

# Tucson's Economy Sails Into Uncertain Waters

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MAP Talk Webinar

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## Key Topics

- ▶ **U.S. economy did not enter recession in early 2022**
- ▶ **U.S. inflation is still running very hot**
  - ▶ Phoenix prices are rising faster, driven by housing
- ▶ **Arizona's labor market remains very tight**
  - ▶ With low unemployment, rapidly rising wages, and a mountain of open jobs
- ▶ **Baseline forecast calls for continued growth in Tucson, but downside risks are elevated**



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## Are We in a Recession?

- ▶ **As defined by NBER (NBER.org)**
  - ▶ A recession is a substantial decline in the level of economic activity
  - ▶ Depth, diffusion, duration
  - ▶ No fixed rules
- ▶ **Backward-looking classification**
- ▶ **Six key monthly series, but many others are evaluated as well, including real GDP**
- ▶ **Average length of U.S. post-WWII recessions/expansions**
  - ▶ Recession average: 10 months
  - ▶ Expansion average: 64 months



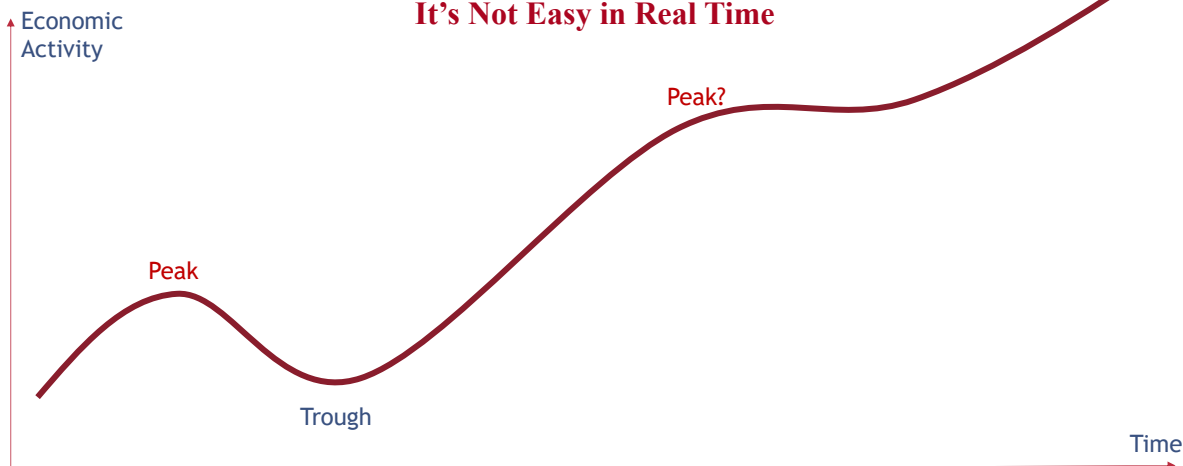
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## Identifying Peaks and Troughs

