

Employment Forecast

2014-2016



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Highlights

- ✓ Forecast Nonfarm job gains of 56,600 in 2015 and 63,100 in 2016
- ✓ OTY Nonfarm employment growth rate of 2.2% in 2015 and 2.4% in 2016 is forecast
- ✓ 119,700 Nonfarm jobs is forecast to be gained over the two-year period (4.7%)
- ✓ All sectors are forecast to add jobs over the two-year period
- ✓ Education and Health Services (EHS) sector is expected to add the largest number of Nonfarm jobs (29,900) over the two-year period or 7.7%

Highlights

- ✓ Leisure and Hospitality is expected to have the largest percentage gain at 8.2% (23,300 jobs)
- ✓ Sectors with the largest expected gains are: Educational and Health Services (29,900 jobs), Leisure and Hospitality (23,300 jobs), Trade, Transportation and Utilities (21,100 jobs), Professional and Business Services (18,500 jobs), and Financial Activities (12,400 jobs)

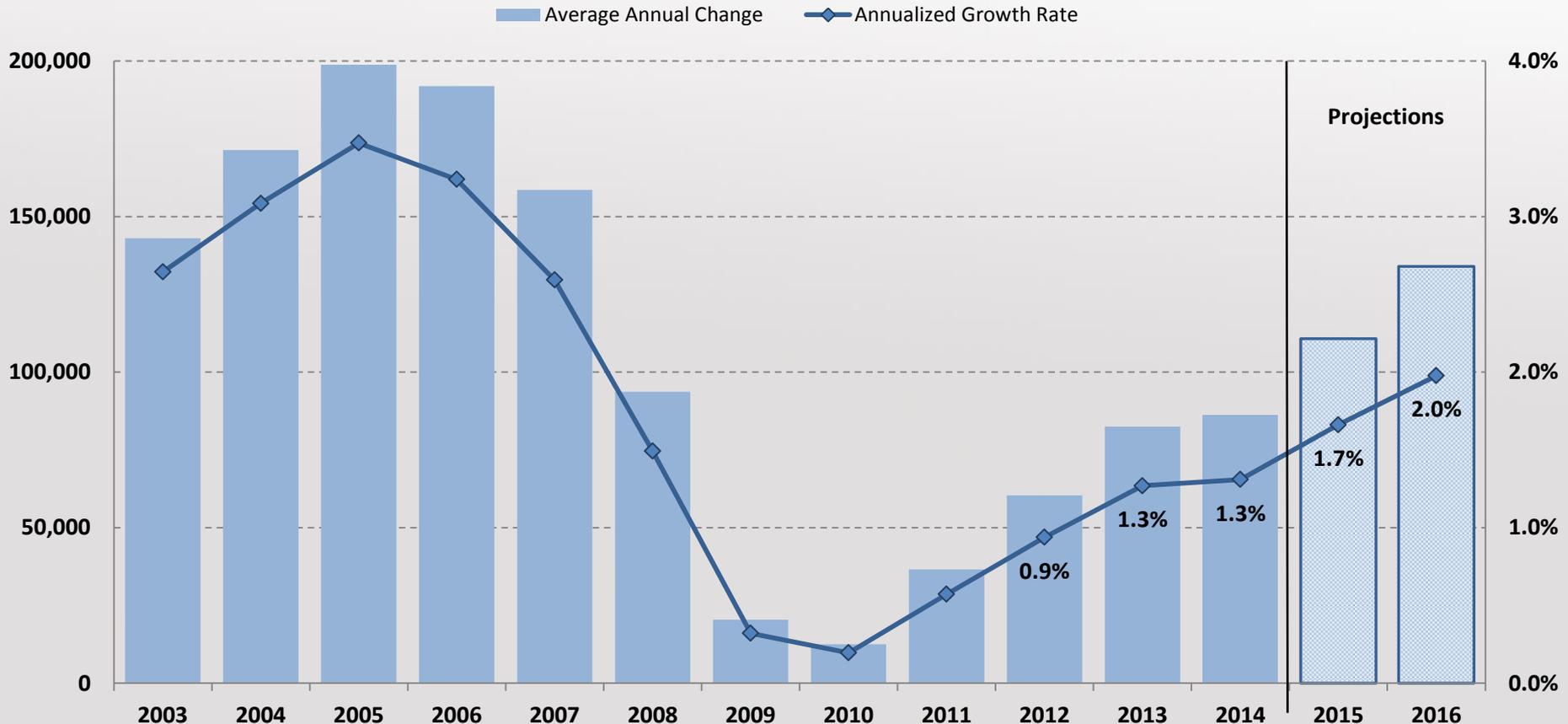
Economic Trends

- Growth in real GDP, real personal income, employment, retail sales
- Continued drop in U.S. and Arizona's unemployment rate
- Increasing private domestic investment, increases in the index of industrial production and rate of capacity utilization, high levels of corporate profit, and a gradual resurgence in private residential construction permits
- Household net worth and U.S. exports continue to increase
- Residential real estate market in Arizona and Phoenix metropolitan area has shown improvement.

Economic Trends

- Commercial real estate is gradually improving with lower vacancy rates, higher rental rates and lower rates of default and delinquency in mortgage loans
- Consumer sentiment and consumer spending have improved
- Banks are gradually loosening up their lending requirements and delinquency and default rates on consumer credit are declining

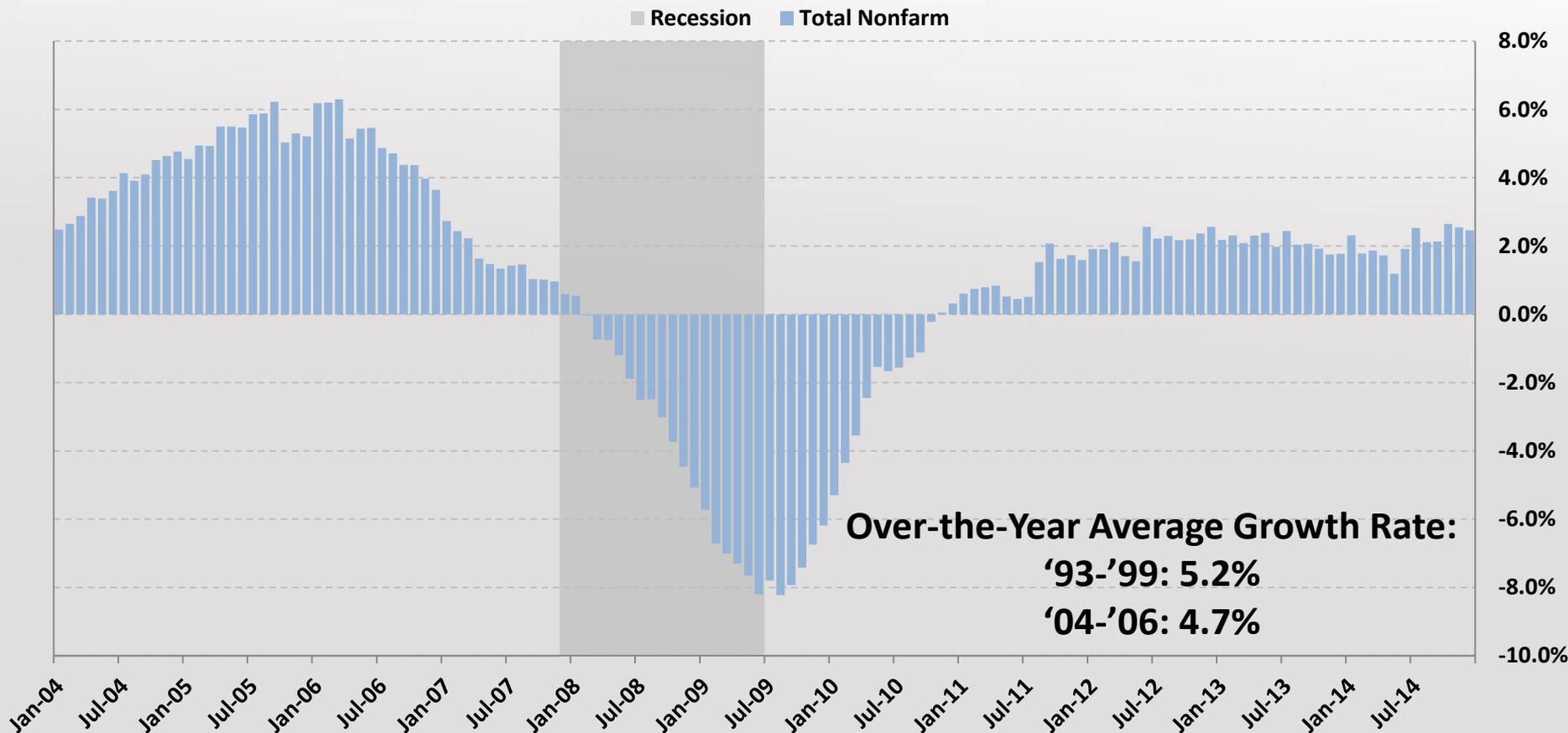
Arizona Population Growth, 2003 - 2016



Prepared by ADOA, Office of Employment and Population Statistics in cooperation with the U.S. Census Bureau

Population is projected to grow at an increasing rate

Arizona Over the Year Number Change



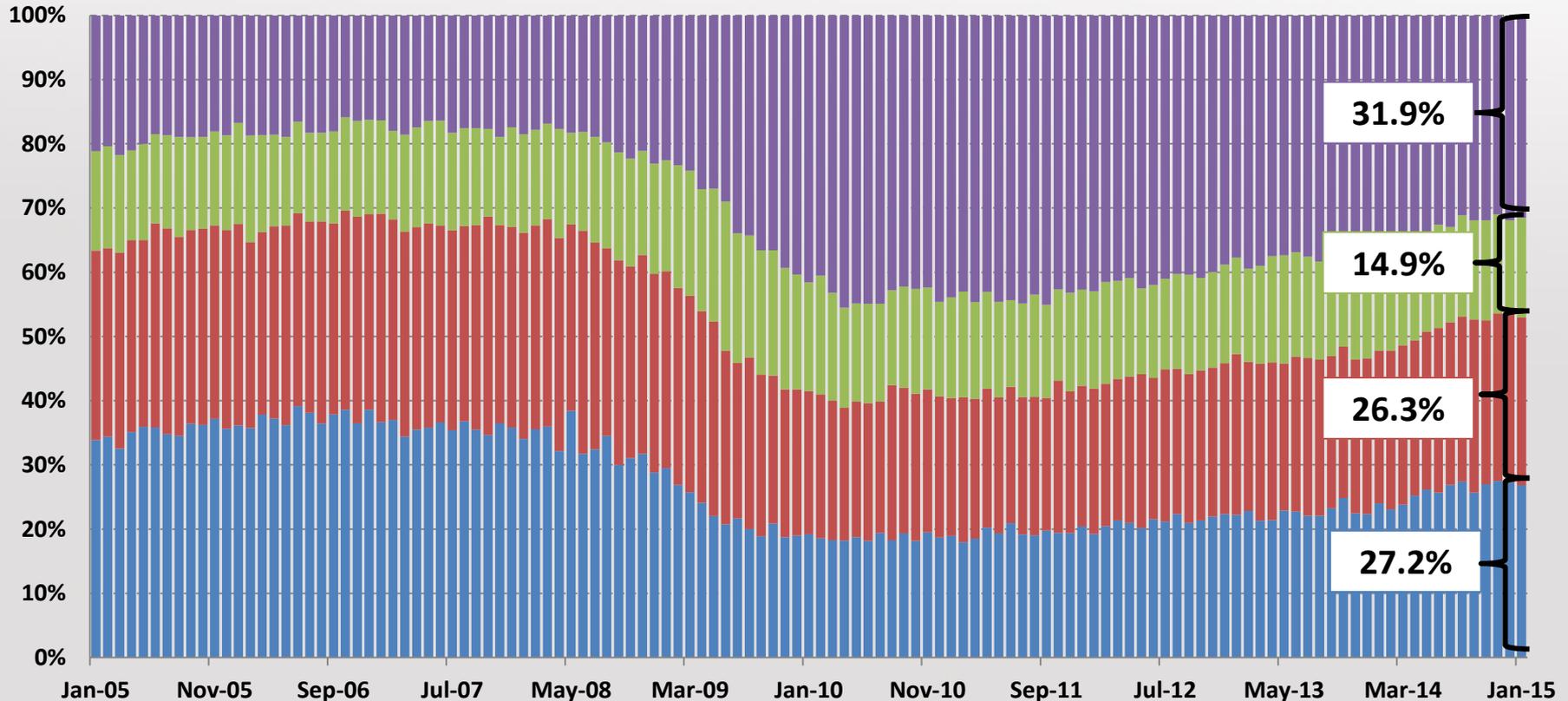
Prepared by ADOA, Office of Employment and Population Statistics in cooperation with the U.S. Census Bureau

50 months of consecutive over-the-year job gains, averaging 2.1% for the last three years

US Unemployed Persons by Duration of Unemployment

Seasonally Adjusted

■ Less than 5 weeks
 ■ 5 to 14 weeks
 ■ 15 to 26 weeks
 ■ 27 weeks and over



Source: U.S. Bureau of Labor Statistics

Nearly a third of persons unemployed have been unemployed 27 weeks and over

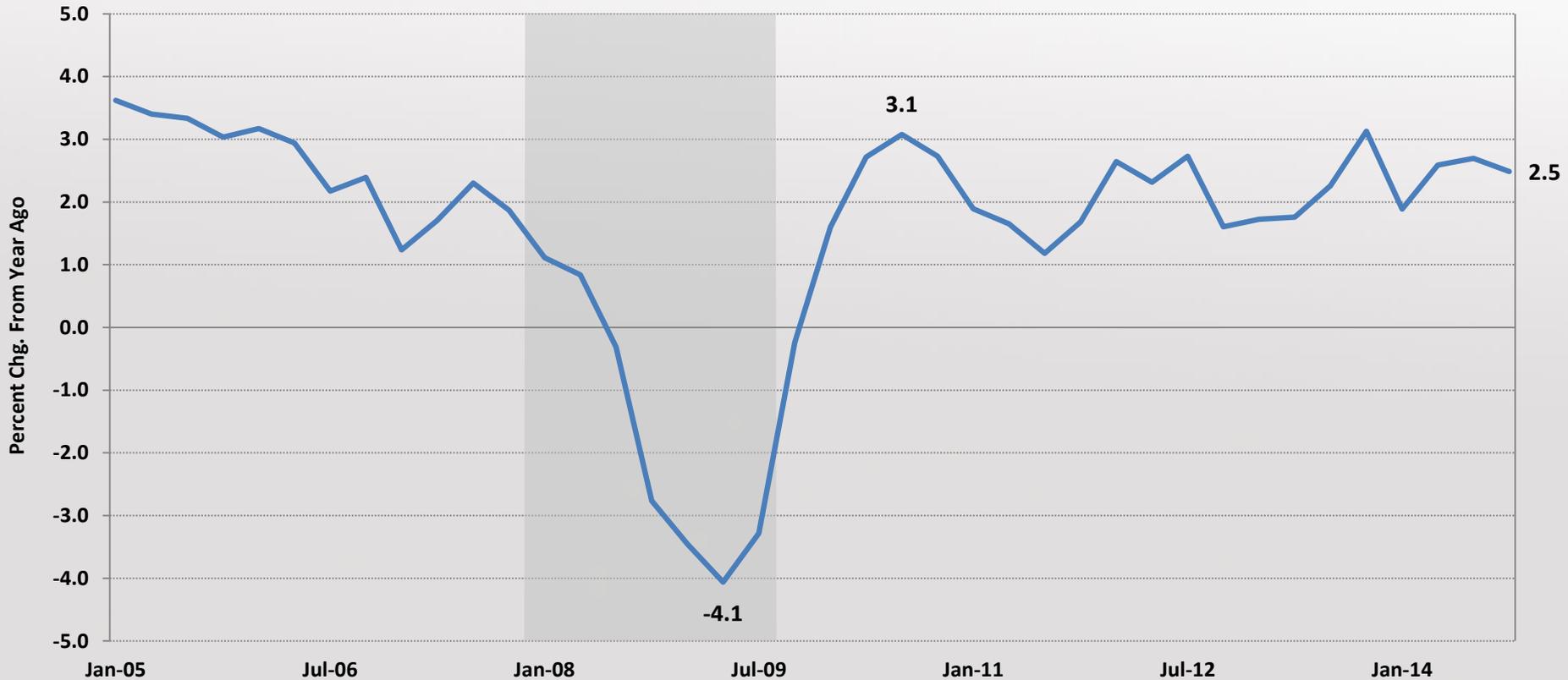
US Duration of Unemployment, Weekly Average Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

