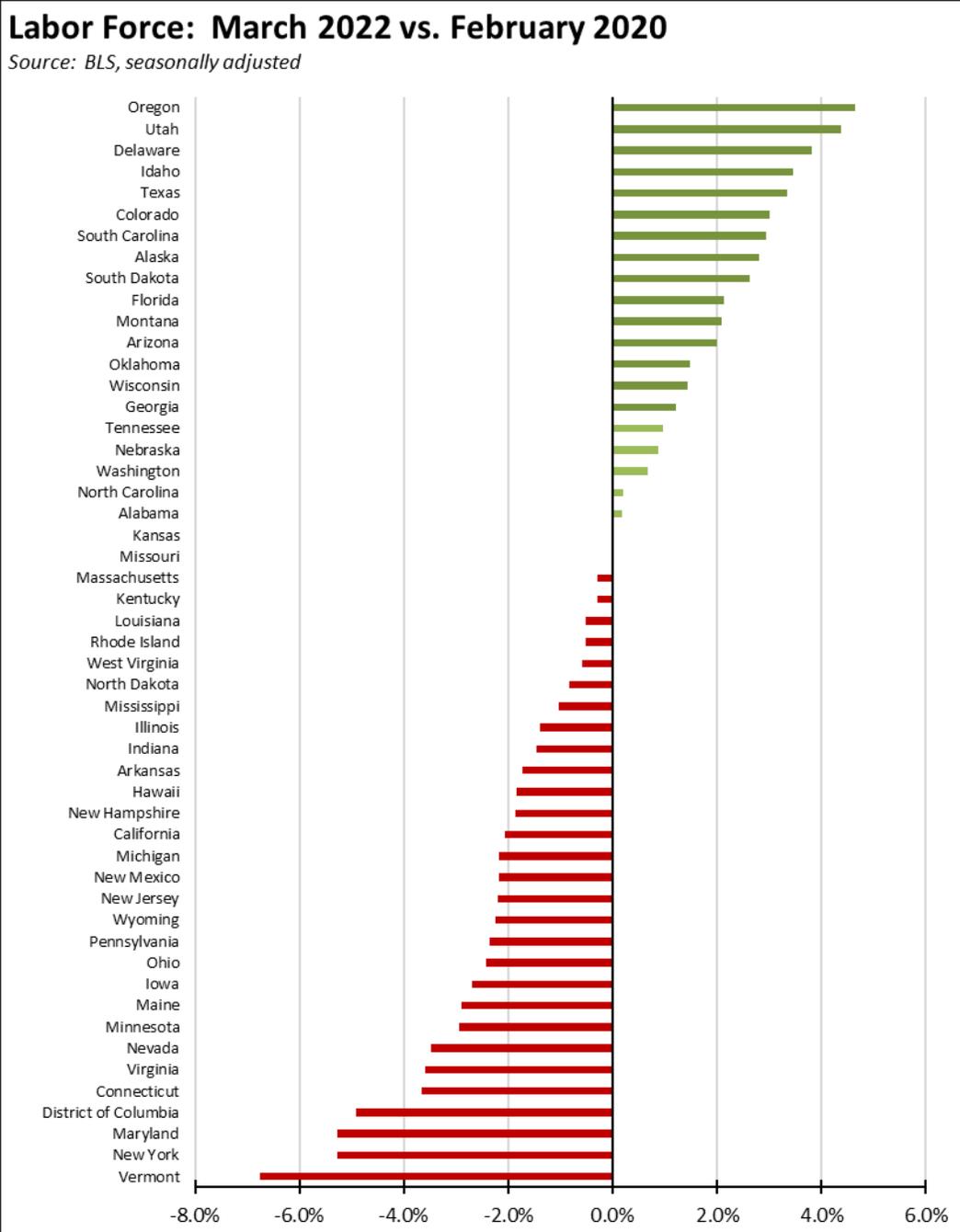


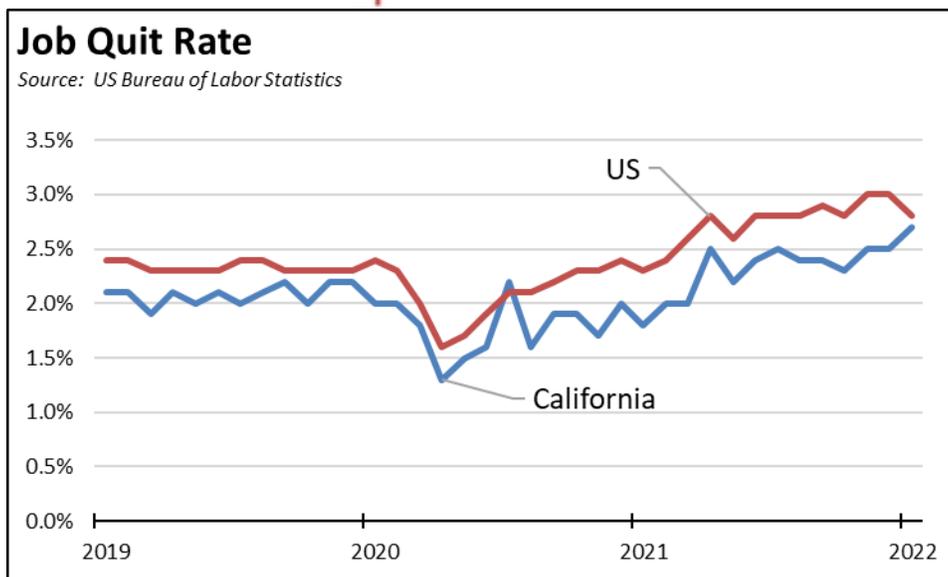
## COVID-19 and the State Economy

As discussed in our [preliminary analysis](#), the numbers for March again show mixed results. Nonfarm jobs slowed substantially from February, essentially returning to the relatively stable average seen in the period October through January. Even if continued at this level, however, jobs would be on course to surpass the pre-pandemic peak towards the end of the year.

