

2024 Economic Forecast

February 8, 2024 | 11:00 AM – 2:15 PM

Ogden Eccles Conference Center



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*Senior Economist,
Utah Department of Workforce Services*



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Utah Economic Update

Bank of Utah 2024 Economic Forecast

Michael Jeanfreau – Senior Economist
Utah Department of Workforce Services

February 2024



Overview

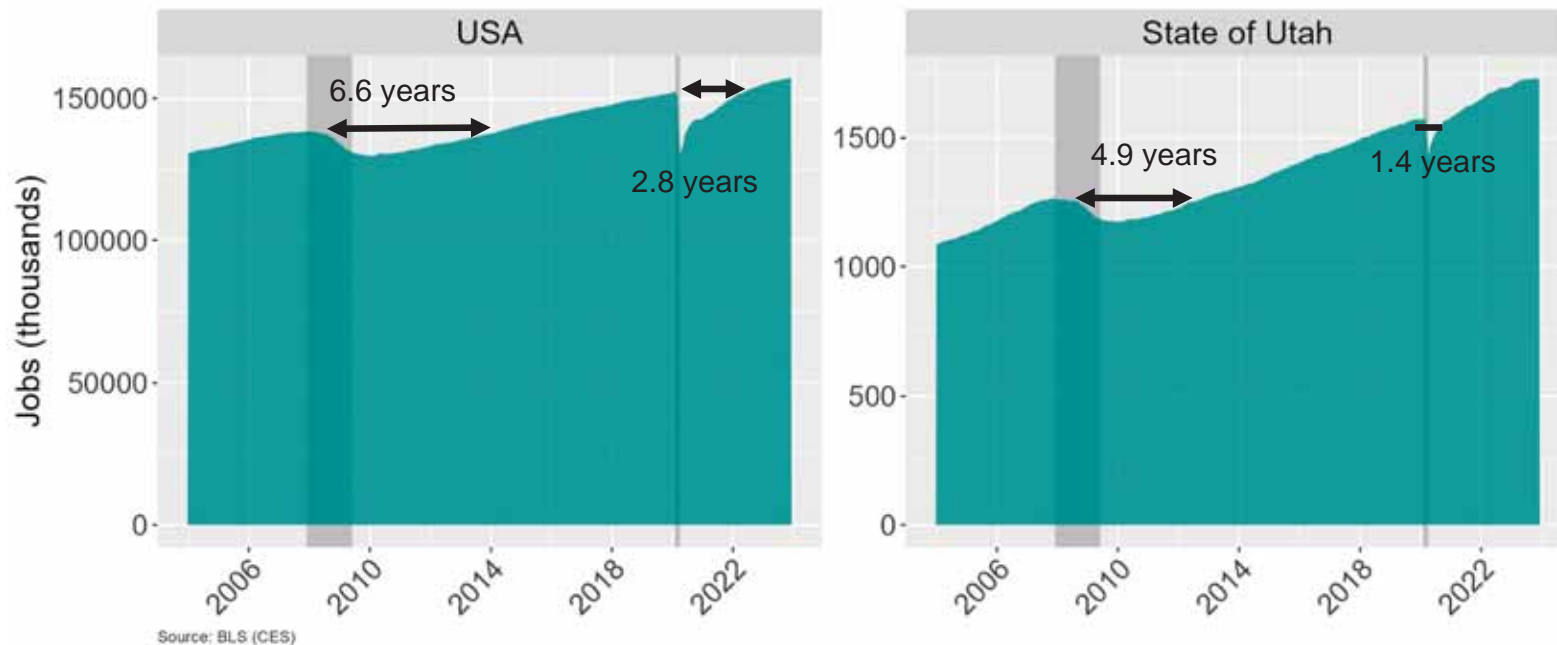
- **Where Are We?**
- **Population Trends**
- **In-Migration**
- **Cost of Living**
- **Future Outlook**



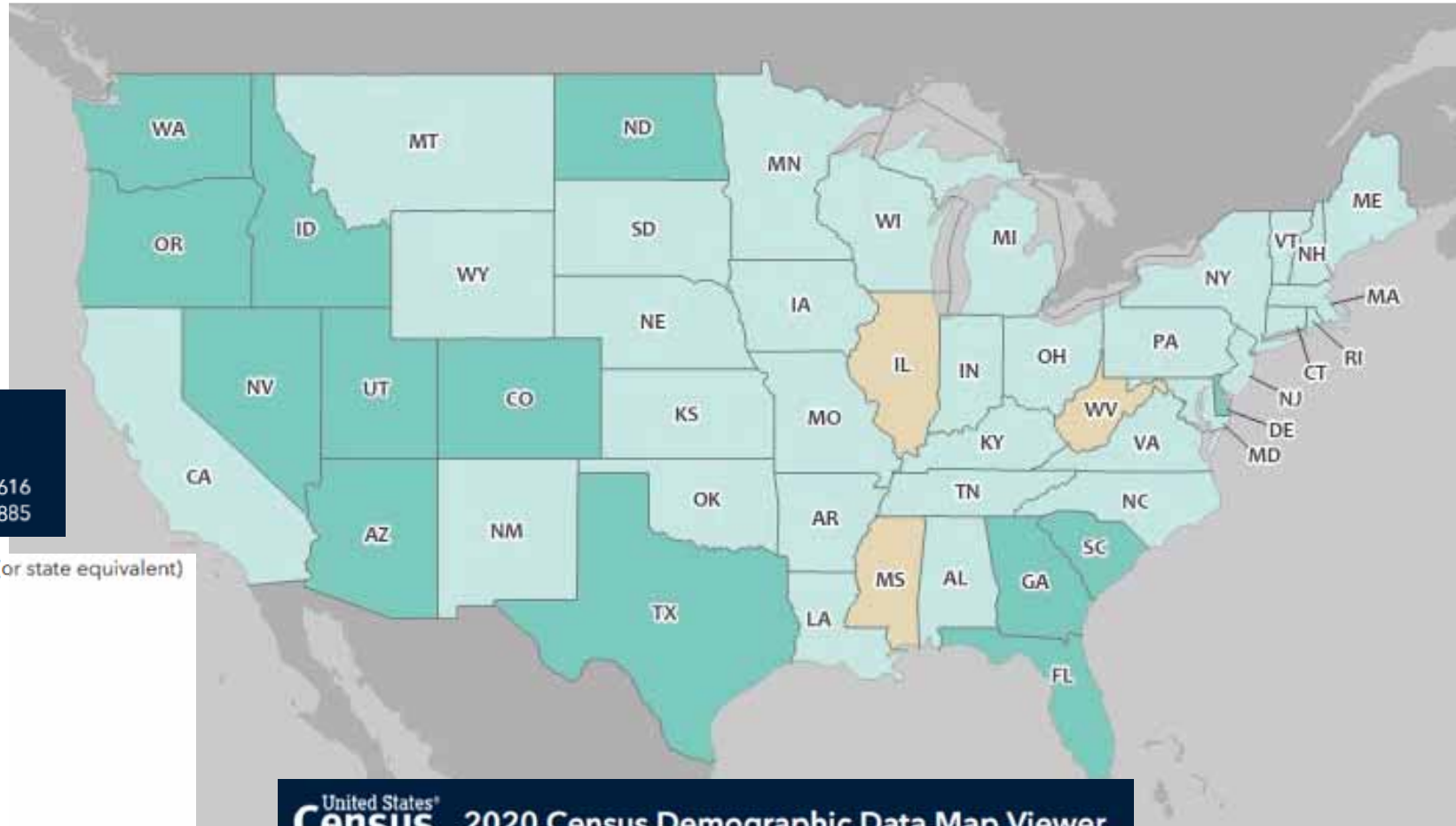
Where are we? Utah's economy continues to grow.

Employment is above pre-pandemic levels.

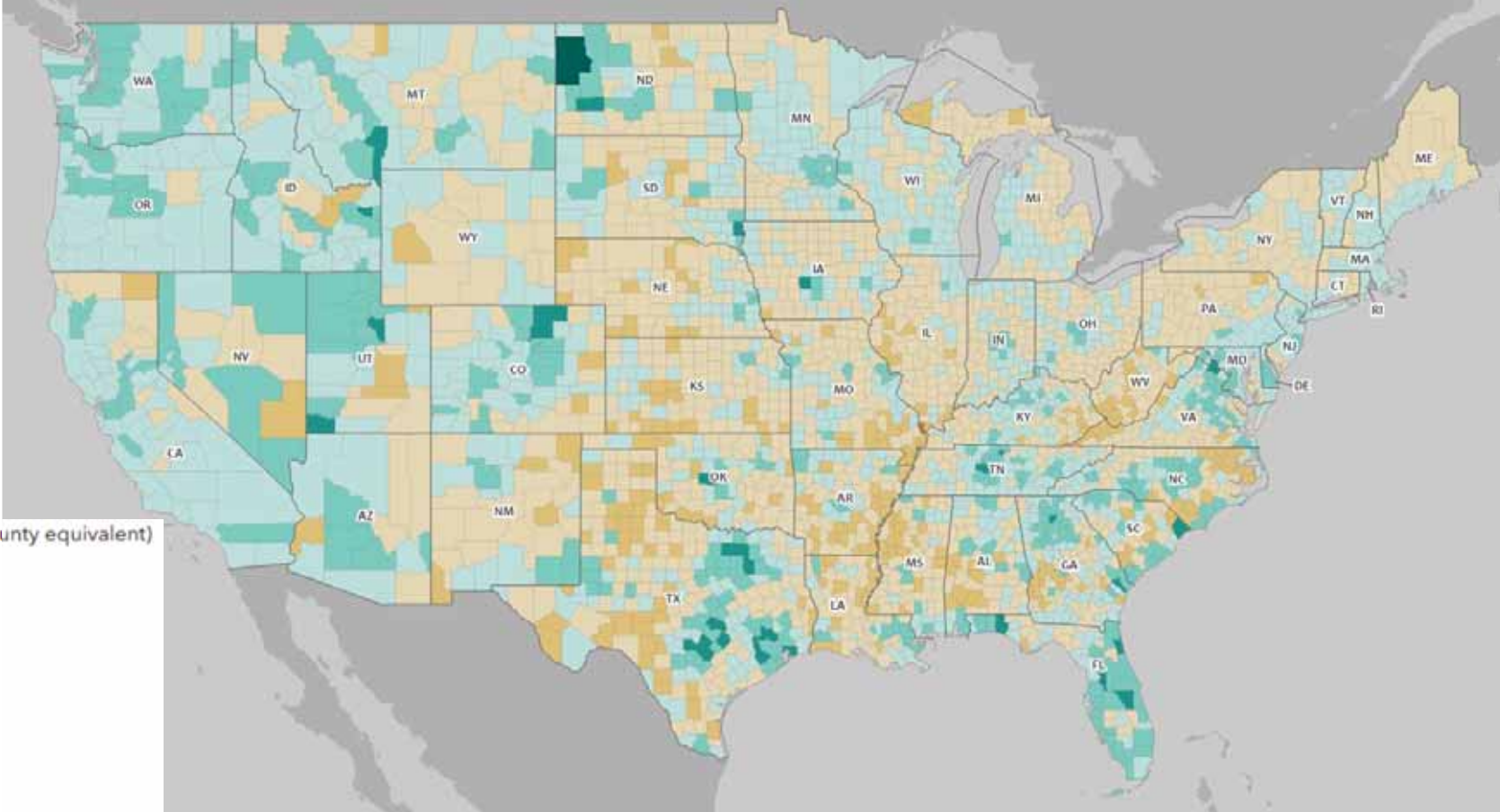
- Utah has gained around 150,000 jobs since before the pandemic.
- Positive job growth despite nation struggling.



Population Growth, 2010-2020 Census



Population Growth Centering on Metro Areas

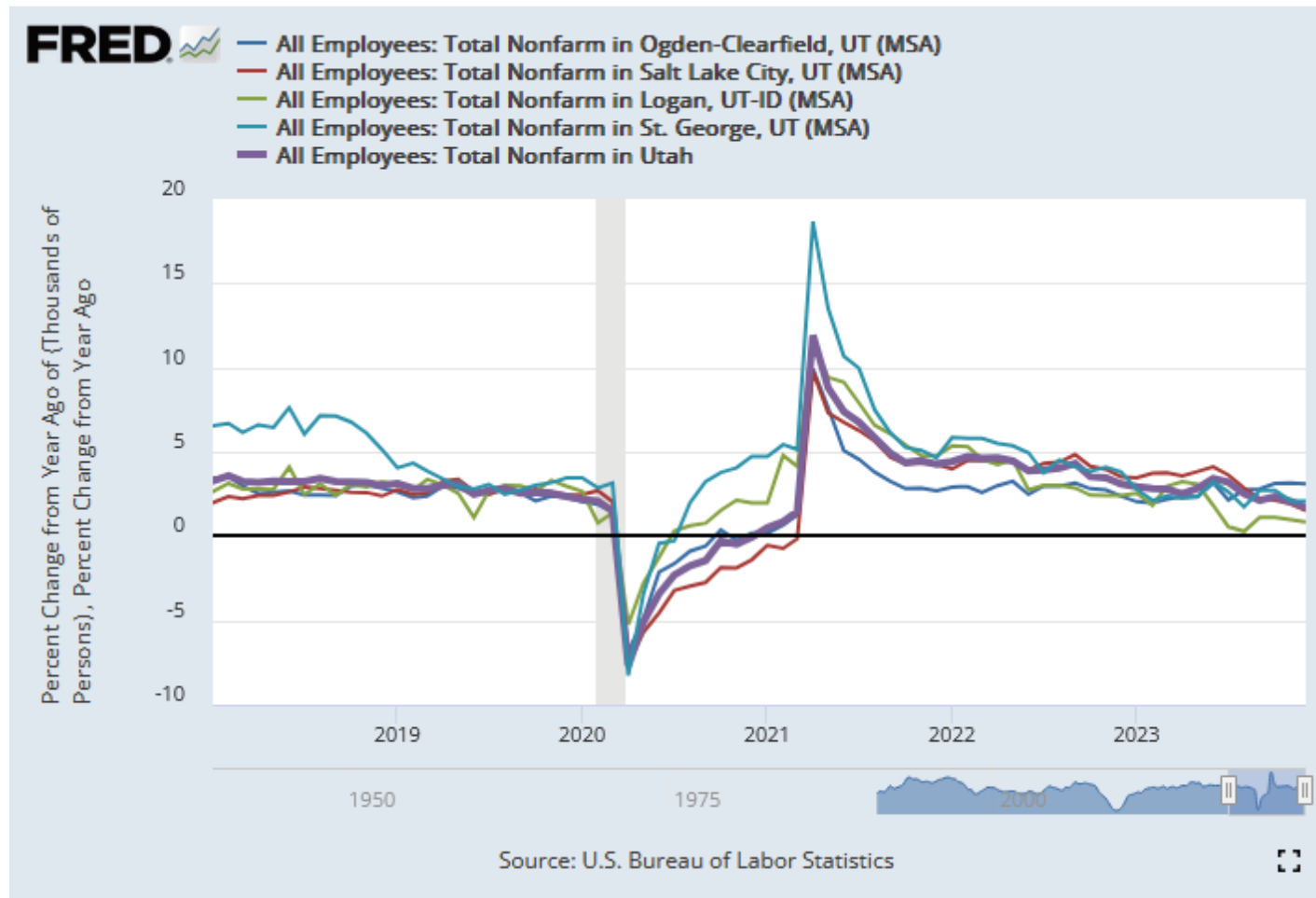


Percent change by county (or county equivalent)

- Gain of 60.0 or more
- 30.0 to 59.9
- 10.0 to 29.9
- 0.0 to 9.9
- 9.9 to -0.1
- 29.9 to -10.0
- Loss of 30.0 or more

U.S. percent = 7.4

Total Nonfarm YO Growth Rates, January 2018 – December 2023



Business Applications

Change From December 2022 to December 2023
(Seasonally Adjusted)

Type: 

Month:

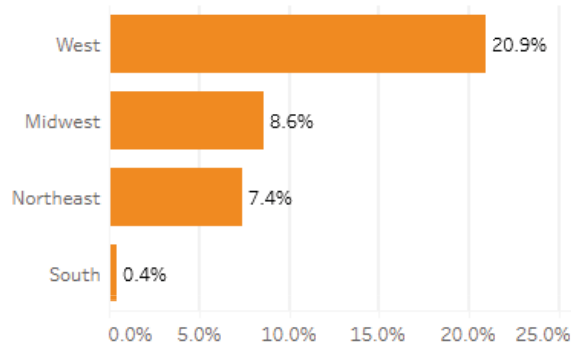
Change:



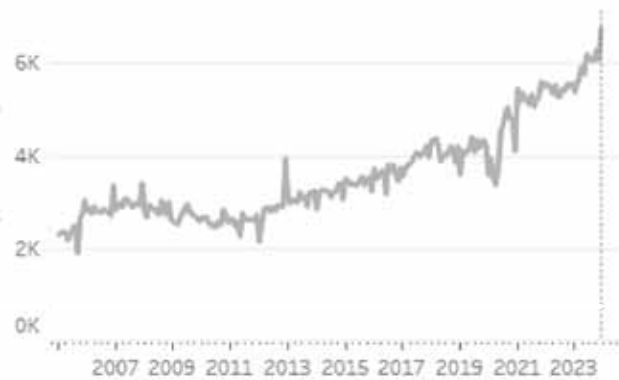
December 2023
Utah
Business Applications: 6753 (▲21.5%)



Percent (%) Change by Region

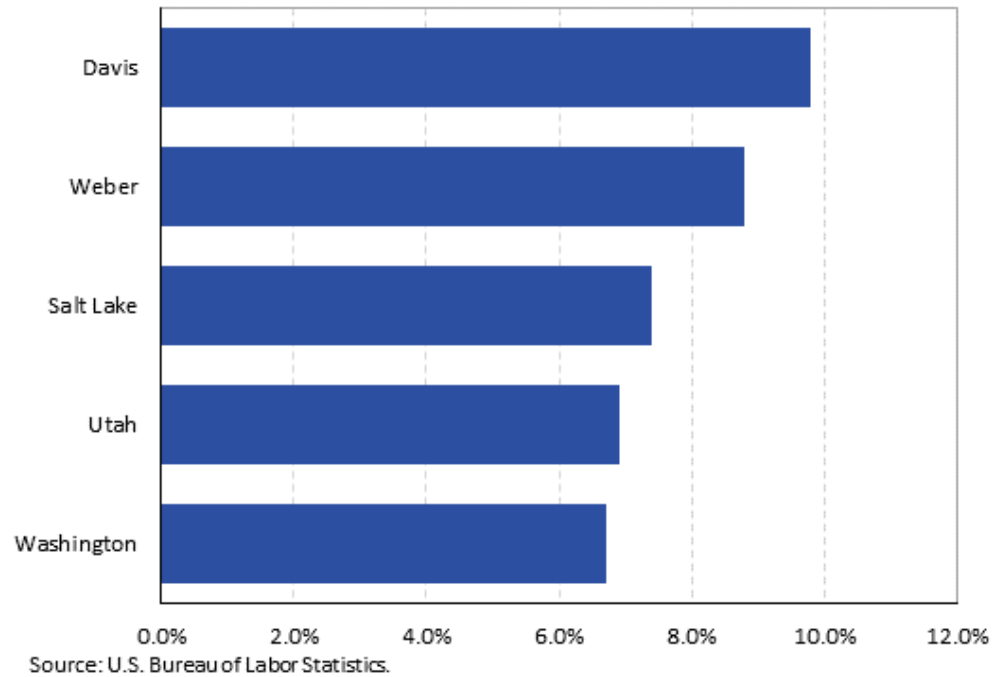


Business Applications - Utah



Competition for workers leads to wage gains

Chart 2. Over-the-year percent change in covered average weekly wages among the largest counties in Utah, first quarter 2023



- The five largest Utah counties account for 84.2 percent of total employment within Utah.

