

ARIZONA'S ECONOMY

ECONOMIC AND BUSINESS RESEARCH CENTER

Desert Bloom? Arizona's Economy Seeks its Place in the Sun

By George W. Hammond, Ph.D., EBR Director and Research Professor

March 1, 2015



Sluggish gains in Arizona employment, income, and retail sales continued in the fourth quarter of 2014. Overall, the state is growing at rates that are in the neighborhood of the nation, but that are still well below our own past history.

What is holding the state back? First, population growth is positive but slow and this is contributing to an unusually weak housing/construction recovery. Second, federal fiscal drag continues to weigh on the state economy. The outlook calls for the state to gradually gain momentum in coming years, with help from lower gasoline prices, faster national growth, and a bit less federal fiscal drag.

Arizona Recent Developments

Arizona added jobs during the final three months of 2014, but at a moderate pace.

As **Exhibit 1** shows, the state's over-the-year job gains were close to, or even below, the national average for much of 2014. Keep in mind that the exhibit reflects Arizona job growth measured by EBRC's benchmark, which incorporates data from the Quarterly Census of Employment and Wages through June 2014.

Overall, the state added 41,800 jobs in the fourth quarter of 2014, compared to the last quarter of 2013. That translated into a job growth rate of 1.6% over the year, which was below the national growth rate of 2.1%.

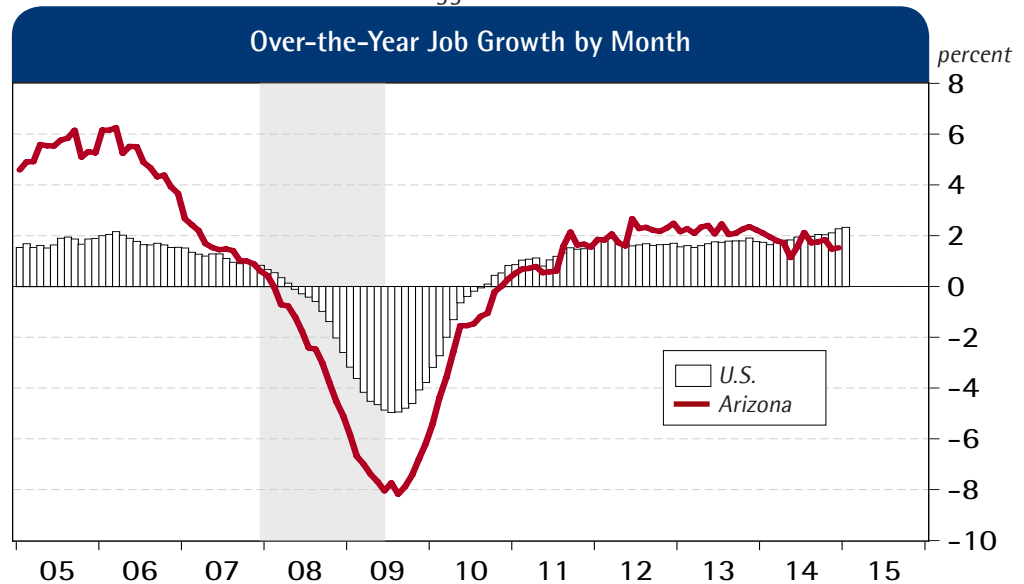
Construction activity remains a key concern for state growth. Recently the state has lost construction jobs, which reflects weakness in the construction

of buildings. Part of this is related to residential activity. As **Exhibit 2** shows, state housing permits rose rapidly in 2012 and into early 2013, but thereafter growth slowed. Further, gains in 2014 were driven entirely by multi-family activity, because single-family permits declined.

The preliminary data suggest that Arizona housing permits rose by 9.9% in 2014, or roughly 2,500. Multi-family permits were up by 47.3% for the year, while single-family permits declined by 3.9%. The strength in multi-family permits reflects rising single-family house prices, still tight mortgage lending conditions, and demographic factors.

Housing activity has been sluggish in part because of weak population and household growth. According to the

Exhibit 1: Arizona's Job Growth Still Sluggish at the end of 2014



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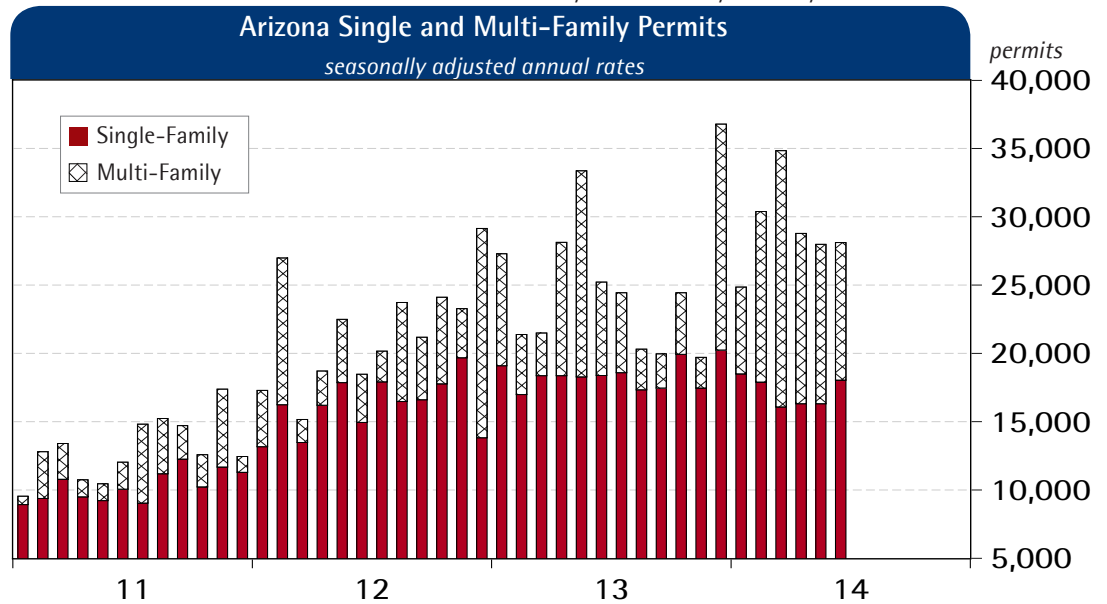
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“2014 gains in housing construction were driven entirely by multi-family activity. This reflects rising single-family house prices, still-tight mortgage lending and demographic factors.”



Exhibit 2: Residential Construction Growth Driven by Multi-Family Activity



Arizona Department of Administration, the state added 86,200 residents between July 2013 and July 2014. That translated into a rate of growth of 1.3%, which exceeded U.S. growth of 0.7%. Population in the Phoenix MSA rose by 1.5% in 2014 and 1.1% in the Tucson MSA. Both natural increase (births minus deaths) and net migration contributed to growth during the past year.

Continued job and population growth have contributed to personal income gains in Arizona. While Arizona personal income rose at a faster rate than the nation last year, growth was not very rapid by historical standards. For instance, real personal income growth in the state during the past four quarters was 2.2% (U.S. consumer price inflation was 1.8%). That was far below the state's average rate during the 30 years before the Great Recession, of 4.8% per year.

Unspectacular income gains lately have resulted in similarly uninspiring gains in retail sales. Taxable retail sales less food was up 4.7% year to date through November. The annual growth rate for 2014 is likely to be lower because of a large one-time transfer into the category in December 2013. Taxable sales at restaurants and bars were up 8.2% year to date through November.