Employment showed stronger numbers but continued to mostly offset the employment declines shown in the last two months of 2021. In all, monthly employment gains averaged about 5,000 less than job gains over the past 6 months, yet another indication that the recovery has yet to bring workers back into the labor force at levels required to sustain the expansion and offset the downward pressures on long-term income prospects seen in the pervasive long-term unemployment during the previous recovery from the Great Recession. While California ranks better on this metric than other recovery measures, 22 other states have already surpassed the pre-pandemic February 2020 labor force numbers.



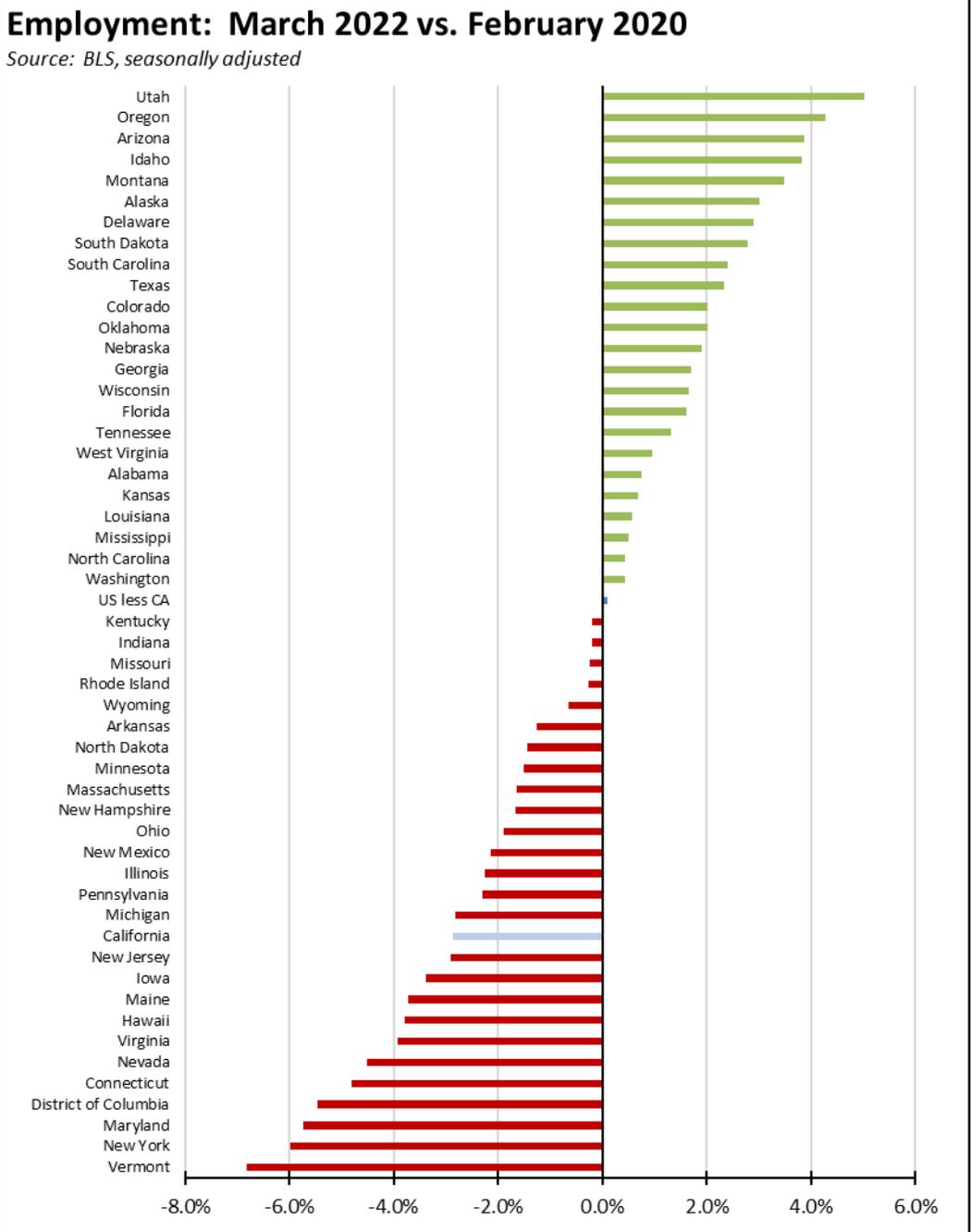
The lag in the employment numbers also reflects increasing churn within the job numbers as more workers [quit their jobs](#) in order to move to others paying higher wages and/or benefits. While this activity reflects a long-term wage strategy typically pursued by workers, the current and ongoing labor shortages have elevated the opportunities to do so. Measured by the job quit rate from the Job Openings and Labor Turnover Survey data, California has been behind the rest of the country in this trend.



