

2023

ECONOMIC REPORT *to the* GOVERNOR HIGHLIGHTS



PREPARED BY THE
UTAH ECONOMIC COUNCIL

A collaborative endeavor of
David Eccles School of Business and
Governor's Office of Planning and Budget

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2023 Economic Report to the Governor

2022: Resilient and strong with warning signs

2023: Uncertain environment with three plausible scenarios

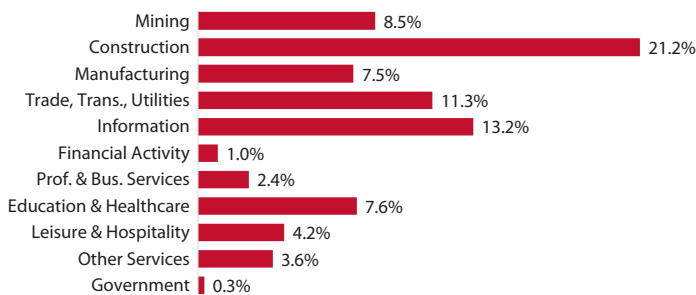
Utah enters 2023 facing significant economic uncertainty as decision-makers continue to grapple with ever-changing pockets of economic strength and weakness. The post-pandemic economy has altered many traditional economic relationships. These economic transformations make accurate predictions challenging because it's unclear if or when old patterns will return, or if new arrangements will chart a different economic course.

Current economic challenges amid an overheated economy include stubbornly high inflation, rapidly rising interest rates, low consumer sentiment, and unmistakable construction and real estate slowdowns. At the same time, many often-underappreciated economic buffers exist. Extremely low

unemployment coupled with improving supply chains and very strong overall household, firm, and state and local government financial reserves combine to provide a hedge against economic challenges that could spiral into a recession. Economic performance in 2023 will depend on economic decisions made in this complex new environment.

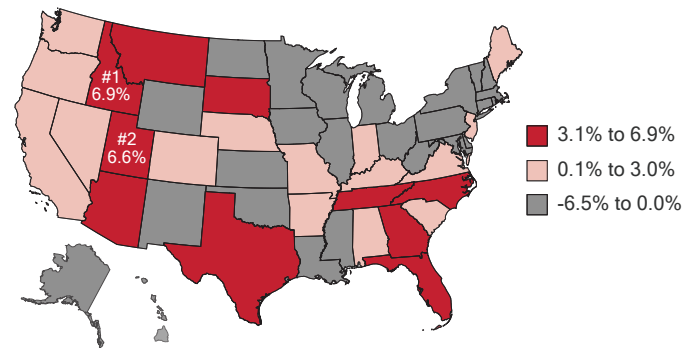
Given recent trends, three economic scenarios seem viable for 2023. Wise decision-makers will prepare to respond to any of the three scenarios by following the indicators, making mid-course corrections, and applying vigilance and caution while still pursuing opportunities.

Utah's Employment Change by Industry, January 2020 – November 2022



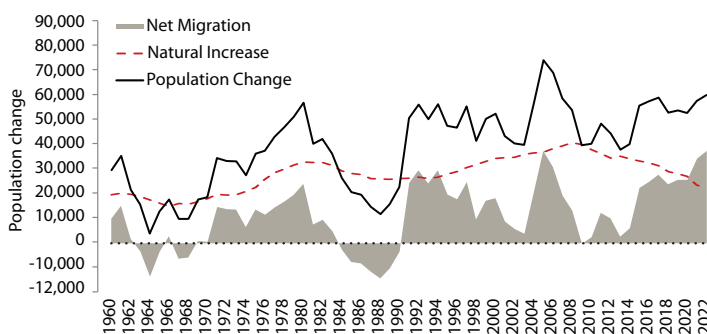
Source: U.S. Bureau of Labor Statistics; Seasonally adjusted

