California Payroll Data for July 2016

Summary

California has added 36,400 new jobs in July creating 205,900 positions from a year ago. The CA unemployment rate edged up to 5.5 percent from 5.4 percent in June while the national rate remained at 4.9 percent. The CA unemployment rate a year ago was 6.1 percent. Educational services, arts-entertainment-recreation, professional-scientific-technical services led the job creation from June to July.

Analysis

Despite all the concerns about the business climate in California, the state's job machine continues to crank out new jobs at a faster rate than the national rate. In 2015, the Golden State was 13 percent of the GDP. This year, it could reach 14 percent. From a year ago, the largest gains have been in professional, scientific and technical services, leisure and hospitality, healthcare and social assistance, etc. These high paying jobs have been concentrated in metropolitan coastal regions of the Bay Area and Southern California.

Unfortunately, economic prosperity in the state has not been shared by some of the inland counties. Agricultural and rural areas of the state have disproportionate share of low paying jobs. In July, some of the state's 58 counties still recorded jobless rate exceeding 10 percent after many years of economic expansion.

The jobless rate increased for the right reason. California's labor force rose 60,100 as more people have returned to the job market. With continuing job and economic growth, discouraged workers are returning to the labor force believing that this is a good time to look for a job.

Both Northern and Southern California have contributed to the job growth. In the Bay area, professional and service jobs related to information technology has been the mainstay of job creation. Southern California is the job engine for the state. Southern California includes vibrant industries including motion pictures, tourism, real estate, construction etc. Southern California is also the home for people in arts, design, entertainment, sports and media; these area have fared relatively well.

The Bay Area, with its high concentration of high technology, have shown signs of slowdown. The developing slowdown has been evident in STEM, which includes science, technology, engineering and mathematics. After hitting the bottom in 2010, the sectors have accounted for about 15 percent of new job creation for the state, becoming a key driver for job growth. The Silicon Valley is hurting by the slowdown in STEM.

There have been headwinds against the sector. The U.S. economic growth has been lackluster. The strong dollar and the global economic slowdown have not helped the tech sector impacting Silicon Valley. The Chinese money into the Bay Area real estate and venture capital have slowed markedly. Increases in house prices in the area have slackened significantly. Economic slowdown in Emerging Markets, especially in China, has begun to slow trade activities.
Computers and electronic components account for about a quarter of total exports from the state followed by transportation equipment, machinery, chemicals, etc. Geographically, Mexico is the largest buyer of California's exports followed by Canada, China and Japan.

Housing-related activities including construction fueled by employment and population growth as well as very low interest rates, have been a major source of employment and economic growth for the state. Strong auto sales fueled by the aged fleet of cars on the road, new jobs, low interest rates and promotions have contributed a lot to job creation.