

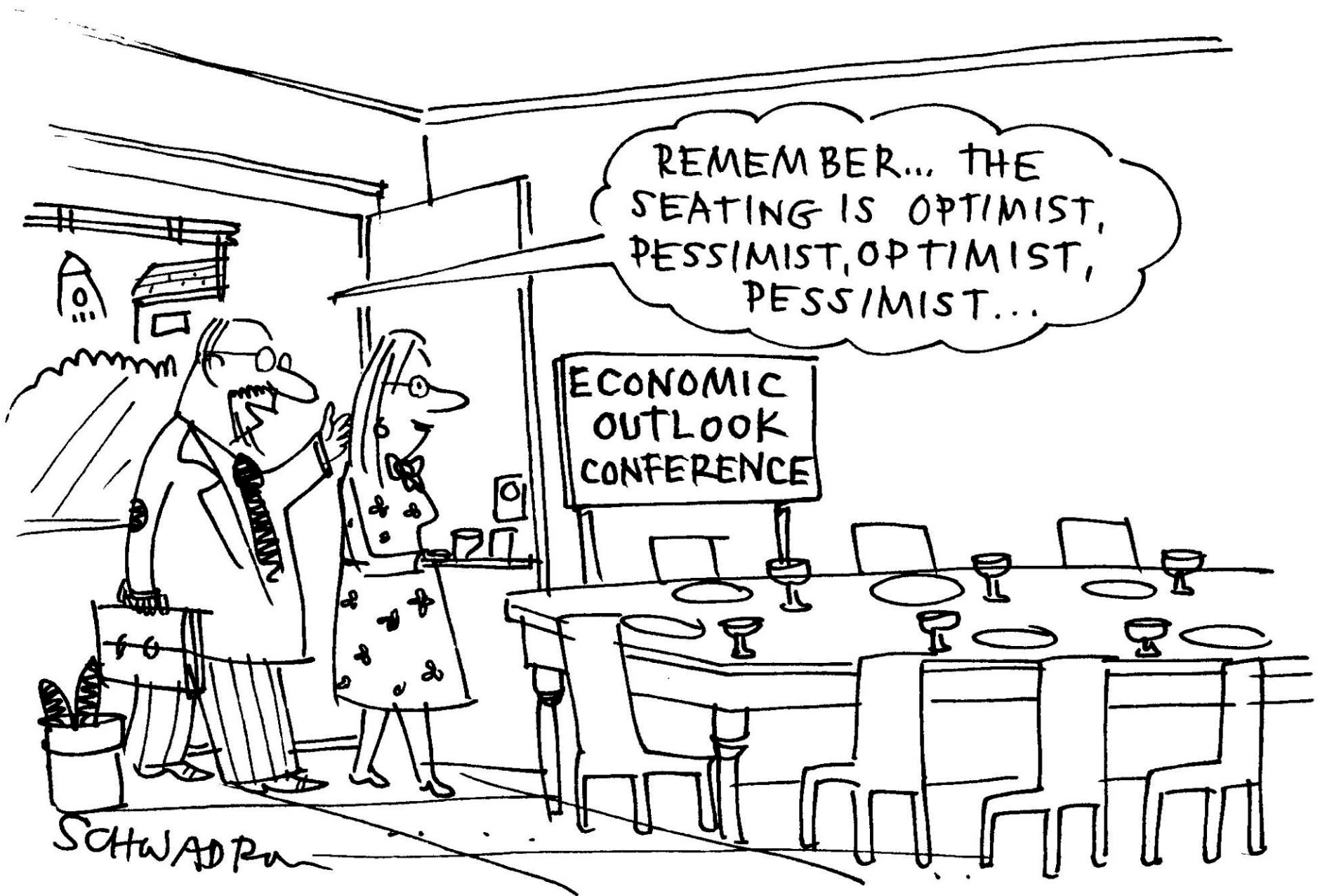
# ***On The Arizona Road to Recovery***

## **“Are We There Yet?”**



**Arizona Pavements/Materials Conference**

***November 19, 2014***



# **Arizona/Metro Phoenix Economies: Recovering – NOT Recovered**

- **Historically Growth Leaders**
- **But Recession Hit Earlier, Harder**
- **Population & Construction Lag**
- **Long Term Outlook Still Positive**

# Arizona: A Leading Growth State

<b>Decade Rank</b>	<b>Population Growth (%)</b>	<b>Employment Growth (%)</b>	<b>Income Growth (%)</b>
<b>1960 - 1970</b>	<b>3<sup>rd</sup></b>	<b>3<sup>rd</sup></b>	<b>4<sup>th</sup></b>
<b>1970 - 1980</b>	<b>2<sup>nd</sup></b>	<b>3<sup>rd</sup></b>	<b>3<sup>rd</sup></b>
<b>1980 - 1990</b>	<b>3<sup>rd</sup></b>	<b>3<sup>rd</sup></b>	<b>5<sup>th</sup></b>
<b>1990 - 2000</b>	<b>2<sup>nd</sup></b>	<b>2<sup>nd</sup></b>	<b>3<sup>rd</sup></b>
<b>2000 - 2007</b>	<b>2<sup>nd</sup></b>	<b>3<sup>rd</sup></b>	<b>4<sup>th</sup></b>
<b>2008 - 2010</b>	<b>14<sup>th</sup></b>	<b>49<sup>th</sup></b>	<b>45<sup>th</sup></b>
<b>2013</b>	<b>8<sup>th</sup></b>	<b>10<sup>th</sup></b>	<b>21<sup>st</sup></b>

*Annual Growth Rates from U.S. Bureau of Census; U.S. BLS; U. S. BEA*

# ARIZONA

## Economic Outlook



Arizona Indicators	2013	2014	2015
Employment (%)	2.1	2.2	2.4
Personal Income (%)	2.1	4.0	4.5
Population (%)	1.2	1.4	1.5
Single Family Permits	18,386	17,500	20,125

