



2025 Southern California Economic Update

Riverside and San Bernardino Counties Report



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Riverside and San Bernardino Counties

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INTRODUCTION AND OVERVIEW

The economy of the Inland Empire (IE), comprising Riverside and San Bernardino counties, has advanced at a sluggish pace over the past year. The unemployment rate edged up slightly compared to 2024, and nonfarm job growth has slowed compared to the last two years. Job creation has mainly been limited to three industries, while the others were flat or down. Inflation in the region has generally fallen over the past year, although a recent uptick might be a sign of future trends. The housing market improved over the year, with prices edging up, sales responding somewhat to lower mortgage rates, and construction ticking up. Still, the rental market is tight with low vacancies and rising rents. Vacancy rates in commercial markets are stable.

The Inland Empire's outlook over the next 12 to 18 months is bleak. Nearly all of the IE's job gains this year occurred in health care, logistics, and government. Each of these sectors faces significant challenges in the year ahead. Housing could see some improvement from lower interest rates, but rate cuts will be modest as the Federal Reserve Bank balances its goals of price stability and low unemployment. Finally, a significant share of the IE's resident workforce will continue to commute to jobs in adjacent coastal counties.

LABOR MARKET AND INDUSTRIES

The unemployment rate in the Inland Empire has changed little over the past year, although it experienced the usual seasonal variation within the year. The unemployment rate for the IE was 6.1 percent in August compared to 6.0 percent a year earlier. The rate in Riverside County increased slightly from 6.2 percent in August 2024 to 6.3 percent in August 2025, while San Bernardino County's rate went up marginally from 5.8 percent in August 2024 to 5.9 percent in August 2025. The labor force in the Inland Empire is now 8 percent above pre-pandemic levels, a significantly higher growth rate than California (1.1 percent above) and the United States (3.3 percent above).

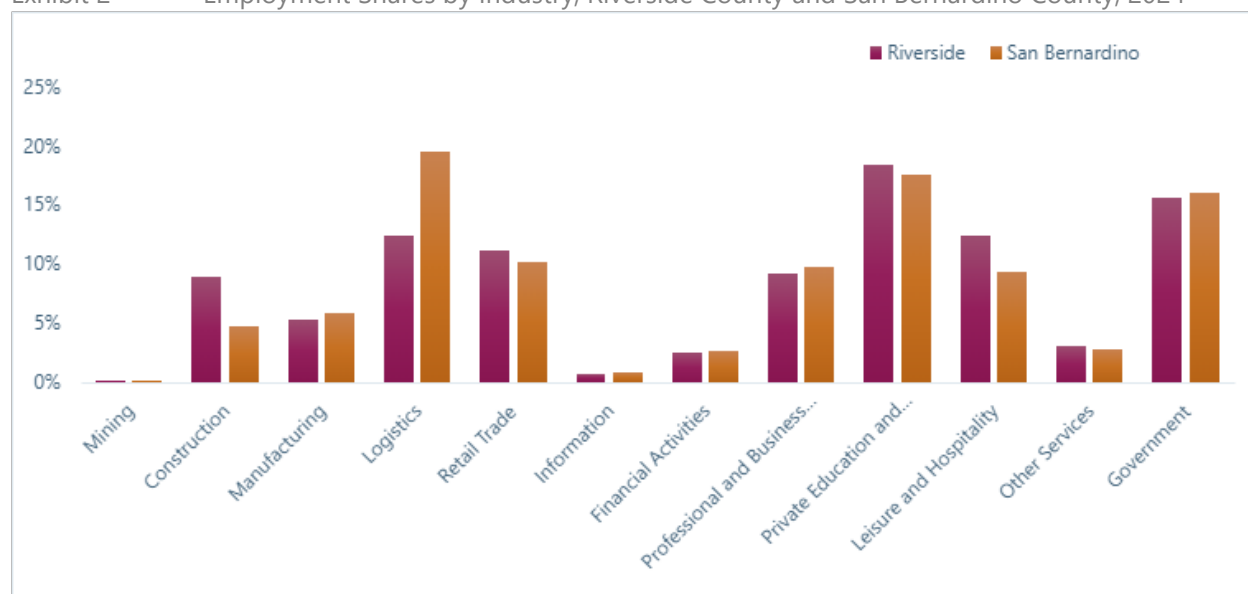
Exhibit 1 Monthly Employment by Industry, August 2025

