

ARIZONA'S ECONOMY

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LOTS OF NEAR-TERM UPSIDE POTENTIAL

By Marshall J. Vest
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The nation's economy hit a soft patch in the second quarter. In Arizona, the rapid acceleration of prior quarters eased a bit as well, but the expansion remains in place with a lot of upside potential, and the second half will bring renewed vigor.

The national economic soft spot was evidenced by weak employment growth and consumer pull-back, especially in spending for new autos as incentives were scaled back. Inflation moved higher, arguably marking an end to 25 years of disinflation (i.e., a slowing of price increases from 11.5% in 1980 to under 2% in 2003). Oil prices remained above \$40 per barrel, which diverted household spending from other items. (For each \$10 bbl increase in oil prices, inflation one year later is 0.7% higher and growth in real GDP at least 0.3% less, according to economic analysis firm *Global Insight*.) Prices for food, energy, and a host of other items climbed just as the boost to household cash flow from federal tax cuts and mortgage refinancing faded.

Early indications for the third quarter show better results. Moreover, the fundamentals are still clearly positive. Consumer confidence stands at its highest rating in over two years and is still rising. The Institute for Supply Management (ISM) index remains at recent highs, help wanted advertising is turning up and housing is still

strong. Core inflation remains below 2%, and the recent run up in food and energy will reverse in the second half (top line inflation fell 0.1 % in July as gasoline prices retreated). The Federal Reserve Board is happy with the economy and in August raised the Fed Funds Rate another quarter point.

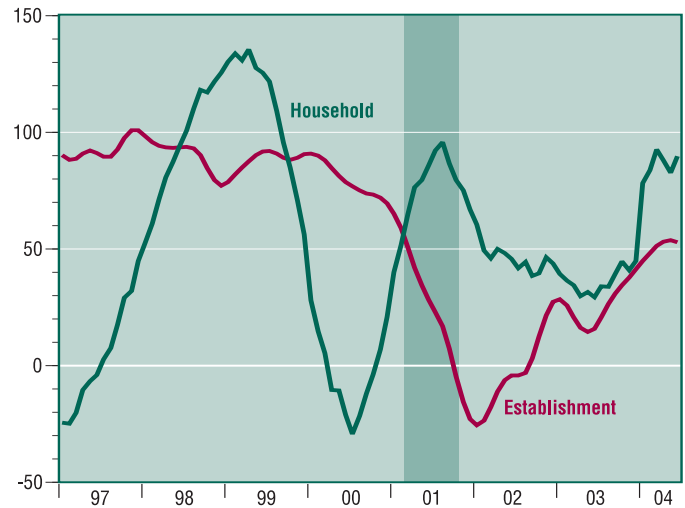
The threat of terrorism remains the biggest short-term risk. Another risk is a jump in oil prices above \$50 bbl which, if sustained, could lead to higher inflation and a drag on growth. In the longer term, changing demographics (i.e., a growing elderly population) and associated health care costs are the biggest issues, according to a recent survey from the National Association for Business Economics (NABE). The report states, "The time has come to tackle reducing the federal deficit, now that it's no longer needed to stimulate the economy. Longer term, the costs related to the aging of the population dominate the challenges to sustaining economic growth."

A new book titled *America the Broke* expands on this theme by arguing that huge

federal deficits do matter and that much higher interest rates will force drastic cuts in federal spending for Social Security, Medicare, defense, education, and government itself. "We are borrowing from our kids and grandkids," according to author and award-winning professor Dr. Gerald J. Swanson, the Thomas R. Brown Chair in Economic Education at the University of Arizona's Eller College of Management. "So far, neither candidate for president has been willing to talk about budget issues and looming disasters in Social Security and Medicare," he adds.

EXHIBIT 1
Job Creation Moving Up
Job Growth, AZ Establishment and Household Surveys

Year on year change, 000s



See
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EXHIBIT 2 Relief from High Gas Prices on the Way

Gasoline Prices, AZ

Dollars per gallon

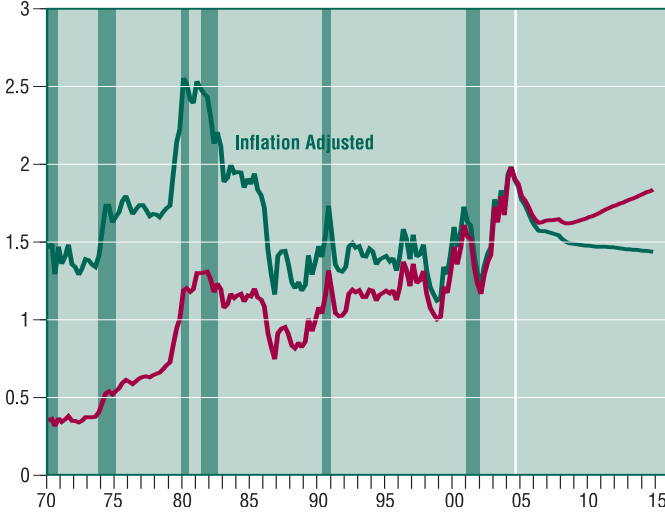
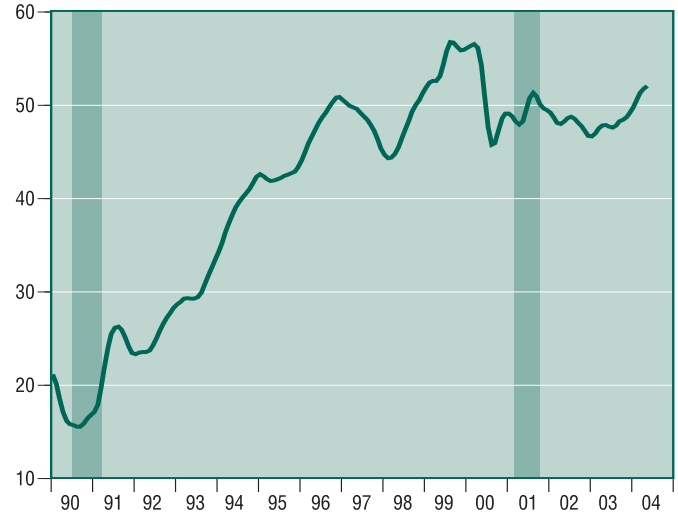


EXHIBIT 3 Household Formation High and Rising

Residential Electric Customers (TEP, SRP & APS Metro Service Areas)

Gain from year ago, 000s



WHICH MEASURE IS BETTER?

In recent months, an old question has resurfaced: which measure of employment should we believe? Critics of the current administration cite lack of job growth in the establishment survey (only 32,000 new jobs nationwide in July 2004) while supporters counter that the household measure surged by nearly 630,000. This huge difference holds very different connotations about the economy's health, considering the fact that roughly 150,000 to 200,000 new jobs are required each month to provide for new entrants into the labor force.

These measures are based on different concepts and separate surveys. The household survey, used in calculating the unemployment rate, estimates the number of people who are employed by place of residence. The establishment survey, in contrast, estimates the number of non-farm jobs by place of work. People holding multiple jobs and/or working part-time versus full-time accounts for some of the variation between measures' data, but the biggest difference stems from the self-employed: the household measure includes them, the establishment survey does not.

Economists consider the establishment survey to be the more accurate and reliable indicator. Variability in the household measure has revealed its shortcomings in recent years, with gains swinging from negative to positive and back again between

1997 and 2000 while the economy was expanding rapidly.

Arizona also shows a gap in these two reports, but one not nearly as large as the national gap. The household numbers show over 90,000 jobs created during the past year, while the establishment survey shows 54,000 (Exhibit 1).

Using the establishment survey, one can conclude that Arizona has created over 50,000 jobs during the past year, about half the number normally created during robust expansions. The pace may have slowed in the past couple months, but the trend for job growth is clearly upward. Finally, it's the establishment survey that is used to rank job growth by state, and most recently, Arizona's 2.4% year-on-year growth ranks it among the top four states.

Our forecasts continue to call for over 90,000 new jobs to be created this year (a growth rate just shy of 4%). The largest numbers (Forecast Table, page 4) will be in

professional and business services (23,200), retail trade (14,000), construction (13,200), education and health services (12,300), leisure & hospitality (9,200) and financial activities (8,800).

GASOLINE PRICES WILL RETREAT

Oil prices continued to move upward in recent weeks and are currently over \$46 bbl. Meanwhile, gas prices at the pump have drifted downward in recent weeks as summer demand turned out to be less than expected. In June, regular-grade gasoline sold for \$2.02 per gallon in metro Phoenix, compared to \$2.20 in May. In mid-August, prices declined to \$1.87 per gallon according to AAA, virtually identical to the national average.

At these levels, prices remain well below those of the early 1980s after adjusting for inflation. In today's dollars, prices in 1980 and 1981 exceeded \$2.50 per gallon. We expect pump prices to continue to move lower over the next 18 months, falling to near \$1.60 per gallon in early 2006 (Exhibit 2).

ARIZONA'S POPULATION CONTINUES TO SWELL

It's not easy to gauge migration trends in Arizona. There are no toll-booth sentries counting the number of U-Haul trucks exiting from Interstate 10. Measures such as housing market activity, school enrollment,

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and new driver’s licenses are often used in estimating population changes. Perhaps the best indicator of new household formation is residential electric customer growth. For each new household, a new housing unit is needed, and that means a new electric utility customer.

Exhibit 3 shows the year-on-year gain in metro-area residential customers at Arizona’s three largest electric utilities:

Arizona Public Service, Salt River Project and Tucson Electric Power. Both Phoenix and Tucson metro areas are included.

The graph shows that migration flows were recession-resistant during 2001, unlike the decade-earlier recession when customer gain fell to less than 20,000. More importantly, it shows that customer gain has turned upward during the past year and is now solidly above 50,000. Going forward, as the economy expands and job growth accelerates, household formation will move higher.

Our forecasts call for Arizona’s population to grow by nearly 164,000 (2.9%) this year and by 195,000 (3.4%) in 2005. Look for annual gains to stay near 200,000 for the remainder of the decade, then accelerate as members of the baby-boom generation begin retiring. Arizona’s population will surpass six million next year, seven million in 2010 and eight million in 2014. In turn, population growth will boost demand for housing and jobs across all sectors.

Even with the soft patch of the second quarter, expansion remains solid. Worldwide growth is the strongest in decades, U.S. consumers and businesses are confident and spending, core inflation remains below 2% and people continue to move to Arizona in droves.

Once the noise from the presidential campaign abates, we’ll all feel better about the economy. And hopefully we’ll find time to address important long-run issues like the federal budget deficit and the nation’s safety net. ■

FORECAST SPONSORS

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 Salt River Project
 Tucson Electric Power Company
 Tucson Newspapers

HOUSEHOLD INCOME DISPARITY AMONG ARIZONA COUNTIES, 1989 TO 1999

By Alberta H. Charney, Ph.D.

The article below discusses highlights of income distributions for the United States, Arizona and Arizona counties for Census 1990 and 2000 (reporting figures for 1989 and 1999). For detailed information on all areas, please see Exhibit 1, Page 6. For summary statistics see Exhibit 2, Page 7.

ARIZONA BELOW NATIONAL LEVELS BUT CLIMBING

In the United States, mean income grew faster than the median income (47.3 percent as compared to 39.7 percent) between 1989 and 1999, which indicates that households in the upper half of the distribution outperformed households in the lower half. This is reflected in the increase in the ratio of the

mean to median income from 1.28 to 1.35, an increase of 5.4 percent.

