

ARIZONA'S ECONOMY

ECONOMIC AND BUSINESS RESEARCH CENTER

Thirty-Year Forecast Update: Growth is Subdued Now, But Lots More on the Horizon

By Marshall J. Vest, Forecasting Project Director

September 1, 2012

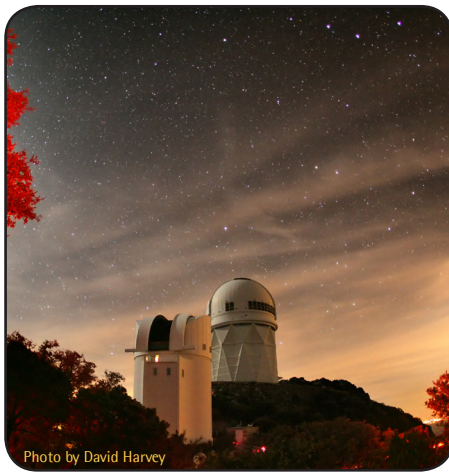


Photo by David Harvey

The U.S. (and Arizona) economies are locked into a slow recovery that is expected to continue into next year before faster growth materializes. On the bright side, evidence continues to build that housing is beginning to heal. The biggest challenge for analysts is to get a handle on absorption of the large supply of vacant homes. Over a 30-year horizon we continue to expect Arizona to become one of the ten most populous states with over 10 million people.

The Arizona economy continues to expand at a painfully slow pace. Key themes that we are monitoring during this growth-challenged recovery include lethargic job growth, high unemployment, miniscule income gains, cautious spending on the part of consumers, depressed migration flows, and high inventories of vacant housing.

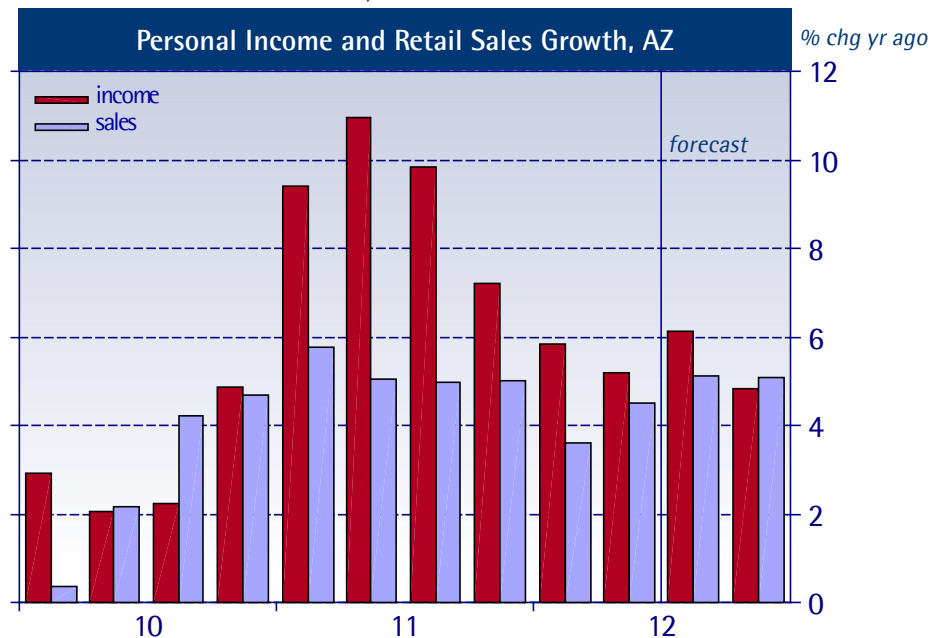
Job growth statewide slowed significantly during the second quarter as the number of nonfarm jobs flattened (0.0%–0.5%, after adjusting for seasonality). That's much slower than during the first quarter, when jobs were growing by 2.5% – 3.5% at a seasonally adjusted annual rate. Gains in private sector employment during the second quarter (up 2.5%–3.0% at an annual rate) were offset by losses in the public sector (declines of 3–4%). Year-on-year, job counts stood 2.4% higher in June. We look for a gain of less than 2% for the entire calendar year and only a slightly faster pace in 2013.

Initial claims for unemployment insurance are declining at a 6% annual

rate in recent months and were down 15.7% year-over-year during June. Though an improvement, they are still painfully high. In June, the unemployment rate stood at a seasonally-adjusted 8.2%, the same reading for the third month in a row. We expect little improvement through the end of 2013, and unemployment not dropping below 7% until the second half of 2015.

Personal income statewide grew by a modest 5.1% last year but slowed to only a 3.8% gain during the first quarter. Meanwhile, a measure of retail sales that includes retail, restaurant and bars, gasoline and

Exhibit 1: Sales are Restrained by Incomes



IN THIS ISSUE

Thirty-Year Forecast Update: Growth is Subdued Now, But Lots More on the Horizon 1
 Contribution From Growth Industries 5
 Supply of Vacant Houses Remains Swollen 5

Kids Count 7
 Forecast Tables 8
 Arizona Economic Indicators 9

“Recent housing reports suggest that healing has begun...”



food, rose by 9.3% in 2011 but slowed to an estimated 5.2% in the second quarter. So, last year's release of pent up demand now appears to be in the rear view mirror, and spending will need support from incomes going forward. We look for personal income to grow by 4.5% this year and next before the pace quickens. Aggregate sales are expected to register gains in the 5.0%-5.5% range (**Exhibit 1**).

