**Choppy Waters**

Arizona’s Recovery Proceeds Unevenly

Eller Breakfast with the Economists
May 27, 2021

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Director
Economic and Business Research Center

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**Key Topics Today**

- Census 2020 resident population released for states
  - Arizona’s count came in well below estimates
- Arizona’s jobs recovery continues
  - But still a long way to go (94,800 jobs)
- Travel and tourism still recovering
  - Restaurants and bars doing better, gas sales up
- Housing permit activity strong
  - And 2020 data was revised up
- Outlook is strong near term
  - Job and population gains accelerate, income and retail sales growth slows

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**U.S. State Population Growth**

Resident Population, Decennial Census, 2010-2020 in Percent

- Arizona has replaced 71.4% of jobs lost from February to April. US has replaced 63.3%

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**Arizona Nonfarm Payroll Jobs**

Seasonally Adjusted

- Arizona has replaced 71.4% of jobs lost from February to April. US has replaced 63.3%

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### Arizona Jobs by Industry

**Change from February 2020 to April 2021**
**Thousands, Seasonally Adjusted**

<table>
<thead>
<tr>
<th>Industry</th>
<th>Change from February 2020 to April 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade, Transportation, and Utilities</td>
<td>16.4</td>
</tr>
<tr>
<td>Natural Resources and Mining</td>
<td>-6.4</td>
</tr>
<tr>
<td>Financial Activities</td>
<td>-1.2</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>-1.7</td>
</tr>
<tr>
<td>Other Services</td>
<td>-3.1</td>
</tr>
<tr>
<td>Construction</td>
<td>-3.6</td>
</tr>
<tr>
<td>Information</td>
<td>-5.9</td>
</tr>
<tr>
<td>Education and Health Services</td>
<td>-8.3</td>
</tr>
<tr>
<td>Professional and Business Services</td>
<td>-17.0</td>
</tr>
<tr>
<td>Government</td>
<td>-24.1</td>
</tr>
<tr>
<td>Leisure and Hospitality</td>
<td>-45.6</td>
</tr>
</tbody>
</table>

### Arizona Jobs by Metro

**Thousands, Seasonally Adjusted**

<table>
<thead>
<tr>
<th>Metro</th>
<th>Change from February 2020 to April 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>June 2020 to April 2021</td>
</tr>
<tr>
<td></td>
<td>2020</td>
</tr>
<tr>
<td>Flagstaff</td>
<td>-8.4</td>
</tr>
<tr>
<td>Lake Havasu City-Kingman</td>
<td>-2.4</td>
</tr>
<tr>
<td>Phoenix</td>
<td>-138.8</td>
</tr>
<tr>
<td>Prescott</td>
<td>-4.2</td>
</tr>
<tr>
<td>Sierra Vista-Douglas</td>
<td>-0.9</td>
</tr>
<tr>
<td>Tucson</td>
<td>-24.6</td>
</tr>
<tr>
<td>Yuma</td>
<td>-3.8</td>
</tr>
<tr>
<td>Arizona</td>
<td>-187.7</td>
</tr>
<tr>
<td>U.S.</td>
<td>-14,683</td>
</tr>
</tbody>
</table>

### Travel and Tourism Still Recovering

**Weekly Indicators**

### Falling Unemployment Rates

**Arizona and U.S. Unemployment Rates, Seasonally Adjusted**

<table>
<thead>
<tr>
<th>Year</th>
<th>U.S. (U3)</th>
<th>Arizona (U3)</th>
<th>U.S. (U6)</th>
<th>Arizona (U6)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apr. 20</td>
<td>14.8</td>
<td>14.2</td>
<td>22.8</td>
<td>14.2</td>
</tr>
<tr>
<td>Dec. 20</td>
<td>6.7</td>
<td>6.8</td>
<td>6.7</td>
<td>11.7</td>
</tr>
<tr>
<td>Apr. 21</td>
<td>6.1</td>
<td>6.7</td>
<td>10.4</td>
<td>10.4</td>
</tr>
</tbody>
</table>

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**CARES Act in Arizona**

**U.S. Bureau of Economic Analysis, $ Millions, 2020**

- UI Benefits (EB, PEUC, PUA, PUCP: Lost Wages Supplement)
- Economic Impact Payments
- Paycheck Protection Program
- Other

