LA PAZ

EMPLOYMENT GROWTH

2001-03

4.8

2001-06

4.9

STANFORD 9 2002

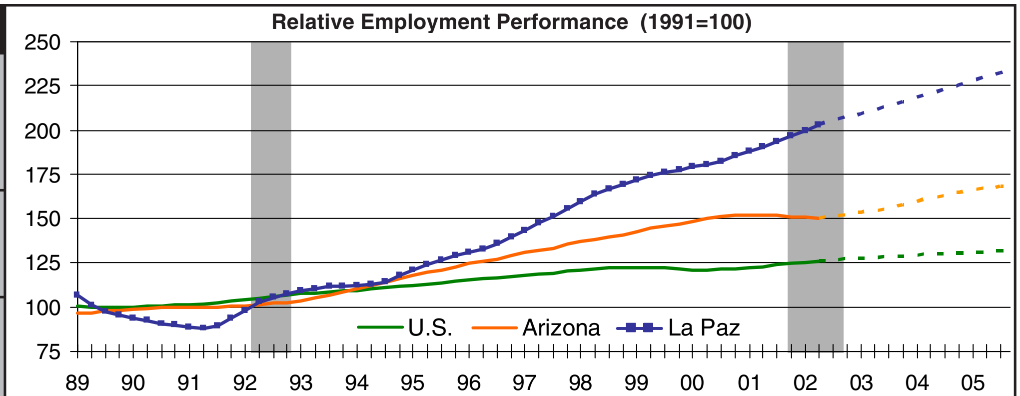
Language	29
Math	49
Reading	31

EDUCATIONAL ATTAINMENT 2000

8.7%

POVERTY RATE

19.6%



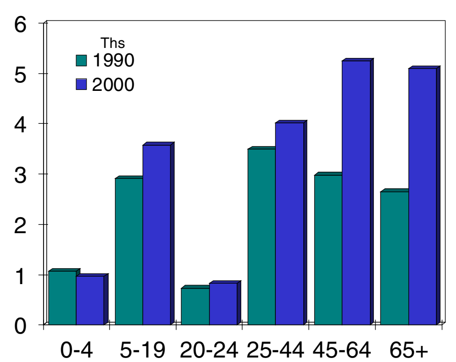
1995	1996	1997	1998	1999	2000	2001	Indicators	2002	2003	2004	2005	2006
0.24	0.23	0.26	0.25	0.26	0.28	0.28	**Gross Product, C$B**	0.29	0.30	0.30	0.31	0.31
-0.1	*-2.7*	*12.3*	*-3.4*	*3.3*	*9.8*	*-1.4*	*% Change*	*3.8*	*2.0*	*2.1*	*1.8*	*1.6*
3.9	4.0	4.4	4.7	5.2	5.8	6.1	**Total Employment (000)**	6.4	6.8	7.2	7.5	7.9
6.9	*3.2*	*9.6*	*7.7*	*10.8*	*10.5*	*6.0*	*% Change*	*4.6*	*6.1*	*6.2*	*4.2*	*4.4*
10.3	11.3	9.5	8.3	8.0	7.4	6.3	**Unemployment Rate**	3.5	3.5	3.5	3.5	3.5
7.3	5.1	8.4	2.8	8.1	3.9	17.8	**Personal Income Growth**	6.1	1.6	2.7	1.8	2.7
16.6	17.5	18.3	18.9	19.4	19.7	19.8	**Population (000)**	19.7	19.7	19.8	20.0	20.1
24	31	33	35	34	32	38	**Single-Family Permits**	32	29	25	22	21
34	33	36	36	31	33	25	**Multifamily Permits**	19	22	20	17	15
75.4	78.8	82.0	85.6	91.0	98.7	107.7	**Existing Home Price ($Ths)**	117.2	123.9	131.8	136.5	143.3
108	130	140	244	207	178	337	**Mortgage Originations ($Mil)**	244	202	215	217	236
0.1	0.5	0.2	0.1	0.0	0.1	0.1	**Net Migration (000)**	-0.1	0.0	0.1	0.2	0.1
32	42	57	52	55	47	46	**Personal Bankruptcies**	22.7	20.3	18.7	17.7	16.5

INDUSTRY OPPORTUNITIES

Opportunities for economic development include:

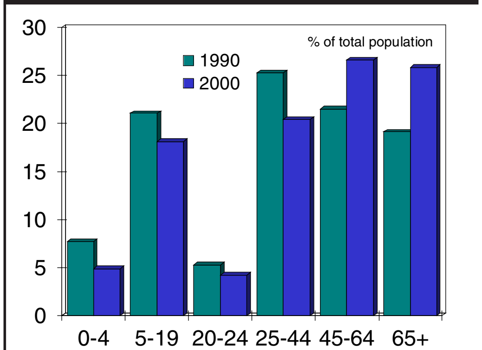
- Transportation/logistics
- Agriculture/Food processing/Agriculture technology
- Tourism

POPULATION BY COHORT



Source: Census Bureau

POPULATION DISTRIBUTION



Source: Census Bureau

ANALYSIS

Recent Performance. Signs of recovery are emerging in La Paz County, where the economy was driven into recession by tourism and agriculture. Weak tourist flows are hurting the local retail and service industries. Employment conditions are currently soft, but the worst for the county has passed, and an acceleration in government hiring is easing payroll contraction and helping reduce unemployment. Credit quality in the county remains weak, but is not alarming.

Tourism outlook. Tourism is LAP's primary growth driver. The county's tourism industry is driven by winter residents and by road travelers from California and the surrounding regions. A general drop-off in tourist traffic has led to declining revenue at the county's recently completed Blue Water Casino resort. Visitation at LAP's three state parks is flat to moderately down this year. Of primary importance in driving a rebound in travel to LAP are economic conditions in Arizona, California and Texas, which together account for 60% of domestic visitors to Arizona. With the exception of Southern California, metro areas like San Diego and Orange County, which have performed solidly through the recession, the region has been contracting since the fourth quarter.

A return to positive growth should come over the next few years. Longer term, growth in LAP's target markets will outpace the national average, enabling the county's tourism industry to continue to grow strongly, provided it can keep its tourism offerings competitive.

Industrial structure. LAP has a very narrow industrial base, with near-negligible manufacturing activity. Economic activity in the state is concentrated in agriculture, tourism and government employment. State and local government employs the largest share of the workforce (over 40%) outside of tourism and agriculture. The narrow industrial structure contributes to weak income trends in the county; the earnings per employee in LAP have declined sharply over the past decade, and are currently over 30% below the national average.

Gaming offers some growth potential for LAP, although gaming will become a less profitable investment as the number of Indian casinos in Western states mushrooms. States hungry for tax revenue will continue to look to gaming to boost depleted state coffers, As a result, the returns to new casino construction will decline as the region grows increasingly saturated.

Human capital. The LAP labor market suffers from a dearth of skilled workers, and the county faces an uphill battle in attracting and retaining them. Fewer than 70% of LAP residents have graduated high school, and less than 8% have a bachelor's degree, compared to national averages of over 80% and 24%, respectively. While spending per pupil in LAP is on par with the state, it is over 20% lower than the U.S. Test performance is poor in comparison to the state and nation, with LAP eighth graders scoring only in the 40th to 45th percentiles in reading, math and language skills. Weak education spending poses some downside risk to the outlook.

Growth will accelerate in La Paz County in coming quarters as travel activity rebounds. Payrolls should finish the year up solidly, given last year's weakness. Longer term, LAP's outlook is challenging. The key growth constraint facing LAP is its weak demographic trends. Low income levels hamper education spending in the area, which undercuts its ability to produce skilled workers, which in turn discourages investment by companies in high value-added industries. Upside potential comes from Indian gaming, which has boosted employment and visitors but which faces uncertain expansion due to increasing competition in the southwest. LAP will be a below-average performer over the forecast horizon.

David Givens
December 2002

Economy.com, Inc. • 600 Willowbrook Lane, Suite 600 • West Chester, PA 19382 • 610.696.8700 • 610.696.0875 fax • www.economy.com

EMPLOYMENT & INDUSTRY

TOP EMPLOYERS

Employment Figures Unavailable

Arizona/California Railroad
Bashas'
Blue Water Casino & Resort
Colorado River Indian Tribe
Dayton Superior Corporation
Flying J Truck
K.D. and Vicksburg Farms
La Paz Regional Hospital
Morgan Corporation
Parker Indian Hospital
Pilot Travel Center
River Medical, Inc.
Safeway Stores, Inc.
Tomahawk Auto/Truck Stop
U.S. Bureau of Indian Affairs
US Filter/Westates

