Washington State
Employment Security Department

Labor Market and Economic Analysis

LMEA

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# Tacoma MD
## (Pierce County)
## Labor Area Summary

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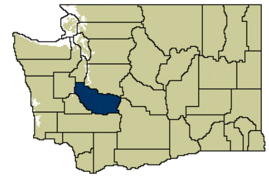

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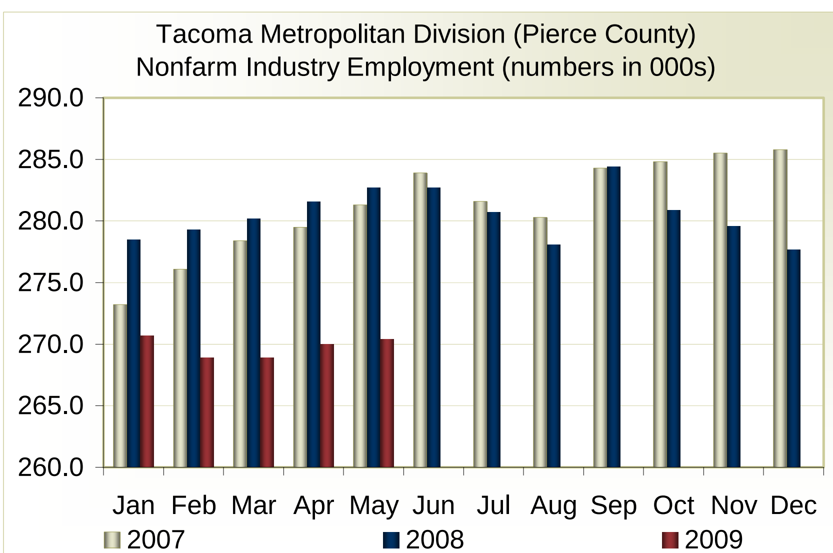
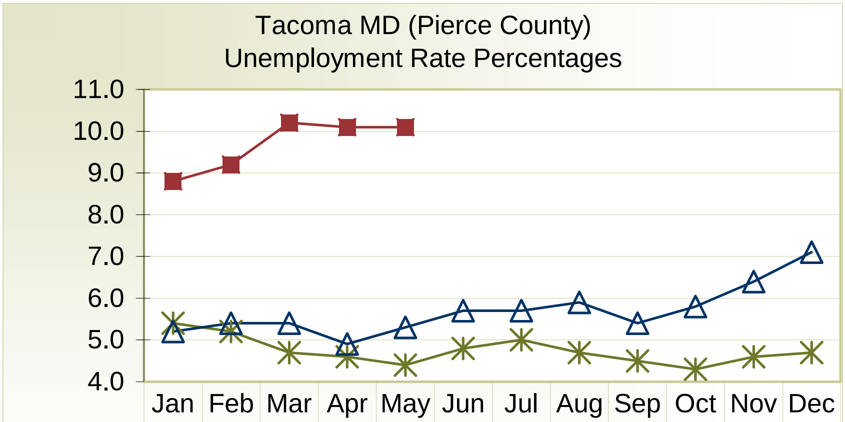
## Summary

The Tacoma Metropolitan Division (MD) labor market managed to add 400 jobs this month as the local labor market continued to struggle with the national recession. The positive gain in nonfarm payroll jobs in May was welcomed, although it pales in comparison to the 1,100 jobs the area added the year before during this time – before the autumn 2008 financial meltdown. The small gain translates into a seasonally-adjusted job loss of 900 for the MD, and accounts for a share of the 6,700 seasonal jobs lost by the state this month. The 400 nonfarm wage and salary jobs gained within the MD came on the heels of a 700-job upward revision to the April total employment number. Out of this month's total gain, 500 jobs were added in the private sector, while 100 jobs were lost in the public sector. Retail and wholesale trade industries added 300 jobs this month, as did educational and healthcare employers. Another 100 jobs were added in food services industries. Professional and business services industries, which shed 300 jobs this month, and financial services, which lost 100 jobs, continued to show signs of labor market weakness.

