Economic Update & Outlook
Arizona, Greater Phoenix, and the West

57th Annual Economic Forecast Luncheon
December 1, 2020

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ASU W.P. Carey School of Business
Arizona State University
Subtitle

The Good, The **BAD** & The **UGLY**

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ASU W.P. Carey School of Business
Arizona State University
The Covid-19 pandemic ended the longest jobs expansion on record as the U. S. unemployment rate spiked at 14.7% and Arizona’s rate rose to 13.4%.

Arizona lost 295,000 jobs in March/April and remains down by 73,800 jobs (3.3%) vs. last year at this time.

Uncertainty is still high; the key forecast assumption is a vaccine distributed in 2021 brings strong second half growth.

Small businesses and lower wage service workers are hit the hardest; federal stimulus winding down in December.
Arizona Lost 295,000 Jobs (-9.9%) in April 2020
But Recovered 194,000 (66%) by October

Great Recession
314,000 Jobs Lost (-11.7%)
Oct. 2007 – Sept. 2010

Jobs Recovered
March 2016

100,000 more jobs required for full recovery

U. S. Bureau of Labor Statistics & W. P. Cary School of Business
## Arizona Economic Outlook

**Key Assumption: Vaccine in 2021**

<table>
<thead>
<tr>
<th>Indicators</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employment (% change)</td>
<td>2.8</td>
<td>-2.5</td>
<td>4.0</td>
</tr>
<tr>
<td>Employment Change</td>
<td>80,000</td>
<td>-74,000</td>
<td>115,000</td>
</tr>
<tr>
<td>Population (% change)</td>
<td>1.7</td>
<td>1.5</td>
<td>1.6</td>
</tr>
<tr>
<td>New Residents</td>
<td>120,693</td>
<td>109,000</td>
<td>118,000</td>
</tr>
<tr>
<td>Single Family Permits</td>
<td>33,981</td>
<td>40,800</td>
<td>46,900</td>
</tr>
</tbody>
</table>

*W. P. Carey School of Business based on data available December 2020*
Pre-Covid: Arizona Ranked Second Among U.S. States in Job Creation

Ranked by Employment % Change: 2020 Q1 vs. 2019 Q1

Color Code

- Top 10
- Others Faster Vs. U.S.
- Slower Vs. U.S.
- Lost Jobs

<table>
<thead>
<tr>
<th>Region</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>AK</td>
<td>10</td>
</tr>
<tr>
<td>HI</td>
<td>2</td>
</tr>
</tbody>
</table>

US = 1.2%
Arizona To Add 115,000 Jobs in 2021

U. S. Bureau of Labor Statistics & W. P. Carey School of Business

Forecast
Projected Strongest in Western States in 2021

Western Blue Chip Economic Forecast
W. P. Carey School of Business
Arizona Down 73,800 Jobs Year-Over-Year


<table>
<thead>
<tr>
<th>Arizona Industry</th>
<th>Employment Change</th>
<th>Percent Change</th>
<th>U.S. Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Non-Farm Employment</td>
<td>-73,800</td>
<td>-2.5</td>
<td>5</td>
</tr>
<tr>
<td>Transportation &amp; Warehousing</td>
<td>10,800</td>
<td>10.1</td>
<td>1</td>
</tr>
<tr>
<td>Wholesale Trade</td>
<td>2,400</td>
<td>2.4</td>
<td>2</td>
</tr>
<tr>
<td>Professional, Scientific, Technical</td>
<td>2,000</td>
<td>1.3</td>
<td>9</td>
</tr>
<tr>
<td>Retail Trade</td>
<td>3,300</td>
<td>1.0</td>
<td>10</td>
</tr>
<tr>
<td>Professional &amp; Business Services</td>
<td>-16,700</td>
<td>-3.7</td>
<td>26</td>
</tr>
<tr>
<td>Food Services</td>
<td>-20,200</td>
<td>-8.4</td>
<td>10</td>
</tr>
<tr>
<td>Accommodation</td>
<td>-13,900</td>
<td>-30.8</td>
<td>23</td>
</tr>
<tr>
<td>Health Care</td>
<td>-4,100</td>
<td>-1.0</td>
<td>9</td>
</tr>
</tbody>
</table>

U. S. Bureau of Labor Statistics & W. P. Carey School of Business, data not seasonally adjusted
Arizona Ranked 3rd Among U.S. States for Population Growth

