

Update & Outlook

Arizona/Phoenix/The West



58th Annual Economic Forecast Luncheon

December 8, 2021

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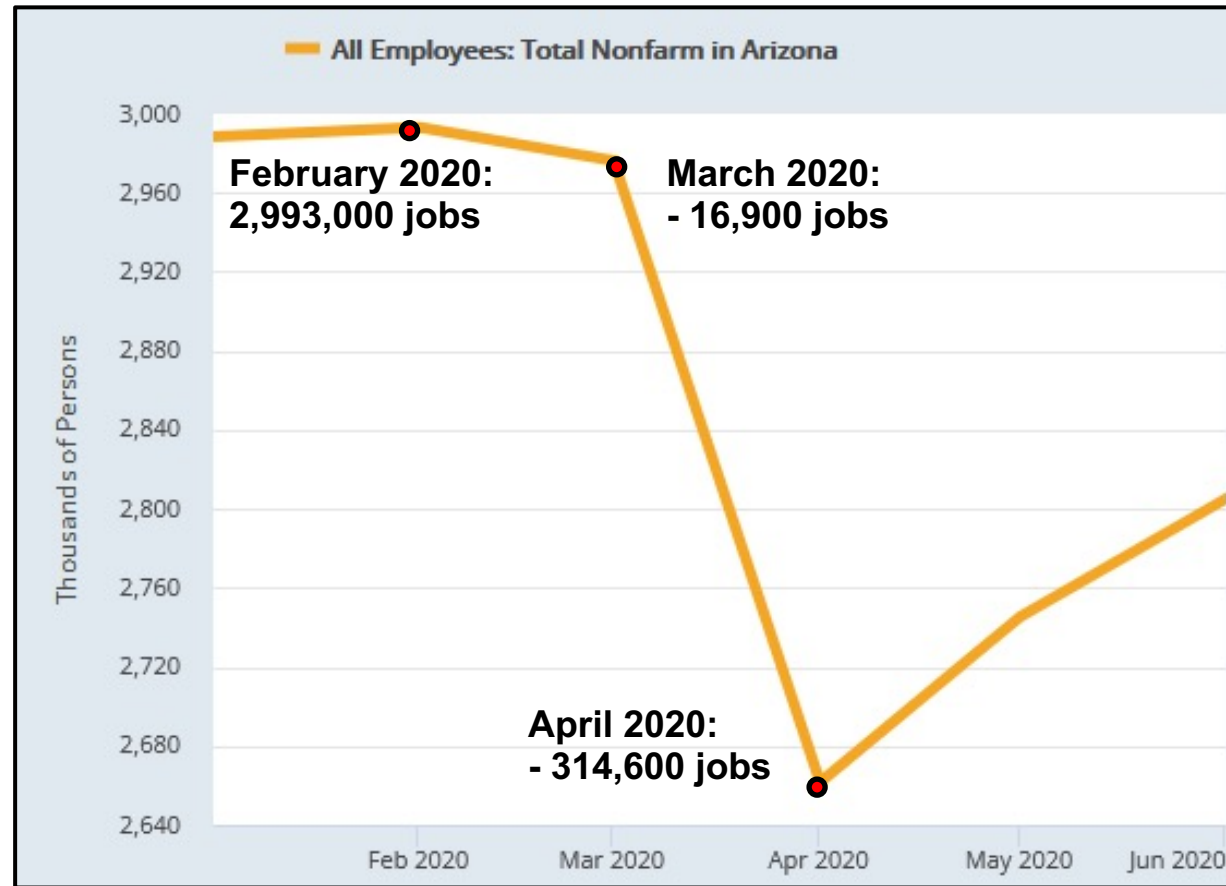


Economic Update & Outlook Themes

- **U.S. and Arizona economies were hard hit by the pandemic but strong recovery expected into 2022**
- **Labor shortages and supply bottlenecks are affecting Arizona as well as the national economy**
- **Arizona will be one of the first states to replace all lost jobs, and long term outlook is very positive**
- **COVID uncertainty continues as the biggest risk to the global, national, and Arizona economies**

Arizona Lost 331,500 Jobs In March, April of 2020

More Jobs Lost Than in the “Great Recession”

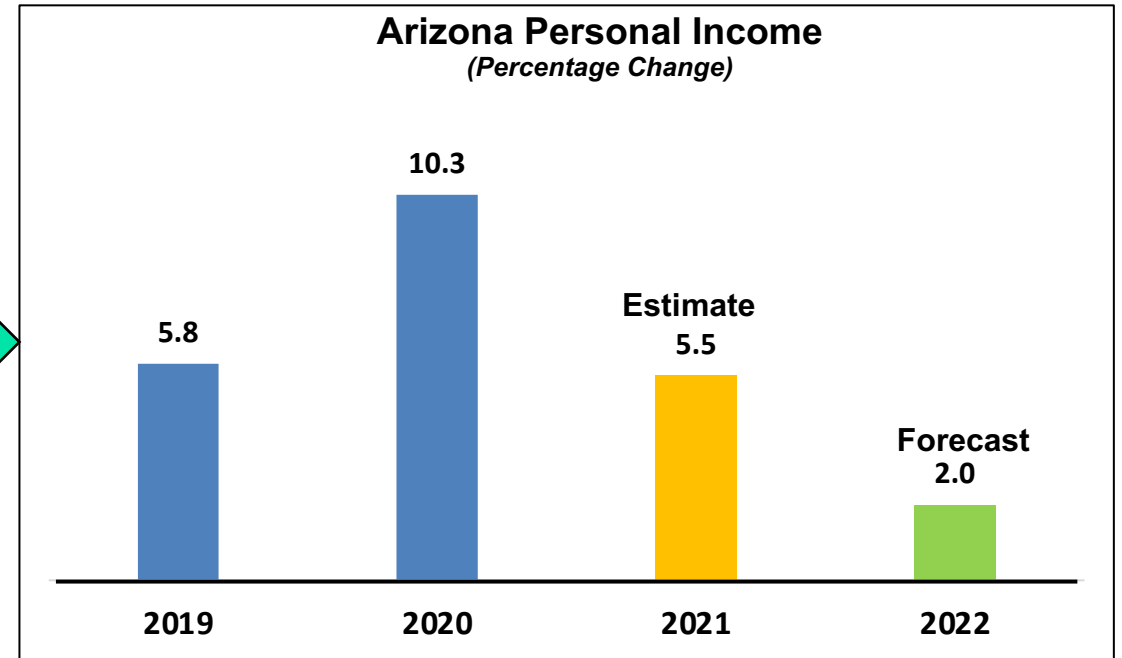
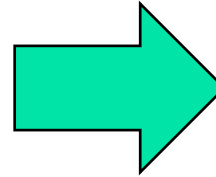


U.S. Bureau of Labor Statistics, seasonally adjusted

Although Arizona Employment Fell in 2020, Personal Income Surged Due to Federal Supplement Programs