State Pandemic Jobs Recovery, February 2020 – November 2022



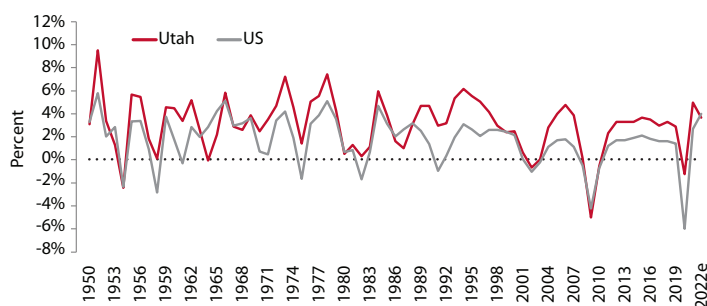
Source: U.S. Bureau of Labor Statistics

Utah Components of Population Change, 1960–2022



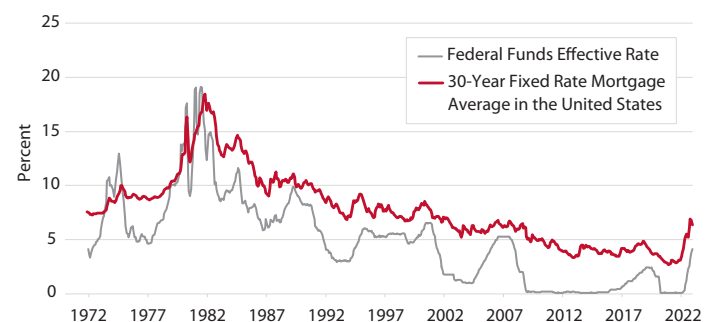
Source: Utah Population Estimates Committee and Utah Population Committee

Annual Average Job Growth Rate in Utah and the U.S., 1950–2022e



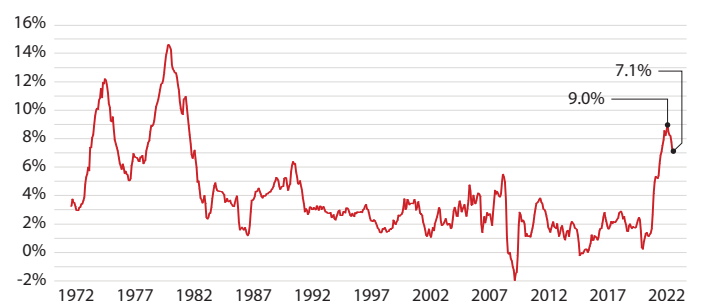
Source: U.S. Bureau of Labor Statistics e=estimate

30-Year Conventional Fixed Rate Mortgage and Effective Federal Funds Interest Rates, 1972–2022



Source: Freddie Mac

Consumer Price Index Year-over Change, 1972–2022



Source: U.S. Bureau of Labor Statistics

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Three Plausible Scenarios in 2023

Scenario 1: Continuing Growth

Inflation recedes, interest rate hikes stabilize, historically high financial reserves and low debt levels prop up consumer spending, employers work to retain employees in light of recent hiring challenges, and international geopolitical and supply chain challenges stabilize, combining to create 2023 real GDP growth in the 2% to 4% range (similar to 2022 Q3 and Q4).

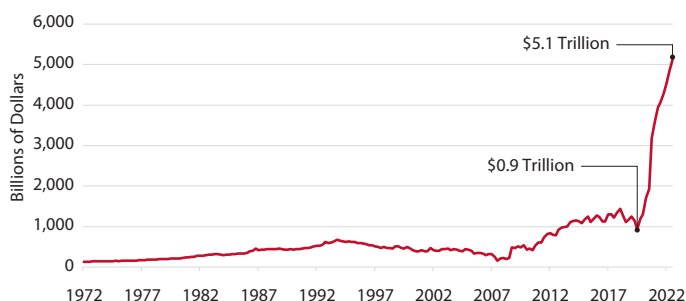
Scenario 2: Shallow Recession

High inflation comes down slowly, continued rapid interest rate hikes drive down consumer and firm demand for large capital acquisitions, sizable construction slowdowns and layoffs extend broadly into other sectors, continued international challenges remain disruptive similar to 2022, resulting in a relatively short (two to three quarters) and mild -1% to 1% change in 2023 real GDP.

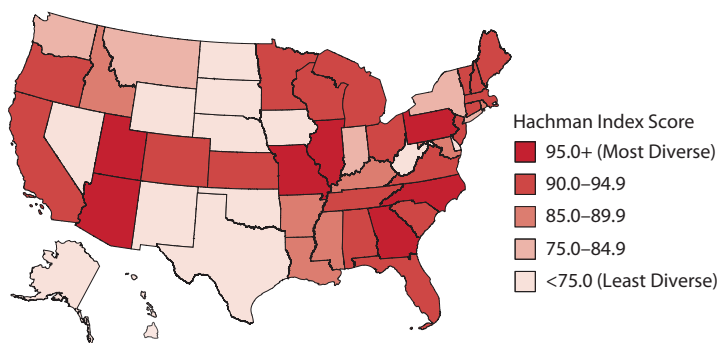
Scenario 3: Decelerating Growth

Inflation moderates somewhat, interest rate hikes continue but slow down, household financial buffers only partially offset broader economic challenges, including layoffs in interest-rate-sensitive sectors such as construction, resulting in 2023 real GDP growth in the 0% to 2% range.

