



**Alliance Bank**  
OF ARIZONA®

# Regional Intelligence Report

APRIL 2023

Prepared by Beacon Economics, LLC  
Presented by Alliance Bank of Arizona

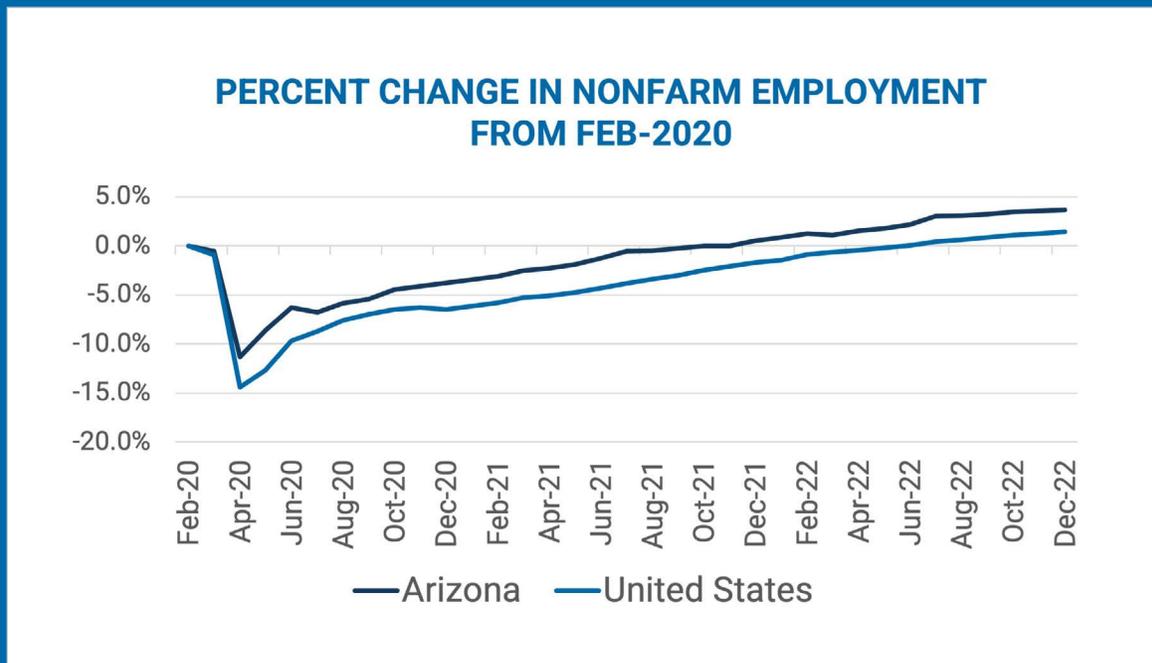
# Overview

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- The state of Arizona has been one of the nation's success stories for some time, and this has been the case especially since the beginning of the pandemic.
- Beyond the state's long-term drivers of success, the state's economy has performed so well since the beginning of the pandemic because it continues to be a beacon for workers.
- While the recovery of the national labor market has been constrained by labor shortages, in Arizona, the labor market has not only recovered the jobs lost at the outset of the pandemic, but job growth in the state has almost returned to its pre-pandemic trend.
- Phoenix has been a key part of the state's economic success.
- Over the last year, total employment in Phoenix grew by 73,700 jobs, or roughly 3.3%. This outpaces growth in Tucson (2.3% or 8,900 jobs) and the United States (3.2%), but trails growth in Flagstaff (4.8% or 3,200 jobs), over this period.
- Since February 2020 (the pre-pandemic peak), employment levels in Phoenix have grown by 93,000 jobs, or 4.2%. Employment levels in Flagstaff have also grown since this time, with employers adding 800 jobs, or 1.2%. Tucson has been slower to recover from the pandemic than other parts of Arizona, with nonfarm employment levels in Tucson falling by 1,800 jobs since February 2020, or -0.5%.
- While the unemployment rate in Phoenix has ticked up in recent months, at 3.2%, the unemployment rate in Phoenix is well below pre-pandemic levels.

