



Winter 2024

ECONOMIC BRIEFING AND MARKET UPDATE

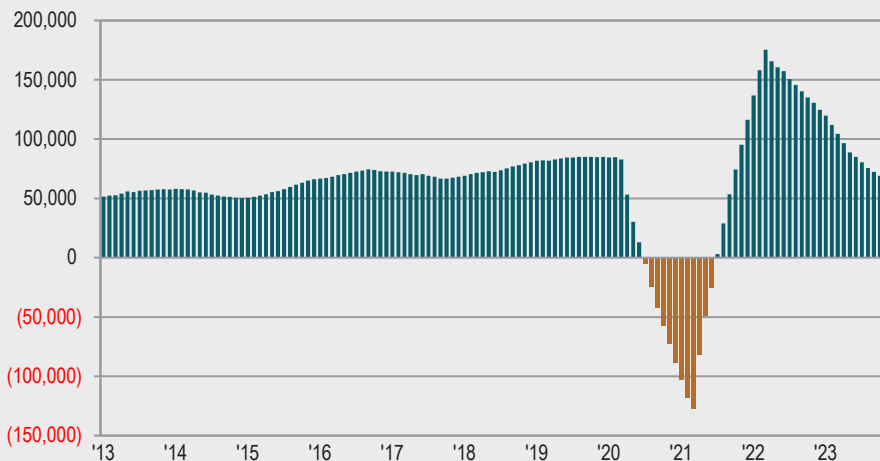
Arizona has become a startup hub due to its business-friendly environment, expanding workforce and relatively low cost of living. In fact, according to venture capital and private equity firm York IE, the city of Scottsdale is recognized as the fastest-growing startup city in the country, and the Greater Phoenix Economic Council (GPEC) boasts that \$5.1 billion in venture capital/equity financing deals flowed into Arizona-based companies between October 2020 and November 2023.

The state's local economy is diverse, supported by a skilled workforce and expanding job training initiatives. Arizona welcomed more than 94,000 people in 2022, and the population is projected to increase to 8.3 million by 2030. Along with steady gross domestic product growth (+10.0 percent in 2022), these factors have fostered favorable conditions for a robust domestic market. Current employment for the state stands at 3,229,000, reflecting

a 1.9 percent increase from the same period of the previous year. The unemployment rate stands at 4.0 percent, a modest increase of 0.4 points from November 2022. Personal income reached \$461.4 billion in the third quarter of 2023, a 6.2 percent increase from the previous year. Average weekly wages grew to \$1,131 in November 2023, a 6.3 percent year-over-year increase.

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ARIZONA EMPLOYMENT GROWTH
TRAILING 12-MONTH AVERAGES



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

+66,275

▲ 0.2%
vs. previous period

▲ 2.1%
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	Nov-23	623,300	606,700	616,600	2.7% ▲	1.1% ▲
Education and Health Services	Nov-23	518,100	515,200	496,300	0.6% ▲	4.4% ▲
Professional and Business Services	Nov-23	485,800	476,700	476,400	1.9% ▲	2.0% ▲
Government	Nov-23	441,400	440,900	428,400	0.1% ▲	3.0% ▲
Leisure and Hospitality	Nov-23	349,100	347,400	341,100	0.5% ▲	2.3% ▲
Financial Activities	Nov-23	252,700	251,600	251,500	0.4% ▲	0.5% ▲
Manufacturing	Nov-23	194,600	194,200	196,000	0.2% ▲	-0.7% ▼
Construction	Nov-23	205,400	202,100	198,500	1.6% ▲	3.5% ▲
Other Services	Nov-23	95,700	95,800	99,700	-0.1% ▼	-4.0% ▼
Information	Nov-23	48,500	48,200	51,300	0.6% ▲	-5.5% ▼
Mining and Logging	Nov-23	14,400	14,300	13,200	0.7% ▲	9.1% ▲

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Markets in Arizona represent some of the more affordable living options in the region; low living costs promote competitive pricing, flexibility in wages and the ability to attract top talent. For example, the Cost of Living Index from C2ER, which is a composite measure of living expenses, indicates Phoenix is just above the national average (+1.7 points) in terms of overall costs, while markets in California, Oregon and Utah range between 9.2 and 71.3 points above the average. Further, Phoenix offers competitive office and industrial lease rates relative to other comparable metro markets. In addition, the inflation rate in Phoenix is declining to more stable levels. The current inflation rate in Phoenix has continued to drop toward the target rate of 2.0 percent, currently sitting at 2.9 percent.