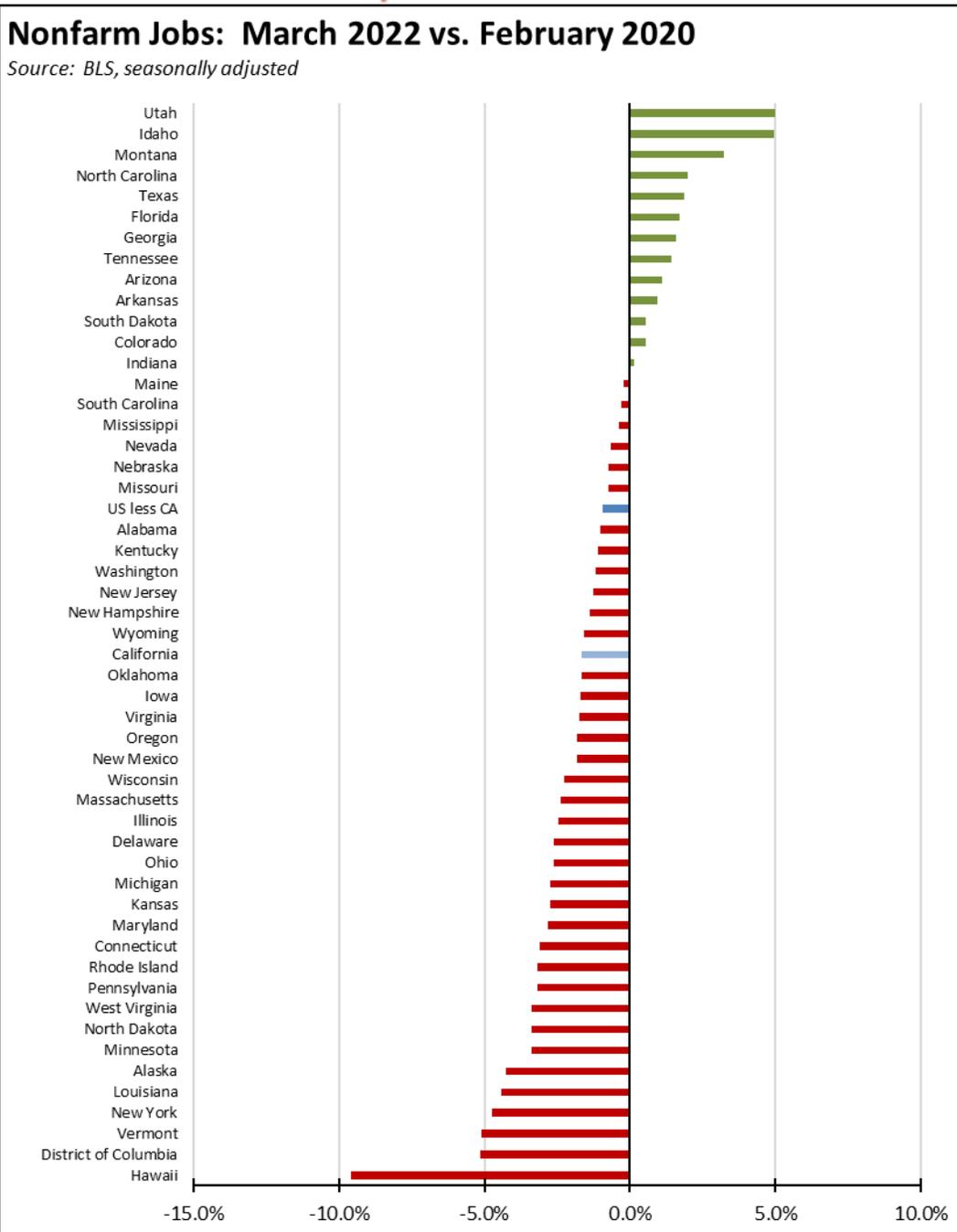
This outcome is consistent with the findings in our [detailed studies](#) of economic mobility and lower-wage workers in California. That analysis indicated that lower-wage workers are strongly aware of opportunities to increase their incomes, both by changing jobs and by increasing their skills level to do so with stronger wage gains. However, they also have a strong risk aversion to acting on these opportunities due to the high and constantly growing costs of living in this state. They have difficulty in meeting the growth in their monthly expenses with their current jobs and indicated concerns over the negative results coming from making the wrong job choice. With constantly increasing cost pressures, the wrong decision risked not just a temporary setback but putting them into an economic hole from which it would be difficult to recover.

The current inflationary pressures likely exacerbate these risks for lower-wage workers along with California-specific drivers increasing energy and housing costs well beyond the national levels. Wider and now likely sustained telecommuting opportunities lessen these risks for higher-wage workers and in fact counter the risks by enabling them to lower the costs of living particularly by moving to lower housing costs both within California and to other states. The flip side, however, is that this trend coming from the upper reaches of the wage scale is also spreading coastal-scale housing prices and rents to the rest of the state and other parts of the country, exacerbating the costs pressures faced on the lower ends.

In all, 24 states now show employment levels above the February 2020, pre-pandemic level. Even with the stronger March numbers, California's rank changed only marginally, going from 42nd to 41st on this measure.

