

Economic Update

LMID Advisory Group

May 7, 2015

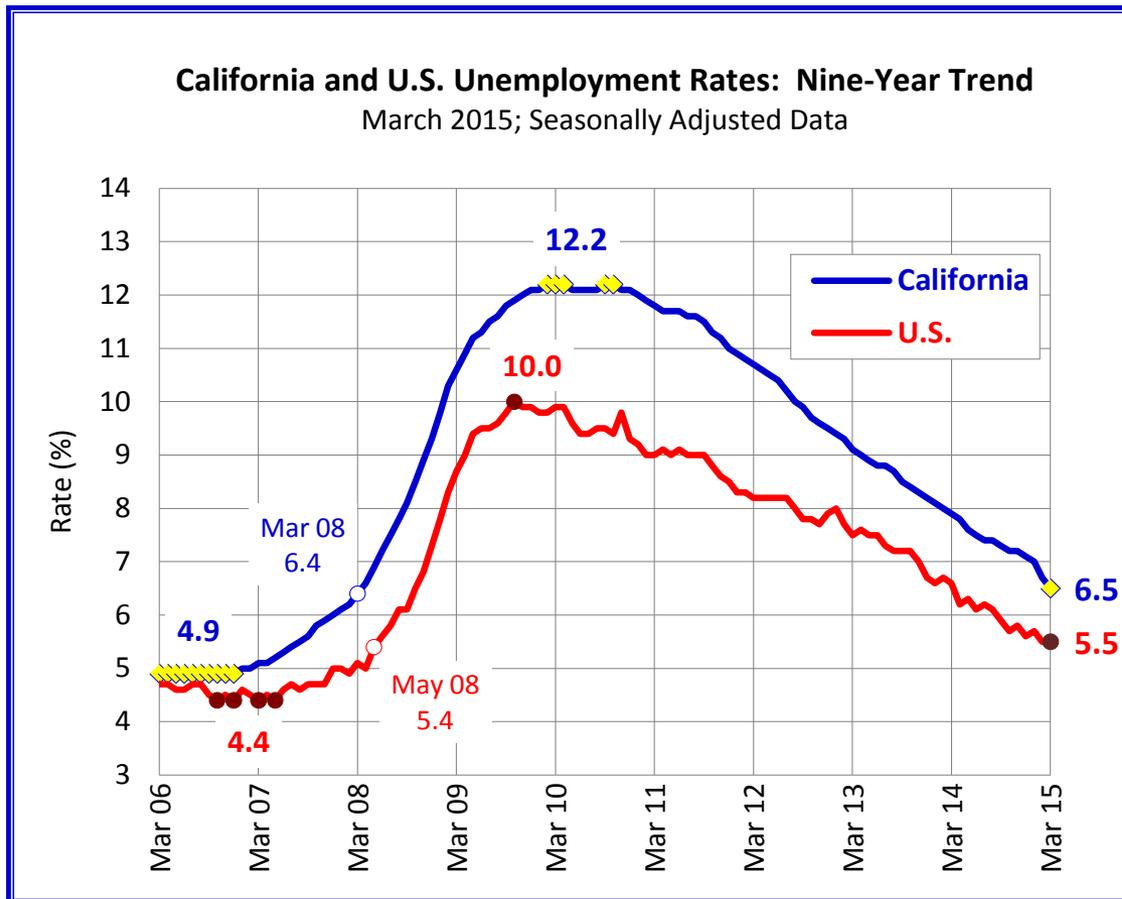
Paul Wessen

Employment Development Department

Labor Market information Division

Unemployment Rate

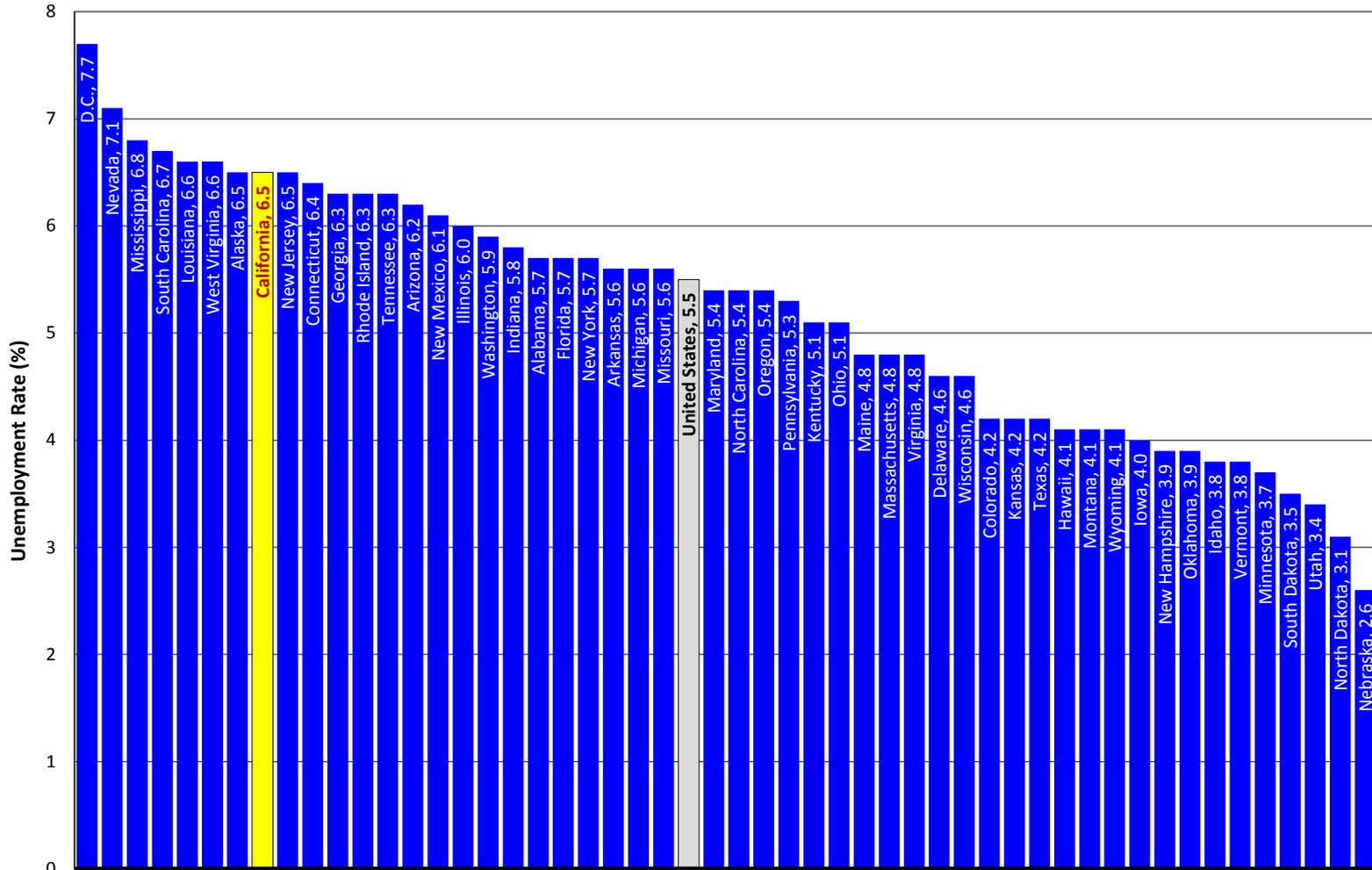
In March 2015, California's unemployment rate fell 0.2 percentage point to 6.5 percent, which was a seven-year low. Over the last three months, California's rate has fallen 0.6 percentage point. This was the state's largest three-month rate decrease in 31 years. The U.S. unemployment rate held steady at 5.5 percent in March and has fallen just 0.1 percentage point in 2015-to-date. The gap between the California and U.S. rates shrank to its narrowest margin since May 2008.



In March 2015, California tied with Alaska and New Jersey to have the nation's seventh highest unemployment rate.

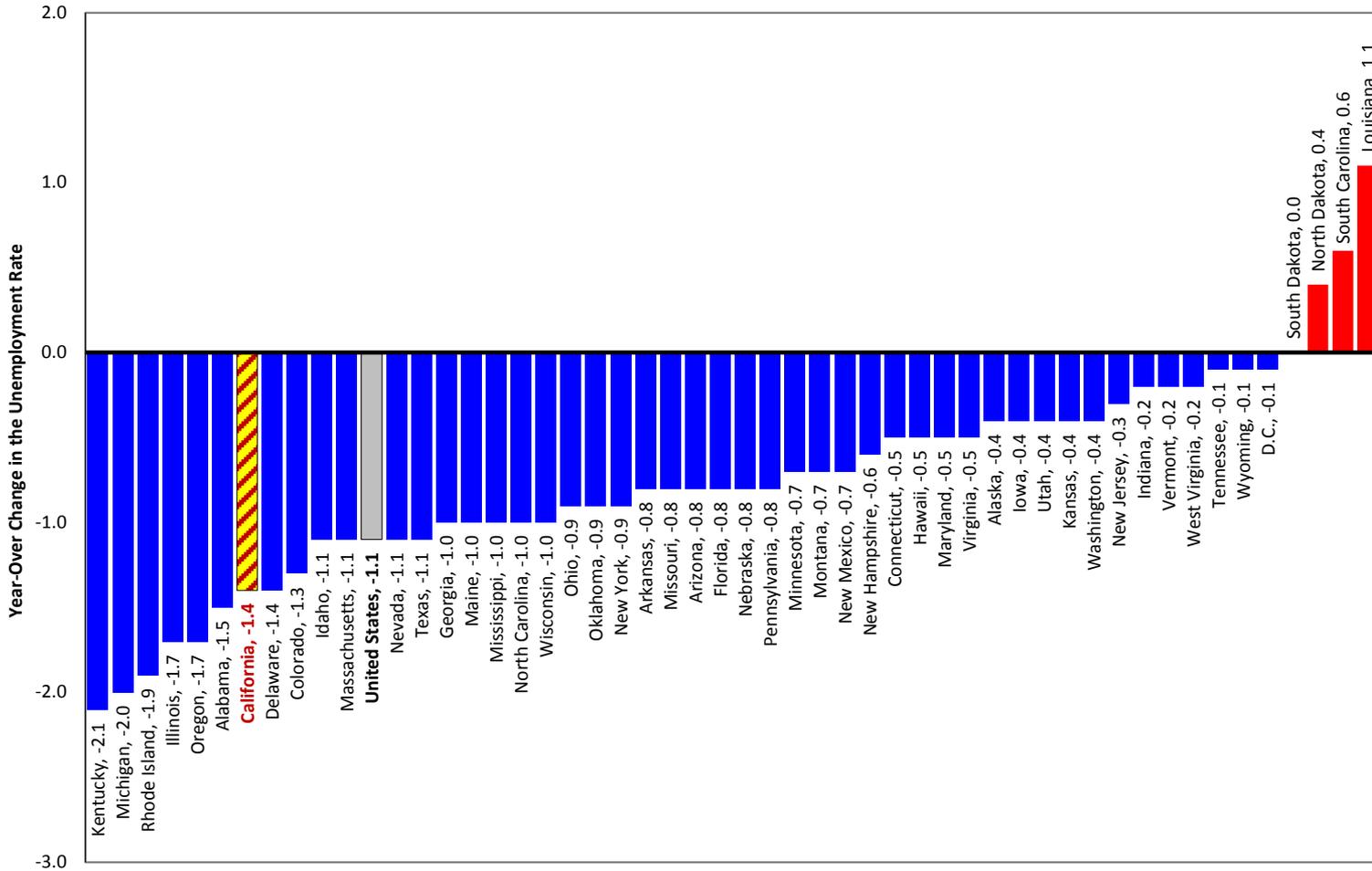
State Unemployment Rates, March 2015

(Seasonally Adjusted Data)



In March 2015, California's 1.4 percentage point year-over rate decrease was the seventh largest among states.

Year-Over Changes in State Unemployment Rates, March 2015
(Seasonally Adjusted Data)

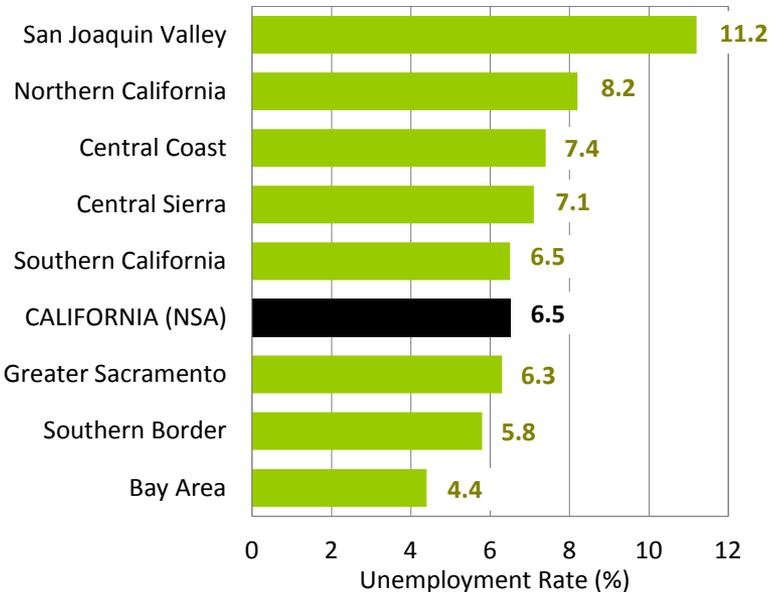


Regional Unemployment Rates in California, March 2015

In March 2015, regional unemployment rates in California ranged from a high of 11.2 percent in San Joaquin Valley to a low of 4.4 percent in San Francisco Bay Area. All regions experienced a year-over decrease in their unemployment rates, with the largest drops occurring in Northern California, Eastern Sierra, and San Joaquin Valley.

