

Choppy Waters

Arizona's Recovery Proceeds Unevenly

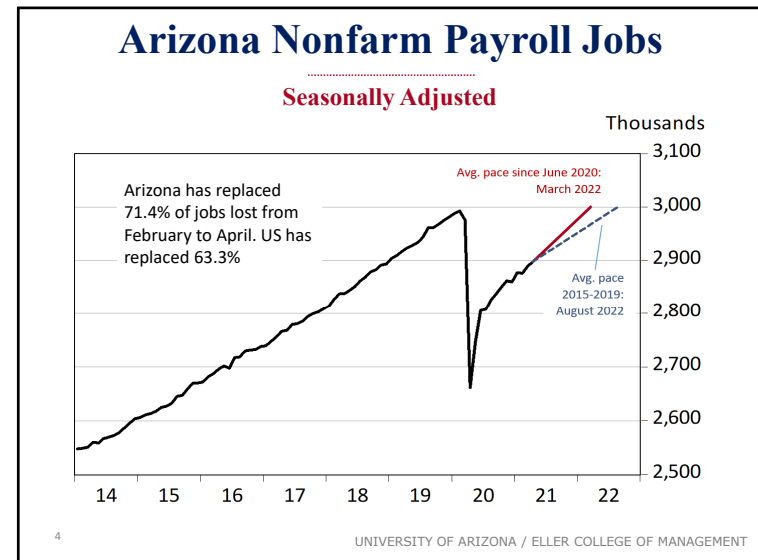
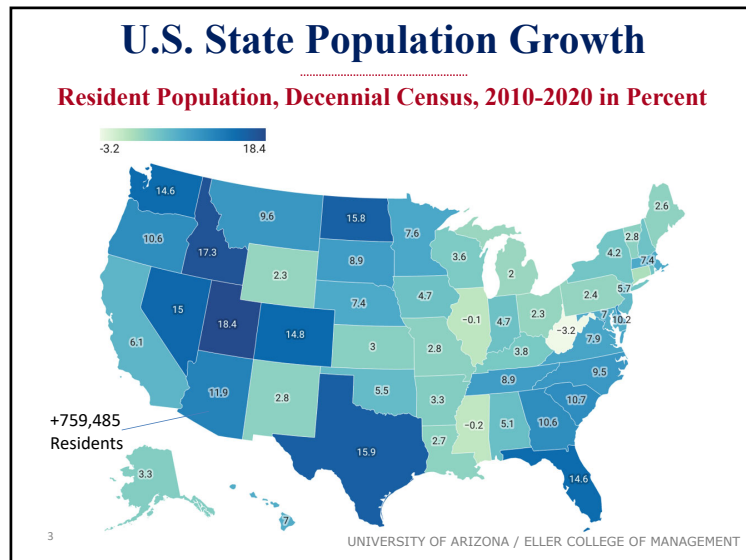
Eller Breakfast with the Economists
May 27, 2021