**It's Not Easy in Real Time**



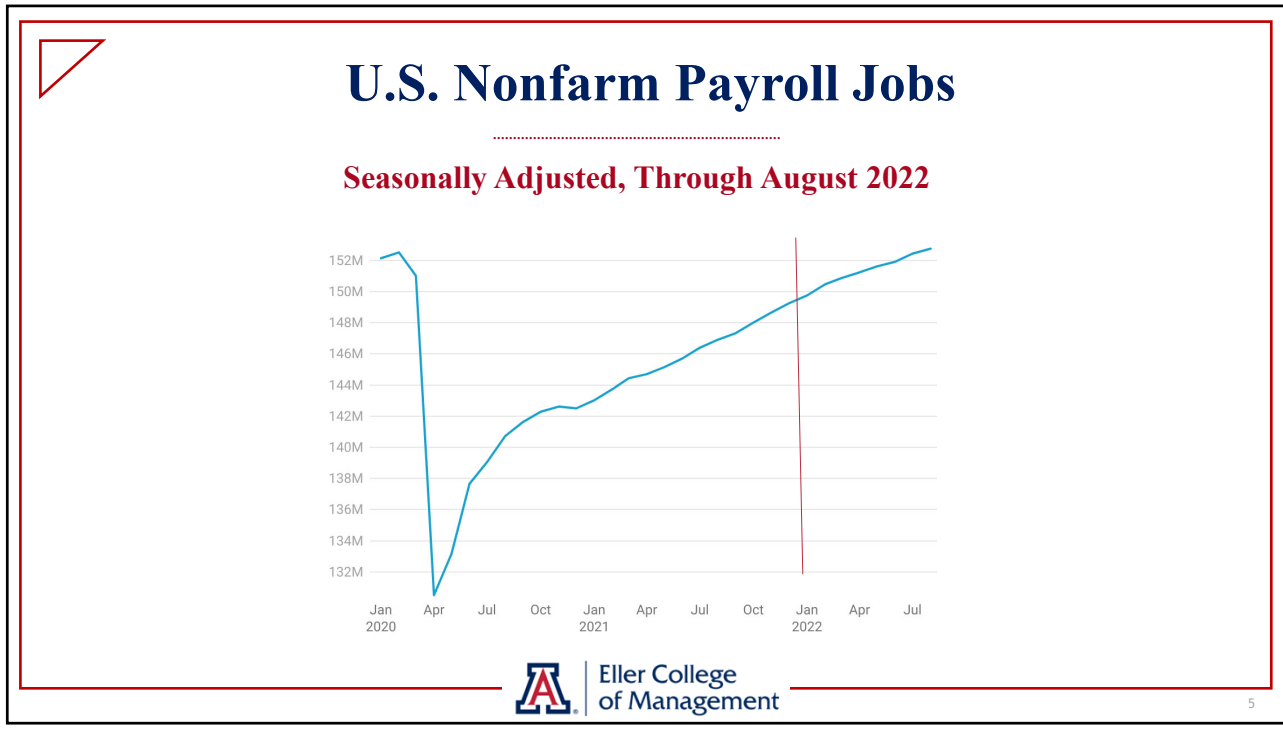
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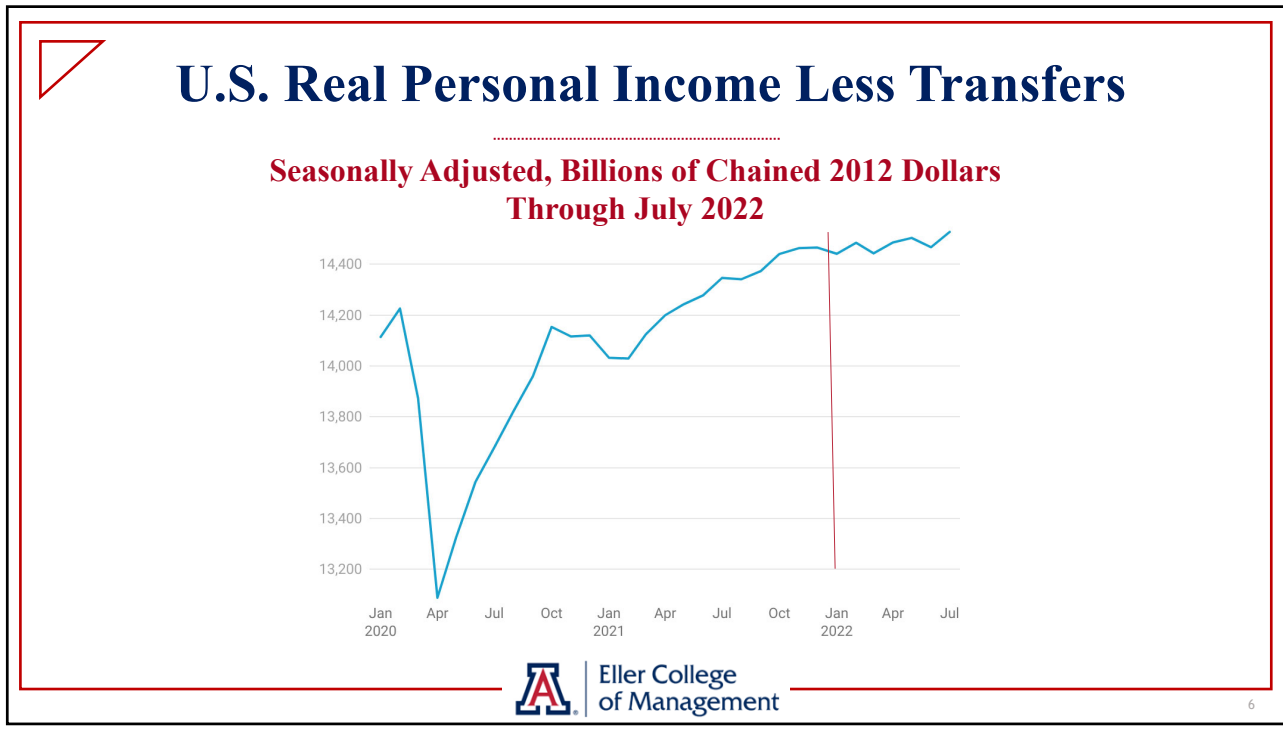
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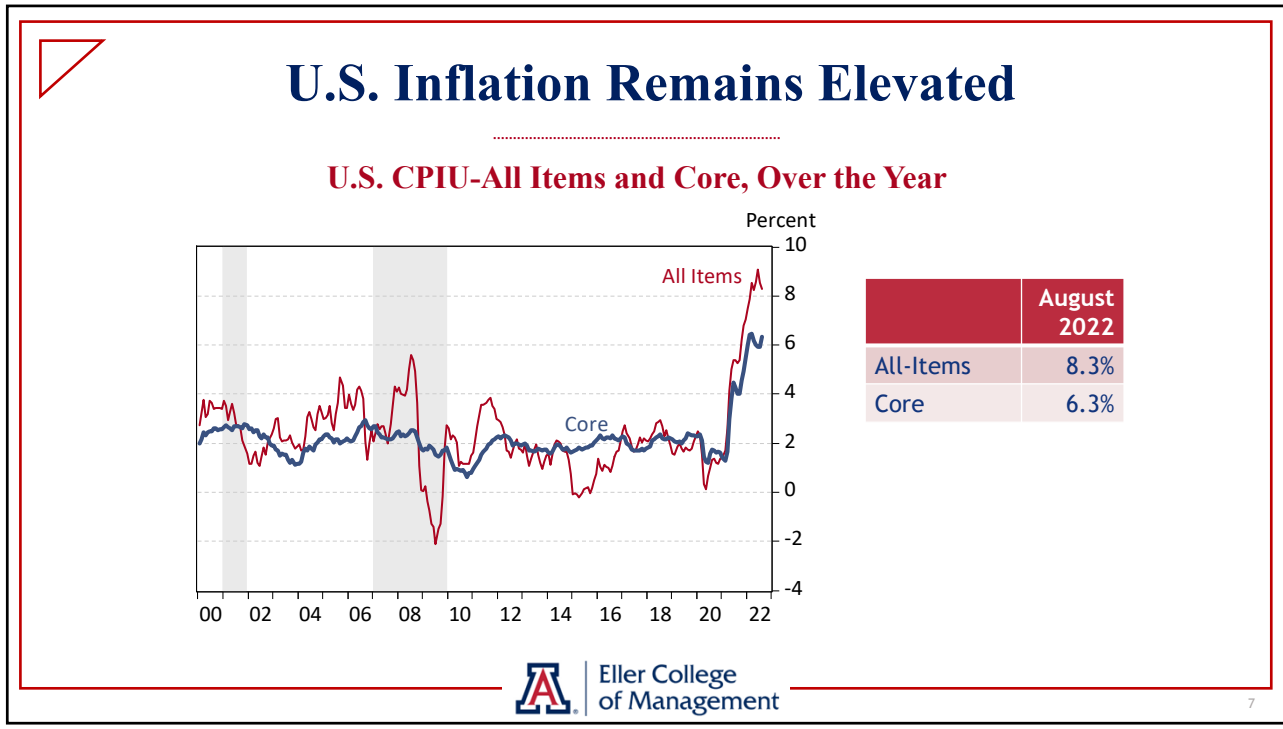


