Summer 2026

ECONOMIC BRIEFING

AND MARKET UPDATE

Artificial intelligence (AI) is helping reshape Arizona's economy through increased business investment, expanding digital infrastructure and rapid technological adoption. At the same time, broader economic conditions continue to influence hiring decisions across industries. Rather than pointing to a single outcome, AI is creating both opportunities and uncertainties for Arizona's workforce.

Private investment has benefited Arizona's construction industry, while data centers power the digital economy.

In Q1 2026, U.S. nonresidential investment reached a record $4.5 trillion. Since Q4 2019, nonresidential investment has grown 49.2 percent, with Arizona being a major beneficiary. In 2024, the state ranked seventh nationally in nonresidential construction spending ($40.3 billion) and second in growth since 2019 (155.0 percent). Since December 2019, construction employment has increased by 49,900 jobs (28.5 percent), more than double the national growth rate (12.5 percent). Investment has supported projects ranging from healthcare facilities to TSMC's semiconductor campus and hyperscale data centers.

Arizona is home to more than 80 operational data centers, with dozens more under construction or planned. As organizations continue investing in AI, demand for computing infrastructure has grown alongside record global private AI investment

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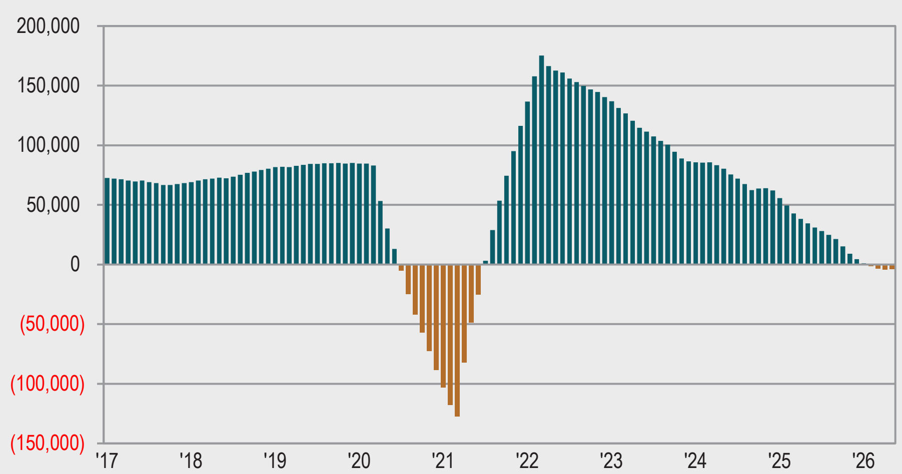
ARIZONA EMPLOYMENT GROWTH
TRAILING 12-MONTH AVERAGES



ARIZONA EMPLOYMENT GROWTH

MAY-26
(TRAILING 12-MONTH AVERAGE YEAR-OVER-YEAR GROWTH)

-3,783

▲ 0.0%
vs. previous period

▼ -0.1%
vs. previous year

APPLIED ANALYSIS

EMPLOYMENT
INDICATOR SERIES

	MOST RECENT DATA AVAILABLE	INDICATOR VALUES			GROWTH RATES	
		CURRENT PERIOD	PREVIOUS PERIOD	SAME PERIOD PREV. YEAR	VS. PREV. PERIOD	VS. SAME PERIOD PREV. YR.
Trade, Transportation, and Utilities	May-26	619,000	618,900	619,500	0.0% ▲	-0.1% ▼
Education and Health Services	May-26	565,500	569,600	548,400	-0.7% ▼	3.1% ▲
Professional and Business Services	May-26	466,600	469,800	457,200	-0.7% ▼	2.1% ▲
Government	May-26	429,100	439,500	433,000	-2.4% ▼	-0.9% ▼
Leisure and Hospitality	May-26	372,000	373,100	376,700	-0.3% ▼	-1.2% ▼
Financial Activities	May-26	238,700	238,100	243,900	0.3% ▲	-2.1% ▼
Construction	May-26	224,800	222,100	225,700	1.2% ▲	-0.4% ▼
Manufacturing	May-26	192,900	191,900	192,400	0.5% ▲	0.3% ▲
Other Services	May-26	106,300	106,500	104,100	-0.2% ▼	2.1% ▲
Information	May-26	49,500	49,400	48,800	0.2% ▲	1.4% ▲
Mining and Logging	May-26	17,000	16,800	15,700	1.2% ▲	8.3% ▲

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($344.7 billion in 2025). In addition to the growing demand for infrastructure, these investments are supporting construction employment in Arizona while expanding the infrastructure needed for continued economic growth.

