IEEP NEWS RELEASE

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The September 2025 Employment Report

by

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OVERVIEW

The Employment Development Department (EDD) finally released the September 2025 labor market report for the state and the region on Friday, December 12. The original publication date was supposed to be mid-October. The delay by roughly two months was due to the Federal Government Shutdown. There will be no October 2025 report on the unemployment rate, and the November 2025 report will be released with a significant delay, with no release date given yet.

The headline news we want to generate is that the Inland Empire is on the verge of a serious regional downturn judged by employment (not necessarily output) numbers. If this was a volcano, the majority of the sensors point towards an eruption with many casualties in sight. At the national level, there is a "Sahm statistic" which compares the average unemployment rate over the last three months with the lowest three month unemployment rate average over the last year. If the most recent three month average is significantly higher than the 12-months low, then the national economy has entered a recession. Applying this measure to the Inland Empire, we would be in a recession now. However, this is also a time when output is growing in the face of a weakening labor market - probably due to the progress that AI is making. This **jobless boom** makes output and employment growth diverge.

The EDD data release for the Inland Empire (Riverside County and San Bernardino County) **is not seasonally adjusted**, meaning the agency does not filter out regularly occurring hiring and layoffs that are typical for the season (think of hotels and restaurants in the Coachella Valley

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during the summer or retail sales around Christmas). This **is misleading** if you want to study the **underlying economic trends**. For September 2025, the raw data shows a decrease in the unemployment rate from 6.1 percent to 5.9 percent, which would be good news if it reflected the “true” state of the economy. However, the unemployment rate of 5.9 percent is **0.6 percentage points higher than it was a year ago** (September 2024), when it was 5.3 percent. That is a **worrisome increase**. Although it is still below the average of the unemployment rate over the last 15 years (that average was 7.6 percent).

To underline the point of not paying too much attention to the raw data, note that the unemployment rate fell by 0.7 percentage points a year ago from August 2024 to September 2024, and by 0.3 percentage points two years ago from August 2023 to September 2023, indicating that the currently observed decline of 0.2 percentage points is mostly the result of seasonal fluctuations. Bottom line, do not look at the raw data released by the EDD if you want to get an objective picture of the Inland Empire economy. Instead we will focus on the seasonally adjusted data (not publicly available) in our analysis below. It will show that **the labor market actually deteriorated compared to a month ago**.

Table 1 shows the raw data released by the EDD both for the household survey and the establishment survey for the last three months and for a year ago.

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

December 12, 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 - by MONTH
March 2024 Benchmark

Data Not Seasonally Adjusted

	Sep-24	Jul-25	Aug-25	Sep-25	Percent Change Month	Percent Change Year
Civilian Labor Force	2,217,400	2,242,000	2,252,400	2,261,300	0.4%	2.0%
Civilian Employment	2,099,300	2,099,300	2,114,600	2,127,800	0.6%	1.4%
Civilian Unemployment	118,100	142,700	137,800	133,500	-3.1%	13.0%
Civilian Unemployment Rate	5.3%	6.4%	6.1%	5.9%	-3.3%	11.3%
(CA Unemployment Rate)	5.5%	5.5%	5.5%	5.6%		
(U.S. Unemployment Rate)	4.1%	4.2%	4.3%	4.4%		
Total Nonfarm	1,688,900	1,693,700	1,699,500	1,703,800	0.3%	0.9%
Mining and Logging	1,500	1,500	1,500	1,500	0.0%	0.0%
Construction	115,400	112,000	111,300	109,800	-1.3%	-4.9%
Manufacturing	94,700	92,200	92,100	91,600	-0.5%	-3.3%
Retail Trade	180,900	180,500	180,200	179,700	-0.3%	-0.7%
Logistic	519,900	519,400	518,200	516,600	-0.3%	-0.6%
Information	12,900	12,800	12,700	12,600	-0.8%	-2.3%
Financial Activities	43,400	42,600	42,500	42,400	-0.2%	-2.3%
Professional and Business Services	161,200	159,900	160,500	160,400	-0.1%	-0.5%
Private Education and Health Services	308,600	320,100	322,000	324,200	0.7%	5.1%
Leisure and Hospitality	179,500	182,400	183,100	181,700	-0.8%	1.2%
Other Services	50,500	51,500	51,600	51,300	-0.6%	1.6%
Government	269,500	268,000	272,300	279,300	2.6%	3.6%

Looking at the released raw data for the 58 counties in California, we see that, first of all, a relatively large gap has opened between our two counties: the Riverside County unemployment rate is now 6.1 percent while San Bernardino’s is 5.7 percent, and is due to small differences in employment shares between the two counties. This makes the Riverside County unemployment rate the 39th highest in the state; for San Bernardino, it is the 31st highest. San Mateo County has the lowest unemployment rate within California (4.0 percent), and Imperial County has the highest (21.5 percent).

