



One Point of Uncertainty Down, Another 99 to Go...

To:
2012 ATRA Outlook Conference

By:
Jim Rounds, Senior Vice President
Elliott D. Pollack & Company

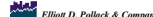
November 16, 2012



Other Potential Title: “Dark Times in D.C.”




Context



The economy we wanted...


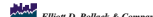


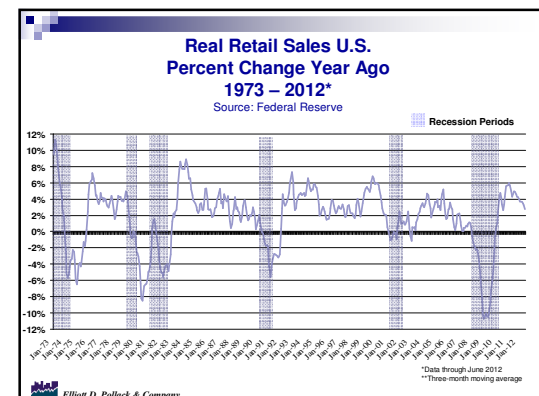
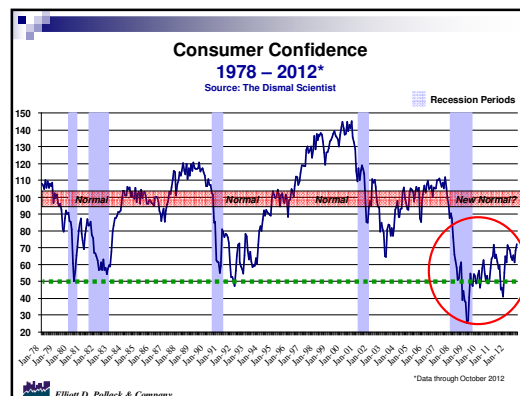
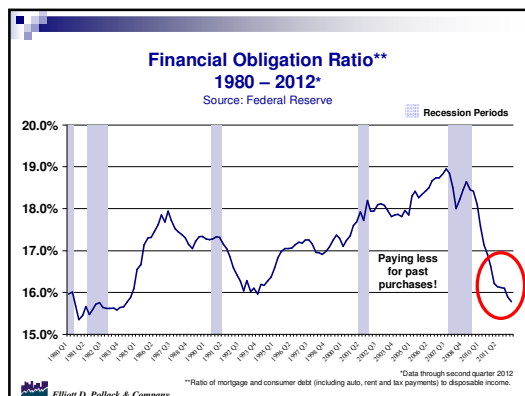
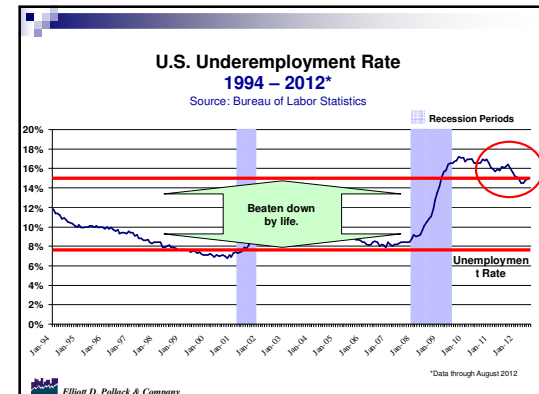
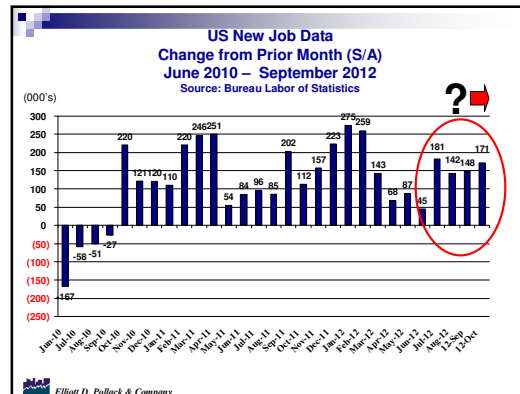

What we got...

