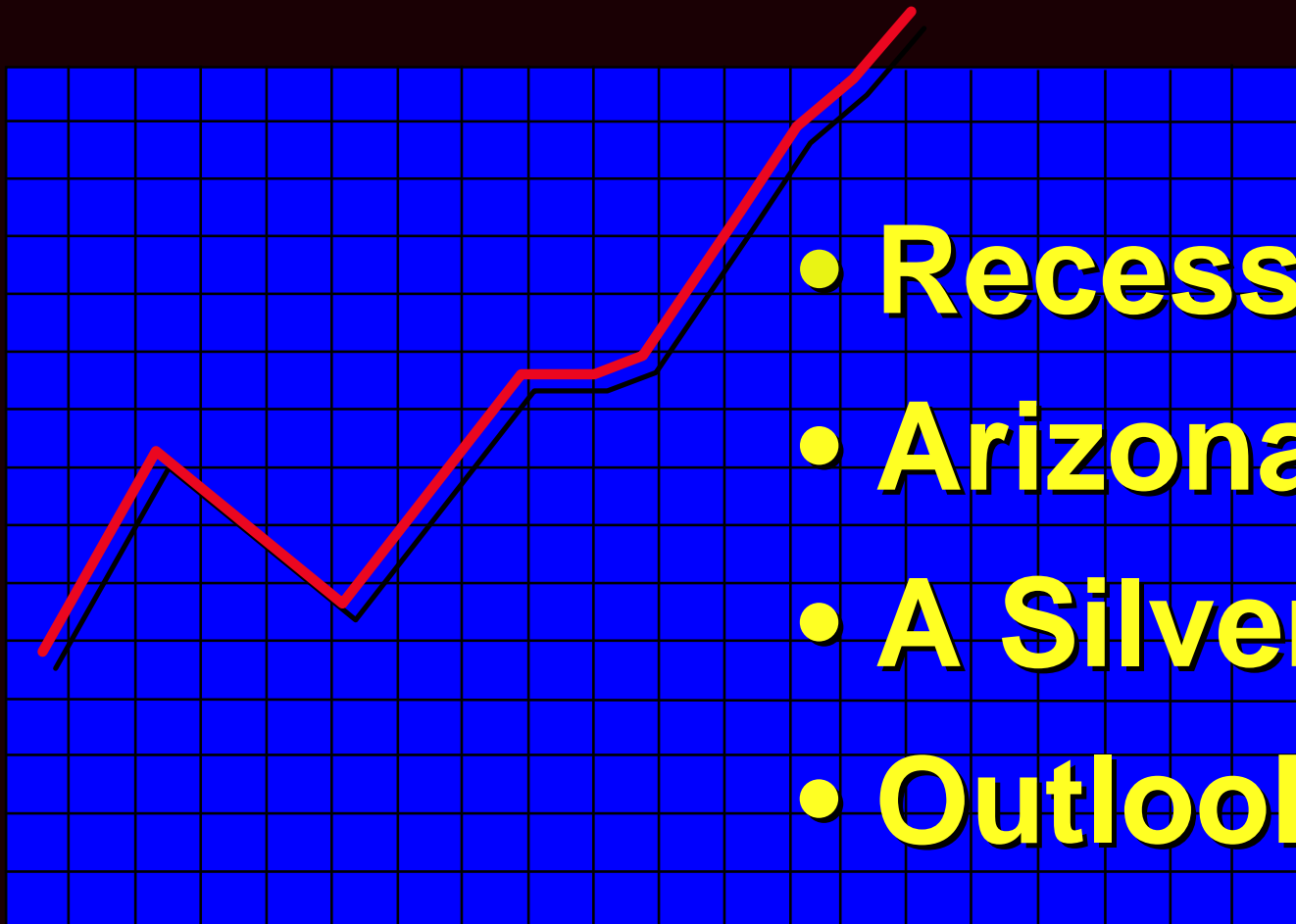


# ***Arizona Outlook***

## **45<sup>th</sup> ASU/Chase Economic Forecast Luncheon**

**December 10, 2008**

# Arizona Update & Outlook



- **Recession Watch**
- **Arizona Downturn**
- **A Silver Lining**
- **Outlook is Flat**

# **THE RECESSION WATCH**

- **How severe will it be?**
- **How long will it last?**

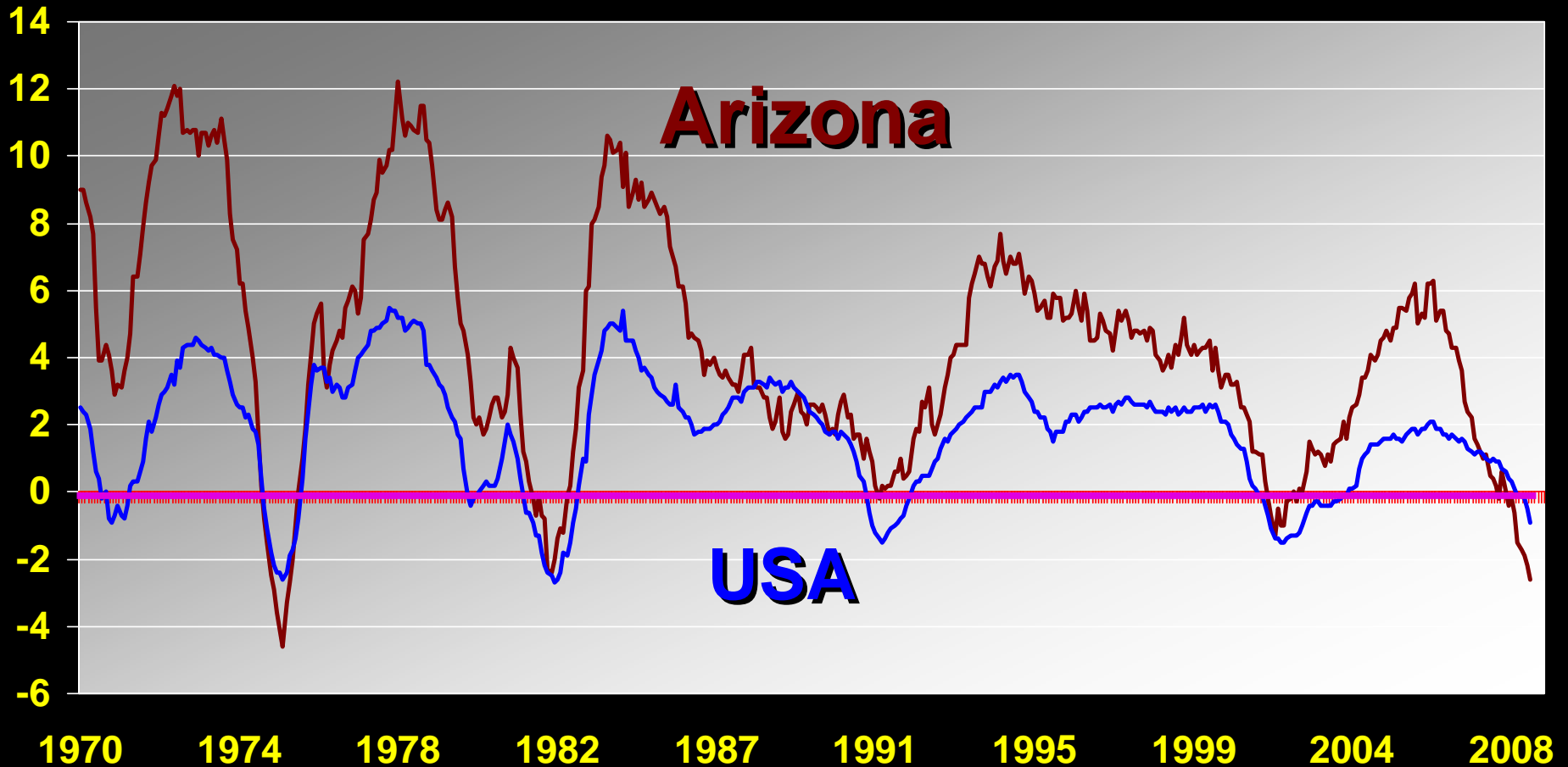
# GDP Recovery in 2nd Half?