Industry	Aug-24	Jul-25	Aug-25	MTM	YTY	MTM %	YTY %
Total, All Industries	1,697,600	1,706,800	1,711,200	4,400	13,600	0.3%	0.8%
Total Farm	12,100	13,100	11,100	-2,000	-1,000	-15.3%	-8.3%
Nonfarm	1,685,500	1,693,700	1,700,100	6,400	14,600	0.4%	0.9%
Natural Resources and Mining	1,600	1,500	1,500	0	-100	0.0%	-6.3%
Utilities	5,600	5,500	5,500	0	-100	0.0%	-1.8%
Construction	117,300	112,000	110,800	-1,200	-6,500	-1.1%	-5.5%
Manufacturing	95,200	92,200	92,400	200	-2,800	0.2%	-2.9%
Wholesale Trade	68,600	68,700	68,300	-400	-300	-0.6%	-0.4%
Retail Trade	181,700	180,500	180,200	-300	-1,500	-0.2%	-0.8%
Transportation and Warehousing	195,700	196,000	196,400	400	700	0.2%	0.4%
Information	13,000	12,800	12,700	-100	-300	-0.8%	-2.3%
Finance and Insurance	21,700	21,100	21,100	0	-600	0.0%	-2.8%
Real Estate and Rental and Leasing	22,200	21,500	21,500	0	-700	0.0%	-3.2%
Professional, Scientific and Technical Services	46,900	47,500	47,700	200	800	0.4%	1.7%
Management of Companies and Enterprises	8,800	8,800	8,800	0	0	0.0%	0.0%
Administrative and Support and Waste Services	105,600	103,600	104,500	900	-1,100	0.9%	-1.0%
Educational Services	24,800	24,500	24,700	200	-100	0.8%	-0.4%
Health Care and Social Assistance	283,000	295,600	297,400	1,800	14,400	0.6%	5.1%
Arts, Entertainment, and Recreation	21,300	21,000	21,100	100	-200	0.5%	-0.9%
Accommodation and Food Service	159,900	161,400	162,000	600	2,100	0.4%	1.3%
Other Services	50,800	51,500	51,300	-200	500	-0.4%	1.0%
Public Administration	261,800	268,000	272,200	4,200	10,400	1.6%	4.0%

Source: EDD, SCAG

In the same vein, nonfarm jobs are seven percent above their pre-pandemic level. The IE added 6,400 nonfarm jobs month to month in August and 14,600 jobs year to year, the latest month for which data is available (Exhibit 1). The largest yearly gains occurred in health care, government, accommodation and food services, and professional scientific and technical services. However, as of August, employment was flat or down in nine of 17 industries, with large job yearly losses occurring in construction (-6,500 positions), and retail trade (-1,500). Jobs in agriculture fell by 1,000 or 8.3 percent compared to a year ago.

Exhibit 2 Employment Shares by Industry, Riverside County and San Bernardino County, 2024

