

# GILA

**EMPLOYMENT GROWTH**  
2001-03

**1.2**

2001-06

**1.6**

**STANFORD 9**  
2002

Language **36**  
Math **51**  
Reading **39**

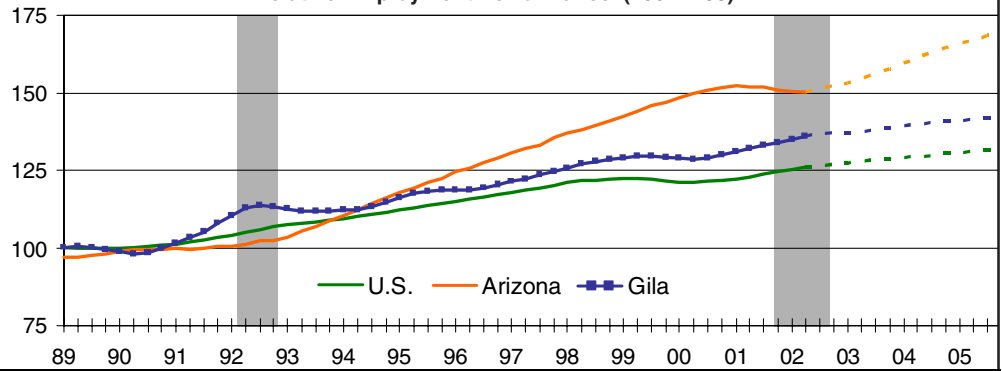
**EDUCATIONAL ATTAINMENT 2000**

**13.8%**

**POVERTY RATE**

**17.4%**

**Relative Employment Performance (1991=100)**



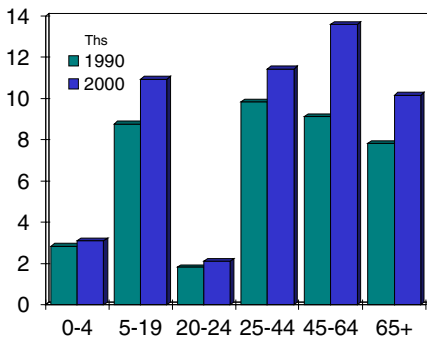
1995	1996	1997	1998	1999	2000	2001	Indicators	2002	2003	2004	2005	2006
0.81	0.70	0.71	0.72	0.74	0.78	0.78	<b>Gross Product, C\$B</b>	0.78	0.80	0.81	0.82	0.84
1.3	-13.8	1.4	1.1	3.0	5.9	0.1	<b>% Change</b>	-0.4	2.6	1.6	1.3	2.4
13.3	13.4	13.9	14.1	14.5	15.1	15.3	<b>Total Employment (000)</b>	15.4	15.8	16.2	16.4	16.7
-0.4	0.9	4.0	1.2	3.1	3.6	1.7	<b>% Change</b>	0.1	2.8	2.7	1.3	1.5
7.9	8.6	7.9	7.4	7.1	5.8	5.9	<b>Unemployment Rate</b>	5.0	3.6	3.2	3.2	3.2
2.3	9.1	4.8	5.3	2.7	4.2	11.3	<b>Personal Income Growth</b>	3.1	3.2	3.9	3.8	4.3
47.1	48.4	49.6	50.5	51.0	51.4	51.4	<b>Population (000)</b>	51.5	51.7	52.2	52.9	53.6
309	395	388	346	368	335	260	<b>Single-Family Permits</b>	232	215	199	183	174
64	16	98	22	12	4	0	<b>Multifamily Permits</b>	0	0	0	0	0
70.6	73.3	75.9	78.8	82.7	88.3	95.3	<b>Existing Home Price (\$Ths)</b>	100.3	105.0	111.1	114.9	120.6
231	275	294	508	426	362	689	<b>Mortgage Originations (\$Mil)</b>	500	415	442	445	486
1.3	1.1	0.9	0.5	0.2	0.1	-0.1	<b>Net Migration (000)</b>	0.1	0.2	0.5	0.7	0.7
101	130	160	186	213	189	240	<b>Personal Bankruptcies</b>	183.1	120.3	101.5	98.0	92.9

## INDUSTRY OPPORTUNITIES

Opportunities for economic development include:

