

# localinsights

An economic and labor market analysis of Southeast Utah

## southeast



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



Carbon  
Emery  
Grand  
San Juan

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## Regional Payroll Employment Continues to Stagnate

By Tyson Smith, Economist

The Utah Department of Workforce Services relies on several data sources to help describe the state of the economy. The most accurate data available is the nonfarm payroll employment information that is collected through the Quarterly Census of Employment and Wages. However, the resources required to gather data accurately come at the expense of timeliness, which results in a four- to six-month lag between the time these data are collected and when they are available to the public.

Other data are collected in a more timely manner, and these data (along with historical trends) provide a foundation to estimate current economic conditions. Economists at Workforce Services rely heavily upon statistical models, surveys and limited datasets to evaluate the economy in real time. Some of those tools, like the county unemployment rates and initial weekly unemployment claims, are highlighted in this article.

The truth is that no single source of economic data exists that can appropriately profile the labor market in real time. So, when evaluating regional economies it is important to understand the recent economic history of the area, while also using any up-to-date information available despite the limitations of present data.

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## Carbon County

- Carbon County payroll employment grew in the fourth quarter of 2014 at an average annual rate of 1.5 percent, the eleventh slowest year-over job growth in the state and 1.4 percentage points slower than the Utah average. In total, the county added 131 jobs from fourth quarter 2013. Goods-producing industries added the majority of jobs (125) over the year. Construction growth was particularly impressive jumping 29.5 percent.
- The county seasonally adjusted unemployment rate remained at 4.8 percent in March, 1.4 percentage points above the state average. County unemployment rates are down nearly half a percentage point from March 2014, and have been below 5 percent since December.
- Initial unemployment insurance claims from first quarter 2015 reflect these relatively low levels of unemployment. The weekly average of initial claims in first quarter 2015 was approximately 13 claims per week, compared to 14 claims per week during the same period in 2014. It will be worth watching initial claims with the impending closure of the Deer Creek mine (located approximately 20 miles south of Price), which will directly affect 182 high-paying jobs in the area.
- Average monthly wages in the county increased 5.7 percent from fourth quarter 2013. The jump in average wages demonstrates that the jobs gained in the previous 12 months were in the relatively high-paying industries of

mining and construction, while the jobs lost were in relatively low-paying industries like administrative support and waste management services.

- Fourth quarter taxable sales in Carbon County jumped 11.2 percent, an increase of \$11.7 million from last year. Business investment expenditures in manufacturing surged by \$5.9 million (123.6 percent) from fourth quarter 2013, the largest annual increase in the county. These gains were slightly offset by a \$3.1 million decline in the taxable sales of wholesale durable goods.

## Emery County

- Year-over payroll employment in Emery County shrank 1.3 percent in fourth quarter 2014 after falling 3.5 percent in the third quarter. The decline was driven by the goods-producing industries, which fell 6.5 percent (52 jobs). Mining continues to shed jobs, losing an annual average of 59 jobs compared to fourth quarter 2013. Private-sector, service-providing employment grew slightly during this period, adding 22 jobs over the year.
- Despite declining 0.8 percentage points since last year, Emery County continued to have a relatively high seasonally adjusted unemployment rate of 4.6 percent in March. Job growth has been stagnant for several quarters, and with the closure of the Deer Creek coal mine (located just outside of Huntington), it is unlikely that the jobless rate will sustain its downward trajectory.
- The number of Emery County residents filing initial

## current events

### REPORT SHOWS THAT TOURISTS SPENT A RECORD \$7.5 BILLION IN UTAH

The Bureau of Economic and Business Research reported that although tourism is important to Utah's economy as a whole, it is especially important to the economies of rural counties across the state. In 2013, an estimated 46 percent of total county sales tax revenue in rural Utah came from tourism-related sales. Grand County is particularly dependent on tourism, ranking seventh (out of 29) in estimated tourism-related sales tax revenue (\$3.2 million) and second in the percent of total sales tax revenue generated by tourism activities (82.3 percent). — *Bureau of Economic and Business Research*

