



Alliance Bank
OF ARIZONA®

Arizona

Regional Intelligence Report

MAY 2021

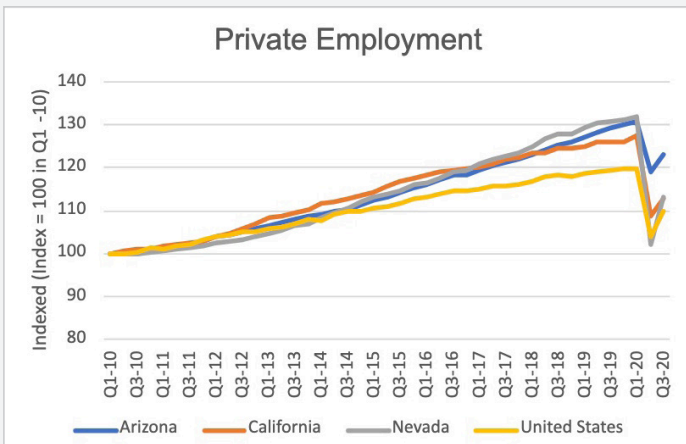
Arizona Professional and Business Services

With the decrease in new COVID-19 cases in the region, and the accelerated rollout of vaccinations, the worst effects of the economic fallout surrounding the pandemic are in the past. The 2020 recession was unlike any other recession in recent history, since it was not caused by economic fundamentals. Prior to the outbreak of the pandemic, unemployment rates were at generational lows, wages were rising, and consumers and businesses were healthy. The economic fallout from the pandemic happened quickly and it hit the economy hard. While the recovery of the labor market still lags other economic indicators, many aspects of the economy have already recovered to their pre-pandemic trends. The economic fallout disproportionately impacted the lowest wage earners, but an unprecedented policy response by the federal government went some way towards dulling the pain felt by such workers. This report details current labor market conditions in Arizona and provides a deeper dive into the Professional and Business Services sector in the state.

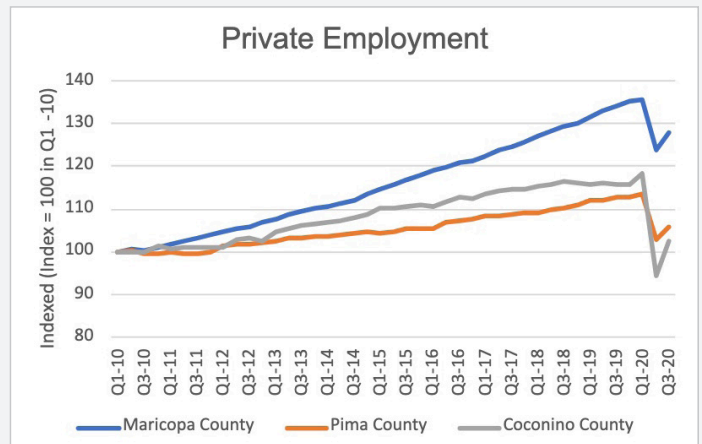
Private Employment

Arizona has been a leading source for job growth in the nation over the last decade. Since the first quarter of 2010, private employment in Arizona has expanded by 23%, well above the pace in California (12.9%), Nevada (13.2%), and the United States as a whole (10%). Within the state, Maricopa County (home to Phoenix) has led job gains over the past decade, where jobs have been added at a rate of 28%, compared to 6% in Pima County (home to Tucson) and 2% in Coconino County (home to Flagstaff).

Arizona's economy has also weathered the economic fallout from COVID-19 better than other regions. From the third quarter of 2019 to the third quarter of 2020, private employment has declined by just 6.0%, a less significant decline relative to the United States (-8.1%). While within the state, job losses in Maricopa County (-5.8%) have been lower than in Pima County (-6.7%) and Coconino County (-13%). Coconino County has been hit harder due to the importance of tourism to its economy.



