

localinsights

An economic and labor market analysis of the Wasatch Front North



In Depth: **Construction's vital role** in the Wasatch Front North economy.

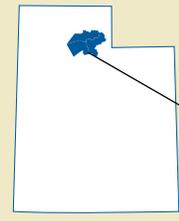
Wasatch Front North Ends 2014 with Strong Economic Performance

By Matt Schroeder, Economist

The Wasatch Front North region ended 2014 on a very positive note. Wages, which have been slow to keep up with the rest of the recovering labor market, finally turned a corner. Average monthly wage growth accelerated to at least 3.5 percent in every county in the region. Taxable sales were up more than 5 percent in every county with particular strength in retail markets suggesting that consumer confidence continues to build. Motor vehicle sales were particularly strong thanks in part to falling oil prices. Unemployment rates remained low and initial unemployment insurance claims have fallen to pre-recession levels. Employment growth was strong, either consistent or accelerating, and relatively broad-based. Overall, the roots of recovery appear to be firmly set in the region and the Wasatch Front North's economic performance at the end of 2014 leaves continued optimism for 2015 as the rational expectation.

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wasatchfrontnorth



Weber
Morgan
Davis

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Davis County

- Davis County added 3,734 new jobs at a year-over rate of 3.3 percent in fourth quarter 2014, contributing nearly 10 percent of 38,000 new jobs created in Utah since fourth quarter 2013.
- Job growth was broad-based across most industries in fourth quarter 2014 for Davis County. The construction and manufacturing industries were notable, generating 873 and 614 new jobs, respectively. Construction, in particular, showed impressive growth of more than 11 percent and contributed 23 percent of the total job gains for the county despite accounting for only 7 percent of total employment.
- Davis County's unemployment rate remained low at 3.2 percent in March 2015. This is 0.5 percentage points below the March 2014 rate and slightly below the state average of 3.4 percent.
- Initial claims for unemployment insurance averaged fewer than 110 per week as of the first week of April 2015 in Davis County. The levels are continuing to approach pre-recession levels, which in 2007 were about 95 per week at the same time of year.
- Davis County wages picked up to 5.5 percent year-over growth in fourth quarter 2014 outpacing the statewide increase of 4.3 percent and nearly hitting the \$3,500 per month mark. Since the recession, wages have been slower to recover, so the upturn is welcome news. Seven of 11 major industry sectors posted year-over growth of 5 percent or higher.

- Taxable sales in Davis County grew 6.9 percent year-over in fourth quarter 2014, reaching more than \$1.2 billion. The retail motor vehicles industry was the largest contributor to growth with more than \$10.7 million in additional taxable sales compared to fourth quarter 2013. The mining, quarrying, oil and gas extraction industry was also a notable contributor, increasing sales by \$8.1 million the year-over.

Morgan County

- Morgan County was the fastest growing county in Utah posting strong 6.8 percent year-over growth and adding 128 jobs in fourth quarter 2014.
- The high rate of employment growth was driven by the professional, scientific and technical services industry, which increased 37 percent adding 47 of the 128 new jobs in Morgan County over the year since fourth quarter 2013. The mining industry was also a significant contributor, adding 30 new employees year-over.
- Morgan County posted the second lowest unemployment rate in the state at 2.8 percent in March 2015, down 0.7 percentage points from last year.
- Initial unemployment claims in Morgan County remained at about four per week on average in the first week of April 2015.
- Morgan County wage growth improved to 3.6 percent year-over in fourth quarter 2014 after growing just 1.9 percent in third quarter. At \$3,146 per

currentevents

FUNDING PLANS MAY MAKE U.S. 89 MORE LIKE A TRUE FREEWAY

Davis County's U.S. 89 may soon become more like a true freeway under plans released by the state Transportation Commission. The plan calls for \$275 million through 2021 to convert U.S. 89 into a near-true freeway between Kaysville's Main Street and Interstate 84.

— *Salt Lake Tribune*

UTAH DOWN 900 IRS JOBS SINCE 2011

The IRS, one of the largest employers in Weber County, has reduced its employment in Utah by more than 900 since 2011, according to the National Treasury Employees Union.

— *Standard Examiner*

LEVOLOR DOWNSIZING IN OGDEN — 170 JOBS TRANSFERRED TO MEXICO

The window blind manufacturer in Ogden will transfer 170 jobs to Mexico, as its parent company Newell Rubbermaid undergoes supply chain changes.

