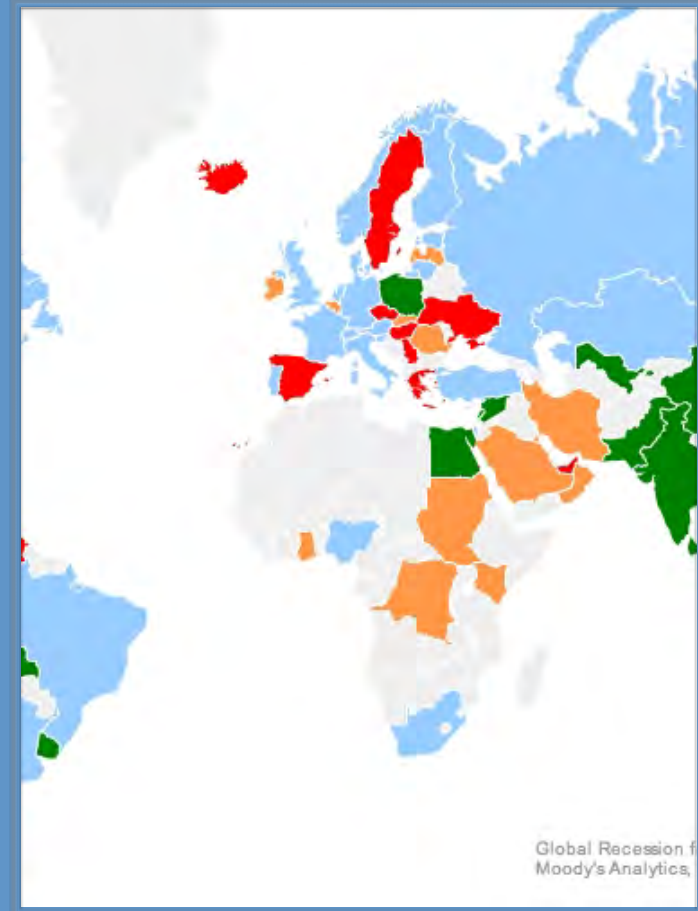


August 2011 Forecast Review



Doug Macdonald
Utah League of Cities & Towns

“This has been an unbelievable week. You just had fear totally take over. And the problems have not been solved. European debt issues are not going away. The debt and deficit situation is not going to go away.” Scott Wren, Wells Fargo Advisers



$$\begin{aligned} \text{GDP} &= \text{Consumption} \\ &+ \text{Investment} \\ &+ \text{Government} \\ &+ \text{Net EXports} \end{aligned}$$

$$\begin{aligned} \text{Taxable Sales} &= \text{C}_{\text{onsumption}} \\ &+ \text{I}_{\text{nterest}} \\ &+ \text{G}_{\text{overnment}} \\ &+ \text{Net E} \text{X}_{\text{ports}} \end{aligned}$$

state law = “tangible personal property” plus certain services

CONSUMPTION depends on:

- 1) **Consumer Income** (wages, salaries, business income, transfers)
- 2) **Population,**
- 3) **Prices and availability of goods,**
- 4) **Tastes**
- 5) **Consumer Confidence**