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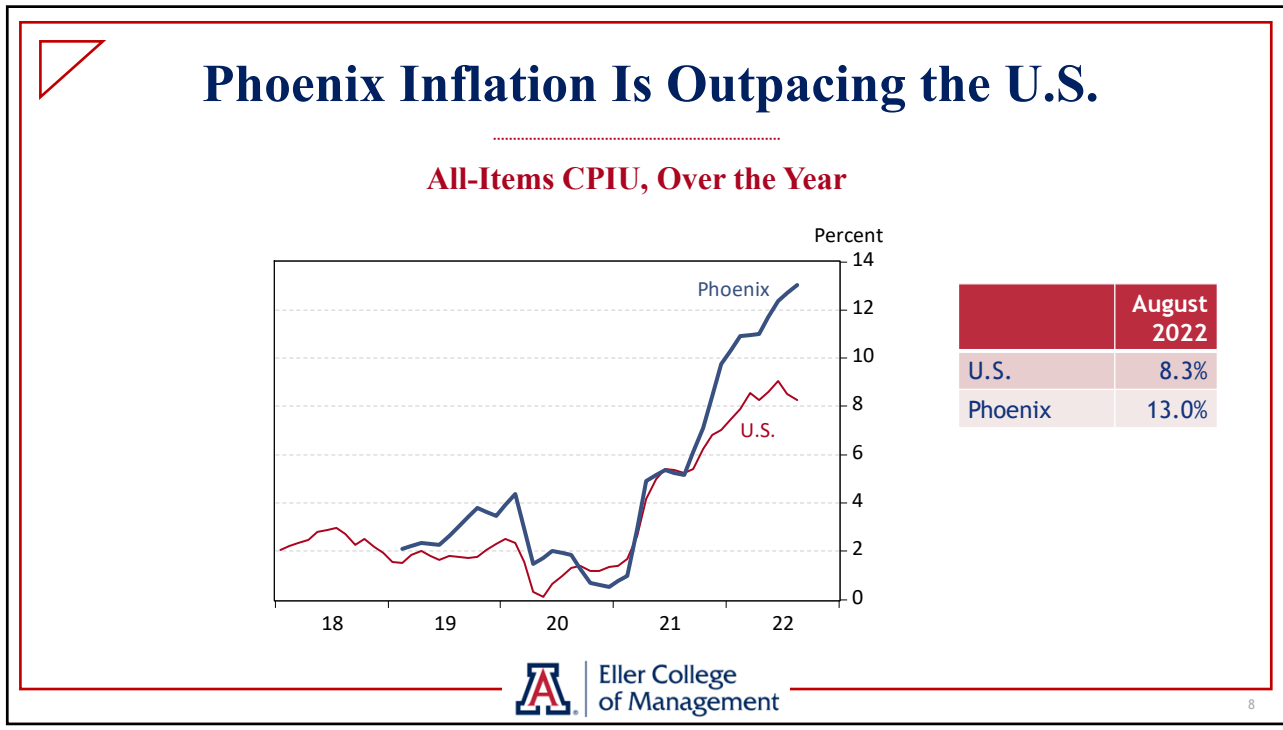