Earnings by Education

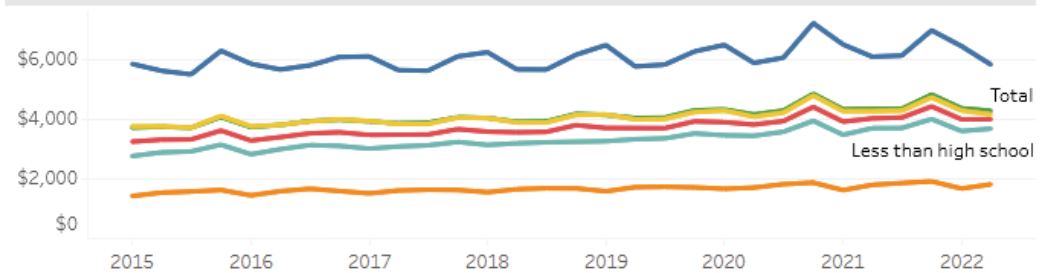
State of Utah

Earnings of Stable Jobs* by Education

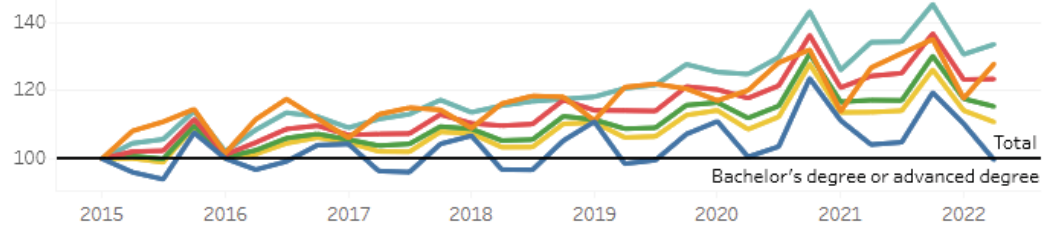
As expected, higher education means higher earnings. Across a general trend in Utah, stable workers with bachelor's degrees and above earn more than the average. Note that the education level of workers under 24 is ignored, as people below 24 are not considered to have had enough time to finish a post-secondary education.

- Total
- Education attainment not ...
- Less than high school
- Some college or Associate ...
- High school or equivalent
- Bachelor's degree or adva...

CPI Adjusted Average Monthly Earnings of Stable Jobs*



CPI Adjusted, Indexed Average Monthly Earnings of Stable Jobs*, 2015=100



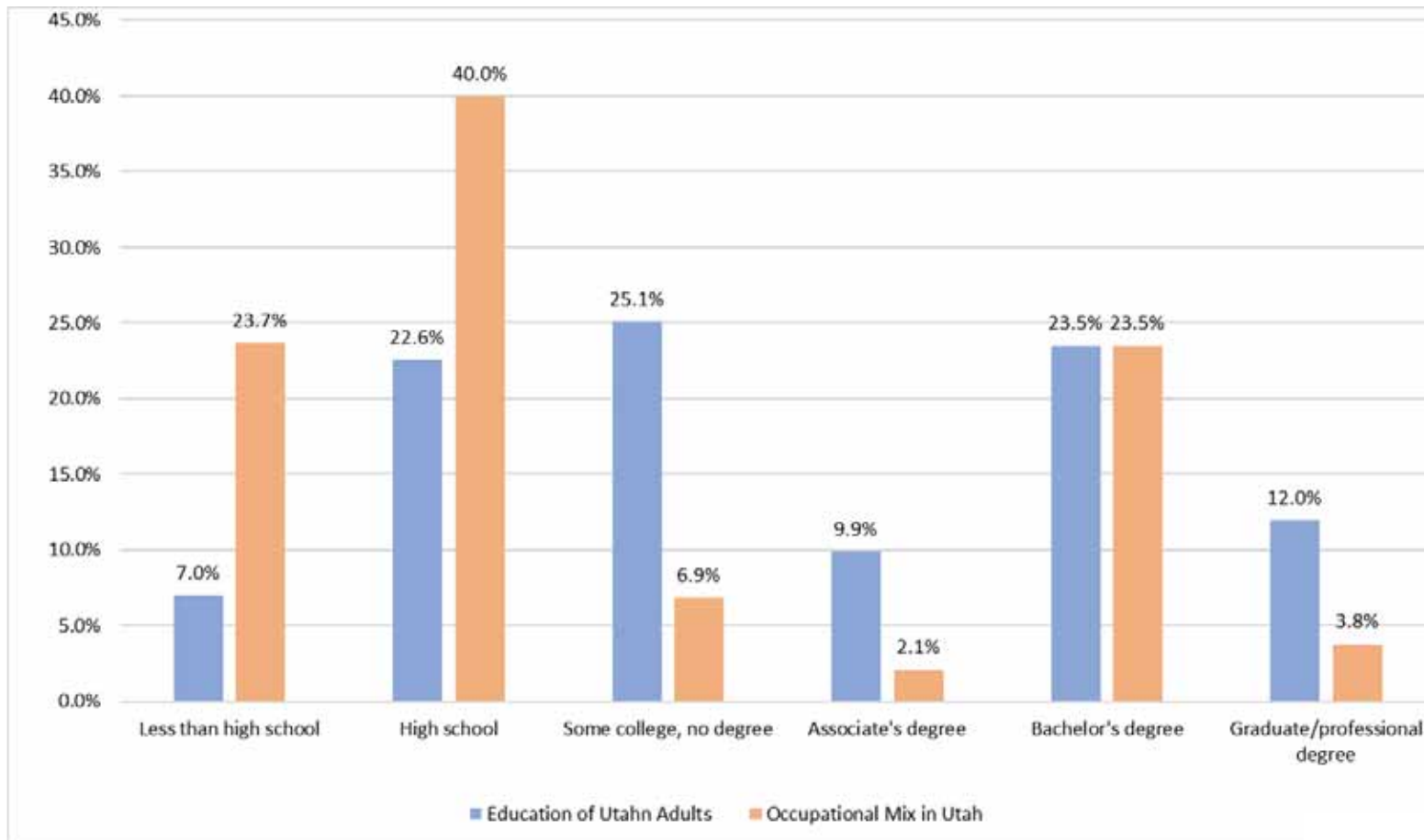
Note: Wages are adjusted for inflation using the Consumer Price Index for all Urban Consumers (CPI-U). Stable jobs are those which are held by an individual for at least one full quarter.

*Inflation-adjusted Earnings have been indexed by dividing by 2015 wages to show percentage growth.

Source: U.S. Census Bureau; Local Employment Dynamics.

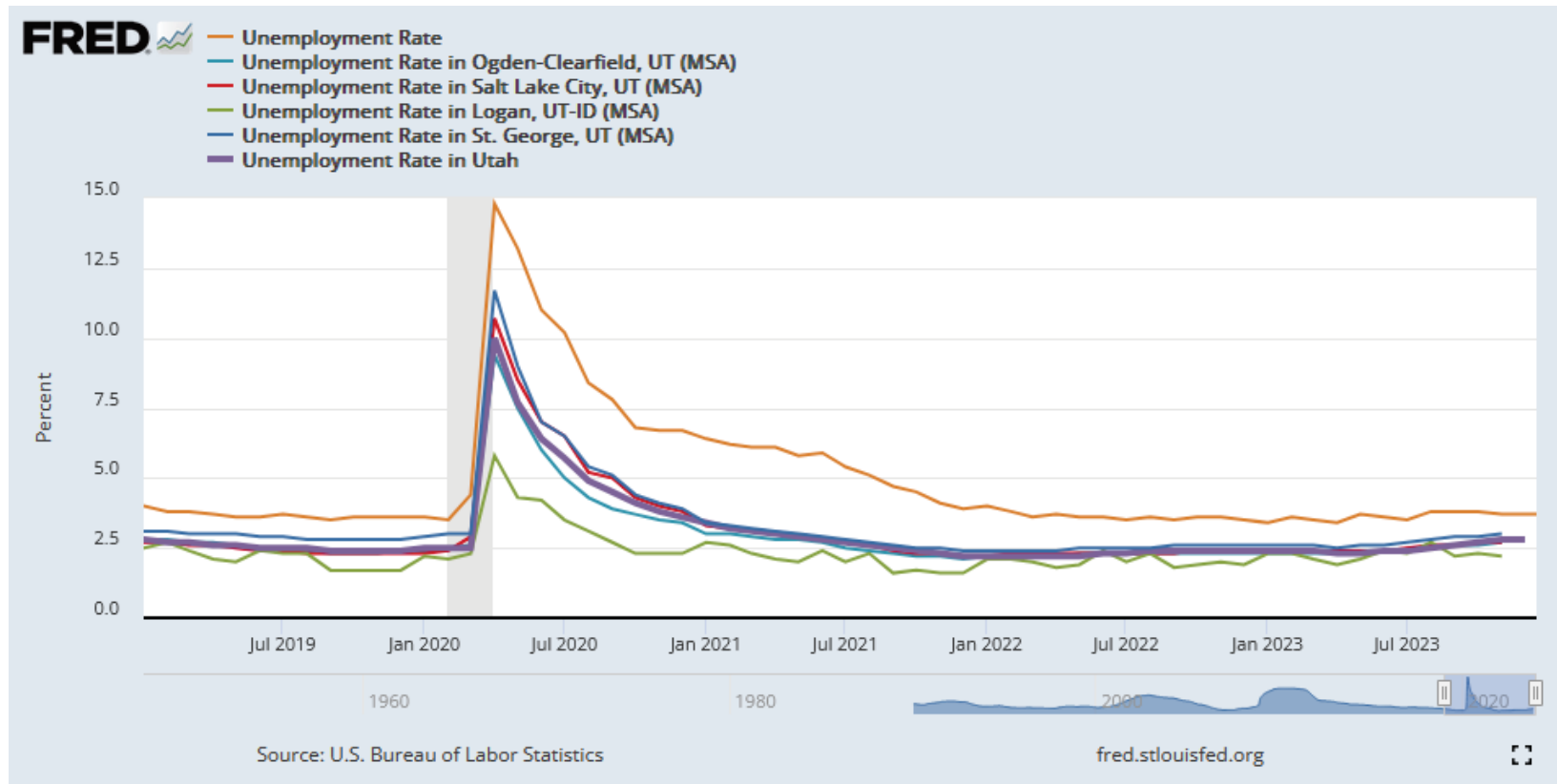


Labor's Education Achievements Outpace the Utah Market's Education Needs

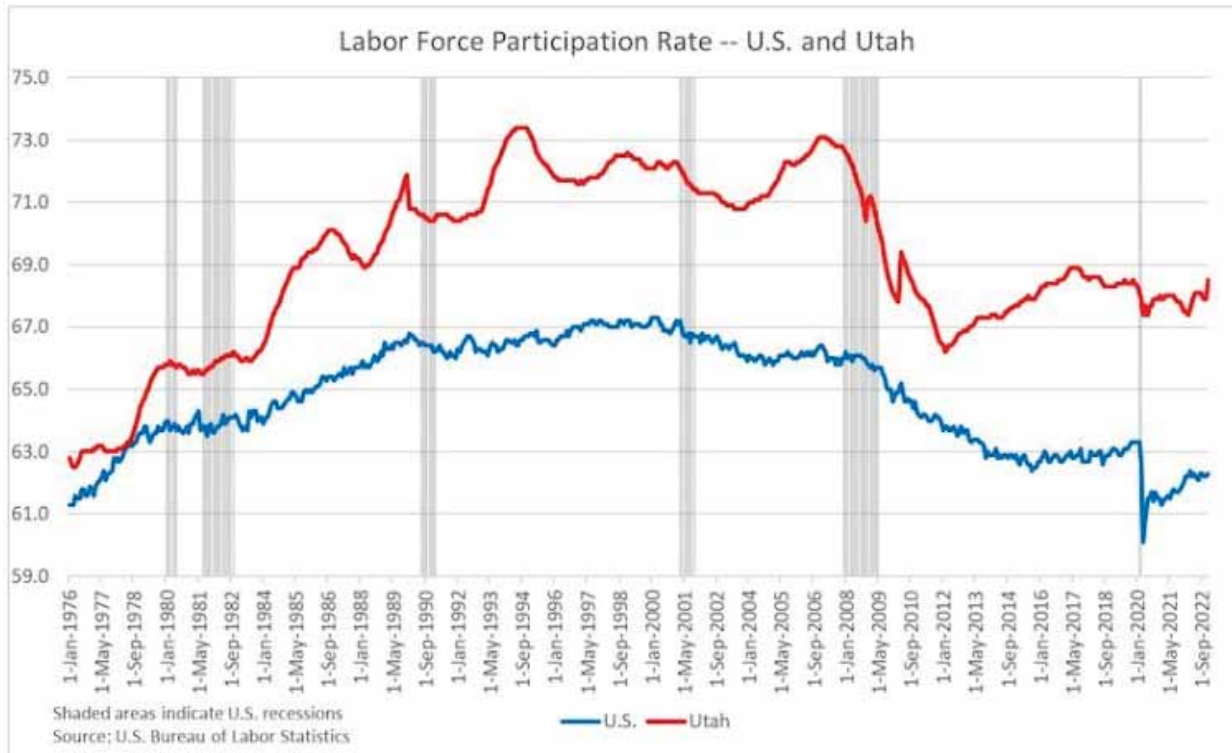


Source: American Community Survey (ACS), U.S. Bureau of Labor Statistics

Unemployment Rate, January 2018 – Current



Labor Force Participation in the State of Utah

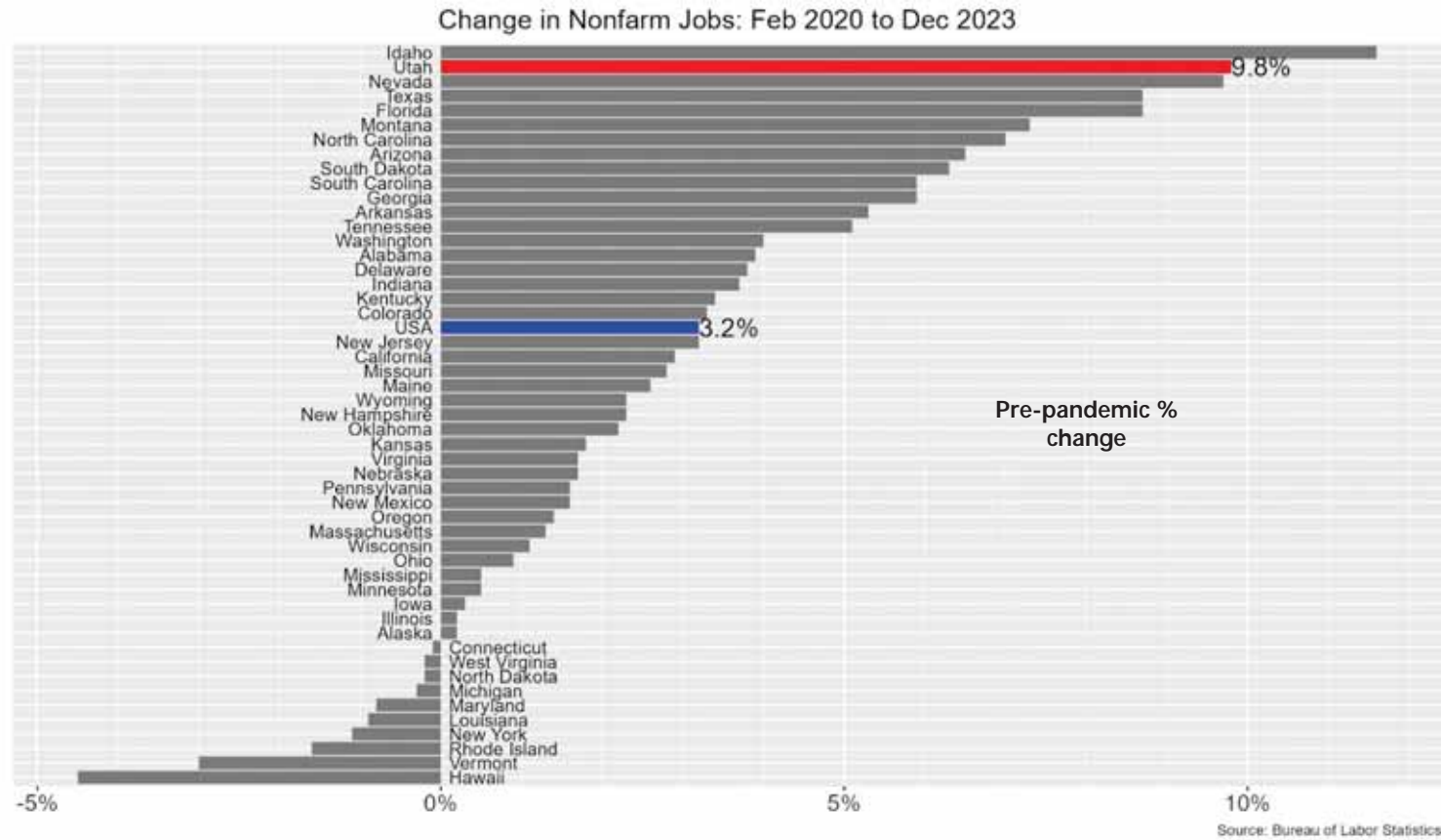


‘Although COVID-19 initially affected labor force participation in both Utah and the United States, Utah's labor force participation rate has fully recovered, hovering around **68.5%** by the end of 2022, compared to 68.3% in January 2020. The labor force participation rate in the United States was 62.3% at the end of 2022, down from 63.3% in January 2020, just before the COVID-19 pandemic.’

By Gwen Kervin, Regional Economist

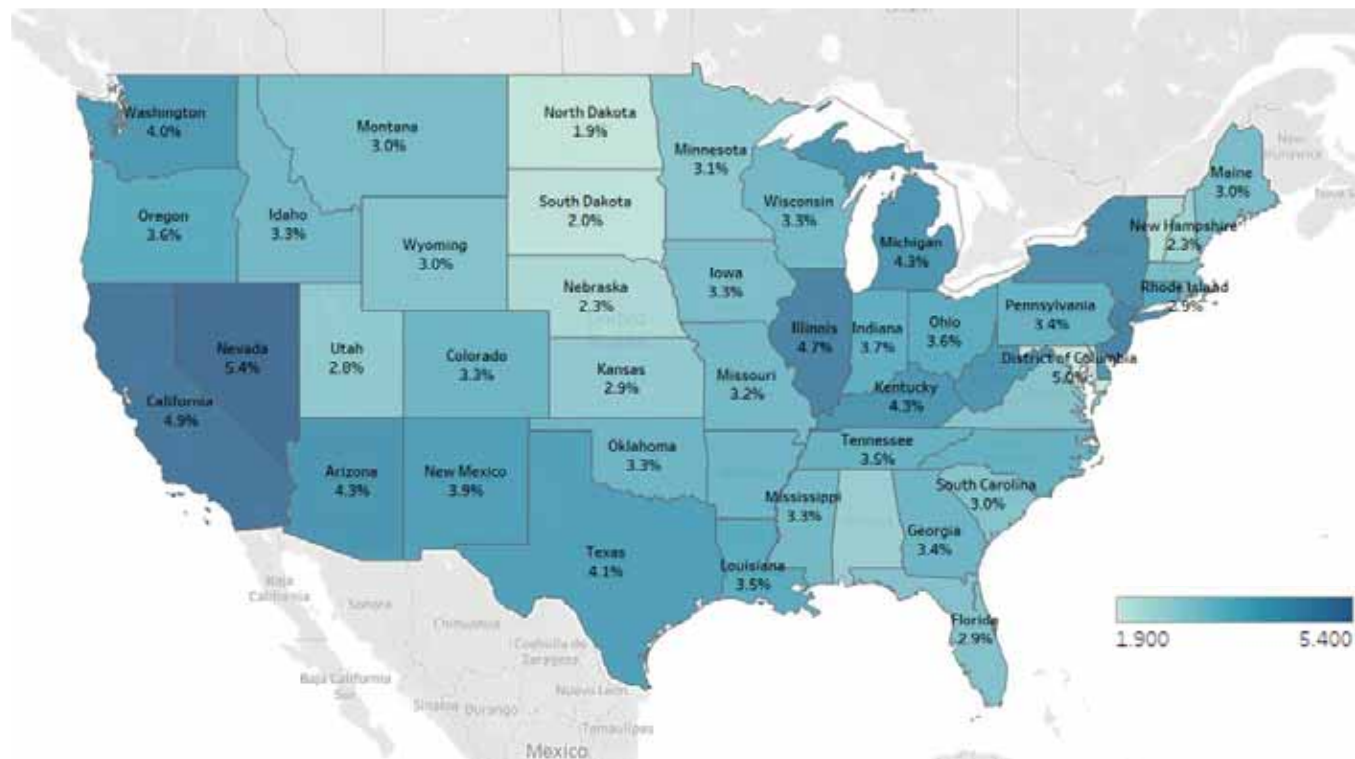


State by State Employment Change, February 2020-December 2023



Source: United States Bureau of Labor Statistics; Utah Department of Workforce Services