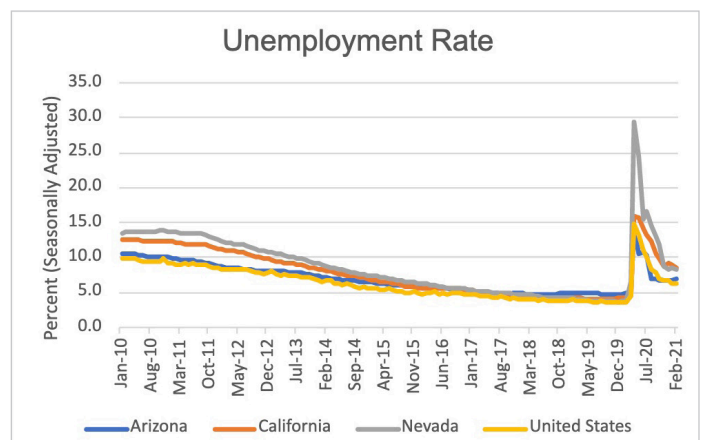
Source: U.S. Bureau of Labor Statistics



Source: U.S. Bureau of Labor Statistics

Unemployment Rate

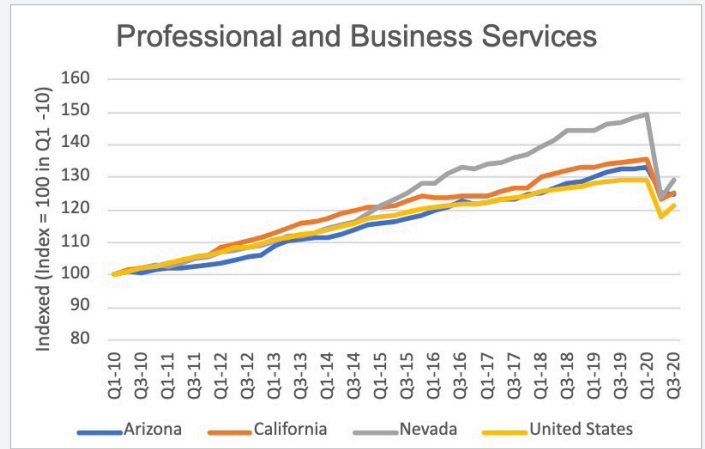
With a less significant decline in the region's workforce over the last year, Arizona has seen a more modest increase in unemployment relative to other areas. From February 2020 to February 2021, Arizona's unemployment increased to 6.9%, a 2.0 percentage point increase. This is a smaller increase compared to California (4.2 percentage points), Nevada (4.6 percentage points), and the United States (2.7 percentage points). What's more, the unemployment rate in Arizona is now below that of California (8.5%) and Nevada (8.3%), and the road to recovery will be longer for these regions relative to Arizona.



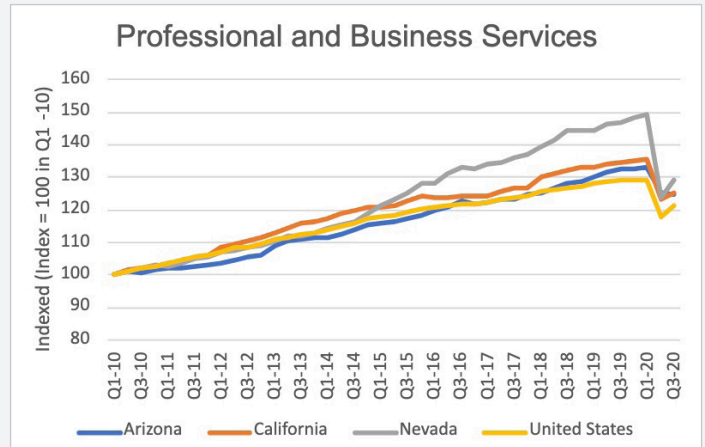
Source: U.S. Bureau of Labor Statistics

Arizona Professional and Business Services

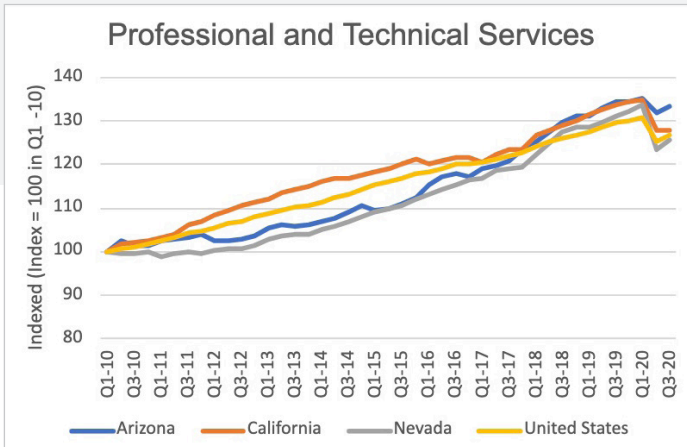
Professional and Business Services has been one of the industries driving the strong growth in Arizona over the last decade. Since the first quarter of 2010, private employment in Professional and Business Services has expanded by 24.9% in Arizona, a more rapid expansion relative to the United States (21.4%) but trailing growth in California (25.1%) and Nevada (29.0%). The sector has also performed well in the near-term. From the third quarter of 2019 to the third quarter of 2020, Professional and Business Services employment has declined by just 5.8% in Arizona, a less significant decline relative to California (-7.1%), Nevada (-12.2%), and the United States (-6.1%).



