Inland Empire's Recovery in 2021 and Outlook for 2022

by

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Anyone who has paid attention to economic conditions since the Coronavirus downturn in early 2020 knows that the economy has sent mostly positive but also some mixed signals during the current recovery. To be clear, this is a common occurrence during economic recoveries. For example, at the national level, economic activity as measured by inflation adjusted Gross Domestic Product (GDP) typically experiences a full rebound months or even years before the labor market is back to full health. Here in Southern California, the geographical unevenness of the recovery is typically reflected in different trajectories across the region.

But make no mistake, the economy is in a sustained recovery mode, it has nearly made up the ground lost during the pandemic shutdown of 2020, and it will continue to improve in 2022. Let's look at where things stand for the Inland Empire right now, with one eye on 2021 and the other towards the rest 2022.

One of the most widely cited indicators of well-being is the unemployment rate. During past cycles, the Inland Empire was often the first to see its economy turn south and the last to recover ("First In, Last Out"), but this time it's different. Similar to elsewhere, the Inland Empire had unemployment skyrocketing in the span of a couple of months during the onset of the pandemic, exceeding 15% at one point. But by the end of 2021, due in part to its booming logistics sector, unemployment fell to 5.1% (seasonally unadjusted; it is 6.5% when we seasonally adjust it), more than a percentage point below Los Angeles County's 6.2%.

Note that the December 2021 national numbers showed an unemployment rate of 3.9%, which is identical to the rate in February 2020, the last month of the previous expansion. How can that be? Doing the math, the change of the unemployment rate equals the difference in the growth rate of the labor force and employment. While this difference is zero, it turns out that for the U.S. both the labor force and employment are still below the February 2020 level; both simply shrunk by the same percentage amount. This clearly changes the overall picture to a less rosy view for the nation.

Here in Southern California, the labor force is also below pre-pandemic levels in both Orange County (short by 25,000 or 1.6%) and Los Angeles County (a gap of 200,000 workers or 3.8%).

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