

Employment Forecast *Update*

(2010-2012)

Highlights

October 6th, 2011



HIGHLIGHTS

- ✓ First time since 2007, AZ is forecast to have Nonfarm employment gains in 2011 and 2012
- ✓ Nonfarm (NF) jobs gains of 15,500 in 2011 and 29,900 in 2012 is forecast. A total of 45,400 jobs is forecast to be gained over the two year period (2010-2012), a drop of 12% from the earlier forecast in April that called for a gain of 51,900 jobs
- ✓ Compared to the April forecast, in this forecast we are expecting slower gains in employment resulting from economic slowdown both nationally and internationally
- ✓ OTY NF employment growth rate of 0.7% in 2011 and 1.2% in 2012 is forecast
- ✓ 5 of the 11 sectors forecast to gain NF jobs in 2011 and 9 to gain in 2012
- ✓ 7 of the 11 sectors forecast to gain NF jobs between 2010 and 2012
- ✓ EHS (+28,400), L&H (+14,500), and TTU (+13,100) sectors are forecast to gain the most (2010-2012)

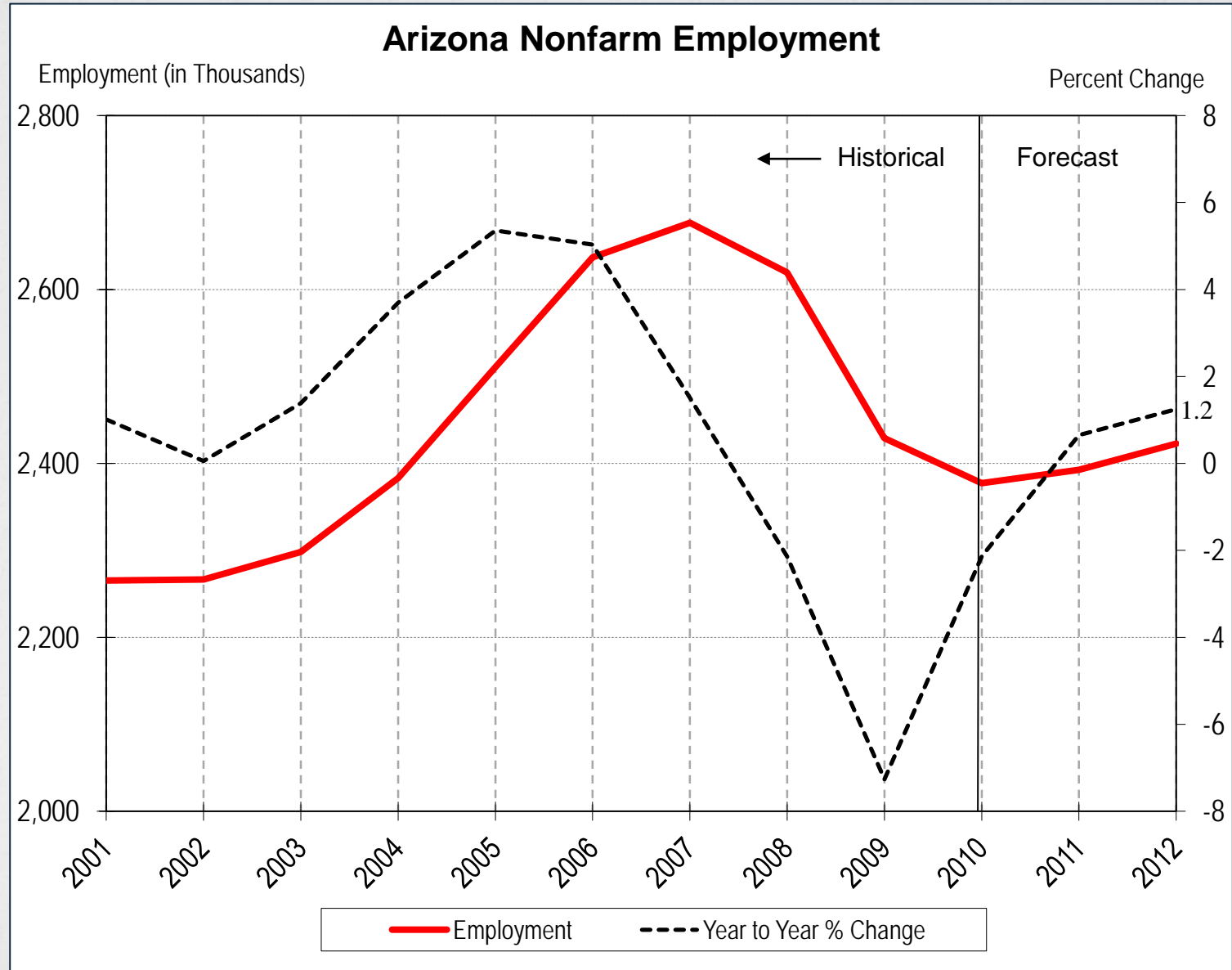
HIGHLIGHTS CONTINUED

- ✓ Employment losses are forecast for Government (-15,700); Professional and Business Services (-3,200); Information (-900) and Construction (-100); between 2010 and 2012
- ✓ In this Forecast update, some sector projections changed more than others
- ✓ Sectors with larger projected job gains than earlier forecast include: Education and Health Services; Manufacturing; Other Services; and Construction
- ✓ Sectors with smaller projected job gains than earlier forecast include: Leisure and Hospitality; Trade Transportation and Utilities; Financial Activities; Natural Resources and Mining; Information; Professional and Business Services ; and Government
- ✓ OTY NF growth rate forecast is higher for Phoenix (0.9% in 2011 and 1.4% in 2012)

