



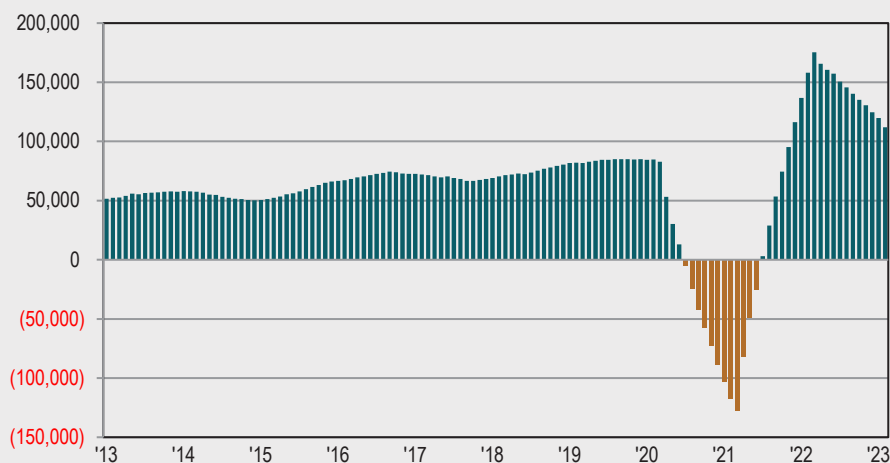
Spring 2023

ECONOMIC BRIEFING AND MARKET UPDATE

Tourism and hospitality are a significant driver of Arizona's economy, accounting for 10.9 percent of the workforce (February 2023). The latest official metrics indicate that 40.9 million visitors stayed at least one night in Arizona, accounting for over \$23.6 billion in direct travel spending and \$3.4 billion in tax revenue in 2021. More recent data related to spending, air travel, national park visitation and hotel metrics indicate that the region is recovering and is expected to continue these positive trends into the foreseeable future.

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ARIZONA EMPLOYMENT GROWTH
TRAILING 12-MONTH AVERAGES



ARIZONA EMPLOYMENT GROWTH

FEBRUARY 2023
(TRAILING 12-MONTH AVERAGE
YEAR-OVER-YEAR GROWTH)

+111,925

▲ 0.2%
vs. previous period

▲ 3.7%
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	Feb-23	602,600	601,900	606,400	0.1% ▲	-0.6% ▼
Education and Health Services	Feb-23	502,800	498,400	478,100	0.9% ▲	5.2% ▲
Professional and Business Services	Feb-23	475,200	478,300	465,200	-0.6% ▼	2.1% ▲
Government	Feb-23	427,200	420,000	418,800	1.7% ▲	2.0% ▲
Leisure and Hospitality	Feb-23	344,600	339,200	330,400	1.6% ▲	4.3% ▲
Financial Activities	Feb-23	252,700	252,900	249,300	-0.1% ▼	1.4% ▲
Manufacturing	Feb-23	194,500	194,700	187,800	-0.1% ▼	3.6% ▲
Construction	Feb-23	193,400	191,000	188,400	1.3% ▲	2.7% ▲
Other Services	Feb-23	96,500	94,700	95,100	1.9% ▲	1.5% ▲
Information	Feb-23	50,600	50,900	50,800	-0.6% ▼	-0.4% ▼
Mining and Logging	Feb-23	13,700	13,500	12,500	1.5% ▲	9.6% ▲

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Taxable retail sales in Arizona's tourism-related sectors have grown substantially over the last year, blowing past pre-pandemic levels and reaching new highs. Gross sales sourced to lodging, retail, amusements and restaurants and bars totaled \$10.5 billion in January 2023 or an aggregate of \$130.1 million over the last 12 months. This represents an 8.4 percent increase from the prior year. Comparably, total taxable retail sales in Arizona grew by 10.2 percent during the same period. The fastest-growing tourism categories were lodging and amusements. Taxable sales generated by lodging totaled \$5.3 billion (trailing 12-month total through January 2023), a 24.2 percent increase on the year and almost \$1.5 billion (+39.2 percent) more than pre-pandemic levels (February 2020). Similarly, sales from amusements collections increased by 30.6 percent over the last year (\$2.0 billion in total collections), incremental spending of \$454.0 million compared to pre-COVID-19 levels.

