



INFLATION AND THE BUDGET

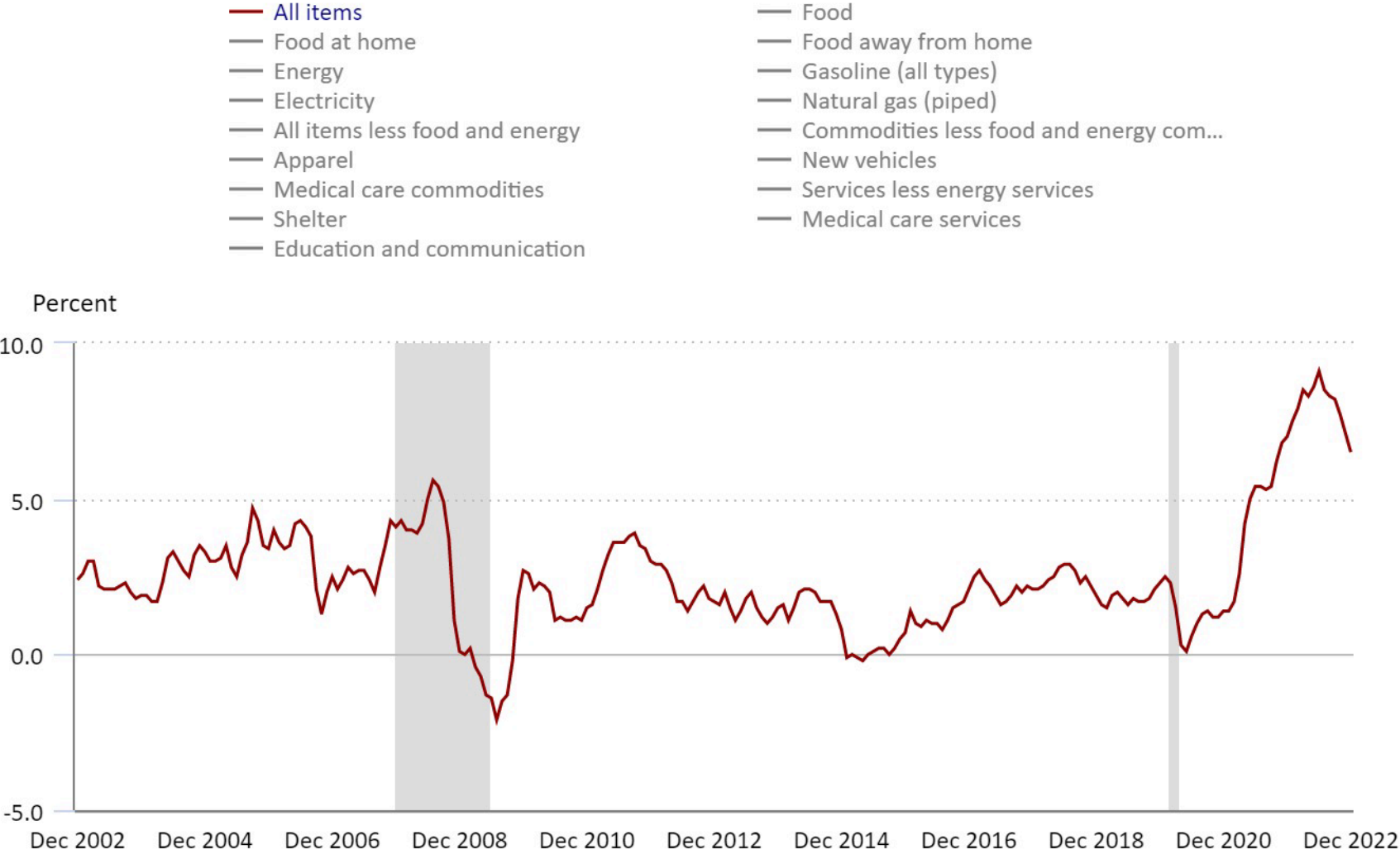


INFLATION

- Inflation is the rate of increase in prices over a given period of time
 - Consumer Price index for Urban Consumers (CPI-U): tracks changes in the cost of a “market basket” of hundreds of specific common goods and services in dozens of categories including housing, food, transportation, fuel and energy, and health care.
 - Headline (all items in the basket)
 - Core (adjusted for food and energy)
 - Many specific category indexes exist
- Measure of purchasing power: a 5% annual inflation rate means a dollar can buy 5% less than what it could buy the previous year



12-month percentage change, Consumer Price Index, selected categories, not seasonally adjusted



