

AZB ARIZONA BUSINESS

ARIZONA STATE UNIVERSITY'S MONTHLY NEWSLETTER ON THE ARIZONA ECONOMY

Net migration to AZ among greatest in nation '95-'00

Arizona was among the national leaders in the net number of people moving to the state between 1995 and 2000. It ranked second to Nevada on net migration rate (number of migrants divided by resident population in 1995).

The U.S. Census Bureau gradually is releasing detailed migration statistics from the 2000 census. Since the data are derived from the long form of the census, which was completed by less than one-sixth of the population, the migration statistics are estimates subject to sampling error. Migration is determined from a comparison of where people lived in 1995 and 2000; if a person moved more than once during this period, this is not reflected in the data. In addition, the census did not count those who moved from the United States between 1995 and 2000.

This article summarizes migration data by state. Additional state detail, as well as metropolitan and county data, will be discussed in the February issue.

DOMESTIC MIGRATION

Movement from one location to another within the United States accounts for the majority of migration. In the case of states, a domestic migrant is defined as a person living in a different state in 2000 than in 1995.

Number

Arizona was the 20th most populous state in 2000, but it ranked higher on domestic migration flows between 1995 and 2000: seventh on the number of in-migrants, 17th on the number of out-migrants, and fourth on the net number of migrants. Between 1995 and 2000, the census counted 796,400 in-migrants, 480,300 out-migrants, and 316,100 net migrants to Arizona.

Each of the 12 states with the greatest net in-migration (75,000 or more between 1995 and 2000) is located in the West or Southeast [see Figure I]. A total of 27 states received a net inflow. Nine states had net outflows of at least 75,000: New York, California, Illinois, New Jersey, Pennsylvania, Ohio, Michigan, Hawaii, and Louisiana.

Migration efficiency is defined as the ratio of in-migration to out-migration. Nevada had the highest ratio with two in-migrants for every out-migrant. Arizona ranked second with a ratio of 1.66: five

in-migrants for every three out-migrants. Only six other states had efficiencies of at least 1.25 (five in, four out): North Carolina, Georgia, Florida, South Carolina, Tennessee and Colorado.

More than 186,000 Californians moved to Arizona over the five years, the fourth highest state-to-state migration flow in the country. (More than 92,000 moved from Arizona to California.) The largest net flows were New York to Florida (more than 300,000), New York to New Jersey (207,000), and California to Nevada (199,000). Arizona's migration flows with New York were among the most efficient in the nation. More than 31,000 moved from New York to Arizona while less than 10,000 moved the other direction.

Arizona received a net inflow of 93,700 from California between 1995 and 2000 (30 percent of the total). Illinois provided the second greatest number with 32,700, followed by New York (21,800) and Washington (17,300). These four states accounted for more than half of Arizona's net migration. Except New Mexico, the other top 10 sources border one of the Great Lakes: Michigan, Minnesota, Wisconsin, Ohio and Pennsylvania. Arizona experienced net out-migration to only three states: less than 1,000 each to Georgia and Arkansas, and more than 4,000 to Nevada.

In the other western states, California also was by far the top source of net in-migration. New Mexico was the only other western state with net out-migration, but it received a net inflow from California. In Utah, the net inflow from California was larger than its overall net inflow. California accounted for more than 80 percent of the net migrants in Oregon and Washington; the share was about 60 percent in Nevada and Idaho. Like Arizona, most western states received sizable net inflows from Illinois and New York. Otherwise, major sources of net in-migration varied across the West.

Arizona received net in-migration from each of the other nine western states except

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Census Migration (Part 1)

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Nevada. Nevada and Idaho each received net inflows from seven of the other nine states. In contrast, California suffered net out-migration to each of the other western states and New Mexico received a net inflow only from California.

Most western states experienced net out-migration to some southern states, though the magnitude of the net outflow generally was small. Despite not being national leaders in net in-migration, Arkansas received a net inflow from each of the 10 western states and Kentucky experienced net in-migration from each western state except Arizona. The South Atlantic states of North Carolina, South Carolina and Georgia — each among the national leaders on net in-migration — each received net inflows from eight of 10 western states. Tennessee and Oklahoma also received net inflows from a majority of western states.

The sources of net in-migration to the six southeastern states with total domestic net in-migration of at least 75,000 was somewhat different from the western states. California, Illinois and especially New York all were important sources, but so were New Jersey, Pennsylvania and Ohio.

Rate

Arizona's in-migration rate of 187 people for every 1,000 state residents in 1995 was more than double the national rate of 87 and ranked second among states to Nevada's 302 (the District of Columbia also had a higher figure at 204). Most of the states in the West and in the South Atlantic region had high in-migration rates, as did Alaska, Delaware and New Hampshire. The lowest in-migration rates were to New York (only 41), California, Michigan, Ohio, Illinois, Pennsylvania, Louisiana, Wisconsin, New Jersey and Texas — all populous states.

