Coronavirus (COVID-19): Economic Commentary

The Kem C. Gardner Policy Institute’s mission is to develop and share economic, demographic, and public policy research that sheds light and helps people make INFORMED DECISIONS™. In times of uncertainty, we seek to share our expertise by providing economic leadership as well as practical and common-sense commentary related to the public’s well-being. We hope the information provided by our seasoned research team will inform Utahns as we navigate the impacts of COVID-19 in Utah.

SIX ECONOMIC RULES TO HELP UTAH

By: Natalie Gochnour, Associate Dean and Director

1. Follow the guidance of trusted sources: In a public health emergency the sources of choice are the Centers for Disease Control and Prevention (CDC) and the Utah Department of Health. It is NOT the tsunami of information, misinformation, and rumors circulating on social media. Consider it a blessing of your citizenship that the CDC and Utah Department of Health are on your side. Listen to them and sync your economic actions with the public health guidance they provide.

2. Stay engaged with the economy: Look for ways the economy can work for you even with uncertainty. With 30-year mortgage rates at 3%, it may be a great time to refinance. With stocks plummeting, it may be a good time to buy. With international and domestic travel limited, consider a “staycation.” With global trade stifled, buy local. Be purposeful and look for opportunities that benefit you and the local economy. Don’t hunker down.

3. Keep the long term in sharp focus: The short term will pass. Utah has endured two recessions over the past 20 years. In 2001-02 we withstood the triple hit of the dot.com collapse, 9/11, and a post-Olympic slowdown. For the first time in 37 years, Utah lost jobs on a year-over basis in 2002. But the downturn was short and recovery robust. In 2009-10, we survived the longest, deepest, and broadest recession since the Great Depression. This time, jobs in the Utah economy contracted for two consecutive years, but then the economy entered its longest expansion in state history. There is a lesson here: markets correct, recessions end, and prosperity returns.

4. Prepare so you don’t have to panic: This is the motto of Utah’s business community under the leadership of the Salt Lake Chamber. It works for individuals as well. Look for ways to diversify income sources and manage costs. Save for a rainy day. Reduce debt. Have a plan.

5. Be confident in Utah’s core strengths: I can’t think of a better place than Utah during a public health emergency. University of Utah Health, Intermountain Healthcare, and others provide superb care. Utah’s fiscal house is strong with approximately $900 million set aside for a “rainy day.” Utah’s interfaith community operates one of the largest and most effective private welfare systems in the world. These and other core strengths lessen the impacts and boost our confidence.

6. Give of your means: Downturns impact people disproportionately. Some work in stable industries, others do not. Some have the means to save and invest, others do not. Some have food security, others do not. Some have the resources to stock up needed supplies, others do not. Downturns are a time to “lift where you stand” and help others by looking after your neighbors, donating to charities, and serving those in need.

If we follow public health guidelines and these common-sense economic rules, we will give Utah the best opportunity to outperform other states during this challenging economic time.
During difficult economic times, Utah is well-positioned to protect critical public services like education, public safety, transportation, and public health and social safety-net programs for three primary reasons:

1. **Utah is on top of its long-term liabilities**: Ten years into an economic expansion, many states still face a pension crisis on account of a long-term trend of inadequate funding and losses in the last recession. Utah is a leader in pension reforms that reduced pension liabilities and, unlike many other states, has always funded the full contribution amount required to ensure that assets will be sufficient to cover future benefits. This means that Utah's pension plans are better able to handle the emerging bear market and less likely to require significant funding increases in a deteriorating economic situation.

2. **Utah has saved for a rainy day**: The state's formal budget reserve accounts now total almost $900 million, nearly double the balances leading into the 2008 recession. In the event of a downturn, in addition to formal reserves, the state has more than $1 billion in “working rainy day funds,” including operating reserves, fund balances, and ongoing funding in one-time capital projects that lawmakers could redirect. Such a large cushion means that Utah should be able to avoid drastic, disruptive budget cuts should revenue collections go south.

3. **Utah budget makers have turned lessons learned from the Great Recession into actionable plans for another downturn**: Utah was the first state to develop and implement a budget stress testing program, assessing our state's ability to address both recession-spurred revenue shortfalls and cost hikes. The most recent test confirms that Utah's budget is well-prepared for an economic downturn. More importantly, stress testing has required budget makers to inventory and contemplate the feasibility of all potential reserves and contingencies beyond traditional rainy day funds. Having developed this “fiscal toolkit” in advance means that policy makers can avoid crisis-driven decisions in the event of an economic contraction.