Reliable infrastructure further enhances Arizona's appeal to businesses. A recent report published by the Citizens Utility Board of Illinois ranked Arizona first overall in the United States in utility reliability. Further, Phoenix's transportation system includes two interstate routes and three large highways that connect the city to major markets in the region and ports on the West Coast. The city is also supported by Phoenix Sky Harbor International Airport and an extensive railroad network, which enhances access to domestic and international locations.

In addition, Arizona benefits from incentives and programs to reduce operating costs for businesses. For example, the Quality Jobs Tax Credit provides up to \$9,000 in tax credits to encourage the creation of high-quality jobs, and the Research and Development (R&D) tax credit for qualified research and development activities. The state continues to invest in programs that reduce barriers to business development, such as the Regulatory Sandbox Program (introduced in 2018), which allows financial services companies to test innovative products and technology without traditional licenses for up to two years. Programs like this tend to encourage growth in emerging

industries such as fintech, blockchain and cryptocurrencies throughout the state.

Since the pandemic, business births have grown significantly in Arizona. The number of establishments in Arizona has increased by 32.2 percent compared to pre-COVID-19 levels. In the past year alone, total businesses grew by 7.5 percent. In 2021, almost \$22.0 billion in goods were exported by over 7,600 identified firms from Arizona. Nearly 87.0 percent of these companies (just over 6,600) were categorized as small businesses, accounting for almost 28.0 percent of identified exports, or \$6.1 billion.

The Small Business Administration defines a small business as an establishment with fewer than 500 employees—businesses of this class account for 97.9 percent of all private establishments in Arizona. As of the first quarter of 2023, employees at these businesses made up 76.6 percent of the statewide workforce. Overall, more than 210,000 small businesses employ 2.1 million individuals in the state. Notably, around 95.0 percent of all small businesses employ a staff of less than 50 people.

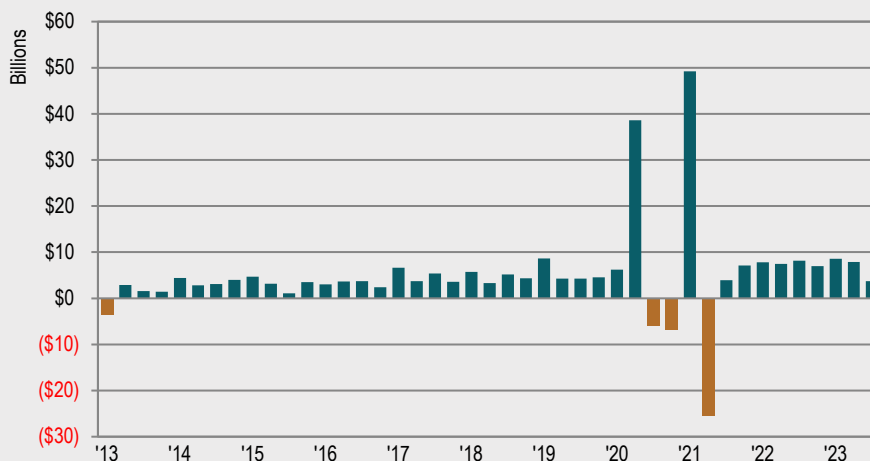
For the reasons noted above, Clever Real Estate ranks Arizona as the seventh-best United States market for new businesses, and startups such as DoorDash, Carvana, Moov and ThredUp have chosen to establish headquarters in the region, leveraging the benefits Arizona offers to new and expanding companies. Similarly, Maricopa County was ranked first in the country for attracting talent, and LinkedIn recognizes Arizona as first in workforce confidence.

