



CALIFORNIA ECONOMIC SNAPSHOT

The California Economic Snapshot is a quarterly review of key economic indicators across the State of California and the nation. Included with each snapshot is a lead article on an economic development topic.

HIGHLIGHTS

17 California markets had Unemployment rates below 6 percent, placing a large portion of the State near full employment levels.

More than 362,000 Nonfarm jobs were added in California in the past year, accounting for just over 20 percent of the nation's job growth.

The California Economic Snapshot is produced quarterly by **Economic & Planning Systems, Inc.** (EPS) through a research partnership with the California Academy for Economic Development (CAED), a foundation managed by the California Association for Local Economic Development (CALED). EPS is a full-service economics consulting firm with expertise in economic development and revitalization, real estate economics, fiscal and economic impact analysis, public finance, land use and transportation, and housing policy. To learn more about EPS, visit www.epsys.com.



Business-Friendly Performance Management

California has had uneven success economically speaking. Big gateway urban centers have had immense success but recovery and growth has been lagging in other areas. The State suffers from a perception as unfriendly to business. High taxes, high impact fees, and agencies perceived as unresponsive to business needs are the top complaints.

Much can be done to improve the State's reputation by applying basic performance management practices to permitting and entitlement processes in ways that improve customer service and satisfaction. Moreover, these improvements can be accomplished without changing the basic rules and regulations that are being reviewed and applied when issuing permits.

California workers, residents, and employers deserve to be served by an effective and efficient government. More analytic management of public agencies can make the desirable possible. These new management approaches are packaged under a number of different names, but they all share a common underlying philosophy. All want to create organizations that are capable of self-evaluation. They call for the creation of metrics and data that enable managers to identify performance gaps and areas of exemplary performance. Then organizations need to develop management routines to identify and implement strategies to correct problems and to build on areas of strength.

The California Division of the State Architect, for example, was under heavy criticism for the time it took to approve school design plans. It mapped out all of the steps of the process and calculated the average time for

completion of each. It found that the major cause of delay was time it took to get revised plans back from the project architect. The Division was then able to work with school boards to speed up turnaround times. Approval times plummeted.



Christopher Weare, Ph.D.
Director of Research and Strategy
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Other agencies have undertaken similar processes and commonly found low-hanging fruit, easily implementable fixes that speed up approvals. Sometimes existing process steps are found to be redundant or unnecessary, but due to organizational momentum, no one had previously considered whether the step could be eliminated. Other agencies find out that certain functions are under-staffed leading to delays that back up the entire system. Minor adjustments in staff resources then break those logjams.

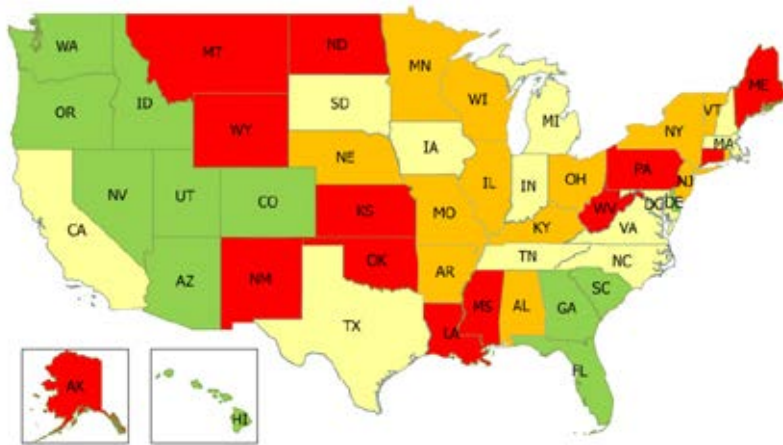
California agencies are in a better position than ever to implement these management reforms. They have been creating electronic databases to track permitting functions. So, the data is available and there is a host of vendors ready to help agencies map it, analyze it, and share it with the public. See sacramento.civicsight.com for an example. With leadership that recognizes the need to improve performance and managers who are willing and able to apply data to identify fixable problems, significant progress can be made regarding the State's competitive position for export based job growth.

