

localinsights

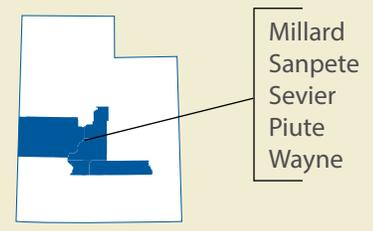


An economic and labor market analysis of Central Utah

central



In Depth: **Construction's vital role** in the Central Utah economy.



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Central Utah's Economy is Moving Forward

By Lecia Parks Langston, Economist

By the end of 2014, Central Utah's economy found itself in the best economic situation since the recession. While not every indicator provided a positive signal, the region seems to be moving ever closer to a full bill of economic health.

Only Wayne County failed to show employment growth in the final month of the year. Job growth for most counties ranged at or above their long-term averages and certainly appeared sustainable. Moreover, job growth has helped drive most counties' unemployment rates down over the past year. Unfortunately, net out-migration, another factor behind the falling jobless rates, has resulted in declining populations in all but Sanpete County.

Most counties showed sales growth in the double-digit range, primarily a result of prior period adjustments and business investment expenditures. Construction permitting at the county level provided a mixed bag of performances with some counties gaining ground and others losing position.

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Millard County

- Although like most rural counties, Millard County's rate of job growth rarely follows a straight-line trajectory — the county has consistently added new jobs over the past two years. This impressive track record continued as 2014 came to a close. The county's relatively moderate employment expansion has proved sufficient to drive down joblessness to a very low level. Both sales and construction showed strong performances. Overall, the economy remains healthier than most of its rural neighbors.
- Between December 2013 and December 2014, Millard County added more than 70 new non-farm jobs for a growth rate of roughly 2 percent.
- Additionally, 20-plus jobs were added in covered agriculture (not included in the total).
- Growth appeared relatively broad-based with trade, information, private education/health services and leisure/hospitality services generating notable numbers of new positions.
- Construction, manufacturing and other services contracted somewhat.
- Millard County's jobless rate remains low at 3.3 percent in March 2015.
- During 2014, construction permitting appeared on a strong footing with a notable increase in dwelling unit permits and new nonresidential construction.
- Approved permit values in 2014 registered 24 percent higher than in 2013.
- An unusually large prior-period adjustment resulted in a stunning

34 percent increase in gross taxable sales between the fourth quarters of 2013 and 2014.

Piute County

- An upwelling in public sector employment during fourth quarter 2014 propelled Piute County into positive nonfarm job-growth territory for only the second time since the end of the recession. The additional jobs provide a respite from the almost steady stream of job loss that has afflicted the county over the past several years. However, several quarters of improvement will be necessary to signal a recovering economy. Indeed, joblessness has edged upward during recent months and measures above desirable levels. Strong sales performance provides the best economic news for the county.
- In the final month of 2014, Piute County showed a nine-job, 4 percent year-over gain in nonfarm employment.
- Local government accounted for almost all the county's additional jobs and offset a notable decline in leisure and hospitality services employment.
- In March 2015, Piute County's unemployment rate measured 6.4 percent.
- After an uptick in late 2014, joblessness has subsided slightly.
- Between the fourth quarters of 2013 and 2014, Piute County's gross taxable sales increased by a whopping 29 percent.
- Most of the sales improvement resulted from business investment spending and an adjustment for a previous quarter.

currentevents

PROJECT COULD TRANSFORM LOCAL COAL MARKET TO INTERNATIONAL

The Utah Permanent Community Impact Fund Board approved some \$53 million in loan funding for a project that would allow four counties — Sevier, Sanpete, Carbon and Emery — to purchase an interest in a port that is under development in Oakland, Calif. The four participating counties wouldn't own the facility. Instead, they would own the right to use 49 percent of the port's capacity for trans-Pacific shipping.

— *The Richfield Reaper*

GUNNISON WELCOMES PRISON EXPANSION

Department of Corrections officials have broken ground on a \$30 million expansion of the existing 1,600-inmate facility in Gunnison. Upon completion in August 2016, it will add an additional 192 beds and require 76 more employees. Presently, the Central Utah prison employs about 350 with an annual payroll of \$26 million.

