



June 2023

Arizona Jobs and Labor Force Update

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Introduction

Arizona lost 3,300 nonfarm jobs in May (-0.11%) – 44th in month-over-month employment growth among all states. For perspective, the average U.S. job growth rate was 0.22%, and 11 states (including Arizona) reported negative job growth. The unemployment rate was unchanged at 3.4%. This is a record low unemployment rate for Arizona. On a year-over-year basis, job growth was +1.8% through May (down from 4.98% at this time last year), and Arizona now has the 7th slowest year-over-year job growth rate in the country (down from 12th fastest at this time last year).

Since April 2020, the State has added over 495,700 jobs and regained 105.3% of its pandemic-related job losses. Arizona has added 28,000 jobs since December 2022.

Key Findings – Arizona May 2023 Employment Data (BLS CES Surveyⁱ)

Arizona lost 3,300 nonfarm jobs in May (a monthly decrease of -0.11% and a total year-on-year gain of +1.8%). After revisions in BLS data, May is now the first month in 2023 with negative job growth. However, prior to those revisions, April had been the first month of *positive* job growth after two consecutive months of *negative* growth. Because job growth in Arizona has slowed so much and is statistically very close to zero, it is difficult to reliably read the headline estimates and subsequent routine revisions can change not just the level but the *sign* of employment gains (from adding to subtracting jobs, and vice versa).

- 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:

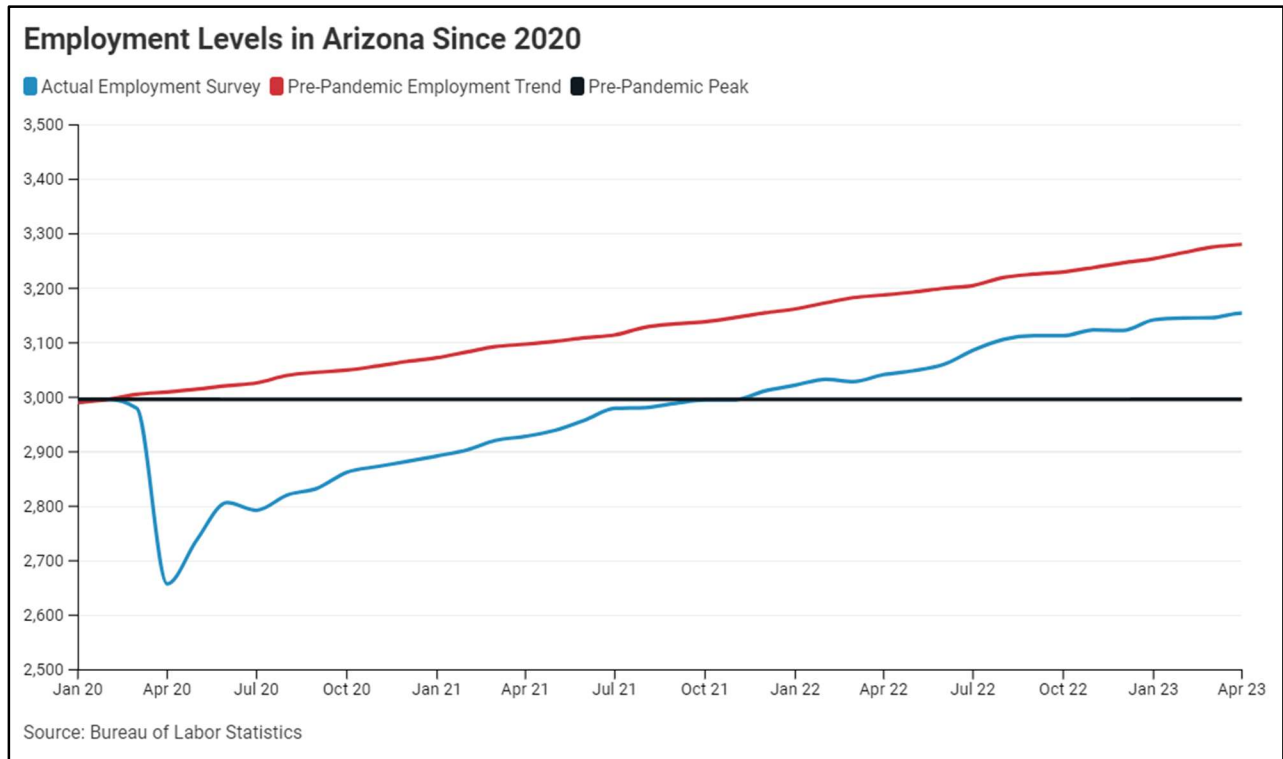
- Arizona slowed to 44th in job growth this month and the state remains about 134,600 jobs below its 2017-2019 employment trend; at current rates it is not expected to reach this level until June 2025 (from January 2025 last month).

Arizona was among 11 states reporting negative job growth in May. Arizona’s labor market 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. But, growth in recent months has slowed dramatically.

- While 35 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 \$0.57 in May (-1.8%) – the 7th slowest rate of wage growth in the country.

- While the average private sector worker is now making 15.3% more (per hour) than they were prior to the pandemic, inflation over the same period grew 23.4% - meaning real average hourly wages are down approximately 8.0% since February 2020.
- Arizona reported the 7th lowest month-over-month wage growth rate in the country. A steep drop after having the highest wage rate growth in April. Arizona private sector workers are now earning an average of \$31.61/hour, compared to \$29.94 a year ago.
- On a year-over-year basis, Arizona wages are up 5.6% over 2022 levels – the 9th fastest growth rate in the country. Nationally, for perspective, wages decreased -0.86% in May (+3.57% year-over-year).



Data Quality & Reliability Issues

While Arizona continues adding jobs, the pace is much slower than it was during late 2020 and most of 2021. Current monthly job growth numbers are small enough that data revisions can dramatically change the picture, and this makes interpreting those numbers difficult. For example, April preliminary establishment employment numbers suggested we lost (a small number of) jobs; today's revisions suggest we actually gained them.

Today's preliminary May numbers, in turn, suggest we gained a small number of jobs. It remains to be seen what subsequent revisions will do to those estimates.

However, a slowing Arizona labor market and the increasing volatility in the Establishment survey of job growth makes interpreting the month-to-month changes in jobs numbers difficult and risky. Longer-term, we suspect the quarterly and annual numbers are more reliable, but their cadence is also much slower.

Month-to-month users of this data should be cautious when interpreting positive or negative preliminary numbers, however – the true story is probably no more than job growth has slowed and statistical noise in the employment survey numbers has increased since the pandemic.

Arizona Labor Force Update

Arizona's labor force participation rate (LFPR) rose to 61.7% in May - the first increase in 5 months. The measure remains .4-percentage points lower than 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 April 2023 Labor Force Data (FREDⁱⁱ)

In April, the Labor Force Participation Rate (LFPR) remained at 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 remained in May at 3.4%. This is a record low unemployment rate for Arizona, beating the previous record of 3.5% in August 2007.

Were the Participation Rate at its pre-pandemic level, there would be 30 thousand more willing workers in Arizona's labor force today.



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