Recent housing reports have been encouraging and suggest that the healing process has begun. Home prices have been moving higher, foreclosures are down sharply, and the inventory of unsold homes has dropped dramatically. But half of would-be traditional home-buyers can't qualify for a mortgage even with rates at record lows, mortgage delinquencies remain high, and a large portion of recent demand is from investors and new real-estate investment funds that are acquiring properties. Progress is being made, but housing markets are anything but normal.

The fall in housing prices that led to negative equity positions for many homeowners ushered in an era of reduced population mobility not seen in the U.S. for several decades. Although housing prices appear to have finally stopped falling (and

are bouncing back at double-digit rates of increase, according to some measures), mobility remains depressed.

As a result, the homebuilding industry will remain subdued over the next couple of years. Although the number of residential building permits may post double-digit annual increases going forward, it will be mid-decade or beyond before building activity approaches what might be considered normal.

Long-Term Outlook

Hangover from the Great Recession continues to throttle growth, but Arizona will eventually rank amongst the fastest-growing states once again. In the annual update of our 30-year projections, we show Arizona's population topping 10.2 million in the year 2042. That will easily put Arizona among the top-ten ranked states for the most residents. By 2042, nearly four million more people than live here today will call Arizona home. Projections for each 10-year interval for selected aggregate measures are presented in **Exhibit 2**.

Highlights of the 30-year forecast include the following:

- Over 1.8 million new jobs will be created in Arizona over the next three decades,

“Over a 30-year horizon we expect Arizona to become one of the ten most populous states ...”

Exhibit 2: Projections to 2042, Arizona

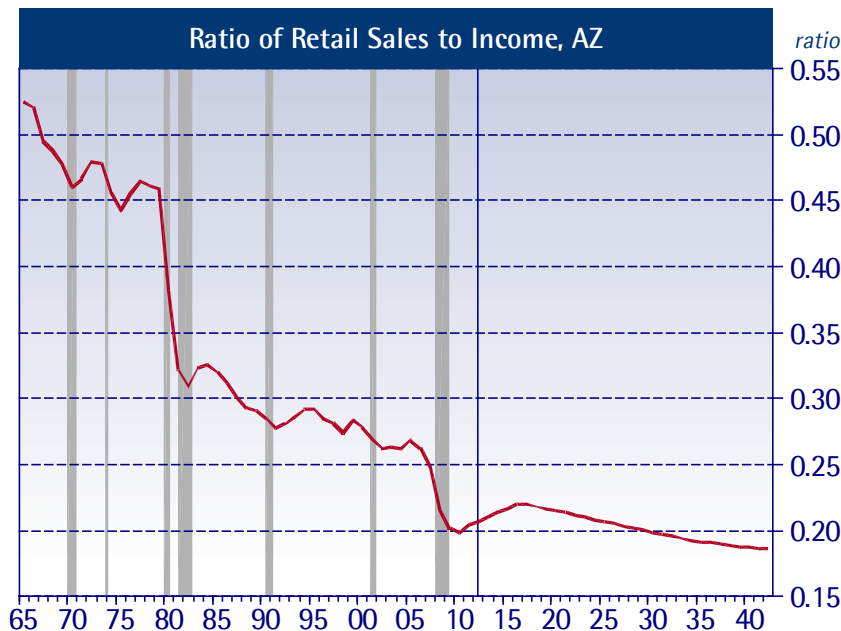
	2002	2012	2022	2032	2042
Population (000s)	5411	6483	7652	8928	10214
Nonfarm Jobs (000s)	2266	2450	3204	3726	4281
Personal Income (\$ bil)	148	244	427	692	1102
Retail Sales (\$ bil)	56	82	137	203	299

boosting the total to almost 4.3 million.

- After adding nearly 1-1/4 million persons during the decade of the "aughts," the decade of the "teens" will see population swell by just over a million. The smaller increase is due to reduced mobility at the beginning of the decade, which is still depressing migration flows.
- Per capita personal income relative to the nation has remained relatively steady over the past 20 years at today's roughly 87%. This ratio peaked at 95% in 1971 and was as high as 94.3% in 1986 before plunging to only 85.5% in 1992. We forecast modest improvement in the near term and a year 2042 reading of 88% -- little changed from today. Per capita income is an aggregate measure whose movement depends on demographics (age structure), wage levels, industry mix, and labor force participation rates.
- Arizona's employment-to-population ratio plunged during the current recession and will remain well below its peak established in 2000 (43.3%), and after dipping below 37.2% in 2010, finishes in 2042 at 41.9%. Arizona's ratio has consistently run 3-4 points lower than nationwide. This ratio is a full five points lower in metro Tucson than in metro Phoenix.
- As the population continues to age, an increasing share of personal income will come from transfer payments, of which social security is the largest component. The share will rise from 20.3% today to 26.2% by 2042. Per capita transfers in Arizona jumped during the Great Recession and will continue to run higher than the corresponding nationwide measure.
- Retail sales relative to income fell significantly during the Great Recession, dropping below 20% from nearly 53% in the mid-1960s. An aging population that spends more on services (especially health care) and a smaller portion on taxable goods, along with a narrowing of the tax base, accounts for the drop. This ratio will sink to an all-time low of 18.6% in another 30 years. This has serious implications for a tax system heavily reliant on retail sales (**Exhibit 3**).
- Over the long term, migration flows will continue to account for the lion's share of population growth. On average, natural increase (births minus deaths) accounts for one third while net migration provides the remainder. The latter varies significantly, of course, over

“Over 1.8 million new jobs will be created in Arizona over the next three decades boosting the total to almost 4.3 million...”

