

ARIZONA'S ECONOMY

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WINTER ISSUE

2000 | 2001 OUTLOOK FOR THE "NEW ECONOMY"

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Business Week magazine has been a leading proponent of the New Economy for quite some time. The amazing growth and prosperity witnessed in recent years is often explained with references to the New Economy. What is the New Economy, anyway, and do we need a new set of economic theories to understand it? What does the future hold for the New Economy?

What exactly is the New Economy, anyway? Numerous studies have appeared in recent months addressing that question as well as what is really "new" about the New Economy. Here are some of the more salient perspectives. A number of these concepts are measurable and provide valuable insights into the outlook for the economy.

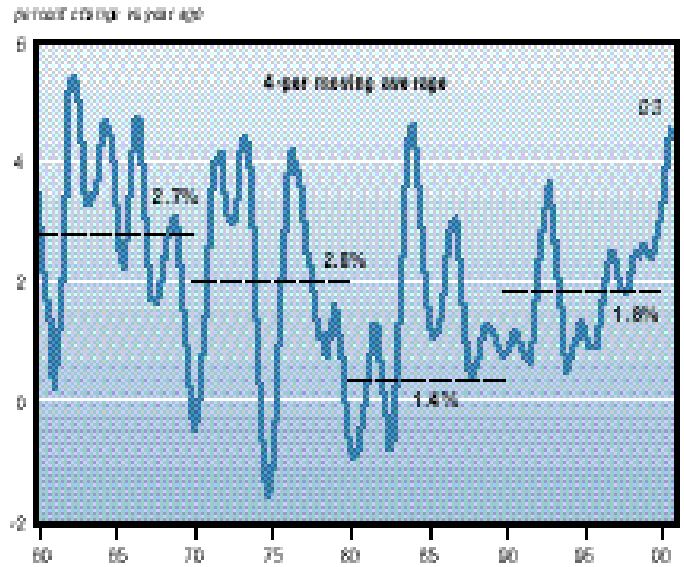
- **Globalization** has brought relentless competition and zero pricing power for U.S. producers. Wars are trade barriers and therefore inflationary. Peacetime allows trade barriers to fall, which frees competitive forces and brings falling prices. Since the end of the cold war a decade ago, trade has surged worldwide and inflation is dead.
- **Productivity** is the key feature of the New Economy. During the decade of the 1990's, productivity rose 1.8% per year, on average, only slightly better than during the 1980's. The pace accelerated, however, during

the second half of the decade. Third-quarter productivity rose 3.8%, a slowing from 6.3% the second quarter and the 8.0% gain in the fourth quarter of last year. Still, on a year-over-year basis, productivity has risen nearly five percent, the biggest increase since 1983. No signs of a slowdown here. Productivity is important because it is key to higher living standards, i.e., rising real incomes and consumer spending. Improving productivity sets a higher speed limit for the economy. It also is an important offset to rising compensation costs, i.e., wages and benefits, and that allows producers to keep prices stable (**Exhibit 1**).

- What we've been through during the past five years is a "once or twice-in-a-century **surge in technology**," coupled with federal budget surpluses that allowed for funding of "productivity-enhancing and cost-reducing capital formation." Fed Chairman Alan Greenspan believes that the

EXHIBIT 1 Productivity Accelerates

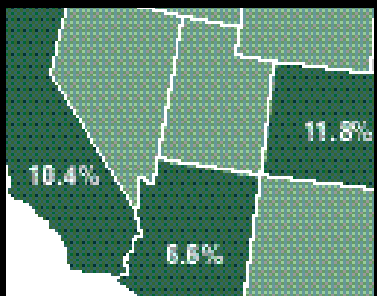
Productivity: Nonfarm Business



rise in productivity is sustainable, i.e., it is a secular shift (long-lasting), rather than a cyclical (temporary) phenomenon. Trend growth in productivity currently is believed to be about three percent. Combined with one percent growth in man-hours, that means that the economy's new speed limit is four percent, nearly double what it was a few years ago.

- The productivity surge is in part related to **business spending on technology**. Capital spending for high-tech equipment

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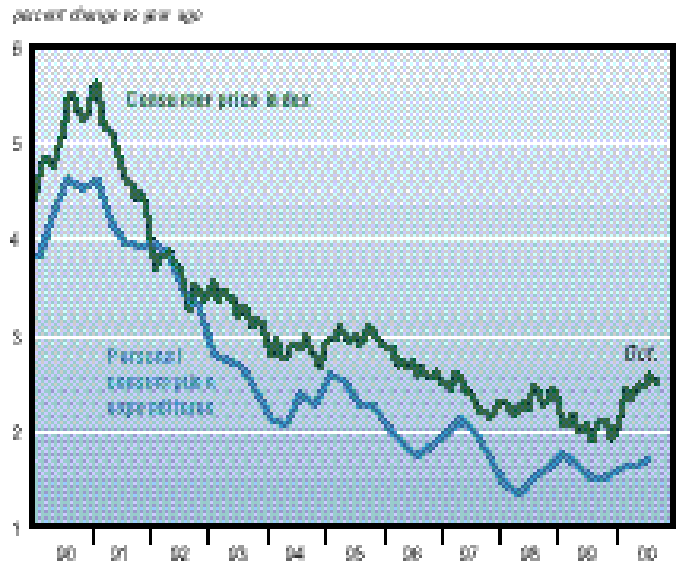
EXHIBIT 2 Tech Spending Doubles

Capital Spending: Equipment & Software



EXHIBIT 3 Inflation Remains Subdued

Core Price Inflation (less food and energy)



and software now accounts for 12.5% of real GDP, double the rate of the 1980's. Moreover, high-tech spending now accounts for nearly one-third of real GDP growth. Again, there is no sign of slowing here (**Exhibit 2**).

- The driving force of the New Economy is the democratization of information, i.e., information is quickly becoming a commodity. As the cost of information falls toward zero, it becomes accessible by all businesses and workers. The **Information Revolution** truly is changing the way business is conducted and the way we live our lives. As an example, Cisco employees never touch the majority of products Cisco sells (products that hook together networks of computers within companies and allow those networks to connect to the Internet). They **outsource** actual manufacturing and shipping of these products. Cisco keeps the engineering and marketing functions in-house and coordinates with suppliers using information technology (IT) systems.
- There is no such thing as “Old Economy” and “New Economy.” The commoditization of information affects all companies—it is **pervasive**. It is not confined solely to “dot-coms” or only to high-tech companies. All businesses can improve usage of information to better manage relationships with their customers and suppliers (supply

chain). Inventories (and associated holding costs) are minimized as supplies arrive “just in time.” Moreover, companies can use customer information to identify who is profitable and who is not, and thereby choose which customers to serve. According to competitiveness expert Michael Porter, “There is no such thing as low-tech industry. There are only low-tech companies—that fail to use world-class technology and practices to enhance productivity and innovation.”

- One of the driving features of the New Economy is speed. Conditions have created a widespread sense of **urgency** that is unparalleled. New products have short life cycles in an information-rich competitive environment. Companies therefore face an ever-shrinking amount of time to make money from new ideas before competition drives margins to zero. This has fed the concept of first mover advantage: the idea that companies must constantly innovate—and do it now, before someone else does. Collaborative technologies and the Internet, of course, provide the means to speed the innovative process as well as the entire product cycle.
- The New Economy is more than a technological/information revolution—it is a **Financial Revolution** as well. An explosion of risk capital, provided by venture

capital funds (VC) and other types of young-company financing such as initial public offerings (IPOs), has fueled the tech boom. VCs are focused on finding and funding innovation. VC funding soared from about \$5 billion a decade ago to roughly \$100 billion annually today, comprising roughly 40% of total R&D spending. The biggest barrier to market entry for a small company is lack of financing, and VC funding has largely eliminated that barrier. Willingness of VCs to take on enormous risk to finance entrepreneurs is a great source of the New Economy's creativity, strength and productivity. Without access to VC funding, the Information Age would have arrived, but much more slowly.

- The stock market has also played a significant role, boosting household net worth by trillions of dollars during the past decade. Market capitalization of the Standard & Poors 500 index is roughly \$11.5 trillion today, up from only \$3 trillion in 1993. As the market continued to soar, households didn't need to save as much—the stock market did the saving for them. This allowed households to allocate dollars to current consumption that otherwise would have gone to savings. Increases in housing prices and proceeds from IPOs also boosted net worth. Households cashed out some of that wealth to buy second homes, expensive

EXHIBIT 4 More Productive Workers Bring Lower Inflation

Age Wave and Inflation

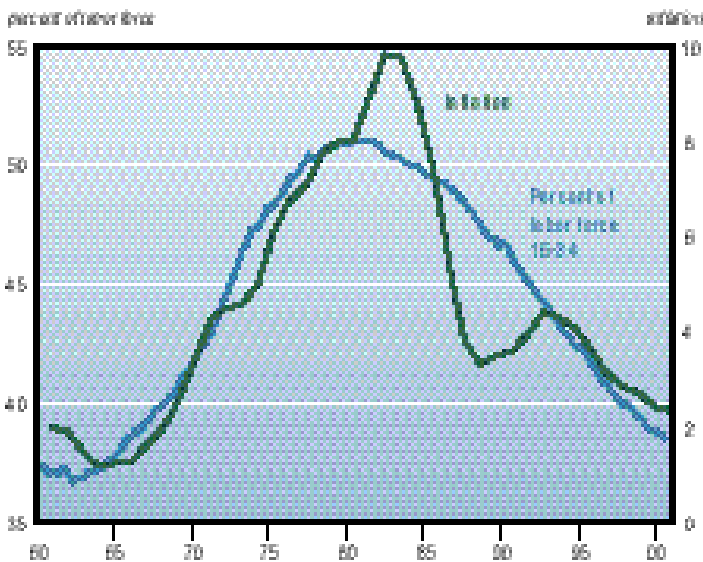
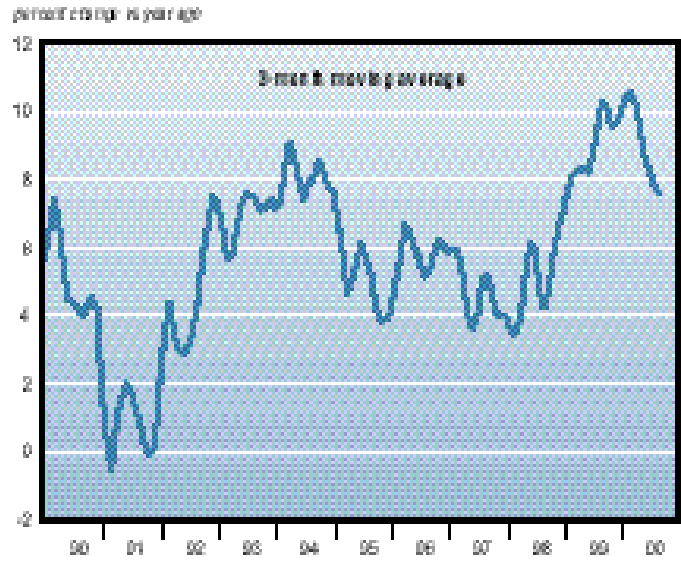


EXHIBIT 5 Sales Slowing But Strong

Retail Sales Growth, U.S.



cars, etc. The consumer-spending boom was boosted and prolonged by this *wealth effect*.