About the Author:

Christopher Weare, Ph.D. is the Director of Research and Strategy at the Greater Sacramento Economic Council. He has over 25 years of experience in public policy as a researcher, professor, and practitioner. Most recently, he was a research professor at the USC Price School of Public Policy. For more information, contact cweare@selectsacramento.com

Q3 2016 Economic Snapshot

Annual Nonfarm Job Growth Rate By State



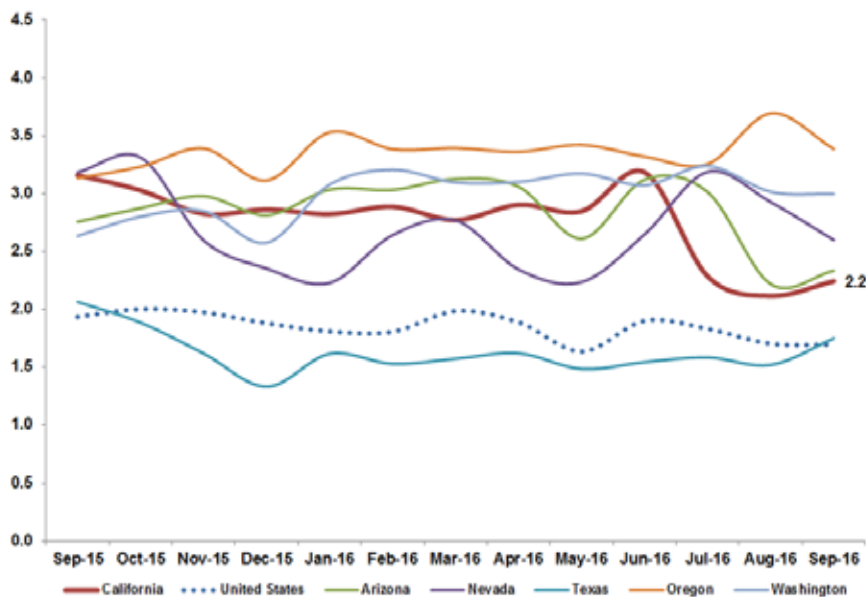
Upper		Upper-Middle		Lower-Middle		Lower	
Florida	3.4%	California	2.2%	Minnesota	1.4%	Pennsylvania	0.7%
Oregon	3.4%	Massachusetts	2.2%	Wisconsin	1.4%	Connecticut	0.6%
Idaho	3.1%	Tennessee	2.1%	Ohio	1.4%	Mississippi	0.5%
Washington	3.0%	South Dakota	2.0%	New York	1.3%	Montana	0.4%
Utah	2.9%	Michigan	2.0%	Missouri	1.3%	Maine	0.2%
Colorado	2.7%	North Carolina	1.9%	Kentucky	1.2%	West Virginia	-0.2%
Nevada	2.6%	New Hampshire	1.9%	New Jersey	1.2%	New Mexico	-0.2%
South Carolina	2.6%	Virginia	1.8%	Arkansas	1.2%	Kansas	-0.3%
Georgia	2.5%	District of Columbia	1.8%	Vermont	1.1%	Oklahoma	-0.7%
Hawaii	2.5%	Texas	1.7%	Rhode Island	1.0%	Louisiana	-0.7%
Delaware	2.5%	Maryland	1.6%	Alabama	0.9%	Alaska	-1.0%
Arizona	2.3%	Iowa	1.5%	Nebraska	0.8%	North Dakota	-1.5%
		Indiana	1.4%	Illinois	0.7%	Wyoming	-3.2%

Source: CA Employment Development Department, Sept 2016; U.S. Bureau of Labor Statistics, EPS

Highlights

- California saw the number of Nonfarm payroll jobs increase by 2.2 percent in the 12 months ending September 2016, ranking 14th among all states and dropping out of the upper tier.
- The highest job growth rates are centered in the western region with California being the only Western state not to be included in the upper tier.
- Wyoming experienced the largest decline in job growth with the lowest job growth the state has experienced in over a year.
- Similar to national trends, 31 states have shown a slight improvement in job growth rates over last quarter.

