

Economic Update
LMID Advisory Group
October 24, 2013

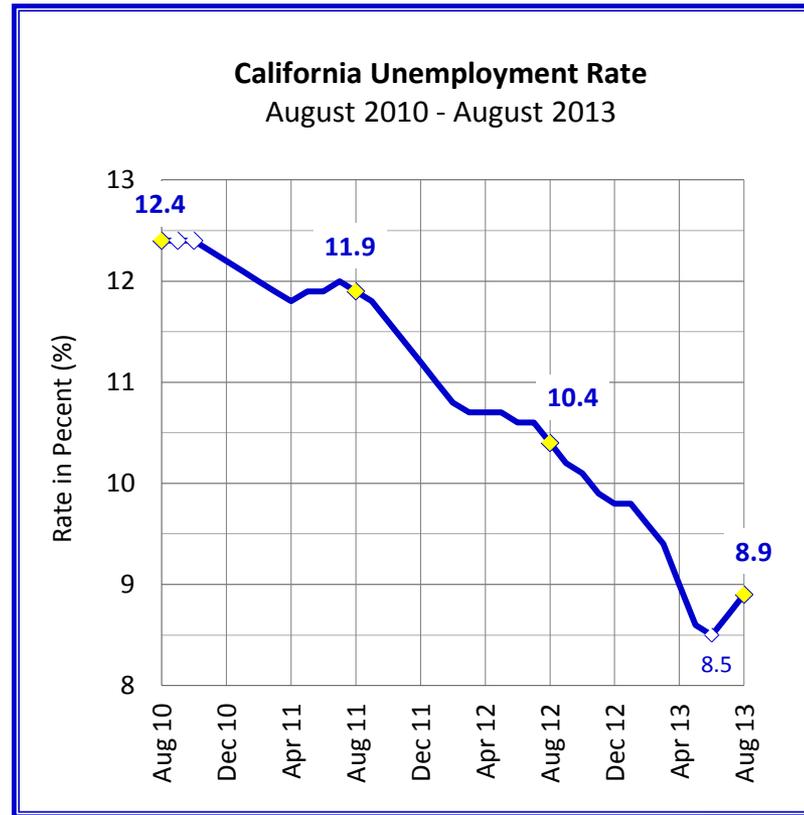
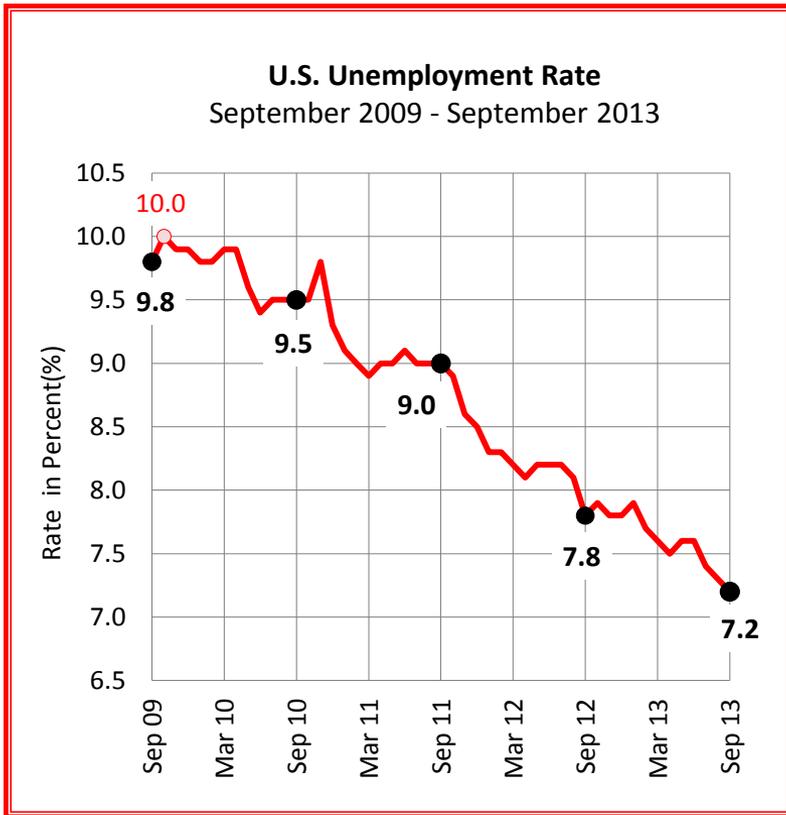
Paul Wessen
Employment Development Department
Labor Market information Division

Steady as She Goes (?!?)

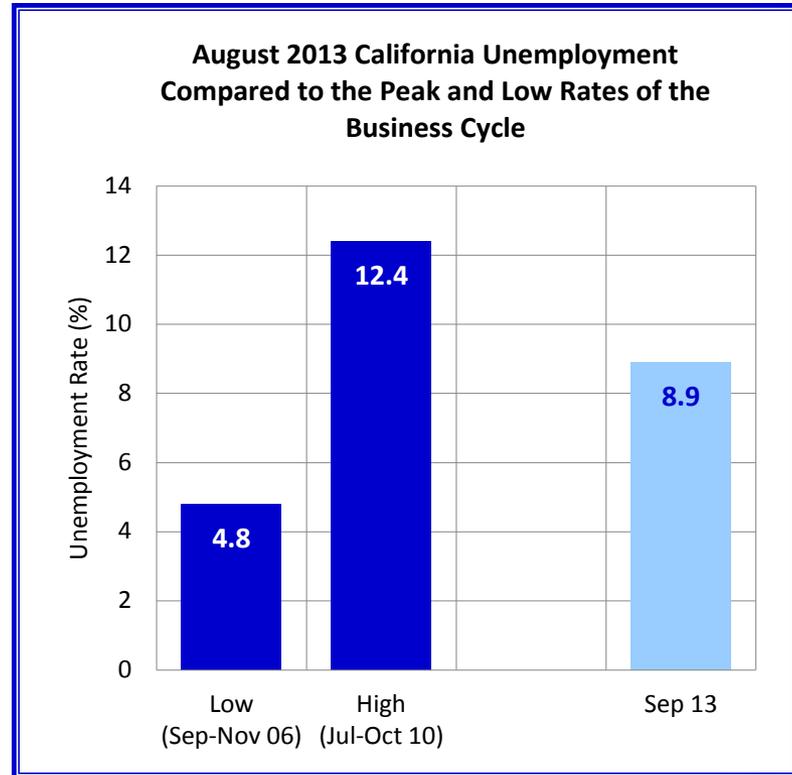
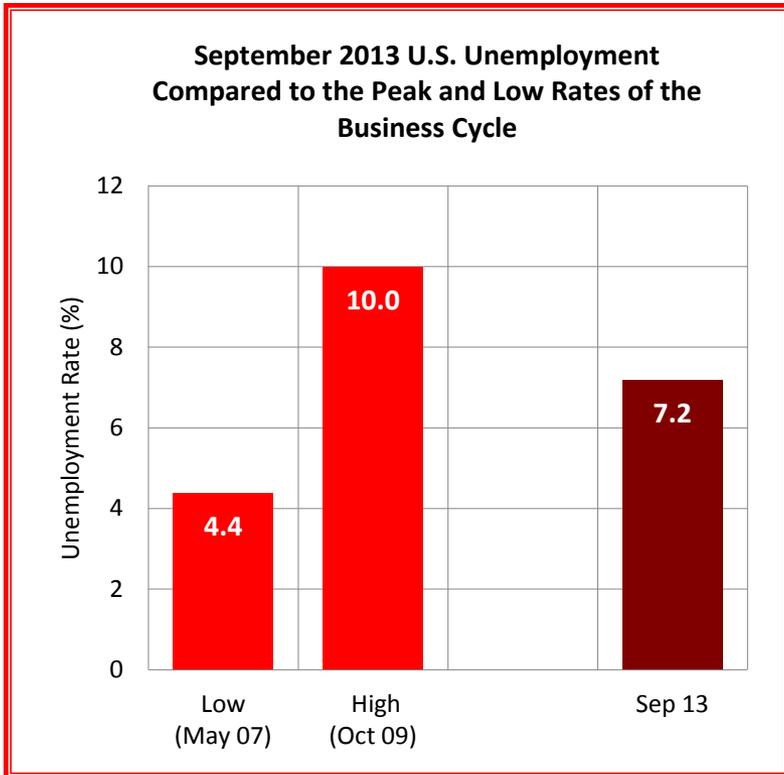
- Although California's waters have been choppy this past year than they were the year before, the economic expansion continues at a steady, if unremarkable, pace.
- The full economic fallout from the government shutdown and flirtation with debt default remains unknown. This was just the latest episode in a long list. While the economy has managed to plug its way through the political dysfunction in D.C. so far, the question remains: Why do policy-makers seem to be so intent on toying with an already slow economic recovery?
- The government shutdown delayed and complicated the employment and unemployment estimation process, particularly at the state level.
 - The preliminary September U.S. employment report was released on Tuesday, October 22nd, 18 days behind schedule.
 - California's October 19 Press Release was cancelled due to a lack of data. California's next release of labor force and jobs data will occur on November 22nd, when September final and preliminary October estimates will be released.
 - U.S. Census data, including the Current Population Survey and American Community Survey, were offline during the shutdown.

UNEMPLOYMENT AND EMPLOYMENT

Unemployment continues to trend downward in California and the nation. The U.S. rate fell to 7.2 percent in September 2013, which was 2.8 percentage points lower than its October 2009 peak. California's 8.9 percent unemployment rate in August 2013 was 3.5 percentage points lower than its July 2010 – October 2010 peak.

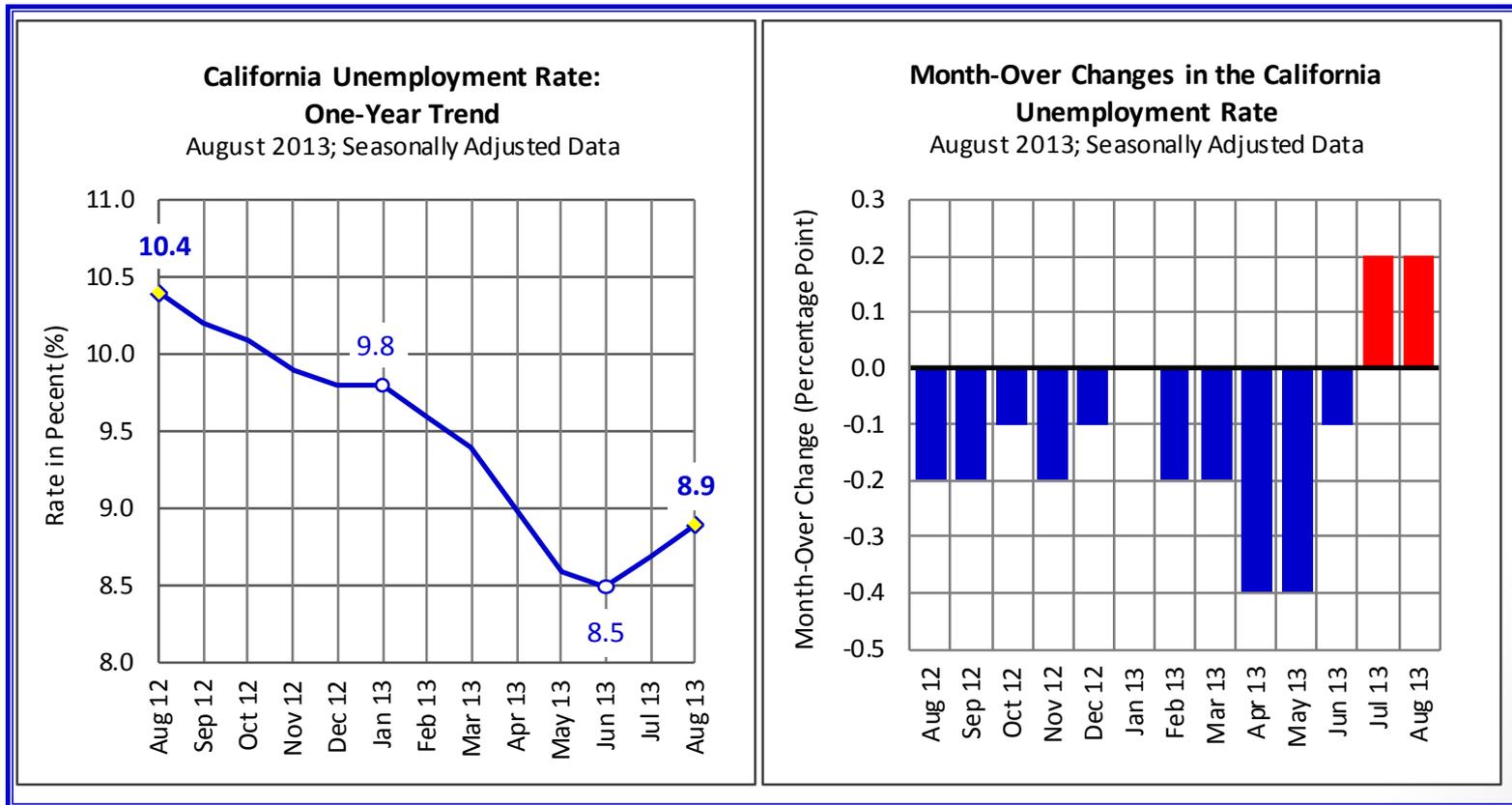


Despite the significant improvement, both the U.S. and California rates hover about halfway between their pre-recession lows and their recessionary highs. The labor market recovery has a ways to go.



What is going on with California's labor force statistics? After several months of rapidly falling unemployment, expanding employment, and increasing labor force participation, the months of July and August produced recession-like outcomes.

- Exhibit A: Unemployment Rate**



- Exhibit B: Civilian Unemployment**

- * 08/11 - 06/13: 600,000-person decrease (27,000 per month)

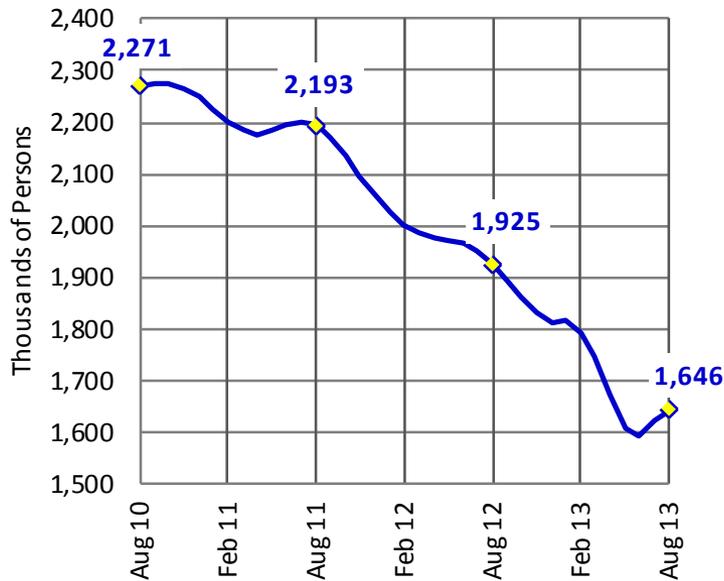
- * 08/11 - 06/13: 332,000-person decrease (33,000 per month)

- * 01/13 - 06/13: 225,000-person decrease (45,000 per month)

- * **July and August 2013: 53,000-person increase (26,000 per month)**

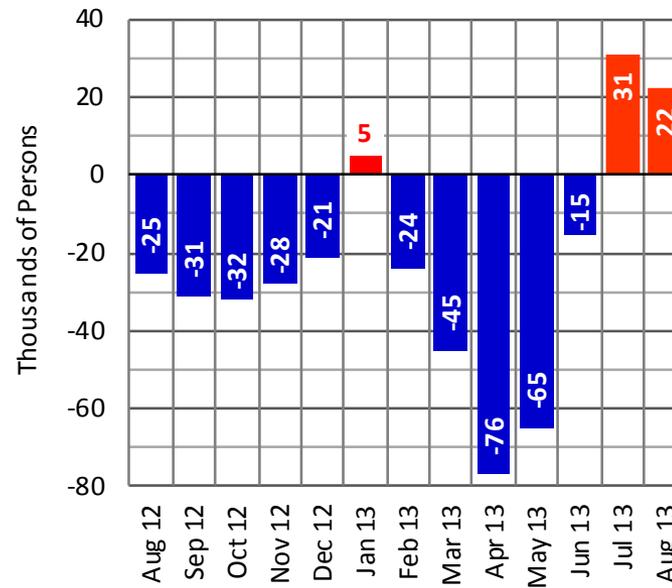
**California Civilian Unemployment
Three-Year Trend**

