



Fall 2023

ECONOMIC BRIEFING AND MARKET UPDATE

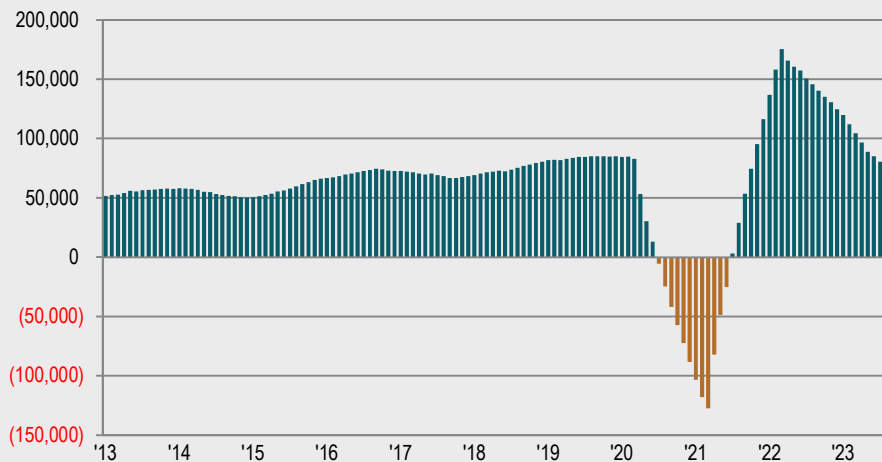
Arizona's job market demonstrated strength during the past year as it earned the Gold Shovel Award presented by Area Development Magazine. The recognition is bestowed upon states that garner large job-creating projects that foster sustainable, enduring development projects. In fact, this is the third consecutive year Arizona has earned the top achievement among similarly sized states. Investments in industries such as advanced semiconductor manufacturing, bioscience technology and electric vehicle manufacturing are key reasons for the latest recognition.

In August 2023, statewide employment in Arizona reached an impressive 3.1 million, indicating substantial progress with the addition of 56,700 jobs, a 1.8 percent increase compared with the previous year. Key contributors to this growth were the education and health services sector - which saw a notable increase of

19,600 jobs - and the government sector, which added 14,500 jobs. Together, those sectors accounted for more than 60 percent of the year's employment growth. Further gains were experienced in leisure and hospitality, which saw an increase of 10,800 employees as tourism-related activity remains strong, and construction,

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ARIZONA EMPLOYMENT GROWTH
TRAILING 12-MONTH AVERAGES



**ARIZONA
EMPLOYMENT
GROWTH**
AUGUST 2023
(TRAILING 12-MONTH AVERAGE
YEAR-OVER-YEAR GROWTH)

+75,575

▲ 0.2%
vs. previous period

▲ 2.5%
vs. previous year

EMPLOYMENT

INDICATOR SERIES

	MOST RECENT DATA AVAILABLE	INDICATOR VALUES			GROWTH RATES	
		CURRENT PERIOD	PREVIOUS PERIOD	SAME PERIOD PREV. YEAR	VS. PREV. PERIOD	VS. SAME PERIOD PREV. YR.
Trade, Transportation and Utilities	Aug-23	595,500	596,700	596,100	-0.2% ▼	-0.1% ▼
Education and Health Services	Aug-23	502,400	493,600	482,800	1.8% ▲	4.1% ▲
Professional and Business Services	Aug-23	473,600	467,600	470,900	1.3% ▲	0.6% ▲
Government	Aug-23	420,400	388,700	405,900	8.2% ▲	3.6% ▲
Leisure and Hospitality	Aug-23	342,700	343,400	331,900	-0.2% ▼	3.3% ▲
Financial Activities	Aug-23	253,800	251,300	248,700	1.0% ▲	2.1% ▲
Manufacturing	Aug-23	194,200	195,000	194,900	-0.4% ▼	-0.4% ▼
Construction	Aug-23	203,800	199,900	196,600	2.0% ▲	3.7% ▲
Other Services	Aug-23	94,700	95,000	95,300	-0.3% ▼	-0.6% ▼
Information	Aug-23	49,300	49,500	51,800	-0.4% ▼	-4.8% ▼
Mining and Logging	Aug-23	14,200	14,200	13,000	0.0% ●	9.2% ▲

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which added 7,200 new jobs. Excluding the government sector, the private sector alone generated an impressive 42,200 new jobs. Four industries experienced negative growth during the past year: the information sector lost 2,500 jobs, manufacturing decreased by 700 positions, trade, transportation, and utilities were reduced by 600 jobs and the other services sector reported a decline of 600 employees.

