

Stan Sorenson:

Hey, everyone. Welcome to Altabanking, a business podcast for everyone interested in elevating their financial future. I'm Stan Sorensen, and together we're going to hear interviews and information and insights for making great financial decisions.

Today, it is my great pleasure to speak with Natalie Gochnour, who is the Director of the Kem C. Gardner Institute at the University of Utah and someone with whom I have had the pleasure of working for the last couple years at the bank. Welcome, Natalie.

Natalie Gochnour:

Thank you, Stan. Great to be here with you.

Stan Sorenson:

Always great to have you. We're going to take a bit of a look back at 2021. We're going to talk a little bit about what we think might be coming in 2022, and maybe even cover some of the elements that showed up in the economic report to the governor that was released in January. Why don't we go ahead and jump in?

Natalie Gochnour:

Let's do it.

Despite Pandemic, Utah's Economy is Good

Stan Sorenson:

All right. Let's do it. Last year about this time when we sat down to do this podcast, we talked all about 2020 and recovery from the pandemic and all kinds of things. And I was just thinking what a difference a year makes.

Natalie Gochnour:

Right. Yeah. You know, pandemics are something we don't really know how to do. They don't happen very often. And of course, last year we were in the throes of it. I mean, we had not, at that point, had the vaccine widely available. We hadn't had Delta. We hadn't had Omicron. All of the problems that those variants caused. It's a health crisis, indeed, but it's also an economic crisis when you have a pandemic.

I think it's wonderful to be at a point where we think we're getting to the other side of the pandemic. It's not done yet, but we're moving towards the endemic stage and it's showing up in the economic numbers.

Stan Sorenson:

Were there any big surprises as you look back at 2021? Both good and bad?

Natalie Gochnour:

Yes. I'm actually surprised how well the Utah economy weathered the pandemic, which is something that I think people would find interesting. When comparing the economies from 2019 and 2021 — we

eliminated 2020 and do not have enough data on 2022 yet — there's only four state's economies that have grown since 2019: Utah, Idaho, Arizona and Texas.

Of the four, Utah is the fastest growing among. Every other state, including the U.S. average, all have fewer jobs in December of 2021 than they had in 2019 of December. So that's a surprise. That's a hard thing to do.

2021 Proves to be a Banner Year for Utah Jobs

Stan Sorenson:

You mentioned jobs. In one of the data points, I was really struck by Utah adding 72,500 jobs last year, which is everything that we lost in 2020, plus an additional 51,000 and change. I mean, that's just unprecedented, isn't it?

Natalie Gochnour:

It is. This job increase of over 70,000 jobs is significant. In any year, if you do 30, 40, or 50 thousand jobs, you're doing really well. It was a banner year for the Utah economy, but of course it was starting from a low point. We're in a V-shaped recovery in almost every sector in the economy except for leisure and hospitality and mining. The major industries in Utah including manufacturing, construction, financial services, and trade have all increased this past year.

Stan Sorenson:

And it isn't just new businesses coming in, right? It's growth in established businesses as well, correct?

Natalie Gochnour:

It is. In addition to the job number, I think you have to also look at the population number that corresponds to that. We had around 35,000 more people move into the state than move out. That's a big number. That's a net number. On that net 35,000, about two thirds of our growth last year came from net in migration.

We've got domestic or internal growth that's fueling jobs. And then you have new people coming to our state that's fueling jobs. And in the end, we end up had having a nation-leading economy.

How Can Utah Find a Solution to Our Labor Shortage?

Stan Sorenson:

Even with all the job growth and all of the population growth, it's still hard for a number of businesses to hire. And, of course, we're seeing that, not just in Utah, but in a lot of places. If we could have a magic wand, so to speak, I mean, how do we address that? How do we fix that issue?

Natalie Gochnour:

What I hear you saying is, "Natalie, we've got a labor shortage. We've got labor constraints. Businesses can't grow because they can't find the labor they need." I will just remind our viewers and listeners that is true at all levels of the occupational spectrum.

Hourly workers, high-skilled laborers, tech workers. We have shortages all along the spectrum. And there's an old saying, "Show me a labor shortage and I'll show you wages that are too low." There is a way to correct it: Pay a lot more.

But that's also a limiting factor. I think we should remind ourselves though that a big part of the pandemic was that people dropped out of the labor force to homeschool their children when schools were closed, or online education that wasn't desirable. People dropped out of the labor force because they were caring for sick people or they were sick themselves.