### SANPETE COUNTY DECLARED DROUGHT DISASTER AREA

On May 6, the U.S. Department of Agriculture (USDA) designated Sanpete County as a primary natural disaster area due to damages and losses caused by a recent drought. Farmers and ranchers in contiguous counties, including Carbon and Emery, also qualify for natural disaster assistance. All qualified farm operators in the designated areas are eligible for low-interest emergency loans from USDA's Farm Service Agency. Farmers in eligible counties have eight months from the date of the declaration to apply for loans to help cover part of their actual losses. — *Sun Advocate*



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

unemployment claims fell to pre-recession lows in the first quarter of 2015. Average weekly claims decreased 21.8 percent compared to the first quarter of 2014. The average number of initial weekly unemployment claims will spike once Deer Creek mine closes.

- Average monthly wage growth in fourth quarter 2014 bounced back from its decline in third quarter, growing 12.4 percent from 2013. The increase in average wages shows that the jobs lost during the year were lower paying than the jobs retained, which has a skewing effect on the average. In mining for example, average wages increased by nearly \$3,300 per month after losing 59 employees.
- Fourth quarter 2014 taxable sales in Emery County decreased (1.1 percent) for the first time in six quarters. The largest loss in year-over taxable sales came from adjustments to sales from previous quarter, a correction that does not represent actual economic activity in the quarter. With prior-period adjustment removed, the county saw positive taxable sales of \$1.3 million.

## Grand County

- Since the Great Recession, Grand County's payroll employment growth has been the exception in the region. The 5.3 percent year-over job growth in fourth quarter 2014 was 2.2 percentage points above the state average, making it the fourth fastest growing county in Utah. On average, the county added 249 jobs from the fourth quarter 2013. The leisure and hospitality industry added more jobs (104) than any other industry.
- Despite the momentum in the county's labor market, declines

in the seasonally adjusted unemployment rate have slowed. After falling 1.2 percentage points from January 2014 to July 2014, the unemployment rate has bounced between 5.6 and 5.9 percent. The rate currently sits at 5.8 percent, much higher than the Utah average.

- The recent steadiness of the county's unemployment rate is reflected in the first quarter initial unemployment claims data. The average number of initial claims filed in first quarter 2015 was merely 1.5 fewer per week than the same period in 2014.
- Wage growth in fourth quarter 2014 (up 1.5 percent) did not keep pace with employment growth. Wages in leisure and hospitality grew 6.6 percent, one of the largest year-over jumps in any industry, a positive sign given the substantial number of employees added to that industry from 2013 to 2014.
- Fourth quarter 2014 taxable sales in Grand County rose by 6.4 percent from the same quarter in 2013. The accommodation and food services industry increased sales by more than any other industry in the county, improving \$3.8 million from previous year. Most impressive is that year-over taxable sales in the county have increased for 19 consecutive quarters.

## San Juan County

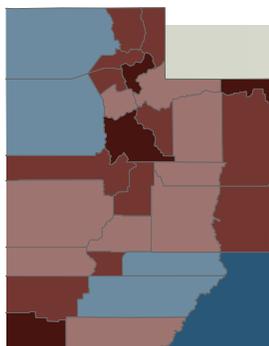
- San Juan County's employment growth continued to erode in fourth quarter 2014. The county shed a quarterly average of 165 jobs from fourth quarter 2013, or approximately 4 percent of the workforce. This marked the third consecutive quarter of year-over job losses. The goods-producing industries — down 18.2 percent —

accounted for a quarterly average of 136 lost jobs.

