

# **Economic Update**

**LMID Advisory Group**

**February 5, 2015**

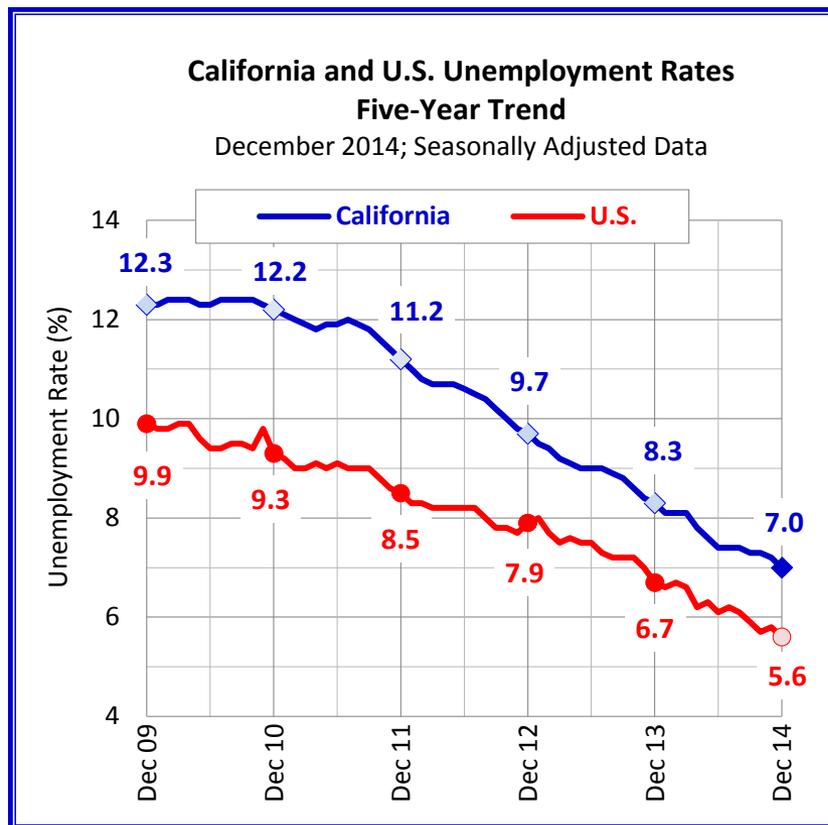
**Paul Wessen**

**Employment Development Department**

**Labor Market information Division**

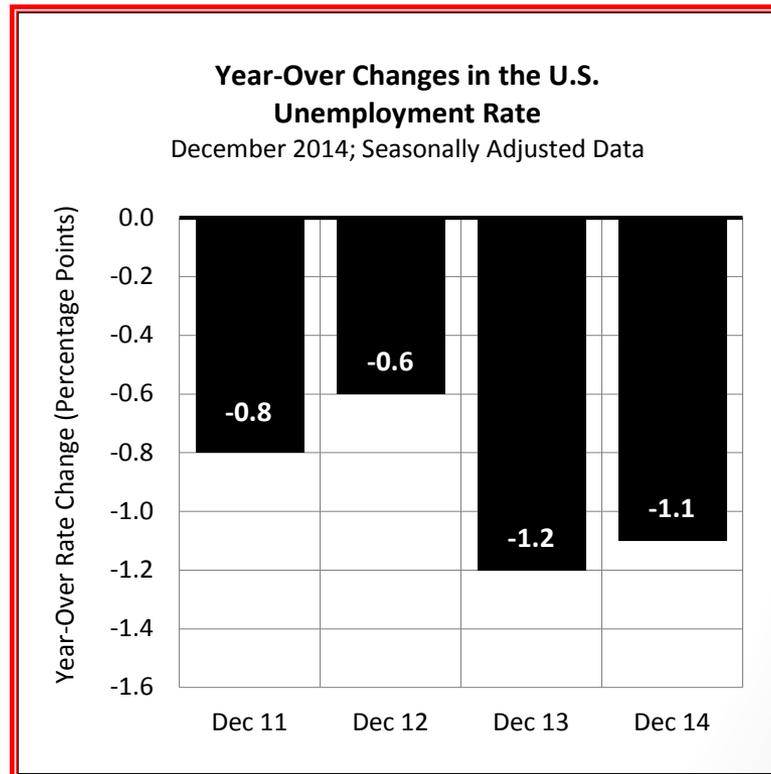
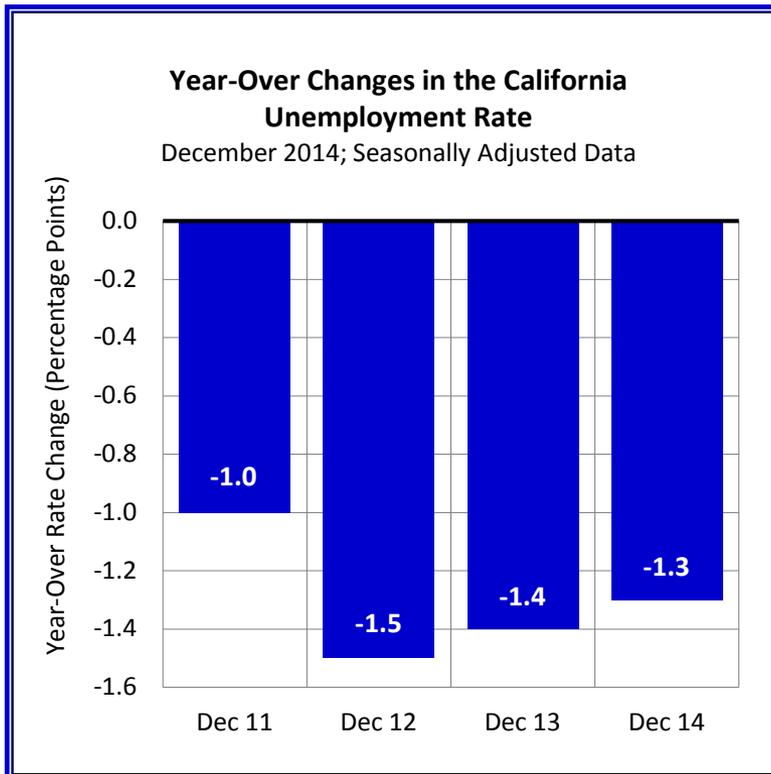
## Unemployment Rate

The U.S. unemployment rate fell to 5.6 percent in December 2014 and California's rate fell to 7.0 percent. This is the lowest both rates have been in six and a half years, or since June 2008. California's December 2014 unemployment rate was 5.4 percentage point (ppt.) lower than its recessionary peak, but remained 2.2 ppt. above its pre-recession low. The U.S. rate was 4.4 ppt. lower than its recessionary high, but remained 1.2 ppt. higher than its pre-recession low.



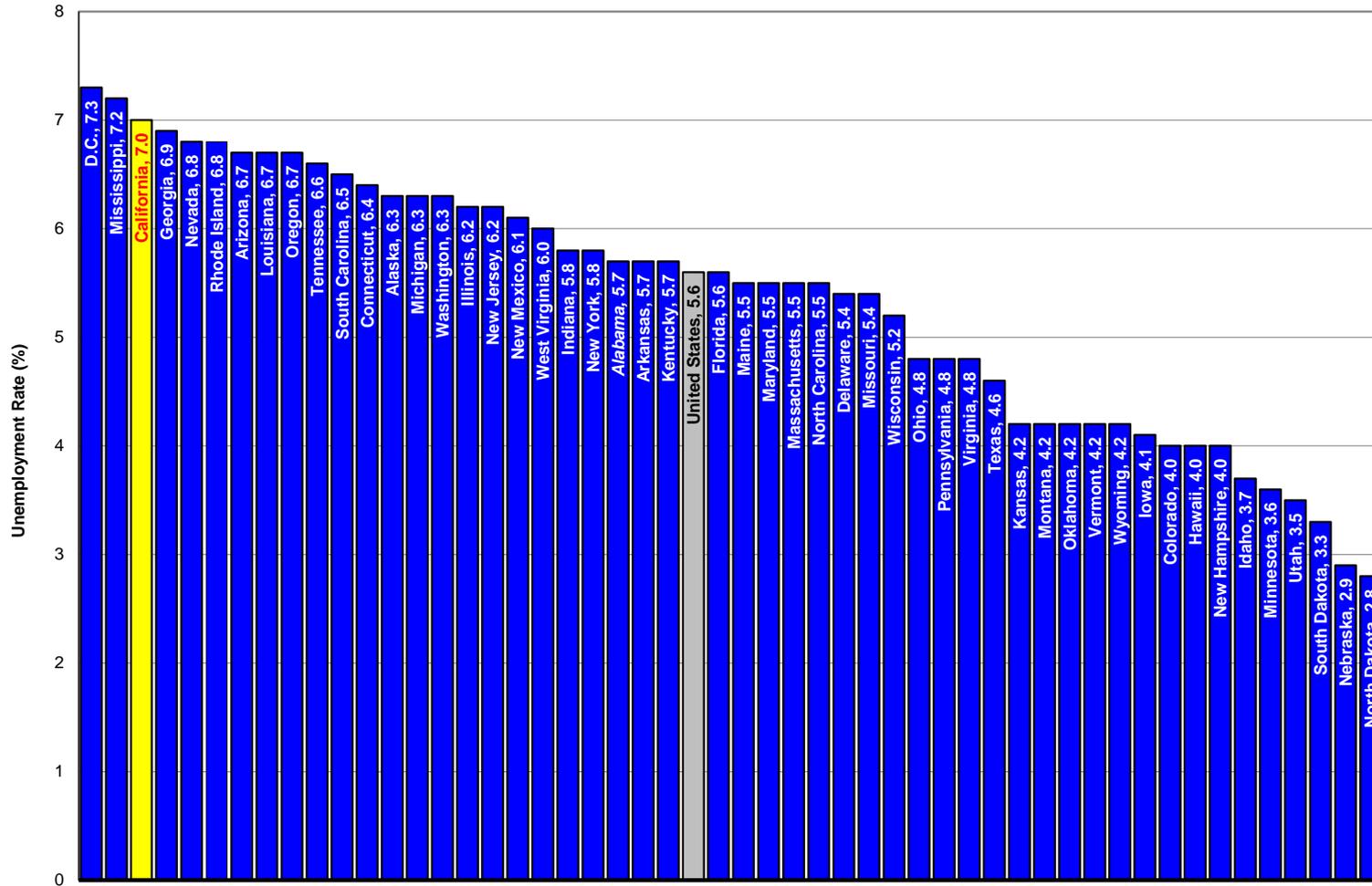
## Unemployment Rate (Continued).

California's unemployment rate fell by 1.3 percentage points over the course of 2014. Although slightly below decreases of the two prior years, the pace at which unemployment has been falling has been remarkably steady over the last three years. California's unemployment rate has consistently fallen at a faster pace than the nation's over the last four years...

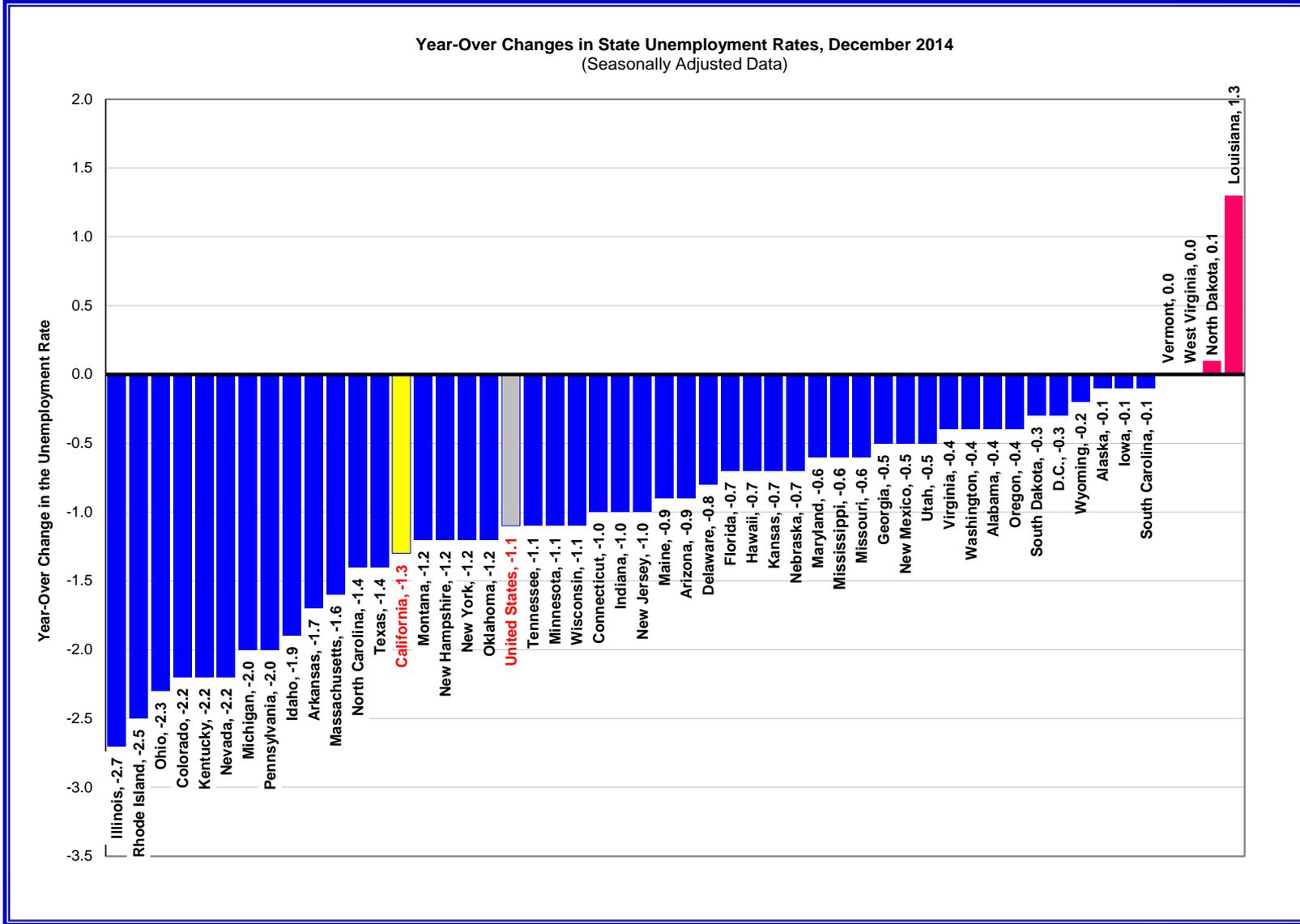


...but remains third highest among states.