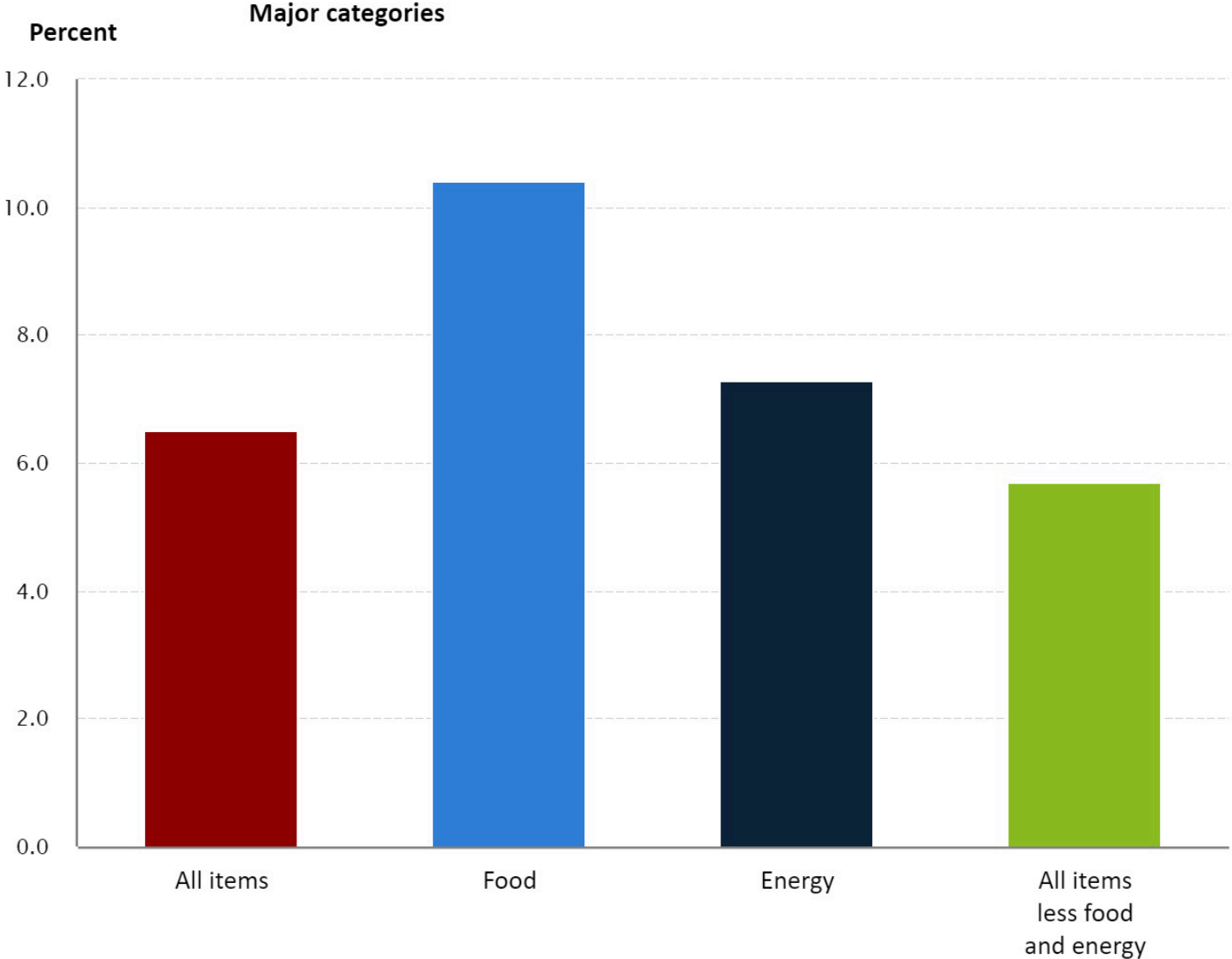
Hover over chart to view data.
Note: Shaded area represents recession, as determined by the National Bureau of Economic Research.
Source: U.S. Bureau of Labor Statistics.