— *Sanpete Messenger*



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

Sanpete County

- Sanpete County ended the year with a nice, moderate job gain. After losing jobs for roughly a year, the county seems to have regained its employment footing in mid-2014. Industry gains appear fairly broad-based and sufficient to keep unemployment on a downward path. In addition, unemployment insurance claims remain low and sales strong. The only blot on this otherwise healthy economic portrait is a notable slowdown in construction permitting.
- Between December 2013 and December 2014, Sanpete County created 245 net new jobs for a growth rate of more than 3 percent.
- Manufacturing and government generated the largest number of new positions with significant assistance from construction, retail trade, professional/business services and leisure/hospitality services.
- Three industries — mining, healthcare and transportation — did experience notable employment declines.
- Joblessness in Sanpete County continued to trend downward to register at 3.9 percent in March 2015.
- Sanpete County's gross taxable sales increased by almost 12 percent between the fourth quarters of 2013 and 2014.
- Construction permitting apparently slowed dramatically in 2014. New residential and nonresidential values dropped decidedly when compared to 2013.

Sevier County

- While Sevier County's employment gains may seem rather

humdrum, the gradual gains have persisted for the entire year of 2014. That's a welcome change from the very scarce job increases of 2013. Employment expansion has spurred joblessness to creep ever lower. Moreover, sales improved nicely and construction permitting is up from 2013. While the county's economy isn't ablaze with activity, slow-and-steady improvements may win the long-term race. However, the county's job gains must spread to most industries before the labor market is considered entirely fit.

- Year-over job growth in Sevier County measured 71 positions and almost 1 percent in December 2014.
- Retail trade, mining and professional/business services created most of the new employment.
- On the dark side, both construction and transportation took notable job hits.
- Employment gains proved ample enough to keep Sevier County's unemployment trending downward.
- In March 2015, the county's jobless rate measured only 4.1 percent, a sign the economy is approaching full employment.
- Gross taxable sales shot up 27 percent between the fourth quarters of 2013 and 2014.
- Extremely large business-investment expenditures can be credited for much of the increase.
- Overall, construction permitting values rose 15 percent in 2014.
- The majority of the increase in construction permit values can be traced to a large nonresidential addition, alteration and repair project.

Wayne County

- Wayne County slipped back to its job-losing ways as 2014 came to an end. The county's labor market has struggled since it lost its largest employer in 2011. Mitigating the loss somewhat, the current declines proved relatively minor. Nevertheless, downward movement in Wayne County's unemployment rate has stalled and the rate has even ticked up in recent months. In addition, sales dropped substantially in the final quarter of the year. An improvement in construction permitting provided the most positive economic news. Overall, the county's current economic indicators are limping along awaiting further improvement.
- Wayne County lost 13 nonfarm jobs between December 2013 and December 2014 for a slight decline of 1.5 percent.
- A spurt in construction industry employment basically offset losses in the county's leisure and hospitality services.
- Wayne County's unemployment rate stood at 9 percent in March 2015, the highest level in Utah.
- Although joblessness has edged upward in recent months, the rate remains slightly below the year-ago figure of 9.4 percent.
- Between the fourth quarters of 2013 and 2014, Wayne County's gross taxable sales dipped by 12 percent.
- A drop in wholesale trade coupled with a prior-quarter adjustment accounted for much of the decline in sales.
- In comparison to the previous year, construction permit values rose 11 percent.