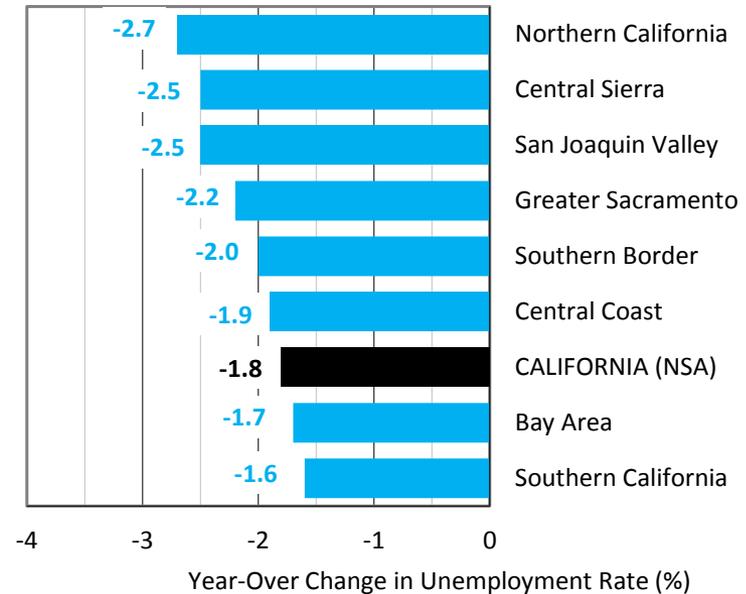
Unemployment Rates in California Economic Regions, March 2015

Not Seasonally Adjusted Data



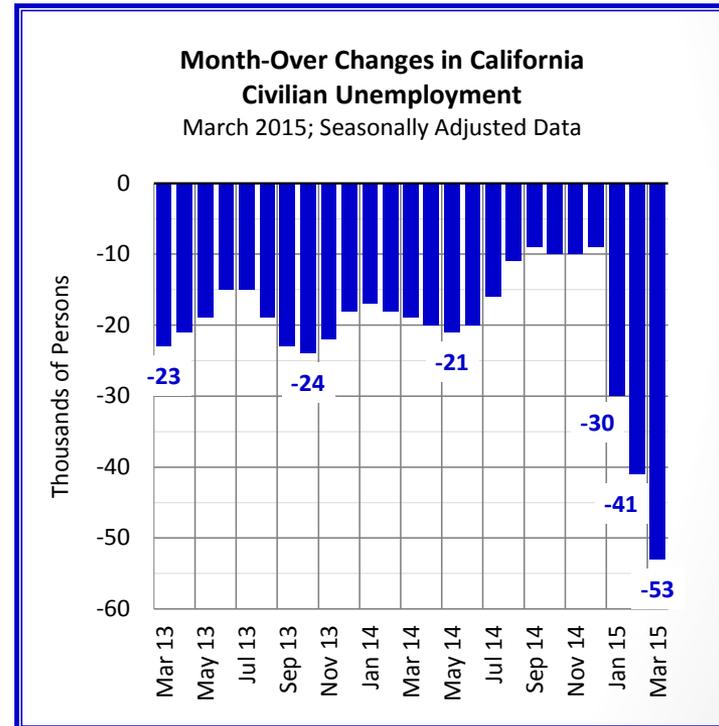
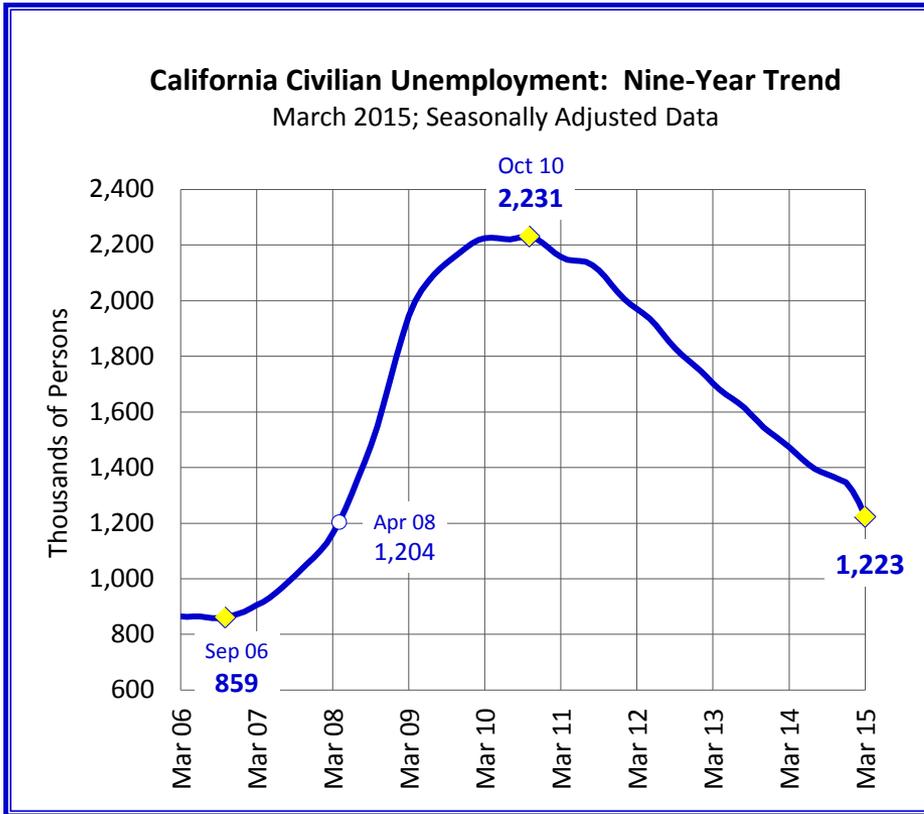
Year-Over Change in Regional California Unemployment Rates

March 2015; Not Seasonally Adjusted Data



Civilian Unemployment

The number of unemployed Californians also fell to a seven-year low in March 2015. As with the rate, the number of unemployed in California has fallen at a record pace in 2015-to-date, decreasing by 124,000 persons. However, estimates that show record-setting changes are not necessarily desirable because they rarely survive annual revisions.

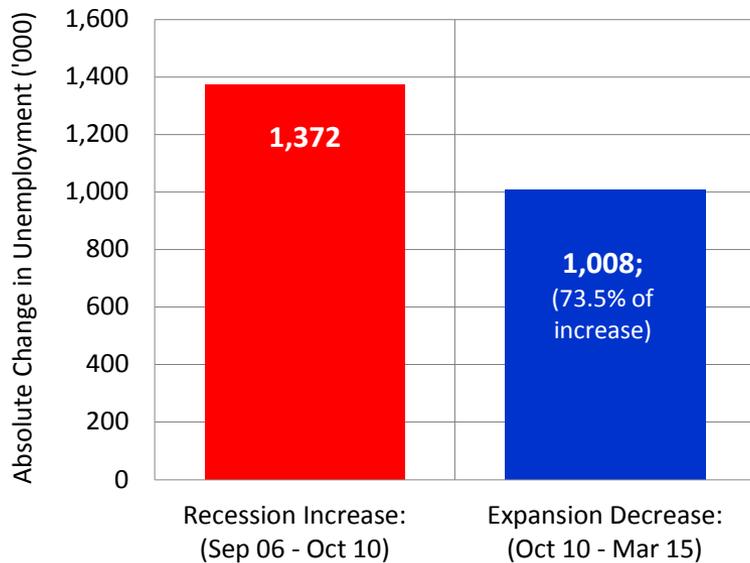


Economic Recovery Progress Report: Civilian Unemployment

It has been a long and arduous process, but both the U.S. and California economies have made substantial progress on the unemployment front.

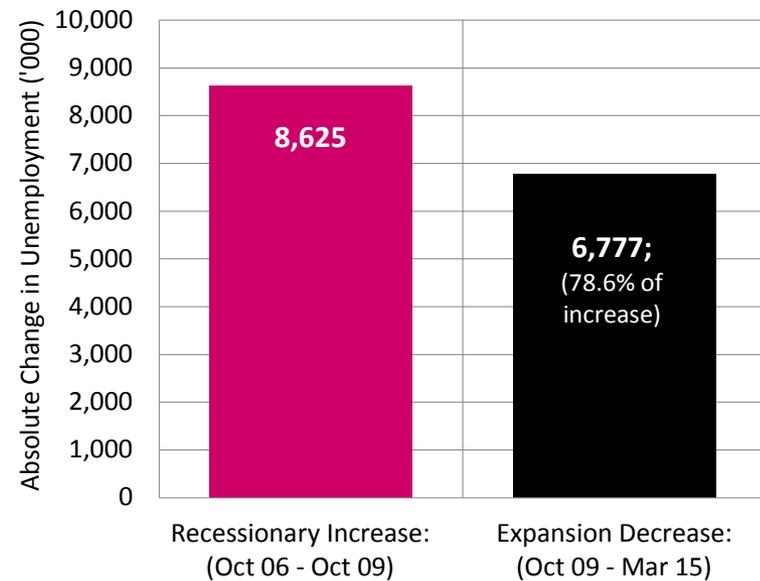
Changes in the Number of Unemployed Californians During the Recession and Recovery

March 2015; Thousands of Persons

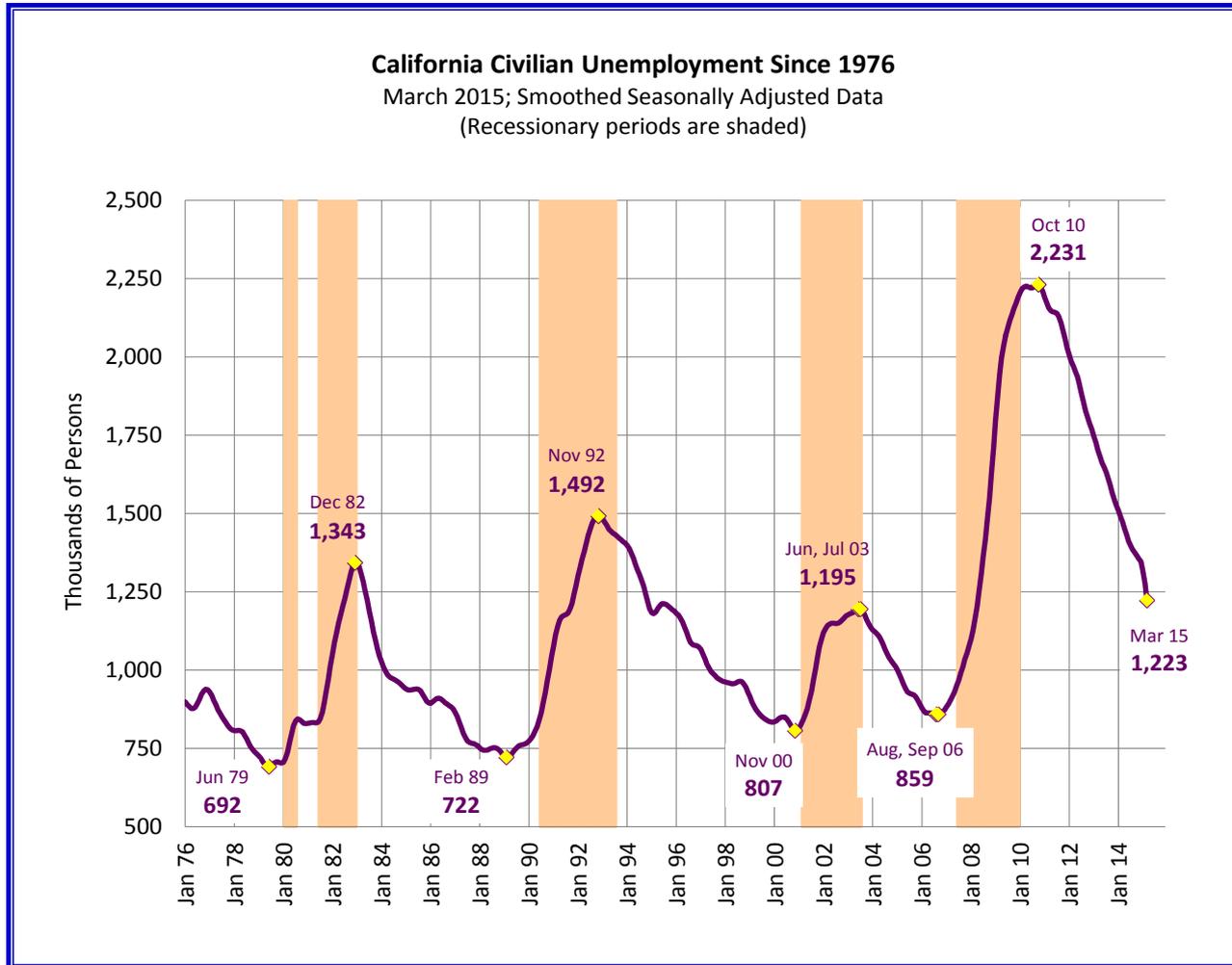


Changes in the Number of Unemployed Americans During the Recession and Recovery

March 2015; Thousands of Persons

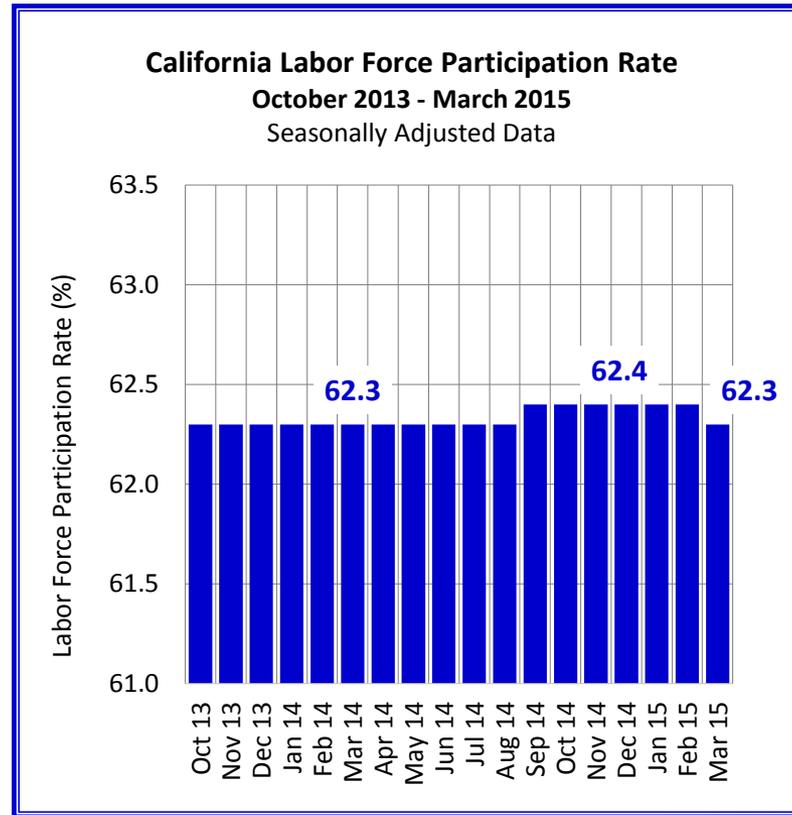
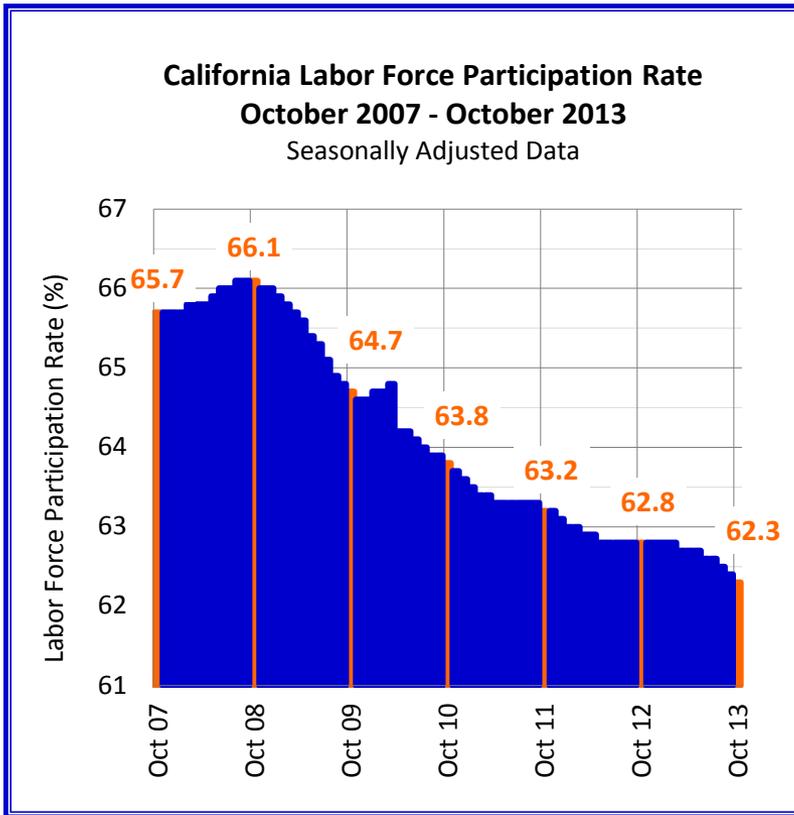


California Civilian Unemployment Since 1976



Labor Force Participation Rates

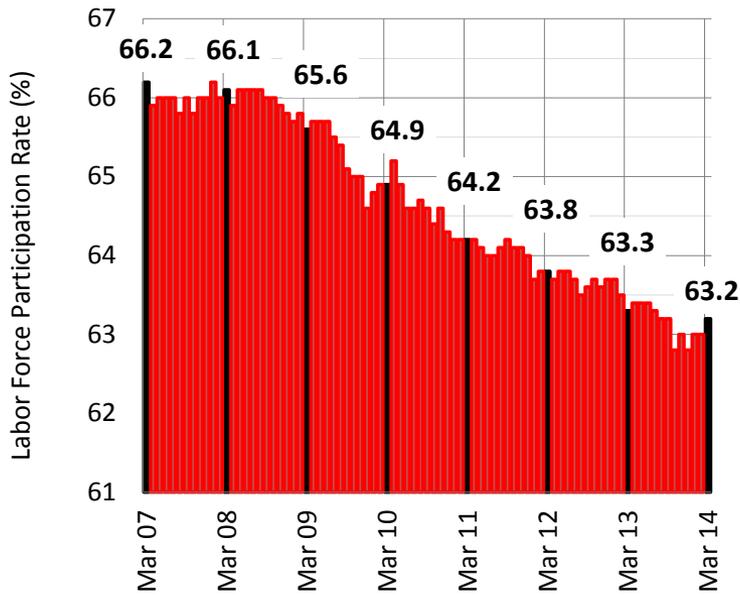
After falling precipitously from 66.1 percent in October 2008 to 62.3 percent in October 2013, labor force participation in California has stabilized...



