

# Arizona Economic Outlook: Prospects & Perils



June 15, 2022



# Arizona 1<sup>st</sup> Among States in Non-Fuel Mineral Production in 2021

| State      | Rank | Value          | Percent of U.S. Total |
|------------|------|----------------|-----------------------|
| Arizona    | 1    | \$10.0 billion | 11.0%                 |
| Nevada     | 2    | \$9.3 billion  | 10.3%                 |
| Texas      | 3    | \$5.8 billion  | 6.4%                  |
| California | 4    | \$5.3 billion  | 5.8%                  |
| Minnesota  | 5    | \$4.0 billion  | 4.4%                  |

Arizona non-fuel mineral production in order of value includes copper, sand and gravel, molybdenum, cement, and crushed stone making up the top 5. Other minerals produced in Arizona include lead, zinc, gold, silver, uranium, gypsum, lime, turquoise and peridot.

*Source: U. S Geological Survey, 2022*

# Arizona 3<sup>rd</sup> Among States in Sand & Gravel Production in 2021

| State      | Rank | Tons (000) | Value (\$000) |
|------------|------|------------|---------------|
| California | 1    | 114,000    | \$1,610,000   |
| Texas      | 2    | 95,200     | \$1,140,000   |
| Arizona    | 3    | 51,000     | \$564,000     |
| Minnesota  | 4    | 43,400     | \$237,000     |
| Utah       | 5    | 42,300     | \$369,000     |

*Source: U. S Geological Survey, 2022*



# U.S. Economic Outlook

## *Can the Fed Deliver a Soft Landing?*

| U. S. Indicators      | 2021    | 2022    | 2023    |
|-----------------------|---------|---------|---------|
| Real GDP Growth       | 5.7%    | 2.6%    | 2.1%    |
| Employment Growth     | 3.9 mil | 5.7 mil | 1.4 mil |
| Unemployment Rate     | 5.4%    | 3.6%    | 3.6%    |
| Inflation (CPI)       | 4.7%    | 7.1%    | 3.2%    |
| 10 Year Treasury Note | 1.4%    | 2.7%    | 3.1%    |



Remember When? Slide from ARPA Economic Outlook June 2021

# US recovery could be upended if Fed's bet on 'transitory' inflation proves wrong

FINANCIAL TIMES

Will inflation thwart the US economic recovery?

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## **Bloomberg Businessweek**

The Latest Burst of Inflation in the U.S. Is Probably Transitory



Yellen says she was ‘wrong’ about ‘path that inflation would take’



Powell and Yellen acknowledged that they had underestimated how long inflation would last or how high it would rise as the COVID-19 pandemic disrupted supply chains, further set off by the Russian invasion, and coronavirus relief injected more money into the pockets of consumers.

## Inflation Causes

- Fed too easy, too long
- Covid era demand for goods
- Supply chain kinks
- Covid lockdowns hit output
- Labor shortages, wages up
- Wages up-prices up cycle
- Geo-political shocks

## Fed Challenge

- Brake inflation, not economy
- “Soft landing”- no recession
- Reverse inflation expectations
- Don’t damage investment
- Avoid stagflation seen in 1970s

# U.S. (& Arizona) Recession Odds Still Low for 2022 - Rising for 2023

## Odds of U.S. Recession

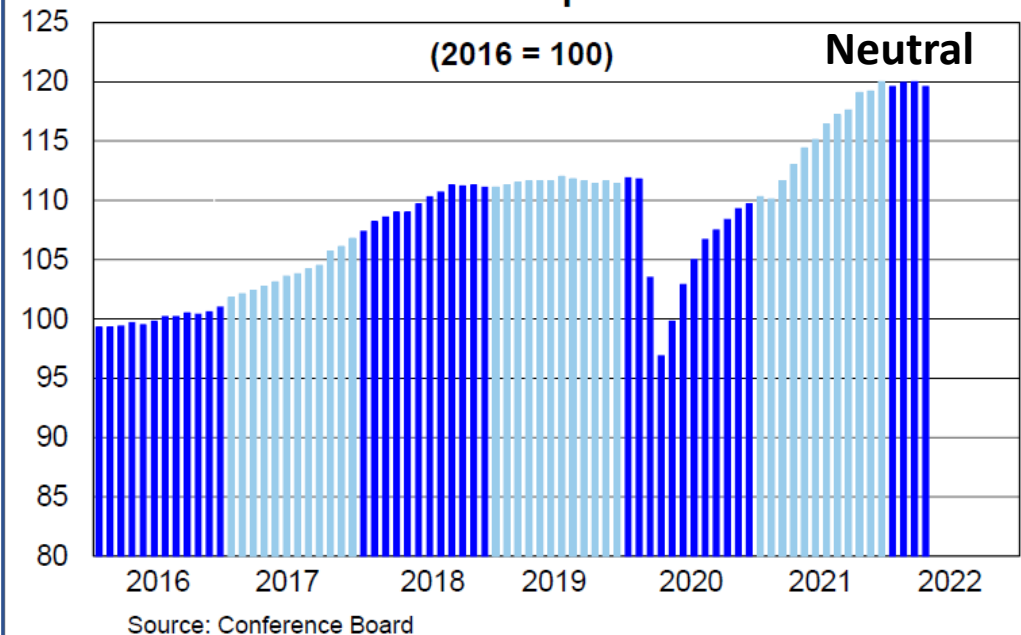
| Year | Odds |
|------|------|
| 2022 | 26%  |
| 2023 | 39%  |