Weekly Average Duration of Unemployment is still above 30 weeks

Real Gross Domestic Product YOY Percent Growth



Source: U.S. Department of Commerce: Bureau of Economic Analysis/FRED

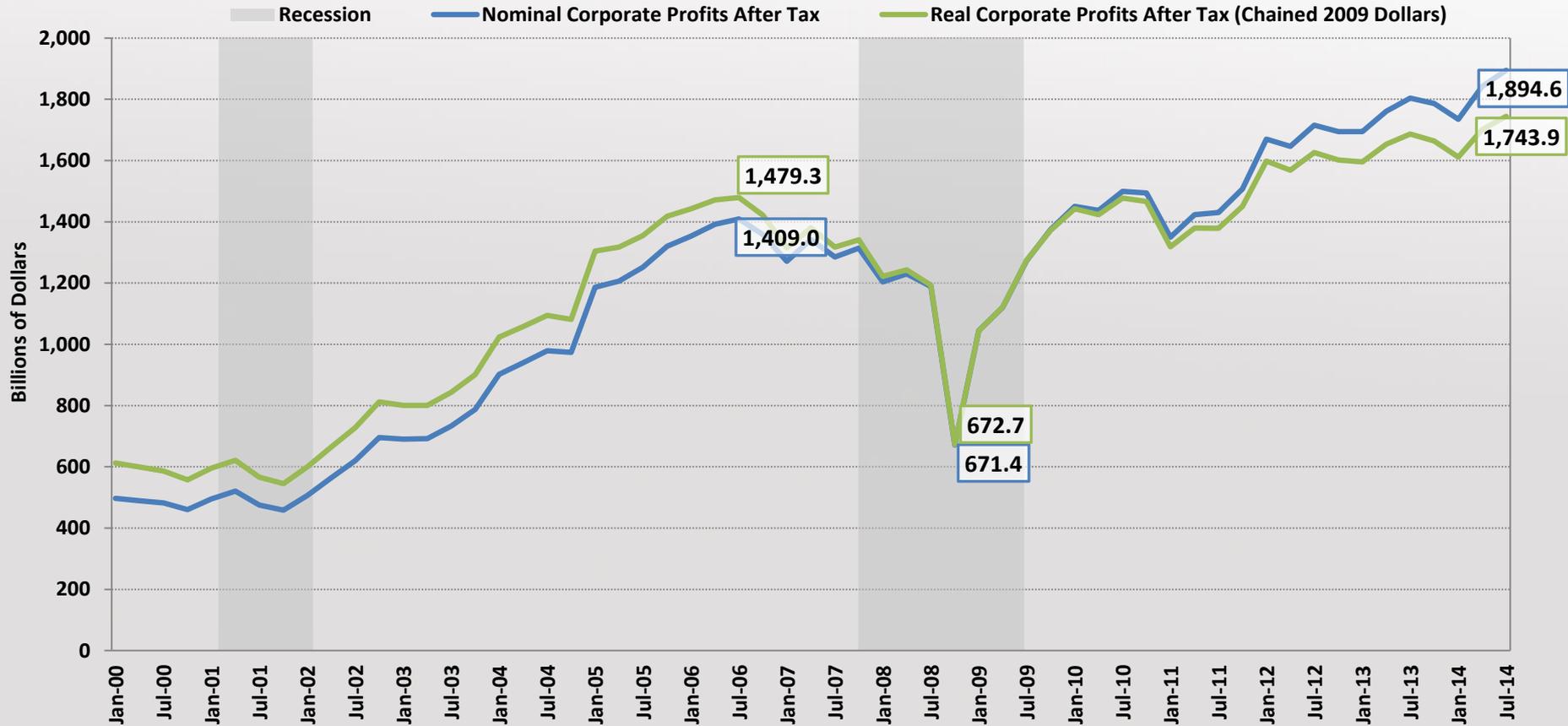
Capacity Utilization: Total Industry



Source: Board of Governors of the Federal Reserve System/FRED

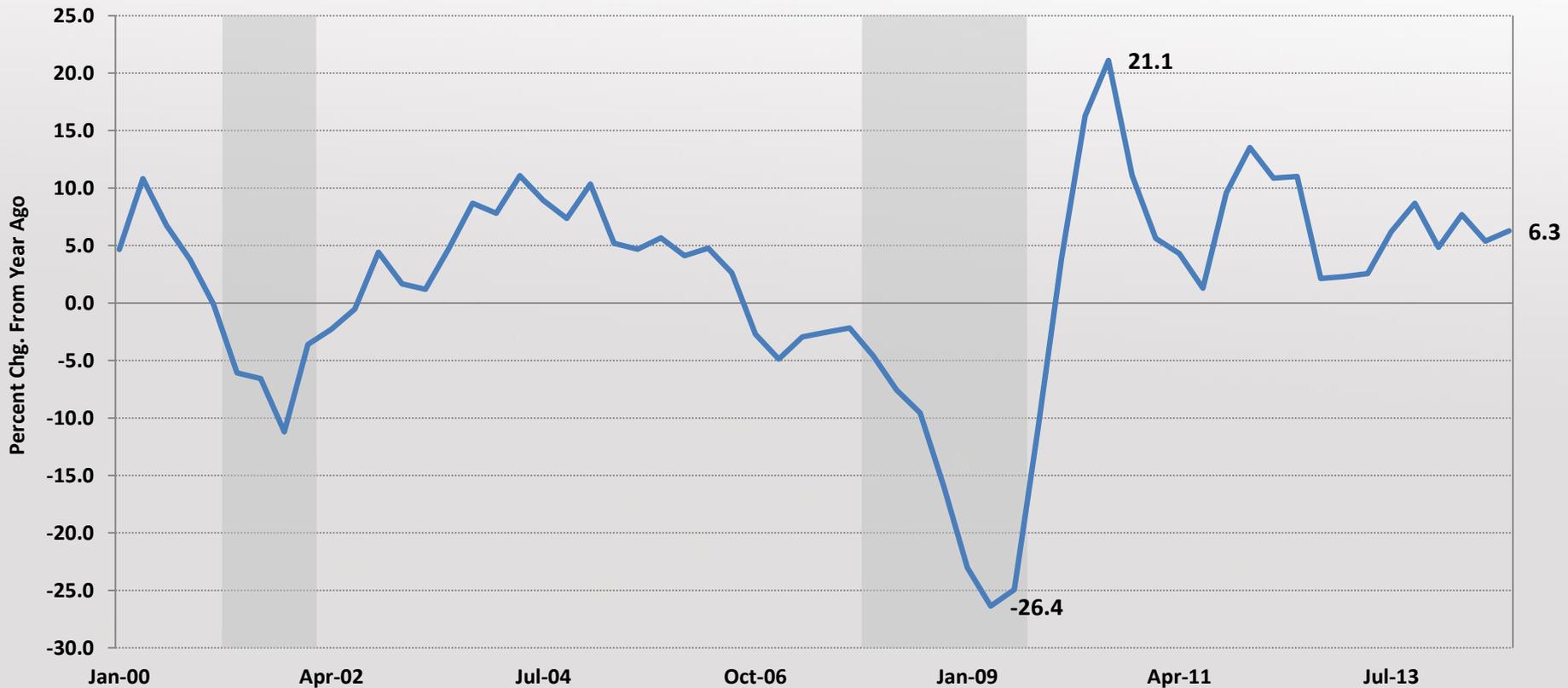
Corporate Profits After Tax

Seasonally Adjusted Annual Rate



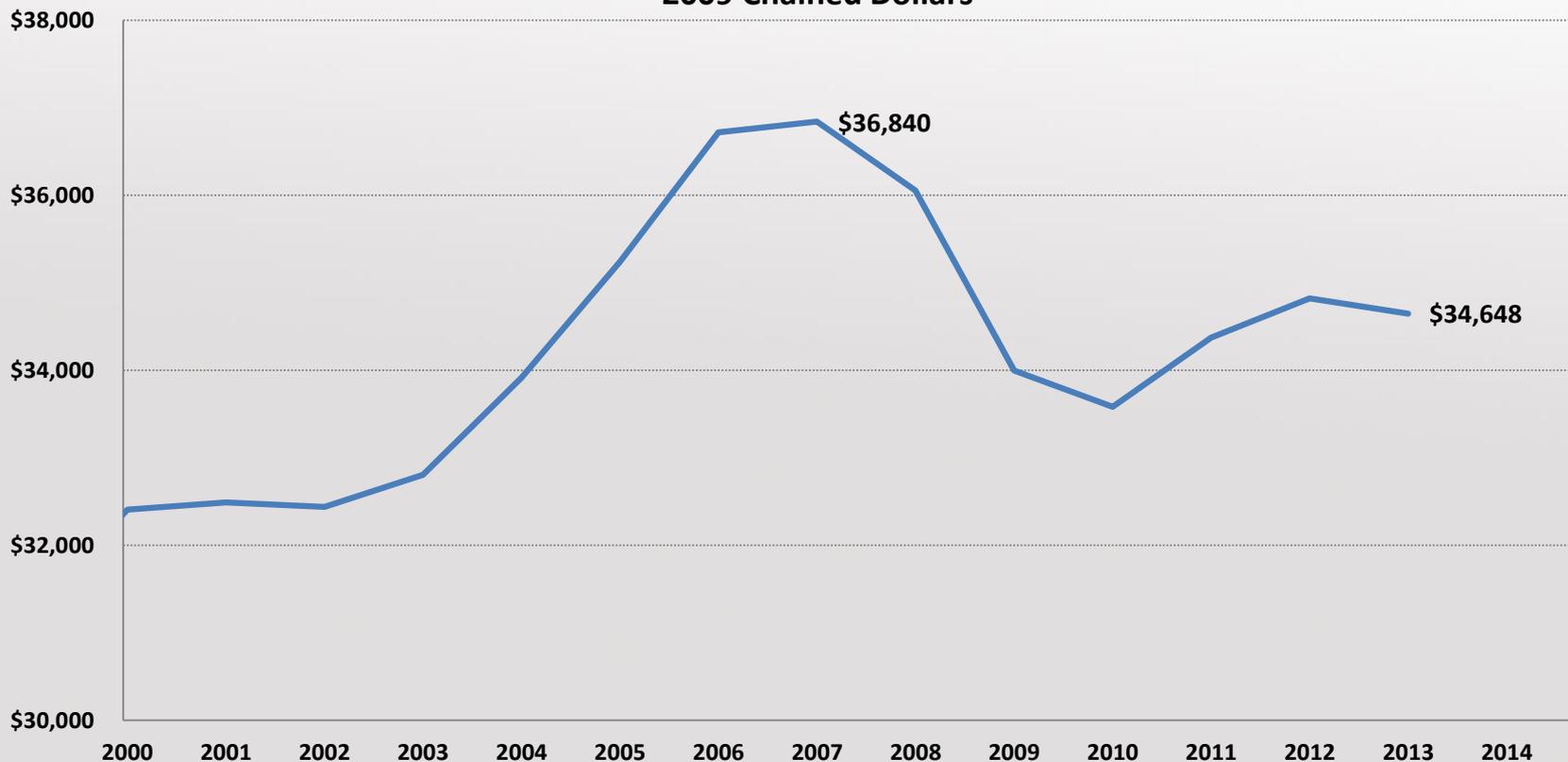
Source: U.S. Department of Commerce: Bureau of Economic Analysis/FRED

Real Gross Private Domestic Investment



Source: U.S. Department of Commerce: Bureau of Economic Analysis/FRED

Real Per Capita Personal Income in Arizona 2009 Chained Dollars



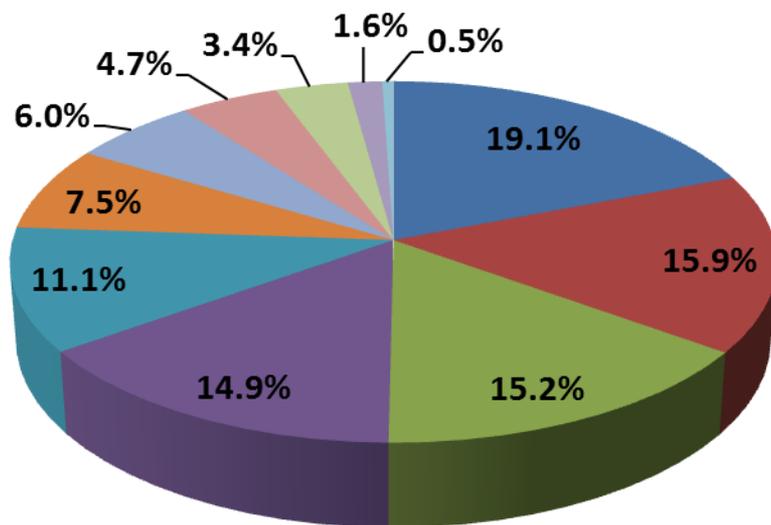
Source: U.S. Department of Commerce: Bureau of Economic Analysis/FRED