Exhibit 3: Retail Sales Relative to Income Has Fallen Significantly



“We can only guess what Arizona will be like, but it's clear that a great deal of change lies ahead...”



the business cycle. During the recession, with mobility rates at a six-decade low, migration flows swung deeply negative for the first time in recorded history. By 2016 net migration will again approach 95,000 annually. Natural increase moved significantly lower during the recession due to falling births, but will stabilize at 40,000 new residents annually in the near term, before moving lower as the population ages (Exhibit 4).

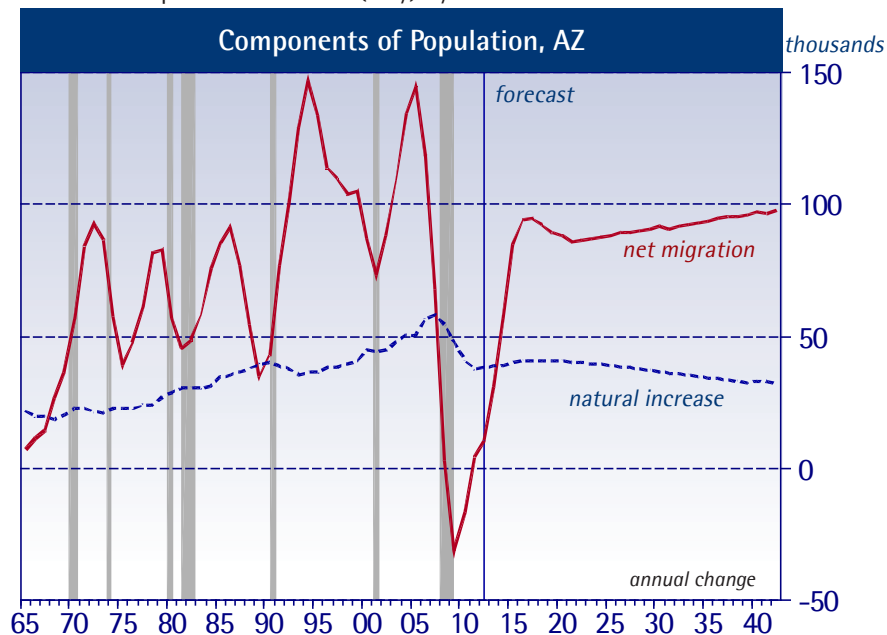
- Government, manufacturing, leisure & hospitality, mining, and utilities will represent smaller shares of total jobs 30 years from now. Government's share will decline from 16.7% to 13.6%, manufacturing from 6.2% to 4.2%, leisure & hospitality from 10.9% to 10.3%, and utilities from 0.5% to 0.3%. Mining jobs will all but disappear, accounting for two-tenths of one percent and only 7,400 jobs in 2042.
- Sectors that will gain the largest shares are professional and business services (from 14.4% to 16.8%), health care & social assistance (from 14.9% to 18.2%), and financial services (from 6.9% to 7.4%).
- Retail trade (12.2%), construction (4.7%),

other services (3.6%), transportation and warehousing (2.9%), and information (1.5%) shares remain largely unchanged.

- In our "high" scenario, Arizona's population reaches 11.2 million in 2042. In the "low" scenario, it is 9.8 million, compared to 10.2 million in the "most likely" – or "base" scenario. Michigan, the seventh largest state, today has 9.9 million.
- Today, Arizona's 6.4 million population ranks 16th, just ahead of Tennessee. In thirty years, Arizona likely will overtake Indiana, Massachusetts, Washington, Virginia, New Jersey, North Carolina, and Michigan to become the ninth largest state.
- Arizona was the second-fastest growing state over the past decade, even though population growth disappeared during the recession. Low mobility rates will limit Arizona's growth for a few more years, but growth will return to more historical levels by mid-decade.

Over the next 30 years, Arizona will add 3.7 million residents or a little more than half of the numbers here today. 3.1 million will land in metro Phoenix. We can only guess what Arizona will be like, but it's clear that a

Exhibit 4: Population Flows are (Very) Cyclical



Contribution from Growth Industries

by Valorie Rice and Marshall J. Vest

Since Arizona is a rapidly growing state, a large portion of economic activity is related to growth. Included are workers in the construction industry, supplier industries (such as landscaping services, architectural engineering), real estate finance (title companies, mortgage brokers, appraisers), retail stores (furniture, home improvement centers), manufacturing (concrete, stone, structural metals, HVAC), property managers, realtors and brokers, and more.

All totaled, Arizona's growth industries accounted for a little over 300,000 jobs in 2011, down almost 200,000 from peak employment of 2006. As a percentage of total employment, the growth industry accounts for about 15%, or one in every seven workers. Back in 2006, the percentage was over 22%, or more than one in five (**Exhibit 1**).

When the economy starts growing again, the rate of growth will receive a big boost as jobs in

“When the economy starts growing again, the rate of growth will receive a big boost as jobs in the growth industry are filled.”