12-month percentage change, Consumer Price Index, selected categories, December 2022, not seasonally adjusted

Click on columns to drill down

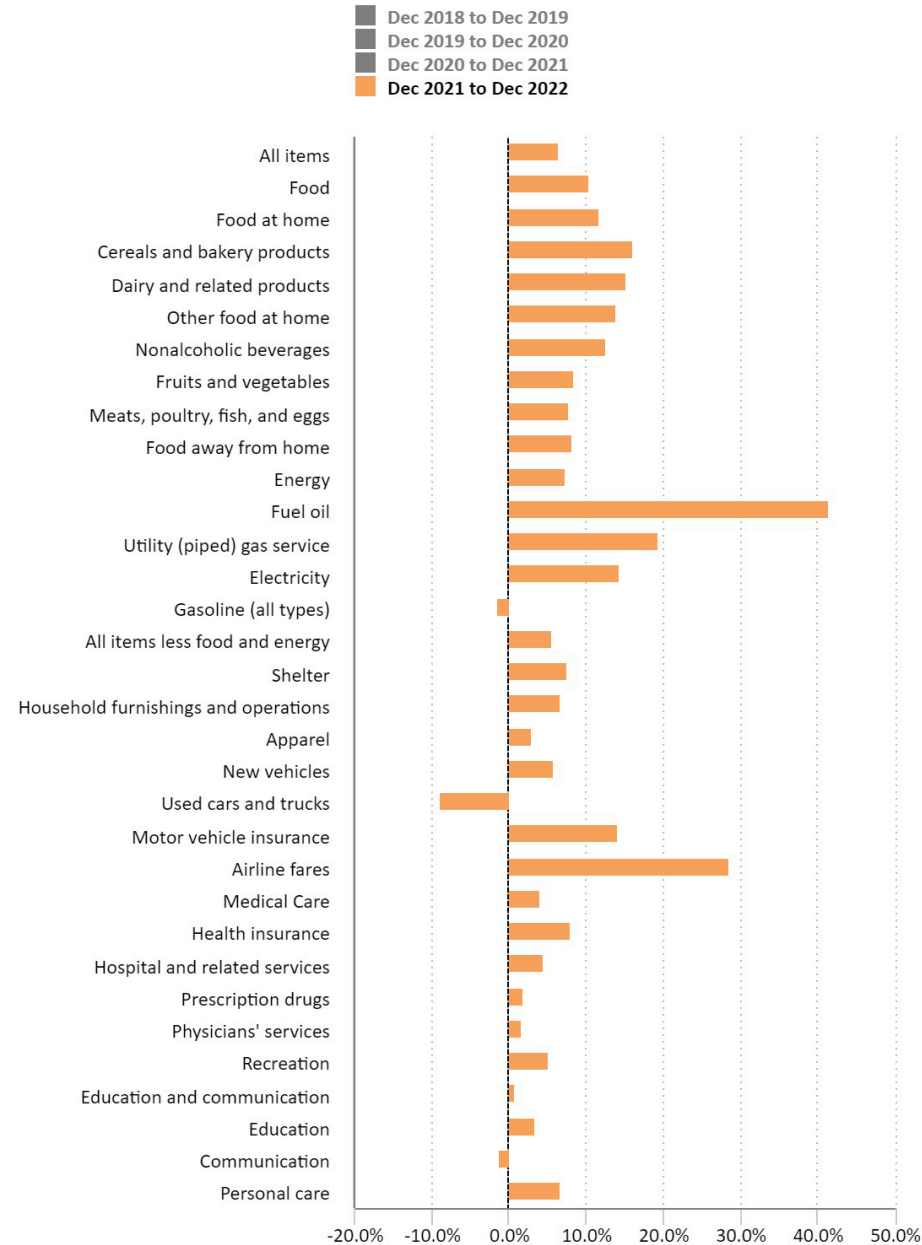


Source: U.S. Bureau of Labor Statistics.



