California Payroll Data for January 2016

Summary

California has shed 1,500 new jobs in January on the heels of a sizable increase in December. Over the past twelve months, California has added 449,900 jobs or 2.8 percent outpacing the nation. The unemployment rate edged down to 5.7 percent from 5.9 percent in December.

Analysis

The employment momentum in the Golden State has begun to slow buffeted by both internal and external forces.

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.**

The unemployment rate would have risen higher if weren't for the fall in the labor force. For January**, people dropped out of the market decreasing the labor force. The retirement of baby boomers, disability benefits and education are** some of **the major reasons fo**r the decline in the labor participation rate**.** In the labor market, some caution has begun to creep in.

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. With the strengthening value of the dollar, exports will lose more steam. China is the top export market for the Bay area and accounted for 8.7 percent of the Area's $26.9 billion in total merchandise exports. Recent data show that exports from the Bay Area are losing momentum. In addition, global economic uncertainties and the volatility in the financial markets has begun to hurt the economies in the region. Nevertheless, the Bay area will outperform the nation but some of the zip in the economy is gone.

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.

Despite these concerns, California's diversified economy will continue to move ahead but as a slower rate in the future**.**