

Arizona Economy On Positive Course Despite Q1 Slow Down

Revised Arizona payroll employment data were mixed. Starting with the positive, the Bureau of Labor Statistics annual revision indicated that Arizona added 69,700 jobs last year. This is twice the amount of jobs in 2016 than the original data implied. However, Arizona job growth unexpectedly slowed in the Q1 of 2017, growing at a 0.7 percent annualized rate. This is the slowest rate since Q3 of 2010 when job growth was negative. The primary culprit in Q1 was weaker-than-expected job growth for private service providers, which makes up about three-fourths of Arizona employment, held down by declines in the administrative and waste, information and retail trade sectors. The relative affordability of Arizona remains a strong incentive for businesses to setup shop inside the state. Therefore, we expect improving private services to support overall job growth for the rest of 2017.

Tourism indicators have also been mixed in Arizona as domestic demand fills in the gap left by international travelers. Total enplanements at Sky Harbor International Airport began trending down at the end of 2015, pulled down by year-over-year declines in international passengers. State hotel occupancy, seasonally adjusted, has remained range bound throughout the latter half of 2016 and the start of 2017. Visitors from Canada and Mexico have been impacted by the relative strengthening of the U.S. dollar against the Canadian dollar and the Mexican peso, which remain 22 and 41 percent, respectively, below their 2014 levels. Demand from domestic travelers will pick up as the overall U.S. economy improves this year, supporting the Arizona tourism industry.

Arizona Economic Outlook

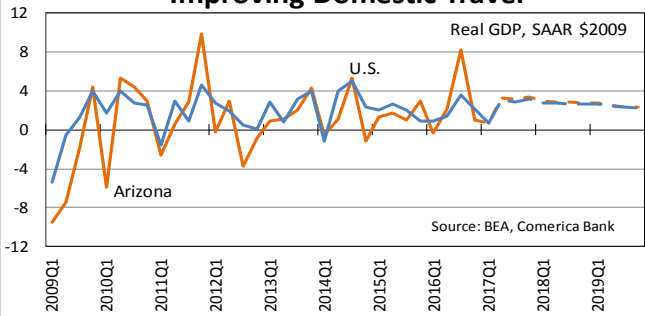
	4Q'16a	1Q'17a	2Q'17f	3Q'17f	4Q'17f	1Q'18f	2Q'18f	3Q'18f	2016a	2017f	2018f
State GDP											
Real GDP (Chained 2009 Millions \$)	270953	271380	273551	275646	277887	279895	281860	283800	267472	274616	282812
Percent Change Annualized	1.0	0.6	3.2	3.1	3.3	2.9	2.8	2.8	2.1	2.7	3.0
Labor and Demographics											
Payroll Jobs (Thousands)	2732	2736	2751	2766	2780	2794	2808	2821	2706	2758	2814
Percent Change Annualized	1.7	0.7	2.2	2.1	2.1	2.0	2.0	1.9	2.7	1.9	2.0
Unemployment Rate (Percent)	5.0	5.0	5.0	5.0	4.9	4.9	4.9	4.9	5.2	5.0	4.9
Population (Thousands)	7000	7034	7068	7101	7135	7168	7201	7234	6950	7084	7218
Percent Change Annualized	1.9	2.0	1.9	1.9	1.9	1.9	1.9	1.9	1.7	1.9	1.9
Net Migration (Thousands)	18.5	18.3	18.1	17.9	17.8	17.7	18.1	18.0	77.6	72.1	71.7
Personal Income											
Total Personal Income (Nom., Millions \$)	284295	286673	290108	293543	297096	300739	304393	308177	278925	291855	306328
Percent Change Annualized	3.6	3.4	4.9	4.8	4.9	5.0	4.9	5.1	4.3	4.6	5.0
Housing											
Housing Starts (Total, Ann. Rate)	37371	33683	33654	34456	35024	35590	36122	36600	33535	34204	36358
Percent Change Annualized	37.9	-34.0	-0.3	9.9	6.8	6.6	6.1	5.4	15.8	2.0	6.3
SF Housing Starts (# of Units, Ann Rate)	27632	26734	25873	26367	26787	27215	27605	27960	24905	26440	27775
MF Housing Starts (# of Units, Ann Rate)	9739	6949	7781	8089	8238	8375	8517	8640	8630	7764	8583
Existing Home Sales (Ths. of Units, Ann Rate)	158	149	151	154	156	158	160	162	150	153	161
House Prices, FHFA (1991 Q1=100, SA)	279	287	293	298	303	308	313	318	272	295	316
Year/Year Percent Change	7.4	7.8	8.1	9.2	8.5	7.3	6.9	6.9	7.8	8.4	6.9
Bankruptcies											
Total Business (12 Months Ending)	513	500	472	445	440	433	427	421	559	464	424
Total Personal (12 Months Ending)	15001	14887	14701	14527	14404	14323	14291	14313	15656	14630	14318

