Inland Empire Employment
Leading State, Nation

Newly revised benchmark estimates of employment in the Inland Empire paint a completely different picture of the region’s 2014 job growth than had previously been reported. The Inland Empire has in fact not been trailing growth in the state and nation, but leading it. With the new revisions, from December 2013 to December 2014, jobs growth in the Inland Empire improved from an estimated 1.9% to 3.7%, putting the region ahead of the state (3.2%) and the nation overall (2.3%). Moreover, with the newly revised benchmark estimates, the Inland Empire exceeded its all-time high for nonfarm employment levels in mid-2014, surpassing its previous peak, hit in July 2007.

With steady jobs growth in the Inland Empire, the region’s unemployment rate has continued its downward trend. At 6.9%, the unemployment rate in the Inland Empire is 2.1 percentage points lower than it was one year ago. More importantly, the decline in the unemployment rate has come as the local labor force has steadily increased, with once discouraged residents reentering the work force. As a result of increased optimism, the Inland Empire’s labor force expanded by 1.1% from February 2014 to February 2015, just slightly behind the state overall (1.2%).

Overall, employment growth in the Inland Empire was led by the Transportation, Warehousing, and Utilities sector, which increased its payrolls by 12.1% to over 83,000 jobs. One of the biggest contributors to that boost in payrolls last year was Amazon, as the company opened new fulfillment centers in Moreno Valley and Redlands.

Other sectors that have contributed to the surge in job creation in the Inland Empire over the past year are the Administrative Support sector (11%), the Construction sector (6.6%), the Real Estate sector (6.3%), and the Leisure and Hospitality sector (6.2%). Growth in the Construction and Real Estate sectors is being fueled in part by non-residential construction activity, with non-residential building permit values rising 10.3% in 2014, to just over $1.65 billion. Residential construction was also a contributor to the uptick in employment in the Construction and Real Estate sectors, with the number of units permitted rising by 8.6%, to 9,870, in 2014.

Beacon Economics is currently forecasting total nonfarm employment in the Inland Empire to expand by roughly 3.5% in 2015 — on par with last quarter’s forecast of 3.5% employment growth. Thereafter, expect nonfarm employment to have an average annual growth rate of 3.5% to 3.7% through the end of 2020, a slight increase over last quarter’s forecast. Additionally, as the labor market continues to improve, the unemployment rate in the region will maintain its downward trend. Beacon Economics is forecasting the Inland Empire’s unemployment rate to drop to just below 6% by the end of 2020.

1In this analysis, the Inland Empire refers to Riverside and San Bernardino Counties.
Consumer, Business Spending Surpass Pre-Recession Peak

Consumer and business spending in the Inland Empire has continued to grow at an impressive pace. From 2013 to 2014, taxable sales in the Inland Empire increased by 5.7%, to just over $65 million. More importantly, taxable sales in the Inland Empire are now 6.8% above their pre-recession peak, set in the second quarter of 2006, signaling that the considerable pain caused by the downturn is now in the rear-view mirror.

Consumer and business spending saw significant gains in a handful of areas within the Inland Empire. From 2013 to 2014, taxable sales in the City of Riverside increased by 9.5%, and Moreno Valley was fairly close behind at 8.4% growth. The I-10 Corridor was another hotspot of consumer activity in 2014 with taxable sales rising by 8% over 2013. Other parts of the Inland Empire that outpaced the region overall were the High Desert (6.2%), the City of Corona (6.1%), and the City of San Bernardino (6.1%).

HdL Companies (a private company that tracks sales and property tax data) estimates that the Inland Empire’s taxable sales receipts in the Auto and Transportation industry grew by 10.7% in 2014. Increased optimism and low interest rates have made consumers more comfortable making longer-term commitments on major purchases such as automobiles. Not far behind Auto and Transportation was the Building and Construction industry, which saw taxable sales receipts rise by 9.2% in 2014. This is not surprising given the uptick in construction activity and employment in the region.

The Inland Empire’s Restaurant and Hotel industry is also contributing to rising taxable sales in the region. From 2013 to 2014, taxable sales receipts at Restaurants and Hotels increased by 7.7%. This follows impressive employment gains over the last year in the Leisure and Hospitality industry. Moreover, 2014 was a banner year for the region’s hotel industry, with revenue per available unit rising by 10.3% during the first nine months of 2014 relative to the same period in 2013. Gains were also seen at local restaurants, with more residents visiting area eating establishments and entertainment venues.

Beacon Economics is projecting taxable sales in the Inland Empire to expand by 6% from 2014 to 2015, and then expand by an additional 6.5% in 2016. After that, expect growth to soften to the 5.5% to 7.5% range on a year-over-year basis through 2020.