Supply of Vacant Houses Remains Swollen

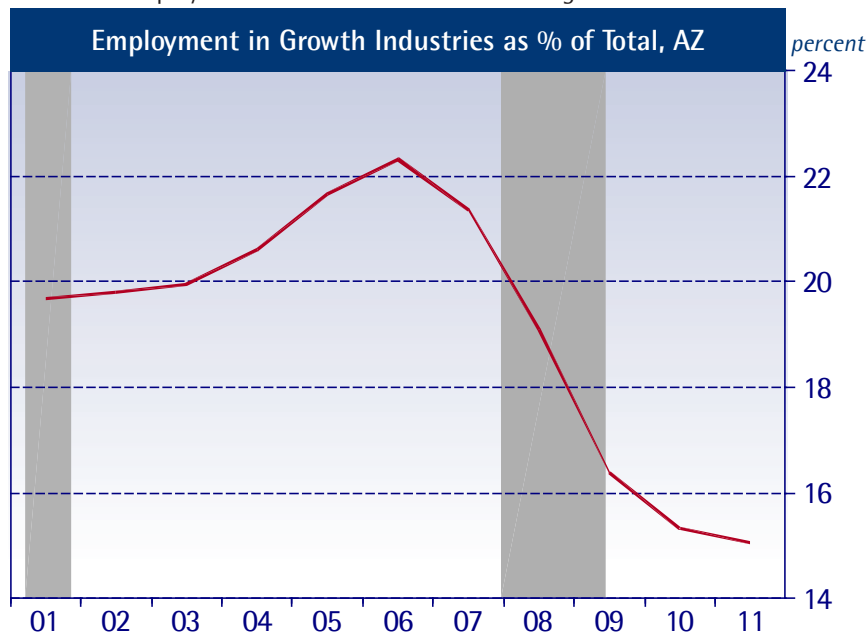
by Marshall J. Vest

A key indicator of mobility is the number of vacant housing units. Realtor data on the number of listings (or months supply) offer little insight into mobility. It's the absorption of vacant inventory that's important. Unfortunately, most housing studies cover only a submarket (such as apartments or single family new construction). The 2010 Census found

that over 16% of Arizona's housing stock was vacant. After adjusting for second home ownership the rate still approached 10%, a very high rate. (Roughly 6.5% of Arizona's housing stock – over 184,000 units -- is used seasonally, recreationally or occasionally.) The main question is how have vacancies changed since then? (*continued next page*)

“The 2010 Census found that over 16% of Arizona's housing stock was vacant.”

Exhibit 1: Employment in Growth Industries is Falling.



“Evidence suggests that little progress has been made ... in absorbing the large numbers of vacant units and that migration flows remain depressed.”



The U.S. Census Bureau produces a measure of vacancies each quarter that is based on a very small survey that, unfortunately, is too small to provide meaningful results. About 72,000 nationwide addresses are surveyed each month as part of the Current Population Survey/Housing Vacancy Survey (CPS/HVS). Included are renter and homeowner vacancy rates for states and the 75 largest metropolitan areas. According to this source, rental vacancies in Arizona have declined from 13.7% at the time of the 2010 Census enumeration to a still-high 11.2% in the second quarter of 2012. Over the same period, homeowner vacancies have moved upward, from 2.6% to 2.8%.

A second measure is produced by the U.S. Department of Housing and Urban Development (HUD) using data from the U.S. Postal Service (USPS). Included is the entire universe of addresses (both residential and commercial) that USPS has in its database. Addresses are recorded as vacant if delivery staff on urban routes observes no mail being collected for 90 days or longer. Data are aggregated and made available to researchers at the Census Tract level (using year 2000 definitions).

At the time of the recent decennial Census in the spring of 2010, the HUD/USPS data recorded a statewide vacancy rate of 4.9% compared to the Census reading of 16.3% (463,536 units). Corresponding readings for the metro Phoenix area were 4.93% vs. 14.53% (227,000). For metro Tucson the comparisons were 5.92% and 11.85% (52,000). Although the total count of addresses compares quite closely, the HUD/USPS vacancy rates are much lower than corresponding readings from the 2010 Census. Nevertheless, changes in the HUD/USPS measure are indicative of household formation and absorption of vacant units. Current readings (for June 2012) show small declines over the past two years for metro Phoenix – from 4.93% to 4.7% -- and an increase from 5.92% to 6.6% in metro Tucson (**Exhibit 1**). Exhibit 1: Vacancy Rates, 2012Q2, HUD and USPS

All the evidence suggests that little progress has been made so far in absorbing the large numbers of vacant units and that migration flows remain depressed.

Exhibit 4: Vacancy Rates, 2012Q2, HUD and USPS

	Residential			Business		
	Total	Vacant	%	Total	Vacant	%
Arizona	2,790,613	120,020	4.30%	220,843	29,458	13.30%
Apache	2,353	1	0.00%	144	0	0.00%
Cochise	54,497	2,020	3.70%	3,642	396	10.90%
Coconino	50,538	851	1.70%	5,962	472	7.90%
Gila	29,431	1,873	6.40%	1,899	266	14.00%
Graham	10,725	277	2.60%	774	69	8.90%
Greenlee	2,179	0	0.00%	42	0	0.00%
La Paz	6,775	214	3.20%	575	32	5.60%
Maricopa	1,710,148	74,187	4.30%	147,178	20,794	14.10%
Mohave	101,268	6,902	6.80%	7,128	1,033	14.50%
Navajo	26,008	532	2.00%	2,309	81	3.50%
Pima	456,046	27,181	6.00%	29,288	5,015	17.20%
Pinal	156,212	2,206	1.40%	6,177	344	5.60%
Santa Cruz	15,615	625	4.00%	1,763	208	11.80%
Yavapai	99,324	1,308	1.30%	9,402	433	4.60%
Yuma	69,464	1,843	2.70%	4,620	315	6.80%

How do KIDS COUNT in Arizona?

by Valorie Rice

According to 2010 Census data, 25.5 percent of Arizona's population is comprised of those under the age of 18. This places Arizona among the youngest states in the nation, making the report summarized below all the more important.

