

December 2022

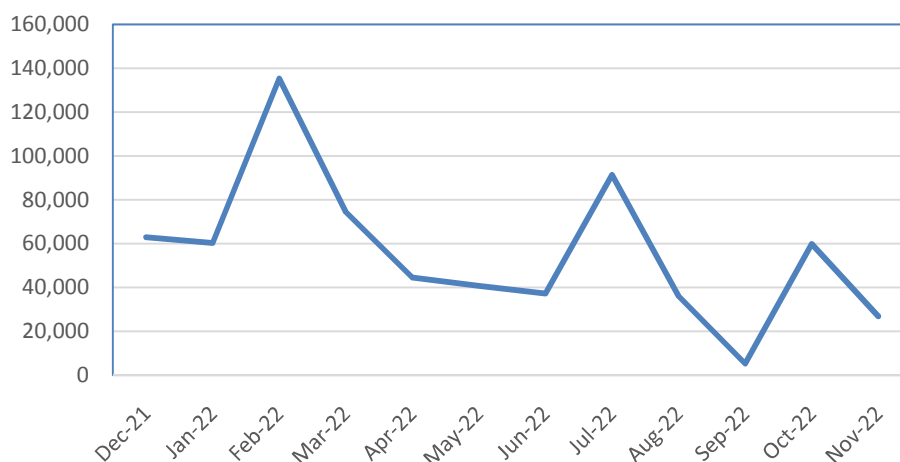
California Economic Update and Outlook

The highlights:

- Job growth remains positive but has slowed in recent months. Even so, the state outpaced the nation in job growth during the past 12 months and job levels in November 2022 were above pre-pandemic levels.
- The state unemployment rate ticked up to 4.1% in November, still low by historical standards. One continuing negative trend is that California's labor force is almost 300,000 below pre-pandemic levels.
- The number of residential building permits through October is above 2019 and 2021 levels, though still far below California's new 6th cycle RHNA housing targets.
- Air travel levels are also rising though still below pre-pandemic levels at two major state airports—SFO and LAX.
- December 2022 brings continuing challenges and uncertainty to the global, national and state economy with the Russian invasion of Ukraine, large increases in interest rates amidst continuing high inflation, and the ongoing Bay Area challenges of housing, transportation and competitiveness.
- 2023 is likely to be a year of slow growth including a possible recession. The December UCLA forecast projected that a recession is possible though likely to be mild and short-lived with the state's economy beginning to rebound as early as late 2023.