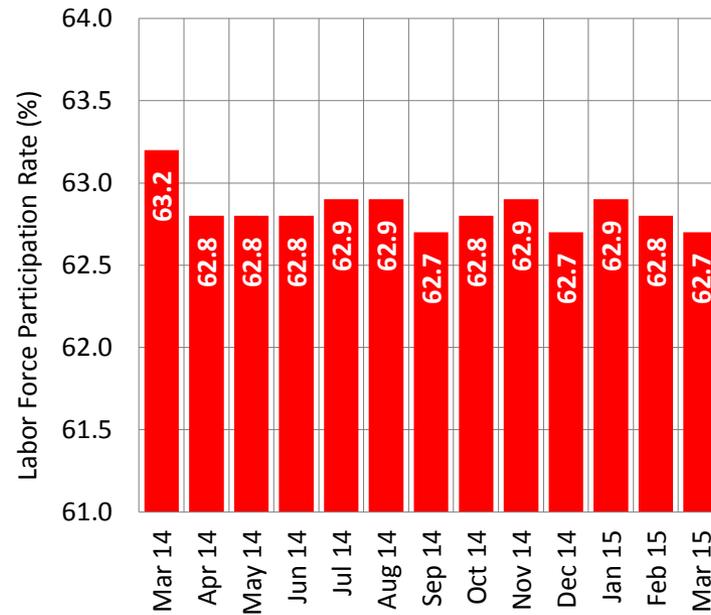
Labor Force Participation Rates

...as it has more recently nationally.

U.S. Labor Force Participation Rate
March 2007 - March 2014
Seasonally Adjusted Data

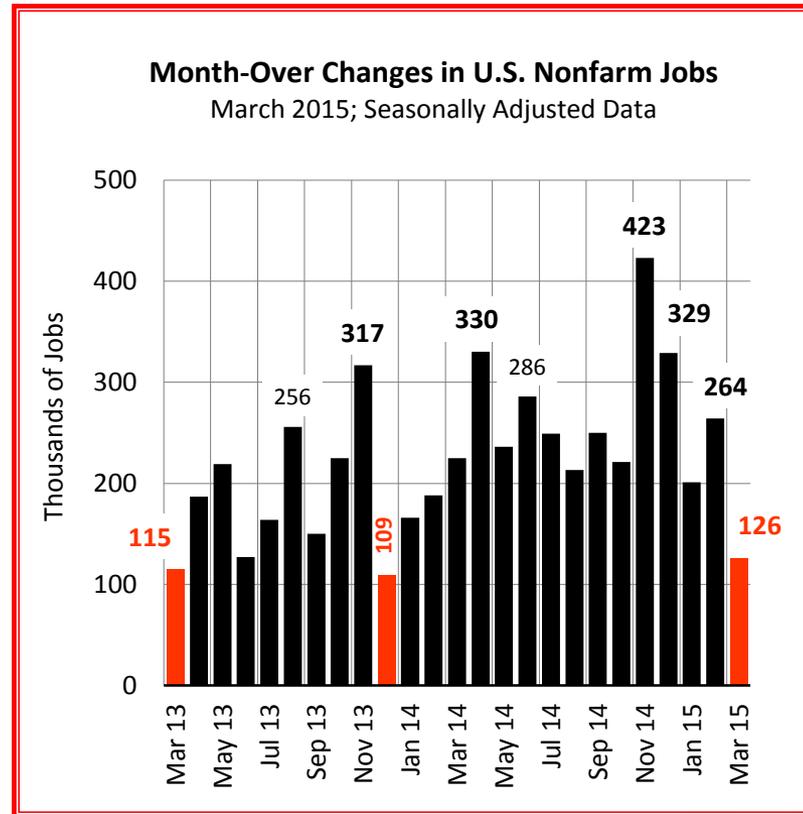
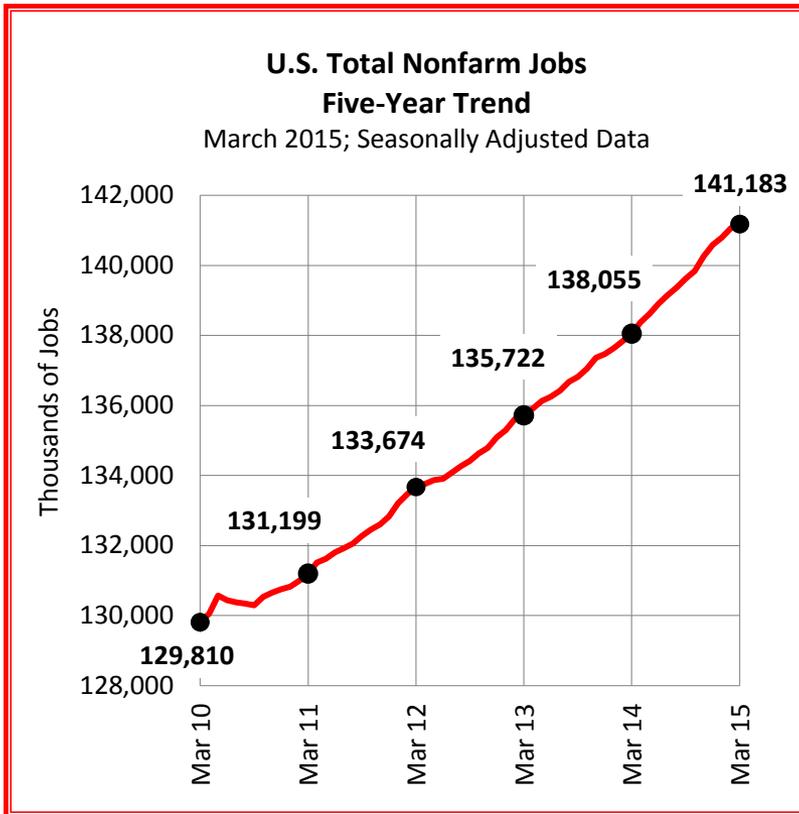


U.S. Labor Force Participation Rate
March 2015; Seasonally Adjusted Data



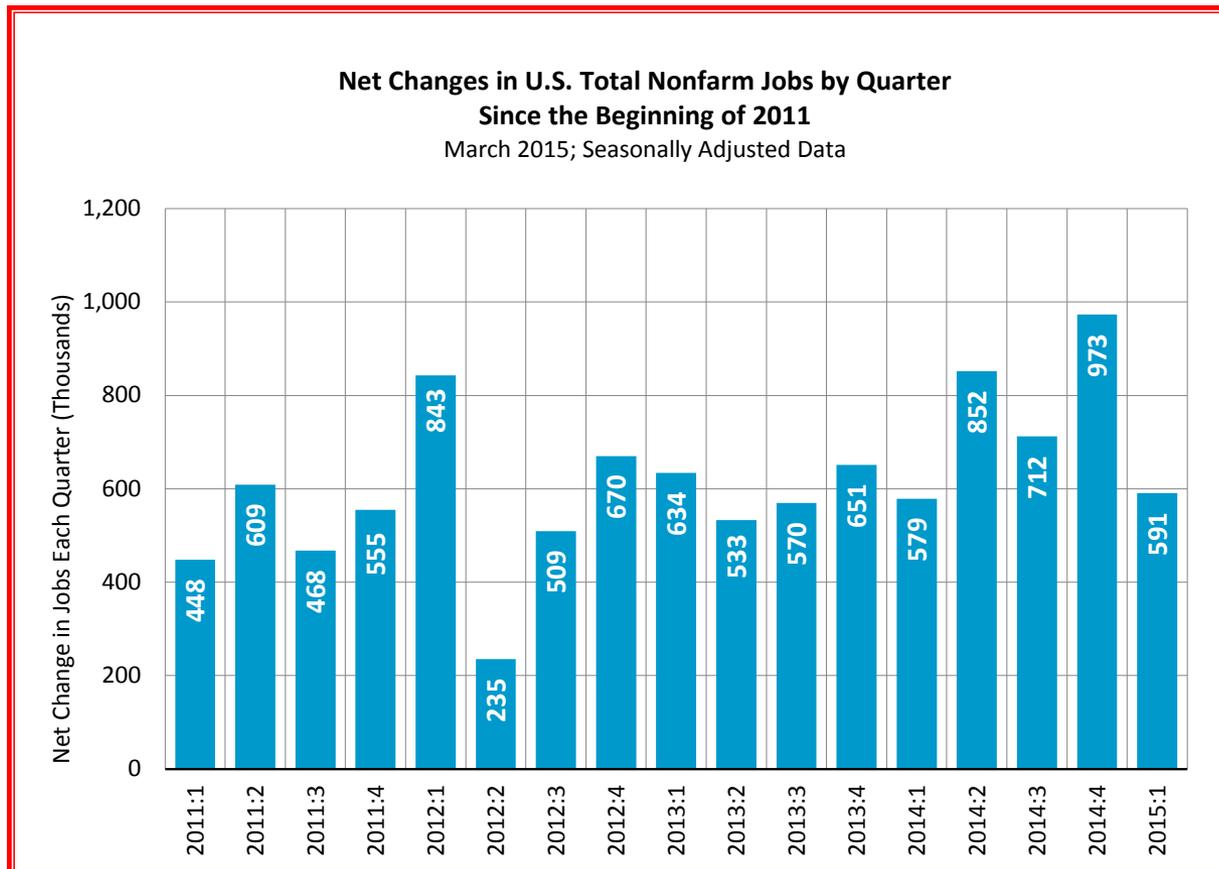
U.S. Total Nonfarm Payrolls, March 2015

The U.S. experienced its 54th consecutive month of job growth in March 2015, gaining 126,000 jobs. However, this gain broke a streak of 11 gains of at least 200,000 jobs and was the nation's smallest gain since a 109,000-job gain in December 2013.



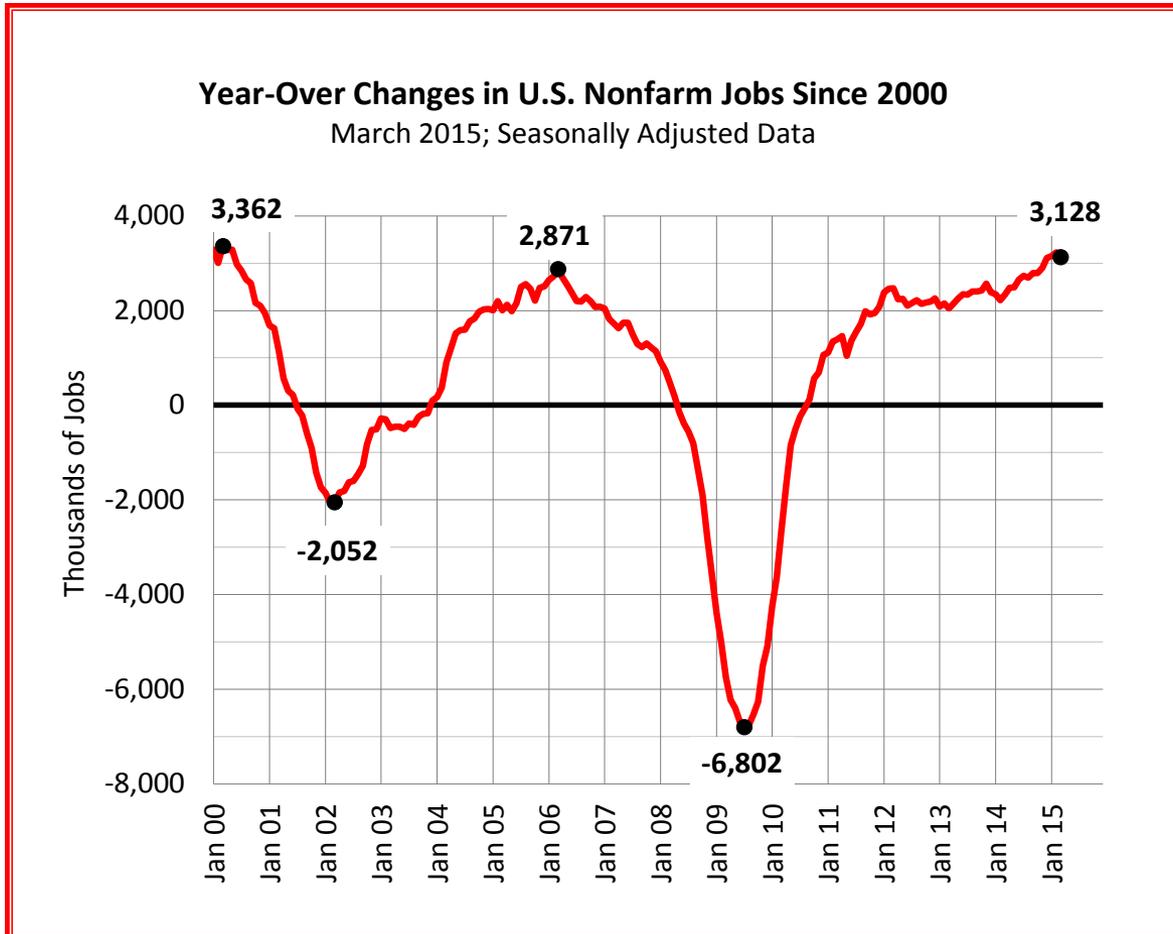
U.S. Total Nonfarm Payrolls, March 2015

The nation gained 973,000 nonfarm jobs in the fourth quarter of 2014. This was its strongest quarter of job growth in the current expansion. However, the nation gained just 591,000 jobs during the first quarter of 2015. This was its weakest quarter of job growth since the first quarter of 2014. However, the data do not as yet signal a slowdown in the national recovery. Harsh winter weather likely dampened economic activity in the first quarter of both 2014 and 2015.



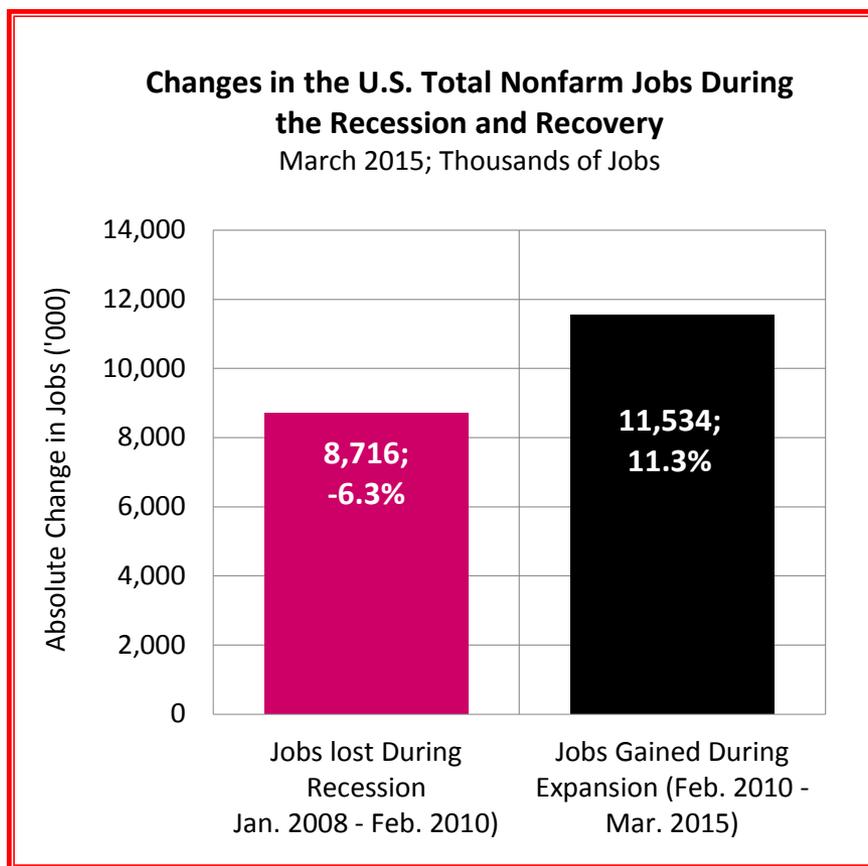
U.S. Total Nonfarm Payrolls, March 2015

Longer time horizons continue to show that the nation is experiencing strong job growth. The nation gained 3.1 million jobs over the year ending in March 2015, a gain of 2.3 percent. The U.S. hasn't experienced a spurt of year-over job growth this strong since the first half of 2000.



