NATIONAL BANK OF ARIZONA®

Fall 2024

ECONOMIC BRIEFING
AND MARKET UPDATE

Employment trends nationally and in Arizona reveal growth in multiple sectors, including private education and health services, professional and business services and trade, transportation and utilities. Despite these gains, industries like information have struggled to break through persistent year-over-year declines. National job projections point to rising demand for skilled labor, driving efforts to boost education, certifications or licensing and workforce retention.

Employment in the United States recorded a 1.5 percent year-over-year increase in July 2024, adding 2.4 million jobs to reach 158.4 million. Nearly all sectors experienced growth, ranging from 0.1 percent within the manufacturing sector to 4.0 percent within the private education and health services sector. Eight sectors, including construction, trade, transportation and utilities, financial activities, professional and business services, private education and health services, leisure and hospitality and other services, have experienced 40 consecutive months of growth. However, both the information sector, which declined by 0.7 percent, and the mining and logging sector, which saw a drop of 1.7 percent, were exceptions. The information sector, in particular, has faced

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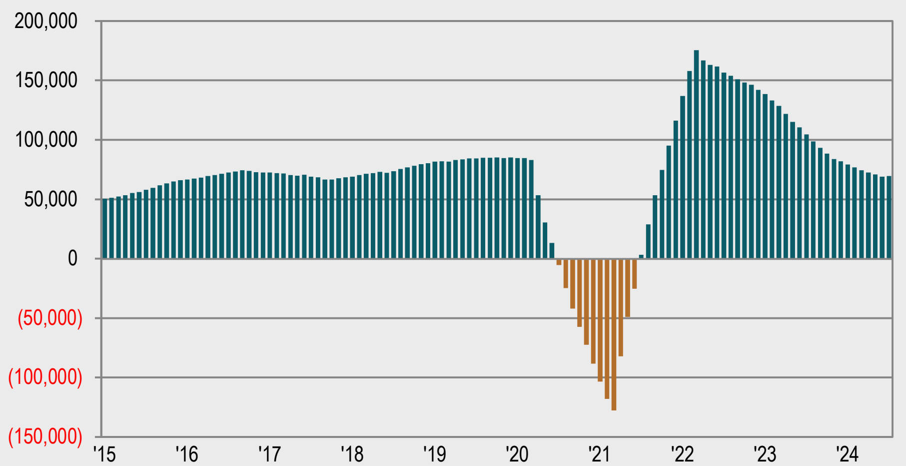
ARIZONA EMPLOYMENT GROWTH
TRAILING 12-MONTH AVERAGES



ARIZONA EMPLOYMENT GROWTH

JULY 2024
(TRAILING 12-MONTH AVERAGE YEAR-OVER-YEAR GROWTH)

+ 69,642

▲ 0.2%
vs. previous period

▲ 2.2%
vs. previous year

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	Jul-24	620,300	624,800	610,500	-0.7% ▼	1.6% ▲
Education and Health Services	Jul-24	540,000	542,000	510,900	-0.4% ▼	5.7% ▲
Professional and Business Services	Jul-24	471,000	468,000	456,300	0.6% ▲	3.2% ▲
Government	Jul-24	396,800	400,700	390,200	-1.0% ▼	1.7% ▲
Leisure and Hospitality	Jul-24	341,800	347,600	343,100	-1.7% ▼	-0.4% ▼
Financial Activities	Jul-24	246,500	244,100	240,700	1.0% ▲	2.4% ▲
Manufacturing	Jul-24	193,400	194,400	194,600	-0.5% ▼	-0.6% ▼
Construction	Jul-24	219,800	216,900	211,300	1.3% ▲	4.0% ▲
Other Services	Jul-24	104,300	105,200	101,200	-0.9% ▼	3.1% ▲
Information	Jul-24	49,200	49,000	50,900	0.4% ▲	-3.3% ▼
Mining and Logging	Jul-24	15,300	15,100	14,400	1.3% ▲	6.3% ▲

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continuous year-over-year declines for the past 15 months, losing 9,000 total jobs since April 2023.

