

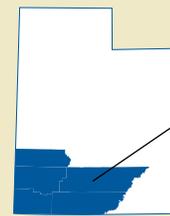
localinsights

An economic and labor market analysis of Southwest Utah

southwest



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



Beaver
Iron
Washington
Garfield
Kane

in this issue

.....

Economic Expansion Firmly Established in Most Counties..... 1

Current Events..... 2

Southwest Utah Economy at a Glance 4

Building Up Steam: Construction Employment Expands in Southwest Utah..... 6

Construction Permitting is an Economic Indicator 8

Economic Expansion Firmly Established in Most Counties

By Lecia Parks Langston, Economist

With the exception of Garfield County, Southwest Utah ended 2014 with a strong economic performance. Only Garfield County failed to exhibit employment expansion or a substantial decline in joblessness. On the other hand, Washington County generated one of the fastest growth rates in the state. A growing job market resulted in a marked decline in unemployment rates in most counties and first-time claims for unemployment insurance tracked a low seasonal pattern.

Sales growth was strong, except in Iron County where a previous-quarter adjustment and decline in business investment expenditures resulted in a slight decline. In addition, most counties showed an increase in approved construction values. Except in Garfield County, economic expansion seems firmly embedded in the region.

contact

Regional Economist:

Lecia Parks Langston
lecialangston@utah.gov • 435-688-3115

Workforce Development Specialists:

Forest Turner
fturner@utah.gov • 435-201-2987

Mark Tilby
mtilby@utah.gov • 435-668-7387

Shelley Esplin
shelleyesplin@utah.gov • 435-893-5627



Beaver County

- On the heels of job losses caused by the completion of Beaver County's most recent large building project, the county finally nudged its way back to job growth at year-end. While construction industry employment held steady, a few other industries had slipped into negative territory countering expansion elsewhere. Despite relatively slow employment progress, the county's jobless rate continued to trend downward in the first few months of 2015 and remains very low from an historical standpoint. Sales are up and continued improvements in construction permitting values rounded out a relatively healthy economic picture. On the other hand, future economic success will rely on sustained job expansion.
- Between December 2013 and December 2014, Beaver County added 20 new jobs for a year-to-year increase of roughly 1 percent.
- Mining, manufacturing and retail trade generated the largest number of new positions.
- Noteworthy contraction in leisure and hospitality services and the public sector slowed the pace of overall employment expansion.
- Jobless rates continued to trend downward in the early months of 2015. At 3.3 percent in March 2015, joblessness lies firmly in the full-employment range.
- Beaver County ended 2014 with an annual increase of 160 percent in construction permit values. All categories, including

residential permitting, showed strong gains.

- The county's seemingly strong 8-percent fourth-quarter gain in gross taxable sales can be traced to an adjustment rather than a current quarter increase.

Garfield County

- As 2014 came to a close, Garfield County managed its first quarter of job growth in almost two years. However, the momentary surge in employment proved fleeting as December slipped into job loss again. Only time will tell if Garfield County can find its way to steady employment expansion as 2015 progresses. The more current unemployment rates suggest not. Joblessness has been trending upward since mid-2014 although first-time claims for unemployment are following a seasonally low pattern during the first three months of the year. During fourth quarter, sales remained the county's strongest indicator.
- Although between the fourth quarters of 2013 and 2014 Garfield County added 20 positions, December-to-December employment was down by 26 jobs (a 1.5 percent decline).
- Leisure/hospitality services and retail trade took the brunt of the December job hits.
- While construction and professional/business services generated notable employment gains, the increase was not sufficient to offset the aforementioned losses.
- Further malaise in the labor market was evidenced by a persistent uptick in joblessness.

current events

SUNEDISON BREAKS GROUND ON SEVEN SISTERS SOLAR POWER PLANTS

SunEdison, Inc., the world's largest renewable energy development company, announced the groundbreaking for the 22.6 megawatt (MW) DC Seven Sisters solar project in Southern Utah. The Seven Sisters are seven separate solar power plants, four of which are located in Beaver County and three in Iron County, Utah.

