

Arizona Economic Overview



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Presentation Overview

- **National / Regional Economic Summary**

- **Arizona Focus**
 - ◆ Labor Markets
 - How have local areas performed?
 - What can we learn from current trends?
 - Which industries have been hardest hit?

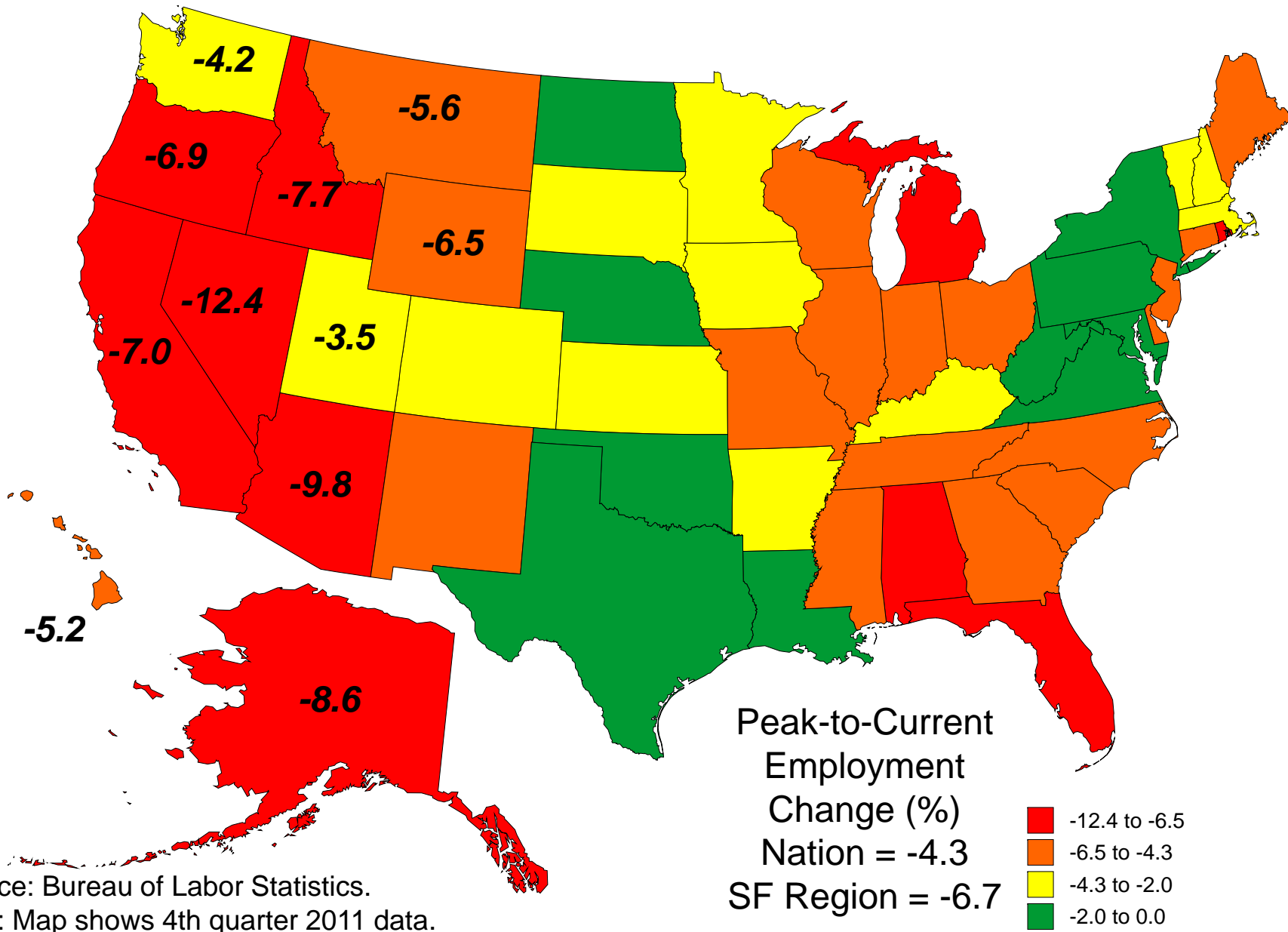
 - ◆ Other Topics: Migration and Housing

Labor Markets Are Strengthening Nationwide, But the Pace of Job Growth Varies Considerably across the Country

Region	Share of Lost Jobs Regained (%)
Dallas	61.9
New York	38.8
Kansas City	27.5
Atlanta	23.8
San Francisco	21.7
Chicago	17.4
Nation	30.9

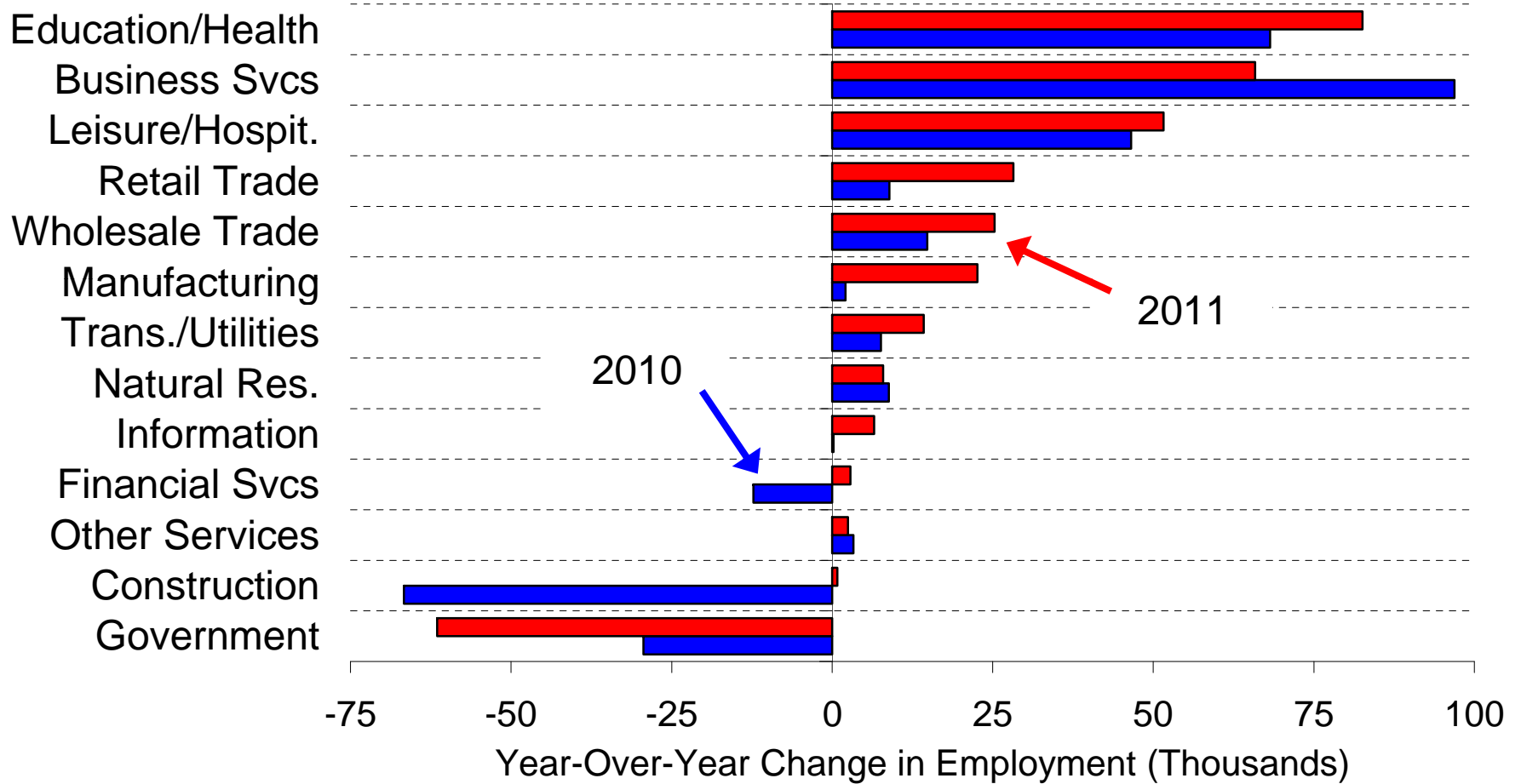
Source: Bureau of Labor Statistics (quarterly data through fourth quarter 2011).