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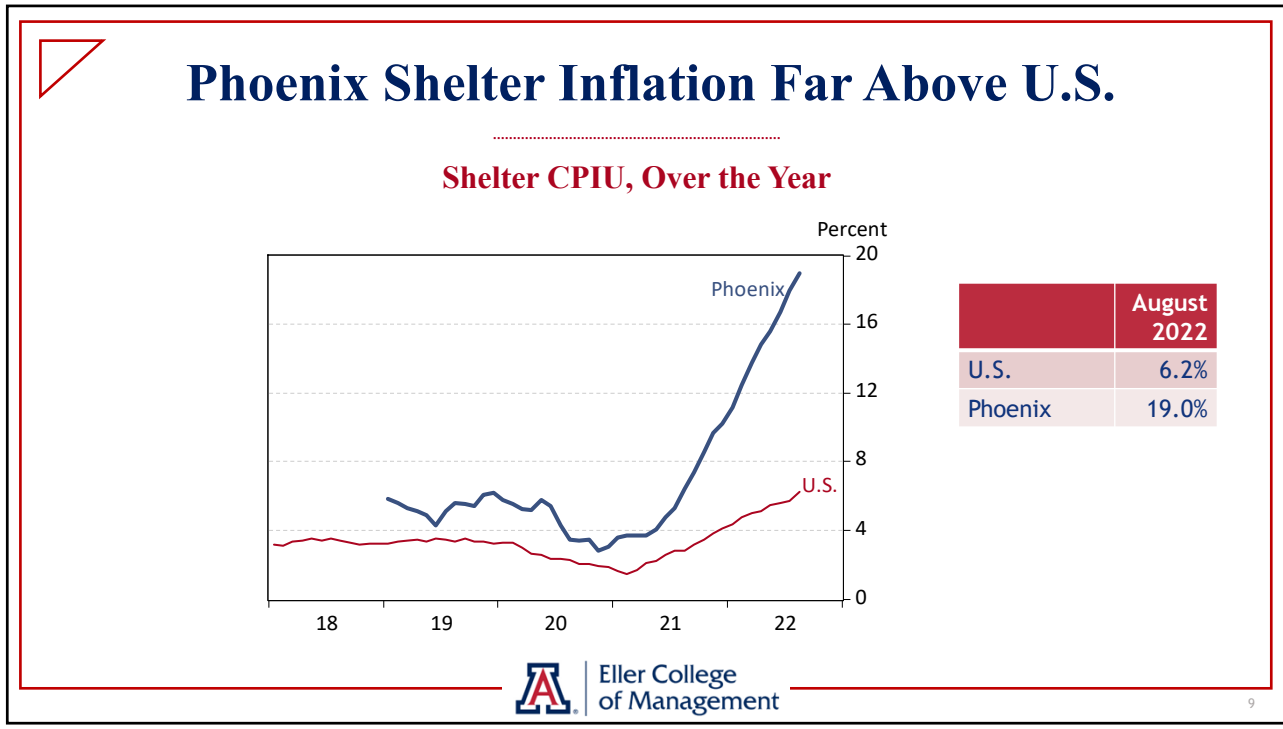