- One of the hallmarks of the New Economy is the economy's ability to grow at high rates for extended periods without generating *inflation*. Recently, rises in energy prices and in services—particularly health care—have brought higher inflation. In October, consumer prices stood 3.4% higher than one year earlier, compared to a 2.2% gain for all of 1999 and only a 1.6% increase in 1998. Nevertheless, *inflation remains relatively subdued*. After subtracting the volatile food and energy components, “core inflation” is running at 2.5%, up less than one-half of one percent from 1999. Chairman Greenspan prefers the personal consumption deflator to the CPI, and that measure is even lower. Core inflation using this measure is only 1.7%, virtually unchanged over the past few years (**Exhibit 3**). The personal consumption deflator recognizes that consumers change their buying patterns in response to changes in relative prices, while the CPI hold the composition constant. Moreover, deflation in business equipment and software remain an important and powerful offset to inflationary pressures. With inflation subdued, the Federal Reserve is content to leave interest rates alone as they did at their

November meeting. The Fed is still worried, however, about recent surveys in which businesses report a return of pricing power—the ability to make price increases stick for the first time in nearly a decade.

- One often-overlooked enabling factor in the development of the New Economy is the *age wave*. As the labor force aged along with Baby Boomers, productivity surged because Boomers are now in their most productive years. They are in their peak earning years, and consumers in the 45-64 age groups spend more than other age groups. Delayed gratification is not a strong trait of Boomers, and they have provided extra fuel to the recent spending boom. Ironically, they also have been able to save like never before as retirement approaches, which has been an important ingredient in the stock market boom. Over half of all households today own stocks either directly or through their retirement plan. The age wave's effect on inflation is shown in **Exhibit 4**. Inflation is shown as a five-year moving average of annual increases. The age wave is graphed as the percentage of the labor force that is age 16-34. Boomers started entering that age group in the mid 60's—as inflation began to move higher. The youngest boomers today are 36, and no longer in the 16-34 group. Boomers will continue to exert a

beneficial effect on inflation through this decade—an effect that will reverse as they begin to have health problems.

- **Consumers** in the New Economy have responded to increases in their standard of living by going on a spending spree. Aggregate retail sales, autos, and housing remain very strong, although each is off a bit from the frenzied pace earlier in the year. Consumers remain quite willing to spend—and they have plenty of money to do so. Retail sales are still growing by nearly eight percent nationwide, and that's very strong (**Exhibit 5**). Car and light truck sales, which decelerated in October to the slowest pace in a year, remain at high levels as incentives and low financing costs continue to bring consumers into showrooms. During the past 12 months, 17.5 million units have been sold (**Exhibit 6**). Real mortgage rates shot up to very high levels during the second half of 1999 and have retreated only a little in recent months. New and used home sales weakened modestly in response, but sales remain at high levels (**Exhibit 7**). Higher interest rates, higher energy prices, and the weak performance of equity markets have yet to significantly affect consumer confidence, which remains near historically high levels (**Exhibit 8**).

EXHIBIT 6 Record Auto Sales Continue

Car and Light Truck Sales, U.S. (seasonally adjusted annual rate)

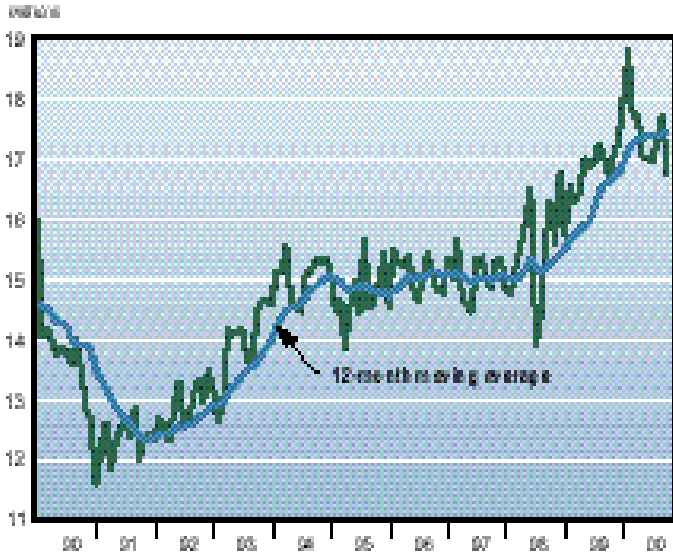
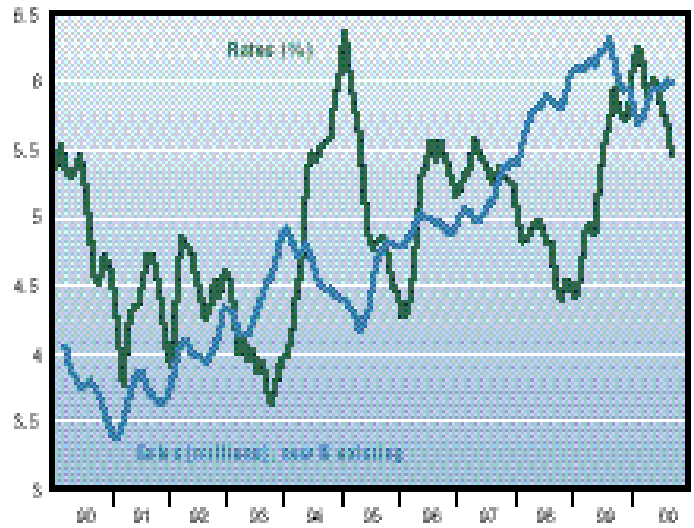


EXHIBIT 7 Home Sales Remain at High Level

Real Mortgage Rates and Home Sales



In summary, the New Economy is, first and foremost, an **Information Revolution**. The availability of information at near-zero cost is truly changing the way business is conducted and the way we live. The New Economy also is a **Technology Revolution**—a surge of information-processing equipment and applications that enable the management and meaningful usage of the deluge of information. Investment in technology would not have been possible without a **Financial Revolution** as well—the rise of Venture Capital (and IPO markets) as funding sources for innovation. Investments in technology and adoption of more efficient business models have boosted **productivity** to new levels, and that has brought a **higher standard of living**. Globalization, competition, new business models and outsourcing, urgency, innovation, the age wave, and the wealth effect all have played an important role in the evolution of the New Economy. None of these are new ideas, and we therefore do not need a “new economics” to understand or to predict where the economy is headed.

THE U.S. OUTLOOK

What are the prospects for the New Economy going forward? The real side of the economy is in great shape with activity slowing, but still at high levels. Even so, the economy has a different feel as year-end approaches, due

to deteriorating financial conditions and a squeeze on corporate earnings.

New Economy measures such as productivity, capital investment in high-tech, consumer demand and inflation suggest that the defining ingredients of the New Economy remain in place. Interest rate hikes by the Federal Reserve, higher oil prices and the flattening of stock prices during the past year have slowed consumer demand only marginally, and business spending on high-tech remains strong.

The financial side of the economy is not so sanguine. Higher interest rates, a squeeze on corporate profits, tighter bank lending standards and a drying up of financing for new companies has significantly raised the cost (and availability) of capital to business. Of course, that is exactly what the Federal Reserve had in mind when it raised short-term rates: a desire is to slow the economy from recent excesses to below the “speed limit.” The question is whether the Fed’s actions are too little, too much, or just right.

From the perspective of businesses, the cost of capital has risen significantly in recent months. Banks have tightened credit standards in response to earnings hits and falling stock prices. In addition, recent turmoil in the stock market has effectively closed the IPO market, and VC funding has become much more cautious as the “tech

wreck” unfolds. The NASDAQ has given back most of the gains over the past year and was below 2600 (down by nearly 25%) at the end of November (**Exhibit 9**).

In retrospect, the NASDAQ, which primarily trades stocks of high-tech companies, experienced a huge “bubble” fueled by a number of New Economy myths, such as:

- New Economy companies are different from Old Economy companies—tech companies aren’t subject to economic forces such as a slower economy.
- Tech companies are immune from rising interest rates, since demand for their product is so strong and borrowing needs so slight.
- Exponential Internet growth has just begun and will accelerate. Ergo, there is no price too high for a good tech company.
- Prospects are more important than immediate earnings (i.e., profits don’t matter).

Data provided by Venture Economics shows that returns on venture capital funds fell below four percent in the second quarter, down from nearly 60% in last year’s fourth quarter. Although VCs are still flush with cash, financial market volatility, reduced returns, and a rash of dot-com layoffs and shutdowns will surely lead to more cautious lending. Reduced availability of funding, of course,

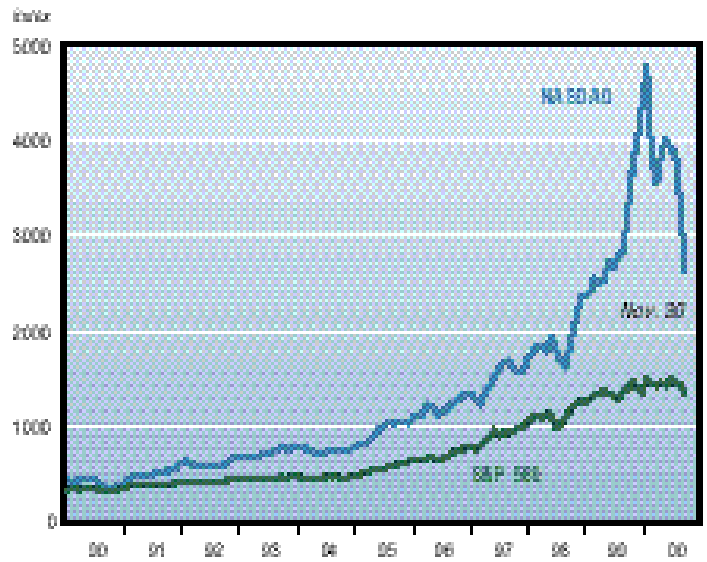
EXHIBIT 8 Consumers are Still Confident

Consumer Confidence Index, U.S. (1985=100)



EXHIBIT 9 The Tech "Bubble" Deflates

U.S. Stock Market Indexes



will slow the innovation process.

As companies say goodbye to free-flowing, cheap money, and as markets reevaluate risk, the sense of urgency is evaporating rapidly.

The key to the outlook may well be whether productivity will continue to carry the day, thus offsetting inflationary pressures and keeping the Fed on the sidelines:

- Hawks argue that recent gains in productivity are concentrated among high-tech producers. Although productivity in high-tech is growing at the fastest pace in the past four decades, the remainder of the economy and non-tech sectors of manufacturing has seen no acceleration. Therefore, when the next "tech slump" arrives, productivity gains will vanish. Without productivity gains to offset rising compensation costs, corporate earnings will come under increasing pressure and force companies to raise prices. Faced with sagging productivity and rising prices, the Fed would raise interest rates and the economy would slow even further. With technology comprising a much larger share of the economy than ever before, a tech slump could turn into full-blown recession.
- Optimists counter that it only makes sense that high-tech producers are first to adopt new productivity-enhancing technologies. Just as it took years to fully incorporate electrical machines into the production

line or adopt the telephone as a major means of communication, so too will it take time for many businesses to embrace information technologies. Businesses do not have a choice, however, as they must adopt cost-saving technologies to stay competitive. Therefore, spending on technology will continue even in the face of a slowdown in the economy. The Information Revolution is still in its infancy, and it will continue to boost productivity for years to come.

The consensus among forecasters calls for a slowdown from recent extremes but no recession. In fact, boom conditions that existed earlier this year appear to be history, as six percent real growth moderated to under three percent in the third quarter. The economy has slowed a notch, but it is too early to worry that it has slowed too much.

