
How resilient is the Arizona economy? How do we push forward?

November 2020

ROUNDS CONSULTING GROUP

What will be covered?

US Economy,

AZ Economy,

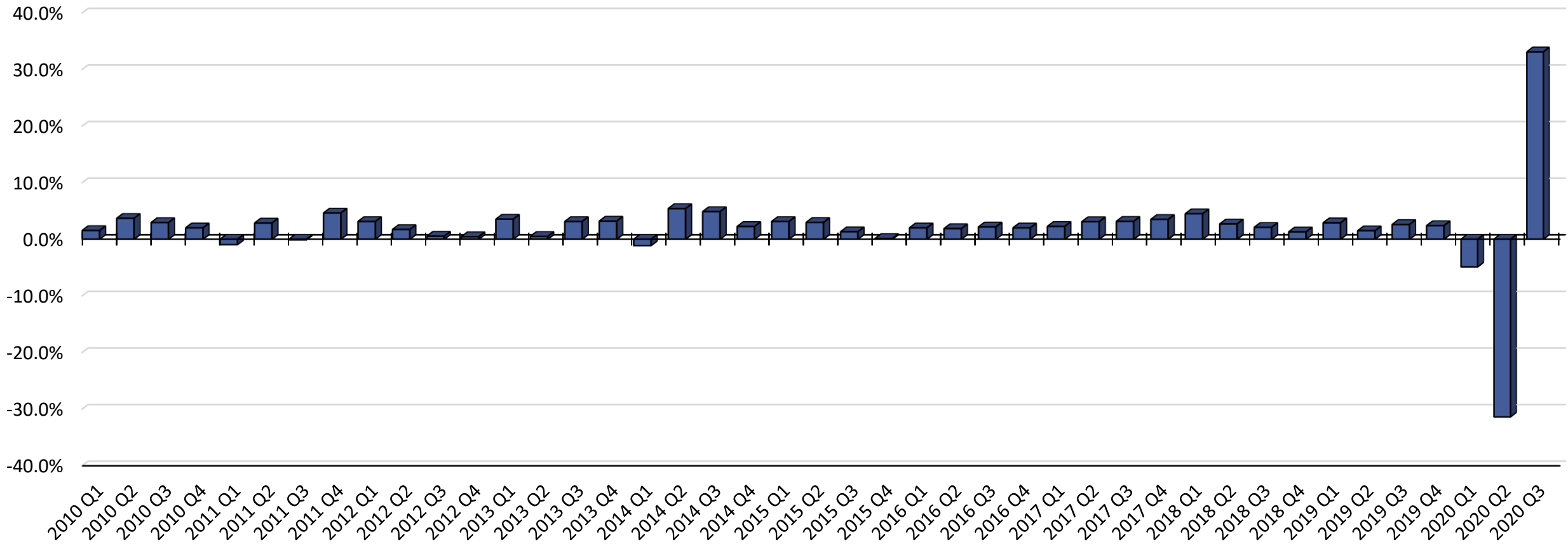
Phoenix, Tucson, & Rural Economies,

Current Risks and Opportunities

U.S. Real GDP

Annualized Percent Change; Quarterly, 2010 - 2020*

Source: U.S. Bureau of Economic Analysis

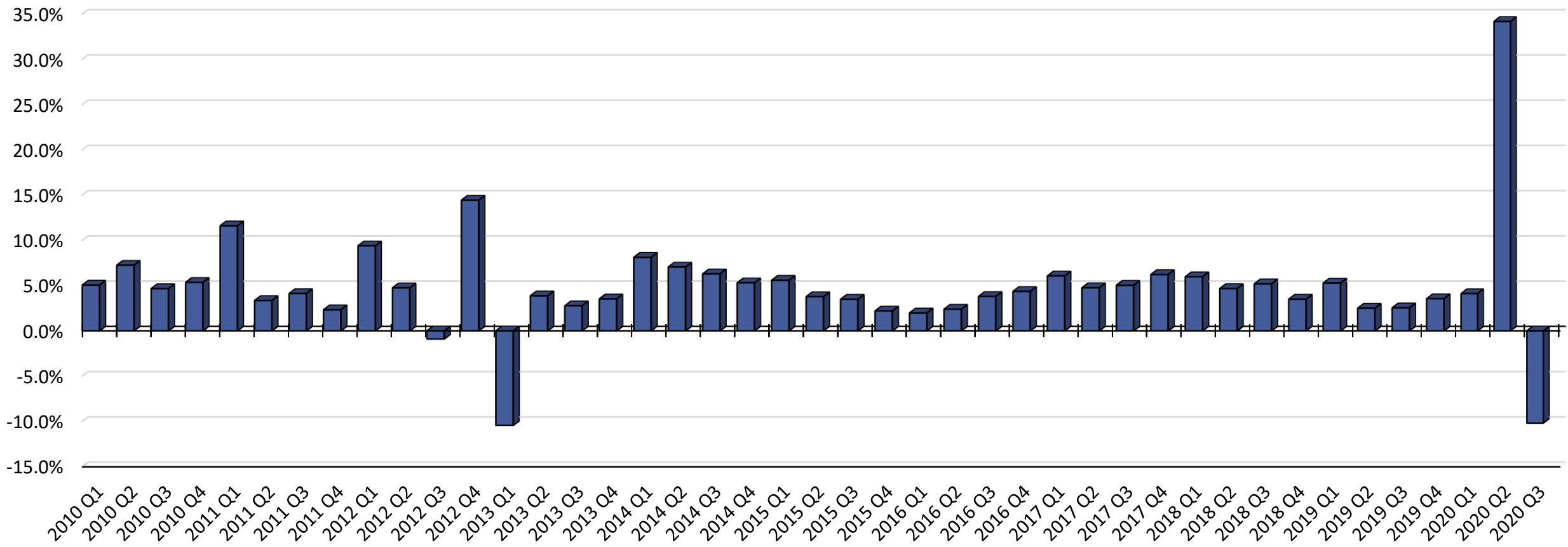


*Data through Q3 2020

U.S. Personal Income

Annualized Percent Change; Quarterly, 2010 - 2020*

Source: U.S. Bureau of Economic Analysis



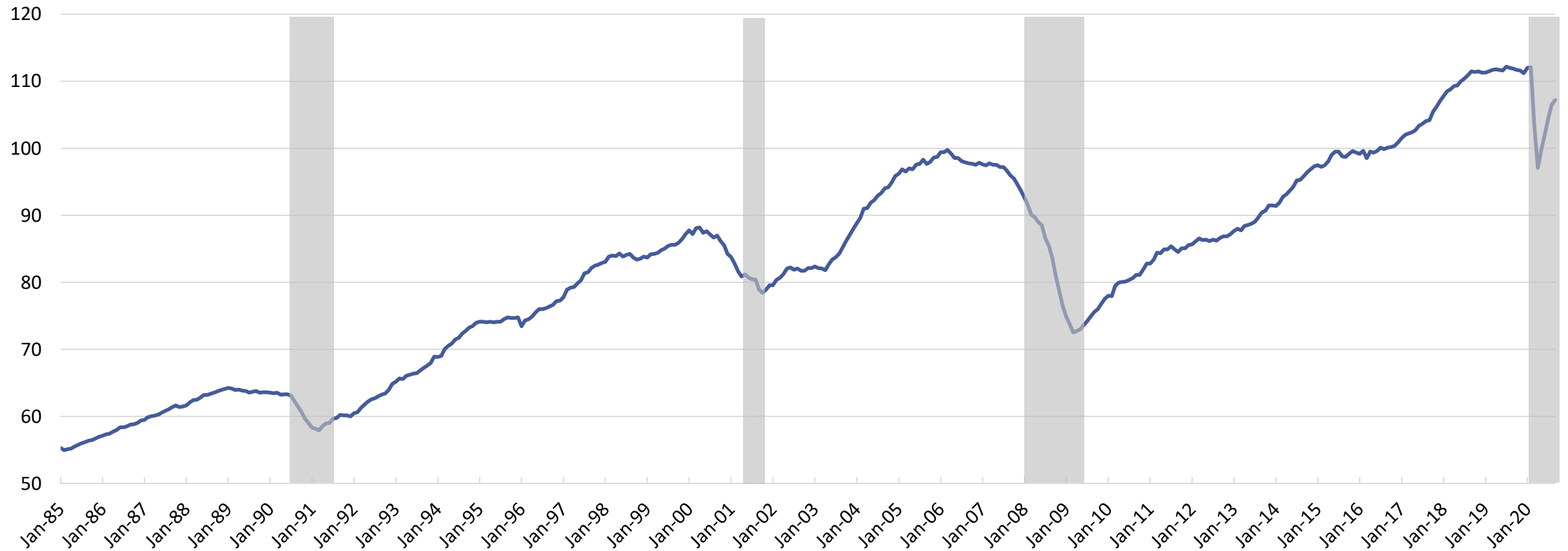
*Data through Q3 2020

