City of Phoenix

Report

Date: 11/19/2026, **Item No.** 1

Key Phoenix Economic Indicators Quarterly Report - Citywide

This report transmits the first quarter report of the Key Phoenix Economic Indicators for Fiscal Year (FY) 2026-27 to the City Council and community.

Summary

As part of efforts to continuously improve budget forecasting and reporting, the Budget and Research Department compiles 18 key Phoenix economic indicators into the attached quarterly report. The data is collected with the assistance of the Aviation, Budget and Research, Planning and Development, Public Works, and Water Services departments. The attached report provides insightful data that, when reviewed collectively, can reveal a helpful overall picture of recent economic activity trends specifically within Phoenix. Although outside sources of economic data are also available, most of that information covers the entire Greater Phoenix region or the State of Arizona. However, with the exception of two statewide measures, the indicators in the attached report relate to data specifically within City of Phoenix boundaries, which may differ from the region or state. The indicators attached to this report **(Attachment A)** are for review by the City Council and community.

The 18 Phoenix data measures include:

Sky Harbor International Airport Passengers
This measure indicates regional tourism and business activity.

Phoenix Water Service Accounts
This measure may indicate changes in Phoenix population and commercial and residential property development.

New Phoenix Single Family Home Construction Permits Issued
This measure may indicate Phoenix population growth and shifts in housing preferences or demographics, as well as spill-over benefits to other economic sectors such as construction, retail, manufacturing and utilities.

New Phoenix Multi-Family Units Permitted
Like single family permits, this measure may indicate Phoenix population growth and

shifts in housing preferences or demographics, as well as spill-over benefits to other economic sectors such as construction, retail, manufacturing and utilities.

Total Value of Permitted Phoenix Activity
Along with other factors, this measure may provide an indication of Phoenix property market values and development, as well as overall strength for commercial and residential markets.

Phoenix Solid Waste Residential Customer Growth
This measure may indicate changes in Phoenix population and revenue generated through solid waste services provided by the Public Works Department.

City of Phoenix Overall Sales Tax
This measure indicates overall economic activity related to all categories of taxable sales within Phoenix.

City of Phoenix Retail Sales Tax
This measure indicates economic activity related to taxable retail sales and consumer spending levels within Phoenix.

City of Phoenix Hotel/Motel Sales Tax
This measure indicates economic activity related to hospitality, leisure and tourism within Phoenix.

City of Phoenix Restaurants/Bars Sales Tax
This measure indicates economic activity related to hospitality, leisure and tourism within Phoenix.

City of Phoenix Contracting Sales Tax
This measure indicates economic activity related to taxable commercial and residential construction in Phoenix.

State Overall Sales Tax
This measure indicates economic activity related to all categories of taxable sales within the State of Arizona.

State Vehicle License Tax
This measure indicates vehicle sales activity within the State of Arizona.

Phoenix Assessed Property Valuation
This measure is based on the Primary Net Assessed Valuation, which provides the

basis for City of Phoenix property tax revenue.

Phoenix Full Cash Property Value
This measure indicates the market value of residential and commercial property within Phoenix and is an important economic indicator relating to the overall commercial and residential property markets.

Phoenix Median Household Income
This annually updated measure provides the mid-level household income within Phoenix, an important indicator of job and wage activity levels.

Phoenix Unemployment Rate
This measure shows the percentage of the active labor force currently unemployed within Phoenix, an important indicator of overall economic health.

Phoenix Labor Force Participation
Another measure of employment levels, this annually updated measure shows the percentage of the population aged 16 and older currently in the Phoenix labor force, which can help account for "discouraged workers" not captured in the unemployment rate.

Each measure provides the year-to-date totals and year-to-date growth rates compared to the prior year, prior three-year average, and peak year.

Responsible Department
This item is submitted by City Manager Ed Zuercher and the Budget and Research Department.

City of Phoenix

Phoenix Economic Indicators Report

First Quarter FY 2026-27

Executive Summary

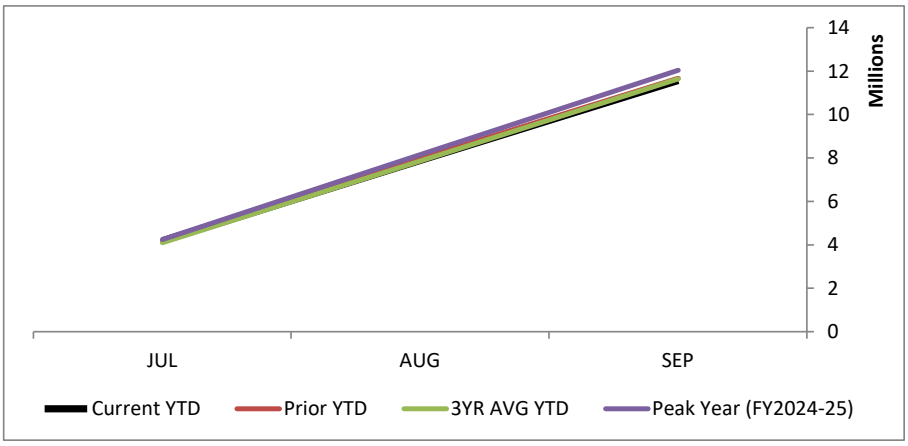
Economic indicators, such as those included in this report, provide measurements for evaluating the health of our economy, the latest business cycles, and how consumers are spending and generally faring. Included in this report are aviation, utility, new development, state and local sales tax, vehicle sales, property values, and employment statistics. Each statistic is shown through a graph presenting current year-to-date data (for data available on a monthly basis), prior year-to-date, prior three-year average of year-to-date data, and peak year data for the first quarter of the current fiscal year (July 1 - June 30). Each indicator has its own peak year where performance was at its highest since 2000. Each graph is accompanied by a description of the significance of the measure as an economic indicator, and a statement about the current year data in relation to prior years. Many of the statistics are measured on a monthly basis, but a few are only available quarterly or annually.