Economic Recovery Progress Report: Total Nonfarm Employment

The nation has recovered all the jobs that it lost during the recession and surpassed that total by 2.8 million jobs.

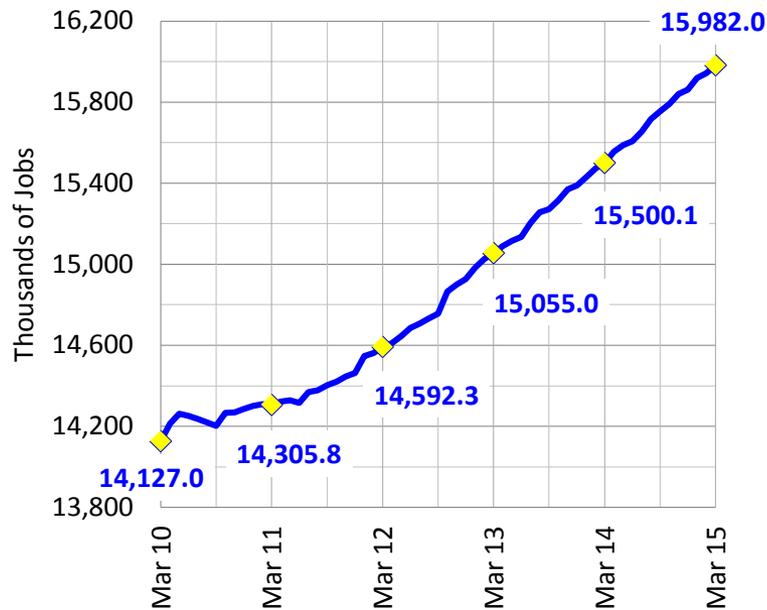


California Total Nonfarm Payrolls, March 2015

California total nonfarm payrolls were revised upwards during annual benchmark revisions, resulting in even stronger job growth trends than were first estimated. The state added 39,800 jobs in March 2015, pushing total nonfarm employment to just shy of 16 million jobs. California has now experienced 45 consecutive months of job growth.

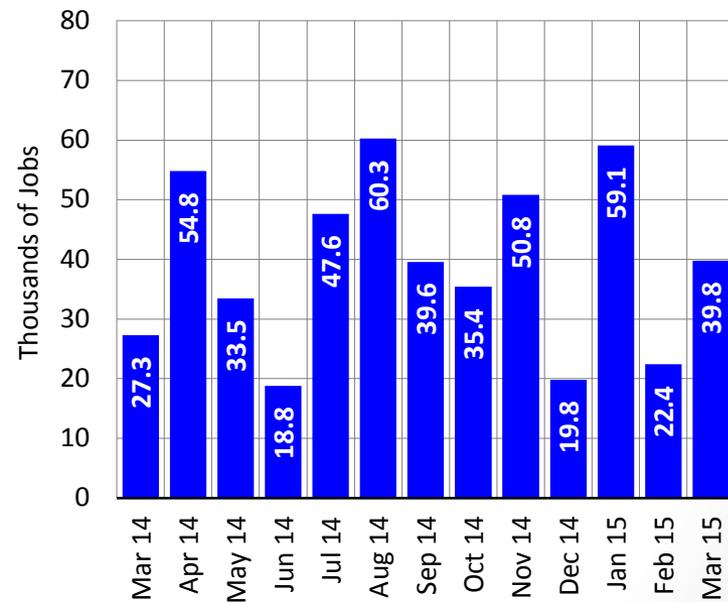
California Total Nonfarm Payroll Jobs Five-Year Trend

March 2015; Seasonally Adjusted Data



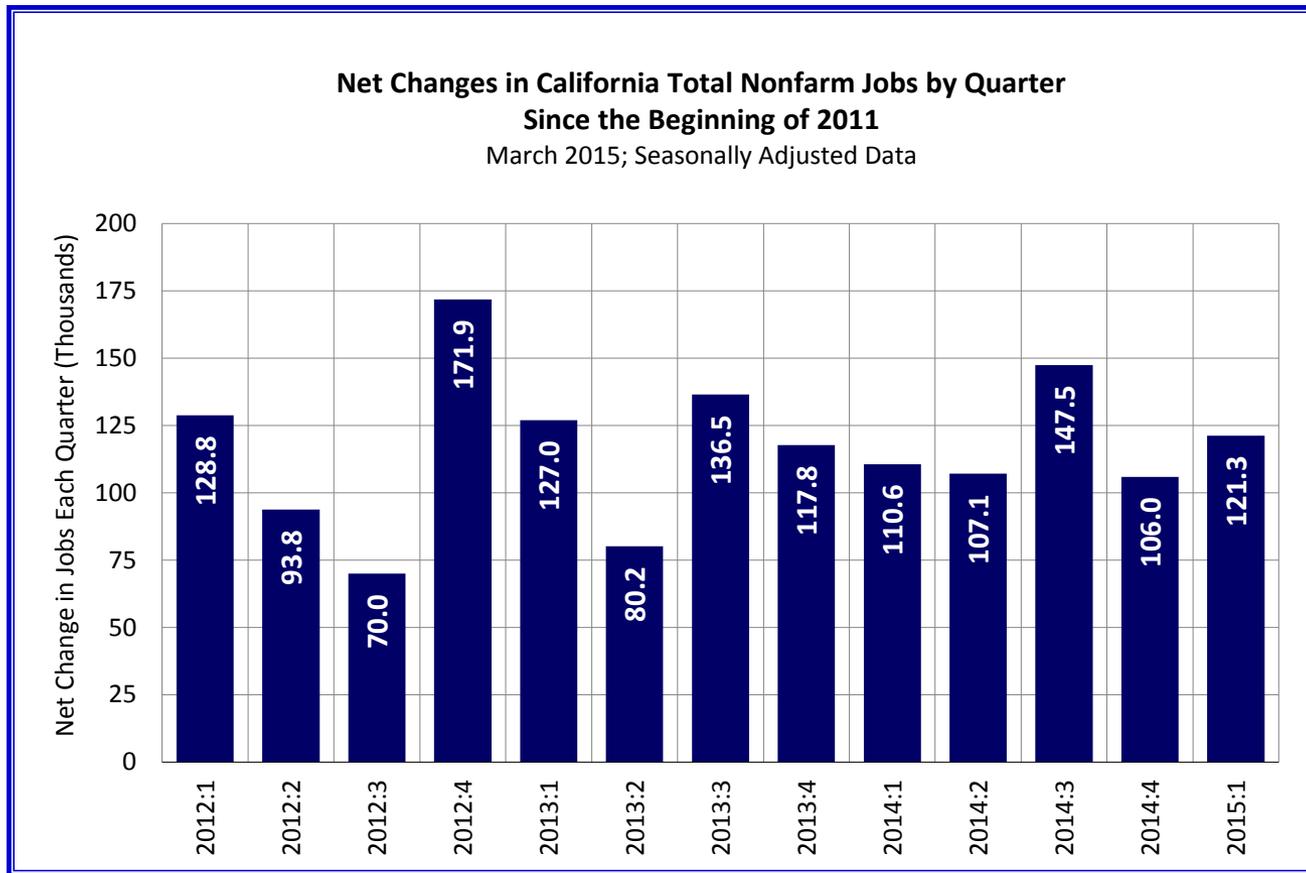
Month-Over Changes in California Total Nonfarm Jobs

March 2015; Seasonally Adjusted Data



California Total Nonfarm Payrolls, March 2015

Unlike the nation, job growth strengthened somewhat in the first quarter of 2015 in drought-stricken California, where prevailing weather conditions were warm and dry.

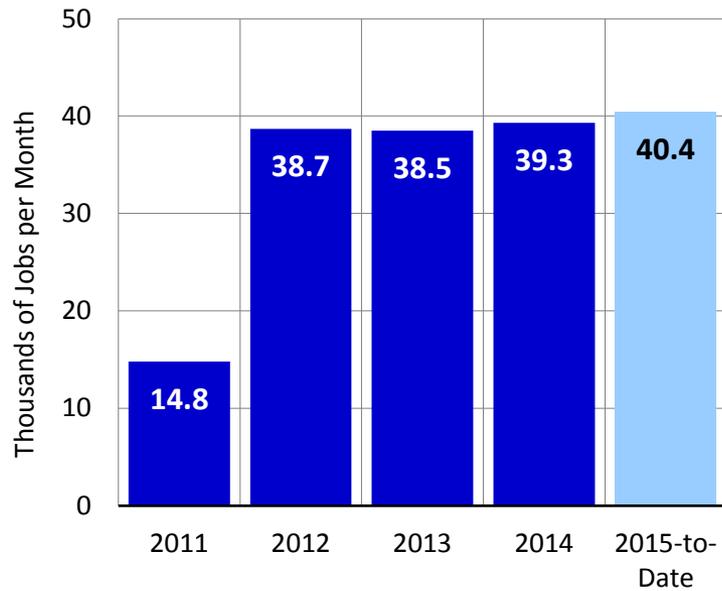


California Total Nonfarm Payrolls, March 2015

Thus far in 2015, California's job growth has been very much on trend.

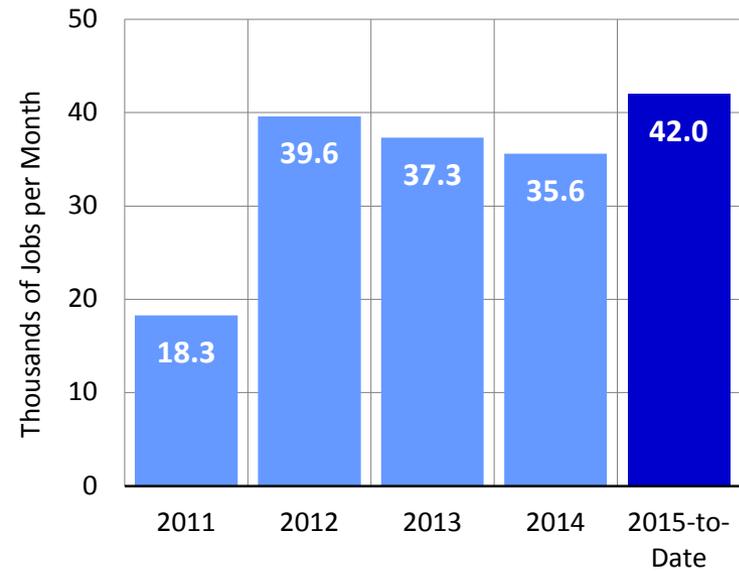
Average Monthly Changes in California Nonfarm Payroll Jobs

March 2015; Seasonally Adjusted Data



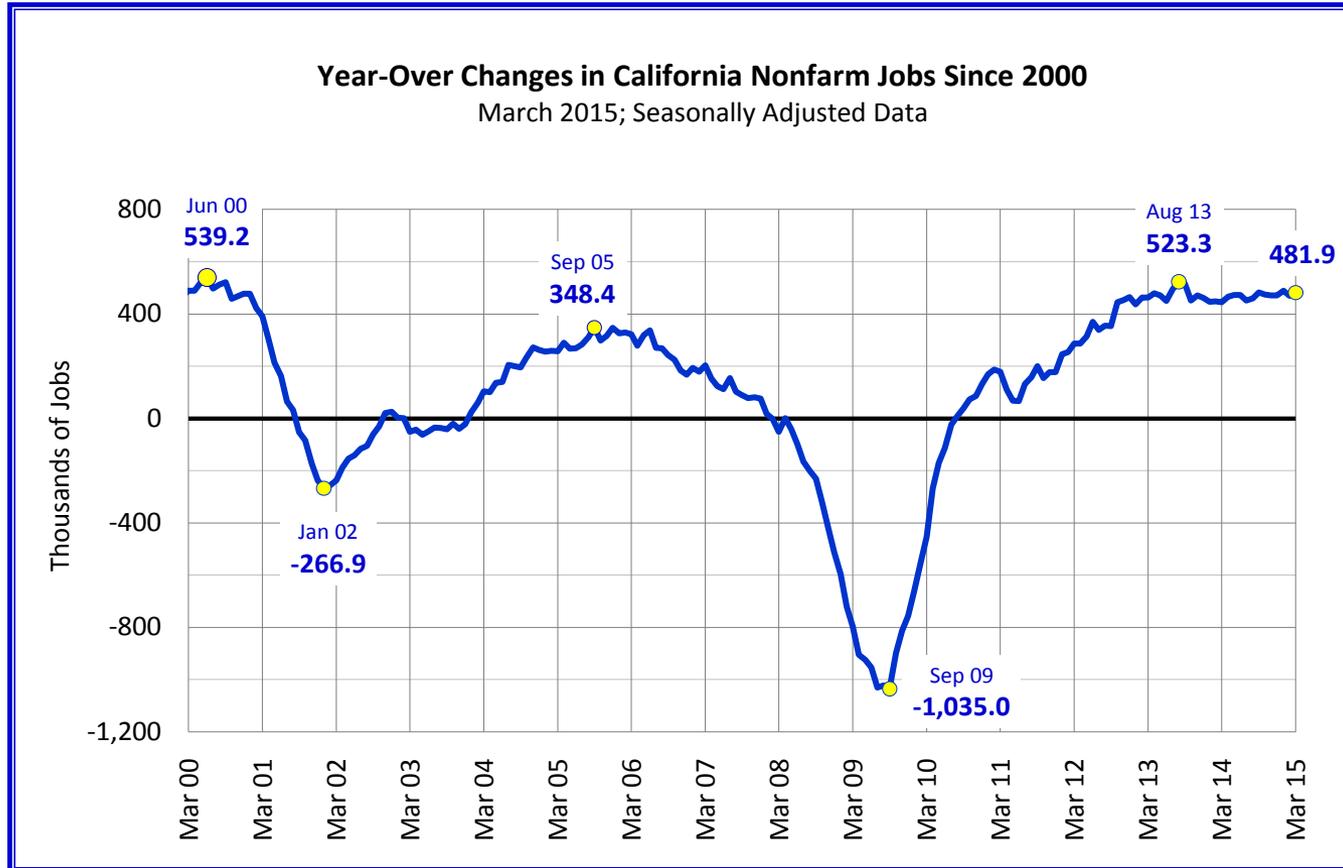
Average Monthly Changes in California Private Nonfarm Employment

