Zions Bank Economic Update

2024 Economic Outlook

Utah Government Finance Officers Assoc

April 8, 2024

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2023 Economic Themes

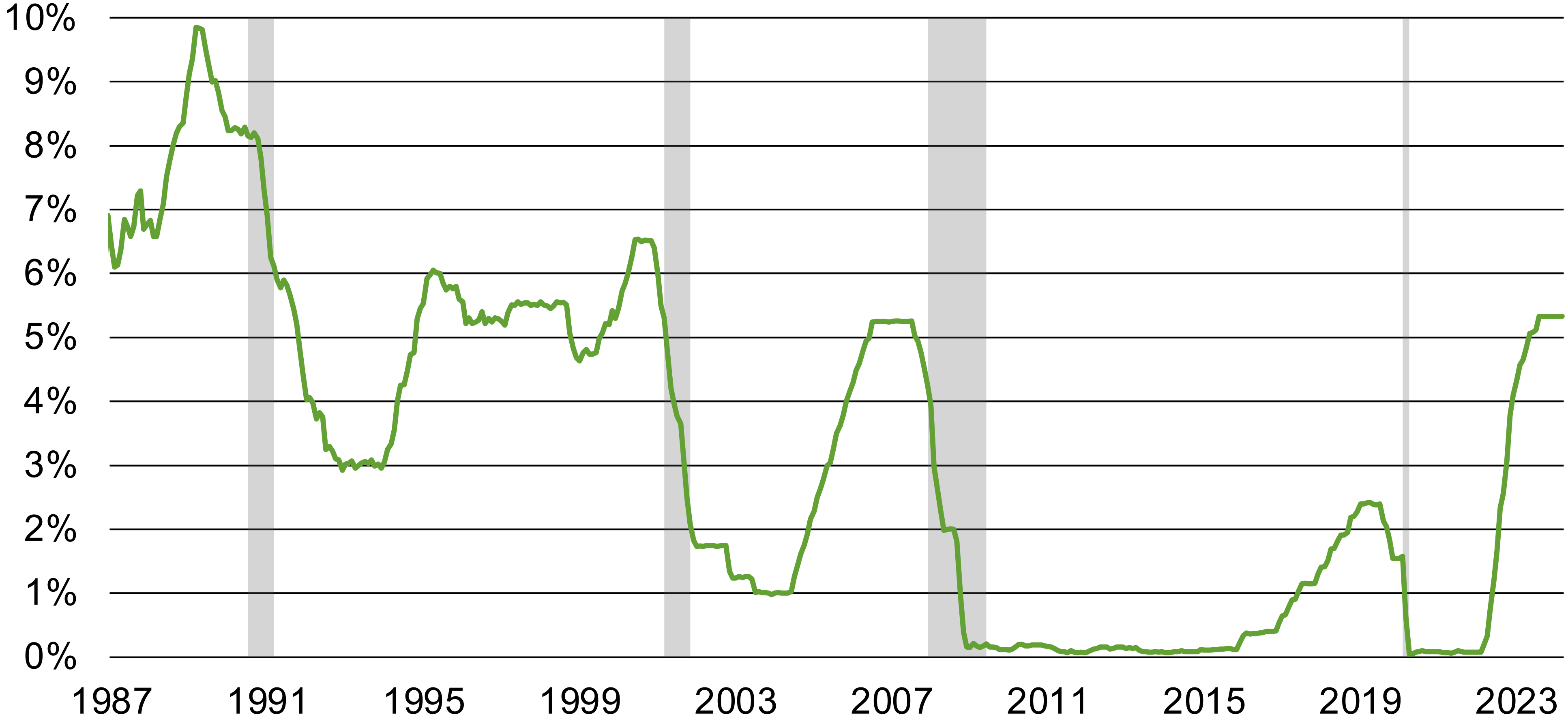
1. The Federal Reserve increased interest rates, causing tighter financial conditions

2. Inflation slowed but prices remain high

3. The labor market softened but is resilient

4. The U.S. economy avoided a recession

Fed Again Held Interest Rates in March



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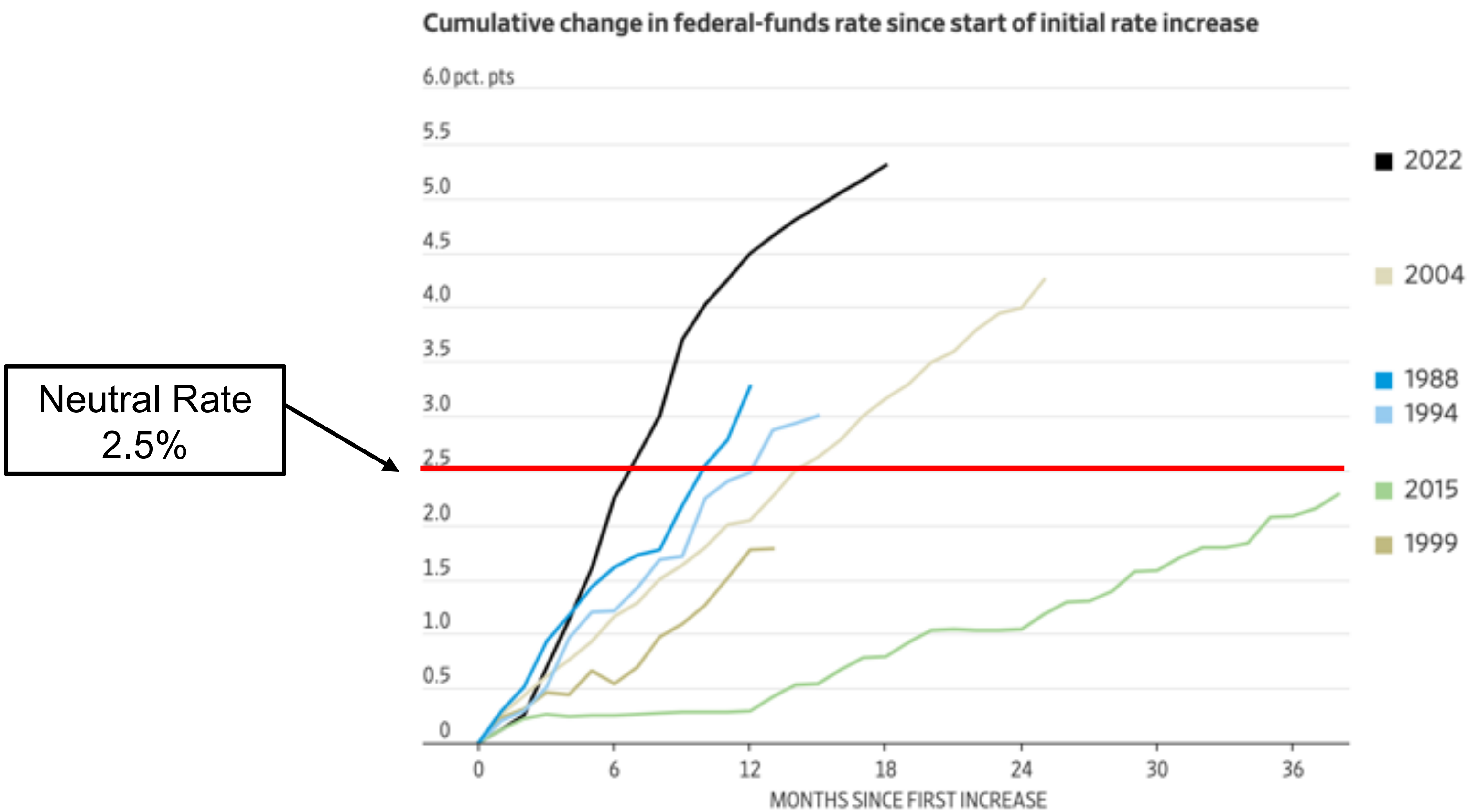
Source: Federal Reserve Board of Governors

Fed Rate Increases Most Aggressive in Decades



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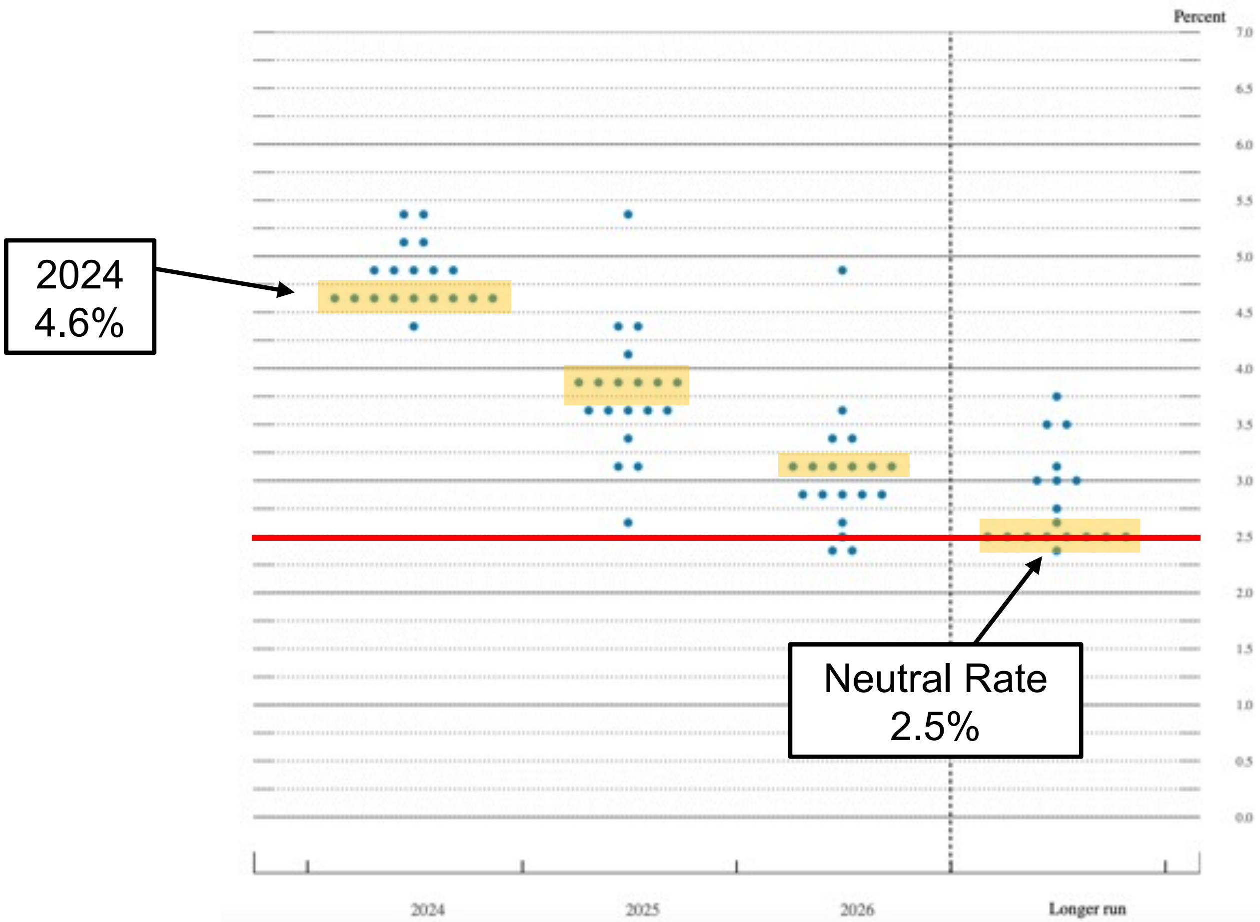
Sources: Wall Street Journal; Federal Reserve Bank

Fed Predicting Lower Interest Rates – But When?



RESTRICTIVE
–
Slow the Economy

ACCOMODATIVE
–
Grow the Economy

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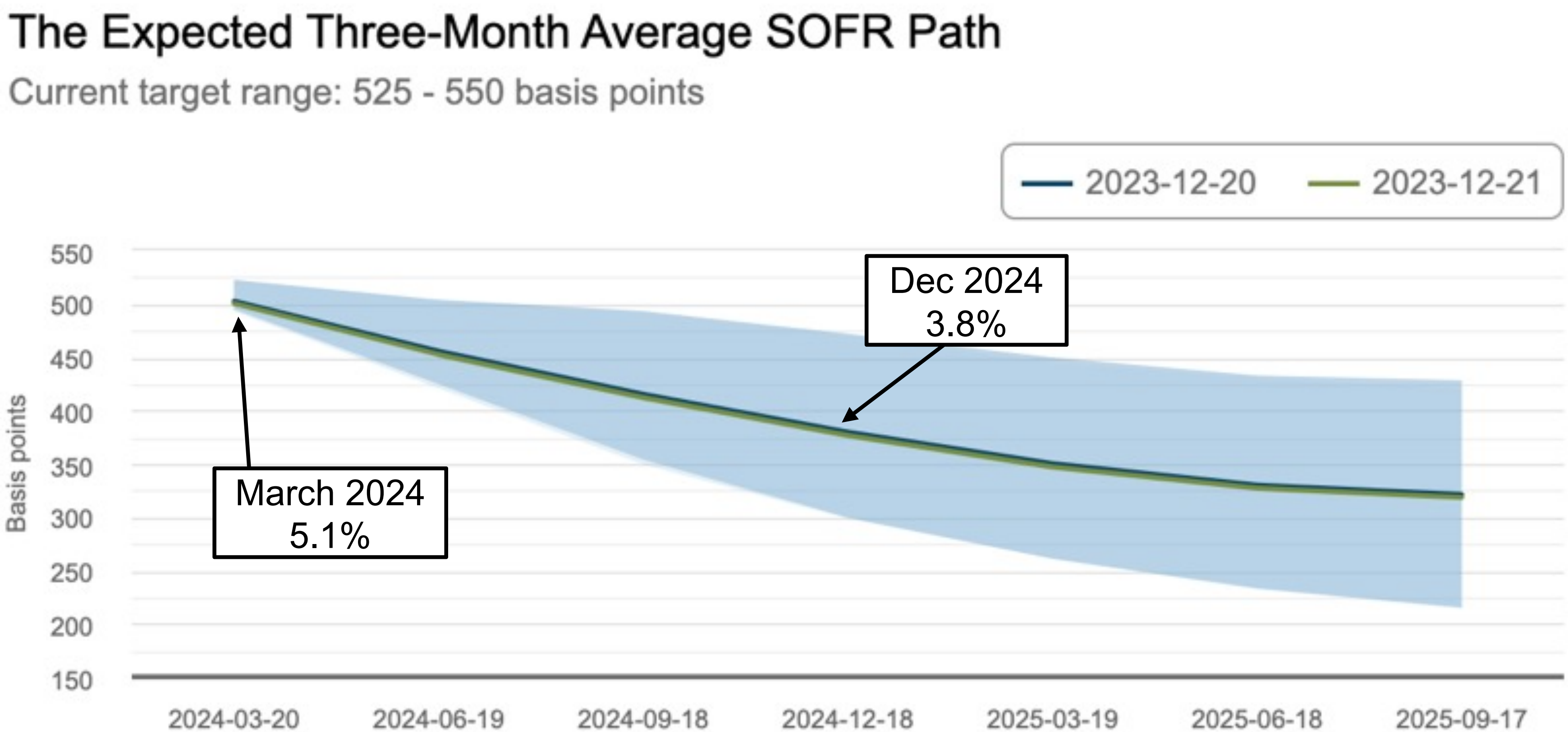
Source: Board of Governors of the Federal Reserve System

Don't Fight the Fed
In December, Markets Expected Even More Rate Cuts



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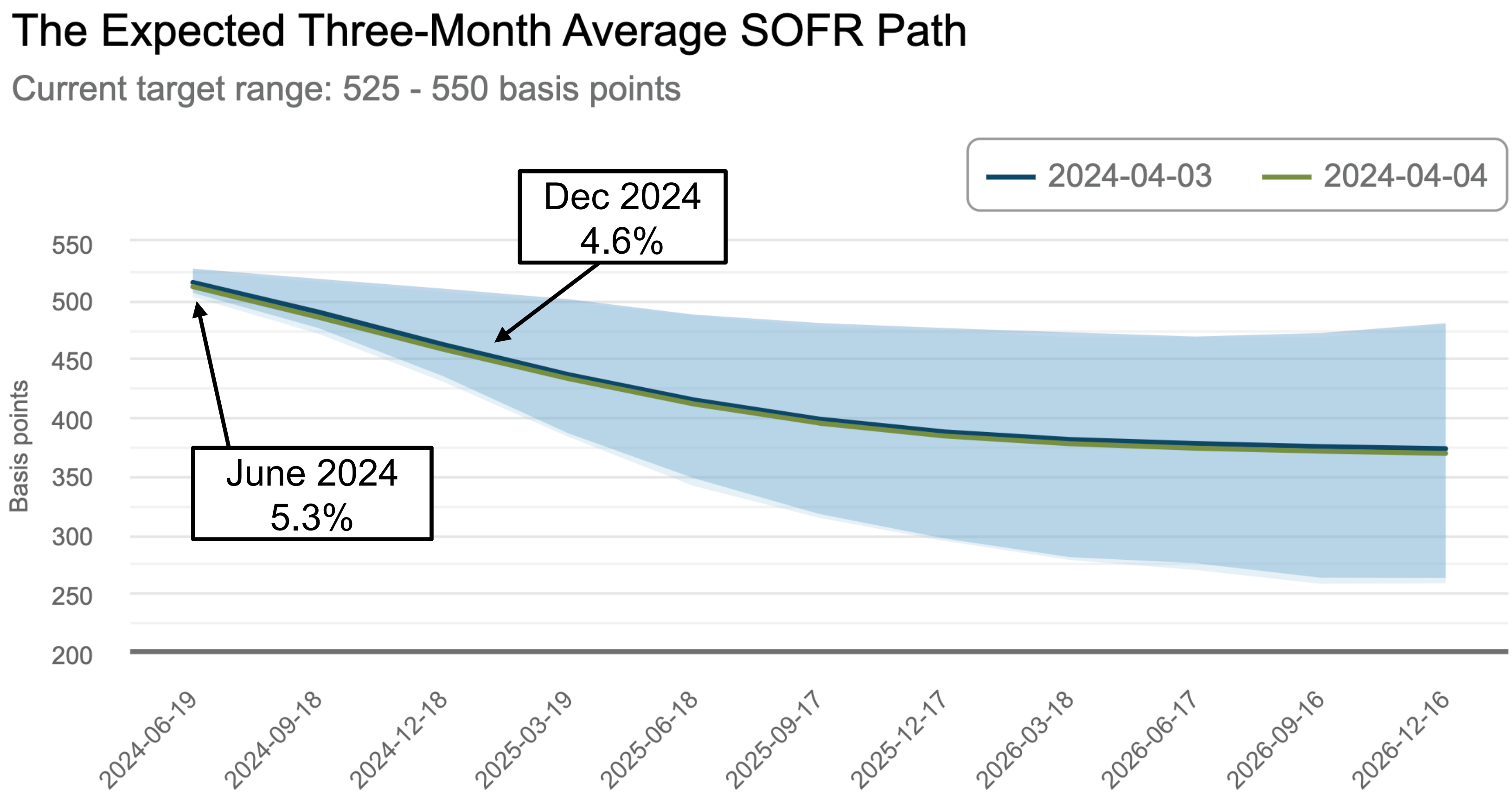
Source: Federal Reserve Bank of Atlanta

Don’t Fight the Fed
Bond Market Now Matches the Fed Forecast



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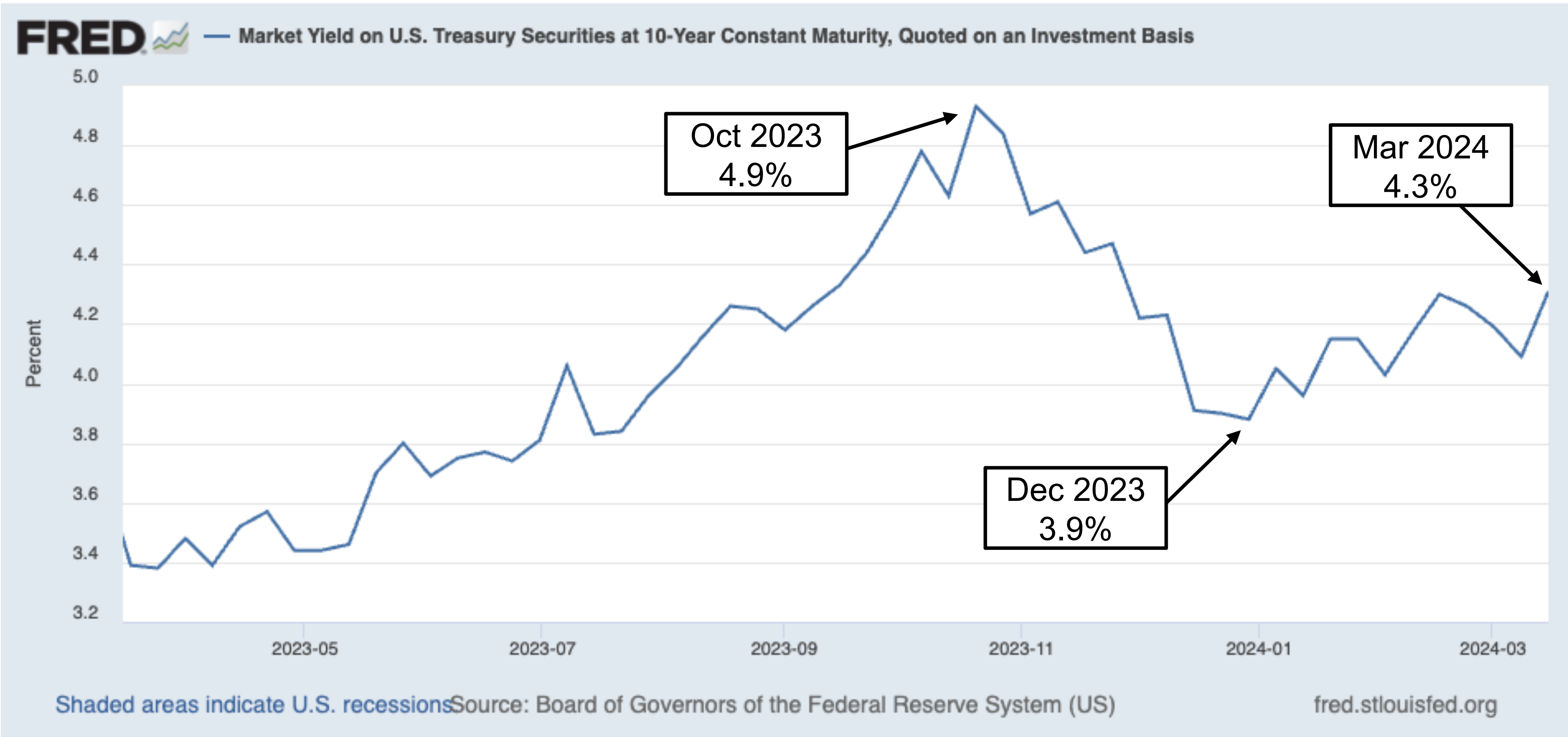
Source: Federal Reserve Bank of Atlanta

10-Year Treasury Adjusting to Fed



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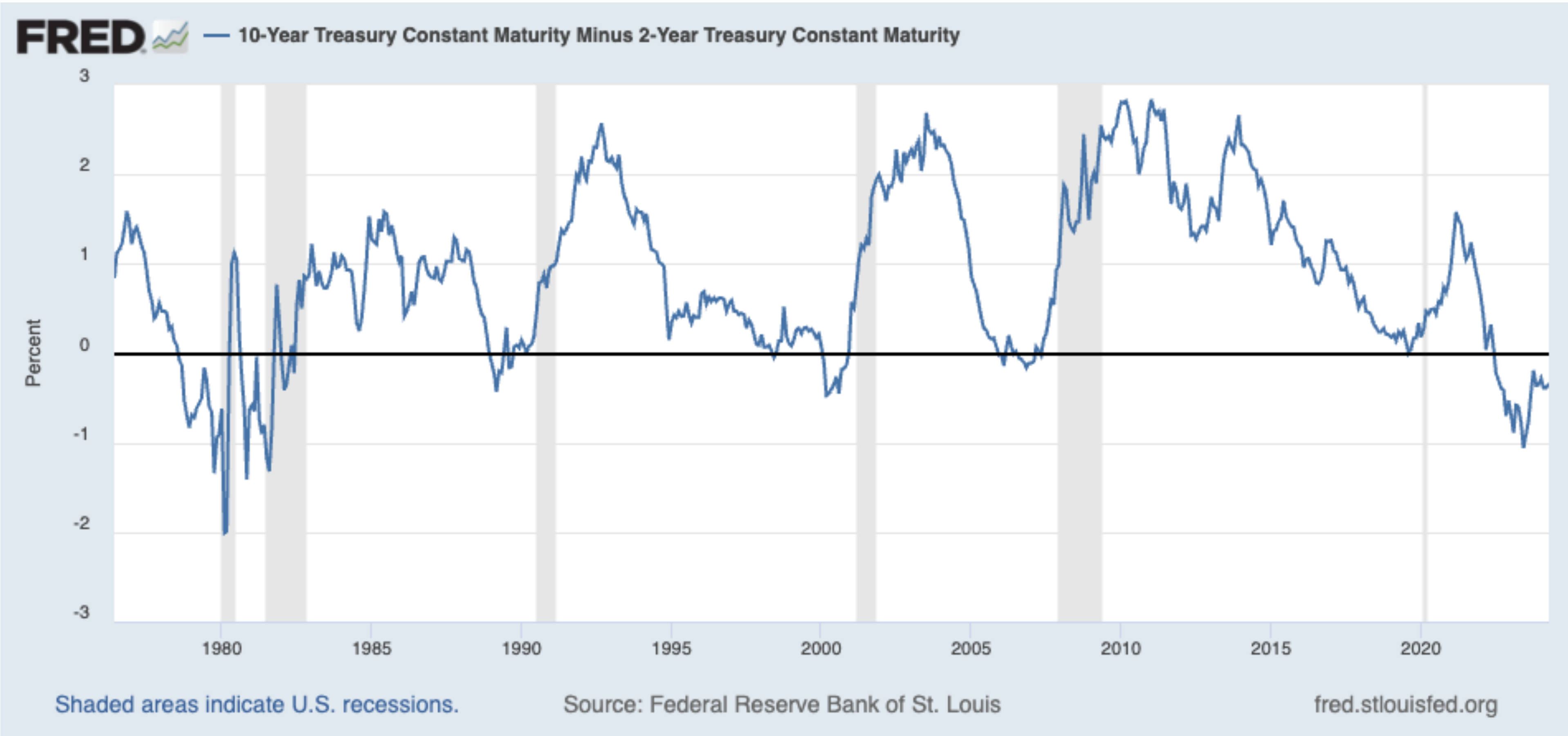
Source: Federal Reserve

Is the Yield Curve Signaling a Recession?