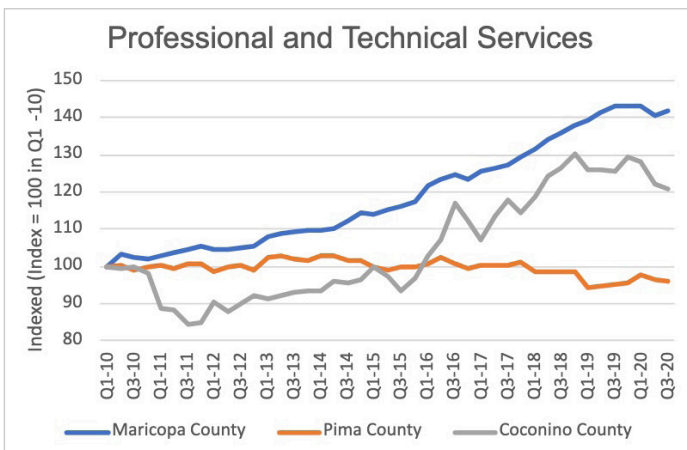
Source: U.S. Bureau of Labor Statistics



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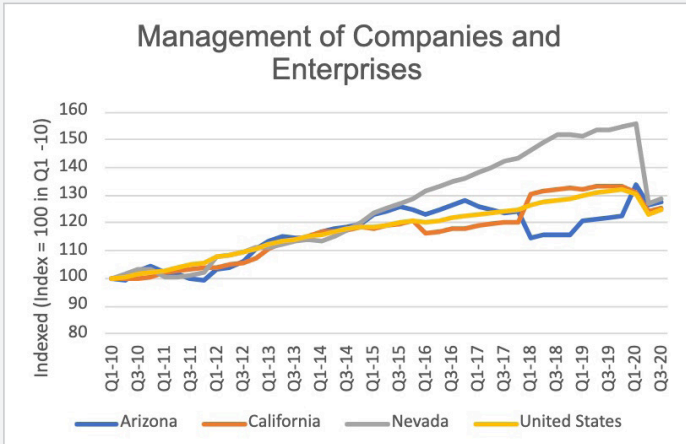


Source: U.S. Bureau of Labor Statistics

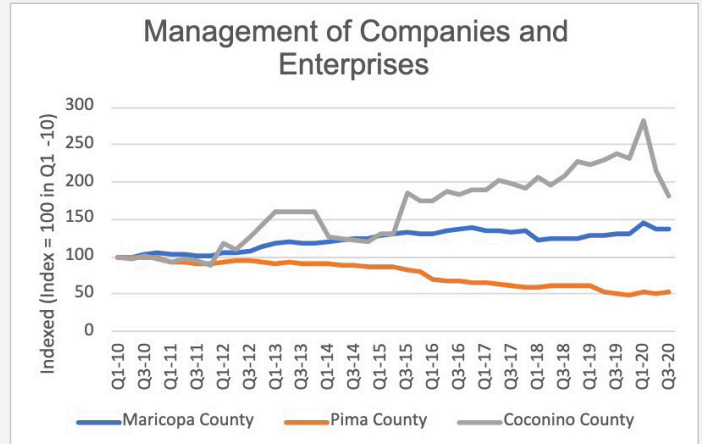


Source: U.S. Bureau of Labor Statistics

Perhaps more importantly, Arizona’s high-wage Professional and Business Services sectors are driving much of the growth in the state. Since the first quarter of 2010, Professional and Technical Services expanded by 33.4%, Management of Companies and Enterprises expanded by 27.6%, and Administrative and Waste Services expanded by 19.4%. Growth in Arizona’s Professional and Technical Services sector outshines growth in California (28.0%), Nevada (25.9%), and the United States (26.7%). However, growth in Arizona’s Administrative and Waste Services sector has been outpaced by growth in California (21.5%) and Nevada (21.5%). This indicates that growth in Professional and Business Services is being led by high-wage sectors in Arizona, while lower-wage sectors are playing a relatively larger role in other regions.



