

## Arizona Economy to Moderate in 2023

The Arizonan economy rebounded sharply in the latter half of 2022, following a deep contraction in the first half of last year. Going forward, the Arizonan economy is expected to grow a moderate 1.0% in 2023. Softer consumer spending from high inflation and interest rates and a weaker housing market are expected to weigh on the Grand Canyon State's economy.

Population gains from in-migration are expected to moderate as Arizona's economy cools. Job growth is forecast to slow as well, with payroll growth of 1.0% in 2023 after 4.2% last year. The unemployment rate is expected to average 4.4% in 2023, up over half a percentage point from 3.8% in 2022. Like in much of the rest of the country, Arizona's total personal income grew solidly in the second half of 2022. Going forward, sequential growth is likely to be slower.

Housing starts declined sharply last year. Residential construction is expected to continue to decline in 2023, with the pull-back centered on the pricier single-family segment. This is expected to be partially offset by increased construction of more affordable multifamily units. A down market is expected to weigh on house transaction prices, which are projected to fall in year-over-year terms through the end of 2023.

<b>Arizona Economic Outlook</b>											
	1Q'22a	2Q'22a	3Q'22a	4Q'22p	1Q'23f	2Q'23f	3Q'23f	4Q'23f	2021a	2022p	2023f
<b>State GDP</b>											
Real GDP (Chained 2009 Billions \$)	355	354	357	360	361	360	359	359	348	356	360
<b>Percent Change Annualized</b>	<b>-2.6</b>	<b>-2.4</b>	<b>4.8</b>	<b>3.7</b>	<b>1.3</b>	<b>-0.7</b>	<b>-0.9</b>	<b>-0.4</b>	<b>6.3</b>	<b>2.5</b>	<b>1.0</b>
<b>Labor and Demographics</b>											
Payroll Jobs (Millions)	3.06	3.09	3.11	3.12	3.14	3.14	3.12	3.09	2.97	3.10	3.13
<b>Percent Change Annualized</b>	<b>4.5</b>	<b>3.6</b>	<b>2.0</b>	<b>1.7</b>	<b>3.2</b>	<b>0.0</b>	<b>-2.8</b>	<b>-3.7</b>	<b>4.1</b>	<b>4.2</b>	<b>1.0</b>
Unemployment Rate (Percent)	3.6	3.7	4.0	4.0	4.1	4.3	4.6	4.8	5.1	3.8	4.4
Population (Millions)	7.34	7.36	7.38	7.40	7.42	7.43	7.45	7.47	7.28	7.37	7.44
<b>Percent Change Annualized</b>	<b>1.3</b>	<b>1.2</b>	<b>1.1</b>	<b>-0.5</b>	<b>1.0</b>	<b>0.8</b>	<b>0.7</b>	<b>1.2</b>	<b>1.2</b>	<b>1.3</b>	<b>1.0</b>
Net Migration (Thousands)	23.0	20.9	18.1	14.6	10.6	10.3	9.9	9.8	98.7	76.4	40.4
<b>Personal Income</b>											
Total Personal Income (Nominal Billions \$)	406	414	420	428	435	438	438	436	404	417	437
<b>Percent Change Annualized</b>	<b>1.5</b>	<b>8.2</b>	<b>6.7</b>	<b>7.9</b>	<b>6.2</b>	<b>3.0</b>	<b>-0.6</b>	<b>-1.1</b>	<b>7.5</b>	<b>3.3</b>	<b>4.7</b>
<b>Housing</b>											
Housing Starts (Thousands, Annual Rate)	72.3	60.3	54.5	50.0	55.1	48.9	44.7	42.3	64.2	59.3	47.7
<b>Percent Change Annualized</b>	<b>46.3</b>	<b>-51.6</b>	<b>-33.3</b>	<b>-29.4</b>	<b>47.5</b>	<b>-37.7</b>	<b>-30.4</b>	<b>-19.7</b>	<b>10.5</b>	<b>-7.7</b>	<b>-19.5</b>
SF Housing Starts (1,000s Units, Annual Rate)	57.9	46.0	35.4	26.8	31.8	28.0	24.5	21.7	49.7	41.5	26.5
MF Housing Starts (1,000s Units, Annual Rate)	14.4	14.3	19.1	23.1	23.3	20.9	20.2	20.7	14.5	17.7	21.3
House Prices, FHFA (1991 Q1=100, SA)	532	560	547	537	541	544	536	530	462	544	538
<b>Year/Year Percent Change</b>	<b>27.5</b>	<b>25.2</b>	<b>14.1</b>	<b>6.3</b>	<b>1.8</b>	<b>-2.8</b>	<b>-2.0</b>	<b>-1.3</b>	<b>24.5</b>	<b>17.7</b>	<b>-1.1</b>

a = actual p = preliminary f = forecast

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