# State Economic Outlook Arizona

Comerica Bank

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## *Arizona's Economy Will Catch a Tailwind*

Recently released data from the Census Bureau indicate that net migration into Arizona has been stronger than previously estimated. This is a positive sign for the state's private services and housing sector activity outlook for 2017. An increasing population has a number of positive impacts on the state's economy. First, it helps grow the state's total labor force which is a key component of a growing economy. Second, it drives demand for housing and basic services, supporting jobs in those industries. The increased job growth in turn supports funding for infrastructure by increasing the overall tax base. While the state will likely continue to attract new residents over the next few years, migration and population growth is expected to remain well below the 2004 and 2006 highs. The Arizona economy will continue to see moderate growth over the next couple of years as job gains lead to higher wages and support consumer spending.

The improving sentiment regarding future tax and regulatory policies, that may be supportive of U.S. manufacturers, is helping to push along expansion projects of high-tech firms in the Silicon Desert. Intel Corp. recently announced that it plans to invest $7 billion into a manufacturing facility in Chandler to develop next-generation microprocessors. Intel Corp. CEO Brian Krzanich indicated that policies being pursued by the new administration "make it advantageous to do manufacturing in the U.S." The company expects the project to create 3,000 high-tech manufacturing jobs and over 10,000 jobs in factory support roles.

**Arizona Economic Outlook**

| | 3Q'16a | 4Q'16a | 1Q'17f | 2Q'17f | 3Q'17f | 4Q'17f | 1Q'18f | 2Q'18f | 2016a | 2017f | 2018f |
|---|---|---|---|---|---|---|---|---|---|---|---|
| ***State GDP*** | | | | | | | | | | | |
| Real GDP (Chained 2009 Millions $) | 267135 | 268702 | 270161 | 271868 | 273585 | 275307 | 277025 | 278747 | 266176 | 272730 | 279510 |
| ***Percent Change Annualized*** | ***2.8*** | ***2.4*** | ***2.2*** | ***2.6*** | ***2.6*** | ***2.5*** | ***2.5*** | ***2.5*** | ***1.8*** | ***2.5*** | ***2.5*** |
| ***Labor and Demographics*** | | | | | | | | | | | |
| Payroll Jobs *(Thousands)* | 2705 | 2713 | 2728 | 2743 | 2758 | 2772 | 2788 | 2803 | 2701 | 2750 | 2810 |
| ***Percent Change Annualized*** | ***1.4*** | ***1.2*** | ***2.2*** | ***2.1*** | ***2.2*** | ***2.2*** | ***2.2*** | ***2.2*** | ***2.4*** | ***1.8*** | ***2.2*** |
| Unemployment Rate *(Percent)* | 5.8 | 5.0 | 5.1 | 5.1 | 5.1 | 5.1 | 5.0 | 5.0 | 5.5 | 5.1 | 5.0 |
| Population *(Thousands)* | 6967 | 7000 | 7034 | 7069 | 7103 | 7138 | 7172 | 7206 | 6950 | 7086 | 7224 |
| ***Percent Change Annualized*** | ***2.1*** | ***1.9*** | ***1.9*** | ***2.0*** | ***2.0*** | ***2.0*** | ***1.9*** | ***1.9*** | ***1.7*** | ***2.0*** | ***1.9*** |
| Net Migration *(Thousands)* | 18.1 | 17.9 | 19.3 | 19.1 | 19.1 | 19.0 | 18.9 | 18.9 | 77.2 | 76.4 | 75.7 |
| ***Personal Income*** | | | | | | | | | | | |
| Total Personal Income *(Nom., Millions $)* | 279134 | 281458 | 284735 | 288254 | 291687 | 295409 | 299272 | 303250 | 277361 | 290021 | 305250 |
| ***Percent Change Annualized*** | ***4.0*** | ***3.4*** | ***4.7*** | ***5.0*** | ***4.9*** | ***5.2*** | ***5.3*** | ***5.4*** | ***3.7*** | ***4.6*** | ***5.3*** |
| ***Housing*** | | | | | | | | | | | |
| Housing Starts *(Total, Ann. Rate)* | 34488 | 35688 | 34306 | 34831 | 35396 | 35888 | 36374 | 36850 | 33114 | 35105 | 37054 |
| ***Percent Change Annualized*** | ***60.5*** | ***14.7*** | ***-14.6*** | ***6.3*** | ***6.6*** | ***5.7*** | ***5.5*** | ***5.3*** | ***14.3*** | ***6.0*** | ***5.6*** |
| SF Housing Starts *(# of Units, Ann Rate)* | 24016 | 27213 | 25526 | 25944 | 26386 | 26775 | 27170 | 27533 | 24800 | 26158 | 27685 |
| MF Housing Starts *(# of Units, Ann Rate)* | 10473 | 8475 | 8780 | 8887 | 9009 | 9113 | 9204 | 9317 | 8314 | 8947 | 9369 |
| Existing Home Sales *(Ths. of Units, Ann Rate)* | 153 | 146 | 148 | 151 | 152 | 154 | 155 | 156 | 147 | 151 | 157 |
| House Prices, FHFA *(1991 Q1=100, SA)* | 273 | 277 | 282 | 286 | 290 | 295 | 299 | 304 | 272 | 288 | 306 |
| ***Year/Year Percent Change*** | ***6.7*** | ***6.2*** | ***5.7*** | ***5.5*** | ***6.2*** | ***6.5*** | ***6.2*** | ***6.1*** | ***7.4*** | ***6.0*** | ***6.1*** |
| ***Bankruptcies*** | | | | | | | | | | | |
| Total Business *(12 Months Ending)* | 556 | 513 | 486 | 461 | 435 | 410 | 385 | 380 | 559 | 448 | 379 |
| Total Personal *(12 Months Ending)* | 15339 | 15001 | 14740 | 14478 | 14280 | 14120 | 14004 | 13935 | 15656 | 14405 | 13941 |

