

2008

2009

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2008 | 2009 OUTLOOK

Turbulence Ahead

Economic conditions have deteriorated significantly in recent months and forecasters have been revising their forecasts downward as 2007 comes to an end. Most forecasts for the U.S. now show the economy teetering on the brink of recession, but remaining in the black. We have revised our forecasts downward as well. Given recent evidence, we believe that Arizona's economy is already in a recession that will stretch well into 2008.

The nation's economy is struggling to overcome multiple shocks, including a downturn of historic proportions (both activity and prices) in housing markets, turmoil in financial markets that is now spreading well beyond sub-prime mortgages, and oil prices that are marching toward \$100 per barrel. Labor markets are deteriorating and job growth is disappearing. Consumers are losing confidence and are reeling in spending. Business leaders are worried.

Credit market turmoil is especially worrisome since the economy floats on a sea of credit. Financial innovations in recent years led to easy credit and too much lending. With the rise of “securitization,” risk could be spread to investors worldwide. Securitization is the pooling of loans and the issuance of a security that provides a nice return. Payments on the underlying loans are used to cover the payments to the security holder. This works as long as the default rate on the underlying loans remains low.

A complex and opaque web of players and financial instruments masked the assessment of risk. Hedge funds, commercial paper markets, CDOs, SIVs, rating agencies, and derivatives on top of derivatives played a role. It was as though securitization made risk disappear. Of course, that was not the case, and we’re now discovering how large a problem this really is. So far, large commercial banks, investment banks, and hedge funds have written off \$60 billion in losses related to sub-prime mortgages.

Global Insight, a leader in global economic forecasting, recently wrote that “at best, we are only halfway through the financial crisis”. They estimate that roughly \$600 billion in securitized subprime loans reside somewhere in the U.S. financial system. Write downs could total as much as \$120 billion, or 20% of the total.

Because of the complexity, it’s impossible to know the extent of the damage, which has led to a “flight to quality.” Although treasury yields are falling, spreads between treasuries and corporate securities and mortgages have widened significantly. The commercial paper market has frozen, and SIVs face a severe liquidity crisis. Commercial banks have tightened credit requirements on consumer, commercial, and industrial loans as well as mortgages. This crisis of confidence is placing downward pressure on the dollar, reducing foreign purchases of U.S. securities, and sparking a potential deflationary spiral in stock and housing markets.

The Federal Reserve, in its role as lender of last resort, has taken steps to provide liquidity to keep markets functioning. More measures may be needed. Let’s hope they succeed as this is a very treacherous period for the U.S. economy.

According to Economy.com, Arizona along with Michigan, California, Florida, and Nevada are either in recession or on the brink. Michigan is suffering from cutbacks in auto manufacturing. The other states woes are primarily due to major contractions in homebuilding. All have high concentrations of employment in construction-related industries, and were heavily exposed to real estate speculation and subprime lending.

Arizona's economy is in recession because of its high concentration of employment in construction and support industries related to growth, and prior heavy exposure to real estate speculation and subprime lending.

Labor Market Conditions Deteriorate

As recently as 2005, job growth statewide exceeded 6% annual rates. It’s now running below 1.3% and falling rapidly. Official preliminary estimates still show 2.6% growth, but these will be revised significantly downward in coming months. Exhibit 1 shows the preliminary estimates compared to our own revisions based on unemployment insurance data. For the entire year 2007, the revisions will trim a full percentage point off annual growth (2.4% versus 3.5%).