Employment in nearly all industries in Arizona's economy except government, information and other services have recovered to pre-pandemic levels. Since February 2020, statewide employment has risen by 137,100 jobs (+4.6 percent). While the government sector's position has edged up, it remains below pre-pandemic levels, with overall losses of 17,700 jobs (-4.0 percent). Similarly, the information and other services sectors have dipped by 800 jobs (-1.6 percent) and 100 jobs (-0.1 percent), respectively, since 2020. A closer examination of government employment shows that both the state - which is down 4,400 jobs (-4.5 percent) - and local government, which is short 16,100 positions (-5.7 percent), are below pre-pandemic levels. More specifically, state government education has lost 5,300 jobs (-8.8 percent), and local government education employment has decreased by 20,400 positions (-13.7 percent) since 2020. However, since education employment is impacted by seasonal fluctuations, trailing 12-month averages provide additional insight. After accounting for seasonality, state-level education has added 1,592 positions (+2.9 percent), while local education lost 9,142 jobs (-6.5 percent) between August 2019 and August 2023. Hurdles, including burnout, lengthy hiring processes and private-sector competition, are likely contributors to the decline as the overall population base continues to expand.

On the other hand, the private education and health services sector is helping to drive Arizona's employment growth. It added 19,600 jobs between August 2022 and August 2023, a 4.1 percent

increase from the previous year. This growth is driven primarily by the health care and social assistance sector, contributing 17,200 more jobs (+4.1 percent). The private educational services sector added 2,400 jobs, a notable 3.6 percent increase. The private educational services sector has not yet achieved pre-pandemic levels, as it is still short 4,900 jobs (-6.6 percent) compared to February 2020. However, seasonality adjustments using trailing twelve-month averages reveal that private education gained 4,642 jobs (+6.9 percent) between August 2019 and August 2023.

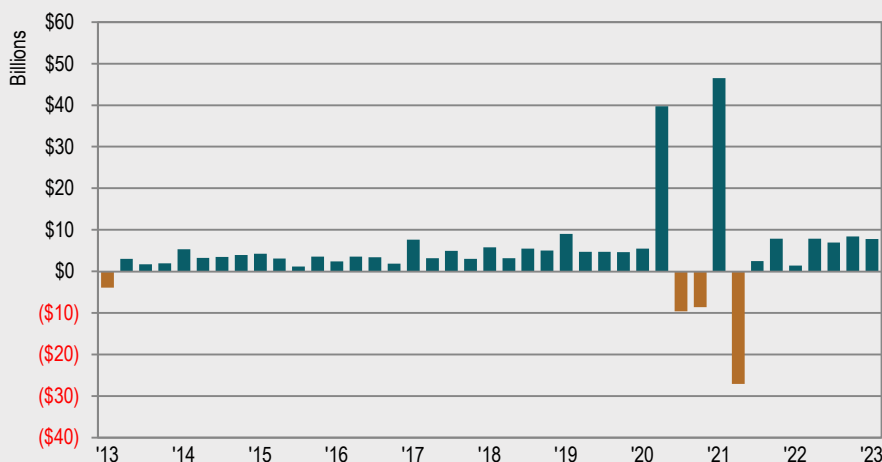
Growth in Arizona's largest employment sector, trade, transportation and utilities, surged by 45,200 jobs (+8.2 percent) since February 2020. This surge is largely fueled by demand for e-commerce and online shopping, extending well beyond the uptick that began during the height of the pandemic. While the utility sector saw a minor loss of 200 jobs (-1.6 percent) during this period, the retail trade sector played a pivotal role by adding an impressive 10,000 jobs (+3.1 percent). But the most significant growth occurred in transportation and warehousing, which added 18,100 jobs (+16.1 percent), and wholesale trade, with 17,300 additional jobs (+17.3 percent). Remote sales, or internet-based sales, in Arizona have skyrocketed by 174.8 percent, increasing by \$651.4 million, or approximately \$15.1 million per month, since February 2020.

Overall, the latest employment numbers demonstrate positive growth. Arizona continues to experience a surge in investments and job creation, with companies such as TSMC, LG Energy Solution and American Battery Factory contributing billions of dollars and thousands of jobs to the state's manufacturing and technology sectors. A diverse range of industries - including aerospace, recycling and materials science - are also expanding, collectively generating hundreds of new jobs that will continue to help supplement Arizona's workforce in the coming months and years.