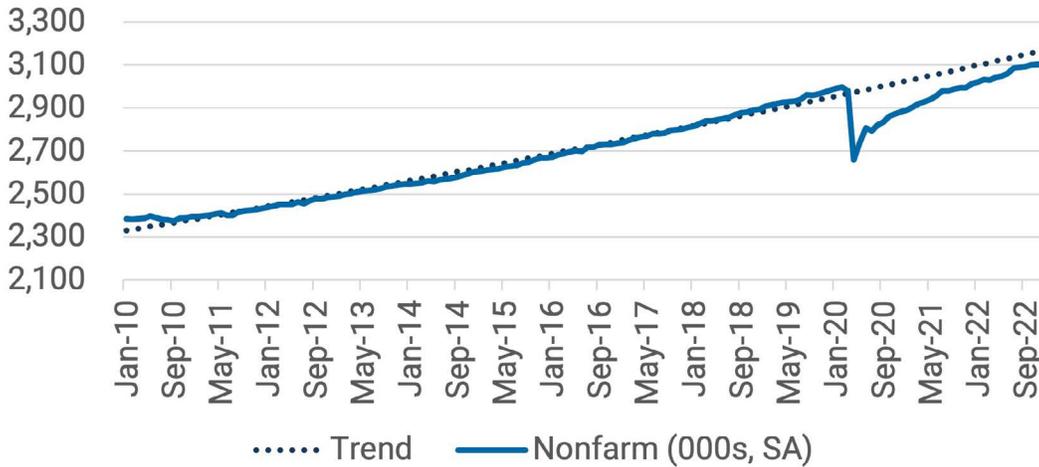
# Employment Picture in Arizona

The state of Arizona has been one of the nation's success stories for some time, and this has been the case especially since the beginning of the pandemic. While the recovery of the national labor market has been constrained by labor shortages, in Arizona, the labor market has not only recovered the jobs lost at the outset of the pandemic, but job growth in the state has almost returned to its pre-pandemic trend. While there are 1% more workers employed nationally, compared to pre-pandemic levels, in Arizona, the number of workers employed in the state has increased by 4% over the same period. There are over 100,000 more workers employed in the state compared to the pre-pandemic period. Furthermore, the number of jobs in the state is only 2% below the pre-pandemic trend, while it was 11% shortly after the start of the pandemic.



Source: U.S. Bureau of Labor Statistics

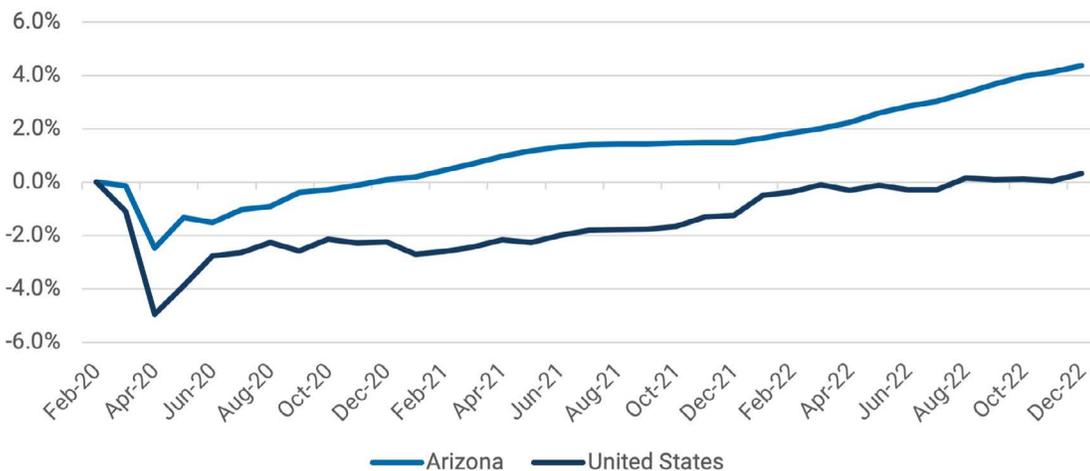
### ARIZONA NONFARM EMPLOYMENT AND TREND



Source: U.S. Bureau of Labor Statistics

Beyond the state’s long-term drivers of success, the state’s economy has performed so well since the beginning of the pandemic due to labor availability. Whereas the number of workers in the national labor force – defined as the number of people working, as well as those seeking employment – is only 0.3% above February 2020 (the pre-pandemic peak), Arizona’s labor force has grown by 4%. In short, employers in Arizona have been better able to fill job openings than has been the case nationally. The remainder of this report briefly considers how Phoenix, Flagstaff and Tucson’s labor markets have fared over the past year.

### PERCENT CHANGE IN LABOR FORCE SINCE FEB-2020



Source: U.S. Bureau of Labor Statistics

## Regional Employment

From December 2021 to December 2022, total employment in Phoenix grew by 73,700 jobs, or roughly 3.3%. This outpaces growth in Tucson (2.3% or 8,900 jobs) and the United States (3.2%), but trails growth in Flagstaff (4.8% or 3,200 jobs), over this period.

Looking further back, employment levels in Phoenix have grown by 93,000 jobs since February 2020 (the pre-pandemic peak), a 4.2% increase. Employment levels in Flagstaff have also grown since this time, with employers adding 800 jobs, a 1.2% increase. Tucson has been slower to recover from the pandemic than other parts of Arizona, with nonfarm employment levels in Tucson falling by 1,800 jobs since February 2020, a 0.5% decline.

