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# 2023-2025 Employment Projections

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# Industry Projections Methodology: Estimation Process

- The short-term employment projections are calculated for a period eight quarters, or two years from a specified base period
  - Historic Q2 2023 employment data are used as the base period
  - Employment was estimated for the Q2 2025 projected period
- Projected employment estimates rely on historical employment trends, which are then refined through a review of current U.S. and Arizona economic trends

# Industry Projections Methodology: Estimation Process

The principal data source used to create the employment projections is the Quarterly Census of Employment and Wages (QCEW) data program

- Near census of all employment subject to unemployment insurance tax law (92%-95% of total Arizona employment)
- QCEW is more accurate than other data sources, though data are released less often and with a larger lag time (6-7 months after reference period ends)

# Industry Projections Methodology: Employment Classification

In the QCEW data series, government employment is categorized in the industry that best describes the business activity

- Ex. Surgeons working at a public hospital are classified in the health care industry

This differs slightly from the Current Employment Statistics (CES) monthly data series which categorizes government employment in the government industry sector, regardless of business activity

- Ex. Surgeons working at a public hospital are classified in the government industry



# Industry Projections Methodology: Data Source

Additional employment data are included from a number of different sources to capture employment not included in the QCEW data series

- Projection Estimates **Include**:
  - o Nonfarm employment
  - o Self-employed workers
  - o Private household workers
  - o Railway workers
  - o Religious organization workers
  - o Farm workers
- Projection Estimates **Exclude**:
  - o Unpaid family workers
  - o Active duty military service personnel

# Substate Regions

Projected employment was estimated for 20 substate regions including:

- Fifteen Arizona counties
- Three multi-county areas
  - Northeast Arizona: Apache, Navajo, and Gila Counties
  - Southeast Arizona: Greenlee, Graham, and Cochise Counties
  - Mohave and La Paz Counties
- Two sub-county areas
  - City of Phoenix and Balance of Maricopa County

# Industry Projections Methodology: Economic Assumptions

- No major economic or political disruptions will occur
- Government agencies will operate within their budgets
- Population distribution will not differ significantly from the base-year distribution
- The U.S. economic framework will not differ significantly from its current state
- Long-term employment patterns will continue in most industries

The projections methodology in its entirety can be found at  
[https://oeo.az.gov/sites/default/files/data/emp/lt\\_proj\\_method.pdf](https://oeo.az.gov/sites/default/files/data/emp/lt_proj_method.pdf)

# Industry Projections Highlights

The employment outlook for Arizona is positive, but moderated

- Arizona employment is projected to grow by 102,656 jobs, or 1.5% annually, to 3,514,910 jobs in Q2 2025 from 3,412,254 jobs in Q2 2023
- Eleven of the 12 industry sectors are projected to add jobs
- Education and Health Services is projected to add the largest number of jobs (36,443 jobs, or 2.6% annualized growth)
- Construction is projected to record the largest percentage gain, growing 3.3% annually (14,288 jobs)
- Natural Resources and Mining is projected to record a loss (-217 jobs, or -0.2% annualized growth)

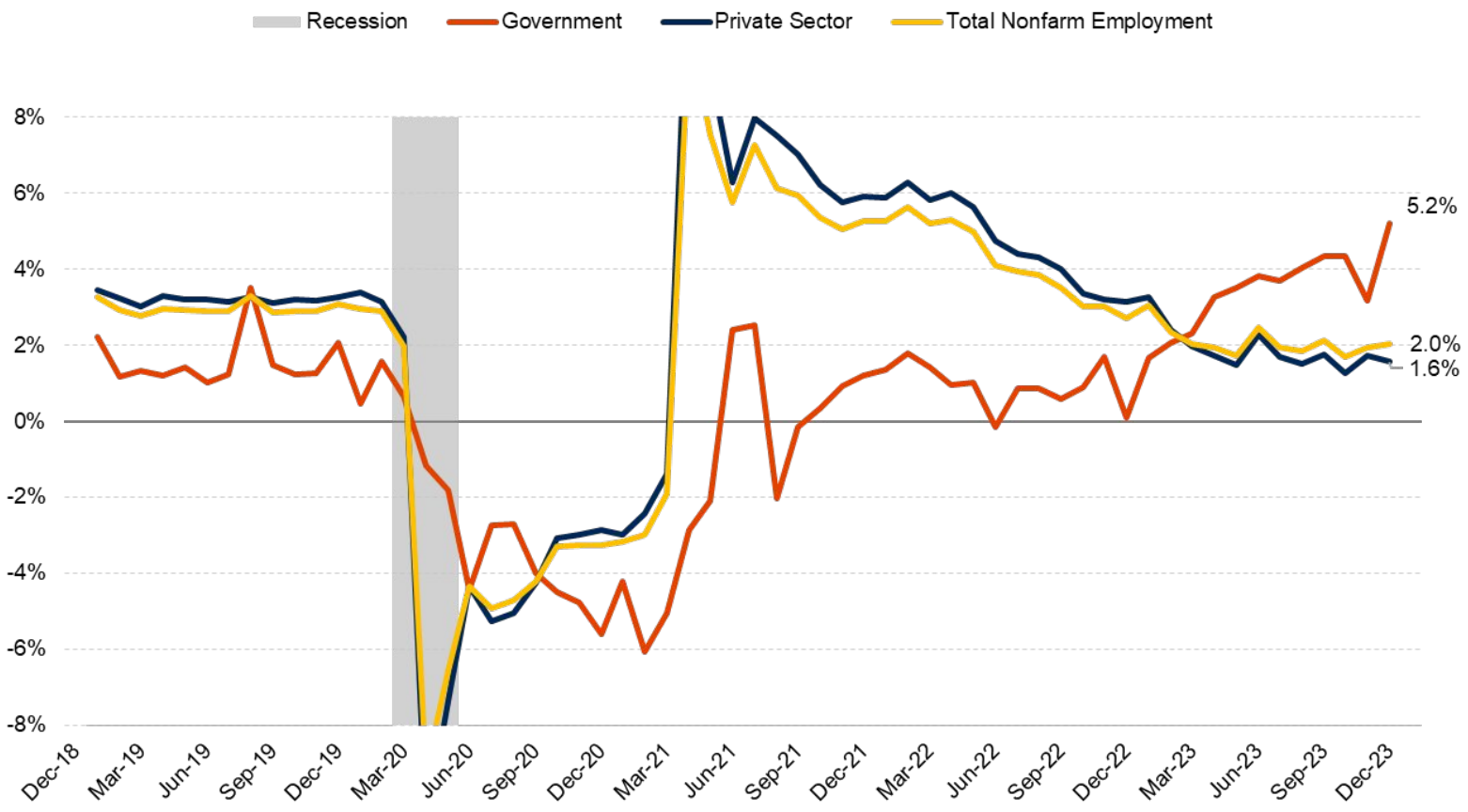


# Economic Trends

# Monthly Employment Series

## Year-Over-Year Employment Change

Not Seasonally Adjusted

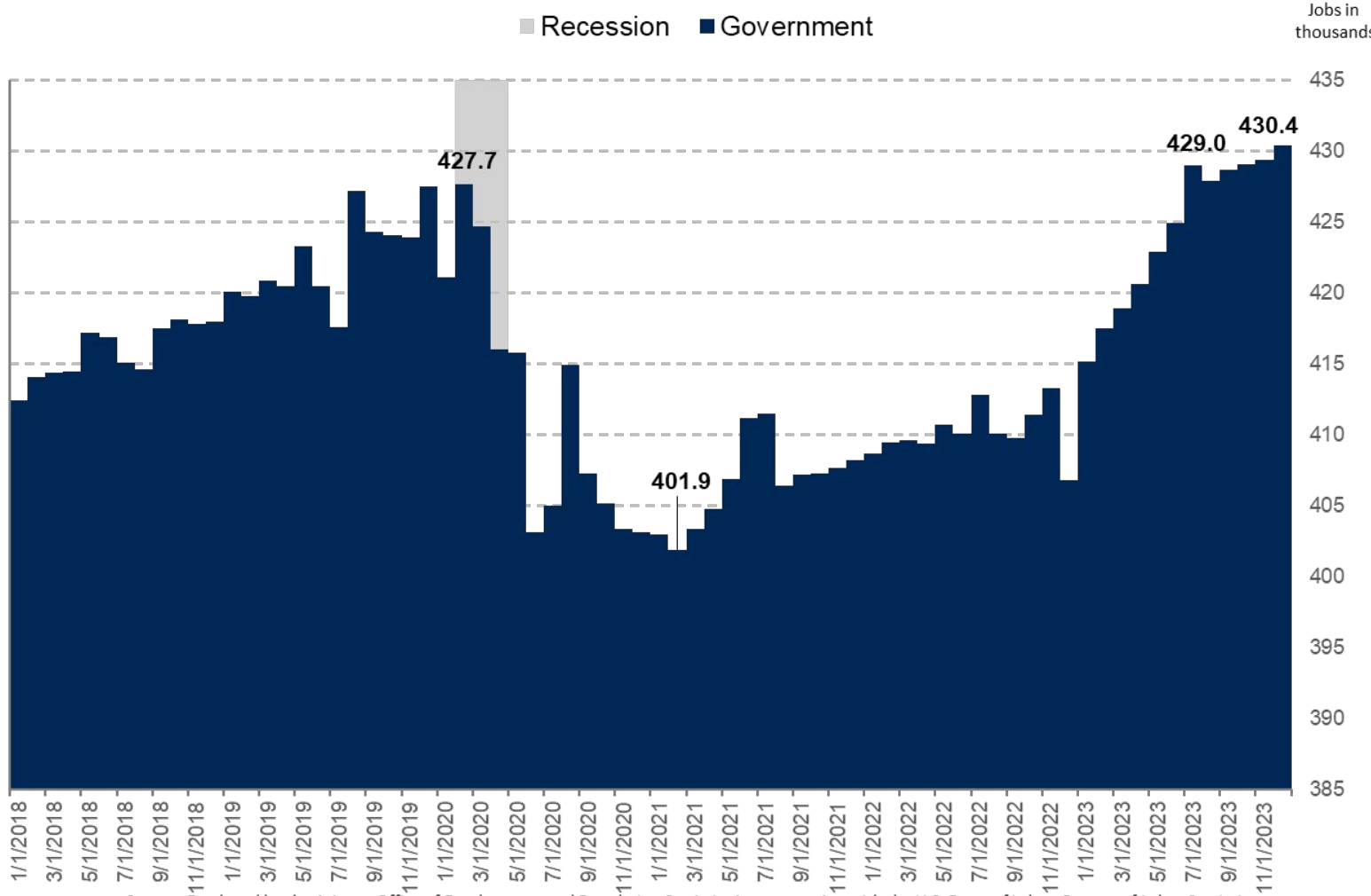


- Nonfarm Employment grew by 2.0% in Dec. 2023 from Dec. 2022
- Nonfarm employment growth was led by strong job gains in the Government sector
  - Gov. employment grew by 5.2% year over year in Dec. 2023

Source: Produced by the Arizona Office of Economic Opportunity in cooperation with the U.S. Dept. of Labor, BLS

# Monthly Government Employment

Seasonally Adjusted

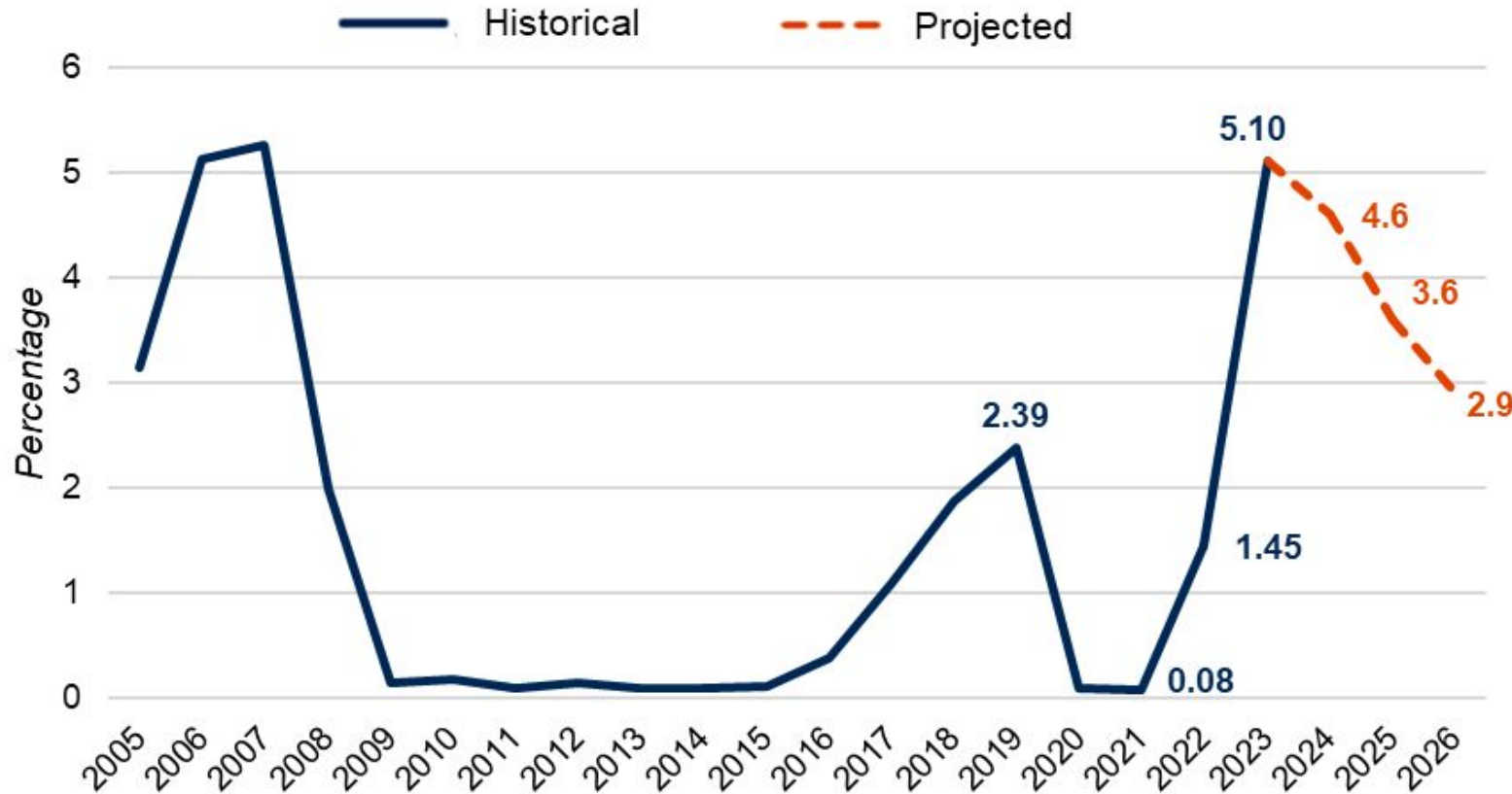


Source: Produced by the Arizona Office of Employment and Population Statistics in cooperation with the U.S. Dept. of Labor, Bureau of Labor Statistics