New Private Housing Building Permit for Arizona Seasonally Adjusted

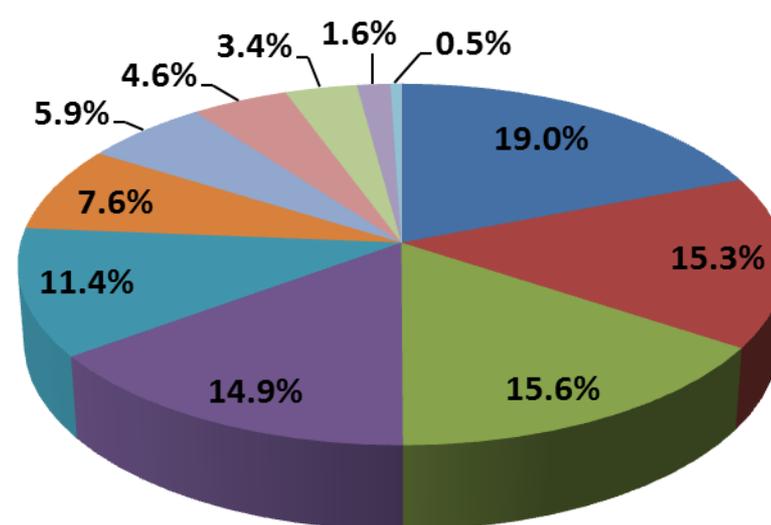


Source: Federal Reserve Bank of St. Louis/FRED

Arizona Major Industry Share, 2014

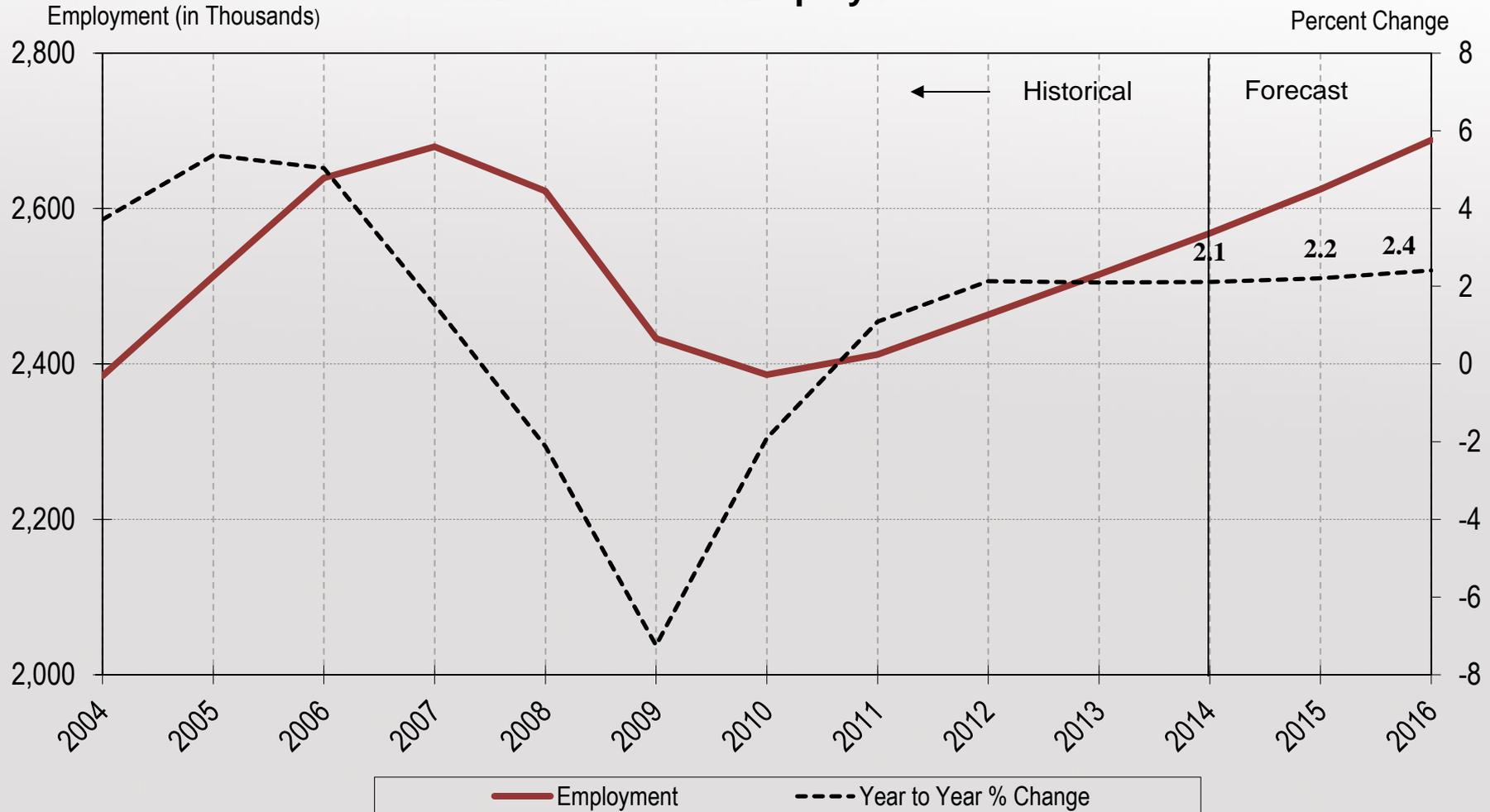


Arizona Major Industry Share, 2016

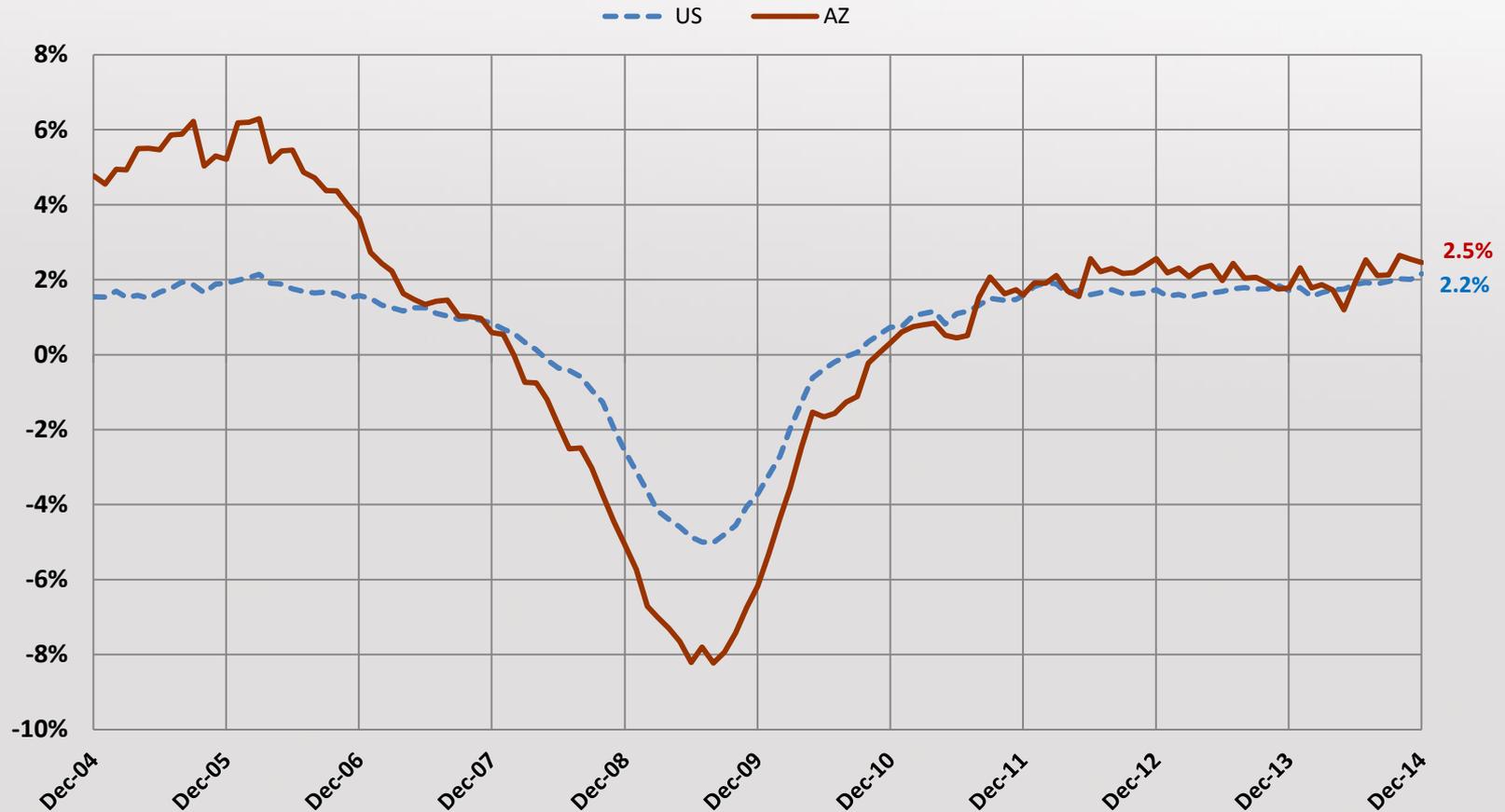


- Trade, Transportation, and Utilities
- Government
- Education and Health Services
- Professional and Business Services
- Leisure and Hospitality
- Financial Activities
- Manufacturing
- Construction
- Other Services
- Information
- Natural Resources and Mining

Arizona Nonfarm Employment



Arizona & U.S. Nonfarm Employment Year-to-Year Percent Change



Total Nonfarm Employment Annual Average Growth Rate

	2014 ^(a)	2015 ^(b)	2016 ^(b)	
Arizona	2.1%	2.2%	2.4%	
Phoenix MSA ¹	2.4%	2.5%	2.6%	← Slightly Faster Growth
Tucson MSA ²	1.4%	1.6%	1.8%	
Balance of State ³	1.4%	1.6%	1.9%	← Slower Growth

1) Maricopa and Pinal counties

2) Pima County

3) Arizona less Maricopa, Pinal and Pima counties

a) Historical

b) Forecast

Total Nonfarm Employment Annual Average Growth

	2014^(a)	2015^(b)	2016^(b)
Arizona	53,000	56,600	63,100
Phoenix MSA ¹	43,400	45,500	49,900
Tucson MSA ²	4,900	5,700	6,600
Balance of State ³	4,700	5,400	6,600

1) Maricopa and Pinal counties

2) Pima County

3) Arizona less Maricopa, Pinal and Pima counties

a) Historical

b) Forecast

Arizona Sector Employment

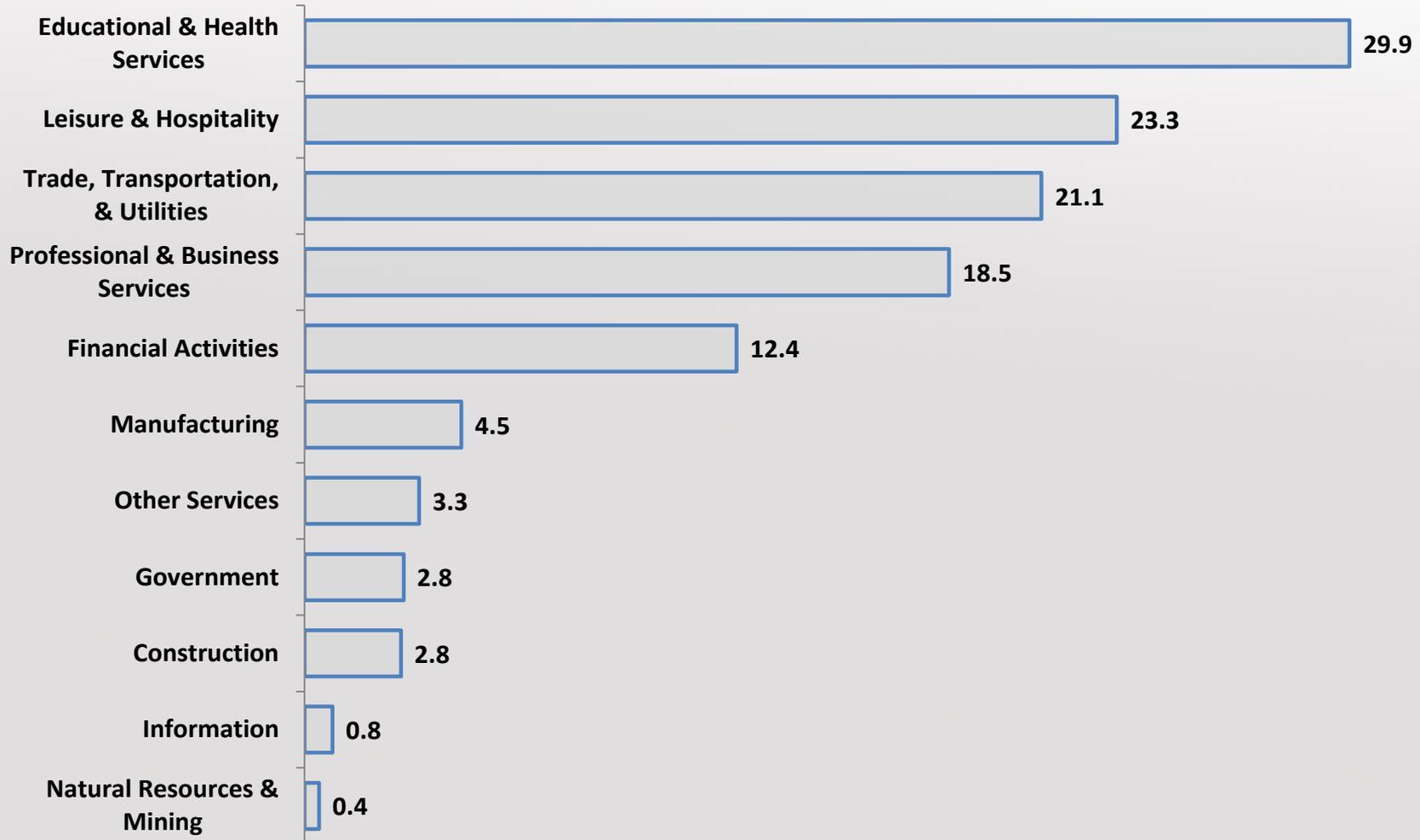
Average Annual Over-the-Year Change

	2014(a)	2015(b)	2016(b)
Total Nonfarm Employment	2.1%	2.2%	2.4%
Manufacturing	-0.1%	1.1%	1.8%
Natural Resources & Mining	1.5%	1.3%	1.8%
Construction	-1.5%	0.5%	1.8%
Trade, Transportation, & Utilities	1.7%	2.1%	2.2%
Information	0.2%	0.9%	1.0%
Financial Activities	4.3%	3.3%	3.0%
Professional & Business Services	2.9%	2.5%	2.3%
Educational & Health Services	4.3%	3.5%	4.0%
Leisure & Hospitality	3.5%	3.9%	4.1%
Other Services	1.7%	1.8%	1.9%
Government	0.0%	0.3%	0.4%

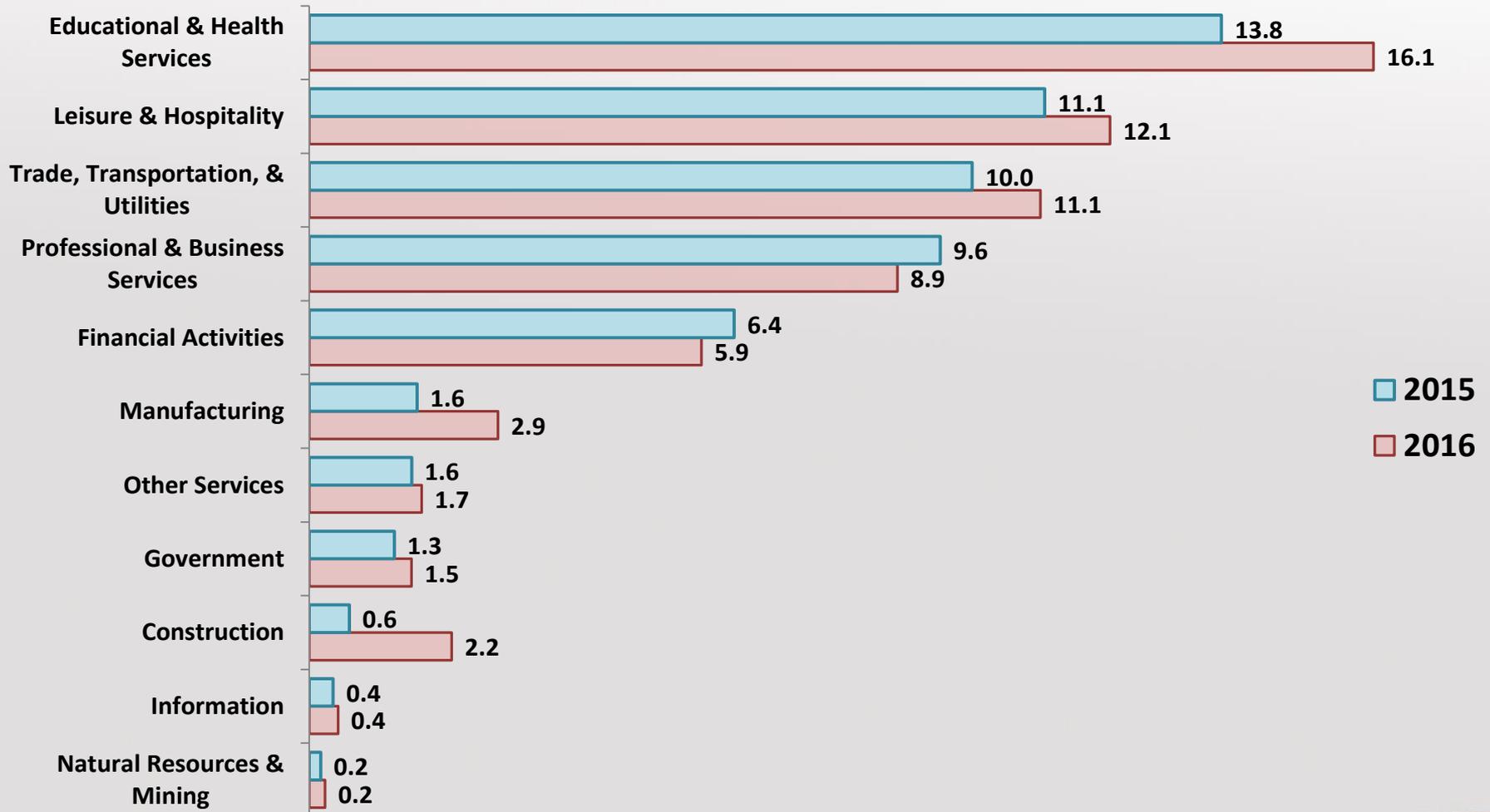
a) Historical (BLS Current Employment Statistics)

b) Forecast

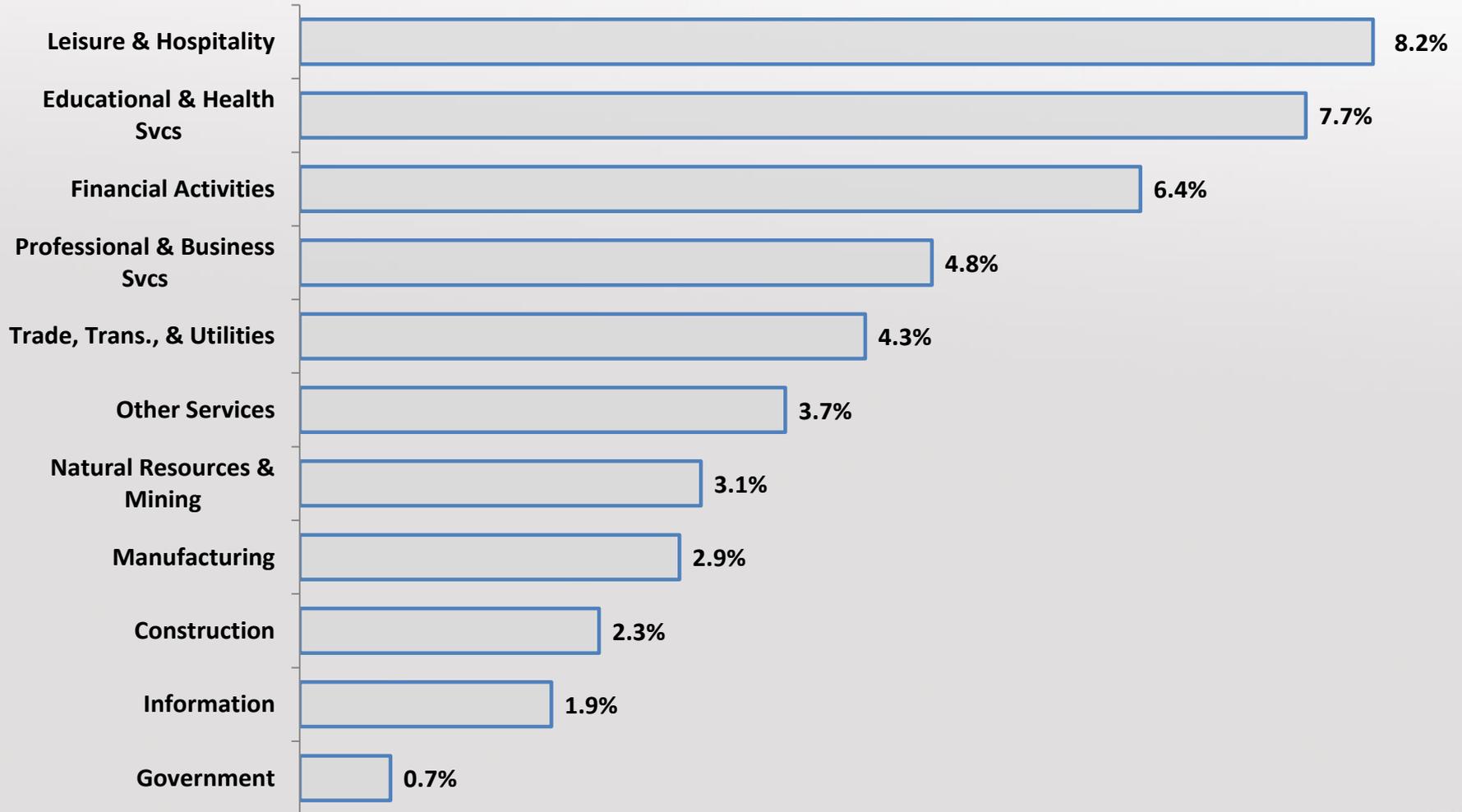
Arizona Forecast Employment Change 2014-2016, in thousands