The out-migration rate from Arizona also was above average at 113 — 17th highest in the country. The highest out-migration rates were from the District of Columbia, Alaska, Wyoming, Hawaii, Nevada, New Mexico, Montana, North Dakota, Idaho and Colorado: mostly less populous states, several having among the highest in-migration rates. The lowest out-migration rates were from Michigan, Texas, Ohio, Wisconsin, Pennsylvania, California, Minnesota, Alabama, Kentucky and Indiana.

The net migration rate to Arizona was 74, second to Nevada's 152. The southeastern states of Georgia, North Carolina, Florida, South Carolina, and Tennessee also had

high rates as did Colorado and Idaho. The District of Columbia had the most negative net migration rate, followed by Hawaii, Alaska, New York, North Dakota, Illinois, Wyoming, California, New Jersey and Connecticut.

The strongest rates of net in-migration to Arizona (based on the populations of the other states) were from New Mexico and Alaska, at more than five per 1,000 residents. The rate exceeded three from Wyoming, South Dakota, North Dakota, Washington, Montana, California and Hawaii. More generally, the highest net migration rates were from other western states and states in the north central region, as far east as Illinois. However, the rate from Colorado was low and the net out-migration rate to Nevada was -2.6. Otherwise, the lowest rates were from southern states.

INTERNATIONAL AND TOTAL MIGRATION

The number of migrants to a state who moved to the U.S. from another country was not strongly correlated to net domestic migration between 1995 and 2000. California had the greatest number of international in-migrants, but the second largest net number of domestic out-migrants. Texas ranked second in the number of international in-migrants and seventh in net domestic in-migration. New York had nearly as many international in-migrants as Texas, but had the largest number of net out-migrants domestically. Florida ranked fourth in the number of international in-migrants and first in the number of net domestic in-migrants. Nearly half of the nation's international in-migrants moved to these four states. The number of international in-migrants to fifth-ranked

FIGURE I
NET DOMESTIC MIGRATION
Leading States Between 1995 and 2000

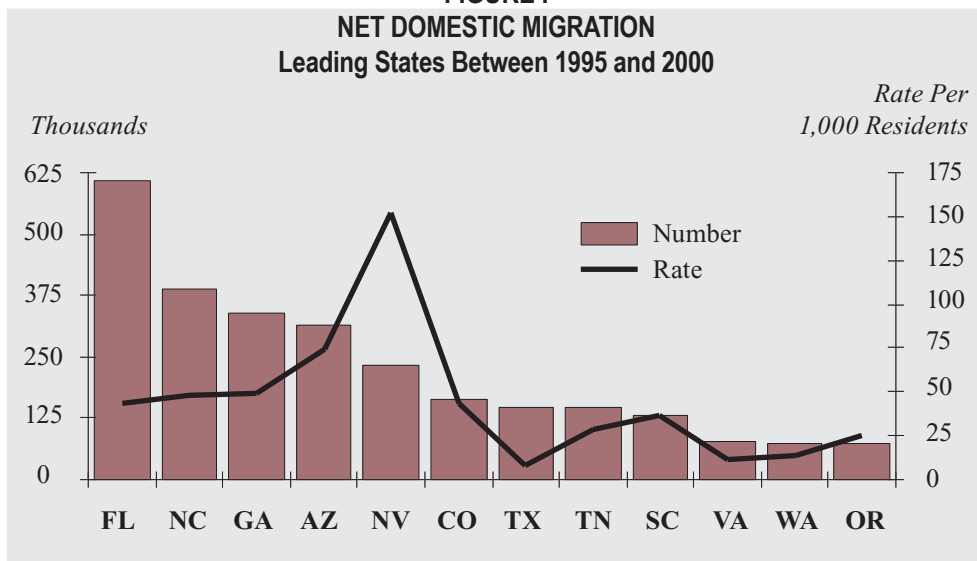


TABLE 1
DOMESTIC, INTERNATIONAL AND TOTAL MIGRATION
Leading States Between 1995 and 2000 (In Thousands)

	<i>Net Domestic Migration</i>	<i>Arrivals From Abroad</i>	<i>Total</i>
Florida	607	653	1,260
Texas.....	148	726	874
California.....	-756	1,408	652
Georgia	341	243	584
North Carolina.....	338	196	534
Arizona	316	183	499
Nevada	234	75	309
Colorado	163	135	298
Virginia.....	76	205	281
Washington.....	75	176	251
Tennessee.....	146	78	224
South Carolina.....	132	59	191

Source (Figure I and Table 1): U.S. Department of Commerce, Census Bureau, 2000 Census.

Illinois was only about half the number to Florida. Arizona ranked 11th, with New Jersey, Georgia, Massachusetts, Virginia and North Carolina also receiving more.

Combining net domestic migration and international in-migration, total migration was positive to 42 states. Despite ranking next-to-last on domestic net migration, California ranked third on the total, behind Florida and Texas. Arizona ranked sixth [see Table 1].

MIGRATION BY AGE

The Census Bureau has produced migration data by person's age in 2000. Since the migration occurred any time between 1995 and 2000, the actual age when the migration occurred averaged a couple years younger than discussed below.

