

# AZB ARIZONA BUSINESS

ARIZONA STATE UNIVERSITY'S MONTHLY NEWSLETTER ON THE ARIZONA ECONOMY

## Optimistic forecast calls for resumption of job growth

It is ironic that the national economy improved in 2003 in every aspect except the one that consumers were most hoping for: employment. Job creation is expected to rev up in 2004 and 2005, which should keep the economy on an expansionary path. Arizona fared better in 2003, but the national economy clearly was a drag on the state. Local growth should return to more normal levels as the national economy improves.

GDP grew at reasonable levels for three quarters in 2003 — and at an unusually high level for one quarter. That one high quarter explains the difference between the 3.1 percent actual growth and the 2.8 percent growth forecast at the beginning of last year. The final growth rate for 2003 is respectable, but apparently insufficient to generate overall employment growth for the nation. The lack of job growth is a concern because if it persists long enough, consumer spending could be negatively impacted. The primary reason employment has lagged so far in this recovery has been the reluctance of businesses to resume spending. Business spending started to pick up in 2003, which is why most forecasters are optimistic about a job growth recovery in 2004. Jobs will be created, but the unemployment rate will be slow in dropping as discouraged workers re-enter the labor force.

A quarterly publication of the Bank One Economic Outlook Center, *The National Consensus Forecast of Labor Employment, Compensation and Productivity*, forecasts that national employment will increase by 2.7 million in 2004 and 1.5 million in 2005. The forecast is produced by averaging the forecasts of 21 nationally known economic experts in the areas of employment, productivity and compensation. The panel also sees continued productivity growth and a small moderation of compensation costs as the recovery continues.

Firms will have to hire more workers, particularly if the industrial production numbers continue on the current trajectory. The numbers for 2003 were essentially flat, and the forecasts of many other economists are even more optimistic than the 4.2 percent increase in our current 2004 forecast. Industrial production is expected to benefit from some pent-up demand generated by the low business spending trends of recent years and the export boost from a falling dollar. Other things being equal,

the falling dollar should result in exports rising as U.S. goods become cheaper, but the impact has been blunted because of weaknesses in our trading partners' economies. The net export figures continue to deteriorate through 2004 because imports will still be increasing faster than exports until 2005.

Housing starts are expected to take something of a breather as mortgage rates inch up. However, the levels forecasted for 2004 and 2005 are still quite healthy by historical standards. The interest rate increases are likely to be modest, judging by the recent pronouncements of the Federal Reserve. The most recent statement suggests that the federal funds rate may start to move up in June. The preference of the board, at least under Chairman Alan Greenspan, has been for gradual changes on the order of a quarter of a percent per move. It is also clear that the Fed does not see inflation reemerging as a problem in the foreseeable future. If the markets agree with the Fed's assessment, mortgage rate increases are likely to be modest.

Sales of consumer durables should also benefit from the positive interest rate picture. Auto sales in particular are expected to remain at relatively high levels. It appears that consumers have changed their buying habits in a low interest rate environment. Auto sales have stayed so high for so long that people must be significantly shortening the time that they hold on to a vehicle before trading it in on a new one. It remains to be seen how sensitive the reaction will be among consumers as the rates rise.

### ARIZONA

Arizona managed to stay in the top 10 states for employment growth during 2003, although growth figures were anemic by historical standards. The growth in the economy has been fairly widespread with the exception of manufacturing, mining and information services. The state's population growth continues

### INSIDE

2004–2005 Economic Forecast.....	1
Business Conditions Index: December .....	4
Arizona Leading Index: December .....	5
Census Migration (Part 2) .....	6
Arizona Economic Indicators.....	8

## 2004-2005 Economic Forecast

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to hold up better than expected based on historical patterns.

Preliminary employment numbers for 2003 show overall growth of 1.0 percent. These survey numbers will be benchmarked to information from the unemployment insurance program early in 2004. The revisions are likely to be in an upward direction, because the survey can miss new businesses as the economy starts growing again during

a recovery. The revisions for the last few years have been relatively small, at least for Arizona. The state's numbers might not change, but others are likely to have greater revisions — which could impact Arizona's relative standing among the states to some extent. The revisions are unlikely to change the basic story that for overall job growth, Arizona fared better than most other states.

