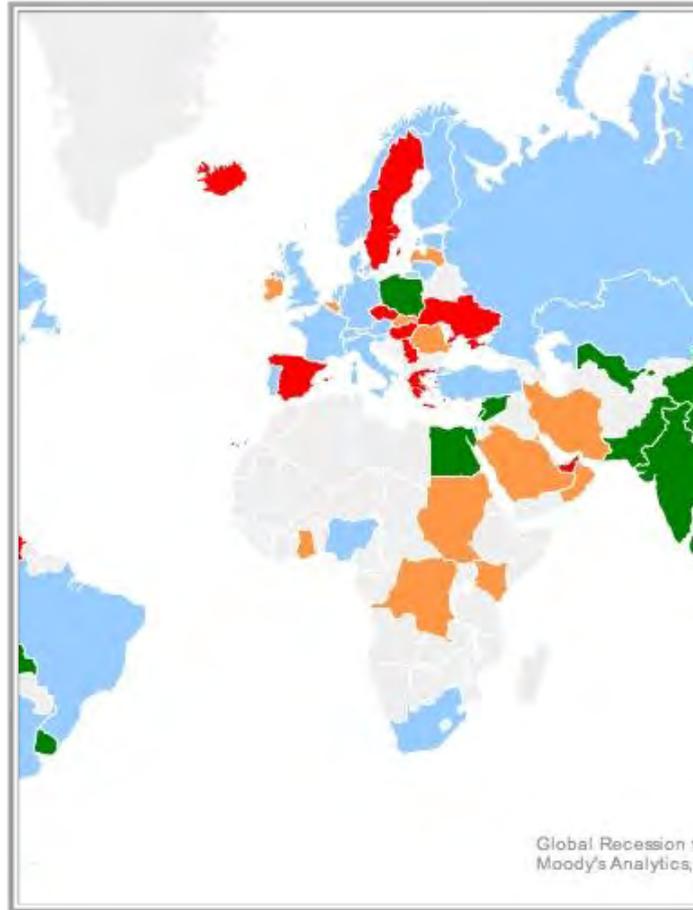


September 2011 Forecast Review



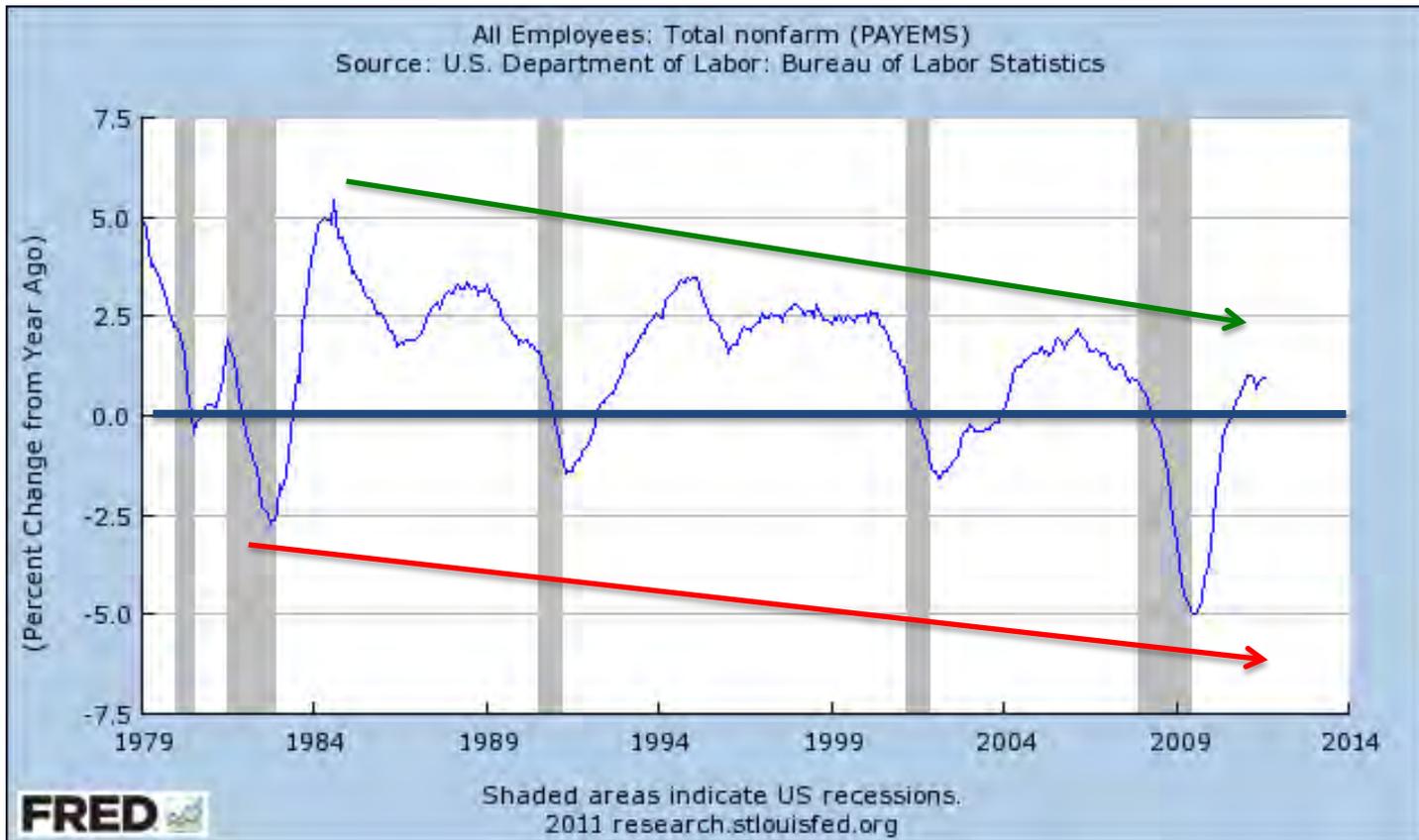
Doug Macdonald
Utah League of Cities & Towns

