



# Utah Economic and Business Review

Bureau of Economic and Business Research  
David Eccles School of Business  
University of Utah

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## Highlights

### Strengths

- All forecast groups are positive and predict Utah employment growth in 2004 to range between 11,000 and 19,300 new jobs.
- The number of jobs in Utah is growing again. There have been six straight months of job growth.
- Utah is part of an economic region, which is outperforming the nation.
- Utah's residential sector is not threatened by a housing bubble.
- New residential construction and the sale of existing homes will remain strong in 2004.
- Job losses in manufacturing have stabilized.
- School and road construction will provide important support to the weak nonresidential construction sector.
- State tax revenues are higher than expected.
- Net in-migration of 10,000 is expected in 2004.

### Weaknesses

- High vacancy rates and excess capacity will impede new office and industrial construction.
- Consumer and business spending will show only modest increases in 2004.
- Technology and offshore outsourcing will continue to threaten Utah's back office/call center sector.
- Utah's high-wage recession may be followed by a low-wage recovery.

## The Utah Economy: A Review and Outlook

James A. Wood

Director, Bureau of Economic and Business Research

At last Utah's economic recovery appears underway. The persistent weakness of the job market—21 consecutive months of job losses—has finally given way to year-over job gains. Forecast groups are unanimous that the number of jobs in Utah will increase in 2004. This article examines the sources of the anticipated job growth and discusses some of the near-term economic vulnerabilities, which may hinder job growth in next 12 months.

Forecast groups all predict job growth in 2004 and the forecast range is much narrower than last year with a difference of only 8,000 jobs from the low to high forecast. Economy.com is least optimistic at 11,000 new jobs while Blue Chip, a consensus forecast group, is most optimistic at 19,300 jobs, see Table 1.

**Table 1**  
**Employment Forecasts for Utah - 2004**

Forecast Group	New Jobs	% Change in Employment
Blue Chip	19,300	1.8%
Global Insight	17,000	1.6%
Zion's Bank	15,000 to 18,000	1.54%
State of Utah	15,000	1.4%
BEER, U of U	12,000	1.1%
Economy.com	11,000	1.0%

## Employment and Wages

The national recession began in March 2001. By then Utah's employment growth had begun a rapid deceleration which would turn negative by October with a loss of 4,200 jobs. It would take until July of 2003 before job gains were again posted by the Utah economy. While some sectors achieved job growth during the recession the determined weakness of manufacturing, business services, construction, information and transportation overwhelmed the gains of the growth sectors. At the extreme ends

were manufacturing, which lost 10,000 jobs versus health services, which gained 8,600 jobs.

Over the past two years the jobs lost have been disproportionately higher wage jobs, i.e., those jobs at income levels above the statewide average wage rate of \$30,120. Of the nine major employment sectors that have suffered significant job losses eight have an average wage rate above \$30,120. The reverse is true for the sectors that recorded job growth—four of the seven growth sectors have average wage rates below \$30,120, Table 2.

A more detailed look at some of the major subsectors affected by job losses reveals the loss of some very high wage jobs. Computer systems design, computer and peripheral equipment, aerospace and software publishing all have average wage rates above \$60,000. In one year, 2002, nearly 4,700 jobs were lost in these four high wage subsectors, Table 3.

There is a strong possibility that a low-wage recovery will follow Utah's high-wage recession. Low wage rates have long been a vulnerability of the Utah economy. The

**Table 2  
Job Losses and Gains by Major Employment Sector  
(2001 to 2003)**

Sector	Job Loss 2001 to 2003	Average Annual Salary
Manufacturing	-10,011	\$36,816
Prof. and Bus. Services	-5,330	\$45,828
Construction	-4,412	\$30,756
Information	-3,376	\$39,948
Transportation	-2,760	\$36,096
Retail Trade	-2,222	\$20,604
Wholesale Trade	-870	\$42,204
Mining	-513	\$49,464
Utilities	-329	\$83,304
State Government	660	\$32,112
Leisure and Hospitality	1,327	\$22,848
Federal Government	2,032	\$45,516
Other Services	2,177	\$22,248
Financial Activities	2,346	\$37,680
Local Government	4,082	\$26,784
Education and Health Services	8,598	\$27,540
Average Wage in Utah	—	\$30,120

Source: Utah Department of Workforce Services.

**Table 3  
Job Losses by Subsector - 2002**

Sector	Job Loss 2002	Average Annual Wage
Speciality Trade Contractors	-2,284	\$28,332
Computer Systems Design	-1,969	\$61,536
Business Support Services (telemarketing)	-1,676	\$19,632
Computer and Peripheral equip.	-1,641	\$72,444
Iron & Steel Mills	-1,485	\$50,652
Employment Services	-1,224	\$18,936
Construction of Buildings	-1,137	\$31,896
Specialized Trucking Services	1,081	\$29,400
Grocery Stores	-1,004	\$17,136
Semiconductor and components	-895	\$37,512
Internet Search Portels & Date Processing	-823	\$34,056
Telecommunications	-768	\$47,700
Travel services	-753	\$20,724
Aerospace products	-567	\$60,192
Software Publishing	-503	\$72,444
Motor Vehicle Parts Manufacturing	-438	\$39,288
Average Wage in Utah		\$30,120

Source: Utah Department of Workforce Services.

immediate and long-term challenge is to create jobs with near equivalent wages to those lost in the state's high-tech and steel industries.

