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ECONOMIC OUTLOOK LUNCHEON

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Welcome



Karthik Kannan
Dean
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Welcome



Eliezer Asunsolo
Senior Vice President for Commercial Banking in Tucson and Southern Arizona
PNC Bank



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Our world

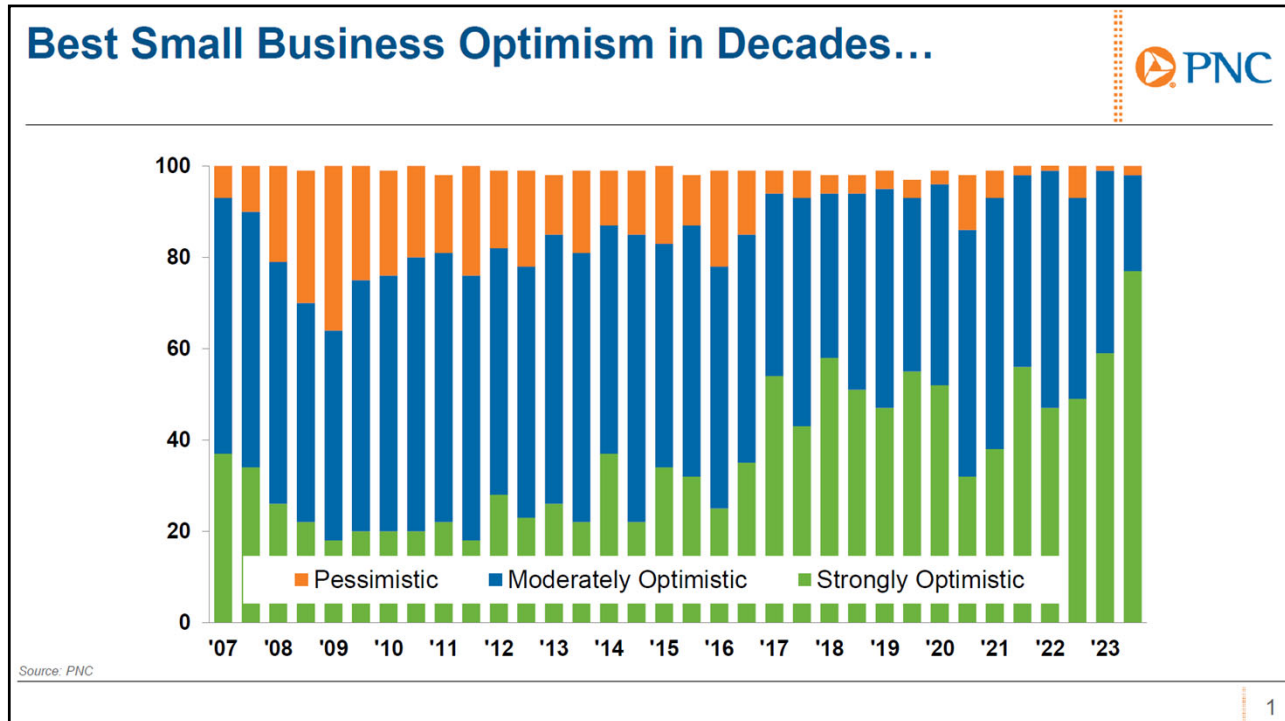
Economic Outlook
Fed Tightening Will Cause Mild Near-Term
Recession



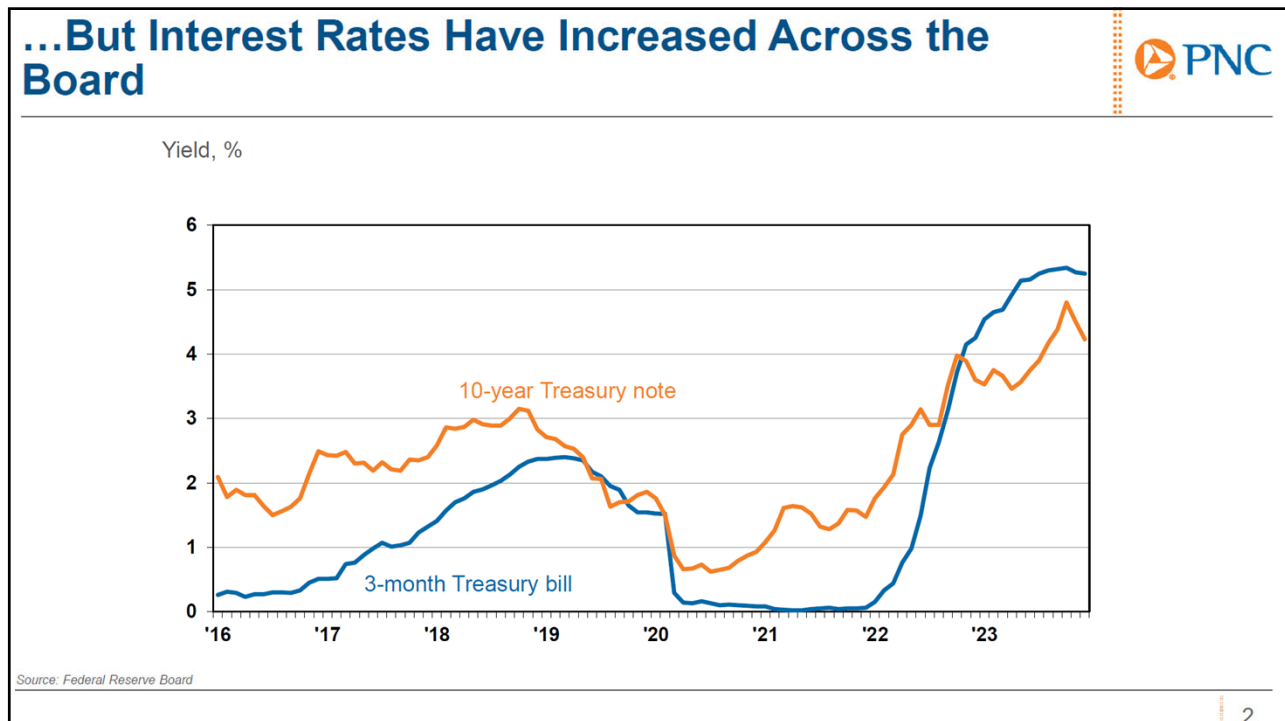
Gus Faucher
Chief Economist
The PNC Financial Services Group