— *Standard Examiner*

RISING FUEL PRICES ARE RESTRAINING CONSUMER CONFIDENCE

Consumers are expecting gas prices to continue to increase which caused the Zions Bank Utah Consumer Attitude Index to fall 8.8 points in April. However, consumers gauge the current employment outlook as strong and a high percentage of Utahns consider business conditions in their area as either good or normal. The index in April 2015 was 2.7 points higher than its level at the same time in 2016. — *KSL*

WASATCH FRONT NORTH BENEFITING FROM SUNNY OUTLOOK ON UTAH TOURISM

Tourism is picking up around the state, according to a report by the Bureau of Economic and Business Research (BEBR), and Utah's northern counties are benefiting. During the rest of 2015, BEBR forecasts 3 to 4 percent increases in tourism-related jobs and wages and 6 to 8 percent increases in tourism-related sales and tax revenues.

— *Standard Examiner*

AAA BRINGING ALMOST 600 JOBS TO CLEARFIELD

AAA announced plans to open a new call center in Clearfield that will bring nearly 600 new jobs by January 2016.

— *Deseret News*

KELLOGG TO CLOSE CLEARFIELD PLANT AND LAY OFF 200 WORKERS

Kellogg Co. is planning to shut down its plant inside the Freepoint Center and lay off some 200 workers by the end of November 2015. — *KSL*

ORBITAL ATK CUTS 61 JOBS — SOME IN UTAH

Defense contractor Orbital ATK has laid off 61 workers from the propulsion systems department in divisions located in Alabama, Florida and Utah.

— *Deseret News*



For more current events:

<http://utaheconomywfnorth.blogspot.com>

month, the average monthly wage remains below the state average of \$3,705, but accelerating growth is a positive sign. One industry of note was construction, which employs about 16 percent of the workers in Morgan County, where wages grew by 11.7 percent.

- Taxable sales in Morgan County were up 26 percent year-over reaching \$25.9 million, after sales of \$20.5 million in fourth quarter 2013. The manufacturing industry was by far the largest contributor, growing from \$1.2 million in fourth quarter 2013 to \$3.5 million in fourth quarter 2014, almost a 200 percent increase.

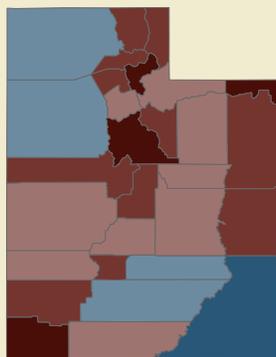
Weber County

- Weber County employment growth picked up a bit to 3 percent year-over in fourth quarter 2014, adding 2,842 new positions after growing just 2 percent in third quarter. This is the first time in a year and a half that Weber County has broken 3 percent employment growth.
- Job growth in Weber County was widespread with 10 of 11 industry sectors experiencing positive growth in fourth quarter 2014. Trade, transportation and warehousing, professional and business services, manufacturing and construction, were all major contributing industries adding 574, 538, 498, and 457 new jobs, respectively. The uptick in growth was driven by the services sector where all eight service-providing industries posted higher employment growth rates than in the previous quarter.
- Weber County unemployment dropped slightly to 3.9 percent in March 2015. The rate has not been this low since June 2008, and has fallen 0.6 percentage points since March 2014, but it still remains higher than the state unemployment rate of 3.4 percent.
- Initial unemployment claims in Weber County averaged less than 115 per week as of the first week of April 2015. This represents a full return to pre-recession levels.
- Weber County wages accelerated to 3.9 percent year-over growth in fourth quarter 2014, after growing just 1.7 percent in the third quarter. The average monthly wage level came in at \$3,218. Wages are improving across all industries, but the construction and professional, scientific and technical services industries showed particular strength with respective increases of 8.3 and 7.7 percent.
- Taxable sales in Weber County for fourth quarter 2014 reached \$980 million, an increase of 5.4 percent over fourth quarter 2013. Retail food and beverage stores and retail motor vehicle dealers were the largest contributors, adding \$7.7 million and \$6.1 million, respectively.

