

Arizona Builds Economic Momentum

Arizona real gross domestic product was up 3.2 percent in 2017, the highest reading since 2005. Stronger than expected nonfarm payroll gains in 2017 drove state economic activity. Following a large upward revision in Arizona job growth, the most recent estimates now show that Arizona added a net 58,500 jobs in 2017 versus the estimate of 35,000 jobs used in our February Arizona forecast. State job growth was solid through March as employment in the construction, manufacturing and services sectors continued to improve. Steady job growth and relatively high housing affordability and low business costs continue to draw people into the state. According to the official Census Bureau estimates, the Phoenix metropolitan area registered fourth in the nation for largest population growth in 2017, driven by strong gains in Maricopa County. Sustained population growth supports labor force growth which is a key determinant of potential state economic activity. This supports our expectations for a continued moderate expansion of the Arizona economy for the remainder of 2018. The growing Arizona population is also leading to increased demand for housing. Greater demand is keeping the inventory of available houses tight, boosting single-family home prices in Northern Arizona. The Case-Shiller Home Price Index for the Phoenix metropolitan area was up 6.3 percent for the year ending in February. The months' supply of homes for sale ticked down to 2.3 months' in March, according to the Arizona Regional MLS. The tight supply of housing will encourage more construction in both single- and multifamily projects in the region this year.

Arizona Economic Outlook

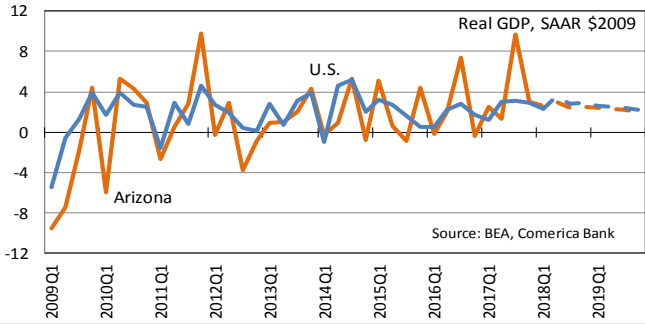
| | 4Q'17a | 1Q'18a | 2Q'18f | 3Q'18f | 4Q'18f | 1Q'19f | 2Q'19f | 3Q'19f | 2017a | 2018f | 2019f |
|---|-------------|-------------|--------------|------------|------------|------------|------------|------------|------------|-------------|------------|
| State GDP | | | | | | | | | | | |
| Real GDP (Chained 2009 Millions \$) | 282870 | 284713 | 286810 | 288539 | 290353 | 292098 | 293815 | 295454 | 277725 | 287604 | 294571 |
| Percent Change Annualized | 3.0 | 2.6 | 3.0 | 2.4 | 2.5 | 2.4 | 2.4 | 2.2 | 3.2 | 3.6 | 2.4 |
| Labor and Demographics | | | | | | | | | | | |
| Payroll Jobs (Thousands) | 2793 | 2812 | 2827 | 2842 | 2856 | 2870 | 2883 | 2897 | 2774 | 2834 | 2890 |
| Percent Change Annualized | 1.0 | 2.7 | 2.2 | 2.1 | 2.0 | 1.9 | 1.9 | 1.8 | 2.4 | 2.2 | 2.0 |
| Unemployment Rate (Percent) | 4.7 | 4.9 | 4.7 | 4.6 | 4.6 | 4.5 | 4.5 | 4.4 | 4.9 | 4.7 | 4.5 |
| Population (Thousands) | 7083 | 7116 | 7149 | 7182 | 7215 | 7247 | 7280 | 7313 | 7035 | 7166 | 7297 |
| Percent Change Annualized | 1.9 | 1.9 | 1.9 | 1.9 | 1.8 | 1.8 | 1.8 | 1.8 | 1.6 | 1.9 | 1.8 |
| Net Migration (Thousands) | 18.1 | 17.4 | 17.4 | 17.3 | 17.3 | 17.2 | 17.2 | 17.2 | 74.4 | 69.5 | 68.8 |
| Personal Income | | | | | | | | | | | |
| Total Personal Income (Nom., Millions \$) | 297989 | 301964 | 305676 | 309561 | 313521 | 317537 | 321557 | 325623 | 292108 | 307680 | 323580 |
| Percent Change Annualized | 5.4 | 5.4 | 5.0 | 5.2 | 5.2 | 5.2 | 5.2 | 5.2 | 4.3 | 5.3 | 5.2 |
| Housing | | | | | | | | | | | |
| Housing Starts (Total, Ann. Rate) | 38774 | 42358 | 39423 | 40004 | 40527 | 40982 | 41427 | 41850 | 36203 | 40578 | 41620 |
| Percent Change Annualized | 38.5 | 42.4 | -25.0 | 6.0 | 5.3 | 4.6 | 4.4 | 4.1 | 6.0 | 12.1 | 2.6 |
| SF Housing Starts (# of Units, Ann Rate) | 30444 | 31148 | 29801 | 30208 | 30579 | 30894 | 31210 | 31529 | 28405 | 30434 | 31365 |
| MF Housing Starts (# of Units, Ann Rate) | 8330 | 11210 | 9622 | 9796 | 9948 | 10088 | 10217 | 10321 | 7797 | 10144 | 10255 |
| Existing Home Sales (Ths. of Units, Ann Rate) | 173 | 167 | 170 | 172 | 174 | 176 | 178 | 179 | 167 | 171 | 178 |
| House Prices, FHFA (1991 Q1=100, SA) | 302 | 308 | 315 | 322 | 328 | 334 | 339 | 344 | 294 | 318 | 342 |
| Year/Year Percent Change | 8.3 | 8.7 | 7.9 | 7.8 | 8.7 | 8.1 | 7.5 | 7.0 | 8.8 | 8.3 | 7.3 |
| Bankruptcies | | | | | | | | | | | |
| Total Business (12 Months Ending) | 498 | 493 | 480 | 471 | 463 | 459 | 457 | 454 | 505 | 477 | 455 |
| Total Personal (12 Months Ending) | 15499 | 15477 | 15515 | 15544 | 15618 | 15684 | 15762 | 15836 | 15121 | 15539 | 15796 |

