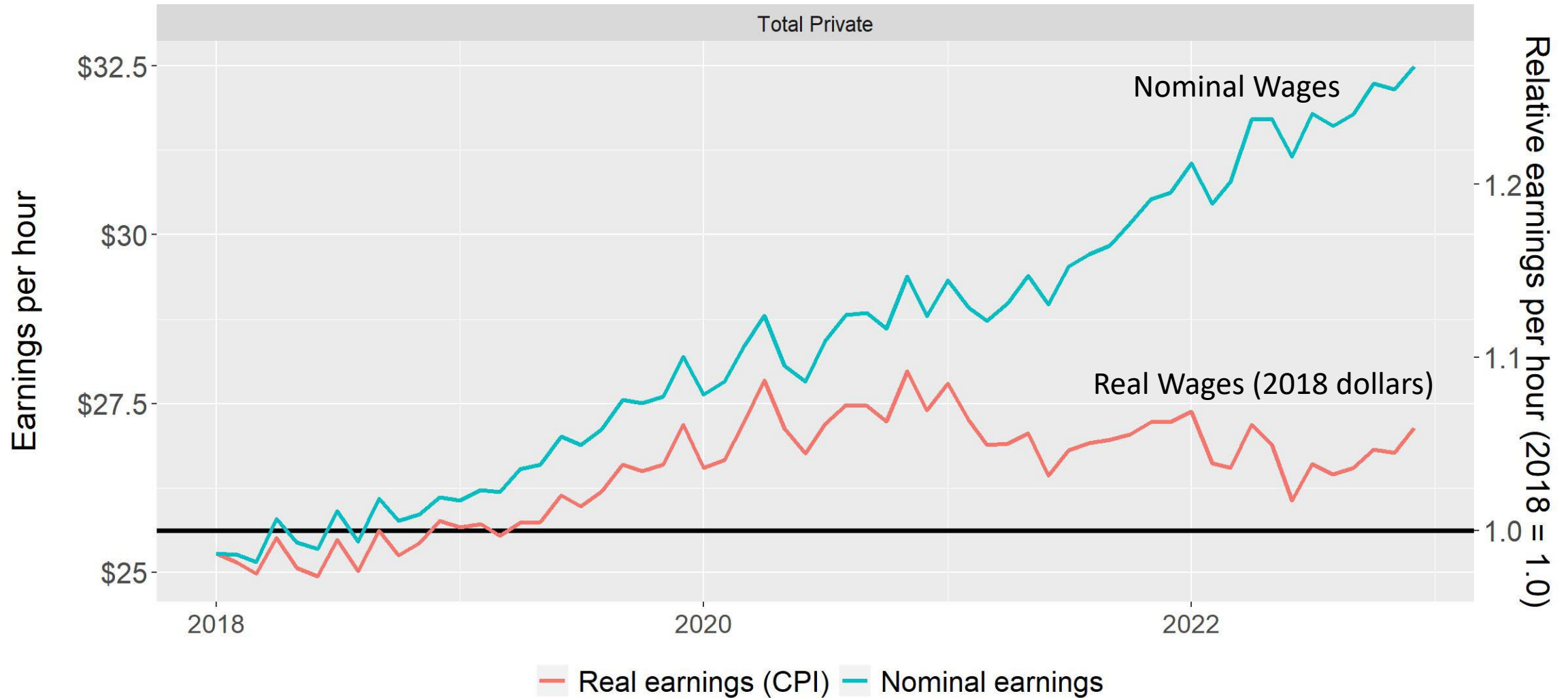


Source: BLS, Employment Cost Index



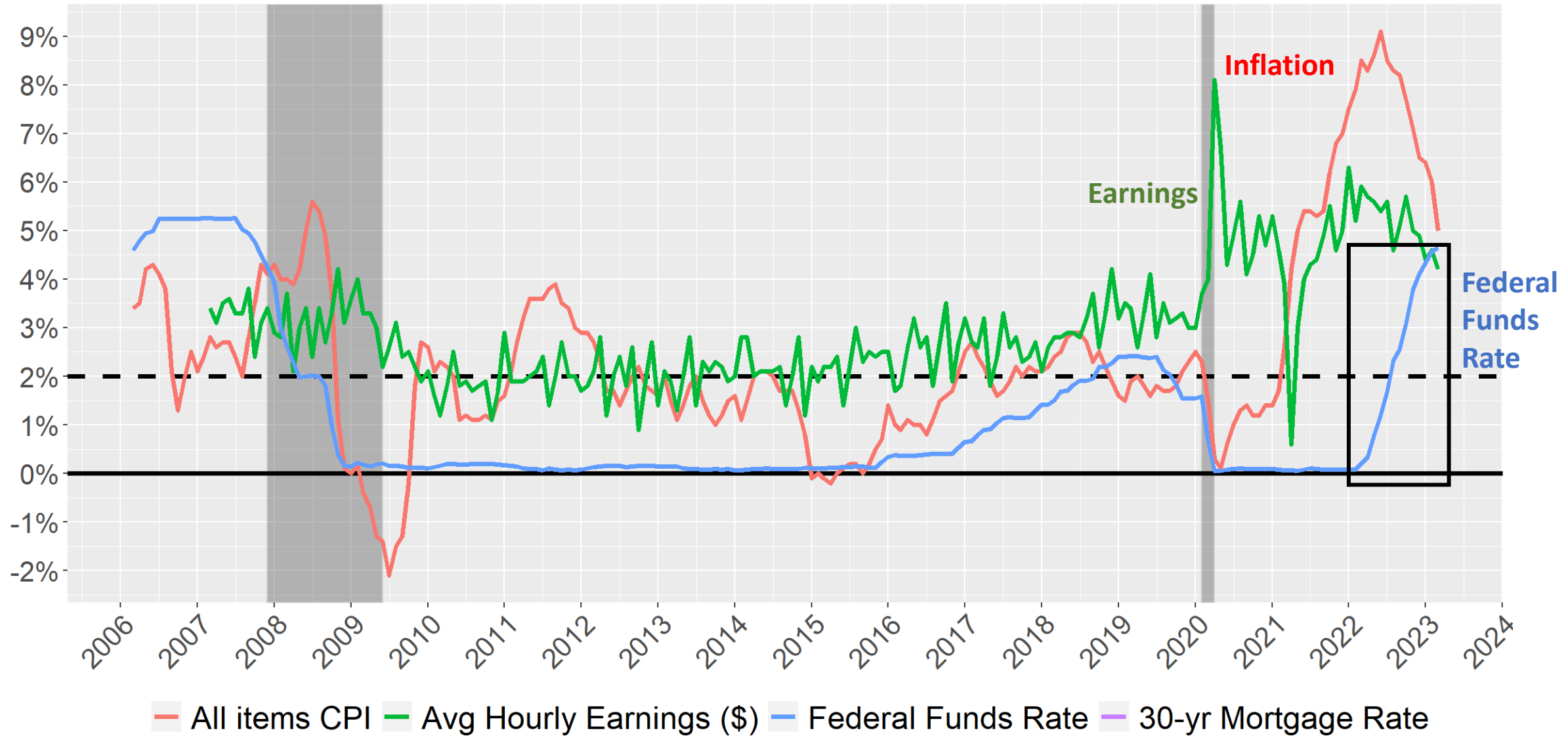
# Utah Private Sector Wages: Nominal vs Inflation-adjusted

Real vs Nominal earnings, all employees (Utah, private sector)



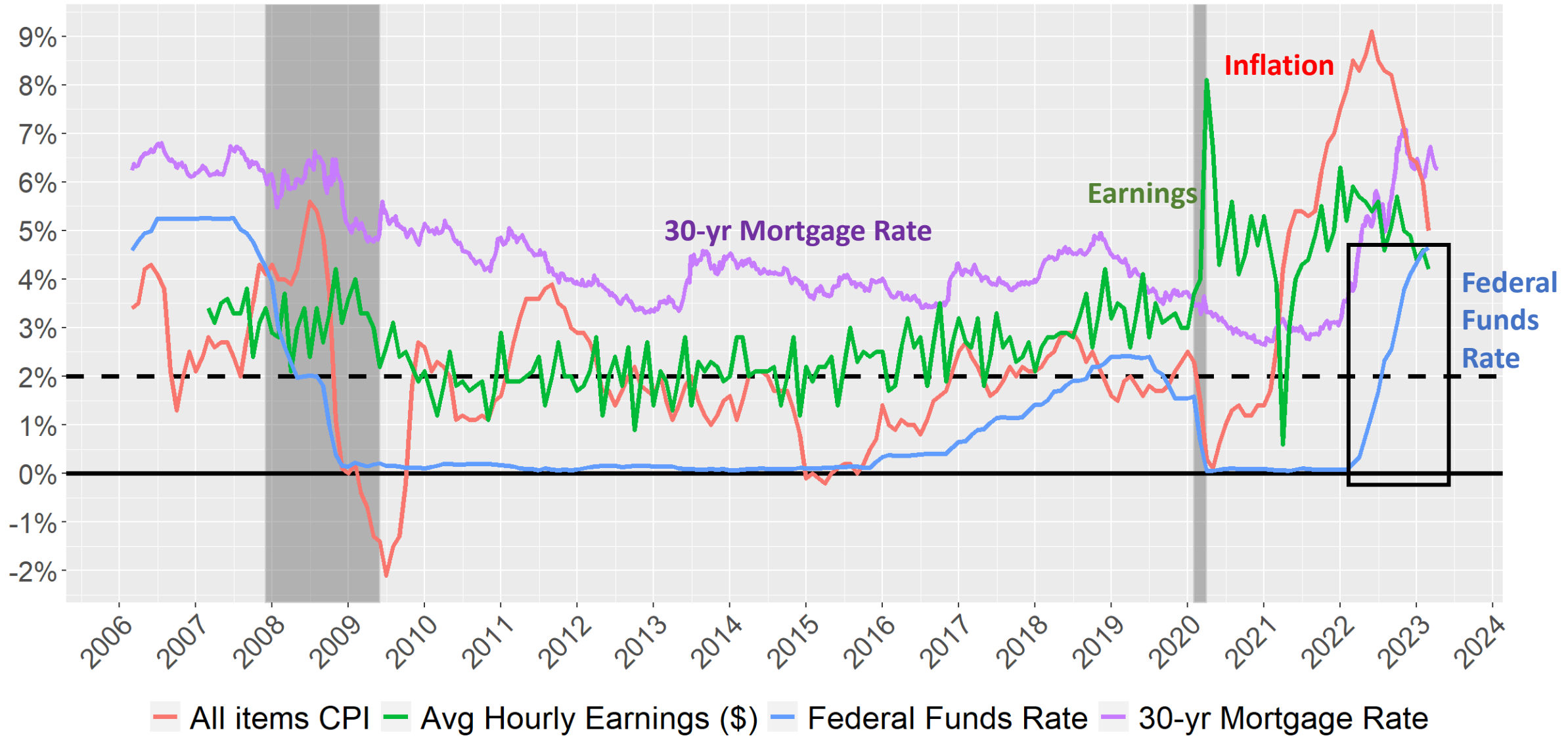
Source: BLS (CES); BEA

# National scene: Inflation, earnings, interest rates



Source: BLS, Federal Reserve

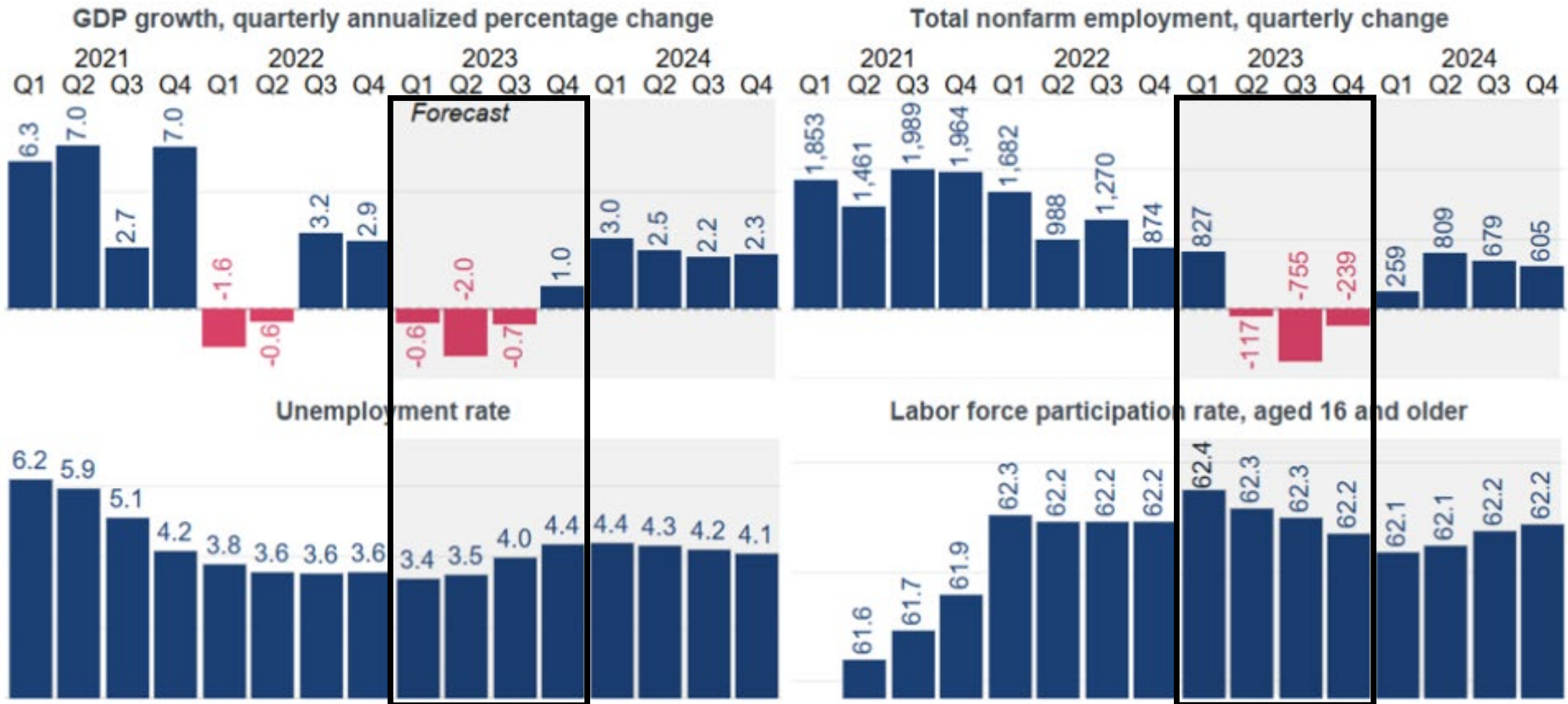
# National scene: Inflation, earnings, interest rates



# Looking ahead to 2023

# The Conference Board forecasts (National):

Economic and labor market forecasts in base case scenario, Q1 2023 - Q4 2024



Sources: US Bureau of Labor Statistics, US Bureau of Economic Analysis, The Conference Board

