



BUDGET WORKSHOP

February 15, 2022

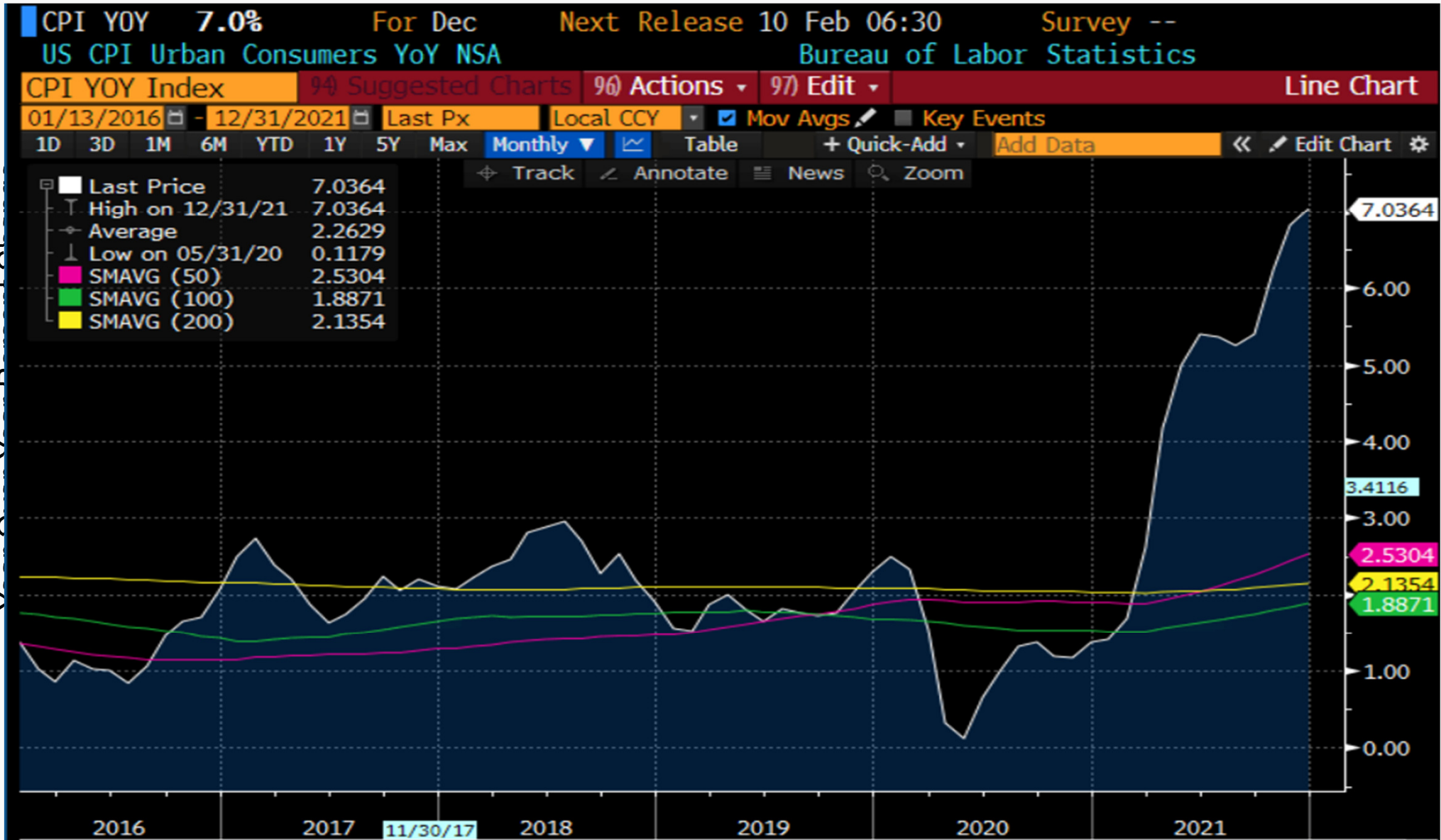
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Inflation

INFLATION OUTLOOK

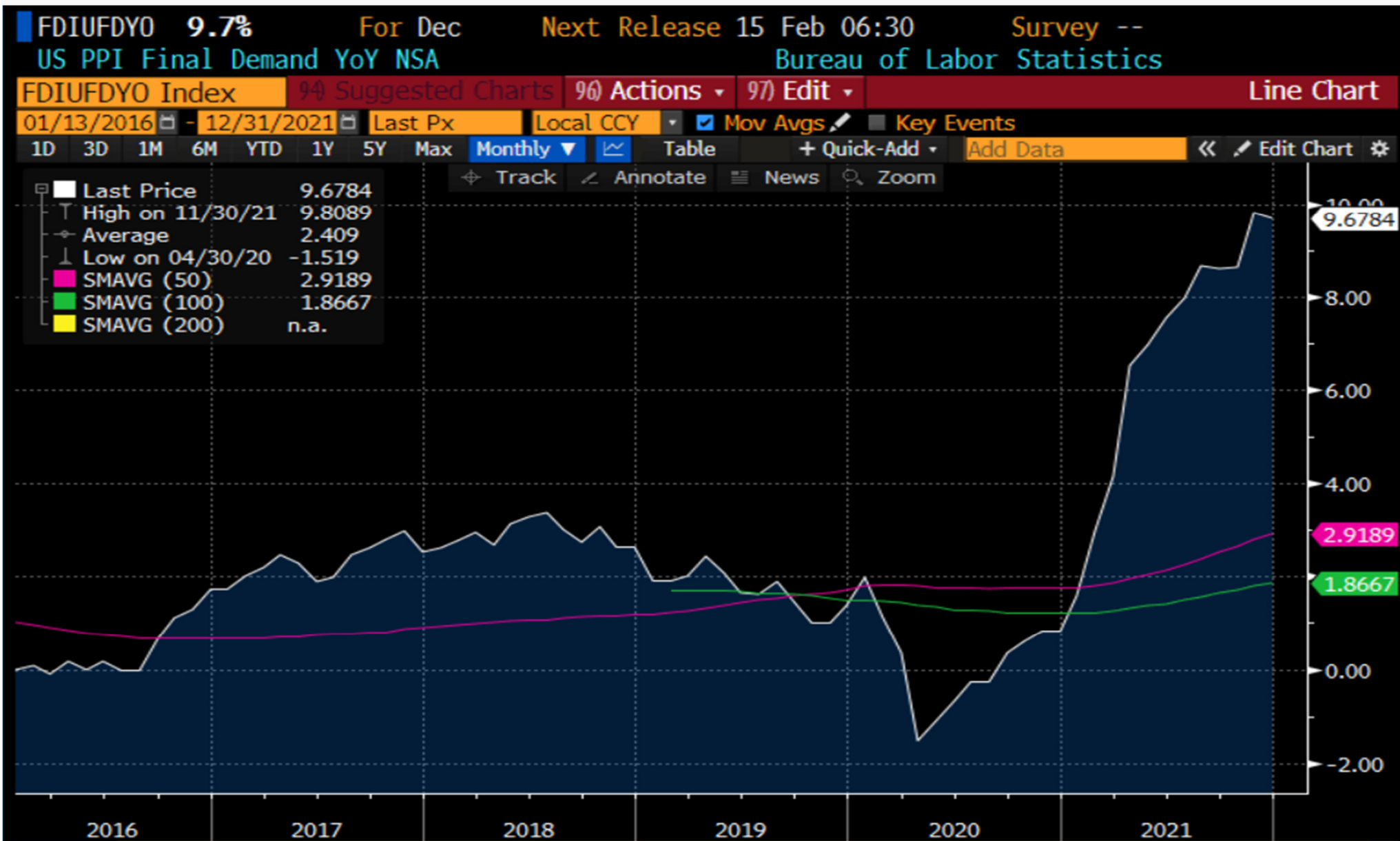
- Simple definition: Too many dollars \$\$\$ chasing too few of goods
 - Supply chain disruptions globally due to COVID
 - Labor shortages & higher wages: Employment Cost Index
 - Energy prices
- Indicators continue to signal inflation is more broad based than previously expected

