

localinsights

An economic and labor market analysis of the Bear River Area



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

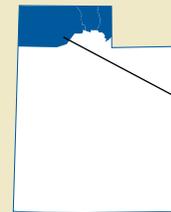
Bear River Ends 2014 With Solid Economic Performance

By Matt Schroeder, Economist

Despite a little slowing in job growth in Box Elder County, the Bear River region ended 2014 on a positive note. Wages, which have been slow to keep up with the rest of the recovering labor market, finally turned a corner in Box Elder and Rich Counties. Taxable sales were up more than 5 percent in every county with particular strength in retail markets suggesting that consumer confidence continues to build. Motor vehicle sales were particularly strong thanks in part to falling oil prices. Unemployment rates in Bear River are among the lowest in the state and initial unemployment insurance claims have fallen to pre-recession levels. Employment growth was not particularly impressive, but it was consistent and relatively broad based. Overall, the roots of recovery appear to be firmly set in the region and Bear River's economic performance at the end of 2014 leave continued optimism for 2015 as the rational expectation.

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bearriver



Box Elder
Cache
Rich

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Box Elder County

- Box Elder County added just 184 new jobs, slowing to 1.1 percent year-over employment growth in fourth quarter 2014 after seeing 4.4 percent growth in the third quarter.
- The manufacturing and construction industries led job growth in Box Elder, adding 130 and 78 jobs respectively. The services industries, however, experienced declines with only a couple of exceptions. Health care and social services added 80 positions, and management of companies experienced large gains, but the effect was offset by job losses in other areas of professional and business services.
- Box Elder County's unemployment rate was 3.6 percent in March 2015. This is 0.4 percentage points below the March 2014 rate but still slightly higher than the state average of 3.4 percent.
- Initial claims for unemployment insurance are averaging below 20 per week as of the first week of April 2015. Levels this low have not been seen in Box Elder since 2007.
- Box Elder wages took off at 6.3 percent year-over growth in fourth quarter 2014 and rose to \$3,076 per month. This is even faster than Utah's average monthly wage growth which accelerated to 4.3 percent and reached \$3,705. This may be a signal that wages are finally starting to catch up to the overall labor market improvements we've been seeing over the course of the recovery.

- Taxable sales in Box Elder County increased 5.9 percent year-over in fourth quarter 2014, reaching more than \$154 million. Motor vehicle dealers increased \$3.8 million to \$19 million, and manufacturing increased \$3 million to \$19.4 million. General merchandise retail fell slightly to \$20 million.

Cache County

- Cache County maintained consistent 3.5 percent year-over job growth in fourth quarter 2014 adding 1,863 jobs. Every quarter in 2014 has exceeded year-over increases of 1,500 — a level of job creation not seen in Cache County since prior to the recession.
- Job growth has been very broad based in Cache County with every major industry sector experiencing positive change since fourth quarter 2013. Major contributors include the accommodations and food services industry, and the retail trade industry, adding 363 and 288 new jobs respectively.
- Cache County maintained the lowest unemployment rate in the state at 2.7 percent in March 2015, down 0.5 percentage points from the same time last year.
- Initial unemployment claims increased significantly in the last weeks of March and into early April. The four-week moving average hit more than 60 new claims the week of April 4. The majority of these new claims are from the manufacturing industry, which often sees increased claims due

currentevents

PROCTER & GAMBLE EXPANDING OPERATIONS IN BOX ELDER

GOED approved an incentive for P&G's expansion project which is expected to bring up to \$500 million in capital investment, along with as many as 200 new jobs over 20 years. Projected new state wages and tax revenues over the life of the agreement are estimated to be about \$198 million and \$37.2 million respectively.

— *The Enterprise*

BEAR RIVER BENEFITING FROM SUNNY OUTLOOK ON UTAH TOURISM

Tourism is picking up around the state, according to a report by the Bureau of Economic and Business Research (BEBR), and Utah's northern counties are benefiting. During the rest of 2015, BEBR forecasts 3 to 4 percent increases in tourism-related jobs and wages and 6 to 8 percent increases in tourism-related sales and tax revenues.

