

Economic Insights

In a time of uncertainty

Central Bank
February 3, 2021



DAVID ECCLES SCHOOL OF BUSINESS

Economic Insights Summary

- The economic impact from COVID-19 has been **sudden, acute, and uneven**.
- Significant **uncertainty** remains.
- **Utah has fared better** economically than every other state. **Utah County's** performance is particularly impressive.
- The \$900 B+ fiscal **stimulus will help significantly** and will likely forestall a double-dip recession. Additional stimulus will be necessary before this is done.
- Widespread **vaccinations, pent-up demand, and excess savings** are expected to lead to an economic rebound by mid- to late-2021, both in Utah and the nation.



Salt Lake School District Return to In-Class Learning

Phased return since January 25, 2021

This photo was taken Monday morning of this week.

The young boy is a 2nd grader.

He got his clothes out the night before.

On the walk in pulled down his mask and said, "Look, I'm smiling."

He also took a teddy bear for his teacher.

The Reality

*You may not be interested in the **virus**, but
the **virus** is interested in you.*

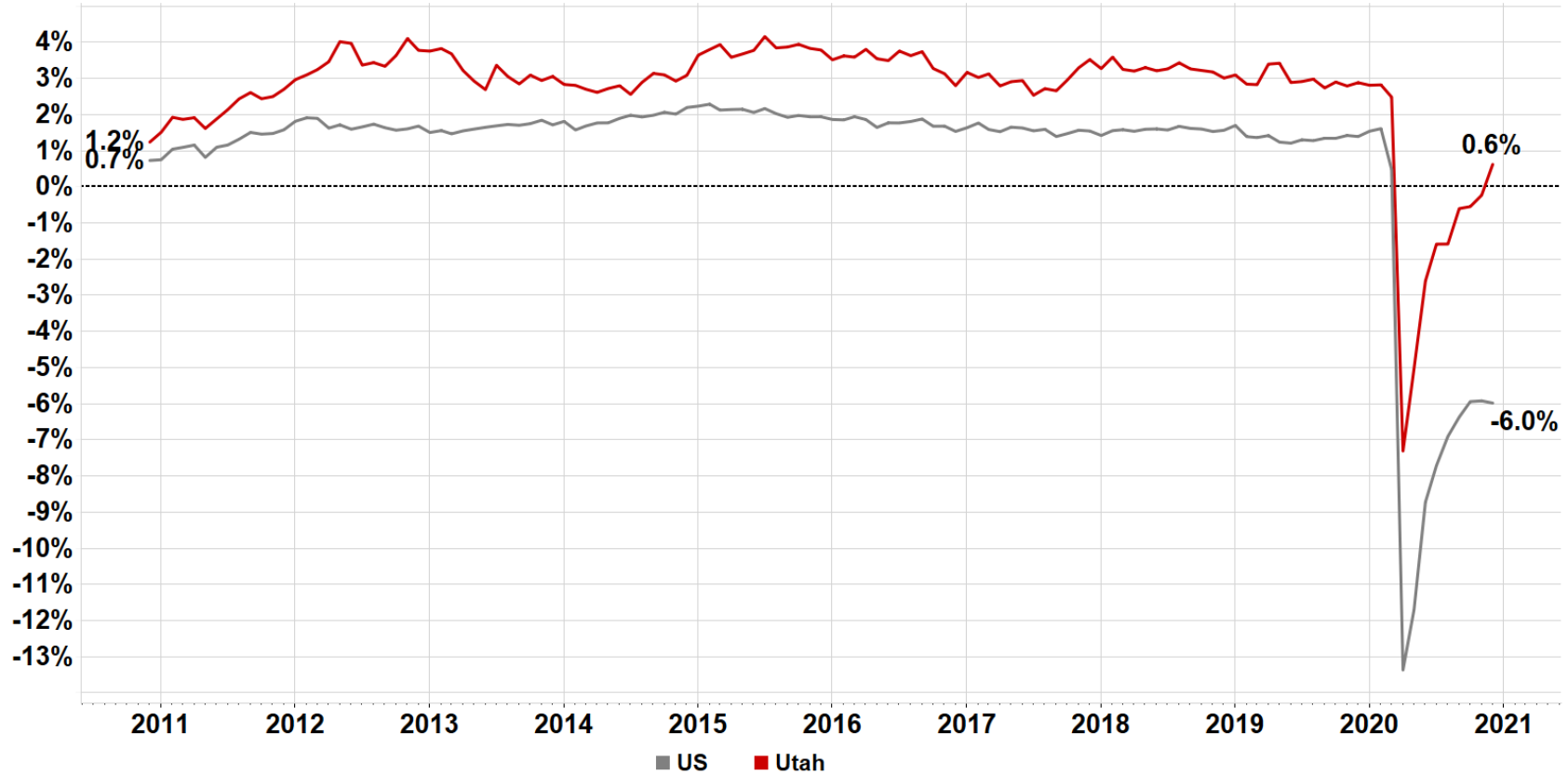
- Adapted from Leo Tolstoy

The Severity

If you're going through hell, keep going.