March 2015; Seasonally Adjusted Data



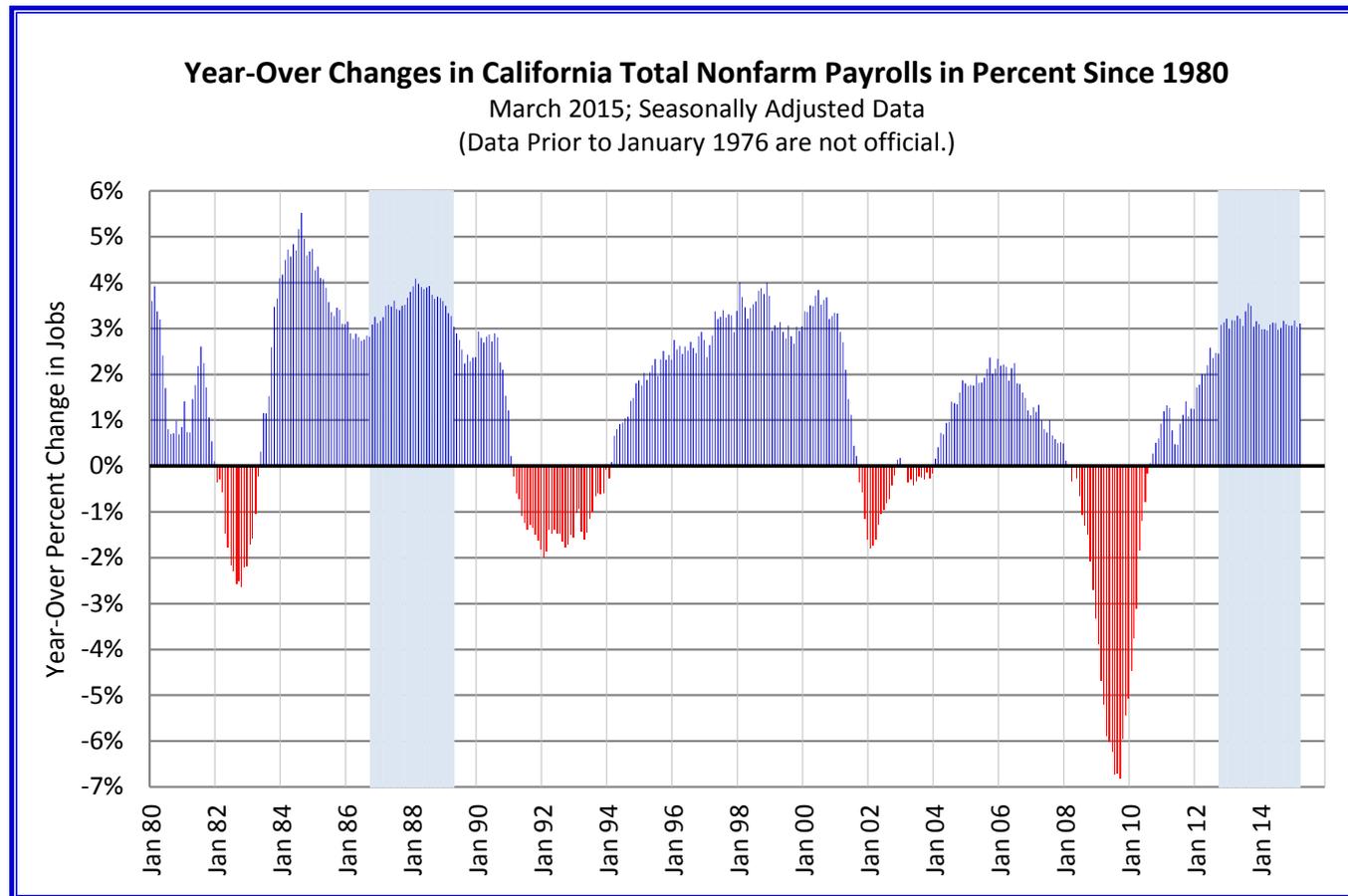
California Total Nonfarm Payrolls, March 2015

California's year-over job gains totaled 481,900 jobs in March 2015, a gain of 3.1 percent. California's recent job growth continues at a pace not seen since the tech boom in 2000.



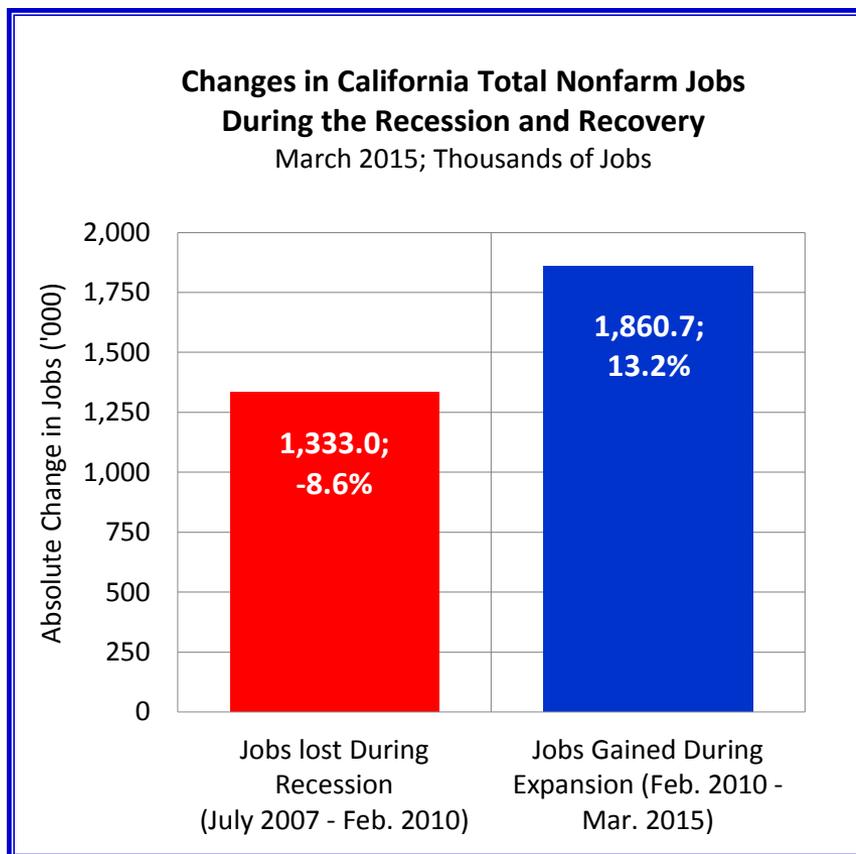
California Total Nonfarm Payrolls, March 2015

In fact, March 2015 marked the 30th consecutive month in which California has experienced year-over job gains of at least 400,000 jobs or 3.0 percent. The last time California could sustain such a long stretch of year-over growth of 3.0 percent or more was from October 1986 through April 1989. Although job growth was often stronger overall, the longest such stretch of job growth the state could sustain during the May 1993-January 2001 high tech boom was 17 months.



Economic Recovery Progress Report: Total Nonfarm Employment

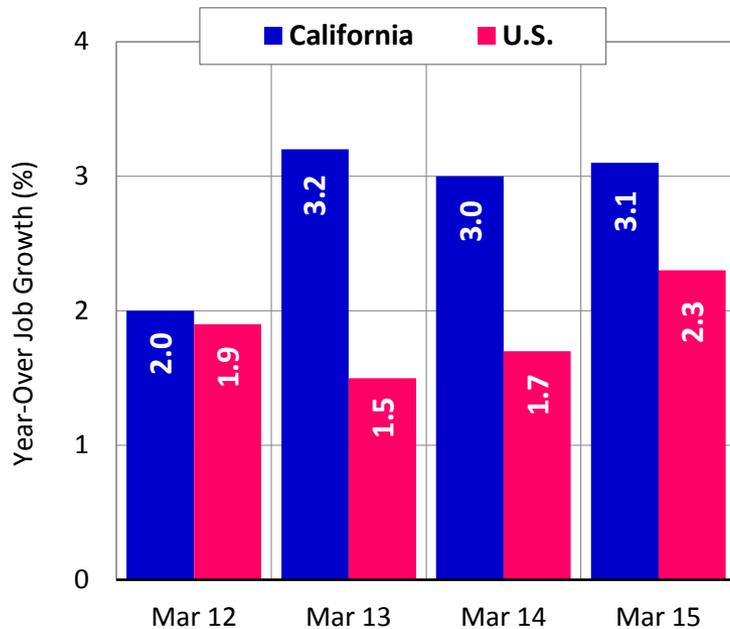
California has recovered all the jobs that it lost during the recession and surpassed that total by 527,700 jobs.



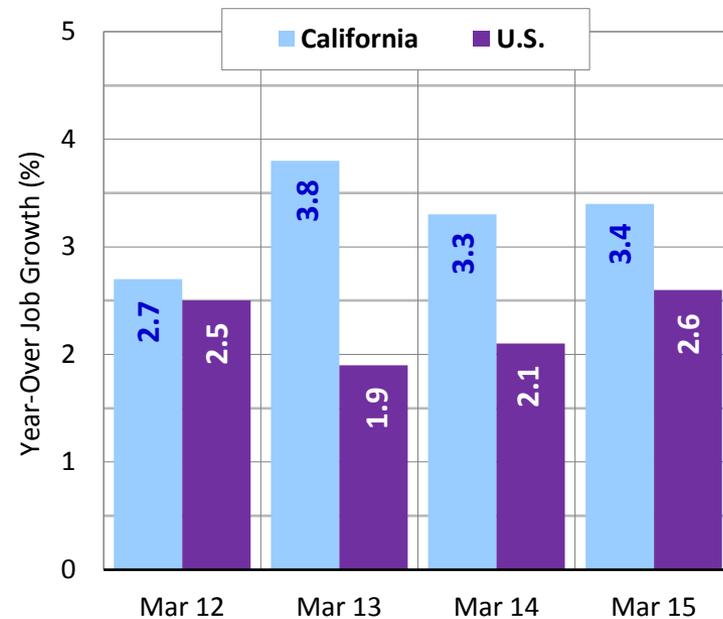
California Total Nonfarm Payrolls, March 2015

California continues to enjoy a much stronger pace of year-over job growth than the nation.

**U.S. and California Nonfarm Employment:
Year-Over Percent Change**
March 2012 - March 2015



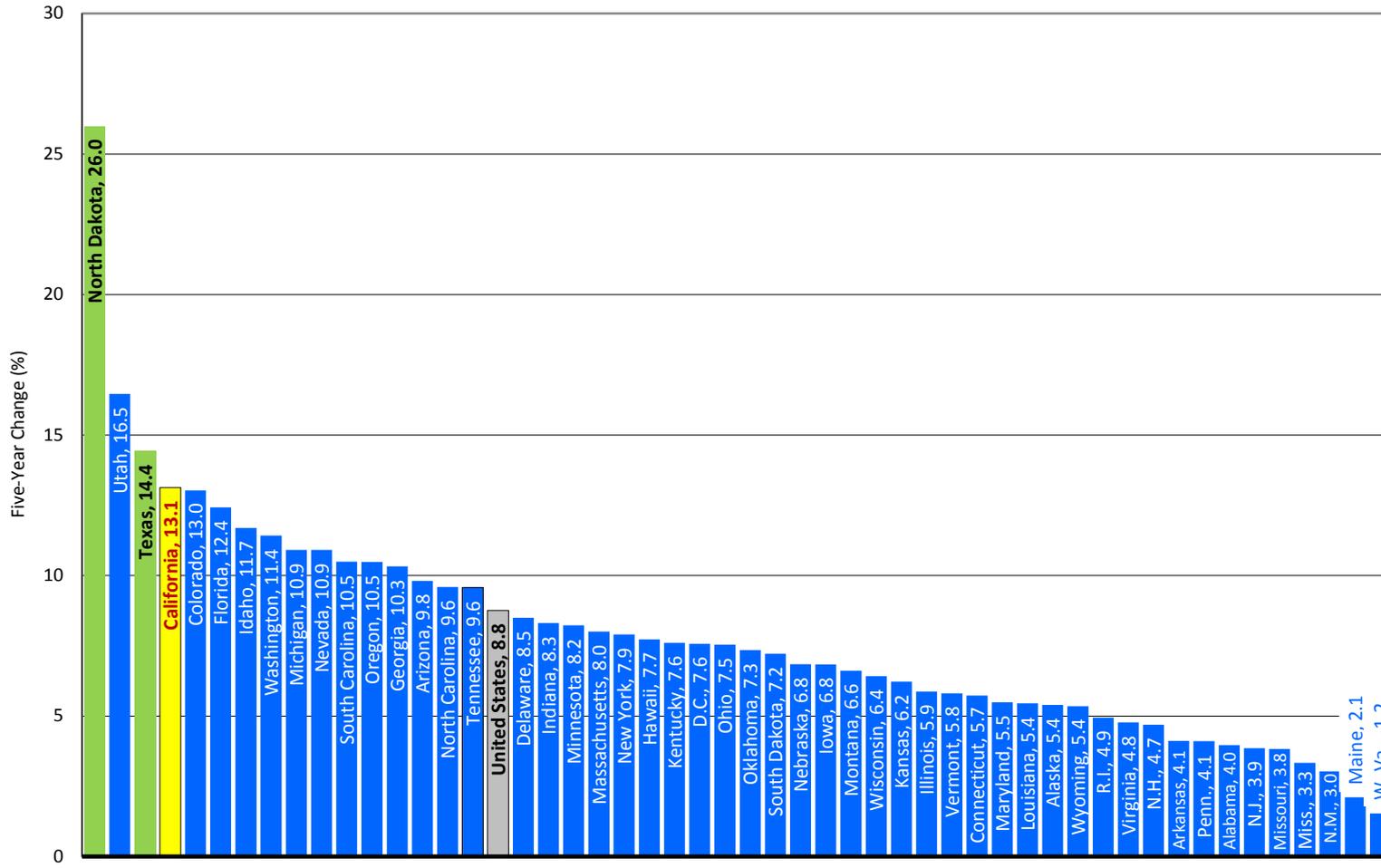
**U.S. and California Private Nonfarm
Employment: Year-Over Percent Changes**
March 2012 - March 2015



California's 13.1 percent job gain over the last five years ranks fourth largest among states, trailing only North Dakota, Utah, and Texas.

Five-Year Percent Changes in State Nonfarm Payrolls

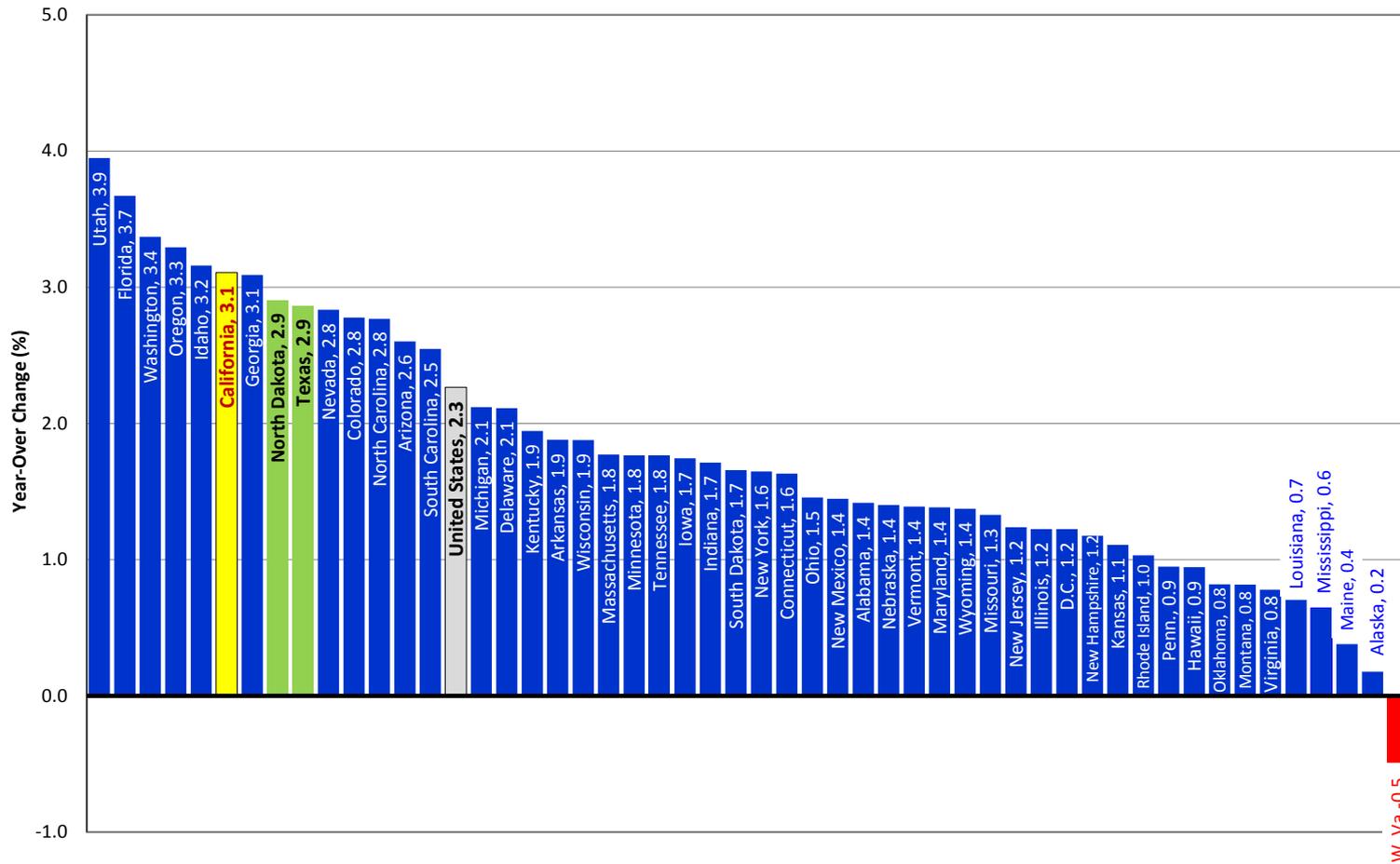
(March 2015: Seasonally Adjusted Data)



California's 3.1 percent year-over job gain in March 2015 ranked fifth among states. Meanwhile, the oil boom states of North Dakota and Texas have begun falling back to earth...