U. S. Blue Chip: Percent Change in Real GDP at Annual Rate



# Arizona & US Move Together

(Employment Year/Year Percent Change 1970 - 2008)



# Lost: 1.9 million jobs

**The 2008 tally soars after payrolls shrink by 533,000 in November, the biggest one-month decline in nearly 34 years. Unemployment soars to 6.7% .**

NEW YORK (CNNMoney.com) -- The economy shed 533,000 jobs in November, according to a government report Friday - bringing the year's total job losses to 1.9 million.

November had the largest monthly job loss total since December 1974.

"This is a dismal jobs report," said Keith Hall, commissioner of the Bureau of Labor Statistics, at a congressional hearing. "There's very little in this report that's positive. This is maybe one of the worst jobs reports the Bureau of Labor Statistics (founded in 1884) has ever produced."

The number of jobs lost in the current recession, which began in December 2007, surpasses the 1.6 million jobs lost in the 2001 recession.

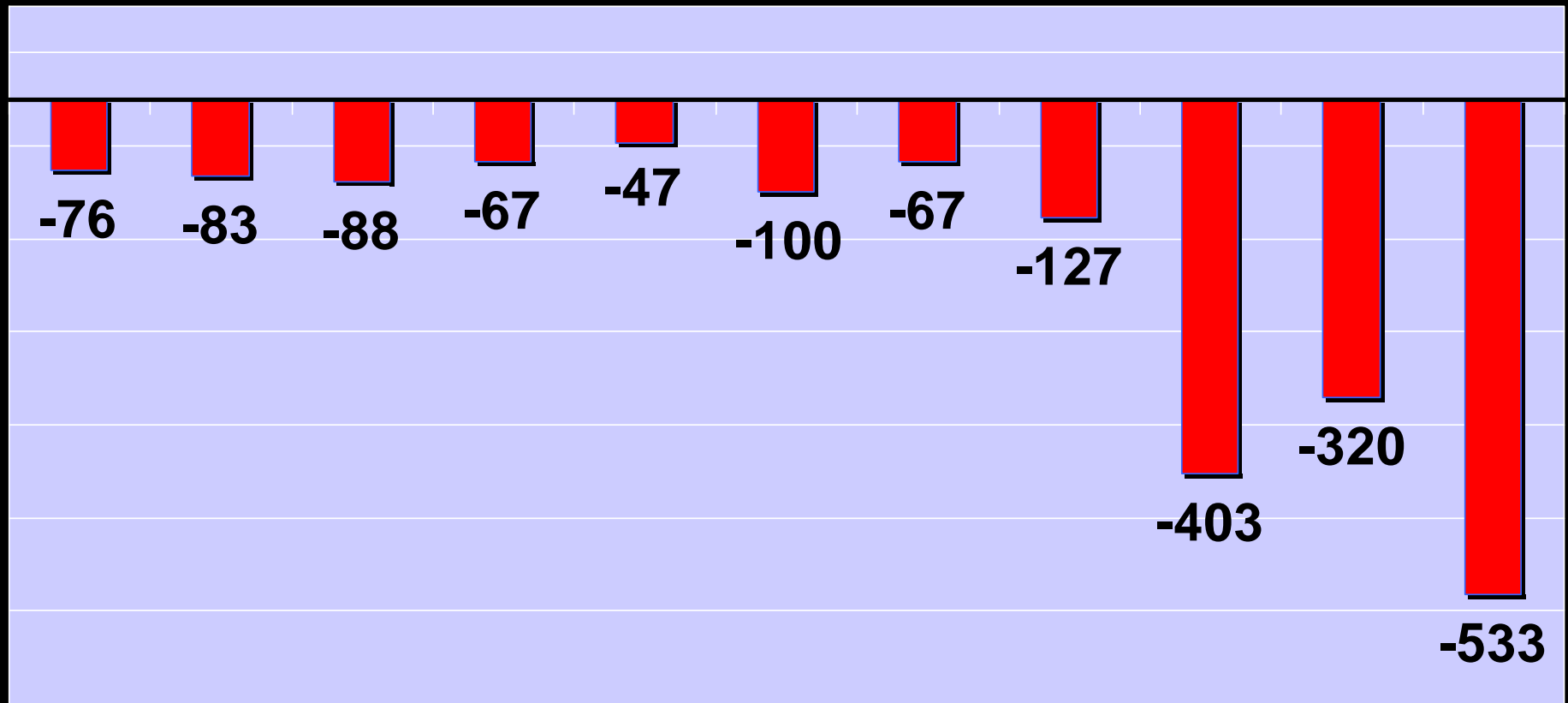


# 70,900 Arizona Jobs Lost

<u>Sector</u>	<u>Oct 08 vs Oct 07</u>
Overall	-70,900
Health Care	+10,000
Science/Technical	+2,700
Government	+6,200
Employment Services	-10,800
Retail Trade	-17,600
Food Service	-8,800
Construction	-37,600

# 11 Months of U.S. Job Loss

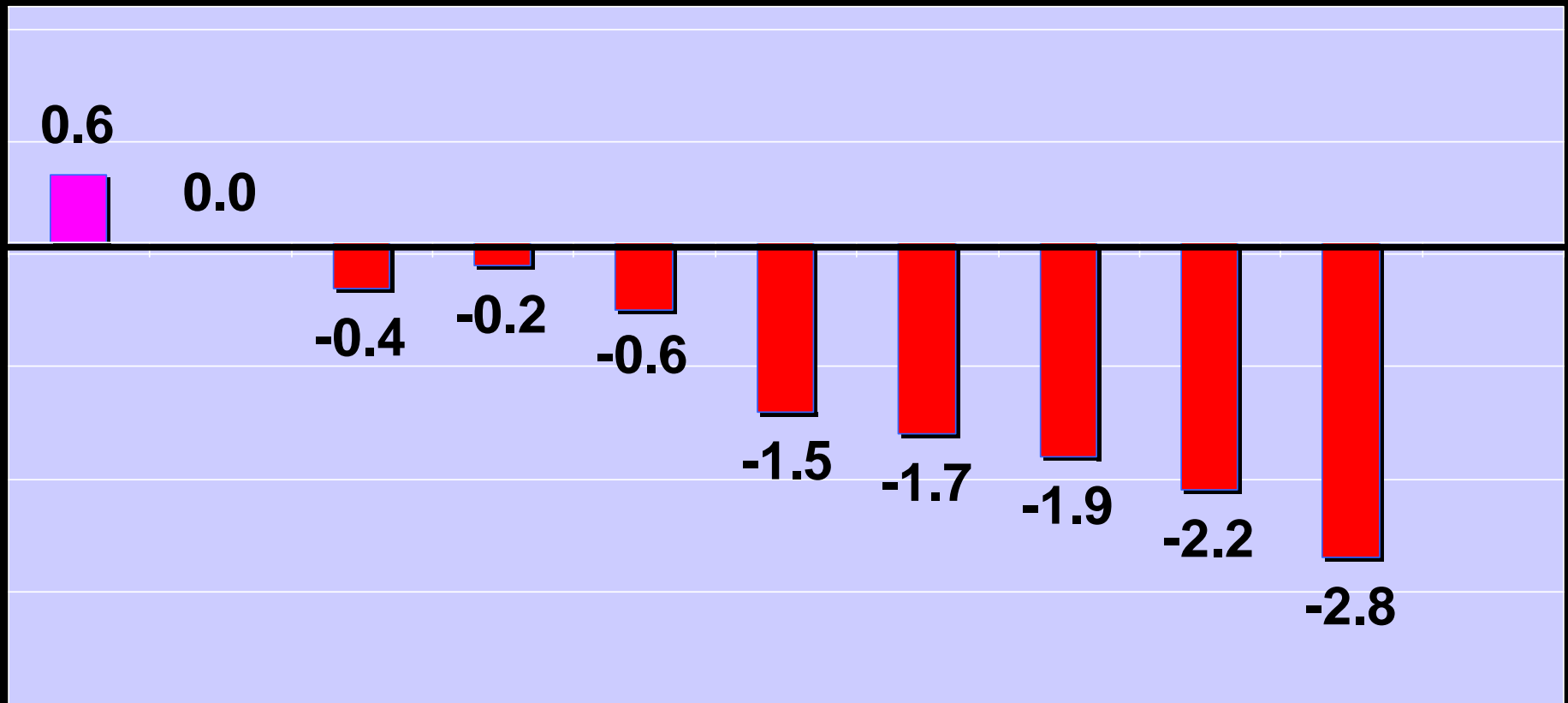
## Job Growth/Loss, Thousands



Jan. Feb. Mar. Apr. May June July Aug. Sept. Oct. Nov.

