

August 2022

## Bay Area Economic Update—August 19, 2022—A Rebound in Jobs, Housing Permits and Air Travel, How Long Can It Last

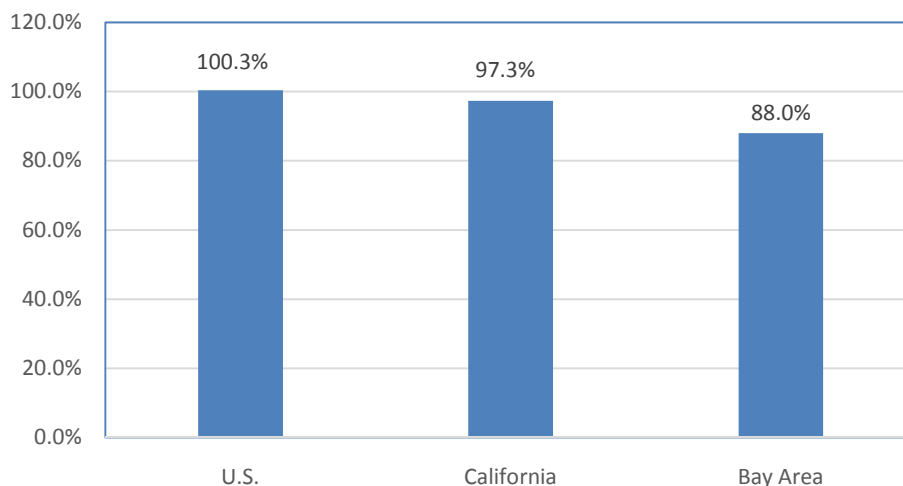
The highlights:

- The Bay Area added 20,000+ jobs in both June and July and led all regions in California with a 5.2% 12-month job increase.
- Bay Area unemployment levels and unemployment rates remained low even with the normal summer uptick and the state unemployment rate, which is seasonally adjusted, fell to a record low of 3.9%.
- Housing permits for the first six months of the year surpassed both 2021 and 2019 levels though still well below the region's new RHNA targets. Air travel levels picked up though Bay Area passenger levels remain well below pre-pandemic levels.
- August 2022 brings major challenges to the global, national and regional economy with the Russian invasion of Ukraine, increases in interest rates amidst continuing high inflation, and the Bay Area challenges of housing, transportation and competitiveness. Positive signs are that inflation may be slowing, Ukrainian grain is hitting the market, COVID cases have started to decline and K-12 schools are in a more normal school year.
- Another challenge, discussed below, is where will employers find workers for continued job growth.

### The Bay Area Trails the State and Nation in Payroll Job Recovery but the Gap is Shrinking

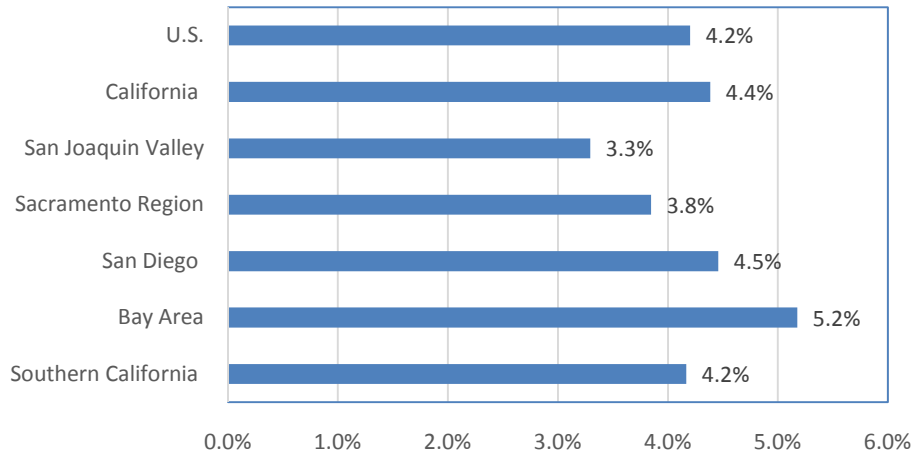
This is the chart that gets wide media attention and focuses on our region's below-average job recovery rate. It is accurate and shows the better U.S. and California data. But look at the next chart to see the Bay Area catching up.