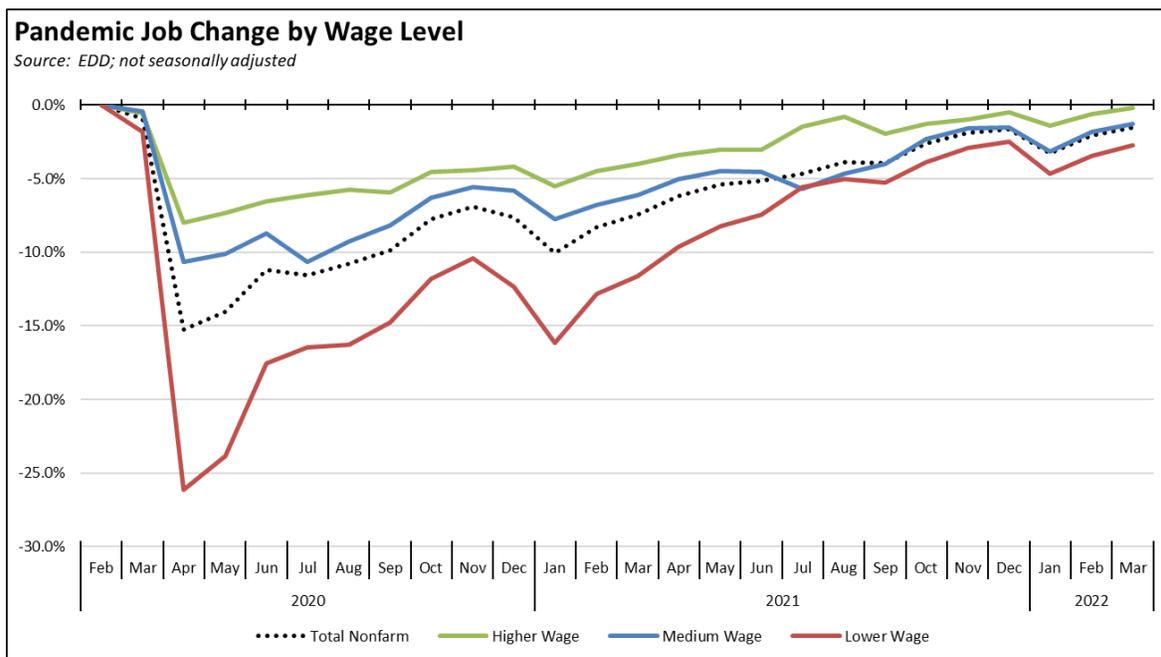


For nonfarm jobs, the number of states exceeding the pre-pandemic level edged up to 13 from 12 in February. California’s rank by this measure rose from 30<sup>th</sup> to 27<sup>th</sup>.



Using the unadjusted numbers, jobs by wage level continued to show the same pattern of recovery as previously reported, but with the higher wage industries now just 0.2% short of the pre-pandemic level. Medium wage industries continue to track the overall jobs change led by growth in Transportation & Warehousing. Lower wage industries continued their recent trend but were still 2.7% below.

In the chart, higher-wage jobs are those industries with average annual wages above \$100,000; medium wage is \$50,000 to \$100,000; and lower-wage is below \$50,000. Job data is drawn from the industry classifications, unadjusted job numbers, and wage levels generally used in the regular report section below on Nonfarm Jobs.



### CaliFormer Businesses: Update

Additional CaliFormer companies identified since our last monthly report are shown below. Companies listed below include those that have announced: (1) moving their headquarters or full operations out of state, (2) moving business units out of state (generally back office operations where the employees do not have to be in a more costly California location to do their jobs), (3) California companies that expanded out of state, and (4) companies turning to permanent telework options, leaving it to their employees to decide where to work and live. The list is not exhaustive but is drawn from a monthly search of sources in key cities.

#### CaliFormers Update

Companies	From	To	Reason	Link	Date
Anduril Industries	Costa Mesa	Atlanta	Expansion	<a href="#">Read more</a>	2022
Applied Materials	Santa Clara	Texas	\$2 billion R&D center	<a href="#">Read more</a>	2022
Ares Prism	Burlingame	Chicago	HQ move	<a href="#">Read more</a>	2022
Astronics Test Systems	Irvine	Florida	HQ move	<a href="#">Read more</a>	2022
Bella+Canvas	Beverly Hills	Alabama	Manufacturing expansion	<a href="#">Read more</a>	2022

Better Bath Better Body	San Diego	Kentucky	HQ and manufacturing move	<a href="#">Read more</a>	2022
Black Dog Venture Partners	San Francisco	Florida	HQ move	<a href="#">Read more</a>	2022
Cookies LLC	San Diego	Florida	Florida HQ/expansion	<a href="#">Read more</a>	2022
Electriq Power	San Leandro	Florida	HQ move	<a href="#">Read more</a>	2022
Hack EDU	Santa Monica	Pennsylvania	HQ move	<a href="#">Read more</a>	2022
Jeeter	Desert Hot Springs	Arizona	HQ2 and manufacturing expansion	<a href="#">Read more</a>	2022
Mayekawa	Torrance	Texas	Manufacturing move	<a href="#">Read more</a>	2022
Meta Platforms	Menlo Park	Texas	\$800 million data center	<a href="#">Read more</a>	2022
Niagara Bottling	Diamond Bar	Alabama	Manufacturing expansion	<a href="#">Read more</a>	2022
Pac-12	San Francisco	Fully remote work		<a href="#">Read more</a>	2022
QTS Realty Trust	Sacramento	Texas	Data Center expansion	<a href="#">Read more</a>	2022
Sendoso	San Francisco	Arizona	HQ move	<a href="#">Read more</a>	2022
Sovereign Flavors	Santa Ana	Texas	HQ & manufacturing move	<a href="#">Read more</a>	2022
Tricentis	Mountain View	Austin	Expansion	<a href="#">Read more</a>	2022