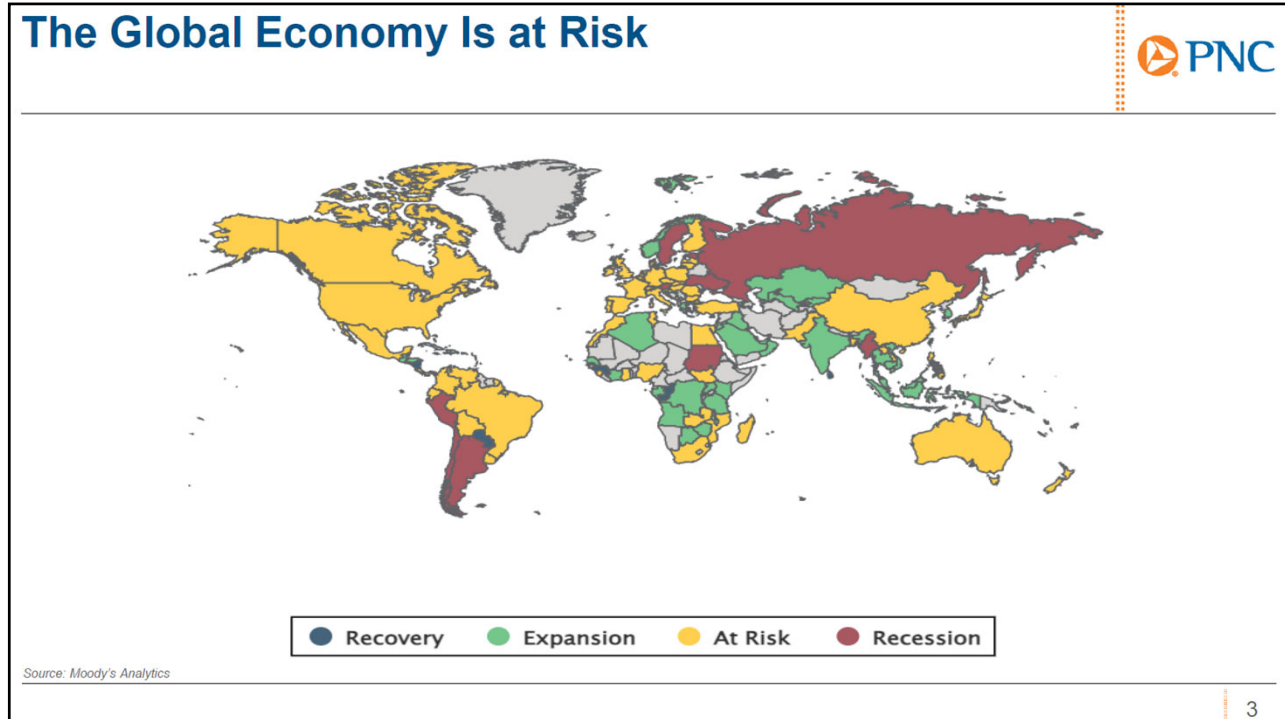
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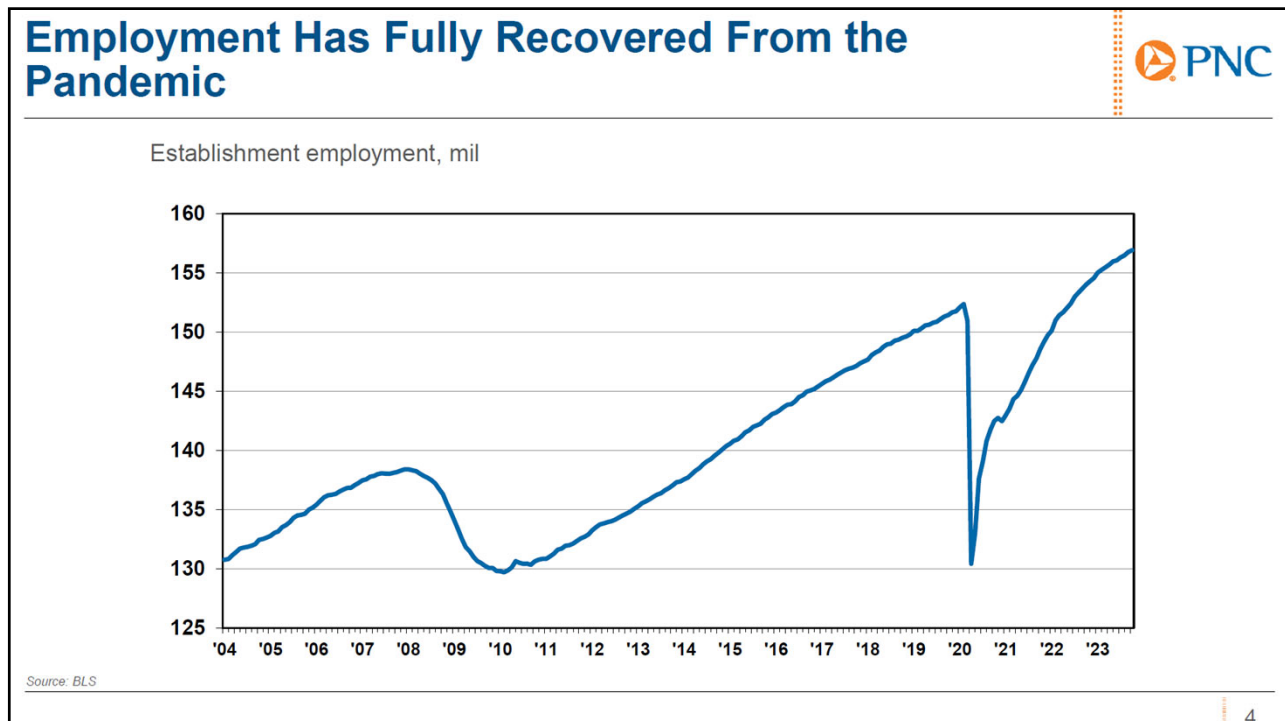
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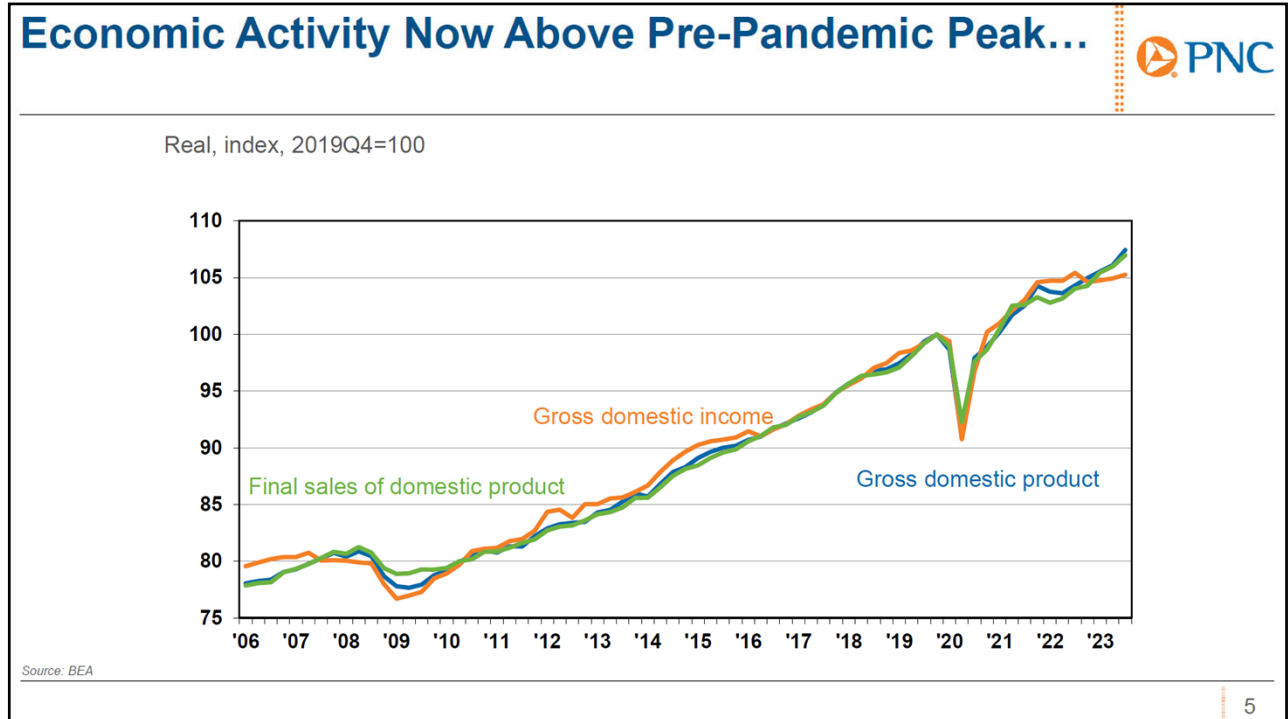
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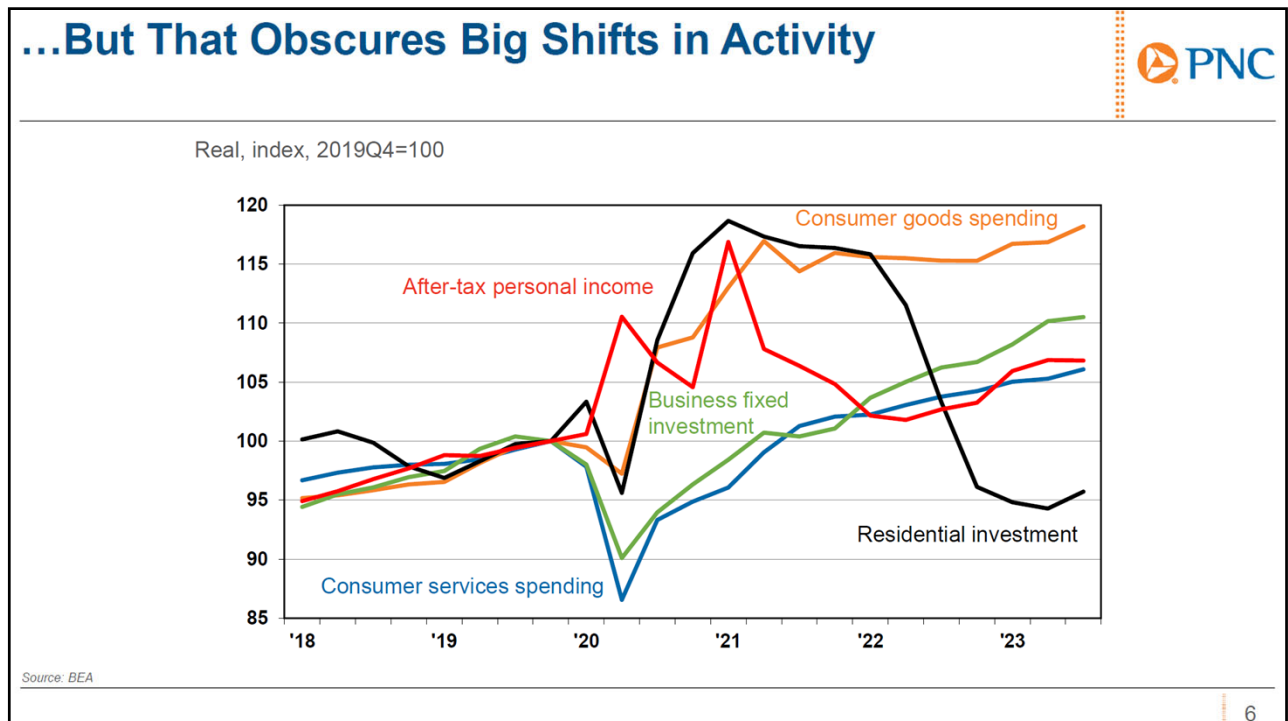
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Global Supply Chain Pressures Are Now Below Average



Global Supply Chain Pressure Index, standard deviations from average value



Source: New York Fed

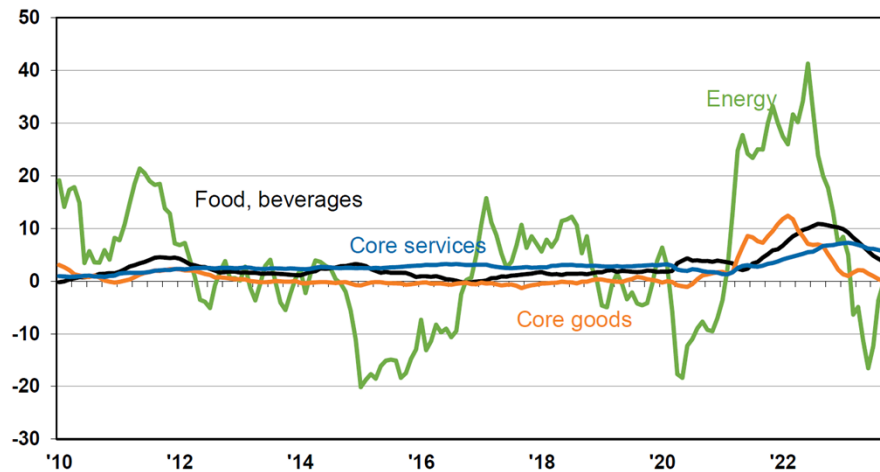
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High Core Services Inflation Is a Big Concern



