



**ARIZONA DEPARTMENT
OF COMMERCE**

The center for economic advancement

ARIZONA ECONOMIC PROFILE

Arizona is one of the fastest-growing, most dynamic economies in the nation. Phoenix is now the nation's fifth most populous city. Both Fortune 500 and start-up technology companies call Arizona home, reaping the advantages of a competitive business climate and tax structure, a skilled, knowledge-based workforce, and world-class innovation, cultural and scenic resources.

Principal Economic Activities

The major employment sectors in Arizona include aerospace, electronics and semi conductor manufacturing. Tourism, business services and back-office operations are also important sectors. Arizona's original export activities - agriculture and mining - remain significant in many rural parts of the state. Based on sheer size, the real estate and rental industries, the diverse tourism sector, and government are the largest economic sectors in Arizona. Relative to the national average, the construction sector is also unusually large because of the state's rapid growth in most recent years.

Taxes and Costs

Arizona's vibrant and growing economy is facilitated by a tax structure that has become increasingly competitive over the last decade:

The Arizona sales tax rate is 5.6%. Currently, all fifteen counties levy a tax in addition to the state tax. For Maricopa County, where Phoenix is located, that's 0.7%, making a sales tax of 6.3%. Incorporated municipalities also levy transaction privilege taxes which are generally in the range of 1% to 3%. Hotel and taxi services have additional taxes charged.

The state of Arizona does not levy a state tax on food for home consumption but some cities in Arizona do so. In addition to the tax imposed by the federal government, Arizona adds a tax on gasoline that is currently 18 cents per gallon. Arizona does not impose an inheritance tax or a gift tax. Arizona does not tax on drugs prescribed by a licensed physician or dentist.

Overall, Arizona's comparative business costs savings versus California and the U.S. at large are generated by lower wages, lower tax burdens, and lower infrastructure costs (*Economy.com*)

Significant business tax reductions have been adopted since 2005 and are expected to further improve Arizona's competitive tax position:

A 20% reduction in real property tax assessment ratios is being phased in and will be fully implemented by 2011. Also, an accelerated depreciation schedule is available for personal property placed in service after 2008.

A "weighted sales factor" corporate income tax formula is being phased in over three years effective January 2007.

New tax credit incentives are now in effect:

- o Investment in early stage companies <http://www.azcommerce.com/BusAsst/Incentives>
- o Commercial solar equipment <http://www.azcommerce.com/BusAsst/Incentives>
- o Health insurance premium tax credit <http://www.azdor.gov/Refunds%20and%20Credits/healthinsurancechoicesmenu.htm>
- o Renewable Energy http://www.azcommerce.com/BusAsst/Incentives/renewable_benefit.htm

The Arizona Advantage

- 2nd in Unemployment Insurance Tax Index Rank (*Tax Foundation, 2009*)
- 3rd in Semiconductor Exports, 4th in Tech Export Concentration in US (AeA, *Trade in the Cyberstates: 2008*)
- 4th in Property Tax Index Rank (*Tax Foundation, 2009*)
- 4th in semiconductor manufacturing employment (*Cyberstates: 2009*)
- 4th in quality and availability of workforce (*CNBC 2009*)
- 6th nationally for tech concentration and dynamism (*State Technology and Science Index, Milken Institute June 2008*)
- 6th for employment growth (*Corporation for Economic Development 2008*)
- 6th for percentage of graduates from four institutions with student loan debt (*Student Debt and the Class of 2007, October 2008*)
- 6th in defense electronics management employment (*Cyberstates: 2009*)
- 7th in business friendliness (*CNBC 2009*)
- 8th nationally by CEO's for jobs and business growth (*Chief Executives Magazine, Feb 2009*)
- 8th in photonics manufacturing employment (*Cyberstates: 2009*)
- 9th on List for Best Performing Smallest Metros – Prescott (*Milken Institute 2008*)
- 10th on List for Best Place to Live - Arizona (*Gallup-Healthways Well-Being Index 2009*)
- 13th on List for Best Performing Smallest Metros – Yuma (*Milken Institute 2008*)
- 13th on List for Best Places to live– Flagstaff (*Are Big Cities Really Bad Places to Live? University of Michigan 2008*)

INTERCITY COST OF LIVING INDEX FOR SELECTED CITIES – Third Quarter , 2009
(U.S. Average = 100)

City	All Items	Groceries	Housing	Utilities	Trans.	Health Care	Misc.
Albuquerque	94.4	96.5	87.5	92.3	95.8	99.9	99.1
Atlanta	95.4	99.8	90.8	84.3	94.9	105.6	99.9
Boston	130.6	118.6	146.7	147.8	100.9	125.7	126.4
Dallas	91.0	98.2	69.7	106.2	96.1	102.4	99.5
Denver	104.3	99.4	106.6	105.0	96.5	105.4	106.4
Los Angeles	140.7	106.6	224.5	93.2	116.3	109.2	106.0
Oakland	135.6	116.7	192.8	89.9	108.7	115.2	117.6
Philadelphia	123.7	122.6	140.2	131.3	106.8	107.8	115.0
Phoenix	96.3	102.1	90.1	88.8	106.7	98.4	98.0
Tucson	98.5	99.8	92.0	88.6	105.2	99.3	104.5
Washington, D.C.	138.5	115.1	218.9	101.9	107.1	103.2	102.5

Source: C2ER published in October 2009

DEMOGRAPHICS

Arizona's fast growing population is younger than the national average. The state's median age is 34.2, compared to the US at 35.3 years. The proportion of those younger than 25, as well as those over 65, is roughly the same as the nation as a whole.