— *Standard Examiner*

JBS USA ANNOUNCES SIGNIFICANT INVESTMENT IN UTAH — MORE THAN 120 NEW JOBS

JBS USA, a leading processor of fresh and value-added quality beef products in the U.S., announced a \$75 million expansion project at its Hyrum beef processing complex. The expansion will include a new fabrication building, a new ground beef facility and a new distribution center, allowing for a production increase of more than 400 head per day. The project is scheduled for completion and full operational capacity in spring 2016.

— *Feedstuffs.com*

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CPF TO BRING 3,000 NEW JOBS TO UTAH IN THE NEXT SIX YEARS

The Caribbean Pacific Foundation (CPF), a non-profit, has developed cutting-edge technology to deliver clean/sustainable energy to island nations via off-shore wind turbines that convert energy from sea winds into hydrogen. The organization wants to locate its production operations in the Brigham City area. Brigham City officials are working with CPF to facilitate getting the project off the ground. Turbines, buoys, fuel cells and tanks for gas storage are just some of the components that need to be manufactured — activities that could potentially bring considerable new growth to the local and regional economies.

— *Salt Lake Tribune*

RISING FUEL PRICES ARE RESTRAINING CONSUMER CONFIDENCE

Consumers are expecting gas prices to continue to increase, which caused the Zions Bank Utah Consumer Attitude Index to fall 8.8 points in April. However, the index was still 2.7 points higher than its level at the same time in 2014.

— *KSL*



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

to temporary shutdowns in Cache County this time of year.

- Cache County wages maintained consistently moderate growth of 1.9 percent from fourth quarter 2013 to fourth quarter 2014. At \$2,724 per month it is nearly \$1,000 below the state average of \$3,705. Nine of 11 major industry sectors posted average wages more than 20 percent below the state averages.
- Taxable sales were up for the 11th consecutive quarter at 5.3 percent year-over, reaching \$405 million. Retail sales of food and beverages, general merchandise and motor vehicles topped the list in terms of total taxable sales with \$58, \$53, and \$29 million respectively. Food services and drinking places, and professional, scientific and technical services contributed the most to the increase over last year with additional sales of \$3.8 and \$3.6 million respectively.

Rich County

- Rich County saw 3.2 percent year-over job growth in fourth quarter 2014, adding 20 new positions after growing 3 percent in third quarter. This appears to be a return to more consistent employment growth after a single new employer boosted year-over rates last year.
- Employment gains were relatively concentrated in the leisure and hospitality sector in fourth quarter 2014. The arts, entertainment and recreation industry added 18 jobs since fourth quarter 2013, but the gains were largely offset by

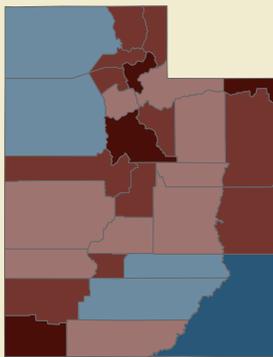
losses in the construction and professional and business services industries.

- Rich County unemployment fell slightly to 3 percent in March 2015, 0.6 percentage points down from last year and 0.4 percentage points below Utah’s rate of 3.4 percent.
- Average weekly claims have remained at or below one for the year, so far, through April 4.
- Rich County wages picked up to 5.2 percent year-over growth in fourth quarter 2014 bringing the average monthly wage to \$2,188. Accelerating wage growth in Rich County is a positive step toward recovery. Rich County has the second lowest average wage in the state. It’s more than \$1,500 per month lower than the state average due to the relative importance of the accommodations and food services industry, which has considerably lower average wages than other industries.
- Taxable sales in fourth quarter 2014 were \$5.9 million, an increase of 31.2 percent over last year. Low fuel prices have boosted demand for automobiles, pushing private motor vehicle sales to approximately \$800,000 — an increase of \$200,000. Retail food and beverages sales and utilities were also large contributors with taxable sales of about \$600,000 and \$700,000 respectively.



