San Diego unemployment rate rises to highest point in more than a year

By Phillip Molnar

San Diego County's unemployment rate rose at the end of the summer to a level not seen in more than 1 1/2 years.

The region's jobless rate was 4.3 percent in August, up from 3.9 percent the previous month, state labor officials said Friday. San Diego's August rate was higher than the 3.9 percent nationwide average but lower than the 5.1 percent for California.

San Diego County's jobless rate hasn't been this high since the start of 2022 when the economy was still climbing out of pandemic lockdowns. There wasn't any industry that had a particularly large collapse to end the summer, but there were a lot of small cuts spread across several sectors.

Manufacturing had the biggest drop, down by 800 workers. While it is easy to think of manufacturing as dead in California, it is actually one of the bigger industries in San Diego with 117,900 jobs. Work in the category includes manufacturing in computers and electronics, transportation equipment, aerospace and boating.

Other categories to shed jobs were financial activities (real estate, insurance, investments), down by 600; leisure and hospitality (hotels, gambling, restaurants), down by 300; and information (media, telecommunications), down by 100. Two categories were unchanged month-to-month: general services (laundry, maintenance, religious) and trade, transportation and utilities (mainly retail).

San Diego County isn't alone in rising jobless rates. U.S. unemployment has been steadily rising all summer, with analysts attributing the slowdown as a "coming back down to earth" after a surge in hiring following the pandemic, or several large strikes happening at the same time.

Daniel Enemark, chief economist at the San Diego Regional Policy & Innovation Center, said San Diego County's unemployment rate was closer to 3.9 percent when adjusted for seasonal swings. That compares to the seasonally adjusted U.S. average of 3.8 percent and 4.6 percent in California.

"Of course, we prefer not to see unemployment rates increase, but 3.9 percent is still a remarkably low unemployment rate," he said, "so (August's) numbers indicate continued strength in the labor market."

Enemark said there could still be trouble on the horizon with federal student loan payments restarting next month. He said if there are a large number of people that pull back on spending, it could reduce consumer purchasing and have a ripple effect on several industries. Many economists have argued that student loan payments will have a minimal impact on the economy, but Enemark is in the opposite camp. There are more than 40 million Americans expected to restart payments soon, which had been paused during the pandemic.

Goldman Sachs analysts said restarting those payments will likely cost households about $70 billion per year. While that is enough to subtract from consumer spending, said an analysis by The New York Times, it likely isn't Great Recession-level bad.

Alan Gin, economist at the University of San Diego, said rising interest rates are another factor in hiring slowdowns. With borrowing costs increasing, he said that slows the economy overall.

"It impacts things like the housing market, businesses borrowing to expand," Gin said, "and that means less economic activity."

It wasn't all negative news in the latest San Diego County report, with school restarting and many teachers going back to work. Government (mainly education) added 2,600 jobs and private education added 1,400. The biggest growth was in construction, which added 1,800 jobs after a sluggish summer.

The county's labor force — adults who either have a job or are actively looking for one — continues to be steady after big drops during the pandemic. It was 1.59 million in August, up a modest 2,500 people in a year.

On an annual basis, the fastest-growing industry is private education and health services, adding 13,000 jobs. It was followed by tourism with 10,500; general services with 5,000; and financial activities with 1,600.

Two categories are down year-over-year. Professional and business services (legal, scientific, waste management, architectural) lost 700 jobs and information lost 400.

State officials do not seasonally adjust jobless rates for individual counties. Compared with other parts of California, San Diego County was about middle-of-the-pack with its rate of 4.3 percent.

The rate was 5.8 percent in Los Angeles County, 3.9 percent in Orange County, 3.6 percent in San Francisco County, 3.9 percent in Santa Clara County, 5.1 percent in Santa Cruz County and 5.4 percent in Riverside County.