



Arizona's Economy: Headed Into Uncharted Waters

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Key Topics

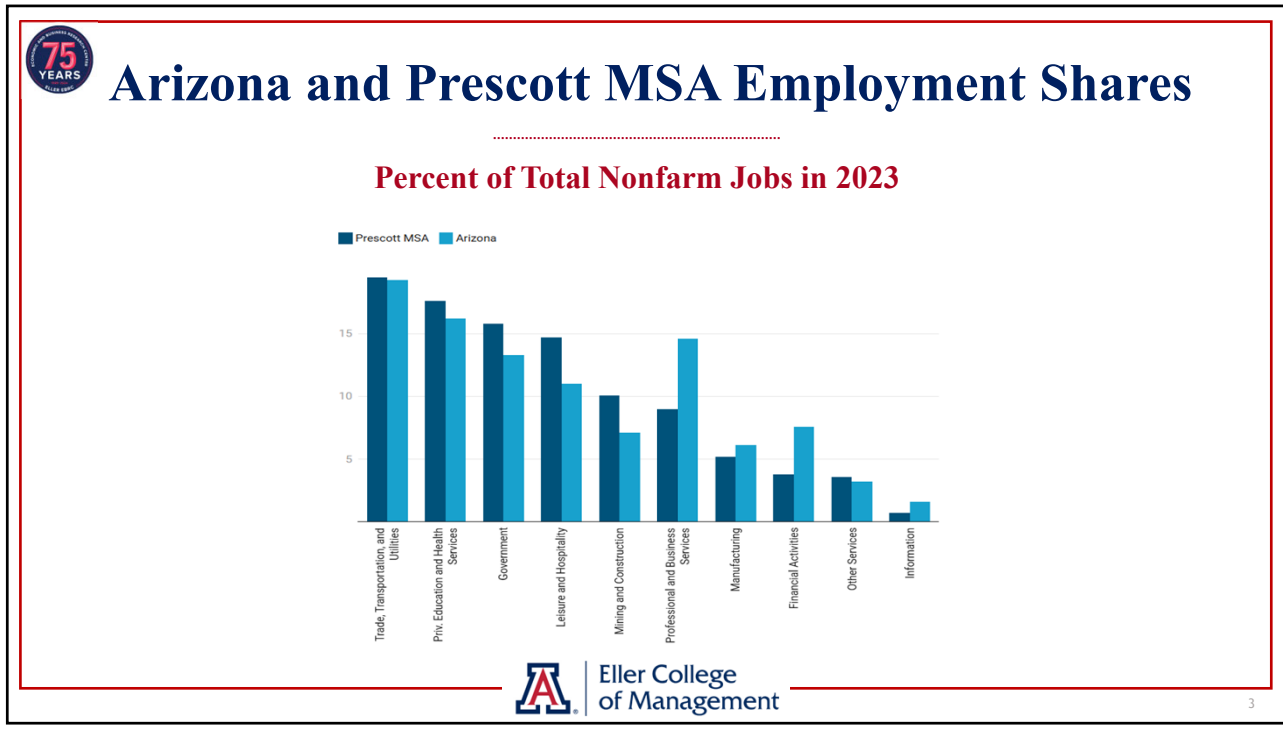
- ▶ **Arizona continues to churn out solid job gains, outpacing the U.S.**
 - ▶ Prescott MSA job growth is close to the national average
- ▶ **Phoenix inflation is below the national average**
 - ▶ With falling commodities prices
- ▶ **Arizona housing cost burdens are high**
 - ▶ Single-family housing permit activity was strong last year
- ▶ **The outlook is positive for Arizona and Prescott**
 - ▶ Widespread tariffs, mass deportations, reduced immigration will contribute to inflation and reduce economic growth



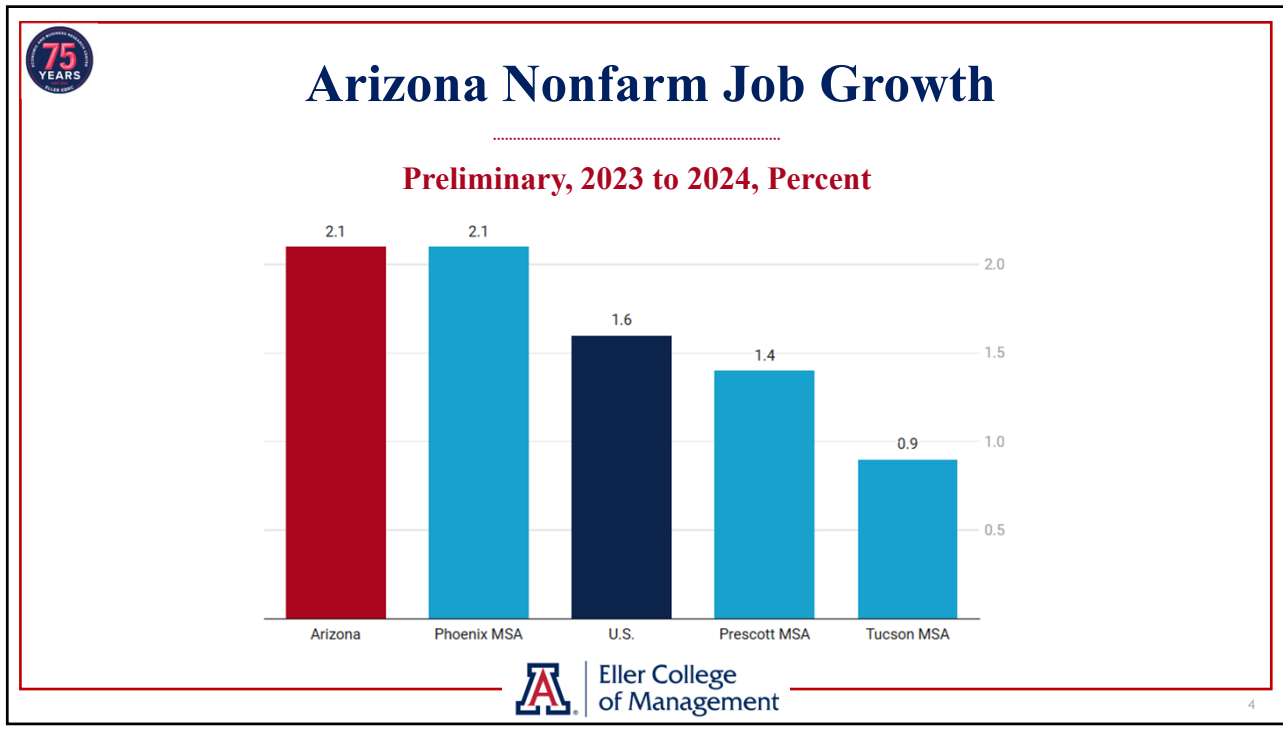
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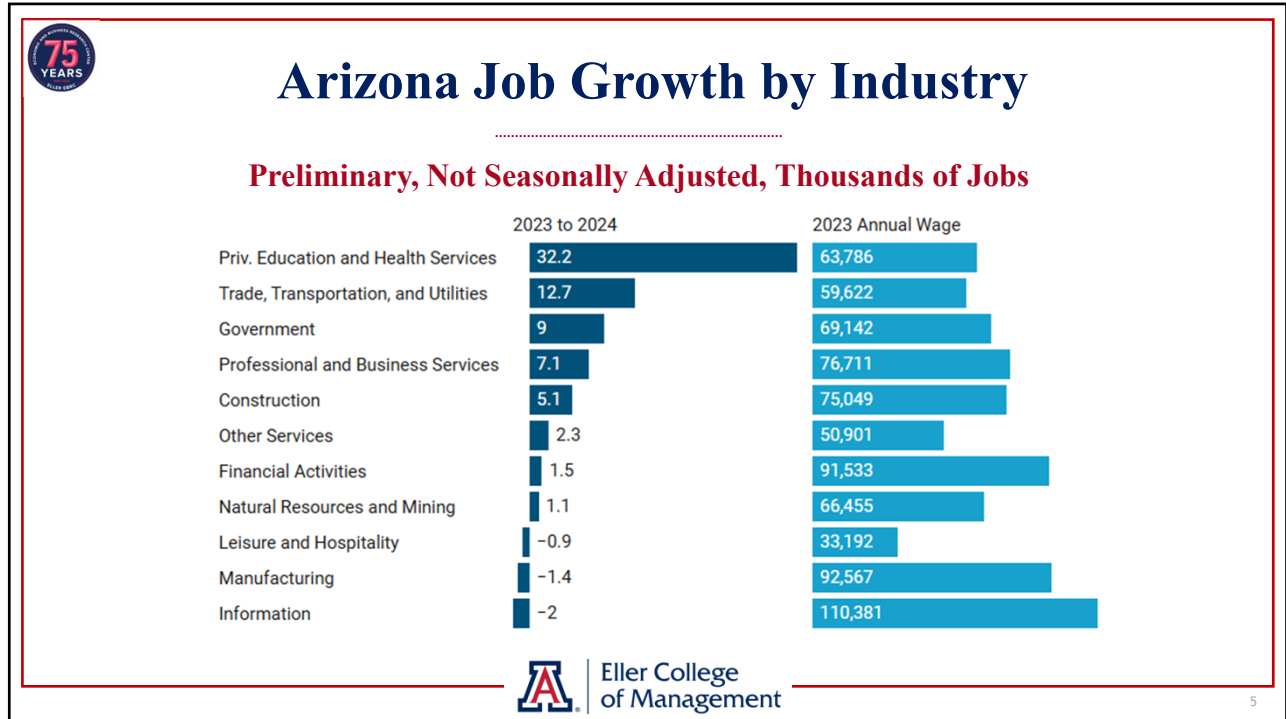


