

Economic Update & Outlook

Arizona, Greater Phoenix, and the West



57th Annual

Economic Forecast Luncheon

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School of Business
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Subtitle

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

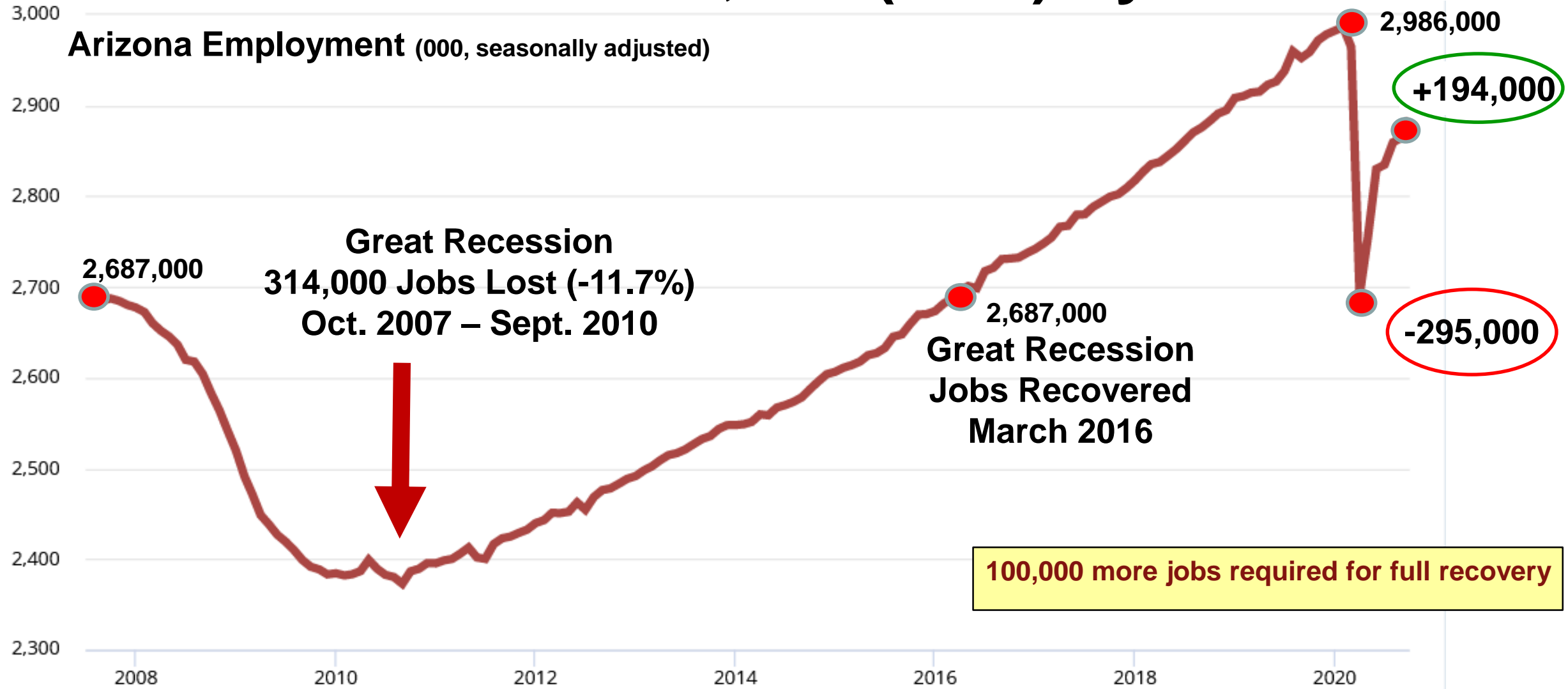
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Arizona Economic Update

- **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 73,8000 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