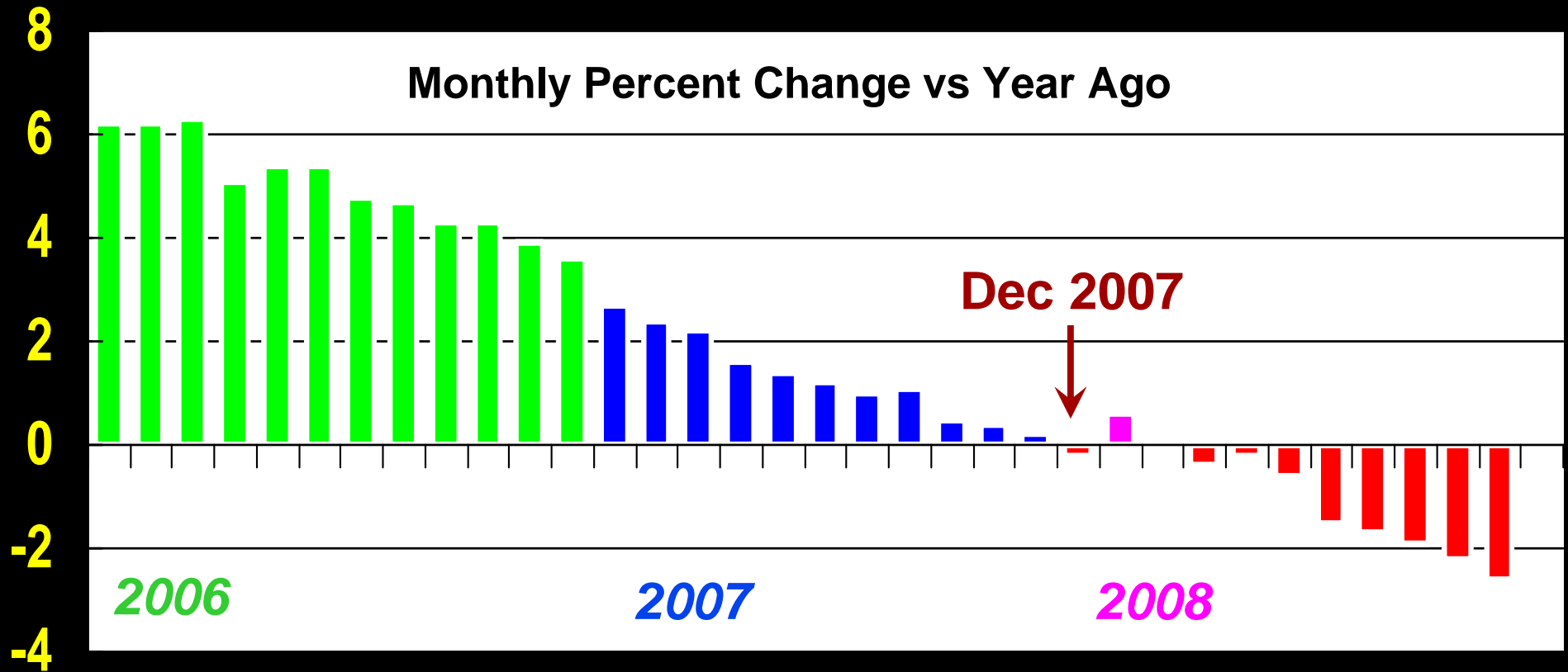
# Arizona Job Losses in 2008

## Monthly Percent Change vs Year Ago



Jan. Feb. Mar. Apr. May June July Aug. Sept. Oct.

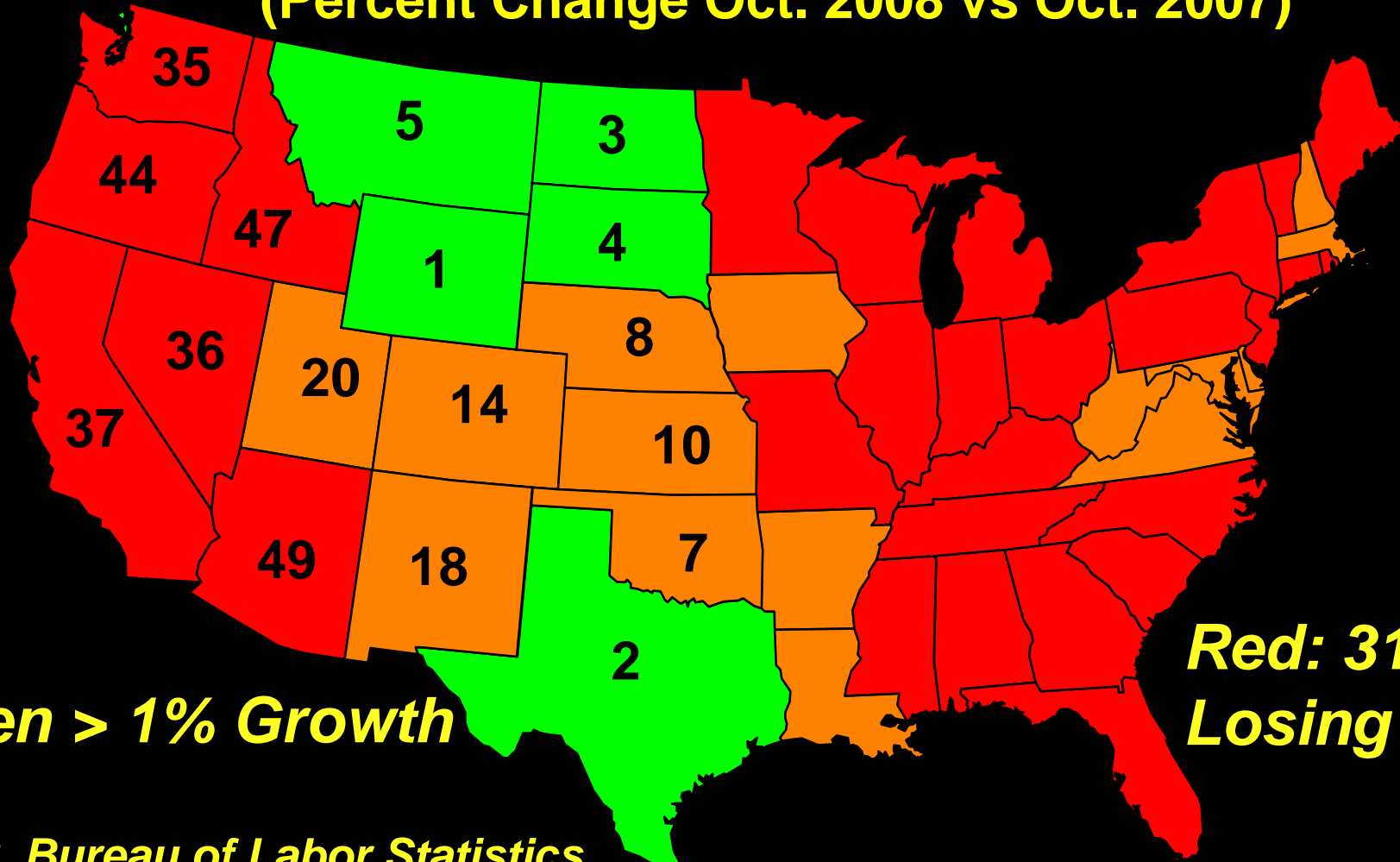
# Arizona Job Growth Deteriorated After 2006



Source: Arizona Department of Commerce

# Arizona Ranks Near Bottom for Job Growth

(Percent Change Oct. 2008 vs Oct. 2007)