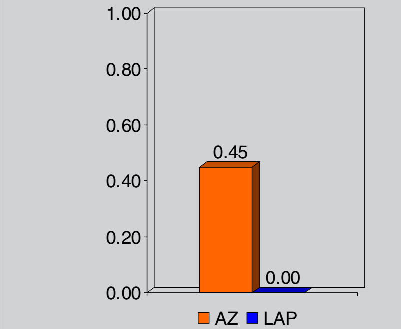
Source: Arizona Department of Commerce

Public

Federal	214
State	333
Local	956

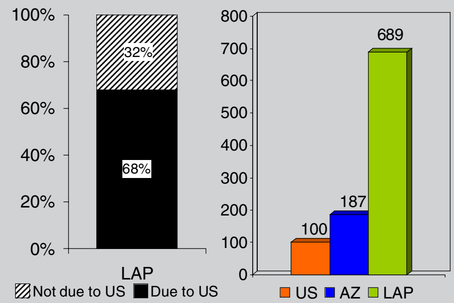
2001

INDUSTRIAL DIVERSITY



EMPLOYMENT VOLATILITY

DUE TO U.S. FLUCTUATIONS | RELATIVE TO U.S.

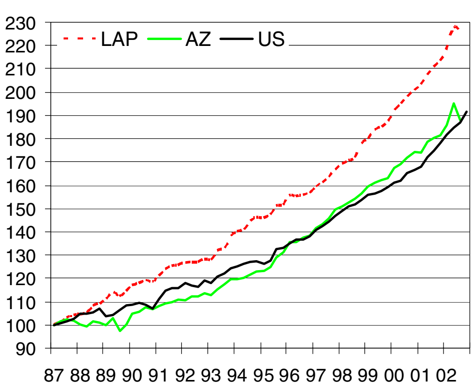


COMPARATIVE EMPLOYMENT AND INCOME

Sector	% of Total Employment LAP	AZ	US	Average Annual Earnings LAP	AZ	US
Mining	0.0%	0.4%	0.4%	$46,084	$42,760	$64,853
Construction	3.0%	7.3%	5.1%	$25,087	$35,534	$37,846
Manufacturing	1.8%	9.3%	13.4%	$30,989	$52,820	$50,161
Durable	*22.2%*	*77.2%*	*60.1%*	*$33,398*	*$56,574*	*$52,419*
Nondurable	*77.8%*	*22.8%*	*39.9%*	*$30,063*	*$40,158*	*$46,703*
Transport/Utilities	4.3%	4.9%	5.4%	$42,102	$42,761	$50,161
Wholesale Trade	0.5%	4.9%	5.1%	$65,768	$47,228	$49,721
Retail Trade	20.1%	18.6%	17.8%	$19,125	$19,835	$19,357
Finance,Ins.,Real Estate	2.3%	6.6%	5.8%	$28,477	$31,403	$42,743
Services	43.6%	31.3%	31.1%	$17,991	$30,334	$33,327
Memo: Health Services	*7.2%*	*6.8%*	*7.9%*	*$21,652*	*$41,149*	*$40,060*
Government	24.5%	16.6%	15.9%	$20,996	$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	1.3
072	Crop services	1.2
734	services to buildings	0.6
554	Gasoline service stations	0.4
FR	Farms	0.3
541	Grocery stores	0.2
GVF	Total federal government - civilian	0.2
803	Offices and clinics of osteopathy	0.2
801	Offices & clinics of medical doctors	0.2
481	Telephone communications	0.1
PH	Private household workers	0.1
799	Misc amusement & recreational service	0.1
701	Hotels and motels	0.1
173	Electrical work	0.1
822	Private colleges & universities	0.1
	Total leading industry employment	6.1
	High-tech employment	0.0
	As % of total employment, all industries	0.1