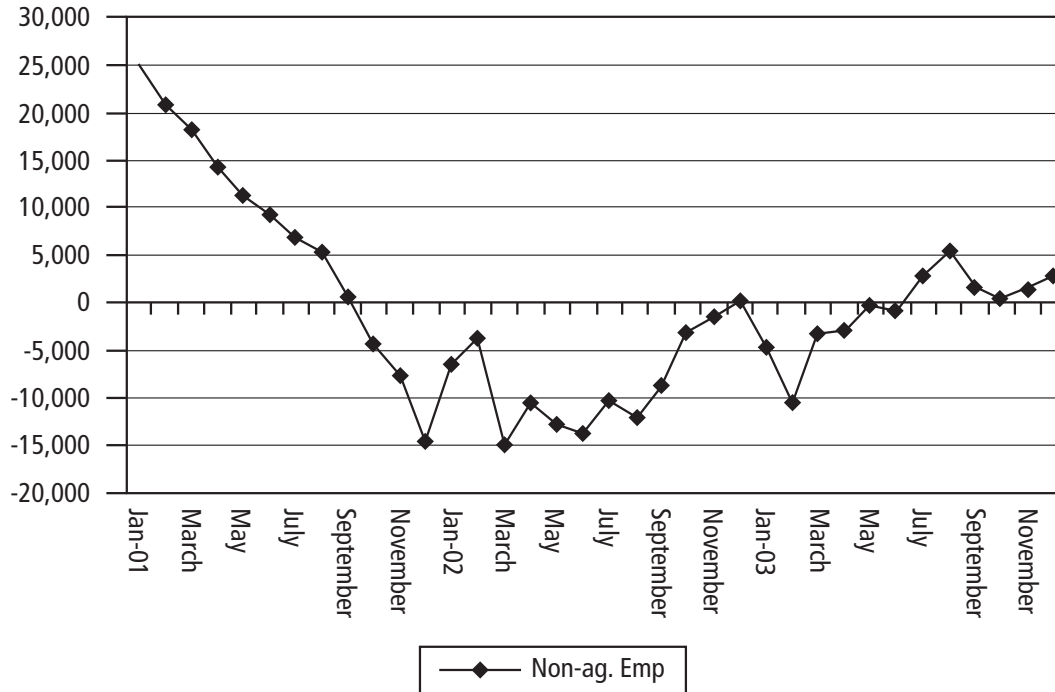
Since July 2003 the year-over growth has remained in positive territory, although Utah is one of 30 states with fewer jobs now than when the recession officially ended in

**Table 4  
Monthly Job Gains - 2003**

Month	Job Gain
July	2,608
August	5,333
September	1,574
October	300
November	1,400
December	2,700

Source: Utah Department of Workforce Services.

**Chart 1**  
**Year Over Nonagricultural Employment Change in Utah**



Source: Utah Department of Workforce Services.

November 2001. Nevertheless, six months of job gains shows some momentum and the likely beginning of a positive trend, Table 4 and Chart 1.

Six months of positive employment growth certainly puts this year's forecast on much firmer ground than in 2003. With the clarity of hindsight one is tempted to dismiss the 2003 projections. After all there had been 16 consecutive months of job losses and initial unemployment claims had grown significantly during 2002. But both measures had shown considerable improvement in the fourth quarter of 2002. Job losses had narrowed to just a few thousand and unemployment benefit claims were up only 5% over the previous year, well below the 20% to 30% increases recorded at mid-year.

But the strength of the year-end improvement turned out not to have enough momentum to produce job gains in 2003. In contrast, employment indicators in January 2004 are much more positive than they were in January 2003. Most important, the Utah economy begins 2004 with a string of six consecutive months of year-over-year employment growth, which makes the current set of employment forecasts much more credible.

In addition to the positive employment numbers there are several other reasons to be mildly optimistic about 2004: the Mountain States region is growing, manufacturing

employment has stabilized, the threat of an overbuilt housing market appears minimal, school and road construction will continue at high levels of activity and state revenues are growing faster than anticipated. Nevertheless some sectors remain vulnerable, which could hinder the rate of growth. For instance new office and industrial construction will be slow due to high vacancy rates, growth in business and consumer spending is expected to be modest, rising health care and unemployment insurance costs could reduce new hiring activity and the potential loss of jobs to offshore outsourcing threatens "back-room operations" and customer service centers in Utah.

### Regional Growth

Utah is part of an economic region comprised of five surrounding states with somewhat similar economies: Arizona, Colorado, Idaho, Nevada and New Mexico. The economies of these Mountain States contain many common economic characteristics consequently the economic performance of the region and states move in tandem. Only rarely does a Mountain State deviate significantly from the direction of expansion or contraction in the region. In 2003, nonagricultural employment in the region improved sharply as the number of new jobs reached 94,000 for the six-state region compared to only 53,000

new jobs in 2002. The percent change in regional employment was 0.7% in 2002 and 1.2% in 2003. As measured by year-over November employment, five of the six states in the region are showing employment growth. Only Colorado, which had a decline of less than 1,000 jobs in 2003, is moving slightly counter to the region. Nevertheless, the overall direction of the regional economy provides a favorable economic context for the Utah economy in 2004, see Chart 2.