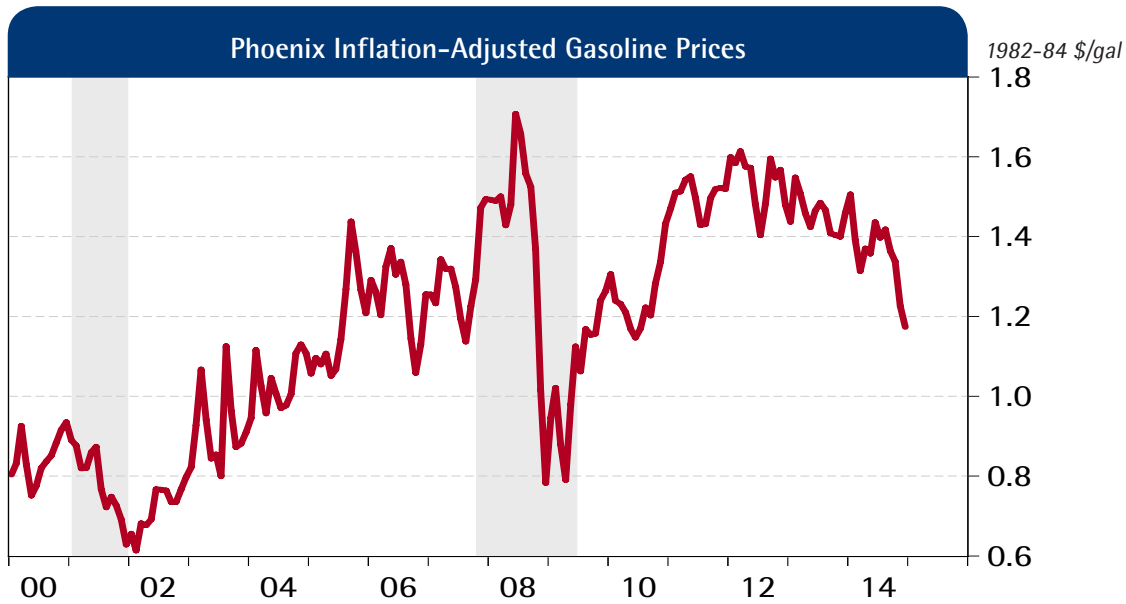
One hopeful sign for retail sales growth in 2015 is the massive decline in gasoline prices since last summer. Indeed, Phoenix gas prices dropped from \$3.41/gallon in June 2014 to \$2.16/gallon in January 2015. That translated into a 36.7% drop. On an inflation-adjusted basis, Phoenix gas prices have been gradually trending down since 2012 and are now at levels last seen in 2010, as shown in Exhibit 3. U.S. gas prices followed a similar trend. Since gasoline purchases make up a significant share of household budgets, this may free up resources for households to spend on other priorities.

Arizona Outlook

The Arizona outlook calls for the state to add jobs, residents, and income at a gradually accelerating pace, as Exhibit 4 illustrates. Stronger gains reflect rising residential mobility across the U.S., reduced federal fiscal drag, and the positive impact of lower gasoline prices.

The forecast calls for job growth to accelerate from 1.7% in 2014 to 2.1% in 2015 and eventually to 2.8% by 2017. Most of the job gains during the period are expected in service-providing sectors, particularly trade, transportation, and utilities; professional and business services; education and health services; and leisure

Exhibit 3: Real Gasoline Prices Have Been Trending Down



and hospitality. These four sectors alone account for 68.3% of net job growth during the next three years.

Arizona's population gains are expected to accelerate in the near future. In turn, rising population gains push construction activity higher during the forecast. Total housing permits are forecast to rise from 26,600 in 2014 to 41,400 by 2017, with increased single and multi-family activity. In turn, rising construction activity drives construction jobs up by nearly 16,000 between 2014 and 2017.

Accelerating job gains boost income levels during the forecast. Arizona personal income is forecast to rise by 3.6% in 2015,

4.6% in 2016, and 6.1% in 2017. Rising wage gains contribute to the acceleration, as do growth in asset and transfer income. Personal income gains are expected to exceed both population growth and inflation, which implies a gradually rising standard of living.

The outlook for the Phoenix and Tucson MSAs calls for growth to rebound modestly during the next three years. The Phoenix MSA is expected to outpace the Tucson MSA, which will continue to battle the effects of reduced federal spending.

“Job growth accelerates from 1.7% in 2014 to 2.8% by 2017 which boosts income levels above both population growth and inflation, leading to a rising standard of living.”

Exhibit 4: Arizona Forecast Summary

	Actual		Forecast	
	2014	2015	2016	2017
Growth Rate				
Nonfarm Jobs	1.7	2.1	2.3	2.8
Personal Income	3.9	3.6	4.6	6.1
Retail Sales Less Food	4.0	4.5	5.1	5.7
Population	1.3	1.4	1.6	1.8
Level				
Unempl. Rate	7.0	6.5	6.2	6.1
Housing Permits	26,648	28,575	33,664	41,364

* Personal income, retail sales, and housing permits are forecast.

IMMEX – Mexico's Export-Oriented Manufacturing and Services

by Vera Pavlakovich-Kochi, Ph.D.

“ In 2006, the Mexican government formed IMMEX by merging its two export promoting programs, the Maquiladora program and PITEX. These two programs together accounted for more than 60 percent of Mexico's total manufacturing employment. ”



In 2006, the Mexican government merged two existing programs designed to promote exports, Maquiladora and PITEX (Programa de Importación Temporal para Producir Artículos de Exportación) into a single new program, IMMEX (Industria Manufacturera, Maquiladora y de Servicios de Exportación).

The Maquiladora Program, initiated in the mid-1960s as assembly platforms for U.S. manufacturing, continued to grow under NAFTA, and by 2006 employed 1.2 million workers. PITEX was established in 1990 and by 2006 numbered 3,620 firms and included all motor vehicle assembly plants and most of their parts suppliers in Mexico.

The overwhelming majority of Maquiladora plants, 82 percent, were located in border states with only 18 percent located in interior states. In contrast, the majority of PITEX establishments, 65 percent, were located in interior states and 35 percent in border states. Together, Maquiladora and PITEX establishments were responsible for more than 60 percent of Mexico's total manufacturing employment in 2006.

IMMEX as a Source of Jobs and Foreign Currency Revenues

By 2014, the IMMEX program included 6,171 establishments with a total of 2,464,669 employees. The IMMEX sector is the second most important source of foreign currency in Mexico after revenues from the exportation of crude oil. In the third quarter of 2014, IMMEX sector revenues were approximately \$7 billion, an increase from the \$6.5 billion of the previous year. In contrast, revenues from crude oil exports declined by more than \$1 billion in 2014.

The significance of the IMMEX sector for Arizona's economy is primarily as a destination for Arizona manufacturing

products and as a market for Arizona business services. About 30 percent of maquiladoras in Sonora are owned by Arizona parent companies and through a production-sharing model remain competitive in global markets. Manufacturing establishments account for approximately 82 percent of the total number of establishments in the IMMEX program and 89 percent of total employment. Non-manufacturing activities, which include agriculture and mining, account for 18 percent of establishments and 11 percent of IMMEX employment.

Manufacturing of Transportation Equipment Leads

Of IMMEX manufacturing sectors, transportation equipment manufacturing, which includes Mexico's burgeoning auto industry, is the strongest accounting for 16 percent of establishments, 32 percent of employment, and a full 44 percent of total IMMEX manufacturing sector revenues. In terms of employment, computer and electronic product manufacturing is in second place with 12 percent, while electrical equipment, appliance and component manufacturing follows in third place with 7 percent. Together, these top three sectors account for 51 percent of IMMEX manufacturing employment (Figure 1), 29 percent of establishments, and generate 51 percent of revenues.

Agriculture Sector Leads IMMEX Non-Manufacturing Export Activities

Non-manufacturing activities in the IMMEX program include establishments involved in agriculture, mining (except for oil and gas), trade of agriculture and forestry materials,

warehousing and storage, administrative and support services, waste management and remediation services, and other export-oriented non-manufacturing activities.

