

Economic Insights

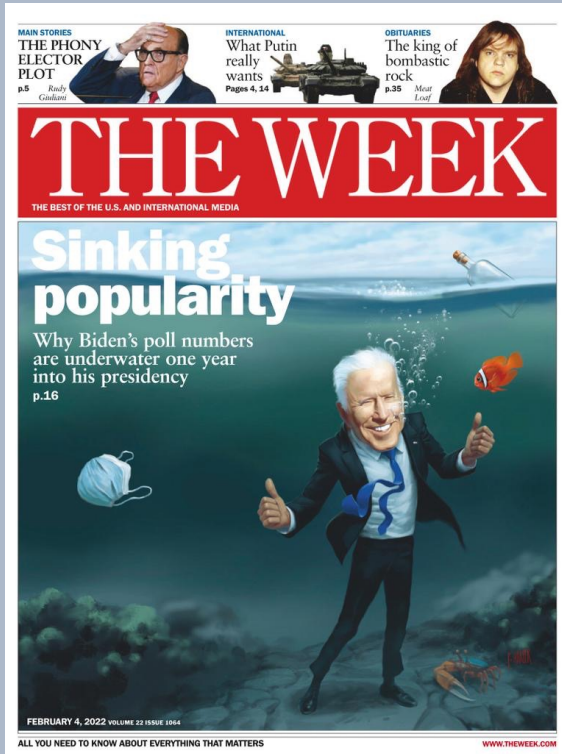
A Warm Winter Stew

Bank of Utah
February 1, 2022

2022 in a word...

Divided Anxious
Emboldened
Frustrated
Hopeful

The Week: Editor's Letter Dec. 31, 2021



This is a dark time in a dark year. It began horribly, with a violent assault on the Capitol intended to stop the peaceful transfer of power—a first for our nation. The climate showed us where we’re headed, as biblical droughts baked the West and sucked reservoirs dry, 115-degree heat waves paralyzed Portland and Seattle, and a polar cold snap froze Texas solid. Forests in the Western U.S. exploded into flames. Monstrous tornadoes—almost never seen in December—erased communities across Kentucky and the Midwest. The pandemic we thought we’d beaten in the spring roared back twice, through Greek-lettered, mutation-disguised variants that have filled hospitals and morgues with voluntarily unvaccinated. In this season of renewal and hope, it takes real effort to find optimism about the future in our sour, beleaguered hearts. (Cont. next slide)

Editor's Letter Continued

We can reasonably hope the pandemic will wane this year at last, after holding humanity hostage for more than two years. But, there's no reason to expect an end to another viral epidemic—of misinformation and tribal hatred—that endangers our democracy. Americans no longer share common facts, information, or trusted sources and experts; extremists [*on both sides*] are pushing the parties further apart, and on the Right, a radical, anti-democracy movement is gaining momentum. Three retired U.S. generals warned this week that a disputed presidential election in 2024 could cause “a total breakdown of the chain of command along party lines”—and actual civil war. If that sounds nuts, remember that two years ago, an insurrection and a pandemic were just as unimaginable. In the face of so many troubles and sorrows, what do we do? For perspective I often think back to what my parents' generation faced, and how dark it must have felt as 1941 gave way to 1942. Then, as now, surrender was not an option. **Curse the darkness. Fight. Persist. The light is coming.** Eventually.

– William Falk, Editor-in-chief

Utah Speaker Brad Wilson



It is said, the pessimist complains about the wind, the optimist expects it to change, and the realist adjusts the sail.

With deliberation, with cooperation, and with determination we can create a future we all want...let's be bold as we chart The Utah Way. Forward.

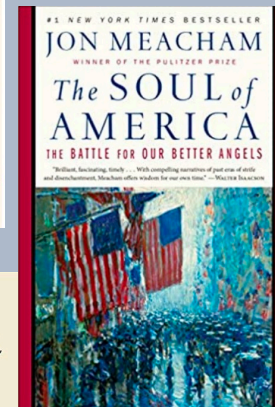
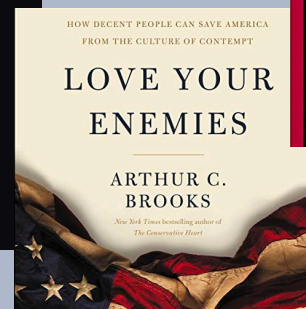
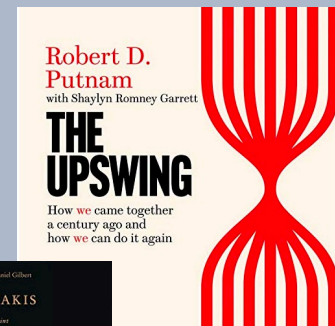
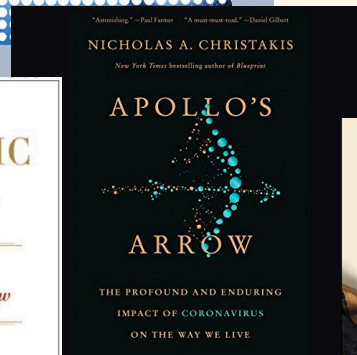
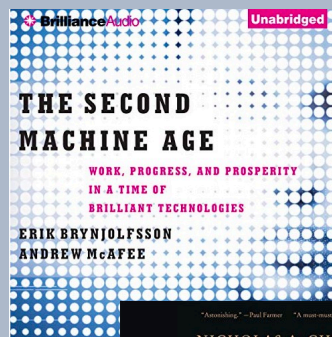
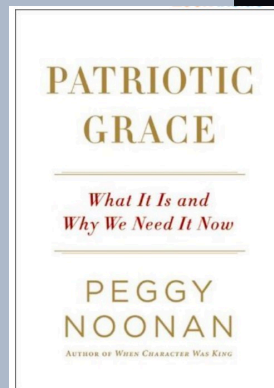
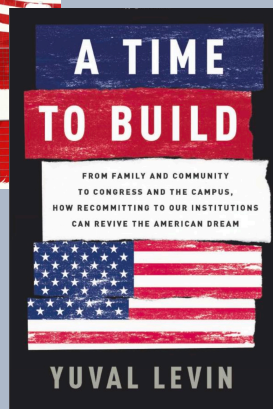
- Speaker Brad Wilson
2022 House Address

Warm Winter Stew



Warm Winter Stew

An aerial photograph of Salt Lake City, Utah, taken from a high vantage point. The Utah State Capitol building, with its prominent dome, is centrally located. To its right is a dense cluster of modern skyscrapers forming the city's downtown. The foreground shows a residential area with houses and trees, some of which are covered in a light layer of snow. The background is dominated by a range of mountains under a hazy, overcast sky. The overall color palette is muted, with a lot of greys, blues, and browns, giving it a wintry feel.



Our Pot



Recipe

History and what lies ahead
Business intelligence
Guiding principles
Strategies to succeed
Seasonings



Recipe

Seasonings:

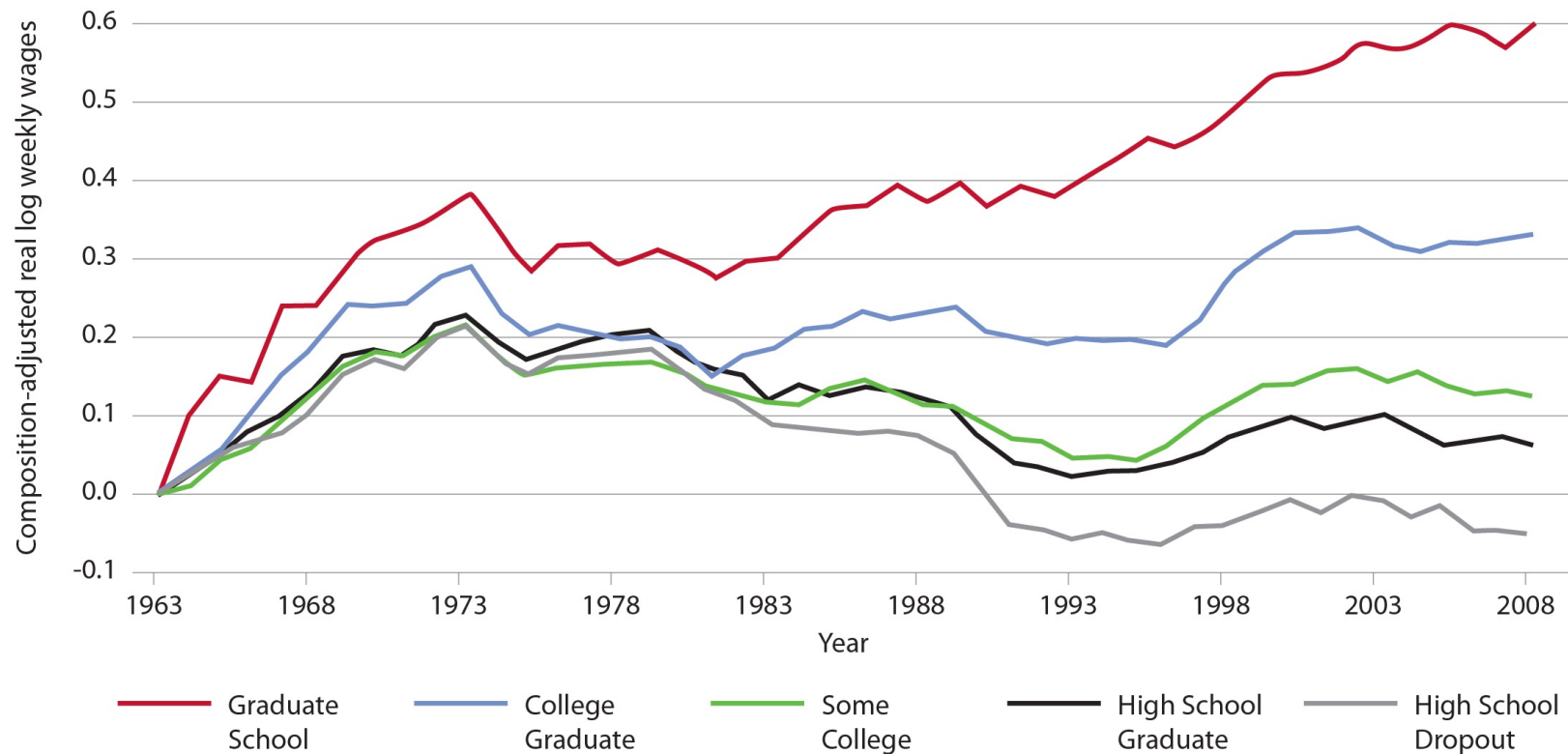
Bounty and spread
Housing shortage
Great Resignation
I-We-I