**Green > 1% Growth**

**Red: 31 States  
Losing Jobs**

**U. S. Bureau of Labor Statistics**

# Unemployment at 7%?

## Arizona Unemployment Rates in Recession

**1976 10.3%**

**1982 11.5%**

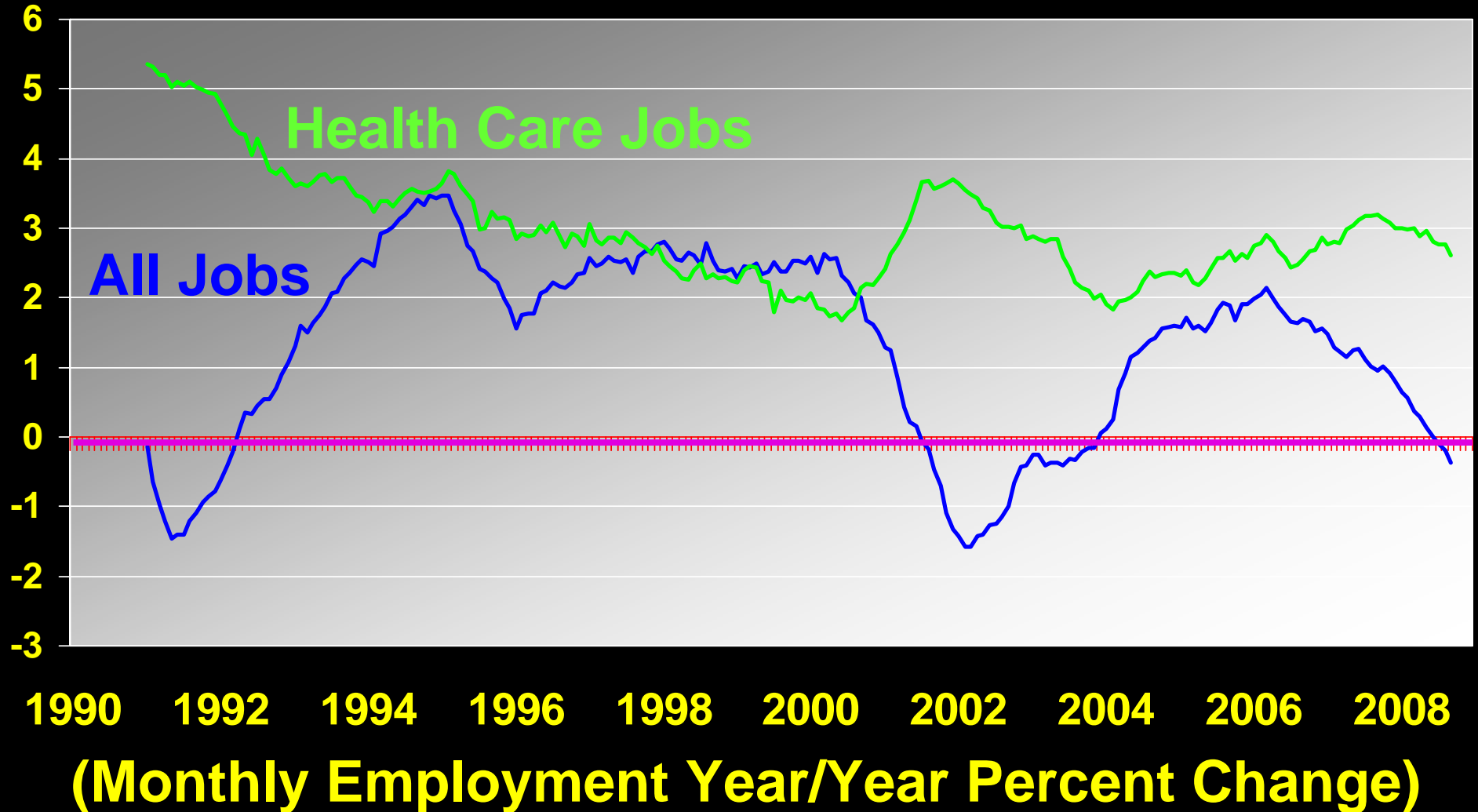
**1992 7.5%**

**2008 6.1%**

# Less Harmed by Recession

- **Food, guns, alcohol**
- **Health care & related**
- **Online commerce**
- **Repair & maintenance**
- **Basic consumer goods**

# Recession Proof Sector in US Economy: Health Care

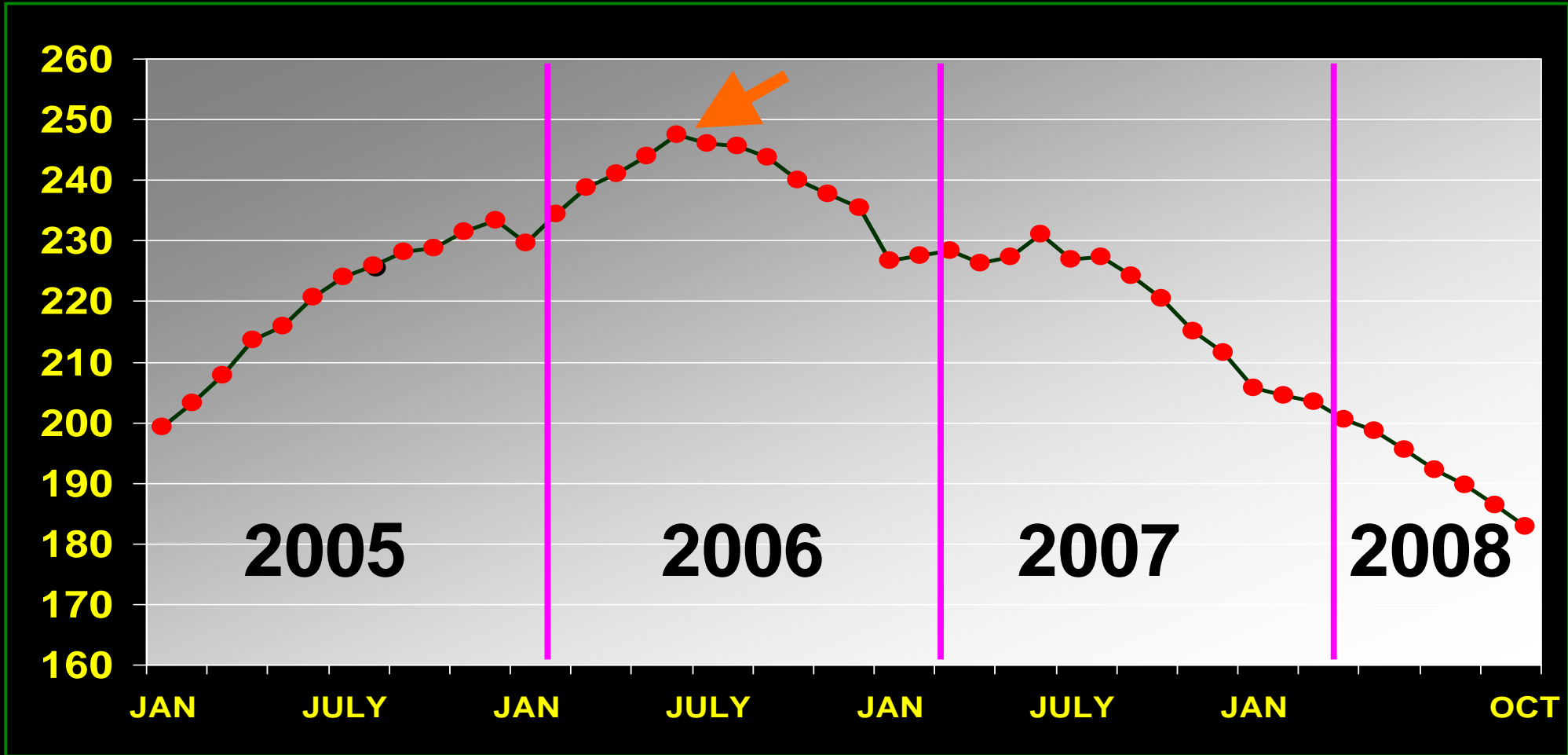


# Hit Hardest by Recession

- **Discretionary & postponable**
- **Temporary worker agencies**
- **Construction, home stores**
- **Retail outlets, restaurants**
- **Auto dealers, trucking**
- **Finance & insurance**