Most Western States' Employment Remains Well Below Recent Peak Levels



Source: Bureau of Labor Statistics.
Note: Map shows 4th quarter 2011 data.

Hiring Improved in Most Industry Sectors in the West, Except Government



Source: Bureau of Labor Statistics (data are aggregated for the FDIC San Francisco Region states as of fourth quarter of each year).

Arizona Has Added Jobs for the Last Five Quarters

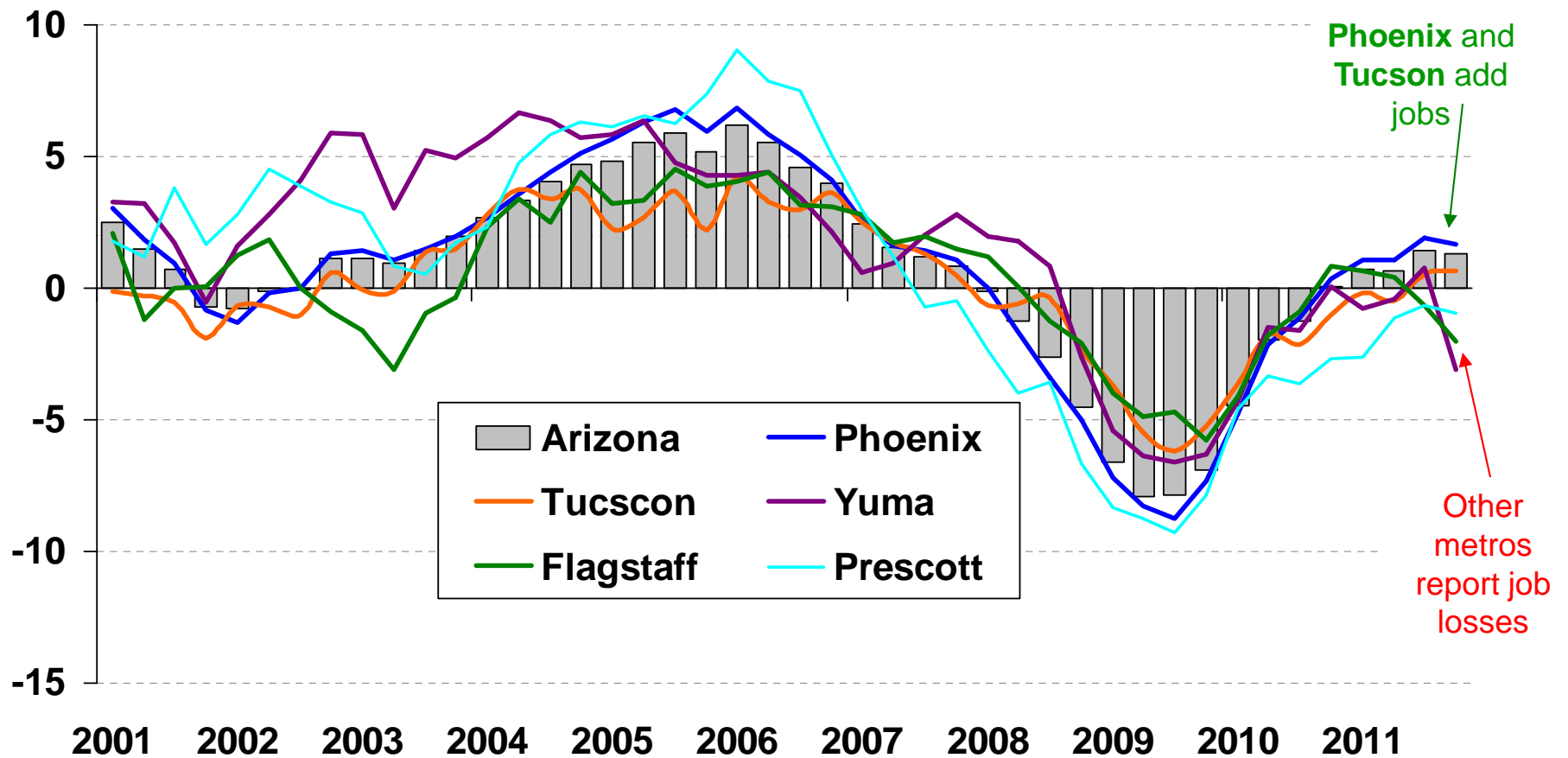
Employment (Year-over-Year Growth, %) - Arizona



Source: Bureau of Labor Statistics (quarterly data through fourth quarter 2011).

