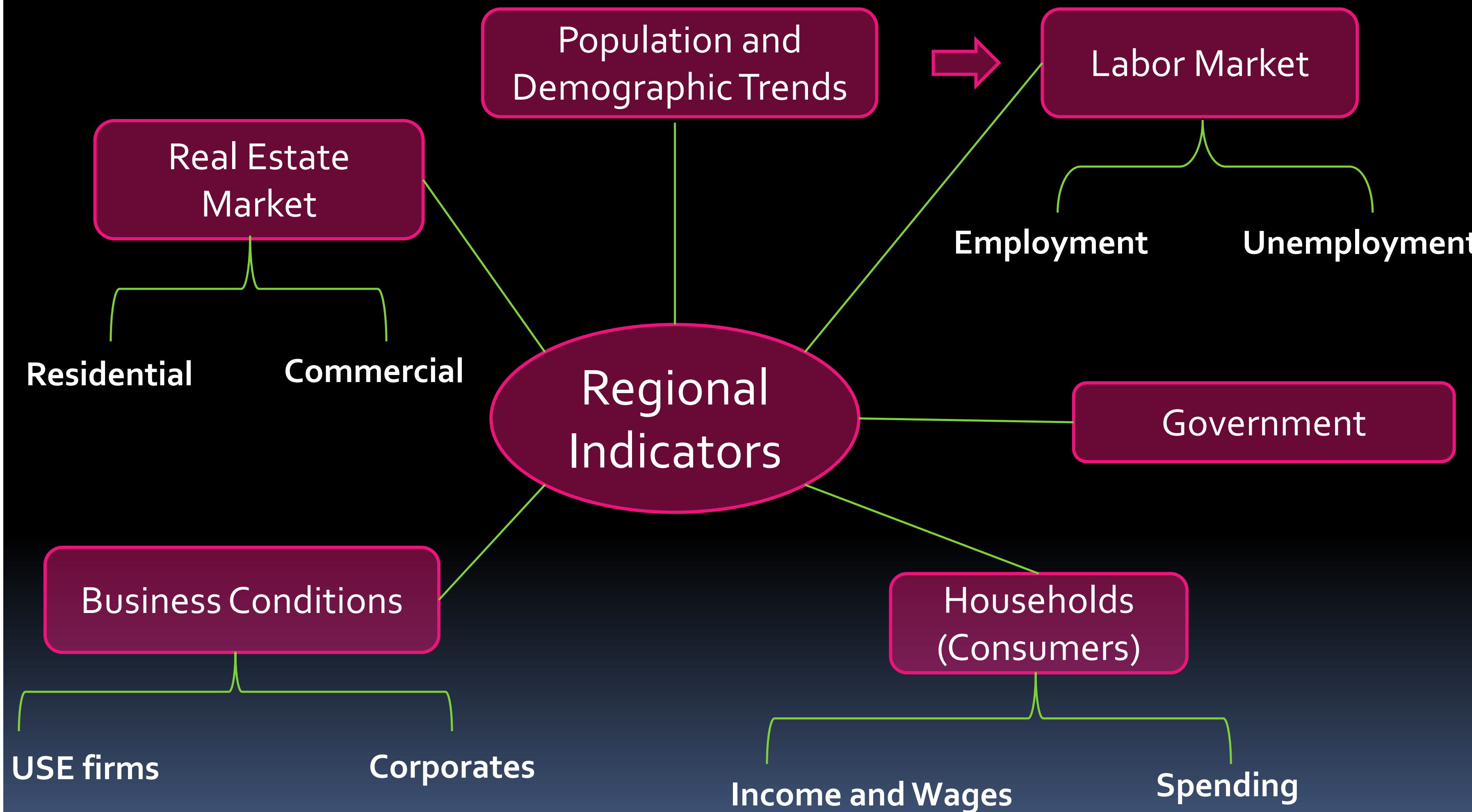
Economic expansion poised to accelerate

# REGIONAL ECONOMIC UPDATE 2013 3RD QTR

# Regional Economic Indicators



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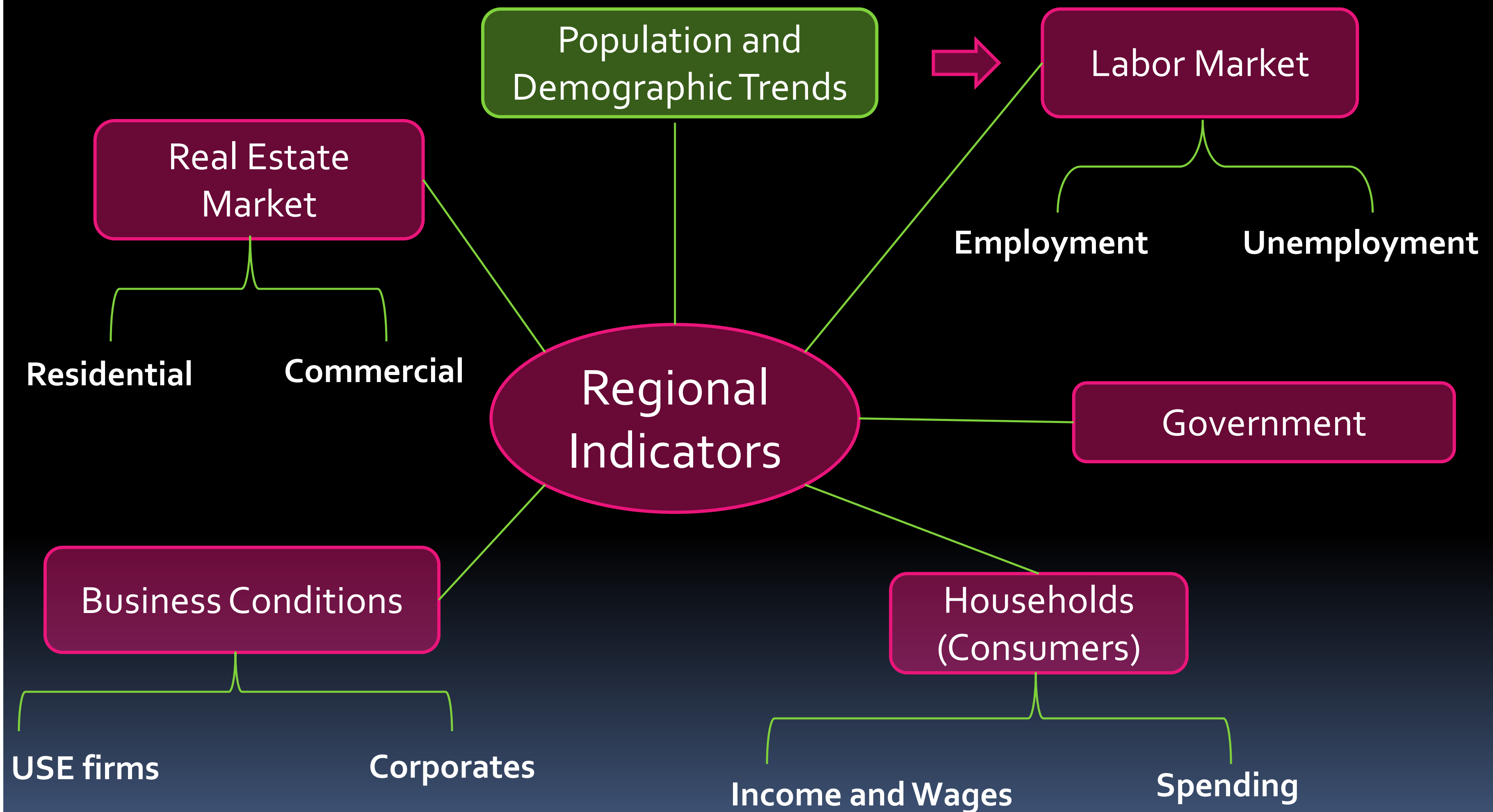

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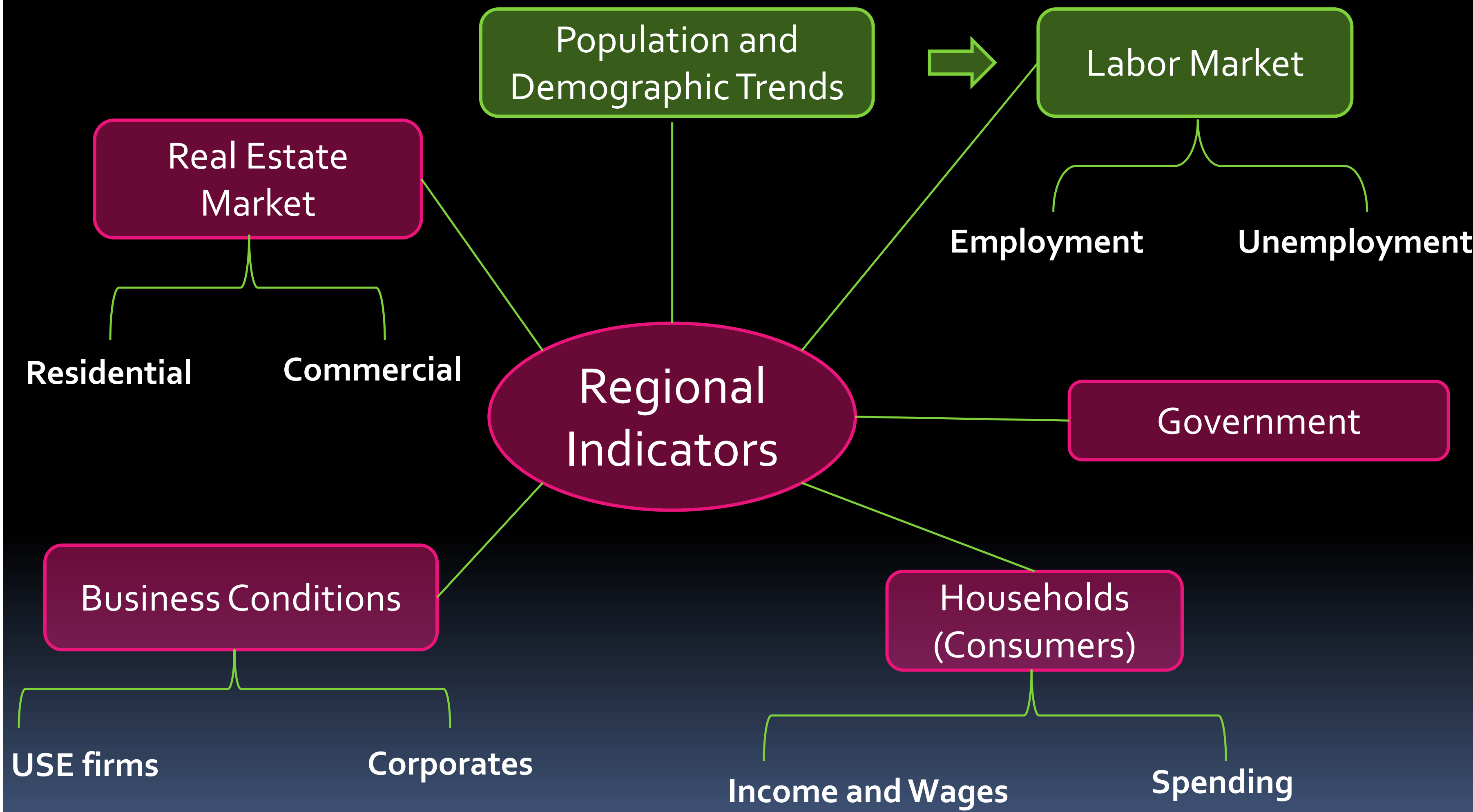