Forecasts of the WEA Group, a worldwide economic consulting and forecasting firm, call for real GDP to slow to below the speed limit and average 3.5% in 2001 and 2002, compared to a heady gain of 5.3% this year (Exhibit 10).

Both consumption and business fixed investment will slow, while residential fixed investment remains flat to marginally down. Unemployment moves slightly higher, approaching 4.5%, while inflation moderates to 2.5% (CPI) and into the 1.5-1.9% range

for the personal consumption deflator. Although the effects of a policy mistake or unforeseen shock are greater now, the risk of recession remains quite small, say 15%.

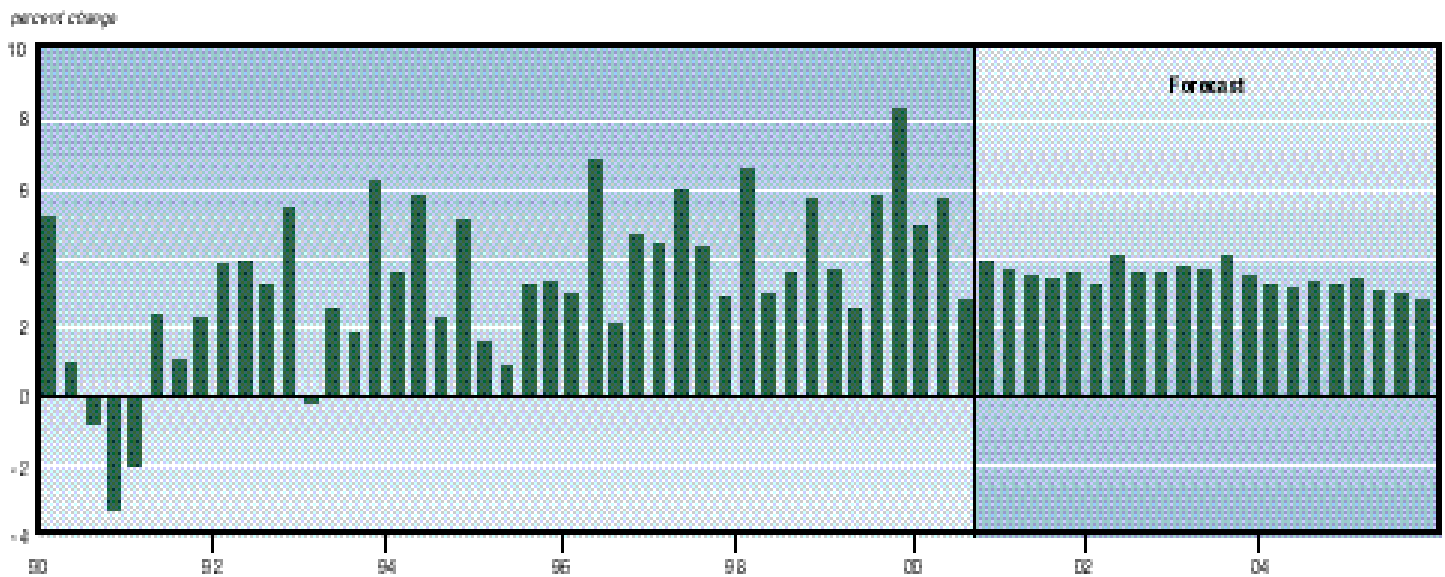
ARIZONA CONTINUES TO LEAD NATION

A number of New Economy measures referenced above are not available for states. Productivity, business equipment spending, financial market indexes and even consumer prices are not available. We can look at measures of consumer spending and confidence, however. What we find is that Arizona and its two largest metro areas reflect the same trends as seen nationwide—only better. Arizona remains a growth leader by virtually any measure, and it is an important player in the New Economy.

Like their national counterparts, Arizona consumers are still on a spending spree. With data through September, retail sales on a 12-month to 12-month comparison were almost ten percent higher. Sales at motor vehicle dealers recorded the largest increase, 15.4%, followed by "other stores, non-retail categories" at 13.2%. Both building materials and furniture stores, which had registered double-digit increases earlier in the year, have slowed, mirroring other measures of building activity. Metro Phoenix continues to excel, matching the statewide gain. Tucson

EXHIBIT 10

Slower Growth Predicted (Real GDP Growth, U.S.)



sales registered a strong increase of nearly nine percent (**Exhibit 11**).

Arizona consumer confidence remained near record levels in the fourth quarter. So far, consumers—both nationwide and in Arizona—have largely ignored higher interest rates and volatility in financial markets. Interestingly, the gap between Phoenix and Tucson has closed during the past two surveys. Phoenix-based Behavior Research Center conducts the Arizona poll under sponsorship of Stockton Capital Management and Trust Company of Scottsdale (**Exhibit 12**).

Arizona led the nation for job creation during most of calendar year 2000. With data through October, job growth was 4.5%, compared to a gain of 4.1% for all of 1999. Roughly 91,000 jobs were created during the past 12 months, according to the Arizona Department of Economic Security. Metro Phoenix accounted for roughly 65,800 and Metro Tucson for 16,600.

Tucson led the nation's metro areas for job creation through most of the year with year-over-year growth approaching seven percent in early 2000. Metro Phoenix ranked 17th during September (the most recent month available as this is written). Tucson has been growing faster than Phoenix since late 1999 (**Exhibit 13**).

While not perceived to be a New Economy state, Arizona ranks number twelve for the proportion of jobs in high-technology,

according to a study from the Progressive Policy Institute. Using a similar measure, Tucson ranked 22nd and Phoenix 30th among 315 metro areas, while Flagstaff (due to one large employer) ranked 20th. High-tech industries include electronics, instruments, aircraft, space vehicles and communications. The Phoenix area has a large presence of electronics and semiconductor manufacturers such as Motorola, Intel, Sumitomo, Honeywell and a host of others. Tucson, known as Optics Valley for its strong optics cluster of entrepreneurial companies, also has a concentration in aerospace with employers such as Raytheon, Honeywell, Bombardier and Universal Avionics. Texas Instruments and IBM are other high-tech companies in Tucson.

Although Arizona lost nearly 7,000 manufacturing jobs during the 1998 Asian crisis, job counts have been increasing since mid-1999 and have nearly recovered earlier losses. During the past 12 months, nearly 4,400 jobs have been added—2,400 of those in the Tucson metro area.

Two additional measures suggest that Arizona is doing better than nationwide. In Arizona, both orders and production remain solidly in positive territory with readings near 55, according to the Purchasing Management Association. Nationwide, readings have fallen below 50 in recent months. Help wanted advertising also is holding up much better

in the metro Phoenix area compared to nationwide, which has seen ads volume fall to the lowest readings since 1994.

In October, unemployment in Arizona stood at 3.7%, two-tenths lower than nationwide. Unemployment in metro Tucson and Phoenix-Mesa both registered at only 2.5%, the lowest readings in over thirty years. In order to find workers, employers have had to import them. According to estimates for the College of Business at ASU, population statewide grew 126,000 from mid-1999 to mid-2000. Comparable estimates for Phoenix-Mesa and Tucson metro areas are 89,000 and 20,000, respectively.

Arizona personal income jumped in the first quarter of 2000 before returning to "normal" during the second (**Exhibit 14**).

During the first quarter, personal income rose by a very strong 10.1% from prior year levels. The second quarter gain measured 7.4%. Large bonuses paid in the services industry (which rose nearly 21%) account for the lion's share of the first quarter jump. Transportation, communications and public utilities rose a strong 11.5%, and manufacturing was up nearly ten percent. The latter resulted from a very weak first quarter during 1999, however.

It is likely that the estimates for 1999 will be revised significantly higher. In the meantime, our forecast for a gain of 8.1% for all of 2000 appears quite reasonable. A 7.2%

EXHIBIT 11
Sales Strong in Tucson and Phoenix

Retail Sales Growth, Metro

percent change 12 year ago

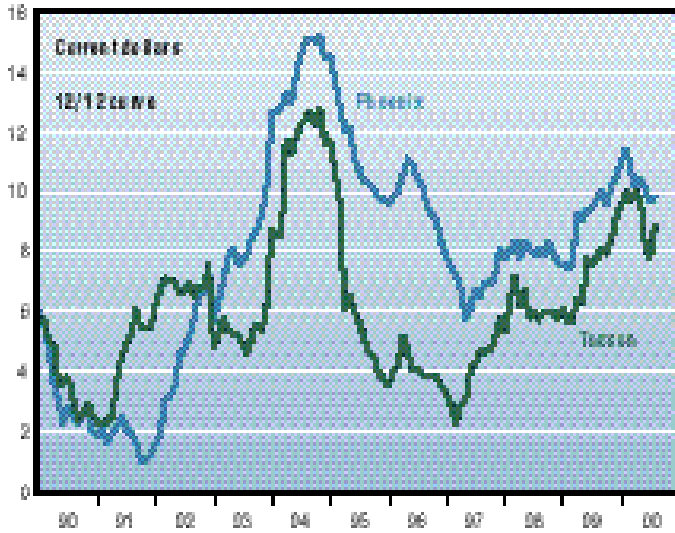
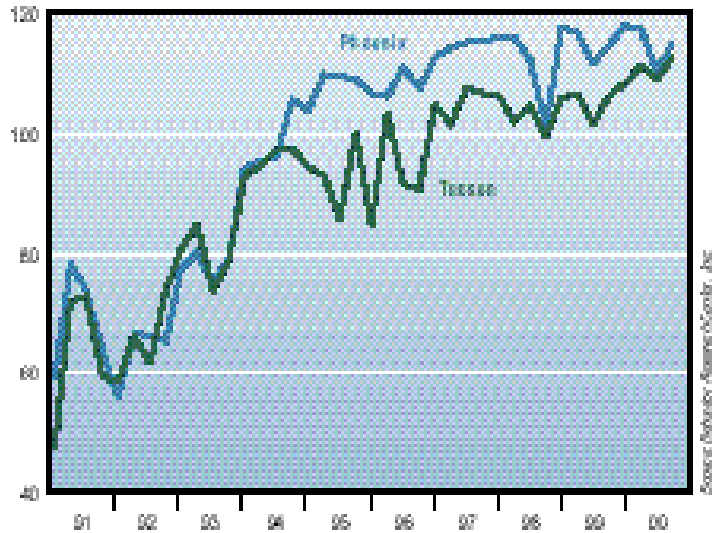


EXHIBIT 12
Confidence Still High

Consumer Confidence Index (1985=100)



gain is expected for 2001.

The forecast for Arizona and the two large metro areas calls for the pace to slow, but still remain quite strong. The projected 3.6% increase in nonag jobs during 2001 should keep Arizona among the nation's leading growth states. Tucson should once again out-pace its larger neighbor in 2001. A gain of 3.2% and 3.9% is expected for metro Phoenix and metro Tucson, respectively. That means 51,000 new jobs for Phoenix-Mesa and 14,000 for Tucson (see Forecast Tables on page nine).

Homebuilding activity statewide, as measured by new units permitted, will likely not reach 60,000 this year, compared to nearly 63,000 during 1999. Arizona voters rejected a Sierra Club-backed growth management initiative that could well have brought building activity to a halt. Therefore, the forecast calls for another year of modest slowing with roughly 50,000 new units. 34,000 of those will be in the Phoenix-Mesa metro area. Tucson's 8700 units will match 2000's total, as boom conditions continue.

Consumer spending statewide is expected to slow to a gain of a little over four percent compared to eight percent in 2000. This will still be a good year, since retail sales have plummeted significantly during past recessions.

