

2023 Economic Forecast

Summary and Outlook for Northern Utah's Labor Market

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Utah Department of Workforce Services
Bank of Utah's Annual Economic Outlook

February 9, 2023



Overview

- **Quick Facts on N. Utah Economy**
- **Current Pressure**
 - Labor Shortage
 - Wage Gains
 - Inflation
 - Recession(?)
- **Long term look at the Labor Force**



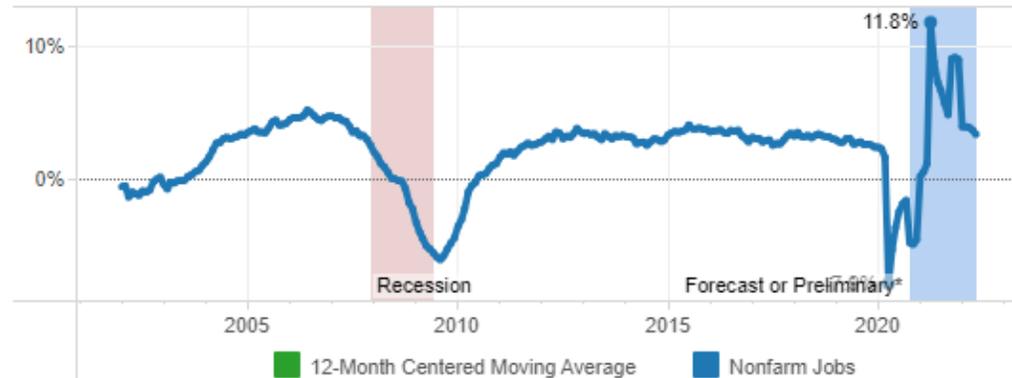
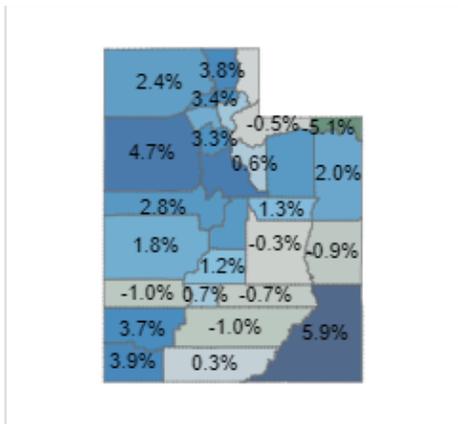
Where are we?

Utah's economy continues to grow.

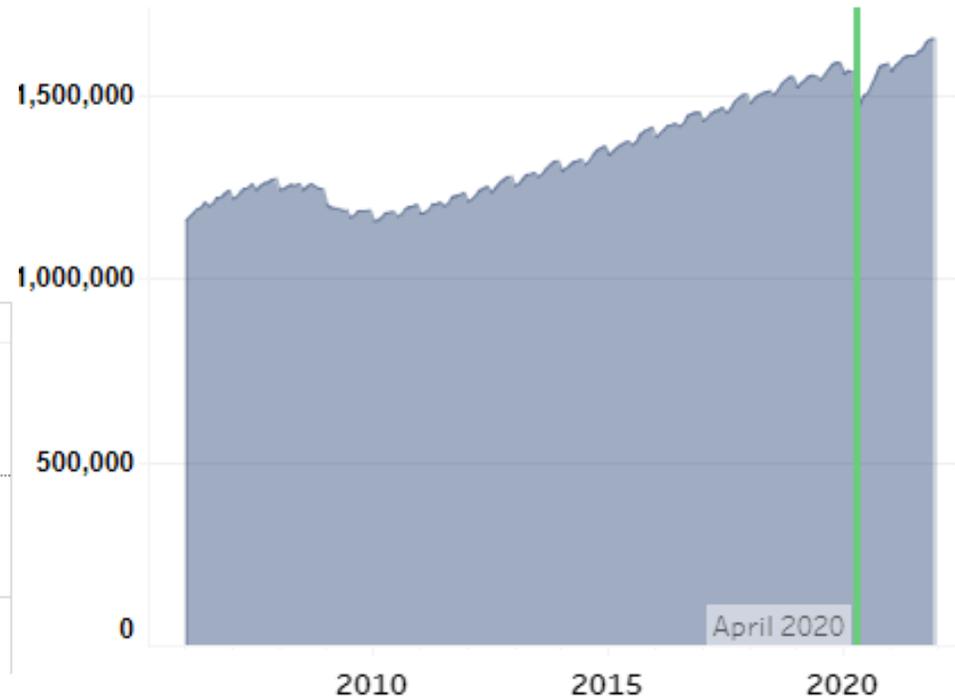
Employment is above pre-pandemic levels.

- Utah has gained around 70,000 jobs since before the pandemic.
- Positive job growth despite tight labor market.

Year-Over Nonfarm Growth Rates (SA)



Two-Year Change in Nonfarm Jobs

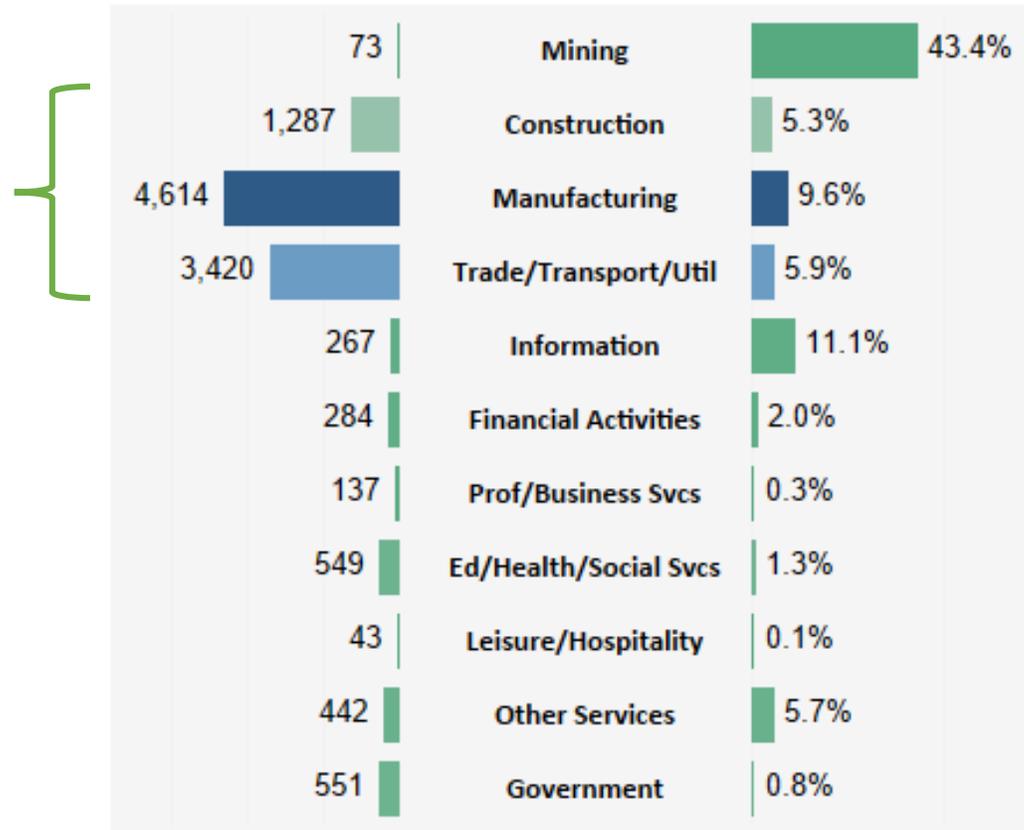


Where are we?

Growth/recovery varies by industry.

Northern Utah

Two-Year Change in Nonfarm Jobs



Almost every industry has grown since pre-pandemic.

COVID had an uneven impact (but growth is never even.)

Industrial Strengths

Total Wages Paid in Northern Utah, Q2 2021 through Q2 2022

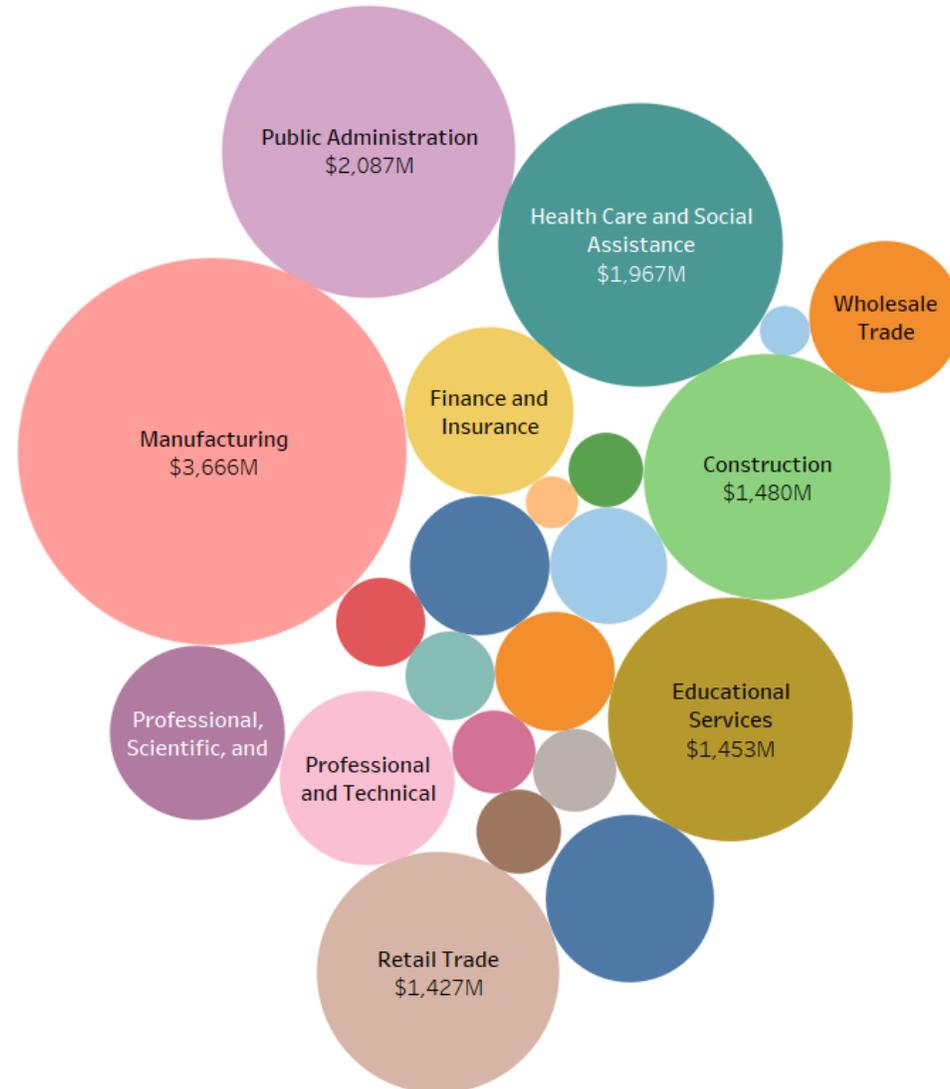
Northern Utah relies on strong basic industries:

- Manufacturing – \$3.7 Billion
- Public Administration – \$2.1 Billion

Why does “basic industry” matter?

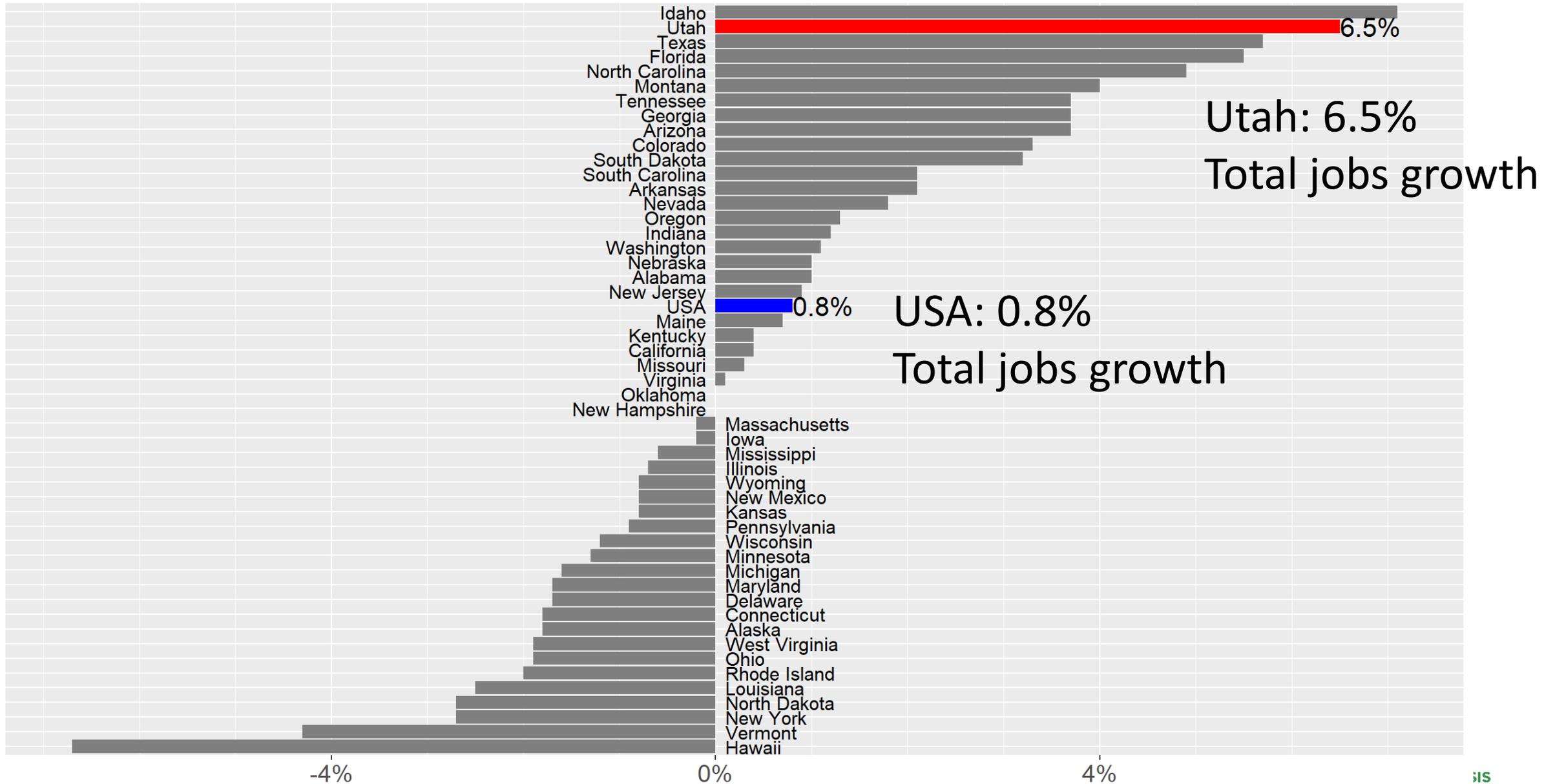
How strong is ours?