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Phoenix Sky Harbor Airport Total Passengers

Significance: The number of passengers utilizing the Phoenix Sky Harbor airport can be an indicator for regional tourism and business activity.



Current YTD Compared to:

Prior Year	-0.9%
3 Year Avg.	-0.6%
Peak Year (FY2024-25)	-3.9%

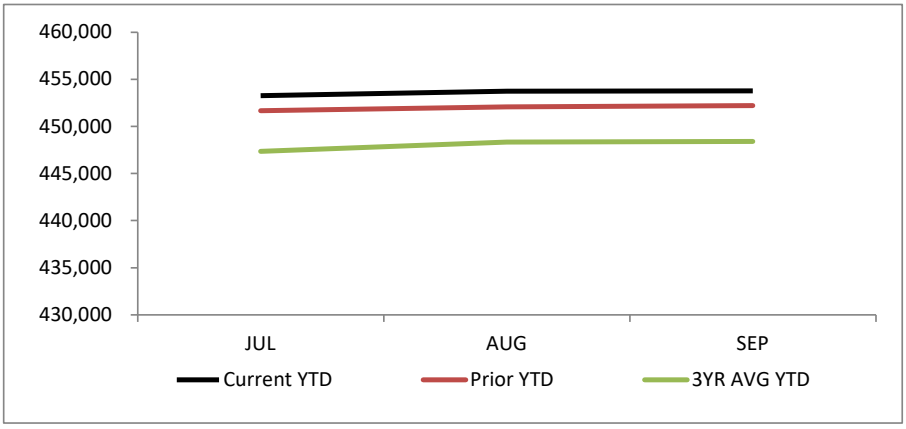
Totals

CYTD	11,574,094
PYTD	11,678,826
3YRAVG	11,641,514
Peak Year (FY2024-25)	12,048,391

Current Year: Passenger traffic decreased by 0.9% compared to the same period last fiscal year and is 0.6% lower than the three-year average. Industry data lags two months.

Total Water Service Accounts

Significance: Total water service account growth is a measurement indicating revenue generated through services provided by the Water Services Department. The number of water service accounts can be an indicator of changes in population and development.



Current YTD Compared to:

Prior Year	0.3%
3 Year Avg.	1.2%
Peak Year (FY2025-26)	0.3%

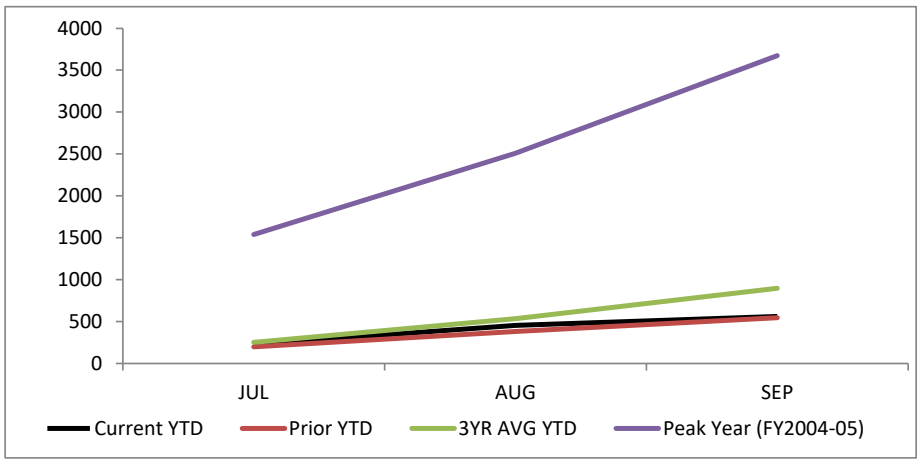
Totals

CYTD	453,758
PYTD	452,214
3YRAVG	448,398
Peak Year (FY2025-26)	452,214

Current Year: Compared to the first quarter of the previous fiscal year, current single family and multifamily residential water service accounts both continue to reflect an uptrend. Permits issued by the Planning and Development Department, which lag behind water account growth by two to three years, further support these trends.

Total New Home Construction Permits Issued

Significance: New single-family homes are a key economic indicator, reflecting local population growth as well as spill over benefits to other sectors of the economy such as demand for construction labor/materials, retail, manufacturing and utilities.