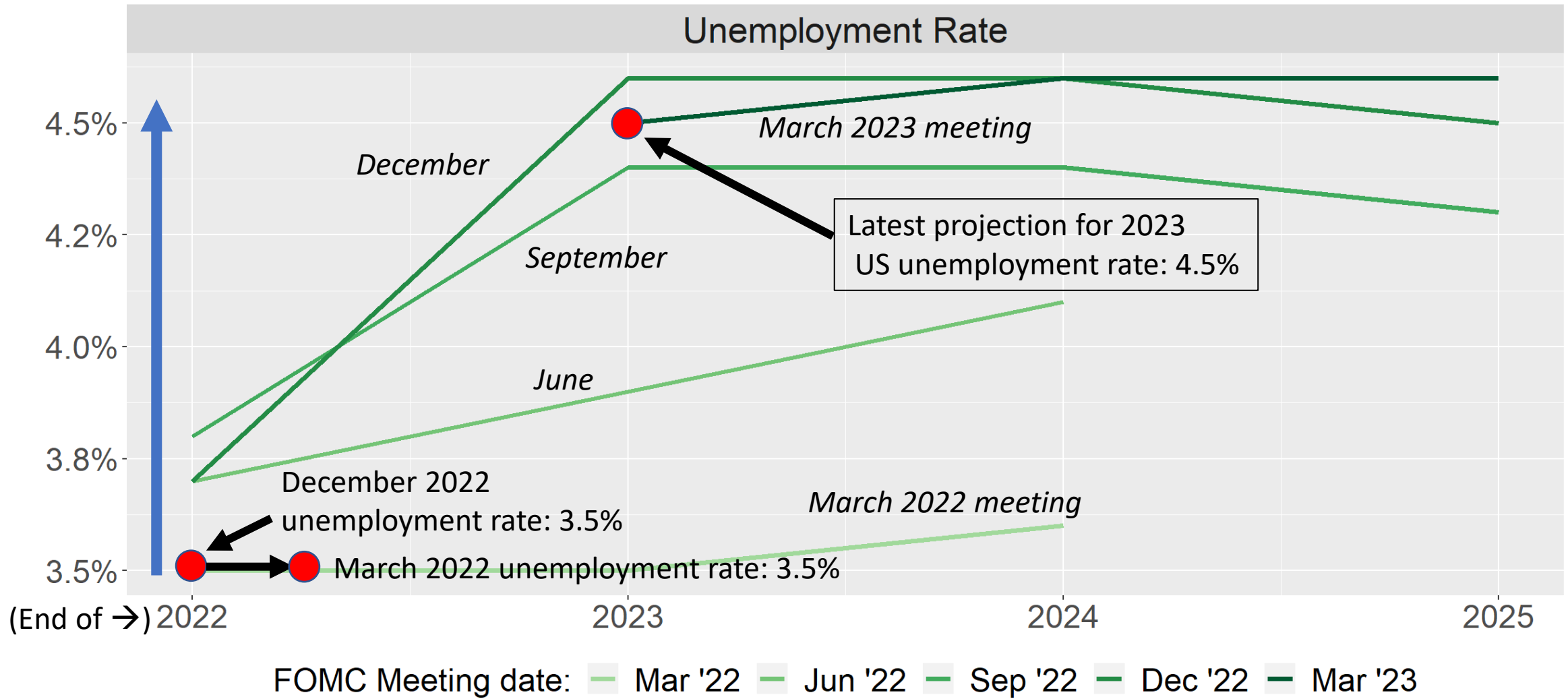
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# Federal Reserve's Forward-looking Quarterly "Summary of Economic Projections"

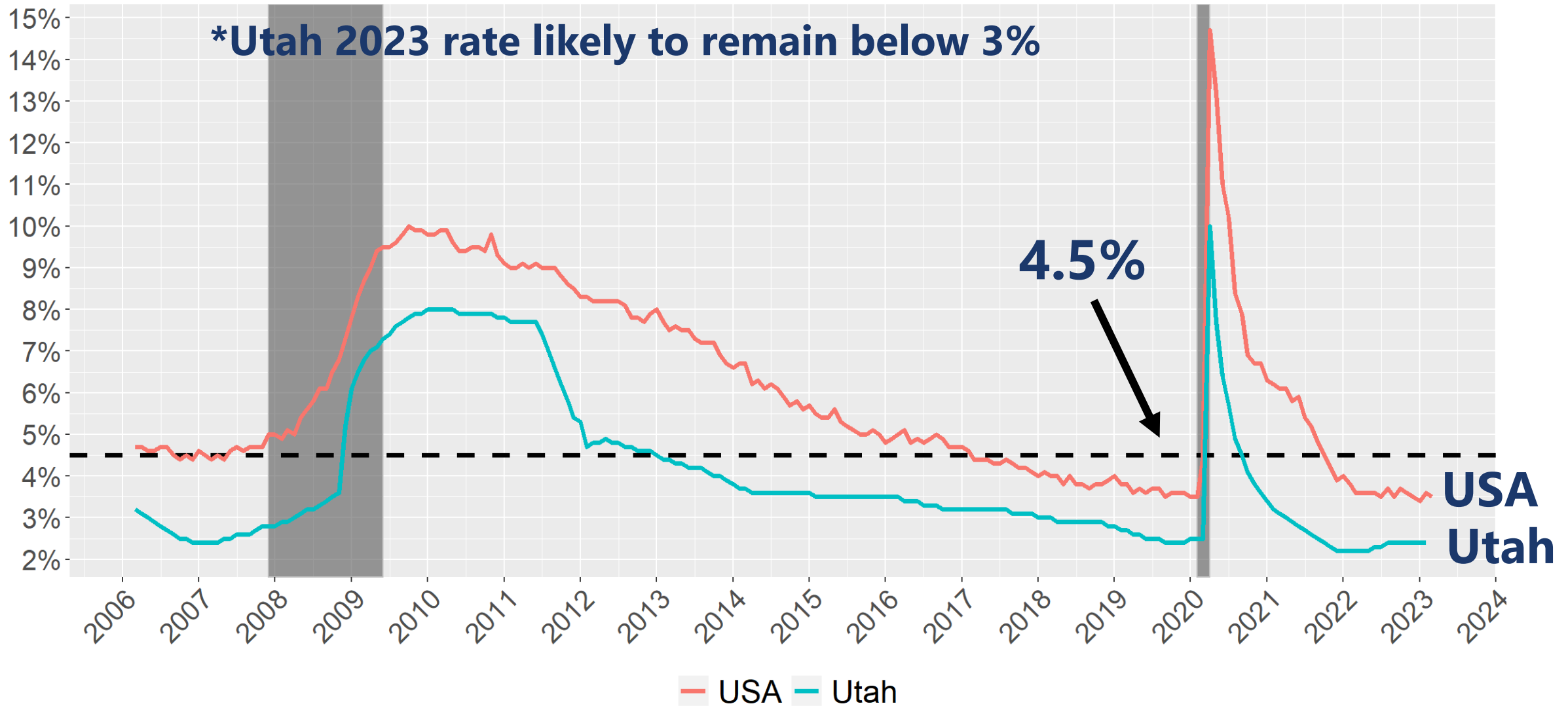
1. Unemployment Rate
2. Real GDP Growth
3. Inflation
4. Interest Rates

**Big revisions over last year of Fed meetings  
→ Uncertainty!**

# Federal Reserve Summary of Economic Projections: Unemployment Rate



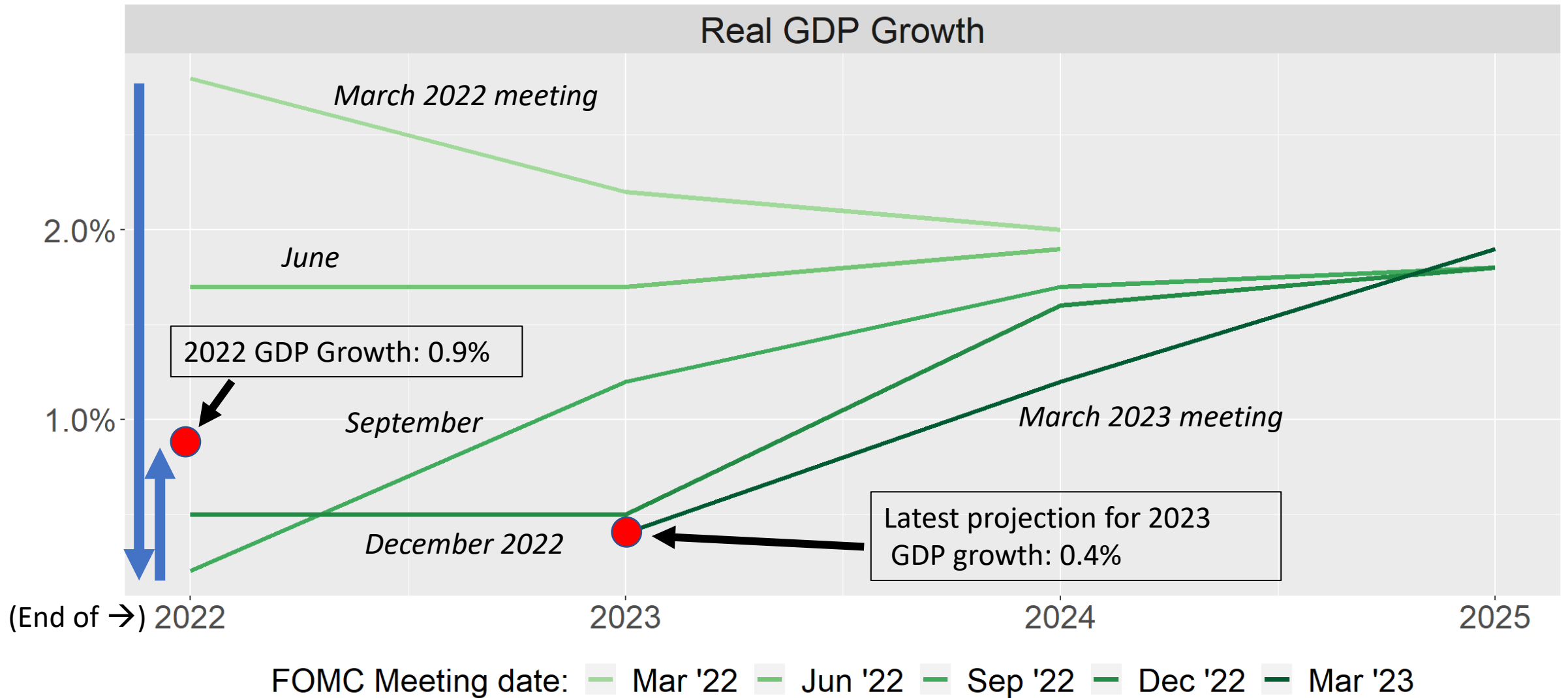
# Possible 4.5% Unemployment Rate? Still Low



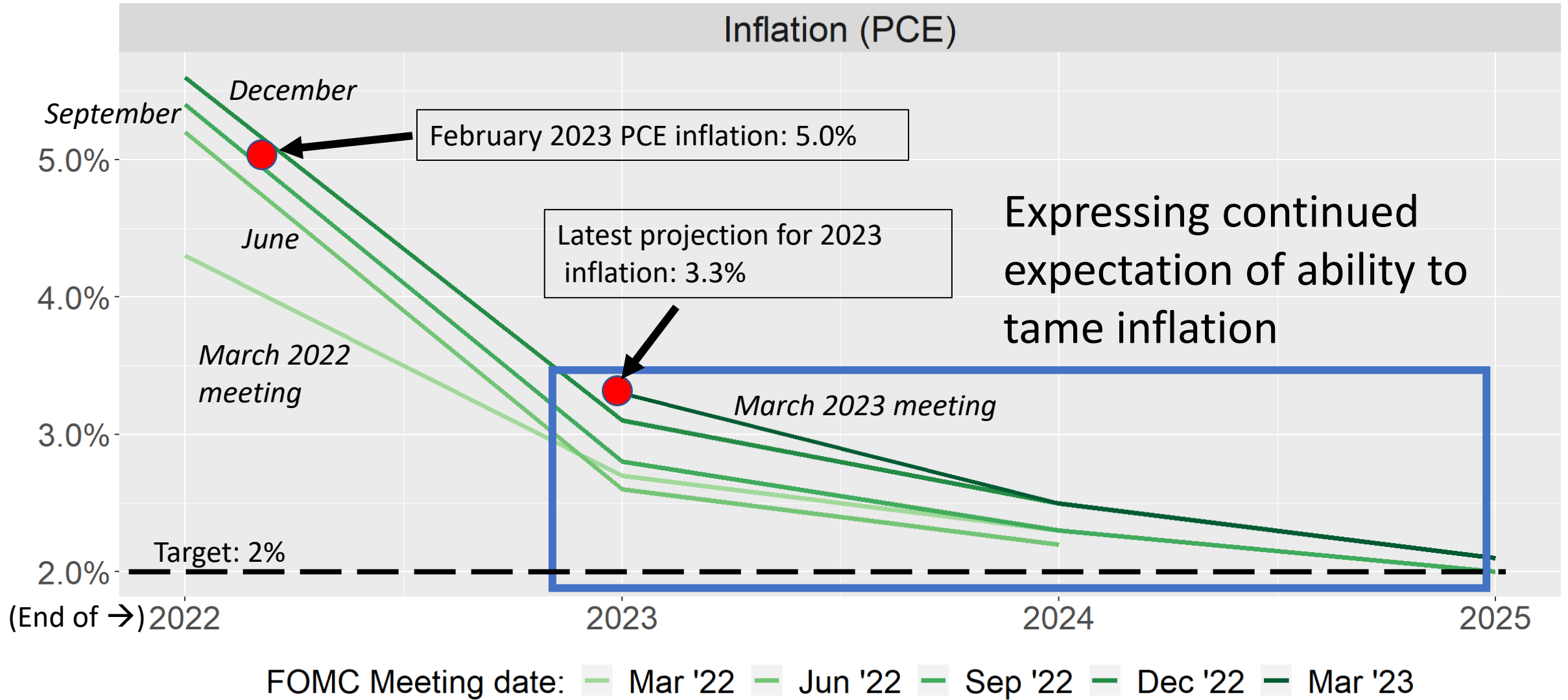
Source: BLS



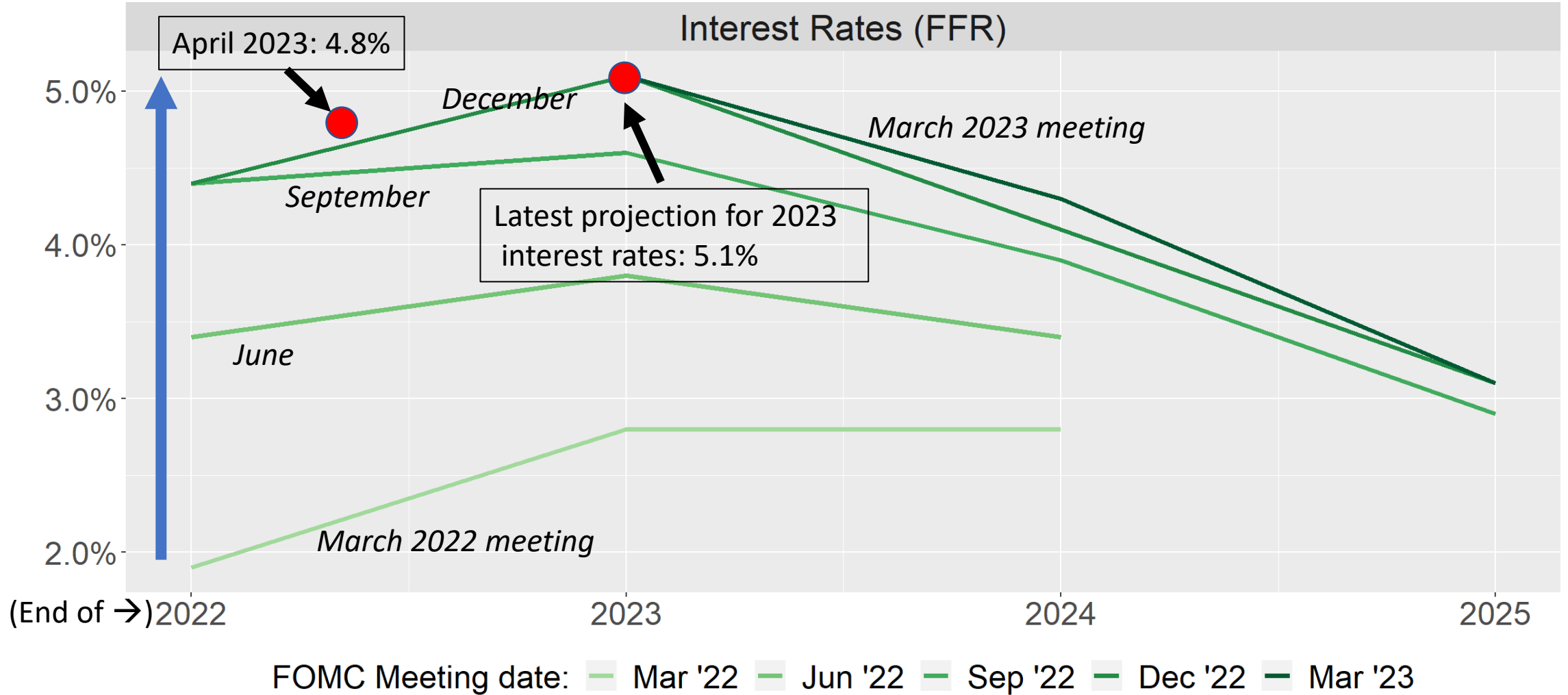
# Federal Reserve Summary of Economic Projections: Real GDP Growth



