

Jobs Recovery: Uneven, and Unsteady!



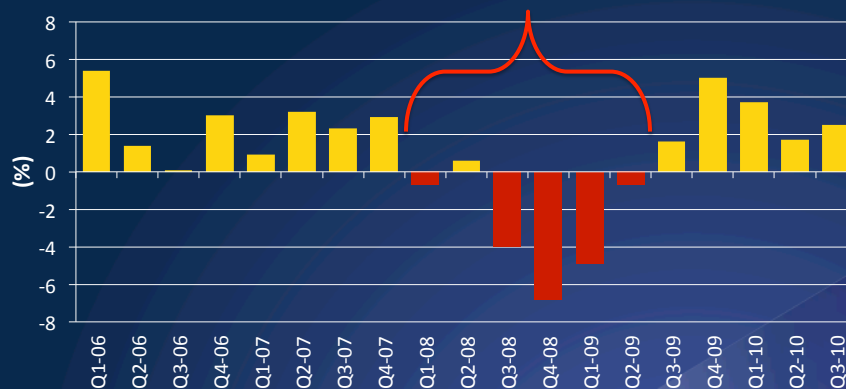
Jon Haveman

Owner, Haveman Economic Consulting

U.S. Bank – April 21, 2011

The Great Recession

1-2 Punch of Credit Crisis and Consumer Retrenchment
GDP Growth (SAAR) to Q3-10



Source: Bureau of Economic Analysis

Q4-2010: 3.1% Final

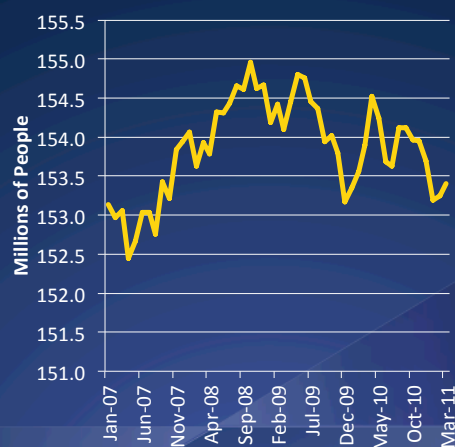
US Unemployment

Unemployment Rate to March



Source: Bureau of Labor Statistics

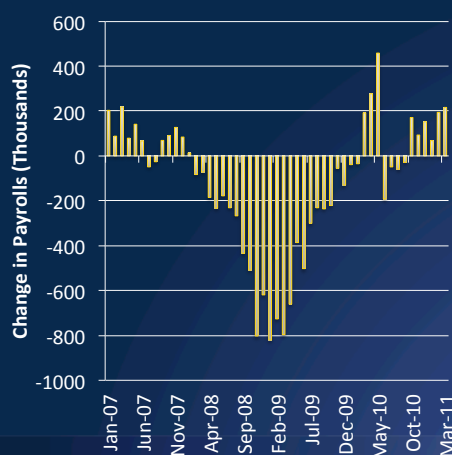
Labor Force to March



Source: Bureau of Labor Statistics

Jobs, Jobs, Jobs

National Change in Payrolls to March

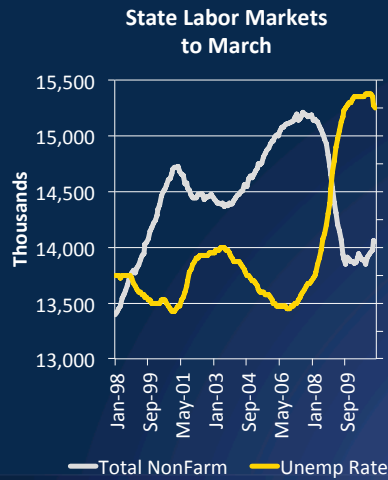


Source: Bureau of Labor Statistics

Change in Payrolls by Sector

	Jan-03 to Dec-07	Dec-07 to Dec-09	Recovery: 2010-11
Total Nonfarm	7,717	-8,663	1,418
Education/Health	2,117	797	523
Admin Support	701	-1,140	470
Leisure/Hospitality	1,365	-606	224
Manufacturing	-1,127	-2,284	211
Retail Trade	626	-1,233	140
Prof/Sci/Tech	1,203	-376	99
Transport/Warehouse	347	-370	54
Fed Gov't	-32	80	15
Real Estate	118	-195	-13