Bear River Economy

..... at a glance

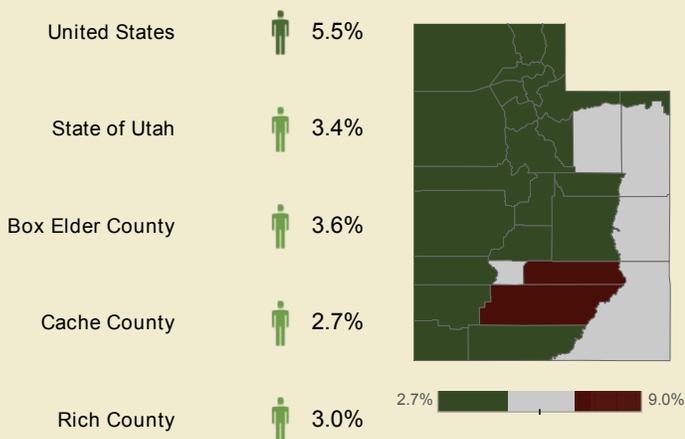


Year-to-Year Change in Nonfarm Jobs **Dec. 2014**

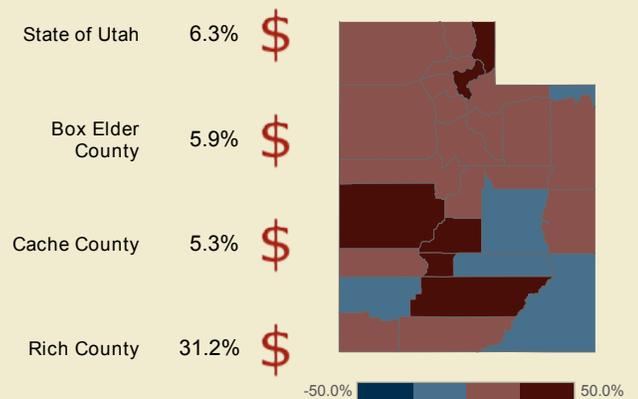


-7.0% 7.0%

Seasonally Adjusted Unemployment Rate **March 2015**



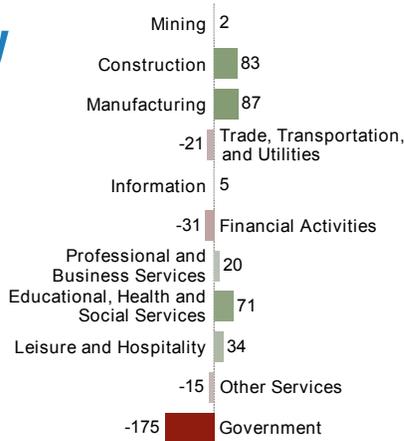
Year-to-Year Change in Gross Taxable Sales **4th QTR 2014**



Box Elder County

Job Growth
Dec. 2014

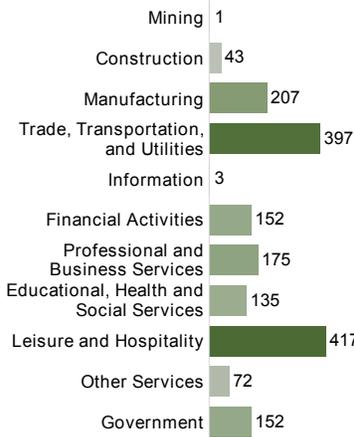
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55



Cache County

Job Growth
Dec. 2014

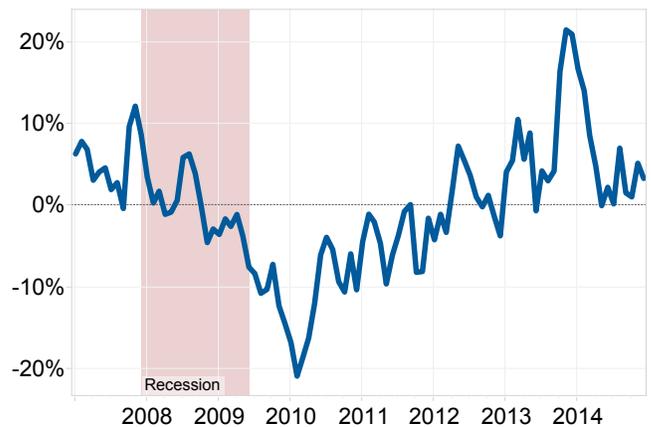
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1,752