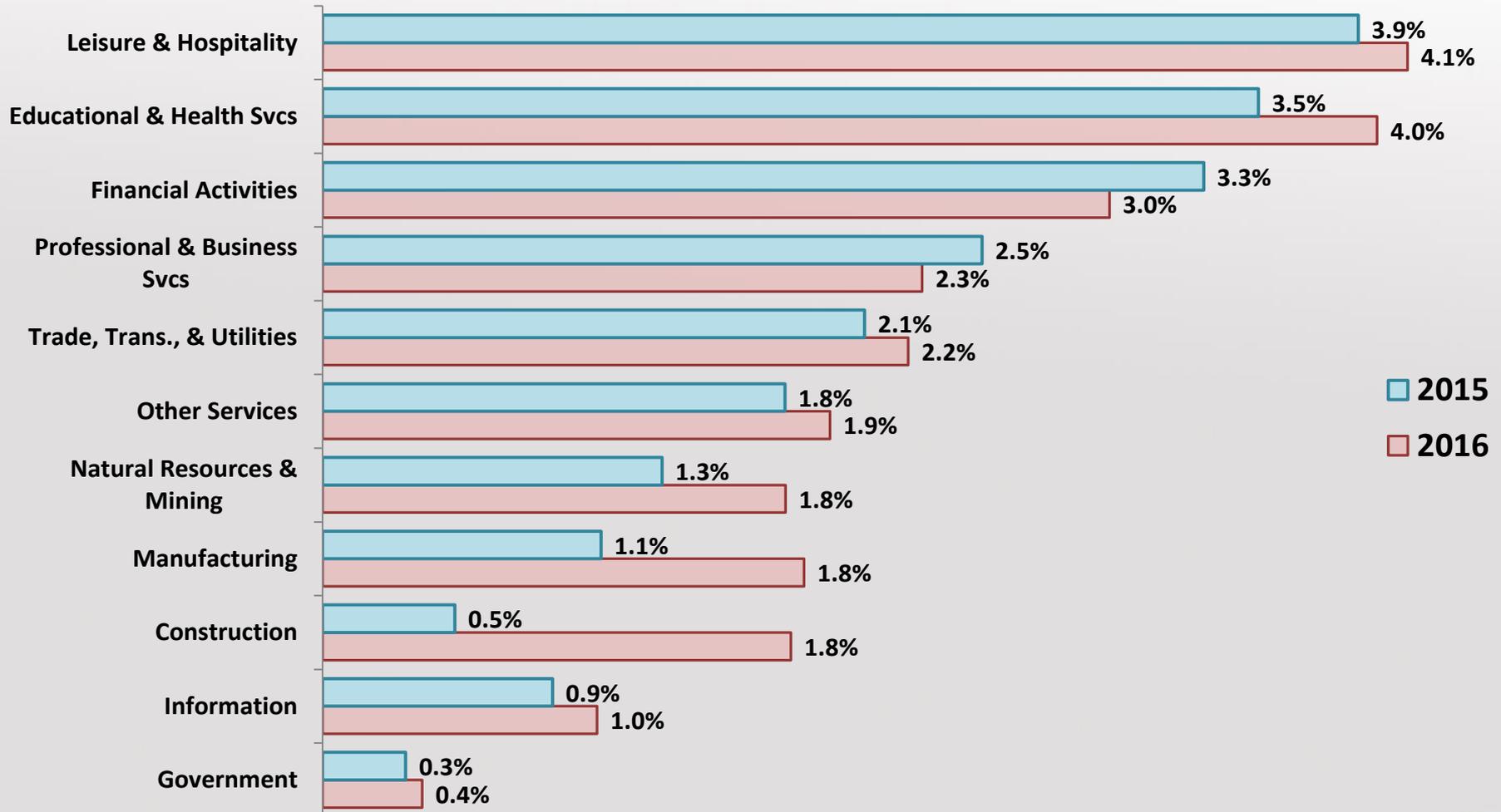
Arizona Annual Net Job Gain by Sector 2015 & 2016, in thousands



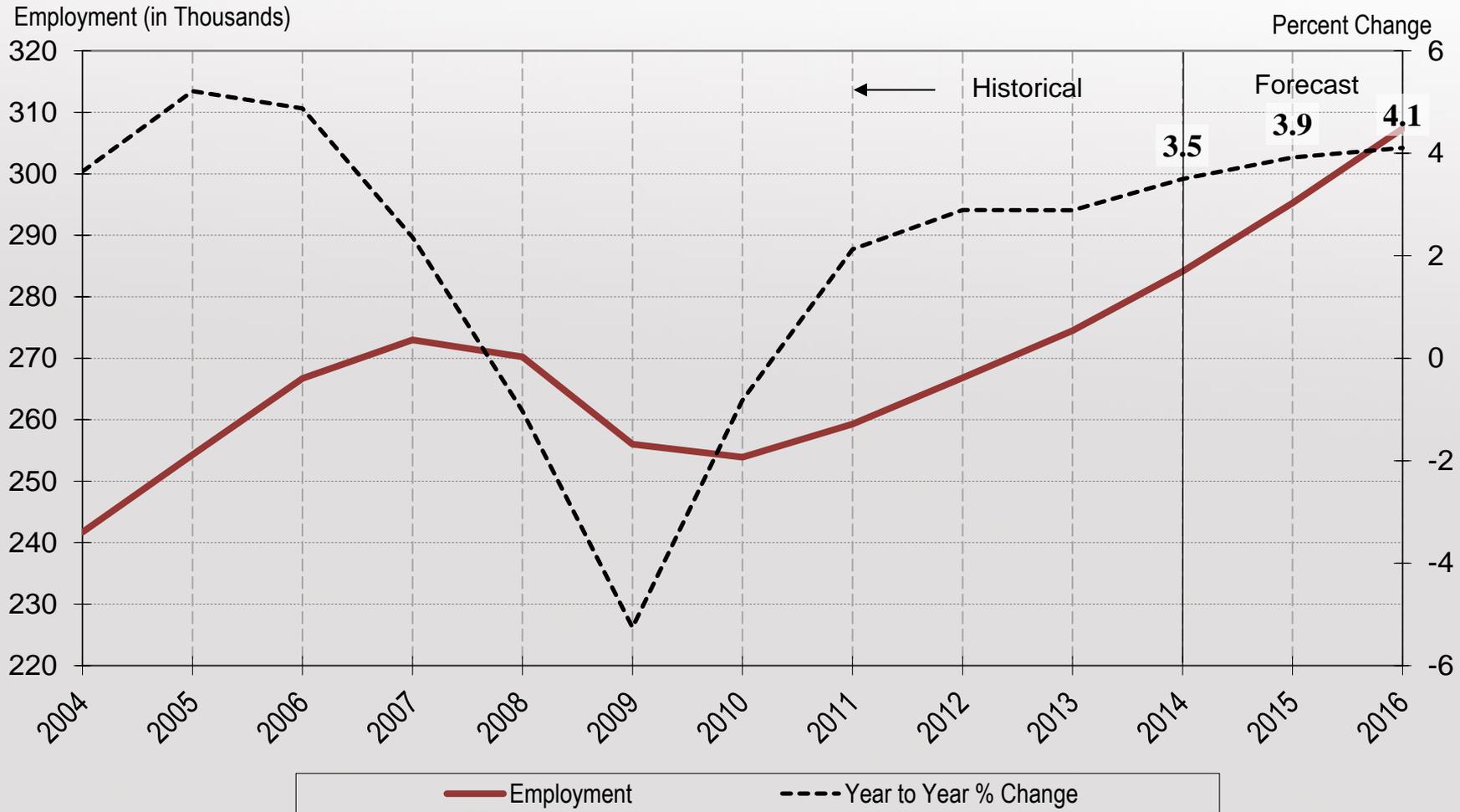
Arizona Forecast Employment Percentage Change 2014-2016



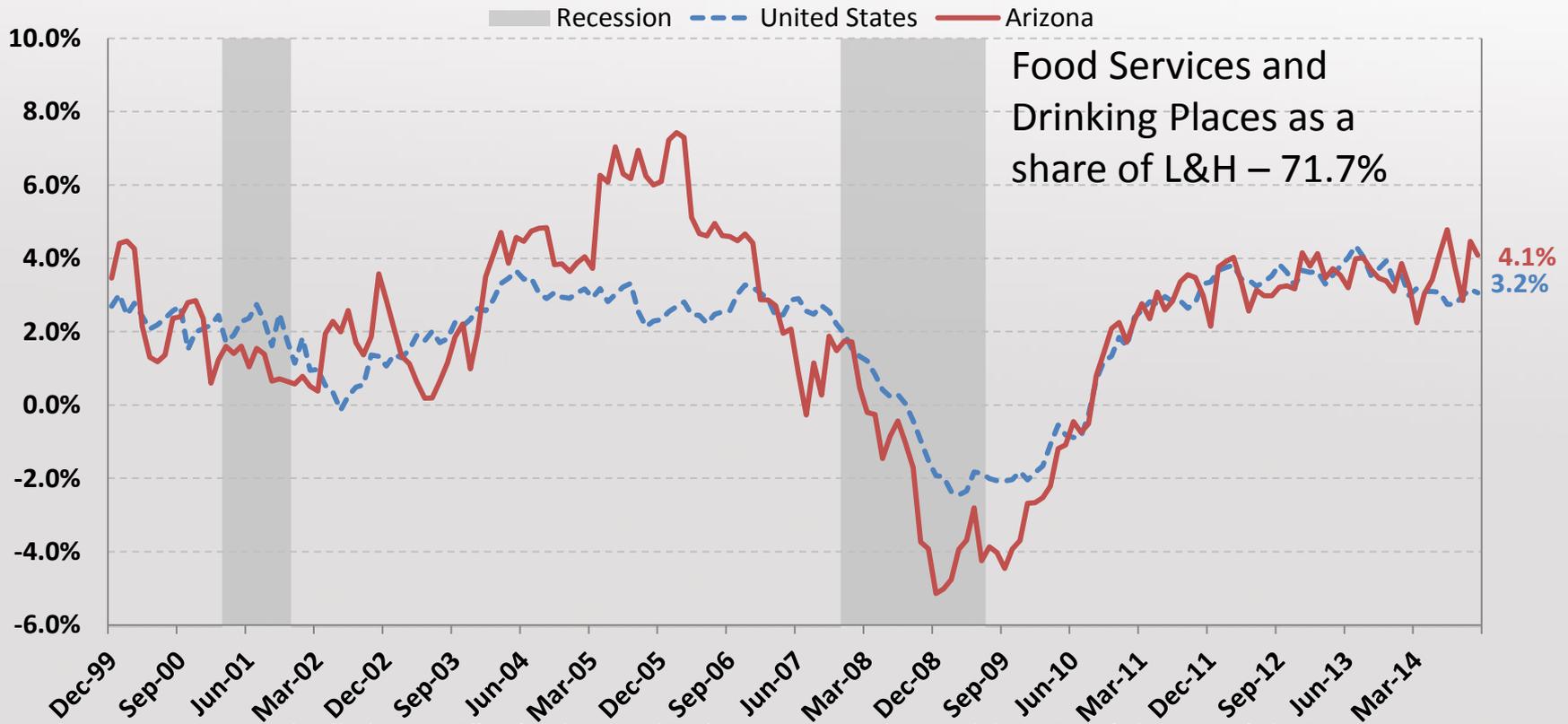
Arizona Forecast Employment Percentage Change 2015 & 2016



Arizona Leisure and Hospitality Employment



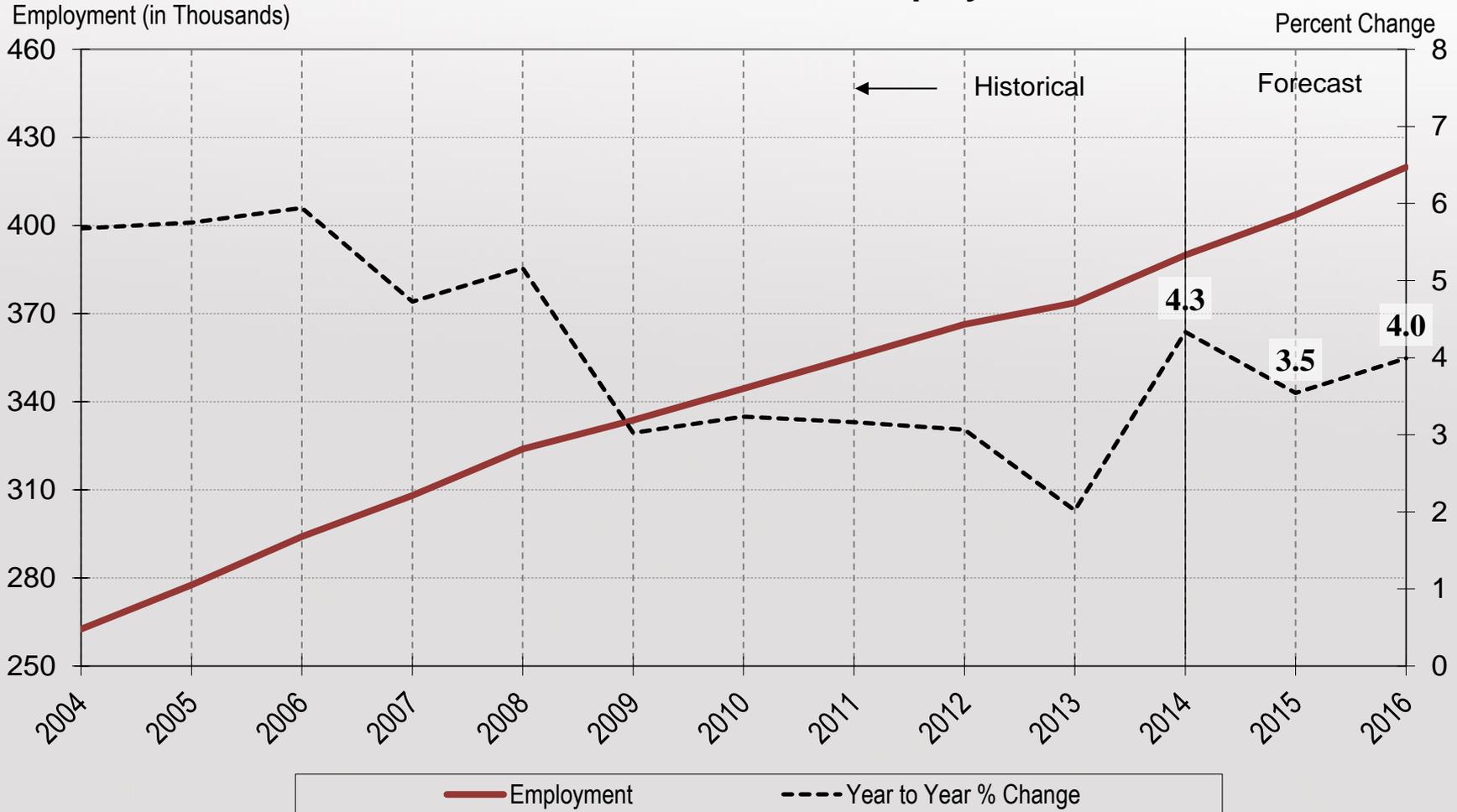
Food Services and Drinking Places Over-the-Year Percent Change