— *Utah Business Magazine*

DXATC PLANS NEW CAMPUS, GETS \$31 MILLION IN FUNDING FROM LEGISLATURE

After waiting 10 years for a permanent home, Dixie Applied Technology College is \$31.9 million closer to that goal. The Utah Legislature approved the funding during its 2015 General Session. The building is planned to be 177,000 square feet and include both a professional wing and an industrial wing. The estimated price tag is \$44.9 million.

— *St. George News*



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

The March 2015 unemployment rate measured 8.7 percent.

- Garfield County's unemployment rate ranked second highest in the state.
- Between the fourth quarters of 2013 and 2014, gross taxable sales skyrocketed by 26 percent.
- A previous-quarter adjustment accounted for some of the fourth-quarter sales gain.

Iron County

- Iron County's economic momentum continued through to the end of 2014. Overall, fourth quarter employment figures remained strong with most industries sharing in the expansion. Despite the strong labor market growth, unemployment rates have essentially flattened. However, rates register lower than the national average. Moreover, first-time claims for unemployment insurance show no unseasonal spikes. Construction permitting activity picked up during 2014. Only fourth-quarter sales showed any sign of weakness.
- On a year-to-year basis, Iron County added almost 470 net new jobs in December 2014 for an expansion rate of nearly 3 percent. Only leisure and hospitality services lost jobs.
- Retail trade, private educational/health/social services and the public sector created the largest number of new positions.
- Iron County's unemployment rate slipped marginally to 4.2 percent in March 2015 and remains historically low.
- In 2014, Iron County approved the most home permits since the Great Recession.

- One large utility permit helped drive nonresidential permit values up by more than 500 percent.
- Between the fourth quarters of 2013 and 2014, Iron County's total gross taxable sales dropped by 2.6 percent, the first decline since mid-2011.

Kane County

- Don't let the fluctuations of the growth rates of this less-populated county fool you. Although the December rate of job expansion may seem less than exciting, Kane County's overall fourth-quarter 2014 job growth describes a healthy economy. Moreover, joblessness continued to ebb in the first few months of 2015 and first-time unemployment claims are running below the level of the previous two years. In concert, sales surged in the final quarter of 2014. Only construction permitting showed little sign of improvement.
- Between December 2013 and December 2014, Kane County generated a net gain of nearly 70 jobs, up 2.4 percent.
- The strongest industry expansion occurred in other services. Leisure/hospitality services and retail trade also contributed their fair share of new employment.
- The public sector showed the largest industry-level job contraction.
- Kane County's unemployment rate continued to shrink registering at 4.1 percent in March 2015. That's down 0.7 points from a year ago.
- Gross taxable sales made a strong comeback in the fourth quarter. Kane County displayed a 14 percent year-to-year increase.

- In 2014, Kane County's construction permitting remained virtually unchanged from the previous year. Both new residential and new nonresidential values showed little change.

Washington County

- Boring can be good when the economy is strong. Washington County's economic indicators have changed little in the past several years. However, job growth continues to trend near its strong long-term average, the unemployment rate continues to edge down and sales remain strong. While construction permitting changed little from last year, it also remains strong, showing no signs of overheating. Most counties will find cause for sincere envy in these tediously similar indicators. As the economy continues to grow, a tightening labor market placed upward pressure on wages in the final quarter of 2014.
- Washington County added more than 3,100 jobs between December 2013 and December 2014 for a growth rate of 6 percent.
- Construction, retail trade, transportation, health services and leisure/hospitality services created the highest number of new positions.
- In March 2015, the county's unemployment rate slipped to 3.9 percent.
- Between the fourth quarters of 2013 and 2014, sales improved by more than 7 percent.
- Overall, construction permit values rose by 11 percent, despite a slight decrease in home permitting.