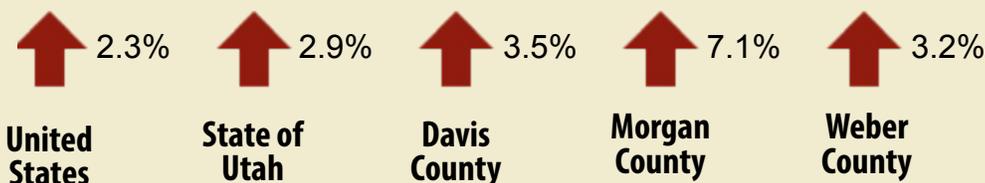


Wasatch Front North Economy

at a glance

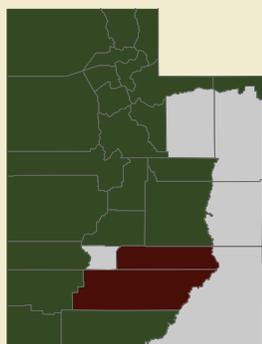
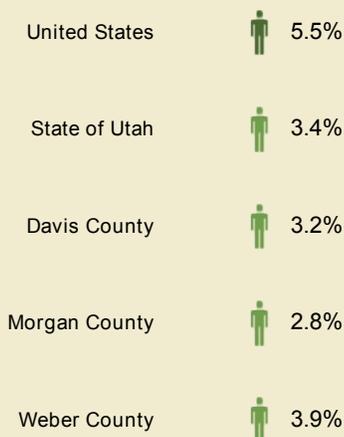


Year-to-Year Change in Nonfarm Jobs **Dec. 2014**



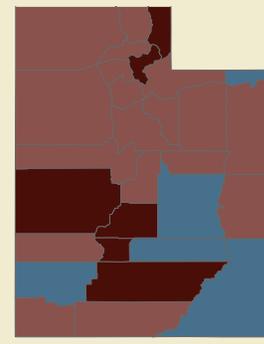
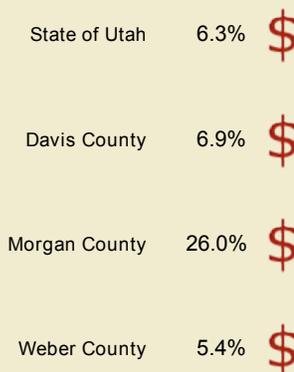
-7.0%  7.0%

Seasonally Adjusted Unemployment Rate **March 2015**



2.7%  9.0%

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



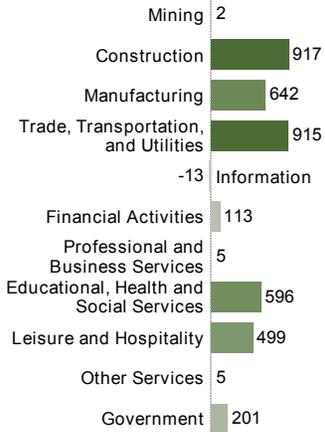
-50.0%  50.0%

Davis County

Job Growth
Dec. 2014



3,879

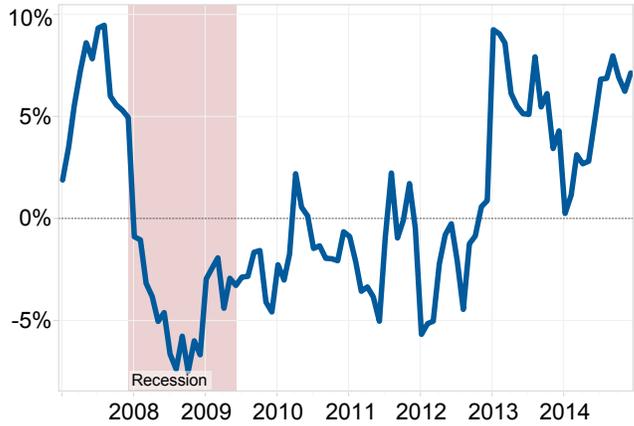
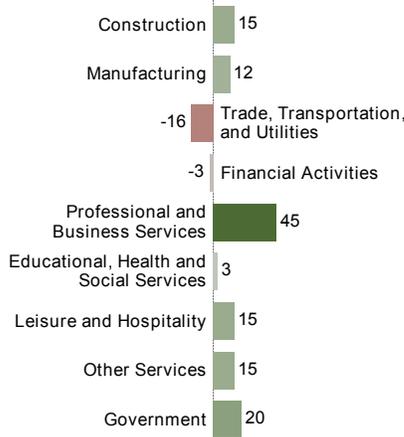