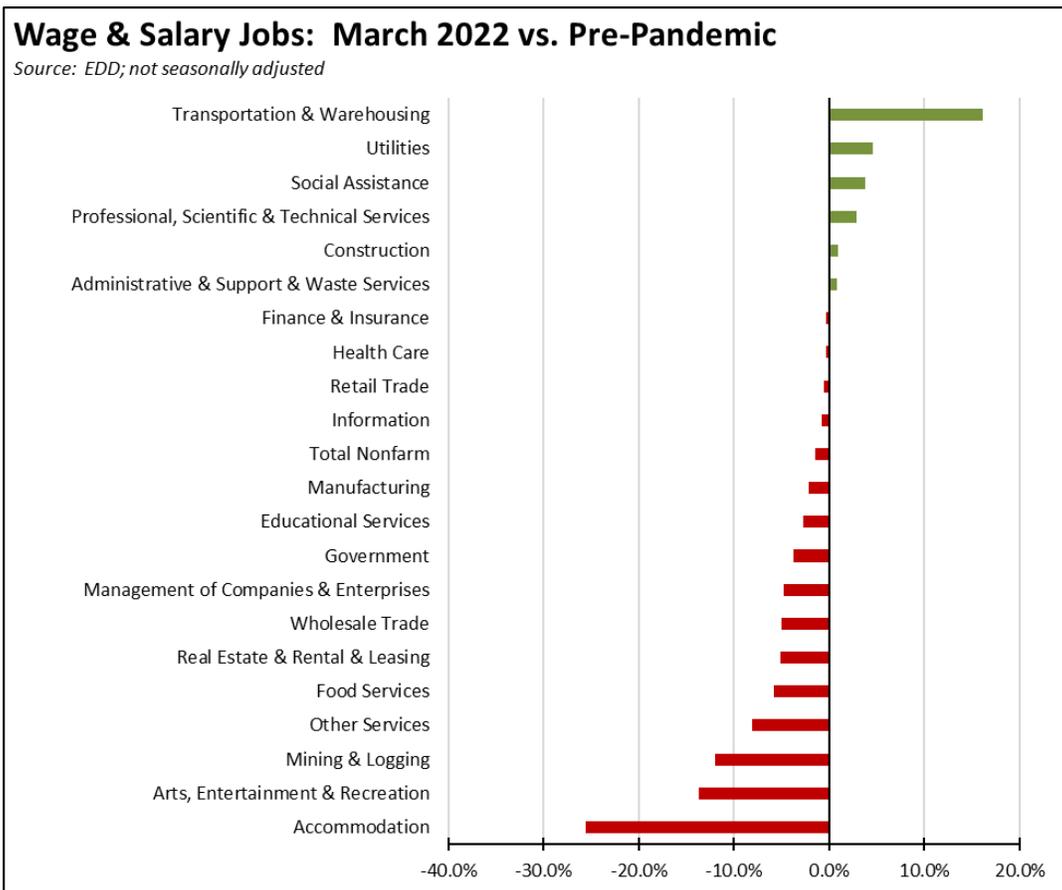
### Nonfarm Jobs: 296k Below Pre-Covid Peak

Nonfarm wage and salary jobs were up 60,200 (seasonally adjusted) in March, while gains in February were revised down 2,700 to 135,400.

California showed the largest monthly increase, followed by Texas at 30,100 and New York at 28,100. The number of states above the February 2020 pre-pandemic peak increased from 12 to 13. California remains 295,500 behind, or 18.7% of the remaining national shortfall.

### Jobs Change by Industry

Using the unadjusted numbers that allow a more detailed look at industry shifts, the number of industries showed job levels at or exceeding the pre-pandemic February 2020 levels based on the revised data remained at 5. Transportation & Warehousing by a substantial margin shows the strongest growth as companies continue to battle the ongoing supply chain disruptions. The biggest lags in recovery continue to be the lower-wage industries that were hardest hit by the state-ordered closures along with Mining & Logging that is being targeted for job losses under current state policies.



**Employment 536k Below Pre-Covid Level**

EDD reported that employment (seasonally adjusted; March preliminary) was up 141,400 from the revised February numbers. The number of unemployed was down 78,300.

The reported unemployment rate improved 0.4 point to 4.9%, compared to the revised 4.1% in February 2020 prior to the pandemic. California was tied with Pennsylvania for the fifth highest unemployment rate among the states. California contained 15.7% of the total number of unemployed workers in the US.

In the national numbers, total US employment rose 736,000, and the number of unemployed was down by 799,300. The reported unemployment rate improved 0.2 point to 3.6%, further closing in on the 3.5% rate recorded in February 2020.

Seasonally Adjusted	California		US	
	Mar 2022	Change from Feb 2022	Mar 2022	Change from Feb 2022
Unemployment Rate	4.9%	-0.4	3.6%	-0.2
Labor Force	19,131,300	0.3%	164,409,000	0.3%
Participation Rate	61.8%	0.3	62.4%	0.1
Employment	18,197,600	0.8%	158,458,000	0.5%
Unemployment	933,700	-7.7%	5,952,000	-5.1%

