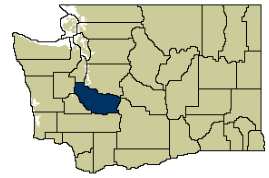
Washington State
Employment Security Department

Labor Market and Economic Analysis

LMEA

July 2009

Tacoma MD
(Pierce County)
Labor Area Summary
Volume 2009, Number 7



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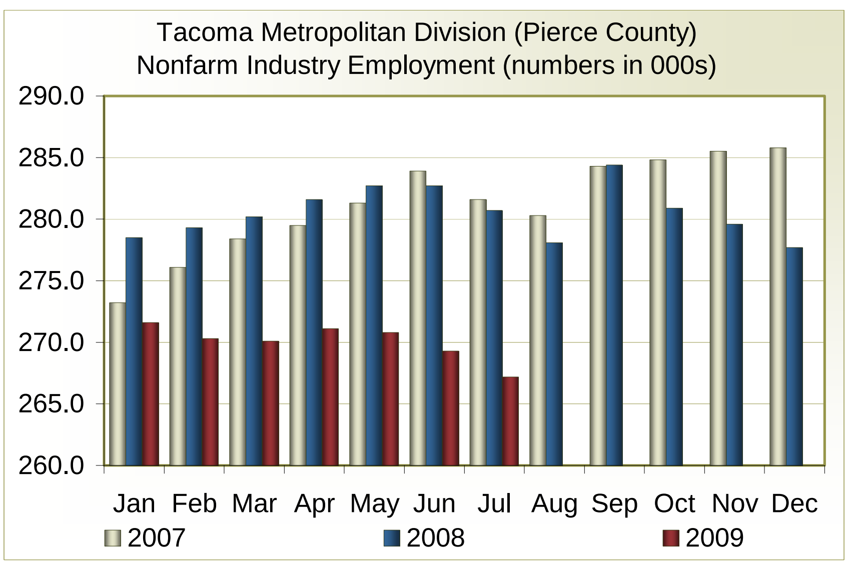
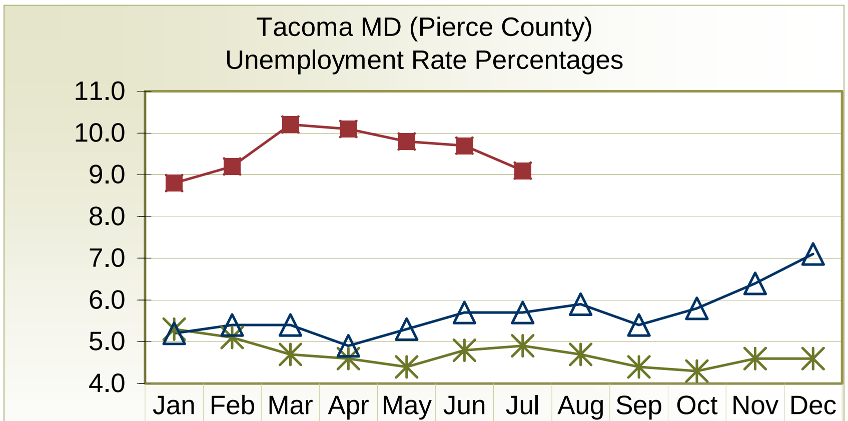
Summary
The Tacoma Metropolitan Division (MD) labor market moved into its annual summer lull in July 2009. The local area shed 2,100 jobs during the month, mostly in education-related employment. The end of the school year annually culminates in the release of educational service support staff as well as students continuing to look for summer employment. The summer school shutdown reduced government payroll numbers by 1,600. The private sector also suffered a net loss of jobs as payrolls were reduced by another 500 jobs. Most of the weakness in private payroll employment came again at the hand of the education sector in the form of private educational services. Coupled with health services, this category shed 1,600 jobs on the whole. Other job losses in financial activities were offset by employment gains in trade, transportation and warehousing, in leisure and hospitality, and in goods-producing industries. In the latter category, emerging construction and manufacturing activity was responsible for creating 500 new jobs this month, a positive sign given the recent state of economic conditions.

The local economy wound up losing about the same number of jobs this month as the 2,100 shed last year at this time. From a seasonal standpoint, this can be interpreted as a mildly positive development, and accounts for 300 of the seasonally-adjusted employment gains added to the state's total this month. Washington state added 4,000 new jobs this month, seasonally adjusted, to mark the first month of positive job growth in eight months.



