



# CALIFORNIA ECONOMIC SNAPSHOT



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## Manufacturing in California: Strengthening our Competitiveness

### HIGHLIGHTS

Annual average unemployment rates decrease in 31 states

California's annual job growth grew slightly from the last quarter, ending above the national average

34 California markets had employment at or near full employment levels.

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](http://www.epsys.com).



There is no doubting California's prominent position in technology innovation, especially in areas such as biotechnology, information technology, transportation, food, energy, aerospace and entertainment. Add to this the ability to turn thought into design and eventually product has been a territory owned by California since its inception as a state. It could be said that the engine that empowers the spirit of invention has been, and is manufacturing.

California is still a powerhouse, but others want what we have. States and even countries are challenging California to capture national and international expansion in manufacturing by utilizing aggressive financial incentives. In most cases these programs by far exceed those that California offers.

Manufacturing jobs steadily declined nationally in recent decades primarily due to productivity gains and "offshoring", however, this has been at an estimated .3 percent decline per year according to Brookings, or 8.9 percent over a nearly three-decade period. In comparison, California lost manufacturing jobs at a pace three times faster.

The exception in California is technology and to a degree, food and beverage. Because of the unique need to locate production near continuous innovation, and the threat of IP theft, major tech companies keep a significant proportion of production close by. Regarding food production, shelf life and costs of transportation, as well as innovation in food and packaging, keep many processors near the source of food.

These two industry sectors benefit relatively small geographies in California

while in other areas manufacturing job loss has created economic stagnation and exacerbated wealth inequality issues.

Why is the desire great for manufacturing when it is clearly shedding jobs nationally? Average manufacturing wages have increased in the U.S. by nearly 60 percent in the last 20 years according to the Federal Reserve Bank. Manufacturing facilities also have a greater economic impact multiplier than nearly all other sectors, so in plain speak, provide a greater economic return to the community and state.

What are key factors in manufacturing site decisions? A skilled flexible workforce, cost of real estate and operations, tax burden, environment regulations, financial incentives and proximity to market are top items.

It is clear that California does not have the appetite for "throwing money" at companies as a form of attraction like some of its competitors. That said, economic developers agree that California needs to, and can do more, to compete for manufacturing jobs, and targeted "wins" could prove to be economy changing in certain regions. Applicable techniques used by states include the development of highly targeted tax incentive packages based on the stated needs of manufacturers, defined geographic areas of need, incentivized facility reuse, co-invested in public/private space, funded public infrastructure investment, and heavily funded technical workforce training. These programs have been successful at creating significant growth and positive returns, and should be on the economic developer's menu of options here in California.

### About the Author:

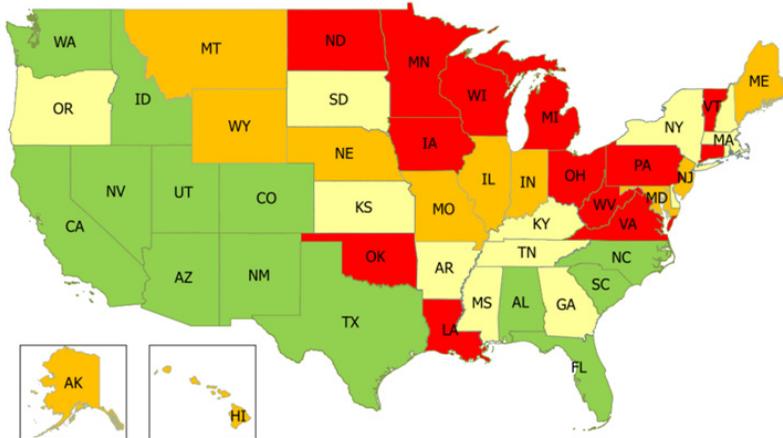
In addition to being the President of the Solano County Economic Development Corporation, Robert Burris is a member of the CALED Board of Directors and serves as Chair of the Legislative Action Committee for CALED.