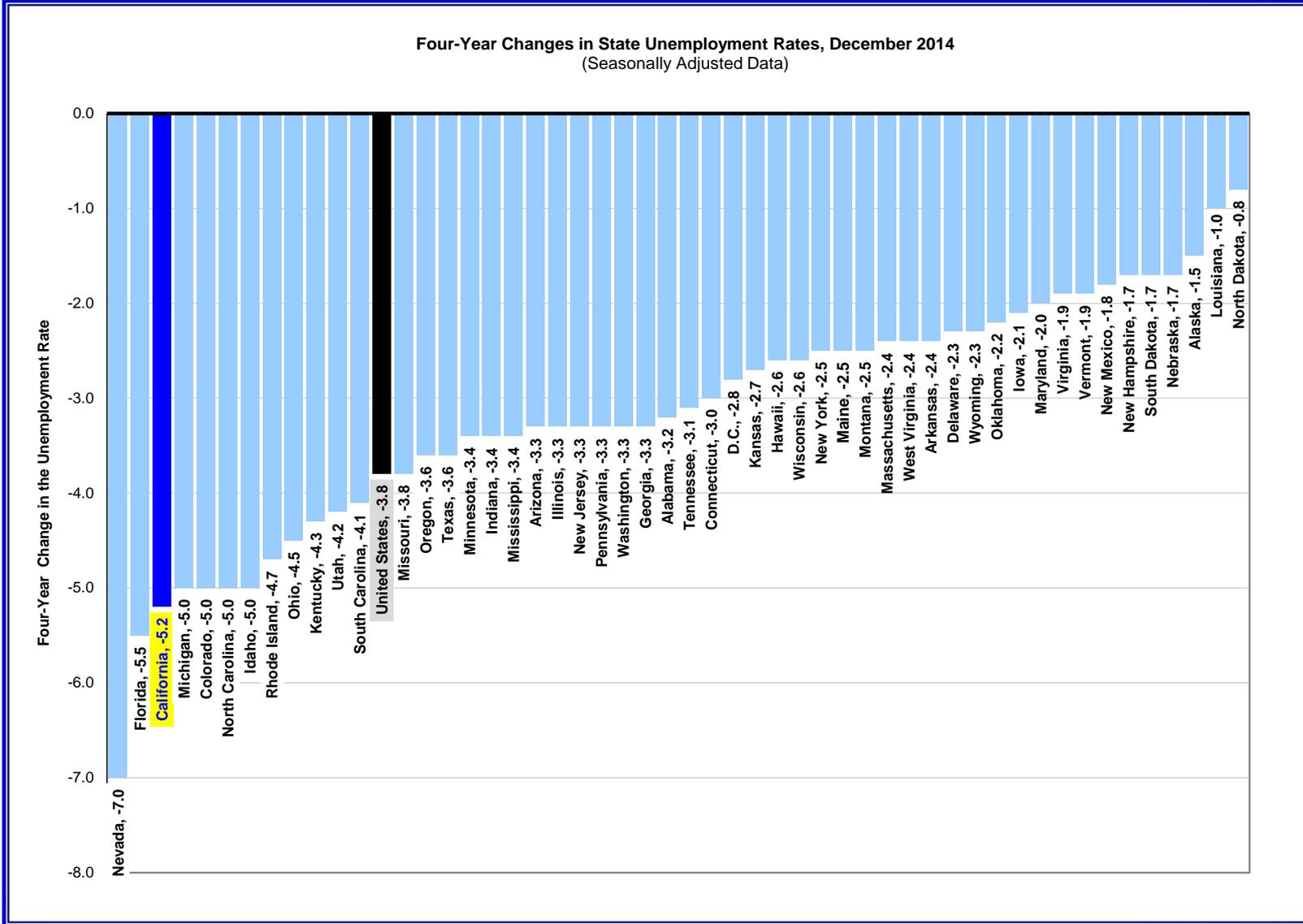
State Unemployment Rates, December 2014  
(Seasonally Adjusted Data)



California's year-over 1.3 percentage point rate decrease in December 2014 ranked 14<sup>th</sup> among states.

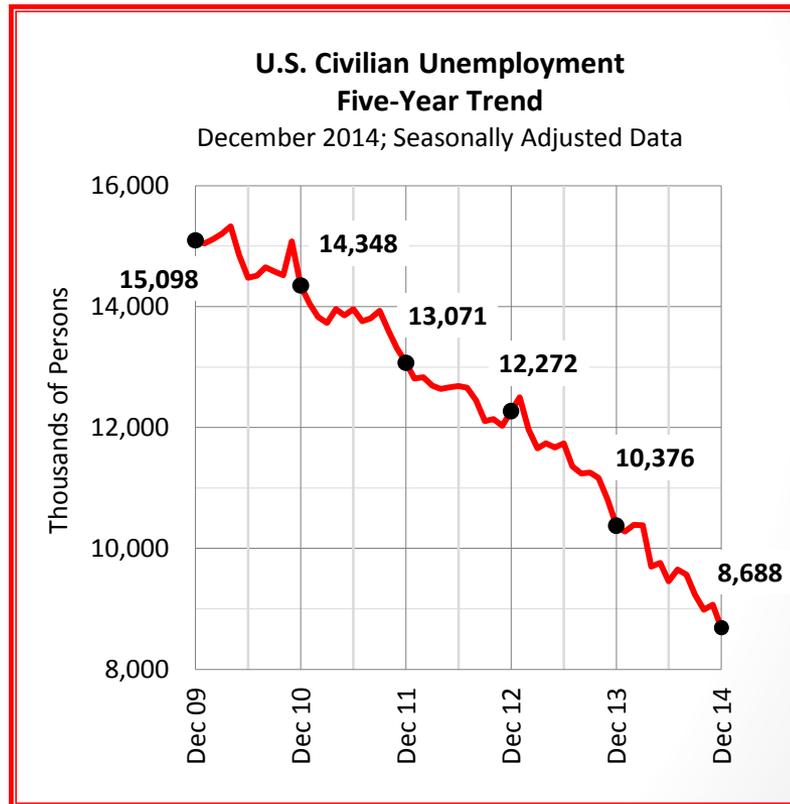
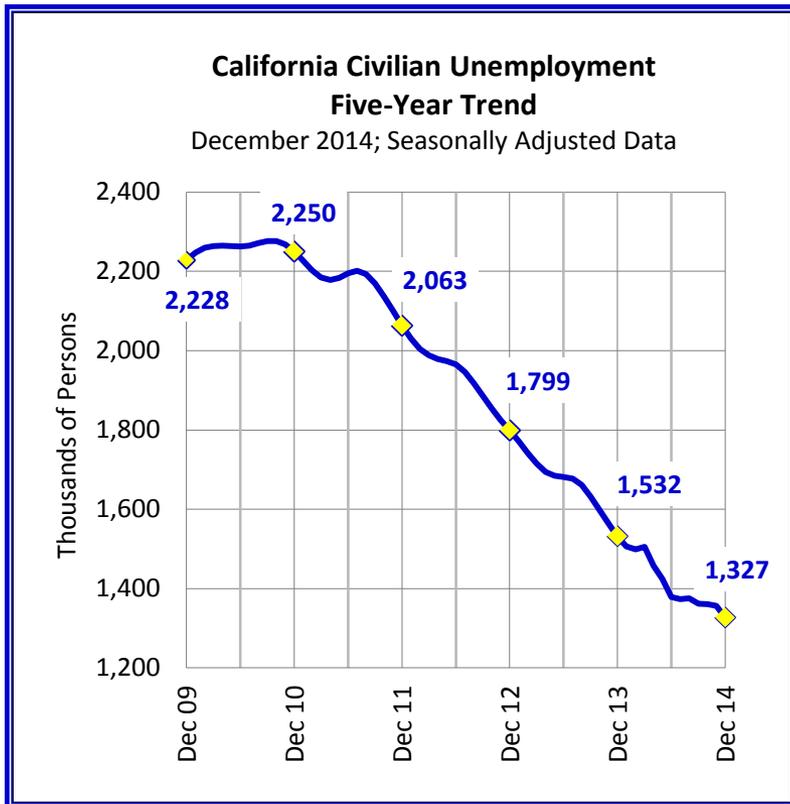


California's 5.2 percentage point rate decrease over the last four years was the third largest among states.



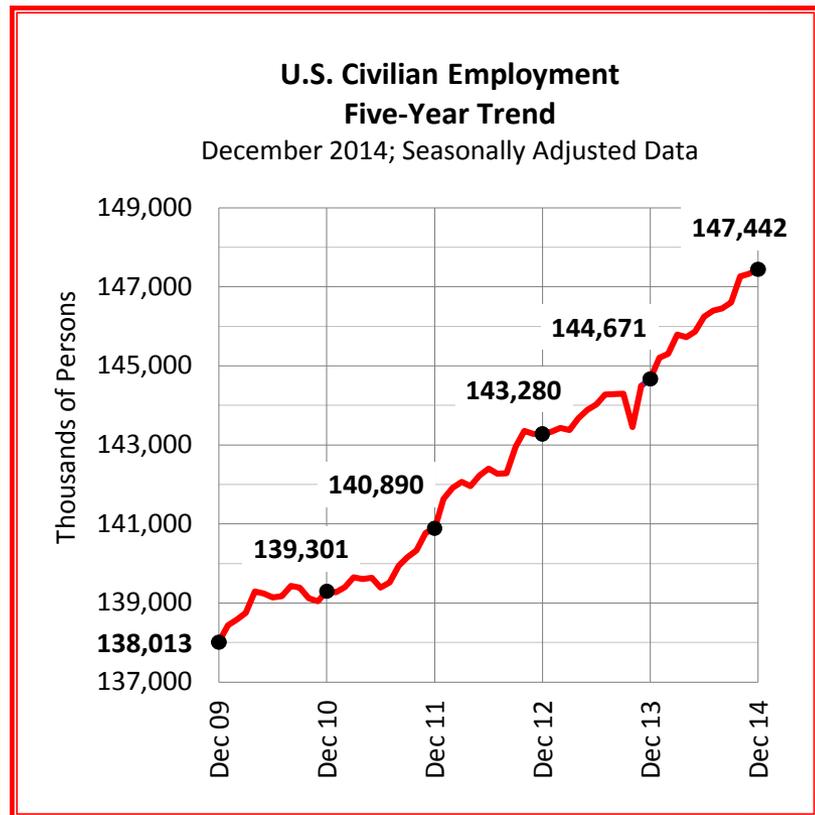
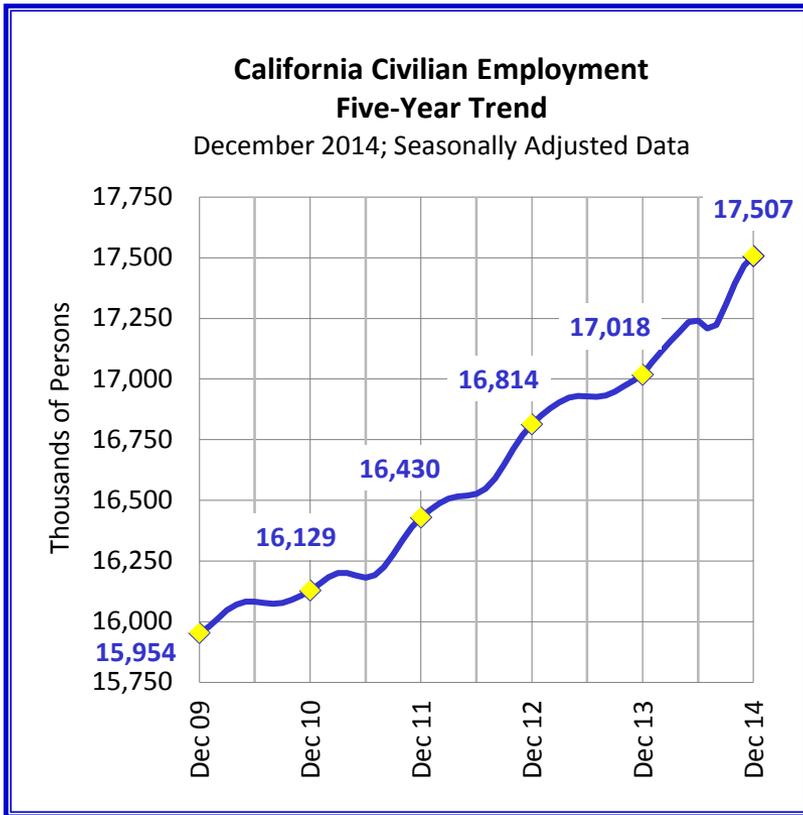
## Civilian Unemployment

There were 1,327,000 unemployed Californians in December 2014. This was 205,000 persons (13.4 percent) fewer than there were one year prior and 949,000 persons fewer than there were at the recessionary peak in September and October 2010. There were 8.7 million unemployed Americans in December 2014. This was 1.7 million persons (16.3 percent) fewer than there were one year prior and 6.7 million fewer than there were at the recessionary peak in October 2009.