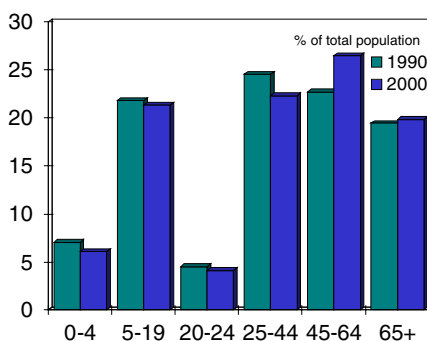
- Tourism

## POPULATION BY COHORT



Source: Census Bureau

## POPULATION DISTRIBUTION



Source: Census Bureau

## ANALYSIS

**Recent Performance.** The recent national recession hit the Gila County economy hard. Payroll growth has been weak over the past year, and is expected to remain subdued in the near term. Few industries in the region, with the notable exception of retail trade, are posting any significant gains in jobs. The important mining and government industries have been contracting, which has been especially detrimental to the county economy. The jobless rate has picked up over the past year and remains elevated.

**Industrial performance.** GIL has a narrow industrial structure. The county relies on government and the mining industry for local growth. State and local governments are facing severe budget constraints due to the persistent recession in the state, making them unreliable engines of growth. The mining industry, the other major driver of growth in GIL, is struggling with low commodity prices. A recent uptick in copper prices offers some upside potential to the mining industry in GIL, although the impact will be muted in the near term.

Further upside potential for GIL comes from its fledgling tourism base, which has been holding up well. Retail spending comprises a large share of local economic activity, fueled by visiting tourists. Overall, tourist visitation has improved in GIL over the past few months. Occupancy in GIL hotels was up over 5% on a year-over-year basis, while revenue per available room was up a robust 13% at mid year, even as the larger tourist destinations in the state are in a sluggish state of recovery. Stable growth in tourism, while a small part of the county economy, will alleviate the slowdown somewhat. Going forward, the GIL tourism industry will have to find ways to distinguish itself from the growing competition for tourism dollars from other regional and national tourist destinations.

**Housing.** The slowdown in population growth over the past few years has weighed on residential construction activity. Permit issuance in GIL

fell by 6% and 10% respectively in 2000 and 2001, reflecting the slowing demand for housing in the region. House prices in GIL are below the state average, but these low prices do not translate into higher affordability, due to weak income trends in the county.

Weak population growth and sub-par housing demand present a challenge to the outlook for the local construction industry. Construction is a significant share of the local economy, playing a larger role in GIL than in the rest of the state.

**Income.** Per capita income of GIL residents is well below the state and national average, and income growth in GIL is among the lowest in the state, indicating that the region's income gap is unlikely to narrow any time in the near future. Furthermore, over the past five years, bankruptcy filings in GIL have grown at an annualized pace that is nearly thrice the national and state average, indicating a steady deterioration in credit quality in the county. Still, GIL's bankruptcy filings rate is currently below the state average.

The weak income growth in the county is a reflection of the narrow industrial base and poor workforce quality in the county. Future income growth rests on the county's ability to attract value-added industries to substitute for the secularly declining mining industry.

**Gila County will remain a below average performer in the near term, as the county's employment base continues to grow at a moderate pace. Weak demographic and income trends, poor educational attainment and a concentrated industrial structure all serve as structural impediments to long-term growth in the county. Low business costs and proximity to the state's major metropolitan areas generate upside potential to the county, and could be used to expand GIL's industrial base. Longer term, GIL will be a below average performer.**

*Rakesh Shankar  
December 2002*

## EMPLOYMENT & INDUSTRY

### TOP EMPLOYERS

Apache Gold
APS
ASARCO, Inc
Asarco Ray Complex
B.J.Cecil Trucking
BHP Copper
Cobre Valley Community Hospital
Phelps Dodge Corporation
Eastern Arizona Col., Gila Pueblo Ext.
Eastern Arizona Col., Payson & Miami Camp.
Fry's
Heritage Health CareCenter
Payson Regional Medical Center
Mazatzal Casino, Tonto Apache Tribe
Safeway Stores
SelectCare
Wal-Mart Stores, Inc.
U.S. Forest Service

