



MARCH 24, 2023

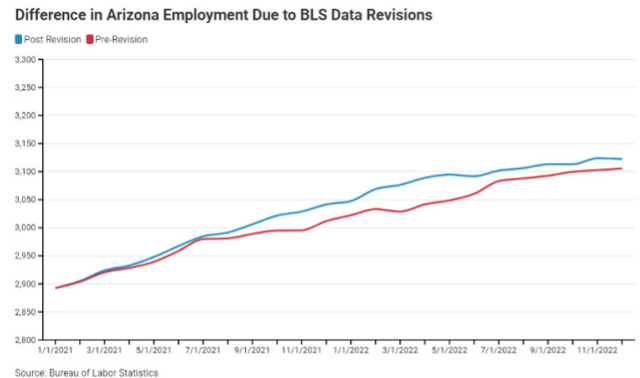
# Arizona Jobs and Labor Force Update

Arizona added 5,700 nonfarm jobs in February (+0.20%) – **23rd in month-over-month employment growth.**

For perspective, the average U.S. job growth rate was also 0.20%. The Unemployment Rate fell to 3.7% (-0.1%). This is approaching the record low Unemployment Rate that we saw in May and April of 2022. On a year-over-year basis, job growth was 2.6% through February (down from 5.7% at this time last year), and Arizona had the 20th fastest year-over-year job growth rate in the country. Since April 2020, the State has added over 492,000 jobs and regained 105.1% of its pandemic-related job losses. In keeping with the national trend this month, Arizona is continuing to add jobs but at a slowing pace.

## BLS Data Revisions

While the resiliency of the labor market remains striking, one thing CSI is keeping an eye on is the gap between household and establishment employment surveys. There has been a wide divergence between these surveys in 2022 and this has meant noticeable revisions to employment statistics since at least 2021. Some sectors (like Manufacturing) are seeing a loss in jobs after this revision (since the establishment data outperformed household data), while others saw job gains. Overall, the revisions made in early March of this year show that Arizona had stronger job growth last year than initially shown by headline data, and the numbers are now closer to the Household estimates than before. However, because so much of the January data's apparent good news was attributable to these revisions, Arizona in February returned to a much slower trend.

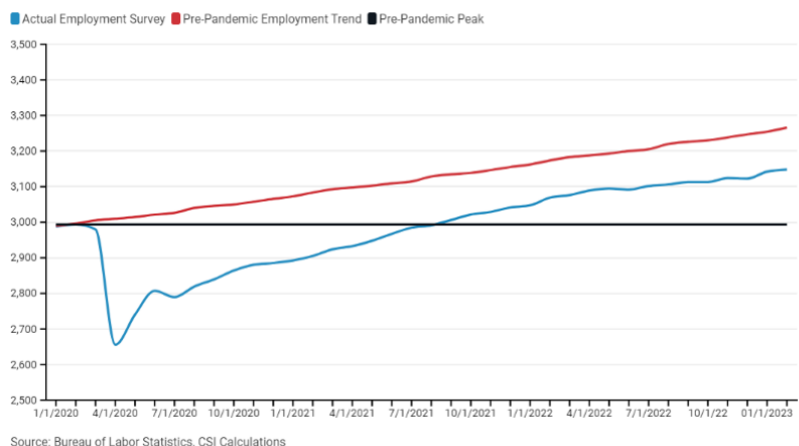


## KEY FINDINGS

### Arizona February 2023 Employment Data (BLS CES Survey<sup>i</sup>)

- Arizona added 5,700 total nonfarm jobs in February (a monthly increase of 0.20% and a total year-on-year change of +2.6%).**
  - 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.
  - Arizona was 20th in job growth this month and the state remains about 118,000 jobs below its 2017-2019 trend; at current rates is not expected to reach this level until September 2024.
  - Last week, we pointed out that - at 8.7% - Arizona's annualized job growth rate in January would be the fastest rate of job growth since at least 1991, if it (implausibly) continued for the rest of the calendar year. As expected, this rapid growth disappeared with the new February data, confirming that January was a statistical artifact unrelated to economic fundamentals.

**Employment Levels in Arizona Since 2020**



- **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 34 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 decreased \$0.10 in February (-0.3%) – the 16th fastest rate of wage growth in the country.**
  - While the average private sector worker is now making 16.0% 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 (4.0%) since February 2020.
  - Arizona private sector workers are now earning an average \$31.44/hour, compared to \$29.83 a year ago. Arizona was among 10 states posting negative month-over-month hourly wage growth rate in February.
  - On a year-over-year basis, Arizona wages are up 5.4% over 2022 levels – the 19th fastest growth rate in the country. Nationally, for perspective, wages fell -0.5% in February (+4.5% year-over-year).

## *Arizona Labor Force Update*

Arizona's labor force participation rate (LFPR) remained at 61.6% in February. This is an increase of 0.2-percentage points over the past year but is down .5-percentage points from its revised pre-pandemic peak of 62.1%. 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 February 2023 Labor Force Data (FRED<sup>ii</sup>)

- In January, the Labor Force Participation Rate (LFPR) remained to 61.6%, and it remains below its pre-pandemic level of 62.1%.
  - At the current population, this gap would equate to approximately 81,000 additional willing workers.
  - The Unemployment Rate decreased in February to 3.7%.
- 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 Since 2000



Source: Bureau of Labor Statistics

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

<sup>ii</sup> <https://fred.stlouisfed.org/>