



Summer 2023

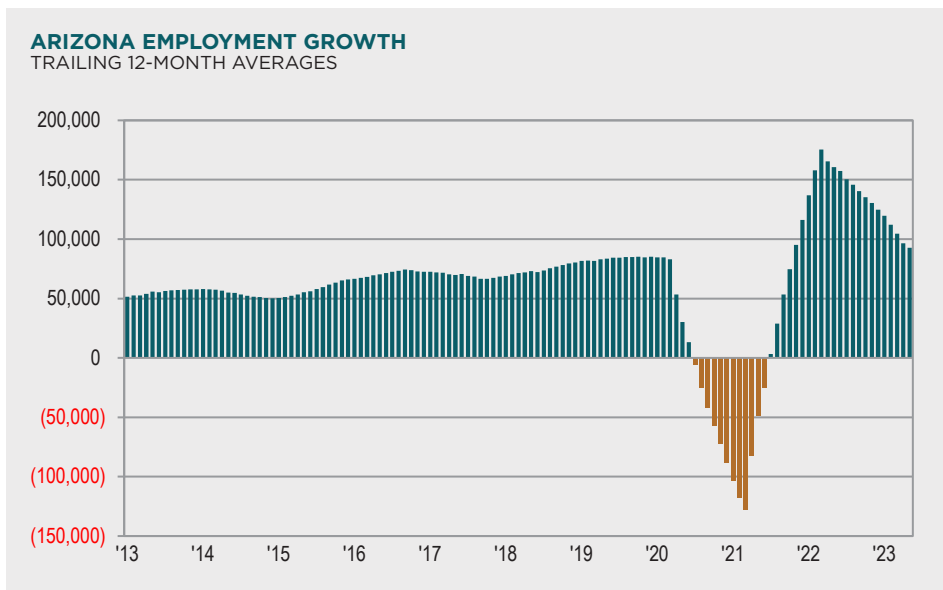
ECONOMIC BRIEFING AND MARKET UPDATE

Arizona's economic competitiveness is a key factor in the state's rapid growth and development. With positive population in-migration, increasing employment figures and billions of dollars in investment coming into the state from domestic and international companies, it is clear that Arizona is a highly sought-after destination for businesses and new residents alike.

Total statewide employment reached 3.2 million in May 2023, representing 100,600 additional jobs and a 3.3 percent increase from the prior year. The Phoenix and Tucson metropolitan areas

have also seen respectable year-over-year employment growth rates of 1.6 percent and 1.2 percent, respectively (42,100 additional jobs combined). The sectors with the largest percentage gains

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

+92,717

▲ 0.3%
vs. previous period

▲ 3.1%
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	May-23	598,200	599,400	597,900	-0.2% ▼	0.1% ▲
Education and Health Services	May-23	499,600	504,200	478,200	-0.9% ▼	4.5% ▲
Professional and Business Services	May-23	470,000	477,200	467,300	-1.5% ▼	0.6% ▲
Government	May-23	426,900	431,400	413,200	-1.0% ▼	3.3% ▲
Leisure and Hospitality	May-23	347,900	347,900	337,800	0.0% ●	3.0% ▲
Financial Activities	May-23	246,200	250,000	248,200	-1.5% ▼	-0.8% ▼
Manufacturing	May-23	195,400	194,700	191,200	0.4% ▲	2.2% ▲
Construction	May-23	195,800	197,100	193,800	-0.7% ▼	1.0% ▲
Other Services	May-23	95,400	94,300	98,200	1.2% ▲	-2.9% ▼
Information	May-23	49,500	50,300	52,000	-1.6% ▼	-4.8% ▼
Mining and Logging	May-23	14,200	13,900	12,700	2.2% ▲	11.8% ▲

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during the past year included mining and logging (+11.8 percent), education and health services (+4.5 percent), government (+3.3 percent) and leisure and hospitality (+3.0 percent). Education and health services, (+21,400 jobs), government (+13,700 jobs) and leisure and hospitality (+10,100 jobs) also represented the largest job contributors in the region.