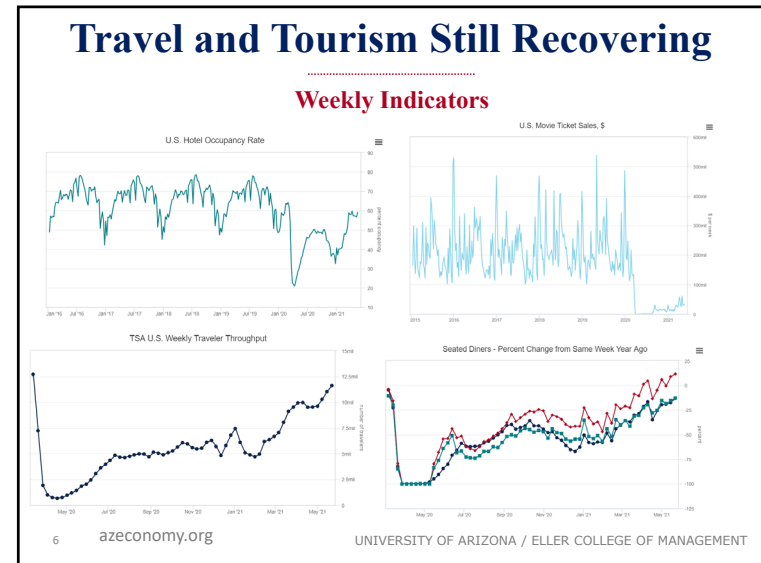
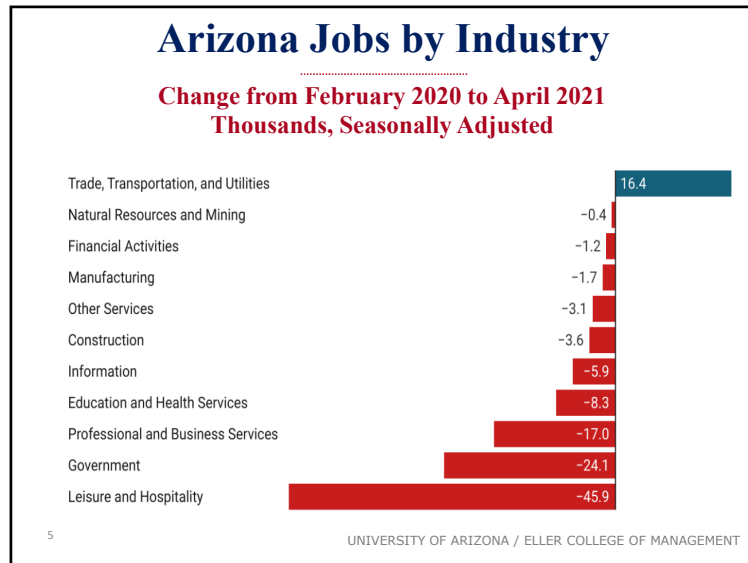
George Hammond, Ph.D.
Director
Economic and Business Research Center

Key Topics Today

- ▶ **Census 2020 resident population released for states**
 - ▶ Arizona's count came in well below estimates
- ▶ **Arizona's jobs recovery continues**
 - ▶ But still a long way to go (94,800 jobs)
- ▶ **Travel and tourism still recovering**
 - ▶ Restaurants and bars doing better, gas sales up
- ▶ **Housing permit activity strong**
 - ▶ And 2020 data was revised up
- ▶ **Outlook is strong near term**
 - ▶ Job and population gains accelerate, income and retail sales growth slows

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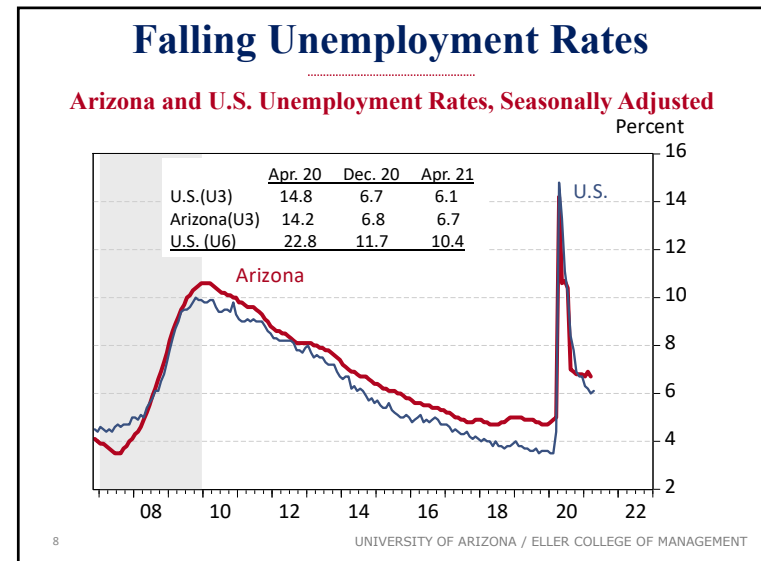


