IEEP NEWS RELEASE

September 19, 2025

The August 2025 Employment Report

by

Manfred Keil[1]

OVERVIEW

At face value, the August 2025 labor market report, released by the Employment Development Department (EDD) on Friday, September 19, suggests an improvement in the economic outlook for the Inland Empire, relative to the more negative June and July statistics. The unemployment rate for the Riverside-San Bernardino-Ontario Metropolitan Statistical Area (MSA) is significantly lower, decreasing from 6.4 percent to 6.1 percent. This follows two consecutive months of sharp increases in unemployment.

However, the previous increases must be seen against the background of regularly occurring seasonal fluctuations, including recurring end-of-summer annual declines in public education, and in the Leisure and Hospitality industry, especially in Riverside County (Coachella Valley). In a broader geographic context, the non-seasonally adjusted Inland Empire unemployment rate is higher than California's (5.8 percent) and much higher than the nation's (4.5 percent). Out of the 58 California counties, Mono County and San Mateo County have the lowest unemployment rate at 4.1 percent. San Bernardino County ranks 32nd with an unemployment rate of 5.9 percent, while Riverside County is in 36th with 6.3 percent. As is typically the case, Imperial County is at the bottom with 21.5 percent.

Changes in the unemployment rate can be approximated by the **difference in the growth rate of the labor force and employment**. A positive development would be a growing labor force

[1] Keil: Chief Economist, Inland Empire Economic Partnership and Associate Director, Lowe Institute of Political Economy, Robert Day School of Economics and Finance, Claremont McKenna College. Keil received valuable assistance from research analysts Jake Bergen, Charles Bollwerk, Jiaxin Chen, Arlo Jay, Annika Johnson, and Ulwiana Mehta-Malhotra.

coinciding with growing employment, even if that means that the unemployment rate increases (because of more people joining the labor force than finding work). The reason behind the non-seasonally adjusted decrease in the unemployment rate for the Inland Empire last month is the result of the **employment growing faster than the labor force**. Both showed growth from a year ago.

In our report, we will use standard statistical procedures to filter out regularly occurring seasonal fluctuations. In the Coachella Valley, for example, employment in the summer months regularly falls by over 10 percent, meaning that roughly every eighth person loses their job temporarily. This is due to restaurants and hotels remaining in business over the very hot summer months by laying off some personnel when demand is seasonally low, only to rehire most in the fall (you don't want to be in Palm Springs when the temperature exceeds 120 degrees). This is not a sign of cyclical or structural weakness but just the result of a **regularly occurring slowdown in economic activity**; hence, it is not of concern if you try to analyze deeper underlying trends.

Cyclical concerns continue from the summer. The overall unemployment rate is only 0.1 percentage points higher than in August 2024 (6.0 percent; note that year-to-year changes typically are unaffected by seasonal fluctuations). This would imply that the economic situation is not deteriorating further at this point. However, and this is a big but, employment gains from a year ago are almost entirely driven by hiring in two sectors, with a third sector contributing marginally. **Out of 14,600 jobs added over the year, 26,300 came from Private Education and Health Services (+14,300), and Local Government (+12,000);** Leisure and Hospitality provided smaller gains (+1900). With an additional 900 jobs from Logistics and Other Services, this means the **other sectors lost a combined 11,700 jobs!** The magnitude of the increases demonstrates the almost complete reliance of the Inland Empire economy on two industries, both of which are vulnerable to federal policies cutting expenditures to health and education. We have basically put all of our eggs in one basket - that is dangerous and can lead quickly to disaster. **Our previous warnings of a regional downtown are amplified by this report**. Overall growth masks sectoral dependence that will leave the economy vulnerable to political headwinds.

Seasonally adjusted, the unemployment rate in the **Inland Empire decreased by 0.3 percentage points from July 2025,** meaning that the previously observed 0.4 percentage point increase from June to July has almost been erased. This is relatively good news. **The seasonally adjusted unemployment rate stands at 5.5 percent -** certainly elevated, but not as high as the 6.4 percent rate in the raw data. When we compare that rate to a year ago, we have experienced an increase of 0.1 percentage points from 5.4 percent to 5.5 percent, meaning that basically, there was no change. The story is consistent with the year-to-year comparison.

The table below shows labor market data from the household survey (Current Population Survey, or CPS) and the establishment survey (Current Employment Statistics or CES), both for this month, the previous month, and a year ago for the Inland Empire.

