

Regional Economic Update

1st Quarter, 2013



Economic Development Committee
Maricopa Association of Governments
April 16, 2013

Overview

- Macro and regional economic growth drivers
- Maricopa County's economy picking up momentum
- Comparative Analysis
- Headwinds

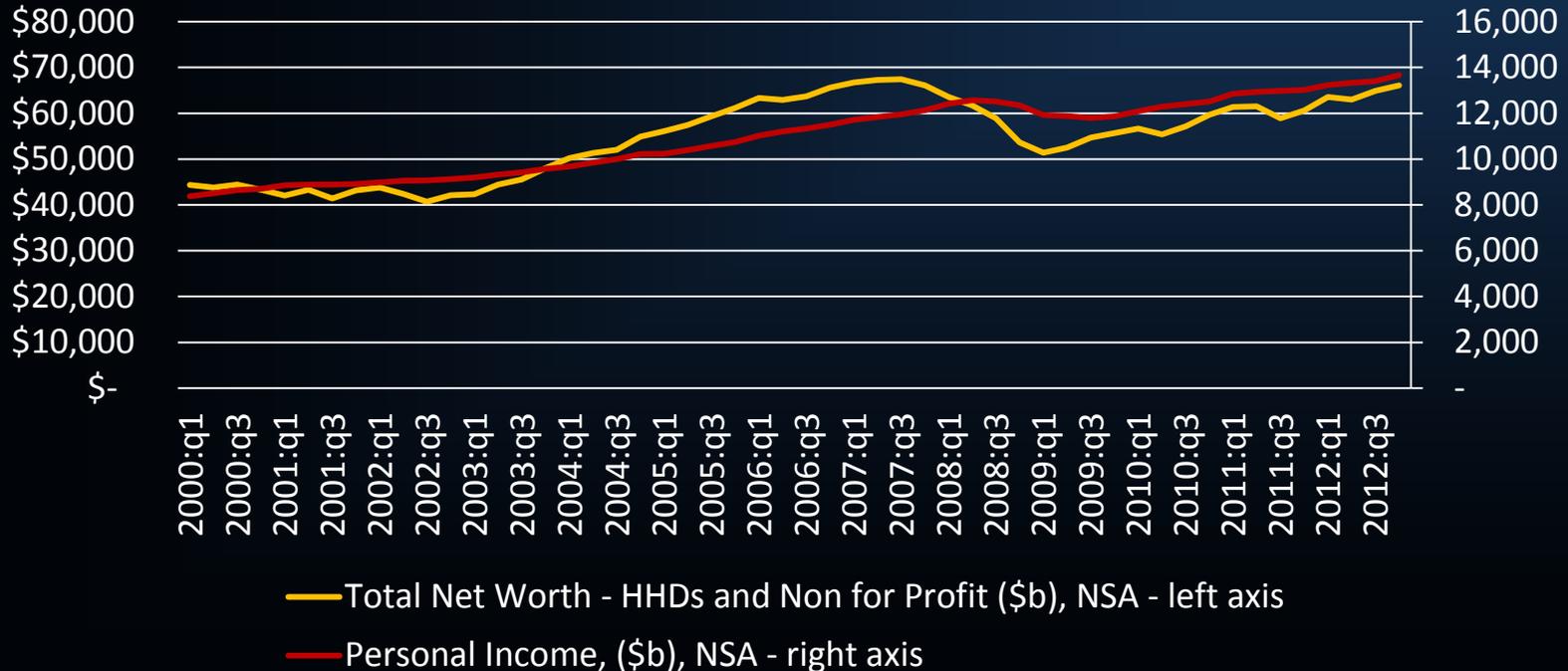
Macro and Regional Economic Trends

Economic Growth Drivers

- Consumer net worth and incomes rising
- Corporate profits at record high
- Increased production
- Region's export markets strong

Consumer net worth and incomes rising

Graph 1: U.S. Household Net Worth and Personal Income (\$b), 2000Q1 - 2012Q4



Corporate profits at record high

Graph 2: Corporate Profits (After Tax) and Compensation of Employees: (Wages & Salary) as Share to Gross Domestic Income, 1959Q1-2012Q4