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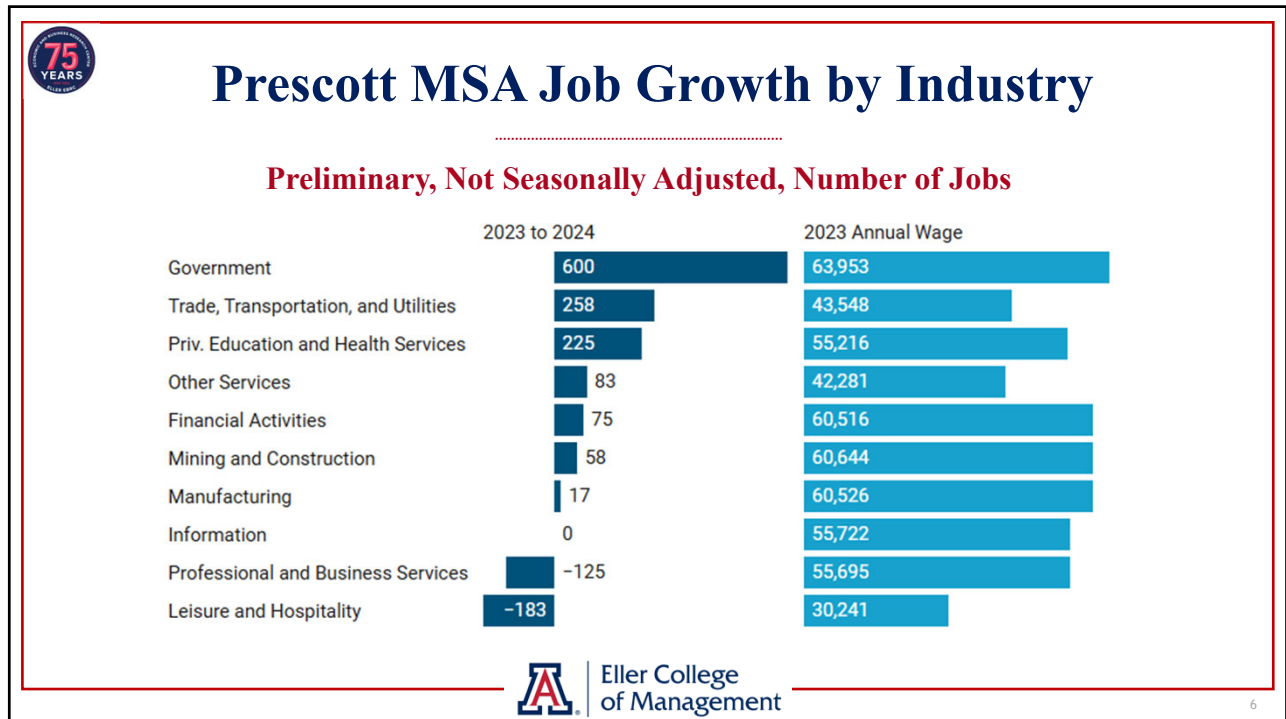