Current YTD Compared to:

Prior Year	3.3%
3 Year Avg.	-37.3%
Peak Year (FY2004-05)	-84.7%

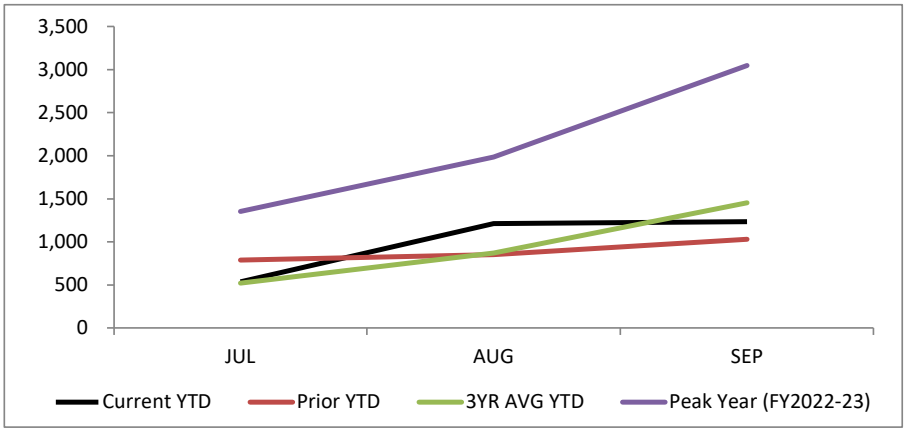
Totals

CYTD	563
PYTD	545
3YRAVG	897
Peak Year (FY2004-05)	3,672

Current Year: There is a slight increase of 3.3% compared to the first quarter of the previous fiscal year; however, an overall decrease in single family residential construction activity is anticipated due to a significant amount of construction in recent years, combined with uncertainties in economic conditions such as interest rate changes, employment rates, and inflation.

New Multi-Family Units Permitted

Significance: New multi-family construction is a key economic indicator of local population growth or shifts in housing preferences and its spill over benefits to other sectors of the economy such as demand for construction labor/materials, retail, manufacturing, and utilities.



Current YTD Compared to:

Prior Year	20.0%
3 Year Avg.	-15.1%
Peak Year (FY2022-23)	-59.5%

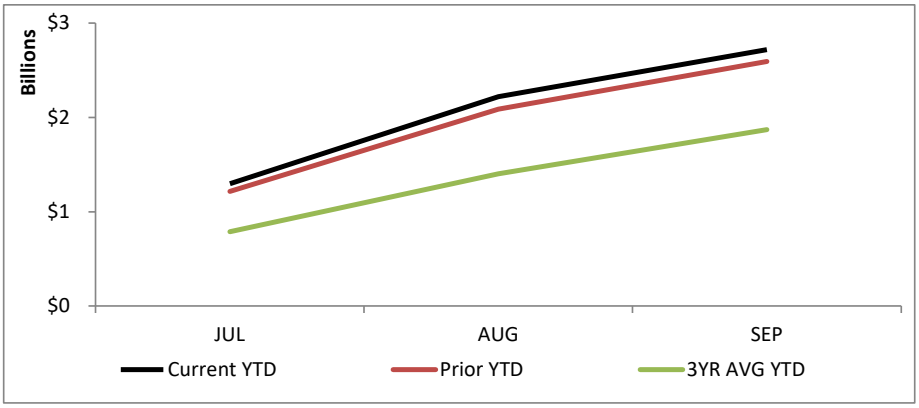
Totals

CYTD	1,234
PYTD	1,028
3YRAVG	1,454
Peak Year (FY2022-23)	3,048

Current Year: Several years ago, multifamily development accelerated across the Valley as inflation, rising home prices, and higher interest rates reduced the feasibility of single-family housing and increased demand for multi-family housing. Since then, market conditions have shifted, with analyses indicating an oversupplied multi-family sector and forecasts projecting continued cooling through the next two years. The current permitting spike reflects projects entitled 12 to 18 months ago and therefore lags market trends. As a result, multifamily permit volumes are expected to decline by late 2026 and into 2027.

Total Value of Permitted Activity

Significance: The valuation of new construction can be an indicator of economic strength because it reflects the permit value of new construction projects.



Current YTD Compared to:

Prior Year	4.9%
3 Year Avg.	45.3%
Peak Year (FY2025-26)	4.9%

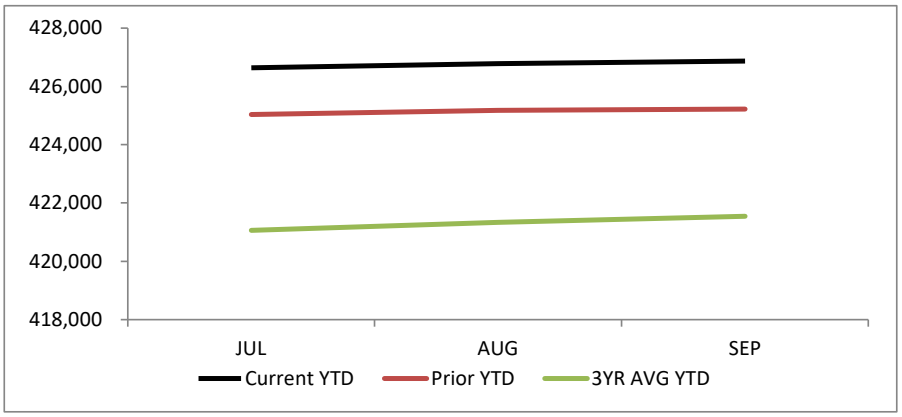
Totals

CYTD	$2,719,446,254
PYTD	$2,592,259,641
3YRAVG	$1,871,374,880
Peak Year (FY2025-26)	$2,592,259,641

Current Year: Among other large commercial developments, the breaking ground of the Taiwan Semiconductor Manufacturing Company's (TSMC) Fab 3 and the announcement of Fab 4 and its expected permits of a large semi-conductor plant is expected to significantly increase the overall construction valuation from FY 2025-26.

Solid Waste - Residential Customer Growth

Significance: Residential customer growth is an indicator of one facet of Phoenix's economic strength because it reflects the growth in households.