EXHIBIT 1 | Large Downward Revisions are Forthcoming

Nonfarm Employment, Arizona

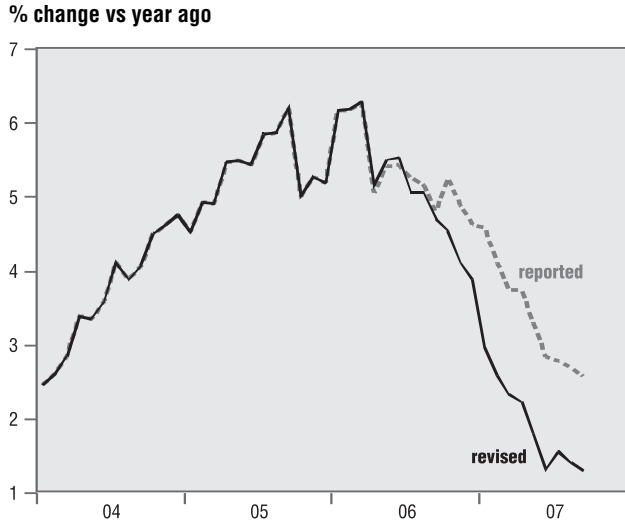
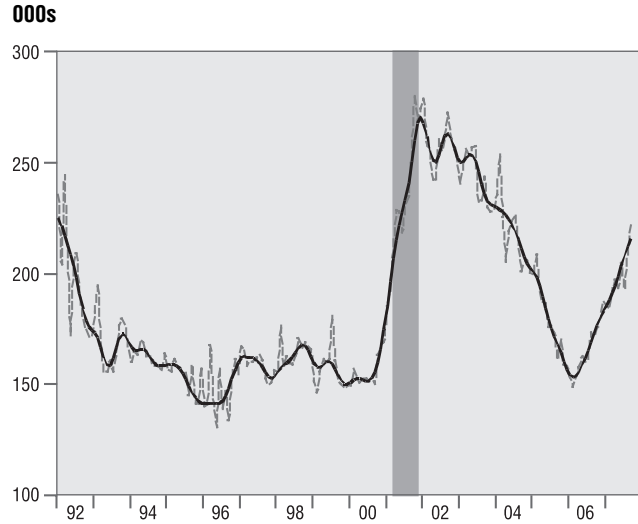


EXHIBIT 2 | The Job Market is Softening

*Initial Unemployment Insurance Claims, Arizona
(seasonally adjusted annual rate)*



The construction industry has trimmed 23,600 jobs since peaking in May 2006 and more losses lie ahead. Manufacturing payrolls are declining and have trimmed over 6,100 jobs since peaking in May 2006. The information industry remains within a few hundred of its low point and has shown no growth over the past 2-1/2 years.

Financial services peaked in March and have trimmed 2,200 jobs, and that number will grow significantly in coming months as the closure of mortgage lending operations and the collapse of First Magnus that occurred in late August are included. We're just beginning to see the fallout of the homebuilding cycle on growth-related support industries, which include mortgage brokers, real estate brokers, title companies,

home inspection companies, landscaping, architects, and engineering firms as well as builders and developers. All totaled, these activities comprise close to 30% of total employment.

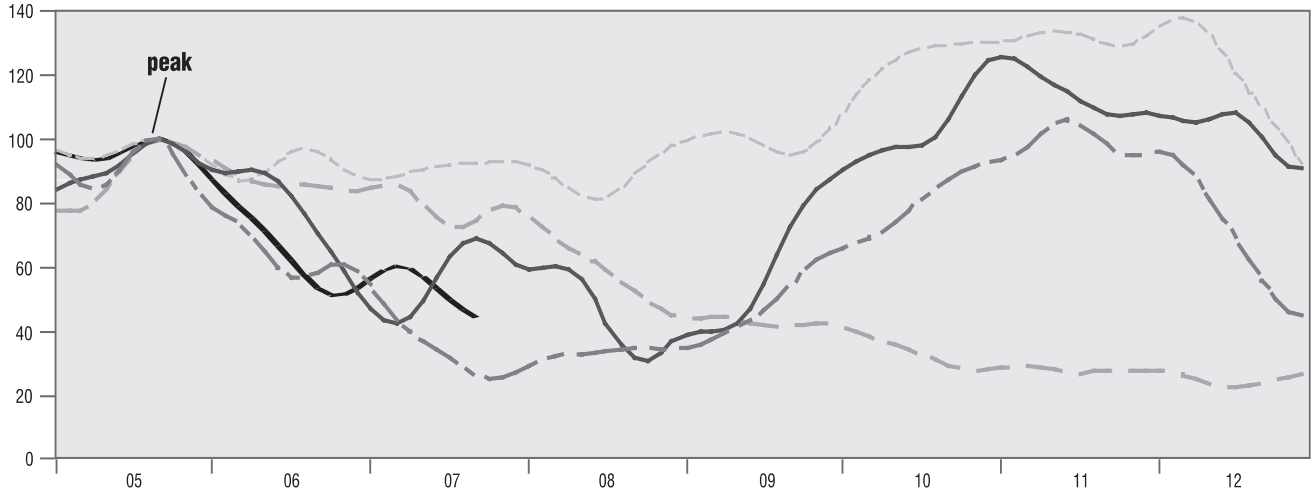
Employment services (which provide temporary and contract workers) is an excellent leading indicator of the job market as it normally is the first to experience cutbacks. It peaked in February and has trimmed nearly 1,000 jobs so far statewide. Also, transportation & warehousing jobs, which is an excellent indicator of goods shipments and commerce in general, leveled off a year ago. The only sectors that continue to add jobs are mining, trade, leisure and hospitality, education and health services, and government.