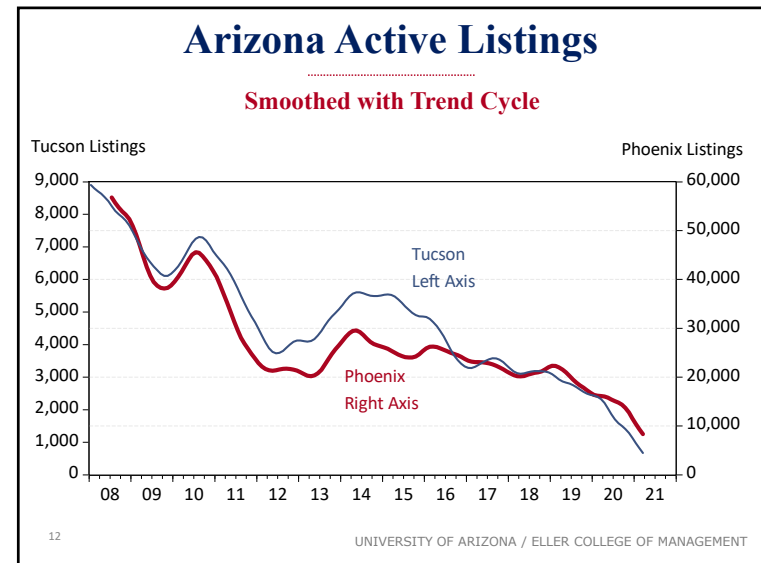
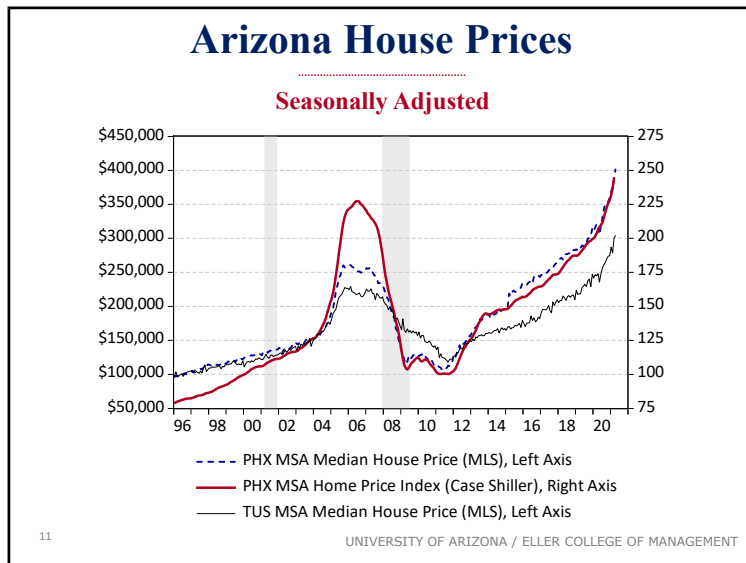
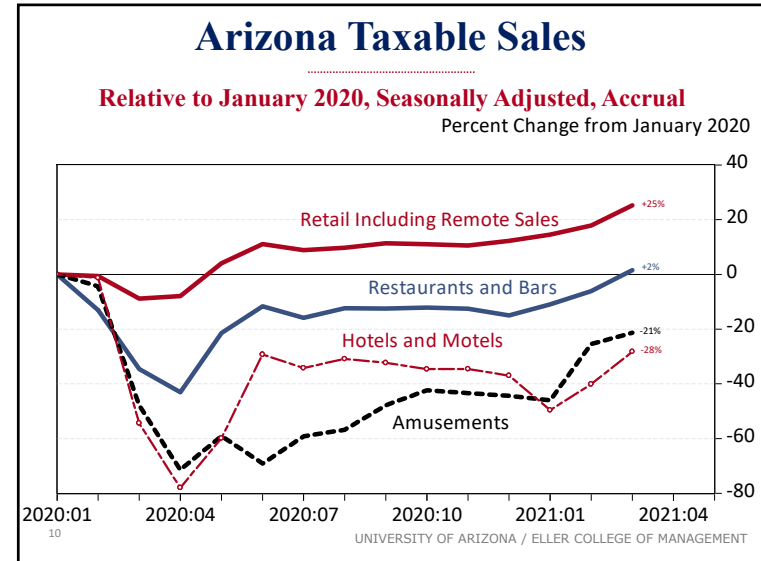
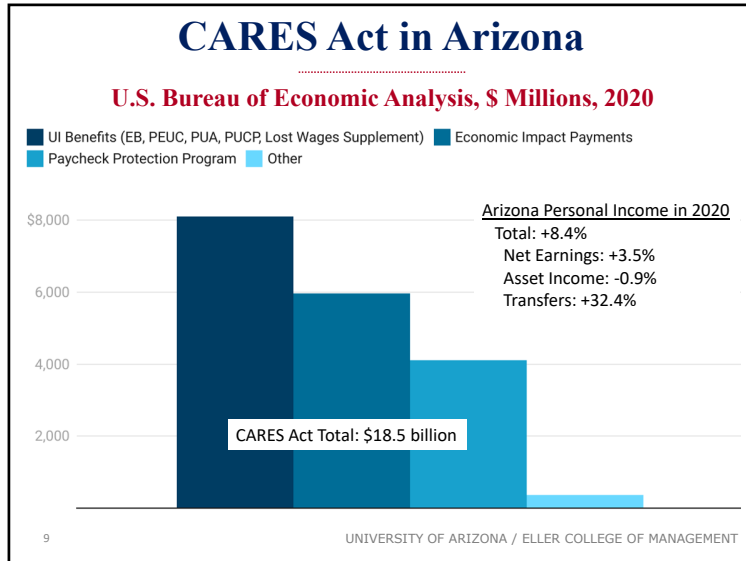
Arizona Jobs by Metro