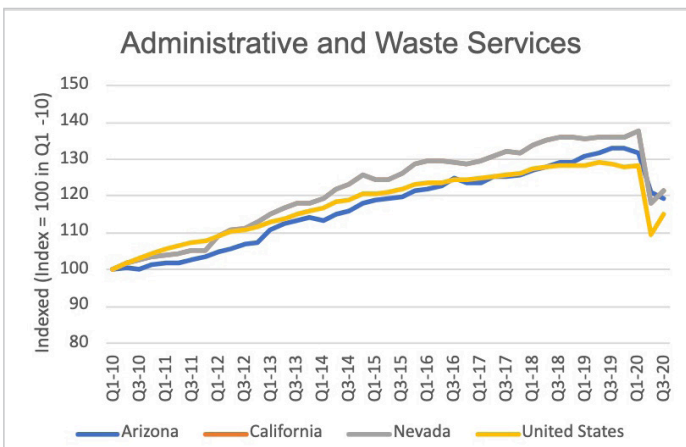
Source: U.S. Bureau of Labor Statistics



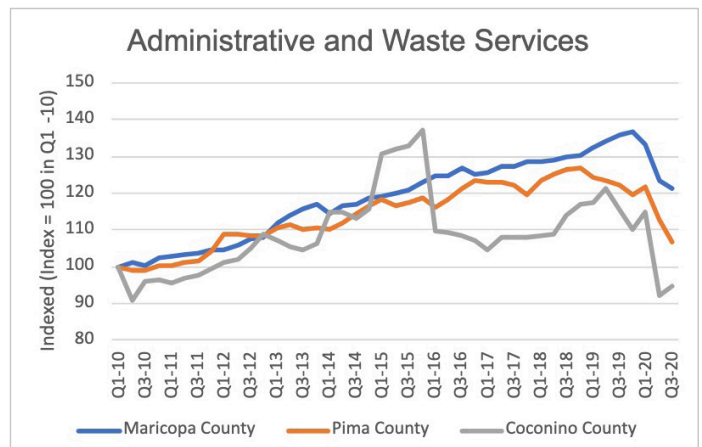
Source: U.S. Bureau of Labor Statistics

In addition, Professional and Technical Services contain high-wage industries like legal services, accounting, architecture and engineering, and consulting firms, and these sectors have performed remarkably well in recent years in Arizona. From the third quarter of 2015 to the third quarter of 2020, Professional and Technical Services in Arizona has expanded by 20.2%. Over this same period, Management and Technical Consulting Services (49.6%) and Accounting and Bookkeeping Services (33.8%) have seen robust growth, while sectors like Legal Services (7.1%), Architectural and Engineering Services (15.6%), Specialized Design Services (17.1%), and Computer Systems Design and Related Services (16.1%) have seen more modest growth.

These sectors have also been resilient during COVID-19. From the third quarter of 2019 to the third quarter of 2020, Professional and Technical Services in Arizona declined by just 1.0%, compared to a 4.9% decline across all industries in the state over the same period. Moreover, Legal Services (1.2%), Accounting and Bookkeeping Services (3.1%), Management and Technical Consulting Services (3.1%), and Scientific Research and Development Services (2.8%) actually expanded their payrolls over this period.



Source: U.S. Bureau of Labor Statistics



Source: U.S. Bureau of Labor Statistics

ARIZONA PROFESSIONAL AND BUSINESS SERVICES

Industry	Emp. Q3-20	1-Year Change (%)	2-Year Change (%)	5-Year Change (%)	Average Annual Wage(\$)
Total Private Employment	2,401,829	-4.9	-1.9	7.5	57,991
Professional and Business Services	422,470	-5.8	-2.6	6.6	63,429
Professional and technical services	159,258	-1.0	2.9	20.2	84,003
NAICS 5411 Legal services	17,190	1.2	2.2	7.1	92,155
NAICS 5412 Accounting and bookkeeping services	20,454	3.1	6.7	33.8	64,823
NAICS 5413 Architectural and engineering services	26,812	-0.6	4.3	15.6	87,941
NAICS 5414 Specialized design services	1,755	-2.4	2.1	17.1	62,877
NAICS 5415 Computer systems design and related services	37,157	-3.8	0.7	16.1	102,115
NAICS 5416 Management and technical consulting services	27,399	3.1	12.5	49.6	87,556
NAICS 5417 Scientific research and development services	5,684	2.8	-12.3	-7.2	111,960
NAICS 5418 Advertising, PR, and related services	6,406	-17.4	-12.4	1.7	57,315
NAICS 5419 Other professional and technical services	16,559	-1.6	2.1	21.7	48,393
Management of companies and enterprises	31,928	4.7	10.4	1.3	96,843
NAICS 5511 Management of companies and enterprises	31,928	4.7	10.4	1.3	96,843
Administrative and waste services	231,152	-10.1	-7.5	-0.4	44,692
NAICS 5611 Office administrative services	17,304	-9.2	-6.6	1.7	78,031
NAICS 5612 Facilities support services	5,039	-5.6	1.0	10.2	50,364
NAICS 5613 Employment services	94,977	-13.8	-7.5	-3.4	43,340
NAICS 5614 Business support services	35,452	-10.6	-15.3	-4.4	40,646
NAICS 5615 Travel arrangement and reservation services	5,531	-30.0	-34.1	-33.1	59,911
NAICS 5616 Investigation and security services	17,135	-2.2	1.3	8.5	39,031
NAICS 5617 Services to buildings and dwellings	44,546	-2.4	-1.4	7.8	34,854
NAICS 5619 Other support services	4,064	-12.7	-14.4	-7.5	44,531
NAICS 5621 Waste collection	3,684	2.1	8.7	41.5	50,789
NAICS 5622 Waste treatment and disposal	1,213	-13.6	-13.8	2.2	65,640
NAICS 5629 Remediation and other waste services	2,042	0.5	15.3	48.1	54,632