Some Reasons for Current Downward Revision

- Economic slowdown, both Nationally and Internationally
- Various economic indicators such as GDP, real personal income, employment, industrial production, wholesale trade sales and real personal consumption expenditures in the U.S. showing signs of slowdown recently
- Future direction of federal economic policy is uncertain with signs of tightening federal fiscal policy in the coming years. Federal government military expenditures expected to have cuts
- International uncertainty- debt problems in the euro monetary system, slow down of growth in China, Japan's recovery from the disasters in March 2011

Slow Nonfarm job gains in 2011 and moderate gains in 2012



Over the year gain of 15.5 K Nonfarm jobs in 2011 and a gain of 29.9 K jobs in 2012

OTY growth rate for Nonfarm employment slightly faster in Phoenix and slower in Tucson and Balance of State

Total Nonfarm Employment Annual Average Growth Rate

	2010 ^(a)	2011 ^(b)	2012 ^(b)	
Arizona	-2.1%	0.7%	1.2%	Slightly Faster Growth
Phoenix MSA ¹	-2.1%	0.9%	1.4%	
Tucson MSA ²	-2.3%	0.1%	0.7%	Slower Growth
Balance of State	-2.3%	0.1%	0.8%	

1) Maricopa and Pinal counties

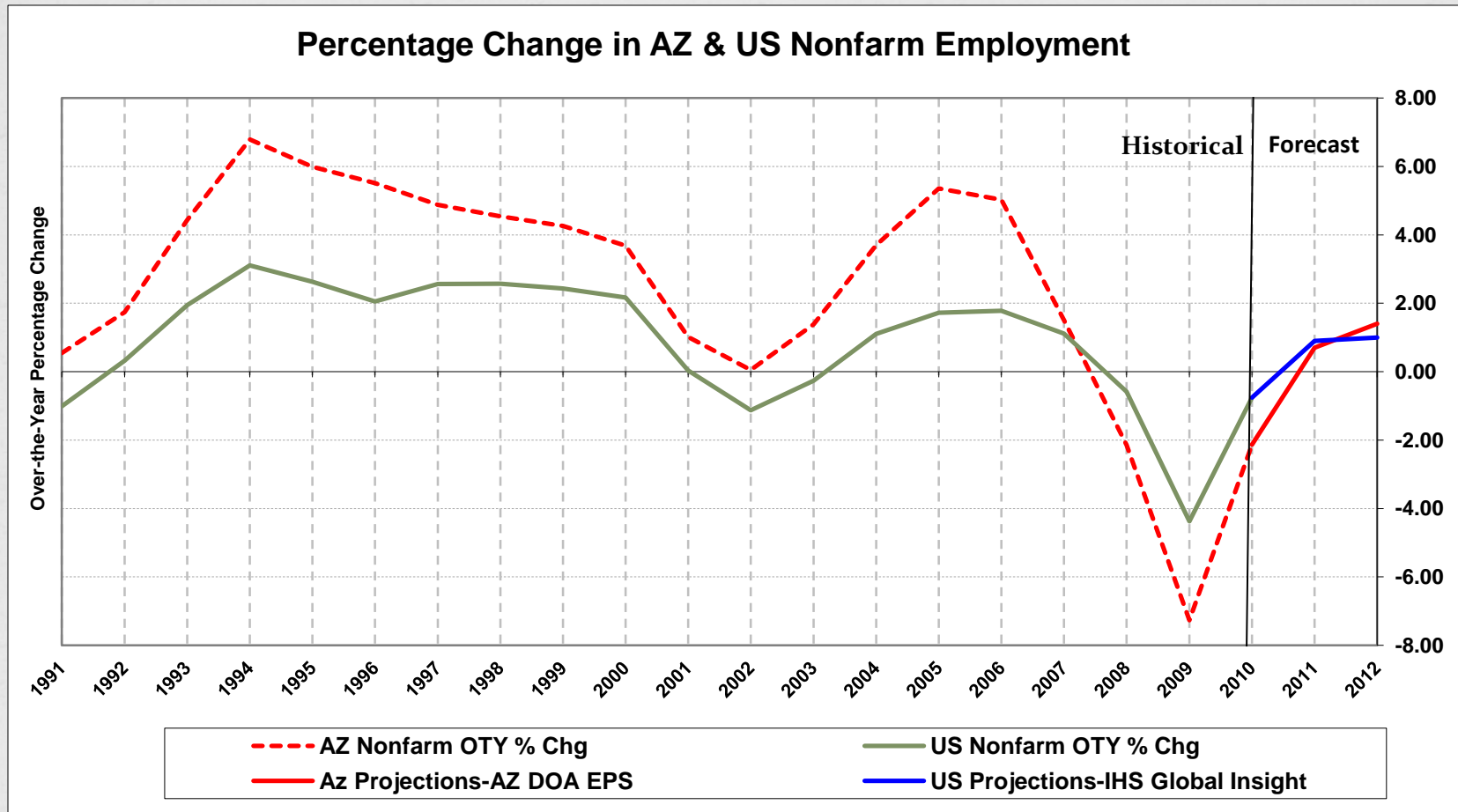
2) Pima County

3) Arizona less Maricopa, Pinal and Pima counties

a) Historical

b) Forecast

Compared to the U.S., Forecasts suggest Arizona will have a relatively slower rate of Nonfarm employment gain in 2011 and slightly faster in 2012



- For the U.S., IHS Global Insight forecasts a Nonfarm employment gain of 0.9% in 2011 and 1.0% in 2012

- Our forecast for Arizona is a Nonfarm employment gain of 0.7% in 2010 and 1.2% in 2011

