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California Sees Solid Job Growth in March

California's economy continues to see solid gains, with nonfarm employment climbing 1.4% over the past year. Hiring has moderated recently in Southern California, however, and the state's jobless rate has edged higher.

Hiring Improves in March But Remains Modest

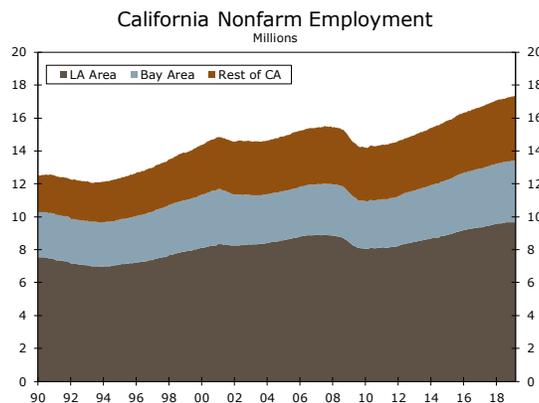
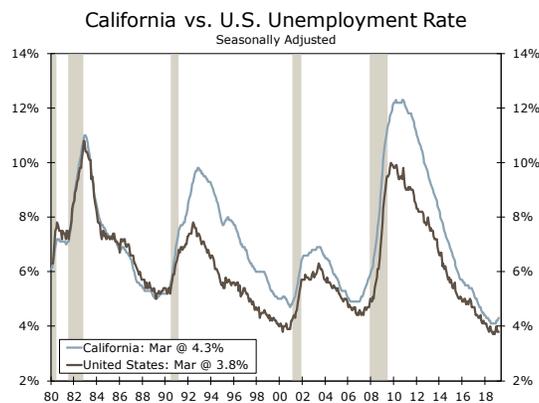
California's latest employment data show considerable improvement. Employers added 24,500 new jobs in March, following an increase of 20,900 jobs the prior month. February's gain was revised up from an initially reported gain of just 14,600 jobs. With the latest gain, payrolls have risen by an average of 17,100 jobs per month through the first three months of the year, or a 1.1% annual rate, which is well behind the 23,200 jobs per month or 1.6% pace in 2018. California's unemployment rate has also risen to 4.3%, after hitting a low of 4.1% in July and remaining there for six months.

The moderation in nonfarm payroll growth has mostly been confined to a handful of industries. Construction employment has declined slightly during the first three months of this year, although employment bounced back solidly in March. The wildfires that hit late last year may have led to a pause in building in parts of the state, and unusually wet weather earlier this year may have also restrained building activity. Wholesale trade and the trucking and warehousing industries are another weak spot. By contrast, employment remains strong in the tech sector, where hiring has actually gained momentum since the start of this year.

The split between the performance of California's tech sector and the trade sector is playing out in the geography of job gains. Areas most closely tied to the tech sector are accounting for a growing proportion of California's job gains, while those more closely tied to trade are languishing. The San Francisco Bay Area has accounted for 60.6% of the state's jobs so far this year, up from 26.9% in 2018. Hiring has also held up well in San Diego and Western Los Angeles, which are home to bustling tech sectors focusing on communications and digital entertainment.

The L.A. metro division lost 1,300 jobs in March, marking the second decline in the past three months. Anaheim added just 800 jobs in March following a loss of 400 jobs the prior month, which was the fourth drop in the past seven months. The Inland Empire added 2,200 jobs in March, ending a string of four consecutive drops that had wiped out 5,900 jobs. Employment in the Ventura County and Thousand Oaks area rose by just 200 jobs in March, following like-sized drops in both January and February. In all, greater Los Angeles added just 1,900 jobs in March and 2,000 jobs so far this year. By contrast, Southern California added 99,000 jobs in 2018, or 8,250 a month.

As we noted last month, the soft patch in job growth in Southern California coincides with the slowdown in international trade. Container volume through the Port of Los Angeles and Port of Long Beach has slowed over the past year, particularly in the last few months. The culprit is likely the continued uncertainty surround trade negotiations with China and the tariffs on imported goods and retaliatory tariffs on U.S. exports. Foreign direct investment has also slowed somewhat, which has weighed on housing. Southern California's technology and entertainment sectors are still going strong, however, which is bolstering activity in downtown and western LA.



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