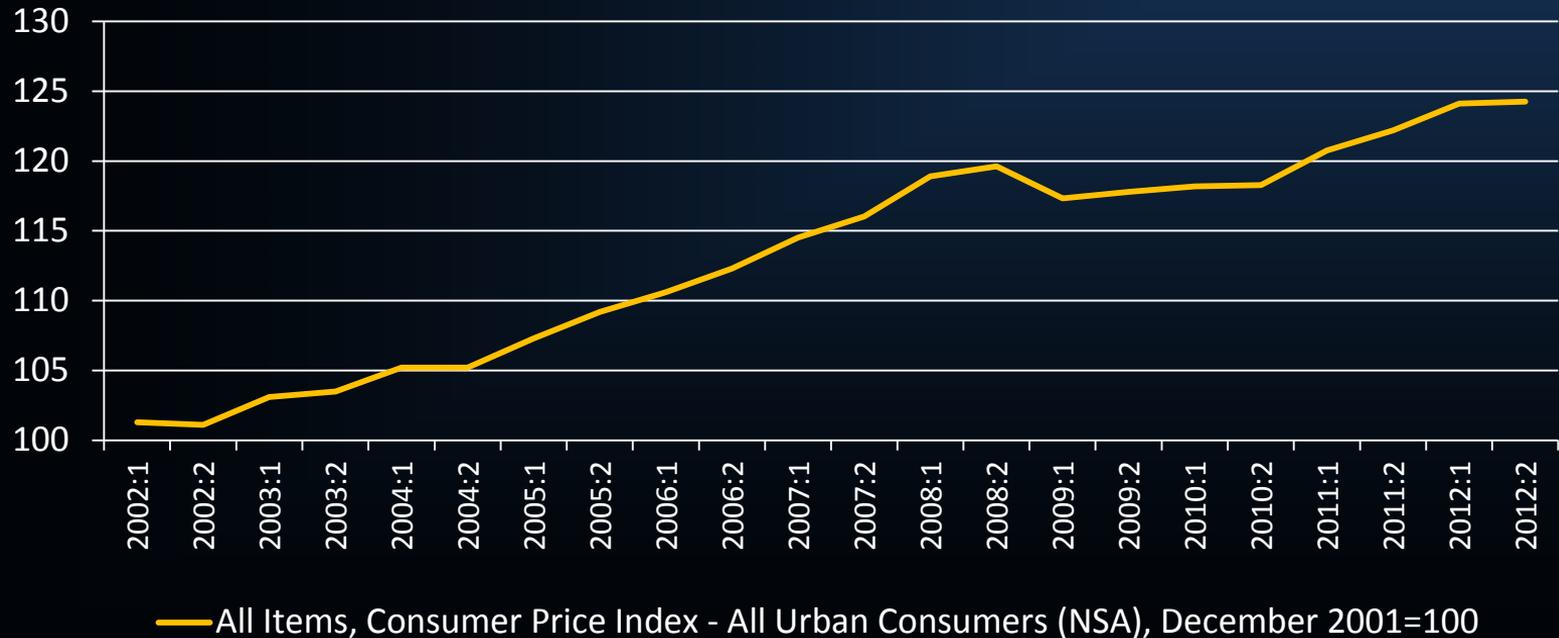
Region's export markets strong

Table 1: Arizona Exports, Top 3 Destinations and Projected Economic Growth

| | Export Value (\$b) | Percent Change | GDP growth Projections |
|---------------|--------------------|------------------|------------------------|
| | <u>2012</u> | <u>2010-2012</u> | <u>2014</u> |
| World | \$ 18.36 | 17.4% | 4.1% |
| Mexico | \$ 6.27 | 24.1% | 3.5% |
| Canada | \$ 2.16 | 10.4% | 2.3% |
| China | \$ 1.25 | 20.9% | 8.5% |

Inflation is in check

Graph 3: Phoenix-Mesa-Glendale MSA
Consumer Price Index, H1 2002 – H2 2012



Maricopa County

Maricopa County's Economic Performance

- Employment situation improving
- Housing market leading the nation in recovery
- Consumers poised to spend on durable goods