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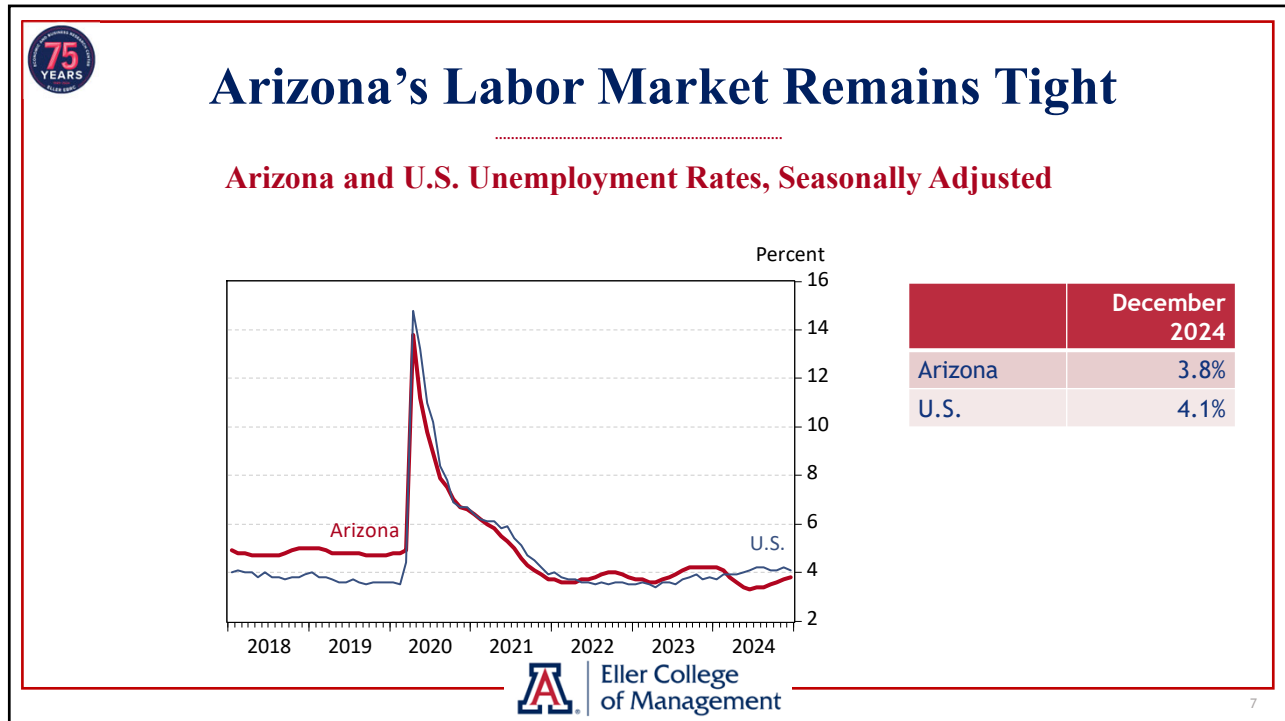
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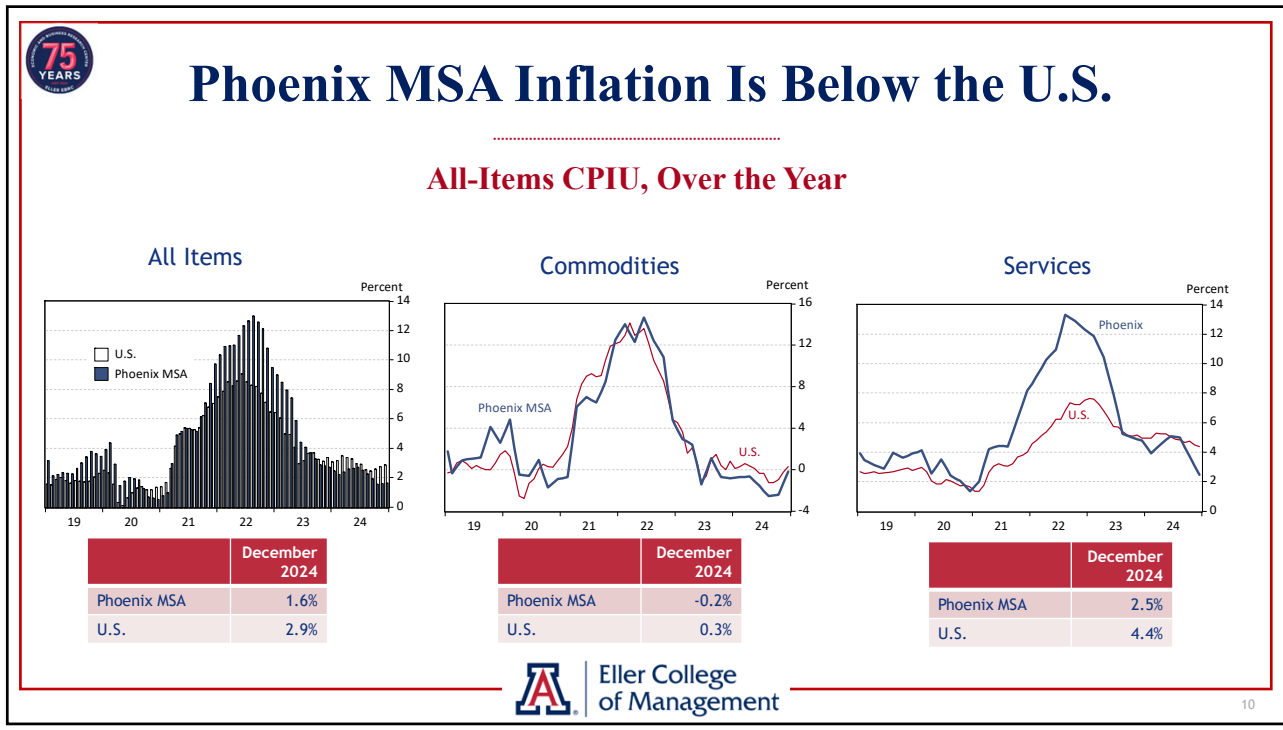
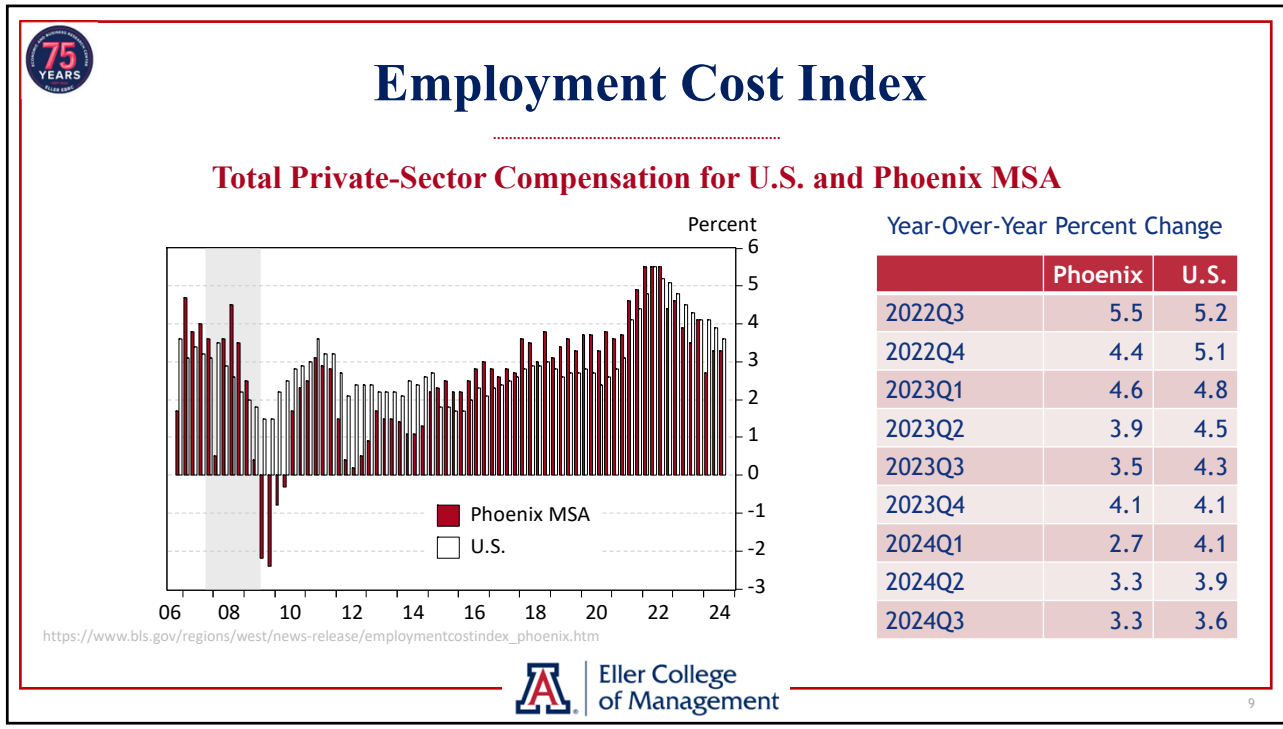
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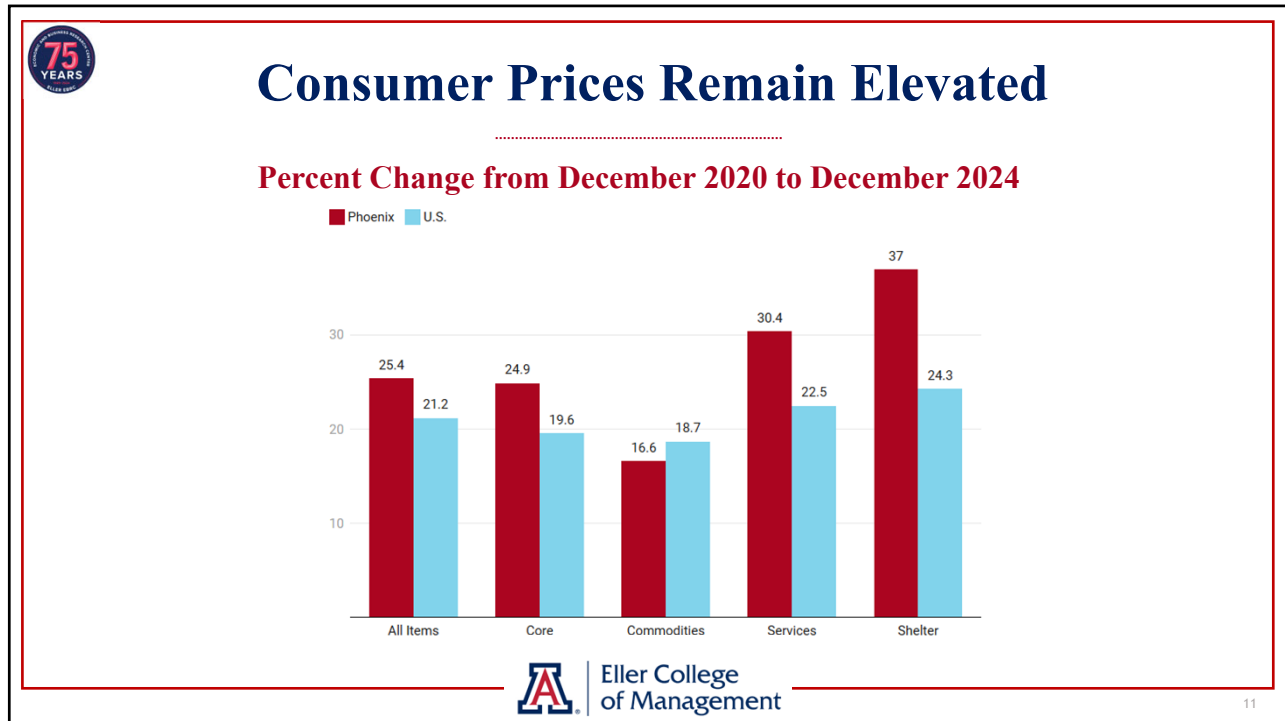
Employment Cost Index

- ▶ **There are many measures of labor income**
 - ▶ **The pandemic has distorted some of the common measures**
 - ▶ Like headline average wages per job (total wages paid divided by total jobs) and headline average hourly wages
 - ▶ Detailed industry breakdowns can help
 - ▶ **The Employment Cost Index is less subject to these problems because it is adjusted to account for shifts of workers across industries and occupations**
 - ▶ Total compensation and wages & salaries
 - ▶ Data show over-the-year changes by quarter
 - ▶ Available for large metropolitan areas, including Phoenix