State Annual Nonfarm Job Growth Rate



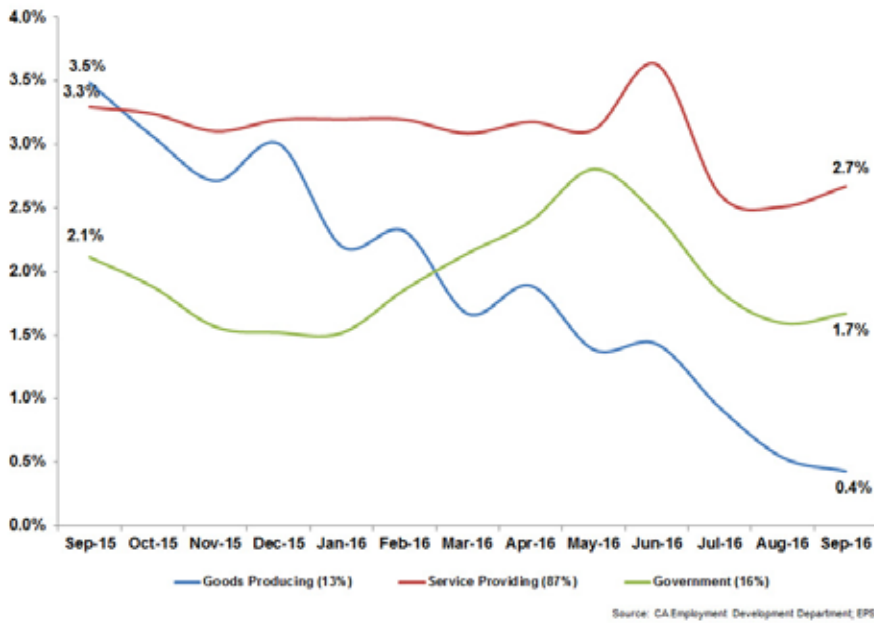
Source: CA Employment Development Department, U.S. Bureau of Labor Statistics, EPS

Highlights

- California's annual job growth continued its bumpy course, reaching a low in July with a stagnant recovery leaving it well below the average job growth rate of the previous quarter.
- Washington has seen relatively constant job growth over the past year avoiding the tumultuous few months experienced by the remaining Western states.
- Oregon continues to lead the Western states in job growth for the entirety of 2016 to date with a sharp increase in August.
- While still below levels seen in 2015, Texas has risen slightly above the national average in September.

Q3 2016 Economic Snapshot

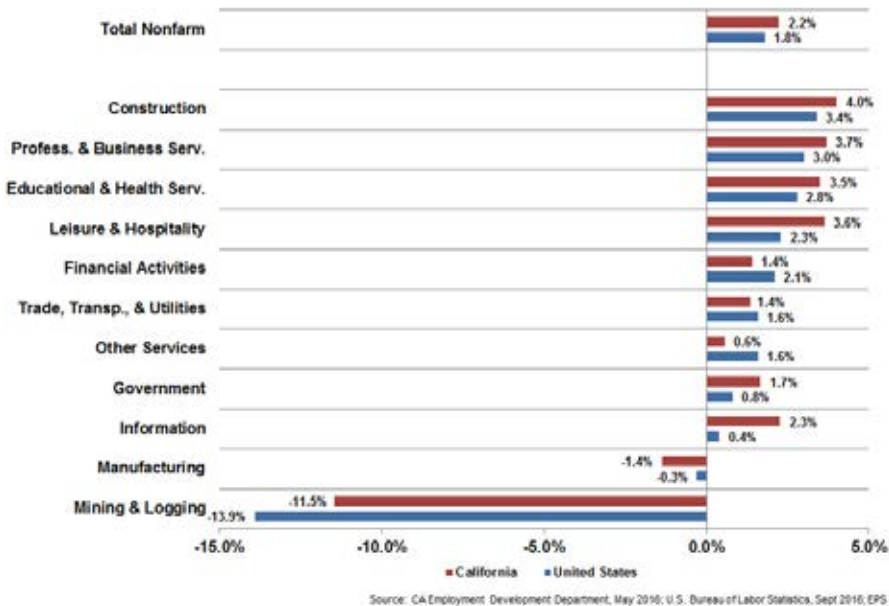
California Annual Industry Segment Job Growth Rate