While Arizona per household incomes remained below the national mean and median in both years, per household incomes increased faster than the nation’s between 1989 and 1999. In 1989, Arizona’s mean and median incomes were both approximately 92 percent of the corresponding U.S. figures. By 1999, Arizona’s median income was almost 97 percent of the U.S. median income, and Arizona’s mean income was 95 percent of the U.S. mean.

The upper half of Arizona’s households fared better than the lower half. However, the disparity between upper and lower halves did not worsen as much as it did in the country as a whole: Arizona’s ratio of mean-to-median incomes increased by 3.4

percent (from 1.29 to 1.33) compared to a 5.4 percent increase nationwide.

DISPARITIES BETWEEN COUNTIES

Despite statewide gains, not all counties in Arizona fared equally well.

The four counties with the highest median incomes in 1989 continued to have the highest median incomes in 1999, with Maricopa County reporting the highest median income (nearly 12 percent above the state in both years), followed by Greenlee, Coconino, and Pima counties respectively.

The four counties with the lowest median incomes in 1989 remained lowest in 1999, with Apache County at the bottom of the list

(continued on page 5)

F O R E C A S T T A B L E S

Forecasts for Arizona	2004	2005	2006	2007	2008	2009	2010
Personal Income (\$ mill)	161,733.2	174,389.7	186,062.3	199,591.9	214,070.4	230,655.7	249,762.1
percent change	7.5	7.8	6.7	7.3	7.3	7.7	8.3
Wage per Employee	37,981	39,671	41,202	43,016	44,963	46,958	49,084
percent change	3.9	4.4	3.9	4.4	4.5	4.4	4.5
Aggregate Retail Sales (\$ mill)*	65,675.9	68,960.1	71,933.2	75,927.5	80,263.9	85,166.5	90,950.5
percent change	9.3	5.0	4.3	5.6	5.7	6.1	6.8
Population (000s, mid-year)	5,793.8	5,989.0	6,183.4	6,374.4	6,569.4	6,769.5	6,979.7
percent change	2.9	3.4	3.2	3.1	3.1	3.0	3.1
Residential Permits	74,988	68,682	66,954	68,287	70,425	73,226	77,947
percent change	6.0	-8.4	-2.5	2.0	3.1	4.0	6.4
Non Farm Employment (000s)	2,379.6	2,489.0	2,570.9	2,654.2	2,738.1	2,829.3	2,939.2
percent change	3.9	4.6	3.3	3.2	3.2	3.3	3.9
Goods-Producing	374.7	386.8	395.5	404.9	413.2	423.8	437.4
percent change	4.4	3.2	2.2	2.4	2.1	2.6	3.2
Service-Providing	2,005.0	2,102.2	2,175.6	2,249.4	2,325.0	2,405.7	2,501.8
percent change	3.9	4.9	3.5	3.4	3.4	3.5	4.0
Trade, Trans., & Utilities	462.4	485.6	500.4	512.8	524.9	538.3	555.9
percent change	3.6	5.0	3.0	2.5	2.3	2.6	3.3
Prof. & Business Services	340.1	365.5	381.1	398.4	414.2	432.2	455.8
percent change	7.0	7.5	4.3	4.5	4.0	4.3	5.5
Leisure & Hospitality	237.5	246.2	253.1	260.5	267.2	274.4	282.8
percent change	2.4	3.7	2.8	2.9	2.5	2.7	3.0
Government	400.9	413.3	423.3	430.8	438.4	446.9	459.0
percent change	1.8	3.1	2.4	1.8	1.8	1.9	2.7
Phoenix-Mesa Metro Area							
Personal Income (\$ mill)	111,840.0	121,048.5	129,384.2	139,390.1	149,980.2	161,767.4	174,536.6
percent change	7.1	8.2	6.9	7.7	7.6	7.9	7.9
Wage per Employee	43,140	45,156	47,176	49,445	51,857	54,276	56,825
percent change	4.0	4.7	4.5	4.8	4.9	4.7	4.7
Aggregate Retail Sales (\$ mill)*	44,933.3	47,055.0	49,015.8	52,137.1	55,163.6	58,564.3	62,285.0
percent change	9.2	4.7	4.2	6.4	5.8	6.2	6.4
Population (000s, mid-year)	3,710.4	3,836.9	3,965.2	4,088.2	4,210.1	4,331.8	4,458.5
percent change	3.1	3.4	3.3	3.1	3.0	2.9	2.9
Residential Permits	59,622	54,860	54,929	53,476	52,915	52,618	53,599
percent change	8.7	-8.0	0.1	-2.6	-1.0	-0.6	1.9
Non Farm Employment (000s)	1,678.1	1,758.3	1,823.9	1,887.9	1,947.1	2,007.7	2,078.0
percent change	3.9	4.8	3.7	3.5	3.1	3.1	3.5
Goods-Producing	274.3	289.4	295.0	303.0	307.7	313.9	322.2
percent change	4.3	5.5	2.0	2.7	1.6	2.0	2.7
Service-Providing	1,403.9	1,469.0	1,528.9	1,584.9	1,639.4	1,693.9	1,755.8
percent change	3.8	4.6	4.1	3.7	3.4	3.3	3.7
Trade, Trans., & Utilities	341.7	357.5	371.7	383.3	393.1	403.1	414.7
percent change	3.9	4.6	4.0	3.1	2.6	2.5	2.9
Prof. & Business Services	269.3	285.2	300.9	313.5	325.1	335.9	349.5
percent change	5.5	5.9	5.5	4.2	3.7	3.3	4.1
Leisure & Hospitality	163.9	171.1	176.5	182.9	188.6	194.6	201.2
percent change	4.3	4.4	3.2	3.7	3.1	3.2	3.4
Government	219.1	225.9	231.6	235.5	239.4	243.7	249.9
percent change	1.2	3.1	2.5	1.7	1.7	1.8	2.5
Tucson Metro Area							
Personal Income (\$ mill)	24,129.4	25,873.1	27,859.7	29,971.4	32,133.4	34,469.3	37,107.4
percent change	5.8	7.2	7.7	7.6	7.2	7.3	7.7
Wage per Employee	32,566	33,708	34,975	36,386	37,883	39,371	40,896
percent change	4.0	3.5	3.8	4.0	4.1	3.9	3.9
Aggregate Retail Sales (\$ mill)*	9,975.1	10,532.0	11,047.7	11,640.6	12,212.7	12,840.6	13,541.0
percent change	8.4	5.6	4.9	5.4	4.9	5.1	5.5
Population (000s, mid-year)	931.6	955.5	981.7	1,007.3	1,032.1	1,056.0	1,079.6
percent change	2.3	2.6	2.7	2.6	2.5	2.3	2.2
Residential Permits	8,903	9,784	10,693	10,464	10,138	9,722	9,667
percent change	7.1	9.9	9.3	-2.1	-3.1	-4.1	-0.6
Non Farm Employment (000s)	352.8	367.7	381.4	394.5	405.4	415.1	425.6
percent change	1.7	4.2	3.7	3.4	2.8	2.4	2.5
Goods-Producing	53.9	56.5	58.4	60.9	62.3	63.2	64.5
percent change	1.2	4.8	3.4	4.3	2.3	1.4	2.1
Service-Providing	298.9	311.2	322.9	333.5	343.1	351.9	361.1
percent change	1.8	4.1	3.8	3.3	2.9	2.6	2.6
Trade, Trans., & Utilities	55.1	56.8	58.1	59.1	59.9	60.8	61.9
percent change	1.3	3.1	2.3	1.7	1.4	1.5	1.8
Prof. & Business Services	42.9	46.3	50.4	53.7	56.2	58.3	60.3
percent change	2.7	7.8	8.9	6.5	4.7	3.8	3.4
Leisure & Hospitality	38.0	40.4	42.0	43.4	44.5	45.7	47.1
percent change	2.6	6.5	3.8	3.4	2.6	2.6	3.1
Government	77.3	78.5	79.6	80.8	81.9	82.9	84.1
percent change	-0.7	1.5	1.5	1.5	1.3	1.2	1.5

* Aggregate Retail Sales includes retail, food, restaurant & bars and gasoline sales.
Source: Economic and Business Research, Eller College of Management, The University of Arizona

(continued from page 3)

(57.6 percent of the state in 1999), and LaPaz, Graham, and Navajo ranking above with Graham and Navajo counties switching positions in the line-up.

Pima County's median income fell from 92.2 to 90.6 percent as compared to the state's in 1989 and 1999 while mean figures fell from 93.5 to 91.6. In contrast, median income in Maricopa County was 10 percent above the state in both years while mean income was 11 percent above that of the state in 1989 and 1999.

Coconino and Greenlee Counties, while having incomes below the state, both outperformed Pima County. Greenlee County's median income was almost identical to the state's median income in 1989 (99.8 percent of the state) but slightly deteriorated through the decade to 97.1 percent by 1999. Coconino County's median income was 5 percent below the state's median income in both 1989 and 1999.

SIGNIFICANT GROWTH AND LOSS

Over the decade, Pinal County enjoyed the fastest growth in median income relative to the state, undoubtedly due to its proximity to Maricopa County. Pinal County's median income was 77.4 percent that of the state's in 1989 and 88.4 percent in 1999.

Yavapai County's median income grew

faster than that of the state's between 1989 and 1999, with its county-to-state ratio increasing from 80.1 to 86.1 percent, and though one of the lowest-income counties in the state, Graham County's median income relative to the state climbed from 67.0 percent in 1989 to 73.2 percent in 1999.

Three counties had significant losses in median income relative to the state. Mohave County's median income fell from 87.7 percent of the state level in 1989 to 77.7 percent in 1999. Santa Cruz County's ratio fell from 80.1 percent to 73.3 percent, and Yuma County's figures dropped from 85.8 percent to 79.4 percent over the decade.

ARIZONA'S LOWEST PERFORMING COUNTIES

Apache, LaPaz, Graham, and Navajo Counties reported the lowest per household incomes in 1989 and 1990 despite some gains over the decade.

Apache County continues to report the lowest median income, reporting 51.2 percent as compared to the state in 1989 and 57.6 percent in 1999.

LaPaz County's median income was 60.1 percent of the state's in 1989 and 63.7 in 1999, showing a small gain, whereas Graham County's median income relative to the state climbed from 67.0 percent in 1989 to 73.2 percent in 1999.

Navajo County's median income remained constant relative to the state over the decade,

reporting a median income equal to 70.6 percent of the state's in 1989 and 70.4 percent in 1999.

ABOUT THE CENSUS REPORTING

Income distributions contain the percentages of households within different income categories. The distributions contain household income data for 1989 and 1999 because the Census asks respondents to provide information about the previous year's income.

The 1990 census income categories were aggregated to match the 2000 categories although the highest income categories from both census years were retained. Thus, for 1990, the "\$150,000 or more" category is the highest income category. For 2000, this category represents \$150,000 to \$199,999.

Median household income is considered the best measure of the central tendency of incomes. Half of all households have incomes below the median income value and half of all households have incomes above the median income value.