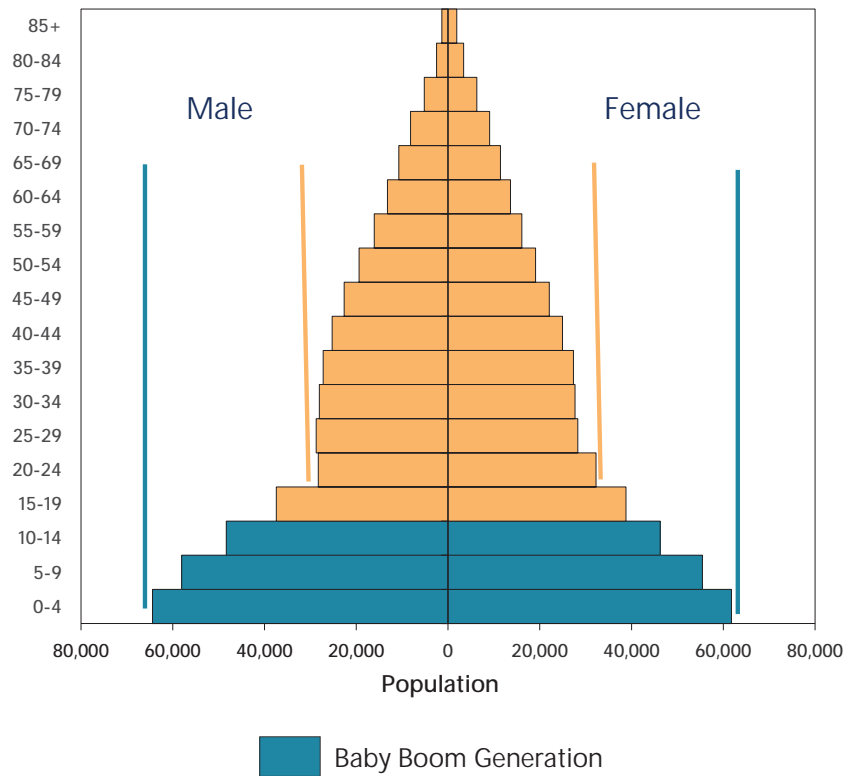
Dec. 2023 Unemployment Rates



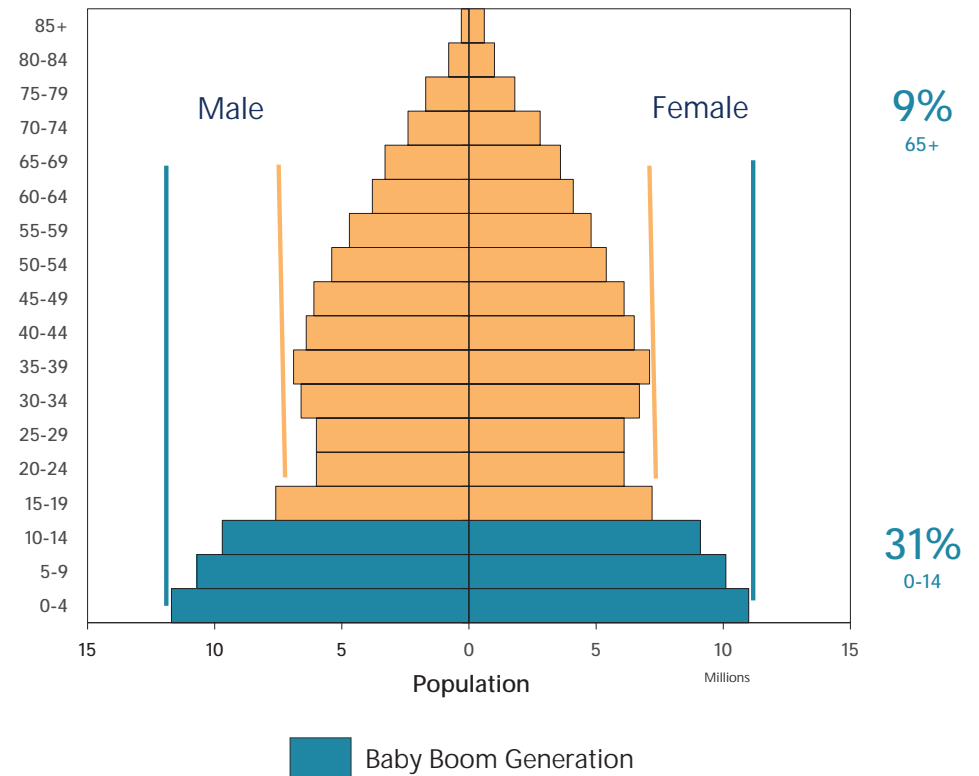
How did we get here?

