

localinsights

An economic and labor market analysis of the Uintah Basin



In Depth: **Construction's vital role** in the Uintah Basin economy.

Employment Expands in the Fourth Quarter Ahead of Economic Uncertainty

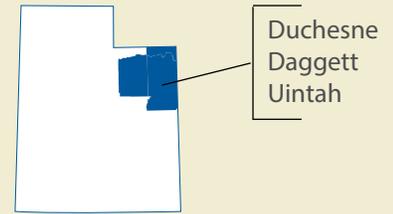
By Tyson Smith, Economist

The Uintah Basin continued to add employment through the fourth quarter of 2014, growing by nearly 4 percent from 2013. Despite the sustained growth trend throughout last year, economic conditions in the Uintah Basin will turn downward in 2015. A high volume of unemployment insurance claims during the first quarter of 2015 corresponding with the rapid decline in oil prices signals that the Basin's economic climate will show an abrupt change when first quarter employment data becomes available.

The Uintah Basin has enjoyed a significant employment increase since early 2010 when new oil-drilling technologies coupled with high oil prices brought a renewed round of Basin-wide economic vitality. Over 3,600 new jobs had been added by the end of 2014. But this round of expansion is destined to cease with the first quarter data. The amount of initial unemployment claims filed in early 2015 are comparable to the levels seen in the early 2009 oil-price slide. That 2009 timeframe saw overall Basin employment fall by 11 percent. The current slide may not be as large as that, but employment setbacks will be significant.

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Duchesne County

- Duchesne County’s job growth in fourth quarter 2014 accelerated by 3.4 percent from 2013, the tenth fastest year-over job growth in the state and half a percentage point faster than the Utah average. In total, the county added an average of 318 jobs from the same period last year. Mining firms — including oil and gas activities — increased by 225 employees, though this industry has shed a significant number of jobs to start 2015.
- The county’s seasonally adjusted unemployment rate jumped six-tenths of a percentage point to 5.9 percentage points in March, 2.6 percent above the state average. In December, the Duchesne County unemployment rate was 4.2 percent. The dramatic increase of 1.7 percentage points is the largest three-month increase since January of 2009, and is the earliest economic indicator of the first quarter 2015 oil-price slide.
- A significant increase in new unemployment insurance claims drove up the unemployment rate. The weekly average of initial claims in first quarter of this year was 46 claims per week, compared to 12 claims per week during the same period in 2014. The oil and gas extraction industry appears to be contracting employment in response to the low oil prices.
- Wages also continued to grow in the fourth quarter of 2014. Year-over average monthly wages increased 3.9 percent. The gains

in wages during fourth quarter pushed the average wages in the county to \$4,204, nearly \$500 per month above the Utah average. Wages may skew even higher in 2015 as less tenured and less senior employees in high paying industries get laid off.

- Taxable sales in Duchesne increased by 3.8 percent from the fourth quarters of 2013 to 2014, settling at \$229.3 million. Taxable sales in mining, quarrying, and oil and gas increased by just over \$4.6 million (43 percent) from fourth quarter 2013, the largest percent increase in any industry with at least \$1 million in taxable sales.

Uintah County

- Fourth quarter payroll employment in Uintah County grew 4.5 percent year-over-year. The county’s growth ranked seventh among Utah’s counties. Goods-producing industries contributed 319 new jobs to the county, an increase of 7.6 percent. Construction employment jumped 30.2 percent from the previous year, adding a quarterly average of 272 jobs. However, the construction industry will be adversely affected by the economic struggles in the oil and gas industry in 2015’s first quarter.
- Like Duchesne, Uintah County has experienced a significant increase in its unemployment rate. Over the last six months, the seasonally adjusted rate has increased from 3.5 percent to 5.2 percent. The number of unemployed workers in the

current events

WORK BEGINS ON U.S. OIL SANDS PLANT

U.S. Oil Sands Inc. began field work last week for an oil processing plant in an area about 78 miles south of Vernal at the end of the newly paved Seep Ridge Road. U.S. Oil Sands Corporate Development Manager Jack Copping said the project will create 75 to 100 jobs initially, which includes contractors. — *Vernal Express*

INTEGRATED ENVIRONMENTAL TECHNOLOGIES TO PROVIDE EXCELYTE TREATMENTS TO UINTAH BASIN WELLS

On May 11, Integrated Environmental Technologies, Ltd. announced that it is currently providing Excelyte well maintenance treatments on 174 oil wells to four customers in the Uintah Basin and New Mexico. The company estimates that there are approximately 5,000 oil-producing wells in the Uintah Basin that could benefit from Excelyte maintenance treatments. — *IT Business Net*