***a = actual f = forecast***

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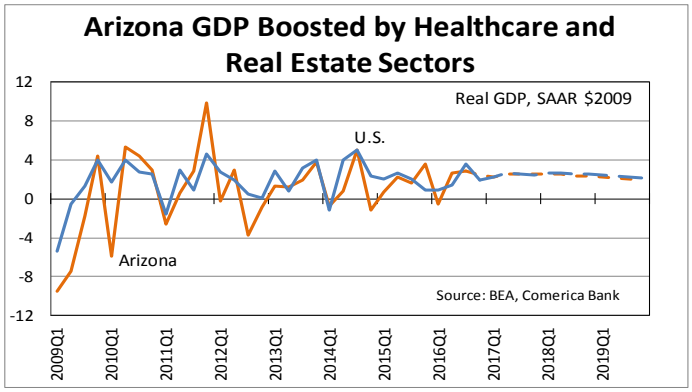


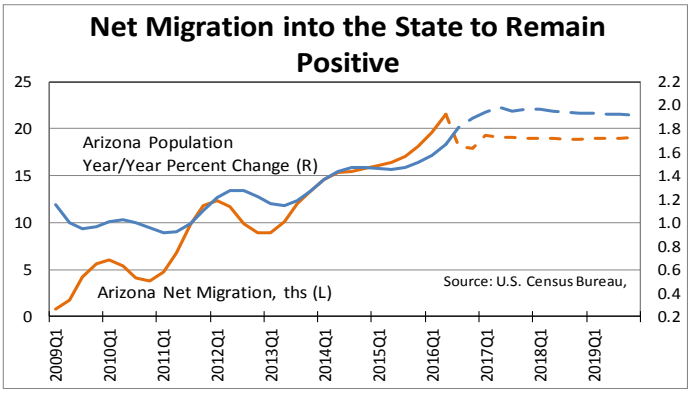


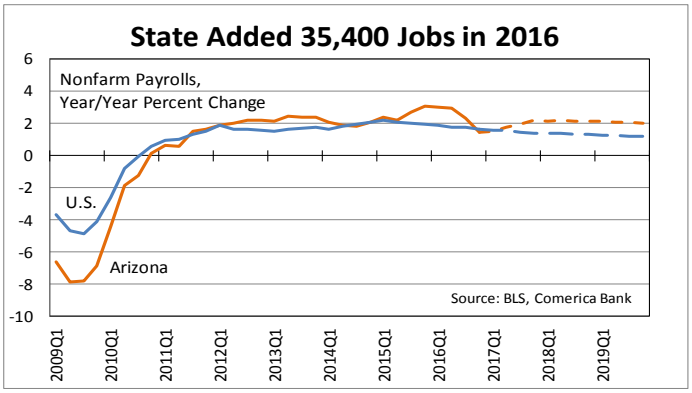


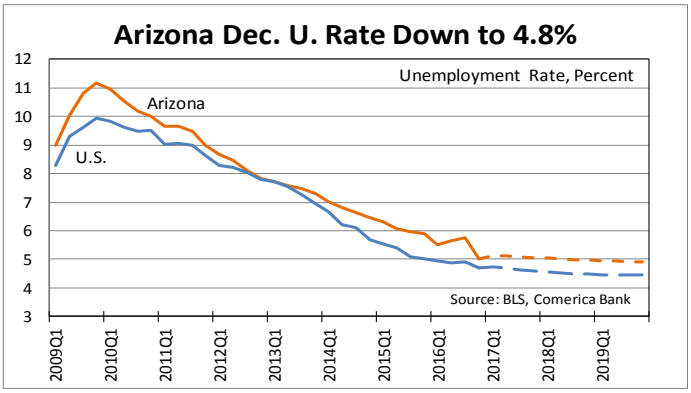