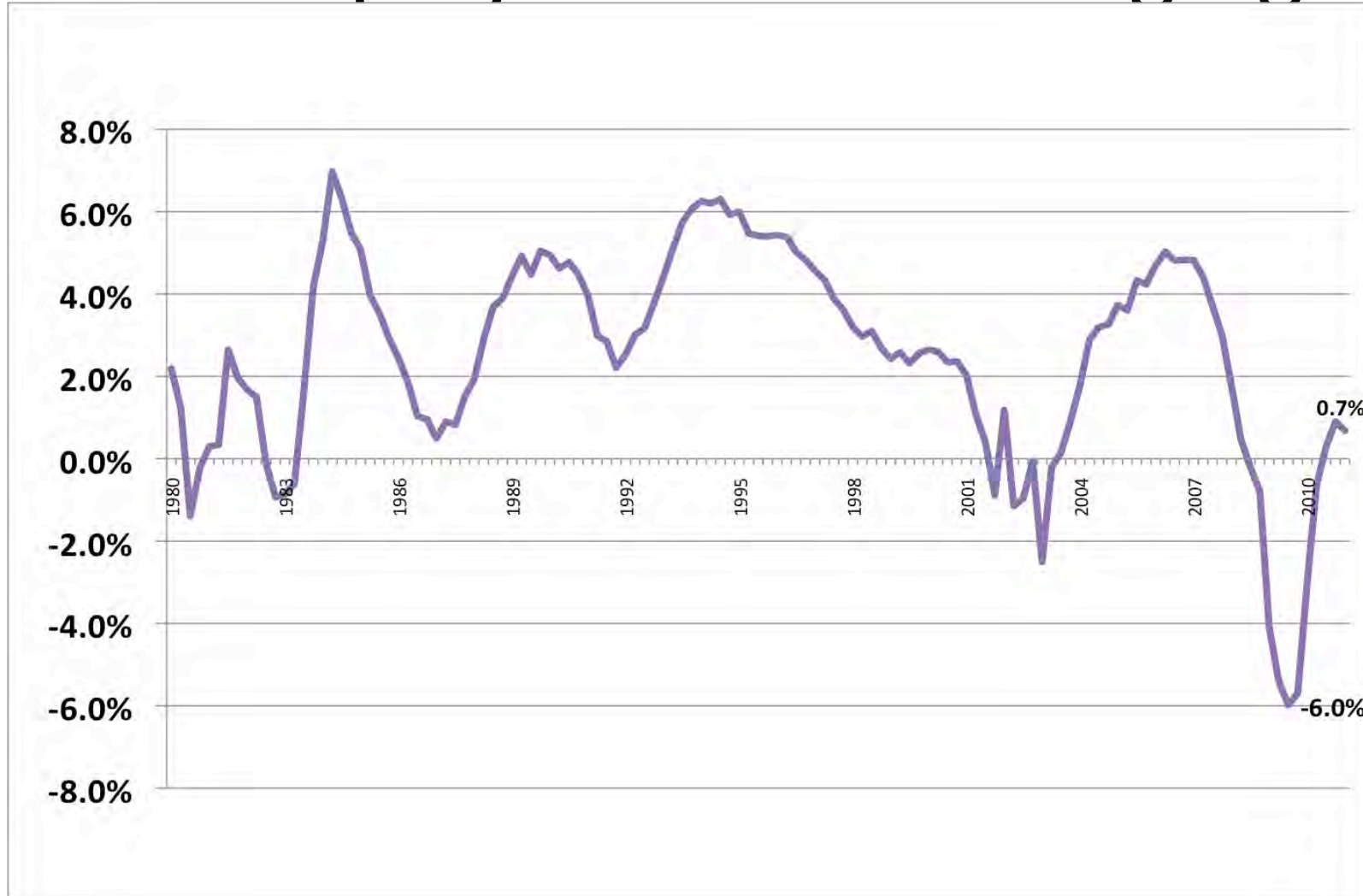
Investment depends on:

- 1) Last year's production,
- 2) Technological progress,
- 3) Interest rates & other input prices,
- 4) Prices of related goods,
- 5) Business confidence

