

BUSINESS SURVEY

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Executive Summary

In July, the Utah economy continued to boom, extending a trend of growth in current and expected revenues since April 2021.

Although current and expected business growth remains high, there are no signs of an overheating economy. Importantly, businesses expect steady growth to continue, while inflation pressures remain low.

Among the highest business risk factors are uncertainty about overall demand as well as uncertainty about competition, while COVID-19 related risks rank very low. Planned hiring is high across all industries, even though some industries such as Agriculture exhibit the highest planned hiring rates, most likely driven by high seasonal demand.

CURRENT BUSINESS CLIMATE

We quantify the general business climate by asking respondents to compare their current revenue and their revenue expectations over the next three months to their revenues in the same month in 2019, to account for the change since pre-pandemic “normal.” This relative revenue comparison is also useful since reported values will take seasonality into account: for example, the holiday shopping season in December. Current and expected revenues define four business cycle regions; boom, downturn, recession, and recovery. Specifically, when businesses have current and expected revenues above those of the same month in 2019, we designate them as in a boom. Similarly, when businesses have current and expected revenues below those of the same month in 2019, we designate them as in recession. In contrast, firms are classified as being in a downturn if current revenues are higher than 2019 levels, but expected revenues over the next 3 months are lower than 2019 levels. Similarly, firms reporting that their current revenues are below 2019 levels but are expecting revenues in the next 3 months to be above 2019 levels are classified as being in recovery territory.



DAVID ECCLES SCHOOL OF BUSINESS

Figure 1: Business Cycle

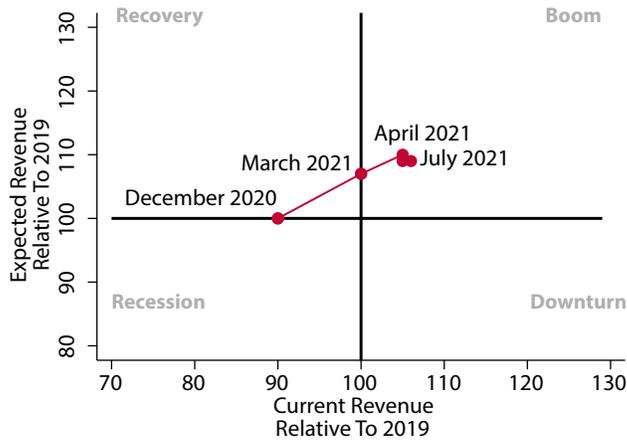
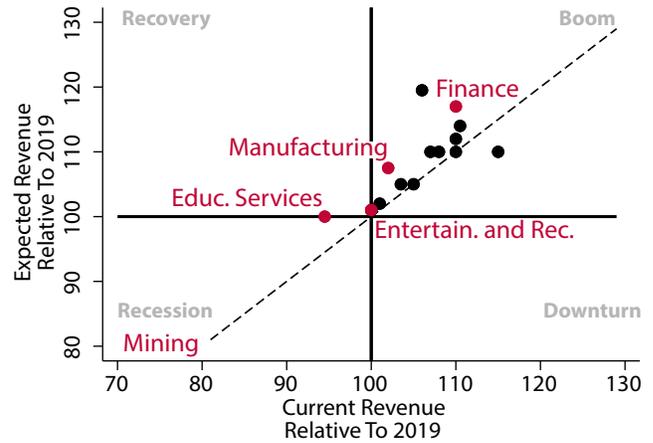


Figure 1 shows that Utah remains in boom territory in July, almost unchanged since April. This strength is partly driven by the continuing recovery. On the other hand, the overall Utah economy does not seem to exhibit signs of overheating, as would be the case if current and expected revenues would continue to accelerate.

Note: to minimize the effect of outliers, Figure 1 presents median values.