CONSUMER PRICE INDEX – HIGHEST SINCE 1982



Source: Bloomberg LP

Producer Price Index At Highest Point Ever



HIGH OIL PRICES ADDING TO INFLATIONARY PRESSURE



Source: Bloomberg LP

Inflation by Category

The cost of gasoline continues to rise, up 50% over the past 12 months, with other housing materials such as lumber and heating equipment up 35% and 22% over the past 12 months, respectively

The cost of animal feed and certain foods has also increased with animal feeds up 9%, eggs up 11%, and pork prices up 15% from a year ago in December



Gasoline: **49.6% YoY**



Used Cars & Trucks: **37.3% YoY**



Asphalt: **69.5% YoY**



Prepared Paint: **15.6% YoY**



Hardwood Lumber: **34.9% YoY**



Heating Equip.: **21.6% YoY**



Animal Feeds: **9.2% YoY**



Pork: **15.1% YoY**



Eggs: **11.1% YoY**

Source: Haver Analytics

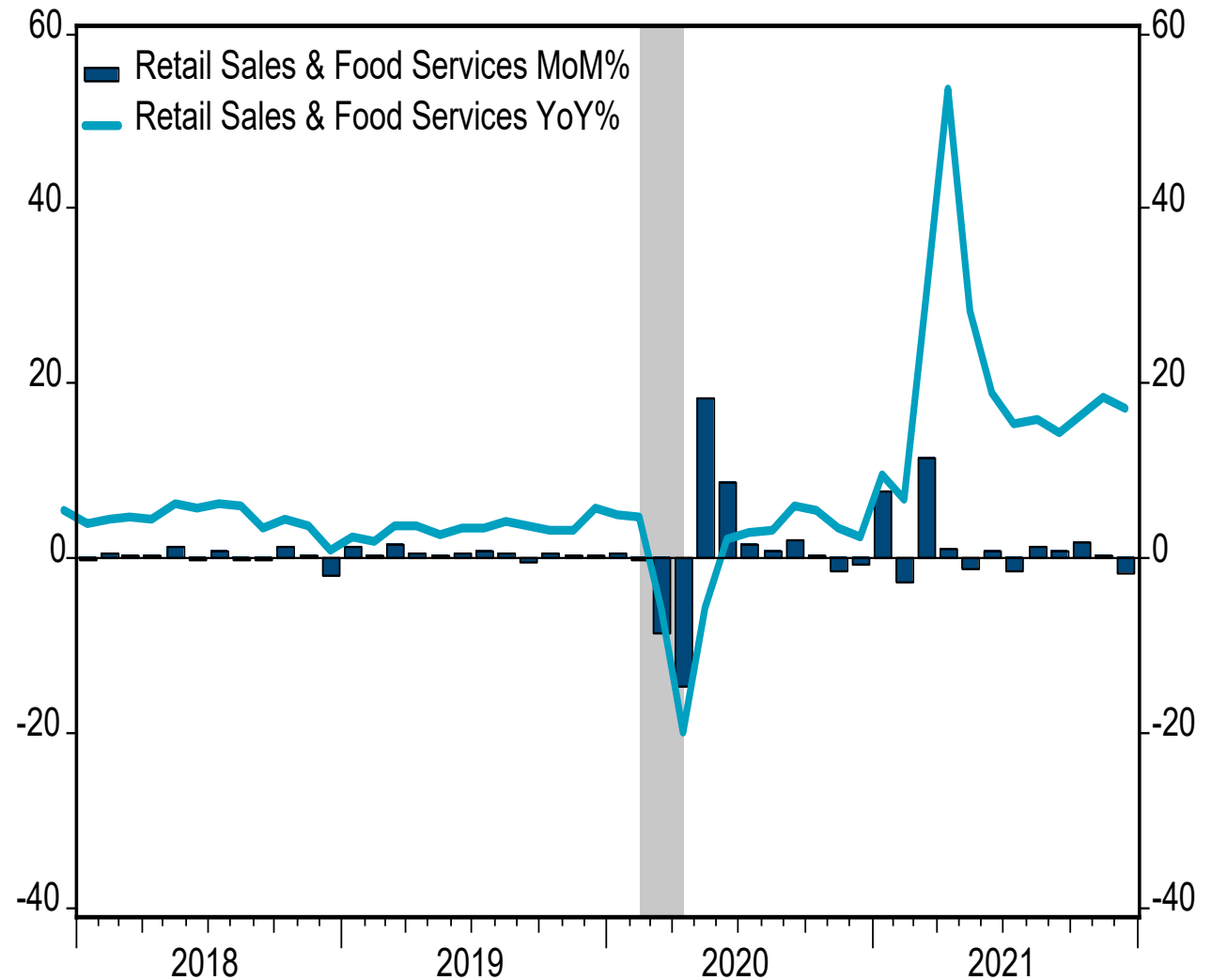
Retail Sales Decline in December

Retail sales fell 8.2% in March and 14.7% in April 2020

Sales fell 1.9% in December, following a 0.2% increase in November, and further below the 18.3% peak in May 2020

Over the past six months, sales have averaged 0.1%

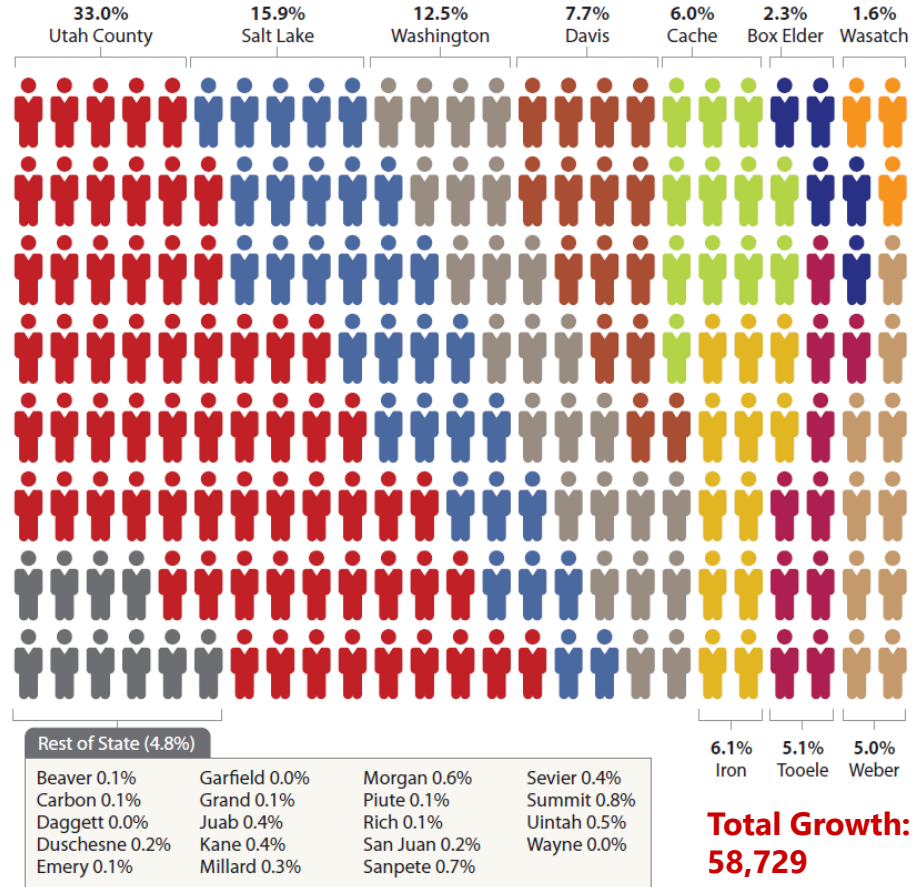
Year-over-year, retail sales rose 17% in December, following an 18.2% gain in November