Nationally, the information sector had the highest recorded unemployment rate among all industries (5.6 percent) in July 2024, well above the overall rate of 4.5 percent. This sector includes technology, telecommunications, media firms, and data services, and almost 80 percent of jobs are in hybrid or fully remote work arrangements. Key factors that could be contributing to these trends include the use of automation and artificial intelligence (AI) to cut operational costs and improve efficiency.

In Arizona, employment increased by 74,300 jobs on the year, surpassing the national growth rate by more than 1.5 times (+2.4 percent since July 2024). Growth was primarily driven by private education and health services (+29,100), professional and business services (+14,700) and trade, transportation, and utilities (+9,800), which together accounted for 72.1 percent of the total job gains. While nearly every sector grew over the last year, notable declines were experienced in certain sectors. Specifically, the information sector decreased by 3.3 percent, losing 1,700 jobs, while the manufacturing and leisure and hospitality sectors were down 1,200 (-0.6 percent) and 1,300 (-0.4 percent) positions, respectively. Notably, Arizona's information sector has experienced sustained declines over the last 16 months, mirroring national trends and indicating ongoing challenges for the industry that are partially attributed to declines in subsectors like publishing, broadcasting and media services and telecommunications.

Despite the decline in information sector employment, projections from Arizona's Department of Economic Security suggest it will grow to 56,557 jobs by 2032, an increase of approximately 7,360 employees from July 2024 and surpassing its historical peak over the last 25 years. In absolute terms, both the education and health services and professional and business services sectors are expected to experience the largest job gains in the future. As these sectors grow, the demand for highly skilled workers will become increasingly important, prompting the necessity for advanced expertise and specialized training.

The top three fastest-growing occupations in the United States require advanced skills and training. By 2033, wind turbine technicians are expected to grow by 60 percent (+6,800), nurse practitioners by 46 percent (+141,200) and data scientists by 36 percent (+73,100). Although advanced degrees are not necessarily required, recruiting workers with specialized skill sets will be key to the success of these and other fast-growing occupation groups.

In 2022 (latest available data), fewer than half of adults aged 25 to 64 in Arizona had completed a 2- or 4-year degree or held an active professional certificate or license. However, this share has increased by 5 percent since 2016. Arizona aims to raise this percentage to 60 percent by 2030 through the Achieve60AZ action plan to meet future labor demands. The plan focuses on boosting educational support, expanding early education, improving teacher training, increasing access to advanced courses and providing more student support and financial aid.

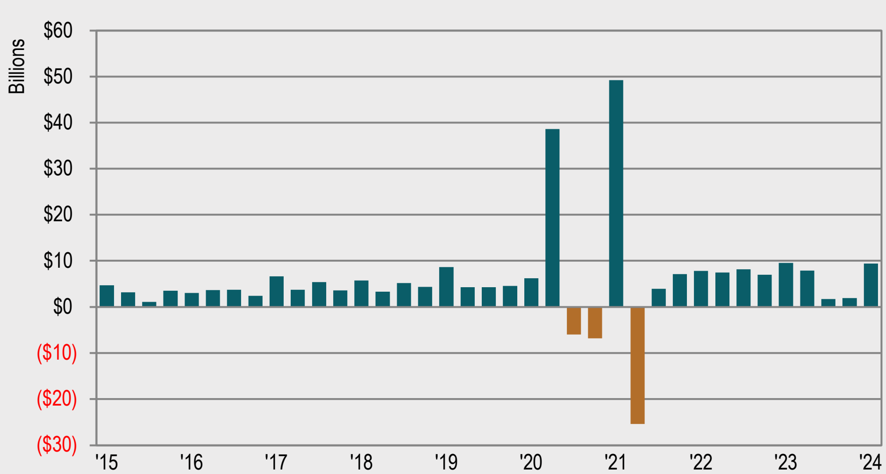
The state is also attracting highly educated individuals to its communities. A recent study compared the net gain of college-educated residents among state and metro areas. Although Arizona saw approximately equal levels of college-educated individuals leaving the state as moving in, the Phoenix metro area experienced a 61 percent net gain, ranking it sixth among metro areas. By comparison, some states experienced net losses of up to 67 percent in their college-educated populations.