U.S. Leading Indicators

1985 - 2020*

Source: The Conference Board

Recession Period



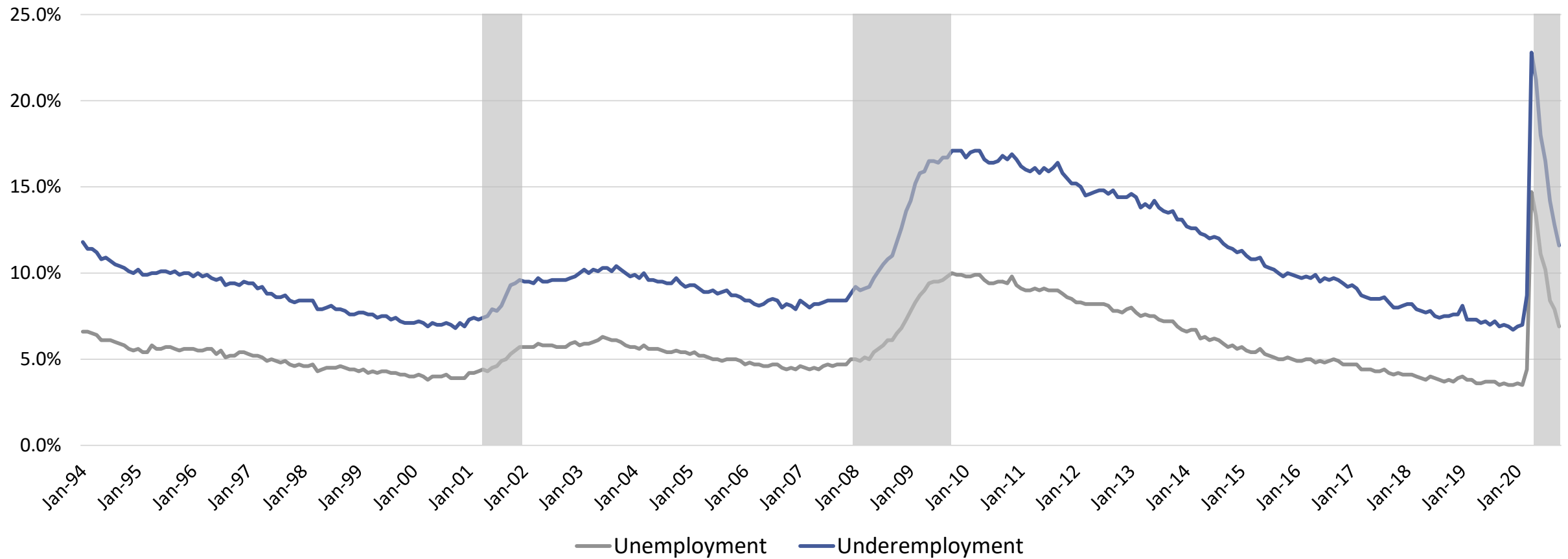
*Through September 2020

U.S. Unemployment and Underemployment Rate

Seasonally Adjusted; Monthly, 1994 - 2020*

Source: U.S. Bureau of Labor Statistics

Recession Period

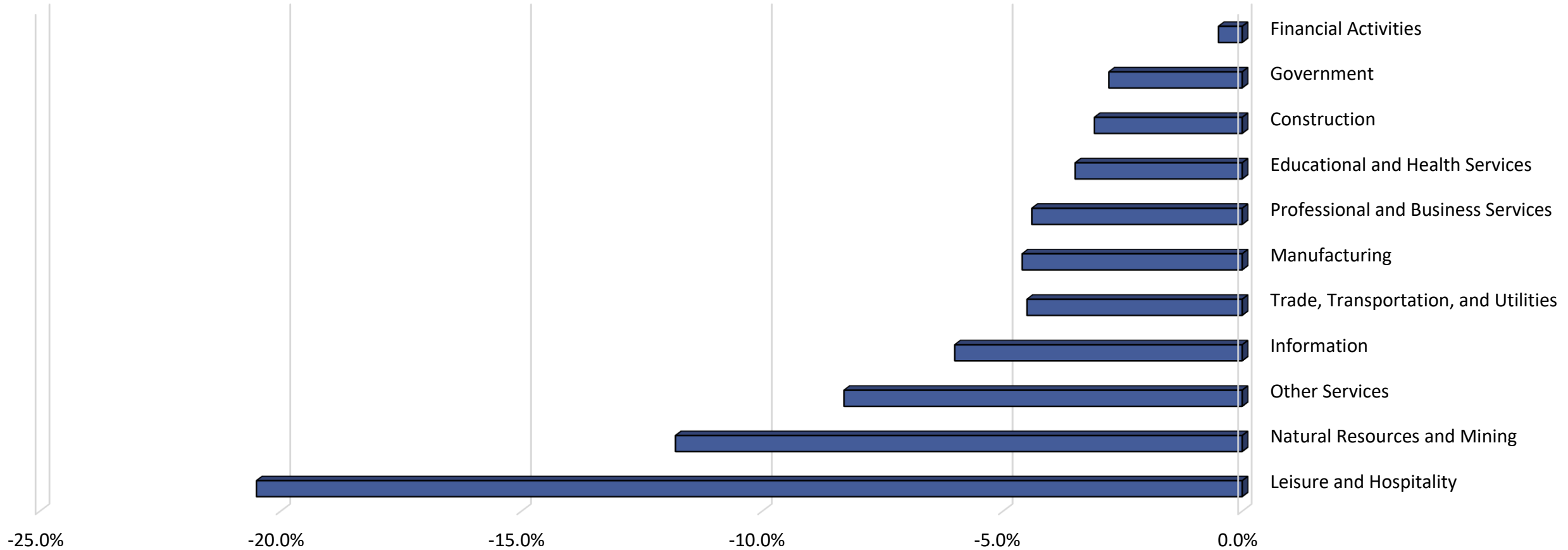


*Through October 2020

U.S. Job Losses by Sector

Seasonally Adjusted; Percent Change

Source: U.S. Bureau of Labor Statistics



*YTD through October 2020

Shape of the Recession?



HOTELS
WORLDWIDE

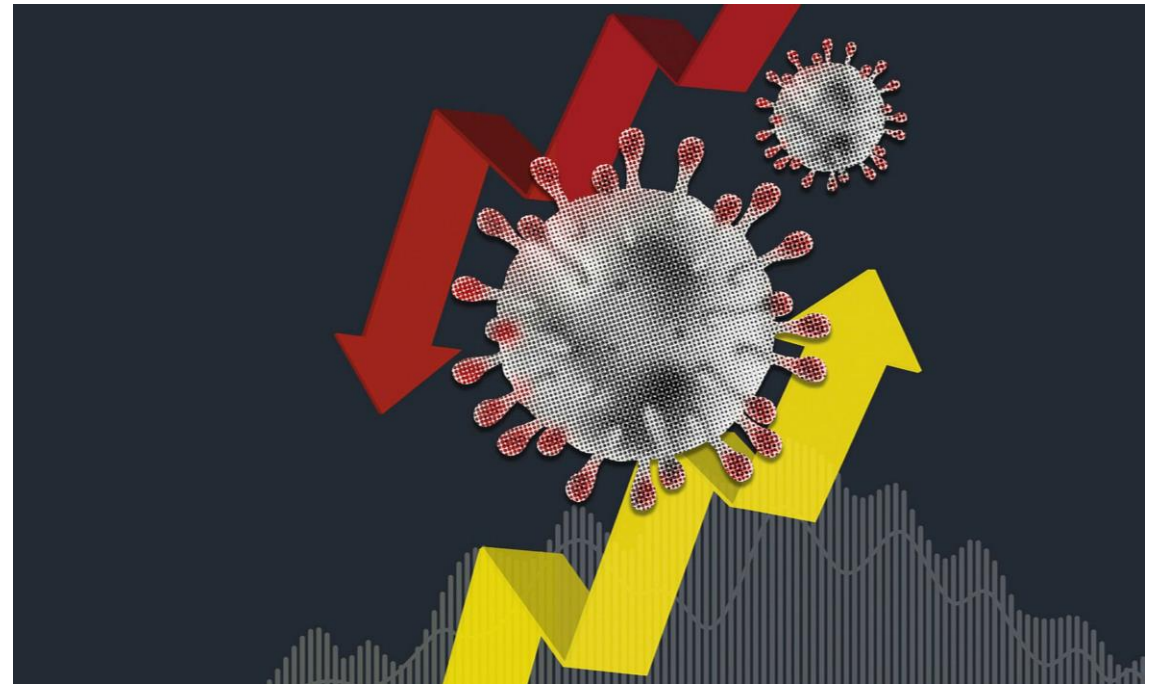


Shape of the Recession? It depends...



