
THE UNIVERSITY OF ARIZONA
Eller College of Management
2017 #elleroutlook
BREAKFAST with the ECONOMISTS
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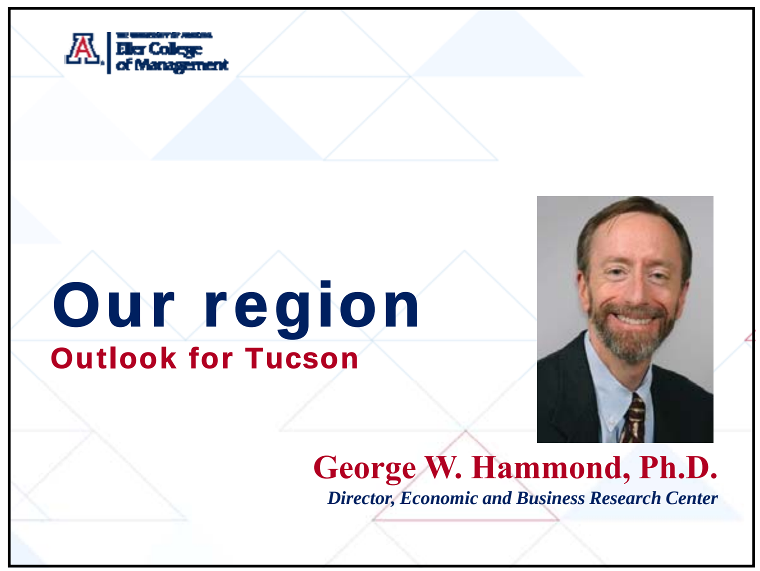
Welcome.
Paulo Goes
Dean, Eller College of Management


Welcome.
Noreen Bishop
Managing Director, Market Manager, Arizona
J.P. Morgan Private Bank

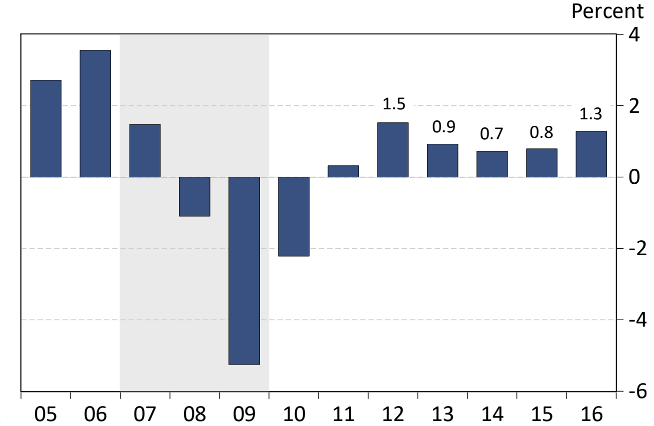

Our region
Outlook for Tucson
George W. Hammond, Ph.D.
Director, Economic and Business Research Center

What You Need To Know

- Arizona’s job growth was steady last year
  - Phoenix jobs rose rapidly
  - Tucson employment gains accelerated
- Arizona’s wage growth is gaining momentum
  - And will likely accelerate further
- House prices and permits increased last year
  - But real house prices are well below the peak
- Dollar/Peso exchange rate has declined a little
  - But is still elevated
  - Arizona exports to Mexico and Canada are down
- Arizona and Tucson are well positioned to continue to grow