Broader employment trends in the United States and Arizona remain positive. Focusing on improving sector-specific conditions and enhancing educational opportunities will be key to sustaining long-term economic growth and adapting to future workforce needs.

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	2023	7,431,344	N/A	7,365,684	N/A	0.9% ▲
EMPLOYMENT METRICS						
Employment	Jul-24	3,198,400	3,207,800	3,124,100	-0.3% ▼	2.4% ▲
Unemployment Rate	Jul-24	4.4%	3.9%	4.3%	0.5% ▲	0.1% ▲
Average Weekly Hours Worked	Jul-24	34.9	35.4	35.1	-1.4% ▼	-0.6% ▼
INCOME AND SPENDING METRICS						
Personal Income (Annualized)	Q1 '24	$471.8 B	$462.4 B	$450.8 B	2.0% ▲	4.6% ▲
Average Weekly Wages	Jul-24	$1,164	$1,175	$1,119	-0.9% ▼	4.1% ▲
Transaction Privilege Tax Sales	Jul-24	$17.1 B	$17.2 B	$16.1 B	-0.9% ▼	6.1% ▲
National Inflation (CPI Index)	Aug-24	2.5%	2.9%	3.7%	-0.4% ▼	-1.1% ▼
Phoenix MSA Inflation (CPI Index)	Aug-24	2.3%	2.7%	3.7%	-0.4% ▼	-1.4% ▼
HOUSING METRICS						
Housing Price Index (Q1 1991 = 100)	Q2 '24	572.5	559.2	544.3	2.4% ▲	5.2% ▲
Residential Units Permitted	Jul-24	5,003	5,351	5,367	-6.5% ▼	-6.8% ▼
Homeowner Vacancy Rate	Q2 '24	1.0%	0.8%	0.9%	0.2% ▲	0.1% ▲
Rental Vacancy Rate	Q2 '24	6.8%	8.1%	9.2%	-1.3% ▼	-2.4% ▼
30-Year Fixed Mortgage Rate	Aug-24	6.4%	6.8%	7.2%	-0.4% ▼	-0.8% ▼
AGRICULTURAL METRICS						
Proprietors' Farm Income (Annualized)	Q1 '24	$79.3 M	-$12.8 M	$194.9 M	-719.5% ▼	-59.3% ▼
Agriculture, Forestry, Fishing and Hunting GDP (Annualized)	Q1 '24	$2.6 B	$2.4 B	$2.4 B	9.7% ▲	7.6% ▲
TRAVEL METRICS						
Sky Harbor Airport Passengers	Jul-24	4,248,303	4,223,536	3,880,439	0.6% ▲	9.5% ▲

STATE OF ARIZONA ANNUALIZED PERSONAL INCOME GROWTH
QUARTER OVER QUARTER



STATE OF ARIZONA PERSONAL INCOME GROWTH

Q1 '24
(QUARTER OVER QUARTER GROWTH)

+ $9.4 B

▲ 2.0%
vs. previous period/quarter

▲ 4.6%
vs. previous year

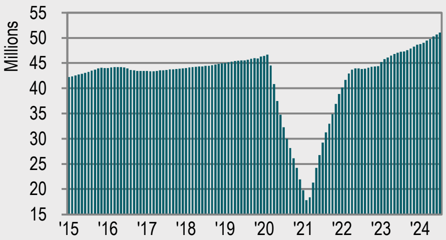
NATIONAL BANK OF ARIZONA®

ECONOMIC BRIEFING

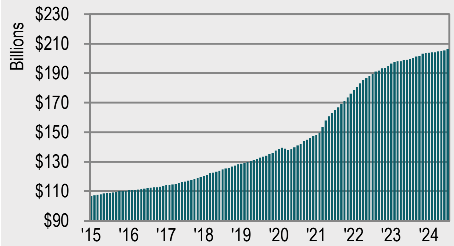
AND MARKET UPDATE

Fall 2024

SKY HARBOR AIRPORT PASSENGER COUNTS[1]