Mining has been on a tear, boosting payrolls by nearly 20% over the past year. Unfortunately, that's only 1,900 jobs. The 12,000 jobs currently employed in mining comprise only 0.4% of the 2.7 million total nonfarm jobs. Although mining is helping to shore up the economy, the effects are small — only one in ten laid off construction workers might find a job in mining.

Initial unemployment insurance claims have been rising over the past year statewide, and are approaching 225,000 per year. The last time this indicator moved up sharply was in 2001, during the last recession (Exhibit 2). With claims rising, Arizona's low unemployment rate of 3.3% (September) is sure to rise in the months ahead.

EXHIBIT 3 | Housing Not Yet at Bottom
Housing Recessions Compared
Residential Permits, Arizona

Current (25 mo., -56%)
 99-01 (34, -19)
 84-90 (83, -81%)
 78-81 (38, -69%)
 73-75 (26, -75%)



Recession in Homebuilding Deepens

A year ago, homebuilders and lenders remained hopeful that the housing downturn would be short. Hopes were dashed, however, as credit market turmoil significantly reduced mortgage lending.

How much longer before the bottom is reached and recovery begins? Exhibit 3 provides a historical perspective by comparing the current housing downturn to four prior episodes dating back into the 1970s.

The graph superimposes prior cycles on top of the current one. Each cycle peak was set to 100 and overlaid to coincide with the peak month of the current cycle.

Since peaking in September 2005, building permits in Arizona have

fallen 56%. The rapid falloff so far compares to the downturns of the mid 1970s and early 1980s. Both were severe episodes that led to deep economy-wide national recessions.

In the earlier period, permits peaked in January 1973 and fell nearly 75% over the following 26 months before hitting bottom. Another year-and-a-half passed before the up-leg of the cycle began in earnest.

Permits peaked again in October 1978, prior to the twin recessions of 1980 and 1981-82. Over a 38-month period, permits declined by 69%. After several months of modest increases, activity skyrocketed in response to changes in tax laws that led to the “mother of all” real estate investment bubbles.

The ensuing down cycle that began in February 1984 led to collapse of the savings and loan industry, creation of the Resolution Trust Company (RTC), and bankruptcy for many builders. Over a period of 83 months – nearly seven years – permitting activity fell by 81%.

The cycle associated with the last recession was barely noticeable. After peaking in March 1999, permits fell only 19% over 34 months. The drop was small due to at least three factors: 1) record low interest rates put in place by the Federal Reserve following the terrorist attacks on 9-11, 2) renewed interest in real estate on the part of investors who fled stock markets in the wake of the dot-com bust, and 3) financial innovation that made credit

EXHIBIT 4 | A U-Shaped Bottom for Homebuilding

*Residential Permits, Arizona
(annual rate)*

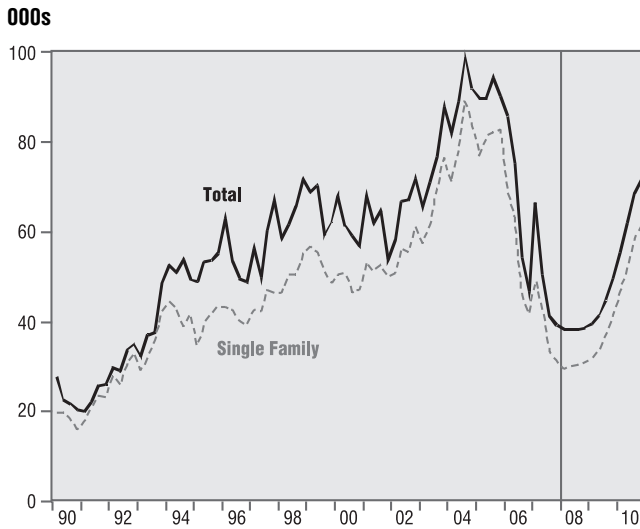
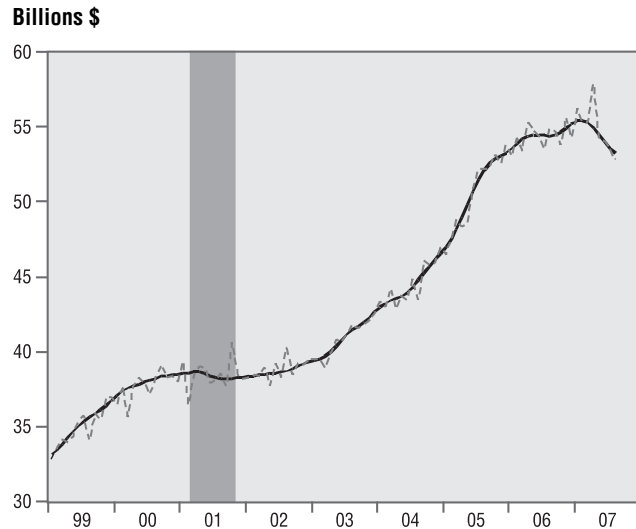


EXHIBIT 5 | Retail Spending Moves Lower

*Retail Sales, Arizona
(seasonally adjusted annual rate)*



widely available to less-creditworthy homebuyers. The resulting asset bubble in single family homes led to the current bust that unfortunately still has a ways to go.