Central Utah Economy

at a glance

Year-to-Year Change in Nonfarm Jobs

Dec. 2014

2.3%



United States

2.9%



State of Utah

1.9%



Millard County

3.9%



Piute County

3.4%



Sanpete County

0.9%



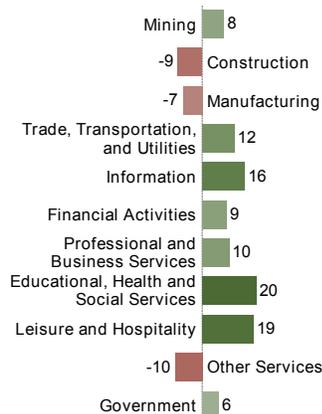
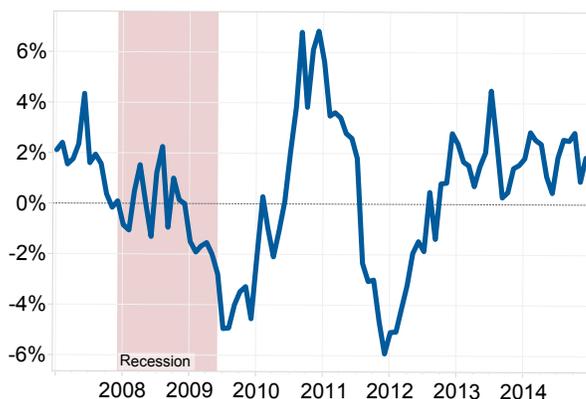
Sevier County

-1.5%



Wayne County

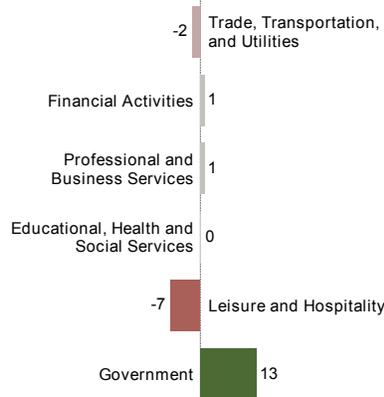
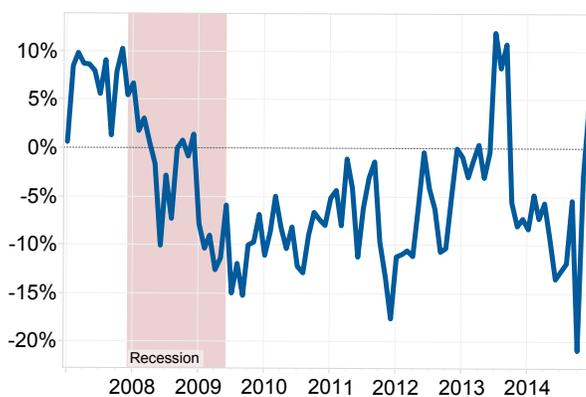
Millard County Job Growth Dec. 2014 74



Seasonally Adjusted

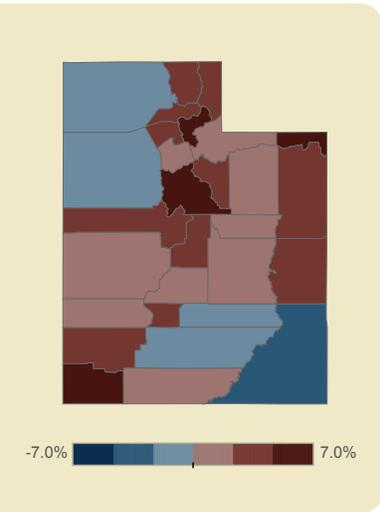
United States	5.5%
State of Utah	3.4%
Millard County	3.3%
Piute County	6.4%
Sanpete County	3.9%
Sevier County	4.1%
Wayne County	9.0%

Piute County Job Growth Dec. 2014 9

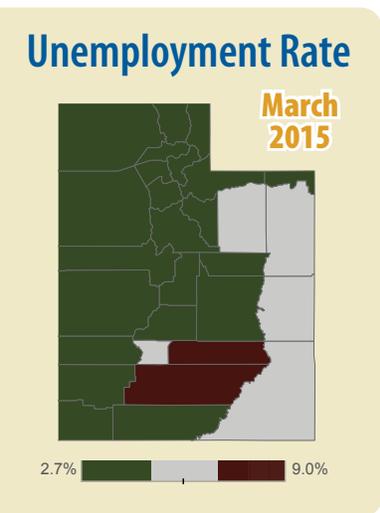
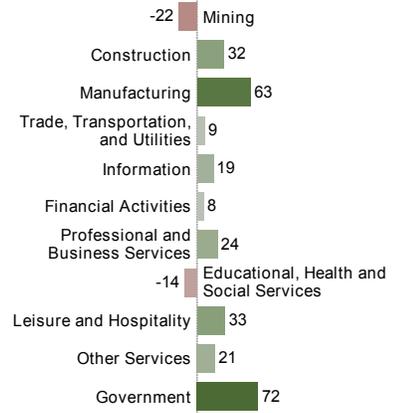