August 2013; Seasonally Adjusted Data



**Month-Over Changes in California
Civilian Unemployment**

August 2013; Seasonally Adjusted Data



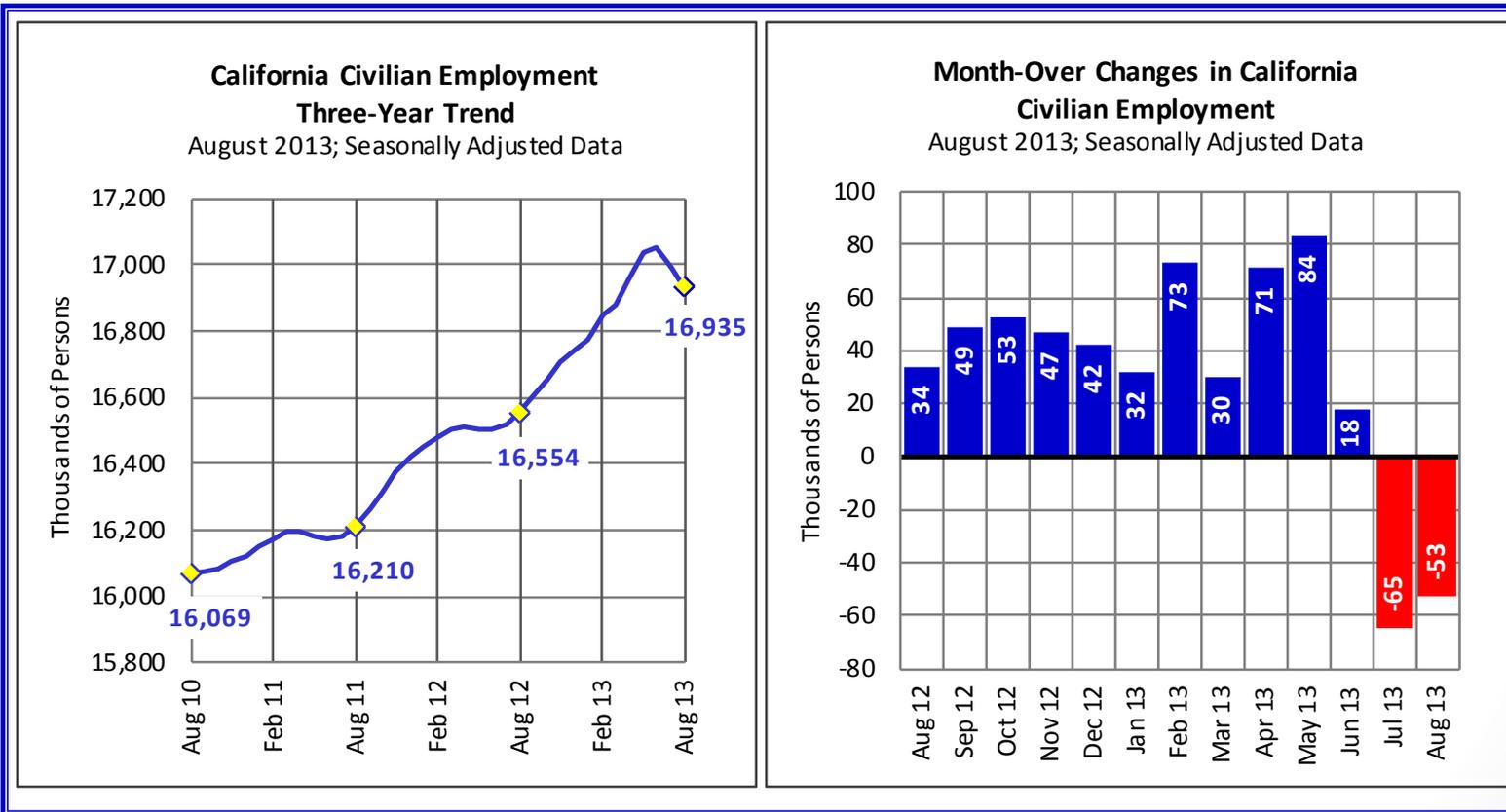
- Exhibit C: Civilian Employment**

- * 08/11 - 06/13: 843,000-person increase (38,000 per month)

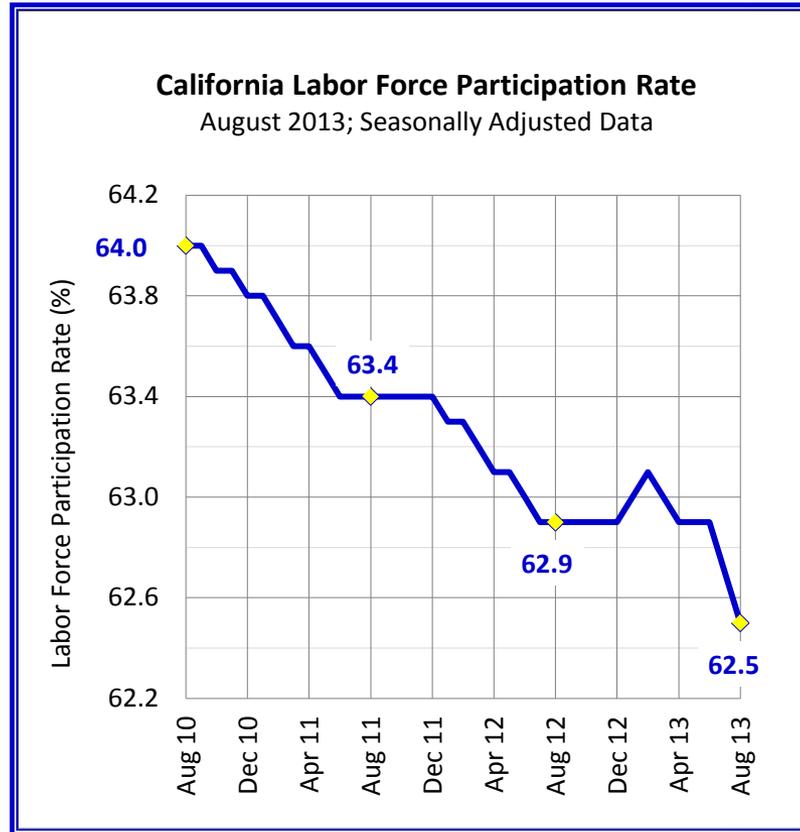
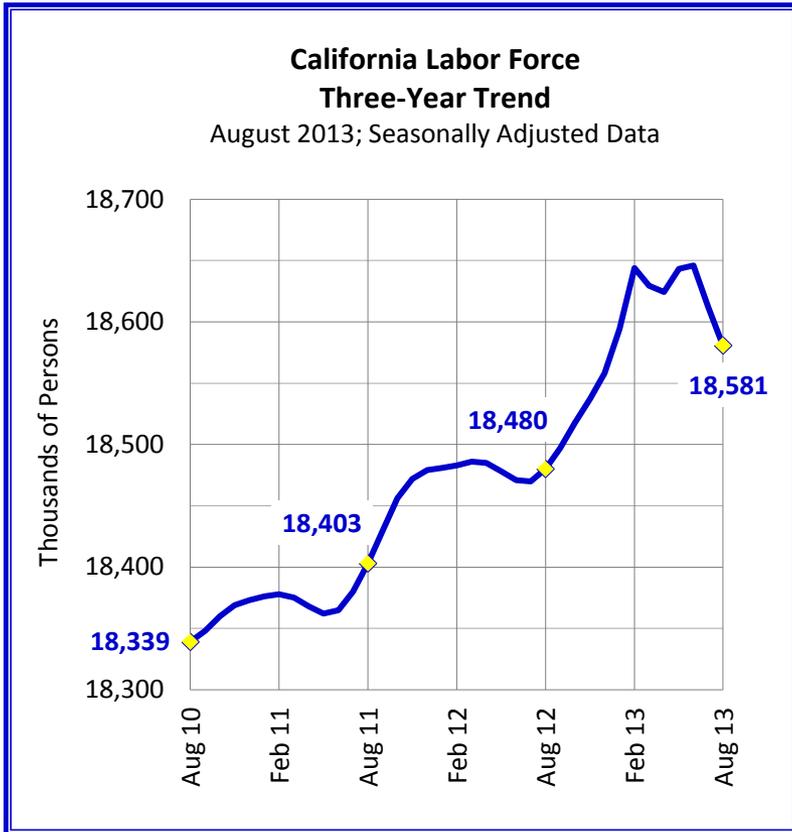
- * 08/11 - 06/13: 332,000-person increase (50,000 per month)

- * 01/13 - 06/13: 276,000-person increase (55,000 per month)

- * **July and August 2013: 118,000-person increase (59,000 per month)**



- Exhibit D: Labor Force



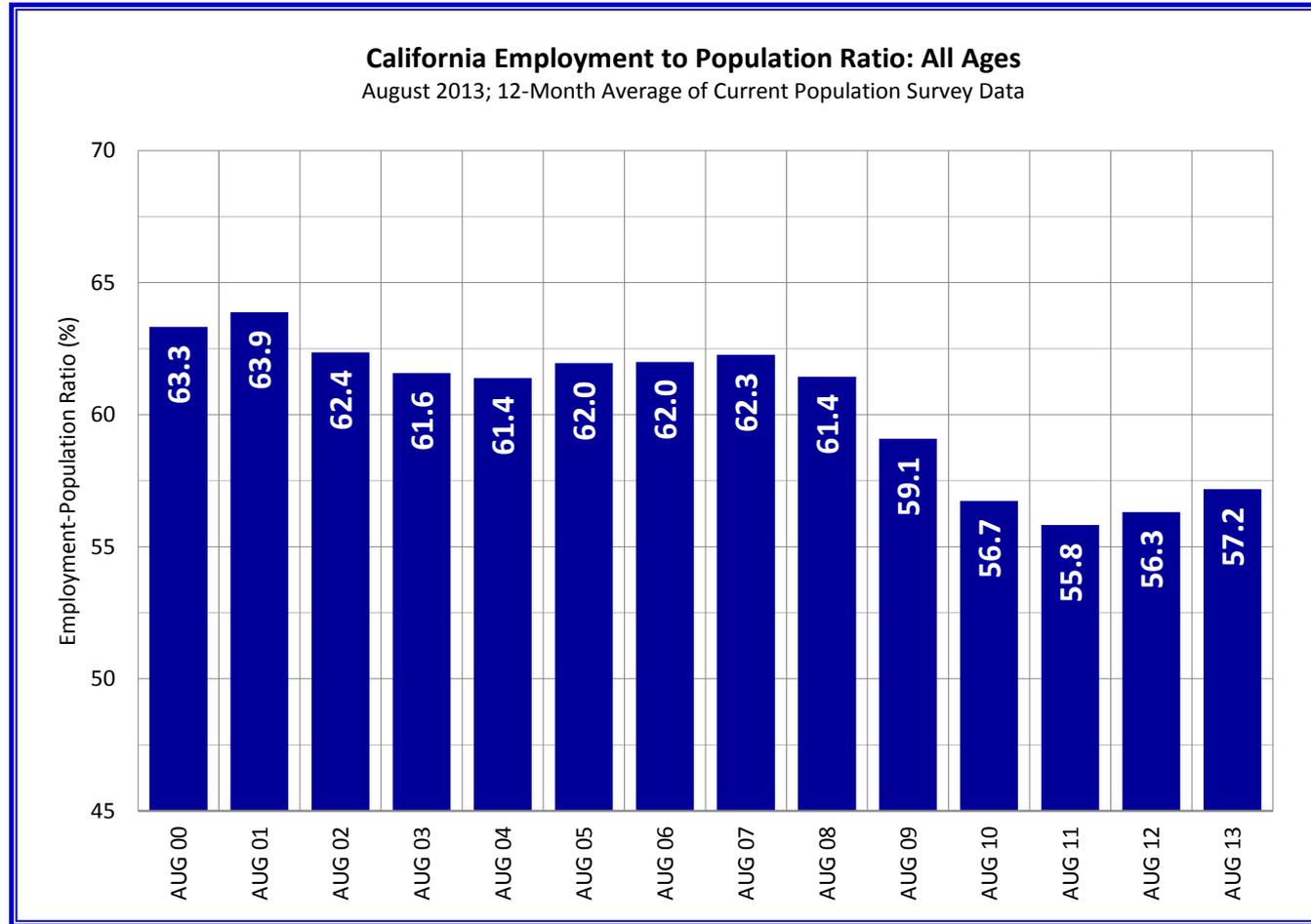
What is going on? Although an abrupt departure from trend, it remains unlikely that the months of July and August signal that there has been any fundamental weakening in California's labor market. The prevailing trends in California remain those of falling unemployment, rising employment, and moderate labor force expansion.

- One or two months of data, however unusual, are insufficient to determine a shift in trend (but be aware of where the red flag is kept just to be safe).
- California experienced several extraordinarily large unemployment (number and rate) decreases and employment increases in the months leading up to July. The unusual July and August numbers may reflect the labor force model balancing things out.
- The summer months of July and August are highly seasonal. Seasonal adjustment assumes "normal" seasonal hiring patterns. An atypical seasonal hiring pattern in July and August, be it fewer workers entering the summer labor force or the timing of their entry, may have resulted in an over-adjustment, producing unusual results. If so, one would expect compensating over-adjustments at the end of summer when summer workers leave the labor force. Why would California youths have been encouraged about their employment prospects this summer?
- There appear to be cyclical patterns in the seasonally adjusted labor force statistics that are presumably related to the smoothing function in seasonally adjustment. The 2013 estimation cycle appears to be magnifying these patterns.

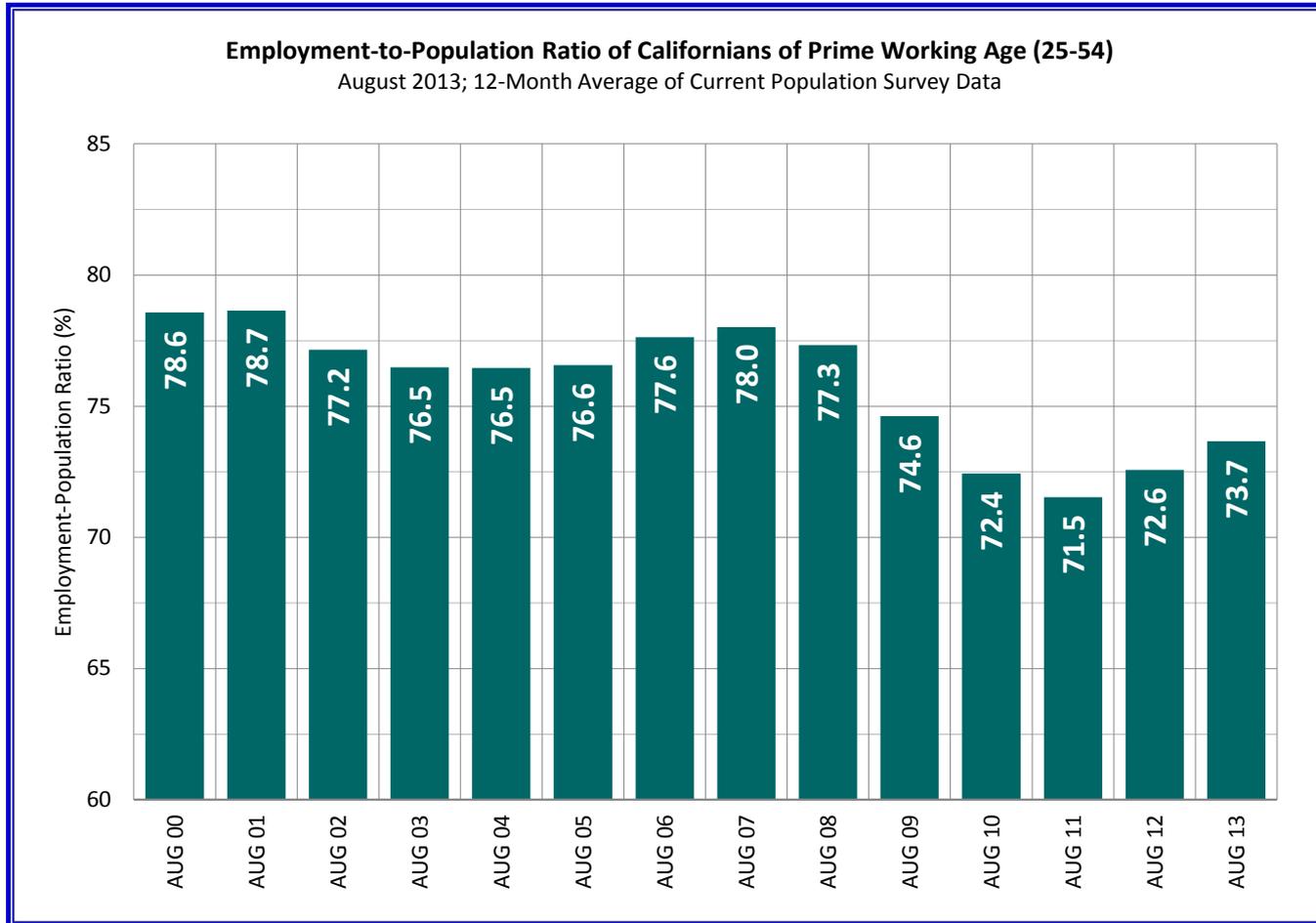
Discouraged Youth?