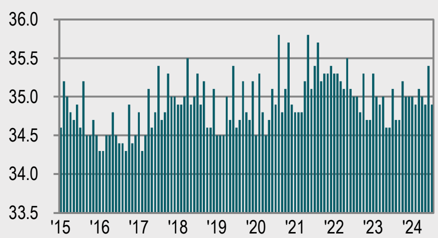
ARIZONA TRANSACTION PRIVILEGE TAX SALES[1]



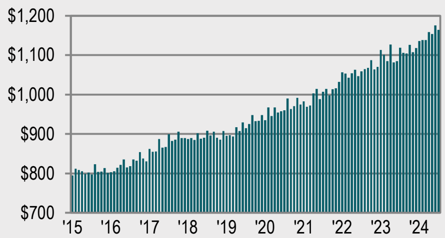
NATIONAL INFLATION (CONSUMER PRICE INDEX)[2]

ARIZONA UNEMPLOYMENT RATE[3]

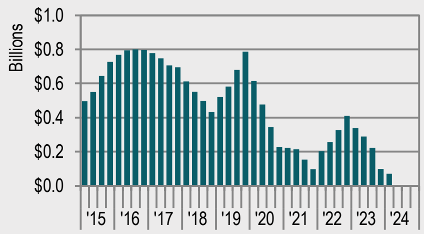
ARIZONA PRIVATE AVERAGE WEEKLY HOURS WORKED[3]



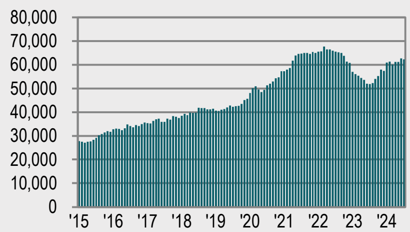
ARIZONA PRIVATE AVERAGE WEEKLY WAGES[3]



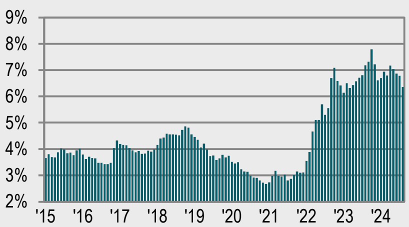
ARIZONA ANNUALIZED PROPRIETORS' FARM INCOME[4]



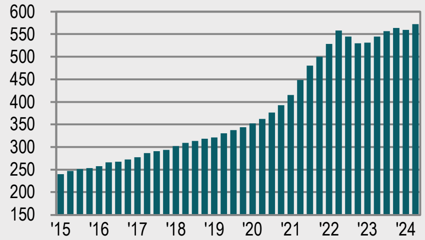
ARIZONA PRIVATE HOUSING UNITS PERMITTED[1]



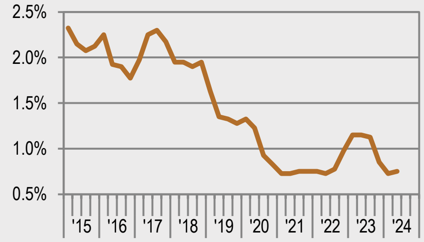
NATIONAL 30-YEAR FIXED MORTGAGE RATE[3]



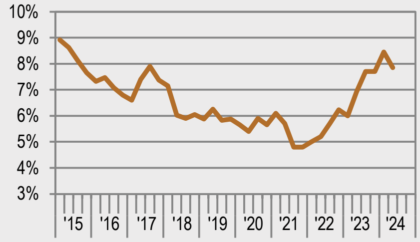
HOUSING PRICE INDEX[5]



ARIZONA HOMEOWNER VACANCY RATE[5]



ARIZONA RENTAL VACANCY RATE[5]



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