- Durable & Consumable Goods
- Gov’t. & Private Consumption

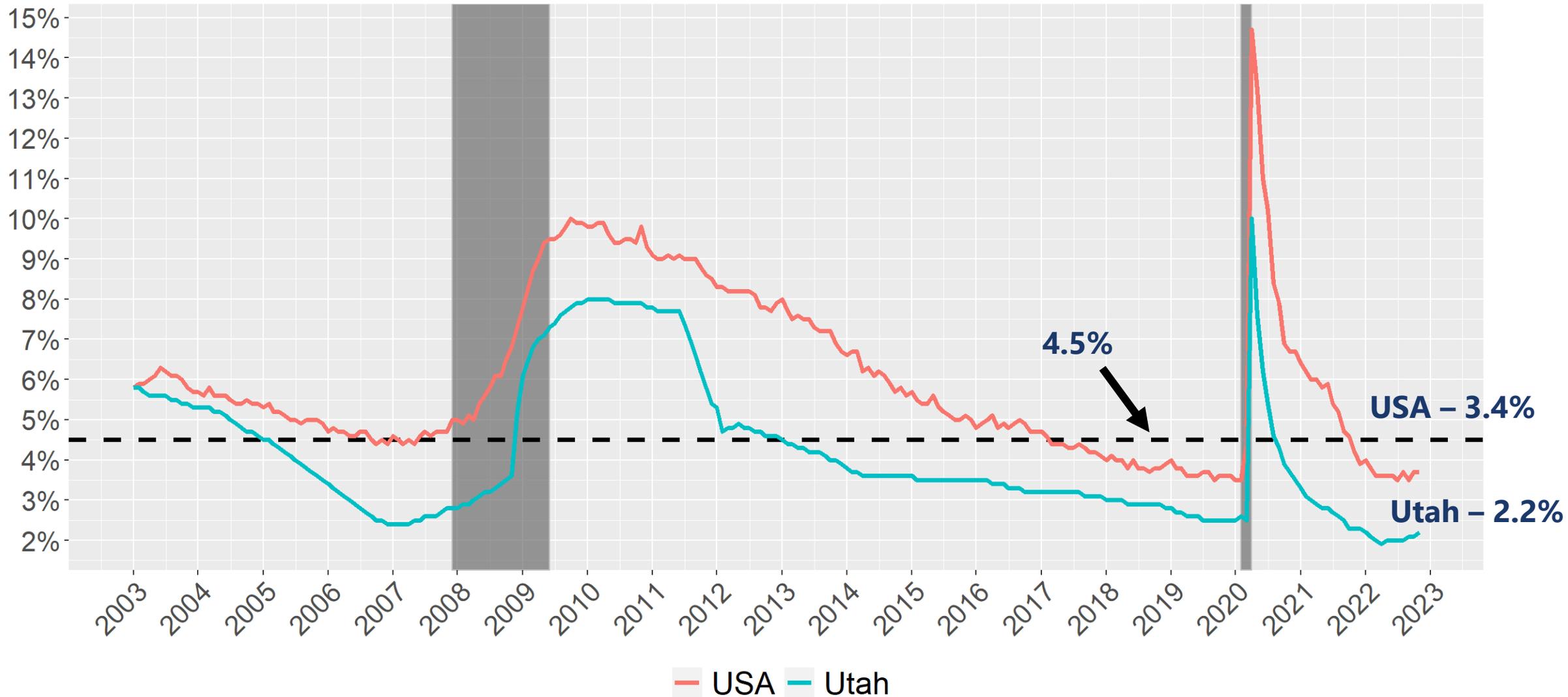


Utah near top in job growth since COVID hit

Change in Nonfarm Jobs: Feb 2020 to Dec 2022



Very Tight Labor Market

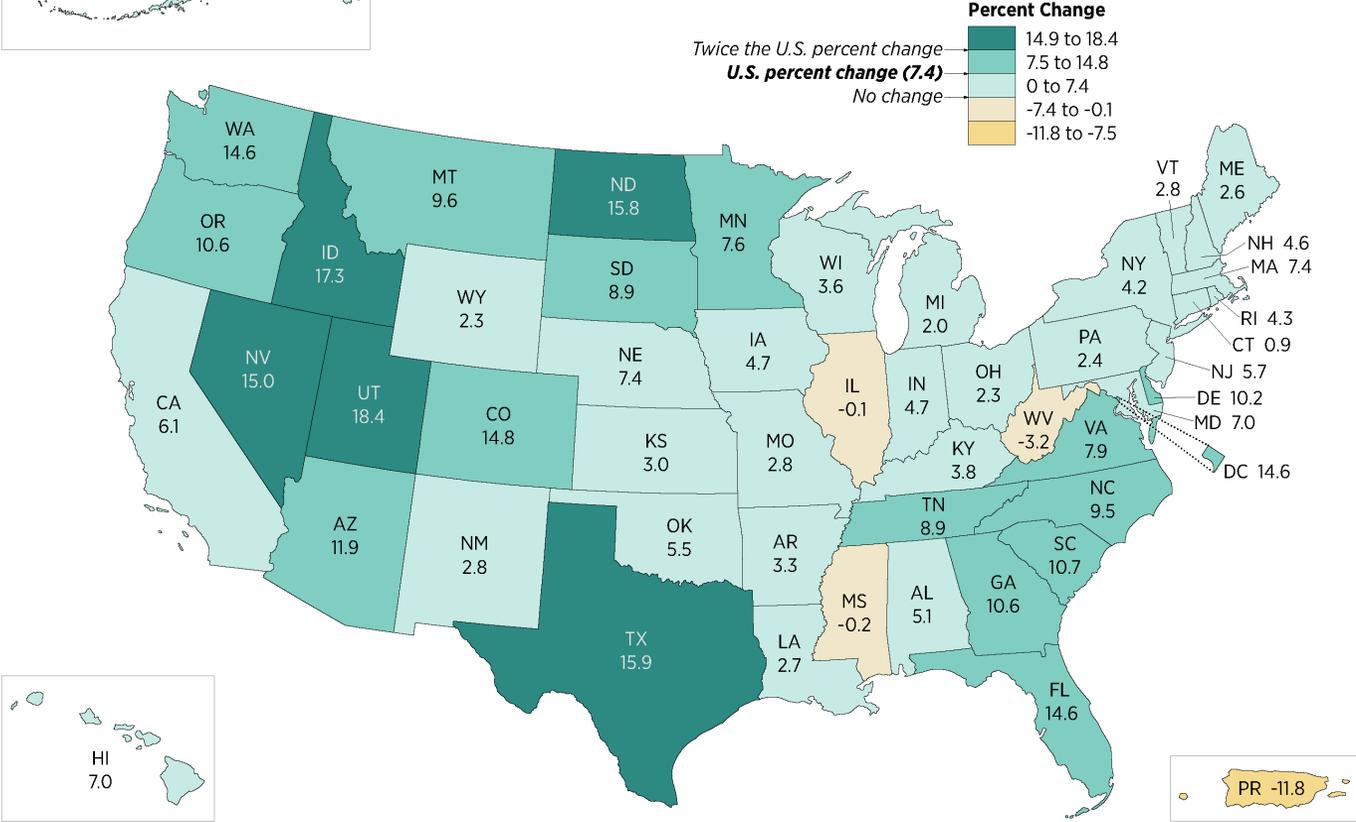


Source: BLS

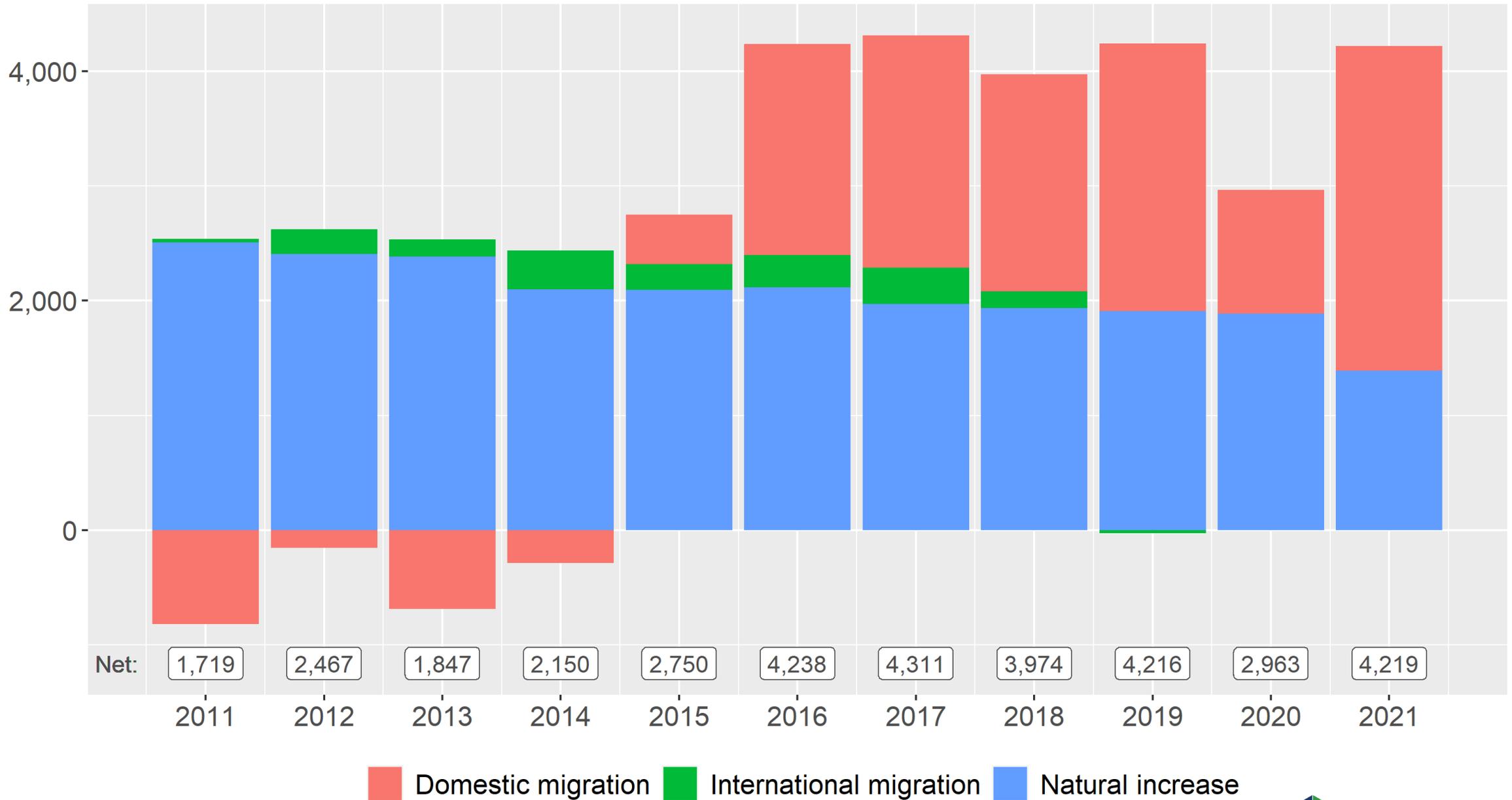
Utah near top in job growth since COVID hit



Percent Change in Resident Population for the 50 States, the District of Columbia, and Puerto Rico: 2010 to 2020

