

September 2022

California Economic Update and Outlook—July 2022

The highlights:

- Strong job gains In July pushed the state close to (97.3%) of regaining all the payroll jobs lost during the pandemic.
- The state unemployment rate declined to 3.9%, an all-time low. One negative trend is that California’s labor force is still 200,000+ below pre-pandemic levels.
- The number of residential building permits also surged in June and the state is on pace for the largest permit level since 2006, though still below California’s new 6th cycle RHNA housing targets.
- Air travel levels are also rising though still below pre-pandemic levels at many major state airports.
- All of these gains are occurring in each of the state’s major economic regions.
- August 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.

On the brighter side, COVID cases have started to decline, commodity and gas prices have declined, Ukraine can begin to export grain and California families may have a more normal school year.

California Job Trends

By July 2022 the state had recovered 97.3% of the jobs lost between February and April 2020. Five major industry sectors—Construction, Transportation and Warehousing, Information, Business and Professional Services and Education and Health Services—exceeded pre-pandemic job levels in July 2022.

Retail Trade jobs in July 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 2020	April 2020	July 2021	July 2022	Apr 2020 – July 2022 Job Change	% Of Feb-Apr Loss
Mining and Logging	22,500	20,400	18,700	19,200	-1,200	-57.1%
Construction	910,200	742,800	878,300	923,400	180,600	107.9%
Manufacturing	1,329,700	1,206,200	1,275,200	1,311,800	105,600	85.5%
Wholesale Trade	686,100	608,900	649,000	664,500	55,600	72.0%
Retail Trade	1,646,900	1,335,800	1,608,900	1,645,600	309,800	99.6%
Transp. & Wareh.	731,800	680,800	782,500	847,200	166,400	326.3%
Information	591,500	508,900	559,800	606,100	97,200	117.7%
Financial Activities	851,600	799,200	828,000	834,300	35,100	67.0%
Prof& Bus Serv.	2,773,600	2,465,600	2,708,200	2,846,900	381,300	123.8%
Educ & Health Serv.	2,874,100	2,576,200	2,831,200	2,927,800	351,600	118.0%
Leisure & Hospitality	2,060,600	1,070,400	1,732,800	1,905,400	835,000	84.3%
Other Services	593,400	394,400	516,100	552,500	158,100	79.4%
Government	2,619,900	2,523,400	2,471,600	2,531,100	7,700	8.0%
Total Non-Farm	17,691,900	14,933,000	16,878,100	17,618,100	2,685,100	97.3%

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 a 10.0% year-over-year job gain as the sector has finally begun to recover. The next fastest growth was in transportation and warehousing led by port activity and gains in air travel, Information led by gains in tech and a recovery in motion picture production and Other Services led by Auto Repair and Personal Care Services.

Construction and Professional and Business Services had 12-month job growth of 5.1% exceeding the state average growth rate. Financial Activities at 0.8% had the lowest major sector growth rate.

Jobs by Major Industry Sector
Growth in Past 12 Months

July 2021
– 2022

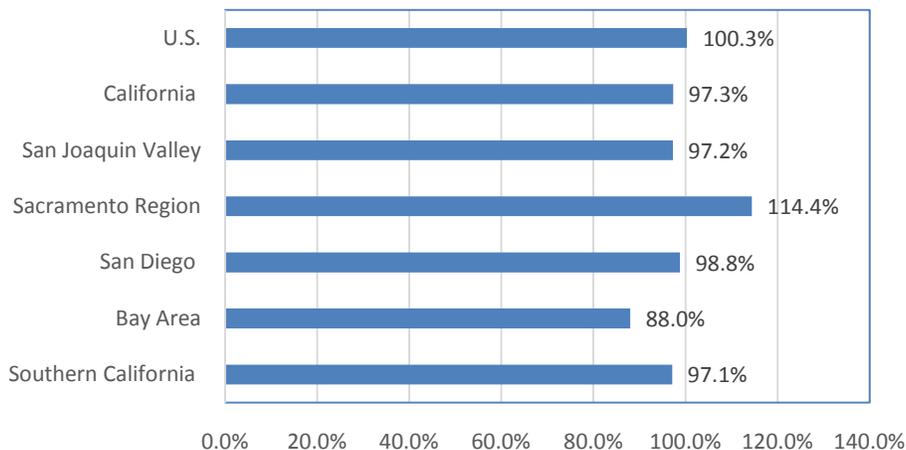
Mining and Logging	2.7%
Construction	5.1%
Manufacturing	2.9%
Wholesale Trade	2.4%
Retail Trade	2.3%
Transp. & Wareh.	8.3%
Information	8.3%
Financial Activities	0.8%
Prof& Bus Serv.	5.1%
Educ & Health Serv.	3.4%
Leisure & Hospitality	10.0%
Other Services	7.1%
Government	2.4%
Total Non-Farm	4.4%