Five sectors forecast to gain jobs in 2011 and 9 sectors in 2012

Arizona Industry Employment Average Annual Over-the-Year Change

	2010(a)	2011(b)	2012(b)
Total Non Farm	-2.1%	0.7%	1.2%
Education & Health Svcs	3.0%	4.5%	3.6%
Leisure & Hospitality	-1.4%	2.9%	2.7%
Natural Resources & Mining	-1.8%	2.3%	1.7%
Manufacturing	-3.9%	1.8%	2.8%
Trade, Trans, & Utilities	-2.2%	1.2%	1.6%
Financial Activities	-2.5%	0.0%	0.8%
Construction	-13.7%	-0.8%	0.7%
Other Svcs	-5.4%	-1.0%	1.6%
Professional & Business Svcs	-1.9%	-1.1%	0.2%
Information	-4.2%	-1.6%	-0.9%
Government	-1.5%	-2.4%	-1.4%

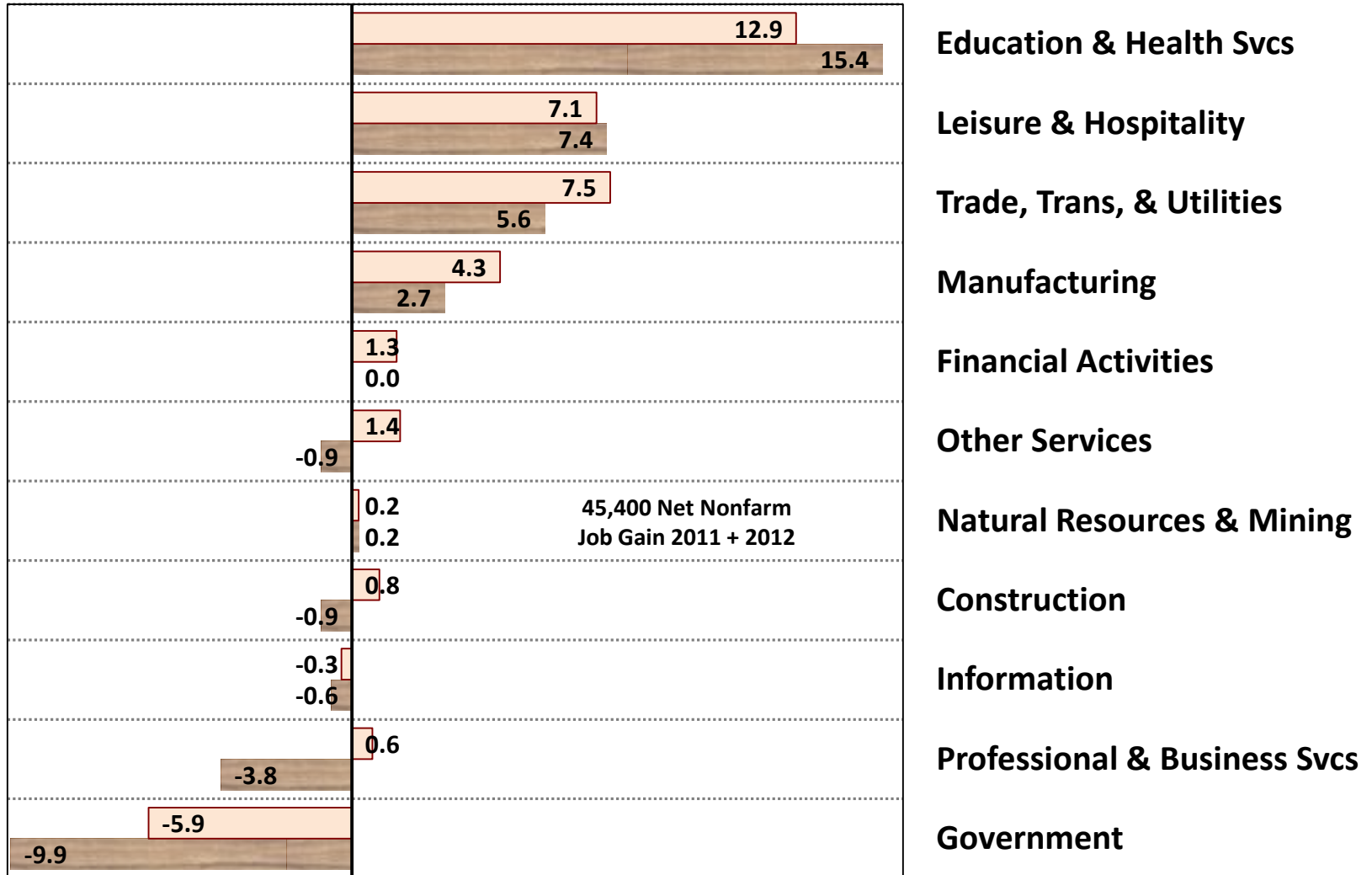
a) Historical

b) Forecast

2011 & 2012 OTY Job Gain /Loss by Sector

in thousands

2012 2011



Educational & Health Services forecast to gain the most jobs during the 2010-2012 forecast period in both amount and percent gain