- Private sector employment surpassed pre-pandemic levels in July 2021
- Government sector employment surpassed its pre-pandemic peak in July 2023
  - Over 80% of the Gov. jobs lost during the pandemic were recovered from Jan. '23 to July '23
- Government sector job growth is expected to moderate in 2024 and 2025 now that it has surpassed its pre-pandemic employment peak,

# Projected Median Effective Federal Funds Rate (FFR)

Not Seasonally Adjusted

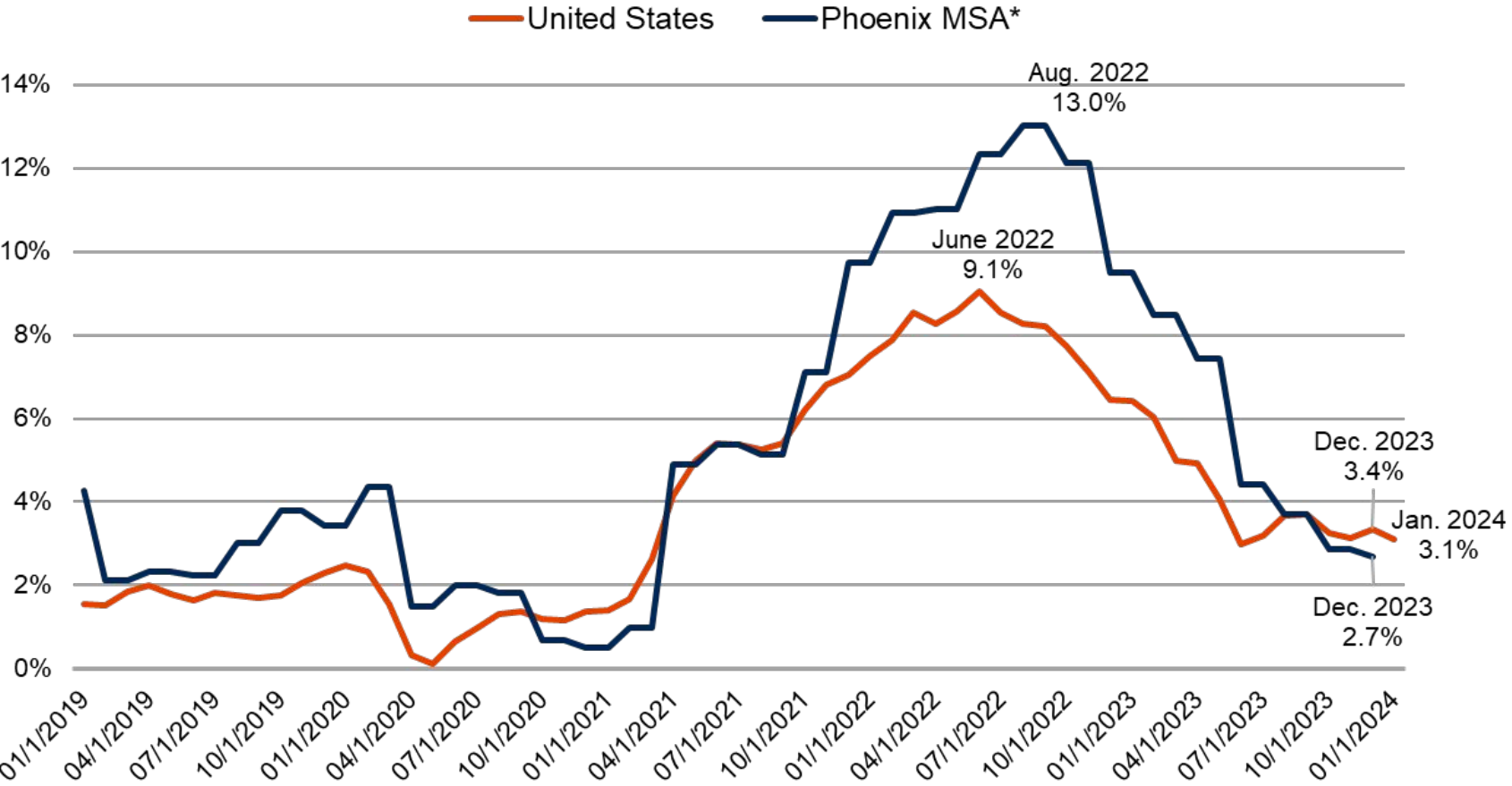


Source: Board of Governors of the Federal Reserve System

- The Federal Open Market Committee (FOMC) increased the FFR in 2022 and 2023 with the intent to curb rising inflation
- The median effective FFR increased to 5.10% in 2023 from 1.45% in 2022
  - This was the highest median FFR in 16 years (5.25 in 2007)
- The Federal Open Market Committee projects the effective FFR will decrease to 4.60% in 2024

# Year-Over-Year CPI Percent Change

Not Seasonally Adjusted



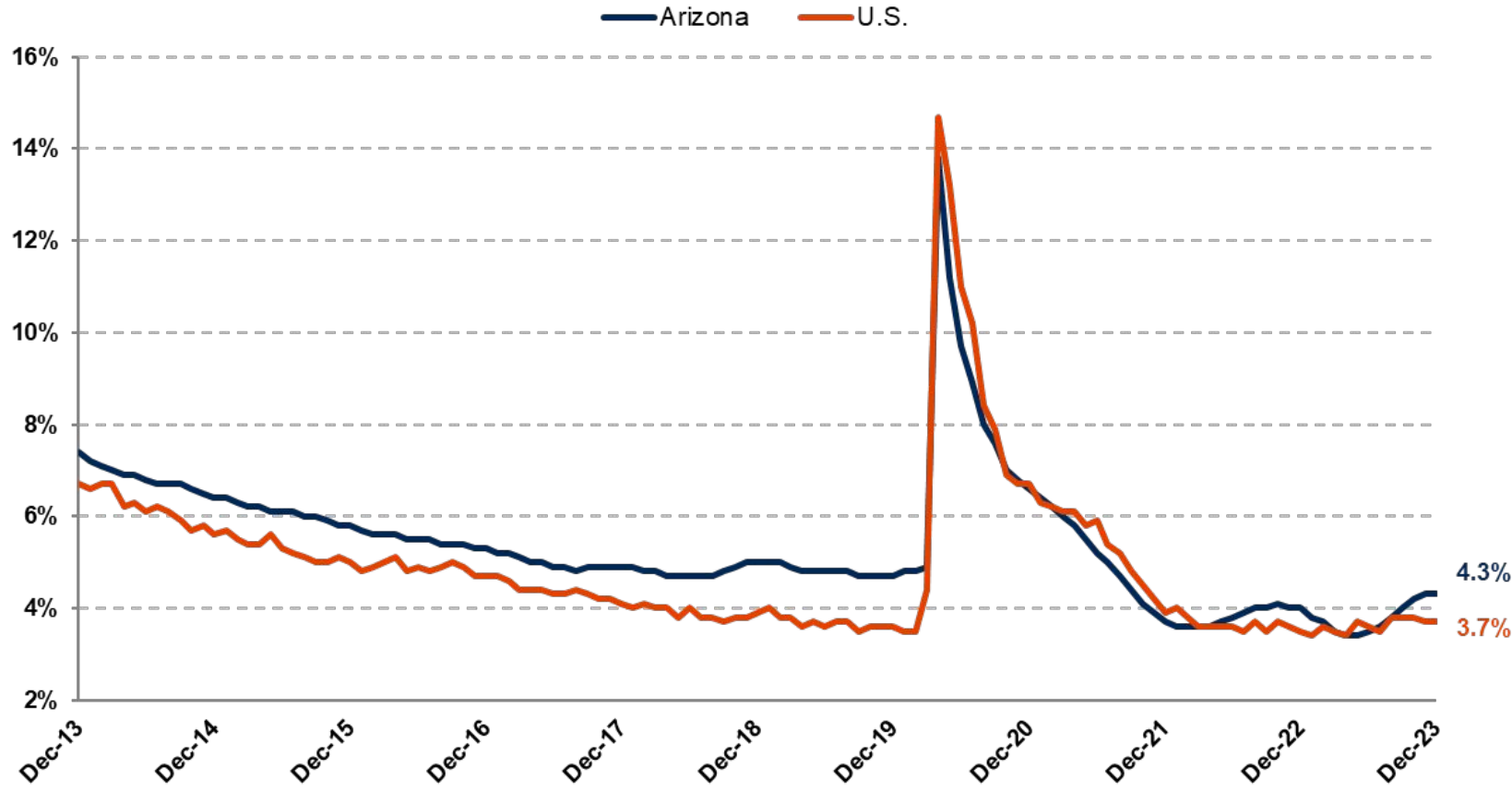
\*Phoenix MSA estimates are released every other month  
Source: US BLS CPI Program

- The Phoenix MSA CPI growth most recently peaked in August 2022
- The US CPI growth most recently peaked in June 2022
- CPI growth slowed throughout 2023, largely due to lower transportation and energy expenses



# U.S. & Arizona Unemployment Rate

Seasonally Adjusted

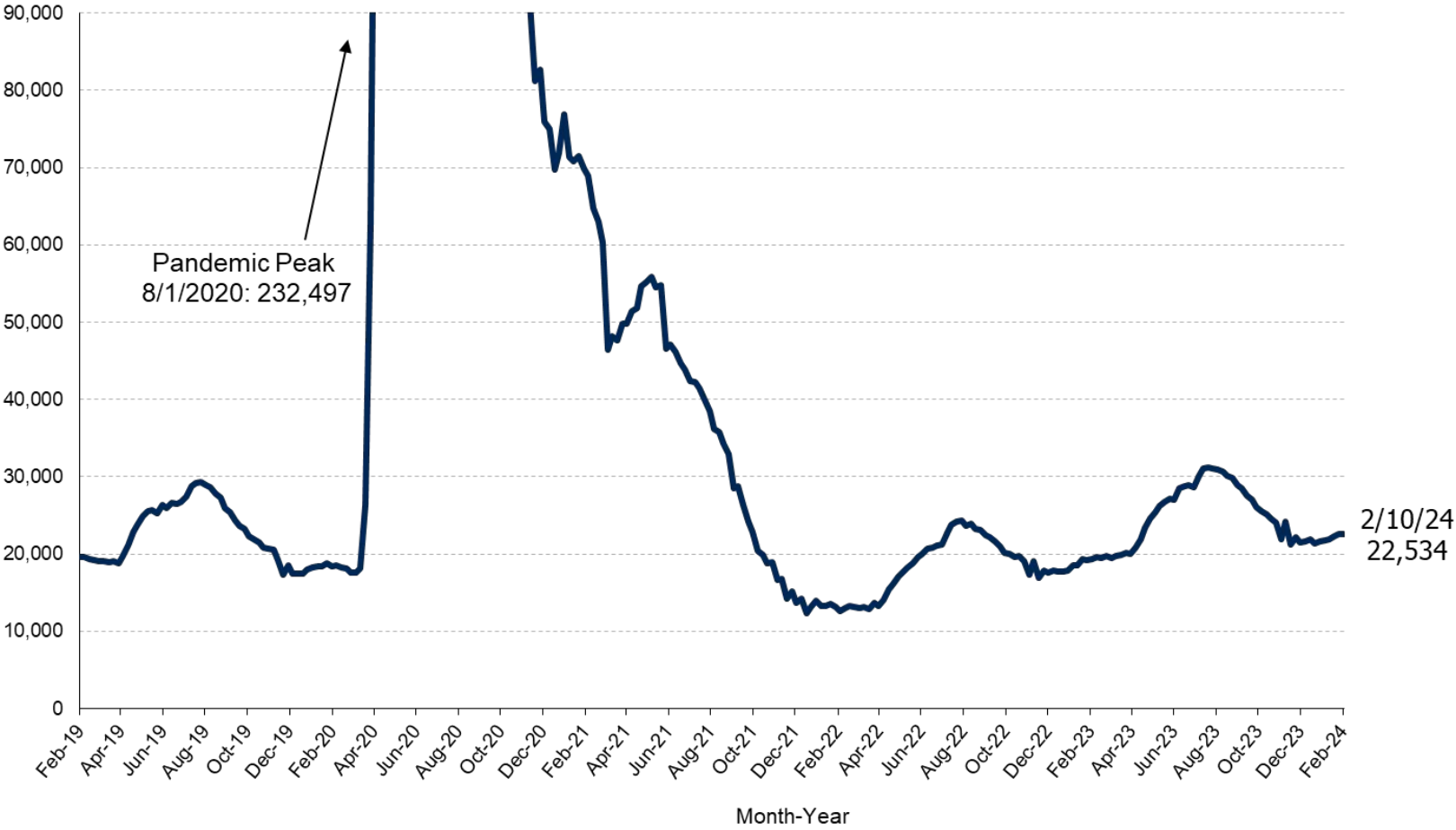


Source: Produced by the Arizona Office of Economic Opportunity in cooperation with the U.S. Dept. of Labor, BLS

In April and May 2023, the Arizona unemployment rate reached 3.4%, the lowest rate on record (since Jan. '76)



