

Economic Update

LMID Advisory Group Meeting

July 26, 2012

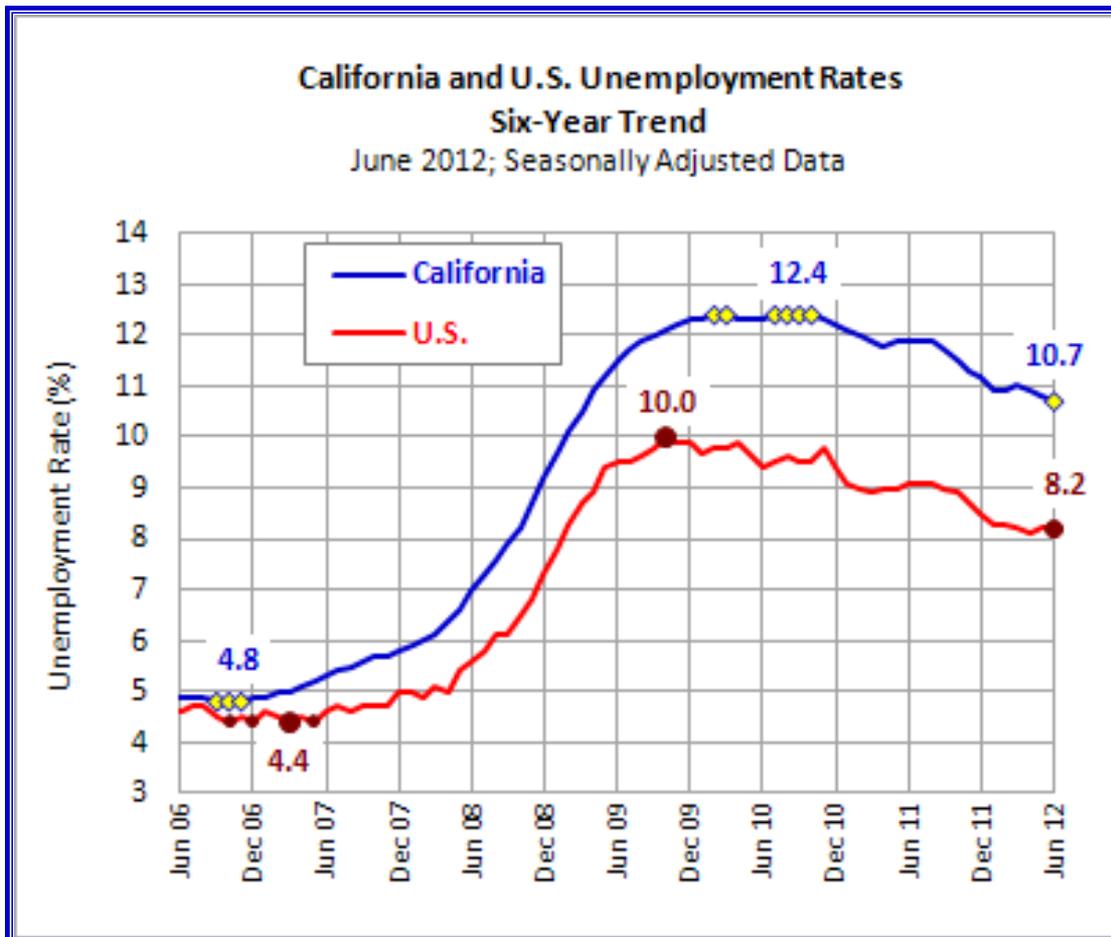
Paul Wessen
Employment Development Department
Labor Market information Division

UNEMPLOYMENT AND EMPLOYMENT

California's unemployment rate continues to decrease, if only gradually. In contrast, the U.S. rate has shown little inclination for movement in recent months.

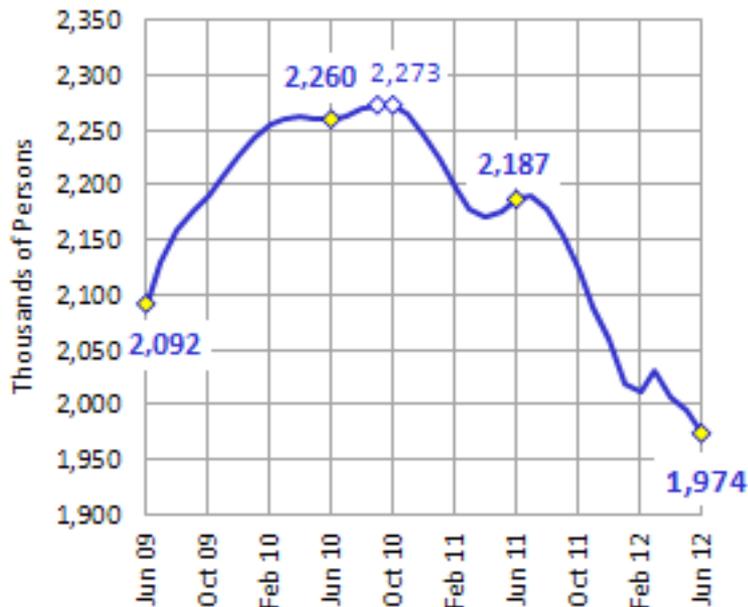


More than six years into the current business cycle, the U.S. and California rates remain well above their pre-recession lows.

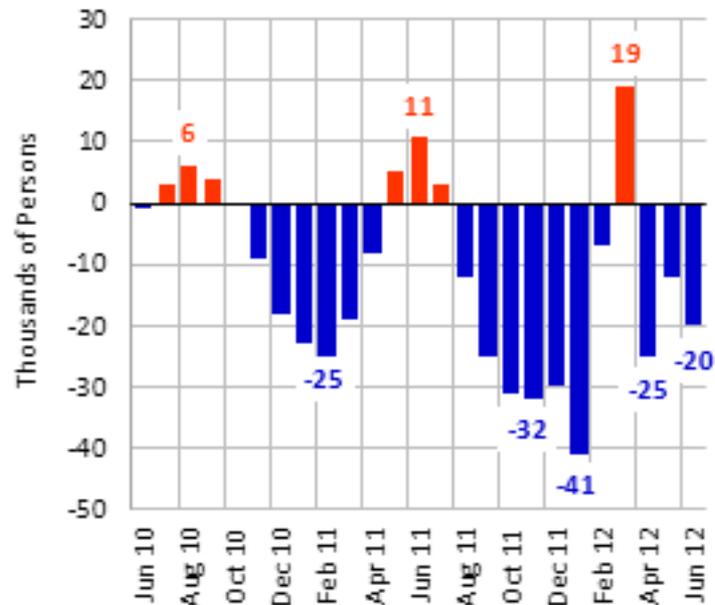


Unemployment is falling in California. The number of unemployed fell below 2 million in May and as of June 2012 had decreased by 299,000 (13.2 percent) from its October 2010 peak. Yet...