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75 YEARS

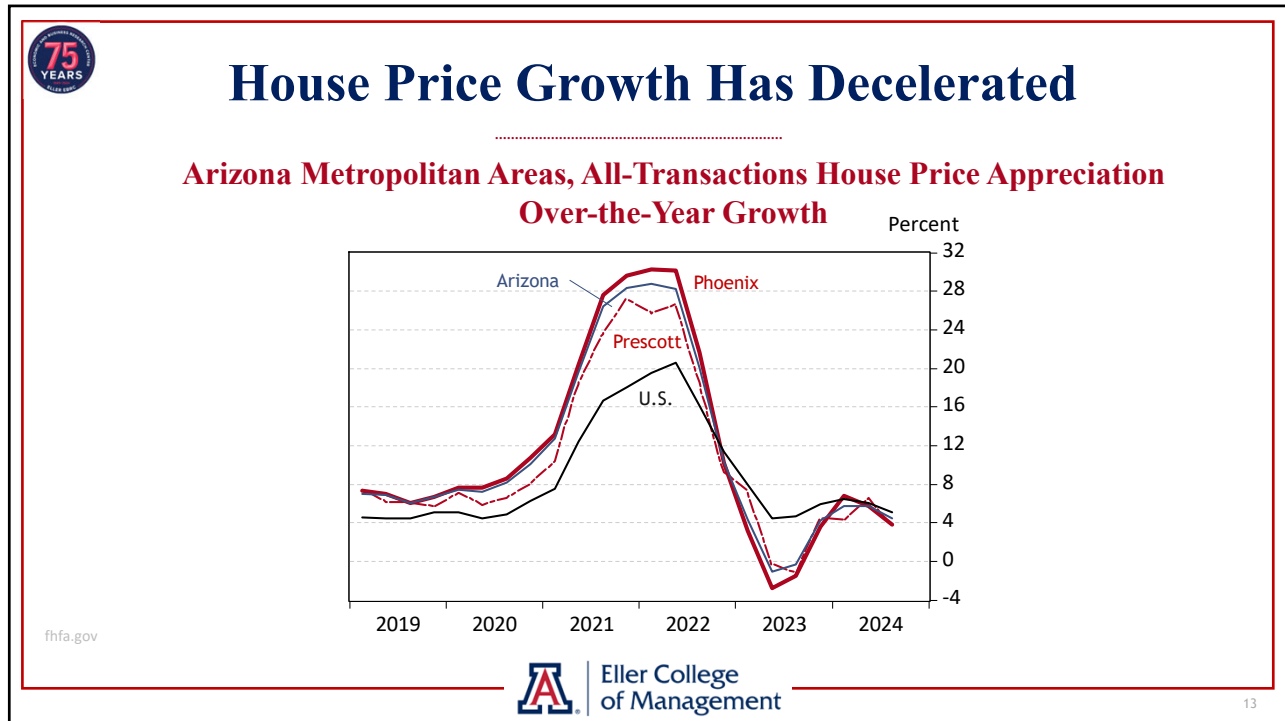
Measuring House Prices

Federal Housing Finance Agency (fhfa.gov)

- ▶ **The time trend of median house prices can be influenced in important ways by shifts in the value of homes sold in a given period**
- ▶ **FHFA indexes measure average price changes in repeat sales or refinancings on the same properties over time.**
 - ▶ Uses single-family properties whose mortgages have been purchased or securitized by Fannie Mae or Freddie MAC.
 - ▶ Misses sales of homes whose mortgages do not conform (loans above \$647k).

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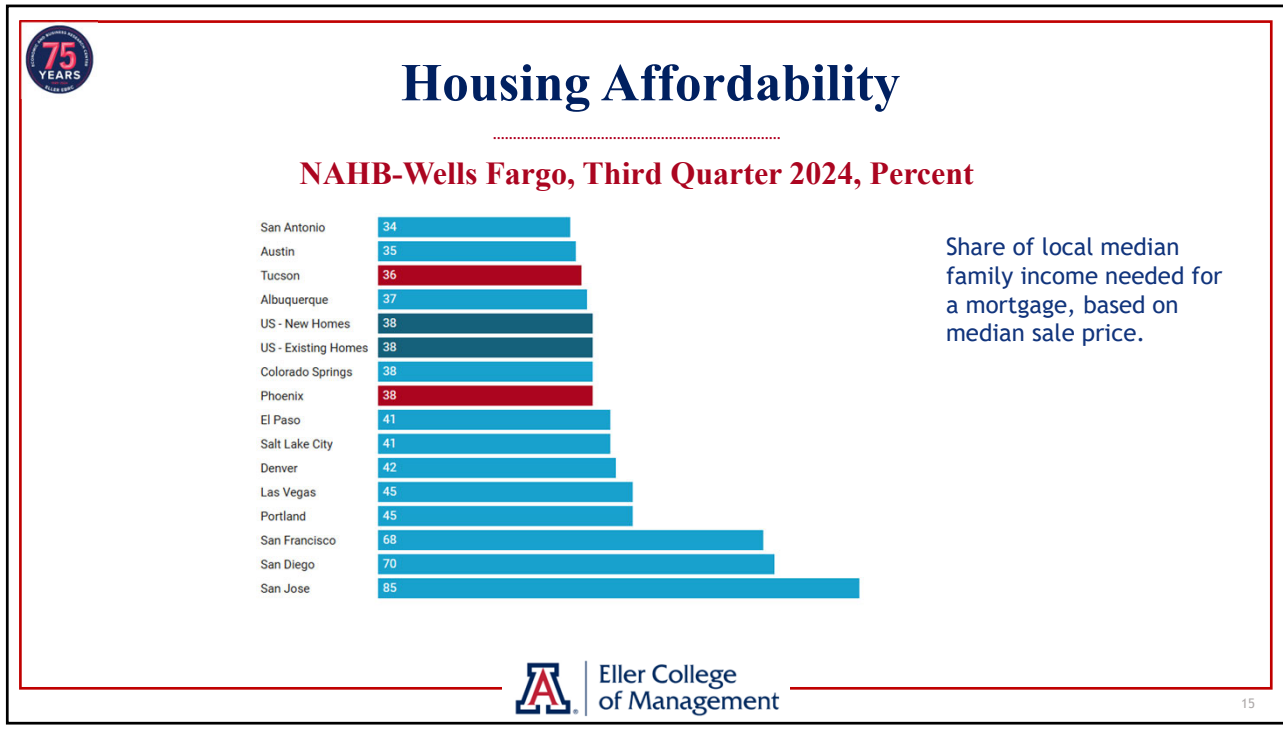
Housing Affordability

NAHB-Wells Fargo

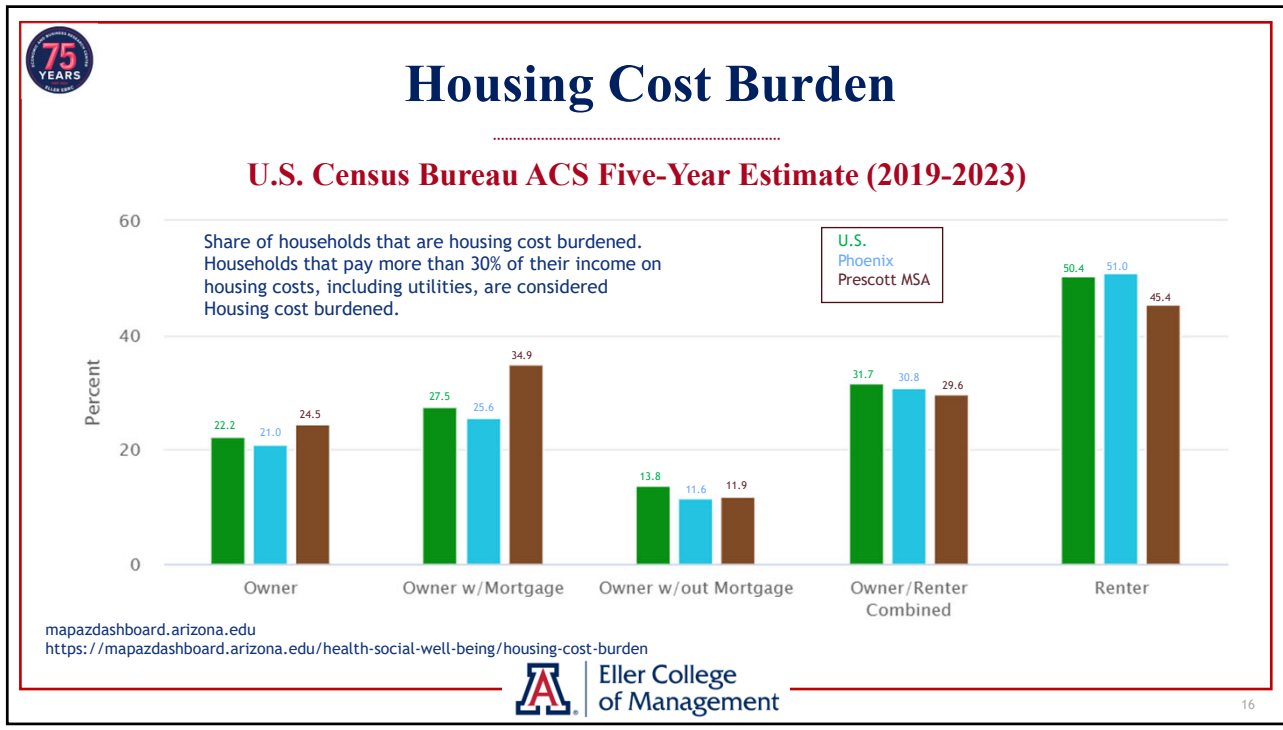
- ▶ **NAHB-Wells Fargo Cost of Housing Index**
 - ▶ Share of local median family income required for a mortgage, based on median sale price and standard mortgage underwriting criteria
 - ▶ Median family income, from U.S. Housing and Urban Development, is substantially higher than median household income
 - ▶ Median home price data from NAR
 - ▶ 30-year fixed mortgage, 10% down
 - ▶ Includes estimated property taxes, property insurance, and private mortgage insurance