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Source: Federal Reserve

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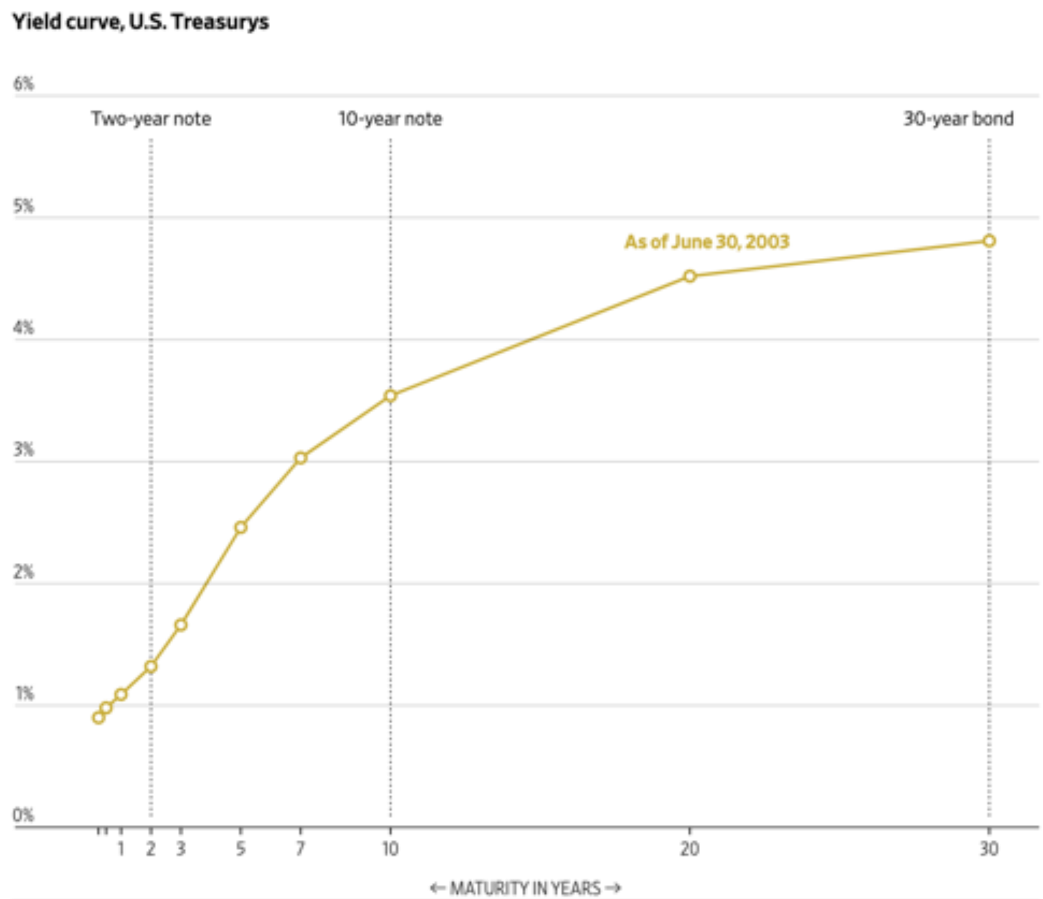

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Sources: Wall Street Journal; Federal Reserve

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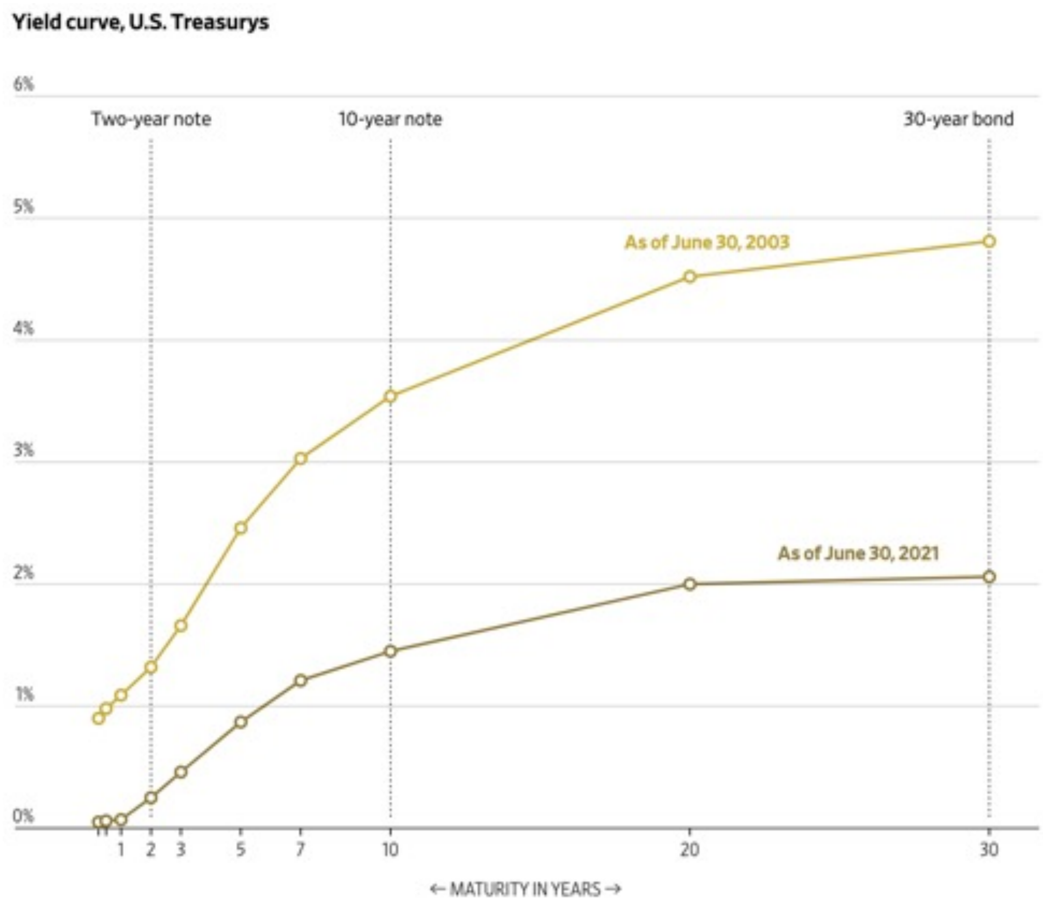

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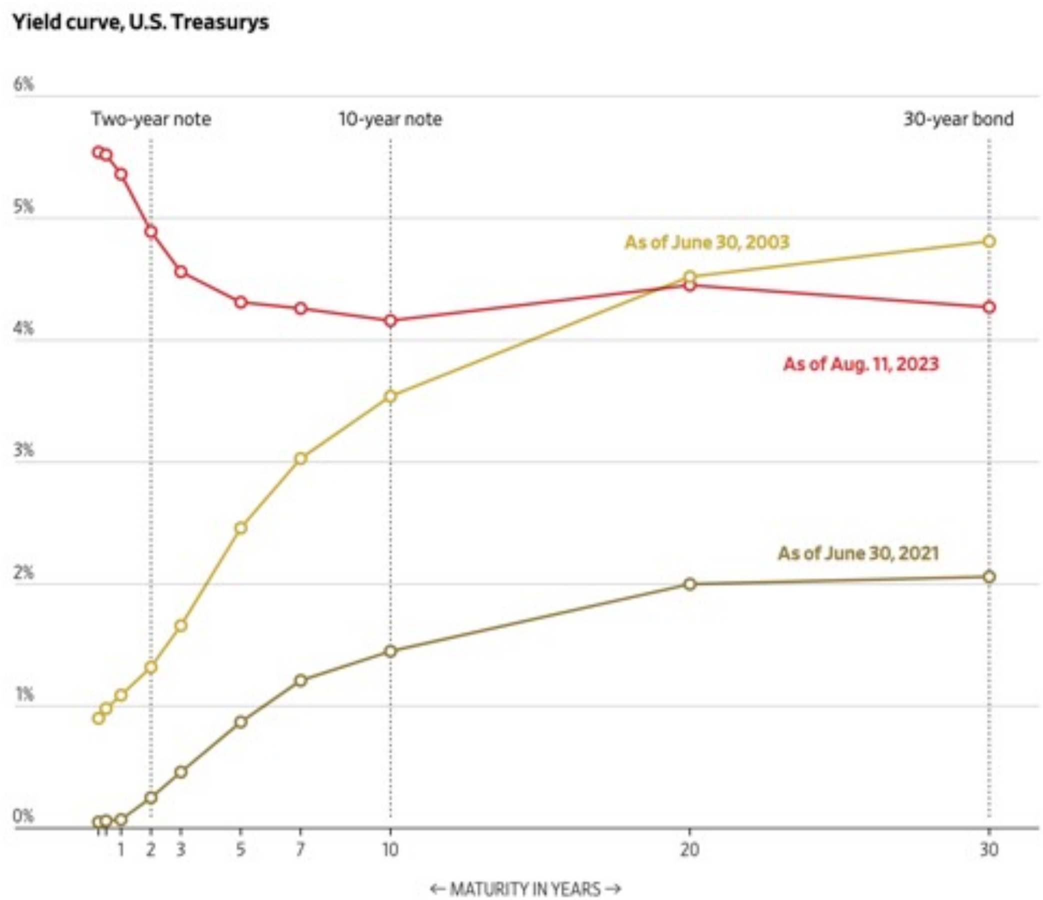
Sources: Wall Street Journal; Federal Reserve

Is the Yield Curve Signaling a Recession?



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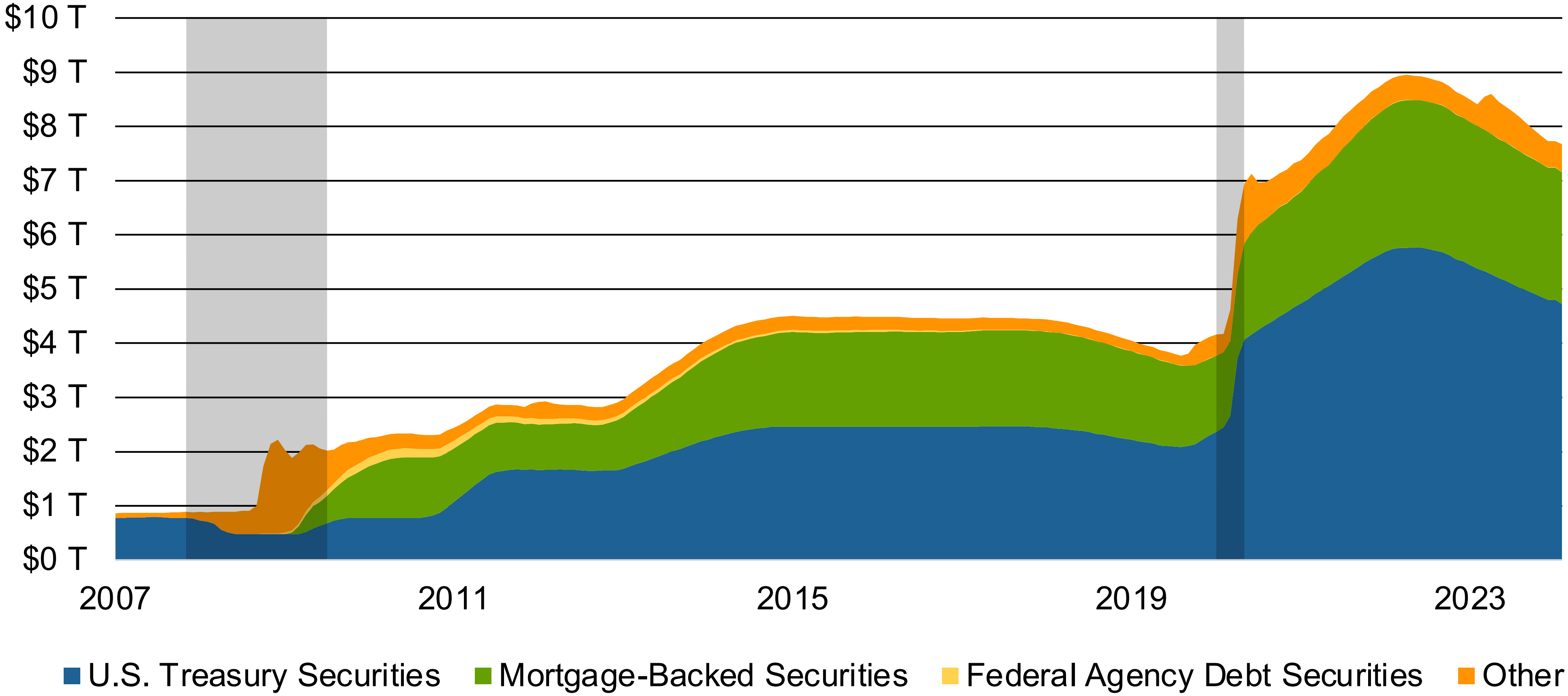
Sources: Wall Street Journal; Federal Reserve

Fed Shrinking Its Balance Sheet



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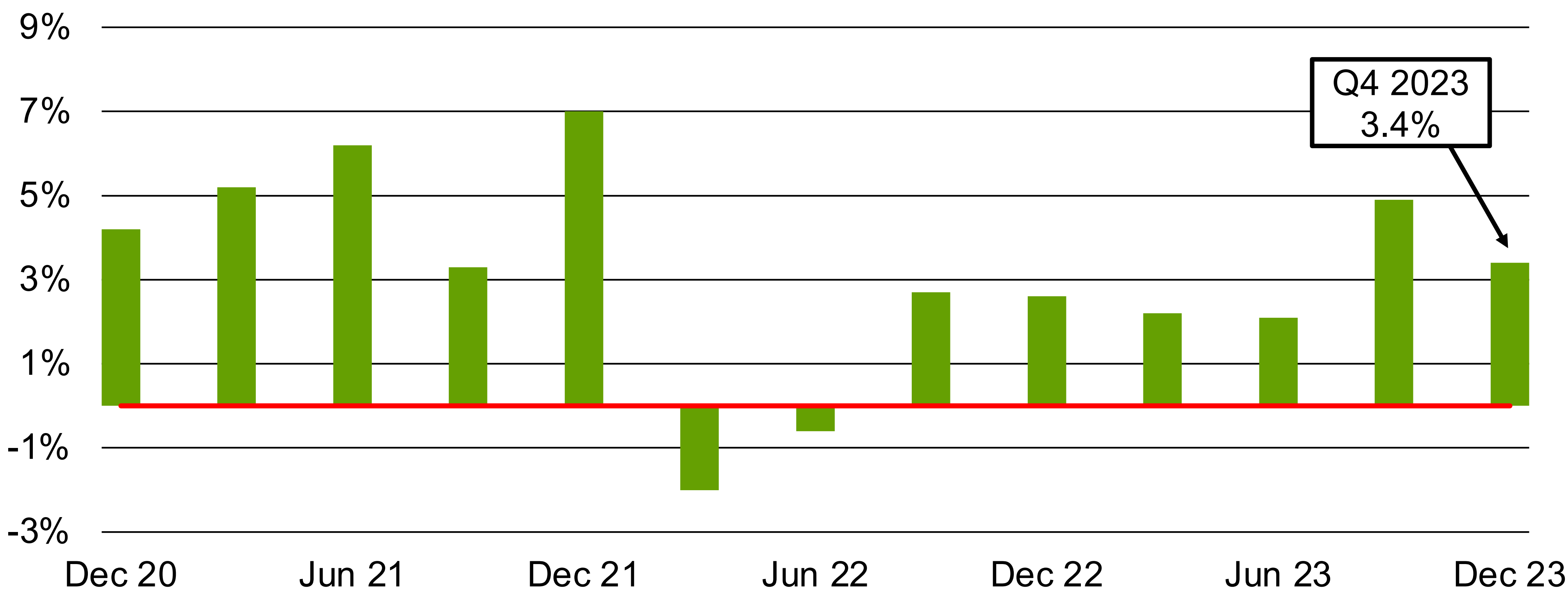
Source: Federal Reserve Bank

GDP Slowed in the Fourth Quarter



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Source: U.S. Bureau of Economic Analysis

March Employment Indicators

Indicator	Previous Month	Prior Revised	Consensus	Actual
Total Nonfarm Jobs	275,000	270,000	200,000	303,000
Unemployment Rate	3.9%	-	3.9%	3.8%
Labor Force Participation	62.5%	-	62.5%	62.7%
Average Hourly Earnings (M/M)	0.1%	0.2%	0.3%	0.3%
Average Hourly Earnings (Y/Y)	4.3%		4.1%	4.1%

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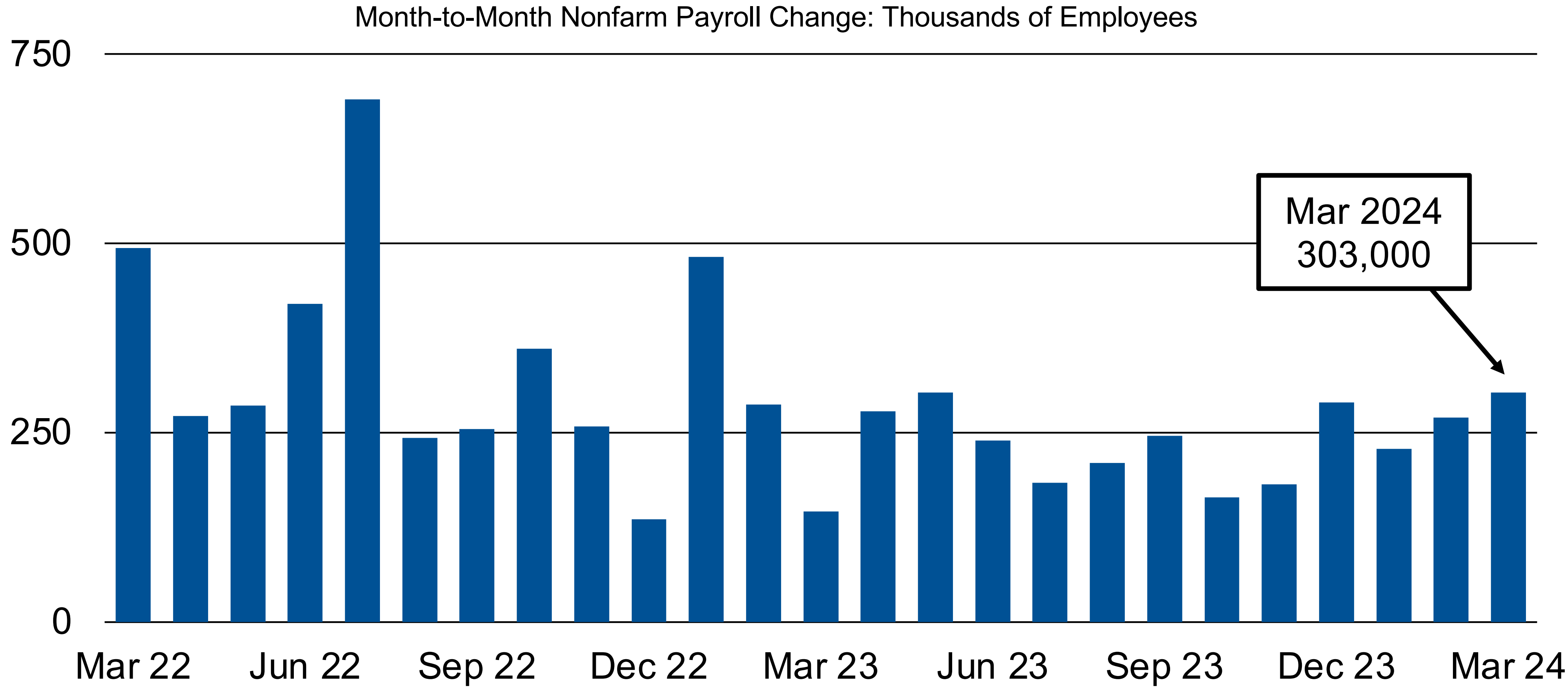
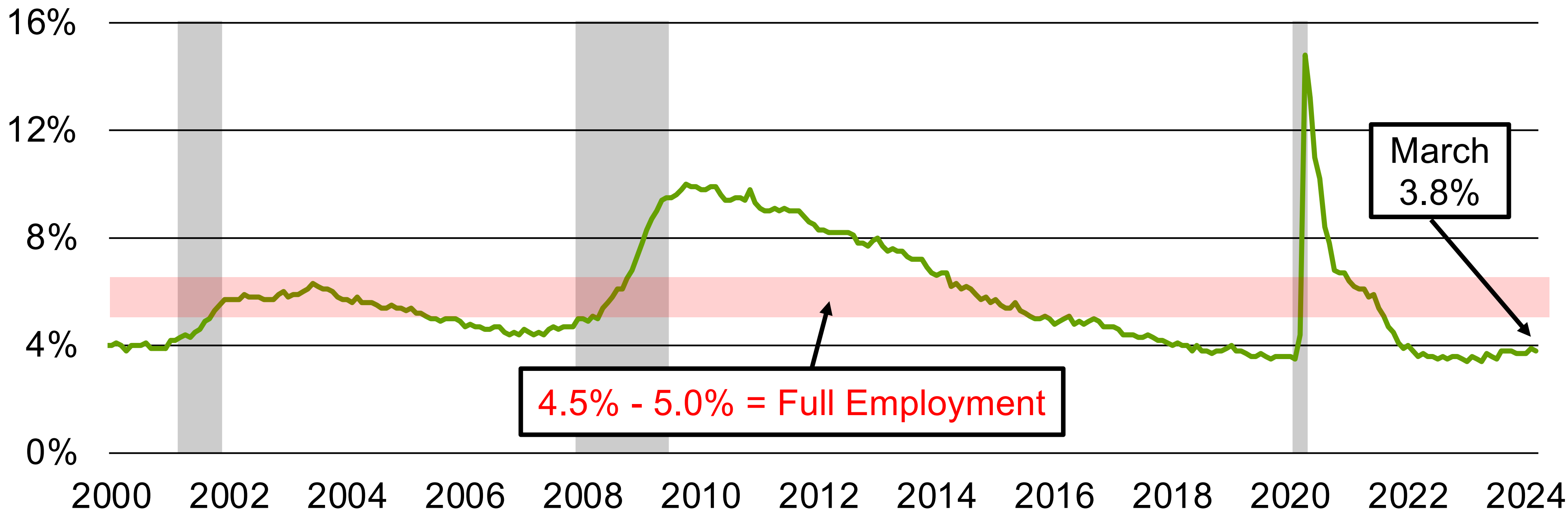
Source: U.S. Bureau of Labor Statistics

