

APRIL 18, 2018

ARIZONA ECONOMIC OUTLOOK

GREATER PHOENIX CHAMBER OF COMMERCE ECONOMIC DEVELOPMENT INSIDER SERIES



ACA OVERVIEW



ACA MISSION

The mission of the Arizona Commerce Authority is to grow and strengthen Arizona's economy and facilitate the creation of quality jobs for its citizens by attracting and supporting business in high-growth industries throughout the state. Why? Because a vibrant, diverse, state-wide economy means increased opportunities for our citizens.

It's about helping people.



ATTRACT

Recruit out-of-state and international companies to establish operations in Arizona



EXPAND

Work with existing Arizona Companies to grow their businesses here and beyond



CREATE

Partner with entrepreneurs to create new Arizona businesses in targeted industries

STRATEGIC FRAMEWORK

VISION

Arizona is the top location for high-quality business growth.

MISSION

To grow and strengthen Arizona's economy and facilitate the creation of quality jobs for its citizens by supporting and attracting businesses in targeted, high-value base sectors throughout the state.

1

Attract businesses to Arizona.

2

Grow Arizona businesses.

3

Create new Arizona businesses.

STRATEGIES

Monitor & Strengthen Competitiveness

Increase Awareness

Lead Economic Development Efforts

Target High-Value Industries

Accelerate Advanced Manufacturing

Cultivate Entrepreneurial Ecosystem

Expand International Trade

Create Workforce of the Future

Encourage Infrastructure

Enhance Rural Economic Growth

CULTURE

Transparency • Accountability • ROI • Leadership • Engagement • Long-Term Vision • Short-Term Action • Collaboration

ACA 2.0



A wide-angle photograph of a modern cityscape at dusk or dawn. The scene features several multi-story buildings with glass facades, reflecting the sky. In the foreground, a body of water mirrors the buildings and the sky. The text "ARIZONA MANAGEMENT SYSTEM" is overlaid in white, bold, sans-serif font across the center of the image.