Employment Figures Unavailable

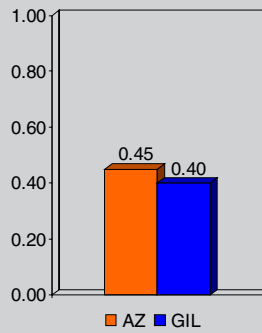
Source: Arizona Department of Commerce

### Public

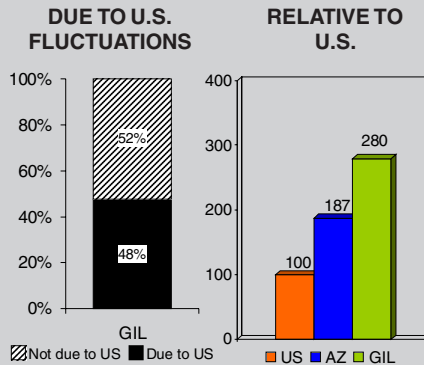
Federal .....	872
State .....	906
Local .....	2,784

2001

### INDUSTRIAL DIVERSITY



### EMPLOYMENT VOLATILITY

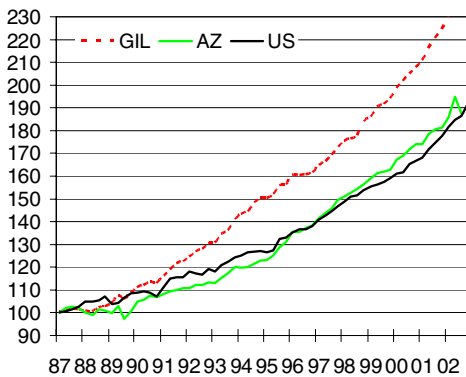


## COMPARATIVE EMPLOYMENT AND INCOME

Sector	% of Total Employment			Average Annual Earnings		
	GIL	AZ	US	GIL	AZ	US
Mining	1.4%	0.4%	0.4%	\$16,152	\$42,760	\$64,853
Construction	7.2%	7.3%	5.1%	\$32,393	\$35,534	\$37,846
Manufacturing	9.8%	9.3%	13.4%	\$38,857	\$52,820	\$50,161
Durable	91.0%	77.2%	60.1%	\$41,411	\$56,574	\$52,419
Nondurable	9.0%	22.8%	39.9%	\$12,050	\$40,158	\$46,703
Transport/Utilities	3.0%	4.9%	5.4%	\$34,531	\$42,761	\$50,161
Wholesale Trade	1.3%	4.9%	5.1%	\$39,318	\$47,228	\$49,721
Retail Trade	21.3%	18.6%	17.8%	\$13,846	\$19,835	\$19,357
Finance, Ins., Real Estate	5.4%	6.6%	5.8%	\$11,662	\$31,403	\$42,743
Services	20.9%	31.3%	31.1%	\$32,826	\$30,334	\$33,327
Memo: Health Services	12.2%	6.8%	7.9%	\$19,744	\$41,149	\$40,060
Government	29.8%	16.6%	15.9%	\$18,732	\$38,727	\$41,557

Source: Percent of total employment - BLS, 2001; Avg annual earnings - BEA, 2000; Economy.com

### HOUSE PRICES



Source: NAR, Economy.com, 1987Q1 = 100, NSA

### LEADING INDUSTRIES

SIC	Industry	Employees (000)
GVSL	Total state and local government	3.6
581	Eating & drinking places	1.6
333	Primary smelting & refining nonferr	1.1
806	Hospitals	0.9
GVF	Total federal government - civilian	0.9
541	Grocery stores	0.6
805	Nursing and personal care facilities	0.5
864	Civic, social, & fraternal association	0.5
655	Land subdividers & developers	0.4
150	Res & nonres building construction	0.3
801	Offices & clinics of medical doctors	0.3
651	Real estate operators & lessors	0.3
521	Lumber and other building materials	0.3
799	Misc amusement & recreational service	0.2
495	Sanitary services	0.2
Total leading industry employment		13.8
High-tech employment		0.0
As % of total employment, all industries		0.1