*W. P. Carey School of Business, ASU, based on data available November 2014*

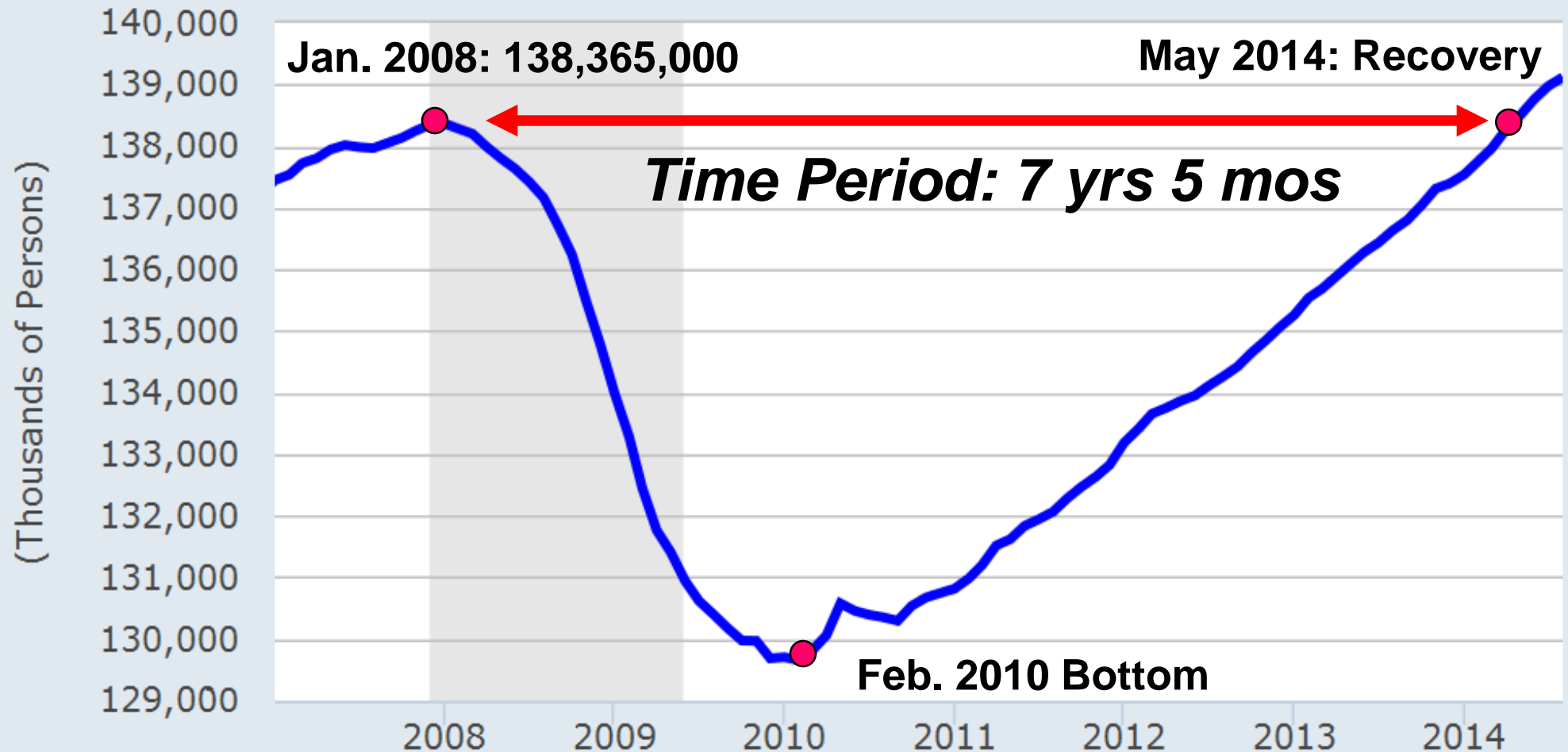
# Slow Recovery of Lost Jobs

- The U.S. in May regained ALL jobs lost in recession
- Arizona has regained 65% of jobs lost in recession
- Metro Phoenix has regained 71% of jobs lost in recession

# U.S. Regains Lost Jobs – Finally!

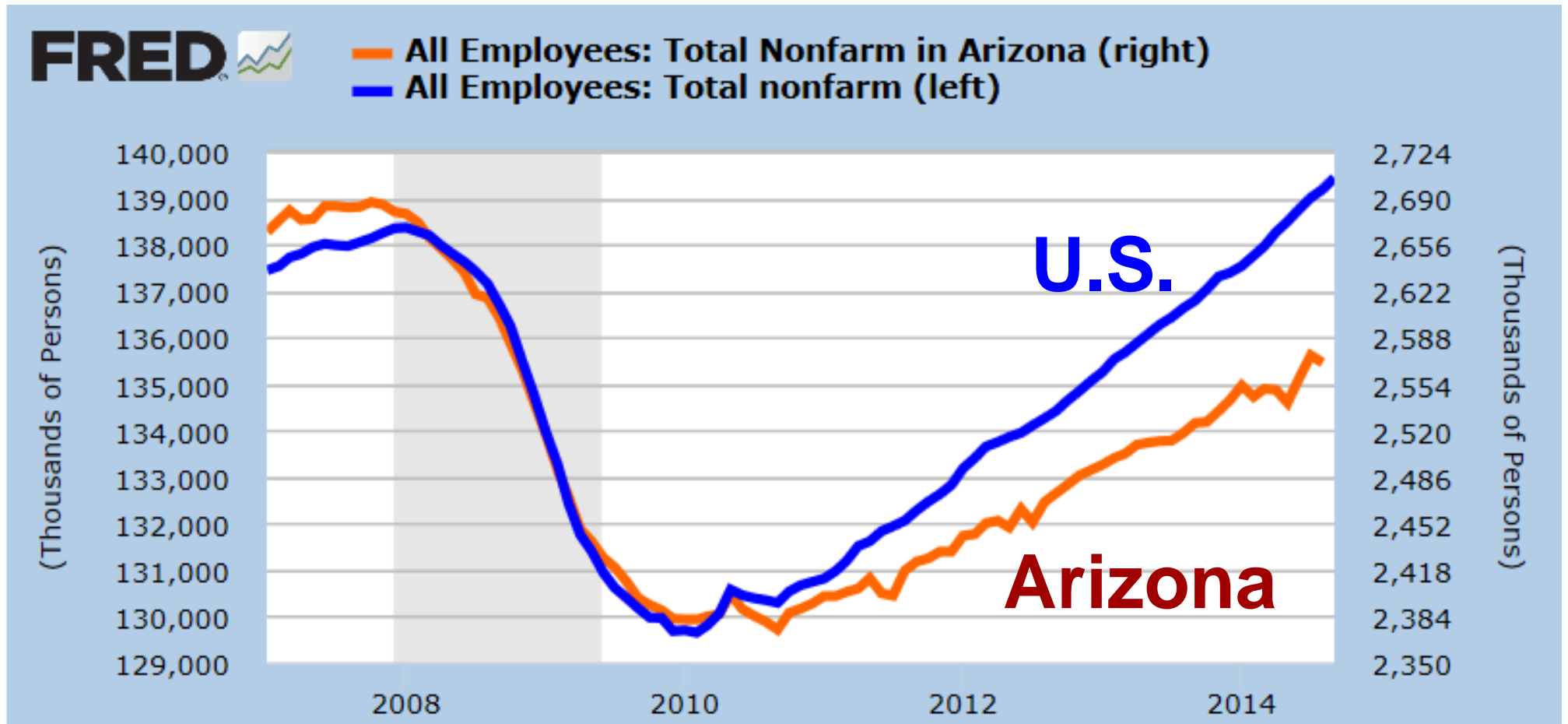
**FRED** 

— All Employees: Total nonfarm



*U. S. Bureau of Labor Statistics, Seasonally Adjusted*

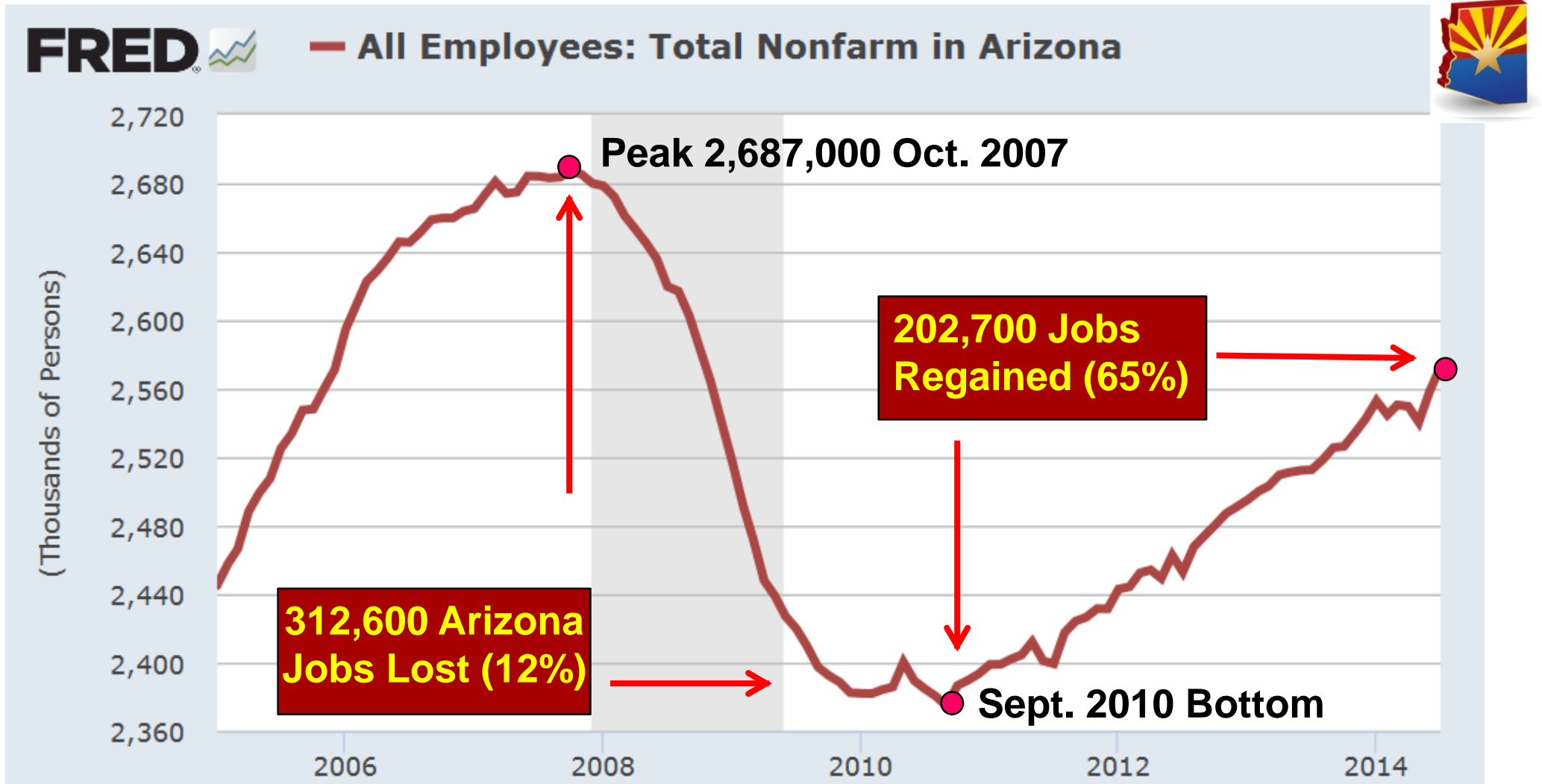
# But Arizona Lags the U.S. in Recovery of Lost Jobs To Date