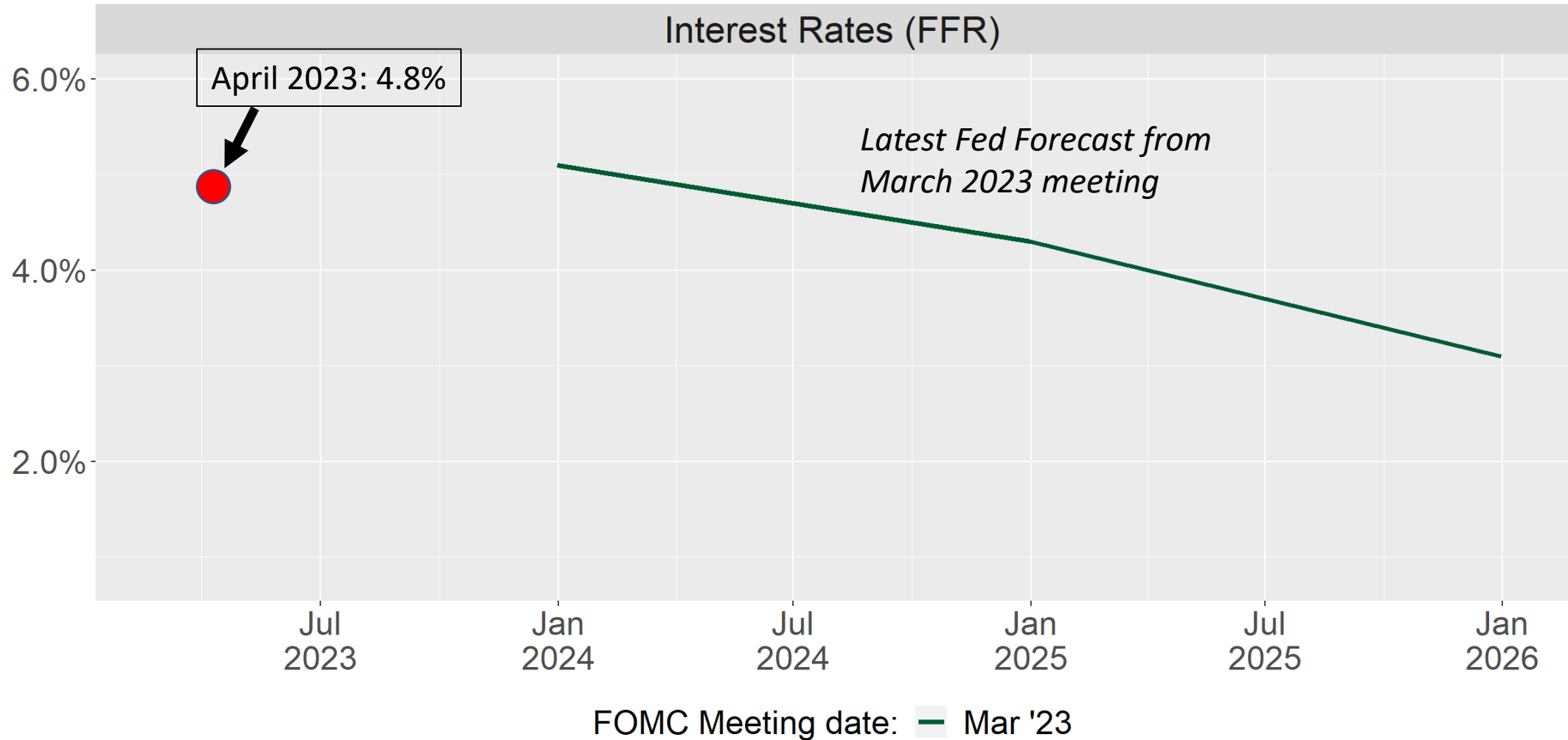
# Federal Reserve Summary of Economic Projections: Inflation



# Federal Reserve Summary of Economic Projections: Interest Rates

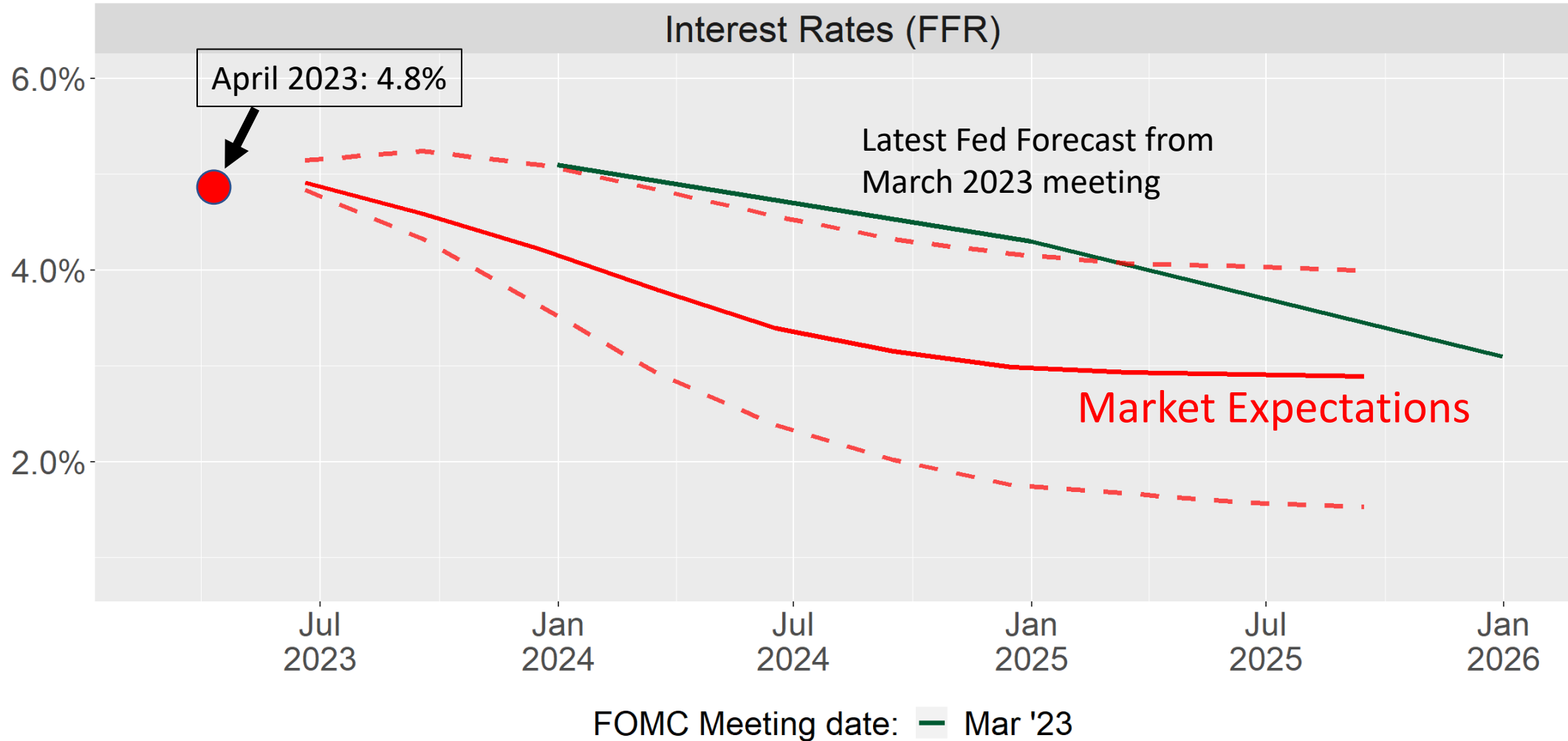


# Federal Reserve Summary of Economic Projections: Interest Rates



Market expectations (in red) from Atlanta Federal Reserve

# Federal Reserve Summary of Economic Projections: Interest Rates



Market expectations (in red) from Atlanta Federal Reserve

## Under Pressure

# A Convergence of Demographic, Political, Phenomenal, and Economic Factors



- **Economic:** Even before the pandemic, labor was in short supply. Existing labor moves up the ladder. Dearth of labor at the bottom.
- **Political:** International in-migration is a highly politicized issue. In-migration has diminished, reducing labor supply.
- **Phenomenal:** A world-wide pandemic hits and massively disrupts the normal interaction of labor in the economy.
- **Supply Chain:** International conflict escalates global stress. Pandemic and war snarled supply chains in last few years but conditions now improving.
- **Demographic:** Stagnated population growth – little to no labor force growth. Cusp of massive Baby Boomer retirements.

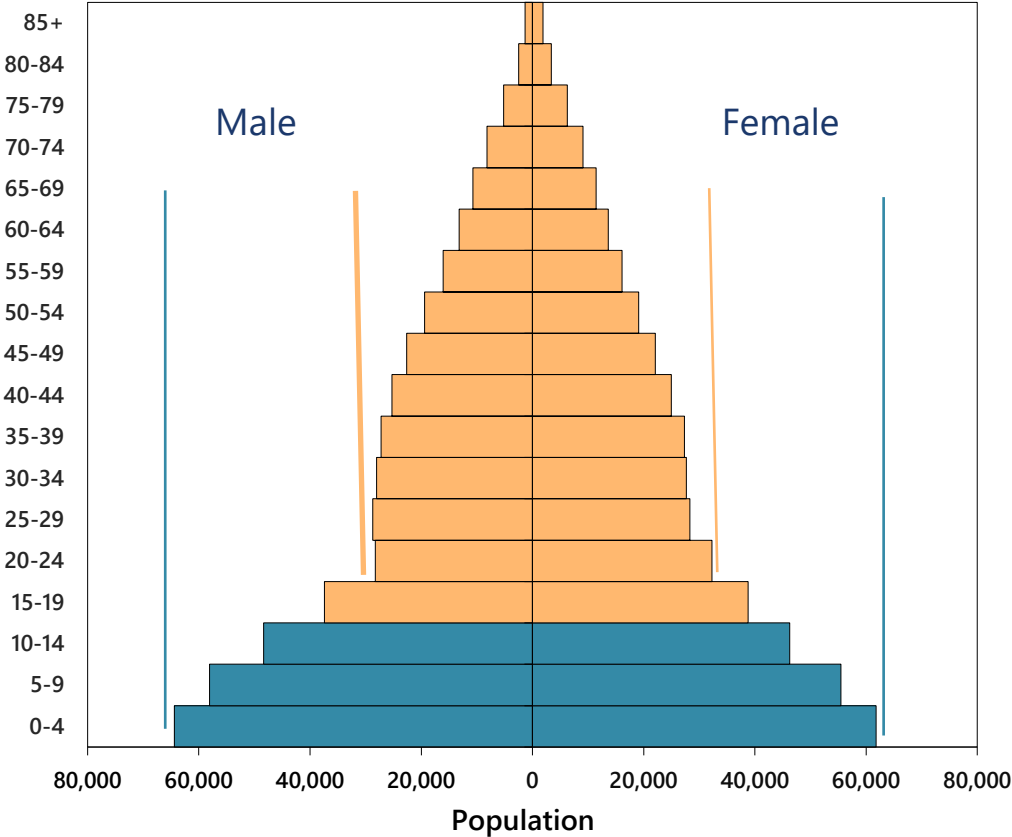
# Why Does Utah Have a Labor Shortage?

A shortage 65 years in the making.

Questions?