Seasonings

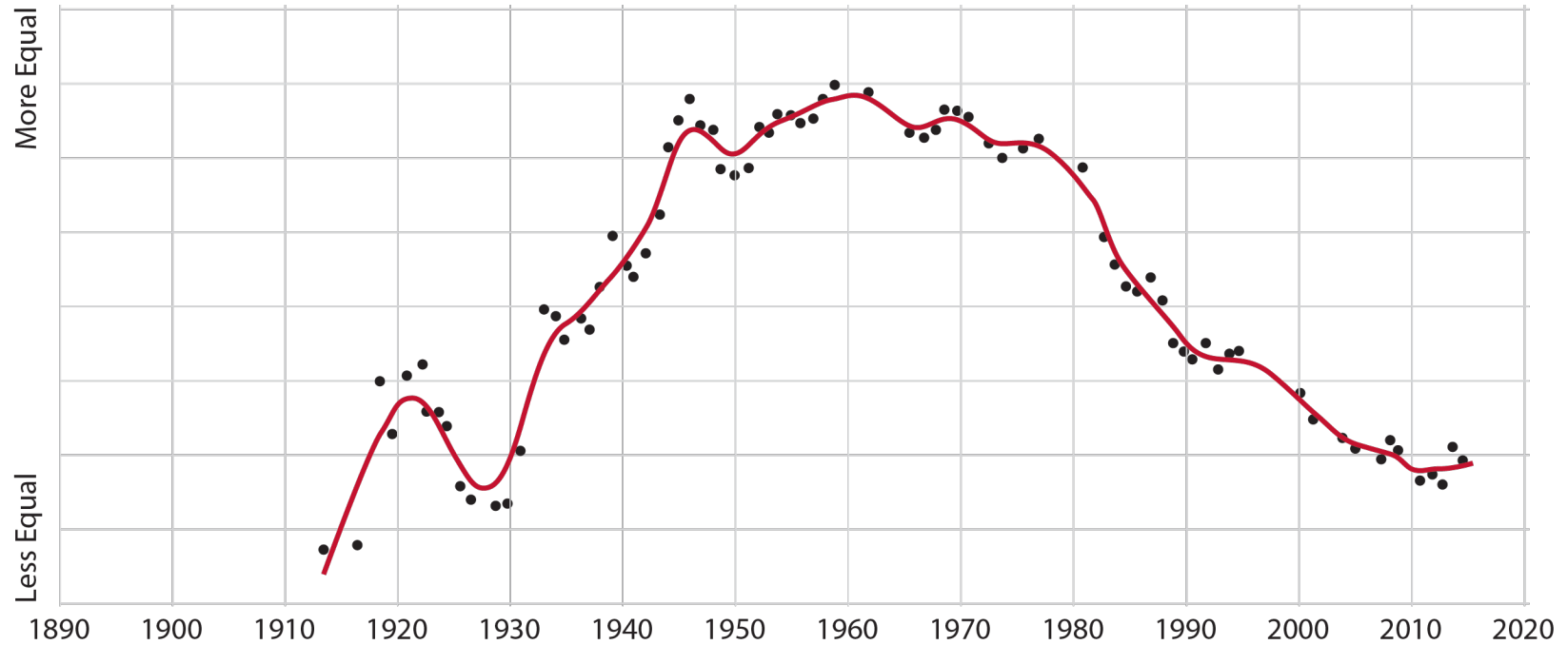
Bounty and Spread

Wages for Full-Time, Full-Year U.S. Male Workers



Source: The Second Machine Age, Brynjolfsson and McAfee

Economic Equality, 1913–2015

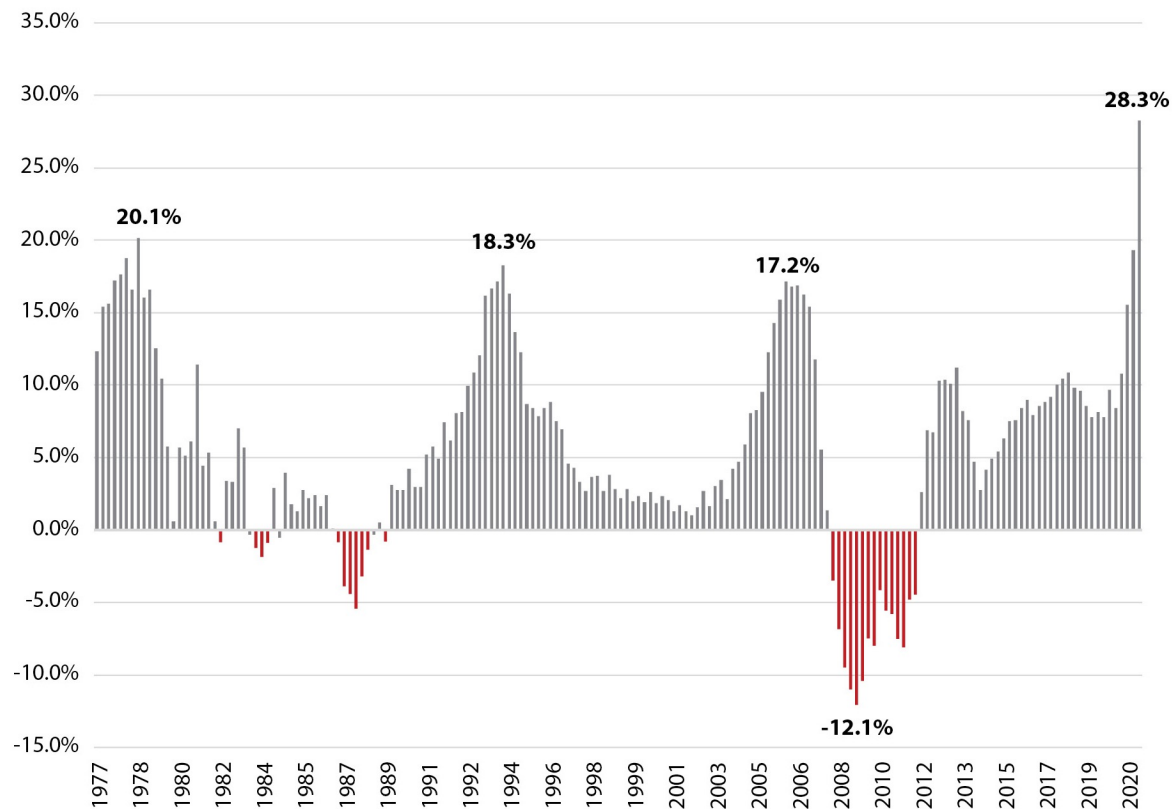


Source: *The Upswing*, Putnam and Garrett

Seasonings

Housing Shortage

Skyrocketing Home Prices in Utah



Source: Federal Housing Finance Agency Housing Price Index

Historic Low Mortgage Interest Rates

30-year Fixed Mortgage Interest Rates



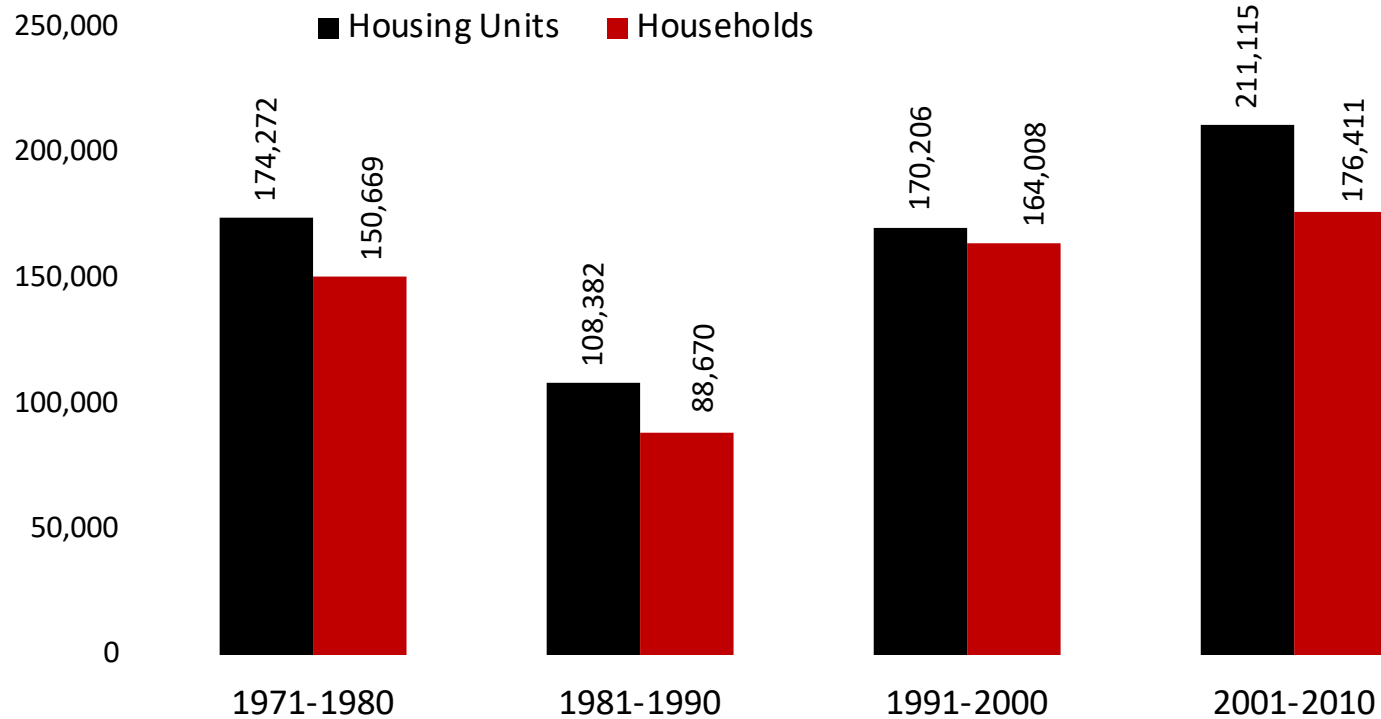
Source: Freddie Mac

Skyrocketing Rents

Rank	Metro Area	Percent Change in Rent ('20-'21)
1	Palm Beach, FL	31.2%
2	Orlando, FL	24.7%
3	Tampa, FL	24.2%
4	Las Vegas, NV	23.2%
5	Phoenix, AZ	21.8%
6	Ft. Lauderdale, FL	21.5%
7	Jacksonville, FL	20.9%
8	Austin, TX	20.2%
9	Raleigh, NC	19.7%
10	Atlanta, GA	18.3%
11	Durham, NC	18.0%
12	Salt Lake City, UT	17.2%
13	Charlotte, NC	17.2%
14	Orange Co, CA	17.1%
15	Miami, FL	16.9%