a = actual f = forecast

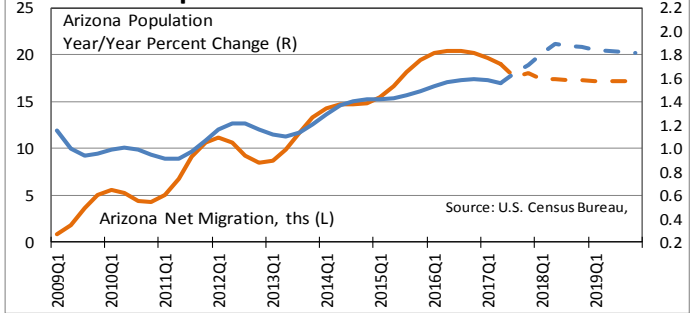
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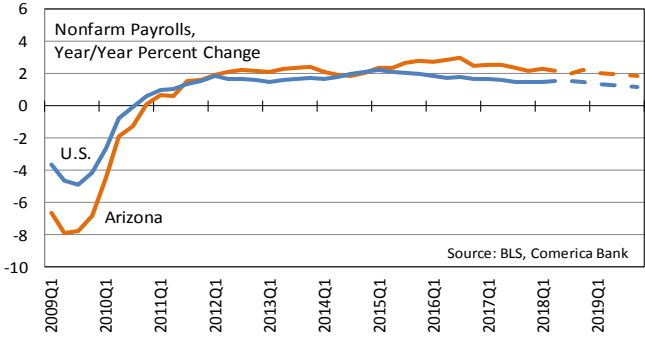
Moderate Arizona GDP Growth in 2018