Current YTD Compared to:

Prior Year	0.4%
3 Year Avg.	1.3%
Peak Year (FY2025-26)	0.4%

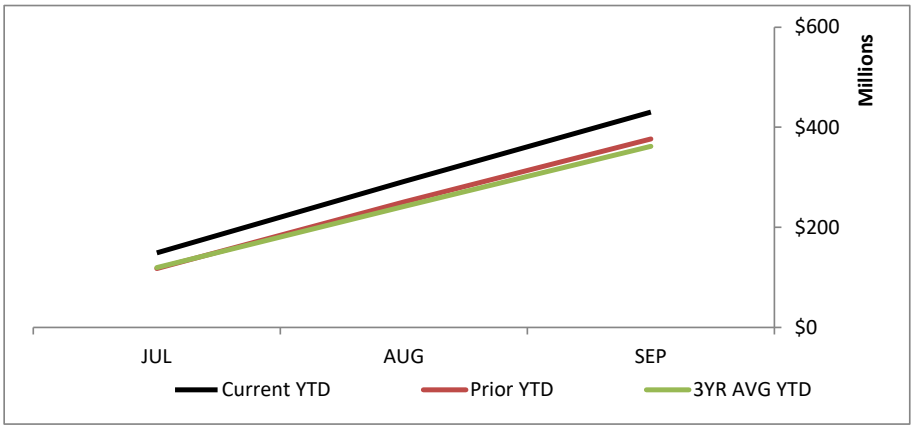
Totals

CYTD	426,872
PYTD	425,221
3YRAVG	421,545
Peak Year (FY2025-26)	425,221

Current Year: The number of residential living units being serviced by the Public Works Department Solid Waste Division is consistently trending upwards.

City Sales Tax - Total

Significance: City sales tax (all funds including: General Fund, T2050, Public Safety, 3PI, Convention Center, Sports Facilities, Bioscience & Tourism, and Capital Construction) represents overall local economic activity related to taxable sales.



Current YTD Compared to:

Prior Year	14.1%
3 Year Avg.	18.9%
Peak Year (FY2025-26)	14.1%

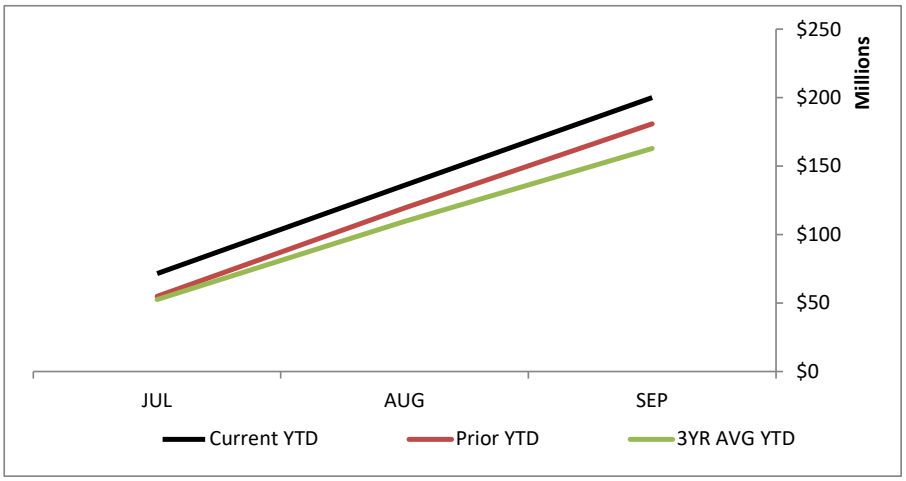
Totals

CYTD	$430,329,000
PYTD	$377,029,000
3YRAVG	$361,835,000
Peak Year (FY2025-26)	$377,029,000

Current Year: Total City sales tax collections increased by 14.1% compared to the last fiscal year. The growth is primarily attributed to the 0.5 percentage point increase in the City TPT and Use Tax rates, offset by the tax revenue decrease caused by the January 1, 2025 elimination of residential rental property TPT. Prior year values have not been adjusted for inflation.

City Sales Tax - Retail

Significance: Retail sales tax represents retail sales, not including the sales tax on food.



Current YTD Compared to:

Prior Year	10.6%
3 Year Avg.	22.7%
Peak Year (FY2025-26)	10.6%

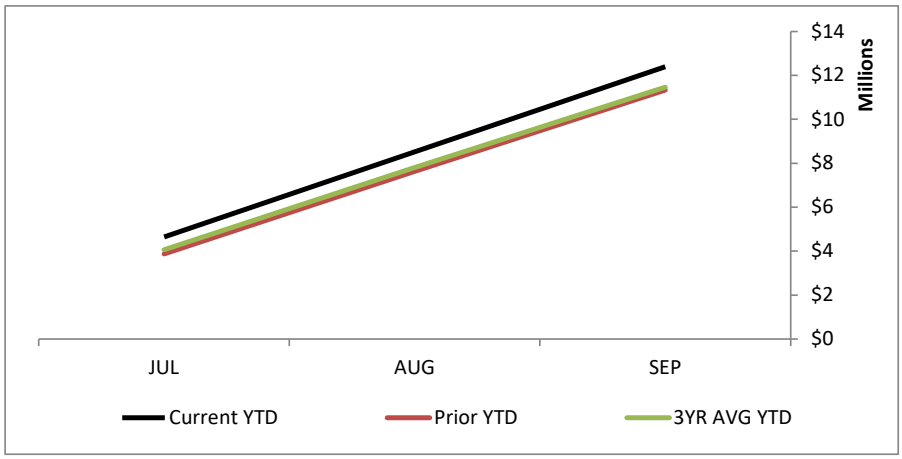
Totals

CYTD	$200,026,000
PYTD	$180,839,000
3YRAVG	$162,967,333
Peak Year (FY2025-26)	$180,839,000

Current Year: Retail sales tax collections experienced approximately 10.6% growth for the current fiscal year compared with the prior year. The double digit growth is primarily attributed to the 0.5 percentage point increase in the City TPT rate, effective July 1, 2025. Retail sales tax collected from online retailers which became effective October 2019 is included in this category. Prior year values have not been adjusted for inflation.