All things considered, it will be another stellar year for the Arizona economy. The

major challenge may be how Arizona leaders deal with competitive issues such as 1) how to change the perception that Arizona is not a New Economy state, 2) obtaining better results from public schools, 3) nurturing and capitalizing on its knowledge assets, 4) providing access to technology for all residents, and 5) providing a quality of life that is attractive to knowledge workers. ■

S P O N S O R S

- Arizona Joint Legislative Budget Committee
- Arizona Portland Cement Company
- Arizona Public Service Company
- Bank One Arizona
- CB Richard Ellis
- City of Mesa
- City of Tucson
- Compass Bank
- Elliott D. Pollack and Company
- Kaufman and Broad
- Jim Click Automotive Team
- Merrill Lynch
- Northern Trust Bank of Arizona
- Pima County
- Qwest Communications
- Qwest Dex
- Salt River Project
- Territorial Newspapers
- Tucson Electric Power Company
- Tucson Healthcare Council
- Tucson Newspapers

EXHIBIT 13
Wage and Salary Job Growth

Phoenix-Mesa and Tucson MAs

percent change 12 year ago

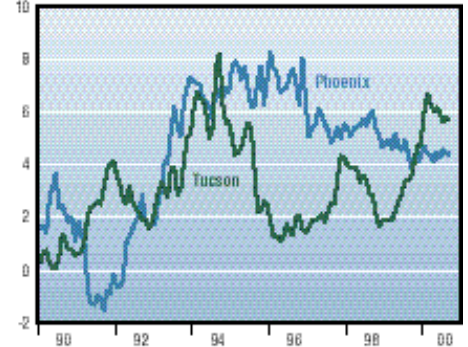
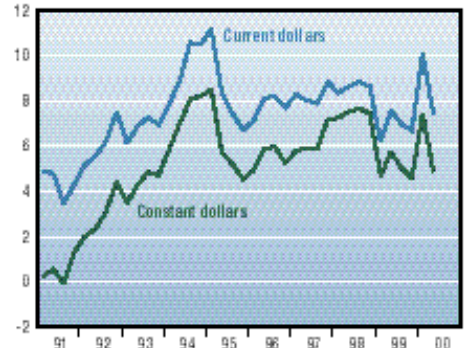


EXHIBIT 14
Bonuses Propel Income Growth

Personal Income Growth, Arizona

percent change 12 year ago



F O R E C A S T T A B L E S

Forecasts for Arizona

	1999	2000	2001	2002	2003	2004	2005
Personal Income (\$ mill)	121,391.3	131,221.6	140,717.9	149,398.7	157,600.2	165,336.2	172,630.6
percent change	7.5	8.1	7.2	6.2	5.5	4.9	4.4
Per Capita Personal Income	25,096.4	26,440.0	27,601.2	28,586.1	29,455.2	30,218.1	30,882.0
percent change	4.5	5.4	4.4	3.6	3.0	2.6	2.2
Aggregate Retail Sales (\$ mill)*	49,897.7	54,262.3	56,694.6	59,814.9	62,784.1	65,328.7	67,605.6
percent change	10.2	8.7	4.5	5.5	5.0	4.1	3.5
Population (000s, mid-year)	4,837.0	4,963.0	5,098.3	5,226.3	5,350.5	5,471.4	5,590.0
percent change	2.8	2.6	2.7	2.5	2.4	2.3	2.2
Net Migration (000s)	90.1	92.2	88.6	83.2	79.6	76.2	74.1
Wage & Salary Employment (000s)	2,161.1	2,261.7	2,343.9	2,416.7	2,482.1	2,540.7	2,595.0
percent change	4.2	4.7	3.6	3.1	2.7	2.4	2.1
Goods-Producing	377.3	386.4	391.8	392.6	395.7	400.6	406.1
percent change	1.3	2.4	1.4	0.2	0.8	1.2	1.4
Construction	153.9	157.9	157.0	154.0	153.3	153.8	155.2
percent change	7.1	2.6	-0.6	-1.9	-0.4	0.3	1.0
Manufacturing	211.9	218.3	224.4	228.1	231.8	236.2	240.3
percent change	-1.9	3.0	2.8	1.6	1.6	1.9	1.7
Service-Providing	1,783.8	1,875.2	1,952.0	2,024.1	2,086.4	2,140.1	2,188.9
percent change	4.8	5.1	4.1	3.7	3.1	2.6	2.3
Trade (Wholesale & Retail)	512.5	536.6	562.4	590.1	611.6	626.6	637.2
percent change	2.9	4.7	4.8	4.9	3.6	2.5	1.7
Services	677.0	720.2	754.3	785.5	813.2	839.3	864.8
percent change	8.1	6.4	4.7	4.1	3.5	3.2	3.0

Forecasts for Phoenix-Mesa Metro Area

	1999	2000	2001	2002	2003	2004	2005
Personal Income (\$ mill)	84,056.0	90,825.0	96,880.3	102,620.1	109,431.3	115,643.1	121,445.9
percent change	7.5	8.1	6.7	5.9	6.6	5.7	5.0
Per Capita Personal Income	27,582.9	28,962.1	30,043.4	31,024.3	32,292.7	33,336.4	34,231.3
percent change	4.1	5.0	3.7	3.3	4.1	3.2	2.7
Aggregate Retail Sales (\$ mill)*	34,362.9	37,405.0	39,137.6	41,201.8	44,200.1	46,400.4	48,154.7
percent change	10.5	8.9	4.6	5.3	7.3	5.0	3.8
Population (000s, mid-year)	3,047.4	3,136.0	3,224.7	3,307.7	3,388.7	3,469.0	3,547.8
percent change	3.2	2.9	2.8	2.6	2.4	2.4	2.3
Net Migration (000s)	66.1	63.0	57.9	52.4	50.7	49.9	48.5
Wage & Salary Employment (000s)	1,525.3	1,593.3	1,644.3	1,688.7	1,732.2	1,773.5	1,811.0
percent change	4.6	4.5	3.2	2.7	2.6	2.4	2.1
Goods-Producing	286.3	292.7	293.0	292.4	293.1	296.2	299.7
percent change	2.1	2.2	0.1	-0.2	0.2	1.1	1.2
Construction	113.4	116.2	112.8	109.2	107.1	107.0	108.4
percent change	7.6	2.5	-2.9	-3.2	-1.9	-0.1	1.2
Manufacturing	168.4	173.1	176.7	179.8	182.5	185.7	187.9
percent change	-0.7	2.8	2.1	1.8	1.5	1.7	1.2
Service-Providing	1,239.0	1,300.6	1,351.3	1,396.3	1,439.2	1,477.3	1,511.2
percent change	5.2	5.0	3.9	3.3	3.1	2.7	2.3
Trade (Wholesale & Retail)	370.8	382.5	396.2	410.0	423.2	432.3	438.7
percent change	4.9	3.2	3.6	3.5	3.2	2.2	1.5+
Services	483.5	515.1	538.4	558.3	575.6	593.8	611.1
percent change	6.7	6.5	4.5	3.7	3.1	3.2	2.9

Forecasts for Tucson Metro Area

	1999	2000	2001	2002	2003	2004	2005
Personal Income (\$ mill)	19,306.3	21,033.5	22,639.1	24,195.3	25,729.1	27,064.7	28,310.2
percent change	7.5	8.9	7.6	6.9	6.3	5.2	4.6
Per Capita Personal Income	22,826.8	24,288.1	25,444.5	26,549.3	27,635.6	28,542.9	29,362.9
percent change	4.7	6.4	4.8	4.3	4.1	3.3	2.9
Aggregate Retail Sales (\$ mill)*	7,856.2	8,523.8	8,987.0	9,477.5	9,979.1	10,401.5	10,784.5
percent change	9.5	8.5	5.4	5.5	5.3	4.2	3.7
Population (000s, mid-year)	845.8	866.0	889.7	911.3	931.0	948.2	964.1
percent change	2.7	2.4	2.7	2.4	2.2	1.8	1.7
Net Migration (000s)	17.2	19.8	19.0	16.7	14.7	12.1	10.7
Wage & Salary Employment (000s)	340.2	358.6	372.5	385.4	394.4	401.0	406.7
percent change	4.7	5.4	3.9	3.5	2.3	1.7	1.4
Goods-Producing	55.3	59.7	63.7	66.3	66.9	67.1	67.4
percent change	8.6	7.8	6.7	4.2	0.9	0.4	0.4
Construction	20.9	21.8	22.6	23.1	23.2	23.0	22.8
percent change	5.9	4.3	3.7	2.0	0.6	-0.8	-0.8
Manufacturing	32.6	36.2	39.1	41.2	41.7	42.1	42.4
percent change	12.4	11.0	8.0	5.4	1.1	0.9	0.9
Service-Providing	284.9	299.0	308.9	319.1	327.5	333.8	339.3
percent change	4.0	4.9	3.3	3.3	2.6	1.9	1.6
Trade (Wholesale & Retail)	72.0	75.1	78.1	81.0	83.2	84.5	85.0
percent change	3.2	4.3	4.0	3.8	2.7	1.5	0.7
Services	111.4	118.6	123.7	129.0	133.3	137.0	140.5
percent change	5.3	6.4	4.3	4.3	3.3	2.8	2.6

*Aggregate Retail Sales includes retail, food, restaurant & bars and gasoline sales.

Source: Economic and Business Research Program, Eller College of Business and Public Administration, The University of Arizona

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THE UNIVERSITY OF ARIZONA.

ARIZONA RANKS 14th, HOUSING PRICES UP 6.6%

By Heather Peterson
Research Specialist

The Office of Federal Housing Enterprise Oversight (OFHEO) calculates a “constant quality” house price index (HPI) designed to capture changes in the values of single-family homes across the nation. Indices for the United States as a whole, the nine Census Bureau subdivisions, individual states, the District of Columbia, and a number of metropolitan areas are provided. The index tracks repeat sales, which controls for differences in the quality of houses.

Arizona’s 6.6% increase over the past year (period ended June 30) is slightly lower than the United States as a whole, which had an increase of 6.8%. Other western states in the top 15 were: Colorado, ranked 3rd, with an increase of 11.8%, California, 5th at 10.4%, and Texas, 10th at 7.9% (Exhibit 1).