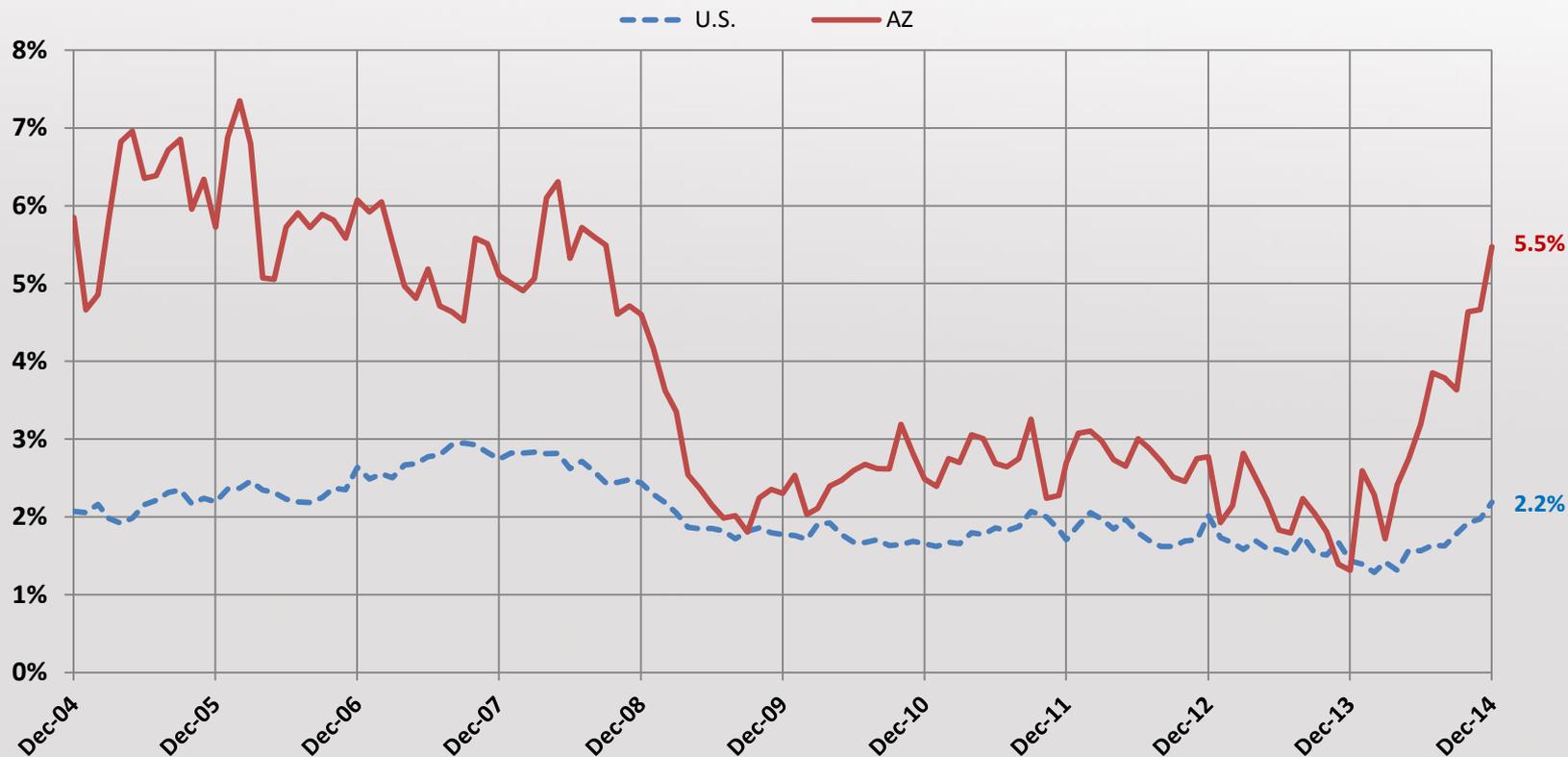
Source: Produced by the Arizona Office of Employment and Population Statistics in cooperation with the U.S. Dept. of Labor, Bureau of Labor Statistics

Arizona Forecast Growth Rate	2015	2016
Food Services and Drinking Places	2.9%	3.1%

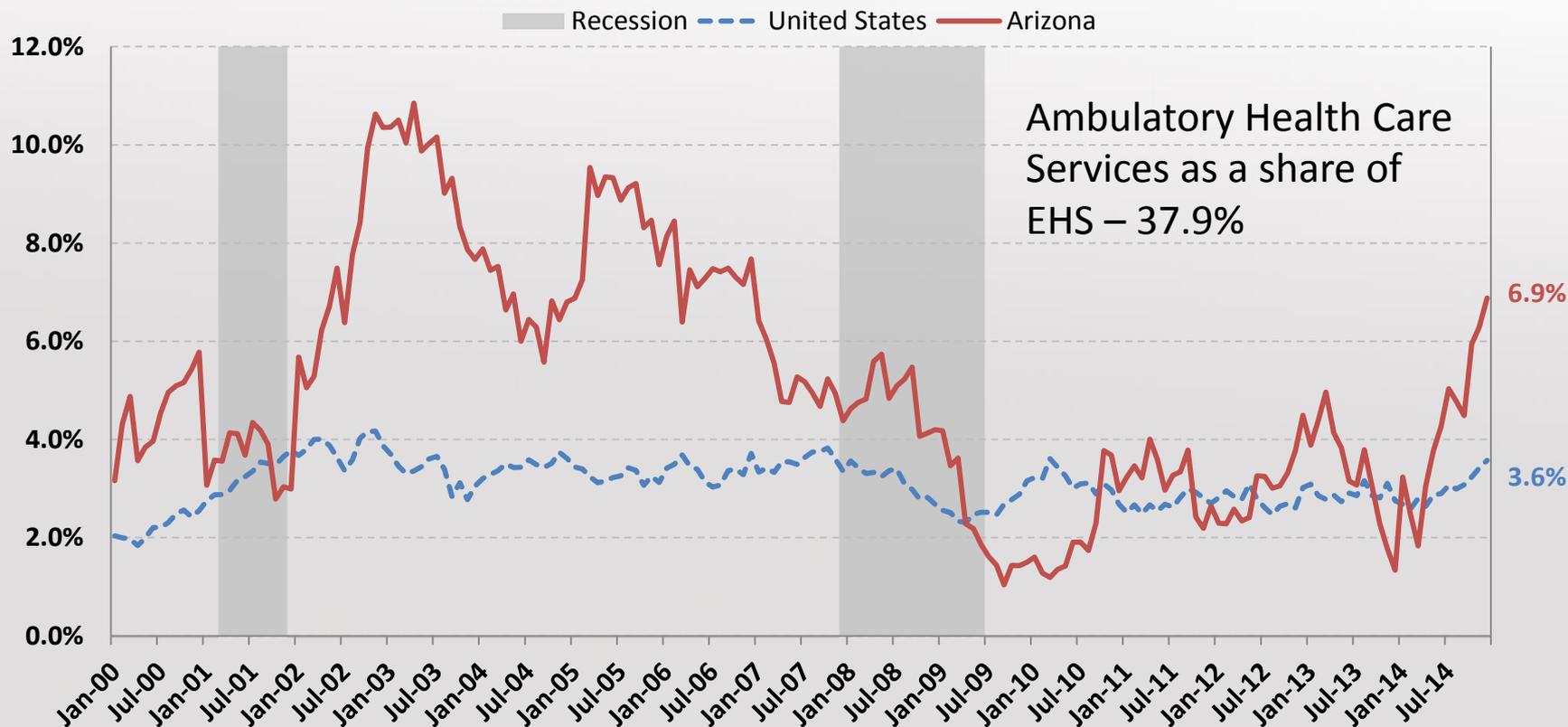
Arizona Educational & Health Services Employment



Arizona & U.S. Health Care Year-to-Year Percent Change



Ambulatory Health Care Services Over-the-Year Percent Change

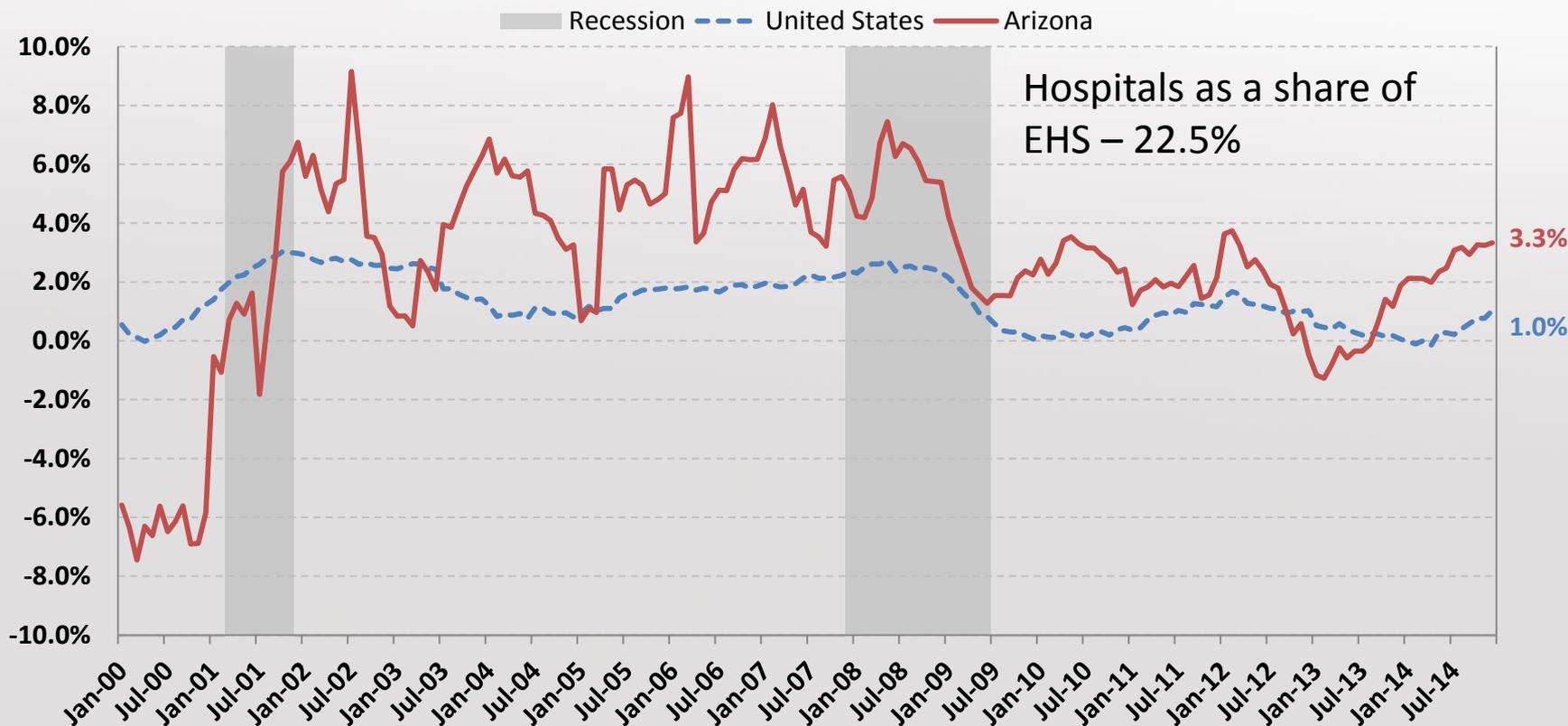


Source: Produced by the Arizona Office of Employment and Population Statistics in cooperation with the U.S. Dept. of Labor, Bureau of Labor Statistics

Arizona Forecast Growth Rate	2015	2016
Ambulatory Health Care Services	5.0	5.6

Hospitals

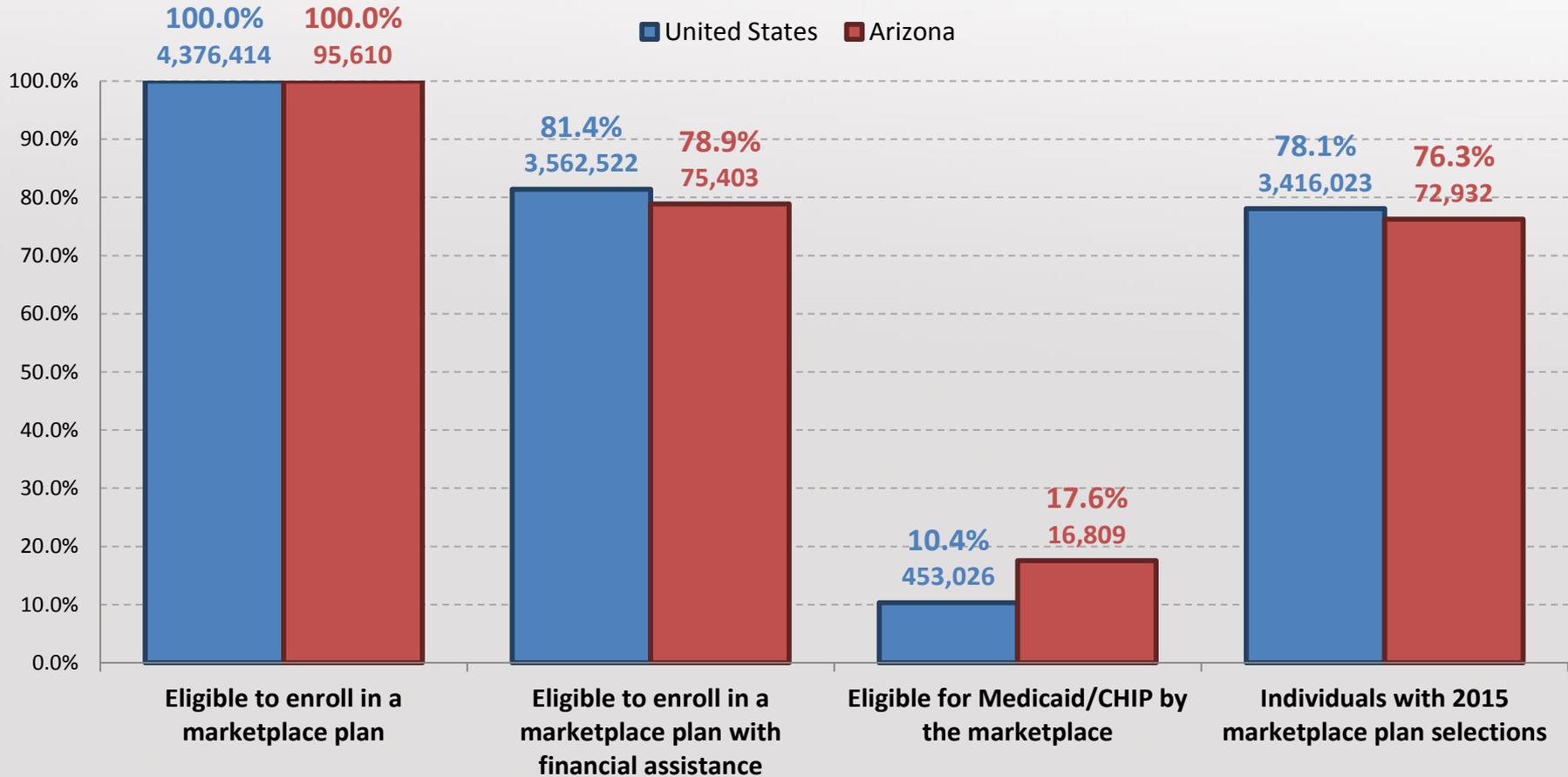
Over-the-Year Percent Change



Source: Produced by the Arizona Office of Employment and Population Statistics in cooperation with the U.S. Dept. of Labor, Bureau of Labor Statistics

Arizona Forecast Growth Rate	2015	2016
Hospitals	2.9	3.1

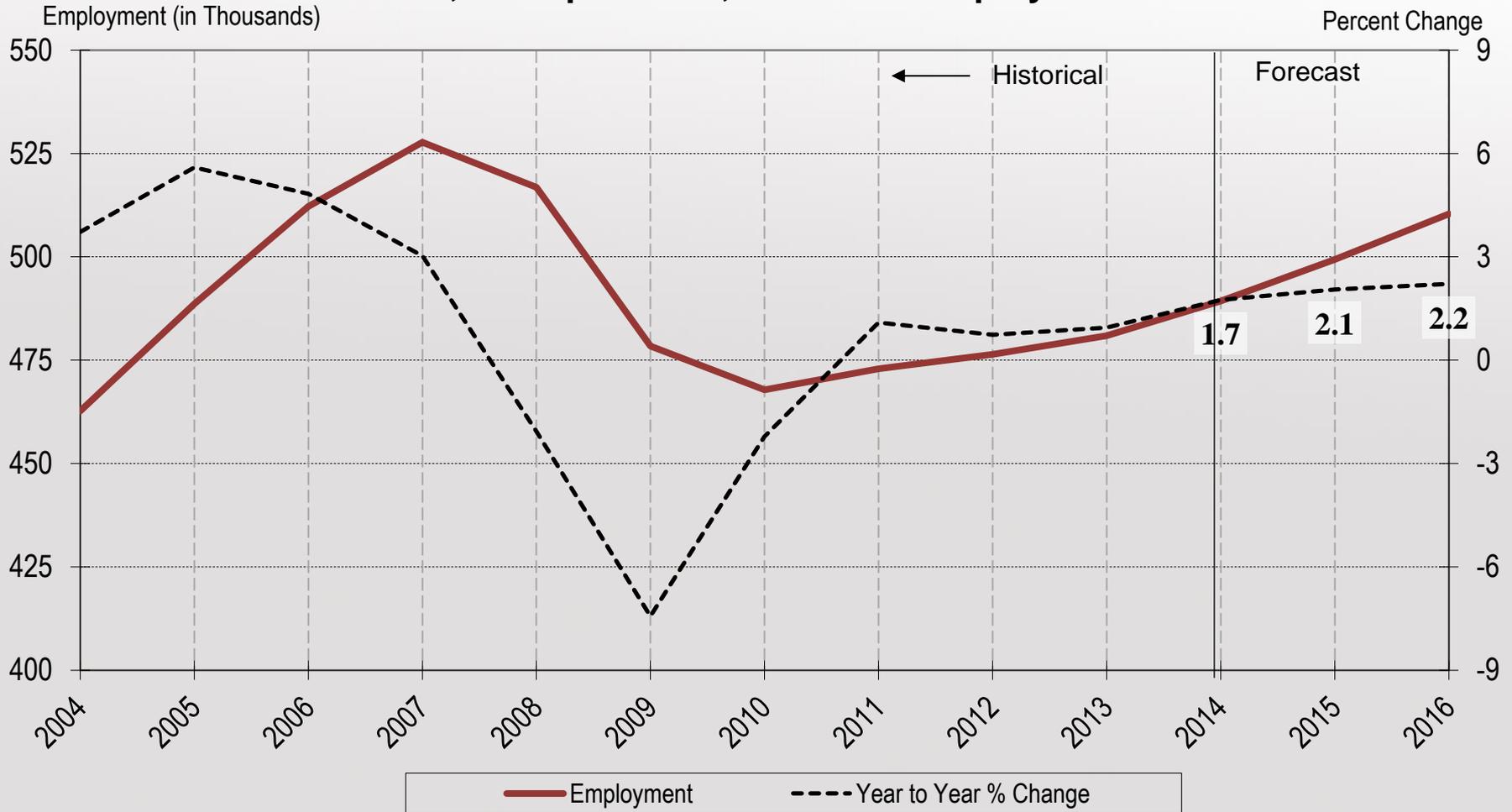
Healthcare Marketplace Statistics Federally-Facilitated Marketplace