## Repeat of 1970's "Stagflation"

| Yes | No  |
|-----|-----|
| 18% | 82% |

**Consensus of 50 Top Business Economists**  
*Blue Chip Economic Indicators, May 2022*

Conference Board Leading Economic Index:  
Jan. 2016 - April 2022





# Arizona Economic Outlook

***U.S. Business Cycle is Greatest Risk***

| Arizona Indicators             | 2021    | 2022    | 2023    |
|--------------------------------|---------|---------|---------|
| Employment ( <i>% change</i> ) | 3.7     | 3.6     | 3.0     |
| Employment Growth              | 104,100 | 106,500 | 91,900  |
| Population ( <i>% change</i> ) | 1.4     | 1.5     | 1.5     |
| Population Growth              | 98,330  | 109,100 | 110,800 |
| Single Family Permits          | 48,620  | 51,000  | 50,050  |



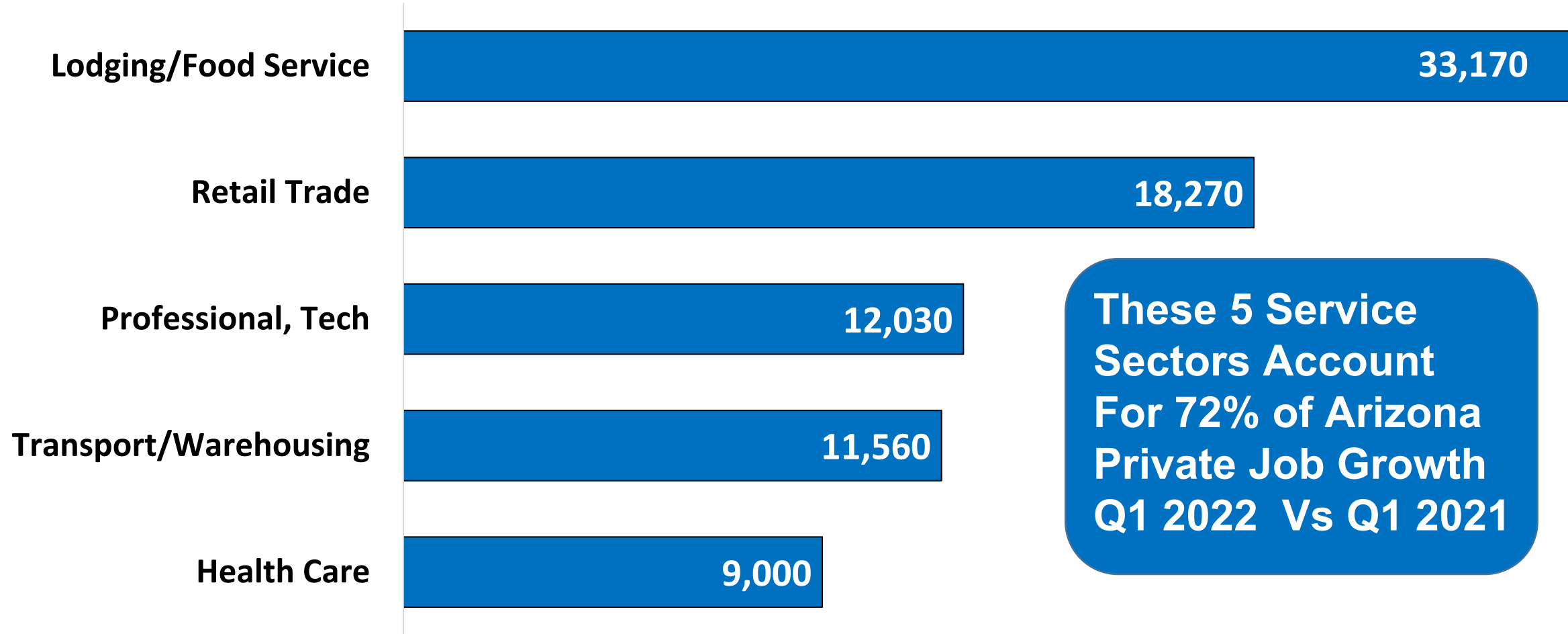
# Arizona On Track for 100,000 New Jobs

*(Job Growth Q1 2022 vs Q1 2021)*