Arizona's relatively strong economic performance prompted one reporter to call and ask how the relative economic performance of the states would impact the presidential race. While it is true that a strong economy favors the incumbent while difficult economic times favor the challenger, there are many other issues competing for voters' attention in this year's presidential election. Voters most often evaluate the economy in

**TABLE 1**  
**2004 AND 2005 ECONOMIC FORECASTS: UNITED STATES**

	<i>Actual</i> 2000	<i>Actual</i> 2001	<i>Actual</i> 2002	<i>Actual</i> 2003	<i>Forecast</i> 2004	<i>Forecast</i> 2005
Gross Domestic Product						
Billions of 1996 Dollars .....	9,817.0	9,866.7	10,083.1	10,397.2	10,813.1	11,202.4
Percent Change .....	3.7	0.5	2.2	3.1	4.0	3.6
Industrial Production (Percent Change) .....	4.3	(3.4)	(0.5)	0.4	4.2	4.0
Net Exports (Billions of 1996 Dollars) .....	(379.5)	(398.1)	(470.6)	(529.3)*	(541.0)	(525.0)
Housing Starts						
Number in Thousands .....	1,592.3	1,636.7	1,747.7	1,889.2*	1,732.4	1,649.2
Percent Change** .....	(4.5)	2.8	6.8	8.1	(8.3)	(4.8)
Unemployment Rate (Percent).....	4.0	4.8	5.8	6.0	5.8	5.5
Consumer Price Index (Percent Change) .....	3.4	2.8	1.6	2.3	1.8	2.2
Three-Month Treasury Bill Rate (Percent) .....	5.8	3.4	1.6	1.0	1.5	2.4
10-Year Treasury Note Rate (Percent).....	6.0	5.0	4.6	4.0	4.8	5.2

\* Estimate    \*\*Calculated prior to rounding

**TABLE 2**  
**2004 AND 2005 ECONOMIC FORECASTS: ARIZONA**

	<i>Actual</i> 2000	<i>Actual</i> 2001	<i>Actual</i> 2002	<i>Actual</i> 2003	<i>Forecast</i> 2004	<i>Forecast</i> 2005
<i>Personal Income</i>						
Millions of Current Dollars .....	131,046	137,331	142,725	150,289*	159,907	170,781
Percent Change .....	9.0	4.8	3.9	5.3	6.4	6.8
<i>Retail Sales</i>						
Millions of Current Dollars .....	43,940	44,833	45,425	47,605*	50,366	53,539
Percent Change .....	7.8	2.0	1.3	4.8	5.8	6.3
Unemployment Rate (Percent).....	3.9	4.7	6.2	5.6	5.0	4.5
<i>Wage and Salary Employment</i>						
Number in Thousands .....	2,242.7	2,265.0	2,264.9	2,287.9	2,348.9	2,430.4
Percent Change .....	3.7	1.0	(0.0)	1.0	2.7	3.5
<i>Population</i>						
Number in Thousands .....	5,169	5,321	5,468	5,615	5,761	5,917
Percent Change .....	3.0	2.9	2.8	2.7	2.6	2.7
<i>Single-Family Units Permitted</i>						
Number .....	48,846	50,930	55,649	63,021*	59,870	58,673
Percent Change .....	(5.6)	4.3	9.3	13.2	(5.0)	(2.0)
<i>Multifamily Units Permitted **</i>						
Number .....	10,920	10,414	8,830	6,936*	6,520	6,585
Percent Change .....	(9.5)	(4.6)	(15.2)	(21.4)	(6.0)	1.0

\*Estimate    \*\* Apartment complexes of three or more units

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

terms of the jobs situation, and while 2003 was dismal for the nation as a whole, the picture should be considerably better by the middle of the year. Arizona is an interesting case because relative to the rest of the nation, the state has performed well — but the performance does not match the high expectations its citizens have built up over the years.

The pace of job growth is expected to more than double in 2004, and continue to improve in 2005 to a level that Arizonans would consider comfortable. The bottom-line job growth number for 2004 remains the same as last quarter, but the composition of that growth changed somewhat based

on the last quarter's experience of growth. Trade and financial activities, while still healthy, appear to be on a slower growth path, while the services sector seems to be doing better. The numbers for 2005 appear much better across the board with the exception of construction. Interest rate increases should finally force some modest declines in construction employment, in line with the modest declines expected for single-family permits.

The declines in single family-permit activity are expected to be modest because population flows are expected to bottom out in 2004 at a relatively high rate, before improving in 2005 and beyond. The wild

card for the industry may be the extent to which current purchases are being driven by investors who are looking for rental income and housing appreciation. The investment is being driven by the perception that real estate is a safer than the stock market right now — but if that perception changes, it could impact the demand for houses. There is also the potential problem if, in three to five years, all of the investors try to sell at the same time.