# Arizona Has Regained 65% of Lost Jobs

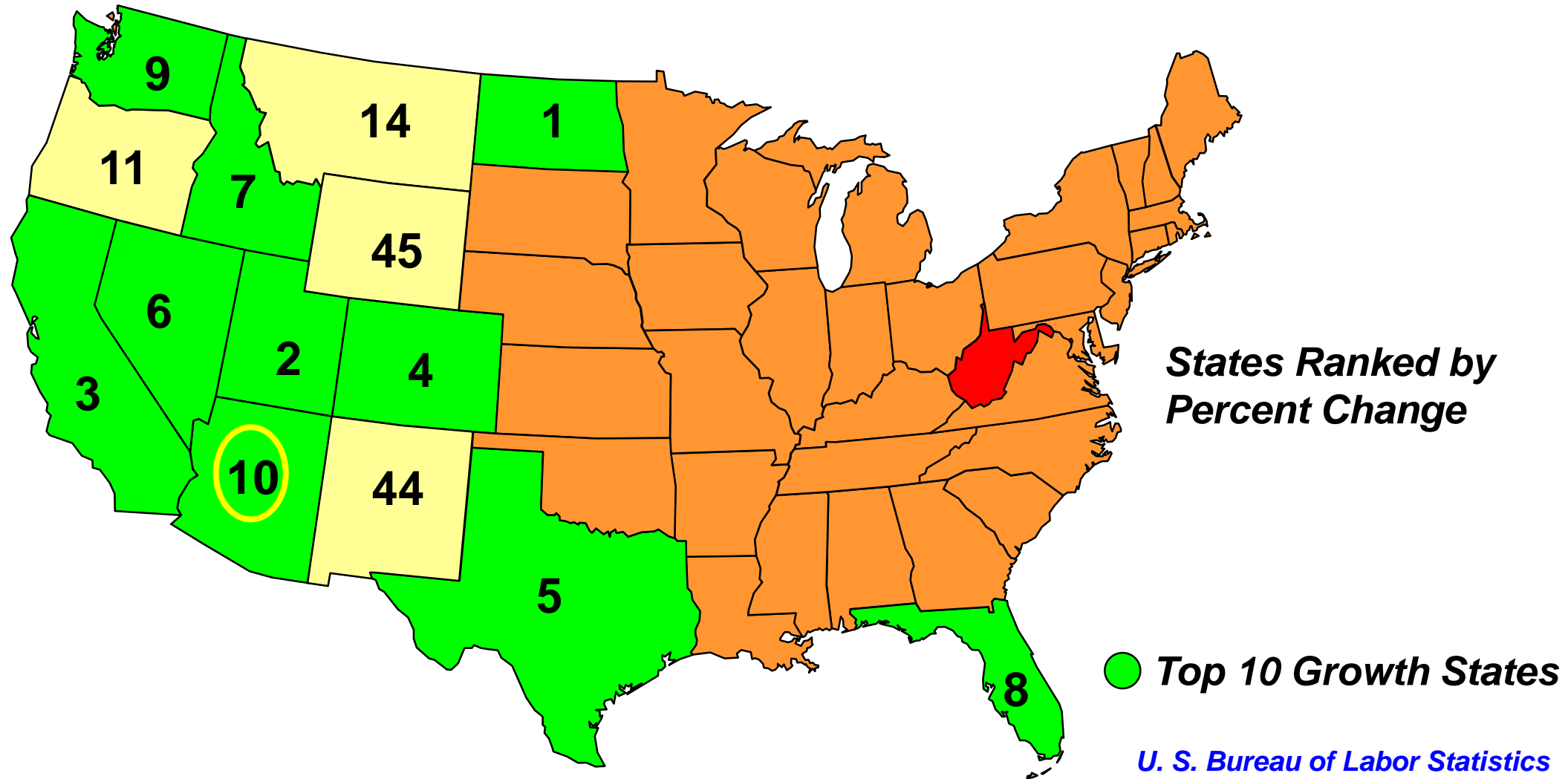
## 109,900 Jobs (35%) Still to Recover



*U. S. Bureau of Labor Statistics, Seasonally Adjusted, Payroll Employment, Sept. 2014*

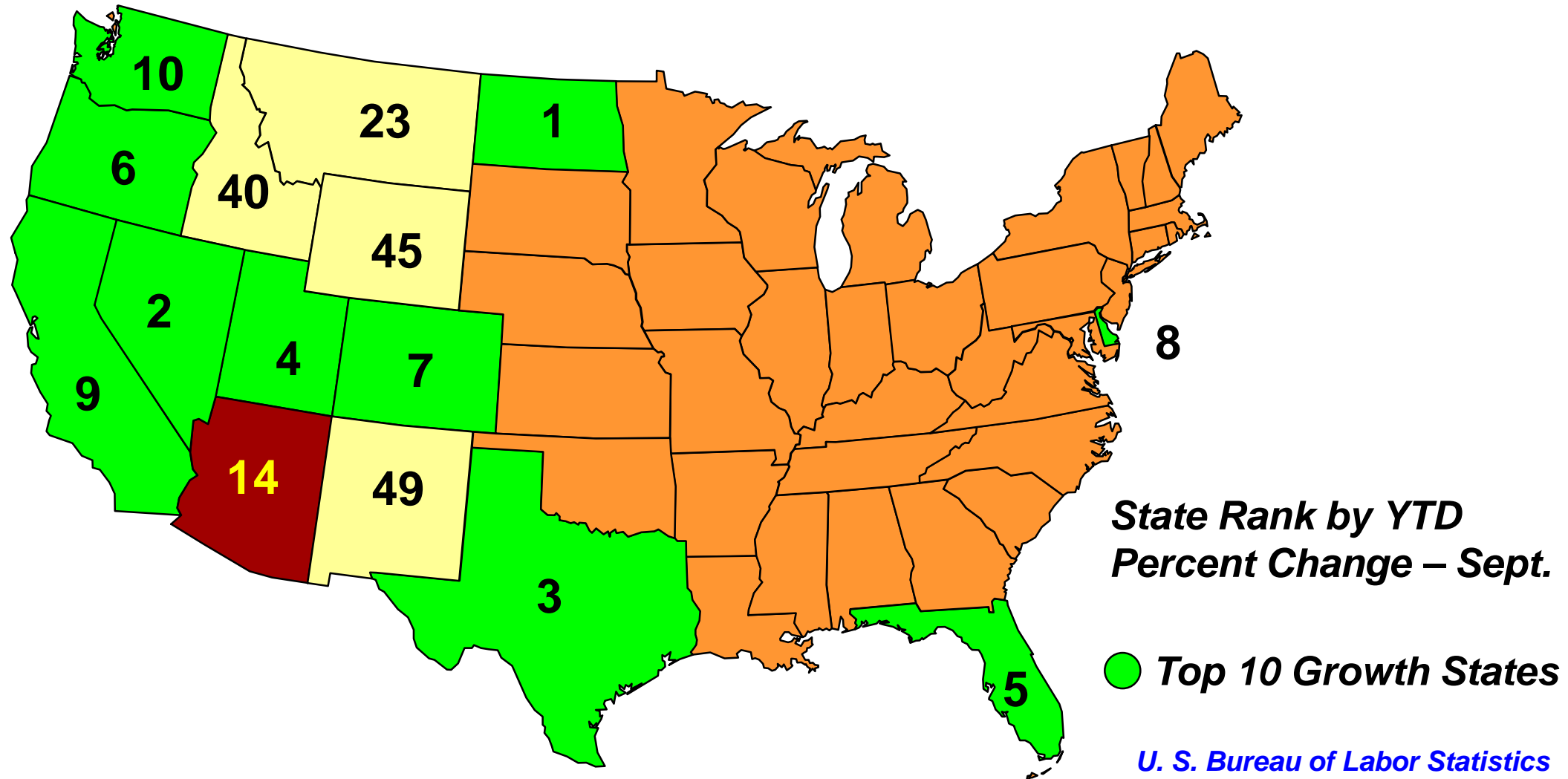
# Arizona 10<sup>th</sup> in Job Growth in 2013

(AZ Jobs Up by 2.1% - 25 yr. Average is 3.9%)