The Annie E. Casey Foundation has tracked the well-being of children in the United States by publishing the KIDS COUNT Data Book since 1990. The 2012 report was released in late July. This year the index expanded from the list of 10 indicators used in previous reports to 16 indicators divided into four main categories – Economic Well-Being, Education, Health, and Family and Community. This change provides for a better overall measure of child well-being in each state. The correlation between state rankings in this year's index and the previous year are quite high, though there are a few states, Arizona among them, that did see a drop in their rankings because of the greater emphasis on measures for education and family and community factors.

The state with the best overall rank was New Hampshire. New Hampshire has consistently been the highest ranked state, and this extends to the new format as well. In fact, Northeastern states rank high on childhood well-being as a group, while Southern states measure among the lowest. The four categories of the index each have a different state positioned at the top: Economic Well-Being – North Dakota, Education – Massachusetts, Health – Vermont, and Family and Community – New Hampshire. New Hampshire and Minnesota are the only states to rank among the top ten in all four areas.

In every score but one, Arizona is among the bottom five states. The overall ranking for Arizona is 46; the states ranking lower are Louisiana, Nevada, New Mexico, and Mississippi. Arizona is 46th in Economic Well-Being and for each of the four measures in that category the state scores worse than the national average, and has not experienced improvement

over the last several years. The state ranks 46th in Education as well, and though Arizona has shown progress in educational measures, it still lags behind the nation as a whole. The Family and Community category also places Arizona 46th. Though the state shows improvement over time in two of the four measures here, it is again below national averages. Health was the only category in which Arizona ranks above the bottom tier, showing up at 36th among all states. As in Education, Arizona has made strides in most of the health indicators over time. The only measure in the Health category in which Arizona lost ground is the number of low birthweight babies, and ironically it is the only indicator out of all 16 in which our state does better than the nation as a whole.

For more information on KIDS COUNT, go to <http://datacenter.kidscount.org/>.

Arizona's Ranking in the KIDS COUNT Data Book 2012 Indicator Categories

Economic Well-being <i>Arizona's Rank: 46</i>				Health <i>Arizona's Rank: 36</i>			
	Arizona	US		Arizona	US		
1. Percent of children in poverty	24%	22%	1. Percent of low birthweight babies	7.1%	8.2%		
2. Percent of children whose parents lack secure employment (no full-time, year-round work)	35%	33%	2. Percent of children without health insurance	13%	8%		
3. Percent of children living in households with a high housing cost burden	43%	41%	3. Child and teen death rate (per 100,000 children ages 1 to 19)	30%	27%		
4. Percent of teens not in school and not working (ages 16 to 19)	12%	9%	4. Percent of teens who abuse alcohol or drugs (ages 12 to 17)	8%	7%		
Education <i>Arizona's Rank: 46</i>				Family and Community <i>Arizona's Rank: 46</i>			
1. Percent of children not in preschool (ages 3 to 4)	68%	53%	1. Percent of children living in single-parent families	37%	34%		
2. Percent of 4th graders not proficient in reading	74%	68%	2. Percent of children in families where the household head lacks a high school diploma	19%	15%		
3. Percent of 8th graders not proficient in math	69%	66%	3. Percent of children living in high-poverty areas	16%	11%		
4. Percent of high school students not graduating on time	27%	24%	4. Teen birth rate (per 1,000 teens ages 15 to 19)	51%	39%		

Source: The Annie E. Casey Foundation, 2012 KIDS COUNT Data Book

Forecast Tables

Arizona	2012	2013	2014	2015	2016
Personal Income (\$mill)	243,700.5	254,678.5	268,964.2	287,024.3	307,291.5
% change	4.6	4.5	5.6	6.7	7.1
Retail Sales (\$mill)	82,030.5	86,084.7	91,768.7	98,060.7	105,000.6
% change	5.5	4.9	6.6	6.9	7.1
Nonfarm Employment (000s)	2,450.6	2,501.6	2,571.9	2,667.7	2,776.3
% change	1.9	2.1	2.8	3.7	4.1
Population (000s)	6,482.6	6,541.0	6,622.8	6,734.3	6,866.8
% change	0.7	0.9	1.3	1.7	2.0
Residential Permits (units)	17,967.0	24,375.0	34,437.0	46,790.0	55,392.0
% change	33.5	35.7	41.3	35.9	18.4

Phoenix-Mesa MSA	2012	2013	2014	2015	2016
Personal Income (\$mill)	168,833.0	176,280.0	185,884.0	198,077.0	212,333.0
% change	5.0	4.0	5.0	7.0	7.0
Retail Sales (\$mill)	56,779.0	59,905.0	64,106.0	68,476.0	73,230.0
% change	6.0	6.0	7.0	7.0	7.0
Nonfarm Employment (000s)	1,754.0	1,794.0	1,845.0	1,911.0	1,990.0
% change	2.0	2.0	3.0	4.0	4.0
Population (000s)	4,266.0	4,312.0	4,373.0	4,453.0	4,550.0
% change	1.0	1.0	1.0	2.0	2.0
Residential Permits (units)	12,428.0	16,279.0	23,787.0	32,494.0	40,611.0
% change	37.0	31.0	46.0	37.0	25.0