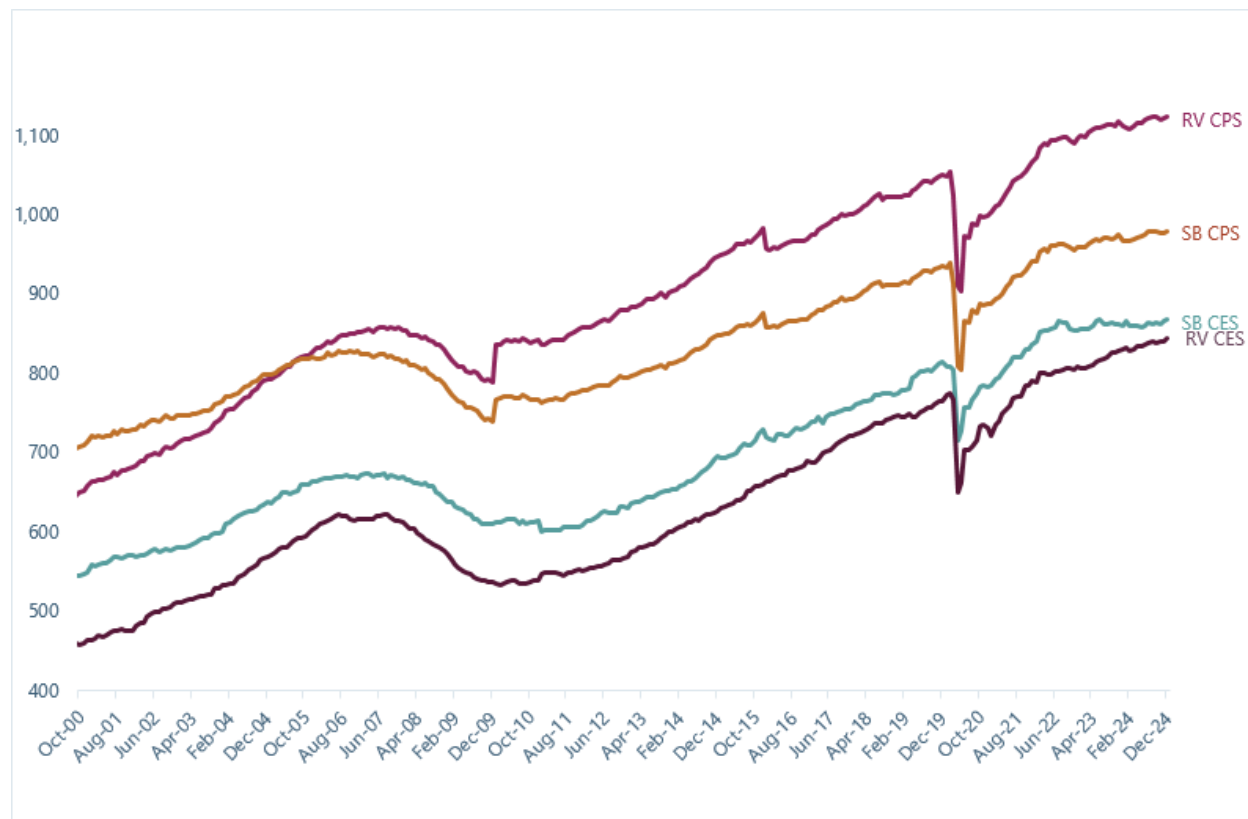


Source: BLS

In comparing the mix of industries between the counties that make up the Inland Empire, Riverside and San Bernardino are very similar but not identical. Logistics has become the most important employer in San Bernardino County, while it is only the third largest employer in Riverside County; it is only marginally ahead of leisure and hospitality in Riverside County. The health industry and local government have very similar shares between the two counties. However, the construction sector plays a more important role in Riverside County than in San Bernardino County, perhaps not surprisingly given that housing prices are significantly higher there. Significantly, the three sectors that could potentially generate more better-paying jobs—Professional and Business Services, Financial Activities, and Information—have low employment shares in both counties and have not improved over time.

The region is home to more workers than jobs. This can be seen when comparing employment data from the Current Population Survey (CPS), which measures employment by place of residence, and Current Employment Statistics (CES), which measures employment by place of work. The number of resident workers based on the CPS is larger in Riverside County than in San Bernardino County. For both counties, the number of resident workers is larger than the number of nonfarm jobs. The gap between the two includes the residents who work outside their home county along with self-employed workers. This gap is larger in Riverside County compared to San Bernardino County.