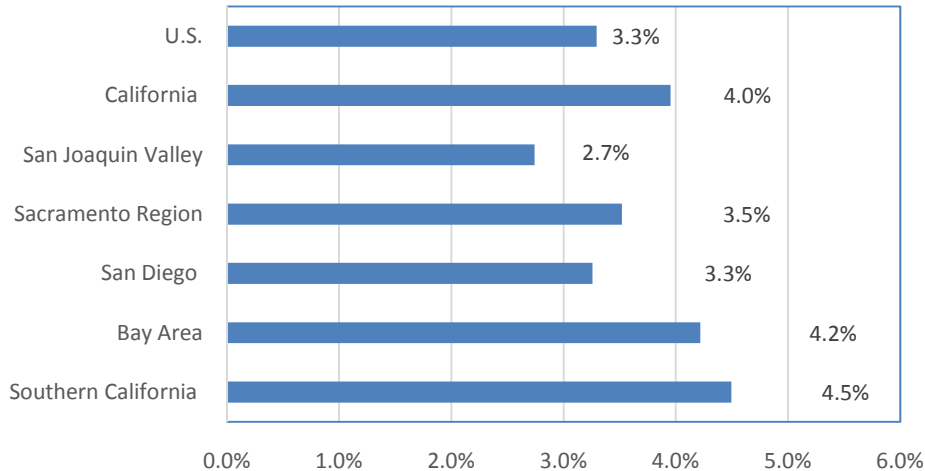
California Job Trends

California Job Growth



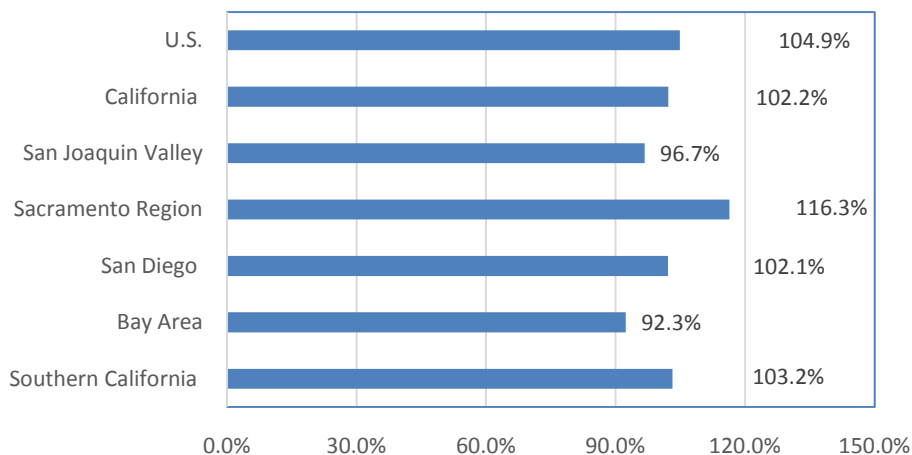
Monthly job growth in the state has fluctuated over the past 12 months but the overall trend is for slowing monthly gains as interest rates have risen. Still, the state outpaced the nation in job growth during the past year as did some of the state's regional economies. Jobs in California grew by 4.0% during the past 12 months compared to 3.3% in the nation and the two largest regional economies—Southern California and the Bay Area grew even faster than the state average.

Job Growth November 2021-2022



The Bay Area and San Joaquin Valley are the only regions not to have recovered all the jobs lost during the pandemic.

% of Jobs Recovered by November 2022



By November 2022 the state had recovered 102.2% of the jobs lost between February and April 2020 in line with the national recovery. Five major industry sectors—Construction, Transportation and Warehousing, Information, Business and Professional Services and Education and Health Services—exceeded pre-pandemic job levels in November 2022.

Manufacturing, Retail Trade and Leisure and Hospitality jobs in November were close to pre-pandemic levels. Government job levels were barely above the April 2020 pandemic low but increasing in each recent month. Leisure and Hospitality has now recovered 84.3% of pandemic job losses and has been the leading job growth sector over the past 12 months.

Wholesale Trade, Financial Activities and Other Services had relatively low recovery rates while Manufacturing has recovered just over 85.5% of the pandemic job losses.

California Jobs by Major Industry Sector						
	Feb '20	April '20	Nov '21	Nov '22	Apr '20 - Nov '22 Job Change	% of Feb-Apr Loss
Mining and Logging	22,500	20,400	19,000	19,400	-1,000	-47.6%
Construction	910,200	742,800	882,000	919,200	176,400	105.4%
Manufacturing	1,329,700	1,206,200	1,278,800	1,317,900	111,700	90.4%
Wholesale Trade	686,100	608,900	643,600	664,200	55,300	71.6%
Retail Trade	1,646,900	1,335,800	1,607,200	1,626,200	290,400	93.3%
Transp. & Wareh.	731,800	680,800	811,900	848,300	167,500	328.4%
Information	591,500	508,900	583,300	614,500	105,600	127.8%
Financial Activities	851,600	799,200	822,700	838,600	39,400	75.2%
Prof& Bus Serv.	2,773,600	2,465,600	2,756,700	2,871,600	406,000	131.8%
Educ & Health Serv.	2,874,100	2,576,200	2,845,800	2,988,900	412,700	138.5%
Leisure & Hospitality	2,060,600	1,070,400	1,799,500	1,951,100	880,700	88.9%
Other Services	593,400	394,400	524,100	555,800	161,400	81.1%
Government	2,619,900	2,523,400	2,503,000	2,536,900	13,500	14.0%
Total Non-Farm	17,691,900	14,933,000	17,077,600	17,752,600	2,819,600	102.2%

Source: EDD data are seasonally adjusted

But the story changes if you look at job growth during the past 12 months. Here Leisure and Hospitality leads all sectors by a wide margin with an 8.40% year-over-year job gain as the sector has finally begun to recover. The next fastest

growth was in Other Services followed by Information, Educational & Health Services and Transportation and Warehousing.

Construction and Professional and Business Services had 12-month job growth of 4.2% exceeding the state average growth rate. Retail trade at 1.2% had the lowest major sector growth rate.