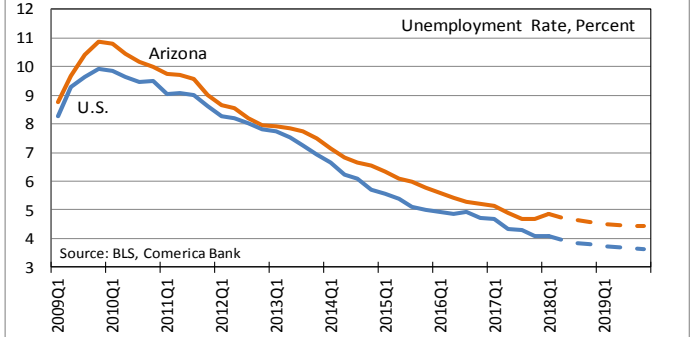
Maricopa County Saw Largest Population Gains in the Nation



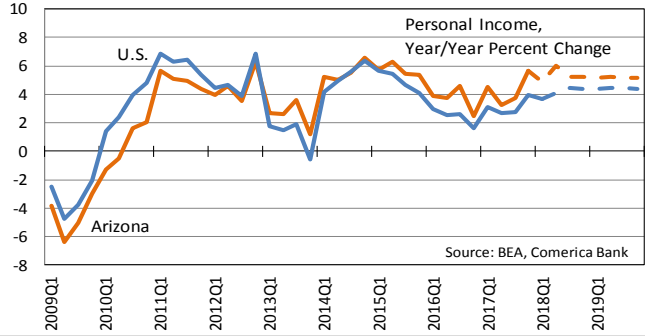
Arizona Added 23,500 Jobs in Q1



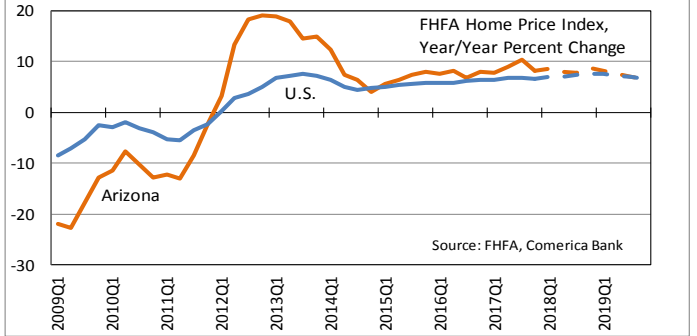
Arizona U. Rate at 4.9% in March



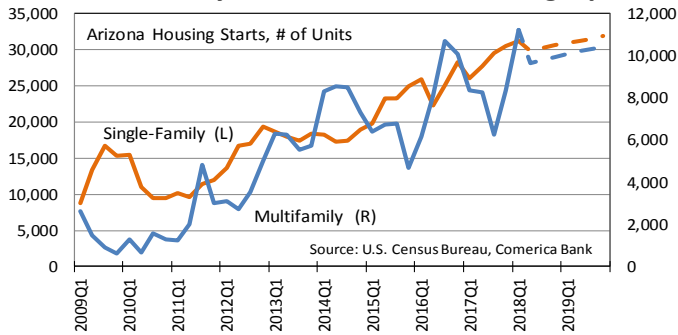
State Income Continues to Rise



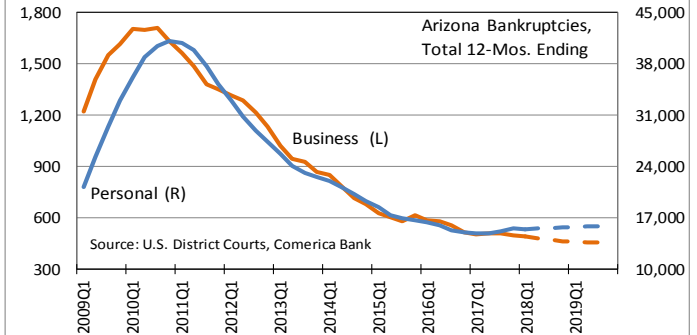
Tight Supply Push Area Home Prices Up



Multifamily Construction is Trending Up



Bankruptcies Near Cyclical Lows



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