People dropped up out of the labor force because they were 55 and older and they already own their home and the stock market's been doing well and they're just done. They just want to start retirement early. All this is what defines The Great Resignation.

For all those reasons, the labor force participation rates dropped and we won't have a fully recovered economy until we get people fully back to work.

Stan Sorenson:

You talk about wages being one way to incentivize people to come back to work. But are there other factors that we should be looking at beyond that?

Natalie Gochnour:

We should, but this goes to national policy. We need to reform immigration in our country because where the labor shortages are most acute are in hourly workers, construction, landscaping, hotel service workers, restaurant workers. And those are jobs often filled by immigrants.

And also high-skilled engineers, computer scientists; again, often filled by immigrants.

If we can get more immigrants taking these jobs, it actually lifts everybody. This is one of these situations where you can get a double win.

Stan Sorenson:

Yeah. As for the highly-skilled, highly-educated segment, a lot of my old tech buddies in Seattle talk about the H-1B issues and how that's been impacting that workforce for years. And it's gotten a lot worse. Even the Microsofts and Amazons of the world are experiencing the same problems. It's not unique just to us, as you say.

Natalie Gochnour:

Yes. The way to get over our labor shortages and for the market to recover completely is to pay people better and bring people back into the labor force.

I will also pitch that we need to keep training people for the jobs that are in demand. Community colleges, any kind of post-secondary learning is very important. The high school diploma isn't going to make it. The high school diploma is going to be suboptimal in the information age.

Stan Sorenson:

I recall us talking about training quite a bit last year. We agreed that community colleges and vocational programs are all really important. I know Utah has been investing and getting pretty aggressive about it. Are we starting to see a lot more uptake in those programs?

Natalie Gochnour:

Well, it's a mixed conversation for me. I mean, I work at the University of Utah. Our enrollments are up. We've been done very well during the pandemic. Salt Lake Community College had declines in enrollment.

Very troubling. It's not exactly clear why, and that's a real problem for our state because we need people to get post-secondary education to thrive in this economy. It's a little bit of a mixed bag there, but I will say that where we are making progress is I do think our governor and our legislature absolutely recognize that the number-one economic development tool in our state is an educated workforce.

Incentives have their place, as do low regulations, low tax and infrastructure investment, but in order to have in an information economy, you must have people with the skills for an economy to prosper.

Can This New Income Tax Cut Help Drive Utah's Economy in 2022?

Stan Sorenson:

Agreed, agreed. Shifting gears a little bit. Let's talk about the state policy. Of course, the legislature is in session, and doing a lot of interesting stuff.

It almost seems like we are just flush with cash as a state. We've done a great job of managing our surpluses and I know we'll continue to do that. We recently implemented an income tax cut. Do you have thoughts on how this will impact the economy and individuals in the state?

Natalie Gochnour:

Right. Well, Utah finds itself in a very privileged position. I already mentioned that we have the fastest growing economy in the country. We also have the fastest growing population in the country. Both of those end up being tailwinds for businesses and they also fill government coffers.

Our legislature and governor may have made the decision that our state can afford to lower taxes. And they're doing that, a \$200 million strong tax cut, \$160 million of it coming from the income tax.

But they're doing two other important things. They're implementing our state's first-earned income tax credit for low-income tax earners. And then, they're also changing how we tax Social Security in our state. So, they're helping fixed income Utahns, lower income Utahns, and across-the-board taxpayers who pay the income tax, which will benefit the higher incomes a little bit more because of a progressive tax system.

But again, this takes money that would be in the government sector and puts it back in the private sector. And there's a balance there. If you do too much of that, you can't invest in roads and human infrastructure. But I think they're hitting a very nice balance for our state.

The other thing that our state's doing and one of the reasons we have so much money is because the federal stimulus was so large.

But our economy didn't need such a large stimulus. Right? The other states did. As I mentioned, they've still been in a contraction, but we still get all that money. So, our state has been very careful to think about the long-term things we can invest in.

Over Thanksgiving, I was down near Monument Valley and I could see on the side of the road broadband going in. And I'm like, this is a good sign. Like broadband is getting put all throughout our state. That's an example of the type of long-term investments we're making.

Stan Sorenson:

Yes. I have always been impressed with the investment in infrastructure in Utah, coming from a state (Washington) where the investment is lacking in a lot of ways. But you know, our investment in roads, our investment in broadband, as you say, the mass transit...it really always does seem to me that we have thought about the long term and whether purposefully or accidentally, we've really optimized or are continuing to optimize for the big-time growth that we have.