“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



Are we in recession now?

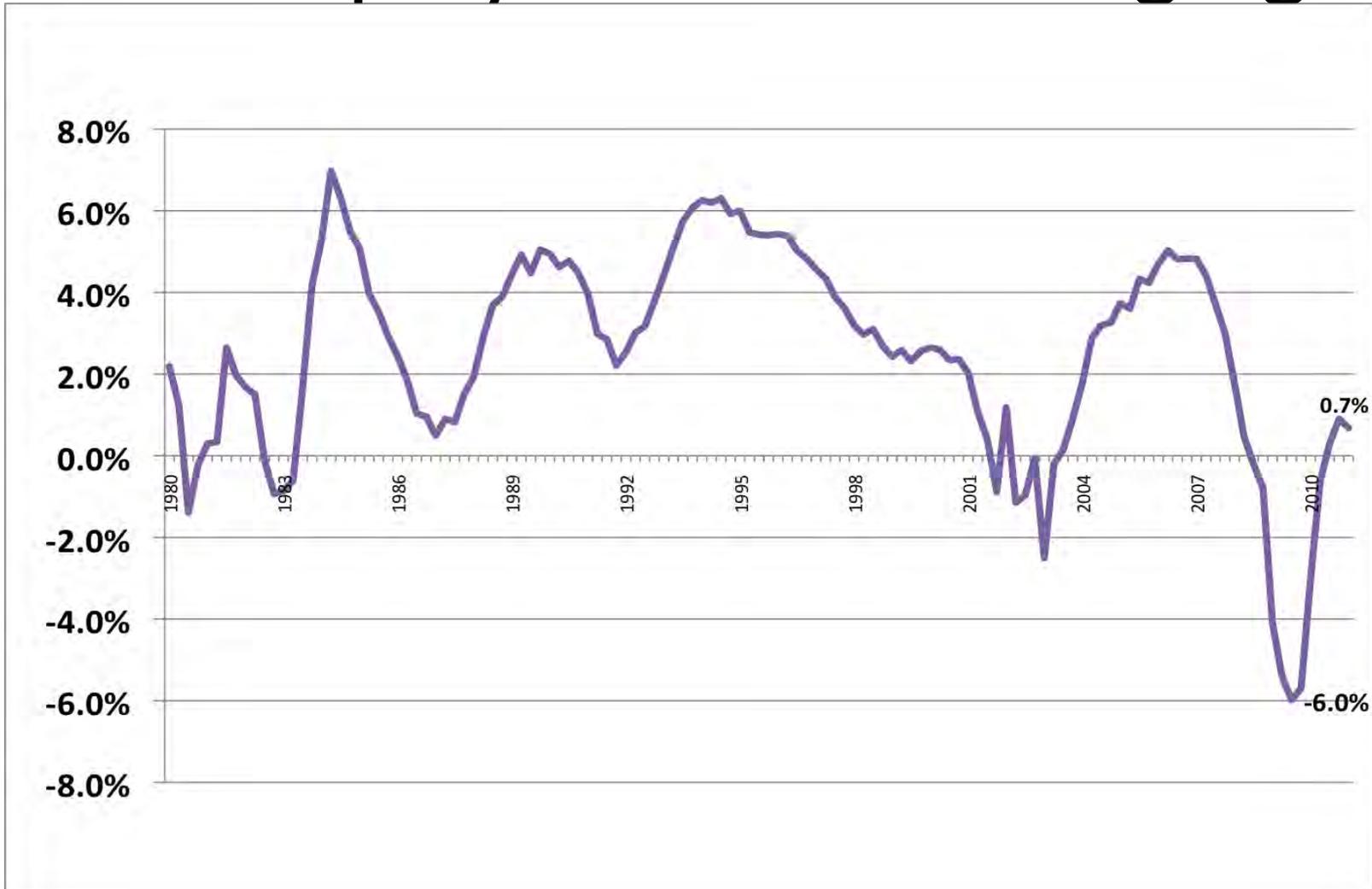
- How do you define recession? (GDP negative, Employment negative)
- It feels like a recession for most, and a depression for some
- In chart below – highs (expansions) have lower job growth rates, negative rates (recessions) lower too