Arizona Economic Outlook

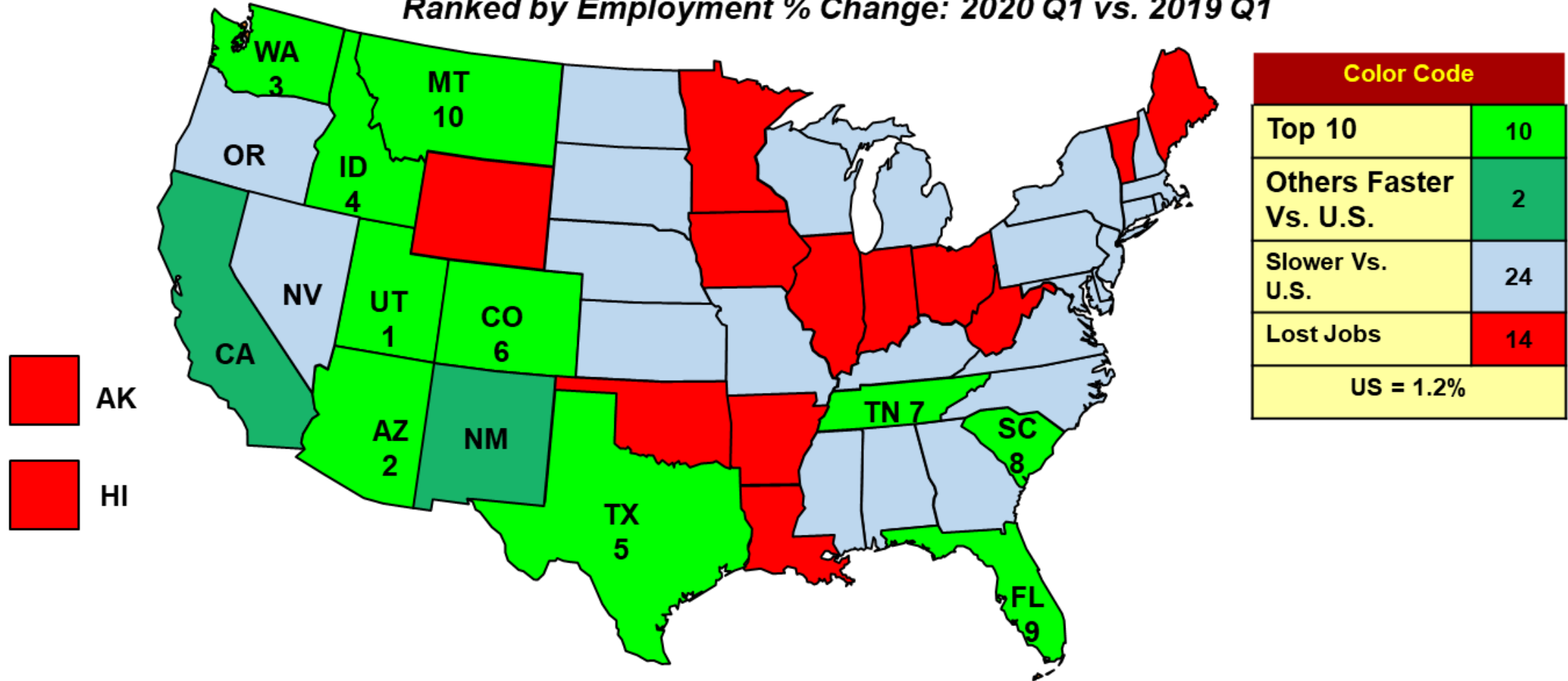
Key Assumption: Vaccine in 2021

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

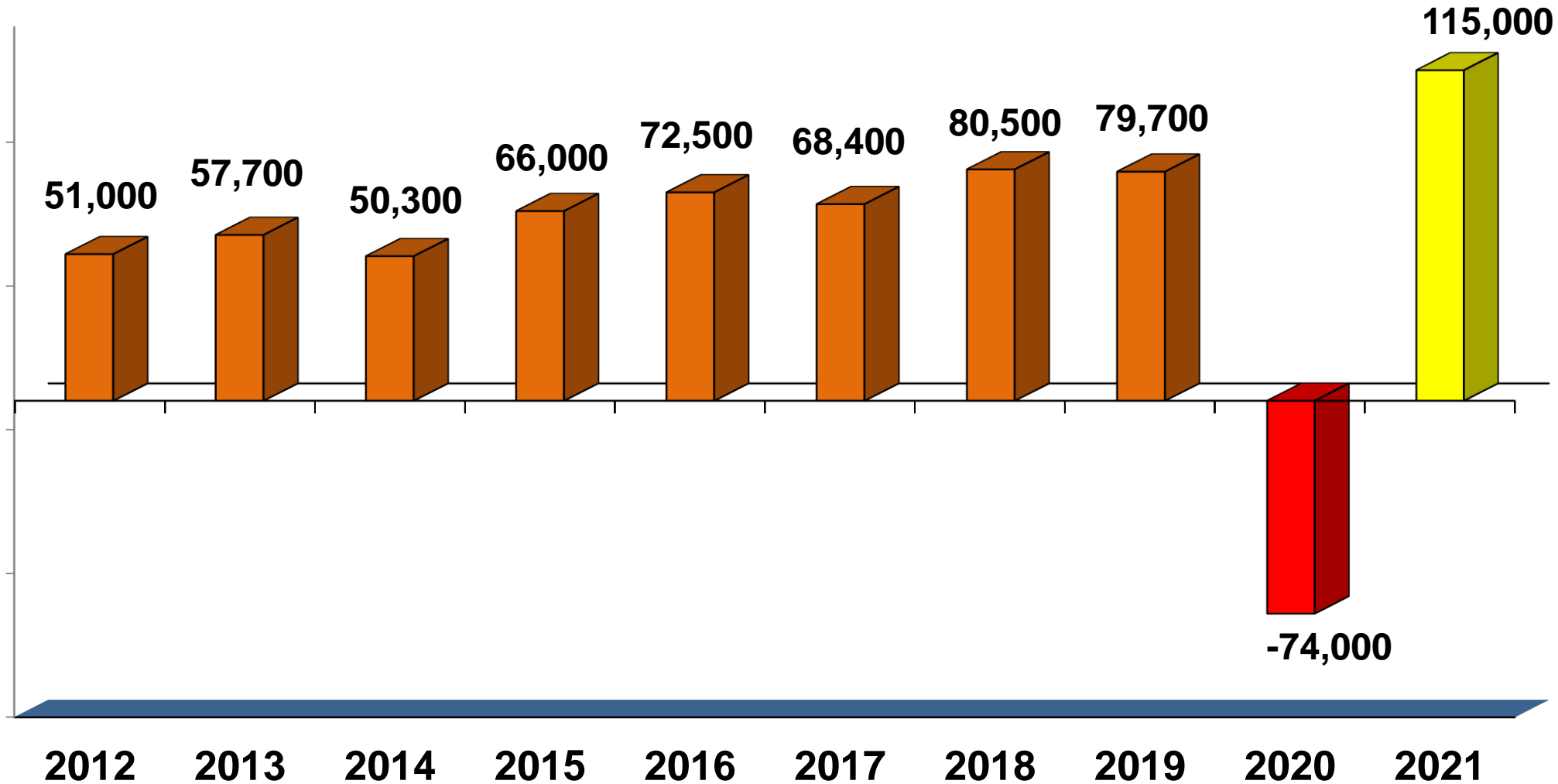
W. P. Carey School of Business based on data available December 2020