Employment-to-Population Ratios by Age in California

(Percent of population that is employed)



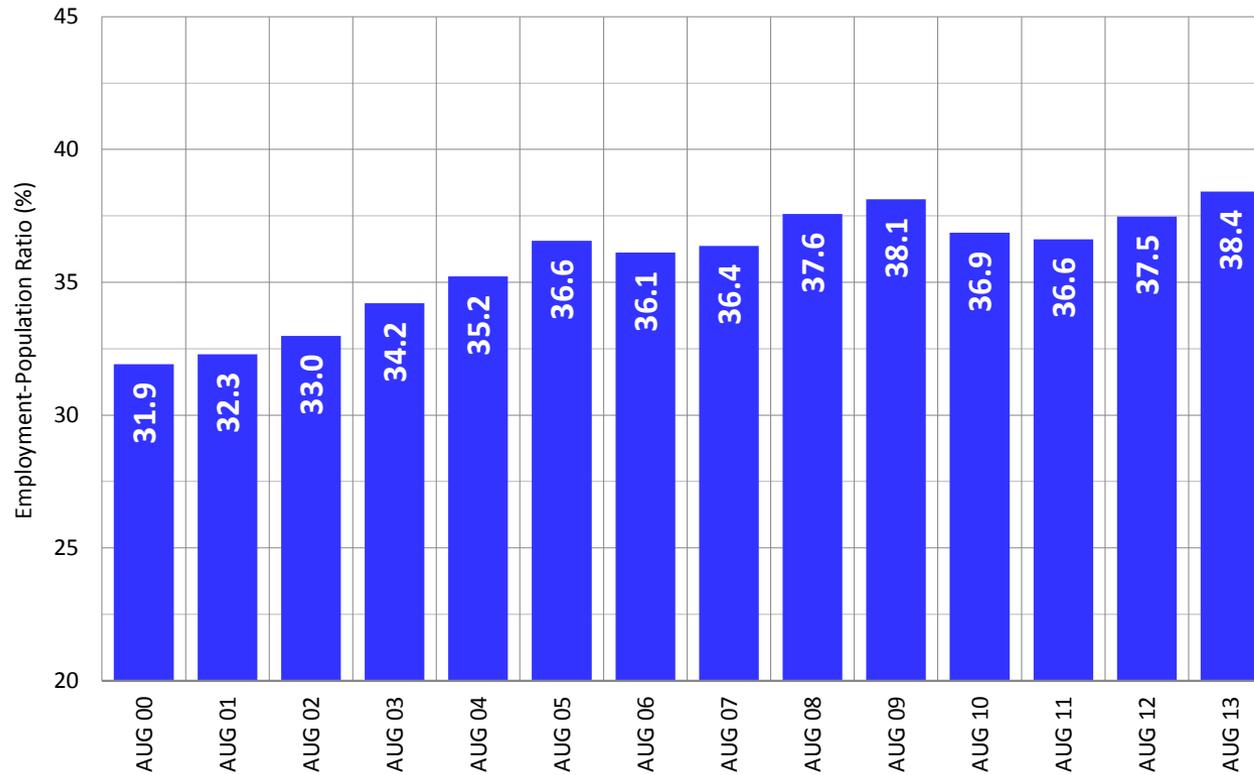
Employment-to-Population Ratios by Age in California



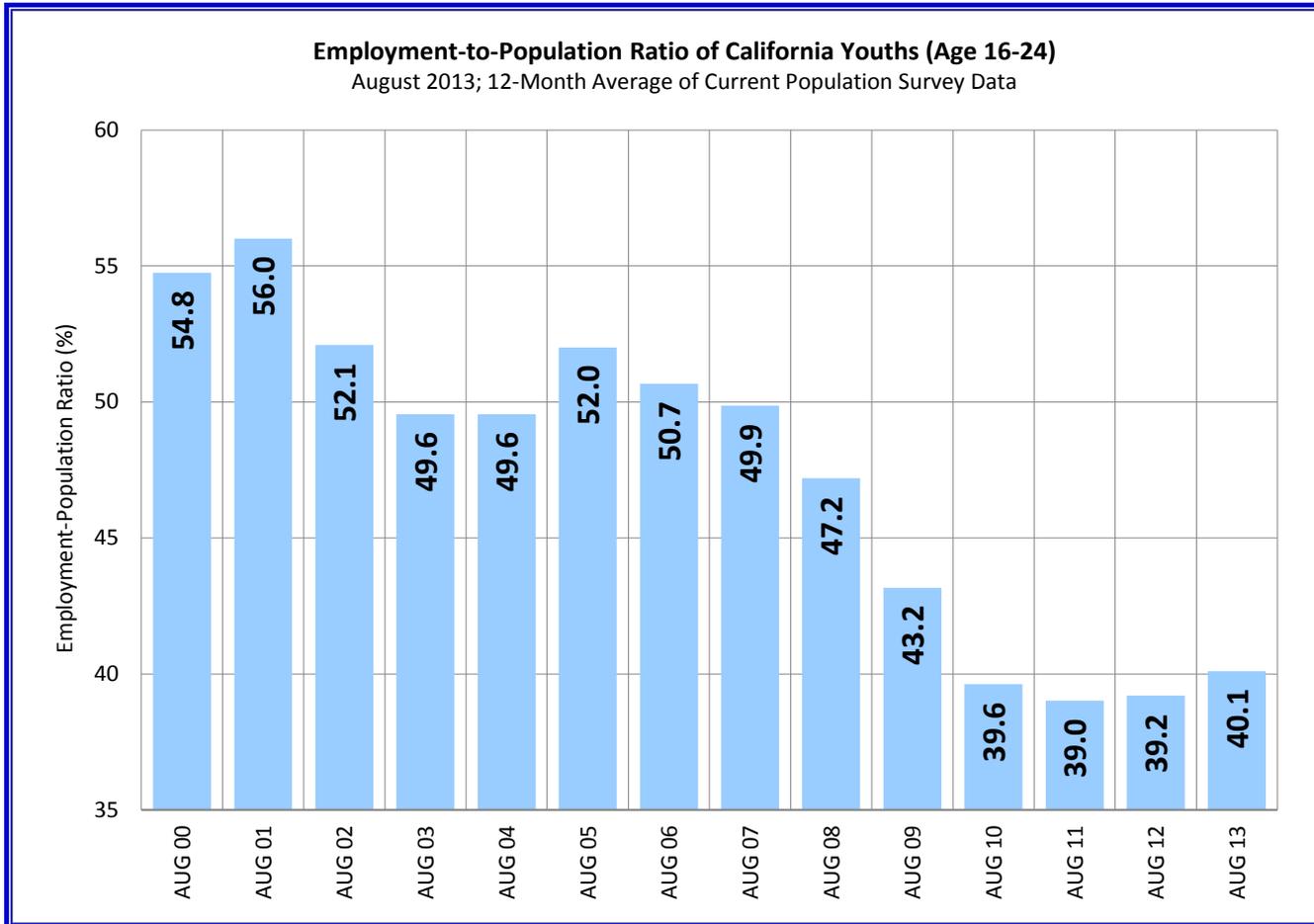
Employment-to-Population Ratios by Age in California

Employment-to-Population Ratio of Older Californians (55 and over)

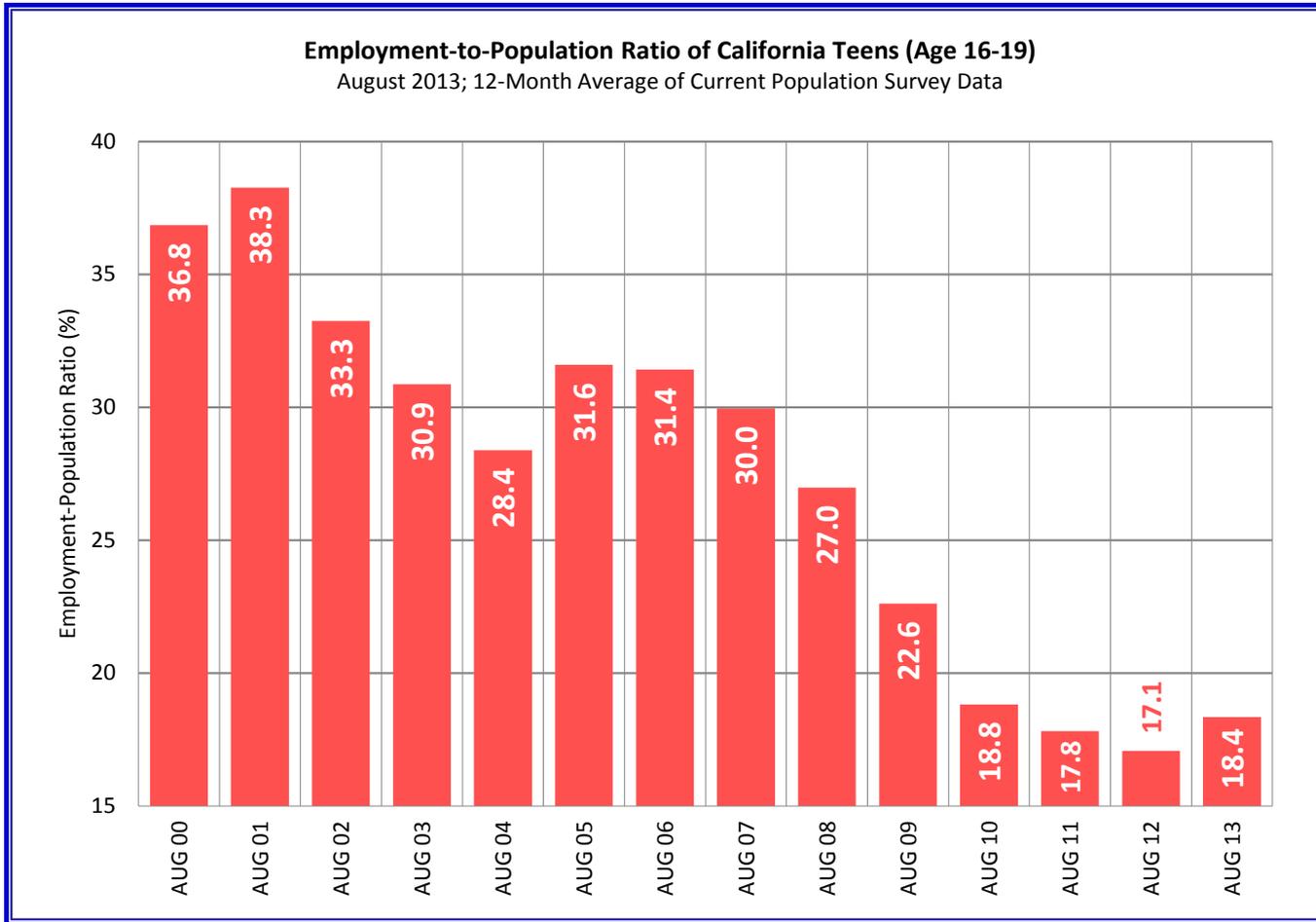
August 2013; 12-Month Average of Current Population Survey Data



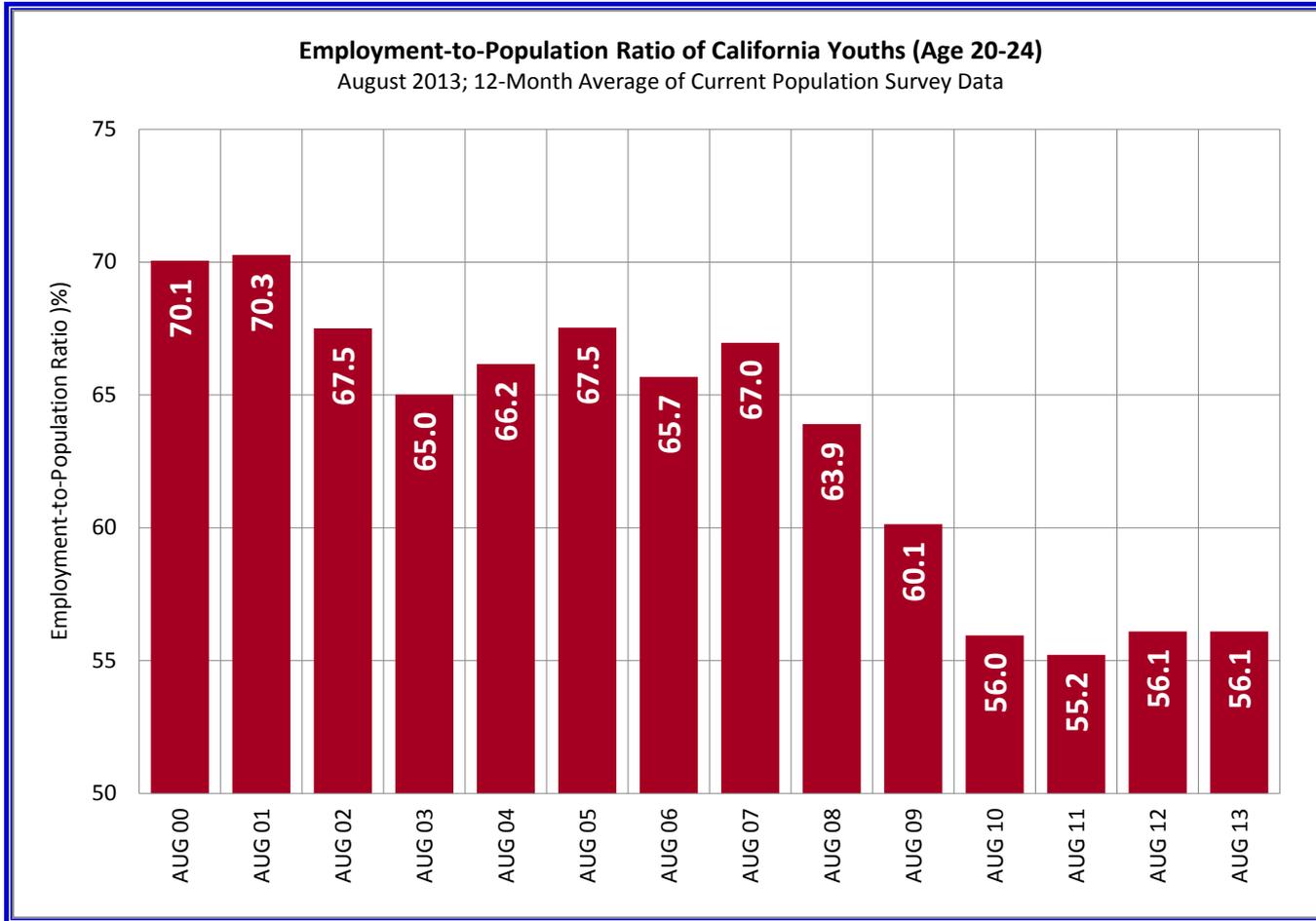
Employment-to-Population Ratios by Age in California



Employment-to-Population Ratios by Age in California



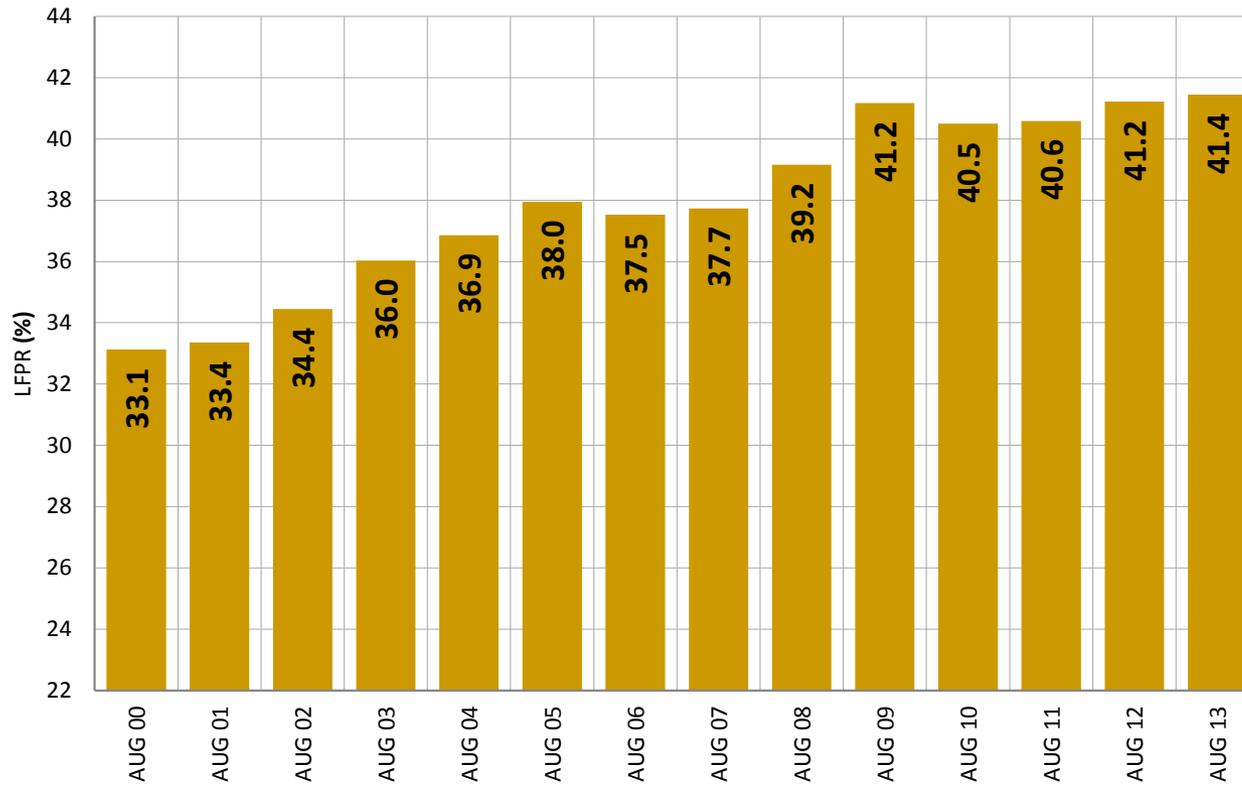
Employment-to-Population Ratios by Age in California



Labor Force Participation Rate of Older Californians (Age 55+)

Labor Force Participation Rate of Older Californians (Age 55 and Over)

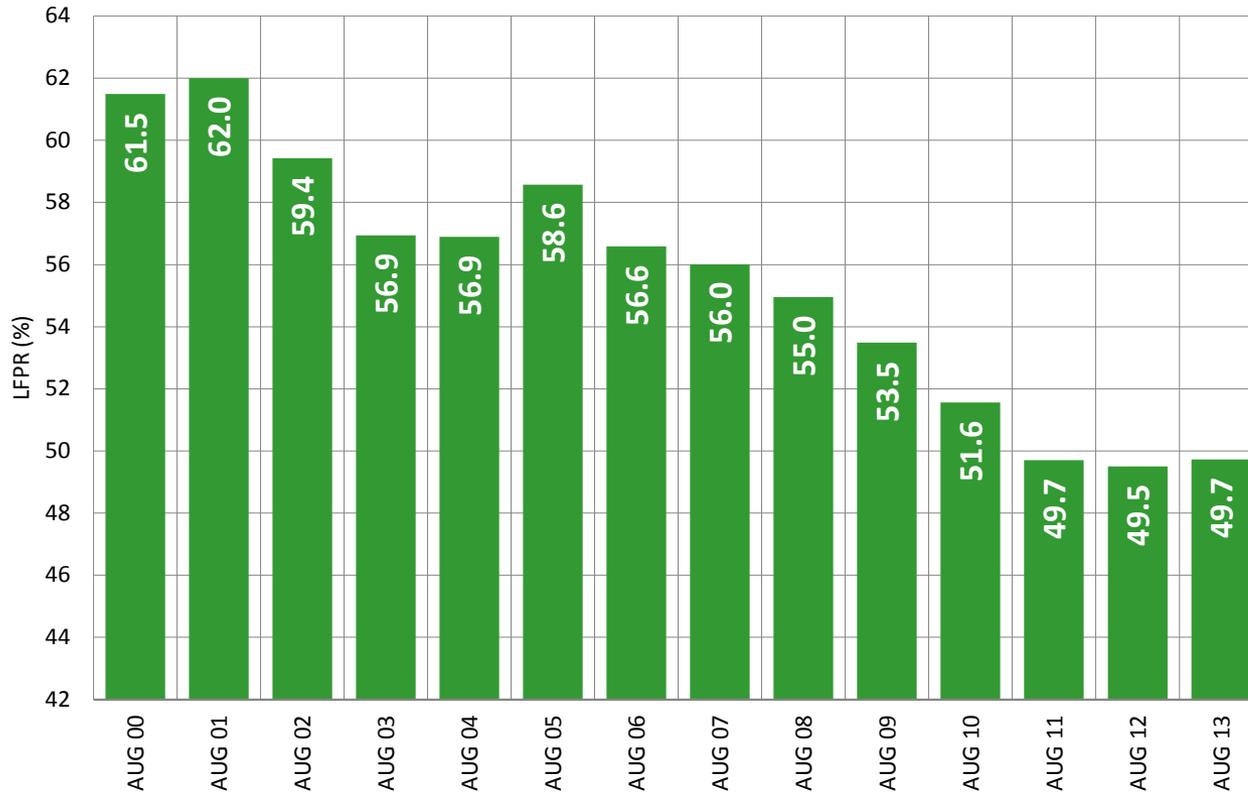
August 2013; 12-Month Average of Current Population Survey Data