Forces Behind the Trends: Population Growth

Utah's Population by Age and Sex: 1960

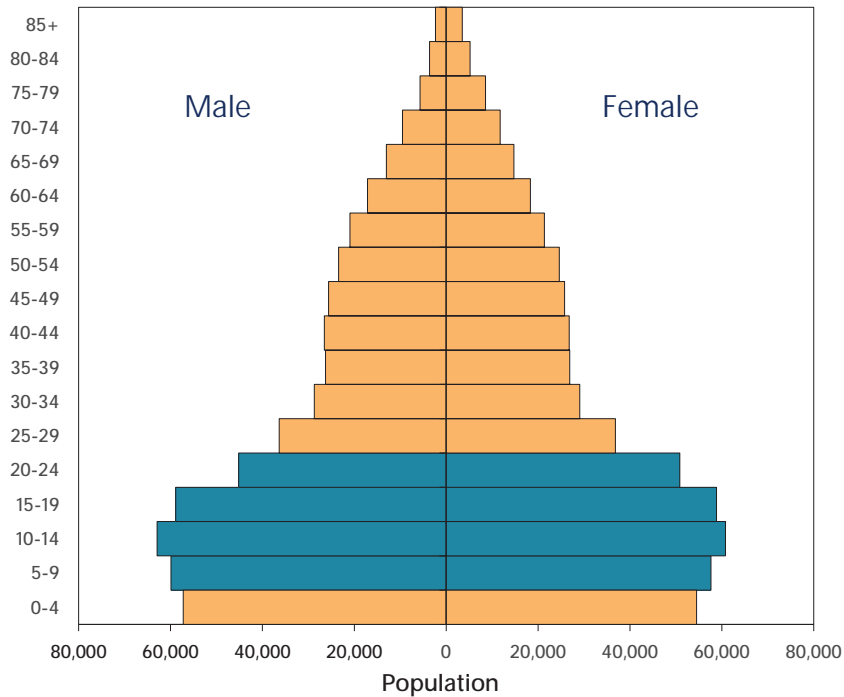



U.S. Population by Age and Sex: 1960



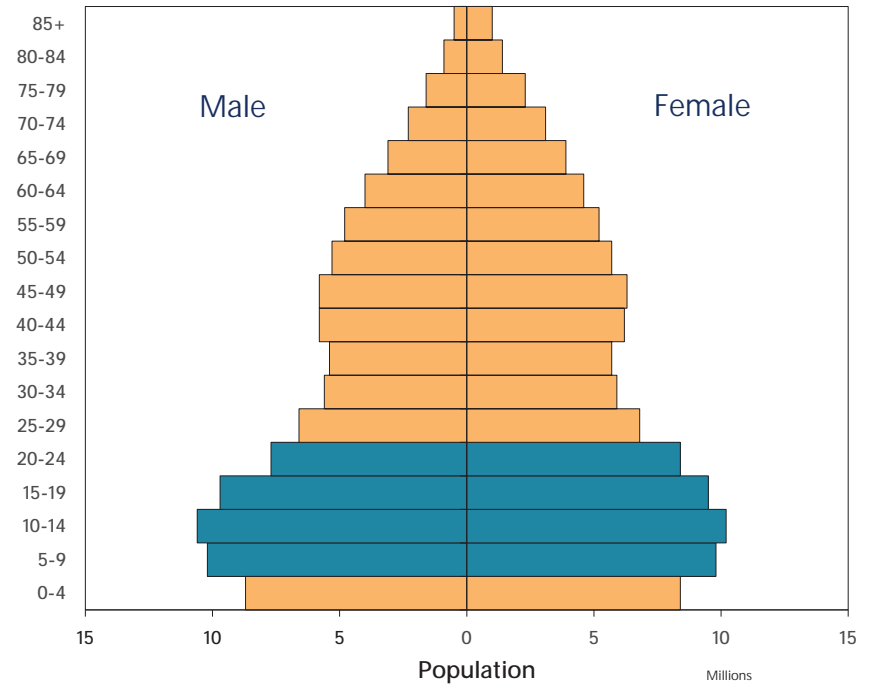
Source: United States Census Bureau


Utah's Population by Age and Sex: 1970



 Baby Boom Generation

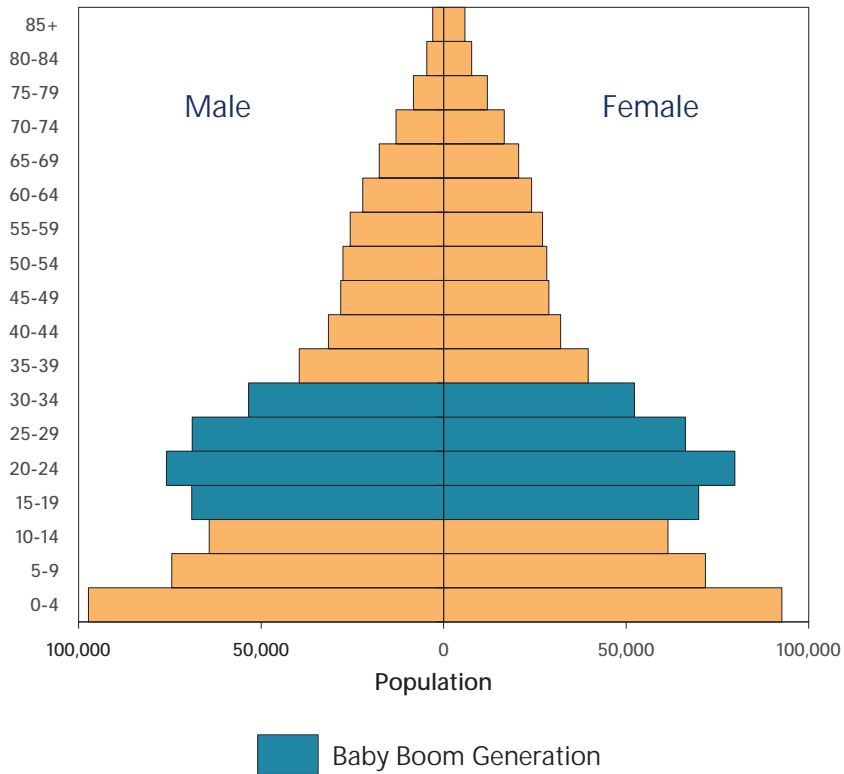
U.S. Population by Age and Sex: 1970



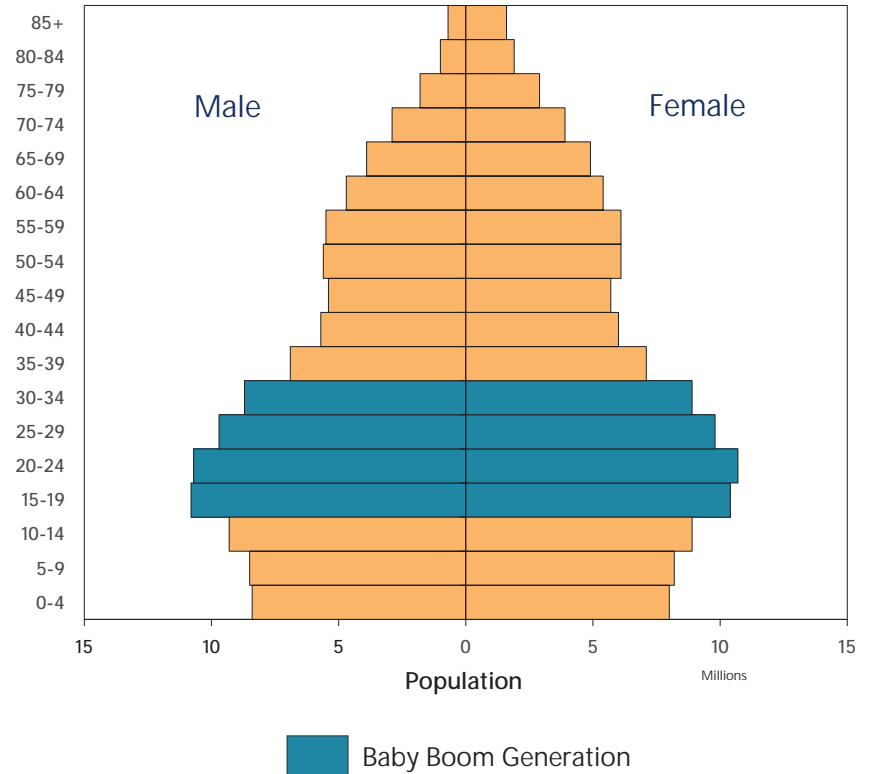
 Baby Boom Generation

Source: United States Census Bureau

Utah's Population by Age and Sex: 1980

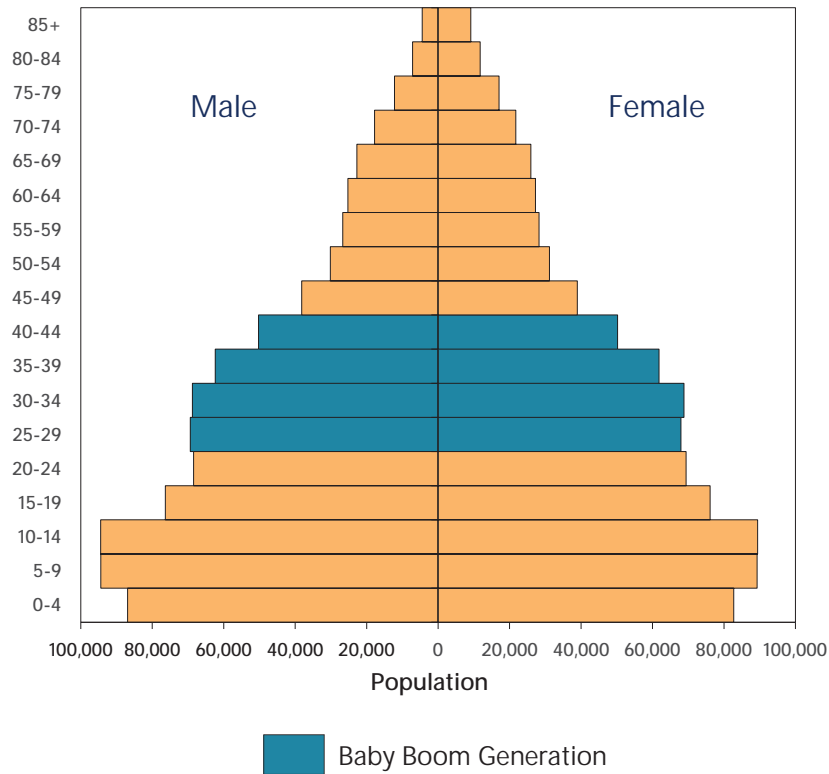


U.S. Population by Age and Sex: 1980

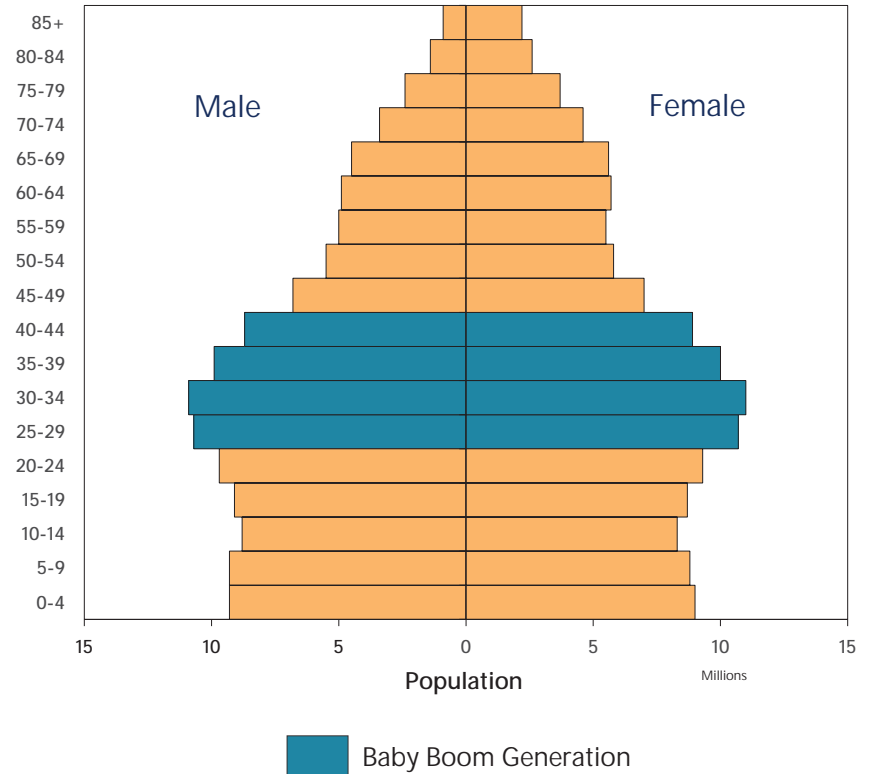


Source: United States Census Bureau

Utah's Population by Age and Sex: 1990

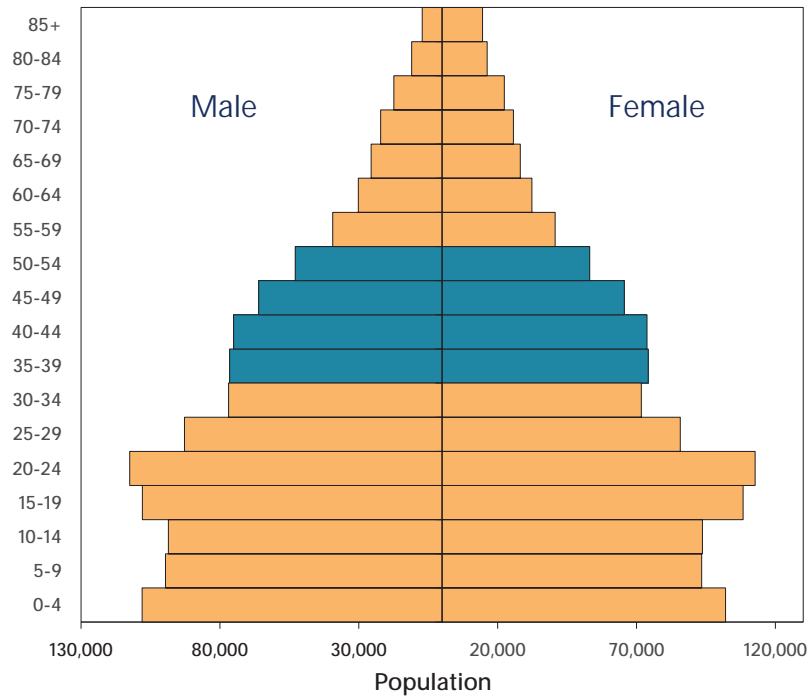



U.S. Population by Age and Sex: 1990



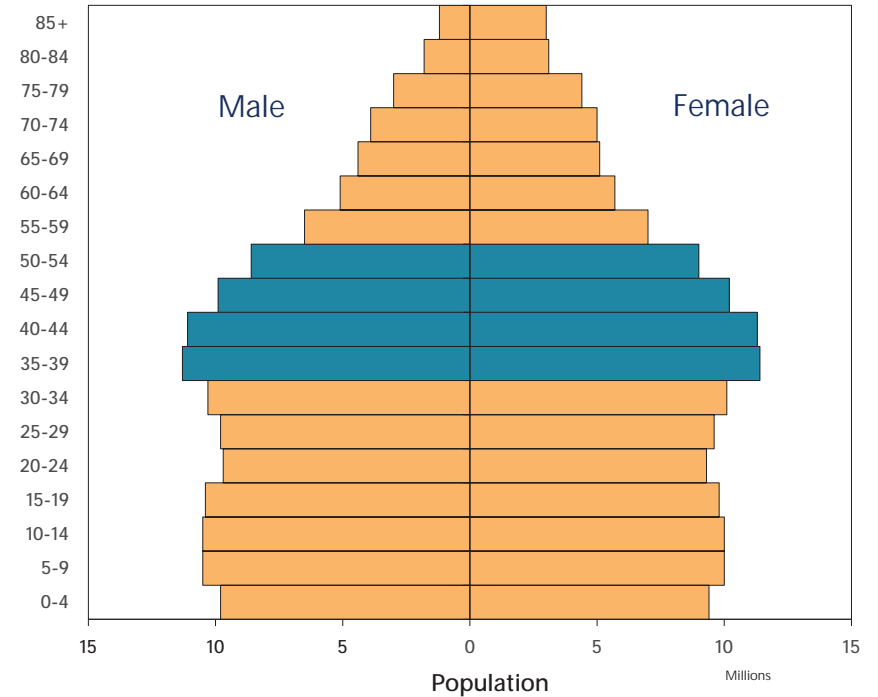
Source: United States Census Bureau


Utah's Population by Age and Sex: 2000



 Baby Boom Generation

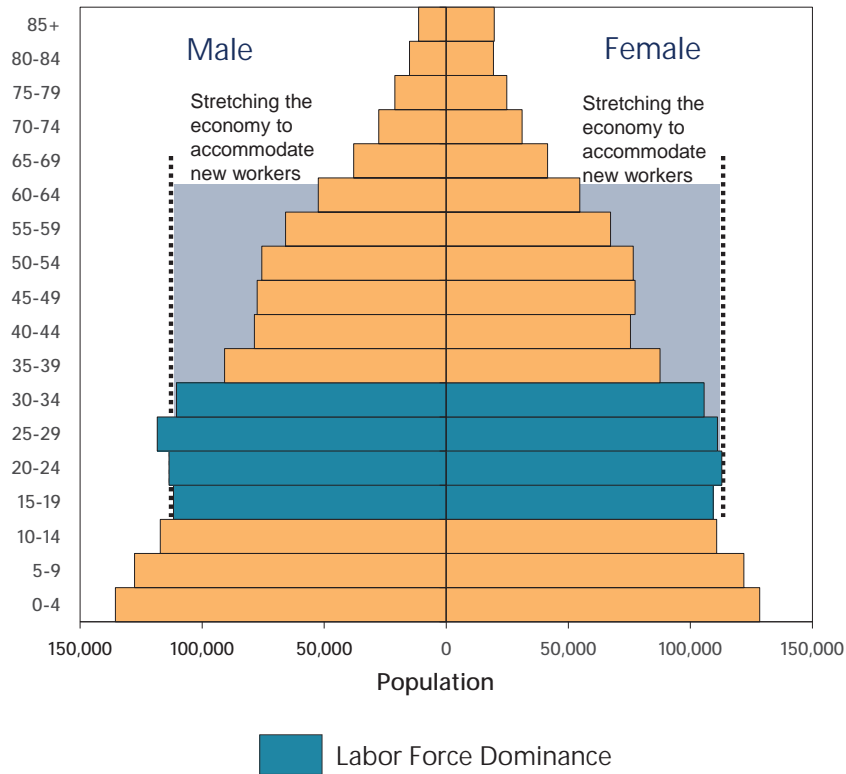
U.S. Population by Age and Sex: 2000



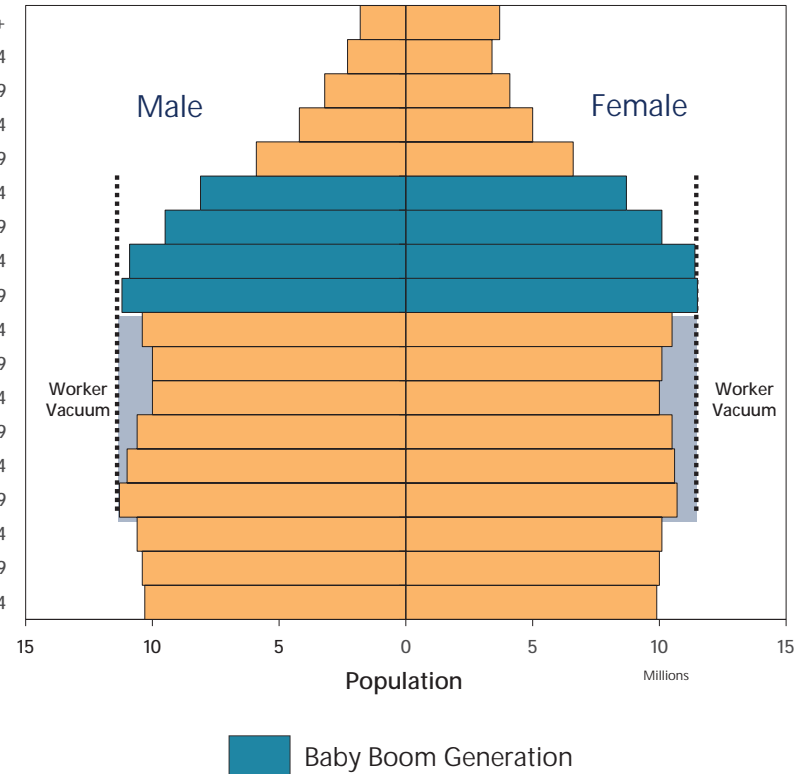
 Baby Boom Generation

Source: United States Census Bureau

Utah's Population by Age and Sex: 2010

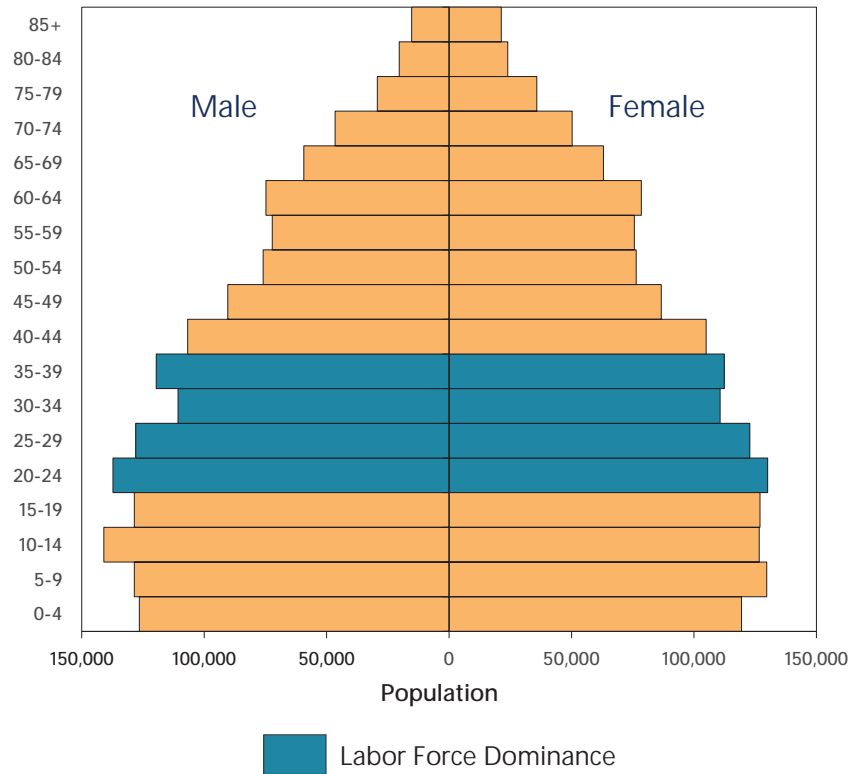


U.S. Population by Age and Sex: 2010

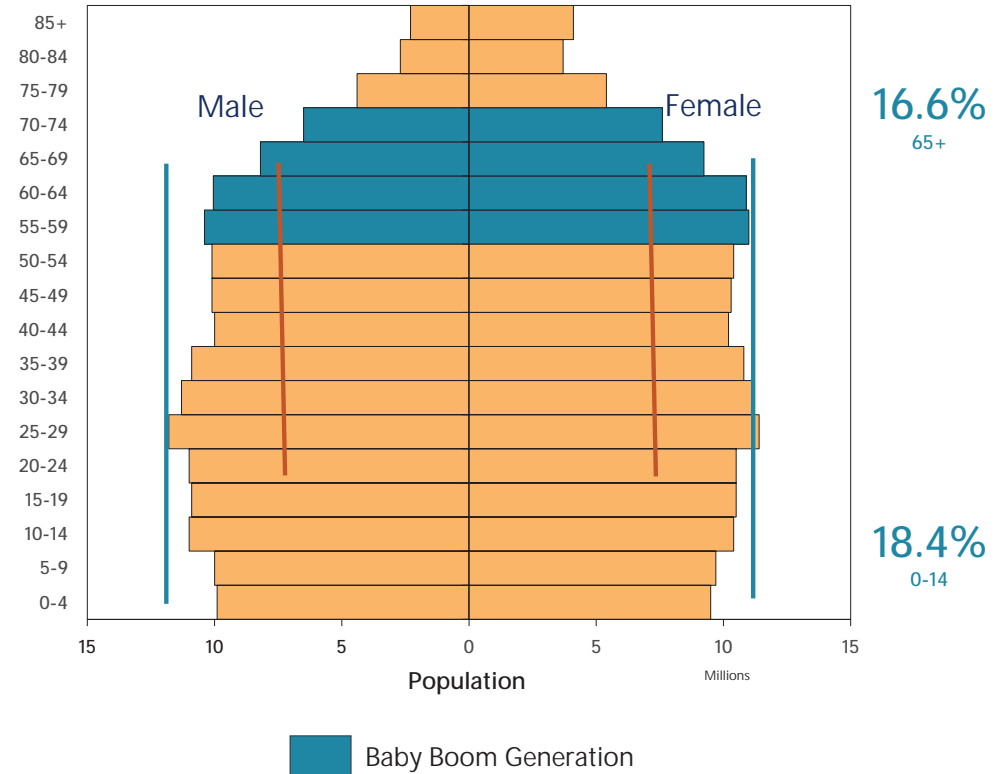


Source: United States Census Bureau

Utah's Population by Age and Sex: 2020



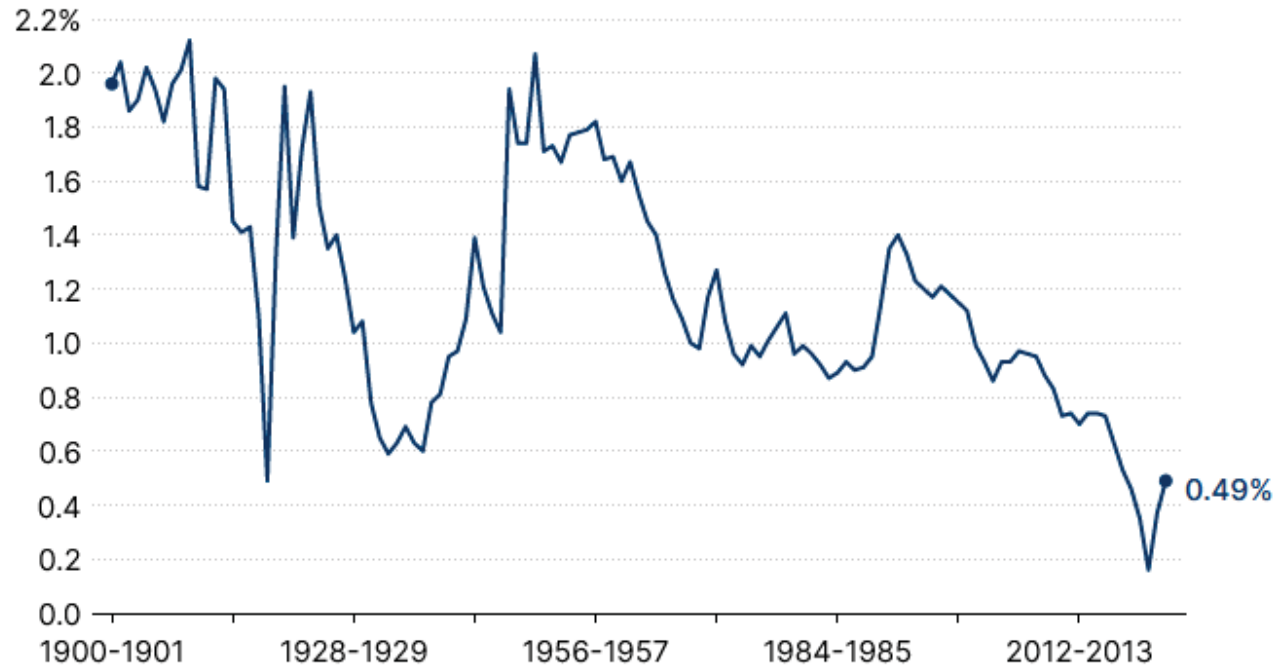
U.S. Population by Age and Sex: 2020



Source: United States Census Bureau

Annual Percent Change in the U.S. Population 1900-2023

US annual population growth for years 1900-01 to 2022-23*



Source: William H. Frey analysis of US Census Bureau historical population estimates including 2020-2023 annual estimates released Dec 19, 2023

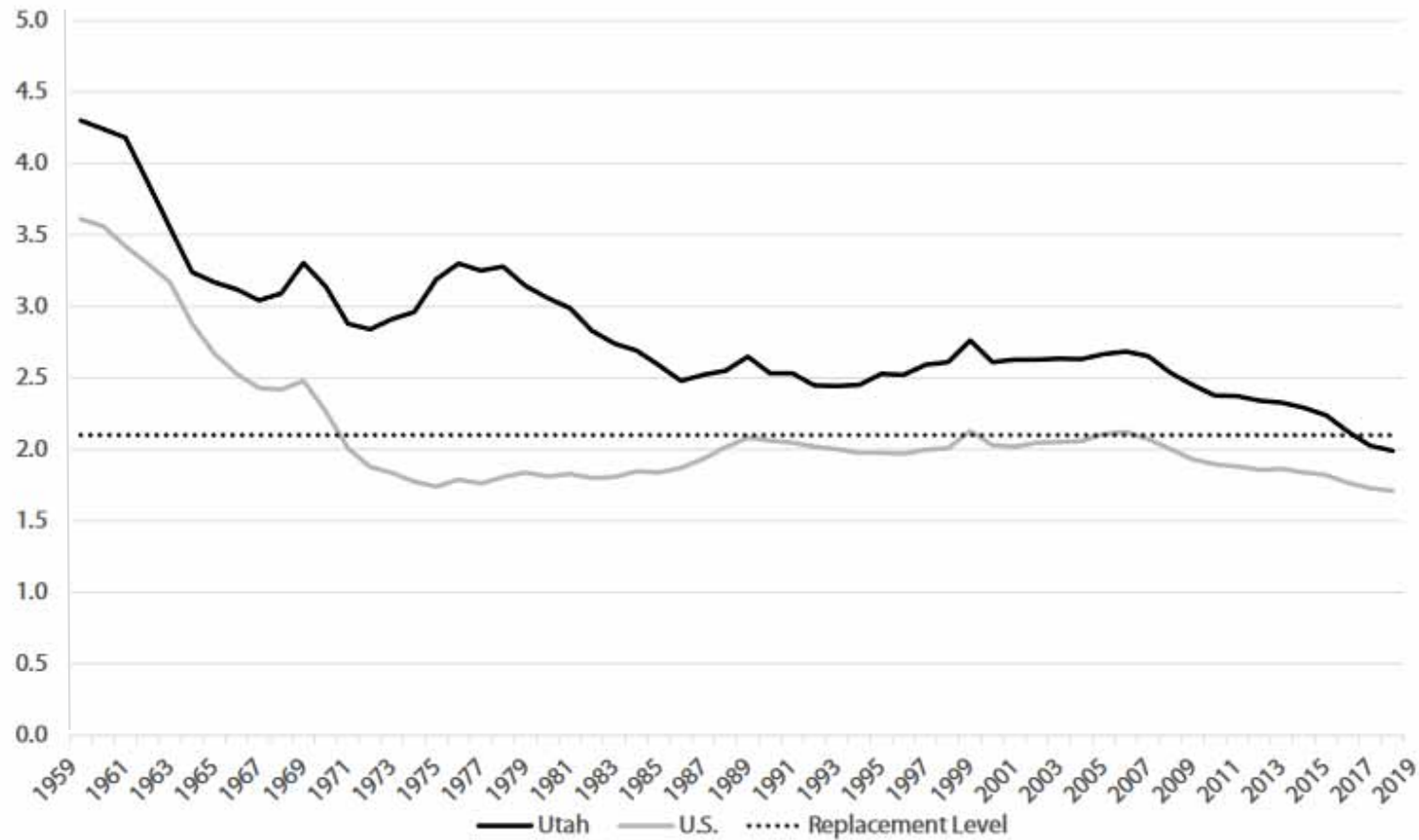
Note: *July 1st to June 30th of each year

Brookings Metro

Source: United States Census Bureau

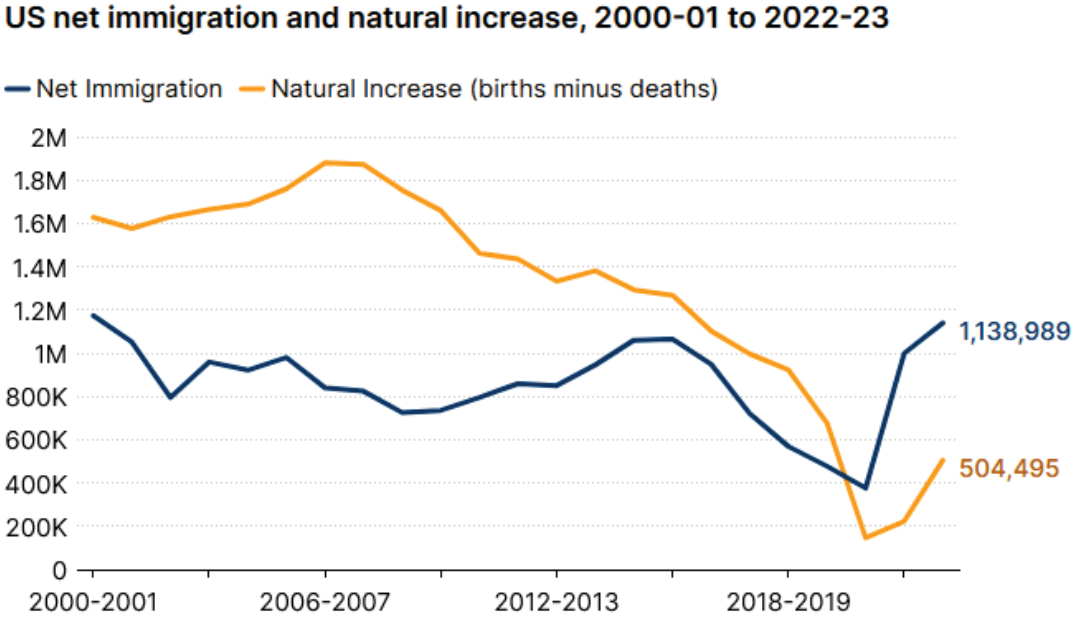


Total Fertility for Utah and the United States



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

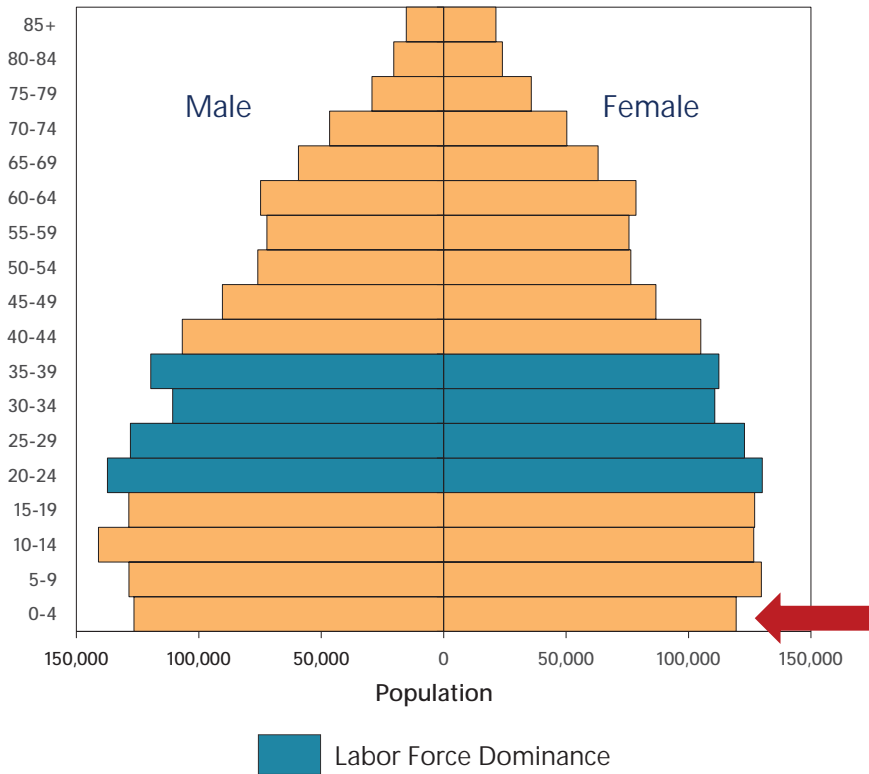
Population Change and the Components Change 2000-2023