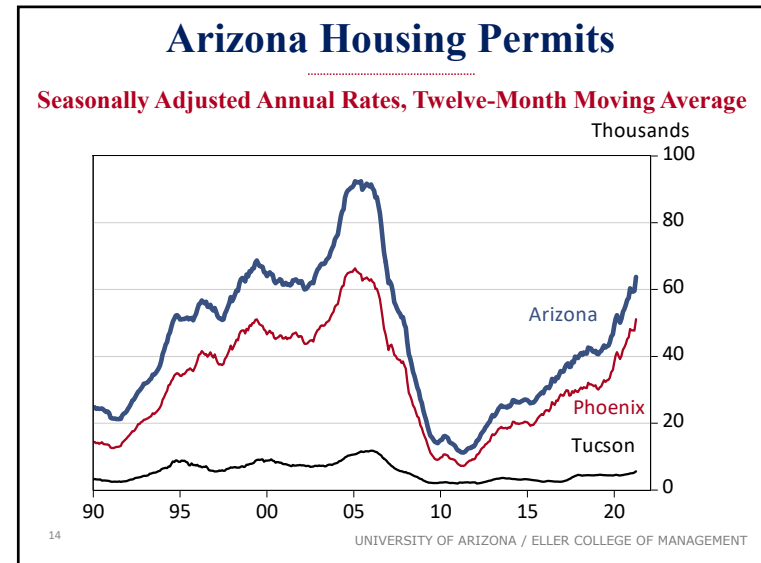
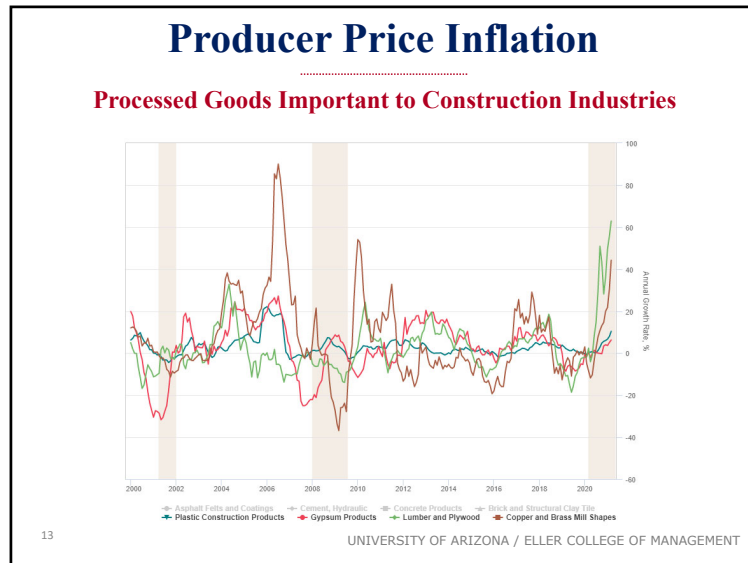
Thousands, Seasonally Adjusted

	Change From February 2020 To				Change from June 2020 to April 2021
	2020		2021		
	June	September	December	April	
Flagstaff	-8.4	-6.5	-5.1	-4.4	4.0
Lake Havasu City-Kingman	-2.4	-1.2	-0.8	0.1	2.5
Phoenix	-138.8	-113.4	-90.6	-64.5	74.3
Prescott	-4.2	-2.8	-2.2	-0.8	3.4
Sierra Vista-Douglas	-0.9	0.2	-0.1	0.4	1.3
Tucson	-24.6	-26.2	-21.3	-19.3	5.3
Yuma	-3.8	-3.0	-4.2	-2.1	1.7
Arizona	-187.7	-155.0	-132.8	-94.8	92.9
U.S.	-14,683	-10,658	-10,020	-8,215	6,468

