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Arizona Jobs and Labor Force Update

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Introduction

Arizona lost 2,600 non-farm jobs on a seasonally adjusted basis in March (-0.08%), the 12th worst monthly employment performance among all states and Washington D.C. The U.S. on the other hand gained 178,000 jobs (+0.11%), a reversal from the prior month loss of 133,000 jobs. In total, 16 states including Arizona reported job losses month-over-month in March.

Arizona’s performance on a year-over-year (YOY) basis was also poor, losing 8,600 jobs (-0.26%) and ranking 36th (16th worst) out of all states and Washington D.C. This statewide decline diverged from the national gain of +0.11% YOY in March. However, Arizona was one of 28 other states (over half) to report job declines on a YOY basis.

Arizona’s manufacturing sector lost 300 jobs in March (-0.16%) and was one of 25 states to post monthly job losses in this sector. On a YOY basis the state lost 1,300 manufacturing jobs (-0.57%) – one of 39 states reporting losses to this sector since March 2025. The U.S. more broadly saw an increase in manufacturing employment in March (+0.12%), although the YOY growth remained negative (-0.59%).

Unemployment in the state increased for the third consecutive month from 4.6% in January to 4.7%, and today Arizona has the 35th highest unemployment rate among the 50 states and D.C. Arizona’s labor force participation rate (LFPR) also declined 0.3 percentage points – the second consecutive month of declines – to 61.4% in March. On a national level, the unemployment rate fell 0.1 percentage point, in line with January’s rate of 4.3%.



Arizona’s Labor Market

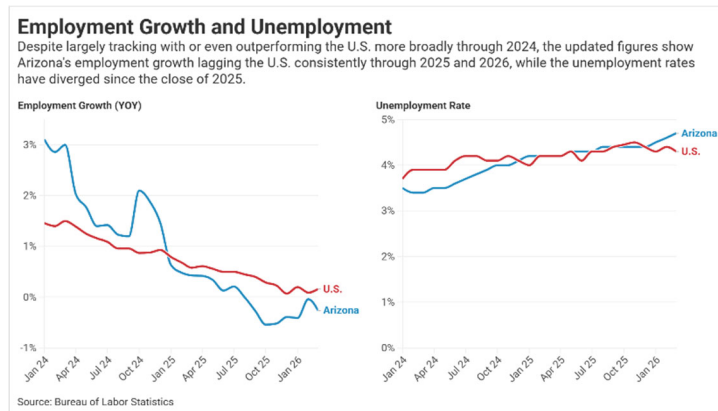
Total Jobs
3,269,800

Jobs Added in March:
-2,600
(-0.08%)

Year-Over-Year Growth:
-8,600
(-0.26%)

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

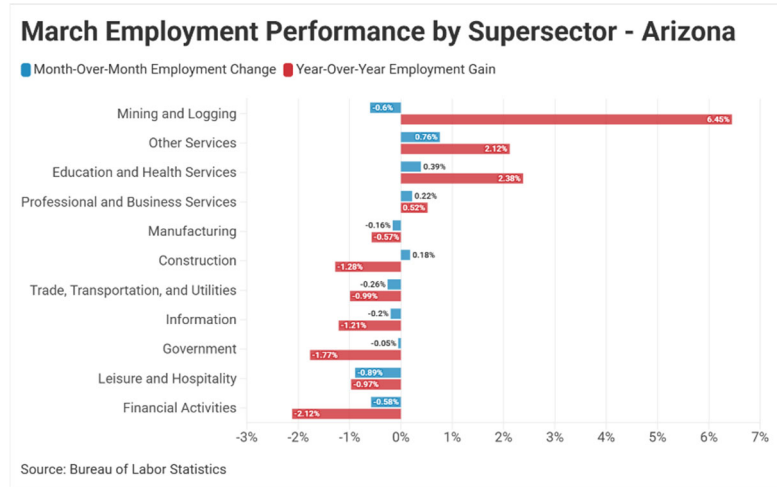
Although March marks the first job losses on a monthly basis in 2026, it’s the 7th consecutive month of year-over-year job losses for the state. Moreover, the confluence of a falling labor force participation rate and rising unemployment rate further point to a souring labor market in the state – a trend we highlighted in the previous Jobs and Labor Force Update. Through 2024 Arizona’s labor market showed evidence of slowing but its performance largely tracked with the rest of the U.S. until 2025. Since then, job growth in the state has remained below the national growth, and more recently unemployment rate trends



have diverged, with Arizona rate increasing consistently through 2026 and the U.S. remaining largely flat.

The preliminary employment figures released for February showed total state employment at 3,273,300 non-farm jobs – a growth of 11,000 (+0.34%) jobs over January. However, in the most recent release that figure was revised down by 900 jobs to 3,272,400 (a growth of 10,100 jobs or +0.31%). We have highlighted the size of these revisions in previous reports, but the revisions to last month’s employment figures represent a diversion from the general trend of strong, positive revisions to the state’s employment figures. While monthly figures and their revisions can be volatile, given the relative persistence of the strong, positive revisions in the past, and this month’s break from that trend, we view this as another data point that spells trouble for Arizona’s labor market.

Arizona’s fastest growing private sector in March was the Other Services category, which added 800 jobs over February (+0.76%). Education and Health services continued its relatively strong performance as the second fastest growing sector on both a monthly and YOY basis. On an annual basis the state’s Mining and Logging sector continues to outperform, growing 6.45% since March of 2025. The state’s largest super sector by job count (Trade, Transportation, and Utilities) lost 1,600 jobs in March (-0.26%), and over the last 12 months has shed 6,200 jobs.



Wages

Arizona experienced a slight rebound in average hourly earnings among private non-farm. Average hourly wages (not seasonally adjusted) in Arizona fell \$0.15 in March (12th out of all states and D.C.). Annually, wages increased \$0.68 in March (+1.96%), ranking the state 44th in annual 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. The U.S. hourly wage (seasonally adjusted) increased +\$0.09 in March (+0.24% MOM), On a year-over-year basis, American wages are growing at a 3.52% rate as of March

- Arizona private sector workers are now earning an average of \$35.40/hour, compared to \$34.72/hour a year ago (+1.96%).
- Nationally, the average worker earned \$37.38/hour in March (+3.52% year-over-year)

As of the latest inflation and wage data for February, real wages are up 0.6% year-over-year in the state, compared to 1.3% at the national level. Since April 2020 though, real, inflation-adjusted wages in Arizona are down -3.2%.

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