Source: Census Bureau/Haver Analytics

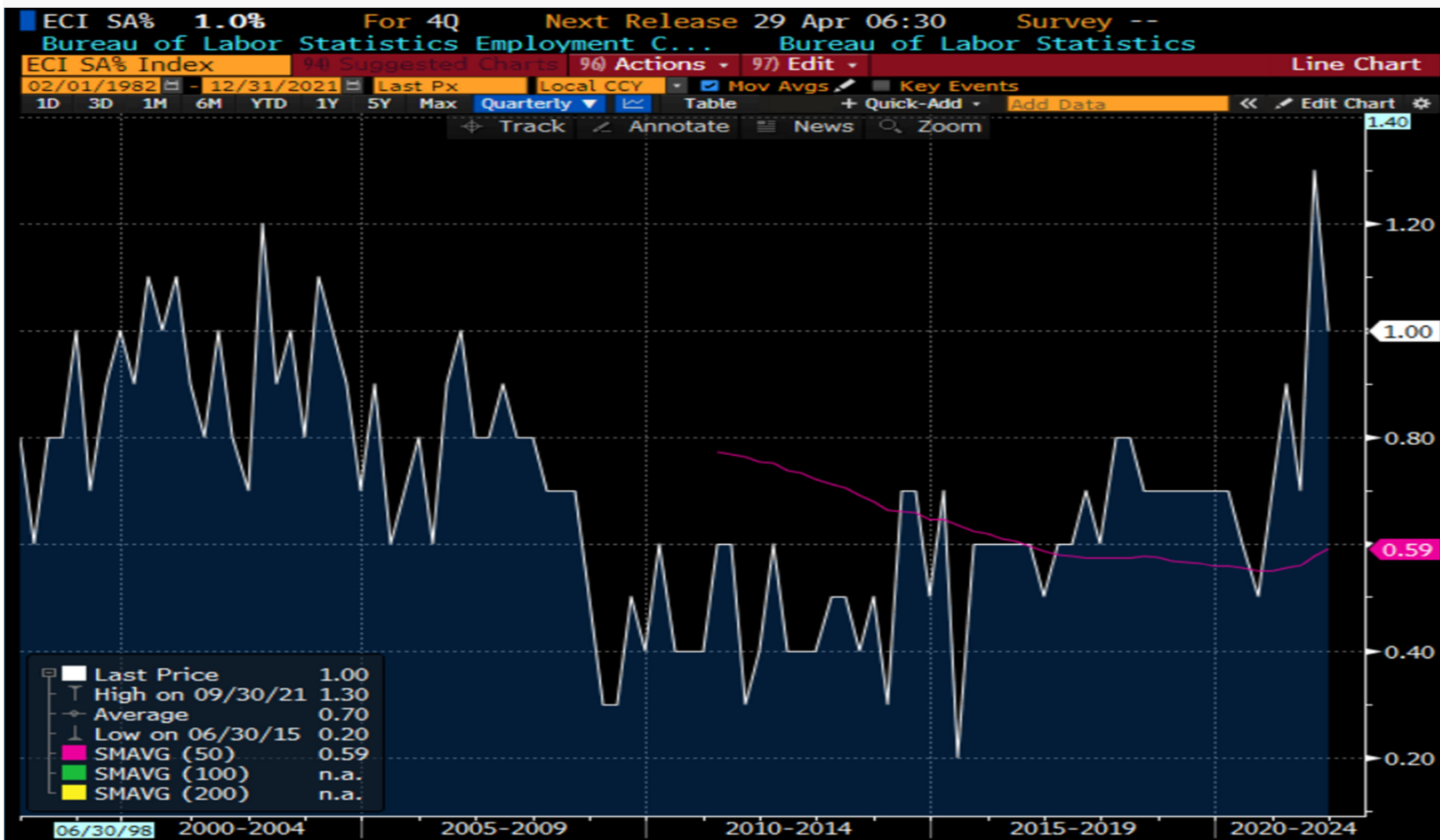
One-third of growth in Utah between 2020 and 2021 was in Utah County

County share of state population growth, 2020-2021



Source: Kem C. Gardner Policy Institute

WAGES ARE SURGING: SUGGESTING THAT INFLATION IS RAPIDLY GETTING OUT OF CONTROL



Source: Bloomberg LP *Next release 4-29-2022

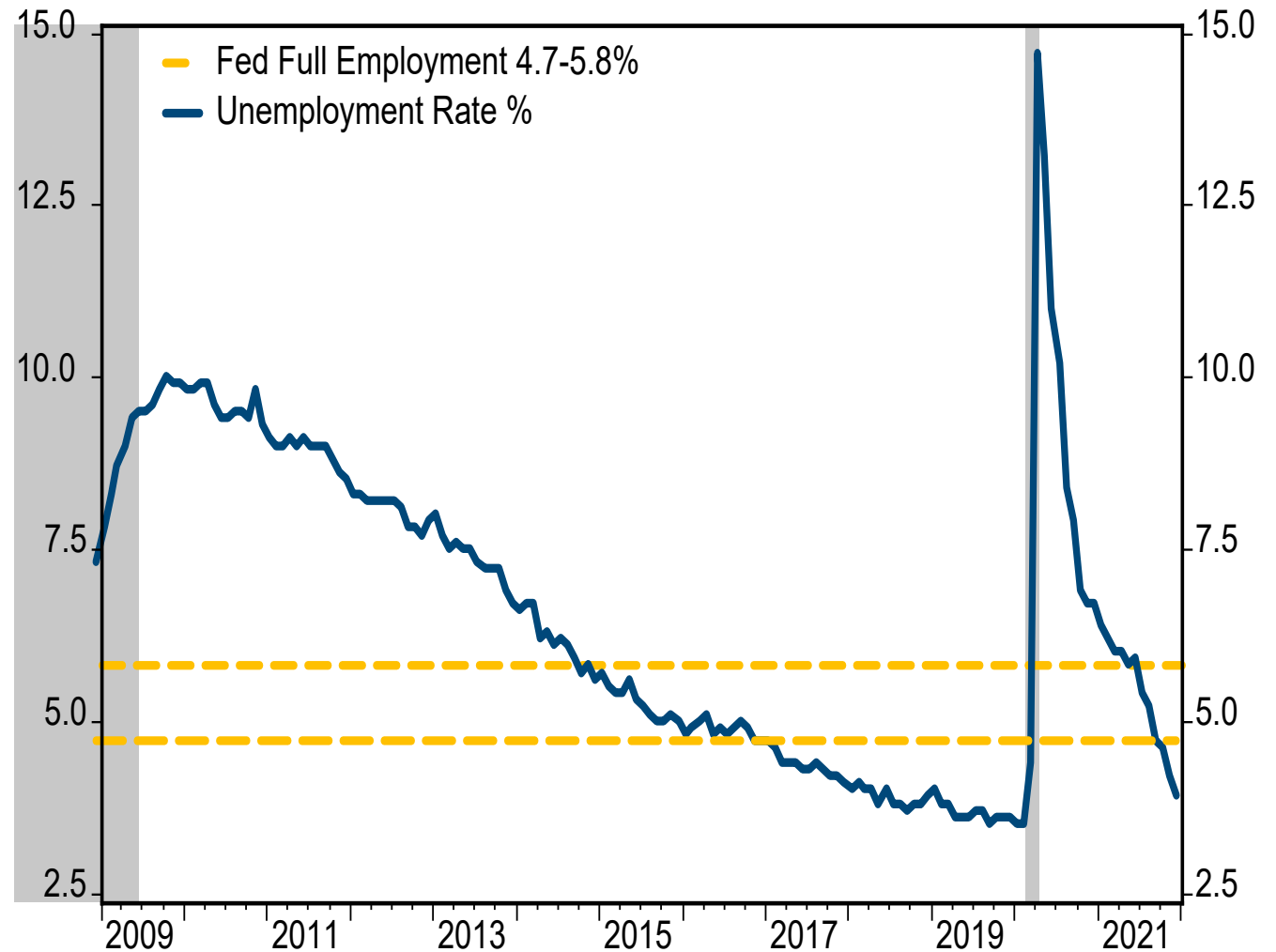
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Labor Market