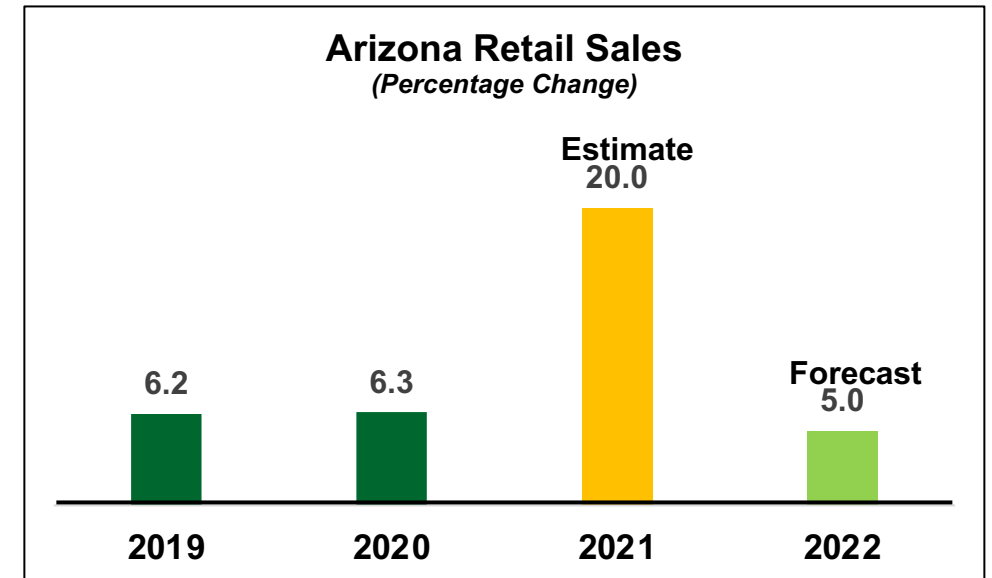
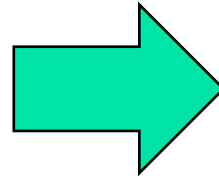
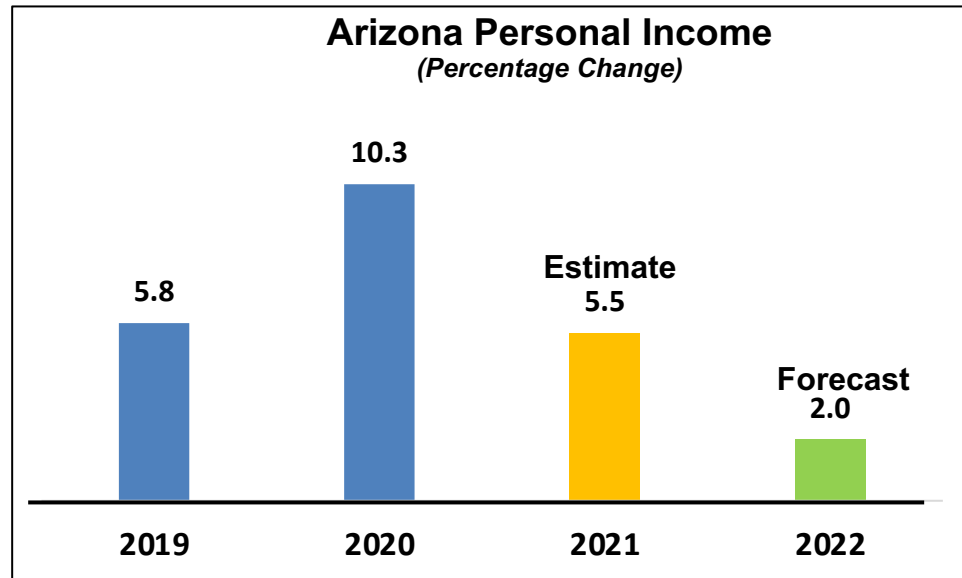


Federal “Transfer Payments” Included Unemployment Support and Other Payments to Families and Businesses



Transfer Payments Increased Personal Income (10.3%) and Savings - Most Programs Will Phase Out by Late 2021

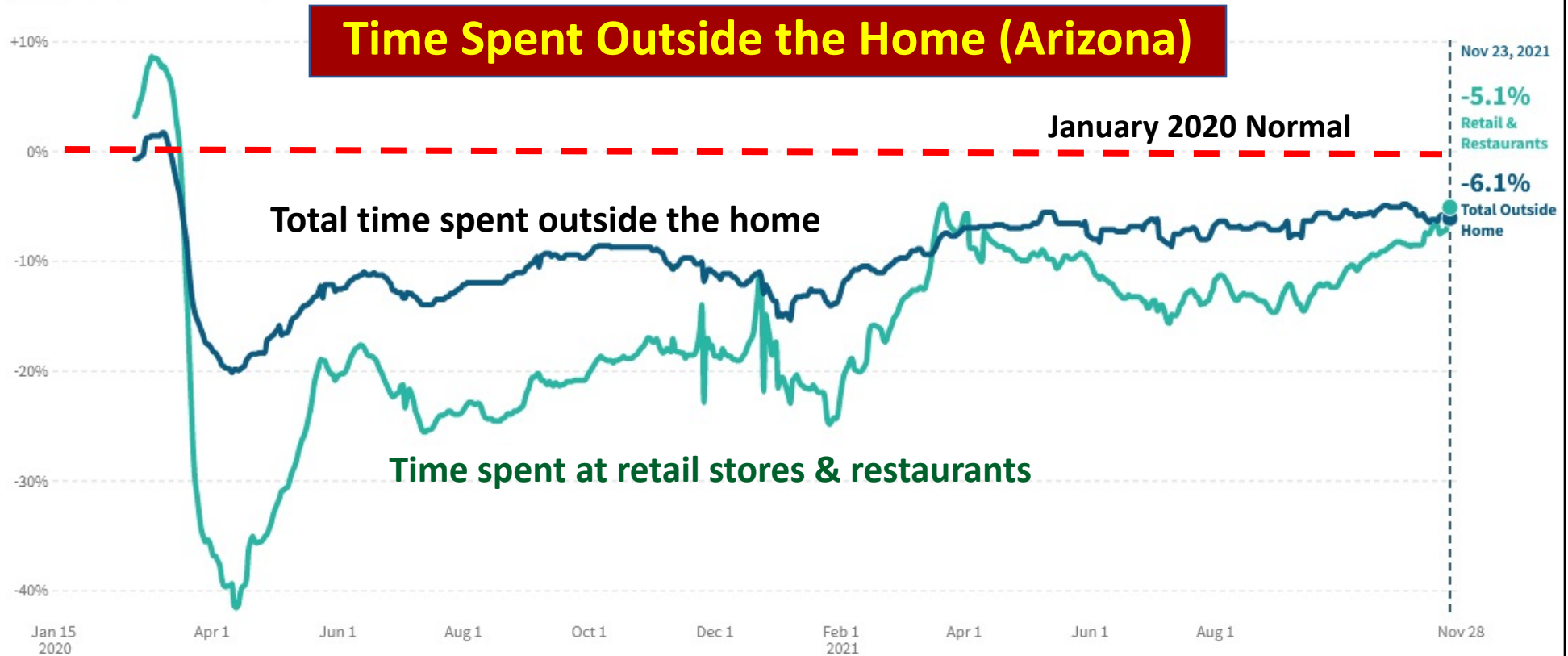
Arizona Retail Sales (And Sales Tax Collections) Spiked in 2021 As Consumer Spending Increased



Transfer Payments, Increased Incomes, Stock Gains and Home Price Inflation Increased Wealth and Spending

