

# Arizona's Economy Is Back On The Beat

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Arizona Housing Forum

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1

## Key Topics

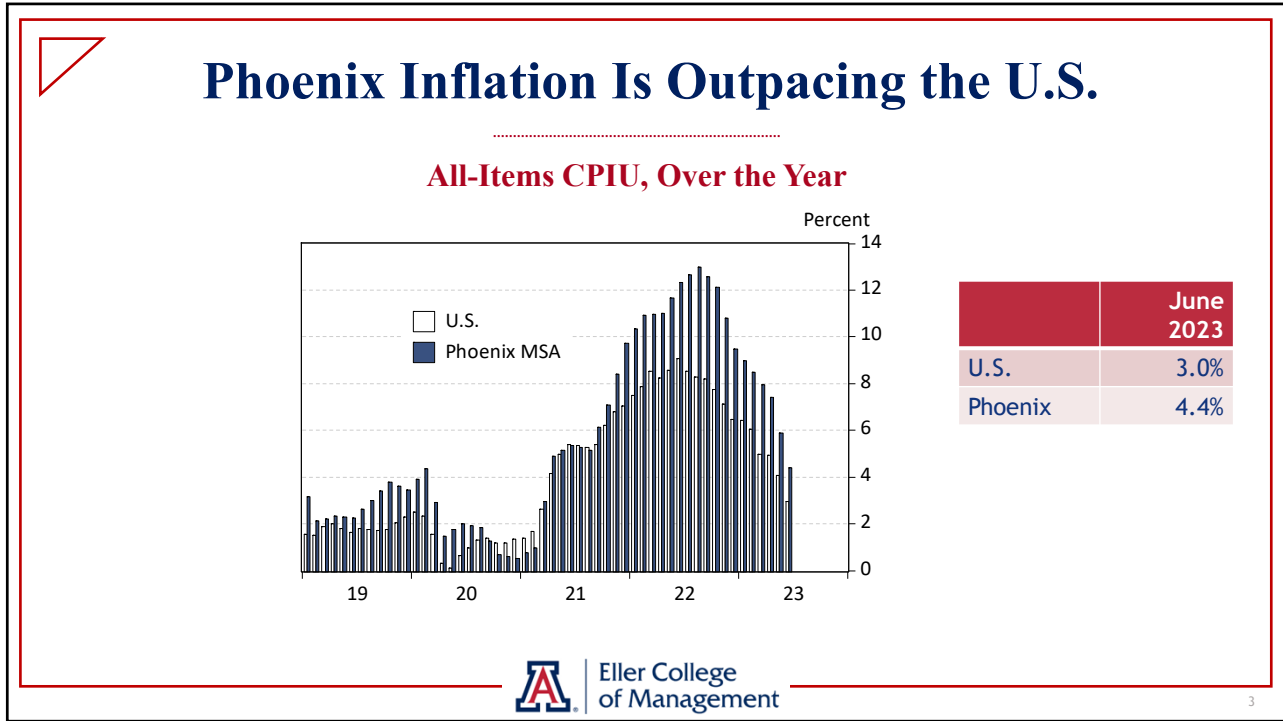
- ▶ **Phoenix inflation is still outpacing the U.S.**
- ▶ **Arizona housing affordability remains very low**
- ▶ **Arizona's jobs are back on their pre-pandemic trend**
  - ▶ With low unemployment, rapidly rising wages, and a mountain of open jobs
- ▶ **Baseline U.S. forecast calls for a 'soft landing'**
  - ▶ With no U.S. recession
- ▶ **Long-term, Arizona far outpaces U.S. growth, with Phoenix leading the way**



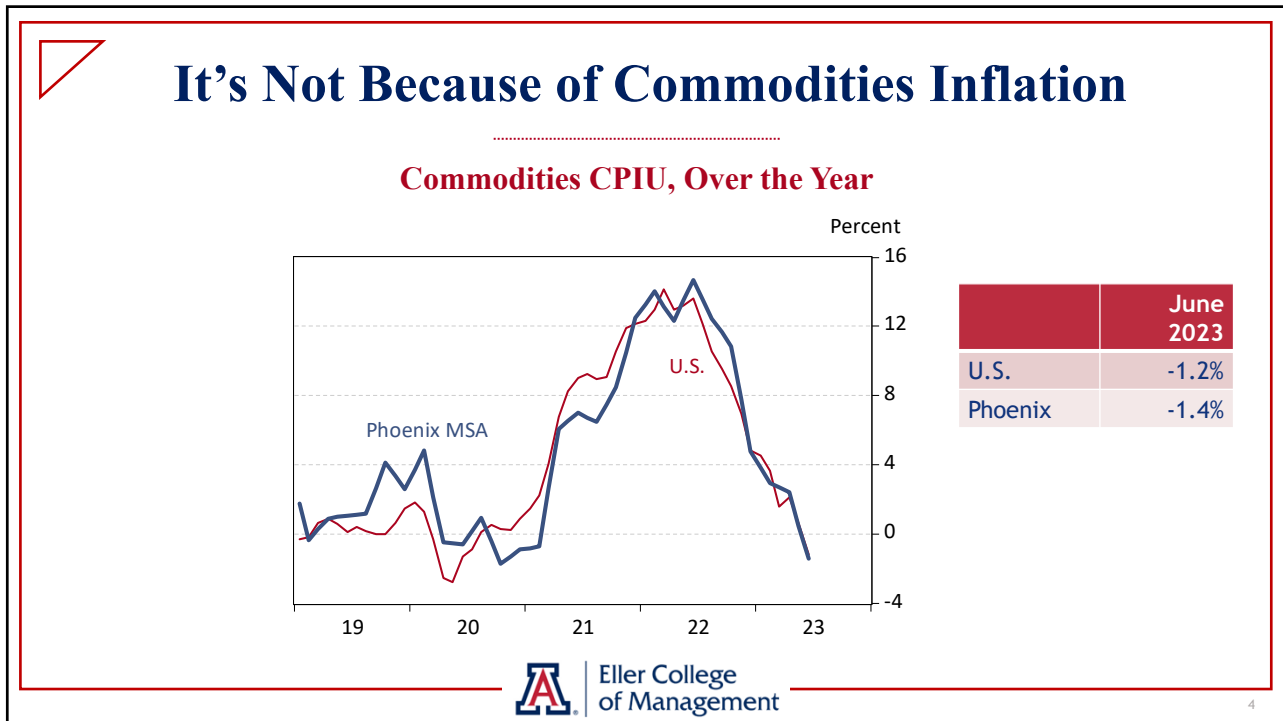
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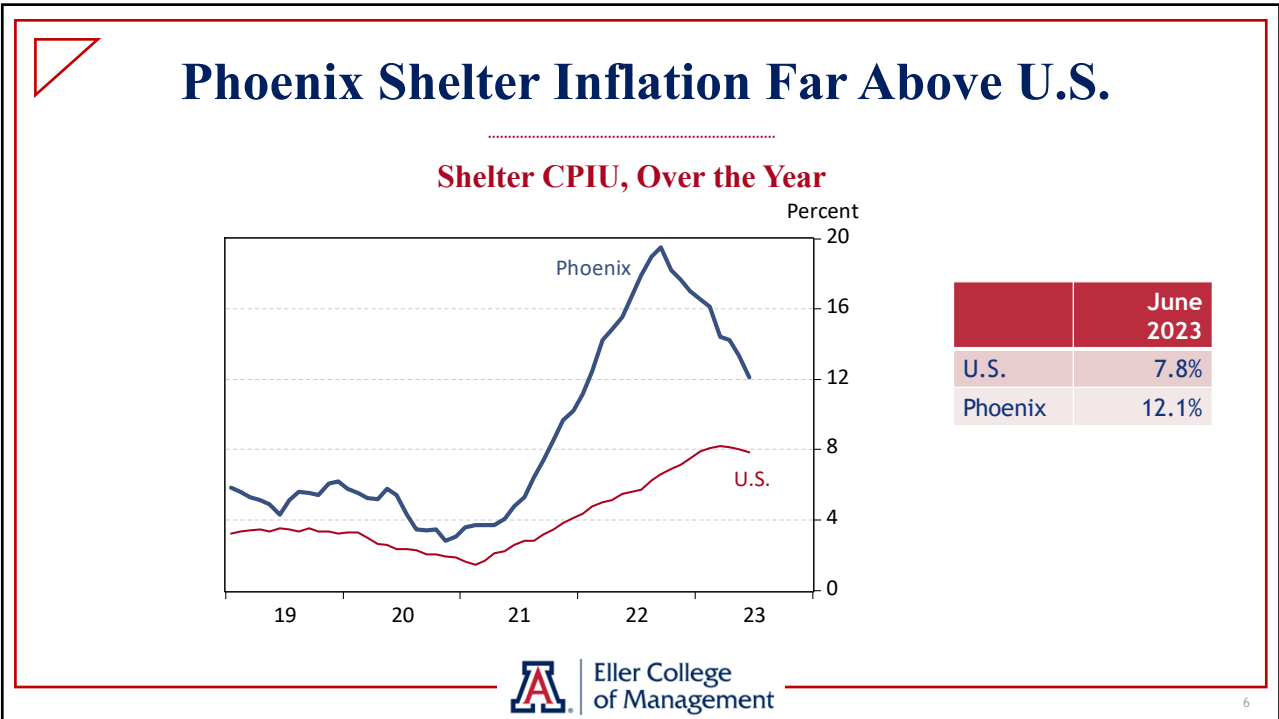