The structure of the single-family homebuilding industry has also changed significantly since the last major downturn. The industry is now much more national in scope, with financing coming from

**TABLE 3**  
**2004 AND 2005 ECONOMIC FORECASTS: MARICOPA COUNTY**

	<i>Actual</i> 2000	<i>Actual</i> 2001	<i>Actual</i> 2002	<i>Actual</i> 2003	<i>Forecast</i> 2004	<i>Forecast</i> 2005
<i>Retail Sales</i>						
Millions of Current Dollars.....	30,167	30,605	30,690	32,320*	34,259	36,520
Percent Change.....	8.4	1.5	0.3	5.3	6.0	6.6
Unemployment Rate (Percent).....	2.7	3.9	5.6	4.9	4.8	4.5
<i>Wage and Salary Employment</i>						
Number in Thousands.....	1,541.0	1,559.5	1,552.4	1,568.9	1,620.7	1,688.7
Percent Change.....	3.6	1.2	(0.5)	1.1	3.3	4.2
<i>Population</i>						
Number in Thousands.....	3,097	3,194	3,289	3,382	3,473	3,571
Percent Change.....	3.4	3.1	3.0	2.8	2.7	2.8
<i>Single-Family Units Permitted</i>						
Number in Thousands.....	33,107	33,428	35,360	39,417*	36,658	36,658
Percent Change.....	(6.6)	1.0	5.8	11.5	(7.0)	0.0
<i>Multifamily Units Permitted **</i>						
Number in Thousands.....	9,490	8,964	7,268	5,826*	5,476	5,559
Percent Change.....	(0.4)	(5.5)	(18.9)	(19.8)	(6.0)	1.5

\*Estimate    \*\* Apartment complexes of three or more units

**TABLE 4**  
**ARIZONA EMPLOYMENT FORECASTS: 2004 and 2005**  
**(In Thousands)**

	<i>Actual</i> 2000	<i>Percent</i> <i>Change</i>	<i>Actual</i> 2001	<i>Percent</i> <i>Change</i>	<i>Actual</i> 2002	<i>Percent</i> <i>Change</i>	<i>Actual</i> 2003	<i>Percent</i> <i>Change</i>	<i>Forecast</i> 2004	<i>Percent</i> <i>Change</i>	<i>Forecast</i> 2005	<i>Percent</i> <i>Change</i>
Manufacturing.....	209.9	1.2	201.7	(3.9)	183.9	(8.8)	175.4	(4.6)	177.2	1.0	180.7	2.0
Mining.....	9.8	(11.7)	9.6	(2.0)	8.9	(7.3)	8.5	(4.5)	8.4	(1.0)	8.5	1.5
Construction.....	168.1	4.5	173.6	3.3	172.3	(0.7)	177.8	3.2	172.5	(3.0)	158.7	(8.0)
TCPU*.....	74.3	1.0	76.6	3.1	75.8	(1.0)	77.3	2.0	79.2	2.4	81.5	3.0
Trade.....	54.4	15.5	53.9	(0.9)	51.5	(4.5)	48.8	(5.2)	49.3	1.0	50.7	2.8
FIRE**.....	363.5	3.8	364.0	0.1	366.4	0.7	370.6	1.1	383.6	3.5	400.8	4.5
Services.....	151.0	2.4	153.4	1.6	153.9	0.3	153.9	0.0	158.5	3.0	165.7	4.5
Government.....	845.0	4.2	854.5	1.1	863.9	1.1	885.7	2.5	925.6	4.5	981.1	6.0
	366.7	3.6	377.8	3.0	388.3	2.8	390.1	0.5	394.8	1.2	402.7	2.0
Total Wage and Salary Employment.....	2,242.7	3.7	2,265.0	1.0	2,264.9	(0.0)	2,287.9	1.0	2,348.9	2.7	2,430.4	3.5
Unemployment Rate	3.94%		4.79%		6.2%		5.6%		5.0%		4.5%	

\*Transportation, Communications and Public Utilities    \*\*Finance, Insurance and Real Estate

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

national markets rather than local lenders. The national financing aspect is a positive because of the greater availability of capital, but it also increases the exposure of the local market to the sometimes volatile swings of the national and international credit markets.