State Gov't	105	11	-31
Finance & Insuranc	194	-348	-59
Information	-240	-282	-61
Construction	783	-1,840	-133
Local Government	678	17	-303

California: A widespread hit



Source: California Employment Development Department

	March 2011	Peak to Current (%)
Inland Empire	1,109.1	-13.2
Orange County (MD)	1,356.1	-11.1
Oakland (MD)	940.1	-10.6
Santa Rosa	171.8	-10.1
Modesto	145.3	-9.8
Los Angeles(MD)	3,785.7	-8.3
San Francisco(MD)	937.7	-6.5
San Jose	865.9	-6.0
San Diego	1,236.3	-6.0

Source: California Employment Development Department

Why did it happen?

- Housing
- Consumers
- Financial Markets

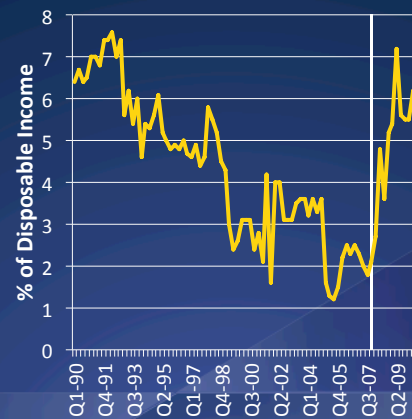
Roots of the Great Recession

Net Wealth of the U.S.
to Q3-10



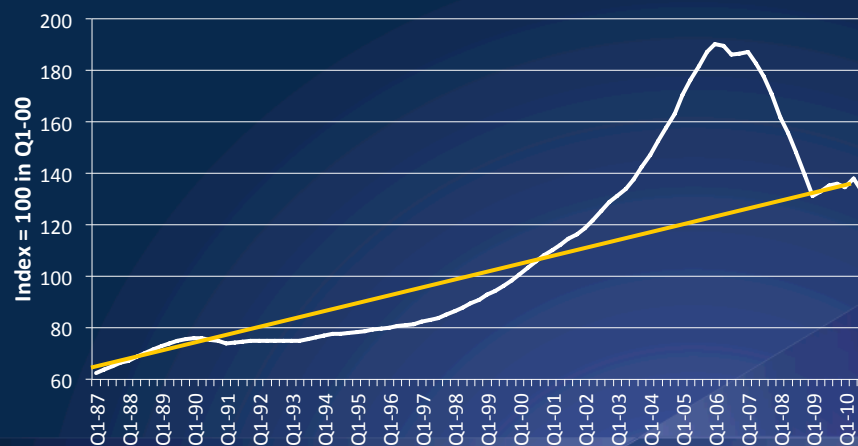
Source: Federal Reserve Board,
Bureau of Economic Analysis

BEA U.S. Personal Savings Rate
to Q3-10



Source: Bureau of Economic Analysis

National Housing Markets Case-Shiller US National Values to Q3-10



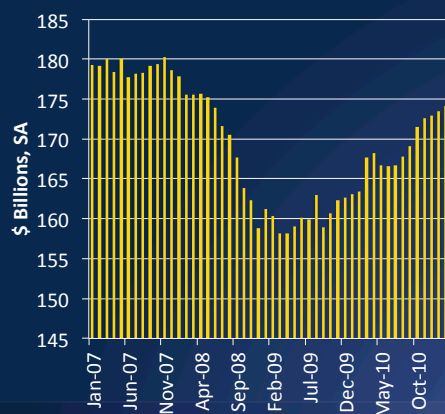
Source: Standard and Poor's

Where do we stand now?