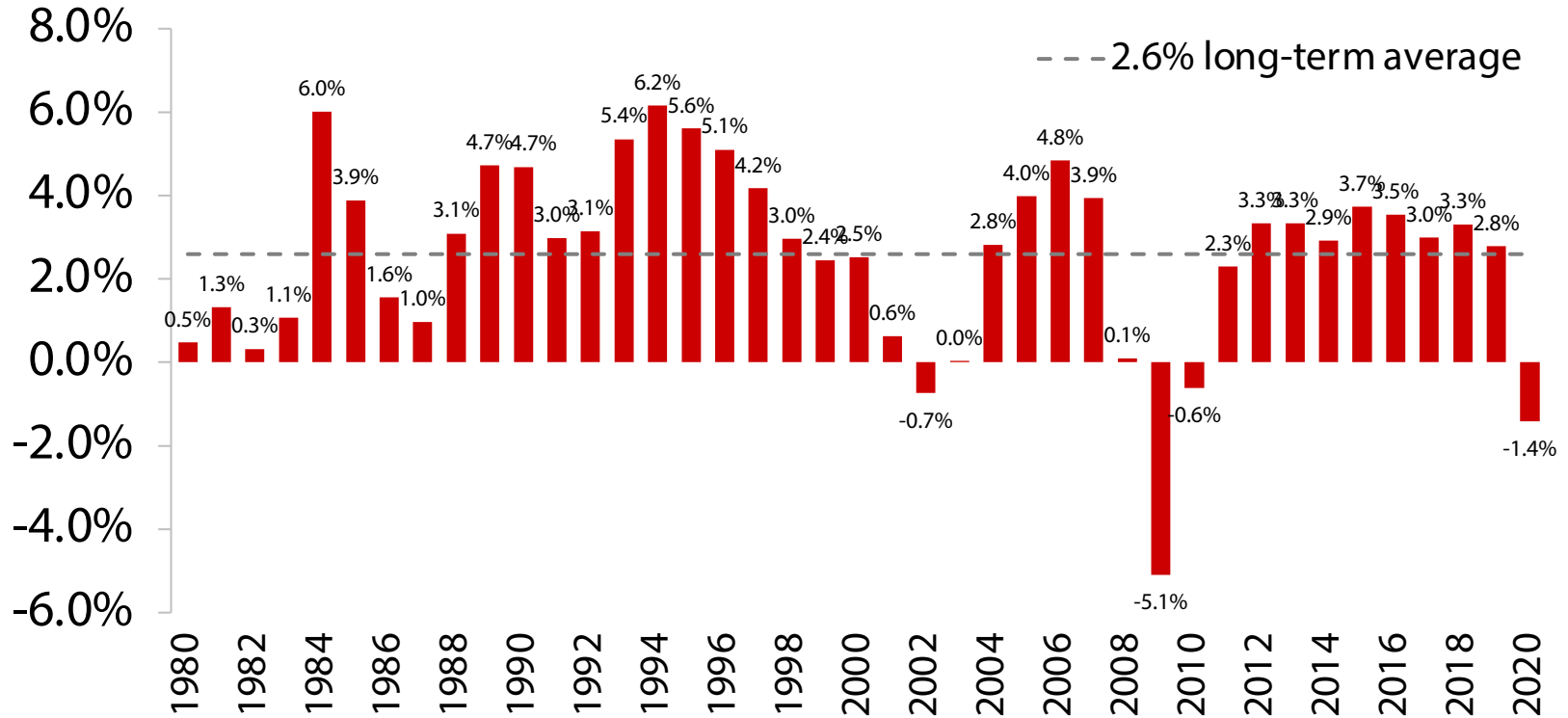
- Winston Churchill

Job Change



Source: U.S. Bureau of Labor Statistics

Utah Year-Over Job Change



Source: Utah Department of Workforce Services, Workforce Research and Analysis

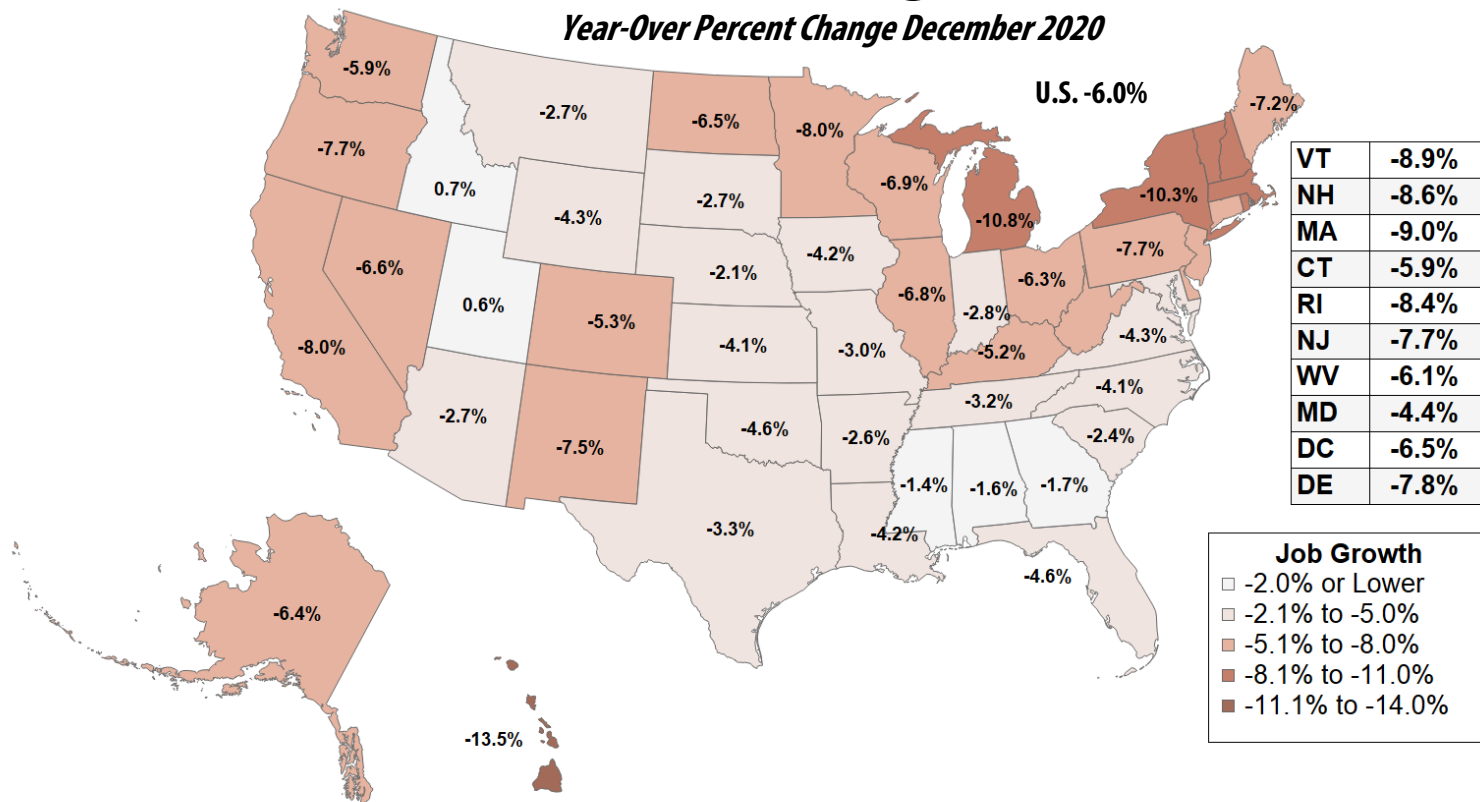
The Challenge

***The only thing that spreads faster
than COVID is cabin fever.***

**- Rick Rush, analyst with
CBRE**

Job Change