U.S. Job Growth Surprised Again in March



Source: U.S. Bureau of Labor Statistics

Unemployment Dropped in March



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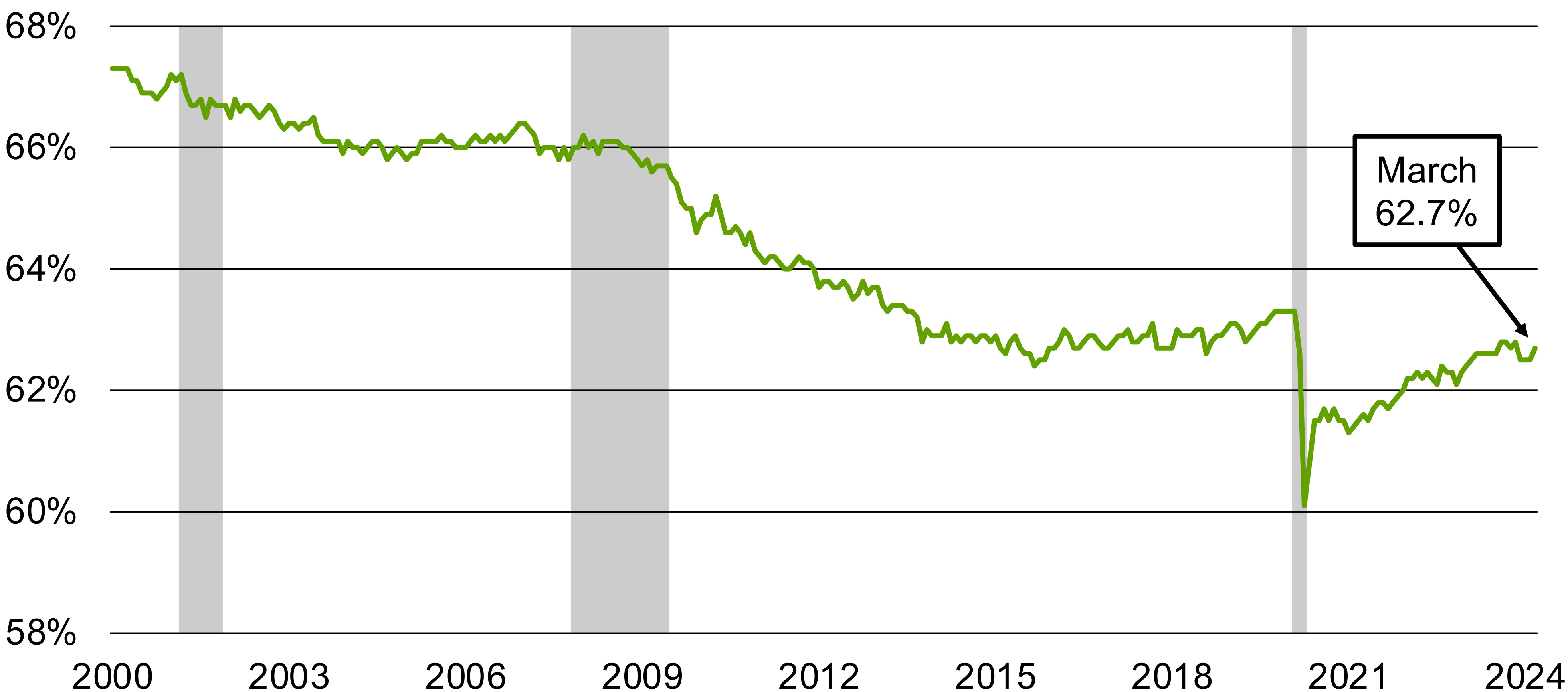
Source: U.S. Bureau of Labor Statistics

Labor Force Participation Increased in March



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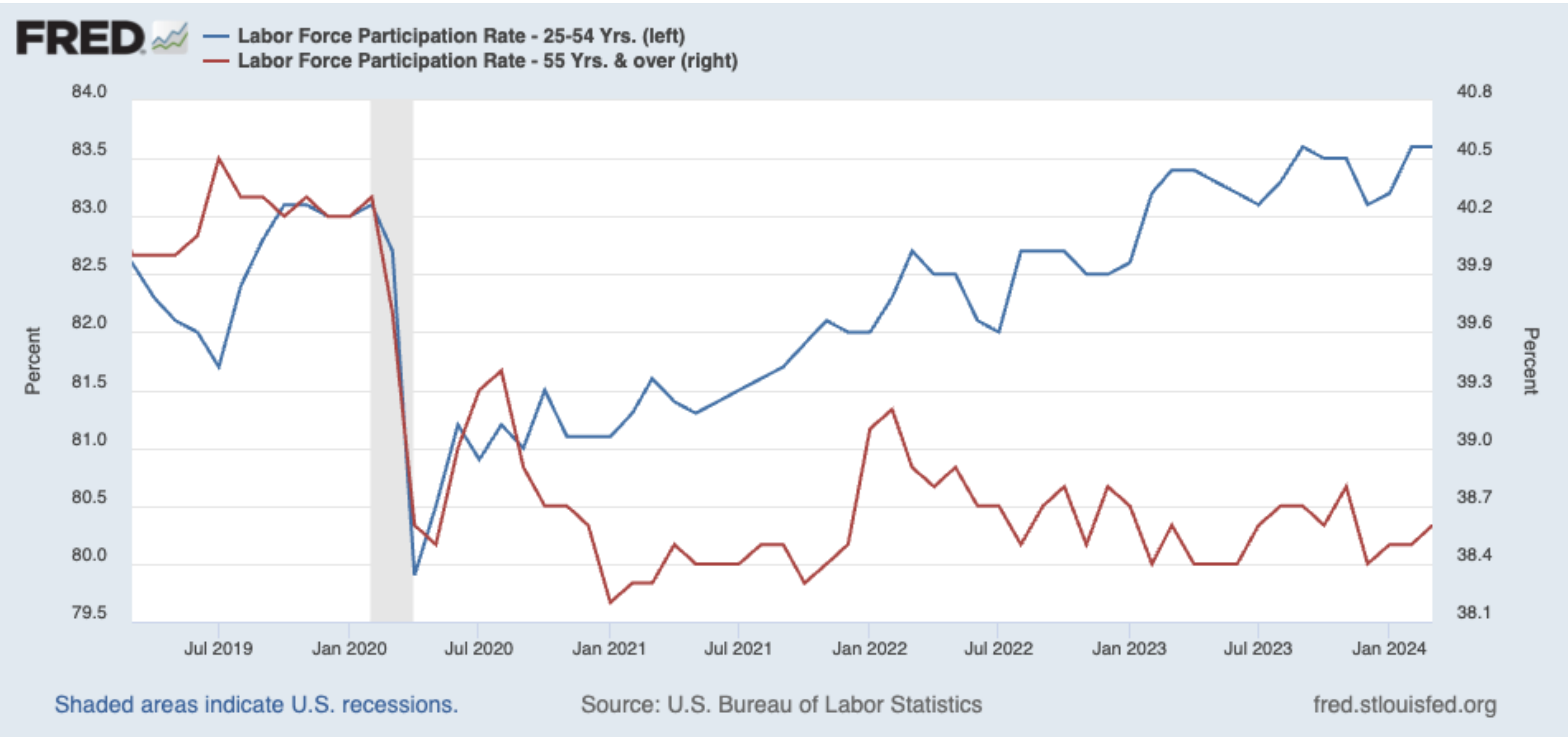
Source: U.S. Bureau of Labor Statistics

Older Workers Still on the Sidelines



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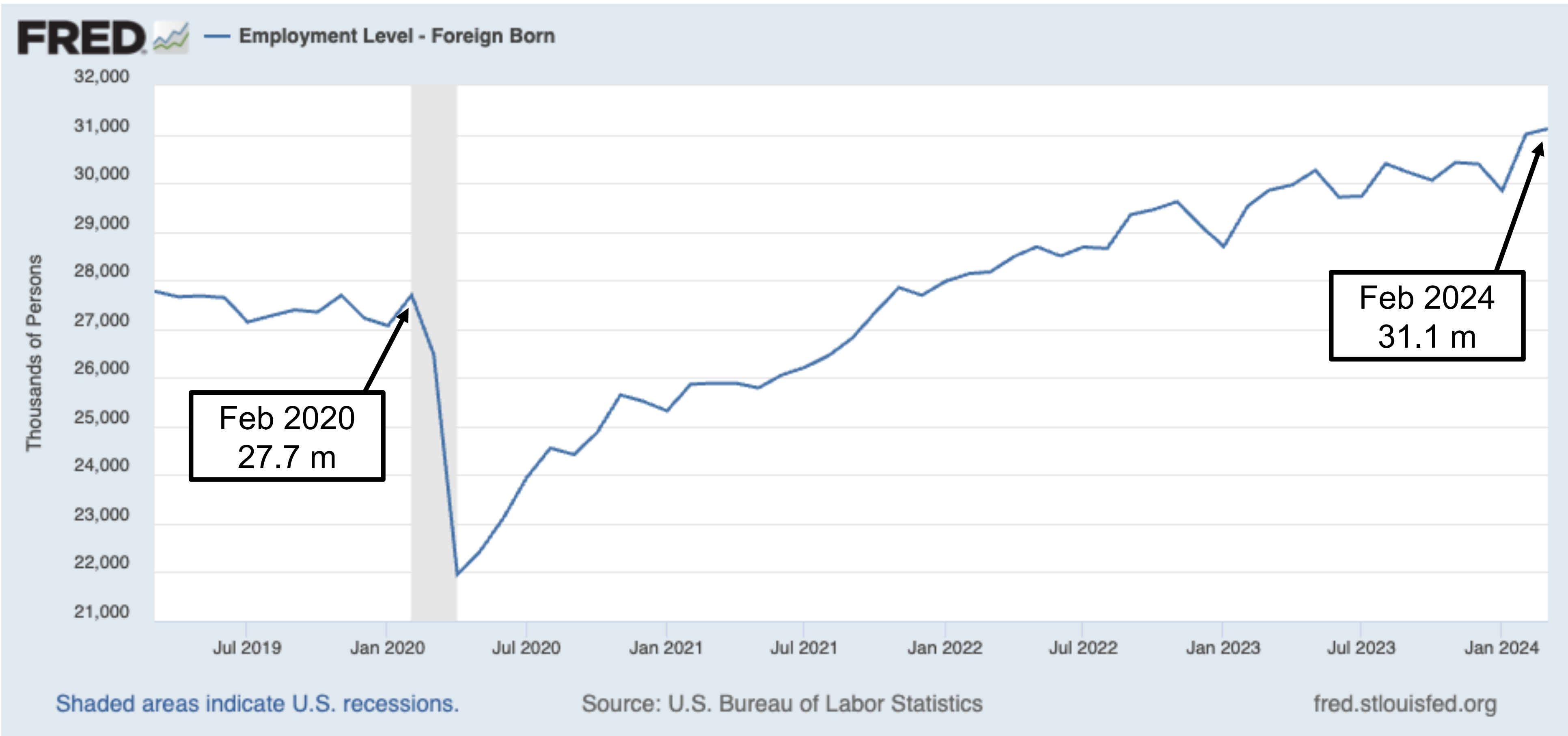
Source: FRED

Foreign Born Employment Increasing



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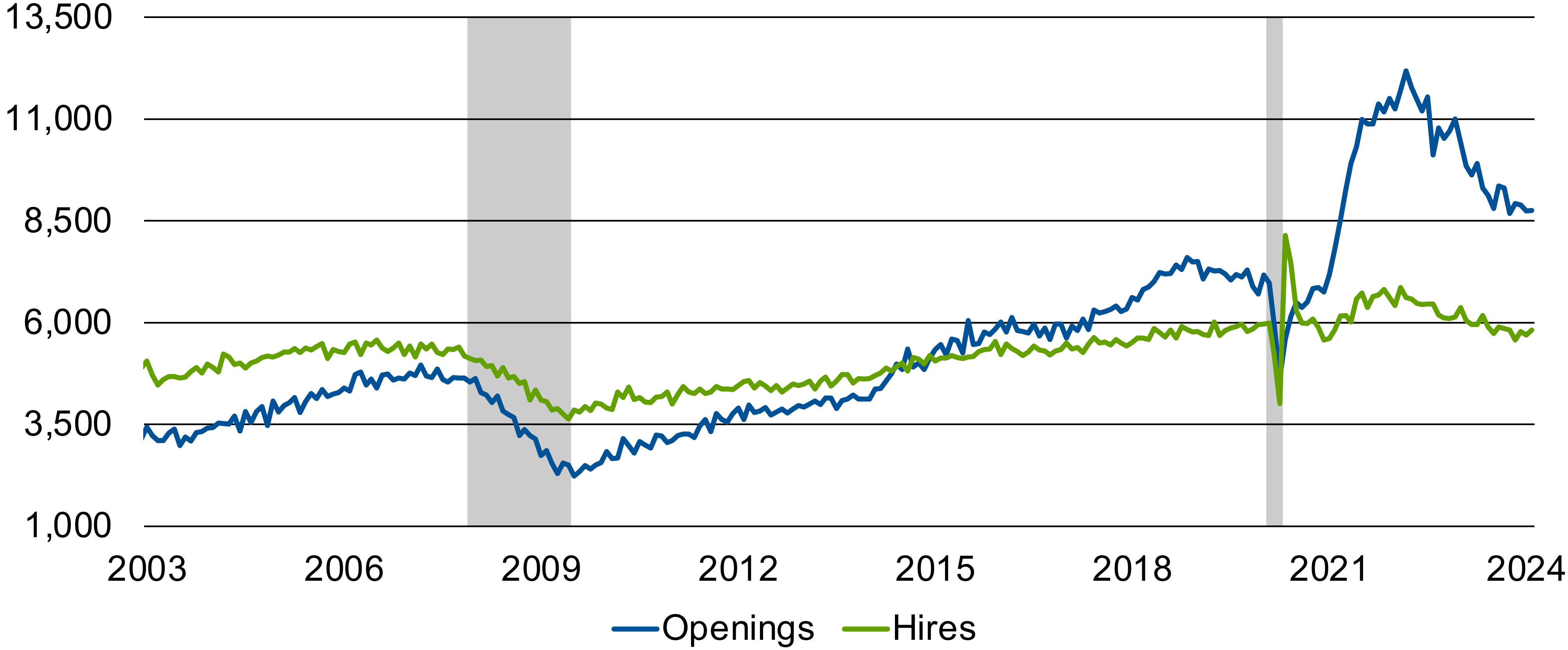
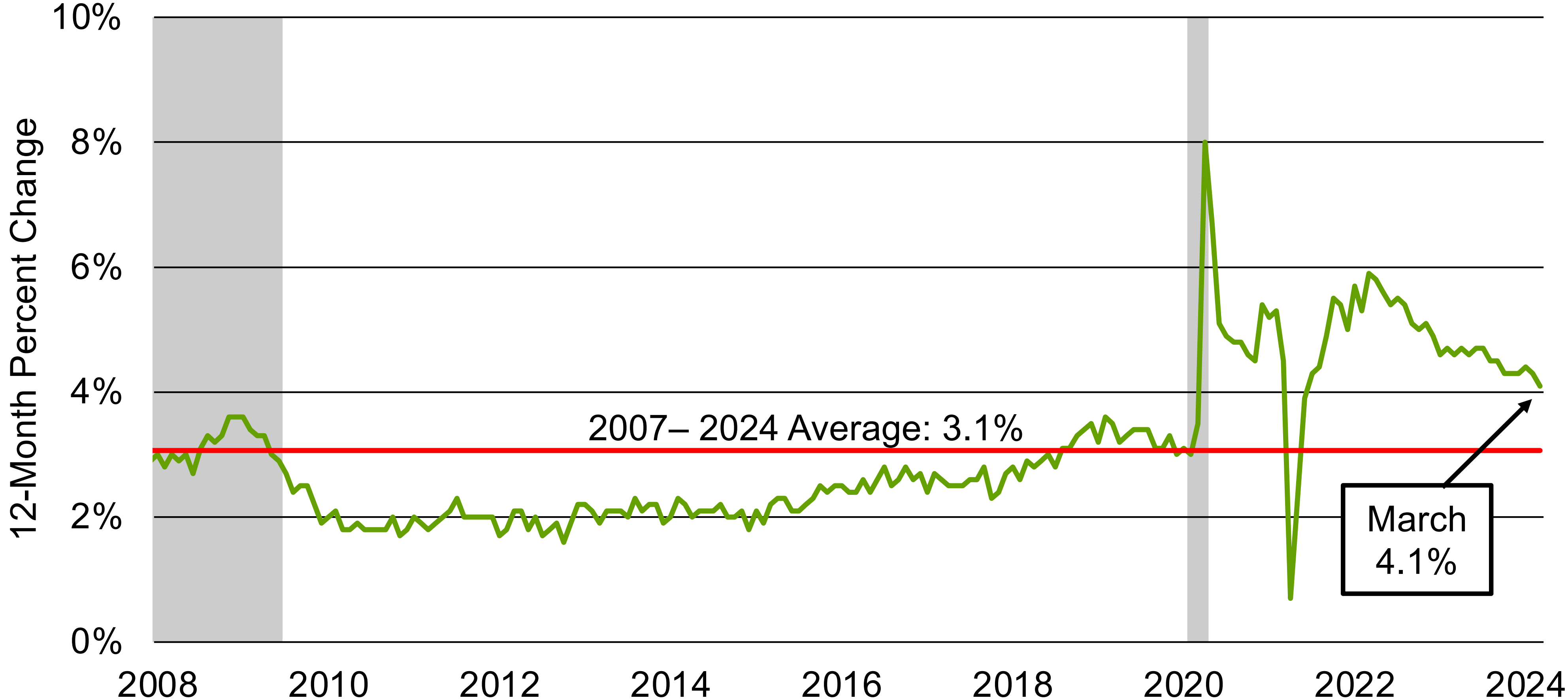
Source: FRED

Job Openings Outnumber Hires by 2.9 Million



Source: U.S. Bureau of Labor Statistics
Seasonally Adjusted

Wage Growth Trending Down – But Still Above Average



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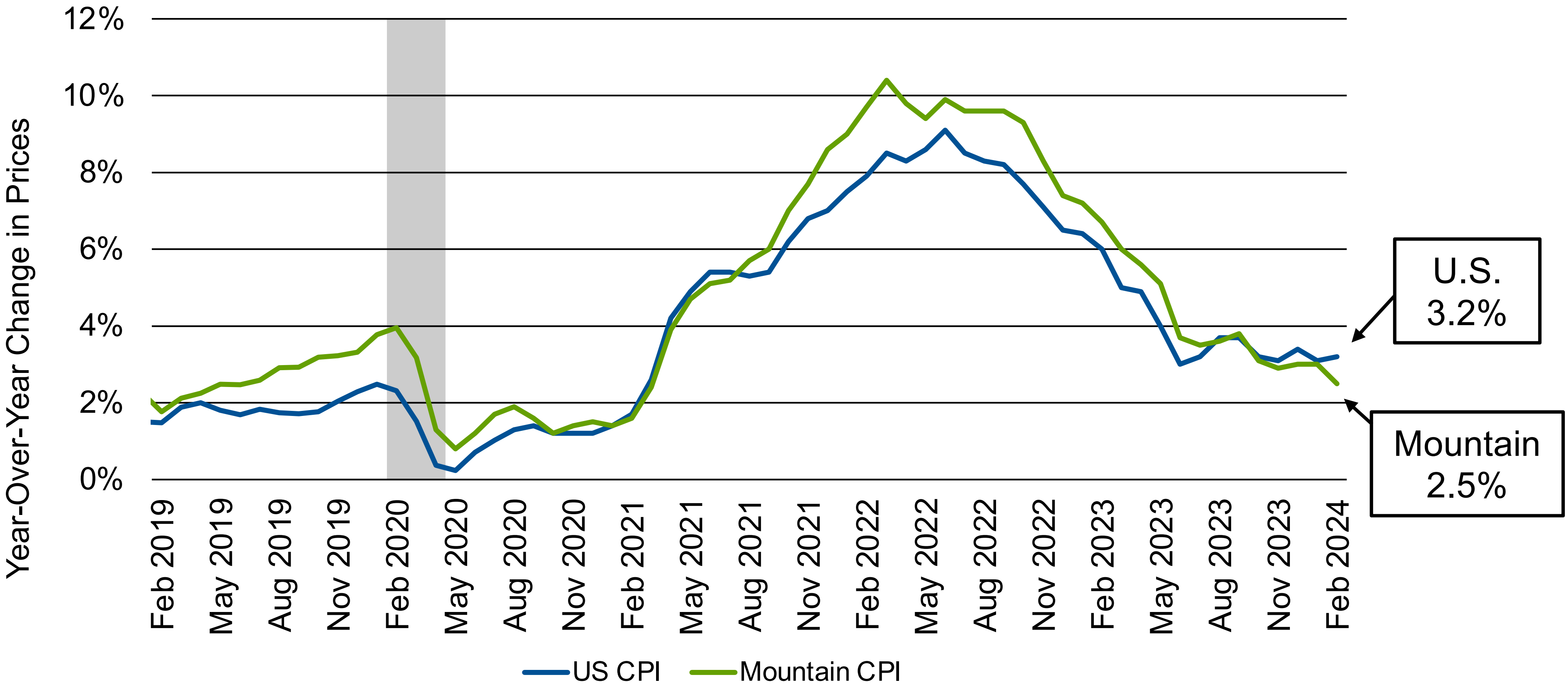
Source: U.S. Bureau of Labor Statistics