Pre-Covid: Arizona Ranked Second Among U.S. States in Job Creation

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



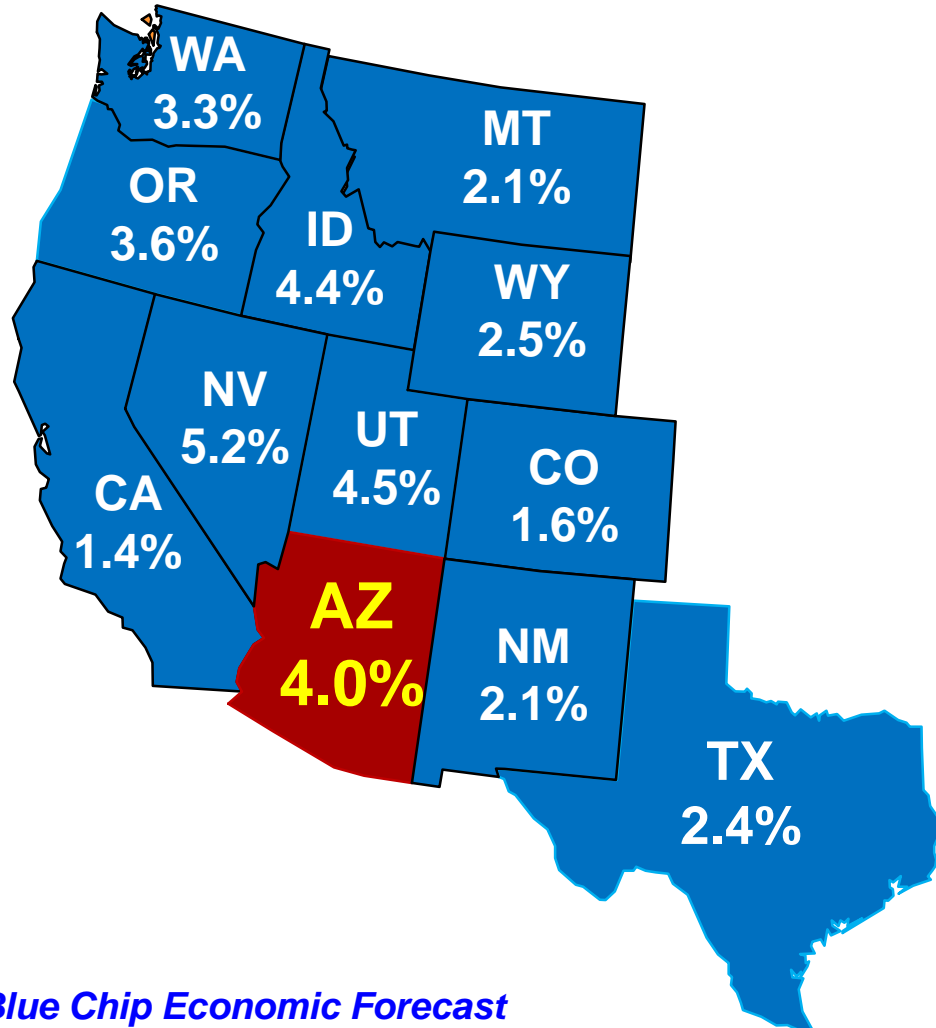
Arizona To Add 115,000 Jobs in 2021



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

Forecast

Nevada, Utah, Idaho, Arizona Job Growth Projected Strongest in Western States in 2021



**Forecast:
Non-Farm
Job Growth
In
Western
States
2021**

Arizona Down 73,800 Jobs Year-Over-Year

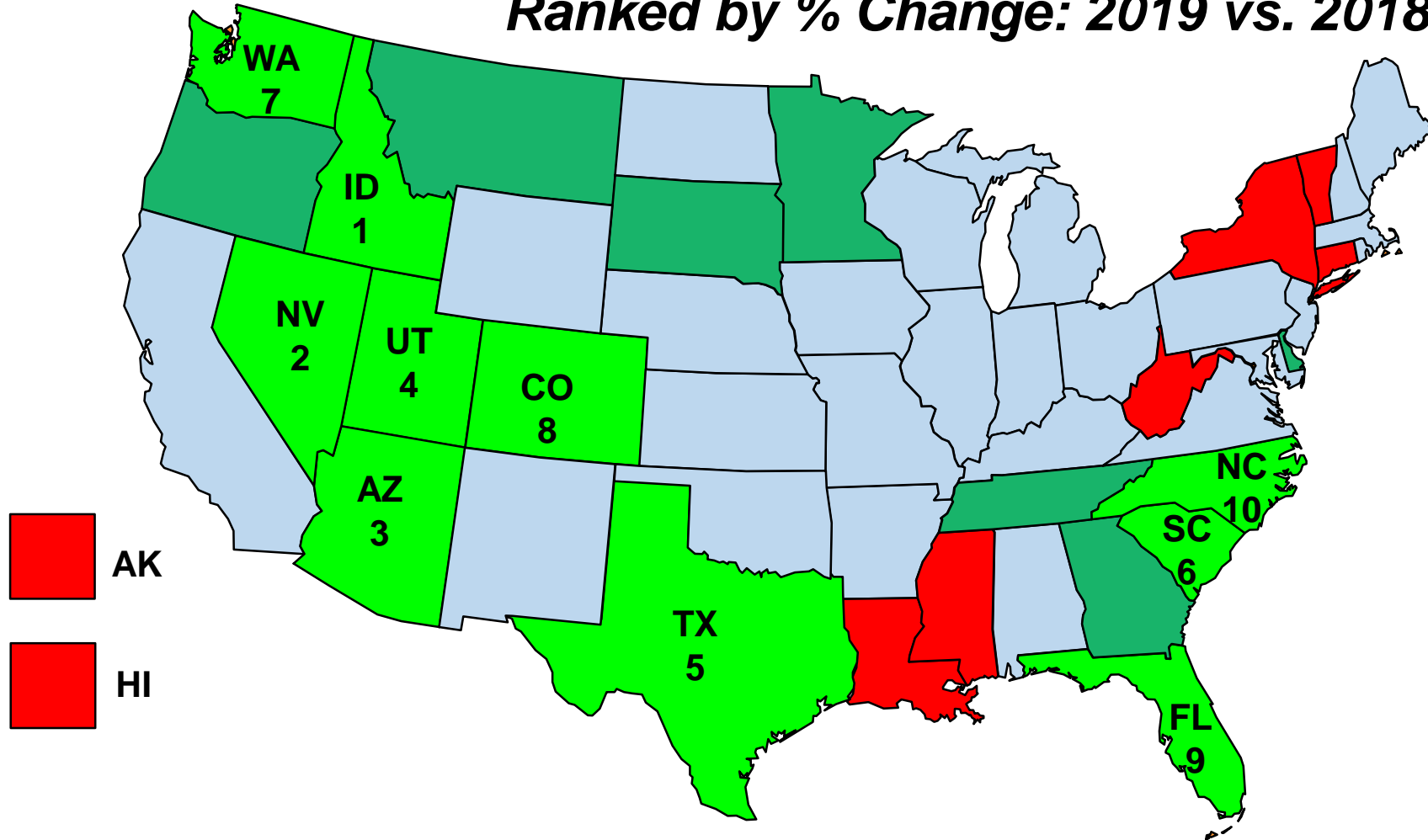
Arizona Employment Oct. 2020 vs Oct. 2019