Personal income should continue to recover as the pace of job creation accelerates. Personal income growth in Arizona is actually influenced more by increases in the number of people holding jobs, thanks to our rapid population growth. Increases in income for people already holding jobs also play a role, and the outlook for current

workers is also positive.

Arizona and many other states have been struggling with revenue shortfalls for the past few years, and the situation is expected to improve significantly over the next two years. Retail sales are bouncing back, and this is the single largest revenue source for the state. Corporate income tax collections have been surprisingly strong given the degree to which local firms suffered during the recession. Personal income tax collections during the stock market bubble were very high due to capital gains. It seems likely that capital gains will not return to bubble levels anytime soon, but

regular income will gradually expand to fill the gap.

Arizona is sensitive to the direction of the national economy, interest rates and the impact on tourism from international events. The national economy is on the mend. The interest rate picture remains positive, which will boost the state. Tourism has made a significant recovery, but it is impossible to forecast the types of events that hit tourism the hardest.

— Tracy Clark

Associate Director

Bank One Economic Outlook Center

## Business Conditions Index resumes climb in December

The seasonally adjusted Arizona Business Conditions Index rose to 66.1 in December from 62.9 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

The Arizona Business Conditions Index rose by 3.2 points — attaining its highest level since December 1996. This is positive news about business activity, but the report also contains some not-so-good news about the job growth situation.

The employment component of the overall index rose by just 0.8 points, reaching 55.9 in December. In September, the employment index had been at 57.9. It appears that the return to growth in the job market is going to continue to be sluggish.

On the other hand, the new orders component of the overall index is showing remarkable strength, reaching 71.8 in December. This is the highest level attained by this sub-index since December 1996.

The Prices Index gained 1.1 points in December to reach 58.6. This indicates that there is upward pressure on prices, but the steadiness of the index over the past several months suggests that there is no cause for concern about inflation.

Each December, the Arizona Business Conditions Survey asks a question about capital equipment expenditure. This type of business spending is seen as essential to a return of healthy growth in the economy, both nationally and locally. Of the respondents to this year's survey, 52 percent anticipate increasing their capital equipment expenditure in 2004, and

14 percent plan to decrease such expenditures. This is a significant improvement over 2003, when 37 percent of the respondents planned to increase their capital equipment expenditures and 32 percent planned a decrease. In manufacturing, the 2004 planned expenditures are

mainly for additional capital equipment, rather than replacement equipment.

— Dawn McLaren

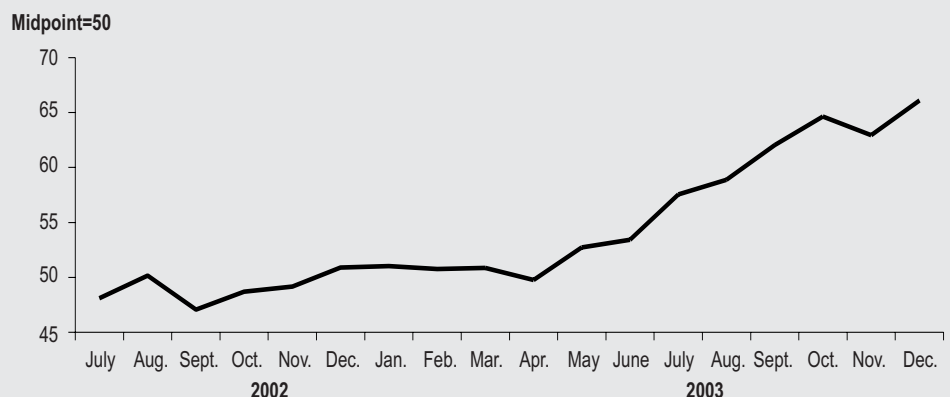
Research Economist

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TABLE 1  
ARIZONA BUSINESS CONDITIONS INDEX AND PRICES INDEX

	Jul-03	Aug-03	Sep-03	Oct-03	Nov-03	Dec-03
Overall Index	57.6	58.9	62.0	64.6	62.9	66.1
Delivery Times	54.4	57.3	56.0	55.9	56.2	67.1
Purchased Materials						
Inventory Levels	50.5	51.1	50.7	60.9	62.1	61.9
Purchases	57.6	67.6	71.2	72.9	68.5	65.8
New Orders	60.4	61.2	63.5	68.5	67.0	71.8
Production	63.9	65.7	71.8	72.9	68.7	68.5
Employment	51.2	51.9	57.9	56.8	55.1	55.9
Prices	56.6	57.2	57.3	57.4	57.5	58.6

FIGURE I  
ARIZONA BUSINESS CONDITIONS INDEX\*



\*Excludes Prices Index

Source (Table 1 and Figure I): Bank One Economic Outlook Center, L. William Seidman Research Institute, W. P. Carey School of Business, Arizona State University.