Figure 1

2010 to 2012 Job Gain or Loss by Sector, in thousands

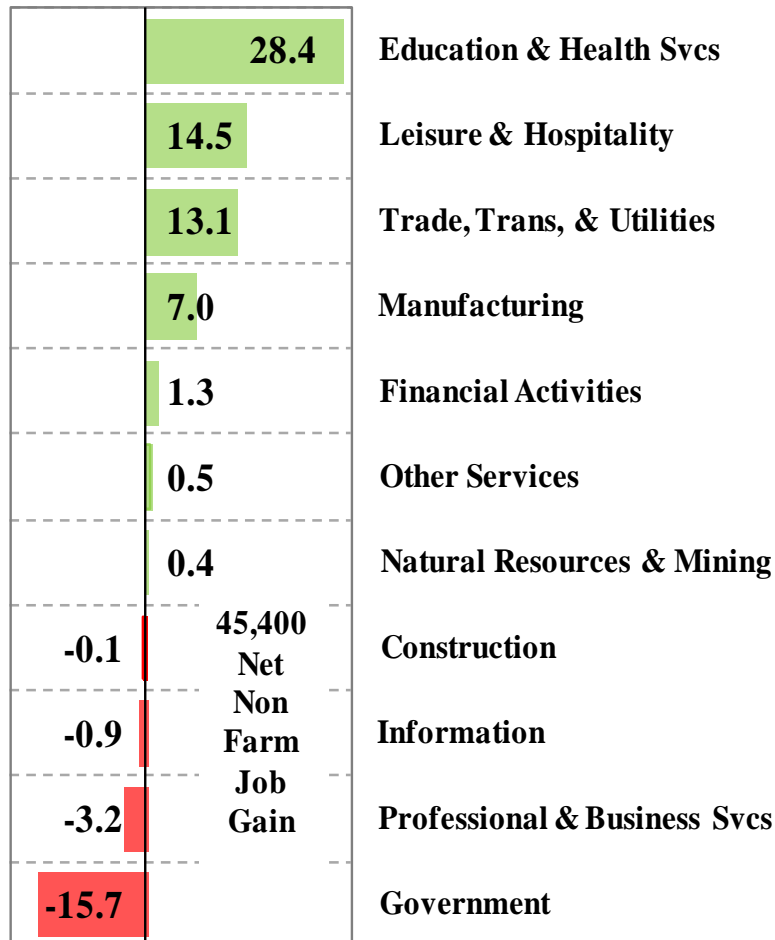
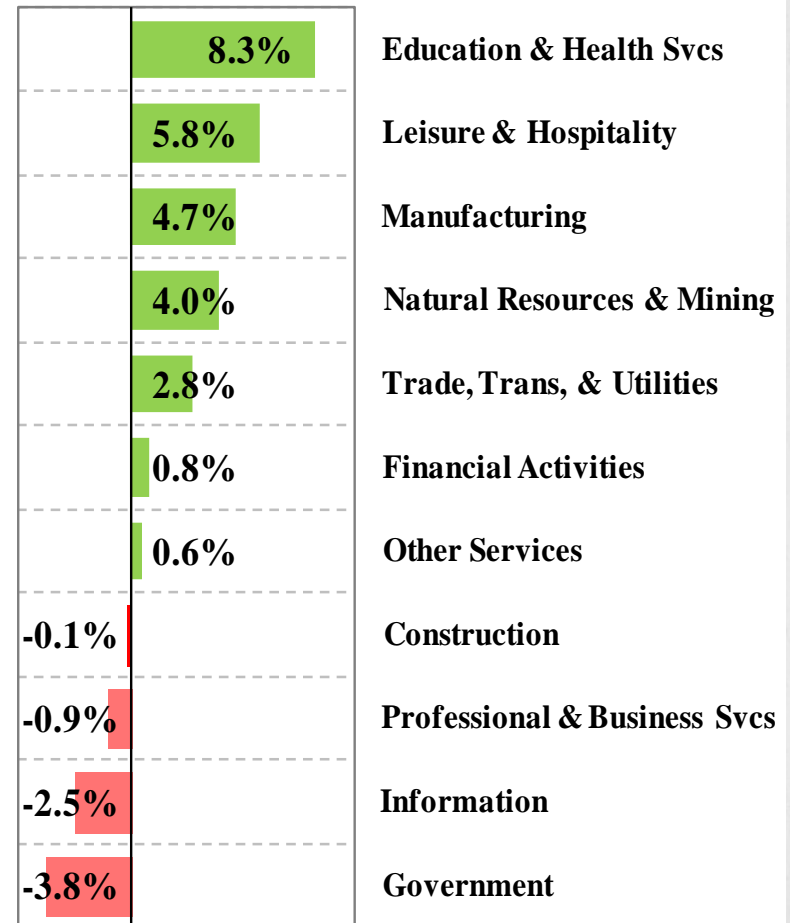
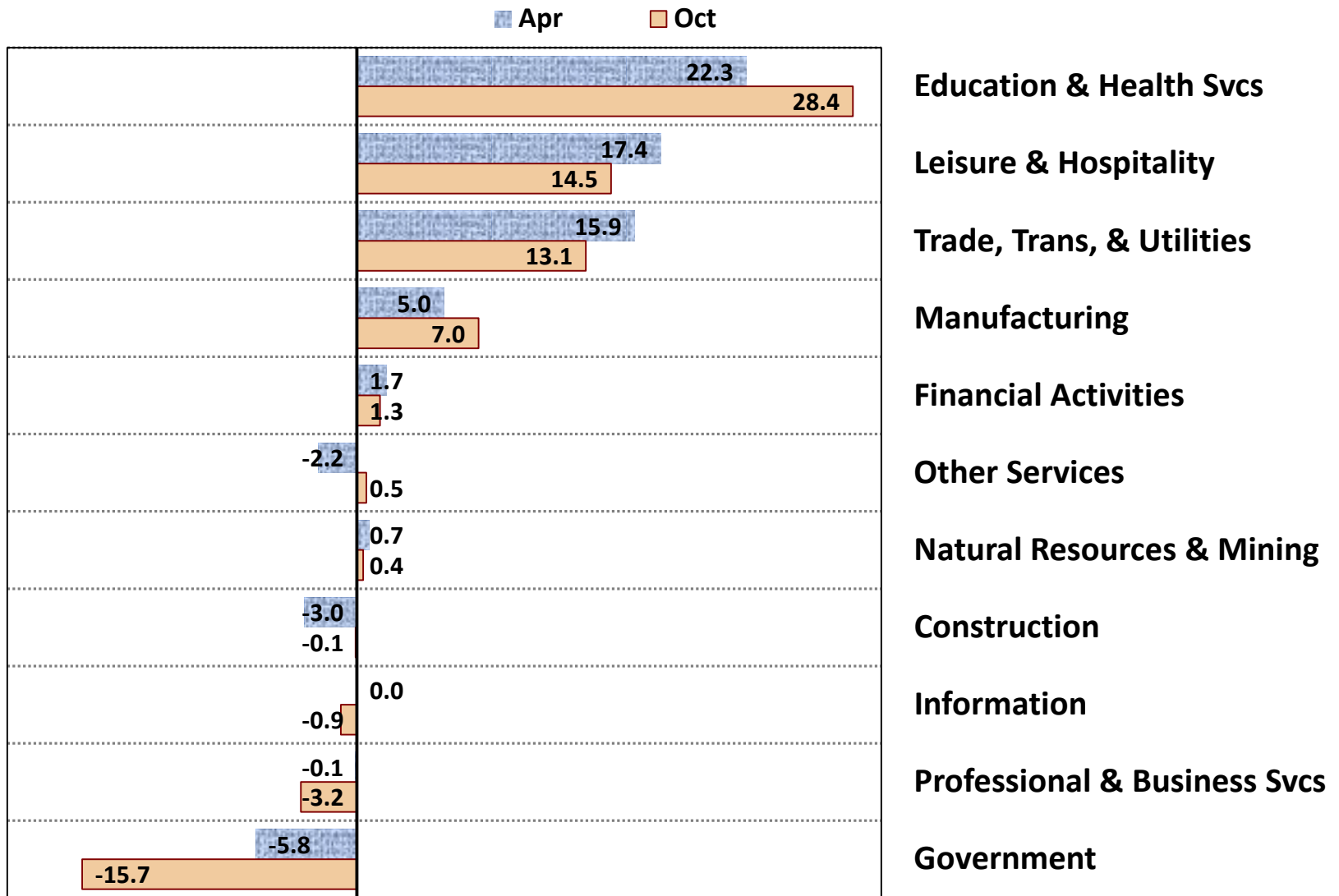