# REGULAR WEEKLY UNEMPLOYMENT INSURANCE (UI) CLAIMS



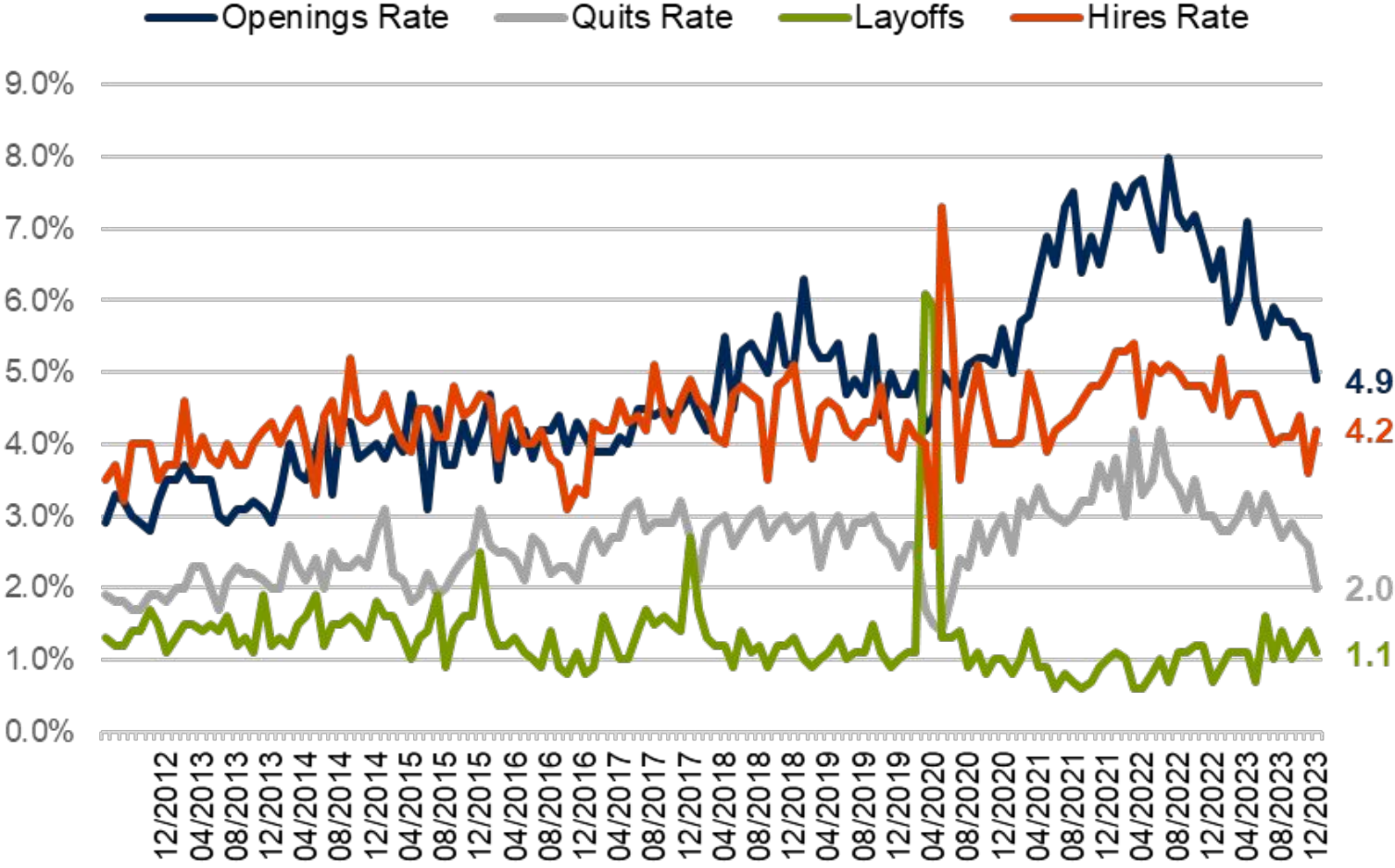
Source: Produced by the Arizona Office of Economic Opportunity

### Highlights:

During the week ending 02/10/2024, 22,534 unemployment insurance (UI) claims were filed in Arizona

- UI claims were up 16.8% from a similar week in 2023
- UI claims were up 15.0% from a similar week in 2019

# ARIZONA OPENINGS, QUILTS AND HIRES RATES

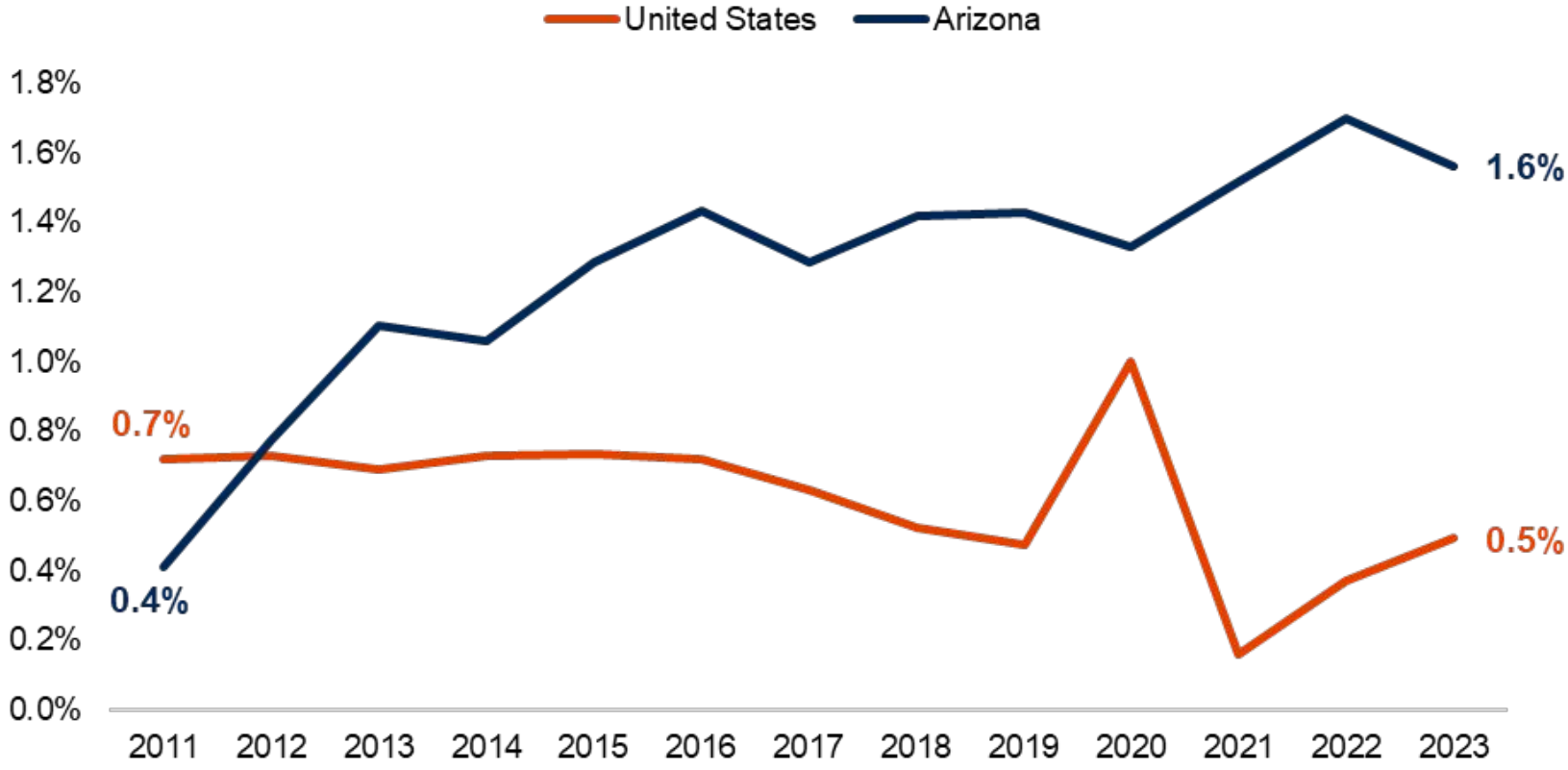


Source: U.S. Bureau of Labor Statistics

### Highlights:

- The Arizona openings rate decreased to 4.9% in December 2023 from 5.5% in November 2023
- The Arizona quits rate decreased to 2.0% in December 2023 from 2.6% November 2023
- The Arizona hires rate increased to 4.2% in December 2023 from 3.6% in November 2023
- The Arizona layoffs and discharges rate decreased to 1.1% in December 2023 from 1.4% in November 2023

# Annual Population Growth



Source: U.S. Census Bureau and Office of Economic Opportunity

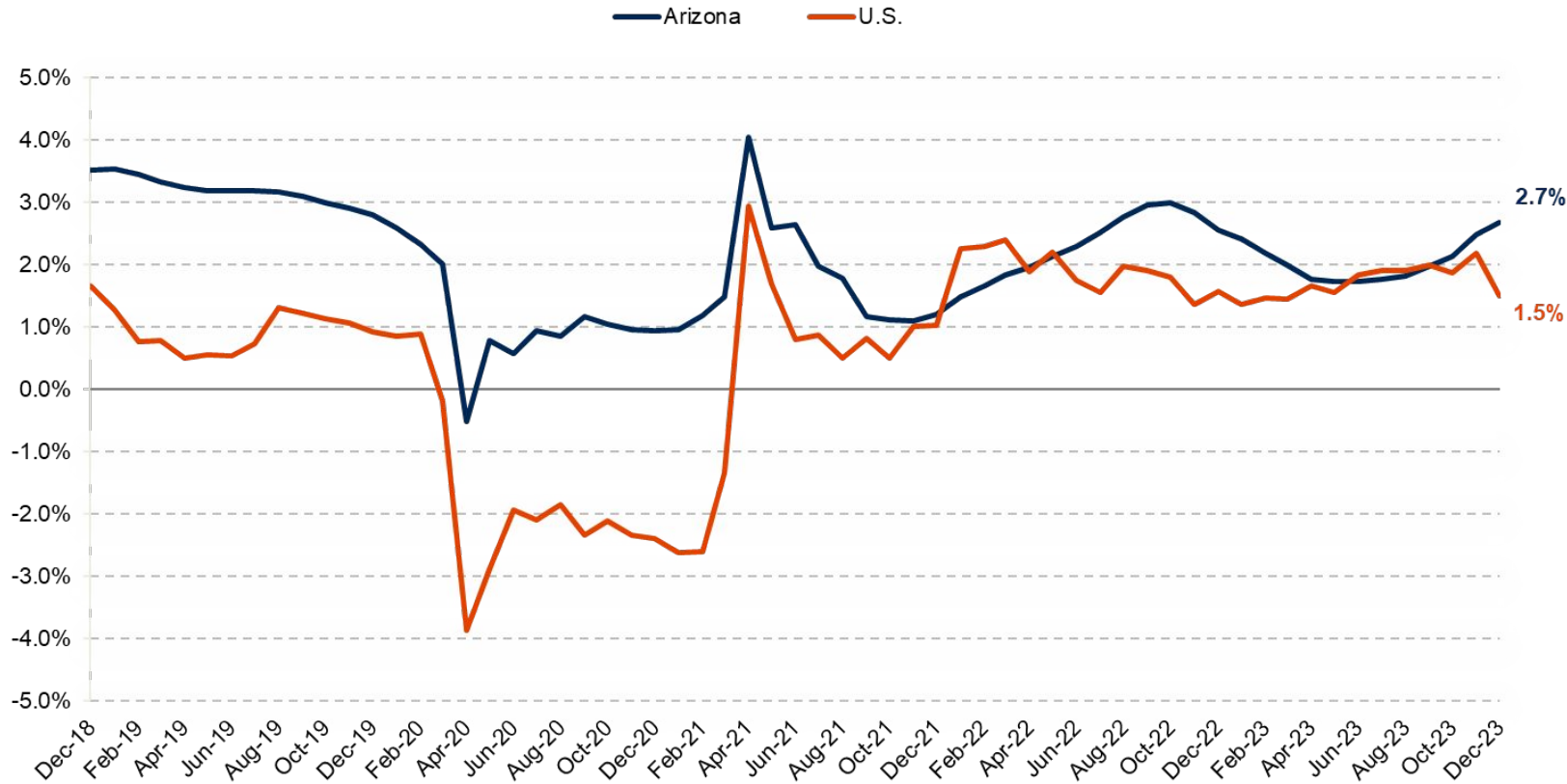
Arizona population growth has consistently outpaced U.S. population growth over the last 10 years

The U.S. population continues to grow at near historically low rates

- The U.S. population growth rate has been increasing since a low in 2021
- The 2020 spike in the U.S. growth rate was caused by the decennial census re-estimation

# U.S. & Arizona Labor Force Year-Over-Year Percent Change

Seasonally Adjusted



- The Arizona labor force has surpassed the pre-pandemic (Feb. 2020) level by 263,054 individuals (7.6%)
- For comparison, the U.S. labor force level was up 1.8% from the pre-pandemic level

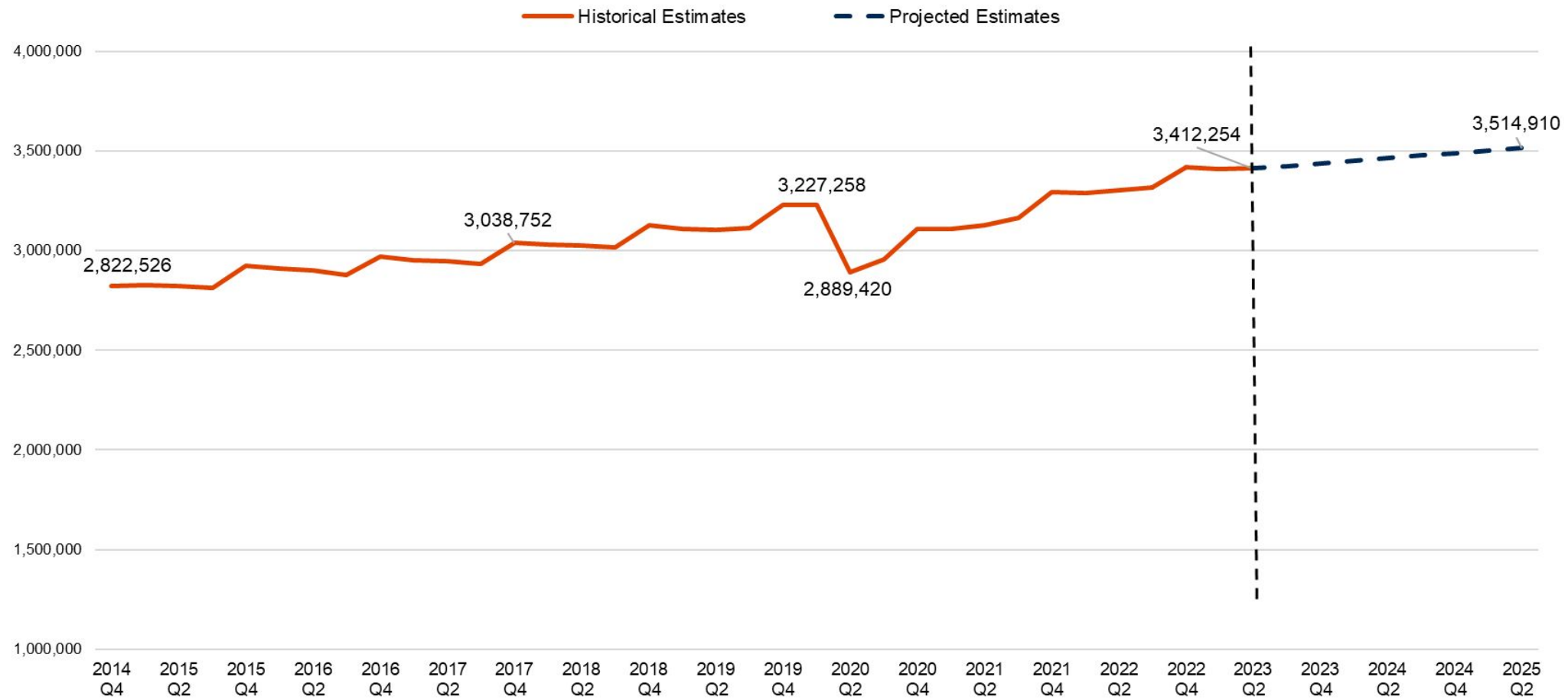
Source: Produced by the Arizona Office of Economic Opportunity in cooperation with the U.S. Dept. of Labor, BLS