a = actual f = forecast

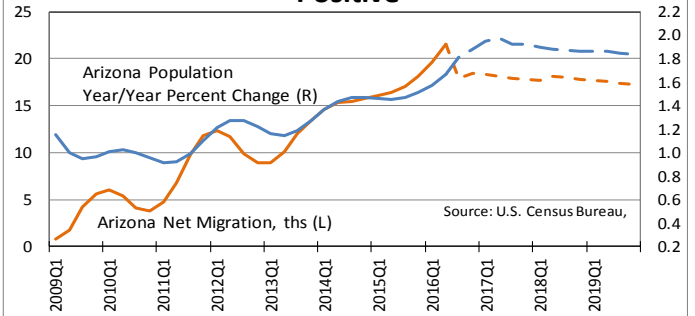
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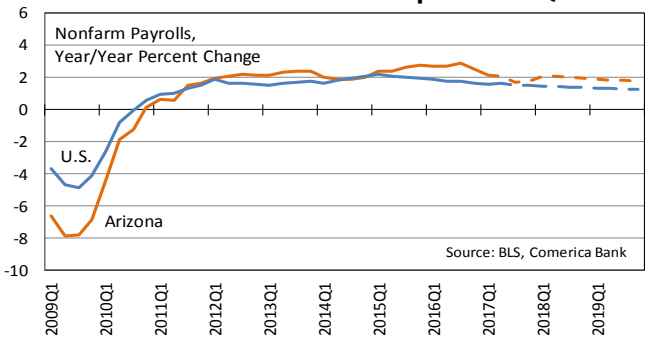
Arizona GDP Will be Supported by Improving Domestic Travel



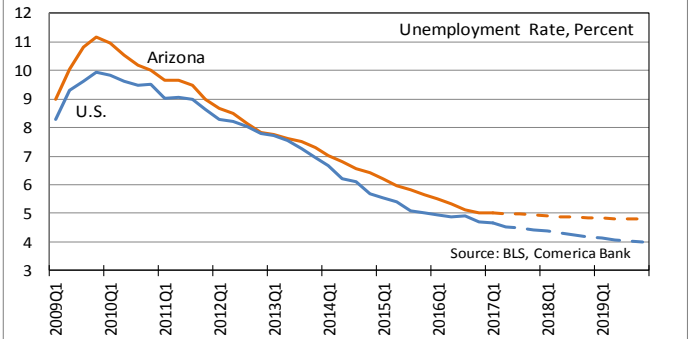
Net Migration into the State to Remain Positive



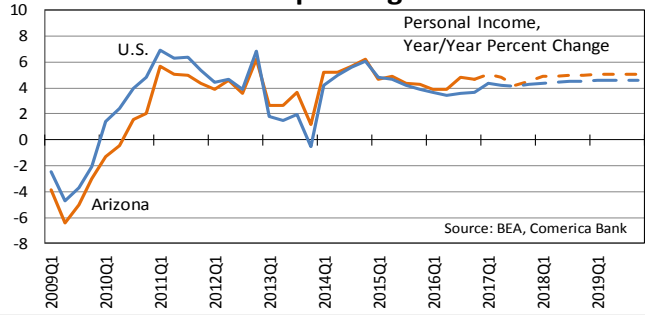
State Job Growth to Improve in Q2



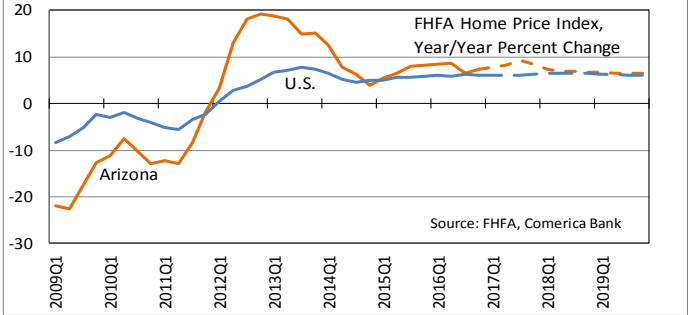
Arizona Mar. U. Rate Down to 5.0%



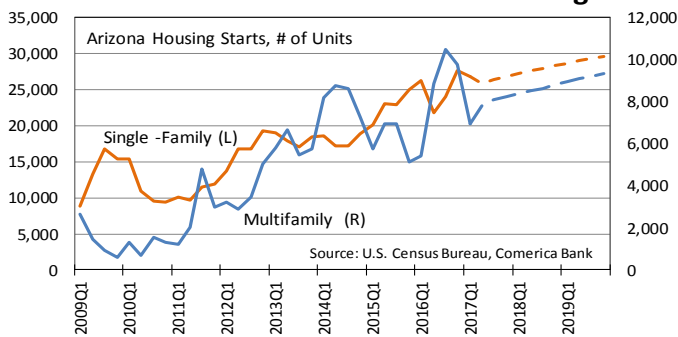
Higher Incomes to Boost Consumer Spending



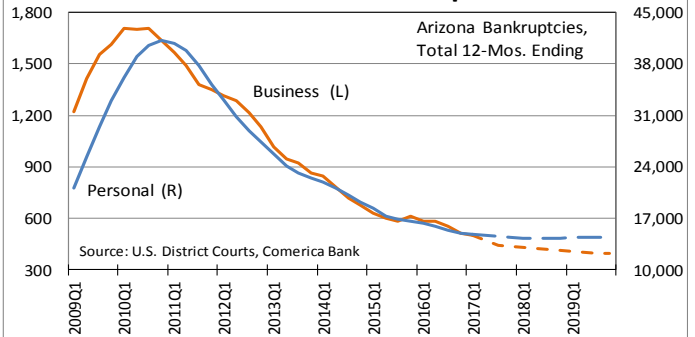
State Home Prices Continue to Recoup Recession Losses



Still Room to Run in Arizona Housing



Credit Continues to Improve



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