"Ride, Ride, Ride the Wild Surf" Doug Macdonald & Neil Abercrombie, April 16, 2009

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The State of the Economy

It is no secret that the ebb and flow of the local economy significantly impacts city and town budgets. However, predicting this potential impact can be a rather difficult task for city officials.

Cities and towns receive the majority of their tax revenue from sales tax and property tax. Sales tax can be somewhat volatile depending on the state of the economy and type of industry within the city. In addition residential construction can have a negative or positive impact on cities budgets, depending of the rate of construction. For example, many of the good used to build and furnish a new home are subject to sales tax--when homes are not being built that potential revenue decreases.

Doug Macdonald, former Chief Economist for the Utah Tax Commission, has teamed up with the League to provide economic forecasts and outlooks to help in the year round budget process. Please check back to this page often for forecasting updates. In the meantime email Neil Abercrombie with any questions: nabercrombie@ulct.org

Important economic indicators

Every three or four month the League reviews the current state of economic indicators that are salient to Utah's cities.

These indicators are:

- Utah Wage and Salary
- Utah employment
- Utah average wage
- Utah unemployment claims
- Construction employment claims
- Residential construction values
- Nonresidential construction values
- Long/short term yield spread
- Misery index
- U.S. CPI (inflation)
- Utah unemployment rate
- Local 1% sales tax

Each of these indicators are reviewed by a scale of green to red — green illustrating this economic indicator is still strong, red illustrating that is not growing or decreasing.

- April economic indicators
- Summary of April indicators
- March 2009 Economic Indicators

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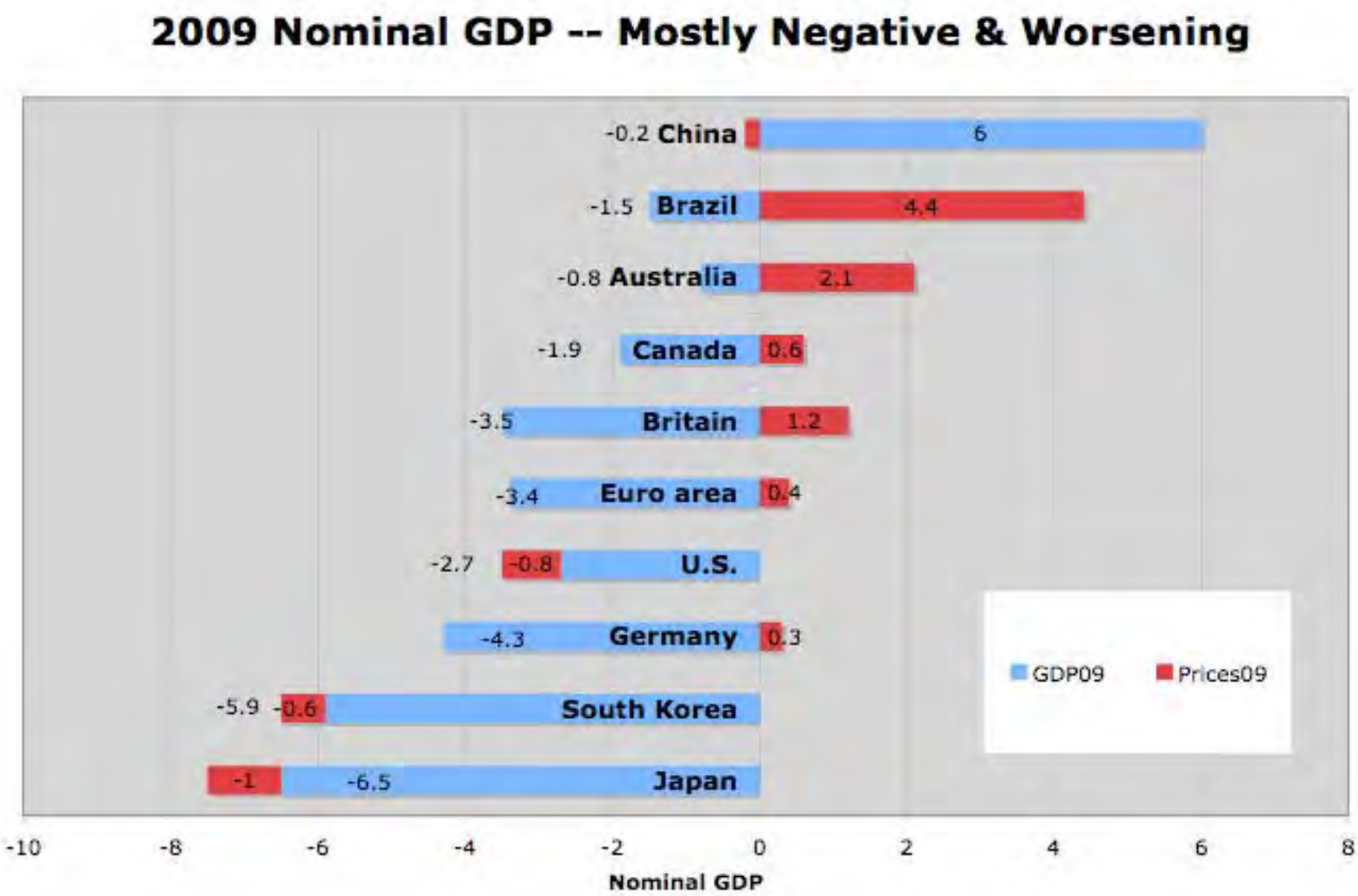
ULCT Economic Updates