# Projected Employment Highlights



# Arizona Total Employment

Not Seasonally Adjusted

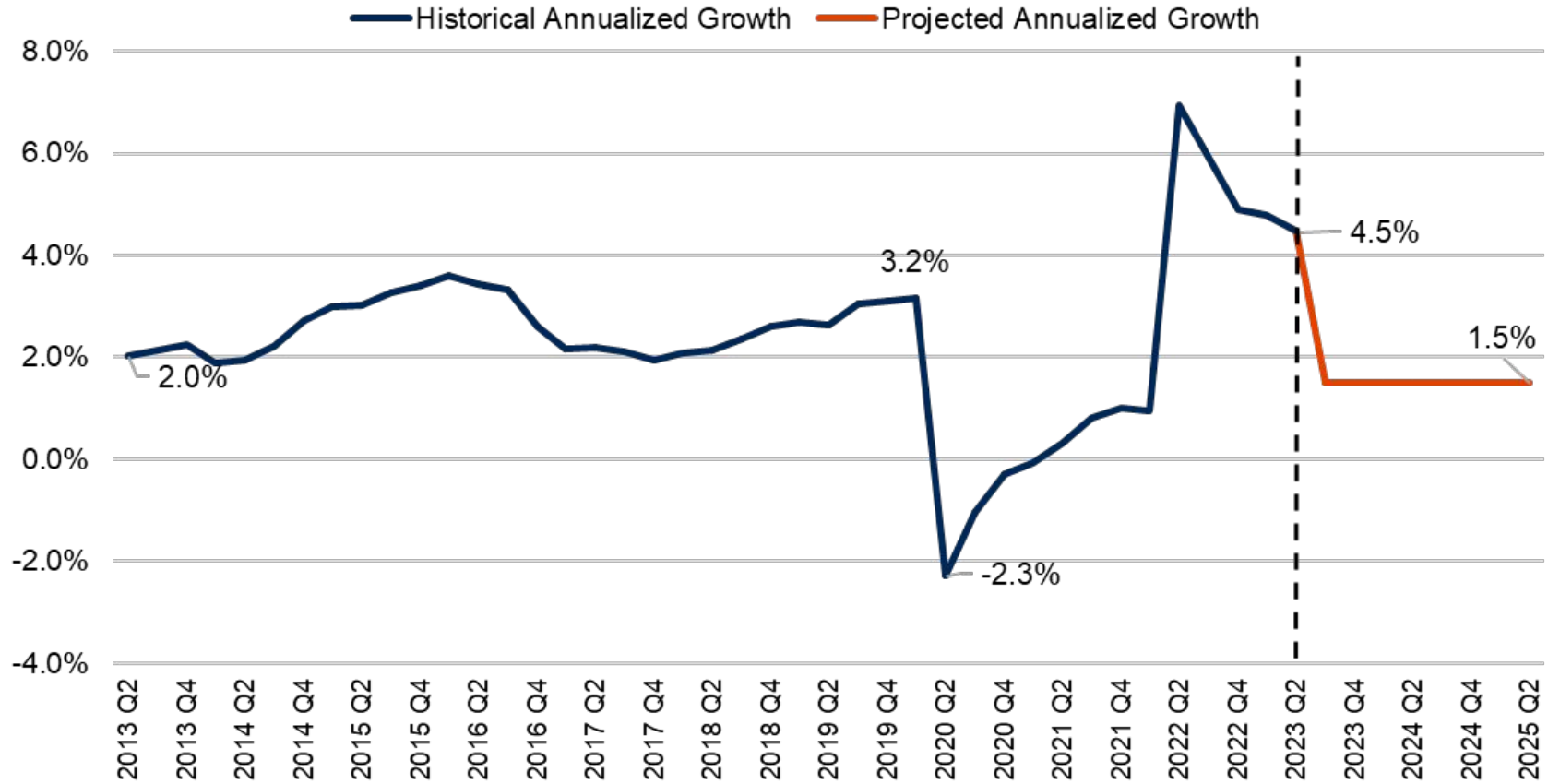


Source: Arizona Office of Economic Opportunity  
 NOTE: 2023 Q3-2025 Q1 reflect average quarterly projected growth.



# Arizona Total Employment

Arizona Employment Estimates



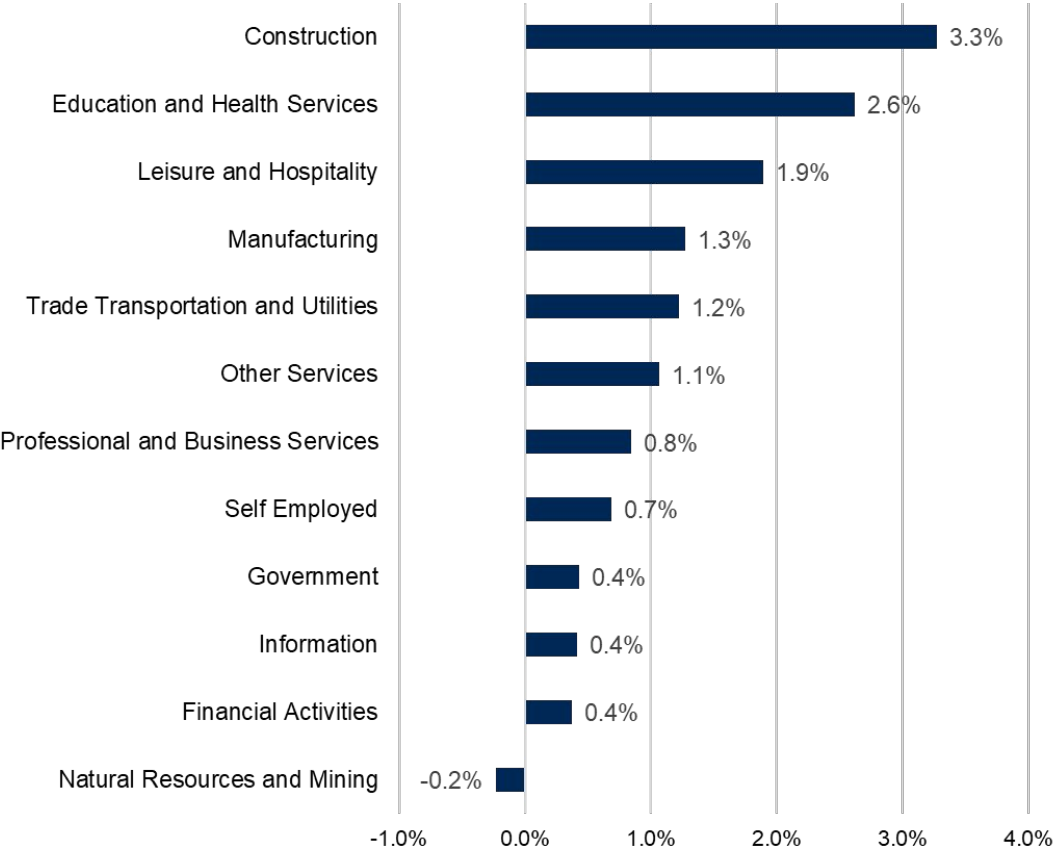
Total employment is projected to grow by 102,656 jobs, or 1.5% annually in Q2 2025 from Q2 2023

Source: Arizona Office of Economic Opportunity

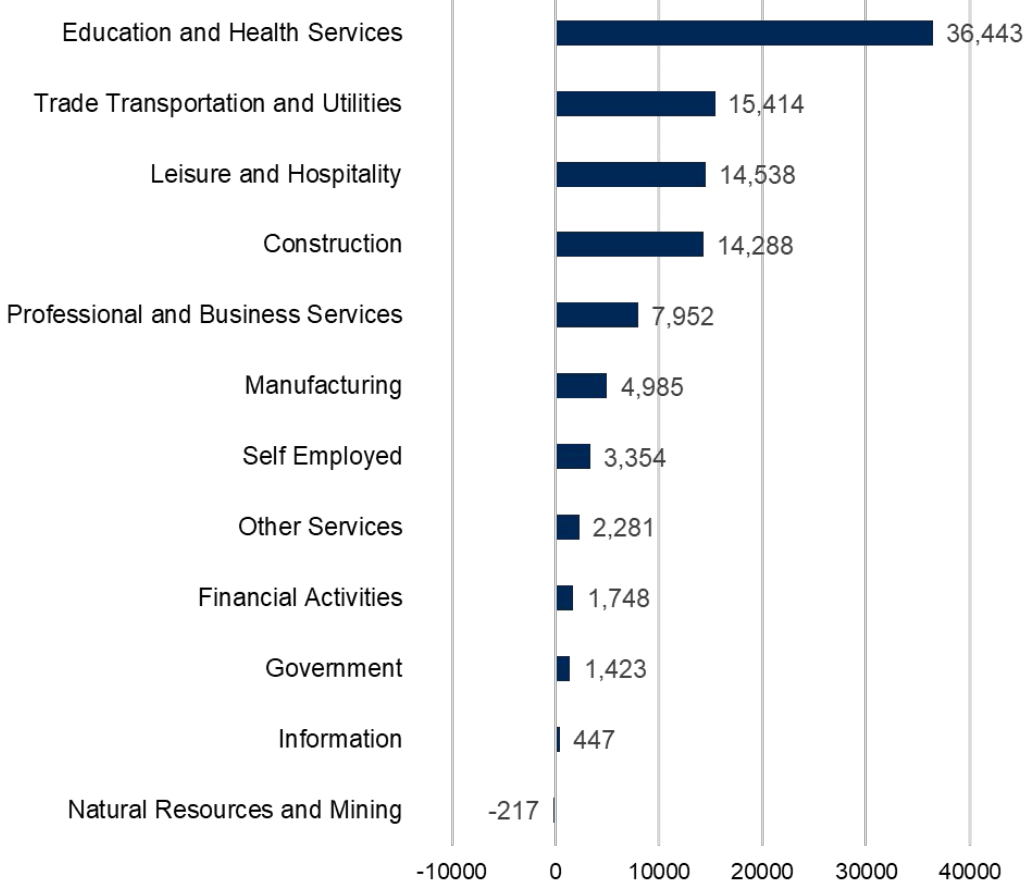
NOTE: Annual growth may differ from year-to-year between Q2 2023 to Q2 2025, but is projected to average the growth in the chart

# Projected Industry Employment Change

Arizona Supersector Employment  
2023-2025 Annualized Percentage Change



Arizona Supersector Employment  
2023-2025 Total Numeric Change



Source: Produced by the Arizona Office of Economic Opportunity in cooperation with the U.S. Dept. of Labor, BLS

# Historic and Projected Total Employment Change by Area

Region	Historic Change <sup>1</sup> (2021-2023)		Projected Change <sup>2</sup> (2023-2025)	
	Numeric Change	% Change (Annual)	Numeric Change	% Change (Annual)
Greenlee County	824	7.3%	274	2.2%
Pinal County	10,624	7.1%	3,270	1.9%
Graham County	638	2.9%	395	1.7%
Maricopa County	218,242	4.7%	81,541	1.6%
<b>Arizona</b>	<b>286,058</b>	<b>4.5%</b>	<b>102,656</b>	<b>1.5%</b>
Yavapai County	6,035	4.1%	2,298	1.5%
Pima County	28,710	3.5%	9,722	1.1%
Santa Cruz County	937	3.1%	309	1.0%
Yuma County	5,844	4.0%	1,490	1.0%
Navajo County	1,237	2.0%	541	0.9%
Cochise County	1,924	2.5%	653	0.8%
Coconino County	7,231	5.4%	1,159	0.8%
La Paz County	699	5.0%	84	0.6%
Mohave County	2,174	1.8%	561	0.5%
Gila County	745	2.3%	142	0.4%
Apache County	194	0.5%	-75	-0.2%

<sup>1</sup>Employment change from 2021 Q2 - 2023 Q2

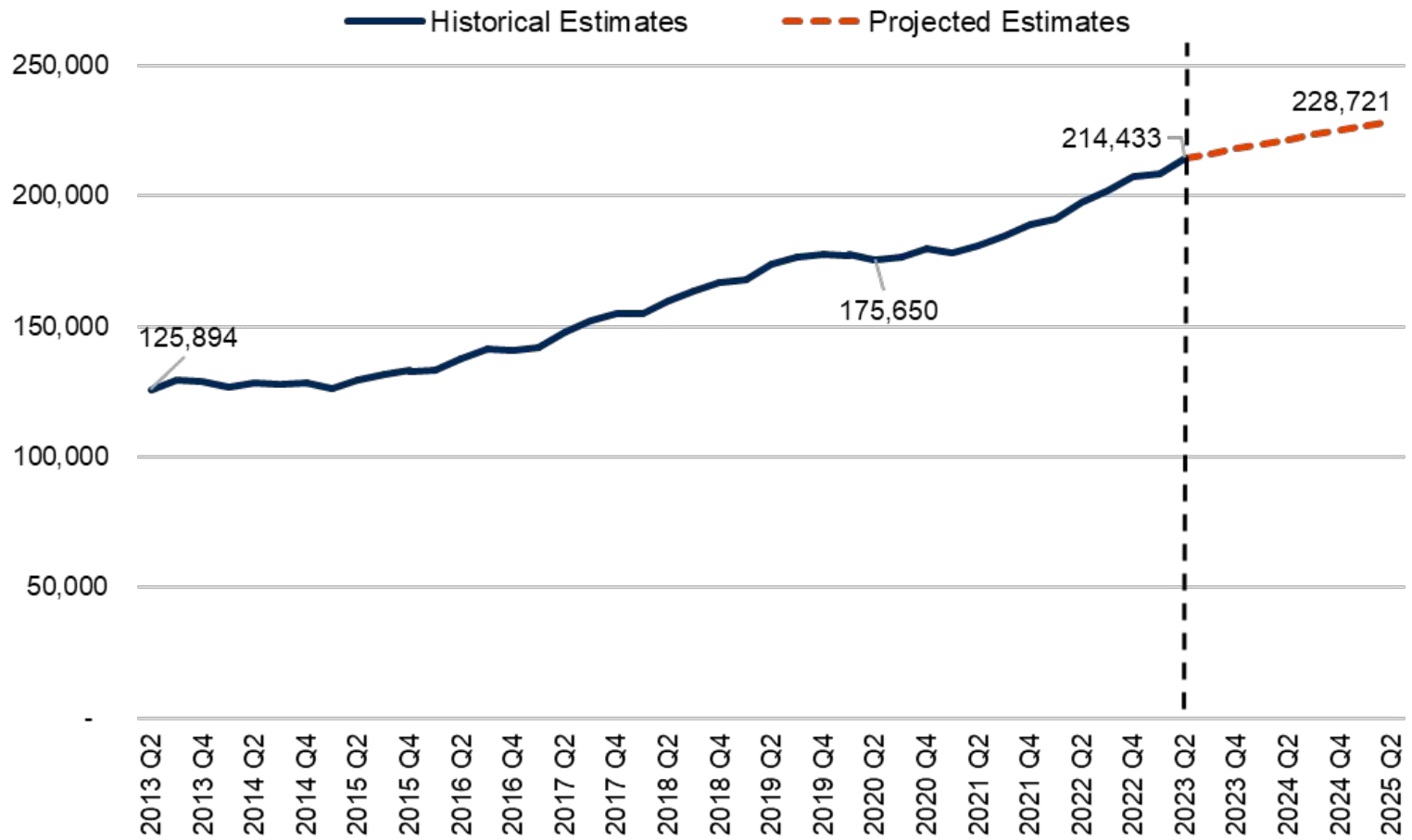
<sup>2</sup>Employment change from 2023 Q2 - 2025 Q2

