Zions Bank Economic Overview

Utah Taxpayers Association

• January 7, 2020
Looking Back a Year

• Equity markets were dropping

• Yield curve inversion created by Fed rate increases

• Government shutdown

• Trade war with China and uncertainty over USMCA

• Inflation pressure mounted
Equity Markets Reach New Highs

Dow Jones Industrial Average

Source: Dow Jones Industrial Average
Longest Economic Expansion on Record

Source: National Bureau of Economic Research
Job Creation Remains Strong

Monthly Job Creation: Thousands of Employees

- 2017 Avg = 167
- 2018 Avg = 223
- 2019 Avg = 180

Source: Bureau of Labor Statistics
US Unemployment Rate
At Lowest Level in 50 Years

Source: U.S. Bureau of Labor Statistics
Unemployment Hitting Record Lows

Source: U.S. Bureau of Labor Statistics
Labor Force Participation Highest Since 2013

Source: Bureau of Labor Statistics
Fewer than One Unemployed Worker Per Job Opening

Source: Bureau of Labor Statistics
Wage Growth Tapering

Wage Growth: Percent Change from Year Before

2007–2019 Average: 2.5%

November 2019: 3.1%

Source: Bureau of Labor Statistics
Inflation is Below the Fed’s 2% Goal

Personal Consumption Expenditure Yearly Percent Change

Source: Bureau of Economic Analysis

Nov 2019 1.4%
Inflation? What’s That?

Source: Bureau of Labor Statistics
Economic Growth Slowed in Q3 2019

Gross Domestic Product

Source: Bureau of Economic Analysis
Consumer Spending vs Business Investment

Percent change from preceding period

Source: Bureau of Economic Analysis
Services Sector Remains Solid

ISM Non-Manufacturing Purchasing Manager’s Index (PMI)

Below 50 signals contraction

Nov 2019
53.9%

Source: Institute for Supply Management
Manufacturing Sector Contracting

ISM Manufacturing Purchasing Manager’s Index (PMI)

Below 50 signals contraction

Dec 2019
47.2%

Source: Institute for Supply Management
2019 Saw Deep Yield Curve Inversion

June 7, 2019

Source: Wall Street Journal
The Inverted Yield Curve Has Largely Gone Away

Source: Wall Street Journal
Fed Cut Rates Three Times in 2019

Federal Funds Rate

Federal Funds Target Rate = 1.50 – 1.75%

Source: Federal Reserve Board of Governors
Since the Start of the Great Recession, Student Loan Debt Balances Have Continued to Climb

Source: Zions Bank Analysis of Federal Reserve Bank of New York Data
Utah Population 2\textsuperscript{nd} Fastest Growing in U.S.

Percent Change: 2018 to 2019

U.S. Rate = 0.5%

Utah Population 2\textsuperscript{nd} Fastest Growing in U.S.

Source: U.S. Census Bureau
Utah Employment Growth Highest in the Nation

Percent Change in Employment for States: November 2018 to November 2019
U.S. Rate = 1.5% UT Rate = 3.2%

Source: Bureau of Labor Statistics
Utah has 2nd Lowest Unemployment Rate

November 2019 U.S. Rate = 3.5%, UT Rate = 2.4%

Source: Bureau of Labor Statistics
Utah’s Unemployment Rate Is Lowest on Record at 2.4%

Source: Bureau of Labor Statistics
Utah has the 3rd Lowest Poverty Rate

2017-2018 U.S. Rate = 12.0%, UT = 9.0%

Source: U.S. Census Bureau
Economic Summary and Outlook

- US economic expansion longest in US history
- Job growth and unemployment better than expectations
- Wage growth and inflation continue to disappoint
- Labor productivity looking good
- Manufacturing activity and trade wars drag on growth
- Interest rates on hold
- Regional population and employment growth remains strong
- Labor shortages in the West are becoming more pronounced
- Rising debt levels create longer term risk