**California Civilian Unemployment
Three-Year Trend**
June 2012; Seasonally Adjusted Data



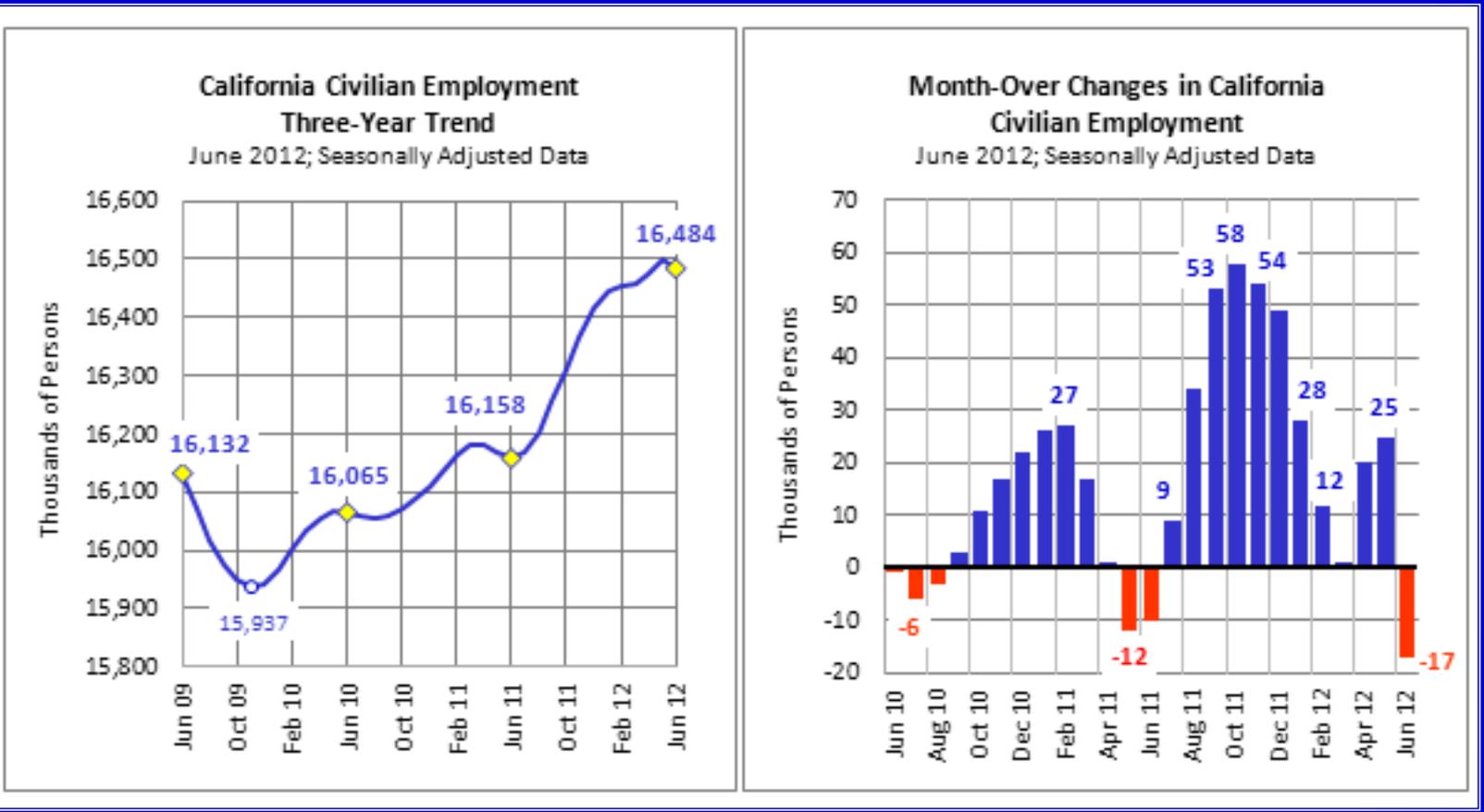
**Month-Over Changes in California
Civilian Unemployment**
June 2012; Seasonally Adjusted Data



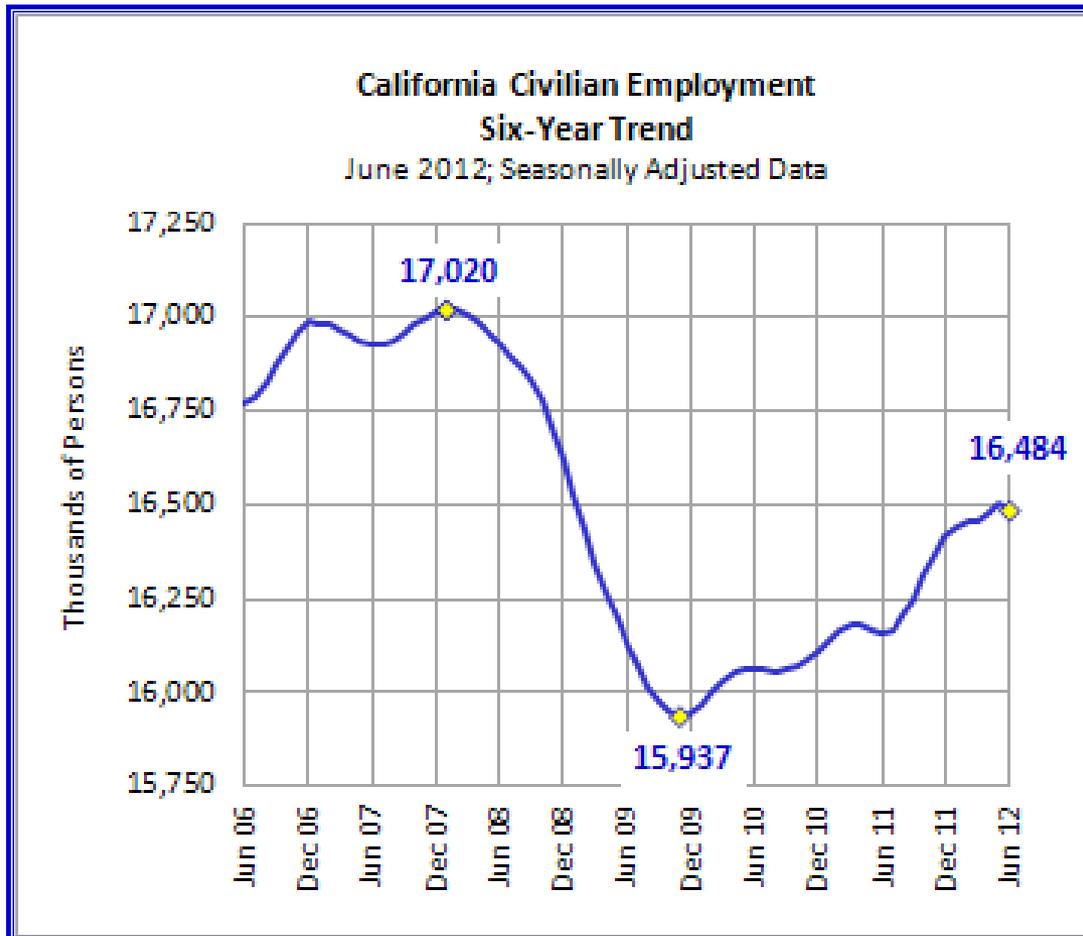
The after effects of the Great Recession continue to haunt many. There were over 1.1 million more Californians who were unemployed in June 2012 than there were in October 2006, the pre-recession low.