Economy.com, a leading provider of national regional and state economic forecasts, also shows that the economies of the Mountain States are improving. This assessment is based on Economy.com's coincident and leading economic indicators for each state. Economy.com concludes that Utah and four of the five surrounding states are no longer in a recession. The economies of New Mexico and Nevada began expansion in early 2002, followed by the economies of Idaho and Arizona in mid-2003 with Utah nearing expansion by late 2003. Only Colorado remains in recession. According to Economy.com, economic expansion in the region has been somewhat uneven with Utah and Colorado lagging behind the other Mountain States but overall the region is outperforming the nation.

### Manufacturing Employment

Employment in Utah's manufacturing sector is finally showing signs of stabilizing around 112,000 jobs. Since 2001 employment in this important sector has declined by 8%, or 10,000 jobs, resulting in a loss of about \$200

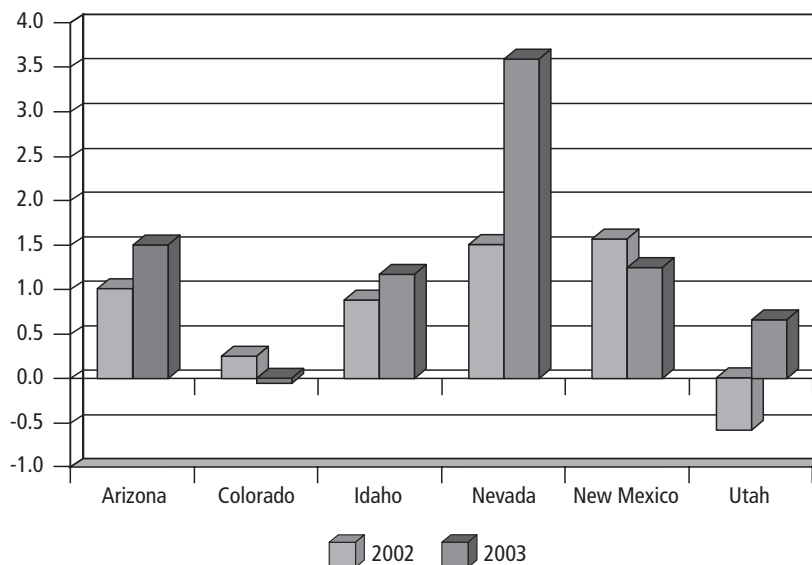
million in manufacturing wages. The weak performance of the manufacturing sector has been a central feature of Utah's recession. The prospects for economic recovery in Utah in 2004 are much brighter as the manufacturing sector appears to be nearing a turning point. A closer look at manufacturing employment losses on a monthly basis gives some cause for optimism as the size of the employment losses have become smaller throughout 2003, Chart 3.

Ultimately the manufacturing sector is tied to the performance of the national and international economies. The products of Utah's major manufacturers are exported to other states and countries. Utah's major manufacturing subsectors demonstrate the dependence on national and international markets: aerospace, motor vehicles, medical equipment, pharmaceuticals, and semiconductors. Fortunately, the economic forecasts for the U.S. and world economies in 2004 are positive, which should, even in the worst case, prevent any further declines in Utah's manufacturing sector and with a little luck lead to some modest growth.

### New Residential Construction

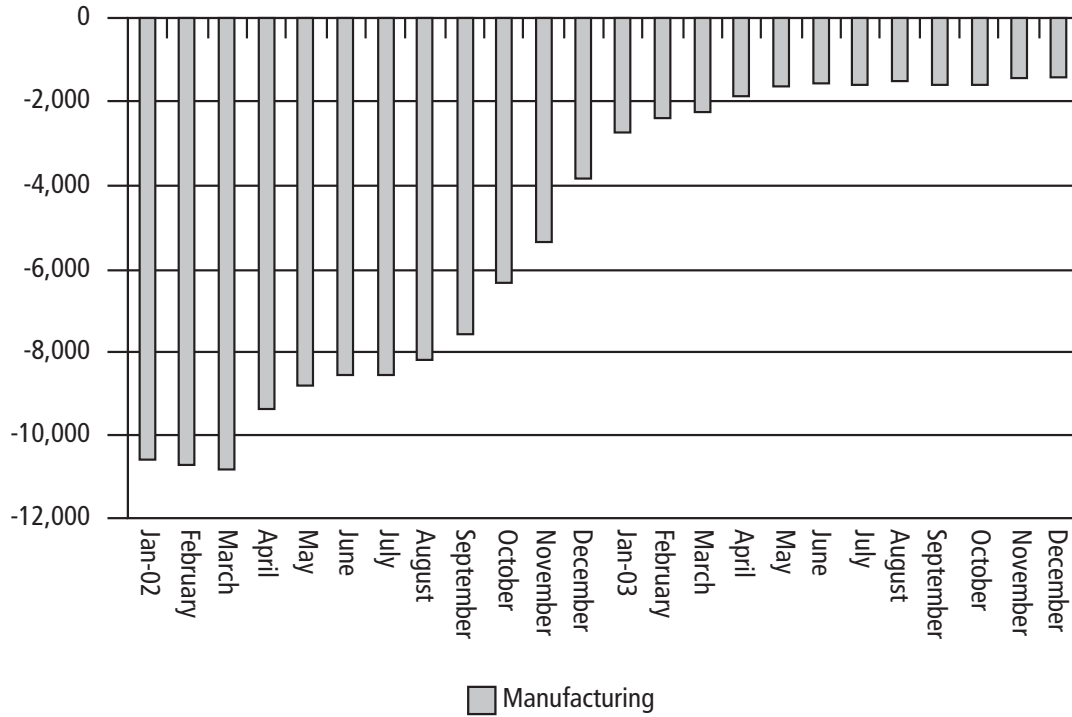
Spectacular sums up the performance of residential construction in Utah in 2003 and Utah's recession was less severe than it otherwise would have been because of the boom in residential construction. For the first time, the value of residential construction exceeded \$3 billion, 20% higher than the previous record set in 2002 of \$2.5 billion (inflation-adjusted), see Chart 4.

