

Economic Update

THE PENINSULA ECONOMY

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Prepared by Stephen Levy

This publication is one in a series of periodic updates on the local economy published by the Silicon Valley Institute for Regional Studies. The updates present data of timely significance for decision-makers in Silicon Valley and the broader Bay Area.

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UPDATE

THE PENINSULA ECONOMY

This brief provides an update on the economy in Silicon Valley and San Francisco, here referred to as “the Peninsula economy.” The Peninsula sub region includes Santa Clara, San Mateo and San Francisco Counties.

The Peninsula Economy at Midyear Highlights

The data show four trends at midyear:

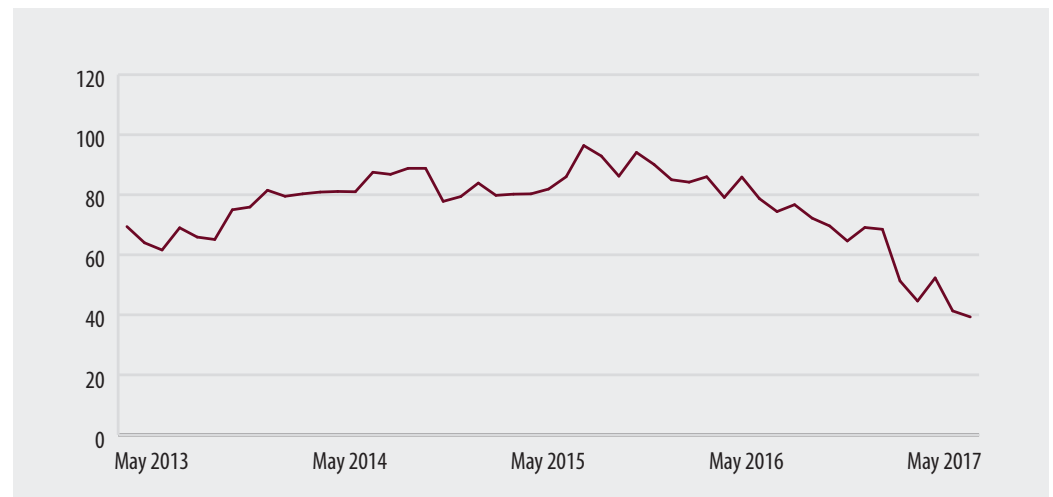
- Job growth has slowed
- Unemployment rates are the lowest since the dot-com boom
- Growth in the labor force has stopped
- The housing shortage remains, with record rents and prices

But the data also show the remarkable surge in the Silicon Valley, Bay Area and state economy between 2012 and 2016. Major employers are still planning large job increases as evidenced by the recently announced plans of Google to add as many as 20,000 jobs in San Jose.

Job Growth has Slowed During the Past 12 Months

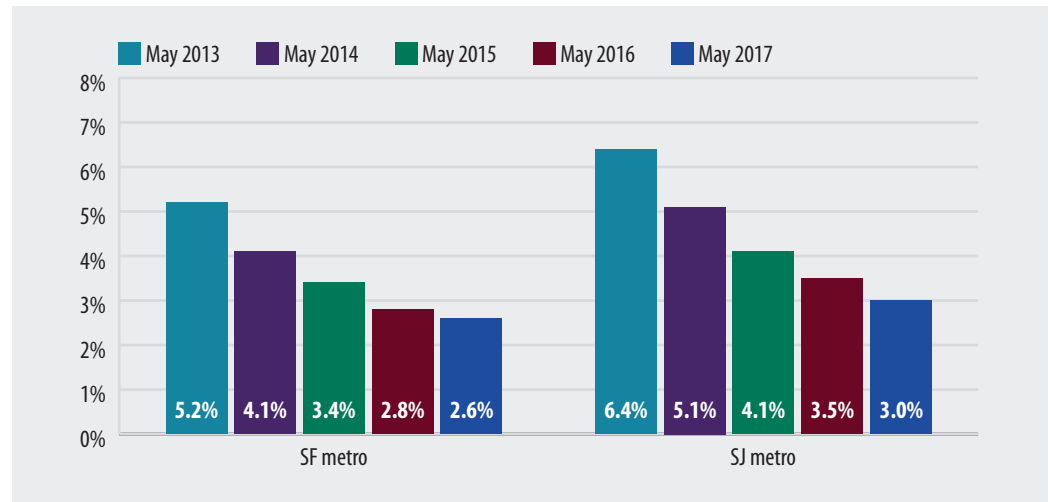
The Peninsula economy was adding nearly 100,000 jobs year over year in through midyear 2015. By May 2017 the year over year gains had declined to 40,000 jobs.