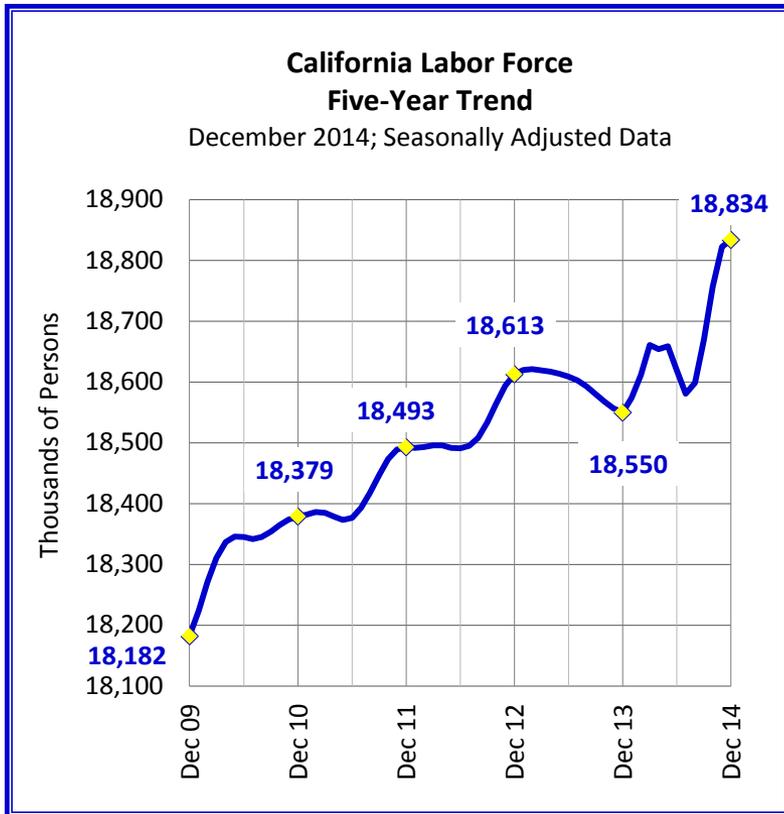
## Civilian Employment (Household Survey)

There were 17.5 million employed Californians in December 2014. Their number grew by 489,000 (2.9 percent) over the year, which was the largest year-over gain since 2000, and by 1,553,000 persons (9.7 percent) over the last five years. There were 147.4 million employed Americans in December 2014. Their number increased by nearly 2.8 million (1.9 percent) over the year and by 9.4 million (6.8 percent) over the last five.



## Civilian Labor Force

California's labor force grew by 284,000 persons (1.5 percent) over the year and by 652,000 persons (3.6 percent) over the last five years. This is stronger labor force growth than the nation has experienced. The U.S. labor force grew by 1.1 million (0.7 percent) over the last year and by 3.0 million (2.0 percent) over the last five.

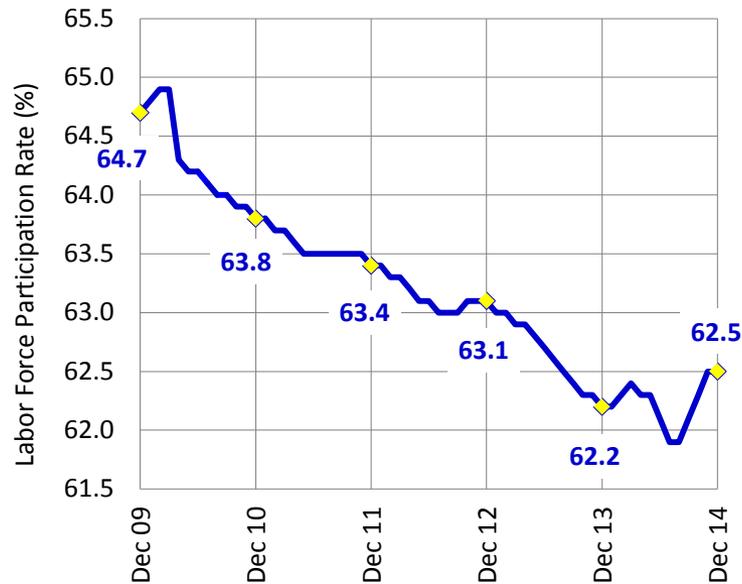


## Labor Force Participation Rates

California's labor force participation rate (LFPR) held steady at 62.5 percent in December 2014. In contrast, the U.S. LFPR fell 0.2 percentage point to 62.7 percent. The gap between the California and U.S. LFPRs in December was the narrowest it has been since March 2010, when they were equal. Whereas California's LFPR rose 0.3 percentage point over the course of 2014, the nation's fell by 0.1 percentage point.

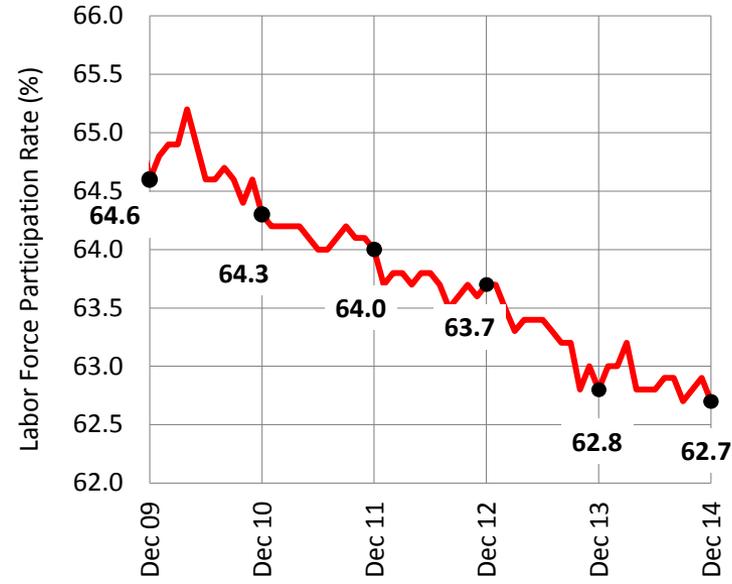
### California Labor Force Participation Rate Five-Year Trend

December 2014; Seasonally Adjusted Data



### U.S. Labor Force Participation Rate Five-Year Trend

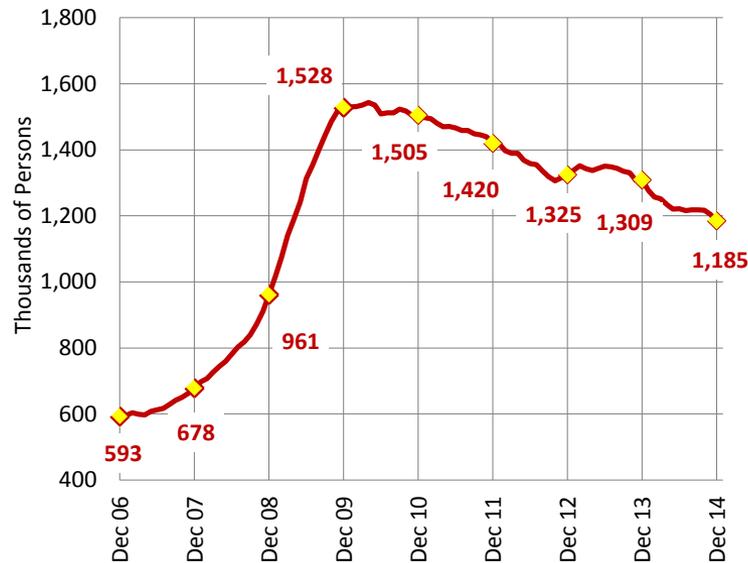
December 2014; Seasonally Adjusted Data



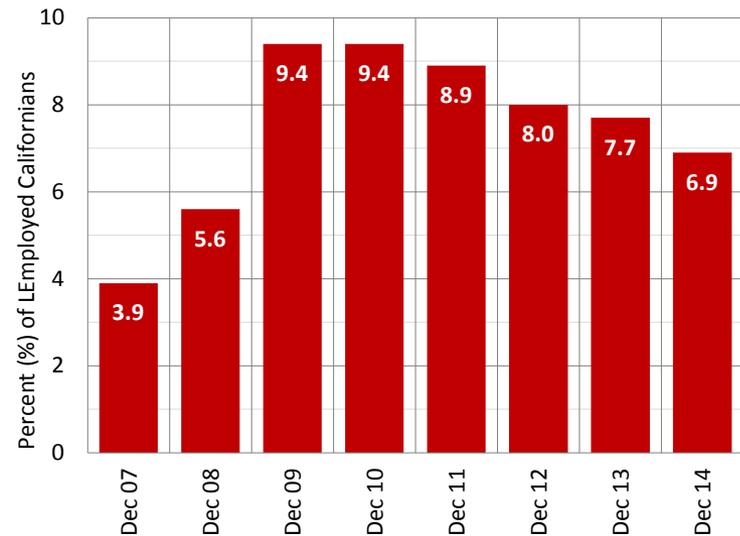
## Californians Working Part-Time for Economic Reasons

One of the labor market's more intractable problems, involuntary part-time employment, continues to fall steadily but remains high overall. These are primarily individuals who desire full-time work but have to settle for less.

**Californians Who Work Part Time for Economic Reasons: December 2006 - December 2014**  
(12-month Average of Current Population Survey Data)