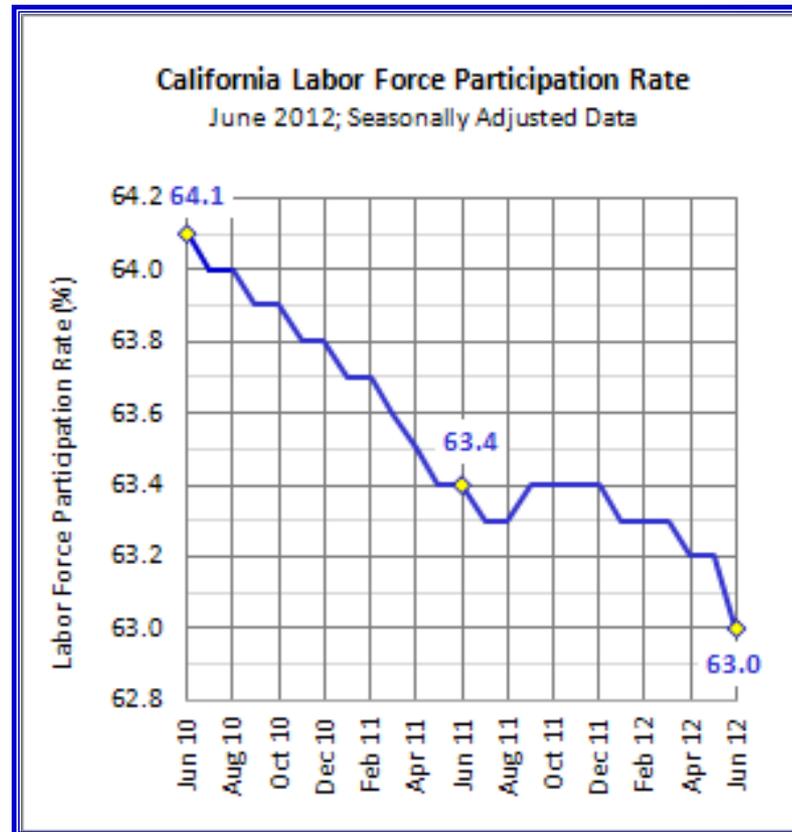
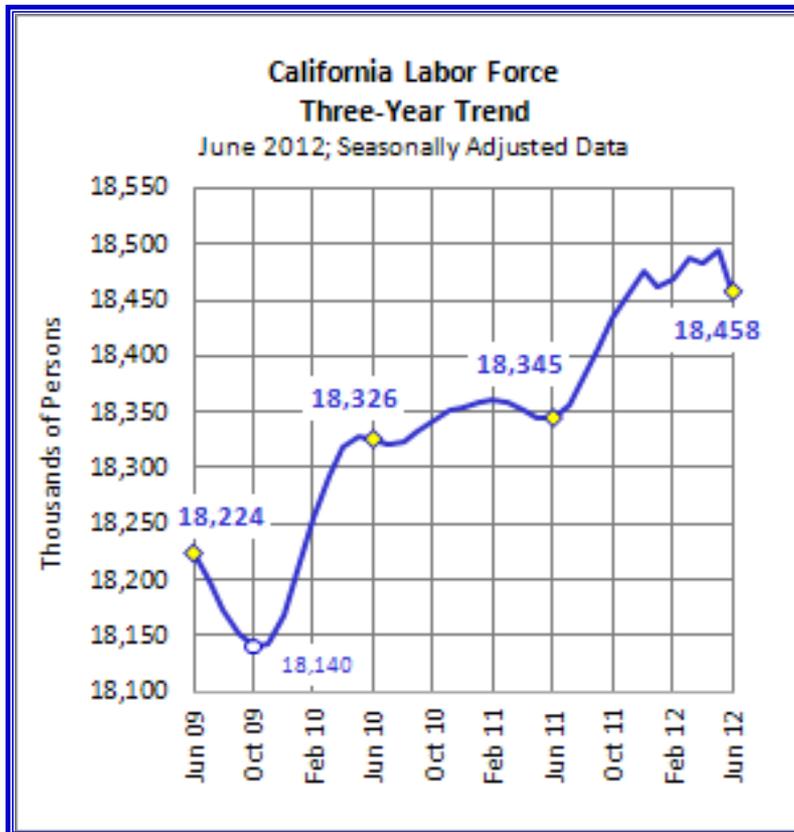
Civilian employment in California continues to grow. In June 2012, there were 326,000 (2.0 percent) more employed Californians than in June 2011. With the exception of May 2012, this was the state's strongest year-over employment growth since September 2005. From March 2010 through June 2012, civilian employment grew by 547,000 persons. Yet...



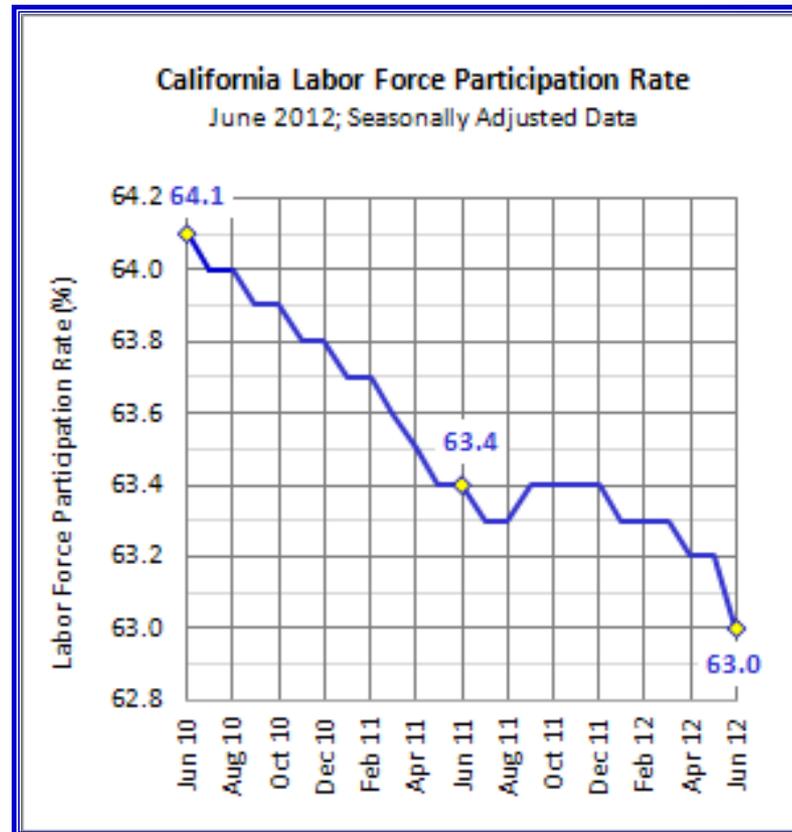
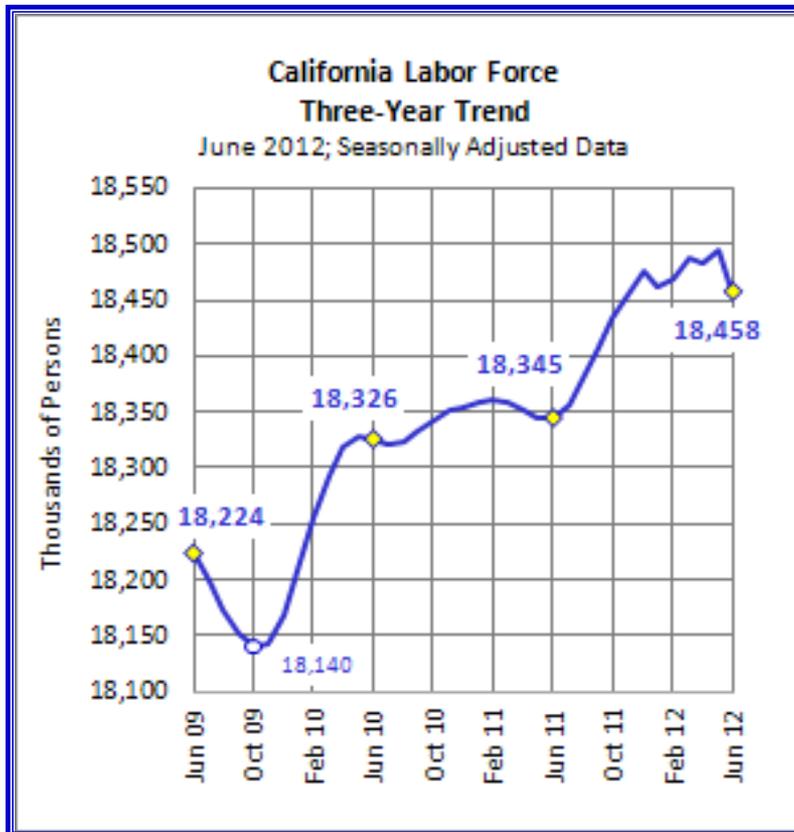
The state has recovered only half of the employment losses of the Great Recession. There were 536,000 fewer employed Californians in June 2012 than there were at their January 2008 peak.