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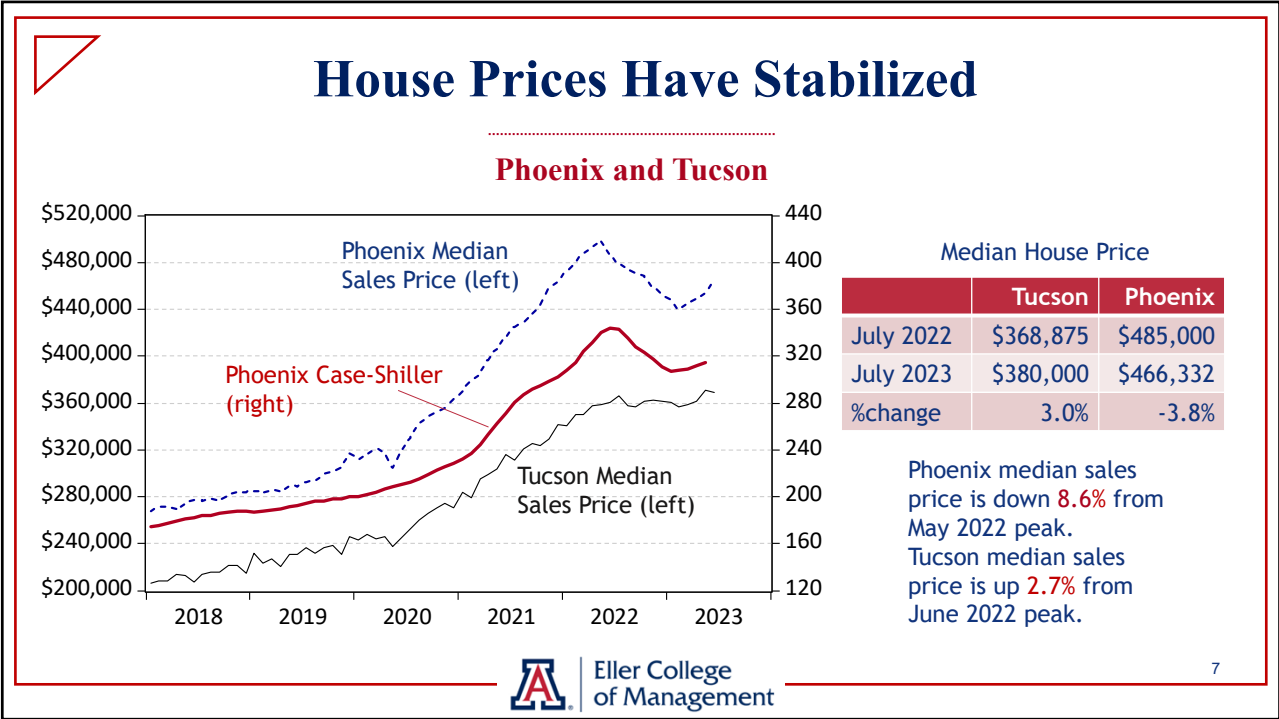
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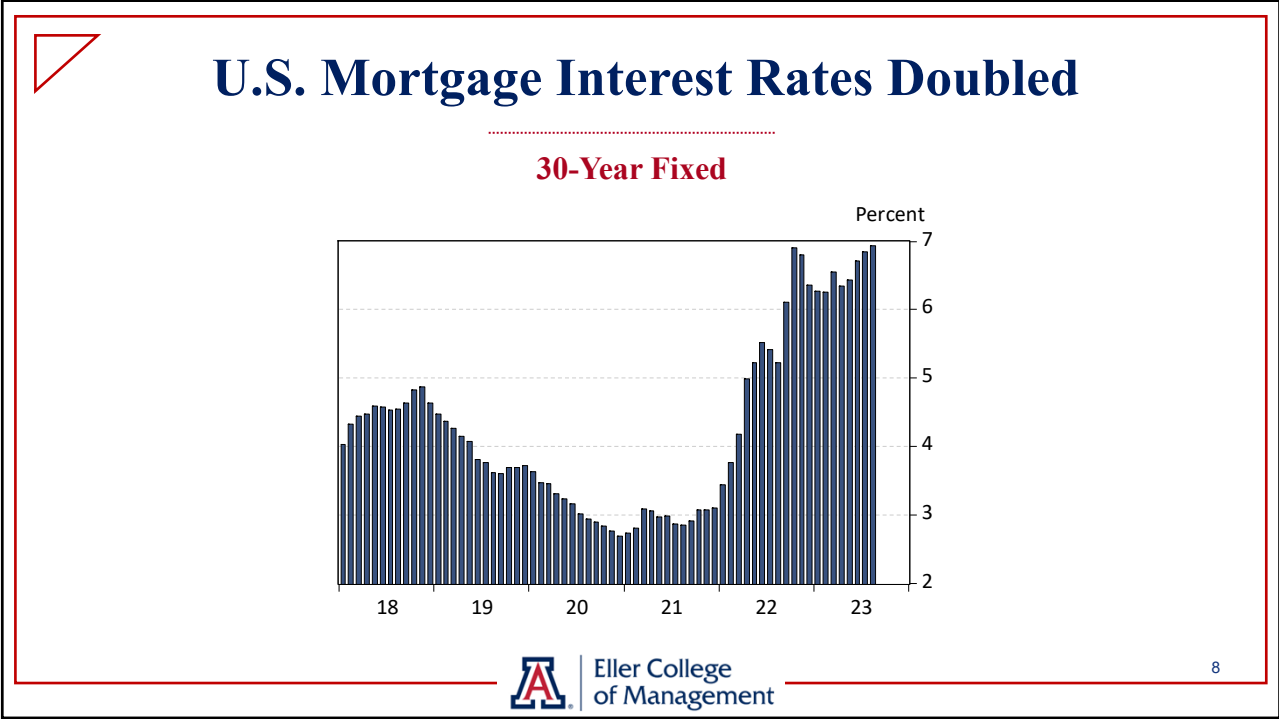
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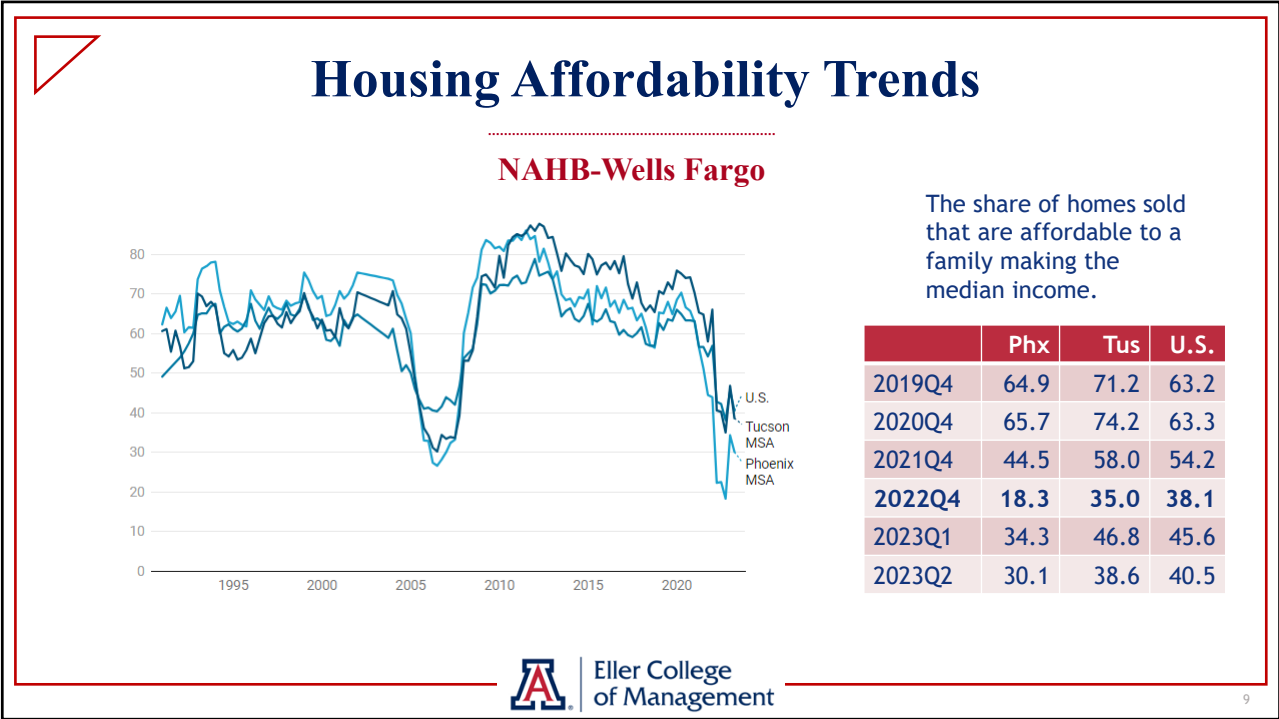
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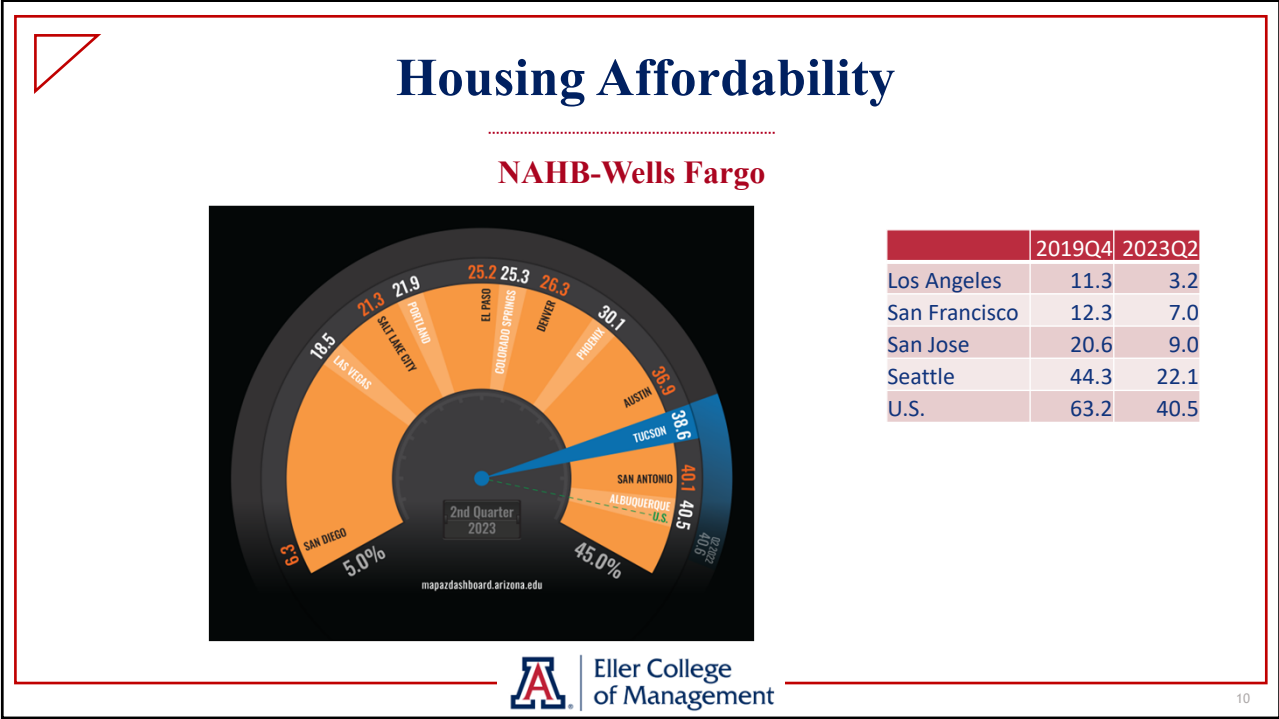
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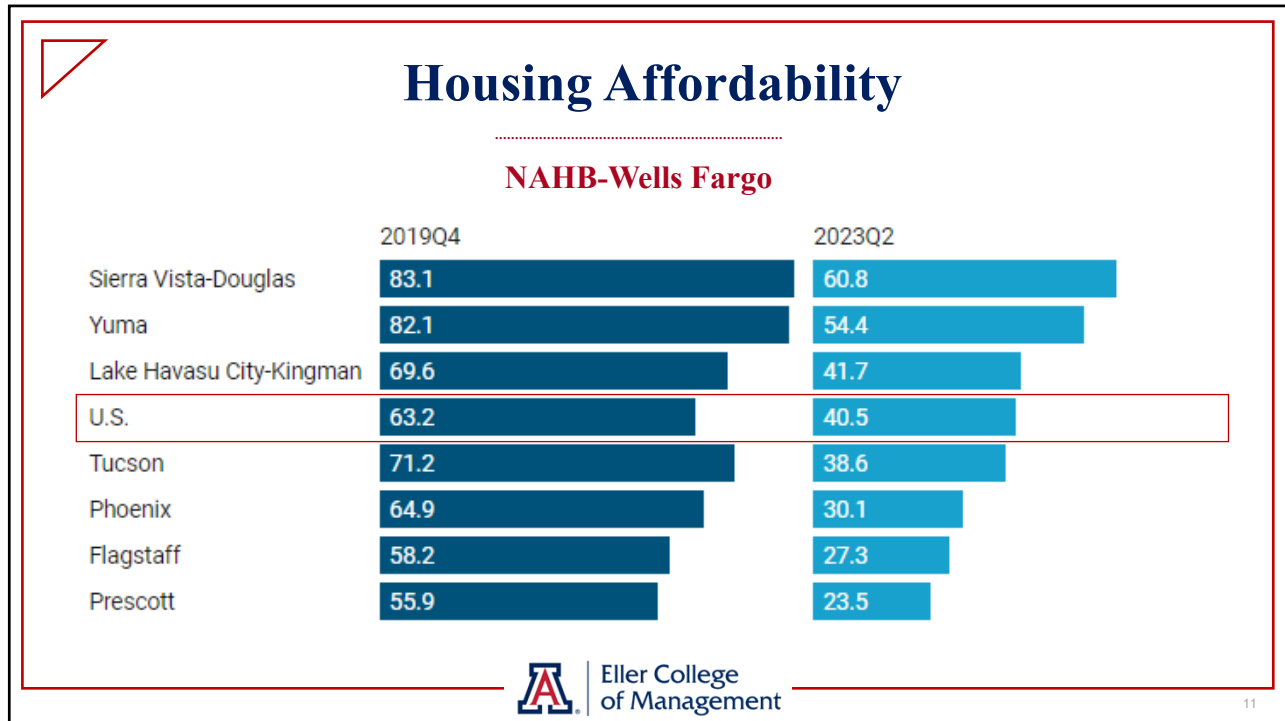