Primary Economic Determinant?

The recession
ends the
month a
vaccine is
widely
distributed!



Arizona...



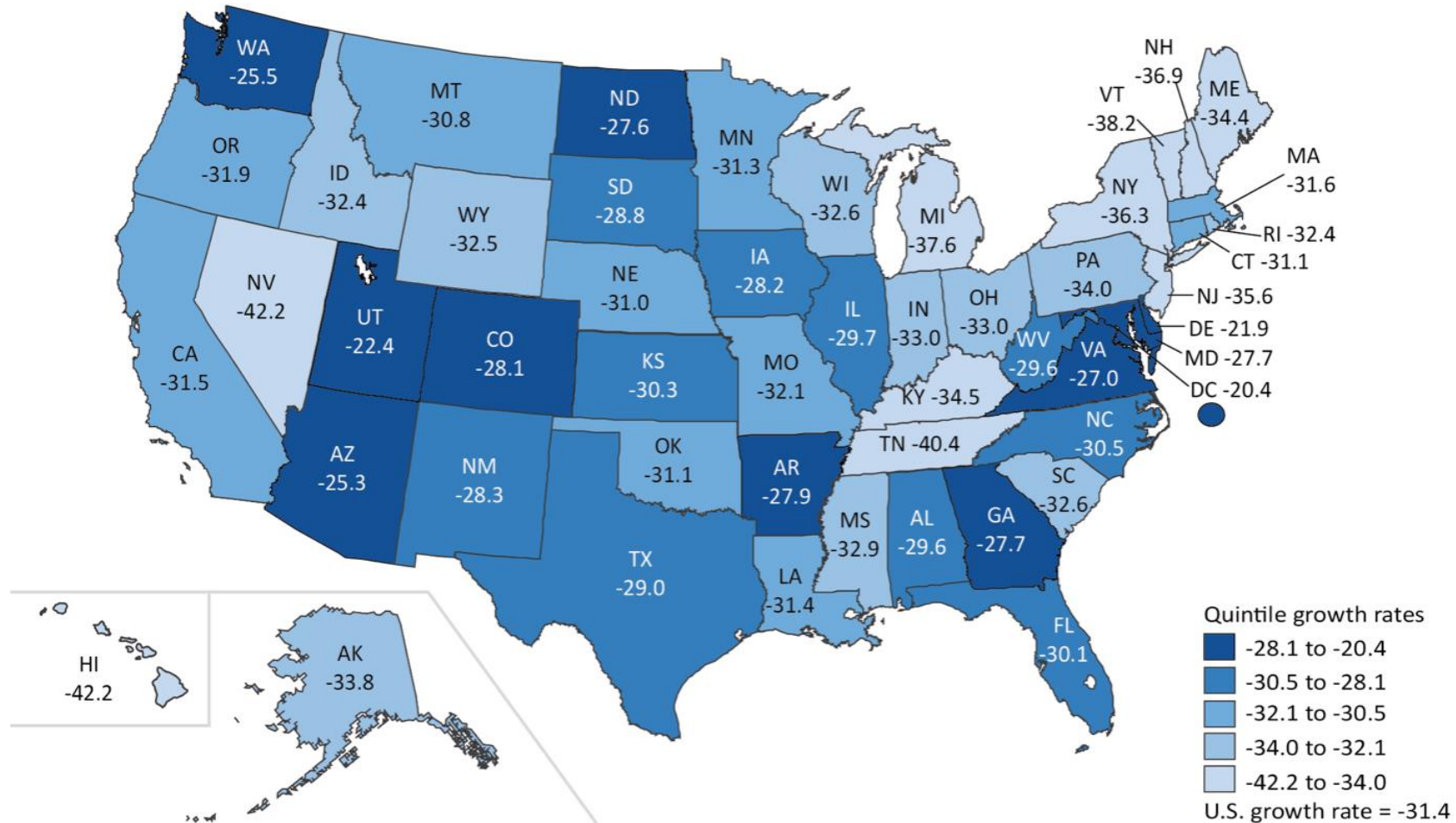
Be Careful with Percentages

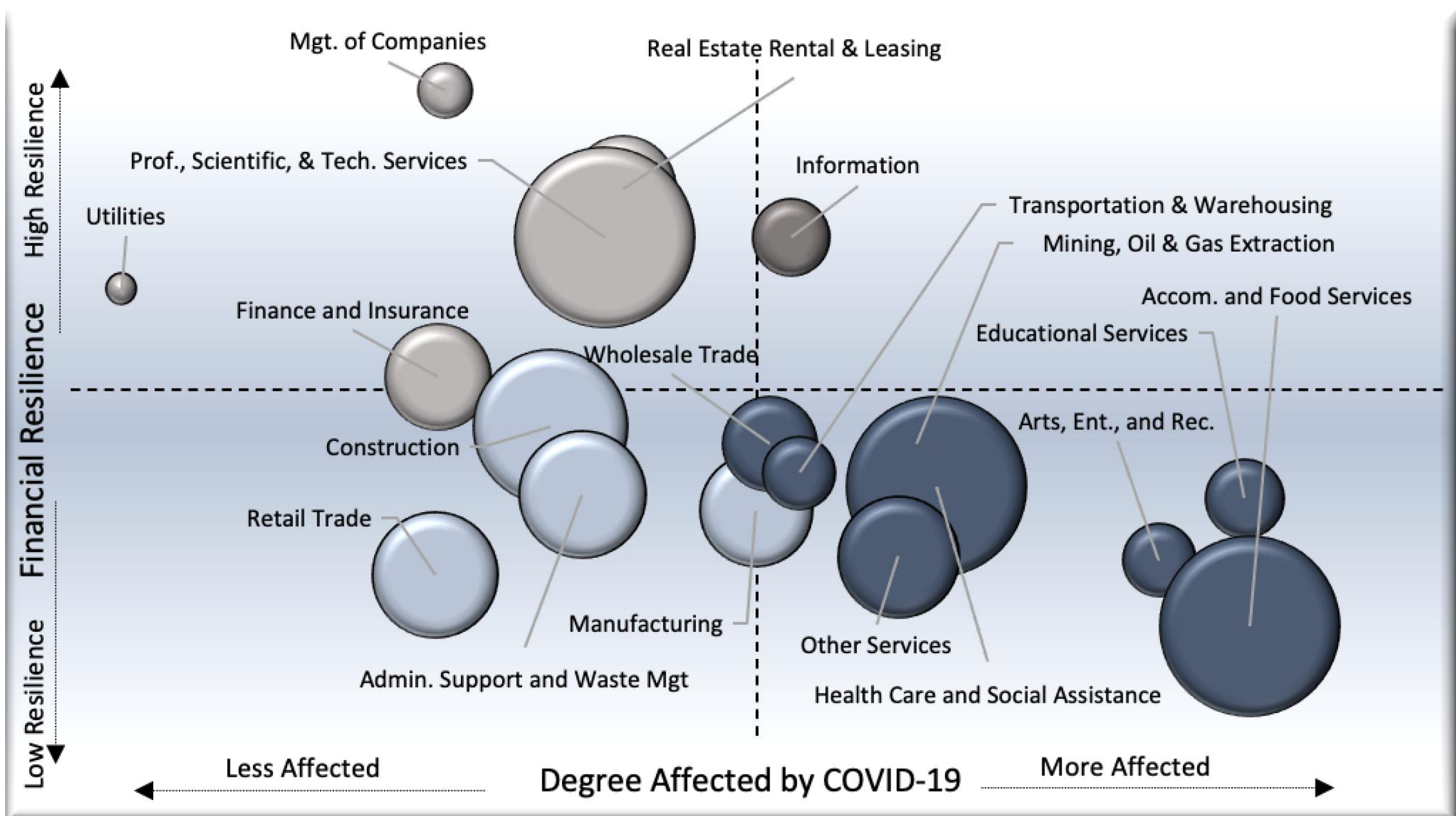


Arizona GDP vs. U.S. GDP

Annual Percent Growth Q2 2020

Source: U.S. Bureau of Economic Analysis



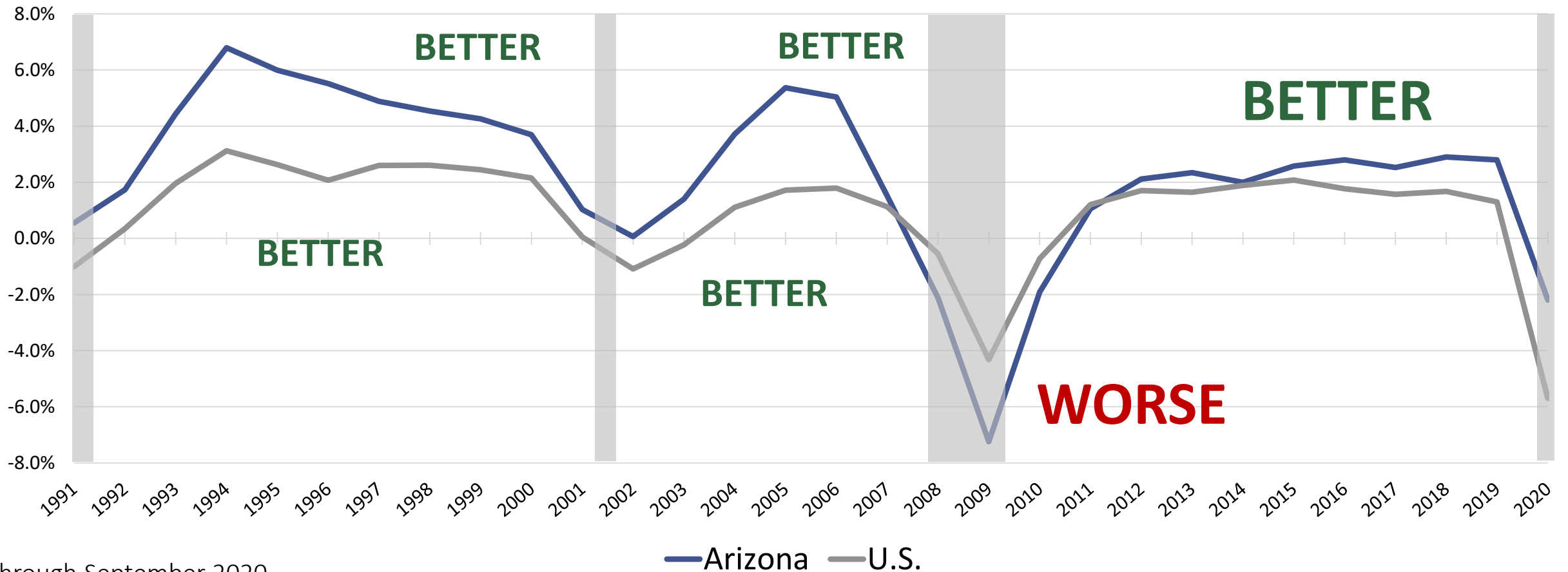


Arizona vs. U.S. Job Growth

Annual Percent Growth 1985 - 2020*

Source: U.S. Bureau of Labor Statistics; AZ Office of Economic Opportunity

Recession Period



*Through September 2020

U.S. Job Growth YTD August 2020*

State Ranking

Source: U.S. Bureau of Labor Statistics

Rank	%	State	Rank	%	State
1	-1.30%	Utah	11	-3.73%	Alabama
2	-1.63%	Idaho	12	-3.75%	Tennessee
3	-2.08%	Arizona	13	-3.83%	Montana