The home price index published by Standard and Poor’s Case-Shiller shows that prices in the metro Phoenix area have declined by 8% during the past twelve months. This index is perhaps the most reliable measure of home prices as it is based on repeat-sales. As additional properties from foreclosures hit the market, prices will dive further. A total decline of 20% is possible.

As the end of 2007 approaches, supply and demand factors remain unfavorable for recovery of homebuilding any time soon. Inventories of homes for sale remain high, and a wave of

foreclosures over the next year or two promises to make the inventory problem significantly worse. That will keep downward pressure on home prices and keep buyers on the sidelines as they wait for home prices to fall further. Finally, the credit crunch eliminates a large number of buyers from qualifying for a loan. In short, an overabundance of supply in the face of weak demand will prolong the housing recovery.

Given these conditions, we look for further declines in homebuilding in the months ahead. Our current forecast calls for a bottom in 2008 with a little over 38,000 units permitted (Exhibit 4). That could easily turn out to be too optimistic if credit markets continue to chill. The bottom may

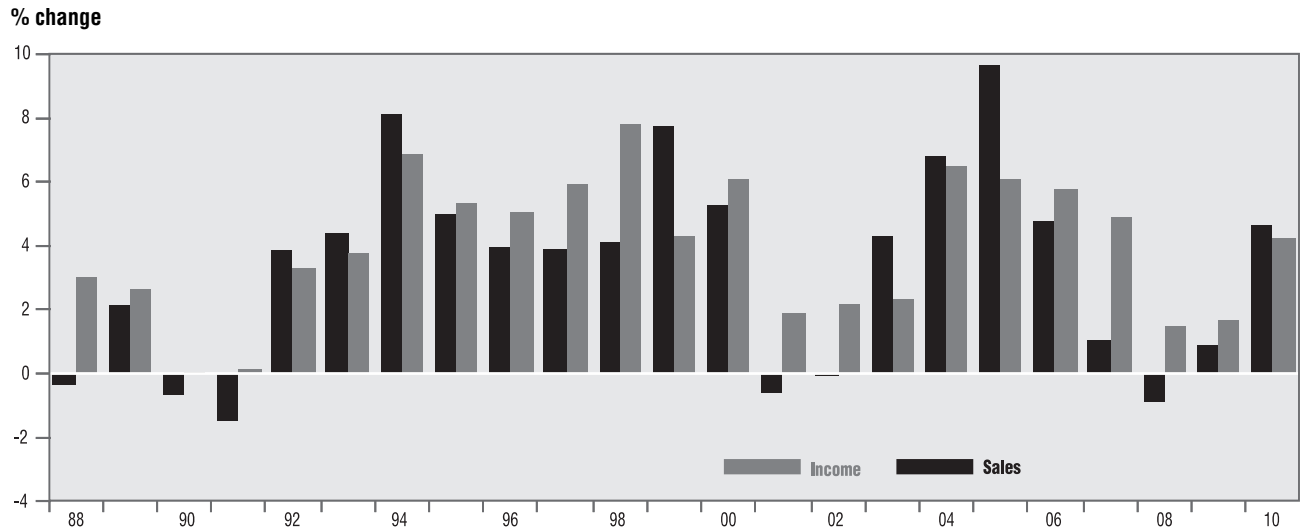
come in 2009 – or even 2010 – after permits have declined by 70-80%. That would put permitting statewide close to 30,000 at an annual rate, or even a bit lower.

Strong nonresidential construction has offset some of the weakness in homebuilding, and there are record amounts of offices, retail, and industrial properties currently under construction. However, construction may be peaking now as tightened credit standards are spreading to commercial development. As current projects are completed, the pipeline will empty. This typically is the case as commercial development lags residential by a year or two.