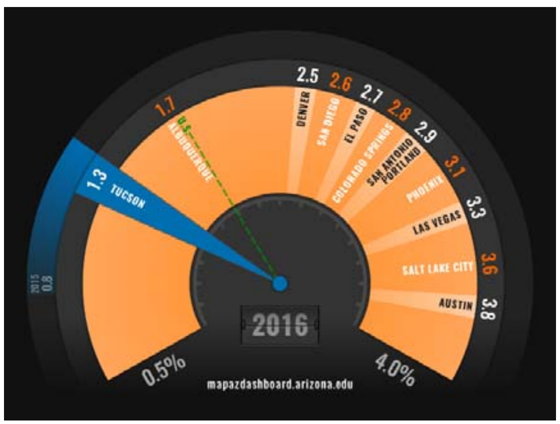
Tucson MSA Job Growth

Over The Year



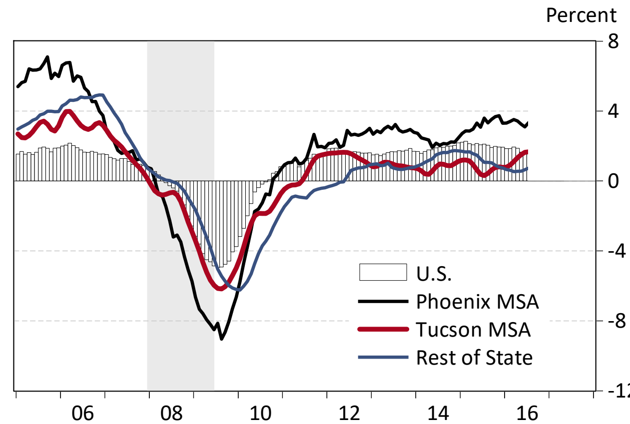
Job Growth In Selected MSAs

Over The Year



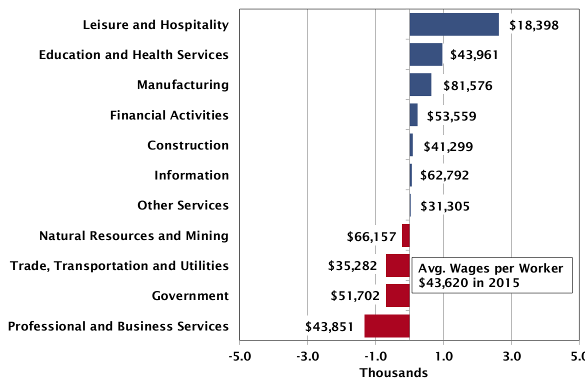
Arizona Regional Job Growth

Over The Year



Tucson MSA Job Growth By Industry

Over-The-Year Growth, First Quarter 2017



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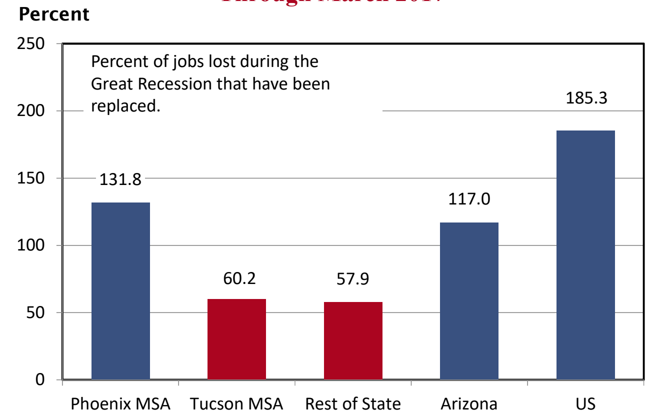
Job Replacement Rates

Through March 2017



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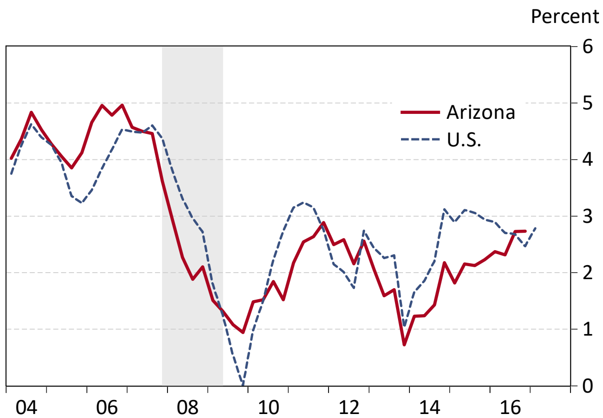
Arizona And U.S. Wage Growth