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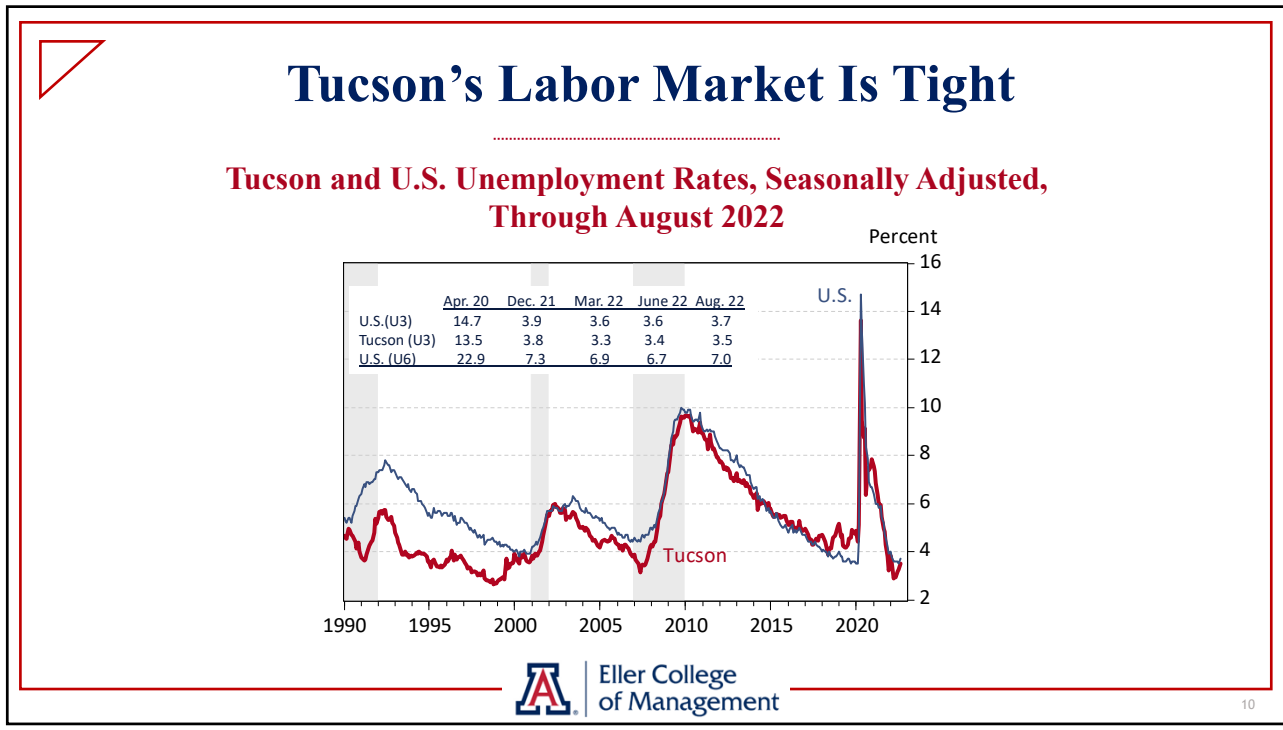


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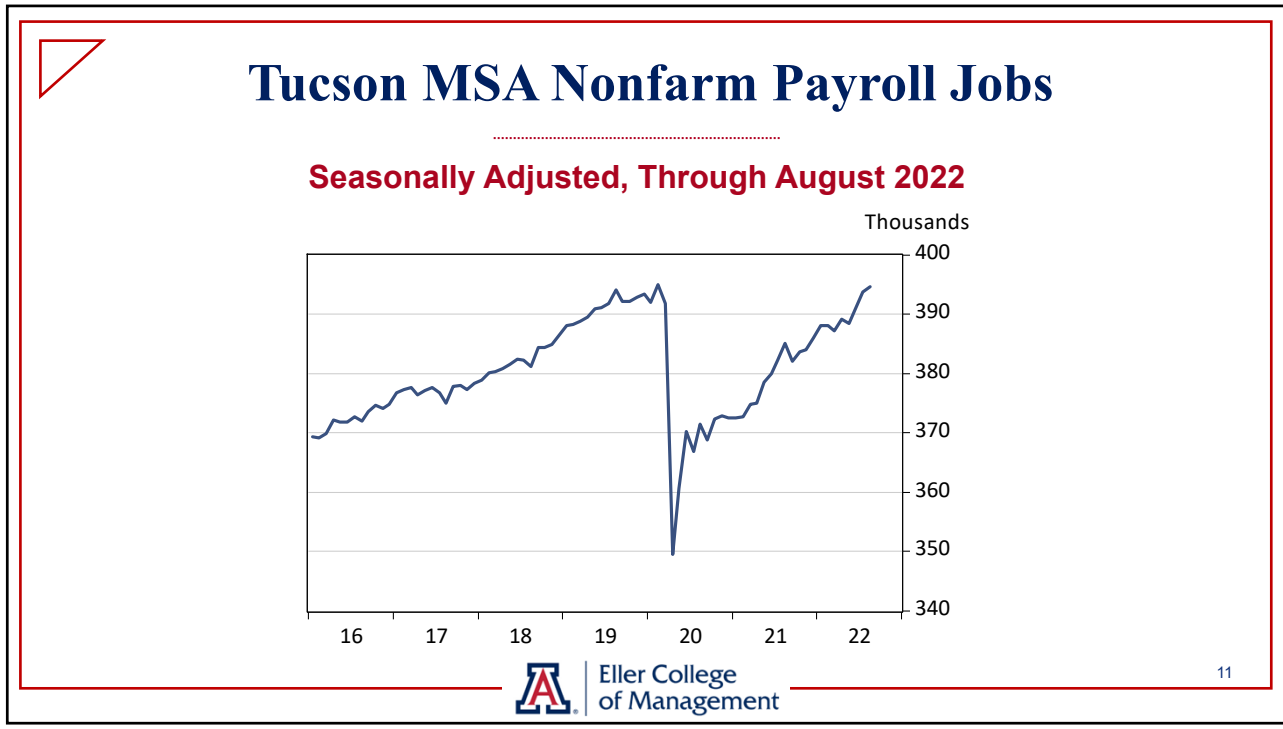