3.9% Unemployment Rate

The unemployment rate dropped from 4.2% to **3.9%** in December, the lowest since February 2020

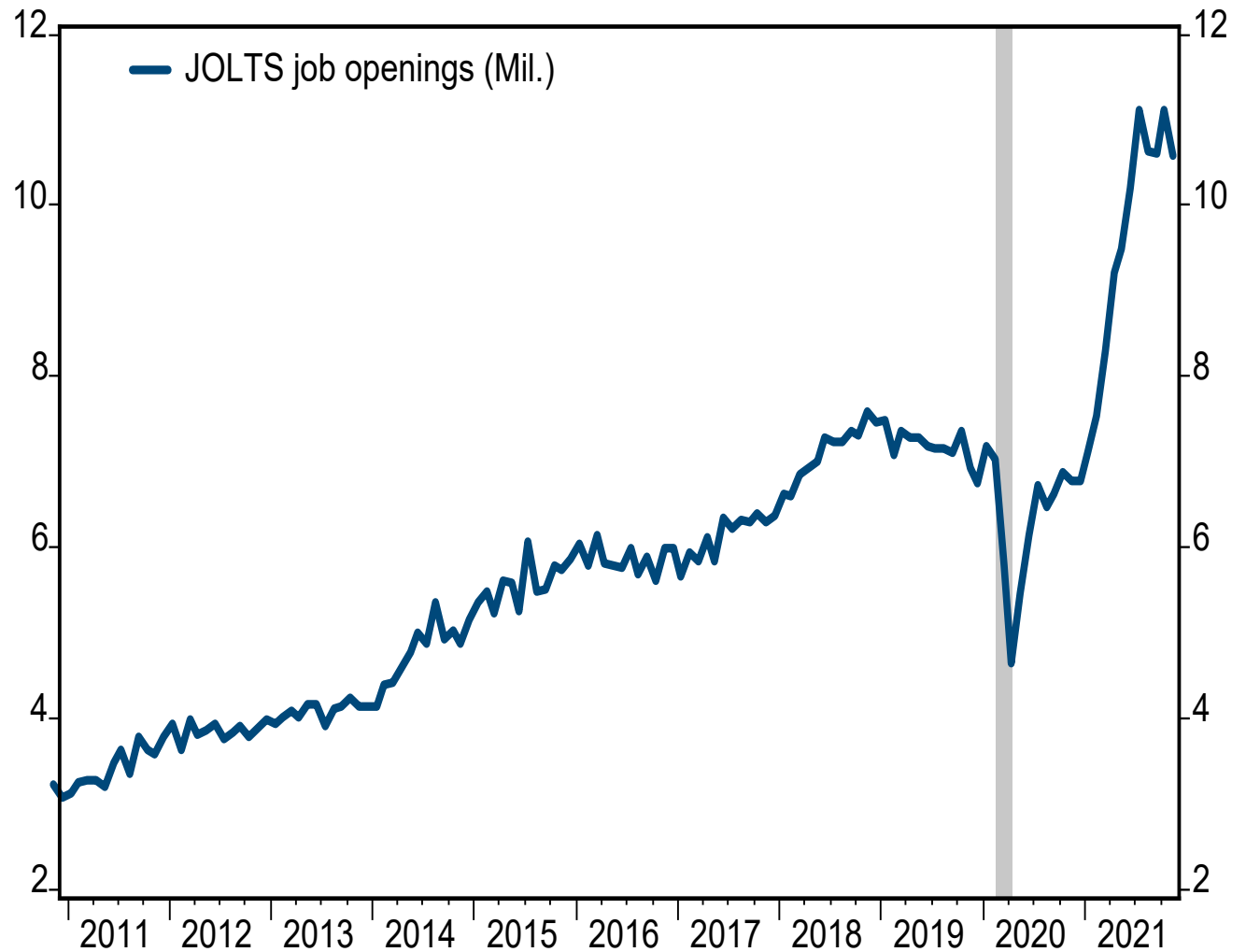
While still elevated from the 3.5% jobless rate at the start of 2020, last month's rate stands in stark contrast to a near 15% peak in April 2020



Source: Bureau of Labor Statistics/Haver Analytics

Labor Demand Outpaces Labor Supply

The number of job openings, according to JOLTS – the Job Openings and Labor Turnover Survey – fell from 11.1M to 10.6M in November, a five-month low but the sixth straight month above 10M, suggesting producers remain desperate for workers to increase output and meet a still-heightened level of demand for goods and services