Source: U.S. Bureau of Labor Statistics

The Management of Companies and Enterprises sector has also been resilient during COVID-19. From the third quarter of 2019 to the third quarter of 2020, employment in the Management of Companies and Enterprises sector in Arizona expanded by 4.7%, contrasting with the declines in California (-6.2%), Nevada (-16.4%), and the United States (-5.1%). The strength of these high-wage sectors in Arizona bodes well for the regional economy going forward. Since job losses in high-wage sectors have been minimal, the inability of consumers to spend would have caused a jump in household savings. As a result, there is plenty of pent-up demand to propel the economy forward as vaccines bring the spread of the virus under control.

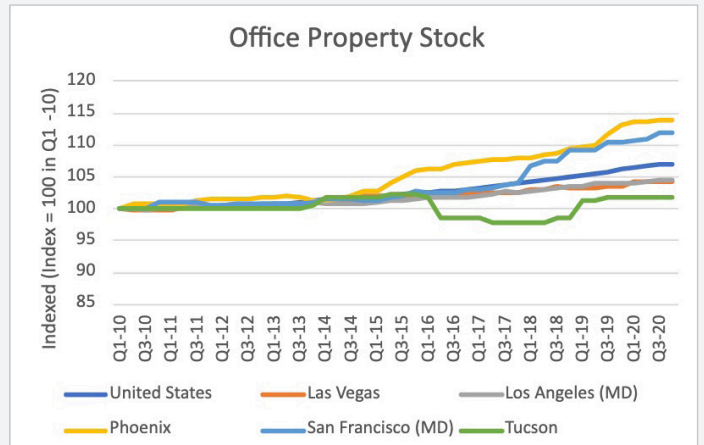
ARIZONA PROFESSIONAL AND BUSINESS SERVICES EMPLOYMENT BY COUNTY

Industry	Arizona	Maricopa County	Pima County	Coconino County
Total Private Employment	2,401,829	1,772,423	287,468	41,783
Professional and Business Services	422,470	333,834	45,562	2,961
NAICS 54 Professional and technical services	159,258	123,408	17,784	1,488
NAICS 5411 Legal services	17,190	13,850	2,042	178
NAICS 5412 Accounting and bookkeeping services	20,454	16,202	1,808	230
NAICS 5413 Architectural and engineering services	26,812	19,669	3,273	206
NAICS 5414 Specialized design services	1,755	1,499	162	*
NAICS 5415 Computer systems design and related services	37,157	29,142	3,795	81
NAICS 5416 Management and technical consulting services	27,399	22,656	2,065	160
NAICS 5417 Scientific research and development services	5,684	3,518	1,448	42
NAICS 5418 Advertising, PR, and related services	6,406	5,317	371	363
NAICS 5419 Other professional and technical services	16,559	11,639	2,879	223
NAICS 55 Management of companies and enterprises	31,928	28,898	1,465	153
NAICS 56 Administrative and waste services	231,152	181,544	26,301	1,327

Source: U.S. Bureau of Labor Statistics

Office Property Stock

Strength in Arizona’s Professional and Business Services also has downstream impacts on the commercial real estate market in Arizona. The stock of available office property in Phoenix has expanded by 13.9% since the first quarter of 2010, outpacing growth in the United States (7.1%), Las Vegas (4.3%), Los Angeles (Metropolitan Division) (4.5%), and San Francisco (Metropolitan Division) (12.0%) over the same period. These new developments provide jobs during their construction, as well as the modern office space that is needed to sustain the economic growth Arizona has enjoyed in recent years.



Source: U.S. Bureau of Labor Statistics

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