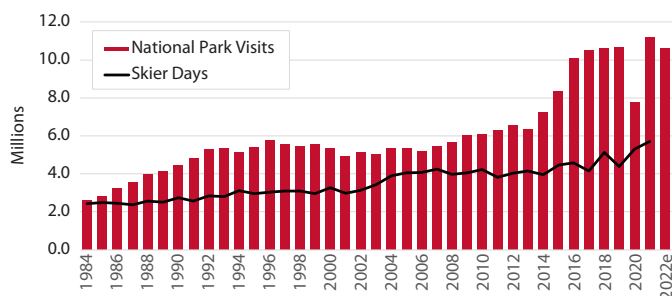
Household and Nonprofit Deposits and Currency Levels, 1972–2022



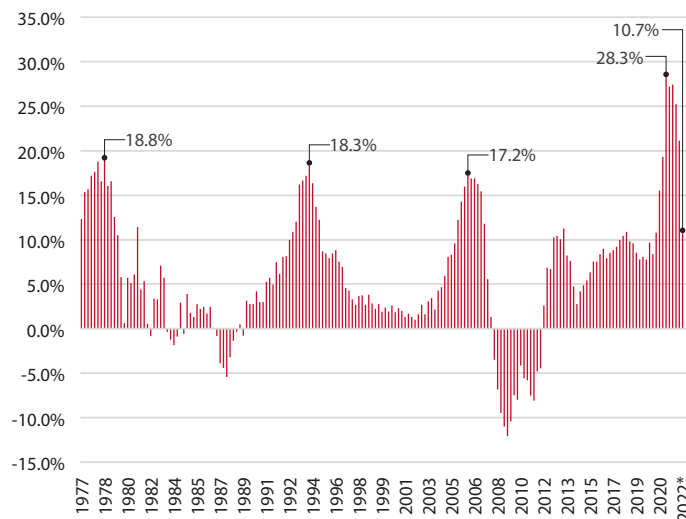
Economic Diversity, 2021



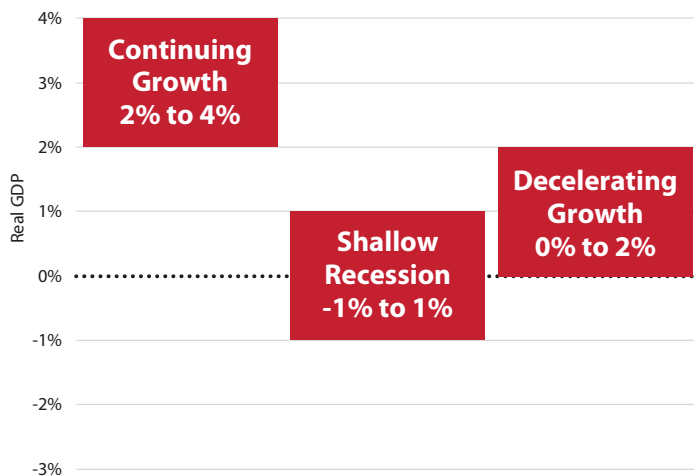
Utah National Park and Skier Visits, 1984–2022e



Year-over Growth Rate in Utah Home Prices (FHFA Index), 1977–2022e



Three Plausible Scenarios in 2023



Utah Economic Council Economic and Business Indicators

Utah and the United States, December 2022

DEMOGRAPHICS	2020 Actual	2021 Actual	2022 Estimate	Percent Change		
				20-21	21-22	
	Utah July 1st Population (Thousands)	3,285	3,344	3,405	1.8	1.8
	Utah Net Migration (Thousands)	26.1	34.9	38.1	–	–
	U.S. July 1st Population (Millions)	331.8	332.2	333.1	0.1	0.3

EMPLOYMENT, WAGES, AND INCOME

Utah Nonagricultural Employment (DWS) (Thousands)	1,539	1,616	1,676	5.0	3.7
Utah Total Nonagriculture Wages (DWS) (Millions)	\$83,223	\$92,010	\$101,958	10.6	10.8
Utah Average Annual Pay (DWS) (Dollars)	\$54,079	\$56,944	\$60,849	5.3	6.9
Utah Unemployment Rate (DWS) (Percent)	4.7	2.7	2.0	–	–
Utah Personal Income (BEA) (Millions)	\$171,385	\$186,991	\$195,707	9.1	4.7
U.S. Establishment Employment (BLS) (Millions)	142	146	152	2.8	4.1
U.S. Total Wages & Salaries (BEA) (Billions)	\$9,457	\$10,290	\$11,164	8.8	8.5
U.S. Average Annual Pay (BEA)	\$66,533	\$70,431	\$73,423	5.9	4.2
U.S. Unemployment Rate (BLS) (Percent)	8.1	5.4	3.7	–	–
U.S. Personal Income (BEA) (Billions)	\$19,832	\$21,295	\$21,752	7.4	2.1