Year-Over Percent Changes in State Nonfarm Payrolls

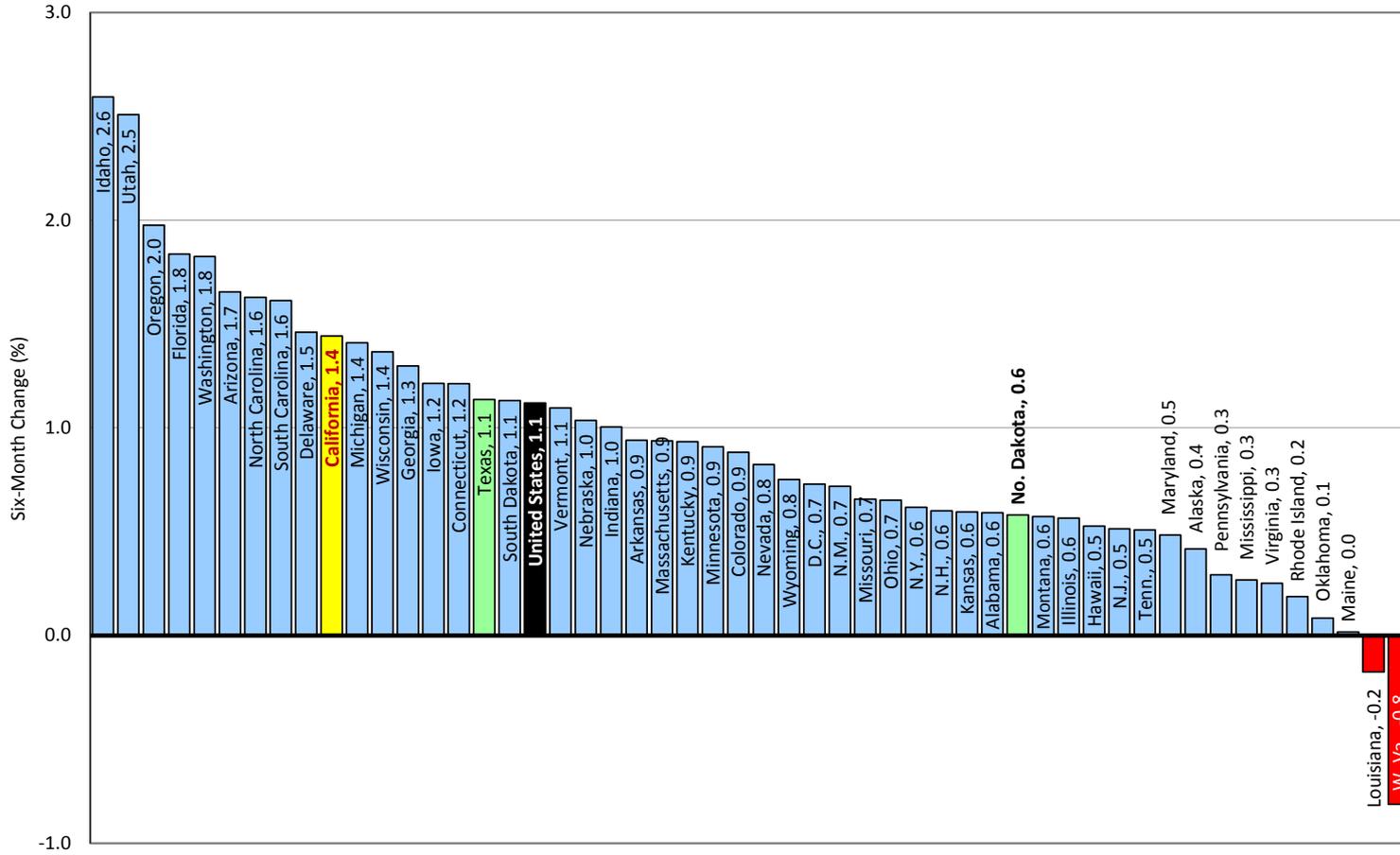
(March 2015: Seasonally Adjusted Data)



...particularly in the last six months.

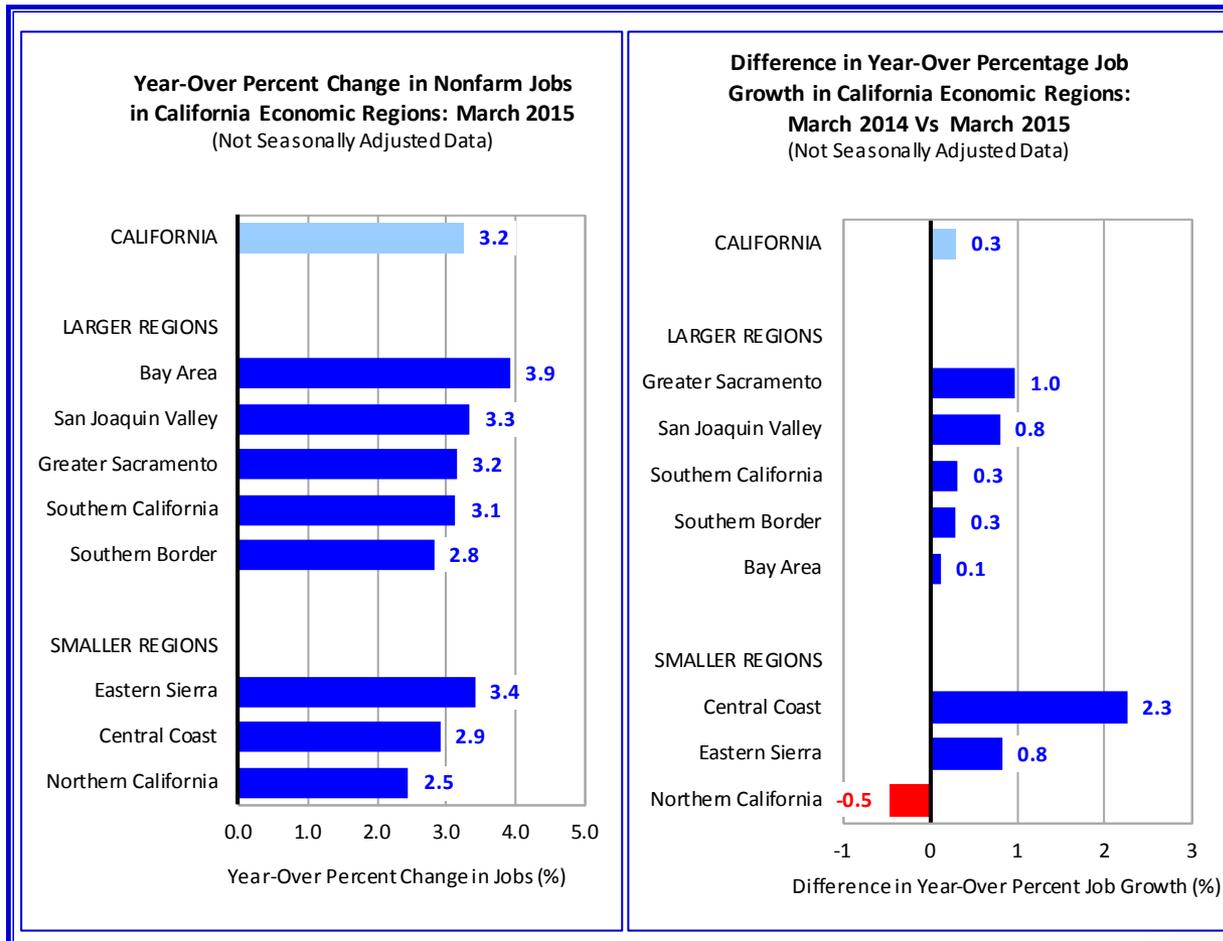
Six-Month Percent Changes in State Nonfarm Payrolls

(March 2015: Seasonally Adjusted Data)



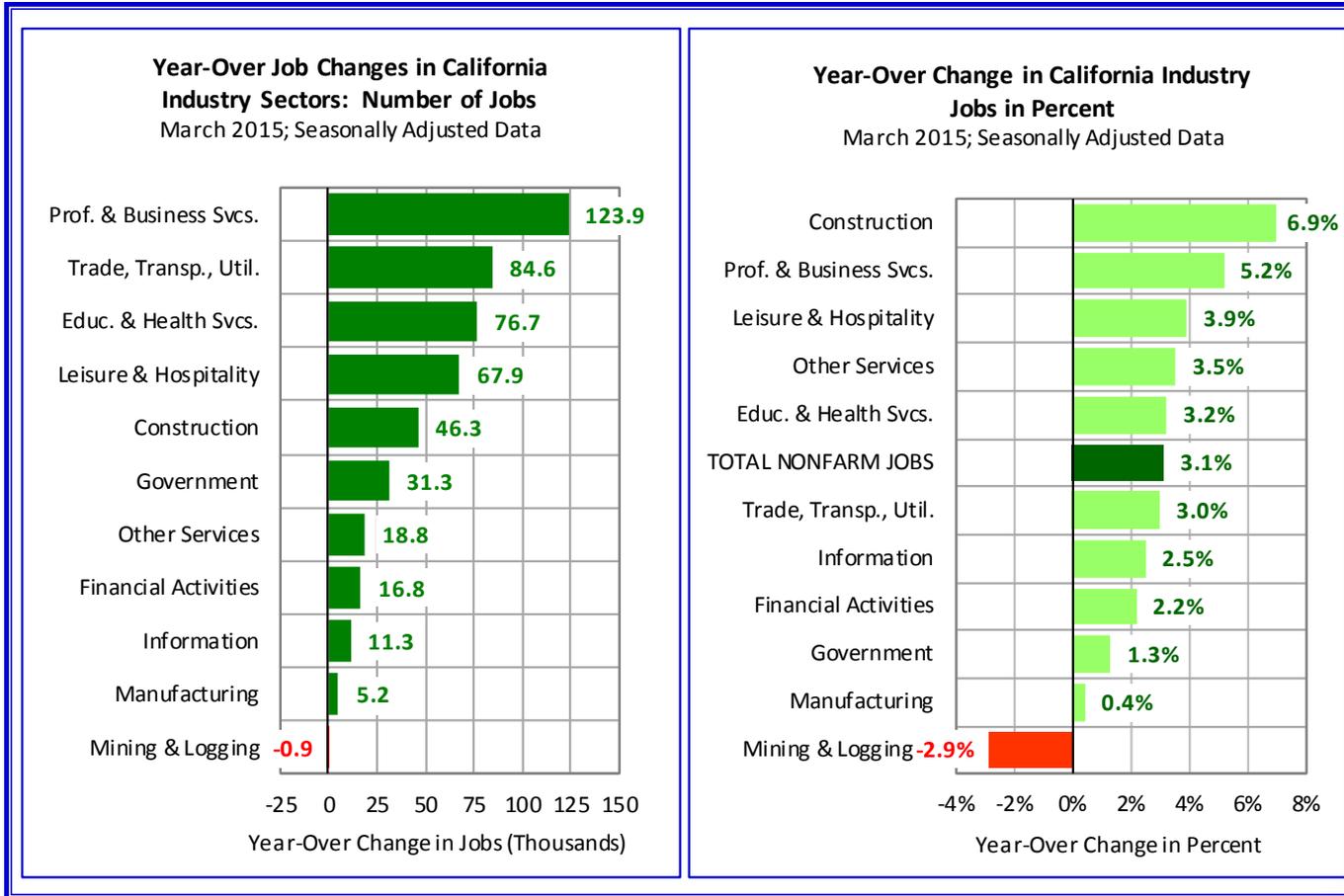
Regional Job Growth in California, March 2015

All regions of California experienced year-over job growth in March 2015. San Francisco Bay Area, Eastern Sierra, and San Joaquin Valley experienced the fastest growth, while Northern California, Southern Border, and Central Coast experienced the weakest growth. However, the difference is primarily one of degree. Moreover, every region but Northern California experienced stronger year-over job growth in March 2015 than in March 2014.



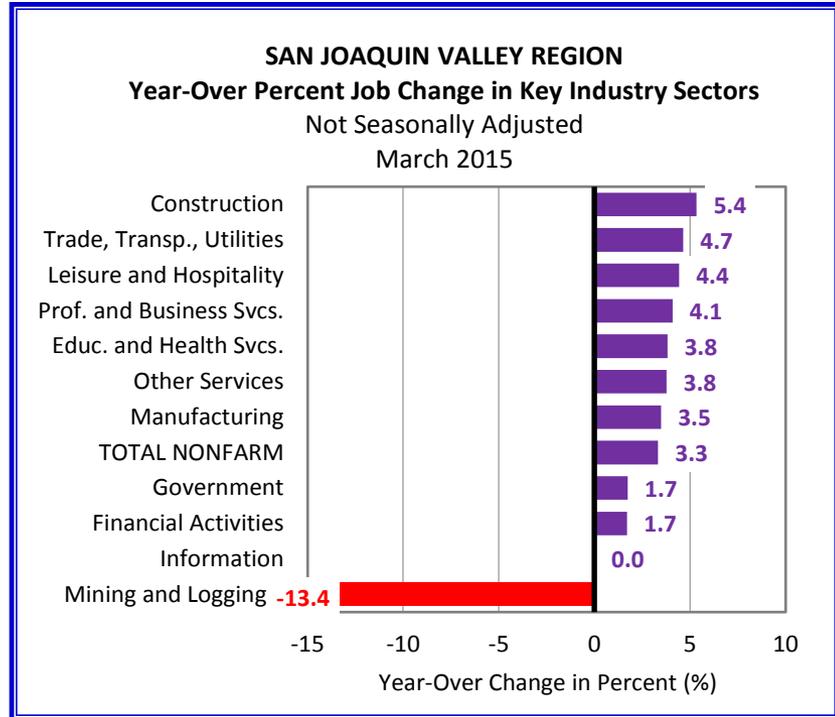
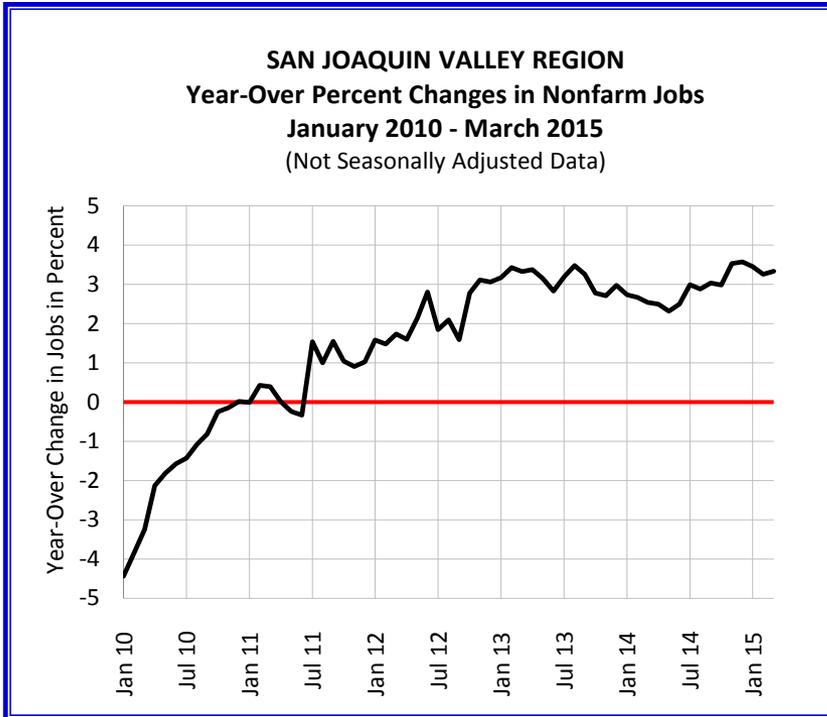
Industry Sector Job Growth, March 2015

All California industry sectors except mining and logging added jobs over the year ending in March 2015. Drought appears to have had a negligible impact on job growth—at least at the state level.