Natalie Gochnour:

Yes. I don't disagree. I think we have a state that by our very nature thinks long term.

What Can Help Utah's Housing Market?

Stan Sorenson:

That's a really great thing. Of course, there are some long-term areas, of course, where it's a bigger struggle. Right? Certainly, the state can control the investment in infrastructure as we've just said, but there are places where it's more difficult. You know, housing comes to mind.

Natalie Gochnour:

Boy, doesn't it?

Stan Sorenson:

We talk about housing a lot at the bank. You and I have talked about it some. It always come up. I think it's fair to say that we haven't been able to keep pace with the population growth and as a result, we've got these escalating prices. What new conversations have taken place with the legislature and/or local governments to try to ease some of these housing pressures that we've got?

Natalie Gochnour:

Yeah. Well, the reason we have a housing crisis is because we have so much demand and we have constraints to supply, whether it be windows, lumber, labor, just the broken supply chain. And that's created a bit of a mess for us.

When it comes to government, they can't fix the supply chain. Government is not going to put up walls and stop people from moving into our state. But what government can do is help with the regulation that affects housing. Also, government can help subsidize lower income housing, which I think is an appropriate role for government.

So, they're doing both. You've seen a lot of accessory dwelling unit legislation that allows you to have a mother-in-law apartment. You'll see a lot of pressure for more high-density developments in our state.

I'll tell you one that will be interesting to watch is what the state does with the Point of the Mountain where the state prison is. Because that is 600 to 700 acres of state-owned land that the state's going to develop, not a private entity. I mean, they'll contract with a private entity to do it, but it has a land development authority that's overseeing it. So, watch the densities there. Right? And I think what you'll see is a higher-density development because that's helpful to the market.

Stan Sorenson:

There's a lot of construction in Salt Lake proper that I know we both see. A lot of apartments, a lot of multifamily dwellings that are coming up. It seems like we're starting to see more and more investment there as well.

Natalie Gochnour:

We are. It used to be the mix was something like 70/30 — 70% single family, 30% multifamily. It's closer to 50/50 at this point. It varies by the year. And it's particularly evident in the central capital city and in Salt Lake County, the capital county.

Lots of apartments and all of that is good. We need housing, period. We need supply.

Over time, those imbalances will be corrected and then the prices will moderate. And if I'm thinking like a new builder of apartments or a new home builder, I'd watch the market carefully. Because we've been in imbalance, there's a temptation to just think build, build, build, but you do have to watch market conditions because it can catch up to you.

Utah's Economy — and Population— Will Continue to Grow in 2022

Stan Sorenson:

Yeah. Well, and I suspect that's true, not just in home building and apartments and all, but in just general construction. We're sort of in the gravy years still with big projects like the airport and the Point of the Mountain, as you say, and there are a few others. But at some point, as you said, that's going to level off as well.

Natalie Gochnour:

Right. I will say it is interesting though, as I look at the Utah economy, look at the dynamics, look at the fundamentals, I'm very optimistic that our state will continue to be a leading growth state. There's just a lot of things working in our favor. California being over-regulated; that's always been the case, but when I see the amount of in migration that's coming here, it's impressive.

When I think of how well run our state is, our surpluses, our balanced budgets, our tax reductions, it's attractive to people and to businesses. I think that the inland port is something that will help our state. This is an investment that it creates a tighter link between Utah businesses and the global supply chain.

And it used to be, you had to be a coastal city, but now with the rail connectivity, with a brand-new international airport, with I-15, I-80, I-70, I-84, this notion of a Crossroads of the West.

You know, if you just look at a map, we're so much more favorably positioned than Boise or Reno or Phoenix, and Denver's on the other side of the Continental Divide. We're in the center of the interior of the Western United States.

Stan Sorenson:

Yeah. We already have so much truck traffic and train traffic that goes through. It's sort of a missed opportunity if we don't try to capitalize that.

Natalie Gochnour:

Absolutely. If you think of a state that thinks long term, has the kind of leadership we have, that has the demographic cushion we have. And all I mean by that is a faster growing population, a higher fertility

rate than most states, these things tend to propel your economy and help stabilize you through the ups and downs.

