IEEP NEWS RELEASE

April 18th, 2025

The March 2025 Employment Report

by

Manfred Keil[1]

OVERVIEW

The California Employment Development Department (EDD) released the most recent labor market data for state and counties/Metropolitan Statistical Areas (MSAs) on April 18. The headline news is that the unemployment rate for the Inland Empire decreased by 0.1 percentage points and is now at 5.0 percent. This hides the fact that most sectors (Logistics, Construction, Manufacturing, Information, Financial Activities, Professional and Business Services) all continue to shed jobs. Leisure and Hospitality showed a small month-to-month gain of 800 positions, but a large loss from a year ago (-10,300). Similarly Other Services gained 400 employees compared to February 2025, but only 100 relative to March 2024. The reason for the unemployment rate not to show an increase is that the Health Industry and Public Education continue to generate a relatively large number of new jobs (almost 4,000 month-to-month, and roughly 25,000 year-to-year).

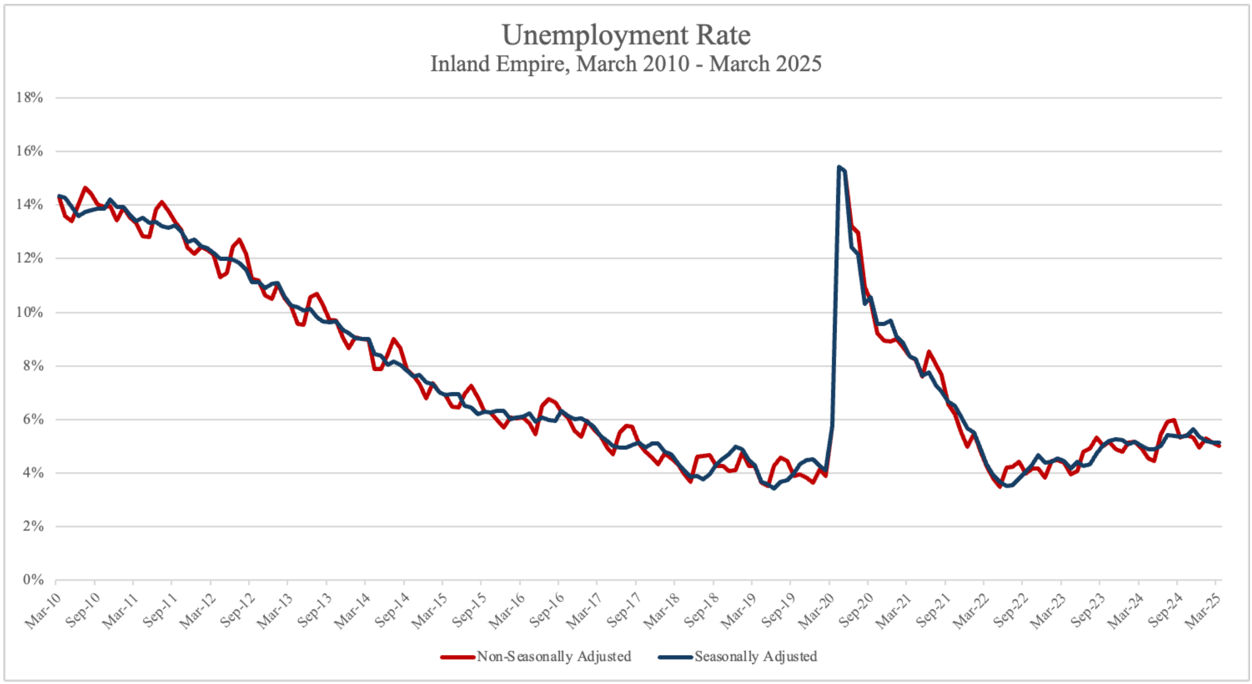
However, the data reported by the EDD is not seasonally adjusted. It therefore does not remove labor market flows that are simply generated by regularly occurring seasonal fluctuations, which can be misleading when you try to understand underlying trends and cyclical movements. We therefore seasonally adjust the data and report the results here. To look at the raw data, go to the EDD website (https://labormarketinfo.edd.ca.gov/data/employment-by-industry.html).

The **Inland Empire economies** continue to be in a **vulnerable position** since employment increases are basically limited to the **Health and the Public Education** sectors. Both will be negatively impacted by President Trump's economics policies, state budget constraints, and demographics. As a result, we forecast that the Inland Empire economy will peak within the next 9 months, unless other sectors can pick up the slack. The bloodletting will be particularly severe in the Logistics industry, which is the largest employer in San Bernardino County and the third largest employer in Riverside County. This sector has already shown declining employment

[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. The author received valuable assistance from research analysts Arlo Jay, Ivan Kolesnikov, and Laura Zhou.

numbers in the recent past and this will intensify given President Trump's policy on tariffs. Bottom line: the Logistics sector will contract significantly over the next both in the region and in the state.