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Arizona, Phoenix, and Tucson Outlook

- ▶ **Continued recovery, with gradual improvement**
 - ▶ Vaccine rollout continues and remains effective against variants
- ▶ **Arizona jobs return to pre-pandemic levels in first quarter of 2022 under the baseline**
 - ▶ Pessimistic alternative suggests third quarter 2022
 - ▶ Optimistic alternative suggests fourth quarter of 2021
- ▶ **Personal income growth is strong in 2021**
 - ▶ Then softens in 2022 as fiscal support dissipates
- ▶ **Population growth remains solid, which supports construction activity**

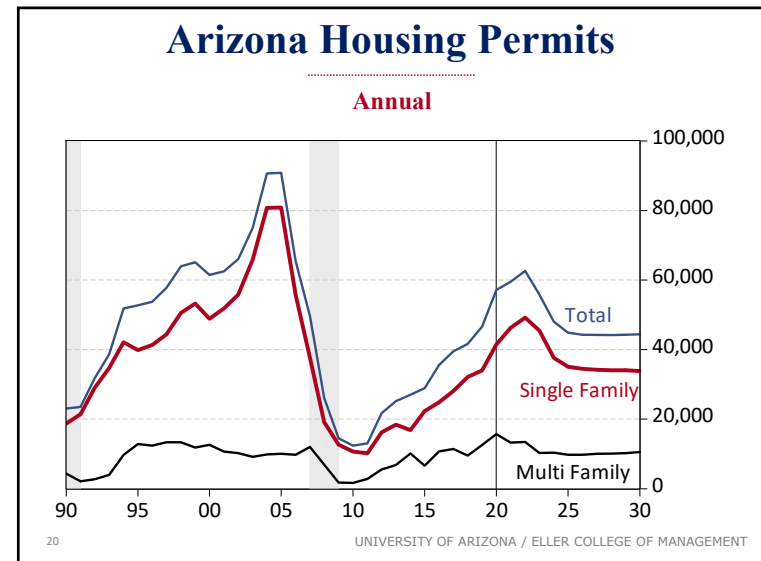
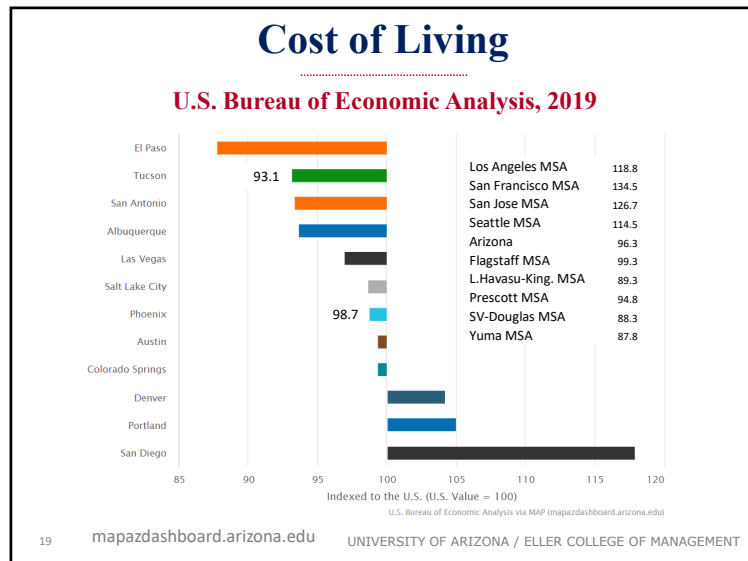
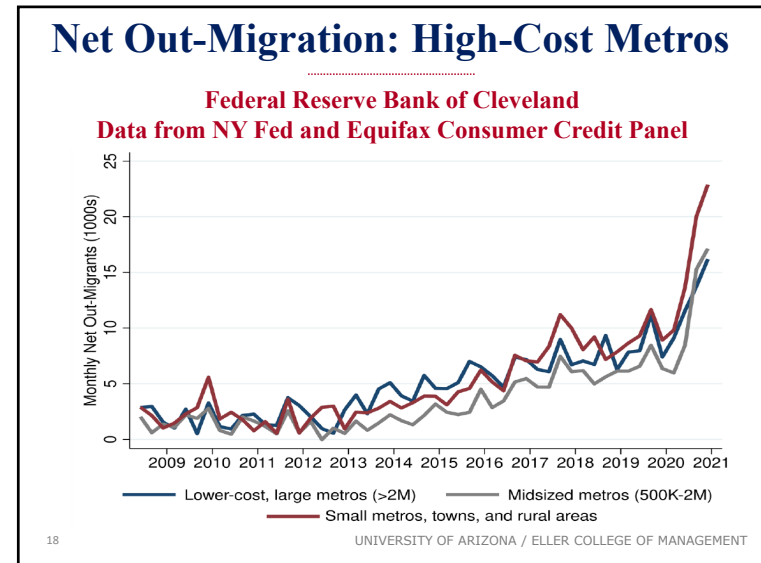
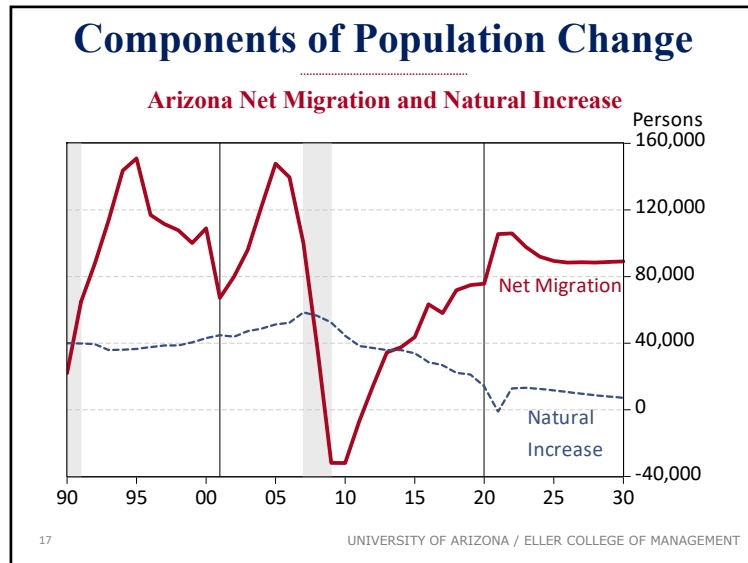
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Arizona Short-Run Summary