Exhibit 3 Thousands of People Employed, Riverside County and San Bernardino County, Jan 2000 to December 2024, CPS and CES



This gap is also indicative of the type of commuting that takes place. Based on Census commuting data, 53 percent of workers who reside in Riverside County are employed outside the county, while 56 percent of San Bernardino County's resident workers are employed outside of their home county (Census Bureau On-the-Map 2022). Exhibit 4 shows that much of this commuting occurs between the two counties, but significant numbers of workers commute throughout the broad multi-county region. While there are more commuters from Riverside County into San Bernardino County from within the Riverside-San Bernardino-Ontario metropolitan statistical area (MSA), there are slightly more workers traveling from Riverside County into the Greater Los Angeles MSA and the San Diego MSA. This explains, in part, the significant volumes and congestion found on key routes such as the San Bernardino Freeway, the Pomona Freeway, the 91 Freeway, and Interstate 15.

Exhibit 4 Commuting Patterns by County Within the Inland Empire

	INTO San Bernardino	FROM San Bernardino	INTO Riverside	FROM Riverside
San Bernardino	--	--	78,500	114,000
Riverside	114,000	78,500	--	--
Los Angeles	61,000	133,000	17,000	53,000
Orange	13,000	37,000	16,000	76,000
San Diego	1,000	3,000	7,000	47,000
Total	189,000	251,500	118,500	290,000
Share of Total Employment	23%	30%	14%	34%

Source: 2016-2020 Census Journey-to-Work Files

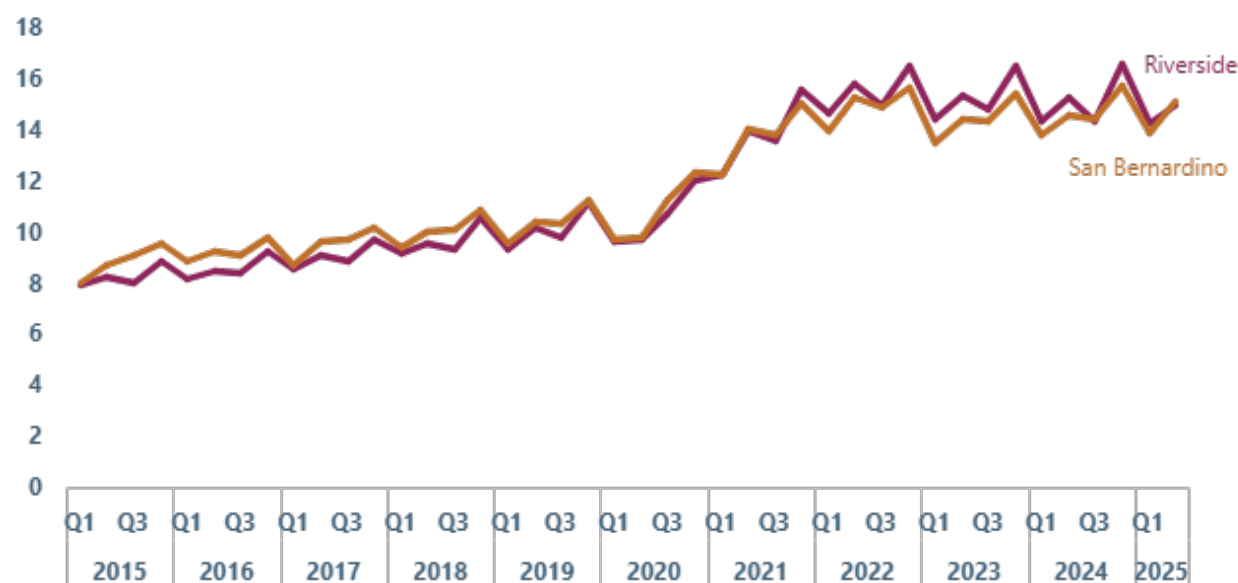
WAGES AND SPENDING

Weekly wages in Riverside County's private sector rose 3.3 percent in the first quarter of 2025 from a year earlier, based on the Quarterly Census of Employment and Wages. By comparison, weekly wages in the San Bernardino County private sector rose 2.9 percent. Both were slightly ahead of inflation during that period, which rose by 2.7 percent (Bureau of Labor Statistics Inflation for Riverside-San Bernardino), hence real wages (command over goods) increased. More recent data is available for the Inland Empire as a whole. The average weekly wage in the Inland Empire was \$1,164 during the month of August, up 8.1 percent from a year earlier.