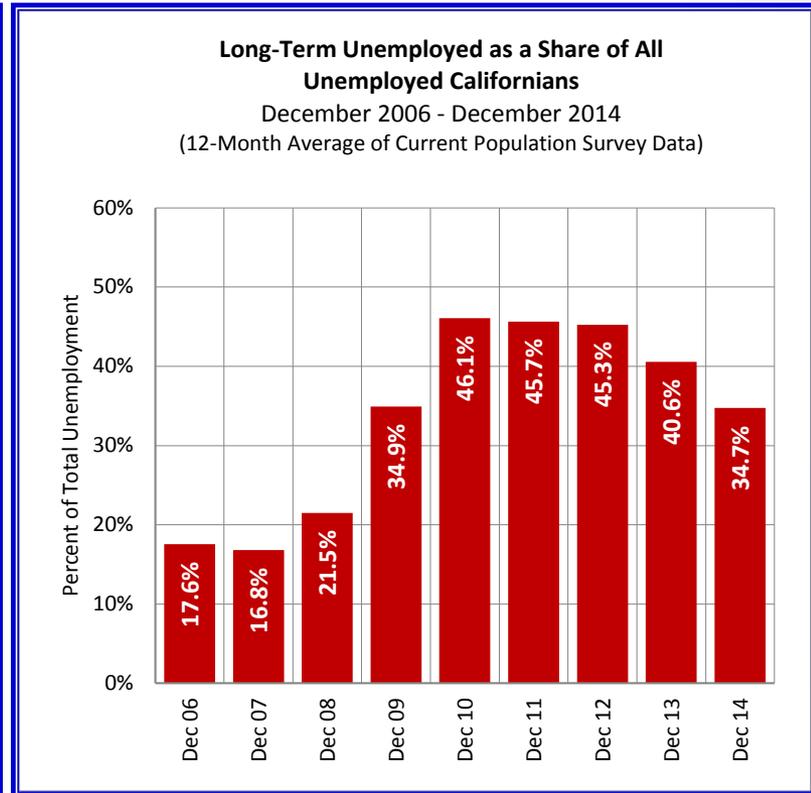
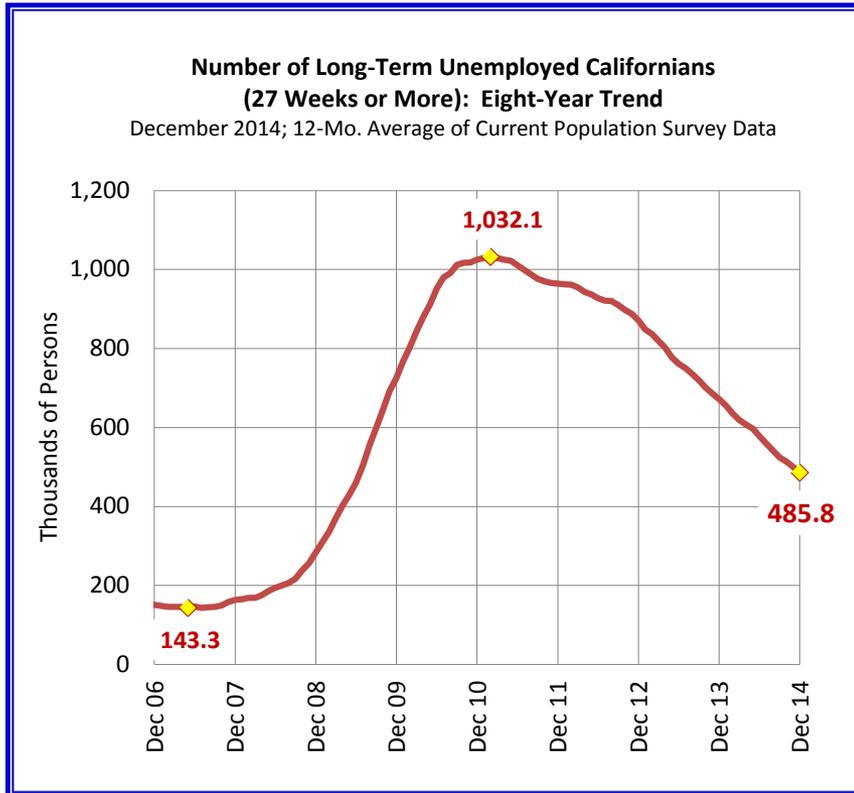


**Percentage of Employed Californians Who Work Part Time for Economic Reasons: December 2007 - December 2014**  
(12-Month Average of Current Population Survey Data)



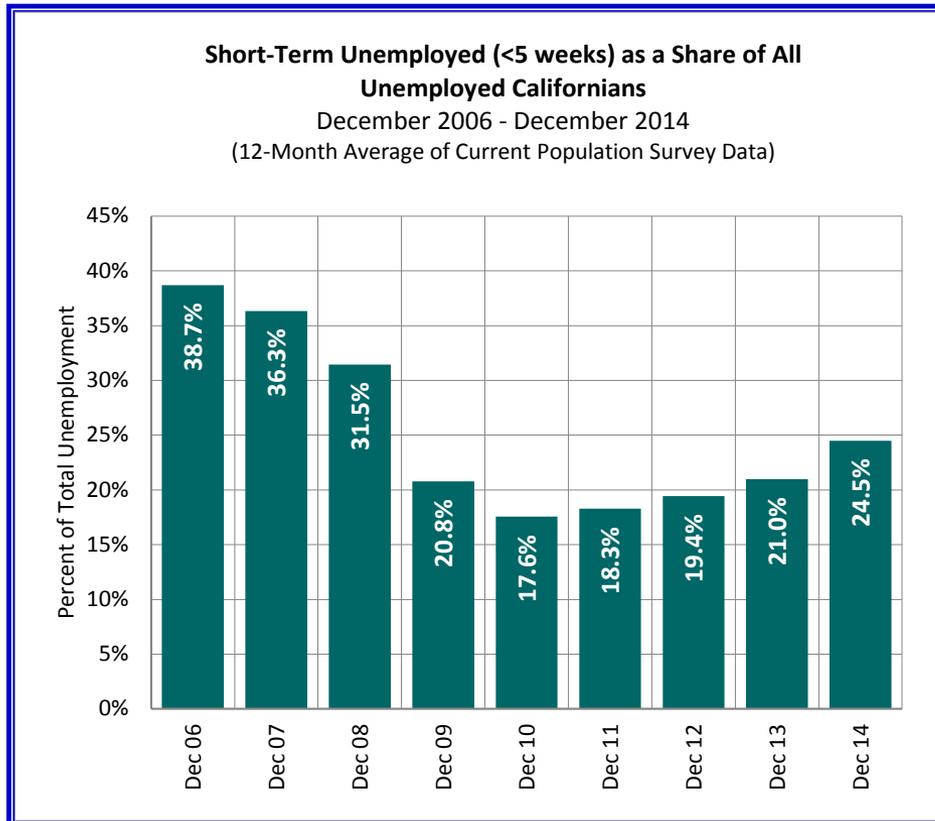
## Duration of Unemployment

Long-term unemployment in California also continues to fall at a steady pace, but still remains at an historically high level.



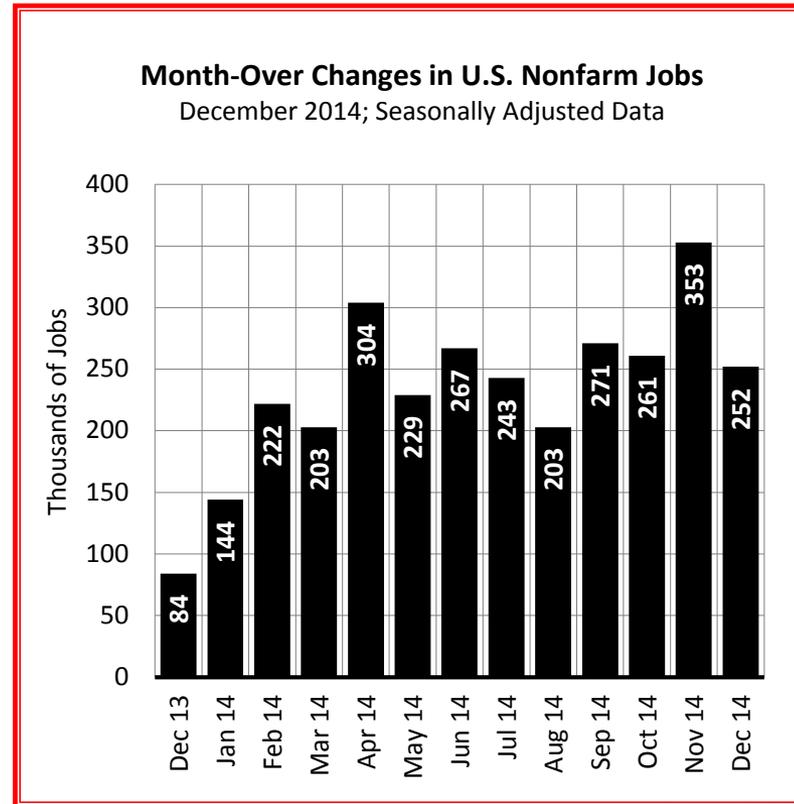
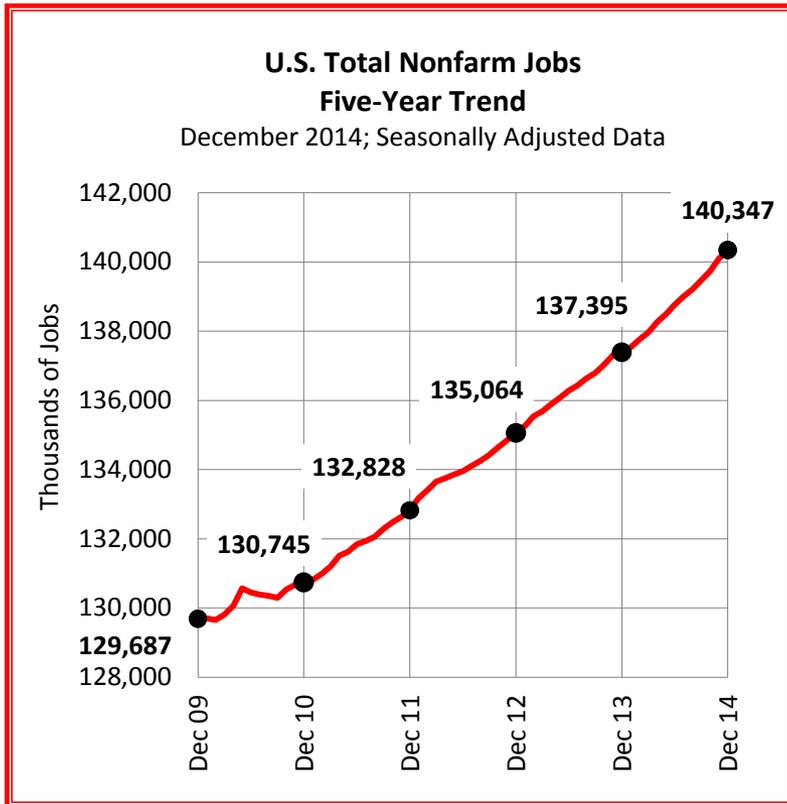
## Duration of Unemployment

Unemployed of short duration, or individuals who have been unemployed for less than five weeks, makes up an increasingly large share of total unemployment in California, Californians, suggesting a healthy churn is returning to the labor market.



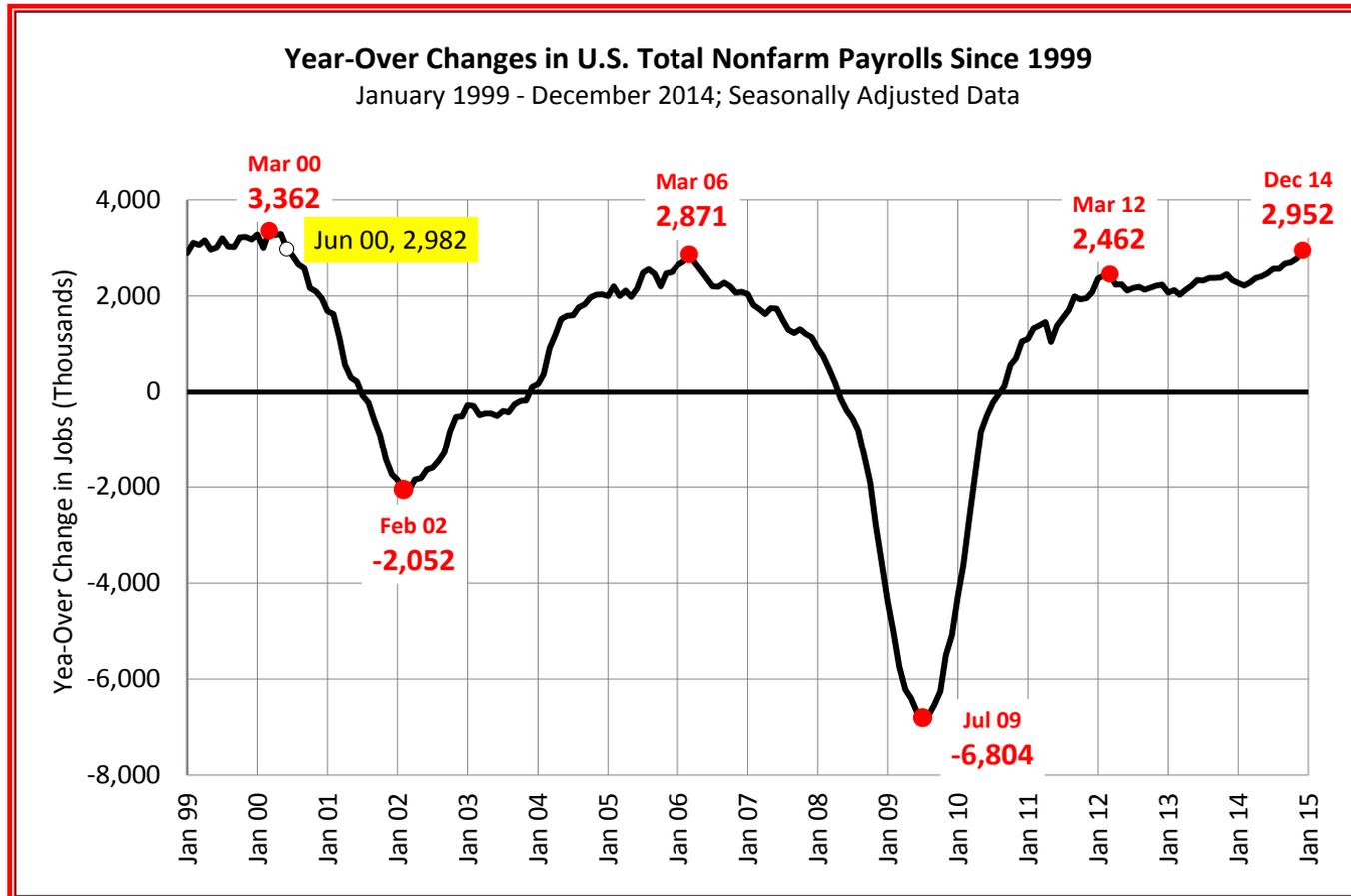
## U.S. Total Nonfarm Payrolls: December 2014

The U.S. gained jobs 252,000 jobs in December 2014. This was its 51<sup>st</sup> consecutive job gain, 10<sup>th</sup> consecutive gain of at least 200,000 jobs, and fourth consecutive gain of at least 250,000 jobs. The last time the nation gained 250,000 jobs in four consecutive months was in October 1997 through January 1998. The nation gained 10.7 million total nonfarm jobs from February 2010 through December 2014.