Impacts of Drought on Regional Employment: The Nonfarm Economy

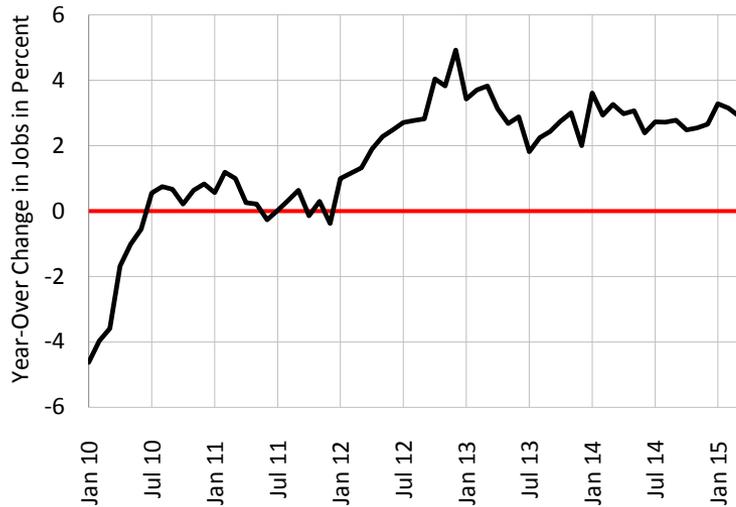
California's ongoing drought does not appear to have had much of an impact as yet on nonfarm employment in California's most agriculturally-oriented regions.



Impacts of Drought on Regional Employment: The Nonfarm Economy

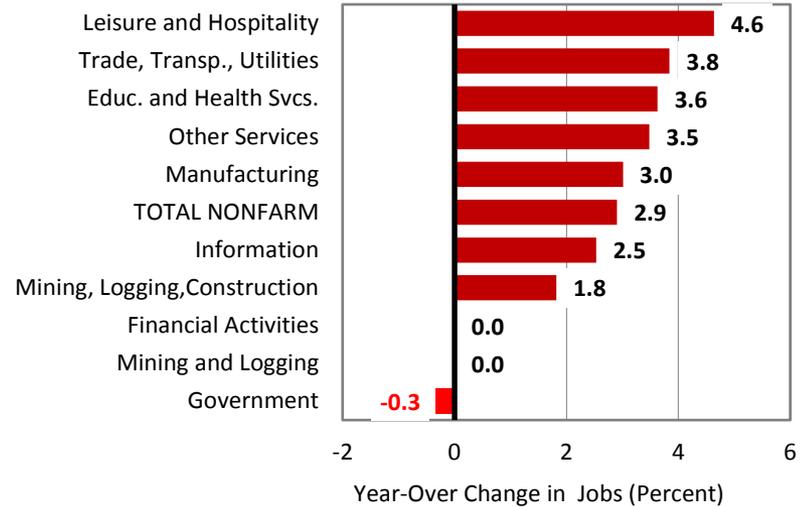
COASTAL REGION

Year-Over Percent Changes in Nonfarm Jobs
January 2010 - March 2015
(Not Seasonally Adjusted Data)



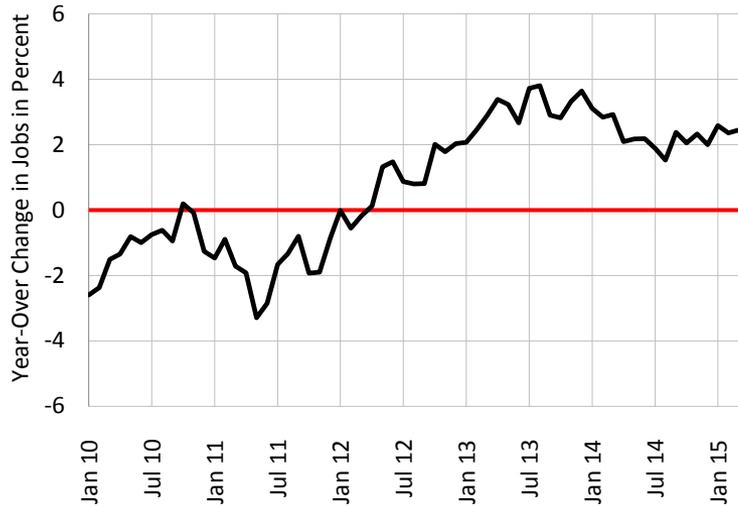
COASTAL REGION

Year-Over Percent Job Change in Key Industry Sectors
Not Seasonally Adjusted
March 2015

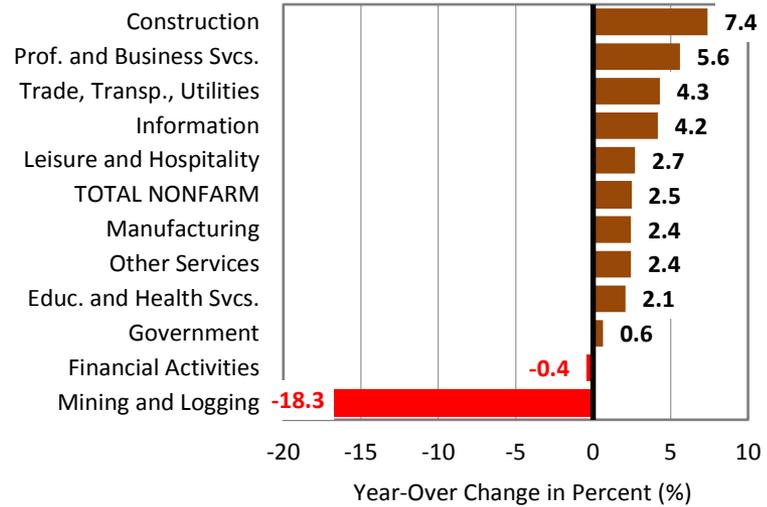


Impacts of Drought on Regional Employment: The Nonfarm Economy

NORTHERN CALIFORNIA REGION
Year-Over Percent Changes in Nonfarm Jobs
January 2010 - March 2015
 (Not Seasonally Adjusted Data)



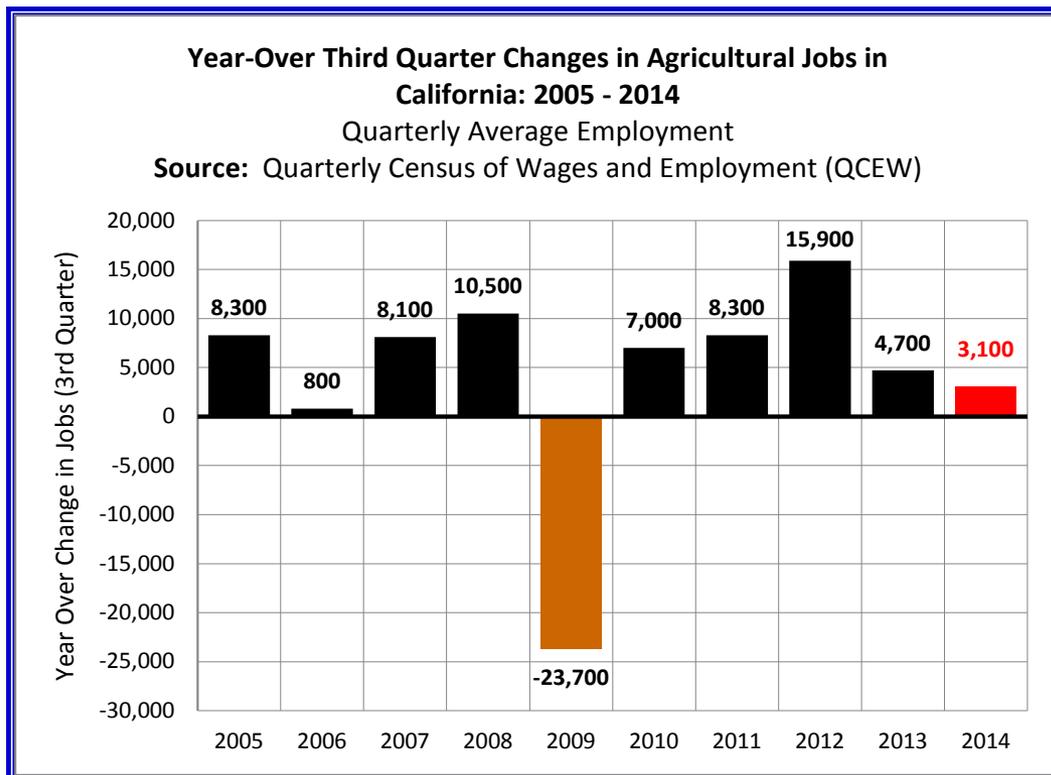
NORTHERN CALIFORNIA REGION
Year-Over Percent Job Change in Key Industry Sectors
 Not Seasonally Adjusted
 March 2015



Impacts of Drought on Agricultural Employment: California

While there is little evidence that drought has affected employment in the nonfarm economy, agriculture is the sector of the economy that is most vulnerable to drought. However, farm employment is difficult to track with existing LMI. Only the Quarterly Census of Wages and Employment (QCEW) contains farm employment data that is derived from reports from agricultural employers. Preliminary QCEW data for the third quarter of 2014, the quarter of peak farm employment, have recently become available.

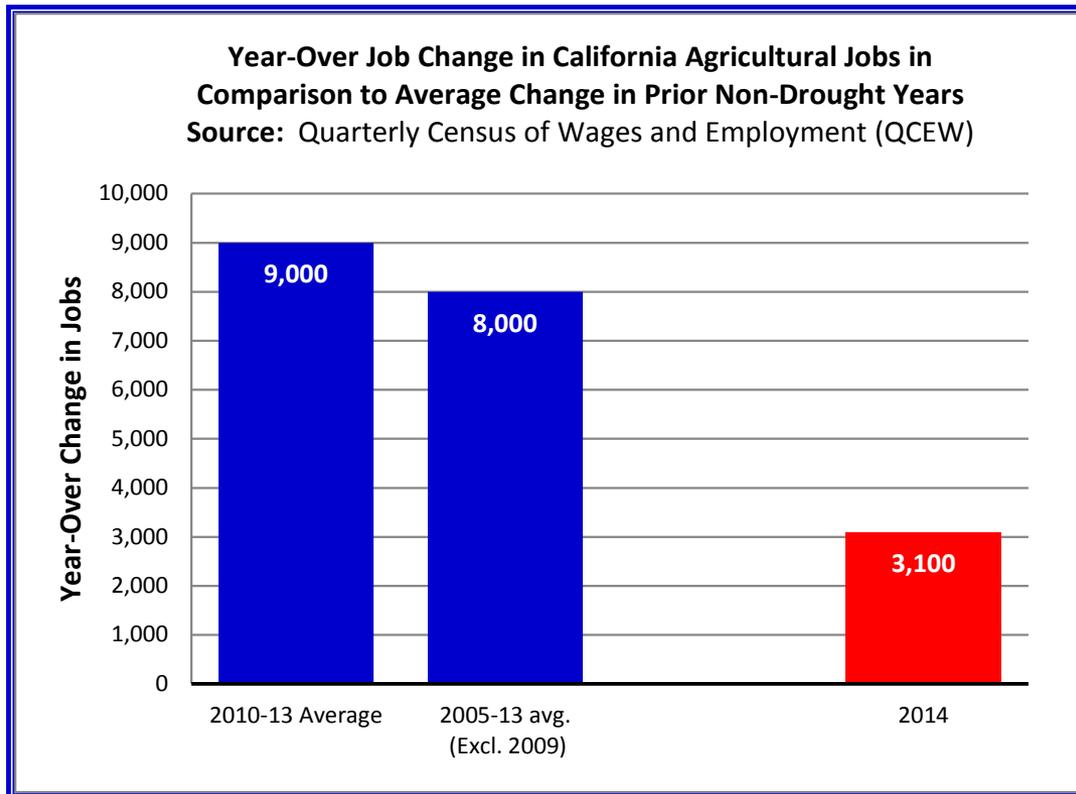
Agricultural employment in California grew from 2013:Q3 to 2014:Q3, despite the drought...



Impacts of Drought on Agricultural Employment: California

...but fell short of the growth one would have expected in the absence of drought.

Support activities for crop production, fruit and tree nut farming, and to a lesser extent, vegetable and melon farming were the agricultural industries that performed more poorly in 2014 than in past non-drought years. In contrast, other crop farming and animal production had stronger than average employment in 2014, despite the drought. Employment in food manufacturing showed no impacts from drought throughout the state.



Impacts of Drought on Agricultural Employment: Coastal Areas

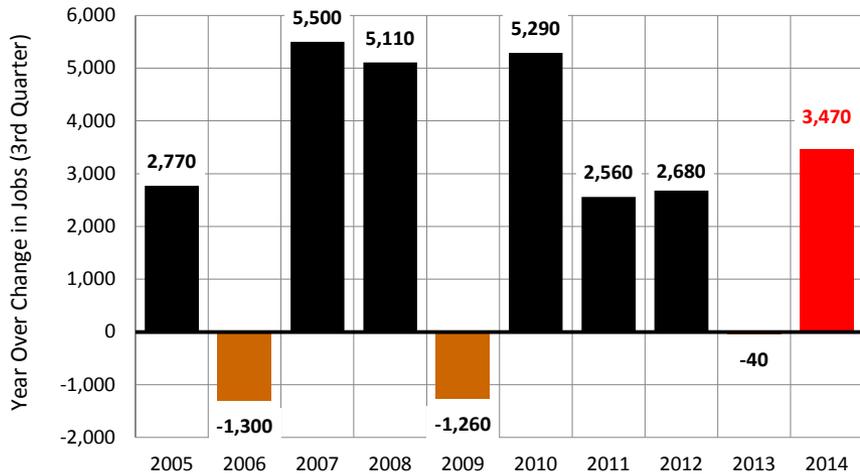
(San Mateo, Santa Cruz, San Benito, Monterey, San Luis Obispo, Santa Barbara, Ventura Counties)

Agricultural employment in coastal areas of California was stronger in 2014 than it was, on average, in prior non-drought years. The employment data suggest some shifting of jobs from fruit and tree nut farming (water-intensive strawberries) into other crop production activities.

