

UPDATE

Sacramento's Labor Market & Regional Economy

2017 Mid-Year Update



The employment growth rate also slowed statewide with California's employment growth rate declining from 3.30% to 1.48%.



Table 1
Employment Growth

	Sacramento	California	Difference
Past 12 Months	1.10%	1.48%	-0.38%
Prior 12 Months	3.97%	3.30%	+0.67%
3 Year Average	2.62%	2.54%	+0.08%
5 Year Average	2.49%	2.62%	-0.13%

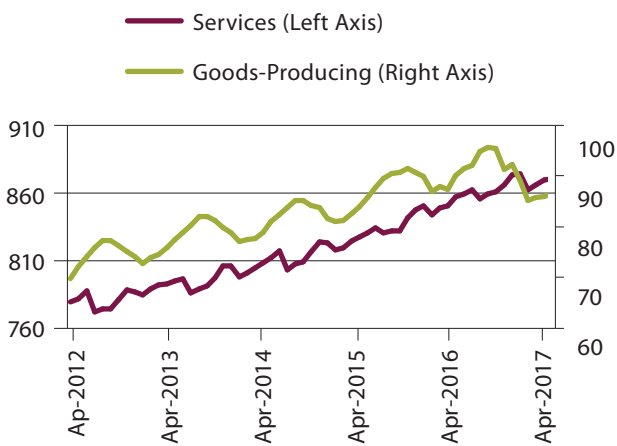
Source: Economagic.com

Employment has continued to increase in the Sacramento Region but the rate of improvement has slowed. Employment increased just 1.10% over the past 12 months, down from a rate of 3.97% for the prior 12 month period. The employment growth rate also slowed statewide with California's employment growth rate declining from 3.30% to 1.48%. This data is counter to our prediction that Sacramento area employment may catch up to the state's employment recovery. However, seasonal factors may be to blame, especially given the winter storms and flooding that adversely impacted the local economy.

For example, construction employment, which was a bright spot in 2016, declined by more than 4% over the past 12 months. The decline in construction employment may be due to weather factors as the real estate market remains healthy. Meanwhile, manufacturing employment resumed its long-term decline following a short period of growth between 2011 and 2015.

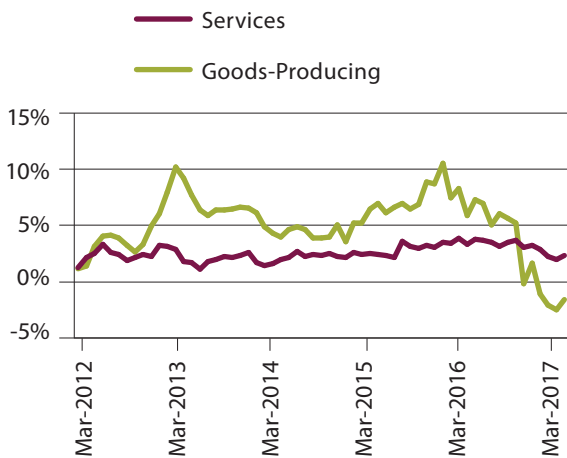
Manufacturing employment is 28% lower than its high from 2000. The decline in construction and manufacturing employment has led to a 3.67% decline in goods-producing employment. This reversed a 5 year trend in which goods-producing employment increased at nearly twice the rate of total area employment. However, the goods-producing economy accounts for less than 10% of total employment in the region.

Figure 1
Goods-Producing and Services Employment



Source: Economagic.com

Figure 2
Percent Change in Good-Producing and Services Employment



Source: Economagic.com

Leisure and hospitality employment increased 3.5% and now represents nearly 11% of the region's employment.

Services employment, which accounts for more than 90% of the region's employment, has continued to grow. Once again the health care sector reported the highest employment growth rate. The recession-resistant health care industry appears to have shrugged off the uncertainty around the repeal of the Affordable Care Act, with health care employment increasing 4.89% over the past 12 months. This represents a sharp increase in the rate of growth of health care jobs. However, as a large percent of California residents are on some type of government-funded health care support, potential cuts in spending in the near future could have a negative effect on Californians and their spending power.

Another service sector employment category that has continued to report strong employment growth is the leisure and hospitality segment. Leisure and hospitality employment increased 3.5% and now represents nearly 11% of the region's employment. Employment in the finance sector also accelerated. While finance represents just 5.5% of Sacramento area jobs, it has been an area of strength in recent years. Not all areas of the service economy reported gains. The information services sector continued its decline, contracting 4.32% over the past 12 months and 15.29% over the past 5 years. Given that technology job growth has been a bright spot for the state, the region's poor performance is disappointing.

Government jobs, which represent nearly one out of every four local jobs, showed little improvement, increasing just 0.42% over the past 12 months. Once again, the Sacramento region's labor market growth has been hampered by its dependence on government jobs.

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Table 2
Employment Distribution

	Construction	Manufacturing	Finance	Education	Health Care	Leisure & Hospitality	Government	Trade, Transportation, & Utilities	Information	Professional & Business Services	Other Services
Past 12 Months	-4.28%	-3.06%	3.12%	-0.82%	4.89%	3.50%	0.42%	0.80%	-4.32%	1.25%	-2.88%
Past 36 Months	18.43%	0.29%	9.98%	-5.47%	15.58%	12.99%	2.94%	7.32%	-2.92%	9.86%	0.66%
Past 60 Months	44.79%	4.19%	10.90%	-11.03%	23.78%	21.91%	4.94%	10.46%	-15.29%	17.95%	6.29%
% of Total Jobs	5.38%	3.64%	5.53%	1.27%	14.59%	10.83%	24.87%	15.80%	1.39%	13.53%	3.18%

Source: *Economagic.com*

Going forward, we expect the rate of employment growth in the Sacramento region to remain slow. The region's unemployment rate has declined to just 5%, down from 5.6% a year earlier. This hints that the vast majority of people seeking employment have already found a job. Meanwhile, Sacramento's labor force growth has stagnated likely due to demographic trends, job relocations, and migration. For example, recent job relocations and layoffs by large

employers such as Aerojet, Intel, and Hewlett Packard are a negative for the local labor market. However, if weather permits, new residential, retail, and commercial projects starting to fill the real estate landscape will bring jobs and new experiences to the region. Sacramento has a service-based economy and what can drive this economy is the quality of life that brings people here.

Figure 3
Sacramento Area Labor Force