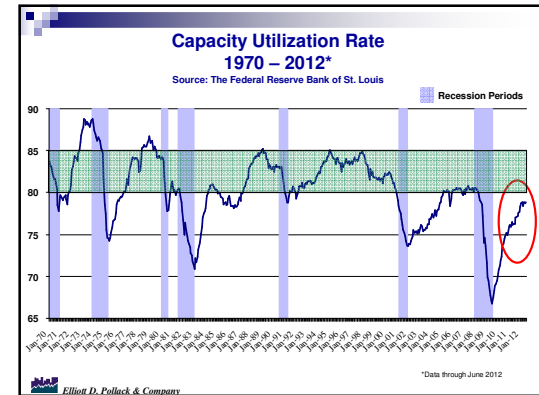
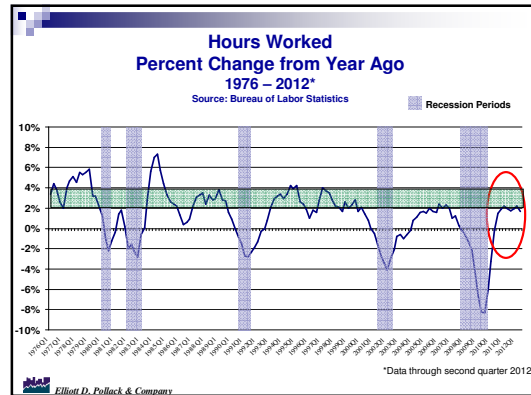
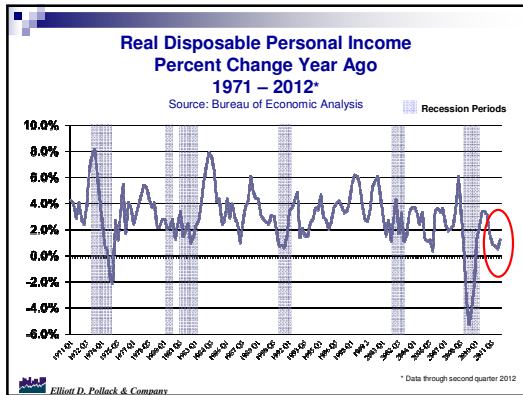



U.S. Outlook

(by the numbers)

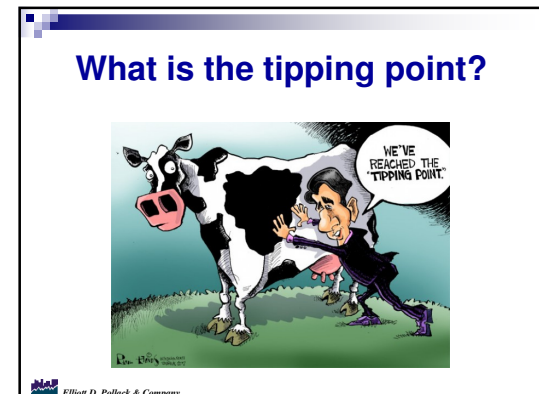
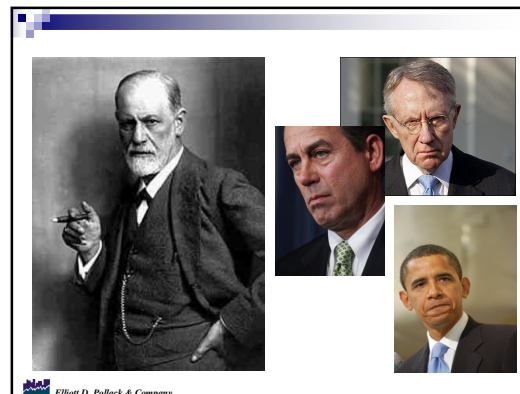







Why the weak economic activity then?

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What does the government need to do?

- Need significant cuts in the rate of spending.
- Modest tax increases (???) designed not to hurt incentives to produce.
- But, significant spending cuts or tax increases will hurt the economy next year.
- Therefore, they need to phase it in!!!

***** Prediction: Back-loaded multi-year plan with "pain" towards the end. Maybe putting the whole issue off for another year as well.

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Recession? No.

Slow growth? Yes.