Employment Situation

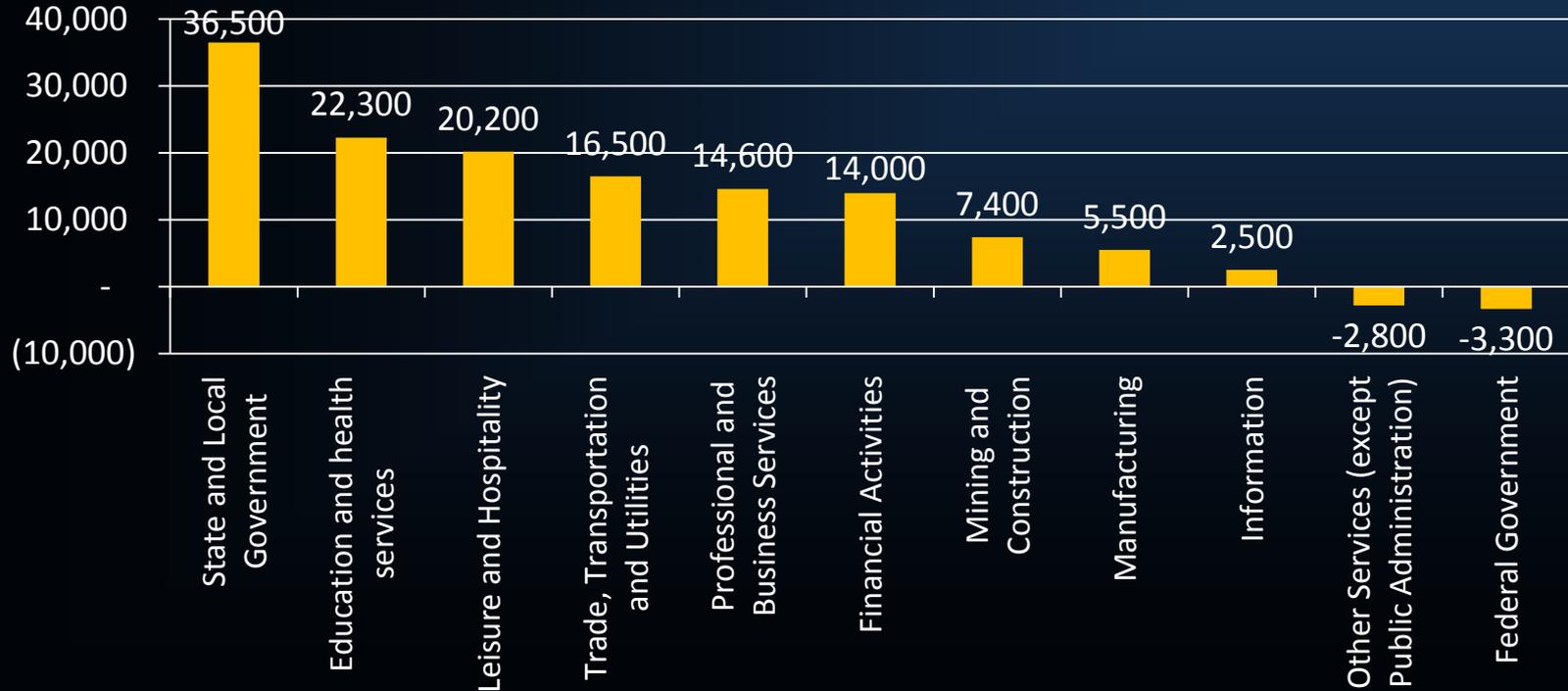
Graph 4: Maricopa County - Employment gains/losses (annual change), 2002-2012



Data Source: Office of Employment and Population Statistics, Arizona Department of Administration

Employment by Sector

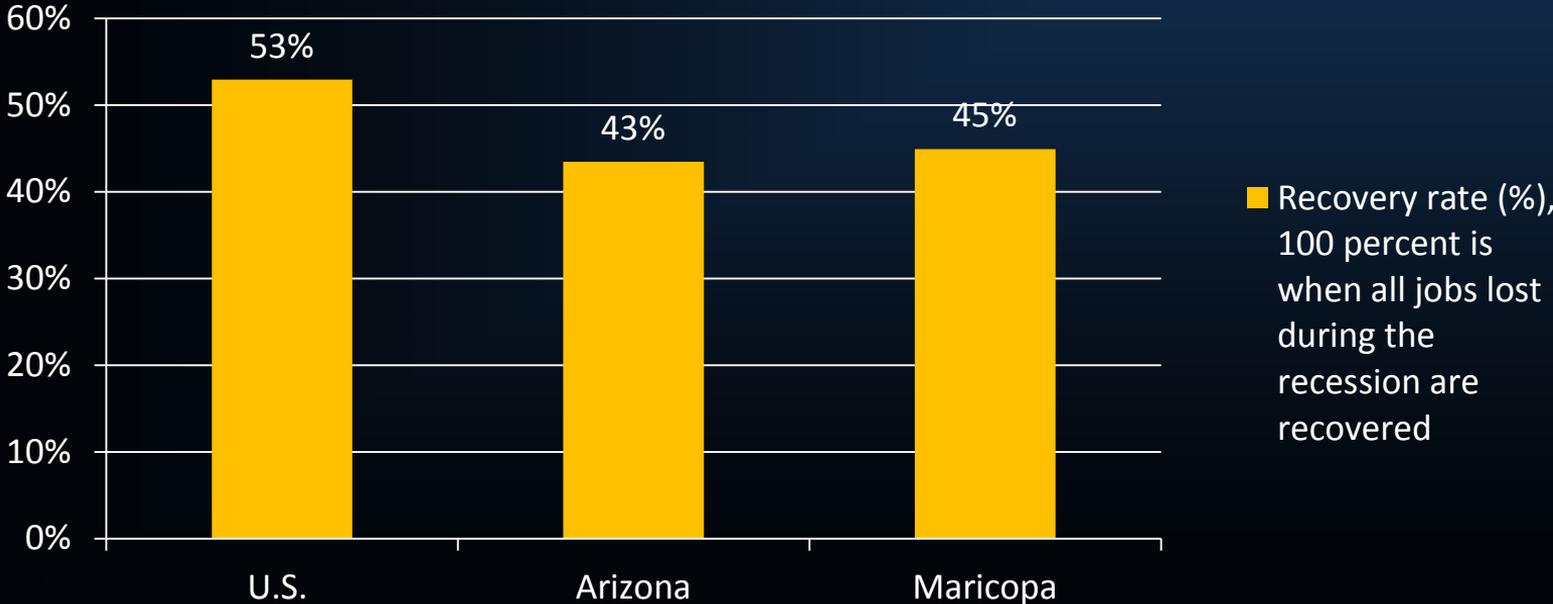
Graph 5: Maricopa County - Employment gains/losses by Industry (Jul. 2010 to Feb. 2013)



