Washington State
Employment Security Department

Labor Market and Economic Analysis

LMEA

May 2008

Tacoma MD
(Pierce County)
Labor Area Summary
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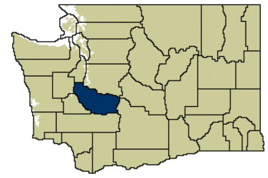

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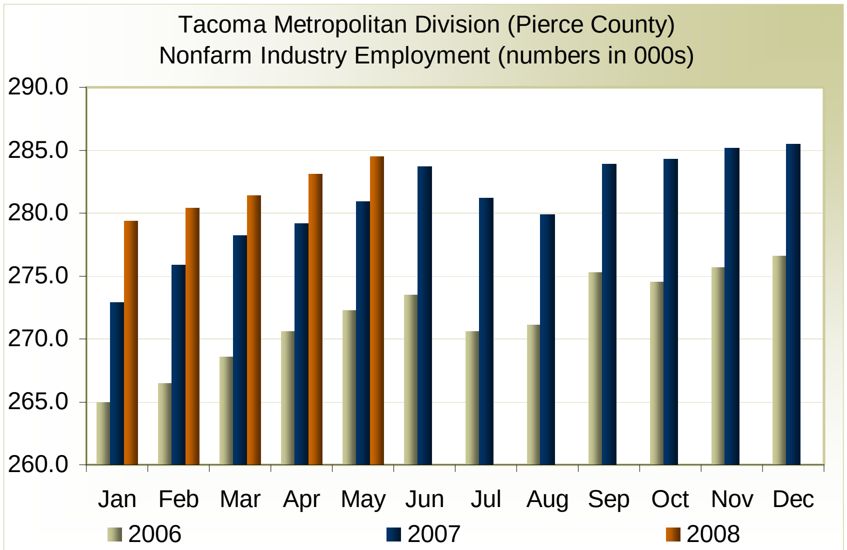
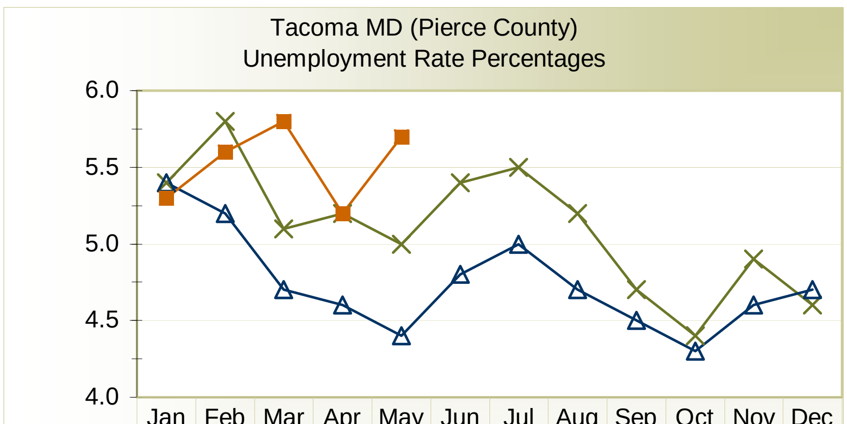
Summary

Slower employment growth continues to typify the Tacoma Metropolitan (MD) labor market. The local area continues to make positive strides in adding jobs, and posted its fourth straight month of employment gains in May. The Tacoma MD added 1,400 new nonfarm wage and salary jobs for the month and is now 1,000 jobs below the mark reached in December of 2007. The majority of the jobs gained occurred in the private sector, which produced 1,100 of the 1,400 total new jobs. Construction led the way in producing private sector jobs as clearing weather conditions led to the creation of 500 jobs. The spring weather has been slow to materialize, but food services establishments are anticipating more customers to venture forth. Employers in this category added 300 of the 400 total new jobs created in the leisure and hospitality industry. The remaining 200 new private sector jobs were split evenly by manufacturing and other services. Government services, primarily local, added the remaining 300 jobs.