# Arizona Job Growth 14<sup>th</sup> YTD 2014

(AZ Jobs Up by 1.9% - 25 yr. Average is 3.9%)



# Arizona Jobs Grow At Half Speed

## *2 More Years to Regain 109,900 Lost Jobs*

Annual Employment Change



# **Latest Arizona Job Rankings**

**Ranked by Year-to-Date Growth: Sept. 2014**

<b>Arizona Industry</b>	<b>% Growth</b>	<b>U.S. Rank</b>
<b>Overall Job Growth</b>	<b>1.9</b>	
<b>Health Care</b>	<b>3.5</b>	
<b>Financial Sector</b>	<b>4.8</b>	
<b>Retail Trade</b>	<b>2.4</b>	
<b>Food Services</b>	<b>3.5</b>	
<b>Government</b>	<b>-0.2</b>	
<b>Manufacturing</b>	<b>-0.1</b>	
<b>Construction</b>	<b>-1.0</b>	

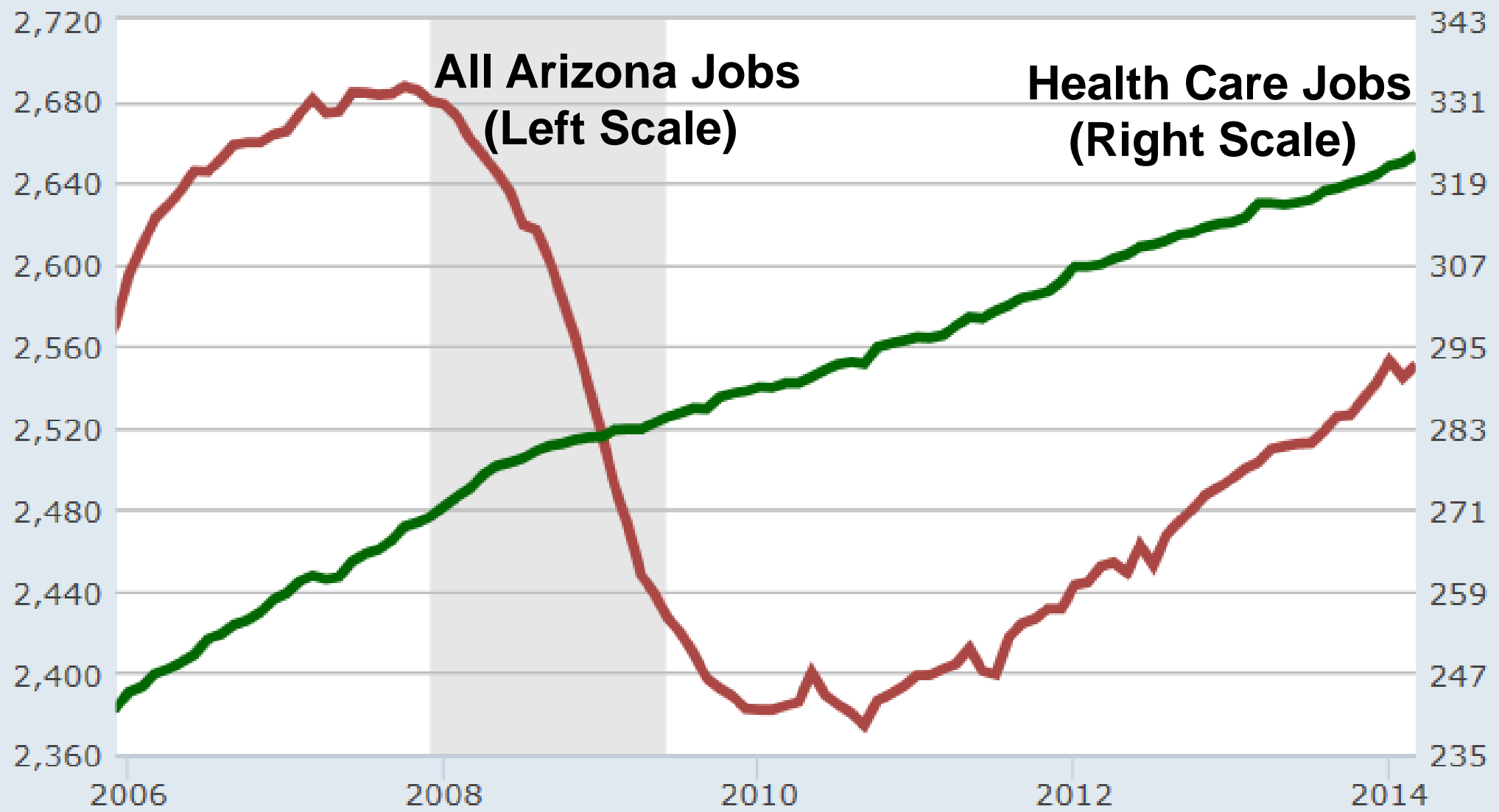
***U. S. Bureau Labor Statistics & W. P. Carey School of Business***

# Latest Arizona Job Rankings

Ranked by Year-to-Date Growth: Sept. 2014

Arizona Industry	% Growth	U.S. Rank
Overall Job Growth	1.9	14
Health Care	3.5	3
Financial Sector	4.8	5
Retail Trade	2.4	14
Food Services	3.5	18
Government	-0.2	32
Manufacturing	-0.1	36
Construction	-1.0	39

# Health Care Employment in Arizona (and U.S.) is Recession-Resistant

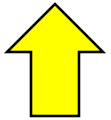


# What if “The Graduate” Was Made Today?



**“I want to say one  
Word to you. Just  
One word.”**

**“Plastics.”**



**Benjamin  
Braddock**



**Mr. McGuire**



# What if “The Graduate” Was Made Today?



“I want to say two words to you. Just two words.”

“Health Care!”