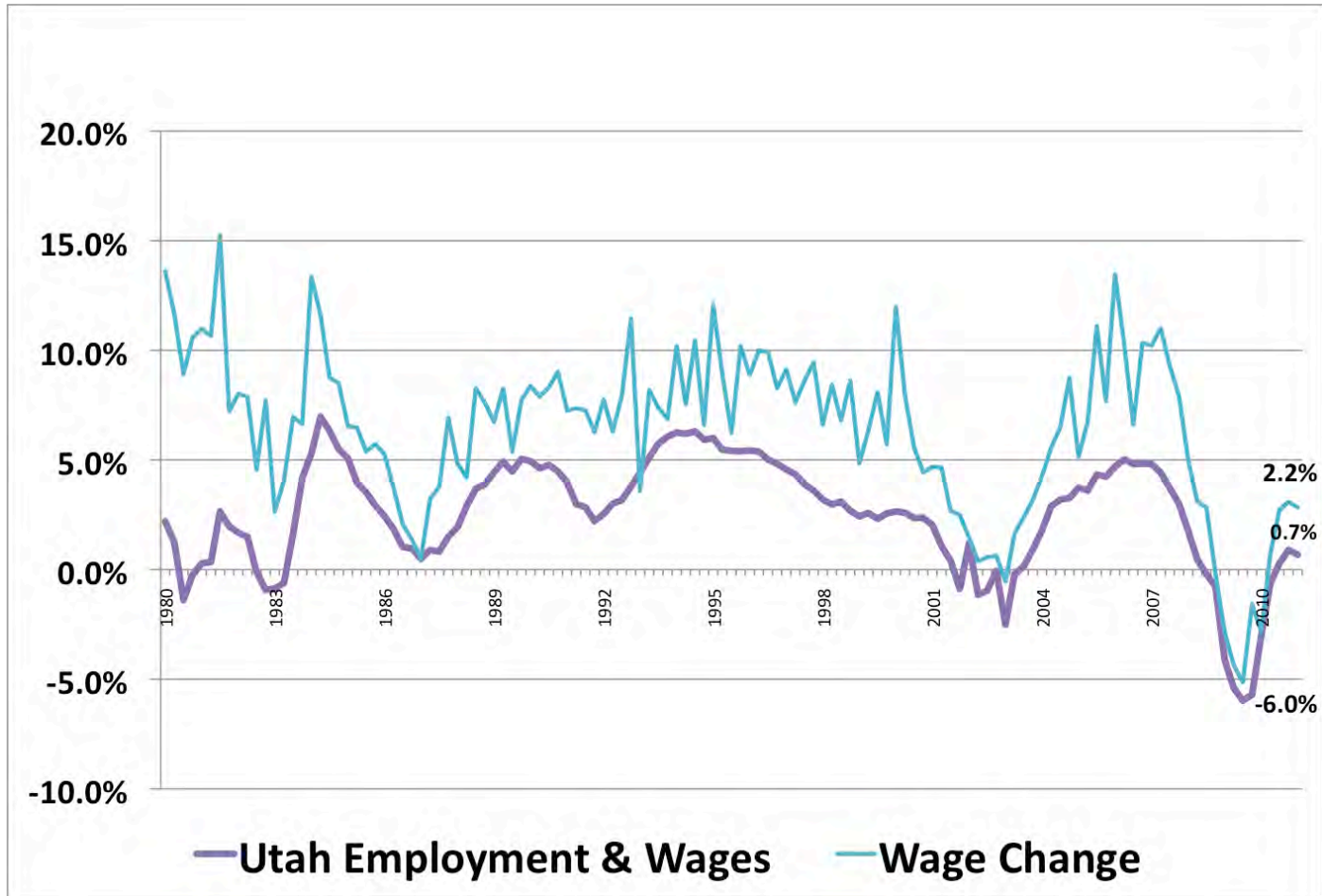
Utah (June) Employment up 2%

	June 2010	June 2011	Percent Change
Mining	10,500	11,300	6.9 %
Manufacturing	111,400	115,400	3.6
Retail Trade	137,600	141,000	2.5
Transp. & Utilities	46,800	48,500	3.7
Information	29,400	30,100	2.5
Construction	66,400	67,000	0.9
Financial Activities	67,600	66,500	-1.7
Prof. & Bus. Service	154,200	162,000	5.0
Education & Health	151,300	154,300	2.0
Leisure & Hospitality	112,900	115,300	2.1
Federal Govt.	39,500	37,100	-0.7
State Government	62,000	62,800	1.3
Local Government	53,000	52,800	-0.4