Year-to-Year Change

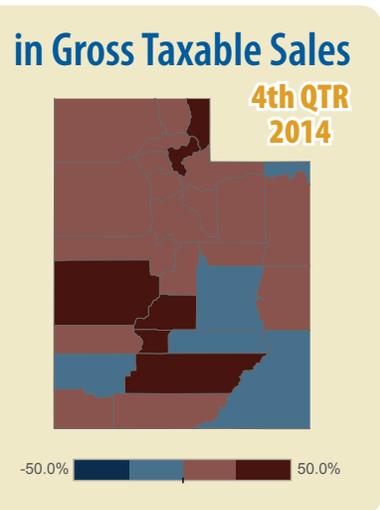
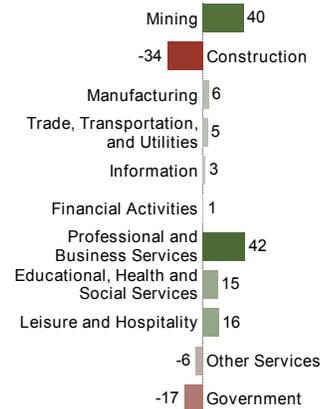
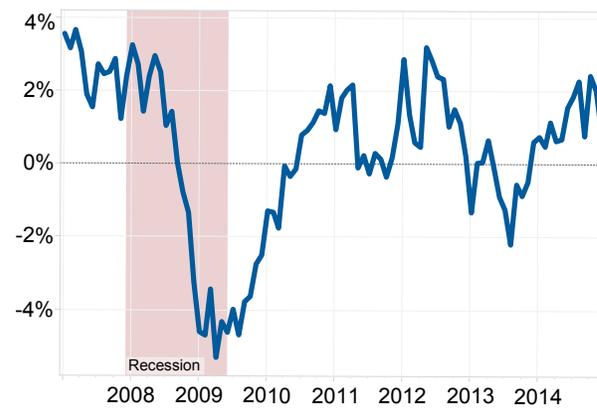
State of Utah	6.3%	
Millard County	34.1%	
Piute County	28.7%	
Sanpete County	11.8%	
Sevier County	27.4%	
Wayne County	-11.7%	



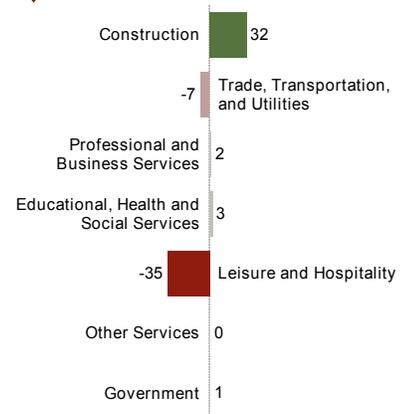
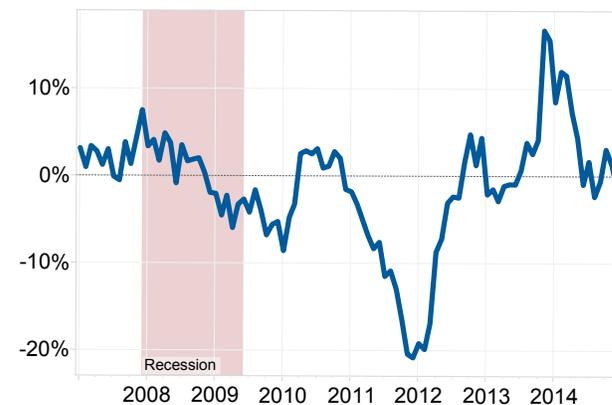
Sanpete County Job Growth Dec. 2014 ↑ 245

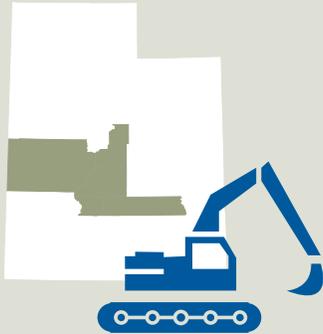


Sevier County Job Growth Dec. 2014 ↑ 71



Wayne County Job Growth Dec. 2014 ↓ -13





Five Years After The Recession's End, Construction Employment in Central Utah Shows Little Improvement

