

IEEP NEWS RELEASE

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The July 2025 Employment Report

by

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OVERVIEW

The July 2025 labor market report, just released by the Employment Development Department (EDD), is a repeat of the rather negative June report: the unemployment rate for the Riverside-San Bernardino-Ontario Metropolitan Statistical Area (MSA), more commonly known as the Inland Empire, increased by almost half a percentage point from 6.0 percent to 6.4 percent. This follows the large 1.1 percentage point increase in the previous month. Compared to May 2025, it is now 1.6 percentage points higher. An increase of this magnitude would be alarming, were it not for the fact that regularly observed seasonal fluctuations always increase the unemployment rate in our area over this two-month period. This occurs, in part, due to layoffs in public education this time of the year, and lower job counts in the Leisure and Hospitality industry in Riverside County (Coachella Valley). For example, in 2024, it increased by 1.4 percentage points from May to July. Moreover, the non-seasonally adjusted Inland Empire's unemployment rate is higher than California's (6.1 percent) and the nation's (4.6 percent). Out of the 58 California counties, Mono County has the lowest unemployment rate at 4.1 percent. San Bernardino County ranks 29th with an unemployment rate of 6.2 percent, while Riverside County is in 36th with 6.5 percent. As is typically the case, Imperial County is at the bottom with 20.2 percent.

Changes in the unemployment rate can be approximated by the difference in the growth rate of the labor force and employment. The reason behind the non-seasonally adjusted increase in the unemployment rate for the Inland Empire is the result of the labor force growing faster than employment. However, both showed growth from a year ago, which is a healthy picture.

In our report, we will use standard statistical procedures to eliminate regularly occurring seasonal fluctuations. In the Coachella Valley, for example, which is part of Riverside County, employment in the summer months regularly falls by 12 percent, meaning that every eighth person loses their job. This is due to restaurants and hotels remaining in business over the very hot summer months by laying off personnel when demand is seasonally low, only to rehire most in the fall (you don't want to be in Palm Springs when the temperature exceeds 120 degrees). This is not a sign of cyclical or structural weakness but just due to the regularly occurring slowdown in economic activity; hence, it is not of concern if you try to analyze underlying trends.

However, there were **cyclical concerns** in the June report, and these have continued for the July report. First, compared to a year ago, the Inland Empire unemployment rate is half a percentage point higher: in July 2024, it was 5.9 percent, now it is 6.4 percent. Year to year changes are typically not affected by seasonal fluctuations. Second, employment gains from a year ago are completely driven by hiring in three sectors: Health, Local Government, and, to a lesser amount, Logistics. All other sectors (Construction, Manufacturing, Leisure and Hospitality, etc.) show employment losses. **Out of the 17,000 jobs added from a year ago, 31,500 came in these three sectors - meaning that the other sectors combined lost a combined 14,500 jobs!** Bottom line: we are looking at a house being held up on three pillars (really only two, once you realize that Logistics employment grew by less than 1,000 from a year ago), and all three of these are about to be axed by Federal policies through tariffs, cuts in health expenditures and in education.

Seasonally adjusted, the unemployment rate in the **Inland Empire increased by 0.3 percentage points from June 2025**, meaning that the 0.4 percentage point increase we observed from June to July was not just due to seasonal factors. **The seasonally adjusted unemployment rate is 5.9 percent** - certainly elevated, but not as high as the 6.4 percent rate in the raw data. When we compare that rate to a year ago, we have experienced an increase of half a percentage point, from 5.4 percent to now 5.9 percent.

We pointed out a month ago that the alarm bells for a regional downturn in the Inland Empire were ringing. The current report amplifies the previous alarm: time to fasten your seat belts.

The table below shows labor market data from the CPS and the CES, both for this month, the previous month, and a year ago for the Inland Empire.