- Many signs of progress
 - Consumers are going gangbusters
 - Businesses are doing quite well
 - Private sector employment growth
 - Trend is quite good
 - Industrial production growing

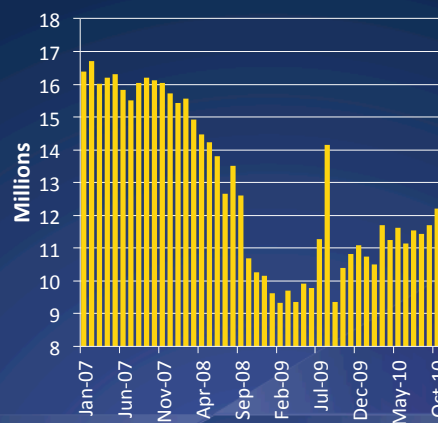
US Consumer Markets

Real Retail Sales
to February



Source: Census Bureau

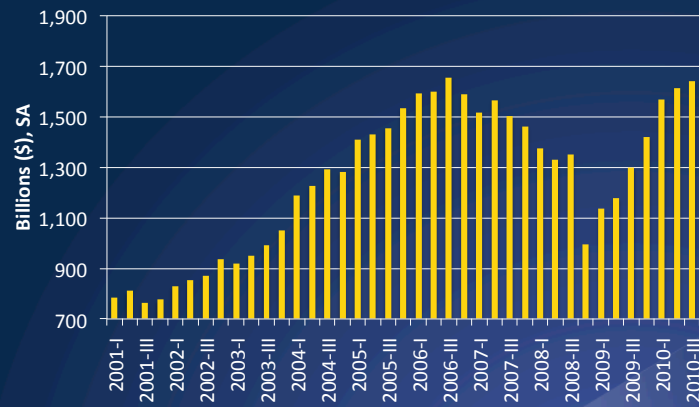
Auto and Light Truck Sales
to November, SAAR



Source: Bureau of Economic Analysis

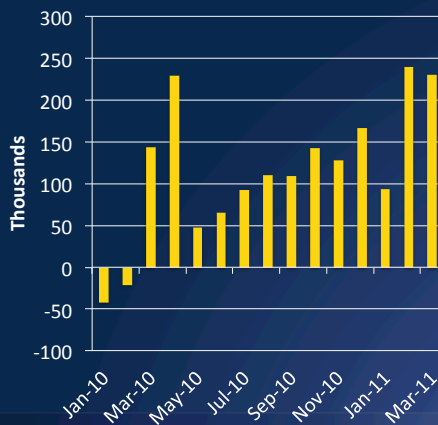
Who is recovering well?

