California Payrolls Jump in April

Employers added 46,000 new nonfarm jobs in April. Overall employment growth has been solid but more moderate this year, with payrolls rising 1.6% year-over-year. The jobless rate was unchanged at 4.3%.

Hiring Turns it Up a Notch in April

Hiring in California appears to be holding strong against a series of external shocks threatening parts of the economy. Trade tensions, disastrous wildfires and the ever-worsening housing shortage are no doubt significant challenges for the state’s economy to overcome. Employers appear to be taking these challenges in stride. Payrolls expanded 46,000 jobs in April, the largest absolute gain of any state. Furthermore, April’s increase marks the largest monthly gain going back to 2017. While the monthly employment data are inherently volatile, California payroll growth has been fairly solid, even as the year-over-year trend moderated to just 1.6%.

Hiring has also been widespread across nearly every industry. During April, information and retail trade were the only sectors to trim payrolls. The clear standout, however, was healthcare & social assistance, which saw payrolls increase by 15,100 jobs. This may be a monthly aberration, but the sector has been strong this year, adding an average 8,400 jobs per month since January. Much of the increase, however, appears to be in social services—mostly in individual and family services—a category where hiring tends to pick up in tough times. Hotels, bars & restaurants added 8,800 jobs in April, while the professional & business services added 6,800 positions.

The moderation in employment growth earlier this year had been most apparent in Southern California, which hit a hiring soft patch alongside intensifying trade frictions and a slowdown in port traffic at the Port of Los Angeles and Port of Long Beach. That said, the Los Angeles-Long Beach metro added 18,300 new jobs during April. The Inland Empire has also seen two consecutive months of strong gains, adding 4,000 jobs in March and 6,700 jobs in April. Given the area’s large exposure to trade, we are keeping close watch on how these trends develop as the trade negotiations intensify. California’s tech sector, which is centered in the Bay Area and in parts of Southern California such as West Los Angeles, Orange County and Northern San Diego, continues to see strong job gains.

The household survey, which is derived separately from the establishment survey, is giving off some conflicting signals. The unemployment rate held steady at 4.3% during April. The jobless rate had drifted higher over the past several months, a consequence of slower household employment growth. More recently, resident employment has registered two consecutive monthly declines, falling by 16,900 in March and nearly 50,000 in April. The drops stand in stark contrast to the robust gains in establishment payrolls. The declines in household employment are the largest seen since the Great Recession. The initial data can be very noisy but might also signal a more significant weakening in labor market conditions than the current nonfarm employment data suggest. The household series often provides an early heads-up to shifts in the economy’s underlying momentum and often presages revisions to the nonfarm jobs data, particularly at the early and late stages of the business cycle.

Source: U.S. Department of Labor and Wells Fargo Securities