Source: Bureau of Labor Statistics/Haver Analytics

Labor Force Participation Hasn't Recovered From Pandemic

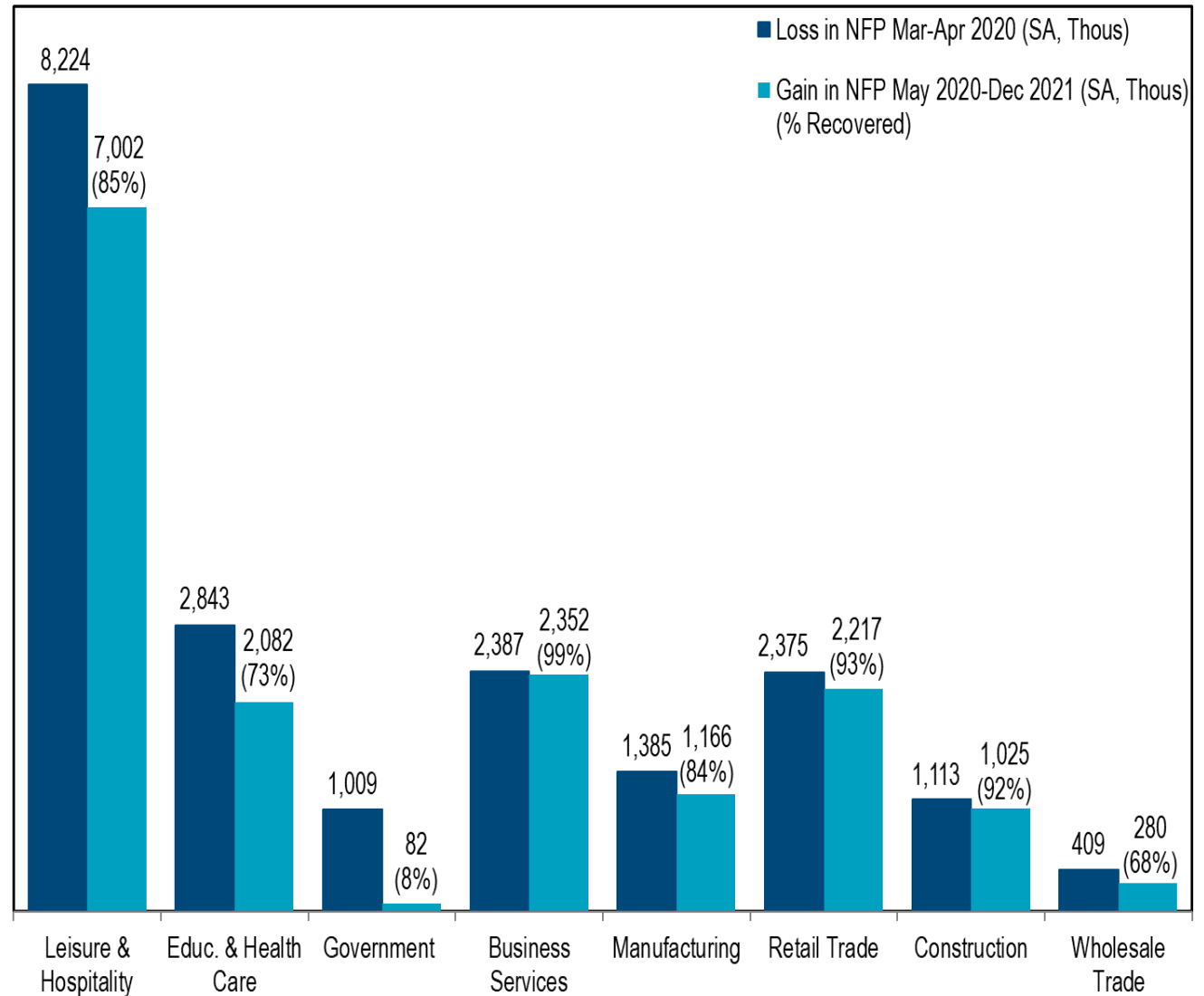


Source: Bureau of Labor Statistics & Bloomberg LP

Hardest Hit Industries Recapture Jobs

The leisure and hospitality industry lost over 8M jobs during the pandemic but has since recaptured more than 7M or 85%

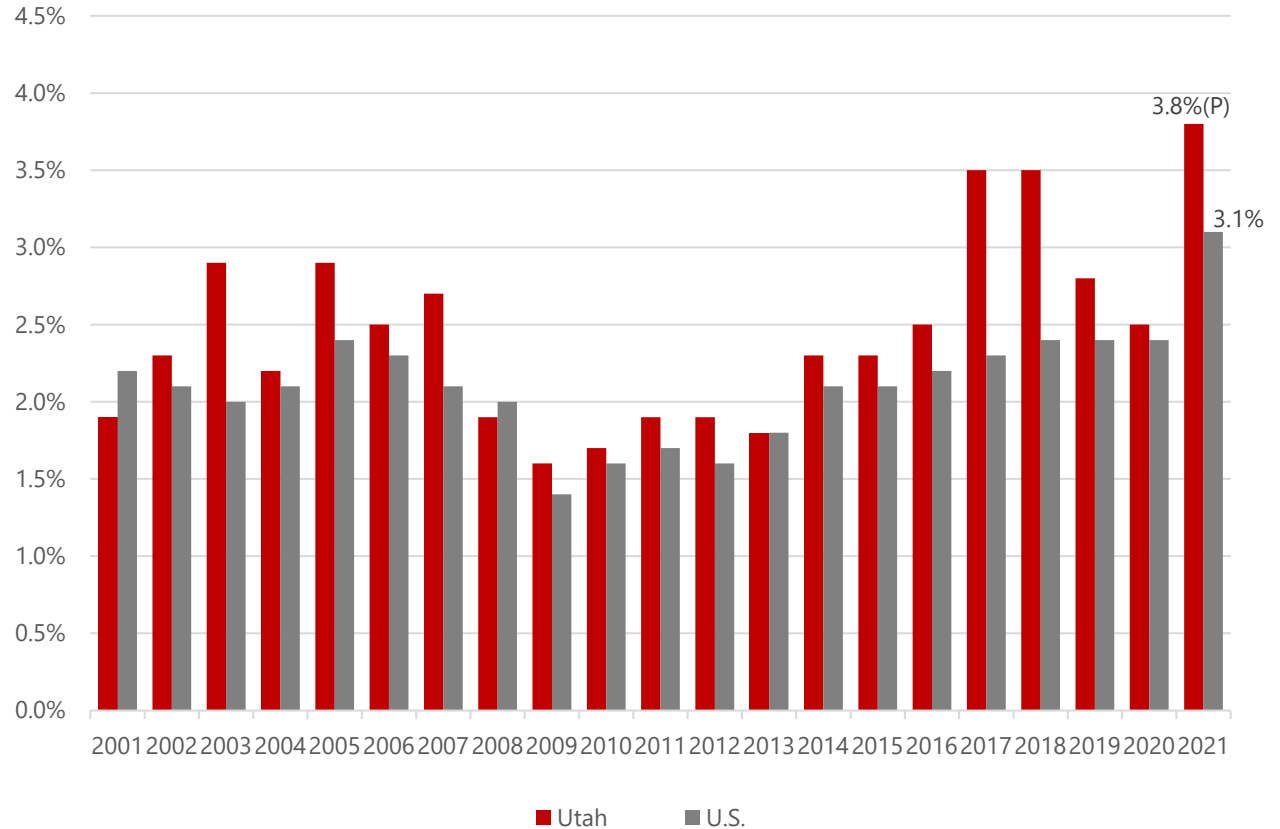
The hardest hit sectors have recaptured roughly 80% of lost jobs



