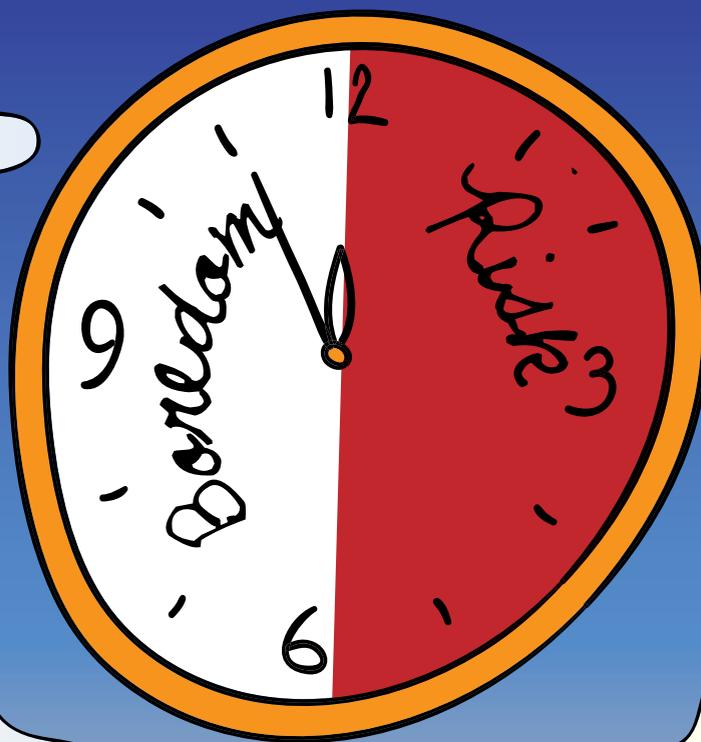
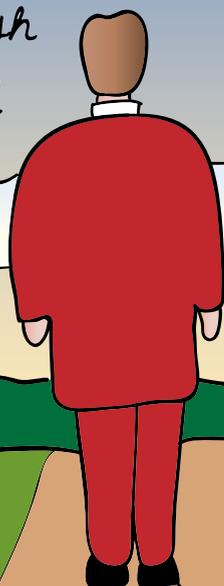


*a
Look
at 2011*



*How do those who unleash
creativity currently feel
about risk?*



Another year is upon us, and it's time to forecast how the economic picture may develop as the next 12 months unfold. In a nutshell, I believe 2011 will be much of a repeat of 2010. The worst of the economic downturn is behind us, recovery will continue being slow and methodical, with low job growth and high unemployment keeping the recession's impact fresh upon people's minds. The possibility of falling into another recession remains in the picture, yet is not perceived as the most likely scenario.

I see several factors conspiring to keep employment activity on a sub-par pace in 2011—continued housing woes, low Gross Domestic Product (GDP) growth rate forecasts prompting the business community to believe it can continue using only productivity gains to keep pace, and the CEO community remaining risk averse and not anxious to embrace risky economic-enhancement projects.