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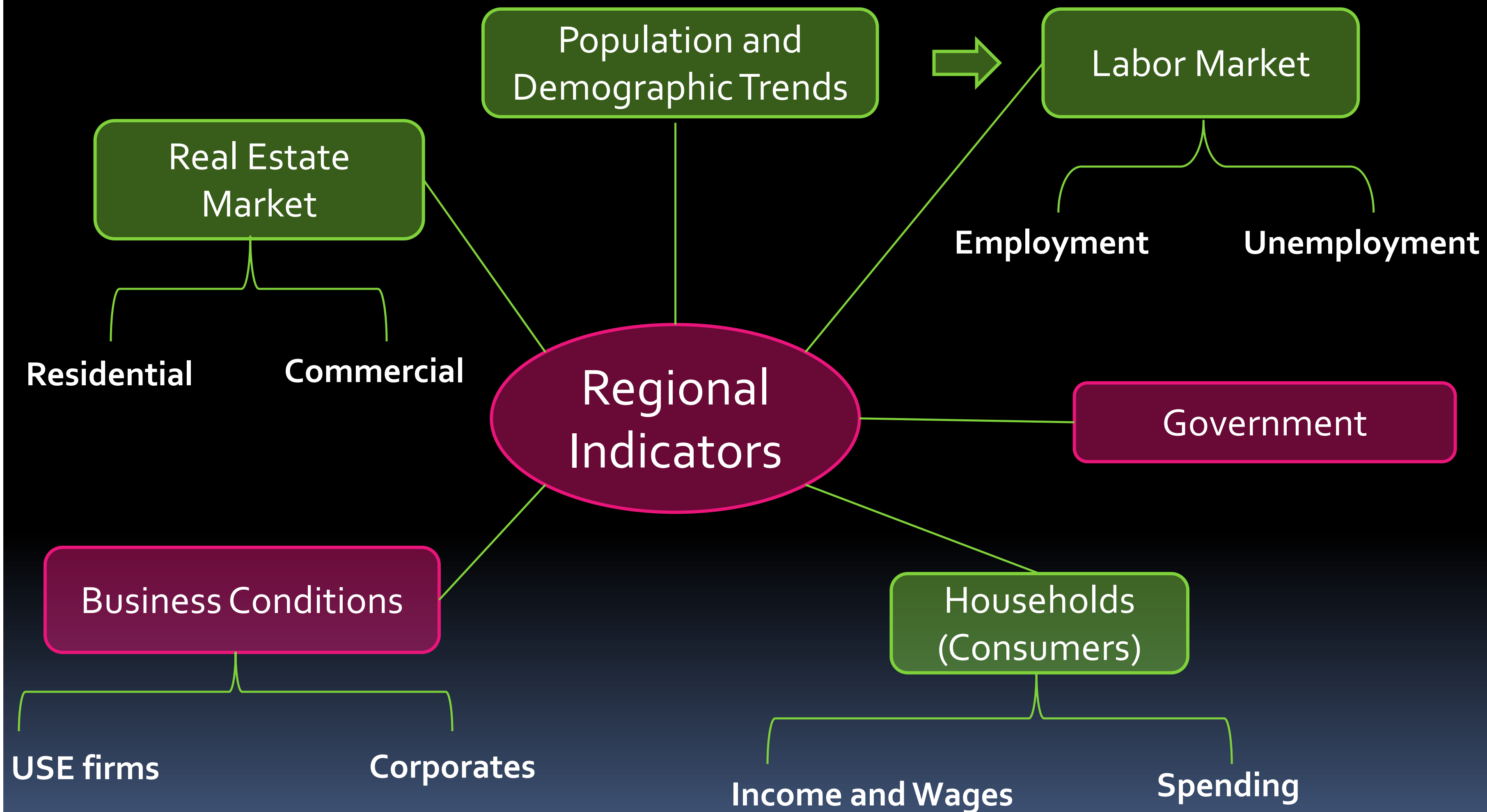


# Regional Economic Indicators

- Demographic trends
- Labor market and employment situation
- Real estate
- Consumer well being
- Macro economic factors

# Demographic Trends

- Net migration

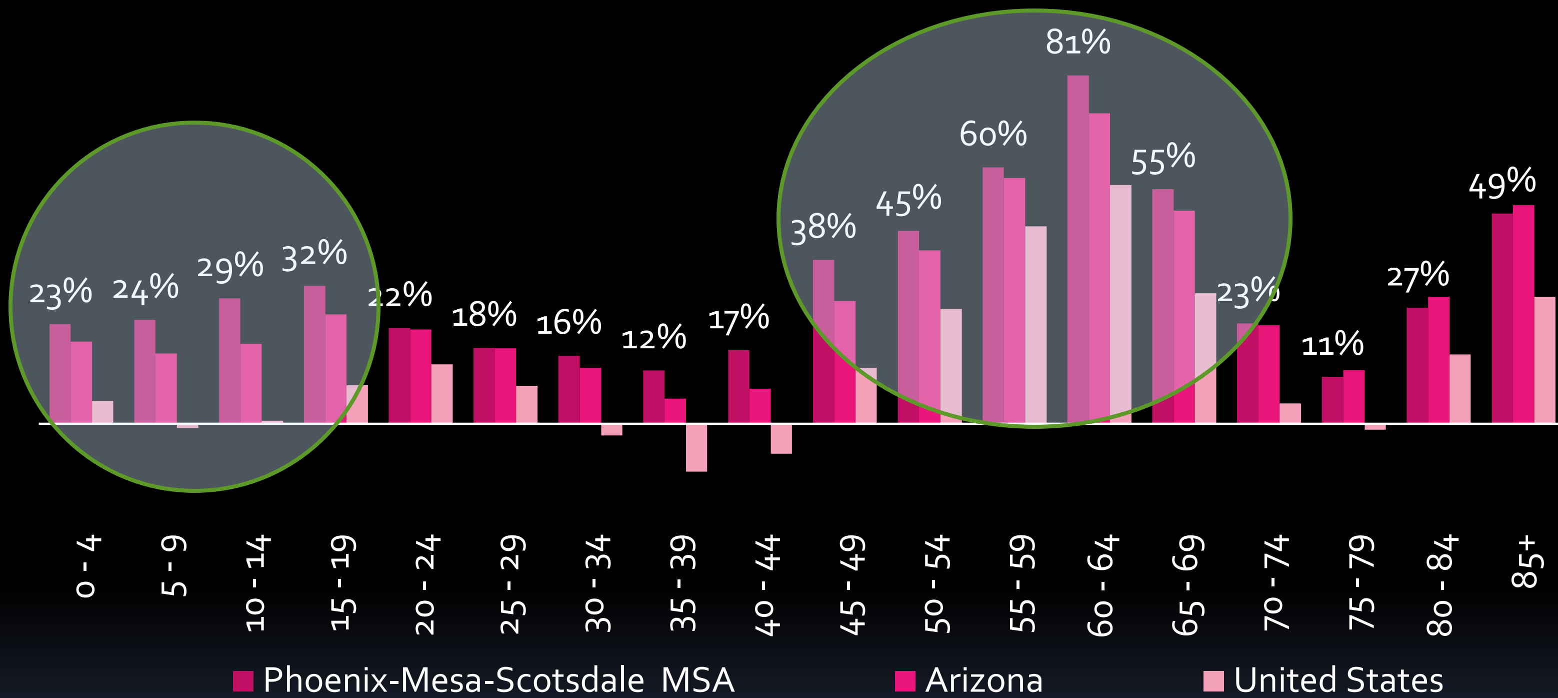
  ....will define next generation workforce

| Rank *(by growth rate)* | Decade | Growth Rate 1/ | End of Decade Population |
|---|---|---|---|
| 7 | 1980-1990 | 39.9% | 2,238,480 |
| 6 | 1990-2000 | 45.3% | 3,251,876 |
| 11 | 2000-2010 | 28.8% | 4,192,887 |