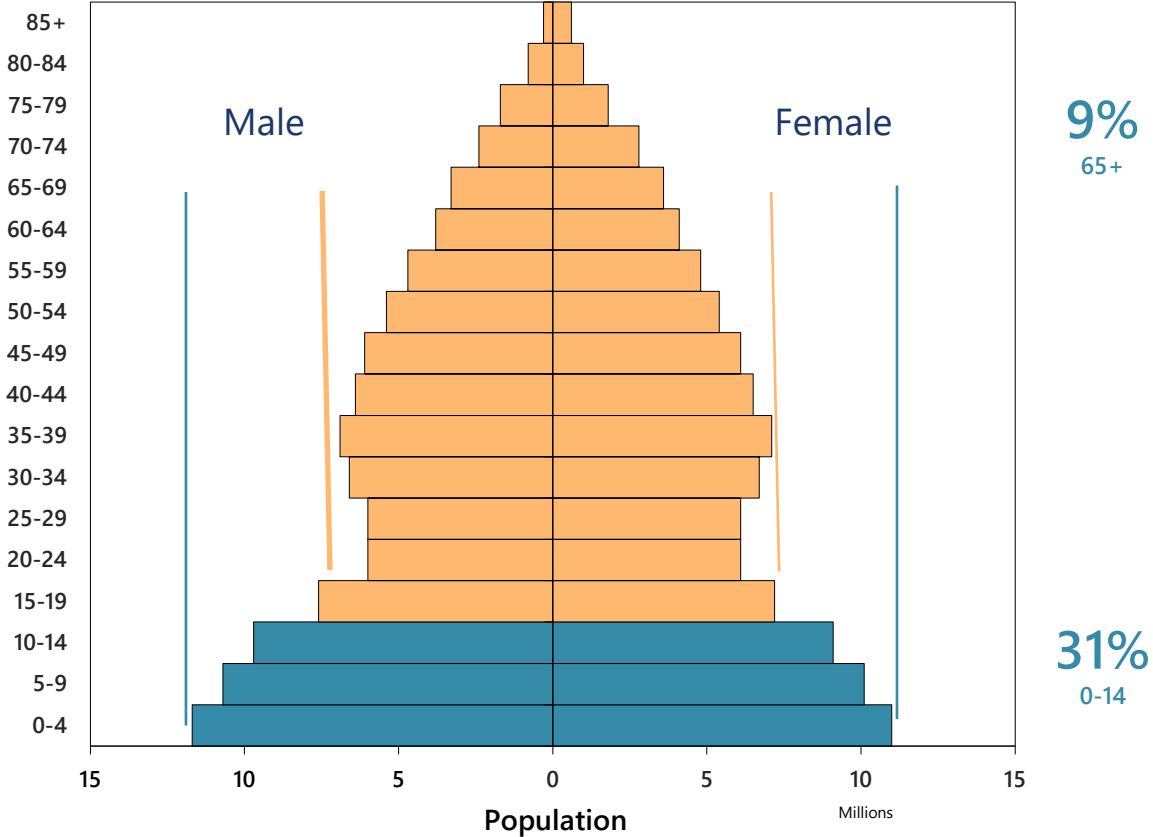
April 2023

# Utah's Population by Age and Sex: 1960



Baby Boom Generation

# U.S. Population by Age and Sex: 1960

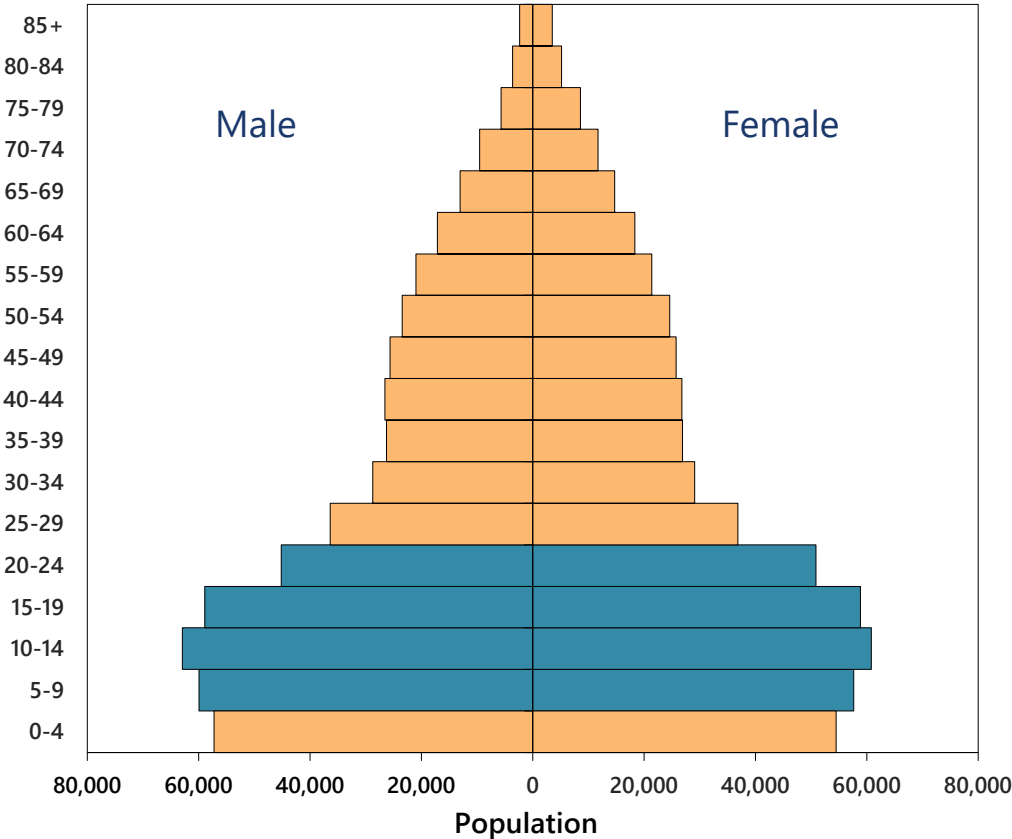



Baby Boom Generation

Source: United States Census Bureau

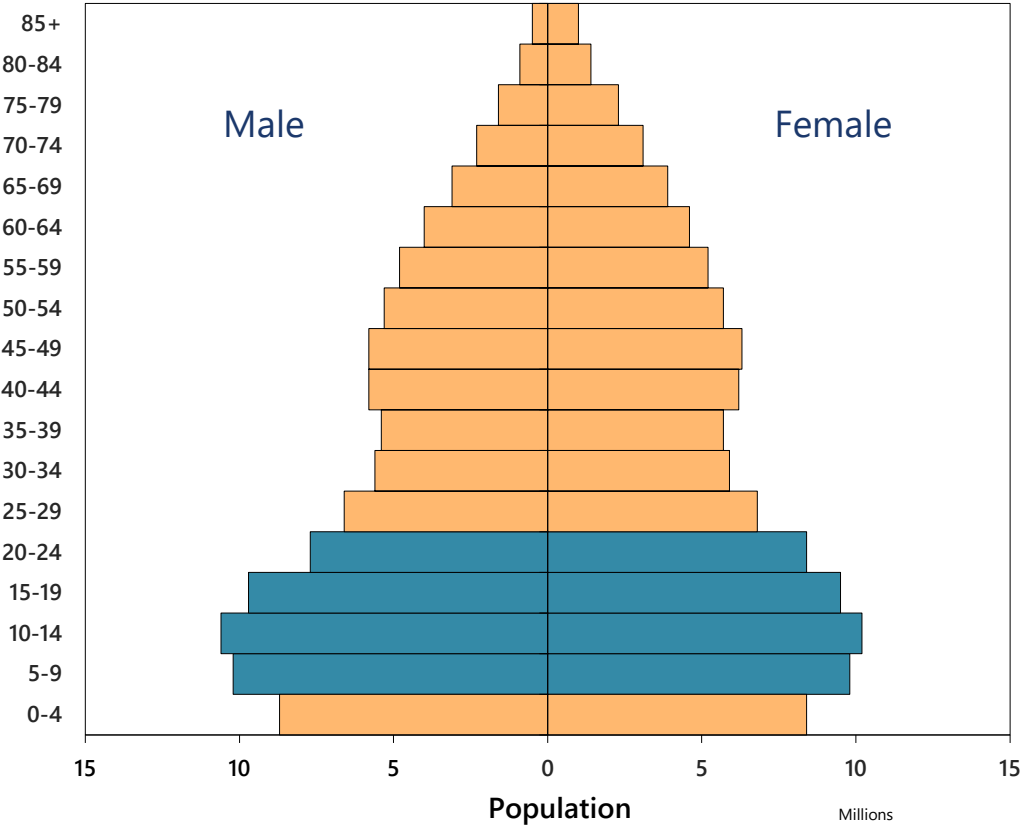



# Utah's Population by Age and Sex: 1970



 Baby Boom Generation

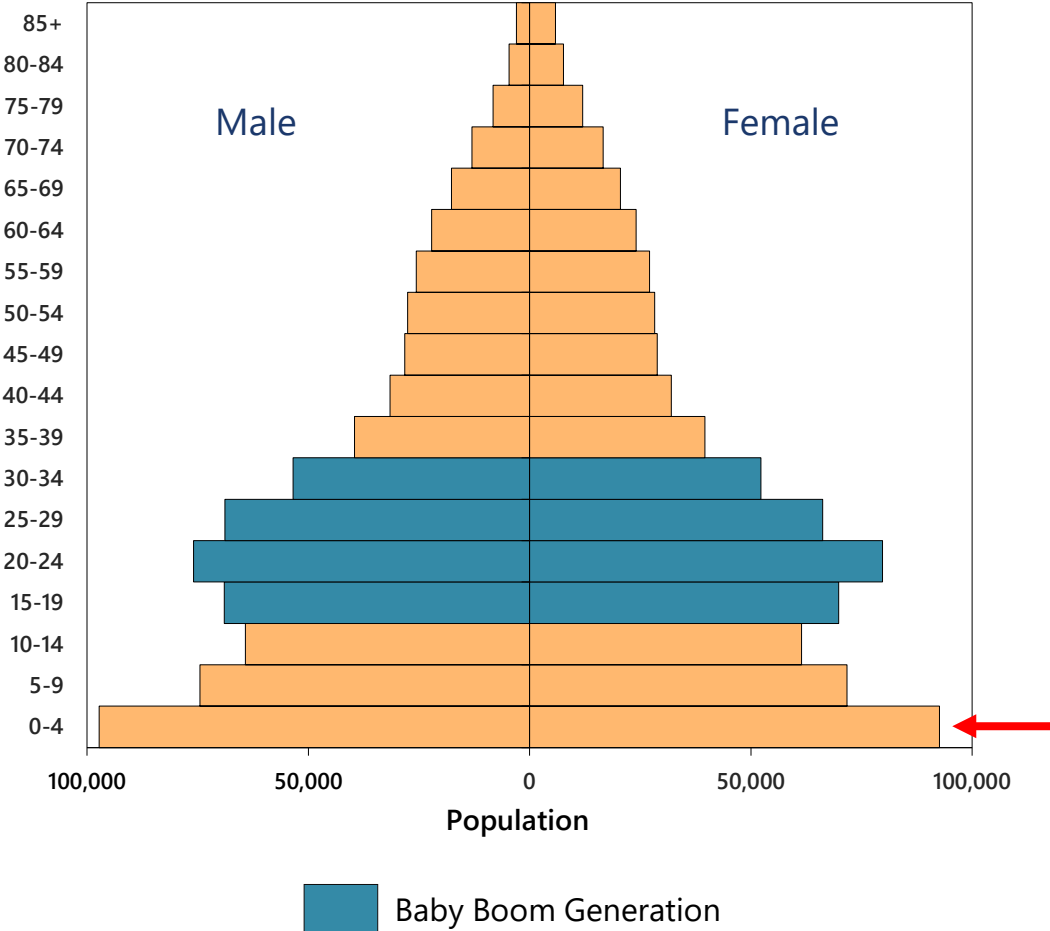
# U.S. Population by Age and Sex: 1970



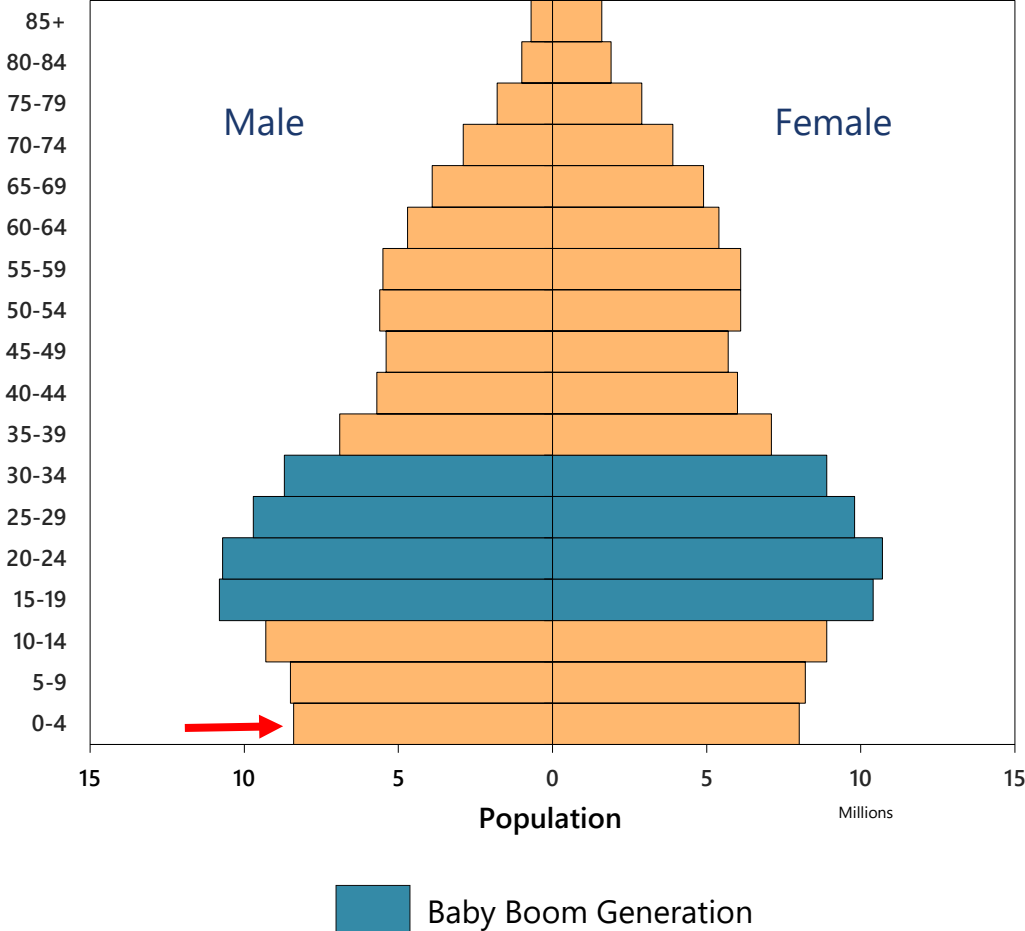
 Baby Boom Generation

Source: United States Census Bureau

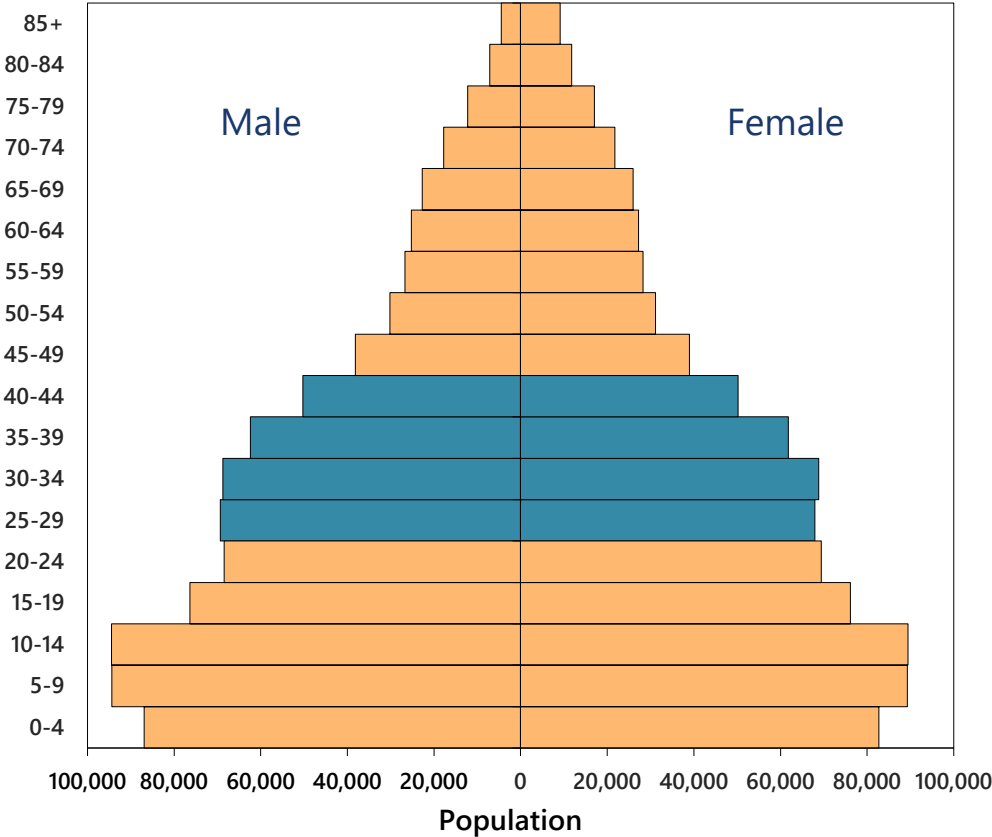
# Utah's Population by Age and Sex: 1980