# Arizona Leading Index on the rise in December

The Bank One Arizona Index of Leading Economic Indicators rose in December to 124.9, which is 1.2 percent above the revised 123.4 number for the previous month and 5.2 percent above the December 2002 index level of 118.7 (1987 = 100).

Positive values were reported in the inflation-adjusted value of Maricopa County residential building permits, sensitive materials prices, delivery times, hours worked in manufacturing, new orders and employment from the Business Conditions Survey. The inflation-adjusted value of the M2 money supply and production were negative. Materials inventories were neutral.

The best news from the index this month was that the rise was broad-based, unlike the previous month's narrow advance. Building permits were responsible for the very large percentage jump in the index, but with six out of nine components in positive territory, the increases were well distributed.

It is also encouraging that the five components of the Business Conditions Index have collectively returned to positive territory after November's negative numbers. The combined components have been positive five out of the last six months, which suggests that Arizona businesses are well on the road to healthy growth. Jobs figures would tend to bear this out, with only manufacturing and mining still showing weakness. Copper prices may actually encourage some job growth in mining; the manufacturing sector may start hiring as soon as the middle of this year. Aerospace, particularly civil aviation, still has a way to go — but the military aviation and semiconductor sectors generally are improving.

The one clear negative trend is in the money supply, which has fallen four months in a row. Money supply growth requires two things: reserves to lend and willing borrowers. The money supply grew fairly rapidly for a long time because of the extra reserves supplied by the Federal Reserve. However, the growth was constrained because business borrowing was so weak. Business borrowing has begun to increase but the money supply is falling which, in the absence of lower consumer borrowing, means that the amount of reserves to support lending may be falling. The Federal Reserve has announced no changes in the interest rate targets they are pursuing, but it has suggested some adjustment will be announced at the June meeting. It may be that the Fed is making small adjustments to reserves that will make it easier to raise inter-

est rates later rather than raising them now.

The large jump in seasonally adjusted Maricopa County building permits was something of a surprise after last month's drop. However, residential activity — particularly single family activity — has been surprising for some time. It is not clear how much of the current demand originates from people who will live in the houses and how much is from investment seekers. The performance of the stock market until recently was pushing money out of stocks and into real estate. The investment of choice has been single-family rental homes, which have been pushed through investment seminars in places like California. The short-term risk is that people will stop putting money into real estate and back into the stock market. Longer-term, it is difficult to gauge the potential impact of large numbers of rental properties being put on the

market as people try to cash out.

It is clear that the positives outweigh the negatives for the Arizona economy at the outset of 2004. Employment is clearly on the upswing, and that trend is expected to continue. Arizona will benefit greatly as the national economy improves, and it will also receive a boost as exports improve because of the weakening dollar. The economy remains vulnerable to further terrorist attacks and the impact that would have on tourism. The positive outlook depends also on interest rates remaining fairly low for the time being.

— Tracy Clark

Associate Director

Bank One Economic Outlook Center

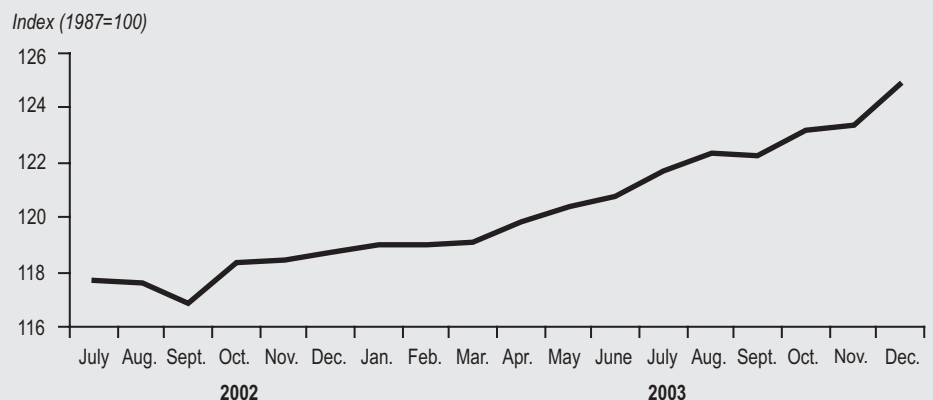
**TABLE 1**  
NET CONTRIBUTION OF INDIVIDUAL COMPONENTS TO THE ARIZONA INDEX OF LEADING ECONOMIC INDICATORS\*