Additional evidence of a robust labor market in Arizona includes average weekly wages, which grew by 3.2 percent over the year to \$1,097 in May 2023. Although the unemployment rate increased slightly to 3.6 percent during the month of May, the state sustained a 3.2 percent unemployment rate for the first four months of the year. Notably, 3.2 percent is the lowest unemployment rate in Arizona's history, occurring only twice before (2007 and 2021). Further, the Arizona labor force has increased by 2.3 percent year-over-year (May 2023) and the labor force participation rate rose by 0.2 points to 61.9 percent.

In addition to a growing workforce, Arizona's population continues to expand. While the population in the United States grew 0.5 percent between 2021 and 2022, Arizona's population grew nearly three times faster (1.3 percent) to almost 7.4 million, making it the eighth fastest-growing state in the nation. In fact, between 2021 and 2022, approximately 71,000 individuals moved to Arizona from other states, with Maricopa County accounting for almost half of the net migration. As a result, Arizona was one of the top five income gainers in 2021, with \$4.4 billion in net adjusted gross income brought into the state according to the Internal Revenue Service (latest data year available). Likewise, according to the Alec-Laffer State Economic Competitiveness Index, Arizona was third in the nation for absolute migration between 2011 and 2021.

Arizona's overall economic health appears to be thriving, reflecting the positive employment and population trends. The state's gross domestic product (GDP) reached \$459.0 billion in

2022, a 9.3 percent increase compared to 2021. This is slightly higher than the national GDP growth of 9.2 percent. Arizona is the third most economically diverse region in the United States, with a Hachman index score of 96.4 (out of 100.0), just below Missouri (97.0) and Georgia (96.6), and the highest among other Western states. As a result, the state's economic future remains bright, with Arizona ranking in the top three states in the 2023 State Economic Competitiveness Index Economic Outlook (based upon equal weighting of the state's rank in 15 policy variables). The last two years were the first time Arizona has been one of the top three economically competitive states since the Great Recession.

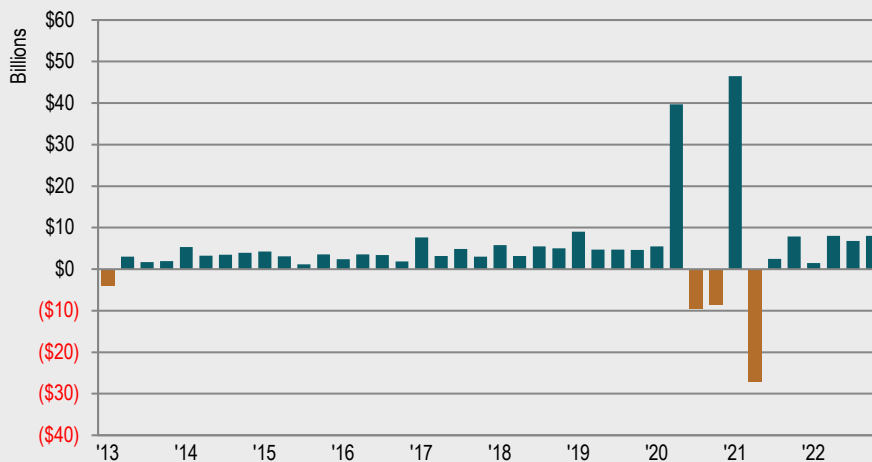
The economic diversity in Arizona is also demonstrated by the variety of investments coming to the state. In 2022, Arizona received more direct foreign investment than any other state for the second consecutive year, with 35 companies investing almost \$32 billion. The bulk of these contributions came from a \$28 billion investment by TSMC to develop a technologically advanced semiconductor chip factory in the Phoenix area (\$40 billion investment total). Other investments within the semiconductor industry have also made headlines, with more than \$60 billion in semiconductor manufacturing and infrastructure announced since 2020.

