

localinsights

An economic and labor market analysis of the Wasatch Front South



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

Current State of the Economy in Wasatch Front South

By Jim Robson, Economist

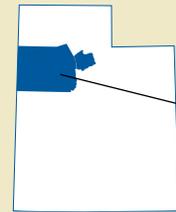
The Wasatch Front South Service Area labor market ended 2014 with year-over job growth in December of 2.2 percent. The region's unemployment rate was a healthy 3.5 percent in the fourth quarter of 2014. There was job growth across all major industrial groups with two exceptions, mining and manufacturing. In 2014, the region marked its fourth complete year of expansion and labor market improvement since the end of the Great Recession.

For Salt Lake and Tooele Counties, the continuing healthy job growth and labor market will characterize economic conditions during 2015, with new jobs expected to increase about 2.7 percent for the year, adding 17,700 positions. Total 2015 payroll employment should average about 672,100. Substantial job increases are expected from professional, scientific and technical services, administrative support, trade, financial activities and education.

The improving labor market brought down the unemployment rate to average 3.7 percent in 2014. In the first quarter of 2015 unemployment averaged 3.3 percent and will likely continue to range between 3 and 3.4 percent through 2015.

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wasatchfrontsouth



Tooele Salt Lake

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Salt Lake County

- Year-over job increases continue across 15 of 19 industrial sectors with overall nonfarm payroll employment increasing by 2.2 percent from December 2013 to December 2014. The net new jobs from the past year added to the four-plus years of recovery since the employment trough of the recent recession.
- Average employment in 2013 was 624,320 and 639,395 in 2014, an increase of 15,075 jobs or 2.4 percent. There were 656,221 nonfarm payroll jobs reported by employers in December 2014, which includes the temporary employment surge of the holiday season.
- From December 2013 to December 2014, the most new jobs are being created in professional, scientific and technical services, construction, trade, finance and insurance, and food services.
- Within professional, scientific and technical services, 3,265 new job opportunities were concentrated in computer systems design, accounting and bookkeeping, management and technical consulting, and architectural and engineering services.
- The 2,279 new construction jobs were spread across commercial, residential and industrial activities. Residential building permits increased by 16 percent to 6,066, the highest number of permits since 2006.
- Four industries shed jobs from December 2013 to December 2014. Transportation and

warehousing declined by 512 positions with most reductions found among truck and air transportation.

- Mining employment was down by about 156 jobs with the effects of declining oil prices being manifest in oil and gas support activities. Manufacturing and information had reductions of 89 and 85 jobs respectively.
- In the fourth quarter of 2014, there was a net increase of 3.5 percent in worksites within Salt Lake County. This increase of 1,381 units brought the total count of worksites to 41,156.
- The seasonally adjusted unemployment rate in the county has lessened from 3.9 percent in March 2014 to 3.2 percent in March 2015. Since March 2014, the number of unemployed residents has declined from about 22,150 to 18,900. Initial claims for unemployment benefits are at their lowest level in five years.
- The stabilization, improvement and expansion in the Salt Lake county labor market since mid-year 2010 have been reflected in the gross taxable sales figures. For 19 consecutive quarters, starting in the second quarter of 2010 and going through the fourth quarter of 2014, the county's year-over change in sales tax collections has been positive. The fourth quarter 2014 year-over taxable sales were up 6 percent.

Tooele County

- Tooele County's own job recession continued through the end of 2014 with year-over job losses of 297 for the 12 months

currentevents

AIRGAS CUTS RIBBON ON NEW UTAH LOCATION

Airgas brass and community officials cut the ribbon to the company's new manufacturing plant in Tooele County. The new 20,000-square foot facility will be used for making high-purity and precision-blended specialty gases, to be used in functions such as research and commercial laboratories, manufacturing and environmental monitoring. Fourteen people have been hired to work in the new plant so far, and a total of 25 are slotted to eventually staff the fuel plant and laboratory facility.

— *Utah Business Magazine*

DELTA BEGINS DAILY FLIGHTS TO AMSTERDAM FROM SALT LAKE CITY: \$1.8 BILLION AIRPORT TERMINAL REDEVELOPMENT PROGRAM UNDERWAY

Amsterdam will become Delta's second non-stop route to Europe from Salt Lake City. The airline already flies to Paris. Delta Air Lines reaffirmed its commitment to the city as part of a groundbreaking event for Salt Lake City International Airport's \$1.8 billion upgrade, called the Terminal Redevelopment Program (TRP). Delta announced a new 10-year lease at the groundbreaking event.