Rich County

Job Growth
Dec. 2014

↑
20





Housing Permits Signal Potential Slowdown in Bear River

By Matt Schroeder, Economist

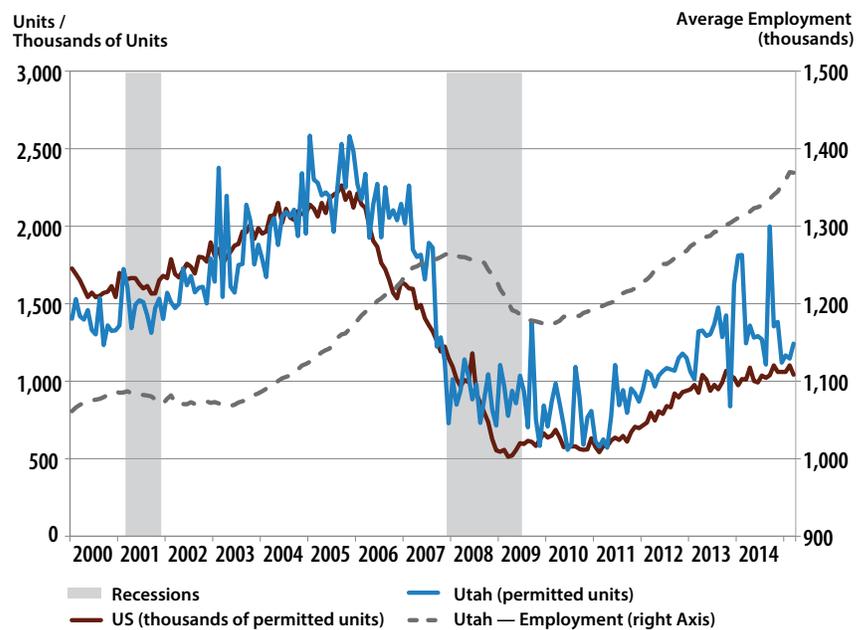
Every month the Conference Board, a multi-national business research organization, releases an update to the U.S. Leading Economic Index (LEI). The LEI is a composite measure, combining 10 different indicators that tend to foretell the near-future of the overall economy. Component indicators include data on manufacturing activity, consumer confidence, labor demand, stock market trends and construction permits. In March 2015, the index increased just 0.2 percent which the Conference Board notes, “[...] still points to a moderate expansion in economic activity, [however...] its slowing growth rate over recent months suggests weaker growth may be ahead.”

In March, it was housing construction permits that were the largest drag on the growth of the LEI. The red line in Figure 1 shows the number of newly permitted housing units each month in the U.S. — and the rate at which they are being issued has been slowing for the last couple of years. Immediately following the 2008–2009 Great Recession, permits held relatively flat as recovering households moved back into homes that had been left vacant; but, in 2011, the “pent-up” demand for housing started to apply upward pressure on the market for new

housing. From the beginning of 2011 through the end of 2013 U.S. housing permits really picked up steam, growing at an average rate of more than 26 percent, but since that time the rate has slowed considerably. In 2014, new housing permits in the U.S. grew just 4.4 percent and in March 2015 the year-over rate was down to 3.2 percent.

Utah has experienced a similar slowdown since the initial recovery. The solid blue line in Figure 1 represents Utah’s new housing permits. Despite the large month-to-month swings (which we expect given Utah’s relatively small size), the underlying longer-term trend is evident. After averaging more than 26 percent growth from the beginning of 2011

Figure 1. New Private Housing Units Authorized By Building Permit Seasonally Adjusted



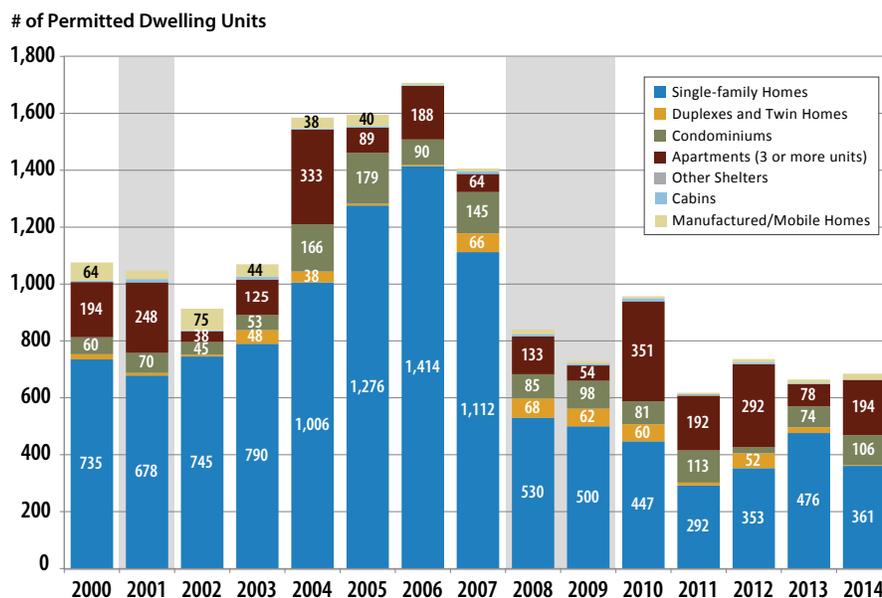
Source: US Census Bureau; Building Permits Survey / Bureau of Labor Statistics