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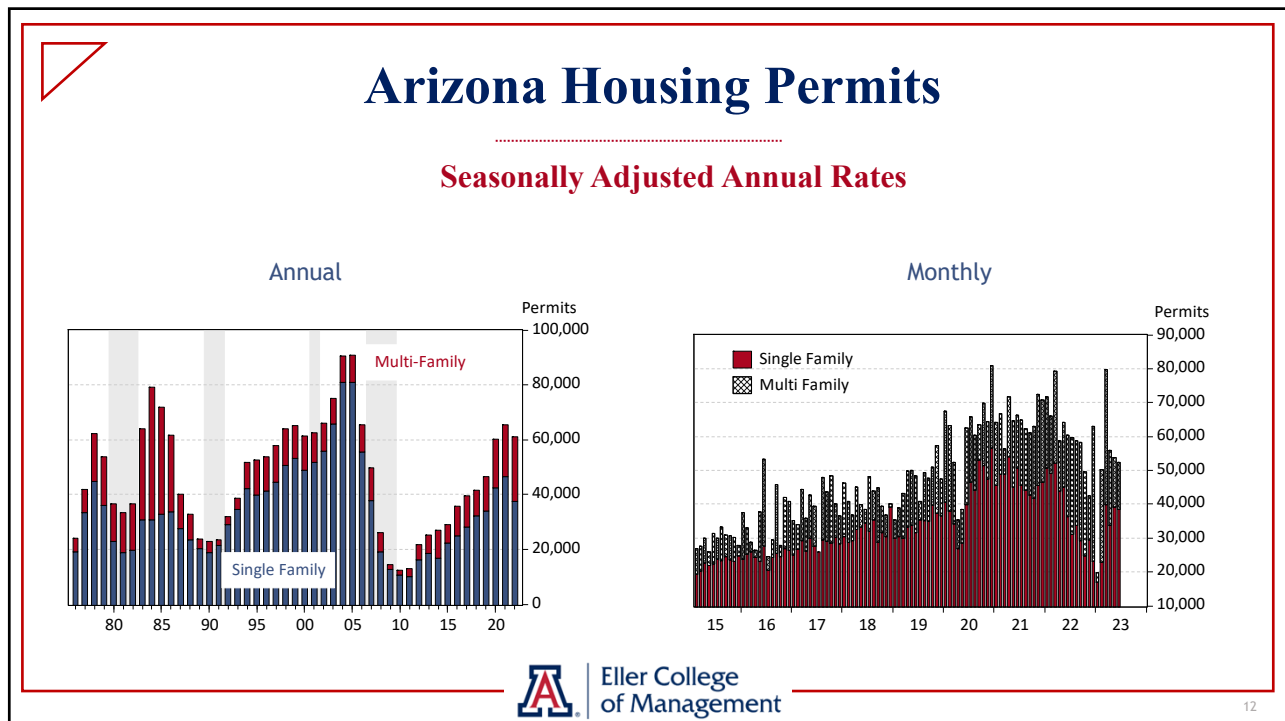