Data Source: Office of Employment and Population Statistics, Arizona Department of Administration

Employment Recovery Rate - Comparison

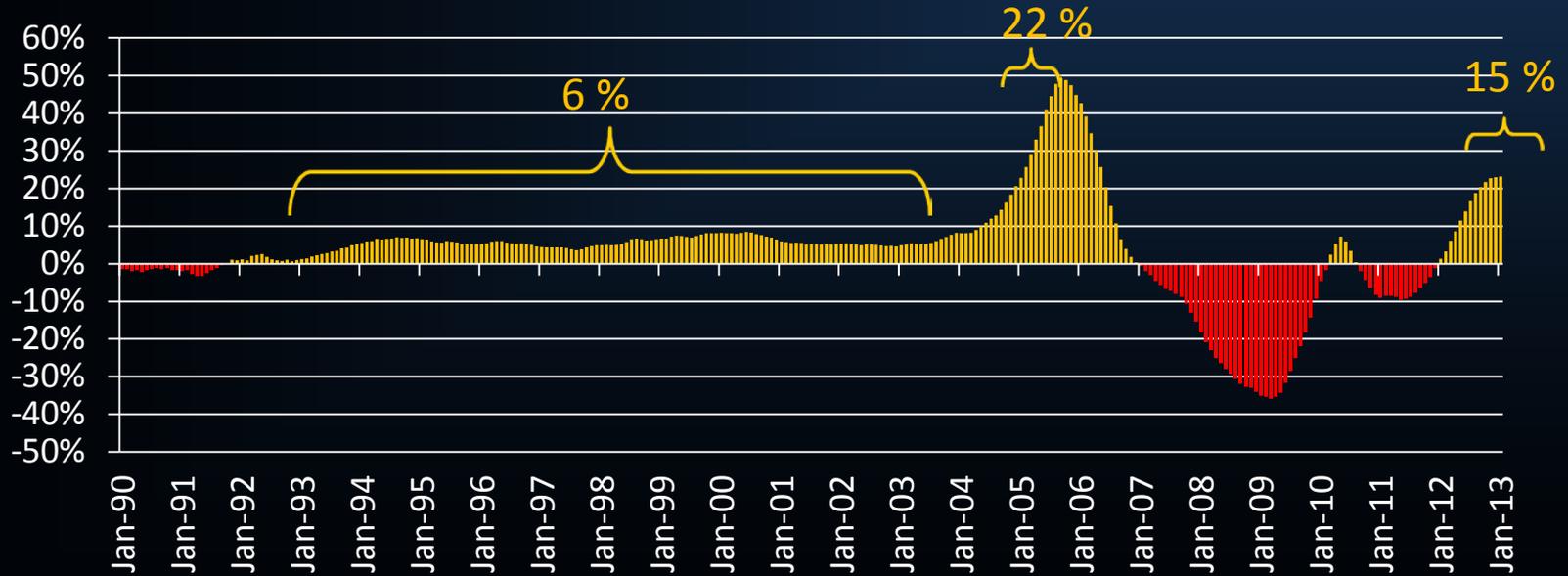
Graph 6: Jobs Generated from Trough to February 2013 as a Percent of Jobs Lost During the Recession



Data Source: Office of Employment and Population Statistics, Arizona Department of Administration