Morgan County

Job Growth
Dec. 2014



133

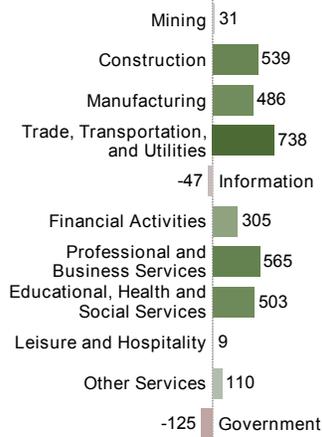


Weber County

Job Growth
Dec. 2014



3,100





Housing Permits Signal Potential Slowdown in the Wasatch Front North

By Matt Schroeder, Economist

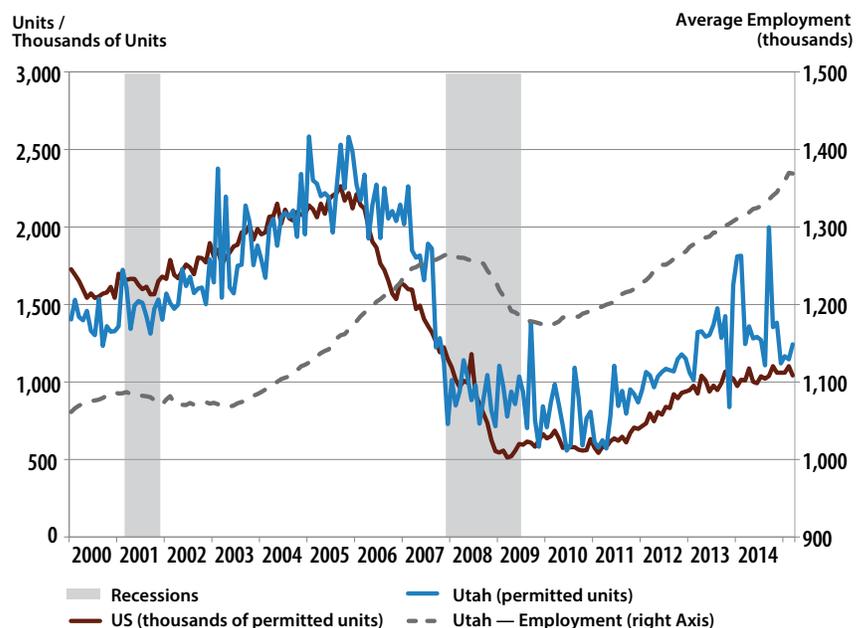
Every month the Conference Board, a multi-national business research organization, releases an update to the U.S. Leading Economic Index (LEI). The LEI is a composite measure, combining 10 different indicators that tend to foretell the near-future of the overall economy. Component indicators include data on manufacturing activity, consumer confidence, labor demand, stock market trends and construction permits. In March 2015, the index increased just 0.2 percent, which the Conference Board notes, “[...] still points to a moderate expansion in economic activity, [however...] its slowing growth rate over recent months suggests weaker growth may be ahead.”

In March, it was housing construction permits that were the largest drag on the growth of the LEI. The red line in Figure 1 shows the number of newly permitted housing units each month in the U.S., and the rate at which they are being issued has been slowing for the last couple of years. Immediately following the 2008–2009 Great Recession, permits held relatively flat as recovering households moved back into homes that had been left vacant, but in 2011, the “pent-up” demand for housing started to apply upward pressure on the market for new housing. From the beginning

of 2011 through the end of 2013, U.S. housing permits picked up steam, growing at an average rate of more than 26 percent, but since that time the rate has slowed considerably. In 2014, new housing permits in the U.S. grew just 4.4 percent and in March 2015 the year-over rate was down to 3.2 percent. Utah has experienced a similar slowdown since the initial recovery.

The solid blue line in Figure 1 represents Utah’s new housing permits. Despite the large month-to-month swings (which we expect given Utah’s relatively small size), the underlying longer-term trend is evident. After averaging more than 26 percent growth from the beginning of 2011 through the end of 2013, Utah’s new housing permits slowed to 11

Figure 1. New Private Housing Units Authorized by Building Permit, Seasonally Adjusted



Source: US Census Bureau; Building Permits Survey / Bureau of Labor Statistics

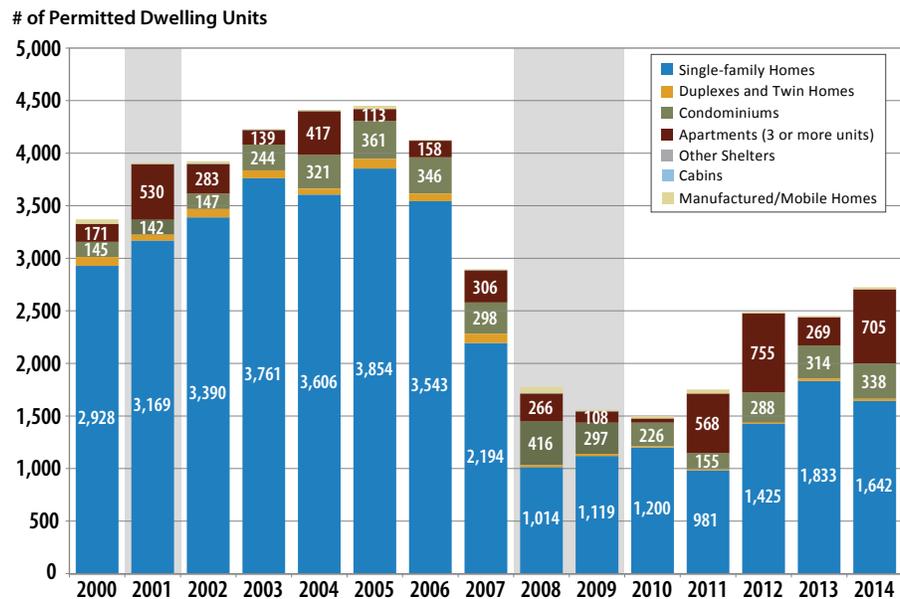
percent growth in 2014, and so far in 2015 they have actually dropped into contractionary territory.