The global spread of COVID-19 has pushed mortgage rates to the lowest level on record, 3% or less. Through refinancing or home purchase, these low rates offer an unprecedented opportunity for homeowners and homebuyers to capture sizeable long-term savings on their housing costs. The best strategy for current owners would be refinance with a 15-year low interest mortgage. In this case, the term of the mortgage is shortened while taking advantage of exceptionally low rates.

The economic uncertainty will very likely dampen housing price increases in the short-term. Slower price increases combined with the record low interest rates enhances the economic environment and potential savings for the home buyer. Low mortgage rates will cushion the homebuilding industry from the worst impacts of the global spread of COVID-19.
Be Prepared:

- Be prepared to work remotely.
  - Familiarize yourself with Zoom, Skype, Webex, Microsoft Teams, and other virtual meeting platforms.
  - Provide yourself with sufficient time before a meeting to download the appropriate software, etc.
  - Remember to offer a call-in option for meeting attendees.

- If you get sick or have been in close contact to those who are sick, take time off work and do not attend public events.

- Know the difference between social distancing, isolation, quarantine, and monitoring and think through necessary preparations for each scenario: https://coronavirus.utah.gov/faq/
  - Note: COVID-19 virus has not been detected in drinking water. Most municipal drinking water systems use filtration and disinfection that remove or inactivate the virus that causes COVID-19.¹


Be Informed:

- State of Utah: https://coronavirus.utah.gov/

Personal Health Impacts:²

- People infected with COVID-19 should be considered to be contagious from the day of fever onset until 10 days after fever ends or until laboratory testing shows the patient is no longer contagious.
  - The specific incubation period for this coronavirus is unknown, but coronaviruses typically have an incubation period of 2–14 days after exposure.

- While there is no cure, most people will recover without treatment. The best ways to alleviate symptoms include:
  - Taking pain and fever medications (do not give aspirin to children).
  - Use a room humidifier or take a hot shower to help ease a sore throat and cough.
  - If you are mildly sick: drink plenty of liquids, stay home, and rest.

- Call your doctor if symptoms worsen.³
  - Before you go to a doctor’s office or emergency room, call ahead and tell them about your symptoms and recent travel.

- Remember: Most people recover!

Population Health Impacts:

- People at higher risk of getting very sick from COVID-19 include older adults and people with serious chronic medical conditions like heart disease, diabetes, and lung disease.

Utah’s Population, 2018

<table>
<thead>
<tr>
<th>Age</th>
<th>Total</th>
<th>Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under Age 5</td>
<td>250,315</td>
<td>7.9%</td>
</tr>
<tr>
<td>School Age (5-17)</td>
<td>690,731</td>
<td>21.8%</td>
</tr>
<tr>
<td>Working Age (18-64)</td>
<td>1,879,319</td>
<td>59.3%</td>
</tr>
<tr>
<td>Retirement Age (65)+</td>
<td>346,282</td>
<td>10.9%</td>
</tr>
</tbody>
</table>

Source: Kem C. Gardner Policy Institute

Prevalence of Common Diseases among Utah Adults Age 18 Years and Older, 2018

<table>
<thead>
<tr>
<th>Year</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asthma</td>
<td>7.5%</td>
<td>11.1%</td>
</tr>
<tr>
<td>Chronic Obstructive Pulmonary Disease (COPD)</td>
<td>4.5%</td>
<td>4.3%</td>
</tr>
<tr>
<td>Diabetes</td>
<td>9.6%</td>
<td>8.0%</td>
</tr>
<tr>
<td>Heart Disease</td>
<td>7.9%</td>
<td>4.8%</td>
</tr>
<tr>
<td>High Blood Pressure (2017)</td>
<td>29.7%</td>
<td>21.7%</td>
</tr>
</tbody>
</table>

Note: Age-adjusted data. Heart Disease includes angina or coronary heart disease, a heart attack or myocardial infarction, and stroke.

³ https://healthcare.utah.edu/coronavirus/#whentoseekmedicalcare
POTENTIAL TOURISM IMPACTS
By: Jennifer Leaver, Senior Tourism Analyst

We believe that COVID-19 will have a significant impact on Utah's tourism economy, which supported 136,000 Utah jobs and generated $1.28 billion in state and local tax revenue in 2018. Currently, the majority of Utah ski resorts have closed; groups have canceled conferences, conventions, and trade shows; large event venues, bars, and clubs have shut their doors; and restaurant dine-in options have shifted to takeout or delivery options only. All of these actions are intended to “flatten the curve” by slowing down COVID-19 transmission in Utah.