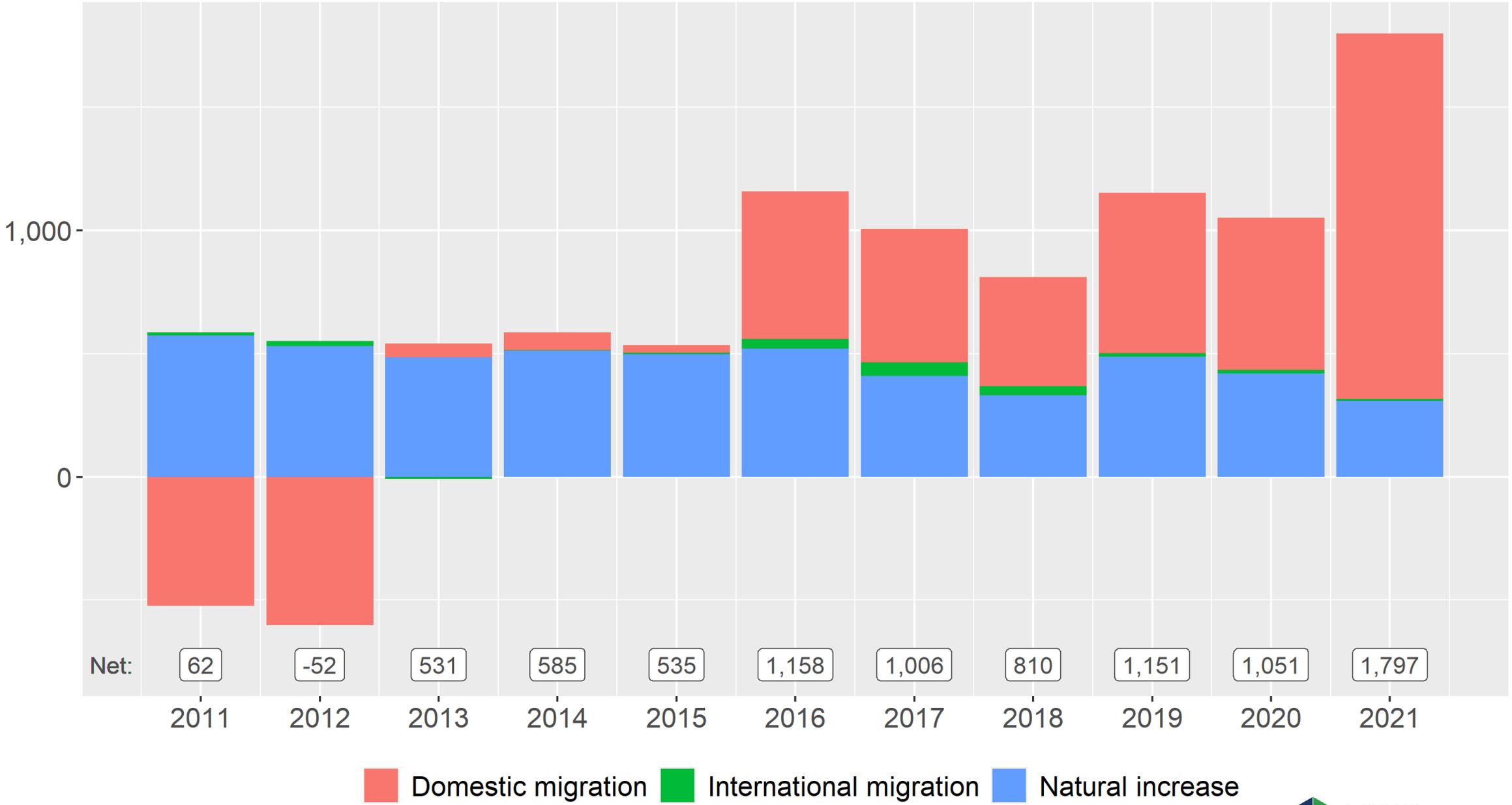


Weber County: Components of population change



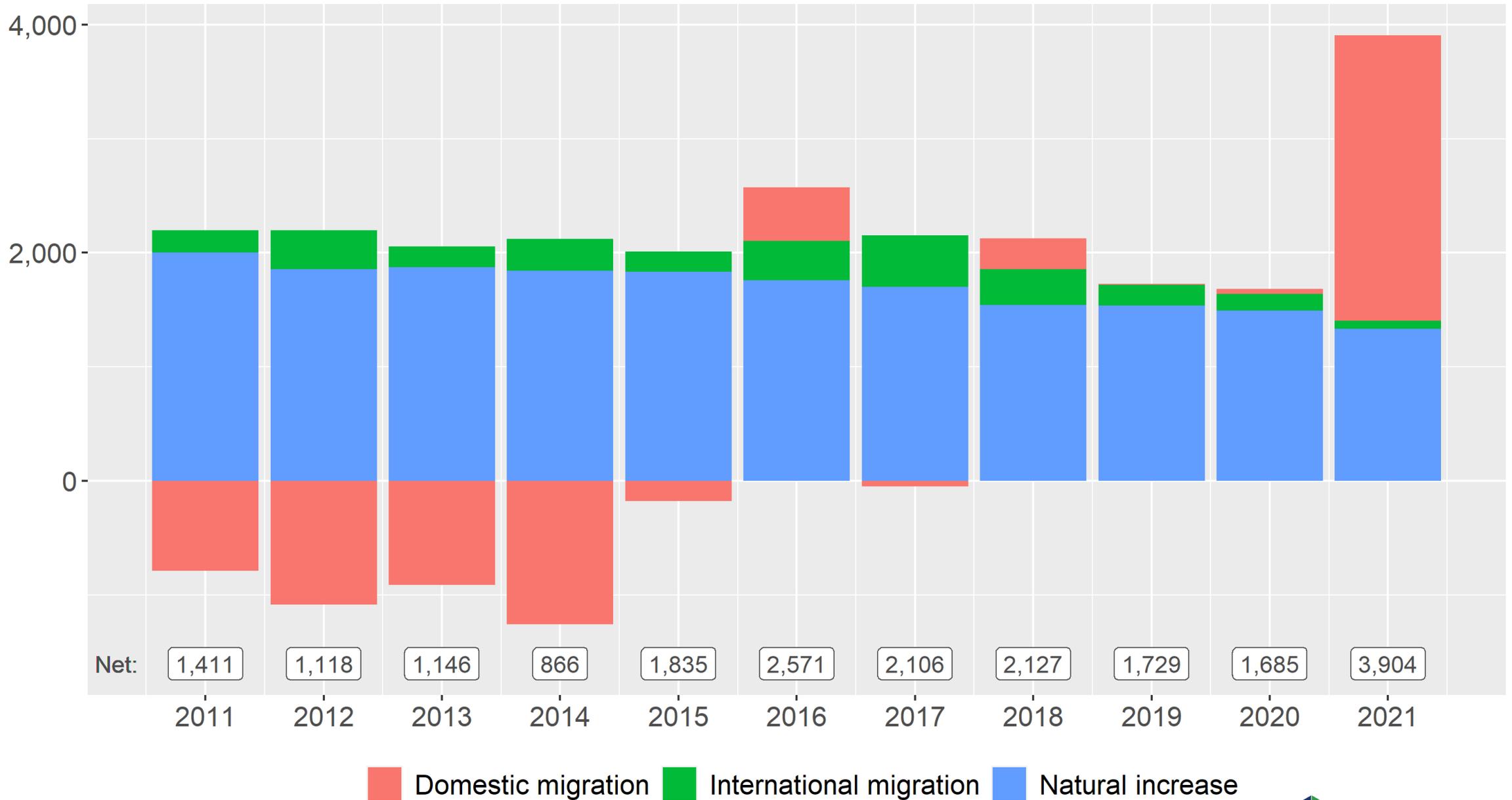
Source: U.S. Census Bureau, Population Division

Box Elder County: Components of population change



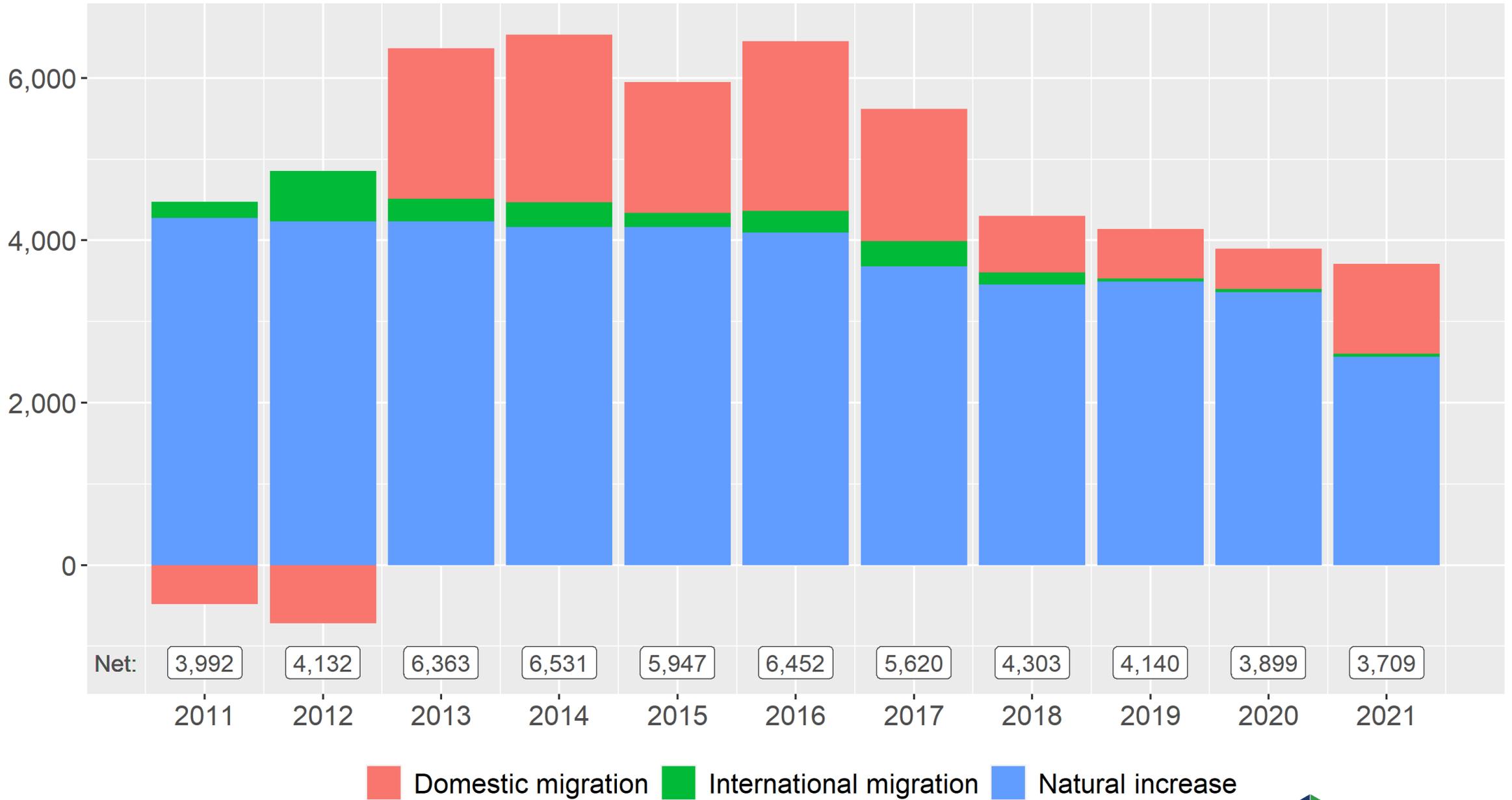
Source: U.S. Census Bureau, Population Division

Cache County: Components of population change



Source: U.S. Census Bureau, Population Division

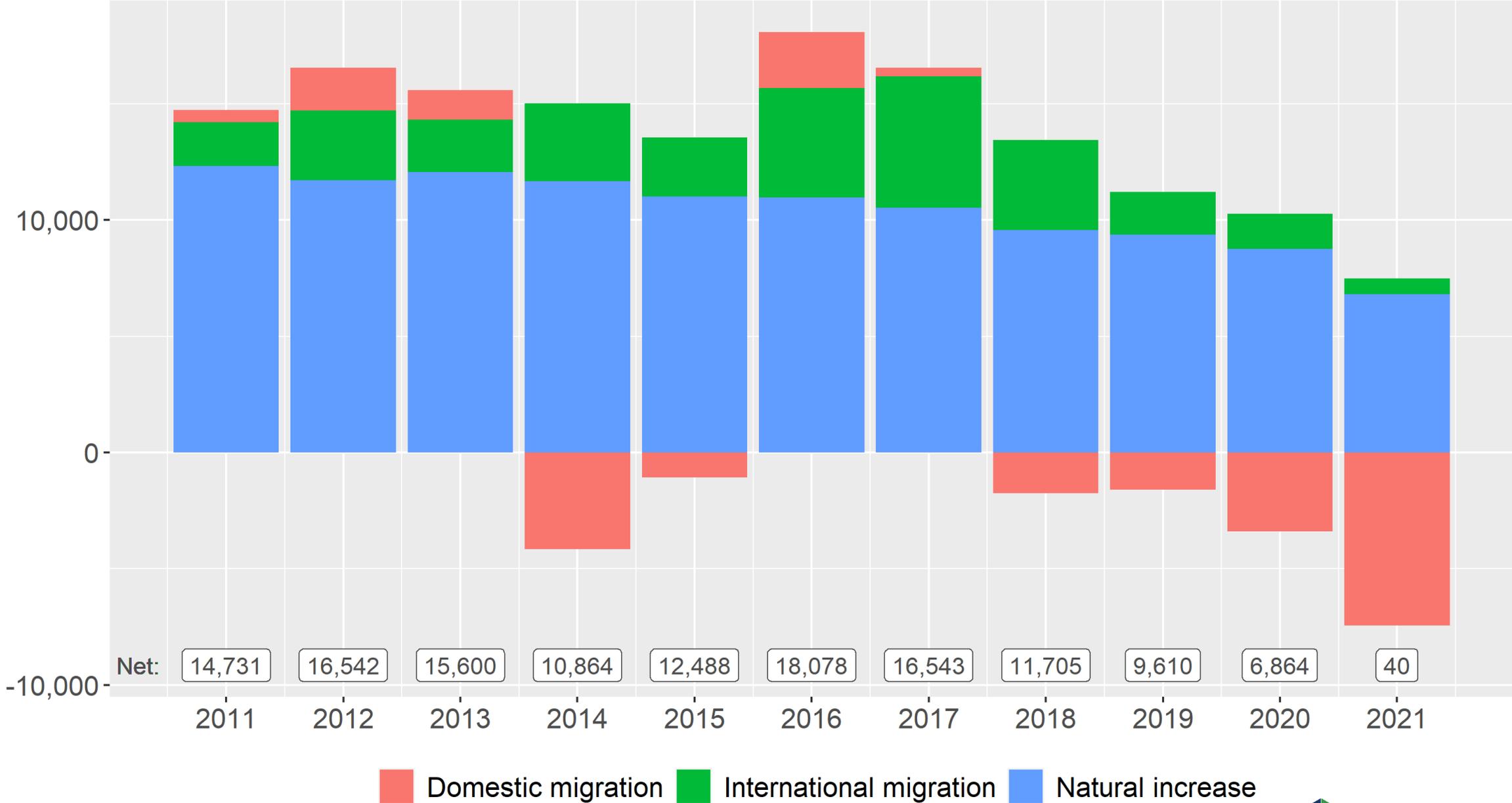
Davis County: Components of population change



■ Domestic migration
 ■ International migration
 ■ Natural increase

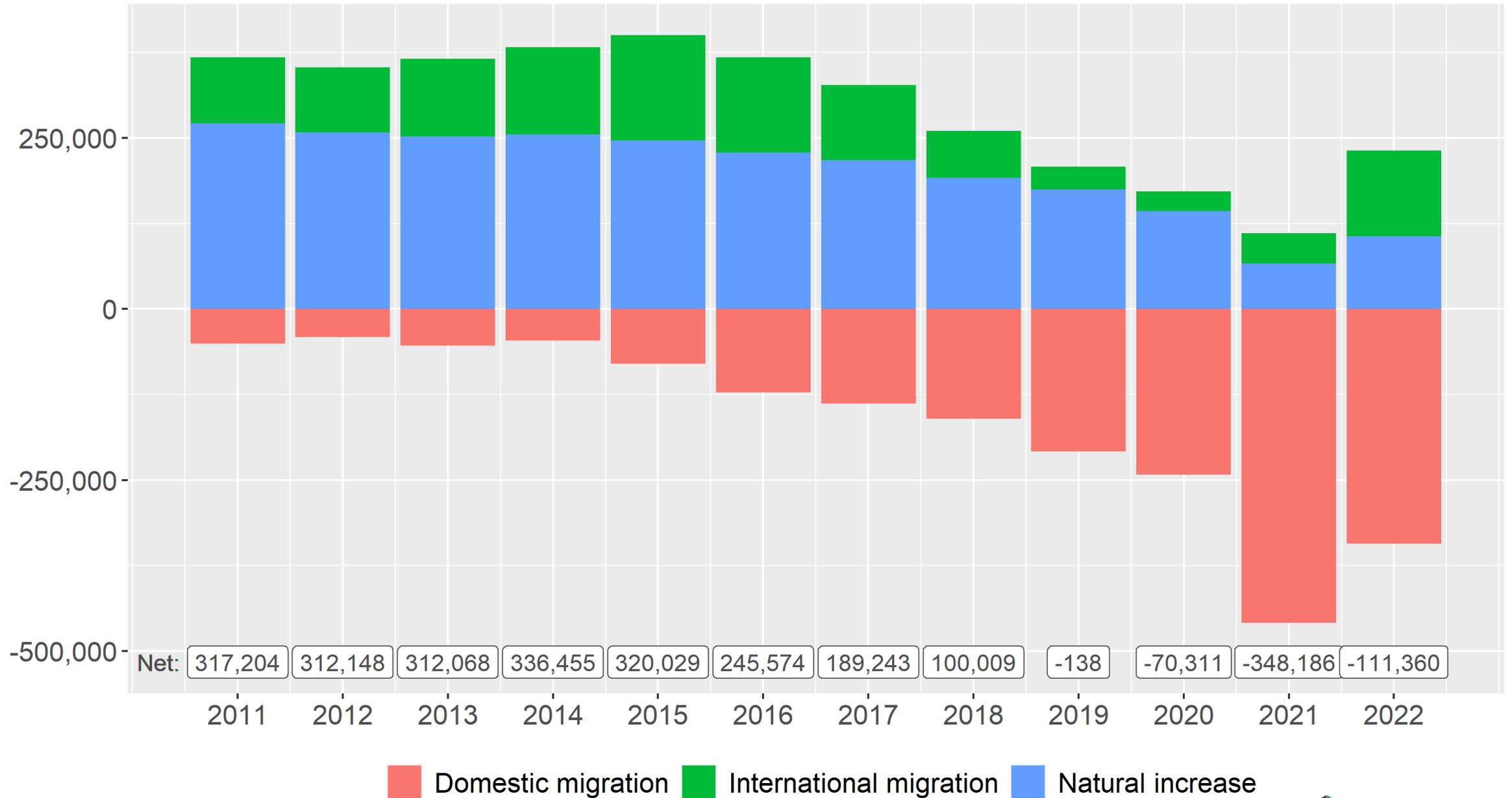
Source: U.S. Census Bureau, Population Division