Highlights

- Annual job growth was most robust in California’s Service-Providing sectors, comprising 87 percent of Nonfarm jobs, though growth saw a decline midyear with an active recovery in August and September.
- Goods Producing sectors continue to decline following the trend realized for the majority of 2016.
- Job growth in Government sectors fell sharply after a peak in May, driven by fluctuations in state government jobs, though Government sectors have begun recovering slightly in the past two months.

California & United States Annual Major Sector Job Growth Rate

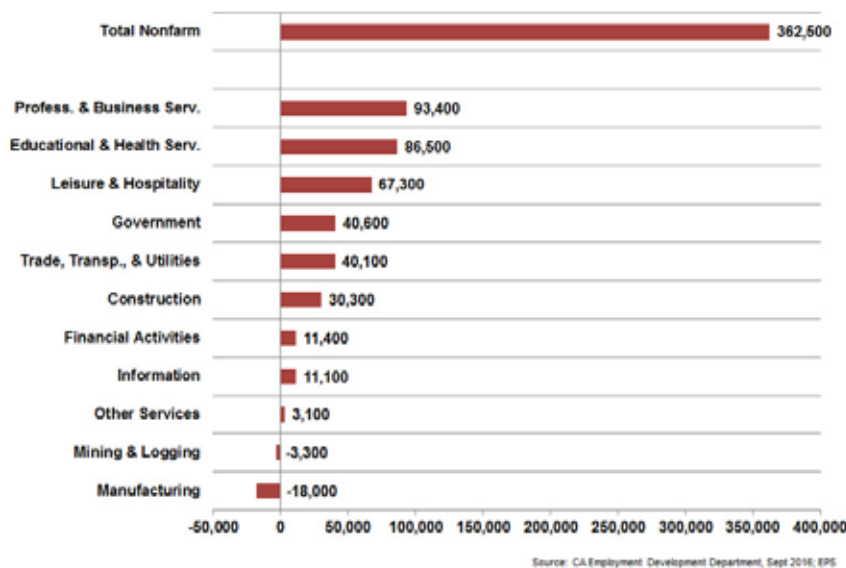


Highlights

- California’s annual job growth outpaced the nation in six of the 11 major sectors, with positive job growth in all but two sectors.
- The most robust state job growth occurred in Construction, Professional & Business Services, and Leisure & Hospitality.
- Job growth in Manufacturing was negative for the state and nation, with a sharper decrease in job growth for the state as reflecting the combined effects of weak global growth and a strong US dollar.
- Low oil prices intensified job cuts in Mining & Logging, where job growth fell 11.5 percent in the state and 14 percent nationwide.

Q3 2016 Economic Snapshot

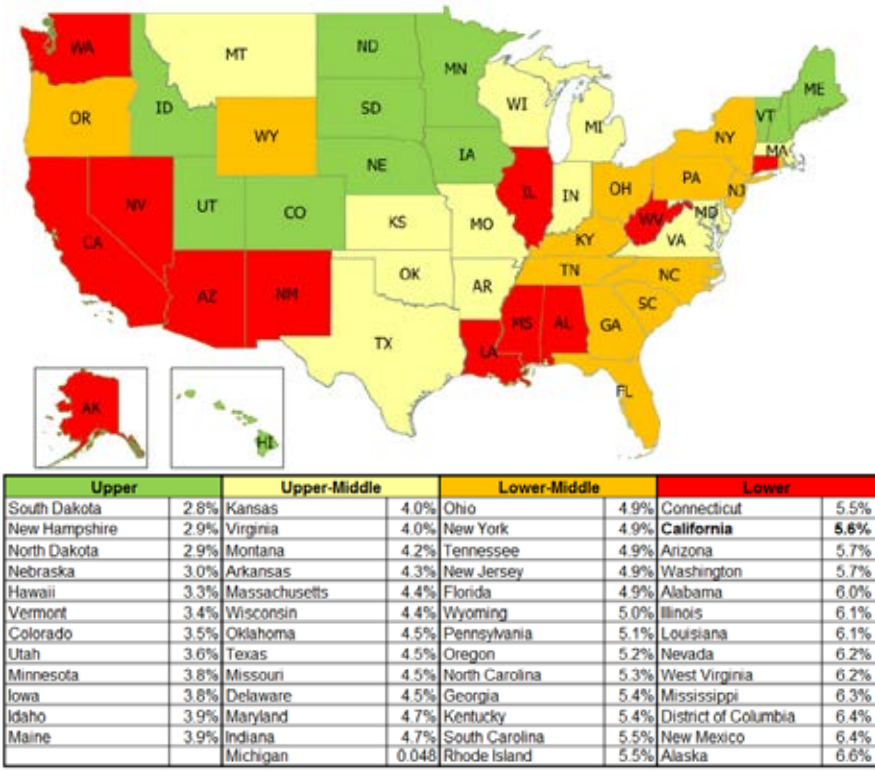
California Absolute Annual Job Gains and Losses