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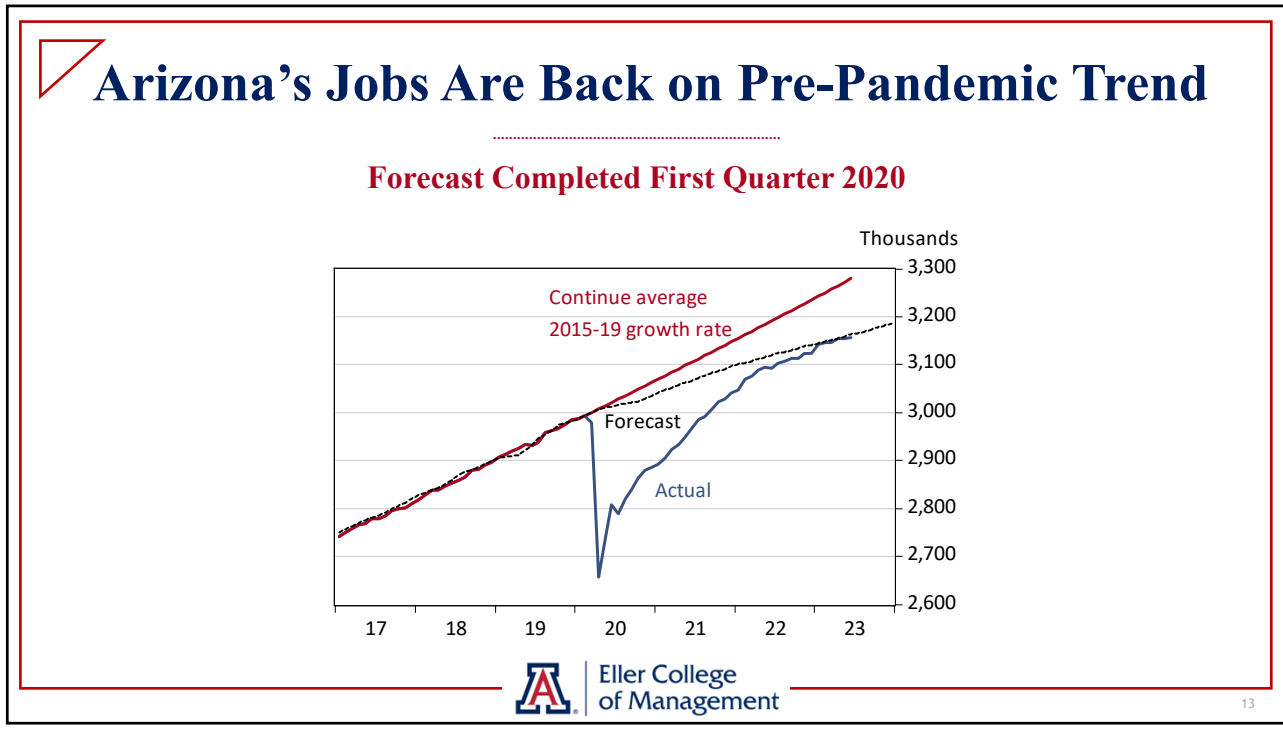
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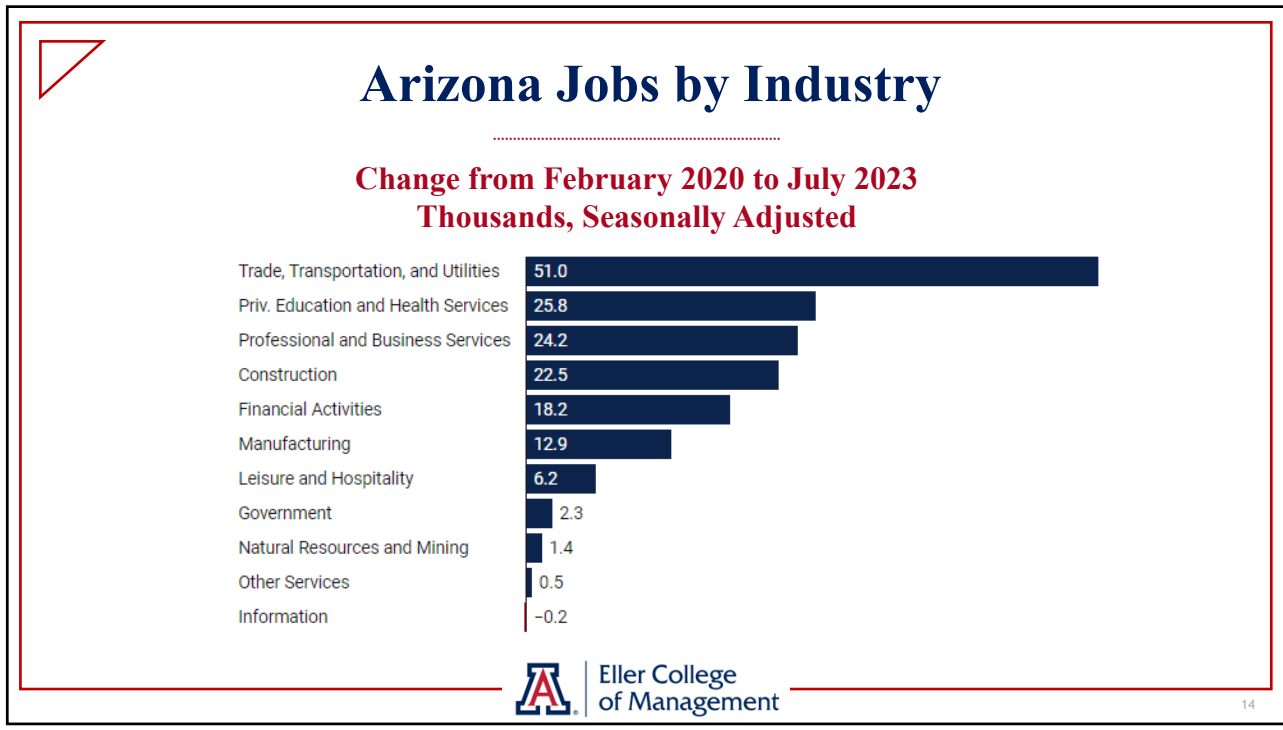
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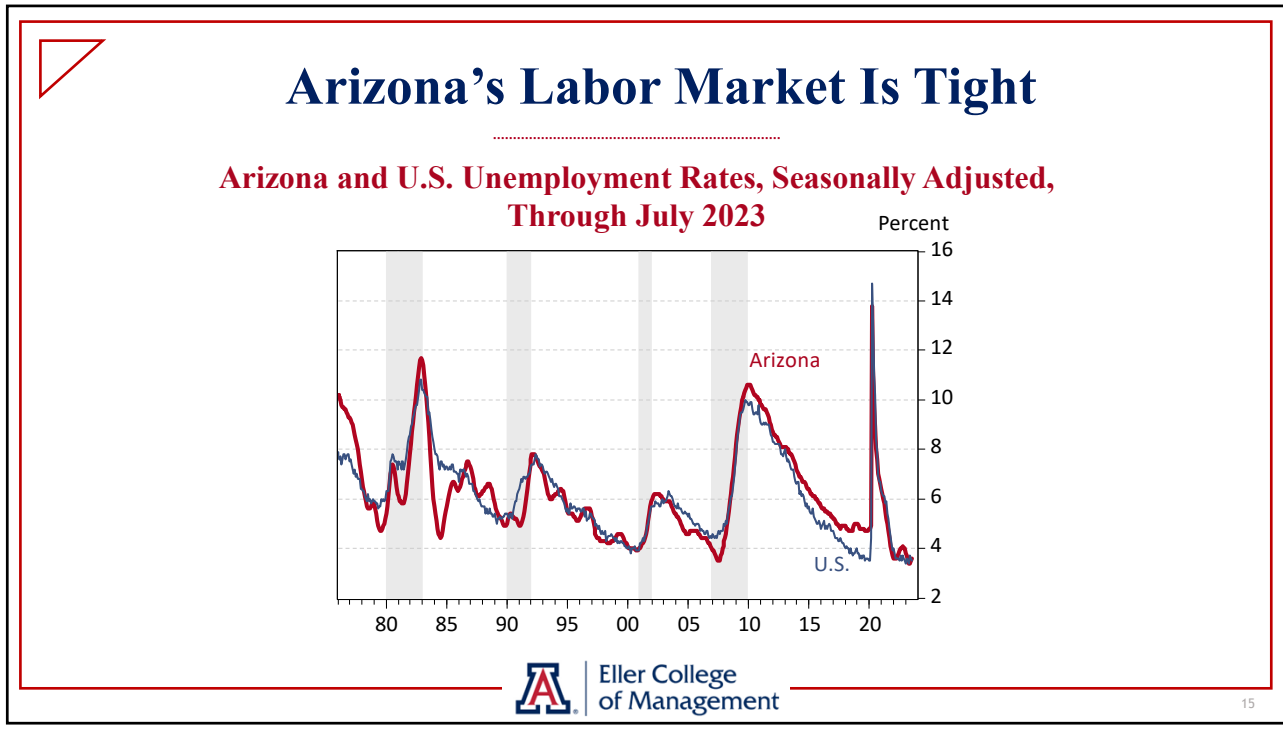