ECONOMIC INDICATOR SERIES

	MOST RECENT DATA AVAILABLE	INDICATOR VALUES			GROWTH RATES	
		CURRENT PERIOD	PREVIOUS PERIOD	SAME PERIOD PREV. YEAR	VS. PREV. PERIOD	VS. SAME PERIOD PREV. YR.
POPULATION METRICS						
Population	2022	7,359,197	N/A	7,264,877	N/A	1.3% ▲
EMPLOYMENT METRICS						
Employment	Aug-23	3,144,600	3,094,900	3,087,900	1.6% ▲	1.8% ▲
Unemployment Rate	Aug-23	4.6%	4.7%	4.5%	-0.1% ▼	0.1% ▲
Average Weekly Hours Worked	Aug-23	34.9	35.1	35.0	-0.6% ▼	-0.3% ▼
INCOME AND SPENDING METRICS						
Personal Income (Annualized)	Q1 '23	\$436.5 B	\$428.7 B	\$405.5 B	1.8% ▲	7.7% ▲
Average Weekly Wages	Aug-23	\$1,118	\$1,119	\$1,064	-0.1% ▼	5.0% ▲
Transaction Privilege Tax Sales	Jul-23	\$16.1 B	\$16.8 B	\$15.4 B	-4.4% ▼	4.0% ▲
National Inflation (CPI Index)	Aug-23	3.7%	3.2%	8.3%	0.5% ▲	-4.6% ▼
Phoenix MSA Inflation (CPI Index)	Aug-23	3.7%	4.4%	13.0%	-0.7% ▼	-9.3% ▼
HOUSING METRICS						
Housing Price Index (Q1 1991 = 100)	Q2 '23	547.6	534.5	561.3	2.4% ▲	-2.5% ▼
Residential Units Permitted	Jul-23	5,367	3,840	5,509	39.8% ▲	-2.6% ▼
Homeowner Vacancy Rate	Q2 '23	0.9%	1.3%	0.9%	-0.4% ▼	0.0% ●
Rental Vacancy Rate	Q2 '23	9.2%	5.1%	5.5%	4.1% ▲	3.7% ▲
30-Year Fixed Mortgage Rate	Aug-23	7.1%	6.8%	5.2%	0.2% ▲	1.9% ▲
AGRICULTURAL METRICS						
Proprietors' Farm Income (Annualized)	Q1 '23	\$404.1 M	\$579.4 M	\$427.7 M	-30.3% ▼	-5.5% ▼
Agriculture, Forestry, Fishing and Hunting GDP (Annualized)	Q1 '23	\$3.4 B	\$3.6 B	\$3.2 B	-5.9% ▼	4.6% ▲
TRAVEL METRICS						
Sky Harbor Airport Passengers	Jul-23	3,879,771	3,817,142	3,671,794	1.6% ▲	5.7% ▲

STATE OF ARIZONA ANNUALIZED PERSONAL INCOME GROWTH QUARTER OVER QUARTER



STATE OF ARIZONA PERSONAL INCOME GROWTH

Q1 2023
(QUARTER OVER QUARTER GROWTH)

+\$7.8 B

▲ 1.8%
vs. previous period/quarter

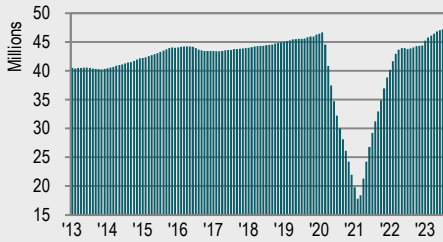
▲ 7.7%
vs. previous year



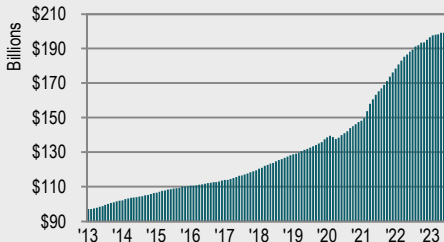
ECONOMIC BRIEFING AND MARKET UPDATE

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SKY HARBOR AIRPORT PASSENGER COUNTS¹



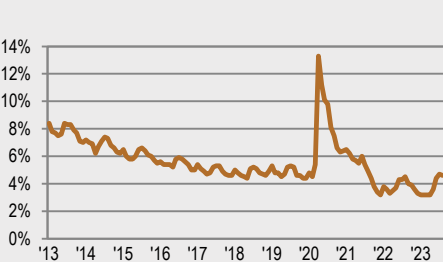
ARIZONA TRANSACTION PRIVILEGE TAX SALES¹