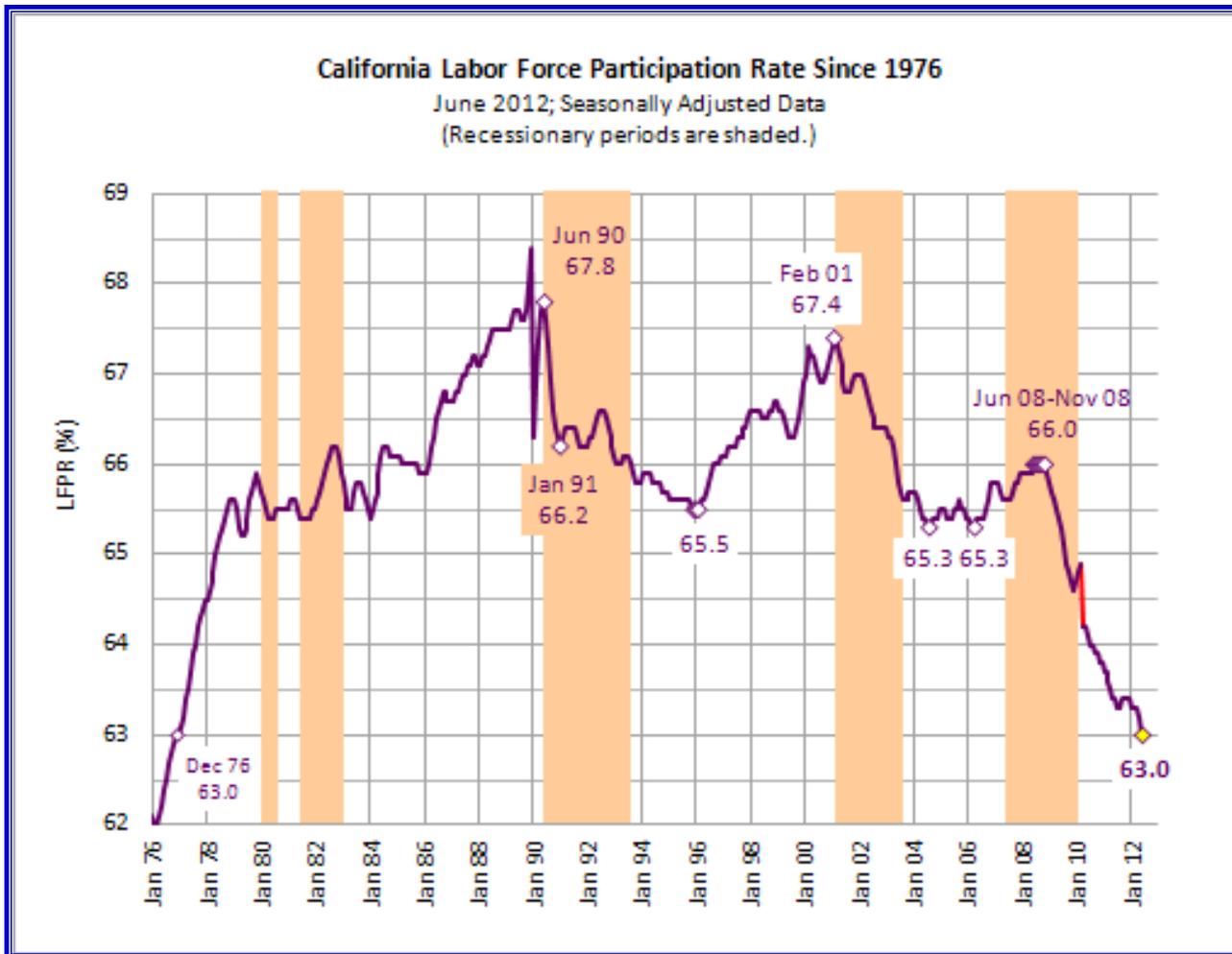
There was a large decrease in the labor force in June but the longer term trend is one of growth. However, the state's labor force participation rate continues to decrease...



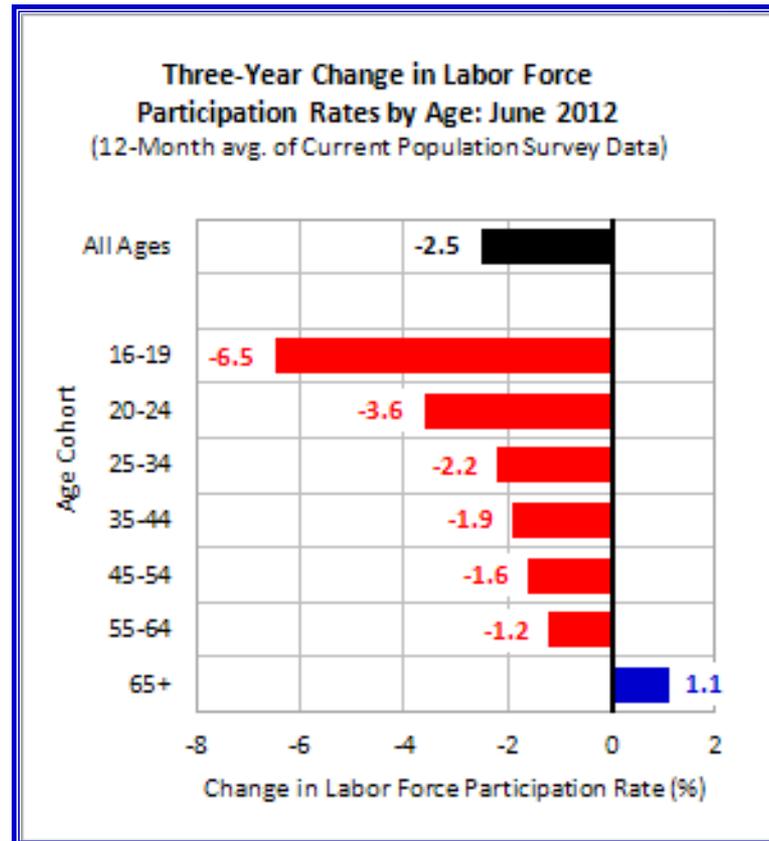
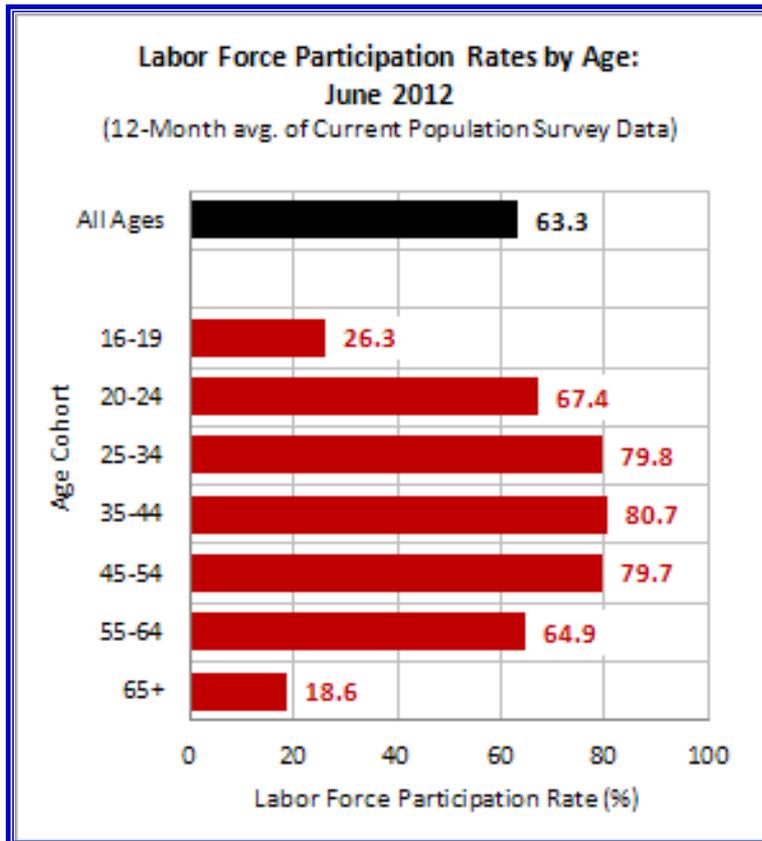
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...and now stands at it's lowest level since December 1976.