Southwest Utah Economy at a glance

Year-to-Year Change in Nonfarm Jobs

Dec. 2014

2.3%



United States

2.9%



State of Utah

0.9%



Beaver County

-1.5%



Garfield County

2.9%



Iron County

2.4%



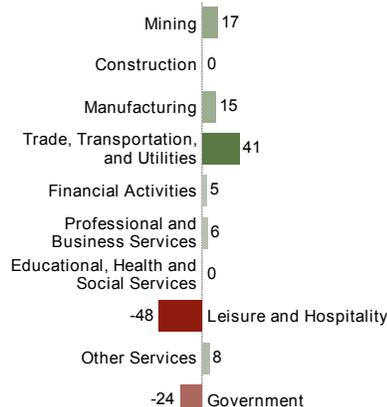
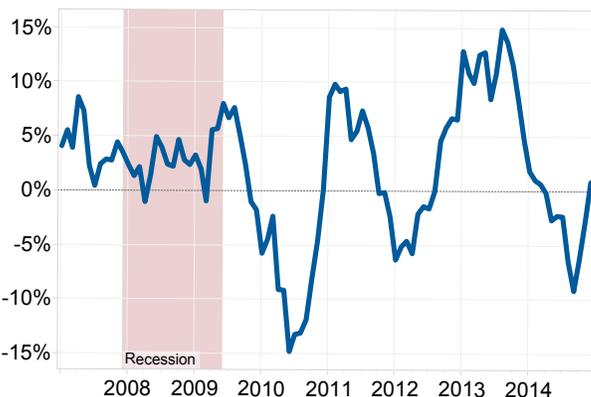
Kane County

6.0%



Washington County

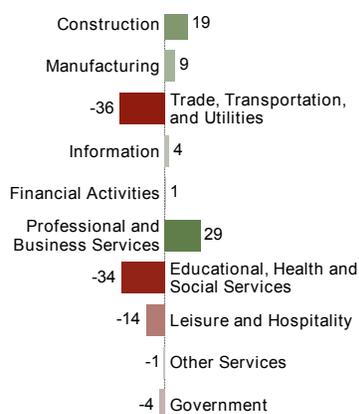
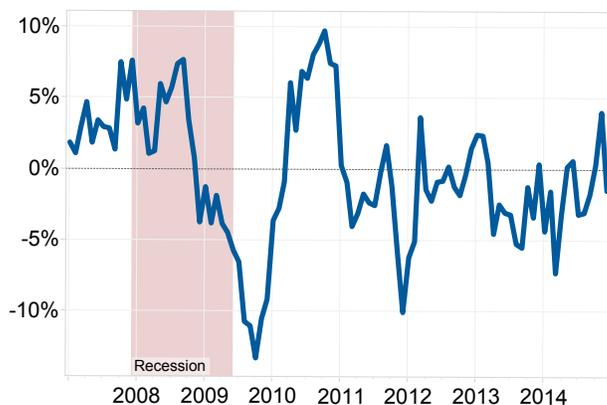
Beaver County Job Growth Dec. 2014 20



Seasonally Adjusted

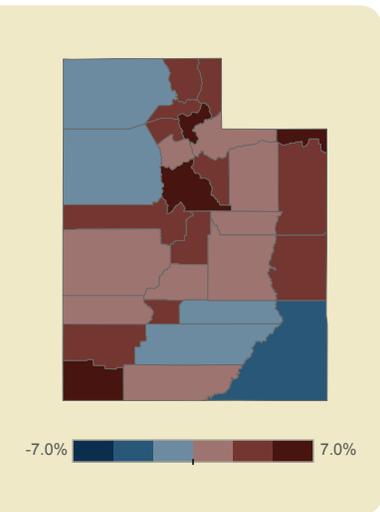
United States	5.5%
State of Utah	3.4%
Beaver County	3.3%
Garfield County	8.7%
Iron County	4.2%
Kane County	4.1%
Washington County	3.9%