Mean household income is the familiar "average" income, computed by summing the income across all households and dividing by the number of households. Mean household income is strongly affected by households in the upper brackets: A few households with extraordinarily high incomes can result in mean incomes that are substantially higher than the median. ■

EXHIBIT 1 Income Distribution of U.S., Arizona, Counties, 1989 and 1999 Summary Statistics

	1989					1999				
	Median Household Income (\$)	Mean Household Income (\$)	Ratio of Mean to Median	Median as % of AZ Median	Mean as % of AZ Mean	Median Household Income (\$)	Mean Household Income (\$)	Ratio of Mean to Median	Median as % of AZ Median	Mean as % of AZ Mean
U.S.	30,056	38,453	1.28			41,994	56,644	1.35		
Arizona	27,540	35,426	1.29			40,558	53,926	1.33		
Apache	14,100	20,331	1.44	51.20	57.39	23,344	30,712	1.32	57.56	56.95
Cochise	22,425	28,041	1.25	81.43	79.15	32,105	41,455	1.29	79.16	76.87
Coconino	26,112	32,206	1.23	94.81	90.91	38,256	48,723	1.27	94.32	90.35
Gila	20,964	26,349	1.26	76.12	74.38	30,917	40,820	1.32	76.23	75.70
Graham	18,455	23,831	1.29	67.01	67.27	29,668	36,998	1.25	73.15	68.61
Greenlee	27,491	28,271	1.03	99.82	79.80	39,384	42,628	1.08	97.11	79.05
La Paz	16,555	23,540	1.42	60.11	66.45	25,839	34,360	1.33	63.71	63.72
Maricopa	30,797	38,996	1.27	111.83	110.08	45,358	59,655	1.32	111.83	110.62
Mohave	24,002	29,902	1.25	87.15	84.41	31,521	41,092	1.30	77.72	76.20
Navajo	19,452	25,167	1.29	70.63	71.04	28,569	36,904	1.29	70.44	68.43
Pima	25,401	33,127	1.30	92.23	93.51	36,758	49,415	1.34	90.63	91.63
Pinal	21,301	26,000	1.22	77.35	73.39	35,856	44,702	1.25	88.41	82.89
Santa Cruz	22,066	29,852	1.35	80.12	84.26	29,710	42,913	1.44	73.25	79.58
Yavapai	22,060	28,523	1.29	80.10	80.51	34,901	46,398	1.33	86.05	86.04
Yuma	23,635	29,912	1.27	85.82	84.44	32,182	42,912	1.33	79.35	79.58

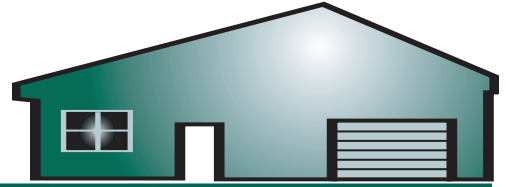
EXHIBIT 2 Income Distribution of U.S., Arizona, Counties, 1989 and 1999

Geography	United States		Arizona		Apache		Cochise		Coconino	
Year	1989	1999	1989	1999	1989	1999	1989	1999	1989	1999
Households: Total #	91,993,582	105,539,122	1,371,885	1,901,625	16,237	19,932	35,140	43,896	30,167	40,386
Percent, by Income Category:										
Less than \$10,000	15.45	9.54	15.54	8.58	40.67	27.10	21.26	12.39	19.54	10.61
\$10,000 to \$14,999	8.84	6.31	9.91	6.35	11.23	10.30	12.86	8.59	9.77	7.03
\$15,000 to \$19,999	8.81	6.25	10.07	6.74	8.65	7.67	10.69	8.66	9.10	6.70
\$20,000 to \$24,999	8.72	6.57	9.57	7.16	8.07	7.28	9.52	8.61	9.63	7.34
\$25,000 to \$29,999	8.08	6.44	8.69	7.05	5.88	7.93	8.36	7.87	8.54	7.37
\$30,000 to \$34,999	7.76	6.37	7.95	6.92	5.63	6.08	8.09	7.39	7.99	6.35
\$35,000 to \$39,999	6.76	5.91	6.85	6.43	4.61	5.47	6.64	6.02	5.97	6.53
\$40,000 to \$49,999	11.10	10.62	10.61	11.07	6.98	8.48	8.84	10.96	10.59	10.85
\$50,000 to \$59,999	7.84	9.04	7.10	9.08	3.57	6.20	5.24	8.23	6.97	9.23
\$60,000 to \$74,999	7.14	10.43	6.19	10.12	2.67	6.28	4.76	8.72	6.08	9.74
\$75,000 to \$99,999	5.11	10.23	4.09	9.68	1.56	4.21	2.35	7.19	3.41	9.78
\$100,000 to \$124,999	1.99	5.20	1.57	4.70	0.34	1.69	0.72	2.80	1.35	4.00
\$125,000 to \$149,999	0.83	2.52	0.61	2.19	0.04	0.76	0.36	0.91	0.38	1.81
\$150,000 or more	1.57	2.20	1.23	1.89	0.11	0.24	0.31	0.98	0.69	1.37
\$200,000 or more		2.37		2.03		0.33		0.68		1.28

Geography	Gila		Graham		Greenlee		La Paz		Maricopa		Mohave	
Year	1989	1999	1989	1999	1989	1999	1989	1999	1989	1999	1989	1999
Households: Total #	15,621	20,165	8,147	10,120	2,777	3,131	5,427	8,392	808,162	1,133,048	36,778	62,796
Percent, by Income Category:												
Less than \$10,000	23.69	12.35	26.34	14.91	16.49	9.29	30.33	15.84	12.48	6.80	15.32	9.75
\$10,000 to \$14,999	11.27	10.04	14.24	10.77	10.62	6.52	16.05	10.44	8.65	5.25	12.73	8.94
\$15,000 to \$19,999	12.75	9.28	13.28	8.69	7.89	6.10	11.65	10.99	9.32	5.82	13.31	9.59
\$20,000 to \$24,999	10.18	9.01	10.51	8.86	10.12	6.87	9.45	10.93	9.37	6.39	10.64	10.07
\$25,000 to \$29,999	9.42	8.09	6.63	7.20	11.06	6.42	7.19	9.04	8.66	6.53	9.73	8.88
\$30,000 to \$34,999	7.30	6.87	7.02	6.69	12.57	6.87	5.93	6.76	8.11	6.61	8.64	8.15
\$35,000 to \$39,999	6.55	6.25	6.08	6.06	11.24	8.97	4.29	7.55	7.28	6.30	6.14	7.25
\$40,000 to \$49,999	7.43	10.84	6.14	11.21	9.07	16.42	6.36	8.83	11.64	11.17	8.97	11.24
\$50,000 to \$59,999	5.08	8.10	3.95	8.50	4.43	9.74	3.19	6.35	8.05	9.60	5.89	7.65
\$60,000 to \$74,999	3.41	8.03	3.57	8.50	3.24	11.98	2.62	5.53	7.24	11.11	4.50	7.52
\$75,000 to \$99,999	1.06	5.82	1.36	5.31	3.02	7.95	1.49	4.11	5.00	11.17	2.29	6.22
\$100,000 to \$124,999	1.15	2.23	0.37	1.55	0.25	1.60	0.53	1.67	1.94	5.68	0.83	2.25
\$125,000 to \$149,999	0.13	0.94	0.20	0.78	-	0.35	0.41	0.77	0.74	2.72	0.46	0.87
\$150,000 or more	0.60	1.02	0.32	0.70	-	0.70	0.52	0.61	1.54	2.34	0.56	0.62
\$200,000 or more		1.12		0.28		0.22		0.58		2.51		0.99

Geography	Navajo		Pima		Pinal		Santa Cruz		Yavapai		Yuma	
Year	1989	1999	1989	1999	1989	1999	1989	1999	1989	1999	1989	1999
Households: Total #	22,504	30,055	262,129	332,497	39,181	61,413	8,873	11,821	44,915	70,069	35,827	53,904
Percent, by Income Category:												
Less than \$10,000	28.81	18.60	17.90	10.29	22.23	10.29	21.55	13.36	18.73	8.99	17.78	9.78
\$10,000 to \$14,999	11.74	8.93	10.96	7.17	13.06	7.50	12.46	10.05	13.51	8.12	11.95	8.99
\$15,000 to \$19,999	10.60	8.88	10.72	7.42	11.68	7.80	12.26	10.07	12.51	8.67	12.11	9.25
\$20,000 to \$24,999	8.07	7.89	9.64	7.98	10.66	7.65	8.75	8.24	11.11	8.49	10.85	9.12
\$25,000 to \$29,999	7.00	7.36	8.77	7.38	9.20	7.81	7.92	8.81	9.35	8.39	9.62	8.59
\$30,000 to \$34,999	6.71	6.83	7.83	7.31	7.56	7.47	7.36	7.38	7.86	7.47	7.46	8.59
\$35,000 to \$39,999	5.73	6.49	6.44	6.47	6.45	7.41	7.01	4.52	5.85	7.25	5.71	6.77
\$40,000 to \$49,999	9.47	9.64	9.65	10.89	8.07	12.26	8.66	9.42	8.73	11.44	8.82	10.61
\$50,000 to \$59,999	5.71	7.06	6.18	8.55	4.81	9.13	5.11	7.46	4.50	8.18	6.80	7.98
\$60,000 to \$74,999	3.35	7.66	5.45	9.15	3.35	9.14	3.98	7.78	3.47	8.53	4.41	7.85
\$75,000 to \$99,999	1.73	6.32	3.38	8.39	1.87	7.22	2.77	5.85	2.38	7.03	2.64	6.51
\$100,000 to \$124,999	0.56	2.28	1.30	3.93	0.66	3.04	0.96	2.88	1.02	3.20	1.00	2.75
\$125,000 to \$149,999	0.14	0.88	0.65	1.74	0.10	1.32	0.24	1.51	0.23	1.49	0.30	1.08
\$150,000 or more	0.40	0.66	1.12	1.61	0.29	0.99	0.98	1.50	0.76	1.09	0.53	1.02
\$200,000 or more		0.52		1.73		0.97		1.18		1.67		1.11

HOUSING PRICES, AFFORDABILITY, AND HOME OWNERSHIP IN ARIZONA: 2ND QUARTER UPDATE



By Heather Peterson
Research Specialist

A strengthening economy and historically low interest rates have contributed to dramatic increases in home prices. Over the past 5 years, homes in Arizona have appreciated by 37.16% and nationally by 43.59%. Rising home values benefit home owners and sellers, who see their property asset appreciating, but how does this affect home owners-to-be? How affordable are Arizona's homes and are rising prices affecting our home ownership rates?

HOUSING PRICES AND APPRECIATION IN ARIZONA AND THE U.S.

Average home prices in Arizona increased 2.61% in 2nd quarter 2004 and 9.46% from 2nd quarter 2003 through 2nd quarter 2004, surpassing the national average for the first time since 1998, and placing Arizona 17th in the nation and 3rd among western states in home appreciation, preceded only by Nevada, with its 7.53% quarterly increase and staggering 22.92% gain for the year, and California with 4.85% for the quarter and 18.39% for the year (**Exhibit 1**). Home prices in the U.S. increased 2.21% in the 2nd quarter, reflecting an annualized rate of 8.83% and yielding a 9.36% gain for the year, the largest national yearly increase since 1979, according to the Office of Federal Housing Enterprise Oversight's Housing Price Index (HPI)¹ (www.ofheo.gov/index.asp). During this same time period, prices of other consumer goods and services rose only 3.03%, as

OVER THE PAST 5 YEARS,
HOMES IN ARIZONA HAVE
APPRECIATED BY 37.16%
AND NATIONALLY BY 43.59%.

measured by the CPI. After hefty gains in 4th quarter 2003 (3.71% nationally and 3.6% for Arizona), home appreciation rates appeared to moderate in the 1st quarter 2004 with gains of only 1.45% nationally and 1.1% for Arizona. This apparent moderation seems now to have disappeared, as home prices resume their steep ascent.