Inflation Getting "Sticky"



Source: U.S. Bureau of Labor Statistics
Note: Mountain states include AZ, CO, ID, MT, NV, NM, UT, WY

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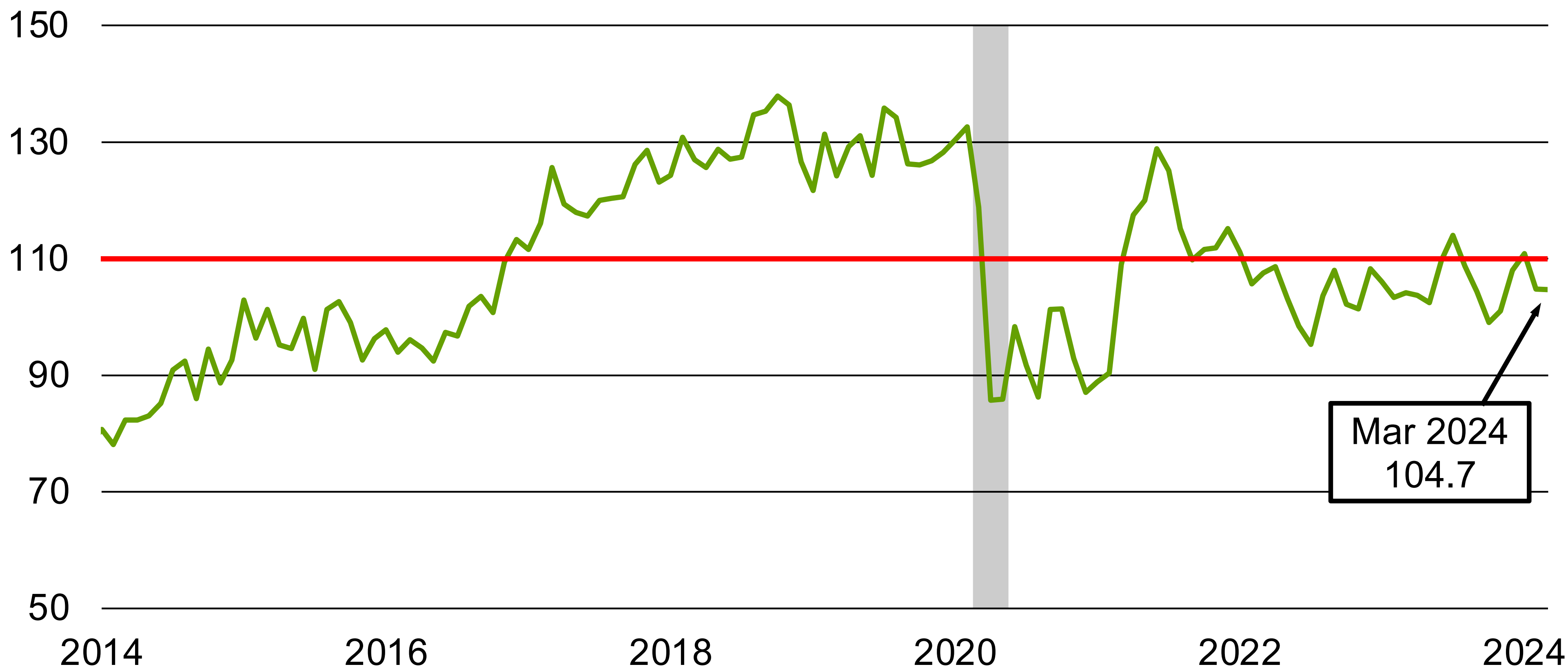
Consumer Confidence Trend Still Low



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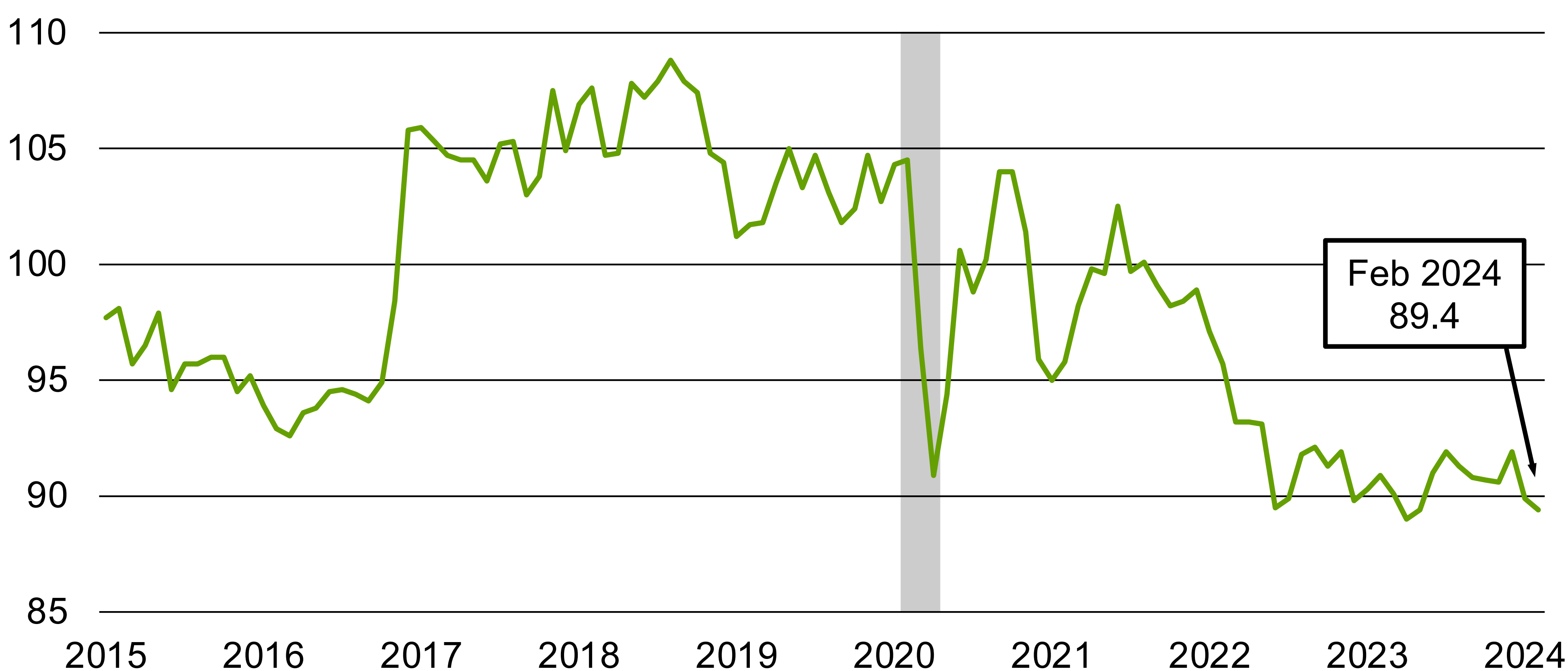
Source: The Conference Board

Small Businesses Nervous



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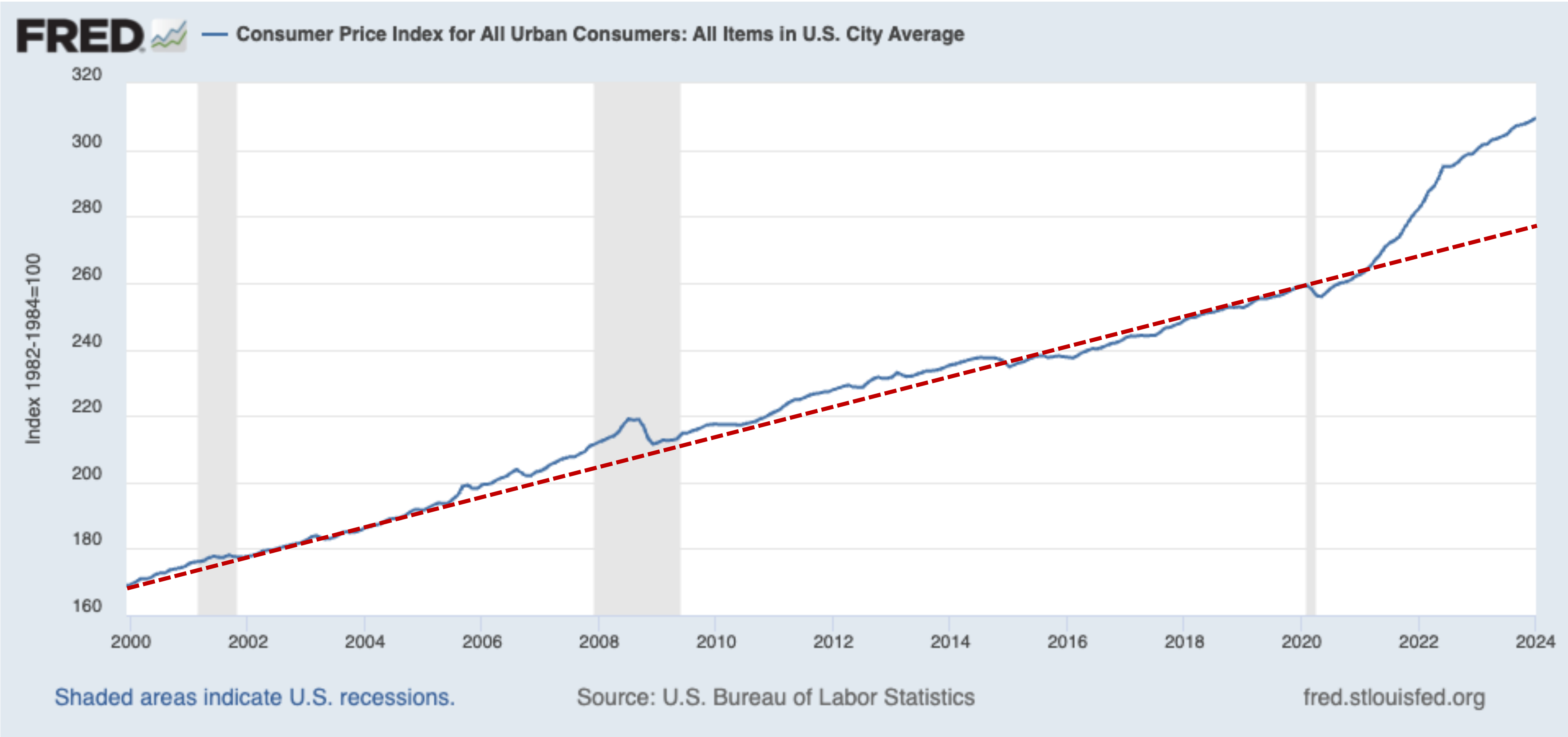
Source: National Federation of Independent Business

Total Impact of CPI Price Change



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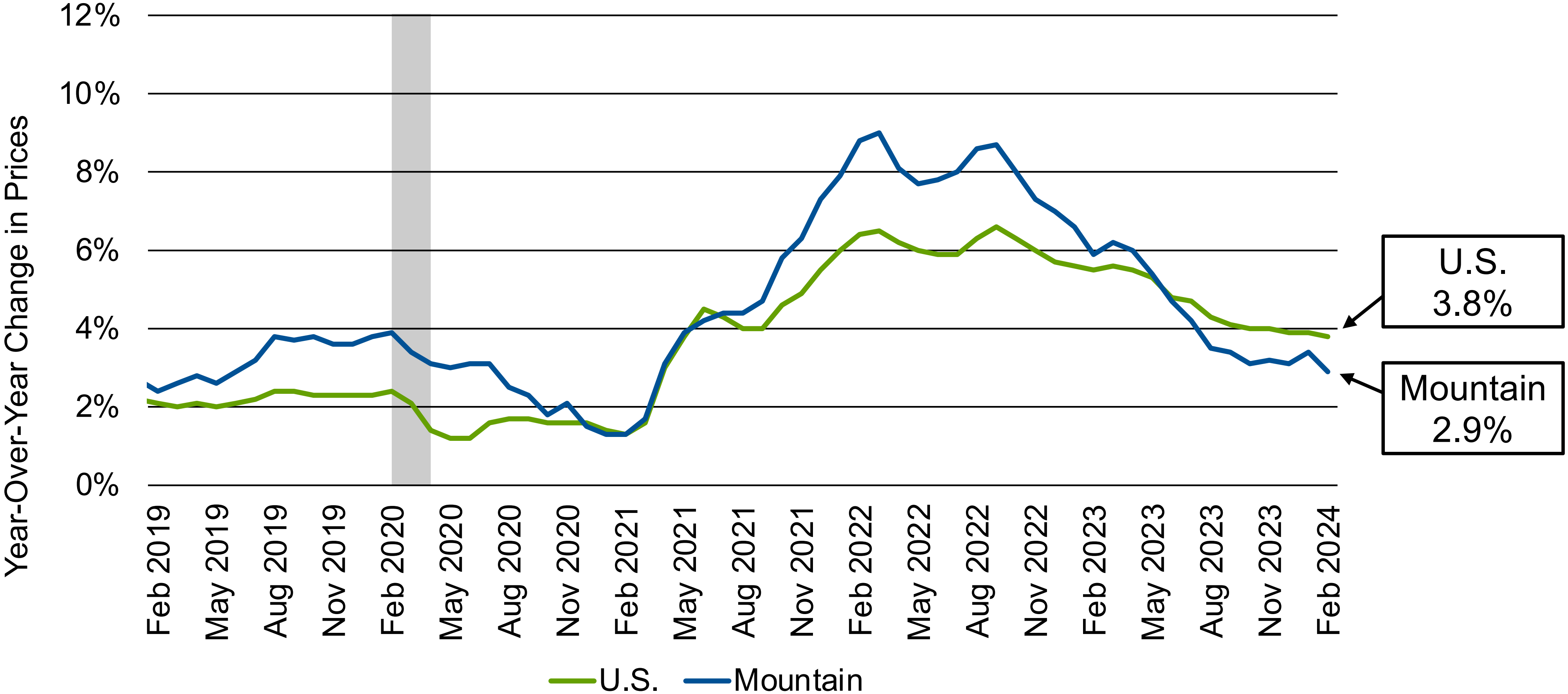
Source: FRED

All Items Less Food and Energy (Core Inflation)



Source: U.S. Bureau of Labor Statistics

Note: Mountain states include AZ, CO, ID, MT, NV, NM, UT, WY

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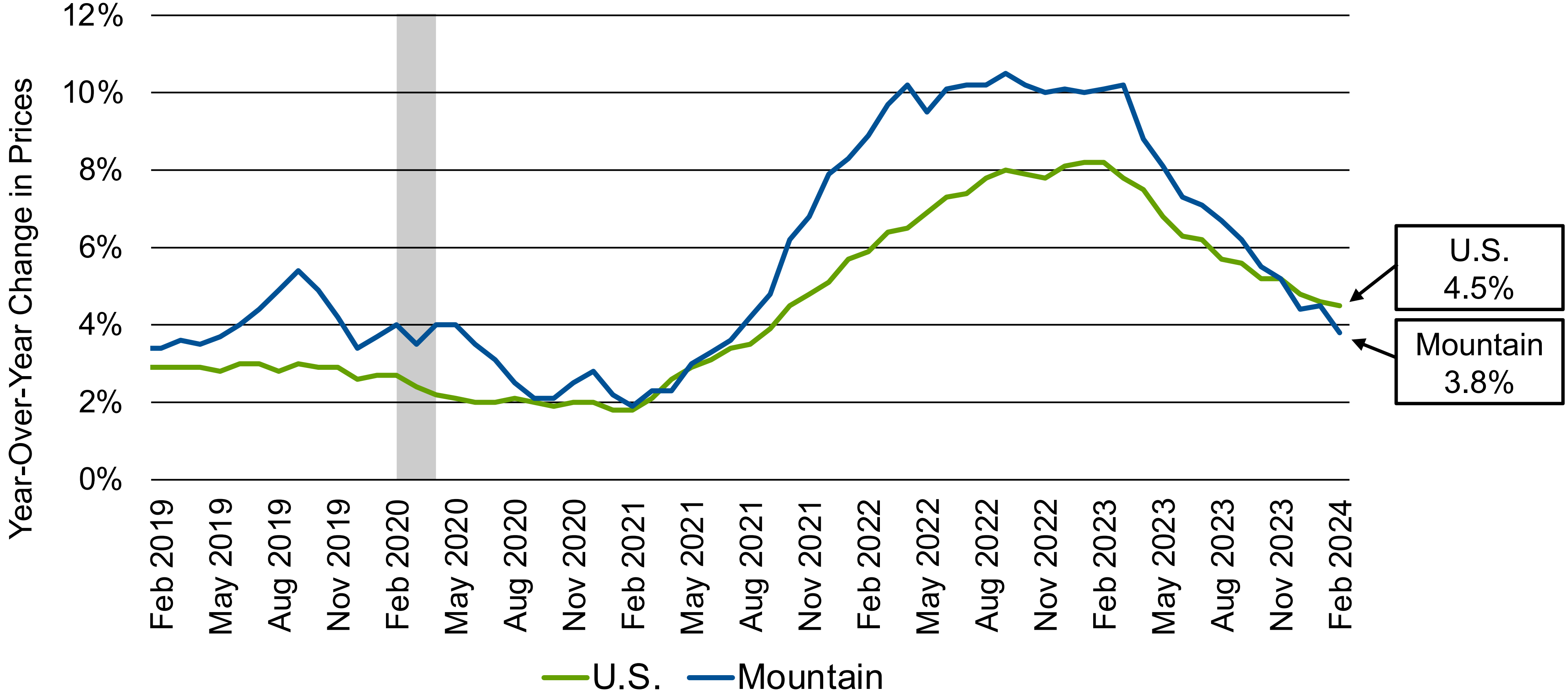
Housing Inflation Too High



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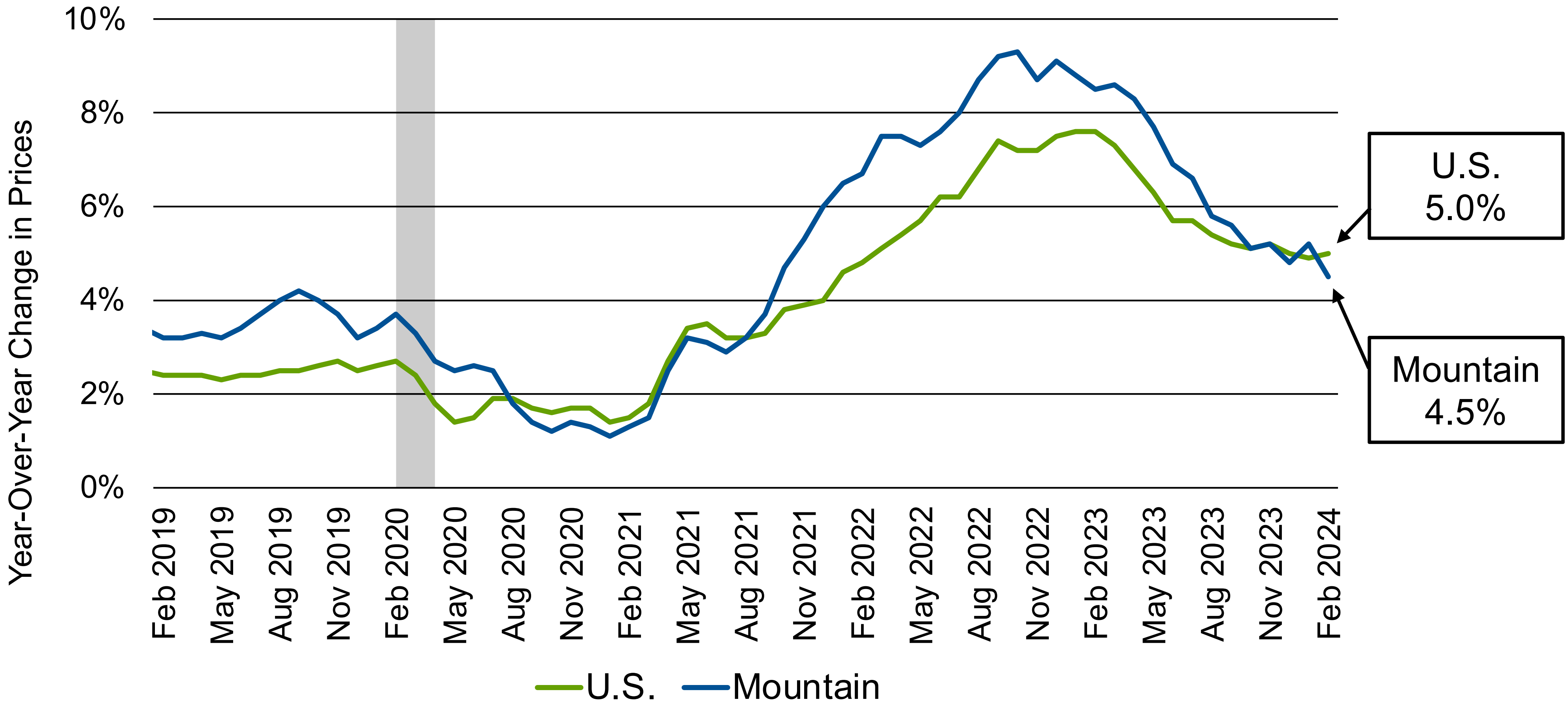
Source: U.S. Bureau of Labor Statistics
Note: Mountain states include AZ, CO, ID, MT, NV, NM, UT, WY

Services Price Inflation Mixed



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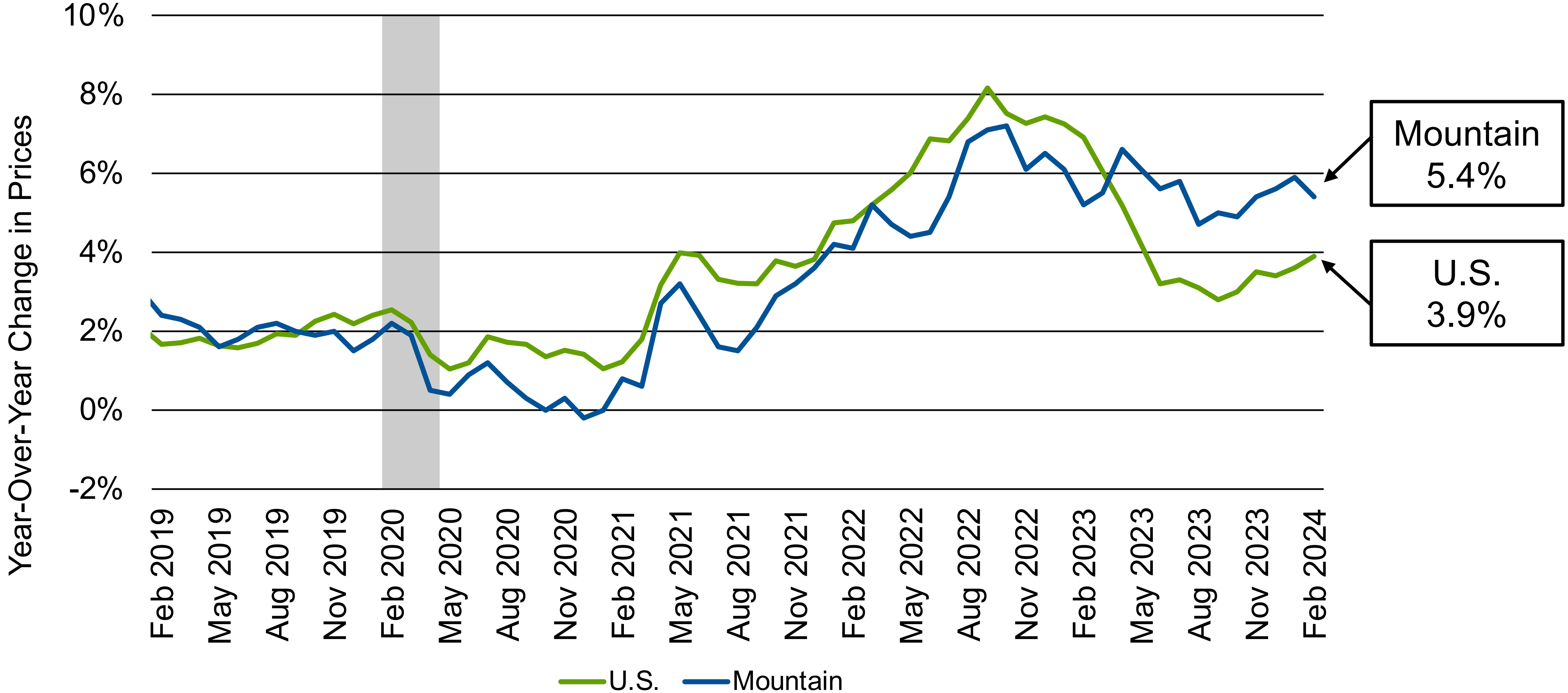
Source: U.S. Bureau of Labor Statistics