Garfield County Job Growth Dec. 2014 -26

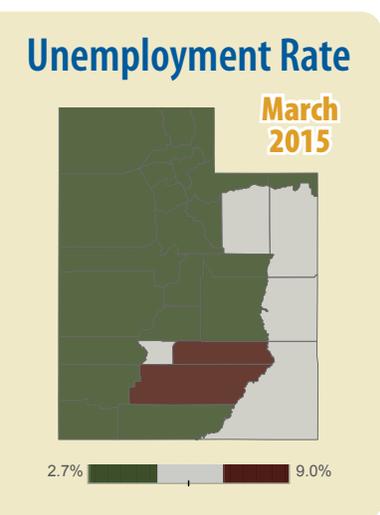
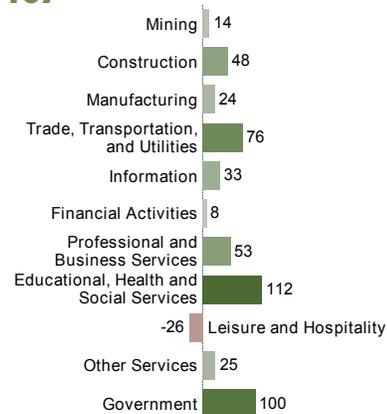
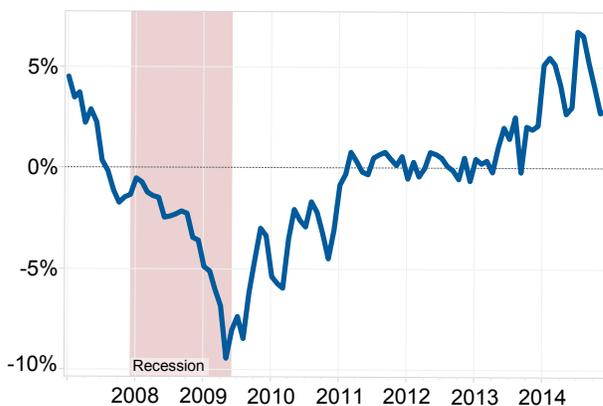


Year-to-Year Change

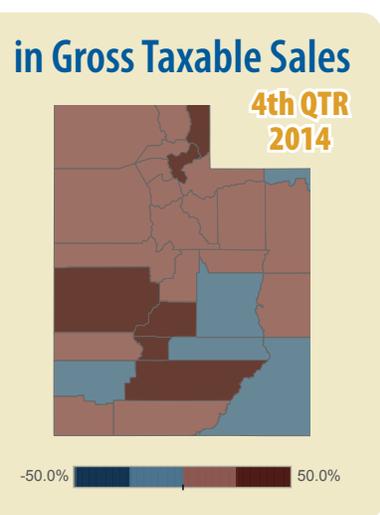
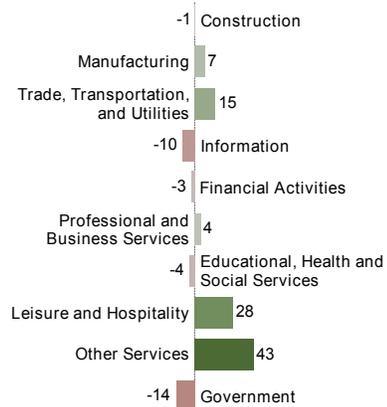
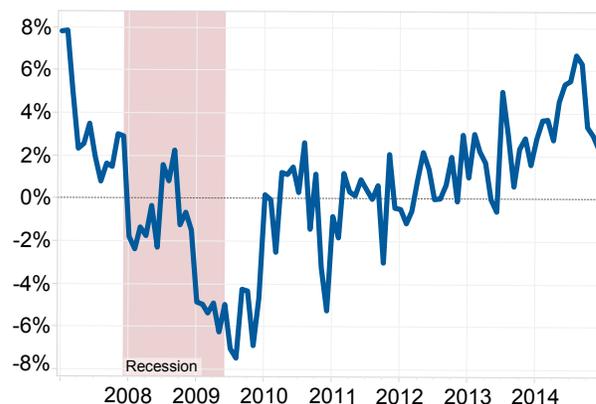
State of Utah	6.3%	
Beaver County	8.0%	
Garfield County	25.9%	
Iron County	-2.6%	
Kane County	14.0%	
Washington County	7.4%	