Arizona Industry	Employment Change	Percent Change	U.S. Rank
Total Non-Farm Employment	-73,800	-2.5	5
Oct. 2020 vs Oct. 2019: New Jobs Added Year-Over-Year			
Transportation & Warehousing	10,800	10.1	1
Wholesale Trade	2,400	2.4	2
Professional, Scientific, Technical	2,000	1.3	9
Retail Trade	3,300	1.0	10
Oct. 2020 vs Oct. 2019: Lost Service Sector Jobs Expected to Rebound Fastest in Recovery			
Professional & Business Services	-16,700	-3.7	26
Food Services	-20,200	-8.4	10
Accommodation	-13,900	-30.8	23
Health Care	-4,100	-1.0	9

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

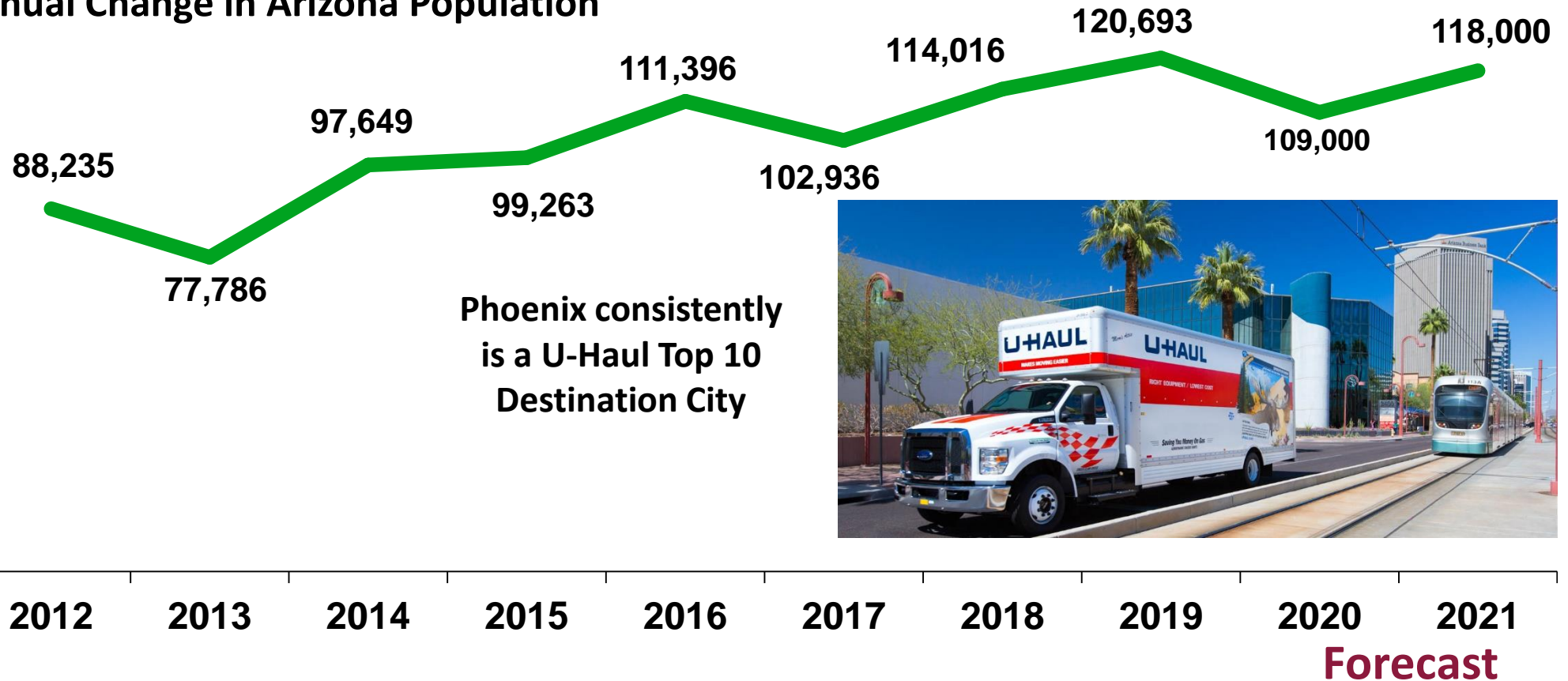
Ranked by % Change: 2019 vs. 2018



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

Arizona Population to Grow By 100,000 New Residents for 6th Year

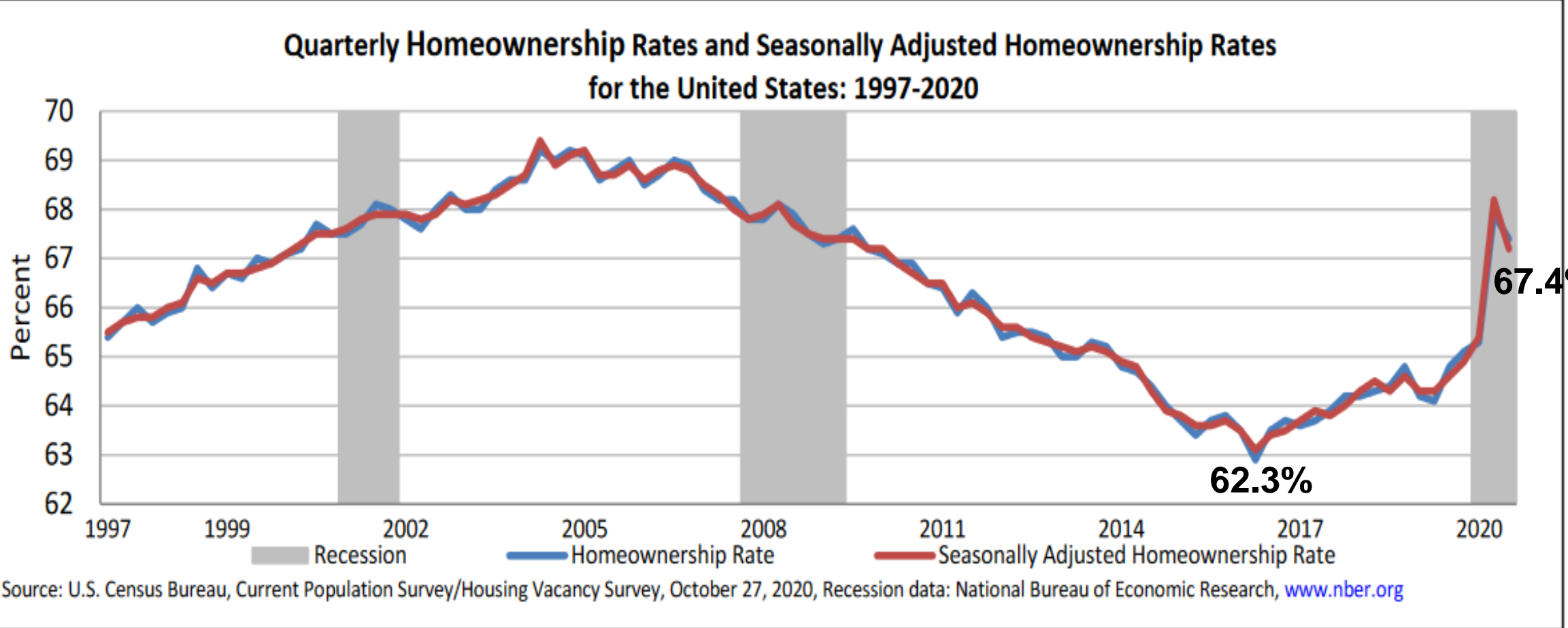
Annual Change in Arizona Population



Phoenix consistently is a U-Haul Top 10 Destination City



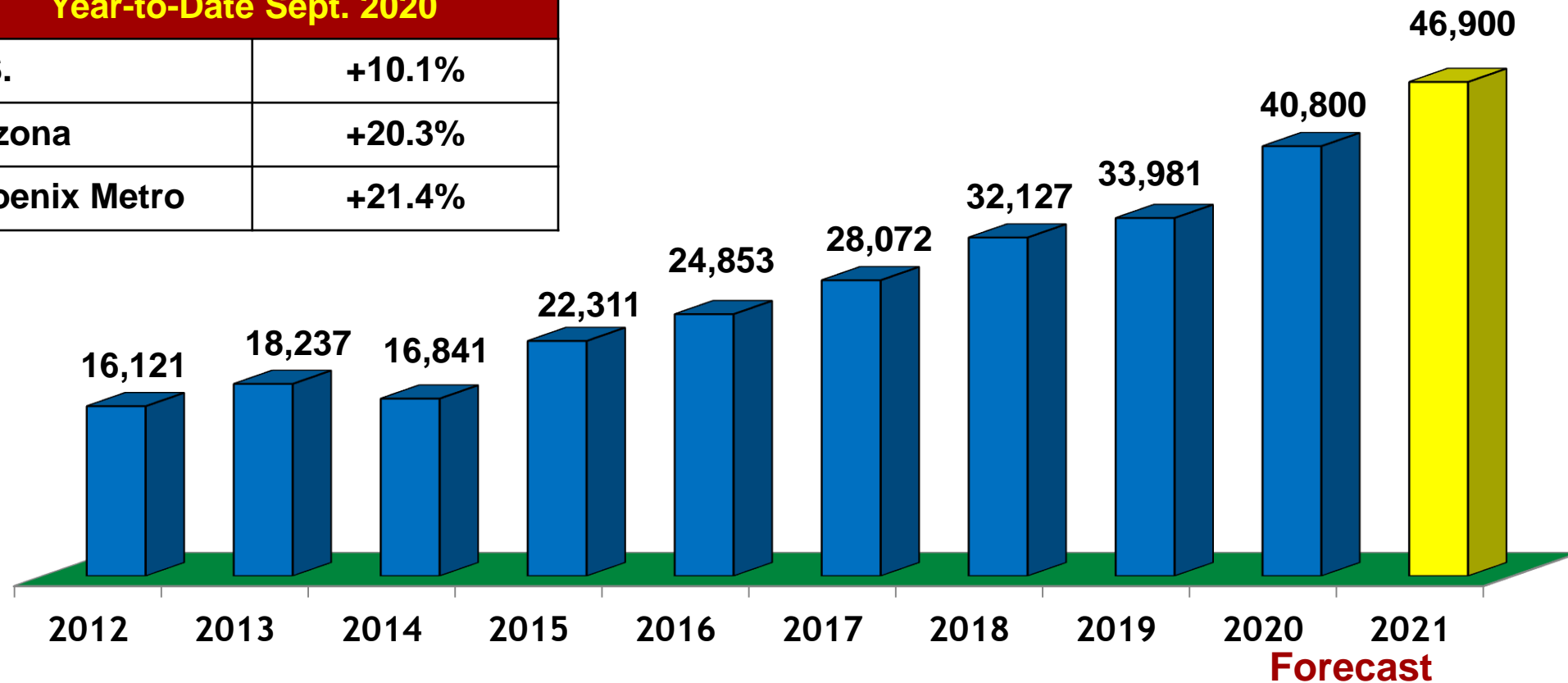
Covid Side Effect: Home Ownership Surges Due to Remote Work, Low Interest Rates