Figure 1: Silicon Valley Job Growth by Month



At the same time, unemployment rates declined sharply, to levels not seen since the peak of the dot-com boom.

Figure 2: Unemployment Rates



Labor force growth in Silicon Valley came to a halt, adding fewer than 1,000 workers over the past 12 months.

During this period most lower-wage occupations had even smaller gains than the overall gain of 14.0 percent.

Median Wage Gains in Low and Middle Wage Occupation Groups 2012-2016 in Silicon Valley	
Transportation & Material Handling	2.2%
Production	10.5%
Installation, Maintenance & Repair	7.1%
Office & Support	10.5%
Personal Care	5.3%
Food Prep	16.7%
Education, Training and Library	8.0%

Source: California Employment Development Department

There are likely multiple reasons why job growth has slowed. Nationally, we know that employers have record-high level of job openings and that unemployment is low. This suggests job growth is slowing from a shortage of workers with appropriate skills. On the Peninsula this becomes more acute given the very high cost of new housing.

The Housing Crisis Continues

Though job growth slowed, the Peninsula’s housing shortage became still more pronounced. Housing prices and rents grew much faster than wages here and throughout the state.

Figure 3: Comparison of Rent and Median Wage Gains Silicon Valley 2011-16

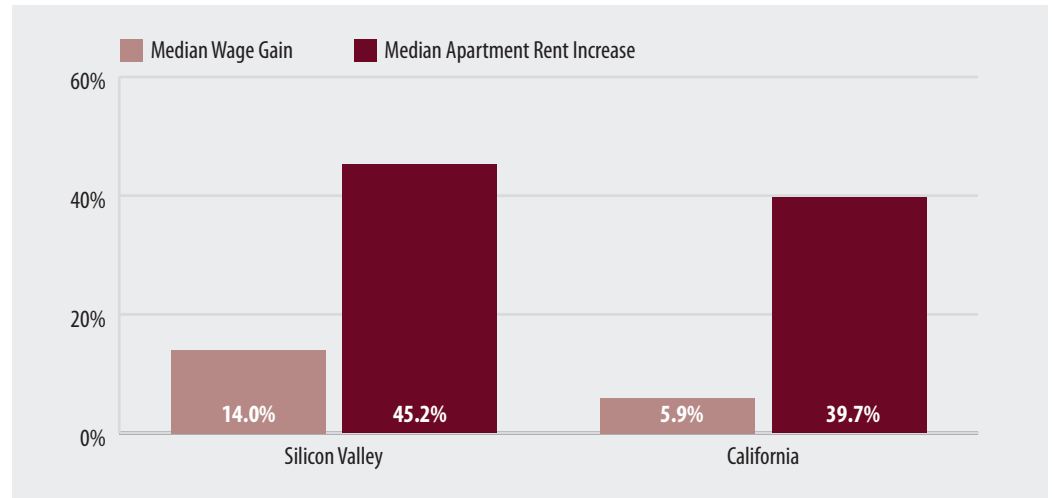
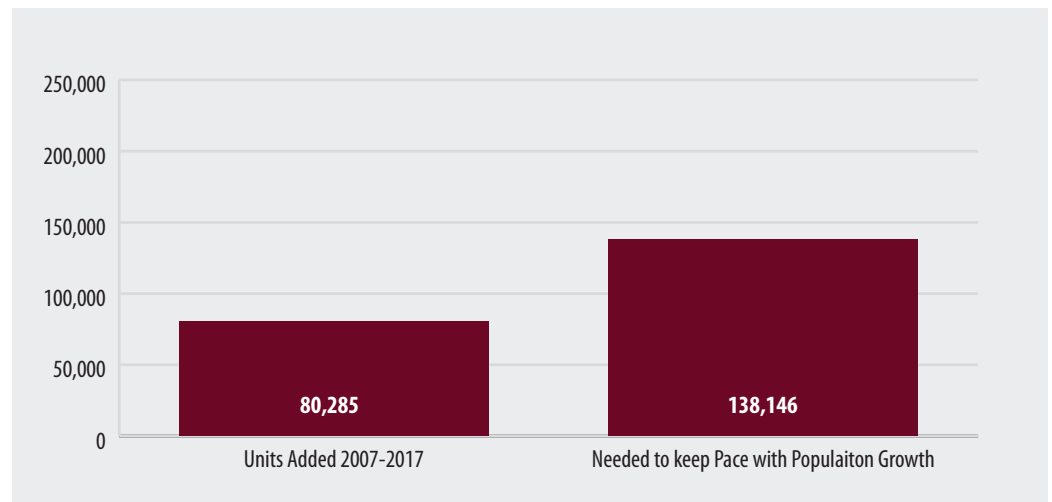


