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Sacramento region unemployment rises for second straight month

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Dennis McCoy | Sacramento Business Journal

The Bureau of Labor Statistics released its April employment figures for metropolitan areas on Wednesday. They put the Sacramento metro area's unemployment rate at 3.8% in April, up from the 3.4% rate reported a year earlier.

The portion of the workforce that is unemployed in the Sacramento region went up in April from the year prior, marking the second month in a row the region has seen a year-over-year increase in unemployment since the recovery from the pandemic began.

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This could be a sign of the end of the region's recovery from the Covid-19 pandemic — the unemployment rate hit a high of 14.6% in April of 2020, and had generally been decreasing ever since. Pre-pandemic, the April 2019 unemployment rate was 3.4%.

"We have peaked," said local economist Sanjay Varshney, principal of Goldenstone Wealth Management in El Dorado Hills.

Nationwide, leisure and hospitality jobs made up some of the biggest losses during the height of the pandemic, and were some of the last to fully come back, Varshney said. But they have now fully recovered, which is why Sacramento, which has a large number of service sector jobs, is now seeing its unemployment rate level out.

"I'm not surprised that whoever was trying to come back to work, has come back to work," he said.

Varshney said that isn't cause for alarm, at least not yet.

"Even though the unemployment rate has ticked up here, which is natural, because the economy is weakening behind the scenes, we haven't seen a huge spike," Varshney said.

At the same time that unemployment has gone up, the region has also added 27,900 jobs since April 2022, and a total of 73,700 since April 2019.

Nationally, the number of job openings increased to 10.1 million in April, according to another BLS survey, and the number of layoffs went down from March.

Moving ahead, Varshney thinks that job growth could slow.

"The balance of the year is going to be a lot softer going forward than what we've seen the last few months," he said.

Other economic factors, like inflation, interest rates and the state budget deficit threaten to slow the economy more this summer.

"As long as the consumer is able to spend, we're OK," Varshney said. "As soon as the consumer stops spending, we're in trouble."

With that, the unemployment rate is something to keep an eye on.

"If people lose their paychecks, they can't spend money," he said.

Interest rates are another factor that might freeze consumer spending. The Federal Reserve has signaled that it won't raise interest rates in June, but July and later in the year are still an open question.

“That's where my concern is. If the Fed goes forward and does a rate hike another one or two times, that's going to kill us,” Varshney said. “That's going to push us into a recession for sure.”

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