While labor force participation is falling throughout the non-retirement age workforce, and particularly among teens and youths, it is growing among Californians who have reached retirement age. Has the traditional paradigm of how youths gain a foothold in the labor force changed?



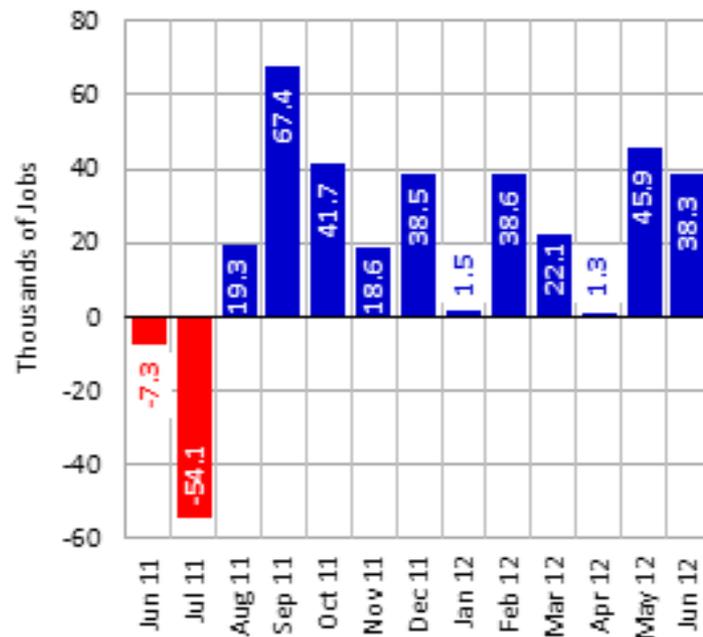
NONFARM EMPLOYMENT

Nonfarm job growth has come roaring back to life in California, with gains totaling 84,200 jobs in the months of May and June.

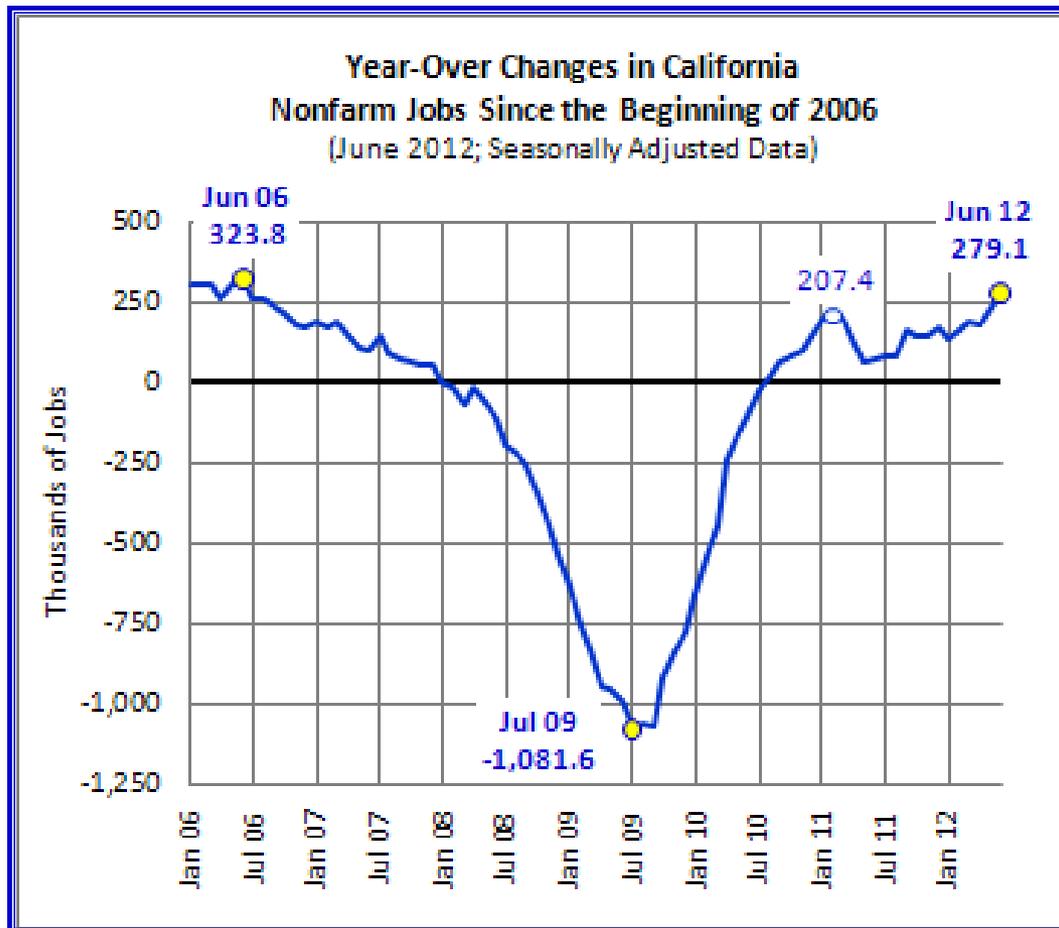
California Nonfarm Jobs: Three-Year Trend
(June 2012; Seasonally Adjusted Data)