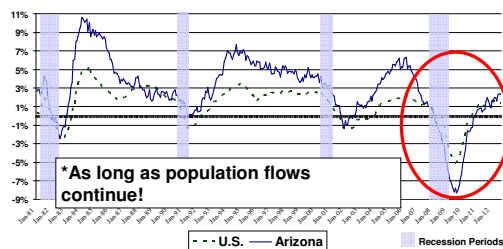
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Arizona

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Arizona Outperforms the U.S.*

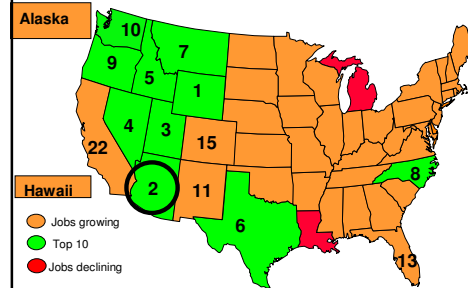
(Non-farm Emp. Percent Change 1980 – August 2012)



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Job Growth 2006

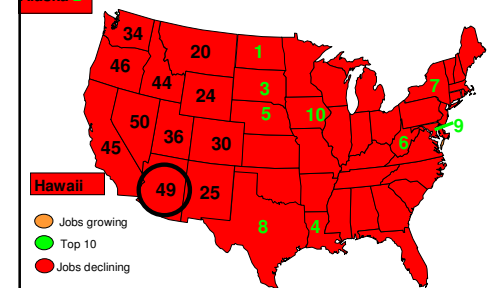
Source: US BLS



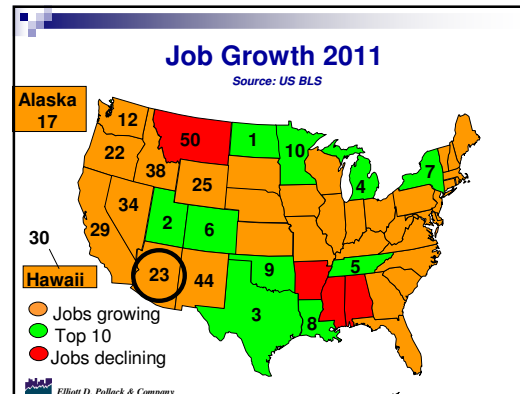
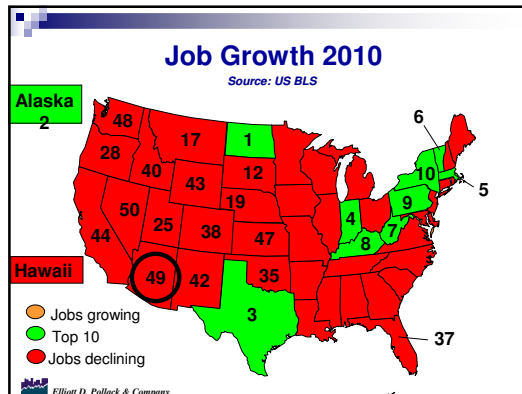
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Job Growth 2009

Source: US BLS



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FISCAL CLIFF IN ARIZONA?

Projected Net Job Growth:

2013 =	73,600
2014 =	88,500
	<u> </u>
	= 162,100

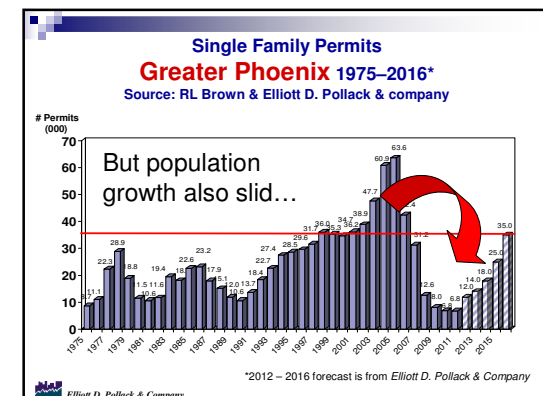
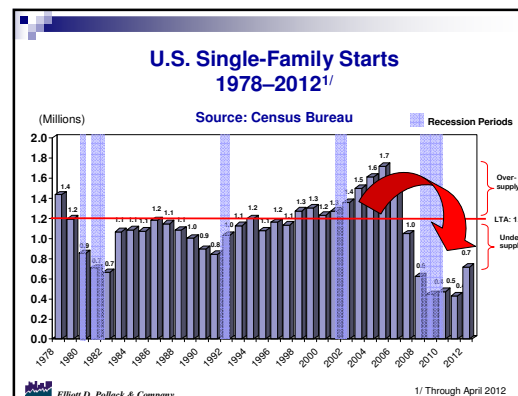
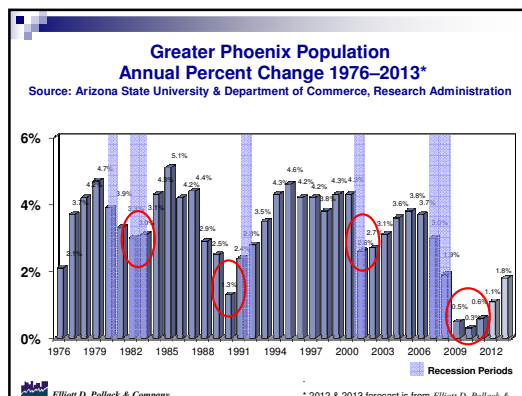
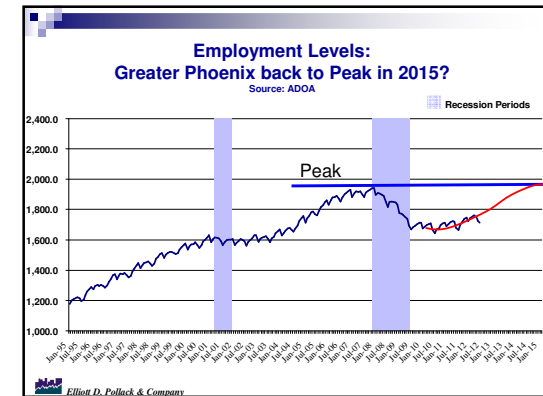
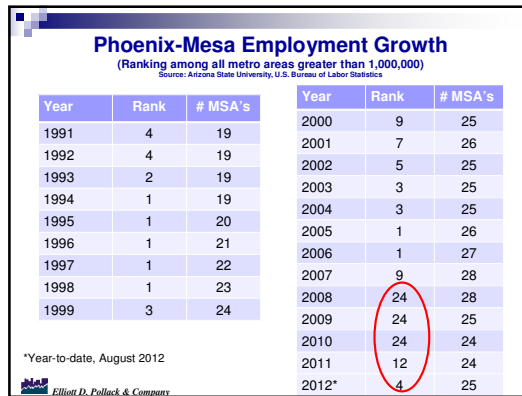
FISCAL CLIFF IN ARIZONA?

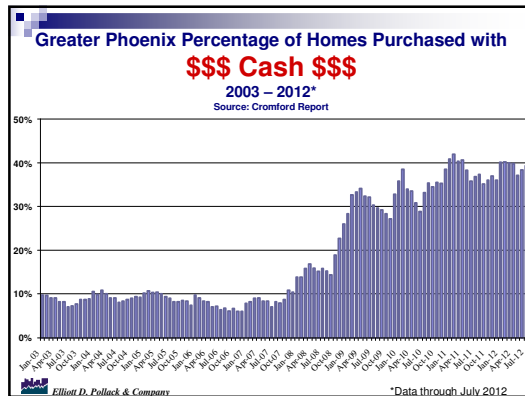
If the mandated spending cuts take place,
 total loss to Arizona is projected at:
 45,000 to 50,000 jobs.

(This does not take into account any slowdown
 caused by tax increases.)

We will still grow, but very slowly.