STRATA EXPANDS FIBER COMMUNICATIONS SYSTEM

Over the past 10 years STRATA has laid a substantial amount of fiber connecting approximately 3,000 homes and businesses throughout the Uintah Basin. Currently, STRATA is working on four fiber distribution areas that include between 100 and 150 connections per section this year in the Vernal area and have four more scheduled for next year. In Roosevelt there are three areas slated for this year and three additional ones next year. — *Vernal Express*

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TESORO PUT UINTAH EXPRESS PIPELINE ON HOLD

Tesoro announced Friday that its plans for a 135-mile heated, crude oil pipeline that would cut through the heart of Kamas Valley and bisect two major rivers are on indefinite hold due to “unfavorable market conditions,” such as cheap crude oil and even cheaper natural gas. New technology would have allowed Tesoro to convey an estimated 60,000 barrels of the thick, waxy crude from the Uintah Basin to the company’s refinery in Salt Lake City.

— *Deseret News*

LOW WATER LEVELS POINT TO DRY SUMMER

A relatively dry winter will likely put conservation pressure on household, businesses and agriculture in the Uintah Basin this year. A summary for the state shows that 70 percent of all snow measurement sites in Utah had no snow as of May 1. Even those that had snow didn’t have much, and the Natural Resources Conservation Service predicts that what they have won’t last long. The Duchesne River Basin is fairing far worse this year than last year. The average snowpack in the area is only 31 percent of normal.

— *Uintah Basin Standard*



For more current events:
<http://utaheconomyuintahbasin.blogspot.com>

county has risen by 270 people over the last six months.

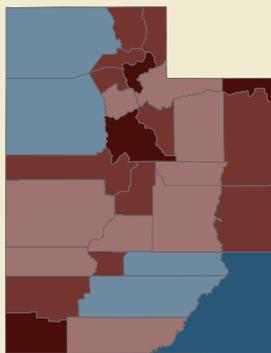
- Rapidly increasing initial unemployment claims in the first quarter 2015 are moving up the unemployment rate. The county’s economy relies heavily on an active oil and gas extraction industry. Falling oil prices have spurred caution in the industry and forced the closure of 74 percent of the rotary rigs in the region.
 - Average monthly wages in the fourth quarter increased 4 percent from 2013. Uintah County’s wage growth was slightly below the Utah average during fourth quarter 2014, but the average monthly wages paid in the county were \$587 more than the Utah average of \$3,705 per month. The majority of that difference can be linked to high paying jobs for oil and gas workers.
 - Uintah County’s year-over change in taxable sales increased 8.9 percent, only the second annual increase since fourth quarter 2012. Fourth quarter 2014 taxable sales in the county were \$388.7 million, compared to \$357 million in fourth quarter 2013. Wholesale trade of durable goods — the industry with the largest taxable sales — increased \$21.3 million.
- of growth. Fourth quarter employment grew by 6.3 percent or 23 total jobs. Retail trade employment accounted for the vast majority of job gains at the end of 2014.
- The job growth at the end of the year translated into falling unemployment rates in the county. Over the last six months, the seasonally adjusted rate fell from 4.5 percent in October to 4.1 percent in March. However, Daggett County’s unemployment rate continues to be higher than the state average.
 - The minuscule initial unemployment claims in Daggett County reflect the small labor force. It is difficult to glean any definitive trends from the initial claims data, because the numbers are so small. With that said, there was a small increase in the average number of weekly claims in the first quarter of 2015.
 - The increase in employment did not render an increase in wages. In fact, average monthly wages fell 10.7 percent. This is likely because the employment increase came in the retail trade industry, which traditionally employs low-paid, part-time labor.