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

Data Not Seasonally Adjusted

	Jul 24	May 25	Jun 25 Revised	Jul 25 Prelim	Percent Change Month	Change Year
Civilian Labor Force (1)	2,209,400	2,231,700	2,232,200	2,240,900	0.4%	1.4%
Civilian Employment	2,078,400	2,123,800	2,099,300	2,098,500	0.0%	1.0%
Civilian Unemployment	131,000	107,900	132,800	142,400	7.2%	8.7%
Civilian Unemployment Rate	5.9%	4.8%	6.0%	6.4%		
(CA Unemployment Rate)	5.9%	5.0%	5.8%	6.1%		
(U.S. Unemployment Rate)	4.5%	4.0%	4.4%	4.6%		
Total Nonfarm	1,677,800	1,706,200	1,705,400	1,694,800	-0.6%	1.0%
Mining and Logging	1,600	1,500	1,500	1,500	0.0%	-6.3%
Construction	119,100	111,400	112,400	111,900	-0.4%	-6.0%
Manufacturing	95,700	92,500	92,500	92,400	-0.1%	-3.4%
Retail Trade	181,000	180,500	180,500	180,500	0.0%	-0.3%
Logistics	263,700	262,200	261,600	264,400	1.1%	0.3%
Information	13,300	12,700	12,800	12,800	0.0%	-3.8%
Financial Activities	44,300	42,600	42,600	42,700	0.2%	-3.6%
Professional and Business Services	160,900	160,800	159,200	160,800	1.0%	-0.1%
Private Education and Health Services	301,700	321,500	320,500	320,700	0.1%	6.3%
Leisure and Hospitality	183,500	182,000	182,600	182,700	0.1%	-0.4%
Other Services	51,200	51,200	51,300	50,900	-0.8%	-0.6%
Government	256,200	281,900	282,500	268,000	-5.1%	4.6%

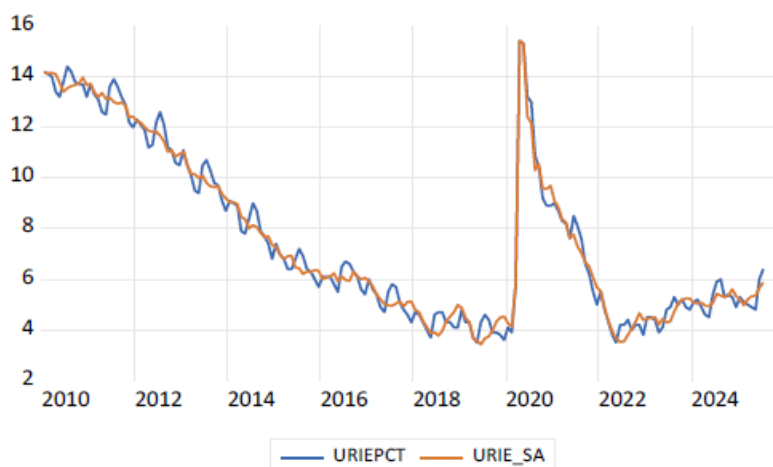
The Bureau of Labor Statistics (BLS) released national data on August 1, the first Friday of the month. The unemployment rate has remained the same in the 4.1 percent to 4.2 percent range for a year now. For July 2025, it increased by 0.1 percentage points from 4.1 percent to 4.2 percent. However, it was noteworthy that employment only increased by less than 75,000 from the previous month, and that two previous figures (May and June) were heavily downsized (which led to President Trump firing Erika McEntarfer, the commissioner of the BLS). To make matters worse, both the labor force and employment are shrinking in the most recent report, with employment falling slightly more than the labor force. Since the change in the unemployment rate equals (approximately) the growth rate of the labor force minus the growth rate in employment, the unemployment rate increased. (It is possible for employment to increase according to the CES but to shrink looking at the CPS since they are different surveys, the former looking at establishments while the latter results from household interviews.)

Since the economic news from last month's report was already poor, the main question for the July employment report is to what extent the expected significant economic decline in regional employment has already materialized. The answer is, **the situation is worsening** but the volcano has not erupted yet. Looking at the **seasonally adjusted data, employment declined** from May 2025 levels. At the same time, the **labor force also shrank**. This is a negative scenario, with employment falling by more (percentage wise) than the labor force shrinking - hence the unemployment rate went up by a relatively large amount of 0.3 percentage points. Ideally, you want to see both the labor force and employment to grow, with employment growth outpacing the labor force growth (in which case, the unemployment rate falls).

When looking at establishment survey data, which is based on a larger sample, we focus on seasonally adjusted data only, which is not available from the EDD. We do not report seasonally adjusted data for year-to-year changes since annual changes do not depend on seasonal patterns. According to the establishment survey, which does not include information from commuters, employment in the Inland Empire grew by almost 50 positions, which, while positive and therefore bigger than the household survey suggests, is basically a 0 percent growth rate from June 2025.

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 - July 2025



INLAND EMPIRE

The household survey shows that both employment and the labor force fell in the Inland Empire, once we seasonally adjust the data. Employment is down 8,080 workers compared to June 2025, and the labor force fell by 3,300 workers. The EDD shows that Logistics added the most jobs month-to-month (+2,800), followed by Professional and Business Services (+1,600), using the raw (non-seasonally adjusted) data. However, once we take regularly occurring seasonal fluctuations out of the data, the Logistics gains are down to a meagre 820, while Professional and Business services actually show a decrease of 40 jobs. At the other extreme, the Government sector actually shed 14,500 positions from June to July 2025. However, a simple time series plot reveals that the Government always lays off a relatively large number of employees once the school year ends. Adjusting for these regularly occurring fluctuations, Government employment actually went up by +3,021.