| Arizona and Metros | % Growth | New Jobs  |
|--------------------|----------|-----------|
| Arizona            | 4.2%     | 120,770   |
| Flagstaff MSA      | 10.7%    | 6,470     |
| Prescott MSA       | 4.7%     | 3,030     |
| Lake Havasu MSA    | 4.5%     | 2,340     |
| Tucson MSA         | 4.1%     | 15,300    |
| Phoenix MSA        | 4.1%     | 88,570    |
| Yuma MSA           | 2.6%     | 1,530     |
| Sierra Vista MSA   | 0.2%     | 100       |
| United States      | 4.7%     | 6,716,000 |

# Services Rebound Drives Arizona Recovery

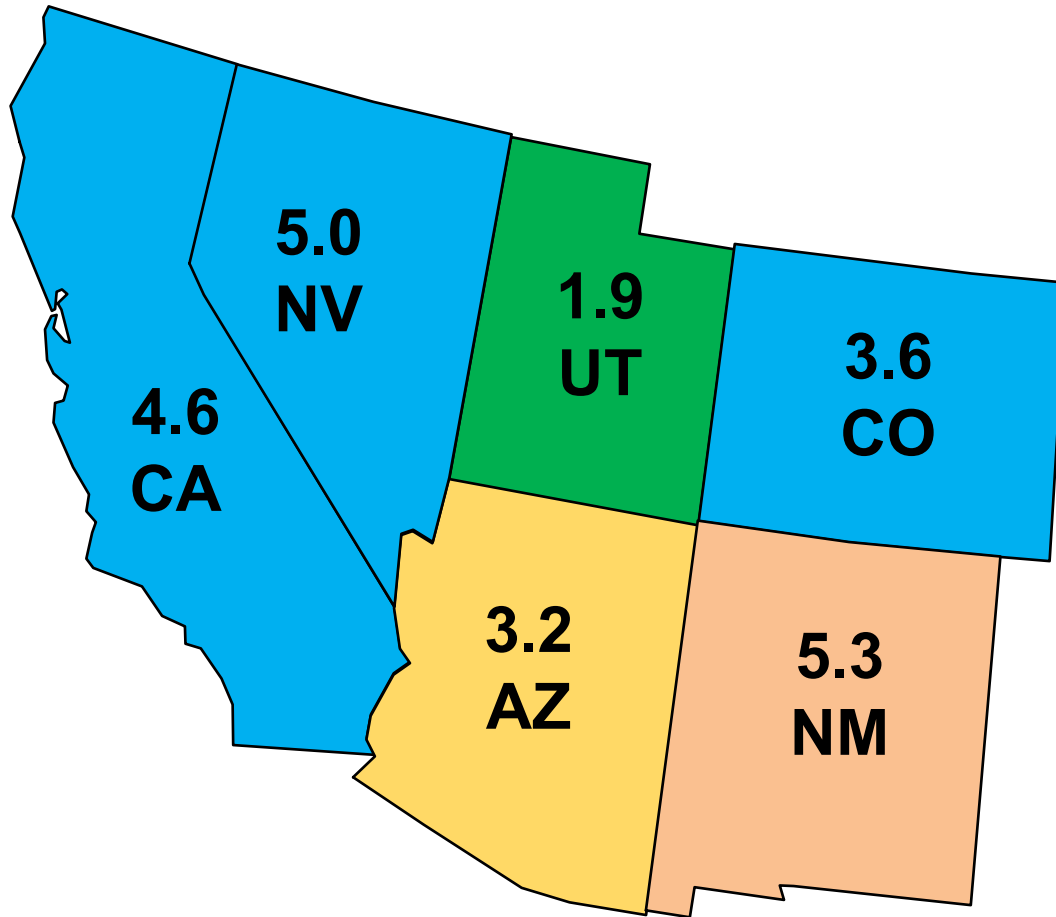
## *(Job Growth Q1 2022 vs Q1 2021)*



**Note: Arizona Private Job Growth Q1 2022 vs Q1 2021= 115,970**

**Source: U. S. Bureau of Labor Statistics**

# Unemployment At All-Time Low in 17 States



U.S. Unemployment Rate 3.6% (March – May)