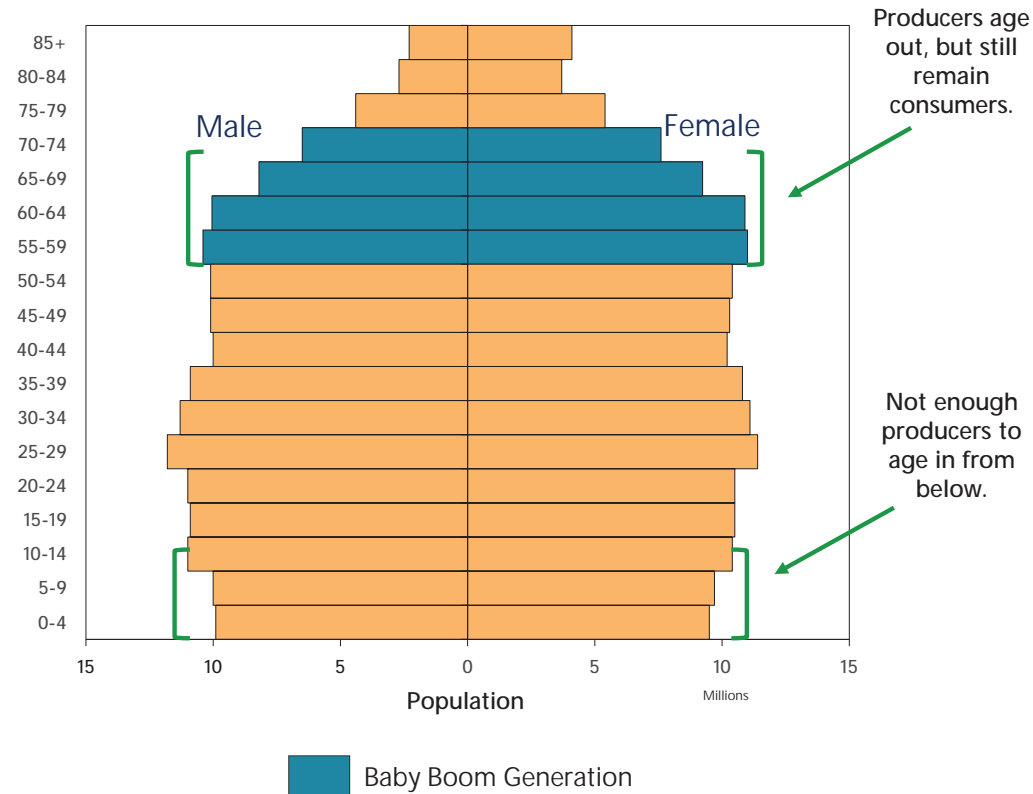
Source: William H. Frey analysis of US Census Bureau population estimates: intercensal 2000-2010, vintage 2020, and vintage 2023 released December 19, 2023



Utah's Population by Age and Sex: 2020



U.S. Population by Age and Sex: 2020



Source: United States Census Bureau

Diving Deeper Long Term Demographic Change

Millennials are the largest generation in the labor force.

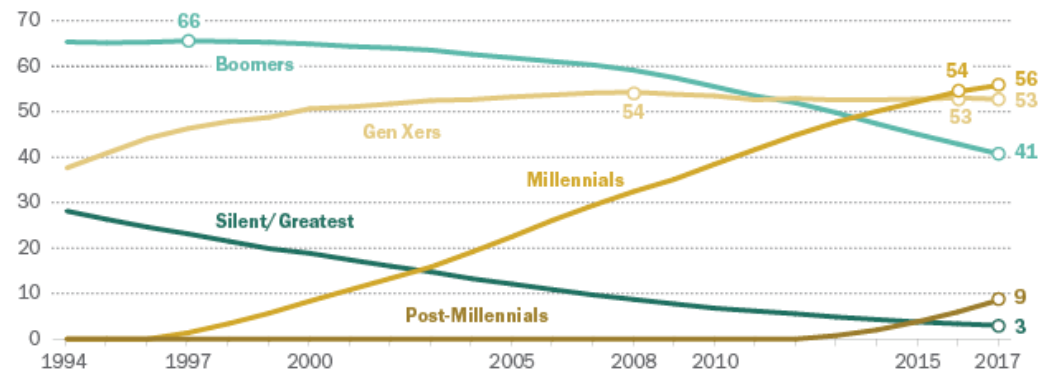
Baby Boomers are retiring too quickly. We won't be able to replace them with natural births and we don't have the immigration to correct it.

This all feeds into

- Higher inflation (more dollars chasing fewer goods produced).
- Hard to buy houses (like St. George).
- Hard to replace workers/managers (especially in blue collar work).
- In, 2022 Social Security had its largest COLA of 8.7% since 1981. It is pegged to CPI.

Millennials became the largest generation in the labor force in 2016

U.S. labor force, in millions



Note: Labor force includes those ages 16 and older who are working or looking for work. Annual averages shown.
Source: Pew Research Center analysis of monthly 1994-2017 Current Population Survey (IPUMS).

PEW RESEARCH CENTER

Six Plausible/Combined Macro Solutions

1. Incentivize or pressure the Baby Boomers to remain in the labor force.
2. Import products.
3. Import labor from other countries.
4. Offset the departing labor with automation and artificial intelligence.
5. Incentivize births.
6. Let the economy naturally shrink.

DeseretNews
POLITICS U.S. & WORLD UTAH

Gov. Cox, other governors plan to tackle immigration as part of 'Disagree Better' campaign

Cox: 'Boring governors' want to bring back bipartisanship
By Gitanjali Poonia | gpoonia@deseretnews.com | Sept 12, 2023, 2:46pm MDT

Born in 1955 or later? You may have to work until you're 67
Published by Medicare Made Clear®

Born in 1955 or later?

Once upon a time, turning 65 years old meant you could get your full Social Security retirement benefits and Medicare coverage at the same time. But over the last couple of years, the Social Security Administration (SSA) changed the full retirement age twice – first to age 66 for people born from 1943 to 1954, then again to age 67 for people born in 1955 or later.

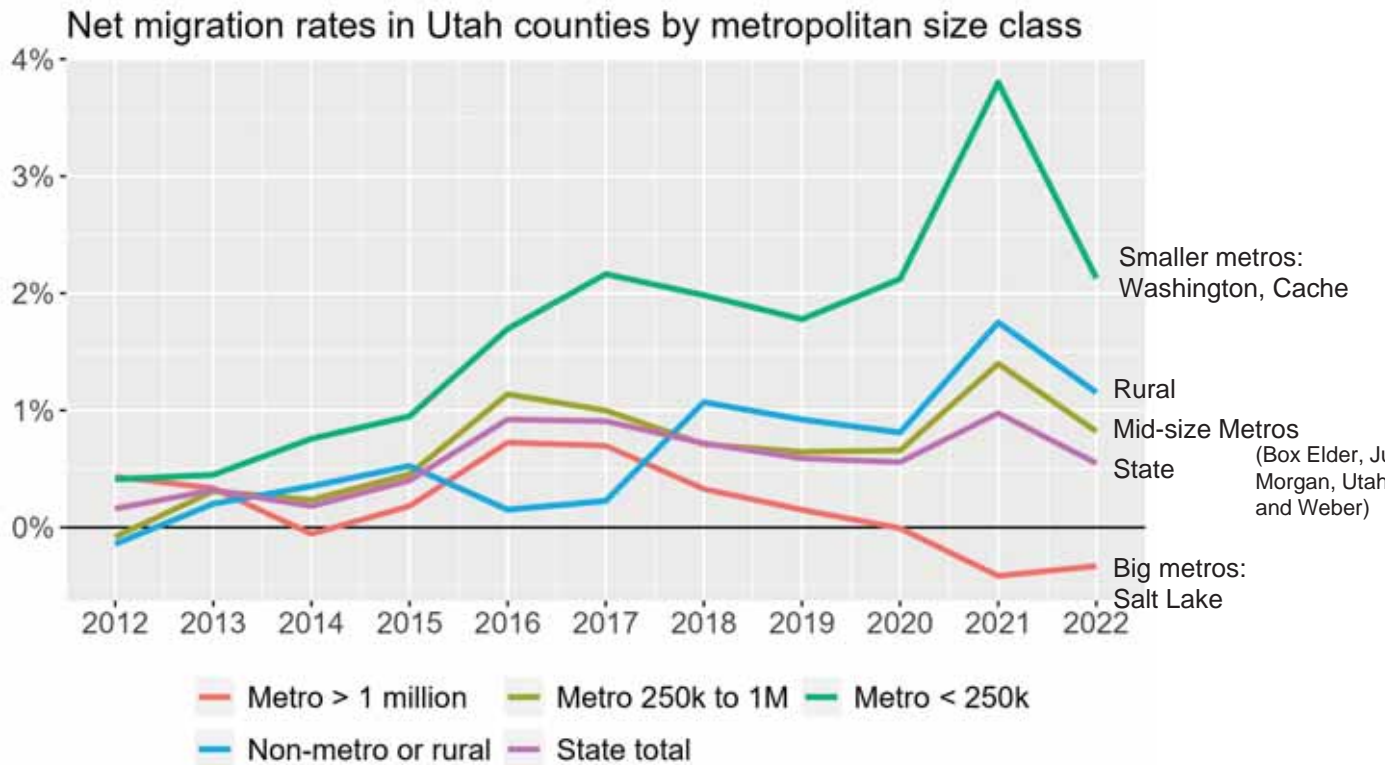
ORCE IS RESEARCH & ANALYSIS

What's Fueling the Growth?

A Look at In-Migration

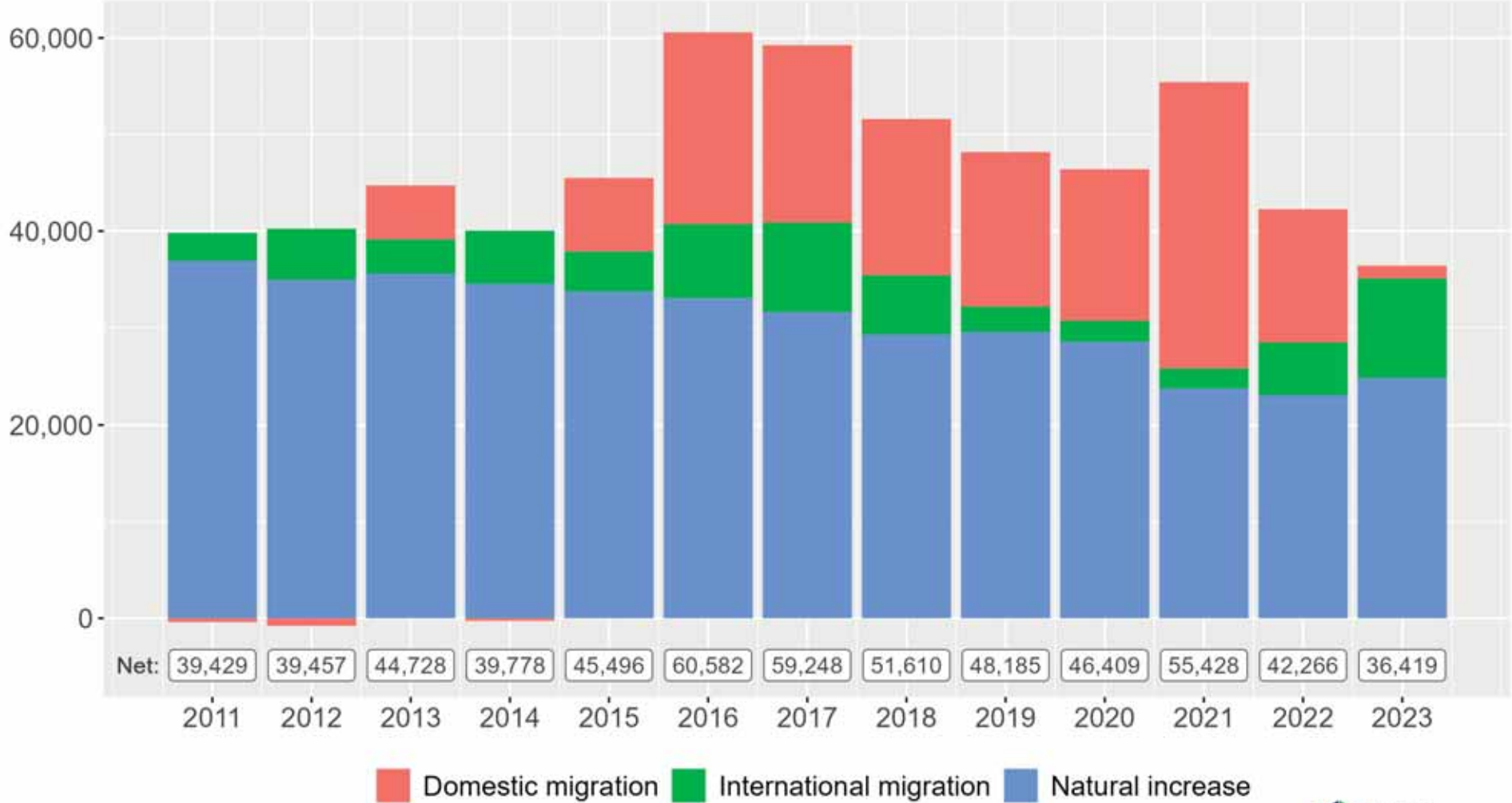
Growth in Utah

- Despite the hurdles that result from an aging population, Utah's labor force continues to grow.
- Where is our labor coming from? Where is it going to?



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

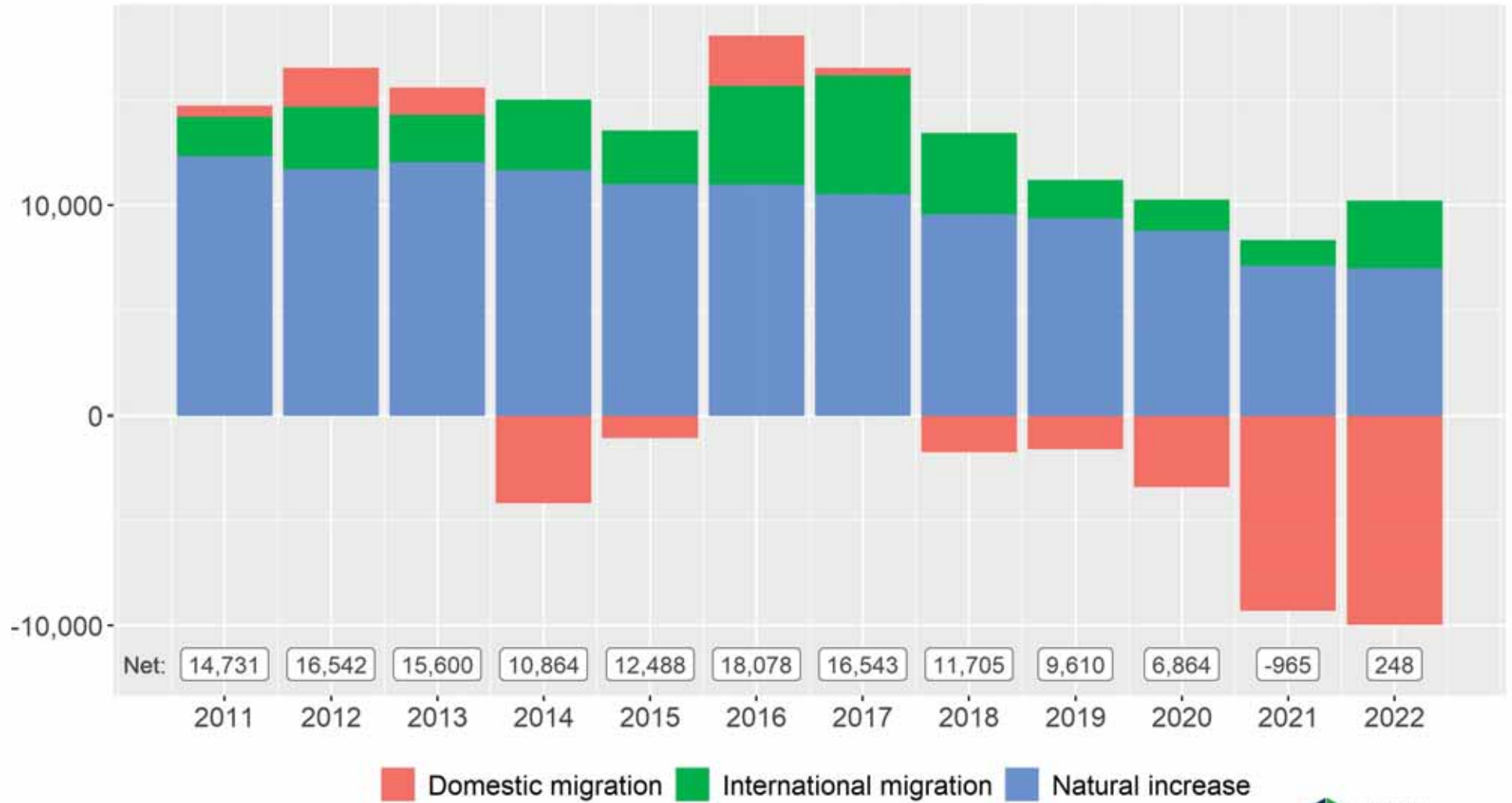
Utah: Components of population change



Source: U.S. Census Bureau, Population Division



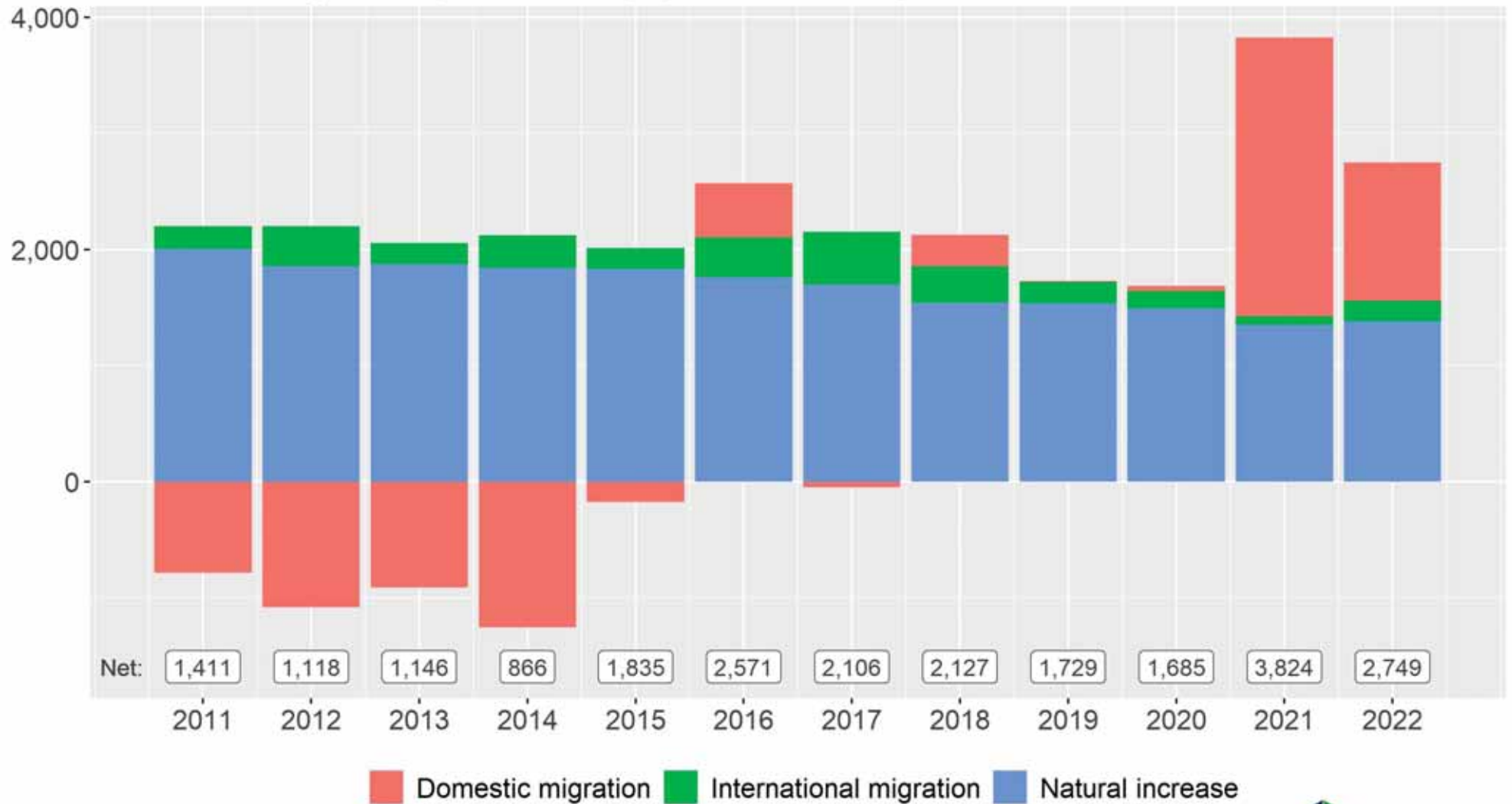
Salt Lake County: Components of population change