Wages Per Worker, Over-The-Year, Smoothed



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Occupational Wages

Median Wage For All Occupations

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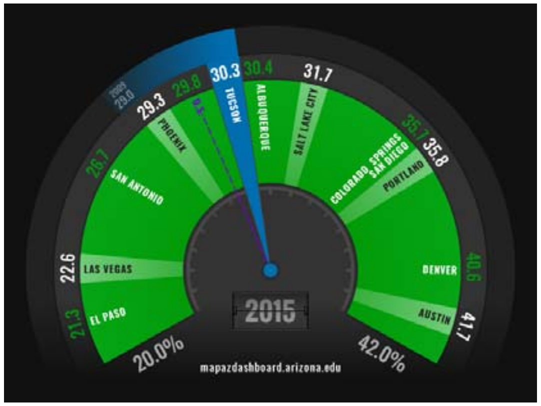
Educational Attainment

Bachelor's Degree Or Better, Age 25+



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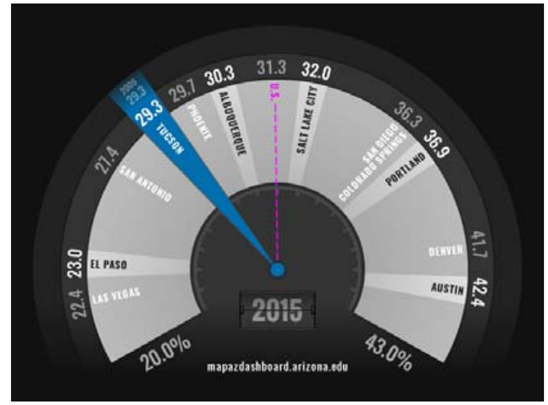
Educational Attainment

Bachelor's Degree Or Better, Working Age



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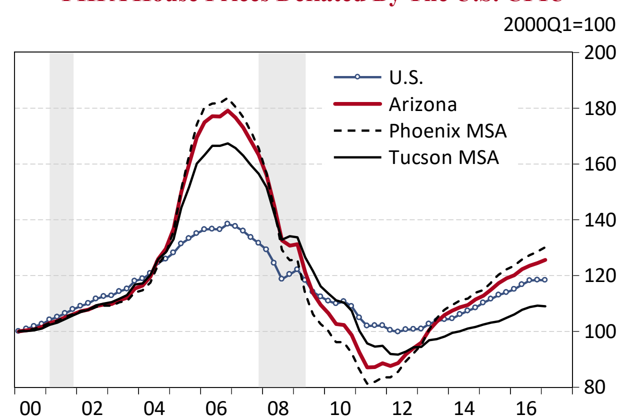
Real House Prices Remain Below Peak

FHFA House Prices Deflated By The U.S. CPIU



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Arizona Exports To Mexico

Merchandise Exports and Northbound Border Crossings

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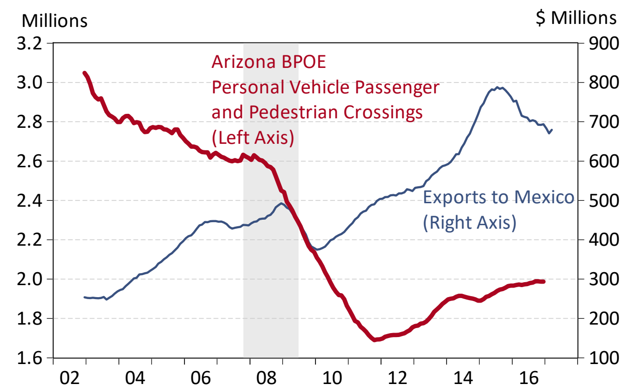

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Arizona-Mexico Tourism Cost Index

