

# POTENTIAL ECONOMIC DOWNTURNS



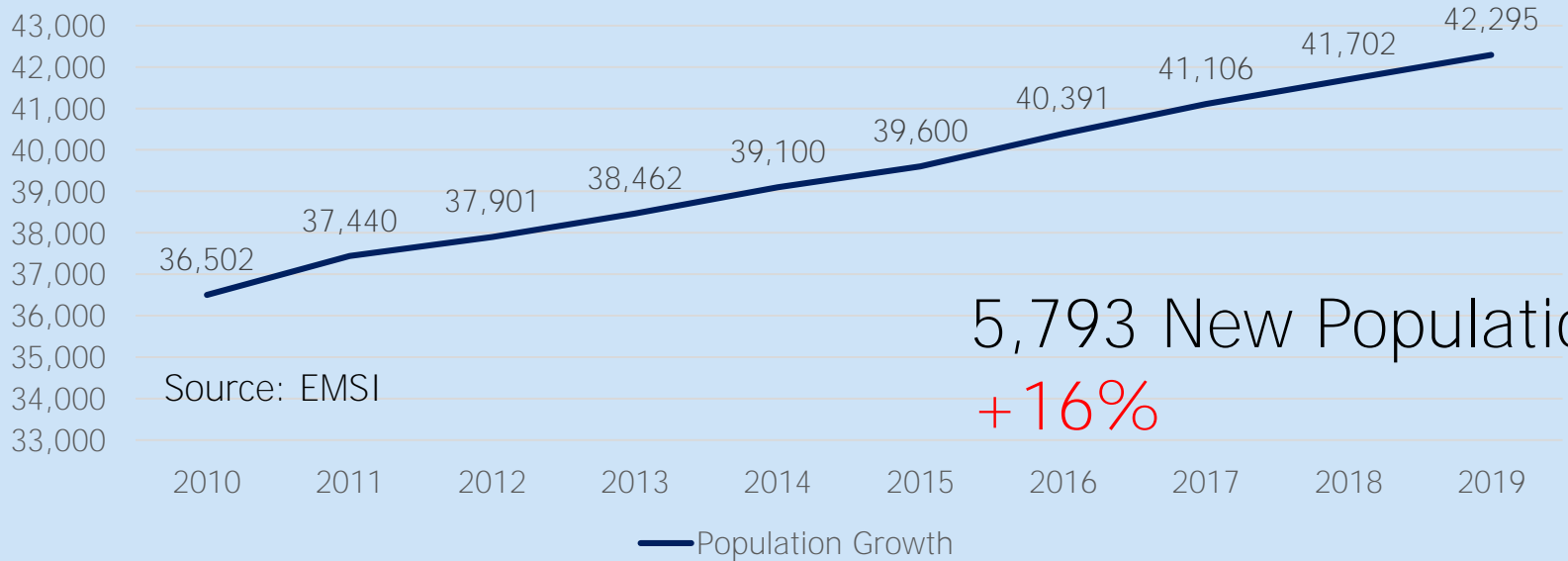
COUNCIL OF GOVERNMENTS

October 15, 2019



# Summit County, UT

## Population Growth



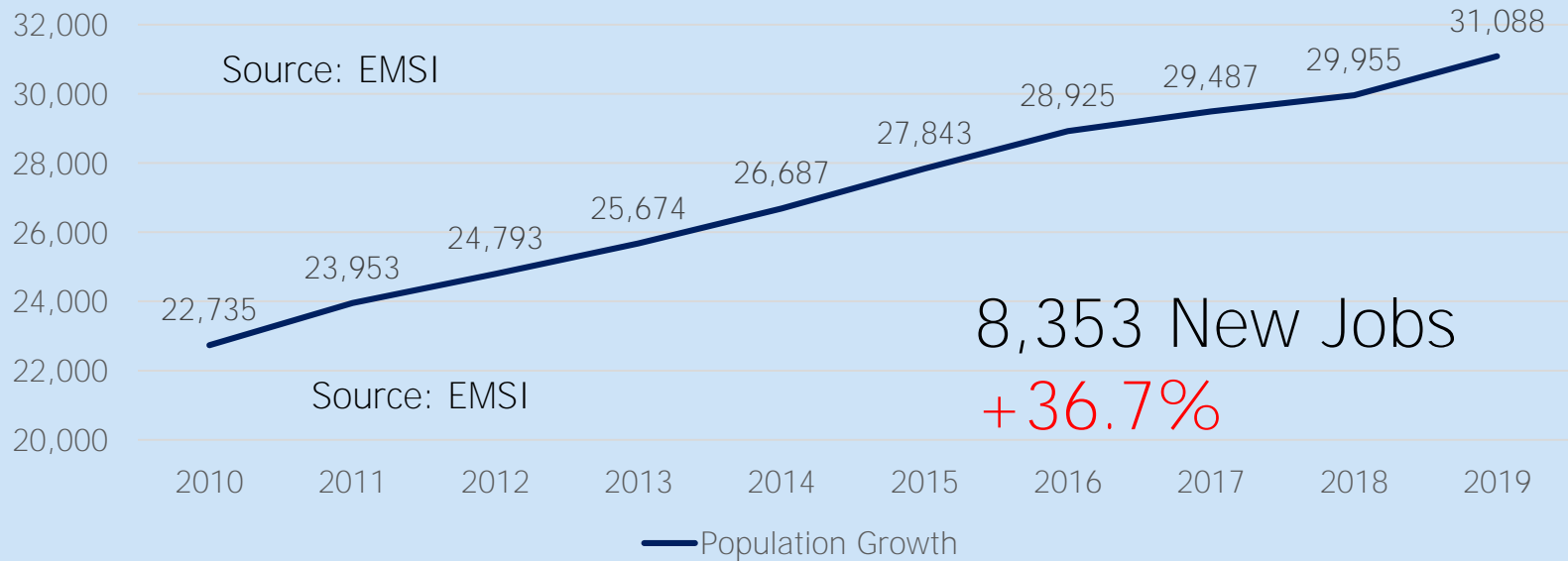
## Summit County, UT

Population Growth



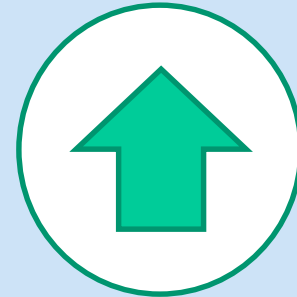
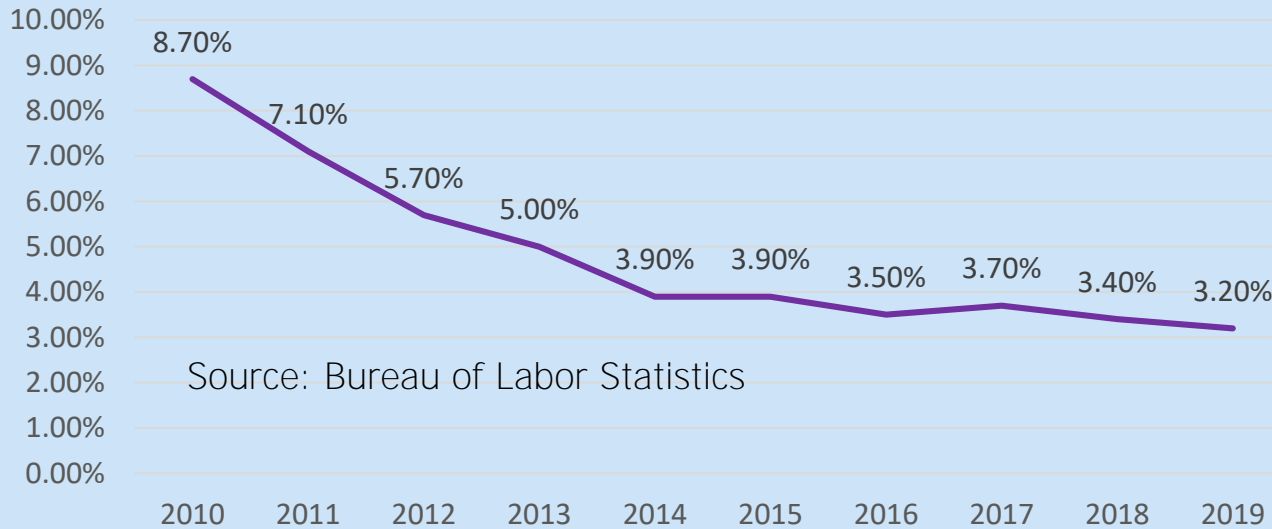
# Summit County, UT