Source: BLS, Economy.com, 2001

## MIGRATION FLOWS

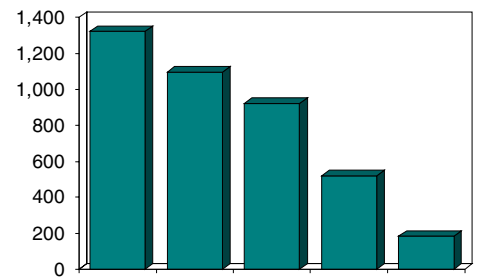
Into Gila County	Number of Migrants	Median Income
Maricopa County	1,266	25,635
Pima County	158	17,499
Pinal County	156	31,249
Navajo County	142	21,249
Yavapai County	100	21,666
Coconino County	65	19,999
Graham County	47	9,687
San Diego	44	29,999
Las Vegas (NV part only)	38	32,499
Los Angeles	37	24,374
Total Immigration	3,252	25,810

### From Gila County

Maricopa County	1,187	21,366
Pinal County	218	26,499
Pima County	173	19,582
Yavapai County	118	21,562
Navajo County	113	18,888
Coconino County	89	19,374
Graham County	74	12,916
Cochise County	57	18,332
Las Vegas (NV part only)	32	19,166
Mohave County	31	9,999
Total Outmigration	3,202	19,655

<b>Net Migration</b>	50	6,155
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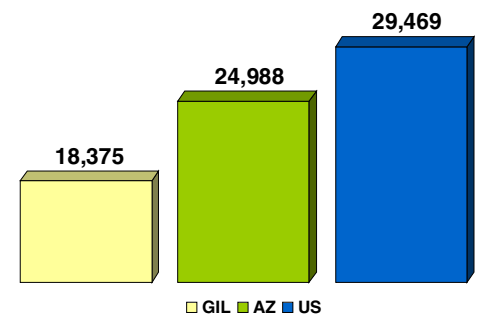
### Net Migration, GIL



	Domestic	Foreign	Total
1995	1307	17	1,324
1996	1085	12	1,097
1997	899	24	923
1998	496	23	519
1999	180	3	183

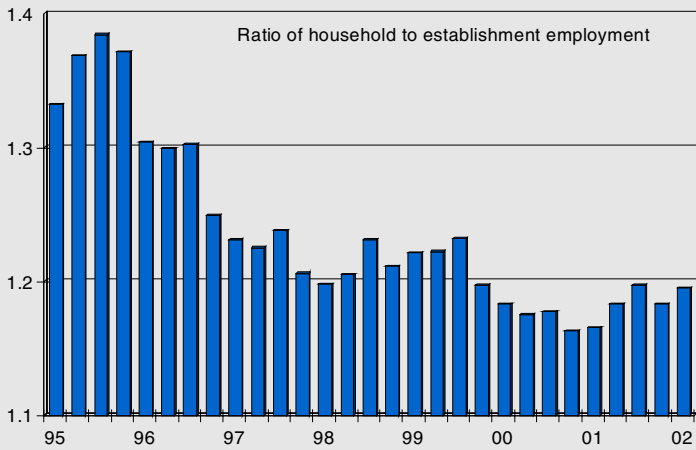
Source: IRS (top), 2001; Census Bureau, 1999