Source: U.S. Census Bureau, Population Division

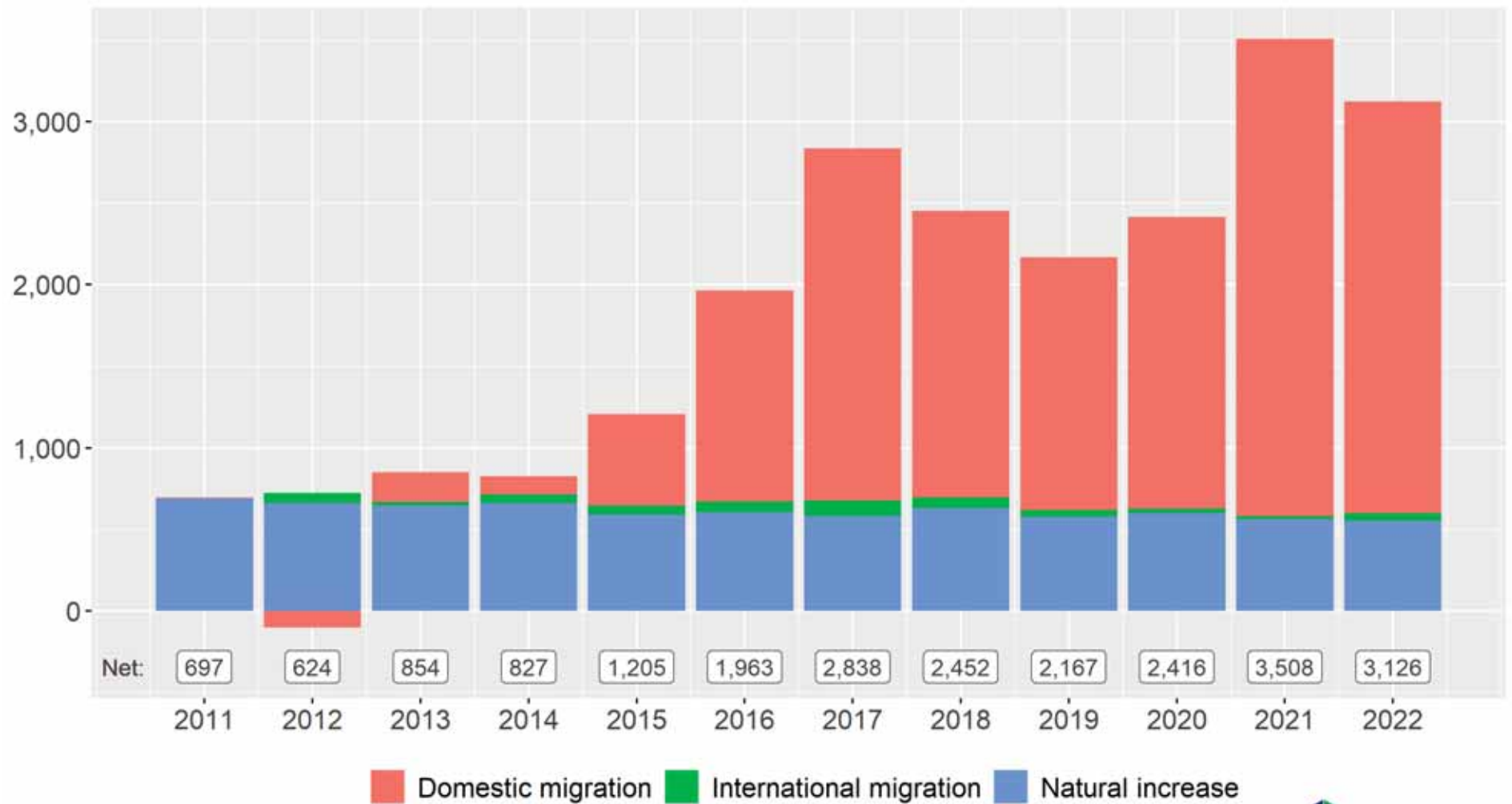


Cache County: Components of population change



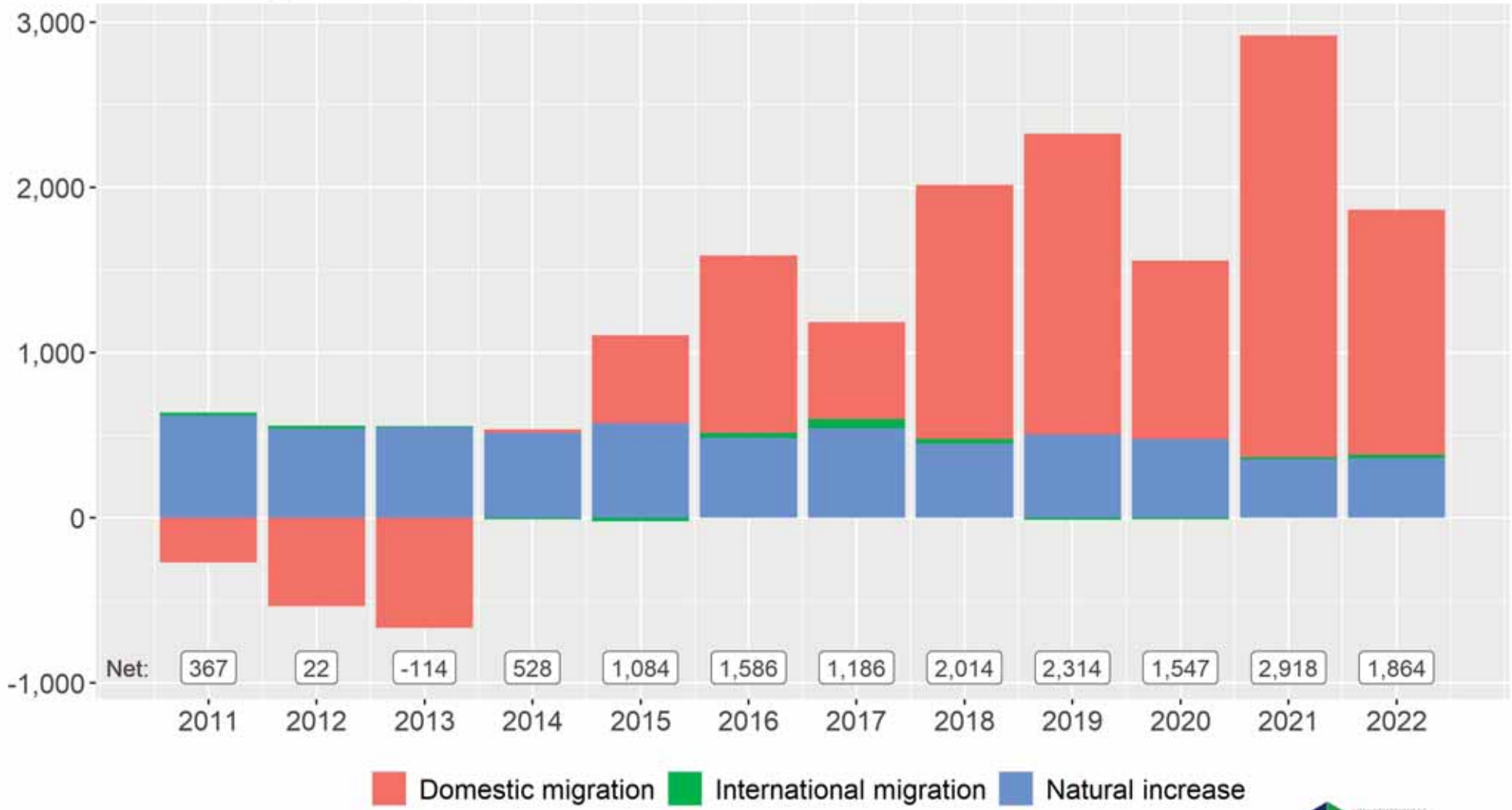
Source: U.S. Census Bureau, Population Division

Tooele County: Components of population change



Source: U.S. Census Bureau, Population Division

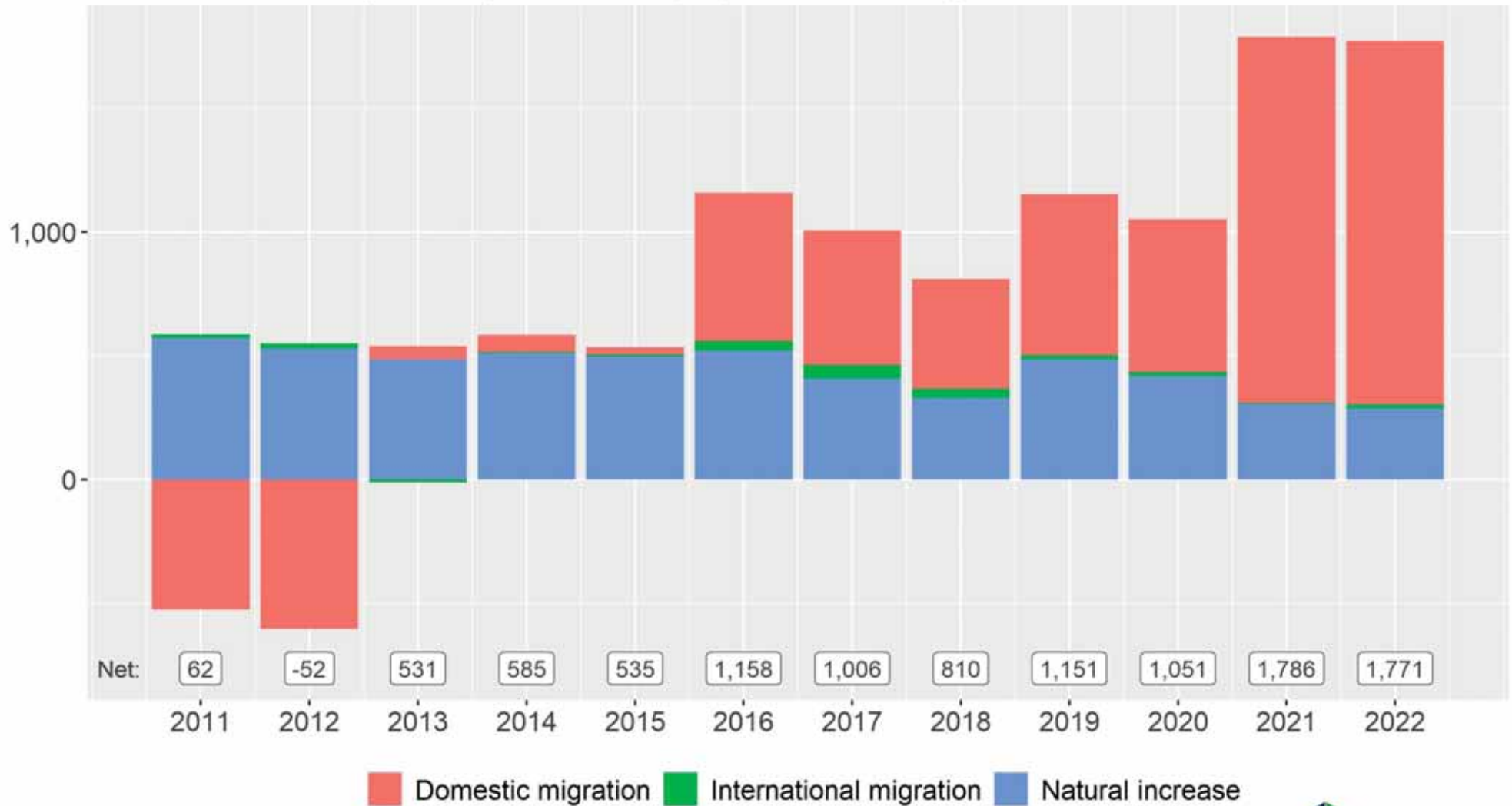
Iron County: Components of population change



Source: U.S. Census Bureau, Population Division



Box Elder County: Components of population change



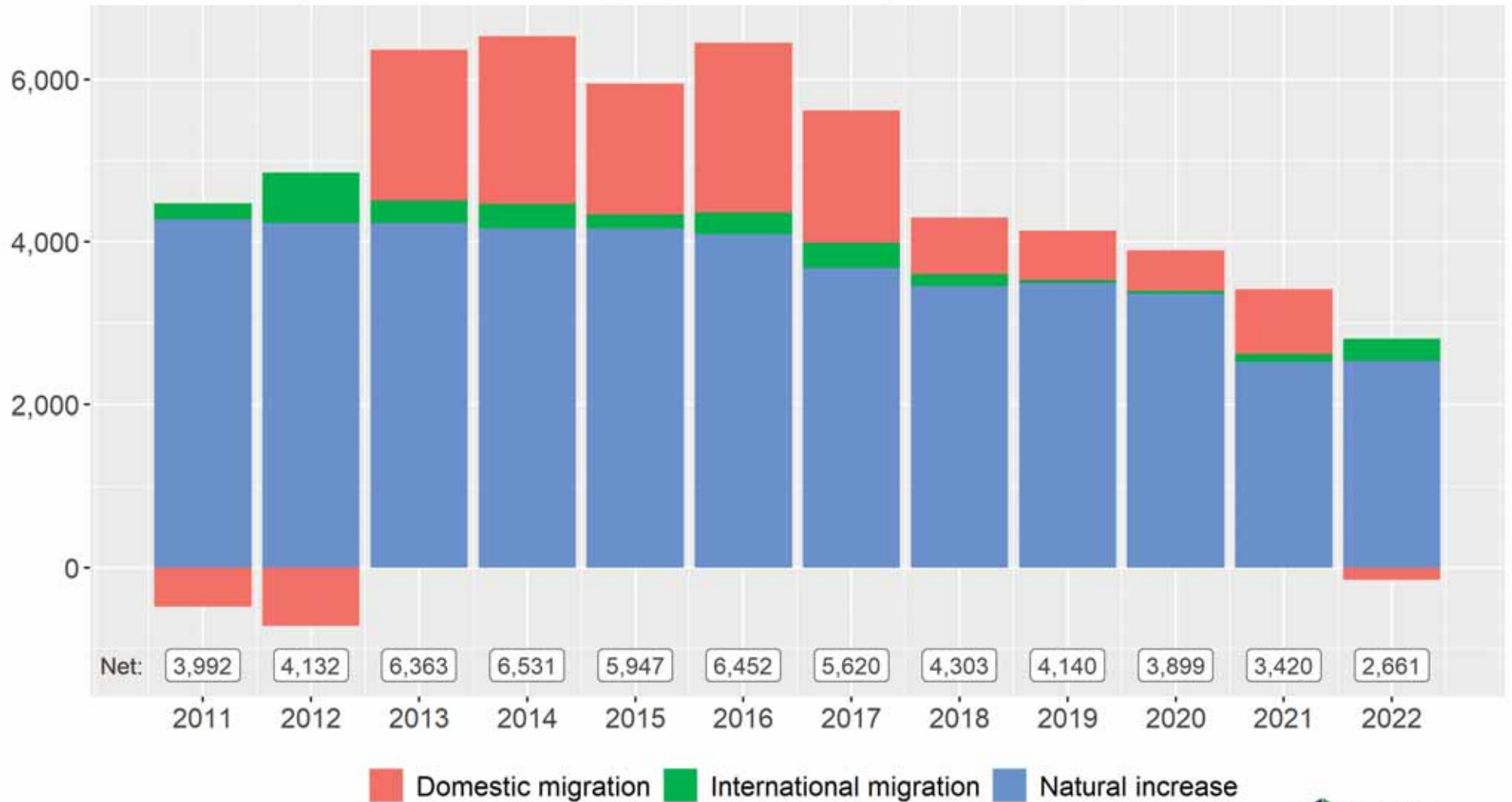
Source: U.S. Census Bureau, Population Division

Weber County: Components of population change



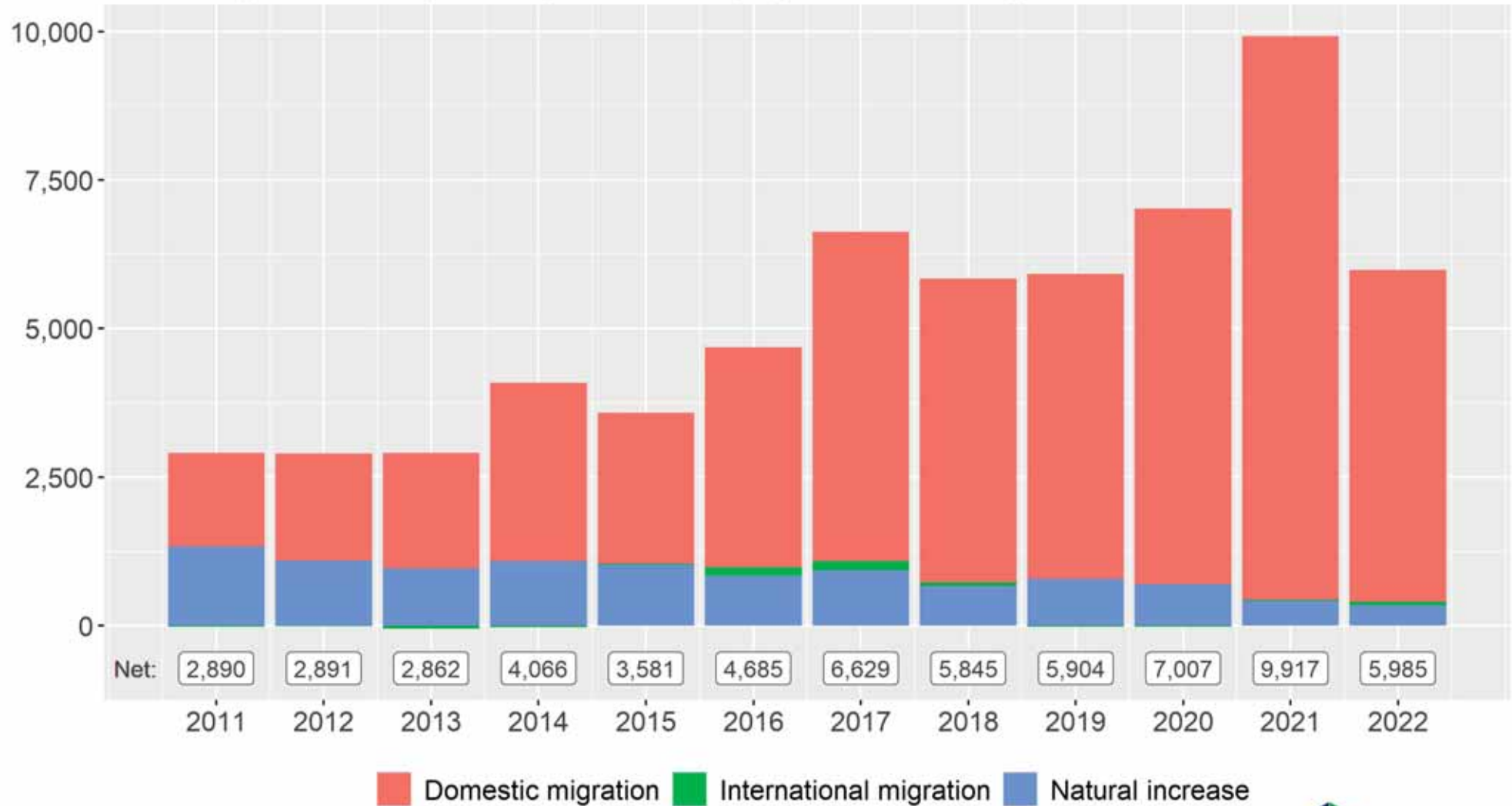
Source: U.S. Census Bureau, Population Division