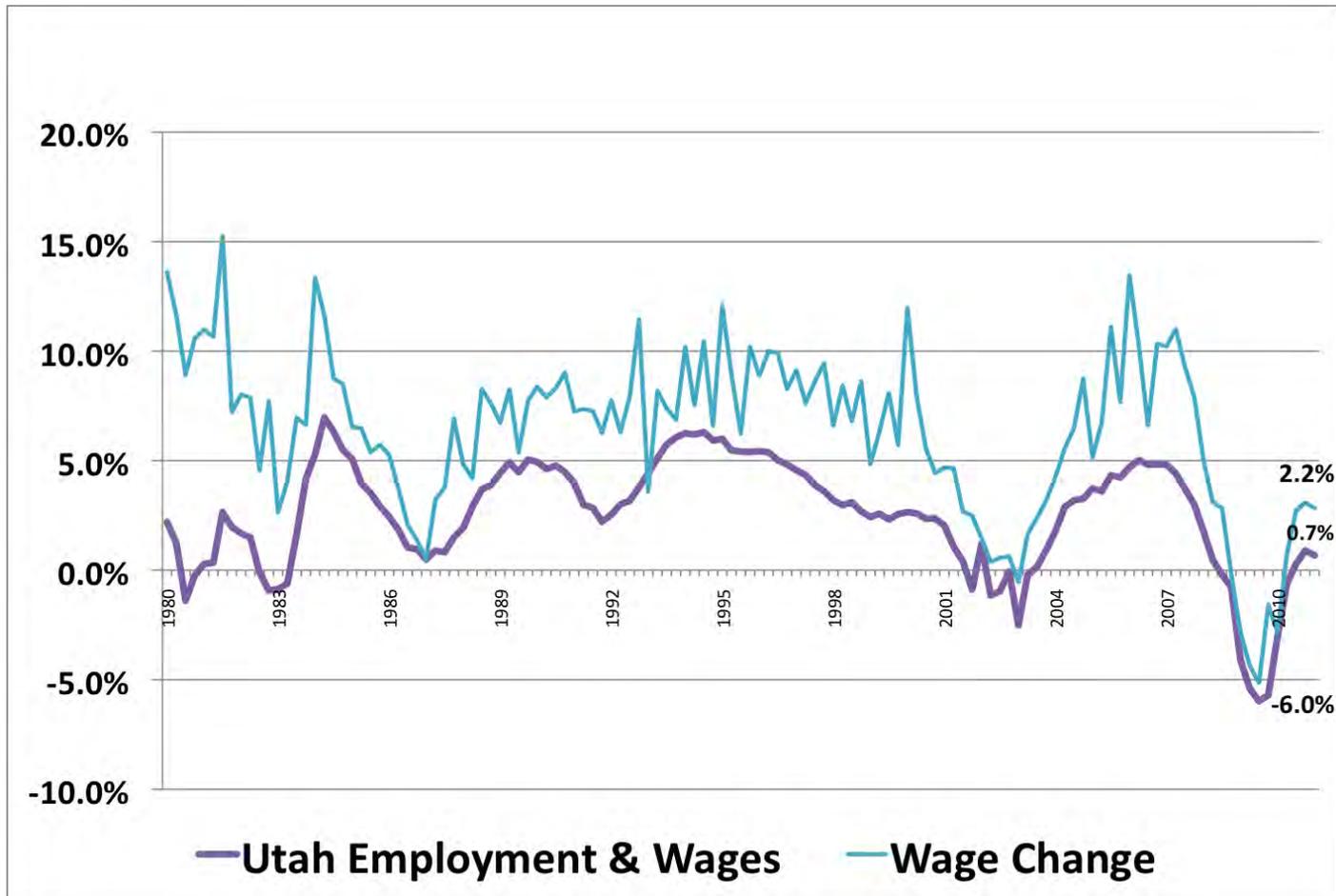
Utah (July) Employment up 2.5%

	July 2010	July 2011	Percent Change
Mining	10,600	11,500	9.0%
Manufacturing	111,800	116,600	4.3
Retail Trade	137,400	142,000	3.4
Transp. & Utilities	47,000	48,700	3.6
Information	29,400	30,300	3.3
Construction	67,500	69,900	3.6
Financial Activities	67,600	67,100	-0.7
Prof. & Bus. Service	155,500	163,500	5.1
Education & Health	150,600	152,500	1.3
Leisure & Hospitality	113,300	117,900	4.0
Federal Govt.	39,300	36,700	-6.5
State Government	61,200	61,600	0.6
Local Government	100,900	101,200	-0.2