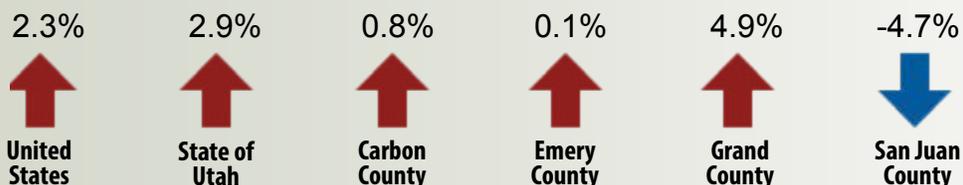
- As the county lost jobs, unemployment remained relatively high. The rate settled at 6.9 percent in March, which is the third highest among Utah's 29 counties. San Juan County's unemployment rate is still markedly higher than both the state and national averages.
- First quarter 2015 initial unemployment claims remained relatively unchanged from the previous year. The weekly average has moved from just under nine claims per week in first quarter 2014 to 10 per week in 2015.
- Average monthly wages in the county increased 1.8 percent, 2.5 percentage points slower than the state average. Weakening in the good-producing industries, particularly mining, contributed to wage stagnation.
- Fourth quarter 2014 taxable sales in San Juan County fell \$12.4 million from fourth quarter 2013. The county experienced a drop in year-over taxable sales growth for the fifth time in the last six quarters. The 22.6 percent drop in taxable sales was the second largest decline among Utah's 29 counties.

# Southeast Utah Economy

## at a glance



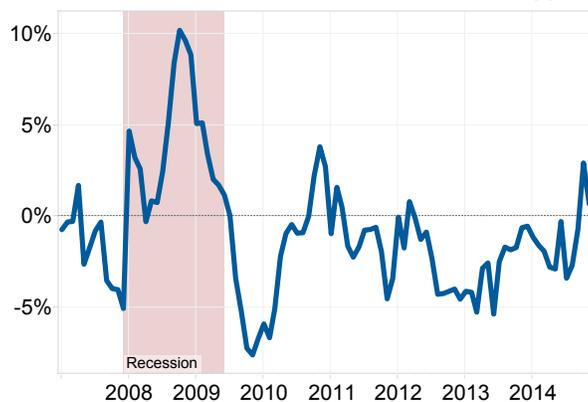
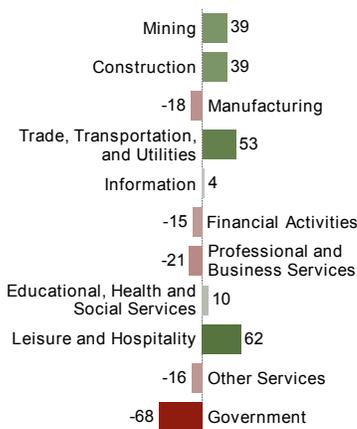
### Year-to-Year Change in Nonfarm Jobs Dec. 2014



-7.0% 7.0%

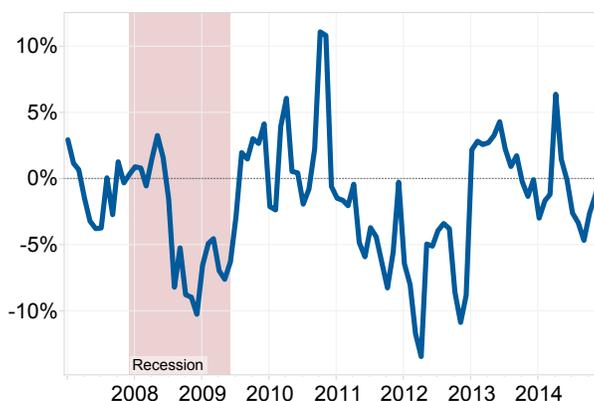
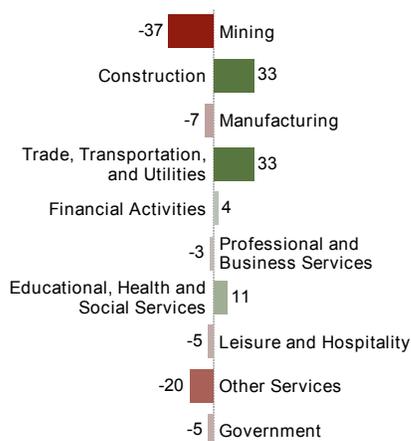
## Carbon County