*Data Sources: U.S. Census Bureau*
*1/ Rankings by Centennial Population Growth*

# Aging Population Transforming Labor Market,

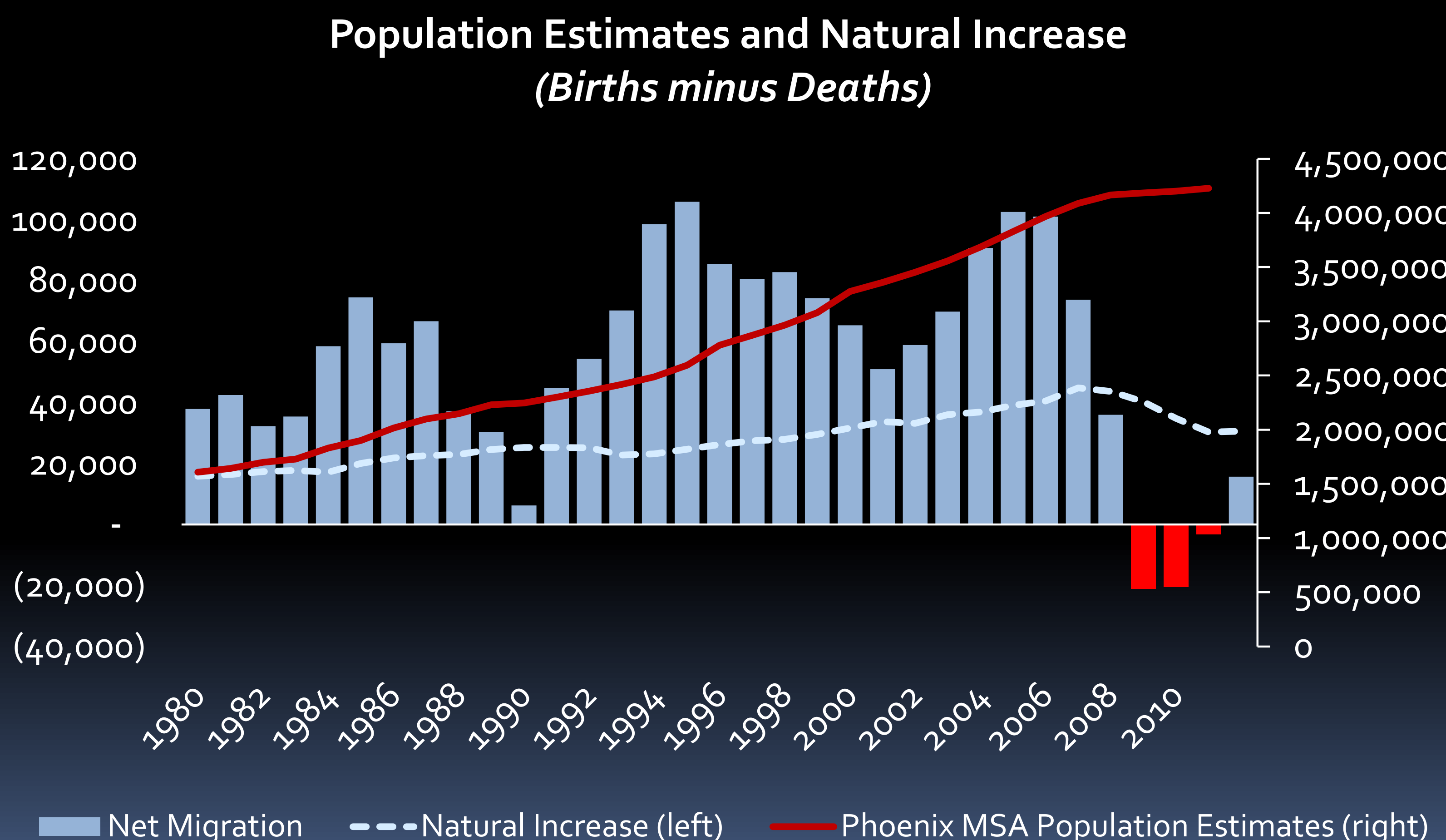
*2000-2010 Population Growth*




| | 2000-2010 | Under 25 | 25-44 yrs | 45-64 yrs | 65+ yrs |
|---|---|---|---|---|---|
| **Phoenix-Mesa-Scottsdale MSA** | Change | 313,711 | 159,615 | 341,125 | 126,562 |
| **Arizona** | Change | 381,177 | 167,718 | 498,498 | 213,992 |
| **United States** | Change | 5,416,289 | (2,905,697) | 19,536,809 | 5,276,231 |

*U.S. Census Bureau, 2000-2010 Census data.*

# Net Migration Returns as Birth Rates Decline




*Sources: Office of Employment and Population Statistics, Arizona Department of Administration; Vital Statistics, Arizona Department of Health Services; Economic and Business Research Center, Eller College of Management, The University of Arizona.*

# Labor Market and Employment Situation

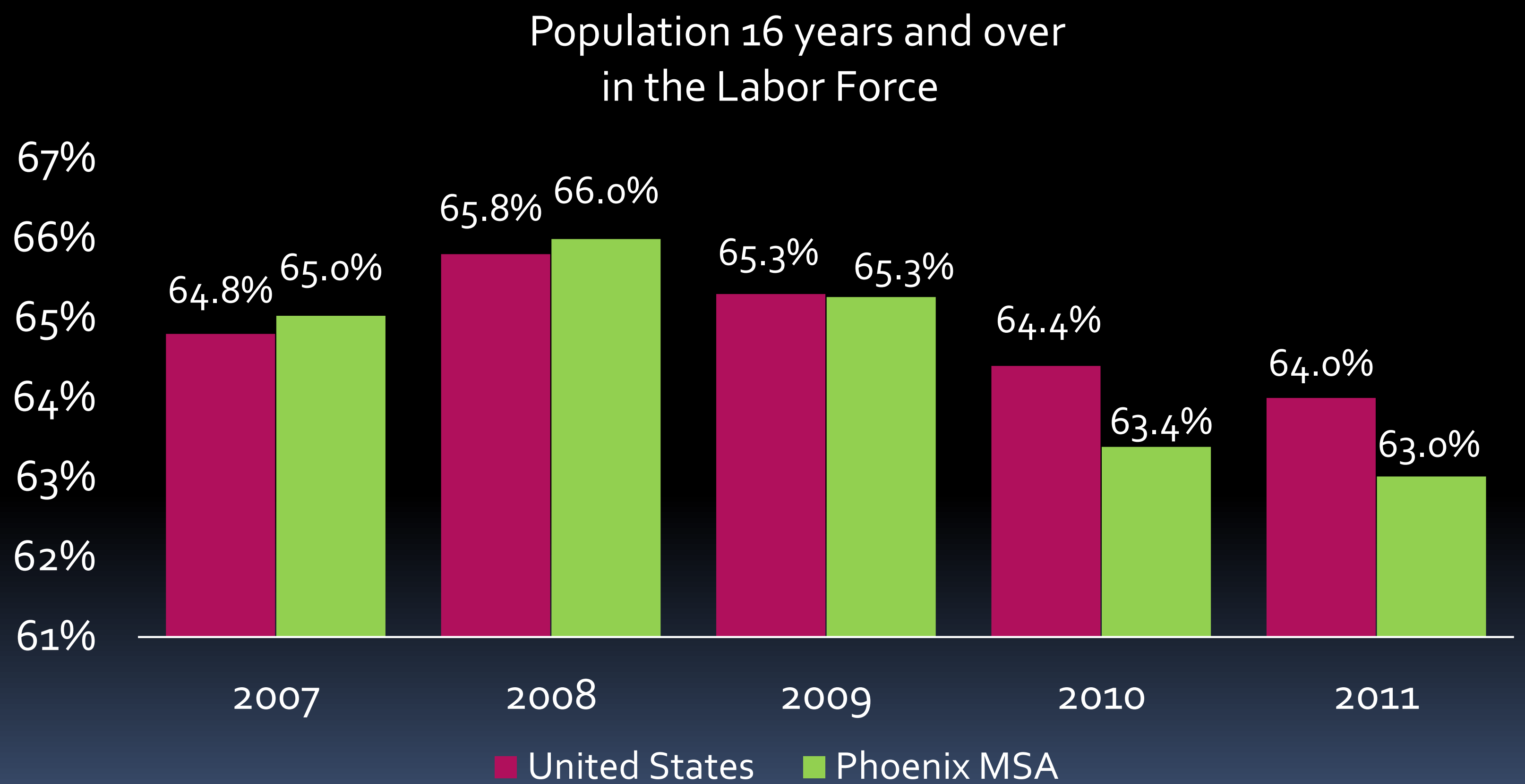
- Shrinking workforce
- Unemployment declining

  ……..but remains relatively high
- Lackluster job creation rate

<u>Job Recovery Rate:</u>

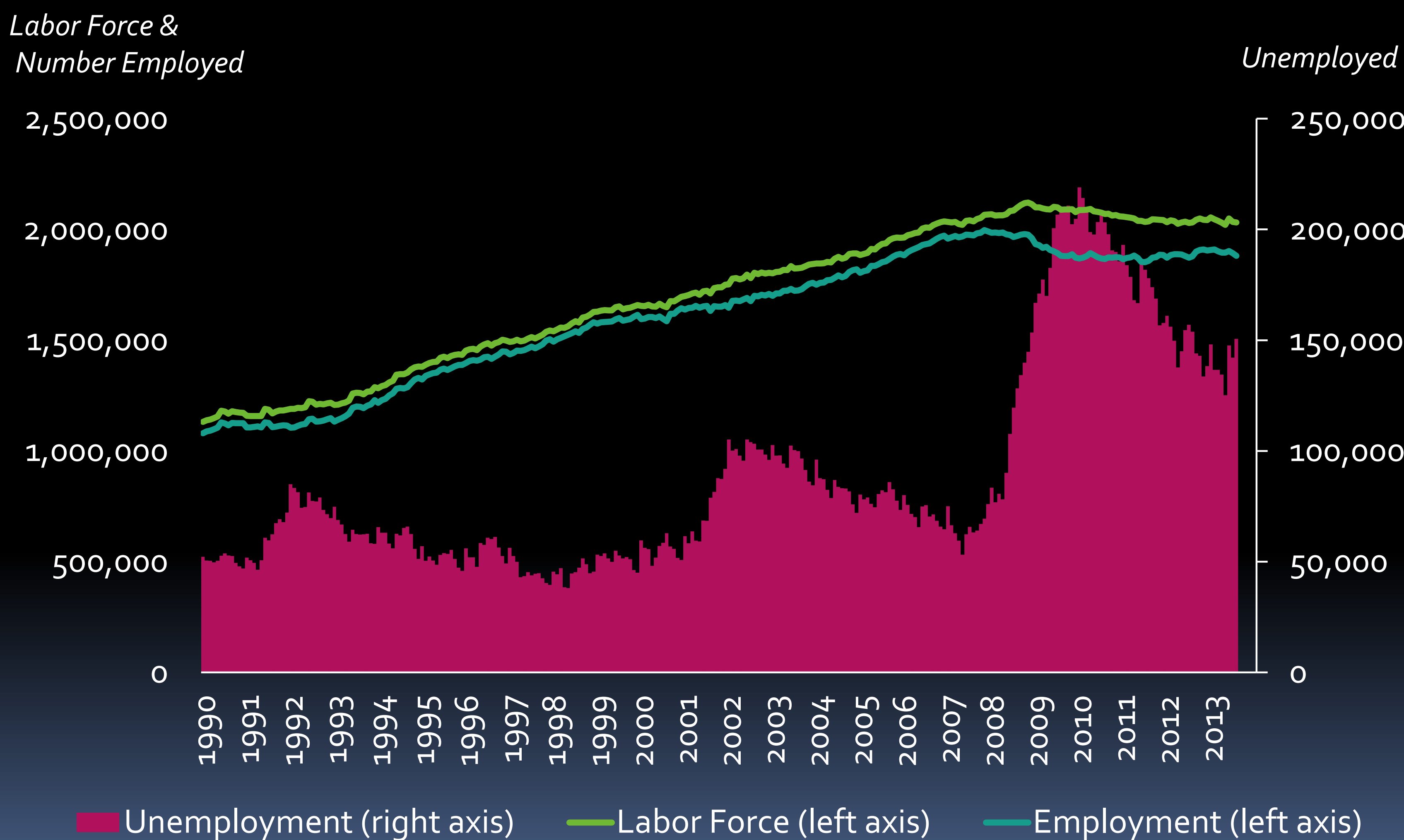
- *Phoenix metro area: 48%*
- *National Average: 73%*