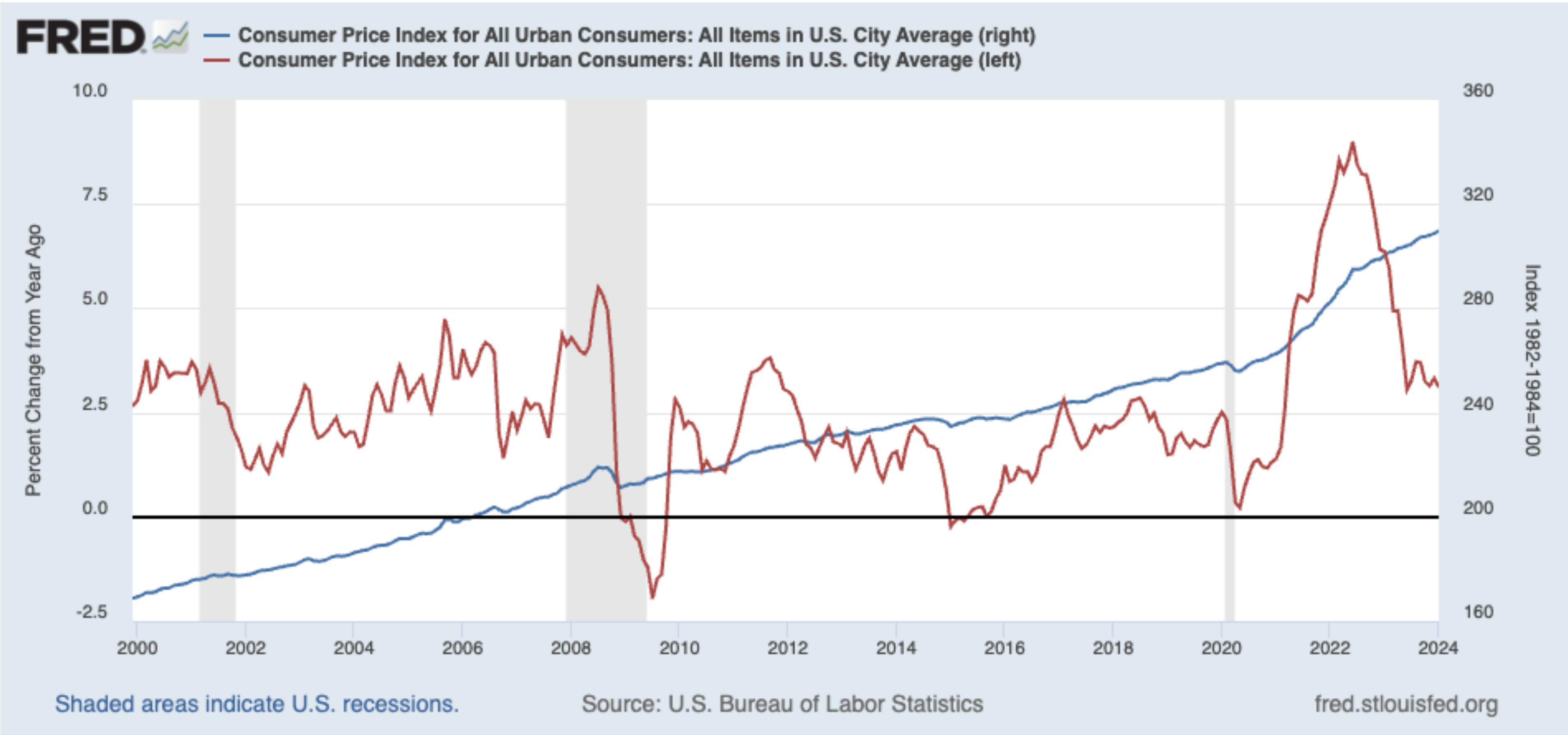
Note: Mountain states include AZ, CO, ID, MT, NV, NM, UT, WY

“Supercore” Inflation Mixed



Source: U.S. Bureau of Labor Statistics
Note: Mountain states include AZ, CO, ID, MT, NV, NM, UT, WY

CPI Inflation: 2000-2024



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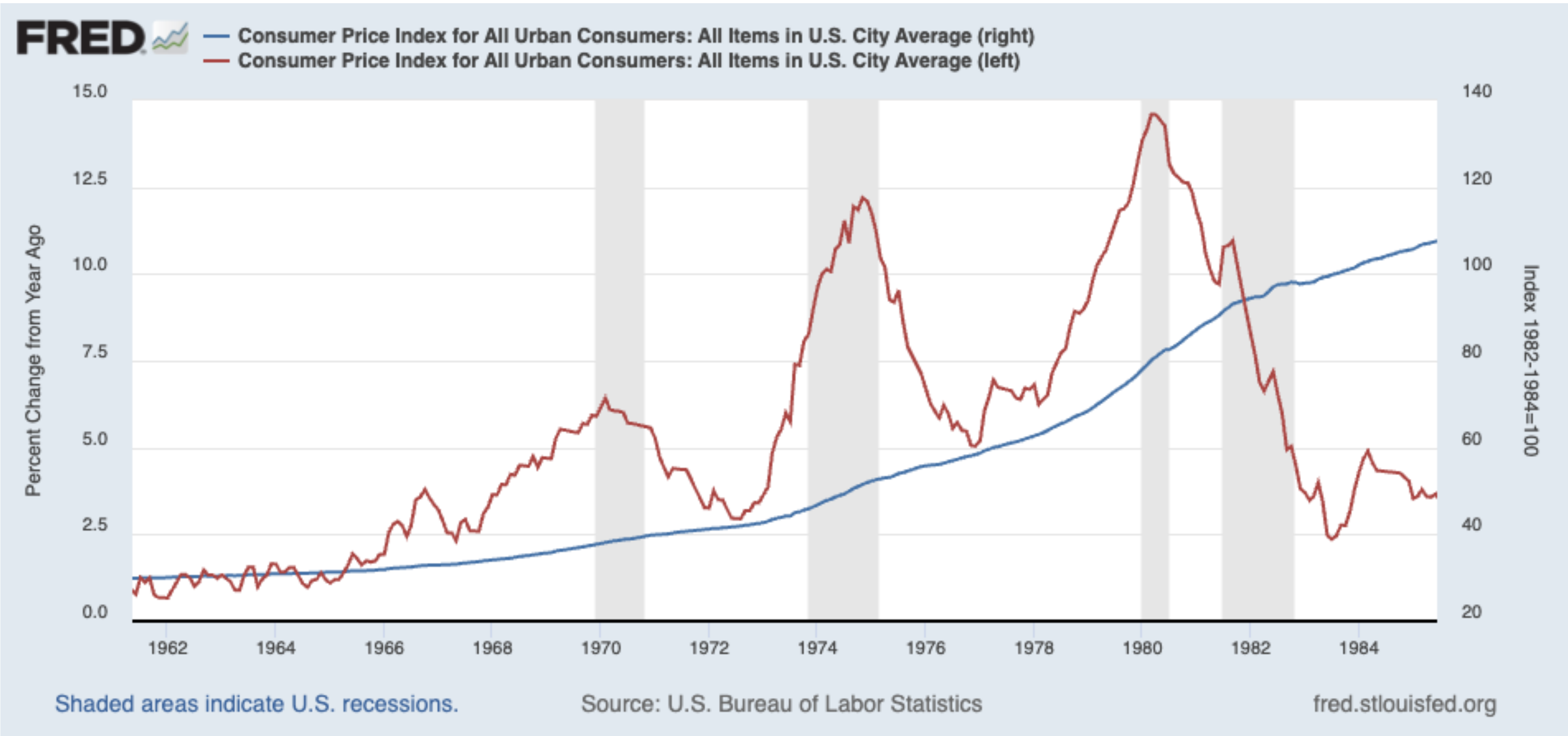
Source: FRED

CPI Inflation: 1960-1985



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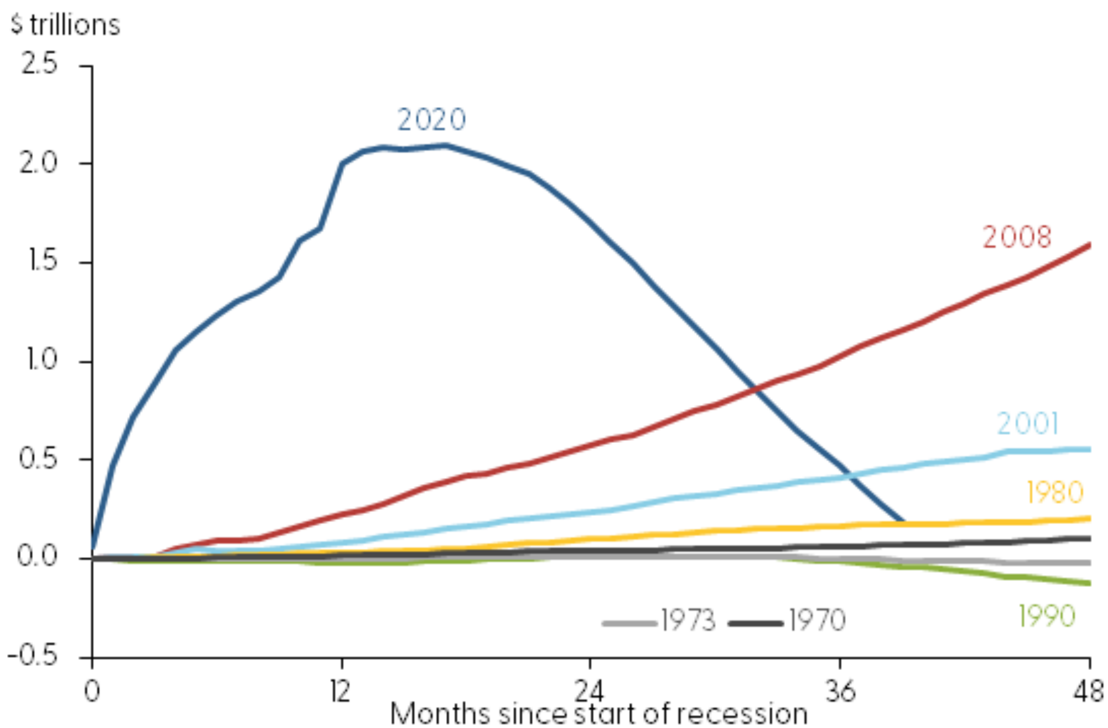
Source: FRED

How Long Will We Be Swimming in Extra Cash?

Figure 2: Aggregate excess savings following onset of recessions



Source: Bureau of Economic Analysis and authors' calculations.

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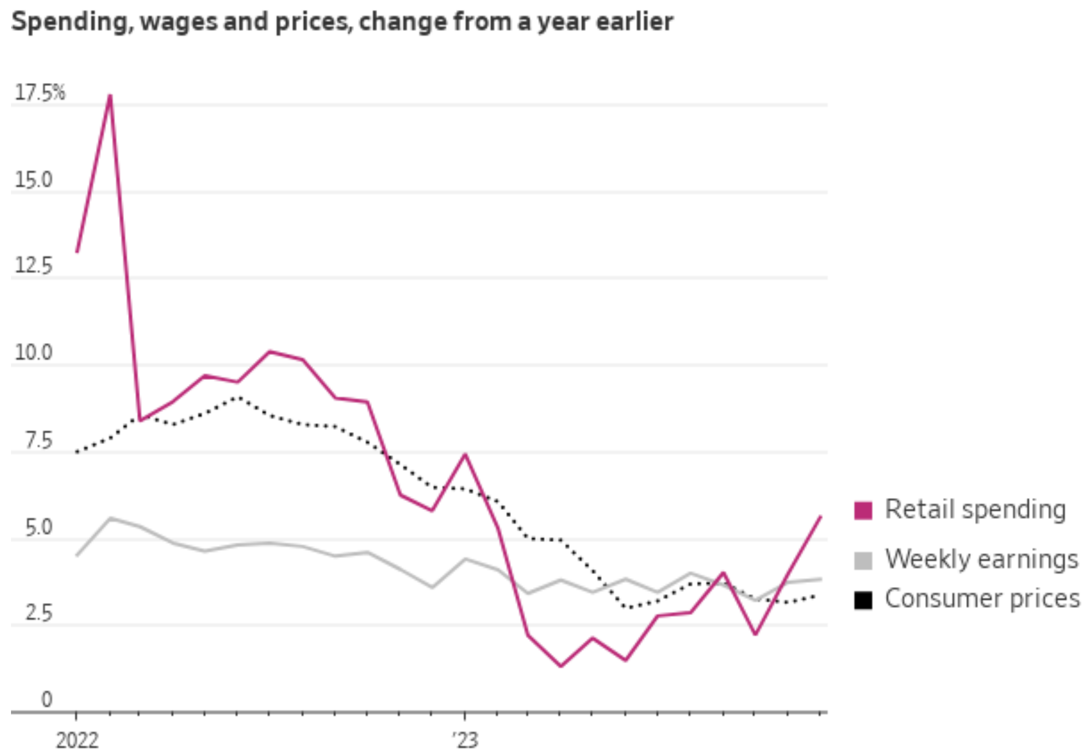
Source: Federal Reserve Bank of San Francisco

Consumers Continue to Spend – Defying Expectations



Note: Consumer-price data aren't seasonally adjusted. Wage data are average earnings for all private workers and are seasonally adjusted. Retail spending data are seasonally adjusted retail trade and food service.

Source: Labor Department (earnings, prices); Census Bureau (spending)

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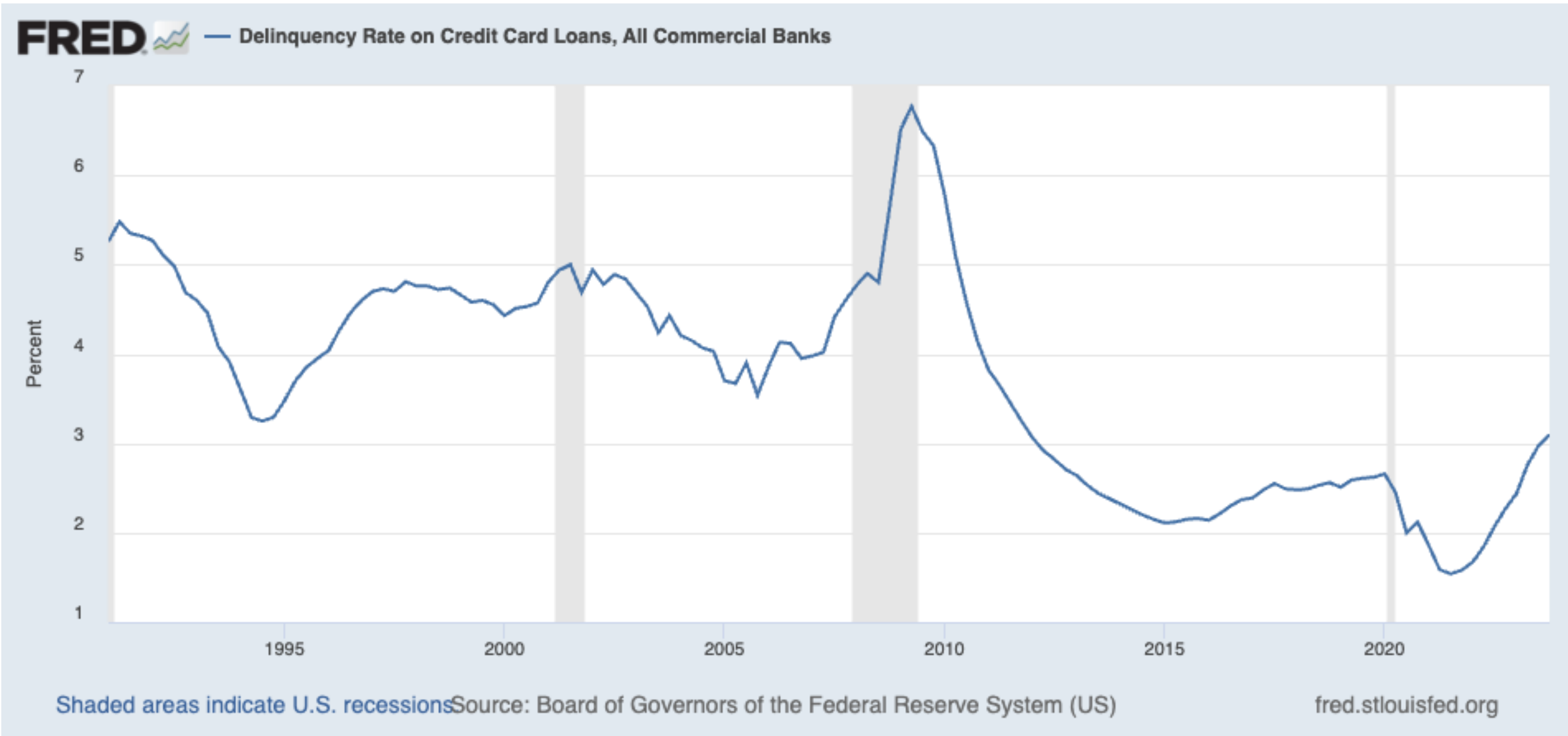
Source: Wall Street Journal

Delinquent Debt Increasing As Consumers Get Tapped Out



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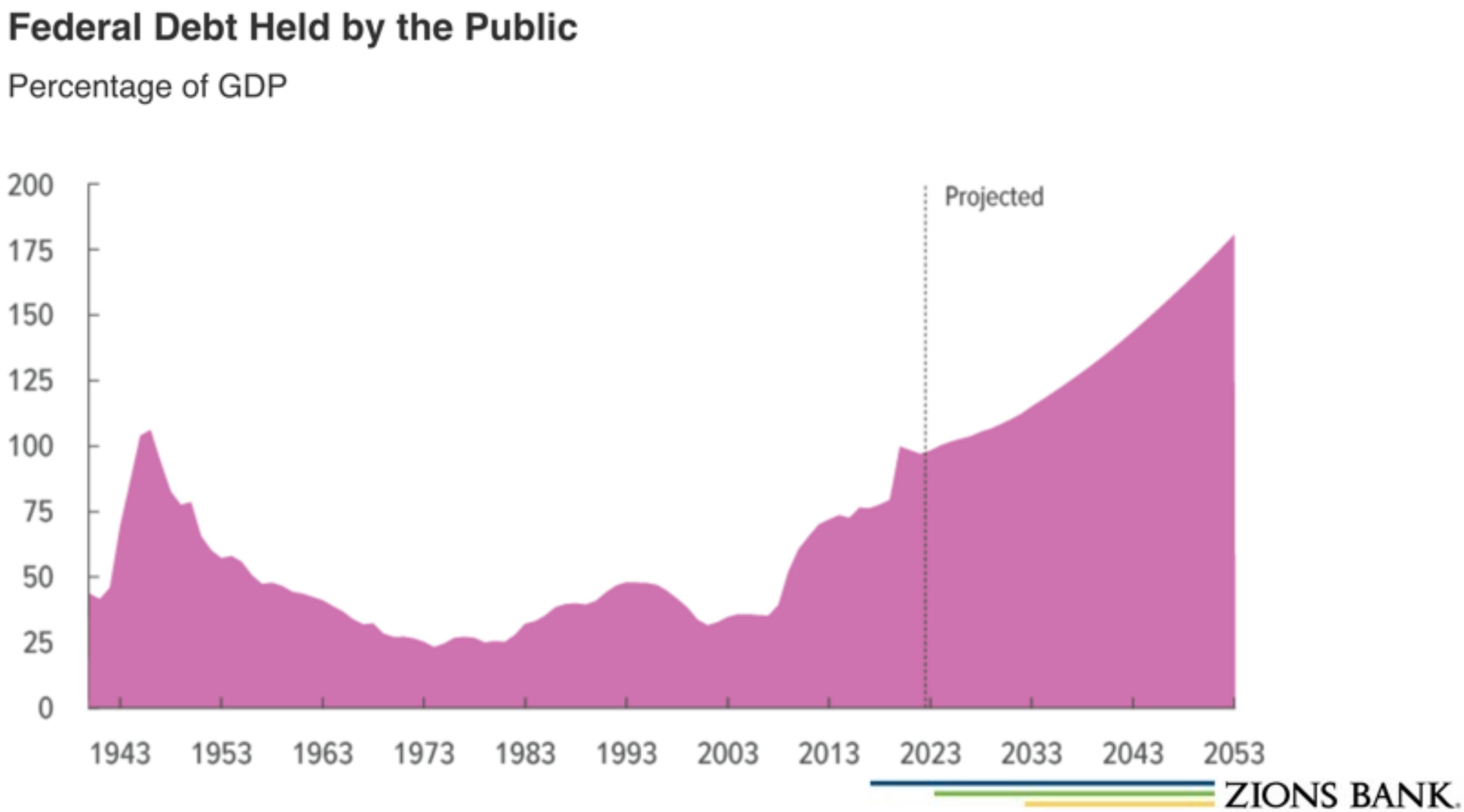
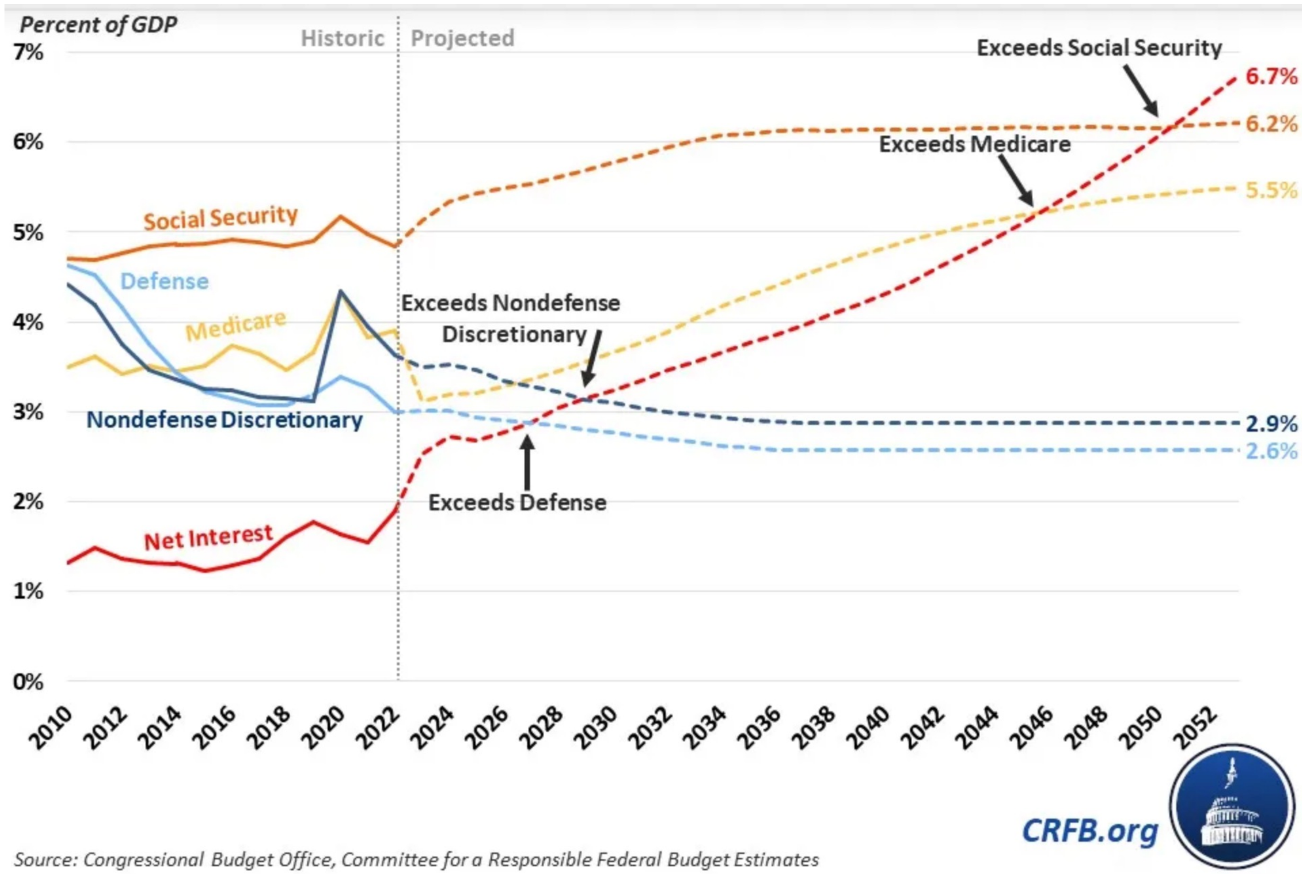
Source: Federal Reserve Bank of San Francisco

