

## Arizona Addresses Poverty and Education

Arizona's economic rebound in the second half of the year has been more muted than originally thought. Arizona job growth continues to move in the right direction, but recent data has us dialing back our expectations for next year. Construction employment continued its win streak with above-trend growth, up 9.2 percent in the 12 months ending in September. This is following strong new home construction throughout Arizona. The much larger services sector is growing at a more moderate pace. Arizona economic growth will outpace the U.S. average over the next few years. However, we expect Arizona, much like the rest of the nation, to experience slower growth in the quarters ahead than historical averages.

Hurdles for the Arizona economy in the long run are household income and education attainment, which impact the propensity to spend and the access to qualified workers. According to the Census Bureau, Arizona had the eighth highest poverty rate in the nation in 2015, with 17.4 percent of people in the state living below the poverty level. The state legislature is attempting to address these issues. In November, voters passed Proposition 206 which incrementally increases the state's minimum wage from the current rate of \$8.05 per hour to \$12.00 per hour by 2020, increasing with the U.S. Consumer Price Index thereafter. The law also guarantees paid sick leave to workers of non-exempted businesses and is expected to impact around 700,000 workers. Earlier this year, Arizona also passed Proposition 123, increasing education funding by \$3.5 billion over the next 10 years.

### Arizona Economic Outlook

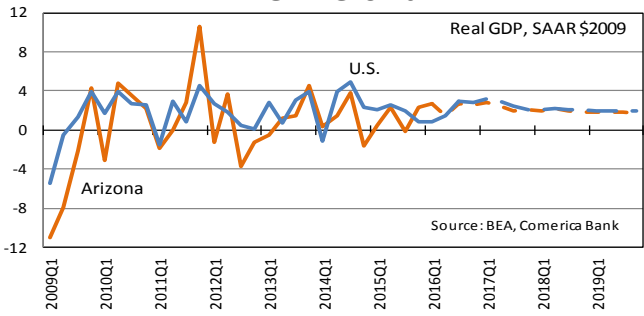
	2Q'16a	3Q'16a	4Q'16f	1Q'17f	2Q'17f	3Q'17f	4Q'17f	1Q'18f	2015a	2016f	2017f
<b>State GDP</b>											
Real GDP (Chained 2009 Millions \$)	265296	267046	268764	270620	272248	273552	274977	276344	261182	266360	272849
<b>Percent Change Annualized</b>	<b>1.5</b>	<b>2.7</b>	<b>2.6</b>	<b>2.8</b>	<b>2.4</b>	<b>1.9</b>	<b>2.1</b>	<b>2.0</b>	<b>0.9</b>	<b>2.0</b>	<b>2.4</b>
<b>Labor and Demographics</b>											
Payroll Jobs (Thousands)	2696	2706	2723	2738	2753	2767	2782	2796	2637	2703	2760
<b>Percent Change Annualized</b>	<b>1.2</b>	<b>1.5</b>	<b>2.5</b>	<b>2.3</b>	<b>2.1</b>	<b>2.1</b>	<b>2.1</b>	<b>2.1</b>	<b>2.6</b>	<b>2.5</b>	<b>2.1</b>
Unemployment Rate (Percent)	5.6	5.8	5.6	5.5	5.3	5.2	5.1	5.1	6.1	5.6	5.3
Population (Thousands)	6945	6975	7005	7035	7064	7094	7124	7155	6844	6960	7079
<b>Percent Change Annualized</b>	<b>1.7</b>	<b>1.8</b>	<b>1.7</b>	<b>1.7</b>	<b>1.7</b>	<b>1.7</b>	<b>1.7</b>	<b>1.7</b>	<b>1.5</b>	<b>1.7</b>	<b>1.7</b>
Net Migration (Thousands)	15.5	15.0	14.9	14.9	15.1	15.3	15.4	15.6	60.5	60.1	60.7
<b>Personal Income</b>											
Total Personal Income (Nom., Millions \$)	275289	278333	282208	285763	289265	292950	296672	300441	267361	276979	291162
<b>Percent Change Annualized</b>	<b>4.8</b>	<b>4.5</b>	<b>5.7</b>	<b>5.1</b>	<b>5.0</b>	<b>5.2</b>	<b>5.2</b>	<b>5.2</b>	<b>4.5</b>	<b>3.6</b>	<b>5.1</b>
<b>Housing</b>											
Housing Starts (Total, Ann. Rate)	30498	34105	33499	34111	34709	35344	35871	36360	28962	32398	35009
<b>Percent Change Annualized</b>	<b>-12.0</b>	<b>56.4</b>	<b>-6.9</b>	<b>7.5</b>	<b>7.2</b>	<b>7.5</b>	<b>6.1</b>	<b>5.6</b>	<b>10.6</b>	<b>11.9</b>	<b>8.1</b>
SF Housing Starts (# of Units, Ann Rate)	21666	23717	24816	25208	25660	26185	26609	27006	22772	24070	25915
MF Housing Starts (# of Units, Ann Rate)	8833	10388	8683	8904	9050	9160	9262	9354	6190	8328	9094
Existing Home Sales (Ths. of Units, Ann Rate)	147	134	142	146	148	150	152	154	141	141	149
House Prices, FHFA (1991 Q1=100, SA)	272	277	281	284	288	292	295	299	254	274	290
<b>Year/Year Percent Change</b>	<b>8.3</b>	<b>7.9</b>	<b>7.3</b>	<b>6.7</b>	<b>6.1</b>	<b>5.3</b>	<b>5.2</b>	<b>5.1</b>	<b>7.2</b>	<b>7.9</b>	<b>5.8</b>
<b>Bankruptcies</b>											
Total Business (12 Months Ending)	581	556	538	527	520	514	509	505	606	565	518
Total Personal (12 Months Ending)	15925	15339	14987	14660	14398	14212	14065	13933	17304	15652	14334