# 65,000 Arizona Construction Jobs Lost Since Summer of 2006

Thousands of Jobs



# U.S. Housing Gets More Affordable

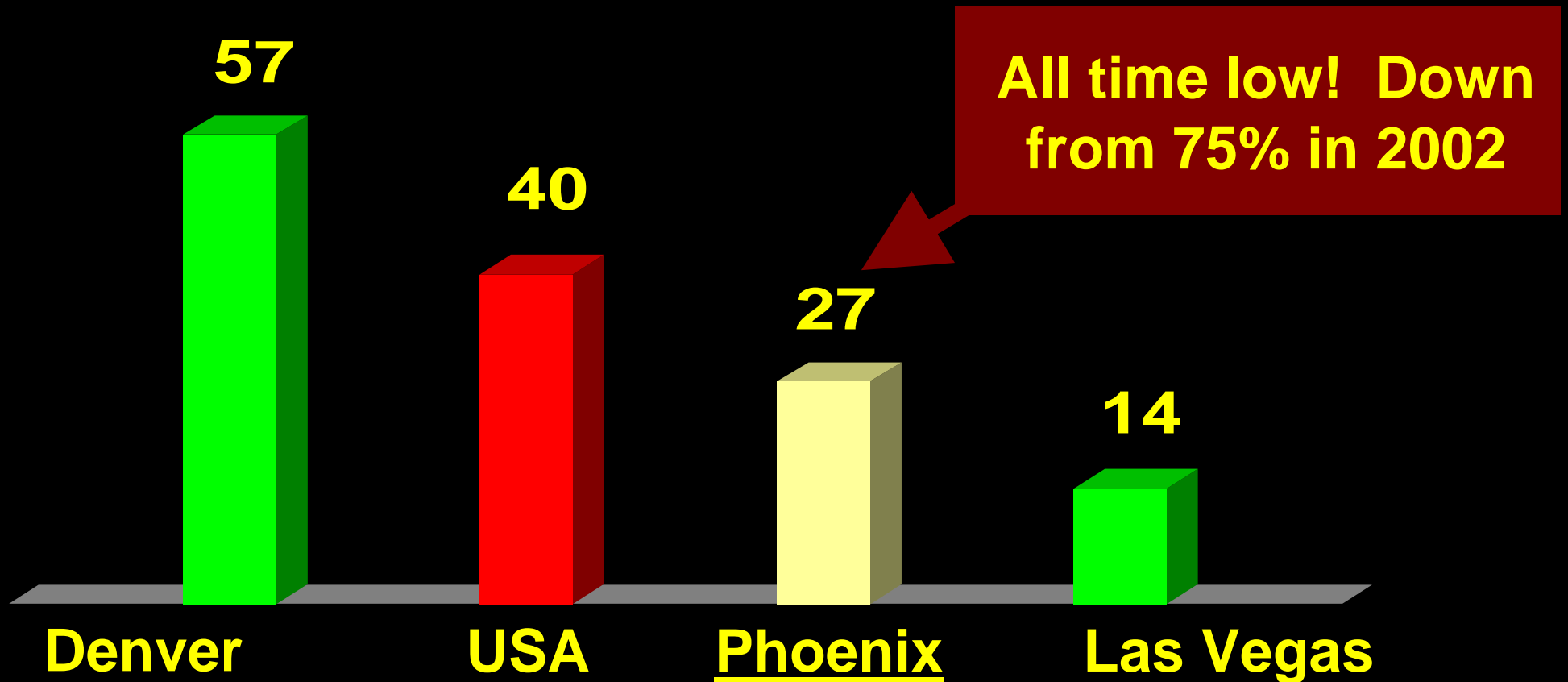
## Percent Homes Affordable at Median Family Income



Source: U. S. data from National Assoc. Home Builders, Q3 2008

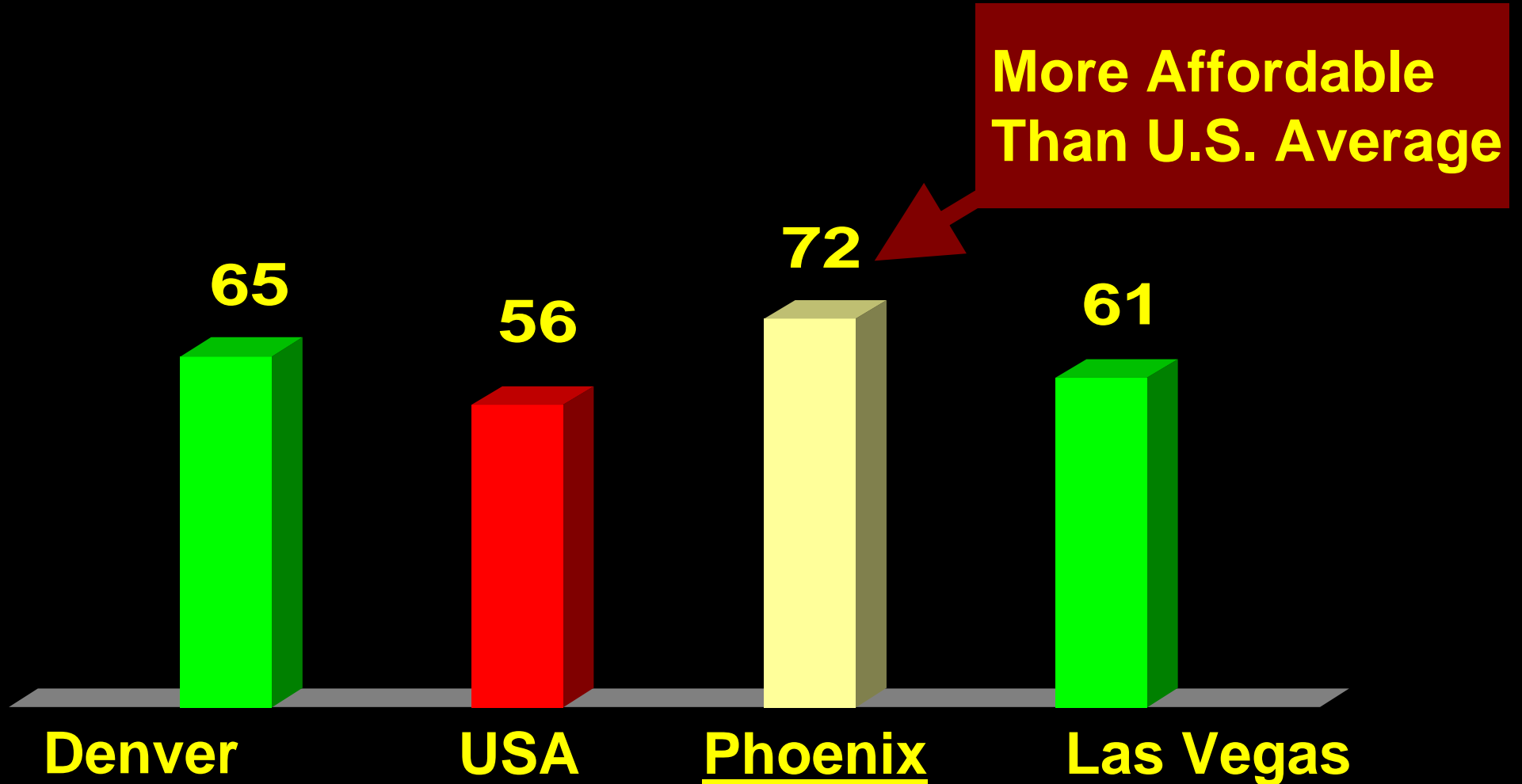
# Affordability Index (2006)

Percent homes affordable at median income (NAHB)