## Employment Growth

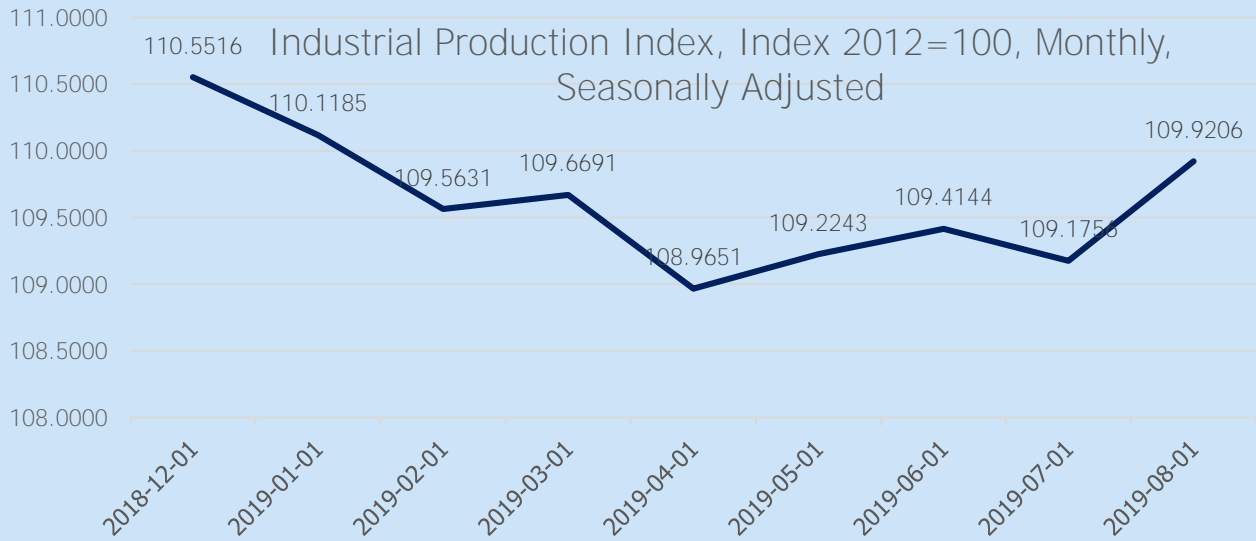
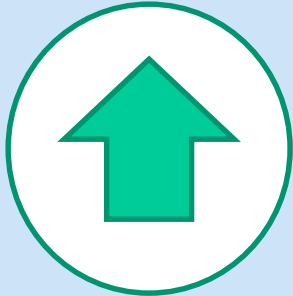


# Summit County, UT

Unemployment Rate: June of each year (not seasonally adjusted)



# United States



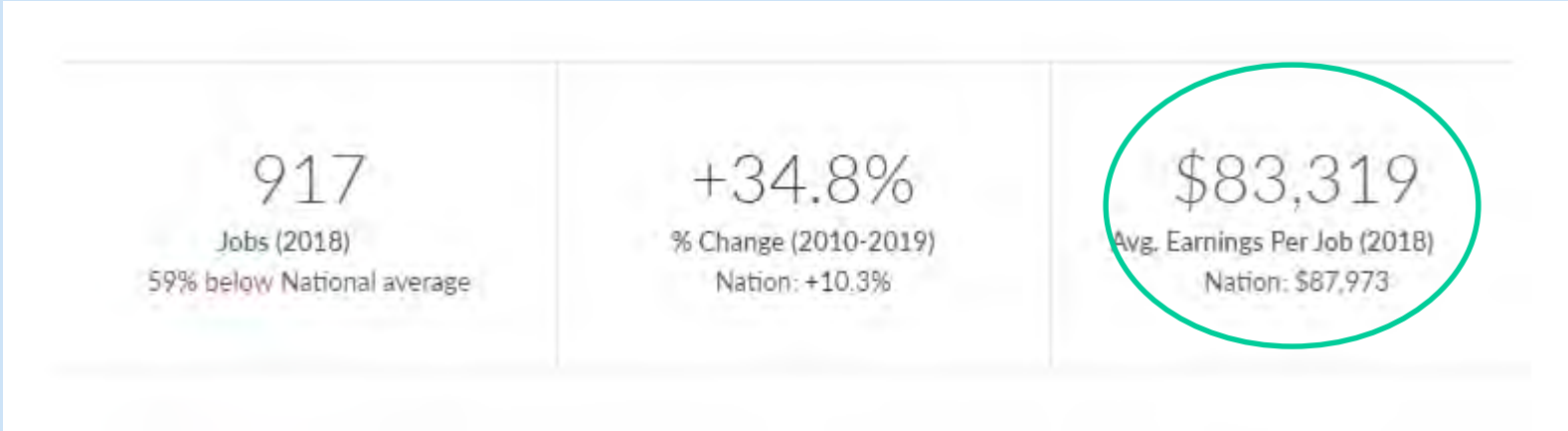
Measures real output for all facilities located in the United States manufacturing, mining, and electric, and gas utilities (excluding those in U.S. territories)

Source: Federal Reserve Economic Data



Source: EMSI

## Summit County

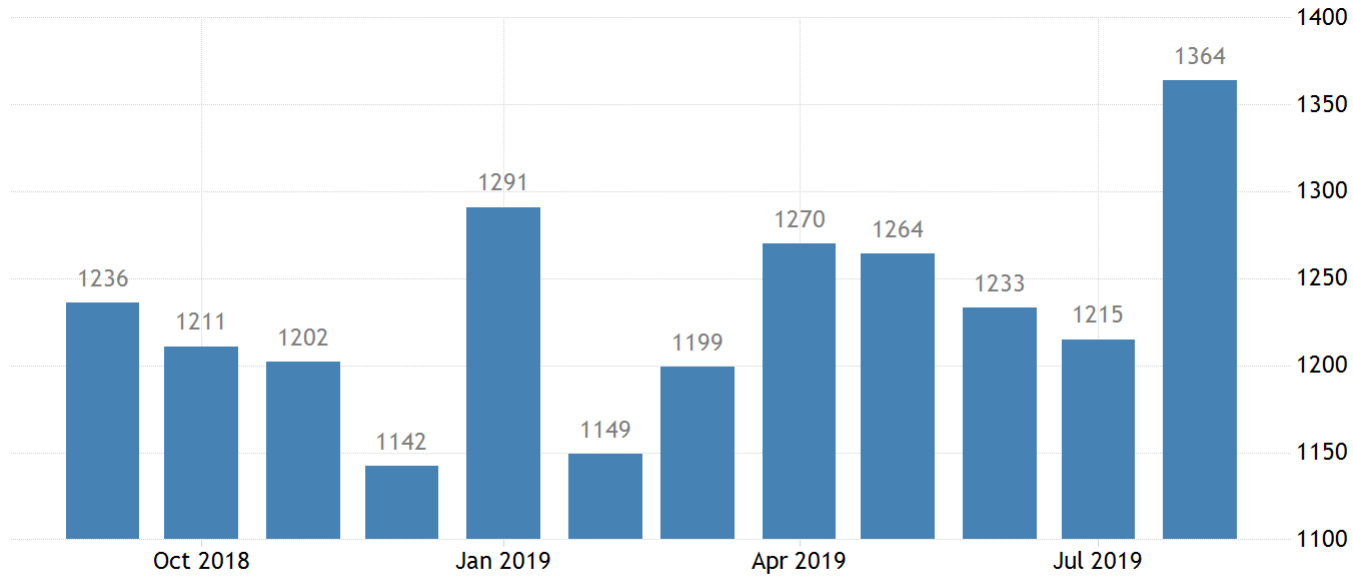
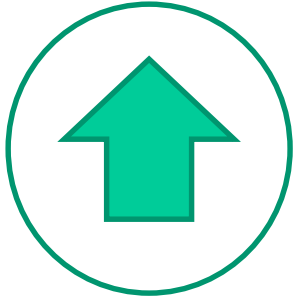


+249 Jobs from  
2010 to 2019

Measures real output for all facilities located in the United States manufacturing, mining, and electric, and gas utilities (excluding those in U.S. territories)



