

Since 1984, National Bank of Arizona's mission has been to help grow Arizona businesses and through them the Arizona economy. Is it any surprise that thousands of businesses across Arizona choose National Bank of Arizona as a key resource in their success strategy?

Last year, the Small Business Administration honored National Bank of Arizona with the Lender Advocacy Award as the top lender that, in the eyes of the SBA, strengthens Arizona's economy. Now National Bank of Arizona is a proud member of the Arizona Small Business Association.

We invite you to visit your local National Bank of Arizona branch or contact one of our bankers for more information about us and how we can benefit your business.

Keith Maio, President and CEO  
National Bank of Arizona



### Arizona Home Permits

Single-Family Homes - NSA

	Total	Y-Y Change
July-08	2,350	
July-09	2,029	-13.6%
August-08	1,806	
August-09	1,206	-33.2%

Source: U.S. Census Bureau NSA = not seasonally adjusted

### Arizona Home Sales

Existing Single-Family Homes

	Sep-08	Sep-09
Inventory	44,856	30,349
Under contract	5,625	10,655
Sales	5,603	6,923
Sales volume (000s)	\$1,253,206	\$1,266,786

Source: Arizona Regional Multiple Listing Service

### Arizona Employment

National Unemployment Average 9.8% - September 2009 - NSA

Employment Change\* Unemployment Rate

July-08	-2,004	6.1%
July-09 (r)	-11,714	9.5%
August-08	-5,495	6.4%
August-09	+14,425	9.3%

Source: Bureau of Labor Statistics NSA = not seasonally adjusted  
\*Change from prior month (r) = revised data

## Carlson Index

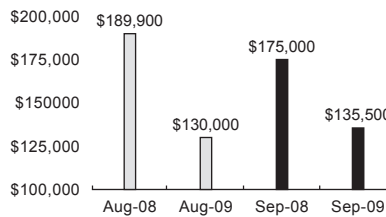
In the month of July, each job in Arizona generated an average of \$2,581 in retail sales expenditures. That is a 15.2% decline from July 2008.

Source: The Carlson Group

## Arizona Economic Benchmarks

### Arizona Median Home Price\*

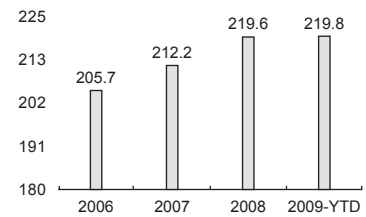
U.S. Median: \$177,700 in August



Source: Arizona Regional Multiple Listing Service  
\*Median sale price for existing single-family home

### Arizona\* Consumer Price Index

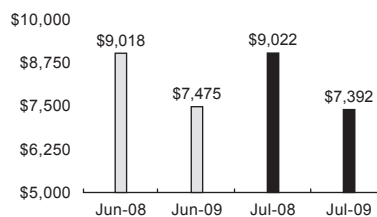
1982-84 = 100 (U.S. Avg 215.4) NSA



Source: Bureau of Labor Statistics  
\*West Urban Region NSA = not seasonally adjusted

### Arizona Retail Sales

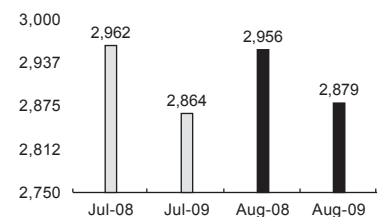
In Millions (000,000s) NSA



Source: Arizona Department of Revenue  
NSA = not seasonally adjusted

### Arizona Employment

In Thousands (000s) NSA



Source: Bureau of Labor Statistics  
NSA = not seasonally adjusted

**Mortgage rates: 30 yr - 5.03%, 15 yr - 4.66%, 5/1 - ARM 4.07%;  
1 yr CD - 1.64%; money market yield - 1.08%**

Source: WSJ 10/15/09

## Inside The Economy

### Stimulus Redux?

Center stage these days is the debate about health reform. Momentarily submerged (but not too far) is the debate about another economic stimulus package. The likelihood of another significant stimulus package less than 50/50, although there may be some tweaks to specifically target unemployment.

A new, multi-billion-dollar package would have to compete with health care reform and its price tag, the growing signs that we are coming out of the recession, and the sensitivity of the U.S. population to the growth of the national debt. The reason a new stimulus package is even under consideration is the rate of unemployment—9.8% as of the latest report from the Bureau of Labor Statistics. The economy is still losing jobs, albeit at a slower pace, but the hard fact is that the economy has to create about 100,000 jobs a month to keep pace with population growth. Even though the rate of job loss is slowing, we are probably going to exceed 10% unemployment by the next report.

So, we have a three-part dilemma. First, it doesn't seem that the existing, \$789 billion stimulus package has really taken hold. Probably, it has done something to prevent the economy from slipping into an even deeper recession. Many hope to see a surge of economic activity in the last past of 2009 and into 2010. If the economy is indeed recovering, then the need for more debt-financed expenditures diminishes. However, if evidence shows anemic economic performance, then stimulus may be on the table again. Second, if new stimulus is needed, how does the Federal government apply it? Cash-for-Clunkers was a short-term success. Once it ran its course, auto sales dropped precipitously. The economy can't recover without sustained performance in, at least, the majority of its major sectors. Third, the U.S. national debt is currently about \$11.9 trillion, and projected to increase significantly as the annual Federal deficit climbs. The question is, do we care? Plenty of investors seem to like our debt instruments for their safety, if nothing else. And, we have debt coverage — we can pay the interest. The concern arises as to the level of debt and the fact that an increasing amount of the Federal budget has to be dedicated to interest payments. Unlike credit card companies, no one is willing to limit Uncle Sam's charge card. The only thing we can count on is that there will continue to be no easy answers. There will be elegant solutions, and some ugly solutions, however, there must be solutions. Author: Ken Maxey