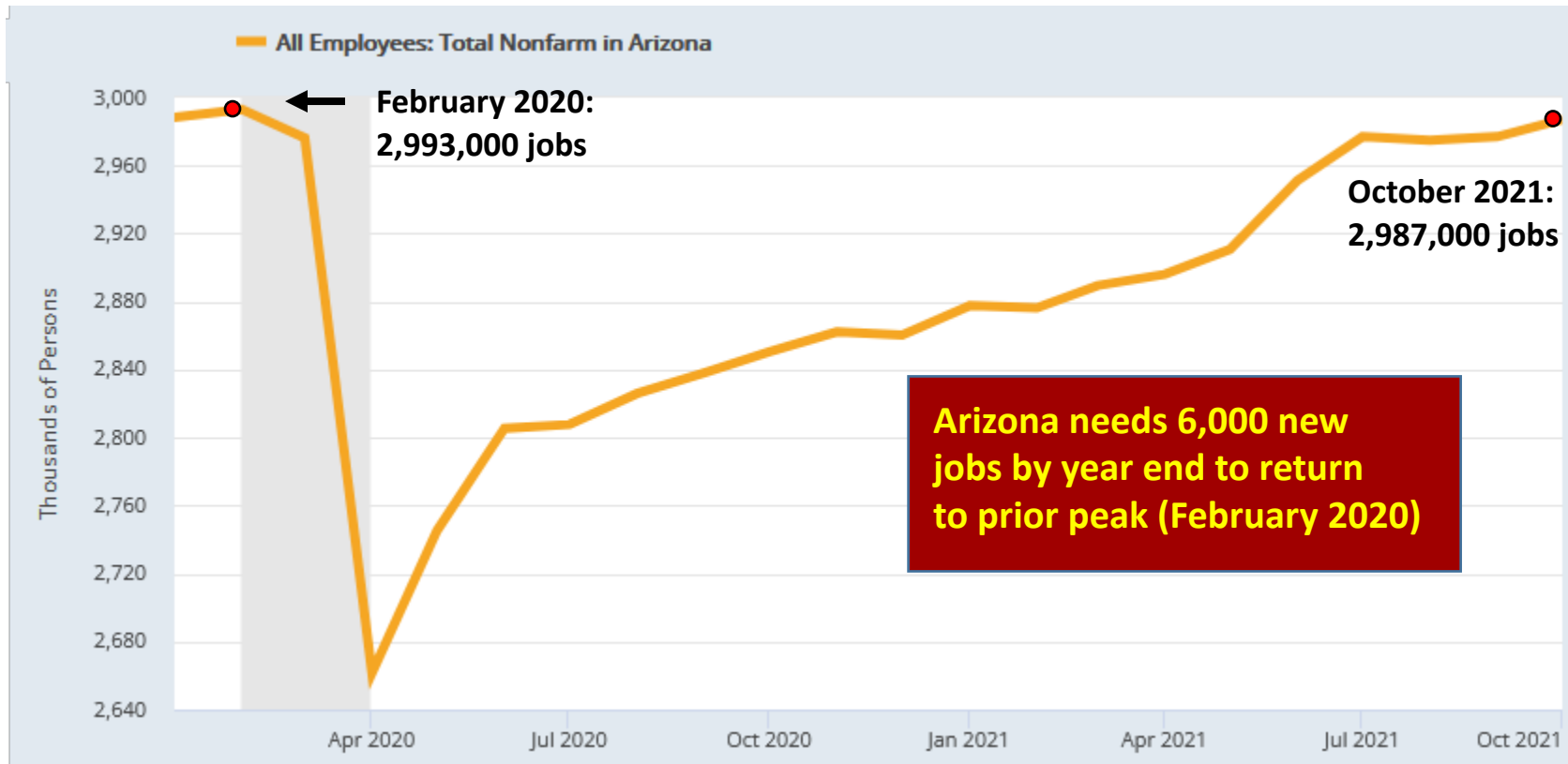
Arizona Retail Sales Rose by 20% this Year, But are Expected to Return To A More Normal Growth Pace in 2022

Lockdown Effects & Covid Fears Remain but Slowly Fading As Arizona Consumers Return to Events, Stores and Restaurants



Google COVID-19 Community Mobility Reports

Arizona On Track to Replace Jobs Lost From February 2020 Peak by December



U.S. Bureau of Labor Statistics, seasonally adjusted data



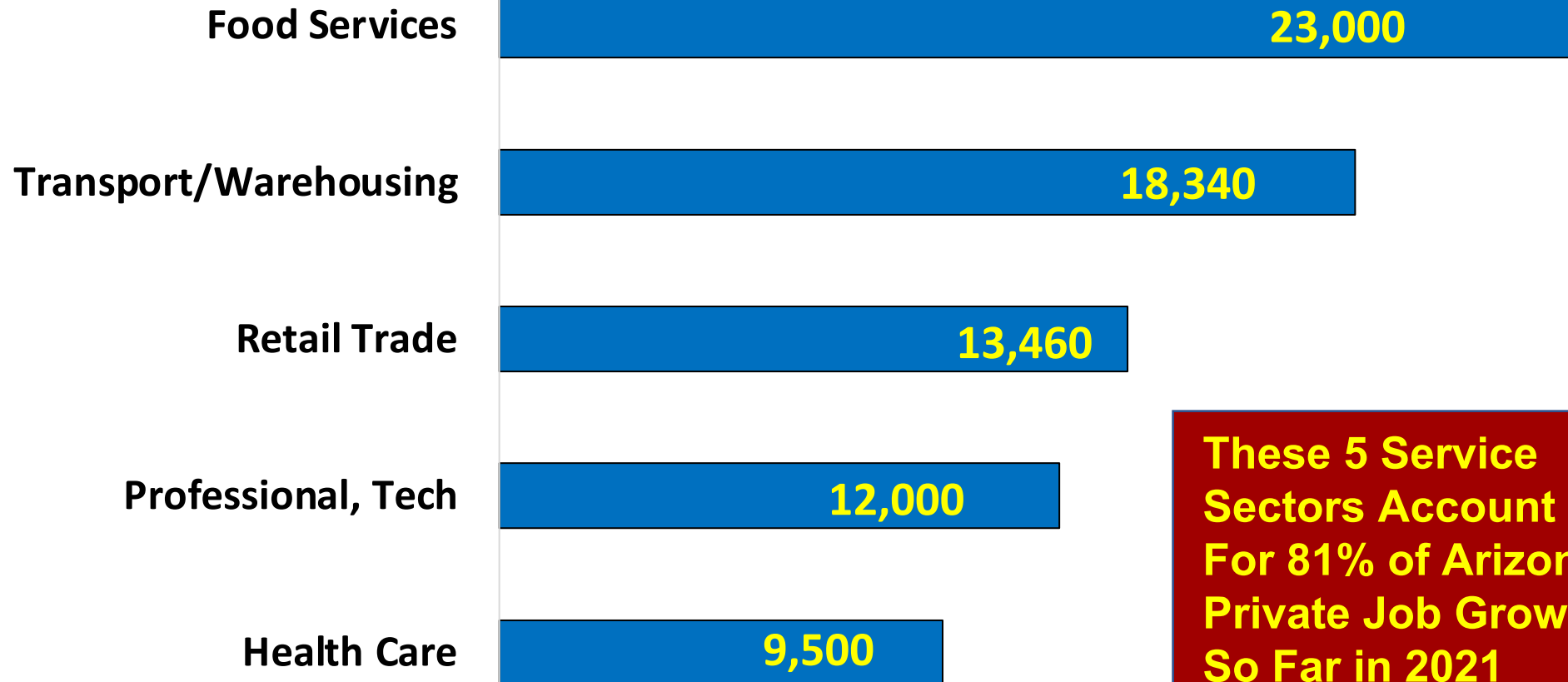
Arizona Economic Outlook

Pandemic Uncertainty Still Greatest Risk

Arizona Indicators	2020	2021	2022
Employment (<i>% change</i>)	-3.1	3.2	4.0
New Jobs (<i>thousands</i>)	-92,450	91,200	117,700
Population (<i>% change</i>)	1.4	1.5	1.6
New Residents (<i>thousands</i>)	101	108	116
Single Family Permits	42,277	48,620	51,050

