

Arizona Economic Overview

The Arizona Office of Economic Opportunity (OEO) produces demographic, labor force, regulatory, workforce, and economic information for Arizona. OEO submitted the following summary of economic highlights for program year (PY) 2023.

Prior to the recession (Feb. 2020 to April 2020) brought on by the COVID-19 pandemic, the Arizona economy was recording robust growth according to several key economic variables. Total nonfarm employment had increased year-over-year for 113 consecutive months, while the unemployment rate reached record lows. The recession had a notably negative impact on the Arizona economy in PY 2019, but PY 2020 and PY 2021 fostered a strong economic recovery that continued through PY 2023. Total nonfarm employment increased over the program years, while the Arizona unemployment rate fell below pre-pandemic lows. Employment growth is likely to continue, as OEO has projected employment growth to continue in nearly all sectors through Q2 2025.

Some economic highlights for PY 2023 include:

- Arizona's population continued to grow across the state and is projected to continue to increase over the next several years.
- In June 2024, the Arizona unemployment rate was 3.3%, which was the lowest rate on record for Arizona (using the current methodology), and was lower than the U.S. unemployment rate of 4.1% in the same month.
- Arizona gained 65,500 jobs year-over-year in June 2024. These gains were recorded in nine of twelve sectors.
- Five of seven Metropolitan Statistical Areas (MSA) in Arizona gained jobs year-over-year in June 2024. Yuma MSA recorded the highest growth rate (2.2%), followed by Phoenix-Mesa-Scottsdale MSA (2.1%) and Prescott MSA (1.6%).
- Eleven of twelve sectors, in addition to Self-Employed, are projected to gain jobs through Q2 2025. Construction is projected to have the highest percent change (6.7% growth), while Health Care and Social Assistance is projected to record the largest job gains (27,287 jobs).
- The State Coincident Index for Arizona, an indicator for measuring economic activity, improved to 181.7 in June 2024 from a 49-month low of 128.7 in April 2020.
- Arizona per capita personal income grew 5.6% from calendar year (CY) 2022 to CY 2023. U.S. per capita personal income grew 4.7% over the same period.

Figure 1: Arizona Population Projections

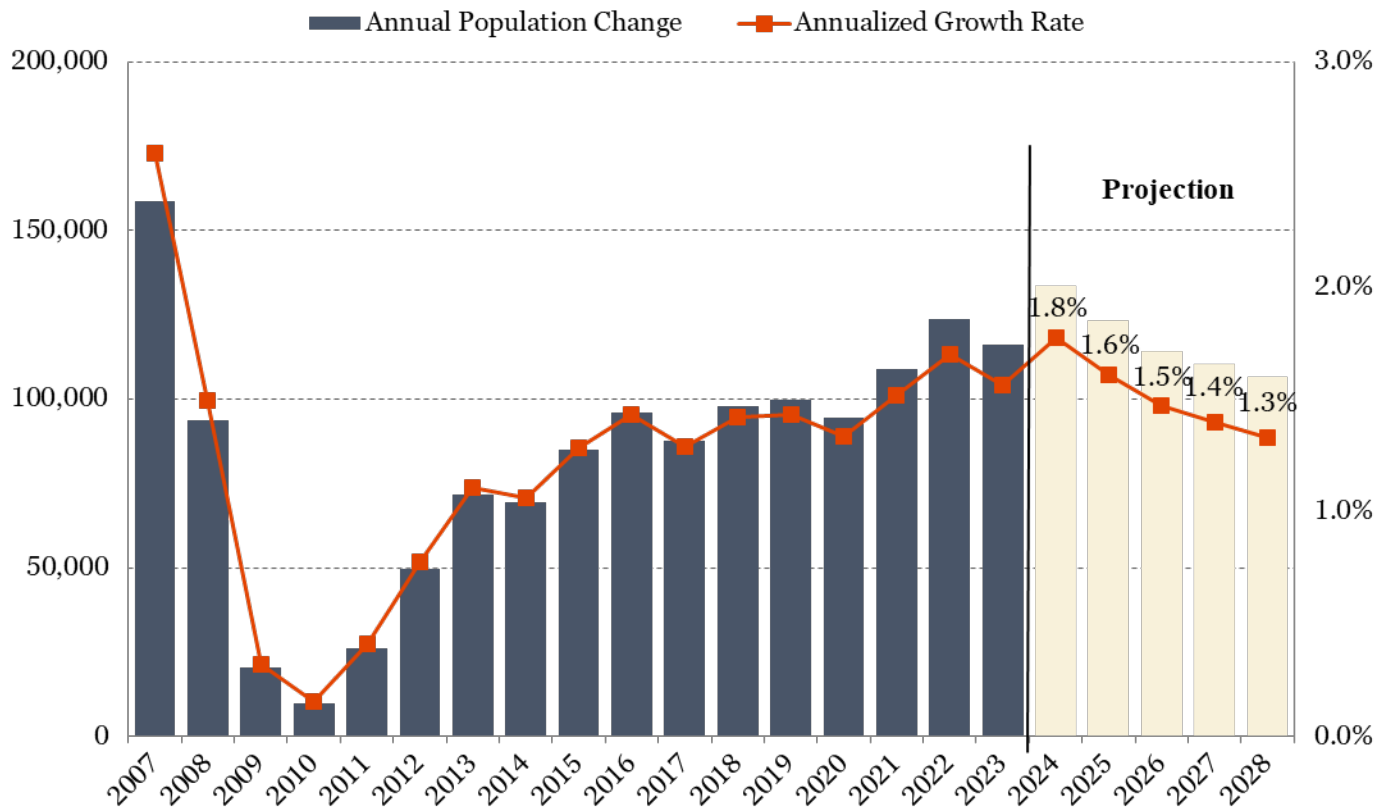
Year	Population	Population Change	Population % Change	Natural Change (Births - Deaths)	Total Net Migration (Inflows - Outflows)	Special Population Change ¹
2022	7,409,189	-	-	-785	124,604	-
2023	7,534,922	125,733	1.7%	9,563	112,744	3,427
2024	7,658,633	123,711	1.6%	13,438	106,732	3,541
2025	7,781,973	123,340	1.6%	17,491	102,186	3,663
2026	7,896,344	114,370	1.5%	16,959	97,411	-