### PER CAPITA INCOME

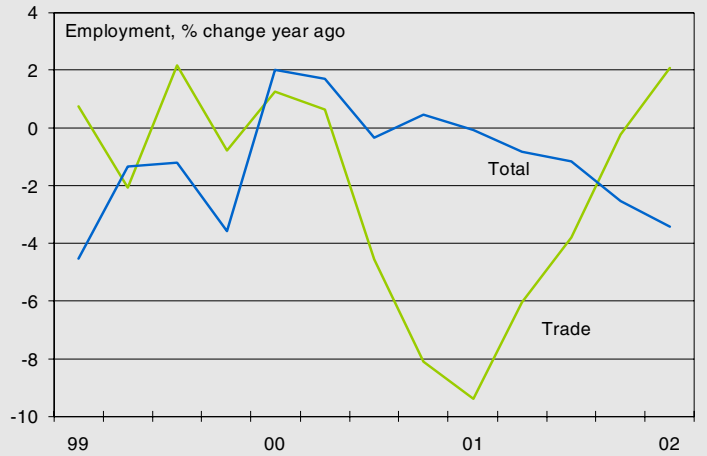


Source: Bureau of Economic Analysis, 2000

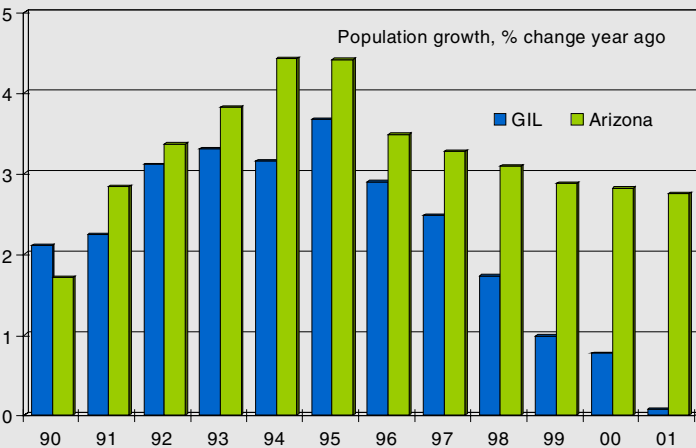
## Fewer GIL Residents Self-Employed



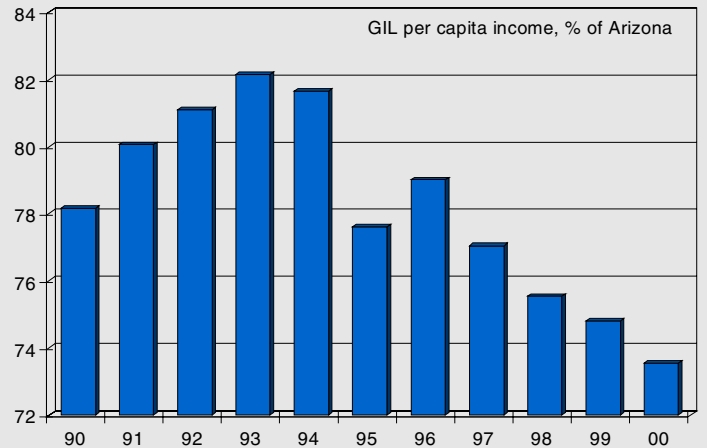
## Tourism in GIL Shores Up Local Economy



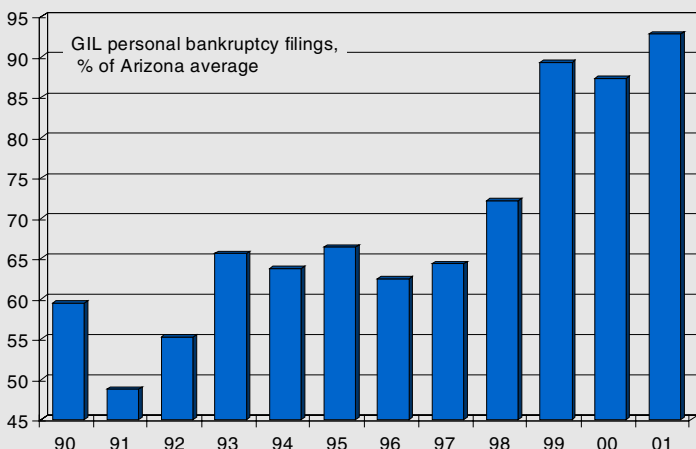
## Population Growth Slowing Sharply in GIL



