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Arizona Jobs and Labor Force Update

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Introduction

Arizona gained 5,100 non-farm jobs on a seasonally adjusted basis in January (+0.16%), the 25th highest monthly gain among all states and D.C. The U.S. overall gained 160,000 jobs (+0.1%) in January; forty-four states reported job gains month-over-month.

On a year-over-year (YOY) basis, Arizona *lost* 15,000 jobs (-0.46%) – much slower than national *gain* of +0.20%. Arizona ranked 43rd among all 50 states and D.C. in year-over-year job growth in January. This month represents the 22nd consecutive month of annual job growth under 2.0%. Notably, **based on prior data**, this would have been the first period of negative year-over-year job growth in Arizona since Sept. 2024 and the largest percentage decline since March 2021. As revised, though, **it now appears that Arizona has been losing jobs (YOY-basis) since August 2025.**

Arizona was one of 24 states to see year-over-year job losses in January. As a point of caution, these are *preliminary* state numbers through January 2026; U.S. numbers are available through March and point to a stronger (national) labor market more recently.

Arizona's manufacturing sector, on the other hand, resumed (slow) growth in January – adding approximately 600 jobs (+0.3%). Arizona was one of 20 states to add manufacturing jobs in the first month of 2026. Year-over-year, the state remains a net-loser of manufacturing jobs (-0.7% since January 2025); Arizona was one of 40 states to lose manufacturing jobs over the past year (through January).

Unemployment in the state increased slightly (to 4.5%) from December's revised rate of 4.4%, and today Arizona has the 35th *highest* unemployment rate among the 50 states and D.C. Arizona's labor force participation rate (LFPR) remained steady over December (62.0%). Following revisions to the historical data, it is now apparent Arizona's labor force participation rate has not increased since January 2025. On a national level, the unemployment rate fell slightly from 4.4% in December to 4.3%. For additional context, the national unemployment rate has remained at that level through March 2026 (again, noting national data is now running two months ahead of state data).



Arizona's Labor Market

Total Jobs
3,260,600

Jobs Added in December:
+5,100
(+0.16%)

Year-Over-Year Growth:
-15,000
(-0.46%)

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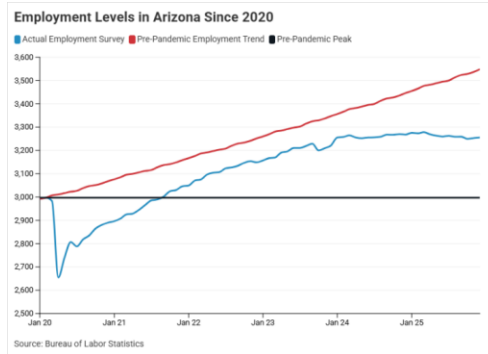
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Arizona Jobs and Labor Force Update

Key Findings – Arizona January 2026 Employment Data (BLS CES Survey)ⁱ

Arizona’s job growth in January was weak on a month-over-month and year-over-year basis, continuing the state’s long decline in its job growth rate since 2022. While the state ranked 25th for month-over-month job growth (which was slow but positive, at +0.16%), it ranks 43rd on a year-over-year basis (where the state shed jobs at a -0.46% rate).

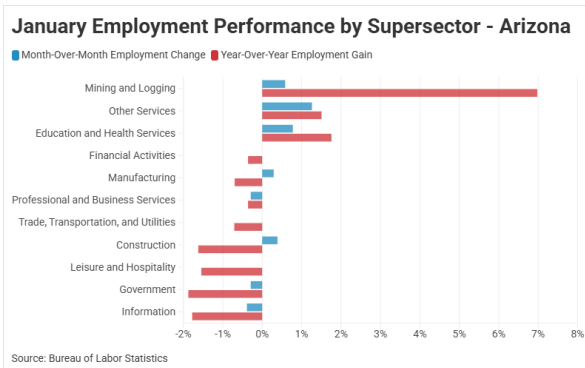


CSI’s previous jobs and labor force update covered data for the three-month period of October through December 2025, but since that report the Bureau of Labor Statistics has revised much of that historical series.

Previously, we reported Arizona 3,264,600 jobs as of December 2025, and added 6,400 over November. Revised December figures put the level at the end of last year at 3,255,500 jobs; the state added just 2,500 jobs that month. In the latest data Arizona’s job gains have been slowing steadily since the end of 2022 and turned negative in September 2025. The state was last losing jobs on a year-over-year basis in late 2021. Previously, the state was reporting small job losses in mid-2024, but as revised that is no longer the case.

Again, revisions to historical employment data are normal, but the scale of the revisions remains concerning. This is compounded by the ongoing delay in releasing timely state data, even as the Bureau is timely releasing national employment data. This makes drawing conclusions based on the monthly numbers more difficult, though it seems clear Arizona’s labor market is stalling. The revision issue is well-illustrated by this report in particular.

Arizona’s fastest growing sector in January was Other Services, which added 1,300 jobs over December (+1.3%). However, this is one of the smallest employment super sectors in the state’s economy, with just 105,000 total workers. In January, the Construction sector added 800 jobs. Interestingly, on an annual basis the state’s Mining and Logging sector continues to outperform, growing 7.2% since January of 2025 (though this is a decline from a printed 10% in December 2024). The state’s largest super sector (trade, transportation and utilities) added just 200 jobs in January (flat MOM); year-over-year it is shedding jobs at -0.76% annual rate.



The Information sector displaced Manufacturing as the state’s worst performer, shedding jobs at a -1.83% rate over the last year (equivalent to just 900 jobs, given the relatively small 48,400 workers total in that sector). Manufacturing resumed growing on a month-over-month basis (adding 600 jobs in January), but that growth was insufficient to push it positive on a year-over-year basis (where it is contracting at a -0.72% rate).

Wages

While employment growth has slowed, wage growth was particularly strong at the beginning of 2026.

Average hourly wages (not seasonally adjusted) in Arizona rose \$0.47 in January (+1.35%) – ranking Arizona 9th in the U.S. for monthly wage growth. Since January 2025 the average wage in the state has increased \$1.10 (+3.2%); this is the 29th fastest rate of increase in the United States over the past year. It is striking that a 3.2% YOY wage growth rate is only enough to rank the states 29th for wage growth.

As a reminder state-level wage data is not seasonally adjusted by the BLS, and so seasonal variation can lead to significant volatility in the monthly figures. As a reminder, national data is available through March. The U.S. hourly wage (seasonally adjusted) increased +\$0.13 in January (+0.35% MOM) and has continued growing since (adding another 21 cents to the average Americans hourly wage). On a year-over-year basis, American wages are growing at a 3.5% rate as of March.

- Arizona private sector workers are now earning an average of \$35.32/hour, compared to \$34.22 a year ago (+3.2%).
- Nationally, the average hourly wage (seasonally adjusted) increased +0.35% in January over December and +3.5% over the last twelve months.

As of the latest inflation and wage data for January, real wages are up 1.2% in the state (comparable to average U.S. inflation-adjusted wage growth rates). Since April 2020 though, real, inflation-adjusted wages in Arizona have declined -3.4%.

ⁱ [“Employment, Hours, and Earnings – State and Metro Area,”](#) U.S. Bureau of Labor Statistics, 2025.