# Labor Force Shrinking Faster Than National Average



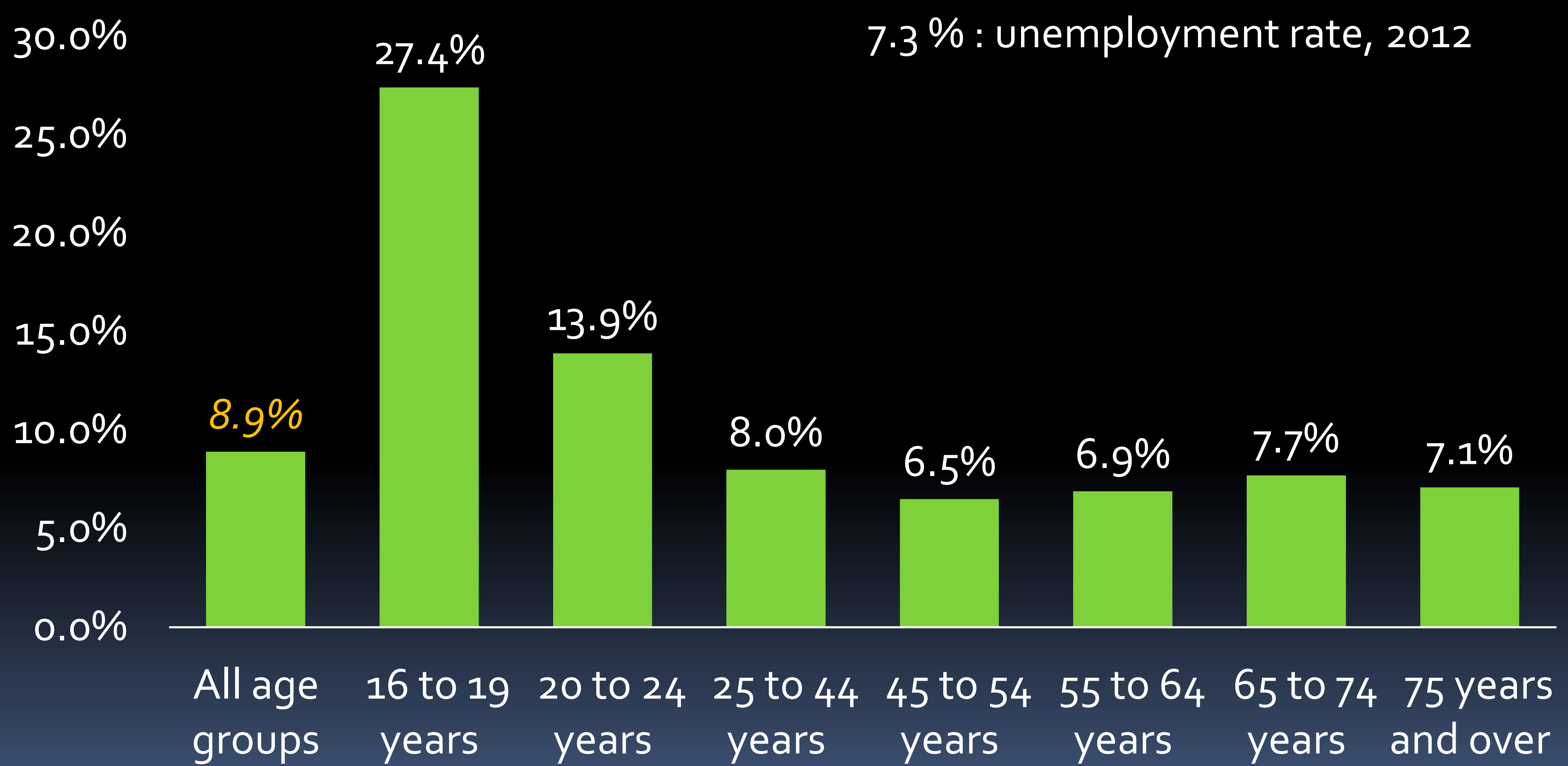

*Sources: American Community Survey 1-Year Estimates, 2007 -2011*

# Labor Market in Recovery




*Sources: Office of Employment and Population Statistics, Arizona Department of Administration, LAUS data*

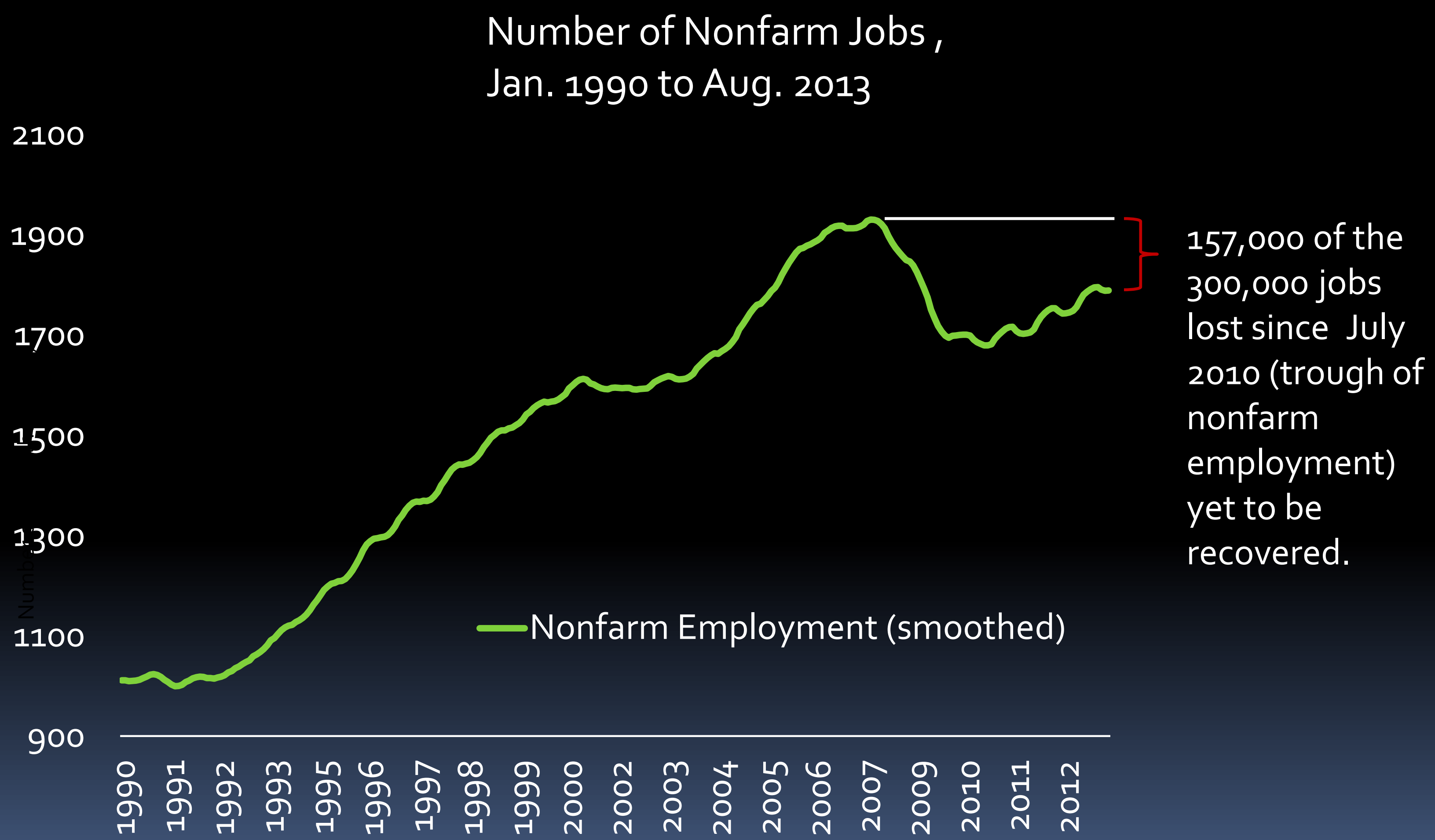
# High Unemployment Among the Youth, 2012




*Sources: 2012 American Community Survey 1-Year Estimates*

*Note: 8.9 percent is the average unemployment rate for those that responded to the survey*

# Lackluster Job Growth




*Data Sources: Office of Employment and Population Statistics, Arizona Department of Administration, CES data*

# Employment Recovery by Sectors With Largest Job Loss


*Sources: Office of Employment and Population Statistics, Arizona Department of Administration, CES data*