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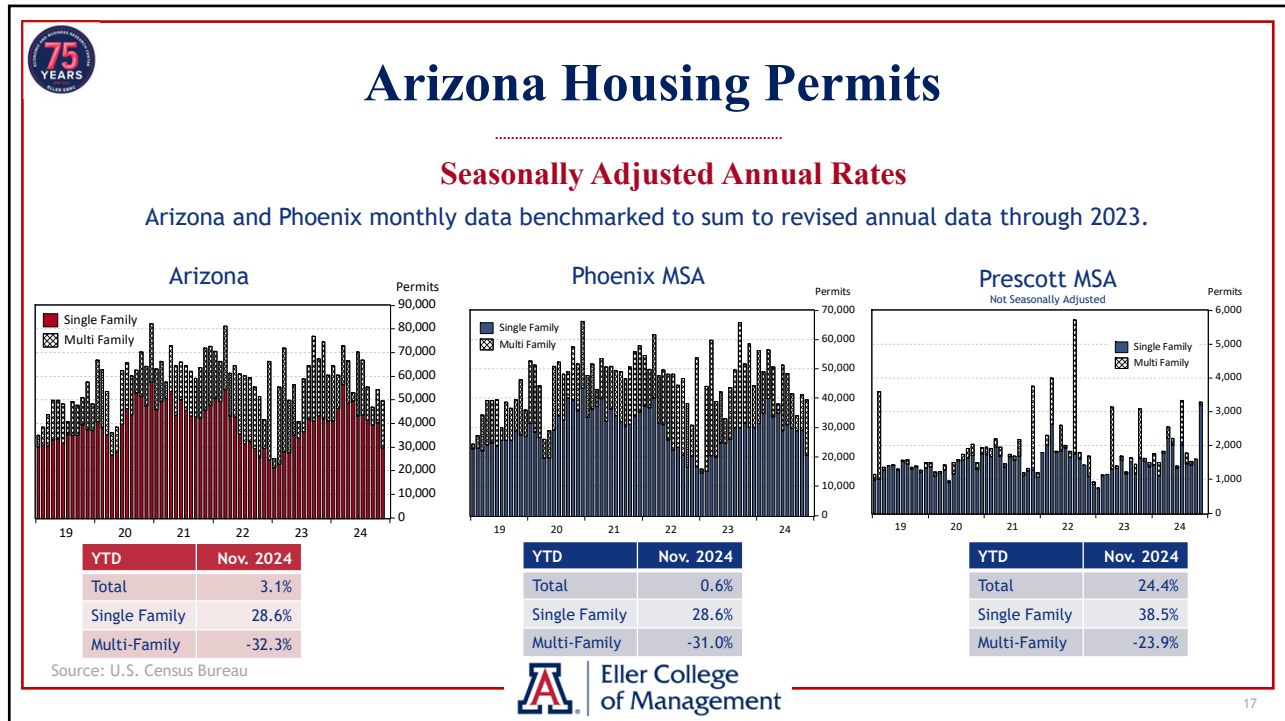


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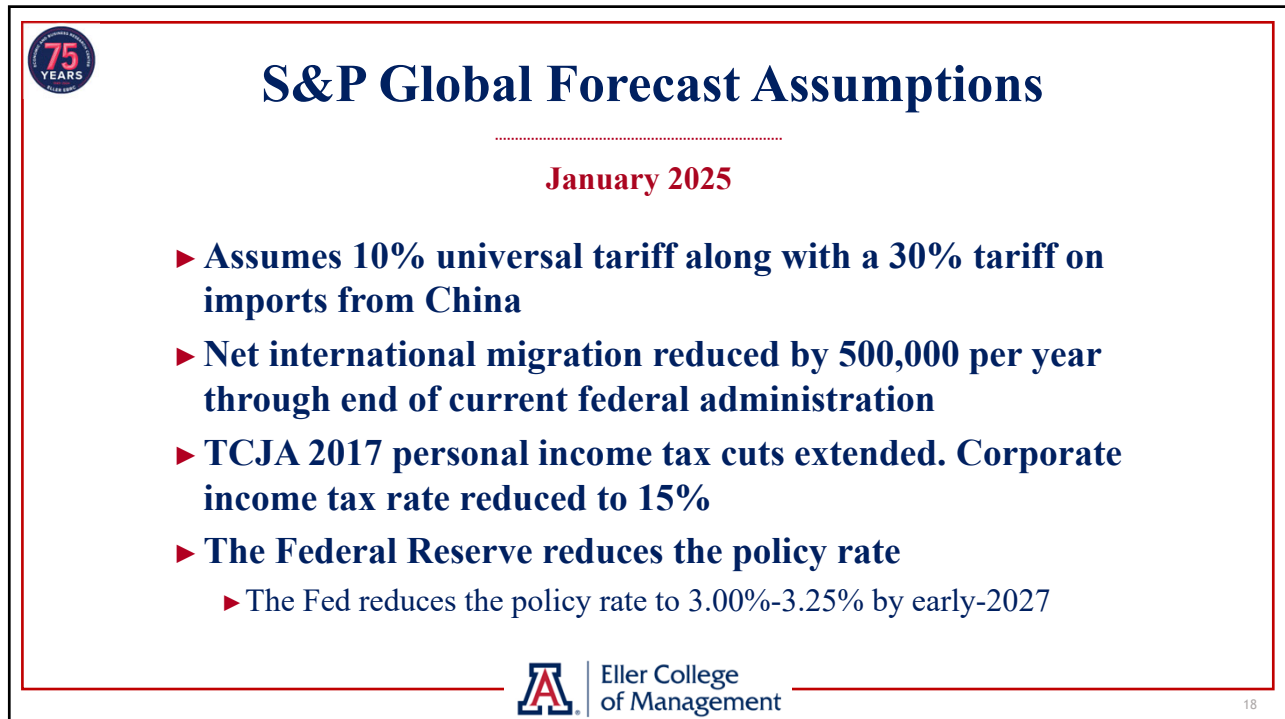


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U.S. Short-Run Forecast Summary