Utah Employment – Growing Again



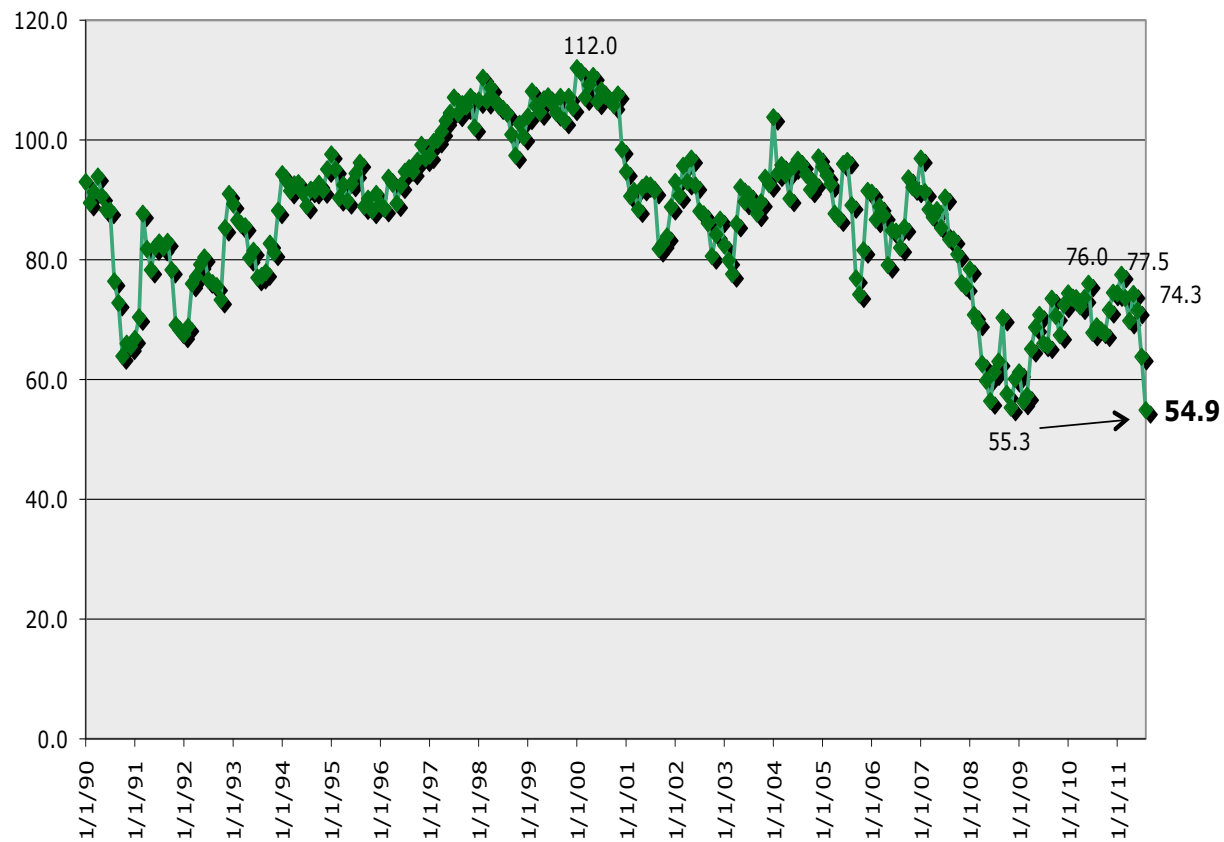
Utah Wages Picking up Steam



Consumer Sentiment hits the skids

(not good for car & truck sales)