National park visitation continues to lag behind pre-pandemic levels. In 2022, 12.4 million people visited Arizona's national parks, down approximately 6.5 percent from 2021 (13.2 million total visitors) and 2.5 million visits below the 14.8 million visitors to the state in 2019. Although overall visitation was down, the Grand Canyon National Park (accounting for 38.3 percent of total visits) experienced positive gains, with 4.7 million trips in 2022 (+4.4 percent annual growth). Conversely, state park visitation has remained relatively stable. Visitation to the 28 state parks in 2022 decreased by only 0.3 percent over the last year to 3.0 million, nearly matching pre-pandemic levels (2019) of 3.1 million people.

Arizona air travel is exhibiting continued signs of recovery, with 44.4 million passengers moving through Phoenix Sky Harbor airport in 2022, less than five percent off 2019 metrics. Notably, international air traffic appears fully recovered, with 2.1 million international passengers traveling through the airport in 2022, a mere 2,525 less than 2019. The region has started the year strong,

with 3.9 million passengers traveling to or through Sky Harbor in January 2023, an increase of 28.1 percent year-over-year. Although air traffic remains slightly below pre-pandemic levels, Phoenix Sky Harbor airport remains a top air travel hub, ranking among the top ten busiest airports in the country and as the 11th busiest airport in the world (2021).

Hotel occupancy, average daily room rates and revenue per available room (RevPAR) are rising. Average hotel occupancy was 63.7 percent in January 2023, an 8.3 percent year-over-year increase. The average daily room rate and RevPar showed more substantial gains, with rates of \$163.48 (+14.4 percent year-over-year) and \$104.16 (+23.9 percent year-over-year), respectively. New investments in the area are expected to add to hotel room supply and contribute to incremental demand. For example, VAI Resorts, a \$1.0 billion investment in Glendale, is expected to open in 2024 and will feature over 1,200 rooms, a concert venue and 12 restaurants, as well as create 1,800 jobs for the area.

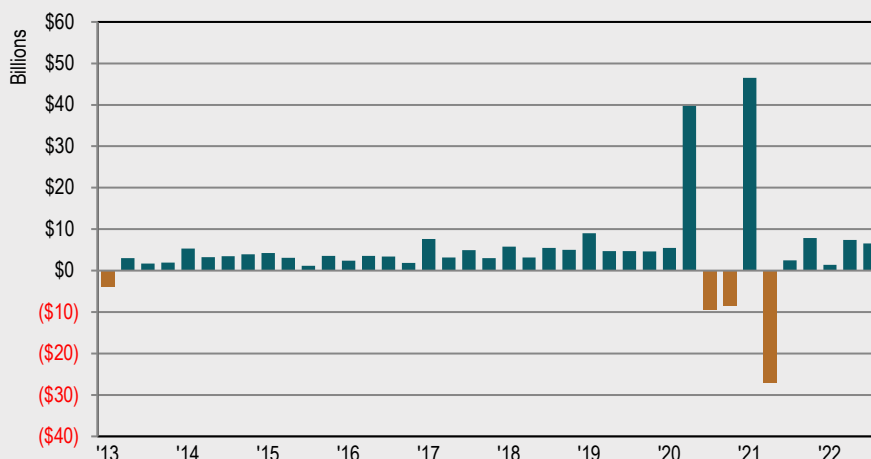
Based on these trends, it is no surprise that leisure and hospitality employment has continued growing, with the industry recently reaching an all-time high job count in February 2023 of 344,600. Since last year, 14,200 jobs have been added to the market (+4.3 percent year-over-year growth), marking 23 consecutive months of sustained growth. Average weekly wages within the industry also experienced a boost of 6.5 percent over the last year to \$572 per worker, more than 1.5 times the growth rate of the broader job market (4.2 percent year-over-year increase for total private industries).