Source: Arizona Office of Economic Opportunity

Nearly all Arizona counties (14 of 15) are projected to record employment growth through 2025 Q2

- The largest numeric and percent changes are projected to occur in:
  - Maricopa County (81,541 jobs)
  - Pima County (9,722 jobs)
  - Greenlee County (2.2%)
  - Pinal County (1.9%)
- The smallest numeric and percent changes are projected to occur in:
  - Apache County (-75 jobs)
  - La Paz County (84 jobs)
  - Apache County (-0.2%)
  - Gila County (0.4%)

# Construction Historic and Projected Employment



Source: Arizona Office of Economic Opportunity  
 NOTE: Q3 2023- Q2 2025 numbers reflect average quarterly projected growth

- Construction is projected to grow by 14,288 jobs, or 3.3% annually
- Construction employment had an average annual growth of 5.8% over the five years prior to the pandemic (2015 Q1 - 2020 Q1)



# Construction Historic and Projected Job Change

Sector	Historic Change <sup>1</sup> (2021-2023)		Projected Change <sup>2</sup> (2023-2025)	
	Numeric Change	% Change (Annual)	Numeric Change	% Change (Annual)
Construction	33,642	8.9%	14,288	3.3%
Specialty Trade Contractors	21,054	8.3%	10,305	3.5%
Construction of Buildings	7,807	10.1%	2,491	2.8%
Heavy and Civil Engineering Construction	4,781	10.2%	1,492	2.7%

<sup>1</sup> Employment change from 2021 Q2 - 2023 Q2

<sup>2</sup> Employment change from 2023 Q2 - 2025 Q2

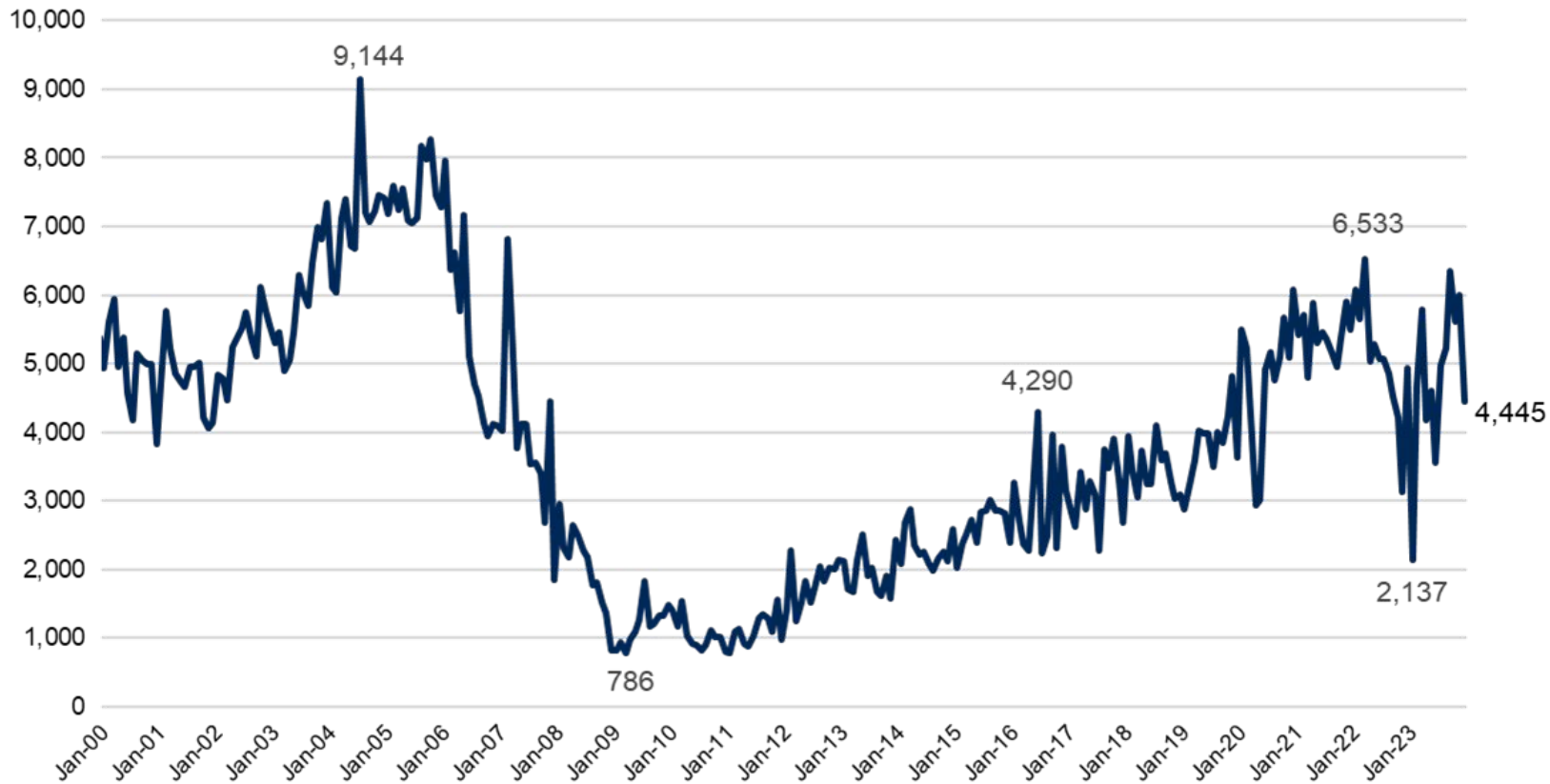
Source: Arizona Office of Economic Opportunity

Growth in Construction employment is projected to continue through 2025 Q2

All three subsectors are projected to add jobs through Q2 2025

# Arizona New Private Housing Units Authorized by Building Permits

Seasonally Adjusted



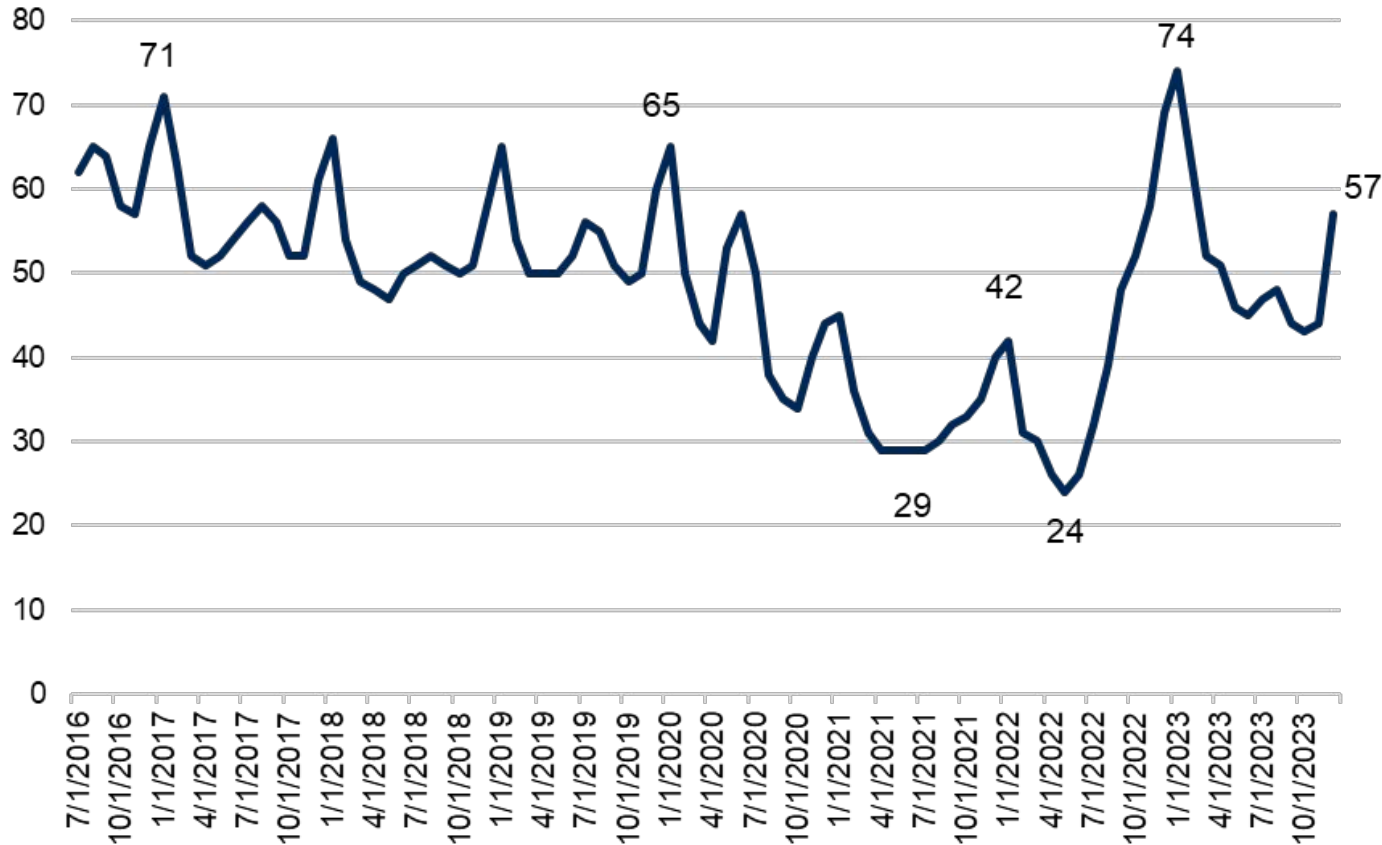
Source: U.S. Census Bureau

- Building permit authorizations reached a relative peak in 2005 before declining during the 2007 economic recession
- Between 2010 through 2022, building permit authorizations have steadily increased
- From 2022 through the start of 2023, building permit authorizations dropped sharply.
- In Dec. 2023, 4,445 building permits were authorized
  - Down 492 (-10.0%) from December 2022
  - Down 1,552 (-25.9%) from November 2023



# Residential Housing Inventory: Median Days on Market in Arizona

Not Seasonally Adjusted

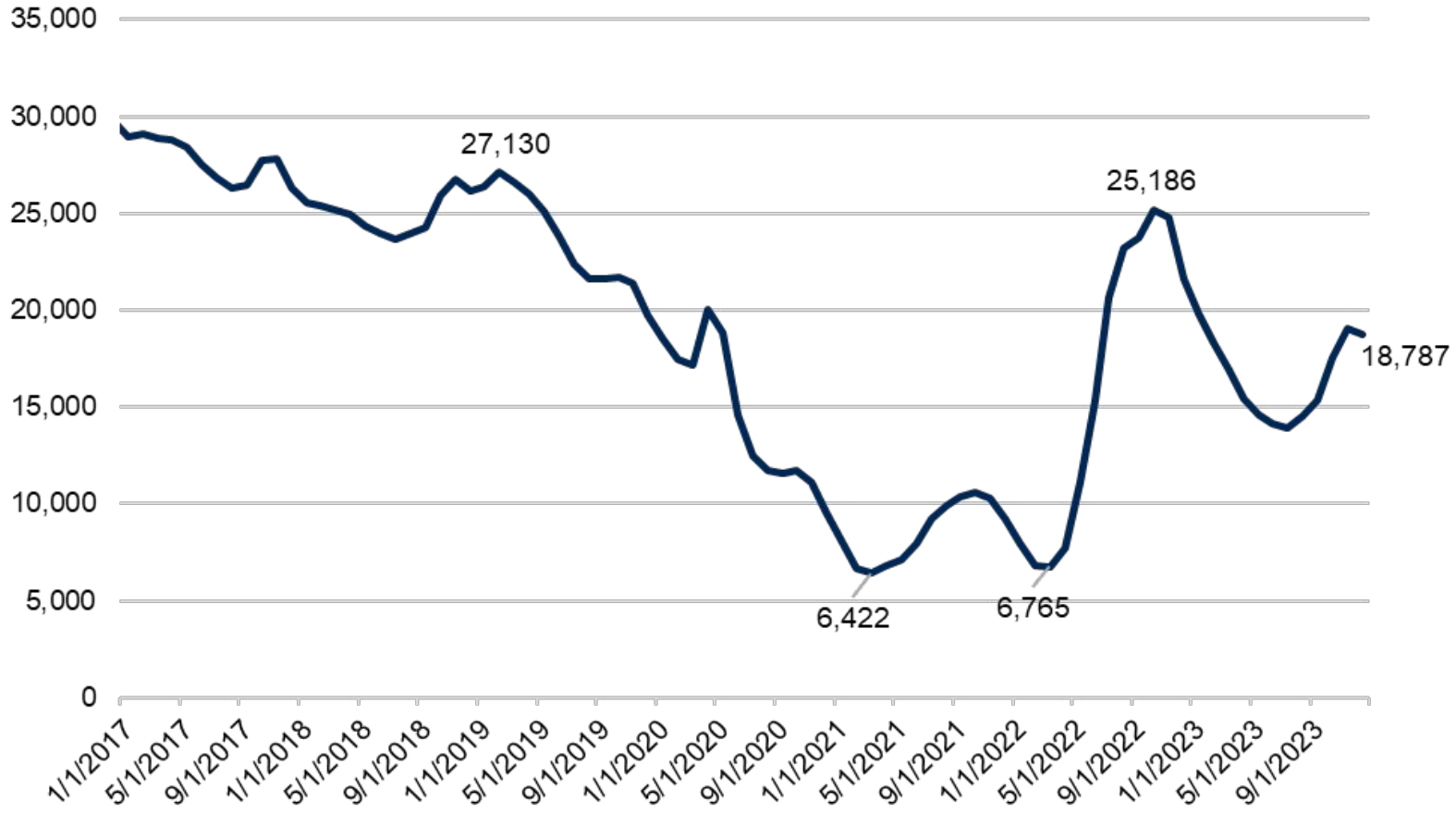


Source: Realtor.com

- The median days property listings were active increased to 57 days in December 2023 from 44 in November 2023
- Year-over-year, the median days property listings were active decreased by 12 days (-17.4%)