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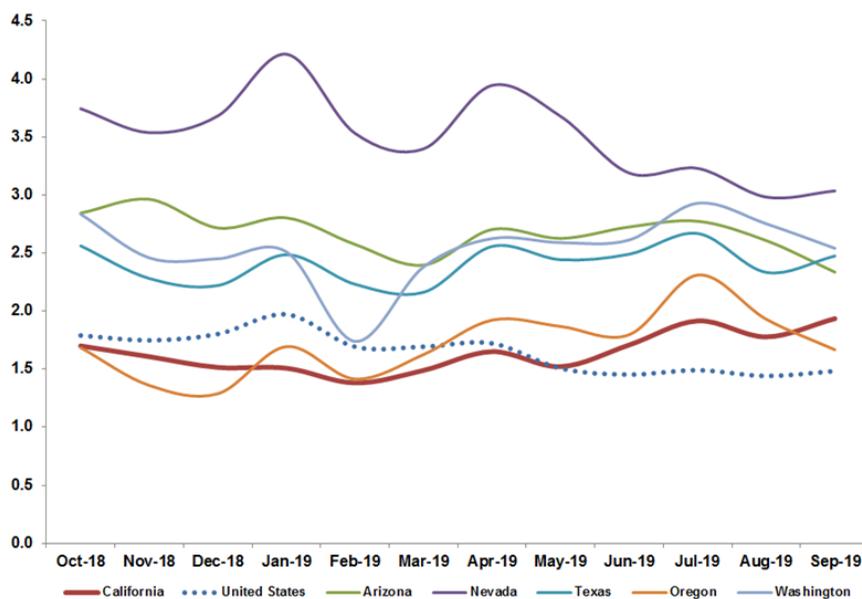
## Annual Nonfarm Job Growth Rate By State



Upper	Upper-Middle	Lower-Middle	Lower
Nevada 3.0%	South Dakota 1.9%	Montana 1.2%	Iowa 0.6%
Utah 3.0%	Delaware 1.7%	Missouri 1.2%	Ohio 0.6%
Idaho 2.7%	Oregon 1.7%	Illinois 1.1%	Pennsylvania 0.6%
Florida 2.6%	Georgia 1.6%	District of Columbia 1.0%	Michigan 0.6%
Washington 2.5%	Tennessee 1.6%	Alaska 1.0%	Connecticut 0.5%
Texas 2.5%	Kentucky 1.4%	Hawaii 1.0%	Louisiana 0.5%
Arizona 2.3%	Kansas 1.4%	Wyoming 0.9%	West Virginia 0.5%
North Carolina 2.3%	Rhode Island 1.4%	Maryland 0.9%	Virginia 0.5%
Alabama 2.3%	New Hampshire 1.3%	Nebraska 0.9%	North Dakota 0.3%
New Mexico 2.1%	New York 1.2%	New Jersey 0.7%	Wisconsin 0.2%
Colorado 2.1%	Arkansas 1.2%	Maine 0.7%	Minnesota 0.2%
South Carolina 2.1%	Mississippi 1.2%	Indiana 0.6%	Vermont 0.0%
<b>California 1.9%</b>	Massachusetts 1.2%		Oklahoma 0.0%

Source: CA Employment Development Department, September 2019; U.S. Bureau of Labor Statistics; EPS

## State Annual Nonfarm Job Growth Rate



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

### Highlights

- California rose to the upper-tier with an increase of Nonfarm payroll jobs by 1.9 percent in the 12 months ending September 2019, ranking 13<sup>th</sup> among all states.
- The west coast region continues to have the highest concentration of upper tier states with the exception of Oregon.
- Nevada continues to be the state with the highest job growth rate at 3.0 percent, falling slightly from last quarter.
- Job growth rates decreased from last quarter in slightly more than half of the states with 28 states realizing a decrease in job growth rates from the previous quarter.