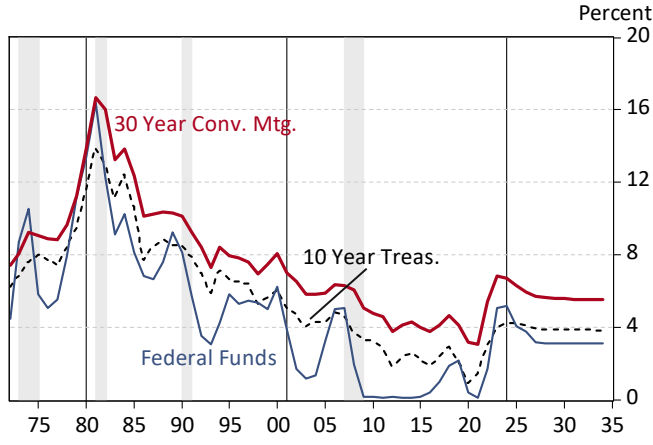
S&P Global, January 2025

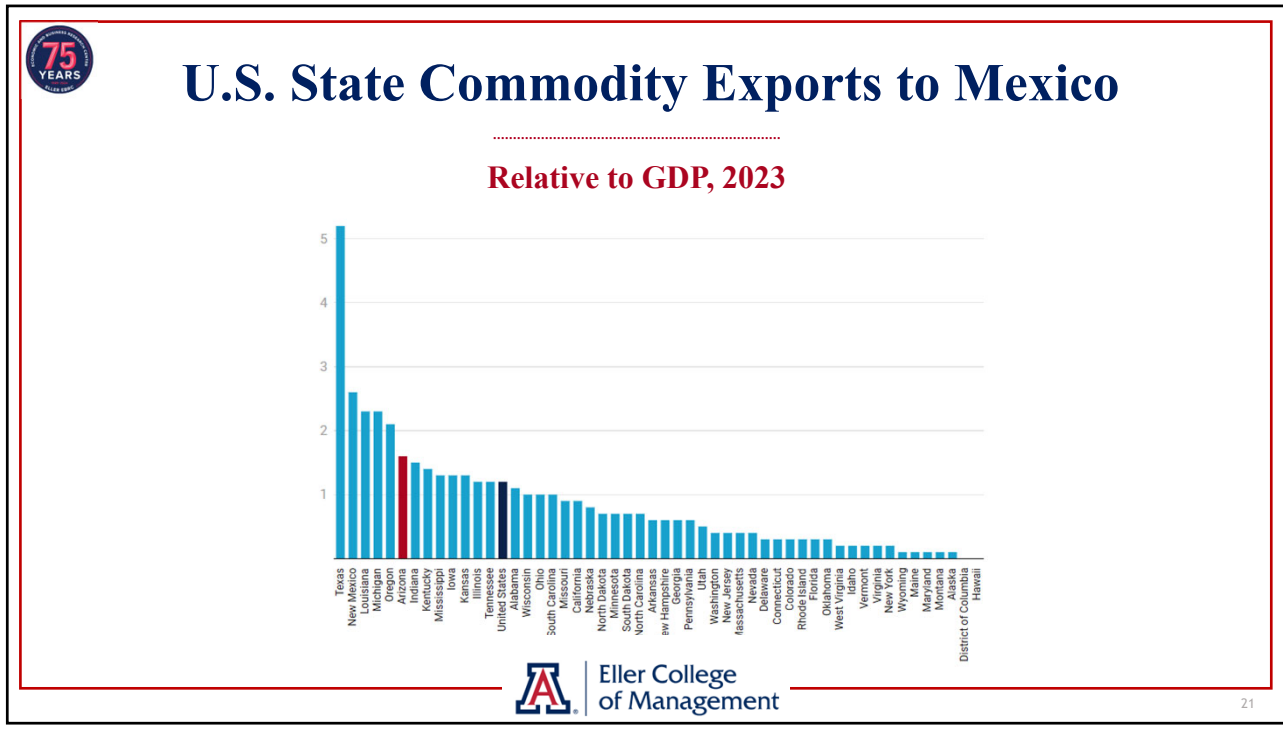
	2024	2025	2026	2027	2028
Real GDP Growth	2.8	2.0	1.7	1.6	1.9
Pers. Cons.	2.7	2.5	1.8	2.3	2.8
Bus. Fixed Investment	3.7	1.8	1.6	1.2	1.6
Res. Investment	4.2	-0.8	-1.1	0.3	1.8
Government	3.3	1.1	0.0	-0.2	-0.3
Exports	3.3	3.1	1.6	2.4	2.8
Imports	5.4	4.1	0.0	2.2	4.3
Nonfarm Job Growth	1.6	0.9	-0.1	-0.1	0.2
Unemployment Rate	4.0	4.4	4.7	4.8	4.7
Federal Funds Rate	5.2	4.0	3.7	3.1	3.1
AAA Corporate Rate	5.0	5.2	5.3	5.2	5.1
Inflation (CPIU)	3.0	2.9	3.3	2.2	1.8
Housing Starts (Mil.)	1.35	1.31	1.26	1.26	1.28
Consumer Confidence (U.Mich.,%)	11.0	9.4	3.5	1.8	-0.1