# U.S. Population by Age and Sex: 1980

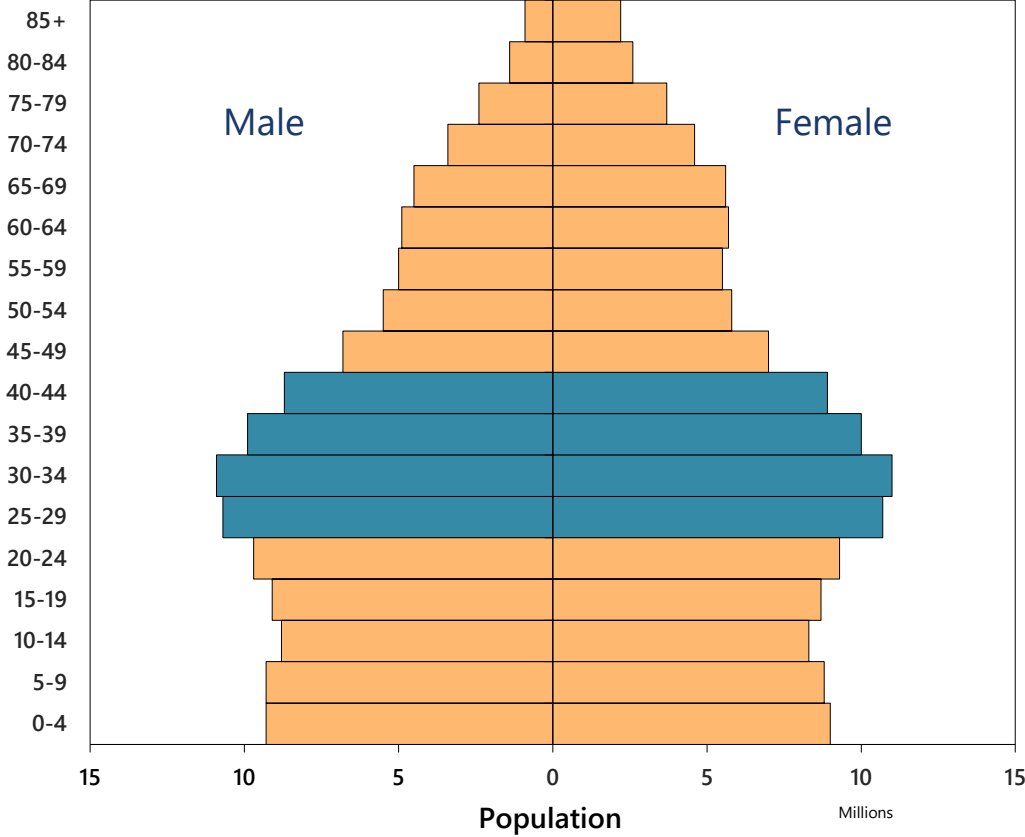



# Utah's Population by Age and Sex: 1990



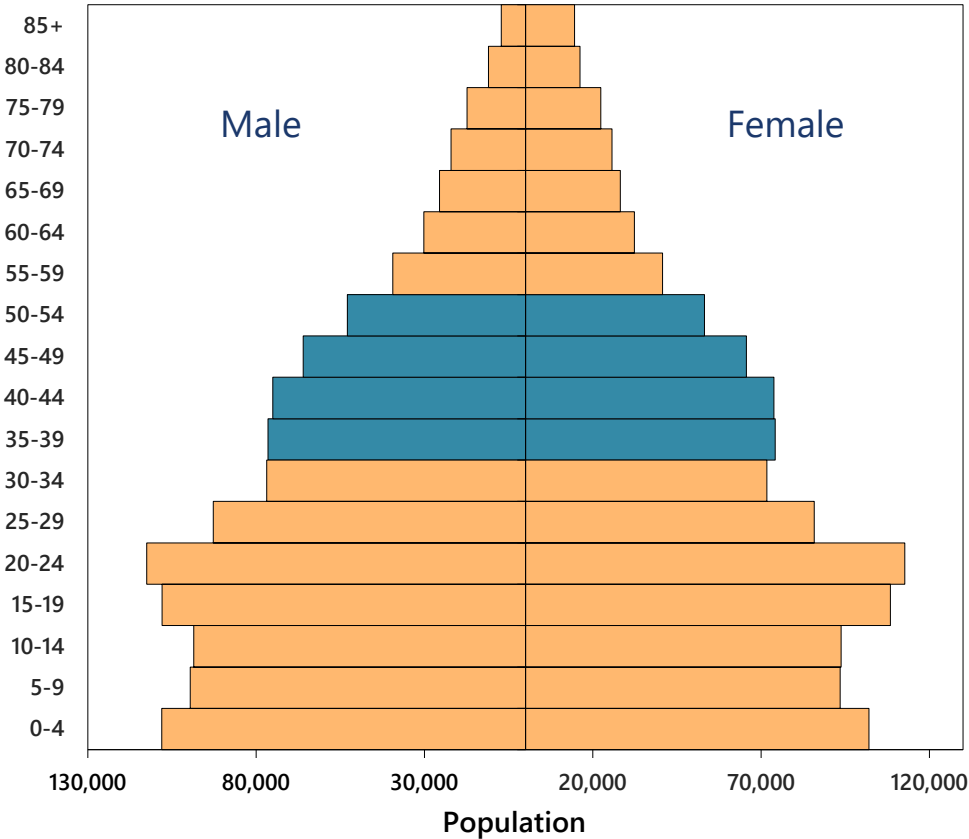
 Baby Boom Generation


# U.S. Population by Age and Sex: 1990



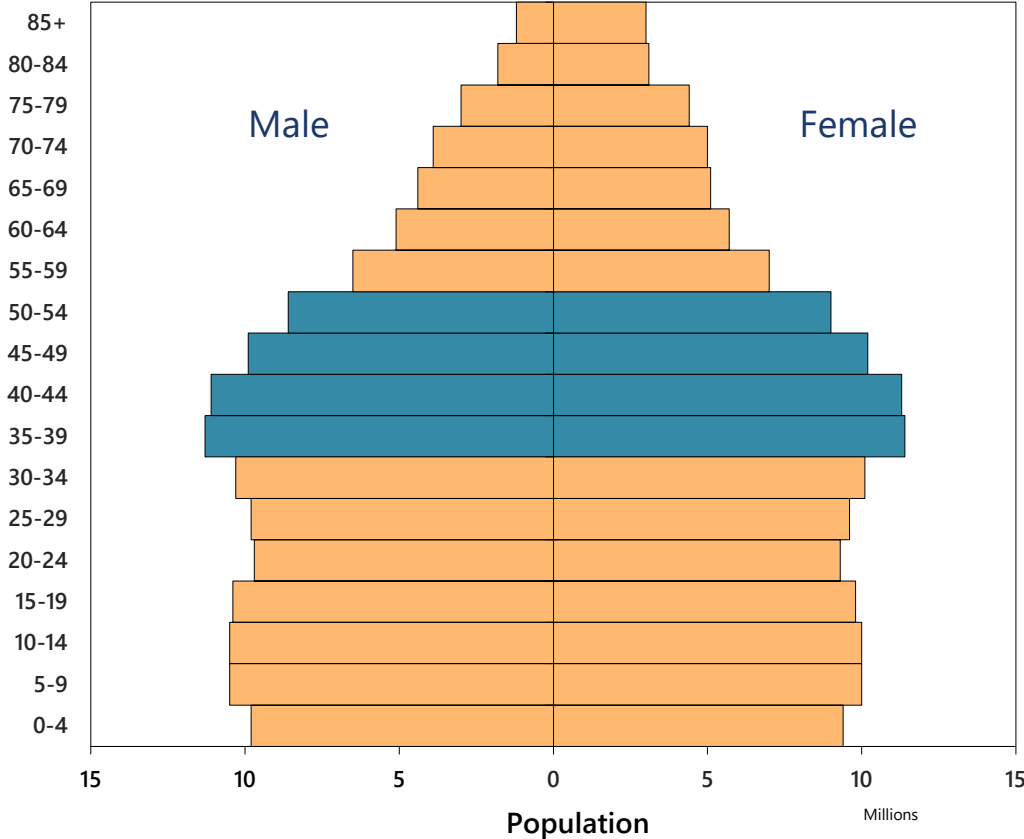
 Baby Boom Generation


# Utah's Population by Age and Sex: 2000



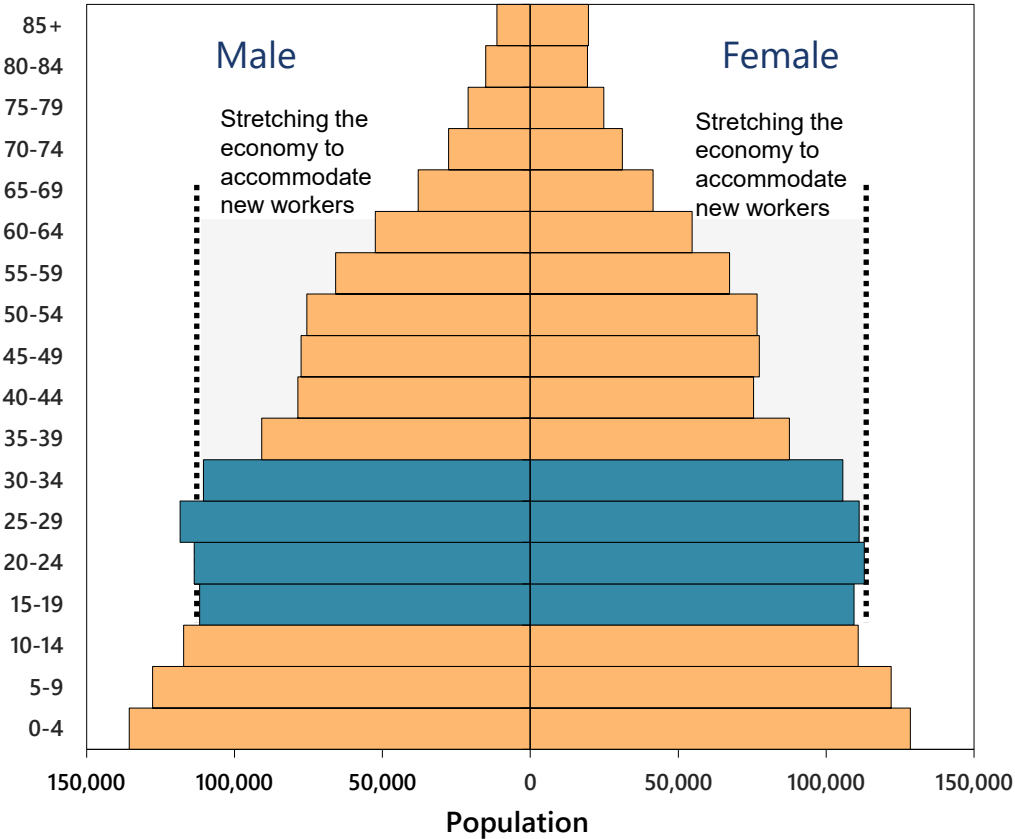
 Baby Boom Generation

# U.S. Population by Age and Sex: 2000



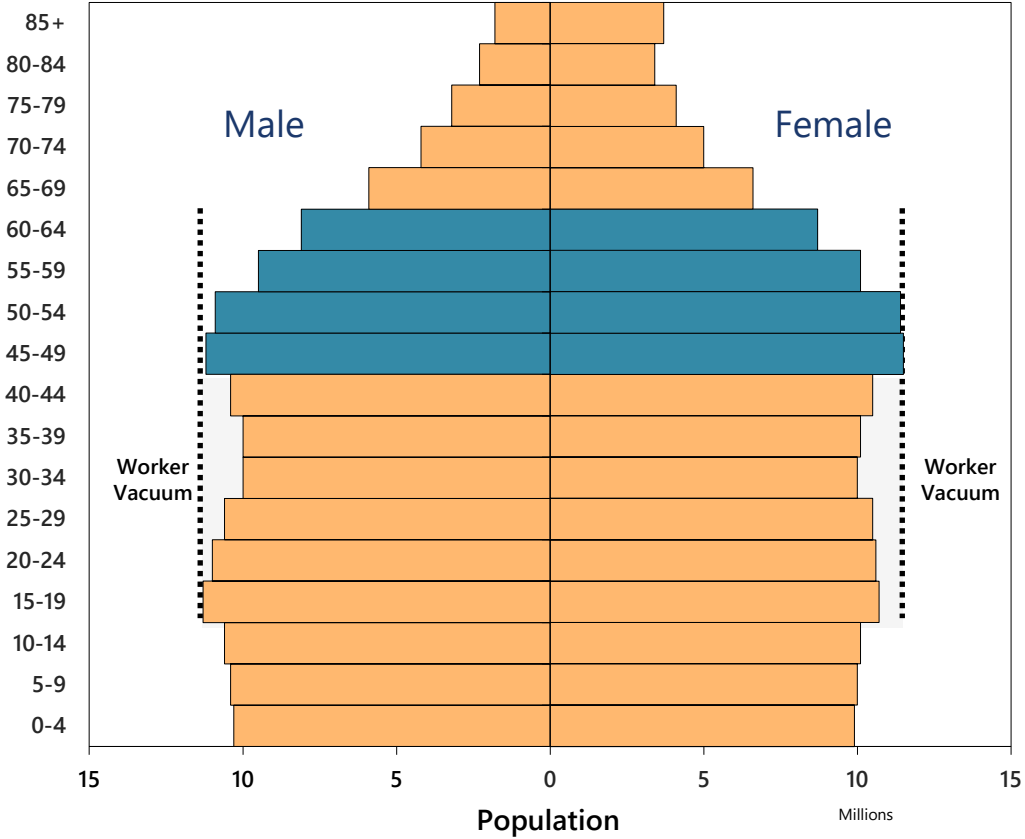
 Baby Boom Generation

# Utah's Population by Age and Sex: 2010



Labor Force Dominance

# U.S. Population by Age and Sex: 2010

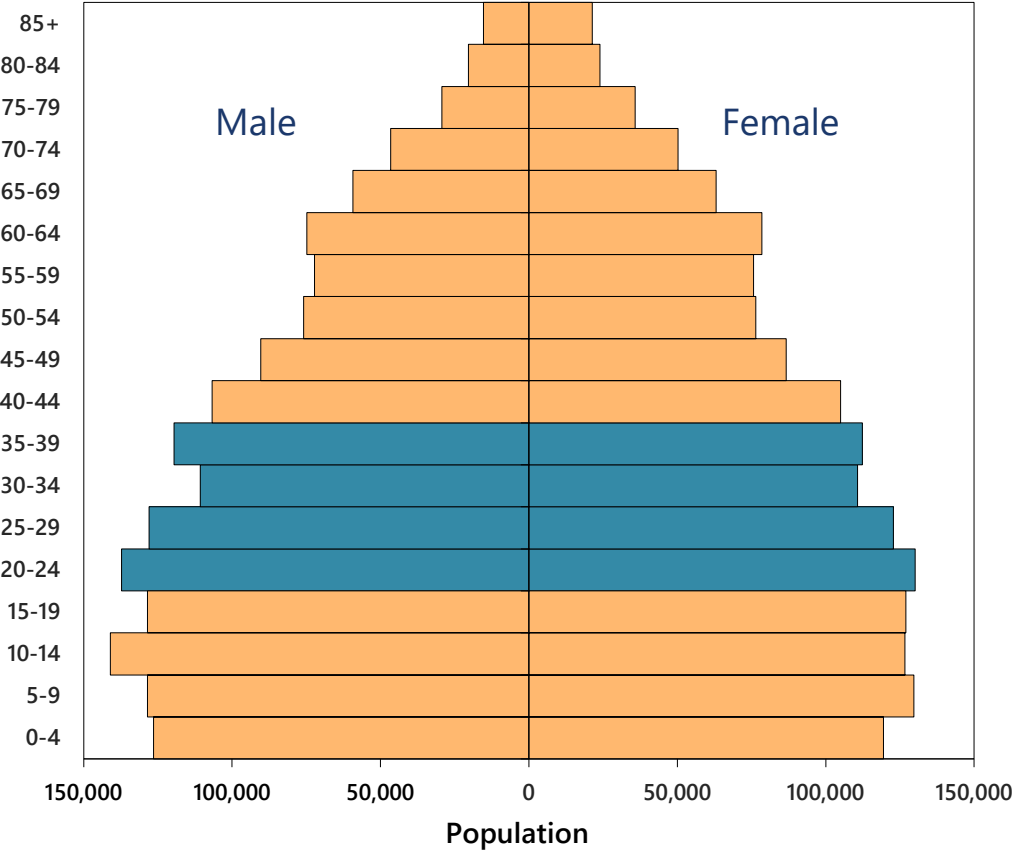


Baby Boom Generation



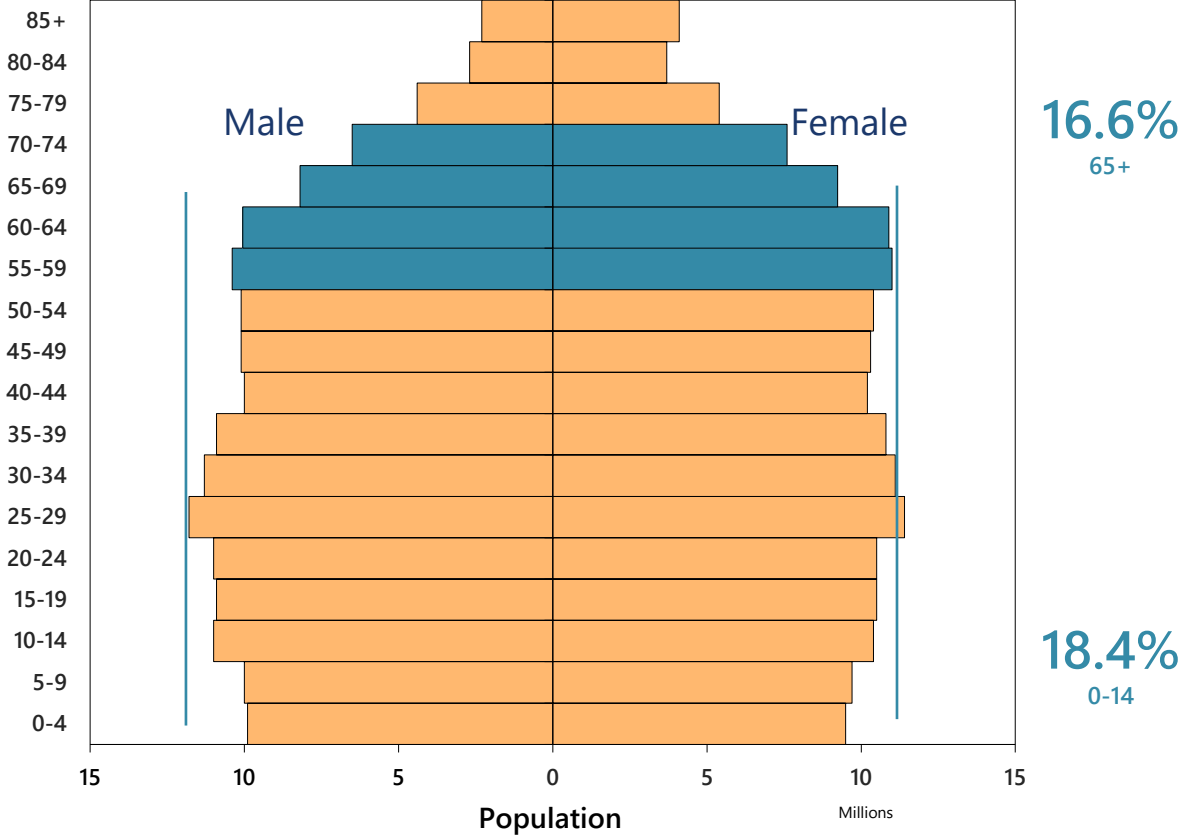
Source: United States Census Bureau


# Utah's Population by Age and Sex: 2020



 Labor Force Dominance

# U.S. Population by Age and Sex: 2020



 Baby Boom Generation

16.6%  
65+

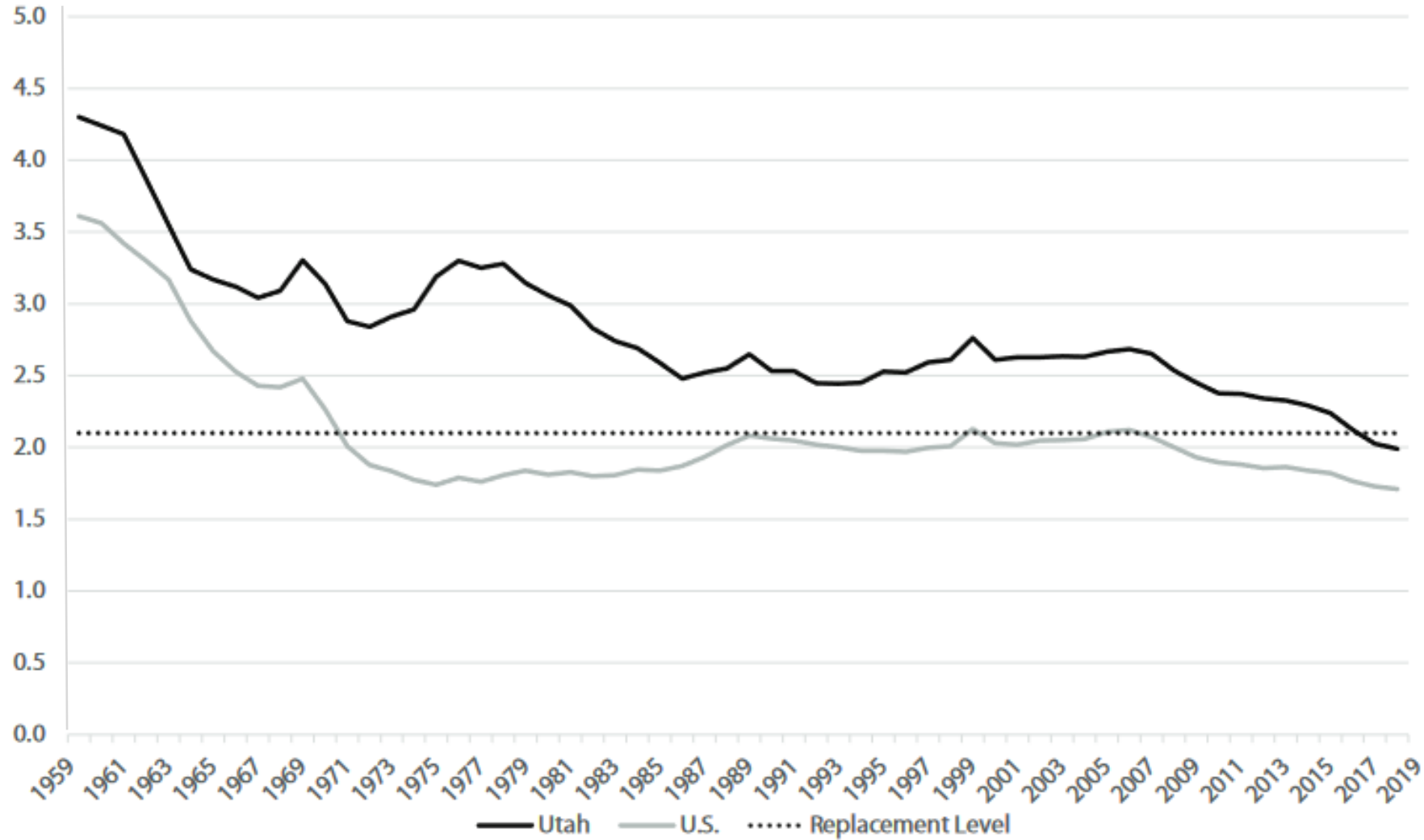