— *Economic Review EDC Utah*



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

EMC TO ADD 700 JOBS IN DRAPER OVER THE NEXT 10 YEARS

EMC plans to invest \$62 million in the expansion of IT systems based on cloud computing and big-data analytics. GOED authorized up to \$3.9 million tax rebates, payable to EMC after it meets annual job-creation criteria laid out in the incentives contract. Total wages, including benefits, from this growth are predicted to be 125 percent of the county's average compensation level, adding up to \$207.5 million with an anticipated \$9.1 million return in payroll and sales taxes over the decade.

— *Salt Lake Tribune*

UTAHNS' CONFIDENCE IN ECONOMIC SITUATION REACHES RECORD HIGH

The Zions Bank Utah Consumer Attitude Index (CAI) hit 111.4 points in May, pointing to a positive attitude about business and economic opportunities overall in Utah. The CAI is 16 points above national sentiment, and represents an increase of 5.8 points from April to May. Sentiment about the present situation and expectations for the next six months both improved, and the CAI currently sits 15.2 points higher than its level 12 months ago. The national Consumer Confidence Index (CCI) increased just 1.1 points from April to May and currently sits at 95.4 points.

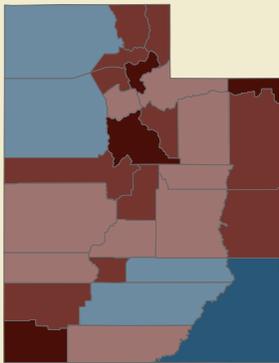
— *Daily Herald*

ending in December 2014. Payroll employment within the county peaked in mid-2011 and has been down on a year-over comparative basis since then.

- Overall, payroll employment totaled 14,870 in December 2014. This is the lowest job count for the month of December since 2005.
- The three largest job reductions from December 2013 to December 2014 occurred in waste management and remediation services, construction and the federal government. Many of these losses stem from the direct and indirect effects of the Deseret Chemical Depot closure, which was completed by the end of summer 2014.
- The three industries showing the largest December 2014 year-over employment increases include transportation and warehousing, healthcare and social services, and arts, entertainment and recreation services.
- In 2013, average annual nonfarm payroll jobs totaled 15,419 in Tooele County. For 2014, there were 14,944 jobs, a reduction of 475 or a decline in payroll positions of 3.1 percent. After accounting for seasonal variations, the level of jobs in the county stabilized in 2014. Therefore, the outlook for 2015 is for the county job market to return to the plus side of the ledger with some positive overall job additions in the spring.
- In the fourth quarter of 2014, there was a net increase of 2.4 percent in worksites within Tooele County. This increase of 25 units brought the total count of worksites to 1,056. This increase in worksites is another sign that the economic climate is improving and that new job growth will be returning.
- As part of the greater Salt Lake City Metropolitan Area, Tooele County residents have access to the Salt Lake County job market. Salt Lake's current relative strength provides job opportunities to Tooele County residents.
- The unemployment rate was estimated to be 5 percent in March 2014, improving to a rate of 4 percent in March 2015. There are about 1,170 unemployed Tooele County residents looking for work in the spring of 2015.
- During the first quarter of 2015, initial unemployment insurance claims averaged the lowest level in Tooele County for any first quarter since 2006. This indicates that the labor market has returned to non-recessionary levels of job separations.
- Residential building permits increased by 27.4 percent to 363, the highest number of permits since 2007. The overall value of all permitted construction activity increased in 2014 by 16.6 percent over the previous year totaling \$142.5 million.
- Gross taxable sales increased by 4.6 percent in fourth quarter 2014 compared to fourth quarter 2013.