a = actual f = forecast

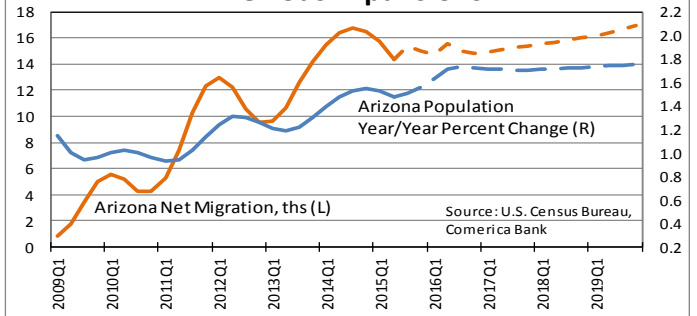
To subscribe to our publications or for questions, contact us at [ComericaEcon@comerica.com](mailto:ComericaEcon@comerica.com). Archives are available at <http://www.comerica.com/economics>.  
Follow us on Twitter: @Comerica\_Econ.

The articles and opinions in this publication are for general information only, are subject to change, and are not intended to provide specific investment, legal, tax or other advice or recommendations. The information contained herein reflects the thoughts and opinions of the noted authors only, and such information does not necessarily reflect the thoughts and opinions of Comerica or its management team. We are not offering or soliciting any transaction based on this information. We suggest that you consult your attorney, accountant or tax or financial advisor with regard to your situation. Although information has been obtained from sources we believe to be reliable, neither the authors nor Comerica guarantee its accuracy, and such information may be incomplete or condensed. Neither the authors nor Comerica shall be liable for any typographical errors or incorrect data obtained from reliable sources or factual information.

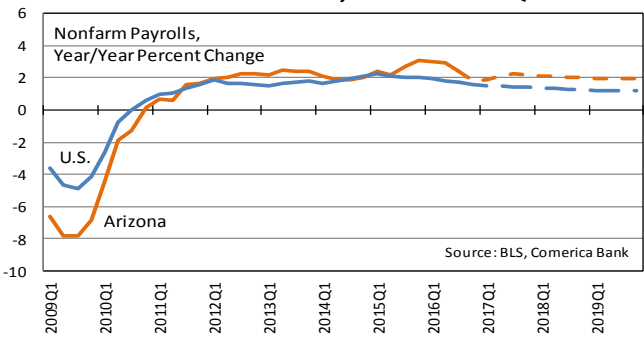
## Arizona to Sustain Modest Real GDP Growth



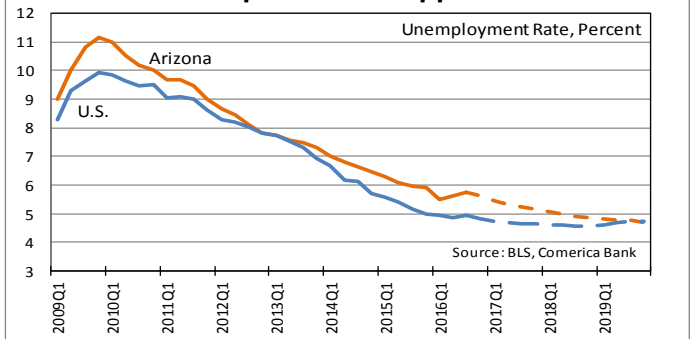
## State Net Migration to Stay Lower than Previous Expansions