Corporate Profits to Q3-10



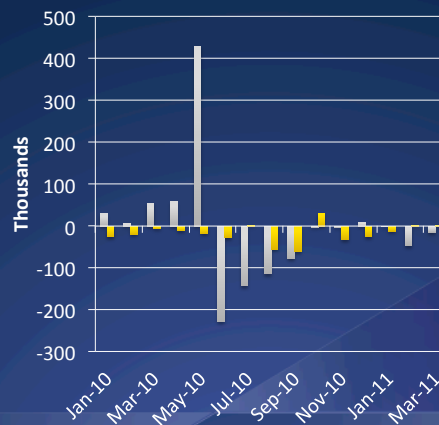
More: Jobs, Jobs, Jobs

Change in PRIVATE Employment to March



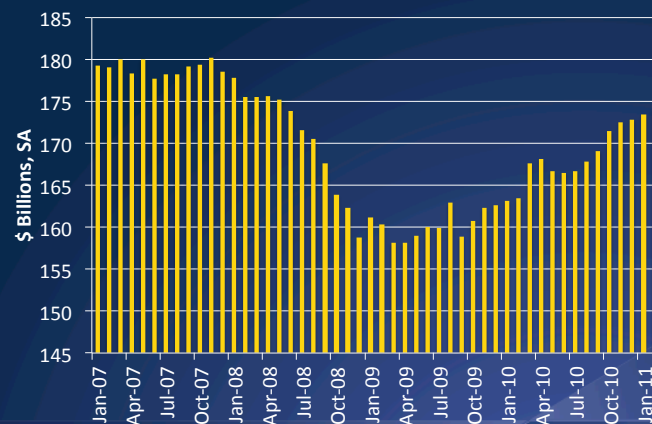
Source: Bureau of Labor Statistics

Change in Government Employment to March



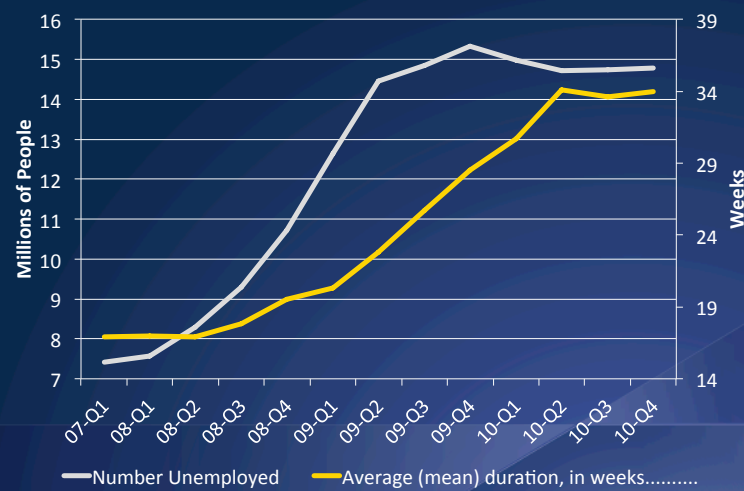
Source: Bureau of Labor Statistics

US Industrial Production to February



Who is Not? Labor Markets are Slow to Clear

Unemployment Situation



How Many Underwater? as of Q4-10

State	# Mortgages Underwater	Negative Equity Share
Nevada	380,458	65.4
Arizona	674,855	50.9
Florida	2,089,518	47.3
Michigan	502,049	36.2
California	2,178,307	31.8
Georgia	485,148	30.2
United States Total	11,088,776	23.1
Local MSAs		
Oakland-Fremont-Hayward CA	169,961	31.2
San Jose-Sunnyvale-Santa Clara CA	66,255	19.2
San Francisco-San Mateo-Redwood City CA	33,090	10.2

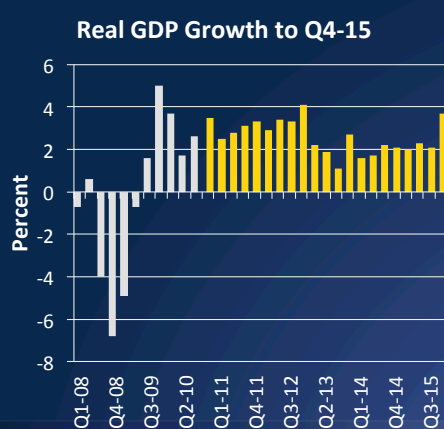
Source: First American CoreLogic

What comes next?

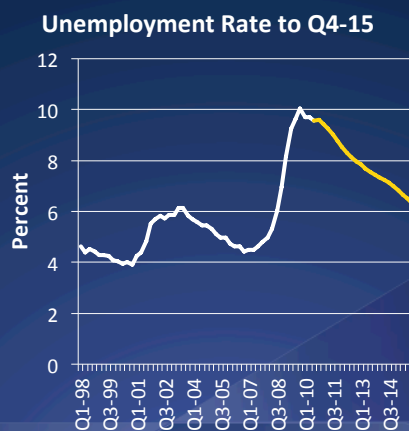
- Continued Slow Growth?
- Double-Dip?
- Accelerating Recovery?