New housing permits are included in the LEI for a reason: they have a pretty good track record of foretelling the long term trends of the broader economy — just compare the solid blue permits line in Figure 1 to the dashed line which represents Utah’s overall employment. The current slowing trend in new housing permits does not necessarily mean that Utah’s employment will follow suit, but it certainly raises a red flag. Add to it the likelihood of the Federal Reserve increasing interest rates in the next year, which will put upward pressure on mortgage rates and further slow demand for new housing, and it’s hard to be too optimistic about Utah maintaining the robust level of growth that we’ve been seeing for the last several years.

At a regional level, the Wasatch Front North is experiencing a very similar trend. In 2011, new housing unit permits rebounded more than 16 percent as the rest of the state was also beginning to recover. But a closer look at Figure 2 reveals that this was primarily due to a big increase in the number of permitted apartment units. Prior to the recession, apartments accounted for about 10 percent of new housing unit permits on average, but in 2011 that share tripled to more than 30 percent. Increased demand for apartments is a good sign in that households are doing well enough to live on their own, but it is also an indication that fewer households are in a position to own their homes.

According to Census data, about 88 percent of Utah’s housing units in structures with three or more units are rented, so an increase in

Figure 2. Wasatch Front North New Residential Housing Unit Permits by Type of Structure



Source: Bureau of Economic and Business Research - University of Utah

demand for apartments is akin to an increase in rental demand, which does not really suggest economic strength. For a smaller region like the Wasatch Front North, it may be more informative to look at the demand for single-family homes, which are owner-occupied some 86 percent of the time in Utah.

Follow the blue portion of each bar in Figure 2. Prior to the recession, single-family homes comprised over 80 percent of new housing permits issued each year in Wasatch Front North, but that share dropped to 56 percent in 2011. From 2011 through 2013, permits for single-family homes were recovering nicely, at an even faster rate than Utah and the rest of the country, averaging 37 percent annual growth in the Wasatch Front North. But in 2014 they fell sharply

and apartment unit permits ticked up once again.

It is important to note that there are plenty of other reasons to be relatively optimistic about the future of the Wasatch Front North’s economy. Low unemployment and a tightening labor market have been putting upward pressure on average wages, which are finally starting to show signs of improvement. Employment growth is continuing its upward trend and taxable sales have been strong in recent months. If we were to build an LEI for the region, it would have many other components that might tell a different story, but the new housing permits data should serve to temper our expectations a bit.



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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.

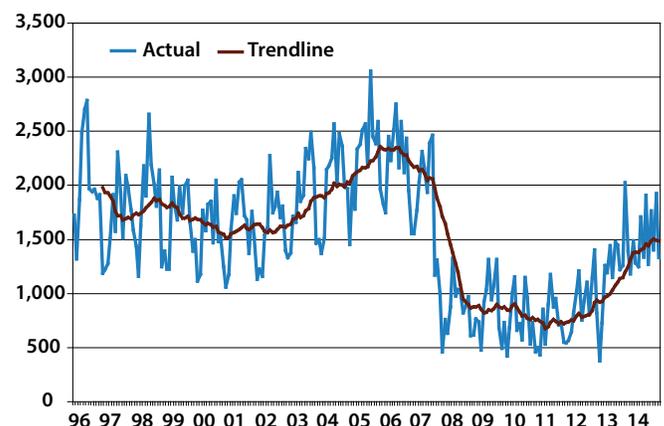
In this issue of Local Insights, we look at the demand for housing structures, the amount of housing permits and their history, and how this history shows that housing demand follows the ups and downs of a region's economic performance. In evaluating the volume of housing permits, we also parallel the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