The HPI is also computed for metropolitan areas. Home appreciation in Las Vegas, AZ-NV MSA, continues to lead the nation with a 2nd quarter increase of 8.12%, nearly doubling the previous quarter's 4.8% and yielding a total appreciation for the year of 24.94%! In Tucson, home prices rose 2.75%, up sharply from the previous quarter's meager 0.27% increase, to gain 9.91% for the year. The Phoenix-Mesa MSA wasn't far behind more than doubling last quarter's 1% increase to gain 2.21% this quarter and 8.16% for the year. Home values in Flagstaff also rose sharply with appreciation at 13.39 for the year.

HOUSING AFFORDABILITY

Arizona State University Real Estate Center's annual Housing Affordability Index (HAI) (www.cob.asu.edu/seid/arec) for single-family homes in metropolitan Phoenix offers insight into what's happening to the affordability of homes in the Phoenix Metro area.

An HAI index value of 100 means that a family earning a median income has exactly enough income to qualify for a mortgage on a median priced home. An index value above 100 indicates that a family has more than enough income, while an index value below 100 indicates insufficient income to qualify. For example, an HAI value of 120 indicates a family has 120% of the income necessary, and an HAI value of 86 indicates a family earning the median income has only 86% of the income necessary to qualify.

In the resale home market, although median home prices have steadily increased, the HAI has also risen from 117 in 2000 to 126 in 2002, indicating an improvement in affordability, good news for prospective

ACCORDING TO THE
U.S. CENSUS BUREAU'S
ANNUAL REPORT, *HOUSING
VACANCIES AND HOME-
OWNERSHIP ANNUAL STATISTICS
2003*, 67% OF ARIZONA'S
HOUSEHOLDS OWNED THEIR
OWN HOMES...,
COMPARED TO A NATIONAL
AVERAGE OF 68.3%, PLACING
ARIZONA 41ST IN THE NATION
AND 8TH AMONG
WESTERN STATES.

home buyers. In the new home market, the index has shown no improvement in affordability from 2002 to 2003, remaining constant at 113 in both years, indicating that an average family would still only have 13% more income than is necessary to qualify for a loan on a new median-priced home. Nonetheless, this remains the most affordable new homes have been since 1984 when the index was first calculated.

HOW HAS HOME OWNERSHIP FARED IN ARIZONA?

According to the U.S. Census Bureau's annual report *Housing Vacancies and Homeownership Annual Statistics: 2003*, 67% of Arizona's households owned their own homes in 2003, compared to a national average of 68.3%, placing Arizona 41st in the nation and 8th among western states. Arizona's home ownership was reported at 68% in Census 2000 before decreasing to 65.6% by 2002, according to Census annual reports. Historically, home ownership in Arizona surged to a high of 69.3% in 1992,

(continued on page 8)

(continued from page 7)

well above the US rate of 64.1%, and then declined during in the 1990's, reaching a low of 62% in 1996.

Of Arizona's immediate neighbors, Utah has consistently had the highest home ownership rate hovering around 70% through the 1980's and 1990's, then pulling up close to 75% before declining to 66% in 2003. Of states bordering Arizona, California has had the lowest home ownership rate, although it has been slowly increasing since 1984, from less than 55% to close to 60%, still well below the national rate.

The Census Bureau report also includes data for metropolitan areas. According to the report, the percentage of households

owning homes in Metro Phoenix reached an all-time high of 70.7% in 2000, and remained just below 70% in the subsequent 3 years. This was above the statewide rate and well above a general home ownership rate for "inside metropolitan areas" (Inside MAs) included in the report as a standard for comparison between metro areas. Home ownership in the Tucson MA has remained consistently below this Inside MA rate, but has been improving, reaching a high in 2001 with 64.4% of households owning homes, and declining slightly by 2003 to 61.1%.

In 2003, the home ownership rate in the Phoenix-Mesa MA placed the city 3rd among 11 western metro areas. In 2003,

three metro areas were above the Inside MA rate of 66.5%: Salt Lake City – Ogden, UT, with the highest rate at 74.7%, followed by Denver, CO, with 71.9% and Phoenix-Mesa with 69.4%.

It would be reasonable to expect that low mortgage interest rates would entice households to consider becoming home owners; on the other hand economic concerns and increasing home prices, possibly in response to increased demand, might dampen this enthusiasm. In recent years, it is encouraging to see that both nationally and in Arizona and its metro areas, home ownership and affordability continue to be strong, even as home values appreciate. ■

¹The HPI is a "constant quality" index designed to capture changes in the values of single-family homes across the nation. To compute the HPI, OFHEO obtains quarterly information about conventional conforming mortgage transactions for the past 25 years on an enormous number of properties nationwide from Fannie Mae and Freddie Mac. The HPI tracks repeat sales, thus controlling for differences in the quality of houses. For this reason, it is preferred to other sources of home value information, such as local Multiple Listing Services (MLS), which report a price for "homes sold" and can vary from one period to the next as the mix of expensive and inexpensive homes changes.

EXHIBIT 1

House Price Index Western States (2nd Quarter 2004) and Home Ownership Rates (2003 Annual)

House Price Index—Western States 2nd Quarter 2004						Home Ownership Rates 2003 - Annual
Western States	National Rank*	qtr % change (04q1 to 04q2)	1 yr % change (03q2 to 04q2)	5 yr % change (99q2 to 04q2)	Since 1980 % change (80q2 to 04q2)	
Nevada	1	7.53	22.92	53.06	180.37	64.8
California	3	4.85	18.39	84.10	338.72	58.9
Arizona	17	2.61	9.46	37.16	160.60	67.0
Montana	18	2.04	9.43	34.03	175.99	71.5
United States	*	2.21	9.36	43.59	218.03	68.3
Wyoming	22	2.54	8.22	33.23	99.61	72.9
Oregon	23	2.38	8.10	27.53	211.02	68.0
Washington	24	2.43	7.81	30.69	237.91	65.9
New Mexico	27	1.84	6.98	22.10	143.95	70.3
Idaho	31	2.71	6.23	21.37	143.97	74.4
Colorado	47	0.78	3.51	37.80	227.10	71.3
Texas	50	0.98	2.91	24.93	90.61	64.5
Utah	51	0.97	2.58	11.55	165.06	73.4

*Ranking based on 1-year increase in home prices; national rank includes District of Columbia

Source: Office of Federal Housing Enterprise Oversight. House Price Index. September 1, 2004.

Source: U.S. Census Bureau. Housing Vacancies and Homeownership Annual Statistics: 2003. February 2004.

ARIZONA ECONOMIC INDICATORS

	MAR 2004	APR 2004	MAY 2004	JUN 2004	JUL 2004	% change versus year ago for most recent: month 12-months	
APACHE COUNTY							
Civilian Labor Force, ADES							
Employment	22,050	22,325	22,400	22,825	22,550	1.2	-0.8
Unemployment	19,200	19,375	19,500	19,075	18,825	3.6	-0.9
Unemployment Rate (%)	2,850	2,950	2,900	3,750	3,725	-9.1	0.0
	12.9	13.2	12.9	16.4	16.5	-10.3	0.6
Employees on Nonagricultural Payrolls, ADES							
Total	19,625	19,800	19,900	19,200	18,600	2.3	-1.7
<i>Total Private</i>	6,225	6,350	6,475	6,525	6,400	1.2	1.3
Goods-Producing	500	550	575	625	725	3.6	-10.3
Service-Providing	19,125	19,250	19,325	18,575	17,875	2.3	-1.4
Trade, Transportation, and Utilities	1,950	1,950	1,975	2,050	2,000	8.1	7.6
Other Private Service-Providing	3,775	3,850	3,925	3,850	3,675	-2.6	0.3
<i>Government</i>	13,400	13,450	13,425	12,675	12,200	3.0	-3.1
Federal Government	3,025	3,025	3,125	3,125	2,775	1.8	0.6
State and Local Government	10,375	10,425	10,300	9,550	9,425	3.3	-4.1
Sales (\$000s) ADOR							
Gross Retail	11,451	10,709	12,289	12,293	...	6.1	9.9
Retail	5,511	4,459	5,203	6,133	...	1.5	4.6
Restaurants & Bars	667	931	956	961	...	-0.6	10.5
Gasoline, EBR	5,274	5,319	6,130	5,199	...	13.6	15.9
Gallons (000s) ADOT	2,702	2,645	2,785	2,573	...	-6.8	-3.2
Contracting	5,008	4,895	-2,338	5,000	...	-34.5	-12.2
Hotel/Motel	702	566	960	979	...	-20.4	-4.7
New Housing Units Authorized, Census C-40							
Total Units	8	9	20	14	11	57.1	48.7
Single Family Units	8	9	20	14	11	57.1	48.7
NAVAJO COUNTY							
Civilian Labor Force, ADES							
Employment	36,250	36,700	37,200	38,275	38,700	4.8	2.2
Unemployment	32,450	32,750	33,450	33,675	34,050	6.5	2.1
Unemployment Rate (%)	3,800	3,950	3,750	4,600	4,650	-6.1	2.8
	10.5	10.8	10.1	12.0	12.0	-10.4	0.6
Employees on Nonagricultural Payrolls, ADES							
Total	28,650	28,925	29,525	29,225	28,950	5.0	1.2
<i>Total Private</i>	17,525	17,825	18,200	18,550	18,625	4.9	3.7
Goods-Producing	3,100	3,150	3,225	3,250	3,325	-0.7	-1.4
Natural Resources and Mining	800	850	850	825	825	-8.3	-6.8
Construction	1,525	1,550	1,600	1,650	1,700	3.0	2.9
Manufacturing	775	750	775	775	800	0.0	-3.6
Service-Providing	25,550	25,775	26,300	25,975	25,625	5.8	1.6
Trade, Transportation, and Utilities	5,450	5,550	5,700	5,750	5,800	4.5	3.9
Information	600	625	650	675	675	17.4	10.4
Financial Activities	900	825	800	825	875	16.7	14.5
Professional and Business Services	1,000	1,000	975	1,000	1,025	10.8	6.2
Educational and Health Services	3,175	3,225	3,200	3,250	3,050	9.9	10.6
Leisure and Hospitality	2,525	2,675	2,850	2,975	3,050	0.8	-1.2
Other Services	775	775	800	825	825	3.1	-0.8
<i>Government</i>	11,125	11,100	11,325	10,675	10,325	5.1	-2.6
Federal Government	1,575	1,625	1,725	1,800	1,675	1.5	-0.8
State and Local Government	9,550	9,475	9,600	8,875	8,650	5.8	-3.0
Sales (\$000s) ADOR							
Gross Retail	66,969	65,128	74,968	80,827	...	14.4	5.8
Retail	49,927	48,595	56,207	60,469	...	12.8	1.0
Restaurants & Bars	5,723	5,106	5,936	7,071	...	3.3	6.1
Gasoline, EBR	11,320	11,427	12,825	13,287	...	30.6	36.8
Gallons (000s) ADOT	5,799	5,683	5,827	6,577	...	7.1	15.3
Contracting	8,739	10,970	20,177	15,717	...	5.1	10.4
Hotel/Motel	1,926	1,778	2,484	3,092	...	1.5	-3.6
New Housing Units Authorized, Census C-40							
Total Units	28	44	51	41	50	19.0	16.8
Single Family Units	28	44	51	41	50	19.0	16.8

See sources and abbreviations at the bottom of Page 16.