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

- The largest **month-to-month increase** by industry was in **Local Government** (+3,021), followed by **Logistics** (+821).
- The most significant **month-to-month decline** was in **Construction** (-930).
- For **year-to-year growth** and using raw data (relative to July 2024), the sector with the biggest employment gain was **Private Education and Health Services (primarily Health, +19,000)**. The only other sector that generated a significant year-to-year employment growth of 11,800 was the Government sector, with overall primarily in Local Government (Education); State and National Government saw a decline of 1,600 positions. Note that ten sectors showed employment losses, most visible in Construction (-7,200), Manufacturing (-3,300), and Financial Activities (-1,600).

CALIFORNIA

To put the Inland Empire picture into a bigger picture, we also briefly analyze the state's labor market development for July 2025. For a more detailed analysis, go to:

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

At the **state** level, the unemployment rate increased slightly from 5.4 percent to 5.5 percent. Note that it was also 5.4 percent a year ago. Hence, **we observe a small deterioration at the state level, but it is not as significant as for the Inland Empire**. Payroll jobs increased by 15,000 in July, thereby reversing the previous month's small decline. The labor force increased by slightly more (percentage wise), thereby causing the unemployment rate to go up. **California now shares the highest unemployment rate among the 50 states** with Nevada, and it is 1.3 percentage points higher than the national rate (South Dakota has the lowest state unemployment rate at 1.8 percent).

The establishment survey shows a gain of 83,000 jobs for California from a year ago. This gain is made up of increased employment of 228,000 **in just two sectors: Health (and Private Education) and Government (primarily Local Government)**. All other sectors combined (noticeably in Professional and Business Services, Manufacturing, Financial Activities, Information, etc.) **lost 57,400**.

The overall picture does not change by much if we look at changes from a month ago. Again, the most job gains were in Health and Local Government.

- Compared to June 2025, the most employment gains came from **Private Education and Health Services (+9,900)**, **Leisure and Hospitality (+4,300)**, and **Construction (+3,800)**.

- Most month-to-month losses came in **Professional and Business Services** (-7,200), **Leisure and Hospitality** (-4,500), and **Construction** (-3,300).
- Compared to July 2024, most job gains were also in **Private Education and Health Services** (+168,700). **Government** (+59,400) was the only other major industry that experienced a significant increase (primarily through public education employment, accordingly).
- From a year ago, the biggest “loser” was **Professional and Business Services** (-53,00), followed by **Manufacturing, which** suffered a decline by 32,500.

OUTLOOK

We continue to **forecast no recession for the U.S.** at the national level. Real GDP grew at a rate of 3 percent during the second quarter of 2025, following a 0.5 percent decline during the first quarter of 2025. We look at the first quarter as an aberration, which was primarily driven by hoarding of imported goods by investors and consumers following President Trump’s original announcement of tariffs on “Liberation Day.” Hence, we disagree with the majority of forecasters surveyed by the Wall Street Journal forecasters regarding the probability of a recession within a year. The Atlanta Fed has a measure called GDPNow, which forecasts GDP growth for the current (quarter 3) based on data as it becomes available. That measure suggests a growth of 2.5 percent for the third quarter. Beyond that, we forecast that real GDP growth is going to be lower towards the end of 2025/2026 (below 0.5 percent), which is low, but slightly positive (no recession).

Having growth for the nation in the near future does not mean that all states of regions within the U.S. will also see growth. For California and the Inland Empire we forecast a downturn as measured by a decline in employment. Both the state and our region have seen strong employment growth simply based on two sectors: Health and Local Government (Public Education). Both sectors are bound to be negatively impacted by President Trump’s national policies. There are no other sectors on the near horizon, which could pick up the slack. Certainly, Logistics is not the answer given the increase in tariffs for goods imported through the Ports of Los Angeles and Long Beach. Help could potentially arrive through a cut in the Federal Funds Rate by the Federal Reserve, starting with the September meeting. However, and despite President Trump’s pressure to lower the interest rate, we cannot see that the previous 9-2 vote of keeping interest rates at the same level can change by much. (President Trump gets to appoint a new member of the Open Market Committee, and you can expect the vote to turn at least to 9-3 since the resigning member did not vote at the last meeting; it is possible to end up 8-4.) The reason for holding the interest rate constant is that inflation continues to be above the 2 percent target by the Federal Reserve, and it has actually worsened since their last meeting if you look at the Producer Price Index, or the Consumer Price Index once you remove the food and gasoline component. Regardless, we need to see at least a 0.5 percentage point reduction before we can expect a positive impact on residential housing starts (investment).

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