Daggett County

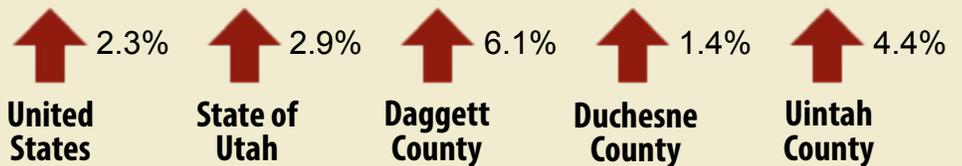
- Daggett County experienced the best quarterly year-over payroll employment growth since 2010. Since 2011, total employment has contracted with only the occasional month

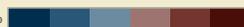
Uintah Basin Economy

..... at a glance

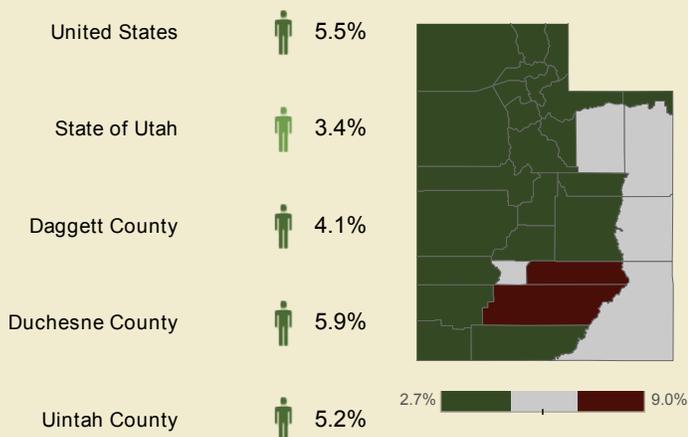


Year-to-Year Change in Nonfarm Jobs Dec. 2014

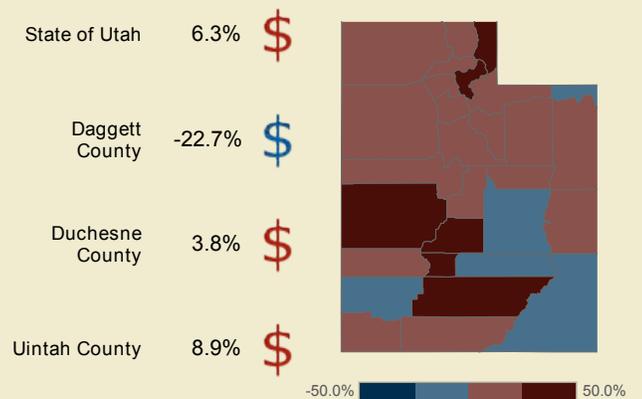


-7.0%  7.0%

Seasonally Adjusted Unemployment Rate March 2015



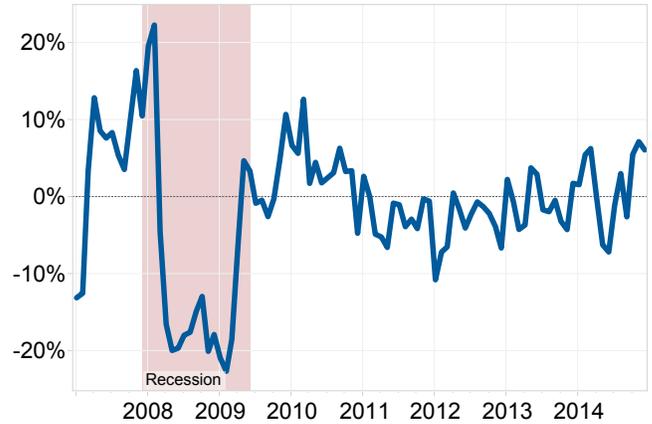
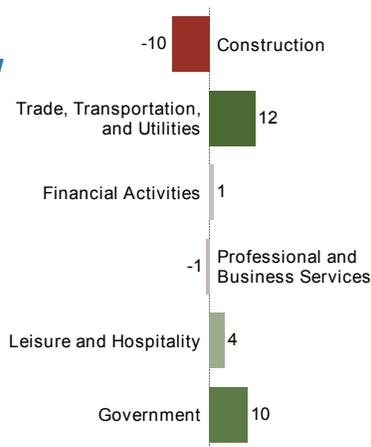
Year-to-Year Change in Gross Taxable Sales 4th QTR 2014