Phoenix and Tucson Job Growth Outpace Other Metros

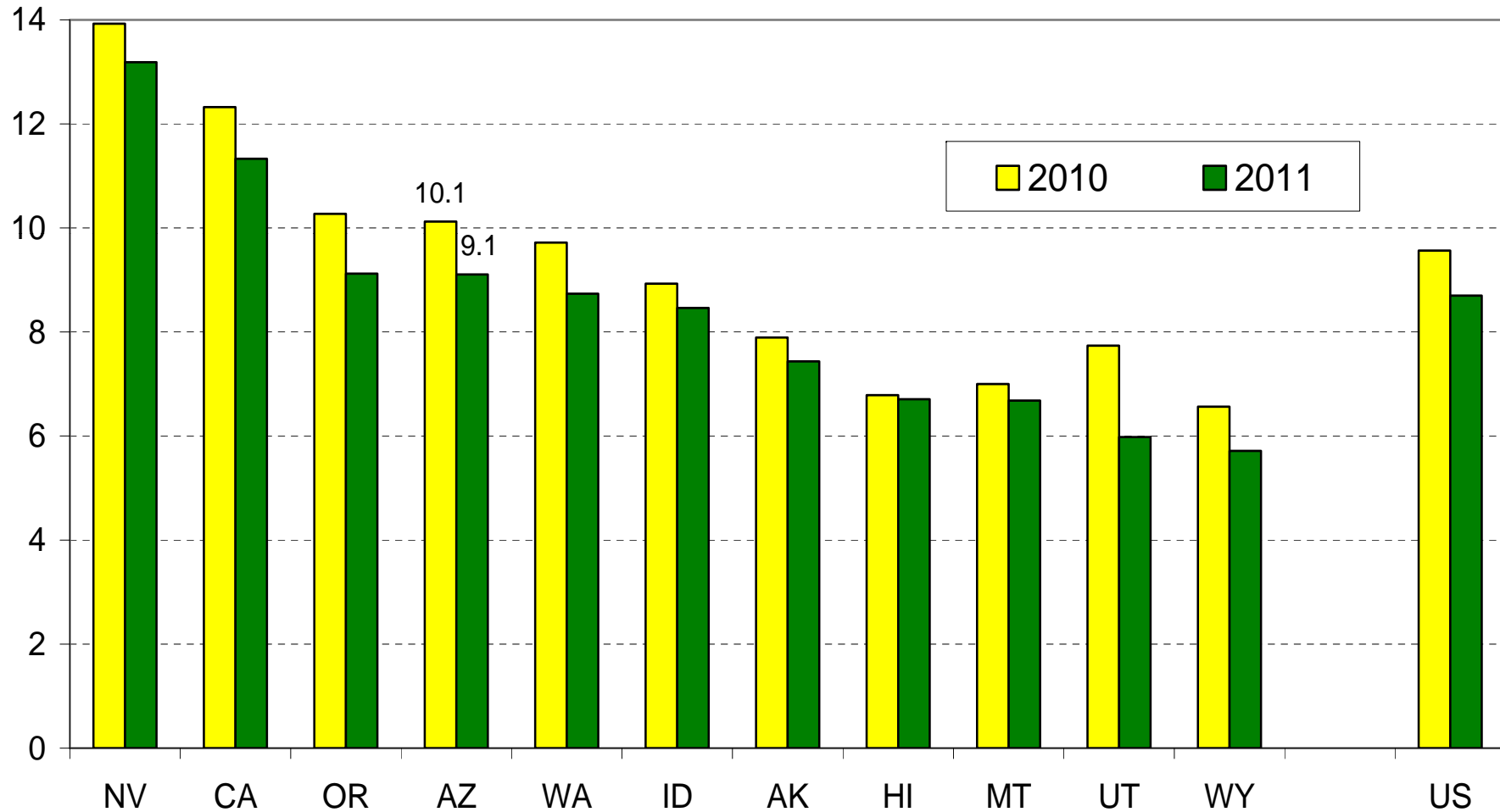
Employment (Year-over-Year Growth, %) -Arizona



Source: Bureau of Labor Statistics (quarterly data through fourth quarter 2011).

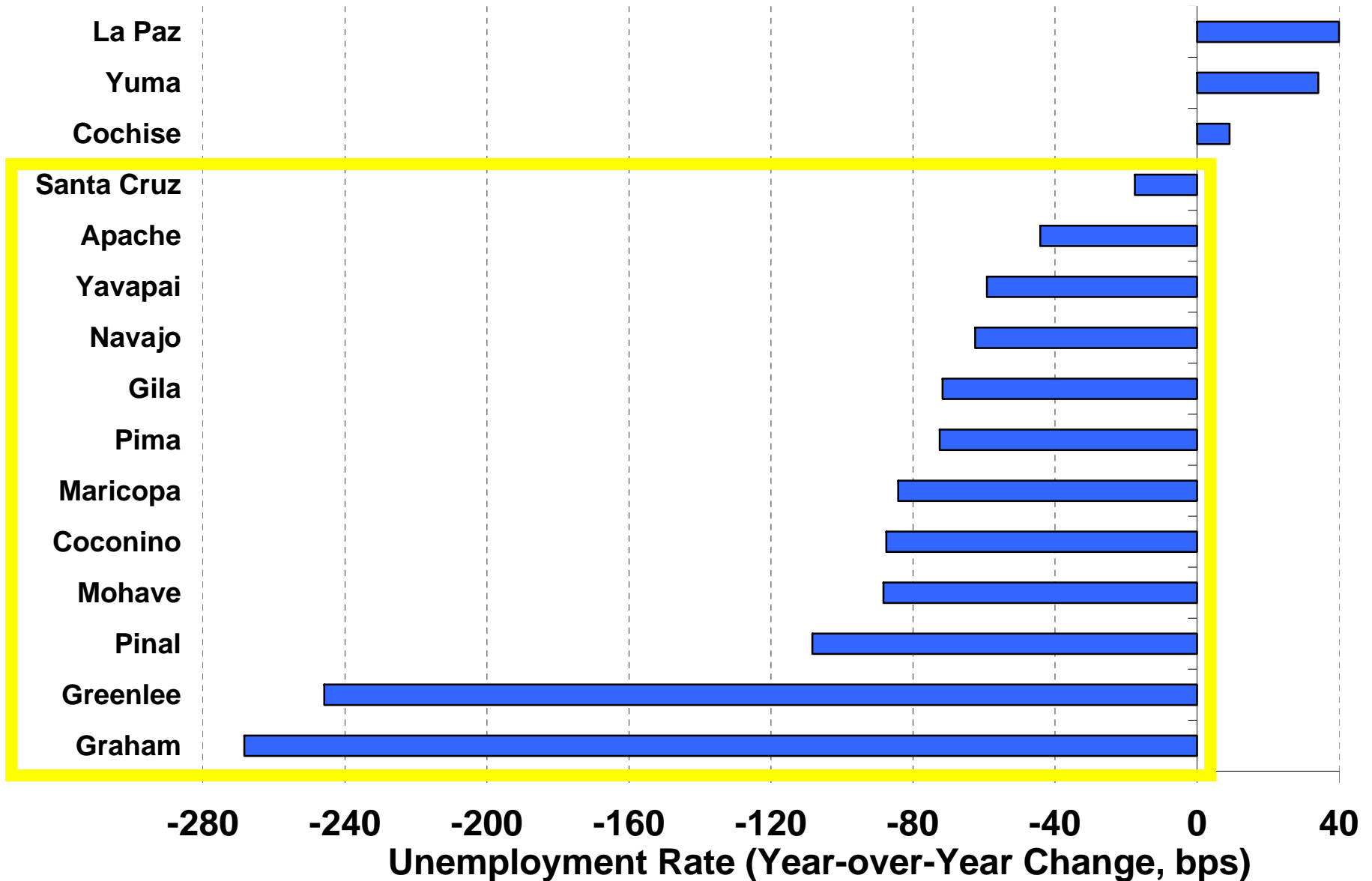
Unemployment Declines Throughout the West

Unemployment Rate (Percent, Seasonally Adjusted)