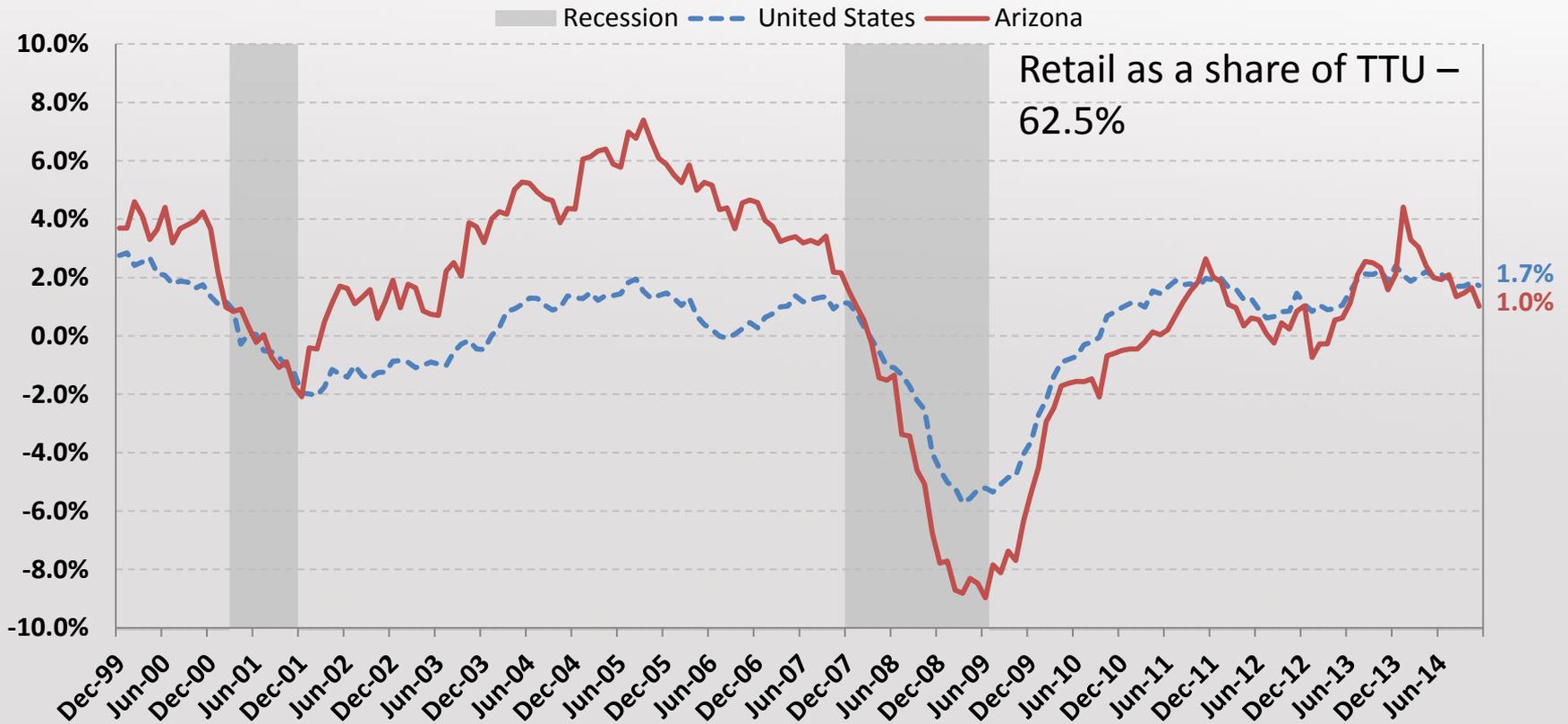
Source: Department of Health & Human Services - ASPE Issue Brief December 30, 2014

http://aspe.hhs.gov/health/reports/2014/MarketPlaceEnrollment/Dec2014/ib_2014Dec_enrollment.pdf

Arizona Trade, Transportation, & Utilities Employment



Retail Trade Over-the-Year Percent Change

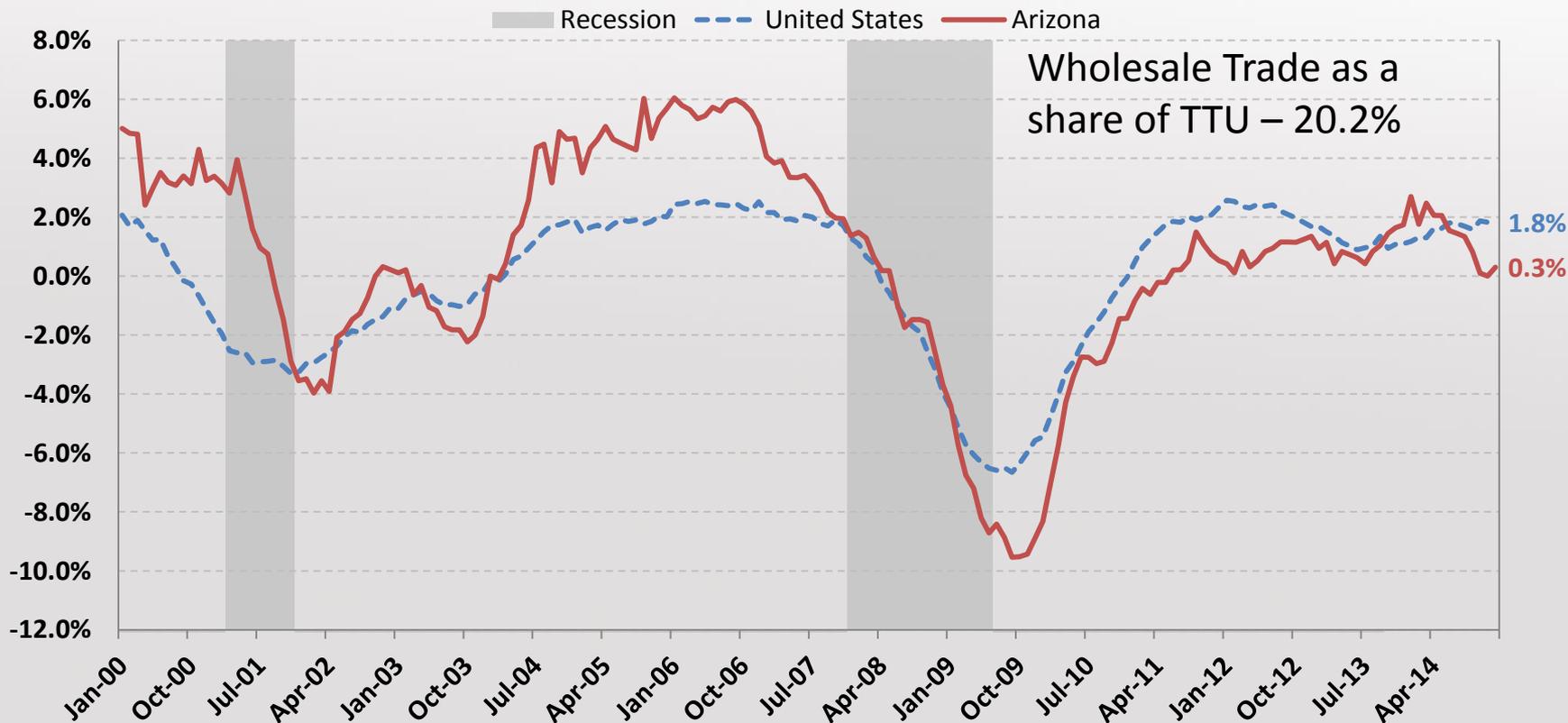


Source: Produced by the Arizona Office of Employment and Population Statistics in cooperation with the U.S. Dept. of Labor, Bureau of Labor Statistics

Arizona Forecast Growth Rate	2015	2016
Retail Trade	2.3	2.4

Wholesale Trade

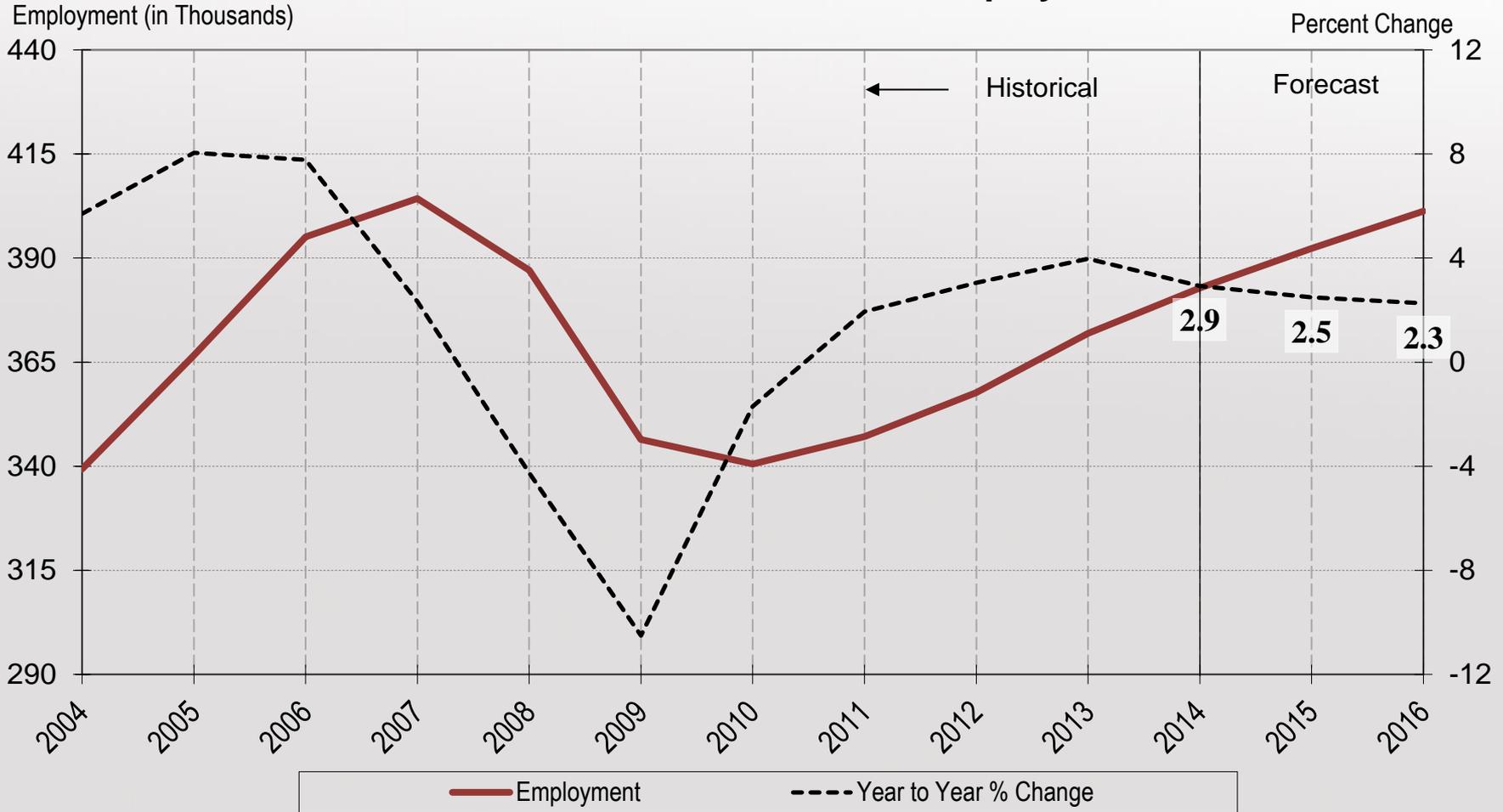
Over-the-Year Percent Change



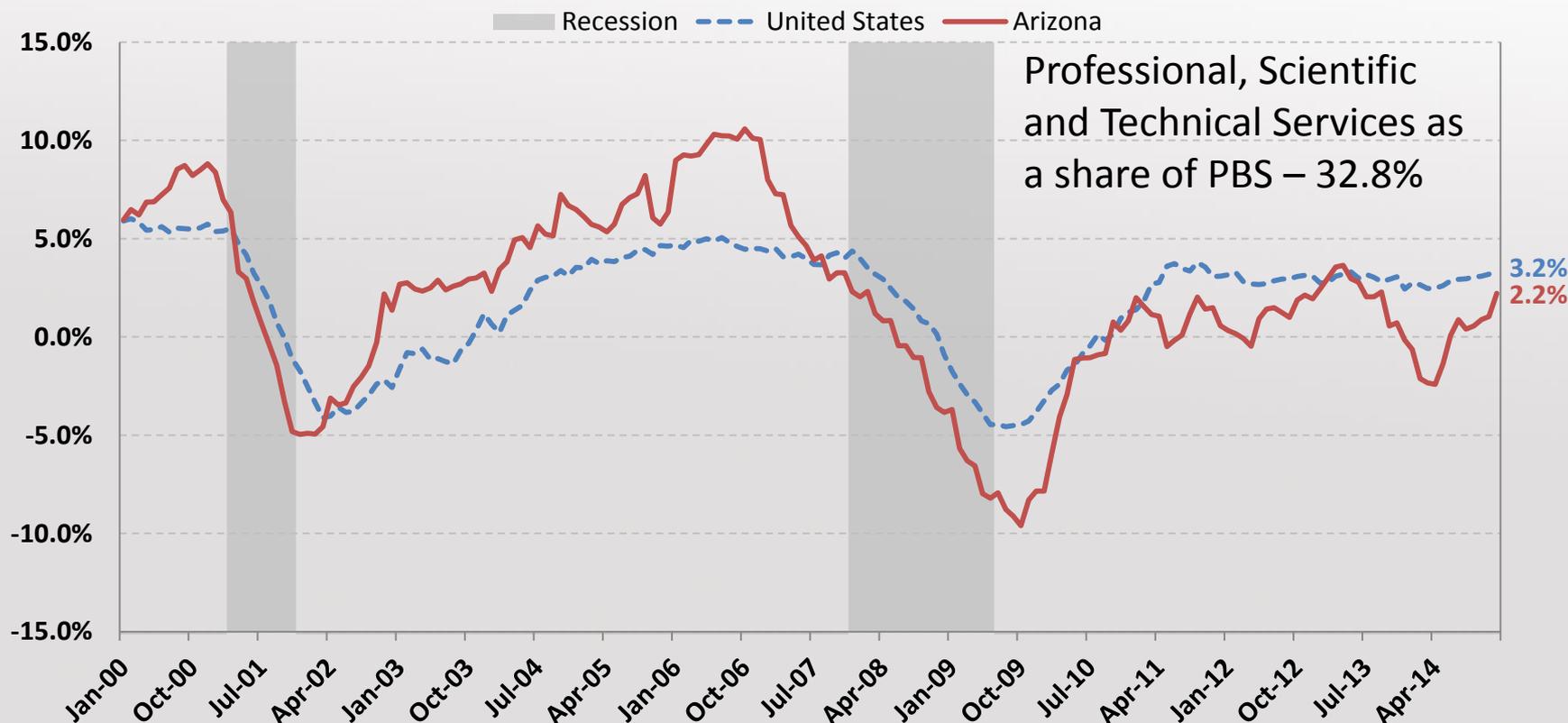
Source: Produced by the Arizona Office of Employment and Population Statistics in cooperation with the U.S. Dept. of Labor, Bureau of Labor Statistics