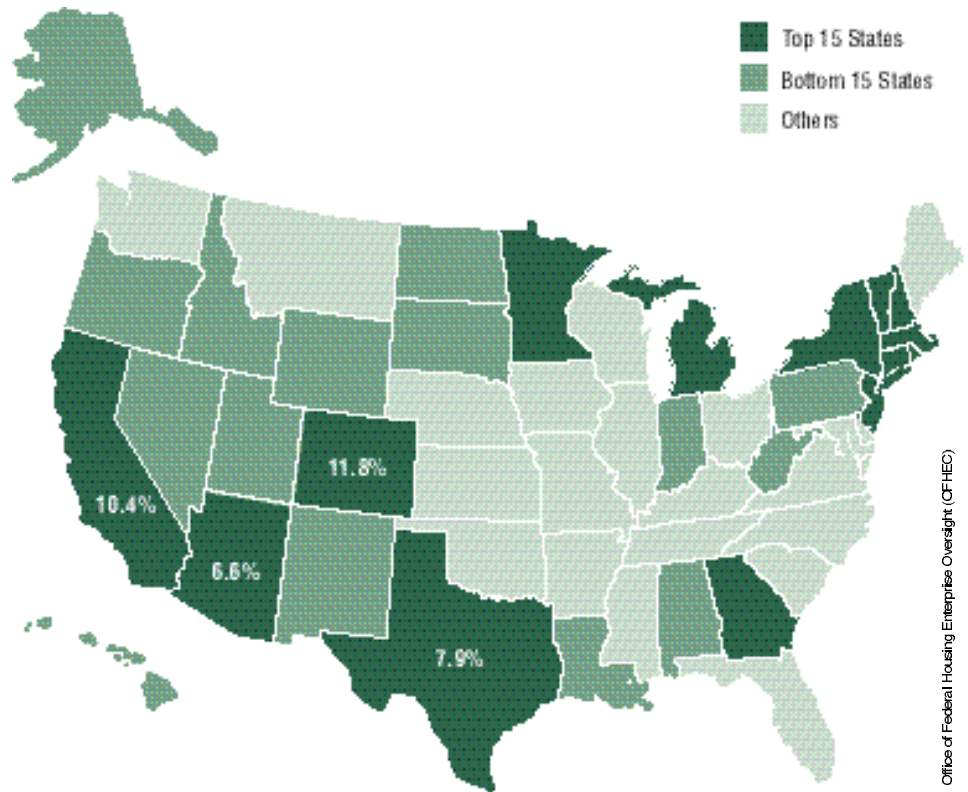
In the metropolitan areas, Tucson’s housing prices have increased 5% in the second quarter (vs. a year ago), while the Phoenix-Mesa area has had a whopping increase of 7.5% (down a little from the first quarter’s increase of 7.9%). The Flagstaff area saw a modest 2.3% increase, while housing prices in the Yuma MSA increased by 3.1% (Exhibit 2).

OFHEO obtains quarterly information on conventional conforming mortgage transactions for the past 25 years from Fannie Mae and Freddie Mac. This database provides an enormous number of properties nationwide. Since the index controls for quality, it is preferred to other sources, such as local Multiple Listing Services (MLS). MLS data reports a price for “homes sold” which varies from one period to the next as the mix of expensive and inexpensive homes changes. The HPI index is updated quarterly.

For more information, visit OFHEO at: <http://www.ofheo.gov/house>. ■

EXHIBIT 1 Annual Percent Change in House Prices

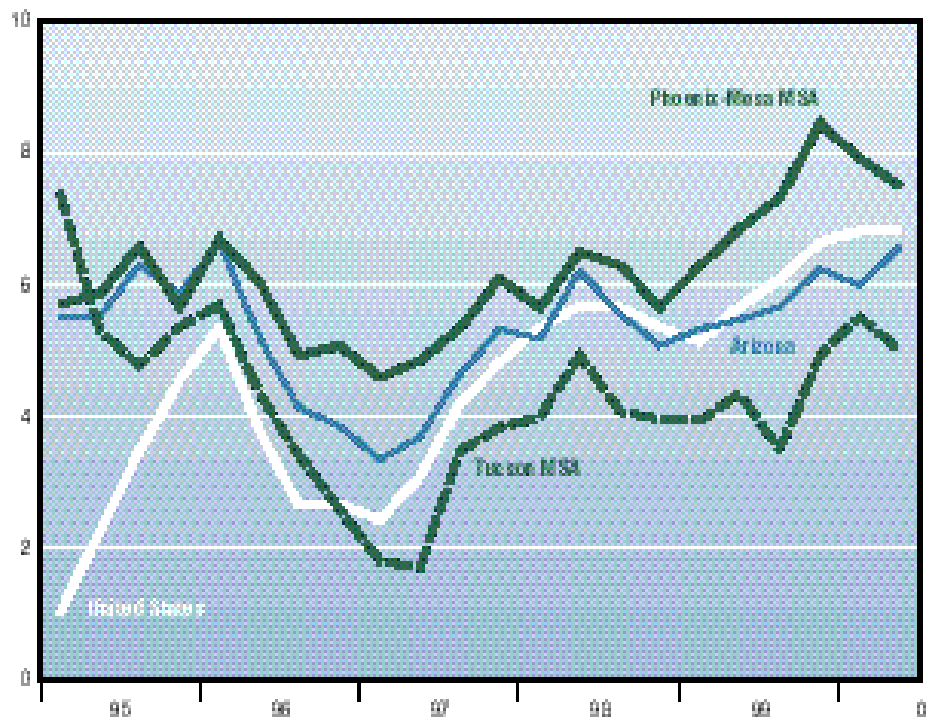
OFHEO House Price Index, Period Ending June 30, 2000



Office of Federal Housing Enterprise Oversight (OFHEO)

EXHIBIT 2 Housing Price Index, Arizona and MSAs

percent change vs. year ago



Courtesy of the Office of Federal Housing Enterprise Oversight

	JUN 2000	JUL 2000	AUG 2000	SEP 2000	OCT 2000	% change versus year ago for: most recent month	% change versus year ago for: most recent 12-months
YUMA METROPOLITAN REGION							
Civilian Labor Force, ADES							
Employment	68,625	70,450	74,450	67,825	66,225	-5.6	-6.4
Unemployment	45,550	43,725	44,475	44,725	46,425	-10.2	-6.1
Unemployment Rate (%)	23,075	26,725	29,975	23,100	19,800	7.2	-7.1
Unemployment Rate (%)	33.6	37.9	40.3	34.1	29.9	13.6	-0.3
Employees on Nonagricultural Payrolls, ADES							
Total	37,625	36,900	38,025	38,975	40,125	-5.3	-4.3
Construction	3,025	3,100	3,150	3,175	3,250	12.1	10.1
Manufacturing	2,475	2,550	2,575	2,575	2,575	10.8	8.8
Trans., Comm. & Publ. Util.	1,375	1,350	1,350	1,375	1,425	-18.6	-15.8
Trade	10,075	9,925	9,950	10,300	10,725	-6.3	-6.8
Finance, Ins. & Real Estate	1,050	1,050	1,050	1,050	1,150	-8.0	-8.5
Services	9,100	9,050	9,050	9,225	9,400	19.7	12.2
Government	10,525	9,875	10,900	11,275	11,600	-21.8	-14.9
Sales (\$000s) ADOR							
Gross Retail	80,333	69,921	71,940	78,382	...	8.6	8.5
Retail	63,116	53,844	54,934	61,579	...	9.8	6.9
Restaurants & Bars	8,338	7,297	7,332	7,441	...	0.8	3.2
Gasoline, EBR	8,879	8,780	9,674	9,362	...	7.9	26.4
Gallons (000s) ADOT	6,359	6,031	6,616	6,156	...	-17.1	-0.8
Contracting	16,952	14,645	15,385	14,342	...	-2.0	0.3
Value of Construction Contract Awards (\$000s) F.W. Dodge							
Total	19,547	15,022	9,697	9,583	20,226	4.7	-24.0
Residential Building	7,714	4,781	7,299	5,636	17,627	206.0	-3.9
Non-Residential Building	3,366	5,463	858	180	2,105	-81.3	-45.1
Non-Building	8,467	4,778	1,540	3,767	494	-78.3	-37.0
Number of Dwelling Units Awarded, F.W. Dodge							
Total	90	60	88	64	96	50.0	-6.4
One Family Houses	90	60	84	64	96	50.0	-6.8
MOHAVE-LA PAZ REGION							
Civilian Labor Force, ADES							
Employment	72,400	72,775	73,425	73,075	72,950	2.0	3.1
Unemployment	69,025	69,525	69,975	70,250	70,225	2.4	3.8
Unemployment Rate (%)	3,375	3,250	3,450	2,825	2,725	-7.6	-10.2
Unemployment Rate (%)	4.7	4.5	4.7	3.9	3.7	-9.4	-13.0
Employees on Nonagricultural Payrolls, ADES							
Total	45,025	44,625	45,525	45,925	46,275	4.6	4.7
Mining (Mohave County only)	100	100	100	100	100	0.0	9.1
Construction	3,700	3,700	3,725	3,725	3,800	5.6	5.8
Manufacturing	3,850	3,850	3,825	3,800	3,800	6.3	4.3
Trans., Comm. & Publ. Util.	2,325	2,325	2,350	2,350	2,350	8.0	7.3
Trade	13,525	13,475	13,600	13,675	13,750	3.8	3.2
Finance, Ins. & Real Estate	1,600	1,600	1,575	1,550	1,550	1.6	3.5
Services	11,450	11,475	11,500	11,625	11,725	4.0	5.6
Government	8,475	8,100	8,850	9,100	9,200	5.1	5.3
Sales (\$000s) ADOR							
Gross Retail	111,975	107,118	103,394	100,398	...	10.4	12.8
Retail	83,202	78,299	74,104	74,620	...	10.6	10.2
Restaurants & Bars	13,058	12,109	13,256	11,647	...	0.6	4.1
Gasoline, EBR	15,715	16,710	16,034	14,131	...	18.9	38.9
Gallons (000s) ADOT	11,256	11,477	10,967	9,292	...	-8.7	9.4
Contracting	39,700	26,924	31,825	34,187	...	54.3	23.6
Value of Construction Contract Awards (\$000s) F.W. Dodge							
Total	20,612	20,496	20,829	19,233	39,825	-28.6	-13.2
Residential Building	15,264	15,186	16,945	14,433	14,811	8.6	3.1
Non-Residential Building	2,991	290	3,696	2,776	4,440	-42.2	4.9
Non-Building	2,357	5,020	188	2,024	20,574	-40.2	-51.6
Number of Dwelling Units Awarded, F.W. Dodge							
Total	153	151	170	141	145	7.4	6.8
One Family Houses	151	147	166	141	143	7.5	-5.3

See notes at bottom of Arizona - Quarterly table.