# Labor Market in Recovery

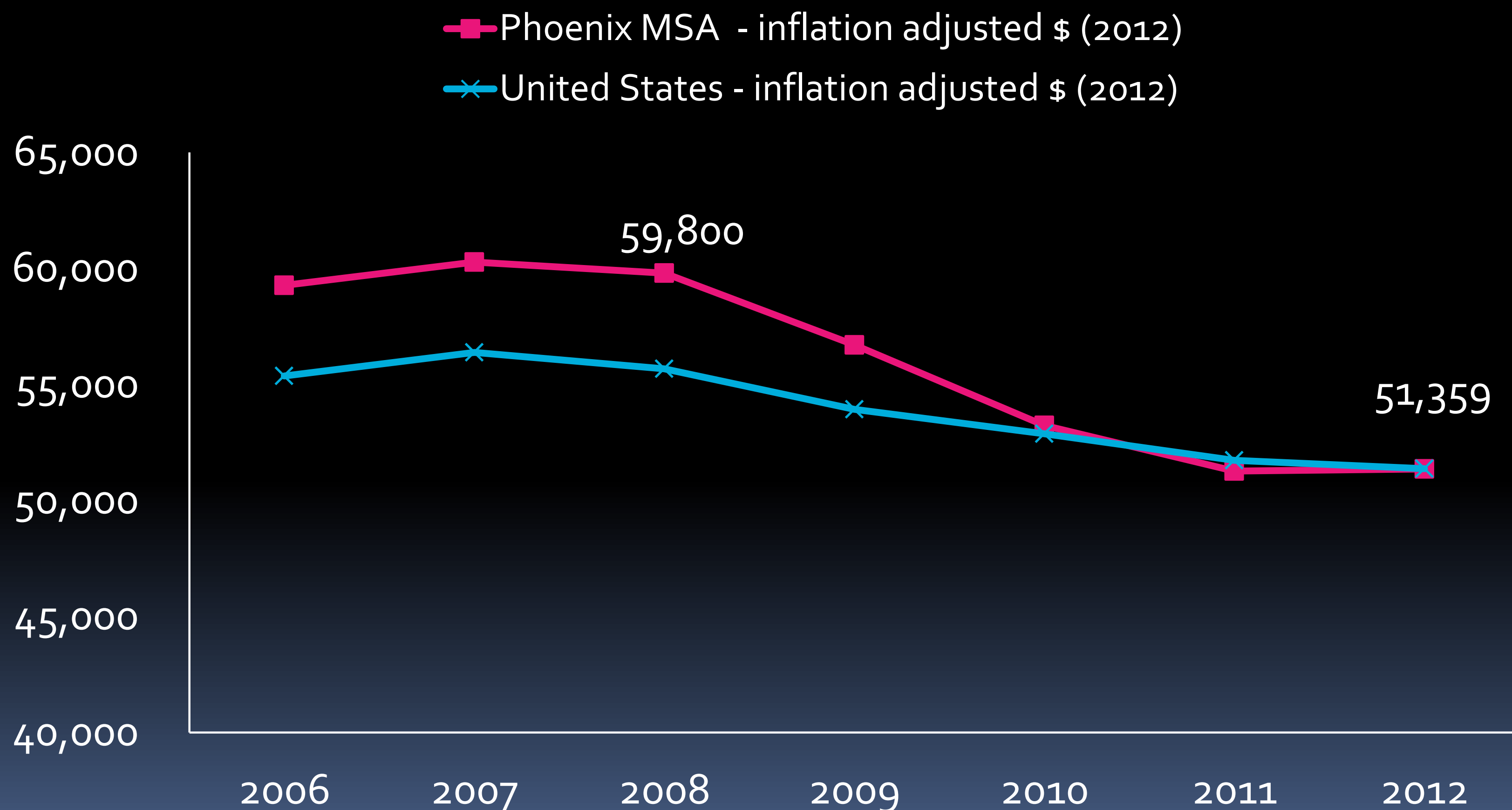
| | August, 2013 | Change from last year, same month | |
|---|---|---|---|
| | | Number | Percent |
| Mining and Construction | 101,000 | 6,100 | 9.8% |
| Natural Resources and Mining | 3,800 | (100) | (2.6%) |
| Construction | 97,200 | 6,200 | 6.8% |
| Manufacturing | 116,800 | (900) | (0.8%) |
| Trade, Transport., and Utilities | 364,300 | 11,100 | 3.1% |
| Information | 30,200 | 500 | 1.7% |
| Financial Activities | 152,500 | 4,700 | 3.2% |
| Prof. and Bus. Services | 288,600 | 3,200 | 1.1% |
| Educ. and Health Services | 264,000 | 9,000 | 3.5% |
| Leisure and Hospitality | 186,100 | 6,900 | 3.9% |
| Other Services | 61,000 | (200) | (0.3%) |
| Government | 225,700 | 1,800 | 0.8% |
| Total Non-Farm Employment | **1,790,200** | **42,200** | **2.4%** |

*Sources: Office of Employment and Population Statistics, Arizona Department of Administration, CES data*

# Consumers Holding Their Own

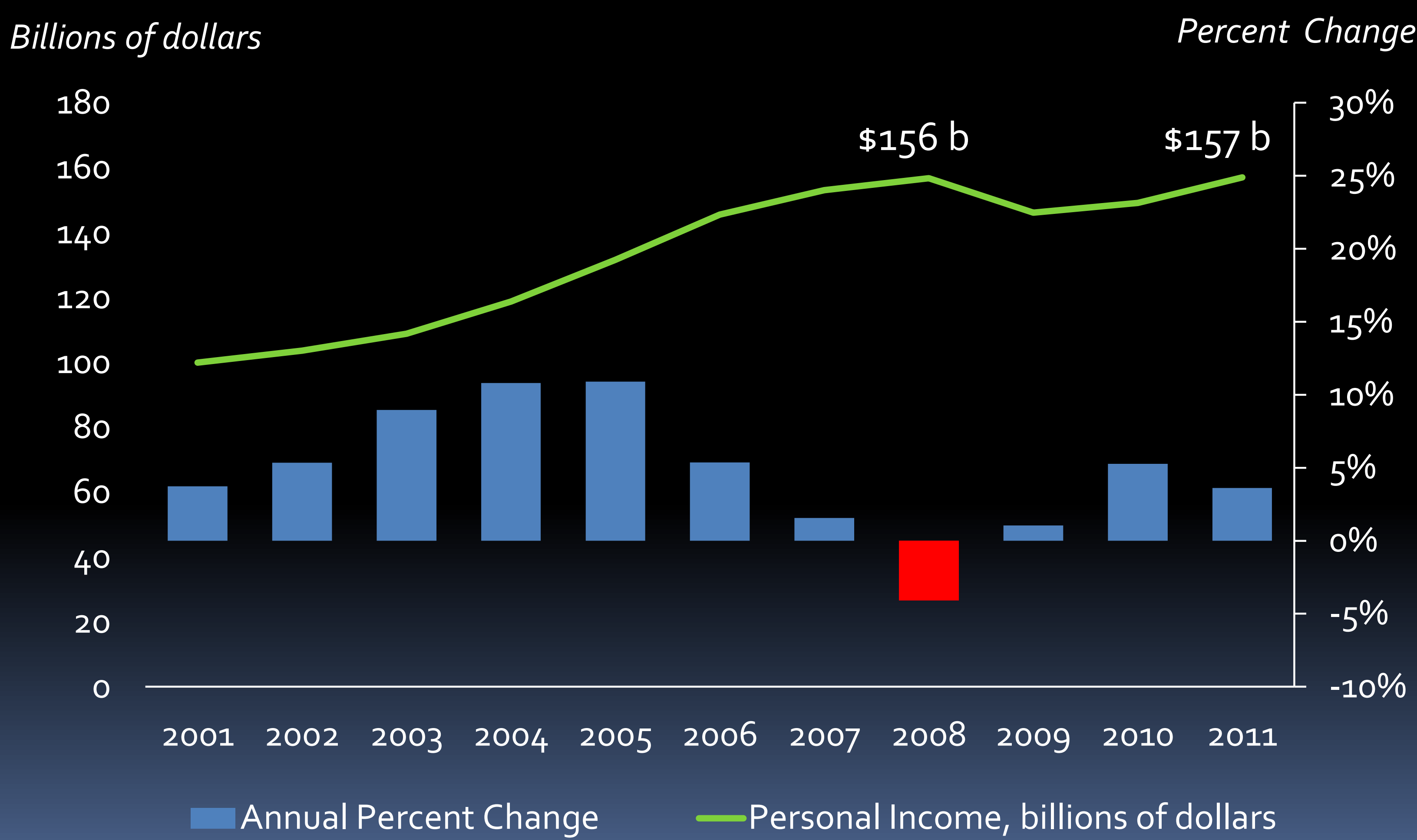
- Real household incomes below pre-recession levels
  *......but aggregate personal Incomes rising*
- Consumer confidence increasing
- Price Inflation moderate
- Spending on the rise