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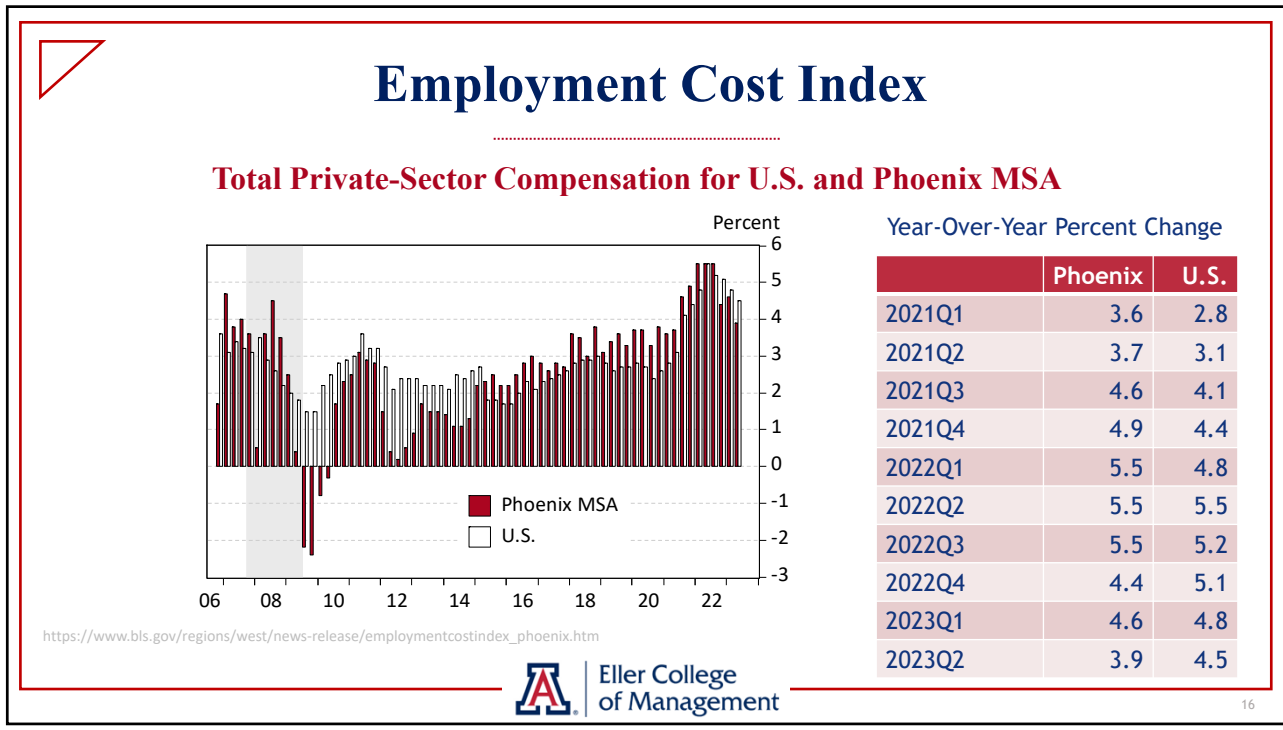