US GDP and Unemployment Forecasts



Source: Bureau of Economic Analysis
Forecast by Beacon Economics



Source: Bureau of Labor Statistics
Forecast by Beacon Economics

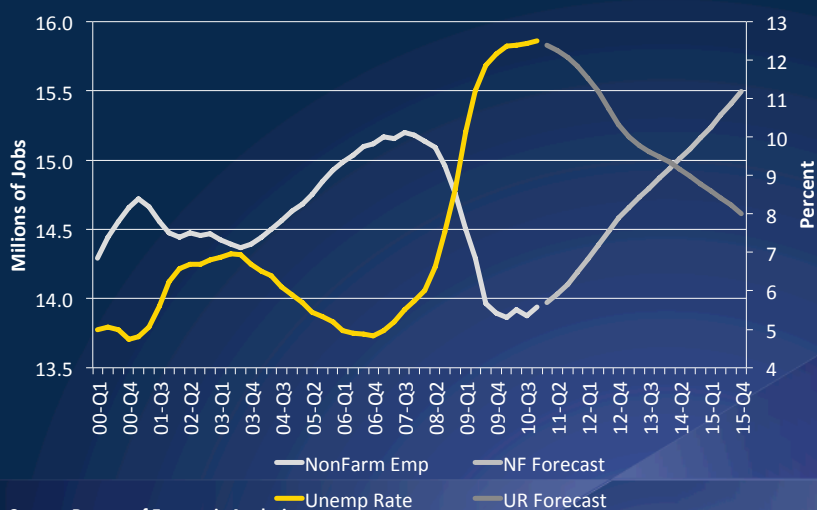
What about a Double-Dip?

- Need some sustained shock to the system
- There is potential (worry scale: 1-10):
 - Housing (3)
 - Consumers (3)
 - Deficit/Bond Markets (5)
 - Middle East (2)
 - Europe (2)
- It's the cumulative impact that's troubling
- Gross negligence on the part of policymakers can produce a double-dip
 - Cut too fast, too soon
 - Policy signals deficits over the long term

Summary

- Economy's Prognosis Improving
 - Consumer – bounced back... too fast?
 - Housing bounce has ended – slow recovery coming
 - Forecast: Robust 2011-12, weakness 2013-14
- Budget Policy, both short and long run, is crucial
 - Short run stimulus, long run danger
 - Must convince bond markets of long run fiscal sanity
- Employment growth accelerates in 2011

California Employment Forecast



CA Summary

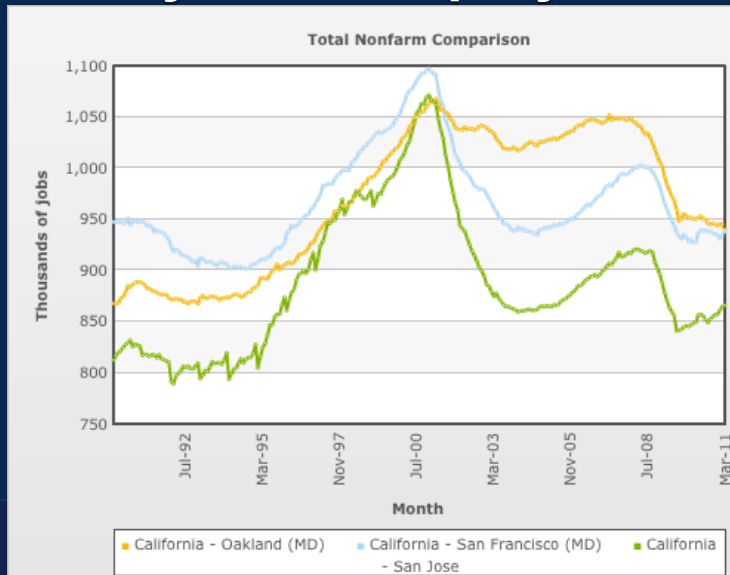
- California has been part of the recession's epicenter
 - Housing, exports, business investment
- Employment recovery slow, but growing
- Decisions now will affect economy long term
 - Budget
 - Education, infrastructure, regulatory environment
- Years before recovery is complete
 - Catching up to potential could be 4+ years