## United States



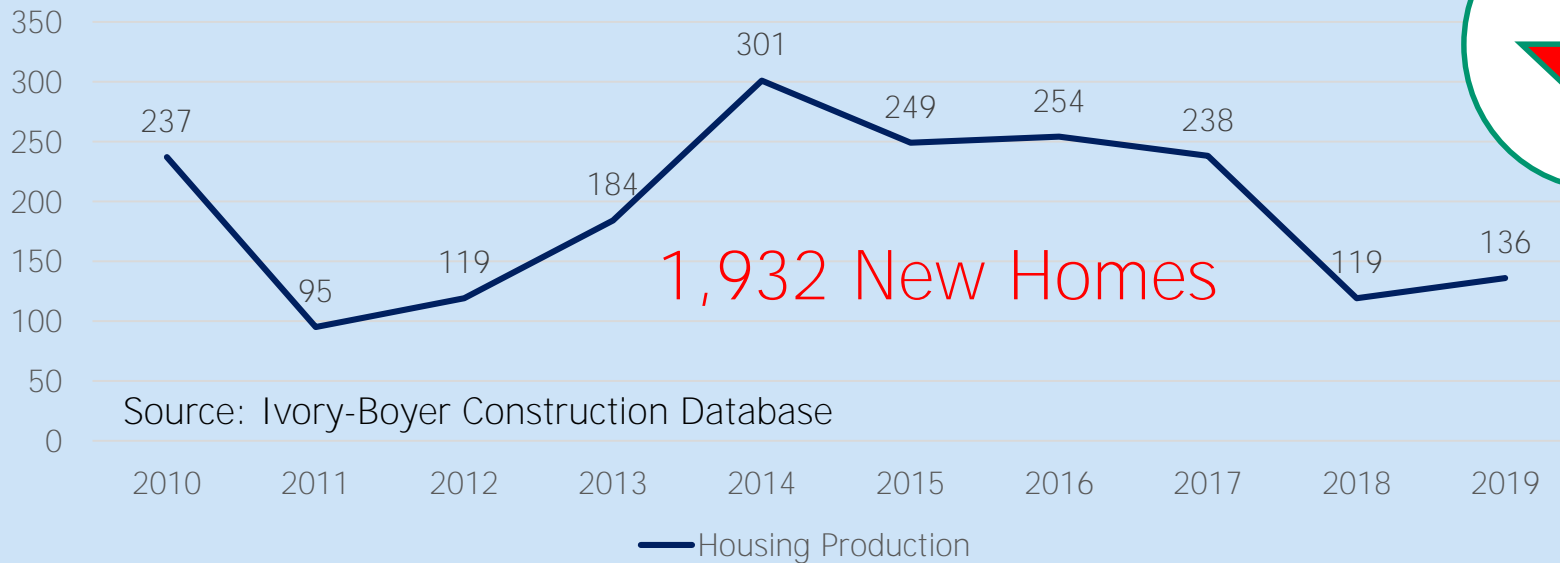
SOURCE: TRADINGECONOMICS.COM | U.S. CENSUS BUREAU



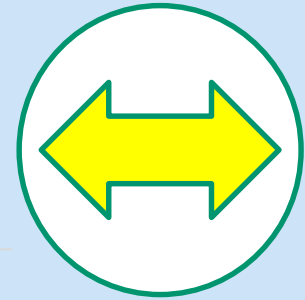


## Summit County, UT

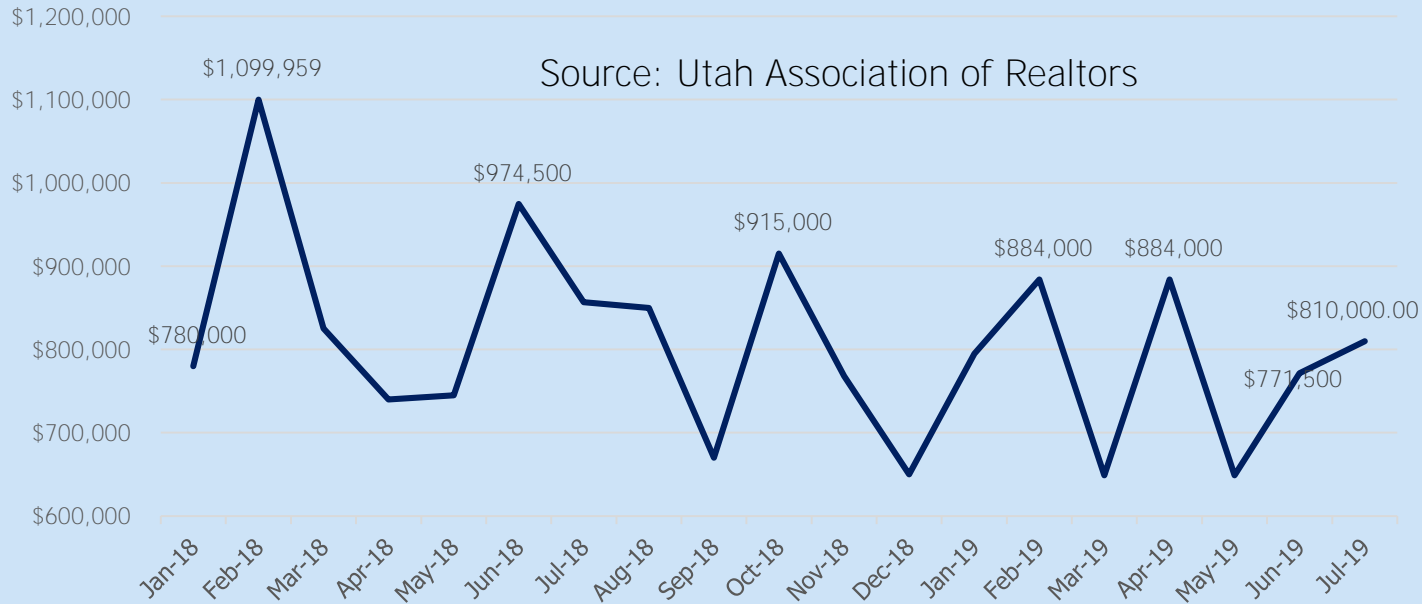
### Housing Production



# Summit County, UT

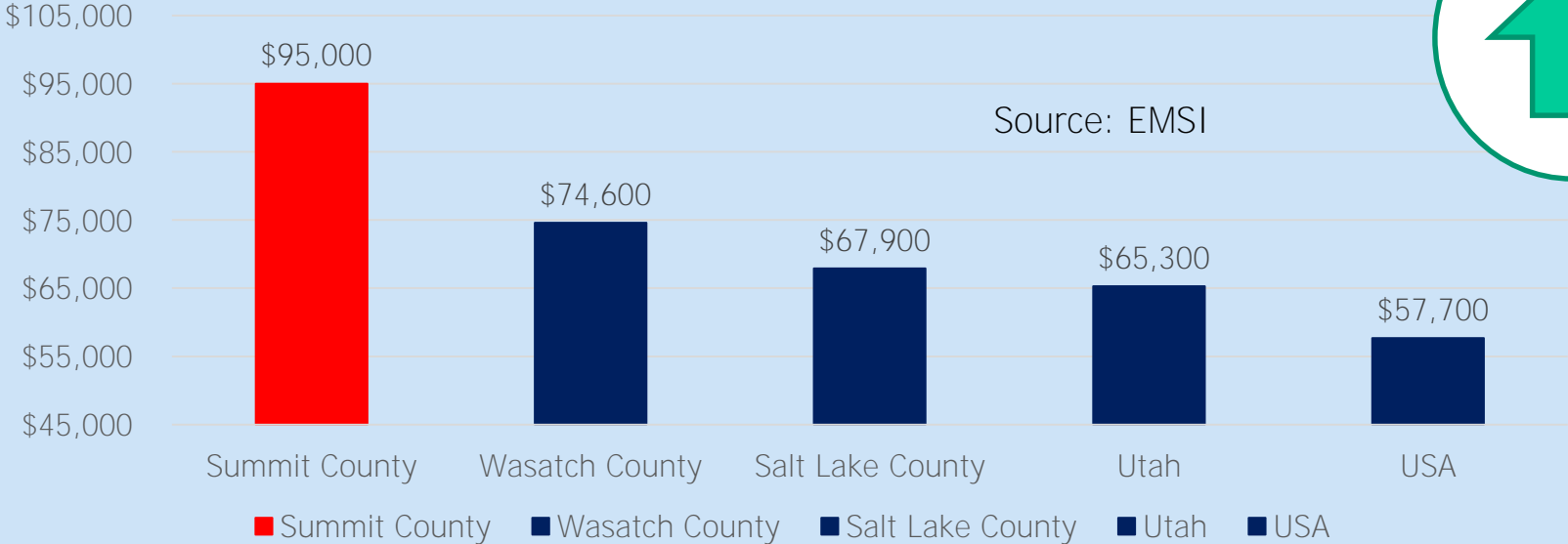
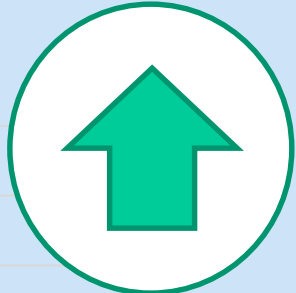