ARIZONA MANAGEMENT SYSTEM



ARIZONA MANAGEMENT SYSTEM

APPLY

PRIVATE SECTOR
MANAGEMENT PRACTICES

MEASURE

PROGRESS USING A DATA-DRIVEN
APPROACH

UTILIZE

LEAN PRINCIPLES TO
ELIMINATE INEFFICIENCIES

FOCUS

ON RESULTS AND
CONTINUOUS IMPROVEMENT

GOVERNOR DUCEY'S PRIORITIES



Educational Excellence



Happy & Healthy Citizens



Fiscal Responsibility



21st Century Economy

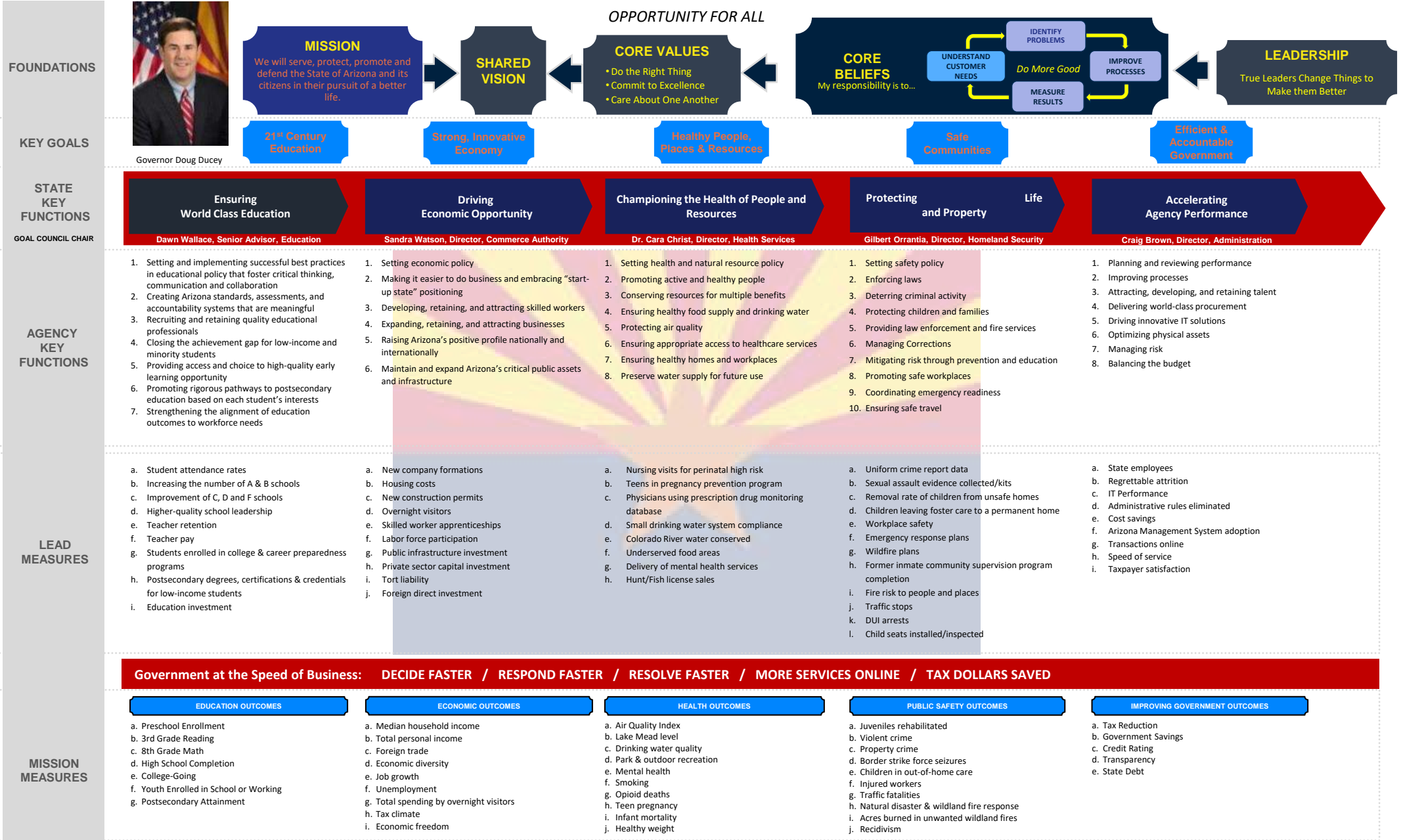


Protecting Our Communities



ARIZONA MANAGEMENT SYSTEM

OPPORTUNITY FOR ALL



BREAKTHROUGH GOALS



TWO-YEAR REDUCTION

IN UNEMPLOYMENT RATE (DOWN TO 4.35%)



FIVE-YEAR REDUCTION

IN UNEMPLOYMENT RATE (DOWN TO 2.9%)



CREATE

ARIZONA TECH CORRIDOR



LAUNCH

ARIZONA CAREER READINESS CREDENTIAL

ARIZONA CAREER READINESS CREDENTIAL

A validation of the employability skills that matter most to Arizona employers

7 ASSESSMENTS

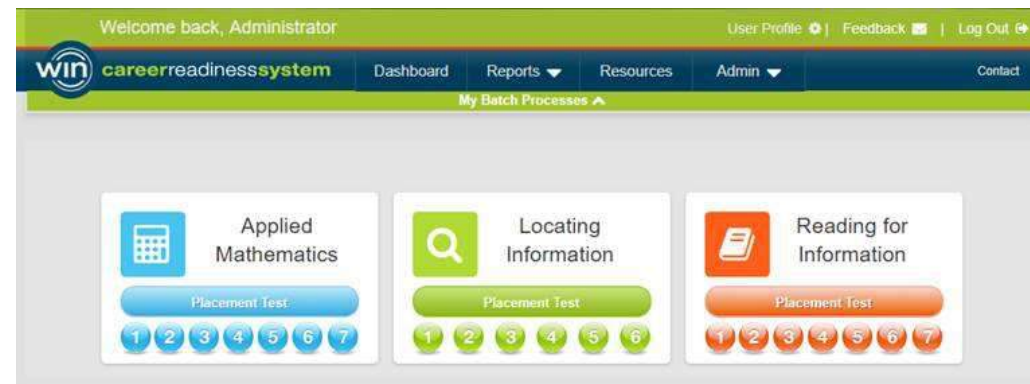
OF INSTRUCTIONAL CONTENT FOR
SOFT AND HARD SKILLS