Ranked by % Change: 2019 vs. 2018

Color Code

- **Top 10**: 10
- **Others Faster vs. U.S.**: 7
- **Slower/Same vs. U.S.**: 25
- **Lost Population**: 8
- **US = 0.5%**

U. S. Bureau of the Census & W. P. Cary School of Business
Arizona Population to Grow By 100,000 New Residents for 6th Year

Annual Change in Arizona Population


Phoenix consistently is a U-Haul Top 10 Destination City

U.S. Census Bureau & W. P. Carey School of Business
Covid Side Effect: Home Ownership Surges Due to Remote Work, Low Interest Rates
Home Building Trending Higher in 2021

Single Family Permits Year-to-Date Sept. 2020

<table>
<thead>
<tr>
<th></th>
<th>U.S.</th>
<th>Arizona</th>
<th>Phoenix Metro</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>16,121</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>18,237</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>16,841</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>22,311</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>24,853</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>28,072</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>32,127</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>33,981</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2020</td>
<td>40,800</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2021</td>
<td>46,900</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Arizona Single Family Permits

Forecast

U.S. Census Bureau & W. P. Carey School of Business
## Greater Phoenix Outlook

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<th>2021</th>
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<tbody>
<tr>
<td>Employment (% change)</td>
<td>3.3</td>
<td>-1.9</td>
<td>4.2</td>
</tr>
<tr>
<td>Employment Change</td>
<td>68,800</td>
<td>-41,400</td>
<td>89,700</td>
</tr>
<tr>
<td>Population (% change)</td>
<td>2.0</td>
<td>1.5</td>
<td>1.7</td>
</tr>
<tr>
<td>New Residents</td>
<td>99,000</td>
<td>74,200</td>
<td>85,300</td>
</tr>
<tr>
<td>Single Family Permits</td>
<td>25,026</td>
<td>30,280</td>
<td>34,800</td>
</tr>
</tbody>
</table>

*W. P. Carey School of Business based on data available December 2020*
The Good

- Arizona has replaced 194,000 (66%) of the lost jobs
- Arizona weekly new UI claims now 6,500, down from peak of 132,000 during first week in April
- Federal stimulus programs injected over $10 bil. into Arizona economy for unemployment ($3+ bil.), business relief ($1+ bil.) and $1,200 EIP payments ($5.5 bil.)
- Arizona total consumer spending has recovered to January levels, while retail spending is up over 17%
Arizona Recovery Boosted by Stimulus: Retail Up 17.7% vs January Pre-Covid Level

Retail Spending

Total Spending

Stimulus April 15

Opportunity Insights, Harvard University
Hard-hit sectors such as food service, air transport, and entertainment are far from recovered.

If Covid worsens, lockdowns threaten economy.

There are still 11 mil. Americans unemployed, and 285,000 of these are in Arizona (8% unemployment rate).

Arizona unemployment compensation is $245/week, among lowest in U.S.; $600 supplement ended in July.
Total Arizona Spending Recovers to January Levels But Restaurants, Entertainment Hit Hard

Restaurants - 26.5%
Entertainment - 52.4%
The **UGLY**

- Arizona high and mid-wage jobs have recovered to January level – but low wage jobs down by 20%

- One of every four Arizona small businesses is now closed due to the pandemic

- If further policy inaction, consumer savings exhausted; increased evictions and foreclosures loom, food insecurity becomes a crisis
High & Mid-Wage Arizona Jobs Recover While Low Wage Jobs Still Down 20%
One of Every Four Arizona Small Businesses Has Closed Due to the Covid Pandemic

Arizona Small Businesses Open vs. January

Stimulus

Businesses Open - 27.8%
The Good

• Dow Jones at 30,000
• Covid vaccine in sight
• Home sales at 14 yr. peak
• Arizona on track to replace all lost jobs in 2021
• 2020 is almost over!

The BAD

• 12.9% % AZ insufficient food
• 24.0% AZ Unlikely to pay rent
• 66,000 AZ households face likely eviction in next 2 months

U. S. Census Household Pulse Survey

The UGLY

2020 is almost over!
Millions Set to Lose Aid as Federal Programs Expire
Number of persons claiming unemployment benefits in the U.S. in the week ended Oct. 31, 2020

AZ
72,000
238,000
47,000
4,600

AZ Workers on Benefits: 360,000
Thank You!

December 1, 2020

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