Tucson MSA: Lodging, Gasoline, Food Away From Home

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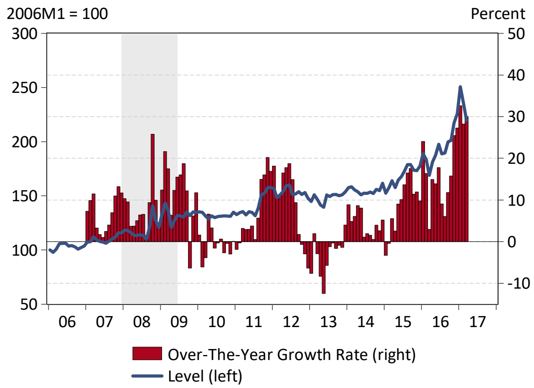
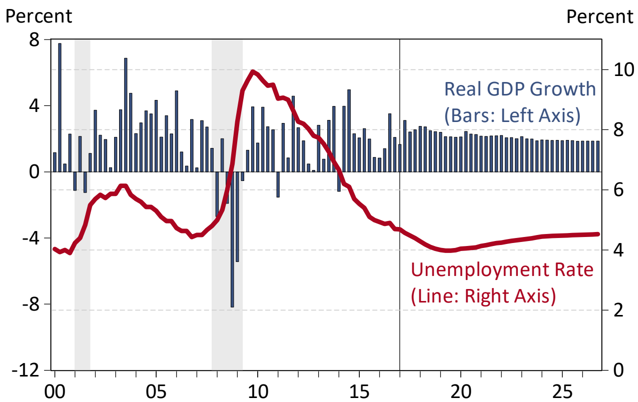


Policies of the New Administration?

- International trade
  - Retreat from free trade, renegotiate NAFTA, tariffs, etc.
- Immigration
  - The Wall, deport undocumented immigrants
- **Fiscal Stimulus**
  - **Restructure tax policy, increase infrastructure investment and defense spending**
- **Regulation**
  - **Roll back ACA and Dodd-Frank**
  - **Spur energy development**

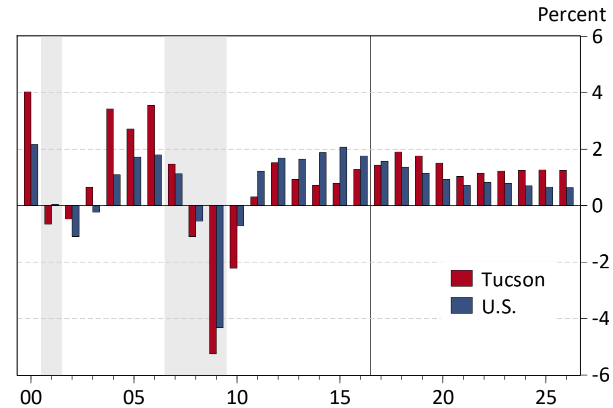
U.S. Real GDP And Unemployment

IHS Markit, April 2017



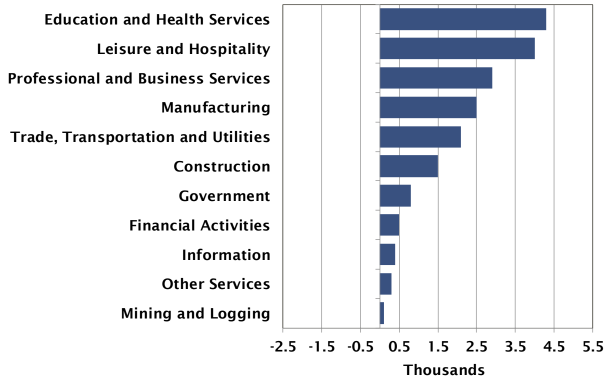
Tucson MSA And U.S. Job Growth

Annual Percent Change



Tucson MSA Job Growth By Industry

Change From 2016-2019



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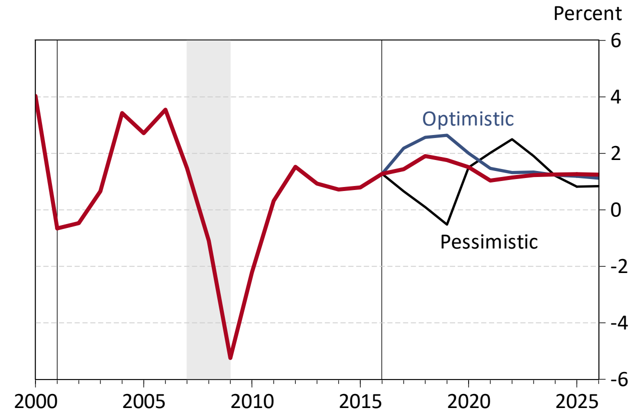
Tucson MSA Alternative Scenarios