By Lecia Parks Langston, Economist

The seeds of the Great Recession were sewn in a speculatively-driven housing bubble. While Central Utah participated in the escalation of home-building during the mid-2000s, it did not experience the frenzied growth apparent in other areas in Utah. Nevertheless, when the national bubble popped, Central Utah's construction industry took the brunt of the deep economic downturn. Now, five-plus years into the national recovery and expansion, how has construction employment in Central Utah fared?

An Abbreviated History

At the height of the area's building boom in August 2007, Central Utah maintained almost 1,300 construction jobs. (Earlier in the decade in 2002, construction employment actually topped the 2007 figure to measure nearly 1,600 positions as an influx of pipeline construction workers flooded the area.) In 2009, as the housing bubble collapsed, so did construction employment in Central Utah. During the worst month in recent history (January 2012), Central Utah's construction jobs had plummeted 46 percent from the peak to less than 700 positions.

Statewide, construction employment basically bottomed out in 2010. In Central Utah, nearly another two years passed before construction jobs stopped contracting. Finally, in 2012, the industry began regaining a little bit of lost ground. However, the gains have proved slow and relatively small. Moreover, growth appears to have stalled somewhat in 2014. September 2014 marked the highest Central Utah construction employment in the post-recession period at roughly 900 jobs. That figure still measures 28 percent below the building-boom peak in 2007.

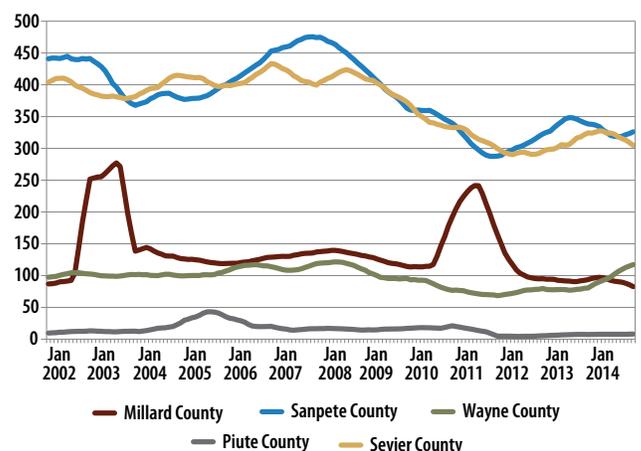
In the final month of 2014 (the most recent data available), Central Utah construction employment showed a year-to-year gain of only 15 positions, up less than 2 percent. Obviously, the construction industry continues to struggle. It is not alone. In general, the Central Utah economy is just beginning to show signs of consistent economic recovery.

Even with the boom-to-bust nature of the construction industry, its share of Central Utah jobs has changed relatively little. In 2007, construction accounted for 5 percent of total Central Utah nonfarm employment. Today, it contributes 4 percent of jobs.

At the County Level

Although the national expansion and contraction affected all counties in Central Utah, they each

Figure 1. Central Utah Construction Employment Twelve-Month Moving Average



Source: Utah Department of Workforce Services; U.S. Bureau of Labor Statistics.

reacted differently. Within the generally declining pattern, Millard County experienced a noted surge in employment during late 2010 to 2011 as windfarm construction infused jobs into the area. Of course, at the completion of the project, construction employment continued to trend downward.

In general, Piute County supports few construction jobs, although in 2005, it did experience a surge of jobs for a public-works dam project. And, while it didn't really participate in the housing bubble, it did share in the recessionary loss of construction employment.