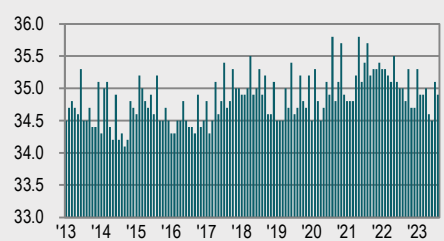
NATIONAL INFLATION (CONSUMER PRICE INDEX)²



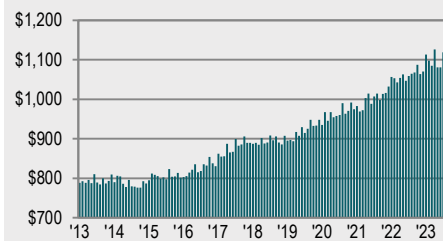
ARIZONA UNEMPLOYMENT RATE³



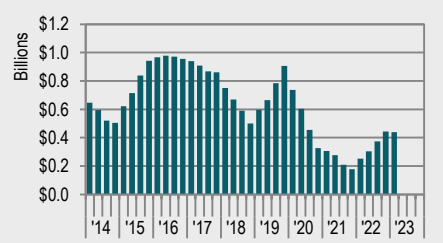
ARIZONA PRIVATE AVERAGE WEEKLY HOURS WORKED³



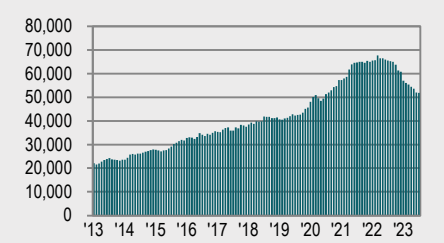
ARIZONA PRIVATE AVERAGE WEEKLY WAGES³



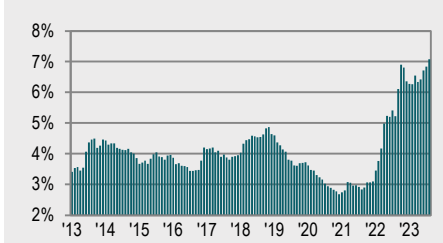
ARIZONA ANNUALIZED PROPRIETORS' FARM INCOME⁴



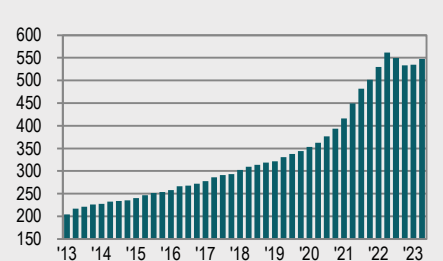
ARIZONA PRIVATE HOUSING UNITS PERMITTED¹



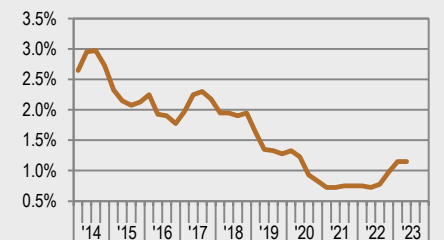
NATIONAL 30-YEAR FIXED MORTGAGE RATE³



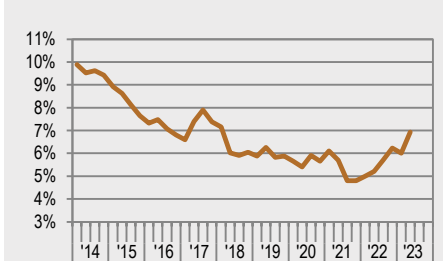
HOUSING PRICE INDEX⁵



ARIZONA HOMEOWNER VACANCY RATE⁴



ARIZONA RENTAL VACANCY RATE⁴



Note: ¹Trailing 12-month total. ²Year-over-year change. ³Monthly series. ⁴Trailing 4-quarter average. ⁵Quarterly series (Q1 1991 = 100).

Methodology: Applied Analysis ("AA") was retained by the National Bank of Arizona to summarize and analyze a series of key economic indicators on a recurring basis. Relevant data were obtained from AA's internal databases as well as national, regional and local data providers, including, without limitation, state and local governments and universities. While we have no reason to doubt the accuracy of any of the data reported, we have not performed an audit or assurance procedures on these data, and as such, we cannot attest to their completeness. Generally speaking, data reported are for Arizona.