18.4%  
0-14

Source: United States Census Bureau

# Diving Deeper Long Term Demographic Change

- **Millennials are now the largest generation in the labor force.**
- **Baby Boomers are retiring.**
- **We won't be able to replace them with natural births.**
- **Need immigration to backfill it.**

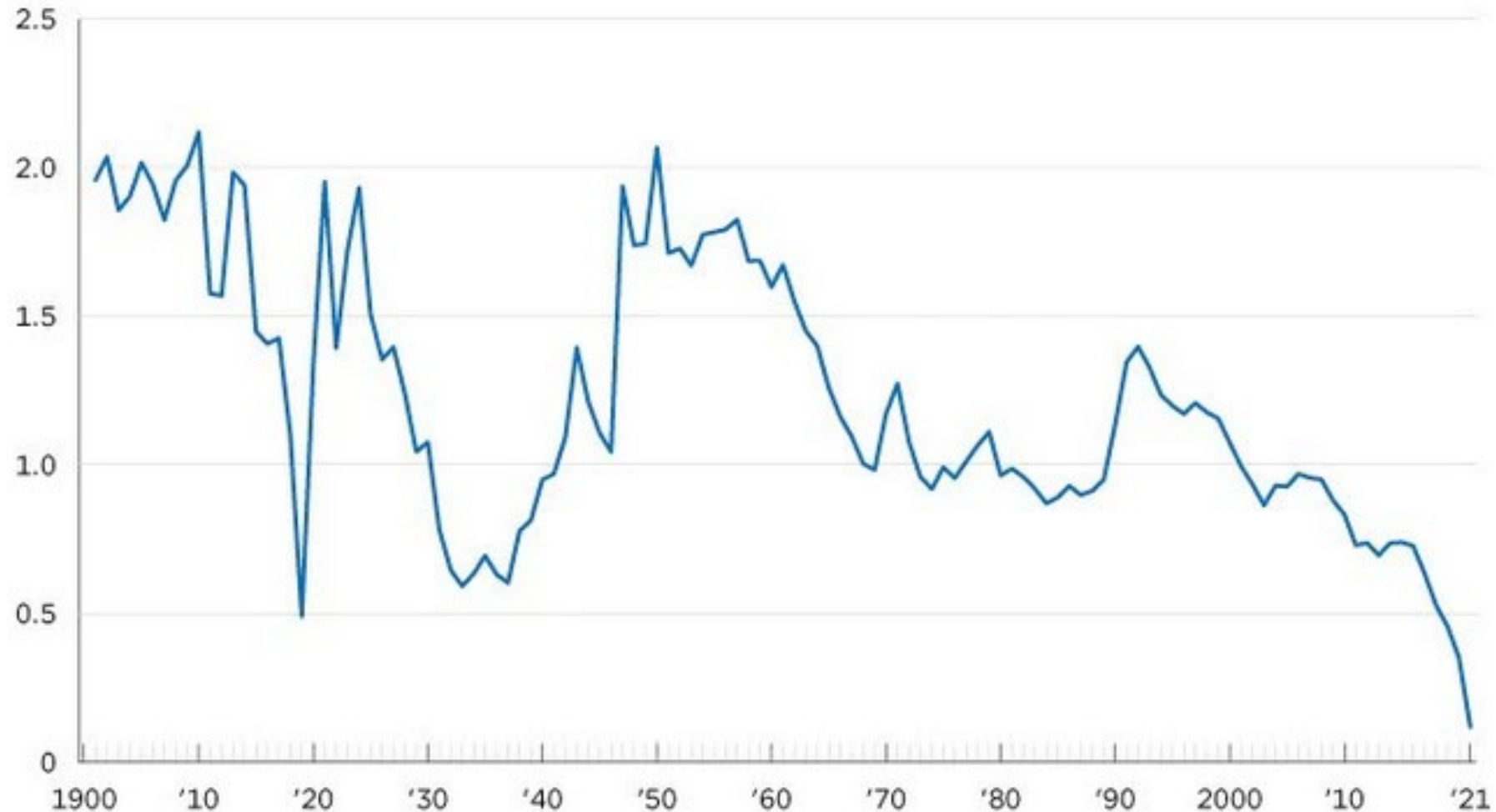
# Total Fertility for Utah and the United States



Note: The Replacement Level is the fertility level at which the current population is replaced.

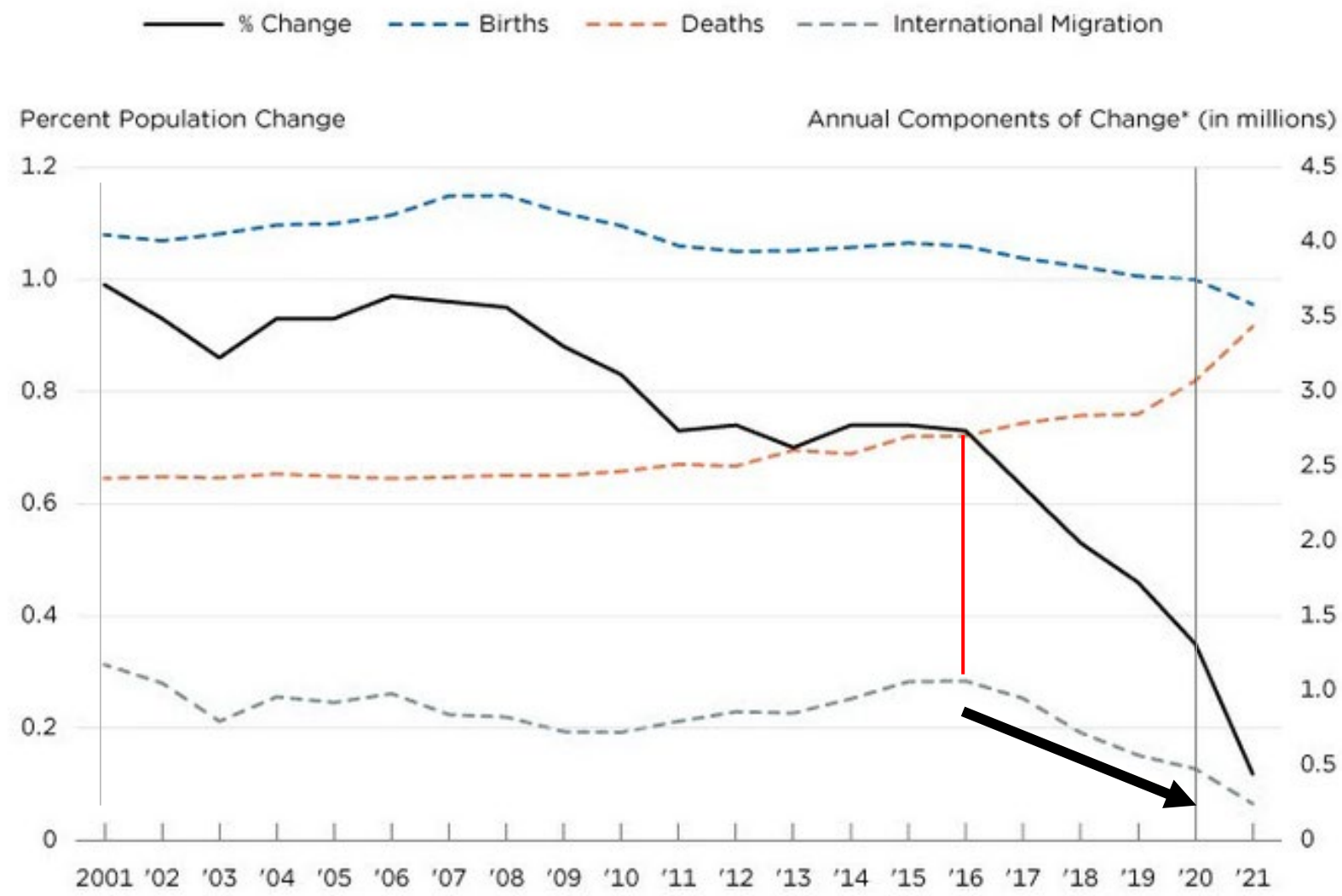


# Annual Percent Change in the U.S. Population 1900-2021



Note: 1917-1919 includes U.S. Armed Forces overseas.

# Population Change and the Components of Change 2001-2021



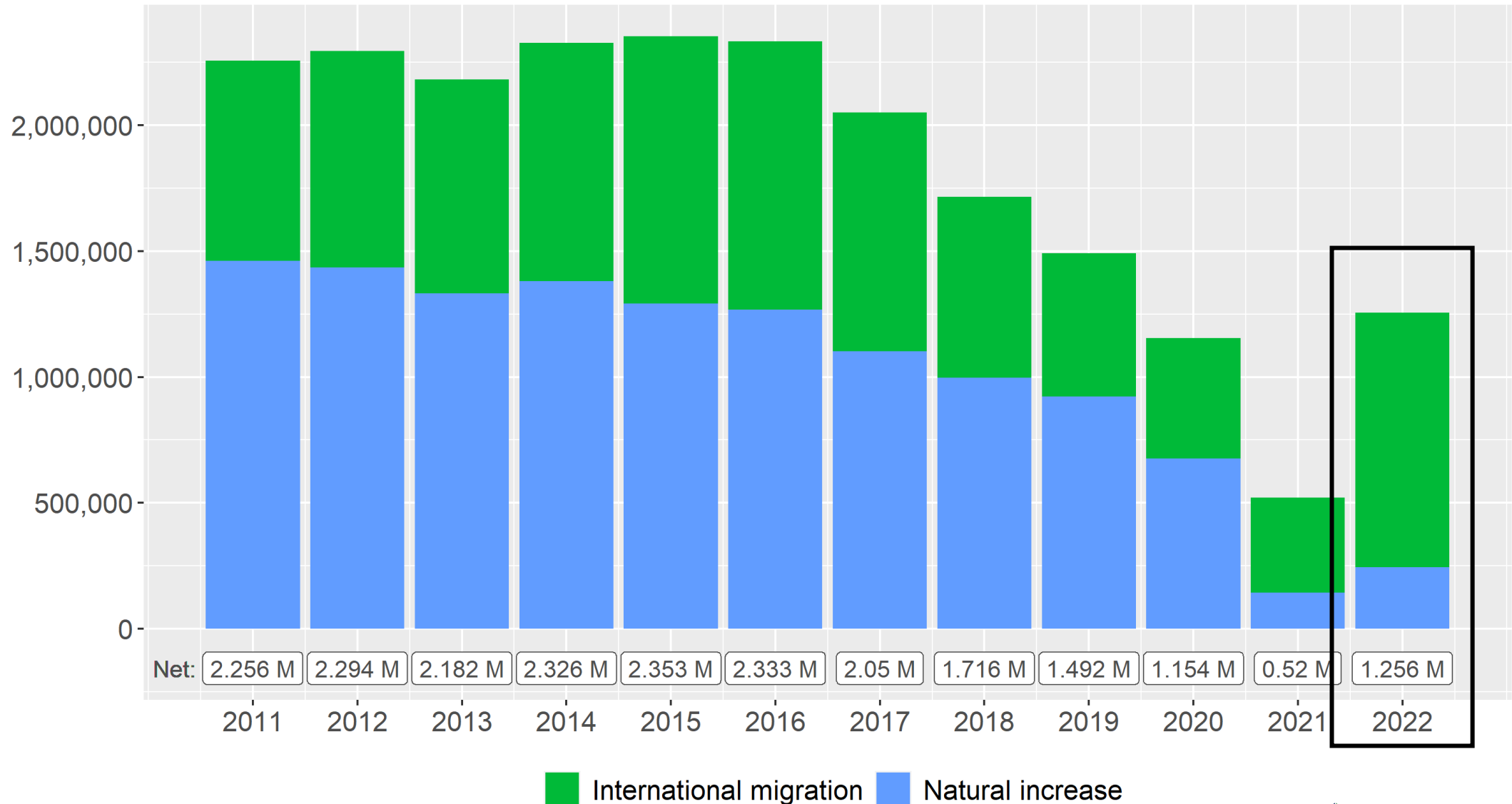
\* Components of change include births, deaths and net international migration.  
 Note: Only data to the right of the line are from Vintage 2021.

Headed towards population loss in US.