Unemployment rates in Arizona have also improved from the highs seen in 2020. While the unemployment rate in Phoenix has ticked up in recent months, at 3.2%, the unemployment rate in Phoenix is well below pre-pandemic levels. Phoenix's labor force has also expanded, increasing by 121,900 since February 2020, a 4.9% increase. Tucson has also seen unemployment levels rise in recent months, however at 3.6%, the unemployment rate in Tucson is well below pre-pandemic levels. Tucson's labor force has also expanded, increasing by 2,900 since February 2020, a 0.6% increase. At 4.3%, the unemployment rate in Flagstaff is well below pre-pandemic levels, also. Flagstaff's labor force has also expanded, increasing by 1,300 since February 2020, a 1.8% increase.

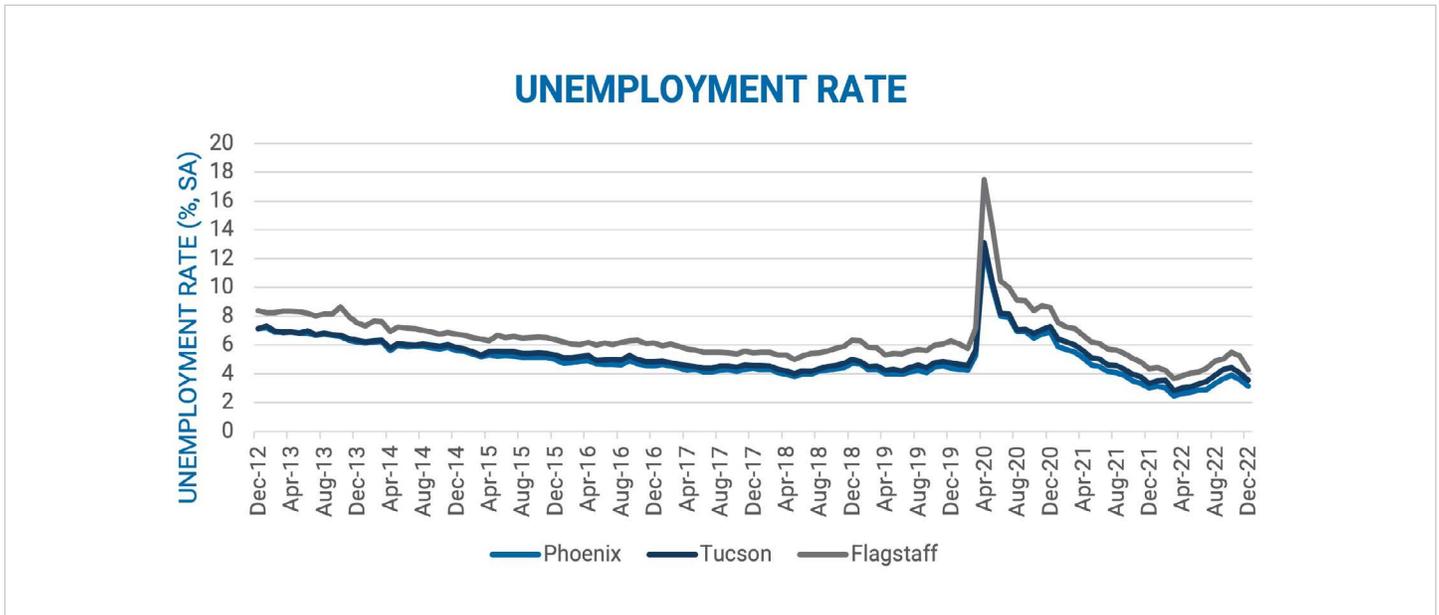
Employment growth in Phoenix has been widespread, with nearly every sector increasing payrolls over the last year. Education and Health Care led payroll gains, increasing payrolls by 25,500 jobs, or 7.4%, from December 2021 to December 2022. Other sectors with sizeable increases in payrolls over this period were Leisure and Hospitality (6.6% or 14,400 jobs), Manufacturing (7.8% or 10,800 jobs), Construction (5.5% or 7,700 jobs), Professional and Business Services (1.1% or 4,200 jobs), and Transportation, Warehousing, and Utilities (3.3% or 3,800 jobs).

The largest job losses in Phoenix were concentrated in the Administrative Support sector, with 6,100 fewer workers compared to December 2021, a -3.0% decline. Other significant job losses occurred in Government (-0.8% or -1,900 jobs).

Employment growth in Tucson has been mixed. Education and Health Care led payroll gains, increasing payrolls by 4,500 jobs, or 6.7%, from December 2021 to December 2022. Other sectors with sizeable increases in payrolls over this period were Leisure and Hospitality (5.7% or 2,400 jobs), Manufacturing (6.8% or 1,900 jobs), Government (1.5% or 1,100 jobs), Other Services (3.6% or 500 jobs), and Wholesale Trade (2.7% or 200 jobs).