Source: Office of Economic Opportunity 2022 - 2060 Population Projections, Medium Series

¹ Special population changes are related to the temporary residencies caused by university students

Population growth in Arizona is projected to grow by 1.6% (123,711 individuals) in CY 2024. Approximately 10.9% of this growth is attributed to natural change (more births than deaths), while nearly 86.3% of this growth is attributed to net migration (more individuals moving into Arizona than leaving). Arizona's population is projected to continue to grow by more than 110,000 individuals each year through 2026.

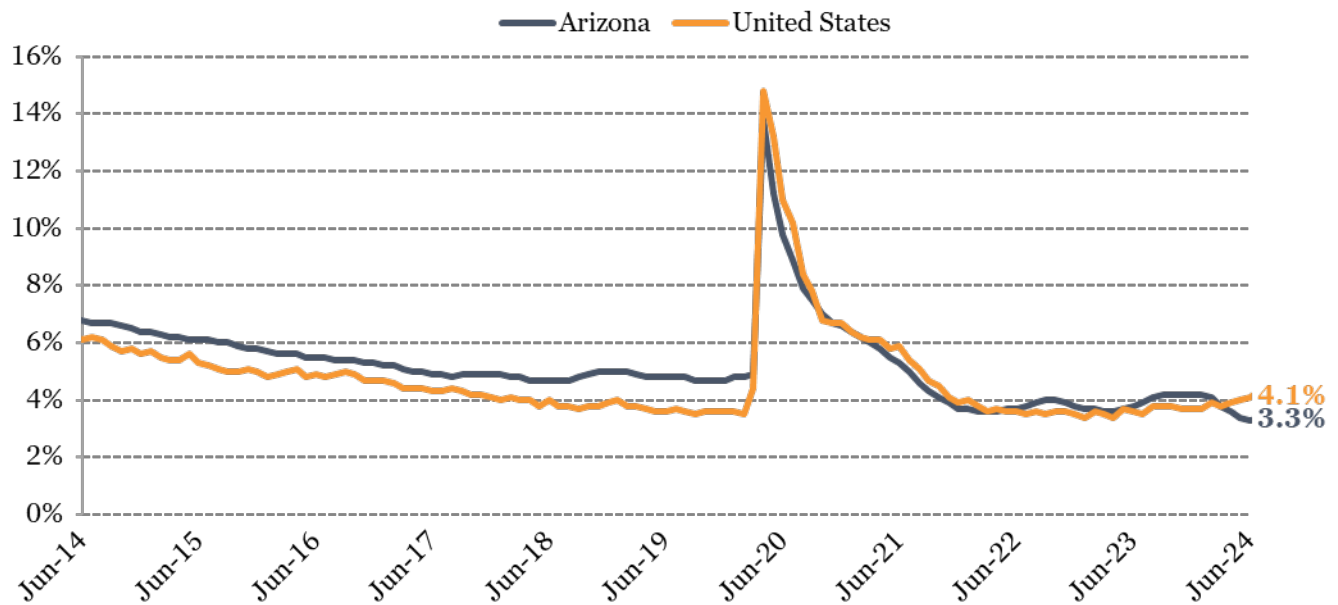
Figure 2: Arizona Population Growth



Source: Office of Economic Opportunity 2022-2060 Population Projections, Medium Series