The number of domestic in-migrants to Arizona between 1995 and 2000 was much higher among young adults (aged 20 to 39 in 2000) than others. Among five-year age brackets, the peak inflow was 89,000 among those 25-to-29 years old. As seen in Table 2, in-migration was less than 50,000 in most five-year age brackets.

Out-migration from Arizona also was greatest among those 20-to-39 years old, especially between 25 and 29. A substantially lesser number of people 55 or older left Arizona.

Net domestic migration to Arizona had

a double peak. The first was among those 20-to-29 years old, particularly those from 20 to 24. The second peak was among those 55-to-69 years old. Thus, the greatest numbers of net domestic migrants to Arizona were of college-age or a little older, or from early-to-traditional retirement age.

Those moving to Arizona from abroad were overwhelmingly youthful, particularly from 20-to-29 years old, but more generally between 15 and 34. Adding international migrants to the domestic net migrants results in a strong peak among those 20-to-29 years old. The number was greater in each five-year age group between 15 and 44 (and from five to nine) than in any of the retirement age brackets.

While the state's population growth between 1995 and 2000 was heavily weighted to young adults (and their children), efficiencies of migration in these age brackets were the lowest of any age groups except those 80 or older. Efficiencies were much higher among those 55-to-74 years old, peaking in the 65-to-69 age group.

Given that the number of residents in each five-year age group through age 44 was considerably greater than the number in the older age brackets, the age distribution based on migration rate was somewhat different from that based on number. The domestic in-migration rate still was highest among young adults, but was not that much higher

than among those 55-to-69 years old. The lowest in-migration rates were among those 75 or older. Domestic out-migration rates still were considerably higher among young adults than any other age group and were lowest among those 55-to-84 years old.

Domestic net migration rates were highest in the retirement age groups of 55-to-69 years old, followed by those between 20 and 24. The lowest rates were among children and the elderly. Among those moving from abroad, the migration rate was highest among young adults and quite low among those 45 or older. Combining net domestic migrants and migrants from other countries, the highest rates were among those 20-to-29 years old, followed by those from 60 to 69. The lowest rates were among those 75 or older.

Arizona's double peak on net domestic migration was unique among the western states and southeastern states. Most of these states had a peak among younger adults, though the exact age group varied by state. While most of these states received net in-migration at retirement age, the net inflows in most states were smaller than those in younger age brackets.

Arizona's net number of domestic in-migrants ranked second to Florida in each age group from 50 through 79. Arizona's lowest ranks were eighth among those 85 or older, and sixth among those from 25 to 34.

TABLE 2
ARIZONA MIGRATION BY AGE

	<i>Number</i>					<i>Rate per 1,000 Residents in 1995</i>					<i>Efficiency</i>	
	<i>Domestic Migration</i>			<i>From Abroad</i>	<i>Net+ Abroad</i>	<i>Domestic Migration</i>			<i>From Abroad</i>	<i>Net+ Abroad</i>	<i>Domestic</i>	<i>Abroad</i>
	<i>In-migration</i>	<i>Out-migration</i>	<i>Net migration</i>			<i>In-migration</i>	<i>Out-migration</i>	<i>Net migration</i>				
TOTAL	796,420	480,272	316,148	182,982	499,130	187.2	112.9	74.3	43.0	117.3	1.66	2.04
5 to 9	58,835	43,046	15,789	16,523	32,312	162.2	118.7	43.5	45.6	89.1	1.37	1.75
10 to 14	49,196	33,422	15,774	12,968	28,742	140.7	95.6	45.1	37.1	82.2	1.47	1.86
15 to 19	49,120	32,010	17,110	20,464	37,574	152.0	99.1	53.0	63.3	116.3	1.53	2.17
20 to 24	81,132	48,712	32,420	33,636	66,056	273.7	164.3	109.4	113.5	222.9	1.67	2.36
25 to 29	89,088	62,990	26,098	30,024	56,122	281.7	199.2	82.5	94.9	177.4	1.41	1.89
30 to 34	74,887	54,163	20,724	19,781	40,505	229.0	165.6	63.4	60.5	123.8	1.38	1.75
35 to 39	69,362	48,323	21,039	14,895	35,934	190.9	133.0	57.9	41.0	98.9	1.44	1.74
40 to 44	58,127	37,891	20,236	10,794	31,030	164.8	107.4	57.4	30.6	88.0	1.53	1.82
45 to 49	46,702	27,610	19,092	7,369	26,461	152.4	90.1	62.3	24.0	86.3	1.69	1.96
50 to 54	44,550	21,683	22,867	4,563	27,430	167.3	81.4	85.9	17.1	103.0	2.05	2.27
55 to 59	41,313	15,609	25,704	3,749	29,453	199.6	75.4	124.2	18.1	142.3	2.65	2.89
60 to 64	38,627	12,573	26,054	2,966	29,020	222.7	72.5	150.2	17.1	167.3	3.07	3.31
65 to 69	35,544	10,452	25,092	2,221	27,313	217.9	64.1	153.8	13.6	167.4	3.40	3.61
70 to 74	24,982	9,703	15,279	1,427	16,706	157.6	61.2	96.4	9.0	105.4	2.57	2.72
75 to 79	16,893	8,634	8,259	787	9,046	125.8	64.3	61.5	5.9	67.4	1.96	2.05
80 to 84	9,908	6,766	3,142	439	3,581	113.7	77.7	36.1	5.0	41.1	1.46	1.53
85 and over	8,154	6,685	1,469	376	1,845	123.4	101.2	22.2	5.7	27.9	1.22	1.28

Source: U.S. Department of Commerce, Census Bureau, 2000 Census.