Year-Over Percent Change December 2020



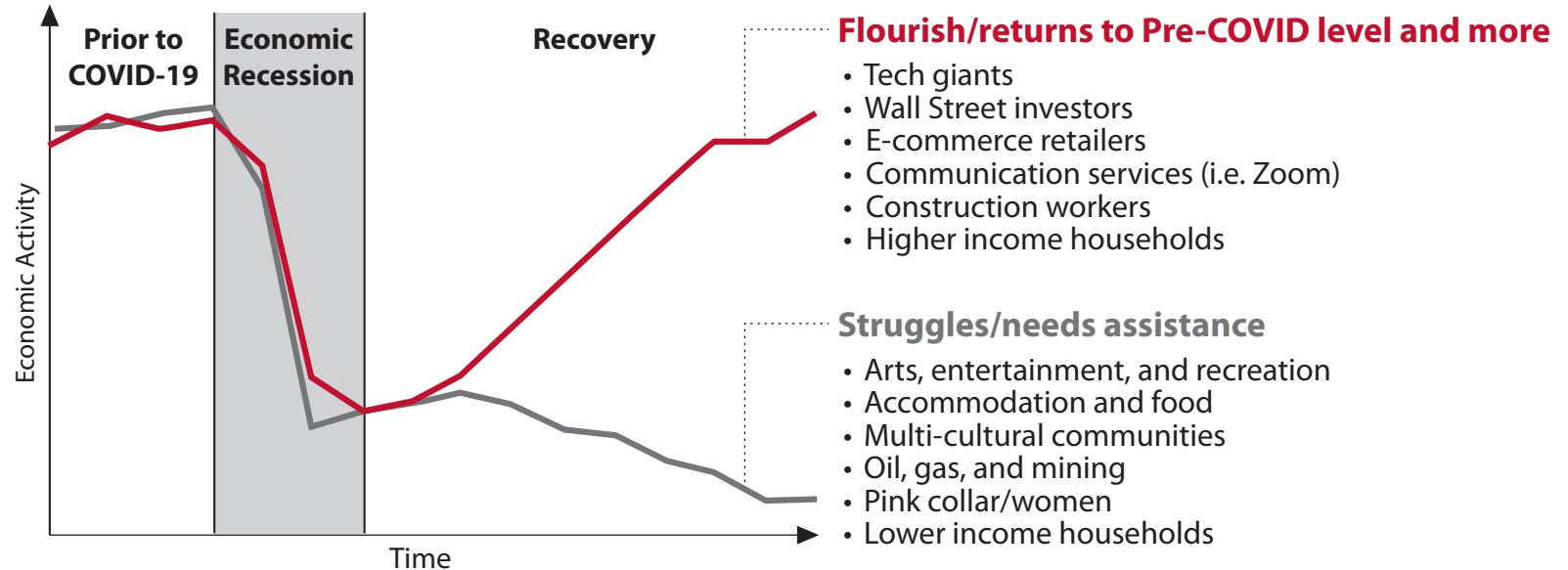
Source: U.S. Bureau of Labor Statistics

The Unevenness

***We are in the same storm, but we
are not all in the same boats.***

- Unknown

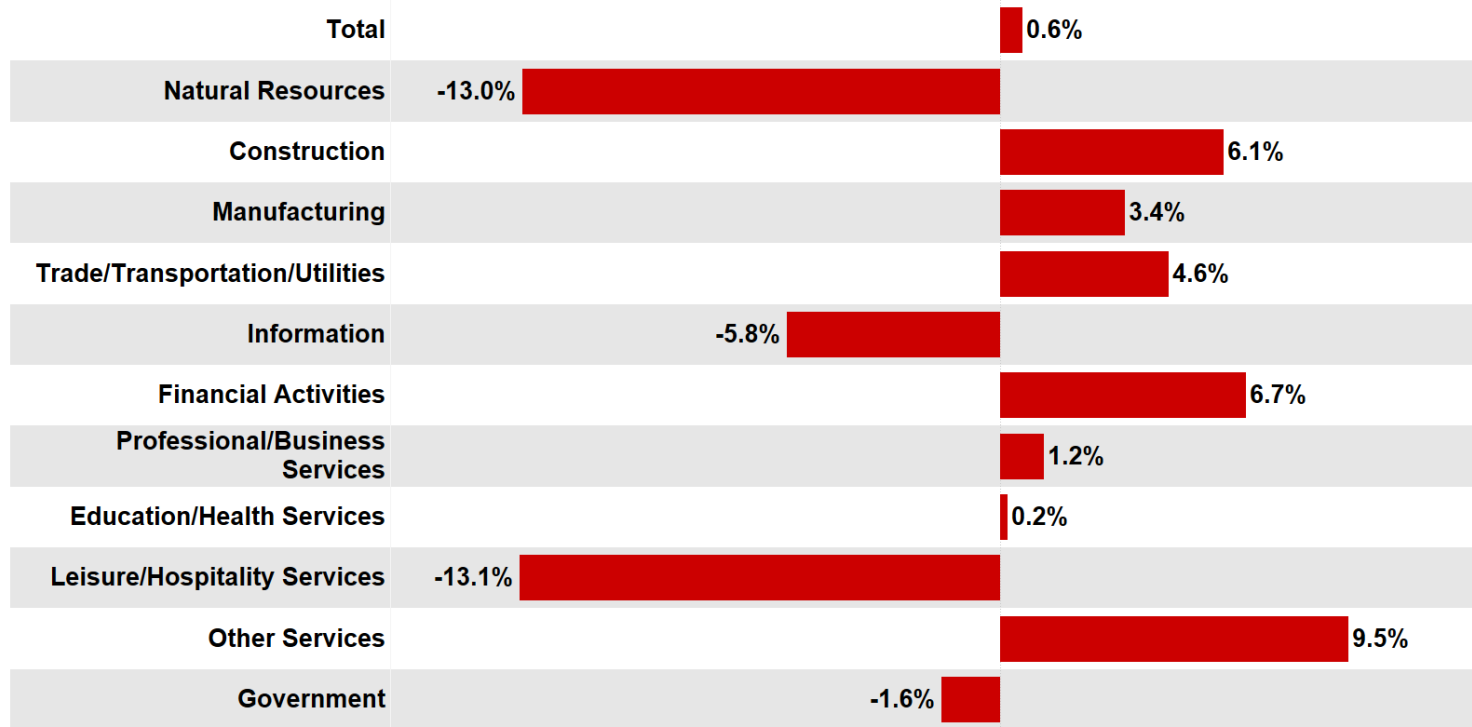
K-Shaped Recovery Illustration



Source: Kem C. Gardner Policy Institute

Utah Employment Change by Industry

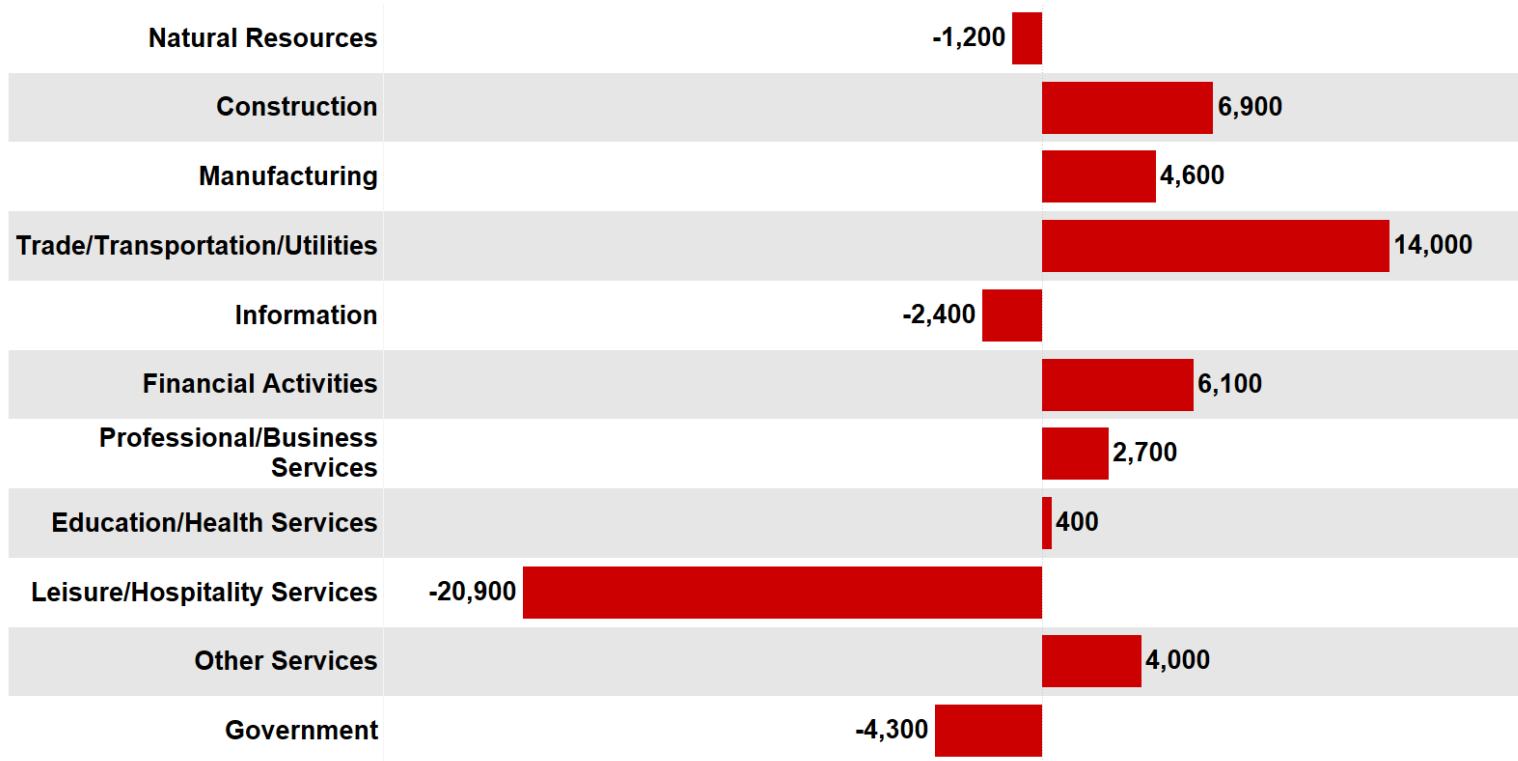