Figure 2

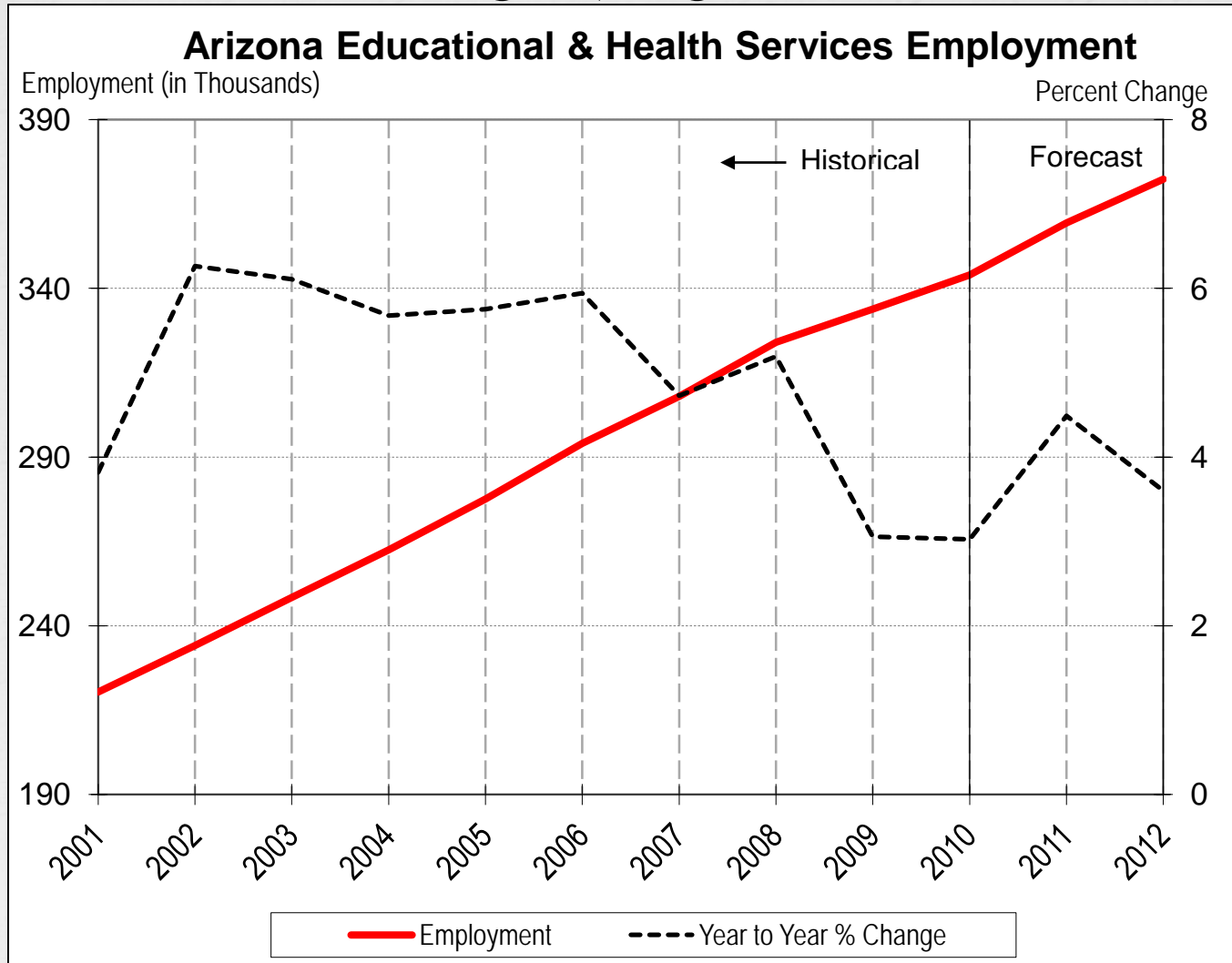
2010 to 2012 Job Gain or Loss by Sector, percentage