Source: Bureau of Labor Statistics

Utah's Great Resignation

Share of employees quitting their job in September of each year, 2001–2021

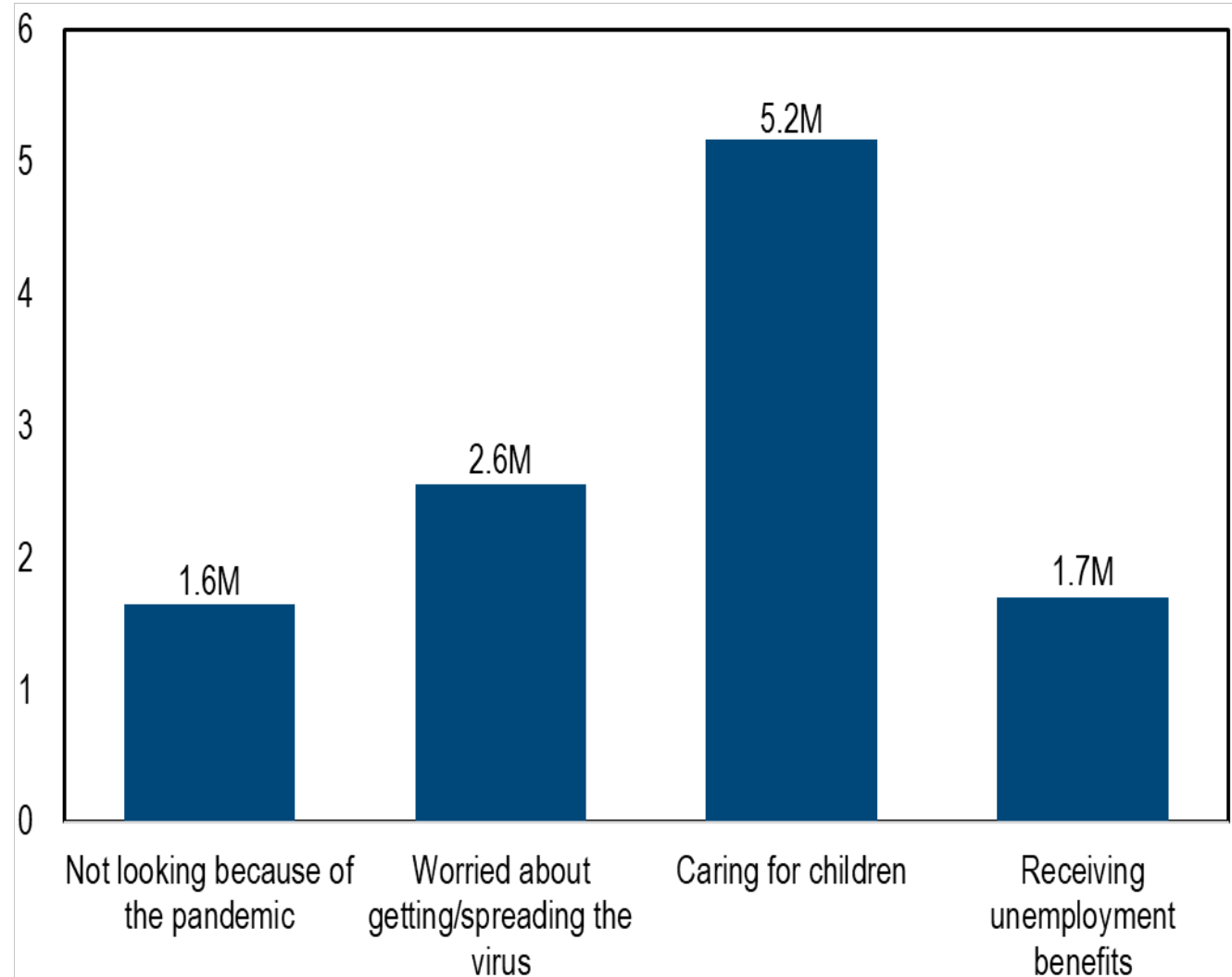


Source: U.S. Bureau of Labor Statistics Job Openings and Labor Turnover Survey

Where Have All the Workers Gone?

According to the Bureau of Labor Statistics, as of December, 1.6M Americans report they are prevented from looking for work due to the pandemic with over 2.5M reporting they remained sidelined due to *“worries about getting or spreading the virus”*

The Census Bureau reports more than 5M people are out of work because they were *“caring for children not in school or daycare”*

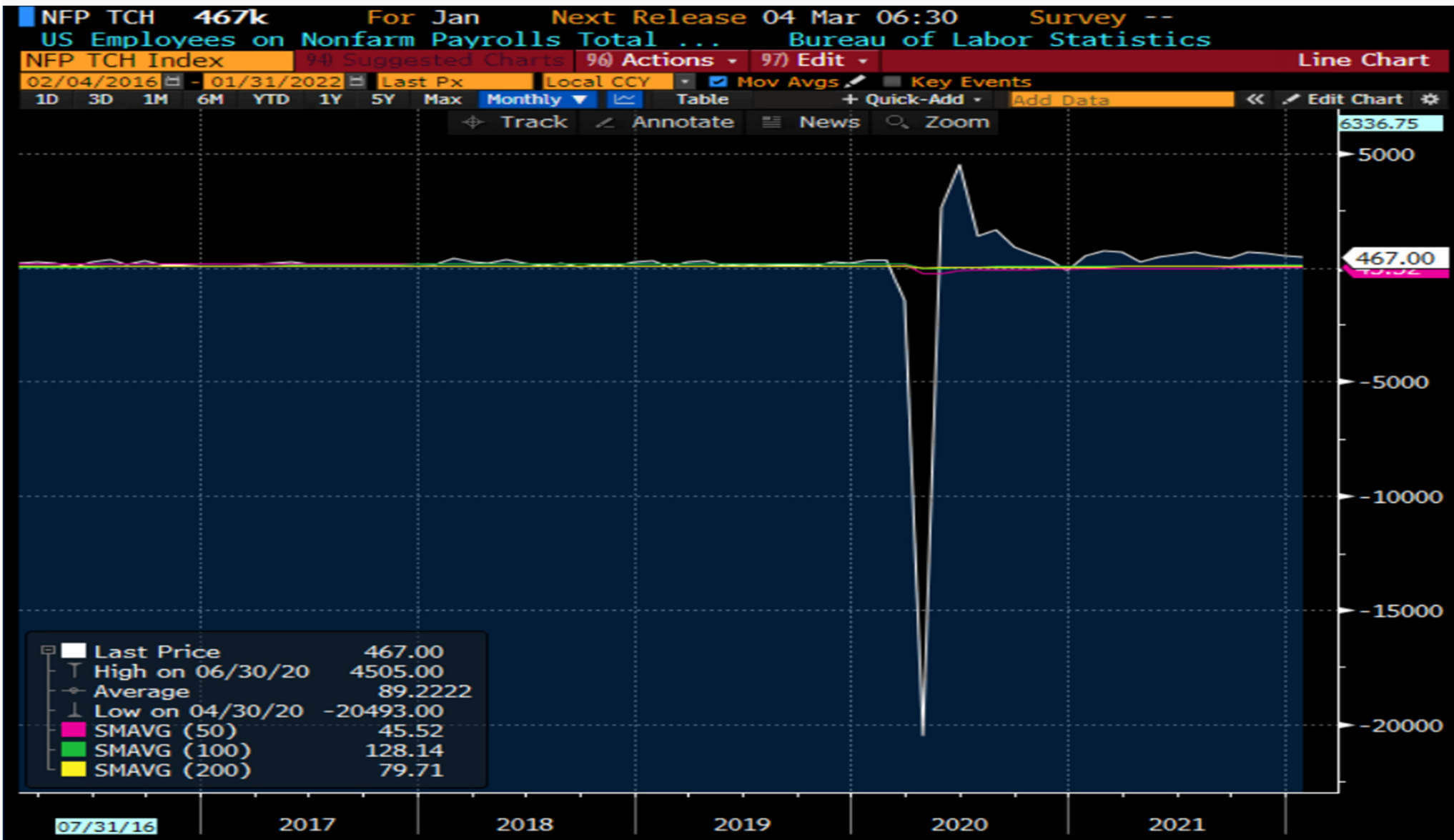


Source: Bureau of Labor Statistics

JANUARY 2022 JOB INDICATORS

Indicator	Previous Month	Forecast	Actual
Total Nonfarm Payrolls	510,000 (r)	125,000	467,000
Unemployment Rate	3.9%	3.9%	4.0%
Private Payrolls	503,000 (r)	35,000	444,000
Manufacturing Payrolls	32,000 (r)	20,000	13,000
Monthly Average Hourly Wage Growth	0.5% (r)	0.5%	0.7%
Labor Force Participation	61.9%	61.9%	62.2%

