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Center For Continuing Study of the California Economy

May 2013 Jobs Report

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The state's unemployment rate has now posted two sharp monthly declines in a row and has gone from 9.4 percent in March to 8.6 percent in May, just 1 percent higher than the national rate.

The unemployment rate decline is supported by an increase of 165,000 in the state's labor force over the past year and a surprisingly large increase of 529,000 in the number of Californians who are employed. The result is a large decline in the number of unemployed residents (364,000).

Reported payroll job growth has been more modest with gains of just near 10,000 in each of the past two months. On the other hand, the "interim" state job estimates using more up-to-date data show an additional 100,000 jobs added over the past year, which lends support to the large improvements in the unemployment trends.

The May estimates for the state and Los Angeles County would have been much higher except for a decline of over 15,000 jobs in the motion picture sector, which tends to have very volatile month-to-month employment estimates.

The May state job estimates were also reduced by an unexpected decline of more than 8.000 construction jobs, a trend that is not consistent with the increase in building activity going on around the state.

So the best advice on the monthly job estimates is "stay tuned for the revisions next month."

Other sectors, including wholesale trade, real estate, professional services, and hospitality, showed continuing growth in May. Manufacturing, retail trade, and health care posted small job gains.

The largest metro area gains in May were in the Bay Area, led by the San Jose and San Francisco metro areas, Orange County (all high-tech centers) and the Sacramento metro area.

State job gains come amidst a flurry of good news about the California economy. Real GDP growth in California in 2012 was 3.5 percent, tied for fifth highest in the nation. The Department of Finance reported that income tax receipts were $500 million above expectations in May, and the California Association of Realtors reported another month of strong gains in median home prices.

The gains in home prices have a "triple bottom line" in the sense that they show a strengthening demand for housing, they bring more households out of negative equity so that they can sell their homes without losing money, and they allow more homeowners to refinance on the basis of higher equity, which translates into an increase in spending power as mortgage costs drop.