April & October 2010-2012 Forecasts by Sector Comparison in thousands

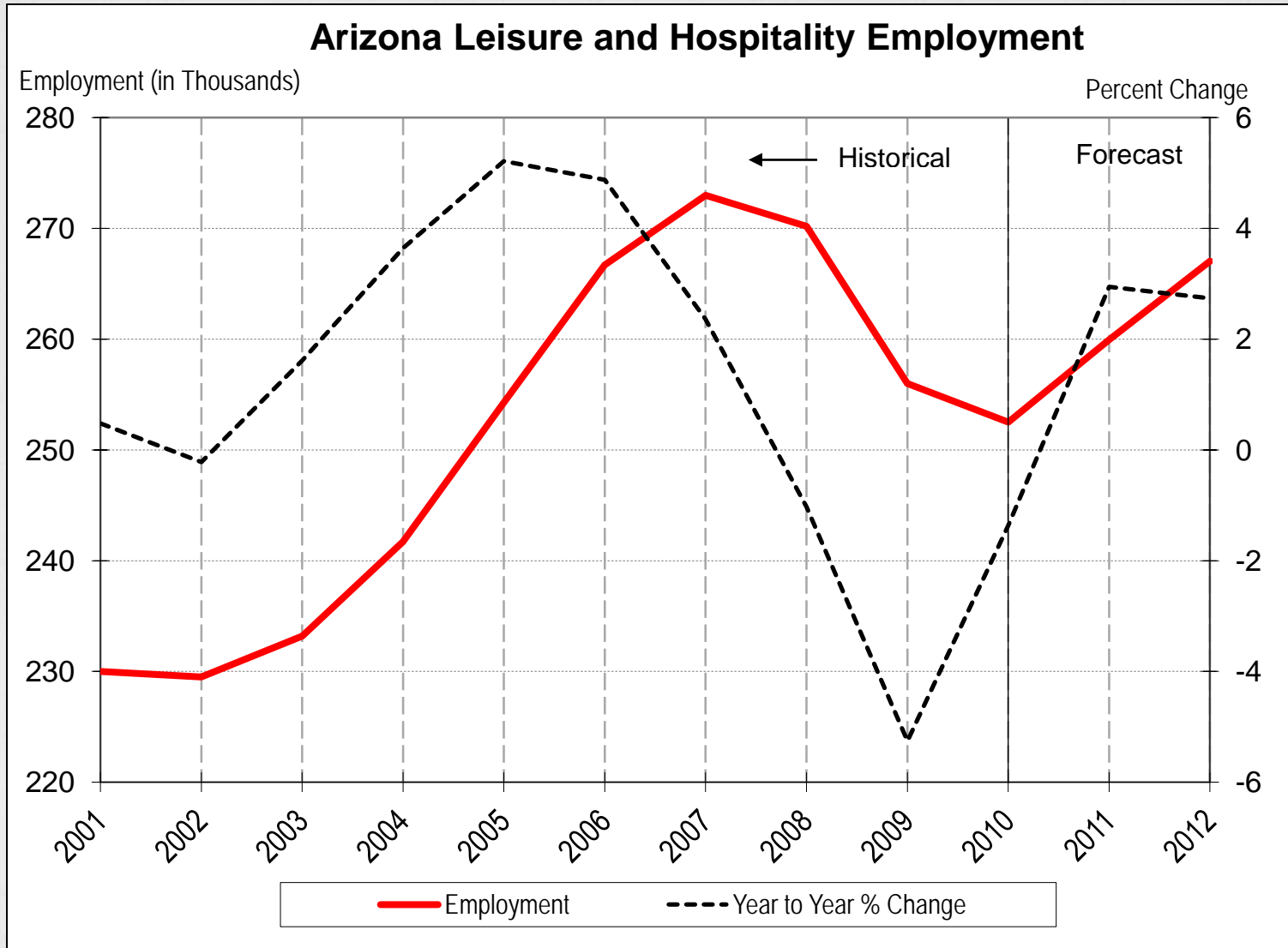


EHS forecast to have the largest job gains of 28,400 or 8.3% (2010-2012)