Jobs by Major Industry Sector Growth in Past 12 Months

Nov '21-'22

Mining and Logging	2.1%
Construction	4.2%
Manufacturing	3.1%
Wholesale Trade	3.2%
Retail Trade	1.2%
Transp. & Wareh.	4.5%
Information	5.3%
Financial Activities	1.9%
Prof& Bus Serv.	4.2%
Educ & Health Serv.	5.0%
Leisure & Hospitality	8.4%
Other Services	6.0%
Government	1.4%
Total Non-Farm	4.0%

Source: EDD data are seasonally adjusted

Labor Force and Unemployment

The state's unemployment rate in November 2022 at 4.1% matched the pre-pandemic level and the number of unemployed residents (794,100) was up from the previous month but still below the 802,500 in February 2020.

But the state's labor force was still below pre-pandemic levels as some residents could not find work or were unable to look for work related to the pandemic and child care issues or left the state. As a result, there were almost 300,000 fewer Californians at work (employed residents) still in November 2022.

California

Labor Force and Unemployment

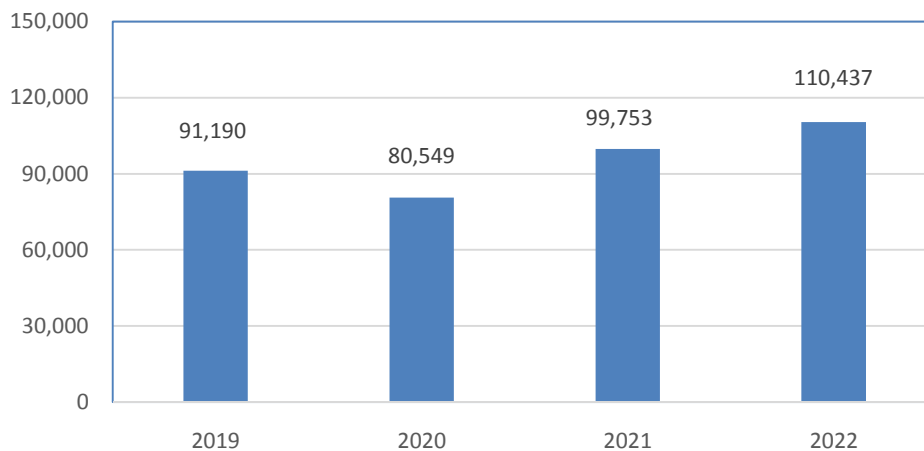
	Feb '20	April '20	Oct '22	Nov '22
Labor Force	19,536,400	18,651,200	19,275,400	19,254,400
Employed Residents	18,733,800	15,685,900	18,503,100	18,460,400
Unemployment	802,500	2,965,200	772,300	794,100
Unemployment Rate	4.1%	15.9%	4.0%	4.1%

Source: EDD, seasonally adjusted

Residential Housing Permits

The state recorded 110,437 residential building permits in the first ten months of 2022. While permit levels remain far below the new 6th cycle RHNA targets, they are above levels in recent years and more projects are being proposed and approved as cities revise their Housing Elements and housing incentives and as the potential to convert uneconomic retail and office structures is increasing.

Residential Building Permits in California
First Ten Months of the Year



Permit levels are up in Southern California, the Bay Area and Sacramento region and near 2021 levels in San Diego County and the San Joaquin Valley.

Regional Housing Building Permits Through October

Southern California	2019	38,737	San Francisco Bay Area	2019	19,196
	2021	41,841		2021	19,709
	2022	44,114		2022	24,135

San Diego	2019	4,378	Sacramento Region	2019	8,662
	2021	8,566		2021	10,610
	2022	8,509		2022	13,248
San Joaquin Valley	2019	11,254	Rest of State	2019	8,963
	2021	12,644		2021	6,383
	2022	12,322		2022	8,109
California	2019	91,190			
	2021	99,753			
	2022	110,437			

Source: CHF and CIRB

Regional Structure

Southern California Counties

Los Angeles
Orange
Riverside
San Bernardino
Ventura

Bay Area Counties

Alameda
Contra Costa
Marín
Napa
San Francisco
San Mateo
Santa Clara
Solano
Sonoma

Sacramento Region Counties

El Dorado
Placer
Sacramento
Sutter
Yolo
Yuba

San Joaquin Valley Counties

Fresno

Kern

Kings

Madera

Merced

San Joaquin

Stanislaus

Tulare