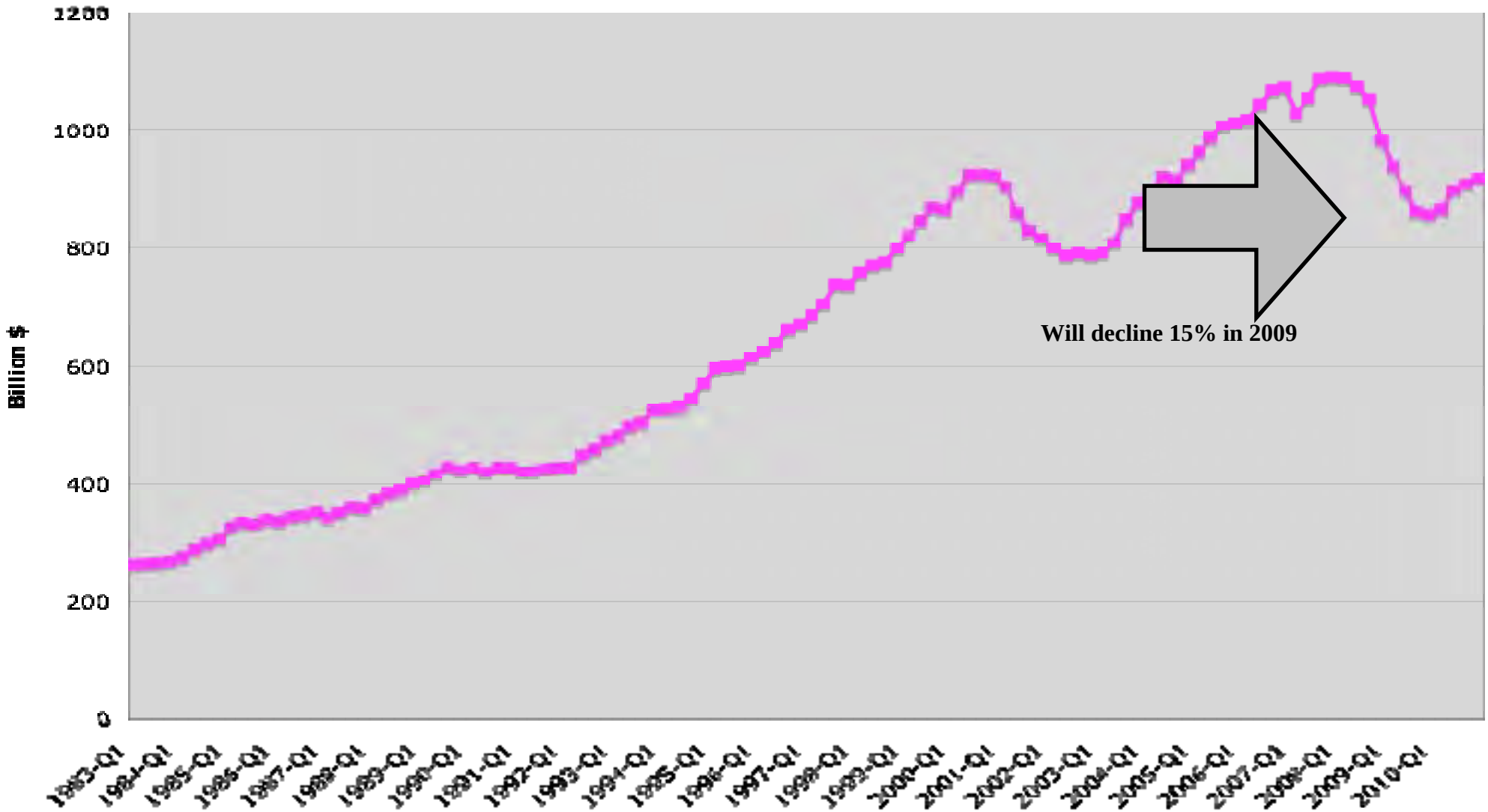


Source: The Economist, April 11, 2009

- Key driver #1: Utah Residential Construction - Boom & Bust

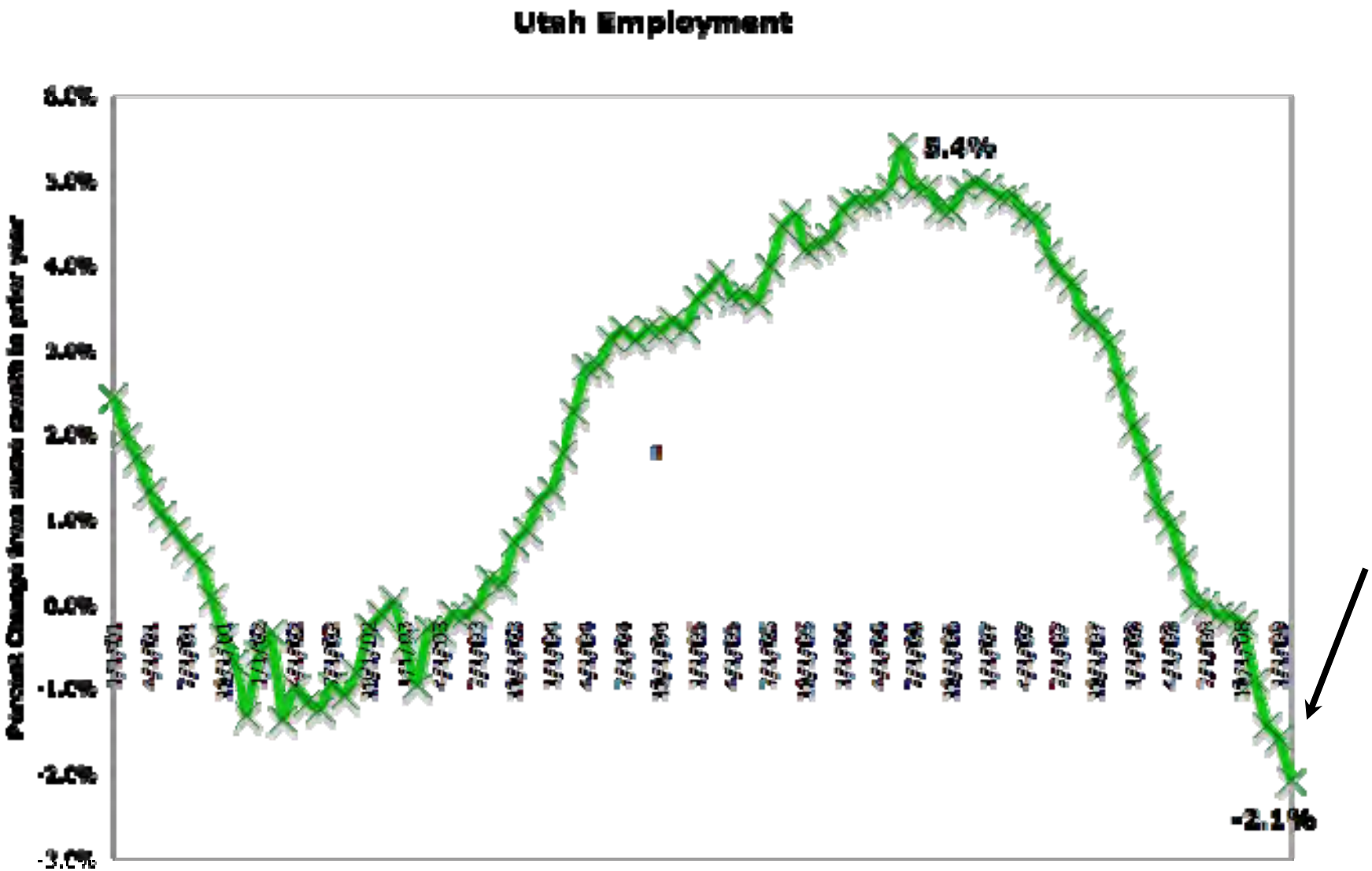
2000	$2.14 billion	
2001	2.35	9.8 %
2002	2.49	6.0 %
2003	3.05	22.4 %
2004	3.55	16.4 %
2005	4.66	31.3 %
2006	4.96	6.4 %
2007	3.90	-21.4 %
2008	1.88	-51.8 %
2009 f	1.60	-15.0 %
2010 f	2.00	25.0 %