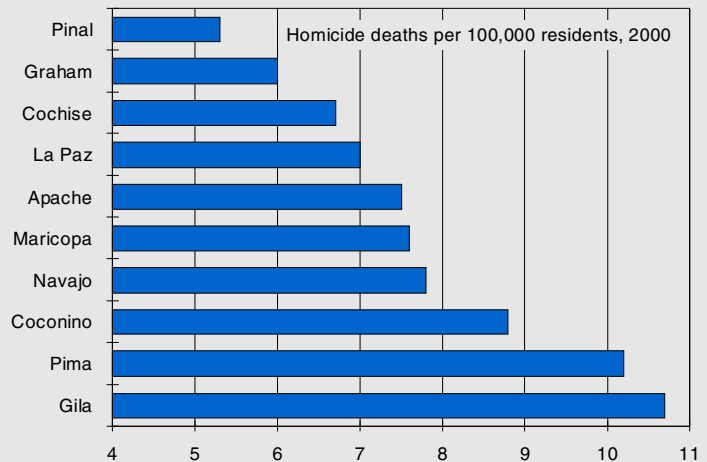
## Widening Income Gap in the County



## Credit Quality Better Than Average, but Deteriorating



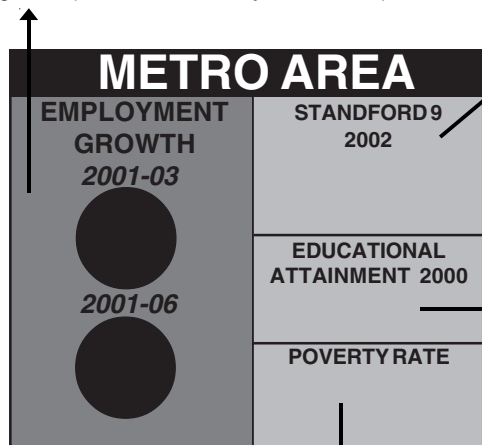
## High Crime Rate Compromises Quality of Life in GIL



# USER'S GUIDE

## Educational Growth

These numbers represent the county's annualized employment growth rate in its short-term (over the next two years, top) and its long-term growth (over the next five years, bottom).



## Poverty Rate

This data point reflects the share of total population in the county that lives below the Federal Poverty Line. This is 1999 data, released by the Census bureau based on the Decennial Census 2000 surveys. The Census Bureau uses a set of money income thresholds that vary by family size and composition to detect who is poor. If the total income for a family or unrelated individual falls below the relevant poverty threshold, then the family or unrelated individual is classified as being "below the poverty level."

## Standford 9

The data represent percentile ranks for the county's 9th grade students, released in Spring 2002. Stanford 9 tests are a commonly used measure of educational attainment for K-12 students. The test is a standardized one that compares individual students' performance in each of the subject areas with a representative sample of national public school students.

## Educational Attainment

This value represents the share of the county's residents aged 25 and over who have attained a bachelor's degree or higher. This is taken from data released by the Census Bureau based on the Decennial Census 2000 surveys.

## Industry Opportunities

Future opportunities for economic development include a mix of those industries that already drive the state's economy, and others in which their roles may be enhanced. A three-step process led to the creation of priority economic opportunities. First, Economy.com's forecasts of industry employment over the coming ten years was used to provide a rank of growth rates across all two-digit industries as defined by SIC codes.

Second, Economy.com conducted econometric analysis of the comparative advantages that contribute to the determination of industry location, using this to calculate the estimated growth potential by industry in Arizona. This was then compared with actual industry performance over the past ten years, and the difference provided a ranking of industries in which full potential is not yet realized given current measures of comparative advantage.

The rankings emerging from this analysis were then combined with the ranking of industries according to the national outlook by industry, weighting these two factors equally. Finally, from the ranking of industries that emerged from these criteria, industries were selected that had qualities fundamental to the assumptions of the changing macro and international economic environment.

## Population by cohort and population distribution

These two charts use population data for 1990 and 2000 released by the Census Bureau as part of its Decennial Census surveys. The first chart contrasts the actual number, in thousands, of residents in the county by age cohort, while the second chart details the share of residents in each age cohort.

Indicator	Units	Source	Note
Gross Product	Chain-weighted dollars	Economy.com	GCP is the sum of all income produced in a county, including corporate profits. Thus, it does not necessarily track employment growth.
Total Employment	Thousands	BLS 790 employment series; for NECMAs series estimated by Economy.com	Defined as sum of mining, construction, manufacturing, transportation/public utilities, wholesale/retail trade, finance/real estate, services, and government.
Unemployment Rate	Percent	Household employment series	
Personal Income Growth	% change previous year	Bureau of Economic Analysis	Measures income received by households from employment (including self), investments, and transfer payments.
Population	Thousands	Bureau of Census	
Single-Family Permits	Number of units	Bureau of Census	
Multifamily Permits	Number of units	Bureau of Census	
Existing Home Price	Thousands dollars	Nat'l Assoc Realtors	Index is affected by mix of homes sold.
Mortgage Originations	Millions dollars	Federal Financial Institutions Council	
Net Migration	Thousands	Bureau of Census	Calculated as number of domestic and international people moving into a state minus those leaving.
Personal Bankruptcies	Number of household filings	Admin. Office U.S. Courts	

# USER'S GUIDE

## EMPLOYMENT AND INDUSTRY STRUCTURE

### INDUSTRIAL DIVERSITY

Industrial diversity is defined as the extent to which a county's industrial structure approximates the U.S. industrial structure.