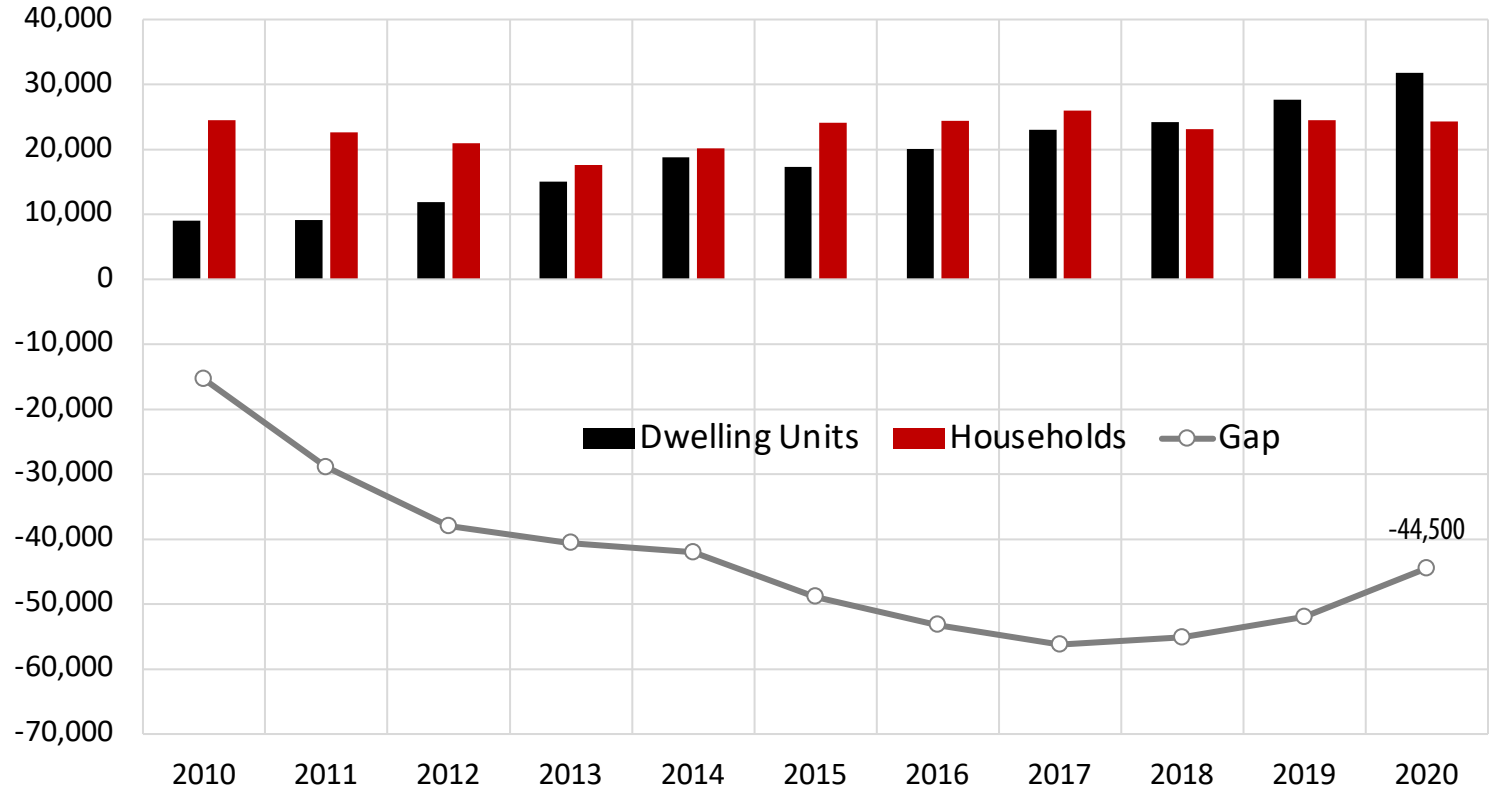
Source: CoStar

Utah Supply has Outpaced Demand Previously



Source: Kem C Gardner Policy Institute

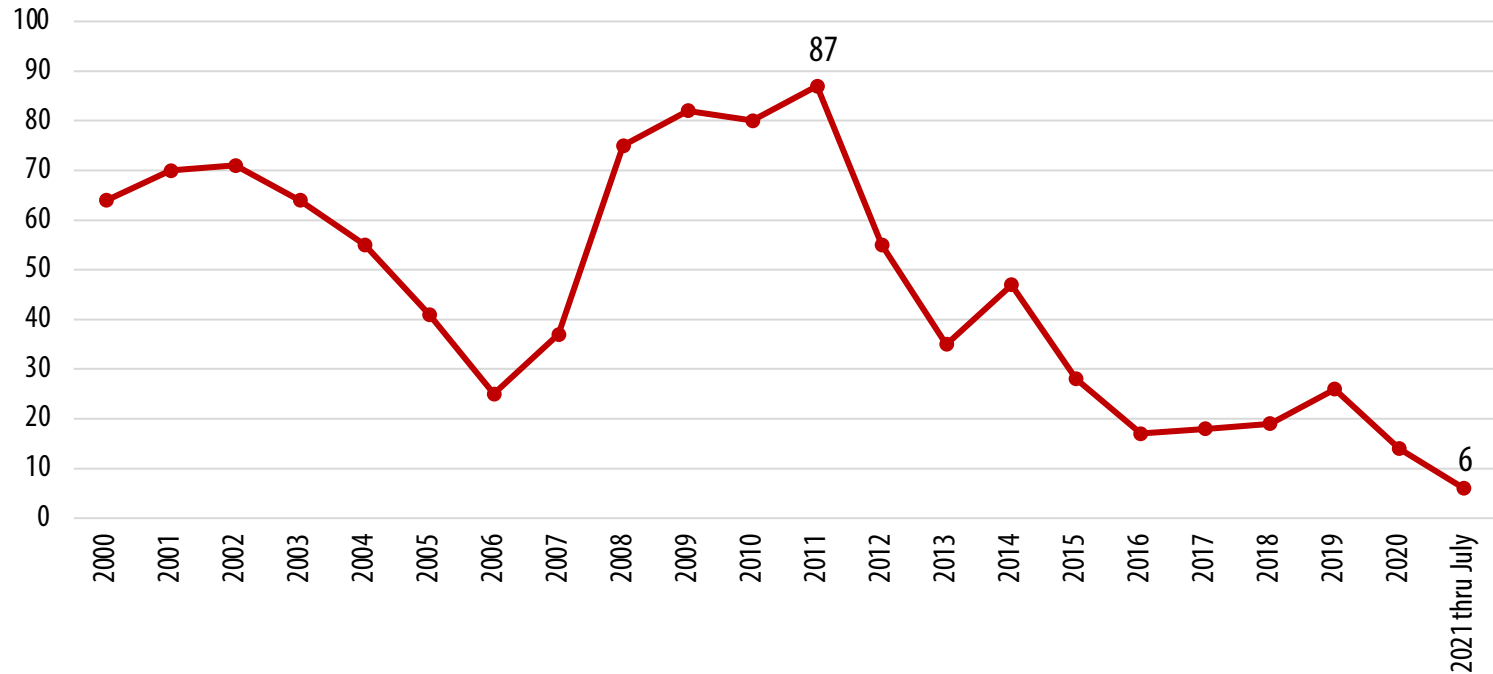
Utah's Housing Gap



Source: Kem C Gardner Policy Institute

Utah Median Days on the Market

Residential Units



Note: Includes single-family, twin home, townhomes, and condominiums

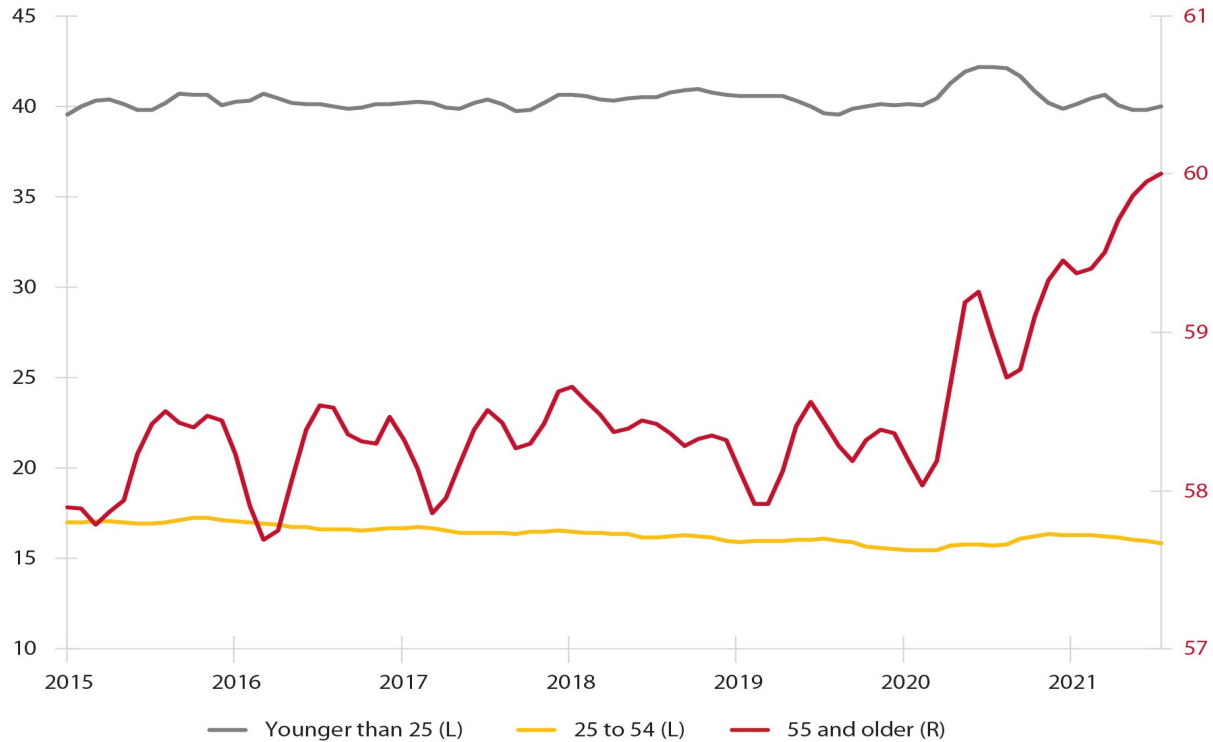
Source: UtahRealEstate.com

Seasonings

Great Resignation

Retiring Boomers

Percent of U.S. Labor Force Not in Labor Force and Don't Want Job (3-month average)