December 2019-2020, Percent Change



Source: U.S. Bureau of Labor Statistics

Utah Employment Change by Industry

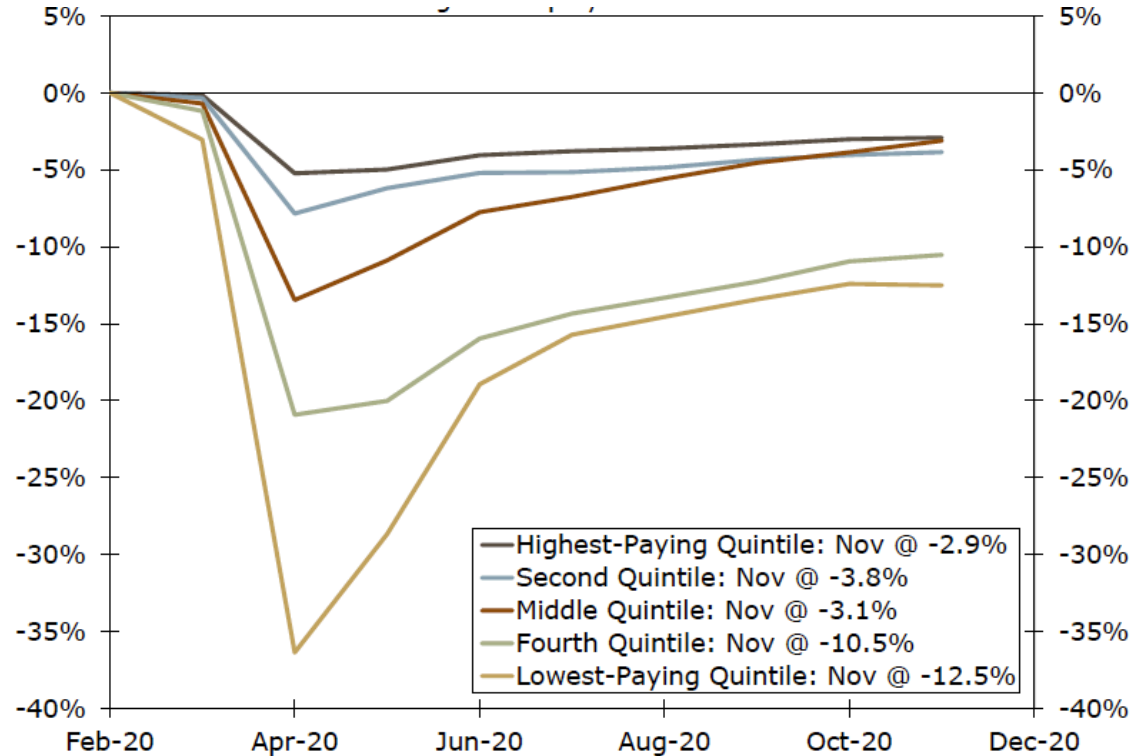
December 2019-2020, Absolute Change



Source: U.S. Bureau of Labor Statistics

Low Income Workers Feel the Pain

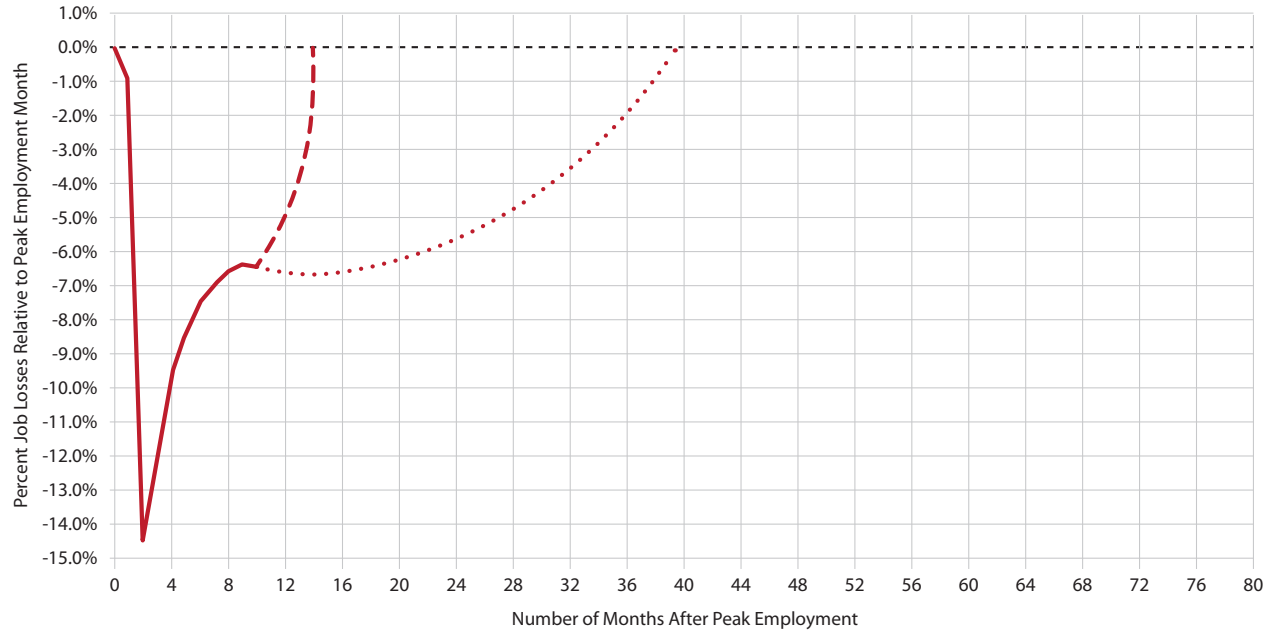
U.S. jobs ranked by 2019 average weekly earnings, percent change in employment since February 2020