In a broader geographical context, the Inland Empire rate is 1.6 percentage points higher than the national rate (4.3 percent) and 0.3 percentage points higher than the state rate of 5.6 percent. This suggests that the higher unemployment rate for our region is primarily a reflection of how poorly the state economy is doing currently when it comes to employment (but not output). We expect to observe similar movements in the Inland Empire, but will not know for some time, since GDP for MSAs will not be published until late 2026.

The unemployment rate can change for two reasons: growth in the labor force or growth in employment. If growth in employment outpaces growth in the labor force, then the unemployment rate falls. For September 2025 we observed exactly that: the growth in employment was 0.6 percent but the growth in the labor force was only 0.4 percent. Hence the (non-seasonally adjusted) unemployment rate fell by 0.2 percentage points.

After removing regularly occurring seasonal components from the data, the Inland Empire actually shows an increase, not a decrease, in the unemployment rate from 6.0 percent to 6.2 percent. This strongly suggests, as we mentioned while comparing previous August to September changes in the unemployment rate, that the rate regularly declines around this time of the year, and that the observed decline in the raw data is actually less than what could be expected taking into account historical changes. In terms of directional movements, the seasonally adjusted data indicates the opposite of the raw data: the current situation is worsening, not improving (although level wise, the two rates are similar).

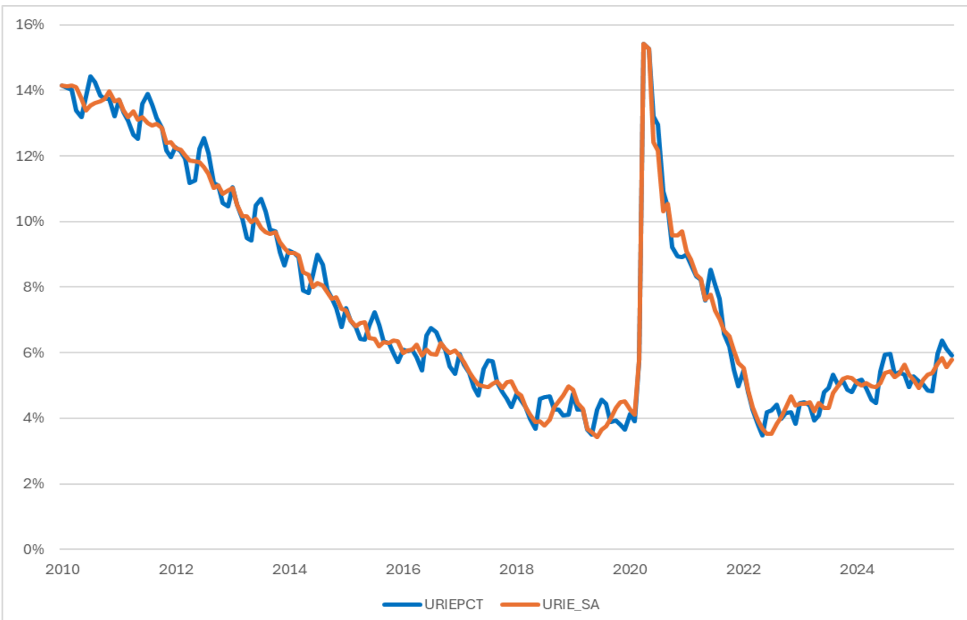
Looking at Table 1 also reveals some of our **additional concerns** regarding the Inland Empire economy. When comparing employment in September 2025 with that from a year ago, it shows that **out of the 12 major industries, only 4 showed positive employment growth** (private education and health care, leisure and hospitality, other services, and (local) government. Had it now been for the over 180,000 additional jobs generated in the health industry, employment gains in the Inland Empire of just under 15,000 would have been totally wiped out and alarm bells would be ringing loud! The eggs are all in one basket, and the lack of diversification will hurt the Inland Empire just like it did in the ‘90s and prior to the housing bubble burst. The current employment report just amplifies our previous concerns.

It took the Bureau of Labor Statistics (BLS) until November 20 to release the national data for September 2025 (the publication was originally scheduled for October 3, the first Friday of the month). While increasing slightly by 0.1 percentage points, it is still at historically low levels (now 4.4 percent). According to the household survey (Current Population Survey or CPS) 251,000 jobs were added from August 2025, which is healthy. Since the labor force grew by more (470,000), the unemployment rate went up slightly. Still, both the labor force and employment seeing positive growth is a relatively healthy picture.

To find patterns in industrial sector employment, we have to consult the establishment survey (Current Employment Statistics or CES). In our analysis below, we will report seasonally adjusted data, which we had to generate in house since the EDD does not make it available for the Inland Empire. Year-to-Year changes do not need to be seasonally adjusted for obvious reasons.