Agriculture-based establishments account for 25 percent of all establishments, 51 percent of all employees, and 20 percent of total revenues, and thus represent the leading sector within the IMMEX non-manufacturing program. Administrative and support services include the second largest number of establishments, account for the second largest revenues, but trail the mining sector in number of employees. **Figure 2** shows the IMMEX program employment by non-manufacturing activities.

IMMEX Concentration in Mexico's Border States

The inclusion of the auto industry (formerly within the PITEX program) and especially non-manufacturing activities is reflected in the more even distribution of employment

throughout Mexico in comparison with the traditional maquiladora sector prior to 2006. Especially interesting is the rise of centrally located states Guanajuato, México, and Querétaro (**Figure 3**). However, Mexico's six border states still account for approximately 60 percent of the IMMEX program's establishments and employment. Baja California holds the first place with the largest number of establishments (about 18 percent of the total), while Chihuahua is number one with the largest number of employees in the Program (13 percent of the total). Sonora's share is about 6 percent in both the number of establishments and number of employees.

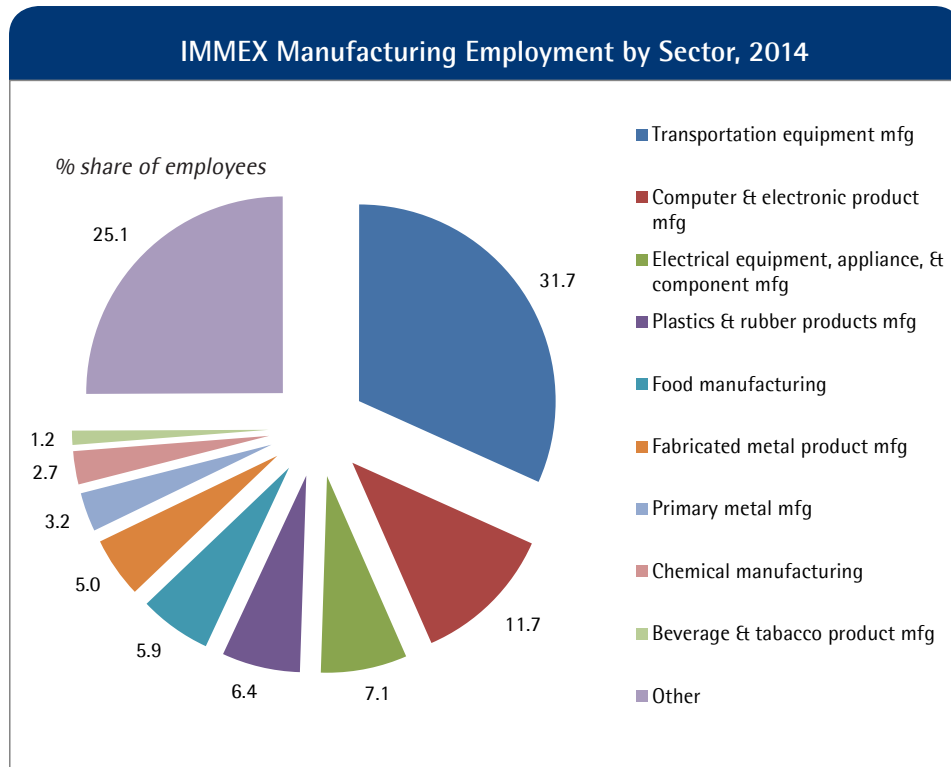
Sonora and Sinaloa Lead IMMEX Non-Manufacturing Activities

In 2014, Sonora's IMMEX Program employed more than 163,000 workers, of which 113,000 were employed in manufacturing and 50,000 in non-manufacturing

“Agriculture-based establishments account for 25 percent of all establishments, 51 percent of all employees, and 20 percent of total revenues, and thus represent the leading sector within the IMMEX non-manufacturing program.”

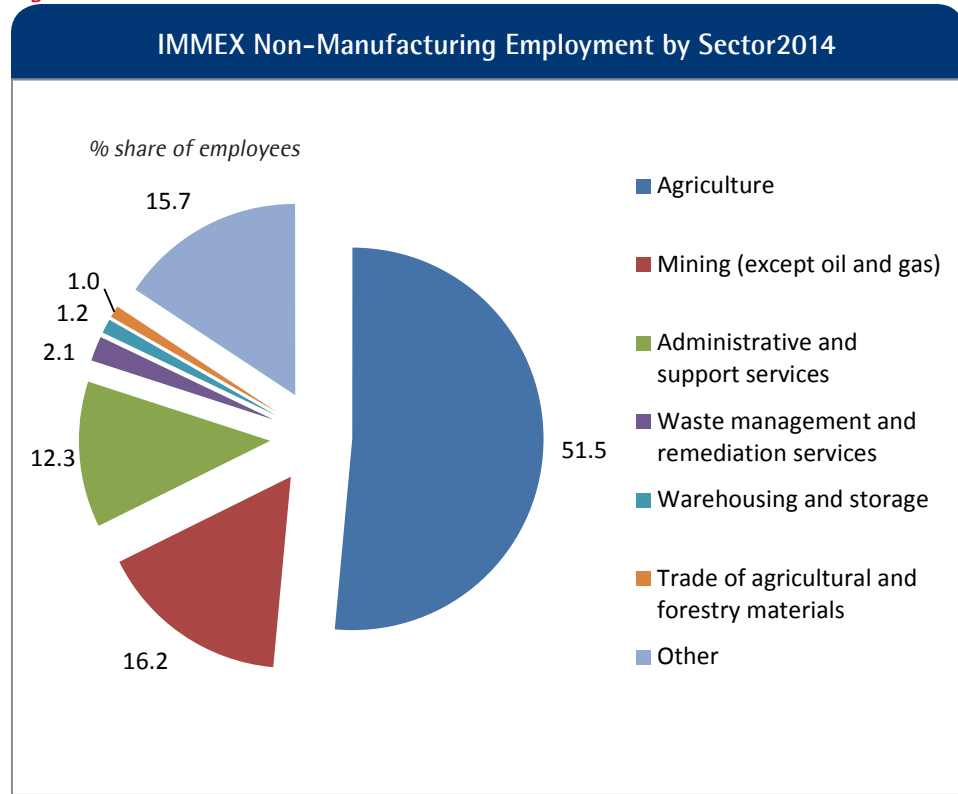


Figure 1:



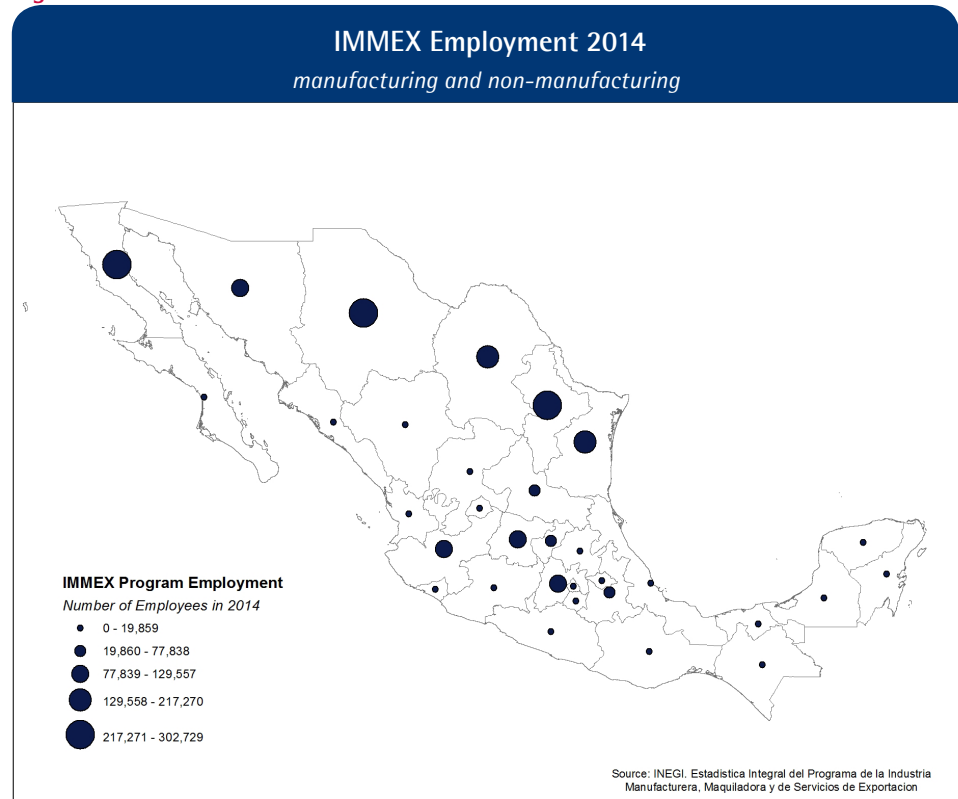
Source: INEGI. Estadística Integral del programa de la Industria Manufacturera, maquiladora y de Servicios de Exportación (IMMEX), Feb. 2015. Data are averages January–November 2014. www.inegi.org.mx

Figure 2:



Source: INEGI. Estadística Integral del programa de la Industria Manufacturera, maquiladora y de Servicios de Exportación (IMMEX), Feb. 2015. Data are averages January-November 2014. www.inegi.org.mx

Figure 3:



Source: INEGI (different than the other figures).

establishments. While Sonora trails behind the other border states in manufacturing activities, Arizona's neighboring state holds the top rank (18 percent of Mexico's total) in non-manufacturing activities. The state of Sinaloa, a major source of winter fresh produce for the U.S., had over 45,000 employees in the IMMEX non-manufacturing services category (17 percent of Mexico's total). Together these two states accounted for more than a third of IMMEX non-manufacturing employment.

Arizona's Locational Advantage

Since the inception of the maquiladora model more than 40 years ago, Arizona's companies have taken advantage of the geographical proximity to Mexico's assembly/production plants, especially those located in neighboring Sonora. Whereas data on exports specifically to

the maquiladora sector are not available, the top five manufacturing exports from Arizona to Mexico suggest a strong maquiladora (IMMEX) connection. Arizona's top manufacturing exports to Mexico are: computer and electronic products; electrical equipment, machinery (excluding electrical); transportation equipment, and primary metal manufacturing.

However, gauging from the dollar value of manufacturing exports coming from other states like Michigan, California, and Illinois that use Arizona's border ports as gateways to Mexico, there are certainly untapped opportunities for Arizona's companies to expand trade relationships with the IMMEX sector. For example, out of the total \$10.3 billion in manufacturing exports moving through the Nogales port of entry, 34.6 percent originated in Michigan, 7.9 percent in California, and 3 percent in Illinois. Arizona's share was 34.6 percent.

“ There are certainly untapped opportunities for Arizona's companies to expand trade relationships with the IMMEX sector. ”





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Forecast Tables

Arizona	2013	2014	2015	2016	2017	2018
Personal Income (\$ mil)	245,071	254,651	263,866	276,044	292,759	310,280
% Chg from Year Ago	2.1%	3.9%	3.6%	4.6%	6.1%	6.0%
Retail Sales (\$ mil)	85,621	88,467	89,200	93,950	99,325	105,000
% Chg from Prior	5.6%	3.3%	0.8%	5.3%	5.7%	5.7%
Nonfarm Employment (000s)	2,518.2	2,562.1	2,616.8	2,676.2	2,750.9	2,827.1
% Chg from Year Ago	2.2%	1.7%	2.1%	2.3%	2.8%	2.8%
Population (000s), July 1st estimates	6,581.1	6,667.2	6,763.7	6,871.7	6,994.1	7,121.4
% Chg from Year Ago	1.3%	1.3%	1.4%	1.6%	1.8%	1.8%
Residential Building Permits (units)	25,209	26,648	28,575	33,664	41,364	46,035
% Chg from Year Ago	16.0%	5.7%	7.2%	17.8%	22.9%	11.3%

Phoenix-Mesa-Scottsdale MSA	2013	2014	2015	2016	2017	2018
Personal Income (\$ mil)	170,431	177,076	184,680	194,372	206,957	220,410
% Chg from Year Ago	2.3%	3.9%	4.3%	5.3%	6.5%	6.5%
Retail Sales (\$ mil)	59,658	61,714	62,364	65,731	69,745	73,952
% Chg from Prior	7.0%	3.4%	1.1%	5.4%	6.1%	6.0%
Total Nonfarm Employment (000s)	1,813.7	1,847.4	1,889.6	1,937.1	1,995.4	2,057.4
% Chg from Year Ago	2.9%	1.9%	2.3%	2.5%	3.0%	3.1%
Population (000s), July 1st estimates	4,338.7	4,404.9	4,475.4	4,551.7	4,647.9	4,755.6
% Chg from Year Ago	1.5%	1.5%	1.6%	1.7%	2.1%	2.3%
Residential Building Permits (units)	18,737	19,062	20,951	25,897	33,764	37,162
% Chg from Prior	17.3%	1.7%	9.9%	23.6%	30.4%	10.1%

Tucson MSA	2013	2014	2015	2016	2017	2018
Personal Income (\$ mill)	36,935	37,988	39,187	40,882	43,206	45,480
% Chg from Year Ago	1.4%	2.8%	3.2%	4.3%	5.7%	5.3%
Retail Sales (\$ mill)	12,378	12,482	12,406	12,998	13,663	14,286
% Chg from Year Ago	2.7%	0.8%	-0.6%	4.8%	5.1%	4.6%
Nonfarm Employment (000s)	361.5	364.1	367.4	372.7	379.6	386.7
% Chg from Year Ago	0.7%	0.7%	0.9%	1.4%	1.9%	1.9%
Population (000s), July 1st estimates	996.0	1,007.2	1,018.1	1,029.2	1,042.9	1,057.6
% Chg from Year Ago	0.6%	1.1%	1.1%	1.1%	1.3%	1.4%
Residential Building Permits (units)	3,491	3,576	3,723	3,776	4,529	4,823
% Chg from Year Ago	22.9%	2.4%	4.1%	1.4%	19.9%	6.5%

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The Forecasting Project is a community-sponsored research unit within the Economic and Business Research Center producing quarterly economic forecasts for Arizona and its metro areas. These forecasts are recognized as among the most accurate in the Western states.