Salt Lake County: Components of population change



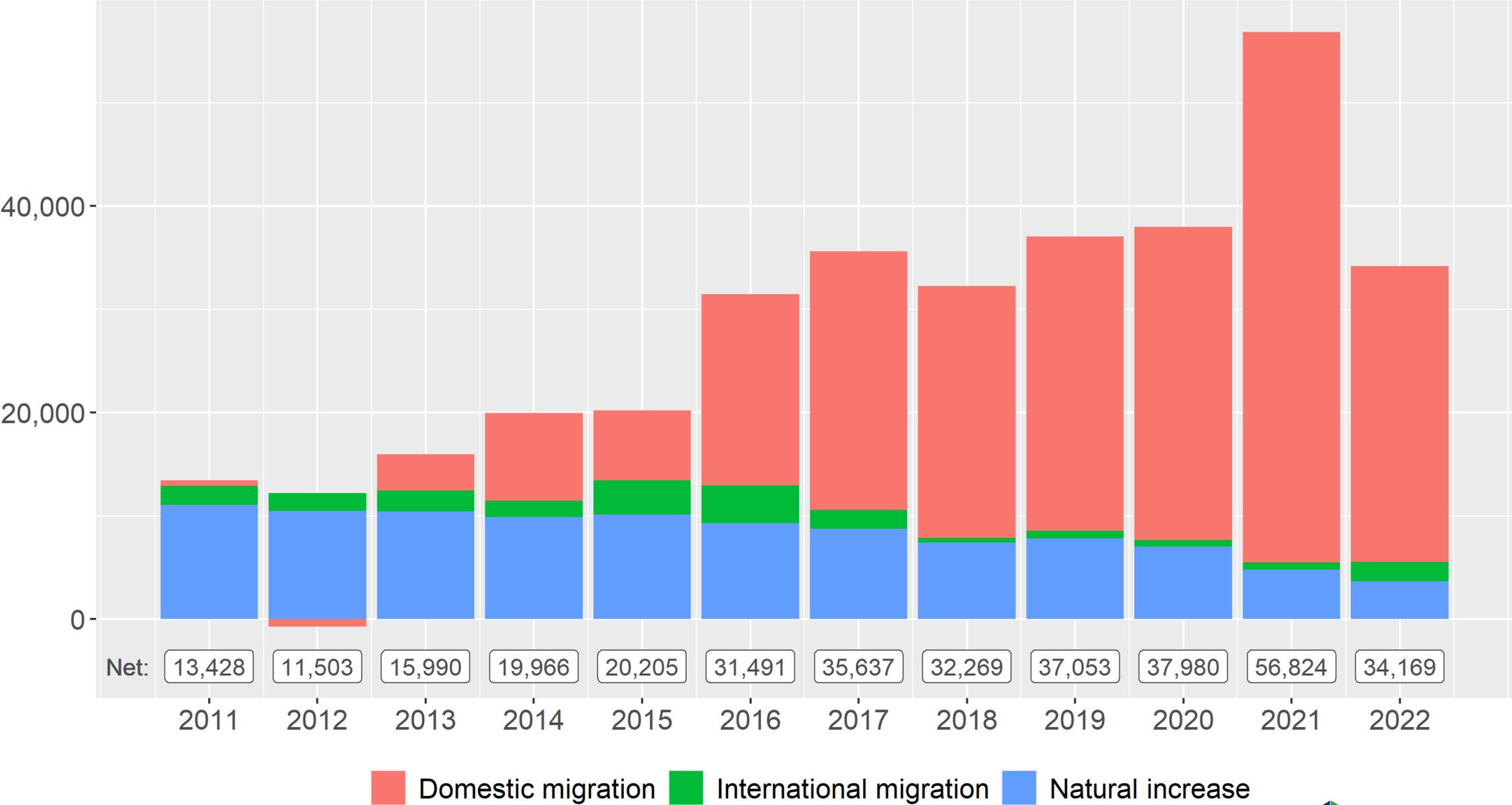
Source: U.S. Census Bureau, Population Division

California: Components of population change



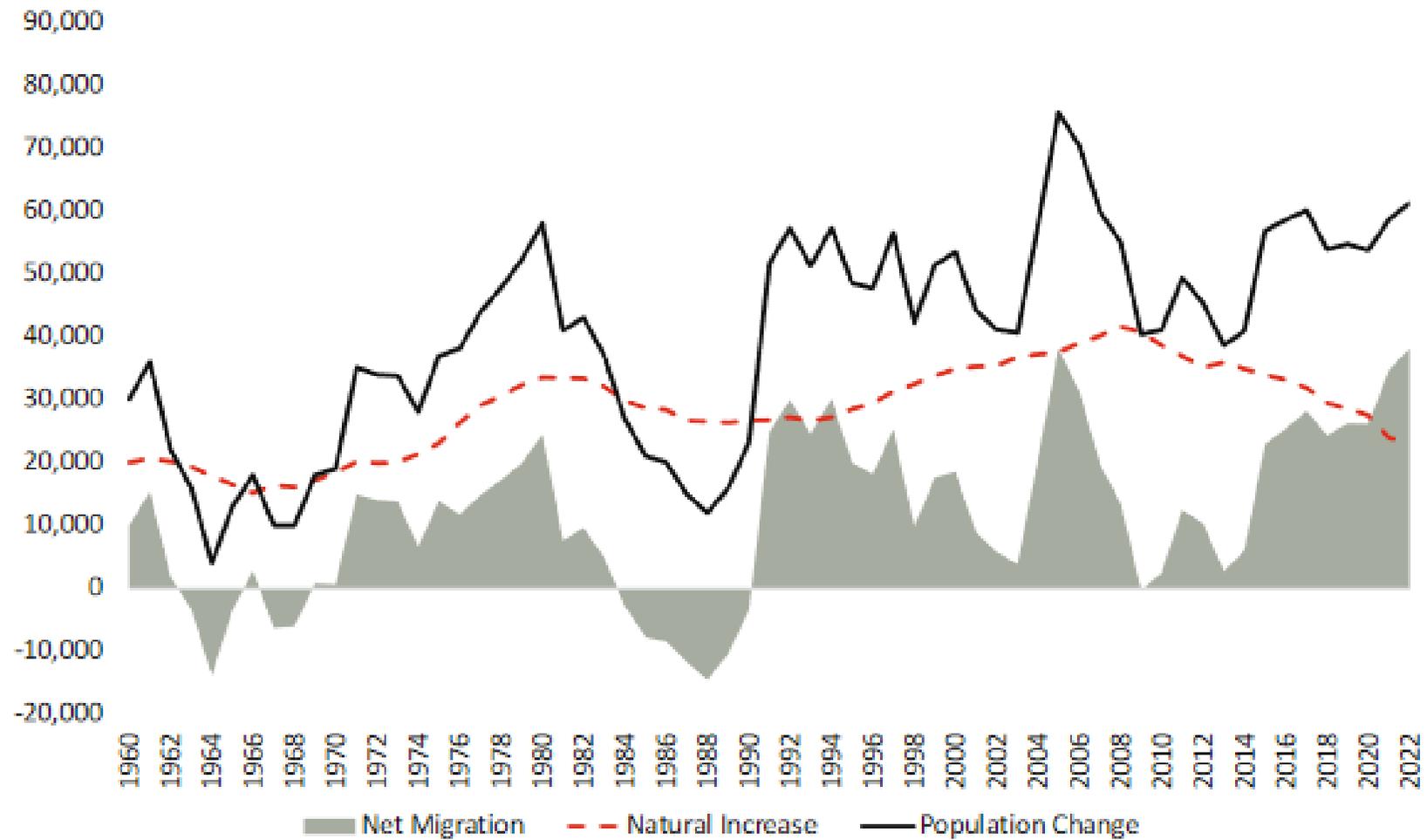
Source: U.S. Census Bureau, Population Division

Idaho: Components of population change



Source: U.S. Census Bureau, Population Division

Figure 2.1: Utah Components of Population Change, 1960–2022



Source: Utah Population Estimates Committee and Utah Population Committee

Pressure in the Labor Force



February 8, 2023

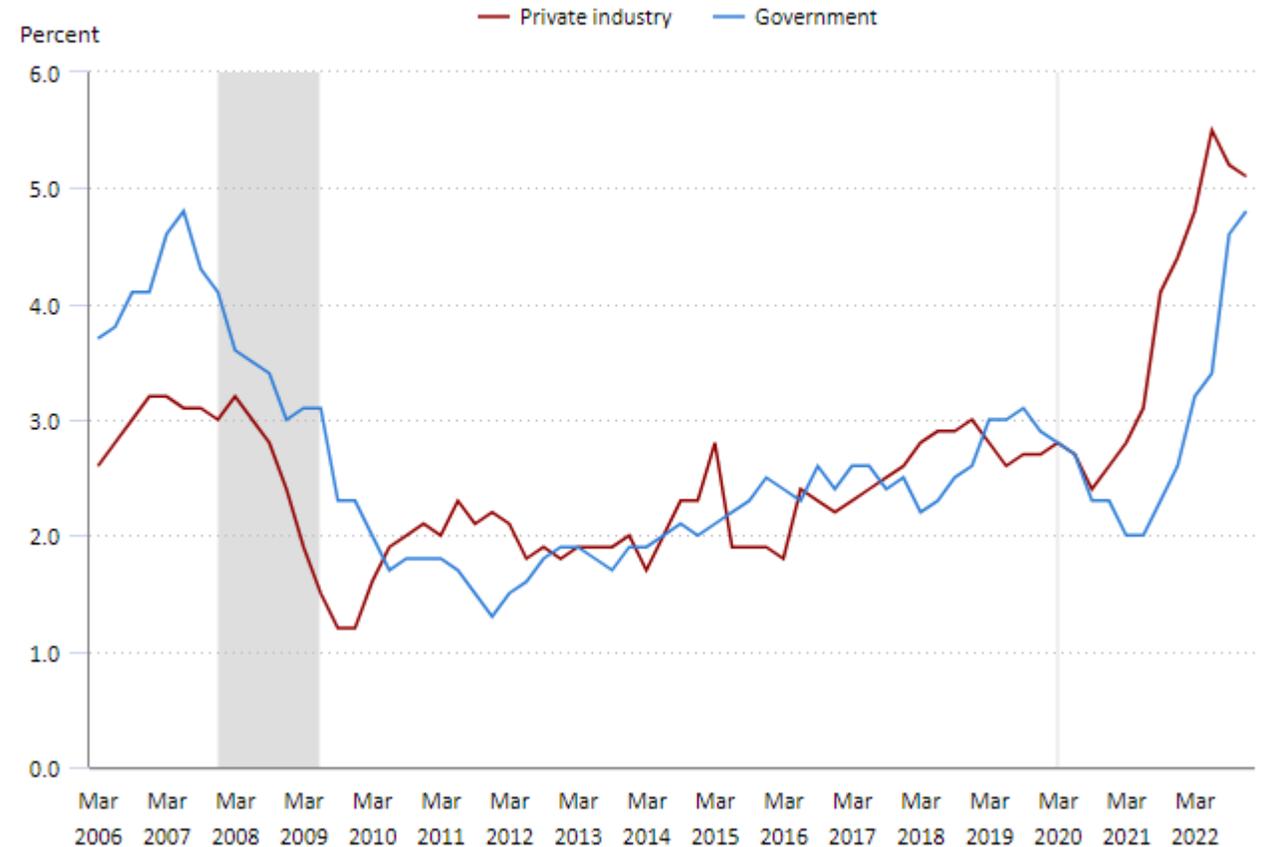
Under Pressure Wage Gains

Competition for workers leads to wage gains.

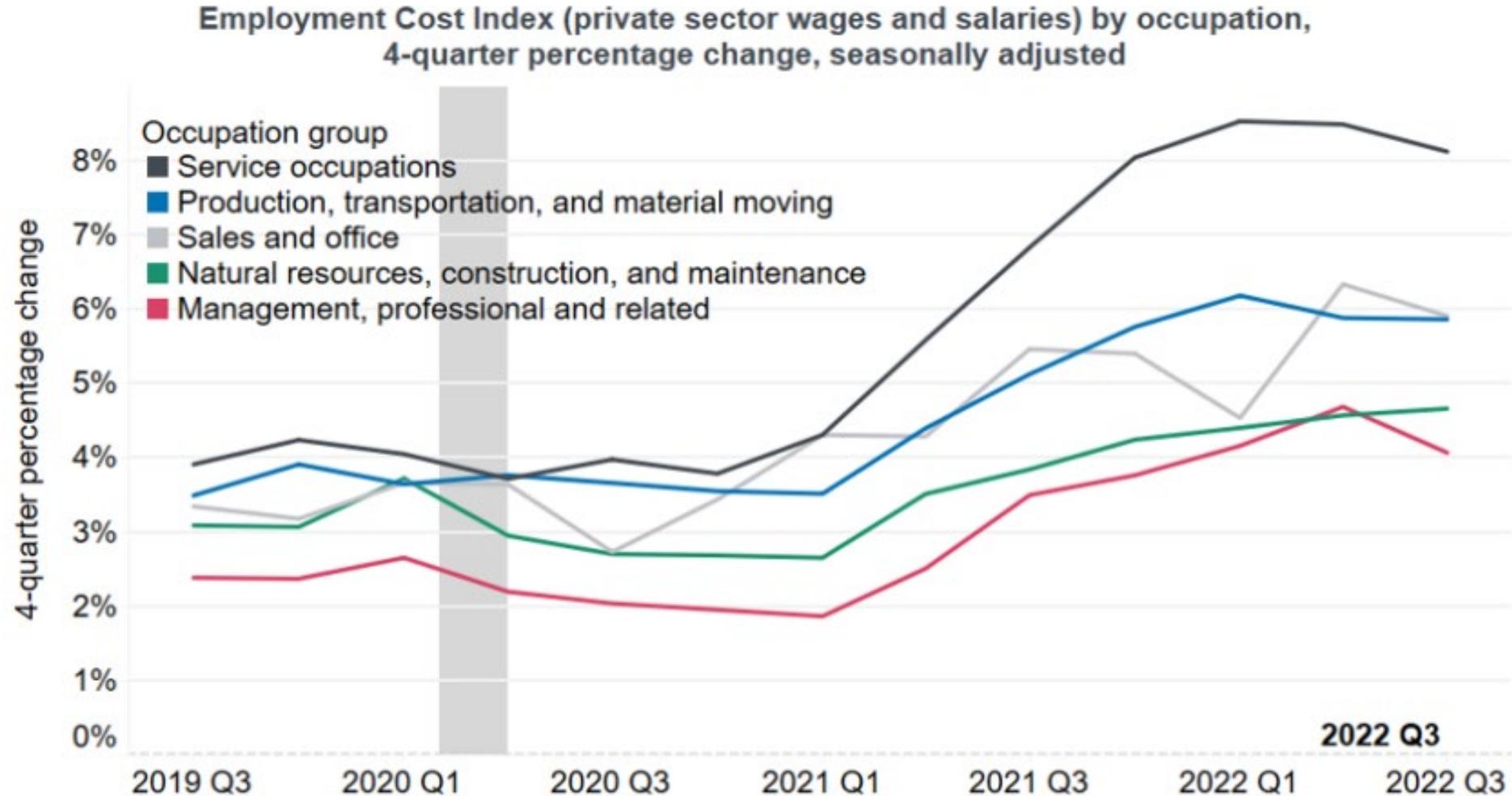
Wages gains aren't spread evenly.