4	-3.04%	Nebraska	14	-3.96%	South Carolina
5	-3.17%	Texas	15	-4.02%	Oklahoma
6	-3.46%	Mississippi	16	-4.09%	Colorado
7	-3.55%	South Dakota	17	-4.12%	Florida
8	-3.66%	Arkansas	18	-4.32%	Virginia
9	-3.70%	Kansas	19	-4.73%	Missouri
10	-3.71%	Georgia	20	-4.89%	Indiana

*YTD Through August 2020

U.S. Job Growth YTD September 2020*

State Ranking

Source: U.S. Bureau of Labor Statistics

Rank	%	State	Rank	%	State
1	-1.26%	Utah	11	-3.74%	Montana
2	-1.51%	Idaho	12	-3.76%	Kansas
3	-2.21%	Arizona	13	-3.79%	Tennessee
4	-2.97%	Nebraska	14	-3.91%	South Carolina
5	-3.32%	Texas	15	-4.13%	Oklahoma
6	-3.36%	Mississippi	16	-4.16%	Colorado
7	-3.41%	South Dakota	17	-4.27%	Florida
8	-3.67%	Arkansas	18	-4.42%	Virginia
9	-3.67%	Georgia	19	-4.66%	Missouri
10	-3.69%	Alabama	20	-4.84%	Indiana