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 - September 2025



INLAND EMPIRE

Focusing here on the seasonally adjusted data, the Current Population Survey of residents indicates that the number of employed persons fell by more than 2,100 with respect to August 2025, while the labor force continued to increase by almost 3,000. Hence, not surprisingly, the unemployment rate increased: the labor force grew while employment declined - a worse scenario situation compared to where labor force growth just outpaces employment growth: more people were looking for jobs, and fewer were able to find one.

According to the EDD, the major employment generator from August 2025 to September 2025 was (private education and) health care (+ 1,200) and (local) government (+1,100). Without these two industries, employment in the Inland Empire would have fallen. The “all eggs in one basket” story is an adequate description. The logistics sector lost another 500 jobs from a month ago.

The winners and losers from a month ago were (using seasonally adjusted data):

- The largest **month-to-month increase** by industry was in **Private Education and Health Care** (+1,209), followed by **Local Government** (+1,132).
- The most significant **month-to-month decline** was in **Logistics** (-500) and **Construction** (-460).
- For **year-to-year growth** and using raw data (relative to September 2024), the sector with the biggest employment gain was **Private Education and Health Services (**+15,600), **primarily Health**. The only other sector that generated a significant year to year employment growth of 11,200 was the Government sector, with jobs added in Local Government (Education); State and Federal Government saw a decline of 1,400 positions. Note that most sectors showed employment losses, most visible in Construction (-5.600), Manufacturing (-3,100), and Durable Goods (-1,800).

CALIFORNIA

The state data paints a worrisome picture for California. The unemployment rate, which already was the highest among U.S. states in August, went up another 0.1 percentage points to reach 5.6 percent. California therefore continues to have the highest state unemployment rate currently. In part, this is due to the industry mix of the California economy: tech, entertainment, tourism, and manufacturing, all important to the state economy, are underperforming to put it mildly. On the positive side, the state unemployment rate only increased by 0.3 percentage points from a year ago.

The **state lost another 4,500 payroll jobs compared to a month ago**, and the loss is the fourth monthly decline in a row. To make matters worse, it is only gains in Local Government (public education), Leisure and Hospitality, and Health Care employment that prevent the picture from looking more alarming. We present a short summary of the California labor market here to put Inland Empire developments into perspective. A more detailed analysis can be found at

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

If we try to gain a longer range perspective, we can analyze employment changes from a year ago (September 2024 to September 2025). The big picture does not change: the house rests on three pillars and if you take one away, it will collapse. The state has the same lack of diversification currently as the Inland Empire does. **While the state has seen an increase in jobs from a year ago, (+ 61,800), job growth would have been negative had it not been for the gains in Health Care (+ 156,700), (Local) Government (+ 41,000) and Leisure and Hospitality (+ 12,800). The other sectors lost a combined -122,300 positions!**

Which sectors are the **biggest losers** at the moment? **Compared to a year ago**, both **Manufacturing** (- 36,400) and **Professional and Business Services** show the largest declines (- 63,200). Downward adjustments continue in the Logistics industry (the "Freight Recession" showed another loss of - 13,400 jobs), and both Construction (- 14,600) and Financial Activities (- 15,100) are shedding workers.

OUTLOOK

Last week, the Federal Reserve lowered the Federal Funds Rate (FFR) by 25 basis points (0.25 percentage points), which should give some stimulus to both consumer spending and the housing market (housing starts, sales). It also signaled that it will most likely only lower the rate by another 25 basis points by the summer of 2026. This is the result of persistent inflation above the Federal Reserve's target inflation rate of 2 percent (we have now had higher inflation for almost five years). Unless the labor market significantly weakens early next year (a good possibility), do not expect additional stimulus from monetary policy both for the national and state economy.

The national outlook (and the state economy forecast) face an unprecedented situation: we expect strong economic output growth coinciding with weak employment growth (decline) plus elevated inflation. Since output growth is the primary determinant of whether or not we are in a recession, we expect the NBER dating committee not to call for a recession in the near future. At the same time, we anticipate employment 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 3.8 percent, although this should be seen in combination with the 0.6 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 December 2023, the forecast currently is another strong 3.6 percent. "Blue Chip" forecasters are less rosy about the outlook but still predict 3.0 percent positive growth.

We eagerly await the publication for GDP Growth for the third quarter, both for the nation and for the state. If recent trends continue, we will see a deteriorating labor market coinciding with a booming economy as measured by output growth. This is an unusual combination and we attribute it to the progress that Artificial Intelligence has made through the economy. This will generate high productivity (output per worker, or output per hour worked) gains.

Besides the concern of the AI impact, we worry about the effect that national economic policies will have on both the state and regional economy. Cutback in Health expenditures will affect the major job-creating engine, and demographics will result in public education reductions (although less so this fiscal year than next year). The Logistics industry is already hurting without President Trump's policies having shown a major impact on container imports for the ports of Los Angeles and Long Beach.