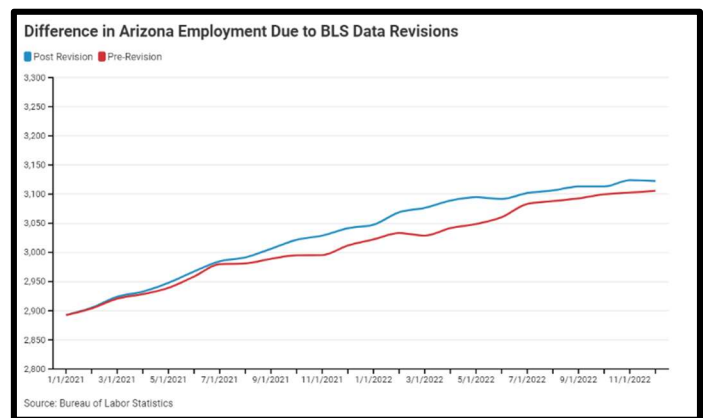


Arizona Jobs and Labor Force Update: March 2023

Arizona added 2,270 nonfarm jobs in January (+0.70%) – **1st in month-over-month employment growth**. For perspective, the average U.S. job growth rate was 0.33%. The Unemployment Rate fell to 3.8% (-0.2%). This is the first decrease in state Unemployment rate after a 5-month consecutive increase. This is still up from a revised historic low of 3.6% in April 2022. On a year-over-year basis, job growth was 3.2% through January (down from 5.36% at this time last year), and Arizona had the 9th fastest year-over-year job growth rate in the country. Since April 2020, the State has added over 449,500 jobs and regained 105.1% of its pandemic-related job losses. After several months of higher unemployment rates and slow job growth, Arizona is starting off 2023 with a very strong labor market.

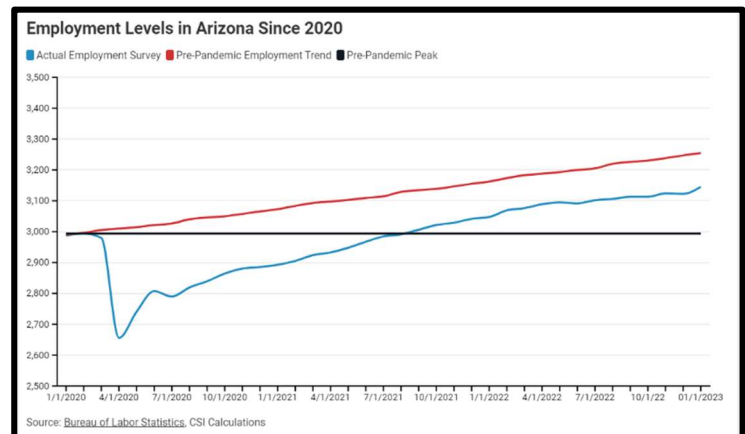
BLS Data Revisions

While the resiliency of the labor market remains striking, one thing CSI is keeping an eye on is the gap between household and establishment employment surveys. There has been a wide divergence between these surveys in 2022 and this has meant noticeable revisions to employment statistics since at least 2021. Some sectors could see a loss in jobs since this revision where they saw a dramatic increase before, such as in Arizona’s manufacturing industry. Overall, the revisions made in early March of this year show that Arizona is in a better position than we thought in December 2022, and the numbers are closer to the Household estimates than before. However, because so much of the job growth story is due to data revisions than survey results, there remains more uncertainty than usual about what is actually going on in both the Arizona and U.S labor markets. Future revisions could again dramatically change this story.



Key Findings—Arizona January 2023 Employment Data (BLS CES Surveyⁱ)

- **Arizona added 2,270 total nonfarm jobs in January (a monthly increase of 0.70% and a total year-on-year change of +3.8%).**
 - 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.
 - Arizona was first in job growth this month. However, the state remains about 109,200 jobs below its 2017-2019 trend, and at current rates is not expected to reach this level until May 2024.
 - At 8.7%, Arizona’s annualized job growth rate in January would be the fastest rate of job growth since at least 1991, if it continued for the rest of the calendar year. The rate is likely unsustainable and an artifact more of data revisions than underlying fundamentals, however.



- **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 31 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 \$0.70 in January (+2.3%) – the 12th fastest rate of wage growth in the country.**
 - While the average private sector worker is now making 16.4% more (per hour) than they were prior to the pandemic, inflation over the same period is over 20% - meaning real average hourly wages are down approximately (3.6%) since February 2020.
 - Arizona private sector workers are now earning an average \$31.54/hour, compared to \$29.92 a year ago. Arizona was among 44 states posting positive month-over-month hourly wage growth rate in January.
 - On a year-over-year basis, Arizona wages are up 5.4% over 2022 levels – the 13th fastest growth rate in the country.

A Deeper Dive into Arizona’s Manufacturing Industry

- Arizona lost 900 manufacturing jobs in January (-0.5%) after revisions made by BLS, a stark change after holding the fastest job growth in the U.S. in December 2022. **Over the past year manufacturing employment has grown by 4.7% (8th in the US).**
- Manufacturing employment is up over 15,000 jobs relative to its pre-pandemic peak. Remarkably, 8,800 of those job increases were added in just the past year. Arizona’s manufacturing sector has recovered faster than all but 4 other states.
- The average manufacturing job pays \$32.65/hour in Arizona – about 3.5% higher than the Arizona average wage rate overall.

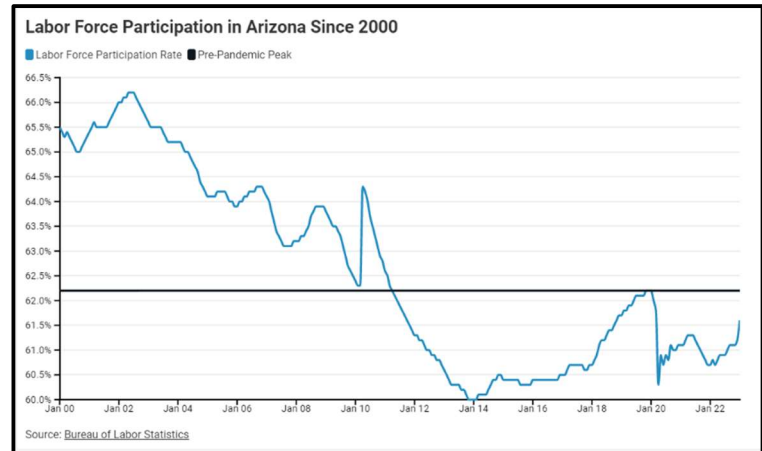
Arizona Labor Force Update

- Arizona’s labor force participation rate (LFPR) rose to 61.6% in January. This is an increase of 0.3-percentage points over the past year but is down .5-percentage points from 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 January 2023 Labor Force Data (FREDⁱⁱ)

- **In January, the Labor Force Participation Rate (LFPR) increased to 61.6%, though 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.
 - However, even at a reduced participation rate, in-migration has surged as Arizona added over 125,000 new residents during the pandemic, contributing to the labor force reaching its largest level ever.
- **The Unemployment Rate decreased in January to 3.8%.**
 - This follows the state reaching its revised lowest-ever recorded unemployment rate of 3.6% in March and April and is consistent with a labor market that is at a cyclical peak. Additional household employment gains must come from population and labor force growth, rather than falling unemployment rates. Rising unemployment off all-time lows may in fact be healthy for an overheated market.

- **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.**
 - Given demographic trends suggesting slower overall natural population growth, the state’s economy is even more dependent today on both in-migration and high 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/>