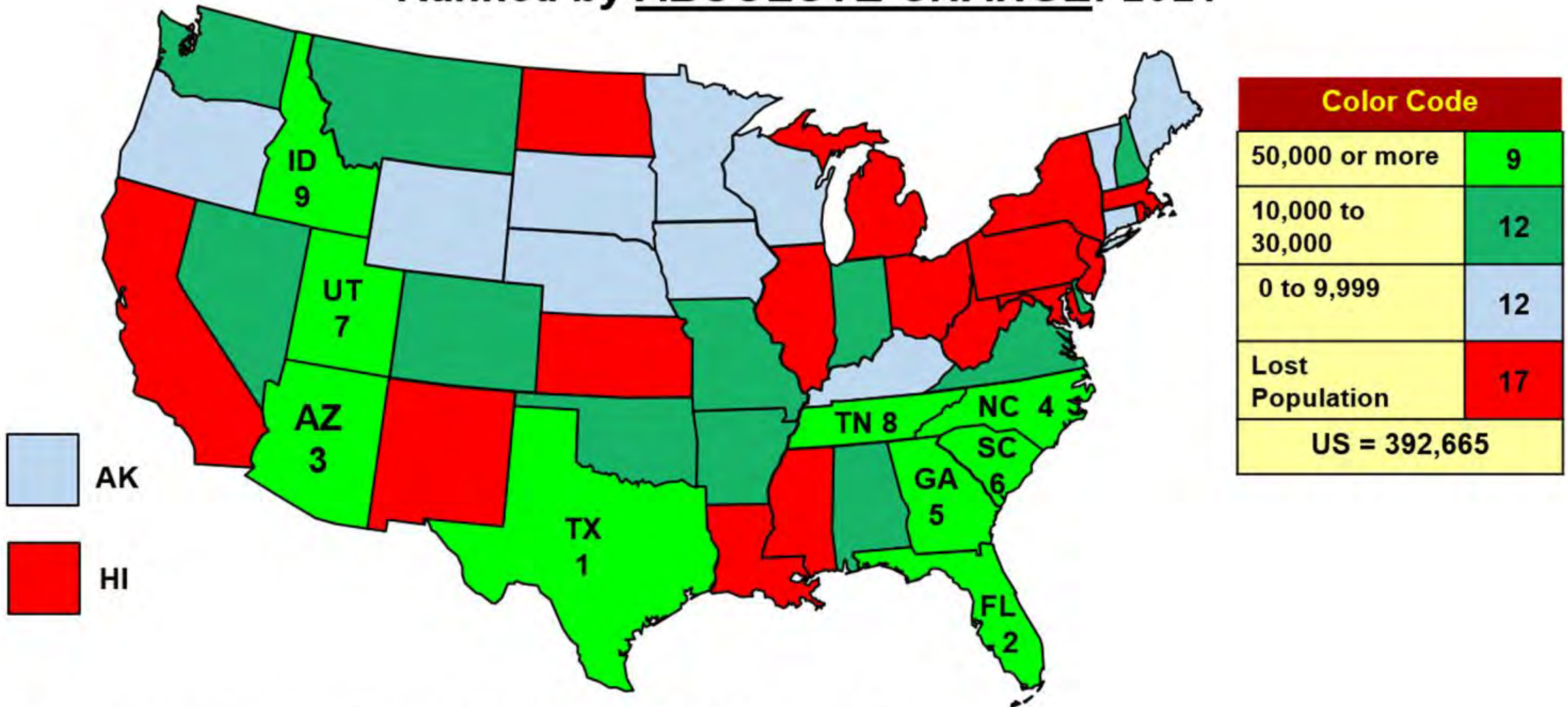
## Unemployment Notes

- Arizona's 3.2% rate is an all-time low (starting 1976)
- Arizona's prior all time low rate was 3.6% in July 2007
- Utah is tied with Nebraska for lowest rate of all states
- New Mexico rate of 5.3% is highest of all 50 states