100 PARTNERS

DESIGNATED GOAL FOR YEAR 1
PARTICIPATION

24 INDIVIDUALS

BELONG TO MARICOPA'S FIRST
COHORT



ACA FY 2013 – FY 2017 RESULTS

Five Years of Strengthening Arizona's Economy



87,132 PROJECTED NEW JOBS

116% of 75,000 goal



\$9.5 BILLION CAPITAL INVESTMENT

158% of \$6.0 billion goal



\$52,577 AVERAGE WAGES

98% of \$53,083 goal

JOB CREATION BY INDUSTRY: 87,132

FY 2013 – FY 2017



39,310 BUSINESS & FINANCIAL SERVICES JOBS
45% of total



15,580 MANUFACTURING JOBS
18% of total



11,495 INFORMATION TECHNOLOGY JOBS
13% of total



9,326 BIOSCIENCE & HEALTHCARE JOBS
11% of total



4,515 AEROSPACE & DEFENSE JOBS
5% of total

6,906 OTHER JOBS | 8% of Total

ACA FY 2013 – FY 2017 ECONOMIC IMPACT



\$118.73B
Economic Output



200,029
Direct, Indirect and
Induced Jobs



\$3.00B
Tax Revenue

FY 18 TO-DATE RESULTS

NEW JOBS*

19,255

AVERAGE WAGE

\$57,046

CAPEX

\$3.5B

SOUTHWEST



8,869 NEW JOBS

\$2.7B CAPEX

WEST



1,022 NEW JOBS

\$17M CAPEX

MIDWEST



2,915 NEW JOBS

\$60M CAPEX

EAST



3,244 NEW JOBS

\$342M CAPEX

SOUTHEAST



1,465 NEW JOBS

\$61M CAPEX

CALIFORNIA



965 NEW JOBS

\$190M CAPEX

INTERNATIONAL



775 NEW JOBS

\$88M CAPEX

27%

MANUFACTURING

19%

BUSINESS/FINANCIAL

15%

IT/SOFTWARE

14%

BIO/HEALTHCARE

6%

OTHER

8%

AEROSPACE & DEFENSE

6%

LOGISTICS

4%

CONSUMER PRODUCTS

1%

RENEWABLE ENERGY

ARIZONA
COMMERCE AUTHORITY

*Five-year numbers

ARIZONA MOMENTUM





TOP 5 STATE

FOR ECONOMIC MOMENTUM

(STATE POLICY REPORTS)

ARIZONA
COMMERCE AUTHORITY



POPULATION GROWTH



ARIZONA IS THE

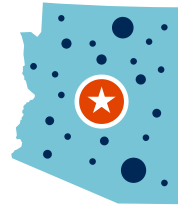
5TH FASTEST-GROWING

STATE IN TERMS OF NUMERIC GROWTH

GAINING 107,628 PEOPLE FROM
2016 - 2017

(U.S. CENSUS BUREAU)

POPULATION GROWTH



MARICOPA COUNTY IS

#1 IN THE NATION

FOR POPULATION GROWTH

GAINING MORE PEOPLE THAN
ALL 3,141 OTHER U.S. COUNTIES

(U.S. CENSUS BUREAU)

JOB GROWTH



ARIZONA PROJECTS

150,000 INCREASE

IN JOBS OVER THE NEXT TWO YEARS

Q3 2017 – Q2 2019

(OFFICE OF ECONOMIC OPPORTUNITY)

ARIZONA
COMMERCE AUTHORITY

TECHNOLOGY JOB GROWTH



PHOENIX HAS EXPERIENCED

188% GROWTH

2015 – 2016

(ZipRecruiter Data)

PERSONAL INCOME GROWTH



ARIZONA IS A

TOP 5 STATE

FOR PERSONAL INCOME GROWTH

4.5%

AHEAD OF CALIFORNIA AND TEXAS

2016 – 2017

(BUREAU OF ECONOMIC ANALYSIS)

ARIZONA
COMMERCE AUTHORITY



ARIZONA RANKINGS

#1 Most Competitive State

Mountain Region

(*Site Selection Magazine* Prosperity Cup, 2017)

#1 Most Competitive State

5 to 8 Million Population

(*Area Development Magazine* Gold Shovel Awards 2017)

#1 Most Innovative University

ASU

(U.S. News & World Report, 2015, 2016 & 2017)

#2 Fastest Growing Technology Market

(CBRE Tech Thirty 2016)

An aerial photograph of a city skyline at sunset. The sky is a warm, hazy orange. In the background, a range of mountains is visible, with the central peak being a prominent reddish-brown color. The city below is densely packed with buildings, many of which are illuminated by the low sun, creating a golden glow. The overall scene is a panoramic view of a major metropolitan area.