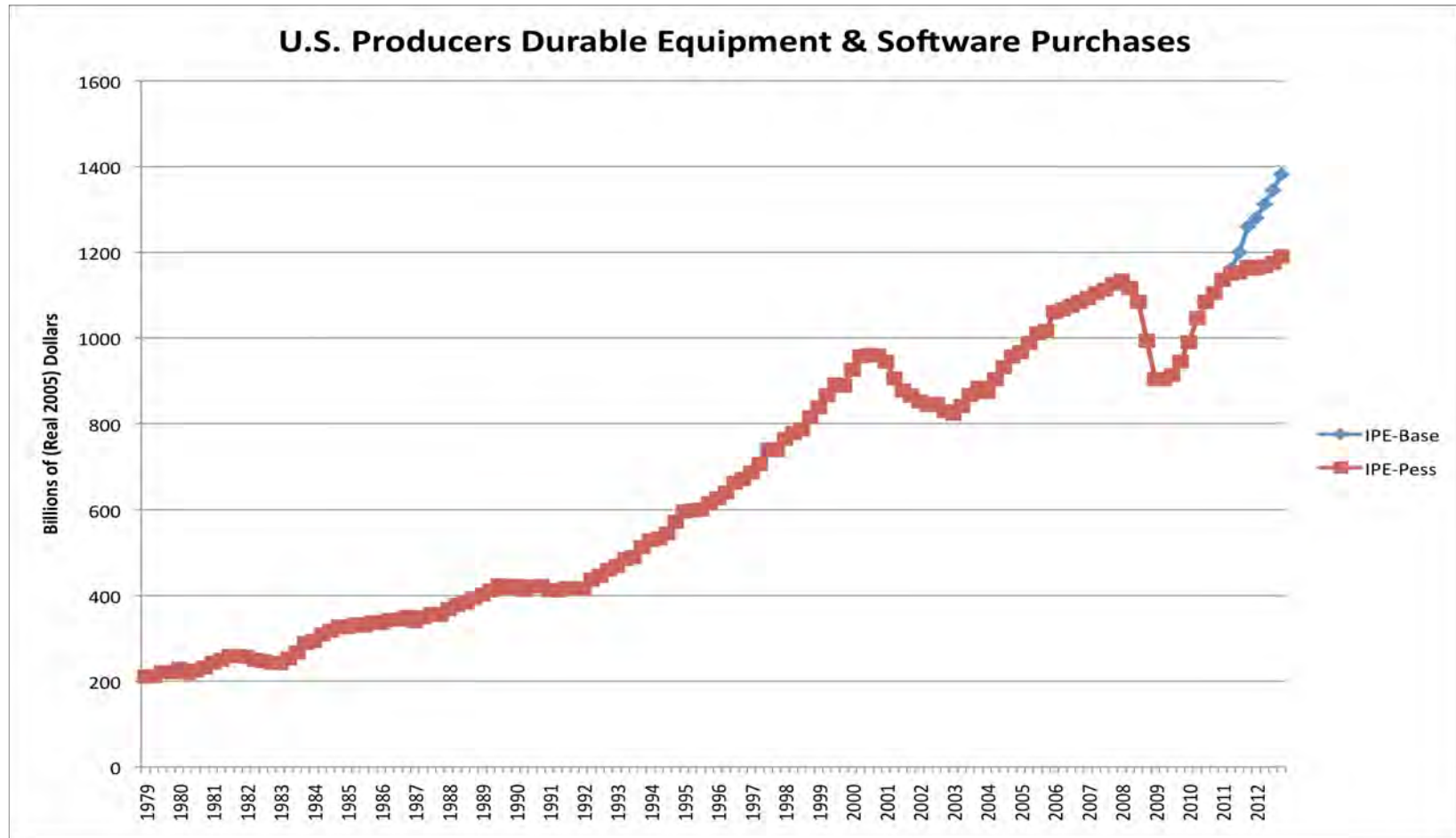
U.S. Consumer Sentiment Index