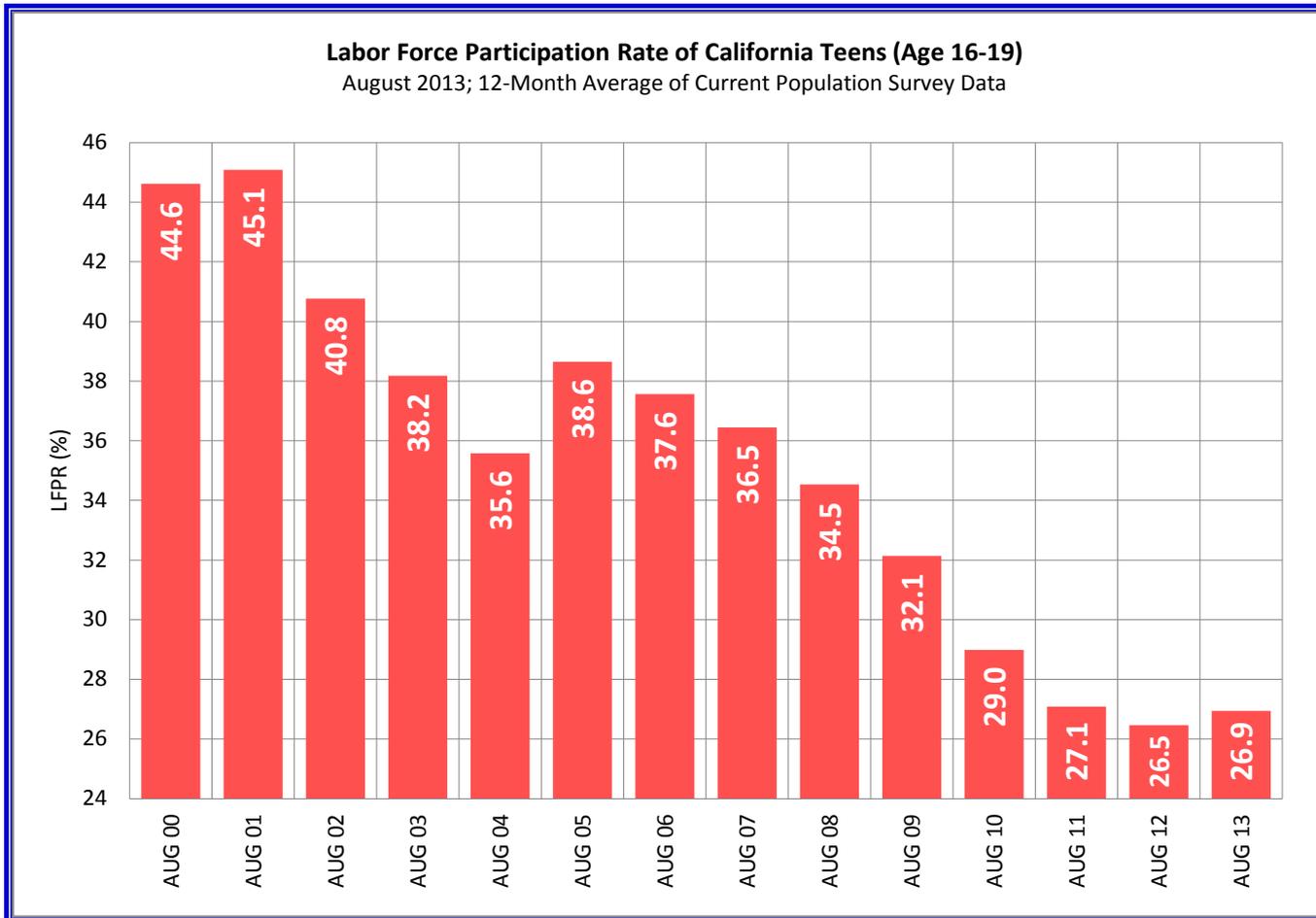
Labor Force Participation Rate of Younger Californians (Age 16-24)

Labor Force Participation Rate of California Youth (Age 16-24)

August 2013; 12-Month Average of Current Population Survey Data

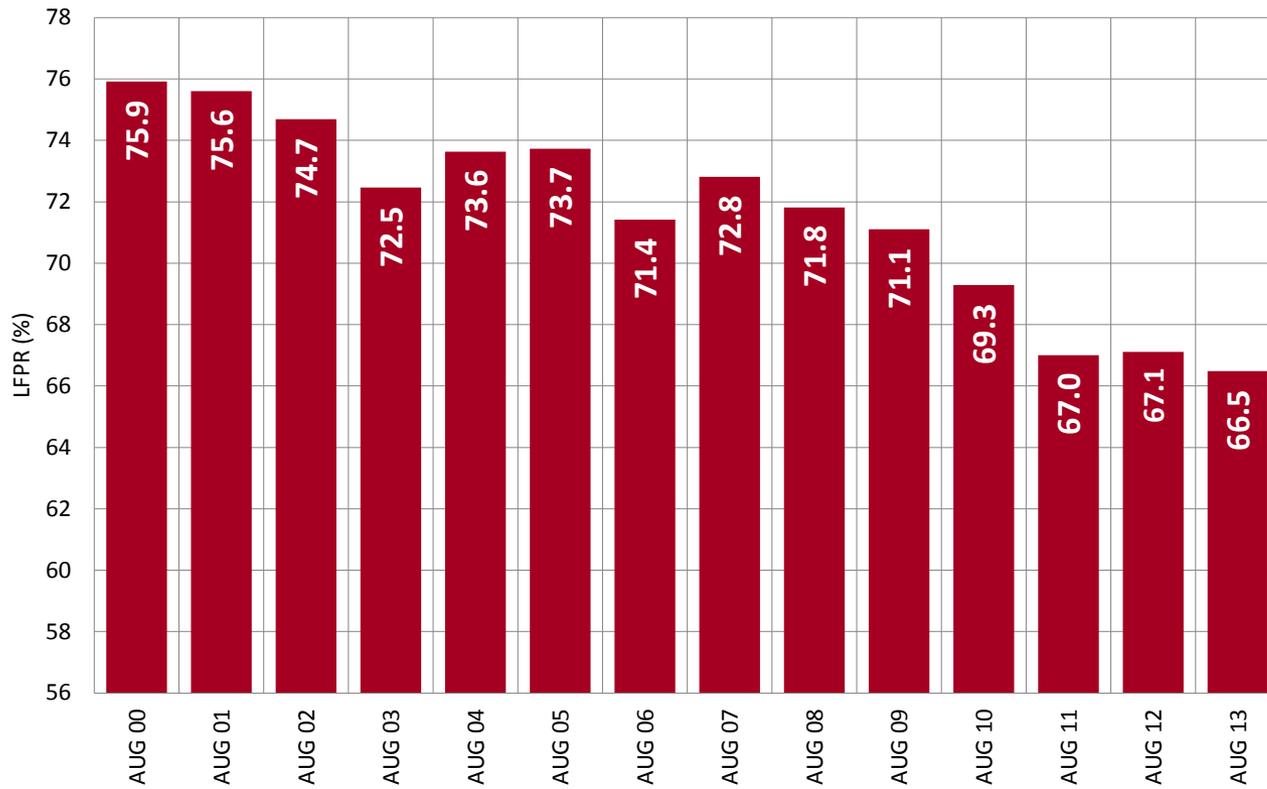


Labor Force Participation Rate of Californian Teens



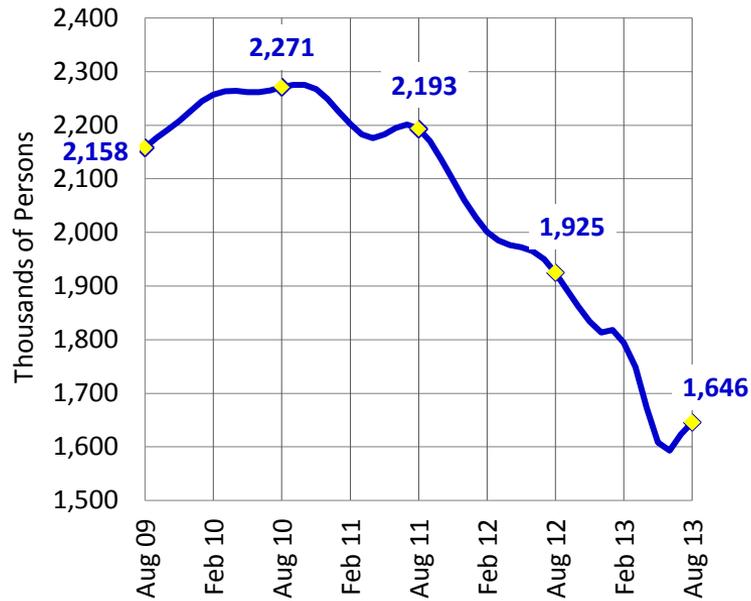
Labor Force Participation Rate of Californian Youths (Age 20-24)

Labor Force Participation Rate of California Youth (Age 20-24)
August 2013; 12-Month Average of Current Population Survey Data

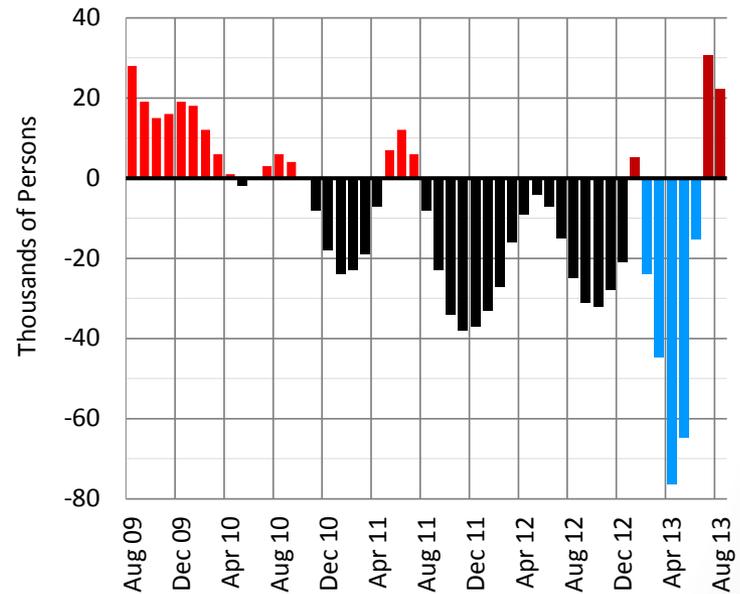


Cyclical Patterns in the Smoothed Seasonally Adjusted Data Series

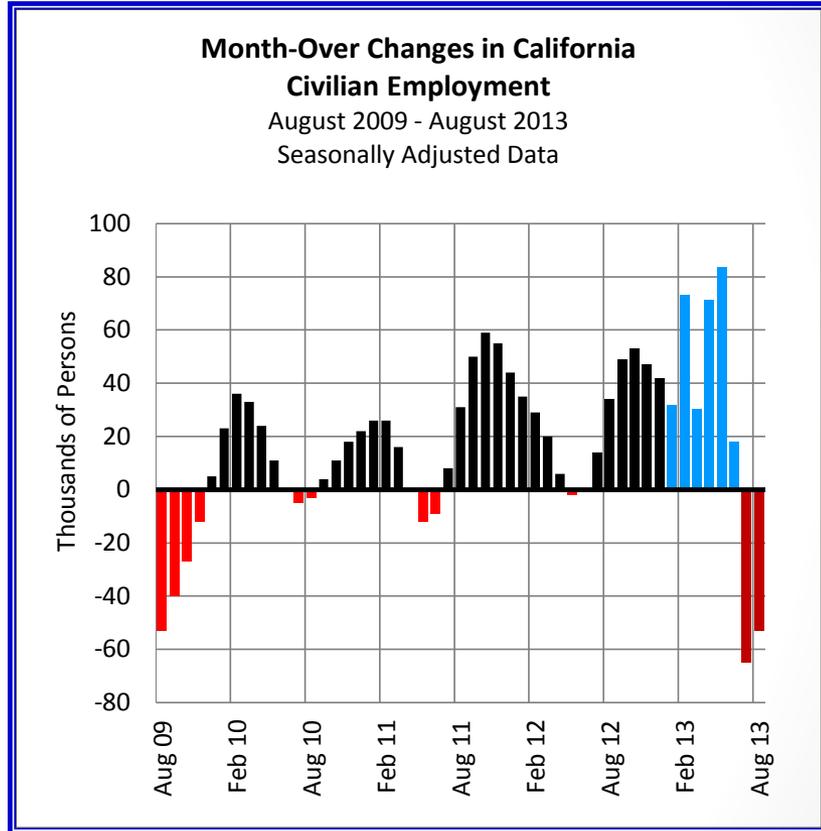
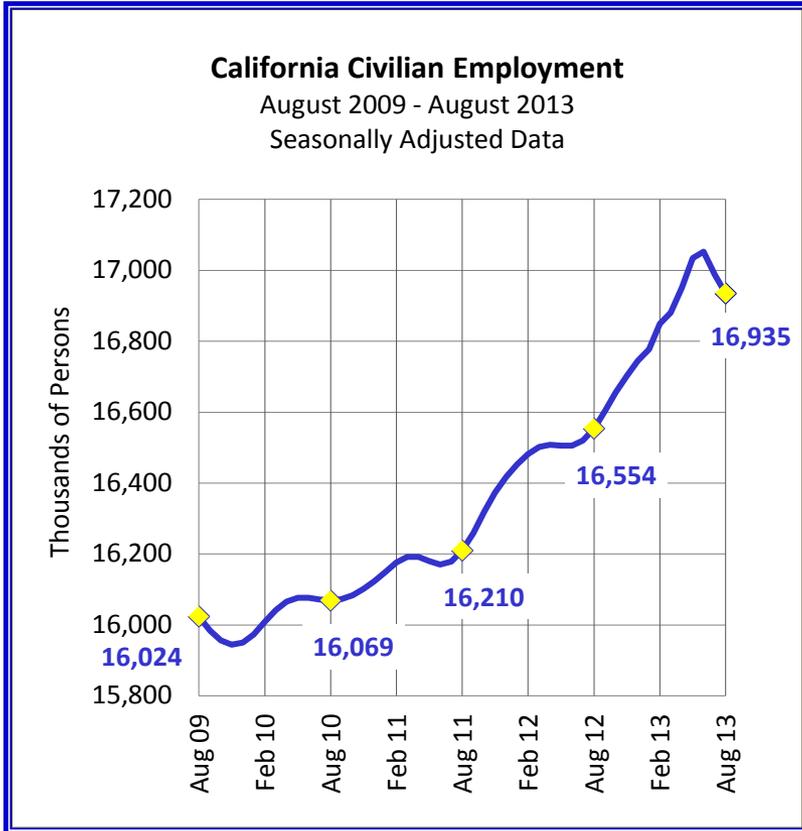
California Civilian Unemployment
August 2009 - August 2013
Seasonally Adjusted Data



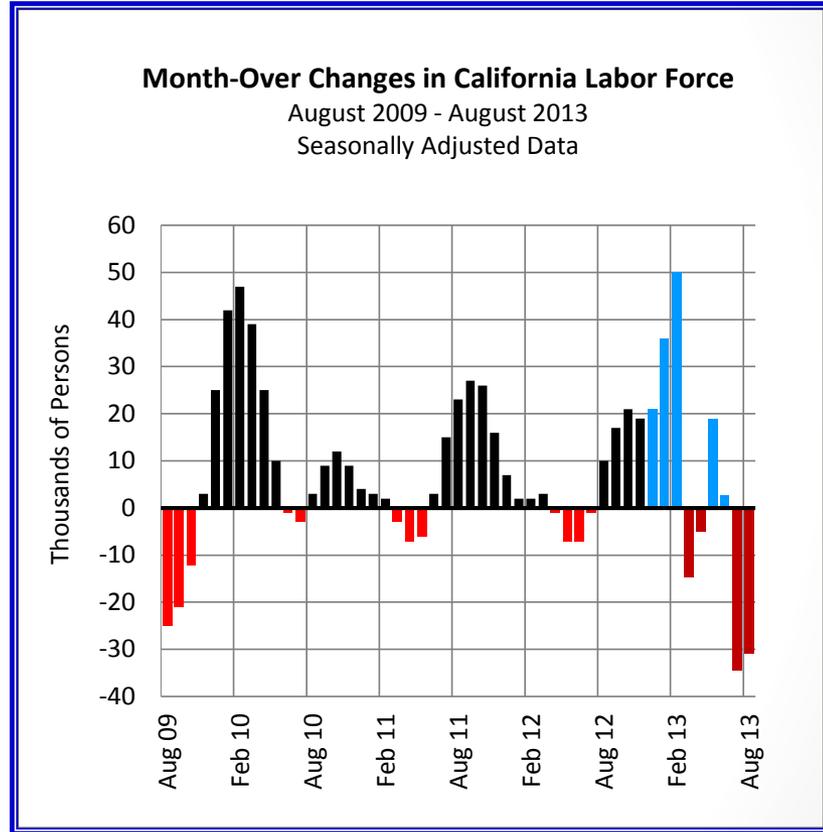
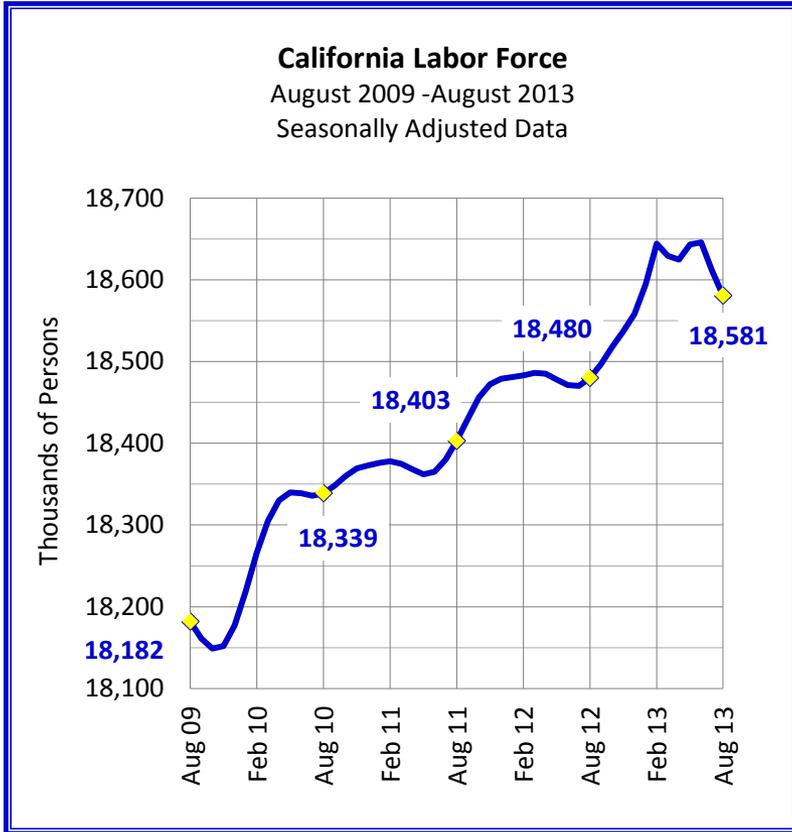
Month-Over Changes in California Civilian Unemployment
August 2009 - August 2013
Seasonally Adjusted Data



