

September 2022

Southern California Economic Update —August 2022—Some Forward Progress, One Lagging Indicator, Headwinds Ahead

Despite a slowdown in August, the Southern California economy continued to add jobs and reduce unemployment during the past year at a pace slightly faster than the state and nation. Air travel is recovering, port activity remains high and housing permits are above 2019 and 2021 levels. But there are 300,000 fewer residents in the workforce than before the pandemic. And growth is likely to slow in the near term as a result of headwinds in the national and global economies.

The highlights:

- Over the past year jobs increased by 4.2% in Southern California compared to 4.0% in the state and nation.
- Unemployment rates and levels rise in the summer mainly from education temporary layoffs but in June were close to pre-pandemic levels.
- However, there were 300,000 fewer residents in the workforce as a result of COVID caution, lack of child care and specific industry job losses.
- For the first 7 months of 2022 the region recorded 31,813 residential building permits up from 30,116 in 2021 and 25,742 in 2019.
- Continuing inflation and interest rate hikes are slowing growth across the nation and world. The war in Ukraine continues and, though there have been recent positive U.S. legislative approvals, they will take time to have any substantial impact.

The Jobs Picture

Job growth stalled in August after several months of strong gains. The region recovered 97% of the February-April 2020 losses led by large gains in the Inland Empire. The August data will be revised next month.

(Non-Farm Wage and Salary Jobs in Thousands)

Metro Area	Feb 2020	Apr 2020	Aug 2021	July 2022	Aug 2022	% Recovered
Los Angeles	4,625.0	3,846.9	4,397.3	4,531.5	4,533.6	88.3%
Orange	1,686.8	1,412.1	1,603.9	1,672.3	1,664.9	92.0%
Riv.-San Bern.	1,593.8	1,365.1	1,591.1	1,669.3	1,674.7	135.4%
Ventura	317.0	265.1	301.4	308.7	309.0	84.6%
Total SoCal	8,222.6	6,889.2	7,893.7	8,181.8	8,182.2	97.0%

Seasonally adj.

Source: EDD

But these data may underestimate regional job growth.

Each fall BLS issues revisions to the March job estimates (March 2022 this year) based on actual payroll data, not estimates. The top line numbers are 462,000 more jobs (+0.3%) for the nation and 172,200 more jobs (+1.0%) for the state. If the 172,200 jobs upward revision is added to the August job estimates, the state would now exceed the pre-pandemic level by 4.5% instead of recovering 98.3% of lost jobs.

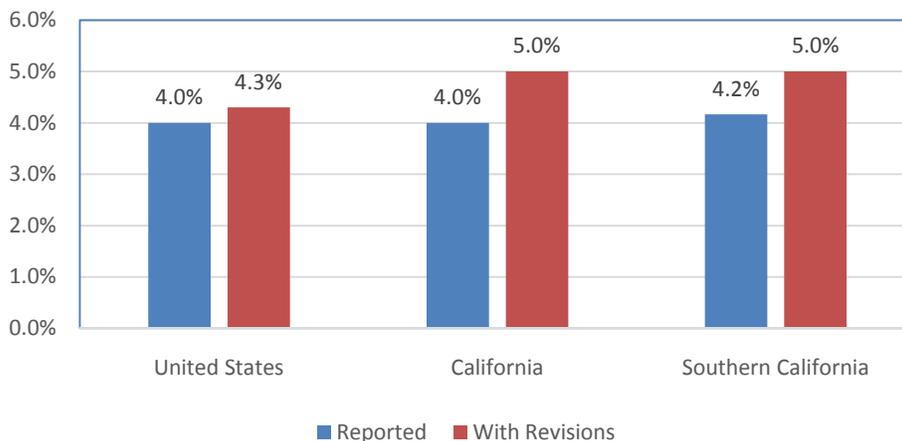
California got 37% of the national upward revision as the major industry revisions were in sectors where the state has a competitive advantage—wholesale trade, transportation and warehousing, information, professional services and leisure and hospitality. There were also upward revisions in Southern California of more than 60,000 jobs and that would put the region at 1.8% above the pre-pandemic job level. The BLS links are below.

<https://www.bls.gov/web/empsit/cesprelbnk.htm>

<https://www.bls.gov/sae/publications/preliminary-benchmark-announcement.htm>

How might the revisions change the narrative? The reported data show the region slightly outpacing the state and nation in recent growth. The revised data, if it held true in August, show that the region and state far topping the national growth rate.