City Sales Tax - Hotel/Motel

Significance: Hotel/Motel sales tax revenue represents taxable sales for these businesses and is an indicator of tourism activity.



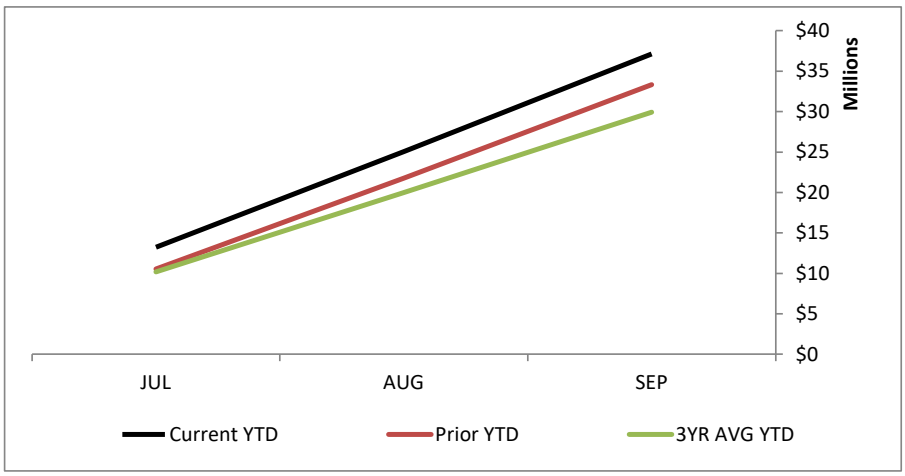
Current YTD Compared to:	
Prior Year	9.4%
3 Year Avg.	8.2%
Peak Year (FY2025-26)	9.4%

Totals	
CYTD	$12,396,000
PYTD	$11,327,000
3YRAVG	$11,459,333
Peak Year (FY2025-26)	$11,327,000

Current Year: Hotel/motel sales tax collections increased by 9.4% in collections for the current fiscal year compared with the prior year. The positive growth is primarily due to the 0.5 percentage point increase in the City TPT rate, effective July 1, 2025. Prior year values have not been adjusted for inflation.

City Sales Tax - Restaurants/Bars

Significance: Restaurants/Bars sales tax revenue represents taxable sales for these businesses and is an indicator of economic strength, population growth, and tourism.



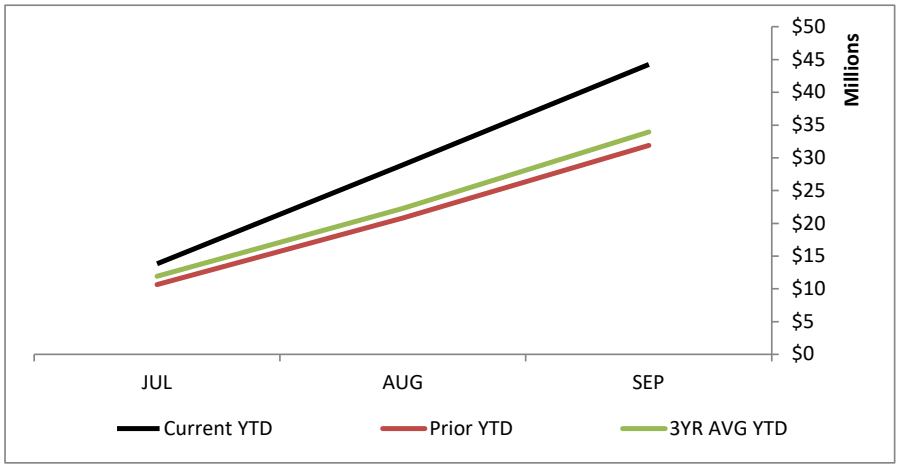
Current YTD Compared to:	
Prior Year	11.4%
3 Year Avg.	24.2%
Peak Year (FY2025-26)	11.4%

Totals	
CYTD	$37,134,000
PYTD	$33,330,000
3YRAVG	$29,905,333
Peak Year (FY2025-26)	$33,330,000

Current Year: Restaurants/bars sales tax collections increased by 11.4% compared to the prior year. The double digit growth is primarily attributed to the 0.5 percentage point increase in the City TPT rate, effective July 1, 2025. Prior year values have not been adjusted for inflation.

City Sales Tax - Contracting

Significance: Contracting sales tax revenue presents activity in the commercial, retail and residential construction markets.