Source: BLS, Economy.com, 2001

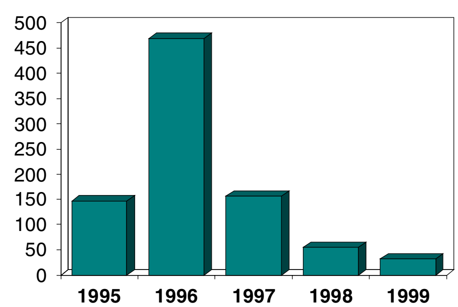
MIGRATION FLOWS

Into La Paz County	Number of Migrants	Median Income
Riverside	166	14,167
Maricopa County	147	17,221
Mohave County	62	18,437
Orange County	37	23,749
Los Angeles	34	29,999
Las Vegas (NV part only)	33	16,874
Yavapai County	33	16,249
San Diego	16	19,166
ND	ND	ND
ND	ND	ND
Total Inmigration	1,242	18,446

From La Paz County		
Maricopa County	160	14,374
Mohave County	141	22,499
Riverside	116	18,656
Yavapai County	64	25,624
Pima County	35	21,249
Pinal County	32	17,499
Yuma County	26	19,999
Las Vegas (NV part only)	24	12,499
Navajo County	19	22,499
ND	ND	ND
Total Outmigration	1,148	18,352

Net Migration	94	94

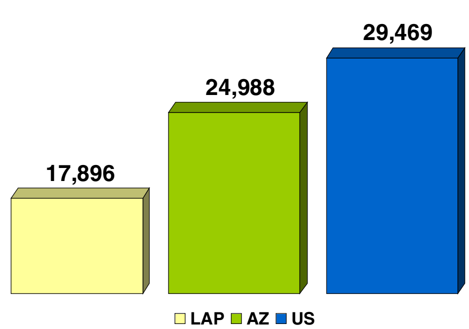
Net Migration, LAP



	Domestic	Foreign	Total
1995	102	45	147
1996	414	56	470
1997	90	66	156
1998	-3	58	55
1999	-26	58	32