**Chart 2**  
**Percent Change in Nonagricultural Employment in Selected Mountain States**  
**(November to November)**

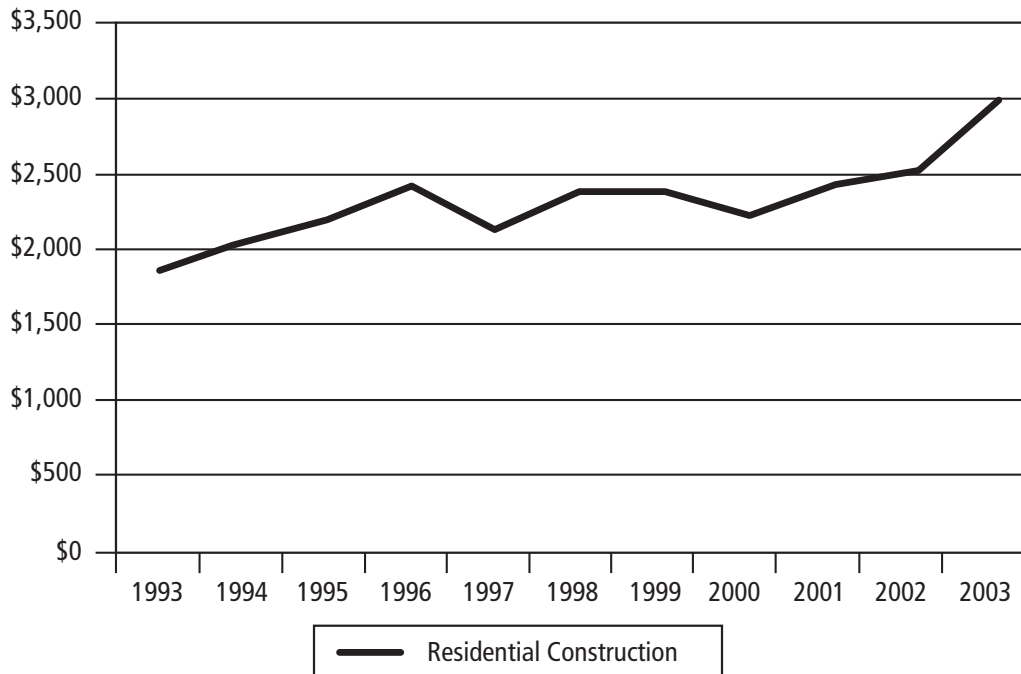


Source: U.S. Bureau of Labor Statistics.

**Chart 3**  
**Monthly Change in Year-Over Employment for Manufacturing (2002-2003)**



**Chart 4**  
**Inflation Adjusted Value of Residential Construction**  
**1993 to 2003**  
**(Millions of Dollars)**



After such a good year will residential construction continue to be a positive force in 2004 or is the market in danger of being overbuilt? An overbuilt market would have serious implications not only for the construction sector but also for those sectors economically linked to new home construction such as furniture, appliances, building supplies, garden stores, etc.

There appears to be little threat of an overbuilt market judging by the number of vacant developed lots and unsold new homes in the four Wasatch Front counties. The inventory of unsold new homes has been depleted by strong sales activity induced by low mortgage rates. Metro Study, a local real estate research firm, gathers data on every active subdivision along the Wasatch Front. Each quarter Metro Study surveys the active subdivision to determine the number of unsold completed homes. According to their fourth quarter numbers none of the Wasatch Front counties has an unsold inventory of more than a two month supply of new homes. For Metro Study, concerns of over-building are raised when a community has a 10 month or more supply of unsold new homes.

The supply of vacant developed lots, another indicator of market conditions, confirms that the threat of an over-built housing market in the Wasatch Front counties is minimal. All four of the metropolitan counties have between a 10 and 18 month supply of vacant developed lots, which is within the range of a healthy new home market.

### Real Estate Sales

Strong sales activity of existing homes is a necessary condition for a boom in new home construction. Over 80% of new homebuyers are households already living in the community. The ability of these existing households to purchase a new home is contingent on selling their existing home.