### Job Growth Dec. 2014

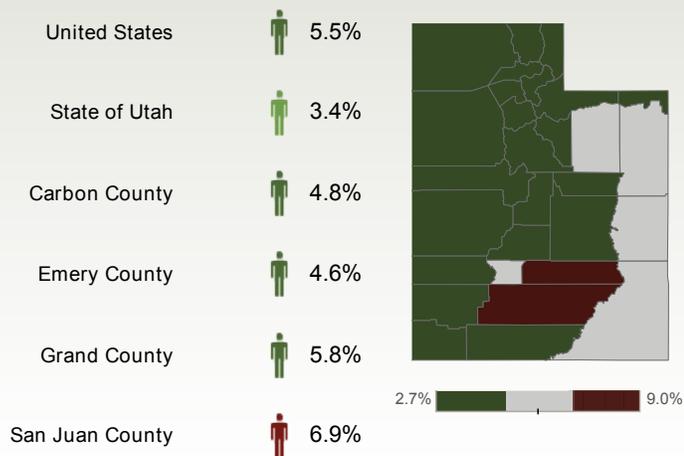


## Emery County

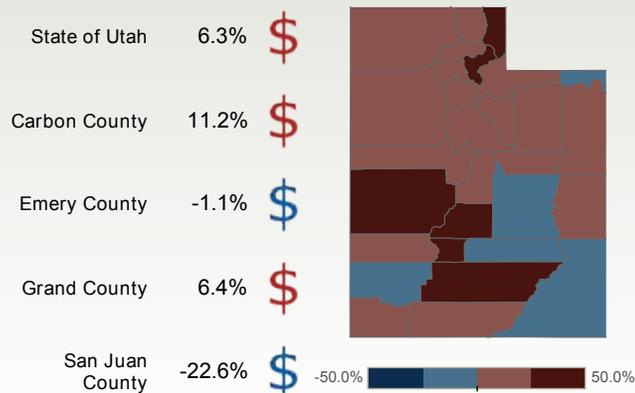
### Job Growth Dec. 2014



## Seasonally Adjusted Unemployment Rate March 2015



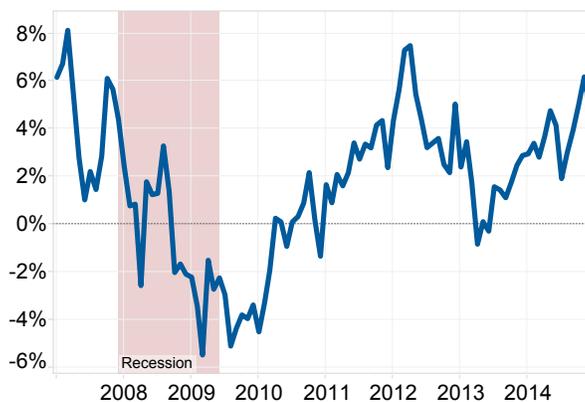
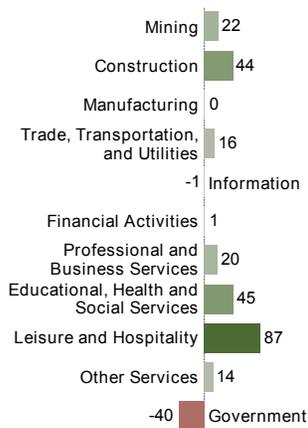
## Year-to-Year Change in Gross Taxable Sales Sales 4th QTR 2014