Home Building Trending Higher in 2021

Single Family Permits Year-to-Date Sept. 2020	
U.S.	+10.1%
Arizona	+20.3%
Phoenix Metro	+21.4%

Arizona Single Family Permits






Greater Phoenix Outlook

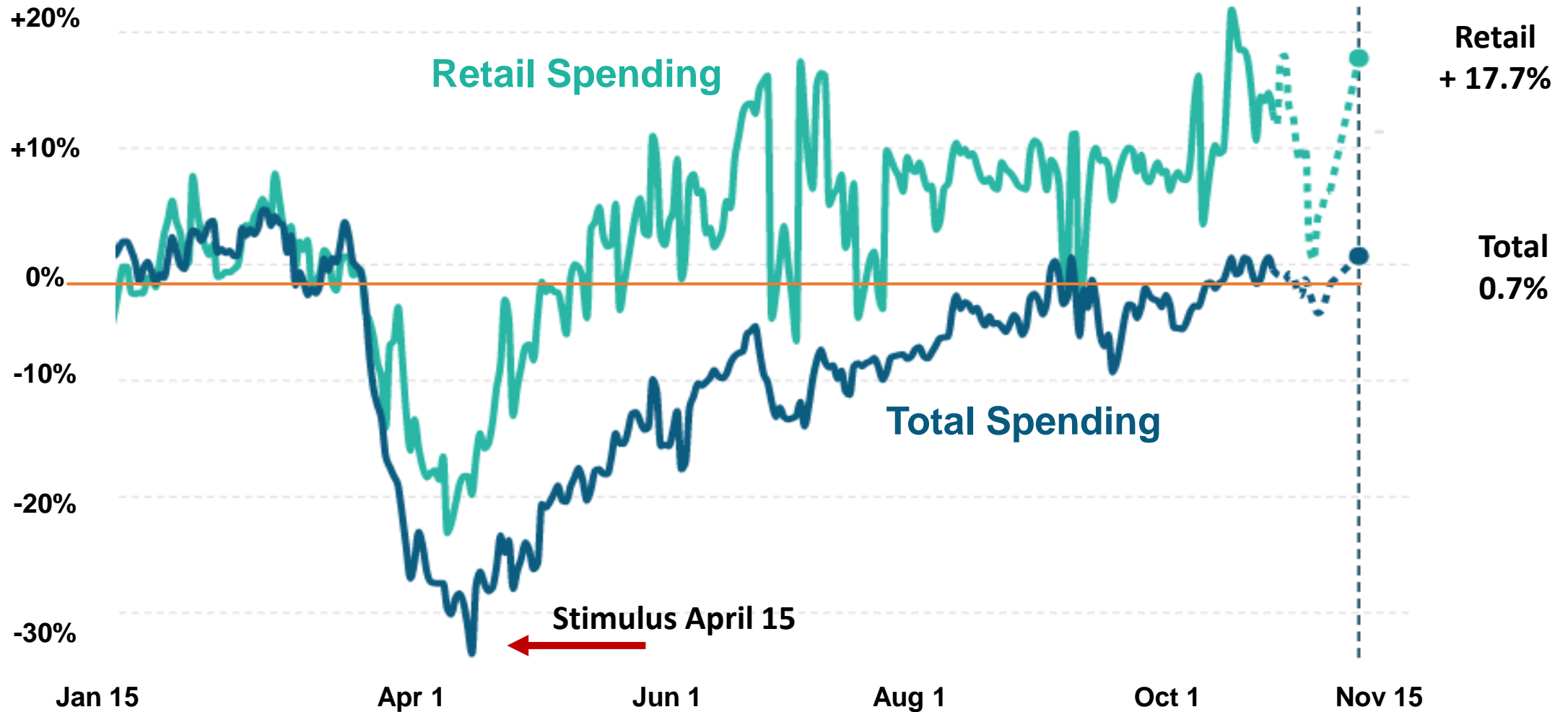
Indicators	2019	2020	2021
Employment (% change)	3.3	-1.9	4.2
Employment Change	68,800	-41,400	89,700
Population (% change)	2.0	1.5	1.7
New Residents	99,000	74,200	85,300
Single Family Permits	25,026	30,280	34,800