14

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15




16  
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## U.S. Forecast Summary

**S&P Global, July 2023**


	2022	2023	2024	2025	2026
Real GDP Growth	2.1	1.8	1.2	1.5	1.7
Pers. Cons.	2.7	2.0	1.3	1.7	2.1
Bus. Fixed Investment	3.9	3.0	0.8	0.7	1.2
Res. Investment	-10.6	-11.3	0.6	3.7	1.5
Government	-0.6	2.8	0.9	0.7	0.6
Exports	7.1	2.7	4.0	4.9	4.1
Imports	8.1	-1.4	3.6	4.6	3.7
Nonfarm Job Growth	4.3	2.3	0.3	-0.2	0.1
Unemployment Rate	3.6	3.6	4.0	4.6	4.8
Federal Funds Rate	1.7	5.1	5.1	3.5	2.7
AAA Corporate Rate	4.1	4.7	4.6	4.4	4.3
Inflation (CPIU)	8.0	4.1	2.7	2.6	2.3
Housing Starts (Mil.)	1.55	1.41	1.35	1.40	1.40
Consumer Confidence (U.Mich.,%)	-24.0	9.4	15.2	14.2	6.0


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17

## U.S. Interest Rates

**S&P Global, July 2023**



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## Arizona Short-Run Forecast Summary

**Third Quarter 2023**

	Actual	Forecast		
	2022	2023	2024	2025
<b>Growth Rate</b>				
Nonfarm Jobs	4.2	2.3	2.0	2.0
Personal Income	3.3	6.5	5.8	6.0
Retail Plus Remote Sales	8.1	1.6	3.1	5.5
Population	1.7	1.5	1.2	1.3
<b>Level</b>				
Unempl. Rate	3.8	3.7	4.3	4.6
Housing Permits	60,994	48,288	41,808	44,876