# Population Change and the Components of Change

United States: Components of population change





**U.S. Population Grew  
0.1% in 2021,  
Slowest Rate Since  
Founding of the  
Nation**

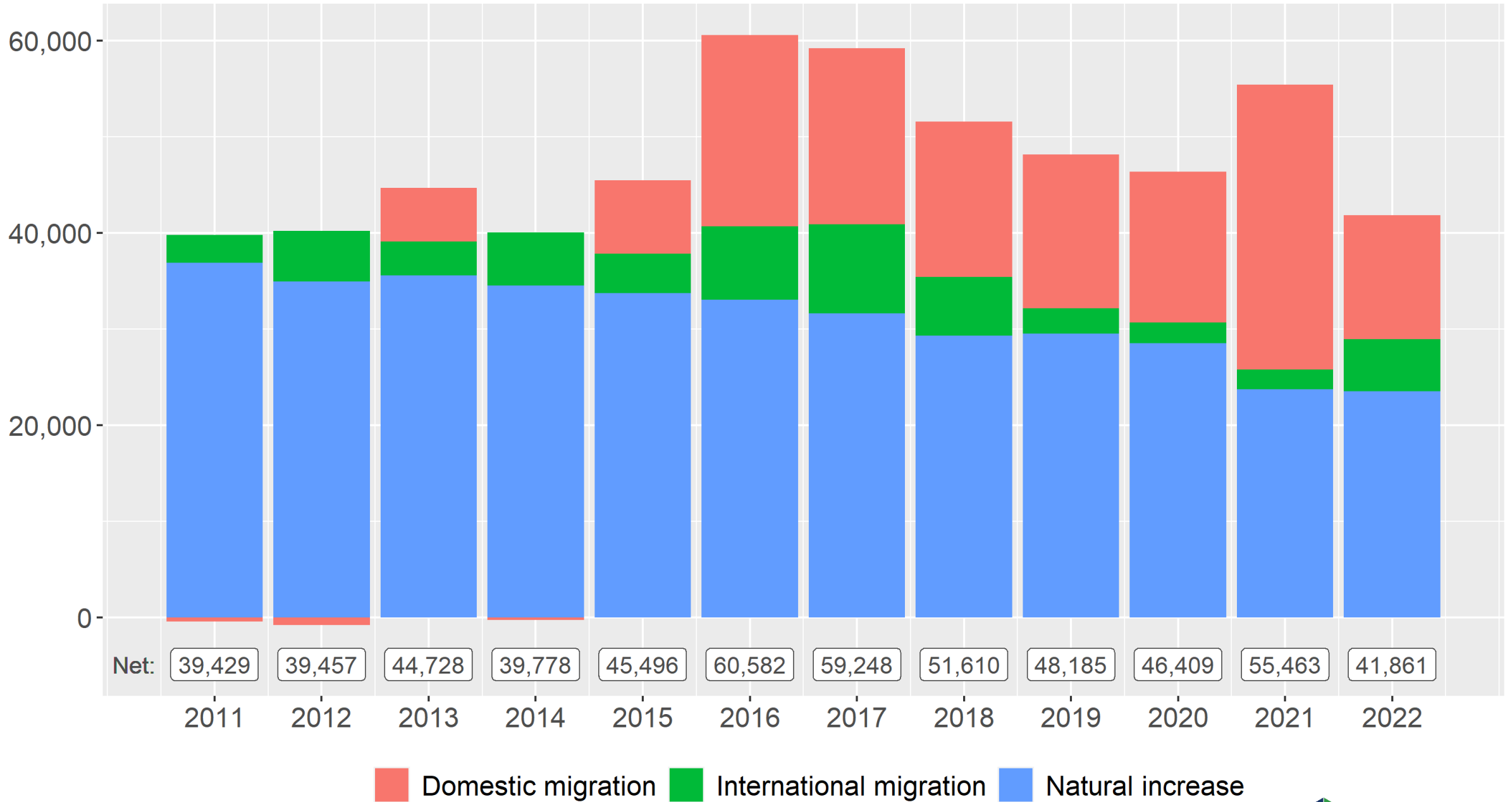


**Net International  
Migration at Lowest  
Levels in Decades**



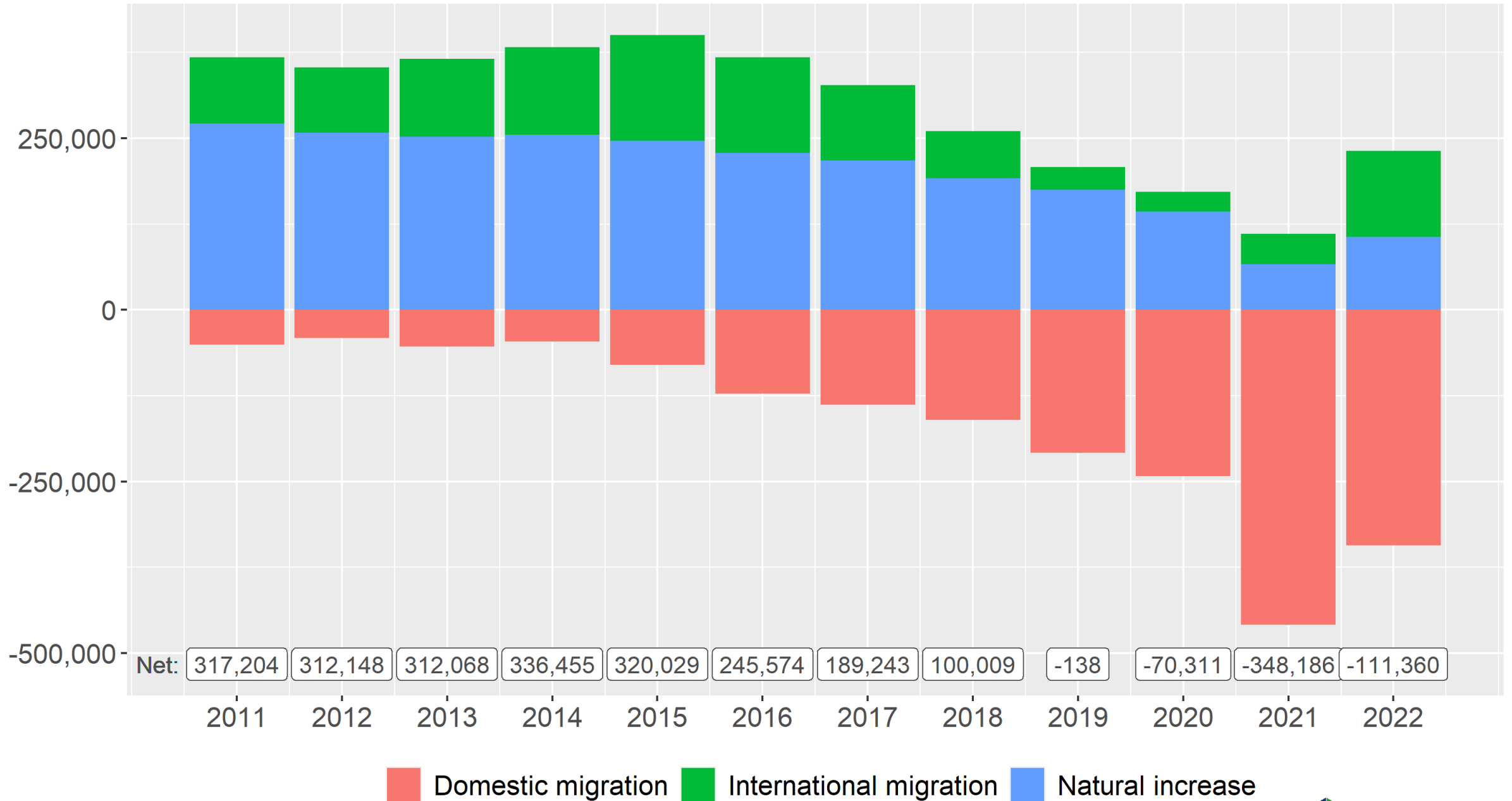
But what does it look like in Utah?  
How have we maintained our growth?

# Utah: Components of population change



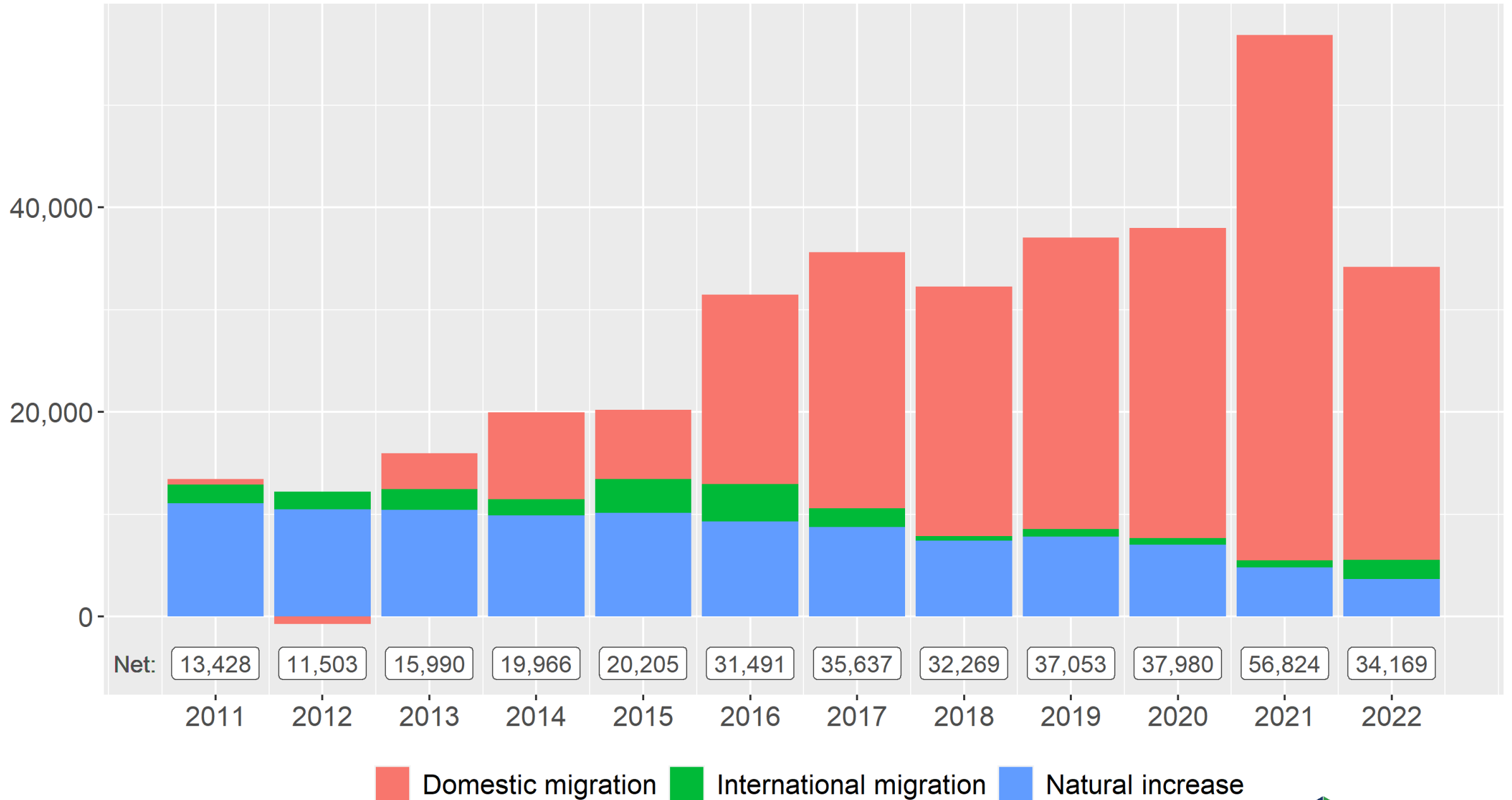
Source: U.S. Census Bureau, Population Division

# California: Components of population change



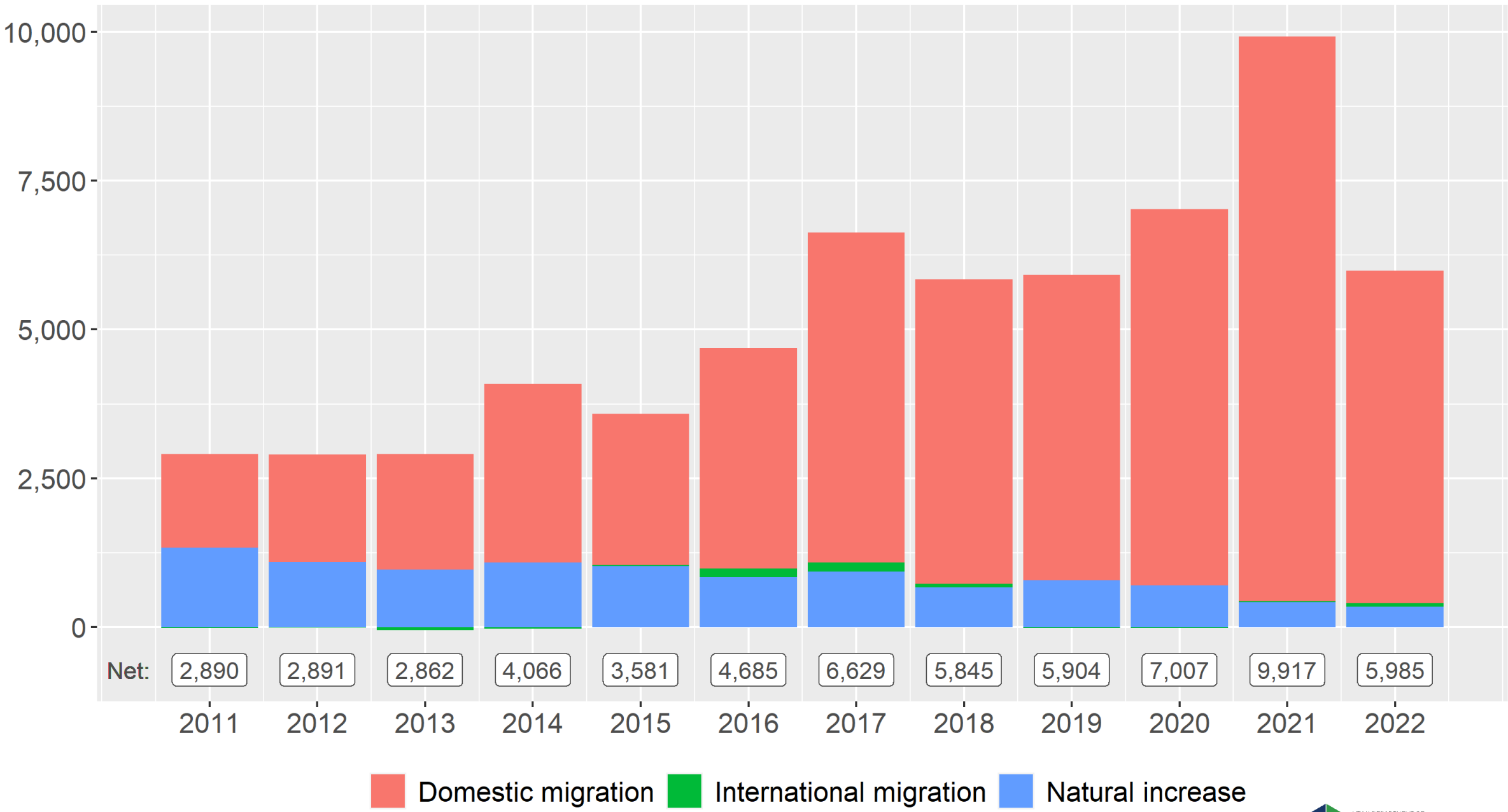
Source: U.S. Census Bureau, Population Division