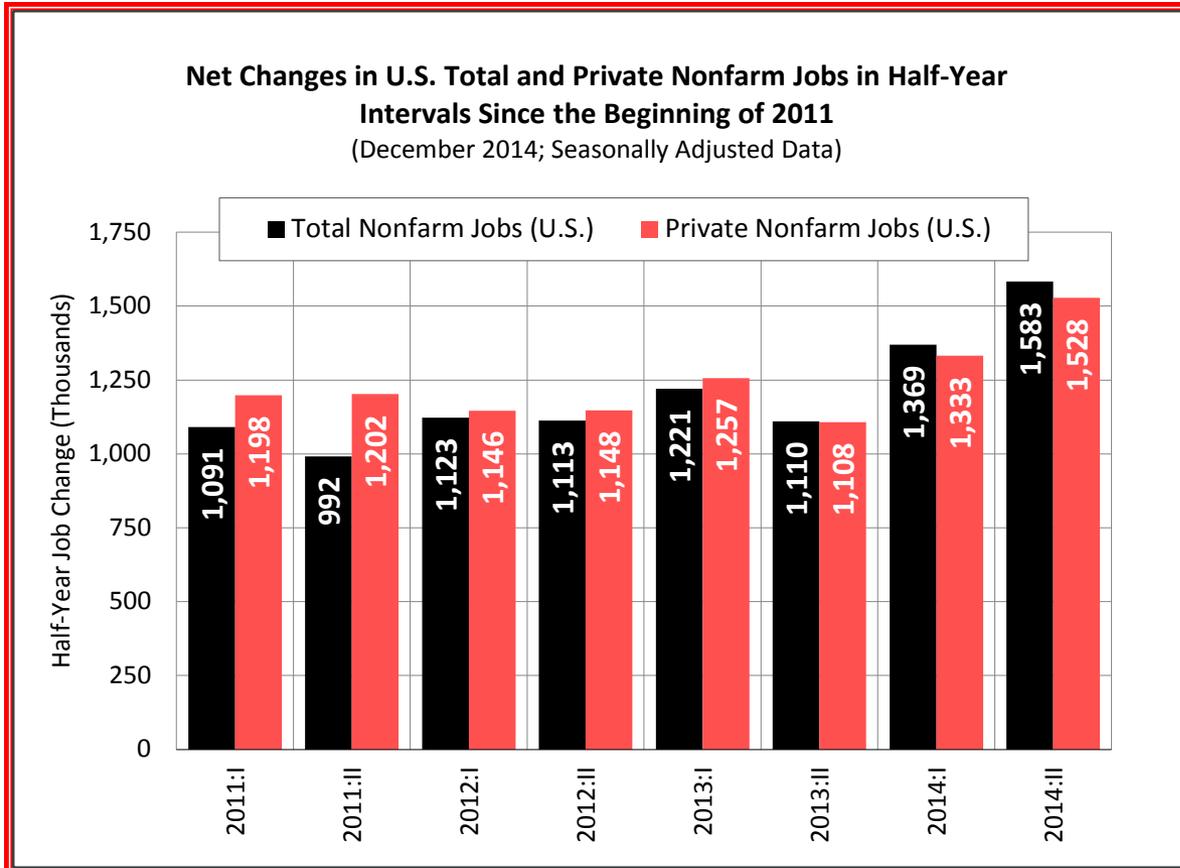
## U.S. Total Nonfarm Job Growth

Buoyed by the stimulative effect of sharply falling gas prices, the U.S. economy finished 2014 on a strong note— even as much of the global economy sputtered. The U.S. gained nearly 3.0 million jobs (2.1 percent) over the course of 2014. This was its largest year-over gain in number since June 2000, and its strongest year-over percentage growth since March 2006. A strong national economy can only benefit California's.



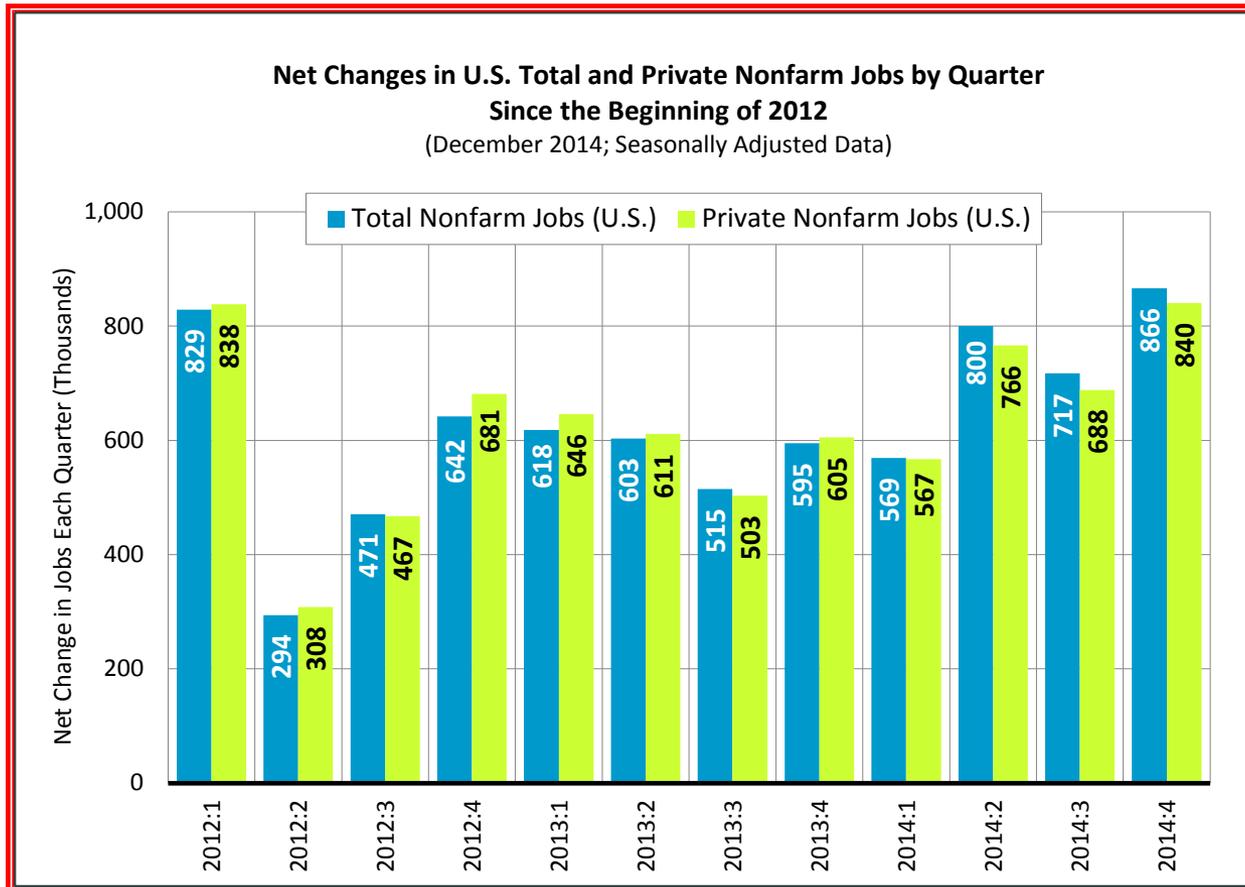
## U.S. Job Growth in Half-Year Intervals

Not only were the nation's job gains in the second half of 2014 stronger than those of any half-year period in the of the current expansion, they were its largest half-year job gains since the second half of 1999.



## U.S. Job Growth in Quarterly Intervals

The nation gained 866,000 total nonfarm jobs in the fourth quarter of 2014. This was 149,000 jobs more than it gained in the third quarter and the strongest quarterly job gains of the current economic expansion. The U.S. private sector added 840,000 nonfarm jobs in the fourth quarter of 2014. This was 152,000 jobs more than it added in the third quarter and narrowly edged the first quarter of 2012 as the largest job gain of any quarter during the current expansion and of any quarter since the first quarter of 2006.

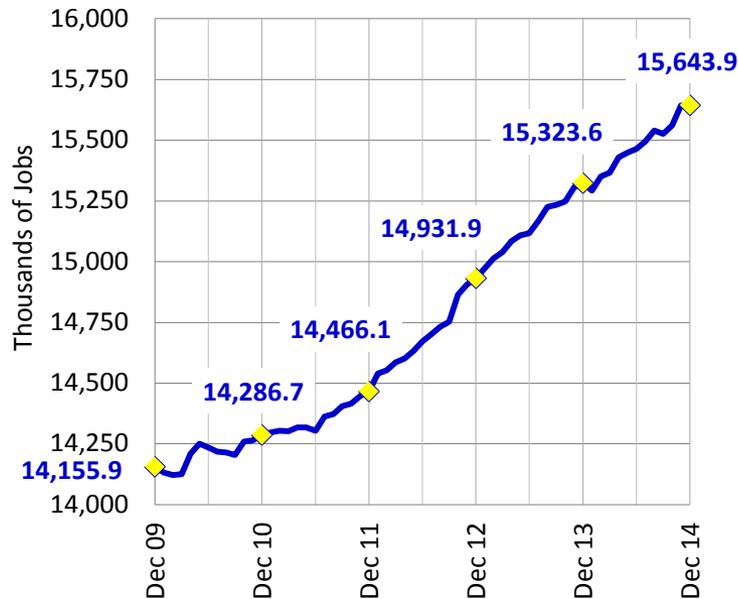


## California Nonfarm Payrolls: December 2014

California total nonfarm payrolls grew by only 700 jobs in December 2014., following an extraordinarily large 82,800-job gain in November. Despite the meek job gain in December, the data show that California closed the 2014 calendar year on a comparatively strong note. California gained an average of 39,300 jobs per month over the last three months of 2014. It gained an average of 22,500 jobs per month over the first nine months of 2014. California has now gained jobs in 40 of the last 42 months.

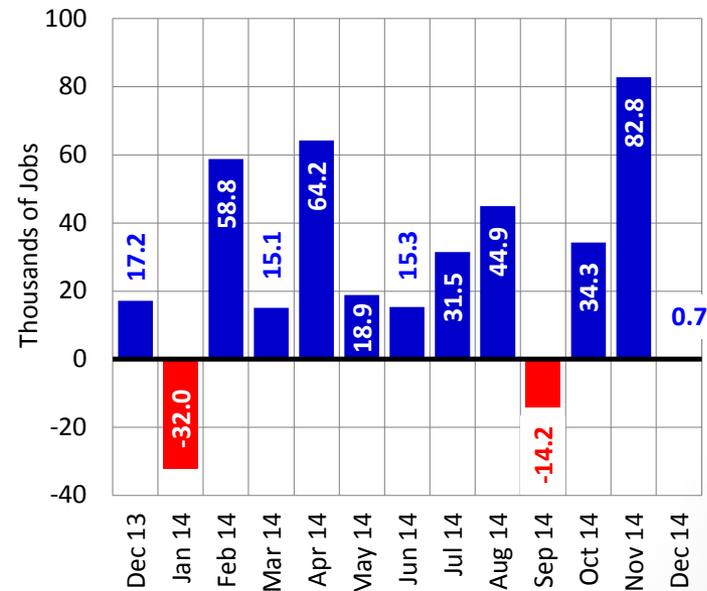
**California Total Nonfarm Payroll Jobs  
Five-Year Trend**