Diverse Service Jobs Boost Arizona

Arizona Added 93,360 New Private Sector Jobs Year-to-Date October 2021

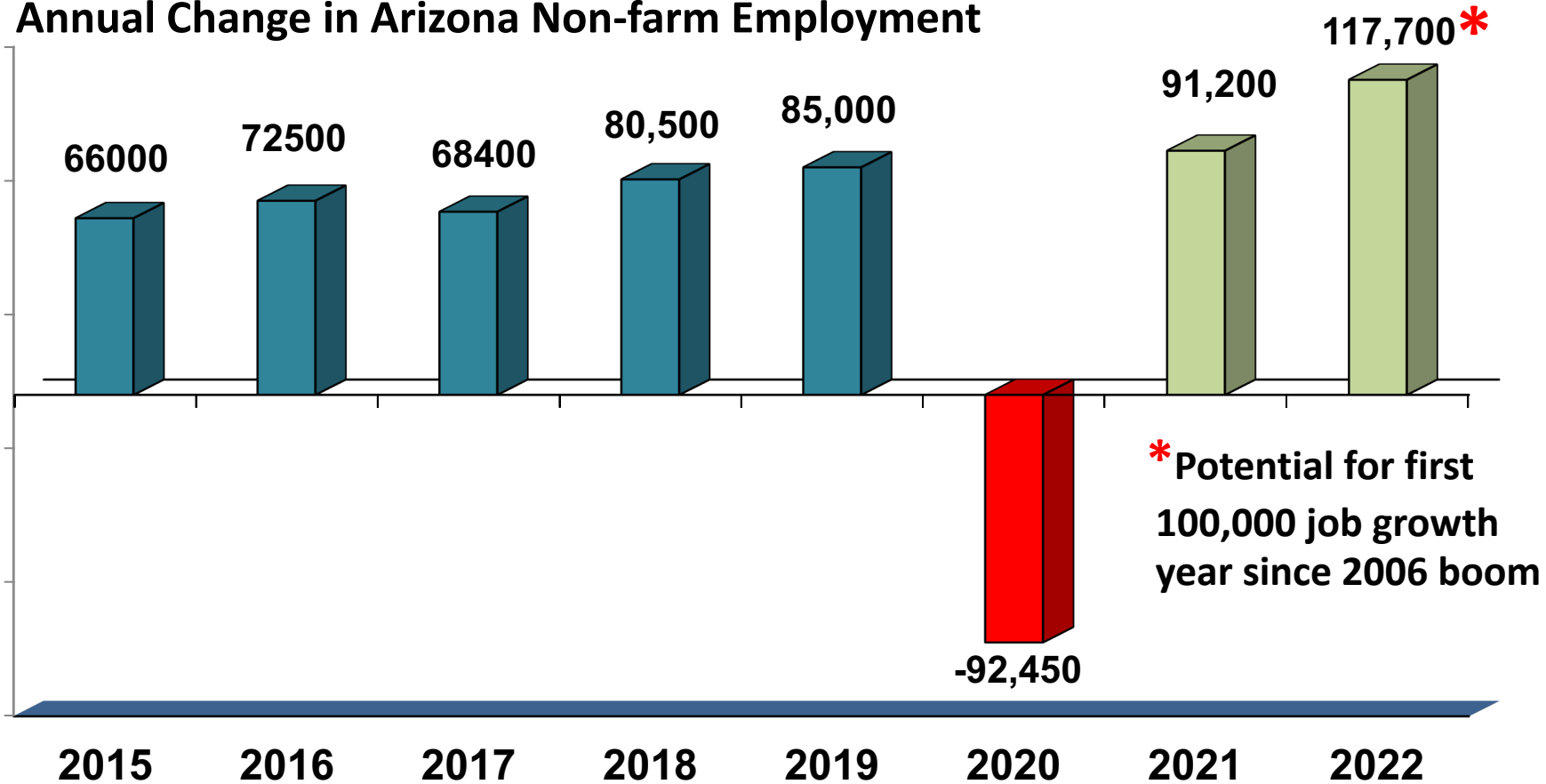


These 5 Service Sectors Account For 81% of Arizona Private Job Growth So Far in 2021