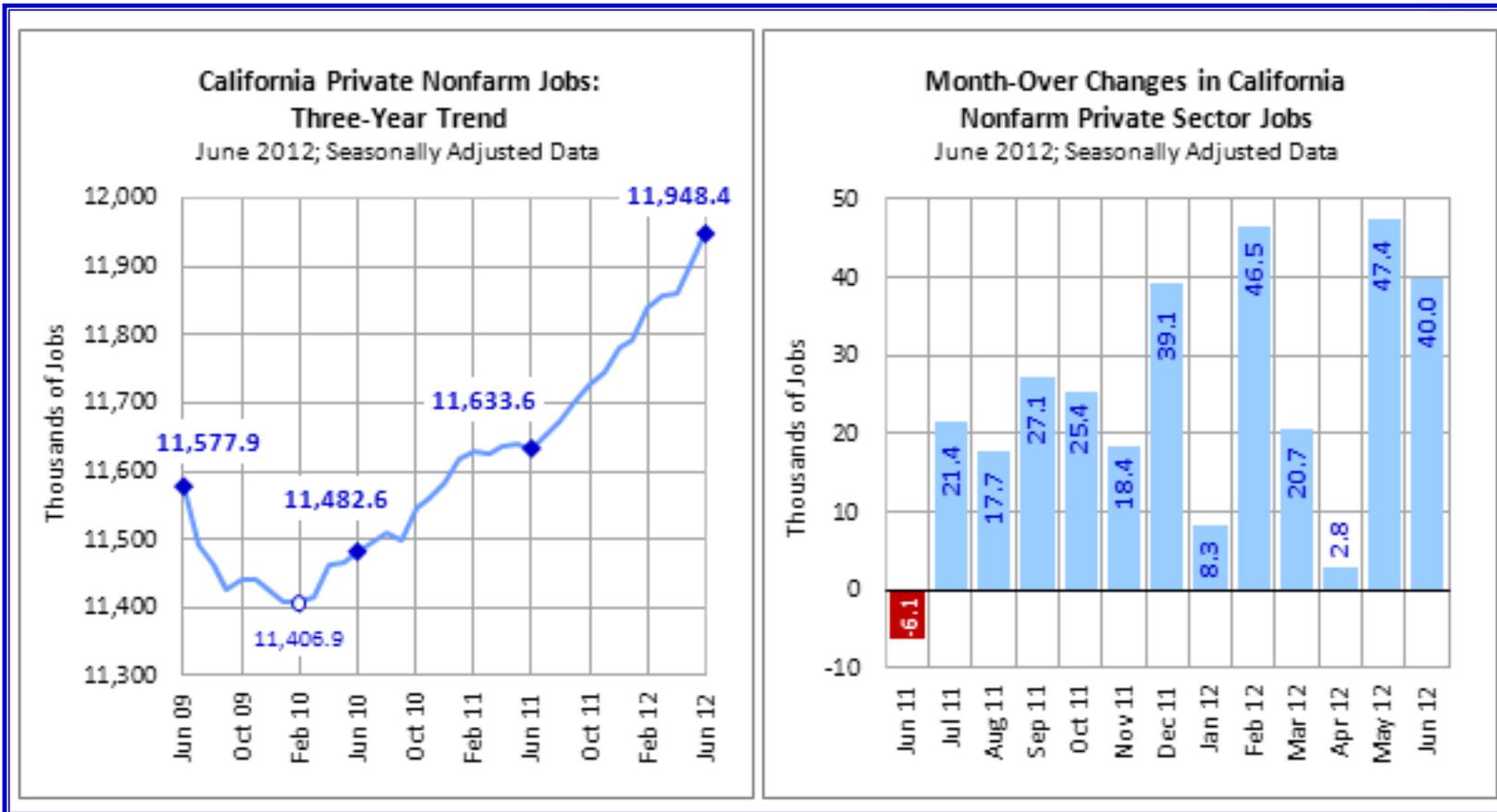
Month-Over Changes in California Total Nonfarm Jobs
June 2012; Seasonally Adjusted Data



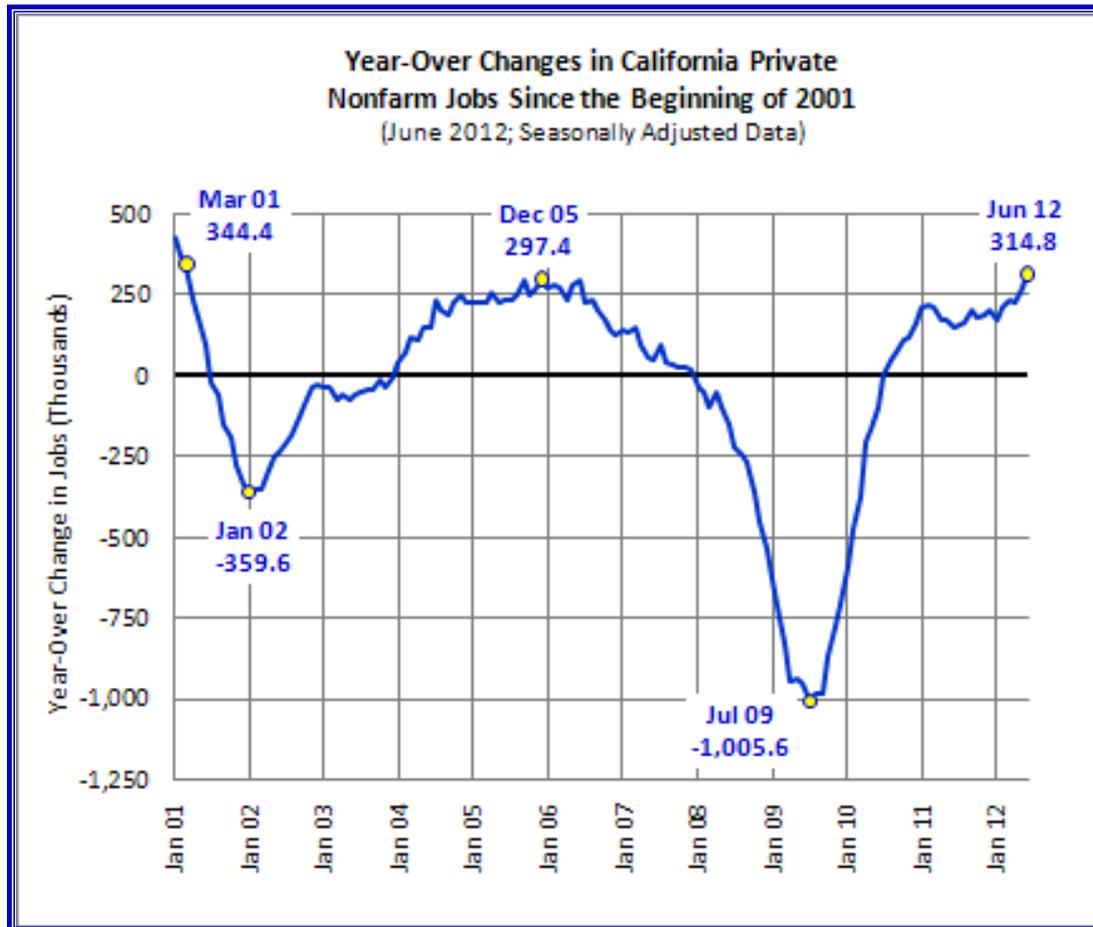
California's year-over job gains totaled 279,100 (2.0 percent) in June 2012. This was the state's largest year-over job gain in number and percent since June 2006.



Private sector nonfarm job growth continues to be even stronger in recent months, with gains totaling 87,400 jobs in the months of May and June...



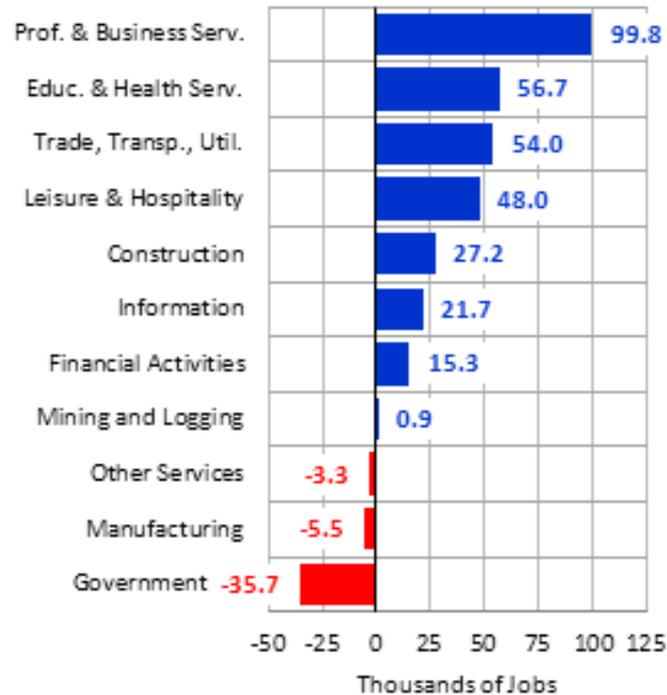
California's year-over private sector job gains totaled 314,800 (2.7 percent) in June 2012. This was the state's largest year-over private sector job gain in number and percent since March 2001.



What California Industry Sectors Have Been Growing?