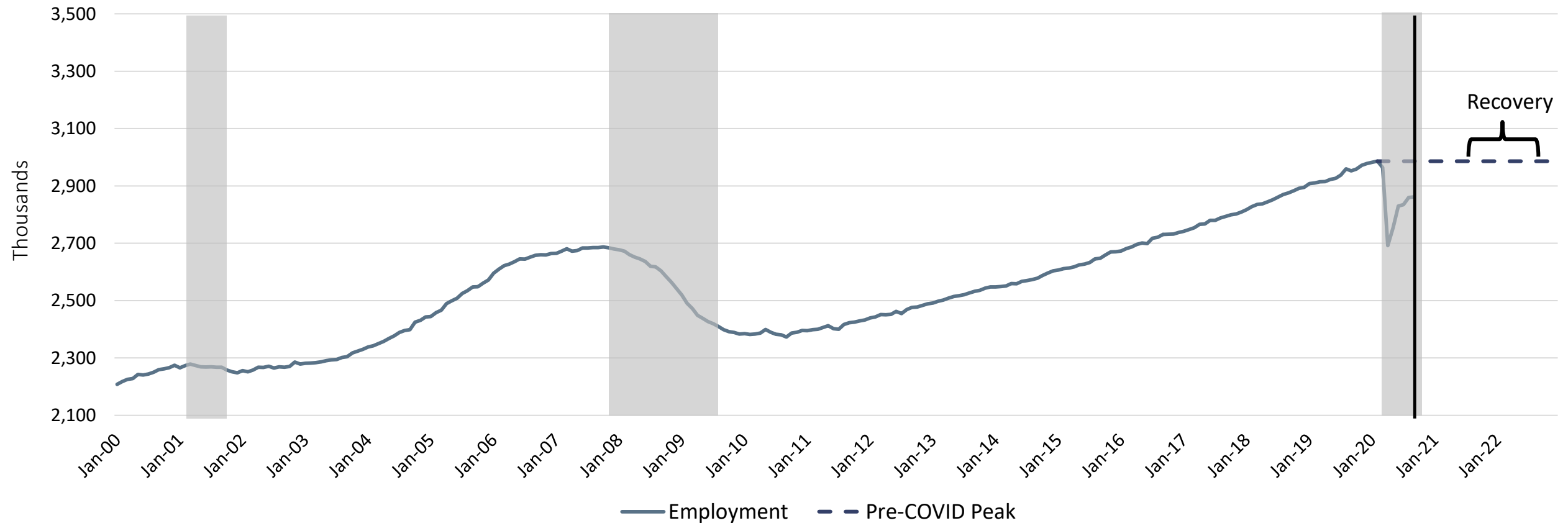
*Through September 2020

Arizona Monthly Employment Projections

Seasonally Adjusted; Monthly, 2000 – 2022*

Source: U.S. Bureau of Labor Statistics

Recession Period



*Through September 2020; Projected Recovery Mid-2021 to End of 2021

Arizona Job Losses

Seasonally Adjusted; **Peak to Trough**
Source: U.S. Bureau of Labor Statistics

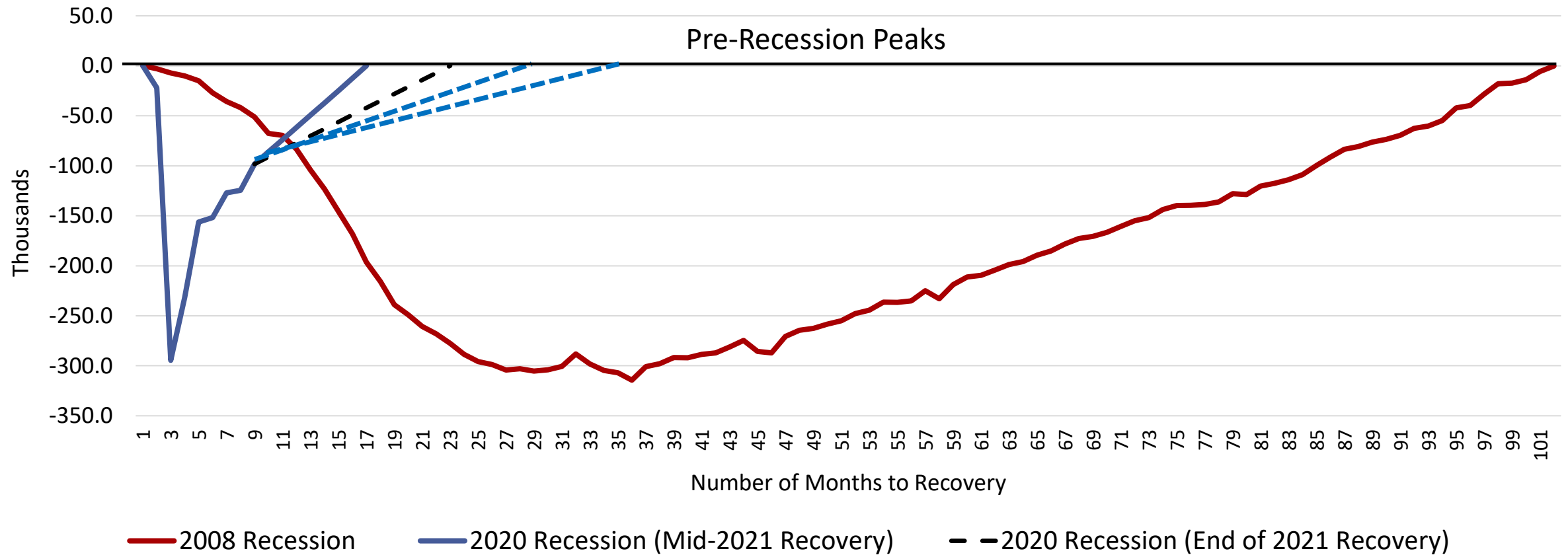
Note: 170,000 of 300,000 lost jobs have been recovered.

- **1990-1991 Recession**
 - Lost Jobs: 12,400
 - % of Jobs: 0.8%
 - Job Recovery: 10 Months
 - **2001 Recession**
 - Lost Jobs: 30,600
 - % of Jobs: 1.3%
 - Job Recovery: 20 Months
 - **Great Recession (2008)**
 - Lost Jobs: 314,500
 - % of Jobs: 11.7%
 - Job Recovery: 101 Months
 - **COVID Recession (2020)**
 - Lost Jobs: 294,600
 - % of Jobs: 9.9%
 - Job Recovery: 16-24 Mo?
- 