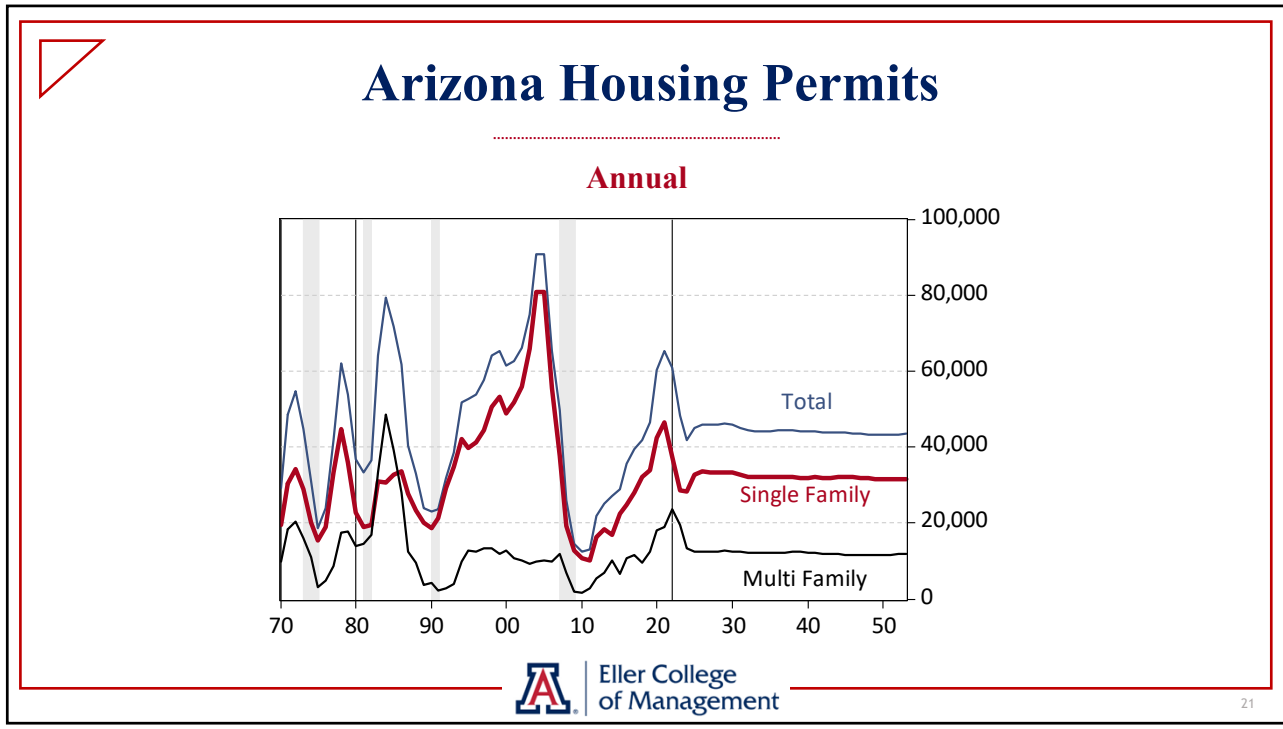
## Arizona Job Growth Slows

**Annual Growth Rates**

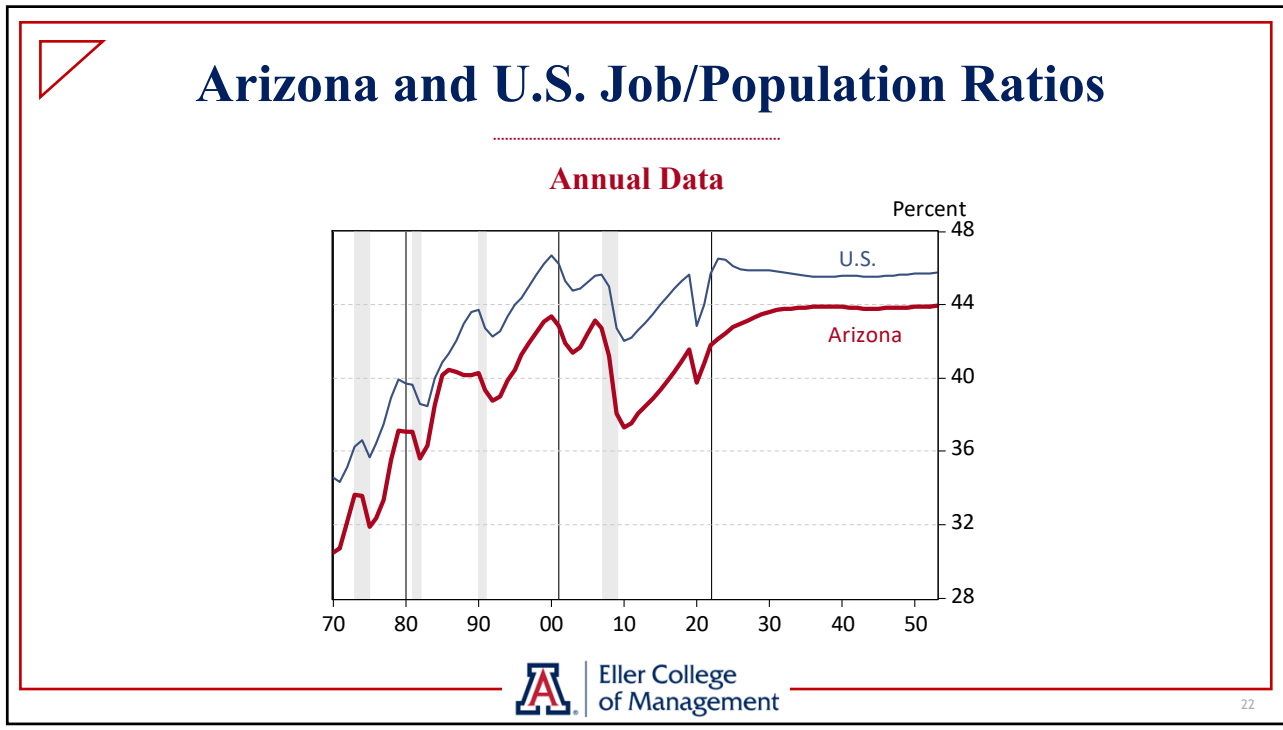
Jobs:  
 1977-2007: 4.1%PY  
 1992-2022: 2.4%PY  
 2023-2052: 1.2%PY





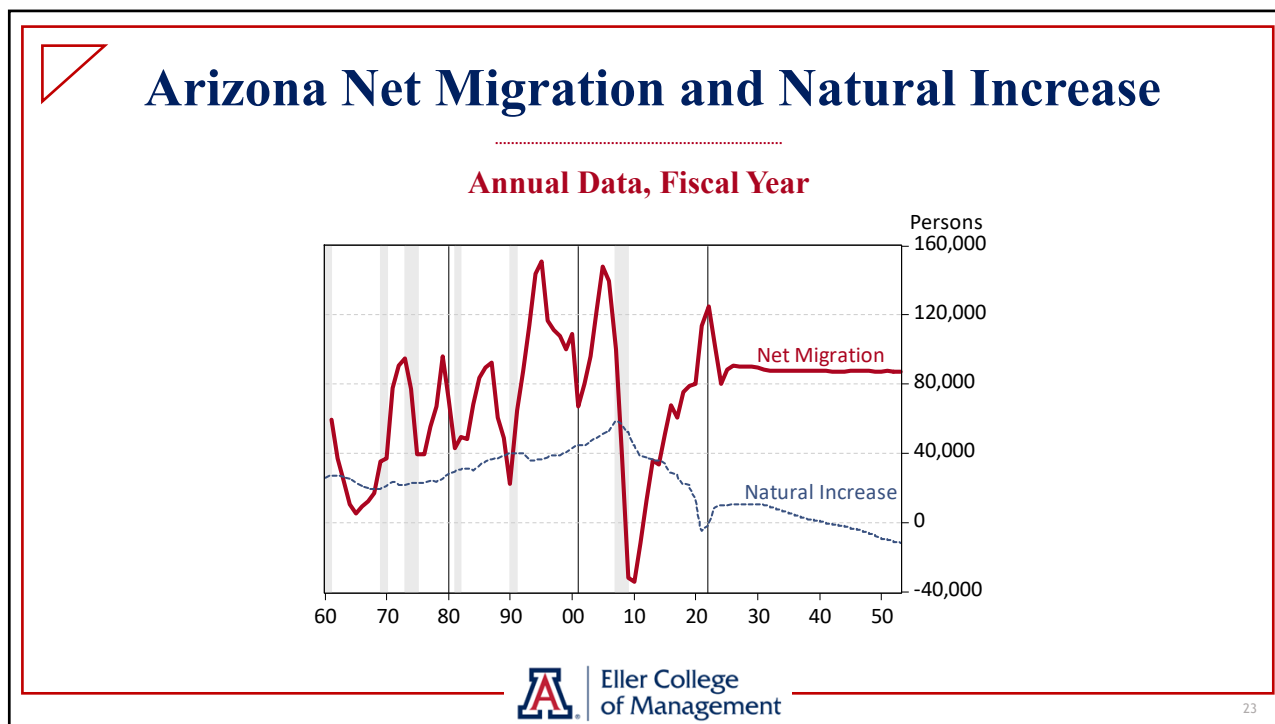


21



22

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23

## Gross Migration Flows to Arizona

**Public Use Microdata Sample, ACS 2017-2021**

	Arizona		Phoenix MSA		Tucson MSA
California	63,409	California	39,659	California	8,078
Washington	18,503	Washington	12,946	Colorado	2,446
Texas	14,976	Texas	9,980	Texas	2,381
Colorado	13,035	Illinois	9,281	Washington	1,840
Illinois	11,772	Colorado	7,817	Florida	1,495
Oregon	9,158	Minnesota	5,993	Illinois	1,431
Florida	8,166	Oregon	5,839	New Mexico	1,077
Minnesota	8,105	New York	5,418	Oregon	988
New York	7,064	Florida	5,355	New York	822
Utah	6,923	Utah	4,759	Nevada	820