Through the first half of the year, taxable sales fell by 3.6 percent in Riverside County, while San Bernardino County saw a 2.2 percent gain. Motor vehicle and parts dealers accounted for the largest share of total transactions in the second quarter of this year (12 percent in Riverside County and 11 percent in

San Bernardino County), followed by food and beverage establishments (11 percent and 9 percent, respectively), with smaller shares distributed across the remaining categories.

Exhibit 5 Taxable Sales by County, \$ in Billions



Source: California Department of Tax and Fee Administration

INCOME

The median household income in Riverside County slipped in inflation adjusted terms from \$96,100 in 2023 to \$95,700 in 2024. By contrast, that of San Bernardino County increased slightly in inflation adjusted terms from \$90,300 in 2023 to \$90,700 in 2024. Median household income in the region more closely matches that of Los Angeles County, but lags Orange County by more than \$20,000.

A partial explanation for lower household income in the region is its lower levels of educational attainment. The share of individuals over the age of 25 with at least a bachelor's degree was 45 percent in Orange County and 37 percent in Los Angeles County, both considerably higher than in Riverside County (26 percent) and San Bernardino County (24 percent). Note also that the slightly more populous MSA of Phoenix also has a significantly higher share of individuals over the age of 25 with at least a bachelor's degree (37 percent).

HOUSING AND DEVELOPMENT

The Inland Empire housing market tends to be more affordable than the coastal counties of the SCAG region. In September, the Riverside County median home price improved 3.1 percent over a year ago in terms of current dollars but was flat after adjusting for inflation. Existing home sales rose 11.2 percent over the same period. In San Bernardino County, the median home price improved 3.1 percent over a year

ago in September but was flat after accounting for inflation. Existing home sales rose 4.5 percent over the same period.

The increase in home sales was caused in part by the recent decline in mortgage rates over the past year, but the supply of homes has also increased compared to 2024. Moreover, new home permits in the Inland Empire have gone up over the last two years. Permits in Riverside County were 13.2 percent lower through the first eight months of the year compared to a year earlier, but permit activity was quite strong in 2023. Most of the region's increase in permits occurred in San Bernardino County, where permits were 14.4 percent higher in year-to-date terms through the first eight months of the year compared to a year earlier.

While Riverside and San Bernardino counties are more affordable than nearby coastal regions, they are still expensive in a national context. The median price of a home in the second quarter of 2025 was \$640,000 in Riverside County and \$491,000 in San Bernardino County. Both are low compared to Orange County (\$1.4 million) and Los Angeles County (\$880,000) but are considerably more expensive than the U.S. median price of \$429,000.

Rents in Riverside County rose 2.0 percent year-to-year after inflation and remain high, and vacancy rates are low across the region. The average rent in San Bernardino County increased by a slightly larger rate (2.7 percent).

Rent burden refers to the share of income households must devote to housing costs. Households are rent burdened when they must spend more than 30 percent of income on housing costs. Estimated rent burden is high across the SCAG region when compared to the national rate (32 percent), but with a rent burden of 41 percent in both Riverside and San Bernardino counties, the rent burden in the region is somewhat lower than Orange County (42 percent), and five percentage points lower than Los Angeles County (46 percent).