It was the housing market that set off this whole economic slide, and it

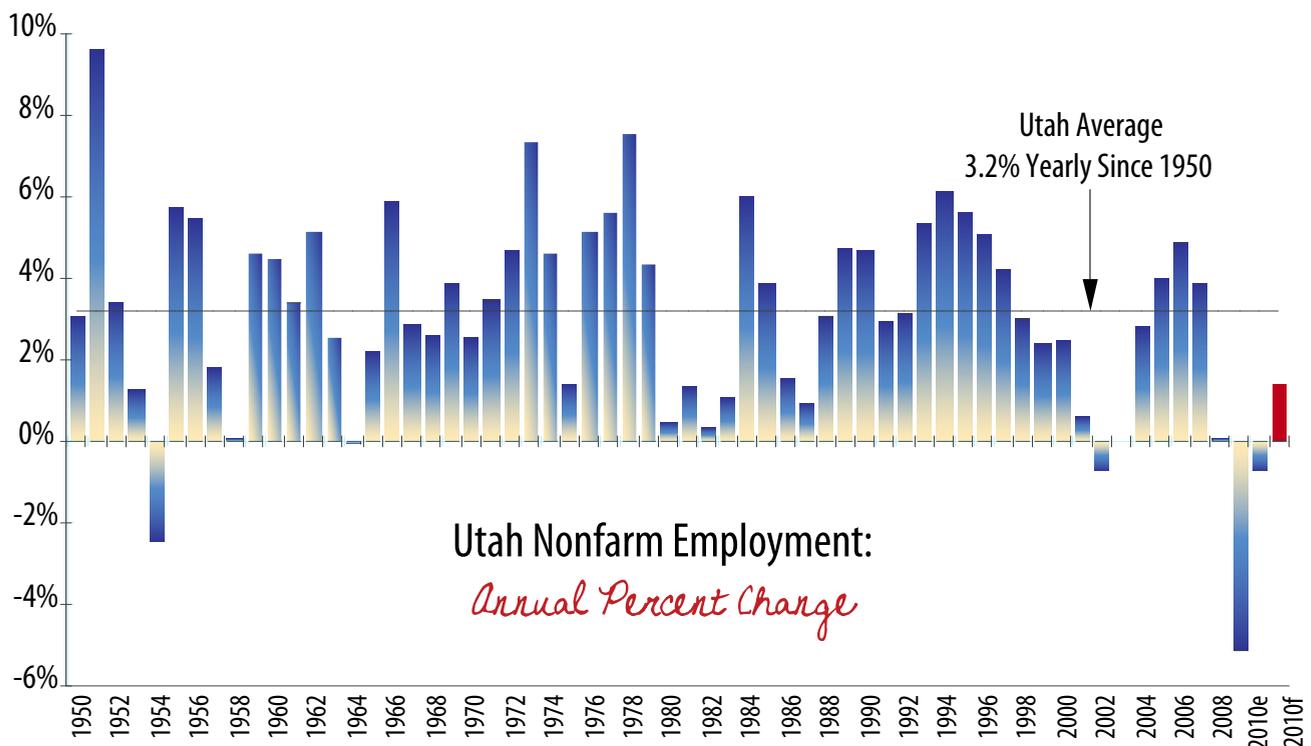
will be the housing market that signals when its effects end. With the amount of foreclosures still on the market, with legal questions now arising as to who has the authority and the title to do the foreclosing, and the expected slow job market again in 2011, the negative factors weighing upon the housing market will still have life in 2011. There is a level of pent up housing demand brewing in Utah, but 2011 still does not look like the year when that demand can be released.

If the low level of forecasted GDP growth occurs in 2011 (something around the 2 to 2.5 percent range), business leader comments speculating that level of growth can probably be met with productivity gains and not worker additions is not only discouraging, but unfortunately valid. Productivity gains have been consistent of late, and low GDP growth can be met largely by just squeezing more productivity out of current workers. High business profit margins suggest that businesses have the wherewithal to hire, but until convinced of no

other option but to hire, businesses will be reluctant to hire.

Capitalism rewards creativity, creativity breeds risk. Risk introduces psychology to the picture. How do those who unleash creativity currently feel about risk? The unfortunate answer is many business leaders feel gunshy toward risk. The recent recession swung the pendulum from little respect of risk to a loathing of risk. Alan Greenspan recently commented upon this phenomenon, opining that the business community needs a period of boredom before they are again willing to unleash the excitement of meeting risk head-on. The idea is that the pain of the recent recession is still fresh upon their minds, and that only time will erase that pain (which only a period of boredom can do). This seems to be a valid argument, and is another reason why 2011 is anticipated to be a "boring" year.

Workforce Services forecasts Utah employment growth of just 1.4 percent for 2011, with unemployment remaining high around 7 percent. ●



Source: Utah Department of Workforce Services 2010e = estimate 2011f = forecast