U. S. Bureau of Labor Statistics

Arizona To Add 117,000 Jobs in 2022

Annual Change in Arizona Non-farm Employment

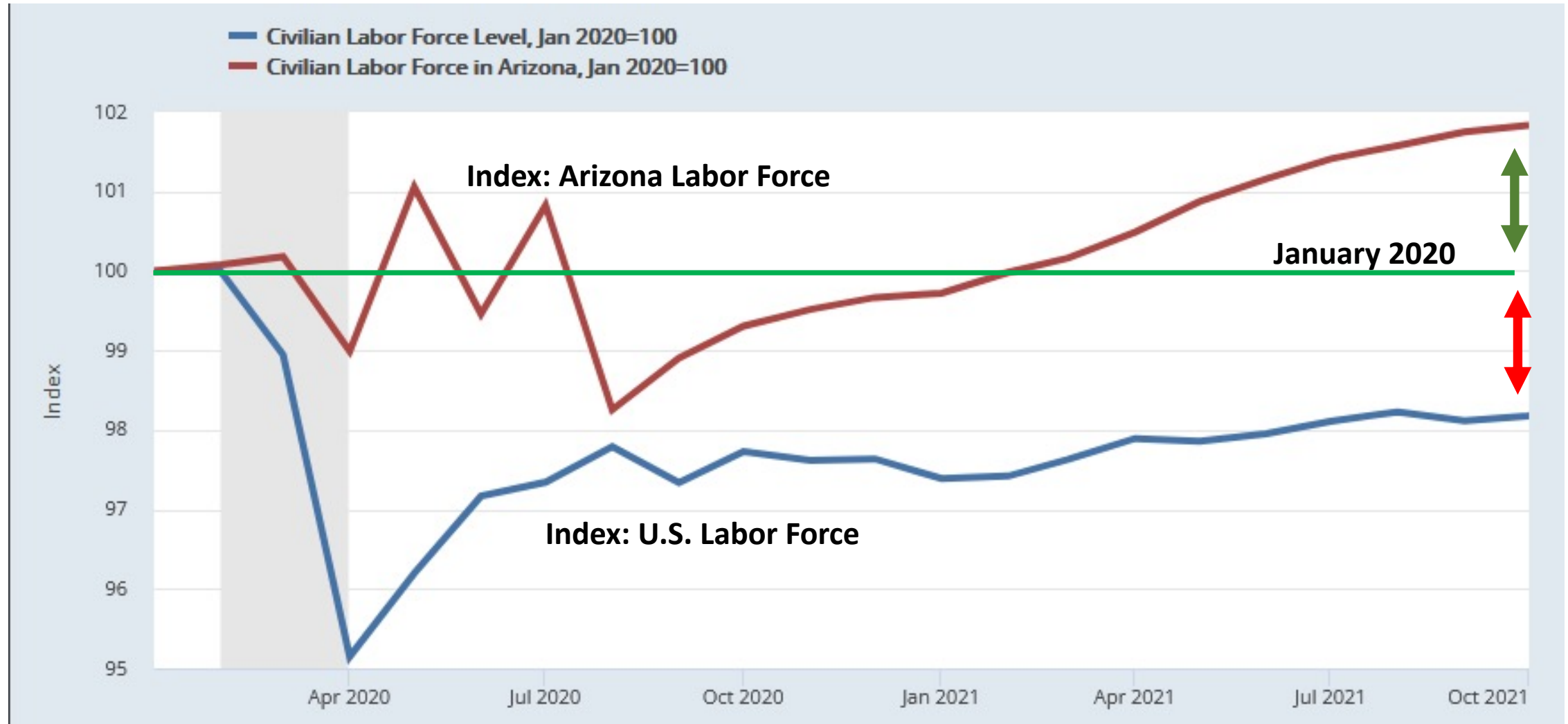


* Potential for first 100,000 job growth year since 2006 boom

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

Forecast

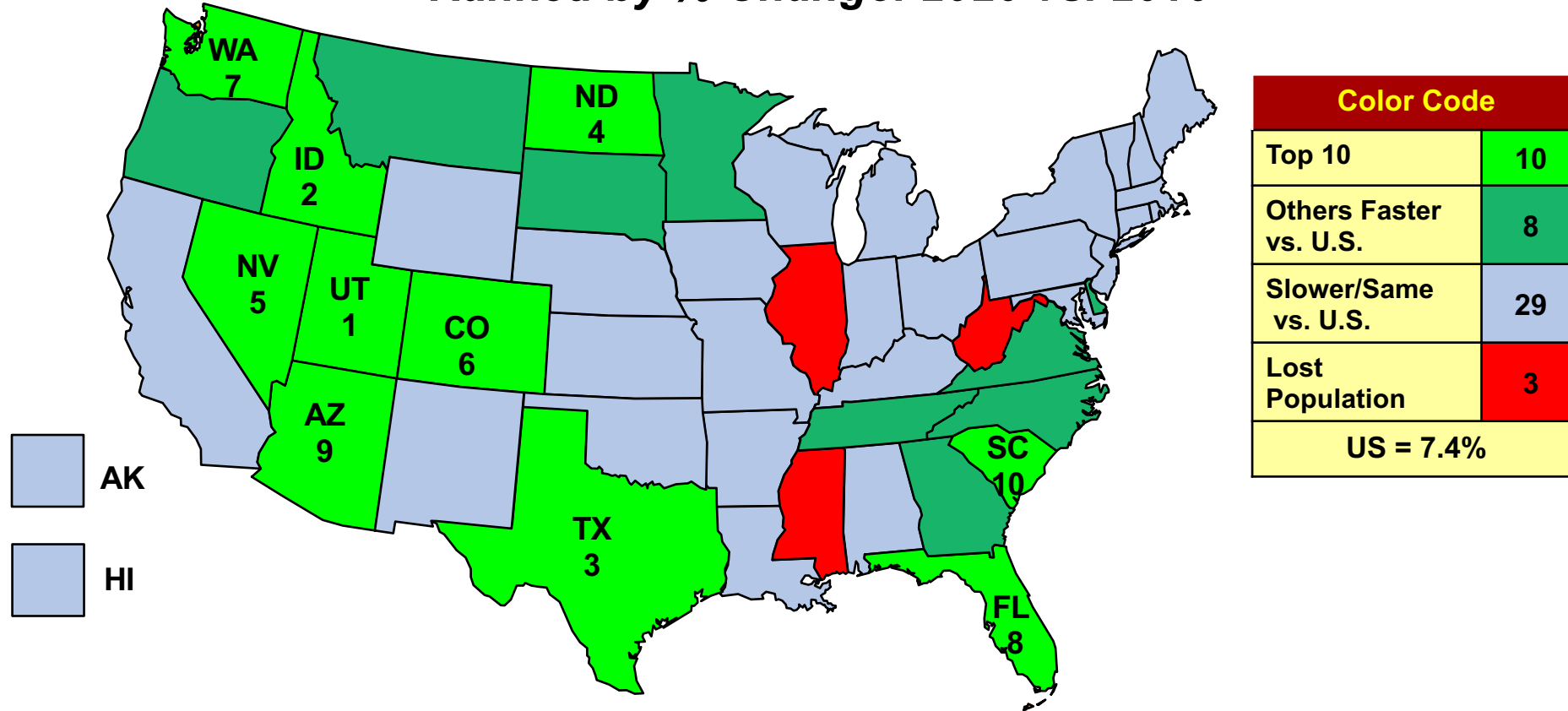
Worker Shortage? Arizona Labor Force Back to Pre-Pandemic Level of Q1 2020 - Reached All Time Record High (3.695 mil) in September 2021



U.S. Bureau of Labor Statistics, seasonally adjusted

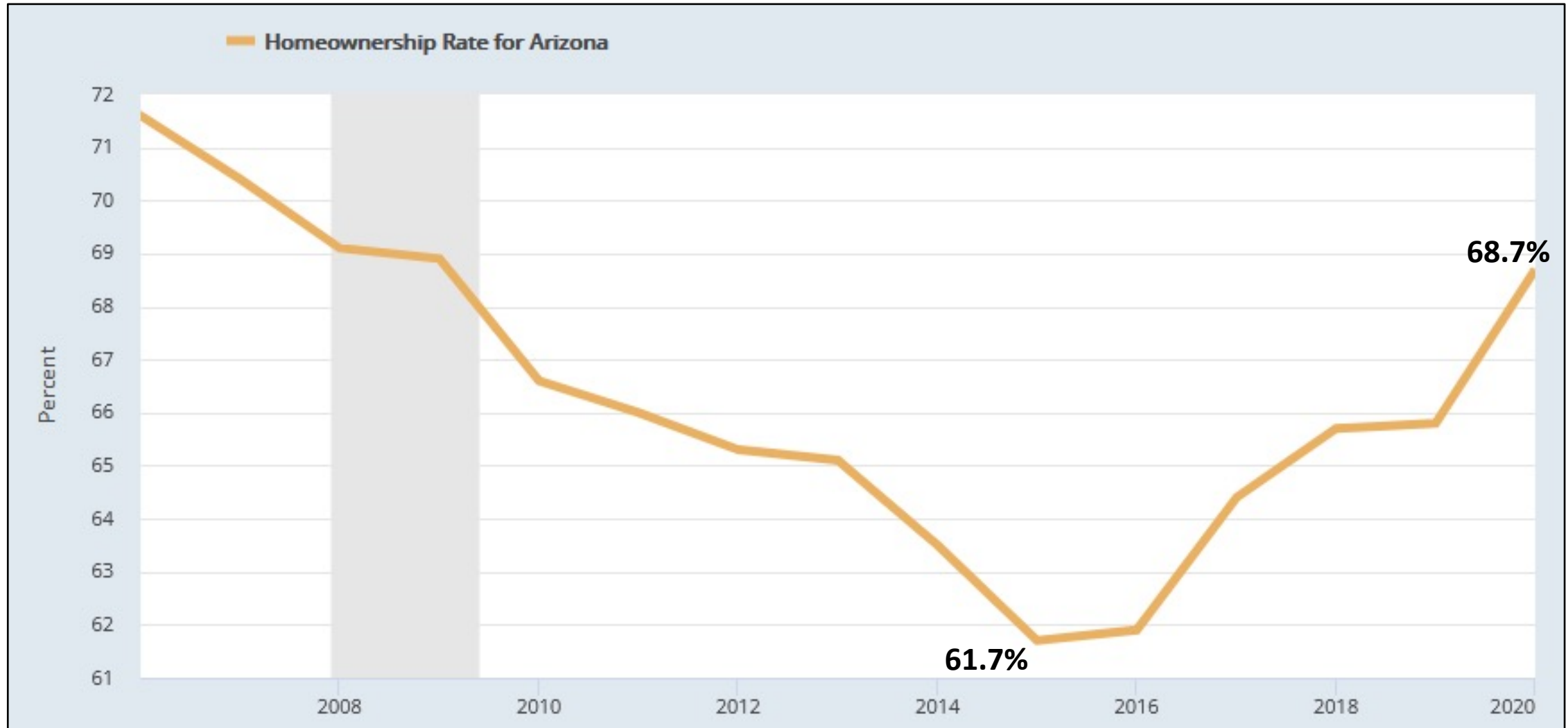
Arizona Ranked in Top 10 Among States for Population Growth