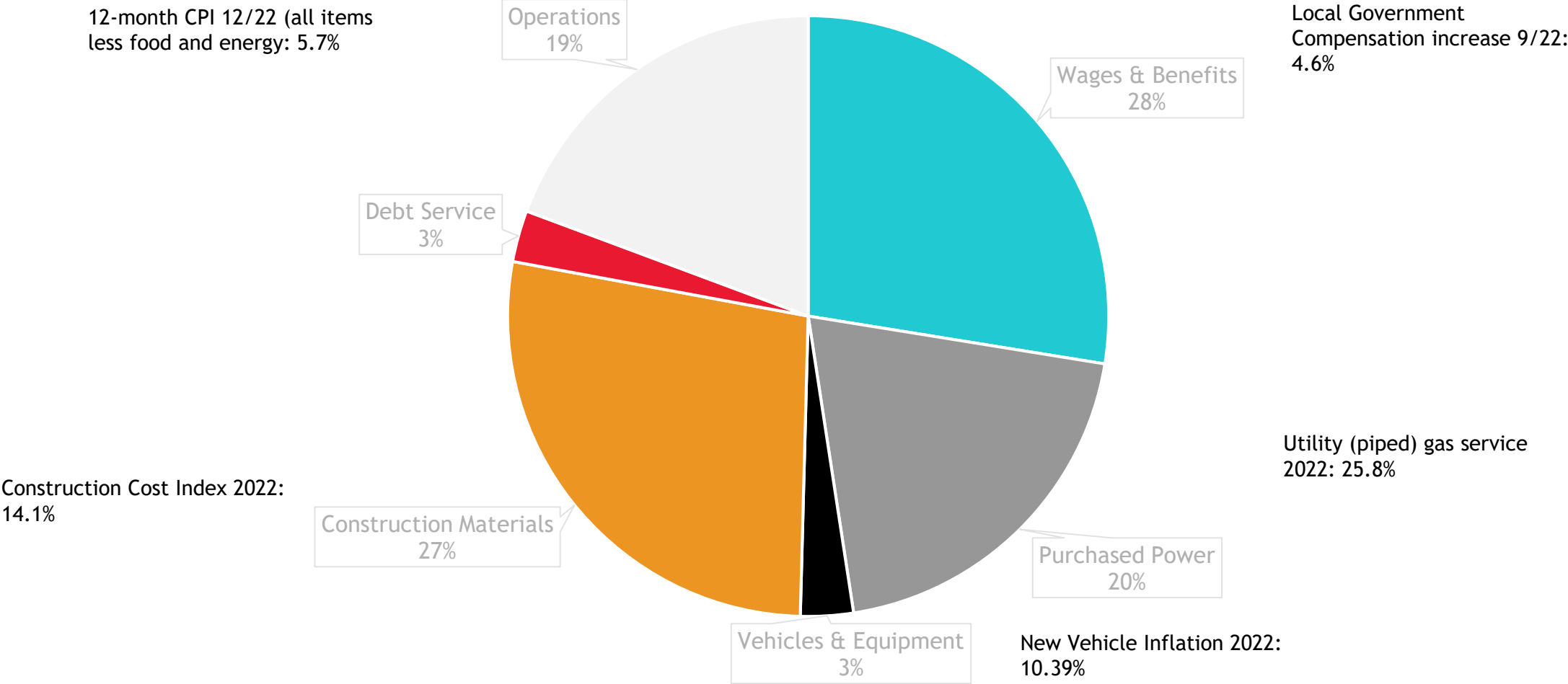


12-month percent change in the Consumer Price Index for All Urban Consumers, selected items, not seasonally adjusted





BUDGET EXPENSE CATEGORIES





UTAH ECONOMIC COUNCIL REPORT TO GOVERNOR

- Theme: Significant economic uncertainty
- Post-pandemic economy has altered many traditional economic relationships
- Challenges amid an overheated economy:
 - Stubbornly high inflation
 - Rapidly rising interest rates
 - Low consumer sentiment
 - Unmistakable construction and real estate slowdown
- Underappreciated economic buffers
 - Extremely low unemployment
 - Improving supply chains
 - Overall strong household, firm and government financial reserves



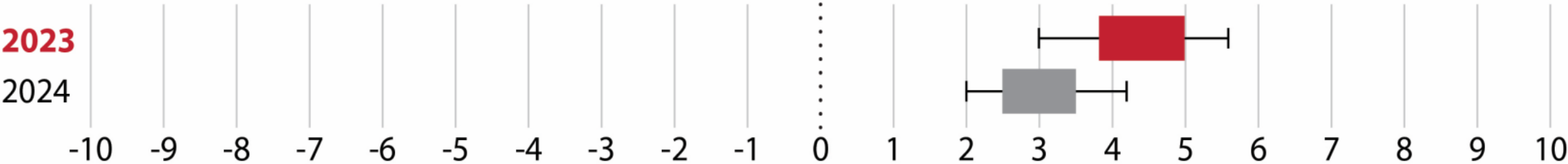
UTAH ECONOMIC COUNCIL REPORT TO GOVERNOR

- Three Plausible Scenarios in 2023
 - Scenario 1: Continuing Growth
 - Inflation recedes, interest rates stabilize, reserves prop up consumer spending, employers retain employees, supply chains stabilize resulting in GDP growth between 2% and 4%
 - Scenario 2: Shallow Recession
 - High inflation comes down slowly, continued interest rate hikes drive down demand for capital acquisitions, construction slowdown and layoffs, continued international challenges result in short and mild (2 - 3 quarters) -1% to 1% change in 2023 real GDP
 - Scenario 3: Decelerating Growth
 - Inflation moderates, interest rate hikes continue but slow down, household financial buffers only partially offset broader economic challenges, including layoffs in interest-rate-sensitive sectors such as construction resulting in 2023 real GDP growth between 0% and 2%