Source: EDD data are seasonally adjusted

Regional Job Trends

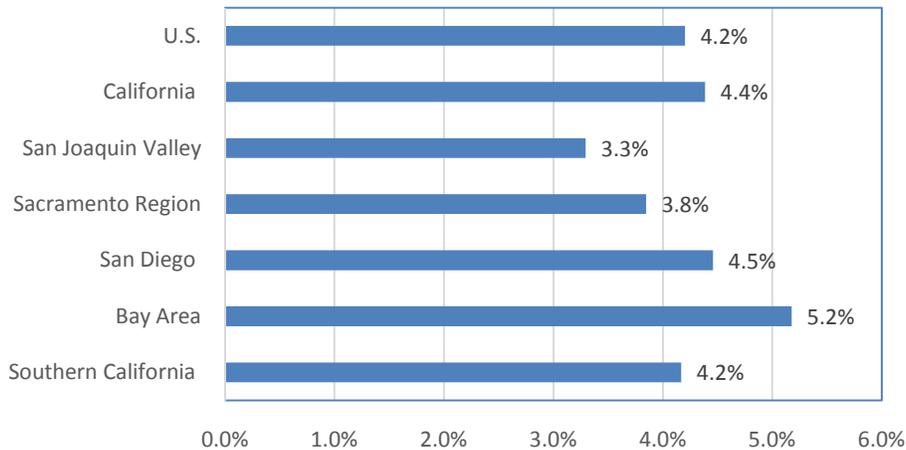
The Sacramento region has surpassed the pre-pandemic job level by 14.4% in July 2022. All of the other regions except the Bay Area had recovered 97%+ of their lost jobs, close to the national recovery rate. The composition of each region is listed at the end of this update.

% of Jobs Recovered by July 2022



But recent growth rates show the Bay Area catching up based on strong job growth in the past 12 months. The Bay Area led all state regions with a 5.2% job growth between July of 2021 and 2022. San Diego was next with a 4.5% job growth followed by Southern California at 4.2% similar to the national growth rate.

Job Growth July 2021-2022



Labor Force and Unemployment

The state’s unemployment rate in July 2022 at 3.9% was the lowest in the state’s history and the number of unemployed residents (758,700) was below the 802,500 in February 2020 prior to the COVID pandemic.

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. As a result, there were almost 200,000 fewer Californians at work (employed residents) still in July 2022.

California Labor Force and Unemployment

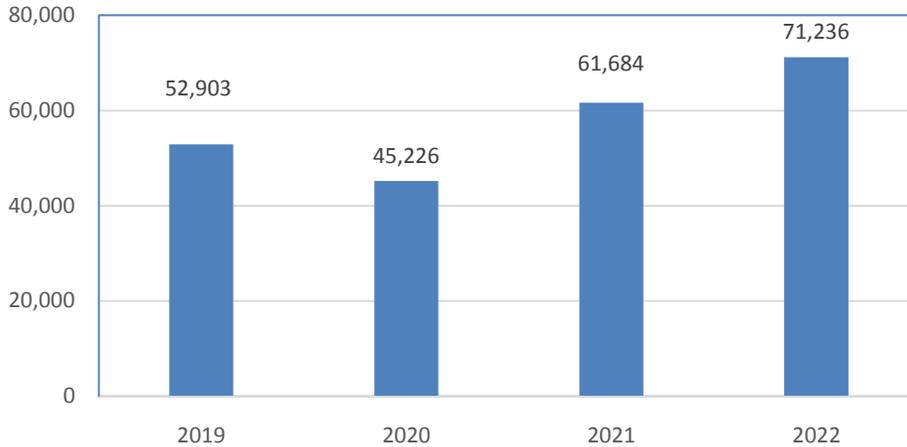
	Feb 2020	April 2020	July 2021	July 2022
Labor Force	19,536,400	18,651,200	19,016,300	19,326,800
Employed Residents	18,733,800	15,685,900	17,609,600	18,568,200
Unemployment	802,500	2,965,200	1,406,700	758,700
Unemployment Rate	4.1%	15.9%	7.4%	3.9%