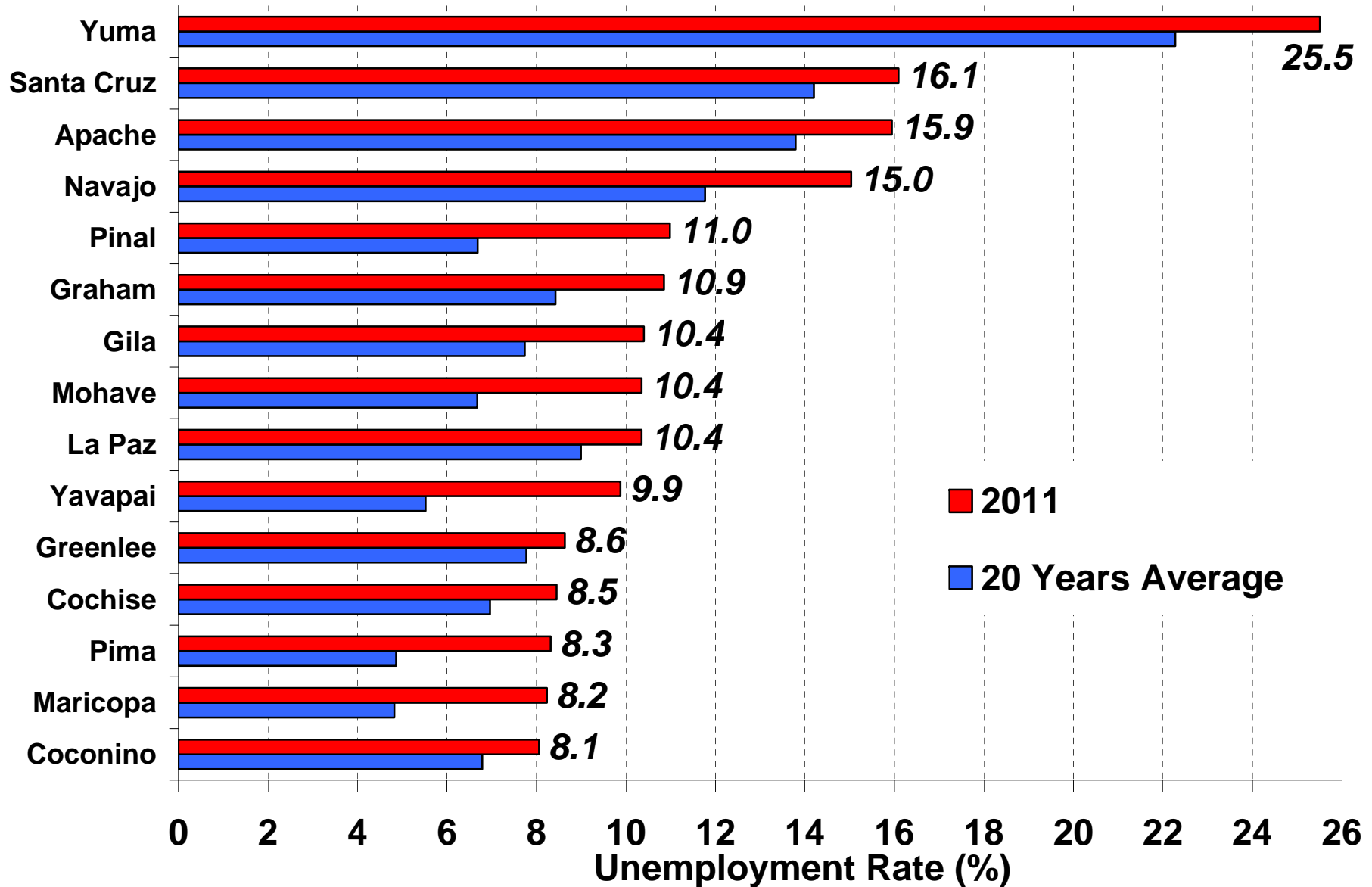
Source: Bureau of Labor Statistics (data as of fourth quarter of each year).

Most Arizona Counties Report Declining Unemployment Rates in 2011



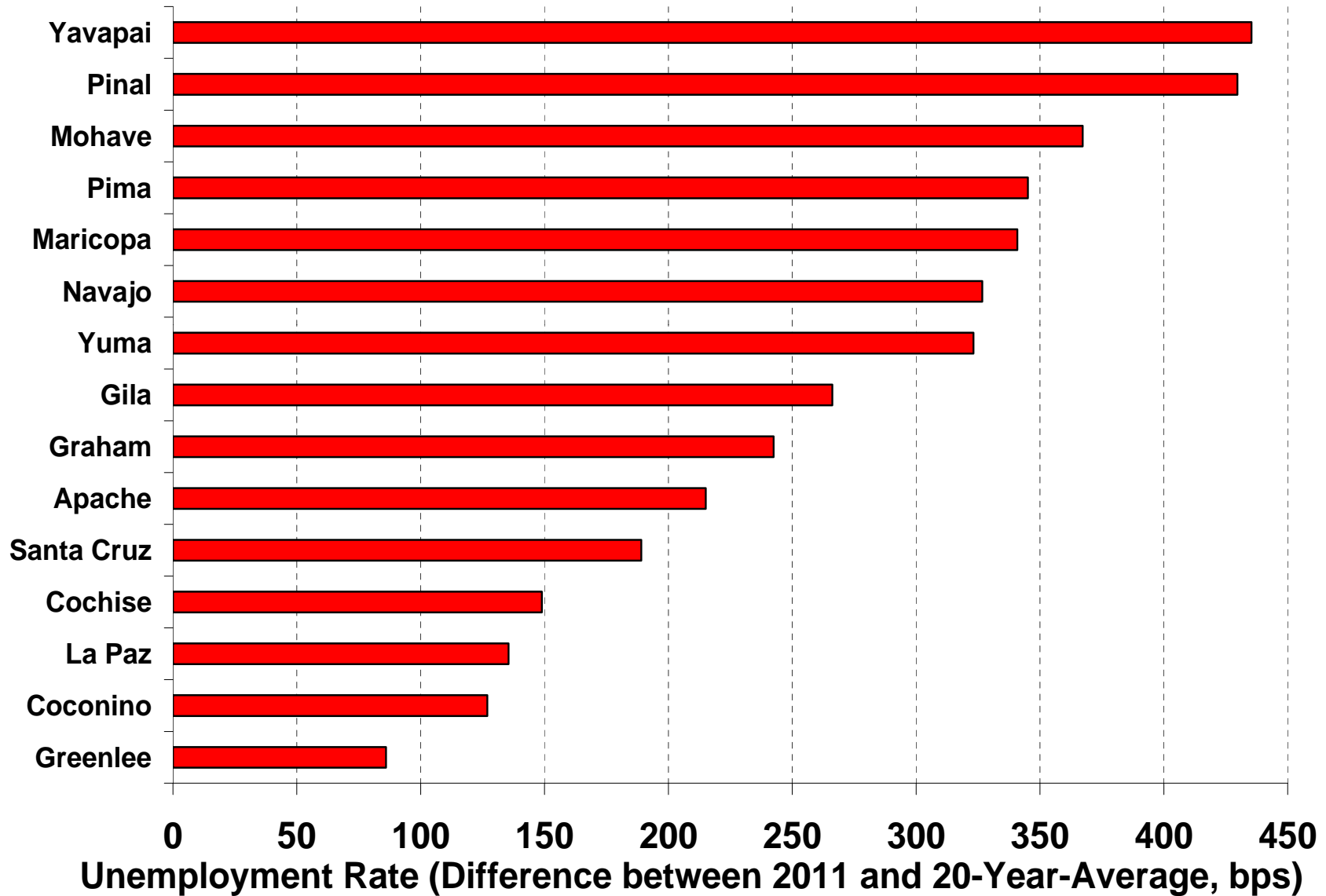
Source: Bureau of Labor Statistics (annual data through 2011).