In 2018, skiers and snowboarders spent $1.7 billion in Utah's economy. Currently, 12 of Utah's 14 ski resorts have either closed or halted operations until further notice. Additionally, 11 groups with a projected combined delegate spend of $57 million have cancelled events that were to be held at Salt Lake County's convention and expo centers, greatly impacting the county's accommodation and foodservice industries. Recreation centers and cultural facilities have closed and canceled upcoming events. Salt Lake and Summit County restaurants and bars have eliminated their dine-in options, which could present a major blow to leisure and hospitality jobs. In 2018, there were a combined 57,511 full- and part-time private accommodation and foodservice jobs in these two counties alone.

Right now, Utah's national parks and state parks remain open but park managers are recommending travelers follow all COVID-19-related precautions. Zion National Park has temporarily suspended its shuttle service, has created virtual visitor centers in lieu of staffed buildings, and has put its wilderness permits online. Utah's rural gateway towns worry about increased visitation in the coming weeks because their communities and hospitals are not prepared to handle a large virus outbreak. So far, no Utah accommodation closures have been announced. But things are changing quickly as the virus spreads.

Finally, there are early indications that international flight cancellations and last-minute travel changes have had a negative effect on hotel occupancy rates and bookings. During this period of uncertainty, we can expect a continued impact on the business of tour operators and local communities who benefit from tourism and event-based visitation. The repercussions are likely to go beyond these first few weeks, including impacts both positive and negative that may arise when consumer confidence rebounds and travel plans are rescheduled. However, it will take time to gather new data and reporting to fully measure the impact this will have on our visitor economy.

POTENTIAL ENERGY IMPACTS
By: Thomas Holst, Senior Energy Analyst

Market supply and demand fundamentals drive global crude oil prices.

On the demand side, the International Energy Agency (IEA) forecasts a crude oil demand drop for the first time since the 2009 economic downturn. Contributing factors are a deep contraction in China's oil consumption plus disruptions to global travel and trade. China has been the world's largest energy consumer over the last decade.

On the supply side, declining crude oil demand created by the COVID-19 virus has caused disputes within the OPEC+ cartel (Russia plus 15 OPEC members). OPEC+ has not reached consensus on crude oil production targets needed to maintain stable crude oil prices. The impasse has forced oil-producing countries to chase dwindling sales outlets, creating downward pressure on crude oil prices that plummeted over 30%.

Within Utah, Uinta Basin waxy crude oil revenues move in tandem with the global benchmark crude oil, West Texas Intermediate (WTI). The Uinta Basin waxy crude will likely continue to move to Salt Lake City refineries because the crude's high paraffin content is an obstacle to pipeline transportation to national and international markets.
Although there are possible negative impacts in other segments of the economy due to COVID-19, the 2020 Census will provide people living in the United States with relatively high hourly wages and temporary employment across the time period likely to be most impacted.

Between March and August of the zero year of each decade, there is a spike in temporary workers in the United States due to the decennial Census. The table below presents the number of employees across the nation for the 1990, 2000, and 2010 censuses. Since this is a nationwide count, these numbers are apparent in Utah as well. In 2010, federal civilian employees increased by over 1,600 between 2009 and 2010.

For the 2020 Census, the Census Bureau has targeted between 2,280 and 3,560 enumerators to be hired. As of March 5, they had received over 16,000 applications for these positions.

Additionally, in 2020 the Census Bureau has agreements in place with the U.S. Departments of Agriculture and Health and Human Services to ensure those participating in assistance programs will not be at risk of losing their benefits or eligibility status.


### Decennial temporary, intermittent workers, employment level, not seasonally adjusted, United States

<table>
<thead>
<tr>
<th></th>
<th>March</th>
<th>April</th>
<th>May</th>
<th>June</th>
<th>July</th>
<th>August</th>
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<tbody>
<tr>
<td>1990</td>
<td>68,000</td>
<td>153,000</td>
<td>335,000</td>
<td>251,000</td>
<td>179,000</td>
<td>81,000</td>
</tr>
<tr>
<td>2000</td>
<td>154,000</td>
<td>181,000</td>
<td>530,000</td>
<td>305,000</td>
<td>232,000</td>
<td>146,000</td>
</tr>
<tr>
<td>2010</td>
<td>87,000</td>
<td>154,000</td>
<td>564,000</td>
<td>339,000</td>
<td>196,000</td>
<td>82,000</td>
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