Housing Market

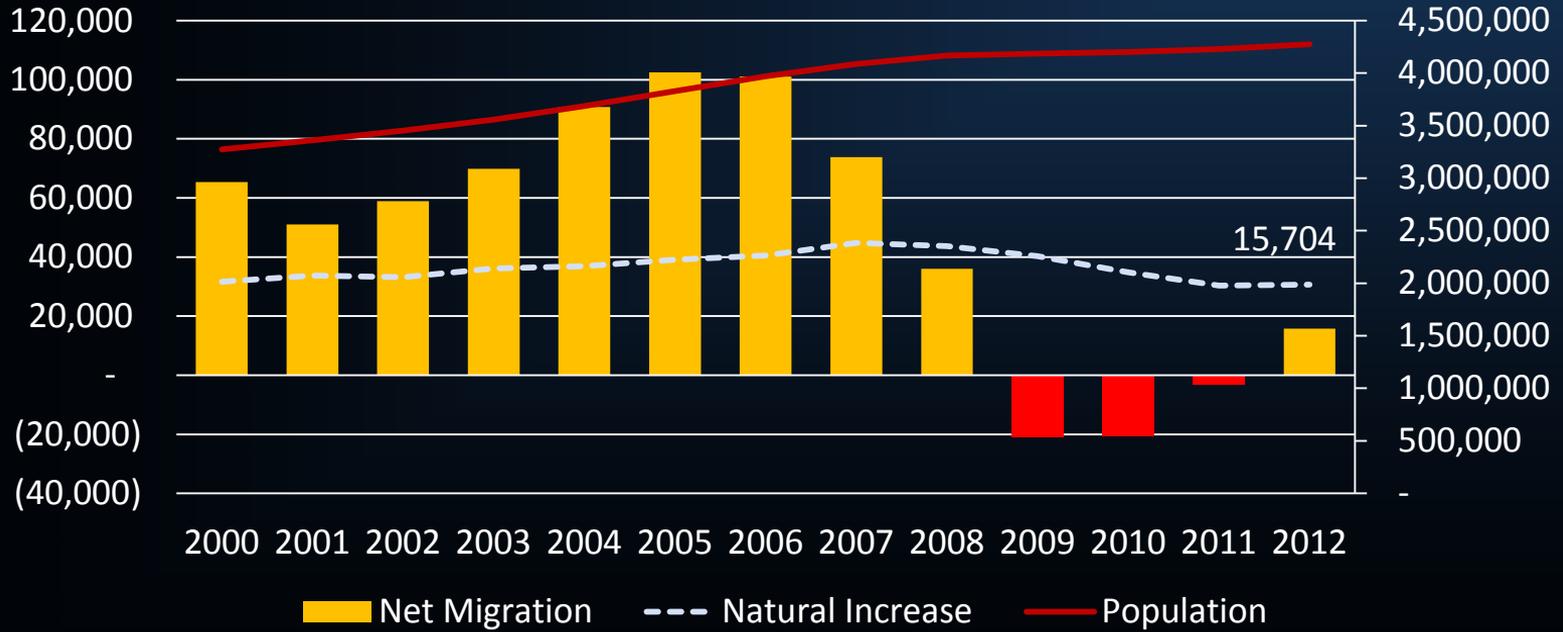
Graph 7: Phoenix-Mesa-Glendale Metro Area
S&P Case-Shiller Home Price Index (year-over-year percent change,
Jan. 1990 to Jan. 2013)



Source: Standard and Poor Case-Shiller

Housing Market and Mobility

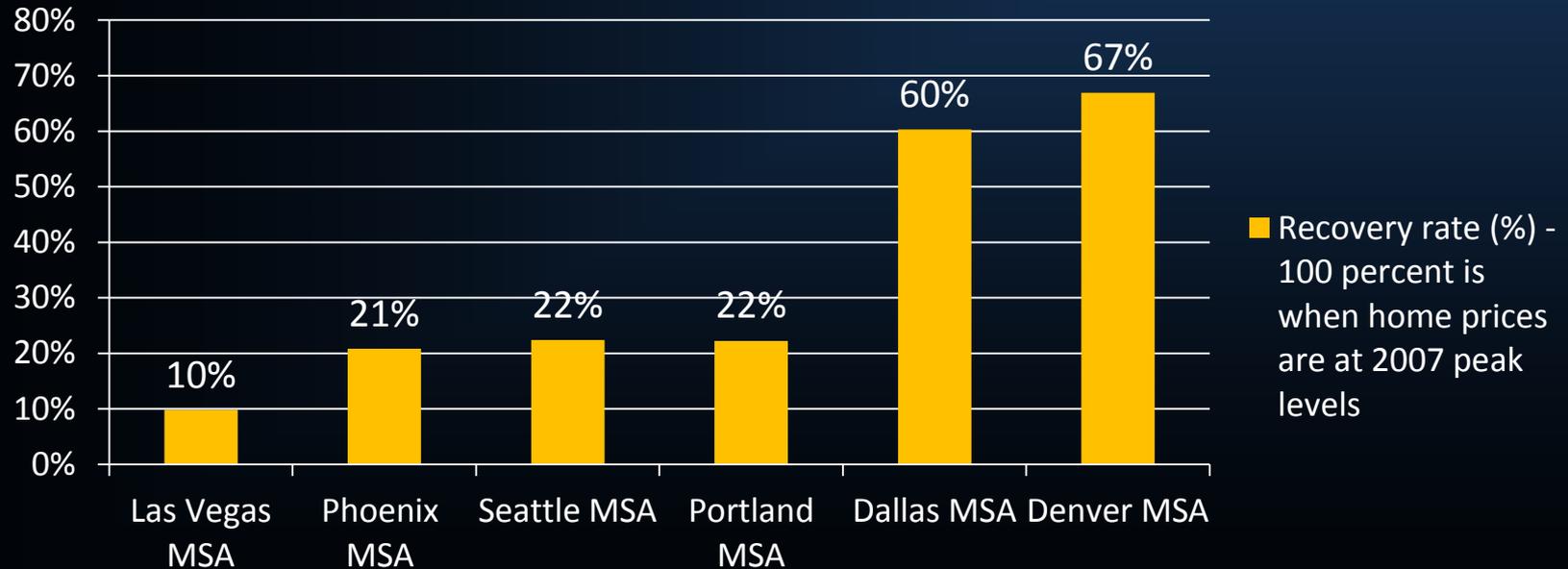
Graph 8: Phoenix-Mesa-Glendale Metro Area
Population, Natural Increase and Net Migration