Stan Sorenson:

Coming back for a second to the population growth, because in my mind, I just sort of reminded myself of something there. It's tempting to that all that growth is coming in Salt Lake County, Utah County, maybe Washington County. But as I recall, and I'm going to misstate it a little bit, Iron County had this just incredible growth.

Natalie Gochnour:

Good on you, Stan, to know that. Leave it to you to know that because that is unusual.

What you're referring to is if we look at the population growth rates for 2021, with the most recent data available, Iron County is the fastest growing county in the state. And it's almost always Washington or Wasatch, where Heber is.

Stan Sorenson:

I was really struck by that because it does sort of paint this picture that no, this growth is really statewide, that is going to benefit the entire state and the economy and everything that we've been talking about.

Why Iron County?

Natalie Gochnour:

It's a good question. I mean, I think in general, Southwest Utah is a growth mecca and this is not unlike the phenomenon we've seen in the St. George area. Iron County has Southern Utah University, so it has this college town strength and feel. And it has a surprising amount of manufacturing and a more diversified economy than people would think.

I would just also add though that I mentioned the Heber Valley in Wasatch County grew by about 50% over the last decade. That's just a stunning, stunning number. The state growth rate is 18.4% over 10 years. Washington County is approaching 50%.

But the one that's the real engine right now is Utah County. This is where Altabank is headquartered. It's of course Provo/Orem, the large metro area there. About a third of our state's growth was in that one county. During my lifetime, I believe it will rival Salt Lake County in size. I have to live quite a long ways for that to happen, but maybe I'll get there. But Utah County was about a third of our growth last year.

Natalie Gochnour:

Right. And the one thing that really sets it apart, it's got proximity to urban Utah, urban amenities, but it still has buildable land supply. And Salt Lake County is getting precious few of that.

There are acres around Herriman. There's the area where the Cottonwood Mall was. There's the Northwest quadrant, that's where we're putting the prison and the inland port. It's not really residential. Salt Lake County can only go up a certain point.

Utah's Economic Strength in 2022: Diversified Industry

Stan Sorenson:

And [this growth] is not all tech. It's quite diverse. You just mentioned sort of the economic diversification that we have in Utah County. Certainly, we've talked in the past about the economic diversification of the state. One of our small business customers that I had a chance to meet not too long ago, he's rooted in the agriculture industry, which we sort of tend to forget as a very significant industry in the state. What are some of the other sort of under recognized if you will, industries; and by that, I mean, with just sort of the casual observer?

Natalie Gochnour:

The way I like to refer to it is: Imagine a nest of eggs, and if you have a lot of eggs, the chances of you doing well are better, right? If the nest falls from the tree and some of them break, not all of them break.

We have that incredible gift here in Utah, where we have a large manufacturing industry, a large tourism industry, a large defense industry, a large life sciences industry, agriculture, and warehousing distribution. You know from your experience at the University of Utah, that we do a lot of health treatment for surrounding states. So that's like an export for us is being a center for healthcare. We have it all, and that's very surprising for an interior Western state.

And it makes us, depending on the year and the measure, but in the top six states for economic diversity, more diverse than all of our neighbors. Colorado, Arizona, more diverse than most states.

Stan Sorenson:

It's something that I like to remind people of.

Natalie Gochnour:

Yeah. I want to say though, energy is another sector. I didn't mention we're an energy state.

Stan Sorenson:

Oh, right. Yeah.

Natalie Gochnour:

But as we get a larger and larger tech industry, that will actually make us less diverse.

The goal isn't necessarily diversity, but it's a really nice thing, but you can also be very rapidly growing and very specialized if that industry's doing well.

If Nevada is super specialized in gaming, if international tourism is bringing a lot of visitors to Las Vegas, they grow fast. Wyoming is the most specialized economy in the country with energy. High energy prices can cause a boom; but they can also bust.

Stan Sorenson:

Yeah. And that's one of the things I was going to mention about tech. Again, it's a double-edged sword. It's great to have the growth and it's a great ripple effect on the economy. But once you become too highly specialized, you really are subject to the whims of the market. I mean, look at Silicon Valley.

Natalie Gochnour:

Yeah. Well, and it's been our state's history to move towards more diverse.

And I'll just remind people, this is going way back, but there was an era where we were very dependent on Wall Street and mining in our state. This is when Kennecott and Bingham Canyon were developed. There was a time when we were very dependent on the federal government with Geneva Steel, Hill Air Force Base, our defense industry.