LOOKING TO THE FUTURE



CURRENT FIVE-YEAR GOALS



JOB CREATION

Lead efforts to create **80,000** projected new jobs with a focus on high-wage target industries.



WAGE GROWTH

Increase average wage of the jobs created to **150%** of the state's 2017 median wage.



CAPITAL INVESTMENT

Attract **\$7 billion** in capital investment to Arizona.



ENTREPRENEURIAL VITALITY

Elevate Arizona to a **top-five state** as measured by entrepreneurial density, funding and connectivity.



INCREASED EXPORTS

Expand export revenues across target industries by **25%** over five years.

INDUSTRIES & MARKETS

The ACA has strategically chosen to focus on developing six established industries



**AEROSPACE &
DEFENSE**



**BIOSCIENCE &
HEALTH CARE**



**BUSINESS &
FINANCIAL
SERVICES**



**FILM & DIGITAL
MEDIA**



MANUFACTURING



**TECHNOLOGY &
INNOVATION**

Today's global economy
presents strategic opportunities
and markets for Arizona's
products, services and ideas



CALIFORNIA



MEXICO



CANADA



EUROPE



ASIA

10 TRENDS SHAPING OUR FUTURE



INTERNET OF THINGS



AUTONOMOUS VEHICLES



FRESH WATER SCIENCE



PERSONALIZED MEDICINE



TELEMEDICINE



EDUCATION TECHNOLOGY



RENEWABLE ENERGY



AGRICULTURAL TECHNOLOGY



SMART MATERIALS



NANOSATELLITES



FINANCIAL TECHNOLOGY



TRANSFORMING FINANCIAL SERVICES

\$27.4 BILLION

total global investment in fintech in 2017

2,700

fintech venture capital deals in 2017

77%

of firms expect to adopt blockchain as part of a production system or process by 2020

\$40 TRILLION

estimated global amount of working capital that is currently not flowing at any given time



upgrade



FINTECH SANDBOX

FIRST-IN-THE-NATION PROGRAM ELIMINATES BARRIERS

Aims to spur the development of emerging industries including fintech, blockchain and cryptocurrencies in Arizona.

PRE FORMAL LICENSURE:



10,000 CUSTOMERS



2 YEARS TO TEST
PRODUCTS

“FinTech is going to fundamentally transform banking, finance and technology. We’re going to be first in the state to embrace it.”

-Governor Doug Ducey

“Arizona has always been a state for big ideas and this is just one more place where we are trailblazing in entrepreneurship and innovation. I hope to see the sandbox serve as a catalyst for capital investment in Arizona and provide opportunities for Arizona businesses and consumers to thrive

-Arizona Attorney General Mark Brnovich



INTERNET OF THINGS



ARIZONA IS LEADING CONNECTIVITY

\$14.2 TRILLION

estimated global economic impact of IoT by 2030

\$7.1 TRILLION

estimated U.S. economic impact of IoT by 2030

18 BILLION

IoT connected devices estimated to be online
by 2022

87%

of business leaders surveyed by Accenture
believe IoT will result in net job creation



FACTORY OF THE FUTURE: FAB 42

INTEL

The most advanced, high-volume 7-nanometer semiconductor manufacturing facility in the world located in Chandler, Arizona.



3,000+ JOBS



\$7 BILLION
CAPITAL INVESTMENT

“Intel’s business continues to grow and investment in manufacturing capacity and R&D ensures that the pace of Moore’s law continues to march on, fueling technology innovations the world loves and depends on. This factory will help the U.S. maintain its position as the global leader in the semiconductor industry.”

– Brian Krzanich, CEO, Intel

GLOBAL DIGITAL SECURITY LEADER

KUDELSKI GROUP

A global leader in digital content distribution and security established its U.S. headquarters in Phoenix, Arizona.

“Since its creation in 1951, the Kudelski Group has been a thought pioneer, and in the 21st century, Arizona is the place of choice for digital-age pioneers.”