Consumers are Retrenching

The buying spree by consumers appears to be over – at least for a

EXHIBIT 6 | Spending and Incomes Will Lag
Real Consumer Spending and Income Growth, Arizona



while. For the past decade and more, consumers have spent more than they earned, resulting in falling savings rates and rising debt. Tax cuts, rising home prices and the ability to tap home equity (the major component of household wealth) have provided piles of additional cash in recent years to support spending. But the main factor was easy access to credit.

Although consumers still have an estimated \$4 trillion in unused borrowing capacity on their credit cards, the ability to access equity in their homes has evaporated as housing prices decline and credit standards tighten. Housing wealth is expected to plunge by an estimated \$2.5 trillion nationwide during the downturn. The wealth effect works on the downside as well as when

prices are increasing: for every \$1 decline in home prices, spending falls by an estimated 9 cents. A decline of this magnitude equates to some 2-3% of personal income. Mortgage equity extractions totaled nearly \$400 billion in 2006, but that window has all but closed.

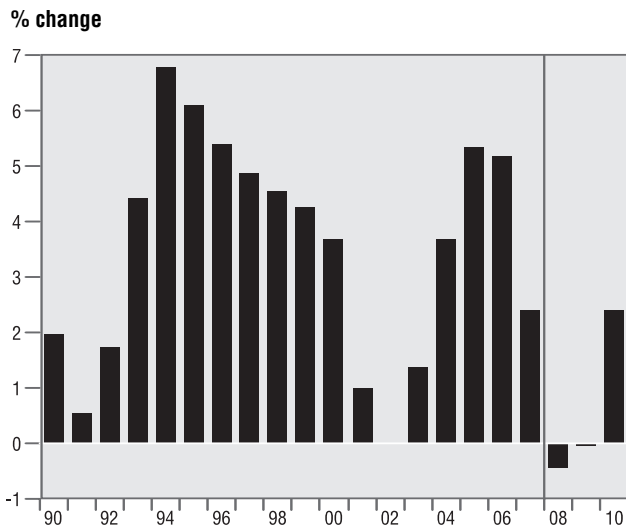
Consumer confidence has fallen precipitously in recent months to the lowest readings since the early 1990s. They're concerned over the deteriorating job market, declining home prices, and gasoline prices headed above \$3 per gallon. Others worry about tighter credit availability and approaching resets on adjustable rate mortgages. Nationwide, some \$360 billion of sub-prime loans and another \$150 billion of jumbo loans will reset to higher rates in 2008. With credit

much tighter, it will be difficult to refinance, and with prices falling, many will owe more on their home than it is worth. That's a recipe for defaults and foreclosures.

The best measures of spending by Arizonans are retail sales and restaurant and bar (R&B) sales. After adjusting for inflation, both measures peaked in February and were declining during the summer — near double-digit annual rates for retail and by 3-5% rates for R&B. Compared to 12 months prior, real retail sales are down 4.0% and real R&B sales are up less than 1% (Exhibit 5).

With data through July, the softness in retail is due to auto sales (down 9.7% in nominal terms during the past year), and building/hardware (down 5.1%).

EXHIBIT 7 | Jobs Stop Growing During Recessions
Nonfarm Job Growth, Arizona



The contracting tax is down 6.3% for the same period.

Aggregate retail spending, which includes sales for restaurant and bar, gasoline and food as well as general merchandise, autos, hardware and other categories normally included in retail, grew by only 1.1% in 2007, after adjusting for inflation. The coming year will bring the first decline since 2001 – a drop of almost one percent. The following year spending will remain subdued with an increase of only 0.9%. It will be 2010 before spending begins to accelerate once again (Exhibit 6).

After registering a gain of almost 5% in 2007, inflation adjusted personal income will increase by only 1.5% per year in both 2008 and 2009. Again, recovery is delayed until 2010.

Near-Term Outlook

Arizona’s economy is probably in recession now. We need more data and a round of revisions before we will be able to identify exact timing, but with the data we have now, a case can be made that the economy peaked as early as the second quarter of 2007. More likely, the data eventually will show

that recession began in the third quarter, punctuated by the collapse of the mortgage lending industry.

The recession of 2007-08 should last a year, give or take a few months, and be relatively mild. Causes are threefold: a classical inventory cycle (in housing), a credit squeeze, and an energy shock. Arizona will be hit worse than most states because of its reliance on growth-related activities and exposure to imploding mortgage loans.

Sectors related to growth will be especially hard hit and a number of growth-dependent firms will fail. Consumer spending will suffer as job growth and wage increases languish. The public sector will struggle to balance budgets as tax revenues shrink. Fortunately, population will continue to grow, but at a much slower pace as potential newcomers are unable to sell their homes in other parts of the country.