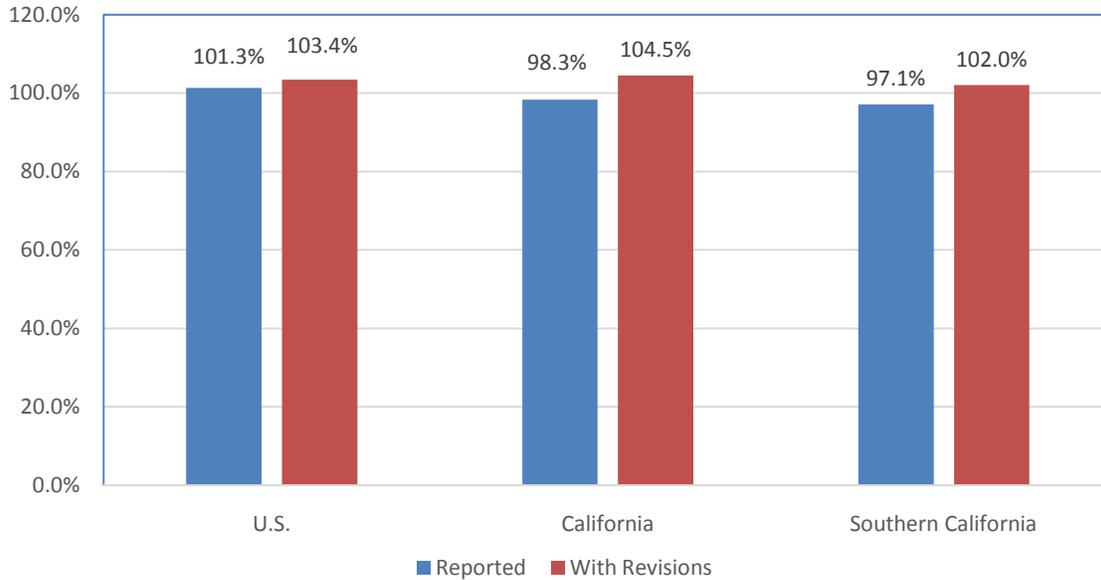
Job Growth Aug 2021-Aug 2022



By August 2022 using reported data, the region had recovered 97.1% of the jobs lost between February and April 2020. While this is slightly lower than the state and national recovery rates, the region has been closing the gap over the past

year. But the revised data shown below indicate that the region had recovered all the pandemic-related job losses by August 2022.

Jobs Recovered by Aug 2022 as % of Feb-Apr 2020 Losses



The rate of job recovery varies by major industry sector. Four sectors led by Transportation and Warehousing exceeded pre-pandemic job levels in August 2022. Leisure and Hospitality was the fastest growing industry sector in the past year and has now recovered 89.3% of the jobs lost between February and April 2020. Government jobs are increasing again though their level is still below the pandemic low in April 2020. Excluding government job losses, the region has regained all the jobs lost in the other sectors as shown below.

Payroll jobs by Major Industry

	<u>Feb 2020</u>	<u>Apr 2020</u>	<u>Aug 2021</u>	<u>Aug 2022</u>	<u>% Recovered</u>
Construction	387,900	333,000	381,400	399,200	120.6%
Manufacturing	625,000	552,300	583,000	603,600	70.6%
Wholesale Trade	380,000	329,500	360,200	366,300	72.9%
Retail Trade	783,500	623,700	757,600	781,400	98.7%
Transp. & Wareh.	388,200	359,500	423,000	462,100	357.5%
Information	279,100	204,700	278,400	270,400	88.3%
Financial Activities	406,200	379,300	391,100	388,900	35.7%
Prof & Bus Serv.	1,190,900	1,031,100	1,173,800	1,223,300	120.3%
Educ & Health Serv.	1,424,400	1,283,300	1,381,000	1,435,900	108.2%
Leisure & Hosp.	995,500	555,000	870,300	948,300	89.3%

Government	1,099,400	1,072,700	967,500	966,900	-396.3%
Total Non-Farm	8,261,400	6,932,000	7,834,000	8,128,300	90.0%
Minus Government	7,162,000	5,859,300	6,866,500	7,161,400	100.0%

Not seasonally adjusted, Source: EDD

Unemployment Rates Will Be Included Next Month

Unemployment rates in the summer months are artificially high from education temporary layoffs.

