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Arizona Jobs and Labor Force Update

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Introduction

Arizona gained 7,400 nonfarm jobs in January (+0.23%, -0.3% year-over-year) – putting Arizona 8th among all states in monthly job growth. For perspective, the total U.S. job growth rate in January was 0.07%; nineteen states reported job losses.

On a year-over-year basis, Arizona lost jobs at a -0.3% rate compared to January 2024; the national year-over-year growth rate was unchanged at +1.3%. These were the first year-over-year job losses for Arizona since March 2021, putting the Grand Canyon state 50th among 51 states for annual job growth.

Arizona’s manufacturing employment – once a standout enjoying its fastest growth in decades – shrank in January (-0.5% Month over month); over the past twelve months Arizona has shed 3,800 manufacturing jobs (-1.9%). These changing fortunes reflect an ongoing national slowdown in this sector that began in 2023; seventeen states experienced job losses in their manufacturing sectors in January and 32 experienced losses in the last year.

Arizona’s unemployment rate increased to 3.9% (+0.1 percentage point) and its labor force participation increased one-tenth of a percentage point (to 61.4%). On a national level, the unemployment rate decreased from 4.1% to 4.0%, and the labor force participation rate increased 0.1 percentage point to 62.6%. For context, the participation rates in Arizona and the United States were 62.2% and 63.3% at the end of 2019, respectively.



Arizona’s Labor Market

Total Jobs
3,247,200

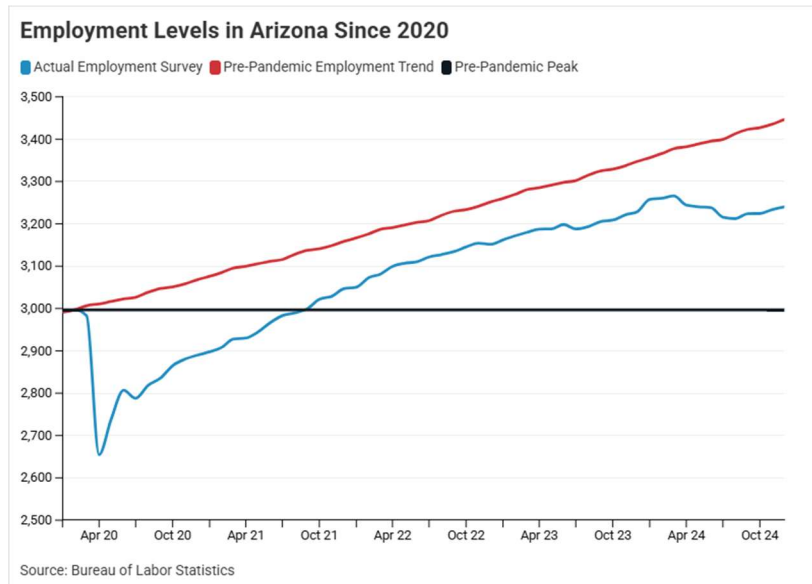
Jobs Added in January:
+7,400
(+0.2%)

Year-Over-Year Growth:
-10,200
(-0.3%)

Key Findings – Arizona January 2025 Employment Data (BLS CES Survey)ⁱ

Job growth was faster than the U.S. average month over month, with the Grand Canyon state gaining 7,400 jobs (+0.23%) in January. Year-over-year growth was -0.3% (down eight-tenths of a percentage point from December) – much slower than the average U.S. state over the same time period.

This year-over-year growth is significantly slower than the pace experienced in 2022 and 2023. Arizona’s year-over-year job growth rates peaked at 10.3% in April 2021, and has been slowing



since. Although month-to-month jobs figures can be volatile, the monthly growth of +0.23% would translate to a +2.8% annualized growth rate – indicating faster real-time job growth compared to the states performance over the past year.

The gap between total Arizona employment and its pre-2020 growth trend reached its smallest point in July 2022 and has been increasing since. Today the state has 207,000 fewer workers than it would have had on its 2017-2019 growth trend (up from 205,000 in December). Given its average job growth rate since 2020, the state will never return to this pre-pandemic trend.

The state’s fastest growing sector over the past twelve months was education and health services, adding 16,700 jobs (+3.2%). Its slowest growing sector was professional and business services, which lost -13,700 jobs (-2.9%). The education and health services sector has steadily grown since 2020 (losing only 48,000 jobs during the pandemic) and is now at its all time highest level of employment. Professional and business services on the other hand saw steady growth through 2022 but has been shrinking in 2023 and 2024.

Wages & Time Worked

Average hourly wages (not seasonally adjusted) in Arizona increased \$0.32 in January (+0.94%) – making Arizona 6th in the U.S. for wage growth. Eighteen states experienced wage declines in January. The U.S. hourly wage (seasonally adjusted) increased +\$0.15 in January (+0.42% average month-over-month growth). On a year-over-year basis, Arizona is outperforming the average U.S. State, and wages have grown \$1.76 (+5.4%).

- Arizona private sector workers are now earning an average of \$34.22/hour, compared to \$32.46 a year ago (+5.4%). This growth ranks Arizona 10th in year-over-year wage growth.
- Nationally, the average hourly wage (seasonally adjusted) increased +0.42% in January (month-over-month) and +3.9% since last year (year-over-year)

As of the latest inflation report released in January, real wages were up +3.6% (year-over-year and after CPI inflation, compared to the January nominal increase of 5.4%).

However, since April 2020, real, inflation-adjusted wages in Arizona have declined -4.4%.

ⁱ “[Employment, Hours, and Earnings – State and Metro Area](#),” U.S. Bureau of Labor Statistics, 2024.