# Residential Housing Inventory: Active Listing Count in Arizona

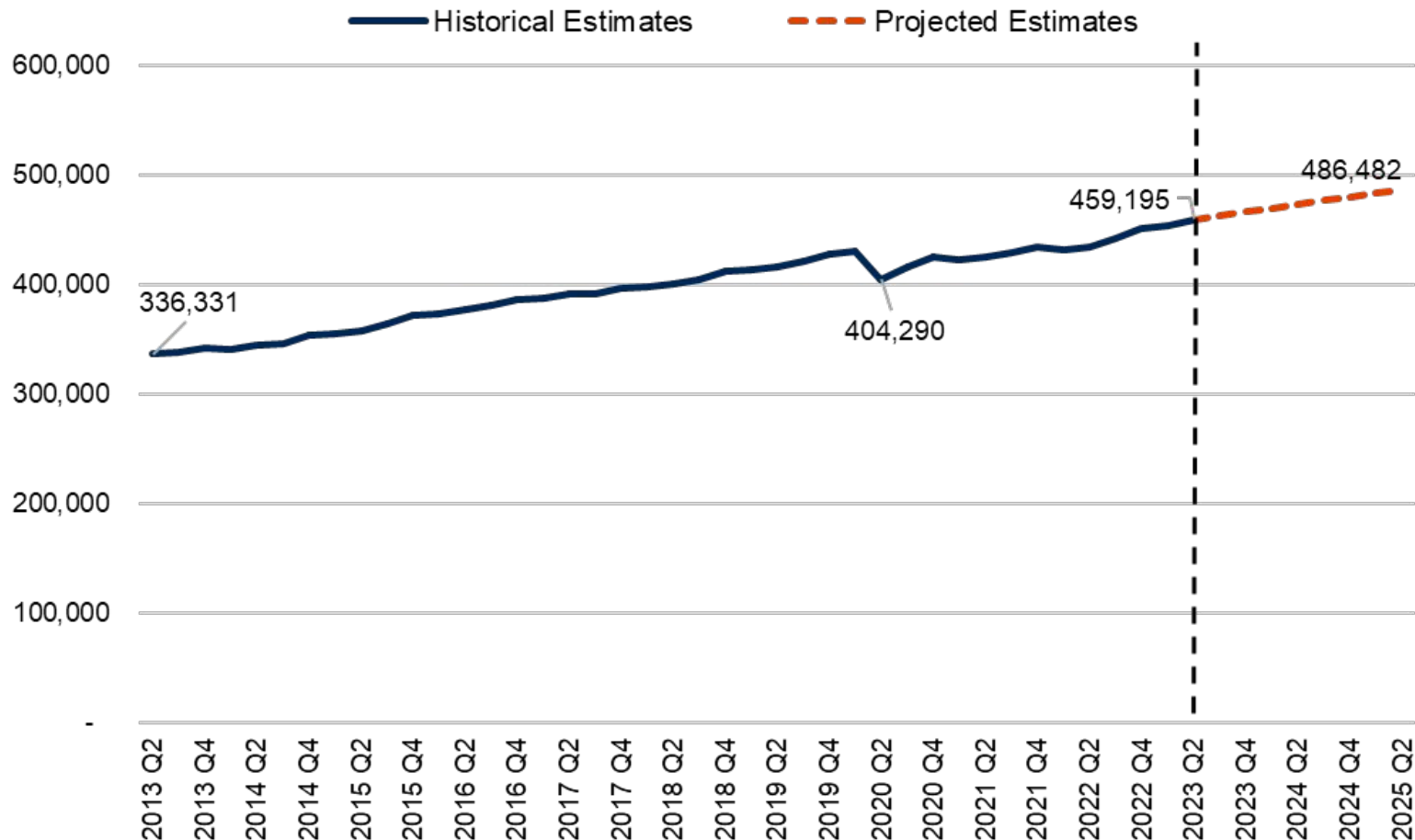
Not Seasonally Adjusted



Source: Realtor.com

- The count of active home listings decreased by 294 (-1.5%) in December 2023 from November 2023
- Active home listings were down 2,853 (-13.2%) in December 2023 from December 2022
- March 2021 saw the lowest active listing count within this five year timeframe

# Health Care and Social Assistance Historic and Projected Job Change

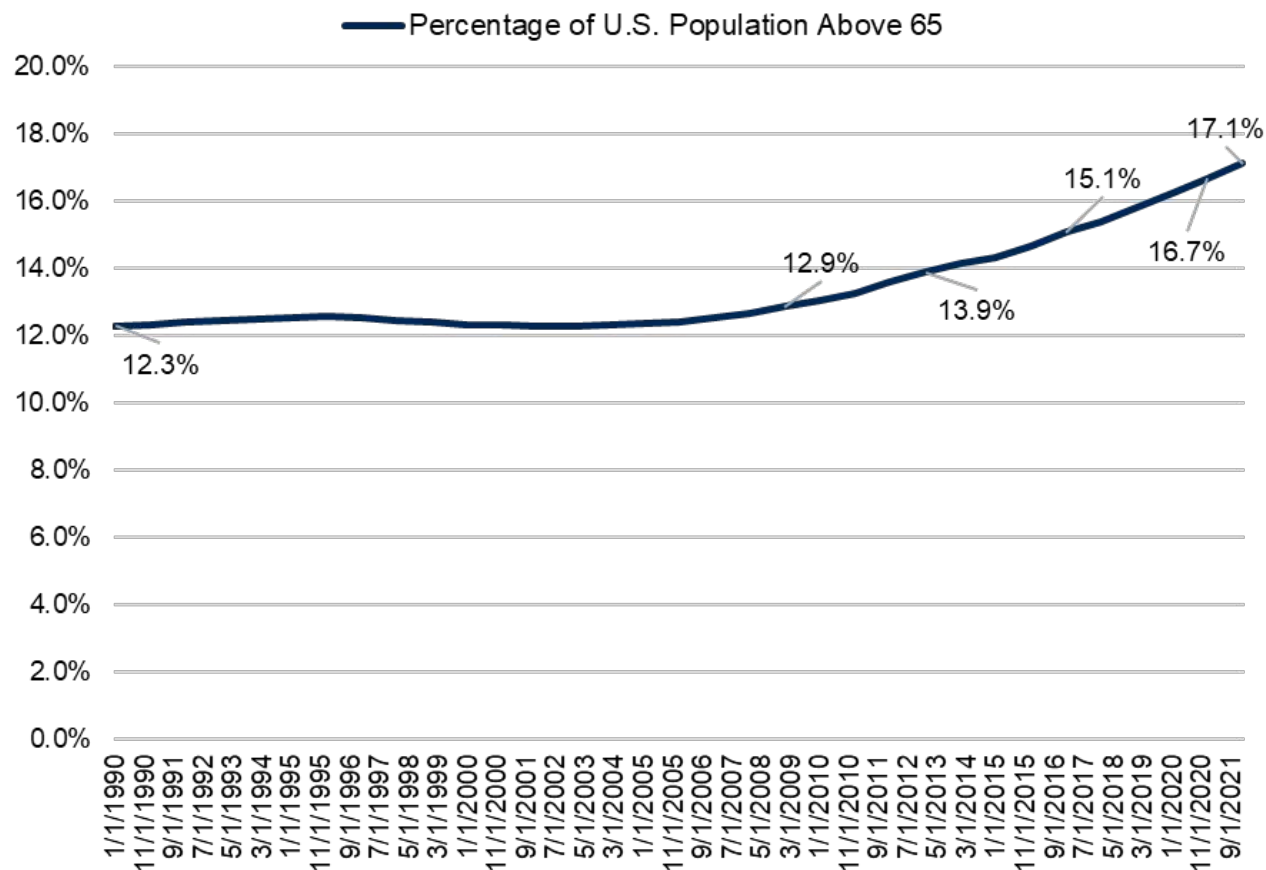


Source: Arizona Office of Economic Opportunity

NOTE: Q3 2023- Q2 2025 numbers reflect average quarterly projected growth

- Health Care and Social Assistance is projected to increase by 27,287 jobs, or 2.9% annually
- Health Care and Social Assistance had an average annual growth of 3.8% in the five years prior to the pandemic (Q1 2015 - Q1 2020)

# Percentage of U.S. Population 65+



Source: World Bank

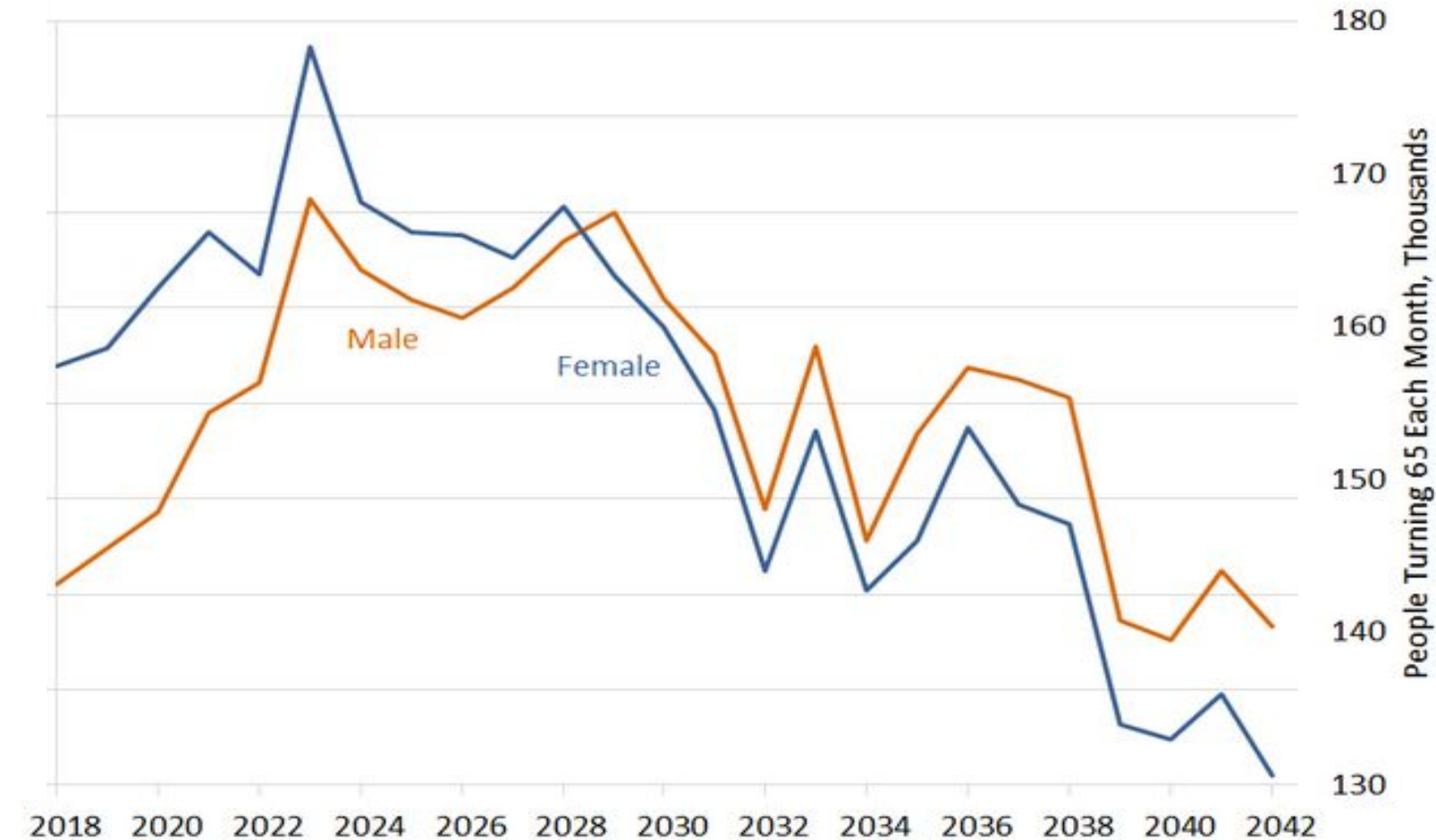
\*Not Seasonally Adjusted

From 1990 to 2022, the share of individuals 65+ in the United States has increased from 12.3% to 17.1%

Since 2006, the share of the population 65+ has increased each year



# The Aging U.S. Population



Source: Federal Reserve Bank of St. Louis

- The number of people reaching retirement age will peak in 2023
- Research has shown that nearly half of lifetime medical expenditures is incurred during the senior years (age 65+)
- Health care job growth will be driven, in part, by increasing demand for health care services from older adults

# Health Care and Social Assistance Historic and Projected Job Change

Sector	Historic Change <sup>1</sup> (2021-2023)		Projected Change <sup>2</sup> (2023-2025)	
	Numeric Change	% Change (Annual)	Numeric Change	% Change (Annual)
Health Care and Social Assistance	33,885	3.9%	27,287	2.9%
Ambulatory Health Care Services	19,067	5.0%	16,563	3.9%
Hospitals	4,588	2.0%	4,951	2.0%
Nursing and Residential Care Facilities	2,958	2.6%	3,011	2.5%
Social Assistance	7,272	5.3%	2,762	1.8%