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%
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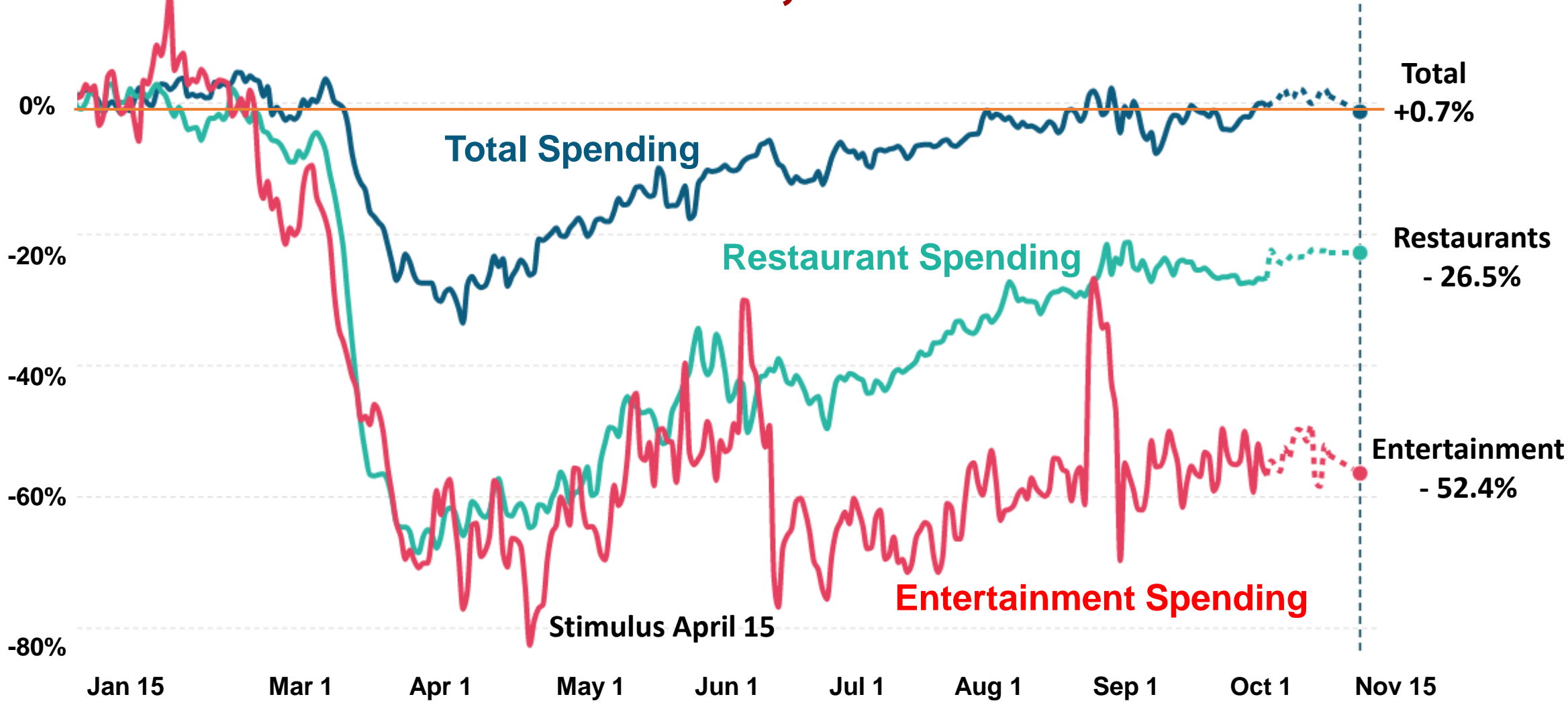
Arizona Recovery Boosted by Stimulus: Retail Up 17.7% vs January Pre-Covid Level



The **BAD**

- **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**

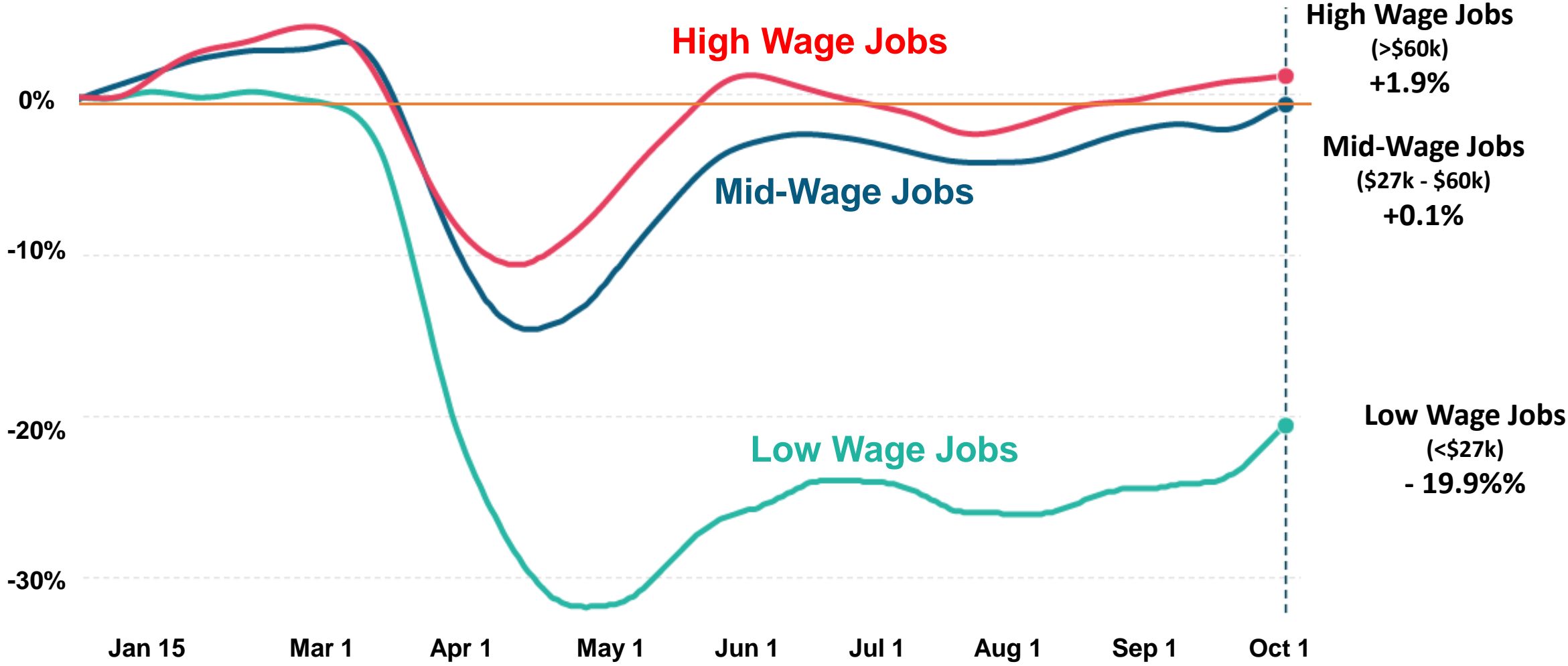
Total Arizona Spending Recovers to January Levels But Restaurants, Entertainment Hit Hard