- Industry matters (high specialization and low end of the wage pool).
- Wage gains decrease value of tenure/seniority.
- Wages are fighting to outpace inflation.

Compensation in private industry and state and local government, 12-month percent change, not seasonally adjusted



Wage growth is especially strong for in-person services workers.



Note: Shaded area represents recession.
Source: US Bureau of Labor Statistics

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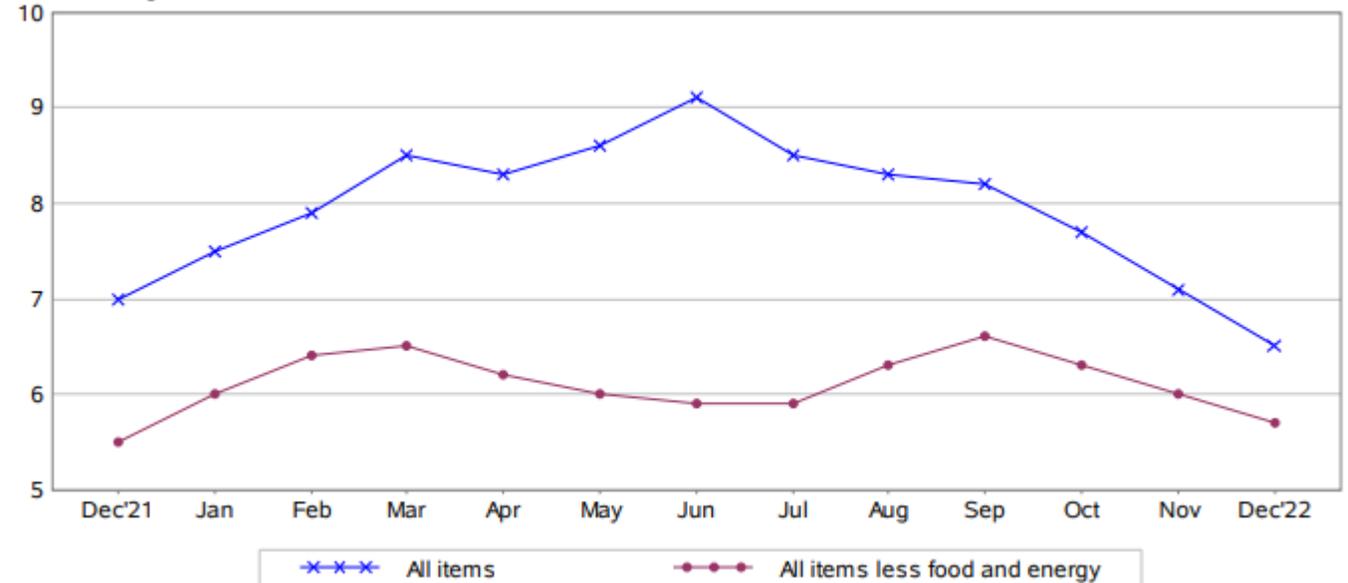
Under Pressure

Historic Inflation

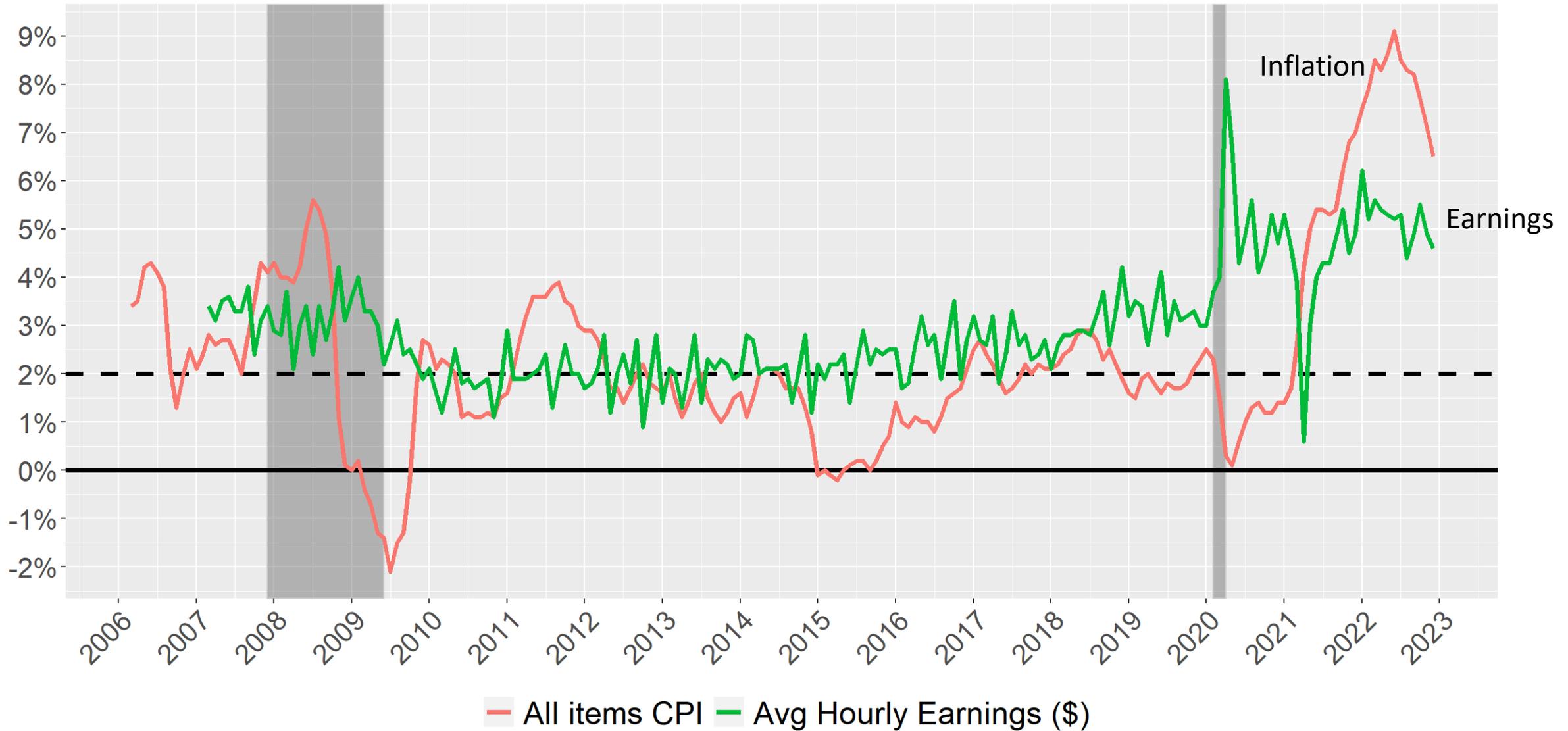
More money chasing fewer goods = Inflation

- Multiple sources....
 1. Federal aid from pandemic
 2. High demand for goods
 3. Supply chain disruption / Ukraine War
 4. Labor shortage
- Is inflation always bad?
- December inflation at 6.5% year-over.
- Federal Reserve responding by raising interest rates.
 - Most recent meeting: January 31 – February 1 raised rates by .25

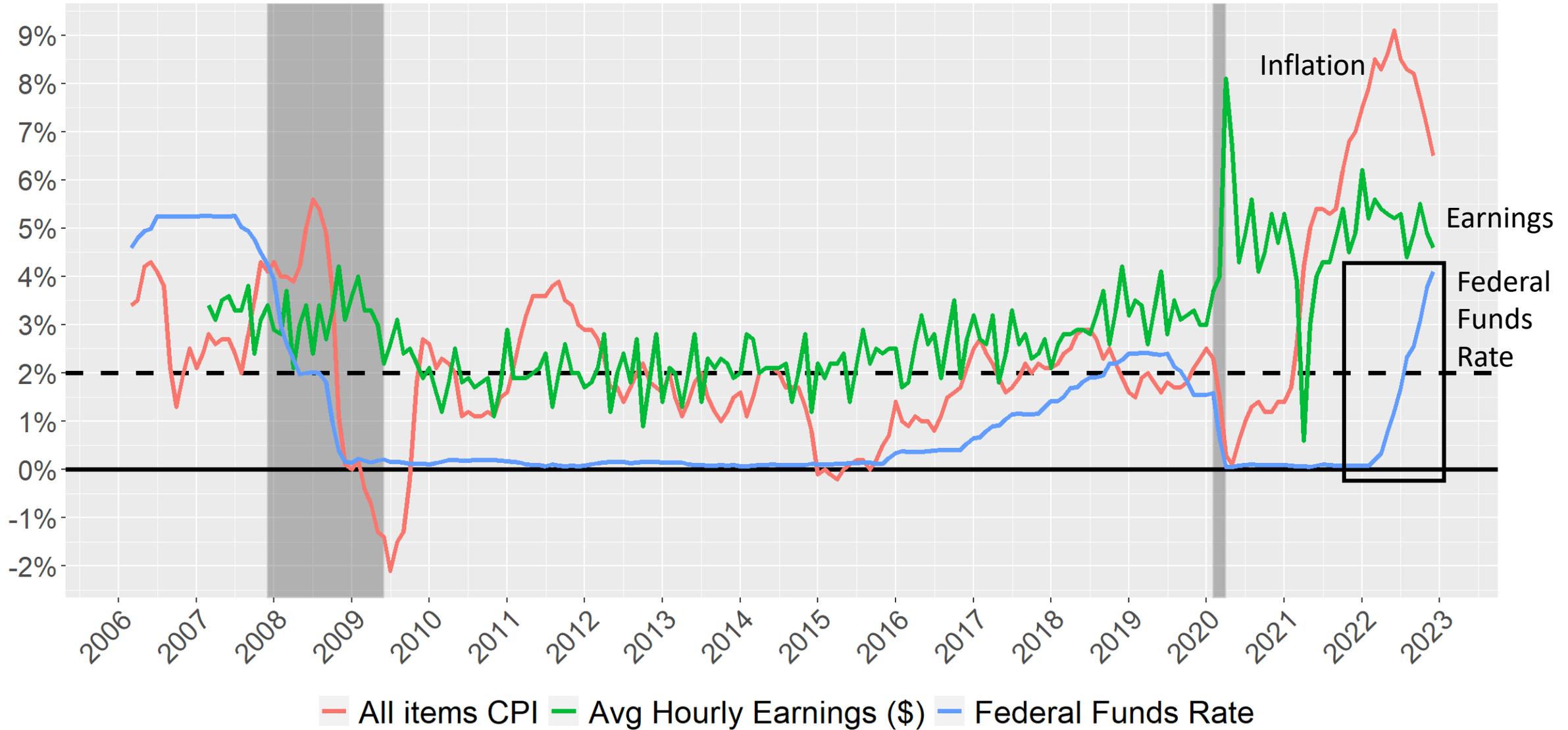
Chart 2. 12-month percent change in CPI for All Urban Consumers (CPI-U), not seasonally adjusted, Dec. 2021 - Dec. 2022
Percent change



