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Economic Report Predicts Strong 2007

by Marie Mischel

The 2007 Economic Report to the Governor, released Thursday, reflects what analysts have stated over the past 12 months: Utah's red-hot economy should remain strong during the next year.

"A possible theme of this year's Economic Report to the Governor is continued strong, economic growth," said Robert Spendlove of the Governor's Office of Planning and Budget during his remarks at the Wasatch Front Economic Forum. "We've seen very strong growth in 2006 and we're forecasting strong growth again for 2007."

"[T]he economy's acceleration during 2006 was astounding," the report's executive summary states, adding, "[t]he outlook anticipates very strong growth during 2007."

Utah's population grew 2.7 percent during 2006, which was three times the national average. Employment grew 5.2 percent, the fastest growth since 1995, representing 60,000 new jobs.

"For the second year in a row, all sectors of Utah's economy performed strongly," the report states. The strongest sectors were natural resources and mining and construction, with both reaching 18 percent growth.

Other strong sectors were federal defense spending in the state, which brought in an estimated \$382 billion in 2005; construction, which showed a record-high value of \$7.6 billion in 2006; and manufacturing, which increased 4.7 percent.

"We see very strong growth in the manufacturing sector of Utah's economy," Spendlove said. "Manufacturing is truly remarkable. Nationwide, we're seeing a manufacturing contraction. Manufacturing jobs are going away from our nation's economy. However, Utah not only has manufacturing job increases, but strong manufacturing job increases of nearly 5 percent."

The state's combined general and school fund revenues increased by 15.5 percent, according to the report.

"That's nearly twice the highest revenue growth the state has seen in the last 20 years," Spendlove said. "Some of the components of this growth include an increase in income tax revenues of 18.3 percent; an increase in sales tax revenues of 10.5 percent; and corporate franchise tax revenues, an increase of nearly 82 percent in one year. So we're seeing very strong sources of revenue growth in our tax revenues. This has turned into record budget surpluses."

In 2006, the budget surplus is more than \$300 million.

"What does this all mean in terms of the bottom line?" asked Gov. Jon Huntsman, Jr., who spoke at Thursday's forum. "The strong economy means that we can begin to make some absolutely critical investments in who we are as a state and our infrastructure."



Among Huntsman's priorities is education—he has proposed increasing education spending by 18.5 percent. "I would give it more if I could," he said.



"What to me is most important and telling about this economic expansion is that we're seeing jobs created, to be sure, but the jobs are bringing, for the first time in a very long while, compensation—wages that are above the national level," Huntsman said.

In 2007, employment growth should increase to 4.7 percent, with the unemployment rate increasing to 3.5 percent and wages continuing to increase faster than inflation, according to the report.

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