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Arizona Jobs and Labor Force Update

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Introduction

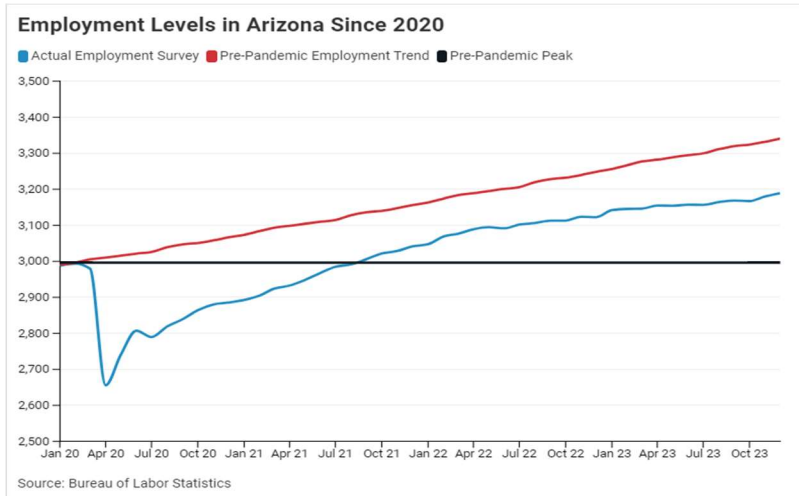
Arizona gained 9,200 nonfarm jobs in December (+0.29%) – the 8th-fastest month-over-month employment growth rate among all states. For perspective, the total U.S. job growth rate was 0.14%; 11 states reported job losses. Despite modest overall job growth figures, Arizona joined 15 other states in *losing* manufacturing jobs in December - down 100 jobs from November levels. After two years of rapid growth, manufacturing employment in Arizona declined last year.

Both Arizona’s unemployment and labor force participation rates remained fixed at 4.3% and 62.1%, respectively. On a national level, the unemployment rate held steady at 3.7% and the labor force participation rate *decreased* to 62.5% (-0.3 percentage points).

On a year-over-year basis, job growth was +2.1% through December (down from +2.7% at this time last year), making Arizona the 12th fastest growing labor market in 2023.

Since April 2020, the state has added 533,500 jobs and regained 106.5% of its pandemic-related job losses. Arizona has added 66,700 jobs since December 2022; just to keep pace with population growth the state needs to add about 75,000 jobs annually.

Key Findings – Arizona December 2023 Employment Data (BLS CES Survey)ⁱ

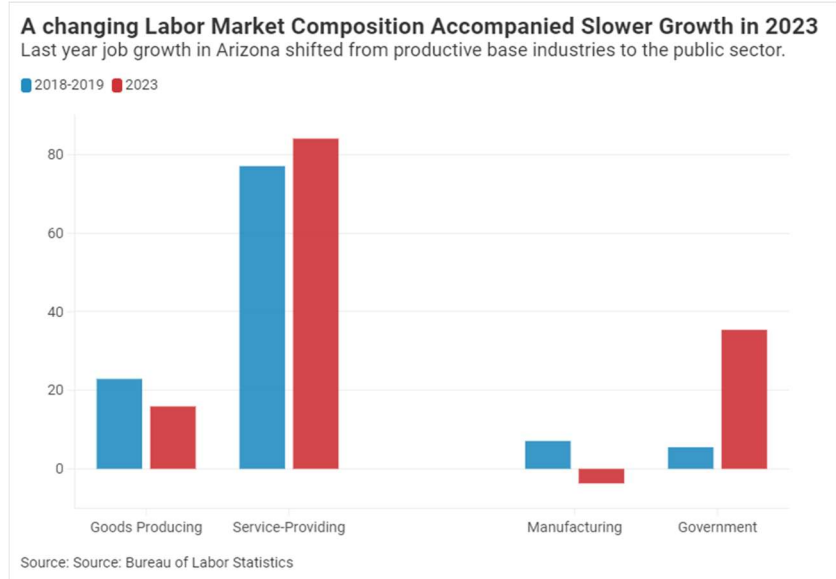


Arizona gained 9,200 nonfarm jobs in December (a monthly increase of +0.29% and a total year-on-year gain of +2.1%). Job growth in 2023 remains slower than 2022, which in turn was slower than 2021. In December 2021, year-over-year employment growth rates were 5.4%; in 2022 the rate was 2.7%. The gap between total Arizona employment and its pre-2020 growth trend reached its smallest point in April 2022 and has been increasing since, although it remained fixed in December. Today the state has 151,700 fewer workers than it would have had on its 2017-2019 growth trend.

Given that the pace of Arizona’s recovery is now slowing, it may never return to its pre-pandemic growth trend. Additionally, Arizona’s bright spot – its manufacturing sector – continues its slowdown that began in early 2023. Total (seasonally adjusted) employment by

Arizona manufacturers peaked in December 2022 at 196,700 workers; today the sector has 194,100 workers.

Beyond this decline, 2023 represented a divergence in the composition of employment growth from what was experienced in 2018-2019; namely, **growth shifted from productive base industries like manufacturing and other goods producing sectors to public sectors, especially government.**



Arizona outpaced 42 other states in terms of relative job growth in December. Arizona’s labor market further

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.

Wage growth has improved recently as well. Average hourly wages in Arizona increased 30 cents in December (+0.9%) - the 16th-fastest rate of wage growth in the country.

- Arizona private sector workers are now earning an average of \$32.10/hour, compared to \$30.84 a year ago (+4.1%).
- On a month-over-month basis, Arizona’s average hourly wage increased 0.9% in December – the 23rd-fastest growth rate in the country. Nationally, the average hourly wage increased 0.6% in December (month-over-month) and +4.1% since last year (year-over-year).
- Still, substantial above-trend [inflation](#) over the last three years continues to depress household buying power - the real average hourly wage has declined more than 5% since February 2020.

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