Source: U.S. Dept. of Labor and Wells Fargo Securities

U.S. K-Shaped Recovery

Percent Job Loss Since Peak



The Split: — Flourish Struggle

Source: Calculated Risk Blog

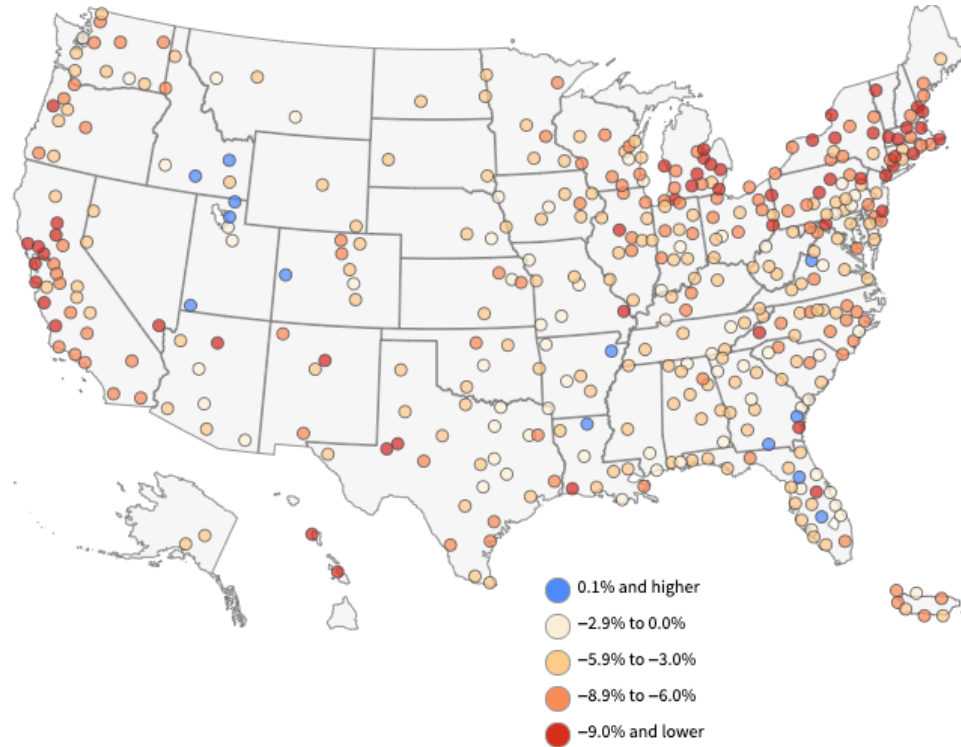
Utah's Response

United we succeed, divided we fail.

Gov. Gary Herbert

Employment Change by Metro Area

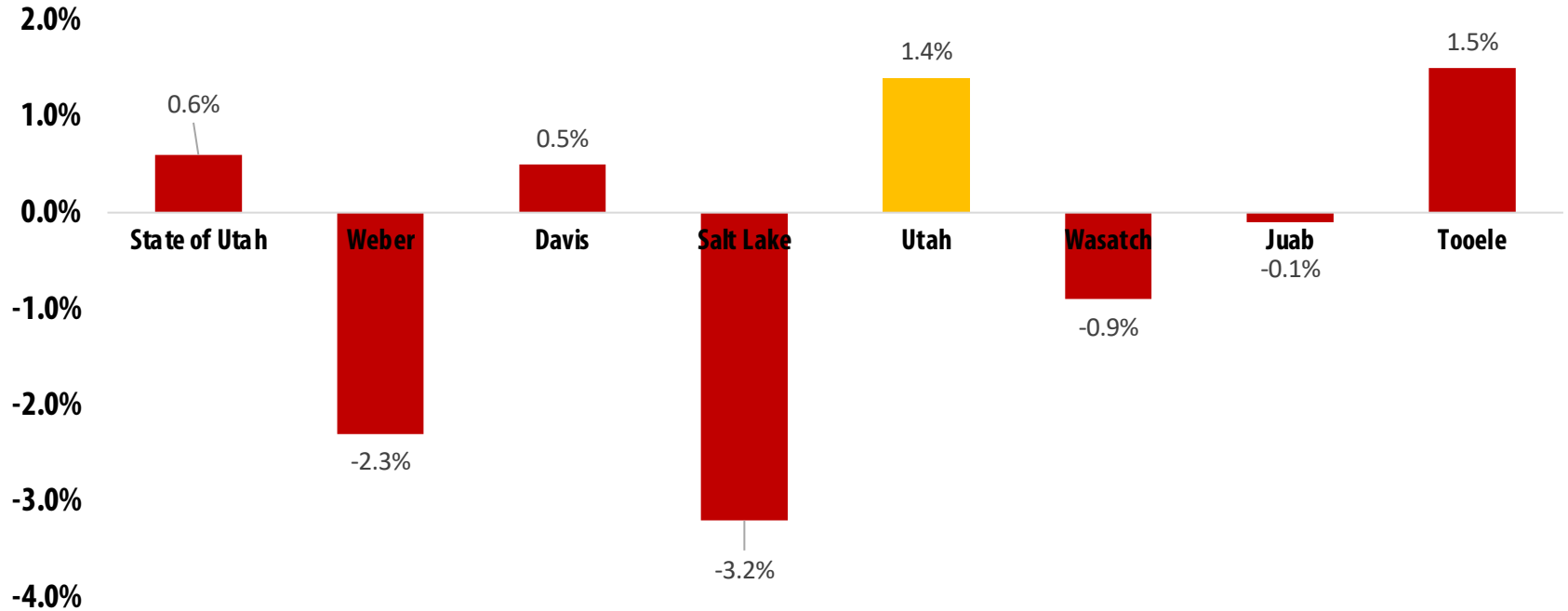
November 2019-2020, not seasonally adjusted