PRODUCTION AND SALES

Utah Real GDP (2012 Chained, Millions)	\$174,955	\$186,910	\$191,186	6.8	2.3
Utah Taxable Sales (Millions)	\$74,731	\$90,105	\$100,407	20.6	11.4
Utah Exports (Millions)	\$17,713	\$18,060	\$15,738	2.0	-12.9
U.S. Real GDP (2012 Chained, Billions)	\$18,509	\$19,610	\$19,983	5.9	1.9
U.S. Total Retail Sales (Billions)	\$6,210	\$7,435	\$8,149	19.7	9.6
U.S. Real Exports (2012 Chained, Billions)	\$2,232	\$2,367	\$2,538	6.1	7.2

REAL ESTATE AND CONSTRUCTION

Utah Dwelling Unit Permits (Units)	31,797	40,144	29,500	26.3	-26.5
Utah Home Price Index (FHFA) (1991Q1 = 100)	540	661	792	22.4	19.8
Utah Residential Permit Value (Millions)	\$6,785	\$8,850	\$7,097	30.4	-19.8
Utah Nonresidential Permit Value (Millions)	\$2,567	\$2,930	\$3,256	14.1	11.1
U.S. Private Residential Investment (Billions)	900.8	1,107.6	1,131.1	23.0	2.1
U.S. Home Price Index (FHFA) (1991Q1 = 100)	290	339	386	16.8	13.8

ENERGY & NATURAL RESOURCE PRODUCTION AND PRICES

West Texas Intermediate Crude Oil Price (Per Barrel)	\$39	\$68	\$96	73.2	40.7
Utah Oil Price (Per Barrel)	\$35	\$61	\$84	74.0	38.3
Utah Coal Price (Per Short Ton)	\$37	\$34	\$37	-8.7	8.8
Utah Natural Gas Price (Per MCF)	\$2.0	\$4.1	\$6.4	109.2	56.1
Utah Copper Price (Per Pound)	\$2.8	\$4.3	\$3.7	51.8	-12.9
Utah Crude Oil Production (Million Barrels)	31	36	43	14.6	21.9
Utah Coal Production (Million Tons)	13.3	12.3	11.0	-7.4	-10.9
Utah Natural Gas Production Sales (Billion Cubic Feet)	243	240	260	-1.1	8.4
Utah Copper Mined Production (Million Pounds)	309	351	353	13.6	0.6

INFLATION AND INTEREST RATES

U.S. CPI Urban Consumers (BLS) (1982-84 = 100)	258.8	271.0	292.8	4.7	8.1
U.S. Federal Funds Rate (FRB) (Effective Rate)	0.4	0.1	1.7	–	–
U.S. 3-Month Treasury Bills (FRB) (Discount Rate)	0.4	0.0	2.0	–	–
U.S. 10-Year Treasury Notes (FRB) (Yield (Percent))	0.9	1.4	3.0	–	–
30 Year Mortgage Rate (FHLMC) (Percent)	3.2	3.0	5.4	–	–

Sources: Utah Economic Council, GOPB, Moody's, Economy.com, and IHS Markit

Utah Economic Council Forecast

2023	2024	Percent Change 22-23	23-24
3,456	3,514	1.5	1.7
26.2	32.9	–	–
334.5	336.1	0.4	0.5

1,709	1,739	2.0	1.7
\$108,075	\$112,615	6.0	4.2
\$63,223	\$64,740	3.9	2.4
2.6	2.7	–	–
\$207,449	\$217,822	6.0	5.0
153	152	0.6	-0.3
\$11,701	\$12,191	4.8	4.2
\$76,502	\$79,987	4.2	4.6
4.5	4.2	–	–
\$22,736	\$23,786	4.5	4.6

\$194,863	\$200,364	1.9	2.8
\$106,432	\$111,327	6.0	4.6
\$16,907	\$17,956	7.4	6.2
\$20,183	\$20,587	1.0	2.0
\$8,308	\$8,476	2.0	2.0
\$2,623	\$2,745	3.4	4.6

22,750	23,500	-22.9	3.3
783	798	-1.2	2.0
\$5,300	\$6,000	-25.3	13.2
\$2,600	\$2,200	-20.2	-15.4
1,009.8	1,090.1	-10.7	7.9
365	362	-5.5	-0.8

\$82	\$82.5	-13.8	0.1
\$75	\$64.0	-10.7	-14.7
\$39	\$35.0	5.4	-10.3
\$5.4	\$4.5	-15.6	-16.7
\$4.0	\$4.1	8.1	2.5
46	48	6.2	4.3
12.5	13.0	13.6	4.0
275	290	5.8	5.5
450	451	27.5	0.2

305.4	314.0	4.3	2.8
4.8	4.3	–	–
4.7	4.0	–	–
3.6	3.3	–	–
6.3	5.6	–	–

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