Ranked by % Change: 2020 vs. 2010

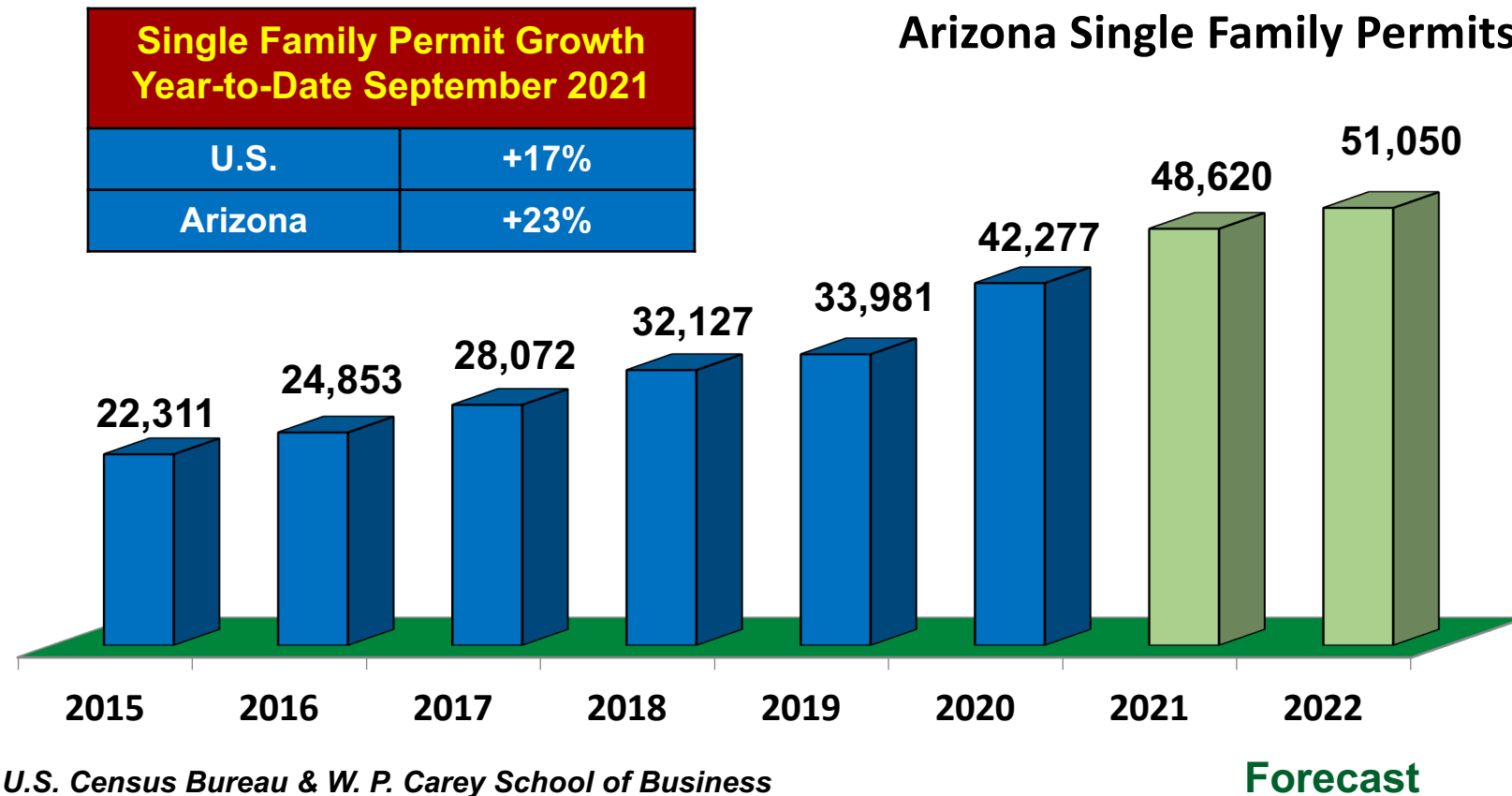


Resident Population, U. S. Bureau of the Census, April 2020 & April 2010

COVID Side Effect: Arizona Home Ownership Surge Due to Remote Work, Low Interest Rates



Home Building Gains Extend into 2022





Phoenix Economic Outlook

Among Strongest Metros in the Nation

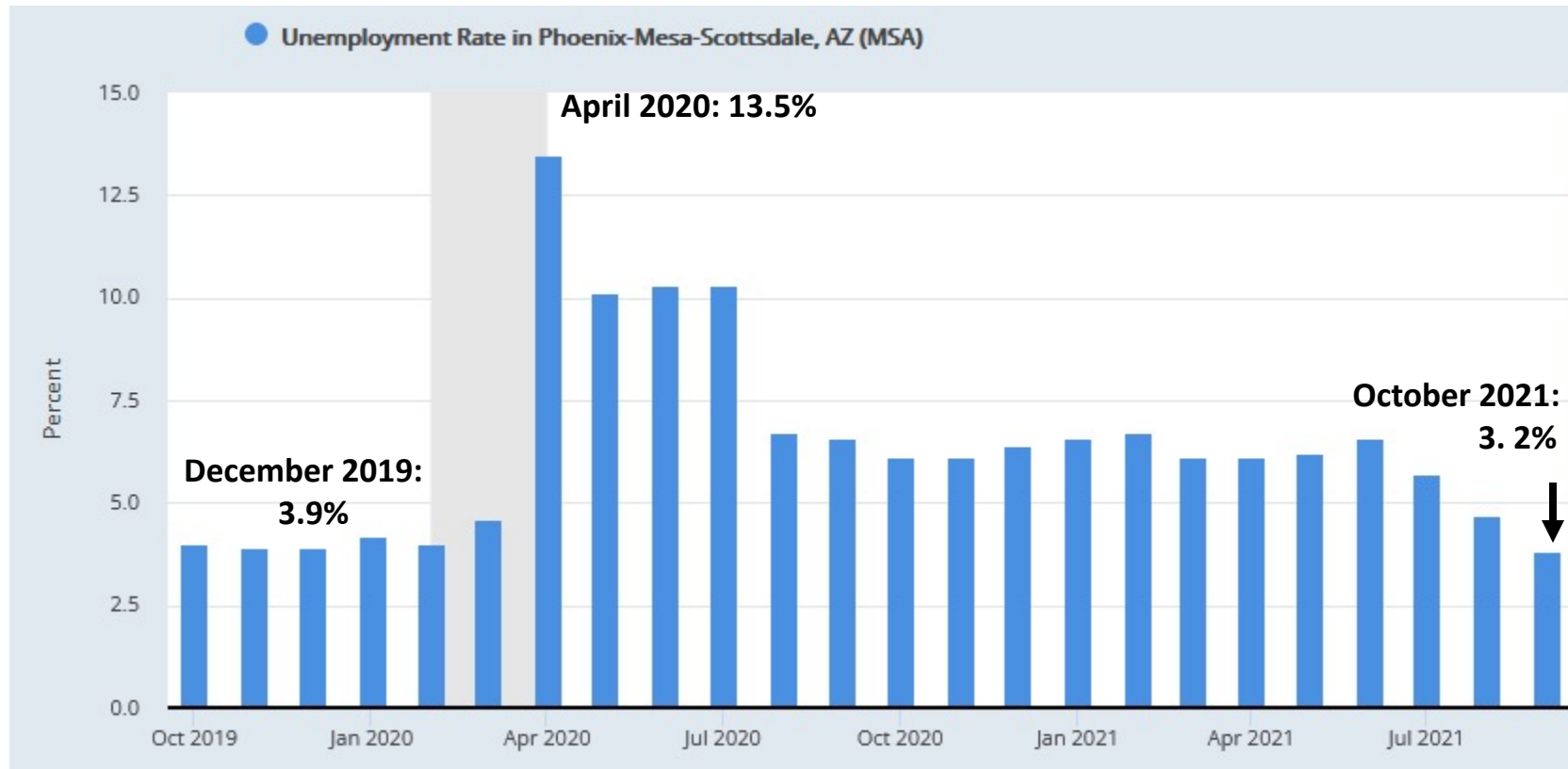
Phoenix Indicators	2020	2021	2022
Employment (<i>% change</i>)	-2.8	3.9	4.1
New Jobs (<i>thousands</i>)	-60,900	81,800	91,300
Population (<i>% change</i>)	1.7	1.5	1.9
Single Family Permits	31,658	36,407	38,227
Multi-Family Permits	16,561	17,389	16,520

Phoenix Among the Strongest Metros In The Nation

- Added 77,000 new jobs year-to-date October
- Growth rate 4th among all large metro areas
- Job creation greater than 35 states
- Accounts for 90% of new Arizona jobs
- Ranks 3rd in transportation/warehousing growth
- Ranks 3rd in professional/technical job growth