Other notable investments recently announced include the Rehrig Pacific manufacturing facility in Buckeye, which has begun construction on a new injection molding manufacturing plant set to open in April 2024, EVelocity Energy's \$200 million cobalt sulfate production facility and the Mediterranean Shipping Company's new office in Tempe. Large, diverse investments such as these in Arizona earned it the title "Innovation Champion," and fifth place overall in Chief Executive Magazine's list of "Best States for Business." With positive job growth, billions in planned investments and strong diversification efforts, Arizona's economy is well positioned heading into the second half of 2023.

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	May-23	3,191,100	3,158,200	3,090,500	1.0% ▲	3.3% ▲
Unemployment Rate	May-23	3.6%	3.2%	3.7%	0.4% ▲	-0.1% ▼
Average Weekly Hours Worked	May-23	34.7	35.0	35.5	-0.9% ▼	-2.3% ▼
INCOME AND SPENDING METRICS						
Personal Income (Annualized)	Q4 '22	\$428.5 B	\$420.4 B	\$404.1 B	1.9% ▲	6.0% ▲
Average Weekly Wages	May-23	\$1,097	\$1,126	\$1,063	-2.6% ▼	3.2% ▲
Transaction Privilege Tax Sales	Apr-23	\$16.6 B	\$18.1 B	\$16.6 B	-8.3% ▼	0.2% ▲
National Inflation (CPI Index)	May-23	4.0%	4.9%	8.6%	-0.9% ▼	-4.5% ▼
Phoenix MSA Inflation (CPI Index)	Apr-23	7.4%	8.5%	11.0%	-1.1% ▼	-3.6% ▼
HOUSING METRICS						
Housing Price Index (Q1 1991 = 100)	Q1 '23	534.4	533.8	530.8	0.1% ▲	0.7% ▲
Residential Units Permitted	Apr-23	4,268	6,525	5,268	-34.6% ▼	-19.0% ▼
Homeowner Vacancy Rate	Q1 '23	1.3%	1.5%	0.6%	-0.2% ▼	0.7% ▲
Rental Vacancy Rate	Q1 '23	5.1%	6.7%	6.0%	-1.6% ▼	-0.9% ▼
30-Year Fixed Mortgage Rate	Jun-23	6.7%	6.4%	5.2%	0.3% ▲	1.5% ▲
AGRICULTURAL METRICS						
Proprietors' Farm Income (Annualized)	Q4 '22	\$617.0 M	\$396.2 M	\$295.6 M	55.7% ▲	108.7% ▲
Agriculture, Forestry, Fishing and Hunting GDP (Annualized)	Q4 '22	\$3.6 B	\$3.2 B	\$3.1 B	10.6% ▲	14.6% ▲
TRAVEL METRICS						
Sky Harbor Airport Passengers	Apr-23	4,259,818	4,615,127	3,917,963	-7.7% ▼	8.7% ▲

STATE OF ARIZONA ANNUALIZED PERSONAL INCOME GROWTH QUARTER OVER QUARTER



STATE OF ARIZONA PERSONAL INCOME GROWTH

Q4 2022
(QUARTER OVER QUARTER GROWTH)

+\$8.1 B

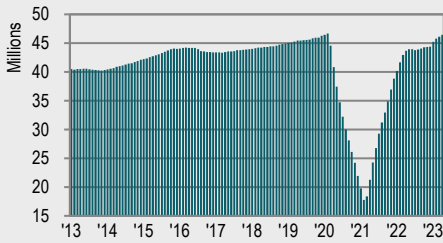
▲ 1.9%
vs. previous period

▲ 6.0%
vs. previous year

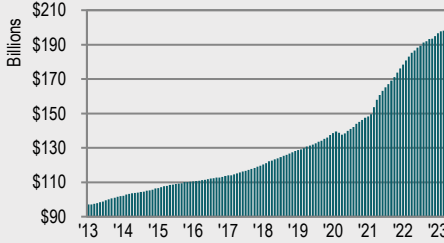


ECONOMIC BRIEFING AND MARKET UPDATE *Summer 2023*

SKY HARBOR AIRPORT PASSENGER COUNTS¹



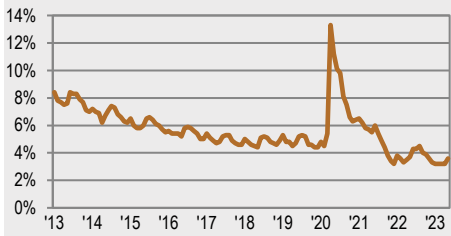
ARIZONA TRANSACTION PRIVILEGE TAX SALES¹