Source: U.S. Bureau of Labor Statistics

Job Growth Rates

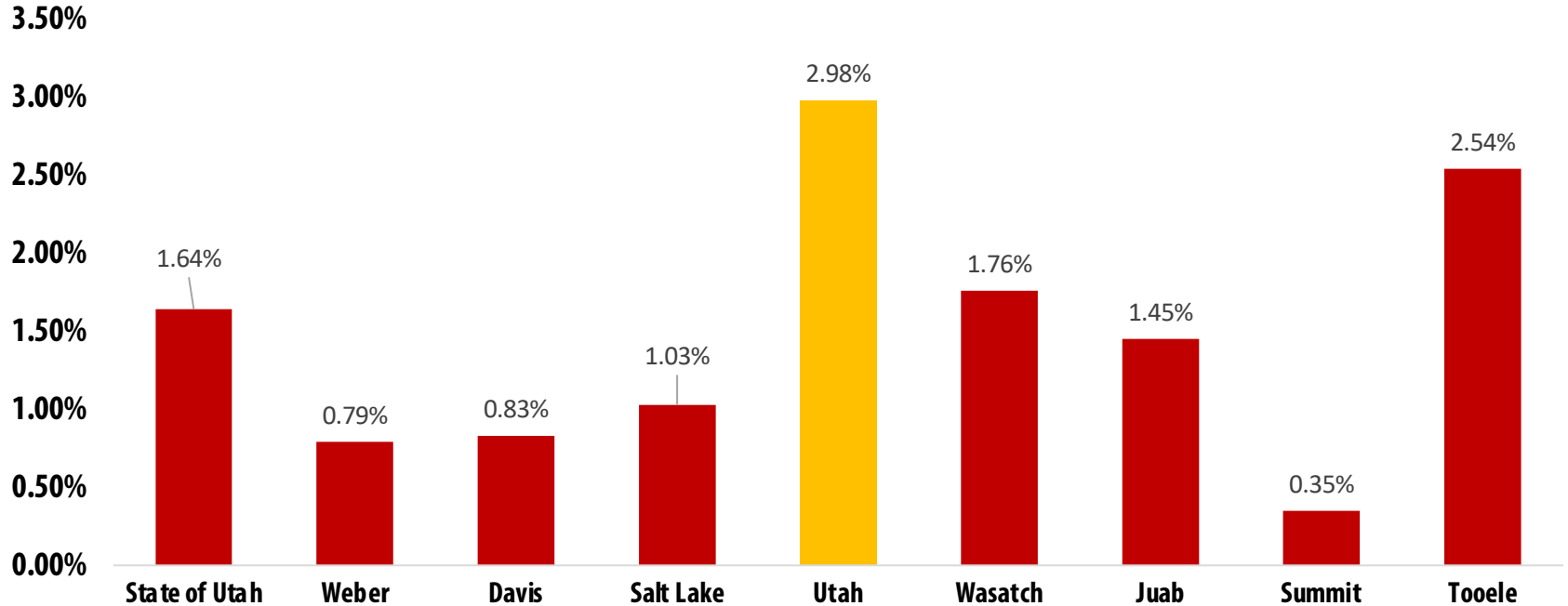
Dec. 2019 – Dec. 2020, Select Counties



Source: Bureau of Labor Statistics

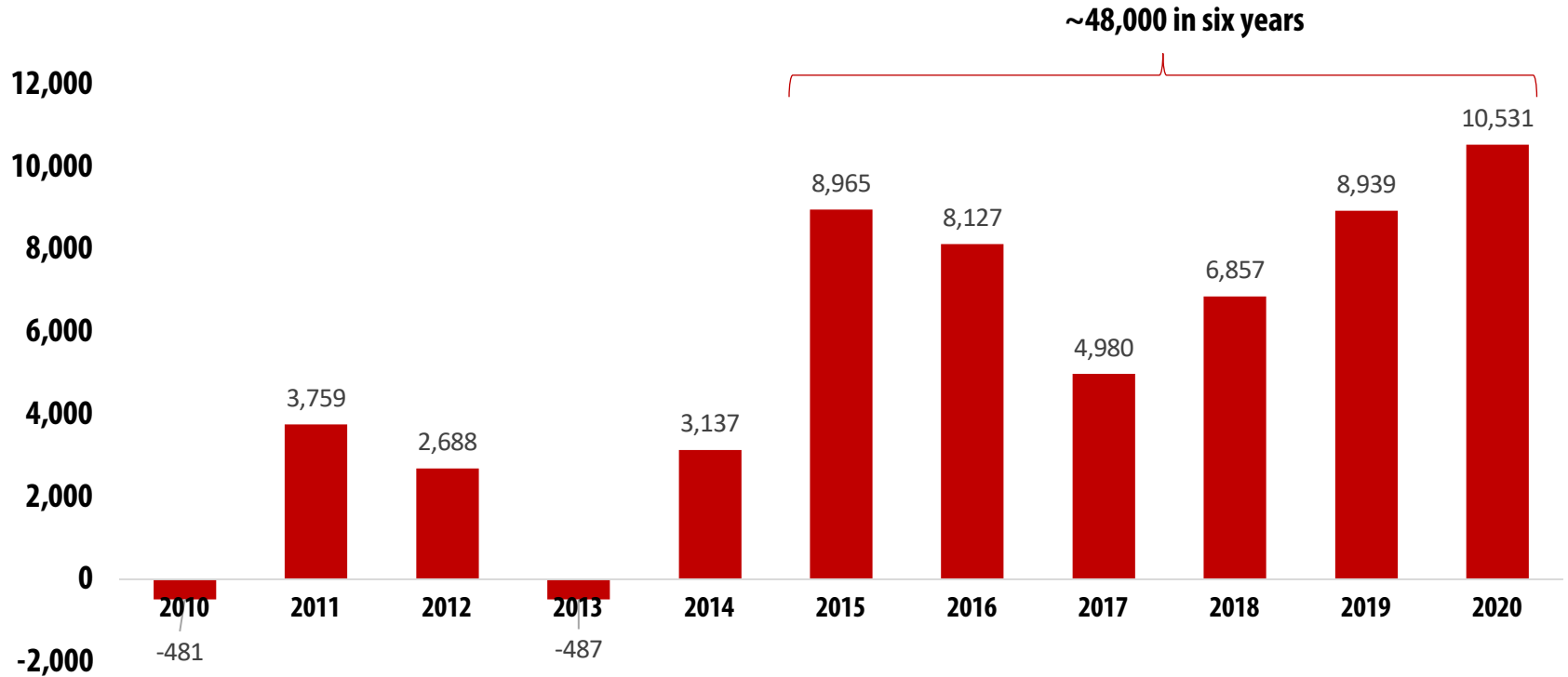
2020 Population Growth Rates

Select Counties



Source: Utah Population Committee

Utah County Net Migration



Source: Utah Population Committee

The Need for Individual Action

There is no calvary coming...it is us.

Dr. Marc Harrison, Intermountain Healthcare

The Leadership Challenge

Nobody looks good in a pandemic.

- Mike Leavitt, former HHS Secretary

The Response Challenge

When you focus on one problem, you lose perspective.

- Taylor Randall, David Eccles School of Business

The Limitations of Government

No amount of money will solve this problem. We have to get people back to work.

