Jonathan Schechter – "Corpus Callosum" Column
***Jackson Hole News&Guide* – April 21, 2010**

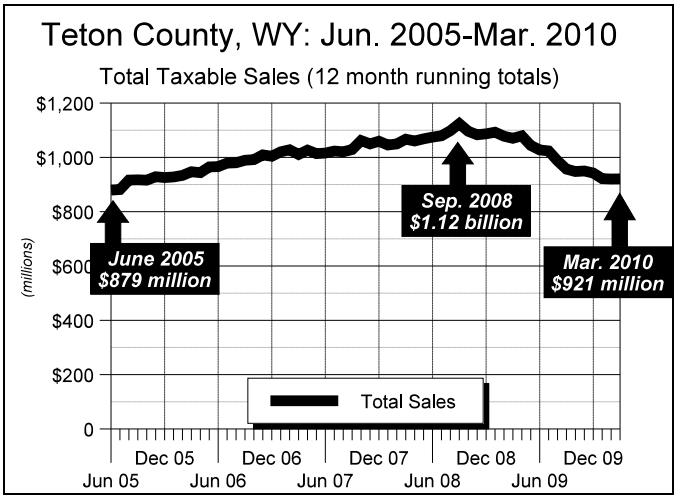
Today's is the third in a series of columns exploring the question: "Has Jackson Hole's economy hit bottom?"

To answer this question, I'm analyzing data which meet two criteria: timely and meaningful. "Timely" data are reported at least monthly; "meaningful" data are clearly correlated with Jackson Hole's economic health. For example, two columns ago I focused on column inches of classified ads in each week's *Jackson Hole News&Guide*; last time it was weekly real estate sales. Today's focus: monthly taxable sales.

As I've previously observed, taxable sales are an imperfect measure of the local economy, for Wyoming taxes only goods – not services, not real estate. My best guess is that taxable sales account for no more than one-quarter of local economic activity. However, because sales taxes account for over half of local government's revenue, they receive a great deal of attention. And because they are measured consistently, they provide a good snapshot of the economic activity they actually measure.

So do taxable sales data suggest the local economy has bottomed out? With one glaring exception, one big honkin' asterisk, the answer is "Yes. Taxable sales data suggest the local economy has hit bottom." That exception? Construction, which is in such rapid decline that it only dreams of being in a recession.

Graph 1 provides context, specifically 12 month running totals of Teton County's overall taxable sales. During the 12 month reporting period ending in March, 2010, Teton County's merchants sold around $921 million in taxable goods, roughly the same amount as in the 12 months ending in September 2005. From that 2005 date, taxable sales grew steadily, reaching their peak of $1.12 billion in the fall of 2008. Since then, they've fallen over $200 million, or roughly one percent per month.

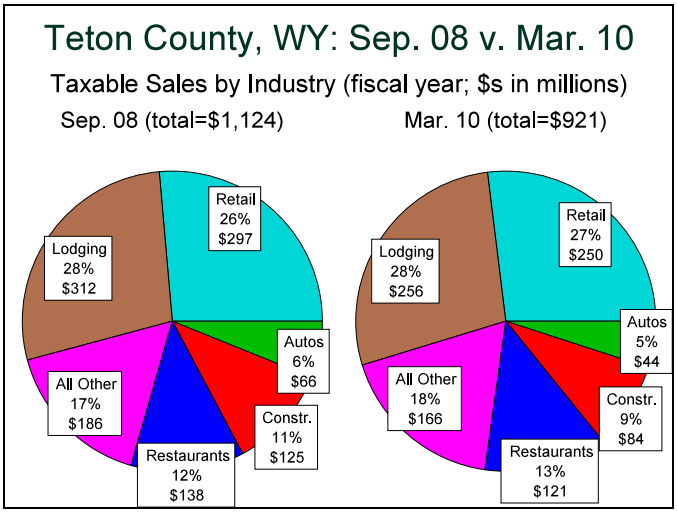


Graph 1

The good news is that total taxable sales have held steady at around $920 million for the past three months, the first time this has happened since sales peaked in 2008. So, while taxable sales may not be growing, at least they seem to have stabilized, the necessary precursor to growth.