*Source: U.S. Bureau of Labor Statistics, April, 2022*

# Arizona 3<sup>rd</sup> in Population Growth

Ranked by ABSOLUTE CHANGE: 2021

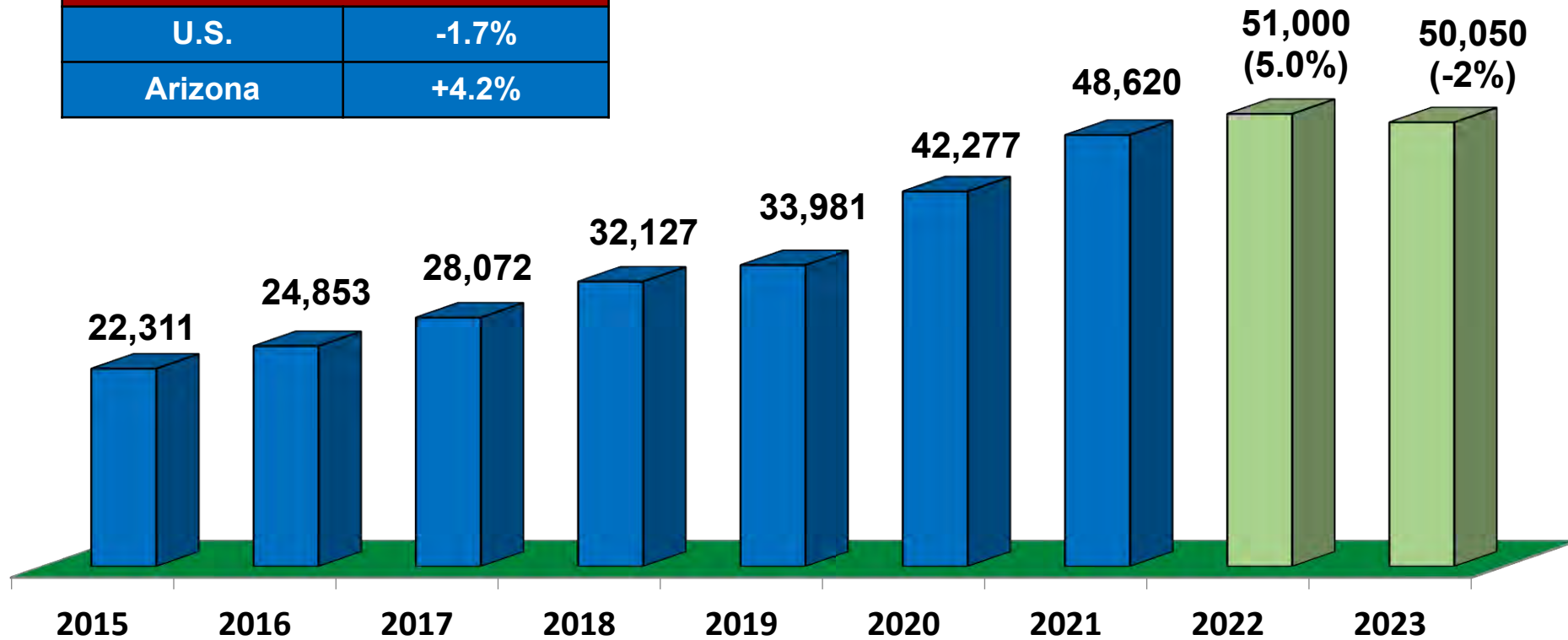


Resident Population, U. S. Bureau of the Census, July 2020 to July 2021

# Home Building Gains Extend into 2023

| Single Family Permit Growth<br>Year-to-Date April 2022 |       |
|--|-------|
| U.S.   | -1.7% |
| Arizona  | +4.2% |