However, Unemployment Rates Remain Above Average



Source: Bureau of Labor Statistics (annual data through 2011).

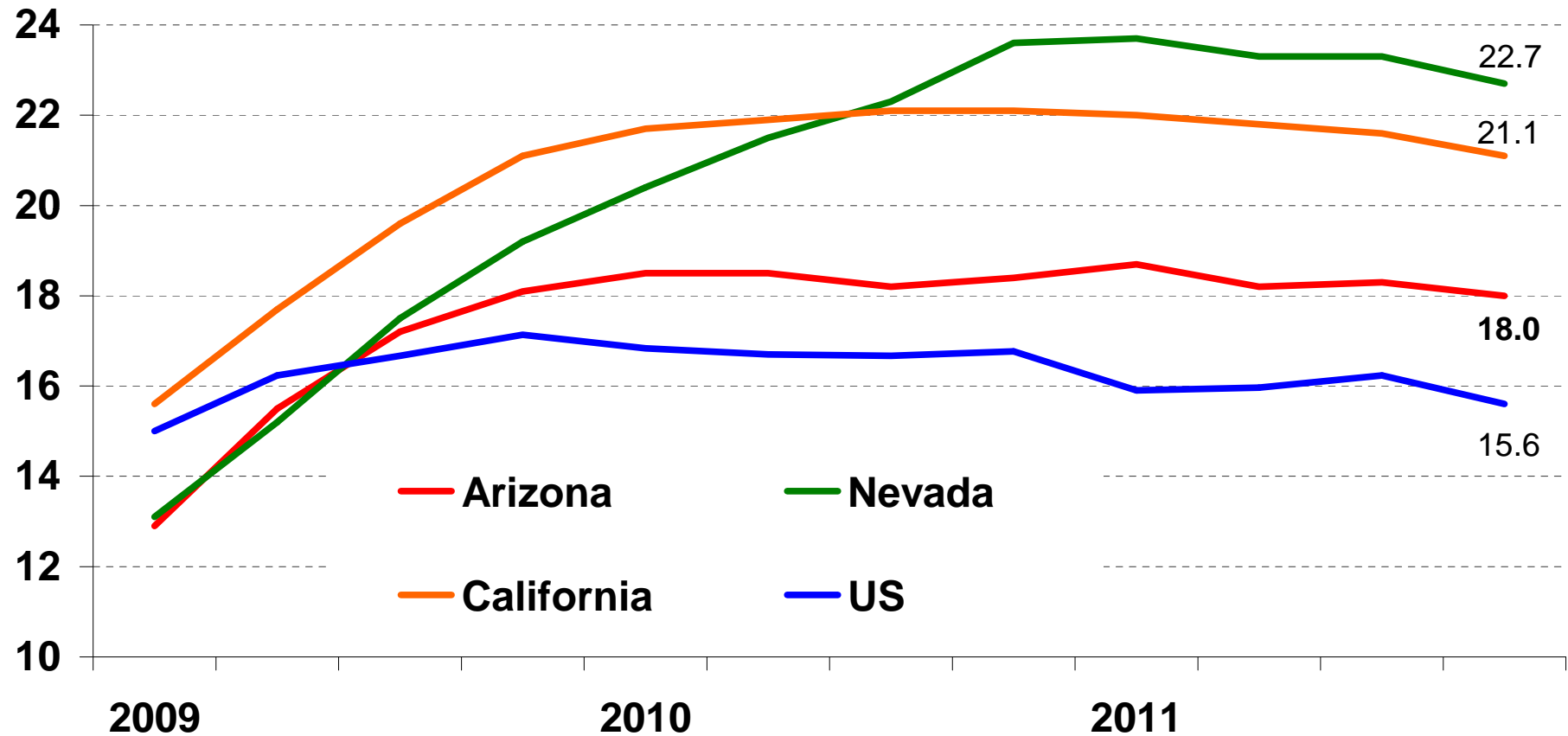
Higher Unemployment Levels May Be Straining the State's Major Metros Most



Source: Bureau of Labor Statistics (annual data through 2011).

Discouraged and Marginally-Attached Workers Remain Prevalent in Arizona

Total Unemployment
(Four-quarter average,% of labor force)



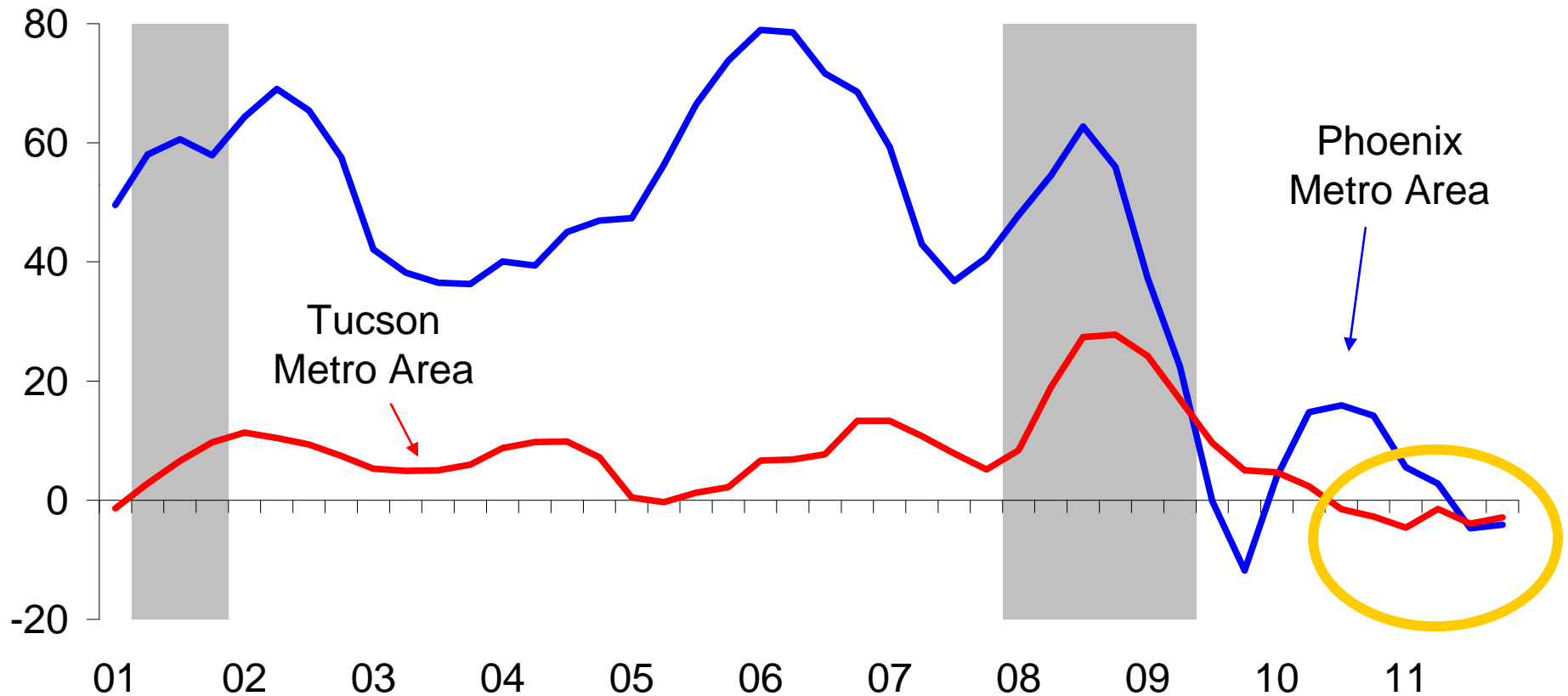
Source: Bureau of Labor Statistics (data through fourth quarter 2011).