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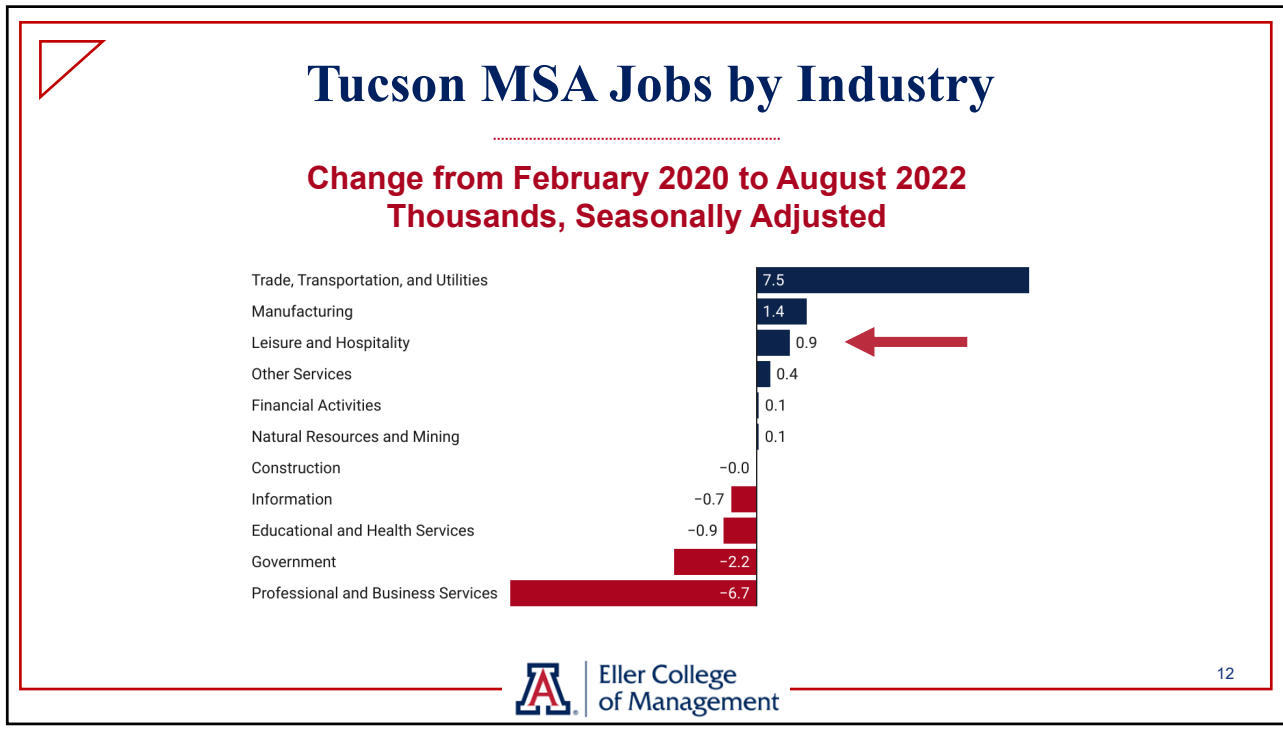