The largest job losses in Tucson were concentrated in the Administrative Support sector, with 1,100 fewer workers compared to December 2021, a -4.8% decline. Other significant job losses occurred in Professional and Business Services (-1.8% or -800 jobs), Retail Trade (-1.8% or -700 jobs), Financial Activities (-3.7% or -700 jobs), and Information (-2.0% or -100 jobs).

Like Phoenix, employment growth in Flagstaff has been widespread, with nearly every sector increasing payrolls over the last year. Government led payroll gains, increasing payrolls by 1,700 jobs, or 8.9%, from December 2021 to December 2022. Other sectors with sizeable increases in payrolls over this period were Education and Health Care (7.0% or 600 jobs), Manufacturing (6.4% or 200 jobs), and Leisure and Hospitality (1.3% or 200 jobs). There were no significant losses in Flagstaff's sectors over this period.



Source: U.S. Bureau of Labor Statistics



**INDUSTRY EMPLOYMENT: PHOENIX**

Sector	Dec-22 Emplt (000s)	YoY Chg. (%)	YOY Chg. (000s)
Manufacturing	149.4	7.8	10.8
Education/Health	370.7	YoY	25.5
Leisure and Hospitality	232.7	6.6	14.4
Construction	147.4	5.5	7.7
Wholesale Trade	88.8	4.1	3.5
Transport,Warehouse,Util.	118.6	3.3	3.8
Information	41.8	2.1	0.9
Financial Activities	218.2	1.3	2.9
Professional/Business	379.9	1.1	4.2
Other Services	70.5	0.6	0.4
Retail Trade	248.1	0.2	0.4
Government	235.7	-0.8	-1.9
Admin Support	193.5	-3.0	-6.1
<b>Total Nonfarm</b>	<b>2,306.5</b>	<b>3.3</b>	<b>73.7</b>

Source: U.S. Bureau of Labor Statistics



**INDUSTRY EMPLOYMENT: TUCSON**

Sector	Dec-22 Emplt (000s)	YoY Chg. (%)	YOY Chg. (000s)
Manufacturing	29.6	6.8	1.9
Education/Health	72.0	6.7	4.5
Leisure and Hospitality	43.8	5.7	2.4
Other Services	14.0	3.6	0.5
Wholesale Trade	7.6	2.7	0.2
Government	75.9	1.5	1.1
Construction	18.0	0.0	0.0
Retail Trade	40.8	-1.8	-0.7
Professional/Business	44.3	-1.8	-0.8
Information	5.0	-2.0	-0.1
Financial Activities	18.1	-3.7	-0.7
Admin Support	22.5	-4.8	-1.1
<b>Total Nonfarm</b>	<b>392.3</b>	<b>2.3</b>	<b>8.9</b>

Source: U.S. Bureau of Labor Statistics



**INDUSTRY EMPLOYMENT: FLAGSTAFF**

Sector	Dec-22 Emplt (000s)	YoY Chg. (%)	YOY Chg. (000s)
Government	20.2	8.9	1.7
Education/Health	9.3	7.0	0.6
Manufacturing	3.4	6.4	0.2
Trade,Transport,Util.	10.2	4.9	0.5
Information	0.4	1.4	0.0
Leisure and Hospitality	15.5	1.3	0.2
Financial Activities	1.7	0.1	0.0
Professional/Business	3.9	0.0	0.0
Other Services	1.8	-0.1	0.0
<b>Total Nonfarm</b>	<b>69.4</b>	<b>4.8</b>	<b>3.2</b>

Source: U.S. Bureau of Labor Statistics

To summarize, Arizona has performed well in areas where other parts of the country have faced challenges. Despite a nationwide slowdown, Arizona’s labor force has continued to grow due to factors such as affordable housing and a desirable quality of life. As a result, employers in the state have a significant advantage over those in other locations. Put simply, employers in Arizona are better positioned to fill job vacancies.



## Prepared By Beacon Economics

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## About Alliance Bank of Arizona

Alliance Bank of Arizona, a division of Western Alliance Bank, Member FDIC, delivers relationship banking that puts clients at the center of everything. Founded in 2003, Alliance Bank of Arizona offers a full spectrum of tailored business banking solutions and outstanding service, with offices in Greater Phoenix, Tucson and Flagstaff. Alliance Bank of Arizona was named 2021 Lender Firm of the Year by NAIOP Arizona, among many other awards and recognitions. As part of \$65 billion Western Alliance Bancorporation — ranked #1 top-performing large bank with assets greater than \$50 billion in 2021 by both American Banker and Bank Director — Alliance Bank of Arizona has the reach, resources and local market expertise that make a difference for customers.

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