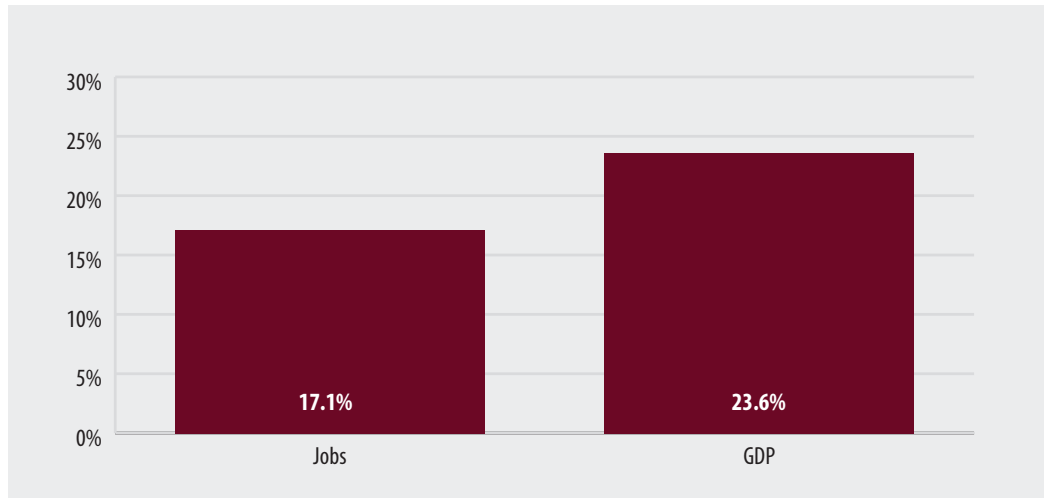
Figure 4: Silicon Valley Housing Units



The Slowdown Comes After a Huge Surge

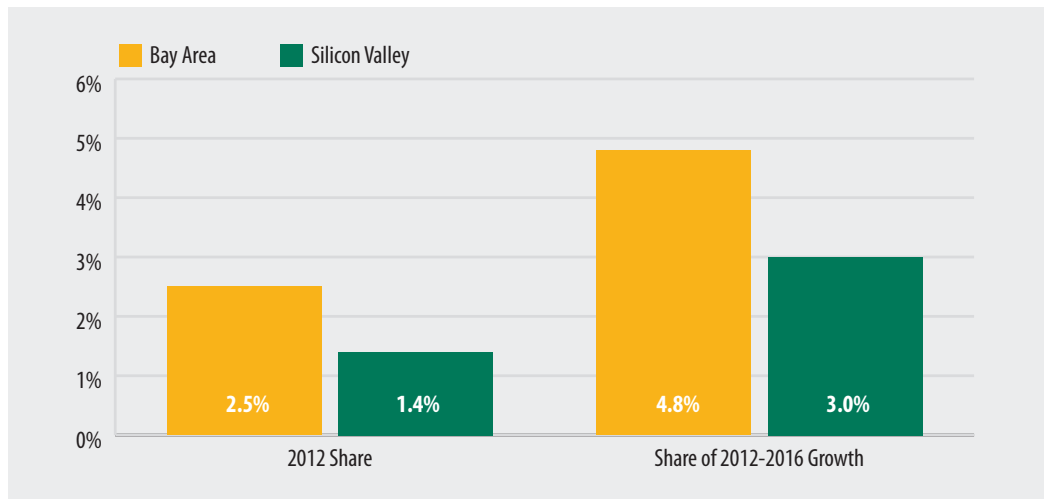
California accounted for an outsized share of U.S. job and GDP growth between 2012 and 2016 given that we represent about 12% of the national population.