AI adoption continues to expand, but worker concerns persist.

Generative AI adoption has outpaced the personal computer and the internet, with more than half the global population using it in 2025. Likewise, 88 percent of organizations used AI, citing innovation (64 percent) as its primary benefit. At the same time, more than one in ten workers expect job loss, reduced income or the need to seek new employment because of AI-related changes. Consumer services, which encompasses information, finance and insurance and real estate and rental and leasing, reported the highest share of workers with pessimistic expectations (21 percent). Worker concerns appear greatest in technology, finance and professional services, where AI adoption has become more prevalent.

Research on AI's impact on the workforce is mixed, suggesting both opportunities and risks exist.

The Federal Reserve Banks of Richmond and Atlanta found that more than 80 percent of firms planned to invest in AI in 2026 to improve efficiency, with limited workforce impacts, while the U.S. Bureau of Labor Statistics projects AI-related occupations will add more than 6.7 million jobs by 2033. At the same time, the World Economic Forum estimates AI will displace 92 million jobs globally while creating 170 million by 2030, and 40 percent of employers expect to reduce staffing where AI can automate tasks.

Employment trends are mixed across AI-exposed industries.

On average, about 6 percent of U.S. jobs are vulnerable to AI-related displacement, though risk is higher in information (18 percent), finance and insurance (17 percent) and professional, scientific and technical services (16 percent). Since December 2022, employment in Arizona has fallen across all three industries, ranging from 1.1 percent in professional, scientific and technical services to 5.2 percent in information. National trends were similar, although professional, scientific and technical services saw modest employment growth.

Despite declines in selected AI-exposed industries, Arizona's broader labor market has remained resilient. Since December 2022, Arizona has added 90,900 jobs (2.8 percent), compared with approximately 4.3 million nationally (2.7 percent). Employment growth was led by education and health services (+60,900), followed by leisure and hospitality and construction.

These employment patterns coincided with one of the fastest monetary tightening cycles in decades, making it difficult to isolate AI's effects from broader economic conditions.

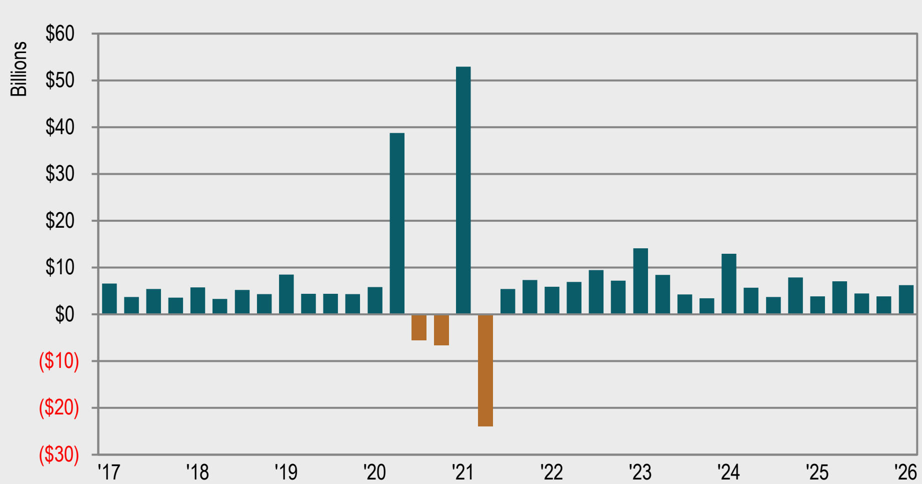
The Federal Reserve (Fed) raised the federal funds rate from near zero in early 2022 to more than 5 percent by mid-2023, one of the fastest tightening cycles in decades. Higher interest rates pushed the 30-year fixed mortgage rate from about 3.5 percent to more than 6 percent, contributing to slower housing market activity. Employment trends during the AI era therefore reflect both technological change and tighter monetary policy, elevated borrowing costs and slower economic activity.