Addl. Detail: Greater Phoenix



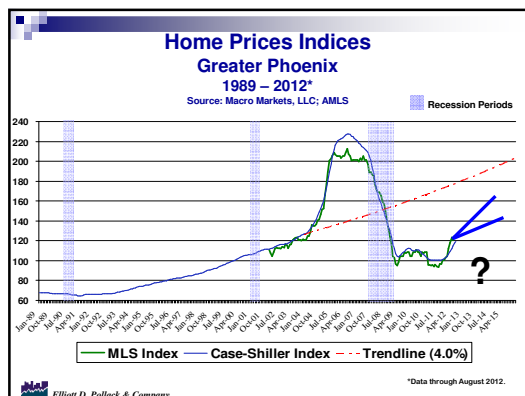
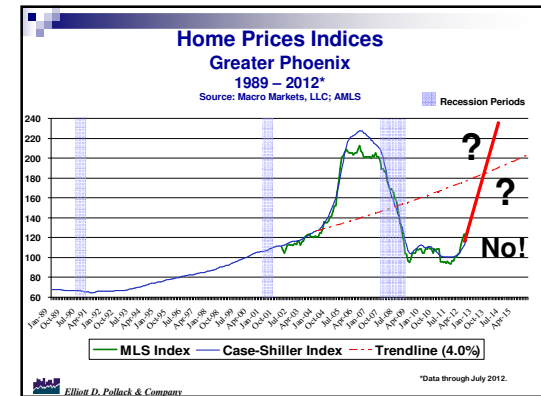


Greater Phoenix Permits

Source: R.L. Brown

Year	Permits	% chg
2004	60,872	27.6%
2005	63,570	4.4%
2006	42,423	-33.3%
2007	31,172	-26.5%
2008	12,582	-59.6%
2009	8,027	-36.2%
2010	6,822	-15.0%
2011	6,797	-0.4%
2012*	9,279 ^{std}	75.9%

*Data through YTD September 2012 vs. YTD September 2011



Why be Optimistic?

Cyclical vs. Permanent?

How Arizona Ranks Among the States in Percentage Growth

Source: U.S. Bureau of Census; Bureau of Labor Statistics; Bureau of Economic Analysis

DECADE	POPULATION	EMPLOYMENT	PERSONAL INCOME
1950 - 1960	4 TH	3 RD	2 ND
1960 - 1970	3 RD	3 RD	4 TH
1970 - 1980	2 ND	3 RD	4 TH
1980 - 1990	3 RD	3 RD	5 TH
1990 - 2000	2 ND	2 ND	3 RD
2000 - 2010	2 ND	12 TH	8 TH

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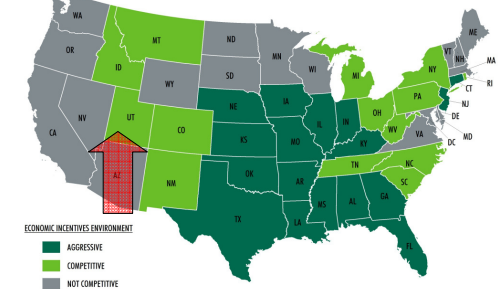
Growth Factors Still Intact?

1. Climate
2. Lifestyle
3. Geographic Location
4. Pro-Growth Attitude
5. Competitive Tax Structure
6. Focused Incentives/Investment
7. Leadership with Common Sense
8. Low Cost of Living
9. Congressional Delegation Working for State
10. Business & Government in Same Direction
11. ETC, ETC, ETC.

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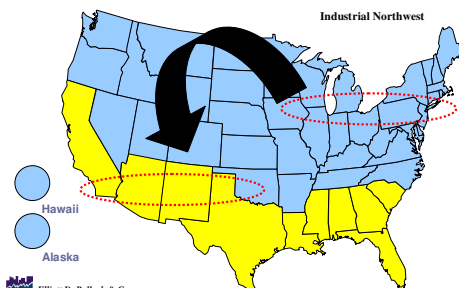
Competitiveness Map – 2012(2013?)

Source : CBRE



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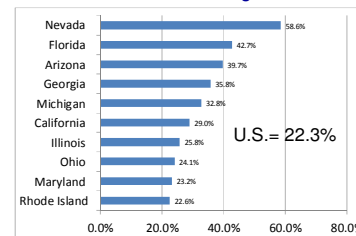
Benefits of the “SUNBELT”



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Top 10 States Percent of Homes with Mortgages with Negative Equity

Source: Core Logic



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Closing Points:

- AZ will still be a top 10 (5?) economy.
- The economy has multiple gears.
- 2015/2016 is FULL recovery for AZ.

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The light at the end of the tunnel is visible.

Chin up!!!
(yes, this is a sewer)

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