Median Sales Price

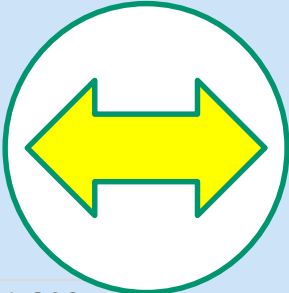


# Summit County, UT

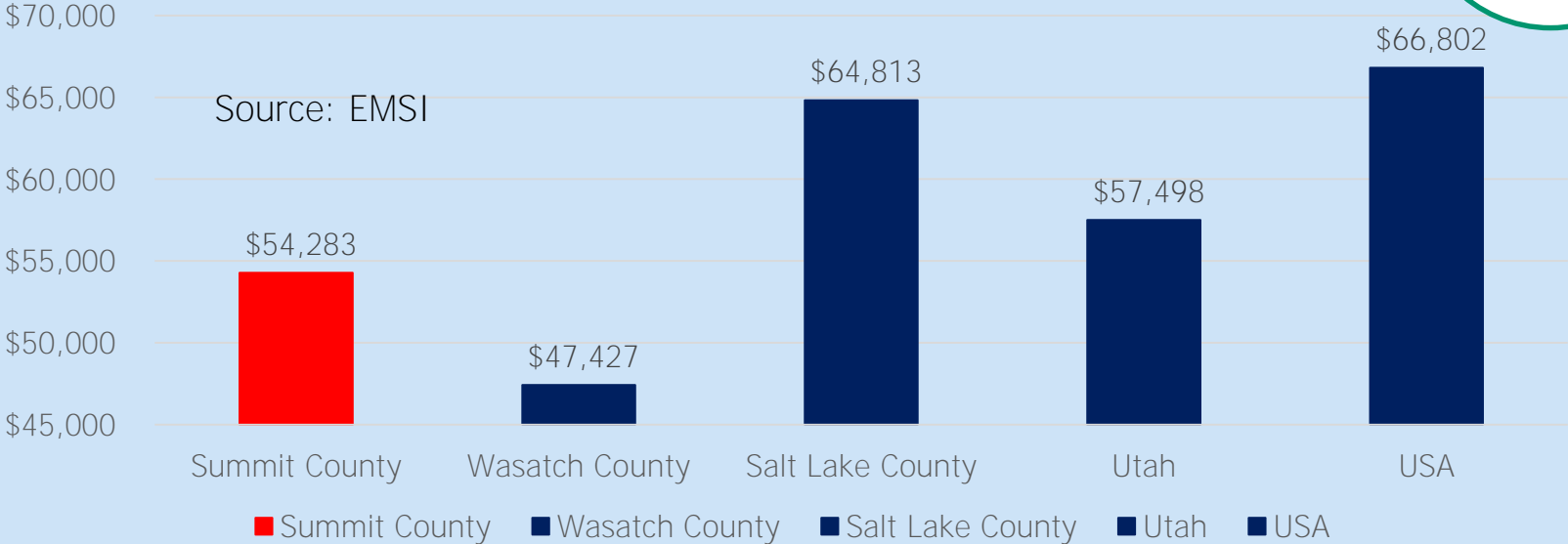
## Median Household Income



# Summit County, UT



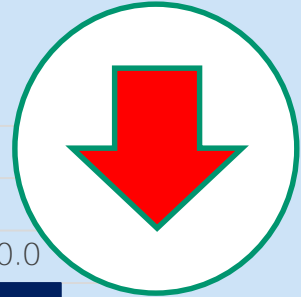
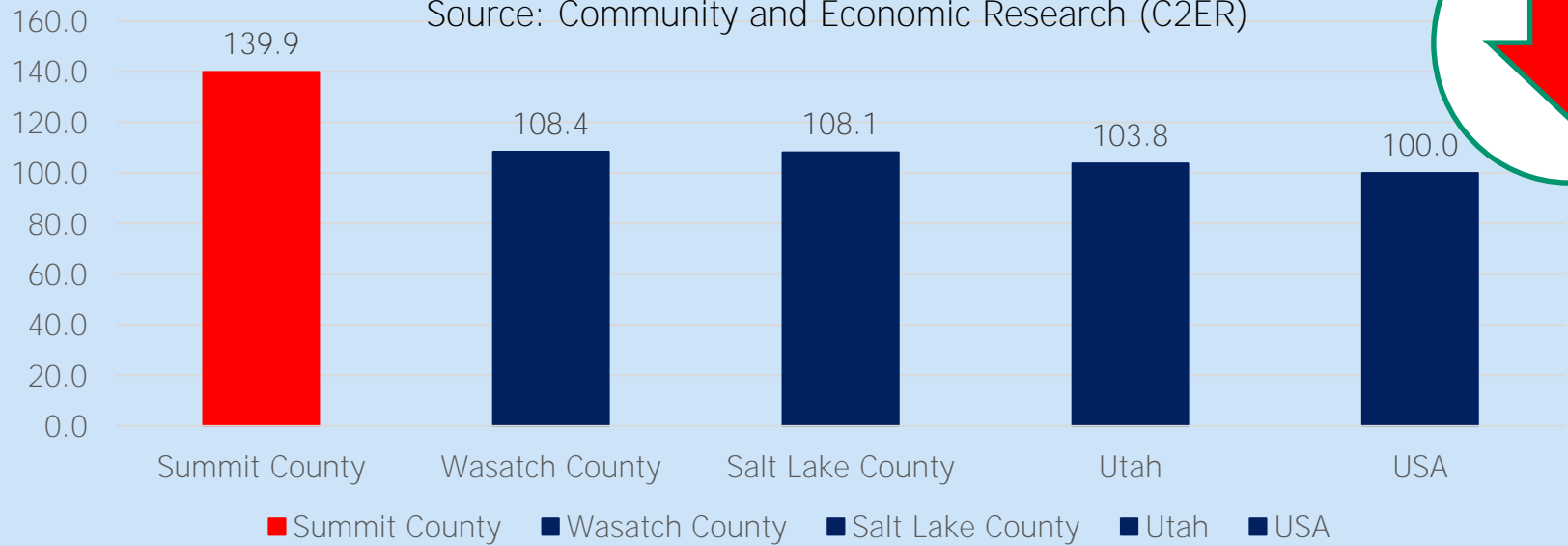
Average Earnings Per Job



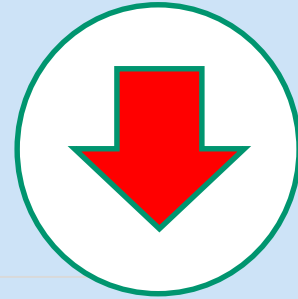
# Summit County, UT

## Cost of Living

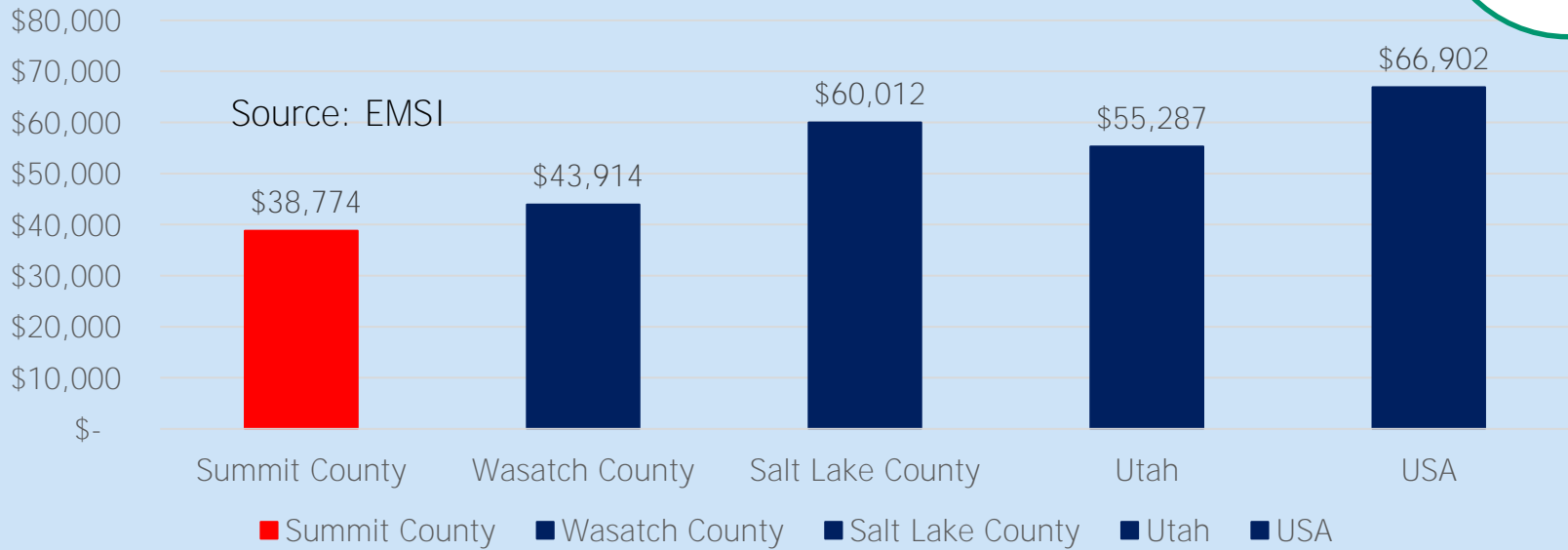
Source: Community and Economic Research (C2ER)