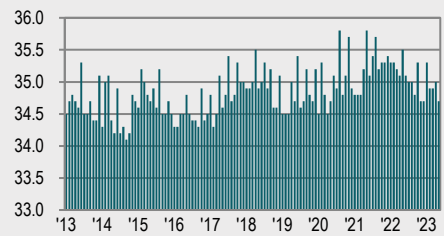
NATIONAL INFLATION (CONSUMER PRICE INDEX)²



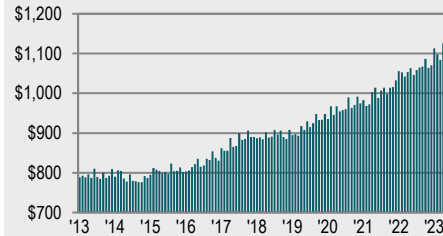
ARIZONA UNEMPLOYMENT RATE³



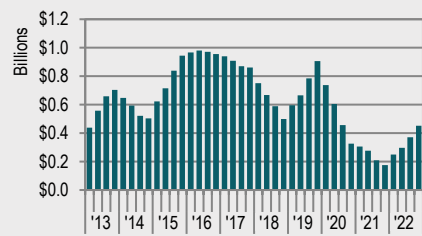
ARIZONA PRIVATE AVERAGE WEEKLY HOURS WORKED³



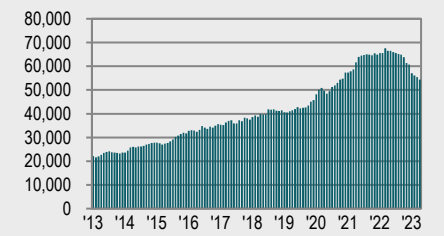
ARIZONA PRIVATE AVERAGE WEEKLY WAGES³



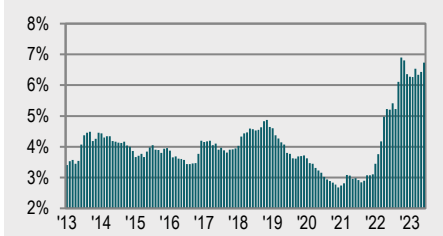
ARIZONA ANNUALIZED PROPRIETORS' FARM INCOME⁴



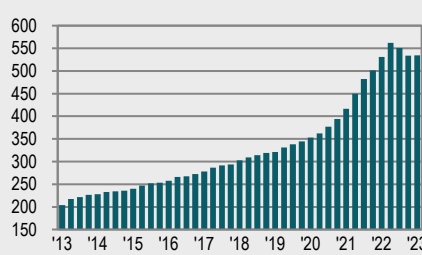
ARIZONA PRIVATE HOUSING UNITS PERMITTED¹



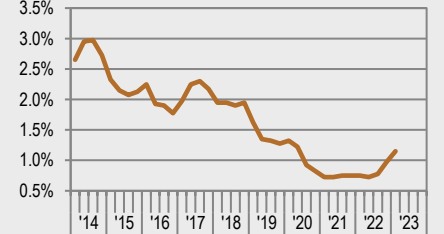
NATIONAL 30-YEAR FIXED MORTGAGE RATE³



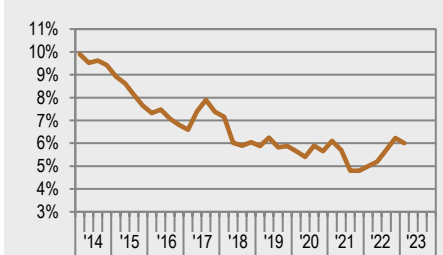
HOUSING PRICE INDEX⁵



ARIZONA HOMEOWNER VACANCY RATE⁵



ARIZONA RENTAL VACANCY RATE⁵



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.