The unemployment rate, which derives from a different survey, declined by one-tenth of a percentage point at the state level to 9.1 percent, seasonally adjusted, and by four-tenths of one percentage point to 8.8 percent, not seasonally adjusted. The Tacoma MD area saw its unadjusted unemployment rate decline from 9.7 percent last month to 9.1 percent for July. The decline in the rate contrasts markedly with the seasonal job losses in the area and therefore is not as encouraging as it might appear. The primary reason for the significant rare decline is likely due to a decline in the labor force this month, as well as the absence of the typical labor force swell that tends to occur in July each year. In a given year with average hiring conditions, it is generally customary to see the labor force swell by 3,000 to 5,000 members locally each July when students looking for summer employment add to the job seeker list. Many are hired into summer jobs, but the remaining job seekers factor into the unemployment rate. As a result, the unemployment rate might be expected to rise slightly or hold somewhat steady based upon whatever hiring conditions might exist at that time. This year, given the state of difficult hiring conditions, the labor force number declined by 350, indicating that many potential job seekers essentially opted out of the labor force and were subsequently not counted as being officially unemployed.



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2007	5.3	5.1	4.7	4.6	4.4	4.8	4.9	4.7	4.4	4.3	4.6	4.6
2008	5.2	5.4	5.4	4.9	5.3	5.7	5.7	5.9	5.4	5.8	6.4	7.1
2009	8.8	9.2	10.2	10.1	9.8	9.7	9.1					

Monthly and quarterly revisions to nonfarm wage and salary employment numbers have kept any real optimism about improving labor market conditions in check. June 2009 employment in the MD was revised downward by 1,100 jobs to a level of 269,300 total employment. Relative to July of last year, the local area has lost 13,500 jobs. Employment figures for next month are also likely to be lower as the summer season plays out. The area typically receives a major boost in employment as a result of the Puyallup fair in September. It will then be most informative to see whether the labor market makes positive strides in the fourth quarter this year. Last year, fourth quarter employment conditions became rather abysmal as financial crisis helped cripple the economy. The fourth quarter of this year should wind up serving as a good yardstick for determining whether expected progress in the economy and the labor will be made.

Stumbling Towards Recovery

The near-term prospects for conditions in state and local labor market to improve are likely to coincide with a recovering national economy. The latest batch of national economic reports bolsters the case that the recession is nearing the end, and that a recovery may not be far off. The pace of economic deterioration has slowed significantly, and after four quarters of severe contraction in economic activity, there is a consensus belief that economic growth will turn positive in the second half of 2009. Real Gross Domestic Product (GDP) declined at just 1.0 percent annual rate during the second quarter, and a great deal of the drop was attributed to a plunge in business inventories. Coupled with monetary and fiscal stimulus measures, the drop in inventories is expected to set the stage for positive GDP growth throughout the remainder of the year.

In addition to the improved GDP outlook, sales of existing homes rose in July for the fourth consecutive month, and new home sales rose for a fourth time in six months during June as buyers moved to take advantage of fallen property prices. Factory orders have also looked a little better as has residential construction. Manufacturing activity, as measured by the Institute of Supply Management, rose again in July to a 48.9 index reading, its strongest showing since September. While a reading under 50 is indicative of contraction, the steady improvement in the index numbers signals cautious optimism that the manufacturing downturn is coming to an end.

After severe job losses in early 2009, the pace of the job losses at the national level began to slow in April. By July, nonfarm payroll losses have narrowed to 247,000, the fewest job losses since August 2008. While not exactly considered to be good news in an absolute sense, the reduction in the losses over time indicate the economy has been able to skirt a near depression, and that the worst is over for workers. Taken together with other reports, it is reasonable to believe that things are starting to get slightly better.

Tough Times Expected to Stick Around

The return of economic growth will likely signal an official end to the recession. This development will be more significant to economists and statisticians than to ordinary citizens, however, since most will see little difference in their everyday lives. Unemployment remains high, consumer credit continues to contract, home prices have more room to fall, incomes are basically stagnant, and oil prices are up. There has not been any real fundamental improvement in the health of the household in recent months. What has been a consumer driven recession looks to be giving way to a recovery that will be weighted down by a beleaguered consumer sector. More importantly, the prospects for easing the consumer burdens are not likely to emerge soon.

A sustained and strong improvement in growth has to come from a revival in final demand in the private sector. The U.S. consumer, who still accounts for roughly 70.0 percent of GDP, is pulling back. Household indebtedness is constraining consumption. Lack of robust credit growth is hampering private consumption as well as investment spending. Capital spending by businesses is likely to remain subdued due to excess capacity and weakened sales.