"The road to success is always under construction."
 — Unknown

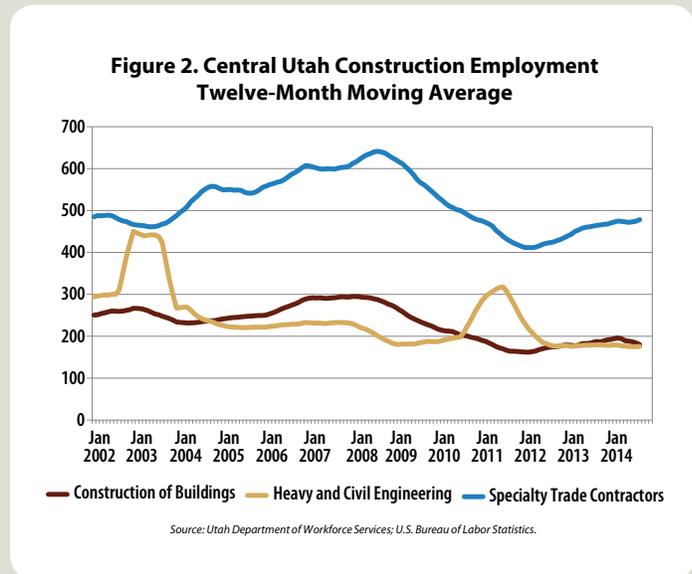
Sanpete and Sevier counties account for the majority of construction employment in Central Utah. In 2014, Sanpete County contributed 40 percent of total construction jobs with Sevier County providing an additional 36 percent of positions. Interestingly, the counties construction totals moved almost in tandem through recession, recovery and expansion. In both counties, construction employment peaked in 2007, bottomed out in early 2012 and expanded until about 2014 when totals slipped slightly.

While generally following the area's pattern, Wayne County is the only Central Utah member to show strong construction employment gains through 2014.

Drilling Down to Details

The deflating economic bubble also affected the construction sectors differently. The North American Industry Classification System (NAICS) divides the industry into three major groups: construction of buildings, heavy and civil engineering construction, and specialty trade contractors.

Specialty trade contractors include such businesses as plumbing, drywall installers, electricians and flooring installers. It made up roughly 60 percent of total construction employment in 2014. This subsector responded most dramatically to the rise and fall of construction in Central Utah. Building finishing contractors was the first subindustry of the specialty trade contractors group to start adding employment as



the recovery began. However, this industry plateaued in 2012. Neither the building equipment contractors nor the foundation, structure and exterior contractors subsector has yet to experience a significant increase in jobs.

The speculative activity in home-building was evident in the construction of buildings subindustry. In Central Utah, residential-builder employment bubbled right along with the number of new homes being built and collapsed as the bubbled burst. On the other hand, employment in the nonresidential building contractor subindustry fluctuated dramatically with the beginning and completion of large projects.

Employment patterns in heavy and civil engineering construction also vacillated with large projects. Utility system construction (which includes companies specializing in building windfarms) accounted for the largest share of employment and fluctuations in heavy and civil engineering construction employment. Highway, street and bridge construction jobs followed the ebb and flow of the business cycle with only a slight employment increase in 2009 and 2010 as a result of the infusion of federal stimulus monies.

For visualizations of construction employment and permitting data: https://public.tableau.com/shared/7QJXMR5BH?:display_count=yes



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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.

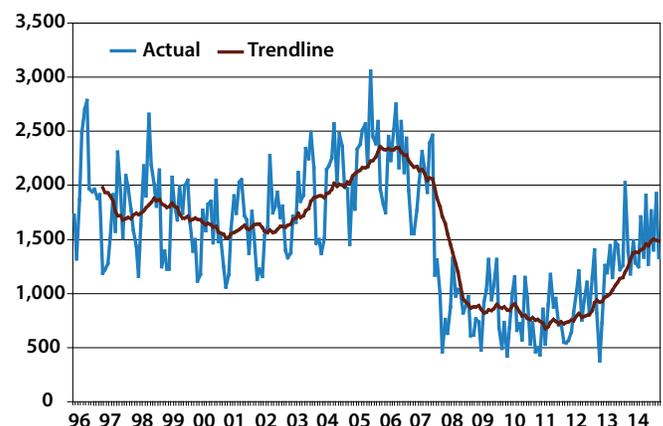
In this issue of Local Insights, we look at the demand for housing structures, the amount of housing permits and their history, and how this history shows that housing demand follows the ups and downs of a region's economic performance. In evaluating the volume of housing permits, we also parallel the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