**ECONOMIC CONTEXT**

Lower home prices compared to neighbor states help drive population growth. Growth is also supported by new corporate headquarters in Arizona including larger manufacturing, transportation, technology, financial and call center companies. Strength in health services sector and proximity to Mexico will also boost Arizona’s economy. A weakness in Arizona’s economy is its military manufacturing sector which is vulnerable to federal spending cuts. The state economy would benefit from further diversification to help to limit the impacts of future crises.

**FREIGHT CHARACTERISTICS**

Arizona ranks 3rd in terms of originations and 4th in terms of destinations out of all US states in terms of total freight tons.

In 2020, Arizona exported $19.7 billion worth of goods abroad, placing it 22nd among all U.S. states - A 20 percent drop from 2019. Most of Arizona’s major trading partners also imported significantly less in 2020 than 2019.

**Employment by Sector, 2019 (Thousands)**

<table>
<thead>
<tr>
<th>Sector</th>
<th>Employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade, Transport, Utilities</td>
<td>544.4</td>
</tr>
<tr>
<td>Education/Health Services</td>
<td>463.0</td>
</tr>
<tr>
<td>Professional/Business Services</td>
<td>447.6</td>
</tr>
<tr>
<td>Government</td>
<td>422.5</td>
</tr>
<tr>
<td>Leisure/Hospitality Services</td>
<td>332.0</td>
</tr>
<tr>
<td>Financial Activities</td>
<td>228.0</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>178.0</td>
</tr>
<tr>
<td>Construction</td>
<td>170.2</td>
</tr>
<tr>
<td>Other Services</td>
<td>94.4</td>
</tr>
<tr>
<td>Information</td>
<td>49.4</td>
</tr>
<tr>
<td>Mining</td>
<td>13.3</td>
</tr>
</tbody>
</table>

**TOP TEN COMMODITIES, 2019**

**BY VALUE**
- Mixed Commodity/Consolidated Shipments
- Small Packaged Freight Shipments
- Motor Vehicles
- Motor Vehicle Parts or Accessories
- Warehouse and Distribution Center
- Electrical Equipment
- Transportation Equipment
- Missile or Space Vehicle Parts
- Pharmaceuticals
- Miscellaneous Manufacturing Products

**BY TONS**
- Gravel or Sand
- Mixed Commodity/Consolidated Shipments
- Warehouse & Distribution Center
- Broken Stone or Riprap
- Petroleum Refining Products
- Miscellaneous Waste or Scrap
- Grain
- Asphalt Paving Blocks or Mix
- Bituminous Coal
- Concrete Products
EMERGING TRENDS AND ISSUES

Emerging freight trends can influence freight transportation in Arizona both through negative impacts and potential benefits. The Arizona Freight Plan will consider these emerging trends in the development of goals, objectives, and strategies that Arizona DOT can adopt to prepare for these potential changes to freight transportation in Arizona.

TRENDS AND ISSUES

- Vehicle Technology (automation and electrification)
- Innovations at border crossings
- Extreme climate events
- Global supply chain issues
- E-commerce growth
- Changes to trading partners due to pandemic
- Infrastructure Technology
- The United States, Mexico, and Canada (USMCA) trade agreement
- Truck parking needs
- Last mile delivery changes including aerial vehicles and bicycle delivery

STRENGTHS AND WEAKNESSES OF ARIZONA'S FREIGHT TRANSPORTATION SYSTEM

STRENGTHS

- Arizona has an extensive, reliable, and efficient multimodal freight transportation system.
- Arizona’s freight clusters are generally well connected to the multimodal freight transportation system.
- Arizona’s freight transportation system provides vital links between Arizona’s principal trading partners - Mexico, California, and Texas.

WEAKNESSES

- Arizona has a need for passing and climbing lanes to improve movement on the Key Commerce Corridors (KCC).
- Arizona is experiencing a shortage in the supply of safe truck parking.
- Arizona’s transportation system around and within urban centers is congested and less reliable.
- The Arizona/Mexico border has limited rail capacity and limited roadway connections which contribute to poor reliability at the border.

This summary of the strengths and weaknesses of Arizona's freight transportation system emphasizes areas where decision makers, through the State Freight Plan, can leverage the advantageous position of Arizona and also address potential deficiencies to improve the performance of the state freight system.