Utah Employment – Growing Again



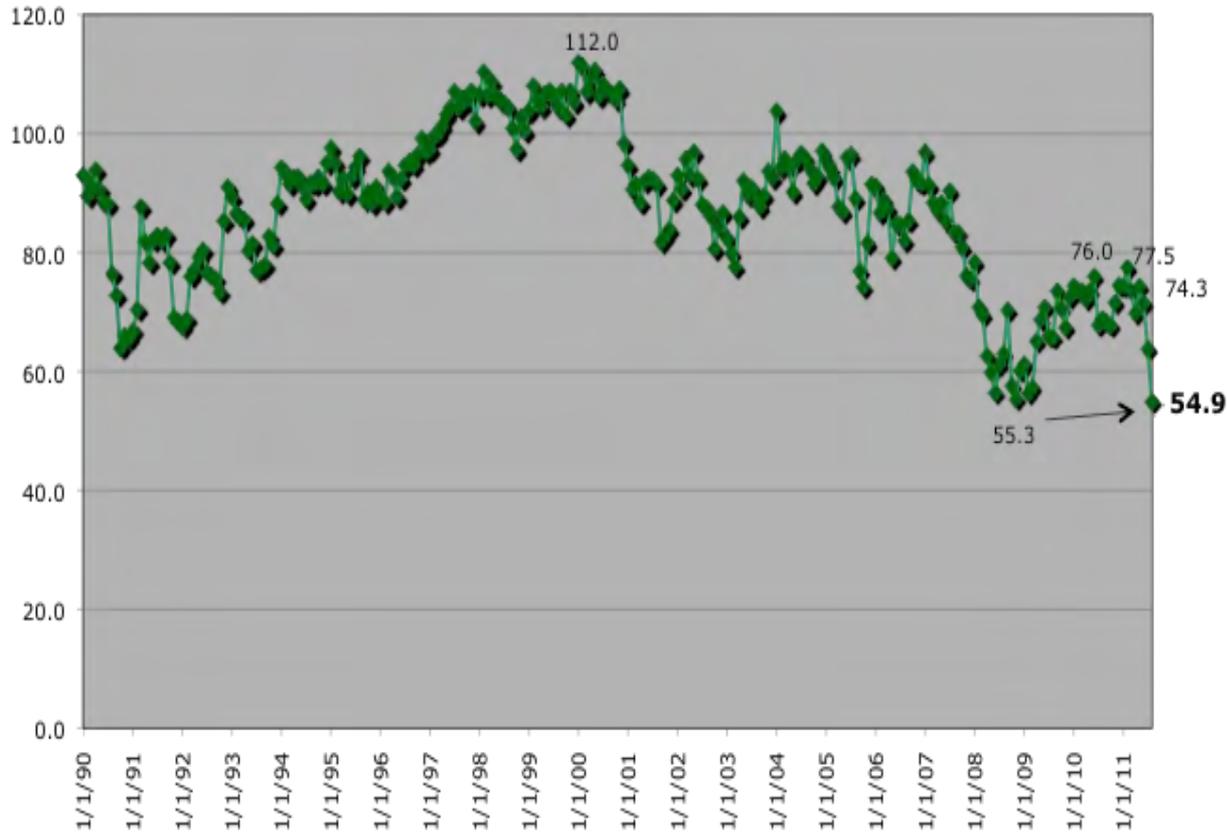
Utah Wages Picking up Steam



Consumer Sentiment hits the skids

(not good for car & truck sales)