A R I Z O N A E C O N O M I C I N D I C A T O R S

	MAR 2004	APR 2004	MAY 2004	JUN 2004	JUL 2004	% change versus year ago for most recent: month 12-months	
GRAHAM COUNTY							
Civilian Labor Force, ADES							
Employment	10,925	10,925	10,650	10,650	10,525	-3.4	-2.5
Unemployment	700	700	725	750	725	-17.1	-14.3
Unemployment Rate (%)	6.4	6.4	6.8	7.0	6.9	-14.2	-11.9
Employees on Nonagricultural Payrolls, ADES							
Total	6,950	7,000	6,700	6,475	6,375	-2.7	-1.9
<i>Total Private</i>	4,250	4,250	4,275	4,225	4,225	-1.7	-0.6
Goods-Producing	475	450	450	475	475	-9.5	-1.8
Service-Providing	6,475	6,550	6,250	6,000	5,900	-2.1	-1.9
Trade, Transportation, and Utilities	1,375	1,400	1,400	1,375	1,350	-1.8	1.7
Other Private Service-Providing	2,400	2,400	2,425	2,375	2,400	0.0	-1.6
<i>Government</i>	2,700	2,750	2,425	2,250	2,150	-4.4	-3.9
Federal Government	300	300	300	325	325	-7.1	-6.2
State and Local Government	2,400	2,450	2,125	1,925	1,825	-3.9	-3.6
Sales (\$000s) ADOR							
Gross Retail	15,120	14,939	16,250	16,499	...	14.3	3.8
Retail	11,961	11,954	12,741	13,372	...	14.1	4.9
Restaurants & Bars	1,413	1,317	1,493	1,314	...	-8.7	-6.3
Gasoline, EBR	1,747	1,667	2,017	1,813	...	41.8	5.1
Gallons (000s) ADOT	895	829	916	897	...	16.4	-11.6
Contracting	2,522	1,815	2,381	2,713	...	-26.9	-19.1
COCONINO COUNTY							
Civilian Labor Force, ADES							
Employment	66,825	68,225	68,450	70,675	71,875	1.2	2.2
Unemployment	3,950	4,225	4,200	4,625	4,725	-12.1	4.1
Unemployment Rate (%)	5.9	6.2	6.1	6.5	6.6	-13.1	1.9
Employees on Nonagricultural Payrolls, ADES							
Total	58,175	58,975	58,800	59,350	59,275	0.3	1.2
<i>Total Private</i>	39,075	40,200	40,550	41,300	41,500	1.7	2.1
Goods-Producing	5,775	5,825	5,875	5,950	6,050	3.4	2.3
Natural Resources and Mining	125	125	125	125	125	-16.7	-10.0
Construction	2,600	2,650	2,700	2,775	2,850	3.6	2.6
Manufacturing	3,050	3,050	3,050	3,050	3,075	4.2	2.6
Service-Providing	52,400	53,150	52,925	53,400	53,225	-0.1	1.0
Trade, Transportation, and Utilities	8,825	9,125	9,225	9,400	9,450	-1.0	0.7
Information	500	500	500	525	525	10.5	0.9
Financial Activities	1,450	1,525	1,525	1,550	1,550	0.0	1.3
Professional and Business Services	3,075	3,200	3,250	3,350	3,300	8.2	7.2
Educational and Health Services	7,100	7,100	7,125	7,125	7,075	5.6	5.0
Leisure and Hospitality	10,725	11,275	11,350	11,675	11,850	-0.6	0.7
Other Services	1,625	1,650	1,700	1,725	1,700	-1.4	-1.2
<i>Government</i>	19,100	18,775	18,250	18,050	17,775	-2.9	-0.8
Federal Government	3,125	3,175	3,300	3,450	3,200	-9.9	-3.9
State and Local Government	15,975	15,600	14,950	14,600	14,575	-1.2	-0.1
Sales (\$000s) ADOR							
Gross Retail	114,798	116,526	131,726	137,673	...	9.8	6.8
Retail	75,190	76,752	86,703	89,142	...	6.4	6.1
Restaurants & Bars	21,336	22,603	24,082	27,015	...	6.2	7.2
Gasoline, EBR	18,271	17,171	20,942	21,516	...	32.9	9.1
Gallons (000s) ADOT	9,361	8,539	9,515	10,650	...	9.0	-10.6
Contracting	20,736	21,759	24,830	27,608	...	1.0	7.3
Hotel/Motel	13,089	16,199	18,789	21,022	...	2.4	10.3
New Housing Units Authorized, Census C-40							
Total Units	80	83	59	74	105	-7.9	31.7
Single Family Units	77	83	59	74	105	26.5	14.9

See sources and abbreviations at the bottom of Page 16.

ARIZONA ECONOMIC INDICATORS

	MAR 2004	APR 2004	MAY 2004	JUN 2004	JUL 2004	% change versus year ago for most recent: month 12-months	
GREENLEE COUNTY							
Civilian Labor Force, ADES							
Employment	3,550	3,525	3,575	3,675	3,750	-1.3	-3.7
Unemployment	200	200	200	175	175	-41.7	-24.5
Unemployment Rate (%)	5.6	5.7	5.6	4.8	4.7	-40.9	-21.6
Employees on Nonagricultural Payrolls, ADES							
Total	3,350	3,350	3,350	3,375	3,450	2.2	-2.2
<i>Total Private</i>	2,800	2,800	2,800	2,825	2,900	1.8	-2.9
Goods-Producing	2,225	2,250	2,250	2,250	2,300	1.1	-2.0
Service-Providing	1,125	1,100	1,100	1,125	1,150	4.5	-2.6
Trade, Transportation, and Utilities	225	225	225	225	250	11.1	-7.6
Other Private Service-Providing	350	325	325	350	350	0.0	-5.3
<i>Government</i>	550	550	550	550	550	4.8	1.6
Federal Government	50	50	50	50	50	0.0	20.0
State and Local Government	500	500	500	500	500	5.3	0.0
Sales (\$000s) ADOR							
Gross Retail	7,246	7,171	7,781	11,104	...	88.9	16.4
Retail	6,574	6,546	7,037	10,424	...	92.5	15.7
Restaurants & Bars	235	187	259	235	...	5.9	4.2
Gasoline, EBR	438	438	485	444	...	83.1	39.3
Gallons (000s) ADOT	224	218	220	220	...	50.2	17.6
Contracting	1,542	1,188	507	713	...	-56.2	-52.1
Hotel/Motel*	374	588	376	421	...	-0.0	0.0
* Includes Graham County data.							
YAVAPAI COUNTY							
Civilian Labor Force, ADES							
Employment	84,075	84,500	84,975	86,600	86,375	4.0	4.0
Unemployment	2,700	2,625	2,550	2,375	2,350	-17.5	-6.7
Unemployment Rate (%)	3.2	3.1	3.0	2.7	2.7	-20.7	-10.3
Employees on Nonagricultural Payrolls, ADES							
Total	55,300	55,700	56,100	56,075	55,125	3.9	3.6
<i>Total Private</i>	43,700	44,100	44,425	45,275	44,900	3.6	2.9
Goods-Producing	9,600	9,575	9,750	10,000	10,000	3.1	1.0
Natural Resources and Mining	1,075	1,125	1,150	1,150	1,175	17.5	12.1
Construction	5,475	5,375	5,400	5,600	5,575	1.8	1.0
Manufacturing	3,050	3,075	3,200	3,250	3,250	0.8	-2.1
Service-Providing	45,700	46,125	46,350	46,075	45,125	4.0	4.2
Trade, Transportation, and Utilities	9,875	10,025	10,000	10,025	10,000	0.0	0.7
Information	675	650	650	675	675	3.8	0.9
Financial Activities	1,900	1,950	2,000	2,025	1,950	2.6	6.1
Professional and Business Services	4,250	4,325	4,325	4,575	4,450	5.3	4.1
Educational and Health Services	8,825	8,875	8,900	9,025	8,900	10.6	10.2
Leisure and Hospitality	6,950	7,050	7,150	7,275	7,225	1.4	0.6
Other Services	1,625	1,650	1,650	1,675	1,700	1.5	-3.7
<i>Government</i>	11,600	11,600	11,675	10,800	10,225	4.9	6.7
Federal Government	1,275	1,300	1,300	1,300	1,300	-1.9	4.0
State and Local Government	10,325	10,300	10,375	9,500	8,925	5.9	7.0
Sales (\$000s) ADOR							
Gross Retail	142,906	124,493	146,519	147,938	...	10.6	11.2
Retail	108,326	91,474	118,064	113,823	...	9.9	10.2
Restaurants & Bars	18,905	17,861	11,710	18,648	...	5.6	7.6
Gasoline, EBR	15,675	15,158	16,745	15,468	...	23.9	25.5
Gallons (000s) ADOT	8,031	7,538	7,608	7,656	...	1.6	5.7
Contracting	43,862	41,268	46,027	55,820	...	25.0	17.8
Hotel/Motel	7,237	8,749	-753	6,949	...	-1.0	-3.0
New Housing Units Authorized, Census C-40							
Total Units	283	248	254	330	528	113.8	16.9
Single Family Units	270	225	236	308	410	76.0	23.2

See sources and abbreviations at the bottom of Page 16.

A R I Z O N A E C O N O M I C I N D I C A T O R S

	MAR 2004	APR 2004	MAY 2004	JUN 2004	JUL 2004	% change versus year ago for most recent: month 12-months	
GILA COUNTY							
Civilian Labor Force, ADES	18,300	18,600	18,650	18,675	18,925	-0.8	-1.1
Employment	17,075	17,300	17,375	17,400	17,700	1.0	-0.1
Unemployment	1,225	1,300	1,275	1,275	1,225	-21.0	-12.0
Unemployment Rate (%)	6.7	7.0	6.8	6.8	6.5	-20.3	-11.1
Employees on Nonagricultural Payrolls, ADES							
Total	13,550	13,725	13,750	13,575	13,550	-0.4	-1.1
<i>Total Private</i>	8,625	8,725	8,650	8,675	8,775	0.0	-1.7
Goods-Producing	2,000	2,025	2,000	2,025	2,025	-3.6	-7.8
Service-Providing	11,550	11,700	11,750	11,550	11,525	0.2	0.2
Trade, Transportation, and Utilities	2,150	2,200	2,150	2,100	2,050	-2.4	-0.1
Other Private Service-Providing	4,475	4,500	4,500	4,550	4,700	2.7	0.6
<i>Government</i>	4,925	5,000	5,100	4,900	4,775	-1.0	-0.0
Federal Government	475	500	550	600	600	0.0	-6.7
State and Local Government	4,450	4,500	4,550	4,300	4,175	-1.2	0.8
Sales (\$000s) ADOR							
Gross Retail	29,074	28,183	32,604	31,256	...	5.2	7.5
Retail	19,730	18,886	21,400	21,458	...	-0.1	2.2
Restaurants & Bars	4,407	3,802	4,383	4,438	...	2.1	8.0
Gasoline, EBR	4,936	5,495	6,822	5,360	...	37.9	37.1
Gallons (000s) ADOT	2,529	2,733	3,099	2,653	...	13.2	16.1
Contracting	8,532	7,469	7,258	10,129	...	13.9	4.5
Hotel/Motel	911	763	922	1,023	...	3.3	12.5
MOHAVE COUNTY							
Civilian Labor Force, ADES	78,150	78,850	78,850	79,600	81,000	4.7	4.5
Employment	74,975	75,425	75,850	76,450	78,050	6.4	5.4
Unemployment	3,175	3,425	3,000	3,150	2,950	-26.7	-11.5
Unemployment Rate (%)	4.1	4.3	3.8	4.0	3.6	-30.0	-15.3
Employees on Nonagricultural Payrolls, ADES							
Total	48,050	48,250	48,200	47,400	47,175	2.7	2.8
<i>Total Private</i>	40,550	40,775	41,050	40,550	40,675	3.2	4.1
Goods-Producing	9,400	9,475	9,475	9,050	8,950	-2.2	2.4
Natural Resources and Mining	100	100	100	100	100	0.0	0.0
Construction	5,875	5,925	5,925	5,500	5,400	-5.3	0.1
Manufacturing	3,425	3,450	3,450	3,450	3,450	3.0	6.5
Service-Providing	38,650	38,775	38,725	38,350	38,225	3.9	2.9
Trade, Transportation, and Utilities	10,650	10,725	10,675	10,675	10,650	-0.2	2.7
Information	900	900	900	900	900	2.9	1.0
Financial Activities	2,050	2,075	2,125	2,100	2,200	14.3	13.7
Professional and Business Services	3,475	3,500	3,750	3,850	3,825	7.0	8.5
Educational and Health Services	5,575	5,550	5,575	5,450	5,550	1.8	-0.2
Leisure and Hospitality	6,300	6,400	6,375	6,350	6,425	12.7	9.6
Other Services	2,200	2,150	2,175	2,175	2,175	6.1	2.1
<i>Government</i>	7,500	7,475	7,150	6,850	6,500	-0.4	-4.0
Federal Government	525	550	550	550	525	0.0	0.8
State and Local Government	6,975	6,925	6,600	6,300	5,975	-0.4	-4.4
Sales (\$000s) ADOR							
Gross Retail	148,000	129,258	157,692	146,532	...	19.5	13.1
Retail	113,047	92,449	120,056	110,738	...	17.5	12.1
Restaurants & Bars	14,980	16,275	15,150	14,957	...	13.9	9.1
Gasoline, EBR	19,973	20,534	22,486	20,838	...	36.8	23.3
Gallons (000s) ADOT	10,233	10,212	10,217	10,314	...	12.2	3.1
Contracting	40,867	49,990	44,188	47,547	...	37.7	37.2
Hotel/Motel	3,932	4,335	4,167	4,528	...	16.3	13.3
New Housing Units Authorized, Census C-40							
Total Units	269	295	283	316	380	26.2	8.8
Single Family Units	267	277	265	310	340	25.5	11.7