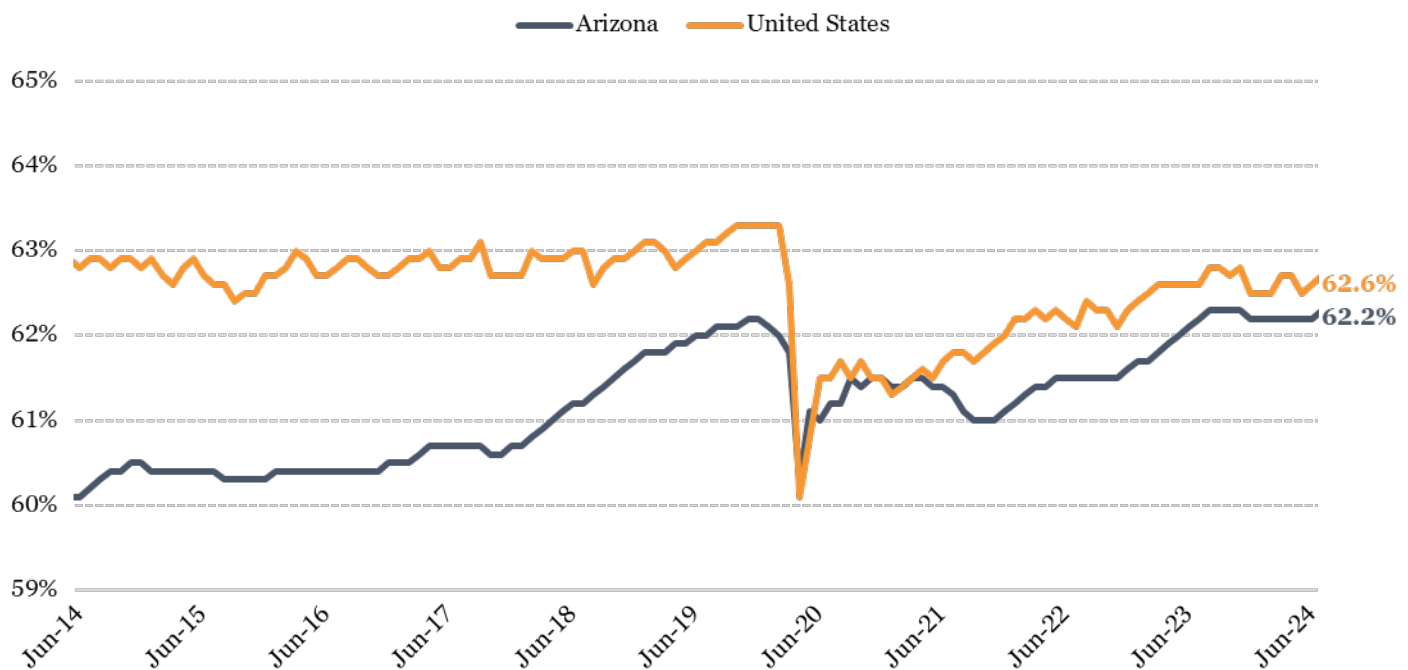
Arizona's population growth rate has exceeded 1.0% every year since CY 2013 (see figure 2). CY 2009 and CY 2010 had particularly low population growth rates due to the impacts of the Great Recession (December 2007 – June 2009). As the Arizona economy recovered from 2011-2019, net migration began to increase.

Figure 3: Arizona and U.S. Seasonally-Adjusted Unemployment Rates



Source: Office of Economic Opportunity in cooperation with the U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics

Figure 4: Arizona and U.S. Labor Force Participation Rates



Source: Office of Economic Opportunity in cooperation with U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics

Note: Data is seasonally-adjusted

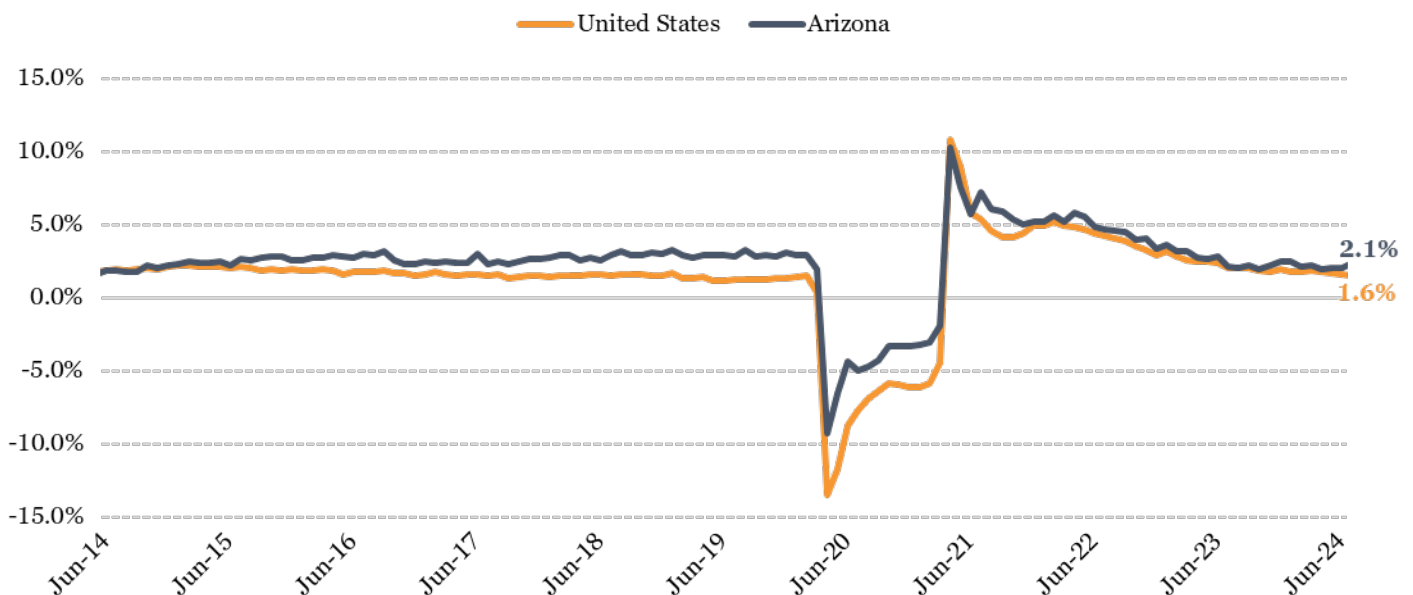
Since the Great Recession, Arizona's unemployment rate and labor force participation rate have generally recorded positive changes. This trend ended abruptly in March 2020, when the Arizona

unemployment rate increased, and labor force participation decreased. These trends mirrored national trends, and can be attributed to the effects of COVID-19.

After the initial negative impacts to the economy caused by the COVID-19 pandemic subsided, Arizona employment began to grow, while the unemployment rate began to decline. Arizona began PY 2023 with a seasonally-adjusted unemployment rate of 3.9% in July 2023 and ended PY 2023 with an unemployment rate of 3.3% in June 2023. The United States began PY 2023 with a seasonally-adjusted unemployment rate of 3.5%, and ended PY 2023 with an unemployment rate of 4.1% in June 2024.

Figure 4 compares monthly labor force participation rates between the United States and Arizona. The Arizona labor force participation rate has trended below the U.S. labor force participation rate historically. From PY 2014 to PY 2018, the Arizona labor force participation rate recorded positive growth, but in April 2020, experienced a sharp decline due to the COVID-19 pandemic. Arizona labor force participation has returned to pre-pandemic levels while U.S. labor force participation nears pre-pandemic levels. Arizona's labor force participation rate was 62.2% at the beginning of PY 2023 (July 2023), and 62.2% by the end of PY 2023 (June 2024). The U.S. labor force participation rate was 62.6% at the beginning of PY 2023, and 62.6% by the end of PY 2023.

Figure 5: Arizona and US Nonfarm Employment Year-to-Year Change Not Seasonally Adjusted



Source: Office of Economic Opportunity in cooperation with U.S. Bureau of Labor Statistics, Current Employment Statistics

Figure 5 compares annual nonfarm employment growth rates between the United States and Arizona. From October 2014 through March 2021, Arizona's nonfarm job year-over-year growth rates have equaled or exceeded U.S. nonfarm growth rates in every month. Before declining to -9.2% in April 2020, Arizona nonfarm employment recorded positive year-over-year employment change for 113 consecutive months. Arizona nonfarm employment increased by 2.1% year-over-year in June 2024, while U.S. nonfarm employment growth increased by 1.6% year-over-year in June 2024.