- Key driver #2: U.S. Equipment and Software Spending



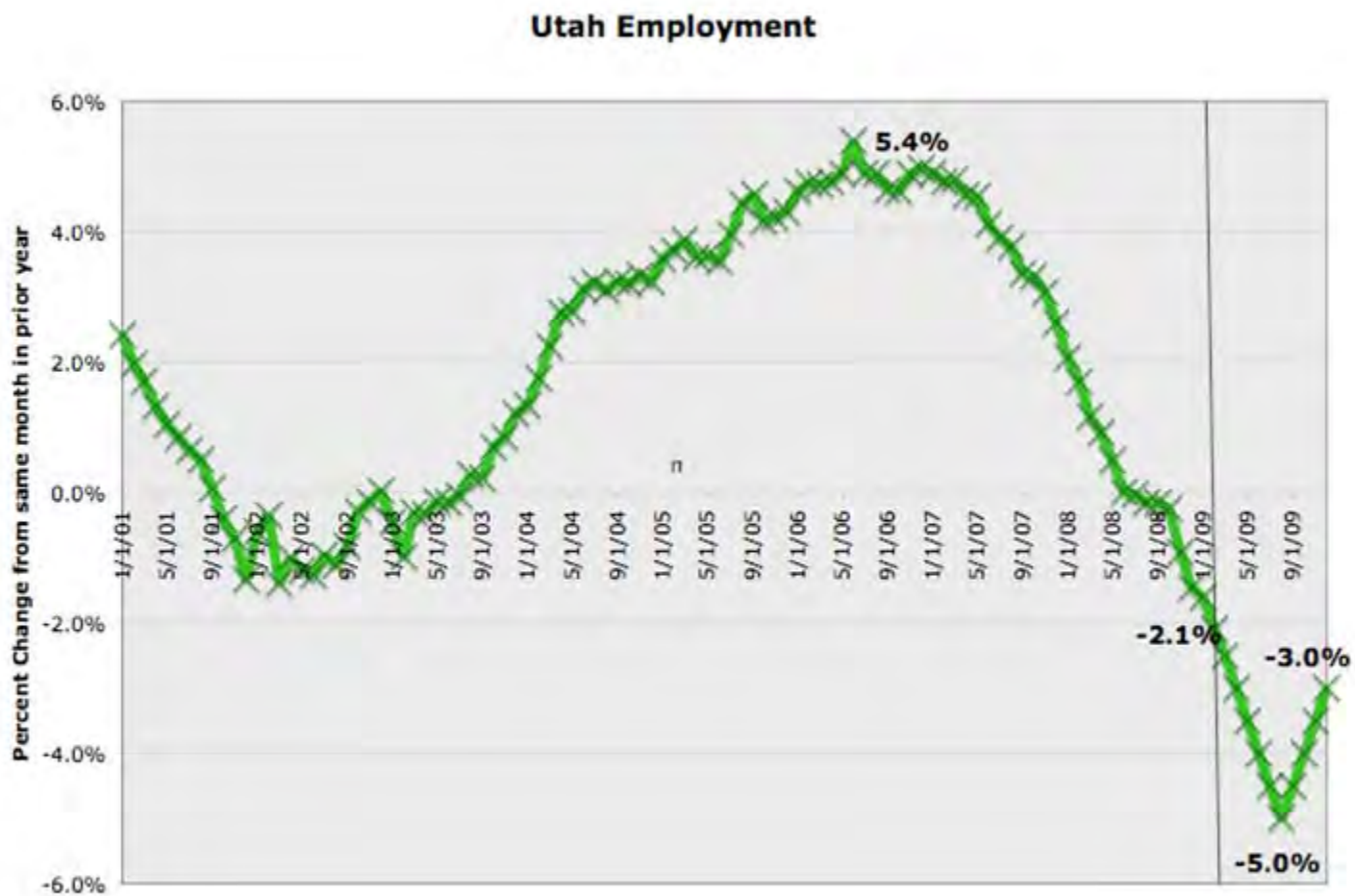
Source: Global Insight

Key Driver #3: Job Growth --February 2009 Jobs Declined 2.1%



Source: www. jobs.utah.gov

Key Driver #3: Job Growth --Will decline 3% to 4% in 2009, before improving in 2010

