

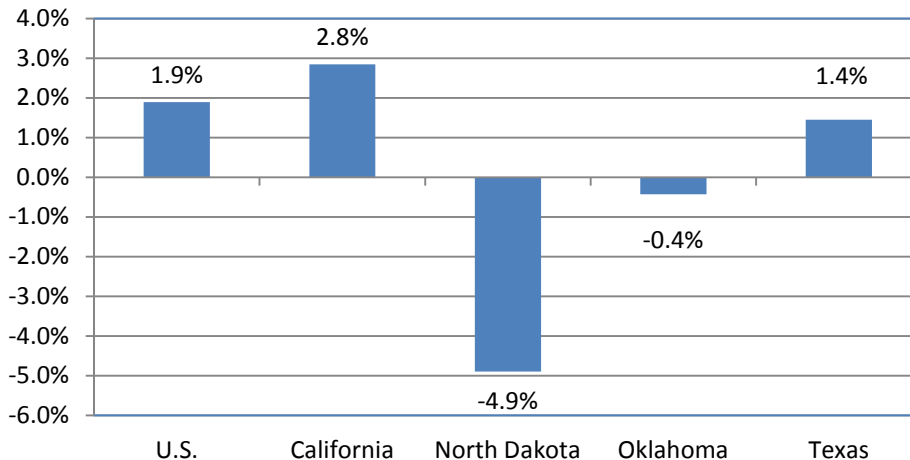
Industry Structure vs. Business Climate—A Look at Recent Data

There is a friendly and sometimes less than friendly back and forth about California’s “business climate”. It is alleged that California is hostile to business as a result of high taxes, tough environmental regulations and high housing costs that have led to massive outmigration of people and jobs.

This update is a friendly tease back and argument that industry structure trumps almost everything else. Last year California had a booming tech economy but also records in tourism, strong growth in industries from filming to warehousing and positive fiscal impacts for state and local government. On the other hand North Dakota, Oklahoma and Texas, all fine states, were hit with a sharp decline in oil and gas and related activities.

The non-farm wage and salary job growth for the past 12 months is shown below.

Job Growth Feb 2015--2016



Did the “business climates” of these states suddenly change? That seems less likely than that California had a better industry structure for 2015.

Next, let’s look at high wage jobs that do not usually require a college degree—jobs in mining, construction and manufacturing. The data is below. California added jobs in this important group while the other states showed sharp job losses—almost 20% in North Dakota, 7.6% in Oklahoma and 4.6% in Texas.

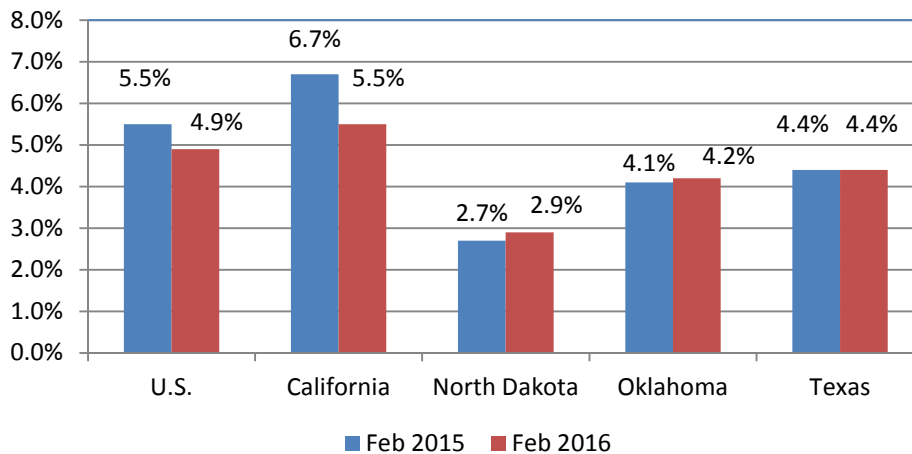
Mining, Construction and Manufacturing Jobs
(Thousands)

	Feb 2015	Feb 2016	% Change
California	2,024.9	2,073.0	2.4%
North Dakota	90.9	73.1	-19.6%
Oklahoma	279.8	258.6	-7.6%
Texas	1,876.0	1,789.7	-4.6%

Source: U.S. Bureau of Labor Statistics

North Dakota, Oklahoma and Texas have low unemployment rates compared to the nation and California. Yet the oil and gas slump kept unemployment rates stable in these states while California and the nation saw declines.

Unemployment Rates



On a more serious side “business climate” is not just about taxes and regulations. Housing and transportation matter, And, though it is not often mentioned, a welcoming attitude is on of our strongest economic advantages, More on this soon. Have a good weekend!!