After removing regularly occurring seasonal fluctuations, this results in an **unemployment rate of 5.1 percent for the Inland Empire, which is unchanged from the previous month**.



INLAND EMPIRE

As mentioned previously, we focus on seasonally adjusted (not published) data in this section. The change in the unemployment rate can be approximated by the difference in the growth rate of the labor force and employment. In English, if both the labor force and employment grow roughly by the same rate, then the unemployment rate will not change. Indeed both the Labor Force and Total Employment (reported by Current Population Survey or CPS) grew by roughly half a percentage point each, or 11,000 and 10,000, respectively. This is a positive development, as it shows healthy growth across the board.

However, the picture becomes more complicated when including the employment reported by Current Employment Statistics (CES), an establishment survey. Here employment decreased by roughly 1,000 jobs. Unlike the CPS, which reports employment by residency and includes people who **live** in the Inland Empire regardless of where they are employed, CES surveys the enterprises that are located here and therefore **does not include commuters** who **work in the**

greater Los Angeles region or San Diego County. The fact that CES-reported employment decreased by 1,000 workers while CPS-reported employment increased by 10,000 creates a discrepancy of 11,000 jobs. Some of the difference could be explained by an increase of commuters, including those who moved here.

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

- The largest month-to-month gains by industry were in Private Education and **Health Services** (+1,225), **Local Government** (mostly public education) (+450), and **Professional and Business Services** (+300).
- The most significant declines were in **Logistics** (-2,100), **Leisure and Hospitality** (-650), and **Manufacturing** (-500).
- **Private Education and Health Services (primarily Health)** has been a significant engine of growth during the last year (+16,000). **Local government** has also been an important job creator for the region; the sector gained (+9,700) jobs in the last year, making up for state (-450) and federal (-225) declines.

CALIFORNIA

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

At the state level, payroll jobs (CES) declined by some 11,600 jobs from a month ago, while employment measured by the household survey (CPS) went up by 14,600 from **February 2025**. Discrepancies between the two surveys of this magnitude are unusual, but there seem to have been Census survey problems (CPS) related to illegal immigration. We tend to trust the CES based numbers more.

California's unemployment rate dropped slightly to 5.3 percent compared to February 2025, but is 0.2 percentage points higher than it was a year ago. The state continues to have one of the highest unemployment rates among the 50 U.S. states (third in March), and it is almost 1 percentage point higher than the national rate (4.2 percent in March). You have to go back to significant historical events to find a gap of this magnitude (decline in the aerospace industry and shutdowns of military bases in the '90s, the housing bust coinciding with the Great Recession of 2008/2009, or the Coronavirus downturn and subsequent recovery).

The largest industry-level month-to-month gains were in Private Education and **Health Services** (+12,600), **Government** (+4,800), and **Information** (+2,800).

- The biggest winner by far for year-over-year changes was Private Education and **Health Services** (+155,400). **Government** (+56,100) was the only other major industry that experienced an uptick (primarily through public education employment).
- The "biggest losers" this month were **Logistics** (-10,200), **Leisure and Hospitality** (-6,900), and **Construction** (-3,700).
- Looking at annual data, the biggest loser was **Professional and Business Services** (-48,600). **Manufacturing** showed the second largest decline (-35,300).

OUTLOOK

We are now sufficiently concerned about the state of the Inland Empire economy that we forecast an employment decline over the next 12 months. If this happened at a national level, we would experience a recession. Our prediction is for a significant economic decline starting in the fourth quarter of 2025 and continuing into 2026.

We base this forecast on the fact that even currently, there are only two sectors that keep the local economy expanding: Health Services and Public Education. Both these sectors will contract due to President Trump's policies, state budget problems, and demographics.

The Logistics industry, which has been an engine for the Inland Empire and indeed Southern California for the last 10 years, but especially so following the Coronavirus downturn of 2020, will not be able to rescue the local economy due to President Trump's tariffs, which will hit imports through the two major ports particularly hard.

Our forecast for the state is similar. There is no sign for other sectors, such as Manufacturing, Professional Business Services, or Information (Film) to make up for the predicted decline in the current drivers.

As for the national economy, we do not make forecasts here. However, we want to point out that many of the sensors that have predicted economic recessions in the past, such as the yield curve, consumer sentiment, the stock market, housing starts, etc. all point to a recession within the next 12 months. Here we think it is crucial to see how the tariffs in general will affect consumer expenditures. If consumers will substitute services for goods consumption, for example, then the impact will be less severe than a straightforward reduction in consumption. The housing market will not come to the rescue since, despite President Trump's pressure on Chairman Powell, the Federal Reserve will not lower interest rates significantly this year (our forecast is for less than 75 basis points; note that UCLA's Anderson School predicts no decreases).