Nonfarm job growth will disappear and turn negative for several months. Job growth for all of 2007 on an annual average basis will register 2.4 percent, and then decline slightly by 0.4% next year. The following year, 2009, will see virtually no gain (Exhibit 7).

If housing markets dive deeper, the credit crunch persists, oil prices stay above \$100, or if consumers pull back more, the downturn could extend another year and revival the severe recessions of the 1970s and 1980s.

Review of Past Forecasting Accuracy

Assessing last year's accuracy is always a challenge since most of the *actuals* are "best guesses" based on partial-year figures. For example, only nine months of data are available for retail sales when this publication goes to press. For personal income and population, which are reported with significant lag, *actuals* for the most recent two to three years are preliminary estimates.

In addition to the lag in reporting, some measures are subject to substantial revision. Employment estimates are a prime example. Here, preliminary estimates will be revised at least twice before the "final" actuals are known. During the past decade, preliminary job growth, statewide, has subsequently been revised upward by as much as 1.3 percentage points and downward by as much as 0.7%. During the past twenty-four years, upward revisions

outnumber downward by nineteen to five. We're expecting large downward revisions to the 2007 preliminary employment estimates, which we expect to show growth of 2.4% after the data is revised. Last year at this time, we projected an increase of 2.4% percent increase – a perfect forecast (see table). Over the past ten years, forecast errors for employment growth have averaged 0.5%.

We predicted one year ago a moderation of growth to below "trend," noting significant downside risks, including a free fall in housing with declining home prices, defaults, and layoffs in sectors related to growth. Our forecasts for 2007 were again very good with some measures a bit too high and others too low. Growth in personal income was 1.1% low, and population growth was off by only 0.2%. (Average errors over the past ten years are

1.0% and 0.9%, respectively). The forecast error for retail sales was too high by 0.7% (compared to an average of 3.0%). Homebuilding (which can be quite volatile and hard to predict) declined more than we expected.

Forecast errors for both metro areas likewise were within historical norms.

Our forecasts continue to be a reliable guide, due at least in part to our process, which incorporates input gathered each quarter from our stable of thoroughbred sponsors. We continue to work hard to provide the most comprehensive and accurate forecasts available anywhere for Arizona and the Phoenix and Tucson metro areas.

The editors of the *Arizona Blue Chip* newsletter have recognized our forecasts as the best among Arizona forecasters four times, the most recent being our forecasts for 2006. ■

Accuracy of 2007 Forecast (percentage change 2007 versus 2006)

	Arizona		Phoenix-Mesa		Tucson	
	Forecast	Actual	Forecast	Actual	Forecast	Actual
Personal Income	6.6	7.7	6.8	8.4	6.7	8.7
Wages Per Employee	3.4	5.0	3.6	5.3	3.7	5.5
Retail Sales	4.5	3.8	4.5	3.8	3.8	4.9
Population	3.3	3.5	3.1	3.2	2.5	2.5
Building Permits	-13.7	-24.6	-11.6	-22.6	-10.0	-30.3
Non Farm Employment	2.4	2.4	2.6	2.4	2.3	2.8
Private	2.4	2.4	2.6	2.4	2.5	3.1
Government	2.3	2.5	2.2	2.5	1.3	1.8

Forecasts were prepared in December of 2006.