Despite the positive gains in the job market in May, local employment was still 12,300 fewer than what it was one year ago at this time. Subject to seasonal conditions, employment numbers over the next several months are likely to be a mix of gains and losses, with the overall trend still downward. A good measure-point month will be this September, when over-the-year job losses are expected to peak. The level of total employment in the Tacoma-Pierce area in 2008 peaked in September at 284,400 before the full effects of the credit crunch were felt. The incidence of job losses should begin to stabilize after this point, if expected progress in the economy materializes.



The modest rebound in job growth coincided with a temporary stabilization of the area's unemployment rate over this month and the last. The local unemployment rate remained at 10.1 percent in May after reaching a revised 10.2 percent in March. The pause in what has been an ascending rate is likely to be temporary as the overall economy is still weak. Although industrial production conditions appear to be picking up, it will still be some time before employers hire in earnest. At the state level, the unemployment rate rose this month by three tenths of one percent to 9.2 percent, not seasonally adjusted.




| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2007 | 5.4 | 5.2 | 4.7 | 4.6 | 4.4 | 4.8 | 5.0 | 4.7 | 4.5 | 4.3 | 4.6 | 4.7 |
| 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 | 10.1 | | | | | | | |

## Glimmers of Hope?

The financial crisis in the autumn of 2008 sent shock waves around the globe and crippled the major economies of the developed world. Tacoma, like most regions throughout the state, had been feeling the effects of an economic slowdown through the labor market, but the credit turmoil helped to create job losses and pushed the area into recession. The federal government responded by moving to repair the financial weakness and by passing a massive stimulus package. The policy response appears to have helped to improve the economic prospectus, and the watch is on for hopeful signs. Three major economic problems currently exist: the ongoing softness in the labor market, the indebtedness of consumers, and the poor financial condition of bailed-out banks. Recent increases in gasoline prices and mortgage rates form two more important hurdles.

Indications are such that aggregate production in terms of GDP (Gross Domestic Product) is on track to turn marginally positive during the second half of the year. The labor market, considered to be a lagging indicator, is expected to see a sluggish recovery in terms of job creation. The process is expected to unfold in the following manner. Firms will first move workers from part-time to full-time and then to overtime employment. Labor hours will increase and temporary workers will be hired before hiring new workers. This process is likely to play out slowly, resulting in a continuation of the rise in jobless rates, which will most likely extend into the middle of 2010.

Before businesses begin to move into the job creation phase, however, the pace of job losses has to first slow. Information gleaned from national claims data and payroll employment data suggest this may be beginning to occur. To wit, job losses across the nation slowed substantially in May to 345,000, compared with a revised decline of 504,000 jobs in April. The optimistic take on this is that this marks the fewest jobs lost in a month since last September when the financial crisis began. The reduction in job losses continue the pattern of a declining rate of job loss, or what can be called with help from calculus, a second derivative improvement effect. If May's moderation in job losses holds into June and beyond, it provides a clear sign that the recession is abating. The reality check is that the prospect of job growth is a long way off. The 345,000 jobs lost are still more than what was lost during any month in the last two recessions. The May report instead seems to suggest the financial panic carryover from last year is about over, and that financial conditions are gradually improving.

Still, the problems in the banking system and credit markets will take time to resolve, and the credit crunch is likely to lift slowly. Consequently, the recovery looks to be strongly dependent upon the banks and credit lending institutions. Since the recession started here, it would make perfect sense that it must also end here. Improvement in this category would have a positive effect on other segments of the economy still in the dumps, notably housing, construction, and the consumer. If the financial sector were to regain its health, credit might flow freely again, home prices might stabilize, and construction activity might resume. The seeds of economic recovery would sprout.

In the meantime, the stresses to the economy of long-term joblessness will remain substantial. These stresses include pressure on the housing market, constrained consumer spending, and additional stresses on public coffers at every level, ranging from declining tax revenues to depleted unemployment insurance funds to uncompensated emergency hospital care. Continue to look for things to get worse as they get better.