National Debt a Mounting Problem



Source: Congressional Budget Office

Servicing National Debt Crowds Out Other Programs



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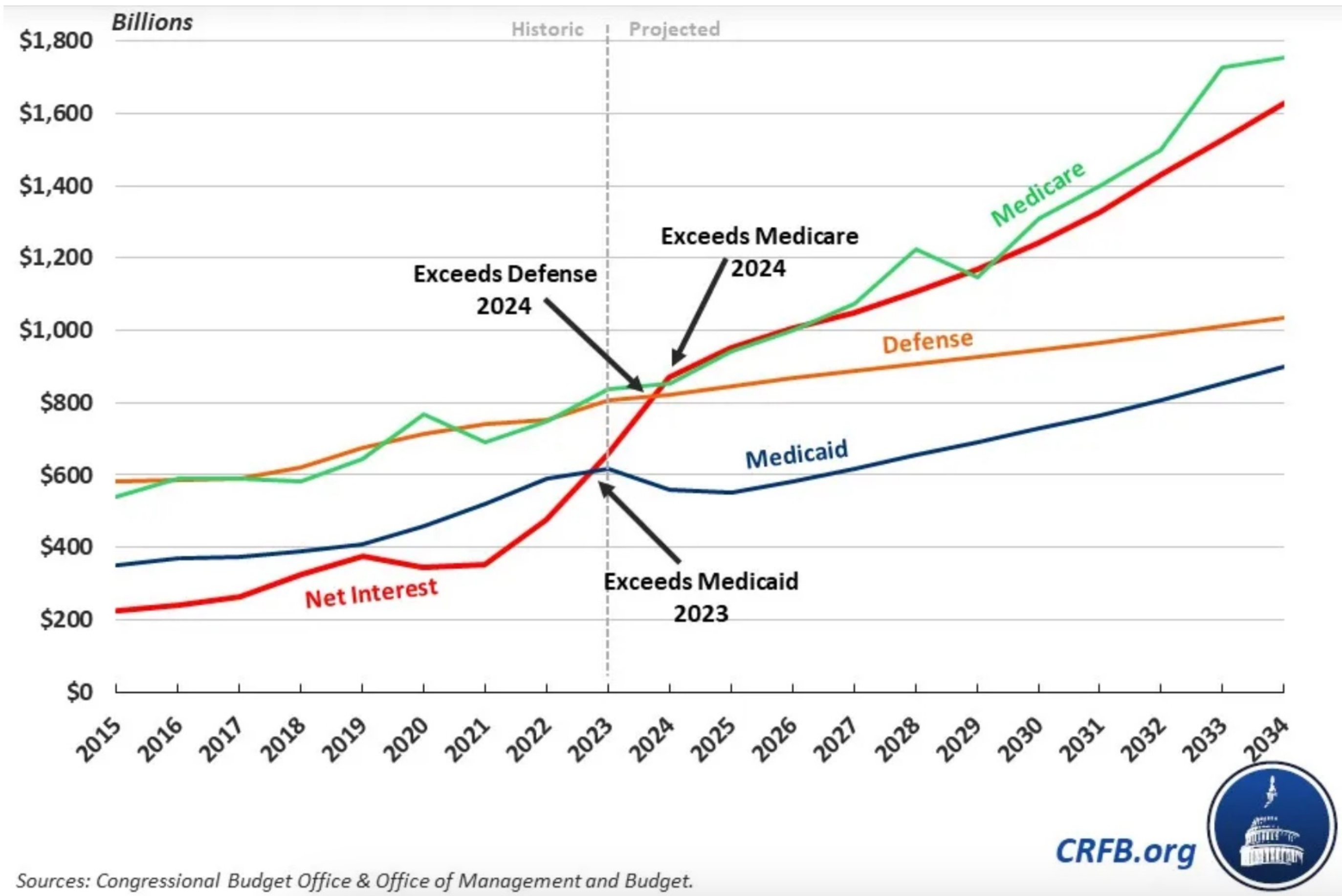
Source: CRFB

Servicing National Debt Crowds Out Other Programs



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Source: CRFB

Regional Economic Conditions

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The New Utah

OLD		NEW
Small State Population rank **34th** (1990, 2000, 2010)	→	**Mid-Sized State** Population rank **30th** (2020)
Internal growth (births) **34%** of growth from migration (2000-2020)	→	**External growth** (migration) **61%** of growth from migration (2021 and 2022)
Less Multicultural **10%** minority (1990)	→	**More Multicultural** **23%** minority (2021) *(30+% in 2040)*
Young **11.5%** are 65+ (2020)	→	**Older** **20.0%** are 65+ (2050)
Strong Economy Utah **job growth strong**, but **ebbs and flows**	→	**Elite Economy** Utah **job growth** consistently best in nation and **COVID outcomes**
Affordable Housing Utah **housing costs** to **wages** highly competitive	→	**Unaffordable Housing** Utah **housing costs** represent **major economic risk**

Source: Kem C. Gardner Policy Institute

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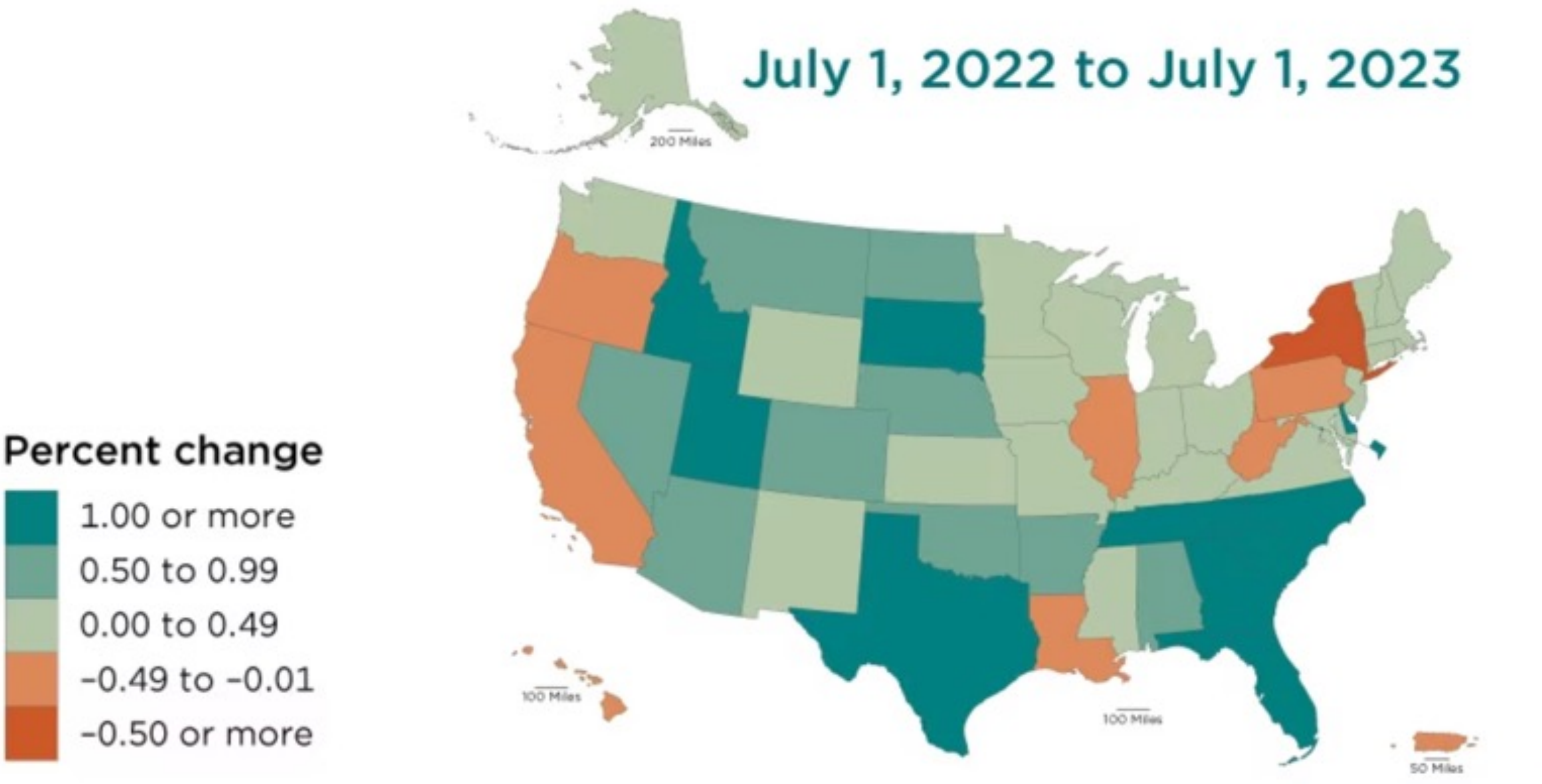
Source: Kem C Gardner Policy Institute

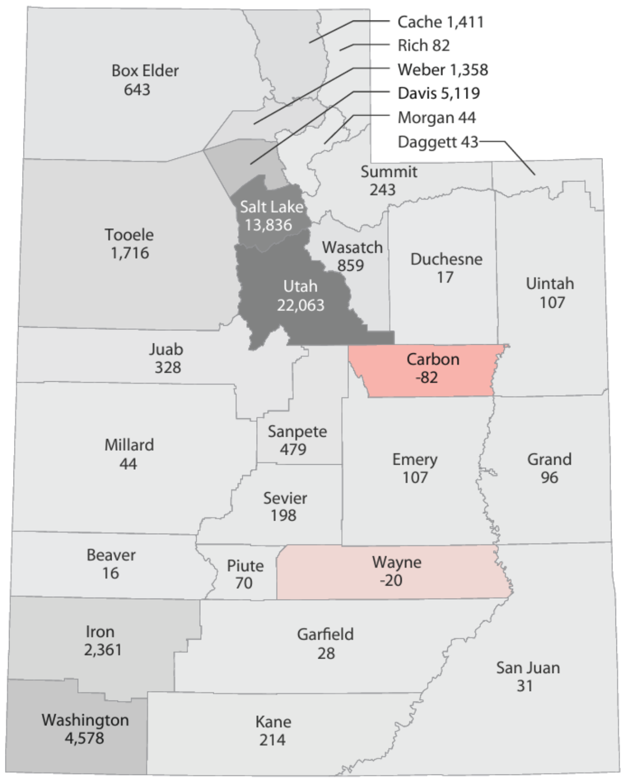
Large Differences in State Population Growth

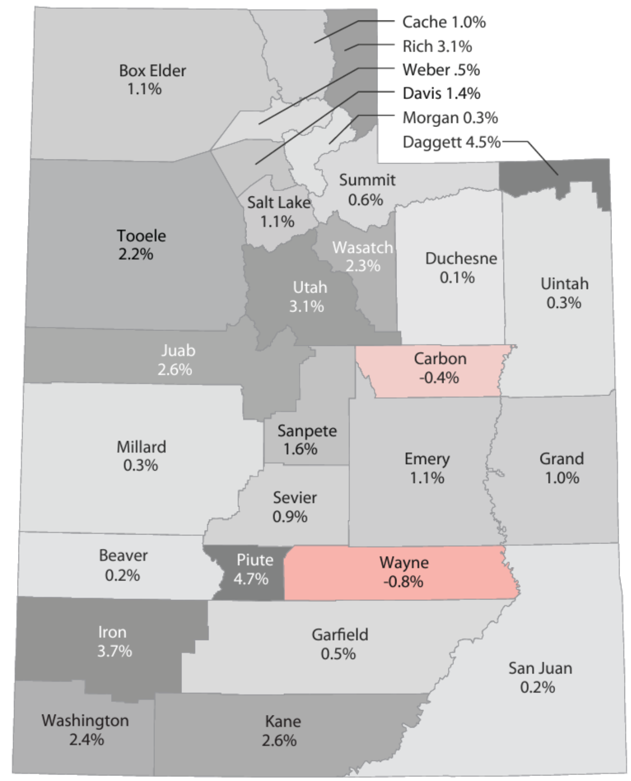


Source: U.S. Census Bureau

Most Utah Counties Grew in 2023

State of Utah
55,989





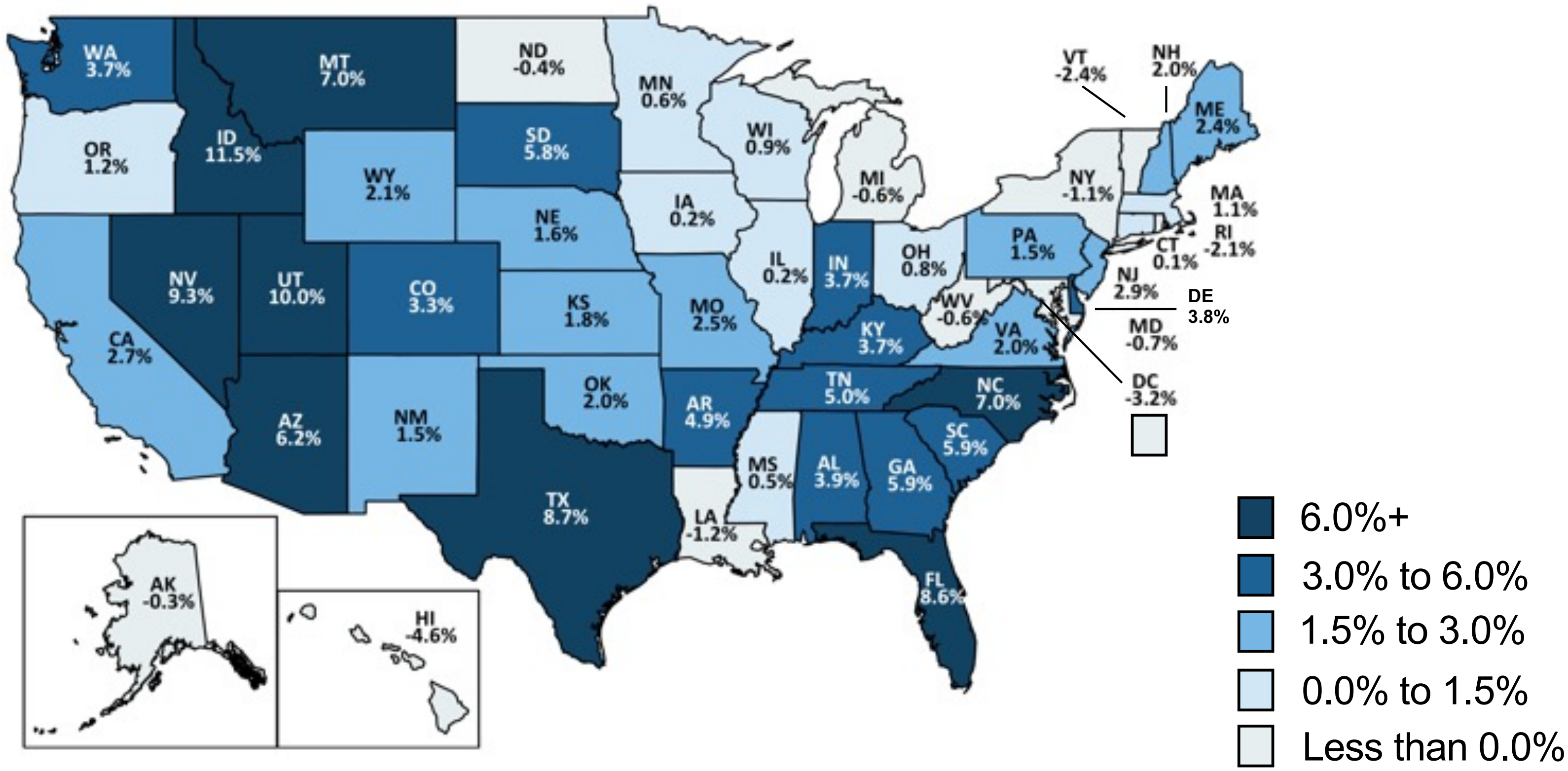
State of Utah
1.6%

Note: 2021 and 2022 population estimates and net migration have been revised due to methodological improvements
Source: Utah Population Committee, Kem C. Gardner Policy Institute

Source: Kem C Gardner Policy Institute

41 States Have Positive Job Growth Since Pre-COVID

February 2020 – November 2023
U.S. Rate = 3.1%



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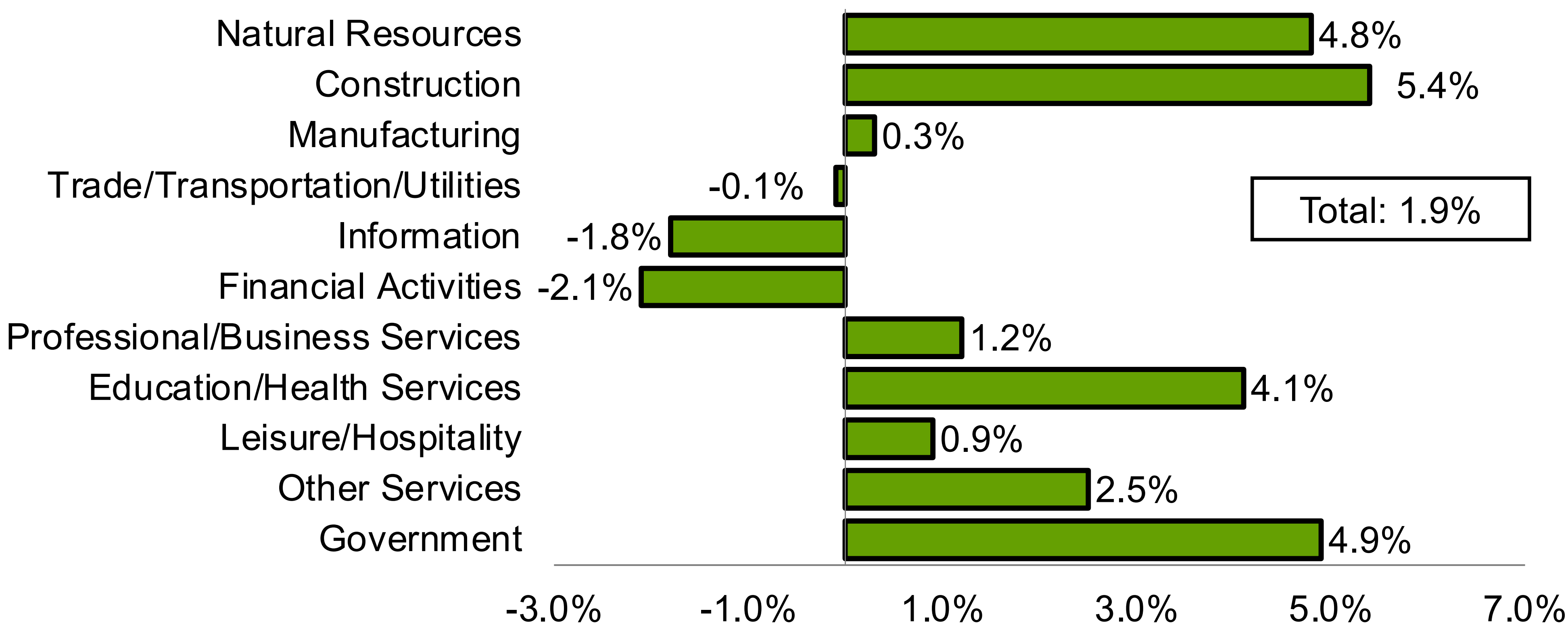
Source: U.S. Bureau of Labor Statistics
Seasonally Adjusted

Most Utah Industries Grew Over the Past Year

February 2023 to 2024



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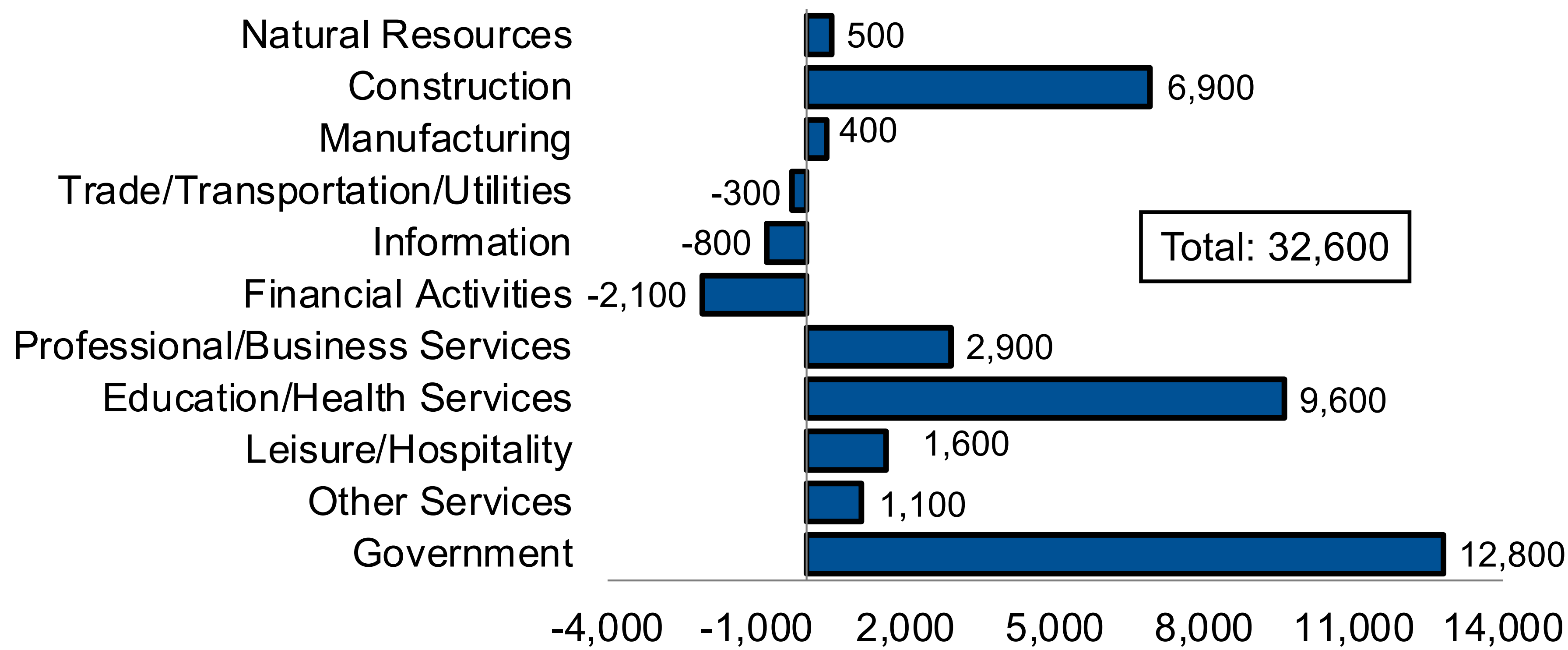
Source: Utah Department of Workforce Services