National scene: Inflation & earnings

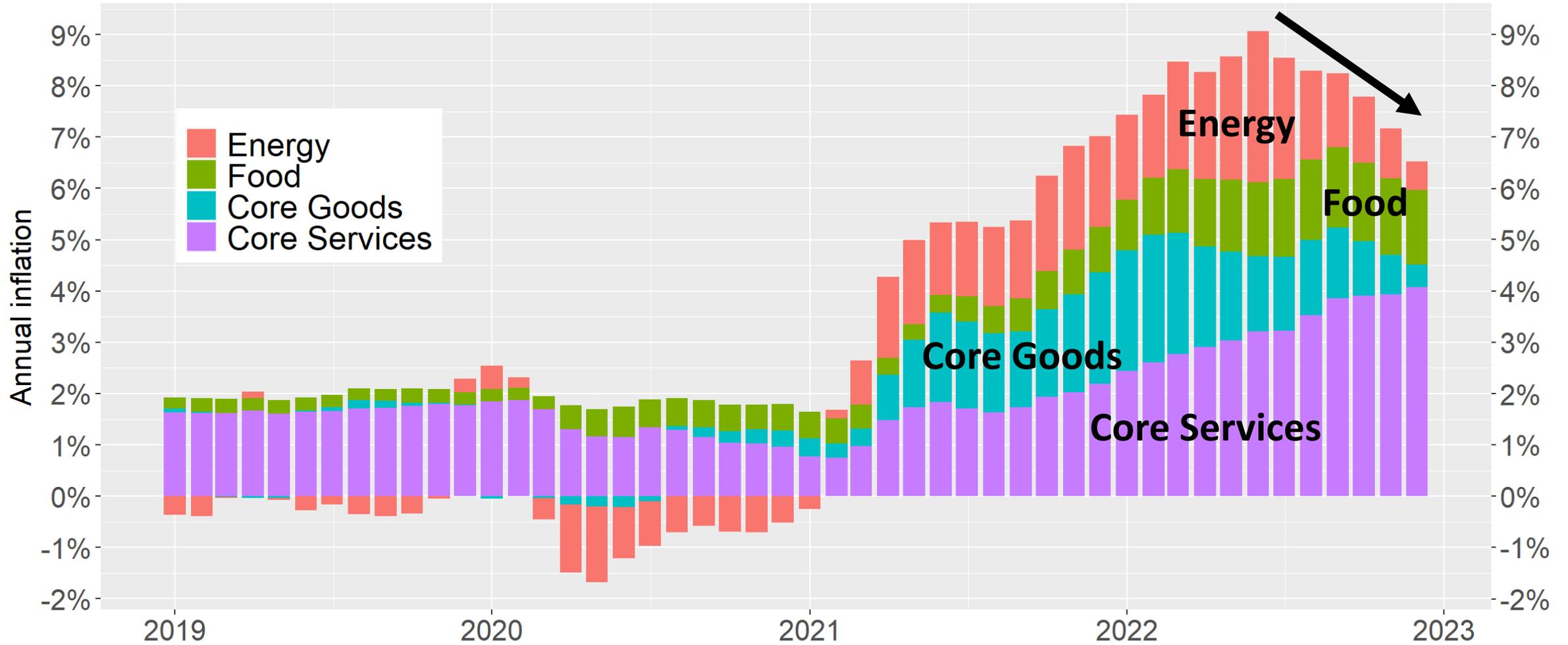


National scene: Inflation, earnings, interest rates



Pandemic Prices

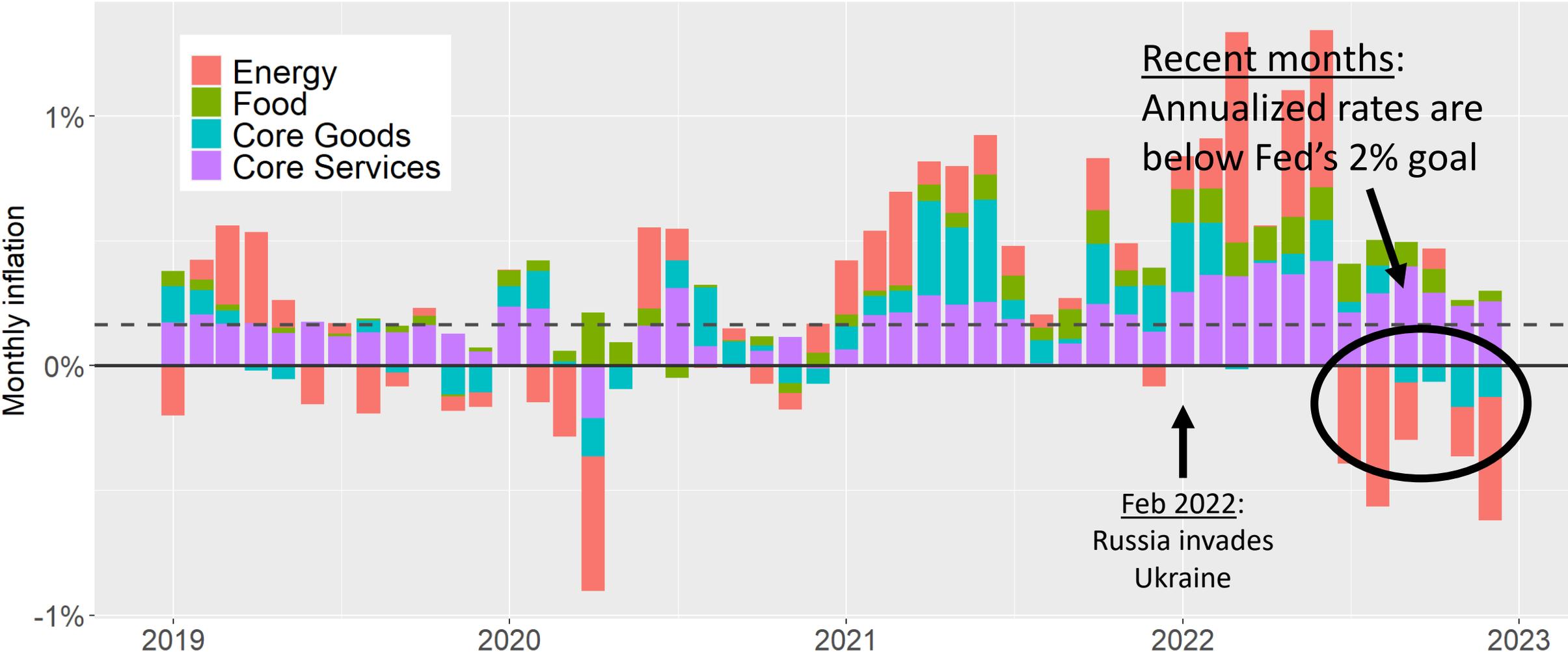
Inflation has been declining since July 2022



Source: BLS, Consumer Price Index for All Urban Consumers (CPI-U): U.S. city average

Pandemic Prices: Monthly inflation

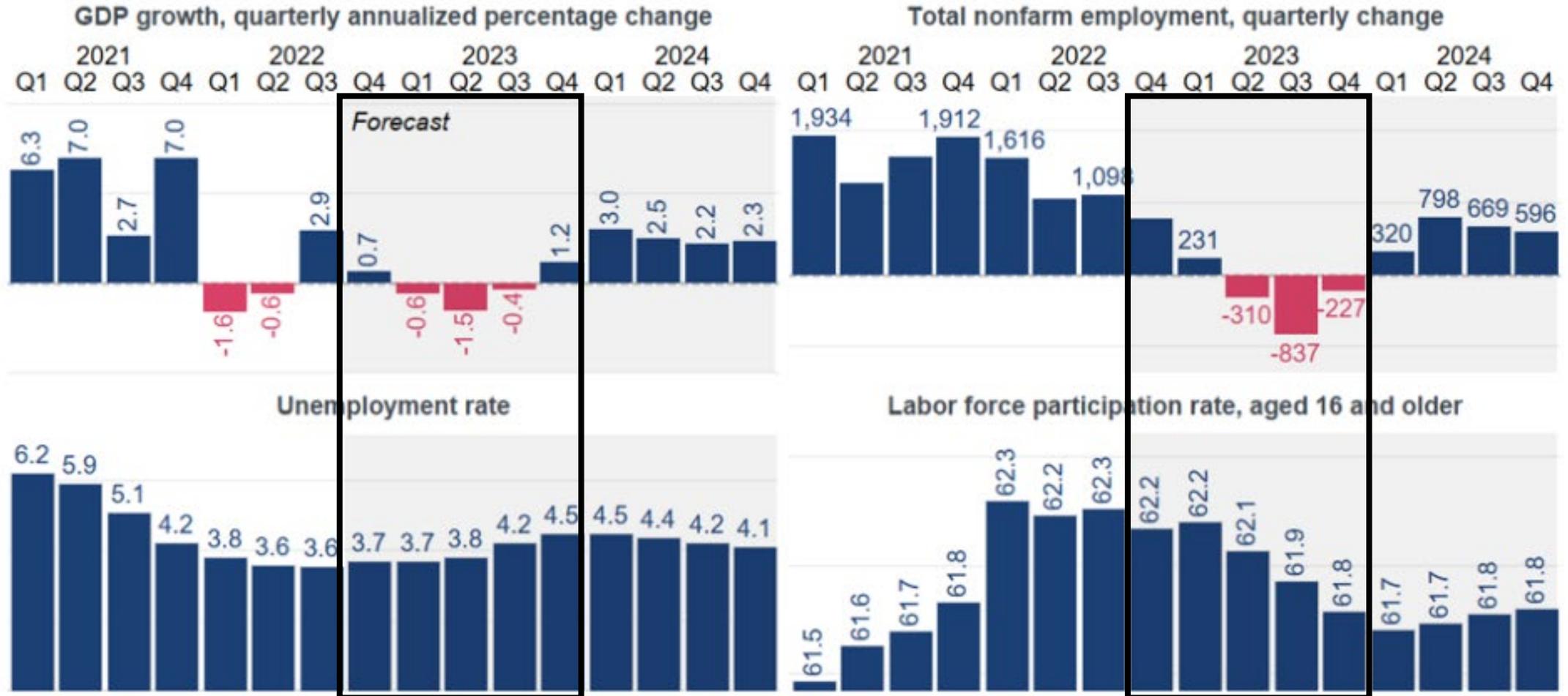
Recent months are below Fed's 2% goal



Source: BLS, Consumer Price Index for All Urban Consumers (CPI-U): U.S. city average

The Conference Board forecasts (National):

Economic and labor market forecasts in base case scenario, Q4 2022 - Q4 2024



Sources: US Bureau of Labor Statistics, US Bureau of Economic Analysis, The Conference Board

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The Kiplinger Letter

FORECASTS FOR EXECUTIVES AND INVESTORS

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100
years

2023 OUTLOOK

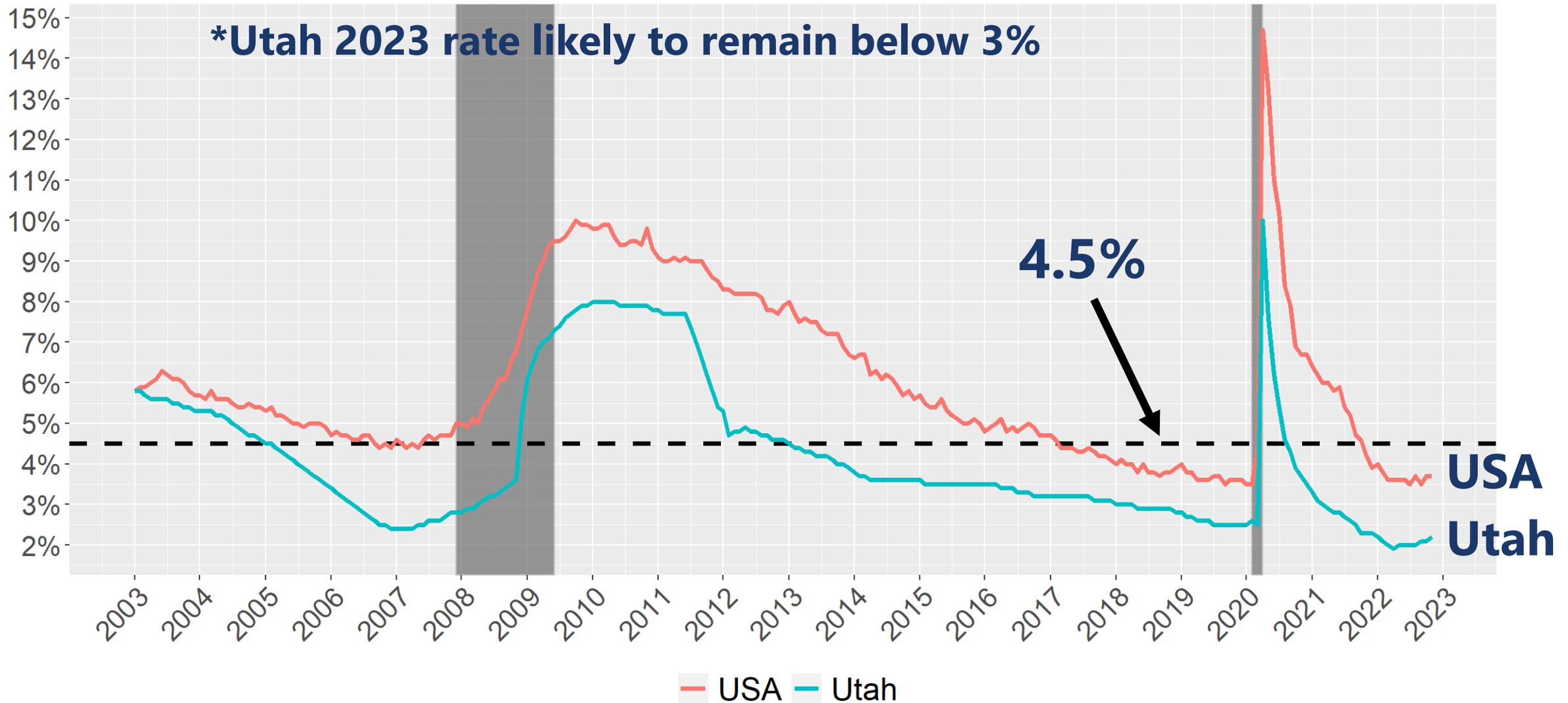
1) A recession is now more likely than not.

Some parts of the economy, like housing, are already in recession, and other sectors will follow. Manufacturing figures to follow the building industry, and then banking as demand for loans trends down. Services should hold up better for longer. Auto sales figure to do well even amid a general downturn. Demand is still strong, and now supply is improving.

Unemployment will increase moderately.

Expect the jobless rate to hit almost 5% by year-end: Not as bad as prior recessions, but still painful.

Possible 4.5% Unemployment Rate?: Still Low



Source: BLS

Exploring the US Labor Shortage

A shortage 65 years in the making.

Questions?

February 9, 2023

Diving Deeper Long Term Demographic Change

Millennials are now the largest generation in the labor force.

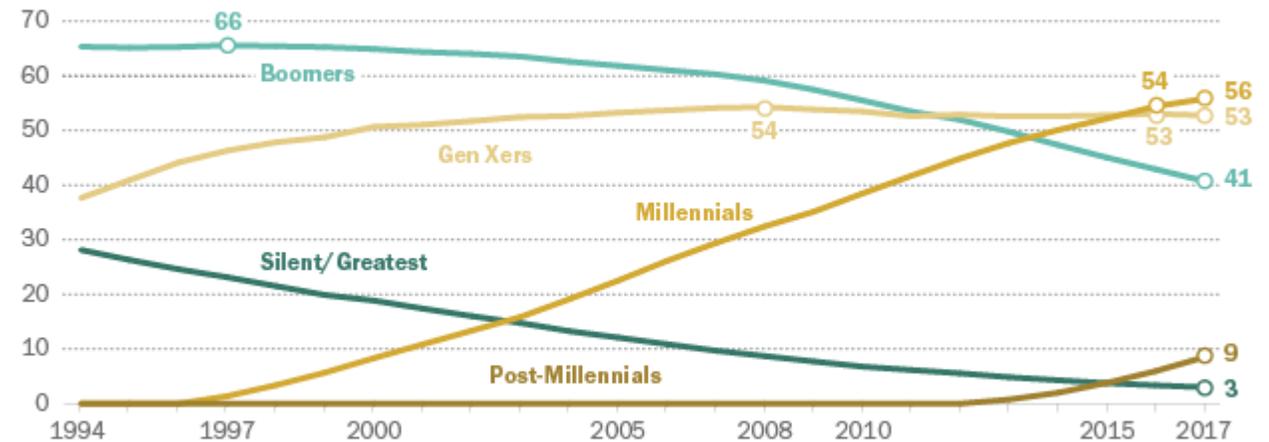
Baby Boomers are retiring too quickly. We won't be able to replace them with natural births and we don't have the immigration to correct it.

This all feeds into

- Higher inflation (more dollars chasing fewer goods produced).
- Hard to buy houses (like St. George).
- Hard to replace workers/managers (especially in blue collar work).
- In, 2022 Social Security had its largest COLA of 8.7% since 1981. It is pegged to CPI.

Millennials became the largest generation in the labor force in 2016

U.S. labor force, in millions



Note: Labor force includes those ages 16 and older who are working or looking for work. Annual averages shown.
Source: Pew Research Center analysis of monthly 1994-2017 Current Population Survey (IPUMS).