-André Kudelski, Chairman and CEO, Kudelski Group



350 JOBS



\$39.5 MILLION
CAPITAL INVESTMENT



AUTONOMOUS VEHICLES



DRIVERLESS CAR CAPITAL OF THE WORLD

\$7 TRILLION

estimated global economic impact
autonomous vehicles by 2050

\$2 TRILLION

estimated U.S. economic impact of
autonomous vehicles by 2050

600,000

estimated lives saved by autonomous vehicle
technology by 2045



TRANSFORMING TRANSPORTATION

NIKOLA MOTOR COMPANY

Manufacturing the nation's most advanced hydrogen-electric semi-trucks in Buckeye, Arizona.



2,000 JOBS



\$1 BILLION
CAPITAL INVESTMENT

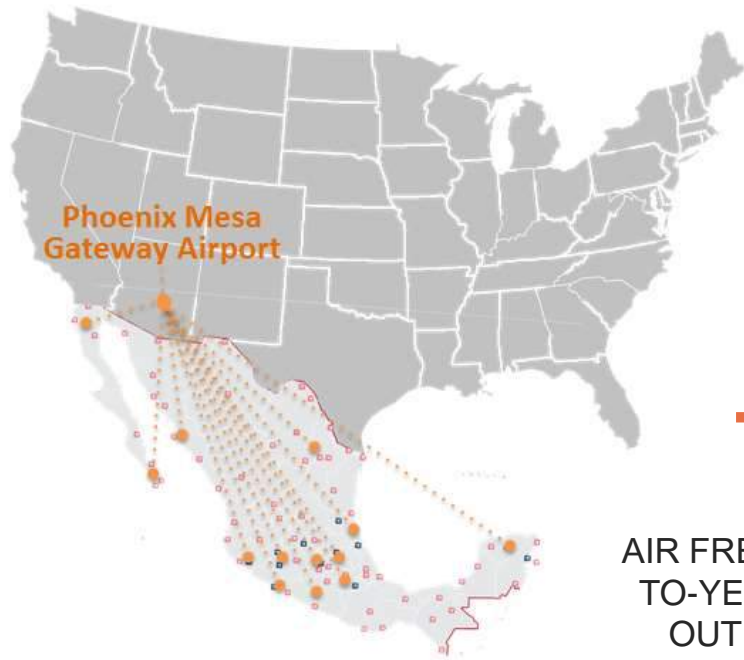
“After 12 months, nine states and 30 site locations, Arizona was the clear front runner. Arizona has the workforce to support our growth and a governor that was an entrepreneur himself. They understood what 2,000 jobs would mean to their cities and state.”