Nonfarm Employment

	March 2011 Employment	Drop from Peak to Trough (%)	Increase Since Trough (%)
San Jose	865.9	-8.7	2.9
Santa Rosa	171.8	-12.3	2.5
San Diego	1,236.3	-7.8	2.0
San Francisco (MD)	937.7	-7.5	1.1
Orange (MD)	1,356.1	-11.9	0.9
Modesto	145.3	-10.6	0.9
Los Angeles (MD)	3,785.7	-9.1	0.8
Inland Empire	1,109.1	-13.5	0.4
Oakland (MD)	940.1	-10.6	0.0

Source: California Employment Development Department

Bay Area Employment

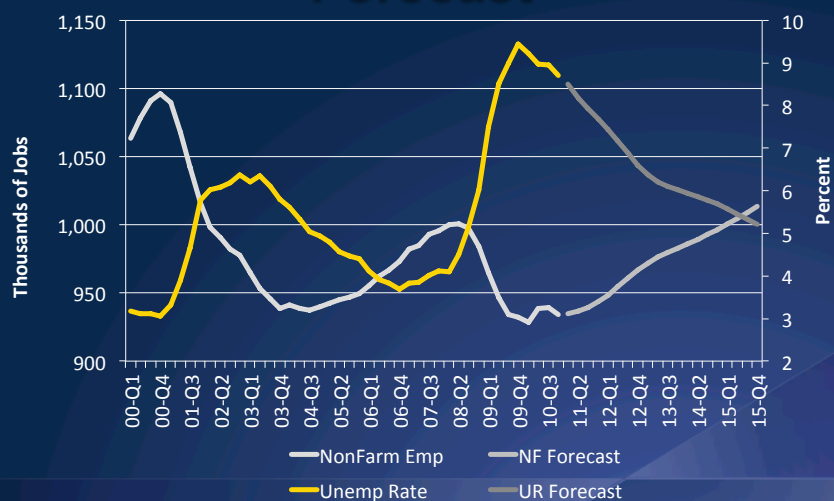


CA Employment Cycle

	Thousands of Jobs				
	2003 to Peak	Peak Month	Job Losses	Trough Month	Recent Recovery
Total Nonfarm	782.8	7-Jul	-1366.4	10-Sep	201.4
Transport/Warehouse	349.9	8-Apr	-415.7	10-Feb	96.0
Admin Support	76.1	6-Nov	-185.5	9-Sep	66.8
Prof/Sci/Tech	177.4	8-Apr	-91.5	9-Dec	52.6
Leisure/Hospitality	192.4	8-Apr	-101.2	10-Mar	32.4
Information	5.5	8-Jun	-65.7	10-Apr	30.3
Construction	159.5	6-Feb	-401.9	10-Sep	29.6
Manufacturing	-72.9	5-Apr	-270.9	10-Sep	12.0
Local Government	64.7	8-Aug	-139.7	10-Sep	11.5
Retail Trade	110.9	7-Mar	-190.2	9-Aug	9.3
State Gov't	21.6	9-Feb	-17.5	10-Jun	7.5
Real Estate	19.3	6-Mar	-44.2	11-Jan	1.8
Finance & Insurance	300.0	6-Dec	-513.7	11-Mar	0.0
Fed Gov't	-12.6	9-Apr	11.9	8-Apr	-2.3