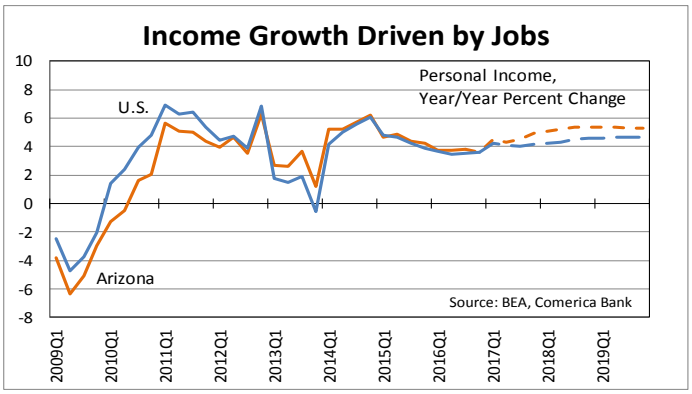


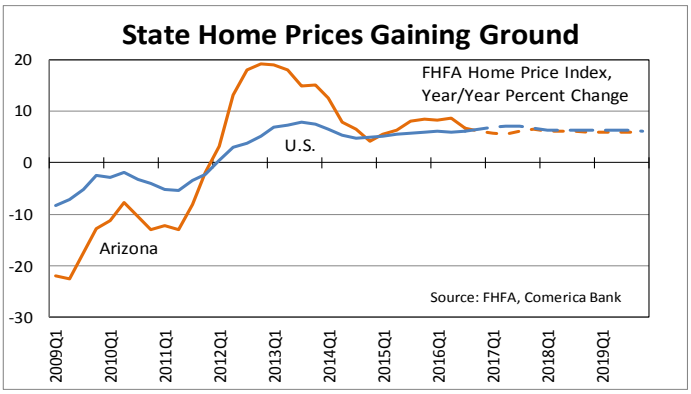


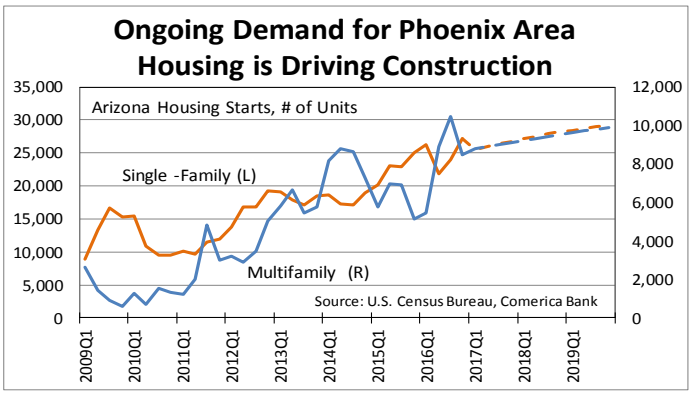


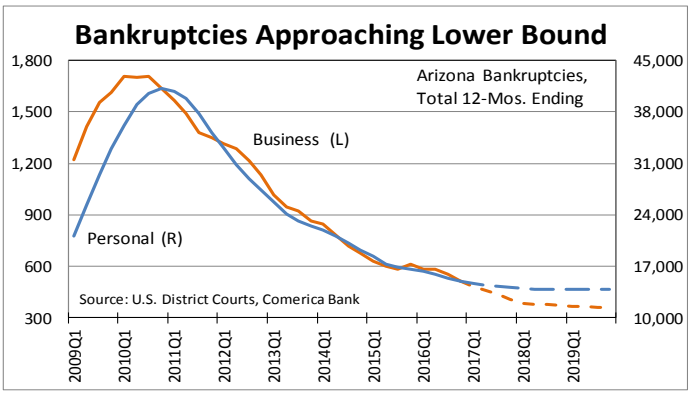


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