Year-Over Job Changes in California Industry Sectors

(June 2012; Seasonally Adjusted Data)

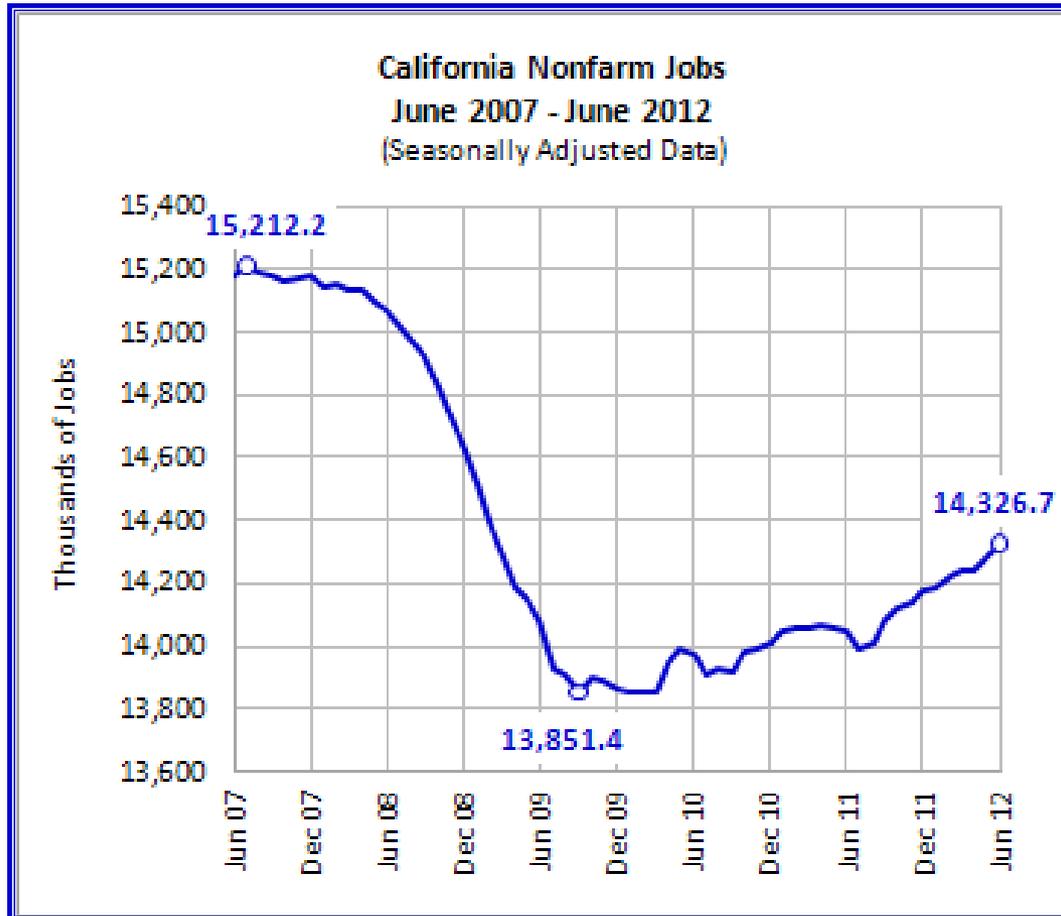


Year-Over Job Changes in California Industry Sectors in Percent

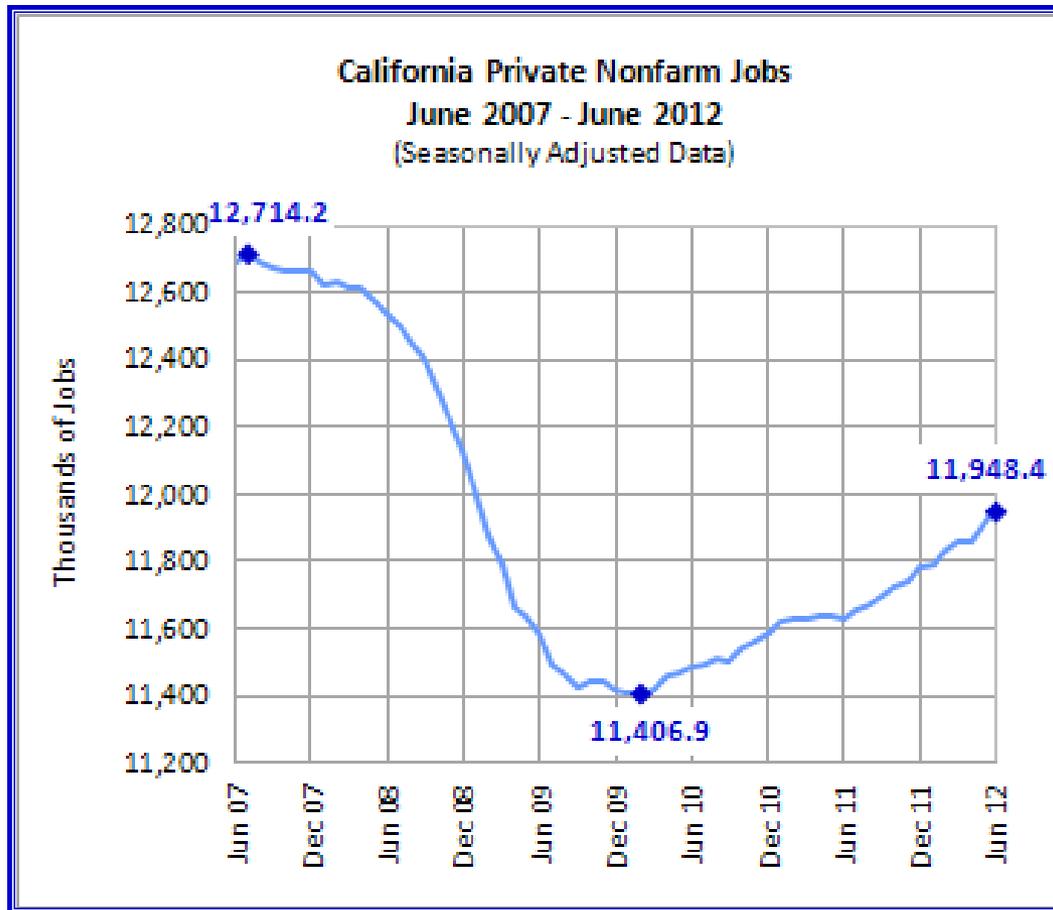
(June 2012; Seasonally Adjusted Data)



Yet... Even though California gained 475,300 jobs from September 2009 through June 2012, that is roughly one-third (34.9 percent) of the nearly 1.4 million jobs that were lost during the Great Recession. In June 2012, California total nonfarm employment remained 885,500 jobs below its pre-recession peak in July 2007.