Jobs Recovered by July 2022 as % of Losses



The Bay Area's 5.2% growth rate topped all the other major economic regions in the state as well as the state and national job growth rate.

## Job Growth July 2021-2022



## Payroll Job Growth Shows Uneven Recovery by Metro Area

The Bay Area added 199,200 jobs in the past year (+5.5%) led by a gain of 76,200 in the San Francisco metro area though SF has recovered just 85.8% of the jobs lost between February and April 2020. The San Jose metro area added 62,000 jobs and by July 2022 had recovered 97.0% of the payroll jobs lost between February and April 2020. The Oakland metro area added 44,800 jobs during the past year. Other metro areas have been slower to recover lost jobs.

### Metro Area Payroll Job Trends (Thousands)

Metro Area	Feb 20	Apr 20	July 21	July 22	% Recovered
Oakland	1,201.9	1,003.6	1,136.4	1,181.2	89.6%
San Francisco	1,204.7	1,017.9	1,102.0	1,178.2	85.8%
San Jose	1,172.5	1,011.4	1,105.7	1,167.7	97.0%
Santa Rosa	211.1	171.9	195.3	204.0	81.9%
Napa	75.3	57.3	68.2	71.0	76.1%
Vallejo	143.3	121.5	134.1	137.8	74.8%
San Rafael	117.2	91.8	106.9	107.9	63.4%
Bay Area	4,126.0	3,475.4	3,848.6	4,047.8	88.0%

Source: EDD, non-farm wage & salary jobs seasonally adjusted

## Industries Were Affected Differently

Five sectors—Construction, Manufacturing, Transportation and Warehousing, Information and Professional and Business Services—exceeded pre-pandemic job levels in July 2022. Financial Services at 30.6% had the lowest recovery rate and the Leisure and Hospitality sector has now recovered 81.3% of lost jobs by July 2022 and has the largest recent gains. The Government sector is now slowly recovering the jobs lost between February and April 2020.

Note that all sectors combined minus the government sector have now recovered nearly all the lost jobs as shown on the bottom row.

### San Francisco Bay Area Payroll Jobs

	Feb 20	April 20	July 21	July 22	Apr20-July 22 Job Change	% Of Feb-Apr Loss
Construction	215,600	152,300	209,500	222,800	70,500	111.4%
Manufacturing	364,500	339,600	365,200	379,200	39,600	159.0%
Wholesale Trade	115,500	103,800	106,300	108,900	5,100	43.6%
Retail Trade	330,800	258,800	308,500	317,300	58,500	81.3%
Transp. & Wareh.	112,100	99,500	109,400	115,400	15,900	126.2%
Information	242,400	238,800	252,300	268,300	29,500	819.4%
Financial Activities	201,900	190,800	194,300	194,200	3,400	30.6%
Prof& Bus Serv.	798,300	740,600	782,400	832,700	92,100	159.6%
Educ & Health Serv.	636,400	563,600	612,000	624,400	60,800	83.5%
Leisure & Hosp.	441,200	208,500	348,600	397,700	189,200	81.3%
Government	488,500	471,800	438,000	443,900	-27,900	-167.1%
Total Non- Farm Minus	4,093,000	3,468,700	3,854,300	4,043,300	574,600	92.0%
Government	3,604,500	2,996,900	3,416,300	3,599,400	602,500	99.2%

Source: EDD not seasonally adjusted

## Unemployment Trends

Unemployment rates go up in the summer on the not seasonally adjusted data as education jobs decline during summer break. Still Bay Area rates in July 2022 were below pre-pandemic levels though the months are not comparable. And there were 104,700 unemployed residents in July 2022 compared to 114,500 in February 2020.