Source: Arizona Vital Statistics, Arizona Department of Administration

Housing Market Recovery Rate - Comparison

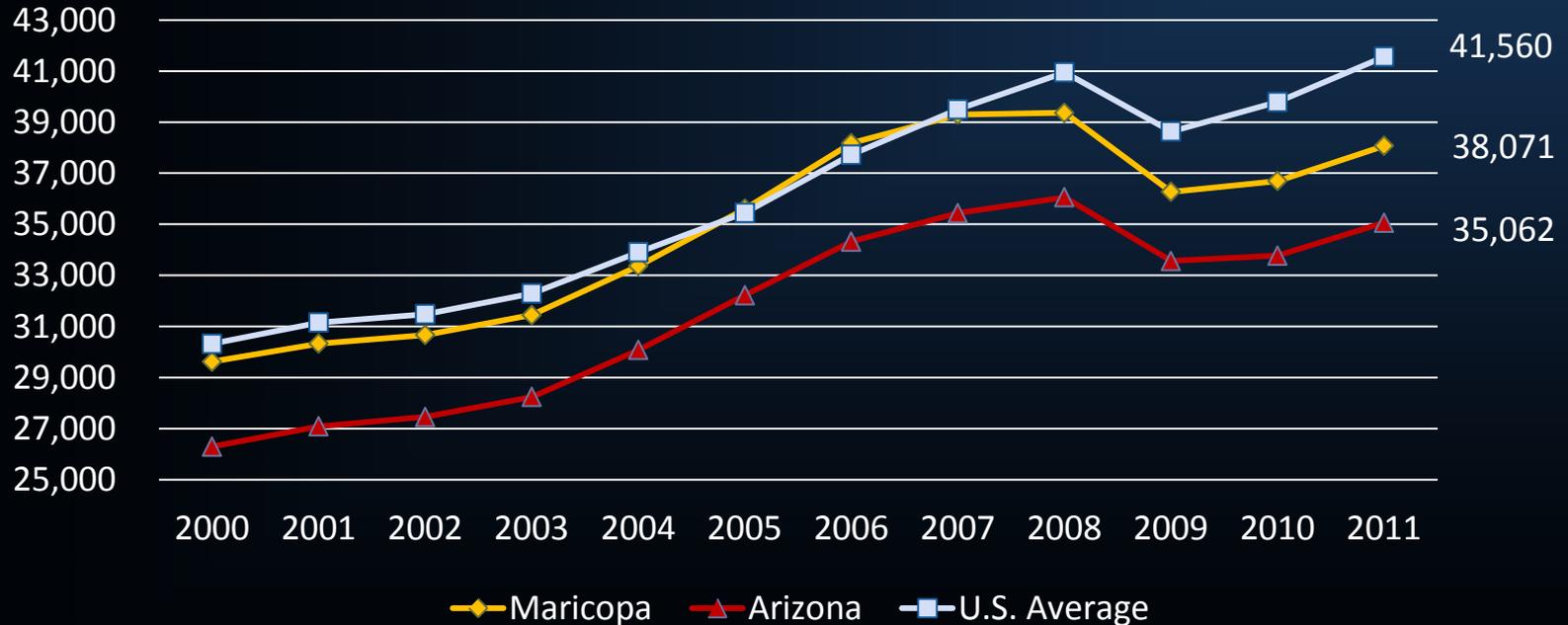
Graph 9: Home Price Value Appreciation - Recovery Rate (%)
Trough of S&P Home Price Index to current, Dec. 2012