December 2014; Seasonally Adjusted Data



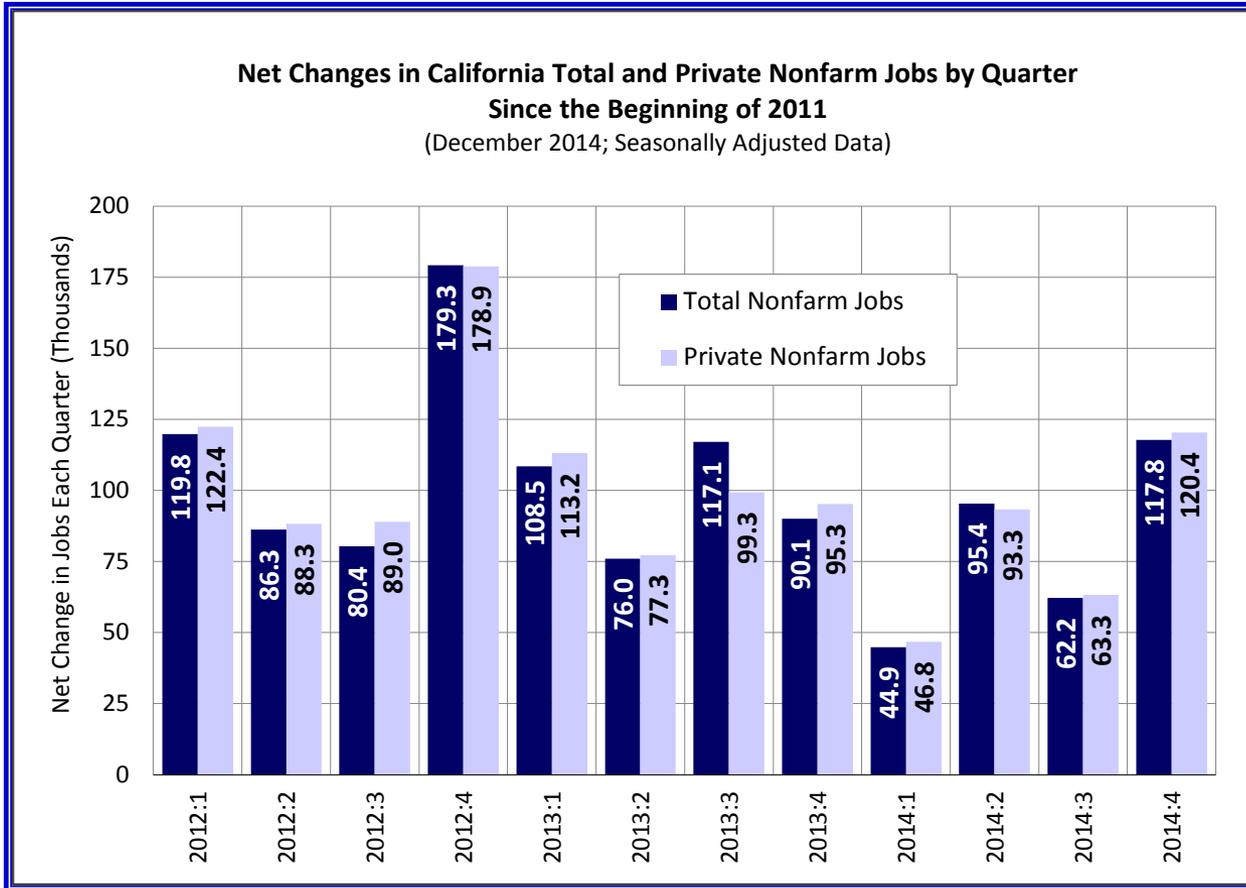
**Month-Over Changes in California  
Total Nonfarm Jobs**

December 2014; Seasonally Adjusted Data



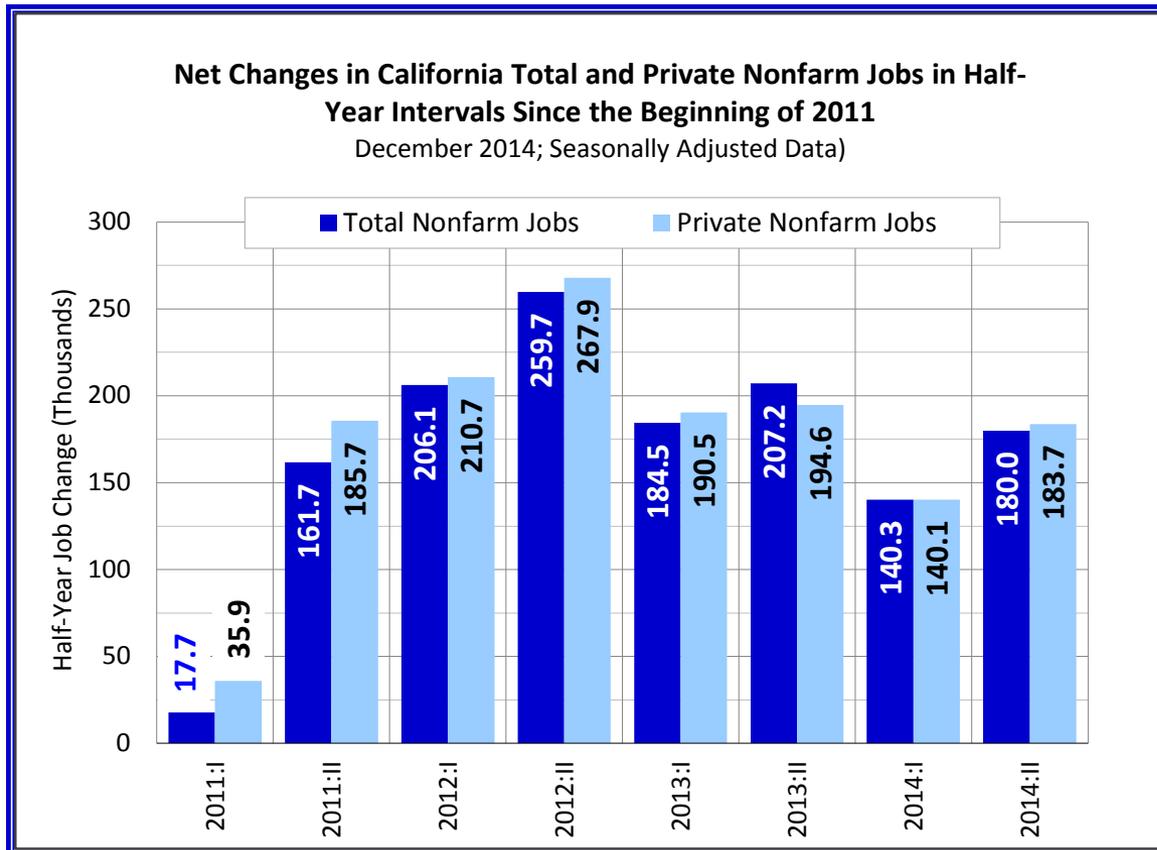
## California Job Growth in Quarterly Intervals

California added 117,800 total nonfarm jobs in the fourth quarter of 2014. This was California's strongest job growth during a quarter since the fourth quarter of 2012, narrowly eclipsing the 117,100-job gain in the third quarter of 2013. California's private sector gained 120,400 jobs during the fourth quarter of 2014. This was the largest number of jobs it gained in a single quarter since the fourth quarter of 2012.



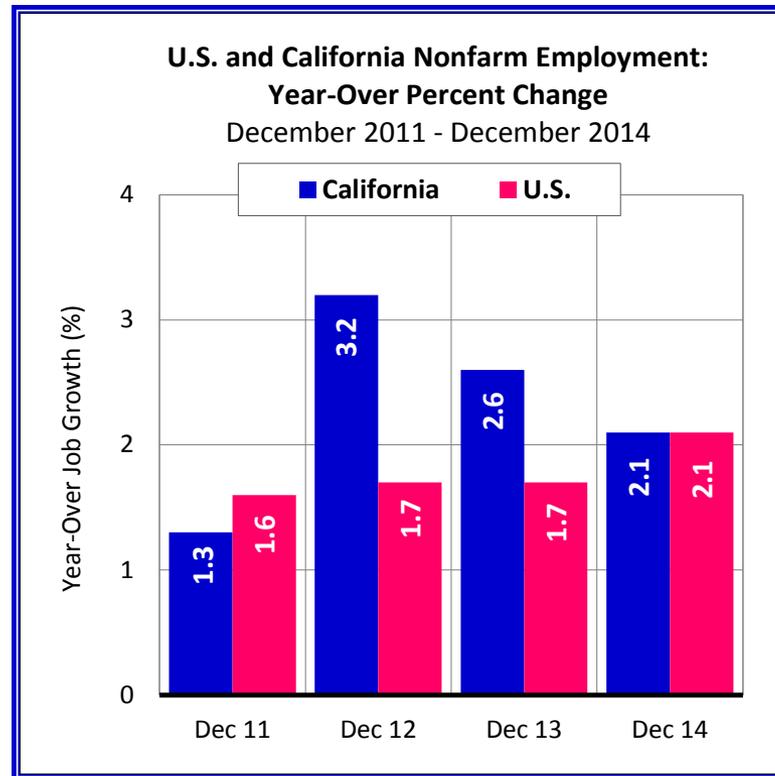
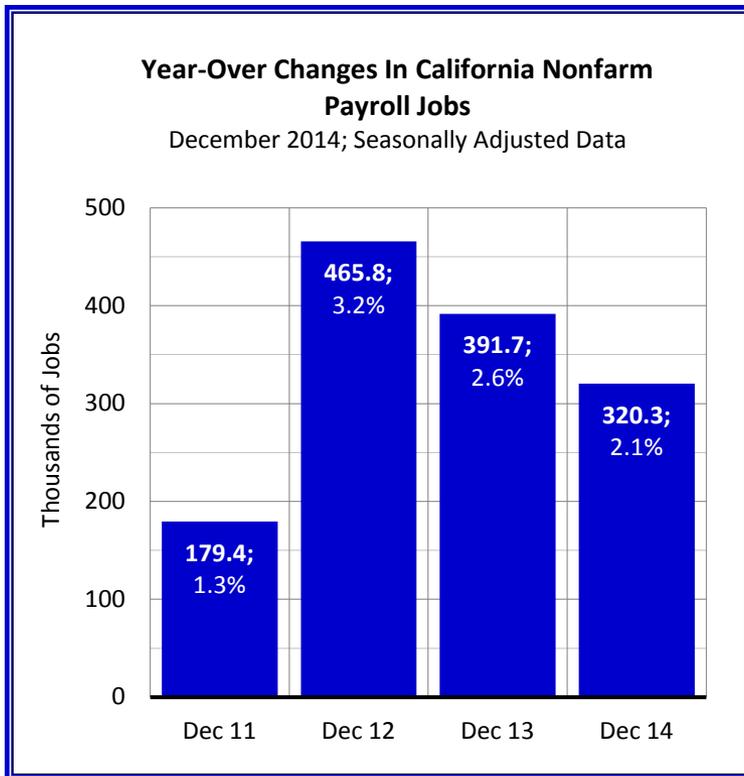
## California Nonfarm Job Growth in Half-Year Intervals

While job growth strengthened in California in the second half of 2014, it did so less dramatically than in the nation as a whole. California total nonfarm payrolls grew by 180,000 jobs in the second half of 2014, an improvement of 39,700 jobs over the first half of the year. California's private sector added 183,700 jobs in the second half of 2014, or 43,600 jobs more than it added in the first half of the year. Although job growth in California strengthened in the second half of 2014, it remained below the pace of growth in 2012 and 2013.



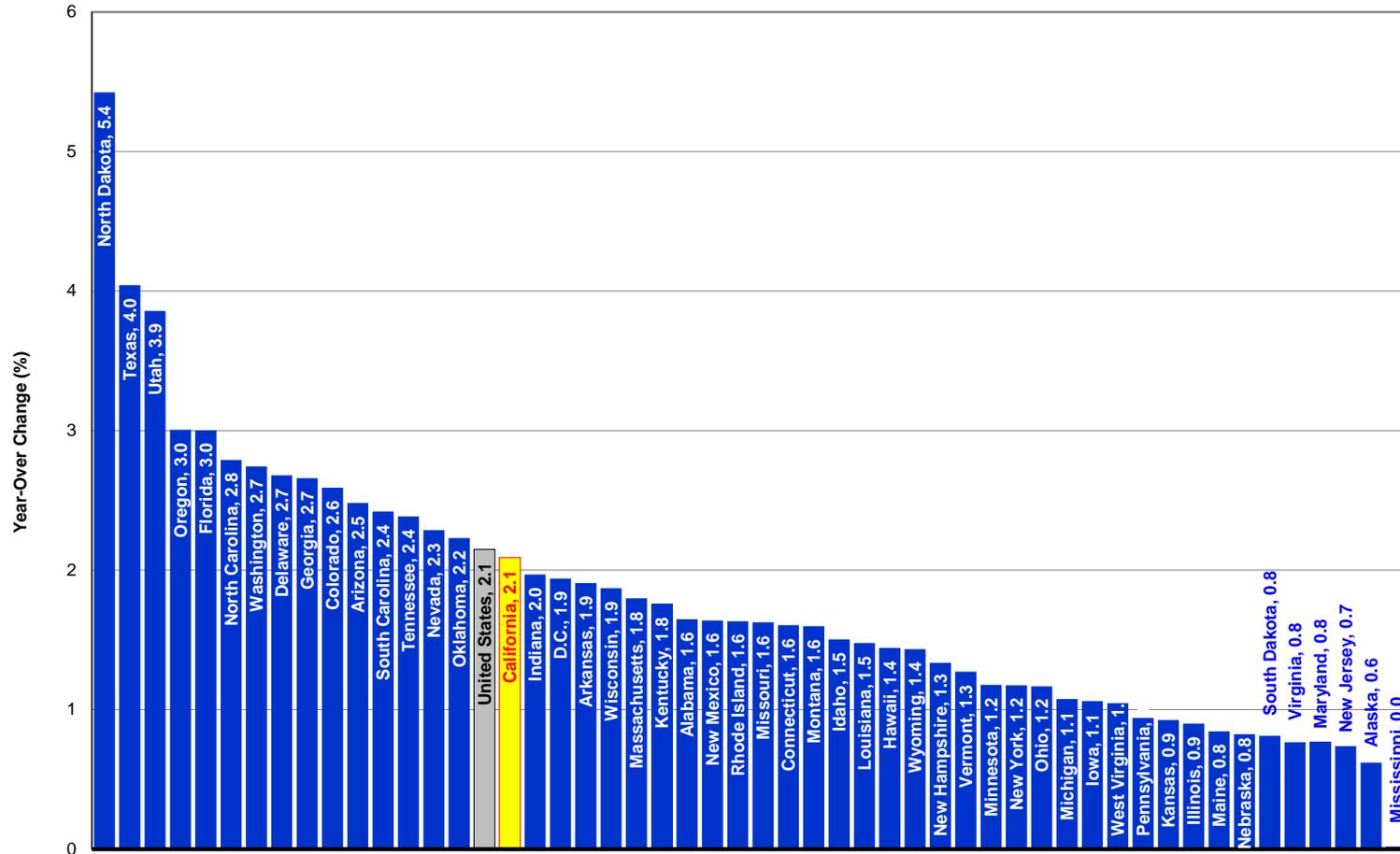
## Year-Over Job Growth in California

Unlike the nation, California's year-over 320,300-job gain in 2014 fell short of prior years. California's year-over gain of 2.1 percent equaled the nation's. While the pace of job growth has ebbed and flowed, California's expansion continues at a steady pace. California gained 1,522,900 total nonfarm jobs from the beginning of the employment expansion in February 2010 through December 2014, growing at an average pace of 26,300 jobs per month. California's private sector grew by 1,587,800 jobs from February 2010 through December 2014, or by an average of 27,400 jobs per month.