Job Growth Rates



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Benefits of membership include:

- In-depth economic forecasts, models, and analysis provided on a quarterly basis for the U.S., Arizona, Phoenix, and Tucson. Includes long run 30-year forecasts each August.
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- Quarterly report containing analysis and tables/charts of hundreds of state and local indicators.
- Access to the Forecasting Project website for easy downloading of data, reports, presentations, and real-time analysis.
- Extensive national, state, and local datasets and cloud-based data management systems to better use and visualize information for your organization.
- Consulting on issues related to corporate economics and forecasting.

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Our world

U.S. Economic Outlook

Gary Wagner, Ph.D.
Vice President and Senior Regional Officer
Federal Reserve Bank of Cleveland

Presentation outline

- GDP and the near-term outlook (5 slides)
- Employment & labor market conditions (8 slides)
- Inflation and monetary policy (3 slides)

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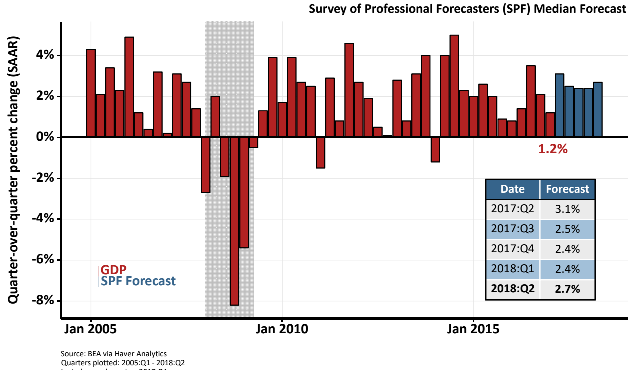
Near-term outlook remains positive



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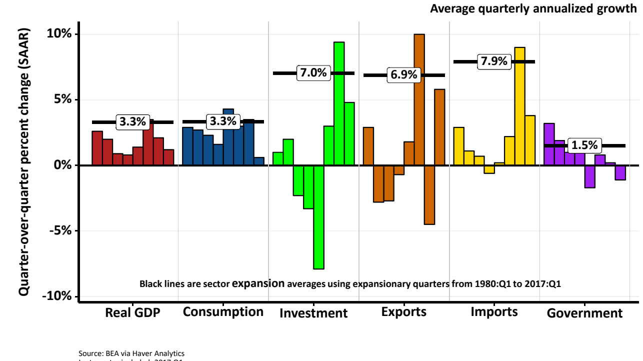
Past expansions have tended to be stronger



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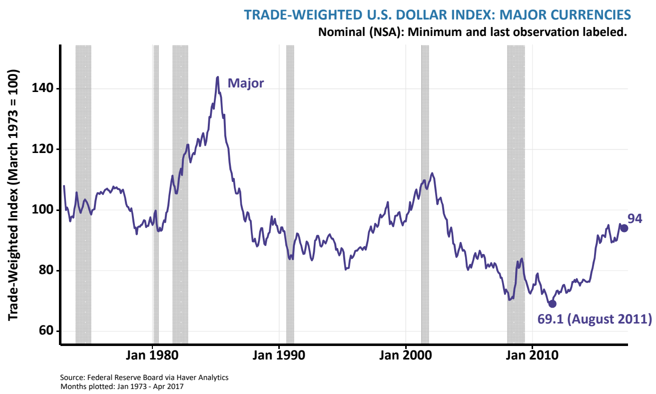
The dollar remains very strong relative to other currencies