Benjamin  
Braddock



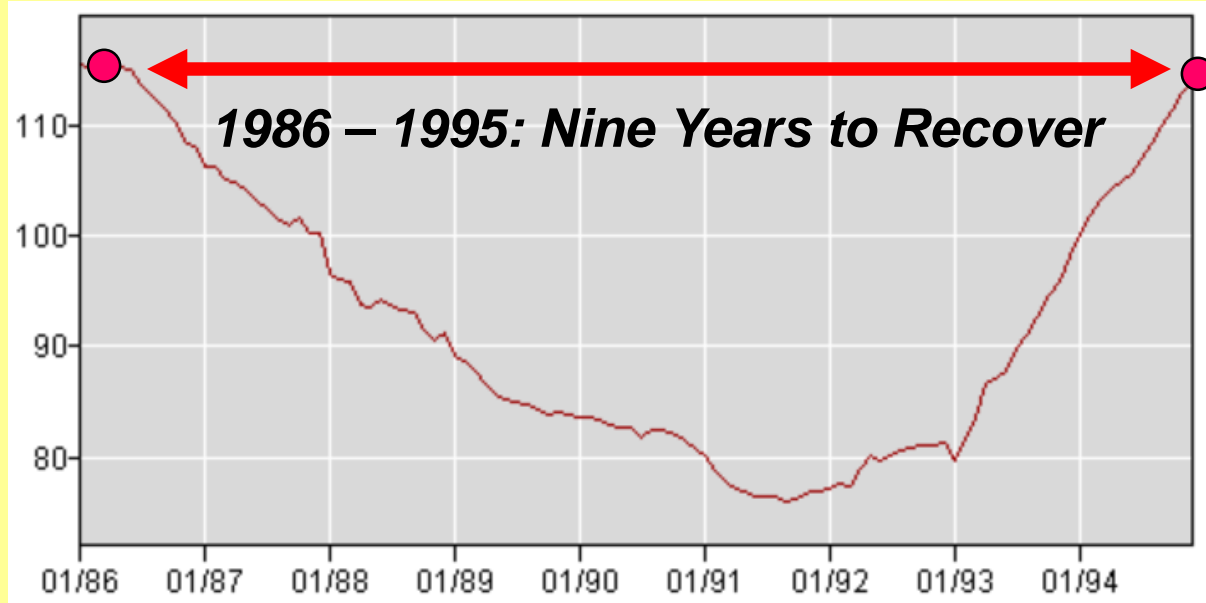
Mr. McGuire

# Arizona Construction Still Down By 128,800 Jobs (53%) Since Peak

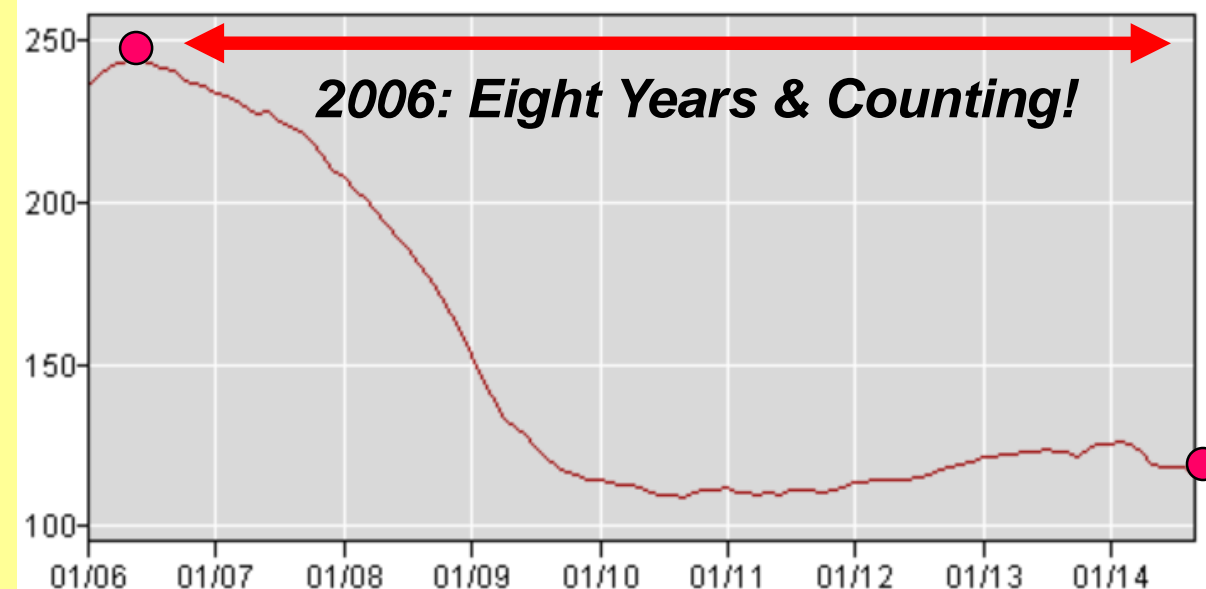


*U. S. Bureau of Labor Statistics, Thousands of Jobs, Seasonally Adjusted*

# A Tale of Two Downturns: 1986 & 2006



**Arizona Construction Employment In the Savings & Loan Recession Of 1986**



**Arizona Construction Employment In the Housing Bubble Recession of 2006**

**You Are Here**

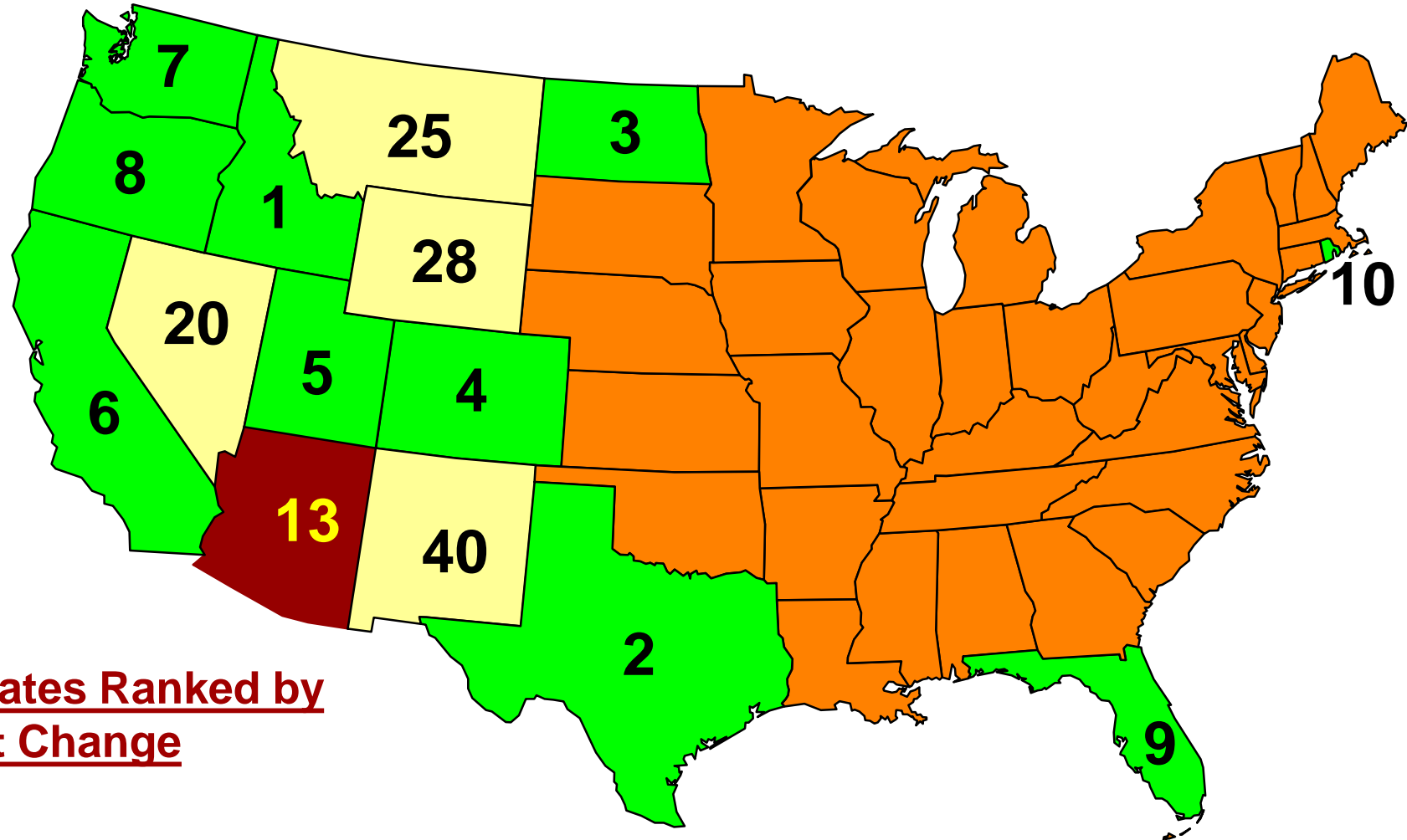
# Arizona Unemployment at 6.9%

Region	Sept. 2014	Sept. 2013
USA	5.9%	7.2%
Arizona	6.9%	8.0%
Phoenix Metro*	5.8%	6.9%
USA U-6 Rate	12.5%	14.1%
Arizona U-6 Rate	15.1%	16.0%

*US Bureau of Labor Statistics and AZ Dept of Administration*

*\* unemployment rate not seasonally adjusted*

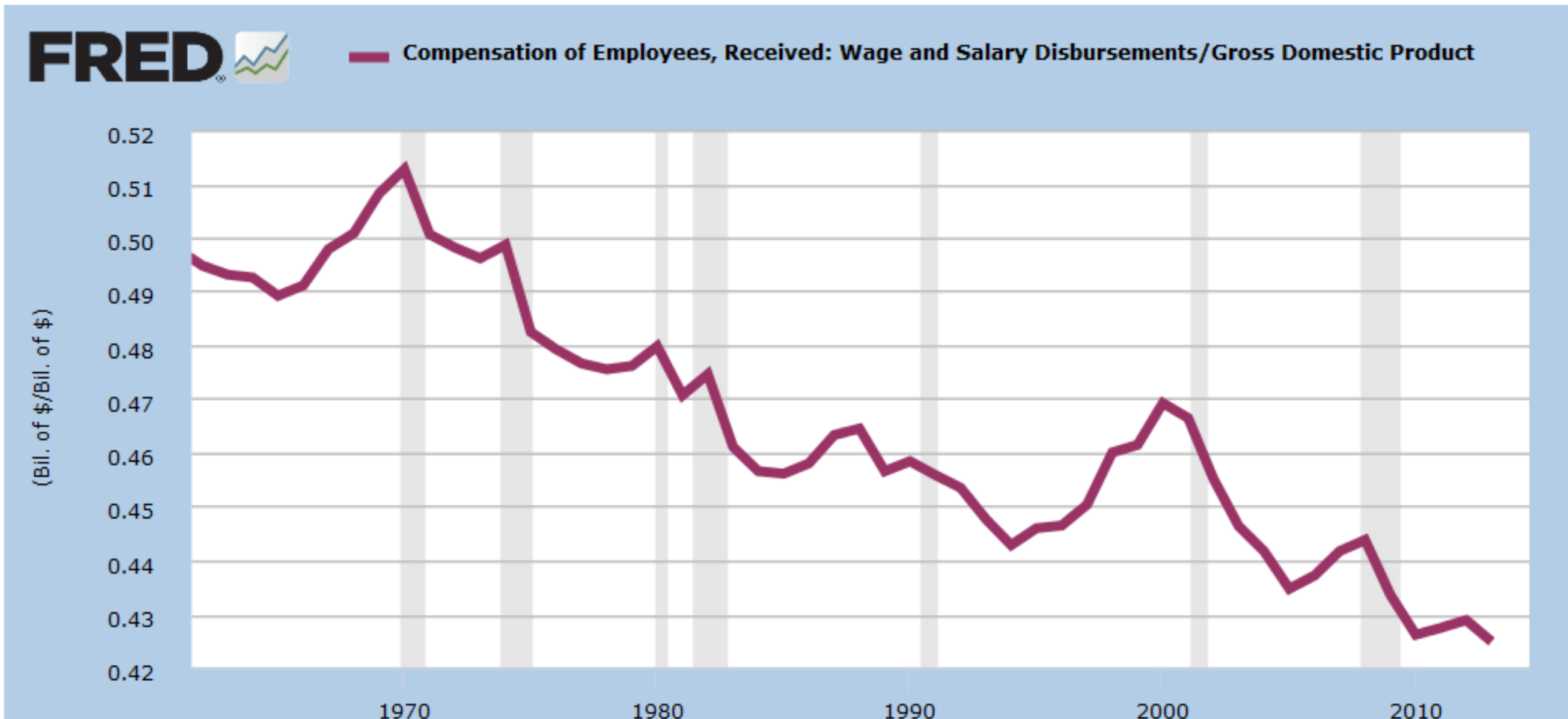
# Arizona Ranks 13<sup>th</sup> in Personal Income Growth YTD (Q2) in 2014