### Highlights

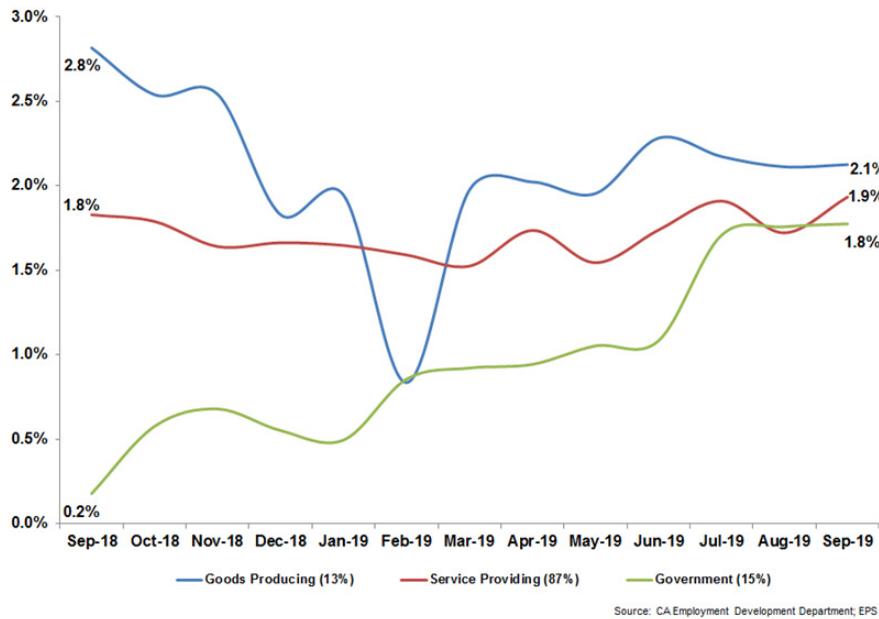
- California's annual job growth grew slightly from the last quarter, ending above the national average.
- Job growth rates for the United States remained consistent with the previous quarter ending below the individual states.
- Nevada experienced a sharp decrease in job growth rates after a spike in April, but continues to experience the highest job growth rate among the individual states.
- Texas experienced a slight increase in job growth rates in the past month after a slight decline early in the quarter.

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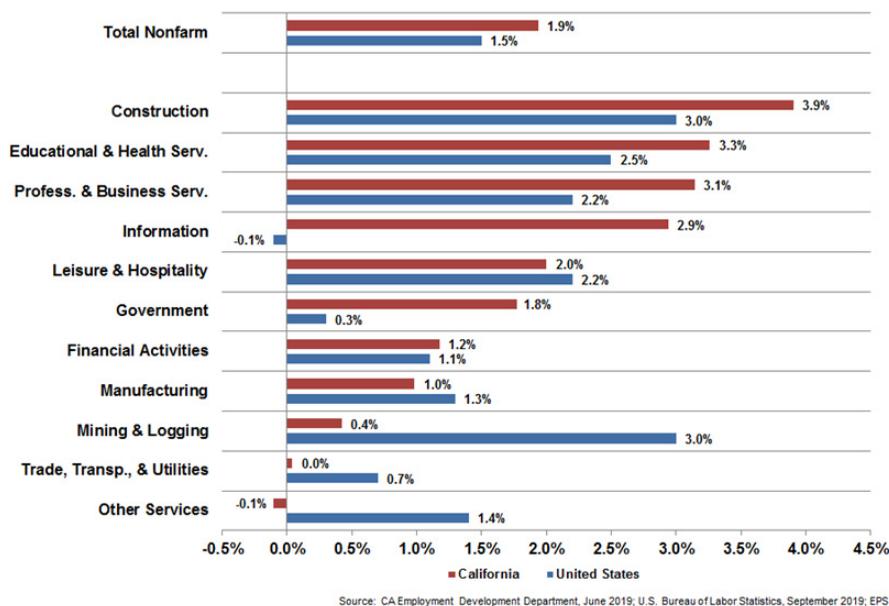
### California Annual Industry Segment Job Growth Rate



#### Highlights

- Job growth in California’s Service-Providing sectors, comprising 87 percent of Nonfarm jobs, recovered from a slight decrease at the beginning of the quarter ending slightly above the previous quarter.
- Goods-Producing sectors remained relatively steady throughout the quarter ending with job growth rates slightly below the previous quarter.
- Job growth in Government sectors remained steady throughout the quarter after experiencing heavy growth in the last quarter ending below the other sectors.