Over-The-Year Growth Rates

	Actual 2020	Forecast		
		2021	2022	2023
Growth Rate				
Nonfarm Jobs	-3.2	2.5	4.2	3.2
Personal Income	8.4	6.8	2.1	5.2
Retail Plus Remote Sales	13.7	6.3	1.5	4.5
Population	1.3	1.5	1.6	1.5
Level				
Unempl. Rate	7.9	5.8	4.3	4.0
Housing Permits	57,174	59,501	62,654	55,796

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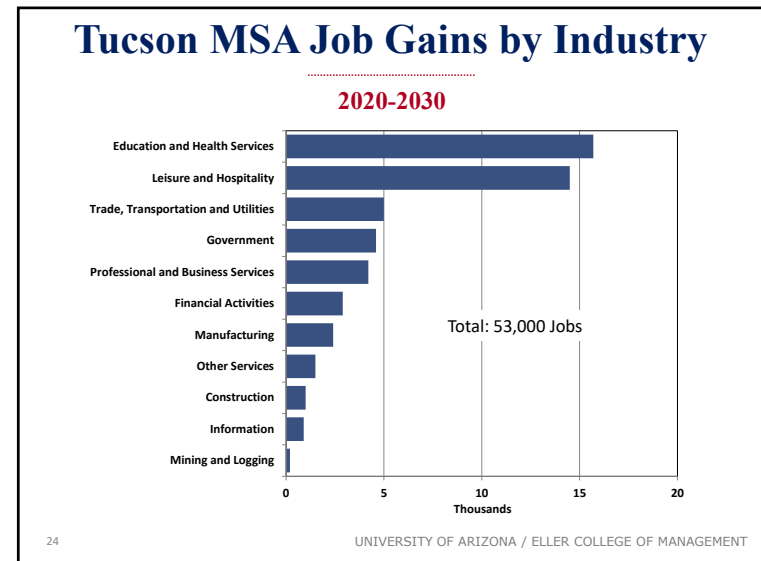
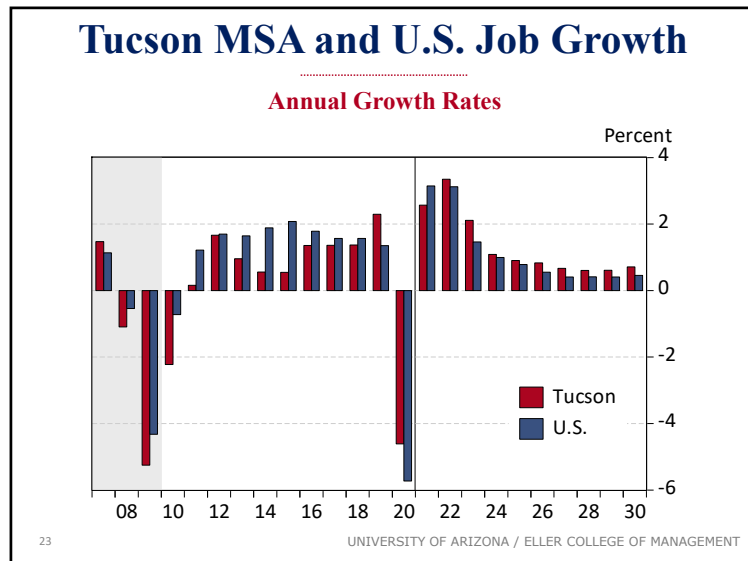
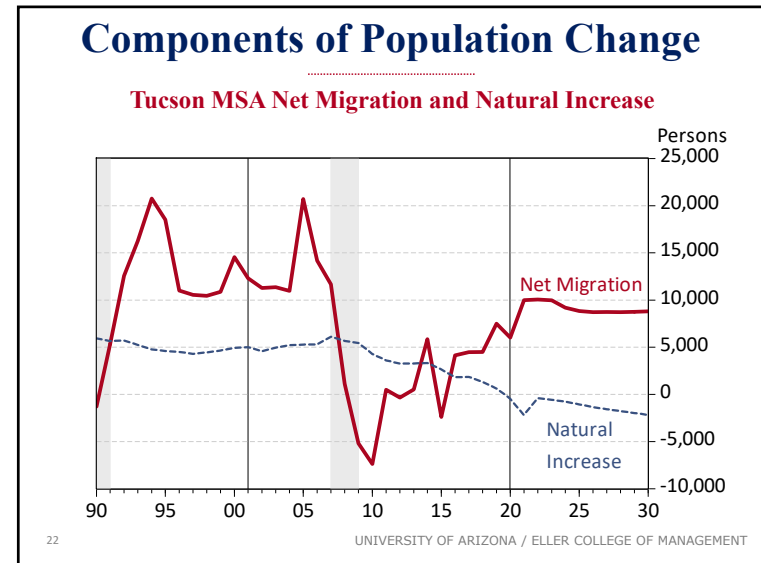
Tucson MSA Outlook Summary

Over-The-Year Growth Rates

	Actual		Forecast	
	2020	2021	2022	2023
Growth Rate				
Nonfarm Jobs	-4.6	2.6	3.3	2.1
Personal Income	7.6	7.5	-0.9	4.4
Retail Plus Remote Sales	11.1	6.3	0.6	3.7
Population	0.5	0.8	0.9	0.9
Level				
Housing Permits	4,992	5,234	5,444	5,175

Personal income and housing permits are forecast in 2020.

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Key Takeaways

- ▶ **Uncertainty still matters, but upside risks are rising**
 - ▶ We may do better than expected under the baseline
- ▶ **Income and spending have recovered faster than jobs**
 - ▶ Thanks to federal fiscal support, which is dissipating
- ▶ **Net migration and housing permit activity look strong this year and next**
- ▶ **Housing affordability will be an increasingly pressing issue**

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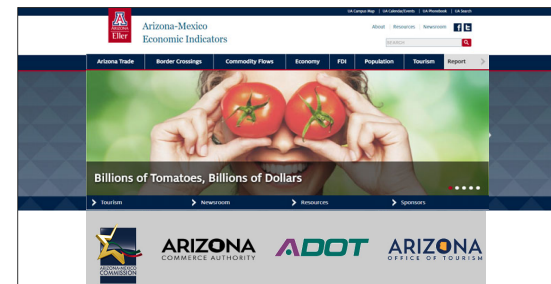
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