**Figure 6: Arizona Employment Growth by Industry
Not Seasonally Adjusted
(in thousands, reference month of June)**

	PY 2019	PY 2020	PY 2021	PY 2022	PY 2023
Total Nonfarm	-125.2	158.8	141.7	87.8	65.5
<i>OTY Percentage Change</i>	<i>-4.3%</i>	<i>5.8%</i>	<i>4.9%</i>	<i>2.9%</i>	<i>2.1%</i>
Natural Resources & Mining	-1.5	-0.1	0.9	1.2	1.0
<i>OTY Percentage Change</i>	<i>-11.0%</i>	<i>-0.8%</i>	<i>7.5%</i>	<i>9.3%</i>	<i>7.1%</i>
Construction	3.0	4.3	17.6	18.1	2.2
<i>OTY Percentage Change</i>	<i>1.7%</i>	<i>2.5%</i>	<i>9.8%</i>	<i>9.2%</i>	<i>1.0%</i>
Manufacturing	-2.1	5.0	10.4	3.3	-0.8
<i>OTY Percentage Change</i>	<i>-1.2%</i>	<i>2.8%</i>	<i>5.7%</i>	<i>1.7%</i>	<i>-0.4%</i>
Trade, Transportation & Utilities	-0.5	37.5	26.4	12.0	13.1
<i>OTY Percentage Change</i>	<i>-0.1%</i>	<i>7.0%</i>	<i>4.6%</i>	<i>2.0%</i>	<i>2.1%</i>
Information	-6.5	4.5	4.8	-0.9	-2.2
<i>OTY Percentage Change</i>	<i>-13.2%</i>	<i>10.5%</i>	<i>10.1%</i>	<i>-1.7%</i>	<i>-4.3%</i>
Financial Activities	5.8	12.3	3.4	-5.1	2.1
<i>OTY Percentage Change</i>	<i>2.6%</i>	<i>5.3%</i>	<i>1.4%</i>	<i>-2.1%</i>	<i>0.9%</i>
Professional & Business Services	-19.5	16.9	23.0	-0.5	4.6
<i>OTY Percentage Change</i>	<i>-4.4%</i>	<i>4.0%</i>	<i>5.2%</i>	<i>-0.1%</i>	<i>1.0%</i>
Private Educational Services	-3.1	4.2	2.5	2.8	7.8
<i>OTY Percentage Change</i>	<i>-5.3%</i>	<i>7.6%</i>	<i>4.2%</i>	<i>4.5%</i>	<i>12.0%</i>
Health Care and Social Assistance	-6.4	12.0	14.5	27.4	27.8
<i>OTY Percentage Change</i>	<i>-1.6%</i>	<i>3.1%</i>	<i>3.6%</i>	<i>6.6%</i>	<i>6.3%</i>
Leisure & Hospitality	-65.5	44.4	28.9	13.0	-2.0
<i>OTY Percentage Change</i>	<i>-19.9%</i>	<i>16.9%</i>	<i>9.4%</i>	<i>3.9%</i>	<i>-0.6%</i>
Other Services	-11.7	9.0	6.5	4.0	2.7
<i>OTY Percentage Change</i>	<i>-12.4%</i>	<i>10.8%</i>	<i>7.1%</i>	<i>4.1%</i>	<i>2.6%</i>
Government	-17.1	8.8	2.8	12.5	9.2
<i>OTY Percentage Change</i>	<i>-4.4%</i>	<i>2.4%</i>	<i>0.7%</i>	<i>3.3%</i>	<i>2.3%</i>

Source: Office of Economic Opportunity in cooperation with U.S. Bureau of Labor Statistics, Current Employment Statistics

Figure 6 shows nonfarm employment levels and the percentage change from prior program years. Nonfarm employment increased sharply in PY 2020 and PY 2021. This is primarily due to the impact of COVID-19 in PY 2019, when ten of the twelve sectors lost jobs over the year. Year-over-year (YoY) increases in nonfarm employment continued through PY 2023. Among the twelve sectors in PY 2023, Private Educational Services had the highest YoY employment growth rate (12.0%). This was followed by Natural Resources & Mining (7.1%); Health Care and Social Assistance (6.3%); Other Services (2.6%); Government (2.3%); and Trade, Transportation & Utilities (2.1%). Sectors that did not exceed or match Arizona's total nonfarm employment growth rate (2.1%) include Professional and Business Services (1.0%); Construction (1.0%); and Financial Activities (0.9%). Three sectors lost jobs YoY: Manufacturing (-0.4%), Leisure & Hospitality (-0.6%) and Information (-4.3%).

