California Payroll Data for December 2015

The Golden State has added 60,400 new jobs in December on the heels of a small increase in November staying on a moderate growth trajectory. Over the past twelve months, California has added 459,400 jobs outpacing the nation. The unemployment rate edged up to 5.8 percent from 5.7 percent in November. **Both income growth and tax receipts are ahead of expectations allowing government employment to rise by 2,464.**

The job increases were broadly based across industries. Even **though overall job gains have been healthy over the past year creating both high paying and low paying jobs, there have been winners and losers. The winning industries include leisure and hospitality, professional services, motion pictures, transportation and warehousing, tourism and retailing.**

On the losing side, mining, has been the primary loser reflecting the plunge in energy prices and its repercussions in the related industries.

The unemployment rate would have risen higher if weren't for the fall in the labor force. **For December, people dropped out of the market decreasing the labor force. The retirement of baby boomers, disability benefits and education are the major reasons for the decline in the labor force.**

Also, there are other challenges facing the state's economy.

While the increase in government employment is understandable after an extended period of austerity, the pace of gain, if continued, could present problems when the economy and the revenue turn down again sometime in the future.

Economic slowdown in Emerging Markets, especially in China, has begun to slow trade activities. For example, the traffic through the ports of LA and long beach has begun to soften**. Economic growth in Asia including China has softened significantly. With the strengthening value of the dollar, exports will lose some steam.**

Computers and electronic components account for about a quarter of total exports from the state followed by transportation equipment, machineries, chemicals, etc. Geographically, Mexico is the largest buyer of California's exports followed by Canada, China and Japan. All of these countries whose currencies have depreciated significantly against the dollar will buy less of California's products and services.

Tourists from China have already fallen and additional decreases are expected. In addition, visitors from other Asian countries, Europe and Latin America have slackened.

Investors from Asia and Latin America have stepped back from investing in California. Real estate, both residential and commercial, has begun to feel the effect of the strong dollar and the weak economy among our trading partners especially from Asia including China.

The ongoing drought is a major concern even though El Nino may alleviate the dry situation**. Close to half a million acres of productive farm land have been taken out of production and more will be set aside as the drought continues. This will continue to reduce jobs in farm and supporting industries. The negative publicity associated with the water-shortage has heightened concerns from firms doing business here already: They could decide to expand elsewhere. Potential new entrants into the California market could be discouraged.**

Despite these concerns, California's diversified economy will continue to move ahead.