Most Utah Industries Grew Over the Past Year

February 2023 to 2024



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Source: Utah Department of Workforce Services

Utah Ranked as the Best State in America

- #1 Best State Overall
- #1 Best State for Fiscal Stability
- #1 Best State for Economy

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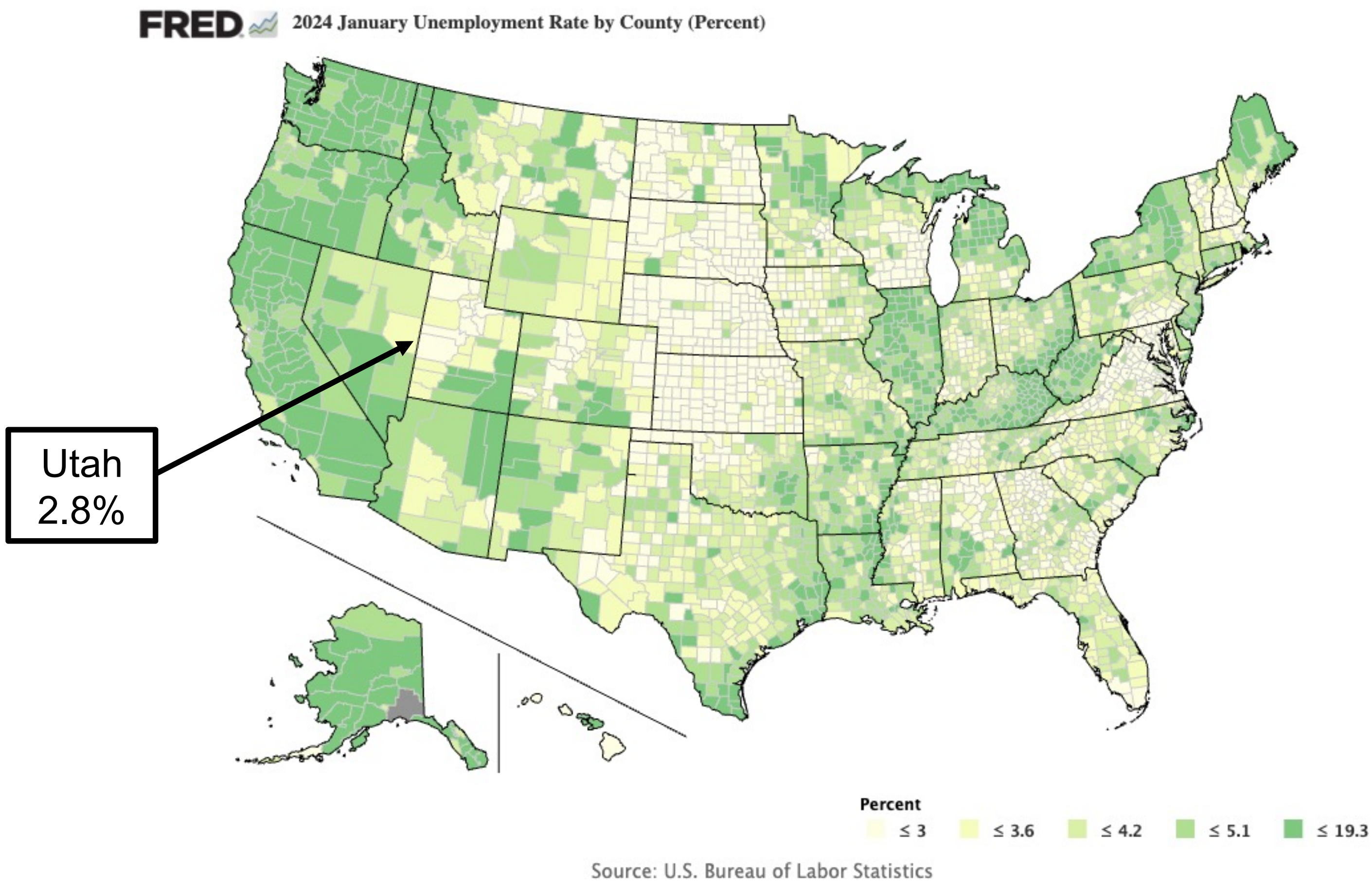
Source: U.S. News and World Report

Utah Unemployment Among Lowest in the Nation



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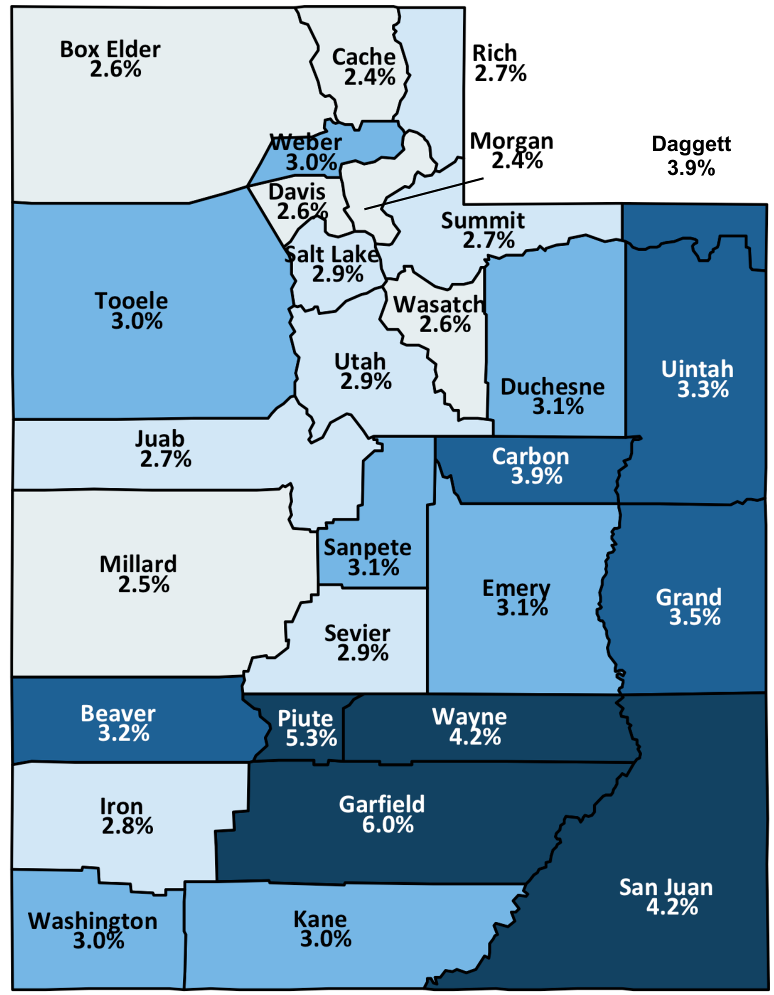
Source: U.S. Bureau of Labor Statistics

Utah Unemployment Rates By County

February 2024

State Rate = 2.8%



Quintile Percent Ranges

- 4.0%+
- 3.2% to 4.0%
- 3.0% to 3.2%
- 2.7% to 3.0%
- Less than 2.7%

Source: Utah Department of Workforce Services
Seasonally Adjusted

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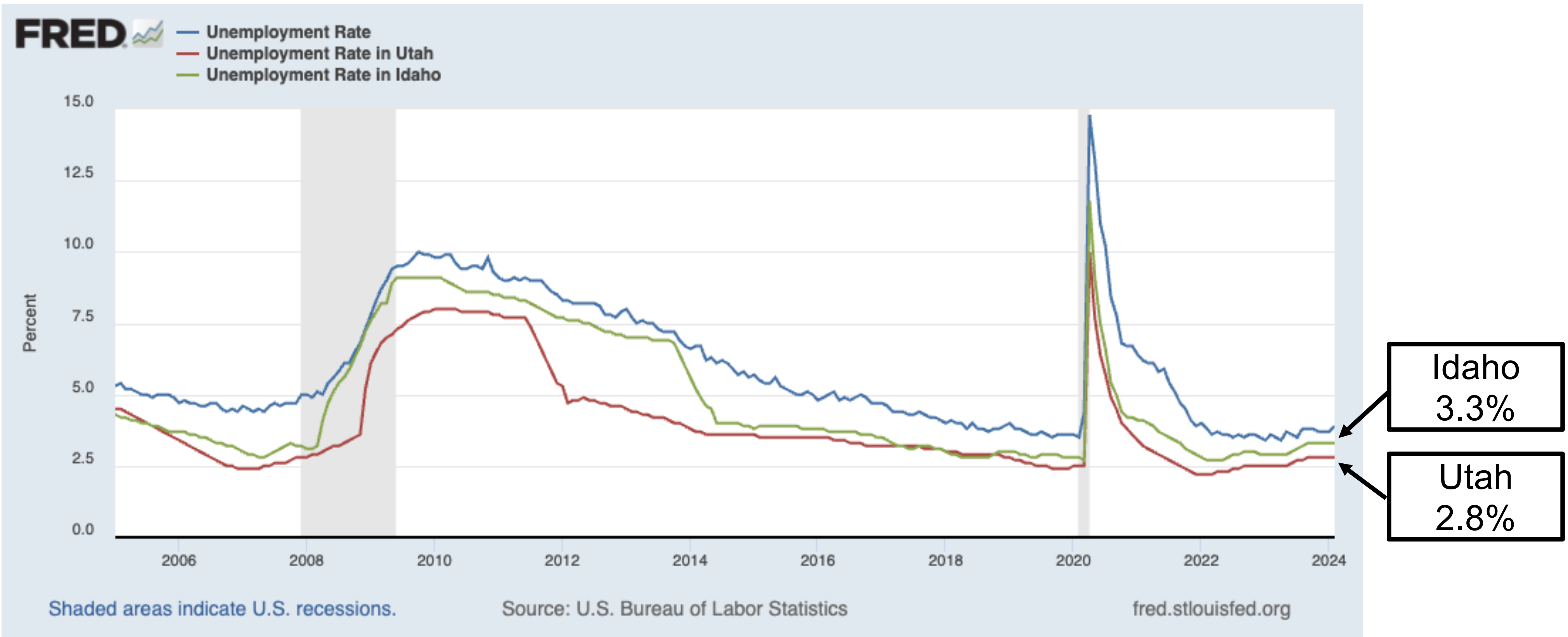
State Unemployment Increasing But Low



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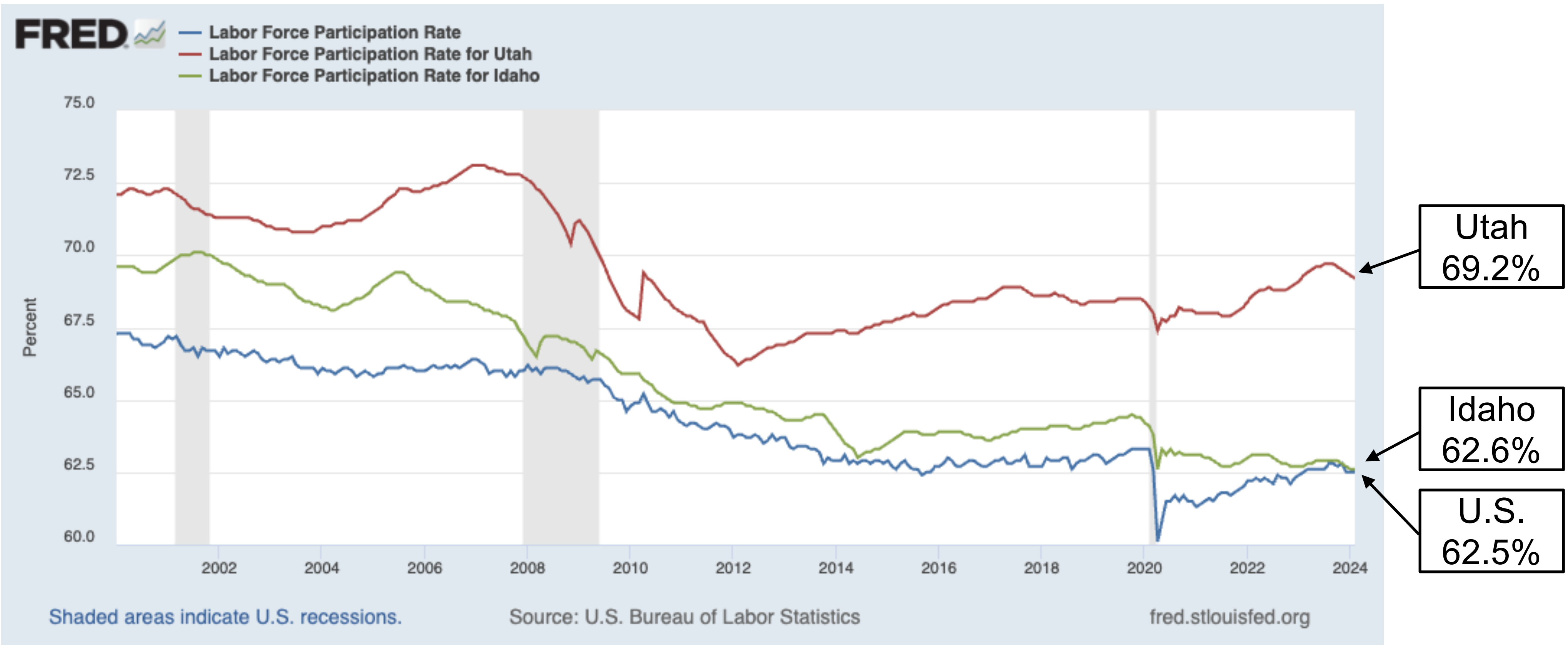
Source: U.S. Bureau of Labor Statistics

Utah Labor Force Participation Trending Up



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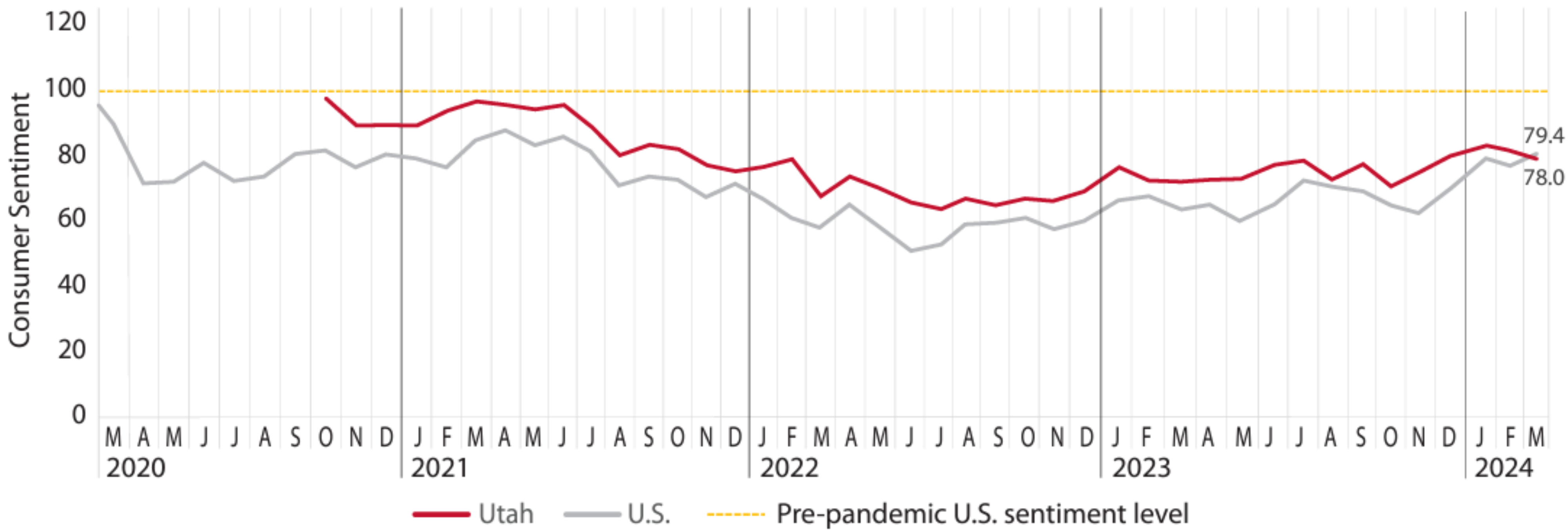
Source: U.S. Bureau of Labor Statistics

Utah Consumer Sentiment Lower than U.S.



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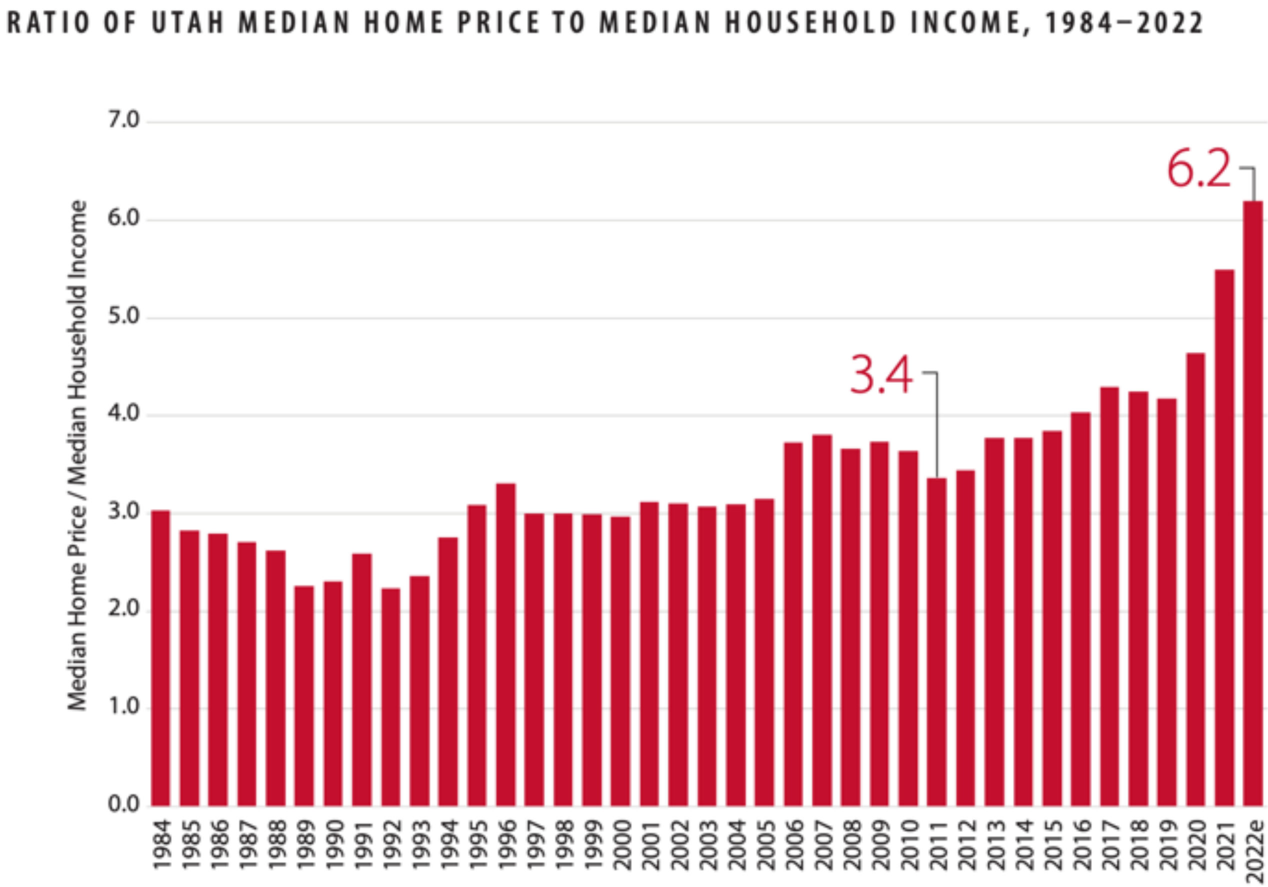
Sources: University of Michigan, University of Utah Gardner Inst.