Figure 5: California Share of U.S. Growth 2012-16



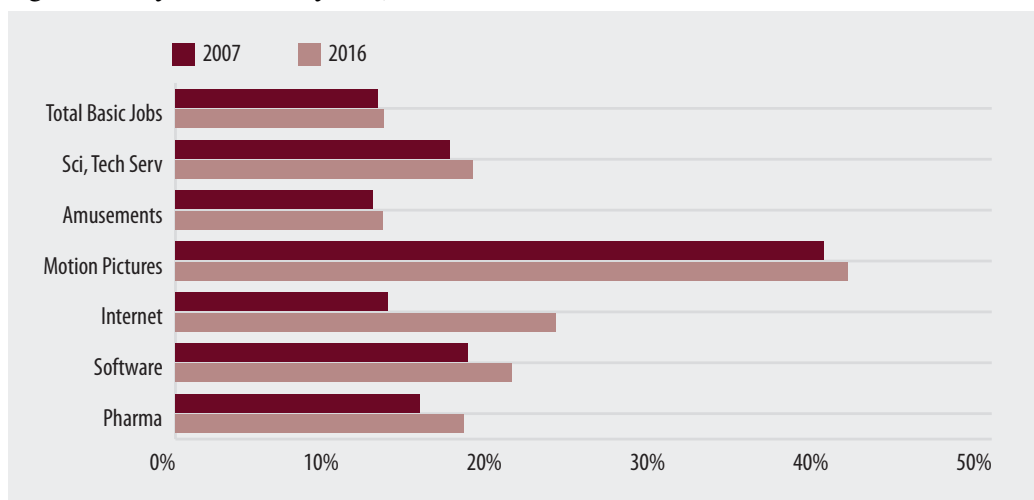
The Peninsula contributed to the state job surge. Though we accounted for 2.5 percent of U.S. jobs in 2012, we captured 4.8 percent of the national 2012-2016 national job growth. The Peninsula had 1.4 percent of U.S jobs in 2012 and 3.0 percent of the 2012-2016 growth.

Figure 6: Share of U.S. Jobs and Job Growth



State and regional job growth was led by high and rising shares of key export-oriented industries. These sectors are among those expected to grow the fastest in the nation over the next ten years.

Figure 7: California Share of U.S. Jobs



Even with all the challenges facing Silicon Valley and the Peninsula, there are continuing signs of forward movement for jobs and housing:

- Google and the City of San Jose are working on plans to bring thousands of jobs, housing and retail to the area between downtown and Diridon station
- The City of Mountain View is planning to add nearly 10,000 housing units in the North Bayshore area
- Santa Clara County passed Measures A and B for housing assistance and transportation improvements
- The Caltrain electrification is moving ahead and this week lawmakers are introducing a bill to raise a permanent source of sales tax funding for the railroad.

This update was prepared by Stephen Levy, Senior Economist for the Silicon Valley Institute for Regional Studies and Director, Center for Continuing Study of the California Economy.

INSTITUTE FOR REGIONAL STUDIES

The Silicon Valley Institute for Regional Studies provides research and analysis on a host of issues facing Silicon Valley's economy and society. The Institute is housed within Joint Venture Silicon Valley.

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