	September	October	November	December
Delivery Time*	-0.06	0.00	0.00	0.22
Inventory Levels*	-0.03	0.23	-0.01	0.00
New Orders*	0.00	0.10	-0.02	0.07
Production*	0.08	0.05	-0.07	-0.01
Employment*	0.18	-0.07	-0.03	0.03
Residential Building Permits	0.06	0.08	-0.25	0.70
Average Workweek, Manufacturing	-0.07	-0.04	0.28	0.10
Money Supply	-0.31	-0.22	-0.13	-0.18
Change in Sensitive Materials Prices	-0.06	0.58	0.39	0.24

\* 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 1**  
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.

# Phoenix-Mesa metropolitan area near top on migration

The Phoenix-Mesa metropolitan area had the greatest net domestic migration of any metro area between 1995 and 2000. Including international migration, the Phoenix area ranked second. This article continues the discussion of 2000 census migration data begun in the last issue.

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.

## CHARACTERISTICS OF STATE MIGRATION

Migration to Arizona between 1995 and 2000 was somewhat stronger among males than females. The net domestic in-migration rate among males was nearly 78, compared to 71 among females. The gender difference was larger among international migrants, with a rate of 48 for males and 38 for females. Migration efficiency (the ratio of in-migration to out-migration) was a little higher among males.

Arizona was a particularly strong destination state between 1995 and 2000 among those born in the United States, with the fourth greatest number of net domestic in-migrants and the second highest migration

rate. Among those born outside the United States, but moving from elsewhere in the country, Arizona ranked fifth on number and 10th on rate. Nevada had the highest migration rate among both groups and Florida ranked third in each case. North Carolina's rate was second among the foreign born and fourth among natives.

Domestic migration to and from Arizona was dominated by non-Hispanic whites, accounting for more than three-fourths of in-, out- and net migration. Hispanics accounted for most of the rest. Calculated as a rate, however, Asians and Pacific Islanders had the highest figures. Non-Hispanic whites and blacks both had somewhat above average rates of in- and out-migration, but near average net rates. Hispanic in- and out-migration rates were well below average (the net rate was below average as well) and rates of American Indians were very low.

Of those moving to Arizona from abroad, however, more than 60 percent were Hispanic. Asians and Pacific Islanders and Hispanics both had high rates of movement from abroad, with American Indians and non-Hispanic whites having very low rates.

Combining net domestic migrants with those moving from abroad, Asians and Pacific Islanders had the highest rate, followed by Hispanics. More than half of the total migrants to Arizona were non-Hispanic whites; Hispanics accounted for about a third. Hispanics also accounted for a third of the net migration to Oregon, Colorado and Nevada. The Hispanic proportion was well under a third in Washington and Idaho, but about half in Texas, Utah and California. Asians

outnumbered Hispanics in California.

The Census Bureau created a special tabulation of those young (25-to-39 years old), single (never married, widowed or divorced) and college educated (at least a bachelor's degree). Despite its substantial domestic net out-migration overall and in each age group, California by far had the greatest net in-migration of this subgroup. Second-place Georgia had only a third as many net in-migrants. Other high-ranking states included Colorado, Texas and Washington. Arizona ranked seventh. Each of the 12 states with the greatest number lie on the Atlantic Coast or in the West.

Based on rate (number of migrants per 1,000 residents in 1995), Arizona ranked a bit higher at fourth. Nevada, Colorado and Georgia had higher rates, with Oregon's rate being just a little less than Arizona. California ranked seventh on rate. The 13 states with the highest rates all are located in the West or along the East Coast.