Overall, the future of Arizona's tourism industry seems bright. While not all facets of Arizona's tourism economy have recovered, certain metrics, such as taxable retail sales and employment, appear to have more than rebounded from the effects of the pandemic. Moving into 2023 and beyond, it will be important to monitor the impacts of broader economic headwinds, overall consumer behavior and the pacing of pent-up demand.

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	2022	7,359,197	N/A	7,264,877	N/A	1.3% ▲
EMPLOYMENT METRICS						
Employment	Feb-23	3,153,800	3,135,500	3,082,800	0.6% ▲	2.3% ▲
Unemployment Rate	Feb-23	3.2%	3.2%	3.6%	0.0% ●	-0.4% ▼
Average Weekly Hours Worked	Feb-23	34.9	35.3	35.3	-1.1% ▼	-1.1% ▼
INCOME AND SPENDING METRICS						
Personal Income (Annualized)	Q3 '22	\$419.4 B	\$412.9 B	\$396.3 B	1.6% ▲	5.9% ▲
Average Weekly Wages	Feb-23	\$1,097	\$1,113	\$1,053	-1.4% ▼	4.2% ▲
Transaction Privilege Tax Sales	Jan-23	\$16.2 B	\$19.2 B	\$14.6 B	-15.6% ▼	11.2% ▲
National Inflation (CPI Index)	Feb-23	6.0%	6.4%	7.9%	-0.4% ▼	-1.8% ▼
Phoenix MSA Inflation (CPI Index)	Feb-23	8.5%	9.5%	10.9%	-1.0% ▼	-2.4% ▼
HOUSING METRICS						
Housing Price Index (Q1 1991 = 100)	Q4 '22	533.7	551.4	502.3	-3.2% ▼	6.2% ▲
Residential Units Permitted	Feb-23	4,600	2,033	5,522	126.3% ▲	-16.7% ▼
Homeowner Vacancy Rate	Q4 '22	1.5%	0.9%	0.7%	0.6% ▲	0.8% ▲
Rental Vacancy Rate	Q4 '22	6.7%	6.7%	4.6%	0.0% ●	2.1% ▲
30-Year Fixed Mortgage Rate	Mar-23	6.7%	6.3%	4.2%	0.4% ▲	2.5% ▲
AGRICULTURAL METRICS						
Proprietors' Farm Income (Annualized)	Q3 '22	\$439.3 M	\$397.7 M	\$98.4 M	10.5% ▲	346.4% ▲
Agriculture, Forestry, Fishing and Hunting GDP (Annualized)	Q3 '22	\$3.2 B	\$3.2 B	\$2.7 B	0.1% ▲	21.9% ▲
TRAVEL METRICS						
Sky Harbor Airport Passengers	Jan-23	3,852,562	3,874,749	3,007,883	-0.6% ▼	28.1% ▲

STATE OF ARIZONA ANNUALIZED PERSONAL INCOME GROWTH QUARTER OVER QUARTER



STATE OF ARIZONA PERSONAL INCOME GROWTH

Q3 2022
(QUARTER OVER QUARTER GROWTH)