## Arizona Single Family Permits



U.S. Census Bureau & W. P. Carey School of Business

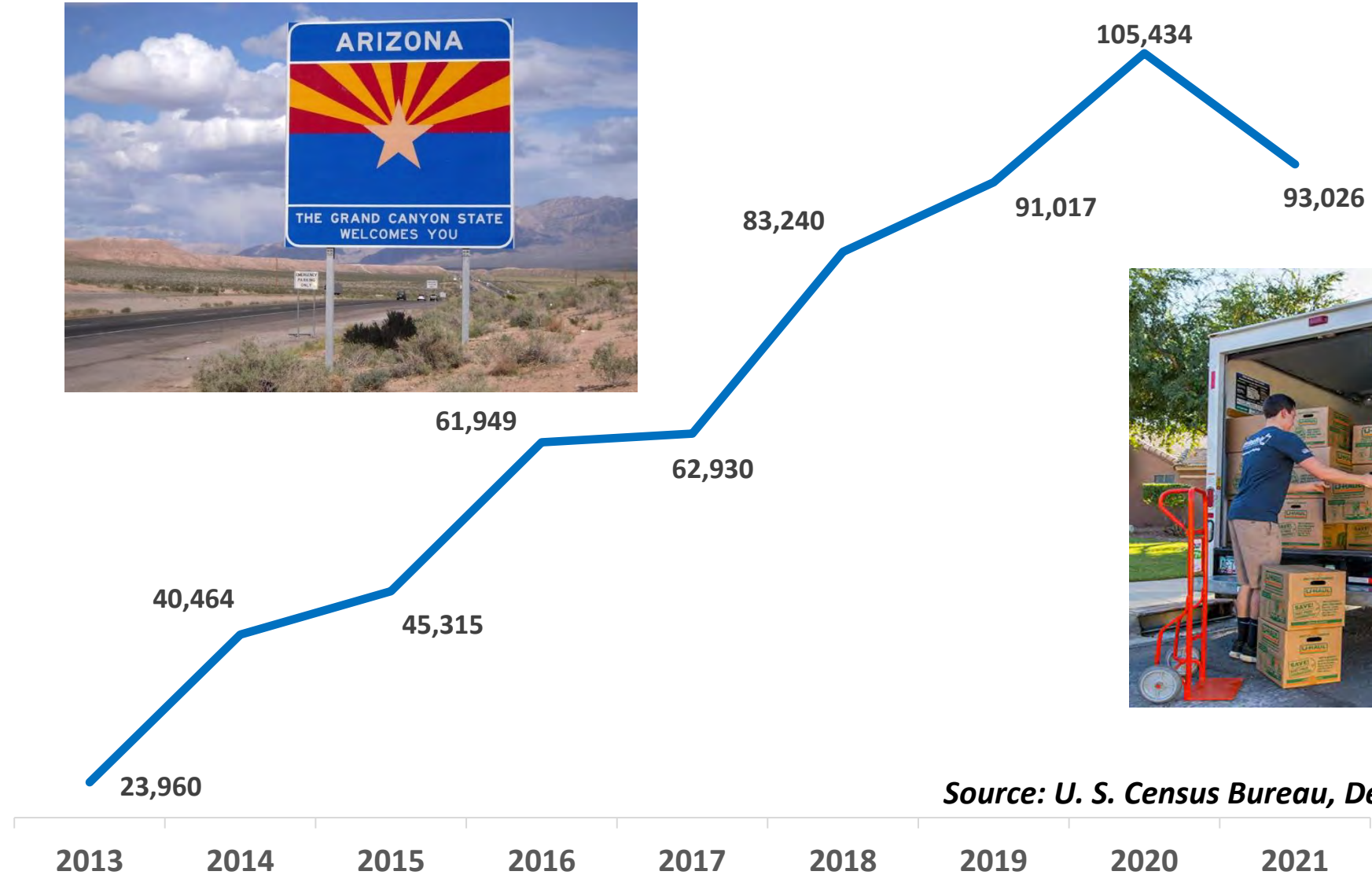
Forecast



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



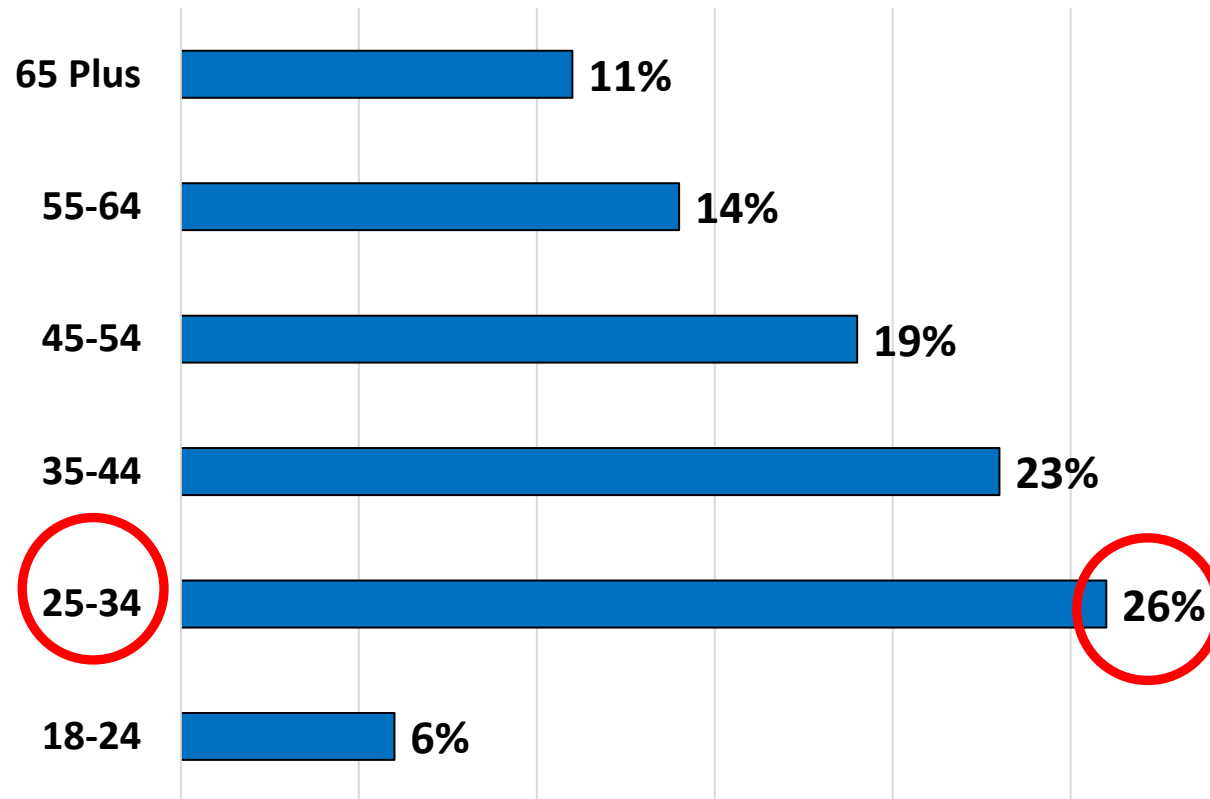
# Domestic Migration to Arizona Has Remained Strong in Recent Years



*Source: U. S. Census Bureau, Dec. 2021*

# Millennials Now Dominate New Mortgage Originations

## Share of Primary Resident Mortgage Originations By Age



Source: Realtor.com





# Phoenix Economic Outlook

## *Metro Creating 85% of New Arizona Jobs*

| Phoenix Indicators             | 2021   | 2022   | 2023   |
|--------------------------------|--------|--------|--------|
| Employment ( <i>% change</i> ) | 4.2    | 4.1    | 3.5    |
| New Jobs ( <i>thousands</i> )  | 88,400 | 90,600 | 80,400 |
| Population ( <i>% change</i> ) | 1.6    | 1.6    | 1.6    |
| Single Family Permits          | 35,188 | 36,157 | 31,444 |
| Multi-Family Permits           | 16,735 | 18,121 | 12,636 |

## Tucson MSA Forecast Summary

Second Quarter 2022

|                          | Actual | Forecast |       |       |
|--------------------------|--------|----------|-------|-------|
|                          | 2021   | 2022     | 2023  | 2024  |
| <b>Growth Rate</b>       |        |          |       |       |
| Nonfarm Jobs             | 1.6    | 3.2      | 2.6   | 1.6   |
| Personal Income          | 7.4    | 0.4      | 6.5   | 6.2   |
| Retail Plus Remote Sales | 19.1   | 7.5      | 3.9   | 5.1   |
| Population               | 1.2    | 1.2      | 1.1   | 1.0   |
| <b>Level</b>             |        |          |       |       |
| Housing Permits          | 6,075  | 6,001    | 5,917 | 5,101 |

Personal income is forecast in 2021.