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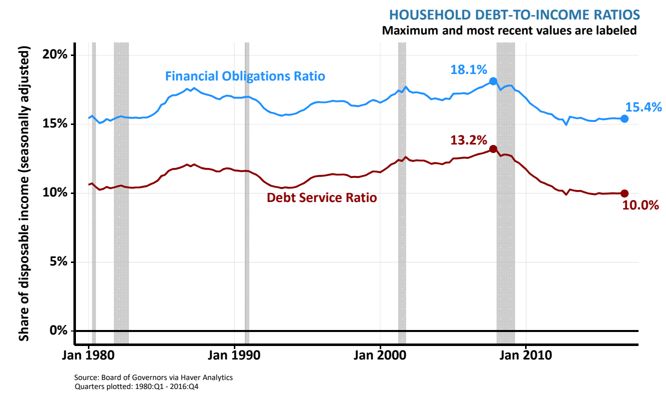
But household balance sheets remain healthy



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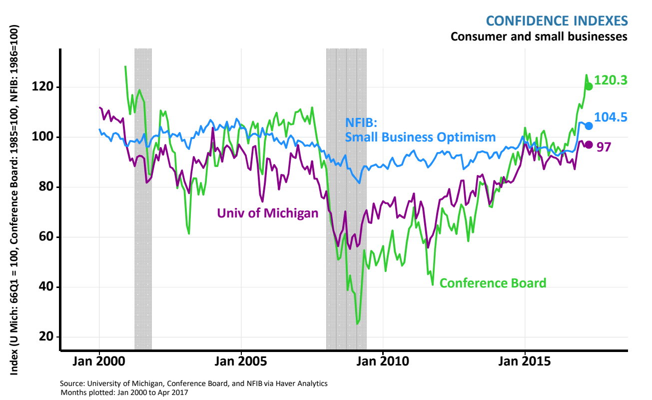
Confidence is up across the board



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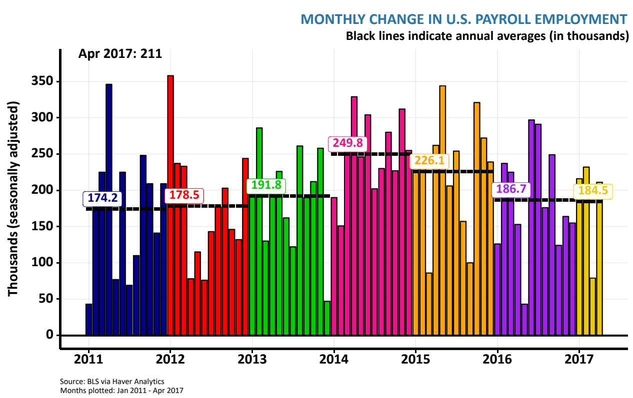
Employment & Labor Market Conditions

Payroll employment rebounded in April



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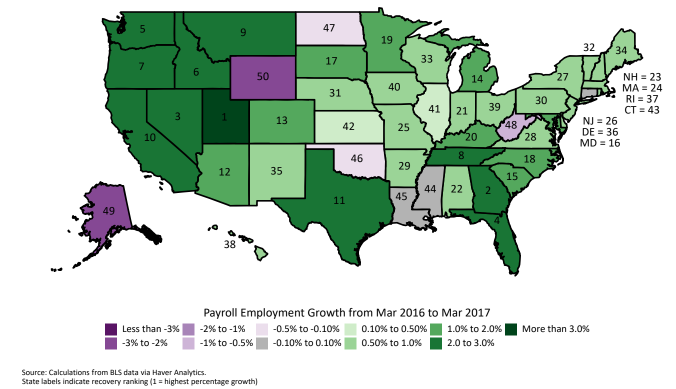
Employment growth remains strong in most of the states

Numbers indicate ranking (1 = fastest growing)



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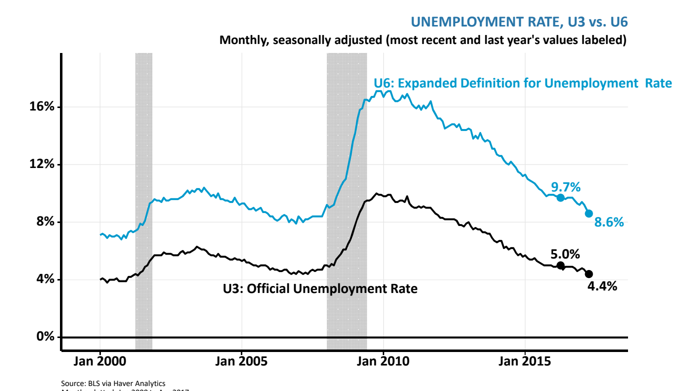
U3 and U6 are well-below pre-Great Recession averages