Cyclical Patterns in the Smoothed Seasonally Adjusted Data Series

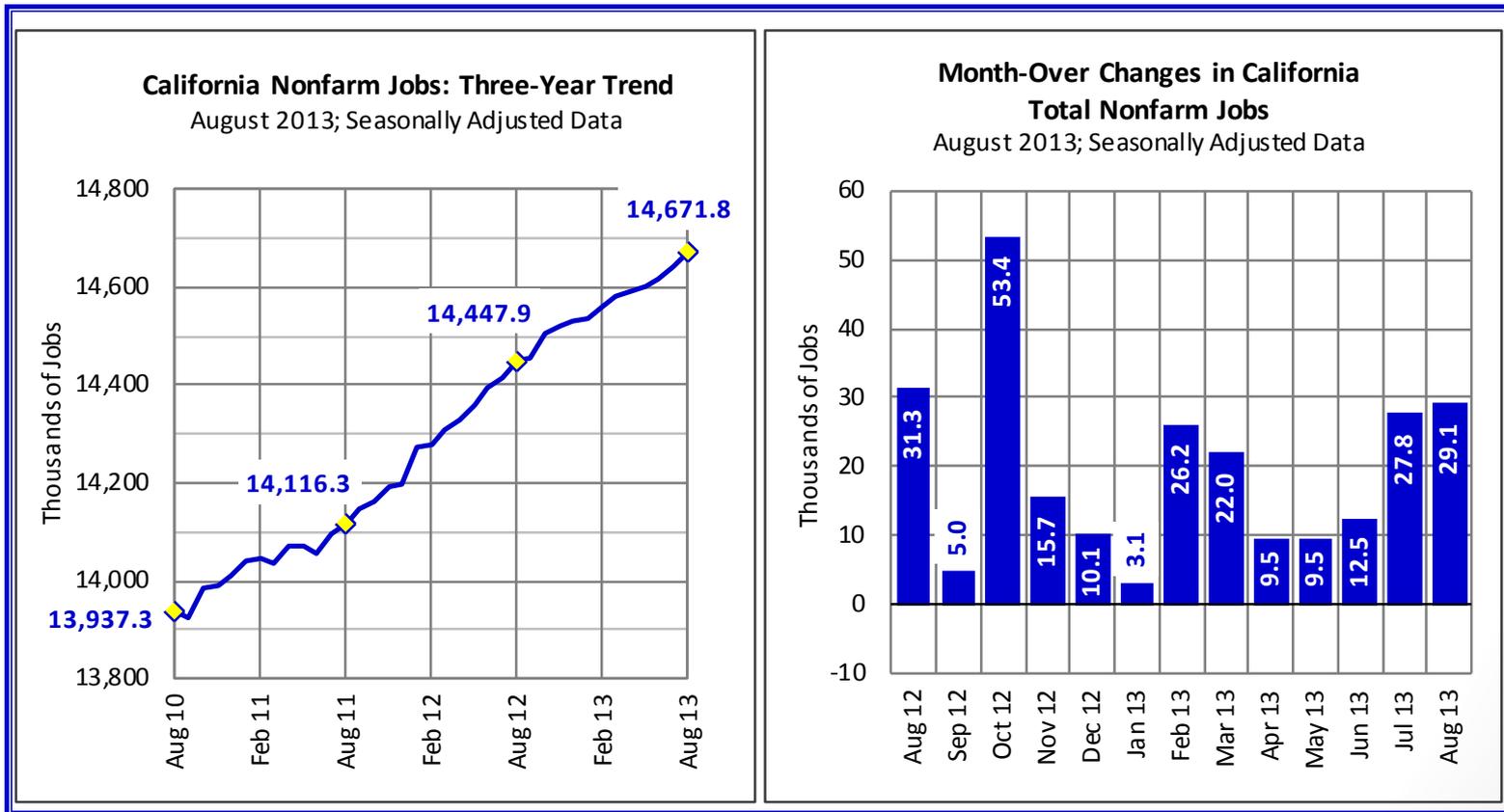


Cyclical Patterns in the Smoothed Seasonally Adjusted Data Series



Total Nonfarm Payroll Jobs: California

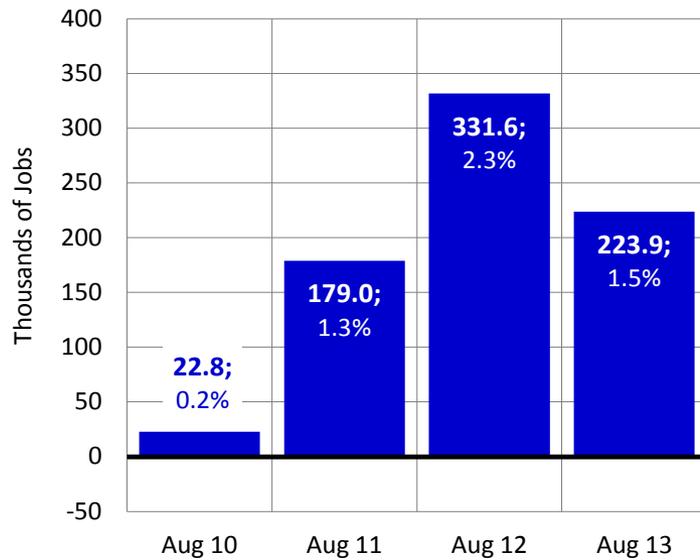
While the labor force (i.e., unemployment and unemployment) numbers in July and August were more than a little puzzling, the jobs data showed stronger hiring in California. California gained 27,800 and 29,100 jobs, respectively, in July and August. The state has gained jobs in 26 months, the longest such streak of any state in the nation.



However, the pace of year-over job growth, while still decent, is off the pace of last year and appears to be decelerating.

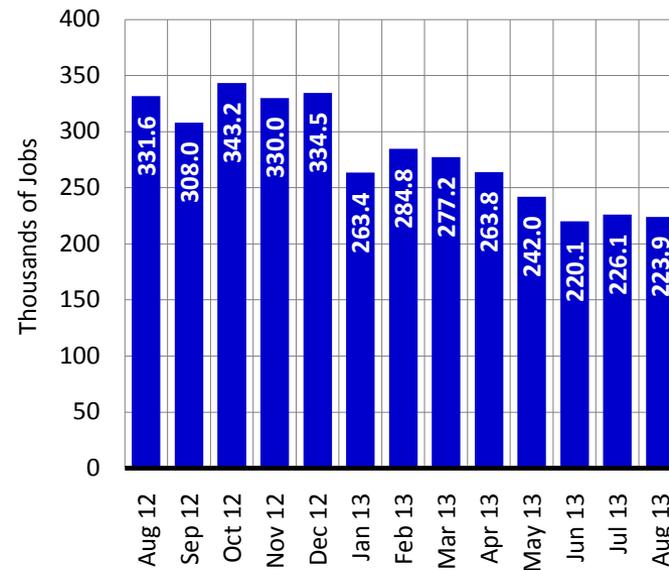
Year-Over Changes In California Nonfarm Payroll Jobs

August 2013; Seasonally Adjusted Data



Year-Over Changes in California Nonfarm Jobs Over the Last Year

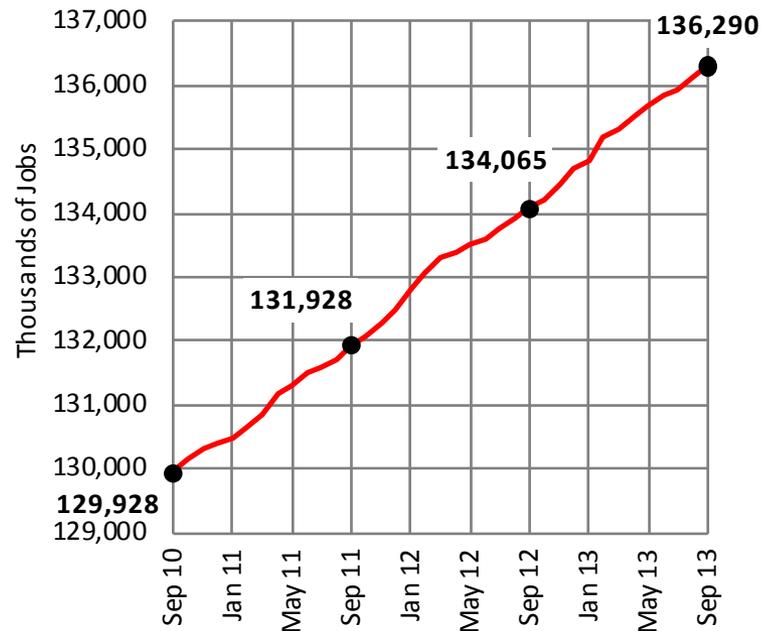
August 2013; Seasonally Adjusted Data



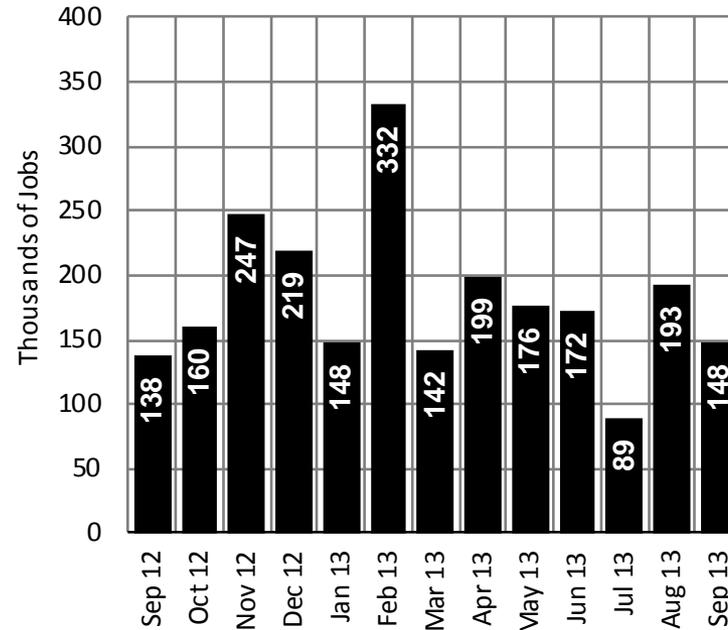
Total Nonfarm Payroll Jobs: U.S.

The U.S. gained 148,000 jobs in September 2013, following a 193,000-job gain in August. The nation has now gained jobs in 36 consecutive months.

U.S. Total Nonfarm Jobs: Three-Year Trend
September 2013; Seasonally Adjusted Data



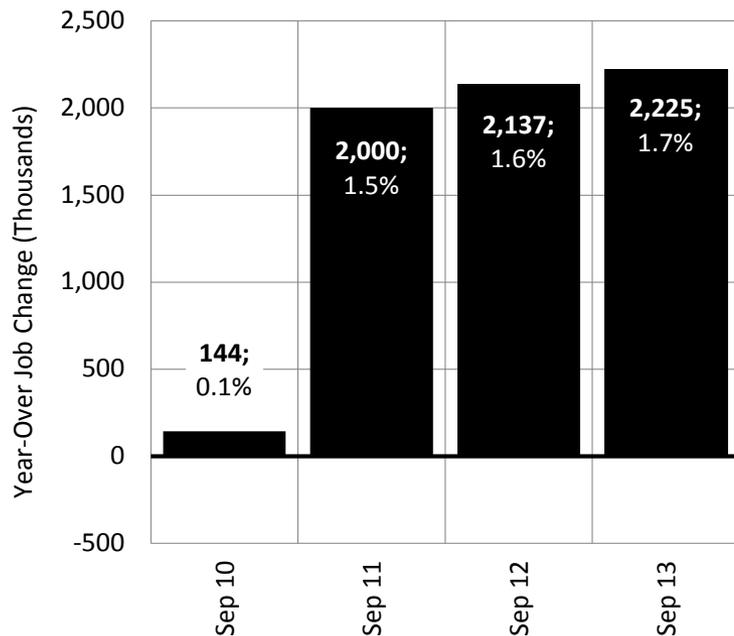
Month-Over Changes in U.S. Nonfarm Jobs
September 2012 - September 2013



While pundits bemoan the occasional wobbles in U.S. job growth, the trend of growth has been remarkably consistent over time. This despite domestic policy uncertainty (i.e., the fiscal cliff, threats of and actual government shutdowns, risks of debt default), federal budget cuts, and a slowdown in the global economy. Employment is expanding at a solid pace, but what if D.C. policymakers were to boost the fuel supply to the economy instead of reducing its flow?