Arizona Economic Indicators

Arizona – Labor Force and Employment, SA	Oct 2014	Nov 2014	Dec 2014	Jan 2015	Feb 2015
<i>Persons (000s, seasonally adjusted), Local Area Unemployment Statistics, BLS</i>					
Civilian Labor Force	3,106.9	3,115.8	3,123.6	3,146.5	3,159.9
% Chg from Year Ago	2.3%	2.3%	2.3%	2.9%	3.1%
Employment	2,901.0	2,909.3	2,916.0	2,938.6	2,953.3
Unemployment	206.0	206.6	207.5	207.9	206.6
Unemployment Rate	6.6	6.6	6.6	6.6	6.5
<i>Employees on Non-agricultural Payrolls (000s, seasonally adjusted), Current Employment Statistics, BLS</i>					
Total	2,589.3	2,598.6	2,607.3	2,611.9	2,624.2
% Chg from Year Ago	2.0%	2.0%	2.3%	2.6%	2.8%
Total Private	2,177.0	2,187.7	2,196.2	2,204.8	2,212.1
% Chg from Year Ago	2.3%	2.4%	2.7%	3.3%	3.3%
Goods Producing	293.8	295.7	296.0	299.3	298.8
Mining and Logging	13.1	13.0	13.2	13.1	13.0
Construction	124.4	126.5	126.7	129.6	128.8
Manufacturing	156.3	156.2	156.1	156.6	157.0
Durable Goods	120.8	120.4	119.9	120.1	120.4
Non-Durable Goods	35.5	35.8	36.2	36.5	36.6
Service Providing	2,295.5	2,302.9	2,311.3	2,312.6	2,325.4
Private Service Providing	1,883.2	1,892.0	1,900.2	1,905.5	1,913.3
Wholesale Trade	94.3	94.3	94.4	93.0	92.7
Retail Trade	313.8	315.1	316.8	313.7	318.1
Transportation and Utilities	87.1	88.8	90.4	90.7	90.0
Information	43.1	43.0	42.7	42.4	42.9
Finance and Insurance	142.5	142.2	142.6	143.2	144.2
Real Estate and Rental and Leasing	48.4	48.4	47.9	47.2	47.7
Professional and Business Services	386.5	389.5	391.8	395.4	395.7
Professional, Scientific, and Technical Services	129.2	129.4	130.8	129.4	132.2
Management of Companies and Enterprises	29.9	29.6	29.5	29.9	29.9
Administrative and Support Waste Management and Remediation Services	227.4	230.5	231.5	236.1	233.6
Educational Services	59.8	60.1	60.7	61.8	61.1
Health Care and Social Assistance	326.7	327.3	329.2	329.3	330.8
Arts, Entertainment, and Recreation	39.3	39.7	40.1	39.3	40.0
Accommodation and Food Services	252.1	252.8	252.5	255.4	255.4
Other Services	89.6	90.8	91.1	94.1	94.7
Government	412.3	410.9	411.1	407.1	412.1
% Chg from Year Ago	0.2%	0.1%	0.3%	1.0%	0.5%
Federal Government	54.5	54.5	54.6	54.5	54.5
State Government	87.4	86.0	85.7	86.5	86.7
Local Government	270.4	270.4	270.8	266.1	270.9

Arizona Economic Indicators

Arizona – Earnings, Sales, Housing, Bankruptcy	Oct 2014	Nov 2014	Dec 2014	Jan 2015	Feb 2015
<i>Average Hourly Earnings by Industry (\$, not seasonally adjusted), BLS</i>					
Total Private	22.7	22.8	22.5	22.9	23.0
% Chg from Year Ago	-1.5%	-1.8%	-3.4%	-1.5%	-1.1%
Construction	23.6	24.0	23.9	23.7	23.0
Manufacturing	24.4	24.5	24.3	24.4	24.8
Financial Activities	26.0	26.1	25.9	25.8	26.1
Professional and Business Services	25.3	25.5	24.0	25.9	26.2
Trade, Transportation, and Utilities	20.7	20.5	20.3	20.8	20.9
Education and Health Services	24.5	24.7	25.0	24.8	24.7
Leisure and Hospitality	13.8	13.8	13.8	14.0	14.2
<i>Sales (\$000s, accrual), ADOR</i>					
Aggregate Retail Sales, EBRC*	7,079,305.5	7,658,475.4	8,913,185.1	7,042,992.7	
% Chg from Year Ago	2.9%	4.6%	-2.4%	2.5%	
Retail Sales	4,399,935.9	4,985,452.0			
Food, EBRC**	1,031,157.7	1,049,310.4			
Restaurants & Bars	929,456.6	1,010,895.0			
Gasoline, EBRC***	712,042.4	605,267.6			
Gallons, ADOT	228,365.1	220,820.0			
Utilities	868,281.0	647,778.8			
Communications	221,243.7	204,853.8			
Amusements	82,814.9	89,336.5			
Rentals Personal Property	303,666.4	273,946.6			
Contracting	945,833.2	919,705.6			
Hotel/Motel	218,326.7	191,366.5			
Mining, Oil, & Gas Production	10,452.2	7,979.7			
Mining Severance	87,969.8	95,819.0			
Printing	21,379.7	24,829.2			
Publishing	9,399.8	8,600.4			
Use Tax	479,612.3	443,624.5			
<i>New Housing Units Authorized, Census C-40</i>					
Total Units	2019	1563	2987	1712	
% Chg from Year Ago	20.8%	33.1%	6.5%	-1.3%	
Single Family Units	1326	1051	1473	1246	
% Chg from Year Ago	-10.5%	-0.6%	7.6%	-4.5%	
2-4 Unit Structures	21	16	52	52	
5-plus Unit Structures	672	496	1462	414	
<i>Bankruptcy Filings, U.S. Bankruptcy Court – Arizona District</i>					
Total	1504	1244	1239	979	
% Chg from Year Ago	-24.3%	-20.3%	-12.2%	-24.5%	
Chapter 7	1303	1059	1036	781	
Chapter 11	18	13	21	22	
Chapter 13	182	171	182	176	

*EBRC estimates Aggregate Retail Sales by summing Retail Sales (ADOR), Food Sales estimated by EBRC (food is not taxable in Arizona), Restaurant and Bar Sales (ADOR), and Gasoline Sales estimated by EBRC using number of gallons sold in Arizona (ADOT) and current tax rate on gasoline (ADOR).

**estimated by EBRC.

***estimated by EBRC using gallons sold (ADOT) and tax rate (ADOR).

Arizona Economic Indicators

Arizona – Demographics and Vital Statistics	2010	2011	2012	2013	2014
<i>Demographics and Vital Statistics (July 1st Estimates, 000s), ADHS, ADOA & EBRC</i>					
Population*	6,401.6	6,438.2	6,498.6	6,581.1	6,667.2
% Chg from Year Ago	0.2%	0.6%	0.9%	1.3%	1.3%
Resident Births	22.4	21.4	21.2	21.4	21.4
Birth Rate**	13.6	13.2	13.2	12.9	13.0
Resident Deaths	11.3	11.8	12.0	12.4	12.3
Net Migration**	-16.6	10.9	34.2	48.5	55.4

*This population figure is from the Arizona Dept. of Administration, rather than the official Census population count. EBRC feels this figure is more accurate.

**Birth rate and net migration are both calculated by EBRC using data from the Arizona Dept. of Health Services.

Arizona – Personal Income and Earnings	2010	2011	2012	2013	2014
Per Capita Personal Income (\$), EBRC*	34,031.6	35,680.8	36,920.3	37,238.8	
% Chg from Year Ago	0.8%	4.8%	3.5%	0.9%	
Average Earnings per Job (\$), BEA**	46,783	48,081	49,335	49,981	
% Chg from Year Ago	1.9%	2.8%	2.6%	1.3%	
<i>Personal Income Derivation (\$ millions), BEA***</i>					
Total Personal Income	217,855.6	229,719.2	239,929.3	245,070.5	255,088.7
% Chg from Year Ago	1.0%	5.4%	4.4%	2.1%	4.1%
Earnings by place of work	149,982.1	156,986.4	163,835.2	169,520.8	175,779.4
Less: Contributions for government social insurance	17,263.8	16,012.8	16,560.1	19,335.8	20,208.3
Plus: Adjustment for residence	684.8	714.4	771.8	781.0	838.4
Equals: Net earnings by place of residence	133,403.1	141,688.0	148,046.9	150,965.9	156,409.4
Plus: Dividends, interest, and rent	36,940.9	40,521.0	44,062.8	45,102.0	46,743.9
Plus: Personal current transfer receipts	47,511.7	47,510.1	47,819.6	49,002.5	51,935.3
<i>Components of Earnings (\$ millions), BEA***</i>					
Wages and salaries	109,293.1	113,663.4	119,043.1	122,564.2	127,250.4
% Chg from Year Ago	-0.4%	4.0%	4.7%	3.0%	3.8%
Supplements to wages and salaries	25,650.9	26,544.4	26,824.7	27,751.9	28,573.3
Proprietors' income	15,038.1	16,778.6	17,967.4	19,204.7	19,955.7
Farm	222.4	691.4	231.0	293.2	344.2
Nonfarm	14,815.7	16,087.2	17,736.4	18,911.5	19,611.5

*EBRC calculates per capita personal income using total personal income from BEA divided by population estimates from ADOA. ADOA counts differ from official Census counts, but EBRC considers them more accurate.