300,100 Workers Have Not Rejoined the Workforce Since February 2020

Residents who are not in the labor force are not counted as unemployed. As a result, the number of unemployed residents can decline while some are still prevented by choice or having left the region or lack of child care or work in industries that have not fully recovered. The number of residents not in the labor force has remained high recently, perhaps in response to the rise of COVID cases in the region. However, caseloads have fallen and a more normal school year may allow more residents to rejoin the workforce.

Southern California Labor Force (Thousands)

Metro Area	<u>Feb 2020</u>	<u>Apr 2020</u>	<u>Aug 2021</u>	<u>Aug 2022</u>
Los Angeles	5,265.5	4,809.3	4,993.4	4,945.9
Orange	1,632.4	1,524.4	1,561.6	1,593.9
Riv.-San Bern.	2,123.8	2,021.5	2,112.6	2,185.5
Ventura	426.6	403.0	405.5	411.2
Total SoCal	9,448.3	8,758.2	9,073.1	9,136.5

Source: EDD

Housing Permits Are Up in 2022

Permit levels are increasing over 2021 and 2019 levels through the first seven months of 2022 led by Los Angeles, Riverside and San Bernardino counties. The Construction Research Board (CIRB) has revised their state forecast up to 130,000 units permitted in 2022. This year local communities are receiving comment letters from the state Department of Housing and Community Development (HCD) and making changes to their Housing Element updates in response to HCD review comments.

Southern California Housing Building Permits
First Seven Months of the Year

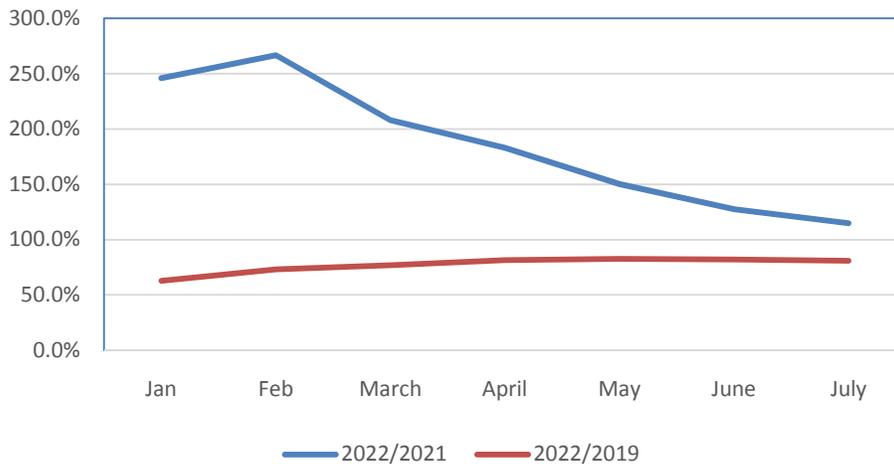
	Year	Permits		Year	Permits
Los Angeles	2019	11632	Orange	2019	5357
	2021	14800		2021	5346
	2022	15346		2022	3889
Riverside	2019	5035	San Bernardino	2019	2762
	2021	4733		2021	4307
	2022	7421		2022	4197
Ventura	2019	956	Southern California	2019	25742
	2021	930		2021	30116
	2022	960		2022	31813

Source: CHF and CIRB

Air Travel is Up in 2022 But Remains Below 2019 Levels

Passenger levels at the four major Southern California airports (LAX, Burbank, Orange County and Ontario) were over 2021 levels in the first seven months of 2022. But passenger levels remain around 82% of 2019 levels. International travel at LAX rose in July to 1.8 million passengers, up from 800,000 in 2021 and below the 2.5 million in 2019.

Major Airport Passenger Levels



Port Activity is Slowing

Container volumes reached record levels in 2021 and are matching that pace in 2022 for the first 8 months of the year despite some economic and logistics obstacles. However, some volume increases in earlier months were the result of moving trade volumes usually done later to earlier in the year. And some shippers moved shipments to East Coast ports to avoid port congestion and uncertainty about contract negotiations with port workers still are under current discussion. While port congestion has eased, the global economy is slowing so near-term volumes will probably remain below record levels.

% Change in Container Volumes vs. Year Earlier