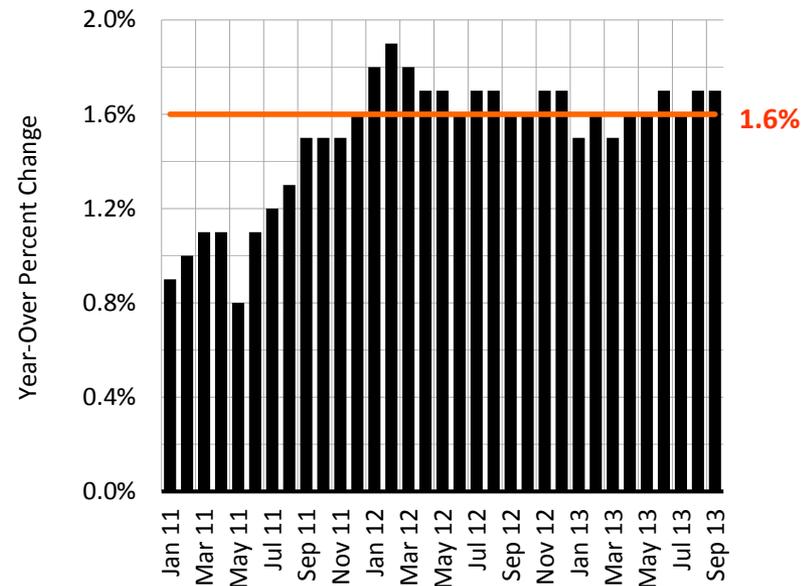
Year-Over Changes in U.S. Nonfarm Jobs

September 2013; Seasonally Adjusted Data

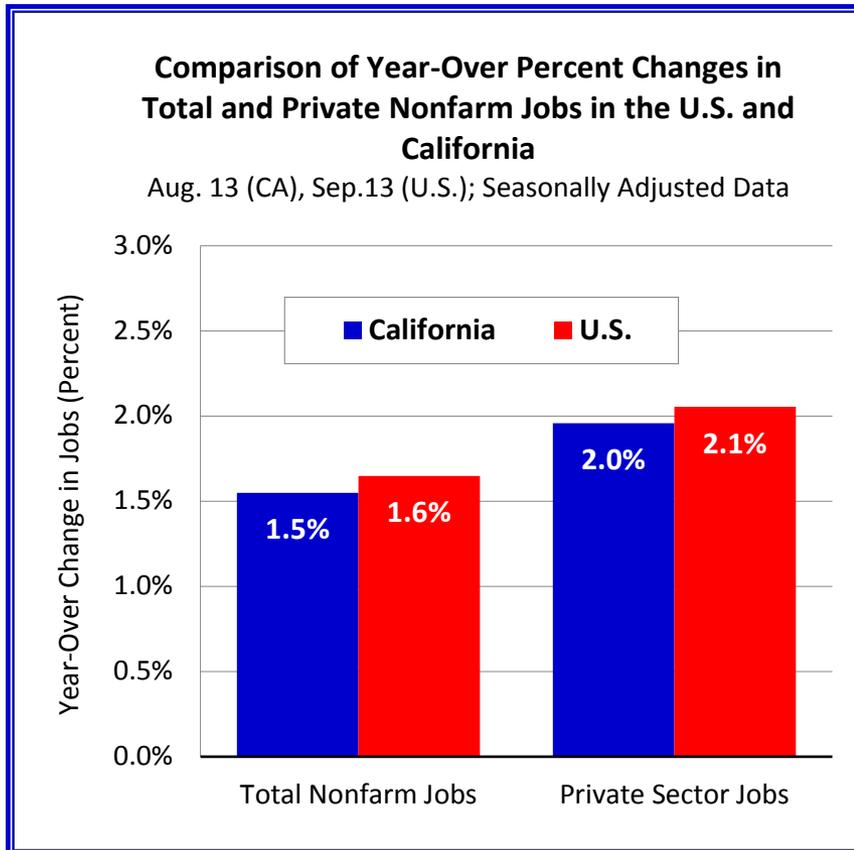


Year-Over Percent Changes in U.S. Nonfarm Jobs Since January 2011

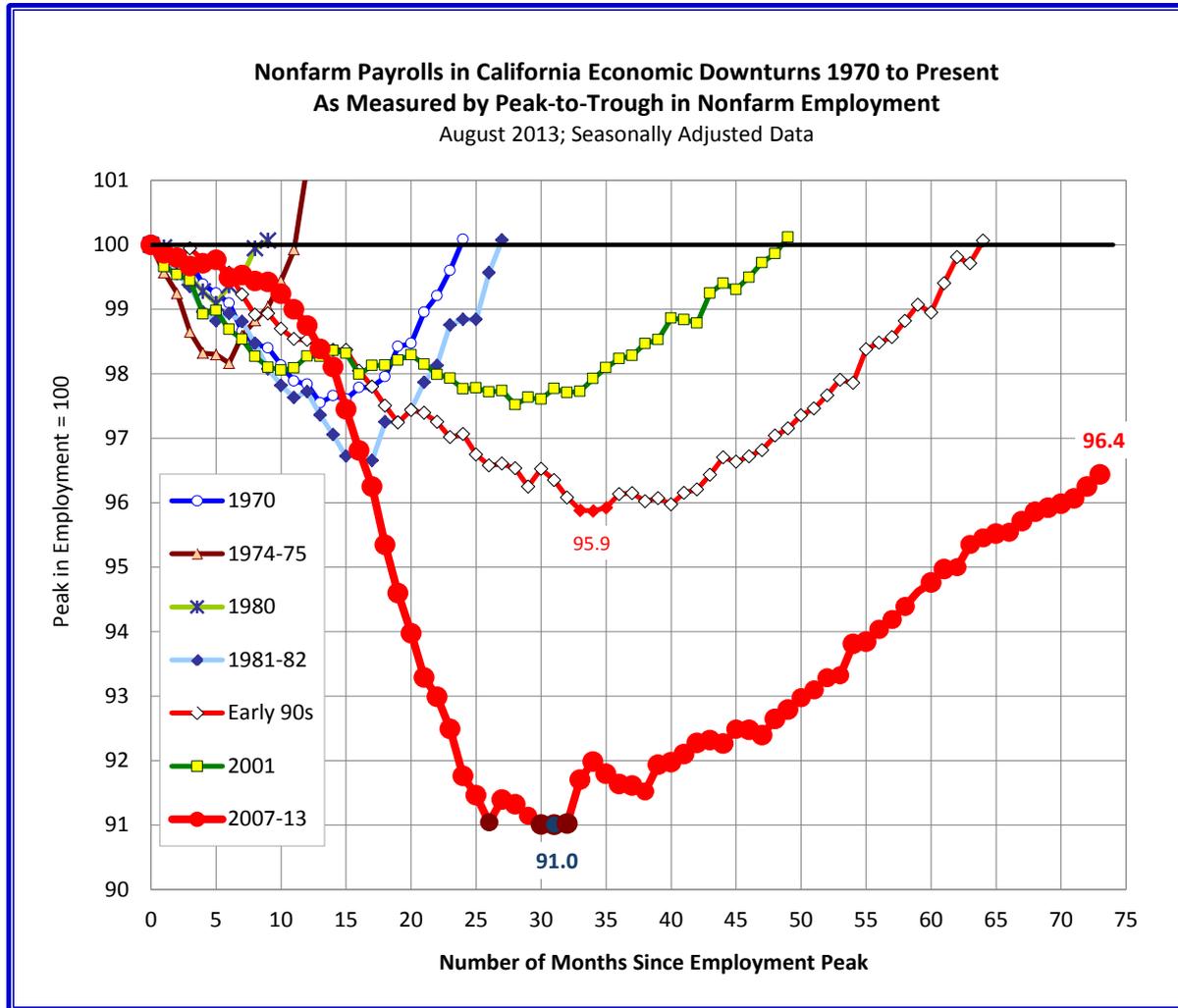
September 2013; Seasonally Adjusted Data



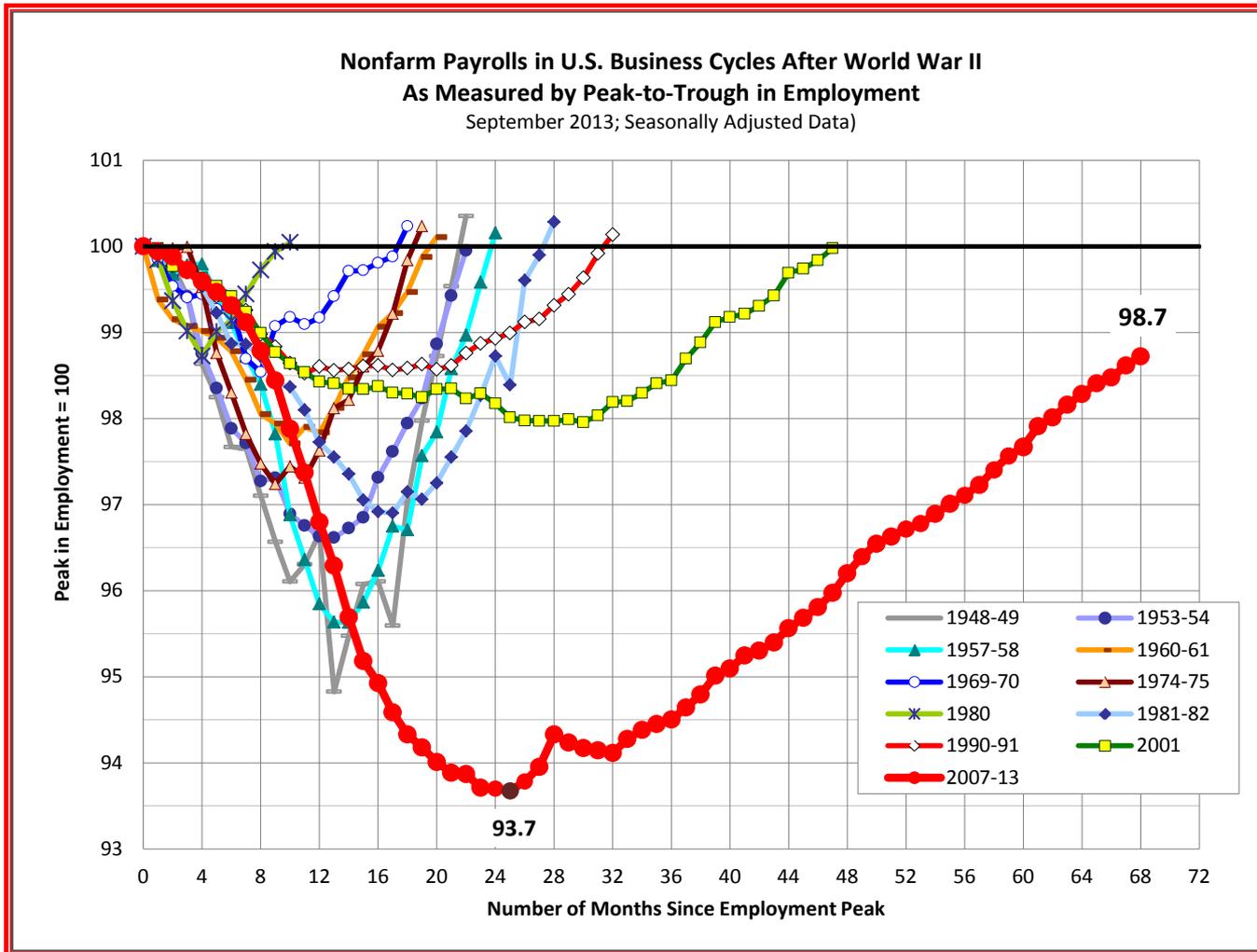
Comparison of year-over job growth in California and the Nation.



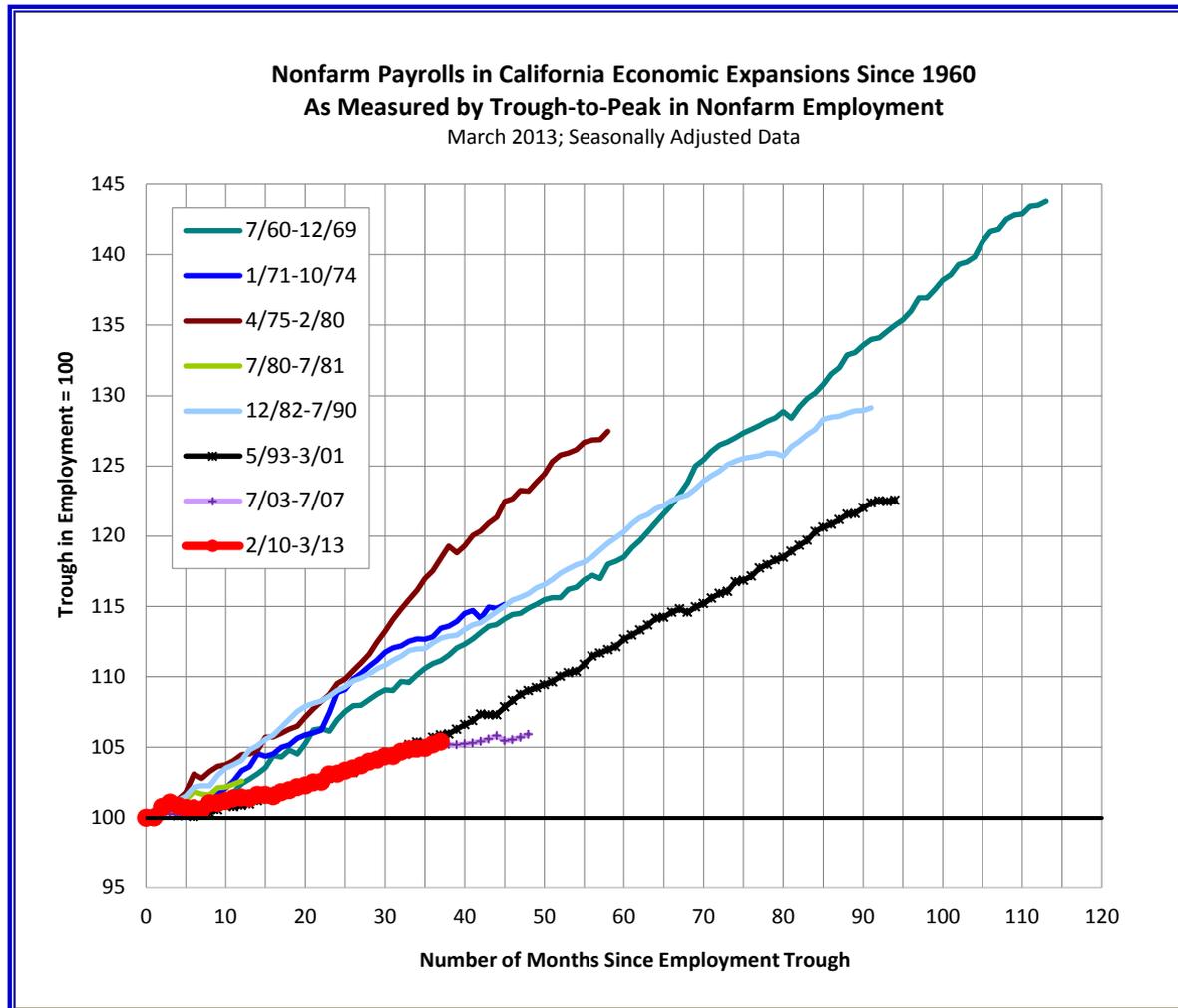
How this business cycle compares to past business cycles in California...



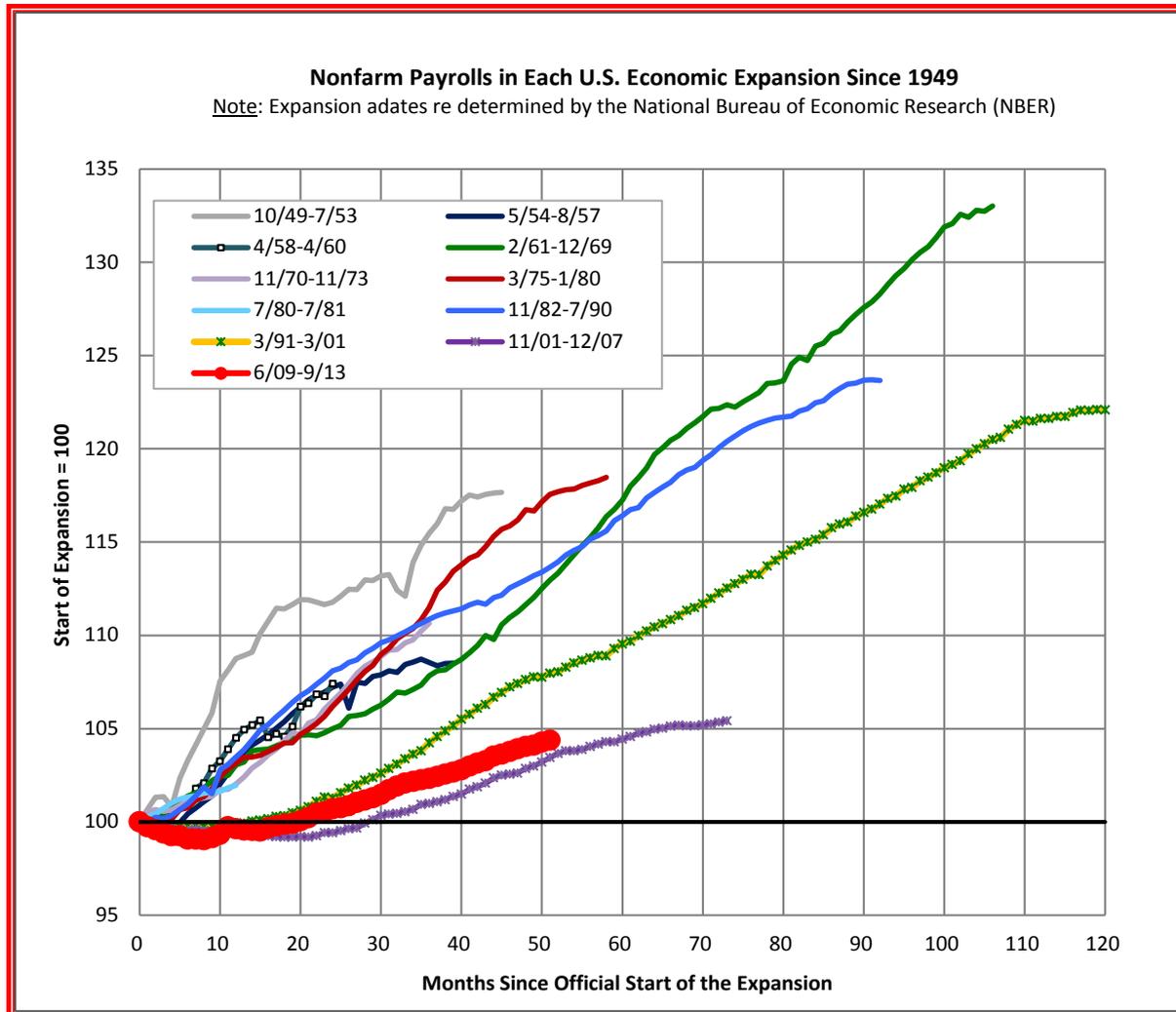
...and nationally.



How this economic expansion compares to past expansions in California.



...and nationally.

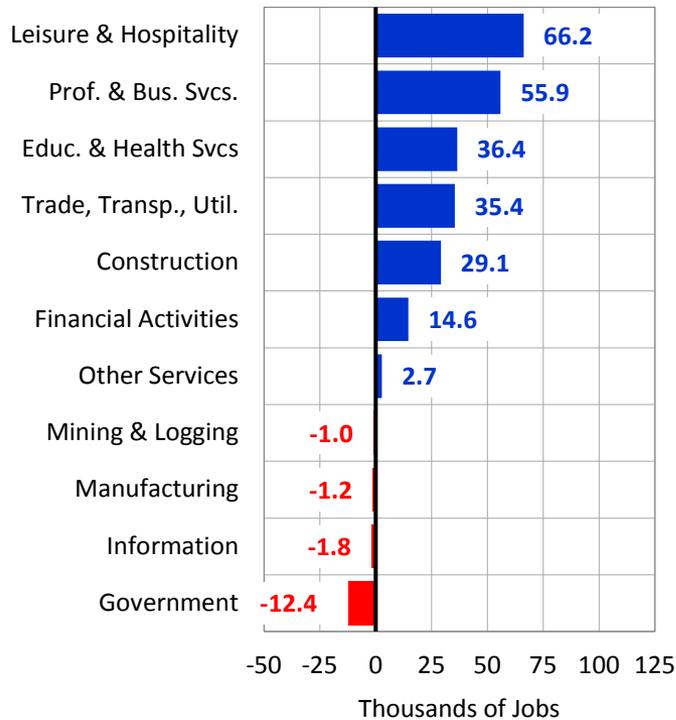


Recovery-to-Date

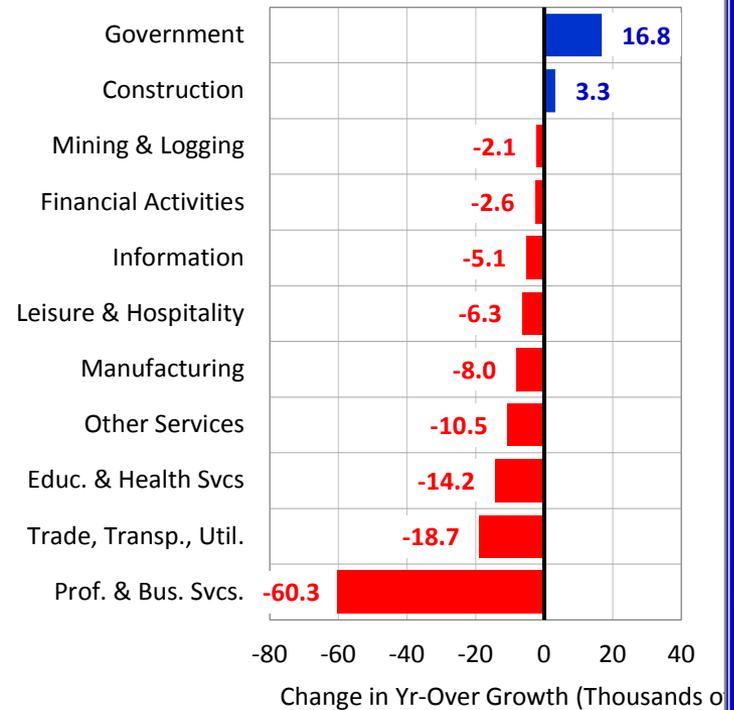
- From the recessionary low in February 2010 through August 2013, California gained 826,500 total nonfarm jobs. It had recovered three-fifths (60.4 percent) of the 1,368,200 nonfarm jobs it lost during the recession.
- From its recessionary low in January 2010 through August 2013, California gained 915,200 private nonfarm jobs. It had recovered more than two-thirds (69.6 percent) of the 1,314,900 private sector jobs it lost during the recession.
- The nation gained 7.0 million nonfarm jobs from the recessionary low in February 2010 through September 2013. It had recovered four-fifths (79.8 percent) of the 8,736,000 jobs it lost during the recession.
- The nation gained nearly 7.6 million private nonfarm jobs from the recessionary low in February 2010 through September 2013. It had recovered 85.7 percent of the 8,736,000 jobs it lost during the recession.