Nevada's strongest net inflows were among those 25-to-39 years old — somewhat older than in Arizona. The number dropped consistently with age from the 25-to-29 peak. Colorado's strongest net inflow also was at a bit older age than Arizona — it ranked third in the nation in the net number between 25 and 29 years old. Colorado, however, experienced a small net outflow of those 60-to-74 years old. Utah had a very strong net inflow among those 15-to-24 years old (especially between 20 and 24: the sixth highest number in the country), but experienced substantial net out-migration among those from 25 to 34. New Mexico's greatest net in-migration was among those 50-to-69 years old, but the numbers were small. The state suffered net out-migration in all age groups less than 50.

Texas had strong net in-migration among those 25-to-29 years old (second most nationally), but little net inflow among those 15 to 24. California experienced net out-migration in all age groups, with the largest net outflows among those from 35 to 44 and 5 to 14. Oregon and Washington received a net inflow among young adults but had slight net out-migration among senior citizens.

Idaho's migrant age distribution was different, with net out-migration among those from 20 to 24 and the strongest net inflows among those between 30 and 39.

In the Southeast, Florida had a large number of net in-migrants in each age group except those 80 or older, but the numbers were much higher among those 50 to 74, especially 60-to-69 years old. Florida had the nation's largest net number in each age group from 40 to 79, but only ranked seventh among those between 20 and 24. None of the other southeastern states had stronger net inflows among retirees than others. South Carolina had a slight peak among those 50-to-59 years old, but its strongest net inflows were among those 15 to 24. North Carolina received a number of retirees (it ranked third between the ages of 50 and 69), but the number was less than in younger age groups, particularly between 20 and 24 (it ranked first among those from 15 to 24). Like North Carolina, Virginia had a huge peak among those 20-to-24 years old (it ranked third), but experienced slight net out-migration of those at retirement age. Georgia's net in-migration was heavily weighted to young adults, particularly those

between 20 and 34, with only small net in-migration of senior citizens. It ranked first or second in each age group from five through 44. Tennessee's peak was among those 15-to-29 years old.

Most of the states that experienced substantial net domestic out-migration suffered a large net outflow in most age groups. A few, however, had net inflows in specific age groups. For example, New Jersey had a net inflow of those 30-to-34 years old and Pennsylvania had net inflows of those from five to nine and 15 to 19. Several states in the mid-section of the country received a net inflow of adults in their 30s and 40s and their children, with the net inflow of children being especially strong. This suggests that some families view this region as a good place to raise children, even though the parents may have left the region as young adults and/or may leave once the children are grown. Among the states exhibiting this pattern were Michigan, Ohio, Indiana, Wisconsin, Minnesota and Iowa.

— Tom R. Rex
Research Manager

Business Conditions Index declines in November

The seasonally adjusted Arizona Business Conditions Index fell to 62.9 in November from 64.6 the previous month. An index reading over 50 indicates that the local economy is growing; below 50 suggests a slowdown in the overall level of economic activity in the near term.

ANALYSIS

While the overall Business Conditions Index slipped downward, it remains within a healthy range for growth in the local economy. Most of the subindices continued strong and, for the fifth consecutive month, none have registered below the critical 50-point benchmark.

On the disappointing side, employment remains the weakest category, falling by 1.7 points in November to 55.1. Meanwhile, the level of production has been extraordinarily high — something that usually is the impetus for an increase in the level of employment. This time, the surge in growth has not yet produced a surge in job creation. Instead, the production subindex tapered off by 4.2 points, settling at 68.7. While this is still a remarkable showing of strength in production

and in the overall index, the lagging job creation is a concern.

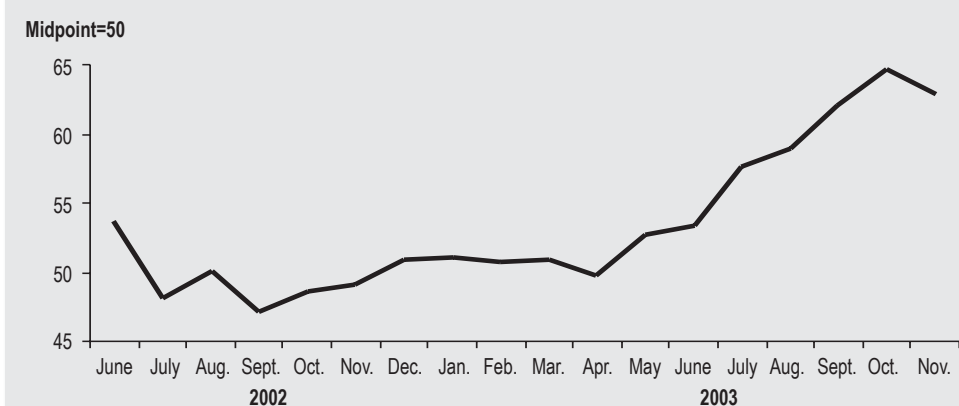
The Prices Index remained stable, rising by only a tenth of a point in November to reach 57.5. This is an indication that there is upward pressure on prices, but not enough to warrant concern about inflation.