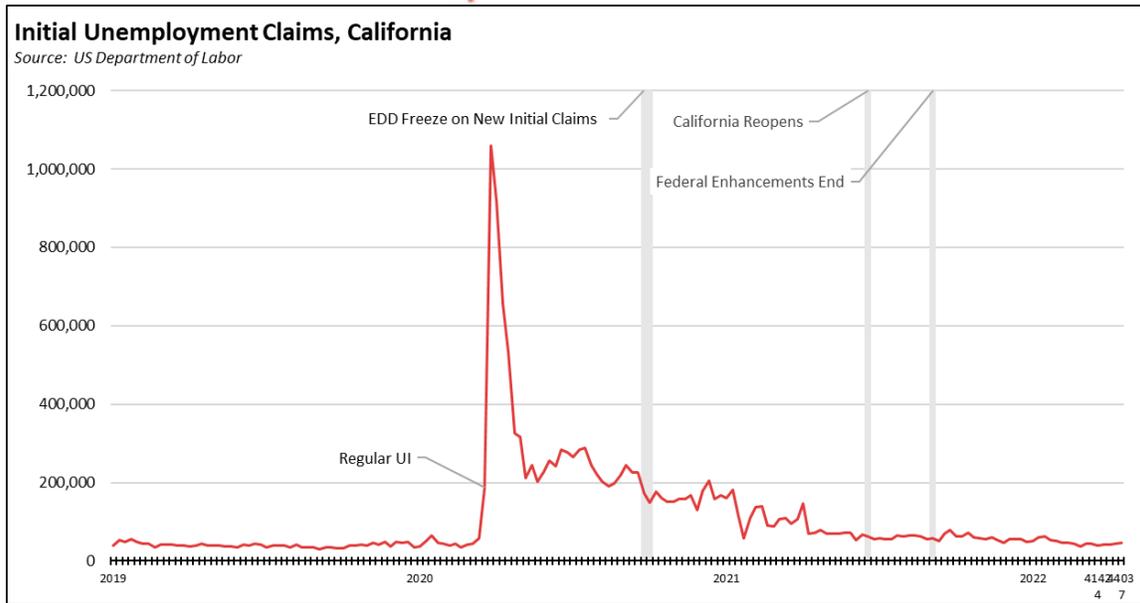
Not Seasonally Adjusted	California		US	
	Mar 2022	Change from Mar 2021	Mar 2022	Change from Mar 2021
Unemployment Rate	4.2%	-4.4	3.8%	-2.4
Labor Force	19,374,100	3.1%	164,274,000	2.4%
Participation Rate	62.5%	1.9	62.4%	0.9
Employment	18,551,100	8.0%	158,106,000	5.1%
Unemployment	823,000	-49.3%	6,168,000	-37.7%

Figure Sources: California Employment Development Department; US Bureau of Labor Statistics

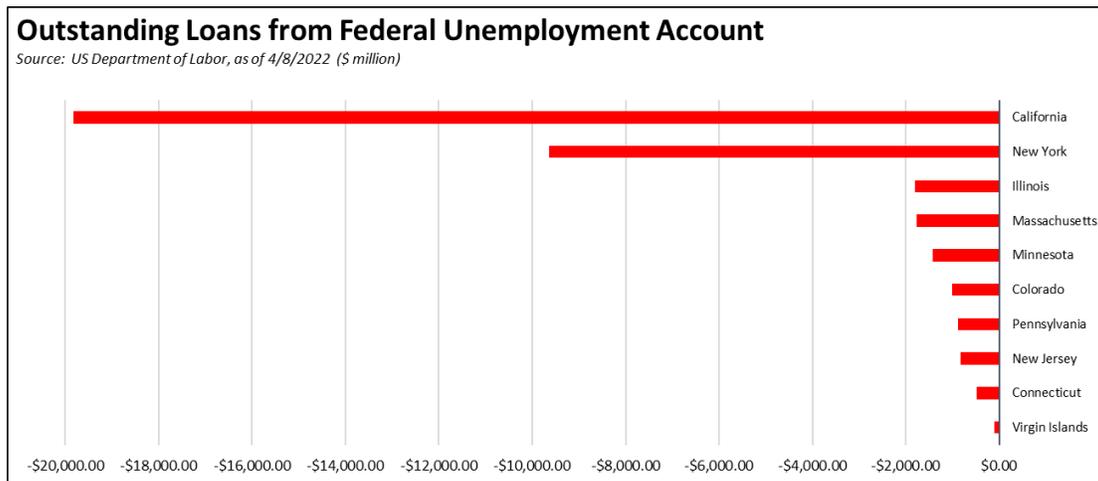
In the seasonally adjusted numbers, California employment remains 536,300 (2.9%) below the pre-pandemic level in February 2020; the rest of the states combined were essentially at this recovery level.

### Unemployment Insurance Initial Claims Edge Above Pre-Pandemic Average in California

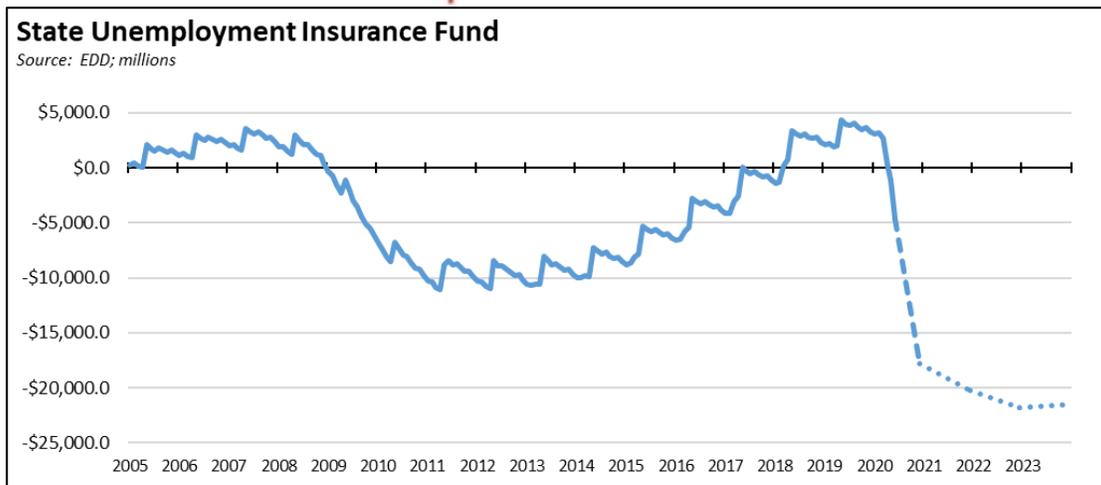
For the 4 weeks ending with the week of April 9, average initial claims in California were 9% above the pre-pandemic average in 2019, after being essentially at the 2019 level in the prior 4 weeks. For the US, average claims remained below pre-pandemic. For the 4 weeks ending with the week of April 9, California claims were 22% of the national total, while insured unemployment (a proxy for continuing claims) through the week of April 2 was 24% of the total.



