

Utah economy experts say recovery from recession unlikely in 2009

Park City's high housing costs part of larger picture making life more expensive

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The recession deepened in February, March and April and the economy is unlikely to recover this year, according to several different reports released this spring from economists and market analysts.

According to the Zions Bank Small Business Index, Utah's unemployment rate increased half a percentage point between February and March making the total number of jobs lost since last year 26,000.

The "Insight" newsletter by Jeff Thredgold published by Zions Bank reported that 22,000 of those jobs were in the goods-production sector with the remaining from service-providing companies.

Utah has seen its weakest economic performance in nearly 50 years, Thredgold wrote.

The U.S. Bureau of Labor Statistics put Utah's job loss at 32,800 over the past year, according to Utah Department of Workforce Services chief economist Mark Knold.

He also believes the situation is worse than the unemployment rate might lead one to believe. Utah's rate of just over 5 percent could be considered normal any other year.

"There is more economic pain out there than the current unemployment rate suggests, though," Knold said via email.

Some of the low measurement is because people are no longer looking for jobs. If they are not actively involved in the labor force (either working or looking for work), then they are not counted in the unemployed, he said.

"I believe the model used to calculate the unemployment rate is keying too much off of past history, which over the past five years included Utah's lowest unemployment rate ever (2.3 percent). I feel that the model is not doing a good job in fighting this past momentum," he said.

Goods, services and housing are also getting more expensive, putting extra strain on low-income households.

According to the U.S. Bureau of Labor Statistics, the Consumer Price Index, a measure of the average change in household goods prices overtime, increased 2 percent nationally in March and another. Although that's bad news for families, the index has decreased 0.7 percent over the last year. The year-over-year declines in March and April are the first since 1955. That's bad news for businesses.

Gas prices are up 17 cents from April, according to AAA Utah.

The Zions Bank Small Business Index measuring favorable business conditions declined from March to April.

Advocates with the Utah Health Policy Project complained last month that by the end of the year Utahns will outpace the nation in percent of pre-tax income spent on health care. According to a report by Families USA, from 2000 to 2009, health care costs for families will increase in Utah over 4 percent faster than the rest of the nation because employers are decreasing health benefits.

The Utah Housing Coalition last month distributed a report by the National Low-Income Housing Coalition claiming Utah's average rent for two-bedroom apartments is out of reach for many adults.

Assuming a person spends no more than 30 percent of their budget on housing, a worker in Summit County would need to earn over \$19 an hour to afford a two-bedroom apartment at fair-market value.

Scott Loomis, local affordable housing advocate, said in an interview on Thursday that Park City sees a lot of non-traditional families living in apartments to cover the rent. The more adults living together the more disposable income they'll all have.

There are several subsidized and discounted units available, but many low-income residents earn about \$10 an hour.

"Finding housing for people earning less than median wage has always been a problem," Loomis said. "We've always been dependent on Salt Lake City and Heber for our workforce."

Unfortunately, commuting doesn't work well for single-mothers. The shorter their commute, the less they spend on child care, he said.

Ironically, the affordable housing problem is not due to a shortage in housing. According to Eric Allen, regional director for Metrostudy, a national housing market research firm, Summit County has a 39-month supply of single-family homes and a nine to 14-month supply of town homes and condominiums. That has frozen the residential construction industry in the area.

The oversupply of home inventory in the area is due to sellers refusing to lower prices, he said in an interview Thursday.

In the Greater Salt Lake area, home owners have lowered prices, lessening the amount of inventory on the market. Buyers are also taking advantage of federal and state tax credits for purchasing modestly-priced homes. There is now only a 4-month supply of houses along the Wasatch Front. That could bode well for the state-wide construction industry, but not this year.

As was addressed in the Park City Board of Realtors quarterly report, vacant lots are not being bought and sold. According to Metrostudy, the Greater Salt Lake area has a 122-month supply of vacant lots under the current pace of absorption.

All of these factors are making people pessimistic about Utah's economy.

According to a survey taken by Dan Jones & Associates for Zions Bank, executives' optimism about the financial futures of their companies declined in 2008. On a scale of 1 to 10 with 10 being very optimistic, the mean score for people interviewed in the last quarter of 2008 was only 5.86. The last survey taken in January revealed that only one in 10 executives were "very optimistic."

Jim Wood, an economist with the Bureau of Economic and Business Research at the University of Utah, wrote in a monthly report for Commerce CRG that sales dropped almost 12 percent in the fourth quarter of 2008. It also saw about a 25-percent drop in motor-vehicle, furniture, building- and garden-supply purchases.

Confirming Allen's numbers, Wood reported a 38 percent drop in new home construction at the end of 2008.

In May, Wood predicted that to get worse. He reported that Utah's foreclosure rate could match that of the nation. Even if only half the number of homes expected to foreclose this year and next actually do, it would seriously impact the home-construction industry.

Over the past 30 years, retail sales in Utah have consistently increased at a rate averaging 6 percent per year. The prediction for 2009 is a nearly 7 percent drop. A decrease of even 1 percent is extremely rare, the report said. Wood expects a modest recovery in 2010.

The snow sports industry saw this decline nationally especially in February. According to the SnowSports Industry Association, "consumers, riddled with fear over lost wealth and lost jobs, hesitated to purchase big ticket items like skis and snowboards in relatively average snow conditions."

Retailers discounting products led to an 18 percent decrease in dollars for alpine skis alone.

According to the Outdoor Industry Association, retail sales for all stores combined dropped 5 percent in March compared with March 2008.

A recently released executive summary of the Outdoor Industry Association's Outdoor Specialty Retail Survive and Thrive Assessment reported that more than 60 percent of retailers with annual revenues under \$2 million were either in danger of going out of business or are predicting significant reversals.

The Mountain Travel Research Program reported May 20 that as of April 30, reservations for the larger region for the next six months are running 26 percent behind last summer at this time.

In Park City, weekly lodging tallies compiled by the Park City Chamber/Bureau estimate the local industry to be down 20 to 30 percent from the same time last year.

Tourism in Utah was apparently down so much that the state's Office of Tourism last month tried to gloss over the actual decline for 2008 by comparing that year to 2004. Michael Sullivan, director of communication for the Governor's Office for Economic Development enthusiastically reported that 2008 was up 16 percent from 2004. The numbers for 2007 were not mentioned.

The good news is that while consumer confidence nationally is down, it is declining slowly and largely holding steady, according to The NPD Group Inc., a global market research company.

The University of Utah Career Services office reported this month that Utah employers are still hiring, especially in education, engineering and health care. The office predicts professions that support business recovery such as accounting, finance and economics will be in high demand once the economy recovers.