## Summit County, UT



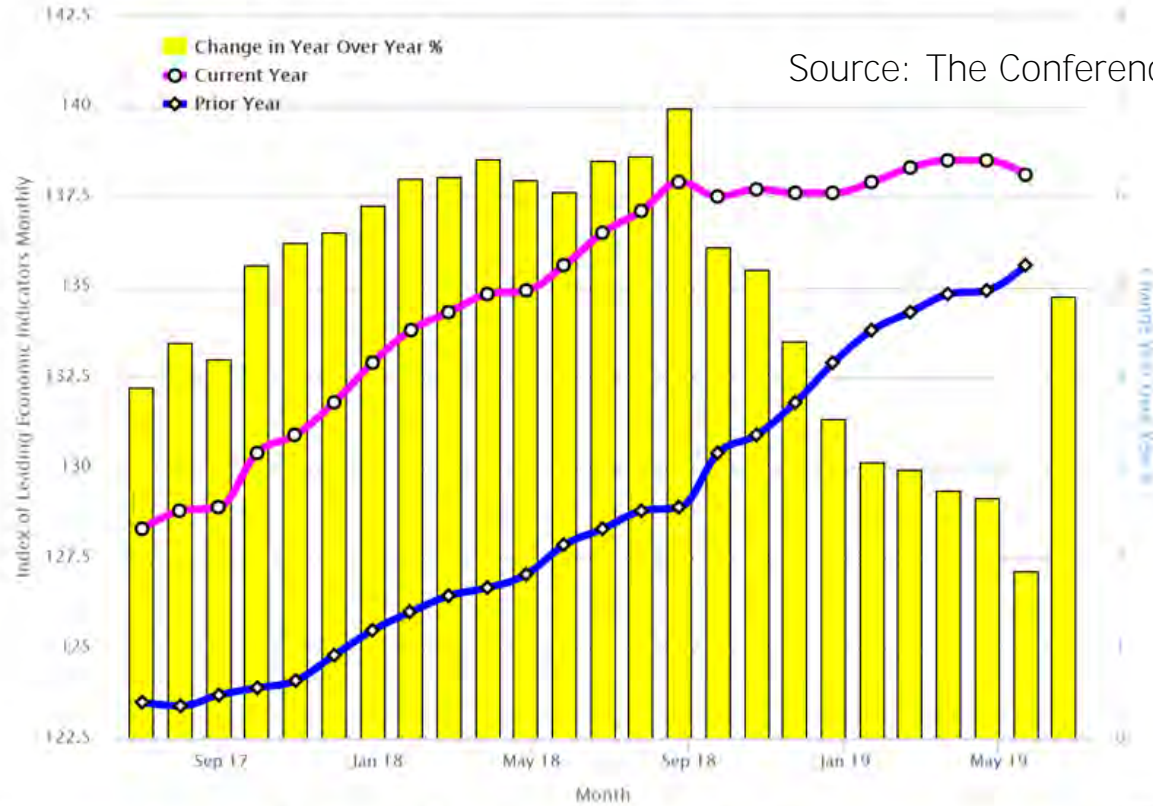
### Average Earnings Per Job



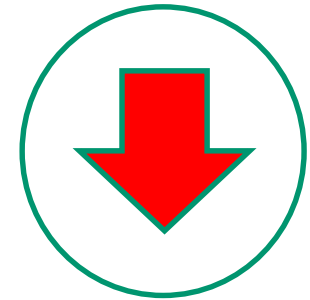
# Recession

- A recession is when the economy declines significantly for at least six months. There's a drop in the following five economic indicators: **real gross domestic product, income, employment, manufacturing, and retail sales.**
- People often say a recession is when the **GDP growth rate is negative for two consecutive quarters or more.** But a recession can quietly begin before the quarterly gross domestic product reports are out. That's why the National Bureau of Economic Research measures the other four factors. That data comes out monthly. When these economic indicators decline, so will GDP

Index of Leading Economic Indicators Year over Year Performance



Source: The Conference Board



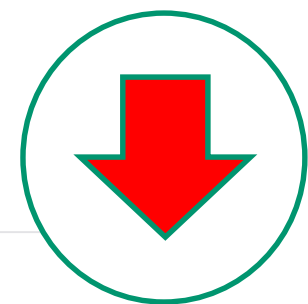
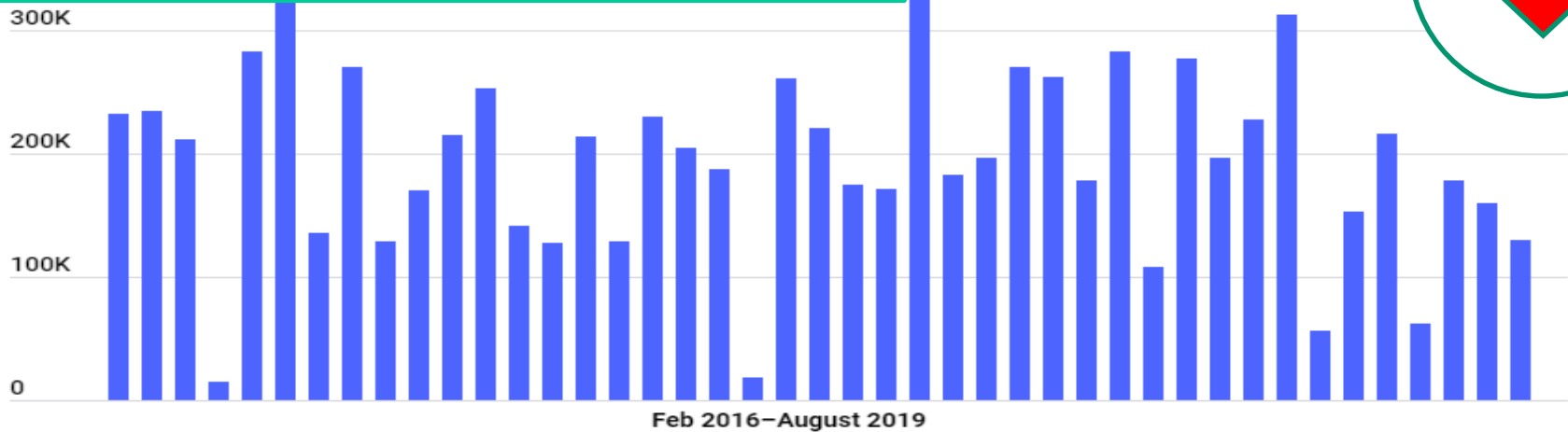
Based on data, the Index of Leading Economic Indicators remained declined in June from May and now stands at 138.1 points (2010 = 100). The Index is higher (+1.8%) versus the same period one year ago (June 2018).



Employers in the U.S. added 130,000 jobs in August, trailing the median estimate among economists for a 150,000 gain, according to a survey by The Wall Street Journal.