Last month's job gains were revised upward by 600, but the pace of job creation remains behind that of last year. The monthly job gains for the Tacoma MD in May were off slightly from one year prior when 1,700 new jobs were added. So far this year since January, the local area has added 5,100 total jobs. Last year during the same period, 8,000 total jobs were added. Seasonal adjustments to the monthly data highlight the disparity in the local labor market between this year and last. The Tacoma MD added 500 jobs on a seasonally adjusted basis this month compared to 1,000 jobs added last year at this time. On the other hand, as economists are wont to say, the net result is still positive, especially when compared to the rest of the state. Slowing state conditions are generating a labor market strain in terms of job creation. Employment on a seasonal basis receded at the state level for the third straight month, although the losses for the state for last month were trimmed down to 200 with revisions. Washington state's labor market struggles are indicative of an economy that is slowing but not staggering. The latter term might best be reserved for the nation, where there exist states with pockets of significant deterioration, due to greater degrees of exposure to the housing downturn and soft manufacturing sectors. So far this year, the nation has maintained its perfectly imperfect record by shedding jobs (seasonally adjusted) in each month of the year.



The sagging conditions in the job market have also been reflected in the upward march of the unemployment rate. The Tacoma MD saw its jobless rate rise by one-half percent in May to 5.7 percent. Last year, the local unemployment rate registered 4.4 percent. The comparable state unemployment rate rose in May by the same amount to 5.1 percent. On a seasonally adjusted basis, the state rate rose by 0.6 percent to 5.3 percent.



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2006	5.4	5.8	5.1	5.2	5.0	5.4	5.5	5.2	4.7	4.4	4.9	4.6
2007	5.4	5.2	4.7	4.6	4.4	4.8	5.0	4.7	4.5	4.3	4.6	4.7
2008	5.3	5.6	5.8	5.2	5.7							

The rise in the jobless rate in May was widespread across the nation's states. The only state to escape this sentence was Louisiana, which reported a drop of 0.1 of a percentage point. The rise in state-reported unemployment mirrored the 0.5 percent increase in the national rate that took it to 5.5 percent. This increase, as reported by the federal Bureau of Labor Statistics, brought the national unemployment rate in line with other indicators such as the Conference Board's index of consumer confidence. Although the monthly increase in the unemployment rate at the national, state, and local levels seems dramatic this month, it has only served to catch up with other economic data.

The national unemployment rate could be viewed as sort of a benchmark measure for state unemployment. Roughly speaking, one should expect about one-half of the nation's states to have a rate above that of 5.5 percent, and one-half to have a rate below. Among the states, Michigan again reported the highest jobless rate with 8.5 percent unemployment due largely to restructuring in the domestic automobile industry. Rhode Island (7.2 percent) and Alaska (7.0 percent) were next in line with unemployment rates significantly above the national average.

Escalating fuel and food costs have been adding to the economic woes of the national and regional economies. Consequently, households are feeling the pinch evermore. Consumer confidence has taken a big hit and is as low as it has been since the early 1980's. Crude oil prices have been surging to record highs. The value of the dollar, besieged by a weak economy, has been steadily declining. Investors, who see commodities as an asset consistently rising in price and as one that is negatively correlated with other asset prices, are continuing to purchase oil contracts, thereby driving the price higher. Hoarding probably also is a factor, since everyone wants to buy before the price rises again. The dynamics have pushed gasoline prices through the $4 ceiling nationally after starting the year at about $3 per gallon. Locally, the price is higher still.

High energy prices present some longer-term risk for the national economy, but even more so for Washington state. The higher fuel costs for airlines pushes them to consolidate the number of flights scheduled in order to put fewer aircraft in use. This could mean that orders for new aircraft could falter as previous orders are cancelled or new orders are smaller than expected. This risk presents a major downside to the continuation of the state and local economic expansion.

For now, the near-term prospects for the state and local economy to continue moving forward are positive. Apart from gasoline prices, the area has been able to sidestep most of the fallout generated by the housing and mortgage meltdown. Growing exports of commodities and manufactured goods, a byproduct of the falling dollar, are supporting the region and have accelerated in each of the past three quarters. The increase in export activity is now part of a three-year trend, and is keeping the region in the catbird's seat during the tougher economic times.

So much of the outlook hinges upon oil prices, however. As long as they are expected to rise, the Federal Reserve Board finds itself in a déjà vu moment out of the 1970's, when it had to choose between supporting a weak economy and fighting inflation. If history is any guide, the Fed will sacrifice the economy, and it has been consistent about this in its policy statements. Where is Paul Volker when we need him?