Davis County: Components of population change



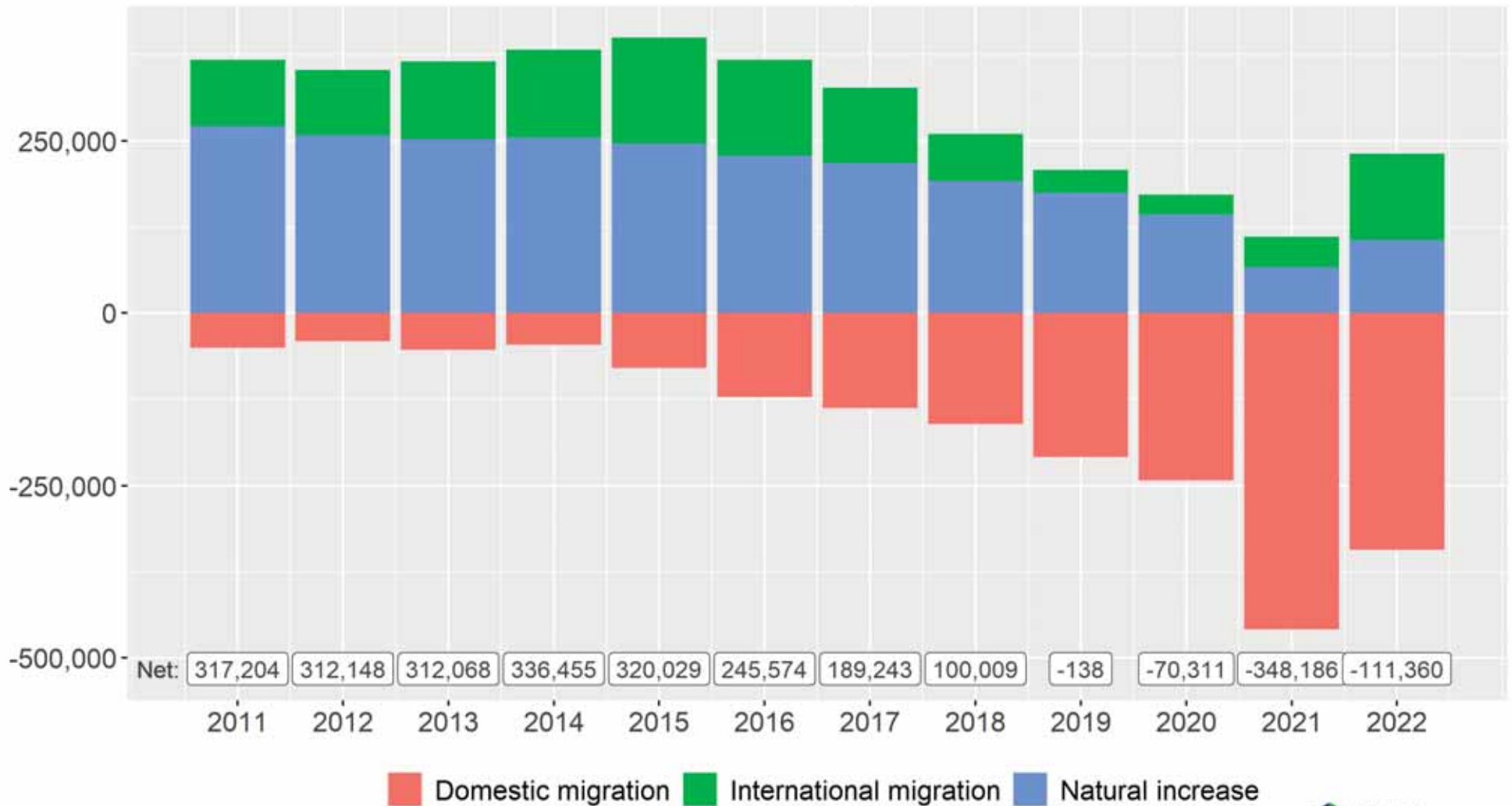
Source: U.S. Census Bureau, Population Division

Washington County: Components of population change



Source: U.S. Census Bureau, Population Division

California: Components of population change



Source: U.S. Census Bureau, Population Division

What is Utah's labor force facing?

The Rising Cost of Living

Under Pressure Historic Inflation

More money chasing
fewer goods → **Inflation**

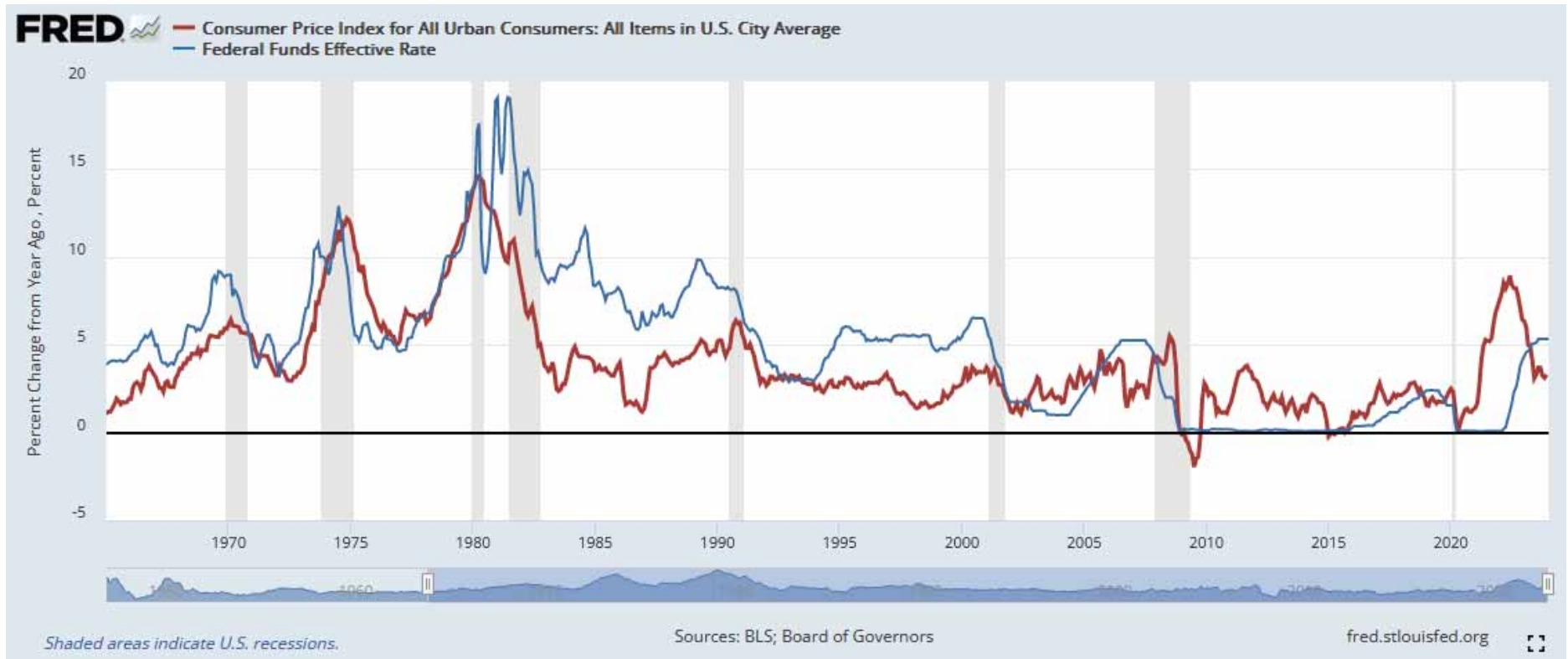
- Multiple sources....
 1. Federal aid from pandemic
 2. High demand for goods
 3. Supply chain disruption / Ukraine War
 4. Labor shortage

Is inflation bad?

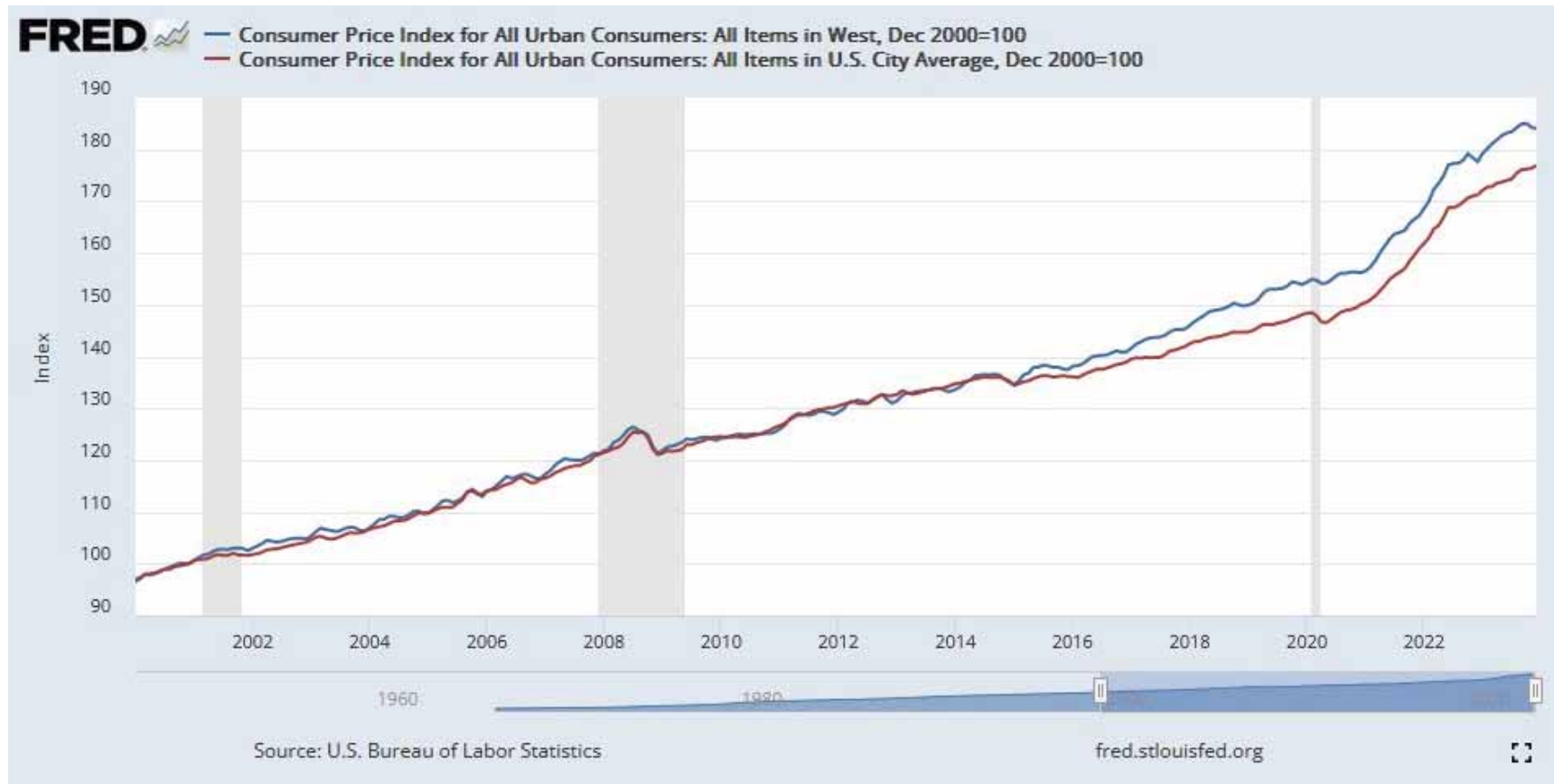
Inflation benefits investments, not savings.



Historic Inflation

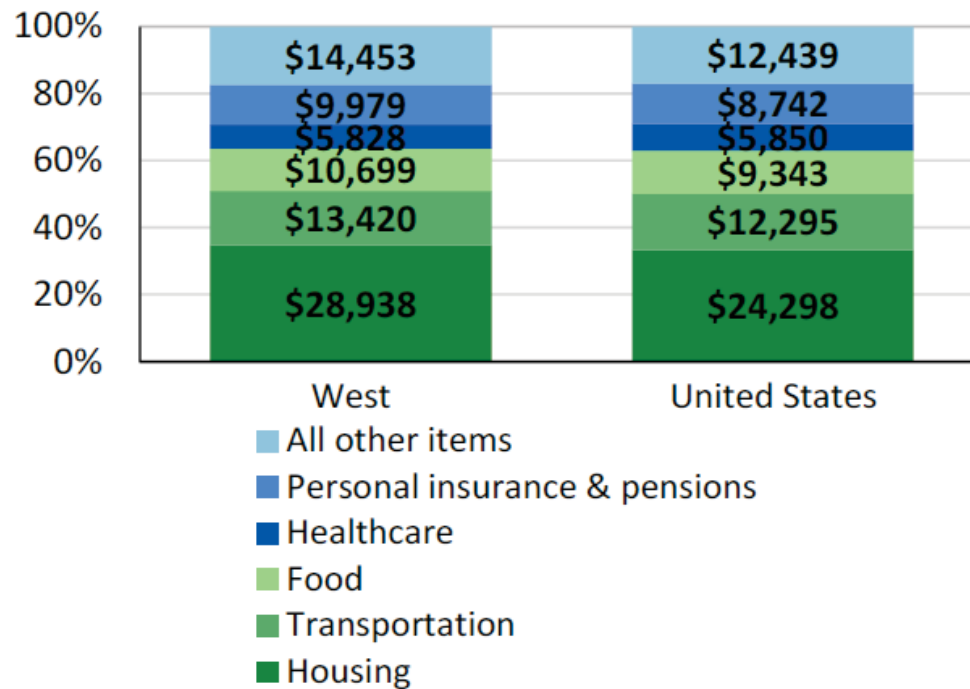


Growth in the West Exacerbates Regional Inflation



Growth in the West Exacerbates Regional Inflation

Average annual expenditures, United States and West, 2022

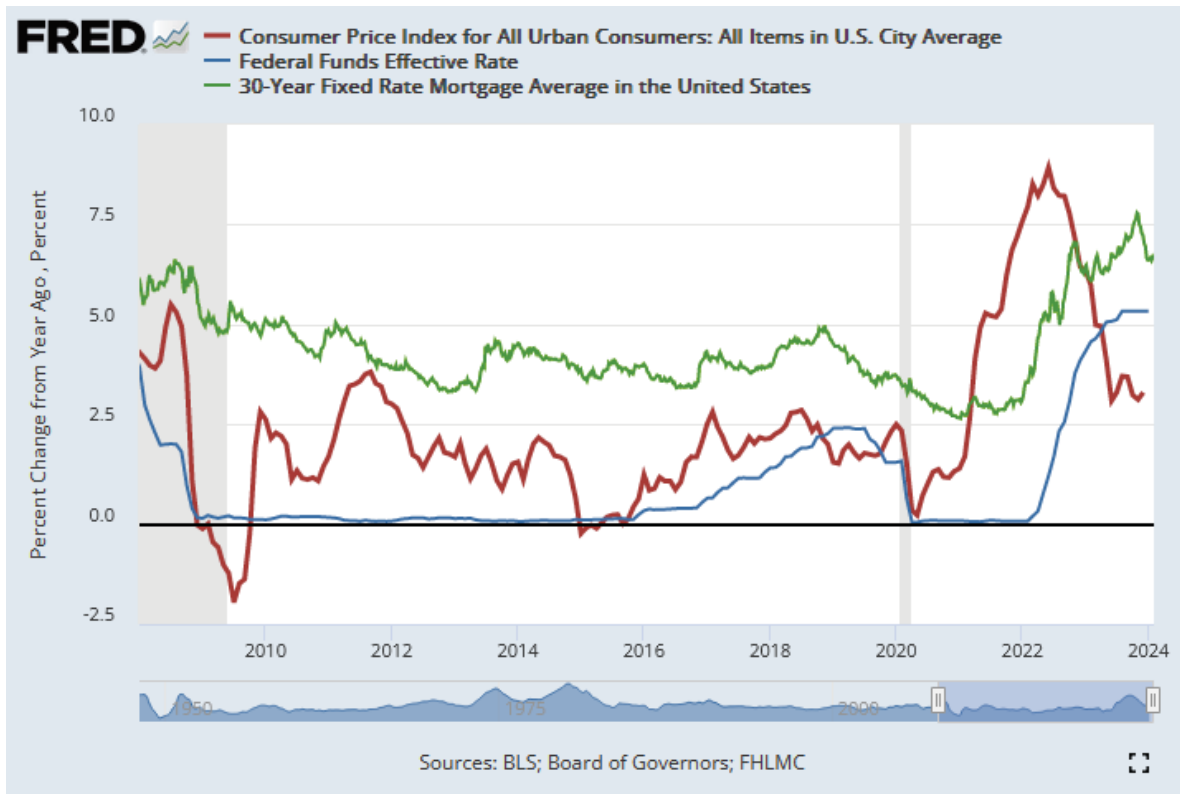


Source: U.S. BLS, Consumer Expenditure Survey.

Bank Prime Loan Rate Responds

"In short, if making monetary policy is like driving a car, then the car is one that has an unreliable speedometer, a foggy windshield, and a tendency to respond unpredictably and with a delay to the accelerator or the brake,"

-Former Federal Reserve chair Ben Bernanke, 2004 while still a Fed governor.



FEDERAL RESERVE

Fed holds rates steady, indicates it is not ready to start cutting

PUBLISHED WED, JAN 31 2024 2:00 PM EST | UPDATED WED, JAN 31 2024 4:22 PM EST



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@JEFFCOXCNBCOM

SHARE    

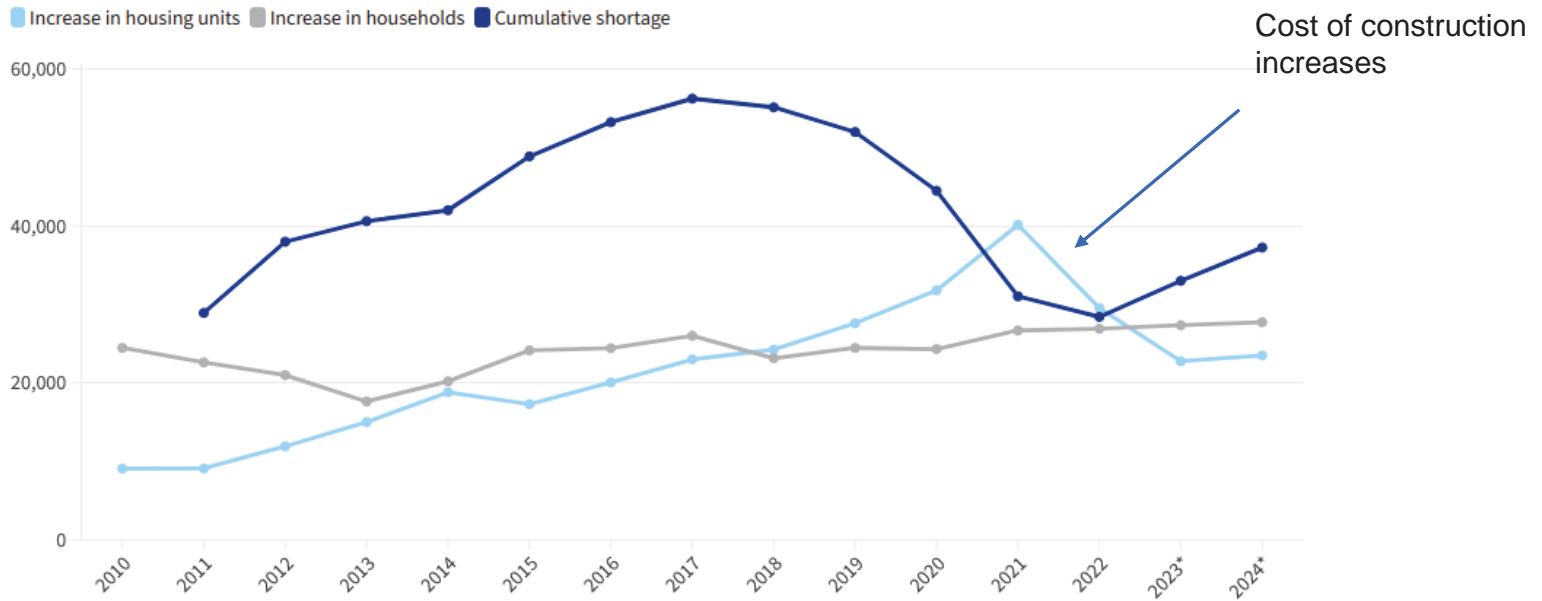
KEY POINTS

- The Federal Reserve sent a tepid signal that it is done raising interest rates but made it clear that it is not ready to start cutting.
- The Federal Open Market Committee removed language that had indicated a willingness to keep raising interest rates until inflation had been brought under control and was on its way toward the Fed's 2% inflation goal.
- However, it also said there are no plans yet to cut rates with inflation still running above the central bank's target.