Note: Once a year the Arizona Business

Conditions Index is recalculated according to new seasonal adjustment factors. This changes some of the data points from previous BCI reports.

— Dawn McLaren
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Bank One Economic Outlook Center

FIGURE I
ARIZONA BUSINESS CONDITIONS INDEX*



*Excludes Prices Index

Source: Bank One Economic Outlook Center, L. William Seidman Research Institute, W. P. Carey School of Business, Arizona State University.

Single-family construction increases in third quarter

The single-family sector continued its torrid pace with 71 percent (\$2.8 billion) of Arizona's \$3.9 billion construction activity for third quarter 2003. This pattern has been building since first quarter 2002, when the sector commanded 63 percent of total construction activity.

While quarterly overall construction activity in Arizona increased to \$3.9 billion from last year's \$3.1 billion, the commercial sector remained stable at \$533 million, and the industrial sector declined from last year's \$34 million to \$26 million.

Phoenix was the most active area of development, with 18 percent of Arizona's construction market; the 12 communities listed in Table 1 represented 73 percent. Other areas of significant development included Glendale (\$84 million), Avondale (\$82 million), Peoria (\$81 million), Marana (\$50 million), Lake Havasu City (\$49 million), unincorporated Yavapai County (\$48 million) and Casa Grande (\$46 million).

RESIDENTIAL

While the overall economy and consumer confidence are only beginning to emerge from the recession, people have retained their confidence in the surging single-family housing market. Leading areas of single-family development in Maricopa County were Phoenix (2,628 permits), unincorporated Maricopa County (1,613), Surprise (1,575), Gilbert (1,187), and Chandler (981). The West Valley, including Goodyear (702), Avondale (394) and El Mirage (179), now accounts for 25 percent of the new home market.

The single-family housing market in Pima County also grew significantly [see Table 3]. Unincorporated Pima County authorized 815 homes; Tucson, 680; Marana, 318; and Sahuarita, 252. The average permit value in Pima County increased from last year's \$151,084 to \$164,160, while in Maricopa County it rose from \$153,375 to \$166,940.

Pinal County (1,858 permits) accounted for 10 percent of the state's new home market, while Mohave (655) had 4 percent and Yavapai (543) had 3 percent. In these counties the unincorporated areas are important markets, with 1,547 permits in unincorporated Pinal County, 257 in Yavapai and 234 in Mohave. Specific communities included Lake Havasu City (296), Casa Grande (235), Prescott Valley (193) and Yuma (171). Paradise Valley had the highest aver-

age permit value (\$936,750), while it was \$214,925 in Prescott, \$109,325 in Lake Havasu City; \$125,110 in Casa Grande; and \$132,925 in Flagstaff.

COMMERCIAL

Low interest rates typically would tend to spur commercial development, but weak market demand and limited rent growth has forestalled most new development. With affordable homeownership drawing away tenants, the apartment market showed significant slowdown during the quarter [see Table 3]. Surprise was the leading area of activity with only 168 permitted units, followed by Phoenix (159 units) and Scottsdale (120 units).

Scottsdale led the office development market with \$47.9 million, followed by Phoenix (\$44 million, including one permit valued at \$11.2 million). Retail development activity has improved since last year [see Table 3], with much of the activity being on the Westside: Goodyear (\$14.4 million), Glendale (\$11 million), and Avondale (\$7.3 million). Remodeling of existing commercial space totaled \$38 million, with \$13 million in Scottsdale and \$9 million in Tempe.

Outside of Maricopa County, Flagstaff accounted for most new apartment development with 252 units, followed by 62 units in Tucson. Both the office and retail sectors improved in Pima County. Tucson reported \$16.6 million in new retail activity and \$4.5 million office development, while unincorporated Pima County had \$7 million in each sector. The primary area of retail

development was in Lake Havasu City (\$4 million), while the office sector was evident in Page (\$3.7 million) and Flagstaff (\$3.5 million). Tucson reported strong activity in commercial remodeling (\$14 million) and hotel/motel development (\$32.5 million).

INDUSTRIAL AND OTHER

Amid a lack of significant new industrial development, activity continued at low levels [see Table 3], with the primary area being Sacramento Valley in Mohave County (\$11.9 million) and only \$4.5 million in Phoenix. The construction of educational facilities continues to be strong at \$84 million, with \$28 million in Phoenix, \$19 million in Glendale, and \$11 million in unincorporated Maricopa County.