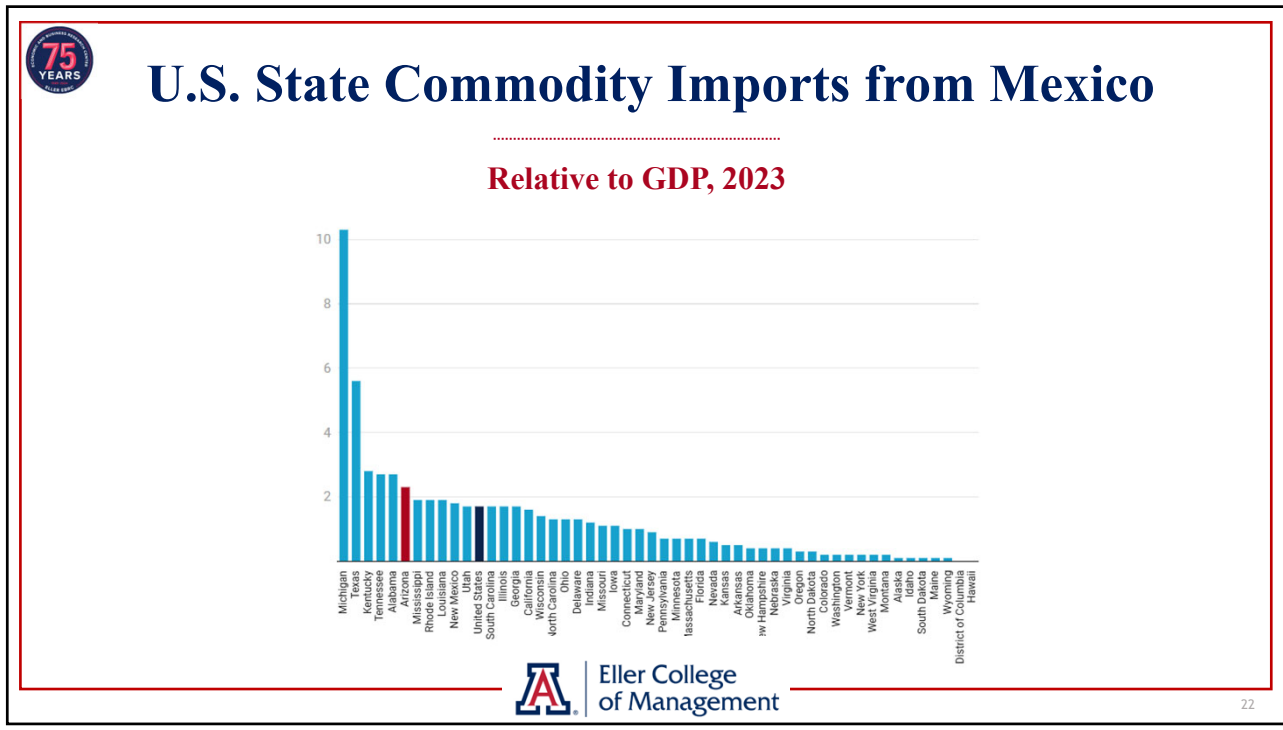
U.S. Interest Rates

S&P Global, January 2025

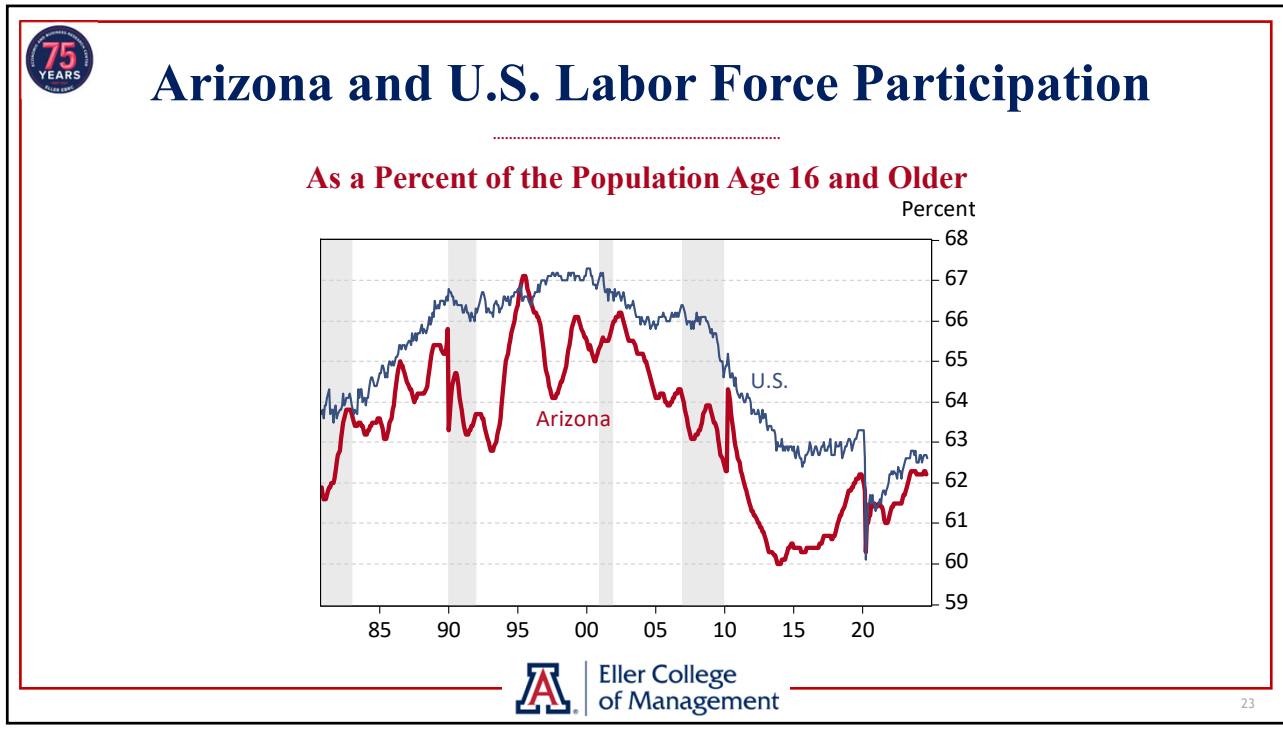




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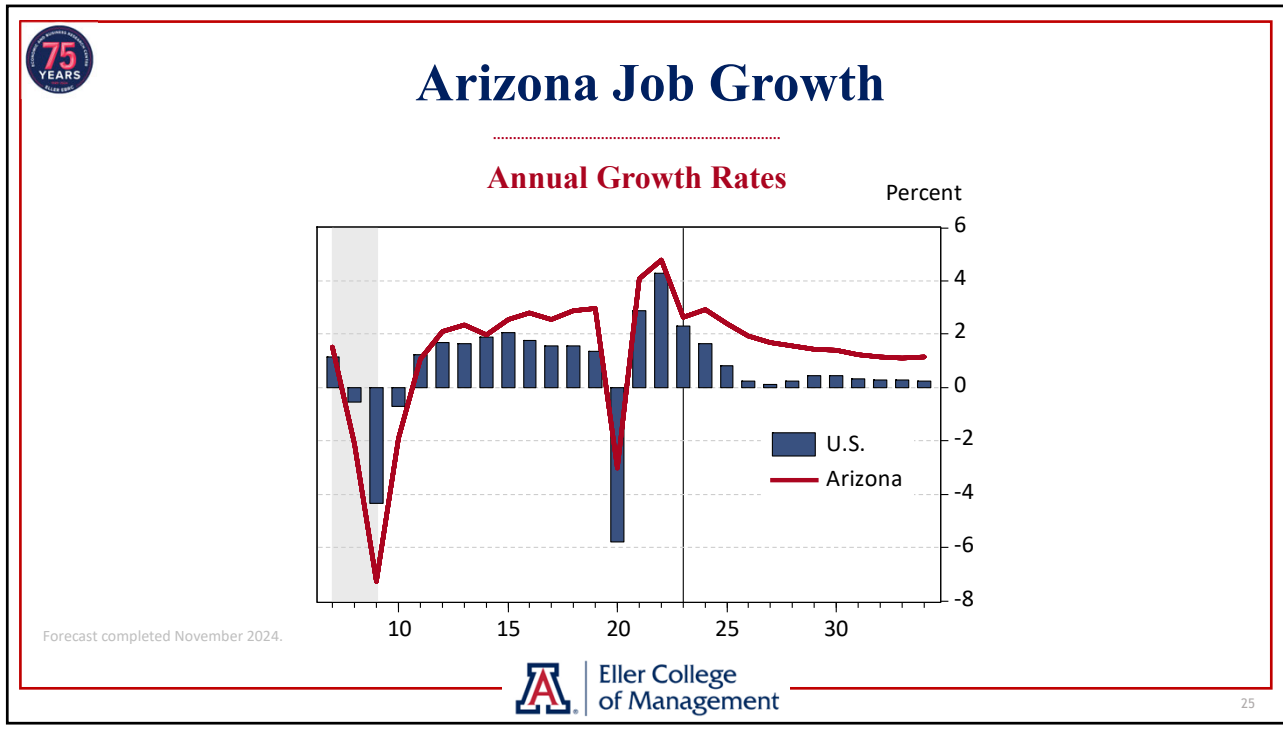
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Unauthorized Immigrants
Pew Research Center

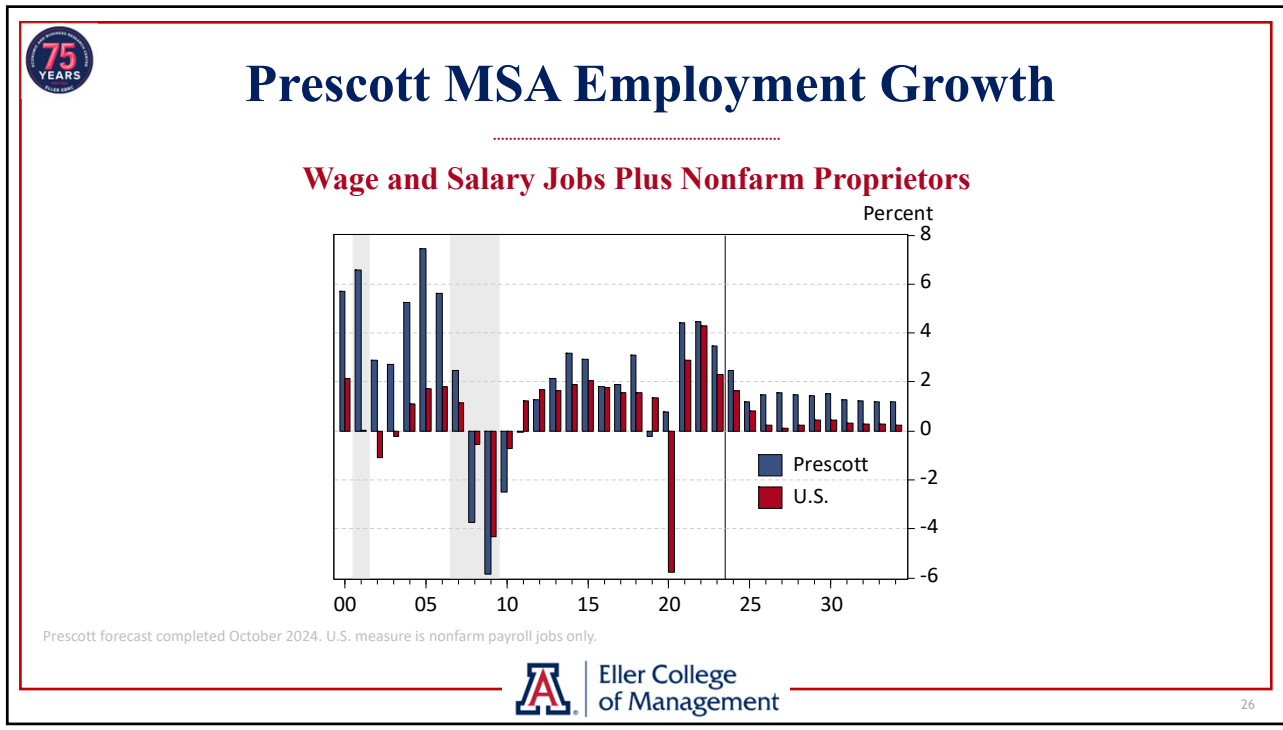
	Arizona	U.S.
Unauthorized immigrants in labor force (rank)	190,000 (13 th)	8,250,000
Share of labor force (rank)	4.9% (13 th)	4.8%
Industry with most unauthorized immigrants	Construction	Construction
Industry with highest share unauthorized immigrants	Agriculture	Construction

<https://www.pewresearch.org/short-reads/2024/07/22/what-we-know-about-unauthorized-immigrants-living-in-the-us/>