<sup>1</sup>Employment change from 2021 Q2 - 2023 Q2

<sup>2</sup>Employment change from 2023 Q2 - 2025 Q2

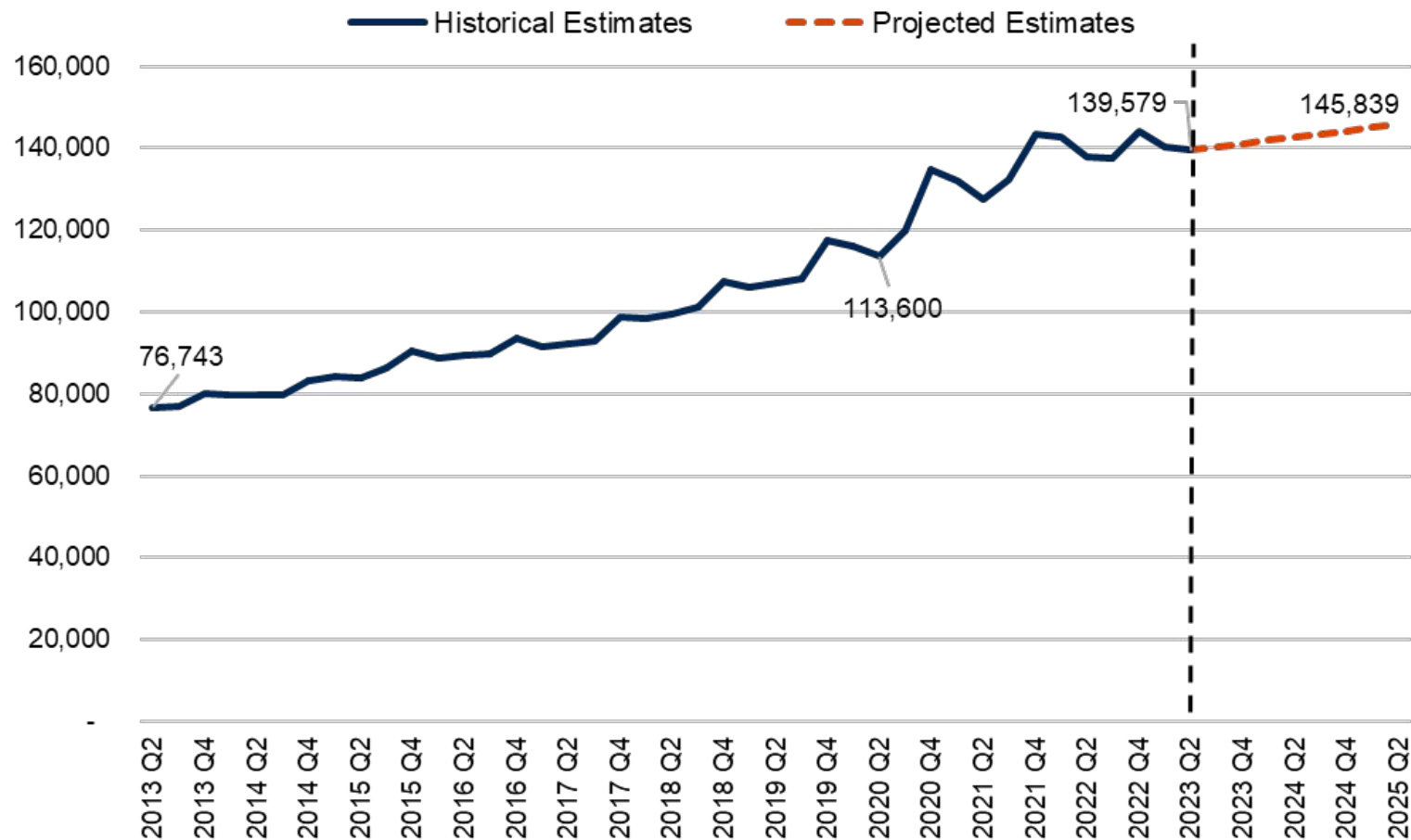
Source: Arizona Office of Economic Opportunity

Health Care and Social Assistance is projected to increase by 2.9% annually from 2023-2025

Ambulatory Health Care Services is projected to record the largest job growth within the sector.



# Transportation and Warehousing Historic and Projected Job Change



Source: Arizona Office of Economic Opportunity

NOTE: Q3 2023- Q2 2025 numbers reflect average quarterly projected growth

- The sector is projected to increase by 6,260 jobs, or 2.2% annually
- Transportation and Warehousing had an average annual growth of 6.1% in the five years prior to the pandemic (Q1 2015 - Q1 2020)

# Transportation and Warehousing Historic and Projected Job Change

Sector	Historic Change <sup>1</sup> (2021-2023)		Projected Change <sup>2</sup> (2023-2025)	
	Numeric Change	% Change (Annual)	Numeric Change	% Change (Annual)
Transportation and Warehousing	11,954	4.6%	6,260	2.2%
Warehousing and Storage	4,528	4.9%	3,461	3.4%
Truck Transportation	1,333	2.7%	1,082	2.1%
Support Activities for Transportation	2,218	6.8%	992	2.7%
Couriers and Messengers	785	2.2%	400	1.1%
Air Transportation	1,906	7.2%	258	0.9%
Transit and Ground Passenger Transportation	1,185	7.3%	201	1.1%
Scenic and Sightseeing Transportation	134	12.5%	15	1.2%

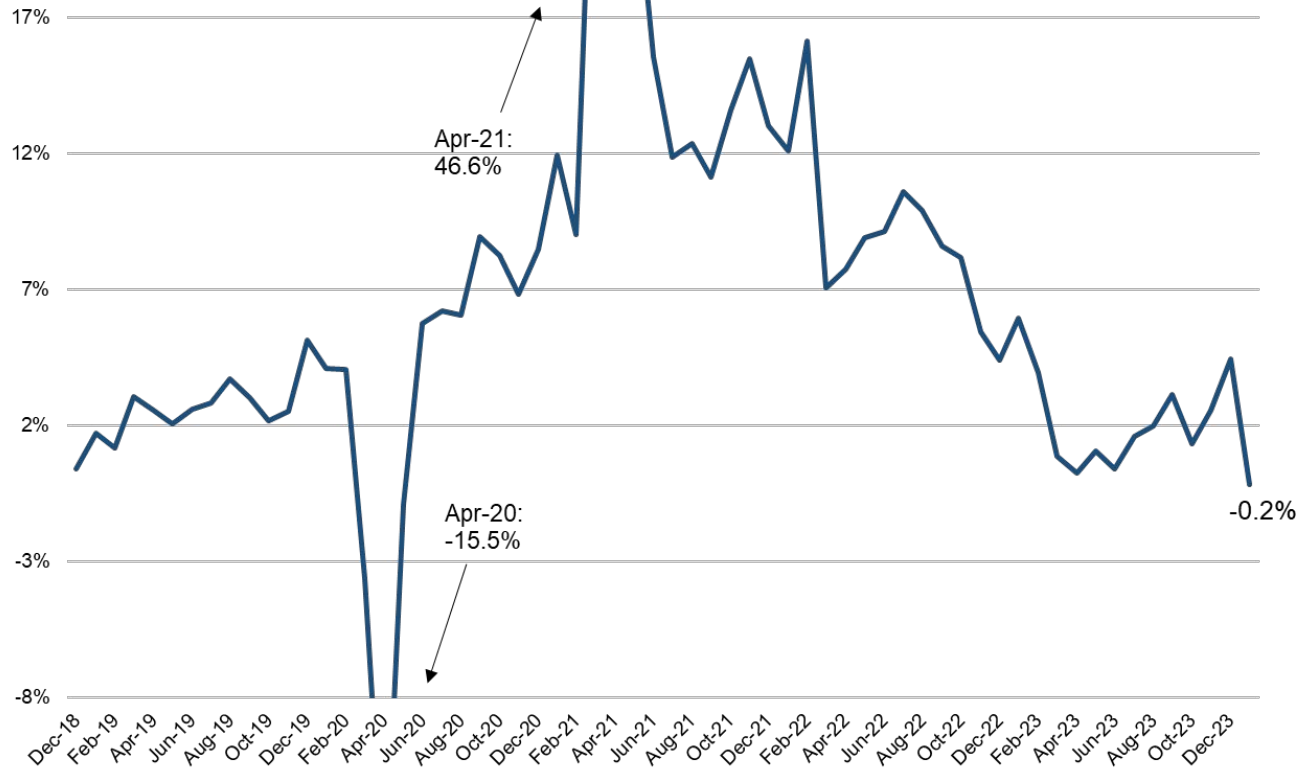
<sup>1</sup>Employment change from 2021 Q2 - 2023 Q2

<sup>2</sup>Employment change from 2023 Q2 - 2025 Q2

Source: Arizona Office of Economic Opportunity

- Warehousing and Storage is projected to record the largest job gains within the sector
- The Warehousing and Storage industry has grown dramatically as more consumers purchase goods through online retailers

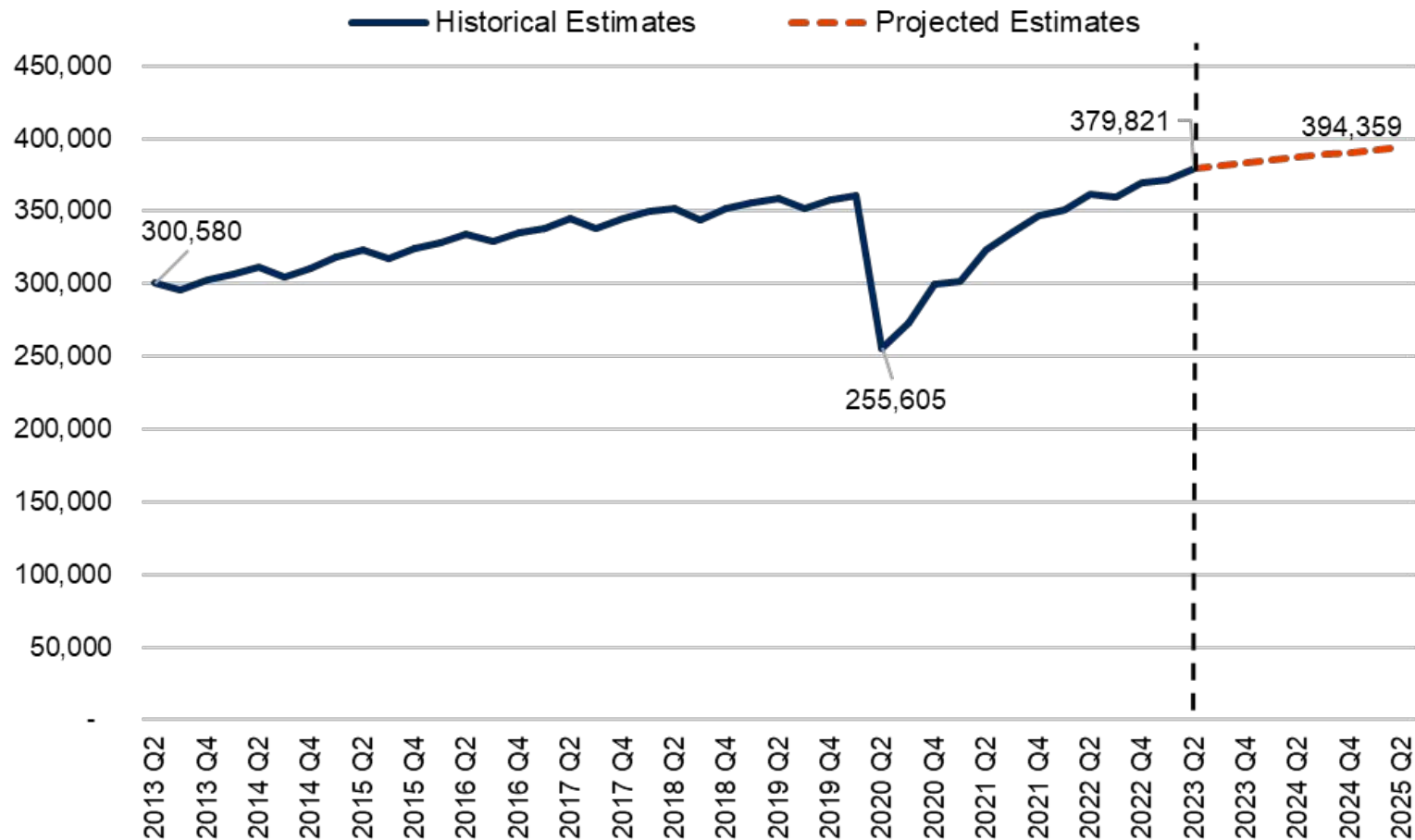
# U.S. Advanced Retail Sales Year-Over-Year Percentage Change



\*E-commerce sales are included in the total monthly sales estimates

Source: Produced by the Arizona Office of Economic Opportunity in cooperation with the U.S. Dept. of Labor, BLS

# Leisure and Hospitality Historic and Projected Job Change



Source: Arizona Office of Economic Opportunity

NOTE: Q3 2023- Q2 2025 numbers reflect average quarterly projected growth

- Leisure and Hospitality is projected to gain 14,538 jobs, or grow by 1.9% annually
- Leisure and Hospitality had an average annual growth of 3.0% in the five years prior to the pandemic



# Leisure and Hospitality Historic and Projected Job Change

Sector	Historic Change <sup>1</sup> (2021-2023)		Projected Change <sup>2</sup> (2023-2025)	
	Numeric Change	% Change (Annual)	Numeric Change	% Change (Annual)
Leisure and Hospitality	56,011	8.3%	14,538	1.9%
Arts, Entertainment, and Recreation	11,568	10.1%	1,859	1.4%
Performing Arts, Spectator Sports, and Related Industries	4,085	24.6%	371	1.6%
Museums, Historical Sites, and Similar Institutions	901	12.0%	160	1.8%
Amusement, Gambling, and Recreation Industries	6,582	7.3%	1,328	1.3%
Accommodation and Food Services	44,443	7.9%	12,679	2.0%
Accommodation, including Hotels and Motels	11,695	14.2%	1,597	1.6%
Food Services and Drinking Places	32,748	6.9%	11,082	2.1%