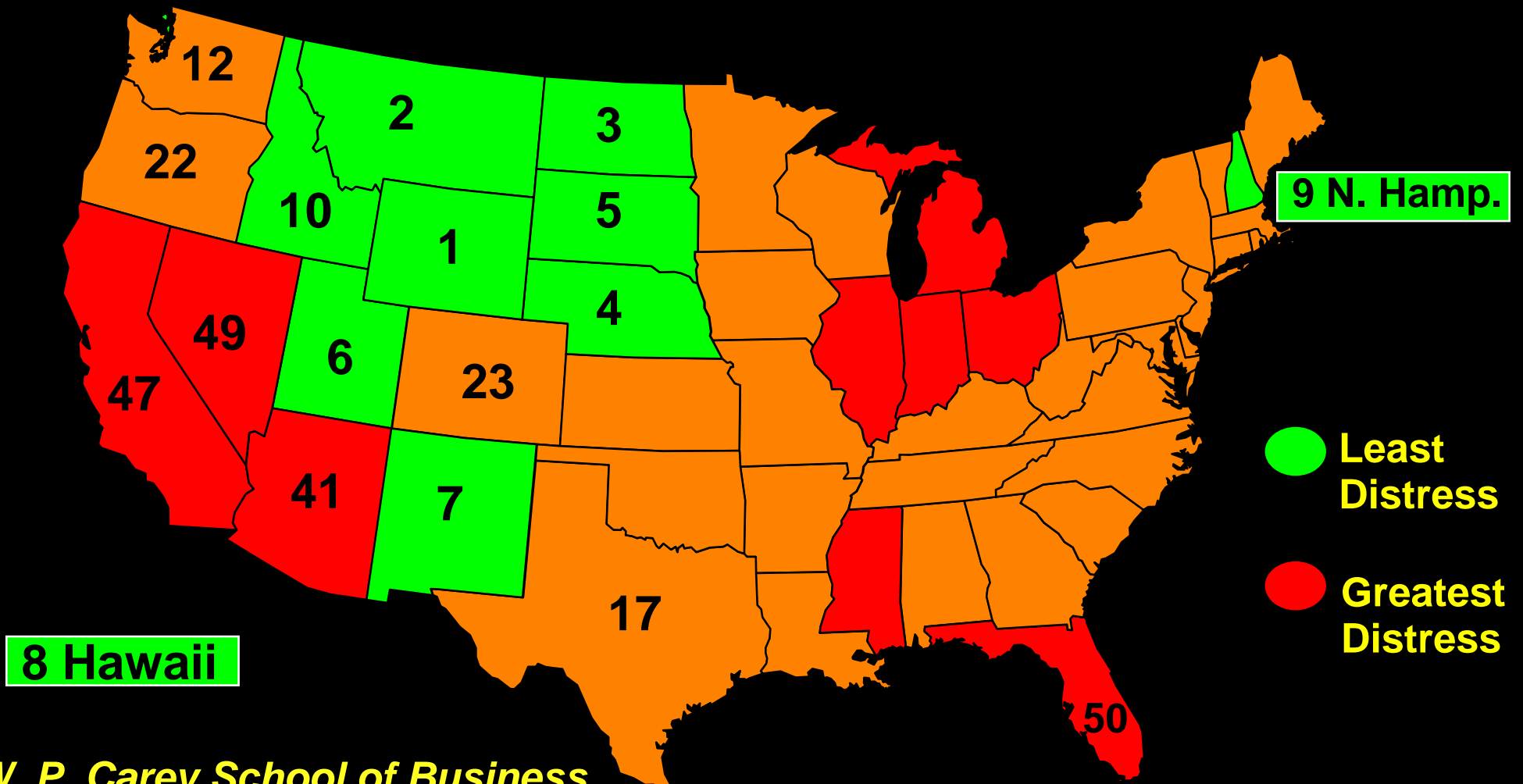
# Affordability Index (2008)

Percent homes affordable at median income (NAHB)

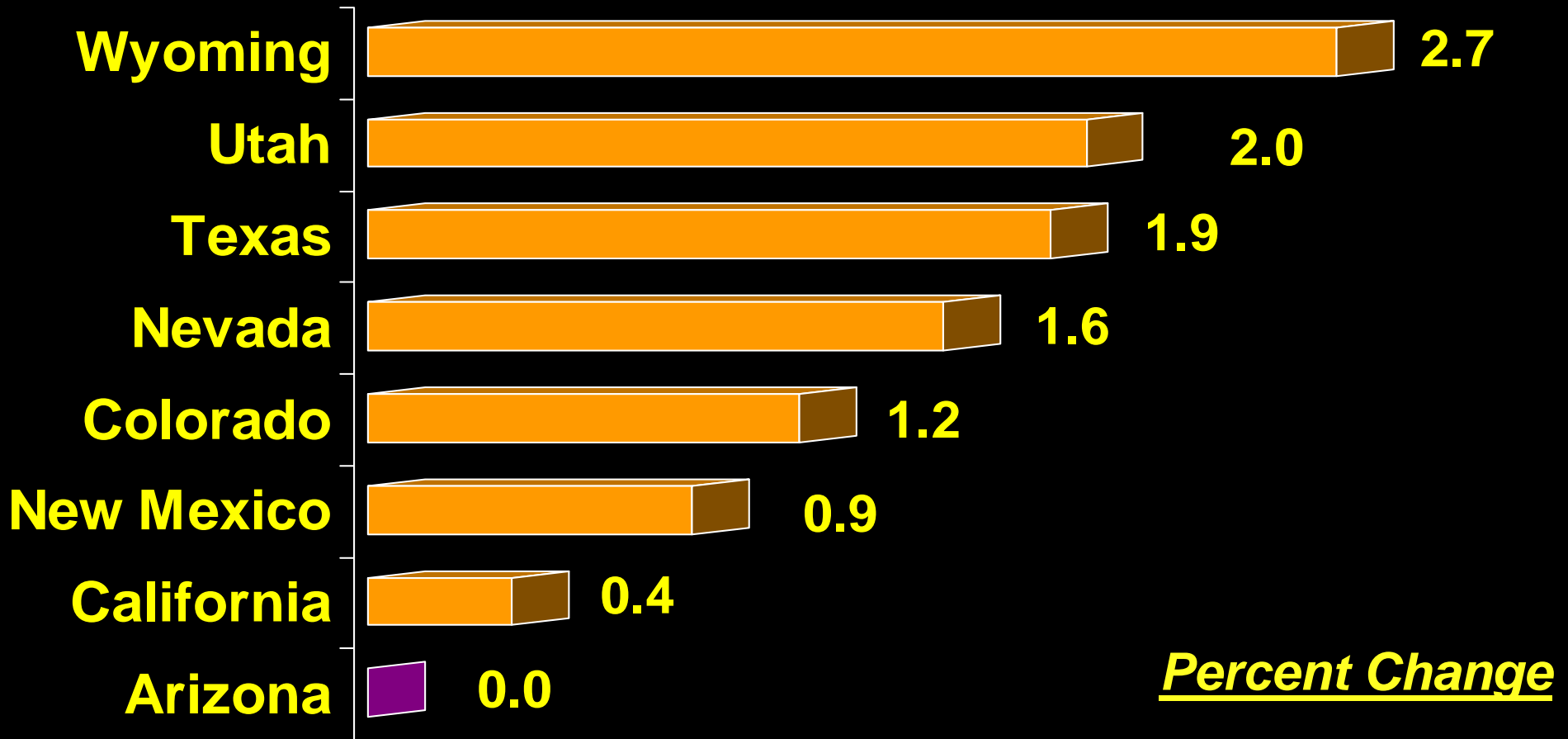


# Distress Index – Q3 2008

(Unemployment Rate + Serious Delinquency Rate)