JANUARY U.S. JOB GROWTH STRONGER THAN EXPECTED



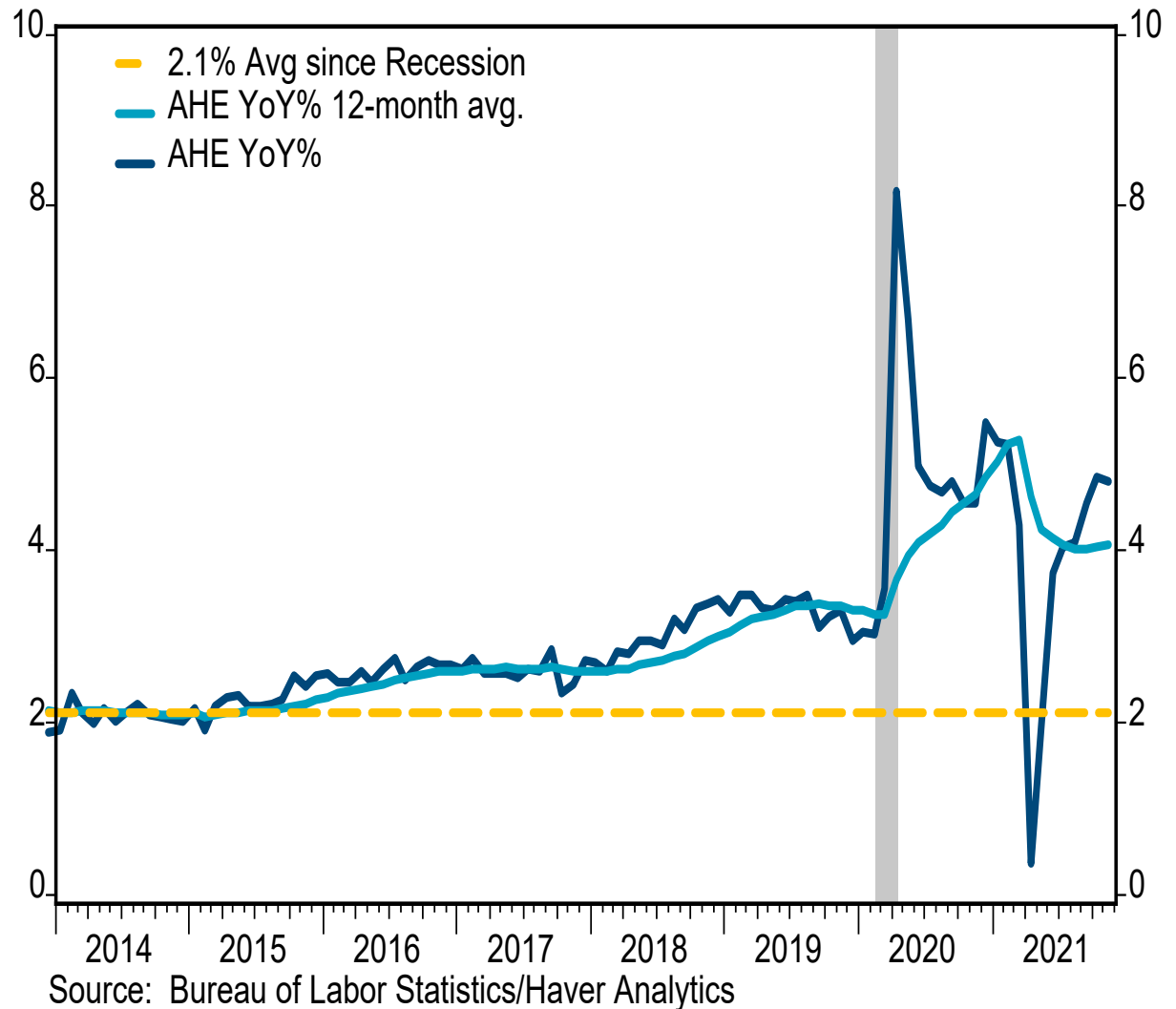
Source: Bloomberg LP

Average Hourly Earnings Accelerate

Average hourly earnings rose **0.6%** in December, following a 0.4% increase in November

Year-over-year, wages rose **4.7%** in December, below a recent peak of 8.2% in April 2020

Average earnings increased early on during the pandemic as lower-wage workers dropped out of the workforce