- Speaker Brad Wilson, Utah Legislature

COVID Emergency Relief Framework

As of 12/21/20, billions of dollars

Source	Amount 2021-2024
Small business support (PPP, EIDL, restaurants, deductibility)	\$325.0
Additional unemployment insurance	\$120.0
Economic impact payments	\$166.0
Education	\$82.0
Transportation (Airlines, airports, buses, transit, and Amtrak)	\$45.0
Healthcare	\$69.0
Rental housing assistance	\$25.0
Other (nutrition, USPS, broadband, childcare, student loans, and more)	\$76.0
TOTAL	\$908.0

Source: Washington Post

The Imperative

***The one commonality of all who survived was
altruism.***

- Taylor Randall, David Eccles School of Business

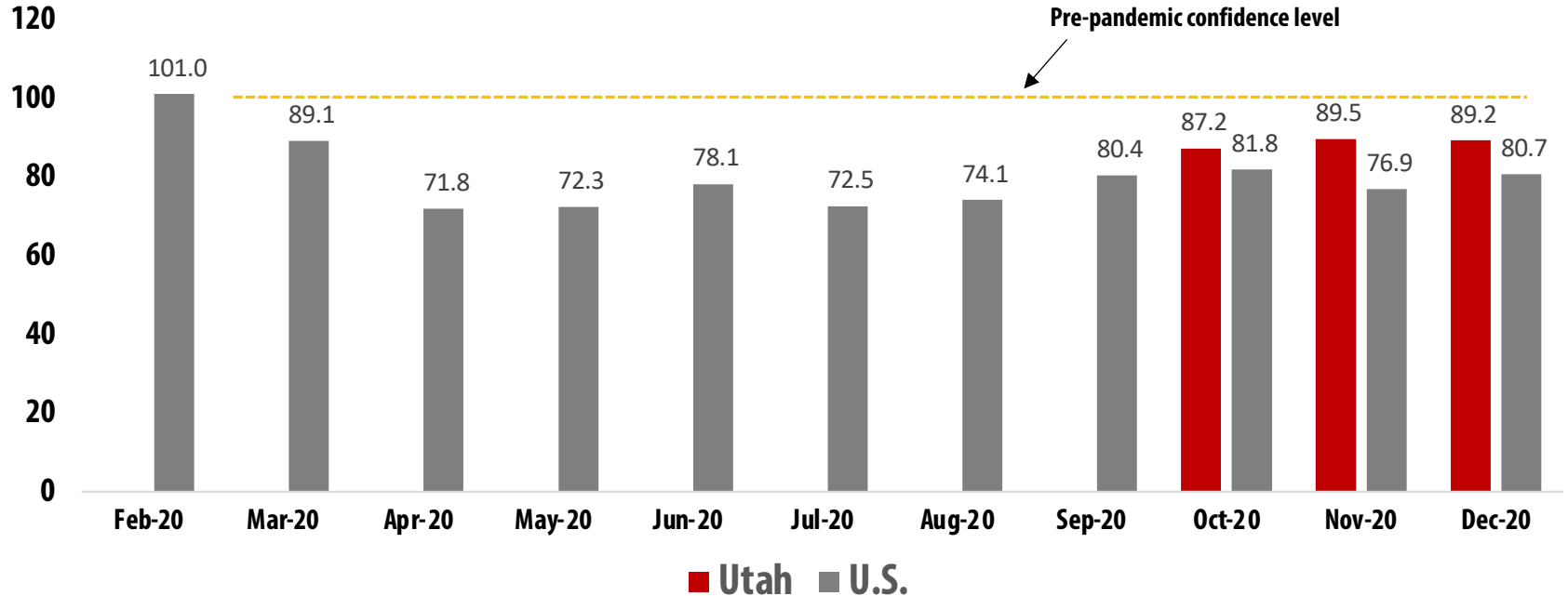
What's Next?

There is so much backed up behind the dam...when the dam breaks...be ready.

**- Rick Rush, analyst with
CBRE**

Consumer Confidence

U.S. and Utah



Source: Kem C. Gardner Policy Institute and University of Michigan

High Income Households Have Lots to Spend

Excess in personal savings as of 2020Q3

Income distribution	\$ Millions	Share of Total, %
First quintile	48,479	3.5
Second quintile	64,796	4.7
Third quintile	94,066	6.8
Fourth quintile	140,289	10.2
Fifth quintile	1,031,805	74.8
TOTAL	1,379,435	100.0

Note: Excess savings is greater than counterfactual based on growth in 2019 savings.

Sources: Moody's Analytics

Path to Recovery

Contraction

Expansion

January 2021

Fall 2021

Vaccinations

Health Care Workers | First Responders | K-12 Education Staff | Long-Term Care Folks | Older Adults | High-Risk Occupations | All Utahns

Business and Consumer Adaptations

Mask Wearing | Social Distancing | Hygiene | Remote Work | Online Education | Take-Out Dining | Telehealth | Public Health Interventions (Testing, Tracing, etc.)

Stimulus/Emergency Relief

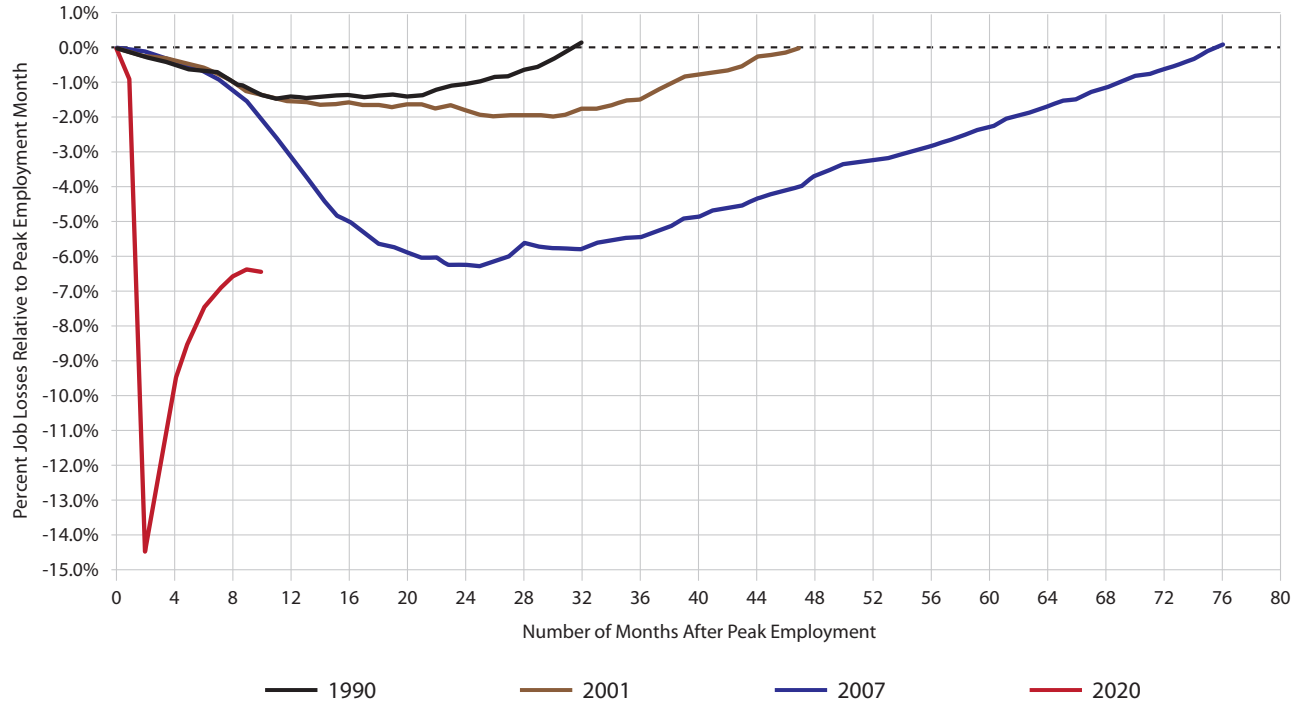
Small Business Support | Unemployment Insurance | Rental Assistance | Direct Payments | Other