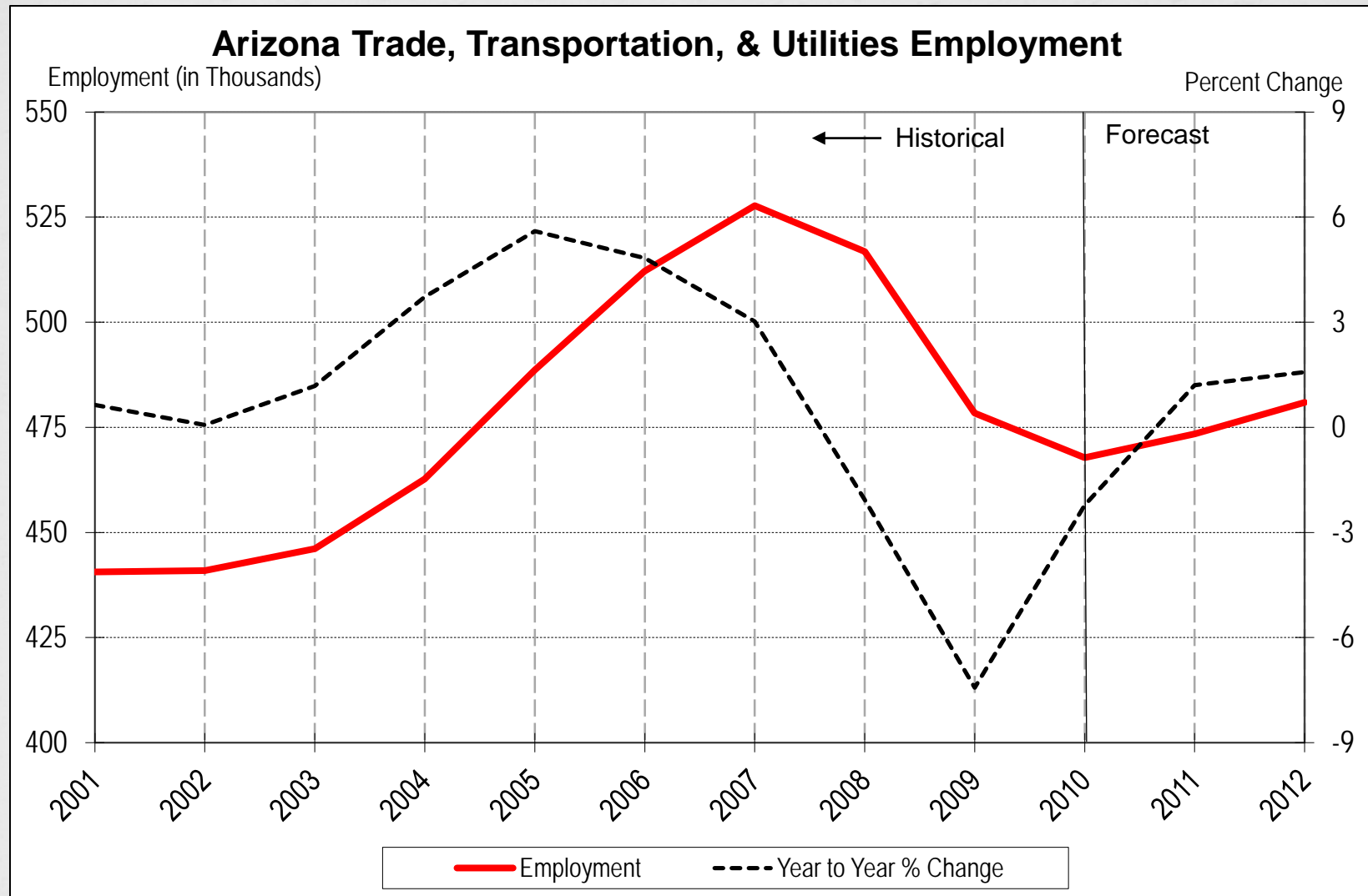
- Rapid pace of employment gains is forecast in Educational Services followed by Health Care and Social Assistance
- Reduction in government spending have the potential to sharply curtail the growth of EHS industries

L&H forecast to gain 14,500 jobs or 5.8% gain between 2010 & 2012



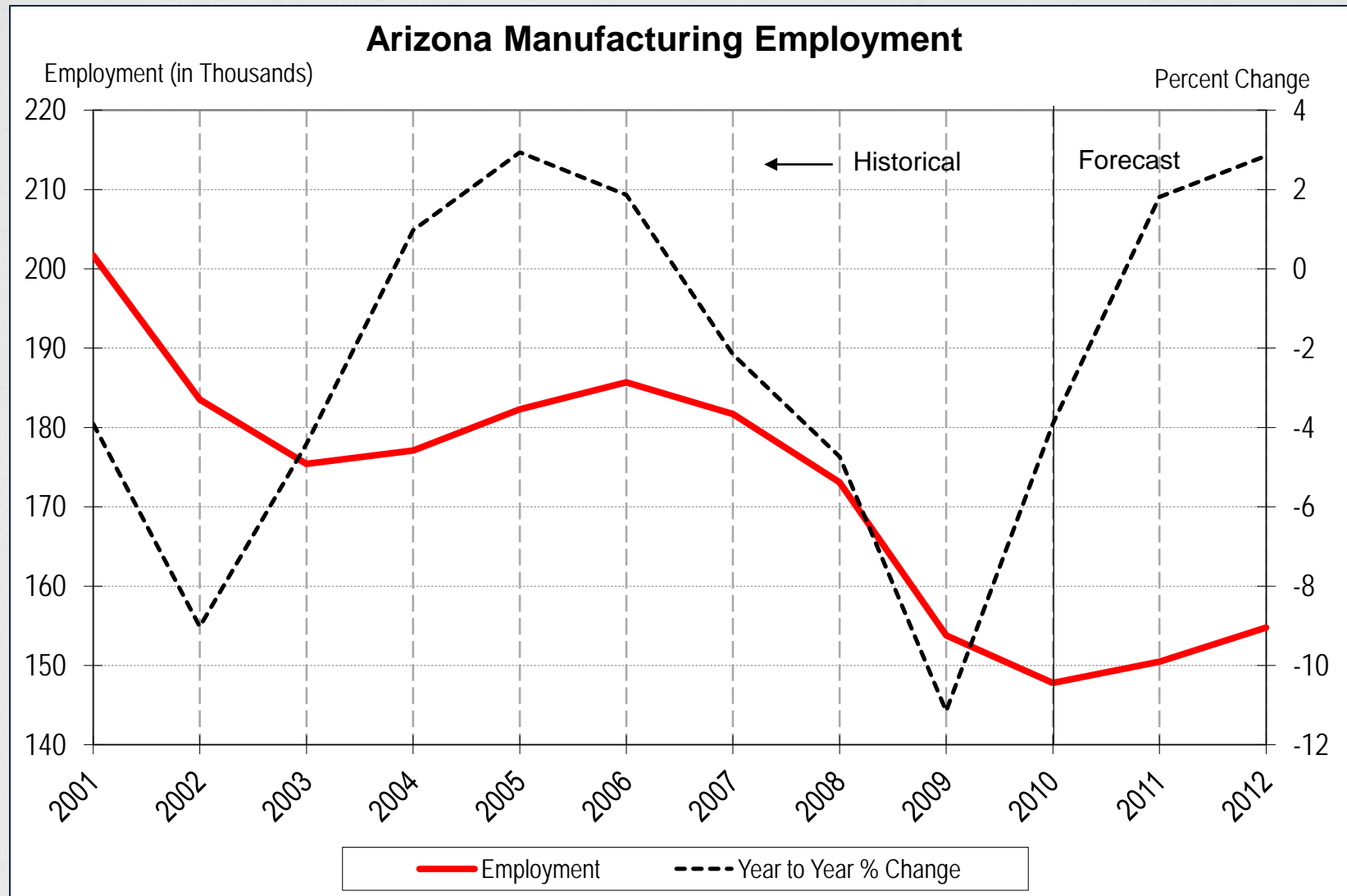
- With improving economic conditions domestic and international tourism expected to increase
- All L&H industries forecast to have employment gains