Summary Table

Labor market Information for
the Tacoma Metropolitan Division (Pierce County)
Not Seasonally Adjusted/*Updated with ***QCEW Data: December 2007

				Change		
(Employment statistics in whole numbers) Employment by Place of Residence	Prelim May-08	Revised Apr-08	Revised May-07	Apr-08 May-08	May-07 May-08	May-07 May-08%
Civilian Labor Force	394,070	395,390	381,200	-1,320	12,870	3.4%
Resident Employment	371,520	374,660	364,380	-3,140	7,140	2.0%
Unemployment	22,540	20,730	16,820	1,810	5,720	34.0%
Unemployment Rate	5.7	5.2	4.4	0.5	1.3	
Employment by Place of Work (**NAICS Industry Titles, numbers in thousands)						
Total Nonfarm **1/**	284.5	283.1	280.9	1.4	3.6	1.3%
Total Private	227.1	226.0	225.4	1.1	1.7	0.8%
Goods Producing	45.0	44.4	46.1	0.6	-1.1	-2.4%
Natural Resources and Mining	0.4	0.4	0.5	0.0	-0.1	-20.0%
Construction	24.3	23.8	25.4	0.5	-1.1	-4.3%
Specialty Trade Contractors	15.6	15.4	15.9	0.2	-0.3	-1.9%
Manufacturing	20.3	20.2	20.2	0.1	0.1	0.5%
Services Providing	239.5	238.7	234.8	0.8	4.7	2.0%
Trade, Transportation, and Utilities	55.6	55.6	55.8	0.0	-0.2	-0.4%
Wholesale Trade	11.4	11.4	11.3	0.0	0.1	0.9%
Retail Trade	32.5	32.5	32.9	0.0	-0.4	-1.2%
Food and Beverage Stores	5.5	5.4	5.4	0.1	0.1	1.9%
General Merchandise Stores	7.4	7.5	7.2	-0.1	0.2	2.8%
Transportation, Warehousing, and Utilities	11.7	11.7	11.6	0.0	0.1	0.9%
Information	3.6	3.6	3.8	0.0	-0.2	-5.3%
Financial Activities	13.4	13.4	13.7	0.0	-0.3	-2.2%
Professional and Business Services	25.2	25.2	24.9	0.0	0.3	1.2%
Admin, Support, Waste Mgmt., & Remediation	14.2	14.6	14.9	-0.4	-0.7	-4.7%
Administrative and Support Services	12.7	13.2	13.5	-0.5	-0.8	-5.9%
Educational and Health Services	42.3	42.3	41.1	0.0	1.2	2.9%
Ambulatory Health Care Services	14.0	14.0	13.3	0.0	0.7	5.3%
Hospitals	9.4	9.3	9.1	0.1	0.3	3.3%
Leisure and Hospitality	28.8	28.4	27.3	0.4	1.5	5.5%
Food Services and Drinking Places	22.4	22.1	22.3	0.3	0.1	0.4%
Other Services	13.2	13.1	12.7	0.1	0.5	3.9%
Government	57.4	57.1	55.5	0.3	1.9	3.4%
Federal Government	10.6	10.5	10.2	0.1	0.4	3.9%
State Government	11.8	11.8	11.4	0.0	0.4	3.5%
State Government Educational Services	3.9	3.9	3.8	0.0	0.1	2.6%
Local Government	35.0	34.8	33.9	0.2	1.1	3.2%
Local Government Educational Services	18.9	18.9	18.8	0.0	0.1	0.5%
Workers in Labor/Management Disputes	0.0	0.0	0.0	0.0	0.0	0.0

1/ Excludes proprietors, self-employed, members of armed forces, and private household employees. Includes all full- and part-time wage and salary workers receiving pay during the pay period including the 12th of the month. Columns may not add due to rounding. *Prepared by the Labor Market and Economic Analysis branch using a Quarterly Benchmark process. This process uses the most recent quarter from the Unemployment Insurance Tax Reports (currently 4th quarter 2007) and estimates employment from that point to present. **North American Industry Classification System. ***QCEW = Quarterly Census of Employment and Wages