TABLE 1
REPORTING UNITS WITH GREATEST TOTAL VALUE OF BUILDING PERMITS
Third Quarter 2003

Reporting Unit	Value (in millions)
Phoenix	\$723
Unincorporated Maricopa County	269
Chandler	239
Surprise	234
Gilbert	227
Unincorporated Pinal County	190
Scottsdale	190
Unincorporated Pima County	184
Tucson	184
Mesa	169
Goodyear	152
Queen Creek	100

TABLE 2
ARIZONA HOUSING UNITS AUTHORIZED
Third Quarter 2003

	One Family	Mobile Homes	Duplex	3-4 Family	5 or More	Total
MARICOPA COUNTY	11,382	321	18	123	491	12,335
% Change, Previous Year	28	11	-40	112	-81	4
% Change, Previous Quarter	5	-11	-44	151	-74	-6
PIMA COUNTY	2,210	292	56	0	62	2,620
% Change, Previous Year	28	-8	133	-	-64	16
% Change, Previous Quarter	2	-41	56	-	520	-4
REST OF ARIZONA	4458	977	146	23	290	5894
% Change, Previous Year	22	3	52	-72	21	17
% Change, Previous Quarter	-1	0	115	-66	-55	-6
TOTAL, ARIZONA	18,050	1,590	220	146	843	20,849
% Change, Previous Year	27	2	47	1	-72	9
% Change, Previous Quarter	3	-13	62	10	-66	-6

Source (Tables 1 and 2): Arizona Real Estate Center, L. William Seidman Research Institute, W. P. Carey School of Business, Arizona State University.

LOOKING AHEAD

Although both the national and local economies are showing signs of recovery, job growth and employment continue to be problematic. The availability of jobs is important in attracting people to the area, so job growth could greatly influence future levels of residential development. With interest rates expected to increase and home prices to rise, income will become a greater element in affordability. With the increasing cost of benefits, the level of take-home pay could play an increasing role in obtaining and maintaining a home.

Unlike past recoveries when firms recalled laid-off employees, this time plant

and store closures, consolidations and movement of activities to other countries have resulted in an employment void. Thus, strong job growth will be delayed until firms are created that will attract new employment. The need to generate new firms is one of the reasons that many cities are emphasizing their ability to attract and sustain the "creative entrepreneur." The new firms will not only be a source of employment, but will enhance the status and image of the area and ultimately, its ability to attract new people and firms.

Although new firms may be good news for the beleaguered office and industrial markets, the question is whether the technological

and organizational requirements can be best satisfied by existing or new buildings. Retail development should continue to follow the rooftops into the new areas of west Maricopa County and Pinal County. The apartment sector should show some improvement when job growth returns, and the single-family market becomes less affordable. Further, more apartment construction should begin to occur in west Maricopa County and Pinal County to provide a wider range of housing opportunities.

— Jay Q. Butler

Director

Arizona Real Estate Center

TABLE 3
KEY SECTOR CONSTRUCTION ACTIVITY
Third Quarter 2003, Second Quarter 2003 and Third Quarter 2002

	COMMERCIAL									
	Single-family		Apartments ^a		Office Buildings ^b		Retail Stores ^c		Industrial	
	Number of Permits	Dollar Value (000)	Number of Permits	Dollar Value (000)	Number of Permits	Dollar Value (000)	Number of Permits	Dollar Value (000)	Number of Permits	Dollar Value (000)
MARICOPA COUNTY										
Third Quarter 2003	11,382	\$1,900,114	491	\$27,176	177	\$134,664	133	\$95,862	12	\$7,193
Second Quarter 2003	10,834	1,721,950	1,858	118,587	161	132,452	152	111,643	37	19,593
Third Quarter 2002	8,869	1,360,297	2,560	167,732	87	70,645	125	49,997	18	20,416
PIMA COUNTY										
Third Quarter 2003	2,210	362,795	62	2,867	48	11,867	48	24,506	6	2,359
Second Quarter 2003	2,172	345,495	10	430	40	9,074	30	12,069	3	422
Third Quarter 2002	1,730	261,377	171	6,939	36	5,365	19	21,595	6	1,161
REST OF ARIZONA										
Third Quarter 2003	4,458	517,243	290	15,644	31	15,527	41	10,065	18	16,312
Second Quarter 2003	4,500	523,503	648	34,328	25	13,377	57	19,821	14	9,647
Third Quarter 2002	3,667	409,673	240	14,639	21	17,951	60	13,633	37	12,575
ARIZONA TOTAL										
Third Quarter 2003	18,050	2,780,152	843	45,687	256	162,058	222	130,433	36	25,864
Second Quarter 2003	17,506	2,590,948	2,516	153,345	226	154,903	239	143,533	54	29,662
Third Quarter 2002	14,266	2,031,347	2,971	189,310	144	93,961	204	85,225	61	34,152