TABLE 1
Selected Economic
Indicators
 TUCSON Metro Area

	2005	2006	2007	2008	2009
INCOME					
Personal Income (\$mill)	26,703.8	29,118.1	31,645.7	33,215.3	35,156.4
% change	7.3	9.0	8.7	5.0	5.8
Per capita Personal Income (\$)	27,885	29,674	31,457	32,344	33,472
% change	4.4	6.4	6.0	2.8	3.5
SALES (\$millions)					
Retail Sales (current dollars)	10,982.2	11,636.2	12,207.7	12,656.9	13,263.4
% change	10.6	6.0	4.9	3.7	4.8
Food Sales	1,497.7	1,570.8	1,706.7	1,781.3	1,856.4
% change	10.3	4.9	8.7	4.4	4.2
Retail Sales less Food	7,271.0	7,758.0	8,005.4	8,317.5	8,729.9
% change	9.2	6.7	3.2	3.9	5.0
Restaurant and Bar Sales	1,295.3	1,406.2	1,508.7	1,588.4	1,693.4
% change	12.4	8.6	7.3	5.3	6.6
Gasoline Sales	918.2	901.3	986.9	969.7	983.7
% change	21.2	-1.8	9.5	-1.7	1.4
EMPLOYMENT (000s)					
Non Farm Employment	366.7	380.1	390.9	392.9	399.9
% change	2.7	3.7	2.8	0.5	1.8
Mining	1.4	1.6	1.9	1.9	1.9
% change	5.1	14.2	19.9	0.2	-0.6
Construction	25.7	27.9	26.8	24.1	23.3
% change	7.2	8.7	-4.2	-10.1	-3.3
Manufacturing	28.3	28.8	29.1	29.1	29.4
% change	-0.4	1.9	0.9	-0.1	1.3
Trade, Transportation & Utilities	59.6	62.0	64.3	65.1	66.7
% change	2.8	4.2	3.6	1.3	2.4
Information	7.2	6.9	5.9	6.2	6.4
% change	-4.5	-4.6	-14.1	4.6	3.0
Professional & Business Services	45.9	49.3	52.4	53.9	54.0
% change	5.8	7.3	6.3	2.9	0.2
Leisure & Hospitality	39.8	40.5	42.5	43.2	44.8
% change	1.6	2.0	4.8	1.6	3.8
Government	77.1	76.9	78.3	78.3	79.2
% change	0.3	-0.2	1.8	-0.1	1.2
OTHER INDICATORS					
Population (000s)	957.6	981.3	1,006.0	1,026.9	1,050.3
% change	2.8	2.5	2.5	2.1	2.3
Residential Permits (units)	11,644	8,522	5,938	5,689	7,845
% change	10.7	-26.8	-30.3	-4.2	37.9
Single family	11,166	8,132	5,444	4,957	7,122
% change	16.3	-27.2	-33.1	-8.9	43.7
Multi-family	478	390	493	732	724
% change	-47.9	-18.4	26.5	48.3	-1.1
Gasoline Sales (mill of gals)	394.0	353.6	371.2	382.4	393.7
% change	2.5	-10.3	5.0	3.0	2.9
Unleaded Gasoline Price, PHX (\$)	2.3	2.5	2.7	2.5	2.5
% change	18.2	9.4	4.3	-4.6	-1.5
Aggregate Earnings Rate	38,101.5	39,812.7	42,008.6	43,553.0	44,969.2
% change	4.9	4.5	5.5	3.7	3.3

	2005	2006	2007	2008	2009
INCOME					
Personal Income (\$mill)	125,718.1	138,635.6	150,255.2	155,228.5	162,709.6
% change	9.4	10.3	8.4	3.3	4.8
Per capita Personal Income (\$)	32,275	33,875	35,589	35,871	36,608
% change	5.5	5.0	5.1	0.8	2.1
SALES (\$millions)					
Retail Sales (current dollars)	52,024.1	56,337.1	58,495.3	58,452.8	61,799.7
% change	14.5	8.3	3.8	-0.1	5.7
Food Sales	6,607.0	7,042.9	7,640.8	7,851.1	8,103.3
% change	12.5	6.6	8.5	2.8	3.2
Retail Sales less Food	35,557.9	38,285.8	39,171.2	38,735.0	41,395.4
% change	14.7	7.7	2.3	-1.1	6.9
Restaurant and Bar Sales	5,969.2	6,601.8	6,909.7	7,182.9	7,558.2
% change	12.6	10.6	4.7	4.0	5.2
Gasoline Sales	3,890.0	4,406.6	4,773.6	4,683.9	4,742.9
% change	19.5	13.3	8.3	-1.9	1.3
EMPLOYMENT (000s)					
Non Farm Employment	1,787.7	1,890.9	1,936.7	1,917.6	1,931.6
% change	6.2	5.8	2.4	-1.0	0.7
Mining	2.2	2.6	3.0	3.0	3.0
% change	4.9	20.7	16.1	-0.4	-0.9
Construction	163.9	180.4	166.4	130.4	131.1
% change	15.8	10.1	-7.8	-21.6	0.5
Manufacturing	136.5	140.2	140.2	136.3	135.4
% change	3.5	2.7	0.0	-2.8	-0.6
Trade, Transportation & Utilities	362.1	379.5	395.2	390.1	392.7
% change	6.3	4.8	4.1	-1.3	0.7
Information	33.3	33.2	32.8	33.6	34.0
% change	-3.8	-0.4	-1.1	2.3	1.3
Professional & Business Services	296.8	319.2	336.8	344.8	337.1
% change	8.4	7.6	5.5	2.4	-2.2
Leisure & Hospitality	170.4	182.1	188.1	191.1	198.1
% change	5.3	6.9	3.3	1.6	3.6
Government	225.5	230.8	236.6	240.1	243.9
% change	2.1	2.4	2.5	1.5	1.6
OTHER INDICATORS					
Population (000s)	3,895.2	4,092.6	4,221.9	4,327.4	4,444.6
% change	3.7	5.1	3.2	2.5	2.7
Residential Permits (units)	62,617	44,280	34,291	24,229	36,887
% change	-4.0	-29.3	-22.6	-29.3	52.2
Single family	54,313	36,282	27,193	17,872	29,042
% change	-5.3	-33.2	-25.1	-34.3	62.5
Multi-family	8,304	7,998	7,098	6,357	7,845
% change	5.1	-3.7	-11.3	-10.4	23.4
Gasoline Sales (mill of gals)	1,669.2	1,728.7	1,795.6	1,847.0	1,898.1
% change	1.1	3.6	3.9	2.9	2.8
Unleaded Gasoline Price, PHX (\$)	2.33	2.55	2.66	2.54	2.50
% change	18.2	9.4	4.3	-4.6	-1.5
Aggregate Earnings Rate	45,366.9	47,197.7	49,712.1	51,537.8	53,460.0
% change	4.3	4.0	5.3	3.7	3.7