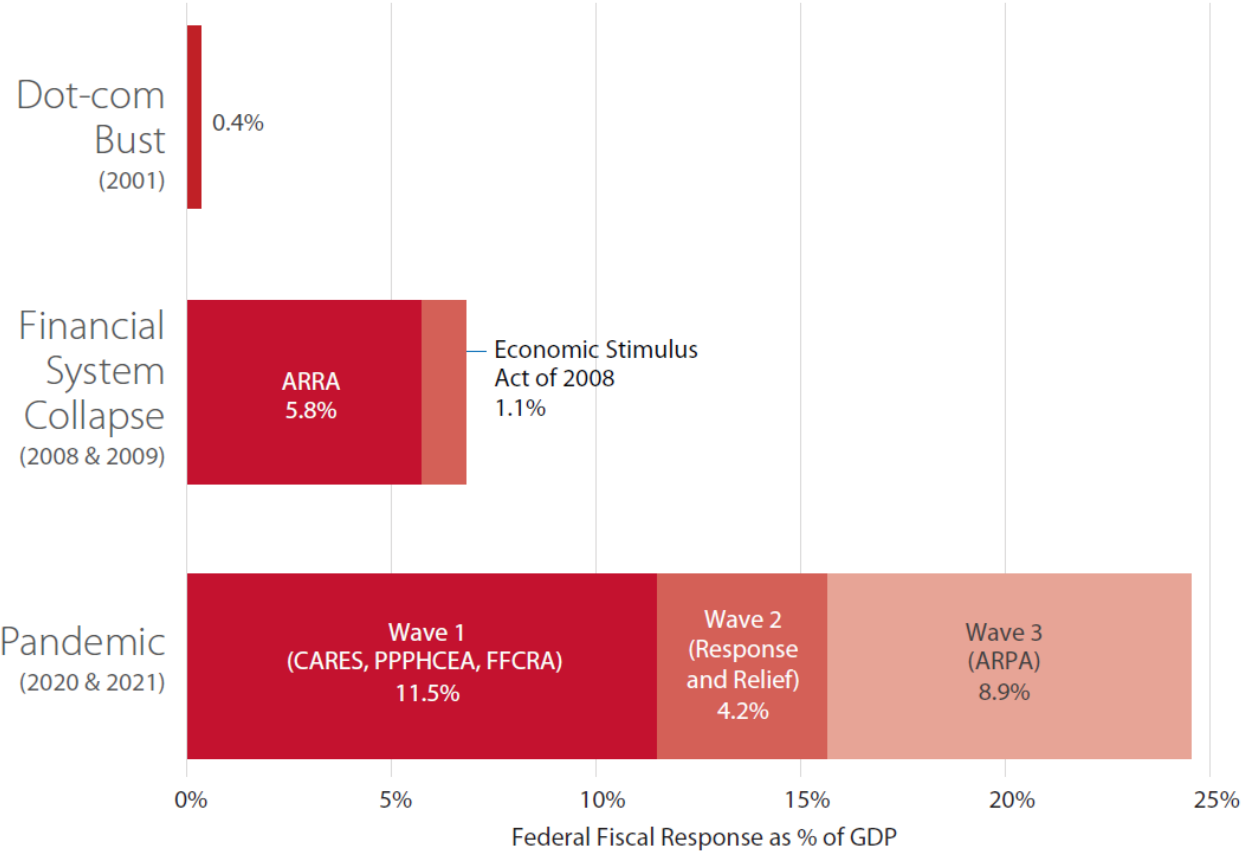
*Does not include government assistance

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Stimulus Money

The pandemic era of big government

Federal fiscal response to recent recessions as percent of GDP

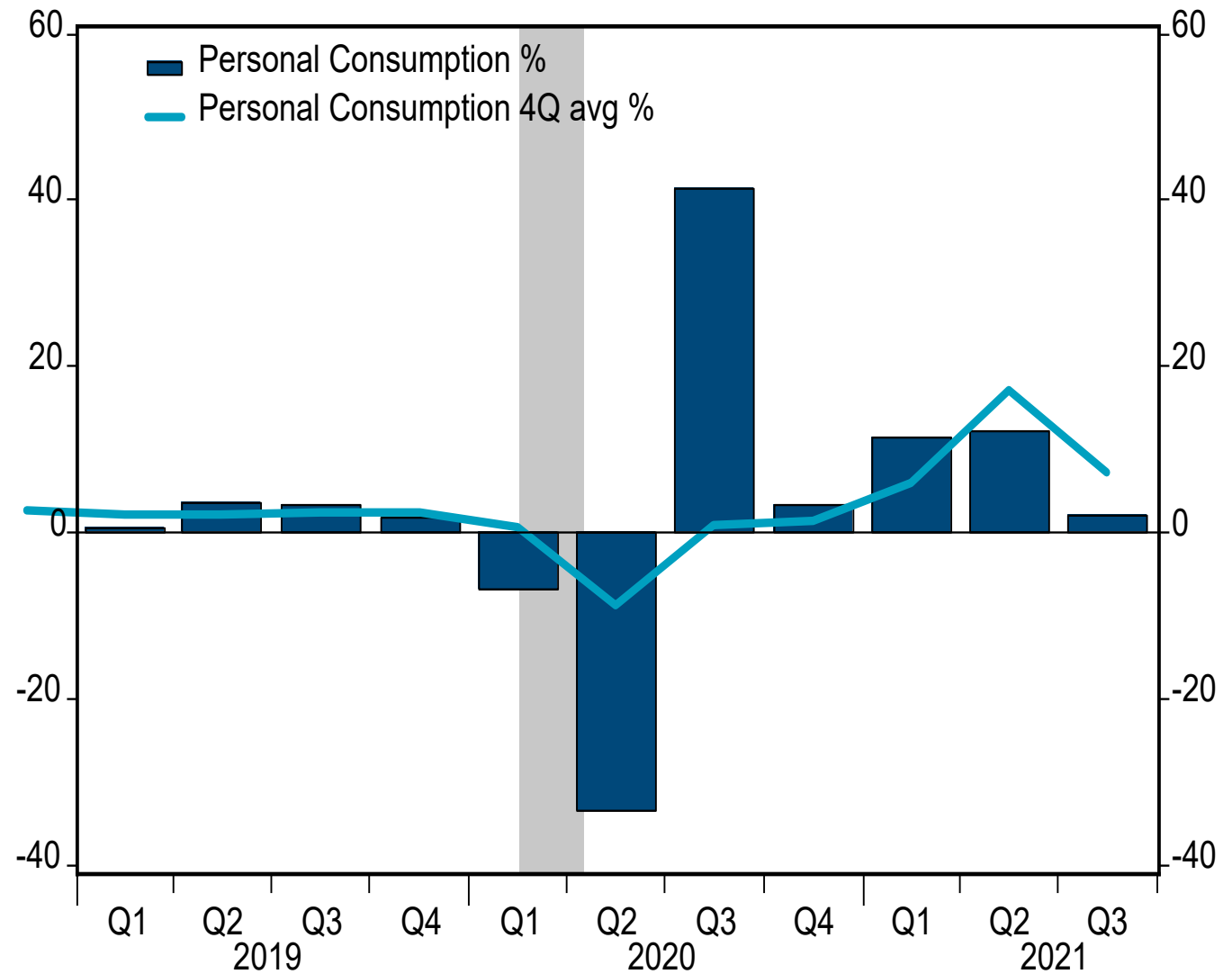


Source: Congressional Budget Office and National Bureau of Economic Research

Stimulus Support to Consumption Wanes

Personal consumption expenditures rose 2.0% in Q3, down from the 12% pace the quarter prior, and a five-quarter low

On a four-quarter average basis, consumption rose 7.2%, down from the record 17.1% pace the quarter prior



Source: Bureau of Economic Analysis/Haver Analytics

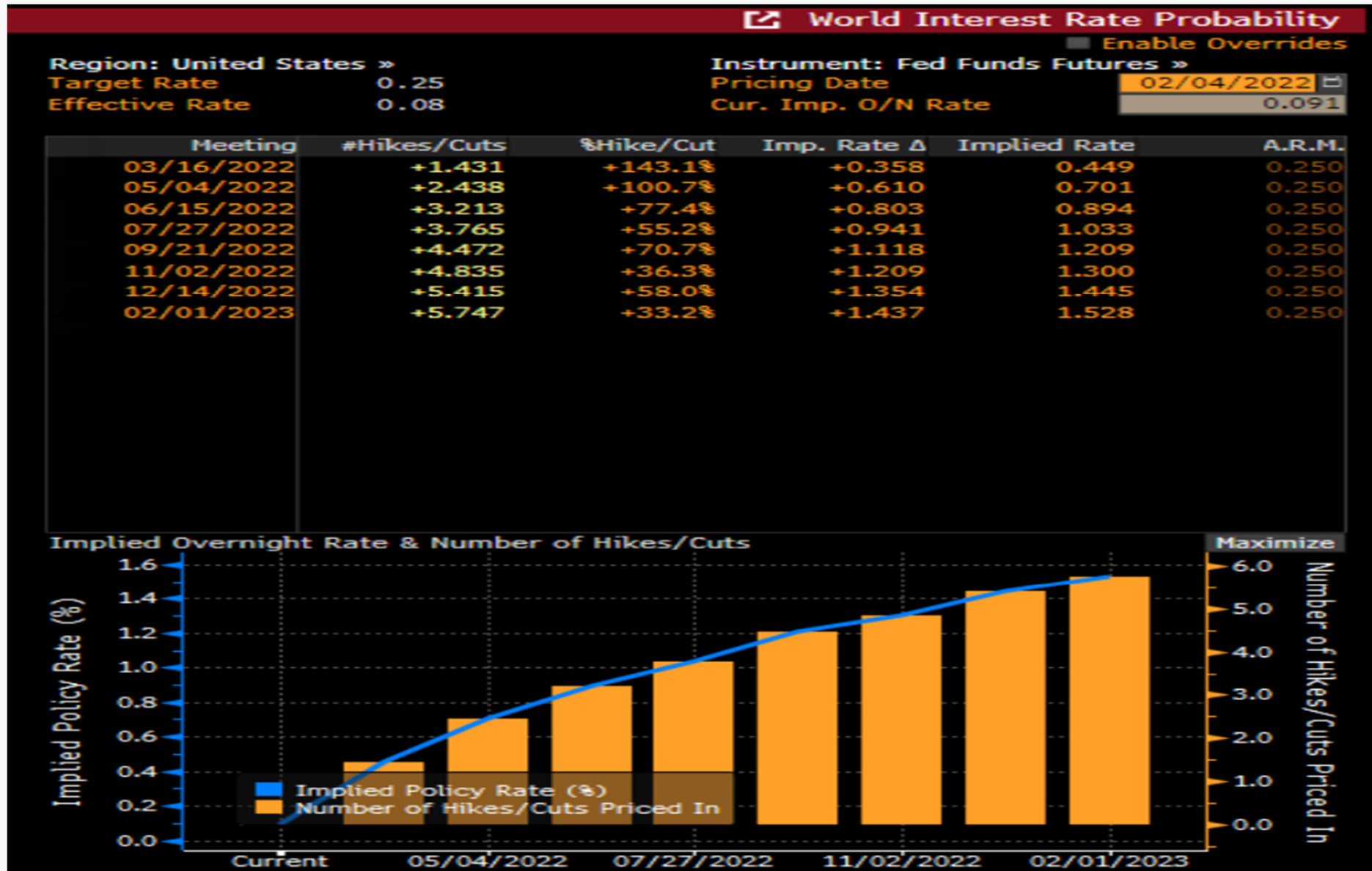
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Interest Rates

LOOKING BACK AT FED ACTIONS



ANTICIPATED INTEREST RATE HIKES FED FUNDS FUTURES



Key Takeaways

- Inflationary costs are a major challenge in all expense areas, outweighing the enhancement of sales tax revenue growth
 - Buying power has diminished significantly
- The market is requiring employers to pay more to hire and keep employees
- Unprecedented stimulus money in the economy is unwinding
- Interest rates are expected to rise, which will impact our interest income and potential long-term borrowing costs