

October 2014

The September Job Report—A Good News Report with One Strange Number

EDD released three sets of September job estimates today. One report estimated a loss of 9,800 jobs in September, a very disappointing result. **But that estimate is contradicted by other EDD reports today that are likely the real good news story of what happened in September.**

The household survey reports a gain of 69,000 new entrants to the labor force and an even larger gain of 84,000 jobs leading to a decline in the unemployment rate to 7.3% for the state. It is the first large gain in the state's labor force in years and raises the year over year labor force growth to 88,000. This is definite good news for the residents who have been waiting to get back into the job market.

In addition, the EDD estimate of 9,800 fewer wage and salary jobs in September (seasonally adjusted) is contradicted by EDD's estimate of seasonally adjusted job trends by metro area, which show a gain of 18,400 jobs.

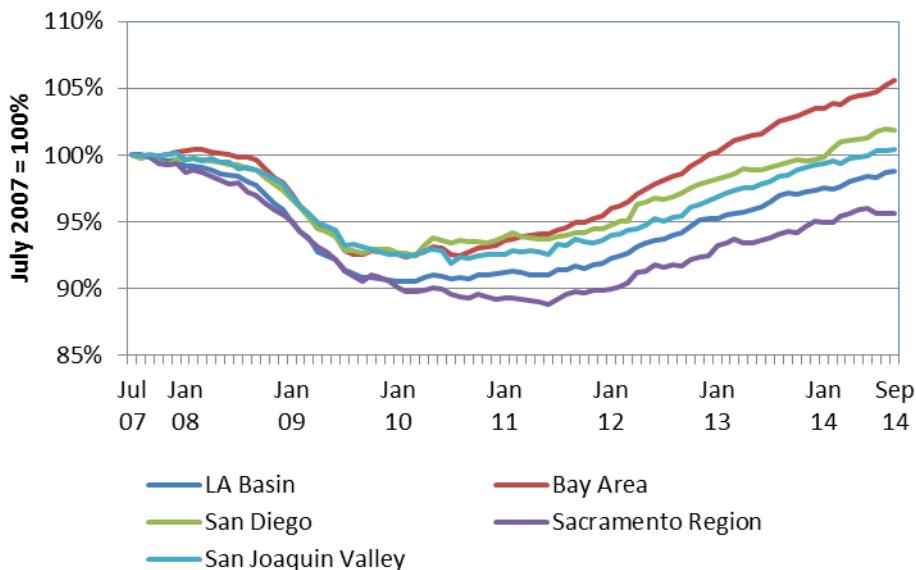
The monthly data bounce around a lot and usually do not give a good indication of longer term trends. In view of the sharply contradictory EDD reports, I will not evaluate the monthly job trends this month.

Regional Trends

Much of inland California is now in recovery mode. The Bay Area continues to be California's job growth leader but the San Joaquin Valley and San Diego regions have now recovered the recession job losses. The Valley's three largest metro areas—Bakersfield (+2.0%), Fresno (+2.9%), and Stockton (+1.9%)—all posted strong year over year job gains. All of the data in this section use EDD's **seasonally adjusted** non-farm wage and salary estimates.

Bay Area gains of 12,900 jobs in September and 99,000 over the past year were led by the San Francisco and San Jose metro areas with the East Bay joining in job growth this year. Year over year gains were 37,500 (+3.5%) for SF, 31,500 jobs (+3.2%) for the San Jose metro area and 21,500 (+2.1%) for the East Bay.

Job Trends: A Regional Perspective



Southern California is now in recovery mode and the LA Basin area has almost recovered all the jobs lost in the recession. The Inland Empire, long a growth laggard in Southern California, led the region with a gain of 2.1% (26,100 jobs) between September 2013 and 2014 as construction recovered and there is a mini-boom recovery in logistics tied to port volume growth. Orange County followed with a gain of 1.8% (26,500 jobs) and Los Angeles County added 62,500 jobs (+1.5%) and in September had an unemployment rate of 7.8%.

The Sacramento region continues to trail in the recovery.

This is now clearly a solid and sustainable recovery led by sectors with good future growth prospects. The construction recovery is a triple winner—1) building activity creates job in other sectors as well as in construction, 2) most construction jobs pay good wages and 3) building housing and infrastructure addresses two of California's key economic competitiveness challenges. The construction, tech and trade/tourism growth will continue to boost revenues for state and local governments and return that sector to job growth.

Port traffic is up in Southern California and hotel occupancy and other tourism indicators are up statewide. Filming days are up in 2014 and the state passed new incentives for local filming. Consumer confidence rose in today's report to the highest level since July 2007.

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