	JUN 2000	JUL 2000	AUG 2000	SEP 2000	OCT 2000	% change versus year ago for:	
						most recent month	most recent 12-months
COCHISE COUNTY							
Civilian Labor Force, ADES							
Employment	40,550	40,625	40,525	40,625	40,325	-1.3	2.3
Unemployment	38,750	38,850	38,700	38,975	38,725	-0.8	3.9
Unemployment Rate (%)	1,800	1,775	1,825	1,650	1,600	-12.3	-22.6
Unemployment Rate (%)	4.4	4.4	4.5	4.1	4.0	-11.1	-24.6
Employees on Nonagricultural Payrolls, ADES							
Total	32,200	32,250	32,500	33,025	32,900	2.7	5.8
Construction	2,250	2,200	2,225	2,250	2,200	-5.4	3.4
Manufacturing	950	925	925	1,150	1,100	2.3	-8.0
Trans., Comm. & Publ. Util.	1,325	1,325	1,325	1,325	1,300	4.0	4.5
Trade	8,125	8,150	8,275	8,325	8,300	5.1	12.3
Finance, Ins. & Real Estate	725	725	725	725	750	3.4	1.5
Services	8,800	8,750	8,575	8,575	8,550	1.8	10.7
Government	10,025	10,175	10,450	10,675	10,700	3.4	0.1
Sales (\$000s) ADOR							
Gross Retail	59,814	54,431	58,695	55,685	...	-2.4	5.4
Retail	47,226	41,384	45,933	43,284	...	1.0	7.4
Restaurants & Bars	6,748	6,791	6,637	6,664	...	6.4	10.8
Gasoline, EBR	5,840	6,256	6,125	5,737	...	-27.5	-10.2
Gallons (000s) ADOT	4,183	4,297	4,189	3,772	...	-44.3	-28.7
Contracting	13,958	10,012	11,367	11,336	...	-2.3	18.0
Value of Construction Contract Awards (\$000s) F.W. Dodge							
Total	46,959	11,803	5,229	5,183	10,224	-68.6	-12.6
Residential Building	4,283	3,900	4,608	3,975	4,446	-15.3	-13.0
Non-Residential Building	35,700	138	0	50	0	-100.0	1.0
Non-Building	6,976	7,765	621	1,158	5,778	7.5	-23.6
Number of Dwelling Units Awarded, F.W. Dodge							
Total	48	44	53	44	49	-2.0	-0.8
One Family Houses	48	44	53	44	49	-2.0	-13.3
SANTA CRUZ COUNTY							
Civilian Labor Force, ADES							
Employment	13,100	13,300	14,100	14,125	14,175	2.0	-2.3
Unemployment	11,400	10,725	11,075	11,000	11,200	4.2	1.7
Unemployment Rate (%)	1,700	2,575	3,025	3,125	2,975	-5.6	-20.7
Unemployment Rate (%)	13.0	19.4	21.5	22.1	21.0	-7.4	-19.4
Employees on Nonagricultural Payrolls, ADES							
Total	11,800	11,075	11,575	11,625	11,875	8.0	3.5
Construction	350	375	375	375	375	0.0	-0.6
Manufacturing	850	825	850	850	875	2.9	-4.2
Trans., Comm. & Publ. Util.	1,225	1,125	1,150	1,175	1,225	6.5	4.4
Trade	4,550	4,175	3,975	3,950	4,050	4.5	0.0
Finance, Ins. & Real Estate	200	175	175	175	200	14.3	-6.9
Services	1,650	1,600	1,650	1,675	1,700	9.7	6.7
Government	2,975	2,800	3,400	3,425	3,450	14.0	10.5
Sales (\$000s) ADOR							
Gross Retail	23,479	23,087	24,992	23,780	...	17.1	8.7
Retail	18,611	18,202	19,587	18,268	...	14.4	8.5
Restaurants & Bars	2,390	2,179	2,561	2,577	...	26.6	2.4
Gasoline, EBR	2,478	2,706	2,844	2,935	...	27.9	17.2
Gallons (000s) ADOT	1,774	1,859	1,945	1,930	...	-1.7	-7.2
Contracting	4,921	3,365	3,968	4,144	...	-31.3	-18.4
Value of Construction Contract Awards (\$000s) F.W. Dodge							
Total	3,561	9,621	7,924	3,603	7,194	71.8	22.7
Residential Building	2,751	9,111	3,310	2,518	7,021	75.8	32.8
Non-Residential Building	0	510	2,420	575	100	33.3	-8.9
Non-Building	810	0	2,194	510	73	-38.7	30.6
Number of Dwelling Units Awarded, F.W. Dodge							
Total	31	139	35	28	125	204.9	53.3
One Family Houses	23	31	35	28	17	-46.9	-8.2

See notes at bottom of Arizona - Quarterly table.

ARIZONA ECONOMIC INDICATORS

	JUN 2000	JUL 2000	AUG 2000	SEP 2000	OCT 2000	% change versus year ago for:	
						most recent month	most recent 12-months
GILA COUNTY							
Civilian Labor Force, ADES							
Employment	18,150	18,250	18,425	18,200	18,050	1.8	-0.3
Unemployment	17,175	17,275	17,425	17,275	17,125	3.3	1.6
Unemployment Rate (%)	975	975	1,000	925	925	-19.6	-24.5
Unemployment Rate (%)	5.4	5.3	5.4	5.1	5.1	-21.0	-24.2
Employees on Nonagricultural Payrolls, ADES							
Total	14,700	14,650	14,900	14,850	14,850	5.5	3.4
Mining	725	725	725	725	725	3.6	14.1
Construction	1,050	1,025	1,025	1,025	1,025	5.1	5.2
Manufacturing	1,175	1,175	1,175	1,175	1,175	2.2	-8.2
Trans., Comm. & Publ. Util.	500	500	525	500	525	5.0	-5.1
Trade	3,800	3,850	3,875	3,825	3,825	10.9	10.0
Finance, Ins. & Real Estate	225	200	225	225	225	0.0	-6.4
Services	2,775	2,775	2,825	2,750	2,725	3.8	3.3
Government	4,450	4,400	4,525	4,625	4,625	3.9	1.4
Sales (\$000s) ADOR							
Gross Retail	28,502	26,473	27,008	25,593	...	3.4	3.7
Retail	20,287	18,779	19,409	18,530	...	6.2	3.5
Restaurants & Bars	4,356	4,294	4,137	3,603	...	-5.3	1.8
Gasoline, EBR	3,859	3,400	3,462	3,460	...	-1.3	7.4
Gallons (000s) ADOT	2,764	2,336	2,368	2,275	...	-24.2	-14.4
Contracting	6,068	6,885	7,631	8,149	...	911.7	26.7
Value of Construction Contract Awards (\$000s) F.W. Dodge							
Total	13,709	7,979	28,089	5,697	2,885	-76.4	11.5
Residential Building	4,857	4,252	4,646	3,401	2,792	-51.1	0.6
Non-Residential Building	0	0	86	282	0	-100.0	-70.2
Non-Building	8,852	3,727	23,357	2,014	93	-97.8	97.9
Number of Dwelling Units Awarded, F.W. Dodge							
Total	33	33	31	25	19	-47.2	5.3
One Family Houses	33	33	31	25	19	-47.2	5.4
GRAHAM-GREENLEE REGION							
Civilian Labor Force, ADES							
Employment	14,625	14,375	14,750	14,700	14,875	-1.5	-1.0
Unemployment	13,650	13,425	13,825	13,850	14,000	0.5	1.3
Unemployment Rate (%)	975	950	925	850	875	-25.5	-24.5
Unemployment Rate (%)	6.7	6.6	6.3	5.8	5.9	-24.4	-23.8
Employees on Nonagricultural Payrolls, ADES							
Total	11,075	10,975	11,400	11,525	11,650	4.5	2.4
Mining (Greenlee County only)	2,525	2,525	2,475	2,475	2,475	-3.9	-3.3
Construction	650	625	625	625	600	0.0	-1.7
Manufacturing	275	275	275	275	275	0.0	2.3
Trans., Comm. & Publ. Util.	225	225	225	225	250	0.0	-7.4
Trade	2,175	2,150	2,200	2,225	2,225	0.0	-2.9
Finance, Ins. & Real Estate	175	175	175	175	175	16.7	3.8
Services	1,825	1,825	1,875	1,875	1,875	7.1	7.0
Government	3,225	3,175	3,550	3,650	3,775	13.5	9.9
Sales (\$000s) ADOR							
Gross Retail	20,268	19,241	15,012	23,152	...	28.4	10.0
Retail	16,760	15,684	11,336	19,757	...	33.2	10.3
Restaurants & Bars	1,827	1,766	1,840	1,717	...	10.9	0.7
Gasoline, EBR	1,681	1,791	1,836	1,678	...	1.7	16.7
Gallons (000s) ADOT	1,204	1,230	1,256	1,103	...	-21.8	-7.5
Contracting	4,002	2,444	4,076	2,730	...	-35.1	-9.3
Value of Construction Contract Awards (\$000s) F.W. Dodge							
Total	1,535	2,735	838	2,158	908	144.7	-38.3
Residential Building	1,135	735	838	658	681	83.6	19.8
Non-Residential Building	400	2,000	0	1,500	227	...	-64.5
Non-Building	2,969	2,680	1,862	5,512	272	...	102.3
Number of Dwelling Units Awarded, F.W. Dodge							
Total	13	7	9	8	8	60.0	38.4
One Family Houses	13	7	9	8	8	60.0	-4.6

See notes at bottom of Arizona - Quarterly table.

A R I Z O N A E C O N O M I C I N D I C A T O R S

	JUN 2000	JUL 2000	AUG 2000	SEP 2000	OCT 2000	% change versus year ago for:	
						most recent month	most recent 12-months
APACHE-NAVAJO REGION							
Civilian Labor Force, ADES							
Employment	52,175	52,475	52,600	50,475	49,825	-5.1	-3.9
Unemployment	44,675	44,750	45,425	45,475	44,950	-4.1	-1.6
Unemployment Rate (%)	7,500	7,725	7,175	5,000	4,875	-13.7	-18.2
Unemployment Rate (%)	14.4	14.7	13.6	9.9	9.8	-9.0	-15.0
Employees on Nonagricultural Payrolls, ADES							
Total	45,175	45,000	45,975	46,475	46,275	-1.9	0.4
Mining	875	875	875	875	850	-5.6	-3.4
Construction	2,000	1,975	2,000	1,975	1,925	-10.5	0.1
Manufacturing	1,175	1,150	1,150	1,150	1,125	-15.1	-12.3
Trans., Comm. & Publ. Util.	2,450	2,500	2,475	2,475	2,500	-2.9	0.6
Trade	7,700	7,900	8,000	8,000	7,875	0.3	-1.7
Finance, Ins. & Real Estate	1,200	1,225	1,275	1,275	1,275	4.1	0.3
Services	8,100	8,075	8,050	8,100	8,050	-1.2	4.3
Government	21,675	21,300	22,150	22,625	22,675	-1.3	0.7
Sales (\$000s) ADOR							
Gross Retail	93,763	74,302	75,526	72,248	...	2.4	21.5
Retail	75,442	54,639	57,261	54,463	...	0.0	21.0
Restaurants & Bars	6,878	7,886	7,434	6,569	...	5.3	7.6
Gasoline, EBR	11,443	11,777	10,831	11,216	...	14.2	33.9
Gallons (000s) ADOT	8,196	8,089	7,408	7,375	...	-12.3	7.8
Contracting	15,758	17,654	18,042	24,255	...	74.5	24.9
Value of Construction Contract Awards (\$000s) F.W. Dodge							
Total	34,871	19,069	31,882	13,944	40,520	111.1	25.0
Residential Building	8,325	11,315	26,022	8,733	8,171	0.9	19.9
Non-Residential Building	2,778	0	2,658	175	21,947	246.8	10.6
Non-Building	23,768	7,754	3,202	5,036	10,402	118.1	62.4
Number of Dwelling Units Awarded, F.W. Dodge							
Total	67	84	235	62	71	1.4	1.2
One Family Houses	67	84	235	62	71	1.4	6.2
COCONINO-YAVAPAI REGION							
Civilian Labor Force, ADES							
Employment	132,025	132,200	130,050	130,300	130,950	0.8	1.8
Unemployment	125,900	125,925	124,275	125,825	126,550	1.4	2.6
Unemployment Rate (%)	6,125	6,275	5,775	4,475	4,400	-13.3	-14.8
Unemployment Rate (%)	4.6	4.7	4.4	3.4	3.4	-14.0	-16.4
Employees on Nonagricultural Payrolls, ADES							
Total	106,950	106,425	106,250	108,500	109,700	4.2	4.7
Mining	975	925	925	950	925	-2.6	-1.7
Construction	7,300	7,425	7,450	7,325	7,450	2.8	2.1
Manufacturing	5,725	5,775	5,775	5,725	5,725	0.4	-1.8
Trans., Comm. & Publ. Util.	2,875	2,900	2,950	2,900	2,950	2.6	-2.8
Trade	26,675	26,650	26,775	26,900	27,000	1.3	1.9
Finance, Ins. & Real Estate	2,625	2,600	2,600	2,625	2,650	3.9	-2.4
Services	31,775	31,875	31,850	31,700	32,100	5.2	7.1
Government	29,000	28,275	27,925	30,375	30,900	7.4	8.7
Sales (\$000s) ADOR							
Gross Retail	232,546	222,259	228,552	218,067	...	7.2	14.6
Retail	164,565	153,875	159,627	151,978	...	4.6	11.5
Restaurants & Bars	41,909	40,921	39,028	39,269	...	5.1	15.3
Gasoline, EBR	26,072	27,463	29,897	26,820	...	29.4	37.8
Gallons (000s) ADOT	18,673	18,863	20,448	17,636	...	-0.6	10.2
Contracting	56,062	51,052	58,908	59,103	...	-2.4	11.6
Value of Construction Contract Awards (\$000s) F.W. Dodge							
Total	97,191	45,420	76,392	39,178	43,175	-48.5	-5.5
Residential Building	37,061	32,698	32,709	28,997	33,366	-12.0	-7.3
Non-Residential Building	25,549	6,855	39,566	6,053	4,509	-73.3	-12.5
Non-Building	34,581	5,867	4,117	4,128	5,300	-81.7	9.2
Number of Dwelling Units Awarded, F.W. Dodge							
Total	268	230	239	205	227	-39.8	-16.5
One Family Houses	252	217	233	187	223	20.5	5.4

See notes at bottom of Arizona - Quarterly table.