Daggett County

Job Growth
Dec. 2014

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21



Duchesne County

Job Growth
Dec. 2014

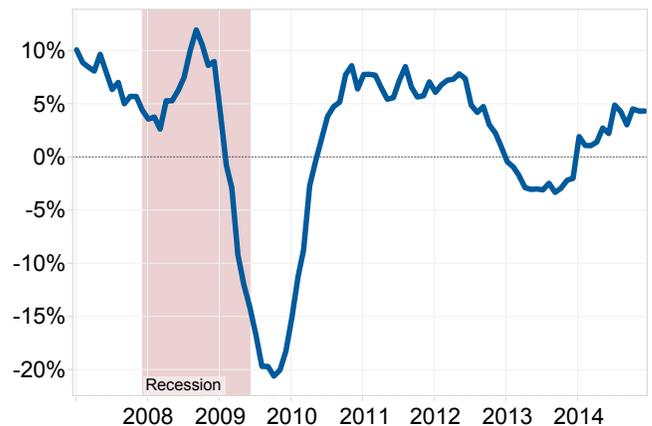
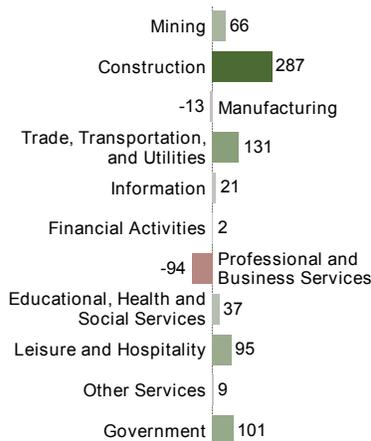
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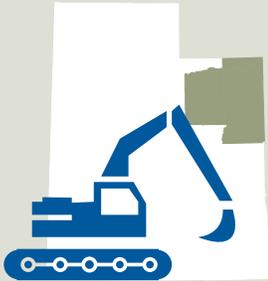


Uintah County

Job Growth
Dec. 2014

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642





Construction Activity in the Uintah Basin Strong for the Third Consecutive Year

By Tyson Smith, Economist

The Value of Construction Data

The health of an economy can be assessed using several indicators. The Utah Department of Workforce Services generally uses labor market information to evaluate economic conditions. However, it would be naive to believe that the entire economic story can be told using labor data alone. In order to better understand the Utah economy, Workforce Services also reviews data that is unrelated to employment.

The Utah Construction Information Database, hosted by the Bureau of Business and Economic Research (BEER) at the University of Utah, has collected building permit data for nearly all Utah cities and counties since 1958, and the monthly data have been electronically formatted from January 1994 to December 2014. The database includes 10 tables that detail the number of approved construction permits and the monetary value of the permitted construction projects.

Construction activity represents an important aspect of the economy, and in many cases permit volume acts as a leading indicator for economic expansion or contraction. For example, prior to the Great Recession, permit volume and values dipped noticeably across the state and nation.

New nonresidential construction corresponds with business sentiment. If businesses are confident in the economic outlook they will invest in capital assets like new production plants and warehouses. Businesses also respond to new residential construction by building shopping centers, grocery stores and government service buildings to support the growing population.

Overall, construction investments correspond with economic expansion, while stagnation in construction activity often foreshadows sluggishness in the market.

Construction Permits in the Uintah Basin

In 2014, a total of 895 construction permits were awarded in the Uintah Basin, the most in a calendar year since 2008. Historically, last year's permit volume has only been surpassed by the three-year period leading up to the Great Recession, when an average of 1,125 construction projects received permits. The number of construction permits in the region fell 57.8 percent from the peak of the housing bubble in 2006 to the bottom of the construction swoon in 2010, while the non-inflation adjusted value of those permits fell 54.4 percent over the same time from \$165.8 million in 2006 to \$75.6 million in 2010.¹

In comparison, the number and value of permits issued statewide fell slightly less dramatically (44.3 percent and 56.3 percent, respectively) from 2006 to 2010. However, the increased number and value of permits from 2013 to

Figure 1. Uintah Basin Residential vs. Nonresidential New Construction



2014 was proportionately more impressive in the Uintah Basin than it was for Utah as a whole. The number of authorized construction permits in the region grew 13.9 percent (5.9 percentage points faster than the state average) and the monetary value of those permits jumped 25.9 percent (14.5 percentage points faster than the state average).

Over the last four years, the number of new nonresidential permits issued has been up and down, fluctuating between 154 and 287 permits per year. In the 14 years between 1994 and 2007, the number of nonresidential permits averaged approximately 146 per year, about 60 fewer than the last four years. The total construction value of the new nonresidential permits given out in 2014 was \$81.9 million, which was up an extraordinary 145.7 percent from 2013, compared to the total number of nonresidential permits increasing only 8.6 percent over the year.

The number of construction permits authorized for new residential projects has also been inconsistent since the recovery began. In 2011 and 2012, new residential construction permits jumped 86.4 and 66.9 percent, respectively, from the previous years before falling back 33.6 percent from 2012 to 2013. The number of new residential permits authorized last year (458) was relatively unchanged from 2013. The value of new residential permits in the region declined slightly from the previous year, falling from \$90.1 million in 2013 to \$85.6 million in 2014.