Arizona continues to provide a range of favorable economic conditions that promote business development. Startup businesses involved in new and emerging industries are expected to continue to bring innovation to the region and employ a growing workforce well into the future.

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	Nov-23	3,229,000	3,193,100	3,169,000	1.1% ▲	1.9% ▲
Unemployment Rate	Nov-23	4.0%	4.4%	3.6%	-0.4% ▼	0.4% ▲
Average Weekly Hours Worked	Nov-23	35.1	35.2	34.7	-0.3% ▼	1.2% ▲
INCOME AND SPENDING METRICS						
Personal Income (Annualized)	Q3 '23	\$461.4 B	\$457.7 B	\$434.3 B	0.8% ▲	6.2% ▲
Average Weekly Wages	Nov-23	\$1,131	\$1,131	\$1,064	0.1% ▲	6.3% ▲
Transaction Privilege Tax Sales	Oct-23	\$16.8 B	\$16.7 B	\$16.2 B	0.2% ▲	3.2% ▲
National Inflation (CPI Index)	Nov-23	3.1%	3.2%	7.1%	-0.1% ▼	-4.0% ▼
Phoenix MSA Inflation (CPI Index)	Oct-23	2.9%	3.7%	12.1%	-0.8% ▼	-9.3% ▼
HOUSING METRICS						
Housing Price Index (Q1 1991 = 100)	Q3 '23	558.5	547.6	549.3	2.0% ▲	1.7% ▲
Residential Units Permitted	Nov-23	5,590	5,110	2,931	9.4% ▲	90.7% ▲
Homeowner Vacancy Rate	Q3 '23	0.8%	0.9%	0.9%	-0.1% ▼	-0.1% ▼
Rental Vacancy Rate	Q3 '23	9.8%	9.2%	6.7%	0.6% ▲	3.1% ▲
30-Year Fixed Mortgage Rate	Nov-23	7.2%	7.8%	6.8%	-0.6% ▼	0.4% ▲
AGRICULTURAL METRICS						
Proprietors' Farm Income (Annualized)	Q3 '23	\$168.5 M	\$270.4 M	\$312.5 M	-37.7% ▼	-46.1% ▼
Agriculture, Forestry, Fishing and Hunting GDP (Annualized)	Q3 '23	\$2.4 B	\$2.5 B	\$2.5 B	-6.4% ▼	-6.6% ▼
TRAVEL METRICS						
Sky Harbor Airport Passengers	Oct-23	4,349,631	3,734,342	4,031,363	16.5% ▲	7.9% ▲

STATE OF ARIZONA ANNUALIZED PERSONAL INCOME GROWTH QUARTER OVER QUARTER



STATE OF ARIZONA PERSONAL INCOME GROWTH

Q3 2023
(QUARTER OVER QUARTER GROWTH)

+\$3.7 B

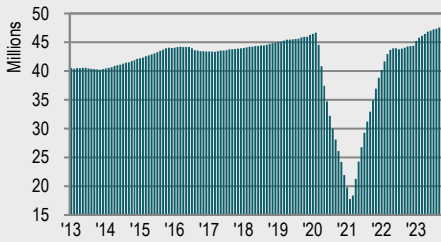
▲ 0.8%
vs. previous period/quarter

▲ 6.2%
vs. previous year

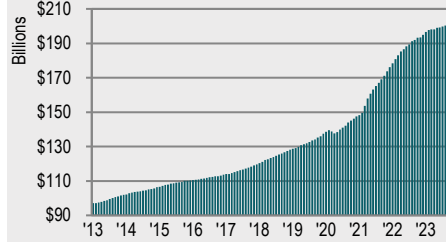
ECONOMIC BRIEFING AND MARKET UPDATE

Winter 2024

SKY HARBOR AIRPORT PASSENGER COUNTS¹



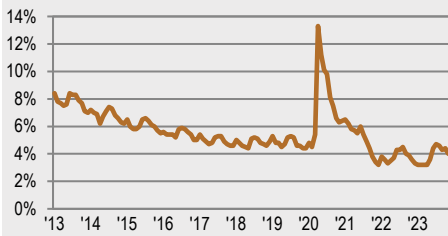
ARIZONA TRANSACTION PRIVILEGE TAX SALES¹