Table 1: Labor Market Data, NSA, Inland Empire, July 2025

September 19, 2025
Employment Development Department
Labor Market Information Division
(916) 262-2162

Riverside San Bernardino Ontario MSA
(Riverside and San Bernardino Counties)
Industry Employment & Labor Force
March 2024 Benchmark

Data Not Seasonally Adjusted

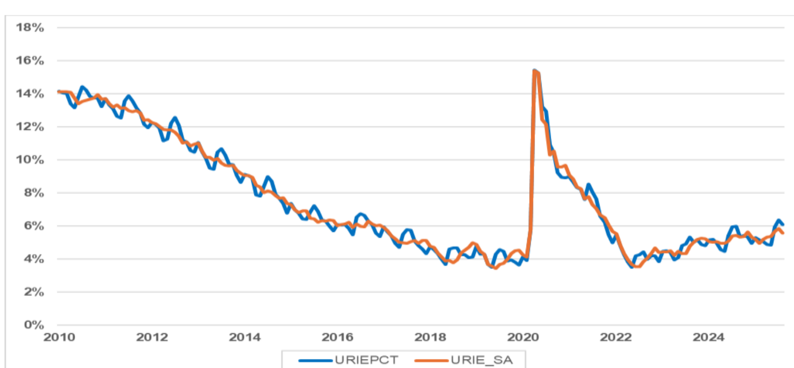
	Aug 24	Jun 25	Jul 25 Revised	Aug 25 Prelim	Percent Change Month	Percent Change Year
Civilian Labor Force (1)	2,208,600	2,232,200	2,242,000	2,252,700	0.5%	2.0%
Civilian Employment	2,076,800	2,099,300	2,099,300	2,115,400	0.8%	1.9%
Civilian Unemployment	131,900	132,800	142,700	137,300	-3.8%	4.1%
Civilian Unemployment Rate	6.0%	6.0%	6.4%	6.1%		
(CA Unemployment Rate)	5.9%	5.8%	6.1%	5.8%		
(U.S. Unemployment Rate)	4.4%	4.4%	4.6%	4.5%		
Total Nonfarm	1,685,500	1,705,400	1,693,700	1,700,100	0.4%	0.9%
Mining and Logging	1,600	1,500	1,500	1,500	0.0%	-6.3%
Construction	117,300	112,400	112,000	110,800	-1.1%	-5.5%
Manufacturing	95,200	92,500	92,200	92,400	0.2%	-2.9%
Retail Trade	181,700	180,500	180,500	180,200	-0.2%	-0.8%
Logistics	264,300	261,600	264,700	264,700	0.0%	0.2%
Information	13,000	12,800	12,800	12,700	-0.8%	-2.3%
Financial Activities	43,900	42,600	42,600	42,600	0.0%	-3.0%
Professional and Business Services	161,300	159,200	159,900	161,000	0.7%	-0.2%
Private Education and Health Services	307,800	320,500	320,100	322,100	0.6%	4.6%
Leisure and Hospitality	181,200	182,600	182,400	183,100	0.4%	1.0%
Other Services	50,800	51,300	51,500	51,300	-0.4%	1.0%
Government	261,800	282,500	268,000	272,200	1.6%	4.0%

The Bureau of Labor Statistics (BLS) released national data on August 1, the first Friday of the month. The unemployment rate has been in the 4.1 percent to 4.2 percent range for a year now. For August 2025, it increased by 0.1 percentage points from 4.2 percent to 4.3 percent. However, note that employment increased by 288,000 from the previous month, larger than the two previous figures (May and June). Both the labor force and employment are increasing in the most recent report.

When looking at establishment survey data, which is based on a larger sample, we focus on seasonally adjusted data only, which is not available from the EDD. We do not report seasonally adjusted data for year-to-year changes since annual changes do not depend on seasonal patterns.

To look at the raw data, go to the EDD website (https://labormarketinfo.edd.ca.gov/data/employment-by-industry.html).

Figure 1: Unemployment Rate, SA (orange) and NSA (blue), Inland Empire, January 2010 - August 2025



INLAND EMPIRE

The household survey shows that both employment and the labor force slightly increased in the Inland Empire, once we seasonally adjust the data. Employment is up by some 14,500 workers compared to July 2025, and the labor force increased by 8,500 workers. The EDD shows that the Government sector added the most jobs month-to-month (+4,200), followed by Private Education and Health Services (+2,000), and Professional and Business Services (+1,100), using the raw (non-seasonally adjusted) data. However, once we filter regularly occurring seasonal fluctuations out of the data, Leisure and Hospitality become the sector that added the most jobs month-to-month (+1,900); the Government sector actually shows a decrease of 180 jobs. Note that schools and local governments tend to rehire for the upcoming school year late every summer, it is possible to actually observe a decline in employment (as we do this year) since seasonal adjustment procedures remove the expected rehiring surge. Hence, the net decline this year in Government jobs. At the other extreme, the Private Education and Health Services actually shed 1,250 positions from July to August 2025, which is worrisome (Health Services dominate the movements here).

