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Arizona Jobs and Labor Force Update

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Introduction

Arizona lost 4,100 non-farm jobs on a seasonally adjusted basis month-over-month (MOM) in August (-0.13%), ranking 43rd among all states and Washington D.C. The U.S. gained 162,000 jobs in August (+0.1%). Although job growth at the U.S. level was negative last month, the preliminary numbers have been updated and now show continuous job growth since February. In total, 16 states reported job losses MOM in August.

On a year-over-year (YOY) basis, Arizona added 21,000 jobs (+0.64%) and ranked 17th *best* out of all states and Washington D.C. This statewide growth exceeded the national gain of 0.38% YOY in August. In total, 13 states reported job losses YOY in August.

Arizona's manufacturing sector gained an estimated 300 jobs in August (+0.16%, 23rd best out of all states). On a YOY basis the state lost 600 manufacturing jobs (-0.31%) – one of 25 states reporting losses to this sector since August 2025 and ranking 32nd overall. After accounting for August's gains, manufacturing employment grew 0.3% from the close of 2025. The U.S. saw an increase in manufacturing employment in August (+16,000 jobs, +0.13%), bringing the YOY comparison to a positive 23,000 (+0.18%).

Arizona's Labor Market August 2026

Total Jobs
3,279,500

Jobs Lost in August:
4,100
(-0.13%)

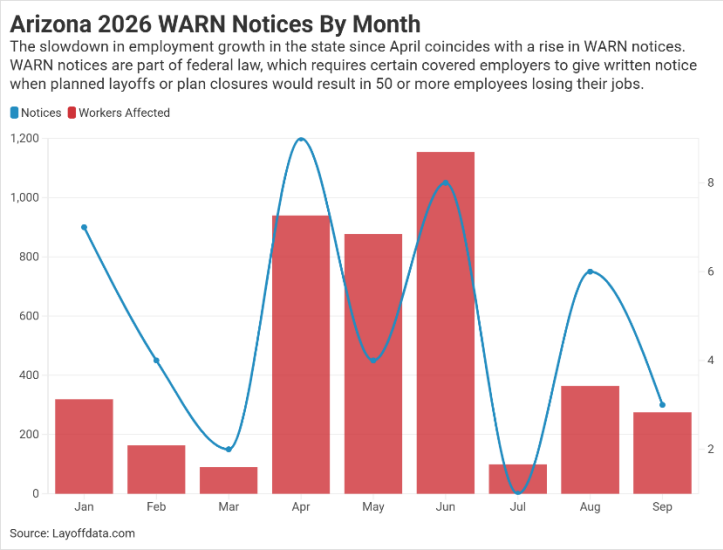
Year-Over-Year Growth:
21,000
(+0.64%)

The unemployment rate in Arizona remains at its post-pandemic high of 4.9% for its third consecutive month. The unemployment rate in the state has increased 5 out of the 8 months for which we have data in 2026. Today, Arizona has the 7th highest unemployment rate among the 50 states and D.C. Arizona's labor force participation rate (59.9%) saw its seventh consecutive month of decline and is 2.2 percentage points below where it was at this time last year. The unemployment rate for the United States overall, however, remains at 4.1%, the lowest rate since December 2024.

August 2026 Employment Data (BLS CES Survey)☐i

Between October of 2025 and April of this year, total non-farm employment grew by 32,800 jobs (+1.0%), an annual pace of just over 2.0% and representing one of steepest periods of job gains for the state in the last few years. However, that period of steep job growth followed a roughly 7-month period of steady declines, which yielded lackluster year-over-year job growth comparisons over this time. Since April of this year though, employment growth has stagnated; The state's non-farm employment levels in August were 2,900 jobs *below* where they were in April. At the same time the state has seen a rise in unemployment to 4.9% and a persistent decline in the labor force participation rate.

Interestingly, the recent slowing in job growth corresponds with a steep rise in WARN[1] notices and affected employees which helps to partially explain the recent slowdown. However, the total number of notices and affected employees for 2026 through August is well below the levels seen in either of the last three years.