**Average earnings per job is total earnings divided by total full-time and part-time employment. Earnings is the sum of three components of personal income--wages and salaries, supplements to wages and salaries, and proprietors' income. BEA employment series for states and local areas comprises estimates of the number of jobs, full-time plus part-time, by place of work. Full-time and part-time jobs are counted at equal weight. Both employment for wages and salaries and proprietors' employment are included.

***for detailed definitions, see BEA table SA4 "Personal Income and Employment by Major Component"

Arizona Economic Indicators

Arizona – Travel and Tourism (monthly data)	Oct 2014	Nov 2014	Dec 2014	Jan 2015	Feb 2015
<i>International Border Crossings, BTS</i>					
Total	14,580,169	14,998,904	16,267,351		
% Chg from Year Ago	5.6%	6.6%	2.0%		
Pedestrians	3,399,954	3,440,311	3,815,655		
Personal Vehicle Passengers	10,975,699	11,352,221	12,207,554		
Bus Passengers	204,516	206,372	244,142		
Trains	883	801	825		
% Chg from Year Ago	5.6%	-3.0%	5.9%		
Trucks	489,258	427,444	431,463		
% Chg from Year Ago	4.3%	-0.3%	8.2%		
<i>Hospitality Employment (000s, not seasonally adjusted), BLS</i>					
Leisure and Hospitality	288.8	290.6	290.6	290.6	296.5
% Chg from Year Ago	3.8%	3.5%	3.5%	4.9%	4.0%
Accommodation	43.4	44.1	43.7	44.1	44.0
% Chg from Year Ago	0.2%	2.1%	1.9%	3.8%	1.2%
<i>Sales (\$000s, accrual), ADOR</i>					
Hotel/Motel	218,326.7	191,366.5			
% Chg from Year Ago	11.4%	8.3%			

Arizona – Travel and Tourism, cont.	2009	2010	2011	2012	2013
<i>Visits (000s) Arizona State and National Parks, NPS & ASPB</i>					
Total Arizona	20,830.4	20,082.5	19,339.1	19,043.0	19,220.2
% Chg from Year Ago	-0.1%	-3.6%	-3.7%	-1.5%	0.9%
Northern Arizona	17,949.1	17,328.9	16,856.6	16,564.8	16,627.9
% Chg from Year Ago	0.4%	-3.5%	-2.7%	-1.7%	0.4%
Historical	1,365.4	1,296.1	1,327.8	1,159.9	1,079.4
Scenic	6,182.3	6,297.4	6,190.5	6,369.7	6,500.4
Water-based	10,401.4	9,735.4	9,338.3	9,035.3	9,048.0
Southern Arizona	2,881.3	2,753.6	2,482.5	2,478.2	2,592.4
% Chg from Year Ago	-3.2%	-4.4%	-9.8%	-0.2%	4.6%
Historical	391.7	426.9	438.1	382.2	359.4
Scenic	2,013.0	1,939.5	1,726.3	1,729.7	1,866.6
Water-based	476.5	387.2	318.1	366.3	366.4

Inflation and Prices	Oct 2014	Nov 2014	Dec 2014	Jan 2015	Feb 2015
<i>U.S. Consumer Price Indices (seas. adj.), BLS</i>					
All Urban Consumers: All Items	237.75	237.07	236.28	234.68	235.19
% Chg from Year Ago	1.7%	1.3%	0.7%	-0.2%	-0.1%
Western States – All Urban Consumers: All items	241.65	240.22	239.10	238.32	239.75
% Chg from Year Ago	2.0%	1.7%	1.3%	0.7%	0.9%
<i>U.S. Producer Price Index: All Commodities (seas. adj.), BLS</i>					
	203.40	201.20	197.60	192.10	191.10
% Chg from Year Ago	0.4%	0.0%	-2.2%	-5.7%	-7.1%

Arizona Economic Indicators - MSAs

Phoenix-Mesa-Glendale MSA - Monthly Data	Oct 2014	Nov 2014	Dec 2014	Jan 2015	Feb 2015
Civilian Labor Force (000s), BLS	2,141.1	2,144.7	2,141.7	2,154.3	2,157.2
Unemployment Rate	5.8	5.6	5.5	5.8	5.4
Total Nonfarm Employment (000s), BLS	1,883.7	1,906.4	1,912.5	1,881.2	1,903.6
Private	1,640.2	1,661.7	1,670.1	1,647.8	1,659.1
Government	243.5	244.7	242.4	233.4	244.5
Average Hourly Earnings, Total Private, \$, BLS	23.6	23.6	23.2	23.8	23.9
Taxable Sales (\$000s, accrual), ADOR*	6,079,498.6	6,313,914.2			
Total New Residential Permits (units), Census C-40	1,368	1,043	2,423	1,210	1,588

*Total of all collection categories covered by Arizona's "Transaction Privilege Tax," does not include food or gasoline sales.

Phoenix-Mesa-Glendale MSA - Annual Data	2010	2011	2012	2013	2014
Population, ADOA*	4,200,427	4,227,601	4,273,897	4,338,672	4,404,888
% Chg from Year Ago	0.3%	0.7%	1.1%	1.5%	1.5%
Total Personal Income (\$000), BEA	148,818,951	158,157,229	166,556,387	170,430,508	
% Chg from Year Ago	1.1%	6.3%	5.3%	2.3%	
Per Capita Personal Income (\$), EBRC**	35,429.5	37,410.6	38,970.6	39,281.7	
Consumer Price Index (Phx-Mesa-Glndle MSA) <i>All Urban Consumers: All items, BLS</i>	118.23	121.48	124.20	125.78	127.82
% Chg from Year Ago	0.6%	2.8%	2.2%	1.3%	1.6%

*Population counts as of July 1st. ADOA population estimates differ from official Census Bureau estimates. EBRC considers ADOA counts to be the most accurate.

**BEA total personal income divided by ADOA population estimates.

Tucson MSA (Pima County)- Monthly Data	Oct 2014	Nov 2014	Dec 2014	Jan 2015	Feb 2015
Civilian Labor Force (000s), BLS	465,429	464,332	466,138	470,337	469,415
Unemployment Rate	6.0	5.9	5.7	5.9	5.6
Total Nonfarm Employment (000s), BLS	368.6	370.7	373.2	368.5	371.6
Private	289.7	291.7	294.3	291.2	292.7
Government	78.9	79.0	78.9	77.3	78.9
Average Hourly Earnings, Private, \$, BLS	21.6	21.7	21.4	21.7	21.7
Taxable Sales: Total (\$000s, accrual), ADOR*	1,189,416.2	1,213,669.4			
Total New Residential Permits (units), Census C-40	340	304	286	227	291

*Total of all collection categories covered by Arizona's "Transaction Privilege Tax," does not include food or gasoline sales.