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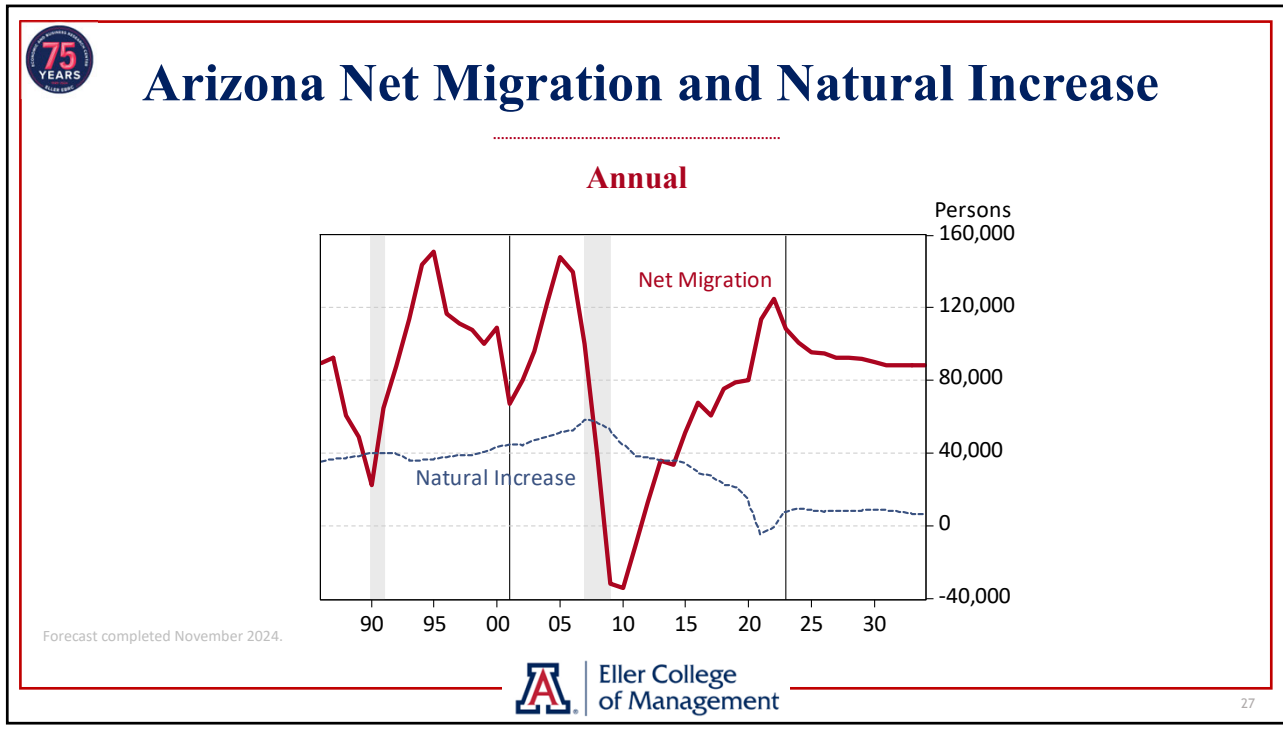


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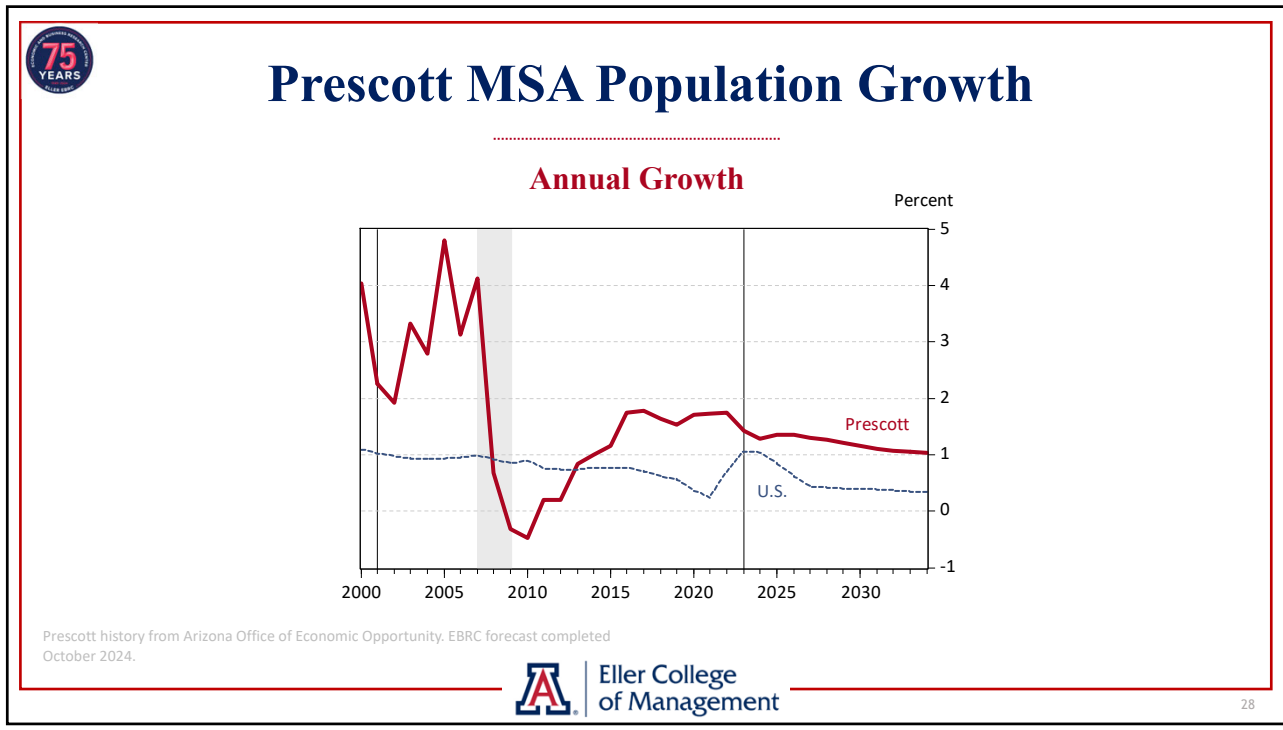


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Main Takeaways


- ▶ **Arizona’s labor market performance is solid**
 - ▶ Significant job gains, low unemployment
- ▶ **Phoenix inflation is low and commodities prices are falling**
 - ▶ Which leaves services driving price increases
- ▶ **Housing affordability remains low**
 - ▶ But single-family housing permits were up last year
- ▶ **The baseline outlook calls for continued, but slowing, growth**
 - ▶ Tariffs, deportations, reduced immigration, demographics, and elevated interest rates weigh on growth



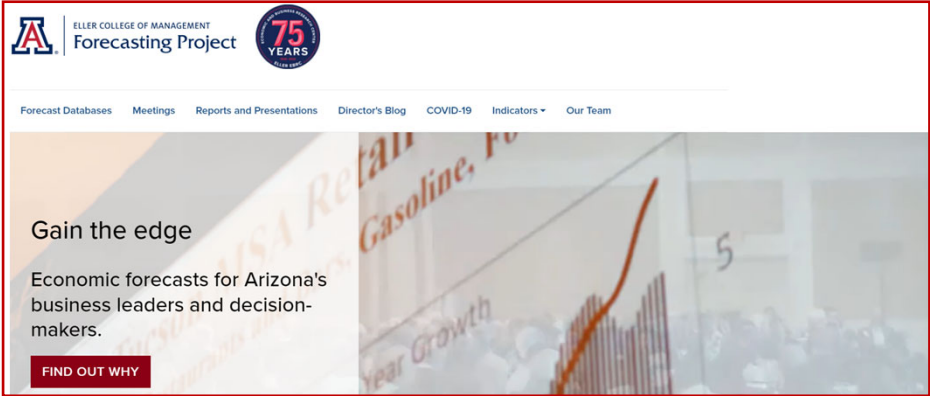
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The screenshot shows the website header with the Eller College of Management logo and 'Forecasting Project' title. Below the header is a navigation menu with links: Forecast Databases, Meetings, Reports and Presentations, Director's Blog, COVID-19, Indicators, and Our Team. The main content area features a large image with text overlays: 'Gain the edge', 'Economic forecasts for Arizona's business leaders and decision-makers.', and a red button labeled 'FIND OUT WHY'. The background image includes text like 'USA Retail', 'Gasoline, Fu', and 'Year Growth'.

forecast.eller.arizona.edu



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