Market Mechanics

Rising Consumer Confidence | Pent-Up Demand | Excess Savings | Risks/Setbacks | Other

U.S. Recession Profiles

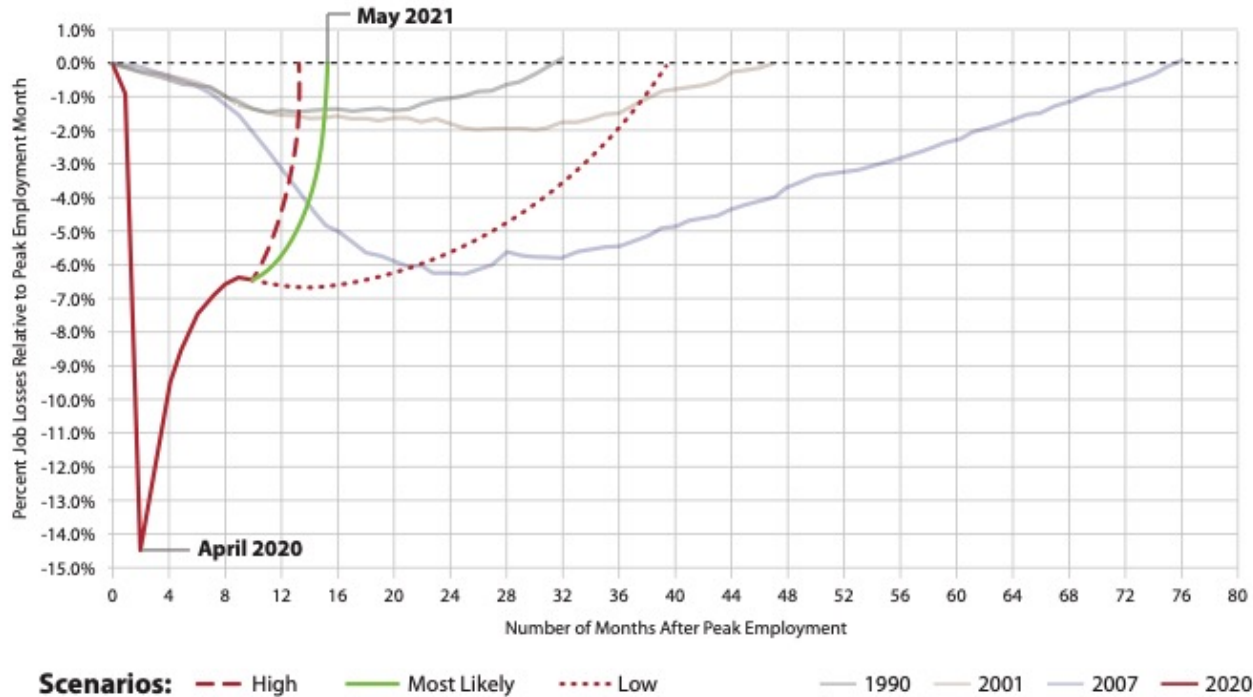
Percent Job Losses in Last Four Recessions



Source: Calculated Risk Blog

U.S. Recession Recovery Profiles and Scenarios

Percent Job Losses in Post WWII Recessions



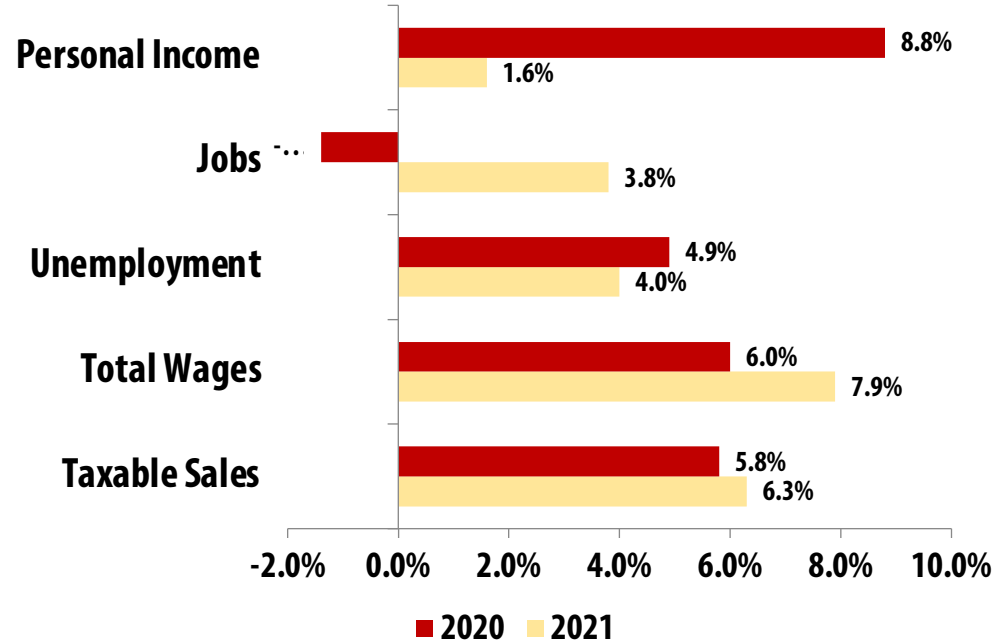
Source: Calculated Risk Blog

Utah Poised for a rebound...

Considerations

- Utah fared the pandemic recession better than other states
- Vaccines in arms
- Pent up demand
- Excess savings
- Inventory rebuilding
- Growing consumer confidence
- Federal stimulus

Forecast



Source: Utah Economic Council

The Value

In a dark time, the eye begins to see.

- Theodore Rothke

The Future

Often when you think you're at the end of something, you're at the beginning of something else.

- Fred Rogers

Pandemics Do End

For the first time since the pandemic hit, there appears a clear path to a full economic recovery. It won't be an easy path, given the longer-term economic fallout from the pandemic, but we are finally on our way.

Mark Zandi, Moody's Analytics