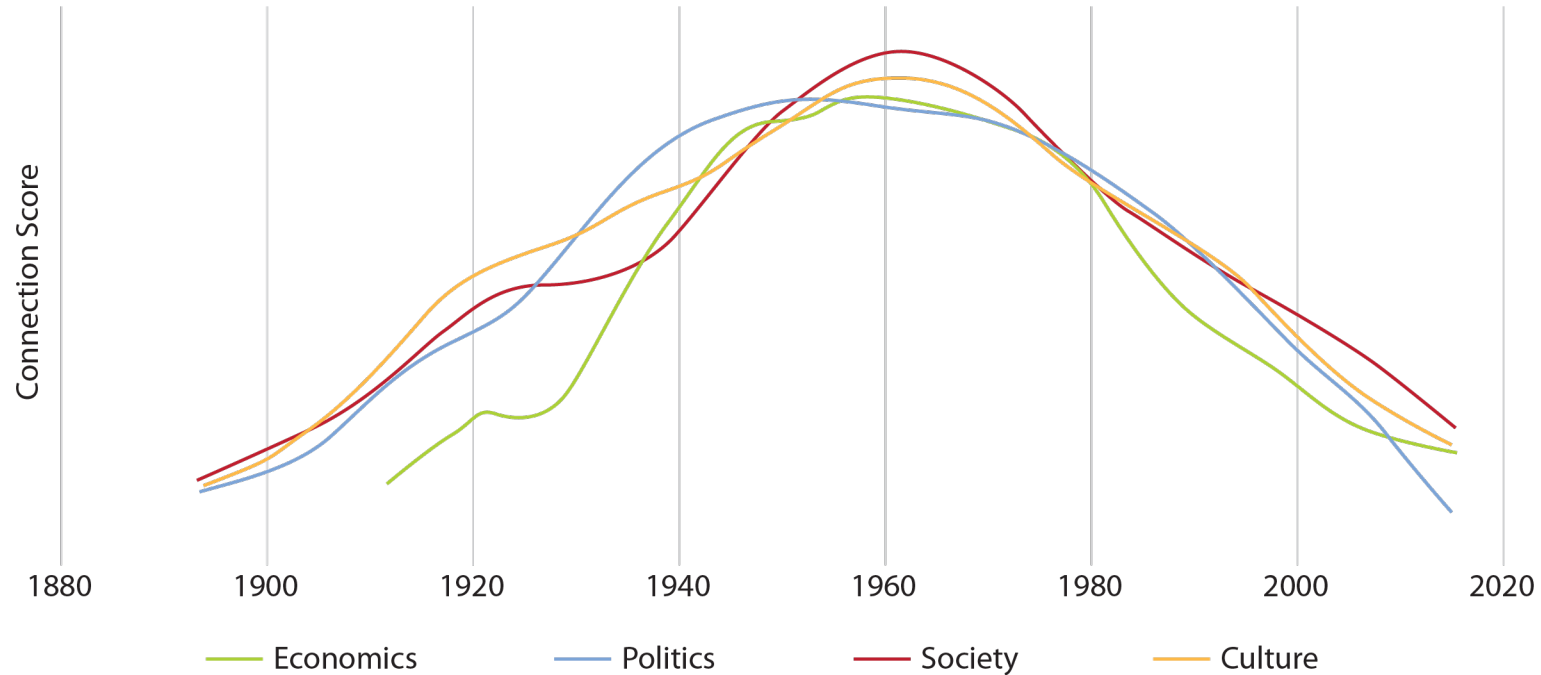


Source: Bureau of Labor Statistics, Moody's Analytics

Seasonings

I – We - I

Economic, Political, Social, and Cultural Trends, 1985–2015

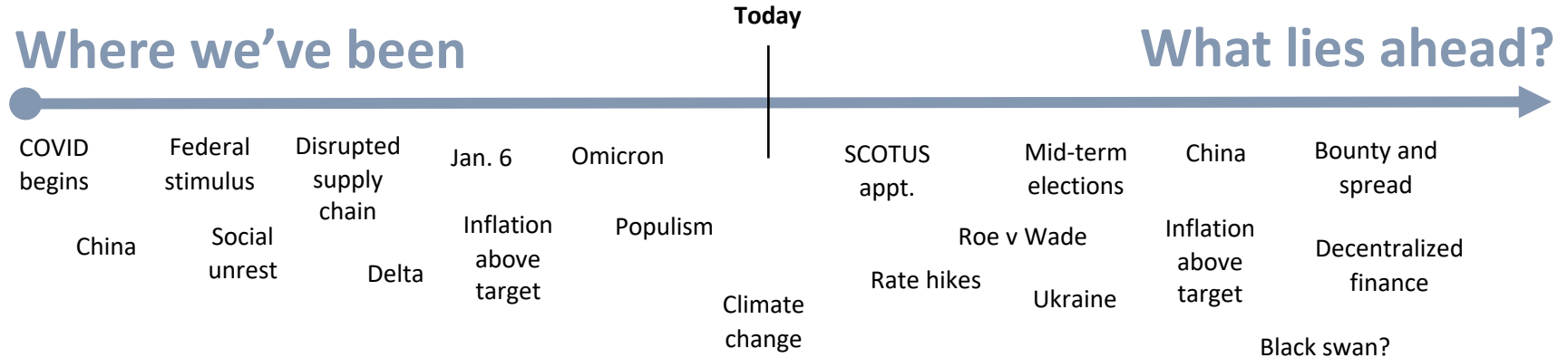


Source: *The Upswing*, Putnam and Garrett

Ingredients

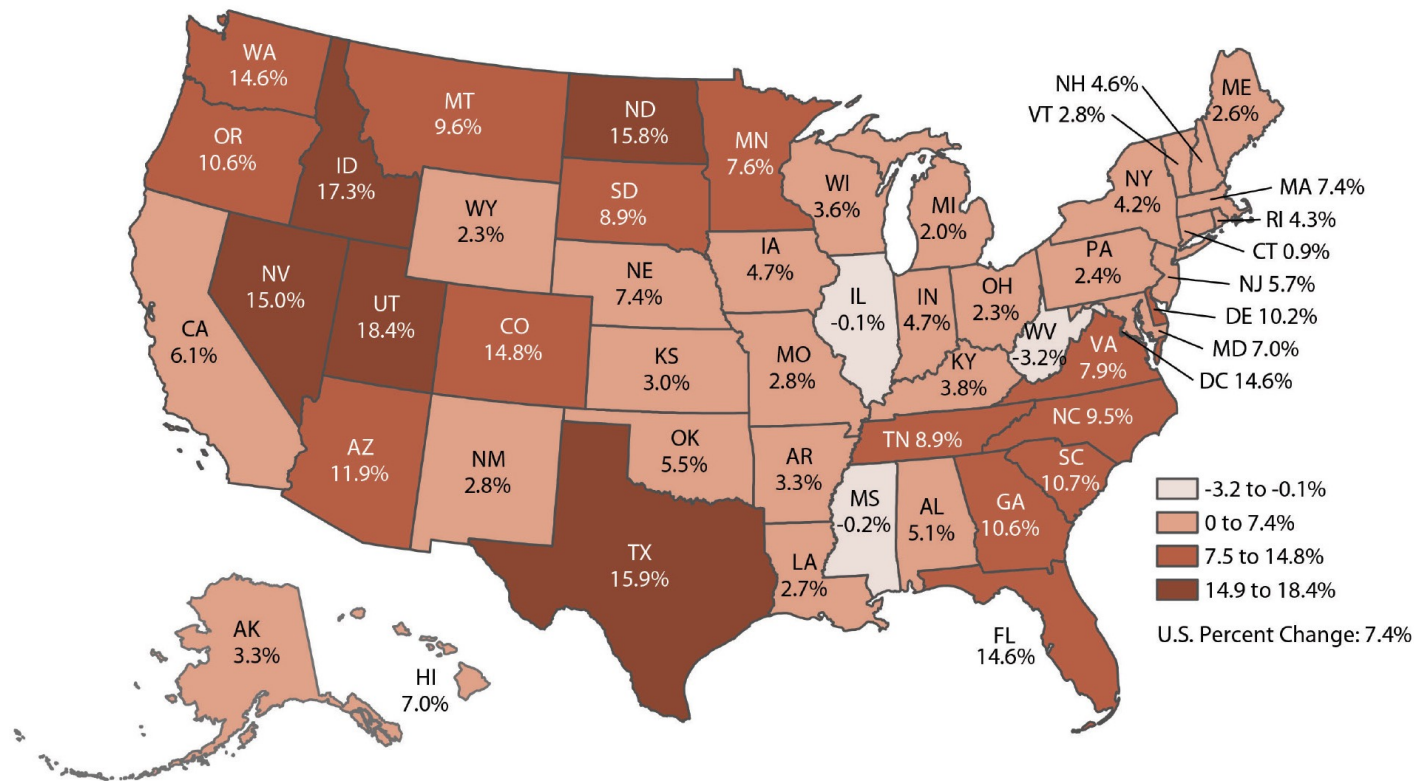
History

Ingredient #1: History and what lies ahead



Utah's Population Growth Rate Leads the Nation

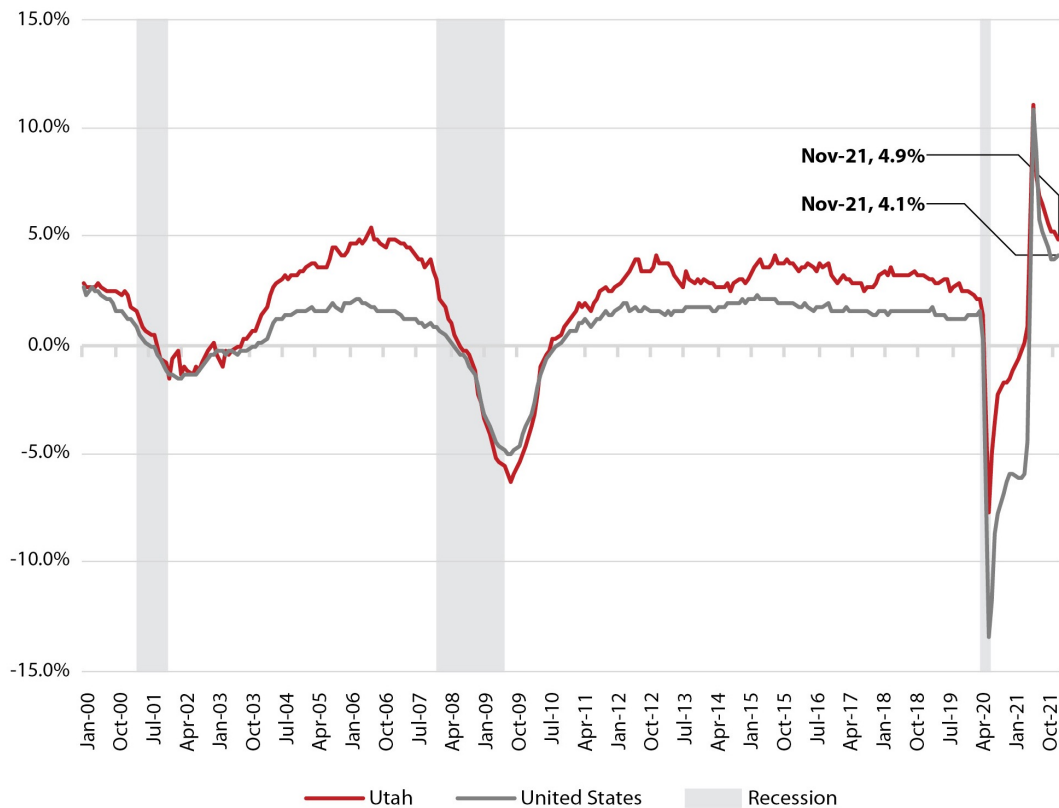
Percent Change, 2010-2020



Source: 2020 Apportionment Data, U.S. Census Bureau

Job Growth - A Historical Comparison