Source: Bureau of Economic Analysis
Seasonal Adjustment by Beacon Economics

San Francisco Employment Forecast



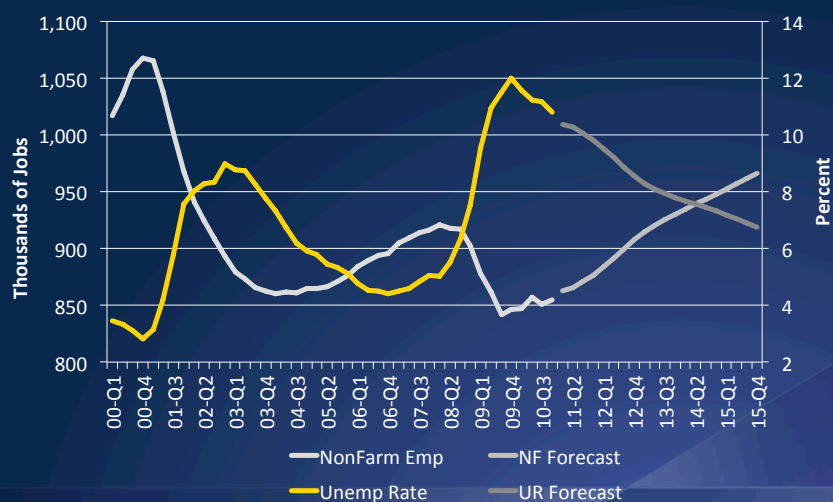
Source: Bureau of Economic Analysis
Forecast by Beacon Economics

San Francisco Employment Cycle

	Thousands of Jobs				
	2003 to Peak	Peak Month	Job Losses	Trough Month	Recent Recovery
Total Nonfarm	32.6	8-Apr	-75.7	10-Feb	10.6
Prof/Sci/Tech	29.6	8-Aug	-11.6	9-Sep	6.4
Leisure/Hospitality	14.1	8-Apr	-7.2	10-Mar	3.5
Admin Support	2.8	7-Sep	-5.5	9-Mar	3.3
Local Government	3.8	8-Apr	-5.7	10-Mar	2.4
Manufacturing	-2.3	6-Nov	-7.2	10-Mar	0.8
Retail Trade	-1.2	7-Jan	-9.8	10-Dec	0.7
Finance & Insurance	-1.1	7-May	-12.6	11-Jan	0.7
Information	-5.5	5-Feb	-4.4	10-Jul	0.6
Real Estate	-0.4	7-Dec	-3.0	9-Dec	0.6
Fed Gov't	-2.2	5-Feb	-2.5	9-Dec	0.5
State Gov't	5.5	8-Aug	-0.9	9-Dec	0.5
Transport/Warehouse	-4.2	5-Feb	-5.8	10-Nov	0.1
Construction	1.8	8-Feb	-16.3	11-Feb	0.0

Source: Bureau of Economic Analysis
Seasonal Adjustment by Beacon Economics

San Jose Employment Forecast



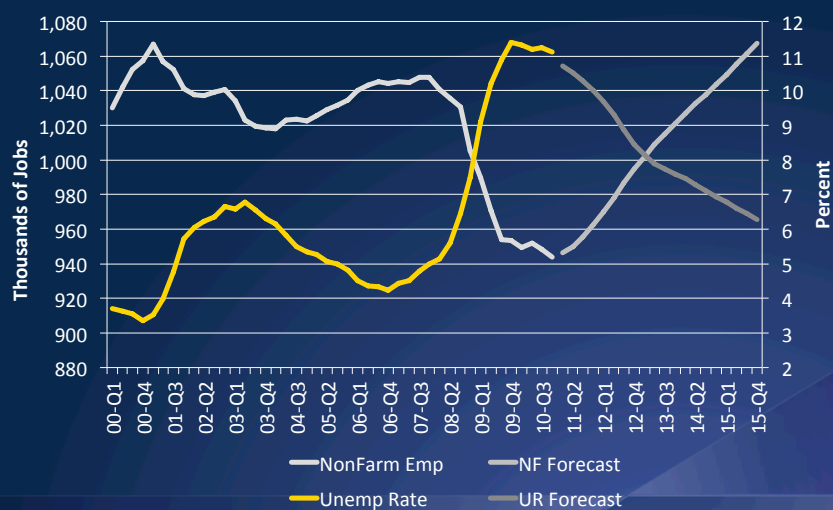
Source: Bureau of Economic Analysis
Forecast by Beacon Economics