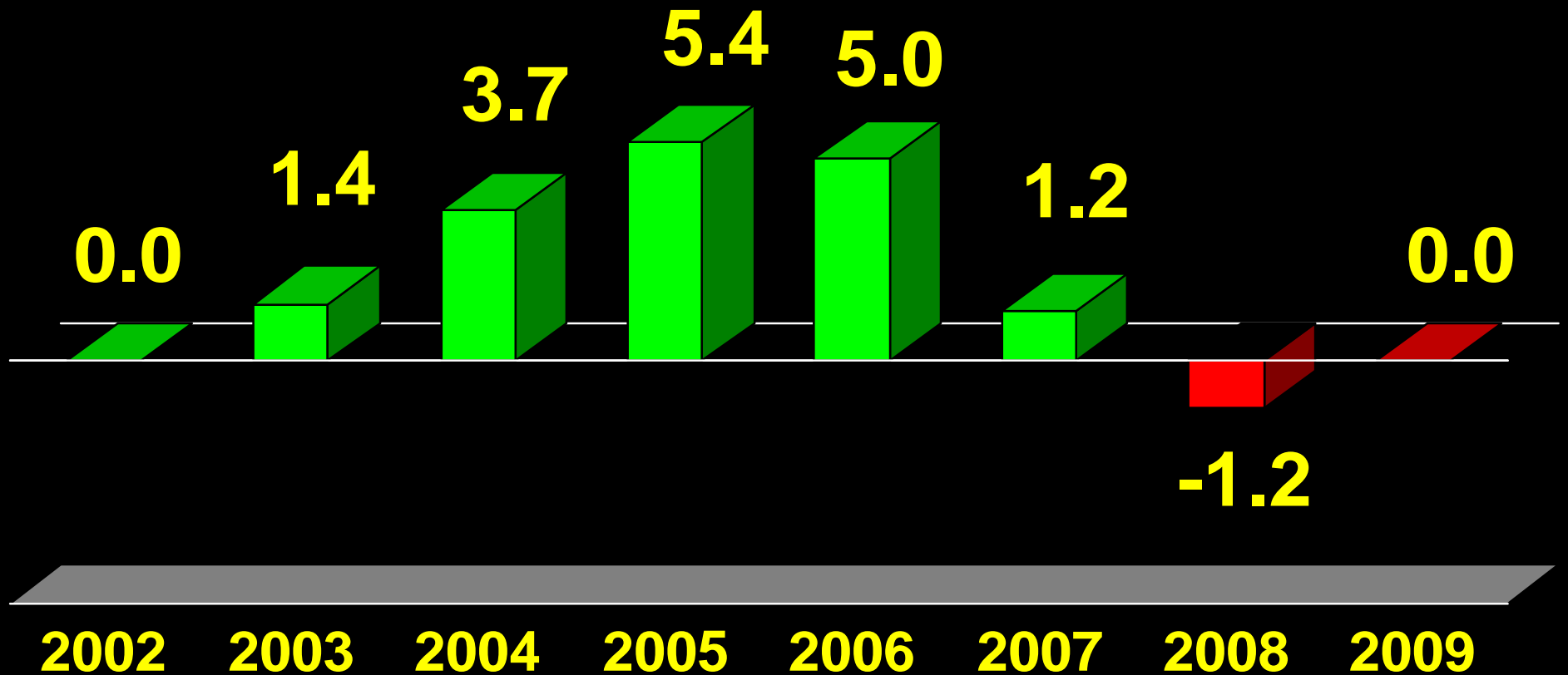
# Western Jobs Outlook: 2009



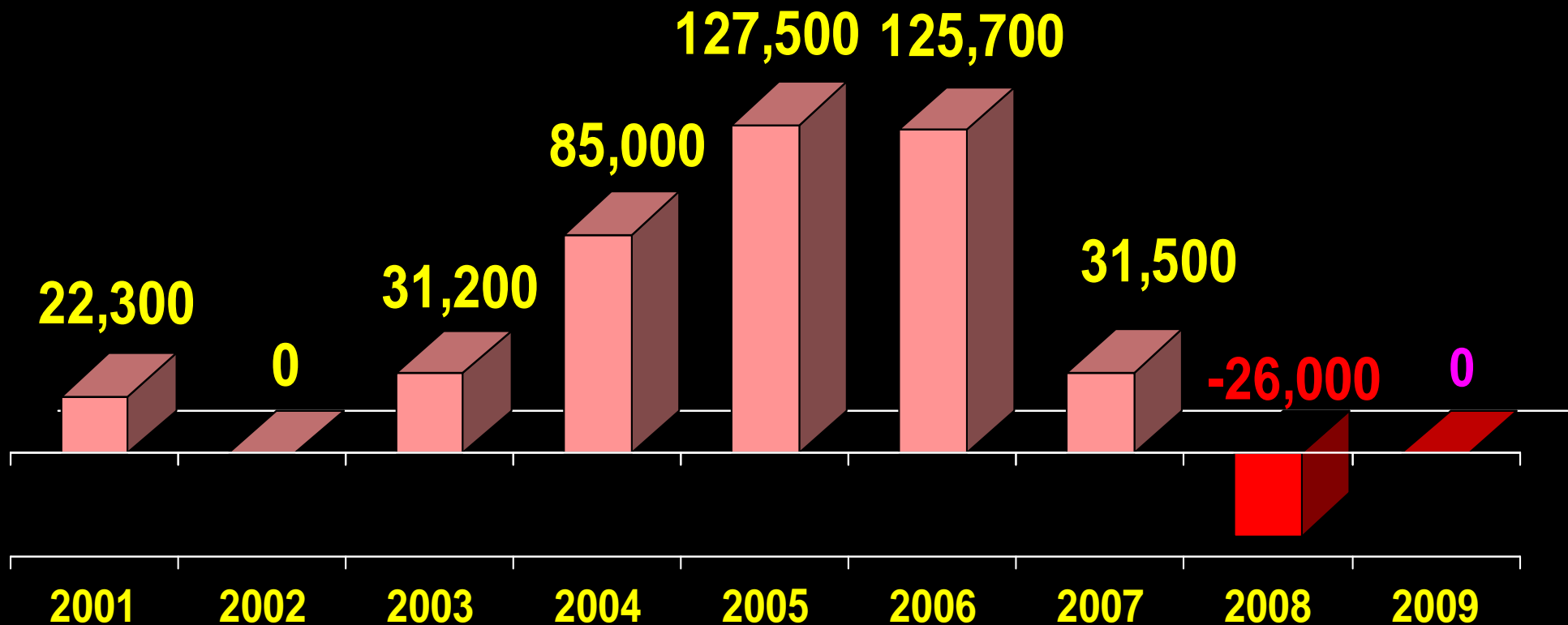
Source: Western Blue Chip Economic Forecast, ASU