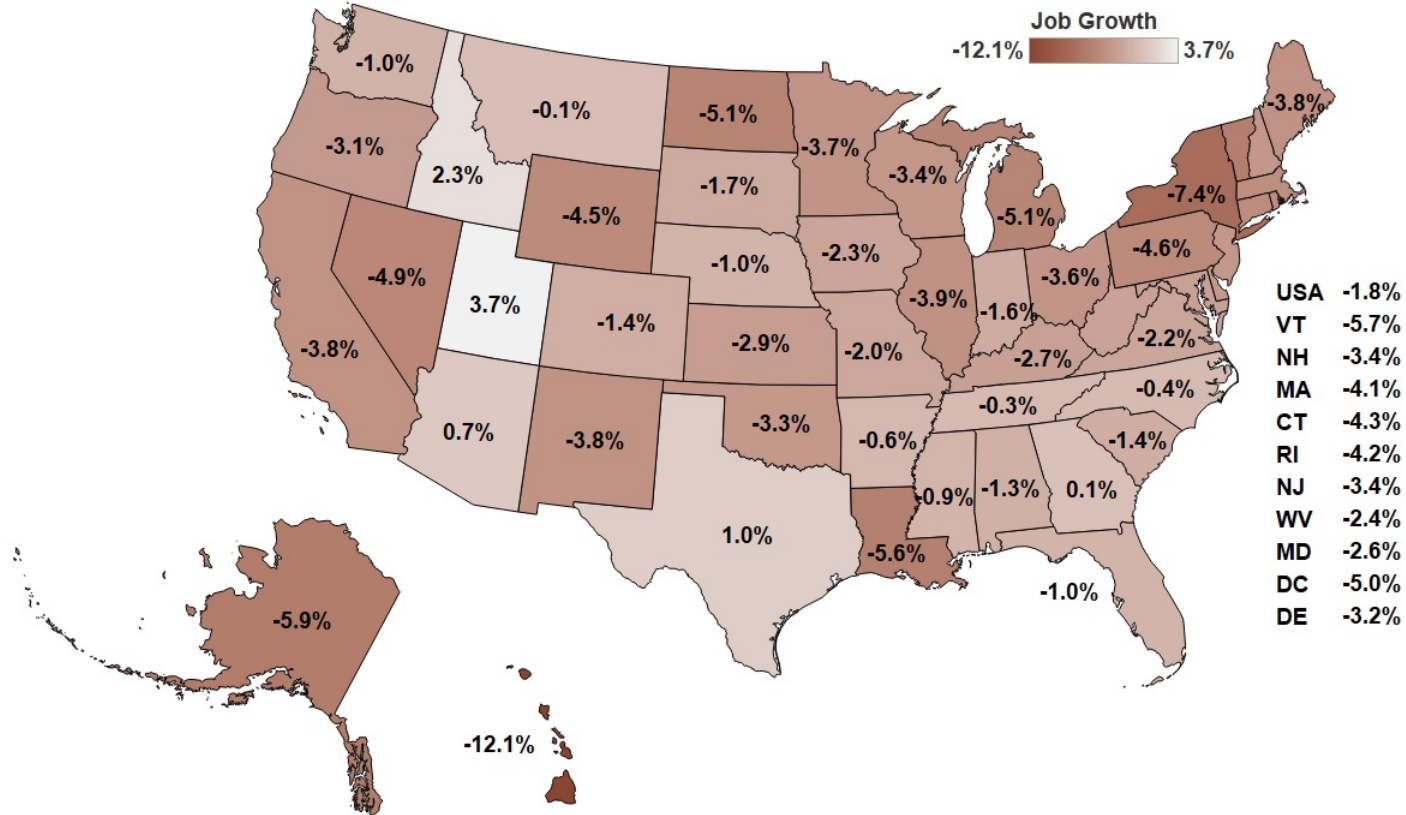
Employment Change 2000 – 2021



Source: U.S. Bureau of Labor Statistics

Utah's Nation-Leading Economy

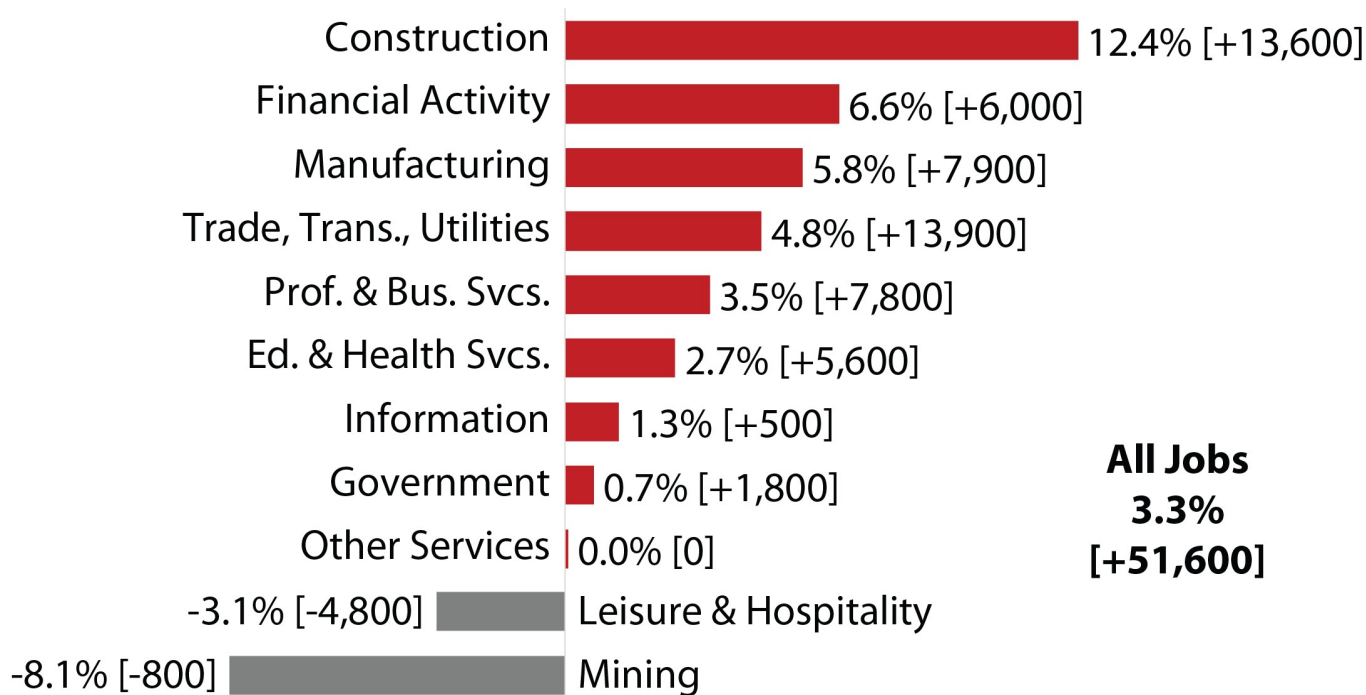
Job growth, December 2019-2021



Source: Bureau of Labor Statistics

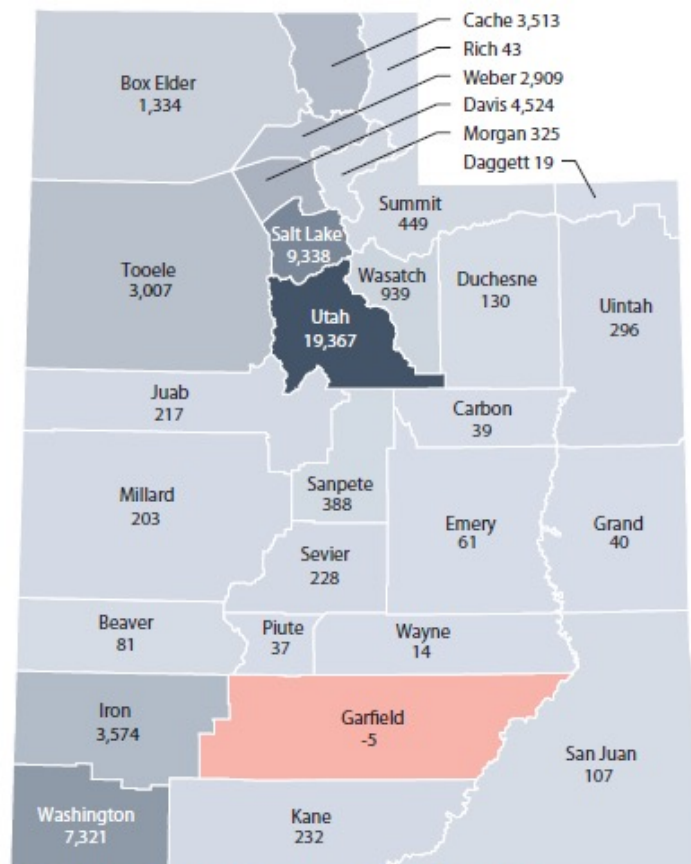
A Strong, Broad-Based Jobs Recovery in Utah

Employment Change 2019 – 2021e

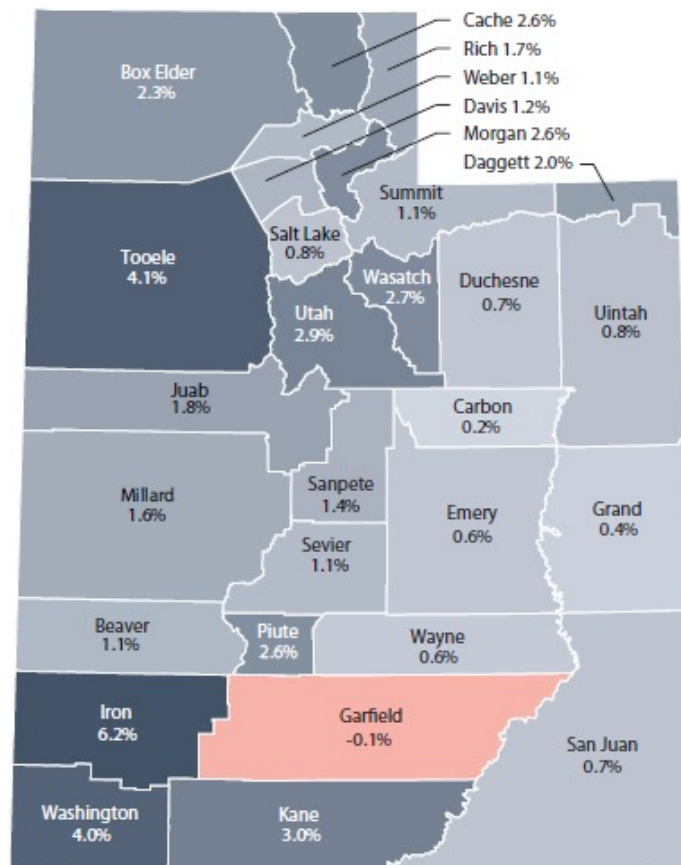


Source: Utah Department of Workforce Services

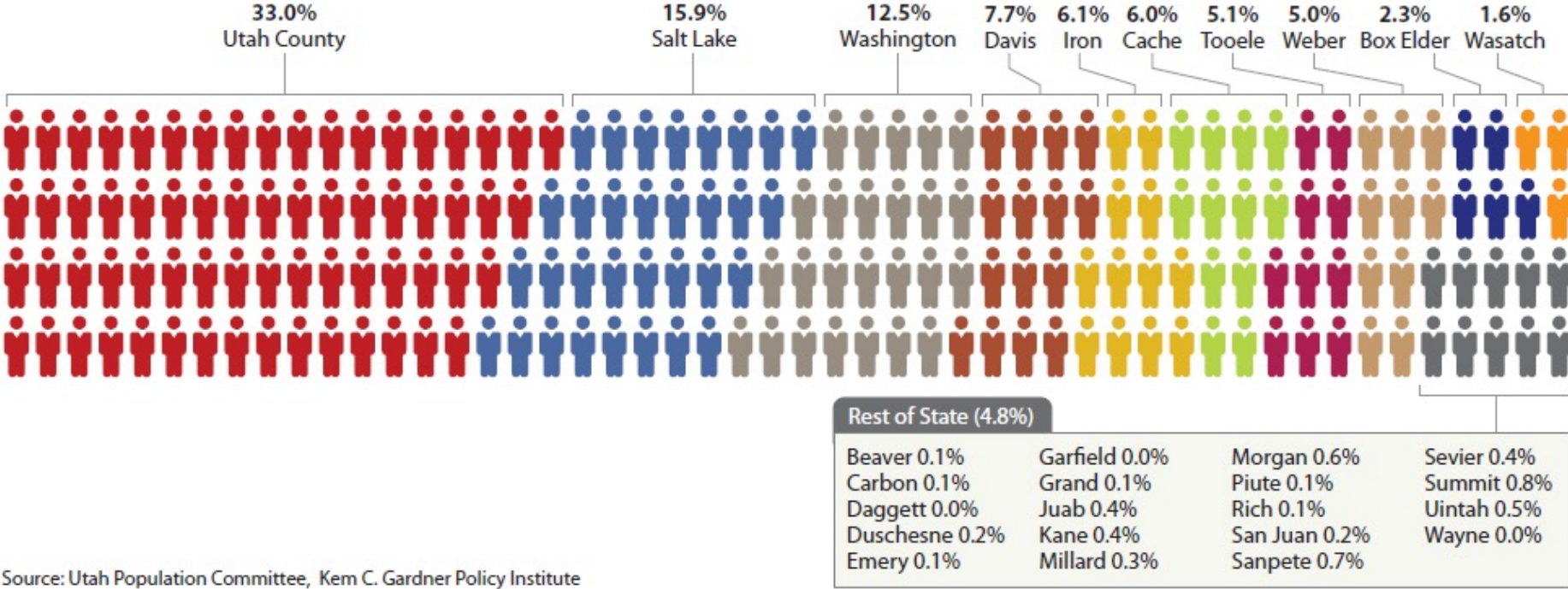
Absolute Change in County Population, 2020-2021