U.S. Consumer Sentiment Index

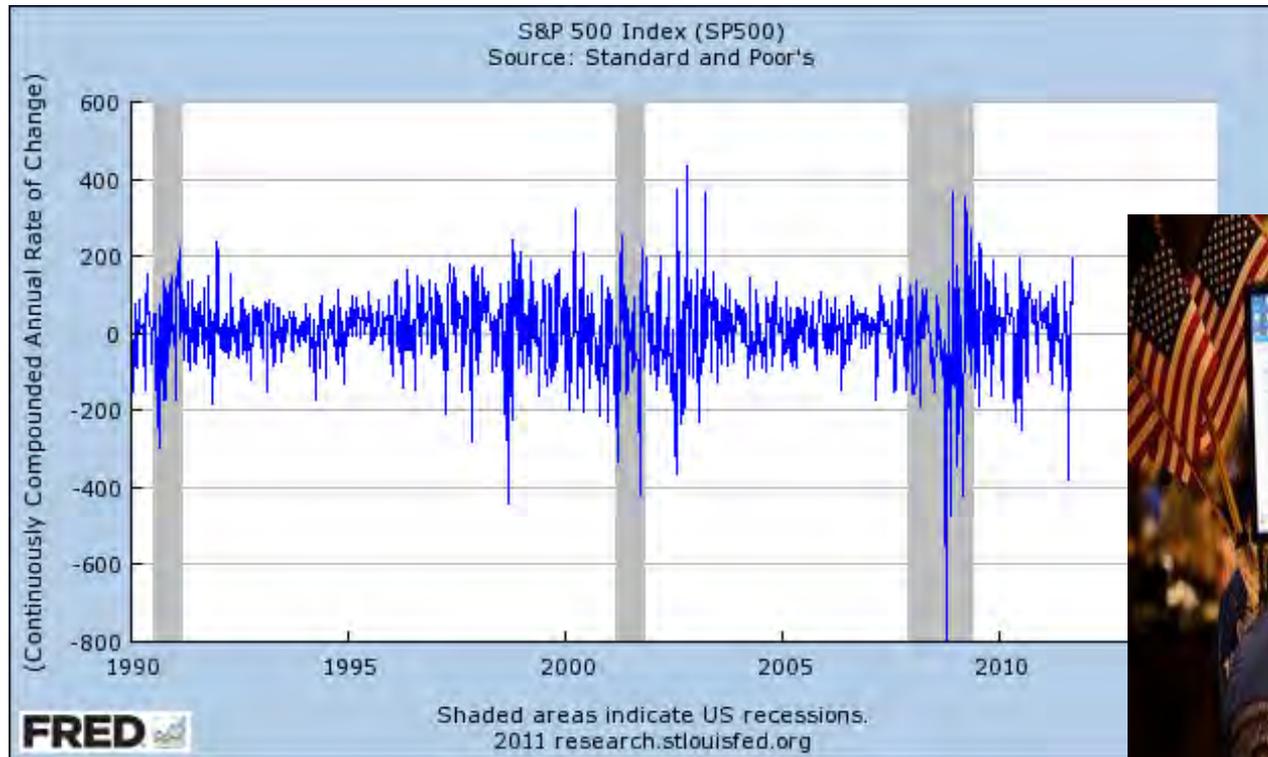


Residential Construction Still Down but Turning Up in Salt Lake & Utah Counties

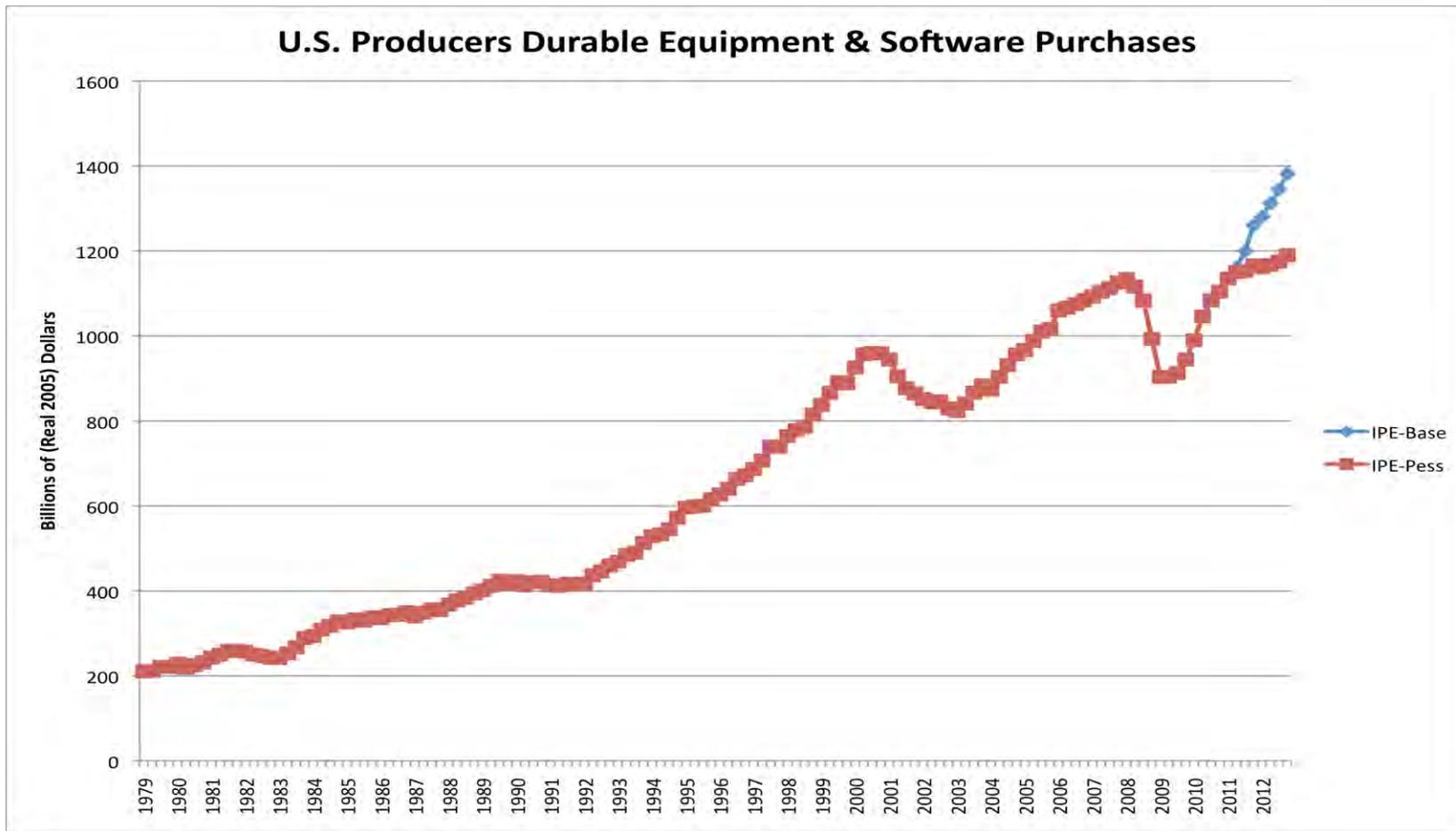
Million Dollars	Jan – June 2011	Percent Change from 2010
Cache	\$ 21.1 million	-52.8 %
Davis	114.2	-4.5
Salt Lake	263.9	3.7
Utah	215.6	7.9
Washington	78.4	-15.8
Weber	36.0	-14.2
Total	\$854.4 million	-4.5