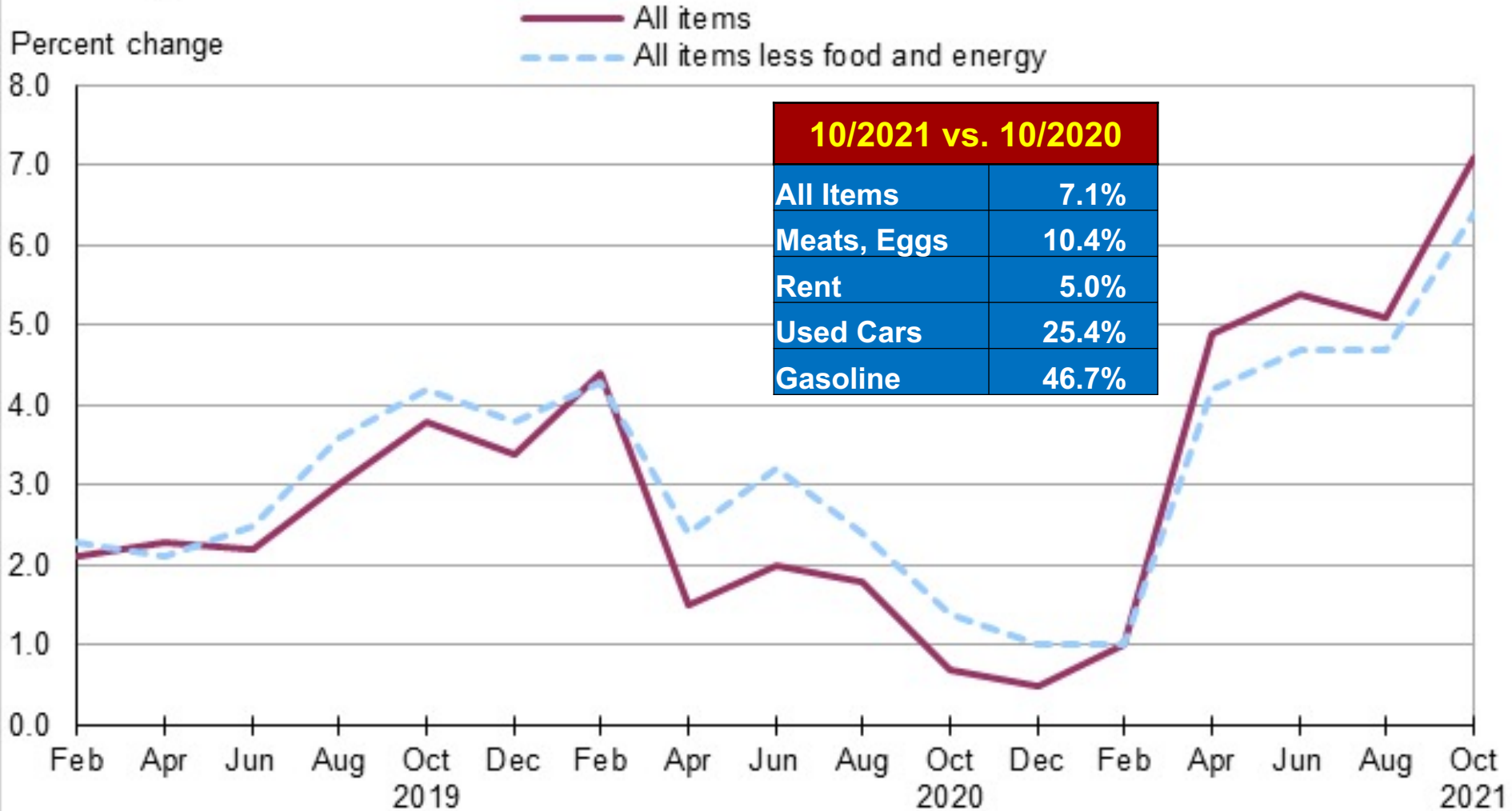
Phoenix Metro Unemployment Rate At 14 Year Low in Tight Labor Market



U.S. Bureau of Labor Statistics & Arizona Office of Economic Opportunity

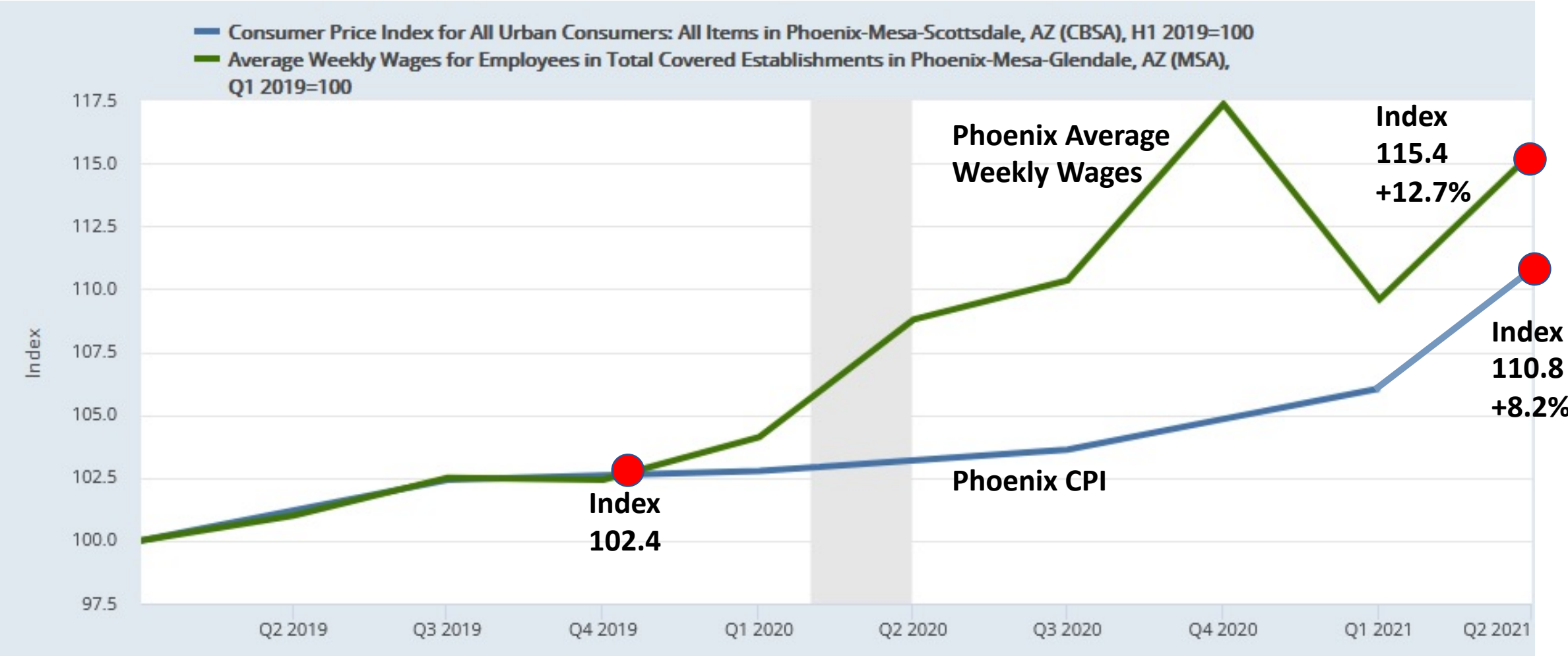
Phoenix Inflation Rate Tops 7% Year-to-Year in October

Chart 1. Over-the-year percent change in CPI-U, Phoenix-Mesa-Scottsdale, AZ, February 2019–October 2021