Wasatch Front South Economy

..... at a glance



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



United States

2.3%



State of Utah

2.9%



Salt Lake County

2.2%



Tooele County

-2.0%

-7.0% 7.0%

Seasonally Adjusted Unemployment Rate March 2015

United States



5.5%

State of Utah



3.4%

Salt Lake County

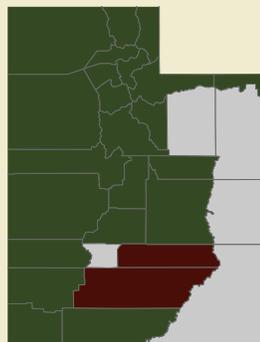


3.2%

Tooele County



4.0%



2.7% 9.0%

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

State of Utah

6.3%



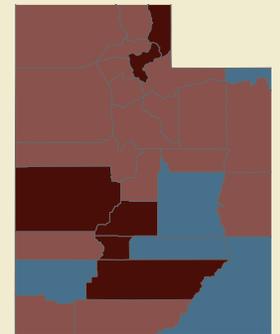
Salt Lake County

6.0%



Tooele County

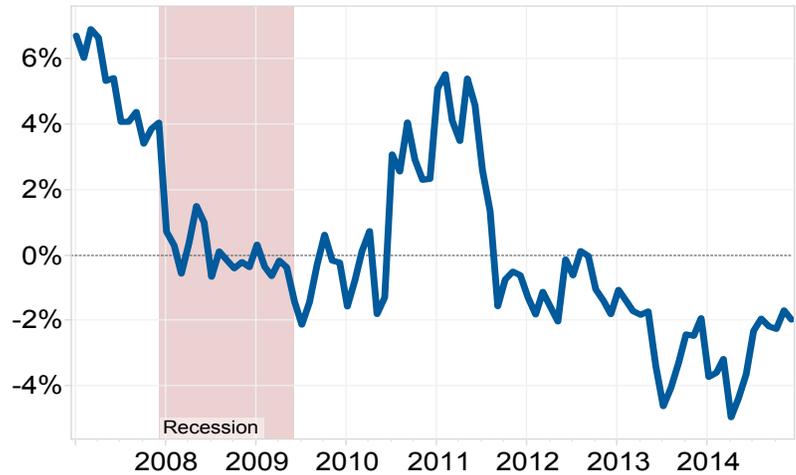
4.6%



-50.0% 50.0%

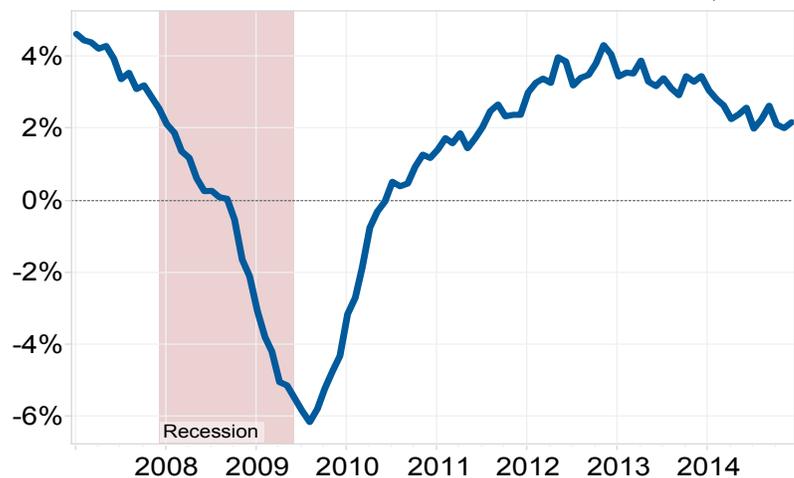
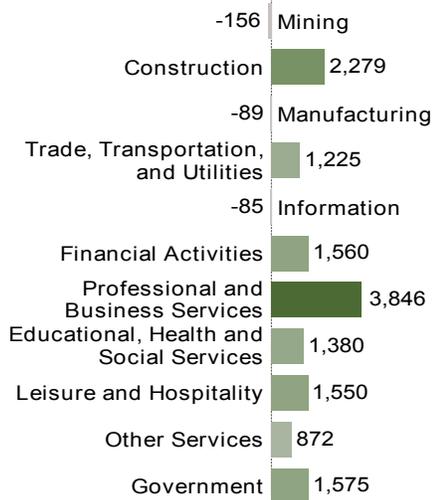
Tooele County Job Growth Dec. 2014

-297



Salt Lake County Job Growth Dec. 2014

13,971





Steady Recovery in Construction Jobs

By Jim Robson, Economist

Of all industries in Salt Lake and Tooele Counties (Wasatch Front South area) and around Utah, construction took the hardest hit from the Great Recession of 2008–2009. Undoubtedly this was due to the unprecedented housing bubble that developed from 2005 to 2007, which was a consequence of large excess housing construction, speculative purchases, overvaluation and a huge accumulation of debt obligations.