Note: These 6 counties comprise 85% of total residential values

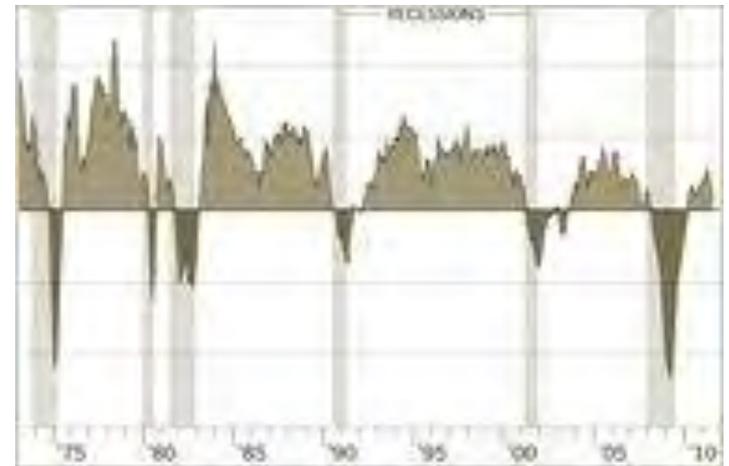
Still, the S&P500 has been volatile of late



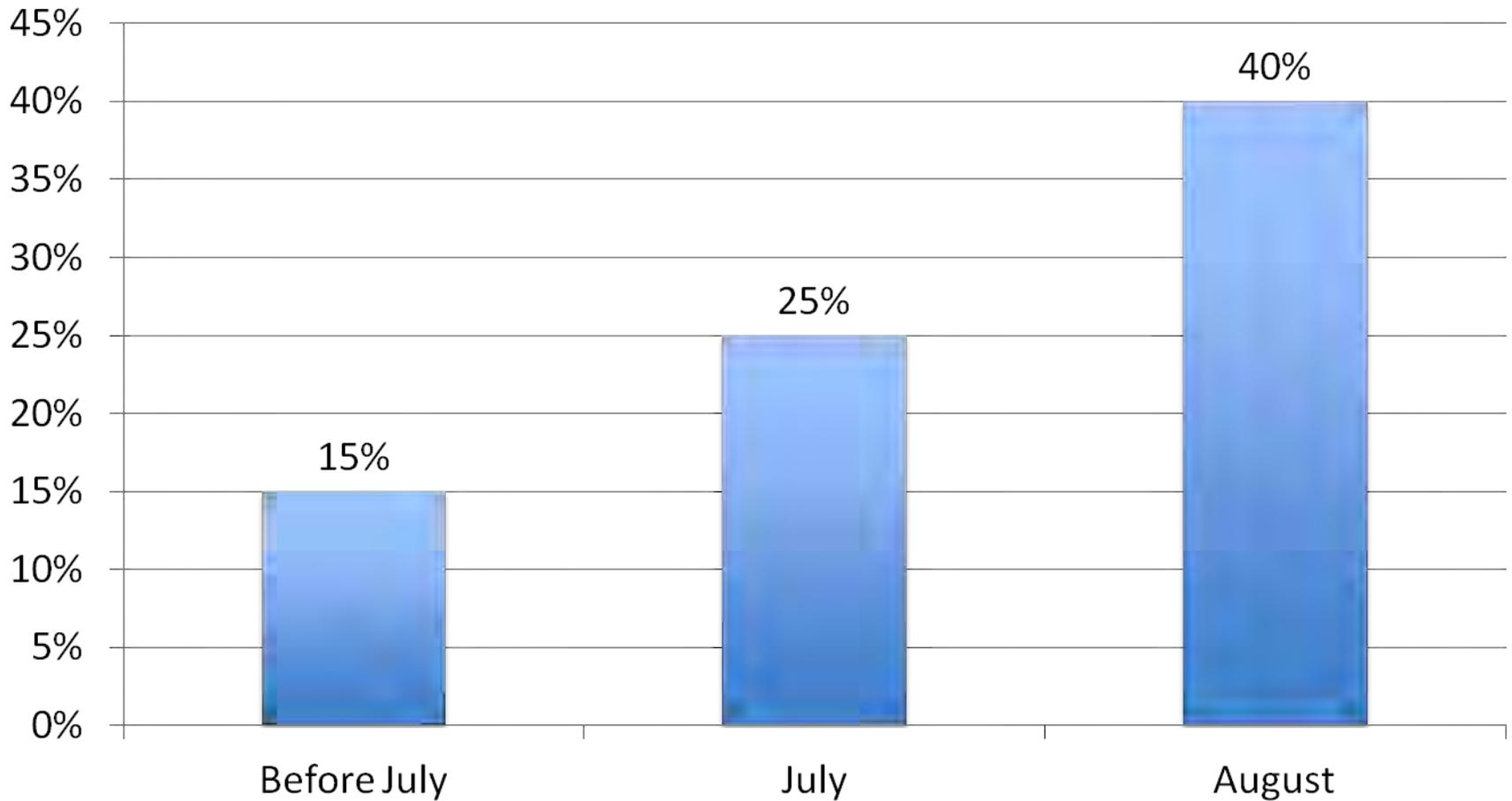
U.S. Business Equipment & Software should continue to improve



In for a double-dip?