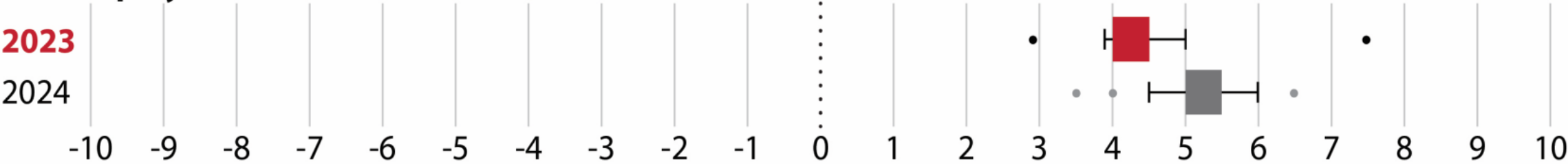


UEC 2023 & 2024 FORECAST

U.S. CPI Inflation Rate



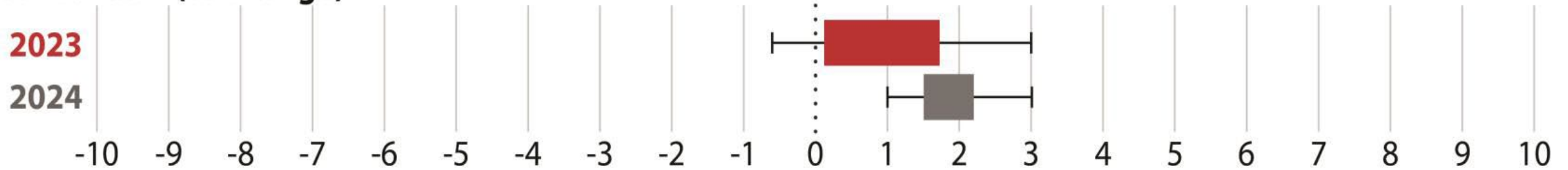
U.S. Unemployment Rate





UEC 2023 & 2024 FORECAST

U.S. Real GDP (% Change)



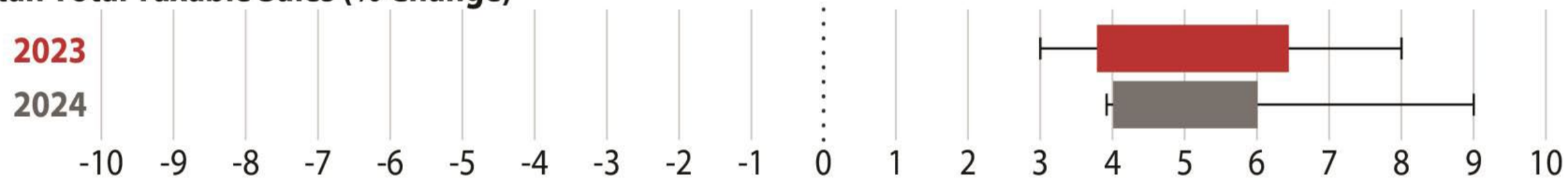
Utah Total Personal Income (% Change)



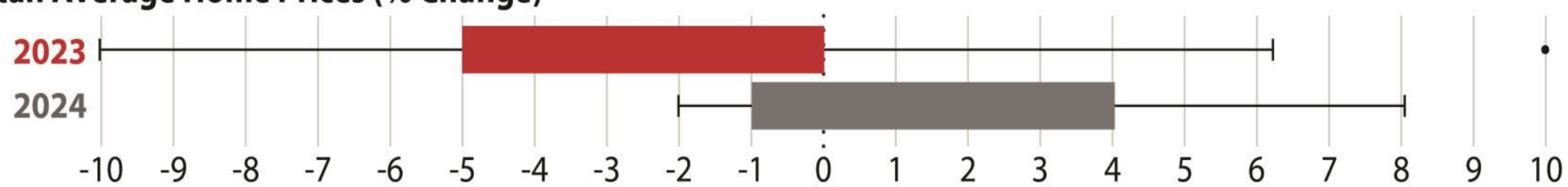


UEC 2023 & 2024 FORECAST

Utah Total Taxable Sales (% Change)



Utah Average Home Prices (% Change)





ADJUSTING THE BUDGET FOR INFLATION

- Formulas
 - V&E Fund adjusts for inflation and contributions to the fund flow automatically
 - Enterprise Fund transfers
- Administrative Decisions
 - Fee Schedule adjustments based on cost recovery threshold
 - Utility Fees adjust for inflation by policy
- Legislative Decisions
 - Property tax increases
 - Salaries and wages