Percent Change in County Population, 2020-2021



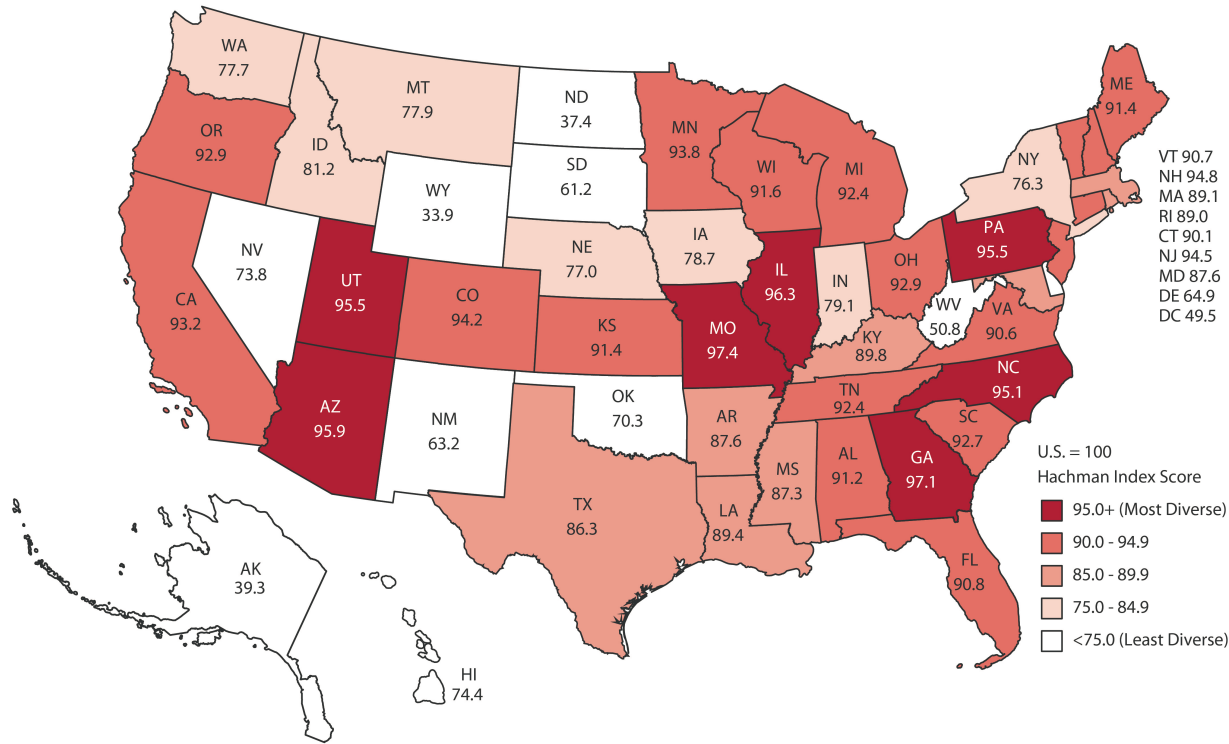
County Share of Utah Growth, 2021



Source: Utah Population Committee, Kem C. Gardner Policy Institute

Utah's Diverse Economy

Hachman Index 2020, 100=Most Diverse

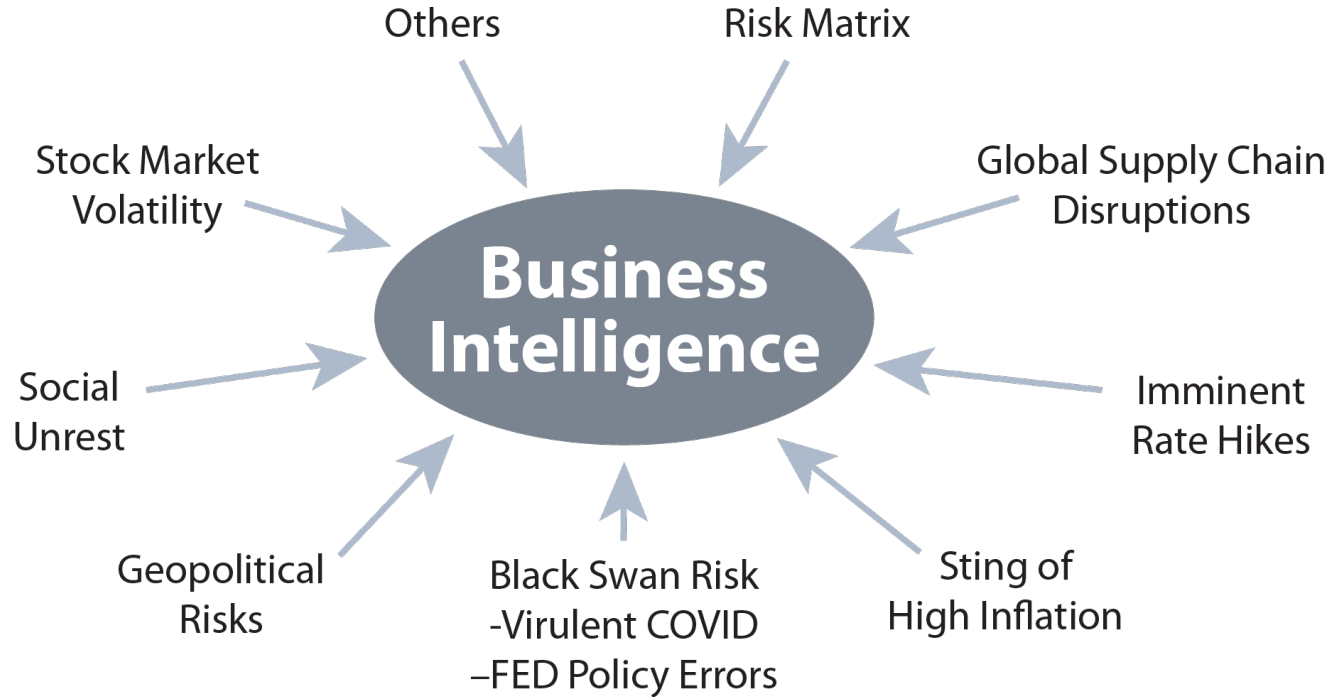


Source: Kem C. Gardner Policy Institute

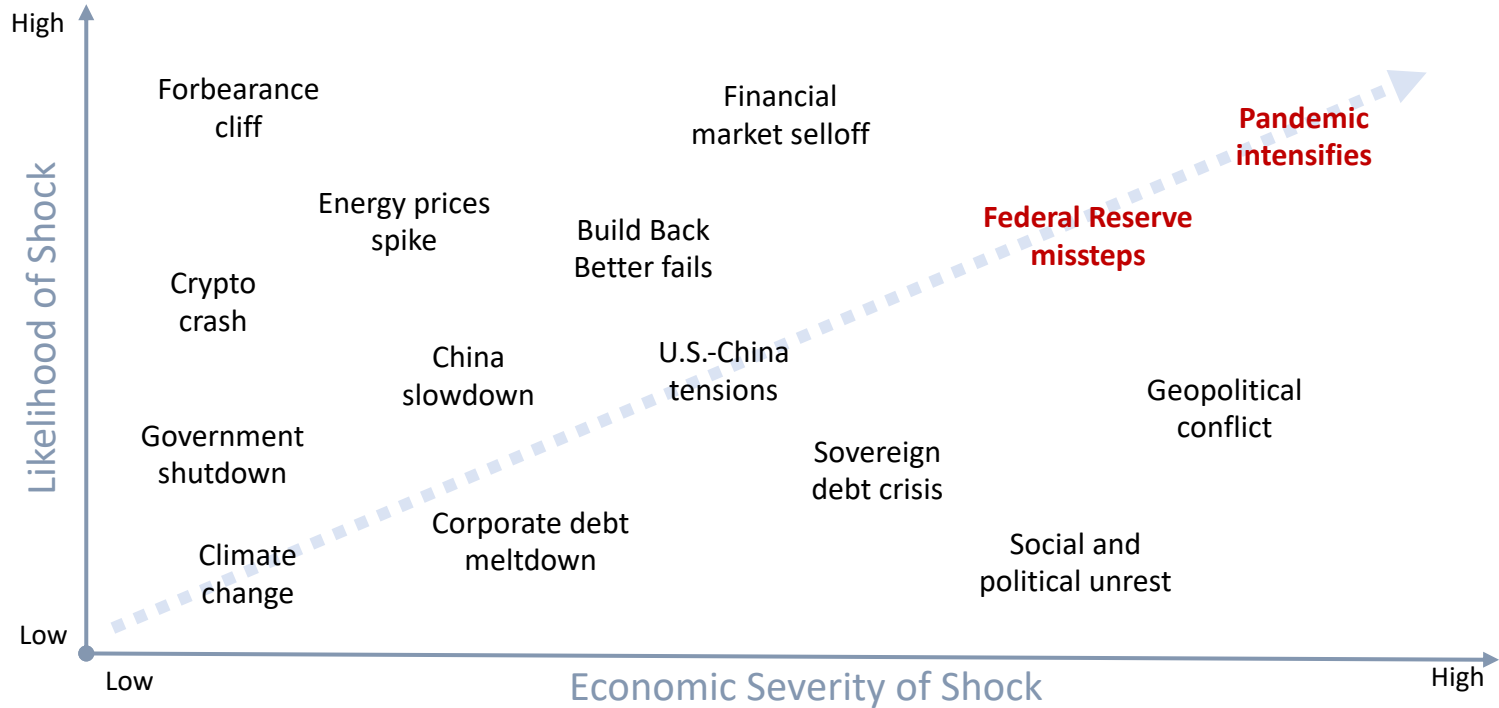
Ingredients

Business Intelligence

Ingredient #2: Business Intelligence



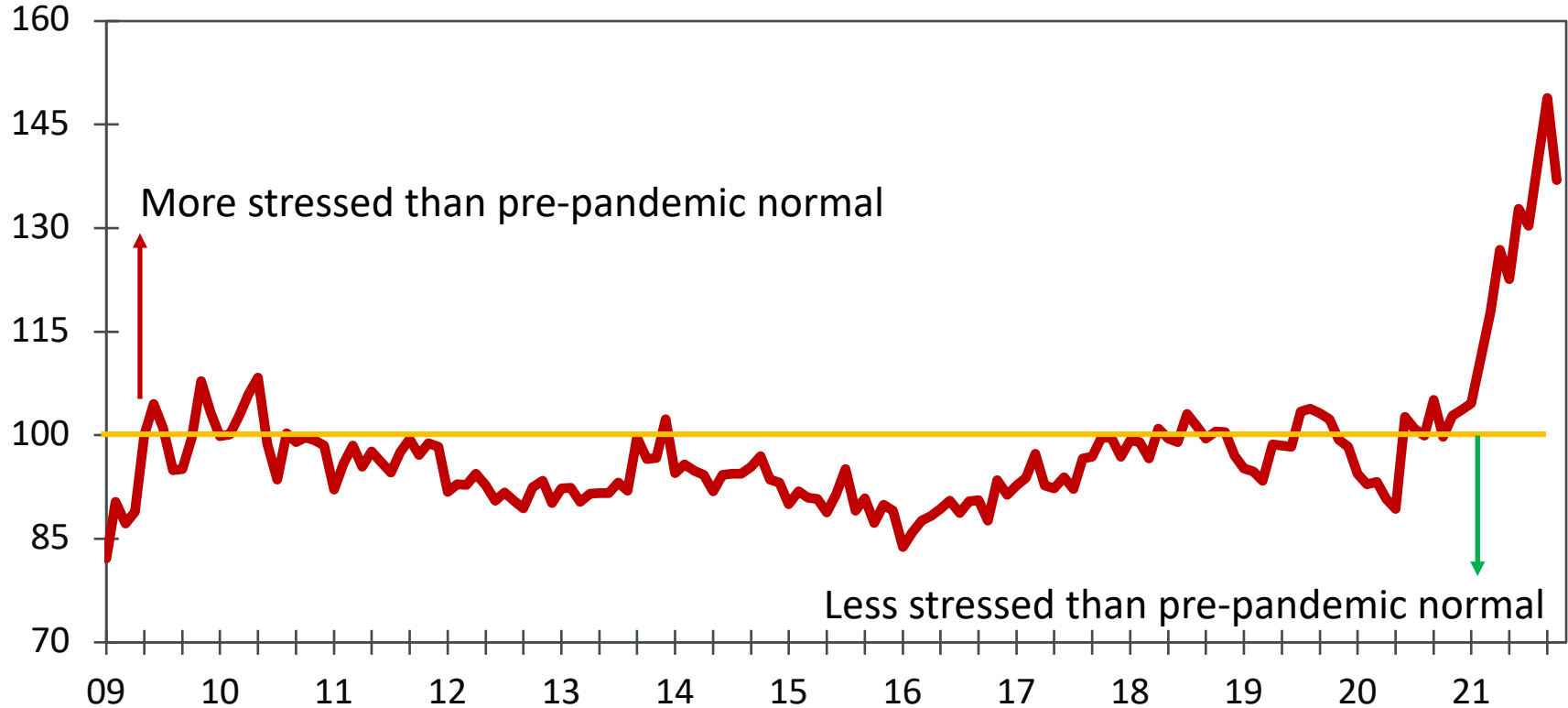
Risk Matrix – What could derail the economy?