^a Five or more housing units

^b Office, bank, medical and professional buildings

^c Shopping centers and other mercantile buildings

TABLE 4
ARIZONA BUILDING PERMITS
Third Quarter 2003

	Residential [*]		Commercial		Industrial		Other		Total	
	Number of Permits	Dollar Value (000)	Number of Permits	Dollar Value (000)	Number of Permits	Dollar Value (000)	Number of Permits	Dollar Value (000)	Number of Permits	Dollar Value (000)
MARICOPA COUNTY	13,926	\$1,968,146	968	\$358,510	12	\$7,193	8,531	\$349,085	23,437	\$2,682,934
% Change, Previous Year	23	37	4	-4	-33	-65	-4	33	10	28
% Change, Previous Quarter	1	9	-6	-16	-68	-63	-14	-13	-5	2
PIMA COUNTY	3,499	384,656	374	93,760	6	2,359	1,741	13,449	5,620	494,224
% Change, Previous Year	22	40	-3	54	0	103	-13	-76	7	26
% Change, Previous Quarter	-9	6	-8	69	100	459	-11	-53	-9	10
REST OF ARIZONA	7,800	590,630	388	80,745	18	16,312	2,012	61,899	10,218	749,586
% Change, Previous Year	17	25	-22	-7	-51	30	11	-18	13	16
% Change, Previous Quarter	-3	0	-22	-19	29	69	-17	-31	-7	-5
TOTAL, ARIZONA	25,225	2,943,432	1,730	533,015	36	25,864	12,284	424,433	39,275	3,926,744
% Change, Previous Year	21	35	-4	2	-41	-24	-4	8	11	25
% Change, Previous Quarter	-1	7	-10	-8	-33	-13	-14	-18	-6	1

* Includes mobile homes

Source (Tables 3 and 4): Arizona Real Estate Center, L. William Seidman Research Institute, W. P. Carey School of Business, Arizona State University.

Arizona Leading Index up slightly in November

The Bank One Arizona Index of Leading Economic Indicators rose in November to 122.8 — 0.2 percent above the 122.6 recorded in the previous month, and 4.2 percent above the November 2002 number of 117.8 (1987 = 100).

Sensitive materials prices and hours worked in manufacturing were positive. Negative components were the inflation-adjusted value of Maricopa County residential building permits, the inflation-adjusted value of the M2 money supply, production, employment from the Business Conditions Survey, new orders and materials inventories. Delivery times were neutral.

The index managed to emerge positive this month on the strength of just two components. However, these two components are related to manufacturing, which is the weakest sector of Arizona's economy right now. Another positive note is the likeliness that the weakness in the components is expected to be transitory, and the index will resume its climb next month.

If the national and Arizona leading indexes are used to compare the respective economies, it is clear that Arizona is doing somewhat better than the nation as a whole. Over the last 12 months the national index has been negative for two months and flat for three, while Arizona was negative for one and flat for two. Arizona continues to be among the top 10 states for job growth, with a showing of seventh in November. The Blue Chip Job Growth Update tracks 10 subcategories of employment, and Arizona was below the national average in only two categories for November — information and government. The state did best in health and education services, where it placed third for the month.

The best indicator that the Arizona economy will continue to improve during 2004 may be the recent uptick in business spending. Lackluster spending by businesses at the national level has been the most pronounced weak spot in the recovery to date. Business spending — and particularly, spending on new hires — must improve if consumers are going to continue to spend at current levels. We have seen businesses begin to increase spending, and presumably this will lead to a better jobs picture soon. In any case, business spending will help Arizona because the state's export base is tied much more to business spending and

significantly less to consumer spending. Arizona's export base is composed of those goods and services provided to firms and people not resident in the state of Arizona, whether they are in California or Hong Kong. The international component of the state's export base also is likely to be helped by the decline of the dollar against most major currencies — particularly the euro. The benefit of cheaper exports will be tempered by the lackluster economies of most of our trading partners.

Over the next year the prospects for Arizona look good when measured against the nation as a whole. However the state's prospects measured against its performance at the peak of the last expansion may seem disappointing. The problem is that since many of the things that normally lag during a downturn, like home sales and car sales,

did not slow down this time. Thus, there is much less room for improvement as the recovery proceeds. State and local government spending may be the only sector with much room to bounce, and the revenue picture is looking much better than it did a year ago. Federal spending took a one-time jump because of the war with Iraq and may remain at a fairly high level for some time, but it seems unlikely that spending will continue to increase, particularly on the domestic side. The stock markets seem to be posting good gains, which suggests a renewed wave of optimism — hopefully one that will be tempered by memories of the dot-com bust.