### California & United States Annual Major Sector Job Growth Rate



#### Highlights

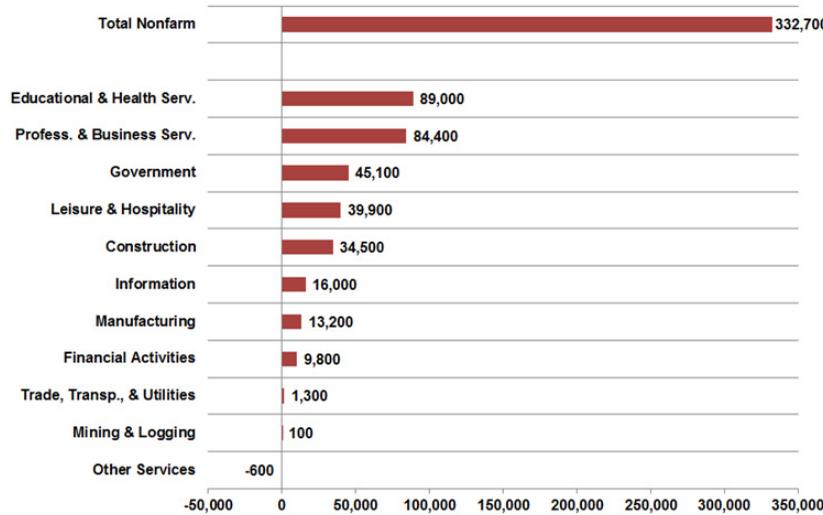
- California’s annual job growth rate outpaced the nation in six of the 11 major sectors and in total Nonfarm job growth. Positive job growth was experienced in all sectors except Other Services.
- The most robust state job growth rates occurred in Construction, Educational and Health Services, and Professional and Business Services.
- While the Information sector experienced negative job growth rates nationwide, California experienced strong growth in the Information sector.

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## California Absolute Annual Job Gains and Losses

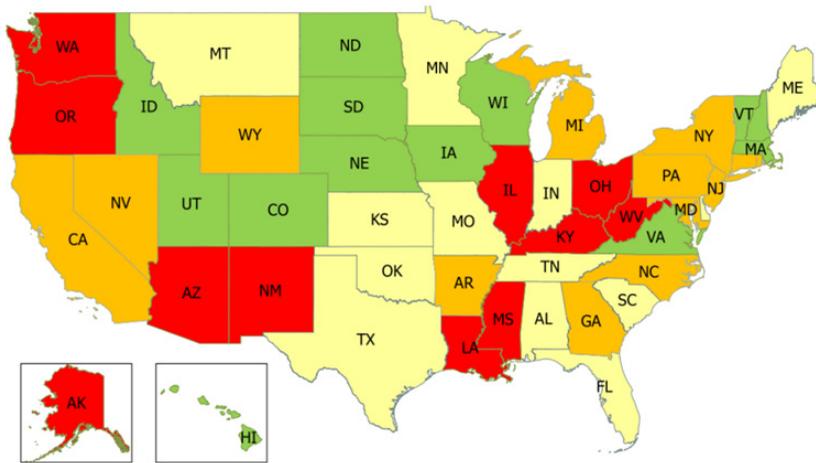


Source: CA Employment Development Department, September 2019, EPS

### Highlights

- Just under 333,000 Nonfarm jobs were added in California in the 12 months prior to September 2019.
- California's absolute job gains were strongest in Educational and Health Services, led by growth in employment in elementary and secondary schools and social assistance occupations.
- California experienced significant job gains in the Professional and Business Services sector due largely to an increase in Scientific Research and Development Services employment.