A run-up of construction employment in the Wasatch Front South area began after 2003, which was the low point for construction jobs after the dot-com recession of 2001. In 2003, construction averaged about 30,700 jobs for the year. Employment increased rapidly over the next four years, reaching its zenith in 2007 when average annual employment stood at 43,384, an increase of almost 12,700 jobs or 41.2 percent.

During 2007, the national economy began to slow down, ending the year with the start of a national recession in December. In 2008, the major housing bubble that had developed during the previous four years burst. By September, the financial system fell into disarray, credit was unavailable and businesses in virtually all industries were shedding jobs.

In the Wasatch Front South area, construction jobs were declining rapidly with a reduction of 4,200 in 2008 and losses of 7,400 in 2009. The Great Recession officially ended in July 2009, as economic growth began to rebound. For many industries, particularly in construction, job reductions continued, finally hitting bottom in 2010. In 2010, Wasatch Front South construction employment averaged 30,304 with the loss of all the 12,700 construction jobs gained during the 2004 to 2007 boom and additional reductions of 420 less jobs than recorded in 2003. During 2011, construction employment stayed at virtually the same levels as in 2010, averaging 30,194 jobs.

Another way to look at construction jobs over this housing boom and bust cycle is to divide employment among three major types of construction firms: (1) residential building and specialty trade contractors, (2) nonresidential building and specialty trade contractors and (3) heavy and civil engineering construction. Employment levels for firms classified among these three categories are detailed in Figure 1.

The housing boom and bust cycle that began after 2003 and ended in 2011 is particularly evident among construction firms and contractors

involved in residential construction activities. In 2001, total jobs in residential activities were 11,785 and grew to a peak level of 20,468 in 2007. Residential job losses in the housing bust reduced jobs by more than one-half to 9,877 on average in 2011 or 1,908 fewer than in 2001.

Finally, in 2012, construction employment was on the rebound. The recovery took hold in housing during 2012, with single family housing permits increasing off the bottom levels recorded since 2008. Figure 2 shows Wasatch Front South dwelling unit permits annually since 2001. Prior to the housing boom, we see that single-family permits were somewhat above 4,000 units. During the housing boom, single-family permits rose above 5,000 units per year and achieved a peak of 5,937 in 2005.

During the recession years, single-family permits dropped to a low of 1,159 in 2009 and stayed below 1,500 units through 2011. In the last three years (2012 to 2014) single-family permits have averaged about 2,400 permits per year, still much lower than the average of almost 3,500 single-family units over the previous 11 years (2001 through 2011).

The “other dwelling units” depicted in Figure 2 consist mostly of multi-family units including apartments,

Figure 1. Wasatch Front South Annual Average Construction Payroll Jobs by Type: 2000 to 2013