Arizona's AI economy includes semiconductor manufacturing, data centers and related infrastructure projects, supporting construction and related industries. While current evidence suggests AI is likely to automate some tasks while augmenting others, its long-term effects on employment remain uncertain. As businesses continue investing in AI and related technologies, employment trends will likely reflect both technological change and broader economic conditions.

ECONOMIC
INDICATOR SERIES

	MOST RECENT DATA AVAILABLE	INDICATOR VALUES			GROWTH RATES	
		CURRENT PERIOD	PREVIOUS PERIOD	SAME PERIOD PREV. YEAR	VS. PREV. PERIOD	VS. SAME PERIOD PREV. YR.
POPULATION METRICS						
Population	2025	7,623,818	N/A	7,556,424	N/A	0.9% ▲
EMPLOYMENT METRICS						
Employment	May-26	3,281,400	3,295,700	3,265,400	-0.4% ▼	0.5% ▲
Unemployment Rate	May-26	4.7%	4.3%	4.1%	0.4% ▲	0.6% ▲
Average Weekly Hours Worked	May-26	34.0	33.9	34.4	0.3% ▲	-1.2% ▼
INCOME AND SPENDING METRICS						
Personal Income (Annualized)	Q1 '26	$533.5 B	$527.3 B	$511.9 B	1.2% ▲	4.2% ▲
Average Weekly Wages	May-26	$1,217	$1,216	$1,192	0.0% ▲	2.1% ▲
Transaction Privilege Tax Sales	Apr-26	$18.1 B	$20.0 B	$17.9 B	-9.6% ▼	1.2% ▲
National Inflation (CPI Index)	May-26	4.2%	3.8%	2.4%	0.4% ▲	1.9% ▲
Phoenix MSA Inflation (CPI Index)	Apr-26	3.0%	1.7%	0.3%	1.3% ▲	2.7% ▲
HOUSING METRICS						
Housing Price Index (Q1 1991 = 100)	Q1 '26	567.3	567.3	566.1	0.0% ▲	0.2% ▲
Residential Units Permitted	May-26	2,961	3,424	4,515	-13.5% ▼	-34.4% ▼
Homeowner Vacancy Rate	Q1 '26	1.1%	0.7%	1.4%	0.4% ▲	-0.3% ▼
Rental Vacancy Rate	Q1 '26	9.4%	7.3%	7.9%	2.1% ▲	1.5% ▲
30-Year Fixed Mortgage Rate	May-26	6.5%	6.3%	6.9%	0.2% ▲	-0.4% ▼
AGRICULTURAL METRICS						
Proprietors' Farm Income (Annualized)	Q1 '26	$494.9 M	$685.3 M	$543.5 M	-27.8% ▼	-8.9% ▼
Agriculture, Forestry, Fishing and Hunting GDP (Annualized)	Q1 '26	$2.5 B	$2.7 B	$2.7 B	-9.6% ▼	-7.6% ▼
TRAVEL METRICS						
Sky Harbor Airport Passengers	Apr-26	4,511,328	5,128,429	4,581,646	-12.0% ▼	-1.5% ▼

STATE OF ARIZONA ANNUALIZED PERSONAL INCOME GROWTH
QUARTER OVER QUARTER



STATE OF ARIZONA PERSONAL INCOME GROWTH

Q1 '26
(QUARTER OVER QUARTER GROWTH)

+$6.2 B

▲1.2%
vs. previous period/quarter

▲4.2%
vs. previous year

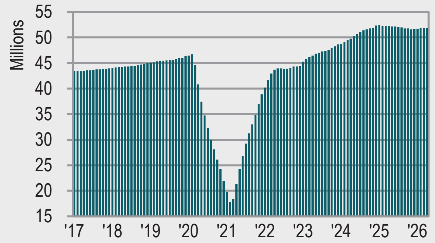
NATIONAL BANK OF ARIZONA®

ECONOMIC BRIEFING

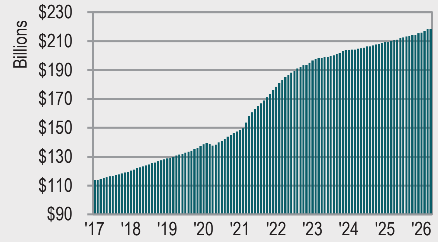
AND MARKET UPDATE

Summer 2026

SKY HARBOR AIRPORT PASSENGER COUNTS[1]