Tucson MSA	2012	2013	2014	2015	2016
Personal Income (\$mill)	36,864.0	38,225.0	40,244.0	42,629.0	45,357.0
% change	3.0	4.0	5.0	6.0	6.0
Retail Sales (\$mill)	11,963.0	12,364.0	12,858.0	13,313.0	13,916.0
% change	4.0	3.0	4.0	4.0	5.0
Nonfarm Employment (000s)	356.0	360.0	367.0	376.0	386.0
% change	1.0	1.0	2.0	2.0	3.0
Population (000s)	991.0	1,000.0	1,012.0	1,027.0	1,045.0
% change	1.0	1.0	1.0	2.0	2.0
Residential Permits (units)	2,797.0	3,678.0	4,626.0	5,889.0	6,884.0
% change	25.0	32.0	26.0	27.0	17.0

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The Forecasting Project is a community-sponsored research unit within the Economic and Business Research Center producing quarterly economic forecasts for Arizona and its metro areas. These forecasts are recognized as among the most accurate in the Western states.

Arizona Economic Indicators

% change versus year ago for:

	FEB 2012	MAR 2012	APR 2012	MAY 2012	JUN 2012	most recent mo.	most recent 12-mo.
Civilian Labor Force (000s) ADOD	3,009.0	3,009.4	2,980.9	3,026.8	3,017.9	-0.6	-1.6
Employment	2,747.2	2,755.8	2,757.0	2,778.2	2,761.4	1.0	-0.4
Unemployment	261.8	253.6	223.9	248.3	256.6	-15.5	-12.6
Unemployment Rate, Seas. Adj. (%)	8.7	8.6	8.0	8.5	...	-9.9	-10.9

Employees on Non Farm Payrolls (000s) ADOD

Total Non Farm	2,439.5	2,459.0	2,469.0	2,457.6	2,417.8	2.4	1.6
Natural Resources and Mining	11.5	11.6	11.6	11.7	11.9	2.6	4.5
Construction	110.6	114.9	117.4	120.2	121.6	8.2	4.3
Durable Goods Manufacturing	117.6	117.5	117.7	118.3	118.9	0.8	...
Fabricated Metal Products	16.7	16.6	16.6	16.9	17.0	4.3	6.0
Computer and Electronic Products	37.6	38.0	37.9	38.1	38.8	2.9	0.8
Aerospace Products and Parts	26.3	26.4	26.3	26.4	26.5	0.0	-1.3
Non-Durable Goods Manufacturing	32.6	32.7	32.7	32.9	33.0	3.1	1.7
Wholesale Trade	95.8	95.8	97.1	98.1	97.4	0.8	0.9
Retail Trade	295.0	296.1	297.0	299.1	298.4	2.5	1.8
Utilities	12.0	12.0	12.0	12.0	12.1	0.0	0.1
Transportation and Warehousing	69.4	70.7	71.7	71.5	72.7	2.1	1.3
Information	36.6	36.7	36.6	36.9	36.5	-0.5	1.4
Finance and Insurance	122.5	122.7	122.8	123.3	123.1	0.9	1.7
Real Estate, Rental, and Leasing	44.1	45.2	45.6	45.7	45.8	3.4	-0.1
Professional and Business Services	350.5	352.5	355.7	351.2	348.7	1.9	1.4
Educational Services	54.8	54.6	55.0	54.9	53.1	4.1	...
Healthcare and Social Assistance	306.5	308.2	308.1	309.5	307.8	3.4	3.1
Leisure and Hospitality	266.0	273.2	272.9	271.5	267.5	3.4	2.7
Other Services	88.1	88.3	87.8	87.3	89.9	-0.3	0.4
Federal Government	55.4	55.7	56.1	56.2	56.4	-1.9	-2.2
State and Local Government	370.5	370.6	371.2	357.3	323.0	2.5	0.4
Education	209.7	209.4	210.0	194.8	155.8	4.8	1.7
Hours Worked Per Week, Mfg, ADES	41.3	41.1	40.9	42.0	42.5	3.4	1.5

Average Hourly Earnings (\$) ADOD

Construction	20.0	19.9	20.2	20.7	20.6	5.6	1.2
Manufacturing	18.1	17.8	18.1	17.9	17.8	1.1	4.6
Trade, Transportation & Utilities	16.0	15.7	15.9	15.9	16.1	1.9	-0.6
Retail Trade	13.4	13.3	13.4	13.4	13.6	2.3	-2.4
Wholesale Trade	23.1	22.7	23.1	22.9	23.4	3.5	2.6

Sales (\$000s) ADOR

Aggregate Retail Sales	6,742,906	7,382,030	6,909,740	6,806,831	...	0.1	6.5
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New Housing Units Authorized, Census C-40

Total Units	2,184	1,374	1,705	1,945	1,684	41.9	50.8
Single Family Units	1,206	1,237	1,575	1,733	1,548	41.2	36.3
2-4 Unit Structures	10	23	14	58	9	125.0	339.5
5-plus Unit Structures	968	114	116	154	127	46.0	127.8