Tucson MSA (Pima County) - Annual Data	2010	2011	2012	2013	2014
Population, ADOA*	981,168	986,081	990,380	996,046	1,007,162
% Chg from Year Ago	-0.3%	0.5%	0.4%	0.6%	1.1%
Total Personal Income (\$000), BEA	33,883,172	35,132,468	36,412,855	36,935,363	
% Chg from Year Ago	0.5%	3.7%	3.6%	1.4%	
Per Capita Personal Income (\$), EBRC**	34,534	35,628	36,767	37,082	
% Chg from Year Ago	0.8%	3.2%	3.2%	0.9%	

*Population counts as of July 1st. ADOA population estimates differ from official Census Bureau estimates. EBRC considers ADOA counts to be the most accurate.

**BEA total personal income divided by ADOA population estimates.

Arizona Economic Indicators - MSAs

Note our readers: For the MSAs and counties which follow, EBRC "taxable sales" (accrual basis) only run through September of 2014, hence that line is currently blank. This is due to a delay in reporting from the Arizona Department of Revenue. We hope to have this remedied in the next issue.

Flagstaff MSA (Coconino County)- Monthly Data	Oct 2014	Nov 2014	Dec 2014	Jan 2015	Feb 2015
Civilian Labor Force (000s), BLS	74.9	73.9	72.1	71.8	71.8
Unemployment Rate	6.3	6.5	7.1	7.5	6.9
Total Nonfarm Employment (000s), BLS	65.9	65.3	64.1	63.5	64.4
Private	45.4	45.0	45.0	43.9	44.5
Government	17.8	17.8	16.6	17.2	17.6
Average Hourly Earnings, Total Private, \$, BLS	17.14	17.42	17.98	17.86	18.03
Taxable Sales: Total (\$ Accrual), ADOR*					
Total New Residential Permits (units), Census C-40	22	20	28	12	

*Total of all collection categories covered by Arizona's "Transaction Privilege Tax," does not include food or gasoline sales.

Flagstaff MSA (Coconino County)- Annual Data	2010	2011	2012	2013	2014
Population, ADOA*	134,679	134,162	134,313	135,695	139,372
% Chg from Year Ago	0.8%	-0.4%	0.1%	1.0%	2.7%
Total Personal Income (\$000), BEA	4,529,627	4,631,539	4,746,702	4,906,294	
% Chg from Year Ago	0.1%	2.3%	2.5%	3.4%	
Per Capita Personal Income (\$), EBRC**	33,632.8	34,522.0	35,340.6	36,156.8	
% Chg from Year Ago	-0.7%	2.6%	2.4%	2.3%	

*Population counts as of July 1st. ADOA population estimates differ from official Census Bureau estimates. EBRC considers ADOA counts to be the most accurate.

**BEA total personal income divided by ADOA population estimates.

Lake Havasu City - Kingman MSA (Mohave County) - Monthly Data	Oct 2014	Nov 2014	Dec 2014	Jan 2015	Feb 2015
Civilian Labor Force (000s), BLS	85.5	85.2	85.0	79.4	79.4
Unemployment Rate	7.7	7.5	7.7	9.0	8.6
Total Nonfarm Employment (000s), BLS	46.6	46.3	47.0	47.4	47.1
Private	38.6	38.5	39.0	38.8	39.0
Government	8.1	8.0	7.9	7.7	7.9
Average Hourly Earnings, Total Private, \$, BLS	19.42	20.10	19.36	19.75	18.98
Taxable Sales: Total (\$ accrual), ADOR*					
Total New Residential Permits (units), Census C-40	62	35	43	48	

*Total of all collection categories covered by Arizona's "Transaction Privilege Tax," does not include food or gasoline sales.

Lake Havasu City-Kingman MSA (Mohave County) - Annual Data	2010	2011	2012	2013	2014
Population, July 1st estimate, ADOA	75,210	75,840	77,683	77,900	77,922
% Chg from Year Ago	0.1%	0.8%	2.4%	0.3%	0.0%
Total Personal Income, BEA	5,232,506	5,407,834	5,546,309	5,679,043	
% Chg from Year Ago	1.4%	3.4%	2.6%	2.4%	
Per Capita Personal Income, EBRC	26,150	26,983	27,312	27,894	
% Chg from Year Ago	1.5%	3.2%	1.2%	2.1%	

*Population counts as of July 1st. ADOA population estimates differ from official Census Bureau estimates. EBRC considers ADOA counts to be the most accurate.

**BEA total personal income divided by ADOA population estimates.

Arizona Economic Indicators - MSAs

Prescott MSA (Yavapai County) - Monthly Data	Oct 2014	Nov 2014	Dec 2014	Jan 2015	Feb 2015
Civilian Labor Force (000s), BLS	94.8	94.8	92.9	98.1	98.1
Unemployment Rate	6.1	5.9	6.1	6.3	5.8
Total Nonfarm Employment (000s), BLS	60.2	60.7	60.7	61.1	61.3
Private	49.7	50.2	50.1	49.7	50.2
Government	11.2	11.3	10.6	10.7	11.2
Average Hourly Earnings, Total Private, \$, BLS	18.15	17.89	17.89	17.60	17.77
Taxable Sales: Total (\$000s, accrual), ADOR*					
Total New Residential Permits (units), Census C-40	91	65	76	72	77

*Total of all collection categories covered by Arizona's "Transaction Privilege Tax," does not include food or gasoline sales.

Prescott MSA (Yavapai County) - Annual Data	2010	2011	2012	2013	2014
Population, ADOA*	210,899	211,247	211,583	213,294	215,357
% Chg from Year Ago	-0.5%	0.2%	0.2%	0.8%	1.0%
Total Personal Income (\$000), BEA	6,245,478	6,498,204	6,800,376	6,992,574	
% Chg from Year Ago	-0.4%	4.1%	4.7%	2.8%	
Per Capita Personal Income (\$), EBRC**	29,614	30,761	32,140	32,784	
% Chg from Year Ago	0.0%	3.9%	4.5%	2.0%	

*Population counts as of July 1st. ADOA population estimates differ from official Census Bureau estimates. EBRC considers ADOA counts to be the most accurate.

**BEA total personal income divided by ADOA population estimates.

Sierra Vista - Douglas MSA (Cochise County) - Monthly Data	Oct 2014	Nov 2014	Dec 2014	Jan 2015	Feb 2015
Civilian Labor Force (000s), BLS	55.3	55.4	55.1	50.9	50.9
Unemployment Rate	7.8	7.5	7.6	8.3	7.8
Total Nonfarm Employment (000s), BLS	34.9	35.0	35.0	34.2	34.7
Private	23.1	23.1	23.1	22.8	22.8
Government	11.8	11.9	11.9	11.4	11.9
Average Hourly Earnings, Total Private (\$), BLS	18.84	20.50	19.88	20.48	20.46
Taxable Sales: Total (\$000s, accrual), ADOR*					
Total New Residential Permits (units), Census C-40	10	15	18	19	

*Total of all collection categories covered by Arizona's "Transaction Privilege Tax," does not include food or gasoline sales.

Sierra Vista - Douglas MSA (Cochise County) - Annual Data	2010	2011	2012	2013	2014
Population, ADOA*	51,329	50,893	50,908	51,269	51,104
% Chg from Year Ago	-3.6%	-0.9%	0.0%	0.7%	-0.3%
Total Personal Income (\$000)	4,695,244	4,869,173	4,803,928	4,740,219	
% Chg from Year Ago	2.2%	3.7%	-1.3%	-1.3%	
Per Capita Personal Income (\$)**	35,723	37,301	36,741	36,211	
% Chg from Year Ago	1.4%	4.4%	-1.5%	-1.4%	

*Population counts as of July 1st. ADOA population estimates differ from official Census Bureau estimates. EBRC considers ADOA counts to be the most accurate.