Probability of Double-dip Recession



Leonhardt:

The forecasters, on Wall Street and elsewhere, are not blind to economic change; they just tend to underestimate its severity.

When the economy is on the verge of recession, the average recession odds from forecasters tend to rise to about 30%.

There has been only one occasion, in 1988, when the chances rose above 30% and a recession did not follow.

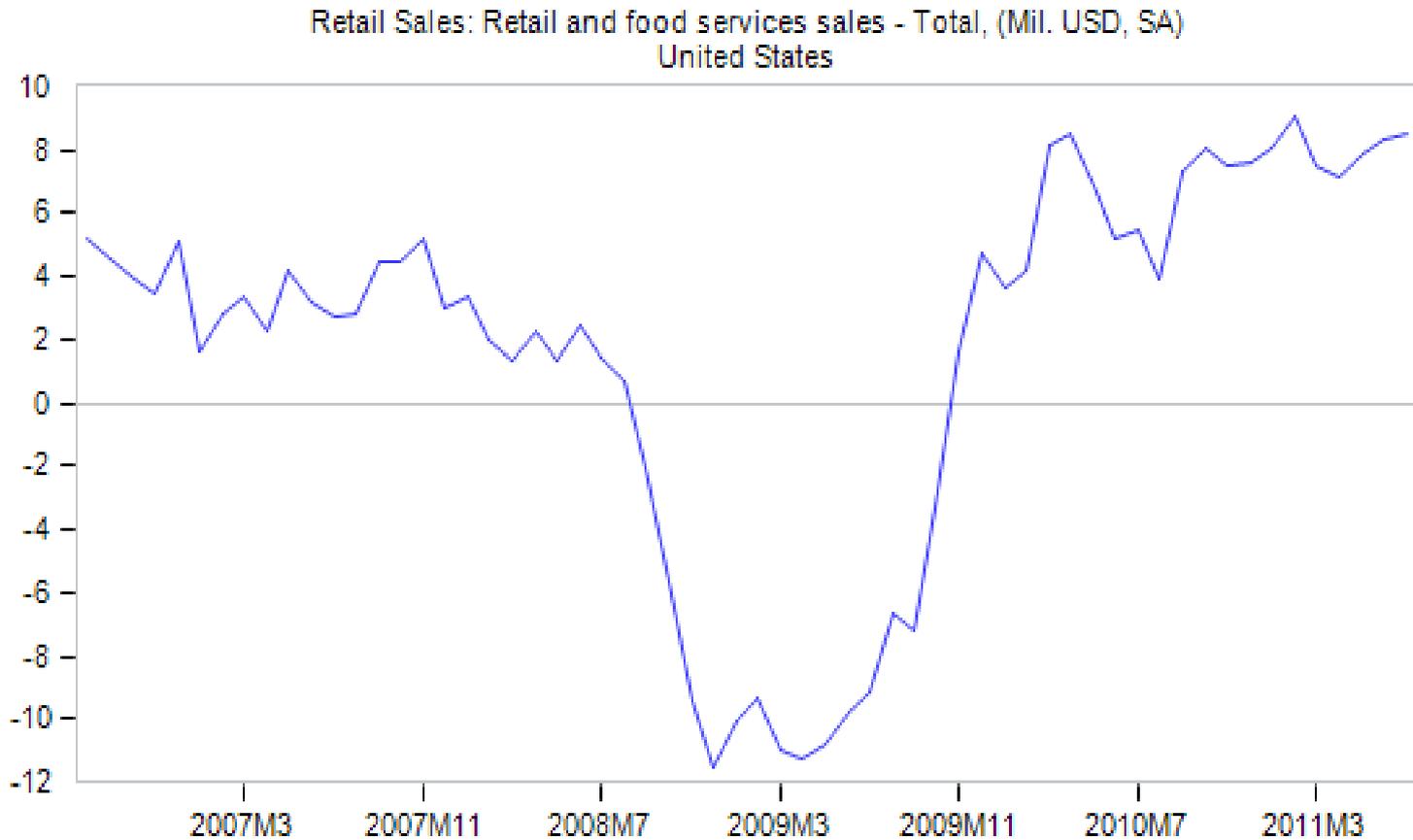
And what do many forecasters say are the prospects of a double-dip recession now? Somewhere between 25 and 40%.

David Leonhardt, New York Times, "Rising Fears of Recession", 9/8/11, p.1.