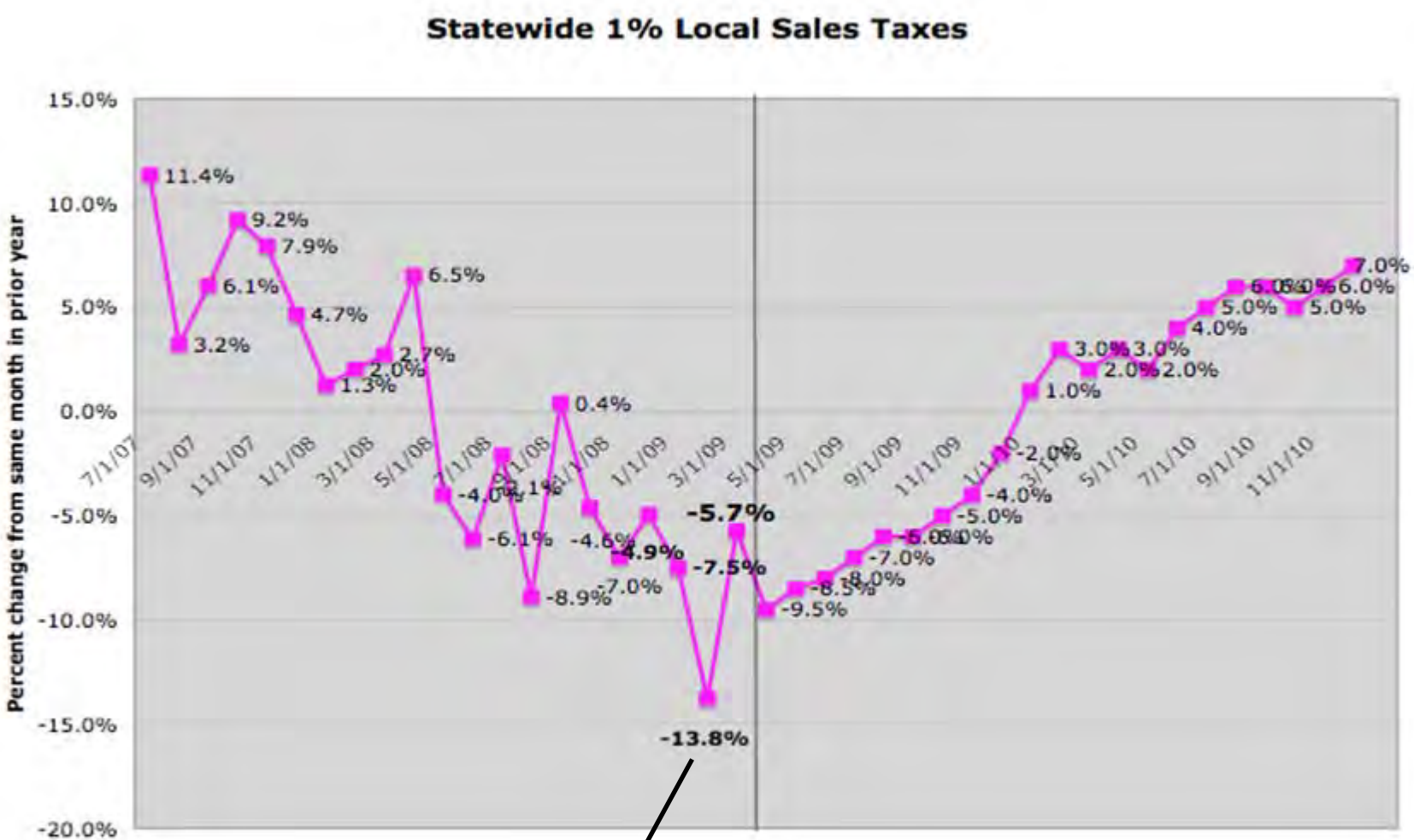


- Key driver #4: U.S. Consumer Confidence at all time lows

2006	87
2007	86
2008	64
2009 estimate	59
2010 forecast	64
2011 forecast	68

Source: University of Michigan, forecast by Global Insight

- Sales in 2008 fell 6% -- in 2009 they will decline another 5% before the rebound



Merry Christmas