Age Distribution

Age	Arizona
0-14	23.55%
15-19	7.33%
20-24	6.67%
25-54	40.87%
55-64	8.42%
65+	13.16%

Population Composition

Race	Arizona
White	88.72%
Black	3.67%
American Indian	5.47%
Asian	2.15%
Hispanic Origin*	28.6%

* Persons of Hispanic Origin may be of any race.
Source: U.S. Census Bureau, Census 2000.

POPULATION BY COUNTY

	2000	2009	% Change
Apache	69,423	76,668	10.4%
Cochise	117,755	140,263	19.1%
Cocoonino	116,320	136,735	17.6%
Gila	51,335	57,204	11.4%
Graham	33,489	39,792	18.8%
Greenlee	8,547	8,688	1.6%
La Paz	19,715	21,616	9.6%
Maricopa	3,072,149	4,023,331	31.0%
Mohave	155,032	206,763	33.4%
Navajo	97,470	115,420	18.4%
Pima	843,746	1,018,012	20.7%
Pinal	179,727	356,303	98.2%
Santa Cruz	38,381	47,900	24.8%
Yavapai	167,517	228,494	36.4%
Yuma	160,026	205,940	28.7%
Arizona	5,130,632	6,683,129	30.3%

Population density for Arizona, 2000: 45.2 persons per square mile. Land area in Arizona: 72,730,880 acres or 113,635 square miles.

POPULATION – LEADING COMMUNITIES*

	2000	2009	% Change
Phoenix	1,326,08	1,575,423	19.3%
Tucson	489,770	543,566	11.7%
Mesa	401,180	461,102	16.3%
Glendale	219,625	249,197	13.9%
Chandler	178,655	245,087	38.8%
Scottsdale	204,195	243,501	20.1%
Gilbert	111,600	217,521	98.3%
Tempe	158,825	174,833	10.2%
Peoria	110,020	158,712	46.5%
Surprise	32,460	109,482	254.9%
Yuma	79,530	94,361	21.7%
Avondale	36,395	76,900	114.3%
Flagstaff	53,600	65,522	23.9%
Goodyear	19,605	61,916	227.4%
Buckeye	6,655	55,502	32.3%

* Ranked by 2009 population, counties in parentheses. Sources: [Arizona Department of Commerce](#) and [U.S. Census Bureau](#).

Arizona's Top Trading Partners - Exports

	2007	2008
Mexico	\$5,235,202,519	\$5,909,663,703
Canada	\$2,193,280,071	\$2,319,476,445
China	\$1,317,118,960	\$1,254,539,127

Source: Global Trade Information Sources, <http://www.gtis.com/english/>

Arizona Employment & Wage by Industry

Industry	Average Quarterly Employment			Average Annual Wage*
	2008 Q1	2009 Q1	% change	
Agriculture, Forestry, Fishing & Hunting	33,528	30,465	-9.1%	\$24,570
Mining	13,047	12,604	-3.4%	\$68,932
Utilities	23,623	23,578	-0.2%	\$76,325
Construction	202,170	144,526	-28.5%	\$44,500
Manufacturing	176,853	158,117	-10.6%	\$60,648
Wholesale Trade	109,234	104,521	-4.3%	\$60,869
Retail Trade	327,360	299,558	-8.5%	\$28,088
Transportation & Warehousing	84,903	82,244	-3.1%	\$44,806
Information	44,489	41,139	-7.5%	\$53,318
Finance & Insurance	124,030	120,156	-3.1%	\$58,366
Real Estate & Rental & Leasing	52,568	47,528	-9.6%	\$42,911
Professional & Technical Services	137,260	128,235	-6.6%	\$63,791
Management of Companies & Enterprises	26,827	26,353	-1.8%	\$73,954
Administrative & Waste Services	232,361	202,055	-13.0%	\$31,442
Educational Services	228,345	234,320	2.6%	\$38,914
Health Care & Social Assistance	281,936	293,134	4.0%	\$47,202
Arts, Entertainment, & Recreation	54,229	50,795	-6.3%	\$32,379
Accommodation & Food Services	235,861	223,887	-5.1%	\$17,528
Other Services, Except Public Administration	73,612	70,149	-4.7%	\$29,695
Public Administration	160,434	158,533	-1.2%	\$51,485
Unclassified	2,271	2,985	31.5%	\$44,847
Total	2,624,939	2,454,880	-6.5%	\$42,518

*2008 annual average wage

Source: Quarterly Census of Employment and Wages (QCEW). Includes public & private ownership.

Prepared by Arizona Department of Commerce Research Administration

Growth Indicators

	2000	2008	% CHANGE 2000 – 2008
State Population	5,130,632	6,629,455	29.2%
Gross State Product (\$billion)	\$158.5	\$248.8	57.0%
Personal Income (\$ billion)	\$132.6	\$214.2	61.6%
Per Capita	\$25,653	\$32,953	28.5%
Retail Sales (\$billion)	\$37.6	\$49.7	32.3%
Value of All Building Permits (\$billion)	\$11.7	\$12.4	6.41%
Total Net Assessed Valuation (\$billion)	\$31.8	\$86.1	171%
Department of Defense Contracts (\$billion)	\$4.6	\$11.2	144%

Sources: [Arizona Department of Commerce](#), [U.S. Census](#), [Arizona Department of Revenue](#), [Arizona Real Estate Center - Arizona State University](#), www.governmentcontractswon.com, [Bureau of Economic Analysis](#).



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Tourism and Recreation
Arizona Office of Tourism
(602) 364-3700 or 866-275-5816
<http://www.azot.gov/>

Arizona State Website
<http://www.az.gov>