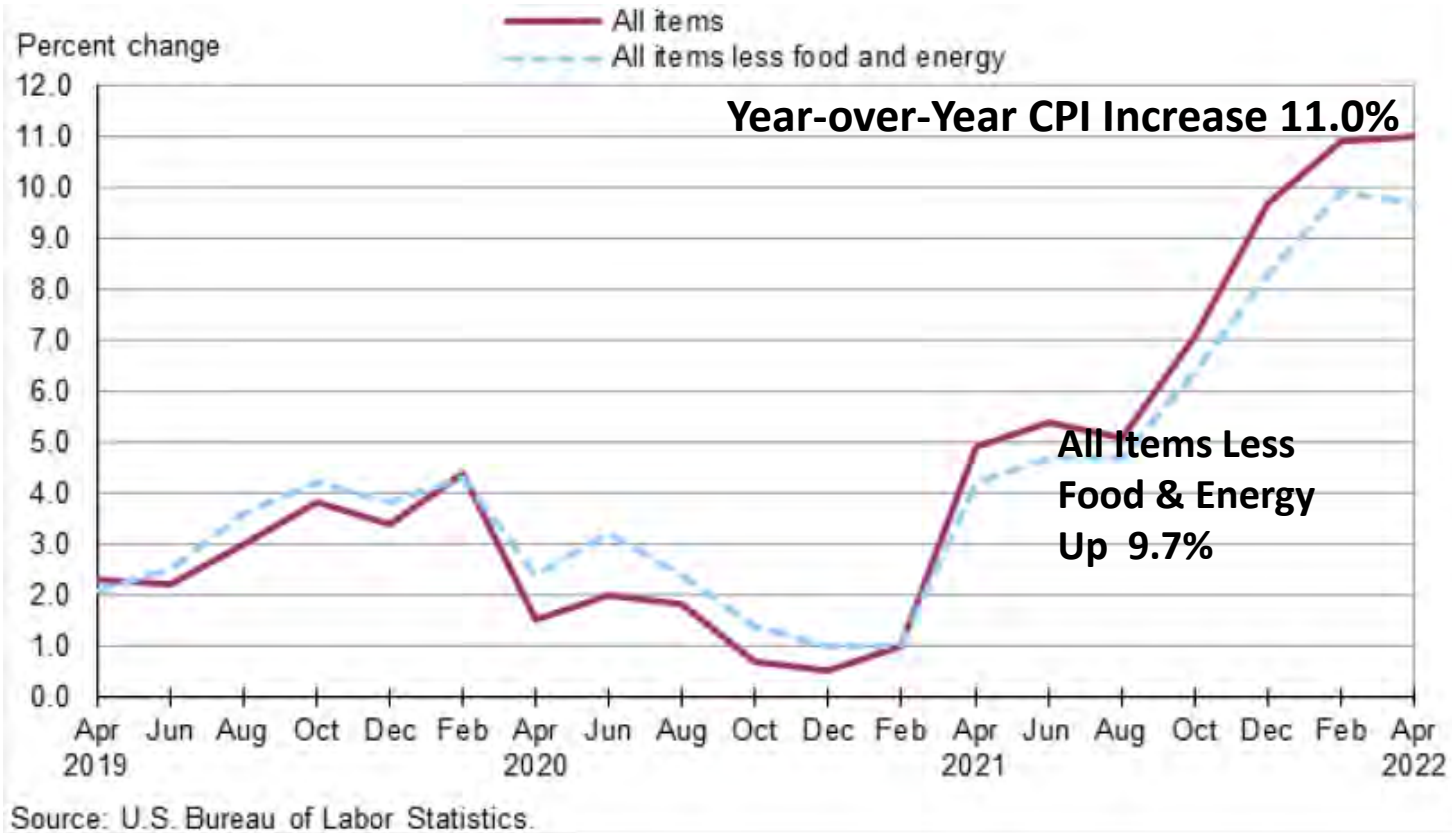


Eller College  
of Management



# Phoenix 11% CPI Inflation Tops All Metro Areas

## Over-the-Year Percent Change in Phoenix MSA CPI (April 2022)



# Phoenix Home Prices Regionally Competitive In Spite of Recent 30% Year/Year Increases

| Home Sale Prices |           |
|------------------|-----------|
| Dallas           | \$373,800 |
| Las Vegas        | \$415,000 |
| Phoenix          | \$451,667 |
| Boise            | \$497,335 |
| Austin           | \$509,000 |
| Salt Lake City   | \$519,500 |
| Portland         | \$522,667 |
| Denver           | \$576,821 |
| Seattle          | \$671,650 |
| San Diego        | \$809,000 |

*Zillow, Median Sales Prices, March 2022*



# Summary of Prospects & Perils

- Fed rate increases “hit the fan” by 2023: will there be a soft landing...or a crash landing for economy?
- Arizona is not immune to a national downturn
- But domestic in-migration is the “ace in the hole” for Arizona economic growth over long term
- Domestic movers seek affordable housing, job opportunities, improvements in quality of life
- Two vital long term issues: education & water

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