Note: Total unemployment is defined as "U6" from the Bureau of Labor Statistics survey, which includes discouraged and marginally-attached workers, as well as those working part-time for economic reasons.

A Shrinking Labor Force May Be Masking Additional Weakness

Labor Force

(Difference year-to-year, in thousands, seasonally-adjusted)

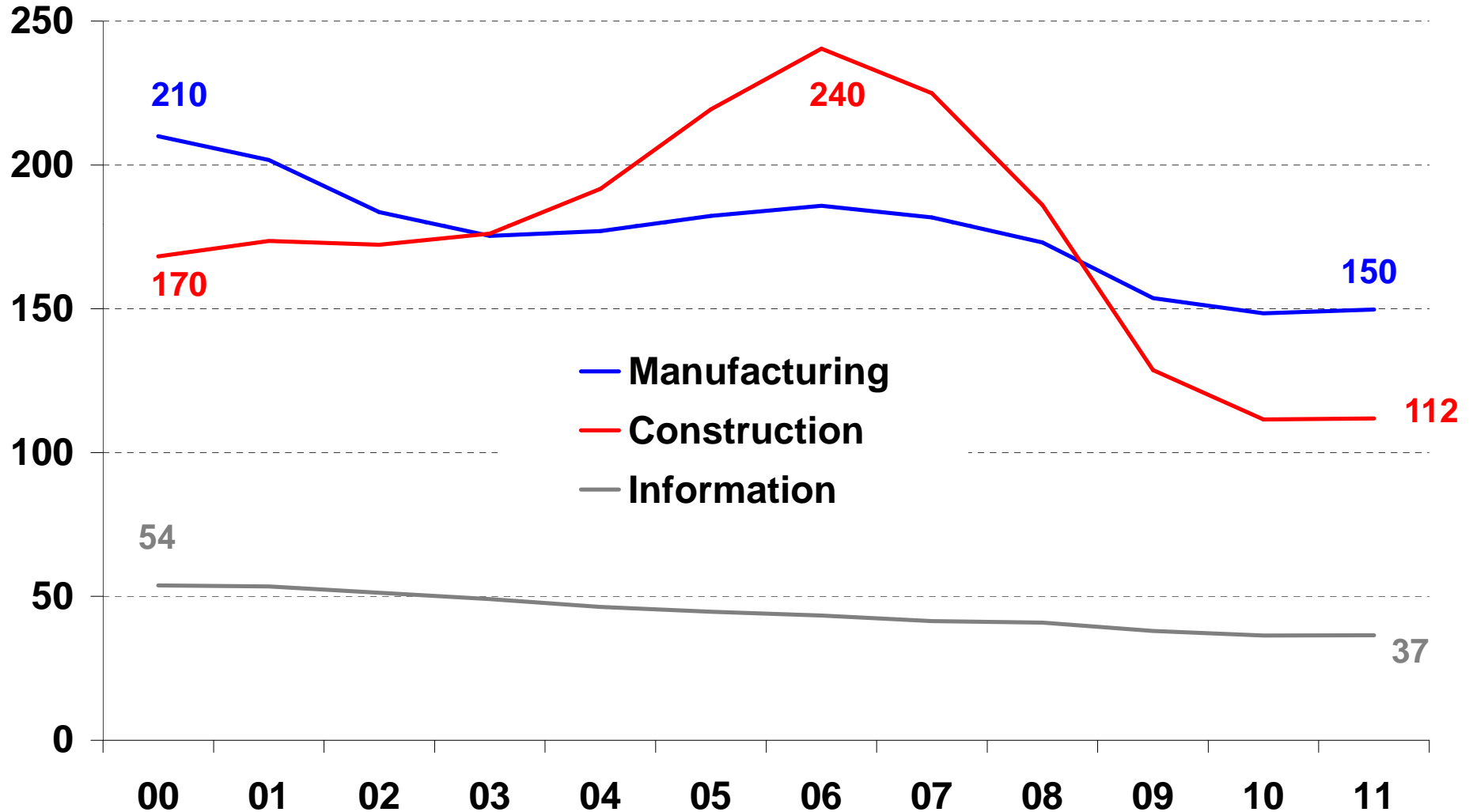


Source: Bureau of Labor Statistics.

Note: Shaded areas are national recessions.

Arizona's Manufacturing, Construction, and Information Sectors Have Lost Jobs During the Last Decade

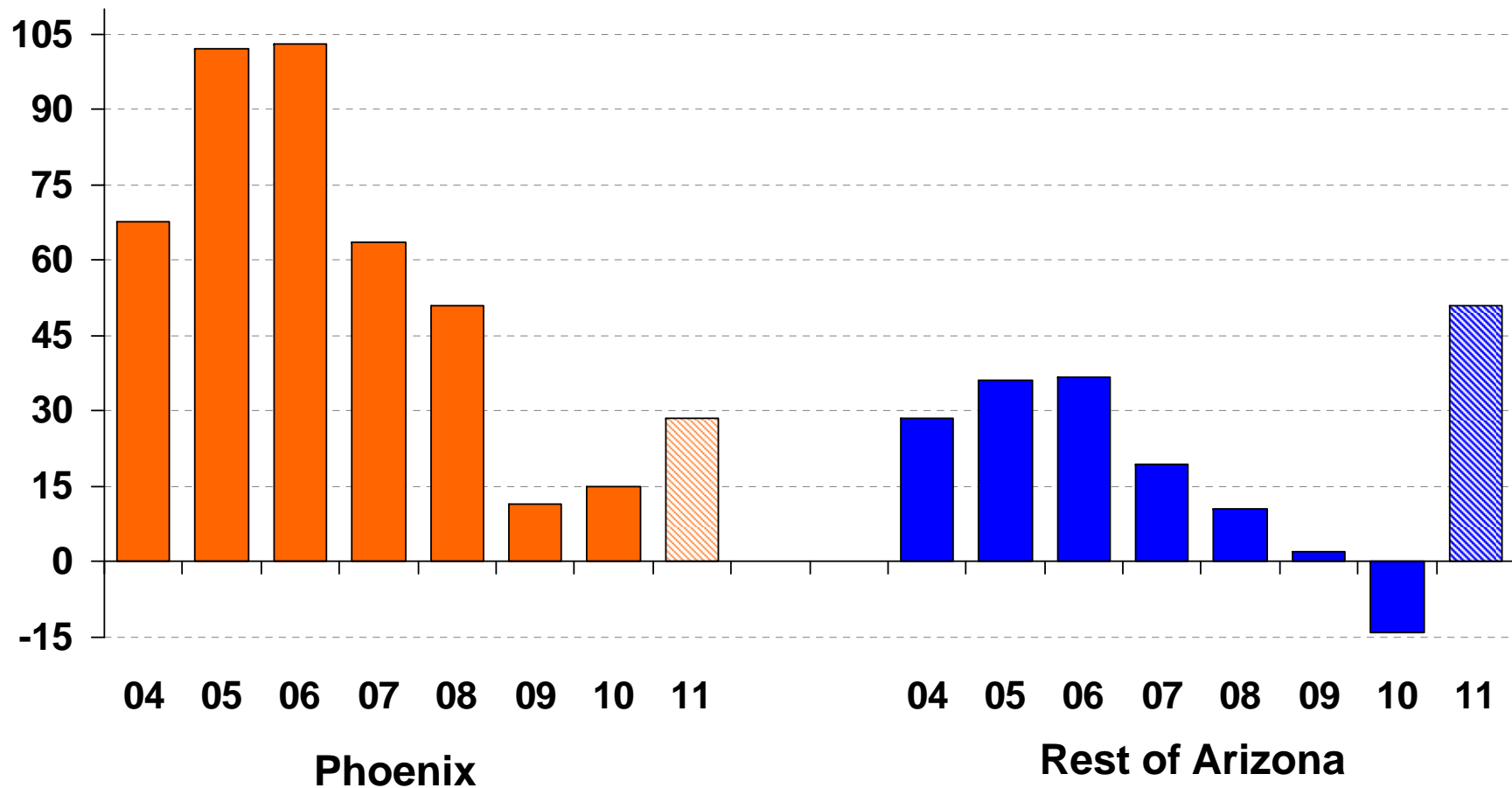
Employment
(Thousands)