# Local Trends

## Arizona GDP

Total GDP in Millions (000,000s)

2003	\$182,011
2004	\$193,448
2005	\$215,207
2006	\$236,421
2007	\$245,952
2008	\$248,888
Five-year change	36.7%

Source: Bureau of Economic Analysis

## Per Capita Income

Personal Income in Arizona

2003	\$26,959
2004	\$28,680
2005	\$30,620
2006	\$32,285
2007	\$32,833
2007 U.S. average	\$38,615
% of U.S. average	85%

Source: Bureau of Economic Analysis  
Most recent data available

## Arizona Employment

Total Annual Employment

2003	2,296,400
2004	2,381,300
2005	2,508,800
2006	2,634,500
2007	2,673,700
2008	2,616,300
2009-YTD	2,401,900

Source: Bureau of Labor Statistics

## Arizona Employment Growth Rates

Change from Prior Year

	Q2-09	Q1-09	Q2-08	2008	2007
Total nonfarm	-7.1%	-6.4%	-1.3%	-2.1%	1.5%
Manufacturing (7%)	-5.7%	-5.8%	-4.0%	-4.0%	-2.1%
Other (nonmanufacturing) goods-producing (7%)	-27.0%	-24.9%	-13.7%	-14.9%	-5.5%
Private service-producing (69%)	-6.4%	-6.1%	-0.6%	-1.5%	2.5%
Government (17%)	-1.4%	0.9%	4.0%	3.0%	3.1%
Unemployment rate (percent of labor force)	8.2%	7.4%	5.2%	5.5%	3.8%

Source: FDIC

## Quick Fact

**\$41,223** | The average annual wage per job in Arizona during 2007. This was 6.0% lower than the national average annual wage of \$43,889.

Source: Bureau of Economic Analysis

# National Trends

## CEO Survey - Third Quarter 2009

	Increase	No Change	Decrease
How do you expect your company's sales to change in the next six months?	51%	23%	26%
How do you expect your company's U.S. capital spending to change in the next six months?	21%	44%	35%
How do you expect your company's U.S. employment to change in the next six months?	13%	47%	40%

Source: Business Roundtable Q3 2009. Survey is a forecast of economic conditions in the next six months. Some numbers do not equal 100 due to rounding.

## U.S. Job Openings, SAAR

Survey Date	Job Openings (000s)
August 2009	2,387
July 2009 (r)	2,408
June 2009	2,513
May 2009	2,523
April 2009	2,513
March 2009	2,633
February 2009	2,973
January 2009	2,920

Source: Bureau of Labor Statistics SAAR = seasonally adjusted annual rate (r) = revised

## Housing Starts, SAAR

	Units (000s)	Percent Change
July-08	933	
July-09 (r)	589	-36.8%
August-08	849	
August-09	598	-29.5%

Source: U.S. Census Bureau SAAR = seasonally adjusted annual rate (r) = revised

## New Home Sales, SAAR

	Units (000s)	Percent Change
July-08	500	
July-09 (r)	426	-14.8%
August-08	444	
August-09	429	-3.3%

Source: U.S. Census Bureau SAAR = seasonally adjusted annual rate (r) = revised

## Domestic Automotive Units (000s)

	U.S. Production	Unit Sales	Inventory Level
July-08	377.9	375.9	738.7
July-09	188.8	346.6	637.2
August-08	330.3	376.2	758.1
August-09	214.8	438.8	466.8

Source: Bureau of Economic Analysis

## Personal Income

In Billions of Dollars, SAAR

	Mar-09	Apr-09 (r)	May-09 (r)	Jun-09 (r)	Jul-09 (r)	Aug-09
Personal income	11,882 ▼	11,911 ▲	12,069 ▲	11,934 ▼	11,953 ▲	11,973 ▲
Disposable personal income	10,726 ▼	10,828 ▲	11,001 ▲	10,881 ▼	10,879 ▼	10,895 ▲
Personal consumption expenditures	9,978 ▼	9,968 ▼	9,979 ▲	10,050 ▲	10,075 ▲	10,205 ▲

Source: Bureau of Economic Analysis SAAR = seasonally adjusted annual rate (r) = revised

## Gross Domestic Product

Q2-08	1.5%
Q3-08	-2.7%
Q4-08	-5.4%
Q1-09	-6.4%
Q2-09 (r)	-0.7%

Source: Bureau of Economic Analysis  
Percent change from prior qtr. (r) = revised

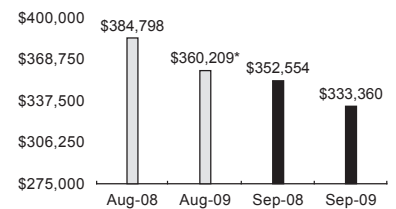
## Consumer Confidence Index

May-09	54.8
Jun-09	49.3
Jul-09	47.4
Aug-09 (r)	54.5
Sep-09 (p)	53.1

Source: The Conference Board  
1985 = 100 (p) = preliminary (r) = revised

## Total U.S. Retail Sales

In Millions (000,000s) NSA



Source: U.S. Department of Commerce  
NSA = not seasonally adjusted \*revised data