Figure 2 shows strong economic growth across industries. All industries except for Mining and Educational Services have moved into boom territory. In other words, the recovery provides an economic boost that affects almost all industries positively, even though some industries clearly benefit more than others. Importantly, the Entertainment and Recreation industry is most likely to benefit from continuing vaccinations and resulting increased mobility of consumers. At the same time, industries such as Finance and Insurance do not only exhibit high current revenues, but also expect industry revenues to increase even more during the next three months. On the other extreme, the firms in the Mining industry continue to struggle and remain in recession territory.

Figure 2: Business Cycle by Industry



LONGER-TERM BUSINESS EXPECTATIONS

Figure 3 reports the median expected recovery over the next year by industry and in the overall economy. Overall economic expectations remain optimistic with few signs of an expected slowdown in business revenue growth. Among the industries with the highest growth prospects is Entertainment and Recreation. **Figure 3** shows that businesses in Entertainment and Recreation expect to be in a similar position as 2019 by August and then expect their prospects to be dramatically better over the fall and winter months, compared to the corresponding months in 2019. This suggests that much of the improvement in revenues in this industry is driven by the recovery from the pandemic, instead of temporary high demand during the summer months.

Figure 3: Longer-term Revenue Expectations

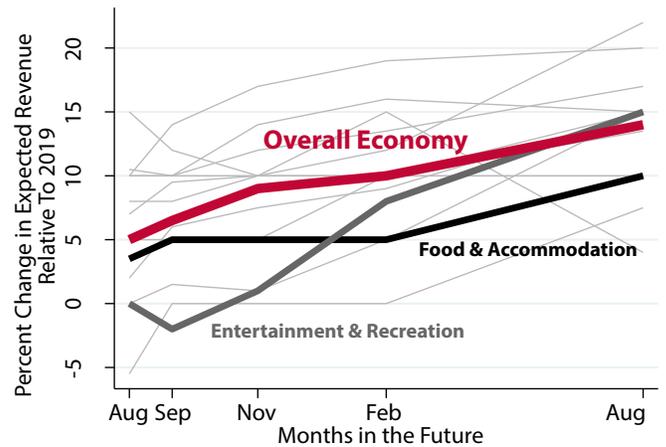
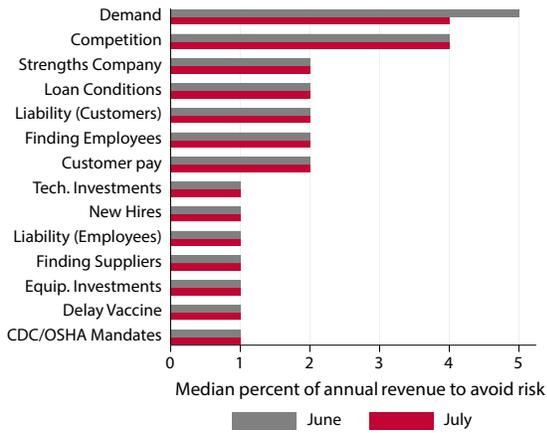


Figure 4: Risk Perceptions



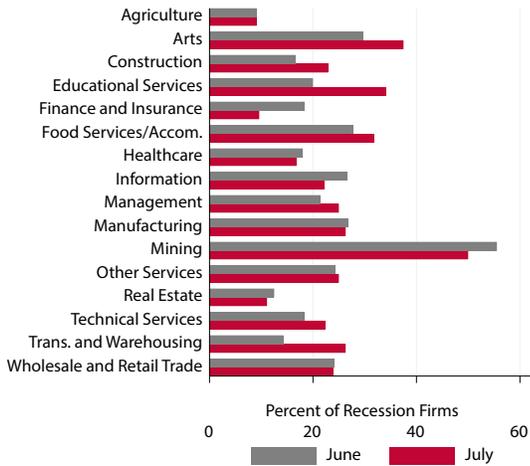
RISK PERCEPTIONS

To assess what risks Utah businesses are worrying about, we ask what percentage of annual revenues they would be willing to give up if they could avoid various risky scenarios, such that a higher response indicates more risk to the firm.

Overall, risk perceptions continued to decrease from June.