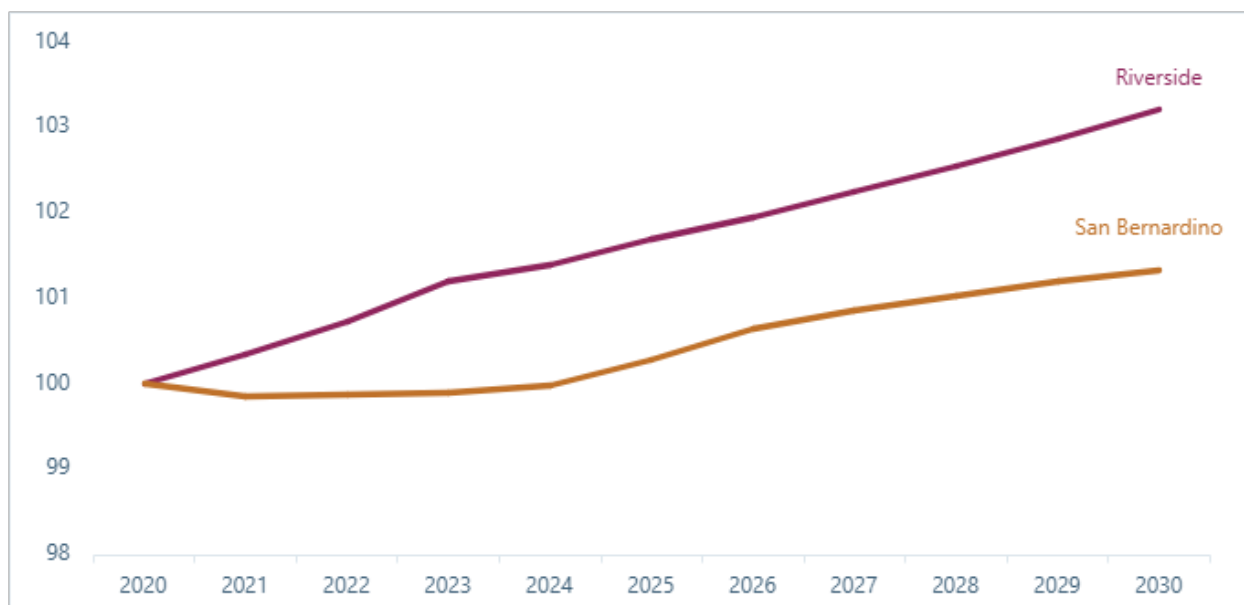
Commercial real estate markets in the Inland Empire have remained stable over the past year. The vacancy rate in the office segment was 7.5 percent, down from 8.5 percent a year ago, while lease rates remained steady. The industrial segment saw a vacancy rate of 2.7 percent in the second quarter, up from recent lows, while lease rates were flat. Finally, the vacancy rate in the retail market was 6.4 percent, with both the vacancy rate and lease rate falling.

DEMOGRAPHICS

With 4.7 million residents, the Inland Empire region is the 12th largest metropolitan statistical area (MSA) in the United States. At 2.5 million residents and 2.1 million residents, respectively, Riverside County and San Bernardino County are populous by any standard but happen to be adjacent to the Greater Los Angeles MSA (Los Angeles County, Orange County), which is the second largest MSA and the largest county (Los Angeles County) population in the nation. Riverside County was not always the more populous of the two counties: prior to 2006, San Bernardino County had more residents.

More than half of the region's population is predominantly of Latino origin, with Whites comprising 30 percent of the population in Riverside County and 24 percent in San Bernardino County. Blacks, Asian, and Pacific Islanders, and others make up smaller shares of the total.

The residents of the region are somewhat younger when compared to residents statewide. Whereas the mean age statewide was 38 years in 2023, that of Riverside County was 37 years and San Bernardino County was 34 years.

