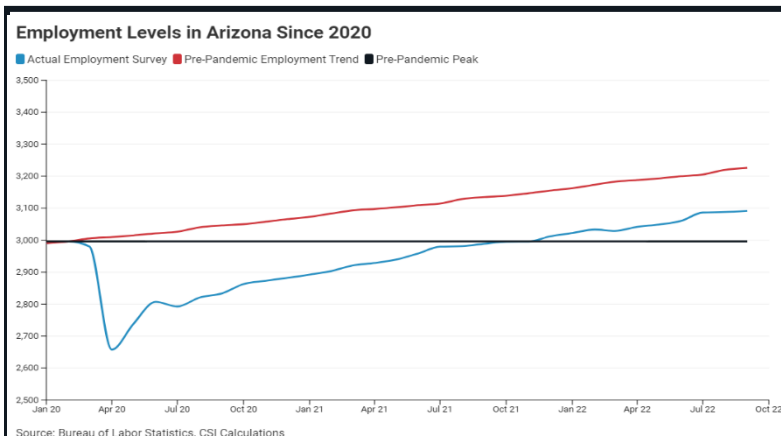


Arizona Jobs and Labor Force Update: October 2022

Arizona added 3,700 nonfarm jobs in September (+0.12%) – a slowdown in the increase we have seen earlier this year – and the Unemployment Rate rose to 3.7% (+0.2%). This is the fourth consecutive monthly increase in state Unemployment Rate, from an historic low of 3.2% in May. On a year-over-year basis job growth was 3.4% in September (down from 5.5% at this time last year), and Arizona had the 24th fastest job growth in the country. Since April 2020, the State has added over 434,200 jobs and regained 103.2% of its pandemic-related job losses. State and national job growth has continued to slow and the Unemployment Rate is slowing ticking up off of historic lows, suggesting the labor market – the economy's strongest performer this year – may be beginning to crack. Still, the resiliency of the labor market is striking.

Key Findings—Arizona September 2022 Employment Data (BLS CES Survey¹)



- **Arizona added 3,700 total nonfarm jobs in September (a monthly increase of 0.12% and a total year-on-year change of +3.4%).**
 - The state surpassed its pre-pandemic peak level of jobs in November 2021 – making it only the fifth state at the time to have done so.
 - However, the State remains about 134,000 jobs below its 2017-2019 trend, and at current rates is not expected to reach this level until October 2024.

Arizona's labor market has outperformed the United States throughout the pandemic years –losing fewer jobs than all but 10 other states during the 2020 recession and regaining lost jobs faster than all but 4 other states.

- While 23 states (and the country overall) have now surpassed their pre-pandemic peak employment numbers, Arizona and the country remain well below prior job trends and population-adjusted numbers.
- **Average hourly wages in Arizona increased \$0.16 in September (+0.5%) – the 12th slowest rate of wage growth in the country.**
 - While the average private sector worker is now making 12.8% more (per hour) than they were prior to the pandemic, inflation over the same period is over 20% - meaning real average hourly wages are down approximately (7%) over the past two years.
 - Arizona private sector workers are now earning an average \$30.57/hour; this is the highest nominal pay rate on record. Only one state posted a negative month-over-month hourly wage growth rate in September.
 - On a year-over-year basis, Arizona wages are up 7.8% over 2021 levels – the 4th fastest growth rate in the country.

A Deeper Dive into Arizona's Manufacturing Industry

- Arizona added 2,000 manufacturing jobs in September (+1.0%) - the 6th fastest increase in the country. Over the past year manufacturing employment has grown by 8.5% (3rd in the US).

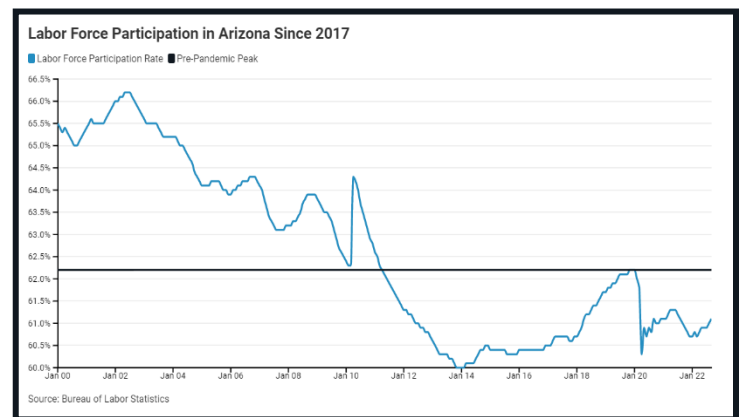
- Manufacturing employment is up over 16,300 jobs relative to its pre-pandemic peak. Remarkably, 13,300 of those job increases were added in just the past year. Arizona’s manufacturing sector has recovered faster than all but 1 other state.
- The average manufacturing job pays \$32.42/hour in Arizona – about 6.0% higher than the average wage rate overall.

Arizona Labor Force Update

Arizona’s labor force participation rate (LFPR) increased slightly to 61.1% (+0.1%) in September - the second consecutive monthly increase but still well below its pre-pandemic peak of 62.2%. There are now 3.6 million people in the state’s labor force – the largest it has ever been since the Bureau of Labor Statistics began keeping track in 1976.

Key Findings—Arizona September `22 Labor Force Data (FREDⁱⁱ)

- **In September the Labor Force Participation Rate (LFPR) increased to 61.1%, though it remains below its pre-pandemic level of 62.2%.**
 - At the current population, this gap would equate to approximately 81,000 additional willing workers.
 - However, even at a reduced participation rate, in-migration - Arizona added over 125,000 new residents during the pandemic – has surged the states labor force to its largest level ever.
- **The Unemployment Rate increased in September to 3.7%.**
 - This follows the state reaching its lowest-ever recorded unemployment rate of 3.2% in April and May and is consistent with a labor market that is at a cyclical peak. There simply may not be capacity for the unemployment rate to fall further, and additional household employment gains must come from population and labor force growth.
- **After reversing a 20-year trend and growing its Labor Force Participation Rate between 2017-2019, Arizona’s participation rate declined precipitously during the pandemic, and has not recovered.**
 - Labor force participation in Arizona increased 0.1-percentage points over the past year, and 1.1-percentage points from its pre-pandemic peak.
 - While older demographics exhibited particularly strong volatility over the pandemic and post-pandemic periods, prime age adults have failed to return to the workforce over the past 18 months.
 - Given demographic trends suggesting slower overall natural population growth, the state’s economy is even more dependent today on both in-migration and labor force participation to fuel growth.
 - Policies which increase these measures will exhibit particularly high returns.



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ⁱ <https://data.bls.gov/cgi-bin/dsrv?sm>

ⁱⁱ <https://fred.stlouisfed.org/>