Figure 4 reports the top concerns: uncertainty about demand is followed by uncertainty about competition and company strengths. Liability concerns due to COVID-19 generally rank lower, while the perceived risk of pandemic-related regulation from the CDC and OSHA is among the least concerns for businesses.

Figure 5: Slow-to-Recover Firms

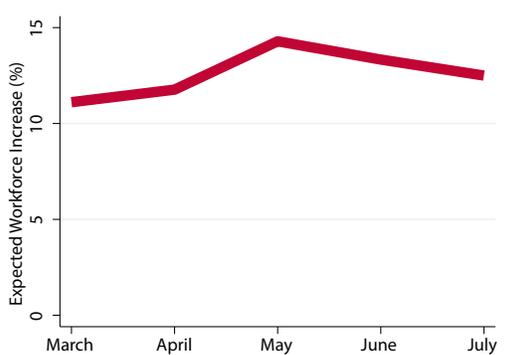


SLOW TO RECOVER BUSINESSES

While most industries are in boom territory, there are still many firms in many industries that are still struggling to recover. To measure this, we look for firms that currently have revenues below their June 2019 levels and that expect revenues to remain below the 2019 level for at least the next three months. We report changes in the percentage of these “recession firms” in **Figure 5**.

A few industries exhibit an increased number of recession firms. These include Arts as well as Construction, Educational Services, and Transportation & Warehousing. The latter industry has been expanding throughout the pandemic in conjunction with the expansion of e-commerce and so that the increase in “recession firms” starts from a low number of such firms in June. In contrast, Mining remains the industry which has by far the highest number of firms that are slow to recover.

Figure 6: Hiring Expectations



HIRING

Figure 6 shows that businesses are expecting to increase their workforce over the next 4 weeks by over 12%. Planned hiring by small Utah businesses remains strong overall, but has slowed down slightly since May 2021.

Figure 7: Hiring Expectations by Industry

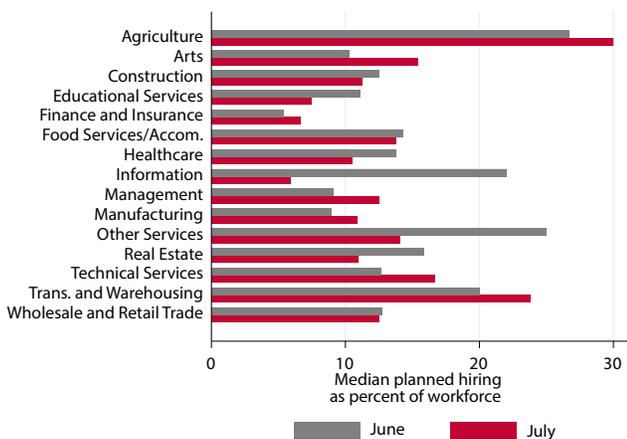


Figure 7 highlights differences in planned hiring across industries. The figure shows expected hiring as a percentage of the existing workforce (calculated as the number of planned hires over the number of existing employees). Employers in Information Technology and other service industries have substantially slowed down the pace of their hiring, while most employers in other industries have continued to maintain a high rate of hiring. Employers with the highest planned hiring rates are in Agriculture, which is driven by high seasonal demand.

PRICING AND INFLATION

A key potential concern in a booming economy is inflation. To track the risk of inflation for the Utah economy, we ask businesses whether they changed their average prices last month and, if so, by how much. In this setting, it is useful to keep in mind that most businesses change their prices infrequently and, therefore, also tend to set their prices even higher if they expect high future growth and/or inflation. **Figure 8** reports both the number of businesses that reported price changes, as well as the median reported price changes (in percent). Average price increases for those firms that change their price remain high with almost 10%. However, the fraction of businesses that have been changing their price has been declining, thereby suggesting that inflation risks continue to decline.

Figure 9 provides additional insight into inflation trends across industries. Among the industries with the highest decline in inflation are Information Technology and Management of Companies.

Figure 8: Price Changes



Figure 7: Price Changes by Industry