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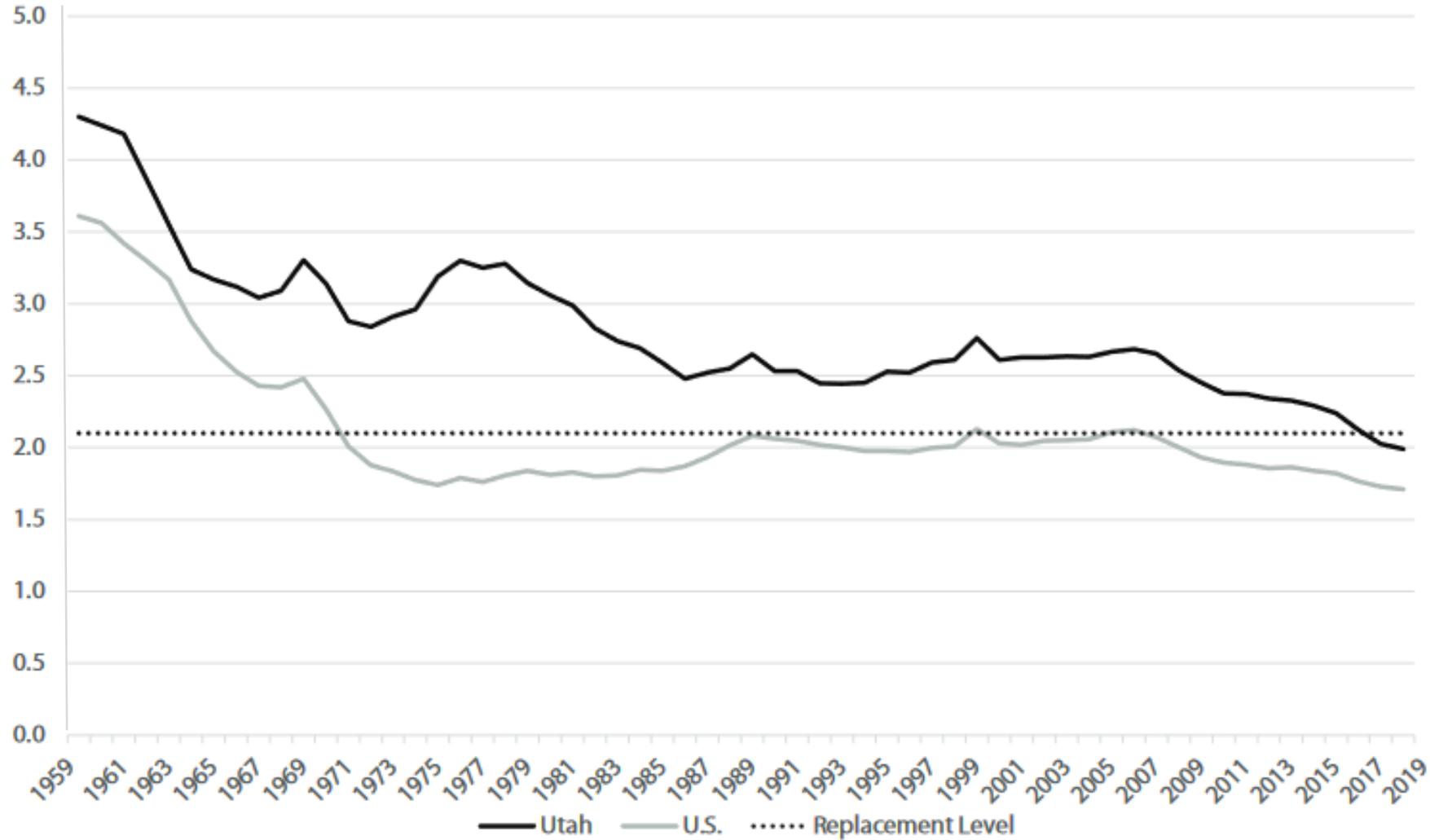
Table 1. States with highest growth and negative growth for decades 1990-2000, 2000-2010, and 2010-2020

Fastest growing states*						
1990-2000		2000-2010		2010-2020		
1	Nevada	66.3%	Nevada	35.1%	Utah	18.4%
2	Arizona	40.0%	Arizona	24.6%	Idaho	17.3%
3	Colorado	30.6%	Utah	23.8%	Texas	15.9%
4	Utah	29.6%	Idaho	21.1%	North Dakota	15.8%
5	Idaho	28.5%	Texas	20.6%	Nevada	15.0%
6	Georgia	26.4%	North Carolina	18.5%	Colorado	14.8%
7	Florida	23.5%	Georgia	18.3%	Washington	14.6%
8	Texas	22.8%	Florida	17.6%	Florida	14.6%
States with negative growth*						
1990-2000		2000-2010		2010-2020		
1	(none)	Michigan	-0.6%	West Virginia	-3.2%	
2				Mississippi	-0.2%	
3				Illinois	-0.1%	

* Percent growth over the decade; excludes the District of Columbia

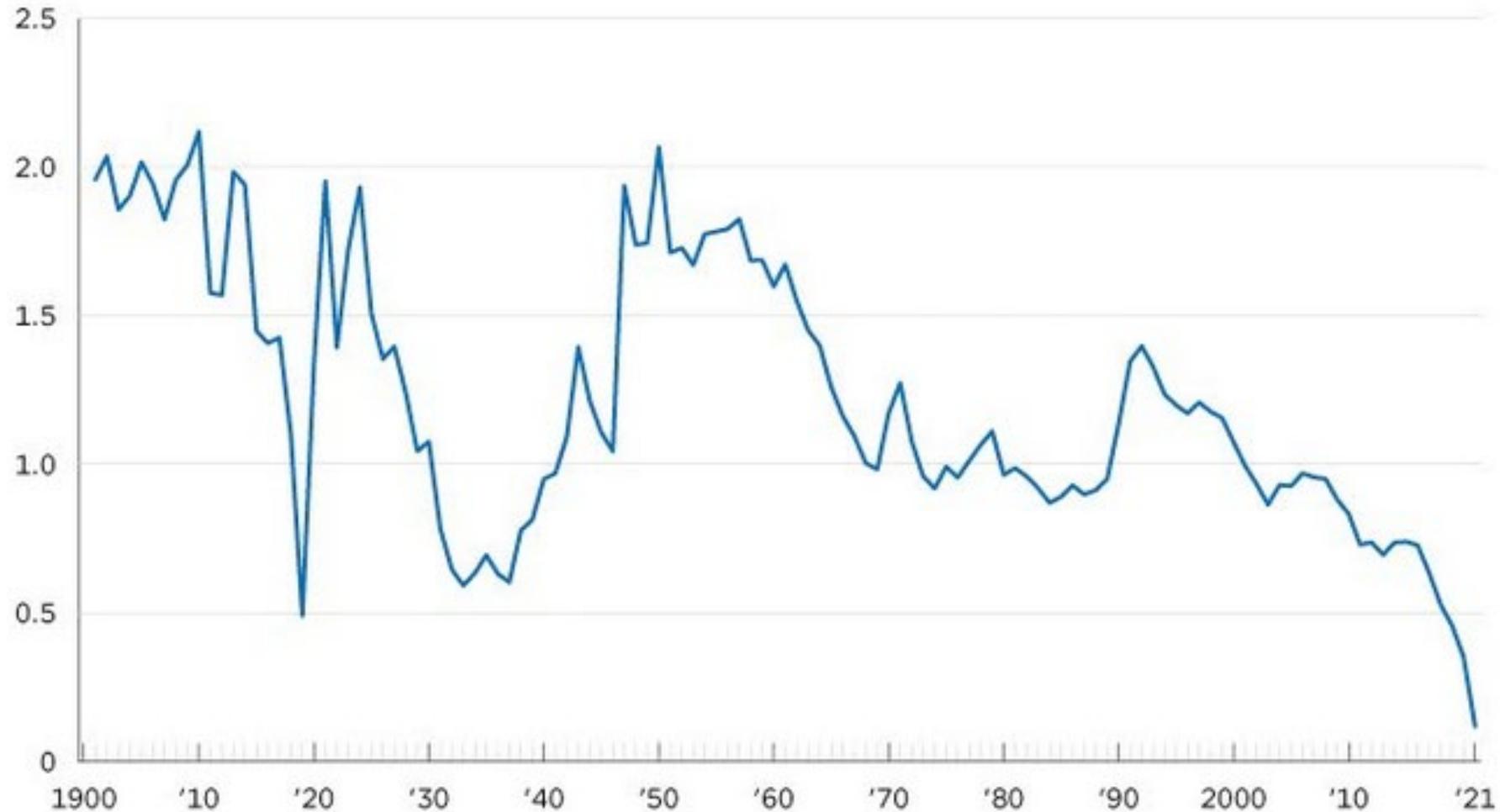
Source: William H. Frey analysis of US decennial censuses 1990, 2000, 2010 and 2020.

Total Fertility for Utah and the United States



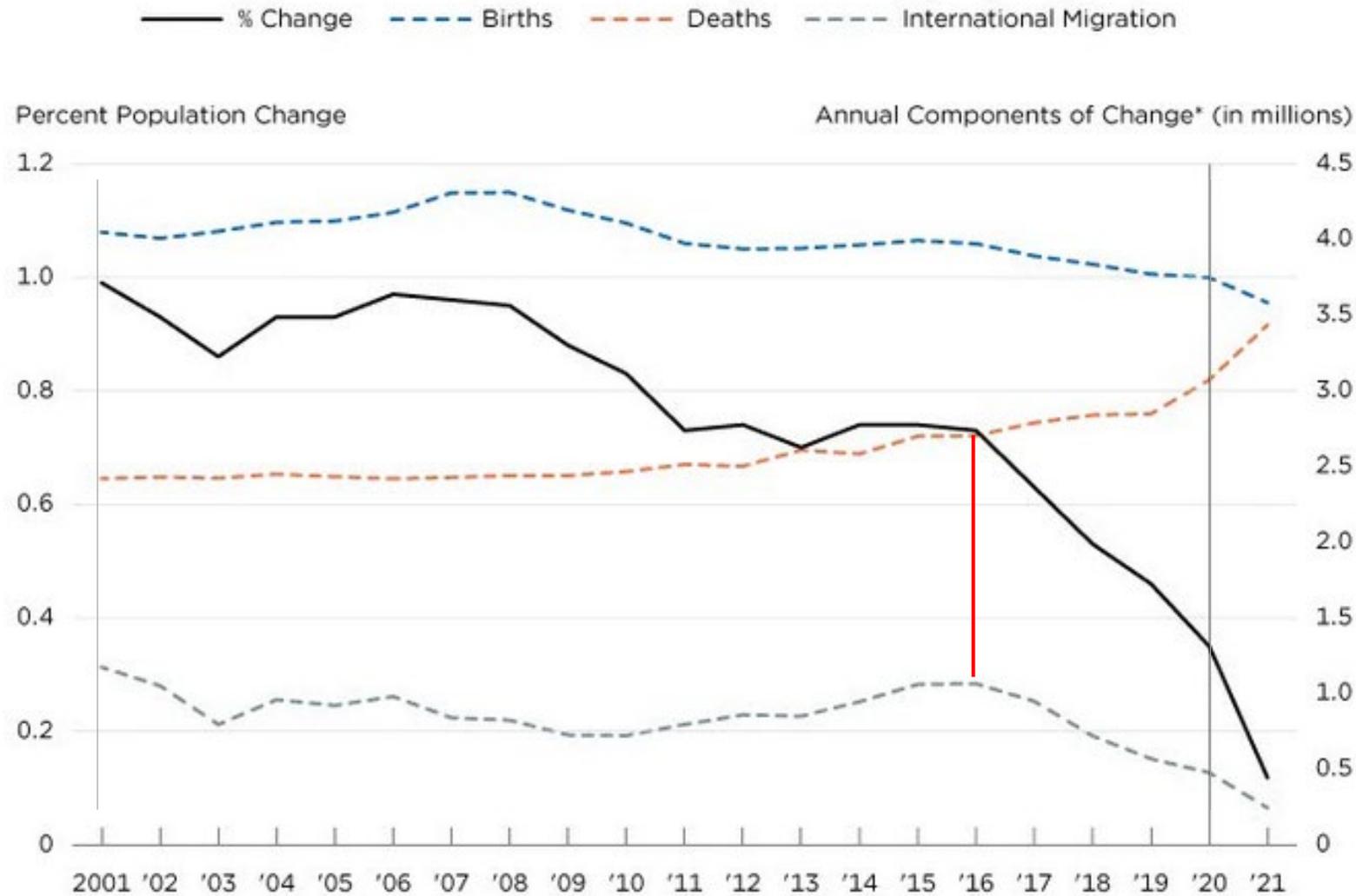
Note: The Replacement Level is the fertility level at which the current population is replaced.

Annual Percent Change in the U.S. Population 1900-2021



Note: 1917-1919 includes U.S. Armed Forces overseas.

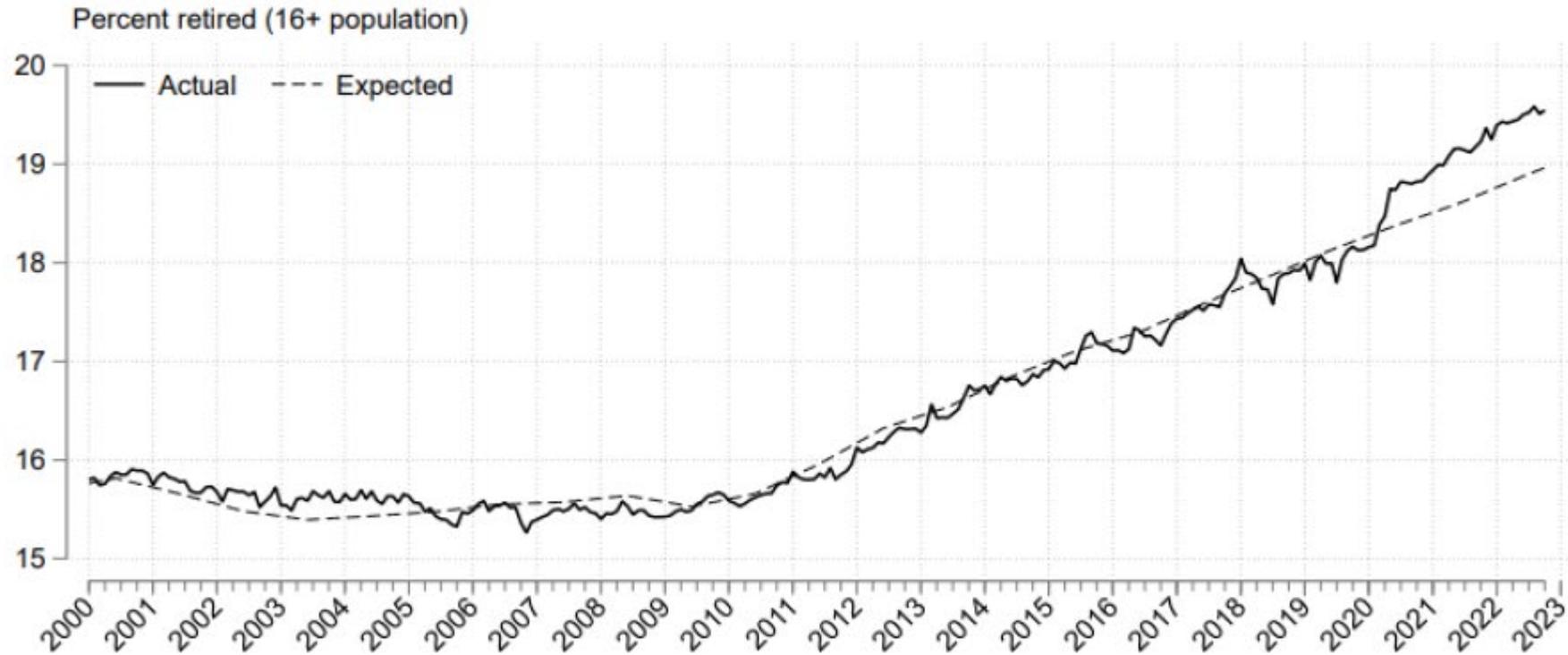
Population Change and the Components Change 2001-2021



* Components of change include births, deaths and net international migration.
Note: Only data to the right of the line are from Vintage 2021.