Exhibit 6 Population by County (Index 2020 = 100)

Source: DOF projections, Sept 2025 release

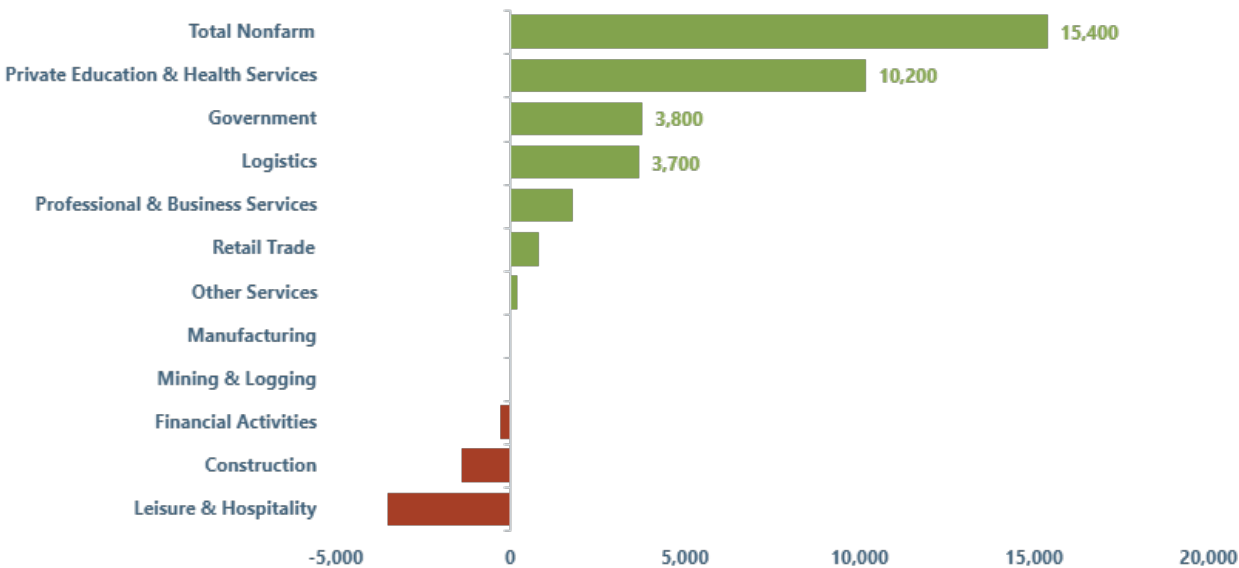
Nearly all regions in California lost population during the pandemic, but the Inland Empire resumed growth ahead of the state and most regions since then. Population growth in the Inland Empire is expected to outpace other counties in the SCAG region over the next five years, based on the latest California Department of Finance projections.

With an estimated population of 2.5 million in 2025, Riverside County is projected to add 37,000 residents between 2025 and 2030, an increase of 0.3 percent. Similarly, San Bernardino County is projected to add 23,000 residents to its 2025 population of 2.2 million for a 0.2 percent increase over the same period. This stands in contrast to other parts of the SCAG region, where population changes are expected to be flat or slightly negative; the exception being Imperial County, which will add 9,000 residents to its population of 187,000.