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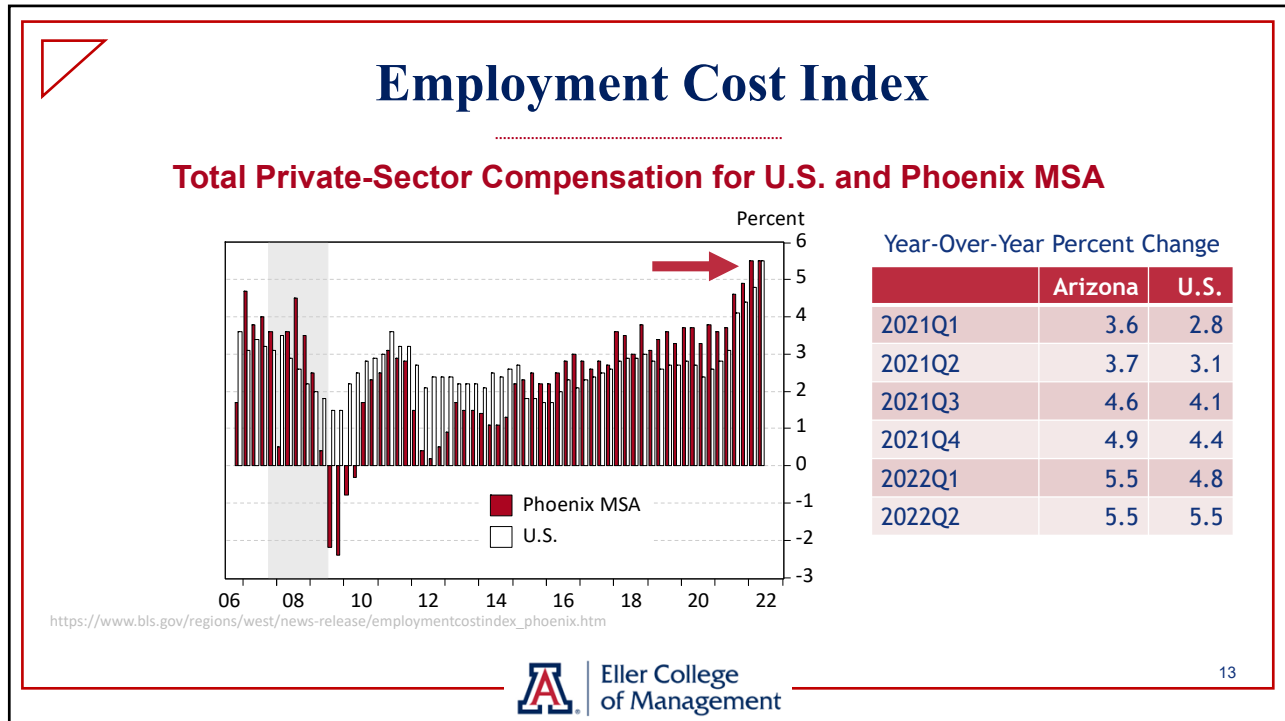


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## Tucson MSA Short-Run Forecast Summary