U. S. States Ranked by  
Percent Change

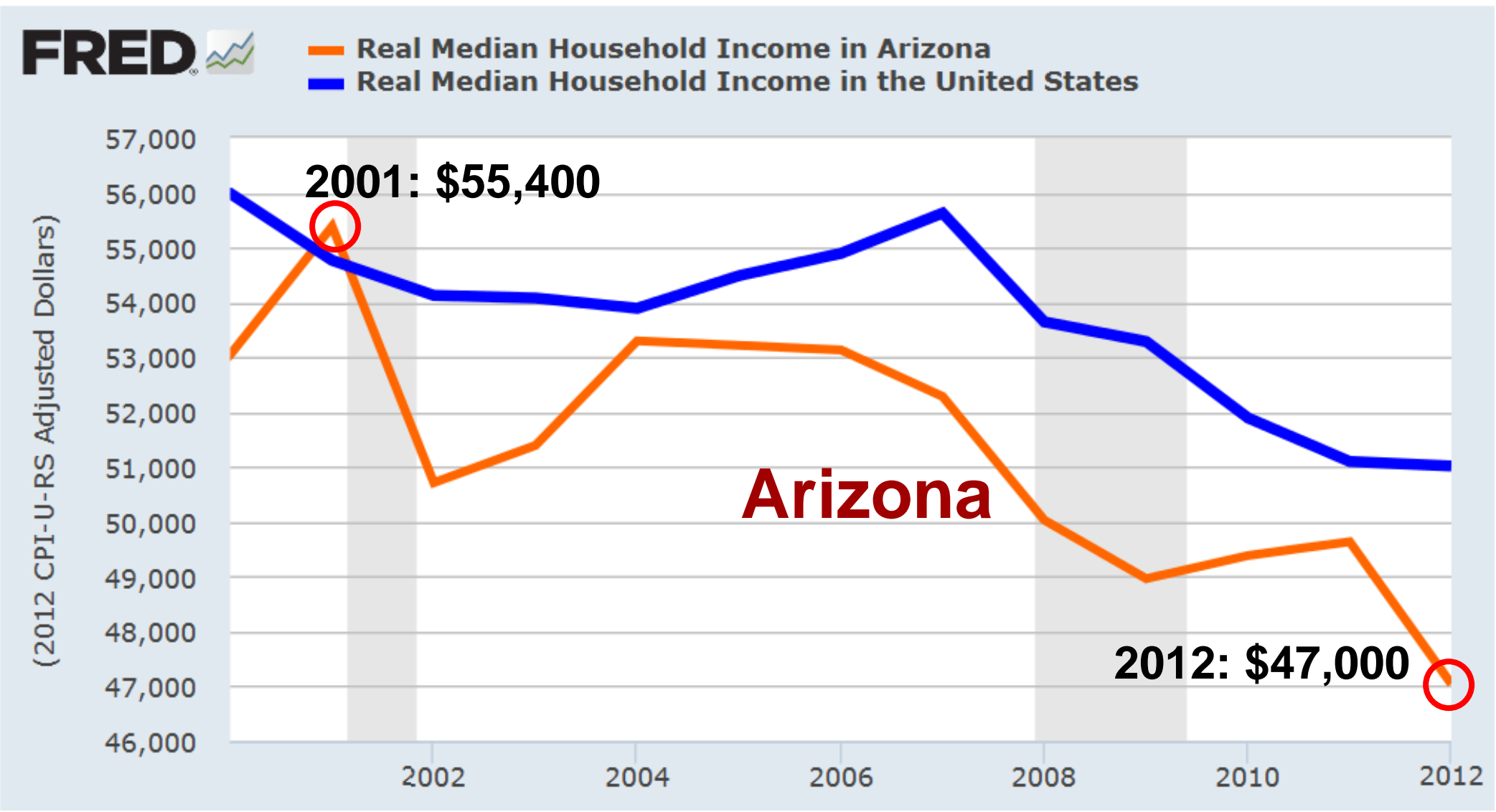
*U. S. Bureau of Economic Analysis, Sept. 30, 2014*