Starting in about the 1980s with WordPerfect and Novell. That's when we really started to see the diversification come alive in this state, and we've maintained that, and it makes us more stable.

I think it's part of the reason why we've done so well during the pandemic. The pandemic really hurt tourism. That's a big industry here, but we've got a lot of other things.

The pandemic really hurt industries that are face-to-face because you couldn't do that.

Our economic success during the pandemic has been our leadership. It's been our diverse economy and it's been some of our natural fundamentals that sustain us. Demographic cushion, things like that.

Stan Sorenson:

It's always good to have the reminder of how fortunate we really are.

Another thing that we had talked about in the past is [how the pandemic] changed how people work, right? Remote work.

Last year at this time, we talked very specifically about how fortunate we are that we've got places that have very good infrastructure that are not too far away from some of the economic centers. Right?

We talked about Price, specifically. A person could afford to buy a home in Price and have a job in Lehi or in Provo and be able to work from home and only drive to the office maybe a couple of hours a week.

Now, we've got companies that want to begin to bring remote workers back. What types of ramifications might we be thinking about there?

Remote Work Leads to Utah "Zoom Towns"

Natalie Gochnour:

My answer might surprise you, Stan, but the way I'm thinking of it is good luck to those employers, because it's a super tight labor market. And I think that the pressures are going to be on accommodating more flexibility for workers than it is going to be on some sort of rigid work schedule. So that's my reading of what I'm seeing in the pandemic. What we've seen is the major urban centers in this country have had out migration.

And you know, the phenomenon we call Zoom Towns. For people who are fortunate enough to work from home, they can almost live anywhere.

High-amenity areas like Midway, Park City, Huntsville, some of our ski towns, certainly around our national parks have become Zoom towns. You asked me earlier in the podcast, what surprised me in the past year. We had record skier visits, record national park visits, record state park visits. Tells you something about what people are valuing, what they're doing, and maybe where they're living.

Stan Sorenson:

I am a proponent of remote work. I do it myself, but I've always been a proponent. It will be interesting to see what employers do. Certainly, some jobs have to be in the office or if you're serving food or you're a teller at one of our branches where it is dependent on being face-to-face. But for other jobs, I'm

all in favor. As long as we've got the infrastructure to support it, let the people be where they need and want to be.

Can Utah's New Economy Help Our Environment?

Natalie Gochnour:

Where it gets really exciting for our state is in the topic of air quality, because we can have red air days and have a people stay at home and the state government has already implemented that. They call them Surge Days. When it's a red air day and you can work from home, they actually require you to work from home. It's making a noticeable difference in our air quality and that's a really good thing for our health.

Stan Sorenson:

When people talk to me about what is it that they enjoy about living in Utah and what they don't enjoy, and the number one thing is that darn inversion and the air quality. And so yeah, anything that is a great byproduct, that remote work kind of begins to use that, great.

I was at a talk yesterday. There was an atmospheric scientist and a hydrologist talking about weather pattern changes and a little bit of climatology and all of that. Of course, we circled back around to what's going on with the Great Salt Lake, which we all know is a real problem.

I think we often talk about how that's going to impact skiing and how it's going to impact the farmers. What happens to the overall economic impact if we allow the situation in the Great Salt Lake to continue to deteriorate? What have those discussions been like?

Natalie Gochnour:

Well, credit our leaders, both our governor, our speaker of the house, some real strong legislators who are very familiar with this issue. I think many of our viewers/listeners will know that during the session, they took legislators out in Black Hawks and showed them the condition of our lake. It's one thing to fly over it in a 737. It's a whole other thing to being a Black Hawk and being just right above the water and seeing what's exposed and seeing the condition.

The people that I work with always point to three things: the human health aspects, because as the lake gets smaller, the dry beds become exposed and air pollutants basically particulates get blown into the air and hurt our health. So, you've got a health aspect, which is an economic concern.

Then you have the economic aspect, which would be like the lakeside minerals and the things that we get from the lake that are imperiled by a shrinking lake, whether it's tourism or the various minerals that we pull from the lake and the brine shrimp.

And then the third is the flyways, the incredible bird life. In my line of work, you don't use the word hemispheric very often. When we talk about Great Salt Lake, we'll talk about a hemispherically significant flyway. It just says something.

I think it's over 350 species that come through here. Some fly as far away as Brazil, you know? I mean, it's amazing. And if you ever have taken a trip to the Bear River Migratory Bird Refuge, but it's just, it's a treat to see what we support as this inland salty sea.