## Grand County

### Job Growth Dec. 2014

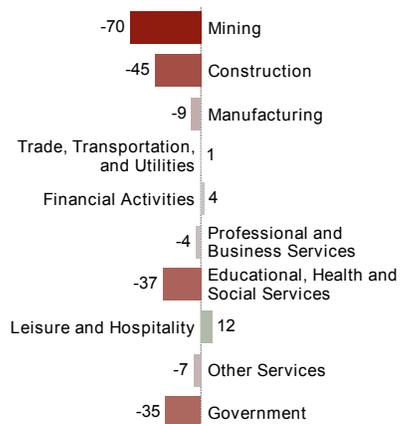
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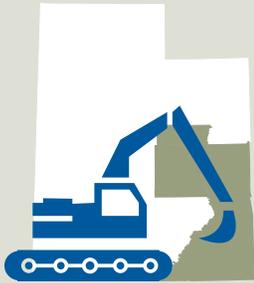


## San Juan County

### Job Growth Dec. 2014

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# Construction in the Southeast Region Continues to Struggle

By Tyson Smith, Economist

## The Value of Construction Data

The health of an economy can be assessed using several indicators. The Utah Department of Workforce Services generally uses labor market information to evaluate economic conditions. However, it would be naive to believe that the entire economic story can be told using labor data alone. In order to better understand the Utah economy, Workforce Services also reviews data that is unrelated to employment.

The Utah Construction Information Database, hosted by the Bureau of Business and Economic Research (BEBR) at the University of Utah, has collected building permit data for nearly all Utah cities and counties since 1958, and the monthly data have been electronically formatted from January 1994 to December 2014. The database includes 10 tables that detail the number of approved construction permits and the monetary value of the permitted construction projects.

Construction activity represents an important aspect of the economy, and in many cases permit volume acts as a leading indicator for economic expansion or contraction. For example, prior to the Great Recession permit volume and values dipped noticeably across the state and nation. There are several reasons that construction activity is vital to the economy.

New residential construction represents consumer demand for a big ticket item: housing. When consumers reach a level of financial security that allows for homeownership, or the population grows beyond the current housing capacity, the need for housing increases. These increases in consumer demand translate into economic expansion. Furthermore, a home is the largest asset on most American's balance sheets and the equity built through homeownership is a significant source of wealth creation.

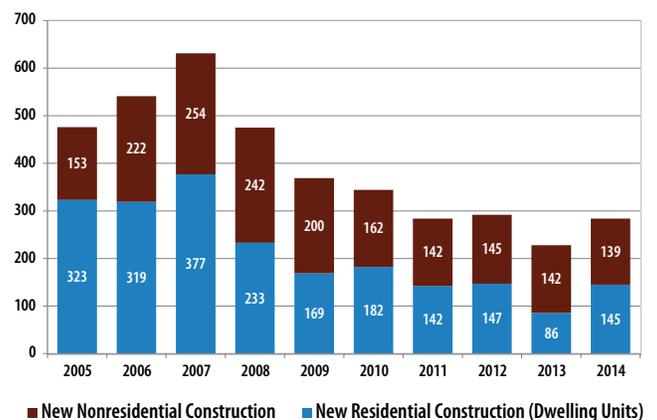
New nonresidential construction corresponds with business sentiment. If businesses are confident in the economic outlook they will invest in capital assets like new production plants and warehouses. Businesses also respond to new residential construction by building shopping centers, grocery stores and government service buildings to support the growing population.

Overall, construction investments correspond with economic expansion, while stagnation in construction activity often foreshadows sluggishness in the market.

## Construction Permits in the Southeast

In 2014, a total 644 construction permits were awarded in the Southeast, the second fewest in a calendar year since 1994. The historically low permit volume in the region last year was only surpassed by 2013, when 548 construction projects received permits. The number of construction permits in the region fell 52.8 percent from the peak of the

Figure 1. Southeast Residential vs. Nonresidential New Construction



housing bubble in 2007 to the bottom of the construction swoon in 2013, while the non-inflation adjusted value of those permits fell 56.7 percent over the same time from \$85.5 million in 2007 to \$36.8 million in 2013.<sup>1</sup>

In comparison, the number and value of permits issued statewide fell less dramatically (29.5 percent and 27 percent, respectively) from 2007 to 2013. However, the increased number and value of permits from 2013 to 2014 was proportionately more impressive in the Southeast region than it was for Utah as a whole. The number of authorized construction permits in the region grew 9.5 percentage points faster than the state average.