Sales data from the Wasatch Front Regional Multiple Listing Service (WFRMLS) demonstrates the strength of the existing home market. In the Wasatch Front counties 21,530 existing single-family homes were sold in 2003, which fed the demand for the 12,000 new homes built in

**Table 5**  
**Existing Homes Sales for Davis, Salt Lake, Utah and Weber Counties**  
**(MLS sales)**

Year	Homes Sold	% Change
1997	15,059	0.05%
1998	15,806	4.96%
1999	17,042	7.82%
2000	17,617	3.37%
2001	18,495	5.00%
2002	19,429	5.10%
2003	21,530	10.80%

Source: Wasatch Front Regional Multiple Listing Service.

the four-county area over the same period, see Table 5. The total value of sales of existing homes sold through the WFRMLS in Weber, Davis, Salt Lake and Utah counties was \$3.8 billion in 2003. These strong market conditions gave a high degree of mobility to the local housing market and made possible the near-record level of new home construction. Not to mention generating over \$200 million in real estate commissions, which explains, in part, the employment growth in the finance and real estate sector.

The strong incentive—due to low interest rates—to “move-up” has created a home buyer’s market in Utah. In the four Wasatch Front counties there were 49,000 new listing in 2003, a record level. The large number of “homes for sale” has brought considerable price pressure to the market and kept home prices in check. Over the past three years the increase in the average sales price of existing homes has been less than 2%, Table 6.

Modest increases in housing prices are strong evidence of the absence of a housing bubble. The principal characteristics of a housing bubble are rapidly increasing housing prices associated with a high level of speculative new home building. Neither condition is present in Utah’s home building or real estate sectors.

**Table 6**  
**Average Price of Homes Sold Through MLS**

Year	Weber	Davis	Salt Lake	Utah	Total	% Change
2000	\$130,910	\$167,012	\$177,342	\$171,496	\$168,724	—
2001	\$128,194	\$164,598	\$180,775	\$175,606	\$170,760	1.2%
2002	\$129,368	\$165,971	\$183,120	\$182,584	\$173,285	1.5%
2003	\$131,254	\$170,731	\$187,034	\$183,802	\$176,476	1.8%

Source: Wasatch Front Regional Multiple Listing Service.

Although there is little threat to the Utah economy from a speculative bubble there is some concern about how much economic support the new and existing housing markets will give to the Utah economy in 2004. Central to this concern is how much of the record-breaking demand in 2003 was stolen from 2004? Three market conditions should override this concern and provide a favorable environment for another good housing year: (1) low mortgage rates—below 6.5% for most of the year, (2) modest price increases and (3) net in-migration of 10,000. These conditions will help to offset some of the reduced demand due to boom of 2003. Consequently, the performance of the new and existing housing markets in 2004 should be within 5% of their 2003 levels. On the new construction side, home builders and special trade contractors should have a good year as much of the new construction in 2003 is carried over into 2004.

### Mortgage Refinancing

There is some economic vulnerability on the real estate finance side, more specifically mortgage lending. Nationally, nearly 70% of mortgage loans in 2003 were refinance loans. The share in Utah was even higher at 75%, according to Economy.com. Of the \$36 billion in mortgage activity in Utah in 2003 an estimated \$27 billion was for refinancing, Table 7.

The boom in refinancing has created jobs in mortgage lending and generated millions in commission income as well as provided an important stimulus to the Utah economy. When refinancing a home, households often

take some “cash out” to purchase consumer goods. With \$27 billion in refinance activity, it’s certain “cashing out” provided important economic support for the Utah economy, not to mention the stimulus created by reduced mortgage payments, which effectively increases the household disposable income.

The economic stimulus derived from refinancing is bound to recede as mortgage rates increase. The sensitivity of refinancing to interest rates is demonstrated by the data in Table 7. In 2000, mortgage rates were around 8% for most of the year and refinance activity was only \$3.2 billion. In 2003, with mortgage rates below 6% refinance activity was nine times higher. Mortgage rates are expected to increase by the second half of 2004, which raises the question, is the pool of households that are willing and able to refinance their homes sufficiently large to contribute another round of economic stimulus to the Utah economy? Probably not—it’s very likely the fiscal stimulus from refinancing will decline in 2004.

### School and Road Construction

New construction for public schools and state roads totaled nearly \$500 million in 2003, Table 8. This construction was comprised of \$128.2 million in new schools, \$84.4 million in additions and alterations to schools and \$269.2 million in state road construction. Much of the school and road work will be carried over into 2004 thus providing employment and wages to several thousand construction and special trade workers. School construction will be particularly important in

**Table 7**  
**Mortgage Lending Activity in Utah**  
**(Billions)**

Year	Total Mortgage Activity	Purchase Mortgage Activity	Refinance Mortgage Activity	Refinance Activity as % of Total Activity
1995	\$7.4	\$5.1	\$2.4	32.3%
1996	\$10.2	\$6.5	\$3.7	36.6%
1997	\$10.8	\$5.8	\$5.0	46.1%
1998	\$18.9	\$6.7	\$12.2	64.6%
1999	\$13.4	\$7.1	\$6.3	47.0%
2000	\$10.2	\$7.0	\$3.2	31.4%
2001	\$23.3	\$7.6	\$15.6	67.1%
2002	\$28.2	\$8.0	\$20.2	71.6%
2003 (e)	\$36.1	\$9.1	\$27.0	74.9%

(e) estimate

Source: Wasatch Front Regional Multiple Listing Service.