Highlights

- More than 362,000 Nonfarm jobs were added in California in the 12 months prior, accounting for just over 20 percent of the nation’s job growth.
- California’s absolute job gains were strongest in Professional & Business Services, led by growth in Office Administrative Services, Employment Services (temporary employment), and Professional and Technical Services.
- Job growth in Manufacturing has continued to decline since last quarter to experiencing the largest job loss across California.

State Annual Average Unemployment Rate



Highlights

- California’s annual average unemployment rate of 5.6 percent in September marks a slight improvement from last quarter, but still remains in the lower tier.
- High unemployment rates continue to concentrate in the west—containing five of the lowest tier states with Idaho and Utah the only states located in the upper tier for both job growth and unemployment.
- Twenty-eight percent of Californians have been out of work for more than 27 weeks, a figure that is still higher than the national average.
- California’s “real” unemployment, accounting for underemployed and marginally attached workers, was 12 percent, higher than the nation.

Q3 2016 Economic Snapshot

Annual Nonfarm Job Growth Rate for Metropolitan and Non-Metropolitan Areas



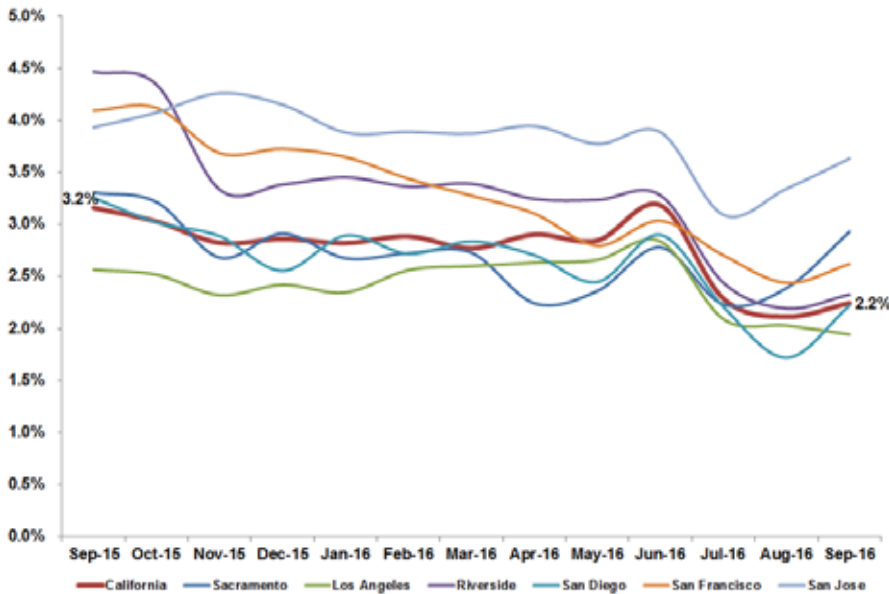
Upper		Upper-Middle	
Amador County	6.9%	Napa MSA	2.9%
Madera MSA	6.0%	Modesto MSA	2.8%
Alpine County	4.8%	Santa Cruz MSA	2.7%
El Centro MSA	4.3%	Calaveras County	2.7%
Modoc County	3.9%	Los Angeles MSA	2.6%
Lake County	3.8%	Fresno MSA	2.6%
Trinity County	3.7%	San Luis Obispo MSA	2.6%
Mono County	3.6%	Vallejo MSA	2.5%
San Jose MSA	3.6%	Santa Rosa MSA	2.5%
San Francisco MSA	3.3%	Riverside MSA	2.3%
Chico MSA	3.0%	Nevada County	2.2%
Sacramento MSA	2.9%	San Diego MSA	2.2%
Lower-Middle		Lower	
Santa Maria MSA	2.2%	Inyo County	0.7%
Visalia MSA	2.0%	Humboldt County	0.4%
Stockton MSA	1.7%	Del Norte County	0.1%
Bakersfield MSA	1.6%	Redding MSA	0.0%
Mendocino County	1.6%	Tehama County	-0.1%
Tuolumne County	1.6%	Mariposa County	-0.5%
Siskiyou County	1.6%	Salinas MSA	-0.7%
Merced MSA	1.5%	Yuba City MSA	-1.0%
Oxnard MSA	1.2%	Glenn County	-1.0%
Lassen County	1.0%	Colusa County	-1.2%
Plumas County	0.9%	Sierra County	-1.6%
		Hanford MSA	-2.3%