Source: Standard and Poor Case-Shiller

Household Income

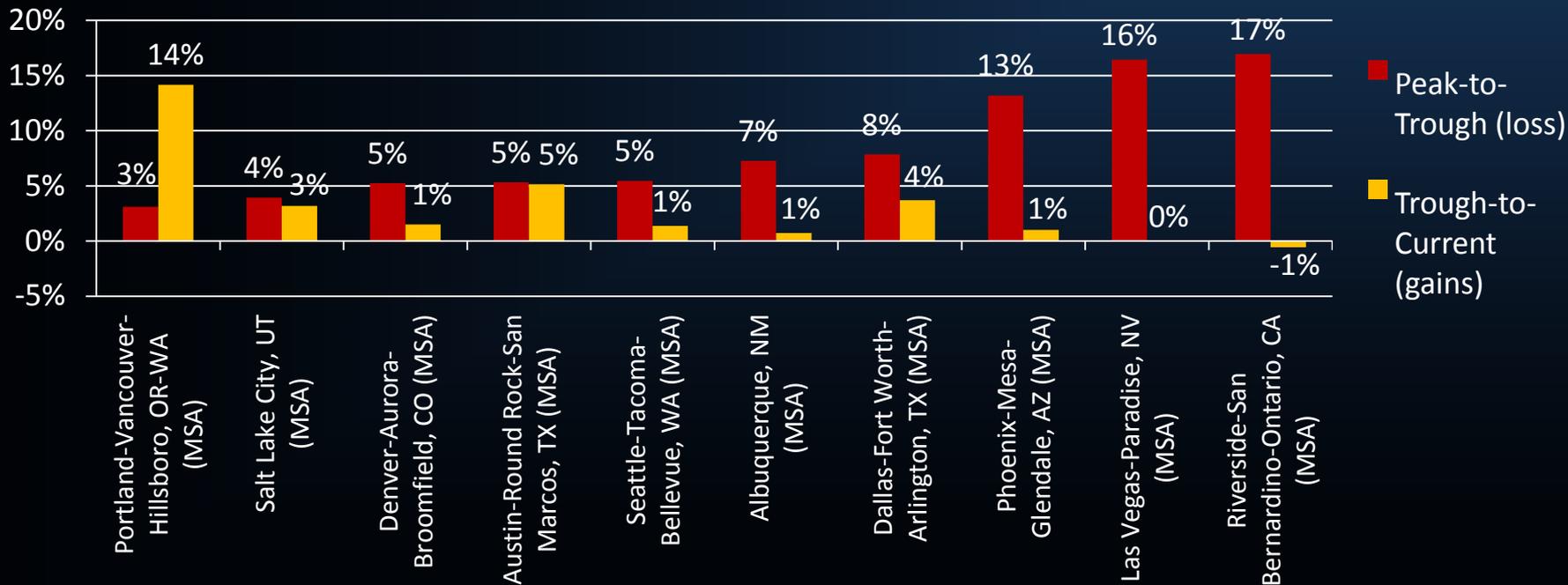
Graph 10: Maricopa County
Per Capita Personal Income Trends, 2000-2011



Source: Arizona Department of Revenue

Household Income Recovery Rate - Comparison

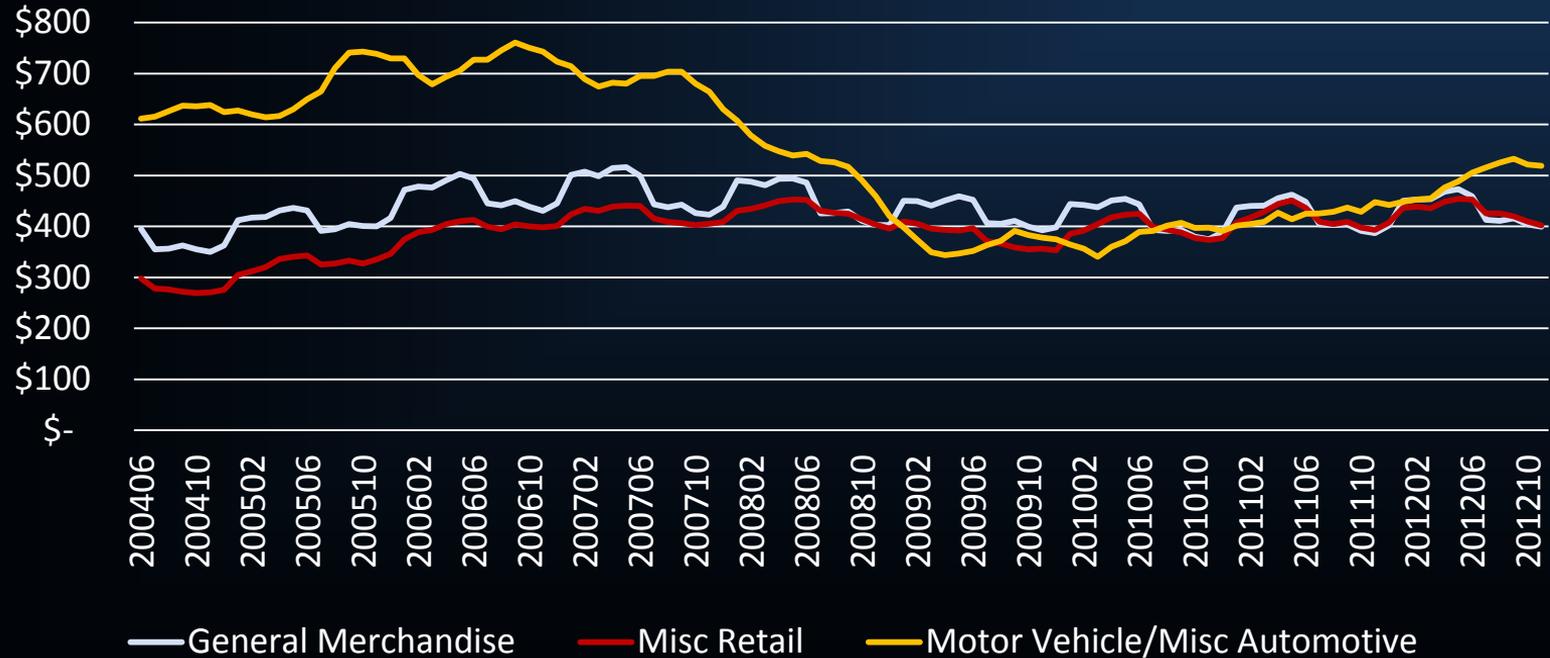
Graph 12: Phoenix Metro Area and Select Peer Cities
Per Capita Personal Income Peak-to-Trough and Trough-to-Current (2011)
Percent Change (%)