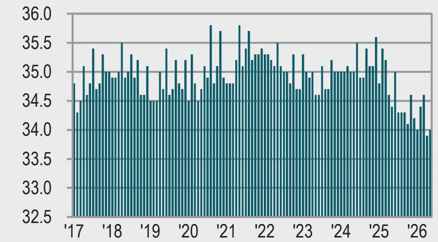
ARIZONA TRANSACTION PRIVILEGE TAX SALES[1]



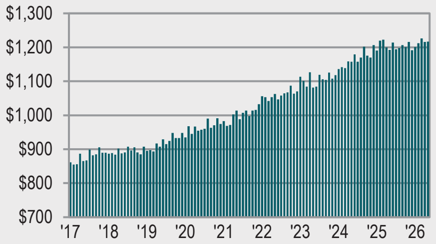
NATIONAL INFLATION (CONSUMER PRICE INDEX)[2]

ARIZONA UNEMPLOYMENT RATE[3]

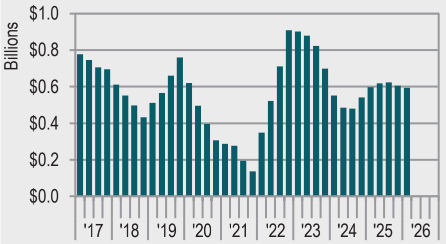
ARIZONA PRIVATE AVERAGE WEEKLY HOURS WORKED[3]



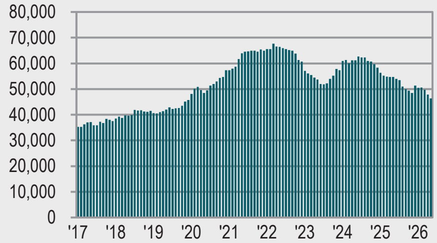
ARIZONA PRIVATE AVERAGE WEEKLY WAGES[3]



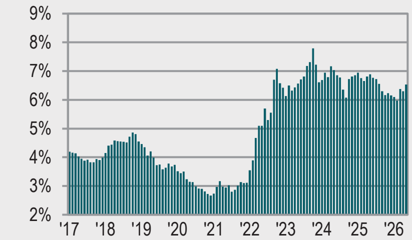
ARIZONA ANNUALIZED PROPRIETORS' FARM INCOME[4]



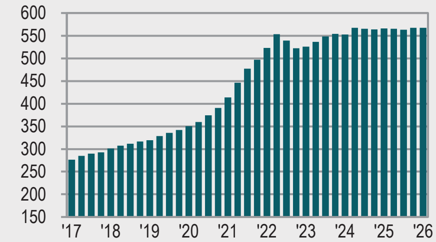
ARIZONA PRIVATE HOUSING UNITS PERMITTED[1]



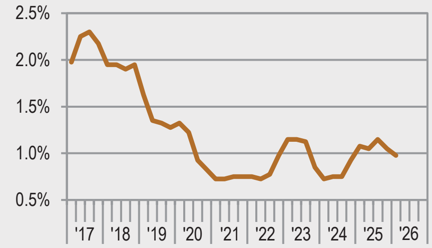
NATIONAL 30-YEAR FIXED MORTGAGE RATE[3]



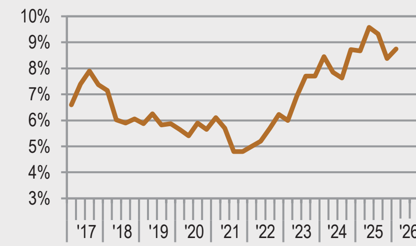
HOUSING PRICE INDEX[5]



ARIZONA HOMEOWNER VACANCY RATE[4]



ARIZONA RENTAL VACANCY RATE[4]



Note: [1] Trailing 12-month total. [2] Year-over-year change. [3] Monthly series. [4] Trailing 4-quarter average. [5] Quarterly series (Q1 1991 = 100).

Methodology: *Applied Analysis ("AA") was retained by the National Bank of Arizona to summarize and analyze a series of key economic indicators on a recurring basis. Relevant data were obtained from AA's internal databases as well as national, regional and local data providers, including, without limitation, state and local governments and universities. While we have no reason to doubt the accuracy of any of the data reported, we have not performed an audit or assurance procedures on these data, and as such, we cannot attest to their completeness. Generally speaking, data reported are for Arizona.*

APPLIED ANALYSIS