	JUN 2000	JUL 2000	AUG 2000	SEP 2000	OCT 2000	% change versus year ago for:	
						most recent month	most recent 12-months
PHOENIX-MESA METROPOLITAN REGION (MARICOPA AND PINAL)							
Civilian Labor Force (000s) ADES							
Employment	1600.4	1602.4	1600.4	1611.7	1614.9	1.2	2.2
Unemployment	1556.9	1558.7	1554.1	1568.8	1573.1	1.7	2.7
Unemployment Rate, Seas. Adj. (%)	43.5	43.7	46.3	42.9	41.8	-12.9	-11.5
Unemployment Rate, Seas. Adj. (%)	2.6	2.6	2.7	2.4	2.5	-13.8	-13.3
Employees on Nonagricultural Payrolls (000s) ADES							
Total	1572.6	1564.4	1573.9	1601.0	1616.5	4.2	4.3
Mining	2.9	2.9	2.9	2.9	2.9	0.0	-36.9
Construction	115.8	116.0	117.2	117.4	118.7	2.7	3.0
Manufacturing	165.8	166.7	166.8	166.5	166.6	1.1	0.0
Durable	128.1	129.0	129.0	128.7	129.1	1.7	0.1
Nondurable	37.7	37.7	37.8	37.8	37.5	-1.1	-0.2
Trans., Comm. & Publ. Util.	85.0	85.1	85.2	85.6	86.7	6.4	6.7
Trade	376.1	370.8	372.3	375.1	379.0	2.8	3.4
Wholesale	89.7	88.7	88.4	88.8	89.1	1.3	0.8
Retail	286.4	282.1	283.9	286.3	289.9	3.3	4.3
Finance, Ins. & Real Estate	124.5	124.9	125.2	125.1	126.3	4.6	4.8
Services	527.8	528.3	529.1	531.2	535.1	6.0	7.4
Government	174.7	169.7	175.2	197.2	201.2	4.8	2.4
Sales (\$000s) ADOR							
Aggregate Retail Sales	3,187,368	2,818,580	2,945,097	3,070,520	...	10.1	10.0
Retail	2,298,073	1,986,335	2,098,073	2,184,045	...	9.3	9.6
Food, EBR	376,787	362,018	361,627	370,183	...	5.6	7.8
Restaurants & Bars	349,453	300,467	309,687	342,225	...	10.6	9.2
Gasoline, EBR	163,055	169,760	175,710	174,067	...	33.1	22.7
Contracting	766,676	636,946	679,620	688,178	...	7.3	5.9
Value of Construction Contract Awards (\$000s) F.W. Dodge							
Total Awards	863,454	768,919	936,569	747,925	834,819	33.4	4.8
Residential Building	553,377	432,439	510,403	493,594	497,927	24.5	-0.7
Non-Residential Building	257,169	225,567	252,322	191,110	229,523	35.4	17.7
Non-Building	52,908	110,913	173,844	63,221	107,369	91.6	5.4
New Housing Units Authorized, Census C-40							
Total Units	3,677	3,306	3,964	4,077	3,373	16.3	-7.2
Single Family Units	2,994	2,548	2,932	2,853	2,517	5.2	-11.8
2-4 Unit Structures	93	47	91	50	68	119.4	85.9
5-plus Unit Structures	590	711	941	1,174	788	65.2	6.2
Housing Sales and Prices, ARMLS							
Total Sales (\$000s)	909,213	871,443	842,674	787,771	754,360	-0.7	7.9
Total Units	5,201	5,096	4,901	4,591	4,461	-9.7	-0.9
Average Price (\$)	174,815	171,005	171,939	171,590	169,101	10.0	8.8
Phoenix Skyharbor International Airport, PSIA							
Total Passengers	3,101,379	3,130,691	3,083,009	2,520,958	...	-0.3	8.7
Total Aircraft Movements	52,116	51,515	54,616	52,443	...	15.8	12.8

	PHOENIX-MESA METROPOLITAN REGION (MARICOPA AND PINAL) - QUARTERLY DATA					% change versus year ago for:	
	III 1999	IV 1999	I 2000	II 2000	III 2000	most recent quarter	most recent 4-quarters
Demographics & Vital Statistics (000s, seas adj) ADHS & EBR							
Population	3,058.1	3,080.4	3,102.7	3,124.9	3,147.1	2.9	3.0
Natural Increase	7.5	7.5	7.5	7.5	7.6	1.7	2.8
Births	13.3	13.4	13.5	13.5	13.6	2.3	3.2
Deaths	5.9	5.9	5.9	6.0	6.0	2.9	3.7
Net Migration	15.0	14.9	14.7	14.7	14.6	-3.0	-9.9
Personal Income by Source (\$mil, SAAR) EBR							
Total Personal Income	84,796	86,538	88,287	89,979	91,671	8.1	8.0
Earnings by Place of Work	63,763	65,109	66,466	67,793	69,120	8.4	8.5
Less: Contributions for Social Insurance	4,017	4,098	4,180	4,260	4,340	8.0	8.1
Plus: Adjustment for Residence	-113	-113	-112	-112	-111	1.7	2.1
Plus: Dividends, Interest & Rents	15,593	15,857	16,125	16,361	16,598	6.4	5.6
Plus: Transfer Payments	9,570	9,782	9,988	10,196	10,404	8.7	8.6
Per Capita Personal Income (\$, SAAR) EBR	27,728	28,093	28,455	28,794	29,129	5.1	4.9

See notes at bottom of Arizona - Quarterly table.

A R I Z O N A E C O N O M I C I N D I C A T O R S

	JUN 2000	JUL 2000	AUG 2000	SEP 2000	OCT 2000	% change versus year ago for:	
						most recent month	most recent 12-months
TUCSON METROPOLITAN REGION (PIMA)							
Civilian Labor Force (000s) ADES							
Employment	397.4	394.0	394.0	396.5	397.4	1.4	3.9
Unemployment	386.0	382.8	382.6	385.9	387.1	2.4	4.0
Unemployment Rate, Seas. Adj. (%)	11.4	11.2	11.4	10.6	10.3	-25.4	0.1
Unemployment Rate, Seas. Adj. (%)	2.8	2.6	2.7	2.4	2.5	-26.5	-2.5
Employees on Nonagricultural Payrolls (000s) ADES							
Total	351.4	346.2	349.2	354.6	358.4	4.9	5.7
Mining	1.8	1.8	1.8	1.8	1.8	0.0	-8.9
Construction	22.1	22.3	22.4	22.3	22.3	0.0	5.2
Manufacturing	33.4	33.5	33.7	33.7	33.7	7.7	11.1
Durable	27.8	28.0	28.1	28.1	28.1	9.8	14.4
Nondurable	5.6	5.5	5.6	5.6	5.6	-1.8	-2.8
Trans., Comm. & Publ. Util.	12.3	12.5	12.4	12.4	12.3	0.8	0.6
Trade	73.8	72.8	73.9	74.4	75.5	5.3	5.0
Wholesale	11.0	11.0	11.1	11.1	11.2	2.8	2.1
Retail	62.8	61.8	62.8	63.3	64.3	5.8	5.5
Finance, Ins. & Real Estate	13.7	13.8	13.9	13.7	13.9	3.7	5.0
Services	119.4	118.6	119.2	119.3	119.8	5.3	6.1
Government	74.9	70.9	71.9	77.0	79.1	5.0	5.0
Sales (\$000s) ADOR							
Aggregate Retail Sales	691,981	640,365	691,954	682,848	...	8.7	9.3
Retail	477,277	435,472	482,423	464,415	...	7.1	8.5
Food, EBR	92,636	89,005	88,909	91,013	...	6.2	8.2
Restaurants & Bars	78,166	70,316	72,785	79,184	...	7.8	6.3
Gasoline, EBR	43,902	45,572	47,837	48,236	...	35.4	27.3
Contracting	131,137	127,673	127,541	123,128	...	3.6	10.5
Value of Construction Contract Awards (\$000s) F.W. Dodge							
Total Awards	145,888	143,714	102,345	128,745	158,268	35.3	1.0
Residential Building	92,369	82,504	87,841	84,391	83,365	7.9	-7.7
Non-Residential Building	32,624	42,503	12,156	38,996	34,514	26.8	7.5
Non-Building	20,895	18,707	2,348	5,358	40,389	222.3	36.5
New Housing Units Authorized, Census C-40 adjusted by EBR							
Total Units	735	629	698	637	...	-12.9	-4.2
Single Family Units	652	573	557	596	...	-4.5	-5.1
2-5-plus Unit Structures	83	56	141	41	...	-61.6	-1.5
Housing Sales and Prices, TAR							
Total Sales (\$000s)	176,401	140,966	154,760	131,695	119,212	-5.2	0.4
Total Units	1,073	897	1,002	835	788	-10.6	-4.8
Average Price (\$)	164,400	157,153	154,451	157,718	151,284	6.0	5.6
Tucson International Airport, TAA							
Total Passengers	280,379	273,837	267,983	257,921	319,895	6.3	1.2
Total Aircraft Movements	19,088	20,778	19,872	22,393	21,762	-6.3	-8.6

TUCSON METROPOLITAN REGION (PIMA) - QUARTERLY DATA

	III 1999	IV 1999	I 2000	II 2000	III 2000	% change versus year ago for:	
						most recent quarter	most recent 4-quarters
Demographics & Vital Statistics (000s, seas adj) ADHS & EBR							
Population	848.1	853.2	858.4	863.4	868.5	2.4	2.4
Natural Increase	1.2	1.2	1.2	1.2	1.2	-0.6	0.9
Births	2.9	2.9	2.9	2.9	3.0	1.0	1.3
Deaths	1.7	1.8	1.8	1.8	1.8	2.1	1.6
Net Migration	3.9	4.0	3.9	3.9	3.9	-0.5	-7.5
Personal Income by Source (\$mil, SAAR) EBR							
Total Personal Income	19,496	19,942	20,386	20,818	21,249	9.0	8.8
Earnings by Place of Work	12,370	12,667	12,962	13,255	13,548	9.5	9.6
Less: Contributions for Social Insurance	731	749	766	784	801	9.5	9.7
Plus: Adjustment for Residence	191	198	204	210	217	13.3	14.1
Plus: Dividends, Interest & Rents	4,683	4,789	4,895	4,991	5,088	8.6	7.7
Plus: Transfer Payments	2,983	3,038	3,091	3,144	3,198	7.2	7.0
Per Capita Personal Income (\$, SAAR) EBR	22,989	23,373	23,750	24,110	24,466	6.4	6.2