As of April 8, California’s unemployment insurance fund debt was \$19.8 billion, or 54% of the total owed by all the states and territories.



As shown in the following chart, the state fund in the prior, Great Recession plunged to a debt level only about half of the debt currently expected for the end of 2022. Due to the shallow recovery in that period, the fund took over 9 years to return to a positive balance, a position it held only shortly before sinking even lower as the result of the state’s reliance on this benefit along with the federal enhancements as the primary offset to the state’s job closures. Note that in the chart, monthly amounts are available through May 2020, with the subsequent points the annual end-year levels from EDD’s October 2021 projections.



California is facing a similar set of circumstances today. The March numbers indicate a slowing in the job gains that are essential to rebuilding the state fund, at less than half the number reported in February and returning to the levels seen in the last 4 months of 2021. At the national level, as the rest of the nation by some measures has returned to full employment, the national focus has now shifted quickly to the rapidly rising inflation levels. This shift along with concerns related to rising energy costs, the war in Ukraine, and continuing supply disruptions now made worse by renewed lockdowns in China have also raised new questions about whether the US is about to experience another round of [recession](#).

Other states are far better prepared for such an eventuality. The federal pandemic assistance bills provided funds that could be used to pay off accumulated unemployment insurance debts, including the most recent, ARPA, which specifically cited such payments as an allowable use, both to retire federal debt and to bring state fund balances back to their pre-pandemic level. Other states used this option to restore the fiscal health of their funds while minimizing new tax levels that otherwise would dampen their recovery progress. California's fund remains the least prepared for the next recession.

### Labor Force Participation Rate

The labor force participation rate edged up 0.3 point to 61.8%, while the US number was up 0.1 point to 62.4%. The California rate remains well below the pre-pandemic level of 62.8%, which in turn was down substantially from prior years. Accounting for workers leaving the workforce since February 2020 under the revised data, there were an estimated 1.3 million out of work in March.

### Unemployment Rates by Legislative Districts

The highest and lowest estimated unemployment rates in March are shown below. The estimates are for the current, 2012 vintage districts. Estimates for the new districts under the

2022 redistricting will be released after the required factors from the American Community Survey become available at the end of the year.

Lowest	CD18 (Eshoo-D)	2.0	SD13 (Hill-D)	2.1	AD28 (Low-D)	2.0
	CD17 (Khanna-D)	2.5	SD15 (Beall-D)	2.5	AD22 (Mullin-D)	2.1
	CD12 (Pelosi-D)	2.5	SD11 (Wiener-D)	2.6	AD24 (Berman-D)	2.1
	CD14 (Speier-D)	2.5	SD10 (Wickowski-D)	2.7	AD16 (Bauer-Kahan-D)	2.3
	CD52 (Peters-D)	2.6	SD39 (Atkins-D)	2.7	AD25 (Chu-D)	2.5
	CD15 (Swalwell-D)	2.7	SD36 (Bates-R)	2.8	AD17 (Chiu-D)	2.5
	CD49 (Levin-D)	2.8	SD37 (Moorlach-R)	2.8	AD73 (Brough-R)	2.6
	CD45 (Porter-D)	2.8	SD02 (McGuire-D)	3.2	AD78 (Gloria-D)	2.6
	CD19 (Lofgren-D)	2.9	SD07 (Glazer-D)	3.2	AD06 (Kiley-R)	2.7
	CD48 (Rouda-D)	2.9	SD38 (Jones-R)	3.2	AD19 (Ting-D)	2.7
Highest	CD09 (McNerney-D)	5.4	SD05 (Galgiani-D)	5.4	AD63 (Rendon-D)	6.1
	CD34 (Gomez-D)	5.5	SD24 (Durazo-D)	5.5	AD51 (Carrillo-D)	6.2
	CD40 (Roybal-Allard-D)	6.0	SD35 (Bradford-D)	5.5	AD34 (Fong-R)	6.3
	CD22 (Nunes-R)	6.0	SD21 (Wilk-R)	5.5	AD64 (Gipson-D)	6.5
	CD44 (Barragan-D)	6.7	SD30 (Mitchell-D)	5.6	AD59 (Jones-Sawyer-D)	6.5
	CD20 (Panetta-D)	6.7	SD33 (Gonzalez-D)	5.7	AD21 (Gray-D)	7.7
	CD23 (McCarthy-R)	7.0	SD16 (Grove-R)	6.2	AD56 (Garcia-D)	7.8
	CD51 (Vargas-D)	7.1	SD40 (Hueso-D)	6.3	AD26 (Mathis-R)	8.3
	CD16 (Costa-D)	8.4	SD12 (Caballero-D)	7.4	AD31 (Arambula-D)	8.4
	CD21 (Cox-D)	8.7	SD14 (Hurtado-D)	9.6	AD32 (Salas-D)	9.0