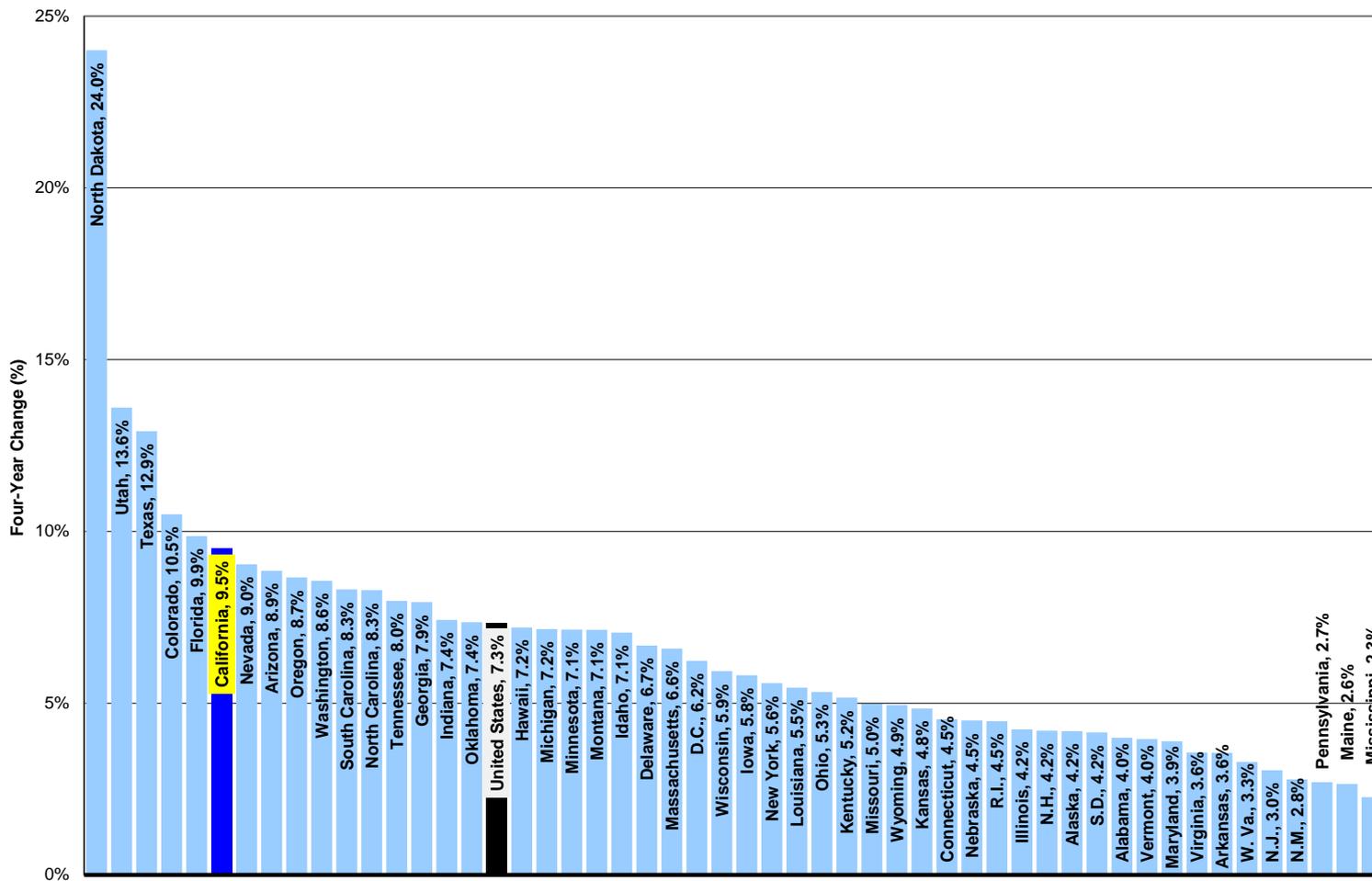
# California's year-over 2.1 percent job gain in December 2014 ranked 16<sup>th</sup> among states...

**Year-Over Percent Changes in State Nonfarm Payrolls**  
(December 2014: Seasonally Adjusted Data)



...but it's 9.5 percent job gain over the last four years ranked 5<sup>th</sup> among states.

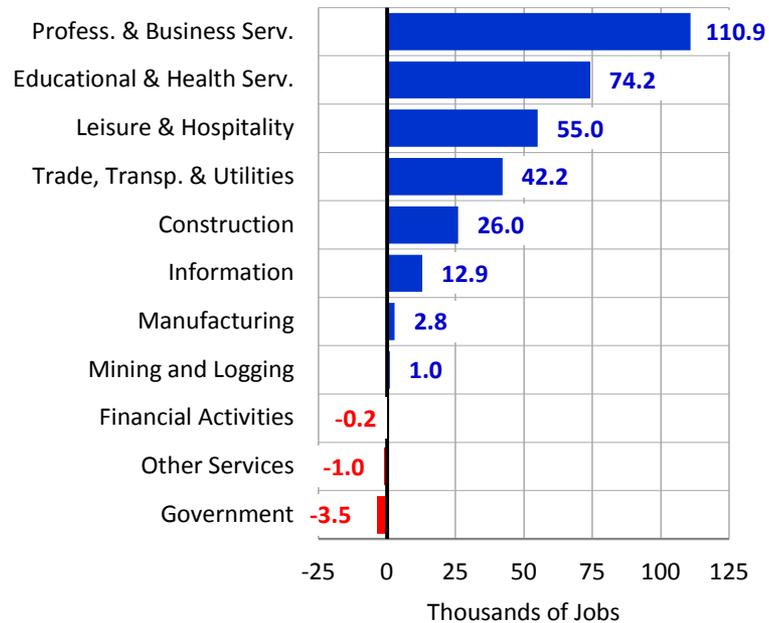
Four-Year Percent Changes in State Nonfarm Payrolls  
(December 2014: Seasonally Adjusted Data)



## Year-Over Industry Job Growth in California, December 2014

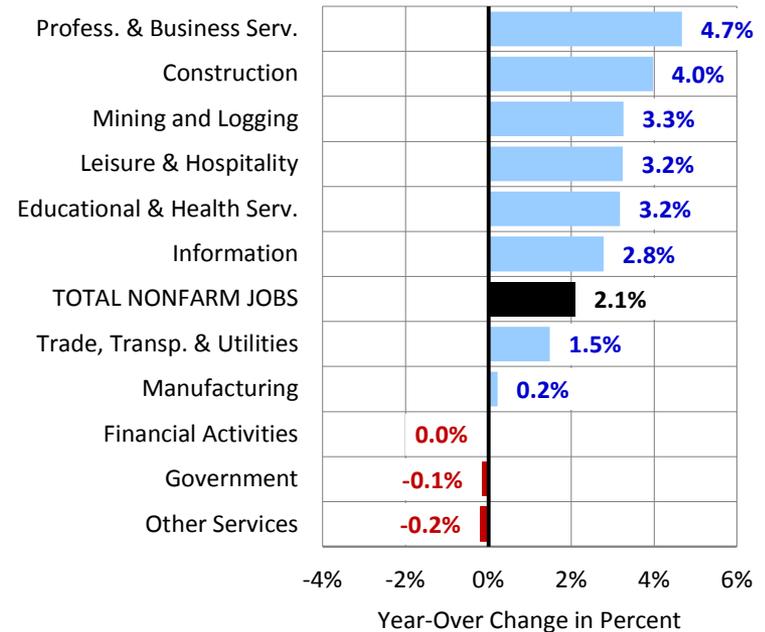
### Year-Over Changes in Jobs in California Industry Sector Jobs

December 2014; Seasonally Adjusted Data



### Year-Over Changes in California Industry Sector Jobs in Percent

December 2014; Seasonally Adjusted Data



## The Recovery at the Industry Sector Level: Peak-to-Trough Job Losses in Each Sector

### Industry Sector Jobs Lost During the Recession in California

Job changes measured by the peak-to-trough change in payrolls in each industry sector.  
(Seasonally Adjusted Data)

<u>Job Losses in Number</u> (Thousands)		<u>Job Losses in Percent</u>	
<b>TOTAL NONFARM JOBS</b>	<b>-1,328.8</b>	Construction	-41.9%
<b>PRIVATE SECTOR JOBS</b>	<b>-1,269.4</b>	Financial Activities	-18.9%
Construction	-396.3	Manufacturing**	-15.7%
Trade, Transportation, Utilities	-323.3	Mining and Logging	-13.7%
Professional and Business Svcs.	-246.5	Information	-13.6%
Manufacturing**	-229.9	Trade, Transportation, Utilities	-11.1%
Financial Activities	-176.7	Professional and Business Svcs.	-10.9%
Government	-163.1	<b>PRIVATE SECTOR JOBS</b>	<b>-9.8%</b>
Government	-163.1	<b>TOTAL NONFARM JOBS</b>	<b>-8.6%</b>
Leisure and Hospitality	<b>-102.2</b>	Other Services	-7.4%
Information	-66.2	Government	-6.5%
Other Services	-38.2	Leisure and Hospitality	<b>-6.5%</b>
Mining and Logging	-4.0	Leisure and Hospitality	-6.5%
Educational and Health Svcs.*	116.2	Educational and Health Svcs.*	6.1%

\* Educational and health services added jobs throughout the recession. Calculations reflect the July 2007 peak and February 2010 trough in total nonfarm payrolls.

\*\* Manufacturing has no identifiable peak prior to the recession. Calculations reflect the July 2007 peak and February 2010 trough in total nonfarm payrolls.

## The Recovery at the Industry Sector Level: Trough through December 2014 Job Changes

### Job Growth in California Industry Sectors Since Their Employment Trough

Trough through December 2014 Change in Jobs in Each Sector

(Seasonally Adjusted Data)

<u>Job Gains in Number</u> (Thousands)		<u>Job Gains in Percent</u>	
<b>PRIVATE SECTOR JOBS</b>	<b>1,587.8</b>	Mining and Logging	25.3%
<b>TOTAL NONFARM JOBS</b>	<b>1,522.9</b>	Construction	24.0%
Professional and Business Svcs.	459.0	Professional and Business Svcs.	22.7%
Educational and Health Svcs.*	376.6	Educational and Health Svcs.*	18.5%
Trade, Transportation, Utilities	282.5	Leisure and Hospitality	18.2%
Leisure and Hospitality	270.0	<b>PRIVATE SECTOR JOBS</b>	<b>13.6%</b>
Construction	131.6	Information	13.6%
Information	56.9	Trade, Transportation, Utilities	10.9%
Other Services	38.1	<b>TOTAL NONFARM JOBS</b>	<b>10.8%</b>
Financial Activities	20.0	Other Services	8.0%
Manufacturing	15.4	Financial Activities	2.6%
Government	10.4	Manufacturing	1.2%
Mining and Logging	6.4	Government	0.4%

\* Jobs gained since overall economy's February 2010 employment trough.