Numerically, YoY in PY 2023, Health Care and Social Assistance gained 27,800 jobs; Trade, Transportation & Utilities gained 13,100 jobs; Government gained 9,200 jobs; Private Educational Services gained 7,800 jobs; Professional & Business Services gained 4,600 jobs; Other Services gained 2,700 jobs; Construction gained 2,200 jobs; Financial Activities gained 2,100 jobs; Natural Resources and Mining gained 1,000 jobs; Manufacturing lost 800 jobs; Leisure & Hospitality lost 2,000 jobs; and Information lost 2,200 jobs. Total nonfarm employment increased by 65,500 YoY in PY 2023.

Figure 7: Arizona Total Nonfarm Gains by Region Not Seasonally Adjusted (in thousands, reference month of June)					
	PY 2019	PY 2020	PY 2021	PY 2022	PY 2023
Arizona	-125.1	158.8	141.7	87.8	65.5
<i>OTY Percentage Change</i>	<i>-4.3%</i>	<i>5.8%</i>	<i>4.9%</i>	<i>2.9%</i>	<i>2.1%</i>
United States	-13,207	8,119	6,549	3,667	2,518
<i>OTY Percentage Change</i>	<i>-8.7%</i>	<i>5.9%</i>	<i>4.5%</i>	<i>2.4%</i>	<i>1.6%</i>
Flagstaff MSA	-7.1	2.9	3.4	3.2	-0.4
<i>OTY Percentage Change</i>	<i>-10.5%</i>	<i>4.8%</i>	<i>5.4%</i>	<i>4.8%</i>	<i>-0.6%</i>
Lake Havasu City-Kingman MSA	-1.3	3.2	1.8	0.2	0.3
<i>OTY Percentage Change</i>	<i>-2.5%</i>	<i>6.4%</i>	<i>3.4%</i>	<i>0.4%</i>	<i>0.5%</i>
Phoenix-Mesa-Scottsdale MSA	-83.2	129.8	116.4	73.5	50.2
<i>OTY Percentage Change</i>	<i>-3.9%</i>	<i>6.3%</i>	<i>5.3%</i>	<i>3.2%</i>	<i>2.1%</i>
Prescott MSA	-3.0	3.3	2.5	1.5	1.1
<i>OTY Percentage Change</i>	<i>-4.6%</i>	<i>5.3%</i>	<i>3.8%</i>	<i>2.2%</i>	<i>1.6%</i>
Sierra Vista-Douglas MSA	0.4	-0.3	0.2	1.2	0.0
<i>OTY Percentage Change</i>	<i>1.2%</i>	<i>-0.9%</i>	<i>0.6%</i>	<i>3.6%</i>	<i>0.0%</i>
Tucson MSA	-20.3	11.3	12.9	7.6	5.0
<i>OTY Percentage Change</i>	<i>-5.3%</i>	<i>3.1%</i>	<i>3.5%</i>	<i>2.0%</i>	<i>1.3%</i>
Yuma MSA	-2.7	3.3	3.3	0.7	1.3
<i>OTY Percentage Change</i>	<i>-4.9%</i>	<i>6.3%</i>	<i>5.9%</i>	<i>1.2%</i>	<i>2.2%</i>

Source: Office of Economic Opportunity in coordination with U.S. Bureau of Labor Statistics, Current Employment Statistics

The geographic distribution of job growth in Arizona is predominantly concentrated in the Phoenix-Mesa-Scottsdale MSA (2.1% growth), though in PY 2023, Yuma MSA (2.2% growth) was the lone Arizona MSA that grew at a rate exceeding the job growth rate of Arizona (2.1%). The job growth rates for Prescott MSA (1.6%), Tucson MSA (1.3%), Lake Havasu City-Kingman MSA (0.5%), and Sierra Vista-Douglas MSA (0.0%), did not surpass the United States' job growth rate of 1.6%. Flagstaff MSA was the only area to lose jobs over the year (-0.6%).

**Figure 8: Arizona Employment Shares
June 2014 to June 2024, Not Seasonally Adjusted**

Supersector Title	June 2014 Share	June 2024 Share	Share Change	Numeric Change
Construction	4.9%	6.8%	1.8%	92,400
Health Care and Social Assistance	12.9%	14.6%	1.7%	144,200
Trade, Transportation, & Utilities	19.3%	19.5%	0.2%	138,900
Private Educational Services	2.1%	2.3%	0.2%	19,800
Financial Activities	7.5%	7.6%	0.2%	56,300
Natural Resources & Mining	0.5%	0.5%	-0.1%	1,800
Other Services	3.5%	3.3%	-0.2%	17,300
Manufacturing	6.3%	6.1%	-0.2%	35,700
Information	1.8%	1.5%	-0.3%	3,800
Professional & Business Services	15.0%	14.6%	-0.4%	89,200
Leisure & Hospitality	11.3%	10.8%	-0.4%	63,200
Government	14.9%	12.5%	-2.4%	25,100
Total	100.0%	100.0%	0.0%	687,700