We have an obligation both to our economy and to our health and to the biological diversity to take care of it.

And boy, this legislative session, they are moving. I mean, they are investing in secondary metering for water. They're changing, at least trying to change how water law works so that if you don't use it's okay. You can still keep your right, but let it flow downstream. This issue has caught the imagination of state decision makers in a big way.

Stan Sorenson:

O one of the things that occurs to me and if I'm misinterpreting this, then absolutely correct me. It seems like we're not thinking about it in a very self-interested, as in, how will this impact me in my little corner of the state? Right? They really are thinking about it quite holistically and the overall impact that it's going to have regionally, not just statewide, but regionally.

Natalie Gochnour:

Right. Well, in one way or another though, it'll get back to local behavior and in the end it will get down to summer water use. If you look at water consumption in our state, it's like this level and then summertime hits and it goes up to here and then it goes back down to here. Which tells you that you only need this much.

You know, except for supporting our beautiful turf and what we've chosen to value in this state. But I think you will see a steady trend of this state converting to more waterwise landscapes.

Stan Sorenson:

Interesting enough. As you know, we're building a new branch in St. George. We'll be breaking ground on that very soon. Actually, by the time people hear and see this, we will have broken ground. I asked the question a couple of weeks ago, "Have we looked at landscaping and are we putting in water-tolerant plants versus lawn?"

I just kind of got this look from most people saying, "What?" So, hopefully we'll be moving in that direction just on the new construction. Certainly, I'm an advocate. I'd like to see more people do that here.

Natalie Gochnour:

Yeah. Well, I'm an economist by training. What I think is: If you value something, pay the price for it. And so as long as you attach water use to water pricing, I'm okay with whatever landscaping people want. But if you're subsidizing that with general tax dollars so that people that aren't making those choices or paying for your choices, I think that becomes a problem. And that's sort of been our practice.

And you know, we have both sales tax and property tax that go to water development distribution in our state.

Stan Sorenson:

I would be interested to know if there will eventually be some type of not just that, but really a subsidy with new construction, a subsidy when people want to do re-landscaping and all. Incent people to not plant that lawn maybe.

It'd be very interesting. But then that comes back around of course our local policy discussion that we kind of started with, as well.

What's Utah's Economic Outlook Moving Forward?

Stan Sorenson:

As we continue to look forward a little bit, there's some tailwinds. We've talked about those. Obviously, there's some headwinds. Maybe we can spend a couple more minutes and talk about that and what folks should really be keeping an eye on from that perspective.

Natalie Gochnour:

Stan, in my line of work, we have a risk matrix. And on one axis it'll be like the likelihood of a risk and on the other, it would be what's the impact of the risk. And, so, you're really focused on the high likelihood, high impact risks.

I think the most significant one is uncertainty about the pandemic, even though it feels like we're getting on top of it. But if another more virulent strain were to appear, imagine the shockwaves that would send through the world and through the U.S. and Utah economy. We have to be mindful of that.

But the one that's more certain and also very risky is we're in a place now where the Federal Reserve has to normalize interest rates.

I think we'll get four rate increases in the coming year, one per quarter, about 25 basis points each. That's necessary. It needs to happen. What happens to inflation as they do that? They've got to proverbially land the plane.

It was important that they have accommodated policy during a downturn. But now we're soaring. In fact, we're soaring so fast, that inflation is very problematic. I think a Federal Reserve policy misstep would be a real concern. So, that's something to watch. But you might say, well, what is the policy misstep? I don't know. You have to kind of watch it. But they've got to be in a situation where they raise rates without forcing a recession. And if you look at times when they raise rates, they typically have a difficult time keeping us out of a recession when they do that. They can overstep. It's all about timing and scale.

Stan Sorenson:

These are the sort of the fears that you hear when you listen to the national news, right? CNBC and whatever else, they begin to talk about these 50 basis points of interest rate raise or more. And you know, that just begins to spook the markets, which I know are not always a great indicator of the economy. But if it's spooking the markets, it's probably spooking a whole lot of other people.

Natalie Gochnour:

Well, on my risk matrix, that would be another one. Right? A massive correction in the stock markets. Think what that would do to consumer confidence and things. Uncertainty is a big word here. I'm hopeful, but uncertainty is still a big word.