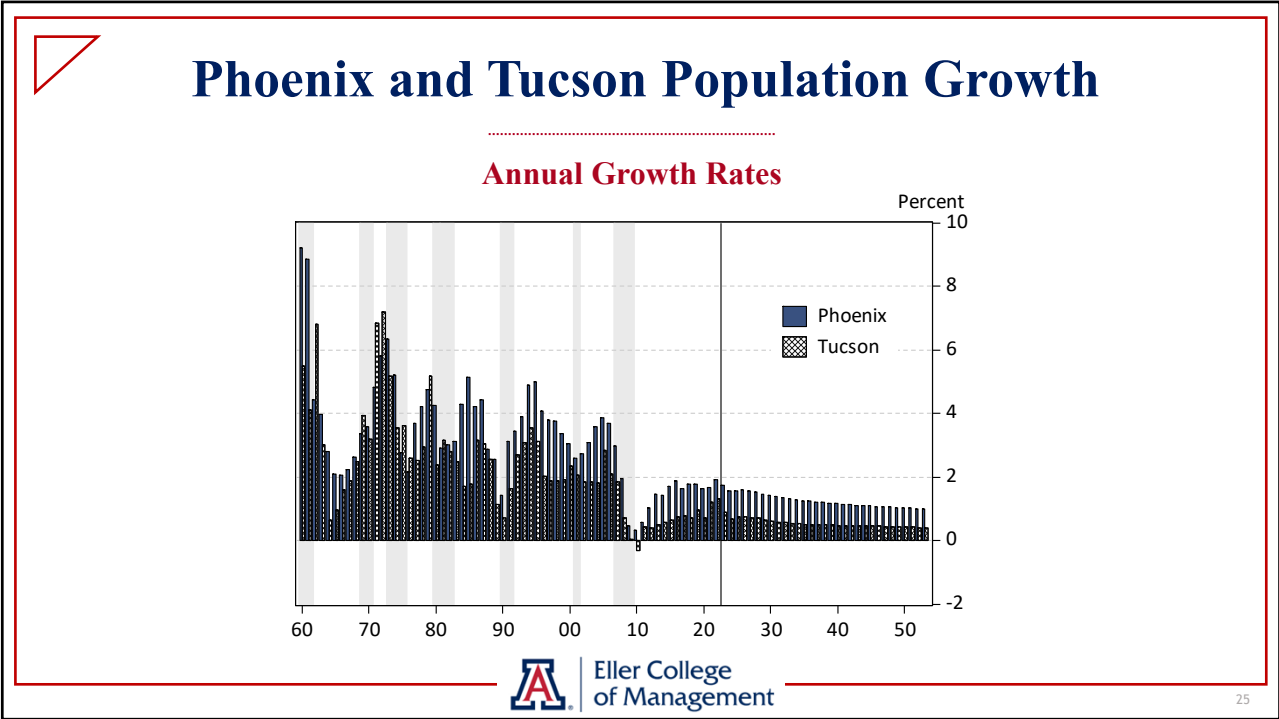
Source: author's calculations, ipums.org, ACS Five-Year 2017-2021, Public Use Microdata Sample

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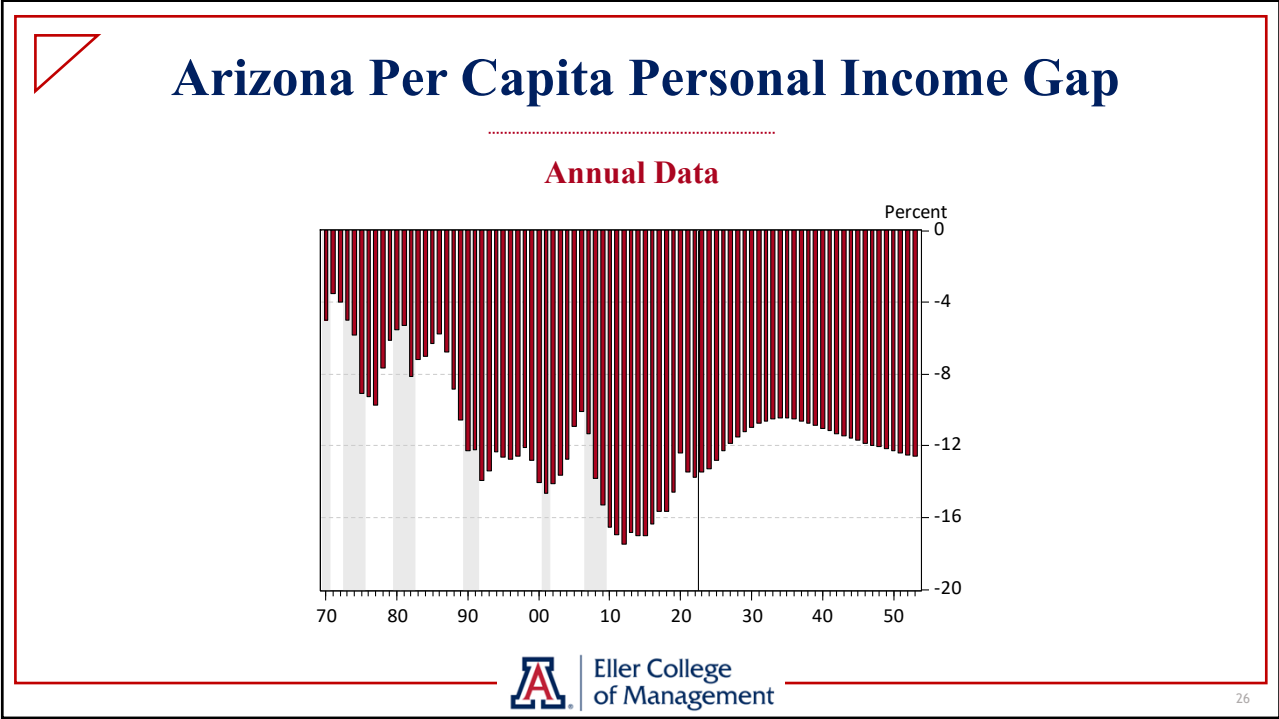
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24

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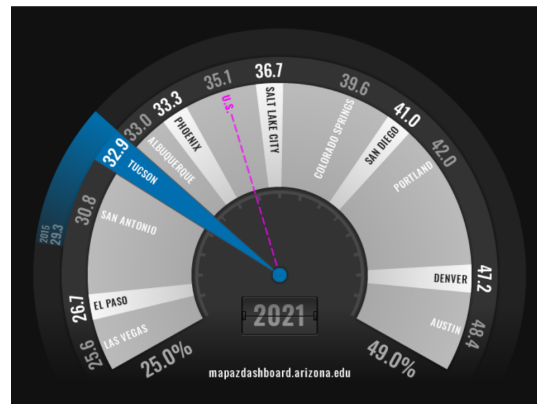
25



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## Four-Year College Attainment Rates

Working-Age Residents, ACS, 2021



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27

27

## Key Takeaways

- ▶ **Inflation is decelerating but still has a long way to go**
- ▶ **Housing affordability dropped in the second quarter**
  - ▶ And remained far below pre-pandemic levels
- ▶ **Arizona's jobs are back on trend**
  - ▶ And the labor market remains very tight
- ▶ **The baseline forecast calls for growth to continue**
- ▶ **In the long run, Arizona is forecast to outpace U.S. growth**
  - ▶ But education attainment and water sustainability are important risks

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