# Real Median Household Income yet to recover..



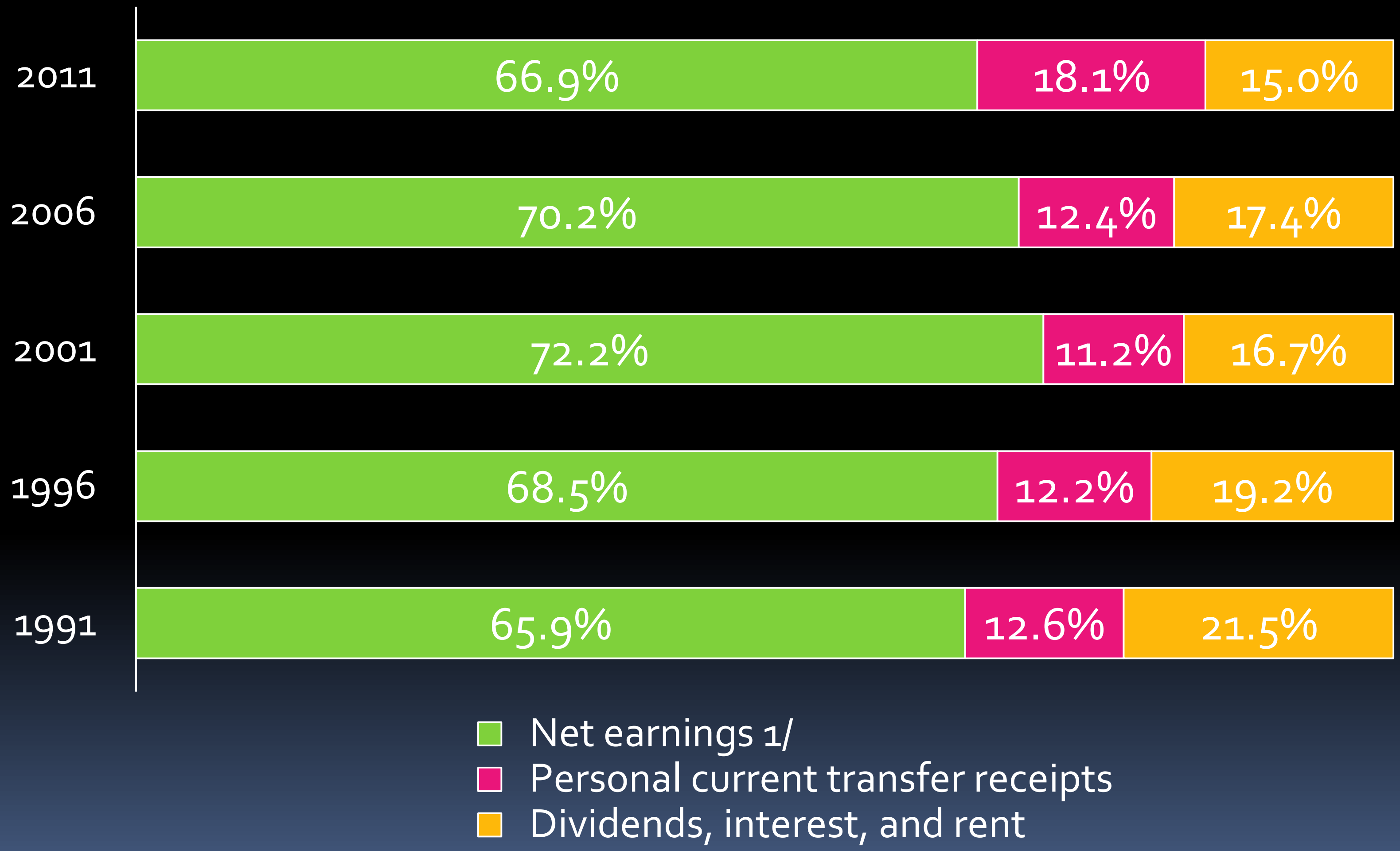

*Sources: American Community Survey, 1-Year Estimates, 2006-2012*

# Personal Income increasing



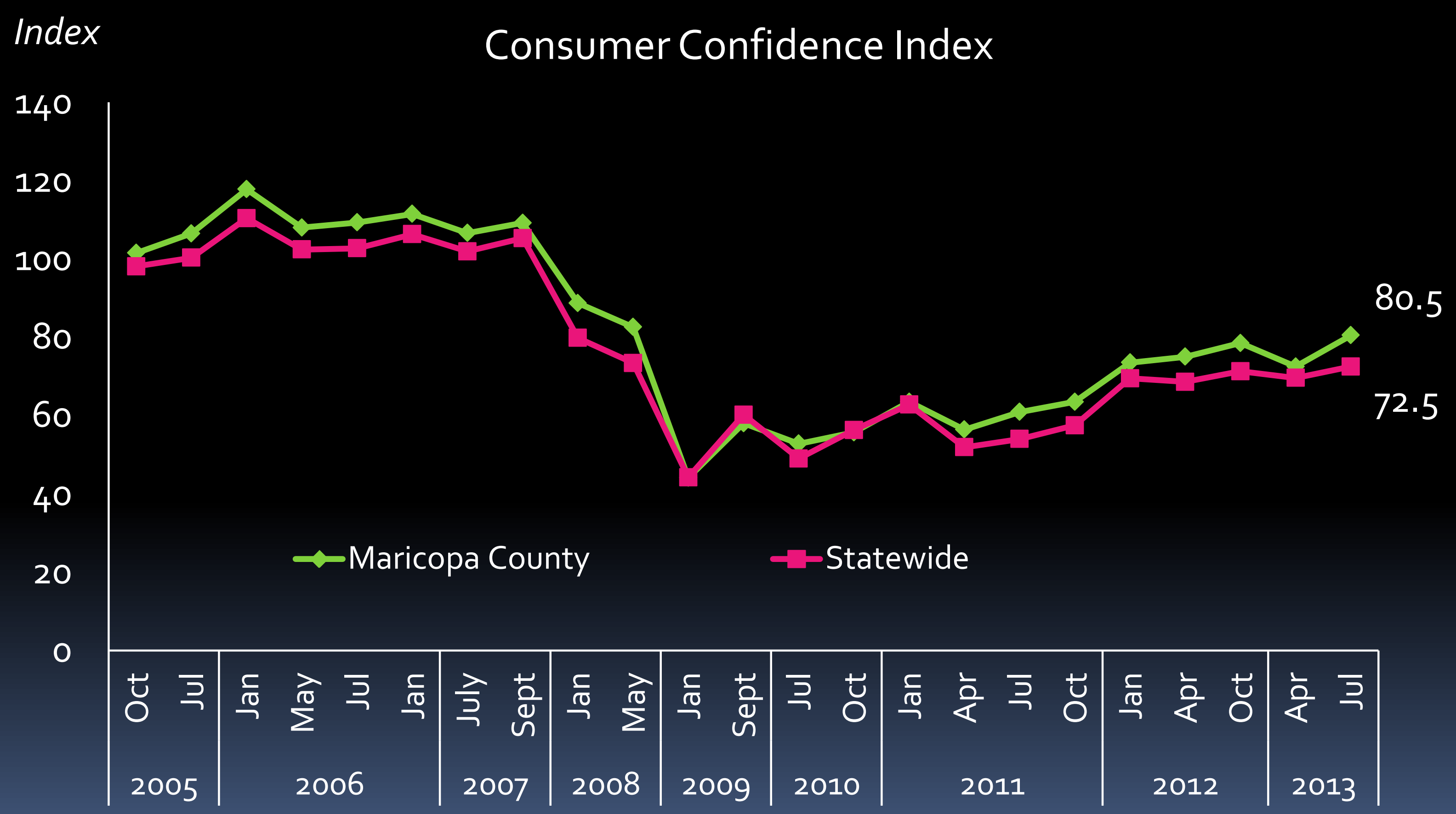

*Sources: U.S. Bureau of Economic Analysis*

# Personal Income Components



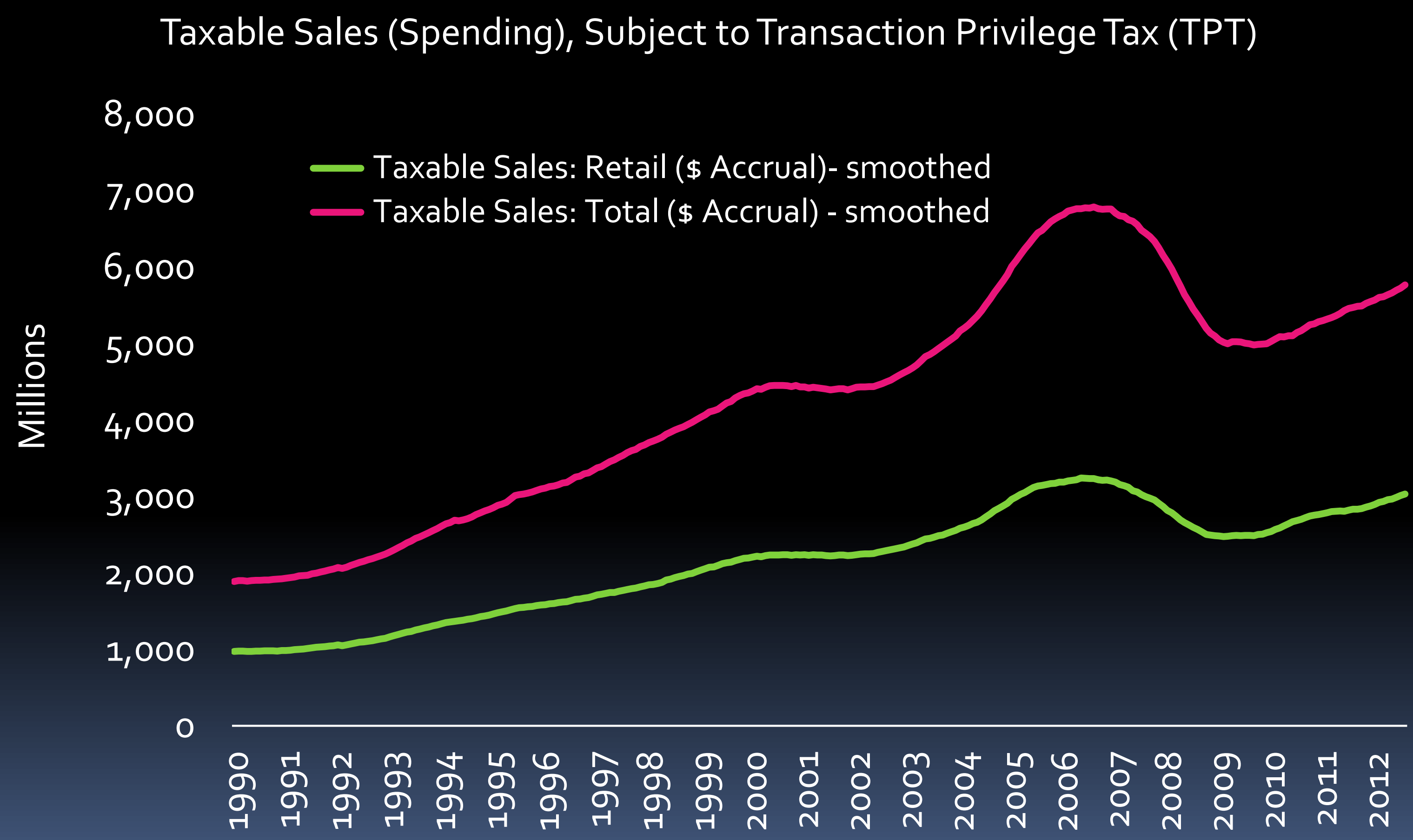

*Sources: U.S. Bureau of Economic Analysis*

# Consumers Optimistic about Economy, but Cautious on Jobs



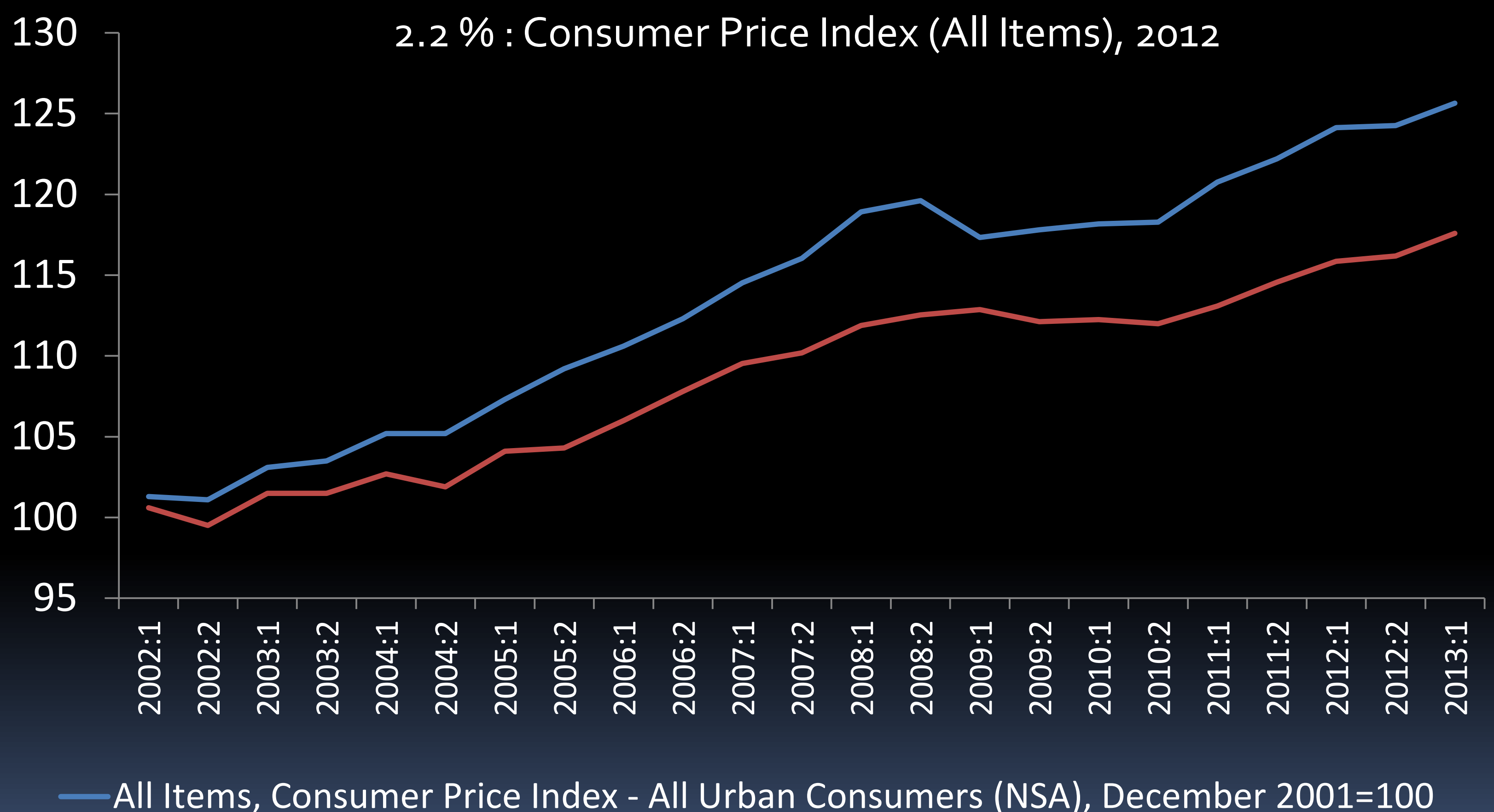

*Sources: Behavior Research Center, Rocky Mountain Poll*

# Spending on the Rise




*Sources: U.S. Bureau of Labor Statistics*

# Price Inflation Modest

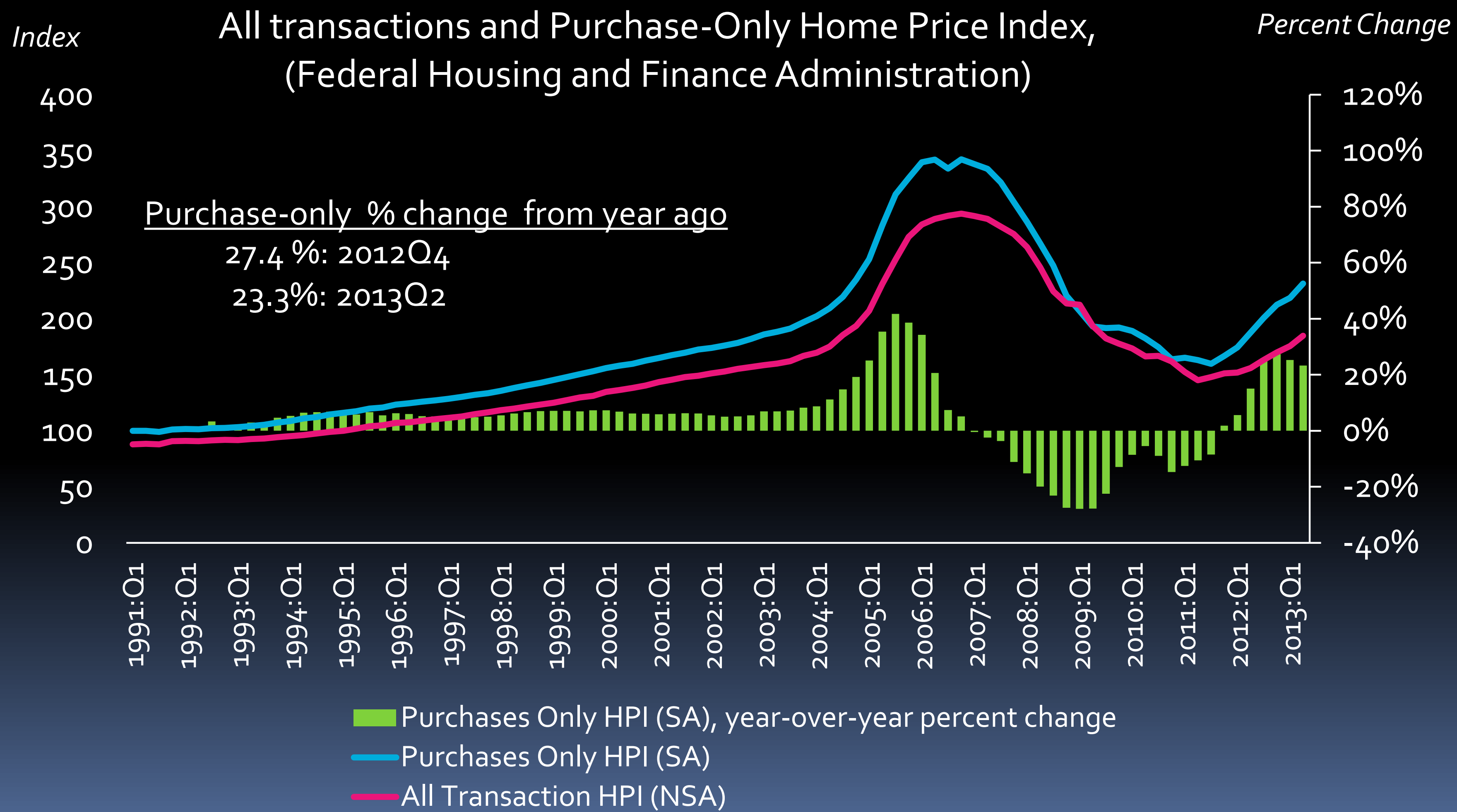



*Sources: U.S. Bureau of Labor Statistics*