## State Annual Average Unemployment Rate



Upper		Upper-Middle		Lower-Middle		Lower	
Vermont	2.3%	South Carolina	3.1%	New Jersey	3.6%	Illinois	4.2%
North Dakota	2.4%	Maine	3.2%	Arkansas	3.6%	Oregon	4.2%
Iowa	2.5%	Missouri	3.2%	Georgia	3.7%	Kentucky	4.2%
New Hampshire	2.5%	Minnesota	3.2%	Connecticut	3.7%	Ohio	4.3%
Hawaii	2.7%	Oklahoma	3.2%	Rhode Island	3.7%	Louisiana	4.5%
Virginia	2.8%	Kansas	3.3%	Maryland	3.7%	Washington	4.6%
Utah	2.9%	Tennessee	3.3%	Wyoming	3.7%	West Virginia	4.9%
Idaho	2.9%	Florida	3.3%	New York	3.9%	Arizona	4.9%
South Dakota	2.9%	Alabama	3.4%	Pennsylvania	4.0%	New Mexico	4.9%
Massachusetts	2.9%	Delaware	3.4%	North Carolina	4.0%	Mississippi	5.1%
Nebraska	3.0%	Indiana	3.4%	Michigan	4.1%	District of Columbia	5.5%
Wisconsin	3.0%	Texas	3.5%	<b>California</b>	<b>4.1%</b>	Alaska	6.4%
Colorado	3.1%	Montana	3.5%	Nevada	4.1%		

Source: CA Employment Development Department, September 2019; U.S. Bureau of Labor Statistics, EPS

### Highlights

- California is one of 31 states that experienced a decrease in annual average unemployment rates from the previous quarter ending at 4.1 percent, rising to the lower-middle tier.
- All but three states have experienced unemployment at or below 5 percent, putting nearly all states at full employment levels.
- Just over 23 percent of unemployed Californians have been out of work for more than 27 weeks, a figure that remains slightly lower than the national average of 24 percent.
- California's "real" unemployment, accounting for underemployed and marginally attached workers, was 9 percent, higher than the national average of 7 percent.

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# CALIFORNIA ECONOMIC SNAPSHOT

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



Upper		Upper-Middle	
Sierra County	9.4%	San Francisco MSA	2.6%
Mono County	4.8%	Santa Cruz MSA	2.4%
Amador County	3.6%	Riverside MSA	2.3%
Lake County	3.5%	Madera MSA	2.3%
Glenn County	3.3%	Tehama County	2.1%
Siskiyou County	3.1%	San Diego MSA	2.1%
Mariposa County	2.7%	Colusa County	2.1%
Tuolumne County	2.6%	Santa Maria MSA	2.1%
San Jose MSA	2.6%	Inyo County	2.0%
Merced MSA	2.6%	Sacramento MSA	1.9%
Salinas MSA	2.5%	Humboldt County	1.7%
Fresno MSA	2.5%	Bakersfield MSA	1.7%