2004 in offsetting some of the decline in jobs and construction activity due to another year of weakness in the office and industrial markets.

### Nonresidential Construction

New nonresidential permit-authorized construction increased by \$100 million in 2003, rising from \$900 million in 2002 to \$1 billion in 2003. Late in the year, a permit for Utah Power's (PacifiCorp) new \$200 million Current Creek power plant in Mona turned what looked like another year of decline into a year of modest increase. It should be noted that power plant construction has much less economic impact than a typical office or industrial building. Therefore, in terms of economic impact, the slight gain in 2003 is somewhat illusionary. In fact, if the power plant is excluded from the valuation data, 2003 was the weakest year for permit-authorized construction in 10 years, Chart 5.

In 2004 some nonresidential sectors—hotel, office and industrial—will struggle. Vacancy rates for these sectors indicate substantial excess capacity that must be absorbed before construction activity picks up. As reported by Collier's Commerce CRG the vacancy rates in Salt Lake County for office and industrial space are 19.6% and 10.5%, respectively and the state-wide occupancy rate for hotels is 59%.<sup>1</sup> Salt Lake County currently has over 5 million square feet of vacant office space and 10 million square feet of industrial space. However, Collier's noted in their year-end report that there were some positive signs in both the office and industrial markets: (1) a decline in the inventory of vacant sublease office space, (2) absorption of nearly 500,000 square feet of Salt Lake office space, (3) a pick-up in leasing and sales activity for industrial space and (4) expanding space needs of existing local industrial tenants.

Those nonresidential construction sectors, which are driven by population rather than employment will outperform the office and industrial sectors—most notably the retail sector where Wal-Mart has been exceptionally aggressive in building new Supercenters. The building permit value in 2003 of Wal-Mart's eight new Supercenters and distribution center located in Grantsville in 2003 amounts to 13% of all permit-authorized nonresidential construction in the state. Wal-Mart's new distribution center in Grantsville had a construction value of \$55 million making it the second largest permit-authorized nonresidential project in 2003.

Two mega nonresidential projects will begin in 2004 but most of the economic impacts of these projects will not be felt until 2005 and beyond. The first project is IHC's Intermountain Medical Center in Murray, which will be a \$362 million project with \$210 million in construction. The second project is the \$500 million redevelopment in downtown Salt Lake City by the Church of Jesus Christ of Latter-day Saints.

Weighing the pluses and minuses, the nonresidential sector in 2004 will be marginally better than 2003 and should not impede the rate of economic growth in Utah.

### Taxable Sales: Retail Sales, Business Investment Purchases and Services

In 2003, taxable sales in Utah totaled \$32.8 billion, an increase of only \$270 million—or less than 1%. Taxable sales consist primarily of business and consumer spending and reflect the private sector's confidence and willingness to invest and spend. Over the past two years taxable sales in Utah have been disappointing and when measured in

**Table 8  
School Districts with Construction in 2003\***

District	Total Value for New Construction and Additions
Alpine	\$39,338,000
Davis	\$33,984,000
Jordan	\$29,806,065
Salt Lake	\$26,118,492
Granite	\$15,981,000
Washington	\$14,000,000
Park City	\$10,000,000
Logan	\$9,500,000
Weber	\$9,325,000
Uintah	\$9,000,000
Tooele	\$6,918,000
Sevier	\$5,800,000
Murray	\$650,000
Emery	\$638,000
Duchesne	\$500,000
Grand	\$470,000
Morgan	\$420,000
North Sanpete	\$100,000
Piute	\$96,000

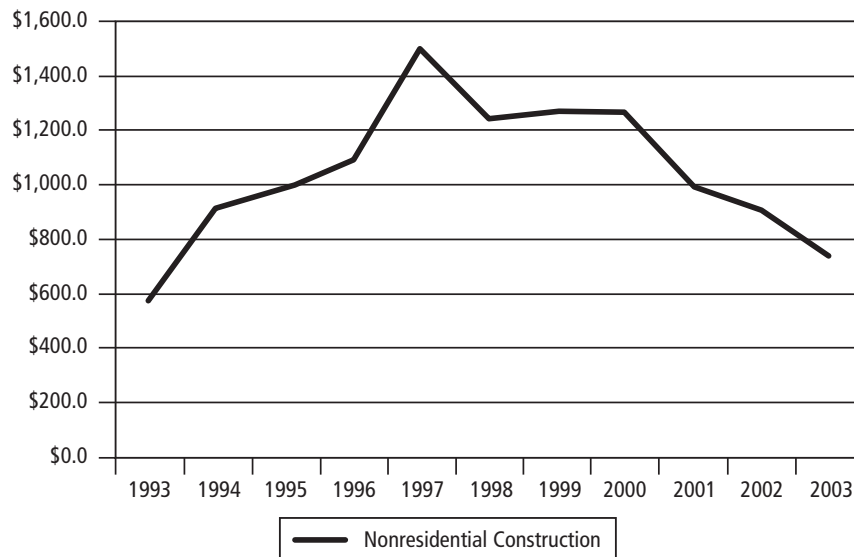
\* Twenty-one school districts had no new construction contracts in 2003

Source: Utah school districts.