Year-Over Third Quarter Changes in Agricultural Jobs in Coastal Areas of California: 2005 - 2014

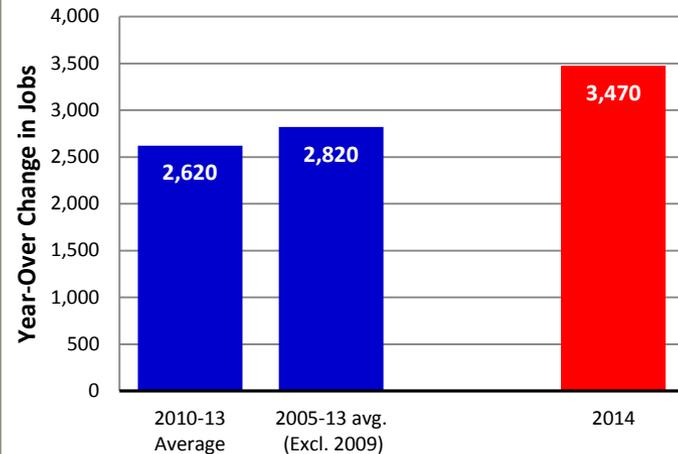
Quarterly Average Employment

Source: Quarterly Census of Wages and Employment (QCEW)



Year-Over Job Change in Coastal Agricultural Jobs in Comparison to Average Change in Prior Non-Drought Years

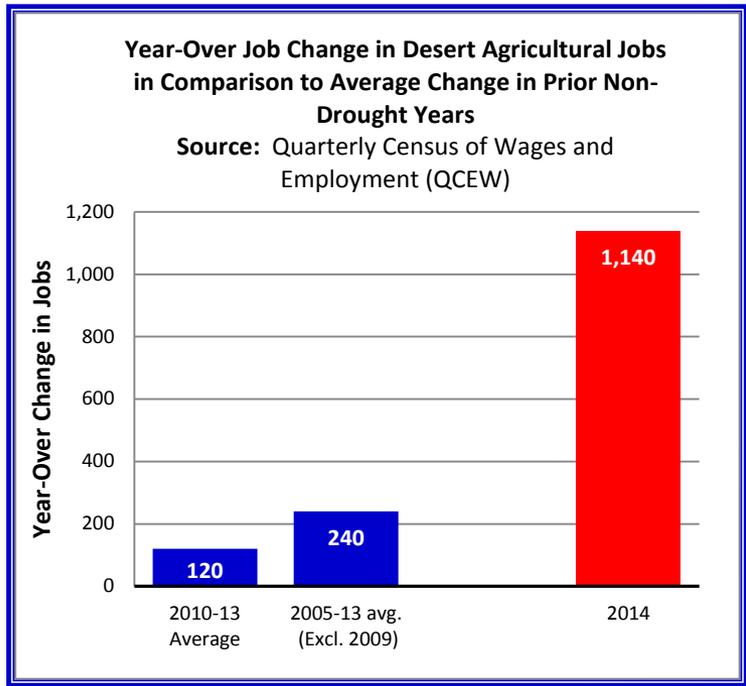
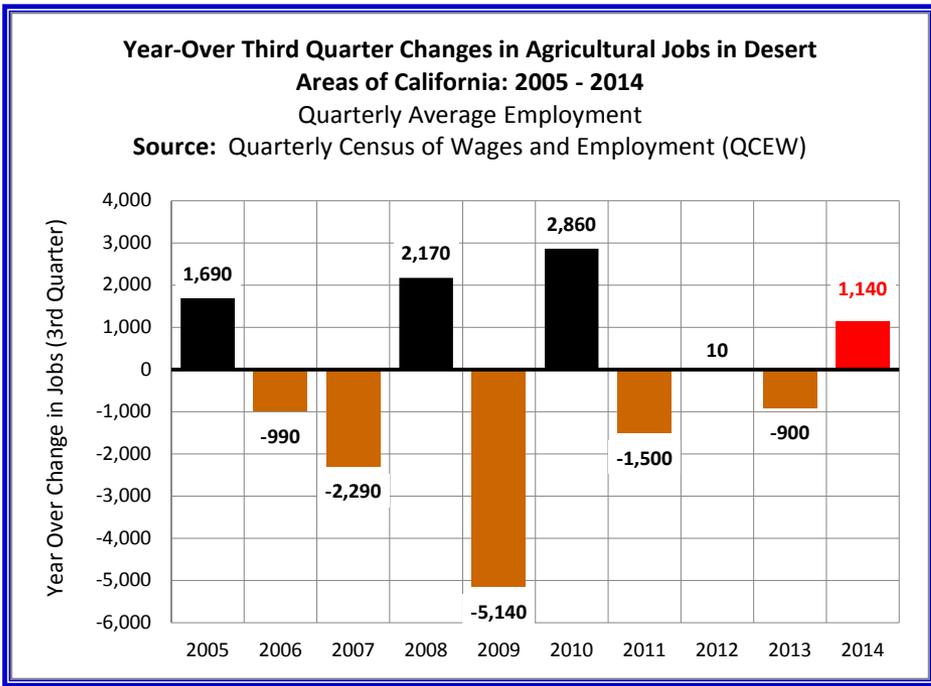
Source: Quarterly Census of Wages and Employment (QCEW)



Impacts of Drought on Agricultural Employment: Desert Areas

(Imperial, Riverside, San Bernardino, San Diego Counties)

Agricultural employment in desert areas of California was stronger in 2014 than it was, on average, in prior non-drought years. There were no changes in water allocations from the Colorado River to these areas in 2014.



Impacts of Drought on Agricultural Employment: Sacramento Valley Areas

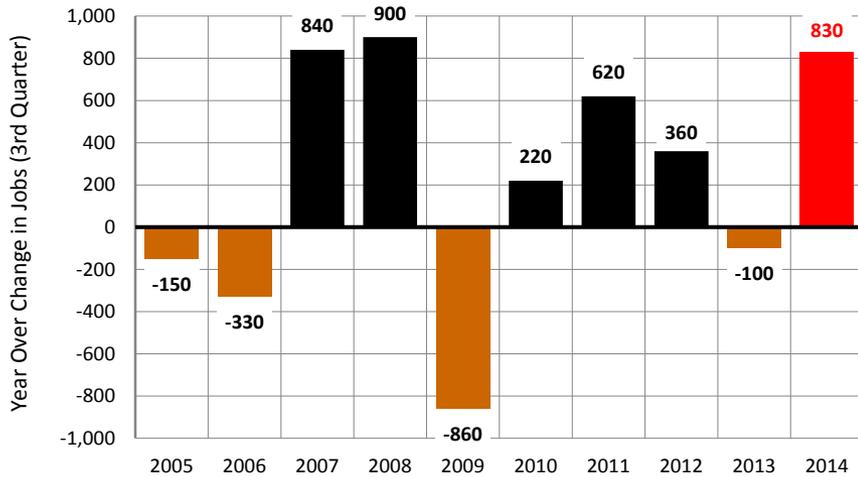
(Butte, Colusa, Glenn, Sacramento, Shasta, Sutter, Tehama, Yolo, Yuba Counties)

Agricultural employment in Sacramento Valley areas of California was stronger in 2014 than it was, on average, in prior non-drought years—despite the concentration of rice production in the region.

**Year-Over Third Quarter Changes in Agricultural Jobs
Sacramento Valley Areas of California: 2005 - 2014**

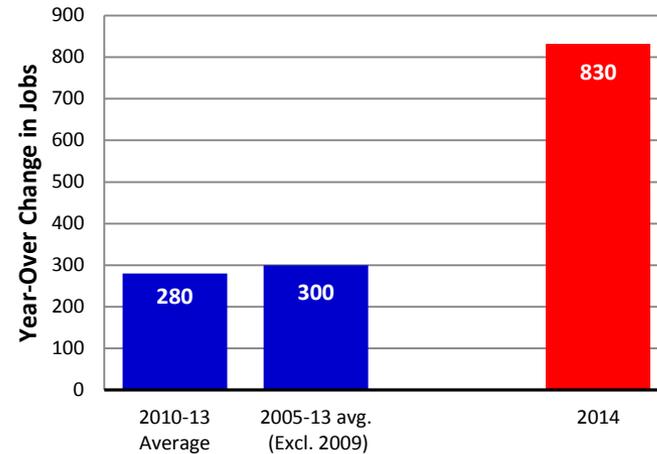
Quarterly Average Employment

Source: Quarterly Census of Wages and Employment (QCEW)



**Year-Over Job Change in Sacramento Valley
Agricultural Jobs in Comparison to Average
Change in Prior Non-Drought Years**

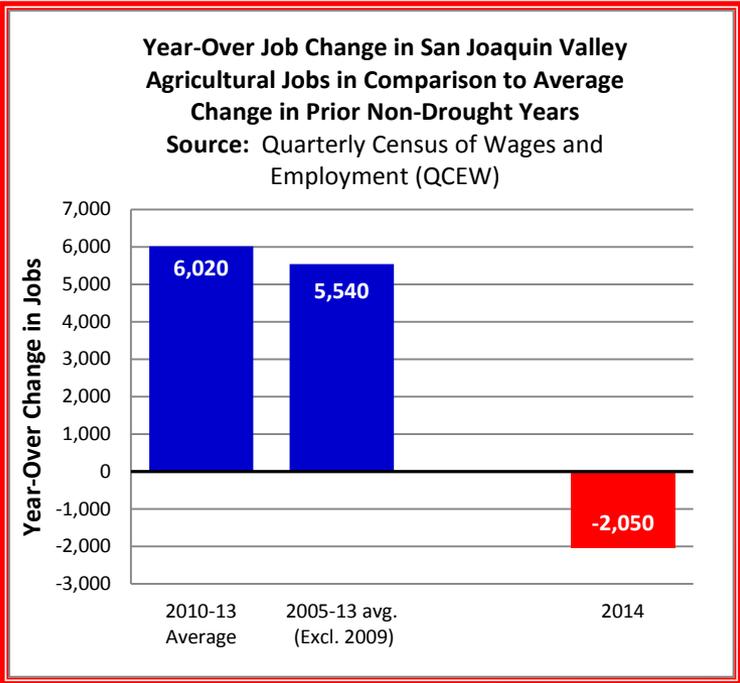
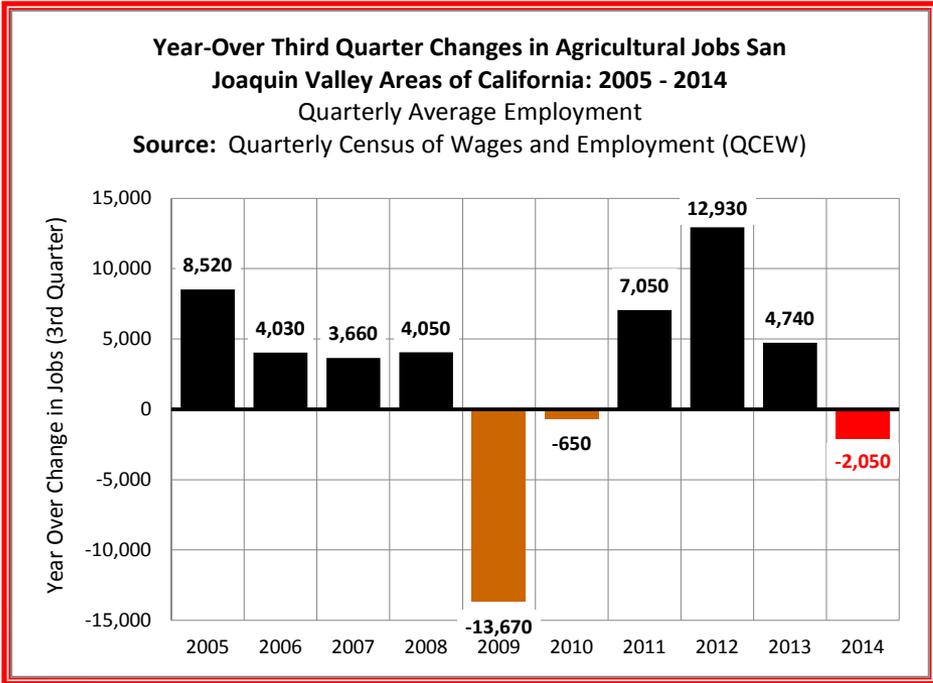
Source: Quarterly Census of Wages and Employment (QCEW)



Impacts of Drought on Agricultural Employment: San Joaquin Valley Areas

(Fresno, Kern, Kings, Madera, Merced, San Joaquin, Stanislaus, Tulare Counties)

San Joaquin Valley was the only agricultural region of California to experience a year-over loss (2,050) of agricultural jobs in 2014Q3. Moreover, agricultural jobs in the region have consistently expanded in recent non-drought years. Estimated job loss due to drought (including growth foregone) = 7,600 to 8,100 jobs. Losses were greatest in Kern County, followed by Fresno and Merced Counties, and concentrated in agricultural support activities and crop production. Fruit and tree nut farming and animal production do not seem to have been affected. The moral of the 2014 drought is that groundwater mitigates its effects. Southern Kern County and western Fresno County are known to have limited groundwater supplies.



Impacts of Drought on Agricultural Employment: San Joaquin Valley Areas

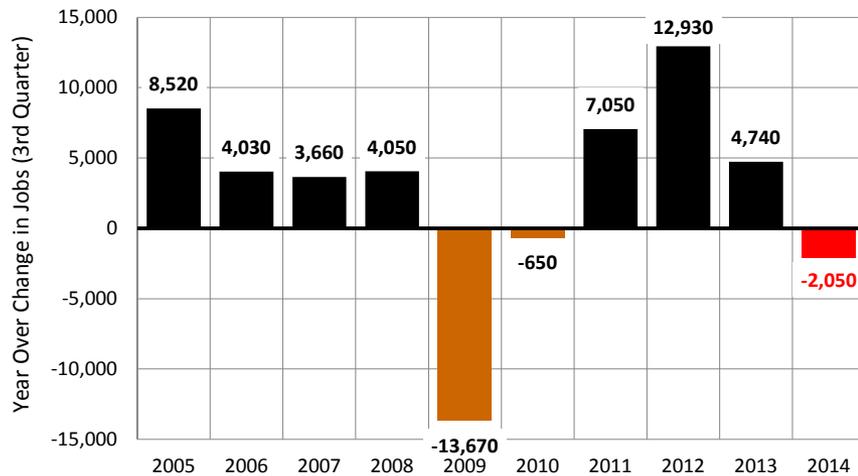
(Fresno, Kern, Kings, Madera, Merced, San Joaquin, Stanislaus, Tulare Counties)

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Year-Over Third Quarter Changes in Agricultural Jobs San Joaquin Valley Areas of California: 2005 - 2014

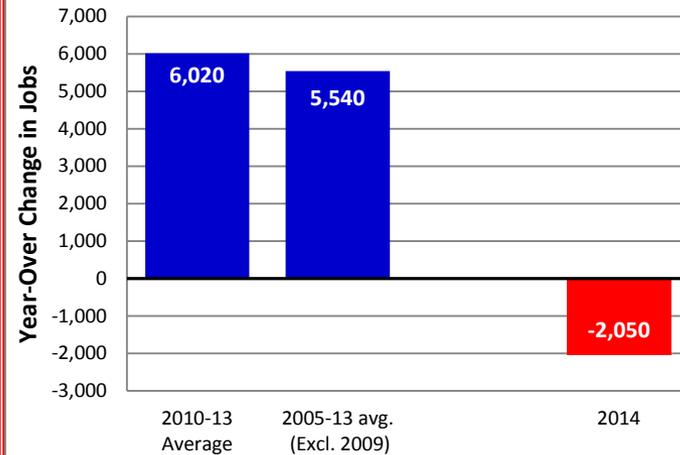
Quarterly Average Employment

Source: Quarterly Census of Wages and Employment (QCEW)



Year-Over Job Change in San Joaquin Valley Agricultural Jobs in Comparison to Average Change in Prior Non-Drought Years

Source: Quarterly Census of Wages and Employment (QCEW)



Observations on Drought

- Although the drought does not seem to have had much, if any, impact on California and regional employment from a macro, or economy-wide, the adverse impacts of a drought tend to be highly localized. Groundwater poor areas of San Joaquin Valley appear to have been most affected to date.
- The adverse effects of a drought intensify and magnify the longer drought persists. While the state economy has weathered the drought so far, what if it were to persist for two or three more years or if we were to receive even less rain than we have the last two years next winter?
- While groundwater helps cushion the effects of drought, it is finite resource that is unevenly distributed. The longer the drought lasts the more groundwater supplies will be exhausted and threatened.
- Restrictions on urban, or consumer, water use have more of a behavioral than economic impact. If the drought were to worsen such that water, food, and energy prices spike or cutbacks are mandated to industrial users of water, there will be more pronounced economic effects.