While detailed data on employment demographics is not available at the state level, trends at the national level can help to explain what might be happening in Arizona. Like Arizona, labor force participation is down in the U.S., but this seems to be driven by older, near-retirement aged workers exiting the workforce. This group has lowered their labor participation steadily since 2022. Prime-aged workers (25-54) have instead kept their participation relatively flat over this time, and their current participation rate is actually 1.2 percentage points *higher* than what it averaged between 2016 and 2019, whereas the 55+ age group is 2.9 percentage points *below* their average.

Several potential explanations exist, including wealth gains from a rising stock market and home price appreciation, an aging population overall, and the introduction of AI. Taken together, these factors suggest that slower job growth may reflect a lower structural ceiling on labor supply — and thus employment growth — rather than a clear signal of a weakening labor market, though it is too early to say whether this represents a durable shift or a temporary soft patch for Arizona specifically.

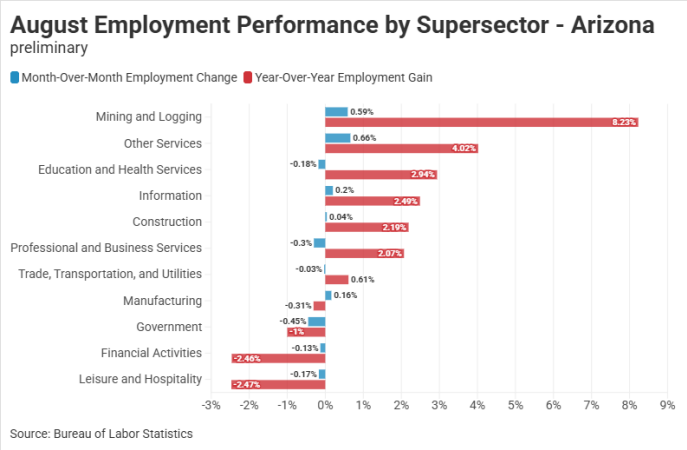
Sector Gains and Losses

Six out of the eleven sectors saw job losses in Arizona this month. Professional and Business Services lost 1,400 jobs (-0.3%), in contrast to the growth we saw last month in the same sector (+1,300). Education and Health Services, one of the strongest sectors nationally over the last year, lost 1,000 jobs in Arizona in August(-0.18%). However, these sectors gained the most jobs in Arizona last month and both sectors have seen strong growth at the state and national levels since late 2025. Since August of 2025, these two sectors have posted a combined gain of 25,700 jobs in the state compared to the YOY total non-farm gain of 21,000.

Employment in Arizona's Leisure and Hospitality (-0.17% MOM) and Financial Activities (-0.13% MOM) sectors continued to fall in August. These sectors, along with Manufacturing (-0.31%) and Government (-1.00%) posted YOY declines in August.

[1] Worker Adjustment and Retraining Notification Act (WARN) requires private employers with 100 or more employees to issue written notices at least 60 calendar days in advance of any anticipated layoffs or plant closures that would affect 50 or more employees.

Arizona's Other Services sector grew the most MOM (+0.66%) followed by Mining and Logging (+0.59%). These two sectors also lead in YOY job growth. Mining and logging continued its strong job performance, growing 8.23% while Other Services grew 4.2% (+5,400 jobs YOY combined). Although Mining and Logging saw a decline in jobs last month, this month's growth puts it back on a steady, positive trajectory since at least October of 2025.



Wages

Arizona's average hourly earnings (not seasonally adjusted) grew by $0.46 (+1.27%, 12th out of all states and D.C.). On a YOY basis, wages increased $1.61 (+4.61%), ranking 14th out of all states and Washington D.C.

Because state-level wage data is not seasonally adjusted by the BLS, seasonal variation can lead to significant volatility in the monthly figures. For context, the seasonally adjusted U.S. hourly wage increased +$0.10 in August (+0.27% MOM). Compared to this time last year, American wages are up 3.09%.

- Arizona private sector workers are now earning an average of $36.54/hour, compared to $34.93/hour a year ago (+4.61%).
- Nationally, the average worker earned $37.75/hour in August (+3.09% YOY)

As of the latest inflation and wage data for June, real wages are up approximately 2.1% YOY in the state (August 2025 to August 2026), while real wage growth has decreased (-0.3%) at the national level.

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[i] "Employment, Hours, and Earnings – State and Metro Area," *U.S. Bureau of Labor Statistics*, 2026.