AZ Job Losses & Recovery

2008 Recession vs. 2020 Recession

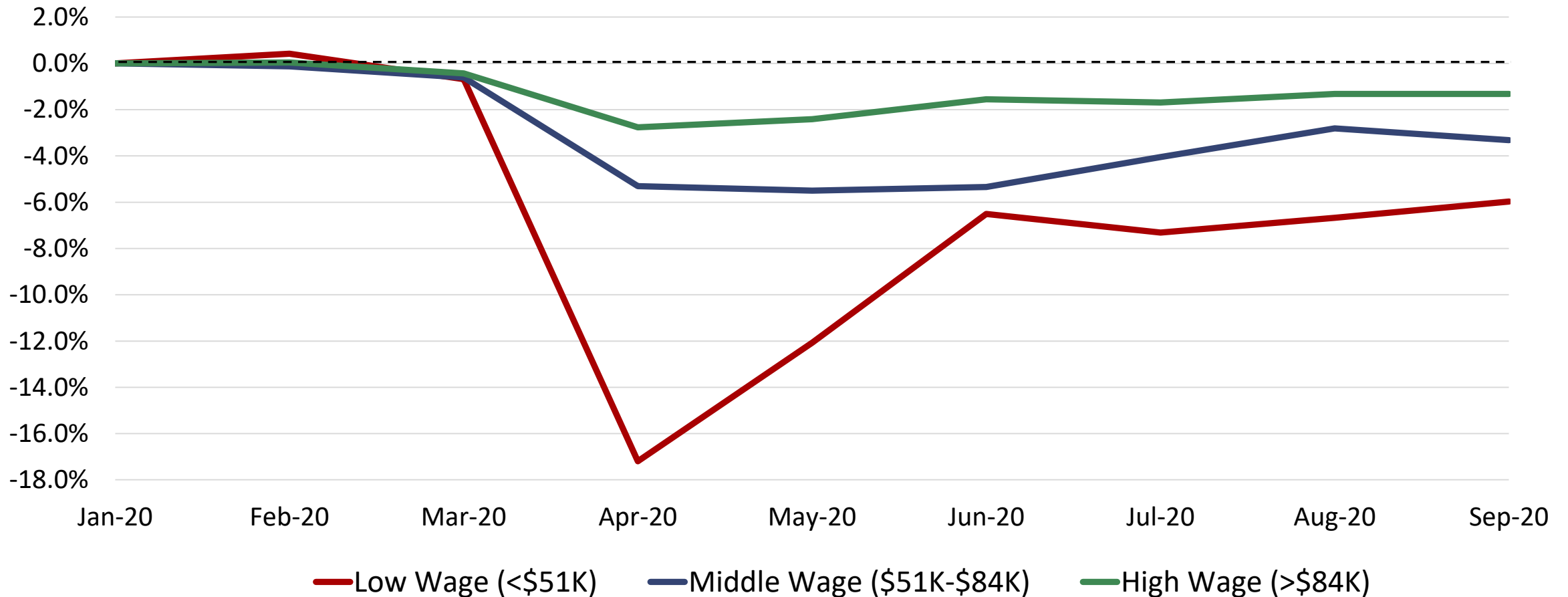
Source: U.S. Bureau of Labor Statistics



AZ Employment – Percent Change by Wage Group

Percent Change from January 2020

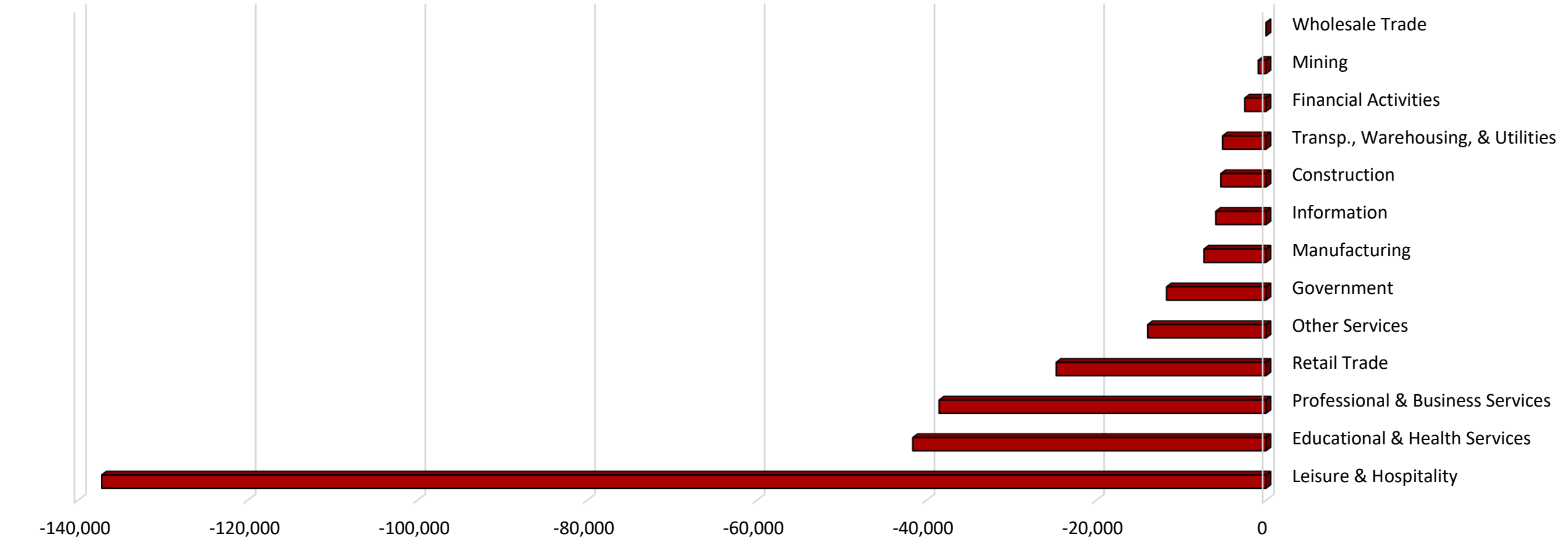
Source: U.S. Bureau of Labor Statistics



Arizona Job Losses by Sector

Net Change from February 2020 (Peak) to April 2020 (Trough)

Source: U.S. Bureau of Labor Statistics

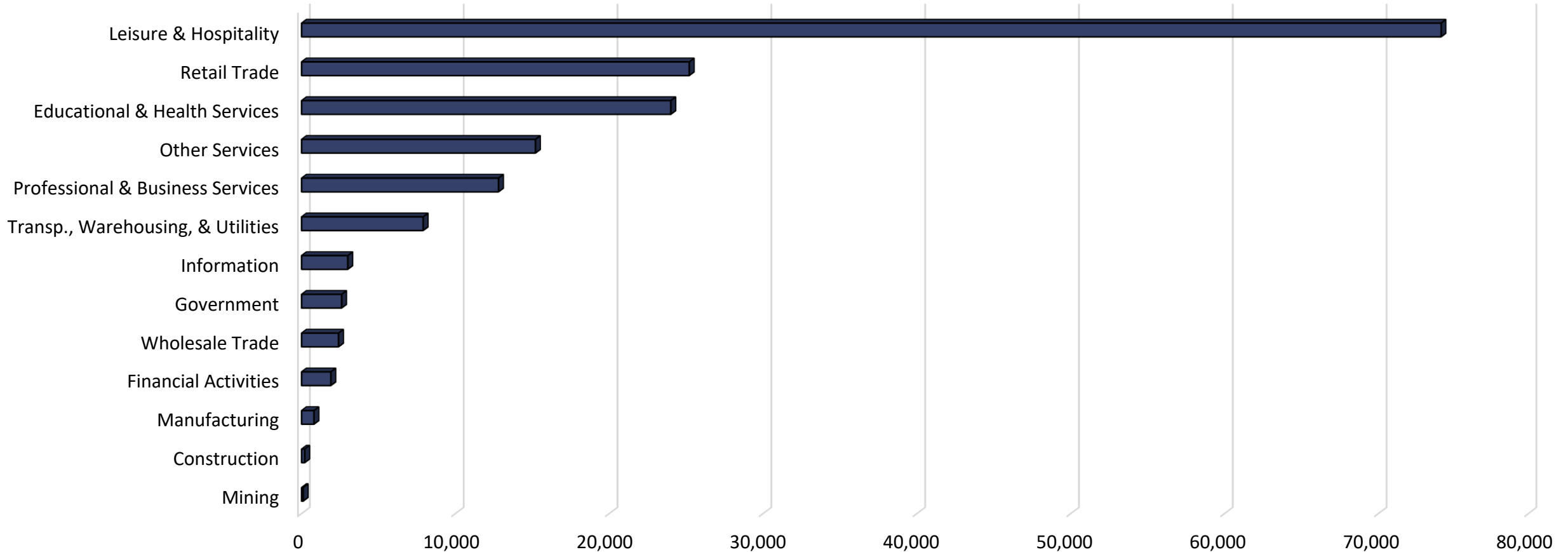


*Seasonally Adjusted

Arizona Jobs Recovered by Sector

Net Change from April 2020 (Trough) to September 2020 (Latest Available Month)

Source: U.S. Bureau of Labor Statistics



*Seasonally Adjusted

Greater Phoenix



Greater Phoenix Job Losses

Seasonally Adjusted; **Peak to Trough**
Source: U.S. Bureau of Labor Statistics

Note: 124,400 of 218,000 lost jobs
have been recovered

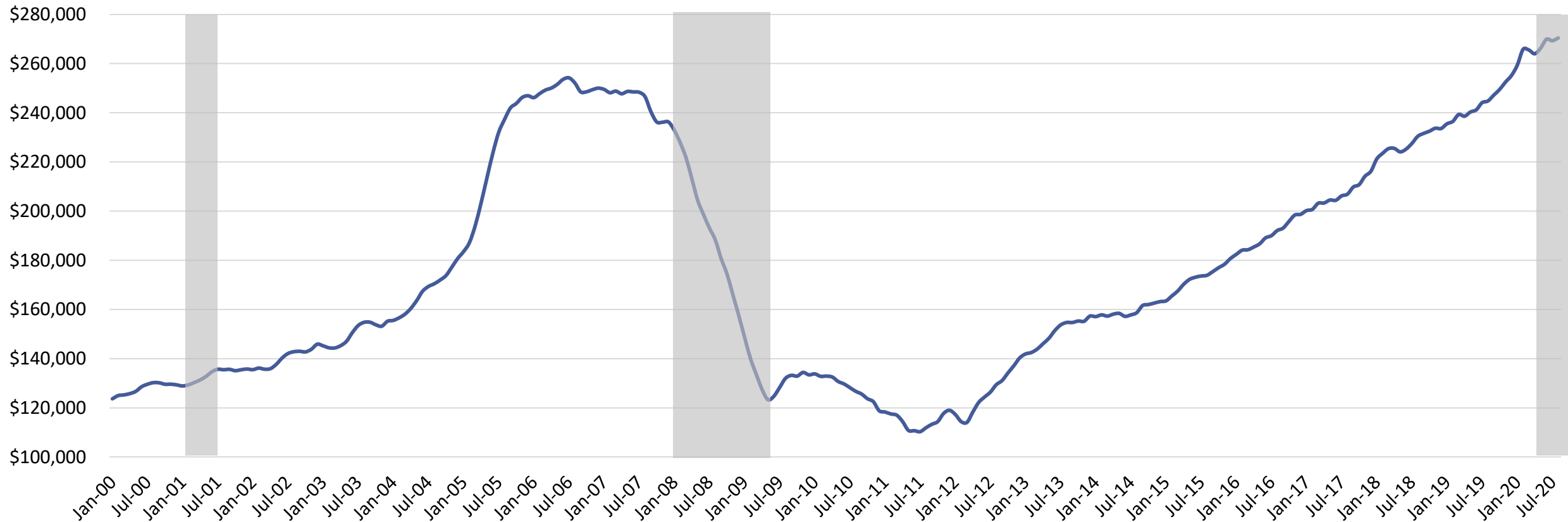
- **1990-1991 Recession**
 - Lost Jobs: 14,900
 - % of Jobs: 1.5%
 - Job Recovery: 16 Months
 - **2001 Recession**
 - Lost Jobs: 29,100
 - % of Jobs: 1.8%
 - Job Recovery: 23 Months
 - **Great Recession (2008)**
 - Lost Jobs: 240,700
 - % of Jobs: 12.5%
 - Job Recovery: 97 Months
 - **COVID Recession (2020)**
 - Lost Jobs: 218,000
 - % of Jobs: 9.8%
 - Job Recovery: 16-22 Mo?
- 

Arizona Home Median Sales Prices (BIG DEAL!)