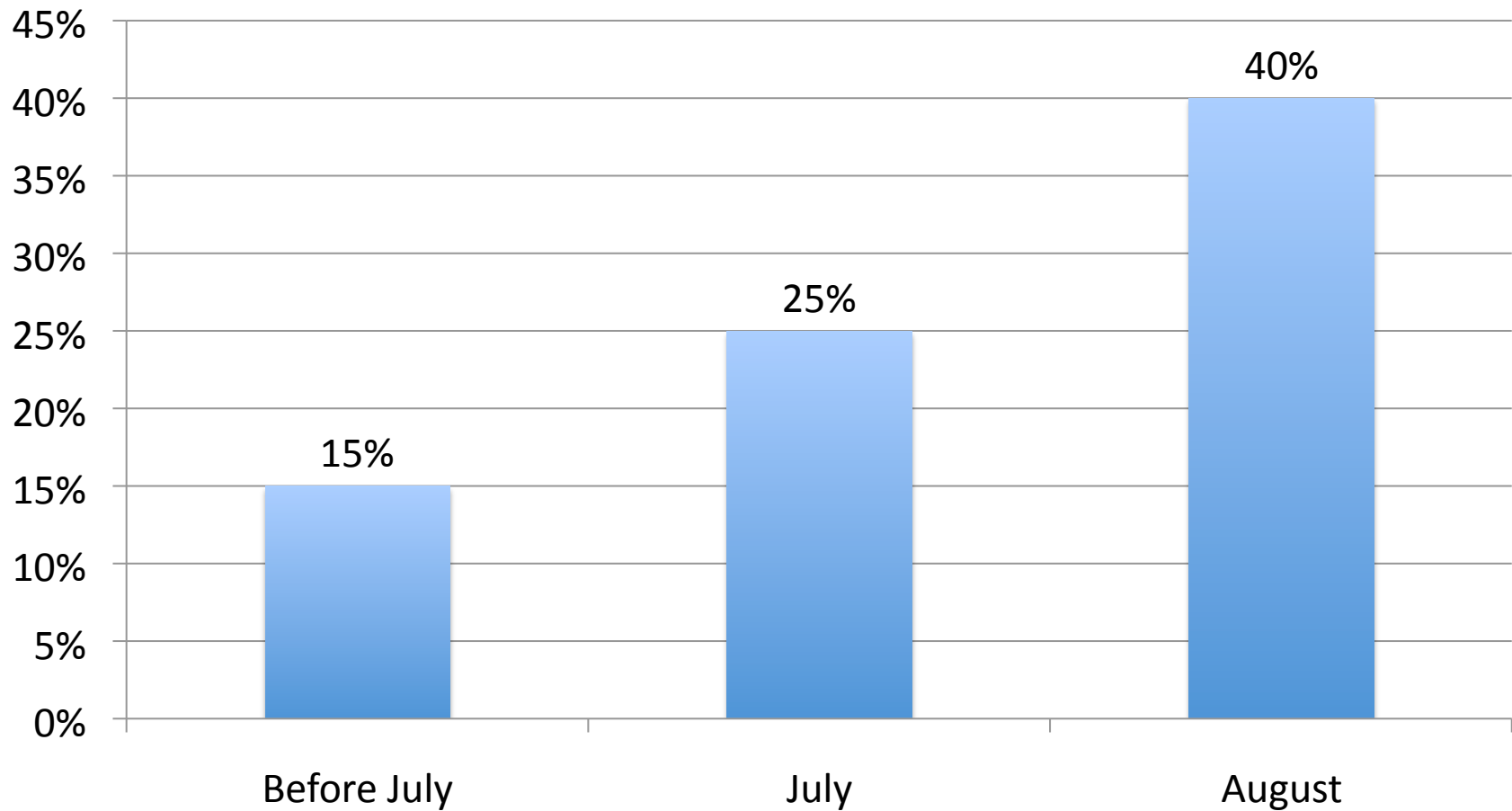
Residential Construction Still Down and Almost Out