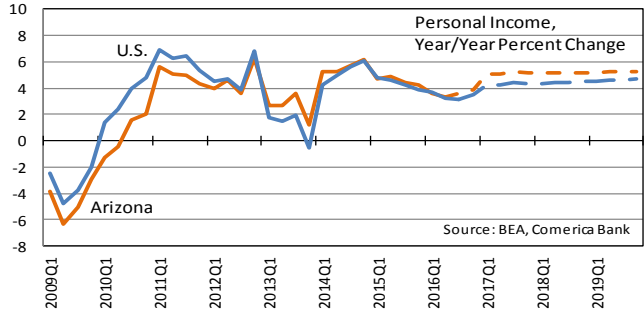
## State Added 11,200 Jobs in Q3



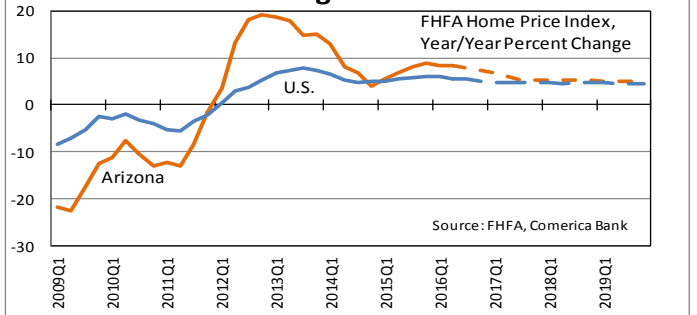
## Arizona Sept. U. Rate Dipped to 5.5%



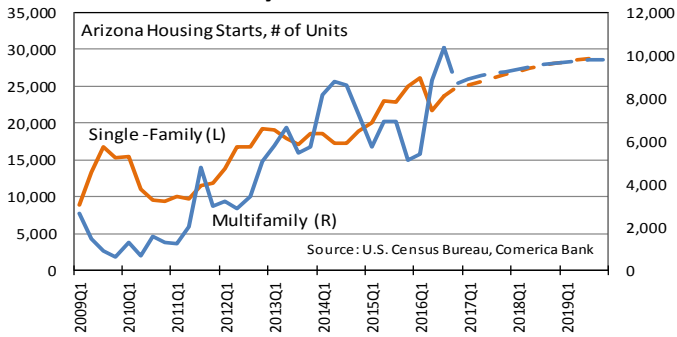
## Income Growth Boosted by Tighter Labor Markets



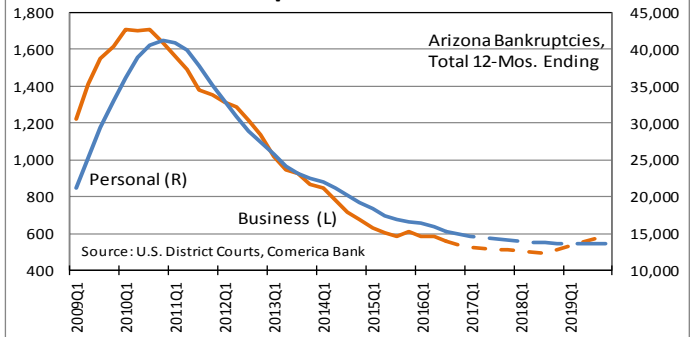
## Home Owner Equity Helped By Increasing Home Prices



## Multifamily Starts Rebound in Q3



## Bankruptcies Remain Low



To subscribe to our publications or for questions, contact us at [ComericaEcon@comerica.com](mailto:ComericaEcon@comerica.com). Archives are available at <http://www.comerica.com/economics>. Follow us on Twitter: @Comerica\_Econ.

The articles and opinions in this publication are for general information only, are subject to change, and are not intended to provide specific investment, legal, tax or other advice or recommendations. The information contained herein reflects the thoughts and opinions of the noted authors only, and such information does not necessarily reflect the thoughts and opinions of Comerica or its management team. We are not offering or soliciting any transaction based on this information. We suggest that you consult your attorney, accountant or tax or financial advisor with regard to your situation. Although information has been obtained from sources we believe to be reliable, neither the authors nor Comerica guarantee its accuracy, and such information may be incomplete or condensed. Neither the authors nor Comerica shall be liable for any typographical errors or incorrect data obtained from reliable sources or factual information.