Consumer price index, % change year ago

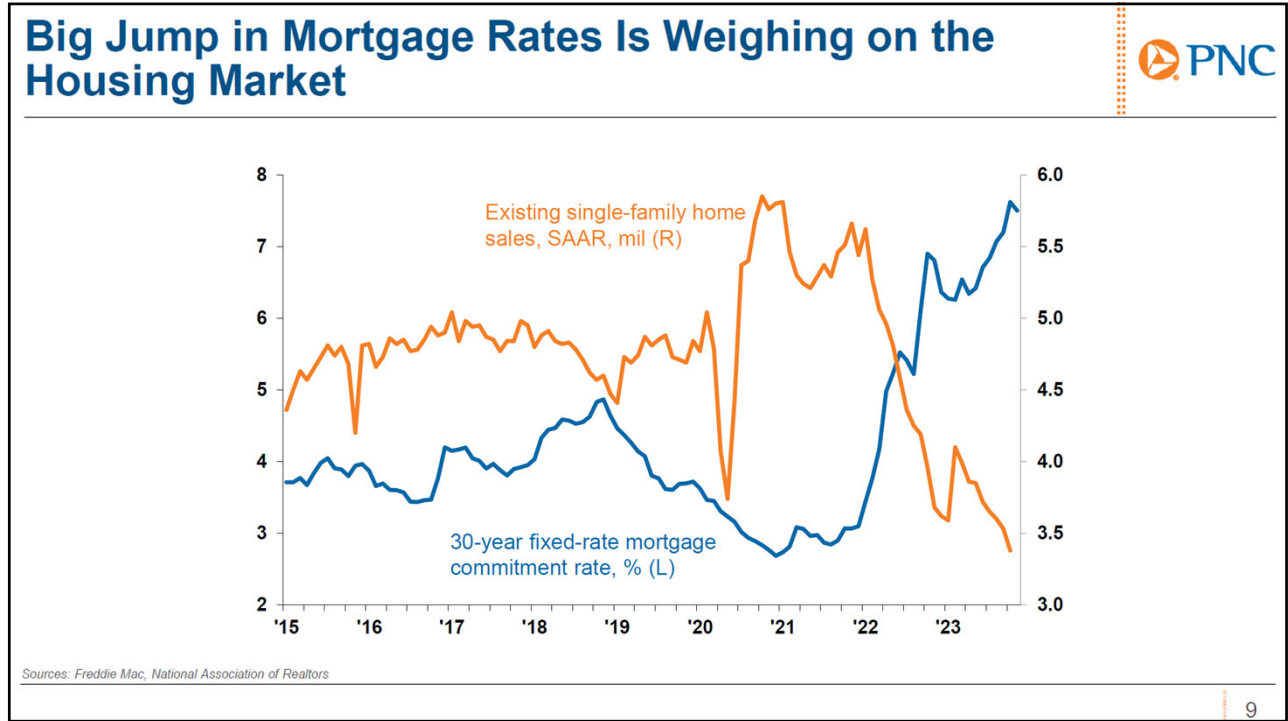


Source: BLS

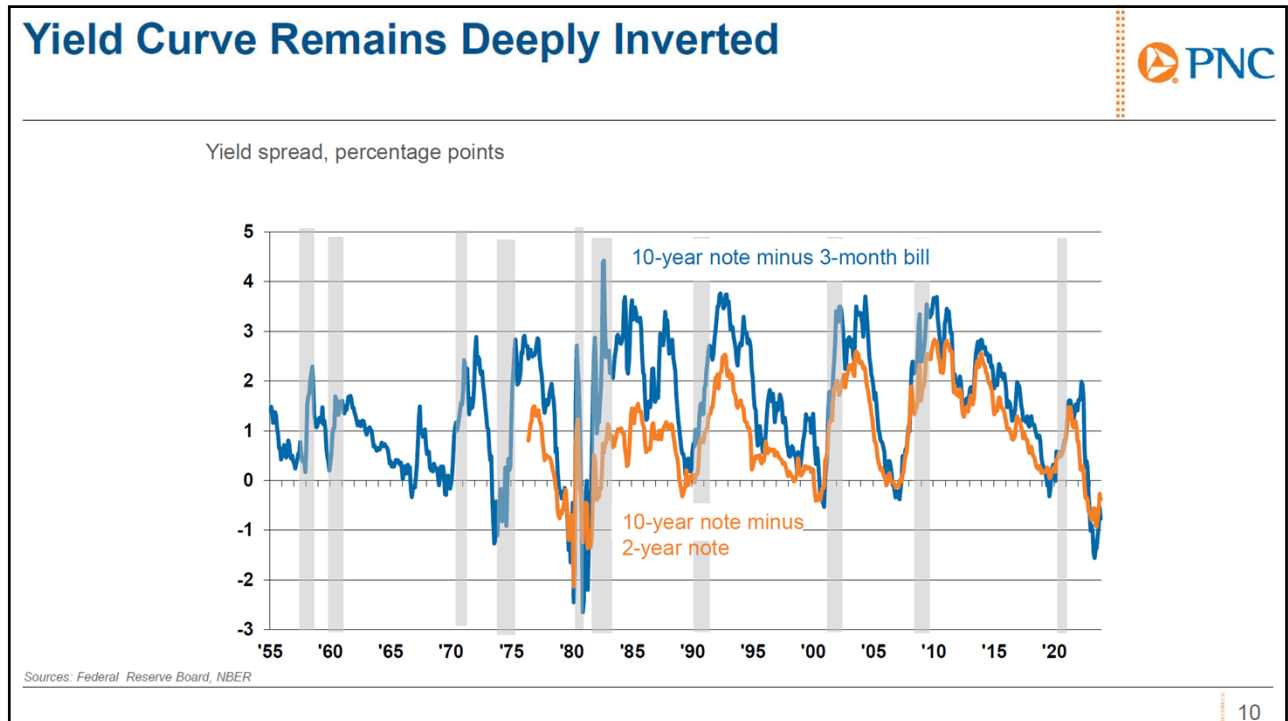
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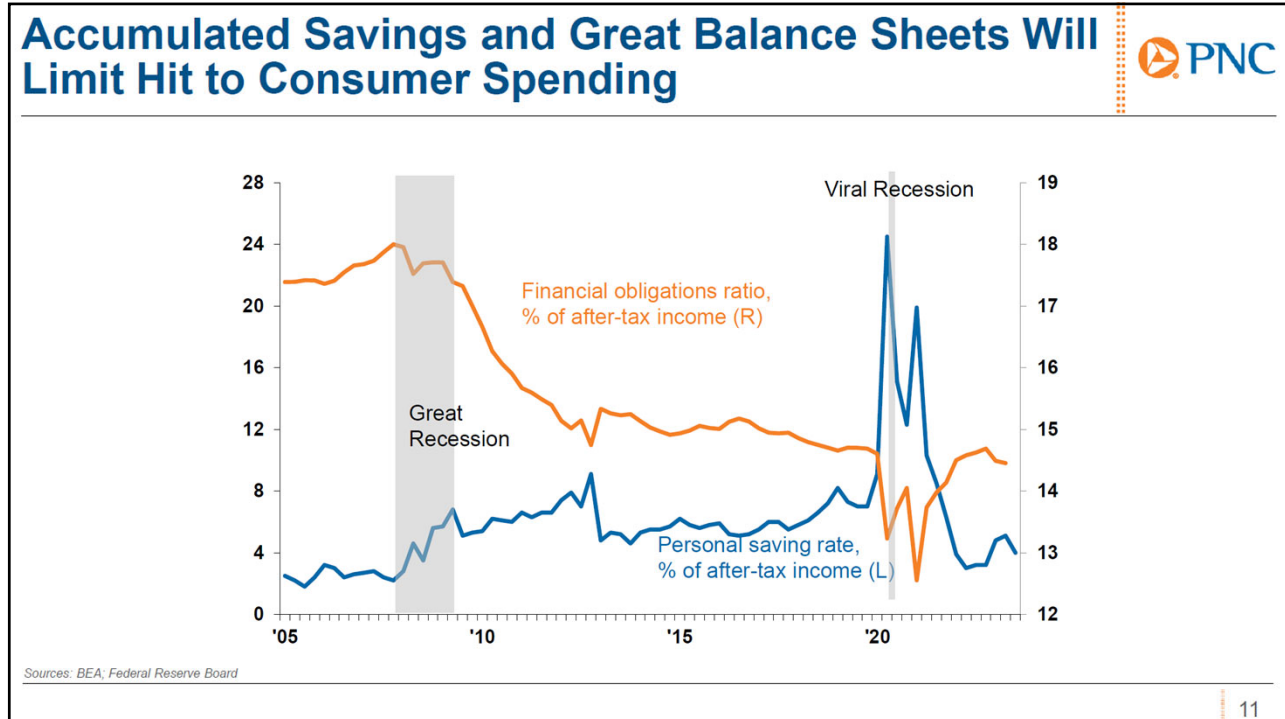
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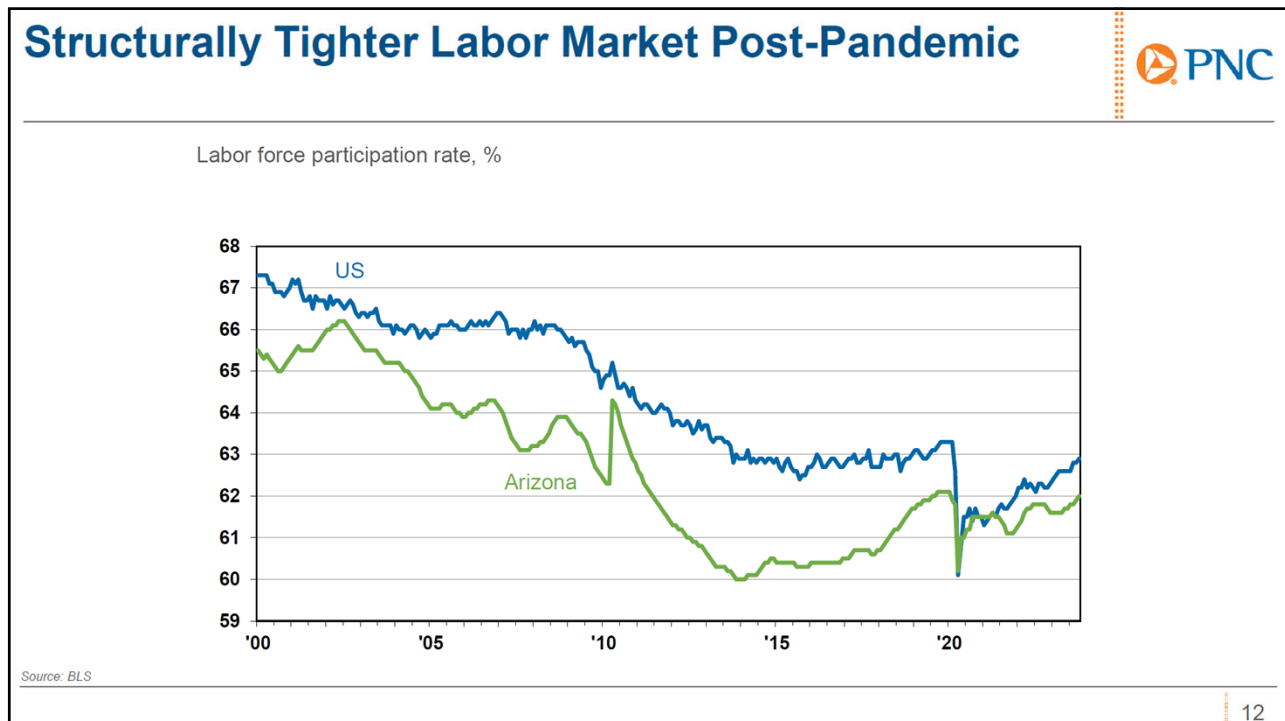
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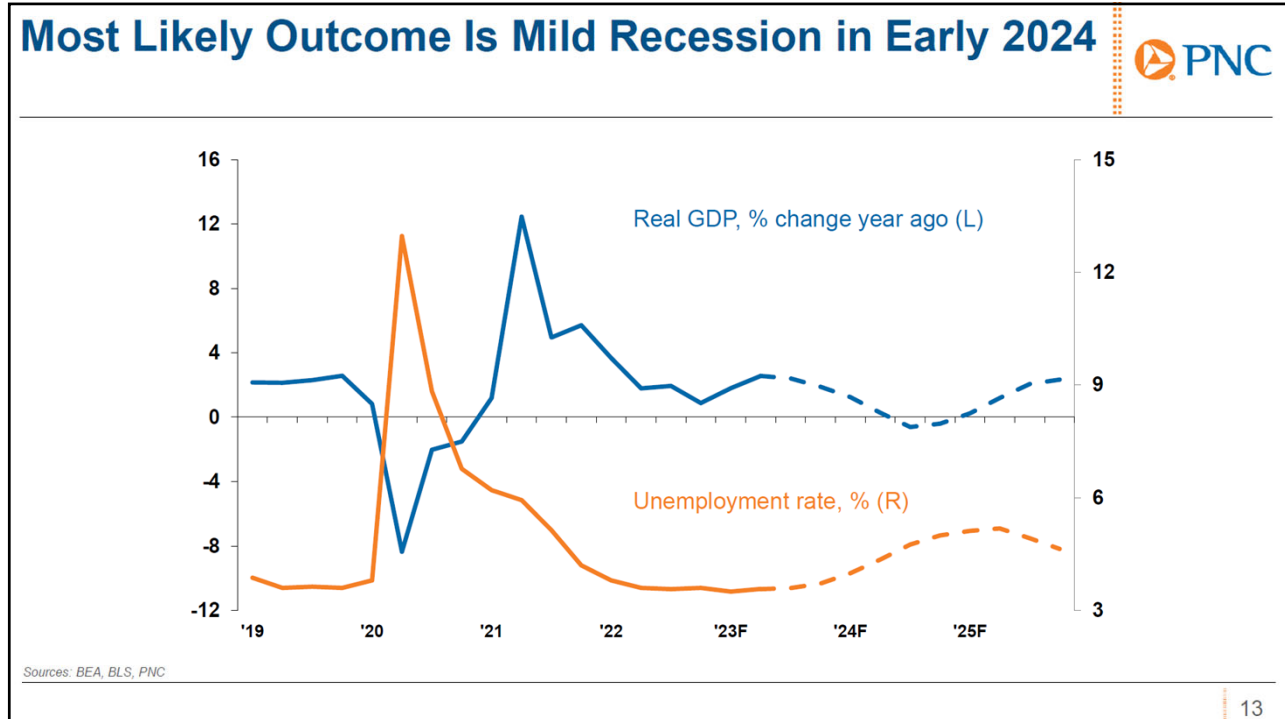
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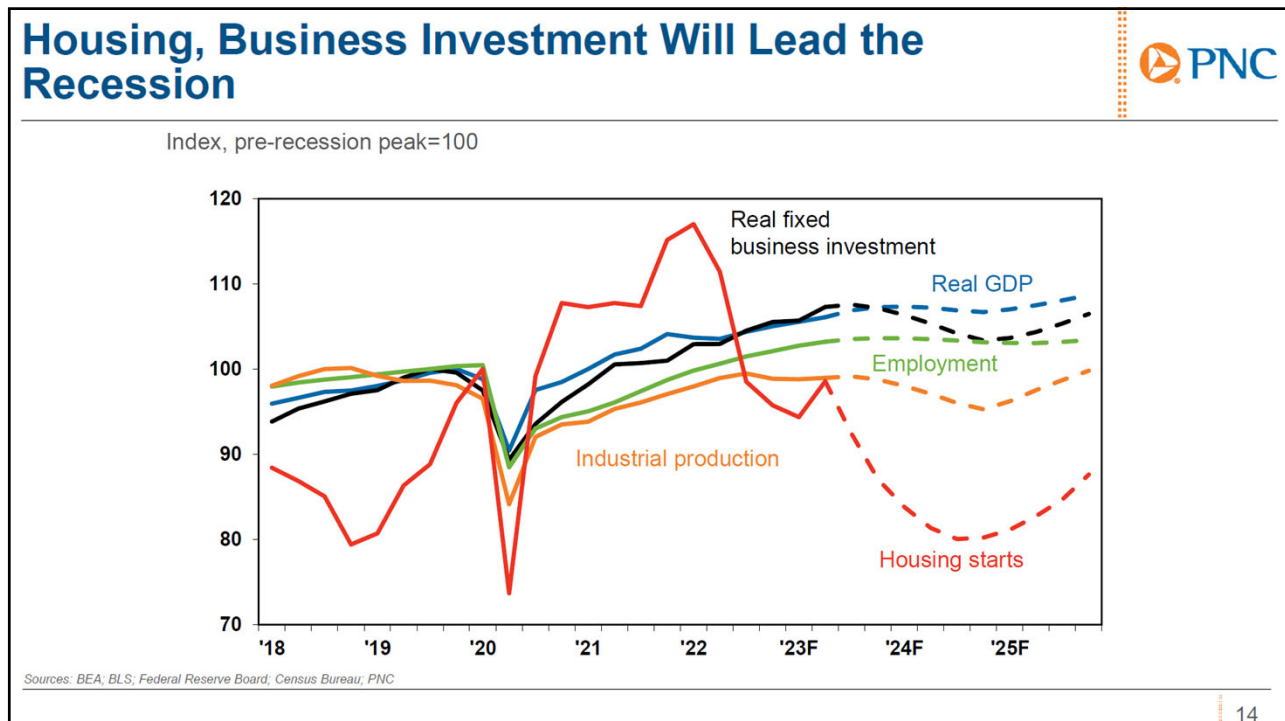
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What I'm Pretty Sure About



- Very steep recession in 2020
- Not in recession now
- Fed will do what's necessary
- Structural shifts
 - Retail, supply chains, commercial real estate
- Structural changes to the labor market

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Open Questions




- Recession not inevitable
- Student loan payments
- Middle East
- Government shutdown
- Financial stresses
- Commercial real estate
- Russia/Ukraine
- Path of pandemic
- Longer-run growth
- Housing market
- AI