Household Spending

Graph 13: Maricopa County

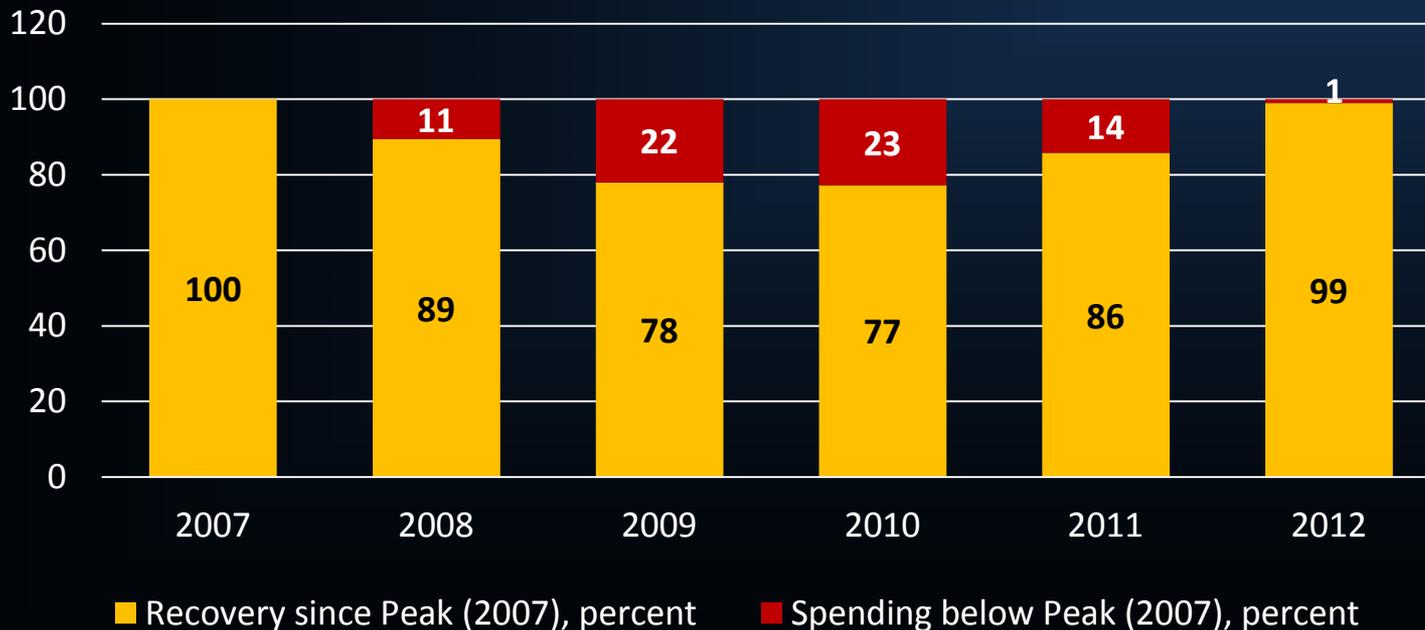
Taxable Retail Sales by Top 3 Industry Sectors (Smoothed), Jun. 2004 to Nov. 2012



Source: Arizona Department of Revenue

Household Spending

Graph 14: Maricopa County
Consumer Spending Recovery (percent), 2007 = 100



Source: Arizona Department of Revenue

Conclusion

- Maricopa County's Economy in steady recovery
 - Housing market leading in the recovery
 - Rising in net worth stimulating consumer spending
 - Service sectors leading in job creation
- Corporates well positioned to make capital investments
 - Result in job creation
 - Manufacturing employment on the rise
- Small and Medium-size Enterprises' (SME's) lagging in the recovery

Macro and Regional Economic Trends

Headwinds and uncertainty

- Fiscal policy on spending and debt reduction
 - Sequestration
 - Tax Liability
- Patient Protection and Affordable Care Act 2010
- European Economy
 - In Recession
 - Euro zone debt restructuring potential shocks



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Questions and Comments