ECONOMIC OUTLOOK

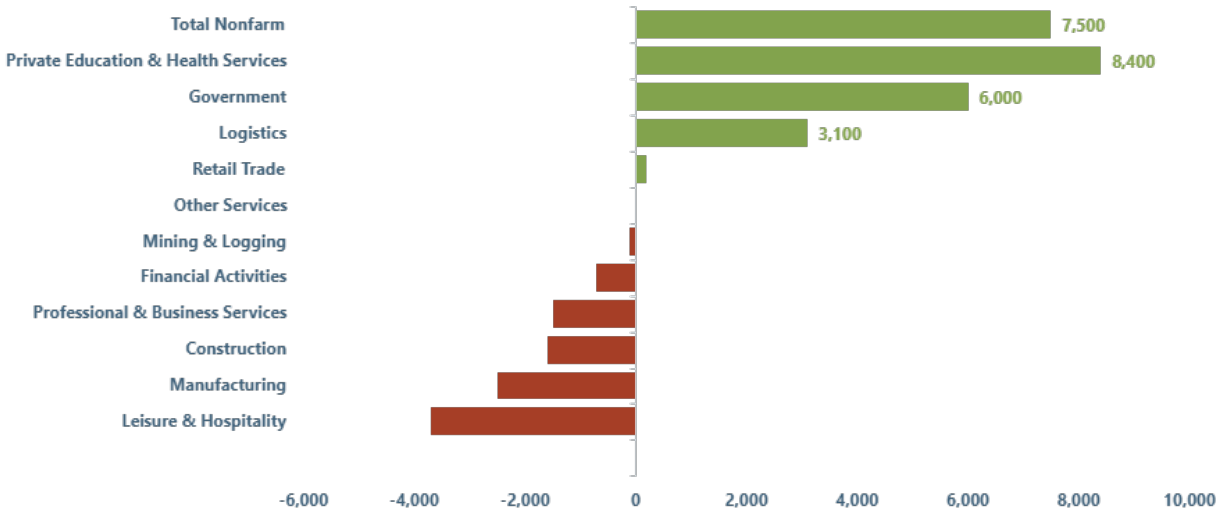
The Economic Outlook for the Inland Empire over the next 12 to 18 months is bleak. The unemployment rate is expected to increase significantly, and by more than the state and national unemployment rate. The growth in unemployment is expected due to limited growth in logistics, health care, and government, all of which are at risk given the current direction of the U.S. economy and policies. Moreover, the near-term outlook for key sectors, such as leisure and hospitality/tourism, manufacturing, and construction, is one of continued job losses.

Exhibit 7 Job Growth by Sector (2023 Q4 – 2024 Q4), Riverside County, 2024



Source: EDD

Exhibit 8 Job Growth by Sector (2023 Q4 – 2024 Q4), San Bernardino County, 2024



Source: EDD

The latest industry employment data available for the two counties is from 2024 (Exhibit 7 and 8). For San Bernardino County, 17,500 out of the 7,500 jobs created during the year were in just three sectors (health, local government, and logistics). Had it not been for the 8,400 new positions in the health sector, employment in San Bernardino County would already have fallen. No other sectors experienced employment gains in 2024. Manufacturing and construction have shown declines that are particularly painful. Leisure and hospitality is yet another sector that has experienced noteworthy losses.

For Riverside County, there were more than twice as many jobs created compared to San Bernardino County. Unfortunately, out of the 15,400 new positions, 17,700 came from the same three sectors (i.e., health, local government, and logistics). Hence the situation is not as extreme as it is for San Bernardino County, but worrisome, nevertheless. Other sectors showed employment gains but could not make up for the net losses. The losses in leisure and hospitality were on the same scale as those for San Bernardino County.

In short, the region has found itself putting all its eggs in one basket, relying heavily on logistics, health care, and government services. The situation is compounded by the fact that many important industries in the region—agriculture, manufacturing, logistics, and construction—rely heavily on a migrant workforce. When national policies go against these sectors (e.g., with tariffs, cutbacks in medical expenditures, and demographic trends in education), other sectors can find it difficult to pick up the slack. Both Inland Empire counties lack that option, as all other sectors are losing jobs.

While past growth in employment can be explained by the success of these three sectors, there is a need for diversification as the Inland Empire looks to the future. If the region wishes to grow and increase its economic vitality, it must diversify its economic base and attract more firms in growth-generating industries beyond the current industries that dominate the employment picture. Those firms will come if they know that there is a sufficient number of qualified workers (workers with higher human capital) in the area. Unfortunately, that picture looks bleak, as both Riverside County and San Bernardino County have a relatively low share of residents with a bachelor's degree or higher. Two recent reports describe the inability of the two counties to attract and retain younger well educated workers.^{1, 2} Both reports cast serious doubt about the two counties being able to diversify in the near future without significant policy changes. The region must address this issue if it wishes to improve the economic opportunity and well-being of its residents and communities.

¹ <https://www.adpresearch.com/youve-graduated-now-what/>

² <https://wallethub.com/edu/e/most-and-least-educated-cities/6656>



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