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

PER CAPITA INCOME

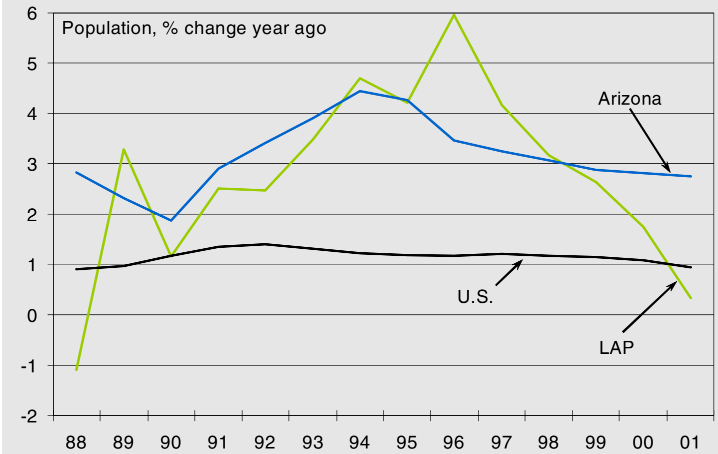


Source: Bureau of Economic Analysis, 2000

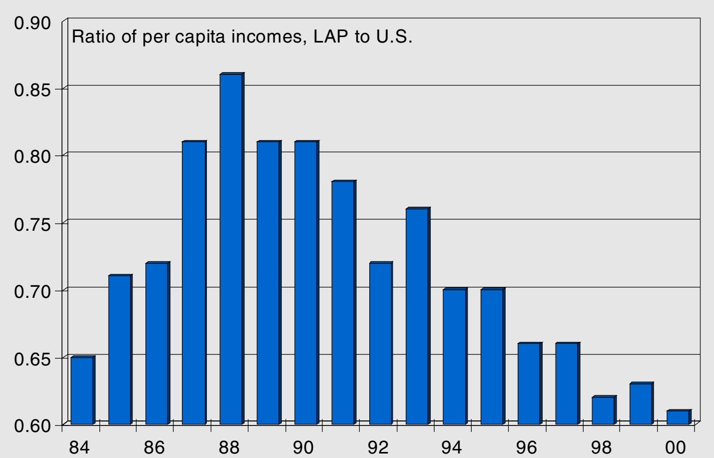
La Paz

Labor Markets Show Strength

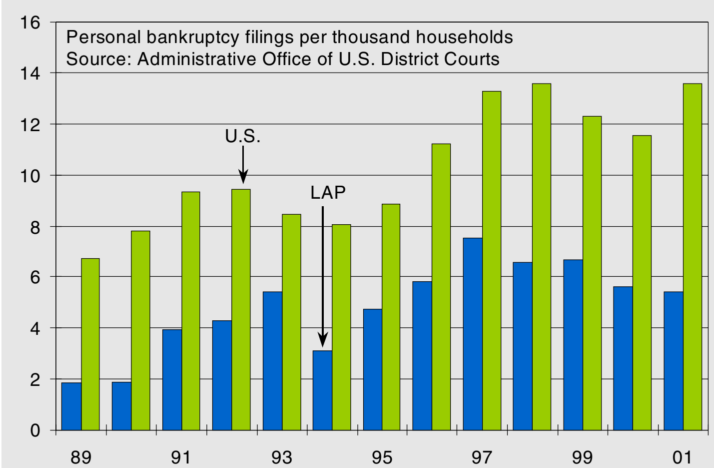
Falloff in In-Migration Undercuts Population Growth



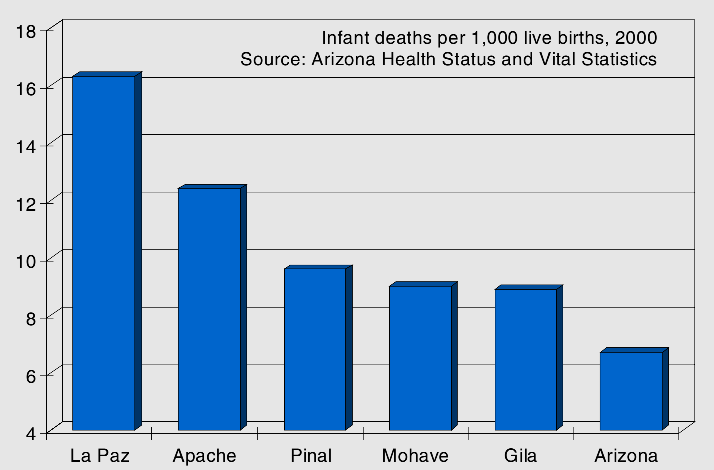
Income Growth in LAP Continues to Languish



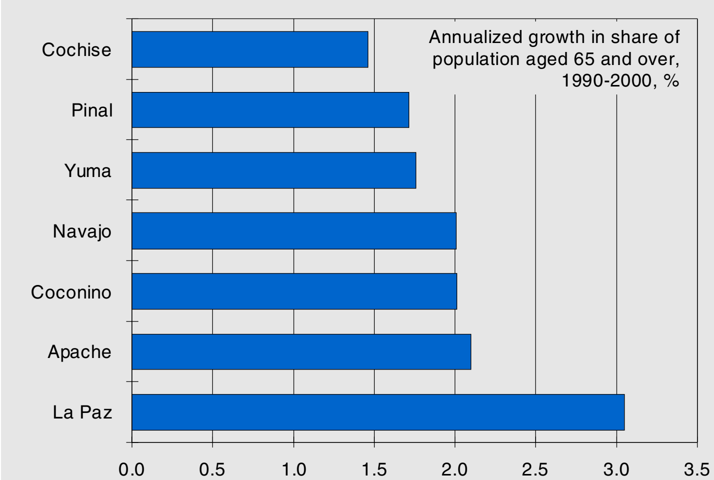
Consumer Credit Quality Outshines National Average



LAP Has the Highest Infant Mortality Rate in the State

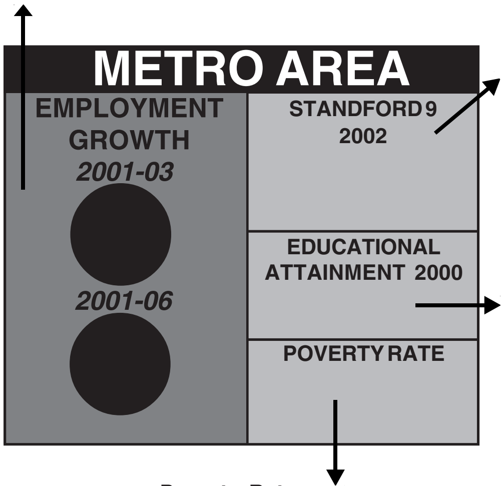


LAP Is The Retiree Destination In Arizona



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	

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/å((EMPij/EMPUSj)*EMPij)

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:LCim=(Eim/Etm)/(Eius/Etus)
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