

Key Economic Factors Driving Tax Revenues
In FY 2006 and FY 2007
For the State of Utah
(and changes that have taken place in assumptions during past 60-90 days)
February 13, 2006

Factor	Update
Net Migration:	One of the key factors driving growth in the Utah economy is net migration. 2005 net migration is estimated to have been approximately 41,000. During the past 60-90 days our forecasts for 2006 have stayed the same at 37,000, but the 2007 forecast has risen from 30,000 to 36,000 with potential for further upside to the 40,000 to 45,000 level. Median housing prices in Utah continue to be attractive relative to the U.S. median housing prices – this will continue to provide some incentive for net migration to the state.
Construction:	Total new dwelling units in 2005 were 28,300 – higher than our previous estimate of 27,000. Total construction valuation for 2005 (residential + nonresidential) grew 28.7% over 2004 – higher than previously estimated (25.6%) 60-90 days ago. Large construction projects slated to begin over the next 1-3 years bode well for the Utah construction industry.
Job Growth:	Perhaps the most significant change that has occurred to our factors driving economic growth in Utah over the past 60-90 days has been the strength in employment. Non-ag employment grew at a strong 4.0-4.5% during the third quarter of 2005 and according to preliminary survey data grew above 4.5% during the fourth quarter. Total non-ag wage estimates for 2006 and 2007 are expected to be 8.78% and 7.2% respectively – significantly higher than our estimates last November. Unemployment remains at 4.4 % for FY 2006, down from 4.7% in FY 2005. Unemployment is expected to drop to 4% in FY 2007.
Inflation:	Though oil prices have come off their August/September peak, they continue to hover above the \$60 per barrel mark as of February 2006. Natural gas prices have dropped in half over the past 60 days (from \$15 to \$7.5) – but probably not in time to effect much impact on Utah residents gas bills through the 2005/2006 winter.
Interest Rates:	The yield curve has continued to flatten (and even invert) over the past 60-90 days as short-term rates have moved up more rapidly than long-term rates.
Collections:	Through seven months of FY 2006 sales tax revenues, individual income tax revenues, and corporate franchise tax revenues all continue to significantly out pace historical growth rates.