California Payroll Data for May 2016

Summary

California has added 15,200 new jobs in May on the heels of a revised 70,000 increase in April. California has created 2,220,600 jobs since the recovery began in February 2010 outpacing the national rate. Over the past 12 months, the state added 440,300 jobs up 2.8 percent from a year ago. The CA unemployment rate edged down to 5.2 percent from 5.3 percent in April while the national rate dipped to 4.7 percent. The CA unemployment rate a year ago was 6.4 percent. Professional and business services as well as educational and health services led the job creation in the state.

Analysis

After a huge gain in April, a slowdown in job creation was expected. Still 15,200 on top of 70,000 is a decent number indicating that California is on a moderate growth path. Following the national pattern, California's job growth has begun to decelerate. The jobless rate went down another notch to 5.2 percent from 5.3 percent primarily due to a shrinking labor force. The high cost of housing in California is a reason. Many young people are choosing to go out of state where housing availability is more plentiful and rents are affordable.

As the economy approaches full employment in the state and skilled workers are scarce, employment gains are harder to achieve. The winners and losers in May are evenly lined up. Information, financial services, professional and business services, education and health and government added jobs while mining, manufacturing, construction, trade, transportation, utilities, and leisure and hospitality lost jobs.

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, machineries, chemicals, etc. Geographically, Mexico is the largest buyer of California's exports followed by Canada, China and Japan.

Despite these concerns, California's diversified economy will continue to move ahead in the near future.