Arizona placed in the second tier of states at 13th, however, when comparing the overall net domestic migration rate to that of the young, single and college educated subgroup. The net migration rate of this subgroup was not substantially higher than the overall migration rate, meaning that Arizona's population profile shifted only a little toward this subgroup. The states with the greatest shift were Nevada, California, Colorado, Georgia, Alaska, Washington and Oregon (and the District of Columbia). A number of states suffered a large net out-migration rate of this subgroup relative to its overall net migration rate. Plains states and southern

TABLE 1  
DOMESTIC MIGRATION BETWEEN 1995 AND 2000

	NUMBER						RATE					
	In-migration		Out-migration		Net Migration		In-migration		Out-migration		Net Migration	
	From Same State	From Different State	To Same State	To Different State	Same State	Different State	From Same State	To Different State	To Same State	To Different State	Same State	Different State
Selected Counties												
Cochise	8,198	20,905	10,699	19,227	-2,501	1,678	77.2	196.9	100.8	181.1	-23.6	15.8
Coconino	14,870	16,576	16,143	16,697	-1,273	-121	138.3	154.2	150.2	155.3	-11.8	-1.1
Maricopa	66,720	492,059	76,324	265,551	-9,604	226,508	26.9	198.0	30.7	106.9	-3.9	91.2
Mohave	6,082	39,292	6,484	22,934	-402	16,358	47.6	307.4	50.7	179.4	-3.1	128.0
Pima	35,158	119,016	34,512	87,678	646	31,338	48.0	162.5	47.1	119.7	0.9	42.8
Pinal	26,642	25,637	14,484	9,540	12,158	16,097	196.7	189.3	106.9	70.4	89.8	118.8
Yavapai	20,461	31,170	11,563	17,406	8,898	13,764	153.2	233.4	86.6	130.4	66.6	103.1
Yuma	4,102	27,375	8,412	19,296	-4,310	8,079	30.1	201.1	61.8	141.7	-31.7	59.3

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

states other than along the Atlantic Coast generally had the worst performance, along with the New England states other than Massachusetts.

### METROPOLITAN AREAS

Domestic migration continued to flow disproportionately from metropolitan to nonmetropolitan areas between 1995 and 2000. Net in-migration to nonmetro areas was about 500,000, compared to 50,000 in the late 1980s and 1 million during the late 1970s. Most metro areas also experienced net in-migration; it totaled 1.6 million to metro areas of less than five million people. In contrast, the nine metro areas with more than five million residents lost 2.1 million to net out-migration. However, international in-migration was by far the greatest to the largest metropolitan areas. Thus, even these very populous areas experienced growth due to net in-migration.

The Phoenix-Mesa metro area was the 14th most populous in 2000, but it had the greatest net domestic migration of all metro areas, followed by Atlanta and Dallas-Fort Worth. The net in-migration rate to the Phoenix area easily was the highest among larger metro areas and was second highest in the West (to Greeley). The rates in the Tucson and Yuma metro areas were substantially lower than in the Phoenix area, while the Flagstaff metro experienced net domestic out-migration.

The Phoenix area did not have an especially large inflow from outside the country, ranking 11th. In the West, the Los Angeles, Houston and Dallas metros had more international in-migrants. The Phoenix metro ranked a little lower based on rate. The Yuma metro had a higher rate than the Phoenix area but

the Tucson area's rate was lower.

Combining migrants from abroad with net domestic migration, the Phoenix metro had the second most migrants among the nation's metro areas. The Atlanta area's total was a little greater than that of the Phoenix area, which barely was more than the Dallas-Fort Worth metro. Only three of the 20 largest metro areas had a net outflow, none of any magnitude. The Tucson area's total was far down the metro list, even in the West. The Phoenix metro's total rate was eighth highest in the nation, with only Las Vegas and Austin having higher rates among western metro areas.

### ARIZONA COUNTIES

Maricopa County — by far the most populous county in the state — had the most migrants of all types except net migrants to and from other Arizona counties. While Maricopa received a net inflow from 10 of the other 14 counties, large net outflows to Pinal and Yavapai counties resulted in the largest net outflow in the state to other Arizona counties. Adjusting for population, however, Maricopa had the lowest rates of migration to and from other Arizona counties, and rates in the middle of the counties on other measures of domestic migration [see Table 1]. However, it ranked fourth on total domestic net migration rate and second on the migration rate from other countries [see Table 2].

Pima County received a modest number of net in-migrants from other Arizona counties. While it received a net inflow from 10 of the other 14 counties, the net outflow to Maricopa County was sizable. While receiving a substantial number of net migrants from other states, its in-migration rate was lower than that of Maricopa County while its out-

migration rate was higher. Thus, its net rate was less than half that of Maricopa County. It also had a lower rate of in-migration from other countries.

Among the 13 less populous counties, Pinal County received the greatest number of net in-migrants from elsewhere in the state (more than 90 percent coming from Maricopa County), the fourth highest number from other states and the fifth most from abroad. It had the highest net domestic migration rate in the state, with the second-highest in-migration rate but the 11th on out-migration.