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Labor Market Conditions Index

From FRB Kansas City

Unemployment rate (U3)	Hires rate
Broad unemployment rate (U6)	Percent of firms planning to increase employment (NFIB)
Unemployment forecast (Blue Chip)	Average hourly earnings
Job flows from U to E	Initial claims
Quits rate	Private nonfarm payroll employment
Employment-population ratio	Aggregate weekly hours
Working part-time for economic reasons	Temporary help employment
Job leavers	Expected job availability (U of Michigan)
Job availability index (Conference Board)	Labor force participation rate
Unemployed 27 or more weeks	Manufacturing employment index (ISM)
Percent of firms with positions not able to fill right now (NFIB)	Announced job cuts (Challenger-Gray-Christmas)
Job losers	Expected job availability (Conference Board)

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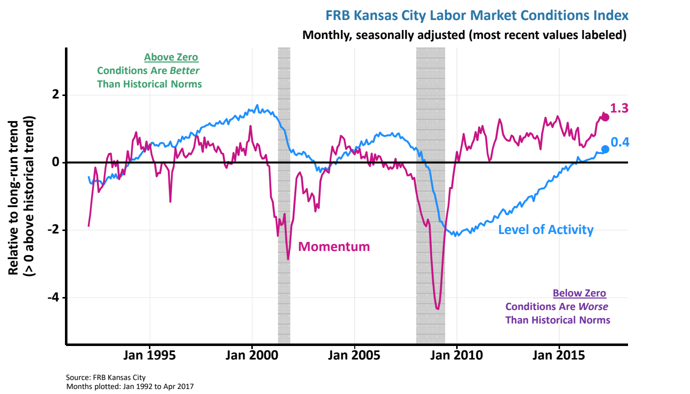
Conditions look very strong nationally…



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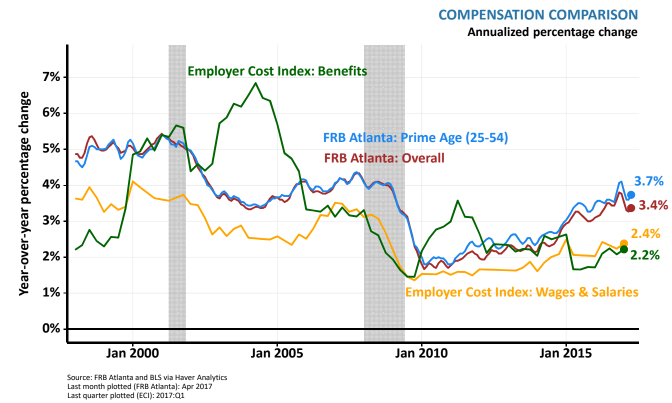
But compensation seems to be lagging some



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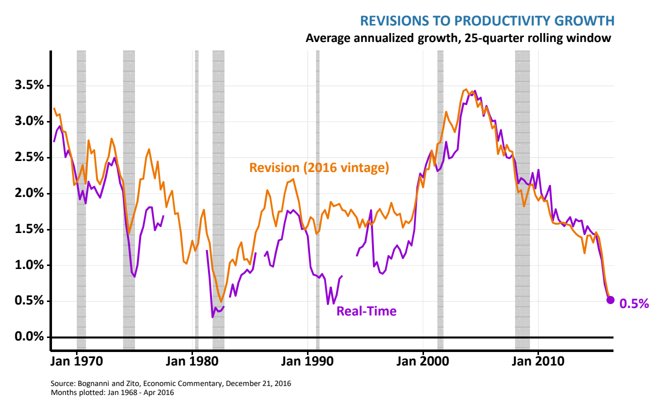
What should we make of the low productivity estimates?