# Idaho: Components of population change



Source: U.S. Census Bureau, Population Division

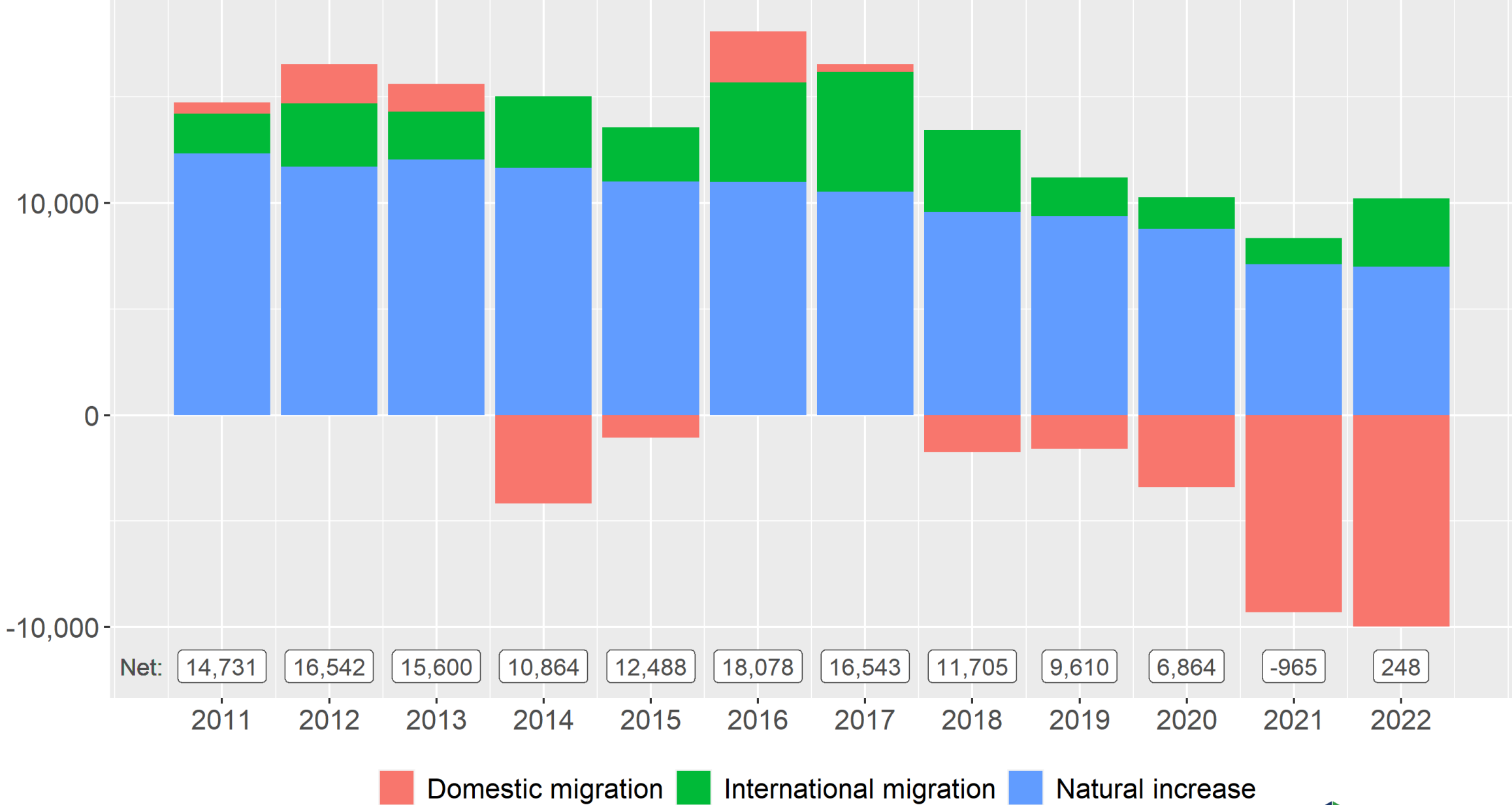
# Washington County: Components of population change



Source: U.S. Census Bureau, Population Division

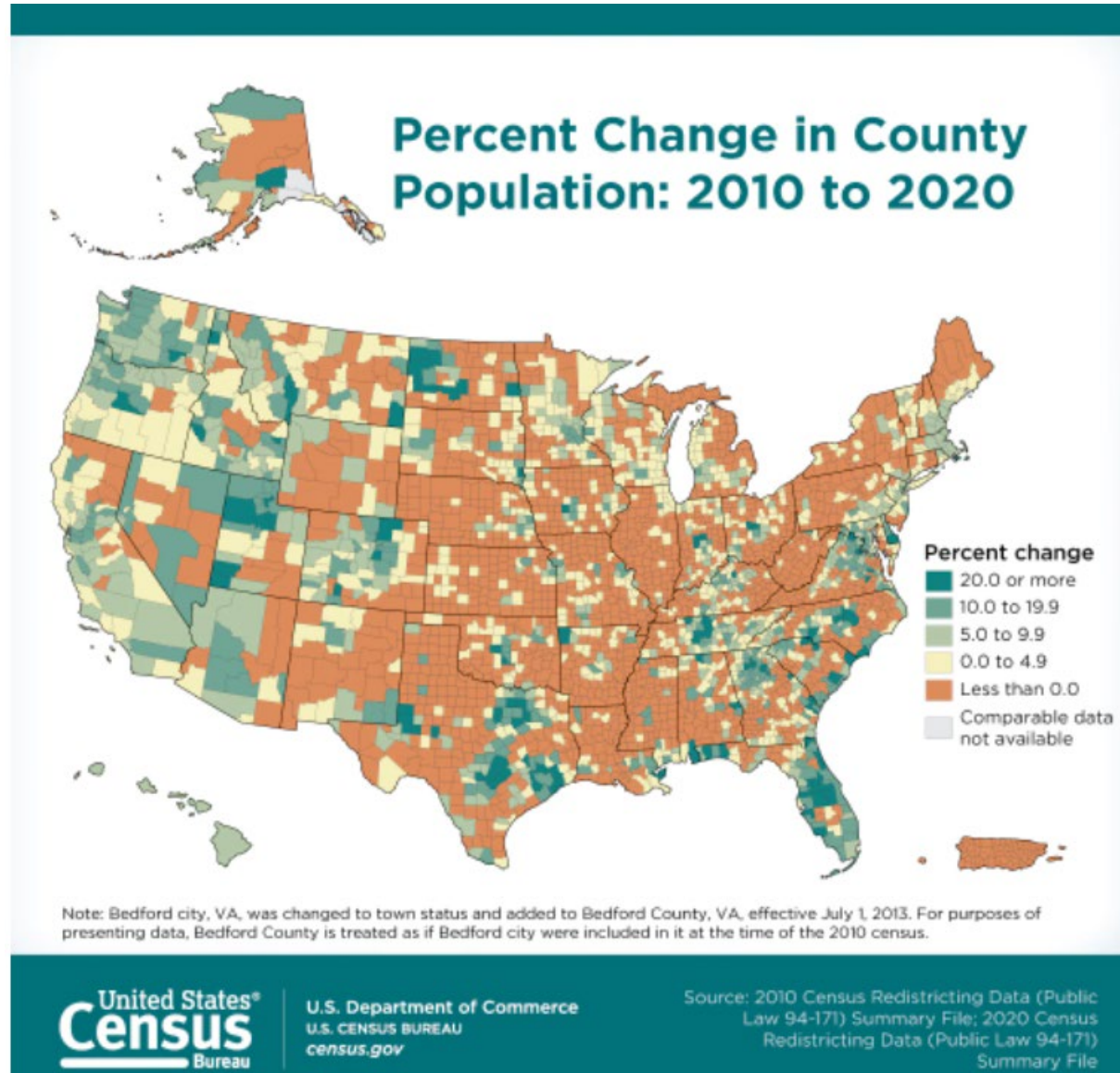


# Salt Lake County: Components of population change



Source: U.S. Census Bureau, Population Division

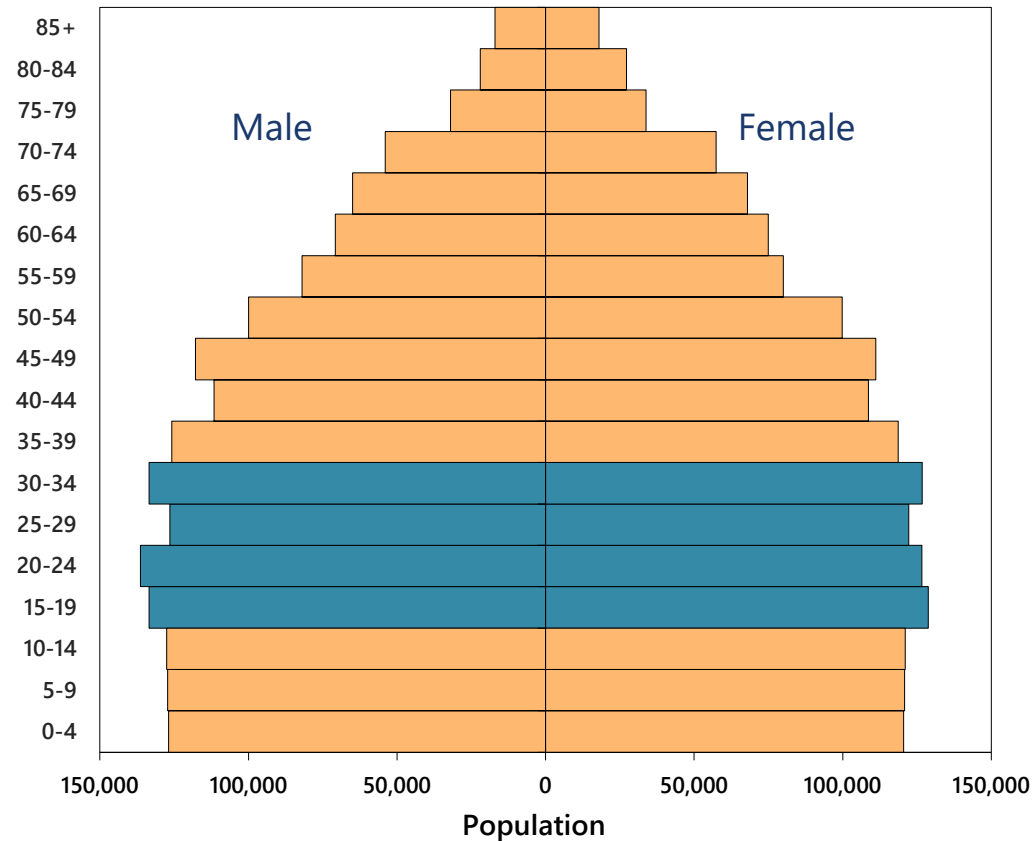
# County Population Change



Source: United States Census Bureau

# Looking to the Future

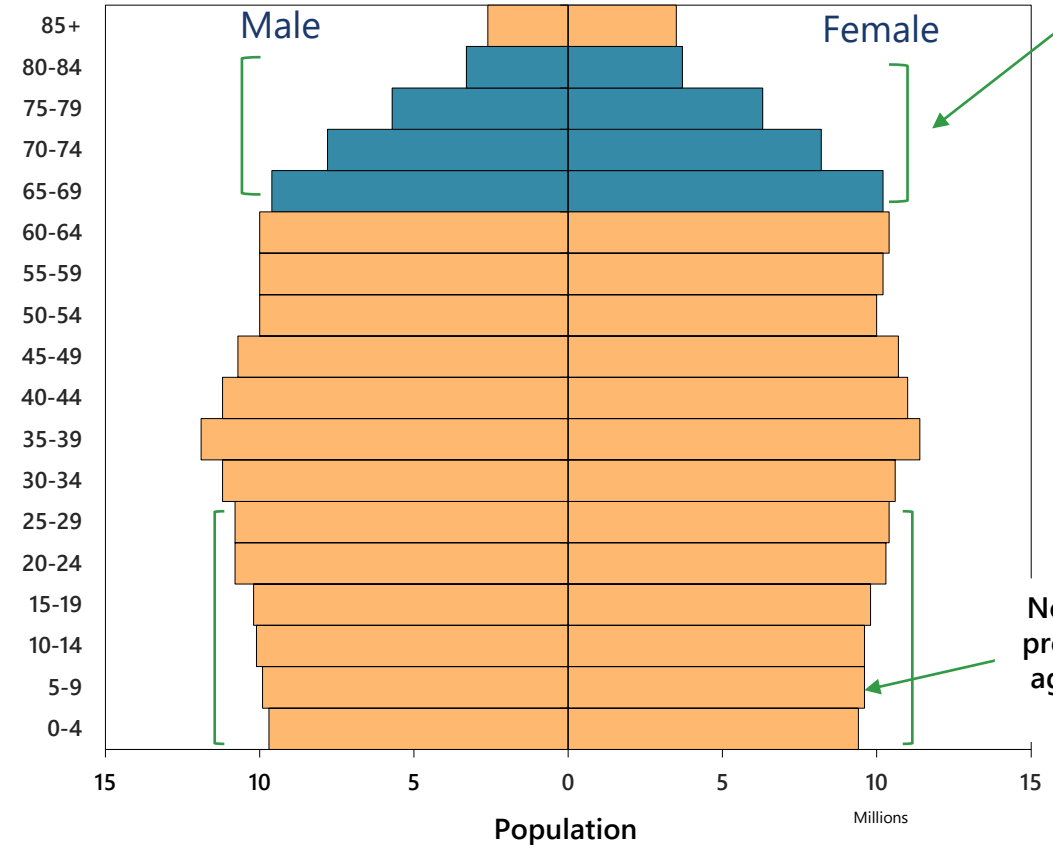
## Utah's Population by Age and Sex: 2030




 Labor Force Dominance

## U.S. Population by Age and Sex: 2030

Producers age out, but still remain consumers.



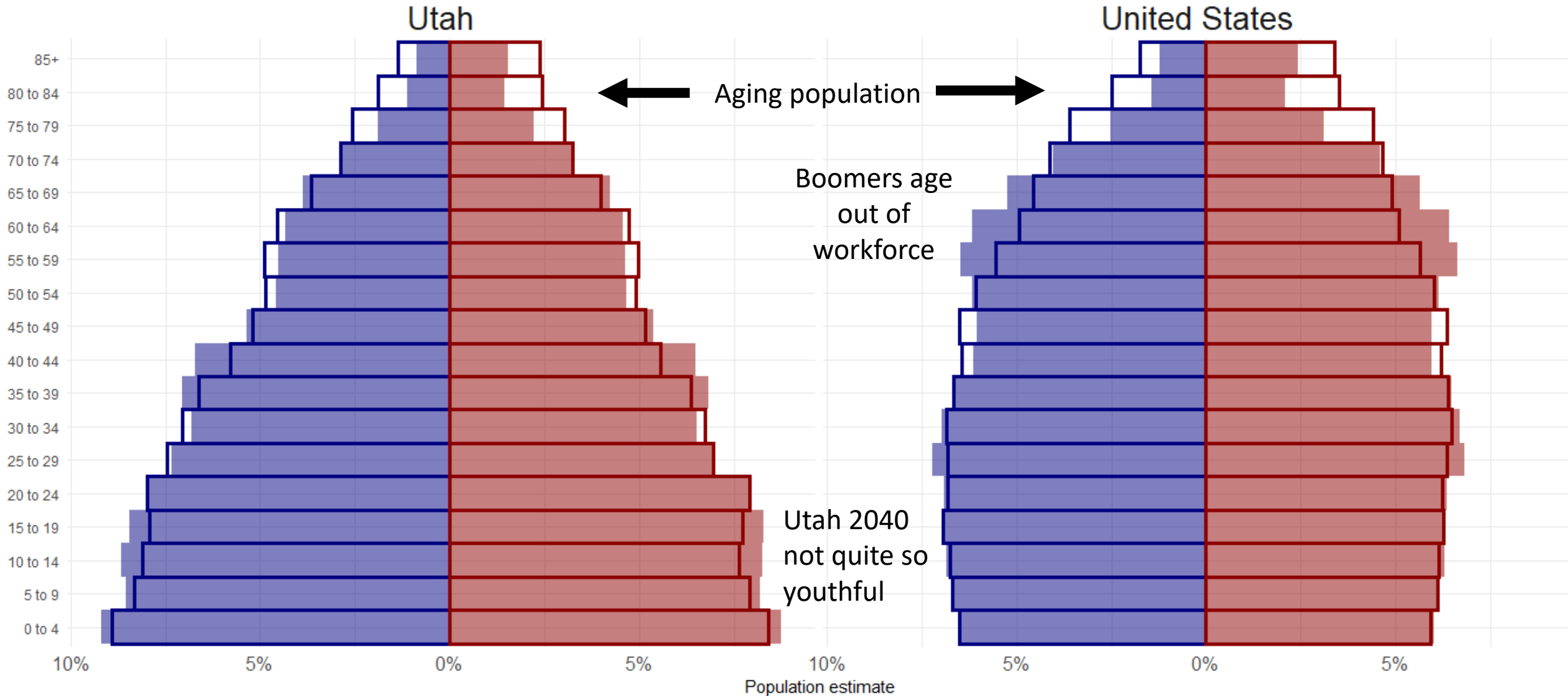
 Baby Boom Generation

Not enough producers to age in from below.

# Population structure, 2020 vs 2040

Utah vs USA

Male 2020 Female 2020 Male 2040 Female 2040



# Plausible/Combined Macro Solutions

1. Somehow keep Baby Boomers in the labor force (not a long term option).
2. Import labor from other countries.
3. Offset the departing labor with automation and artificial intelligence (increased productivity).
4. Incentivize births.
5. Let the economy naturally shrink.

# Key Points

## Factors of Inflation

1. Federal aid from pandemic
2. High demand for goods
3. Supply chain disruption
4. Labor shortage
5. Ukraine War

## Short-run

- Rising cost of borrowing, labor market cooling.
- Increased unemployment (But we have job openings to “burn” before we hurt).

## Long-run

- Labor Shortage
- Ageing Population
- Fiscal stress: Social Security, Climate Change
- International Tensions

# Questions?

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