The point of Graph 2 is to explore how the drop has affected the overall mix of taxable sales. The answer is "not much" – with the exceptions of automobile sales and construction, all aspects of the taxable economy have suffered about equally.

To create Graphs 2 and 3, I consolidated around 20 taxable sales categories into six. Two alterations were key. First, to create "Construction," I combined the state's major category of "Construction" with the minor retail category of "Building Materials Dealers." By



Graph 2

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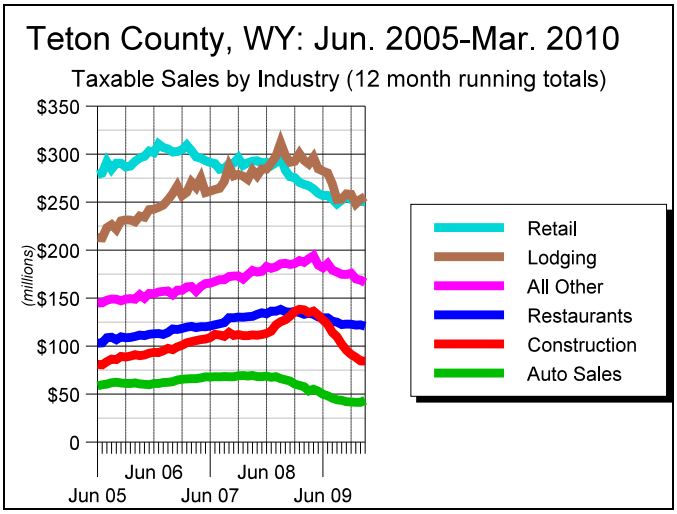
extension, the “Retail” category in Graph 3 excludes “Building Materials Dealers.”



Graph 3

Second, to create “Lodging” and “Restaurants,” I broke the state’s major category of “Accommodation and Food Services” into its two constituent parts. “Lodging” combines “Accommodations” (which is just hotels) with a separate category that covers short-term condo and house rentals.

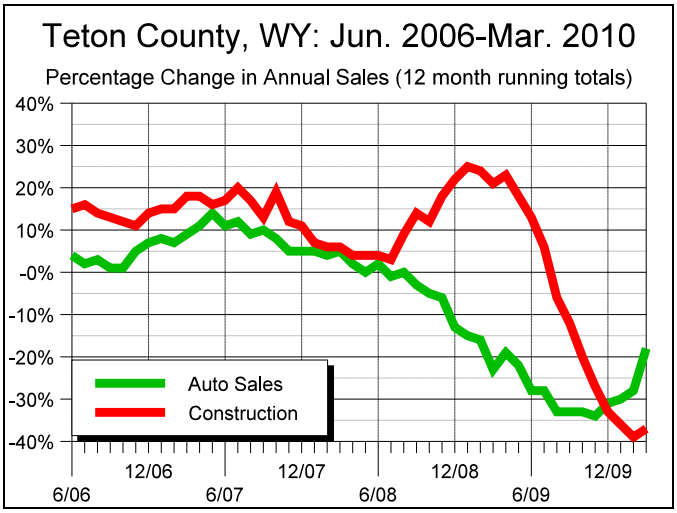
Three things jump off of Graph 3.

First, in the summer of 2005, Retail accounted for 30 percent more taxable sales than did Lodging. Today they’re equal.

Second, while overall taxable sales crested in the fall of 2008, local Retail sales peaked nearly two years earlier, at the beginning of 2007. Since then, local retail plunged for a year (2007), stabilized for almost a year (2008), and then spent another year falling. The good news is that, over the last six months, retail sales have stabilized at around $250 million – with luck, local retail has hit a floor from which it can grow again.