<sup>1</sup> Employment change from 2021 Q2 - 2023 Q2

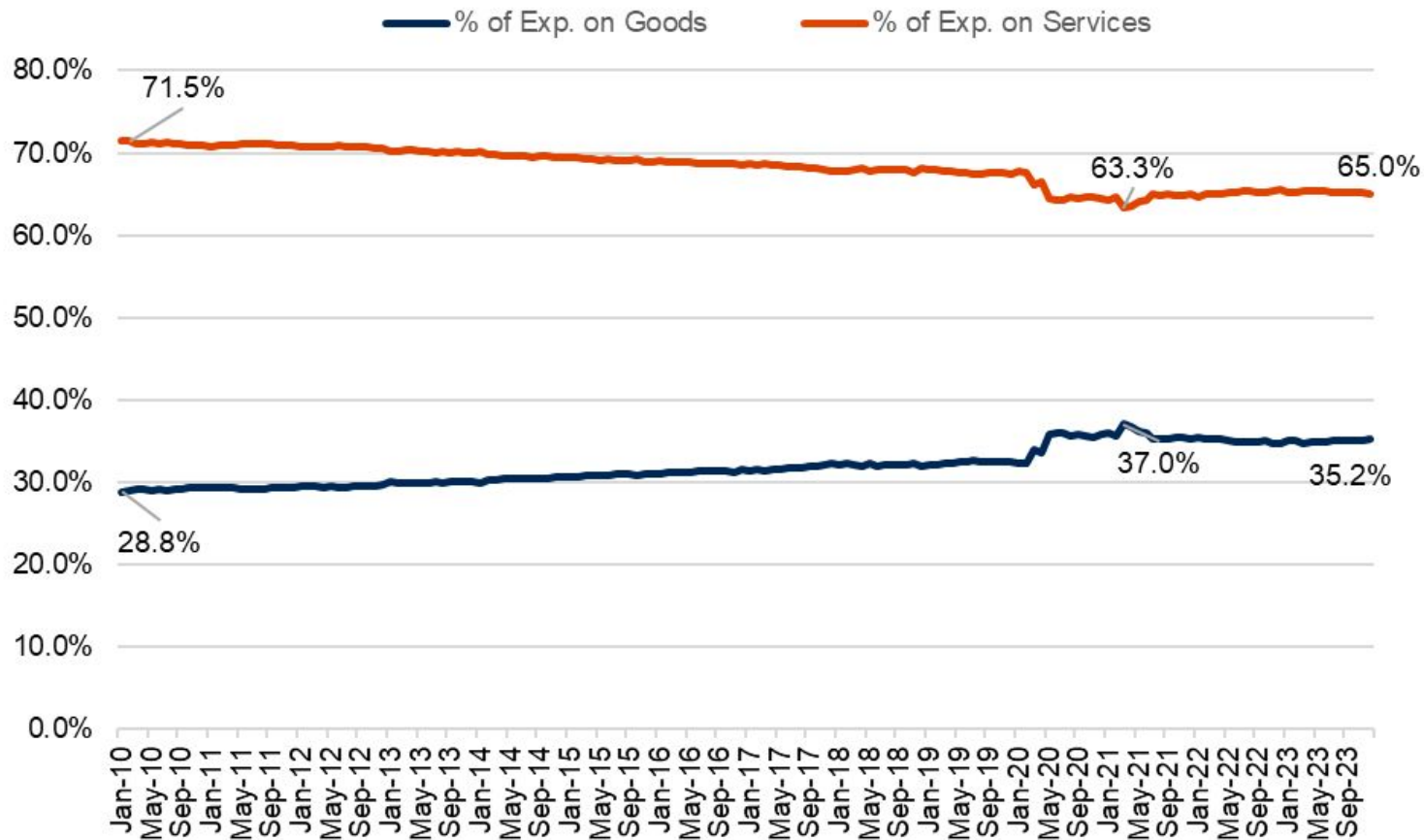
<sup>2</sup> Employment change from 2023 Q2 - 2025 Q2

Source: Arizona Office of Economic Opportunity

- Food Services and Drinking Places is projected to record the largest job gains (11,082 jobs) and fastest job growth (2.1%)



# Share of U.S. Personal Consumption Expenditure by Spending Category

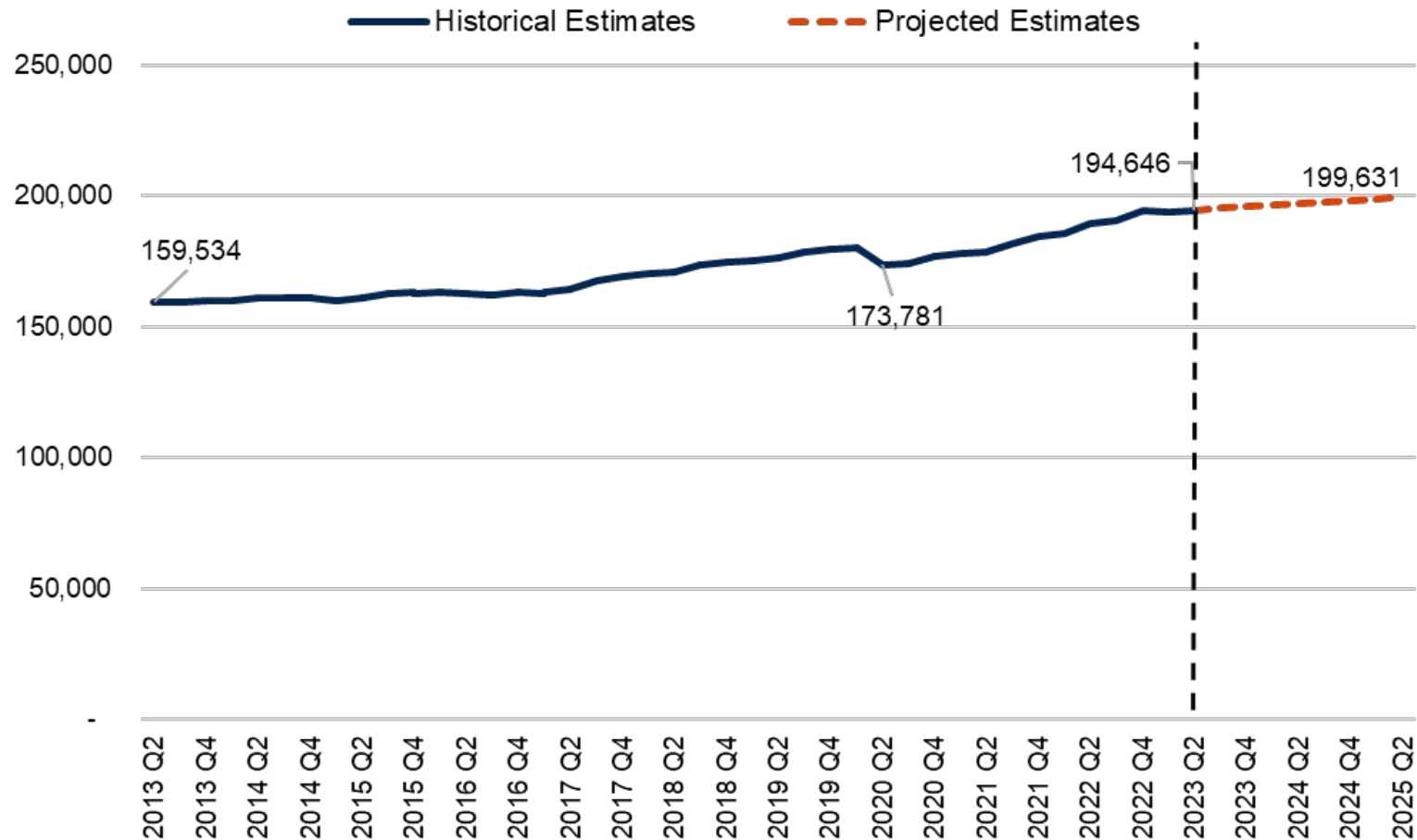


Source: Bureau of Economic Analysis

Consumer spending habits shifted away from services and towards goods purchasing during the COVID-19 pandemic

The share of total spending on services has increased modestly since 2020

# Manufacturing Historic and Projected Job Change



Source: Arizona Office of Economic Opportunity

NOTE: Q3 2023- Q2 2025 numbers reflect average quarterly projected growth

- Manufacturing is projected to grow by 4,985 jobs, or 1.3% annually
- Manufacturing had an average annual growth of 1.9% in the past five years prior to the pandemic (Q1 2015 - Q1 2020)

# Manufacturing Historic and Projected Job Change

Sector	Historic Change <sup>1</sup> (2021-2023)		Projected Change <sup>2</sup> (2023-2025)	
	Numeric Change	% Change (Annual)	Numeric Change	% Change (Annual)
Manufacturing	15,841	4.3%	4,985	1.3%
Computer and Electronic Product Manufacturing	2,820	4.3%	2,238	3.1%
Transportation Equipment Manufacturing	5,869	8.1%	1,454	1.8%
Miscellaneous Manufacturing	799	3.0%	471	1.7%
Machinery Manufacturing	792	4.7%	343	1.9%
Chemical Manufacturing	1,827	10.8%	318	1.6%
Electrical Equipment, Appliance, and Component Manufacturing	763	11.4%	283	3.5%
Beverage and Tobacco Product Manufacturing	765	6.8%	264	2.1%
Food Manufacturing	1,296	4.3%	233	0.7%
Primary Metal Manufacturing	504	6.6%	67	0.8%
Fabricated Metal Product Manufacturing	1,101	2.6%	65	0.1%
Nonmetallic Mineral Product Manufacturing	412	2.6%	20	0.1%
Plastics and Rubber Products Manufacturing	-81	-0.7%	11	0.1%
Petroleum and Coal Products Manufacturing	17	3.1%	11	1.9%
Apparel Manufacturing	36	3.7%	5	0.5%
Textile Mills	37	11.4%	-5	-1.3%
Leather and Allied Product Manufacturing	-21	-6.1%	-14	-4.6%
Textile Product Mills	-7	-0.4%	-40	-2.4%
Paper Manufacturing	-104	-1.8%	-84	-1.5%
Wood Product Manufacturing	-461	-4.7%	-204	-2.3%
Printing and Related Support Activities	144	1.4%	-223	-2.2%
Furniture and Related Product Manufacturing	-667	-5.5%	-228	-2.1%

<sup>1</sup> Employment change from 2021 Q2 - 2023 Q2

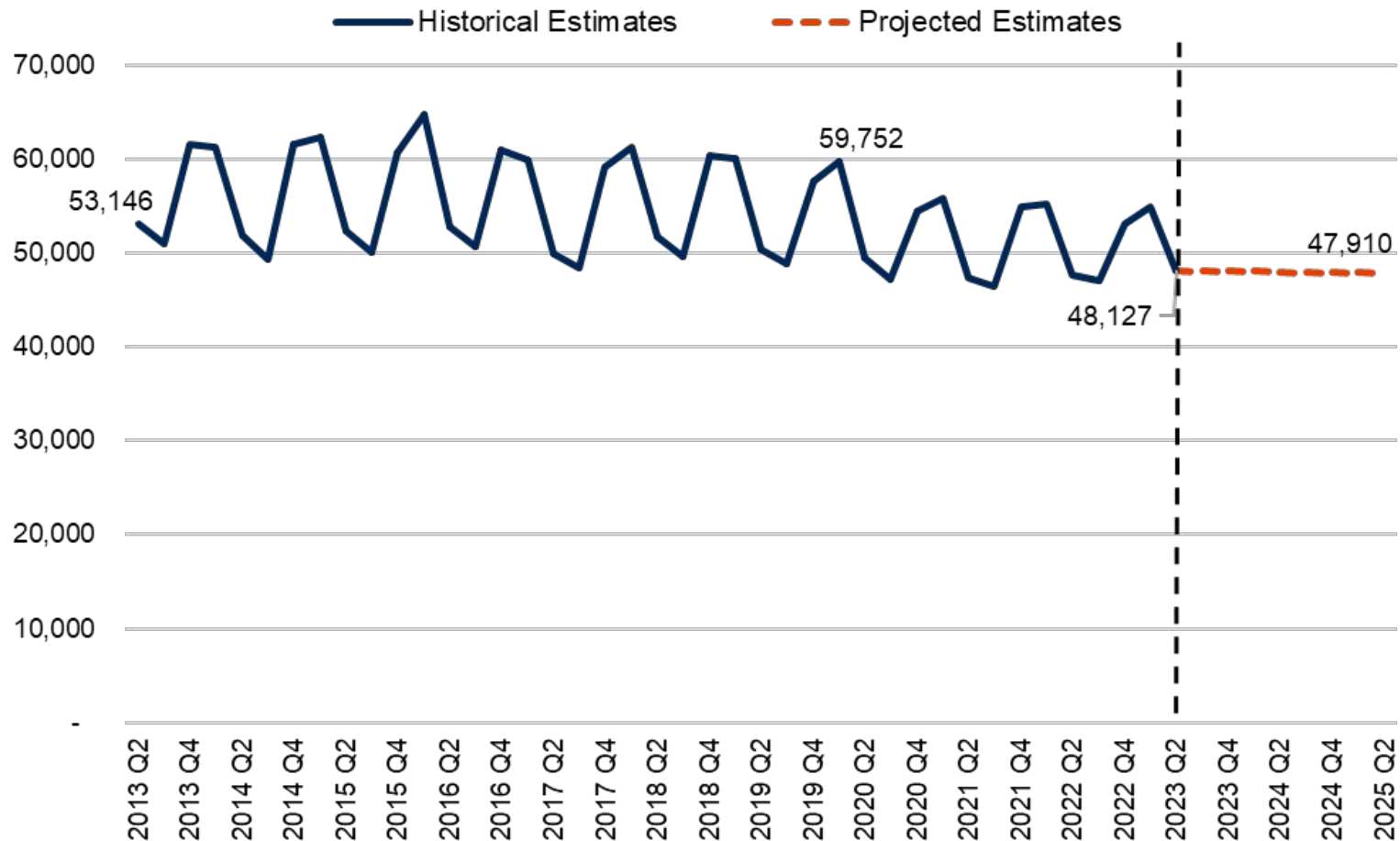
<sup>2</sup> Employment change from 2023 Q2 - 2025 Q2

Source: Arizona Office of Economic Opportunity

- Electrical Equipment, Appliance, and Component Manufacturing is projected to record the fastest growth rate (3.5%)
- The largest gains are projected to come from Computer and Electronic Product Manufacturing (2,238 jobs)



# Natural Resources and Mining Historic and Projected Job Change



Source: Arizona Office of Economic Opportunity

NOTE: Q3 2023- Q2 2025 numbers reflect average quarterly projected growth

- Natural Resources and Mining is projected to lose 217 jobs (-0.2% annually)
- Natural Resources and Mining had an average annual decrease of 0.6% in the five years prior to the pandemic

# REPORT SUMMARY

- Total employment is projected to grow by 1.5% annually from Q2 2023 to Q2 2025
- Eleven of the 12 industry sectors are projected to add jobs
  - Natural Resources and Mining employment is projected to decline 0.2% annually
- Fourteen of 15 Arizona counties are projected to add jobs
- Growth is projected to be led by Construction (3.3% annually), Education and Health Services (2.6% annually), Leisure and Hospitality (1.9% annually), and Manufacturing (1.3% annually)





# UPCOMING RELEASES

- March 7, 2024:  
    January 2024 Press Release
- March 21, 2024:  
    February 2024 Press Release

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YOU**

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