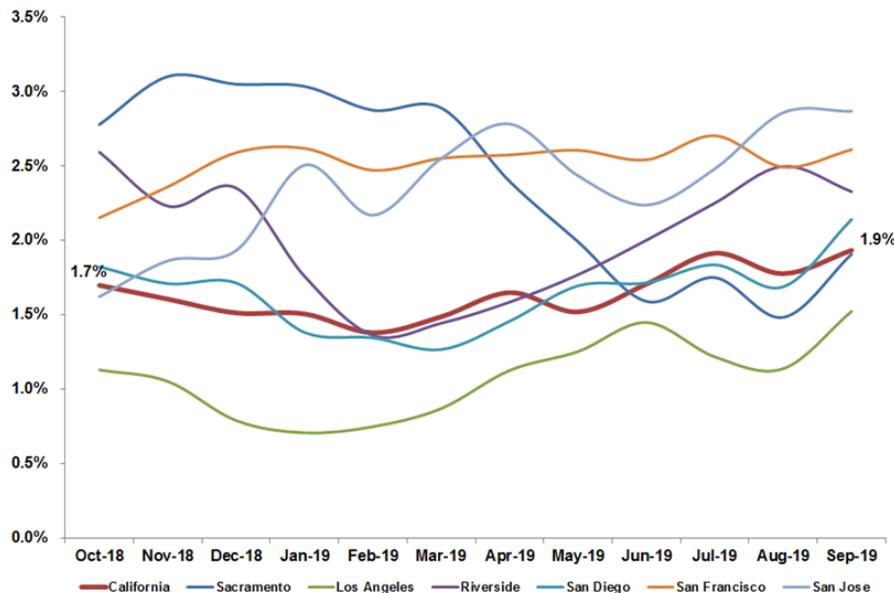
Lower-Middle		Lower	
San Luis Obispo MSA	1.6%	El Centro MSA	0.8%
Napa MSA	1.6%	Nevada County	0.8%
Calaveras County	1.6%	Hanford MSA	0.7%
Lassen County	1.6%	Oxnard MSA	0.6%
Visalia MSA	1.5%	Modoc County	0.4%
Chico MSA	1.4%	Trinity County	0.0%
Santa Rosa MSA	1.4%	Stockton MSA	-0.3%
Redding MSA	1.3%	Vallejo MSA	-0.4%
Modesto MSA	1.3%	Plumas County	-1.7%
Mendocino County	0.9%	Alpine County	-3.1%
Yuba City MSA	0.9%	Del Norte County	-6.5%
Los Angeles MSA	0.9%		

Source: CA Employment Development Department, September 2019; EPS

### Highlights

- Job growth rates in the Sacramento metro rose by approximately 0.3 percent, elevating the metro to the upper middle tier.
- Job growth rates in the San Jose metro rose to the upper tier, reversing the downward trend seen in the past three quarters.
- The San Francisco metro fell to the upper-middle tier. The metro accounts for 19 percent of the state's absolute job growth alone and 47 percent when combined with the Los Angeles metro, consistent with levels seen in the prior quarter.

## California Large MSA Annual Nonfarm Job Growth Rate



Source: CA Employment Development Department; EPS

### Highlights

- The Los Angeles metro continues to experience the lowest job growth rate among the major metros, ending the quarter at levels consistent with the previous quarter.
- Job growth rates in the San Francisco metro fell slightly throughout the quarter ending second, below the San Jose metro.
- San Jose job growth rates rose throughout the quarter, ending with the highest job growth rate among the major metros.
- Job growth rates in the Sacramento and San Diego metros rose in the past month after a dip early in the quarter, ending at levels above those experienced in the previous quarter.

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## Annual Average Unemployment Rate for Metropolitan and Non-Metropolitan Areas



Upper		Upper-Middle	
San Jose MSA	2.4%	Humboldt County	3.7%
Santa Rosa MSA	2.5%	Riverside MSA	3.8%
San Luis Obispo MSA	2.7%	Inyo County	3.8%
Napa MSA	2.7%	Calaveras County	3.9%
San Diego MSA	3.0%	Amador County	3.9%
San Francisco MSA	3.0%	Mendocino County	4.1%
Sacramento MSA	3.4%	Los Angeles MSA	4.3%
Oxnard MSA	3.4%	Santa Cruz MSA	4.4%
Nevada County	3.4%	Redding MSA	4.4%
Santa Maria MSA	3.5%	Tuolumne County	4.6%
Mono County	3.5%	Chico MSA	4.7%
Vallejo MSA	3.6%	Lassen County	4.8%