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Our region



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Key Topics

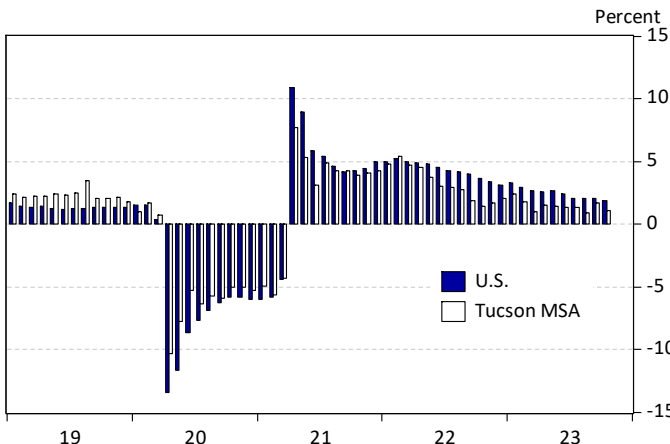
- ▶ **Tucson jobs are rising but below the U.S. pace**
 - ▶ Several sectors have not recovered from the pandemic
- ▶ **Arizona’s labor market remains very tight**
 - ▶ There are modest signs of loosening
- ▶ **Phoenix inflation has decelerated below the U.S. pace**
 - ▶ Price levels remain far above their pre-pandemic level
- ▶ **Tucson is well-positioned to continue to grow next year**
 - ▶ At a slower pace
 - ▶ U.S. recession risks remain


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Tucson MSA Nonfarm Jobs

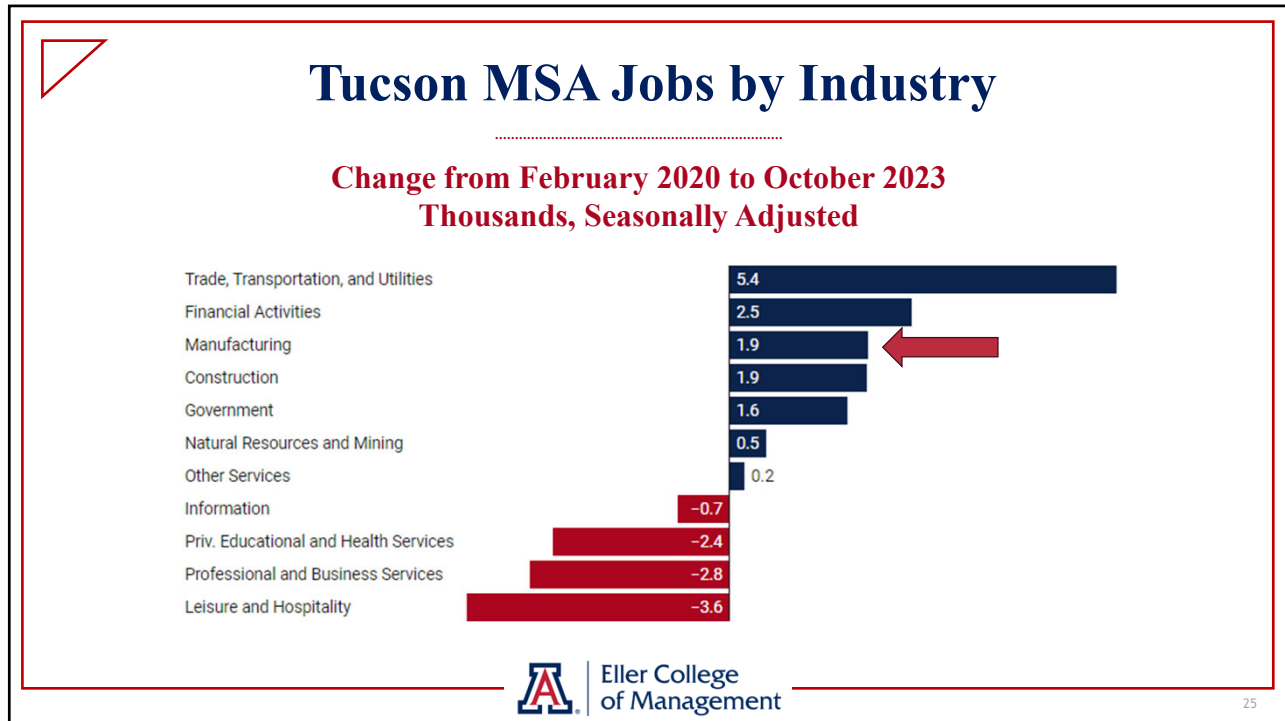
Over-the-Year Growth, Nonseasonally Adjusted



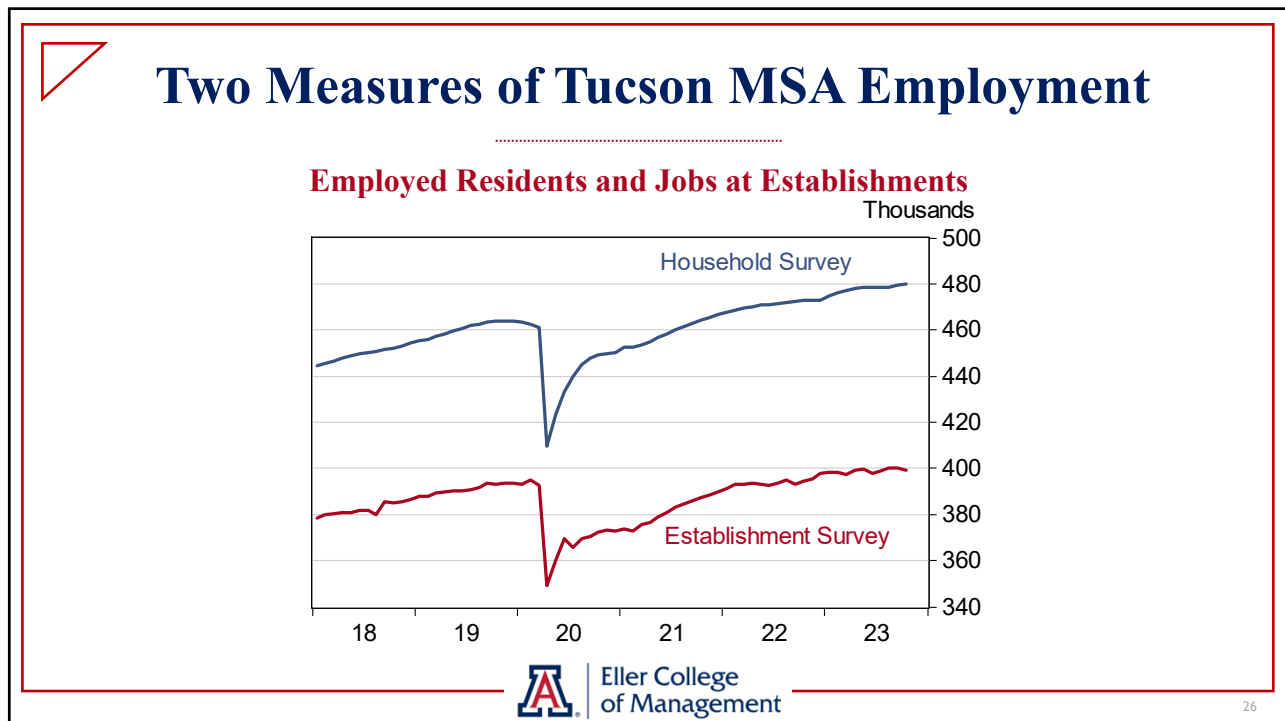
Over-the-Year Growth	
	October 2023
Tucson MSA	1.1%
U.S.	1.9%