Source: CA Employment Development Department, Sept 2016, EPS

Highlights

- Amador County and Madera had the highest annual job growth rates of all state markets in September 2016 at 6.9 and 6.0 percent, respectively.
- The metros of San Francisco and Sacramento rose to the top job growth tier, while the Los Angeles metro moved into the upper-middle tier.
- Alpine County ranked third with a job growth of 4.8 percent, though being one of the smallest jurisdictions, the county only gained a total of 30 jobs.
- The San Francisco and Los Angeles metros accounted for an increase of 173,300 jobs, or 38 percent of the state's absolute.

California Large MSA Annual Nonfarm Job Growth Rate



Source: CA Employment Development Department, EPS

Highlights

- Following a decline midway through the year, five of the six largest metros have shown signs of recovery the past two months.
- San Jose's annual job growth rate still leads the other large metros, though it followed the same decline and recovery pattern of the other large metros.
- Sacramento has risen above to the second highest job growth rate due to strong job growth in Goods Producing industries.
- Los Angeles has fallen to last place among major California metros due in large part to slowing job growth in the Construction industry.

Q3 2016 Economic Snapshot

Annual Average Unemployment Rate for Metropolitan and Non-Metropolitan Areas



Upper		Upper-Middle	
San Jose MSA	3.9%	Inyo County	5.4%
San Francisco MSA	4.1%	Mono County	5.6%
Santa Rosa MSA	4.1%	Vallejo MSA	5.6%
Napa MSA	4.3%	Los Angeles MSA	5.8%
San Luis Obispo MSA	4.3%	Calaveras County	5.9%
San Diego MSA	4.8%	Amador County	6.1%
Nevada County	4.9%	Riverside MSA	6.1%
Santa Maria MSA	5.0%	Tuolumne County	6.5%
Humboldt County	5.1%	Chico MSA	6.7%
Oxnard MSA	5.3%	Alpine County	6.8%
Mendocino County	5.4%	Mariposa County	6.9%
Sacramento MSA	5.4%	Lassen County	6.9%