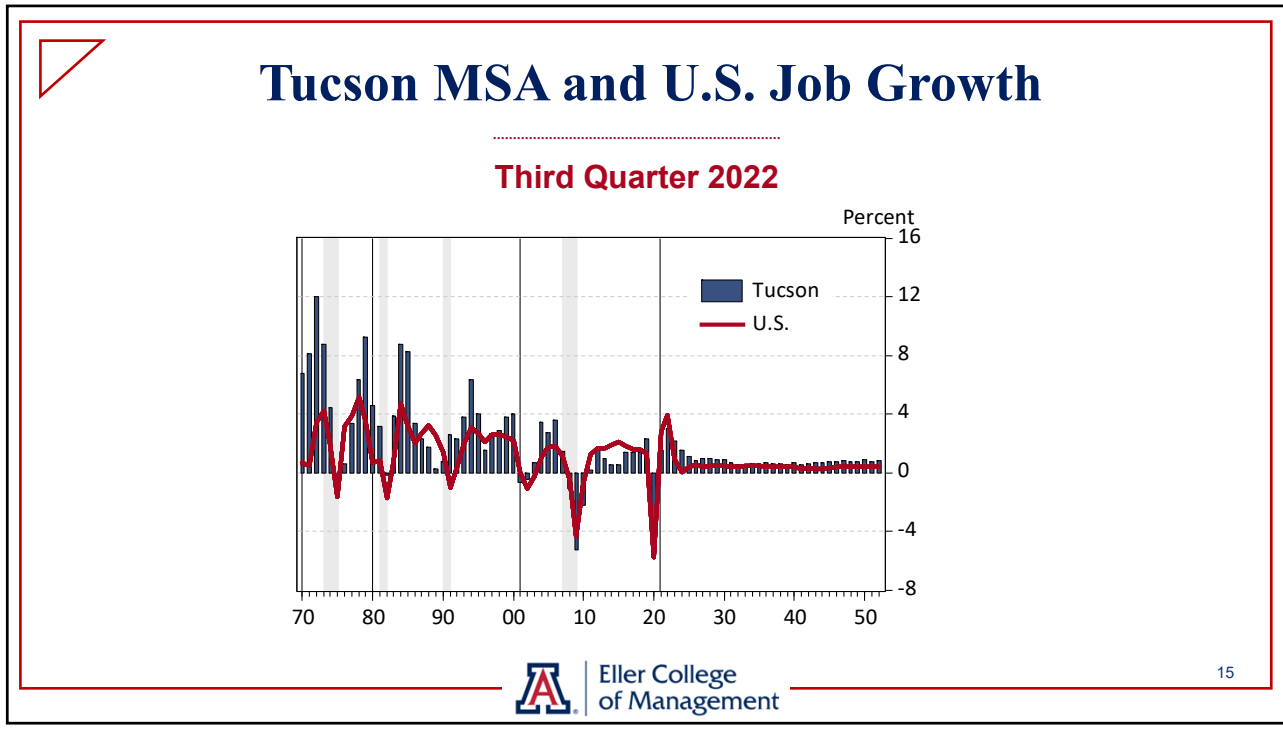
### Third Quarter 2022

	Actual	Forecast		
	2021	2022	2023	2024
<b>Growth Rate</b>				
Nonfarm Jobs	1.5	3.0	2.2	1.5
Personal Income	7.5	0.8	6.3	5.9
Retail Plus Remote Sales	19.1	6.5	4.0	5.2
Population	1.2	1.2	1.0	0.9
<b>Level</b>				
Housing Permits	6,284	6,400	5,956	4,890

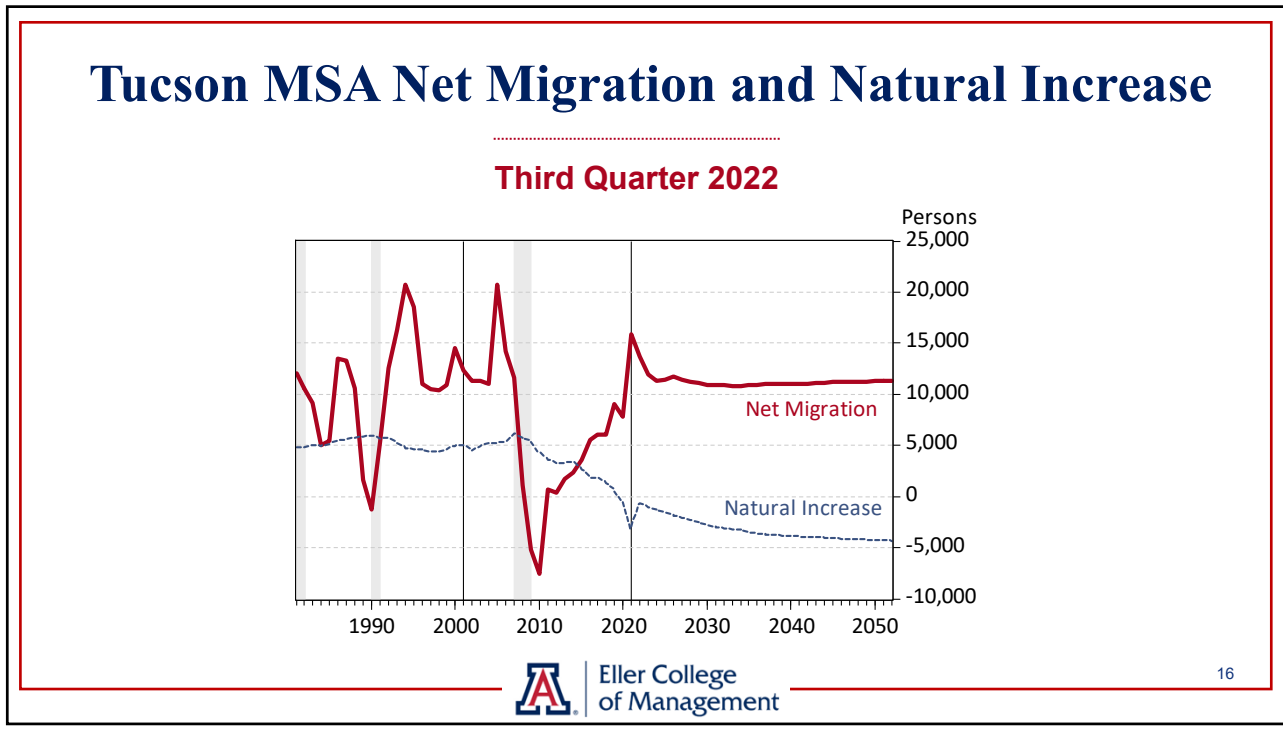
Personal income is forecast in 2021.

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## Key Takeaways

- ▶ **Inflation is still rapid and it will be slow to decelerate**
- ▶ **Tucson’s labor market remains tight**
  - ▶ But will loosen as the economy slows
- ▶ **The baseline forecast calls for growth to continue**
  - ▶ But a national downturn is almost as likely
- ▶ **In the long-run, Tucson is forecast to outpace U.S. growth**
  - ▶ But education attainment and water sustainability are important risks



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