See sources and abbreviations at the bottom of Page 16.

	MAR 2004	APR 2004	MAY 2004	JUN 2004	JUL 2004	% change versus year ago for most recent: month 12-months	
LA PAZ COUNTY							
Civilian Labor Force, ADES							
Employment	6,875	6,825	6,950	7,200	6,900	-6.4	0.2
Unemployment	6,425	6,350	6,450	6,725	6,450	-5.5	0.1
Unemployment Rate (%)	450	475	500	475	450	-18.2	2.4
	6.5	7.0	7.2	6.6	6.5	-12.5	2.1
Employees on Nonagricultural Payrolls, ADES							
Total	4,950	4,975	4,950	4,875	4,700	-6.0	0.3
<i>Total Private</i>	2,475	2,550	2,525	2,525	2,525	0.0	-5.1
Goods-Producing	325	350	375	375	375	7.1	2.1
Service-Providing	4,625	4,625	4,575	4,500	4,325	-7.0	0.2
Trade, Transportation, and Utilities	1,075	1,100	1,050	1,050	1,075	-6.5	-11.3
Other Private Service-Providing	1,075	1,100	1,100	1,100	1,075	4.9	-0.0
<i>Government</i>	2,475	2,425	2,425	2,350	2,175	-12.1	6.4
Federal Government	175	175	200	200	200	14.3	13.3
State and Local Government	2,300	2,250	2,225	2,150	1,975	-14.1	5.9
Sales (\$000s) ADOR							
Gross Retail	18,938	15,306	15,437	16,343	...	23.8	15.5
Retail	10,842	7,805	7,388	8,974	...	23.5	11.9
Restaurants & Bars	2,463	1,846	2,069	1,826	...	-1.2	13.3
Gasoline, EBR	5,633	5,655	5,979	5,543	...	35.7	23.9
Gallons (000s) ADOT	2,886	2,812	2,717	2,744	...	11.3	5.0
Contracting	4,058	2,781	2,575	2,402	...	236.5	50.2
Hotel/Motel	483	405	472	463	...	-7.4	2.3
YUMA METROPOLITAN REGION							
Civilian Labor Force, ADES							
Employment	68,700	74,325	79,150	78,450	80,100	0.1	0.3
Unemployment	59,200	56,075	56,575	56,850	56,225	3.2	1.7
Unemployment Rate (%)	9,500	18,250	22,575	21,600	23,875	-6.5	-4.1
	13.8	24.6	28.5	27.5	29.8	-6.6	-4.1
Employees on Nonagricultural Payrolls, ADES							
Total	47,675	45,600	45,300	43,725	43,075	3.5	1.9
<i>Total Private</i>	34,350	32,275	32,100	31,750	31,725	3.8	2.1
Goods-Producing	6,650	6,000	6,025	6,050	6,050	3.9	5.3
Natural Resources and Mining	25	25	25	25	25	0.0	0.0
Construction	3,925	4,025	4,100	4,175	4,200	15.1	13.8
Manufacturing	2,700	1,950	1,900	1,850	1,825	-15.1	-6.0
Service-Providing	41,025	39,600	39,275	37,675	37,025	3.4	1.3
Trade, Transportation, and Utilities	9,400	8,350	8,350	8,125	8,125	2.2	-2.7
Information	1,000	950	975	950	925	-9.8	2.8
Financial Activities	1,300	1,225	1,250	1,225	1,225	-3.9	-4.0
Professional and Business Services	4,275	4,150	4,075	4,075	4,050	8.0	17.6
Educational and Health Services	5,700	5,675	5,675	5,700	5,700	6.5	4.4
Leisure and Hospitality	4,525	4,475	4,350	4,250	4,275	6.2	-3.7
Other Services	1,500	1,450	1,400	1,375	1,375	1.9	-3.3
<i>Government</i>	13,325	13,325	13,200	11,975	11,350	2.5	1.2
Federal Government	2,900	2,900	2,900	2,925	2,925	3.5	2.9
State and Local Government	10,425	10,425	10,300	9,050	8,425	2.1	0.7
Sales (\$000s) ADOR							
Gross Retail	134,880	101,238	106,935	102,780	...	9.2	9.6
Retail	103,095	73,351	79,630	76,507	...	5.7	8.2
Restaurants & Bars	14,484	12,048	11,046	11,245	...	8.2	9.8
Gasoline, EBR	17,301	15,839	16,260	15,028	...	33.0	18.5
Gallons (000s) ADOT	8,864	7,877	7,388	7,439	...	9.1	-0.2
Contracting	30,027	26,951	31,150	38,770	...	70.4	31.4
Hotel/Motel	3,679	2,895	2,519	2,256	...	39.5	15.4
New Housing Units Authorized, Census C-40							
Total Units	256	293	135	252	168	2.4	24.2
Single Family Units	256	293	135	165	168	2.4	27.9

See sources and abbreviations at the bottom of Page 16.

ARIZONA ECONOMIC INDICATORS

	MAR 2004	APR 2004	MAY 2004	JUN 2004	JUL 2004	% change versus year ago for most recent: month 12-months	
SANTA CRUZ COUNTY							
Civilian Labor Force, ADES							
Employment	14,750	14,800	15,000	15,050	15,125	0.3	2.7
Unemployment	1,350	1,300	1,475	1,325	12,675	-0.4	3.8
Unemployment Rate (%)	9.5	10.1	10.2	11.8	16.2	3.9	-6.8
Employees on Nonagricultural Payrolls, ADES							
Total	13,000	13,000	13,125	12,650	11,825	-1.7	3.2
<i>Total Private</i>	9,450	9,425	9,525	9,275	8,725	-0.9	1.7
Goods-Producing	1,350	1,350	1,350	1,350	1,325	-3.6	-2.1
Service-Providing	11,650	11,650	11,775	11,300	10,500	-1.4	3.9
Trade, Transportation, and Utilities	5,200	5,175	5,300	5,100	4,575	-1.6	5.2
Other Private Service-Providing	2,900	2,900	2,875	2,825	2,825	1.8	-2.0
<i>Government</i>	3,550	3,575	3,600	3,375	3,100	-3.9	7.3
Federal Government	1,150	1,150	1,150	1,175	1,150	0.0	2.2
State and Local Government	2,400	2,425	2,450	2,200	1,950	-6.0	10.0
Sales (\$000s) ADOR							
Gross Retail	34,398	32,533	35,116	32,476	...	5.7	8.9
Retail	26,221	23,219	26,130	24,683	...	3.4	5.9
Restaurants & Bars	2,734	3,854	3,032	3,093	...	8.5	4.5
Gasoline, EBR	5,443	5,459	5,954	4,700	...	17.8	31.6
Gallons (000s) ADOT	2,789	2,715	2,705	2,327	...	-3.4	12.6
Contracting	4,640	4,324	5,935	6,811	...	-12.2	30.9
Hotel/Motel	780	1,852	993	874	...	31.2	7.6
New Housing Units Authorized, Census C-40							
Total Units	51	36	67	53	39	-29.1	1.9
Single Family Units	49	36	64	53	36	-32.1	8.6
COCHISE COUNTY							
Civilian Labor Force, ADES							
Employment	45,975	46,325	46,600	47,075	46,975	1.4	0.6
Unemployment	43,900	44,125	44,500	45,125	44,950	3.0	1.6
Unemployment Rate (%)	2,075	2,200	2,100	1,950	2,025	-24.3	-17.0
Unemployment Rate (%)	4.5	4.7	4.5	4.1	4.3	-25.3	-17.4
Employees on Nonagricultural Payrolls, ADES							
Total	34,125	34,475	34,625	34,225	33,725	2.2	1.1
<i>Total Private</i>	22,450	22,675	22,850	22,825	23,075	3.9	1.0
Goods-Producing	3,100	3,125	3,175	3,250	3,275	4.0	-0.1
Natural Resources and Mining	50	50	50	50	25	-50.0	-4.2
Construction	2,200	2,175	2,225	2,275	2,325	4.5	0.4
Manufacturing	850	900	900	925	925	5.7	-0.9
Service-Providing	31,025	31,350	31,450	30,975	30,450	2.0	1.2
Trade, Transportation, and Utilities	6,050	6,150	6,300	6,325	6,225	1.6	2.1
Information	450	450	450	450	475	0.0	-3.9
Financial Activities	925	900	925	925	950	8.6	2.9
Professional and Business Services	3,450	3,650	3,600	3,550	3,700	8.8	1.9
Educational and Health Services	3,700	3,725	3,750	3,775	3,850	8.5	4.4
Leisure and Hospitality	3,675	3,600	3,575	3,475	3,525	-0.7	-3.4
Other Services	1,100	1,075	1,075	1,075	1,075	0.0	-1.0
<i>Government</i>	11,675	11,800	11,775	11,400	10,650	-1.4	1.3
Federal Government	4,775	4,875	4,850	4,900	4,925	5.9	5.9
State and Local Government	6,900	6,925	6,925	6,500	5,725	-6.9	-1.7
Sales (\$000) ADOR							
Gross Retail	80,642	66,760	80,174	73,748	...	8.8	9.3
Retail	60,223	47,021	59,748	55,624	...	2.2	7.1
Restaurants & Bars	9,924	9,610	9,347	9,004	...	10.2	18.4
Gasoline, EBR	10,496	10,129	11,079	9,120	...	74.9	16.4
Gallons (000s) ADOT	5,377	5,037	5,034	4,514	...	43.4	-3.8
Contracting	17,602	16,907	14,051	17,773	...	4.3	14.8
Hotel/Motel	3,546	2,767	2,702	2,040	...	17.7	14.3
New Housing Units Authorized, Census C-40							
Total Units	76	90	80	97	92	31.4	21.5
Single Family Units	76	83	80	97	92	31.4	21.0

See sources and abbreviations at the bottom of Page 16.