Arizona Quarterly Data	2011 II	2011 III	2011 IV	2012 I	2012 II
Population (000s, seas adj), ADOD & EBR	6,433.6	6,443.6	6,454.4	6,465.5	6,476.8
Natural Increase	9.5	9.7	9.3	9.5	9.6
Net Migration	0.6	1.1	1.6	1.6	2.0
Total Personal Income (\$mil, SAAR) BEA & EBR	231,809	233,634	236,564	238,335	242,199
Per Capita Personal Income (\$, SAAR) EBR	36,031	36,258	36,651	36,863	37,395

Arizona Economic Indicators

% change versus year ago for:

Phoenix-Mesa-Glendale MSA	FEB	MAR	APR	MAY	JUN	most	most
Monthly Data	2012	2012	2012	2012	2012	recent mo.	recent 12-mo.
Civilian Labor Force (000s) ADES	2,027.4	2,027.9	2,007.8	2,034.7	2,027.9	-0.2	-1.3
Employment	1,868.6	1,875.0	1,876.0	1,890.4	1,876.7	1.5	0.1
Unemployment	158.8	152.9	131.8	145.5	151.2	-17.8	-14.9
Unemployment Rate, Seas. Adj. (%)	7.6	7.5	7.1	...	...	-17.1	-11.0

Employees on Non Farm Payrolls (000s) ADOD

Total Non Farm	1,740.7	1,755.1	1,761.7	1,755.0	1,726.3	2.7	2.0
Natural Resources and Mining	3.2	3.2	3.2	3.3	3.3	0.0	4.5
Construction	81.3	84.5	86.6	89.4	90.1	7.4	4.1
Durable Goods Manufacturing	87.8	87.5	88.0	88.1	88.7	1.8	1.6
Computer and Electronic Products	34.4	34.8	34.7	34.9	35.6	2.6	0.6
Aerospace Products and Parts	14.4	14.5	14.5	14.5	14.6	1.4	0.4
Non-Durable Goods Manufacturing	24.6	24.6	24.6	24.8	24.9	-0.4	-0.5
Wholesale trade	81.0	80.8	81.7	83.0	82.2	1.4	1.4
Retail Trade	208.0	209.1	209.8	211.4	210.9	2.8	2.1
Utilities	8.2	8.2	8.2	8.2	8.3	0.0	0.3
Transportation and Warehousing	53.2	53.8	54.0	53.5	54.8	1.7	2.0
Information	28.1	28.2	28.1	28.5	28.4	1.4	2.2
Finance and Insurance	106.1	106.4	106.6	107.0	106.8	1.3	2.2
Real Estate, Rental, and Leasing	34.9	35.7	36.4	36.6	36.4	4.0	0.5
Professional and Business Services	279.7	281.2	283.1	280.8	277.6	1.4	1.5
Educational Services	46.1	46.1	46.2	46.0	44.4	7.5	3.9
Healthcare and Social Assistance	209.1	210.0	210.8	212.1	210.4	4.4	4.0
Leisure and Hospitality	183.9	190.2	188.5	186.8	182.4	3.6	3.1
Other Services	64.5	64.7	64.1	63.7	66.4	0.9	0.8
Federal Government	21.6	21.6	21.8	21.7	21.7	-1.4	-3.5
State and Local Government	219.4	219.3	220.0	210.1	188.6	2.3	0.2
Education	123.2	122.6	123.3	111.5	87.4	3.7	1.3

Sales (\$000s) ADOR

Aggregate Retail Sales	4,597,094	5,076,098	4,737,578	4,650,730	...	0.2	6.7
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New Housing Units Authorized, Census C-40

Total Units	1,566	997	1,261	1,428	1,192	45.4	69.4
Single Family Units	900	927	1,253	1,354	1,180	52.7	50.2
2-4 Unit Structures	8	15	8	20	2	...	114.3
5-plus Unit Structures	658	55	0	54	10	-78.7	250.9
Housing Sales and Prices, ARMLS							
Total Sales (millions)	1,207	1,602	1,595	1,727	1,770	-0.5	5.2
Total Units	7,249	8,868	8,438	8,445	9,133	-18.0	-0.8
Average Price (\$)	166,567	180,605	189,077	204,500	193,764	21.3	5.5

Phoenix-Mesa-Glendale MSA	2011 II	2011 III	2011 IV	2012 I	2012 II
Quarterly Data					
Population (000s, seas adj), ADOD & EBR	4,223.9	4,232.9	4,247.2	4,259.2	4,259.2
Natural Increase	7.6	7.5	7.6	7.7	7.7
Net Migration	0.5	1.5	6.7	4.3	-7.7
Total Personal Income (\$mil, SAAR) BEA & EBR	159,242	161,392	163,516	167,767	169,898
Per Capita Personal Income (\$, SAAR) EBR	37,700	38,128	38,500	39,389	39,890

* All Aggregate Retail Sales figures reported by EBR include retail, food, restaurant & bars and gasoline sales. Food estimated by EBR.