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

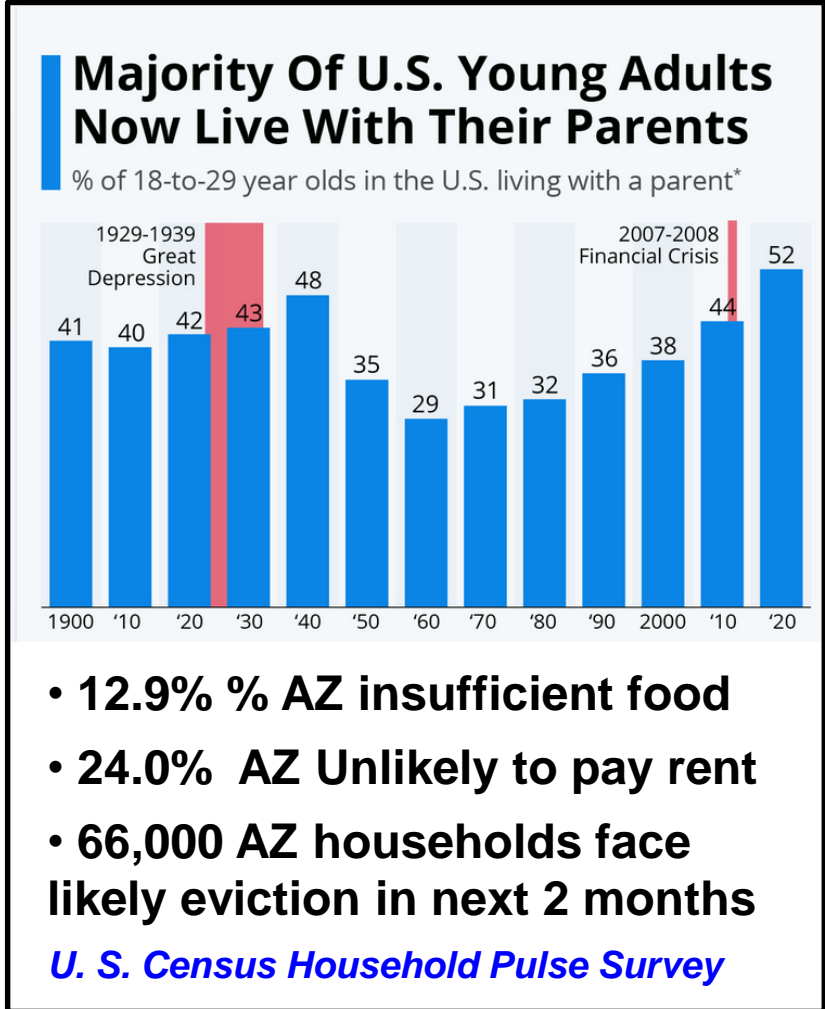


The Good

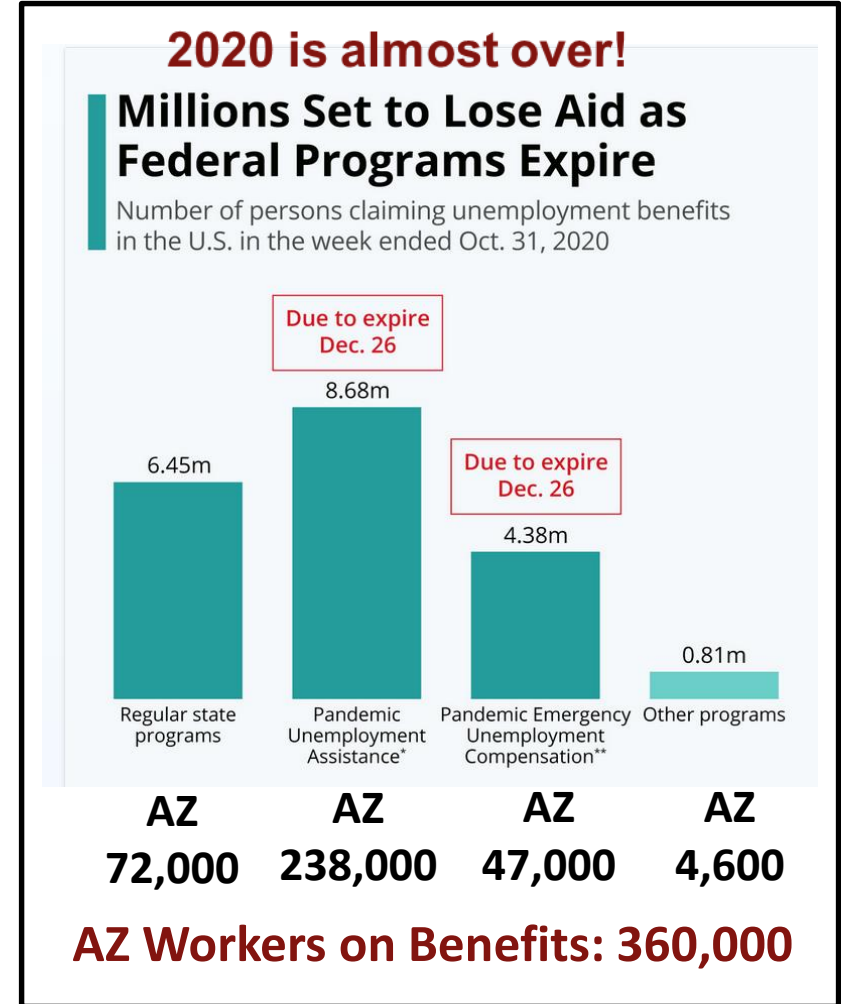
- Dow Jones at 30,000
- Covid vaccine in sight
- Home sales at 14 yr. peak
- Arizona on track to replace all lost jobs in 2021
- 2020 is almost over!



The *BAD*



The *UGLY*



Thank You!



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