Month-over-month change in total employees on nonfarm payrolls

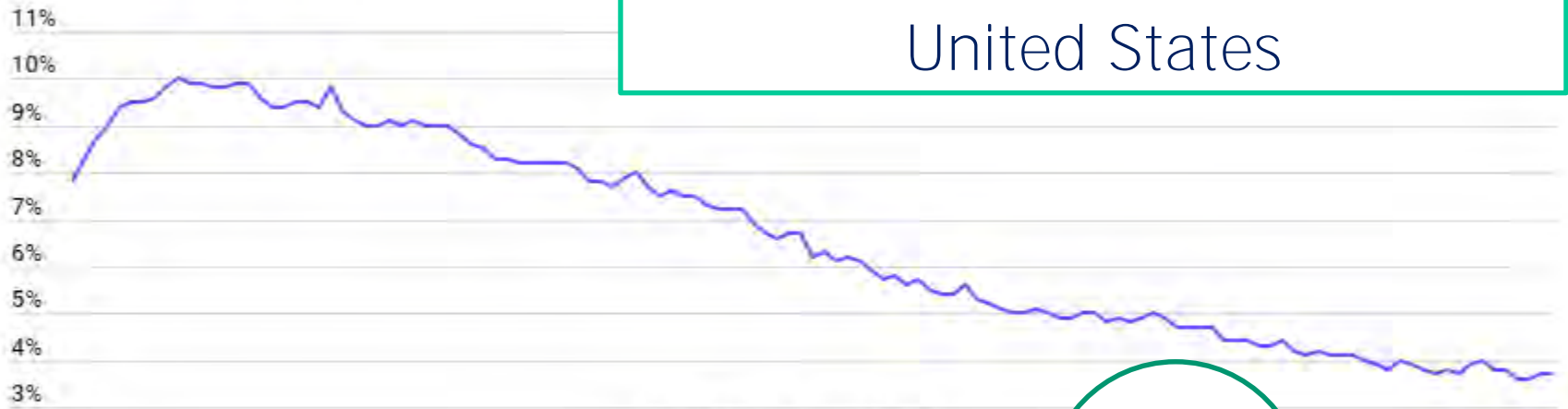
United States



Source: Federal Reserve Economic Division, Federal Reserve Bank of St. Louis; Bureau of Labor Statistics, September 2019



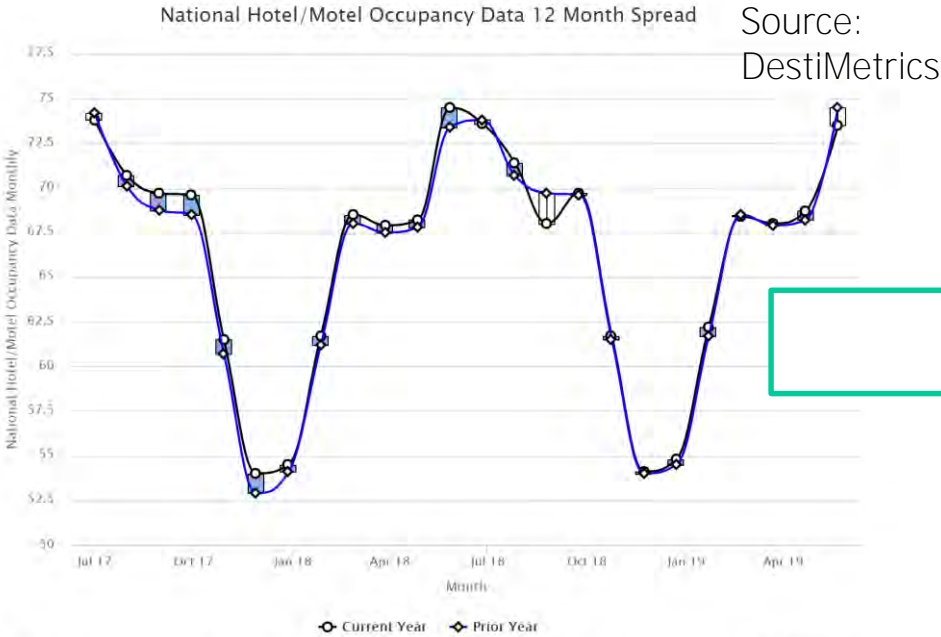
The unemployment rate in August held at 3.7 percent, near the lowest level since 1969.



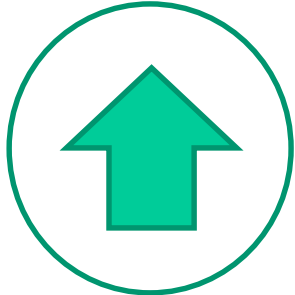
Jan 2009 – August 2019

Source: Bureau of Labor Statistics, September 2019





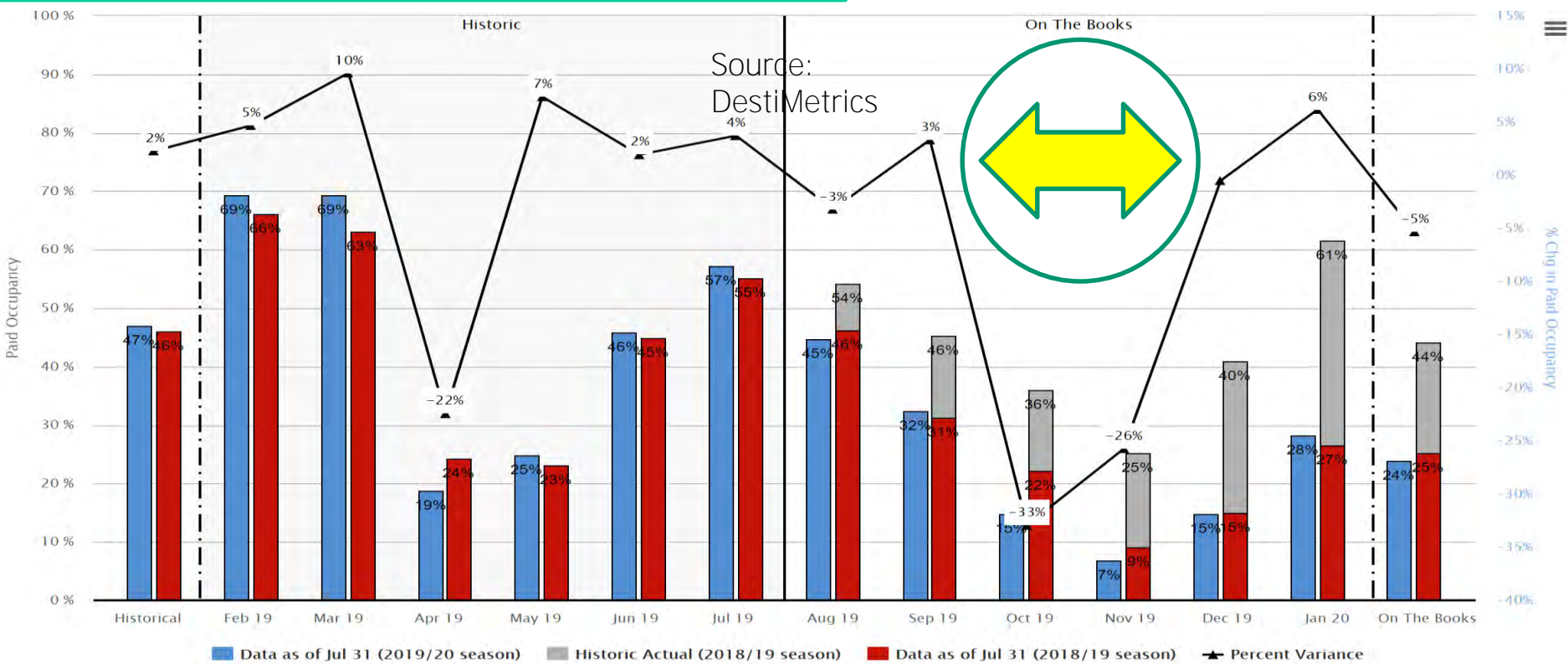
United States



Following seasonal trends, National Hotel / Motel Occupancy rates increased in June (+7.0%) from the previous month to 73.5%. Lodging Occupancy rates in May 2019 decreased (-1.3) compared to June 2018. Average occupancy over the past 12 months is even (+0.0%) when compared with the same 12 month period one year ago.



## Summit County, UT

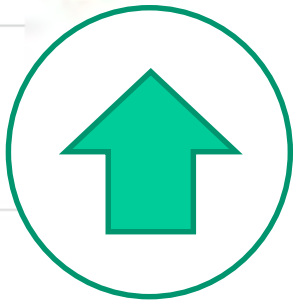


Sentiment among American consumers and businesses remains historically elevated but dipped in the early months of 2019.

United States



February 2015 - July 2019



## United States

- The key to whether the US economy keeps growing or stalls rests largely on consumers, and whether or not they keep spending.
  - That's because consumer spending accounts for about 70% of the nation's economic activity.
- The sale of cars and homes -- big-ticket purchases that are good barometers of spending -- are weakening. Both fell about 2% in the first half of 2019 over the same period the year earlier, even though low interest rates made it relatively cheap to borrow.



## United States

- Air travel data also shows about 4% more people flying so far this year despite higher airfares.
  - Data also shows more people eating meals out, another form of discretionary spending.
- Major retailers, such as Walmart (WMT), and Target (TGT) have reported strong US sales.
  - Target recently reported a 3% rise in US sales.



## United States

- The yield curve is the spread between short-term and long-term bond yields (interest rates).
- A normal yield curve is where short-term rates are lower than long-term rates, and investors believe the economy is expanding.
- An inverted yield curve is where short-term rates are higher than long-term rates. It's a bad sign because it shows investors want to secure their money for the short term and seek long-term returns.