— Tracy Clark

Associate Director

Bank One Economic Outlook Center

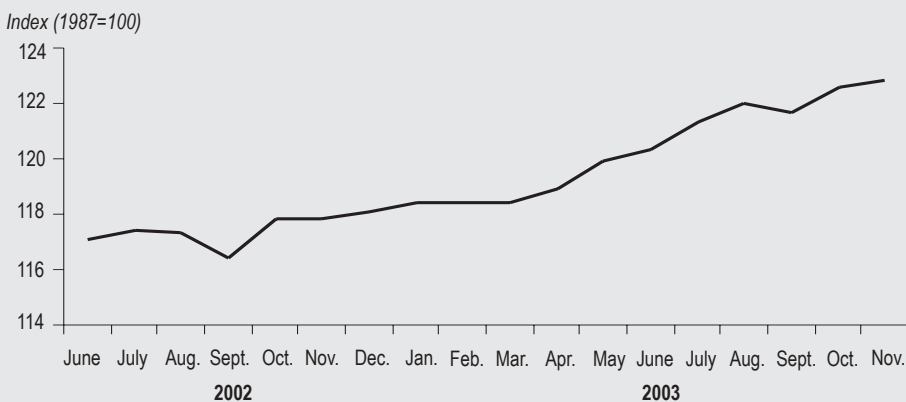
TABLE 1
NET CONTRIBUTION OF INDIVIDUAL COMPONENTS TO THE ARIZONA INDEX OF LEADING ECONOMIC INDICATORS*

	August	September	October	November
Delivery Time*	0.11	-0.06	0.00	0.00
Inventory Levels*	-0.04	-0.03	0.23	-0.01
New Orders*	0.01	0.00	0.10	-0.02
Production*	0.03	0.08	0.05	-0.07
Employment*	-0.01	0.18	-0.07	-0.03
Residential Building Permits	-0.03	0.06	0.08	-0.25
Average Workweek, Manufacturing	0.07	-0.07	-0.04	0.28
Money Supply	0.23	-0.31	-0.22	-0.13
Change in Sensitive Materials Prices	0.20	-0.06	0.58	0.39

* The net contribution of each component is calculated by multiplying the monthly percent change in its index by its relative importance.

* Based on indicators from the Purchasing Management Association of Arizona, Purchasing Management Association of Southern Arizona and the Northern Arizona Group.

FIGURE I
ARIZONA INDEX OF LEADING ECONOMIC INDICATORS



Source: Bank One Economic Outlook Center, L. William Seidman Research Institute, W. P. Carey School of Business, Arizona State University.



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ARIZONA ECONOMIC INDICATORS

	Month or Quarter	Current Value	Previous Value	Percent Change Previous Period	Percent Change from Year Ago	Year-to-Date	
						Value	Percent Change from Year Ago
LEADING ECONOMIC INDEX (1987 = 100)							
Arizona	November	122.8	122.6	0.2	4.2	NA	NA
BUSINESS CONDITIONS INDEX							
Arizona	November	62.9	64.6 r	-2.6	28.1	NA	NA
BUILDING PERMITS (Thousands of \$)							
Maricopa County	October	839,409	952,721 r	-11.9	-1.2	8,281,667	11.7
Pima County	October	128,729	158,810	-18.9	6.2	1,462,601	13.7
Balance of State	October	189,798	228,791	-17.0	-0.9	1,410,318	-28.6
Arizona	October	1,157,936	1,340,322 r	-13.6	-0.3	11,154,586	4.5
TOTAL HOUSING UNITS AUTHORIZED							
Maricopa County	October	4,379	4,291	2.1	8.2	39,356	4.8
Pima County	October	678	750	-9.6	-16.5	8,143	9.9
Balance of State	October	1,562	2,093	-25.4	-4.1	18,692	18.8
Arizona	October	6,619	7,134	-7.2	2.0	66,191	9.1
HOME SALES							
Maricopa County – Number.....	October	9,190	13,560	-32.2	-2.2	100,510	14.5
Maricopa County – Median Price(\$).....	October	155,900	156,250	-0.2	5.5	154,000	7.4
HOUSING AFFORDABILITY INDEXES							
Metropolitan Phoenix – New Homes	3rd Quarter	110	115	-4.3	-4.3	NA	NA
Metropolitan Phoenix – Resale Homes	3rd Quarter	120	131	-8.4	-4.8	NA	NA
MORTGAGE RATES (30-year Fixed)							
Maricopa County	November	5.5	5.6	-1.8	-5.2	NA	NA
POPULATION ESTIMATES (Thousands)							
Maricopa County	3rd Quarter	3,412	3,386	0.8	3.0	NA	NA
Pima County	3rd Quarter	907	902	0.6	2.1	NA	NA
Balance of State	3rd Quarter	1,342	1,331	0.8	2.9	NA	NA
Arizona	3rd Quarter	5,660	5,620	0.7	2.8	NA	NA
RETAIL SALES (Millions of \$)							
Maricopa County	October	2,581	2,593	-0.5	5.8	26,081	4.9
Arizona	October	3,835	3,822	0.3	5.9	38,589	4.7

Note: The above figures reflect the latest data available as of date of publication and are subject to revision.

NA = Not Applicable r = Revised

Source: Center for Business Research, Arizona Real Estate Center, and Bank One Economic Outlook Center, affiliates of the L. William Seidman Research Institute, W. P. Carey School of Business, Arizona State University. Retail sales data are from the Arizona Department of Revenue.