Over the last four years, the number of new nonresidential permits issued has been very consistent (between 139 and 145 permits per year). In the 14 years between 1994 and 2007, the average number of nonresidential permits averaged approximately 201 per year. The total construction value of the new nonresidential permits approved in 2014 was \$13.8 million, which was down 11.6 percent from 2013 despite the total number of nonresidential permits decreasing only 2.1 percent over the year.

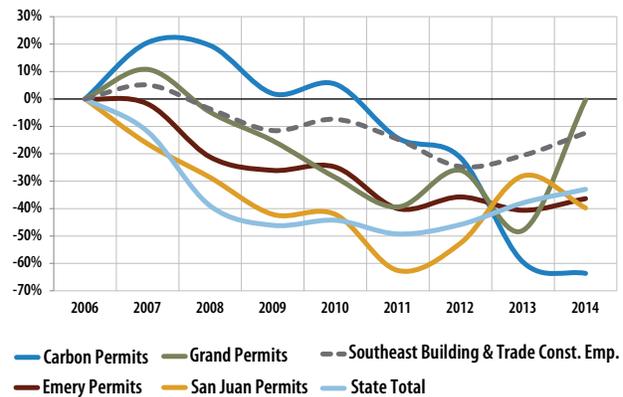
The number of new residential permits has been less consistent than nonresidential since 2011. In 2013, new residential construction permits fell 41.5 percent from the previous year before bouncing back 68.6 percent in 2014. The value of residential permits also increases significantly in the region from the previous year, jumping 28.4 percent (nearly \$5 million) from 2013.

Since the Great Recession began in 2008, the mix of new residential and new nonresidential permits has been approximately even each year. This bucks a historical trend in which the number of new residential permits outpaced nonresidential permits at a rate of nearly two-to-one. The recent trend highlights the negative impact the housing bubble and the recession had on the housing market.

### Construction Employment in the Southeast

It is worth noting the regional trend in construction employment when discussing an area's building permit activity. There are two industry classifications where employment counts align well with construction permit counts: construction of buildings and specialty trade contractors. Figure 2 captures the percent change in construction employment and county construction permits from 2006 to 2014.

Figure 2. Change in Total Construction Permits by County Since 2006



Clearly the recession impacted each county differently, with some counties (e.g., Grand) weathering the downturn better than others (e.g., San Juan). The employment trend had a similar downward trajectory as the permits, though construction employment is clearly less volatile than construction permitting activity. In total, regional employment in the construction of buildings and the specialty trade contractors industries was down about 140 employees — or 12.4 percent — from 2006 to 2014, while construction permits were down 39.6 percent over the same period.

<sup>1</sup>Permit values not adjusted for inflation.



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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.

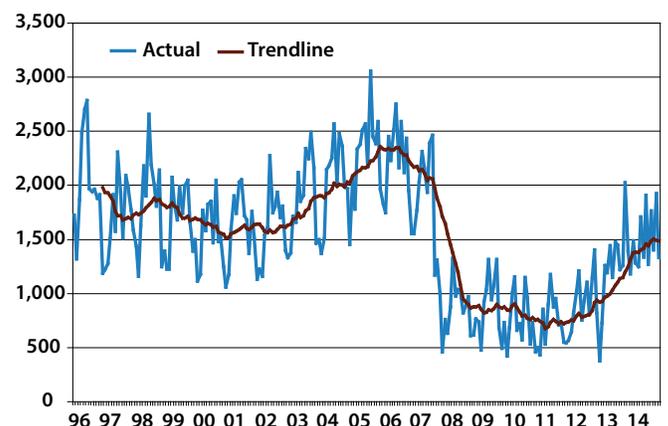
In this issue of Local Insights, we look at the demand for housing structures, the amount of housing permits and their history, and how this history shows that housing demand follows the ups and downs of a region's economic performance. In evaluating the volume of housing permits, we also parallel the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