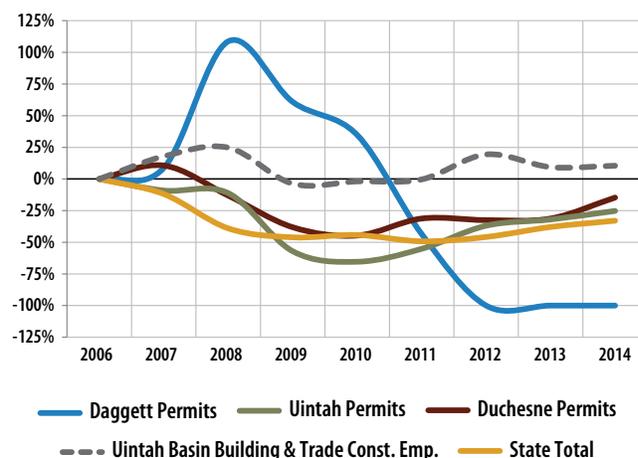
Together, 2009 and 2010 represent the least active new residential construction years since 1994, highlighting the negative impact the housing bubble and the recession had on the housing market.

Construction Employment in the Uintah Basin

It is worth noting the regional trend in construction employment when discussing an area’s building permit activity. Figure 2 captures the percent change in regional building and specialty trade construction employment and county construction permits from 2006 to 2014.

The recession negatively impacted construction activity in the Uintah Basin. Yet, Figure 2 shows that the economic contraction had a larger long-term effect on building permits than it did on construction employment. In total, regional employment in the construction of buildings and the specialty trade contractors industries was up about 122 employees, or

Figure 2. Change in Total Construction Permits by County since 2006



10.5 percent, from 2006 to 2014, while construction permits were down 23.8 percent over the same period.

Despite the strength in construction activity in the region in 2014, other economic indicators at the beginning of 2015 suggest that the Uintah Basin economy is contracting. It is unlikely that construction permits could have predicted the abrupt change in crude oil and gas prices that are negatively impacting growth in the region, and it will be interesting to see how construction activity responds to the current economic conditions in the coming months.

¹Permit values not adjusted for inflation.



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Construction Permitting is an Economic Indicator

By Mark Knold, Supervising Economist

Shelter is one of humanity's basic needs. That is why housing is everywhere. Since housing is so ubiquitous, it becomes an important component in an economy's foundation, and as such becomes an economic indicator.

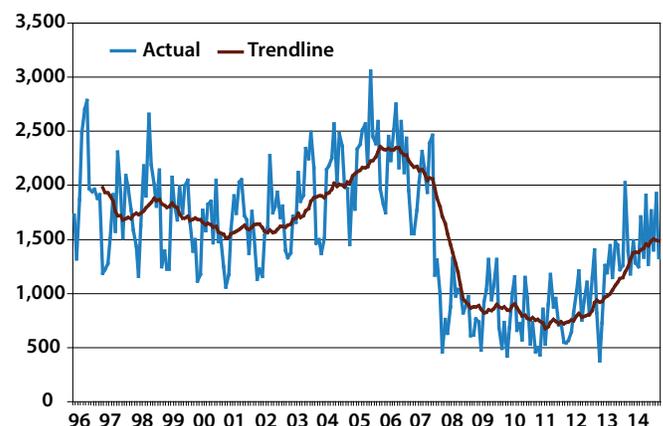
In this issue of Local Insights, we look at the demand for housing structures, the amount of housing permits and their history, and how this history shows that housing demand follows the ups and downs of a region's economic performance. In evaluating the volume of housing permits, we also parallel the health and vitality of the local economy.

People need jobs that supply them income in order to afford housing. Jobs are not the only factor, as things like affordability and the ability to obtain lending also play their part in housing demand. But the foundation of housing demand is the health of the job market.

The graph shows Utah statewide housing permits. A trend of normal permitting activity is evident from 1996 through 2004. Permits rose during the pre-Great Recession boom, then became lethargic for the seven

years following. It is just recently that the volume of permit activity is again approaching something normal. That in itself is an economic indicator of an improved Utah economy.

Utah Residential Dwelling Unit Approvals per Month
 1996 – 2014



Source: Bureau of Economic and Business Research, University of Utah; April 2015
<http://bebr.business.utah.edu/page/utah-construction-information-database-tables>