# Arizona Job Growth Outlook: Stagnant Through 2009

Annual Percent Change In Arizona Employment

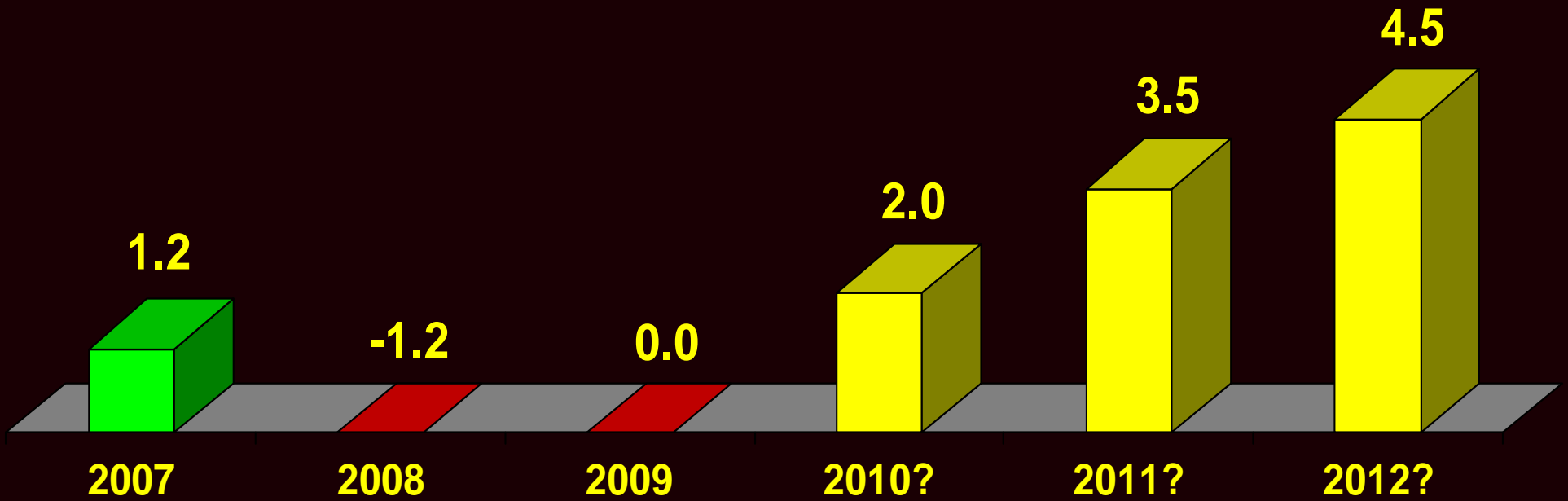


# Arizona Job Growth: No Net Jobs in 2009



# Typical Arizona Rebound?

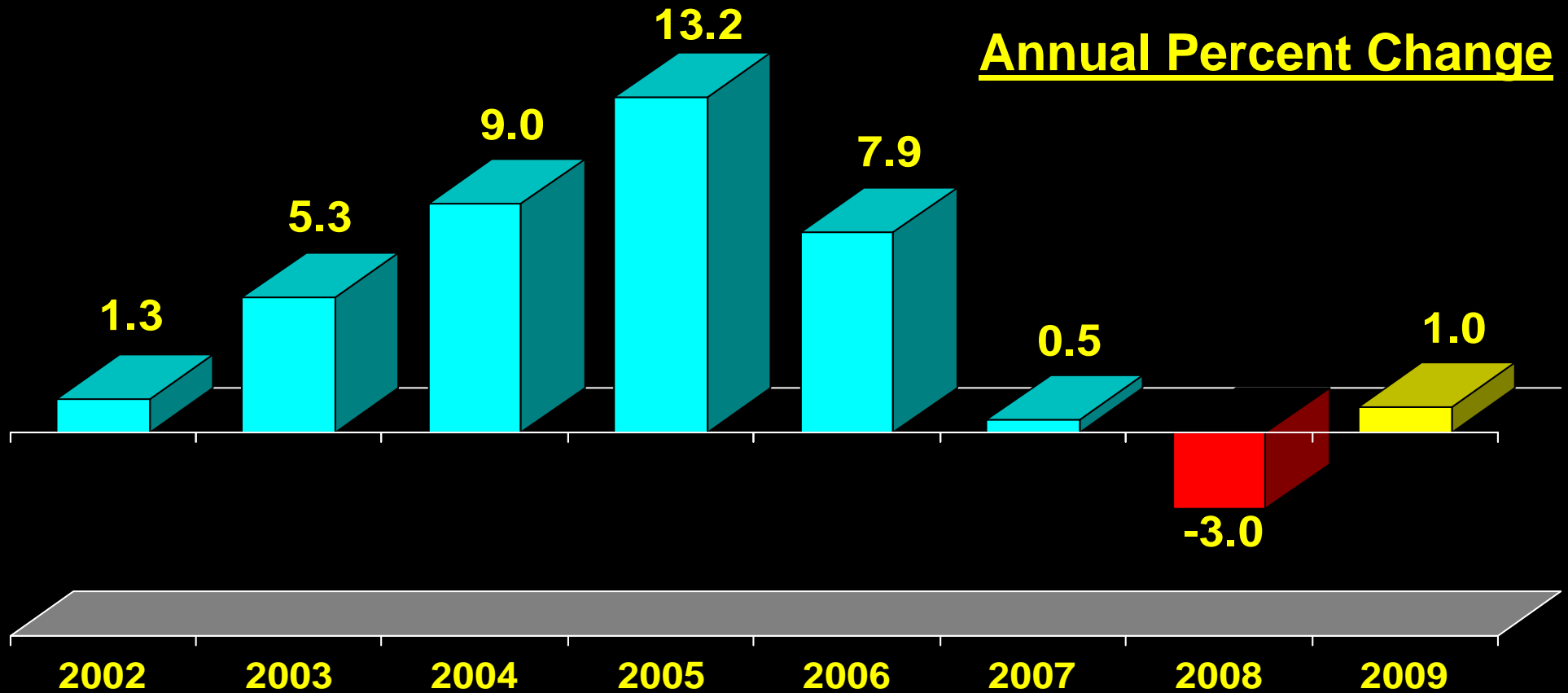
## Annual Percent Change In Arizona Employment



Source: *W. P. Carey School of Business*

**Forecast**

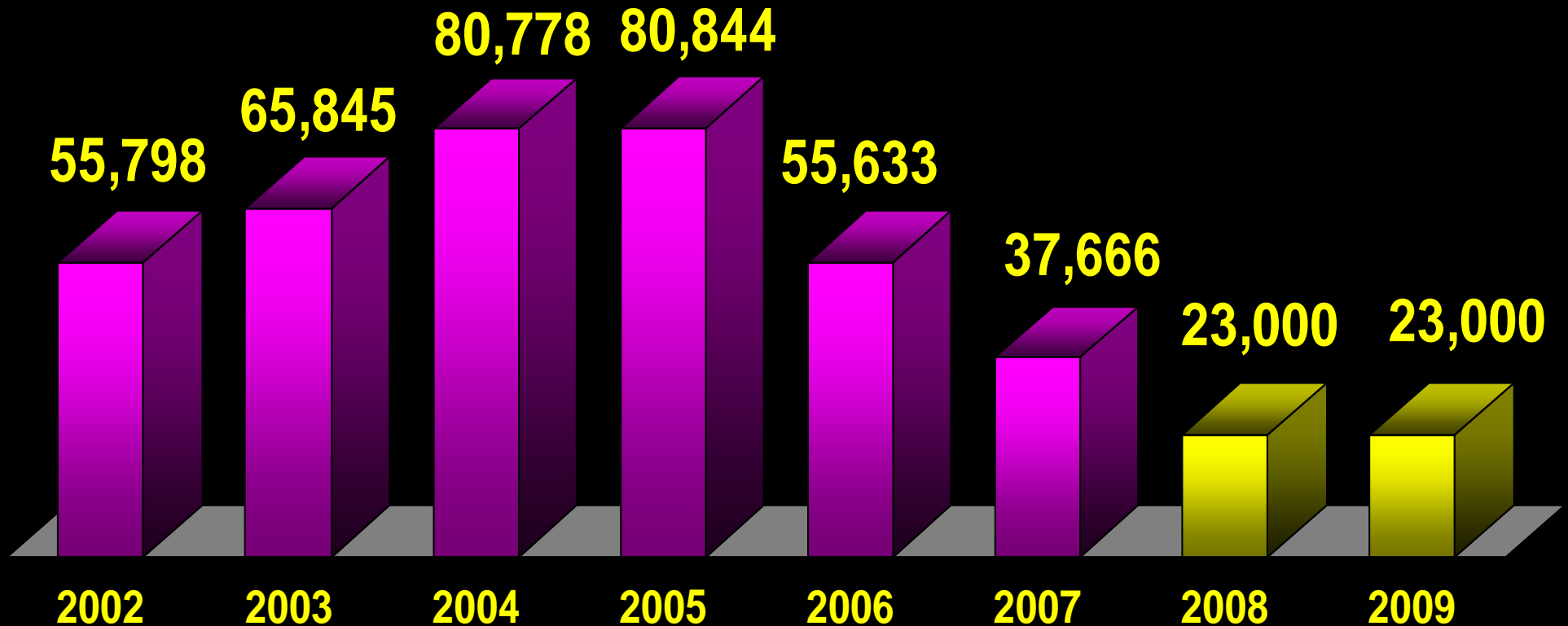
# Arizona Retail Sales Outlook: Slow Revenue Growth

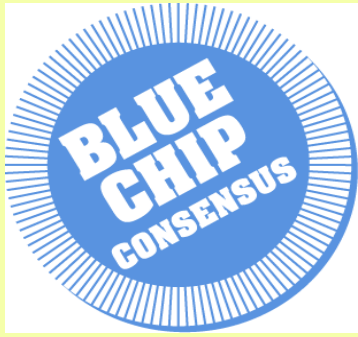


Source: Arizona Blue Chip Forecast

Forecast

# Arizona New Single Family Permits: Flat in 2009





# ARIZONA

## BLUE CHIP ECONOMIC FORECAST

	2007	2008	2009
	Annual Percent Change		
<b>Personal Income</b>	4.5	3.6	3.5
<b>Employment</b>	1.2	-1.2	0.0
<b>Single Family Units</b>	-32	-37	0.0
<b>Retail Sales</b>	0.5	-3.0	1.0
<b>Population</b>	2.8	2.0	2.0

# **Out of State License Surrenders Still Strong**

<b>2004</b>	<b>442,000</b>
<b>2005</b>	<b>441,000</b>
<b>2006</b>	<b>451,000</b>
<b>2007</b>	<b>437,000</b>
<b>2008</b>	<b>450,000</b>

**Source: Auto Licenses from AZ Dept of Motor Vehicles**

# Arizona Blue Chip Panel



**Scott Anderson**  
**Brian Cary**  
**Dennis Doby**  
**Dwight Duncan**  
**Kent Ennis**  
**Tim Everill**  
**Pete Ewen**  
**Dennis Foster**  
**Neal Helm**

**Cheri Levenson**  
**John Lucking**  
**Alan Maguire**  
**Elliott Pollack**  
**Richard Petrenka**  
**Steve Pritulsky**  
**Debra Roubik**  
**Stephen Taddie**  
**Marshall Vest**



# ***Outlook “Take Away”***

- **2008 – it wasn’t great!**
- **2009 - continue to whine!**
- **2010 - growing again!**



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