California Industry Jobs: Year-Over Job Growth in August 2013

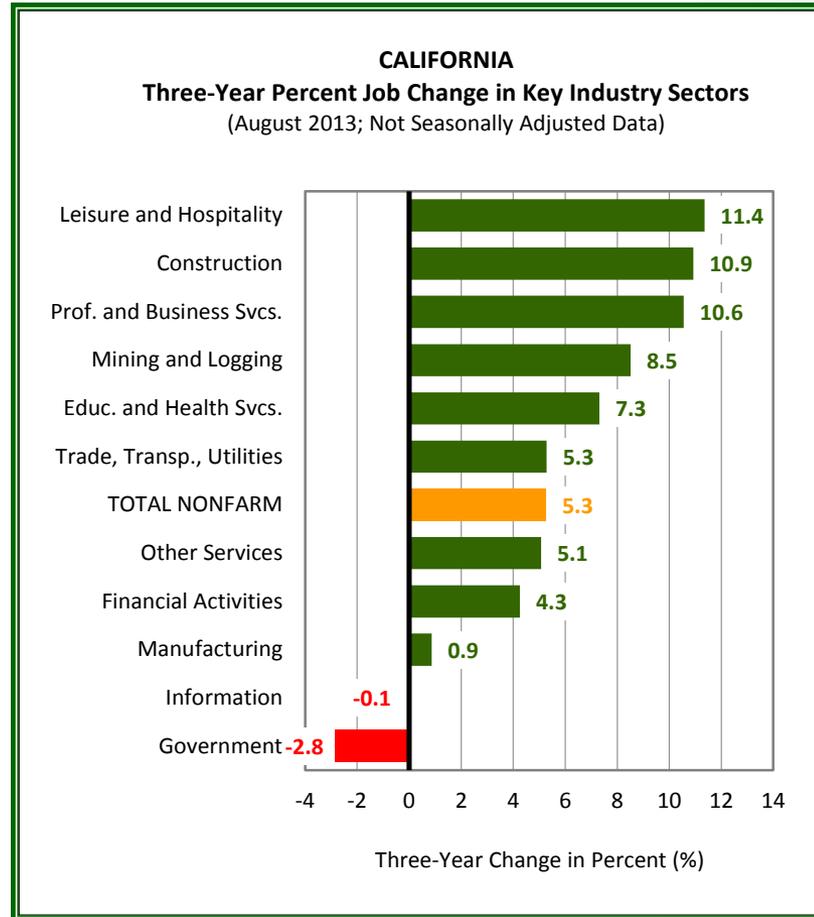
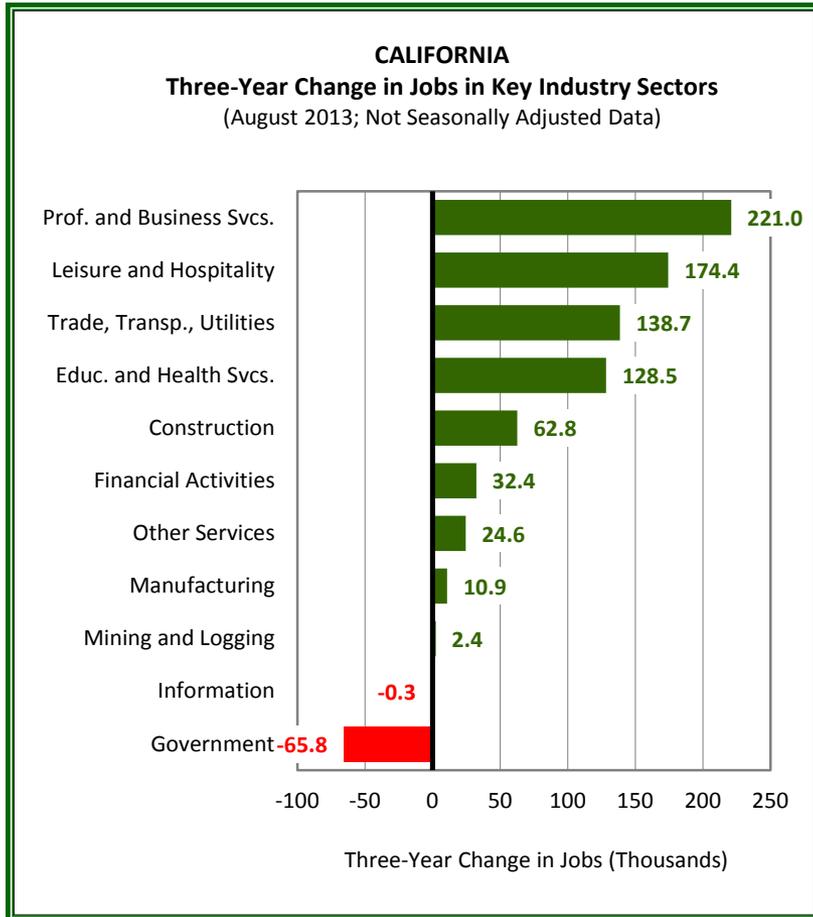
Year-Over Job Changes in California Industry Sectors: Number of Jobs
(August 2013; Seasonally Adjusted Data)



Change in Year-Over Industry Job Growth: August 2013 Vs. August 2012
(August 2013; Seasonally Adjusted Data)

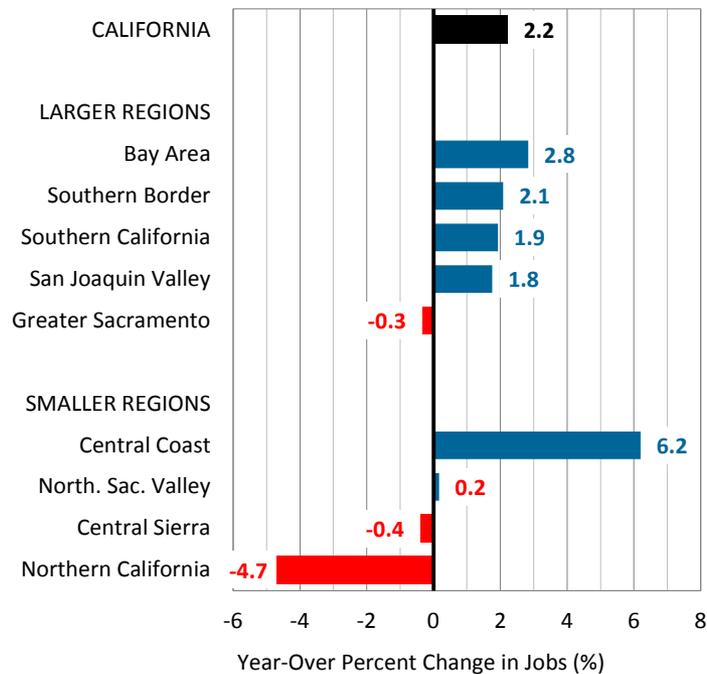


California Industry Jobs: Three-Year Job Change, August 2013 (Not Seasonally Adjusted)

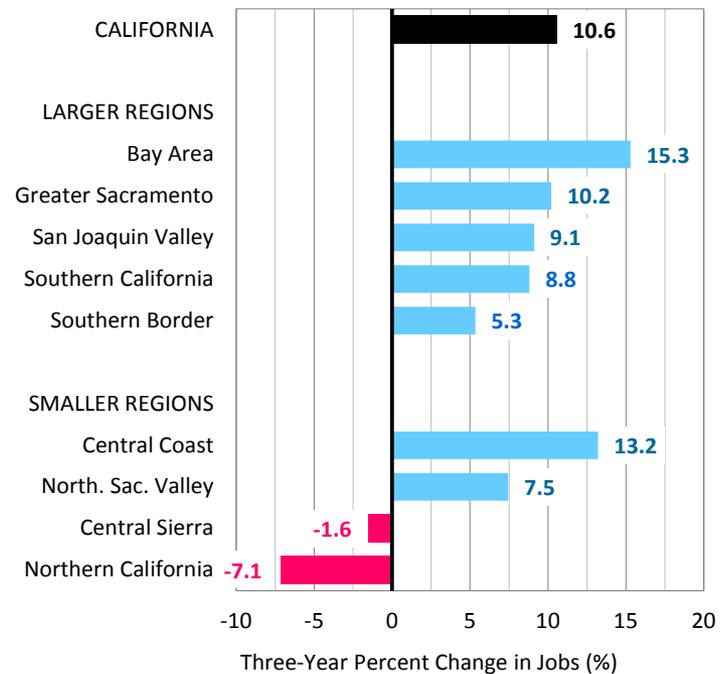


Spotlight on Selected Industries: Regional Job Growth in Professional and Business Services

Year-Over Percent Change in Professional and Business Services Jobs in California Economic Regions
(August 2013; Not Seasonally Adjusted Data)



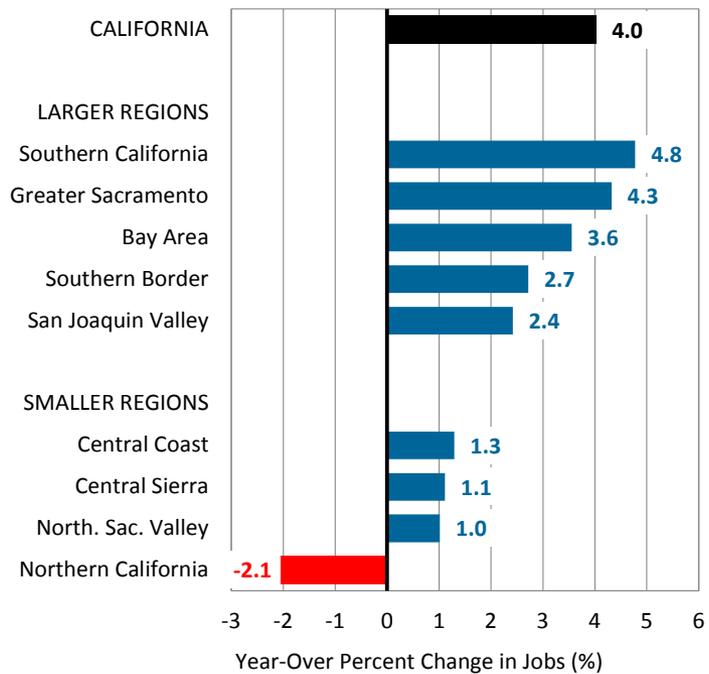
Three-Year Percent Change in Professional and Business Services Jobs in California Economic Regions
(August 2013; Not Seasonally Adjusted Data)



Spotlight on Selected Industries: Regional Job Growth in Leisure and Hospitality

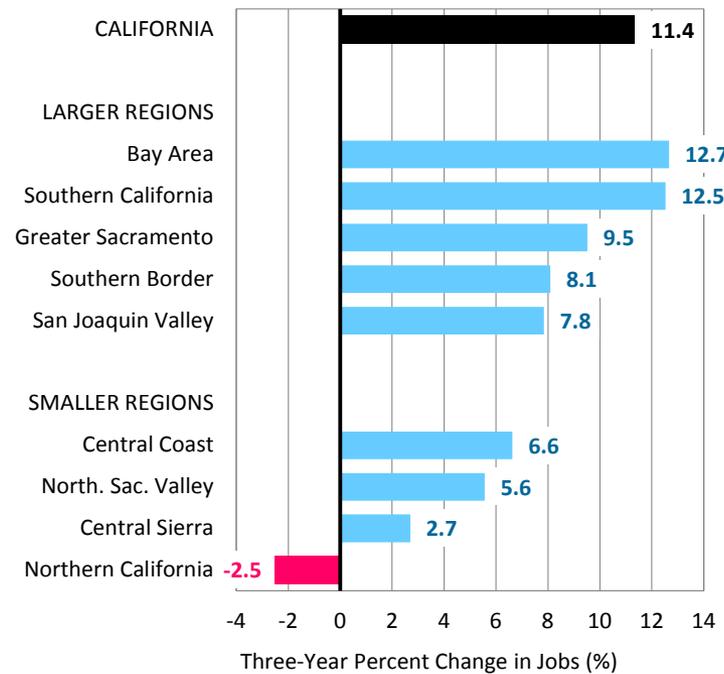
Year-Over Change in Percent in Leisure and Hospitality Jobs in California Economic Regions

(August 2013; Not Seasonally Adjusted Data)



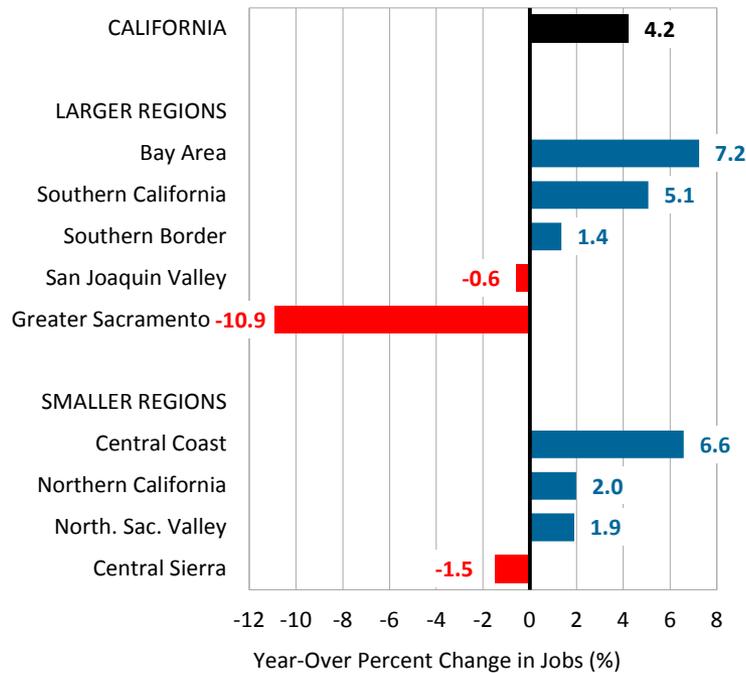
Three-Year Change in Percent in Leisure and Hospitality Jobs in California Economic Regions

(August 2013; Not Seasonally Adjusted Data)

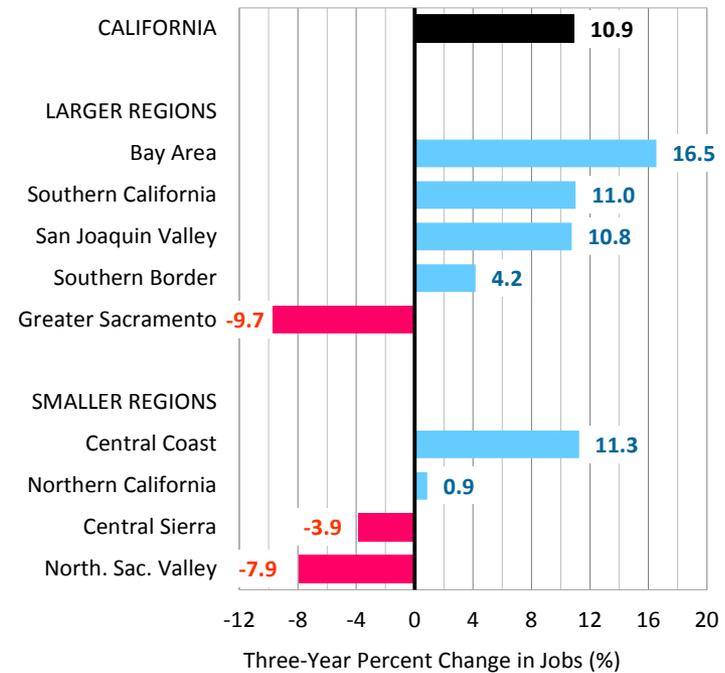


Spotlight on Selected Industries: Regional Job Growth in Construction

Year-Over Change in Percent in Construction Jobs in California Economic Regions: August 2013
(Not Seasonally Adjusted Data)



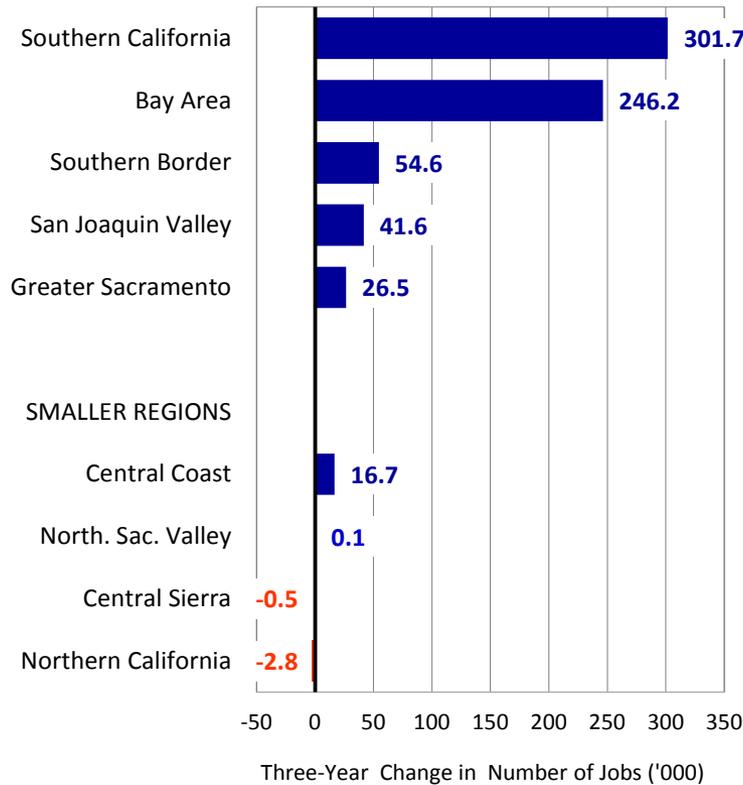
Three-Year Change in Percent in Construction Jobs in California Economic Regions: August 2013
(Not Seasonally Adjusted Data)