ARIZONA ECONOMIC INDICATORS

	MAR 2004	APR 2004	MAY 2004	JUN 2004	JUL 2004	% change versus year ago for most recent: month 12-months	
TUCSON METROPOLITAN REGION (PIMA)							
Civilian Labor Force (000s) ADES							
Employment	433.9	435.1	435.3	431.6	431.4	2.3	1.1
Unemployment	417.5	418.1	418.3	415.0	415.0	3.5	1.8
Unemployment Rate, Seas. Adj. (%)	16.4	17.0	17.0	16.6	16.4	-20.4	-13.1
	3.9	4.2	4.1	3.7	3.5	-23.9	-14.5
Employees on Nonagricultural Payrolls (000s) ADES							
Total	352.2	352.8	352.8	344.9	338.4	1.7	0.9
Natural Resources and Mining	1.2	1.2	1.2	1.2	1.2	0.0	-10.4
Construction	23.2	23.3	23.6	23.6	24.0	3.9	2.3
Manufacturing	28.3	28.4	28.4	28.5	28.5	-0.7	-2.8
Computer and Electronic Prod.	5.3	5.3	5.2	5.3	5.2	-1.9	-3.8
Aerospace Products and Parts	11.3	11.3	11.3	11.3	11.3	-1.7	-4.5
Wholesale Trade	7.3	7.3	7.3	7.2	7.3	1.4	-0.9
Retail Trade	39.2	39.1	39.3	38.8	38.5	0.5	0.8
Transp., Warehousing, and Utilities	7.7	7.7	7.8	7.9	7.9	2.6	-0.3
Information	7.7	7.6	7.6	7.7	7.6	0.0	-0.3
Financial Activities	15.5	15.4	15.5	15.5	15.6	4.7	3.5
Professional and Business Services	41.2	41.2	41.4	41.4	41.5	1.7	0.7
Educational and Health Services	47.5	47.6	47.6	47.4	46.9	4.2	5.4
Arts, Entertainment, and Recreation	5.3	5.3	4.9	4.8	4.6	-2.1	2.9
Accommodation	7.7	7.8	7.7	7.6	7.3	2.8	1.6
Food Svcs and Drinking Places	25.1	25.3	25.0	24.4	23.9	2.6	-0.1
Other Services	14.7	14.9	14.9	15.0	15.0	2.7	1.4
Federal Government	10.0	10.2	10.1	10.1	10.1	4.1	6.0
State and Local Government	70.6	70.5	70.5	63.8	58.5	-0.7	-1.2
State and Local Government Education	47.8	47.8	47.8	40.4	35.0	1.7	1.2
Sales (\$000s) ADOR							
Aggregate Retail Sales	877,943	759,534	869,305	798,719	...	7.2	8.1
Retail	593,168	483,424	587,370	535,181	...	4.2	7.3
Food, EBR	110,425	112,566	111,079	109,119	...	7.6	8.4
Restaurants & Bars	107,463	98,943	99,065	93,855	...	18.6	8.0
Gasoline, EBR	66,888	64,601	71,791	60,564	...	19.7	15.6
Contracting	154,732	147,485	152,806	159,880	...	16.2	11.6
Hotel/Motel	37,693	28,539	22,709	19,126	...	16.6	2.9
New Housing Units Authorized, Census C-40 adjusted by EBR							
Total Units	963	753	774	908	1,174	53.0	21.5
Single Family Units	893	698	760	847	883	27.0	31.6
2-5-plus Unit Structures	69	55	14	61	292	303.5	-36.8
Housing Sales and Prices, TAR							
Total Sales (\$000s)	279,257	310,860	314,381	365,563	311,318	29.8	28.5
Total Units	1,346	1,505	1,533	1,718	1,530	17.7	17.0
Average Price (\$)	207,472	206,552	205,076	212,784	203,476	10.3	9.2
Tucson International Airport, TAA							
Total Passengers	369,092	340,254	317,816	300,155	303,272	6.0	2.8
Total Aircraft Movements	22,099	21,241	21,385	19,904	20,065	8.7	-10.0
TUCSON METROPOLITAN REGION (PIMA) - QUARTERLY DATA							
	II 2003	III 2003	IV 2003	I 2004	II 2004	% change versus year ago for most recent: quarter 4-quarters	
Demographics & Vital Statistics (000s, seas adj) ADHS & EBR							
Population	908.4	913.6	918.7	923.8	929.0	2.3	2.3
Natural Increase	1.2	1.3	1.2	1.2	1.2	0.7	4.8
Births	3.1	3.2	3.2	3.2	3.2	1.5	2.2
Deaths	1.9	1.9	1.9	1.9	1.9	2.0	0.6
Net Migration	3.9	3.9	3.9	3.9	3.9	0.1	-0.0
Personal Income by Source (\$mil, SAAR) EBR							
Total Personal Income	22,645	22,956	23,300	23,637	23,965	5.8	5.0
Earnings by Place of Work	13,809	14,001	14,210	14,411	14,610	5.8	4.9
Less: Contributions for Social Insurance	851	865	880	895	910	6.9	5.9
Plus: Adjustment for Residence	113	115	117	119	121	7.2	6.1
Plus: Dividends, Interest & Rents	5,401	5,463	5,547	5,630	5,705	5.6	3.9
Plus: Transfer Payments	4,173	4,242	4,307	4,372	4,438	6.4	7.3
Per Capita Personal Income (\$, SAAR) EBR							
	24,928	25,129	25,362	25,585	25,797	3.5	2.7

See sources and abbreviations at the bottom of Page 16.

A R I Z O N A E C O N O M I C I N D I C A T O R S

	MAR 2004	APR 2004	MAY 2004	JUN 2004	JUL 2004	% change versus year ago for most recent: month 12-months	
PHOENIX-MESA METROPOLITAN REGION (MARICOPA AND PINAL)							
Civilian Labor Force (000s) ADES							
Employment	1,838.0	1,849.6	1,851.1	1,855.6	1,864.4	2.7	1.9
Unemployment	1,763.1	1,770.6	1,772.7	1,778.2	1,791.7	4.4	3.0
Unemployment Rate, Seas. Adj. (%)	74.9	79.0	78.4	77.4	72.7	-26.1	-16.7
	4.2	4.5	4.3	4.0	3.7	-27.5	-17.9
Employees on Nonagricultural Payrolls (000s) ADES							
Total	1,652.0	1,660.2	1,660.0	1,639.7	1,622.3	2.6	2.1
Natural Resources and Mining	2.0	2.0	2.0	2.0	2.0	0.0	-1.6
Construction	138.0	140.3	142.3	145.0	145.6	11.6	8.7
Durable Goods	101.2	101.6	101.3	101.5	101.3	-0.1	-2.8
Fabricated Metal Products	13.2	13.2	13.2	13.1	13.0	0.8	0.1
Computer and Electronic Prod.	35.6	35.5	35.2	35.3	35.5	-3.0	-8.8
Aerospace Products and Parts	14.5	14.5	14.5	14.5	14.5	-0.7	-1.7
Non-Durable Goods	27.2	26.9	26.7	26.8	26.5	-3.6	-1.8
Wholesale Trade	76.3	76.1	76.5	76.2	75.7	-2.1	-1.9
Retail Trade	194.3	195.5	195.3	194.6	193.5	3.1	3.0
Utilities	8.1	8.1	8.1	8.0	8.1	2.5	3.3
Transportation and Warehousing	51.5	51.4	51.6	51.5	51.4	0.8	-0.6
Information	36.1	36.2	35.6	35.2	34.9	-6.9	-5.2
Finance and Insurance	103.2	103.3	102.9	102.6	102.3	0.5	2.7
Real Estate, Rental, and Leasing	33.3	33.2	33.2	33.1	32.8	-0.3	-0.1
Professional and Business Services	261.5	263.4	263.1	265.5	266.0	2.7	2.7
Educational Services	27.7	28.4	28.4	27.6	26.1	12.5	15.4
Health Care and Social Assistance	142.1	142.5	142.9	143.0	142.5	2.9	4.2
Arts, Entertainment, and Recreation	21.0	21.1	20.8	20.1	19.1	-3.0	0.2
Accommodation	27.7	27.6	27.5	26.8	26.2	1.2	1.9
Food Svcs and Drinking Places	112.3	113.1	112.4	110.1	107.5	2.5	1.3
Other Services	62.4	62.4	62.7	63.1	63.2	3.9	0.5
Federal Government	21.6	21.8	21.5	21.6	21.7	0.5	0.5
State and Local Government	204.5	205.3	205.2	185.4	175.9	3.7	1.8
State and Local Government Education	108.8	109.1	107.6	86.7	77.2	6.2	4.0
Sales (\$000s) ADOR							
Aggregate Retail Sales	4,006,768	3,800,903	3,712,433	3,721,549	...	8.0	9.4
Retail	2,735,606	2,595,975	2,479,573	2,562,574	...	6.5	8.1
Food, EBR	483,347	492,721	486,209	477,629	...	10.3	11.5
Restaurants & Bars	504,606	447,514	444,297	424,068	...	8.3	9.0
Gasoline, EBR	283,209	264,693	302,354	257,277	...	20.0	20.0
Contracting	833,577	816,476	799,890	919,725	...	17.9	14.3
Hotel/Motel	165,244	123,297	91,801	67,364	...	5.8	4.9
New Housing Units Authorized, Census C-40							
Total Units	5,818	6,480	5,363	5,939	7,038	53.0	26.3
Single Family Units	5,490	4,854	5,127	5,590	6,291	48.4	25.8
2-4 Unit Structures	174	254	70	214	109	289.3	280.1
5-plus Unit Structures	154	1,372	166	135	638	91.6	11.5
Housing Sales and Prices, ARMLS							
Total Sales (\$000s)	1,779,136	1,792,196	1,870,006	2,245,461	1,937,221	31.5	37.8
Total Units	8,205	8,452	8,581	9,530	8,684	18.3	20.4
Average Price (\$)	216,836	212,044	217,924	235,620	223,079	11.1	14.7
Phoenix Skyharbor International Airport, PSIA							
Total Passengers	3,576,506	3,344,797	3,258,036	3,430,314	...	3.9	4.4
Total Aircraft Movements	46,228	45,595	45,956	44,831	...	0.3	-1.0

See sources and abbreviations below.