+\$6.5 B

▲ 1.6%
vs. previous period

▲ 5.9%
vs. previous year

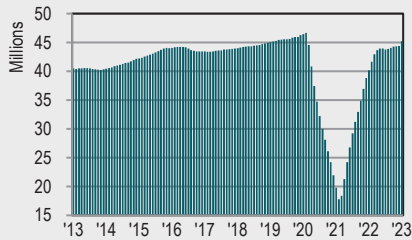


ECONOMIC BRIEFING

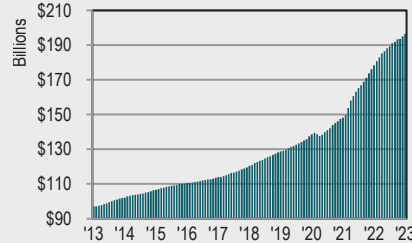
AND MARKET UPDATE

Spring 2023

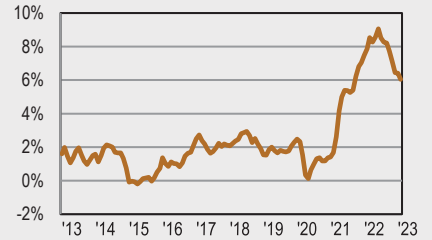
SKY HARBOR AIRPORT PASSENGER COUNTS¹



ARIZONA TRANSACTION PRIVILEGE TAX SALES¹



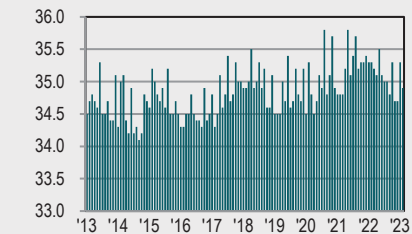
NATIONAL INFLATION (CONSUMER PRICE INDEX)²



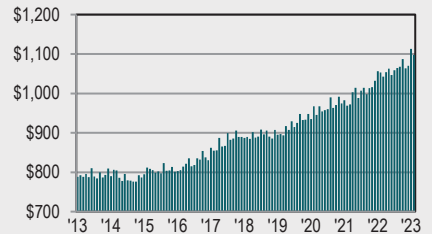
ARIZONA UNEMPLOYMENT RATE³



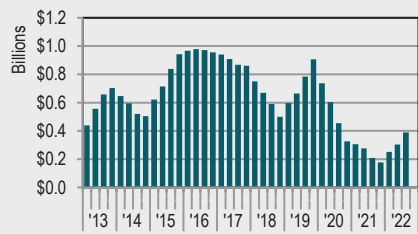
ARIZONA PRIVATE AVERAGE WEEKLY HOURS WORKED³



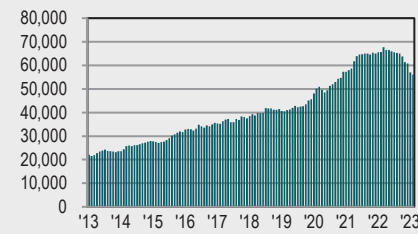
ARIZONA PRIVATE AVERAGE WEEKLY WAGES³



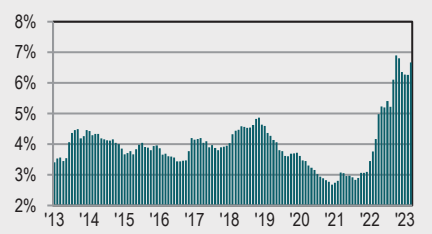
ARIZONA ANNUALIZED PROPRIETORS' FARM INCOME⁵



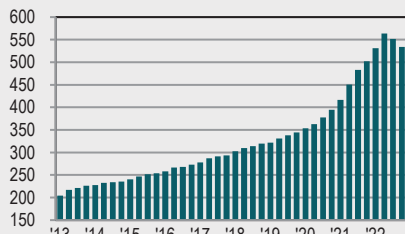
ARIZONA PRIVATE HOUSING UNITS PERMITTED¹



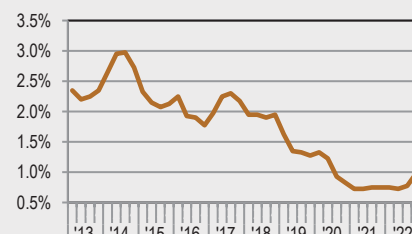
NATIONAL 30-YEAR FIXED MORTGAGE RATE³



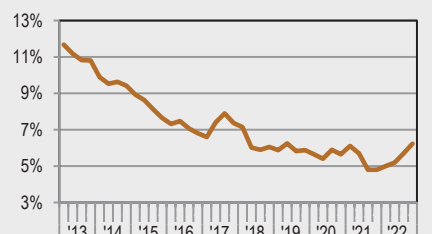
HOUSING PRICE INDEX⁴



ARIZONA HOMEOWNER VACANCY RATE⁵



ARIZONA RENTAL VACANCY RATE⁵



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

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.