Along with inflation, we face a shortage of housing.

Utah's housing shortage

The rapid rise in mortgage rates threatens to undo recent progress addressing the state's housing shortage, two researchers said. Numbers for 2023 and 2024 are projected.



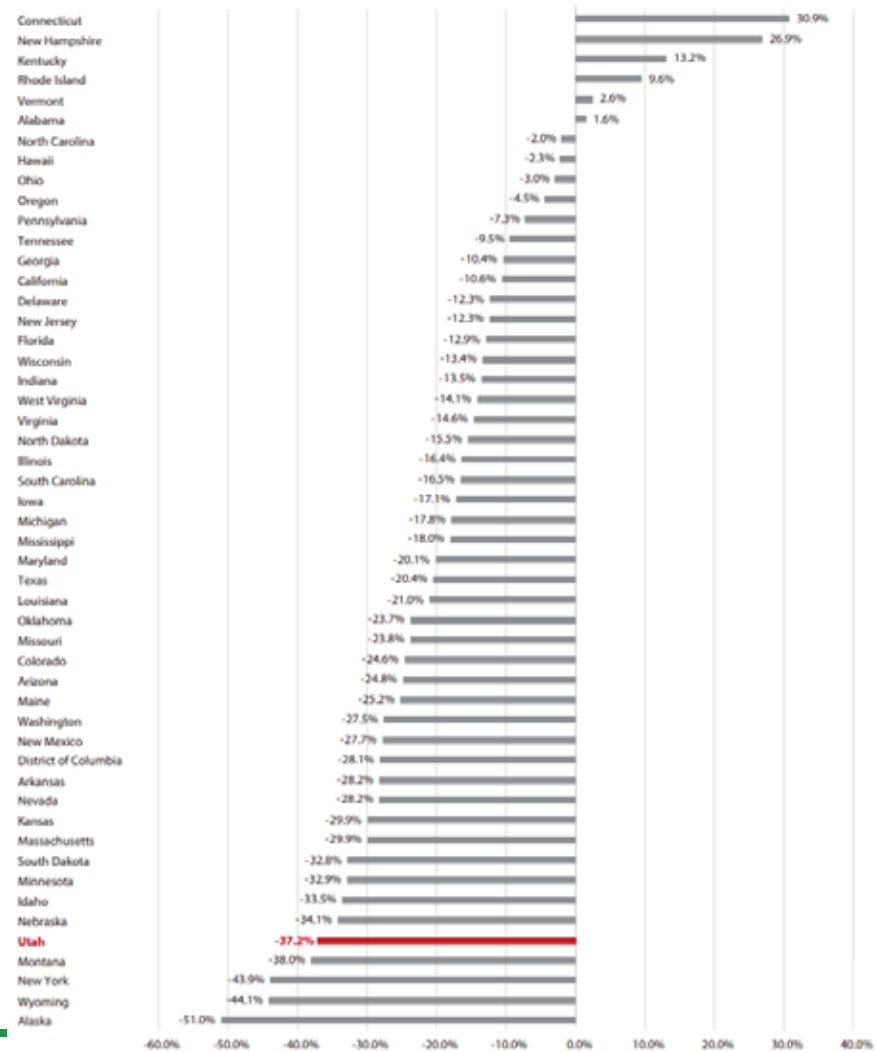
Source: [Kem C. Gardner Policy Institute](#) • (Megan Banta | The Salt Lake Tribune)
*forecast

The Salt Lake Tribune



Percent Change in No. of Residential Units Receiving Building Permits by State, 2022-2023

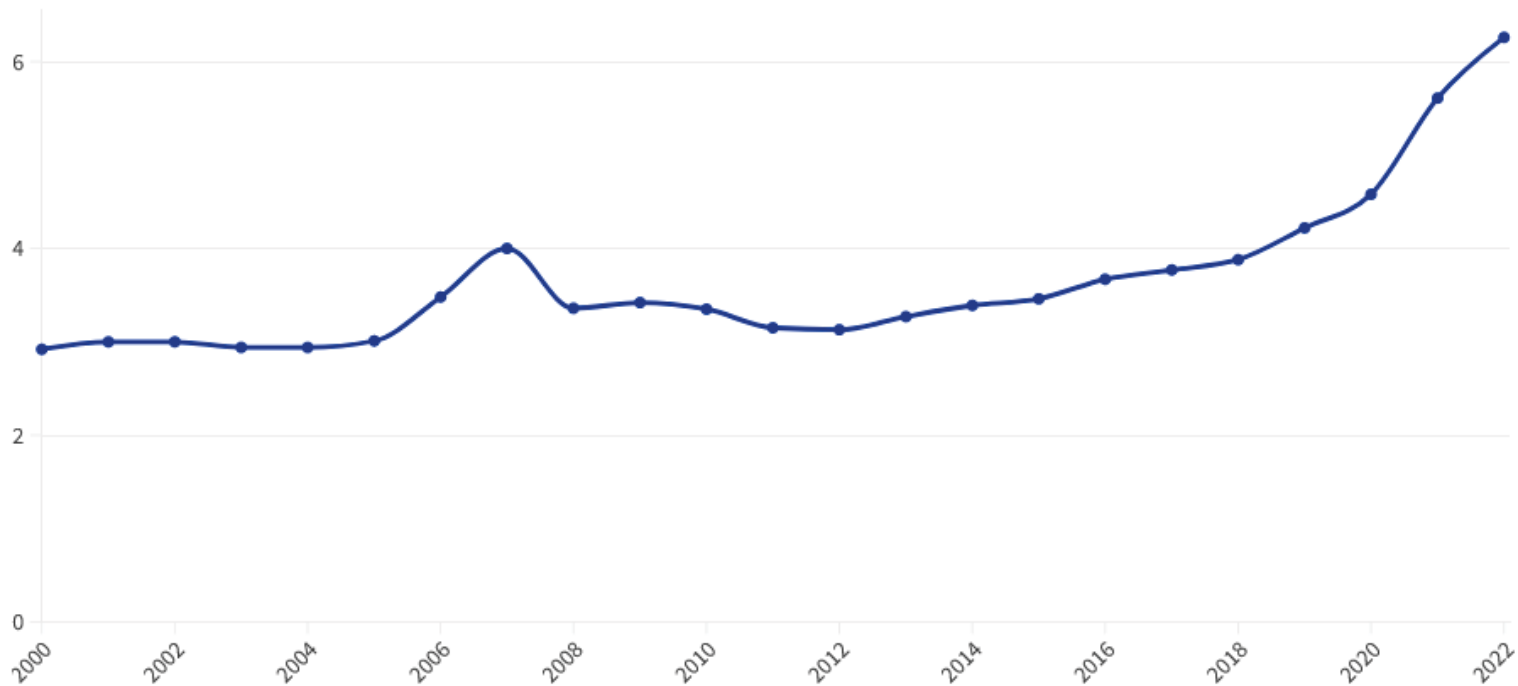
Figure 1: Percent Change in Number of Residential Units Receiving Building Permits by State, 2022-2023
(Year-over change January to June 2022-2023)



Source: U.S. Census Bureau State Building Permit Survey Data

Utah's Median Multiple Affordability Rating, 2000-2022

The median multiple affordability rating is a price-to-income ratio of the median house price divided by the median household income.



Source: U.S. Census Bureau and UtahRealEstate.com • (Megan Banta | The Salt Lake Tribune)

Note: Data is from the Kem C. Gardner Policy Institute's "State of the State's Housing Market, 2022-2024"

The Salt Lake Tribune

Housing Solutions

UTAH FIRST HOMES



BUILDING 35,000 NEW STARTER HOMES BY 2028

Source: Utah.gov

What does the future hold?

Reading the Tea Leaves for the Short and Long Term

A Recession is Coming

But with labor markets so tight, how disruptive will a recession be? There may be a new way of thinking.

- The opportunity cost of giving people up is historically high.
- Traditional expectation has (historically) always been more young people than old people.
- Even stock market is dependent on population growth: with more people, it will always ultimately grow.

Keep perspective. Utah is in a strong position.

Early signs are not as troubling as recent previous recessions.

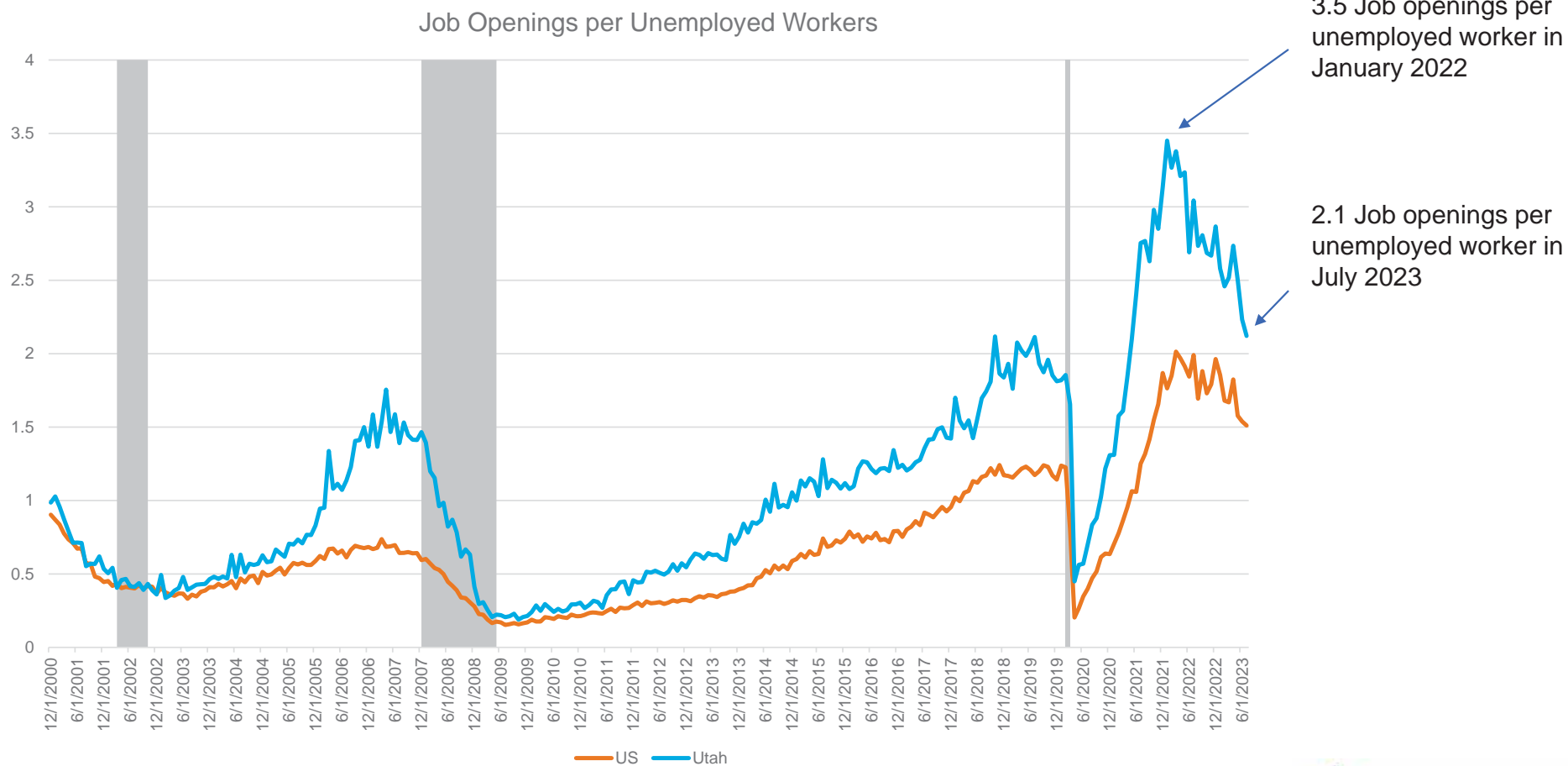


Economic Slowdowns Have a Job-Demand Cushion to Work Through

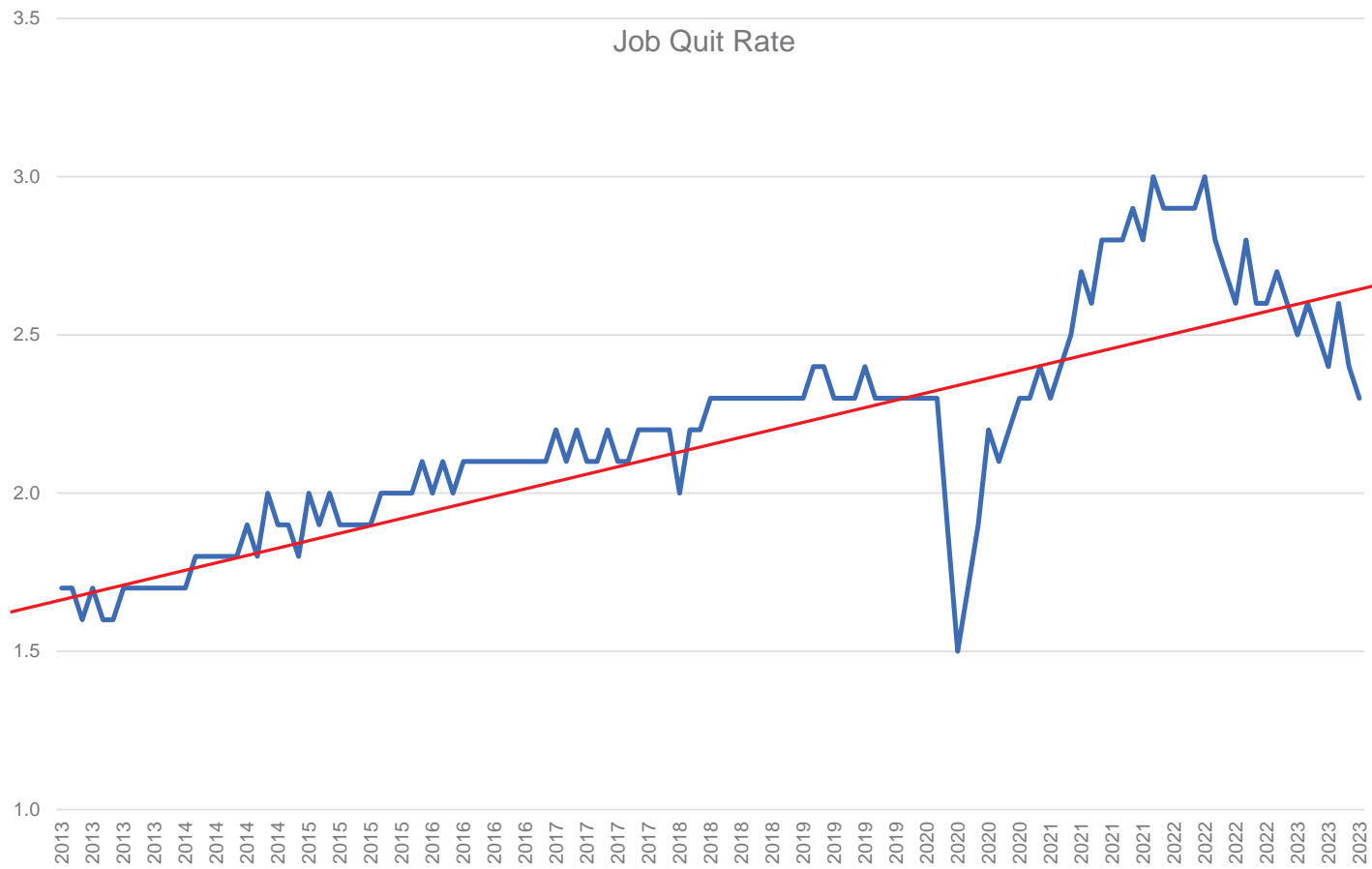


Note: The represented volume distributions are not exact and are meant for a demonstration purpose only.

Buffer of Job Openings

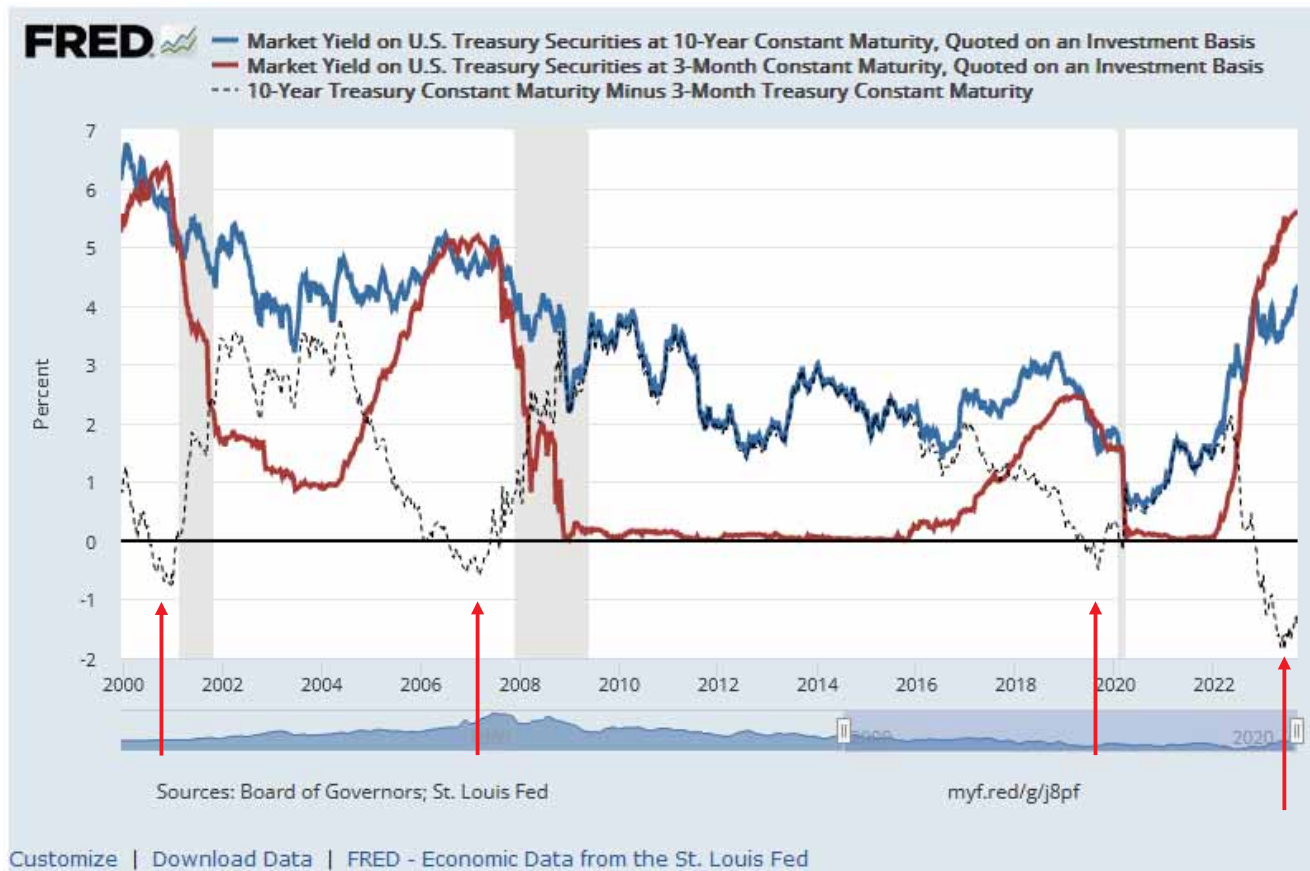


Source: U.S. Bureau of Labor Statistics, Job Openings and Labor Turnover Survey



Source: U.S. Bureau of Labor Statistics, Job Openings and Labor Turnover Survey

10 Year – 3 Month Treasury Yield Spread





UTAH DEPARTMENT OF
**WORKFORCE
SERVICES**
RESEARCH & ANALYSIS

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