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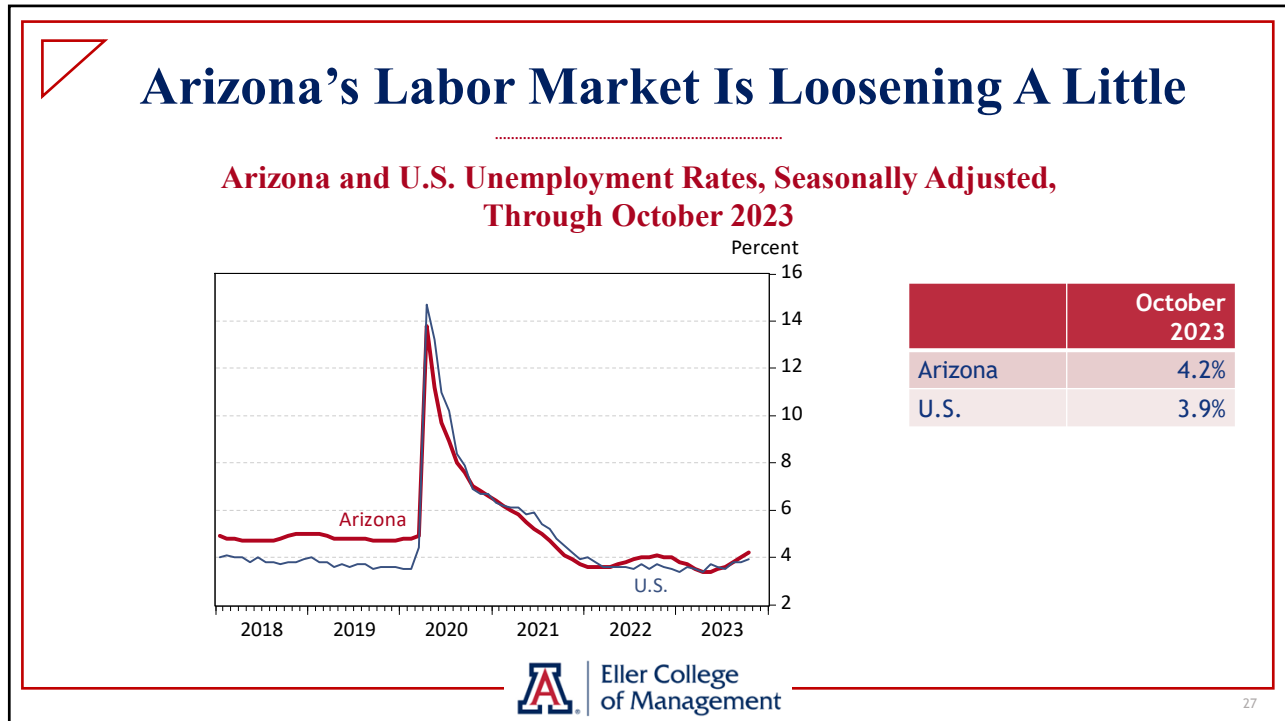
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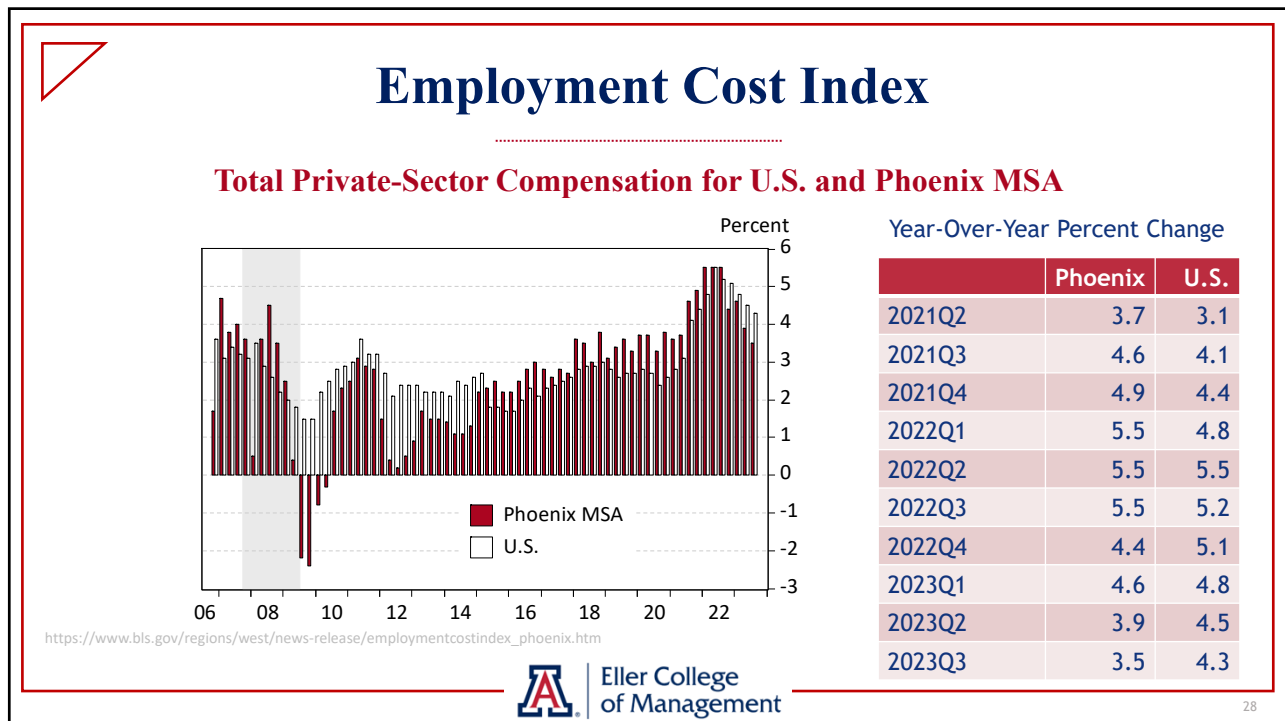
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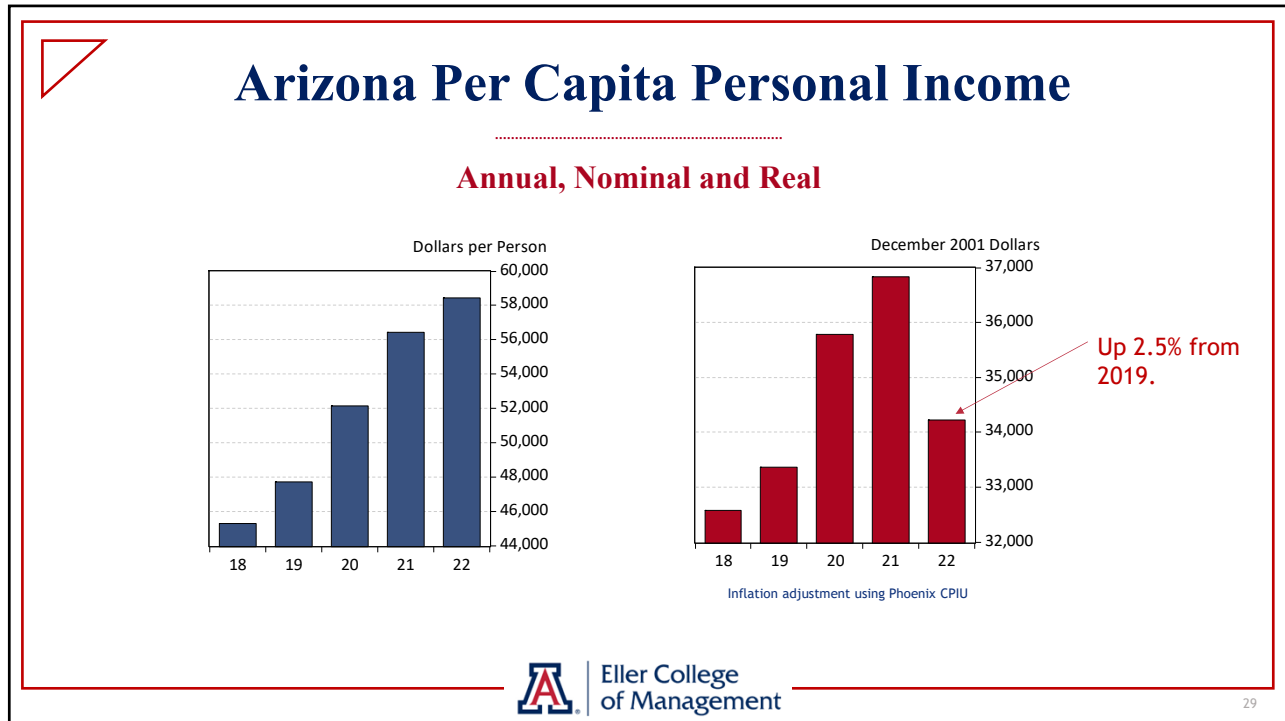
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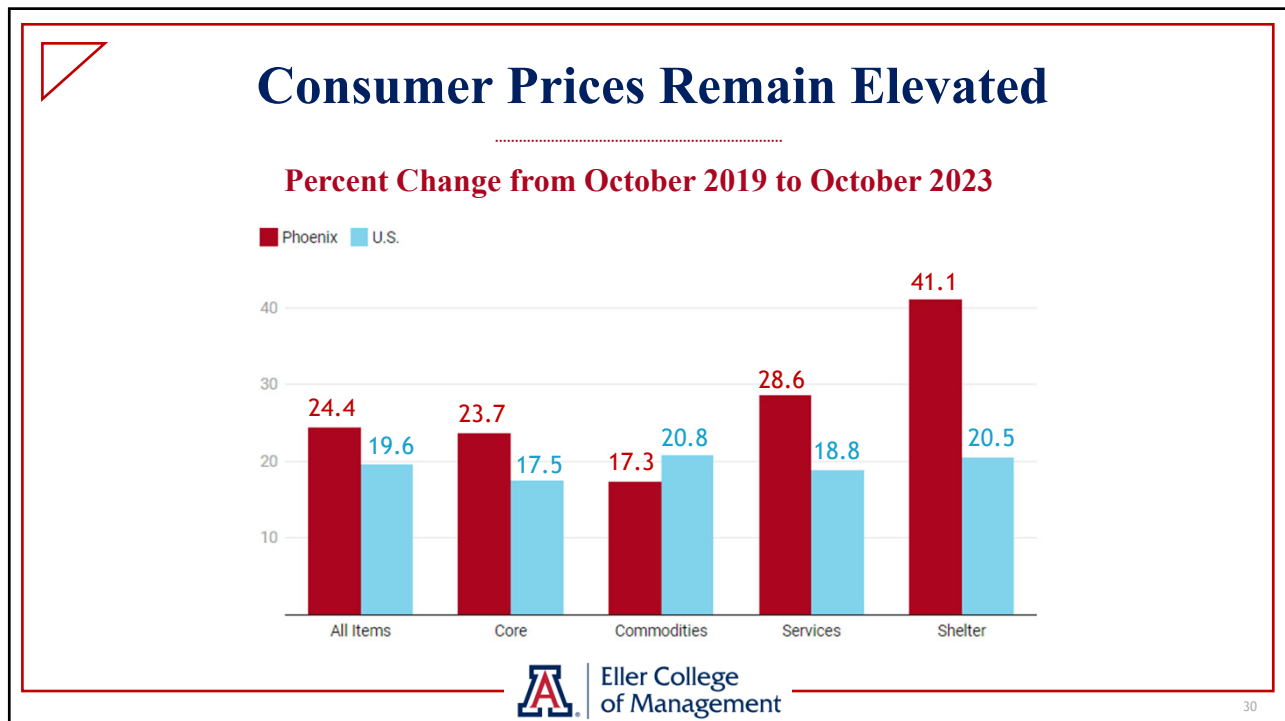
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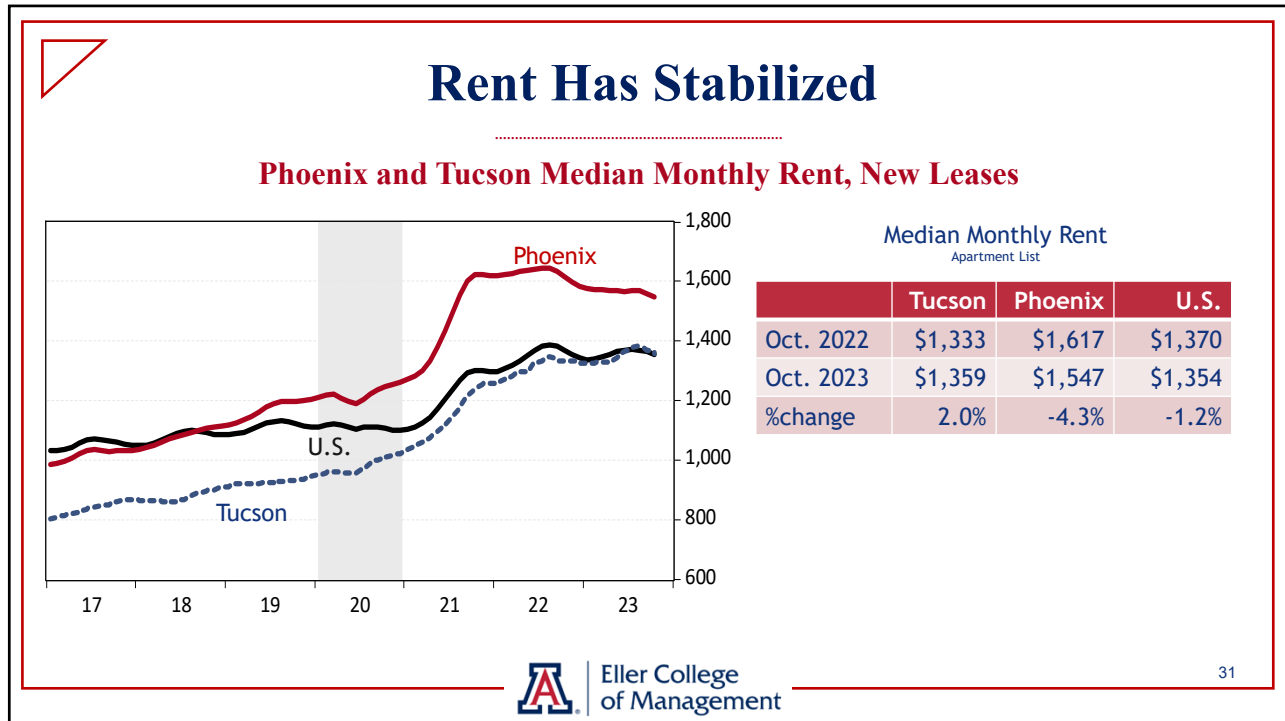