# Housing Market in Recovery

- Home prices continue to appreciate
  - but at slower pace
- Residential construction on the rise
- Commercial space vacancy rates declining

# Home Prices Appreciate at a slower pace

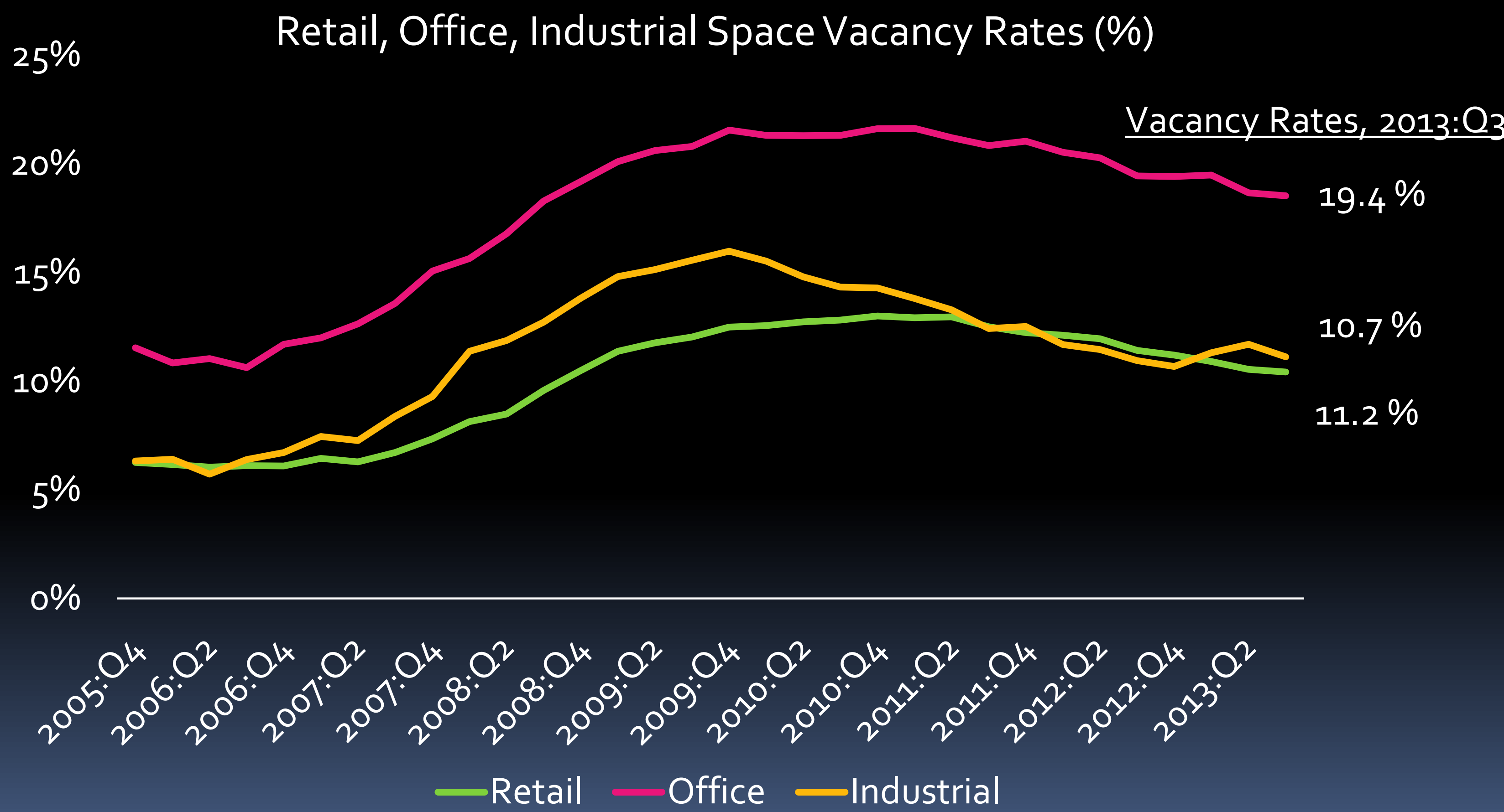



*Sources: Federal Housing Finance Administration*

# Building Permit Applications, Construction on the rise


*Sources: U.S. Census Bureau, MAG Database*

# Commercial Space Vacancy Rates Declining




*Sources: CoStar*

# Macro Economic Factors

- Global Economic growth
  - downgraded
- Monetary tightening
  - Car loans and Mortgage rates rising
- Fiscal tightening
  - Short-term interest rates increase
  - Aerospace and Defense sector cooling