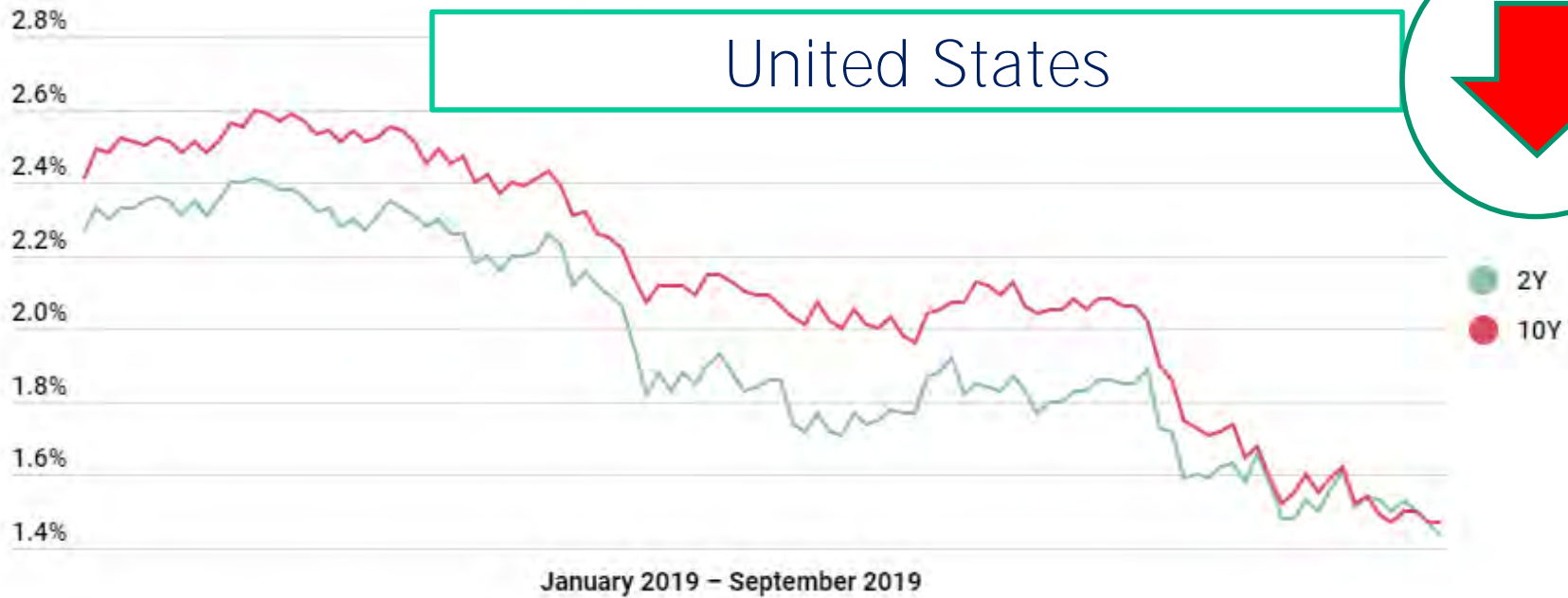
The 3-month Treasury rate topped the 10-year yield on March 22 for the first time since 2007, but it soon recovered. Now, however, the curve is inverted again, with the spread 32-basis-points wide.



Source: Department of the Treasury, August 2019



The 2-year, 10-year yield curve inverted Aug. 14 for the first time since the financial crisis.



Source: Department of the Treasury, September 2019



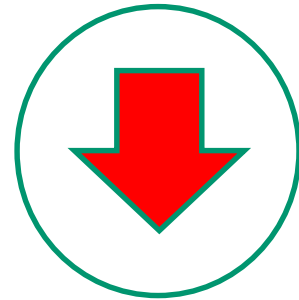
# United States

The odds that the U.S. will be in recession in the next six months dropped from 19% in June to 13% in July. The odds of a recession remain fairly low, as none of the classic causes of U.S. recessions—overheating risks, shock to the economy's balance sheet, or financial imbalances—look worrisome. The biggest downside risk to the economy is the escalation in the trade tensions between the U.S. and China. A noticeable increase in stock prices, housing permits and consumer confidence contributed to the drop in the odds of a recession in the next six months. **The historical average of our probability of recession is 22%.**



## United States

The Federal Reserve Bank of New York is currently betting a 31.48 percent chance that a recession will occur in the next 12 months.

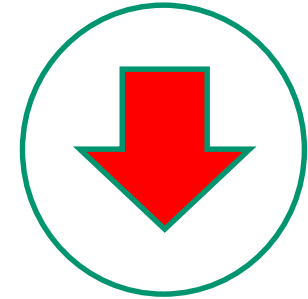
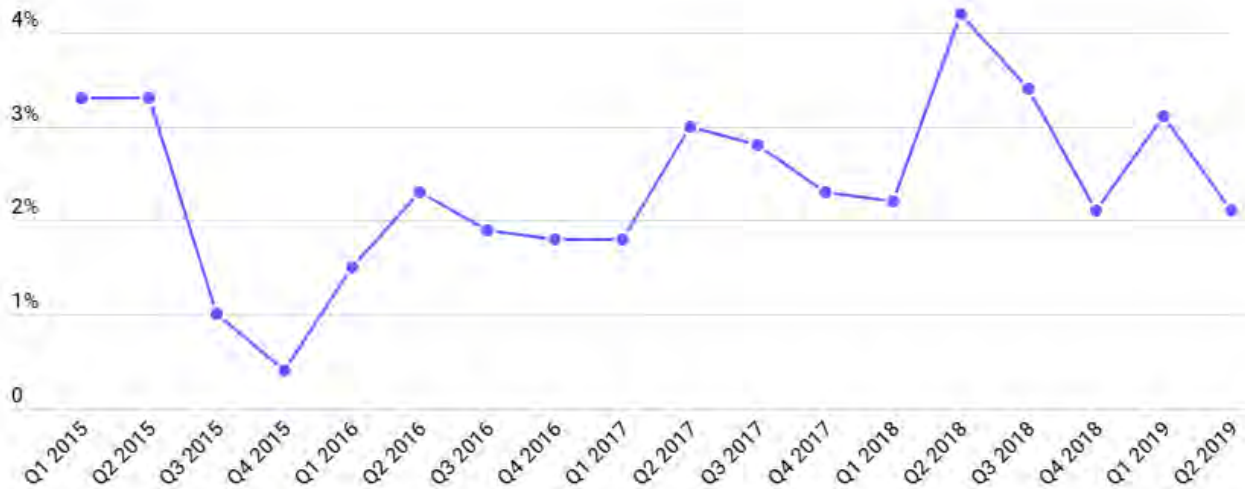


Source: Federal Reserve Bank of New York, August 2019



## United States

The U.S. economy grew by 2.1 percent in the second quarter of 2019, according to a preliminary reading from the Department of Commerce.



Source: Department of Commerce, May 2019



# The Salt Lake Tribune

74% of economists in survey see U.S. recession by end of 2021



(Patrick Semansky | AP Photo) President Donald Trump speaks with Sunday, Aug. 18, 2019.

**"How did you go bankrupt?"  
The second person replies, "Two  
ways, gradually, then suddenly."**

**--Ernest Hemingway, The Sun  
Also Rises**

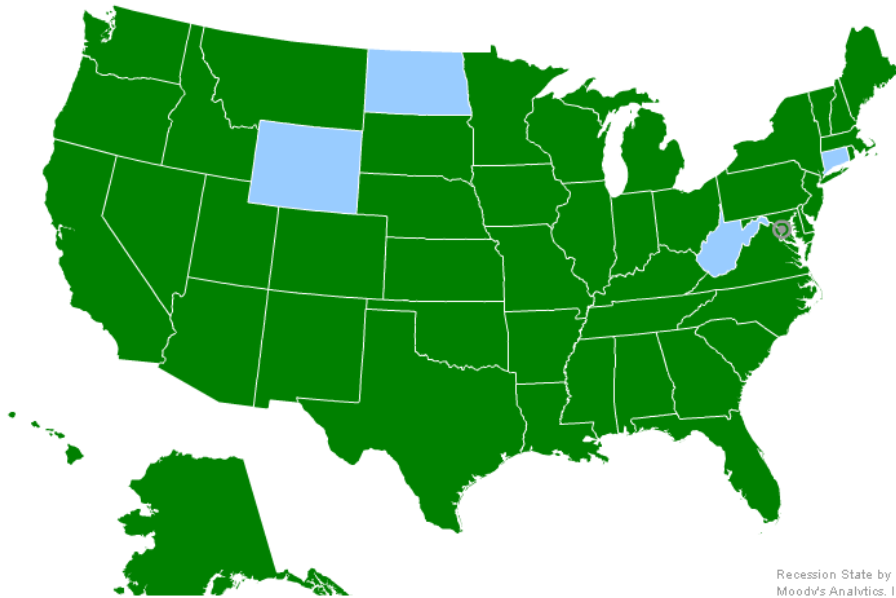
By Marcy Gordon | The Associated Press • Published: 2 days ago  
Updated: 2 days ago