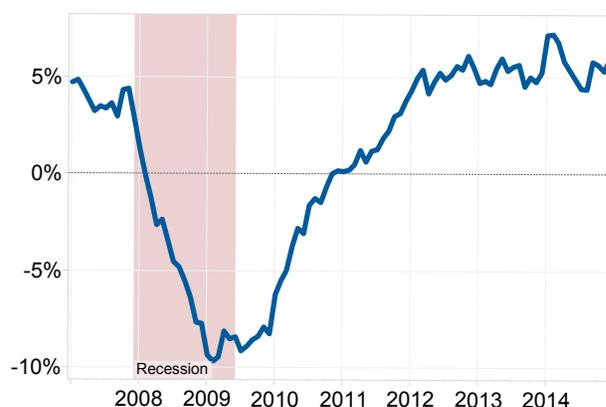
Iron County Job Growth Dec. 2014 ↑ 467

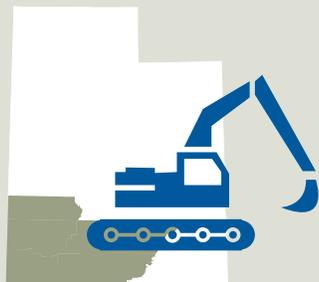


Kane County Job Growth Dec. 2014 ↑ 66



Washington County Job Growth Dec. 2014 ↑ 3,145





Building Up Steam: Construction Employment Expands in Southwest Utah

By Lecia Parks Langston, Economist

The seeds of the Great Recession were sewn in a speculatively-driven housing bubble. Southwest Utah, in particular Washington County, participated mightily in the home-building fever. Not surprisingly, when the bubble popped, the 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 Southwest Utah fared?

An Abbreviated History

At the height of the building boom in September 2006, Southwest Utah touted almost 11,000 construction jobs. But the housing bubble collapsed and so did construction employment. The industry certainly bore a major portion of the recession-related job losses. During the worst month in recent history (February 2010), Southwest Utah's construction employment had plummeted from its peak by a dramatic 64 percent to measure less than 4,000 positions.

The construction industry in Southwest Utah was slow to join the economic recovery. Although, the labor market in general started adding employment in early 2011, construction numbers basically held steady through 2011 and 2012. But in 2013, expansion finally stretched to the building industry and, barring seasonal fluctuations, has trended upward ever since. As 2014 came to a close, construction employment had reached the 6,000-job mark.

Obviously, that figure is still down 55 percent from the vastly overheated crest. So while building-related employment may currently be growing at a double-digit rate (12 percent in 2014), it certainly is far from the growth frenzy of the mid-2000s. This should allay any existing fears that the industry is headed towards

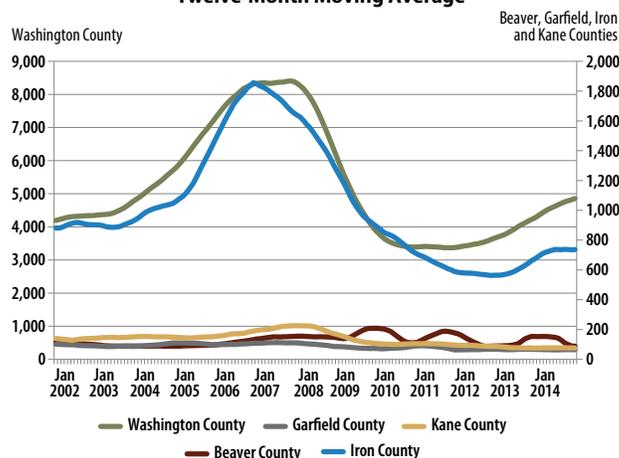
a sizzling repeat of the previous construction bubble any time soon. Nevertheless, this portion of the market bears watching for signs of overheating in the months and years ahead.

Even with the recent resurgence in construction jobs, the industry accounts for a much smaller portion of employment than it did in previous years. In 2007, construction accounted for 13 percent of total Southwest Utah nonfarm employment. Today, it contributes only 7 percent of jobs.

At the County Level

Washington County is the 500-pound gorilla in Southwest Utah's construction-employment room. In 2014, Washington County contributed 84 percent of the

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



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

area's construction jobs. Iron County accounted for another 13 percent. Both counties participated in the speculative-driven upswing in home construction. The story of Southwest Utah's construction-industry labor market performance is primarily their story.

What about the less-populated counties? Beaver County construction employment followed a roller-coaster path driven by several large construction projects. Construction employment in Beaver County hit its highest level during mid-2010 with the first iteration of wind farm construction. This occurred just as many counties were reaching their recessionary employment lows. In addition, 2012 and 2013 brought additional large-project fluctuations in construction employment.