-Trevor Milton, CEO and founder, Nikola Motor Company

MESA SKYBRIDGE



MESA SKYBRIDGE



AIR LOGISTICS HUB TO SHIP HIGH-VALUE GOODS DIRECTLY TO CONSUMERS THROUGH A BONDED FACILITY INCORPORATING MEXICAN CUSTOMS

7%

AIR FREIGHT'S YEAR-TO-YEAR GROWTH, OUTPACING ALL OTHER MODES

18%

GROWTH OF AIR FREIGHT TRADE FROM ARIZONA TO MEXICO (2011-2015), 30% PER YEAR

\$390M

AIR FREIGHT TRADE BETWEEN ARIZONA AND MEXICO



OPPORTUNITY ZONES

TAX CUT & JOBS ACT OF 2017



OPPORTUNITY ZONES

PROGRAM PARAMETERS



Temporary Deferral



Step Up In Basis



Permanent Exclusion

OPPORTUNITY ZONES

ELIGIBILITY REQUIREMENTS

1,526

TOTAL ARIZONA
CENSUS TRACTS

671

ARIZONA CENSUS TRACTS
MEET CRITERIA*

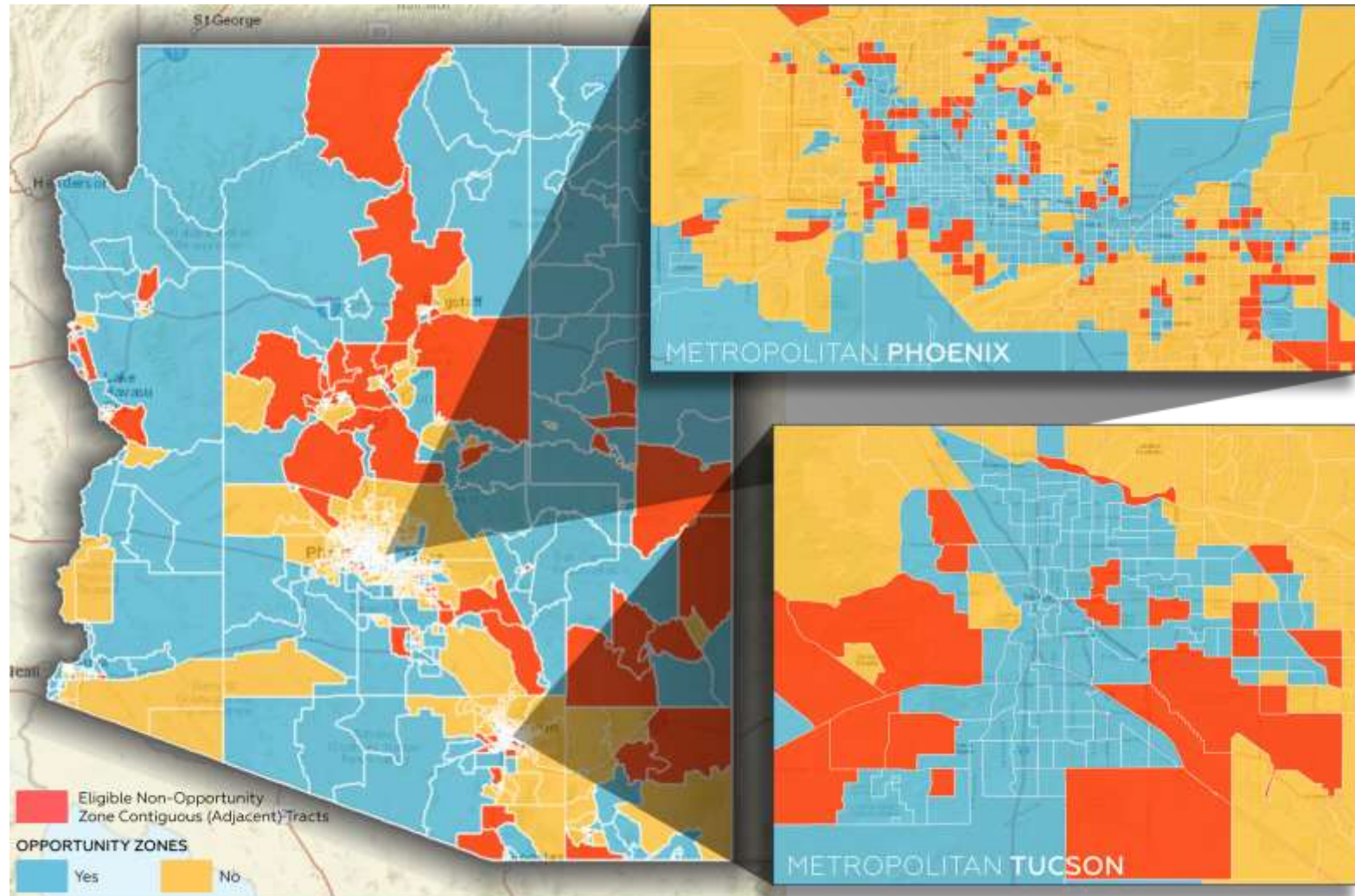
168

CENSUS TRACTS
NOMINATED

REMARKABLE OPPORTUNITIES FOR DEVELOPMENT IN ARIZONA

**CRITERIA BASED ON THE 2011-2015 AMERICAN COMMUNITY SURVEY DATA*

OPPORTUNITY ZONES





OPPORTUNITY ZONES

ACA'S ROLE

1

REVIEW

INTERPRET AND APPLY
LEGISLATIVE LANGUAGE

2

OUTREACH

REQUEST LOCAL
RECOMMENDATIONS

3

ANALYZE

COMPILE AND ANALYZE
RECOMMENDATIONS

4

IDENTIFY

RECOMMENDATION LIMITED TO
25% OF QUALIFYING ZONES



THANK YOU & DISCUSSION