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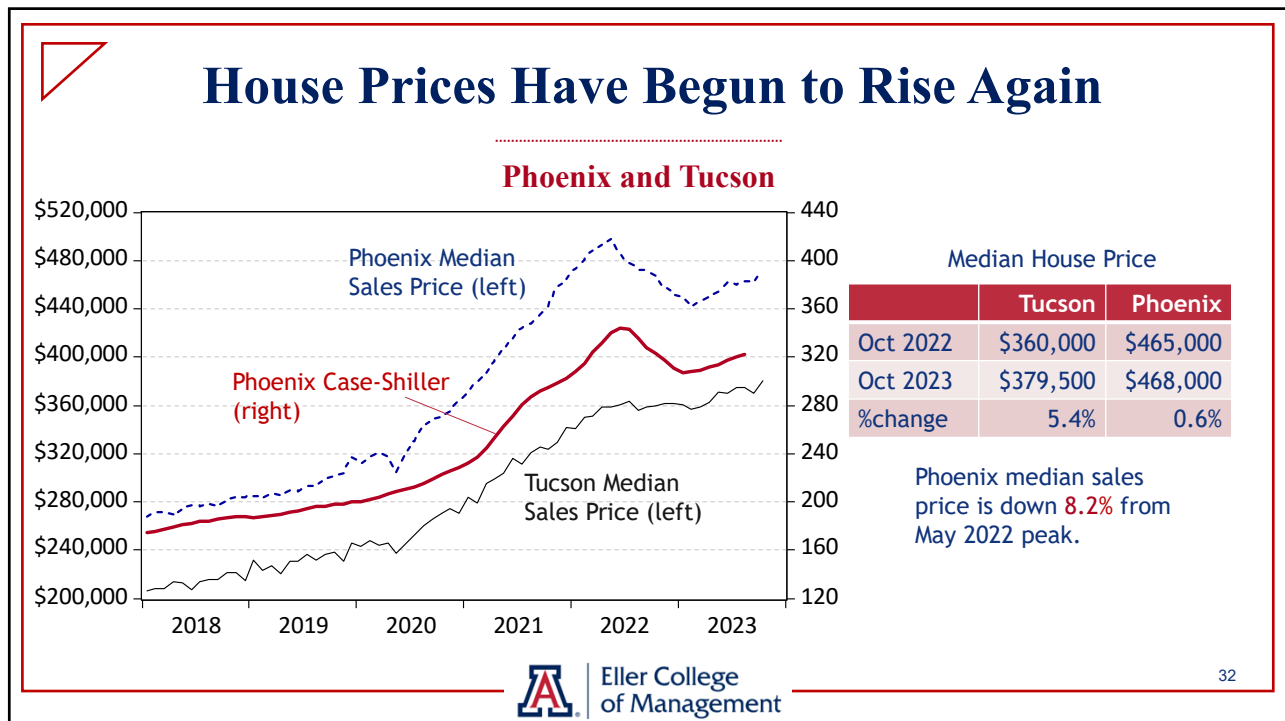
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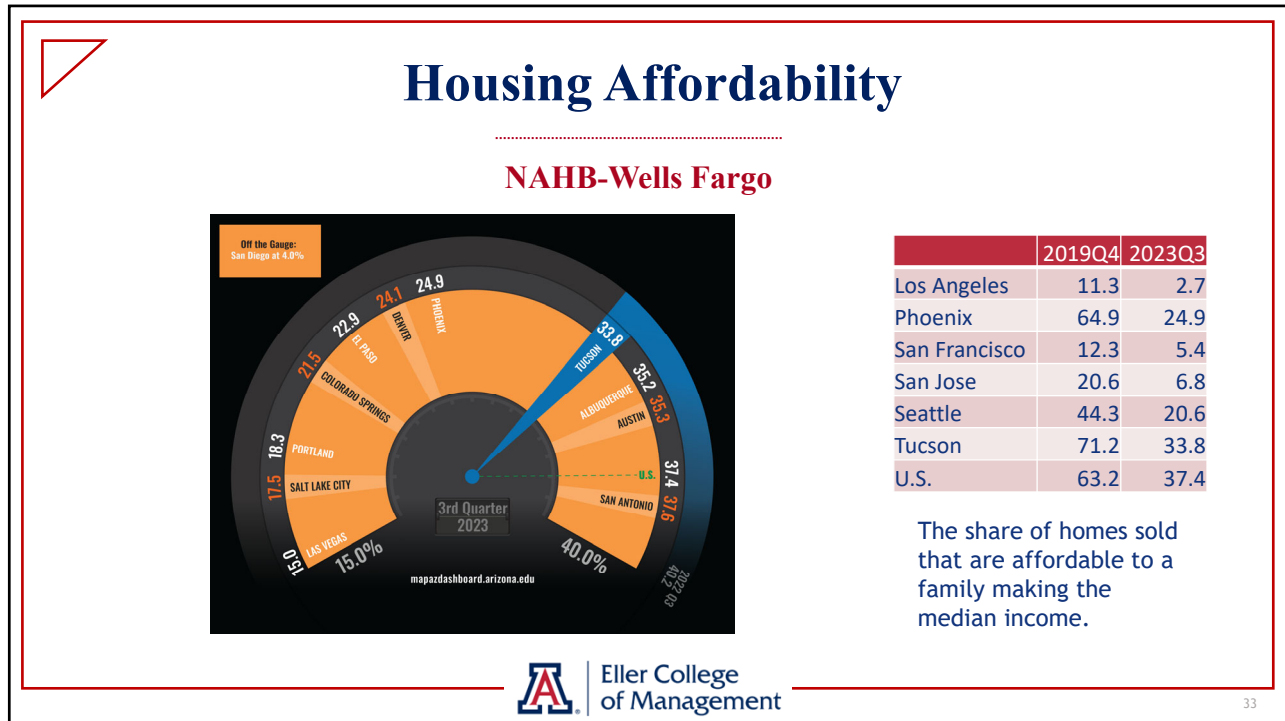
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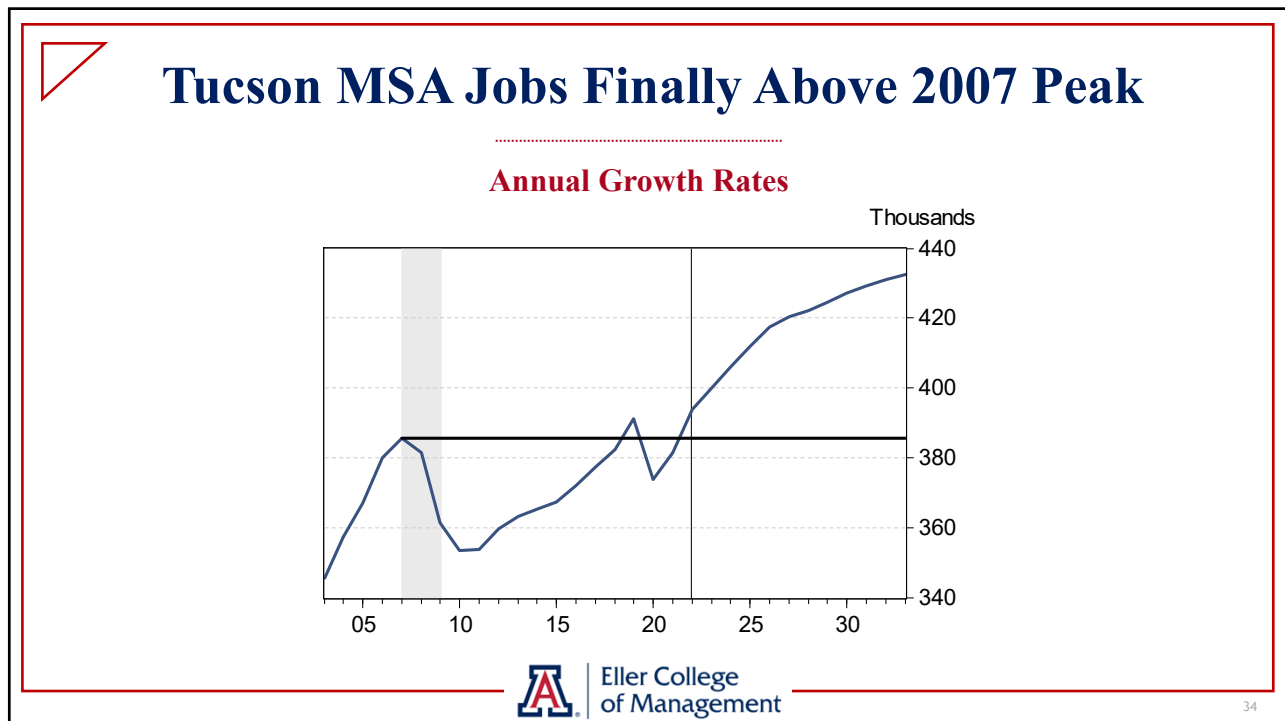
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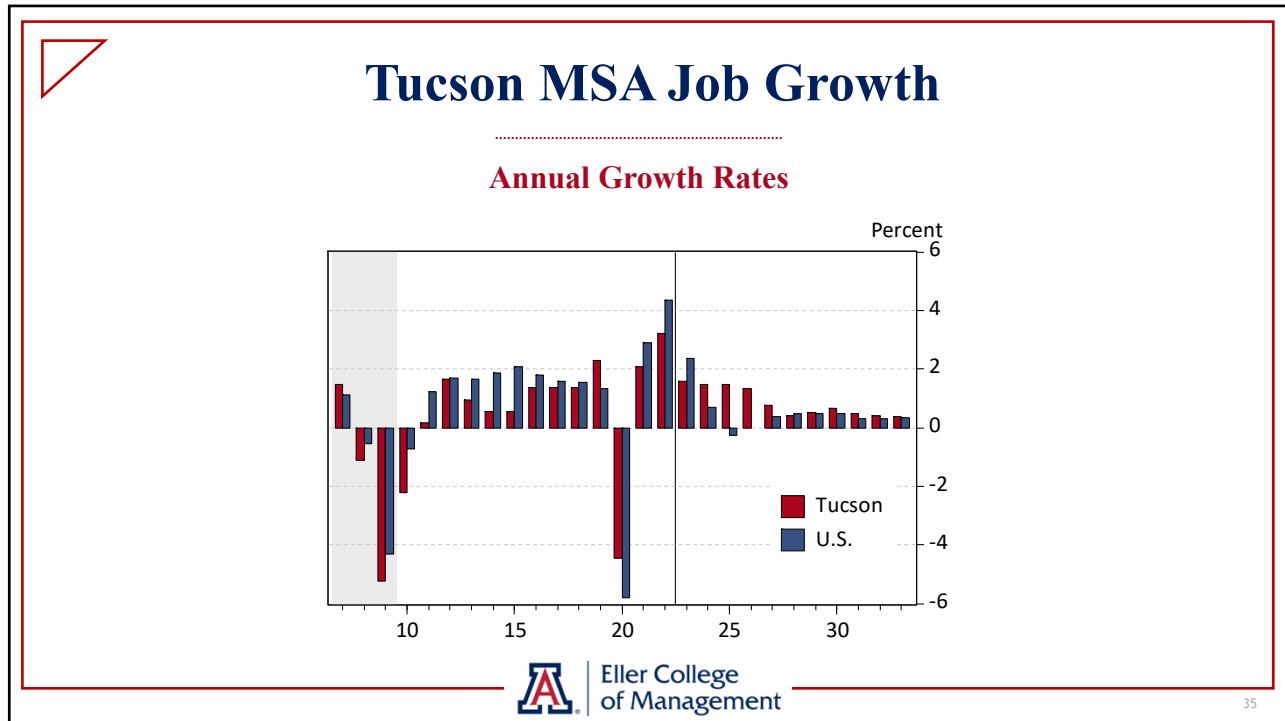