TTU sector forecast to gain 13,100 jobs or 2.8% (2010-2012)



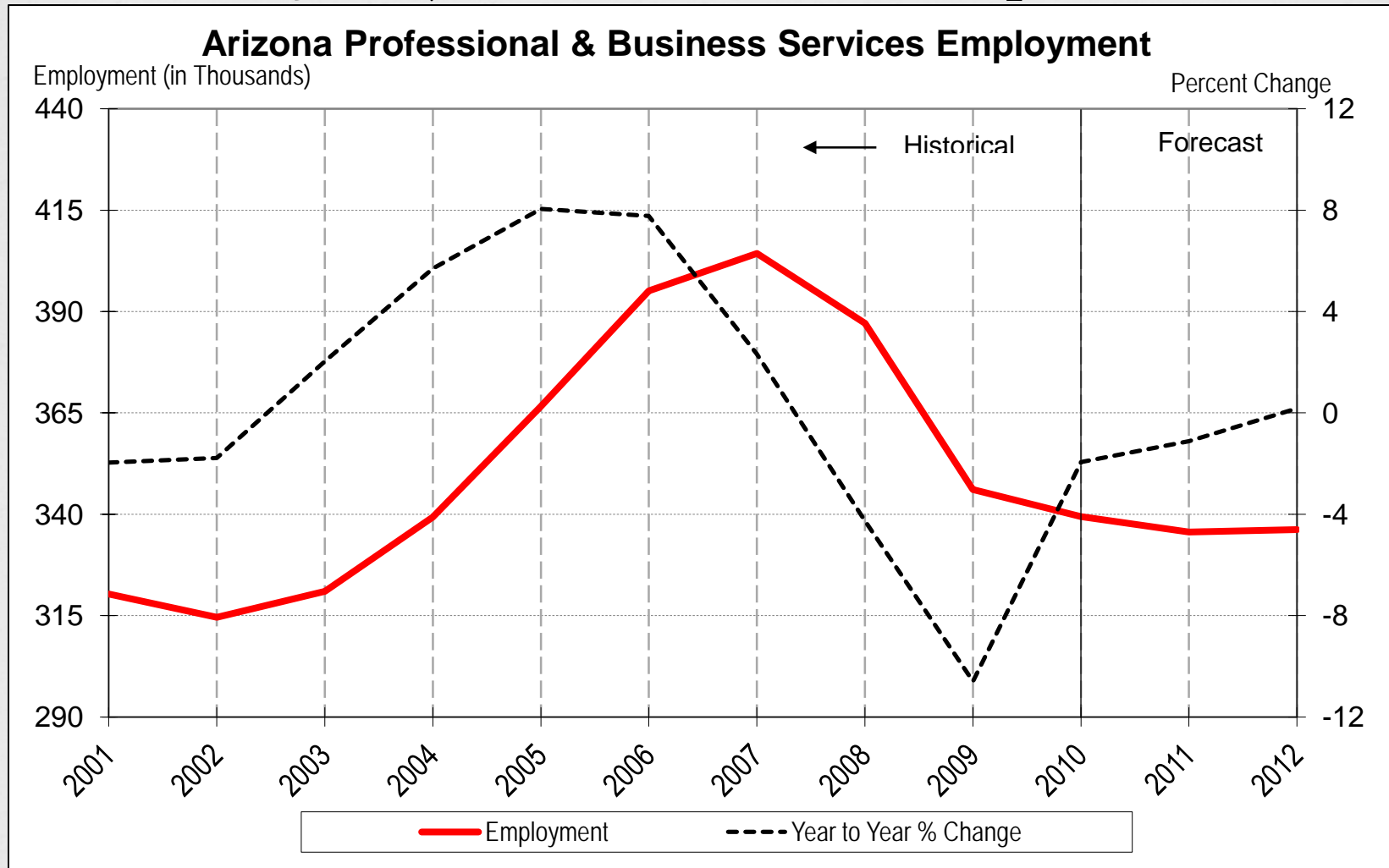
- **Employment gains are forecast in Wholesale and Retail trade**
- **Air and Truck transportation industries within Transportation and Warehousing sectors are projected to have gains as a result of expansion in domestic and international economies**

Manufacturing sector expected to gain 7,000 jobs or 4.7% (2010-2012)



- Almost all fabrication industries are forecast to have employment gains excepting aerospace because of cutbacks in certain federal programs and outsourcing

Job losses in PBS sector are forecast to decrease to 0.9% (-3,200 jobs) over the 2010-2012 period



From 2010 to 2012, management of companies and enterprises is one of the few sectors with projected gains in employment. The majority of all other sectors in PBS are forecast to have job losses.

Thank You!