Utah Housing Is Unaffordable



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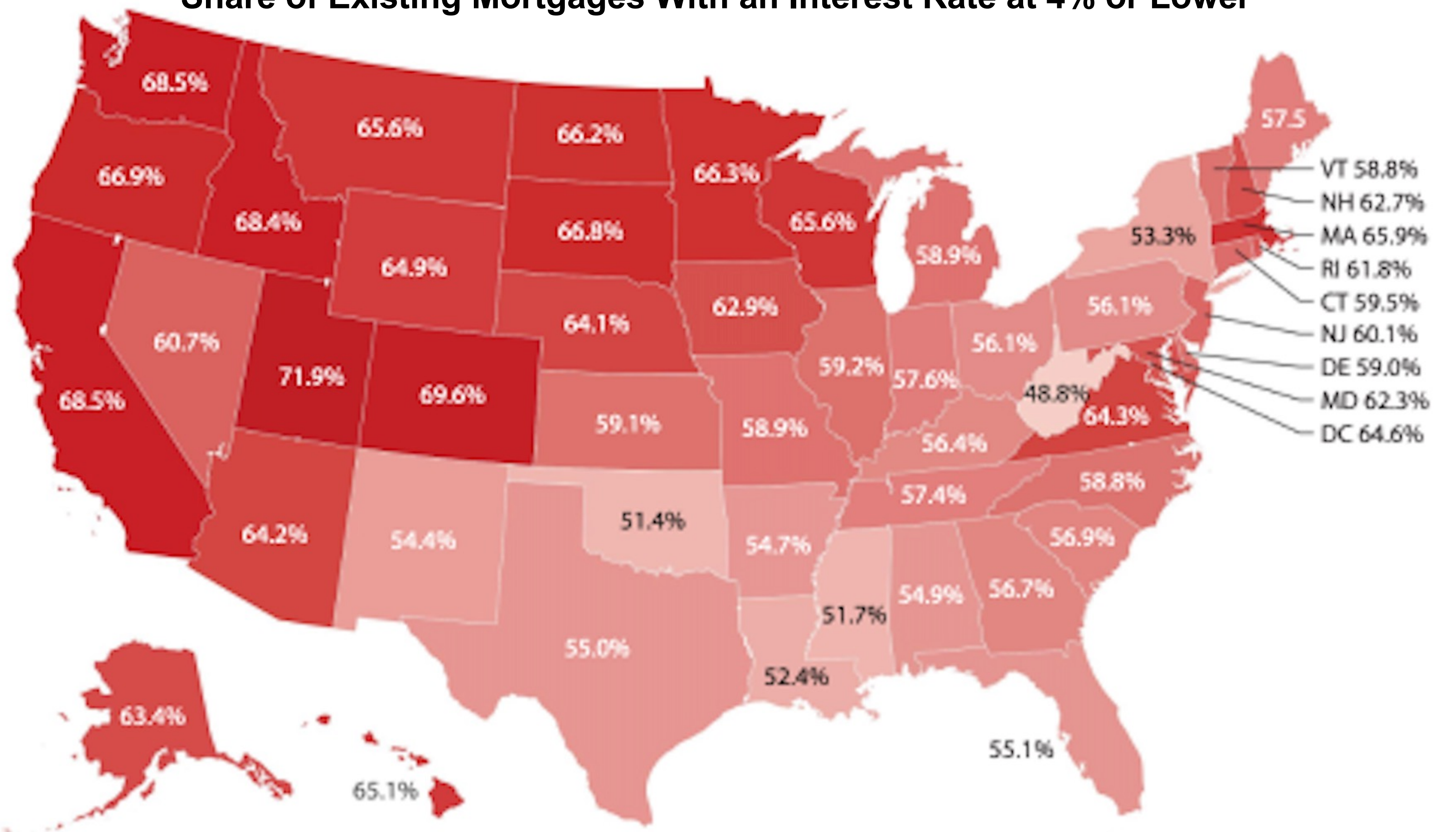
Source: Kem C Gardner Policy Institute

Utah Highest Percent of Low-Rate Mortgages

Share of Existing Mortgages With an Interest Rate at 4% or Lower



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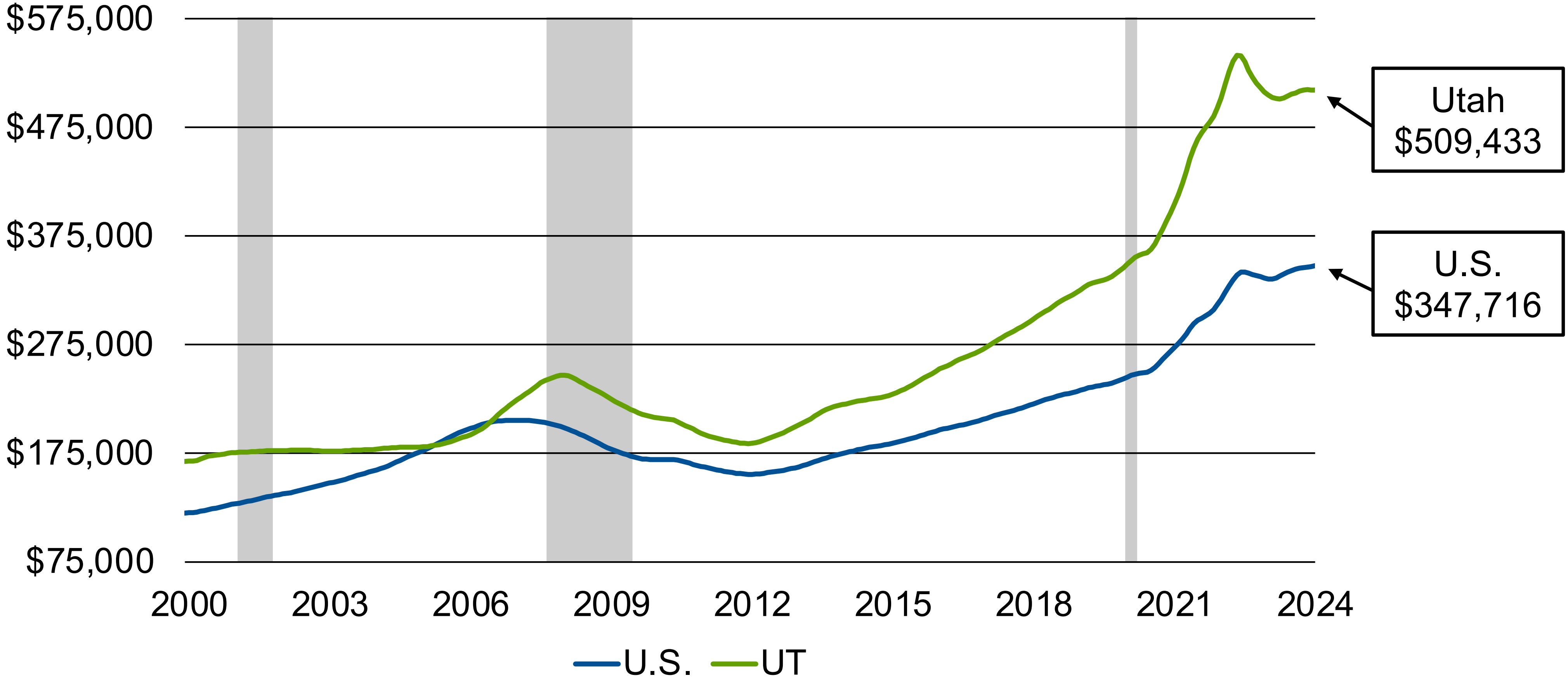
Sources: Kem C Gardner Policy Institute; Federal Housing Finance Agency

Utah Home Values Much Higher Than U.S.



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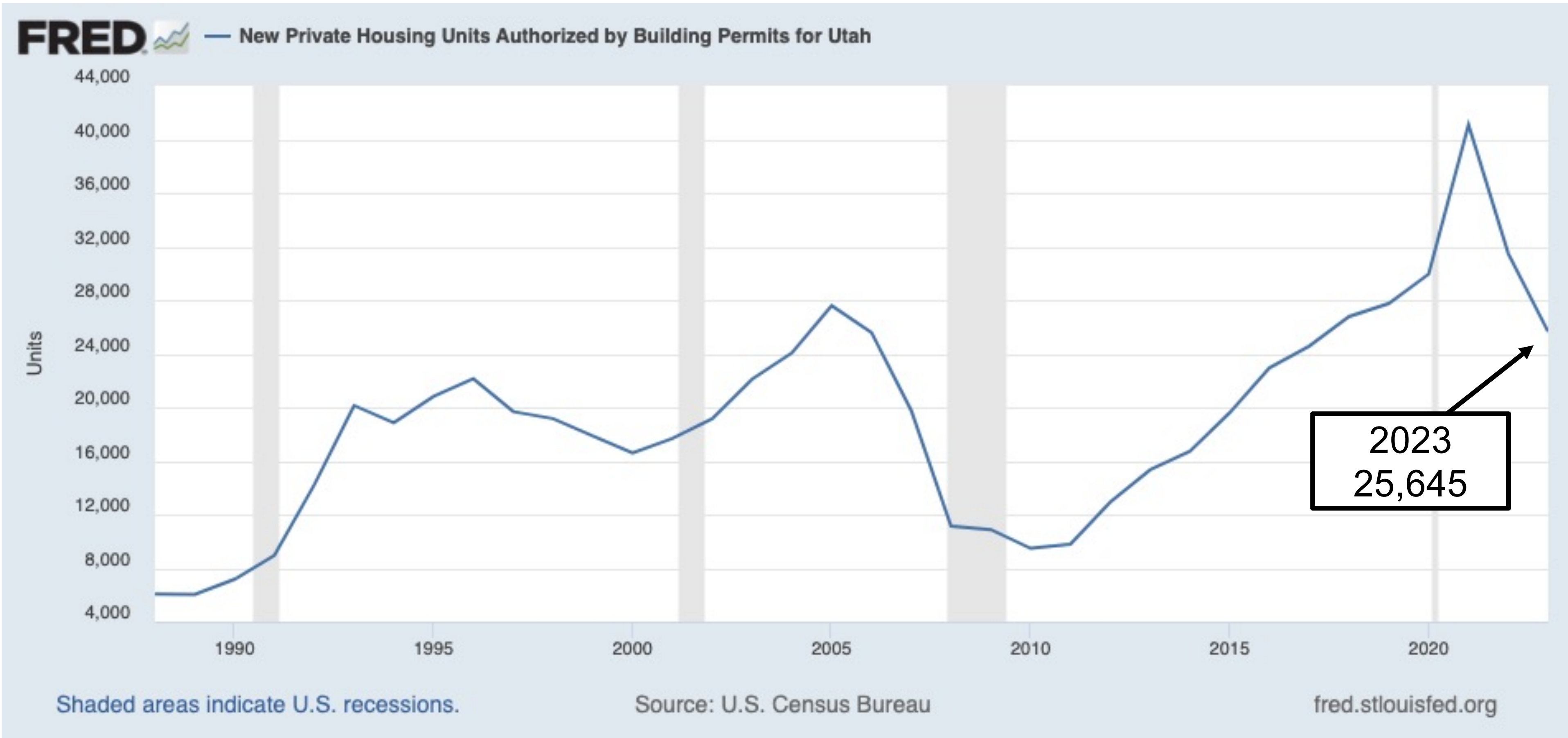
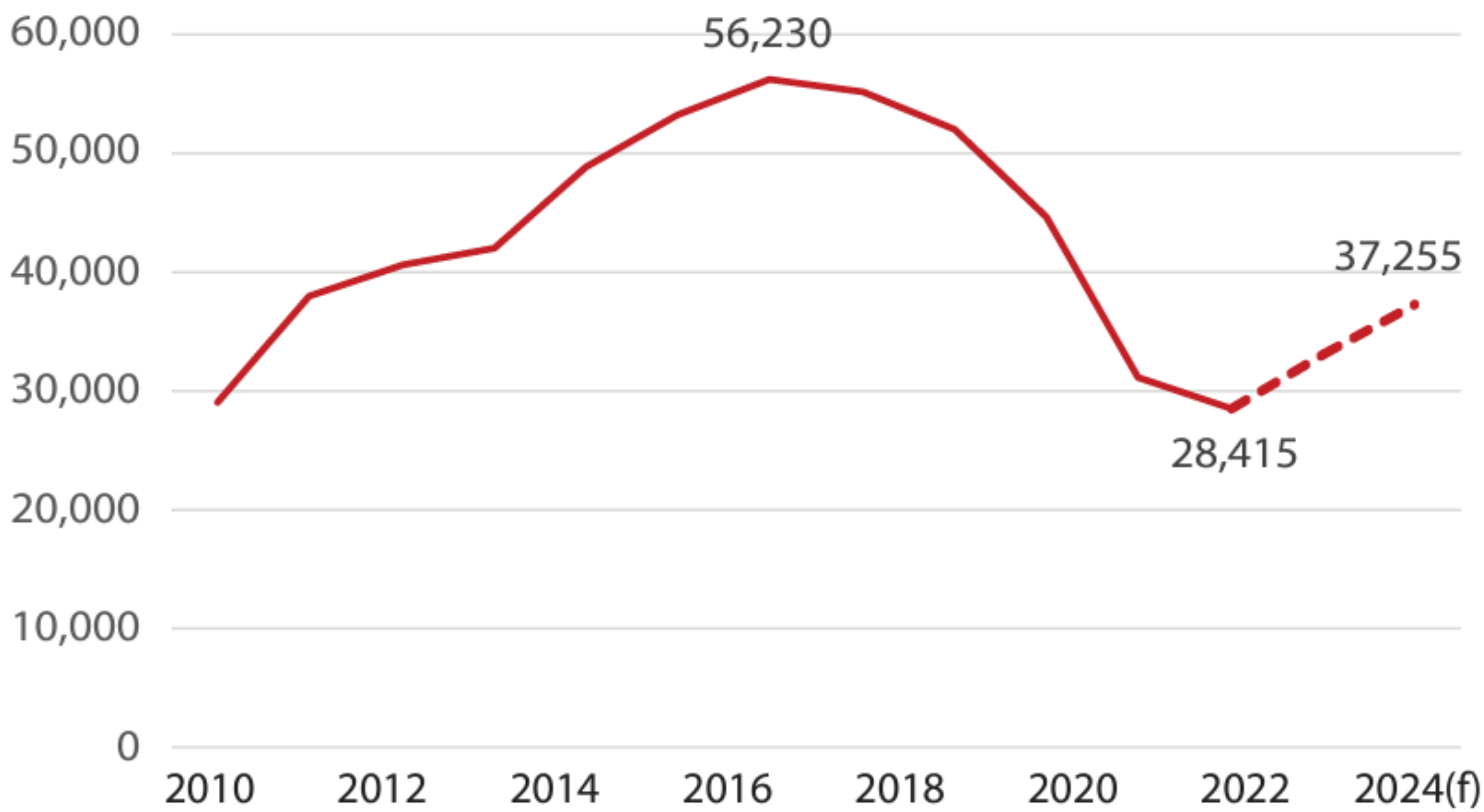
Source: Zillow Home Value Index

Utah Building Permits Slowing



Source: Federal Reserve Bank

Utah's Housing Shortage is Getting Worse



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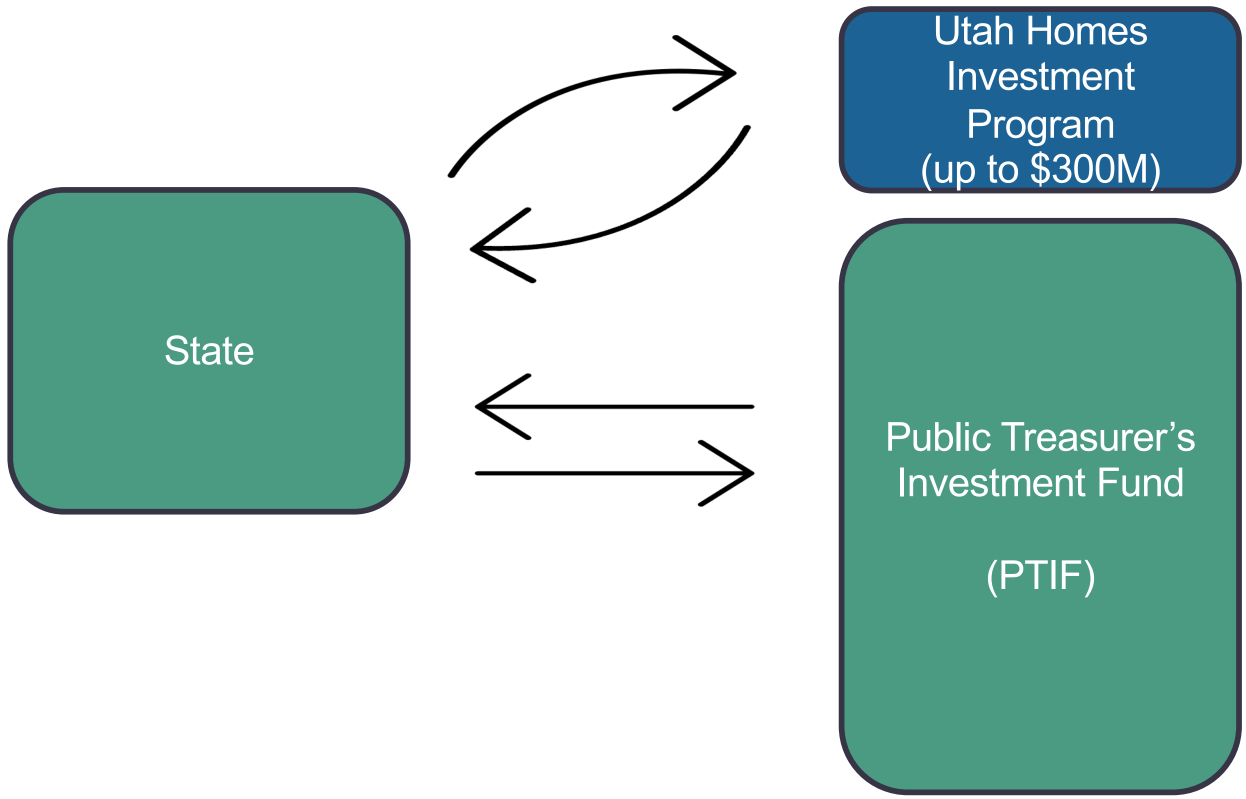
Source: Kem C Gardner Policy Institute

Utah Homes Investment Program – HB572



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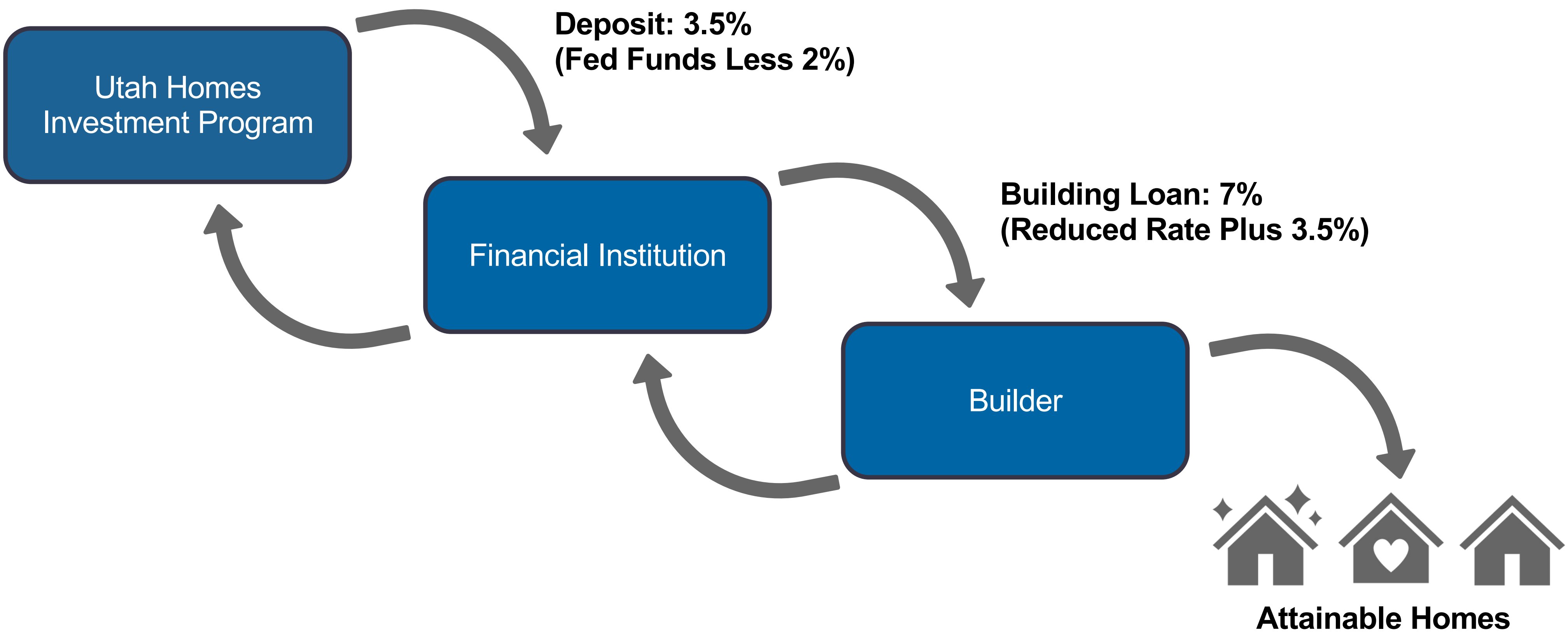
How Will It Work?



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Qualified Housing Projects

60% of homes must be affordable

- Priced to qualify for the First-Time Homebuyer Program (SB 240, 2023)

Prospective buyers must be informed about the First-Time Homebuyer Program

5-year deed-restricted for owner occupancy

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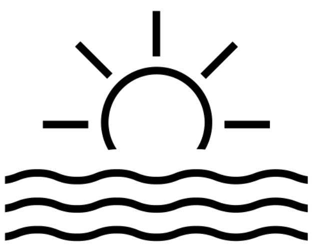
3-Year Sunset on Program



Utah Homebuyer Investment Program deposits can be made until December 31, 2025

All deposits returned to the state by July 1, 2027

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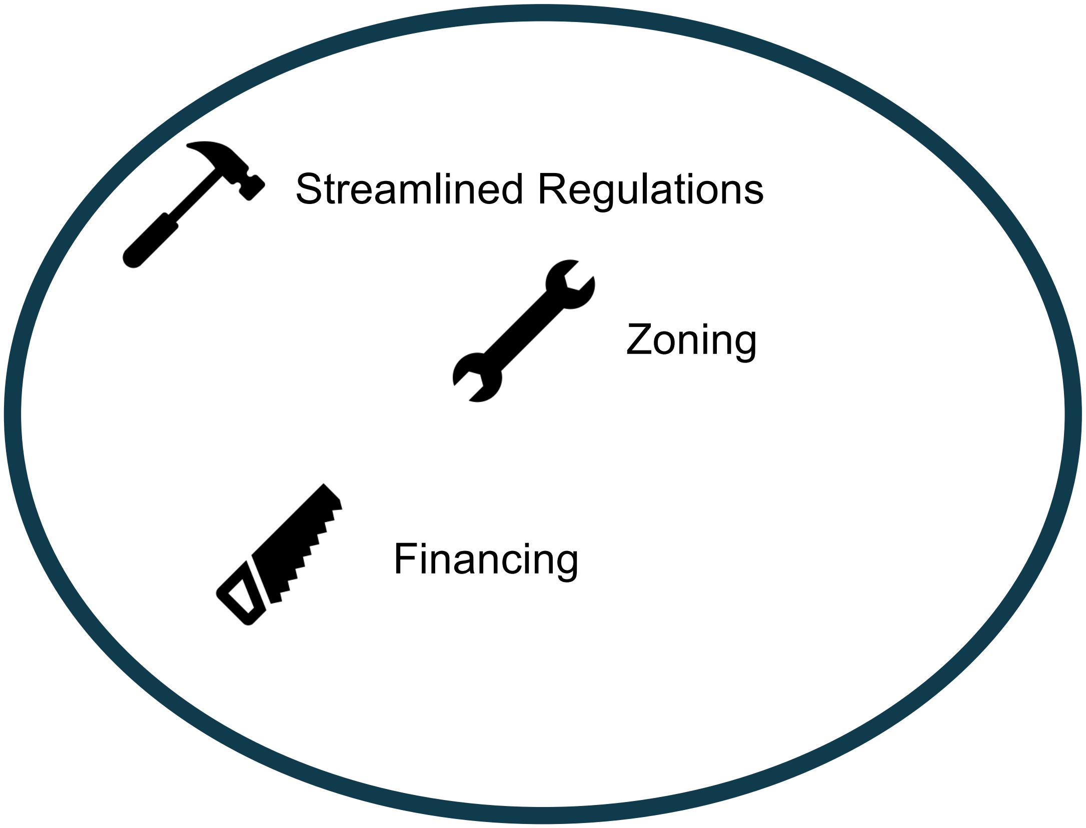
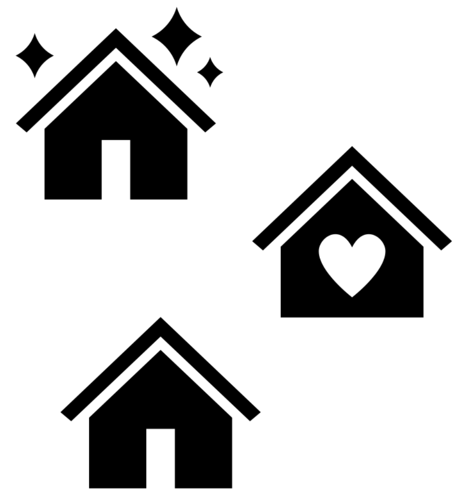
One Tool in the Toolbox





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2024 Economic Outlook

1. Federal Reserve rate cuts
2. Inflation will continue to slow but some areas will remain "sticky"
3. Labor market growth will slow and unemployment will increase
4. The U.S. economy will continue to slow but remains broadly resilient
5. International uncertainty and elections could add to volatility

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