Source: Moody's Analytics

U.S. Global Supply Chain Stress

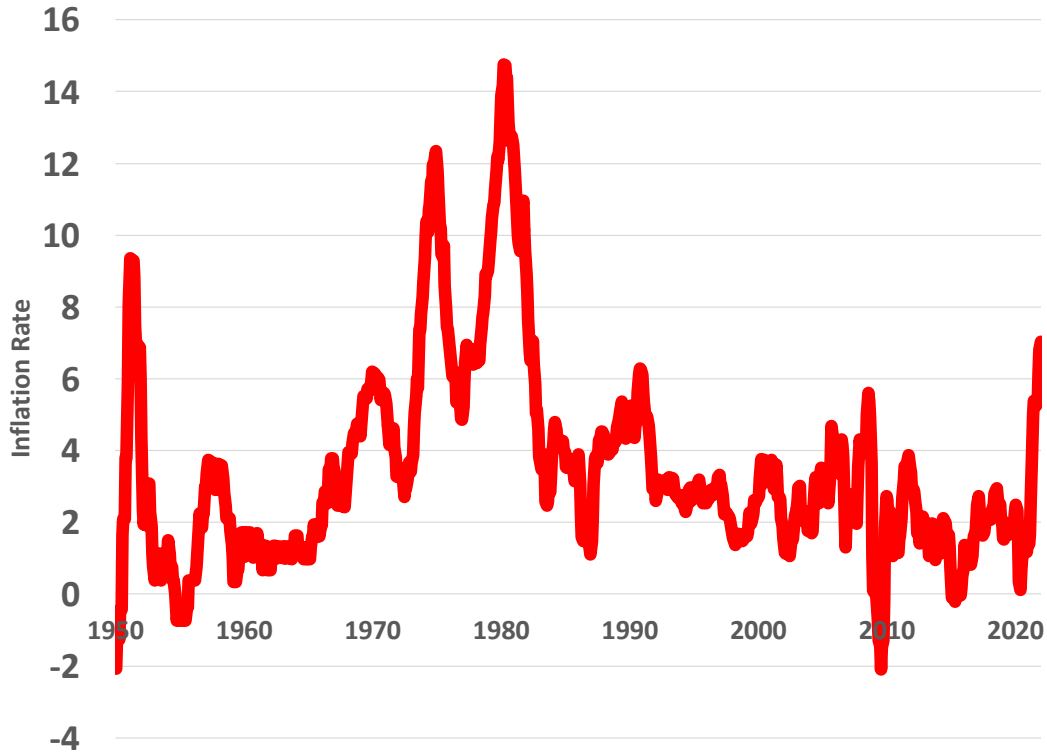
2019 Q4=100



Source: Moody's Analytics

The Sting of Accelerating Inflation

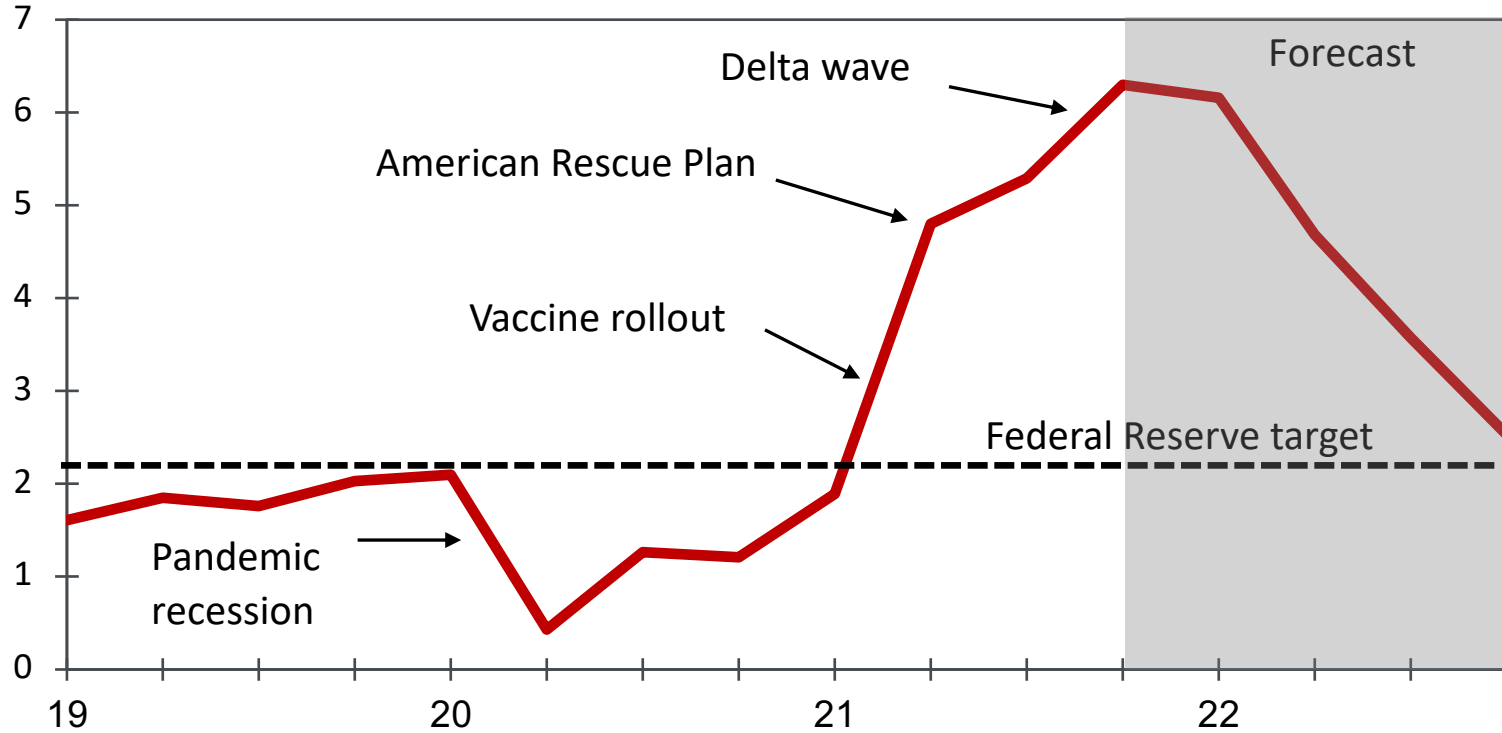
Consumer Price Index



Source: U.S. Bureau of Labor Statistics

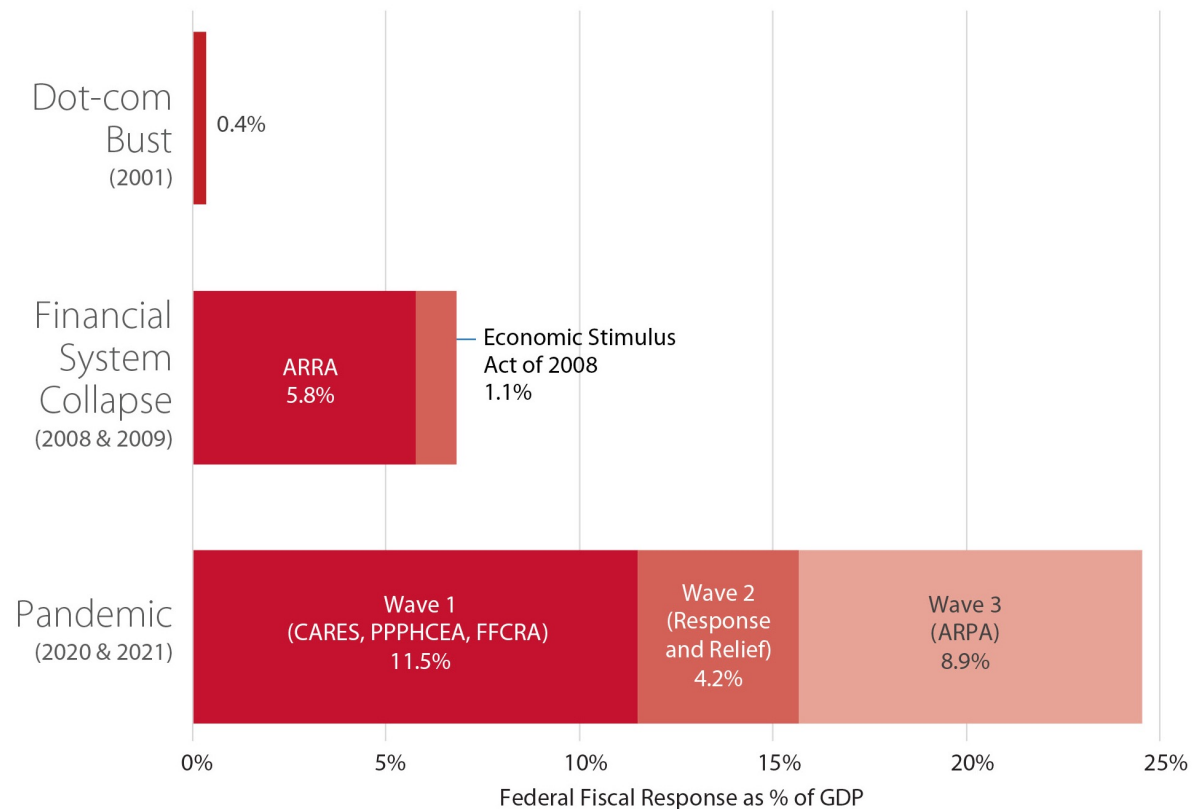
Has Inflation Peaked?

Consumer price inflation, % change yr. ago



Source: BLS, Moody's Analytics

“Unprecedented” Federal Fiscal Support



Source: Congressional Budget Office and National Bureau of Economic Research

Ingredients

Guiding Principles

Ingredient #3: Guiding Principles

1. Practice warm-heartedness.
2. Respect facts and deploy reason.
3. Seek balance.

“Your Holiness, what do I do
when I feel contempt?”

He said, “Practice warm-
heartedness.”

- Arthur Brooks

“There is such a thing as
discernable reality.”

- Jon Meacham

“When you focus on one
problem, you lose perspective.”

- Pres. Taylor Randall

Ingredients

Strategies

Ingredient #4: Strategies

1. Prepare for economic re-sorting.
2. Take care of yourself and your people.
3. Care for those left behind.
4. Invest in institutions.

Economic Re-Sorting

1. Demographic change

- Population growth and characteristics (ex. Zoom Towns)

2. Technological advancement

- Acceleration of trends already in play (ex. online education, telehealth, remote sales)

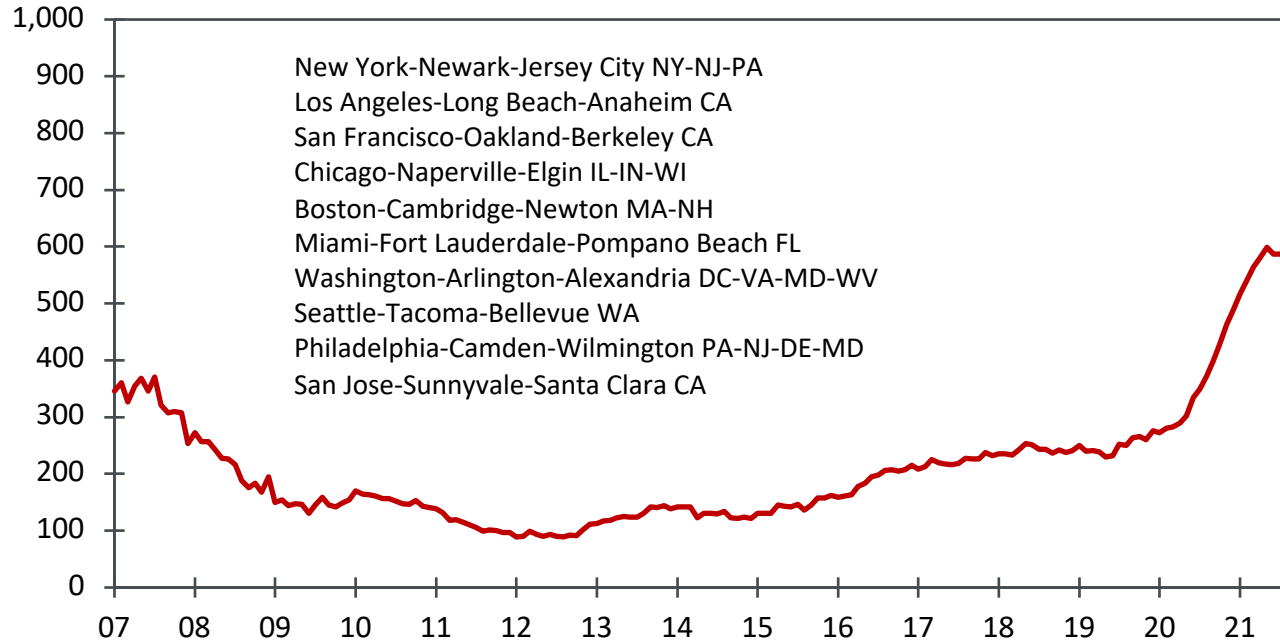
3. Behavioral change

- Changes in preferences (ex. work from home)

Source: Kem C. Gardner Policy Institute

Remote Work is Here to Stay

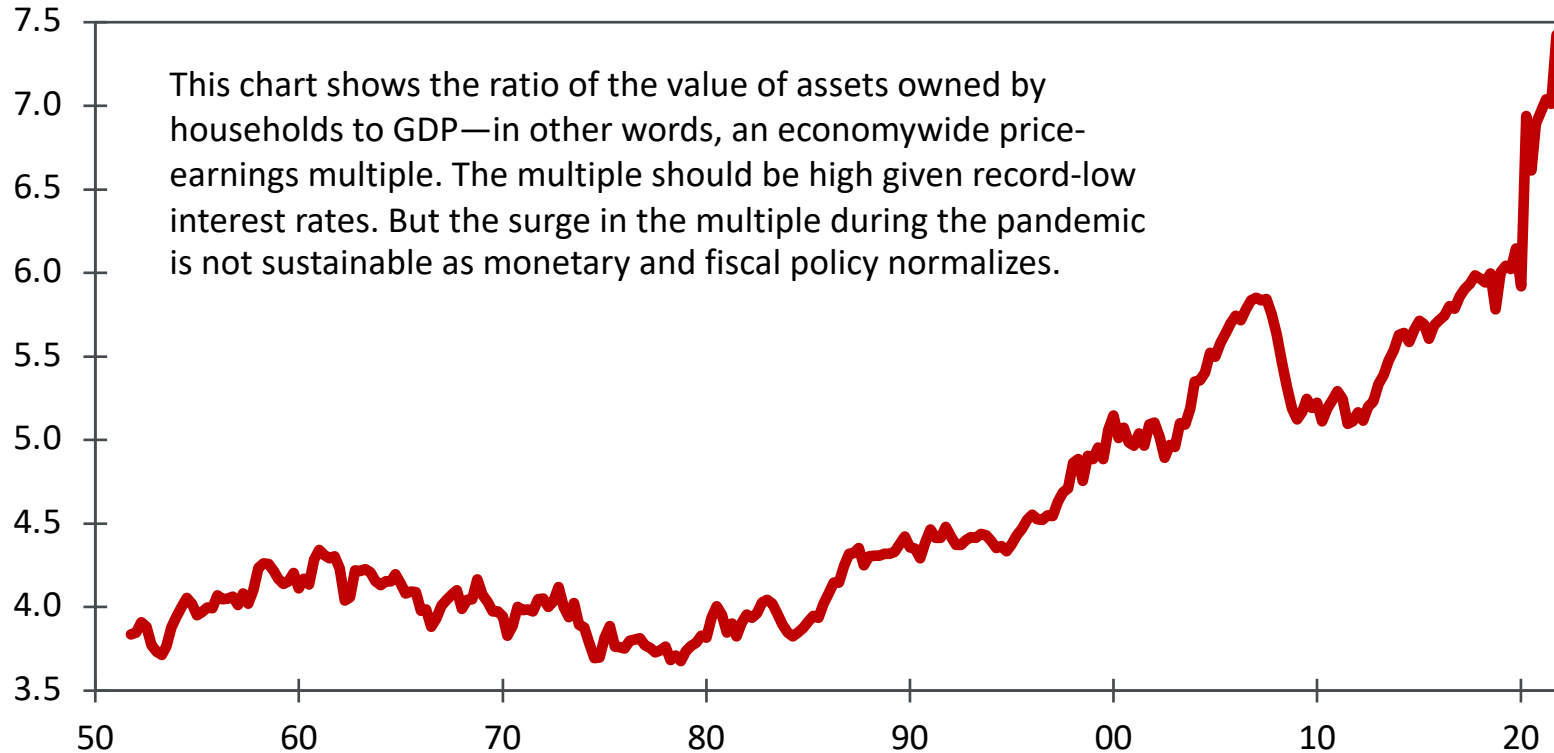
Net out-migration from urban core, thousands, 12-month moving sum



Source: Equifax, Moody's Analytics

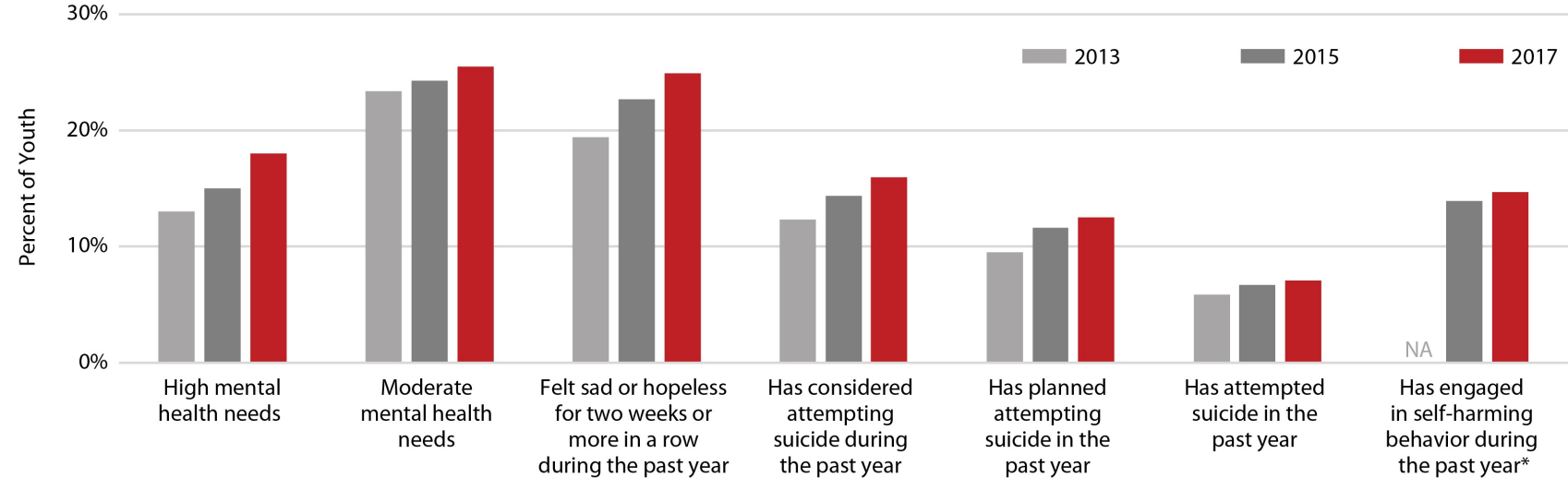
Are Asset Prices Overdone?