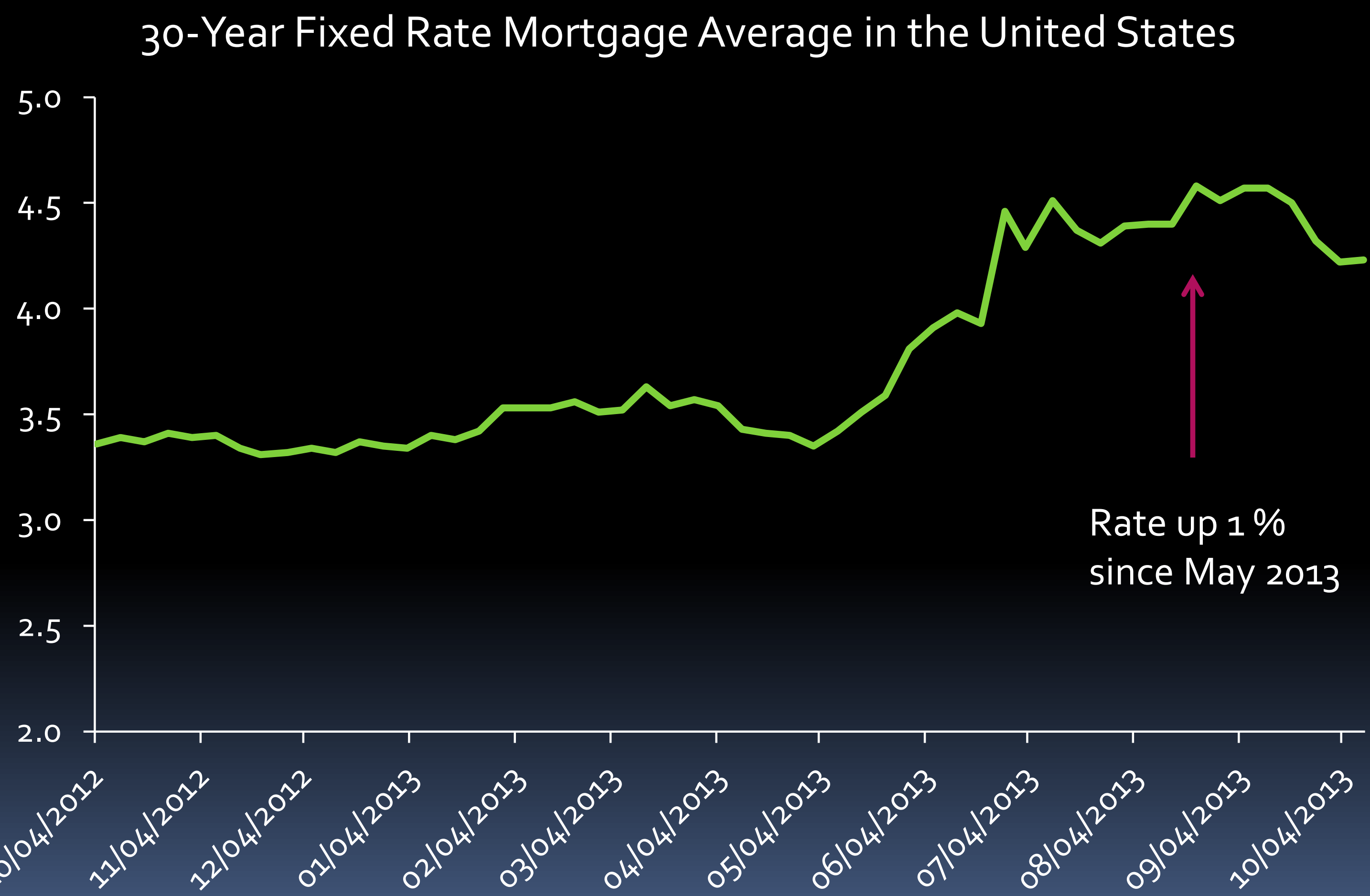
# Global Economic Growth Forecasts

## "Downgraded"

| | Actual | October 2013 Projections | | Difference from July 2013 Projections | |
|---|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2013 | 2014 |
| **Global Output** | **3.2** | **2.9** | **3.6** | **-0.2** | **-0.2** |
| *Advanced Economies* | 1.5 | 1.2 | 2.0 | -0.0 | -0.1 |
| United States | *2.8* | *1.6* | *2.6* | -0.1 | -0.1 |
| Euro Area | *-0.6* | *-0.4* | *1.0* | -0.2 | +0.1 |
| *Emerging & Developing Economies* | 4.9 | 4.5 | 5.1 | -0.5 | -0.3 |

IMF World Economic Outlook, October, 2013

# Interest Rates and Monetary Tightening




*Sources: FRED Database*

# Take Away

- Economy growing at moderate rate
  - Housing market recovering
  - Employment growth lackluster but expected to accelerate
  - Consumers cautious but spending

- Headwinds
  - Global economy growing slower than expected
  - Monetary tightening
    - Car loans and mortgage rates rising
  - Fiscal tightening
    - Short-term interest rates increase
    - Aerospace and defense sector cooling

For Additional Information Contact
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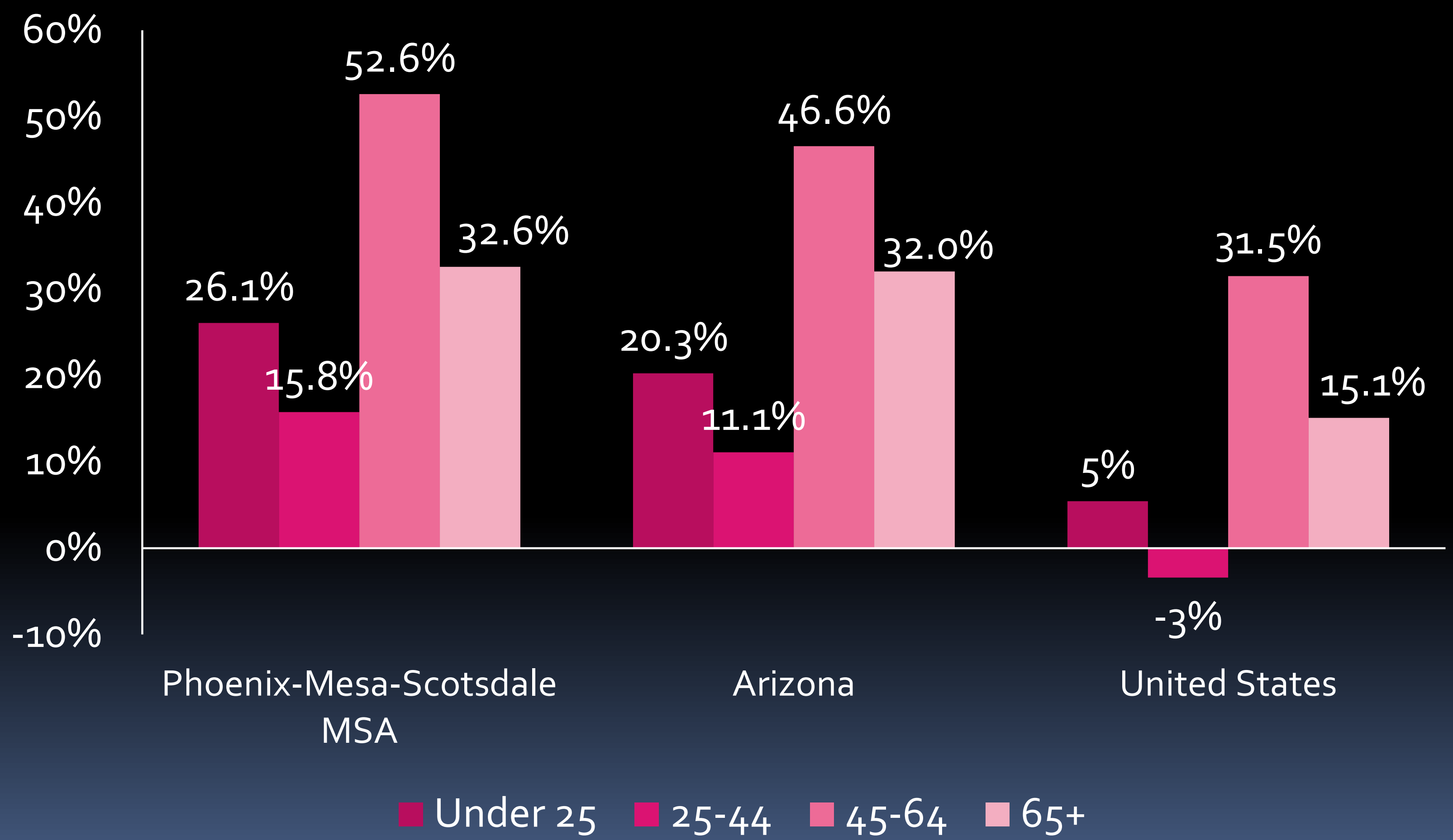
# QUESTIONS AND COMMENTS

# 2000-2010 Population Growth




*U.S. Census Bureau, 2000-2010 Census data.*