Headed towards population loss in US.

Many excess retirements since the outbreak of the pandemic

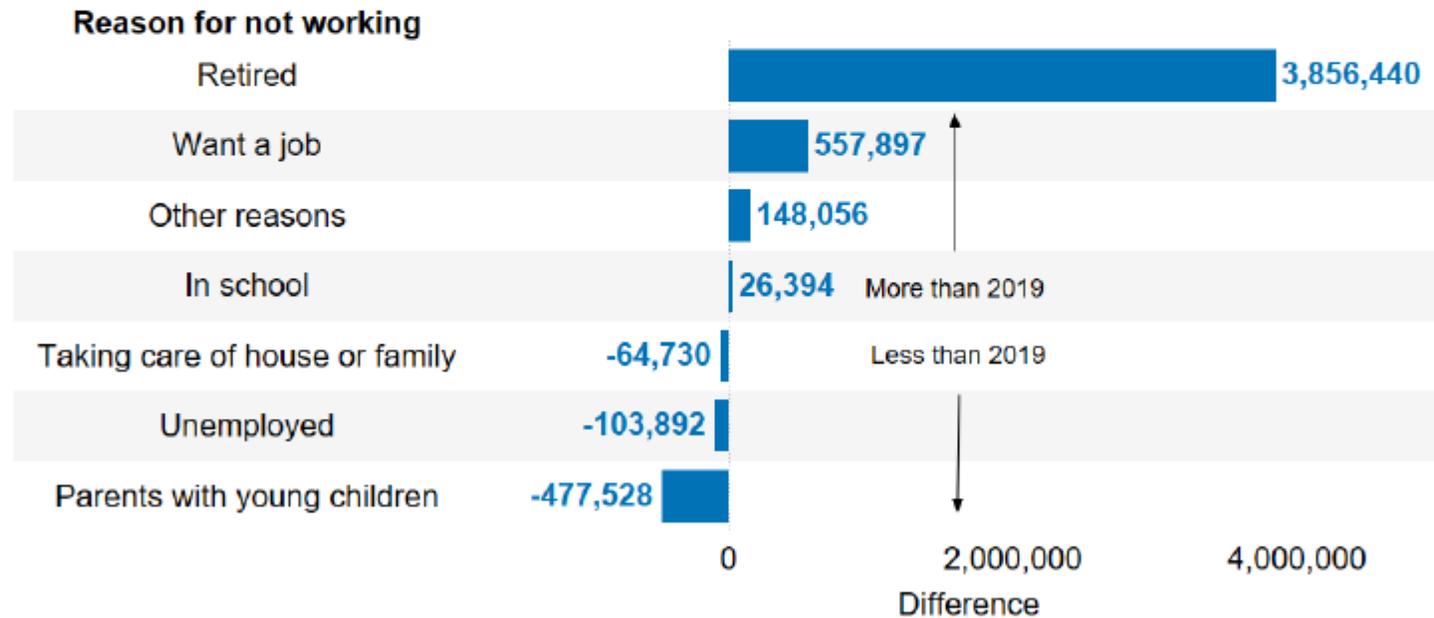


Source: Montes, Joshua, Christopher Smith, and Juliana Dajon (2022). [“The Great Retirement Boom: The pandemic-era surge in retirements and implications for future labor force participation.”](#), Federal Reserve Board.



The main difference between pre- and post-pandemic labor supply: Retirees

US non-military working age population 16+ not working,
absolute change from Jul-Sep 2019 to Jul-Sep 2022

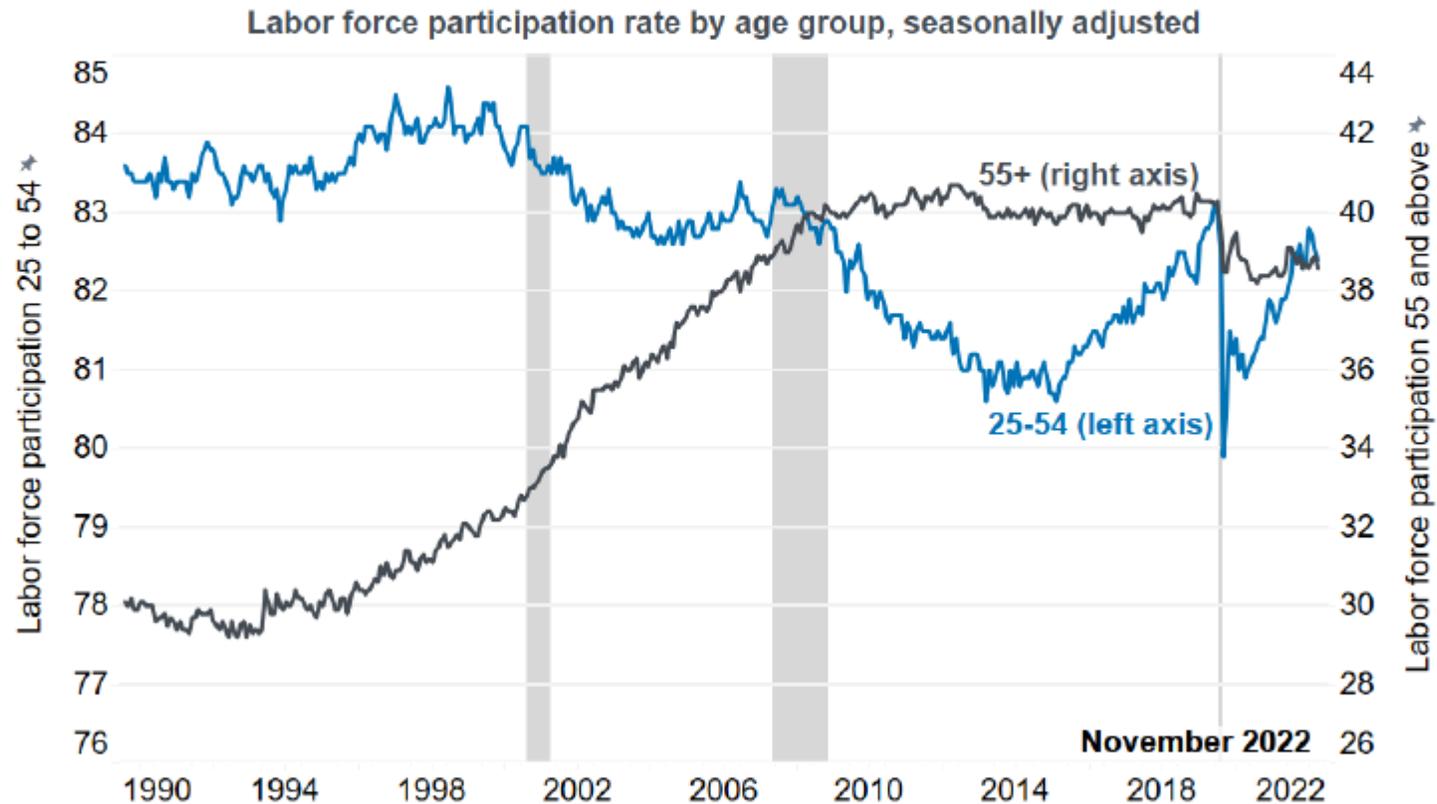


Source: The Conference Board calculations on microdata from IPUMS-CPS, University of Minnesota

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Participation has not fully returned to prepandemic rates, and particularly older workers have dropped out of the labor force



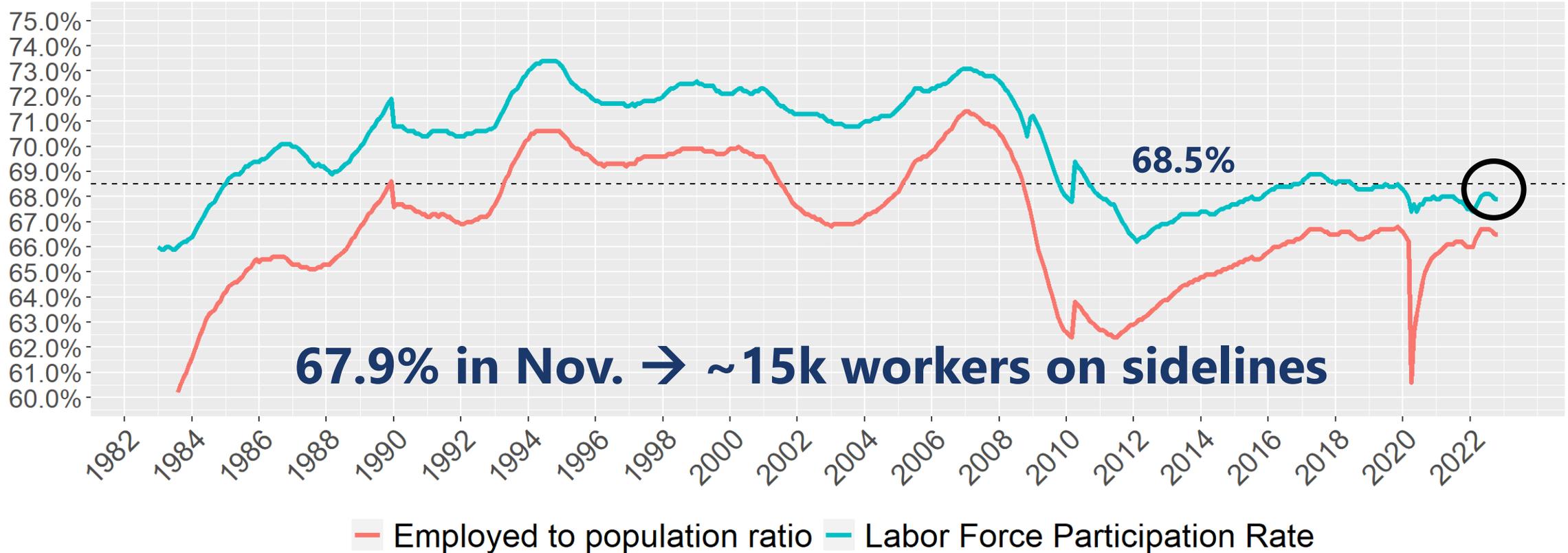
Source: US Bureau of Labor Statistics

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Utah's Labor Force Participation Rate: Still a bit depressed

Utah Labor Force Participation Rate



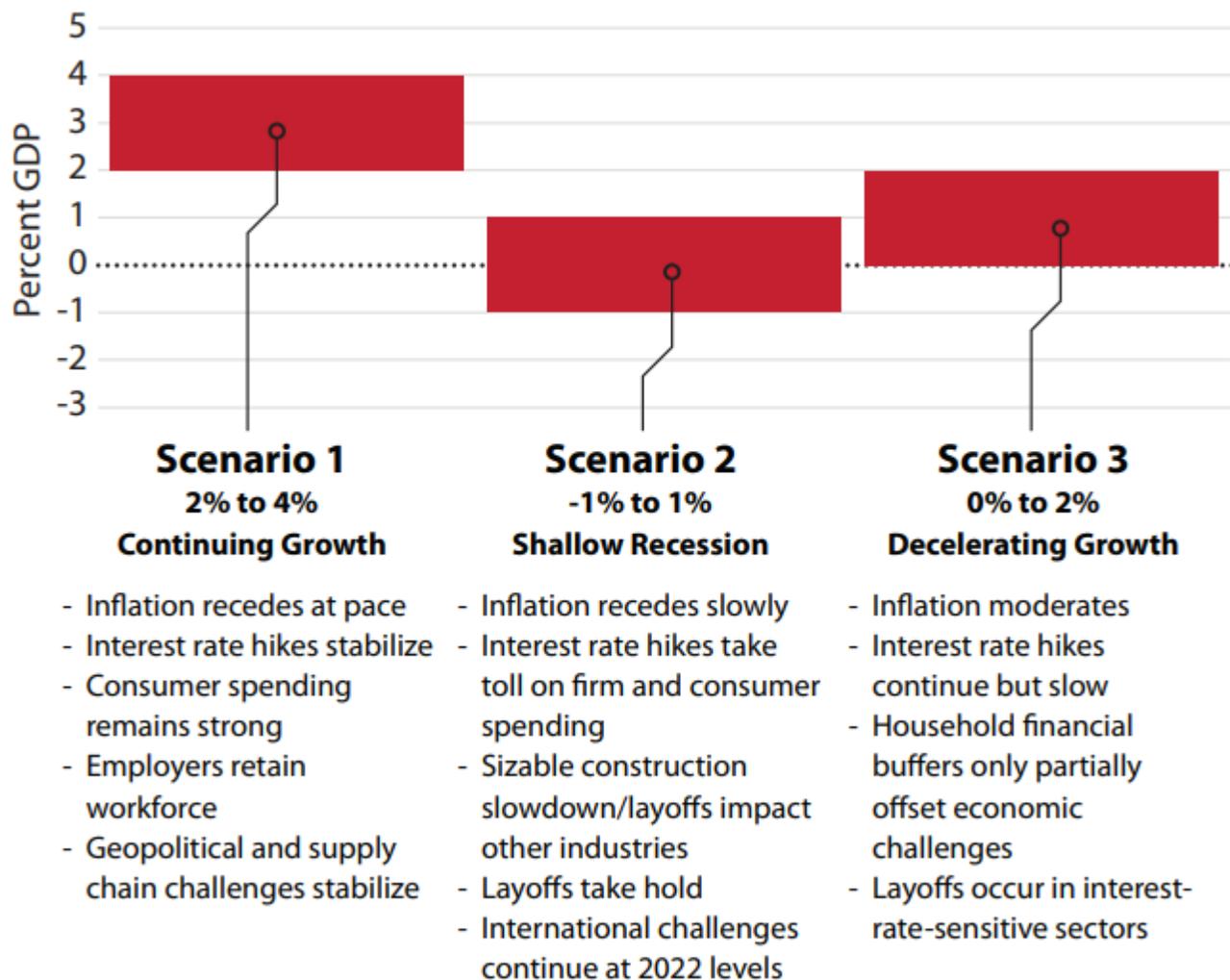
Source: BLS

Six Plausible/Combined Macro Solutions

1. Incentivize or pressure the Baby Boomers to remain in the labor force.
2. Import products/meet demand.
3. Import labor from other countries.
4. Offset the departing labor with automation and artificial intelligence.
5. Incentivize births.
6. Let the economy naturally shrink.

Figure 1: Preparing for Three Plausible Scenarios for 2023

Given recent trends, three core economic scenarios seem viable for 2023.



Source: Kem C. Gardner Policy Institute

Questions?

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