TABLE 2**Selected
Economic Indicators**

PHOENIX-MESA Metro Area

TABLE 3
Selected
Economic Indicators
ARIZONA

	2005	2006	2007	2008	2009
INCOME					
Personal Income (\$mill)	180,877.8	197,535.4	212,788.8	219,958.7	227,557.0
% change	9.7	9.2	7.7	3.4	3.5
Per capita Personal Income (\$)	29,922	31,329	32,611	32,839	33,241
% change	6.0	4.7	4.1	0.7	1.2
SALES (\$millions)					
Retail Sales (current dollars)	74,755.3	80,874.8	83,914.2	84,717.9	86,986.5
% change	13.3	8.2	3.8	1.0	2.7
Food Sales	9,659.4	10,548.8	11,343.6	11,860.1	12,062.4
% change	10.4	9.2	7.5	4.6	1.7
Retail Sales less Food	50,417.1	54,262.7	55,537.0	55,541.6	57,053.8
% change	13.4	7.6	2.3	0.0	2.7
Restaurant and Bar Sales	8,519.2	9,381.1	9,795.9	10,278.8	10,767.0
% change	12.3	10.1	4.4	4.9	4.7
Gasoline Sales	6,398.9	6,945.5	7,514.8	7,328.5	7,399.8
% change	19.0	8.5	8.2	-2.5	1.0
EMPLOYMENT (000s)					
Non Farm Employment	2,508.8	2,638.6	2,701.7	2,689.5	2,688.2
% change	5.4	5.2	2.4	-0.4	0.0
Mining	8.6	9.8	11.0	11.1	11.0
% change	3.1	13.7	12.3	1.3	-0.7
Construction	219.3	239.4	220.5	178.1	150.9
% change	14.4	9.2	-7.9	-19.2	-15.3
Manufacturing	182.3	186.9	187.7	186.5	183.0
% change	2.9	2.6	0.4	-0.6	-1.8
Trade, Transportation & Utilities	488.6	511.2	531.9	532.6	533.5
% change	5.6	4.6	4.0	0.1	0.2
Information	45.3	44.9	44.6	46.2	46.5
% change	-3.4	-0.9	-0.5	3.5	0.7
Professional & Business Services	366.0	394.5	412.7	413.0	410.6
% change	8.1	7.8	4.6	0.1	-0.6
Leisure & Hospitality	254.3	266.4	274.6	279.4	288.4
% change	5.2	4.8	3.1	1.8	3.2
Government	402.9	410.0	420.4	427.4	432.1
% change	0.9	1.7	2.5	1.7	1.1
OTHER INDICATORS					
Population (000s)	6,045.0	6,305.2	6,525.0	6,698.1	6,845.7
% change	3.4	4.3	3.5	2.7	2.2
Unemployment Rate, percent	4.6	4.1	3.9	4.3	4.1
Residential Permits (units)	90,985	65,459	49,366	38,420	43,853
% change	0.6	-28.1	-24.6	-22.2	14.1
Single family	80,804	55,112	39,094	30,308	36,154
% change	0.3	-31.8	-29.1	-22.5	19.3
Multi-family	10,181	10,347	10,272	8,112	7,700
% change	3.1	1.6	-0.7	-21.0	-5.1
Gasoline Sales (mill of gals)	2,746.8	2,729.3	2,828.4	2,890.5	2,962.3
% change	0.8	-0.6	3.6	2.2	2.5
Civilian Nonag Wage Rate	39,783.8	41,598.1	43,689.3	44,985.2	46,224.4
% change	4.2	4.6	5.0	3.0	2.8