Job Growth in California Regions: Three-Year Change, August 2013

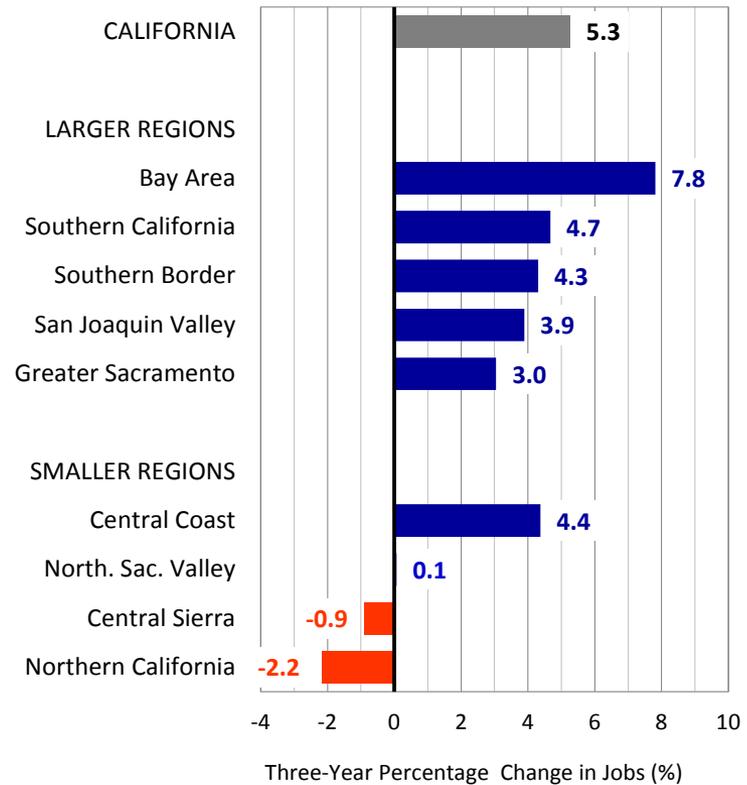
**Three-Year Change in Nonfarm Jobs in California
Economic Regions: August 2013**

(Not Seasonally Adjusted Data)

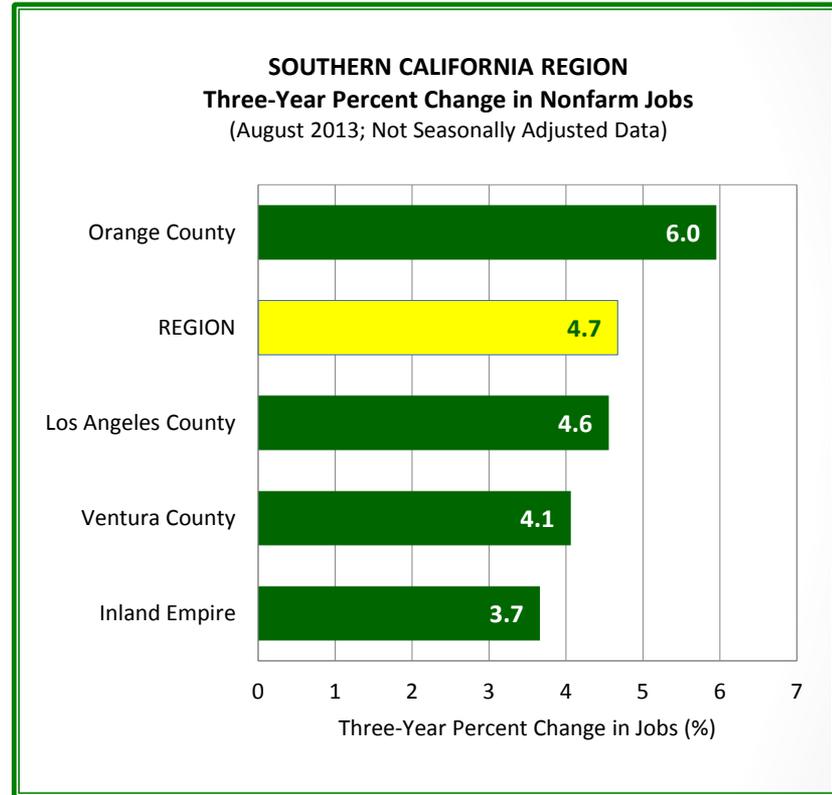
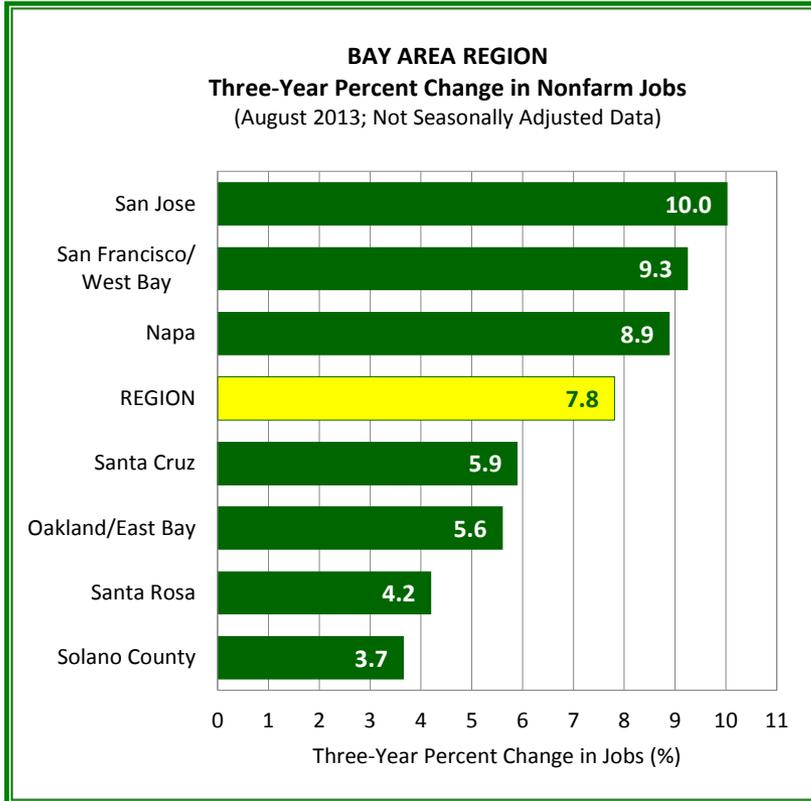


**Three-Year Change in Percent in Nonfarm Jobs in
California Economic Regions: August 2013**

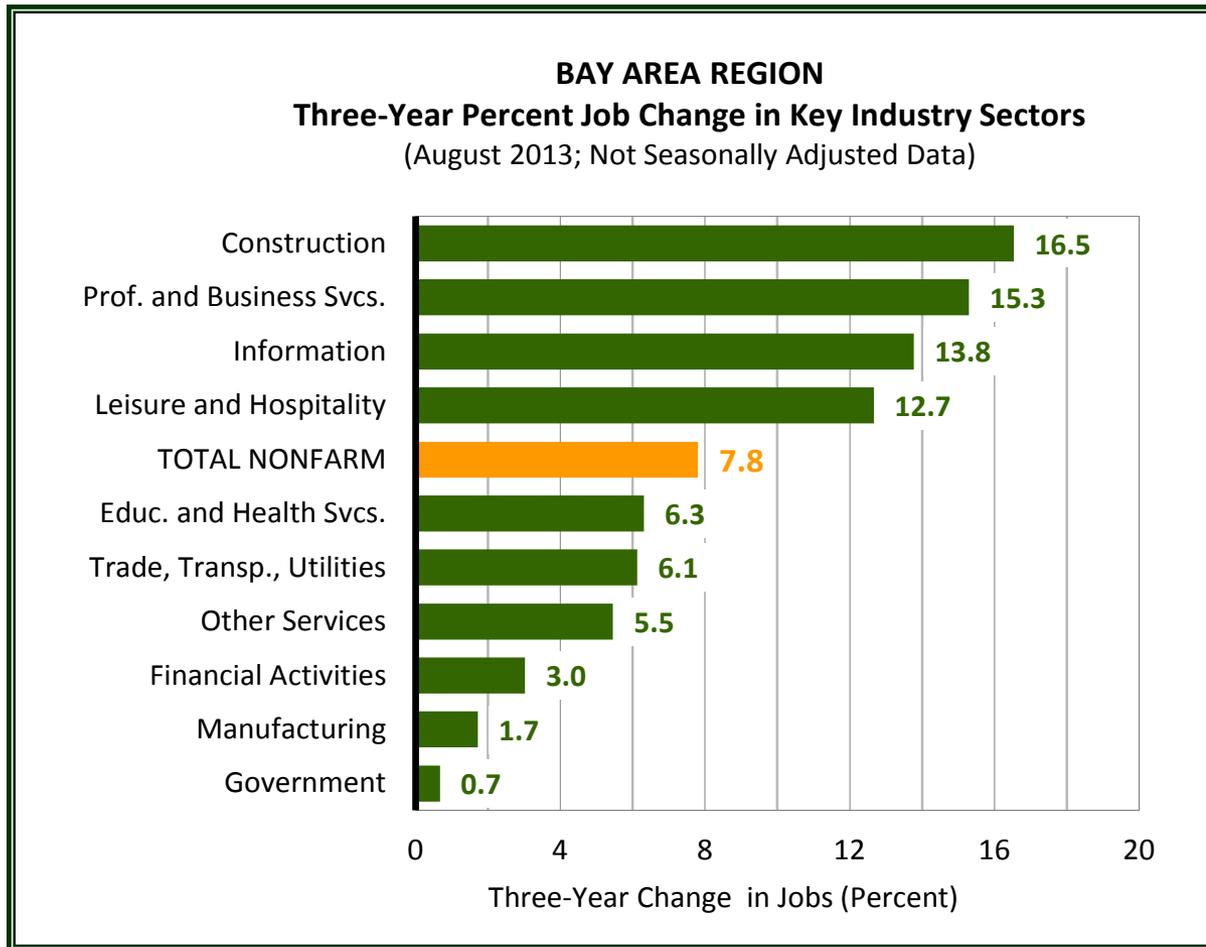
(Not Seasonally Adjusted Data)



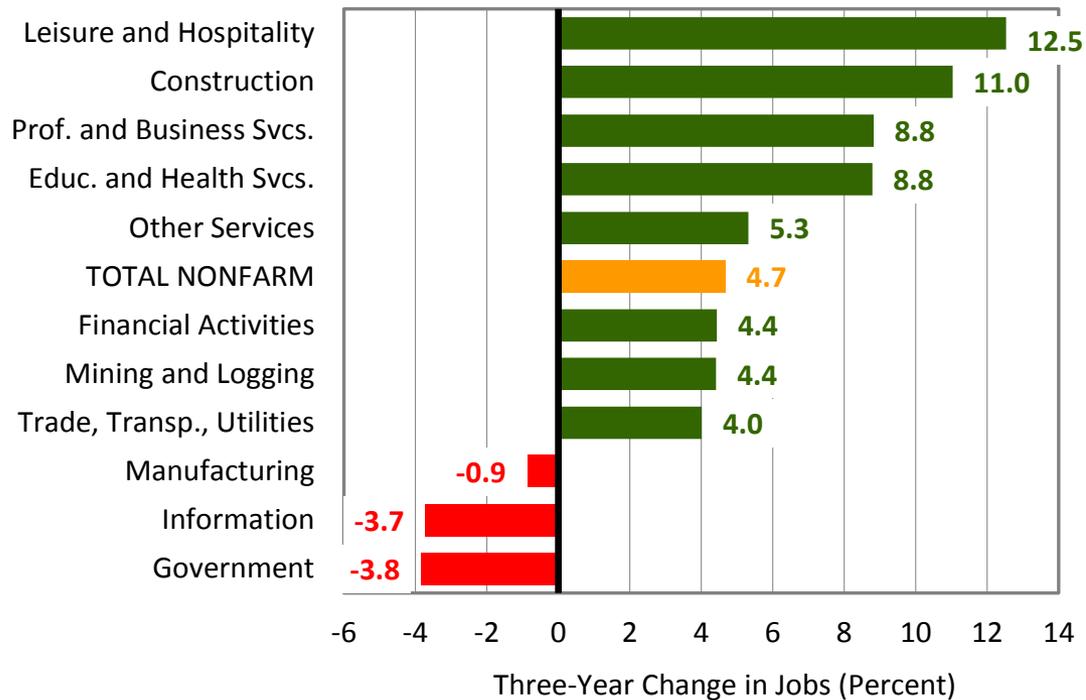
Job Growth Trends in Bay Area and Southern California Regions Compared: Three-Year Change, August 2013



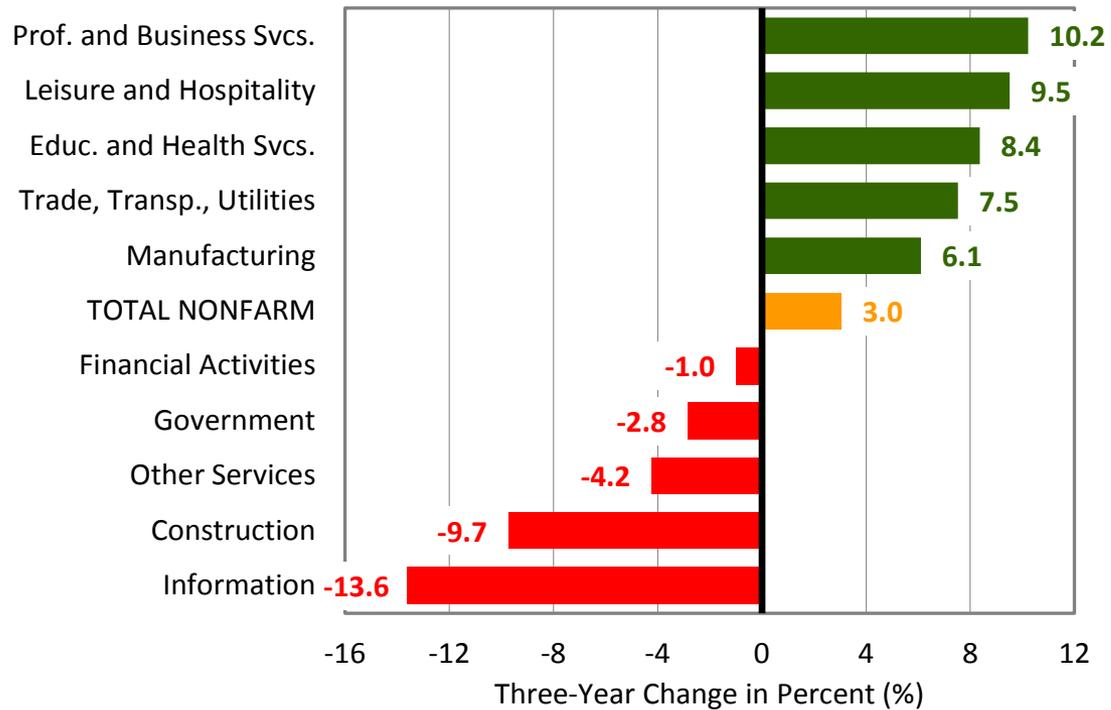
Industry Job-Growth in Selected Economic Regions in California over the Last Three Years



SOUTHERN CALIFORNIA REGION
Three-Year Percent Job Change in Key Industry Sectors
(August 2013; Not Seasonally Adjusted Data)

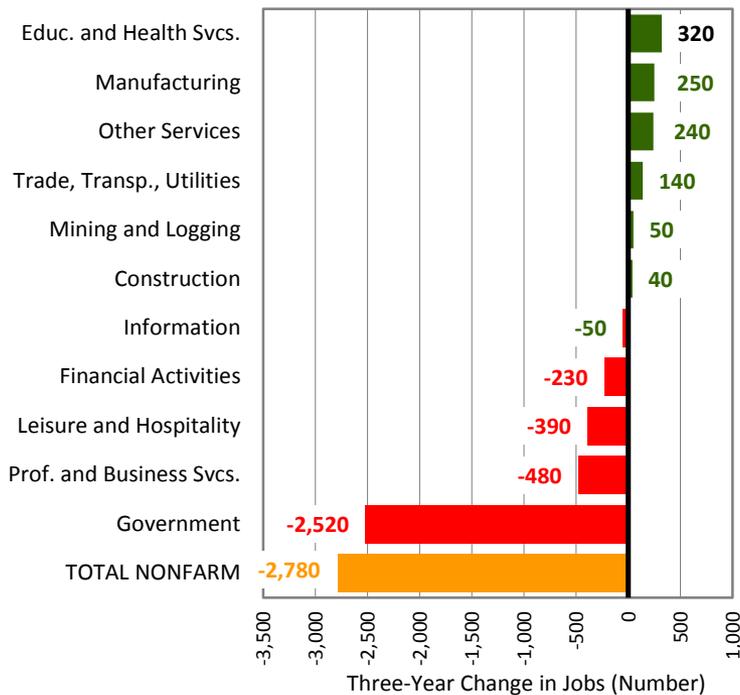


GREATER SACRAMENTO REGION
Three-Year Percent Change in Jobs in Key Industry Sectors
(August 2013; Not Seasonally Adjusted Data)



What Ails Northern California and Central Sierra?

NORTHERN CALIFORNIA REGION
Three-Year Change in Jobs in Key Industry Sectors
 (August 2013; Not Seasonally Adjusted Data)



CENTRAL SIERRA REGION
Three-Year Change in Jobs in Key Industry Sectors
 (August 2013; Not Seasonally Adjusted Data)