### Unemployment Rates by Region

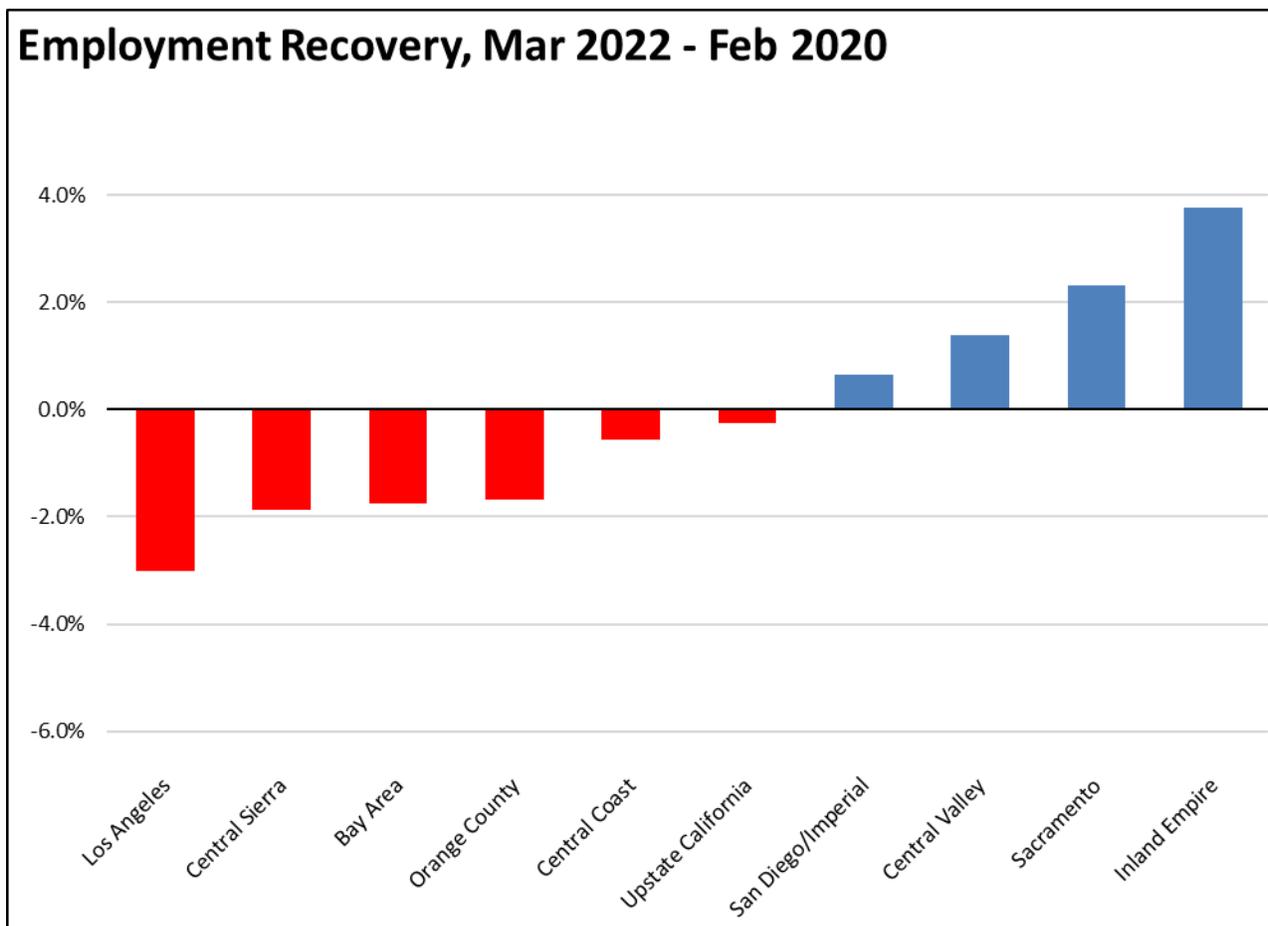
Unemployment rates (not seasonally adjusted) compared to pre-pandemic February 2020 are shown below.

	Mar-22	Feb-20
<i>California</i>	4.2	4.3
Bay Area	2.9	2.7
Orange County	3.1	2.8
Sacramento	3.7	3.7
San Diego/Imperial	3.8	3.8
Central Sierra	4.2	4.5
Inland Empire	4.3	3.9
Los Angeles	4.7	4.3
Upstate California	5.1	6.3
Central Coast	5.5	7.0
Central Valley	6.9	8.4

Figure Source: California Employment Development Department

### Employment Recovery by Region

In part reflecting migration patterns during the pandemic, the interior regions of the state plus San Diego show employment above pre-pandemic levels. Los Angeles, which saw some of the deepest job losses due to its increasing incidence of lower wage service jobs, remains the furthest behind.



### MSAs with the Worst Unemployment Rates

California again had 11 of the MSAs among the 25 regions with the worst unemployment rates in February, including El Centro MSA (Imperial County) with the worst unemployment rate in the nation. Los Angeles-Long Beach-Anaheim MSA remained out of this group by rising to #293 in a tie with 3 MSAs in other states. The best performing California urban region was again San Jose-Sunnyvale-Santa Clara MSA tied with 15 other MSAs at #76, with an unemployment rate of 3.0% compared to the best performing MSA, Elkhart-Goshen, IN MSA at 1.7%.

MSA	February Unemp. Rate	Rank (out of 389)
El Centro MSA	14.0%	389
Merced MSA	9.3%	386
Visalia-Porterville MSA	9.2%	385
Salinas MSA	8.8%	384
Hanford-Corcoran MSA	8.5%	383
Bakersfield MSA	8.3%	380
Fresno MSA	7.6%	377
Yuba City MSA	7.4%	376
Madera MSA	7.1%	373
Stockton-Lodi MSA	6.6%	368
Modesto MSA	6.5%	365