And if it's all right, I'd love to just say something a little bit about inflation. I just think it's important for people to understand that many of the things that are causing high inflation do eventually fix themselves. And it's not a popular thing to say among business leaders, because they're so upset about the high inflation, but the supply chain will get fixed.

The market will fix that problem. Eventually the pandemic wanes and people go back to work and factories will reopen and the glut gets taken care of. So, the supply chain gets fixed. And then on the demand side, the stimulus get spent, the excess savings get spent, the pent-up demand gets spent. And

those are the things that are forcing higher inflation. And then meanwhile, you got the fed raising interest rates, which will have an impact on inflation. I'm nervous about the fed calling it right, but I also want to reassure people that we do know how to get inflation under control. And if you ask me back a year from now, we'll see if I'm in any way close on that prediction.

Stan Sorenson:

Yeah. And that's good because I will be asking you in a year.

Natalie Gochnour:

I don't think we'll be done with it, but if I would guess a year from now, we'll be seeing inflation rates closer to 2-1/2 to 3% year over.

Stan Sorenson:

We touched on the supply chain issue a little bit. One of the areas that I have found really interesting to kind of follow with supply chain is the chip problem, right? The chip shortage and it's widespread impact, not just on electronics, but on automobiles and things like that.

And I'm wondering if we will begin to see some pretty significant technology shifts as well. Maybe change automobile designs, streamline a different chip configuration or something like that.

Natalie Gochnour:

Yeah, absolutely. The way I think of it is that structural changes are afoot and our demographics are changing, so we're aging. Technology's changing. You just mentioned an example of that. So those are structural changes. And then you have behavioral changes, people's preferences to work from home two or three days a week. All of those create a different future than we have now. And the best advice to businesses, to individual households is to lead with change rather than fight it.

Because structural changes will prevail.

Stan Sorenson:

Yeah, absolutely. Lead with change. Take that home.

Natalie Gochnour:

It's hard. Hard to do.

Stan Sorenson:

Yeah, it is. You know, and as you said earlier, behavioral changes are the most difficult. It'll be entertaining, maybe. Maybe that's the wrong word, but it'll be at least interesting to watch how these things do begin to unfold over the course of the next year.

Stan Sorenson:

Any sort of final thoughts that you want to be absolutely sure that people take away?

Natalie Gochnour:

Sure. I'll tell you something. As we prepared the economic report for the governor, we were wrapping it up. A colleague of mine, Phil Dean, he's a senior fellow at the Gardner Institute, had the task of

summarizing it for a group of business leaders. And as I watched him deliver his summary, he took as a main takeaway, a couple of things that are really interesting.

He said, "Prepare for an economic resorting." That's what we just talked about. Structural change. "Prepare for different challenges. Change is afoot."

Then he said, and I'm going to edit it a little bit with some of my words, but he said, "Care for yourself and for your employee, because this has been a very challenging time. Our mental health, our livelihoods, our physical health. So, care for yourself and your employees. And then look out for those who have been left behind."

"Because socioeconomically disadvantaged Utahns got hit harder. Racial ethnic disparities are wider because the pandemic, not smaller. So, care for those that are left behind."

And then the last one, which takes more development but, "Keep investing in institutions." Institutions are things like elections, the media, universities, churches. The things that we do together, associational life, networks of trust.

If you think about over the next six months, we have a Supreme Court appointment that our country's going to have to go through. Those haven't been fun experiences most recently.

Stan Sorenson:

No.

Natalie Gochnour:

We have the *Roe v Wade* decision that's going to come down. We have midterm elections. We've got geopolitical challenges in the Ukraine, issues with China. So, in all four of those examples, those are the things to me that we ought to be thinking about; economic resorting, caring for yourself and others, help those that have been left behind and then invest in our institutions. Those are the things we need to be doing in 2022.

Stan Sorenson:

I think that's a great place for us to end today. Natalie, thank you. As always, it's great to have a chance to visit with you and to get your thoughts. Very much appreciate it.

Natalie Gochnour:

Thanks for inviting me. It's a pleasure to serve on the Division Board for Altabank and to be a part of sharing economic intelligence with your customers and people in the community.

Stan Sorenson:

Yeah. Fantastic. And for everyone else, thanks again for listening to Altabanking. I hope you enjoyed it as much as I did and until next time, make sure to subscribe to the podcast on Apple Podcasts, Google Podcasts, Spotify, Audible, Stitcher, or any of the other myriad of podcast providers out there. And we'll talk to you again next time.