Million Dollars	Jan – June 2011	Percent Change from 2010
Cache	15.3	-65.8 %
Davis	75.2	-37.2
Salt Lake	200.4	-21.3
Utah	180.6	-9.6
Washington	57.9	-37.9
Weber	31.3	-25.4
Total	651.7	-27.1

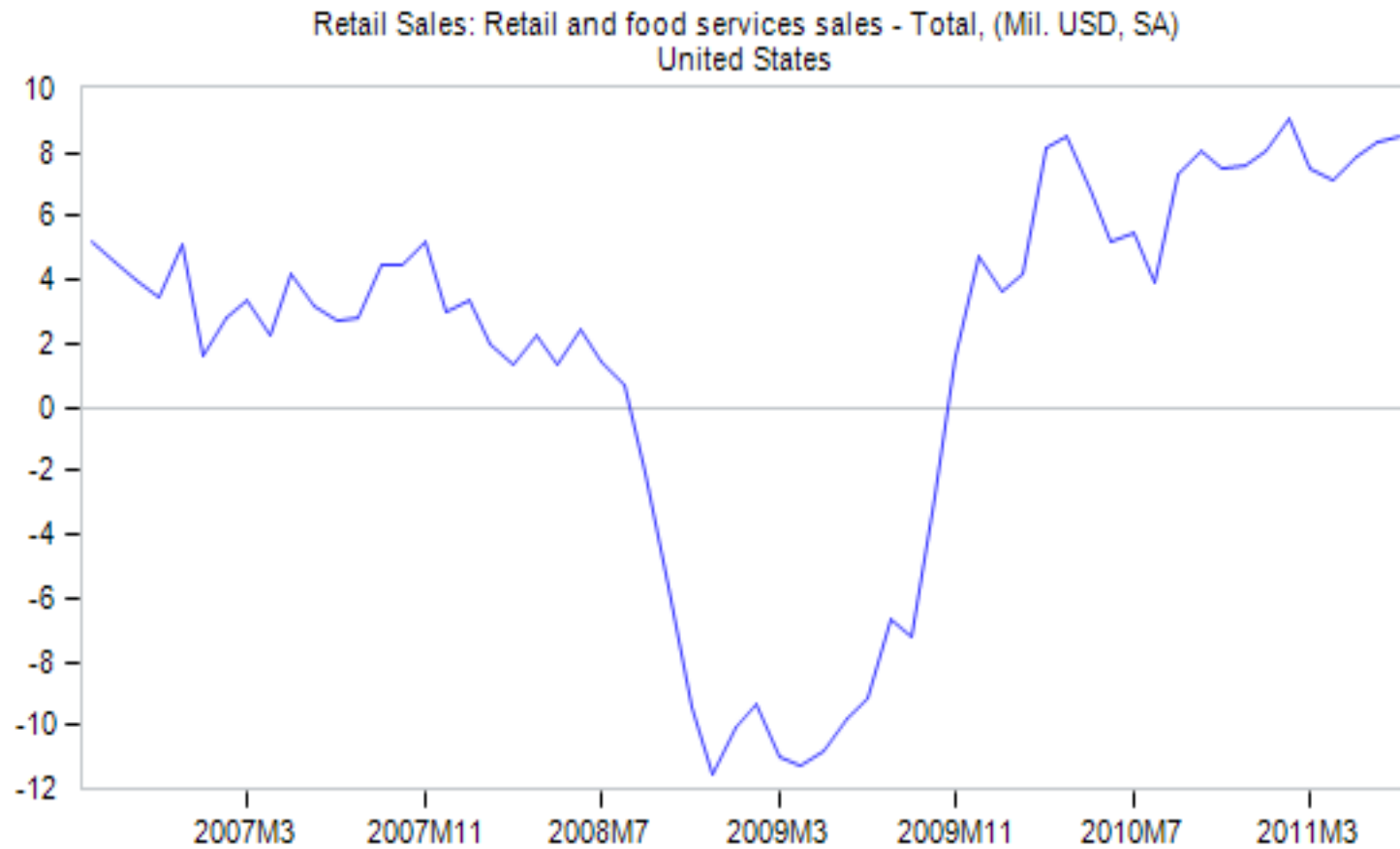
U.S. Business Equipment & Software should continue to improve