Arizona Forecast Growth Rate	2015	2016
Wholesale Trade	1.4	1.6

Arizona Professional & Business Services Employment



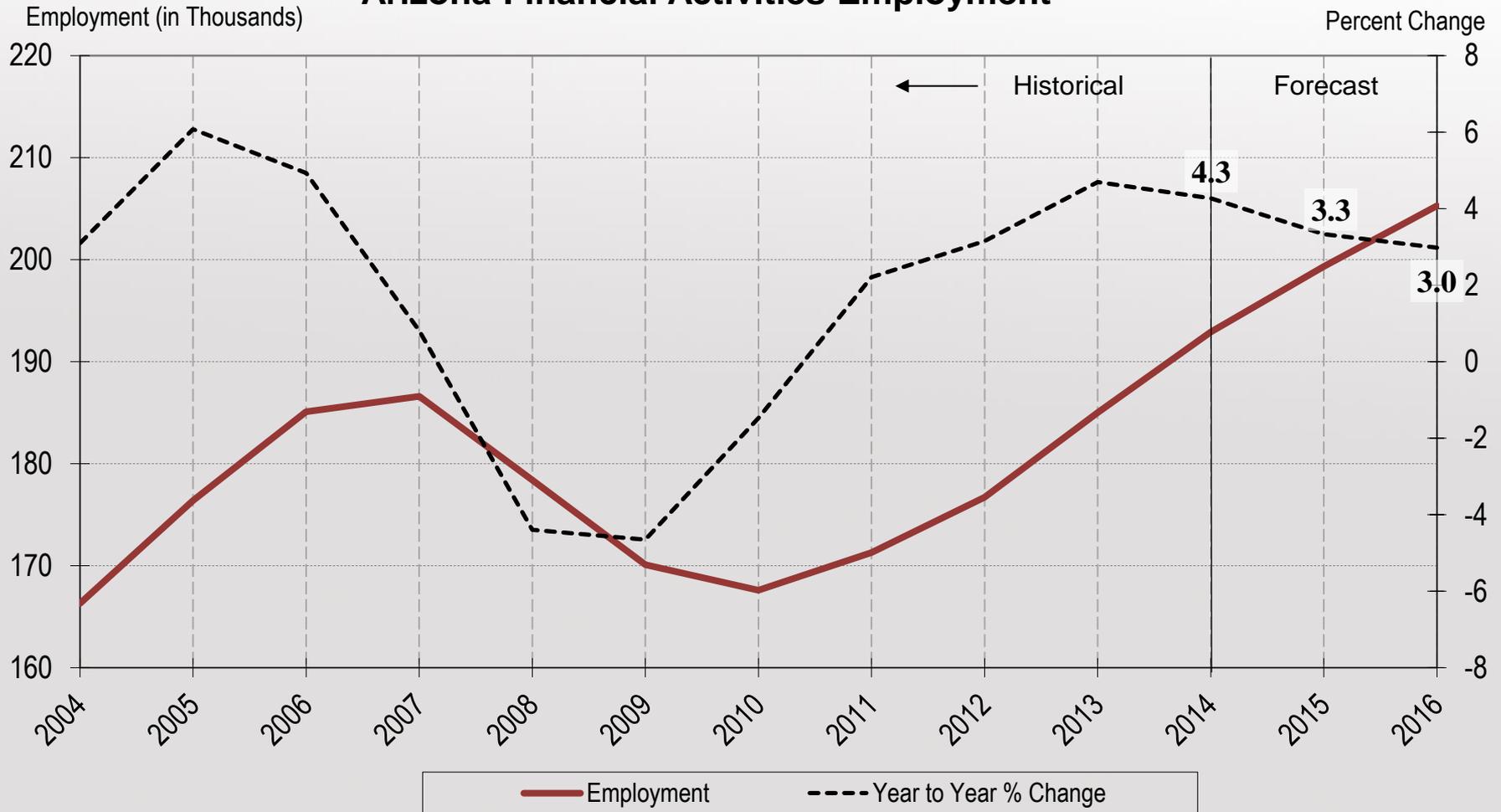
Professional, Scientific and Technical Services Over-the-Year Percent Change



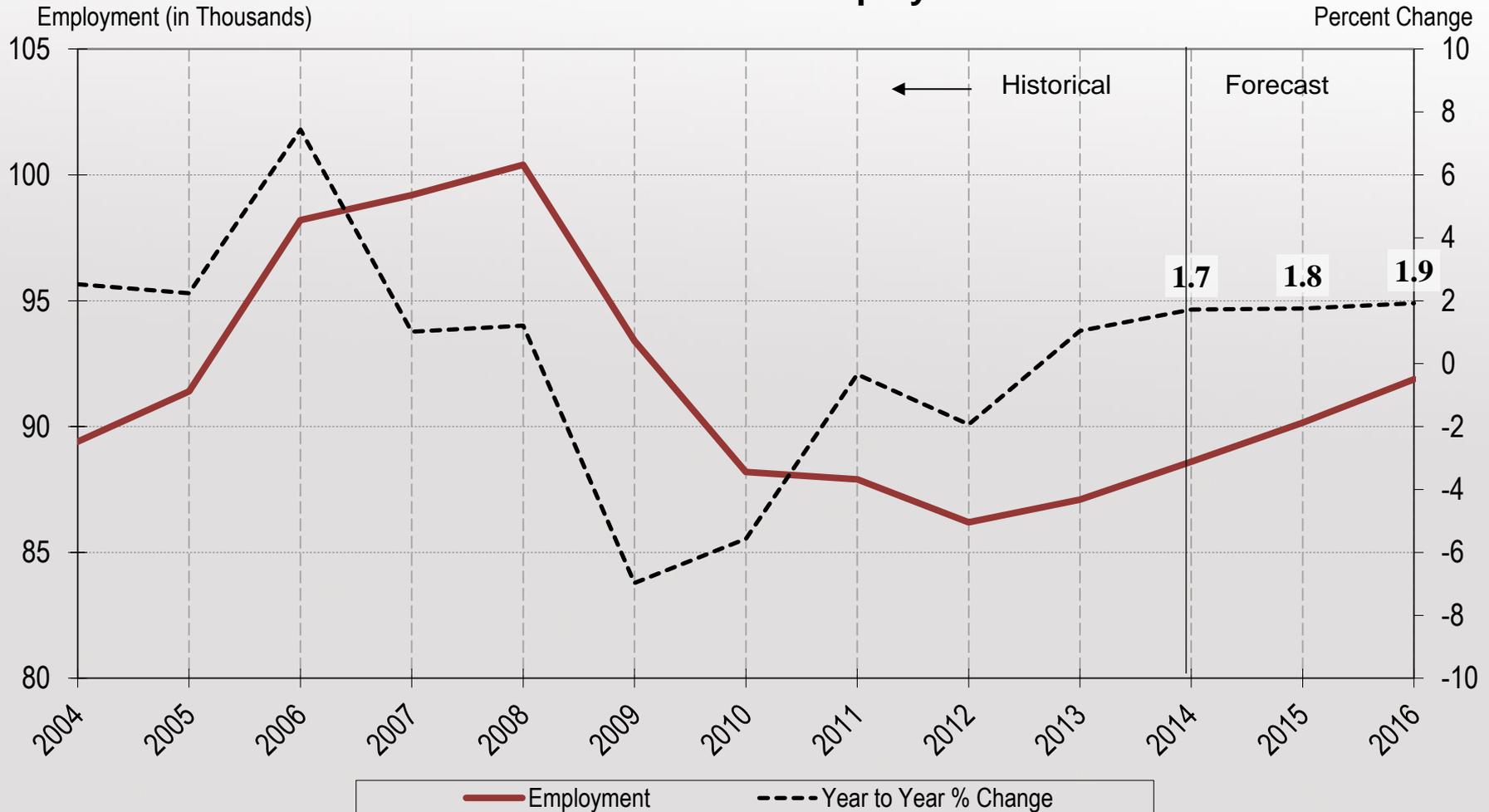
Source: Produced by the Arizona Office of Employment and Population Statistics in cooperation with the U.S. Dept. of Labor, Bureau of Labor Statistics

Arizona Forecast Growth Rate	2015	2016
Professional, Scientific and Technical Services	0.5%	1.0%