Here are some of the sectoral highlights from this month's report **after seasonal adjustment**:

- The largest **month-to-month increase** by industry was in **Leisure and Hospitality** (+1,900), followed by **Logistics** (+550).
- The most significant **month-to-month decline** was in **Private Education and Health Services** (-1236).
- For **year-to-year growth** and using raw data (relative to August 2024), the sector with the biggest employment gain was **Private Education and Health Services (**+14,300), **primarily Health**. The only other sector that generated a significant year to year employment growth of 11,000 was the Government sector, with overall primarily in Local Government (Education); State and Federal Government saw a decline of 1,600 positions. Note that ten sectors showed employment losses, most visible in Construction (-6,400), Manufacturing (-2,800), and Durable Goods (-1,700).

CALIFORNIA

To put the Inland Empire picture into a bigger picture, we also briefly analyze the state's labor market development for July 2025. For a more detailed analysis, go to:

https://edd.ca.gov/en/about_edd/news_releases_and_announcements/unemployment-July-2025/

At the **state** level, the unemployment rate remained steady, staying at 5.5 percent. Note that this is an 0.1 percentage point increase from a year ago. Hence, **we observe a small deterioration at the state level, while in the Inland Empire the outlook was better with a 0.3 percentage point decrease from 5.8% to 5.5%.** Payroll jobs increased by 3,800 in August, which is somewhat better than the 300-job decrease in July. Note that the July number was revised down from the previously reported 15,000 increase, which was largely driven by a loss of 7,600 jobs in Local Government. **California has the highest unemployment rate among the 50 states**, and it is 1.2 percentage points higher than the national rate of 4.3 (South Dakota has the lowest state unemployment rate at 1.9 percent).

The establishment survey shows a gain of 69,500 jobs for California from a year ago. This gain is primarily made up of increased employment of 196,300 **in three sectors: Health and Private Education Services (159,400) and Local Government (46,600), and Leisure and Hospitality (4,900)**. The **other sectors combined** (noticeably in Professional and Business Services, Manufacturing, Financial Activities, Information, etc.) for a **loss of 117,000.**

The overall picture does not change by much if we look at changes from a month ago. Again, the most job gains were in Health, Local Government, and Leisure and Hospitality.

- Compared to July 2025, the most employment gains came from **Private Education and Health Services** (+9,800), **Leisure and Hospitality** (+9,300), **Local Government** (5,800), and **Information** (+1,200).
- Most month-to-month losses came in **Government** as a whole (-7,600) – despite the 5,800 gain in local government, **Professional and Business Services** (-5,300), **Construction** (-2,500), and **Manufacturing** (-1,400).
- Compared to July 2024, most job gains were also in **Private Education and Health Services** (+159,400). **Government** (+32,300) was the only other major industry that experienced a significant increase.
- From a year ago, the biggest "loser" was **Professional and Business Services** (-53,200), followed by **Manufacturing, which** suffered a decline by 31,700.

OUTLOOK

The economic outlook for the national economy has worsened since our previous report primarily because of data revisions by the Bureau of Labor Statistics, which has significantly lowered job creation we observed over the last year, and especially over the last six months. While we continue to **forecast no recession** for the U.S. at the national level, we anticipate economic growth to fall significantly towards the end of 2025. In part, the no recession forecast is the result of relatively strong real GDP growth in the second quarter of 3.3 percent (although this should be seen in combination with the 0.5 percent decline during the first quarter - both numbers were heavily affected by President Trump's "Liberation Day" announcement of tariffs and subsequent modifications; these affected imports and GDP accounting in an unusual way).

The Federal Reserve in Atlanta has a GDPNow measure, which estimates real GDP growth during the third quarter (for the July to August 2025 period) using data as it becomes available. While the official data release for the growth will not be released until the end of October, the forecast currently is another strong 3.3 percent. "Blue Chip" forecasters are less rosy about the outlook but still predict 1.1 percent growth. For the last quarter, we see growth declining below 1 percent, which means that even a minor shock could produce negative growth towards the end of the year.

In part, our outlook is driven by the Federal Reserve Open Market Committee lowering the Federal Funds Rate by 25 basis points into the 4 to 4.25 percent range, with two more likely reductions of the same amount by the end of 2025. We feel that a cumulative decrease of 50 points will significantly stimulate interest rate sensitive sectors of the U.S. economy such as residential investment and consumption of durables, including automobiles.

While not having a national contraction helps the state and local economy, it is not sufficient to guarantee growth in California and the Inland Empire. Both the state and regional economy would already be in contraction had it not been for the relatively strong year-to-year growth in Health and Public Education. Both pillars are bound to be heavily affected by national policies, which withdraw funds from these sectors (although public education in California will rely on accumulated past funds for another year). Logistics seems to be stuck in a longer-term slump ("**The Great Freight Recession**") and will be negatively impacted by President Trump's tariff policies. Since there are no other sectors in sight to compensate for the losses in these two sectors, we expect the state and regional economy to contract significantly in the near future.