Mohave County had the greatest net number of in-migrants from other states among the 13 counties. However, it had a small net outflow to elsewhere in Arizona and ranked only seventh in international in-migration. Its domestic net in-migration rate ranked third.

Yavapai County was the other county to receive a substantial net inflow, ranking second on intrastate (more than 80 percent coming from Maricopa County) and third on interstate among the less populous counties. However, it ranked sixth on the number of international in-migrants. It had the highest domestic in-migration rate and second highest net domestic in-migration rate.

Four counties experienced a net outflow to other states: small numbers from Greenlee and Coconino and larger numbers from Apache and Navajo. Including net migration from other Arizona counties, Apache, Santa Cruz, Coconino, Greenlee and Navajo counties had a net domestic outflow. Apache, Greenlee and Santa Cruz had net outflows even after including in-migrants from other countries.

— Tom R. Rex  
Research Manager

TABLE 2  
TOTAL MIGRATION BETWEEN 1995 AND 2000

Selected Counties	NUMBER					RATE				
	Domestic			From Abroad	Domestic Net Plus Abroad	Domestic			From Abroad	Domestic Net Plus Abroad
	In	Out	Net			In	Out	Net		
Cochise	29,103	29,926	-823	4,689	3,866	274.1	281.8	-7.8	44.2	36.4
Coconino	31,446	32,840	-1,394	1,687	293	292.6	305.5	-13.0	15.7	2.7
Maricopa	558,779	341,875	216,904	131,091	347,995	224.9	137.6	87.3	52.8	140.1
Mohave	45,374	29,418	15,956	2,032	17,988	355.0	230.2	124.8	15.9	140.7
Pima	154,174	122,190	31,984	24,626	56,610	210.5	166.9	43.7	33.6	77.3
Pinal	52,279	24,024	28,255	3,926	32,181	385.9	177.4	208.6	29.0	237.6
Yavapai	51,631	28,969	22,662	2,744	25,406	386.7	217.0	169.7	20.6	190.3
Yuma	31,477	27,708	3,769	7,594	11,363	231.2	203.5	27.7	55.8	83.5

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



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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
<b>LEADING ECONOMIC INDEX (1987 = 100)</b>							
Arizona .....	December	124.9	123.4 r	1.2	5.2	NA	NA
<b>BUSINESS CONDITIONS INDEX</b>							
Arizona .....	December	66.1	62.9	5.0	29.9	NA	NA
<b>BUILDING PERMITS (Thousands of \$)</b>							
Maricopa County .....	November	730,263	875,655 r	-16.6	21.3	9,048,176	12.9
Pima County .....	November	141,426	128,729	9.9	43.3	1,604,027	15.8
Balance of State .....	November	175,304	217,381 r	-19.4	3.8	1,613,205	-24.8
Arizona .....	November	1,046,993	1,221,765 r	-14.3	20.4	12,265,408	6.2
<b>TOTAL HOUSING UNITS AUTHORIZED</b>							
Maricopa County .....	November	3,583	4,419 r	-18.9	23.1	42,979	6.3
Pima County .....	November	674	678	-0.6	6.6	8,817	9.7
Balance of State .....	November	1,430	1,643 r	-13.0	4.7	20,203	18.2
Arizona .....	November	5,687	6,740 r	-15.6	15.8	71,999	9.8
<b>HOME SALES</b>							
Maricopa County – Number.....	November	9,150	9,190	-0.4	21.7	109,660	15.1
Maricopa County – Median Price(\$).....	November	158,425	155,900	1.6	7.8	154,500	7.4
<b>HOUSING AFFORDABILITY INDEXES</b>							
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
<b>MORTGAGE RATES (30-year Fixed)</b>							
Maricopa County .....	December	5.5	5.5	0.0	-3.5	NA	NA
<b>POPULATION ESTIMATES (Thousands)</b>							
Maricopa County .....	4th Quarter	3,439	3,412	0.8	3.0	NA	NA
Pima County .....	4th Quarter	913	907	0.6	2.1	NA	NA
Balance of State .....	4th Quarter	1,353	1,342	0.9	3.1	NA	NA
Arizona .....	4th Quarter	5,704	5,660	0.8	2.9	NA	NA
<b>RETAIL SALES (Millions of \$)</b>							
Maricopa County .....	November	2,740	2,581	6.1	7.6	28,821	5.2
Arizona .....	November	4,043	3,835	5.4	7.6	42,632	5.0

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.