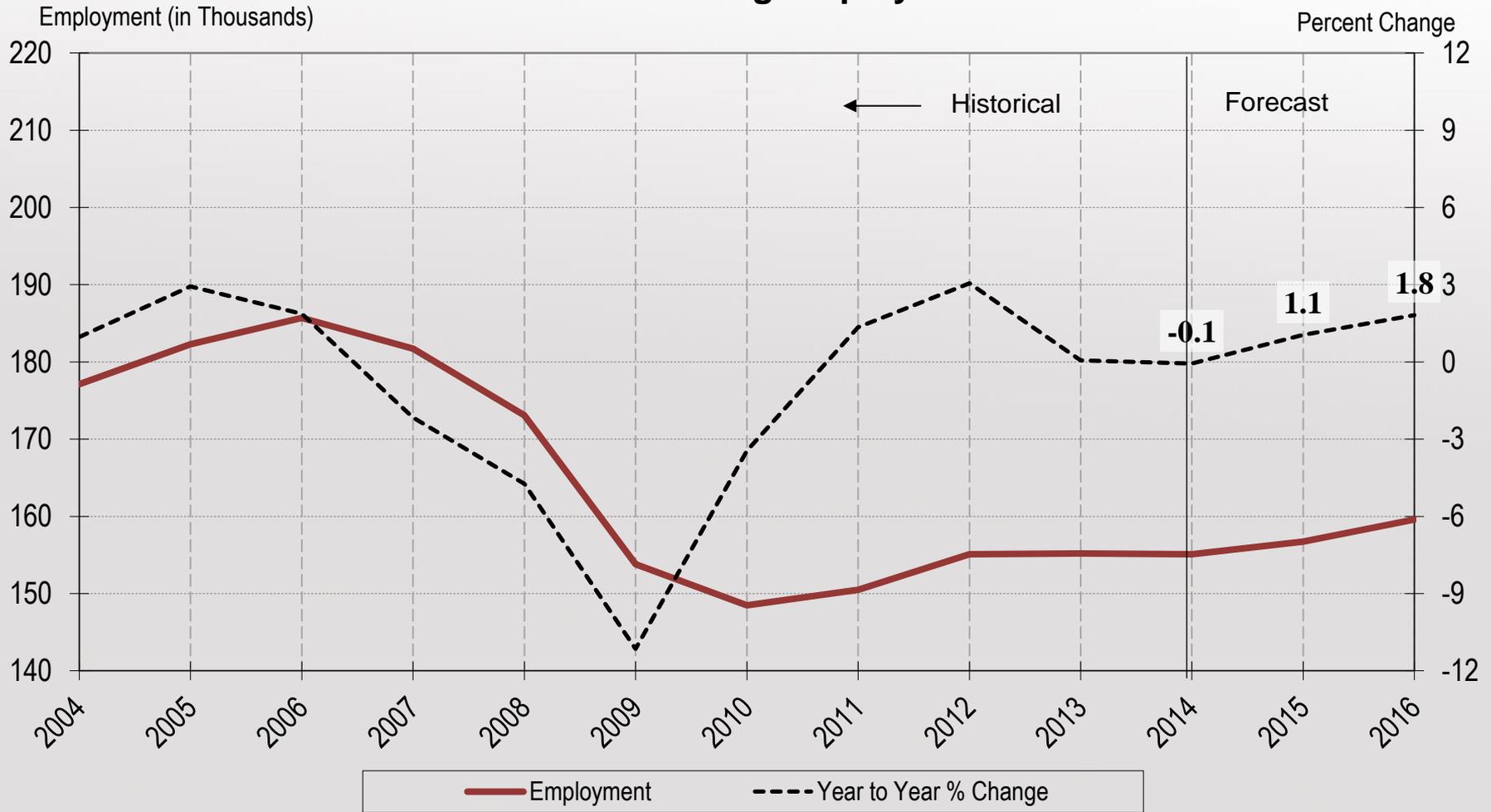
Arizona Financial Activities Employment



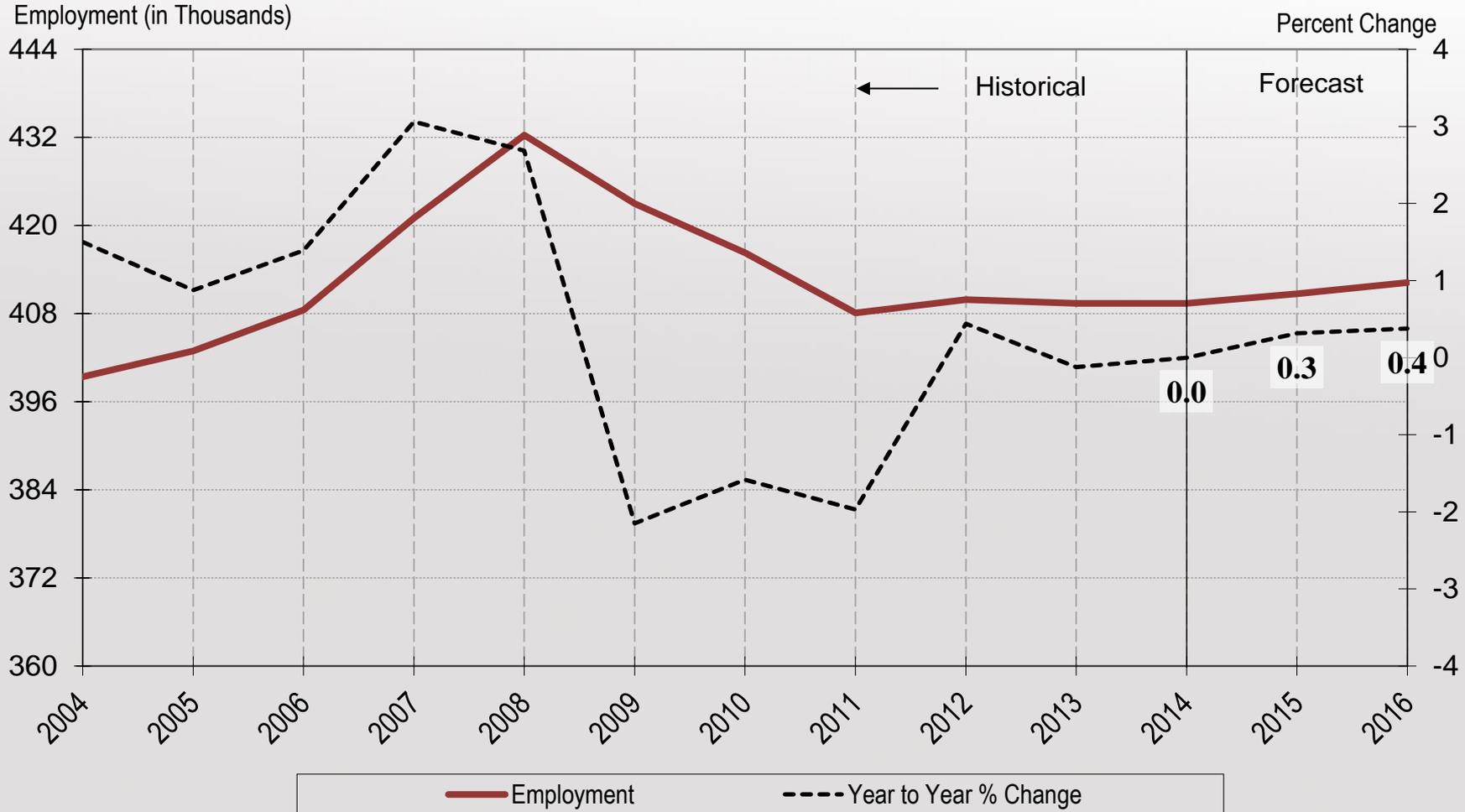
Arizona Other Services Employment



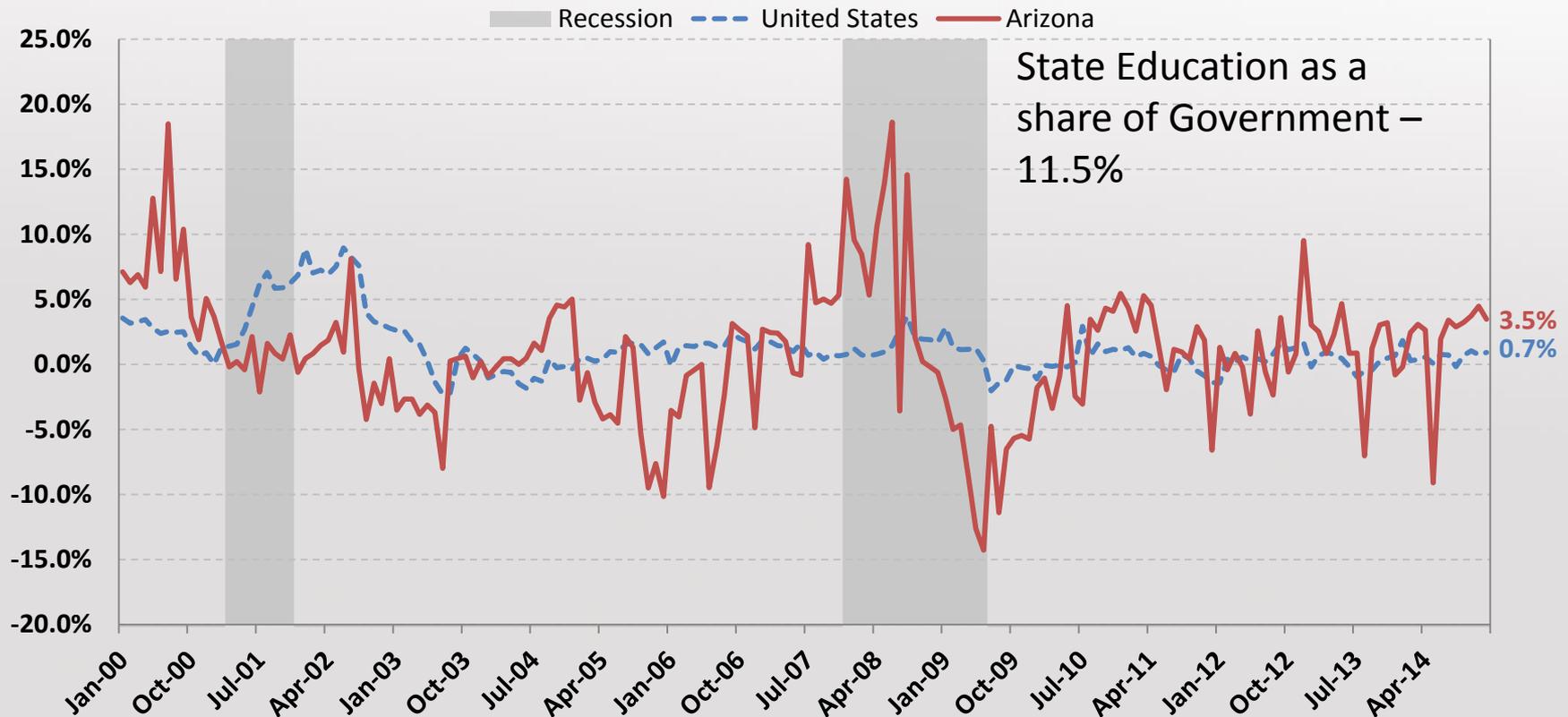
Arizona Manufacturing Employment



Arizona Government Employment



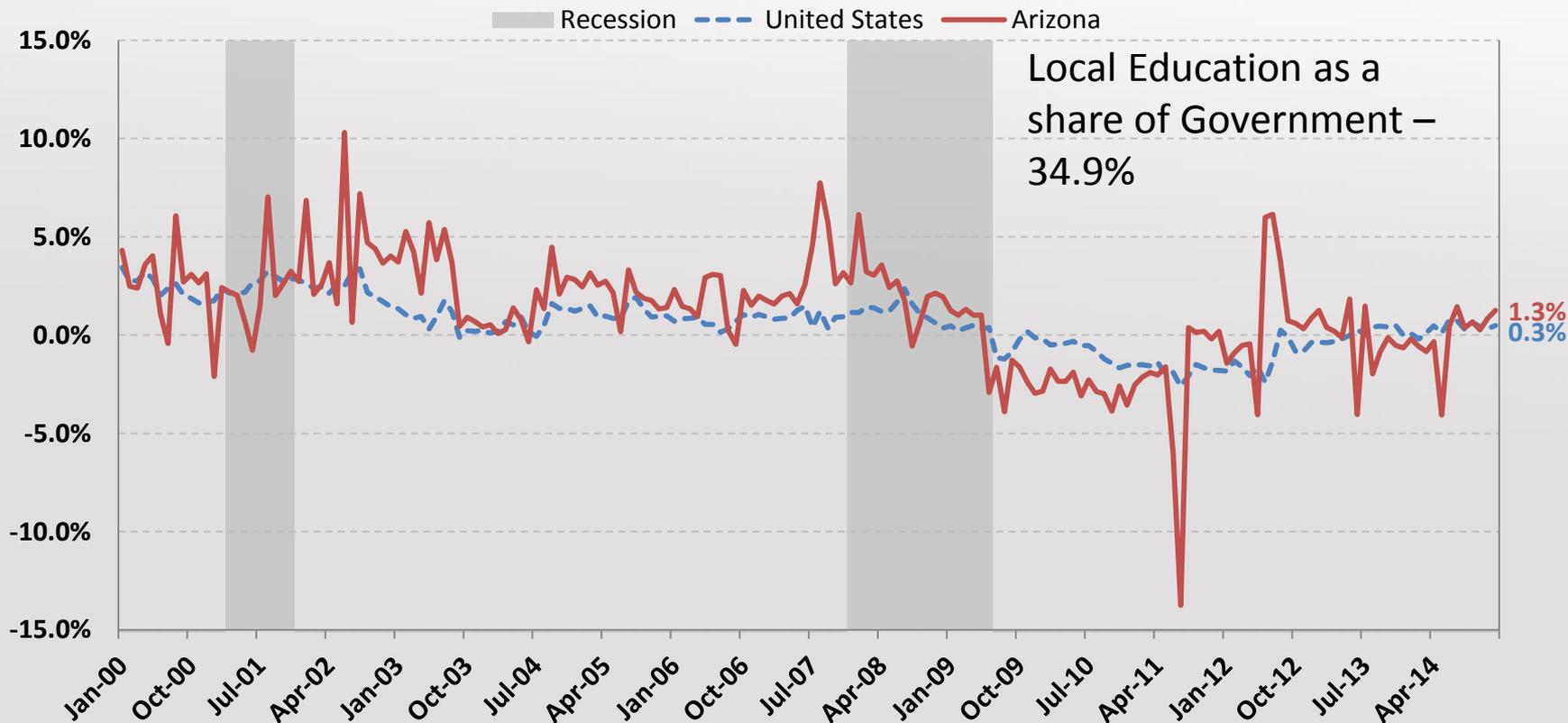
State Government Education Over-the-Year Percent Change



Source: Produced by the Arizona Office of Employment and Population Statistics in cooperation with the U.S. Dept. of Labor, Bureau of Labor Statistics

Arizona Forecast Growth Rate	2015	2016
State Government Education	1.5%	1.5%

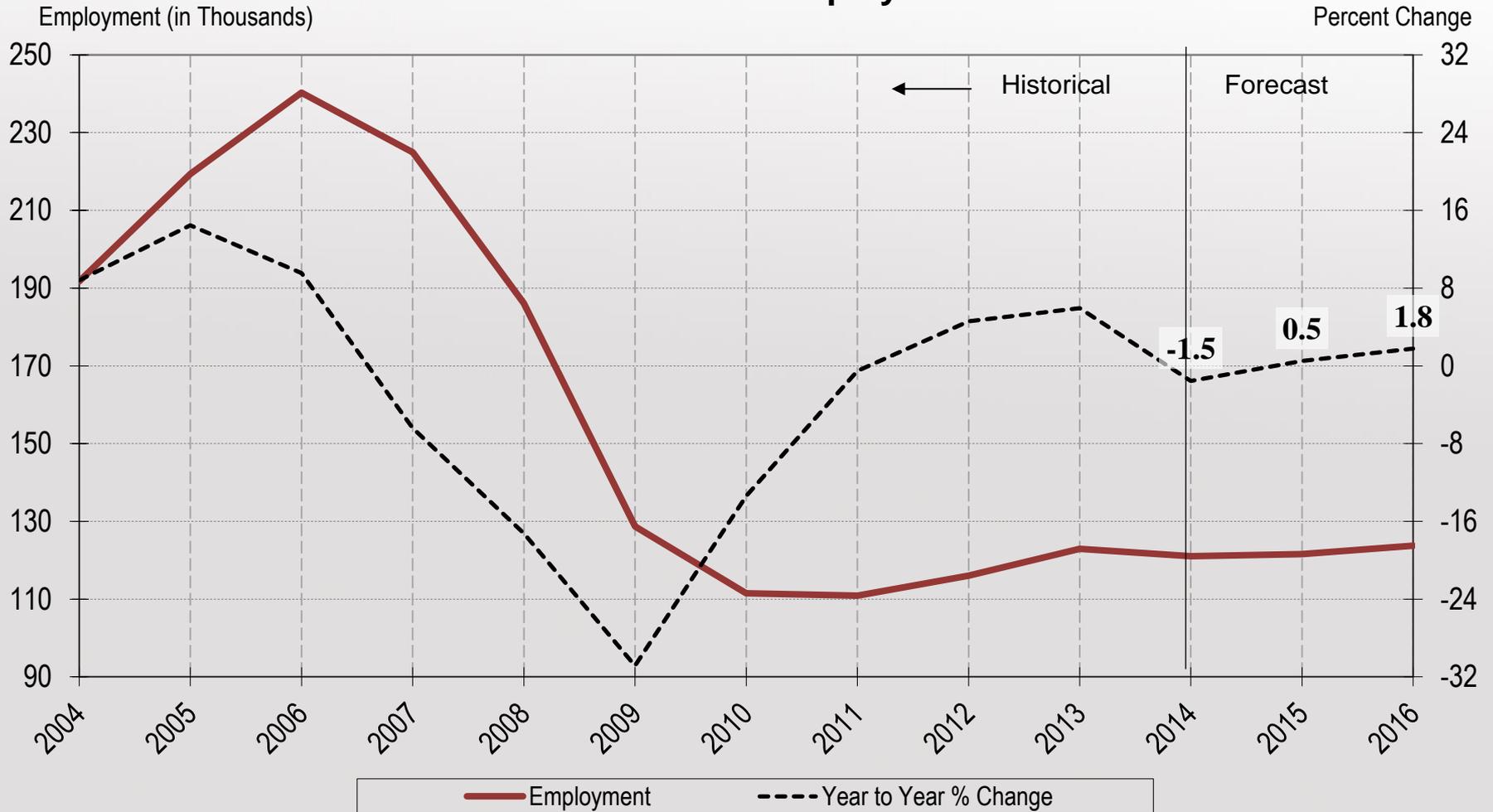
Local government education Over-the-Year Percent Change



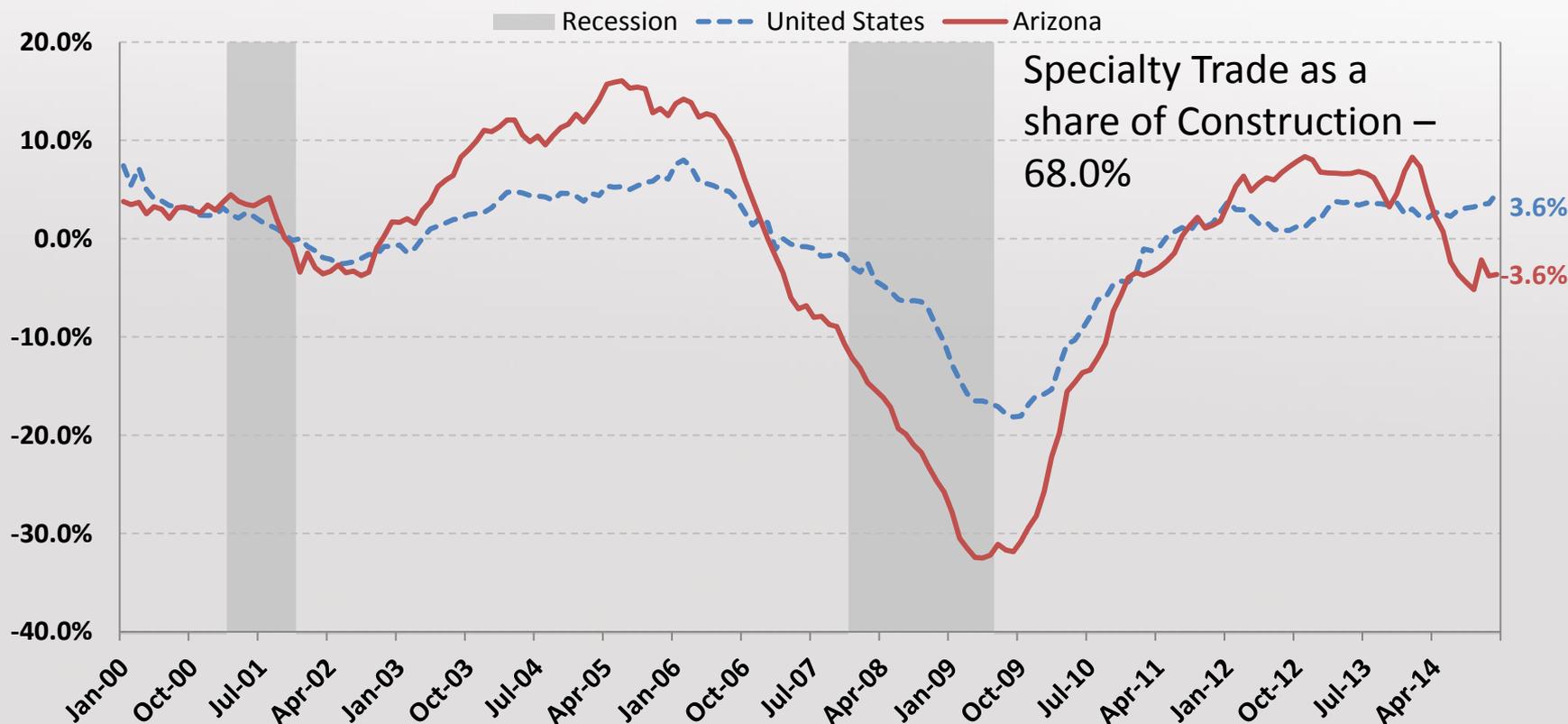
Source: Produced by the Arizona Office of Employment and Population Statistics in cooperation with the U.S. Dept. of Labor, Bureau of Labor Statistics

Arizona Forecast Growth Rate	2015	2016
Local Government Education	0.5%	0.8%

Arizona Construction Employment



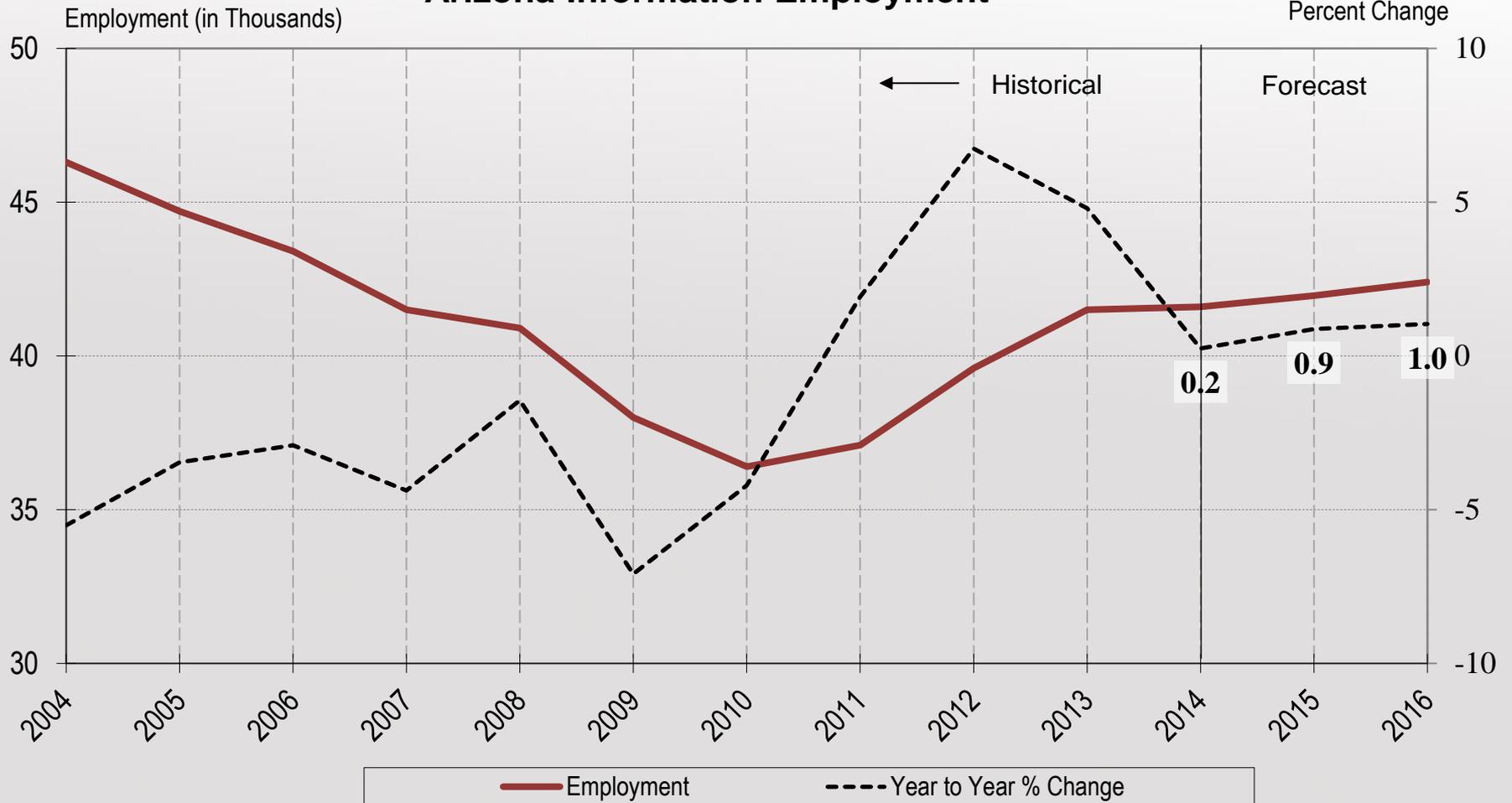
Specialty Trades Construction Contractors Over-the-Year Percent Change



Source: Produced by the Arizona Office of Employment and Population Statistics in cooperation with the U.S. Dept. of Labor, Bureau of Labor Statistics

Arizona Forecast Growth Rate	2015	2016
Local Government Education	1.0%	1.5%

Arizona Information Employment



Arizona Natural Resources & Mining Employment



Potential Uncertainties in the Domestic Economy

- Constrained budgets persist for a large majority of households
- Real median household income in US and AZ is below the peak level prior to the 2007 recession
- Population growth in the state has been below the growth rate observed historically, limiting the additional demand for goods and services
- Up to 20% of potential buyers are unable to enter the housing market because of negative or low home equity

Potential Uncertainties in the Domestic Economy

- Growth has slowed in real business investment as a consequence of demand uncertainty
- Cuts in the federal, state and local budgets would require spending cuts, tax increases, or a mixture of the two
- Real federal civilian and military expenditures continued to decline
- The rising dollar could negatively hurt exports
- The global economy continues to be in low gear

The Positives listed in earlier slides outweigh the uncertainties listed above in support of our forecast.

Thank You!

Any Questions?

Upcoming Release Schedule:

- January Employment Report on March 12
- February Employment Report on March 26