# Wages as Percent of U.S. GDP Have Declined Since 1970s

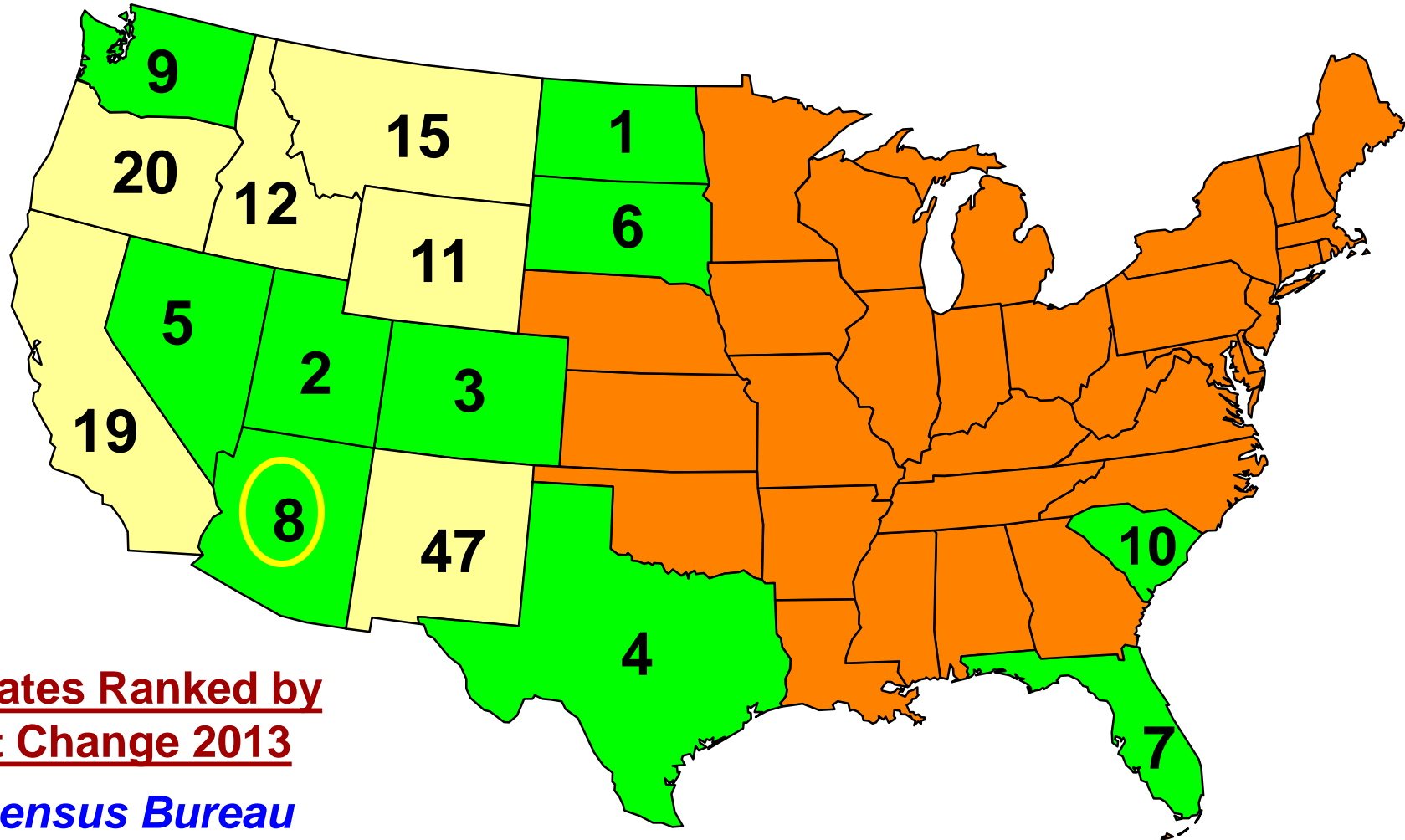


*U.S. Bureau of Economic Analysis*

# Arizona Real Income is Below U.S.



# Arizona Ranked 8<sup>th</sup> (1.2%) in Population Growth in 2013

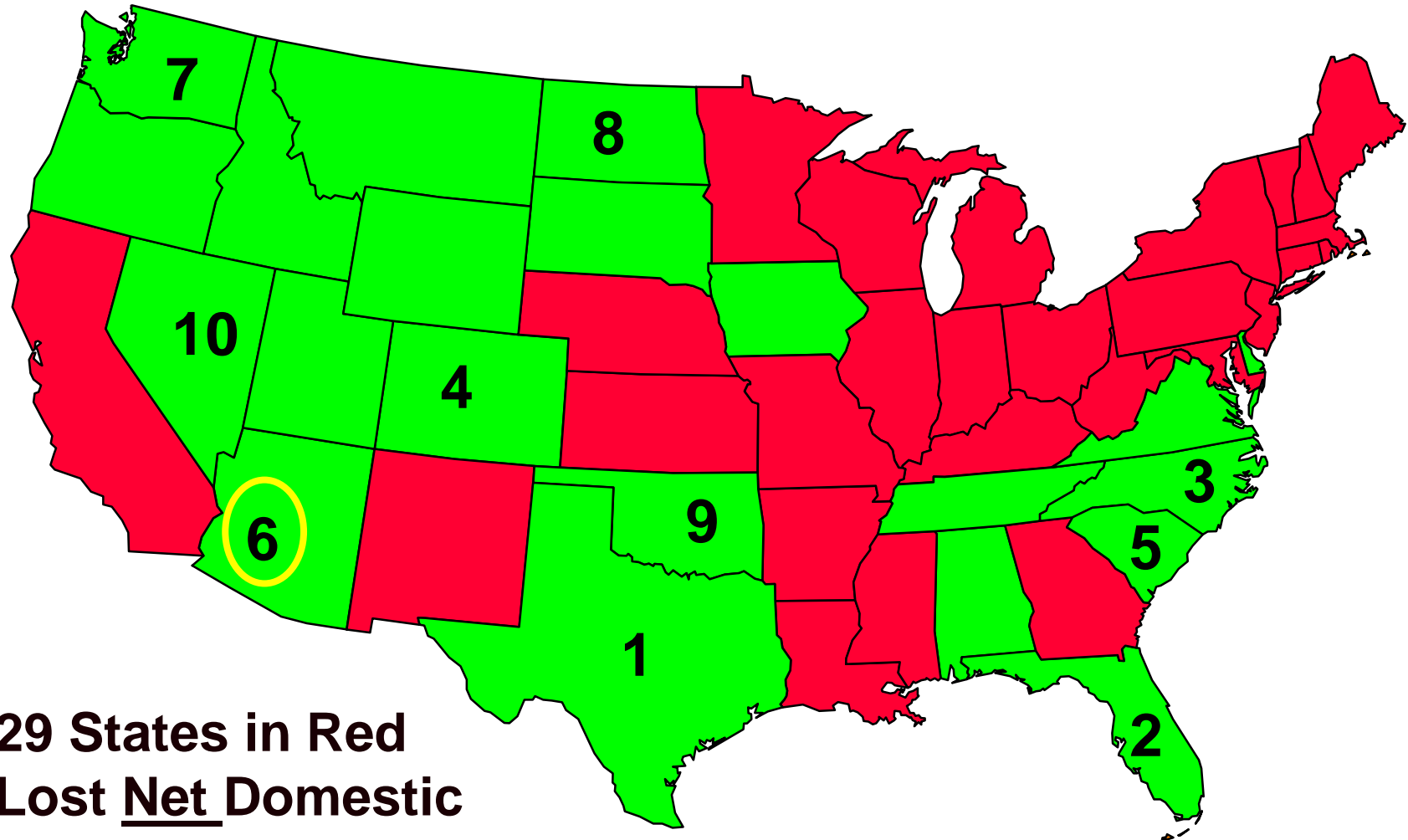


U. S. States Ranked by  
Percent Change 2013

*U. S. Census Bureau*



# Arizona 6<sup>th</sup> in Domestic Migration In 2013 – Down from 3<sup>rd</sup> in 2012



Alaska  
Hawaii

29 States in Red  
Lost Net Domestic  
Population to 21 States in Green

*U.S. Census Bureau*

# Phoenix 3<sup>rd</sup> Among Metro Net Migration Destinations *(But Phoenix Gained 96,000 in 2006)*

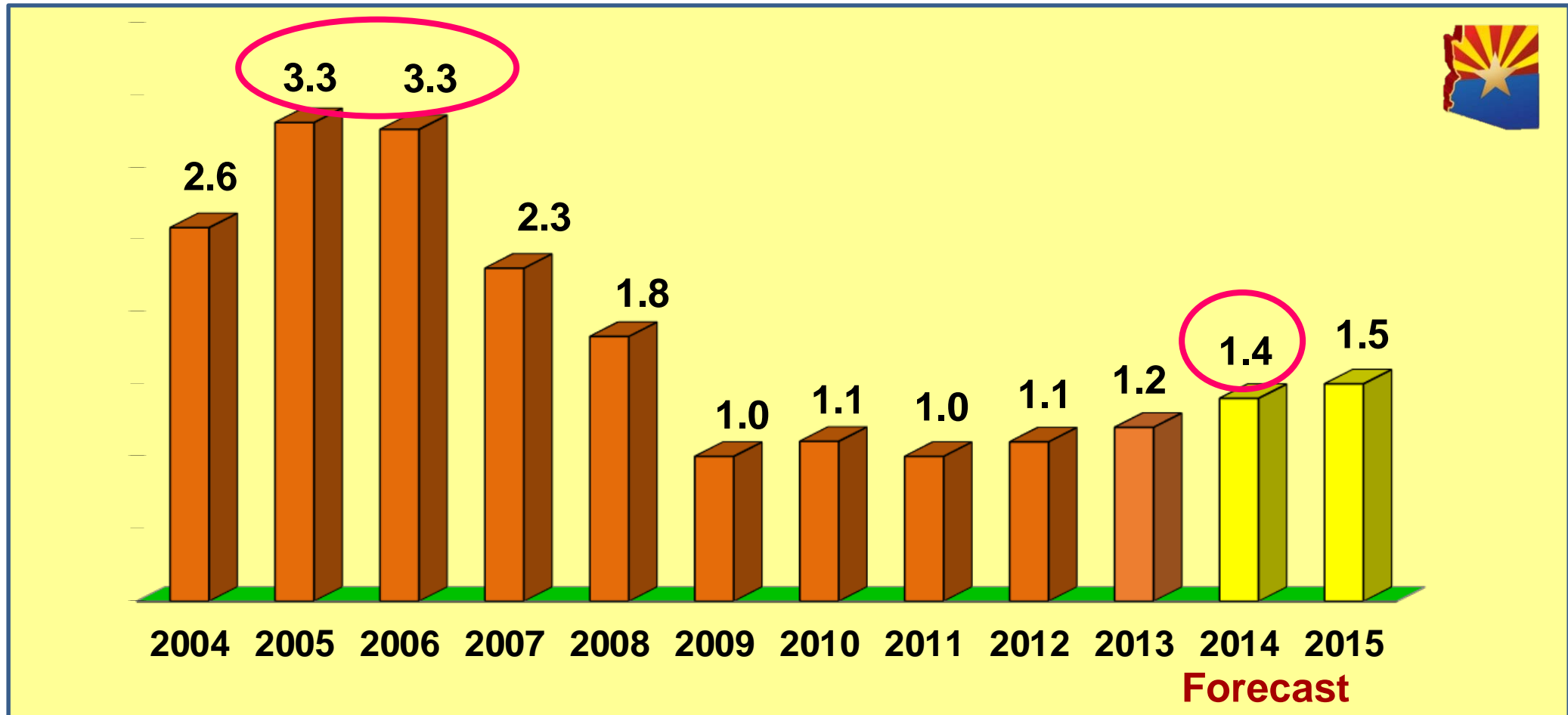
## Top Ten Metro Destinations: 2013

1. Houston (55,620)	6. San Antonio (22,392)
2. Dallas (32,641)	7. Charlotte (21,382)
3. Phoenix (32,014)	8. Nashville (17,975)
4. Denver (26,536)	9. Seattle (17,926)
5. Austin (25,908)	10. Orlando (17,316)