San Jose Employment Cycle

	Thousands of Jobs				
	2003 to Peak	Peak Month	Job Losses	Trough Month	Recent Recovery
Total Nonfarm	36.3	8-Mar	-79.7	9-Jul	24.8
Information	11.4	8-Jul	-2.0	9-Jun	6.9
Local Government	-0.2	9-Jun	-11.4	10-Aug	5.6
Manufacturing	-16.3	8-Jul	-17.1	9-Dec	5.2
Prof/Sci/Tech	8.2	8-Apr	-12.2	9-Oct	5.0
Admin Support	8.6	7-Jan	-12.0	9-Sep	3.3
Retail Trade	2.3	7-Jan	-10.2	10-Dec	1.8
Transport/Warehouse	-1.4	7-Apr	-1.8	9-Sep	0.5
Finance & Insurance	2.1	6-May	-4.3	10-Feb	0.4
Leisure/Hospitality	10.1	8-Jul	-4.9	10-Aug	0.3
State Gov't	-0.6	8-May	-1.6	10-Aug	0.2
Real Estate	0.5	7-Jan	-3.1	10-Dec	0.1
Construction	5.9	7-Mar	-16.3	11-Mar	0.0
Fed Gov't	-0.4	5-Sep	-1.5	11-Mar	0.0

Source: Bureau of Economic Analysis
Seasonal Adjustment by Beacon Economics

East Bay Employment Forecast



Source: Bureau of Economic Analysis
Forecast by Beacon Economics

East Bay Employment Cycle

	Thousands of Jobs				
	2003 to Peak	Peak Month	Job Losses	Trough Month	Recent Recovery
Prof/Sci/Tech	17.1	8-Aug	-6.9	9-Sep	2.9
Admin Support	4.9	7-Jan	-12.9	10-Feb	2.8
Leisure/Hospitality	8.8	8-Jun	-5.5	10-Mar	2.1
State Gov't	-2.9	7-Sep	-9.4	10-Aug	1.2
Retail Trade	2.6	6-Jan	-17.0	10-Dec	0.8
Manufacturing	-3.1	6-Jun	-20.8	11-Jan	0.5
Finance & Insurance	2.0	5-Jul	-15.5	9-Aug	0.4
Real Estate	0.3	5-Dec	-3.9	10-Mar	0.4
Transport/Warehouse	-0.6	7-Dec	-6.5	10-Nov	0.4
Information	-2.9	5-Apr	-7.9	11-Feb	0.0
Local Government	7.4	7-Sep	-13.0	11-Mar	0.0
Fed Gov't	-1.2	9-Apr	-3.1	11-Mar	0.0
Construction	6.3	6-Feb	-29.1	11-Mar	0.0
Total Nonfarm	14.5	7-Mar	-111.6	11-Mar	0.0

Source: Bureau of Economic Analysis
Seasonal Adjustment by Beacon Economics

Bay Area Summary

- Recovery is starting to take hold
- It will strengthen going into 2011 and 2012
 - East bay and Napa/Sonoma slower than other regions
- Local budgets under strain for some time
- Fundamentals remain intact, but in jeopardy
 - Educational opportunities
 - Infrastructure
- Remains an attractive region for investment

Summary

- Recovery is growing roots
 - But is uneven
- Bay Area future is, as usual, bright
 - Innovation economies tend to be super-cyclical
 - Obama innovations initiatives will be especially beneficial here
- Budget decisions
 - Are being made at all levels of government
 - Starving the beast will jeopardize the future
 - Sacrificing investments
 - Sacrificing the less well off

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www.HavemanEcon.com

Jon@HavemanEcon.com
415-336-5705