Source: Bureau of Labor Statistics (annual data through 2011).

Migration to Phoenix Slowed in 2010 and Turned Negative Elsewhere in the State, But Forecasts Are Positive

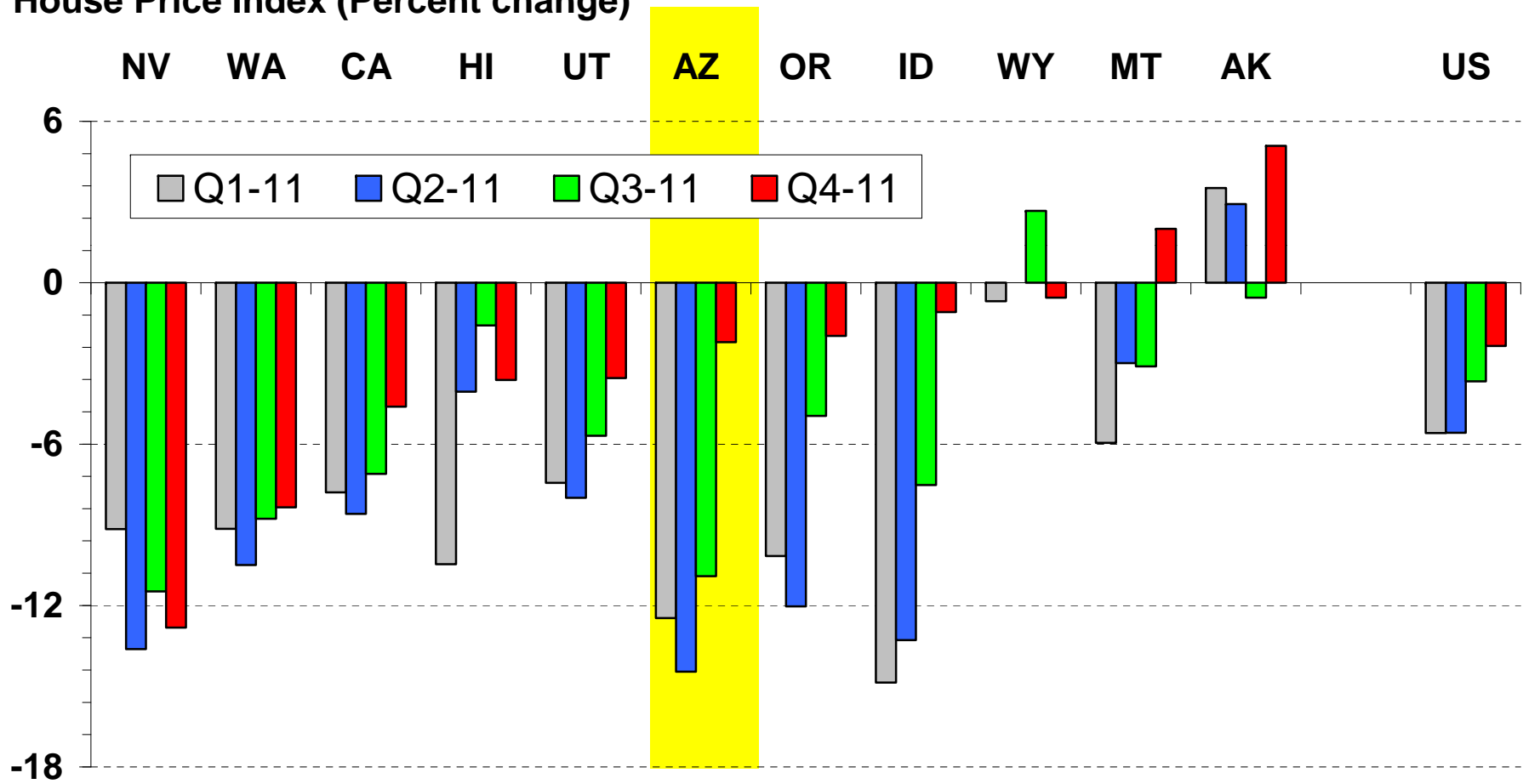
Net Migration (thousands of people)



Source: Moody's Economy.com (annual data through 2010 are historical, 2011 are forecast).

House Prices Are Still Falling, but Declines Have Moderated in Most Western States