# 2014 Population Growth: 1.4%

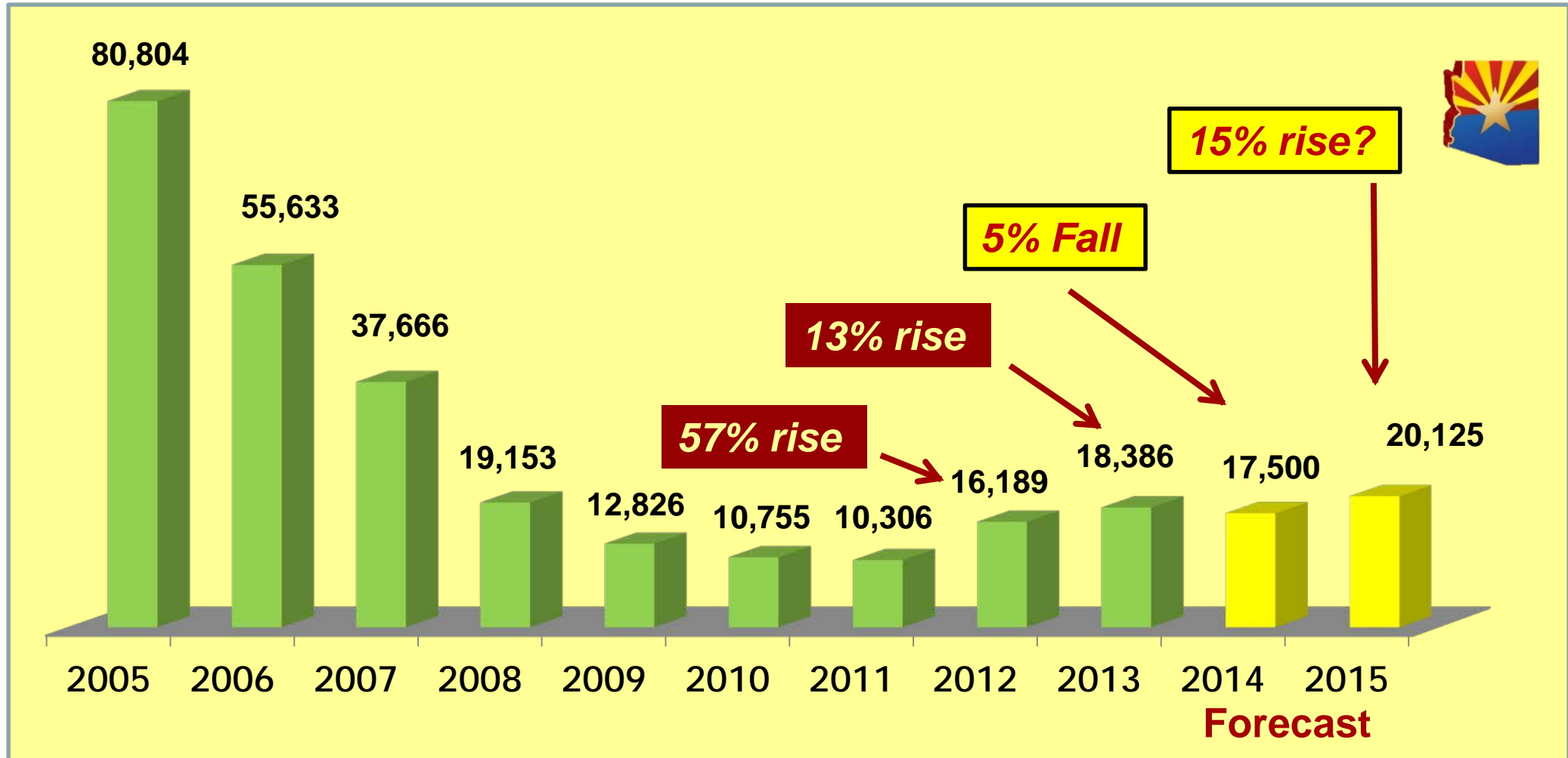
## *Not Enough for Robust Recovery*

Annual Percent Change



# Arizona Home Building Slows Down

## Single Family Permits Year-to-Date Down by 5%



# **What Is Holding Back Home Building?**

**Some Want A House But Cannot Buy One**



- **Low credit score**
- **Prior foreclosure**
- **Home under water**
- **Student loan debt**

# What Is Holding Back Home Building?

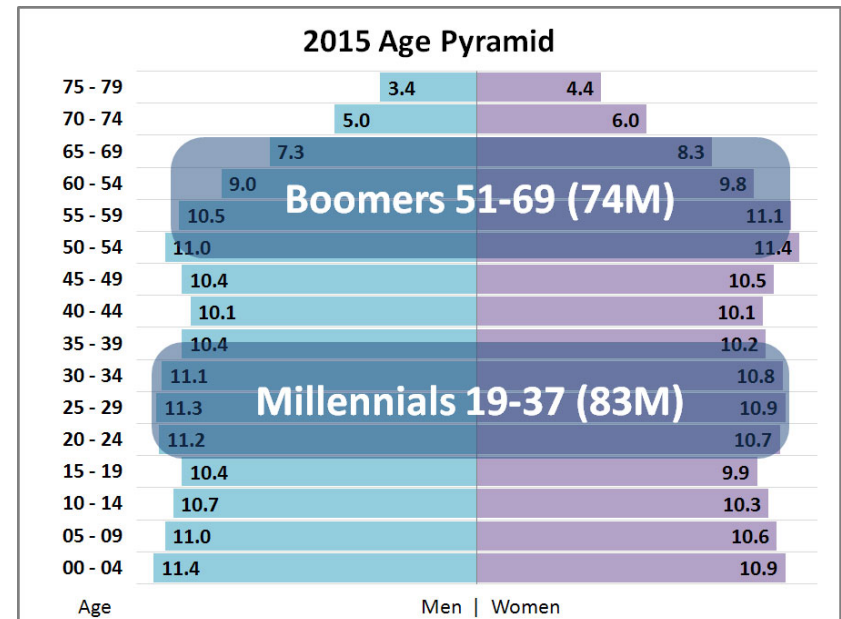
**Some (Millennials) Don't Want A House At All!**



- Live with parents
- Live with a group
- Marry much later
- Want urban lifestyle
- Prefer to rent
- Housing seen as bad investment

# Millennials Replace Boomers

- Age 19 – 37 today; 39 – 57 in 20 years
- A larger group (83 mil.) than Boomers
- Millennials will dominate economy as Boomer group shrinks over time





# Arizona Economic Outlook Summary

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- 2014 - better than most states - but 8<sup>th</sup> lean year of below normal gains
  - Stronger net migration vital to growth
  - Still 2 – 3 years before full recovery
  - A major risk is continued ineffective growth policies at national level
-



# ARIZONA

## Economic Outlook



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*W. P. Carey School of Business, ASU, based on data available November 2014*

# Arizona Optimists Expect...

**More Finance, Health Care,  
Professional Jobs in Arizona**

**Domestic Migration Picks Up**

**Home Building & Commercial  
Construction Improve**

**National Economic Growth  
Breaks out of 2% GDP Band**



# Arizona Pessimists Worry...

**Low Costs Attract Firms But  
Labor Quality Key in New Era**

**Arizona May lose Migrants to  
Competing States**

**Home Building Stays Slow as  
Rates, Prices Rise**

**National Economic Growth  
Remains Sub-Par**



**After 8 Years of  
Slow Economic Growth  
Recovery Still Lies Ahead**

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**We Are Not There Yet  
Be Patient!**

**Patience, my ass!  
I am going to  
kill something!!**



# ***On The Arizona Road to Recovery*** **“Are We There Yet?”**

**Lee McPheters**  
**lee.mcpheters@asu.edu**