See notes at bottom of Arizona - Quarterly table

	JUN 2000	JUL 2000	AUG 2000	SEP 2000	OCT 2000	% change versus year ago for:	
						most recent month	most recent 12-months
ARIZONA MONTHLY DATA							
Civilian Labor Force (000s) ADES							
Employment	2409.5	2410.8	2412.7	2417.5	2419.8	1.0	2.1
Unemployment	2309.0	2305.7	2301.8	2322.1	2329.4	1.6	2.8
Unemployment Rate, Seas. Adj. (%)	100.5	105.1	110.9	95.4	90.4	-11.2	-11.3
	3.8	3.7	3.9	3.5	3.7	-14.0	-13.5
Employees on Nonagricultural Payrolls (000s) ADES							
Total	2233.2	2217.0	2233.5	2270.7	2291.6	4.1	4.5
Mining	10.1	10.1	10.0	10.1	10.0	-1.0	-15.8
Construction	158.9	159.4	160.9	161.1	162.5	2.8	3.6
Manufacturing	215.7	216.6	216.7	216.7	216.7	2.1	1.5
Durable	167.6	168.5	168.5	168.4	168.7	3.2	2.4
Nondurable	48.1	48.1	48.2	48.3	48.0	-1.6	-1.7
Trans., Comm. & Publ. Util.	109.4	109.6	109.7	110.0	111.0	4.8	5.0
Transportation	71.1	71.2	71.7	72.1	73.0	5.6	4.9
Trade	526.8	520.6	523.4	527.4	532.5	3.1	3.4
Wholesale	109.0	107.9	107.8	108.4	108.9	0.9	-0.6
Retail	417.8	412.7	415.6	419.0	423.6	3.7	4.6
Finance, Ins. & Real Estate	146.1	146.5	146.7	146.3	148.1	4.3	4.6
Services	725.0	724.9	726.3	728.2	732.6	5.6	7.2
Government	341.2	329.3	339.8	370.9	378.2	4.5	3.7
Federal	48.7	49.5	47.4	46.5	46.3	0.4	3.5
State & Local	292.5	279.8	292.4	324.4	331.9	5.1	3.8
Schools	139.4	124.5	139.4	172.8	179.6	6.4	3.6
Hours Worked Per Week, Manufacturing, ADES	40.3	40.2	39.8	39.9	39.7	-2.7	-0.2
Average Hourly Earnings (\$) ADES							
Construction	15.06	15.42	15.52	15.37	15.43	7.7	4.1
Manufacturing	12.79	12.75	12.57	12.78	12.74	0.4	1.1
Utilities	19.09	19.57	19.97	20.16	20.19	13.7	6.0
Retail Trade	11.48	11.56	11.39	11.56	11.48	0.3	-1.0
Wholesale Trade	13.79	14.17	14.00	14.36	14.04	5.5	4.5
Sales (\$000s) ADOR							
Aggregate Retail Sales	4,628,793	4,150,772	4,336,961	4,546,705	...	11.9	10.4
Retail	3,264,559	2,856,513	3,022,687	3,090,939	...	8.6	9.6
Food, EBR	568,188	545,916	545,327	558,229	...	6.5	8.0
Restaurants & Bars	513,123	454,126	464,697	599,896	...	30.7	10.5
Gasoline, EBR	282,924	294,216	304,250	297,641	...	27.8	24.6
Gallons (000s) ADOT	202,638	202,085	208,091	195,714	...	-1.8	-1.7
Utilities	541,973	572,437	625,406	563,260	...	4.3	7.2
Communications	232,551	236,276	241,990	236,055	...	20.8	16.6
Amusements	66,622	65,788	47,729	42,330	...	-1.0	6.2
Rentals - Personal Property	321,231	284,348	285,474	292,092	...	4.6	9.8
Contracting	1,055,234	897,600	958,363	969,552	...	8.7	7.5
Mining - Metal, Oil & Gas	36,459	36,709	47,621	50,762	...	-32.8	-42.0
Hotel/Motel	127,952	104,359	109,541	135,935	...	13.9	10.0
Value of Construction Contract Awards (\$000s)							
Total Awards	1,250,296	1,047,458	1,221,656	980,761	1,158,316	19.4	3.1
Residential Building	727,136	596,921	694,621	646,336	670,207	20.1	-1.5
Non-Residential Building	360,577	283,326	313,762	241,697	297,365	12.9	12.2
Non-Building	162,583	167,211	213,273	92,728	190,744	28.2	7.1
New Housing Units Authorized, Census C-40							
Total Units	5,034	4,279	5,228	5,259	4,488	11.9	-6.6
Single Family Units	4,278	3,477	4,055	4,005	3,593	6.1	-8.9
2-4 Unit Structures	131	62	137	75	88	25.7	28.2
5-plus Unit Structures	625	740	1,036	1,179	807	45.1	0.6
Bankruptcy Filings, U.S. Bankruptcy Court							
Total	1,824	1,571	1,870	1,683	...	-6.1	-8.5
Chapter 7	1,459	1,242	1,499	1,368	...	-4.6	-9.6
Chapter 11	29	19	39	23	...	64.3	53.7
Chapter 13	336	308	332	292	...	-15.1	-6.9

See notes at bottom of Arizona - Quarterly table.

A R I Z O N A E C O N O M I C I N D I C A T O R S

	III 1999	IV 1999	I 2000	II 2000	III 2000	% change versus year ago for:	
						most recent quarter	most recent 4-quarters
ARIZONA QUARTERLY DATA							
Demographics & Vital Statistics (000s, seas adj) ADHS & EBR							
Population	4,853.0	4,884.5	4,916.0	4,947.5	4,980.2	2.6	2.7
Natural Increase	10.6	10.1	10.6	11.2	10.6	-0.4	2.9
Births	20.1	20.0	20.2	21.1	20.5	2.0	2.3
Deaths	9.5	10.0	9.7	9.8	10.0	4.6	1.7
Net Migration	21.4	20.9	21.4	23.4	23.7	11.0	-3.5
Personal Income Derivation (\$mil, SAAR) EBR							
Total Personal Income	122,975	125,656	127,576	130,355	132,204	7.5	8.3
Earnings by Place of Work	87,035	88,977	90,567	92,666	94,021	8.0	9.0
Less: Contributions for Social Insurance	5,328	5,427	5,545	5,652	5,721	7.4	8.2
Plus: Adjustment for Residence	399	406	412	420	425	6.6	7.6
Plus: Dividends, Interest & Rents	24,769	25,422	25,802	26,220	26,385	6.5	7.8
Plus: Transfer Payments	16,100	16,277	16,341	16,701	17,094	6.2	5.2
Components of Earnings (\$mil, SAAR) BEA							
Wages and Salaries	69,991	71,052	74,225	73,924	...	7.1	8.4
Other Labor Income	7,255	7,317	7,517	7,515	...	4.4	5.6
Proprietor's Income	9,140	9,431	9,535	9,867	...	9.4	9.0
Farm	409	505	402	484	...	-5.1	-2.3
Nonfarm	8,731	8,926	9,132	9,383	...	10.2	9.6
Per Capita Personal Income (\$, SAAR) EBR							
	25,340	25,725	25,951	26,348	26,546	4.8	5.4
Average Wage Per Employee, Annual Rate (\$) EBR							
	31,716	31,906	32,845	32,342	...	2.4	3.9

	JUN 2000	JUL 2000	AUG 2000	SEP 2000	OCT 2000	% change versus year ago for:	
						most recent month	most recent 12-months
TRAVEL AND TOURISM - MONTHLY DATA							
Visits to Parks & Other Recreational Areas, ADOT, NPS & ASPB							
Northern Arizona	2,605,144	2,509,708	2,318,108	1,856,562	1,676,310	-1.2	-0.6
Historical	178,568	183,532	166,863	158,946	155,682	-3.6	-6.6
Scenic	740,860	849,625	787,848	621,770	504,872	-7.1	-3.0
Water Based Recreation	1,685,716	1,476,551	1,363,397	1,075,846	1,015,756	2.5	1.6
Southern Arizona	161,755	170,689	149,205	154,311	193,204	-6.4	6.8
Historical	21,499	28,051	25,119	26,930	32,599	-17.4	-6.2
Scenic	100,914	95,085	90,737	95,130	137,175	4.1	13.2
Water Based Recreation	39,342	47,553	33,349	32,251	23,430	-33.3	-2.6
International Border Crossings, USINS & USCS							
U.S. Citizens	769,596	778,357	809,646	792,851	791,869	9.0	1.7
Aliens	2,043,281	2,002,660	2,278,147	2,199,928	2,098,382	4.7	4.3
Vehicles	877,638	879,910	901,103	880,523	914,920	4.0	2.5

	JUN 2000	JUL 2000	AUG 2000	SEP 2000	OCT 2000	% change versus year ago for:	
						most recent month	most recent 12-months
MEASURES OF INFLATION AND PRICES - MONTHLY DATA							
Consumer Price Index (1982-1984=100) BLS							
U.S. - All Urban	172.4	172.8	172.8	173.7	174.0	3.4	3.3
U.S. - Wage Earners	169.2	169.4	169.3	170.4	170.6	3.4	3.3

Sources and abbreviations:

ADES: Arizona Department of Economic Security
 ADHS: Arizona Department of Health Services
 ADOR: Arizona Department of Revenue
 ADOT: Arizona Department of Transportation
 ARMLS: Arizona Regional Multiple Listing Service
 ASPB: Arizona State Parks Board
 BEA: Bureau of Economic Analysis, U.S. Department of Commerce

BLS: Bureau of Labor Statistics, U.S. Department of Labor
 Census C-40, Bureau of the Census, U.S. Department of Commerce
 EBR: Economic & Business Research Program, The University of Arizona
 F.W. Dodge, Division of McGraw Hill Information Systems Co. (proprietary data provided by special permission)
 NPS: National Park Service, U.S. Department of the Interior
 PSIA: Phoenix Skyharbor International Airport

SAAR: Seasonally adjusted at annual rates
 TAA: Tucson Airport Authority
 TAR: Tucson Association of Realtors
 USINS: U.S. Immigration & Naturalization Service, U.S. Department of Justice
 U.S. Bankruptcy Court, District of Arizona
 USCS: U.S. Customs Service, U.S. Department of the Treasury

MEASURES OF INFLATION AND PRICES - QUARTERLY DATA

	III 1999	IV 1999	I 2000	II 2000	III 2000	% change versus year ago for: most recent quarter	most recent 4-quarters
Consumer Price index (1982-84=100) BLS							
Western Region (U.S.)	170.0	170.5	173.5	174.3	176.6	3.9	3.5
U.S. - All Urban Consumers	167.2	168.3	169.9	171.7	173.1	3.5	3.2
U.S. - Urban Wage Earners	163.9	165.1	166.7	168.5	169.7	3.5	3.3
Price Indexes (1992=100) BEA							
Gross Domestic Product	104.9	105.3	106.2	106.8	107.2	2.2	1.9
Personal Consumption Expenditures	105.1	105.7	106.6	107.1	108.0	2.7	2.4

See notes at bottom of Arizona - Quarterly table

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