"The road to success is always under construction."

— Unknown

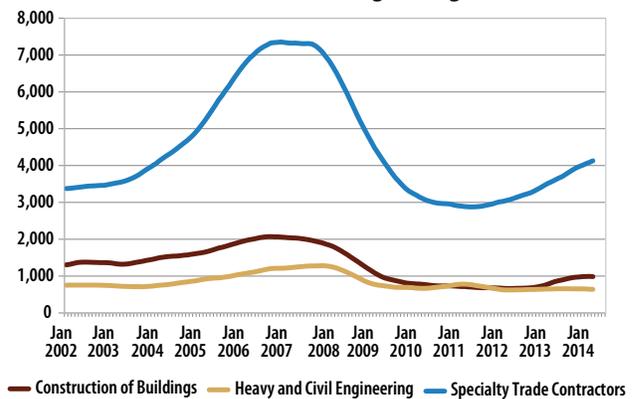
In Garfield County, construction employment has generally trended downward with the exception of 2010–2011 when the infusion of federal dollars for public projects inflated job totals. After topping out in 2007, Kane County's construction employment totals have also trended downward. Both Kane and Garfield County's construction jobs now register significantly below the number of jobs maintained prior to the building industry escalation of the mid-2000s.

Drilling Down to Details

The bursting economic bubble 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 more than 70 percent of total construction employment in 2014. This subsector responded most dramatically to the rise and fall of building in Southwest Utah. Building finishing contractors were the first subindustry in the specialty trade contractors group to start adding employment as the recovery began. However, foundation, structure and building exterior contractors joined the recovery later but are currently growing more rapidly than the rest.

Figure 2. Southwest Utah Construction Employment Twelve-Month Moving Average



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

The concentration of speculative activity in homebuilding, as opposed to nonresidential-structure-building, was evident in the construction of buildings subsector. In Southwest Utah, residential-builder employment bubbled right along with the number of new homes being built and collapsed as the bubbled burst. While nonresidential building employment increased and decreased with the recessionary cycle, both the gains and losses proved relatively mild.

While the heavy and civil engineering employment also showed the cyclical expansion and contraction common to the construction industry, one particular subindustry did not. Both land subdivision and utility-system construction employment rose and ebbed with boom and bust. Overdevelopment has meant that while homebuilding has resumed, there is yet little need for new subdivision or utility construction. On the other hand, employment in the highway, street and bridges subsector has trended upward since 2000. The infusion of federal stimulus monies helped keep this subsector growing right through the recession.

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



Workforce Services
 Workforce Research and Analysis (WRA) Division
 140 E. 300 S. • Salt Lake City, UT 84111
 Equal Opportunity Employer/Programs

localinsights

Executive Director: Jon Pierpont

Director, WRA: Carrie Mayne

Supervising Economist: Mark Knold

Designer: Reason Robles

To subscribe or request a copy,
 please call: 801-526-9785

jobs.utah.gov/wi/topjobs/



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.

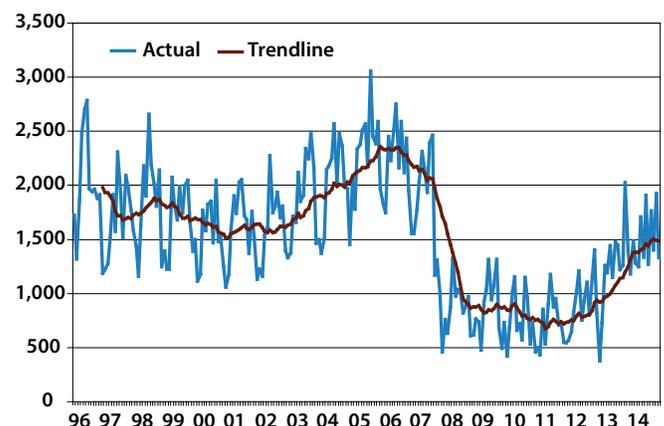
In this issue of Local Insights, we look at the demand for housing structures, the amount of housing permits and their history, and how this history shows that housing demand follows the ups and downs of a region's economic performance. In evaluating the volume of housing permits, we also parallel the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