Monthly; 2000-2020*

Source: Zillow

Recession Period



*Through August 2020

Example: Per Capita Personal Income in Phx

Phoenix MSA as a Percent of U.S.

Source: U.S. Bureau of Economic Analysis

Recession Period



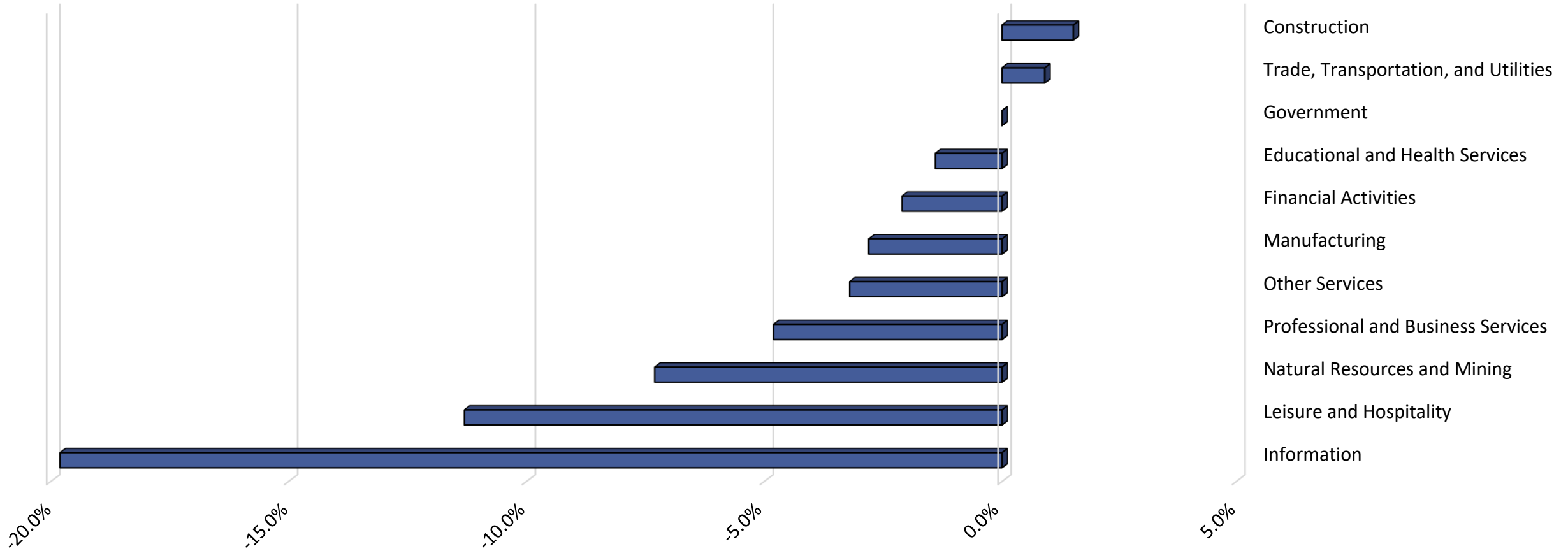
Greater Tucson



TUC Employment by Sector (ranked by growth)

Year-to-Date 2020*

Source: Arizona Department of Administration



*YTD through September 2020

Balance of State



AZ Employment by County

Non-Seasonally Adjusted; Year-Over-Year, 2020*

Source: Arizona Office of Economic Opportunity

Rank	County	% Change	Net Change
1	Cochise	2.4%	800
2	Yavapai	-0.5%	-300
3	La Paz	-0.9%	-50
4	Greenlee	-1.0%	-50
5	Graham	-1.1%	-100
6	Maricopa	-2.8%	-59,300
7	Santa Cruz	-3.6%	-450
8	Mohave	-3.8%	-2,000
9	Pima	-4.0%	-15,800
10	Yuma	-4.3%	-2,400
11	Navajo	-5.2%	-1,450
12	Apache	-5.8%	-1,050
13	Gila	-6.6%	-1,000
14	Pinal	-8.9%	-5,475
15	Coconino	-15.2%	-10,600

*Sept. 2020 over Sept. 2019

AZ Employment by County – Leisure & Hospitality Industry

Non-Seasonally Adjusted; Year-Over-year, 2020*

Source: Arizona Office of Economic Opportunity

Rank	County	% Change	Net Change
1	Yavapai	-3.80%	-400
2	Cochise	-10.80%	-400
3	Pima	-11.10%	-4,900
4	Navajo	-14.47%	-600
5	Maricopa	-17.98%	-40,200
6	Yuma	-18.03%	-1,100
7	Pinal	-32.17%	-1,900
8	Mohave	-36.00%	-2,700
9	Coconino	-49.70%	-8,200

*Sept. 2020 over Sept. 2019

What can be done?

What Matters in Growing the Economy?

- Tax Rates
- Econ Development Programs
- Workforce (quality/avail/cost)
- Transportation Infrastructure
- Marketing
- Responsible Regulations
- Balanced Budget
- Water
- Etc.



What needs to be examined? Examples:

Socioeconomic:

- UI Insurance?
- Criminal Justice Reform (\$)?
- Housing Affordability?

Economic Development:

- Tax Policy?
- Small Business Loans?
- Extension of Exec Orders?
- Highway Funding w/Value Capture?

What needs to be examined? Examples:

Education:

- Poverty Related Policies K12?
- Universities “New Economy”?
- In State Tuition Issues?

Miscellaneous:

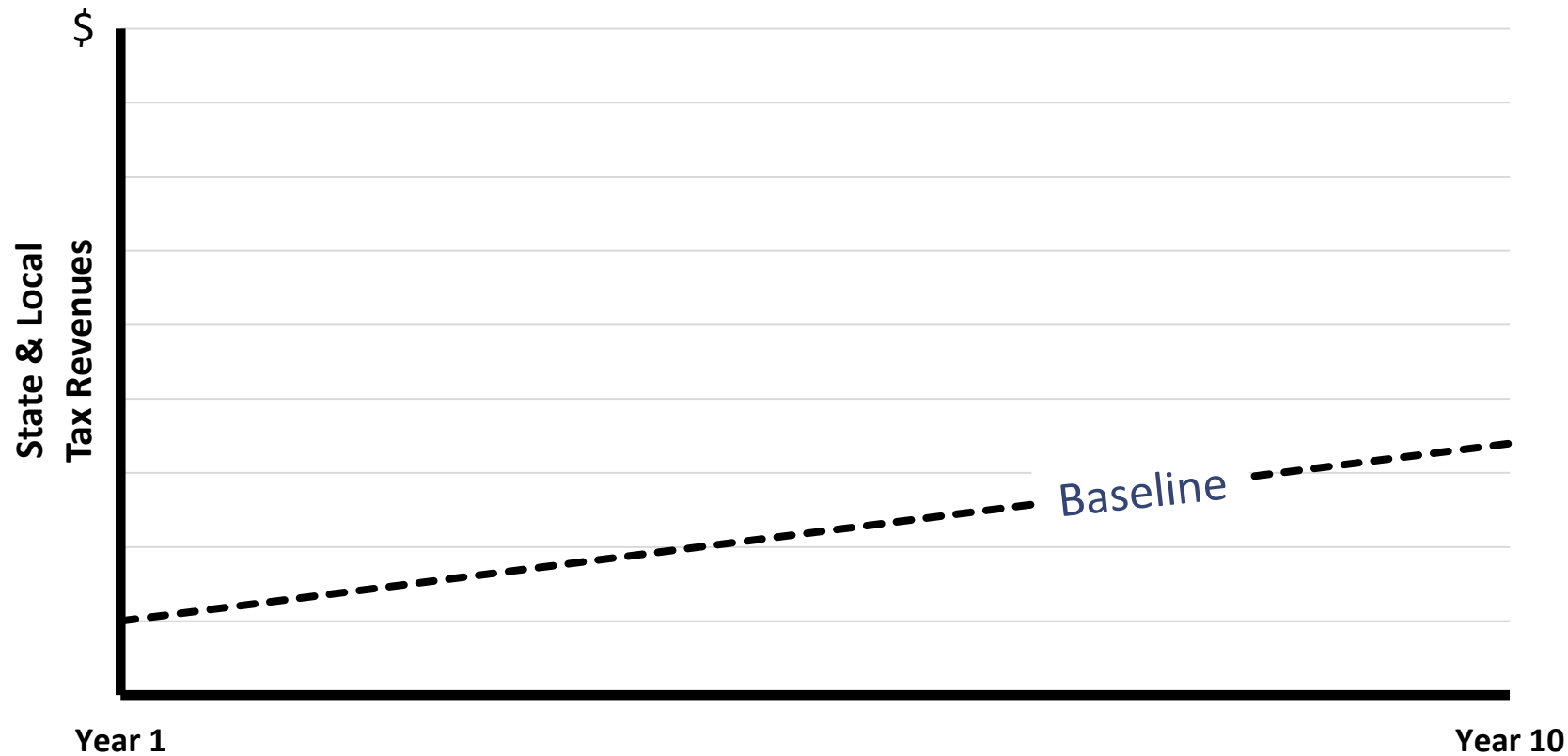
- Broadband?
- Green Energy?
- Water?