Third, the last 18 months have been absolutely brutal for lodging, with taxable sales falling about one percent per month. Here too, though, lodging sales seem to have stabilized, meaning the two biggest components of our taxable sales economy seem to have found their bottom (combined, retail and lodging account for 55 percent of all local taxable sales).

The point of Graph 4 is to drive home just how awful things are for local auto dealers and, to an even greater degree, our building trades.



Graph 4

Regarding autos, there’s not much to say, except that our experience has pretty well mirrored the nation’s. Construction is a different story. A lagging indicator, taxable construction sales continued to grow through the middle of last summer, nearly a year after the rest of the economy started to tank. When it started to fall, though, construction spending went south in a hurry: 40 percent since its peak in January 2009, a compounded average of 3.5 percent per month. And given that building materials represent less than half of a given construction project, it’s hard to describe just how cataclysmic a change this is for the entire building trades industry.

The building trades implosion is so important that I’ll soon devote an entire column to it. But before leaving the subject today, I want to register a complaint and make a plea. The complaint is that the county and town building departments record building permit data so differently that it’s impossible to look at their reports and say anything other than “The county issued x number of building permits last month, and the town issued y.” That’s it. All of the county’s permits could be for new buildings the size of the Four Seasons, while all the town’s could be for garage remodels, yet you’d never know unless you looked at each individual permit.

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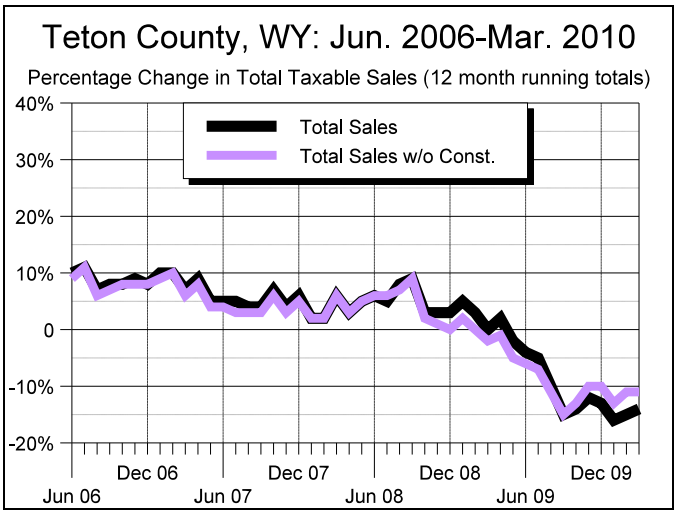
This is crazy, because building permits could be a very useful leading indicator of our construction-related economy. But currently they're not, because there's no easy way to use the information. And if we can't figure out something as simple as reporting building permits consistently, how can we ever expect to merge any other county and town functions? And given that we're not building much these days, surely the town and county planning departments can spare the bodies to figure out an "apples-to-apples" way of reporting building activity. That would be a great economic indicator.

Which leads into Graph 5. To create it, I subtracted construction-related taxable sales from the overall total. What this shows is that, from the fall of 2008 through the fall of 2009, construction-related expenditures were helping prop up local taxable sales. Today, they're dragging down the overall total.



Graph 5

The good news is that if we ignore construction-related expenditures (which currently account for only 9 percent of the total), overall taxable sales have basically stabilized in the last several months. This is the same sort of thing we see with classified ads and real estate – while things may not be growing yet, at least they've stopped declining. This is great news, for it means that every piece of timely and meaningful data I've examined suggests our economic decline has stabilized.

My summary conclusion? If you ignore construction, the local economy has likely hit bottom. As a result, except for the building trades, those businesses which have survived the past 18 months have probably weathered the storm. That's certainly my hope and, happily, the numbers seem to support it.

The "but" – and it's a huge "but" – is that all this ignores construction. In a future column, I'll explore just how important that sector is. In the meantime, it would sure help my analysis if the county and town could get their act together and develop a uniform way to report building activity.

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