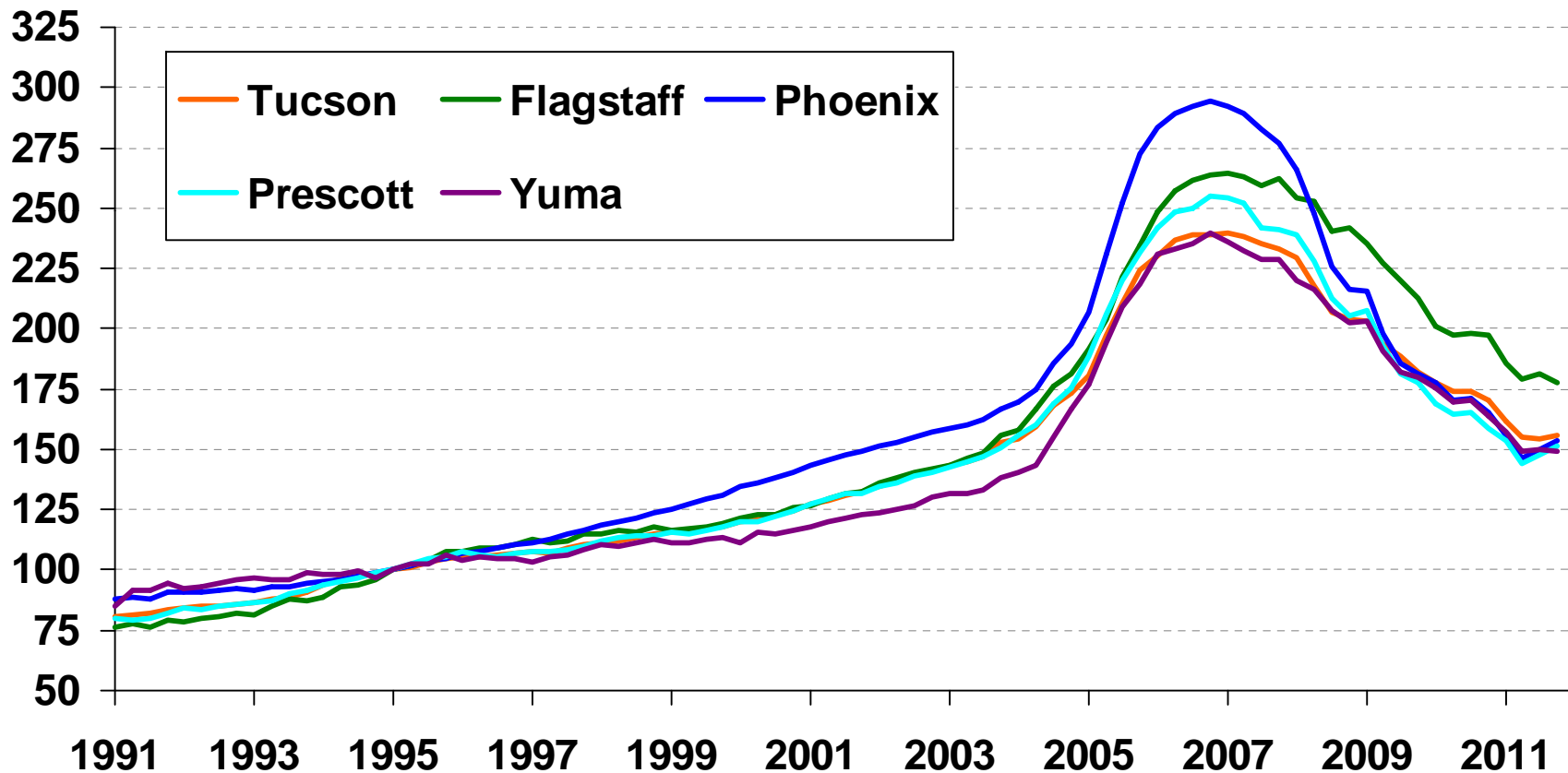
House Price Index (Percent change)



Source: Federal Housing Finance Agency, Purchase-Only House Price Index.

Home Prices Have Fallen Sharply From Recent Peak Levels across Arizona

House Price Index (Indexed to First Quarter 1995)

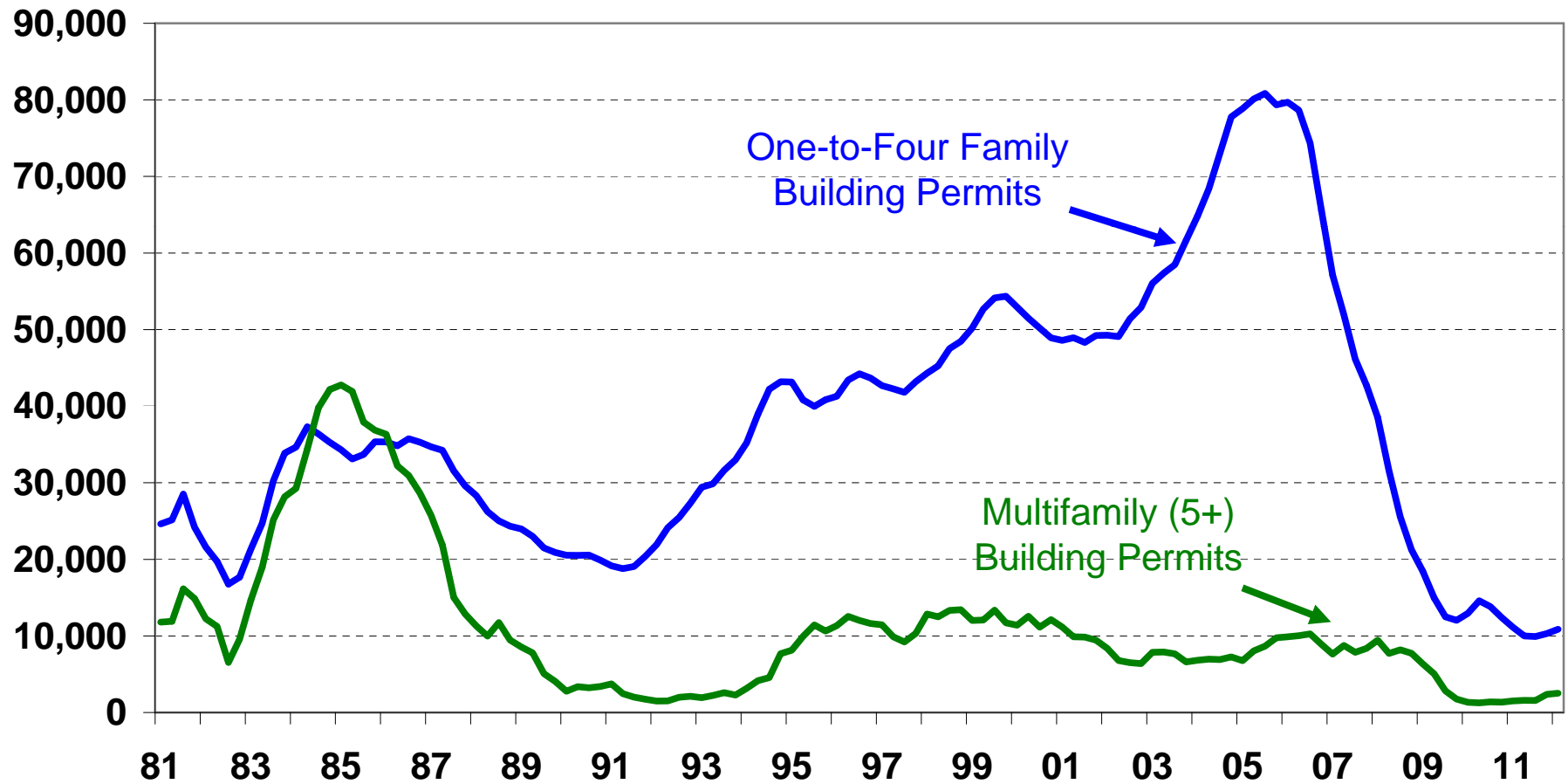


Source: Federal Housing Finance Agency Home Price Index.

Note: Phoenix Metro Area represents the Phoenix-Mesa-Scottsdale Metro Division.

Residential Construction Remains Near Record Low Levels

Housing Permit Issuance (Units, Four-Quarter Trailing Sum) - Arizona



Source: Census Bureau (quarterly data through fourth quarter 2011).

In Summary

- **Labor markets across Arizona have strengthened, but are still far from a full recovery.**
- **Migration flows are increasing – perhaps both a positive and a negative.**
- **The pace of the housing market recovery will likely continue to influence the labor market.**