Arizona Economic Indicators

% change versus year ago for:

Tucson MSA	FEB	MAR	APR	MAY	JUN	% change versus year ago for:	
Monthly Data	2012	2012	2012	2012	2012	recent mo.	recent 12-mo.
Civilian Labor Force (000s) ADES	462.2	460.1	455.9	461.6	455.2	-1.6	-2.3
Employment	426.0	425.2	425.9	427.7	420.3	-0.1	-1.1
Unemployment	36.3	34.9	30.0	33.2	34.9	-16.8	-13.9
Unemployment Rate, Seas. Adj. (%)	7.7	7.7	7.2	...	...	-14.8	-9.7

Employees on Non Farm Payrolls (000s) ADOD

Total Non Farm	358.4	359.1	360.6	358.7	348.5	1.3	0.7
Natural Resources and Mining	1.9	1.9	1.9	1.9	1.9	0.0	0.9
Construction	16.4	17.4	17.0	16.5	16.9	13.4	10.5
Manufacturing	23.3	23.2	23.5	23.4	23.1	-1.3	-0.8
Aerospace Products and Parts	11.5	11.5	11.5	11.5	11.5	-1.7	-3.1
Wholesale Trade	7.5	7.5	7.5	7.6	7.6	-3.8	-2.0
Retail Trade	39.1	39.1	38.9	39.2	39.1	-1.5	-1.7
Transportation, Warehousing, and Utilities	9.1	9.1	9.2	9.2	9.3	0.0	1.3
Information	4.0	3.9	3.9	4.0	3.9	-7.1	-4.4
Financial Activities	17.4	17.4	17.5	17.6	17.6	1.7	-0.1
Professional and Business Services	45.6	45.6	46.9	46.5	46.8	2.2	0.8
Educational and Health Services	58.6	58.4	58.0	57.5	57.7	-2.2	0.0
Leisure and Hospitality	41.8	41.9	42.6	42.0	41.1	6.2	5.9
Acomodation	6.3	6.3	6.3	6.2	6.1	-4.7	-3.2
Food Services and Drinking Places	29.1	29.7	29.8	29.6	28.9	4.0	3.8
Other Service Providing	14.1	14.2	14.2	14.2	14.3	-1.4	-1.4
Federal Government	12.6	12.6	12.6	12.6	12.6	0.0	0.5
State and Local Government	67.0	66.9	66.9	66.5	56.6	3.1	-1.0
State and Local Government Education	43.9	43.8	43.8	43.3	32.9	6.1	0.1

Sales (\$000s) ADOR

Aggregate Retail Sales	1,031,893	1,083,481	1,014,936	1,004,184	...	2.1	7.1
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New Housing Units Authorized, Census C-40

Total Units	173	229	199	303	...	87.0	-9.9
Single Family Units	147	182	151	201	...	28.0	6.1
2-4 Unit Structures	2	0	4	2	...	...	100.0
5-plus Unit Structures	24	47	44	100	...	1,900.0	-50.8
Housing Sales and Prices, TAR							
Total Sales (\$000s)	167,639	233,229	224,278	229,316	221,813	1.1	8.7
Total Units	1,019	1,387	1,276	1,318	1,269	-3.3	16.4
Average Price (\$)	164,513	168,153	175,767	173,988	174,793	4.6	-7.6

Tucson MSA Quarterly Data

	2011 II	2011 III	2011 IV	2012 I	2012II
Population (000s, seas adj), ADOD & EBR	985.6	986.9	988.8	990.3	990.3
Natural Increase	0.9	0.9	0.9	0.9	0.9
Net Migration	0.5	0.4	1.0	0.7	-0.9
Total Personal Income (\$mil, SAAR) BEA & EBR	35,644	35,920	36,184	36,728	37,000
Per Capita Personal Income (\$, SAAR) EBR	36,165	36,396	36,595	37,086	37,361

ADHS: Arizona Department of Health Services

ADOD: Arizona Department of Administration, Office of Employment and Population Statistics

ADOR: Arizona Department of Revenue

BEA: Bureau of Economic Analysis, U.S. Department of Commerce

BLS: Bureau of Labor Statistics, U.S. Department of Labor

Census C-40: U.S. Census Bureau, U.S. Department of Commerce

EBR: Economic & Business Research Center, The University of Arizona

SAAR: Seasonally adjusted at annual rates

ARIZONA'S ECONOMY

ECONOMIC AND BUSINESS RESEARCH CENTER

McClelland Hall, Room 103
P.O. Box 210108
1130 E. Helen Street
Tucson, AZ, 85721-0108

Phone: 520-621-2155
Fax: 520-621-2150
E-mail:
ebrpublications@eller.arizona.edu

Marshall J. Vest

Director
(520) 621-4075
mvest@eller.arizona.edu

Alberta Charney, Ph.D.

Research Director
(520) 621-2291
acharney@eller.arizona.edu

George W. Hammond, Ph. D.

Associate Director and Research Professor
(520) 626-1679
ghammond@eller.arizona.edu

Daniel Kinnear

Specialist, Business Research
(520) 626-1673
dkinnear@eller.arizona.edu

Pia Montoya

Database Specialist
(520) 621-2523
pmontoya@eller.arizona.edu

Maile L. Nadelhoffer

Senior Research Economist & Webmaster
(520) 621-4050
mln@eller.arizona.edu

Vera Pavlakovich-Kochi, Ph.D.

Senior Regional Scientist & Associate Professor of Geography
(520) 626-0520
vkp@eller.arizona.edu

Heather Peterson

Technical Consultant
(520) 621-4050
thpeterson@comcast.net

Valorie Rice

Senior Specialist, Business Information
(520) 621-2109
vrice@eller.arizona.edu

To subscribe to Arizona's Economy or other Economic and Business Research Publications, visit:
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