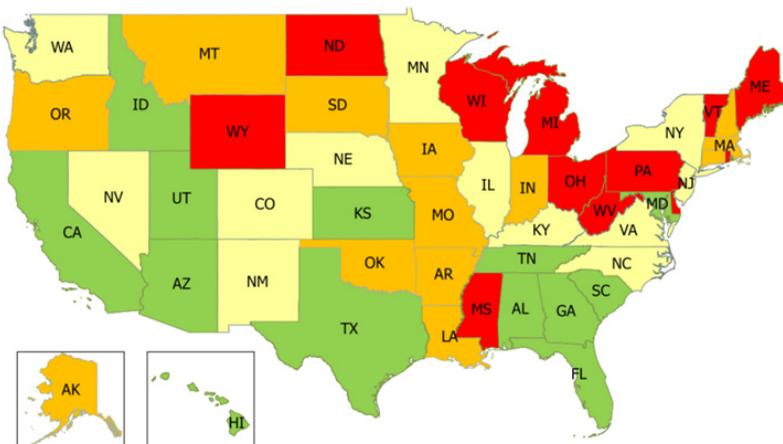
Lower-Middle		Lower	
Mariposa County	4.9%	Glenn County	6.6%
Alpine County	5.1%	Fresno MSA	6.7%
Lake County	5.2%	Siskiyou County	6.8%
Stockton MSA	5.5%	Bakersfield MSA	7.2%
Modesto MSA	5.7%	Hanford MSA	7.3%
Trinity County	5.7%	Merced MSA	7.5%
Sierra County	5.8%	Modoc County	7.6%
Tehama County	5.8%	Plumas County	8.2%
Del Norte County	5.8%	Visalia MSA	8.8%
Salinas MSA	5.8%	Colusa County	13.6%
Madera MSA	6.4%	El Centro MSA	17.5%
Yuba City MSA	6.5%		

Source: CA Employment Development Department, September 2019, EPS

### Highlights

- 34 markets had unemployment rates at or below 6 percent, placing significantly more than half of all California markets near full employment levels, consistent with the previous quarter.
- San Francisco and San Jose markets continue to experience low unemployment rates and most of the Bay Area metros and counties remain in the upper tier.
- Unemployment rates have remained steady throughout the quarter with most markets ending within 0.2 percent of levels seen in the previous quarter, with the exception of Colusa County and the El Centro metro.

## State Leading Index



Upper		Upper-Middle		Lower-Middle		Lower	
South Carolina	3.6%	Colorado	1.7%	Missouri	1.1%	Mississippi	0.5%
Utah	2.4%	Minnesota	1.0%	Arkansas	1.1%	Maine	0.3%
Maryland	2.3%	Kentucky	1.5%	Indiana	1.0%	North Dakota	0.2%
Alabama	2.1%	North Carolina	1.5%	South Dakota	1.0%	Vermont	0.1%
Idaho	2.1%	New Jersey	1.5%	Montana	1.0%	Delaware	0.1%
Florida	2.0%	New York	1.4%	Massachusetts	0.9%	Ohio	0.0%
Hawaii	2.0%	Nebraska	1.3%	Oklahoma	0.7%	Wisconsin	-0.1%
Tennessee	2.0%	Illinois	1.3%	New Hampshire	0.7%	Pennsylvania	-0.1%
Georgia	1.9%	Washington	1.3%	Alaska	0.7%	Michigan	-0.3%
Kansas	1.9%	New Mexico	1.2%	Louisiana	0.7%	Wyoming	-0.3%
California	1.9%	Virginia	1.2%	Connecticut	0.7%	Rhode Island	-0.6%
Arizona	1.7%	Nevada	1.2%	Oregon	0.6%	West Virginia	-0.7%
Texas	1.7%			Iowa	0.6%		

Source: Federal Reserve Bank of St. Louis, September 2019, EPS

### Highlights

- The State Leading Index indicator predicts the six-month growth rate of the Coincident Index for each state, combining several indicators of current conditions.
- California's leading index remained in the upper tier, ranked 11th in September 2019, despite ongoing recessionary concerns, leading indicators show potential for improving economic conditions.

### Economic trends to follow:

- Personal consumption spending continued to rise throughout the quarter, consistent with growth seen in the previous quarter.
- Single Family housing starts rose throughout the quarter, contributing positively to GDP growth for the first time in two years.

For questions regarding the report findings, please contact Sean Fisher, EPS Associate, at (916) 649-8010 or [sfisher@epsac.com](mailto:sfisher@epsac.com). For media and other inquiries, please contact Helen Schaubmayer, CALED Program Manager, at (916) 448-8252 or [helen@caled.org](mailto:helen@caled.org).