**BEA total personal income divided by ADOA population estimates.

Arizona Economic Indicators - MSAs

Yuma MSA (Yuma County) - Monthly Data	Oct 2014	Nov 2014	Dec 2014	Jan 2015	Feb 2015
Civilian Labor Force (000s), BLS	86.5	86.0	86.1	88.5	87.7
Unemployment Rate	24.8	22.0	21.5	19.9	19.4
Total Nonfarm Employment (000s), BLS	51.4	52.4	53.4	52.3	53.0
Private	36.3	37.3	38.3	37.9	38.1
Government	15.1	15.1	15.1	14.4	14.9
Average Hourly Earnings, Total Private (\$), BLS	20.39	20.42	20.17	19.97	20.40
Taxable Sales: Total (\$000s, accrual), ADOR*					
Total New Residential Permits (units), Census C-40	41	40	36	47	

*Total of all collection categories covered by Arizona's "Transaction Privilege Tax," does not include food or gasoline sales.

Yuma MSA (Yuma County) - Annual Data	2010	2011	2012	2013	2014
Population, ADOA*	60,057	60,522	61,500	63,007	63,718
% Chg from Year Ago	-0.5%	0.8%	1.6%	2.5%	1.1%
Total Personal Income (\$000)	5,289,911	5,512,842	5,427,233	5,529,669	
% Chg from Year Ago	2.5%	4.2%	-1.6%	1.9%	
Per Capita Personal Income (\$)**	26,967	27,505	26,452	26,417	
% Chg from Year Ago	1.7%	2.0%	-3.8%	-0.1%	

*Population counts as of July 1st. ADOA population estimates differ from official Census Bureau estimates. EBRC considers ADOA counts to be the most accurate.

**BEA total personal income divided by ADOA population estimates.

TABLES: SOURCES AND ABBREVIATIONS

ADHS: Arizona Department of Health Services
ADOA: Arizona Department of Administration, Office of Employment and Population Statistics
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: U.S. Census Bureau, U.S. Department of Commerce
Micropolitan SA: Micropolitan Statistical Area must have at least one urban cluster of at least 10,000, but less than 50,000 inhabitants.

EBR: The Economic and Business Research Center, The University of Arizona.
MSA: Metropolitan Statistical Area must have at least one core urbanized area of 50,000 or more inhabitants.
PSHIA: Phoenix Sky Harbor International Airport
SAAR: Seasonally adjusted at annual rates
TAR: Tucson Association of Realtors
U.S. Bankruptcy Court: District of Arizona
USCBP: U.S. Customs and Border Protection, U.S. Department of Homeland Security
BTS: Bureau of Transportation Statistics, U.S. Department of Transportation
NPS: National Parks Service

* All Aggregate Retail Sales figures reported by EBR include retail, food, restaurant & bars and gasoline sales.
 Source: Economic and Business Research Center, Eller College of Management, The University of Arizona.

Arizona Economic Indicators - Counties

Apache County Summary - Monthly Data	Oct 2014	Nov 2014	Dec 2014	Jan 2015	Feb 2015
Civilian Labor Force (000s), BLS	20.2	20.0	20.0	20.8	20.6
Unemployment Rate	15.3	15.0	15.4	15.3	14.8
Total Nonfarm Employment (000s), ADOA	18.0	17.9	18.0	17.8	17.8
Private	7.4	7.4	7.3	7.1	7.1
Government	10.6	10.6	10.7	10.7	10.7
Taxable Sales: Total (\$000s, accrual), ADOR*					

*Total of all collection categories covered by Arizona's "Transaction Privilege Tax," does not include food or gasoline sales.

Gila County (Payson Micropolitan Area) Summary - Monthly Data	Oct 2014	Nov 2014	Dec 2014	Jan 2015	Feb 2015
Civilian Labor Force (000s), BLS	22.3	22.1	22.1	21.3	21.1
Unemployment Rate	7.8	7.7	7.9	8.8	8.4
Total Nonfarm Employment (000s), ADOA	15.3	15.1	15.0	14.8	14.9
Private	9.8	9.8	9.8	9.6	9.6
Government	5.4	5.4	5.3	5.2	5.3
Taxable Sales: Total (\$000s, accrual), ADOR*					
New Residential Permits (units), Census C-40	7	3	2	7	

*Total of all collection categories covered by Arizona's "Transaction Privilege Tax," does not include food or gasoline sales.

Graham County Summary - Monthly Data	Oct 2014	Nov 2014	Dec 2014	Jan 2015	Feb 2015
Civilian Labor Force (000s), BLS	16.6	16.6	16.5	14.1	14.5
Unemployment Rate	7.0	6.8	6.9	8.1	7.7
Total Nonfarm Employment (000s), ADOA	8.8	8.8	8.8	8.4	8.8
Private	5.8	5.8	5.8	5.7	5.7
Government	3.0	3.0	3.0	2.7	3.0
Taxable Sales: Total (\$000s, accrual), ADOR*					

*Total of all collection categories covered by Arizona's "Transaction Privilege Tax," does not include food or gasoline sales.

Greenlee County Summary - Monthly Data	Oct 2014	Nov 2014	Dec 2014	Jan 2015	Feb 2015
Civilian Labor Force (000s), BLS	4.9	4.9	4.9	4.1	4.1
Unemployment Rate	6.7	6.3	6.2	8.1	7.9
Total Nonfarm Employment (000s), ADOA	4.6	4.6	4.6	4.6	4.6
Private	4.1	4.0	4.0	4.0	4.0
Government	0.6	0.6	0.6	0.6	0.6
Taxable Sales: Total (\$000s, accrual), ADOR*					

*Total of all collection categories covered by Arizona's "Transaction Privilege Tax," does not include food or gasoline sales.

Arizona Economic Indicators - Counties

La Paz County Summary - Monthly Data	Oct 2014	Nov 2014	Dec 2014	Jan 2015	Feb 2015
Civilian Labor Force (000s), BLS	7.0	7.2	7.1	7.9	7.8
Unemployment Rate	8.8	8.5	8.8	8.7	8.7
Total Nonfarm Employment, ADOA	5.1	5.2	5.2	5.2	5.2
Private	2.7	2.8	2.8	2.8	2.8
Government	2.4	2.4	2.4	2.4	2.4
Taxable Sales: Total (\$000s, accrual), ADOR*					

*Total of all collection categories covered by Arizona's "Transaction Privilege Tax," does not include food or gasoline sales.

Navajo County (Show Low Micropolitan SA) Summary - Monthly Data	Oct 2014	Nov 2014	Dec 2014	Jan 2015	Feb 2015
Civilian Labor Force (000s), BLS	37.8	37.5	37.4	41.0	40.7
Unemployment Rate	11.2	11.1	11.7	11.3	10.7
Total Nonfarm Employment (000s), ADOA	27.8	27.6	27.4	27.0	27.2
Private	17.9	17.6	17.4	17.2	17.3
Government	9.9	10.0	10.0	9.8	9.9
Taxable Sales: Total (\$000s, accrual), ADOR*					
New Residential Permits (units), Census C-40	8	7	4	4	

*Total of all collection categories covered by Arizona's "Transaction Privilege Tax," does not include food or gasoline sales.

Santa Cruz County Summary - Monthly Data	Oct 2014	Nov 2014	Dec 2014	Jan 2015	Feb 2015
Civilian Labor Force (000s), BLS	17.2	17.3	17.4	20.6	20.4
Unemployment Rate	16.7	14.3	13.8	11.3	10.9
Total Nonfarm Employment (000s), ADOA	13.0	13.5	13.8	13.8	13.9
Private	9.2	9.7	10.0	10.0	10.0
Government	3.8	3.8	3.8	3.8	3.8
Taxable Sales: Total (\$000s, accrual), ADOR*					
New Residential Permits (units), Census C-40	7	4	4	6	

*Total of all collection categories covered by Arizona's "Transaction Privilege Tax," does not include food or gasoline sales.

ARIZONA'S ECONOMY

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