Source: Office of Economic Opportunity in coordination with Bureau of Labor Statistics, Current Employment Statistics

Figure 8 shows how the composition of Arizona's economy has changed in the past decade. From June 2014 to June 2024, Construction increased its share of nonfarm employment by 1.8 percentage points, the largest share increase over this period. Other sectors that recorded positive employment share gains included Health Care and Social Assistance (1.7 percentage points), Trade, Transportation & Utilities (0.2 percentage points), Private Educational Services (0.2 percentage points), and Financial Activities (0.2 percentage points). The largest decrease in nonfarm employment share occurred in Government, falling by 2.4 percentage points. This was followed by Leisure & Hospitality (-0.4 percentage points), Professional & Business Services (-0.4 percentage points), Information (-0.3 percentage points), Manufacturing (-0.2 percentage points), Other Services (-0.2 percentage points), and Natural Resources and Mining (-0.1 percentage points).

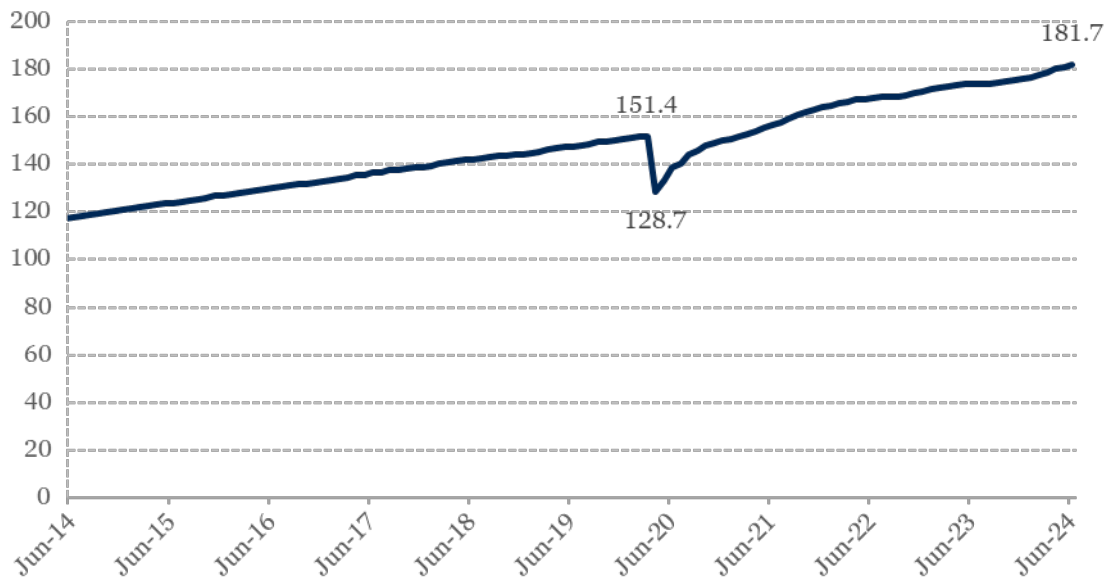
Figure 9: Arizona Short-Term Industry Employment Projections

Sector Title	Base Employment 2023 Q2	Projected Employment 2025 Q2	Numeric Change	Percent Change
Construction	214,433	228,721	14,288	6.7%
Health Care and Social Assistance	459,195	486,482	27,287	5.9%
Private Educational Services	226,348	235,504	9,156	4.0%
Leisure & Hospitality	379,821	394,359	14,538	3.8%
Manufacturing	194,646	199,631	4,985	2.6%
Trade, Transportation & Utilities	622,881	638,295	15,414	2.5%
Other Services	105,821	108,102	2,281	2.2%
Professional & Business Services	469,701	477,653	7,952	1.7%
Self-Employed	242,176	245,530	3,354	1.4%
Government	165,278	166,701	1,423	0.9%
Information	53,127	53,574	447	0.8%
Financial Activities	230,700	232,448	1,748	0.8%
Natural Resources & Mining	48,127	47,910	-217	-0.5%

Source: Office of Economic Opportunity using Short Term Industry Employment Projections 2023-2025

Figure 9 shows the short-term employment projections for sectors in Arizona. Eleven of the twelve sectors, along with Self-Employed, are projected to gain jobs in Arizona from Q2 2023 to Q2 2025. The largest percent increase is projected to occur in Construction (6.7%), followed by Health Care and Social Assistance (5.9%); Private Educational Services (4.0%); Leisure & Hospitality (3.8%); Manufacturing (2.6%); Trade, Transportation & Utilities (2.5%); Other Services (2.2%); Professional & Business Services (1.7%); Self-Employed (1.4%); Government (0.9%); Information (0.8%); and Financial Activities (0.8%). Natural Resources & Mining is the only sector projected to record job losses during this period (-0.5%).