Source: EDD, seasonally adjusted

Residential Housing Permits

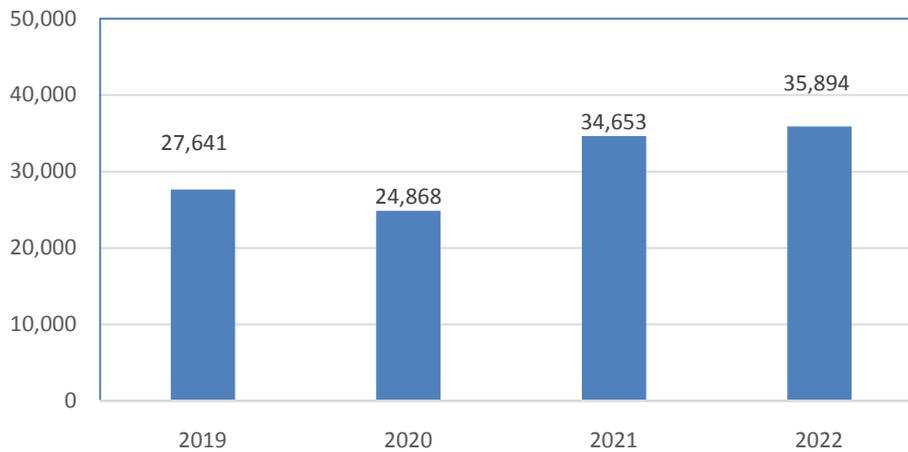
Led by strong permit levels in June, the state recorded 71,236 residential building permits in the first six months of 2022. If that pace keeps up for the rest of the year, the state would have the most permits since 2006 when there were 164,200 permits.

Residential Building Permits in California
First Six Months of the Year

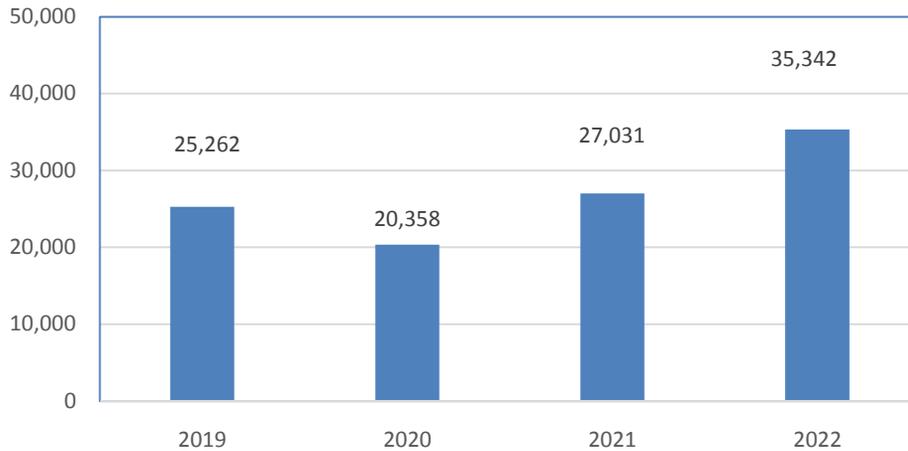


There were gains in both single-family and multiple-family permits with both exceeded in 2019 pre-pandemic levels.

Single-Family Permits in California
First Six Months of the Year



Multifamily Permits in California First Six Months of the Year



Air Travel and Regional Housing Data

These were covered in separate Numbers in the News sent to you and online at www.ccsce.com.

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