## Unemployment Rates

Metro Area	Feb 20	Apr 20	July 21	July 22
Oakland	3.0%	14.6%	6.6%	3.6%
San Francisco	2.2%	12.5%	5.2%	2.0%
San Jose	2.6%	12.4%	5.1%	2.2%
Santa Rosa	2.8%	15.4%	5.7%	2.6%
Napa	3.2%	17.8%	5.9%	2.6%
Vallejo	3.9%	15.7%	7.8%	3.9%
San Rafael	2.4%	12.1%	4.7%	2.1%
Bay Area	2.7%	13.7%	5.8%	2.5%

Source: EDD

The state data that is seasonally adjusted reported a decline to 3.9%, an all-time low for the state unemployment rate in July 2022 from 4.2% in June 2022 and 4.1% in February 2020.

## Bay Area and State Labor Force Still Below Pre-Pandemic Levels but Where Will Workforce Growth Come From.

The state has more than 200,000 fewer workers than in the month before the pandemic started and the Bay Area has more than 50,000 fewer residents in the workforce.

Though the recent pace of job growth has been encouraging, it is not clear where new workers will come from with low unemployment already and low population growth. Perhaps the new school year going back towards normal will allow parents who dropped out to return to the workforce. And it is possible that more workers can come from remote locations so the Bay Area and state can see job growth without more residents working. Job openings remain high and sectors like air travel are constrained by lack of enough workers

## California Labor Force and Unemployment

	Feb 20	April 20	July 21	July 22
Labor Force	19,536,400	18,651,200	19,016,300	19,326,800
Employed Residents	18,733,800	15,685,900	17,609,600	18,568,200
Unemployment	802,500	2,965,200	1,406,700	758,700
Unemployment Rate	4.1%	15.9%	7.4%	3.9%

Source: EDD, seasonally adjusted

## Metro Area Labor Force (Thousands)

Metro Area	Feb 20	Apr 20	July 21	July 22
Oakland	1,402.2	1,332.2	1,362.5	1,382.7
San Francisco	1,043.3	978.0	987.1	1,032.5
San Jose	1,087.7	1,039.8	1,051.4	1,086.1
Santa Rosa	256.0	241.0	244.9	249.5
Napa	72.5	66.3	70.1	70.6
Vallejo	207.5	200.4	200.9	201.2
San Rafael	137.9	123.5	131.0	131.2
Bay Area	4,207.1	3,981.2	4,047.9	4,153.8

Source: EDD, not  
seasonally adjusted

## A Welcome Uptick in Housing Permits

Permits levels in the first six months of 2022 exceeded 2019 and 2021 levels though East Bay permit levels were below earlier levels.

The other counties showed large year over year gains. In addition, now there are almost daily reports of new housing projects being proposed and approved though it is often a long step until these units are completed and on the market.

Bay Area cities are updating their Housing Elements currently and learning about the requirements to meet their RHNA goals. It is possible that the RHNA and update process is encouraging cities to loosen development standards and to approve more projects.

While the current growth in permits is a positive sign, these levels are still below the RHNA targets for the region. More needs to be done.

## Residential Building Permits Thru June

### Bay Area Housing Building Permits First Six Months of the Year

	Year	Permits			
			Contra		
Alameda	2019	3309	Costa	2019	1546
	2021	3592		2021	2070
	2022	2344		2022	1455
Marin	2019	149	Napa	2019	99
	2021	118		2021	170
	2022	200		2022	561
San Francisco	2019	1995	San Mateo	2019	945
	2021	1294		2021	732
	2022	2399		2022	1242
Santa Clara	2019	2527	Solano	2019	612
	2021	2650		2021	864
	2022	3589		2022	1026
Sonoma	2019	1216	Bay Area	2019	13201
	2021	972		2021	13511
	2022	1331		2022	14838

Source: CHF and CIRB

## Air Travel Up but Well Below Pre-Pandemic Levels in the Region

Passenger levels are up over 2021 levels but still well below 2019 totals for the first six months of the year. Bay Area airports trail other regions in California in the recovery to pre-pandemic travel. A part of the reason is the large decline in international travel that is only recently beginning to grow again.

### Air Passengers First Six Months of Year (Millions)

	2019	2020	2021	2022	22 vs 19	22 vs 21
San Francisco Bay Area						
SJC	7.4	3.1	2.6	5.1	-31.7%	94.6%
SFO	19.1	10.4	8.1	13.8	-27.7%	71.2%
OAK	6.5	2.6	3.2	5.0	-23.5%	54.7%

Source: Airport websites