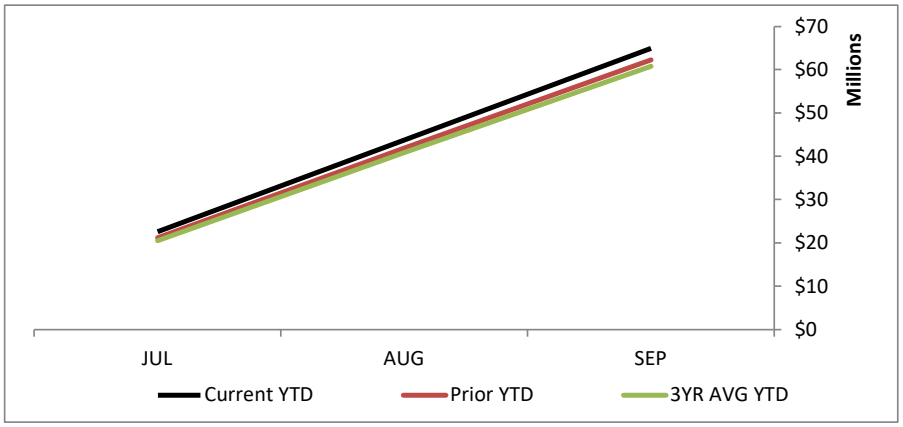
Current YTD Compared to:	
Prior Year	38.7%
3 Year Avg.	30.5%
Peak Year (FY2025-26)	38.7%

Totals	
CYTD	$44,252,000
PYTD	$31,904,000
3YRAVG	$33,914,667
Peak Year (FY2025-26)	$31,904,000

Current Year: Contracting sales tax collections are 38.7% higher than same period of the prior year. The positive growth is primarily due an increase in nonresidential contstruction for commerical and industrial uses, inflationary pressures, and the 0.5 percentage point increase in the City TPT rate, effective July 1, 2025. Prior year values have not been adjusted for inflation.

State Sales Tax - Total

Significance: State shared sales tax revenues are distributed to cities and towns based on relative population share in Arizona. The population share in FY 2000-01 was 33.72% and the relative population share was reduced to 27.52% in June 2025 based on Census data. The Arizona Department of Revenue began reflecting San Tan Valley's incorporation in December's state-shared sales tax distribution. As a result, Phoenix's population share decreased from 27.52% to 27.07% in December, was revised to 27.11% in March, and then updated to 26.87% in May as part of ADOR's normal annual update.



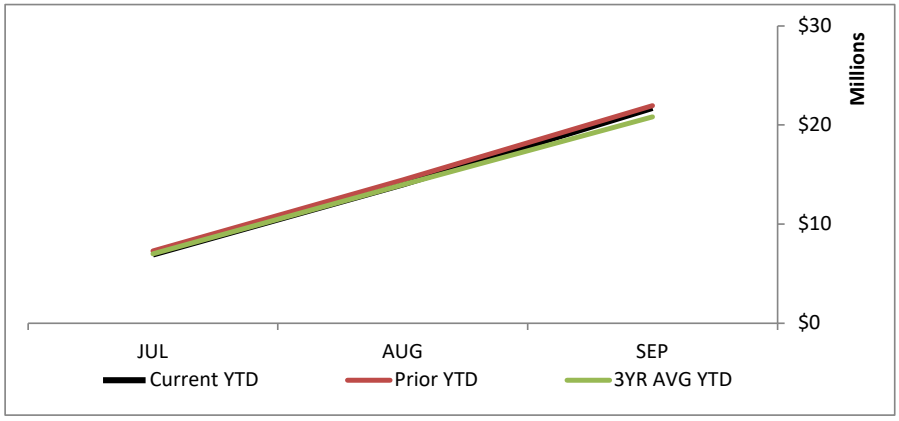
Current YTD Compared to:	
Prior Year	4.3%
3 Year Avg.	6.8%
Peak Year (FY2025-26)	4.3%

Totals	
CYTD	$64,934,000
PYTD	$62,281,000
3YRAVG	$60,787,667
Peak Year (FY2025-26)	$62,281,000

Current Year: State sales tax collections increased by 4.3% compared to the last fiscal year. The increase is primarily driven by a rise in Contracting sales tax growth statewide, relative to its overall decline in the prior fiscal year, as well as moderate growth in Retail/Remote Seller and Restaurant and Bar collections. Prior year values have not been adjusted for inflation.

State Vehicle License Tax

Significance: State shared vehicle license tax revenues are distributed to cities and towns in Maricopa County based on their relative population share of Maricopa County. The City of Phoenix's population share in FY 2000-01 was 48.51%, and the population share has been reduced to 38.206% starting from FY 2026-27.



Current YTD Compared to:

Prior Year	-1.1%
3 Year Avg.	4.4%
Peak Year (FY2025-26)	-1.1%

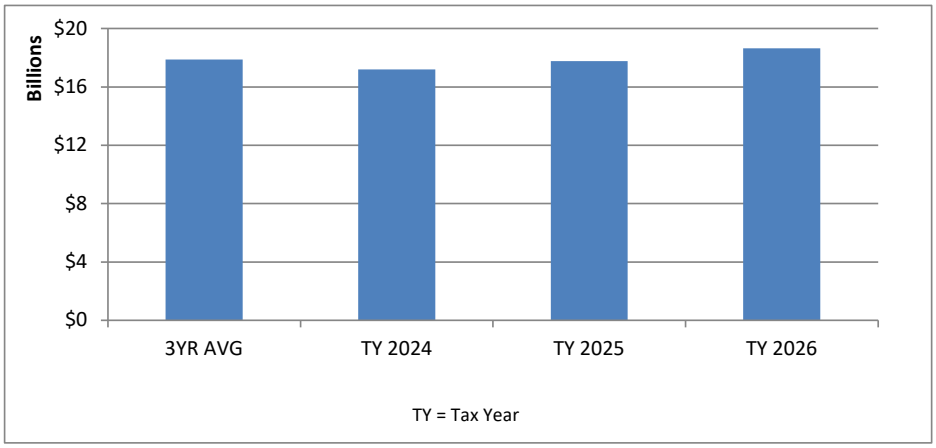
Totals

CYTD	$21,722,000
PYTD	$21,972,000
3YRAVG	$20,812,929
Peak Year (FY2025-26)	$21,972,000

Current Year: State shared vehicle license tax (VLT) collections are 1.1% lower than prior year collections, primarily due to a reduction in the state's population share used for the distribution. Prior year values have not been adjusted for inflation.