<sup>1</sup> Office vacancy rate includes vacant sublease space.



**Chart 5**  
**Inflation-Adjusted Value for Selected Permit-Authorized Nonresidential Construction\***  
**1993 to 2003**  
**(Millions of Dollars)**



\*Excludes the \$200 million Current Creek Power Plant in 2003.

constant dollars actually declined. The expectation for 2004 is an increase of 3.2% or about \$1 billion, which would be the best performance in four years but still well below the 20-year average growth rate of 5.2%. A look at the 20-year historical performance of taxable sales demonstrates the very modest level of growth expected for 2004—only six years have had slower growth than the forecast rate for 2004, Table 9.

Taxable sales include three principal components: retail sales, business investment purchases and taxable services. The major category is retail sales, which comprises a little over half of all taxable sales activity. In 2003 taxable retail sales in Utah rose by only 2.1% increasing from \$18.3 billion to \$18.7 billion. In inflation-adjusted dollars retail sales for the year were flat and the 2004 forecast shows only slight improvement. Retail sales growth will be hindered by sluggish employment and wage growth and could also be hurt by a likely decline in mortgage refinance activity.

Over the past 20 years the average annual compound growth rate for retail sales (inflation-adjusted) in Utah is 2.9%. It's been five years since retail sales growth was near the 20-year average and with a projected 1% real growth rate for 2004 this streak will extend to six years, Chart 6.

In 2003, business investment purchases nationally rose 4% but in Utah only 0.5%. Business investment includes business-to-business purchases and business-to-consumer sales of electricity and natural gas. Like retail sales,

business investment activity had a relatively weak year in 2003, however, the State Tax Commission expects business investment purchases to rebound in 2004 with an increase of 5.2%, rising from \$8.0 billion to \$8.5 billion. In historic terms, this rate of increase is above the 20-year average.

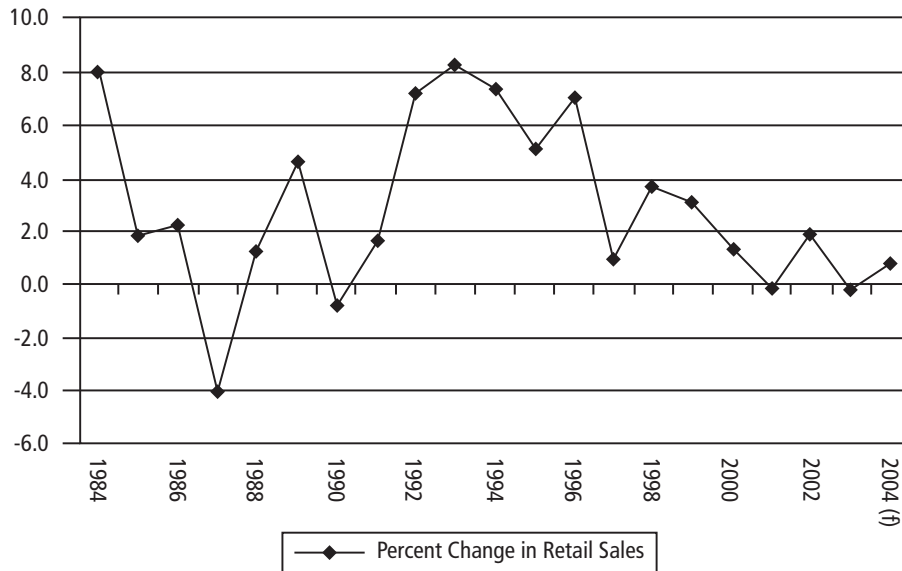
Taxable services include spending on amusement and personal and financial services, tourist spending for hotels, resorts and rental cars and business spending on computers and equipment. Spending in this sector totaled \$4.46 billion in 2003 and is expected to increase to \$4.6 billion in 2004.

The combined taxable sales for retail, business purchases and services in Utah in 2004, while improving, will not grow as fast as spending nationally. In summary, consumer and business spending in Utah will be relatively weak in 2004 and will not give much lift to economic growth in the next 12 months.

### **Travel and Tourism**

Travel spending in Utah has been increasing at a very slow pace over the past several years and 2003 was no different. Total traveler and tourist spending rose from \$4.23 billion in 2002 to \$4.30 billion in 2003, an increase of 1.7%. In 2004 domestic leisure travel is expected to increase modestly but business travel will remain weak. Nevertheless, a good ski season and improving economy should provide enough support for spending growth of

**Chart 6**  
**Percent Change in Taxable Retail Sales in Utah**  
**(Adjusted for Inflation)**



Source: Utah State Tax Commission.

2%, which would add about 1,500 new jobs to the leisure and hospitality sector. The increase in jobs would be at about half the rate of 2001 and 2002, which were Winter Olympic years, Table 10.

