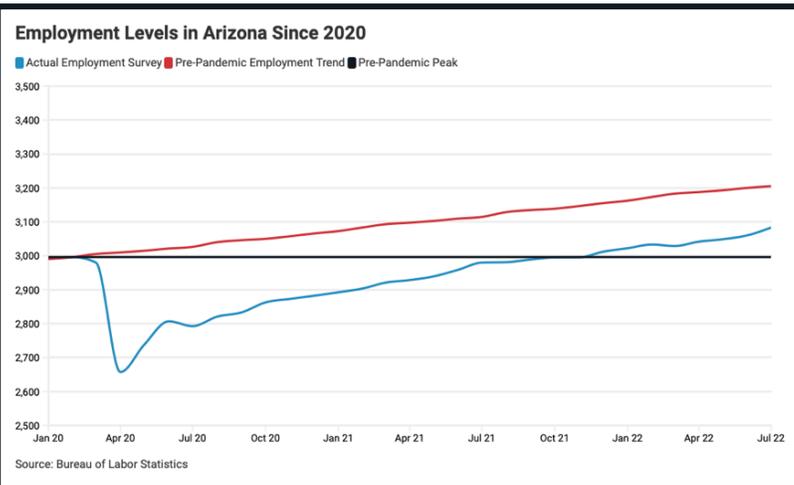


Arizona Jobs and Labor Force Update: July 2022

Arizona added 22,900 nonfarm jobs in July (+0.75%) - the largest monthly jobs increase since October 2020 - and the Unemployment Rate was unchanged at 3.3% (+0.0%). However, employment numbers for June were revised down approximately 3,000 jobs. On a year-over-year basis job growth remained at 3.5% in July (down from 6.7% at this time last year), and Arizona had the 6th fastest job growth in the country. Since April 2020, the State has added over 425,000 jobs and regained 102.9% of its pandemic-related job losses. Strong establishment survey jobs numbers here and nationally remain difficult to reconcile against signs of slowing elsewhere in the economy.

Key Findings—Arizona July 2022 Employment Data (BLS CES Survey)¹



- **Arizona added 22,900 total nonfarm jobs in July (a monthly increase of 0.75% and a total year-on-year change of +3.5%).**
 - 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, the State remains about 122,000 jobs below its 2017-2019 trend, and at current rates is not expected to reach this level until at least late-2024.
- **Arizona’s labor market has 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.**
 - While eighteen 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 increased \$0.55 in July (+1.8%) – the 5th fastest rate of wage growth in the country and the largest increase since January.**
 - While the average private sector worker is now making 12.0% more (per hour) than they were prior to the pandemic, inflation over the same period is over 19% - meaning real average hourly wages are down approximately (7%) over the past two years.
 - Arizona private sector workers are now earning an average \$30.35/hour; this is the highest nominal pay rate on record. Only 3 states posted negative month-over-month hourly wage growth in July.

A Deeper Dive into Arizona’s Manufacturing Industry

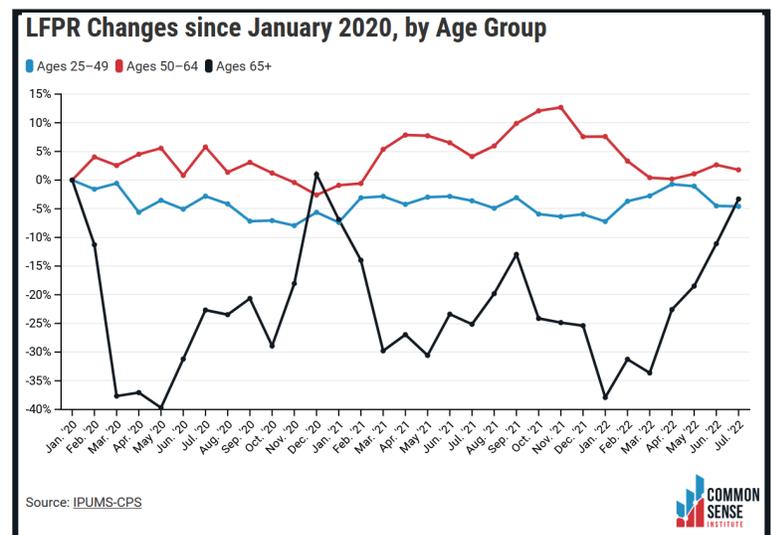
- Arizona added 1,800 manufacturing jobs in July (+0.9%) - the 3rd fastest increase in the country. Over the past year manufacturing employment has grown by 6.7%.
- Manufacturing employment is up over 12,200 jobs relative to its pre-pandemic peak. Remarkably, 12,100 of those job increases were added in just the past year. Arizona’s manufacturing sector has recovered faster than all but 3 other states.
- The average manufacturing job now pays \$32.14/hour in Arizona – about 5.8% higher than the average wage rate overall.

Arizona Labor Force Update

Arizona’s labor force participation rate (LFPR) was unchanged in July at 60.9% - the third month in a row with no change and only marginally above its pandemic-era low of 60.3%. There remains nearly 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 July '22 Labor Force Data (FREDⁱⁱ)

- **In July the Labor Force Participation Rate (LFPR) remained 60.9%, though it remains below its pre-pandemic level of 62.2%.**
 - At the current population, this gap would equate to approximately 94,000 additional willing workers.
 - However, even at a reduced participation rate, in-migration - Arizona added over 125,000 new residents during the pandemic – has surged the states labor force to its largest level ever.
- **The Unemployment Rate was also flat in July at 3.3%.**
 - This follows the state reaching its lowest-ever recorded unemployment rate of 3.2% in April and May and is consistent with a labor market that is at a cyclical peak. There simply may not be capacity for the unemployment rate to fall further, and additional household employment gains must come from population and labor force growth.
- **After reversing a 20-year trend and growing its Labor Force Participation Rate between 2017-2019, Arizona’s participation rate declined precipitously during the pandemic, and has not recovered.**
 - Labor force participation in Arizona declined 0.4-percentage points over the past year, and 1.3-percentage points from its pre-pandemic peak.
 - While older demographics exhibited particularly strong volatility over the pandemic and post-pandemic periods, prime age adults have failed to return to the workforce over the past 18 months.
 - Given demographic trends suggesting slower overall natural population growth, the state’s economy is even more dependent today on both in-migration and labor force participation to fuel growth.
 - Policies which increase these measures will exhibit particularly high returns, especially if national demographic and macroeconomic trends remain relatively cooler.



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

ⁱⁱ <https://fred.stlouisfed.org/>