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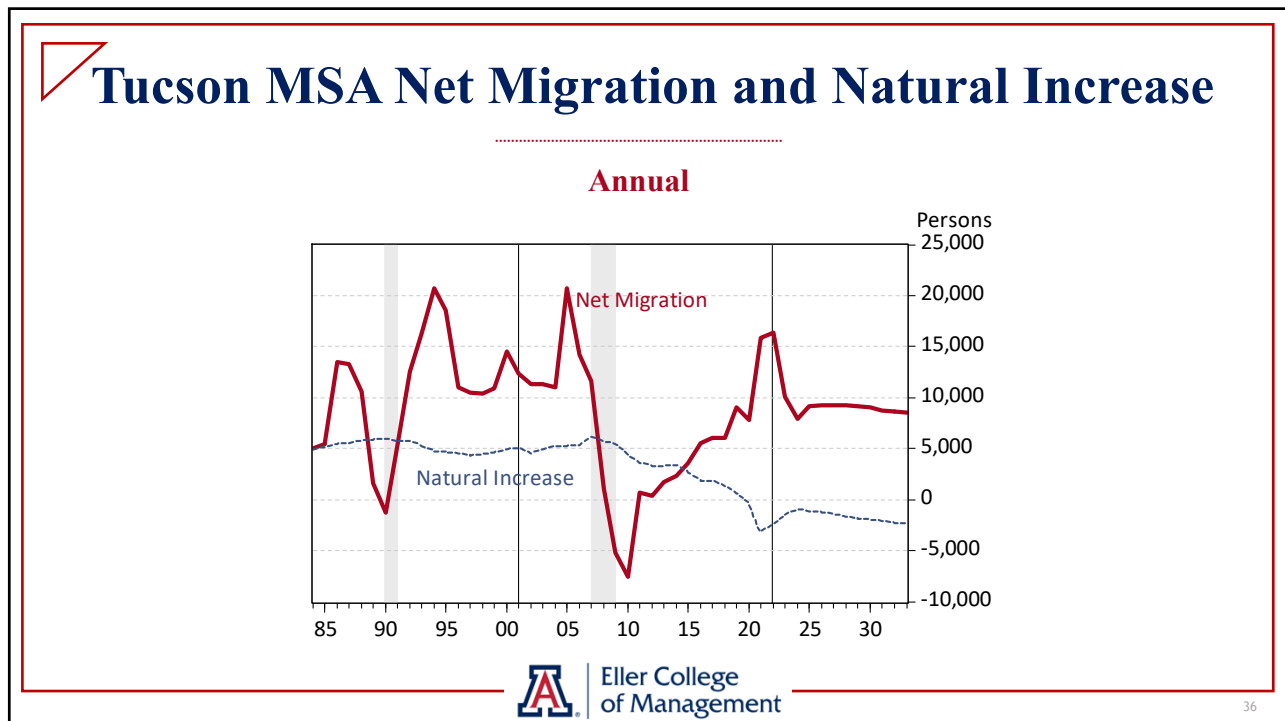


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Tucson MSA Forecast Summary


Fourth Quarter 2023

	Actual	Forecast		
	2022	2023	2024	2025
Growth Rate				
Nonfarm Jobs	3.2	1.6	1.5	1.5
Personal Income*	2.6	5.3	5.8	6.3
Retail Plus Remote Sales	5.9	4.6	3.4	5.1
Population	1.3	0.8	0.6	0.7
Level				
Housing Permits	5,714	5,108	4,149	4,394

*Personal income data are forecast in 2022.



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- ## Main Takeaways
- ▶ **Arizona’s labor market remains in good shape**
 - ▶ Job growth is solid and the labor market is showing some signs of loosening
 - ▶ **Phoenix inflation has moderated**
 - ▶ Price levels are far above pre-pandemic levels
 - ▶ **Rents have stabilized but house prices have begun to rise again**
 - ▶ Housing affordability remains low
 - ▶ **Arizona, Phoenix, and Tucson are forecast to grow next year**
 - ▶ But at a slower pace
 - ▶ U.S. recession risks remain
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