Phoenix Primary Net Assessed Valuation

Significance: Phoenix assessed valuation is based on the Primary Net Assessed Value (Primary NAV), which beginning in FY 2015-16, is the single value used for calculating both Primary Property Taxes and Secondary Property Taxes. The assessed valuation provides an indicator of the basis for the City property tax revenue. Primary NAV growth year-over-year is limited under the State Constitution and does not match growth in market values. The statistic is updated once per year in mid-February.



Calendar Year Compared to:

Prior Year	4.9%
3 Year Avg.	4.3%
Peak Year (TY 2026)	N/A

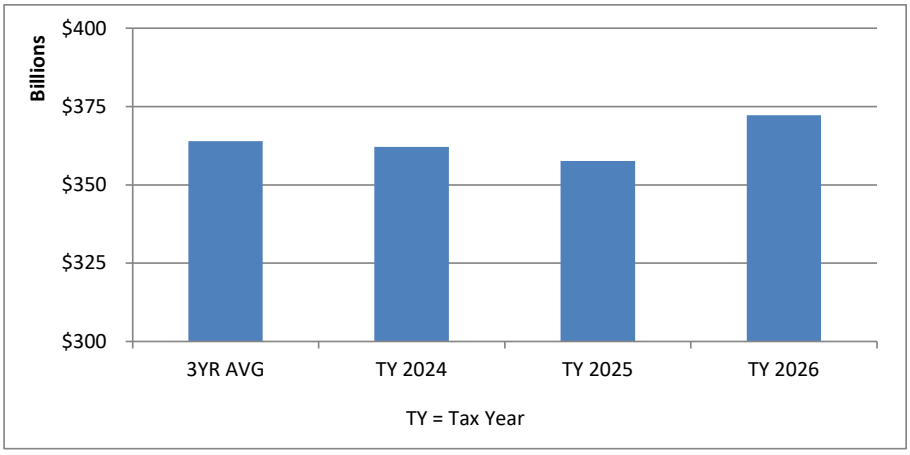
Totals

TY 2026	$18,634,917,222
TY 2025	$17,772,778,261
3YRAVG	$17,866,057,112
Peak Year (TY 2026)	N/A

Current Year: Tax year 2026 (FY 2026-27) Primary NAV grew by 4.9% over the prior year; 2.0% is attributable to new property, and 2.9% is attributable to appreciation in previously-taxed property. Prior-year values have not been adjusted for inflation.

Phoenix Full Cash Value

Significance: Full cash value is an indicator of both commercial and residential property values, an important indicator of one facet of economic health. This statistic is updated once per year, in mid-February, and lags market conditions by approximately one year. Due to assessed valuation growth limits and statutory changes in assessment ratios, however, trends in full cash value do not correlate to trends in the tax base for property taxes.



Calendar Year Compared to:

Prior Year	4.1%
3 Year Avg.	2.3%
Peak Year (TY 2026)	N/A

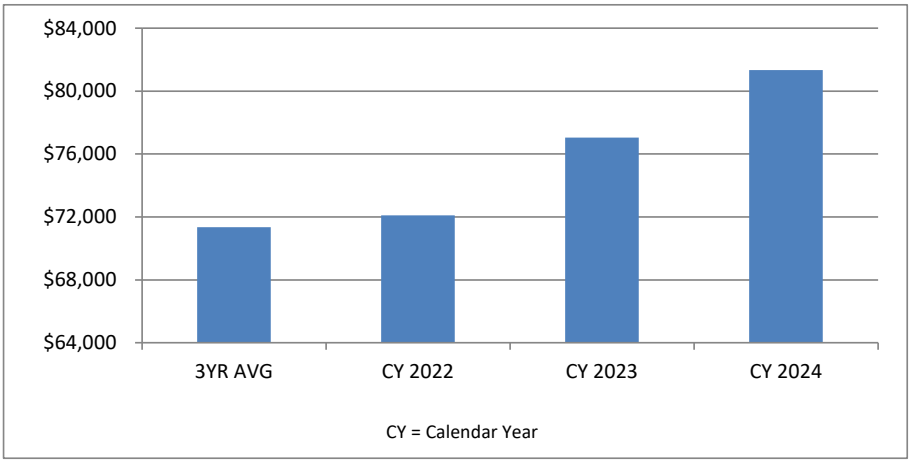
Totals

TY 2026	$372,247,846,149
TY 2025	$357,601,304,233
3YRAVG	$363,977,164,020
Peak Year (TY 2026)	N/A

Current Year: Tax year 2026 (FY 2026-27) full cash value increased 4.1% from the prior year. Commercial, agricultural/vacant, and owner-occupied residential property classes experienced 4.4% - 6.0% growth that was partially offset by a 0.5% decrease in residential rental property values.