### Back Office/Call Center Vulnerability

There are approximately 80 back office/call centers in Utah engaged in inbound, outbound, financial/data processing and customer service operations. These centers employ nearly 40,000 people. Some of the major centers in the state are: Delta Air Lines, American Express, Discover Card, Fidelity Investments, Providian Financial and Convergys. During the 1990s the back office/call center sector was the source of significant job growth in Utah but recently this sector has come under increasing pressure from technology and offshore outsourcing. For example, Southwest Airlines will be closing their Utah reservation center in February 2004. This center employs nearly 800 workers. The reason for the closure is the success of Southwest's online reservation site. Another example, Convergys, which employs over 8,000 workers in several Utah locations, in a cost-cutting move will be exporting a few hundred Utah telemarketing jobs overseas to India.<sup>2</sup> This is one of the first instances of the offshore outsourcing of Utah call center jobs. The movement of white-collar jobs from the United States to foreign countries, where labor is cheap, plentiful and increasingly well-educated is known as offshore outsourcing. This phenomenon is particularly threatening to the call center

sector. And Utah's relatively high concentration of call centers makes the state more vulnerable to offshore outsourcing. Economy.com believes that these conditions make it more likely that Utah will lag, rather than lead the nation during the recovery.

Some observations on two other potential sources of job growth: (1) Exports will benefit from a declining dollar and global economic expansion but Utah's export sector is relatively small giving the state less advantage in international markets. Utah exports—\$4.1 billion in 2003—account for only 5% of Utah's Gross State Product (GSP), which ranks 31st among all states. Utah's major export is gold. Much of the gold exported is mined in other western states and shipped to Utah for final processing and then exported to Switzerland. (2) Defense-related spending in Utah has increased significantly in the past few years. The component of defense spending with the largest increase is procurement contract awards, which have risen from \$548 million in 1999 to \$1.3 billion in 2002. Utah will continue to benefit from increased levels of defense spending; however, the economic impacts from procurement contracts are not as large as they may appear. A substantial portion of work on prime contracts awarded to firms in Utah is subcontracted to defense manufacturers in other states.

<sup>2</sup> While Southwest Airlines and Convergys are downsizing in Utah four call centers have announced job additions for 2004; Alorica, Delta Air Lines, Jet Blue and Qwest. The addition in jobs, however, will not offset the losses created by Southwest and Convergys.

**Table 9**  
**Taxable Sales in Utah**  
**(millions of dollars)**

Year	Total Taxable Sales	% Change
1984	\$12,324	15.3%
1985	\$12,574	2.0%
1986	\$12,378	-1.6%
1987	\$12,188	-1.5%
1988	\$13,017	6.8%
1989	\$13,892	6.7%
1990	\$14,774	6.3%
1991	\$15,998	8.3%
1992	\$17,313	8.2%
1993	\$19,341	11.7%
1994	\$21,527	11.3%
1995	\$23,609	9.7%
1996	\$25,844	9.5%
1997	\$26,829	3.8%
1998	\$28,646	6.8%
1999	\$29,999	4.7%
2000	\$31,645	5.5%
2001	\$32,426	2.5%
2002	\$32,512	0.3%
2003	\$32,778	0.8%
2004 (f)	\$33,834	3.2%

(f) forecast

Source: Utah State Tax Commission.

### Employment Forecast

The Bureau of Economic and Business Research forecasts a 1.1% rise in nonagricultural employment in 2004, an increase of 12,000 new jobs. Total nonagricultural jobs will expand from 1,073,000 to 1,085,000. Based on the analysis in this article the employment change for each major sector is estimated, see below.

#### Declining Sector

Construction will be the only sector recording employment declines; however, the job loss will be slight—1,000 jobs—and occur primary in the third and fourth quarters.

**Table 10**  
**Leisure and Hospitality Employment and**  
**Traveler Spending in Utah**

Year	Employment*	Traveler Spending (billions)
2000	95,287	\$4.25
2001	98,351	\$4.24
2002	100,964	\$4.23
2003	99,678	\$4.30
2004 (f)	101,200	\$4.38

(f) forecast

Source: Utah Department of Workforce Services and Utah Division of Travel Development.

#### Unchanged Sectors

Total employment in mining, manufacturing, wholesale trade, transportation, utilities and information will be effectively unchanged from 2003.

#### Growth Sectors

Retail trade employment will increase by 1%, which will reverse last year's decline. Retail sales will be up modestly in 2004 as Wal-Mart hires several hundred workers for their new stores opening in 2004.

Financial services employment will increase but less than in 2003. Reduced mortgage activity will hold growth to 1% in 2004.

Professional and business services employment will increase by 2% as this recovery sensitive sector (e.g., temporary work services) improves throughout the year.

Education (private) and health services employment will grow at the 2003 rate of 3.9%.

Leisure and hospitality will reverse the job losses of 2003 with a 1.5% gain in employment due to good ski season, improving leisure travel and stabilized business travel.

Federal, state and local government will all grow at their 2003 rates of growth.

Bureau of Economic and Business Research  
University of Utah  
1645 East Campus Center Drive, Room 401  
Salt Lake City, Utah 84112-9302

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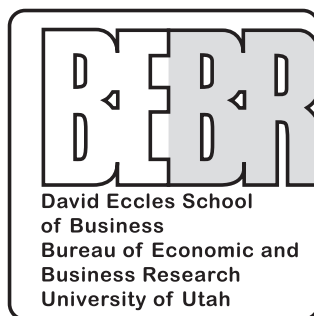
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**Research Staff**

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Alan E. Isaacson	<i>Research Analyst</i>
Nanda K. Kattavarjula	<i>Research Assistant</i>
Pamela S. Perlich	<i>Senior Research Economist</i>

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