January 1968 – April 2016



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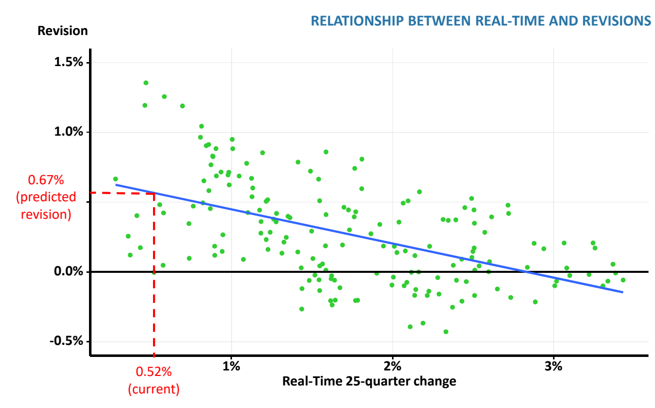
Past revisions suggest productivity is underestimated



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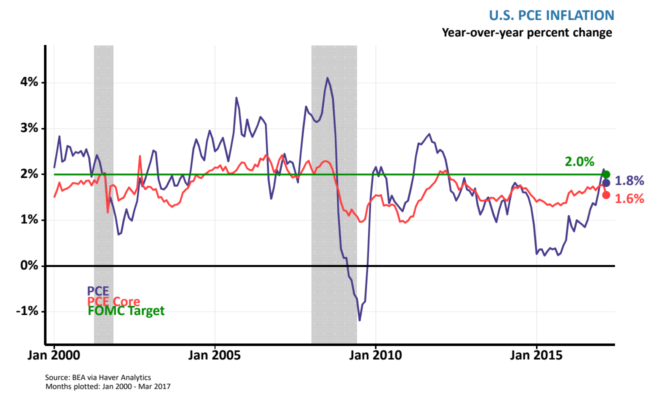
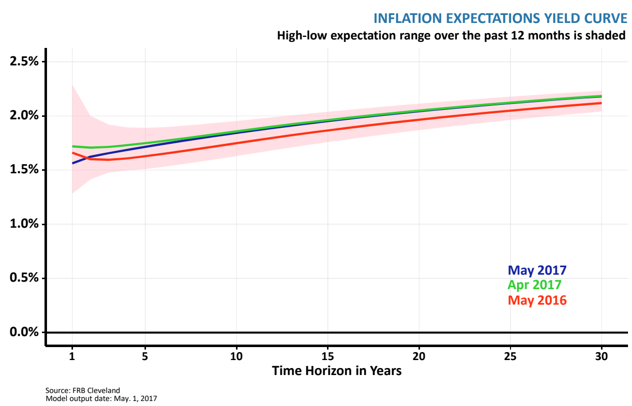
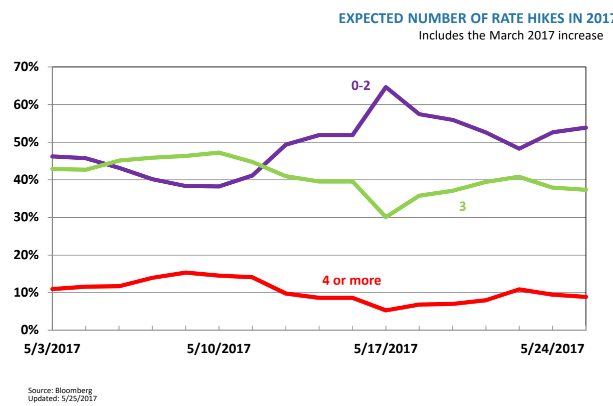
Inflation and Monetary Policy



Inflation expectations have risen over the past year



Most market participants expect only one additional hike



Summary

- GDP forecasts have improved of late
  - Weak 2017:Q1 estimates appear to be transitory
  - Household balance sheets remain very healthy
- Broadly speaking, labor market conditions are better than pre-Great Recession conditions
  - However, wage growth has been lagging some
  - Weaker than normal productivity may be the culprit
- Latest guidance from the FOMC points to two *additional* rate hikes this year
  - A majority of fed funds futures participants expect only one additional hike

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