through the end of 2013, Utah's new housing permits slowed to 11 percent growth in 2014, and so far in 2015 they have actually dropped into contractionary territory.

New housing permits are included in the LEI for a reason: they have a pretty good track record of foretelling the long-term trends of the broader economy — just compare the solid blue permits line in Figure 1 to the dashed line which represents Utah's overall employment. The current slowing trend in new housing permits does not necessarily mean that Utah's employment will follow suit, but it certainly raises a red flag. Add to it the likelihood of the Federal Reserve increasing interest rates in the next year, which will put upward pressure on mortgage rates and further slow demand for new housing, and it's hard to be too optimistic about Utah maintaining the robust level of growth that we've been seeing for the last several years.

At a regional level, Bear River is experiencing the same general trend, although the story is a bit more nuanced. New housing unit permits actually jumped more than 30 percent in 2010, before the rest of the state began recovering. But a closer look at Figure 2 reveals that this was primarily due to a big increase in the number of permitted apartment units. Prior to the recession, apartments accounted for about 15 percent of new housing unit permits on average, but in 2010 that share doubled to more than 30 percent. Increased demand for apartments is a good sign in that households are doing well enough to live on their own, but it's also an indication that fewer households are in a position to own their homes. According to Census data, about 88 percent of Utah's housing units in

Figure 2. Bear River New Residential Housing Unit Permits by Type of Structure



Source: Bureau of Economic and Business Research - University of Utah

structures with three or more units are rented, so an increase in demand for apartments is akin to an increase in rental demand, which does not really suggest economic strength. For a smaller region like Bear River, it may be more informative to look at the demand for single-family homes, which are owner-occupied some 86 percent of the time in Utah.

Follow the blue portion of each bar in Figure 2. Prior to the recession single-family homes comprised about 70 percent of new housing permits in Bear River, but that share dropped to less than 50 percent after 2009. From 2011 through 2013, permits for single-family homes were recovering nicely, much like Utah and the rest of the country, averaging 27 percent annual growth in Bear River. But in 2014 they fell sharply and apartment unit permits ticked up once again.

It's important to note that there are plenty of other reasons to be relatively optimistic about the future of the Bear River economy. Low unemployment and a tightening labor market have been putting upward pressure on average wages which are finally starting to show signs of improvement. Employment growth is continuing its upward trend and taxable sales have been strong in recent months. If we were to build an LEI for the region, it would have many other components that might tell a different story, but the new housing permits data should serve to temper our expectations a bit.



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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.

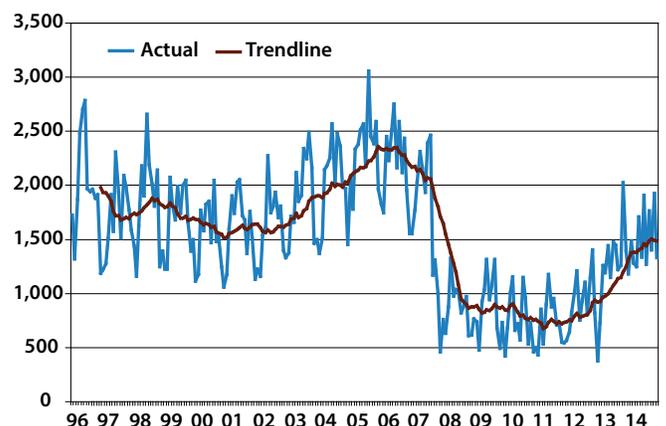
In this issue of Local Insights, we look at the demand for housing structures, the amount of housing permits and their history, and how this history shows that housing demand follows the ups and downs of a region's economic performance. In evaluating the volume of housing permits, we also parallel the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