Figure 10: Arizona Coincident Economic Activity

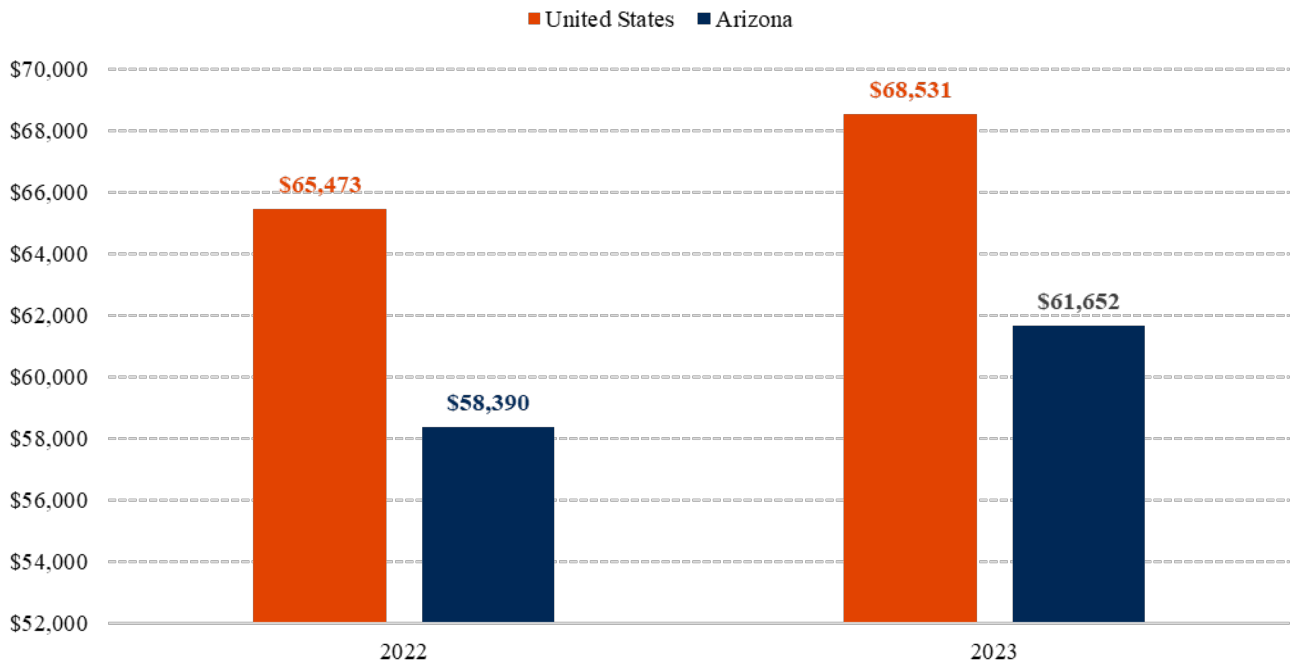


Source: Federal Reserve Bank of Philadelphia

Note: This index combines four variables: total nonfarm employment, average hours worked in manufacturing, the unemployment rate, and wages

The coincident economic activity index is an economic indicator compiled by the Federal Reserve that tends to correlate with economic growth. Figure 10 shows the changes in the coincident economic activity index over the past ten years. As the coincident index increases, economic growth tends to increase. After experiencing 125 continuous months of growth, Arizona's coincident index declined by 0.04 in March 2020, dropping to 151.4. The coincident index declined again in April 2020 to 128.7. By June 2021, Arizona's index was at 156.4. In June 2024, the end of PY 23, Arizona's coincident economic activity index had improved to 181.7.

Figure 11: Arizona and US Per Capita Personal Income



Source: Office of Economic Opportunity in cooperation with the Bureau of Economic Analysis

Arizona's per capita personal income in 2023 was \$61,652, an increase of 5.6% from the 2022 per capita personal income of \$58,390 (see figure 11). Over the same period, per capita personal income in the United States grew by 4.7%, increasing to \$68,531 in 2023 from \$65,473 in 2022. Among the states, Arizona ranked 33rd in per capita personal income in 2023.