CONSUMPTION depends on:

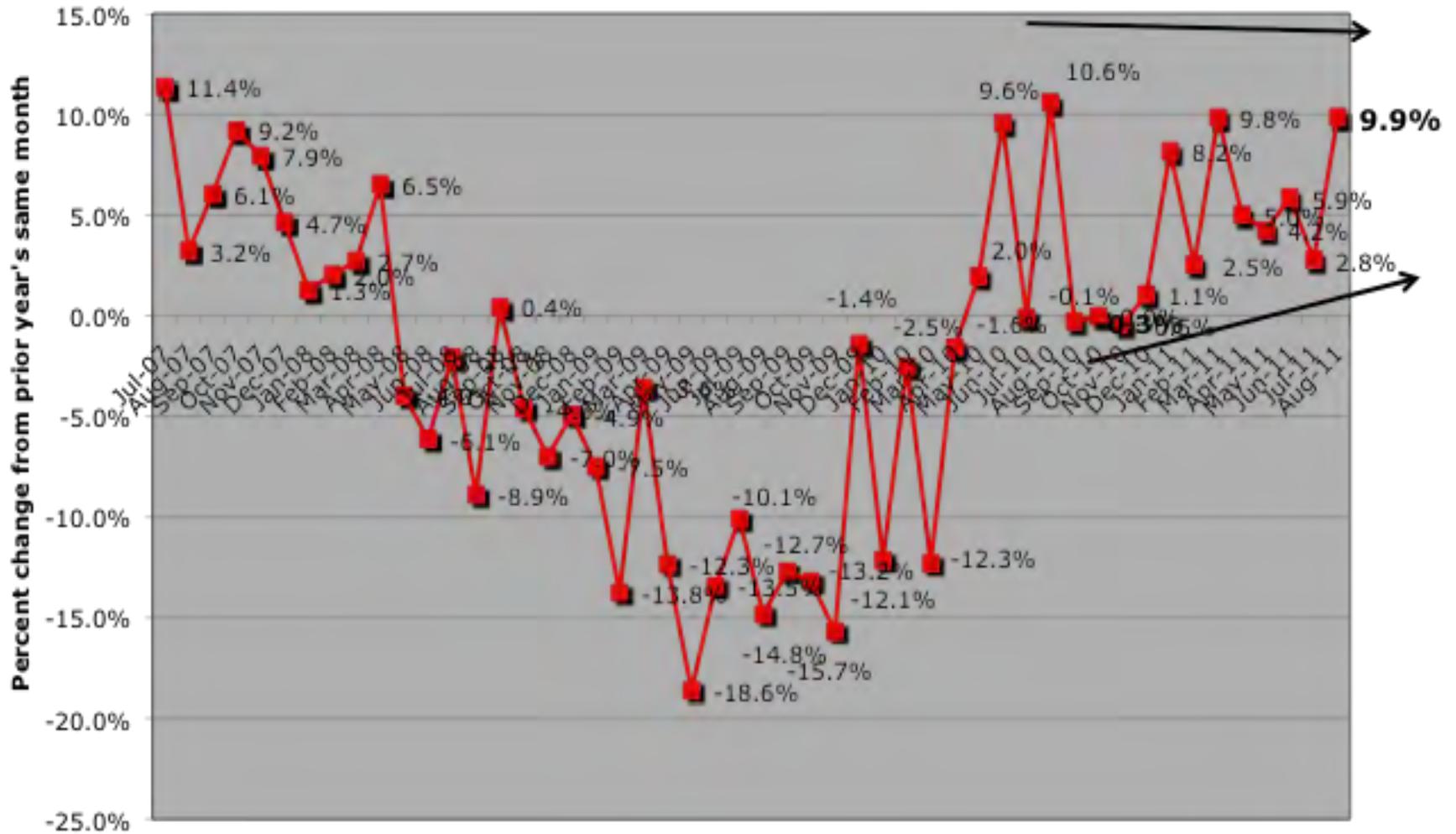
- 1) **Consumer Income** (wages, salaries, business income, transfers) **(up)**
- 2) **Population** **(up)**
- 3) **Prices and availability of goods** **(up)**
- 4) **Tastes**
- 5) **Consumer Confidence** **(down)**

U.S. Consumers still spending...



Statewide 1% Local Sales Taxes

Increased 4% in FY2011



August Distribution
and Fiscal Year 2011 Year-end % Change

(\$000)	Dist. For Aug-10 Jun 2010 sales	Dist. For Aug-11 Jun 2011 sales [Final]	% change	FY % change year-end
Statewide 1%	\$ 40,002	\$ 43,952	9.9%	4.0%
SLC	4,004	4,484	12.0%	4.8%
Sandy	1,533	1,626	6.1%	-2.2%
West Valley	1,682	1,949	15.9%	3.6%
Murray	1,033	1,156	11.9%	1.5%
Draper	670	732	9.3%	n/a
South Jordan	782	854	9.2%	n/a
Ogden	1,203	1,341	11.5%	2.6%
Provo	1,373	1,483	8.0%	2.4%
Orem	1,533	1,611	5.1%	n/a
Bountiful	536	572	6.7%	0.8%
Clearfield	306	350	14.4%	6.2%
Layton	1,010	1,102	9.1%	2.4%
Park City	238	264	10.9%	-0.6%
St. George	1,228	1,316	7.2%	2.1%

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%