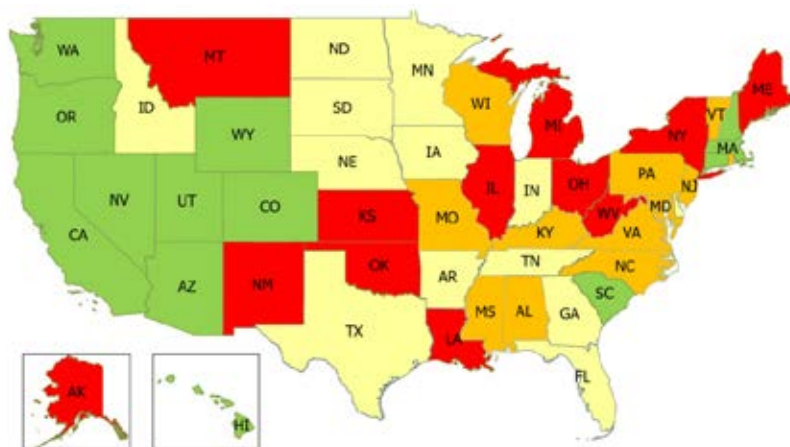
Lower-Middle		Lower	
Lake County	6.9%	Modesto MSA	8.8%
Santa Cruz MSA	7.1%	Madera MSA	9.5%
Trinity County	7.1%	Yuba City MSA	9.5%
Redding MSA	7.2%	Fresno MSA	9.6%
Tehama County	7.4%	Hanford MSA	10.0%
Salinas MSA	7.7%	Plumas County	10.0%
Del Norte County	7.8%	Bakersfield MSA	10.2%
Sierra County	8.0%	Merced MSA	10.7%
Modoc County	8.1%	Visalia MSA	11.2%
Glenn County	8.2%	Colusa County	15.3%
Stockton MSA	8.3%	El Centro MSA	22.7%
Siskiyou County	8.8%		

Source: CA Employment Development Department, Sept 2016, EPS

Highlights

- 17 markets had rates below 6 percent, placing the entire upper tier and a large portion of the upper-middle tier near full employment levels.
- The Bay Area was home to the four lowest unemployment rate markets, led by San Jose at 3.9 percent—Sacramento moved to the upper tier.
- Consistent with every quarter in the past year, the highest unemployment rate again fell to the El Centro metro at 23 percent with high unemployment also clustered in the San Joaquin.

State Leading Index 2015



Upper		Upper-Middle		Lower-Middle		Lower	
Nevada	6.9%	Tennessee	2.1%	Virginia	1.2%	Illinois	0.2%
Wyoming	4.7%	South Dakota	2.0%	Maryland	1.0%	New York	0.2%
Massachusetts	3.3%	Florida	2.0%	North Carolina	1.0%	Michigan	0.0%
Colorado	3.0%	North Dakota	1.9%	Pennsylvania	1.0%	Maine	-0.3%
South Carolina	3.0%	Indiana	1.8%	New Jersey	0.9%	Louisiana	-0.3%
Utah	3.0%	Delaware	1.8%	Vermont	0.8%	Oklahoma	-0.3%
New Hampshire	2.8%	Idaho	1.6%	Wisconsin	0.6%	Montana	-0.5%
Hawaii	2.6%	Texas	1.6%	Mississippi	0.6%	New Mexico	-0.7%
Washington	2.5%	Iowa	1.4%	Kentucky	0.5%	Ohio	-0.9%
Oregon	2.4%	Nebraska	1.3%	Rhode Island	0.5%	Kansas	-1.4%
Connecticut	2.4%	Georgia	1.3%	Missouri	0.5%	Alaska	-1.9%
Arizona	2.4%	Arkansas	1.2%	Alabama	0.4%	West Virginia	-2.0%
California	2.1%	Minnesota	1.2%				

Source: Federal Reserve Bank of St. Louis, Sept 2016, EPS.

Highlights

- The State Leading Index indicator predicts the six-month growth rate of the Coincident Index for each state that combines several indicators summarizing current conditions in the economy.
- California's leading index ranked 13th overall in September 2016, moving California to the upper tier. Economic conditions will most likely improve for the state over the next six months.

Economic trends to follow:

- The British economy has had a solid performance in Q3 despite voting to exit the European Union dampening uncertainty concerns.
- Low mortgage rates, solid job growth and rising rents suggest an increase in demand for single family housing and a trend away from multifamily development.

For questions regarding the report findings, please contact Sean Fisher, EPS Research Analyst, at (916) 649-8010 or sfisher@epsac.com. For media and other inquiries, please contact Gurbax Sahota, CALED Executive Director, at (916) 448-8252 or gsahota@caled.org.