Arizona Personal Income in 2020

- Total: +8.4%
- Net Earnings: +3.5%
- Asset Income: -0.9%
- Transfers: +32.4%

CARES Act Total: $18.5 billion

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**Arizona Taxable Sales**

**Relative to January 2020, Seasonally Adjusted, Accrual**

Percent Change from January 2020

- Retail Including Remote Sales
- Restaurants and Bars
- Hotels and Motels
- Amusements

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**Arizona House Prices**

**Seasonally Adjusted**

- PHX MSA Median House Price (MLS), Left Axis
- PHX MSA Home Price Index (Case Shiller), Right Axis
- TUS MSA Median House Price (MLS), Left Axis

**Arizona Active Listings**

**Smoothed with Trend Cycle**

- Tucson Listings
- Phoenix Listings
Arizona, Phoenix, and Tucson Outlook

- Continued recovery, with gradual improvement
  - Vaccine rollout continues and remains effective against variants
  - Arizona jobs return to pre-pandemic levels in first quarter of 2022 under the baseline
    - Pessimistic alternative suggests third quarter 2022
    - Optimistic alternative suggests fourth quarter of 2021
  - Personal income growth is strong in 2021
    - Then softens in 2022 as fiscal support dissipates
  - Population growth remains solid, which supports construction activity

Arizona Short-Run Summary

<table>
<thead>
<tr>
<th>Actual</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth Rate</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nonfarm Jobs</td>
<td>-3.2</td>
<td>2.5</td>
<td>4.2</td>
<td>3.2</td>
</tr>
<tr>
<td>Personal Income</td>
<td>8.4</td>
<td>6.8</td>
<td>2.1</td>
<td>5.2</td>
</tr>
<tr>
<td>Retail Plus Remote Sales</td>
<td>13.7</td>
<td>6.3</td>
<td>1.5</td>
<td>4.5</td>
</tr>
<tr>
<td>Population</td>
<td>1.3</td>
<td>1.5</td>
<td>1.6</td>
<td>1.5</td>
</tr>
<tr>
<td>Level</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unempl. Rate</td>
<td>7.9</td>
<td>5.8</td>
<td>4.3</td>
<td>4.0</td>
</tr>
<tr>
<td>Housing Permits</td>
<td>57,174</td>
<td>59,501</td>
<td>62,654</td>
<td>55,796</td>
</tr>
</tbody>
</table>
Components of Population Change

Arizona Net Migration and Natural Increase

Net Out-Migration: High-Cost Metros

Federal Reserve Bank of Cleveland
Data from NY Fed and Equifax Consumer Credit Panel

Cost of Living

U.S. Bureau of Economic Analysis, 2019

Arizona Housing Permits

Annual
**Tucson MSA Outlook Summary**

**Over-The-Year Growth Rates**

<table>
<thead>
<tr>
<th>Growth Rate</th>
<th>Actual 2020</th>
<th>Forecast 2021</th>
<th>Forecast 2022</th>
<th>Forecast 2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nonfarm Jobs</td>
<td>-4.6</td>
<td>2.6</td>
<td>3.3</td>
<td>2.1</td>
</tr>
<tr>
<td>Personal Income</td>
<td>7.6</td>
<td>7.5</td>
<td>-0.9</td>
<td>4.4</td>
</tr>
<tr>
<td>Retail Plus Remote Sales</td>
<td>11.1</td>
<td>6.3</td>
<td>0.6</td>
<td>3.7</td>
</tr>
<tr>
<td>Population Level</td>
<td>0.5</td>
<td>0.8</td>
<td>0.9</td>
<td>0.9</td>
</tr>
<tr>
<td>Housing Permits</td>
<td>4,992</td>
<td>5,234</td>
<td>5,444</td>
<td>5,175</td>
</tr>
</tbody>
</table>

Personal income and housing permits are forecast in 2020.

**Components of Population Change**

**Tucson MSA Net Migration and Natural Increase**

**Tucson MSA and U.S. Job Growth**

**Annual Growth Rates**

**Tucson MSA Job Gains by Industry**

2020-2030

Total: 53,000 Jobs
Key Takeaways

► Uncertainty still matters, but upside risks are rising
  ► We may do better than expected under the baseline
► Income and spending have recovered faster than jobs
  ► Thanks to federal fiscal support, which is dissipating
► Net migration and housing permit activity look strong this year and next
► Housing affordability will be an increasingly pressing issue

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