## The Recovery at the Industry Sector Level: Which Industry Sectors Have Recovered from the Recession

### Share of Jobs Lost During the Recession That Have Been Recovered by California Industry Sectors as of December 2014

#### The Drivers of the Economy

##### *Full Recovery and Then Some*

Educational and Health Svcs.	N/A
Leisure and Hospitality	264.2%
Professional and Business Svcs.	186.2%
Mining and Logging	160.0%
<b>PRIVATE SECTOR JOBS</b>	<b>125.1%</b>
<b>TOTAL NONFARM JOBS</b>	<b>114.6%</b>

#### Restructuring Sectors

##### *Still Haven't Recovered, But Nearly There*

Other Services	99.7%
Trade, Transportation, Utilities	87.4%
<i>Retail Trade = 70.5%; Wholesale Trade = 99.5%; Transp., Warehousing, Util. = 120.8%</i>	
Information	86.0%

##### *Lagging Well Behind*

Financial Activities	10.2%
Government	8.8%
Manufacturing	1.8%

## Area Trends

**Year-Over Changes in Total Nonfarm Payrolls in California Metropolitan Divisions (MDs)  
and Statistical Areas (MSAs)**

December 2014; Seasonally Adjusted Data

<u>Change in Number</u>		<u>Change in Percent</u>	
Los Angeles-Long Beach-Glendale MD	69,800	<i>San Jose-Sunnyvale-Santa Clara MSA</i>	4.0%
San Diego-Carlsbad-San Marcos MSA	44,100	<i>San Francisco-San Mateo-Redwood City Metro D</i>	3.8%
San Francisco-San Mateo-Redwood City MD	40,800	San Diego-Carlsbad-San Marcos MSA	3.3%
San Jose-Sunnyvale-Santa Clara MSA	39,000	<i>Santa Rosa-Petaluma MSA</i>	3.3%
Santa Ana-Anaheim-Irvine MD	33,200	Merced MSA	3.0%
Oakland-Fremont-Hayward MD	24,800	Fresno MSA	2.7%
Riverside-San Bernardino-Ontario MSA	23,700	<i>Oakland-Fremont-Hayward Metro Div</i>	2.4%
Sacramento-Arden Arcade-Roseville MSA	17,800	<i>Santa Ana-Anaheim-Irvine Metro Div</i>	2.3%
Fresno MSA	8,300	Stockton MSA	2.2%
Santa Rosa-Petaluma MSA	6,100	Sacramento-Arden Arcade-Roseville MSA	2.0%
Oxnard-Thousand Oaks-Ventura MSA	5,700	Santa Barbara-Santa Maria-Goleta MSA	2.0%
Stockton MSA	4,400	<i>Oxnard-Thousand Oaks-Ventura MSA</i>	2.0%
Bakersfield Delano MSA	4,000	<i>Riverside-San Bernardino-Ontario MSA</i>	1.9%
Santa Barbara-Santa Maria-Goleta MSA	3,500	El Centro MSA	1.9%
Modesto MSA	2,300	Santa Cruz-Watsonville MSA	1.9%
Vallejo-Fairfield MSA	2,100	<i>Los Angeles-Long Beach-Glendale Metro Div</i>	1.7%
Merced MSA	1,800	<i>Vallejo-Fairfield MSA</i>	1.7%
Salinas MSA	1,800	Bakersfield Delano MSA	1.6%
Santa Cruz-Watsonville MSA	1,800	Redding MSA	1.5%
San Luis Obispo-Paso Robles MSA	1,500	Modesto MSA	1.5%
Visalia-Porterville MSA	1,100	Salinas MSA	1.4%
El Centro MSA	1,000	San Luis Obispo-Paso Robles MSA	1.4%
Redding MSA	900	Napa MSA	1.0%
Chico MSA	700	Visalia-Porterville MSA	1.0%
Napa MSA	700	Chico MSA	0.9%
Hanford-Corcoran MSA	300	Hanford-Corcoran MSA	0.8%
<i>Yuba City MSA</i>	<i>-100</i>	<i>Yuba City MSA</i>	<i>-0.3%</i>
<i>Madera-Chowchilla MSA</i>	<i>-600</i>	<i>Madera-Chowchilla MSA</i>	<i>-1.7%</i>

**Four-Year Changes in Total Nonfarm Payrolls in California Metropolitan Divisions (MDs)  
and Statistical Areas (MSAs)**

December 2014; Seasonally Adjusted Data

<u>Four-Year Change in Number</u>		<u>Four-Year Change in Percent</u>	
Los Angeles-Long Beach-Glendale MD	316,700	<i>San Francisco-San Mateo-Redwood City MD</i>	17.4%
San Francisco-San Mateo-Redwood City MD	167,700	<i>San Jose-Sunnyvale-Santa Clara MSA</i>	16.8%
San Jose-Sunnyvale-Santa Clara MSA	146,900	<i>Napa MSA</i>	12.5%
Santa Ana-Anaheim-Irvine MD	128,100	<i>Santa Rosa-Petaluma MSA</i>	12.5%
San Diego-Carlsbad-San Marcos MSA	124,600	El Centro MSA	11.9%
Riverside-San Bernardino-Ontario MSA	123,500	San Luis Obispo-Paso Robles MSA	10.9%
Oakland-Fremont-Hayward MD	105,000	<i>Oakland-Fremont-Hayward MD</i>	10.9%
Sacramento-Arden Arcade-Roseville MSA	72,200	Bakersfield Delano MSA	10.9%
Fresno MSA	30,800	<i>Riverside-San Bernardino-Ontario MSA</i>	10.8%
Bakersfield Delano MSA	25,200	Fresno MSA	10.7%
Santa Rosa-Petaluma MSA	21,300	San Diego-Carlsbad-San Marcos MSA	10.0%
Oxnard-Thousand Oaks-Ventura MSA	18,400	Santa Cruz-Watsonville MSA	9.6%
Stockton MSA	18,000	Stockton MSA	9.5%
Santa Barbara-Santa Maria-Goleta MSA	14,000	<i>Santa Ana-Anaheim-Irvine MD</i>	9.3%
Modesto MSA	10,800	Sacramento-Arden Arcade-Roseville MSA	8.8%
San Luis Obispo-Paso Robles MSA	10,700	Chico MSA	8.8%
Vallejo-Fairfield MSA	9,200	Santa Barbara-Santa Maria-Goleta MSA	8.6%
Santa Cruz-Watsonville MSA	8,500	<i>Los Angeles-Long Beach-Glendale MD</i>	8.1%
Visalia-Porterville MSA	8,100	Merced MSA	8.1%
Napa MSA	7,600	<i>Vallejo-Fairfield MSA</i>	7.7%
Salinas MSA	6,400	Visalia-Porterville MSA	7.6%
Chico MSA	6,100	Modesto MSA	7.2%
El Centro MSA	5,700	<i>Oxnard-Thousand Oaks-Ventura MSA</i>	6.7%
Merced MSA	4,700	Redding MSA	6.5%
Redding MSA	3,800	Salinas MSA	5.2%
Madera-Chowchilla MSA	1,500	Madera-Chowchilla MSA	4.5%
Yuba City MSA	1,400	Yuba City MSA	3.7%
Hanford-Corcoran MSA	1,300	Hanford-Corcoran MSA	3.6%

## AREA RECOVERY PATTERNS

### Share of Jobs Lost During the Recession That Have Been Recovered by California MSAs and MDs as of December 2014

(Based on employment peaks and troughs in each area)

December 2014; Seasonally Adjusted Data

#### **Full Recovery**

<i>San Francisco-San Mateo-Redwood City MD</i>	253.2%
<i>San Jose-Sunnyvale-Santa Clara MSA</i>	217.0%
El Centro MSA	212.9%
Bakersfield Delano MSA	190.2%
Merced MSA	145.5%
San Diego-Carlsbad-San Marcos MSA	139.8%
San Luis Obispo-Paso Robles MSA	133.0%
<i>Napa MSA</i>	128.8%
Santa Barbara-Santa Maria-Goleta MSA	118.8%
Fresno MSA	108.5%
<i>Oakland-Fremont-Hayward MD</i>	104.4%

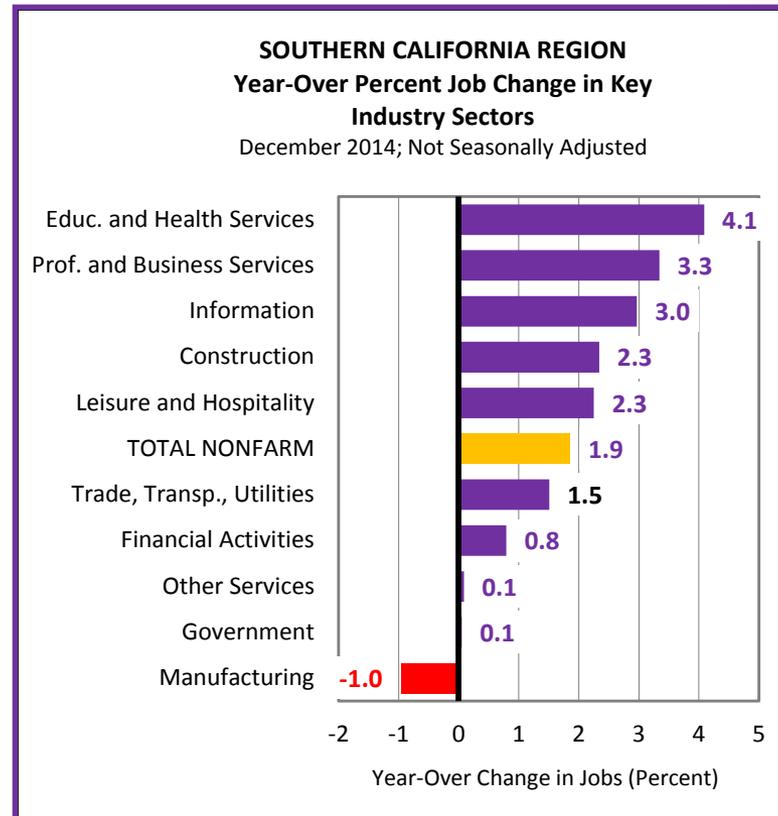
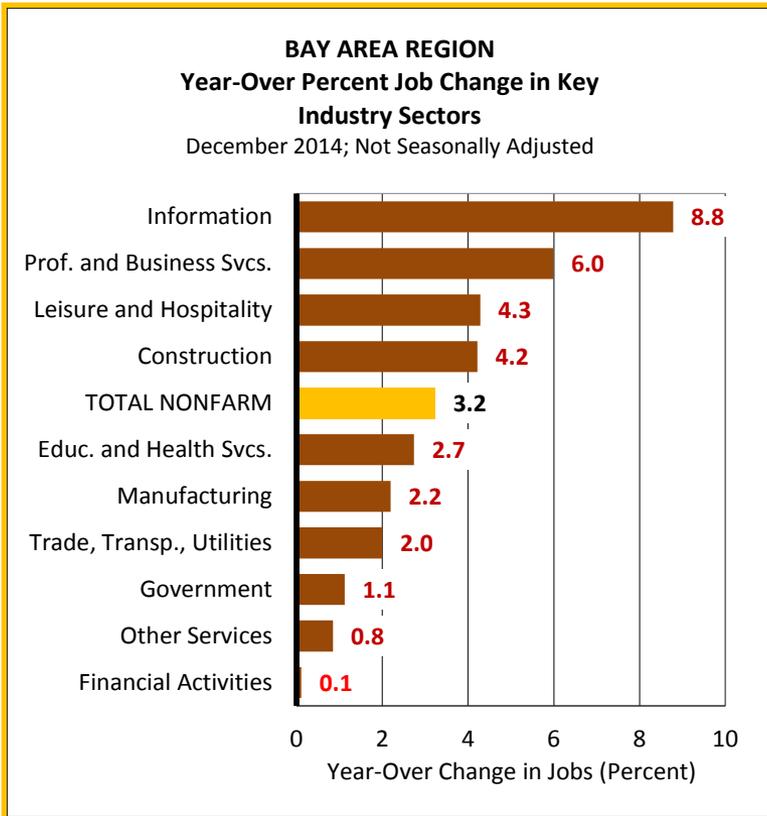
#### **Finally Getting There**

<i>Los Angeles-Long Beach-Glendale MD</i>	94.7%
Santa Cruz-Watsonville MSA	92.6%
<i>Santa Rosa-Petaluma MSA</i>	92.3%
Visalia-Porterville MSA	86.9%
<i>Riverside-San Bernardino-Ontario MSA</i>	83.7%
<i>Santa Ana-Anaheim-Irvine MD</i>	83.5%
Chico MSA	80.9%
Modesto MSA	80.8%

#### **Still Have a Ways to Go**

<i>Oxnard-Thousand Oaks-Ventura MSA</i>	79.3%
Salinas MSA	78.6%
Sacramento-Arden Arcade-Roseville MSA	73.2%
Stockton MSA	69.3%
<i>Vallejo-Fairfield MSA</i>	67.6%
Madera-Chowchilla MSA	52.8%
Redding MSA	45.9%
Yuba City MSA	37.3%
Hanford-Corcoran MSA	36.1%

## Year-Over Industry Sector Job Growth in the Bay Area and Southern California Regions Compared



## Five-Year Industry Sector Job Growth in the Bay Area and Southern California Regions Compared