The effects from policy stimulus and fiscal incentives is expected to wane in the second half of 2010 while the drivers of the previous economic boom- consumers, housing, and easy credit- will remain under pressure even as the recession ends. The awaited recovery is shaping up to be fragile and at best anemic. The recovery may not feel like one to most consumers, and there remains the possibility for consumers to retrench due to lingering joblessness. Moving beyond the recession will be good, but it is looking like a long climb upwards for the economy after that.

Summary Table

Labor Market Information for
the Tacoma Metropolitan Division (Pierce County)
Not Seasonally Adjusted/*Updated with ***QCEW Data: March 2009

				Change		
	Prelim	Revised	Revised	Jun-09	Jul-08	Jul-08
Employment by Place of Residence	Jul-09	Jun-09	Jul-08	Jul-09	Jul-09	Jul-09 %
Civilian Labor Force	402,590	402,940	390,950	-350	11,640	3.0%
Resident Employment	366,090	363,880	368,520	2,210	-2,430	-0.7%
Unemployment	36,510	39,060	22,430	-2,550	14,080	62.8%
Unemployment Rate	9.1	9.7	5.7	-0.6	3.4	
Employment by Place of Work (**NAICS Industry Titles, numbers in thousands)						
Total Nonfarm **1/**	267.2	269.3	280.7	-2.1	-13.5	-4.8%
Total Private	210.5	211.0	224.6	-0.5	-14.1	-6.3%
Goods Producing	36.7	36.2	44.5	0.5	-7.8	-17.5%
Mining and Logging	0.4	0.4	0.4	0.0	0.0	0.0%
Construction	19.9	19.5	24.1	0.4	-4.2	-17.4%
Specialty Trade Contractors	13.0	12.9	15.2	0.1	-2.2	-14.5%
Manufacturing	16.4	16.3	20.0	0.1	-3.6	-18.0%
Services Providing	230.5	233.1	236.2	-2.6	-5.7	-2.4%
Trade, Transportation, and Utilities	52.4	52.3	55.8	0.1	-3.4	-6.1%
Wholesale Trade	10.6	10.6	11.5	0.0	-0.9	-7.8%
Retail Trade	31.2	31.1	32.9	0.1	-1.7	-5.2%
Food and Beverage Stores	5.5	5.5	5.6	0.0	-0.1	-1.8%
General Merchandise Stores	7.0	7.1	7.2	-0.1	-0.2	-2.8%
Transportation, Warehousing, and Utilities	10.6	10.6	11.4	0.0	-0.8	-7.0%
Information	3.4	3.4	3.8	0.0	-0.4	-10.5%
Financial Activities	12.8	13.1	13.3	-0.3	-0.5	-3.8%
Professional and Business Services	24.0	23.8	25.5	0.2	-1.5	-5.9%
Admin, Support, Waste Mgmt., & Remediation	13.0	13.0	14.9	0.0	-1.9	-12.8%
Administrative and Support Services	11.6	11.5	13.4	0.1	-1.8	-13.4%
Educational and Health Services	40.6	42.2	40.3	-1.6	0.3	0.7%
Ambulatory Health Care Services	14.1	14.1	13.7	0.0	0.4	2.9%
Hospitals	10.2	10.2	9.6	0.0	0.6	6.3%
Leisure and Hospitality	27.8	27.3	28.3	0.5	-0.5	-1.8%
Food Services and Drinking Places	21.4	21.2	22.5	0.2	-1.1	-4.9%
Other Services	12.8	12.7	13.1	0.1	-0.3	-2.3%
Government	56.7	58.3	56.1	-1.6	0.6	1.1%
Federal Government	12.0	11.9	11.1	0.1	0.9	8.1%
State Government	10.5	11.2	11.0	-0.7	-0.5	-4.5%
State Government Educational Services	2.5	3.2	2.8	-0.7	-0.3	-10.7%
Local Government	34.2	35.2	34.0	-1.0	0.2	0.6%
Local Government Educational Services	18.4	19.2	17.5	-0.8	0.9	5.1%
Workers in Labor/Management Disputes	0.0	0.0	0.0	0.0	0.0	0.0

1/ Excludes proprietors, self-employed, members of armed forces, and private household employees. Includes all full- and part-time wage and salary workers receiving pay during the pay period including the 12th of the month. Columns may not add due to rounding. *Prepared by the Labor Market and Economic Analysis branch using a Quarterly Benchmark process. This process uses the most recent quarter from the Unemployment Insurance Tax Reports (currently 1st quarter 2009) and estimates employment from that point to present.
**North American Industry Classification System. ***QCEW = Quarterly Census of Employment and Wages