Phoenix Median Household Income

Significance: This measure includes the income of the householder and all other individuals 16 years of age and older in the household. Median income is the amount that divides the income distribution into two equal groups, half at income levels above that amount, and half at income levels below that amount.



Calendar Year Compared to:

Prior Year	5.6%
3 Year Avg.	14.0%
Peak Year (CY 2024)	N/A

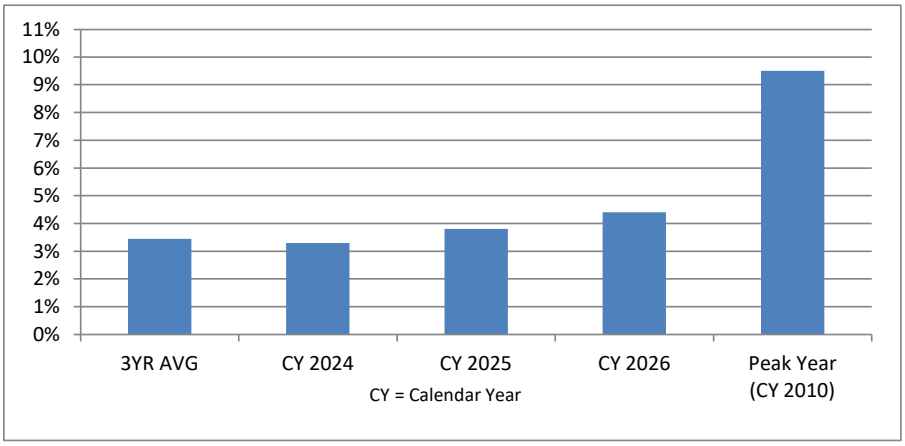
Totals

CY 2024	$81,332
CY 2023	$77,041
3YRAVG	$71,353
Peak Year (CY 2024)	N/A

Current Year: Phoenix Median Household Income in 2024 increased by 5.6% from the prior year. Data is from the U.S. Census Bureau 2024 American Community Survey Five-Year Estimates released in January 2026. Peak year reflects the highest since 2005 (the oldest readily available data set). Prior-year values have not been adjusted for inflation.

Phoenix Unemployment Rate

Significance: This measures the percentage of the labor force that is unemployed. Individuals aged 16 and older are classified as unemployed if they do not have a job, are available for work (except in cases of temporary illness), and have actively sought employment in the past four weeks. Those temporarily laid off and expecting to be recalled are also considered unemployed, even if they have not actively looked for work. Individuals waiting to begin a new job are only classified as unemployed if they have actively searched for work within the last four weeks.



Calendar Year Compared to:

Prior Year	15.8%
3 Year Avg.	27.5%
Peak Year (CY 2010)	-53.7%

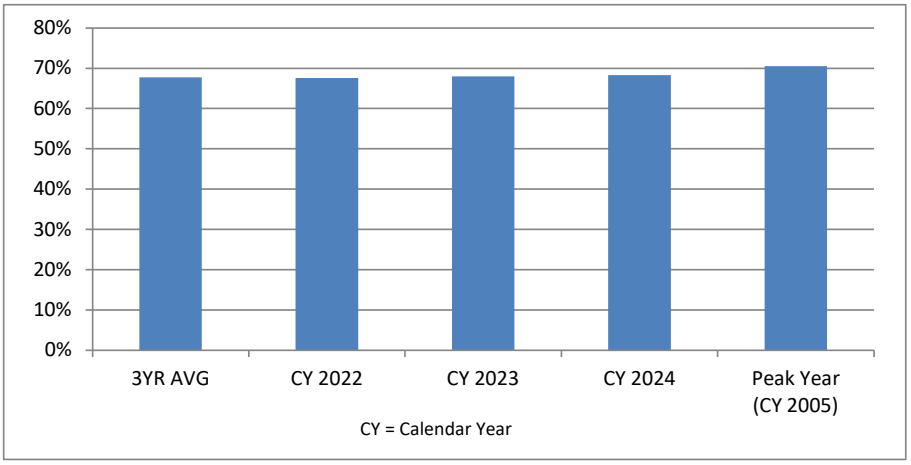
Totals

CY 2026	4.4%
CY 2025	3.8%
3YRAVG	3.5%
Peak Year (CY 2010)	9.5%

Current Year: The preliminary average monthly unemployment rate in calendar year 2026 through September is higher than the prior year. Data is from the United States Department of Labor, Bureau of Labor Statistics. Peak year reflects the highest since 1990 (the oldest readily available data set). Data from 2016 through 2025 were revised by the federal government in May 2026.

Phoenix Labor Force Participation

Significance: This measures the percentage of the population (16 years of age and older) that is in the labor force. The labor force is defined as the total population of employed and unemployed people (16 years of age and older). People are classified as unemployed if they do not have a job, have actively looked for work in the prior 4 weeks, and are currently available for work.



Calendar Year Compared to:

Prior Year	0.4%
3 Year Avg.	0.8%
Peak Year (CY 2005)	-3.1%

Totals

CY 2024	68.3%
CY 2023	68.0%
3YRAVG	67.7%
Peak Year (CY 2005)	70.5%

Current Year: The labor force participation rate increased slightly from 2023 to 2024, indicating a small increase in the percentage of the population that is either employed or unemployed and actively looking for work. However, the increase is in within the margin of error. Data is from the U.S. Census Bureau 2024 American Community Survey Five-Year Estimates released in January 2026. Peak year reflects the highest since 2005 (the oldest readily available data set).