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Arizona Jobs and Labor Force Update

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Introduction

Arizona gained 4,300 nonfarm jobs in February (+0.13%, -0.4% year-over-year) – putting Arizona 15th among all states in monthly job growth. For perspective, the total U.S. job growth rate in January was 0.09%; twenty-three states reported job losses.

On a year-over-year basis, Arizona lost jobs at a -0.4% rate compared to February 2024 (down from -0.3% in January); the national year-over-year growth rate was decreased slightly to +1.2%. These were the second year-over-year job losses for Arizona since March 2021, putting the Grand Canyon state 50th among 51 states for annual job growth for the second consecutive month.

Arizona’s manufacturing employment – once a standout enjoying its fastest growth in decades – grew in February (+0.2% Month over month) for the first time since November 2024; over the past twelve months Arizona has shed 3,400 manufacturing jobs (-1.7%). These changing fortunes reflect an ongoing national slowdown in this sector that began in 2023; thirty-three states experienced job losses in their manufacturing sectors in February and twenty-two experienced losses in the last year.

Arizona’s unemployment rate increased to 4.0% (+0.1 percentage point) and its labor force participation increased one-tenth of a percentage point (to 61.5%). On a national level, the unemployment rate increased from 4.0% to 4.1%, and the labor force participation rate decreased 0.2 percentage points to 62.4%. 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
3,246,200

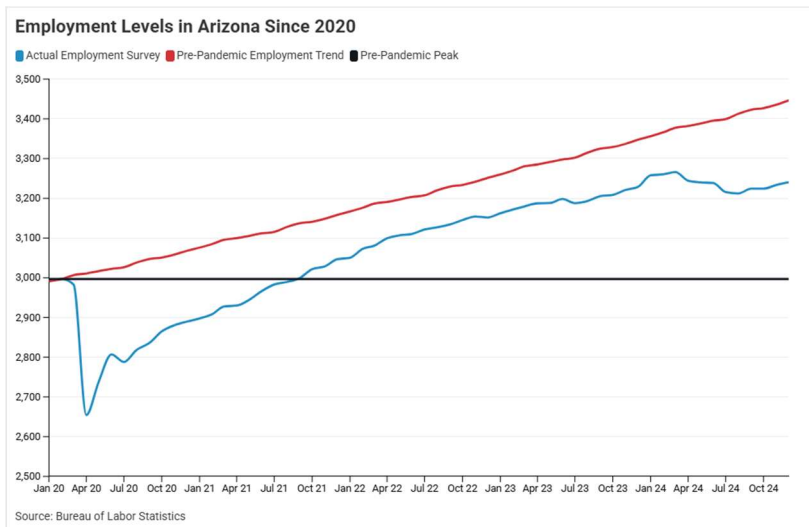
Jobs Added in January:
+4,300
(+0.1%)

Year-Over-Year Growth:
-14,200
(-0.4%)

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 4,300 jobs (+0.13%) in February. Year-over-year growth was -0.4% (down one-tenth of a percentage point from January) – 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 +0.13% would translate to a +1.6% 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 219,000 fewer workers than it would have had on its 2017-2019 growth trend (up from 213,000 in January). 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 13,700 jobs (+2.6%). Its slowest growing sector was professional and business services, which lost -12,100 jobs (-2.6%). 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 \$0.13 in February (+0.38%) – making Arizona 40th in the U.S. for wage growth. Eight states experienced wage declines in February. The U.S hourly wage (seasonally adjusted) increased +\$0.10 in February (+0.28% average month-over-month growth). On a year-over-year basis, Arizona is outperforming the average U.S. State, and wages have grown \$1.73 (+5.3%).

- Arizona private sector workers are now earning an average of \$34.35/hour, compared to \$32.62 a year ago (+5.3%). This growth ranks Arizona 22nd in year-over-year wage growth.
- Nationally, the average hourly wage (seasonally adjusted) increased +028% in January (month-over-month) and +4.0% since last year (year-over-year)

As of the latest inflation report released in February, real wages were up +3.4% (year-over-year and after CPI inflation, compared to the February nominal increase of 5.3%).

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.