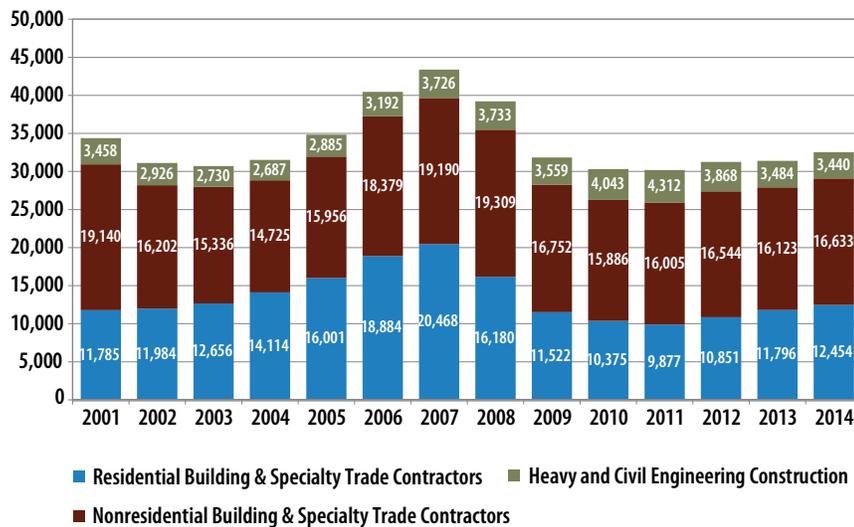
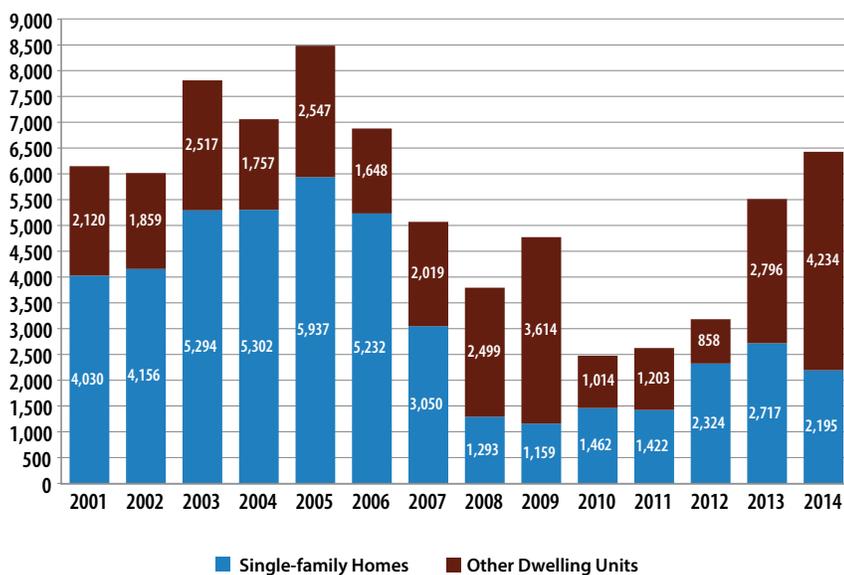


Figure 2. Wasatch Front South Permitted Dwelling Units



Source: Bureau of Economic and Business Research, University of Utah.

duplexes and condominiums. These other dwelling units generally range between 1,600 and 2,600 units per year. As a result of the Great Recession there have been new lows and highs in apartment and condominium construction with a peak level of 4,234 other dwelling units in 2014 and a low of 858 in 2012.

Along the Wasatch Front over the past three years (2012 through 2014) home prices and sales have shown year-over increases as housing demand has picked up and inventories have dropped along with the major multi-family and condominium permitting in 2013 and 2014. Residential construction jobs reflect the improving housing market. Residential housing related employment in 2014 averaged 12,454 or about 2,577 jobs and 26.1 percent above 2011.

Given the exceptionally low mortgage interest rates and improving overall labor market in Utah with low unemployment, the momentum in residential activity is forecast to continue during 2015. Note from Figure 1 that nonresidential construction jobs have held within a relatively narrow range of 16,005 to 16,633 jobs on average over the past four years. In the last two years heavy and civil engineering construction employment has registered just under 3,500.

With four years of recovery since recession lows of 2010, construction jobs, particularly those related to residential construction have shown substantial improvement by 2014. Expanding housing construction activities in Wasatch Front South are adding to the overall economic vitality in this region.



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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.

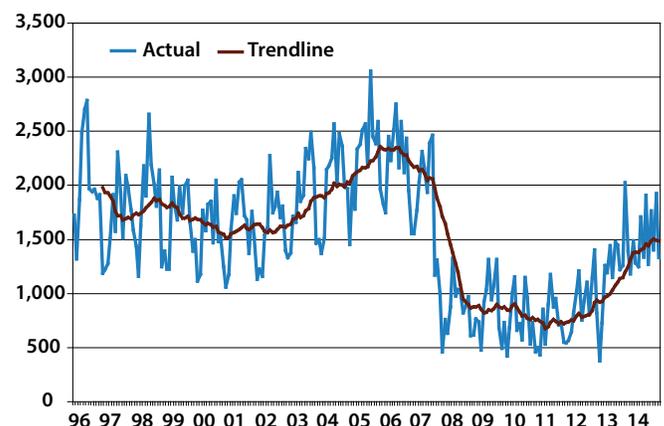
In this issue of Local Insights, we look at the demand for housing structures, the amount of housing permits and their history, and how this history shows that housing demand follows the ups and downs of a region's economic performance. In evaluating the volume of housing permits, we also parallel the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