



The Regional Outlook East Bay

Spring 2021

When new coronavirus cases began to rise at the end of last year, businesses in the Bay Area suffered a fresh wave of economic pain. Even so, the East Bay fared slightly better than its neighbors. While other Bay Area regions recorded month-to-month job losses at the end of 2020, the East Bay held steady. As a new year begins, COVID-19 cases continue to fall and vaccinations continue to increase, solidifying a positive economic outlook for the rest of the year. Nonetheless, there is still much to be made up in terms of economic activity, especially for the region's small businesses.

East Bay Adds Jobs Despite New Restrictions

Like most other metro areas across the United States, the East Bay labor market was hit hard by the coronavirus outbreak. In March and April of 2020, 184,000 jobs were lost – 15.5% of all jobs in the East Bay. It was expected that these jobs would make a quick comeback, but as of December 2020, only 38% have returned, a shortfall of 114,000 jobs compared to pre-pandemic levels. This means, relative to February of last year, there are almost 10% fewer jobs in the East Bay. This is only slightly worse than the state overall, where employment is 8% lower than before the pandemic. Nonetheless, in terms of the East Bay's unemployment figures, the rate has fallen to 9.3% from an April 2020 peak of 14%. Unemployment in the East Bay is higher than in San Francisco (8.5%), the South Bay (7.0%), and the state (9.0%), suggesting an uphill struggle even with jobs added to the region. November and December were the first months since April where the East Bay reported month-to-month increases in the unemployment rate.

At the industry level, the largest gains in December were in Construction, which added about 1,380 jobs. This was followed by Transport, Warehousing, and Utilities, which added 1,210 jobs. In terms of employment figures relative to February 2020, the best-recovered industry in the East Bay was Transport, Warehousing, and Utilities, which reported jobs at 103% of February levels. Meanwhile, the Arts and Entertainment sector remains the least-recovered industry, with jobs standing at 40% below February levels. Accommodation and Food is the East Bay's second worst-faring sector, with payroll employment figures 30% below February levels. The losses in Accommodation and Food account for fully 25.8% of all jobs lost in the East Bay since the onset of the pandemic, indicating how essential the recovery of this industry is to the recovery of the region as a whole.

Employment by Industry, East Bay

Industry	Dec-2020 (000s)	Feb-20 to Dec-20		Dec-19 to Dec-20	
		Growth (%)	Change (000s)	Growth (%)	Change (000s)
Total Nonfarm	1,071	-9.7%	-114.7	-9.6%	-113.9
Transport, Warehouse, Util.	44	3.4%	1.5	3.1%	1.3
Real Estate	18	0.9%	0.2	1.2%	0.2
Finance and Insurance	37	-0.4%	-0.1	-1.0%	-0.4
Professional/Business	185	-4.0%	-7.7	-4.0%	-7.8
Information	27	-4.4%	-1.2	-5.0%	-1.4
Wholesale Trade	42	-6.5%	-3.0	-6.8%	-3.1
Education/Health	185	-6.8%	-13.5	-6.5%	-12.9
Retail Trade	104	-7.2%	-8.0	-6.9%	-7.8
Construction	69	-9.4%	-7.2	-8.1%	-6.1
Government	158	-10.0%	-17.5	-10.5%	-18.4
Manufacturing	87	-12.3%	-12.2	-12.7%	-12.5
Other Services	33	-20.5%	-8.5	-19.3%	-7.9
Accommodation and Food	70	-29.8%	-29.6	-29.9%	-29.6
Arts and Entertainment	12	-39.9%	-7.9	-38.9%	-7.6

Source: California Employment Development Department (EDD). Analysis by Beacon Economics.

Small Businesses Continue To Struggle In The East Bay

Midway through the first quarter of 2021, the Bay Area remains one of the least-recovered metro areas in California in terms of small business openings. However, relative to neighboring South Bay and San Francisco, the East Bay has seen slightly better signs. As of February 2021, real-time data from Opportunity Insights suggests that there is a 37.2% drop in the level of open small businesses in the East Bay. San Francisco and the South Bay have reported much steeper drops of 50.5% and 40.3%, respectively. (Note: 'small business' is defined as those with annual revenues and/or employees below thresholds set by the Small Business Administration. These vary across industries.) In this sense, the East Bay region is much more representative of the state overall, as California reported a 35.4% drop in open small businesses. Notably, the East Bay's 37.2% drop is a slight improvement over the steeper drop of 43.6% reported in early January 2021 as businesses remained closed in response to the surge in COVID-19 cases.



The new wave of shutdowns has impacted different industries at different rates. In the East Bay, the industry that continues to struggle the most is Leisure and Hospitality, which reports a 59.4% drop in open businesses relative to a year ago. This is much steeper than either California (-50%) or the United States (-52.3%), suggesting COVID-19 had a particularly brutal impact on

the industry across the region. Additionally, while the best-recovered sector in the East Bay is Professional and Business Services, which reports a 28.3% drop in open small businesses relative to pre-pandemic levels, it also fares worse compared to the state (-23%) and the nation (-24.3%). How these impacts will ultimately play out may well depend on how many businesses make work-from-home a permanent fixture of their operations.

In terms of revenue, the Leisure and Hospitality industry has seen by far the most substantial drop. At its best, revenues for Leisure and Hospitality hovered around 63% less than pre-pandemic levels, a figure reported at the end of July. As the city returned to lockdown, however, there was another substantial drop, with revenues plummeting in late January 2021 to 82.1% less than pre-pandemic levels. Since then, there has been a slight recovery, with the latest data indicating a 72% drop in revenues relative to pre-pandemic levels. As of February 2021, no other industry comes close to this level of decline. Revenues in Transportation have fallen 16.6% relative to pre-pandemic levels, while those in Professional Services, and Education and Health Services have fallen 27.4% and 38.5% respectively.