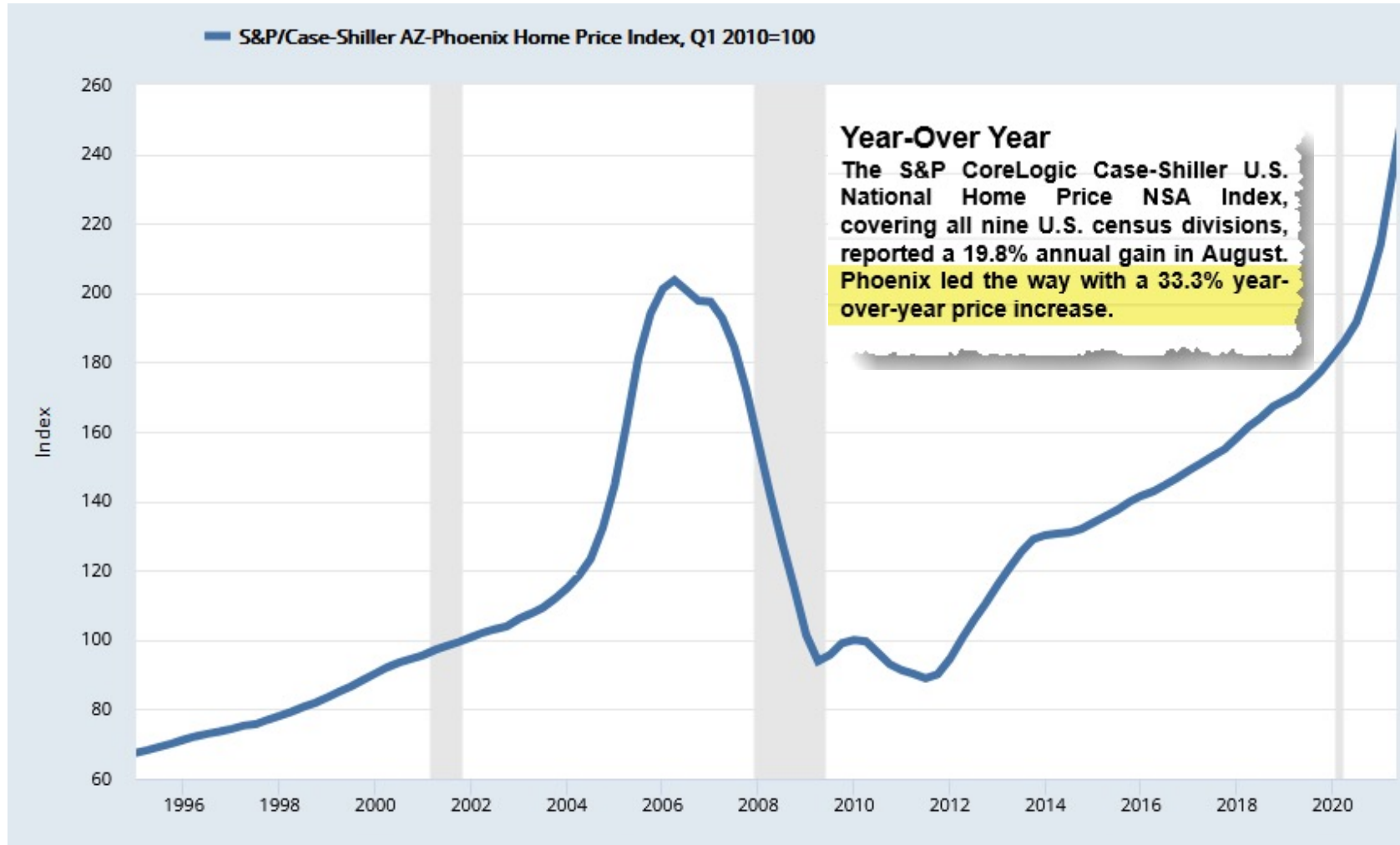
Source: U.S. Bureau of Labor Statistics.

Since January 2020 Phoenix Consumer Prices Up 8.2% While Worker Average Weekly Wages Are Up 12.7%



U.S. Bureau of Labor Statistics, seasonally adjusted

Phoenix Home Prices Increase 33.3% Year to Year - Largest Rise Among Major Metropolitan Markets

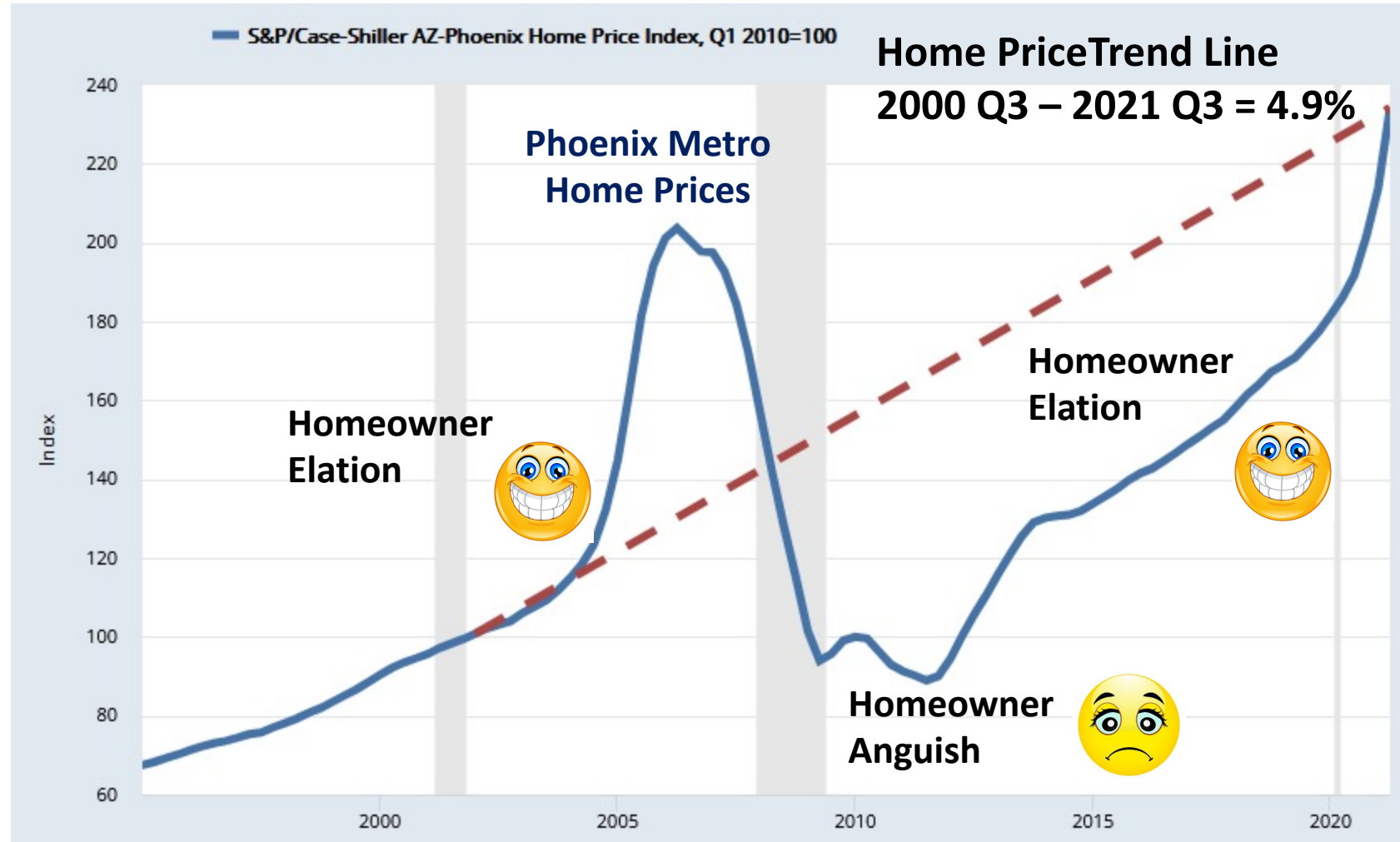


Phoenix Home Prices Are Regionally Competitive In Spite of Recent Increases



Home Sale Prices	
Dallas	\$397,667
Las Vegas	\$455,667
Phoenix	\$474,933
Austin	\$526,583
Provo	\$545,533
Riverside	\$550,730
Portland	\$572,967
Sacramento	\$614,297
Denver	\$619,967
Seattle	\$688,323
San Diego	\$844,633
San Jose	\$1,249,629
Zillow, Oct 2021	

Imagine...What If Phoenix Home Prices Had Simply Increased Along A Steady Trend Line Since 2000?



Arizona Advantages for Economic Development

- **Pro-growth economic setting**
- **Competitive tax structure**
- **Available industrial space, labor**
- **Relatively new infrastructure**
- **Must work on education issues**

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