Probability of Double-dip Recession

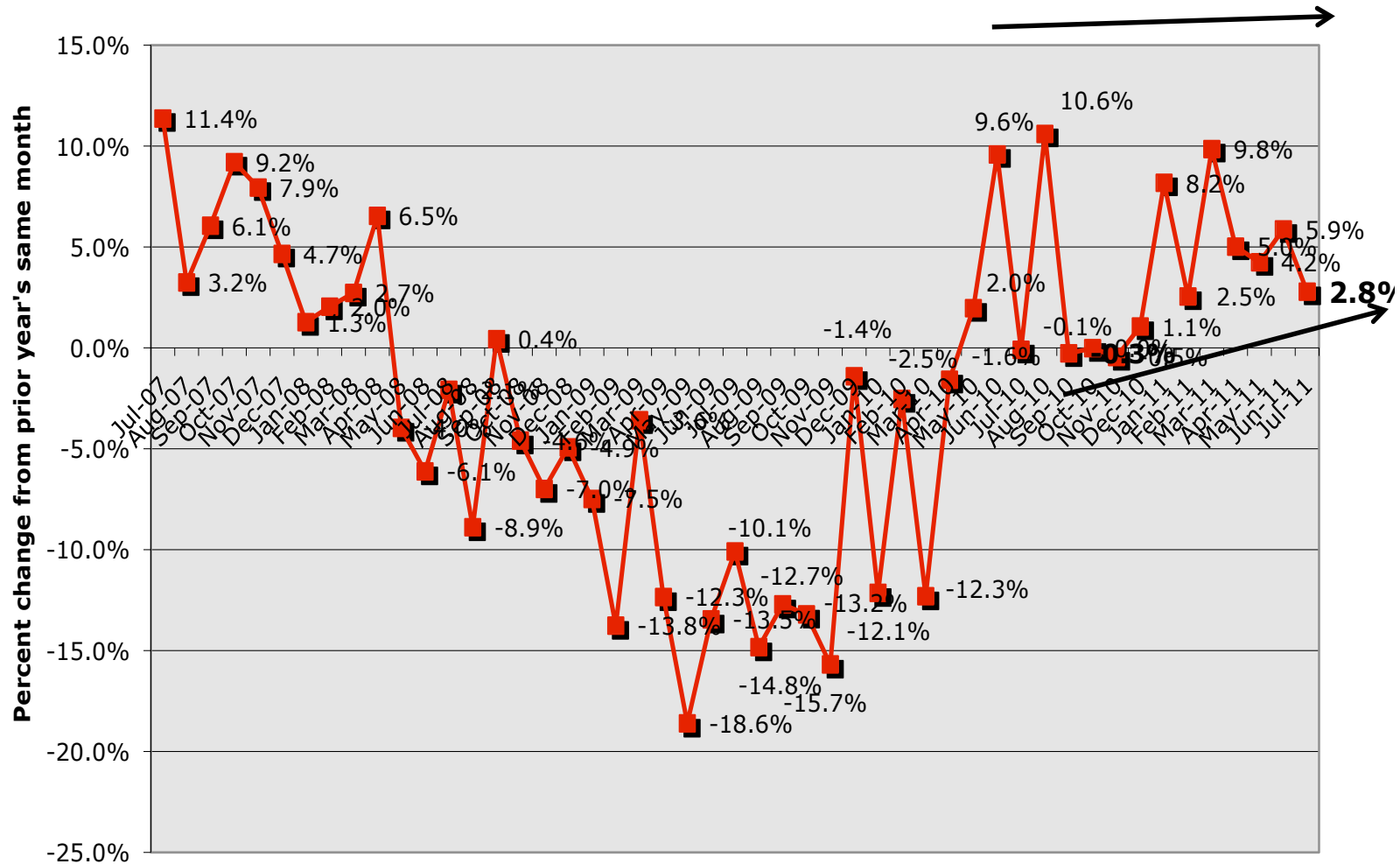


U.S. Consumers still spending...



Statewide 1% Local Sales Taxes

Headed toward a 3.3% gain in FY2011



July 2011 Local 1% Sales Tax Distribution

(Based on May taxable sales)

(\$000)	Dist. For Jul-10 May 2010 sales	Dist. For Jul-11 May 2011 sales [Final]	% change	3 mo. % chan
Statewide 1%	\$ 31,421	\$ 32,296	2.8%	4.3%
SLC	3,111	3,152	1.3%	3.2%
Sandy	1,250	1,167	-6.6%	-2.7%
West Valley	1,414	1,397	-1.2%	4.5%
Murray	834	852	2.2%	2.3%
Draper	547	542	-0.9%	1.7%
Ogden	921	977	6.1%	0.1%
Provo	1,066	1,009	-5.3%	1.2%
Orem	1,187	1,198	0.9%	1.6%
Bountiful	426	405	-4.9%	0.2%
Clearfield	277	247	-10.8%	3.5%
Layton	821	782	-4.8%	3.1%
Park City	150	150	0.0%	-18.8%
St. George	932	927	-0.5%	3.2%

May Forecast Needs a -2% Trim

Utah Taxable Sales Forecast and Key Economic Drivers

	FY 2008	FY 2009	FY2010	Last 6 months	FY2011 Baseline	FY2012 Pessimistic	FY2012 Baseline
U.S. Gross Domestic Product	2.3%	-1.3%	-0.2%	2.5%	1.9%	0.7%	3.1%
Utah Employment	4.1%	-2.6%	-3.7%	0.6%	1.2%	2.1%	3.1%
Utah Average Wages	2.2%	1.3%	1.5%	2.3%	3.3%	2.2%	3.6%
Utah Total Wages	6.4%	-1.3%	-2.2%	2.9%	4.5%	4.3%	6.7%
Utah Residential Construction Values	-43.5%	-34.4%	0.6%	-7.6%	-14.1%	-17.3%	-11.3%
U.S. Equipment & Software Purchases	1.8%	-11.9%	-0.9%	17.8%	15.2%	9.0%	12.6%
U.S. Savings Rate	2.9%	5.3%	5.7%	5.6%	5.0%	6.0%	4.5%
U.S. Consumer Sentiment Index	-16.8%	-15.8%	15.0%	1.7%	10.0%	-8.2%	4.0%
Utah Taxable Sales (based on 1% local tax)	3.5%	-8.5%	-5.9%	3.2%	4.7%	2.4%	6.7%

Krugman advice:

What would a real response to our problems involve? First of all, it would involve more, not less, government spending for the time being — with mass unemployment and incredibly low borrowing costs, we should be rebuilding our schools, our roads, our water systems and more. It would involve aggressive moves to reduce household debt via mortgage forgiveness and refinancing. And it would involve an all-out effort by the Federal Reserve to get the economy moving, with the deliberate goal of generating higher inflation to help alleviate debt problem ... Dr. Paul Krugman, Economist, Nobel Laureate, August 11, 2011