# United States Metro Areas

■ In Recession ■ At Risk ■ Recovering ■ Expanding

Source: Moody's.  
(June 2019)



- ### Metro Areas in Recession
- Fairbanks, AK
  - Bloomington, IL
  - Danville, IL
  - Alexandria, LA
  - Houma-Thibodaux, LA
  - Shreveport-Bossier City, LA
  - Watertown-Fort Drum, NY

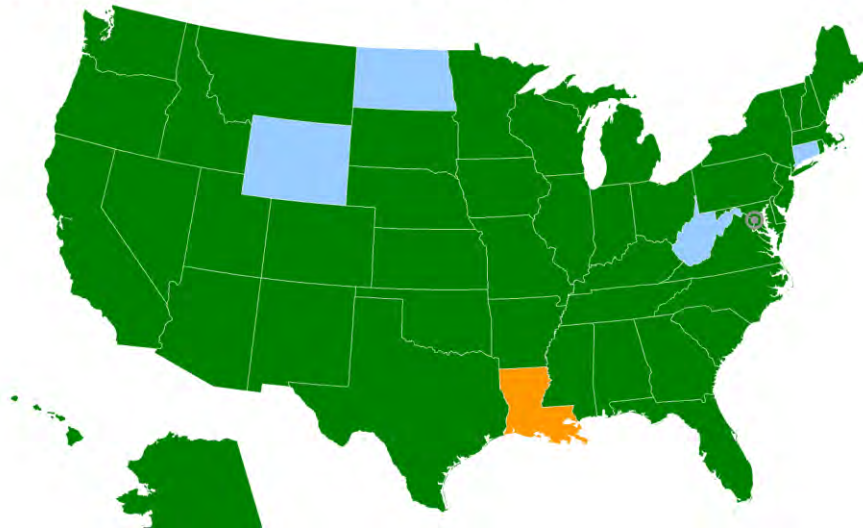
Recession State by State from Economy.com. Copyright © 2017  
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# United States Metro Areas

Source: Moody's  
July 2020

■ In Recession ■ At Risk ■ Recovering ■ Expanding



## Metro Areas in Recession

- Fairbanks, AK
- Bloomington, IL
- Danville, IL
- Alexandria, LA
- Houma-Thibodaux, LA
- Shreveport-Bossier City, LA
- **Grand Forks, ND-MN**
- Watertown-Fort Drum, NY
- **Morgantown, WV**





## United States Metro Areas

- Anchorage, AK
- Pine Bluff, AR
- Pueblo, CO
- Cedar Rapids, IA
- Springfield, IL
- Lafayette-West Lafayette, IN
- Baton Rouge, LA
- Hammond, LA
- Rocky Mount, NC
- Grand Forks, ND-MN
- Las Cruces, NM
- Lawton, OK
- Bloomsburg-Berwick, PA
- Williamsport, PA
- Charleston, WV
- Morgantown, WV
- Parkersburg-Vienna, WV
- Weirton-Steubenville, WV-OH

Source: Economy.com  
(June 2019)



# United States Metro Areas

Source: Moody's  
(July 2019)

- Anchorage, AK
- Pine Bluff, AR
- Stockton-Lodi, CA
- New Haven-Milford, CT
- Pueblo, CO
- Cedar Rapids, IA
- Decatur, IL
- Peoria, IL
- Springfield, IL
- Kokomo, IN
- Lafayette-West Lafayette, IN
- Lawrence, KS
- Baton Rouge, LA
- Hammond, LA
- Rocky Mount, NC
- Goldsboro, NC
- Grand Forks, ND-MN
- Las Cruces, NM
- Albany-Schenectady-Troy, NY
- Elmira, NY
- Glens Falls, NY
- Youngstown-Warren-Boardman, OH-PA
- Lawton, OK
- Bloomsburg-Berwick, PA
- Williamsport, PA
- Scranton--Wilkes-Barre--Hazleton, PA
- Victoria, TX
- Wichita Falls, TX
- Charleston, WV
- Beckley, WV
- Morgantown, WV
- Parkersburg-Vienna, WV
- Weirton-Steubenville, WV-OH
- Wheeling, WV-OH



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U.S.

## Los Angeles and Other Cities Stash Money to Prepare for a Recession

Local officials are feeding their rainy-day funds, hoping to ride out the next slump

By *Scott Calvert and Jon Kamp*

Jan. 24, 2019 11:00 am ET

Los Angeles officials are socking away money for the next recession.

The nation's second-largest city has set aside close to \$500 million across several funds to help weather emergencies and financial shocks, said Matt Szabo, Mayor Eric Garcetti's top

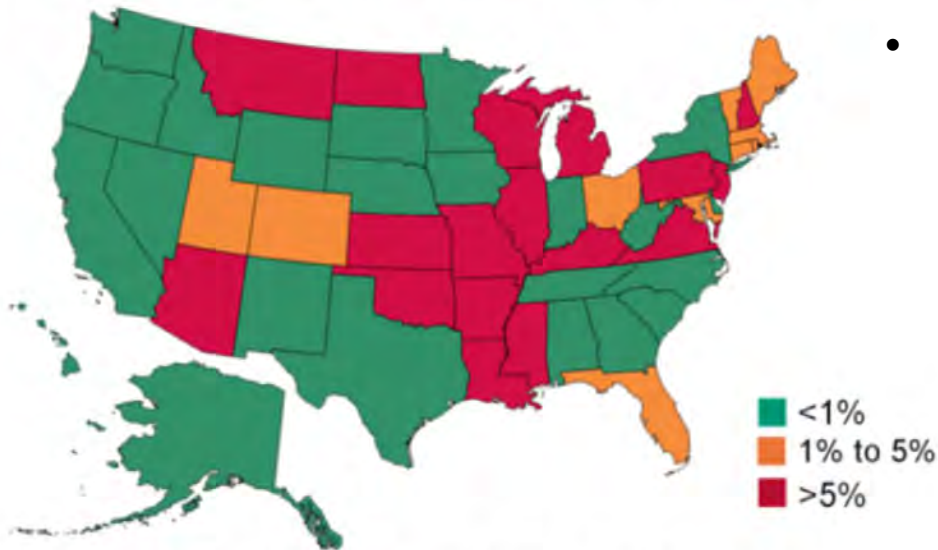
Who knows what your destination will look like in 6



# COUNCIL OF GOVERNMENTS

## Ready for Recession?

The amount by which state rainy day funds are sufficient to cover shortfalls



- The map below shows which states are within 1 percent of their funding needs for their rainy-day funds (in green) and which states are falling short.

Sources: National Assn. of State Budget Officers, Moody's Analytics



## Idaho governor tells state agencies to limit budget requests

By Keith Ridler, Associated Press | Posted - Aug 20th, 2019 @ 12:30pm



BOISE, Idaho (AP) — Idaho Gov. Brad Little has told state agencies to limit budget requests following a revenue forecast that came in lower than expected and eliminated most of the state's surplus.

Little in a memo on Monday told agencies to minimize replacement items next year to emergency requests only.

He also told agencies to restrict supplemental requests for the current fiscal year and enhancements for next fiscal year, such as salary increases, to emergency requests only.

Little, a Republican, told agencies still making requests to identify two or three things to cut in their base budgets.

On Friday, the Idaho Division of Financial Management forecast general fund revenues \$96 million below the amount lawmakers used in creating the current budget.

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- Minimize replacement items next year to emergency requests only.
- Restrict supplemental requests for the current fiscal year and enhancements for next fiscal year, such as salary increases, to emergency requests only.



# Summit County, UT

## Jobs

- 972 Jobs

## Population

- 548 Pop

Source: EMSI



# Summit County, UT

## Jobs

- 858 Jobs

## Population

- 506 Pop

Source: EMSI



- Explore the use of budget forecasting tools or models to understand how different scenarios will impact the county's long-term fiscal conditions. What if....?
- Engage our residents in a meaningful way in the budgeting process. To hold the line on costs, local policymakers will face difficult choices about whether to reduce staff, delay a much-needed infrastructure project or cut essential services — or a combination of all of these.
- The county should make it an ongoing practice to understand the connection between their fiscal systems and their underlying local economies.
- Focus on helping our policymakers' awareness of which revenue streams are most vulnerable during a downturn and potential options for preserving essential services and navigating through a potential recession.





# THANK YOU!



Questions?  
Jeffrey B. Jones, AICP  
435-336-3221

<http://www.co.summit.ut.us>