Diversity is derived using the following formula:  
 $Diversity = 1/\sqrt{\sum (EMP_{ij}/EMP_{USj}) * EMP_{ij}}$

Where EMP = share of employment in three-digit SIC industry j during period 2000-01; i = COUNTY; US = U.S. The Diversity measure is bounded between 0 and 1. 1 means the county has the same industrial structure as the U.S.; 0 means it has a totally different industrial structure than the U.S.

Formula derived from Hachman index, Bureau of Business and Economic Research, Univ. of Utah, December 1994.

### EMPLOYMENT VOLATILITY

**Employment volatility** is defined as the standard deviation in a county's monthly year-over-year percentage nonagricultural employment growth relative to the standard deviation in U.S. year-over-year percentage nonagricultural employment growth over the 1992 to 2001 period. Volatility of 100 means that employment volatility in a county is equal to employment volatility in the nation. Counties tend to be inherently more volatile than states.

### EMPLOYMENT VOLATILITY DUE TO U.S. FLUCTUATIONS

**Volatility due to U.S. fluctuations** (also known as "systematic volatility") is defined as:  
 $SYSVOL = (Ri2)/1/2$

where SYSVOL = systematic volatility; R2 = is the proportion of total variance in county i's growth rate that is associated with contemporaneous fluctuations in national growth.

**Volatility not due to U.S. fluctuations** (also known as "nonsystematic volatility") is defined as:  
 $NONSYS = 1 - (Ri2)/1/2$

where NONSYS = nonsystematic volatility in county i; R2 is the proportion of total variance in county i's growth rate that is associated with contemporaneous fluctuations in national growth.

Formulas modified from "Assessing Regional Economic Stability: A Portfolio Approach," Economic Review (Federal Reserve Bank of San Francisco), Winter 1990.

## MIGRATION FLOWS

**IRS data.** When a taxpayer notifies the IRS of a change in address, the IRS records the household's current county of residence, the county to which the household is moving, the number of household members, and household income. Economy.com aggregates this data by metro area into gross migration. The data are then sorted to show the ten counties providing the largest number of new residents and the ten counties to where the largest number of current residents move. Subtracting the gross out-migration flows from the gross in-migration flows gives net out-migration.

The IRS migration data have several advantages. One advantage of the IRS data is that it is the only migration data set to show where out-migrants are moving to and where in-migrants are coming from. Another advantage is that the average income levels can be associated with both in-migrants and out-migrants. The disadvantages of the IRS migration data are that it only covers households that have filed income-tax returns and thus is not a complete record of all migration; and that it lags by two to two-and-one half years.

**Census data.** The Census measure of net migration attempts to capture all migration to and from counties. Economy.com aggregates this data to metro areas and to states. The Census measure of net migration differs from the IRS measure in several ways. First, Census measures only net migration; gross in and out flows are not available. Second, Census data cover all migrants, including international migrants, not just those who file income tax returns. Census data lack accompanying income data. Numbers differ from migration series data in indicator tables, which are estimated on Census 2000 data. New migration data from the Census will be available in 2002.

## HOUSE PRICES

The house price index presents relative growth in the median price for existing single family homes, indexed to the first quarter of 1987. The median home price data comes from the National Association of Realtors, and is estimated at the county level by Economy.com. Each month the NAR Research Division receives data on existing single-family home sales from over 650 Boards/Associations of Realtors and multiple listing systems across the country. In 1994, data on over 1,500,000 existing single-family homes were received and processed.

## LEADING INDUSTRIES

Leading industries are defined as the largest industries with location quotients greater than 1.1. A location quotient greater than 1 indicates an industry that serves more than the local market. Location quotients are calculated according to the formula:  $LC_{im} = (E_{im}/E_{tm}) / (E_{iUS}/E_{tUS})$  where LC = location quotient in county m for industry i; E = employment in industry i for county m or the U.S.; and t = total employment for county m or the U.S.

Economy.com defines high-tech employment as the sum of employment in the following industries:

SIC	Industry
283	Pharmaceuticals
357	Computer & Office Equipment
366	Communications Equipment
367	Electronic Components & Accessories
381	Search & Navigation Equipment
382	Measuring & Controlling Devices
384	Medical Instruments & Supplies
385	Ophthalmic Goods
489	Communications Services, NEC
737	Computer & Data Processing Services
873	Research & Testing Services

Prepared for the Arizona Department of Commerce  
Office of Economic Information and Research  
December 2002