Economy-wide price to earnings multiple



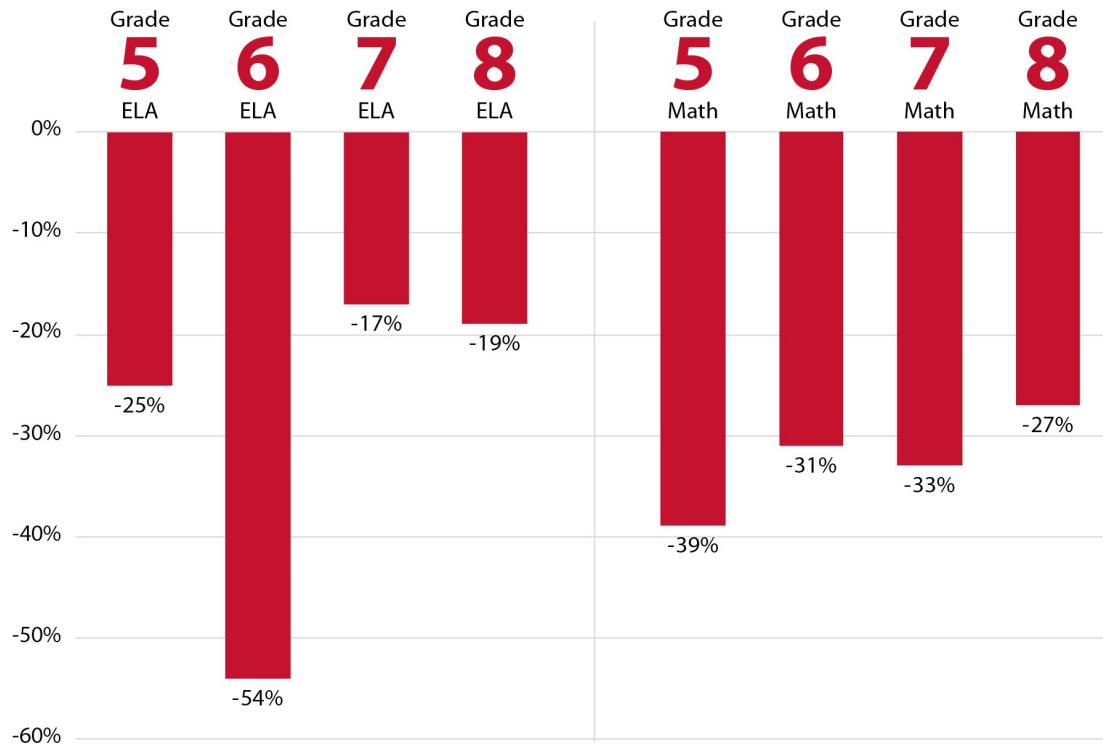
Source: BEA, Federal Reserve, Moody's Analytics

Utah Youth Mental Health and Suicide Indicators



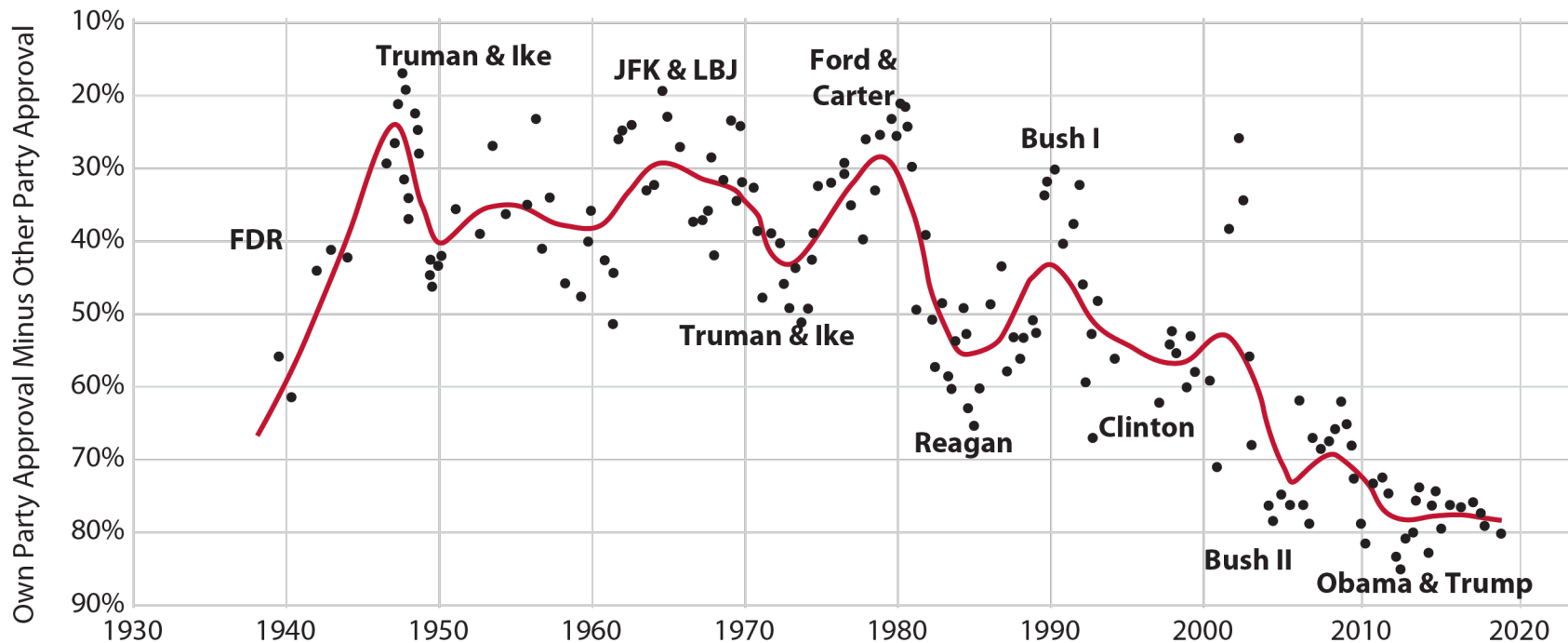
Source: 2017 Prevention Needs Assessment Survey. State of Utah Department of Human Services. Division of Substance Abuse and Mental Health.

Learning Disruptions for Our Future Workforce



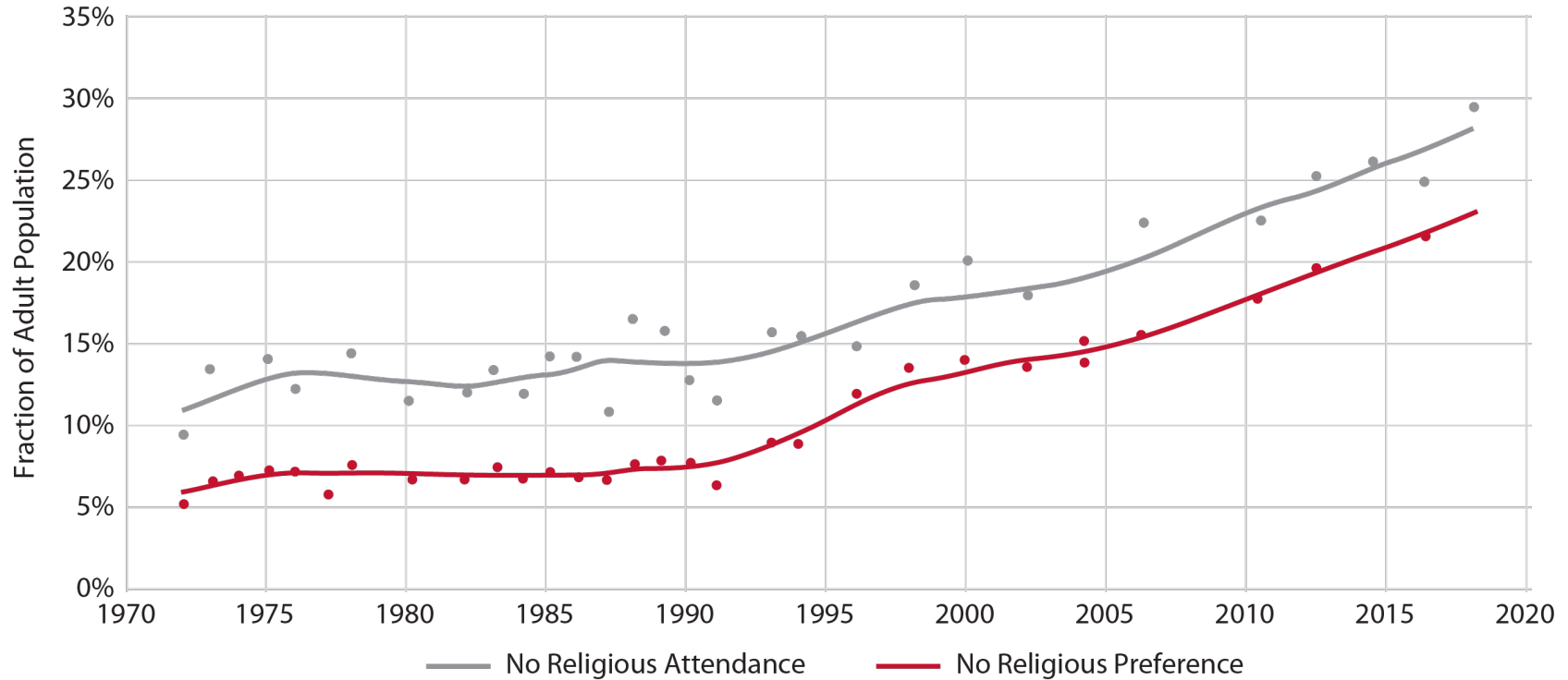
Source: Utah State Board of Education and National Center for Improvement of Education Assessment

Partisanship in Presidential Approval, 1938–2019



Source: Gallup Polls and *The Upswing*, Putnam and Garrett

Emptying Pews and Multiplying “Nones.” 1972–2018



Source: General Social Survey. Data LOESS Smoothed

What are society's institutions?

- The durable forms of our common life. They are frameworks and structures of what we do together. (Levin, 2020)
- They include forms of association/"common life"

Families	Churches	Universities	Clubs
Schools	Supreme Court	Media	Companies
Legislature	Systems of Governance	Health care	Military
- Evidence of declining trust, respect, faith, and confidence in institutions
- Institutions are defined by an ideal and formative in their application.
- Without them we experience a form of social shapelessness, a crisis of connectedness, and a need for social replenishment. (Levin, 2020)

Indications of Institutional Decline

- **Molds to platforms** – Providing a stage, rather than shaping character.
 - Act alone rather than together.
 - Contribute to sense of detachment.
 - Inability to agree on what's true.
- **Formative to performative** – Seeking attention, rather than solving problems.
 - Presidency and Congress as stages for political performance art. Journalism indistinguishable from activism.

Source: *A Time to Build*, Yuval Levin

Warm Winter Stew



Bon Appetite!