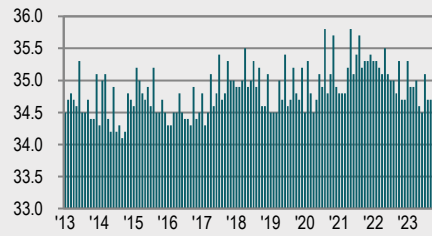
NATIONAL INFLATION (CONSUMER PRICE INDEX)²



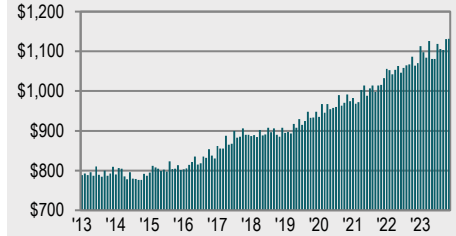
ARIZONA UNEMPLOYMENT RATE³



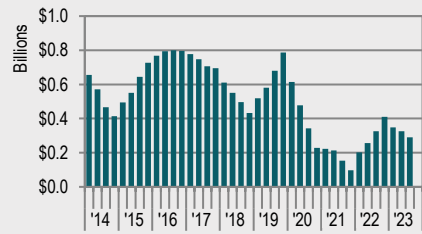
ARIZONA PRIVATE AVERAGE WEEKLY HOURS WORKED³



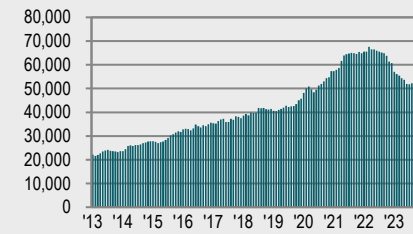
ARIZONA PRIVATE AVERAGE WEEKLY WAGES³



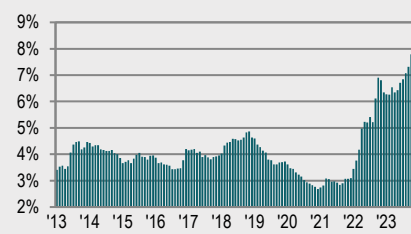
ARIZONA ANNUALIZED PROPRIETORS' FARM INCOME⁴



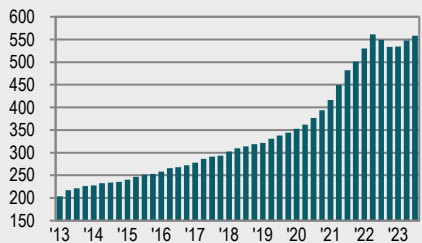
ARIZONA PRIVATE HOUSING UNITS PERMITTED¹



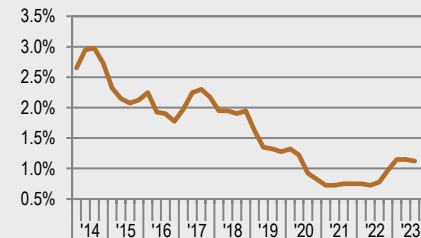
NATIONAL 30-YEAR FIXED MORTGAGE RATE³



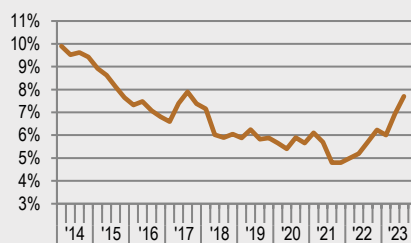
HOUSING PRICE INDEX⁵



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.