Sources and abbreviations:

ADES: Arizona Department of Economic Security
 ADHS: Arizona Department of Health Services
 ADOR: Arizona Department of Revenue
 ADOT: Arizona Department of Transportation
 ARMLS: Arizona Regional Multiple Listing Service
 ASPB: Arizona State Parks Board
 BEA: Bureau of Economic Analysis, U.S. Department of Commerce

BLS: Bureau of Labor Statistics, U.S. Department of Labor
 Census C-40, Bureau of the Census, U.S. Department of Commerce
 EBR: Economic & Business Research Program, The University of Arizona
 NPS: National Park Service, U.S. Department of the Interior

PSIA: Phoenix Skyharbor International Airport
 SAAR: Seasonally adjusted at annual rates
 TAA: Tucson Airport Authority
 TAR: Tucson Association of Realtors
 USBCBP: U.S. Bureau of Customs and Border Protection, U.S. Department of Homeland Security
 U.S. Bankruptcy Court, District of Arizona

ARIZONA ECONOMIC INDICATORS

	II 2003	III 2003	IV 2003	I 2004	II 2004	% change versus year ago for most recent: quarter 4-quarters	
PHOENIX-MESA METROPOLITAN REGION (MARICOPA AND PINAL) - QUARTERLY DATA							
Demographics & Vital Statistics (000s, seas adj) ADHS & EBR							
Population	3,584.6	3,612.4	3,640.4	3,668.4	3,696.4	3.1	3.1
Natural Increase	9.0	9.1	9.0	8.9	8.9	-1.4	3.2
Births	15.2	15.3	15.3	15.3	15.3	0.5	2.3
Deaths	6.2	6.2	6.2	6.3	6.4	3.3	1.0
Net Migration	18.5	18.7	19.0	19.1	19.1	3.2	1.5
Personal Income by Source (\$mil, SAAR) EBR							
Total Personal Income	103,481	105,256	107,179	109,066	110,915	7.2	6.4
Earnings by Place of Work	81,795	83,340	85,110	86,839	88,504	8.2	6.7
Less: Contributions for Social Insurance	9,170	9,437	9,740	10,035	10,320	12.5	10.5
Plus: Adjustment for Residence	-27	-24	-23	-22	-20	24.2	20.4
Plus: Dividends, Interest & Rents	17,167	17,419	17,648	17,873	18,108	5.5	5.7
Plus: Transfer Payments	13,716	13,959	14,184	14,411	14,644	6.8	7.8
Per Capita Personal Income (\$, SAAR) EBR	28,868	29,137	29,441	29,731	30,006	3.9	3.1

ARIZONA QUARTERLY DATA

Demographics & Vital Statistics (000s, seas adj) ADHS & EBR

Population	5,610.2	5,649.2	5,688.0	5,728.4	5,771.6	2.9	2.8
Natural Increase	11.8	12.1	11.7	12.9	12.2	3.6	3.7
Births	22.7	22.9	22.7	23.0	22.8	0.6	2.6
Deaths	10.9	10.8	11.0	10.1	10.6	-2.6	1.4
Net Migration	27.5	26.5	27.3	29.1	32.2	17.1	4.6

Personal Income Derivation (\$mil, SAAR) EBR

Total Personal Income	149,191	151,641	154,171	156,865	160,029	7.3	6.5
Earnings by Place of Work	112,375	114,278	116,351	118,722	121,682	8.3	7.2
Less: Contributions for Social Insurance	12,446	12,672	12,917	13,379	13,738	10.4	8.7
Plus: Adjustment for Residence	564	572	581	591	604	7.0	6.0
Plus: Dividends, Interest & Rents	25,305	25,466	26,053	26,439	26,866	6.2	3.1
Plus: Transfer Payments	23,394	23,999	24,105	24,496	24,616	5.2	7.8

Components of Earnings (\$mil, SAAR) BEA

Wages and Salaries	83,062	84,320	85,700	87,242	89,241	7.4	6.4
Other Labor Income EBR	16,498	16,880	17,258	17,870	18,519	12.3	10.3
Proprietor's Income	12,390	12,899	13,304	13,380	...	13.2	8.1
Farm	428	501	737	387	...	54.8	-19.4
Nonfarm	11,963	12,397	12,568	12,993	...	12.3	9.6

Per Capita Personal Income (\$, SAAR) EBR

Per Capita Personal Income (\$, SAAR) EBR	26,593	26,843	27,105	27,384	27,727	4.3	3.5
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Average Wage Per Employee, Annual Rate (\$) EBR

Average Wage Per Employee, Annual Rate (\$) EBR	35,765	35,929	36,284	36,745	...	4.3	3.7
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TRAVEL AND TOURISM - MONTHLY DATA

	MAR 2004	APR 2004	MAY 2004	JUN 2004	JUL 2004	% change versus year ago for most recent: month 12-months	
Recreational Areas, NPS & ASPB							
Northern Arizona	1,360,123	1,704,270	1,738,115	2,170,094	2,372,830	4.2	2.4
Historical	155,483	163,233	162,854	150,768	184,739	18.4	5.0
Scenic	420,201	553,863	553,752	736,351	847,198	1.3	2.5
Water Based Recreation	784,439	987,174	1,021,509	1,282,975	1,340,893	4.4	1.9
Southern Arizona	415,362	241,727	218,164	143,981	168,105	6.9	-3.4
Historical	62,651	36,111	30,196	21,216	21,681	-2.2	3.2
Scenic	312,242	170,045	139,727	83,346	107,342	8.4	-4.7
Water Based Recreation	40,469	35,571	48,241	39,419	39,082	8.4	-4.3
International Border Crossings, USBCBP							
U.S. Citizens	756,746	719,128	763,155	707,138	745,539	3.2	-9.7
Aliens	2,055,396	2,001,759	2,117,583	1,665,706	2,080,925	37.6	-0.8
Vehicles	910,003	856,755	910,492	870,014	924,847	10.7	-2.0

MEASURES OF INFLATION AND PRICES - MONTHLY DATA

Consumer Price Index (1982-1984=100) BLS

U.S. - All Urban	187.4	188.0	189.1	189.7	189.4	3.0	2.3
U.S. - Wage Earners	182.9	183.5	184.7	185.3	184.9	3.0	2.1

See sources and abbreviations at the bottom of Page 16.

A R I Z O N A E C O N O M I C I N D I C A T O R S

	MAR 2004	APR 2004	MAY 2004	JUN 2004	JUL 2004	% change versus year ago for most recent: month 12-months	
ARIZONA MONTHLY DATA							
Civilian Labor Force (000s) ADES							
Employment	2,728.4	2,750.8	2,758.9	2,765.9	2,778.7	2.5	1.8
Unemployment	2,605.0	2,612.9	2,618.2	2,625.4	2,640.2	4.1	2.7
Unemployment Rate, Seas. Adj. (%)	123.4	137.9	140.7	140.5	138.5	-20.4	-12.9
	4.9	5.4	5.1	4.7	4.4	-24.1	-14.0
Employees on Nonagricultural Payrolls (000s) ADES							
Total	2,339.2	2,346.9	2,347.2	2,314.1	2,285.3	2.3	1.9
Natural Resources and Mining	8.0	8.1	8.2	8.3	8.5	4.9	-2.6
Construction	185.0	187.1	190.2	193.0	193.8	9.1	7.0
Durable Goods Manufacturing	138.0	138.6	138.4	138.6	138.3	0.0	-2.3
Fabricated Metal Products	17.1	17.1	17.1	17.0	17.0	0.6	0.7
Computer and Electronic Prod.	41.4	41.3	41.1	41.1	41.4	-2.6	-8.1
Aerospace Products and Parts	26.3	26.3	26.3	26.4	26.4	-0.8	-2.8
Non-Durable Goods Manufacturing	34.7	33.8	33.6	33.7	33.3	-5.1	-3.3
Wholesale Trade	93.0	91.7	92.1	91.8	91.0	-0.9	-1.4
Retail Trade	277.7	279.5	279.4	277.9	276.0	2.1	2.5
Utilities	11.5	11.4	11.5	11.5	11.5	0.9	2.3
Transportation and Warehousing	65.1	65.0	65.3	65.3	65.2	1.1	-0.7
Information	48.3	48.1	47.6	47.1	46.8	-5.5	-4.1
Finance and Insurance	118.0	118.1	117.8	117.5	117.1	0.4	2.9
Real Estate, Rental, and Leasing	43.7	43.4	43.5	43.5	43.2	0.0	-0.4
Professional and Business Services	324.4	326.5	326.6	329.3	330.0	2.9	2.8
Educational Services	38.5	39.3	39.4	37.8	35.3	11.4	13.9
Health Care and Social Assistance	218.3	219.0	219.2	219.5	219.1	3.5	4.4
Arts, Entertainment, and Recreation	30.4	31.0	30.7	30.0	29.1	2.5	3.3
Accommodation	45.2	45.3	45.1	44.4	43.6	1.4	2.0
Food Svcs and Drinking Places	164.1	165.1	163.9	160.8	157.8	2.2	0.8
Other Services	87.0	87.2	87.6	88.0	88.0	3.2	0.6
Federal Government	51.5	52.2	52.1	52.5	51.7	1.6	2.5
State and Local Government	356.8	356.5	355.0	323.6	306.0	1.8	0.4
State and Local Government Education	196.7	196.7	193.3	159.1	141.1	3.1	2.1
	39.6	39.8	39.5	39.5	39.0	-2.0	0.5
Hours Worked Per Week, Manufacturing, ADES							
Average Hourly Earnings (\$) ADES							
Construction	15.29	15.24	15.33	15.30	15.48	0.8	2.8
Manufacturing	14.27	14.28	14.13	14.08	14.00	-3.0	0.0
Trade, Transportation, Utilities	13.87	13.93	14.12	14.17	14.23	5.5	3.6
Retail Trade	11.65	11.56	11.57	11.54	11.46	-0.6	1.3
Wholesale Trade	17.99	18.24	18.79	18.85	19.09	11.6	9.8
Sales (\$000s) ADOR							
Aggregate Retail Sales	5,822,132	5,407,313	5,533,014	5,461,160	...	8.5	8.7
Retail	3,919,421	3,570,909	3,667,250	3,689,102	...	6.7	7.9
Food, EBR	726,770	740,864	731,073	718,172	...	8.8	7.1
Restaurants & Bars	709,339	641,900	632,824	617,729	...	9.6	8.8
Gasoline, EBR	466,603	453,641	501,867	436,157	...	23.3	20.0
Gallons (000s) ADOT	239,051	225,602	228,028	215,887	...	1.2	0.8
Utilities	447,066	436,672	498,818	623,759	...	3.5	7.7
Communications	242,110	239,953	212,177	247,123	...	-23.6	-2.9
Amusements	105,991	66,777	64,670	70,393	...	12.0	5.1
Rentals - Personal Property	300,918	283,622	250,684	309,226	...	9.0	-3.4
Contracting	1,176,443	1,154,277	1,149,437	1,310,609	...	18.1	14.5
Mining - Metal, Oil & Gas	74,861	52,802	65,467	66,591	...	104.7	83.5
Hotel/Motel	239,407	192,428	148,301	129,643	...	6.5	8.3
New Housing Units Authorized, Census C-40							
Total Units	7,790	8,290	7,045	7,971	9,514	52.4	25.5
Single Family Units	7,393	6,575	6,770	7,465	8,353	45.4	26.5
2-4 Unit Structures	202	331	109	251	180	55.2	93.7
5-plus Unit Structures	195	1,384	166	255	981	158.8	6.3
Bankruptcy Filings, U.S. Bankruptcy Court							
Total	3,162	2,874	2,590	2,771	2,583	-6.4	-1.9
Chapter 7	2,629	2,387	2,165	2,288	2,150	-5.2	0.2
Chapter 11	22	14	17	14	17	-60.5	-22.5
Chapter 13	511	473	408	469	416	-7.3	-9.3

See sources and abbreviations at the bottom of Page 16.

	II 2003	III 2003	IV 2003	I 2004	II 2004	% change versus year ago for most recent: quarter 4-quarters	
MEASURES OF INFLATION AND PRICES - QUARTERLY DATA							
Consumer Price Index (1982-84=100) BLS							
Western Region (U.S.)	188.5	189.1	188.7	190.8	193.0	2.4	1.9
U.S. - All Urban Consumers	183.7	184.6	184.6	186.3	188.9	2.9	2.2
U.S. - Urban Wage Earners	179.6	180.3	180.3	181.9	184.5	2.7	2.0
Price Indexes (1996=100) BEA							
Gross Domestic Product	105.4	105.9	106.3	107.0	107.8	2.2	1.8
Personal Consumption Expenditures	105.1	105.5	105.8	106.6	107.6	2.4	1.8

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