## Summary Table

Labor Market Information for
the Tacoma Metropolitan Division (Pierce County)
Not Seasonally Adjusted/*Updated with ***QCEW Data: December 2008

| | | | | Change | | |
|---|---|---|---|---|---|---|
| | Prelim | Revised | Revised | Apr-09 | May-08 | May-08 |
| Employment by Place of Residence | May-09 | Apr-09 | May-08 | May-09 | May-09 | May-09% |
| Civilian Labor Force | 404,120 | 400,100 | 390,740 | 4,020 | 13,380 | 3.4% |
| Resident Employment | 363,130 | 359,610 | 370,160 | 3,520 | -7,030 | -1.9% |
| Unemployment | 41,000 | 40,490 | 20,580 | 510 | 20,420 | 99.2% |
| Unemployment Rate | 10.1 | 10.1 | 5.3 | 0.0 | 4.8 | |
| Employment by Place of Work (**NAICS Industry Titles, numbers in thousands) | | | | | | |
| Total Nonfarm **1/** | 270.4 | 270.0 | 282.7 | 0.4 | -12.3 | -4.4% |
| Total Private | 211.4 | 210.9 | 224.9 | 0.5 | -13.5 | -6.0% |
| Goods Producing | 36.9 | 36.7 | 44.3 | 0.2 | -7.4 | -16.7% |
| Mining and Logging | 0.4 | 0.3 | 0.4 | 0.1 | 0.0 | 0.0% |
| Construction | 19.7 | 19.5 | 23.9 | 0.2 | -4.2 | -17.6% |
| Specialty Trade Contractors | 13.1 | 12.8 | 15.3 | 0.3 | -2.2 | -14.4% |
| Manufacturing | 16.8 | 16.9 | 20.0 | -0.1 | -3.2 | -16.0% |
| Services Providing | 233.5 | 233.3 | 238.4 | 0.2 | -4.9 | -2.1% |
| Trade, Transportation, and Utilities | 52.7 | 52.4 | 55.4 | 0.3 | -2.7 | -4.9% |
| Wholesale Trade | 10.8 | 10.7 | 11.5 | 0.1 | -0.7 | -6.1% |
| Retail Trade | 30.7 | 30.5 | 32.7 | 0.2 | -2.0 | -6.1% |
| Food and Beverage Stores | 5.2 | 5.1 | 5.5 | 0.1 | -0.3 | -5.5% |
| General Merchandise Stores | 7.5 | 7.5 | 7.1 | 0.0 | 0.4 | 5.6% |
| Transportation, Warehousing, and Utilities | 11.2 | 11.2 | 11.2 | 0.0 | 0.0 | 0.0% |
| Information | 3.2 | 3.2 | 3.7 | 0.0 | -0.5 | -13.5% |
| Financial Activities | 12.6 | 12.7 | 13.4 | -0.1 | -0.8 | -6.0% |
| Professional and Business Services | 23.0 | 23.3 | 25.0 | -0.3 | -2.0 | -8.0% |
| Admin, Support, Waste Mgmt., & Remediation | 12.7 | 12.8 | 14.6 | -0.1 | -1.9 | -13.0% |
| Administrative and Support Services | 10.9 | 11.1 | 13.1 | -0.2 | -2.2 | -16.8% |
| Educational and Health Services | 43.5 | 43.2 | 42.0 | 0.3 | 1.5 | 3.6% |
| Ambulatory Health Care Services | 14.2 | 14.0 | 13.7 | 0.2 | 0.5 | 3.6% |
| Hospitals | 11.6 | 11.5 | 9.4 | 0.1 | 2.2 | 23.4% |
| Leisure and Hospitality | 26.7 | 26.6 | 27.9 | 0.1 | -1.2 | -4.3% |
| Food Services and Drinking Places | 21.1 | 21.0 | 22.5 | 0.1 | -1.4 | -6.2% |
| Other Services | 12.8 | 12.8 | 13.2 | 0.0 | -0.4 | -3.0% |
| Government | 59.0 | 59.1 | 57.8 | -0.1 | 1.2 | 2.1% |
| Federal Government | 11.5 | 11.5 | 10.7 | 0.0 | 0.8 | 7.5% |
| State Government | 12.0 | 12.1 | 12.1 | -0.1 | -0.1 | -0.8% |
| State Government Educational Services | 3.9 | 4.0 | 4.0 | -0.1 | -0.1 | -2.5% |
| Local Government | 35.5 | 35.5 | 35.0 | 0.0 | 0.5 | 1.4% |
| Local Government Educational Services | 19.3 | 19.4 | 19.0 | -0.1 | 0.3 | 1.6% |
| 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 4th quarter 2008) and estimates employment from that point to present.
**North American Industry Classification System. ***QCEW = Quarterly Census of Employment and Wages