We need a new way of thinking about government spending...

Project/Program ROI

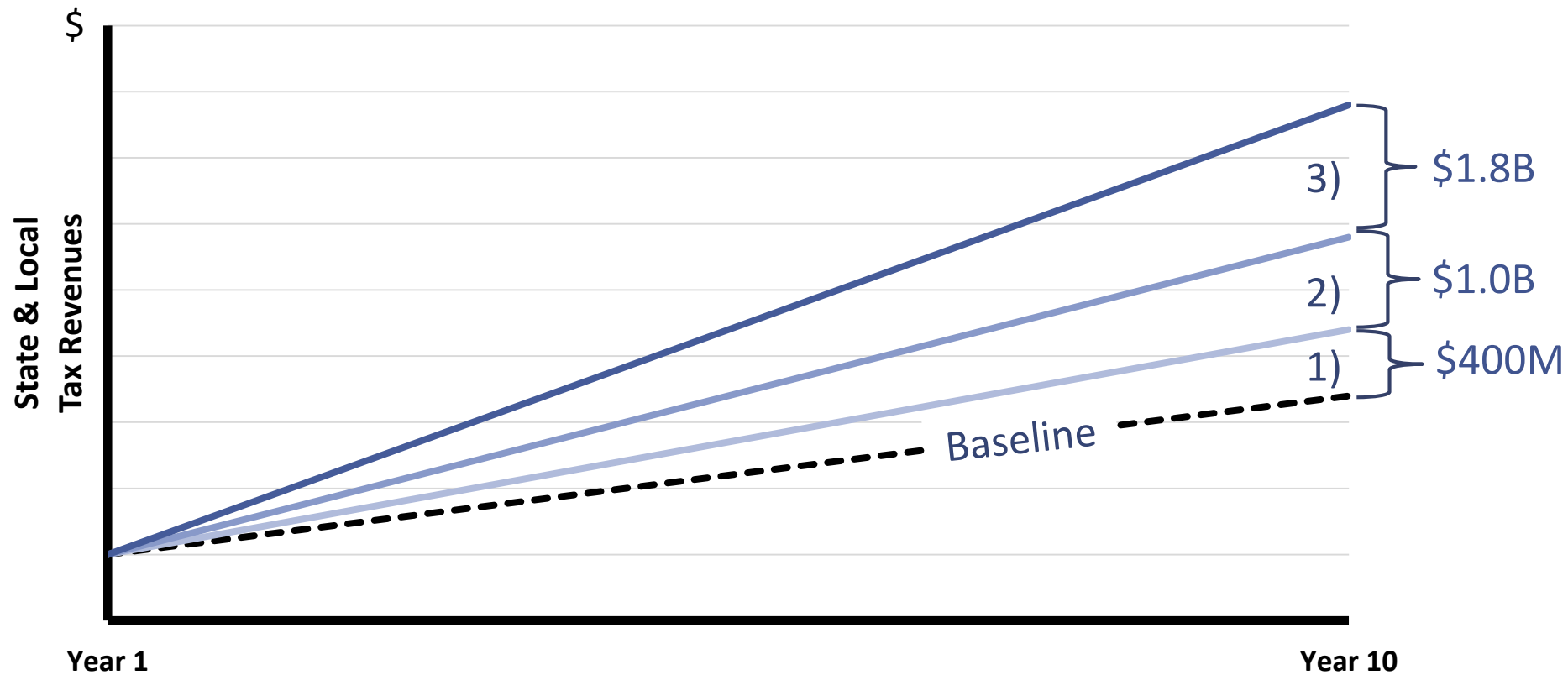
If the state spends \$100M, then we need to
show the gain > \$100M
= Positive ROI

Fiscal Impacts of Economic Enhancements



Status Quo = Baseline
Projection for Tax Revenues

Fiscal Impacts of Economic Enhancements



- 1) \$1K increase in new job wages
- 2) 0.1 percentage point increase in job growth
- 3) 25% increase in business recruitment

Political Unknowns?

AZ is resilient, but we could be better...

AZ is still a solid bet, national top 5.

But incomes need to rise.

Public policy matters; how do we respond (Prop 208)?

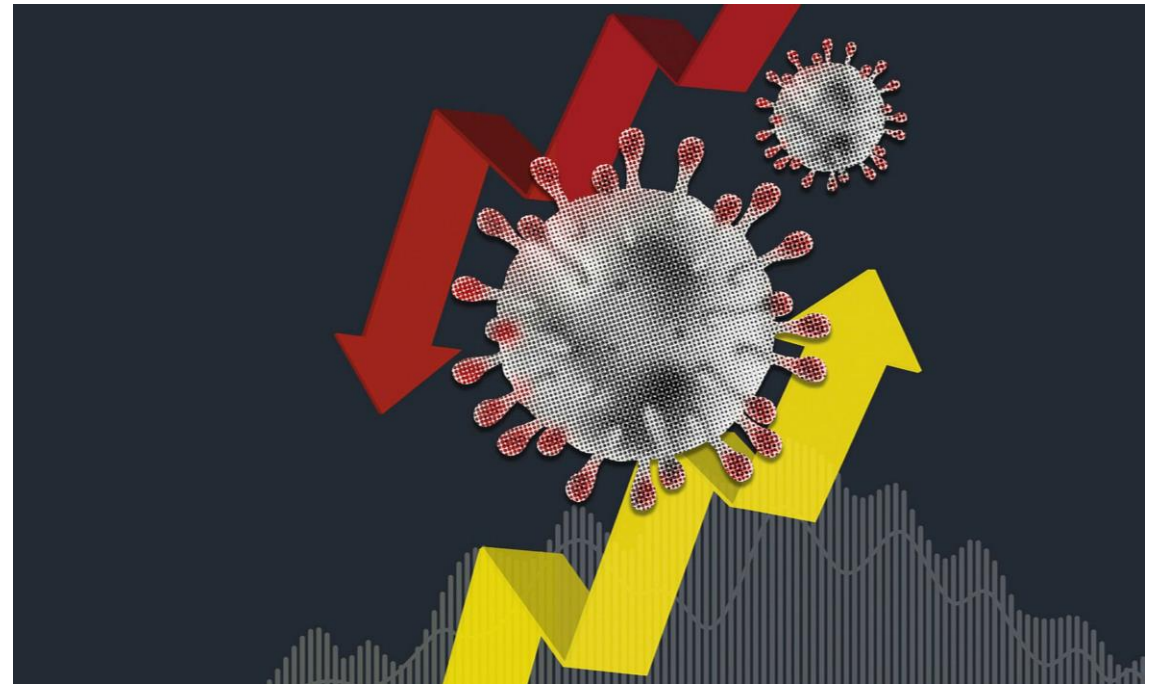
Expect this calendar year and part of next to be problematic.

Job recovery end of 2021, mid 2022? It depends.

We need a legit “recovery” package each year for 3 years.

AGAIN: Primary Economic Determinant?

The recession
ends the
month a
vaccine is
widely
distributed!



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