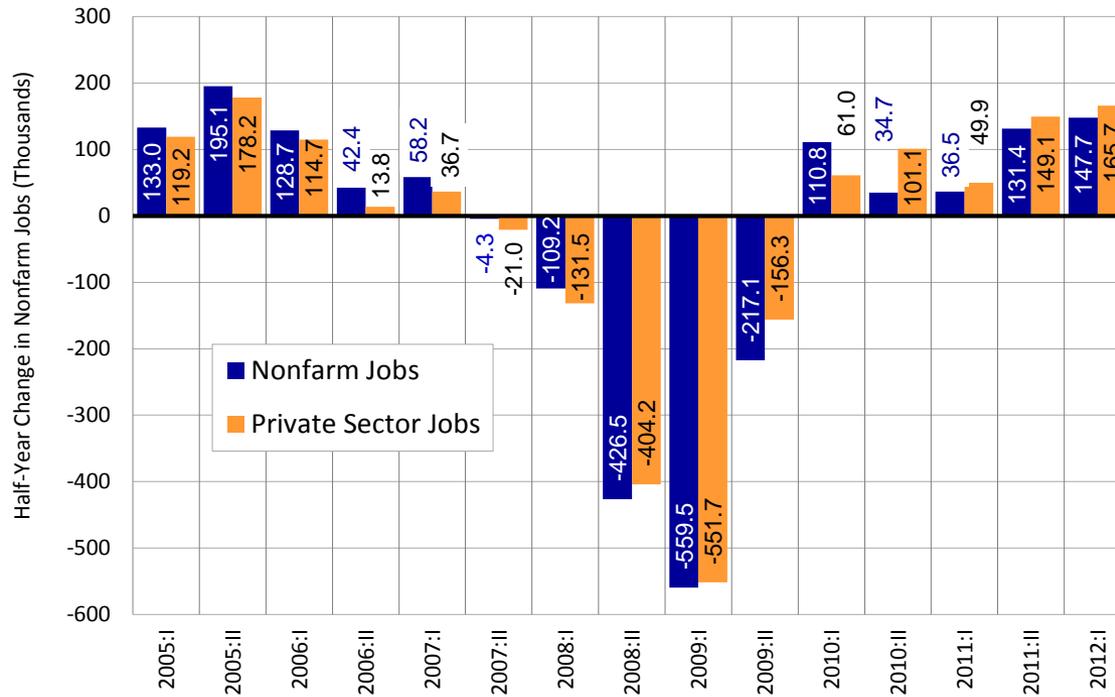


California's private sector job gains totaled 541,500 from February 2010 through June 2012, a gain that would have more than wiped out the total private sector job losses the state experienced during the early 1990s recession. However, in June 2012 the state had recovered just two-fifths (41.4 percent) of the 1.3 million private sector jobs it lost during the Great Recession. There were 765,800 private nonfarm jobs that still remained to be recovered.



2012-to-Date: Half-Year Job Growth Patterns in California

FIGURE 8
Net Changes in California Total and Private Nonfarm Payrolls in
Half-Year Intervals Since 2005
 (June 2012; Seasonally Adjusted Data)



Net Job Changes in the First Half of 2012 by Industry in California

By Supersector:

Professional and Business Services	54,300
Leisure and Hospitality	30,500
Trade, Transportation and Utilities	28,200
Educational and Health Services	22,300
Construction	16,300
Financial Activities	11,000
Information	4,600
Mining and Logging	900
Manufacturing	100
Other Services	-2,500
Government	-18,000

By Sub-Sector:

Accommodation & Food Service	31,500
Professional, Scientific & Technical Serv.	30,400
Administrative & Support & Waste Serv.	21,800
Health Care & Social Assistance	18,700
Construction	16,300
Wholesale Trade	14,500
Retail Trade	12,200
Real Estate & Rental & Leasing	8,900
Information	4,600
Educational Serv.	3,600
Non-Durable Goods	2,300
Finance & Insurance	2,100
Management of Companies and Enterprises	2,100
Transp., Warehousing & Utilities	1,500
Mining and Logging	900
State Government	-700
Arts, Entertainment, & Recreation	-1,000
Durable Goods	-2,200
Other Services	-2,500
Federal Government	-5,400
Local Government	-11,900

Fastest Growing States in the First Half of 2012

(Net Change in Nonfarm Payrolls; Seasonally Adjusted Data)

Change in Number (Thousands)

California	147.7
Texas	140.5
New York	86.4
Ohio	81.6
Arizona	41.7
New Jersey	39.6
Washington	33.5
Massachusetts	32.7
Georgia	31.9
North Carolina	30.9
Indiana	25.7
Minnesota	23.2
Michigan	22.6
Virginia	21.7
Oklahoma	21.1

Change in Percent

North Dakota	3.0
Arizona	1.7
Montana	1.7
Ohio	1.6
Oklahoma	1.3
Alaska	1.3
Texas	1.3
Washington	1.2
Kentucky	1.2
Nebraska	1.1
California	1.0
Louisiana	1.0
New Jersey	1.0
Massachusetts	1.0
New York	1.0

Fastest Growing States in the Second Quarter of 2012 (April through June)

(Net Change in Nonfarm Payrolls; Seasonally Adjusted Data)

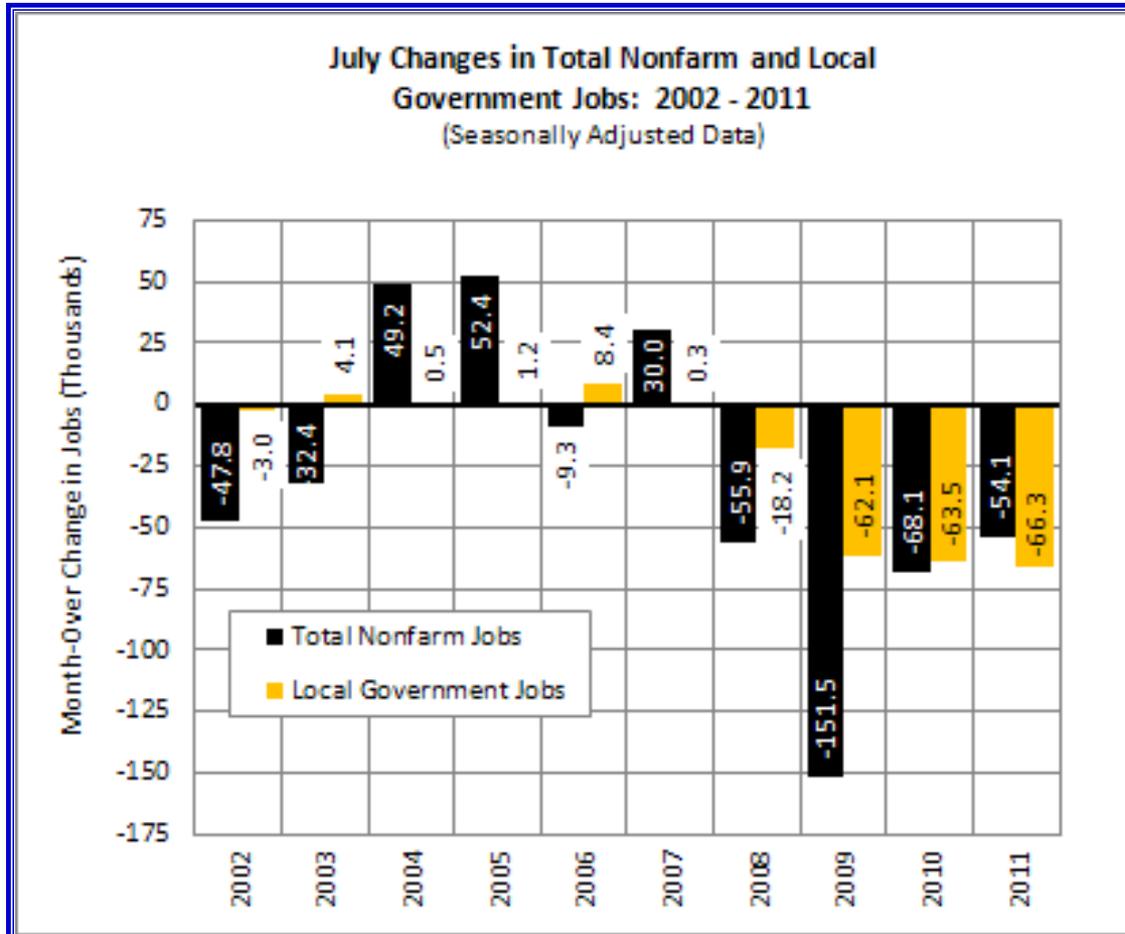
Change in Number (Thousands)

California	85.5
Texas	41.3
Ohio	34.6
New Jersey	27.5
Georgia	21.0
Washington	15.5
Oregon	12.4
Virginia	11.6
Nebraska	10.3
Utah	8.2
Indiana	7.5
Arizona	7.2
North Dakota	5.2
Kentucky	5.1
Oklahoma	4.4

Change in Percent

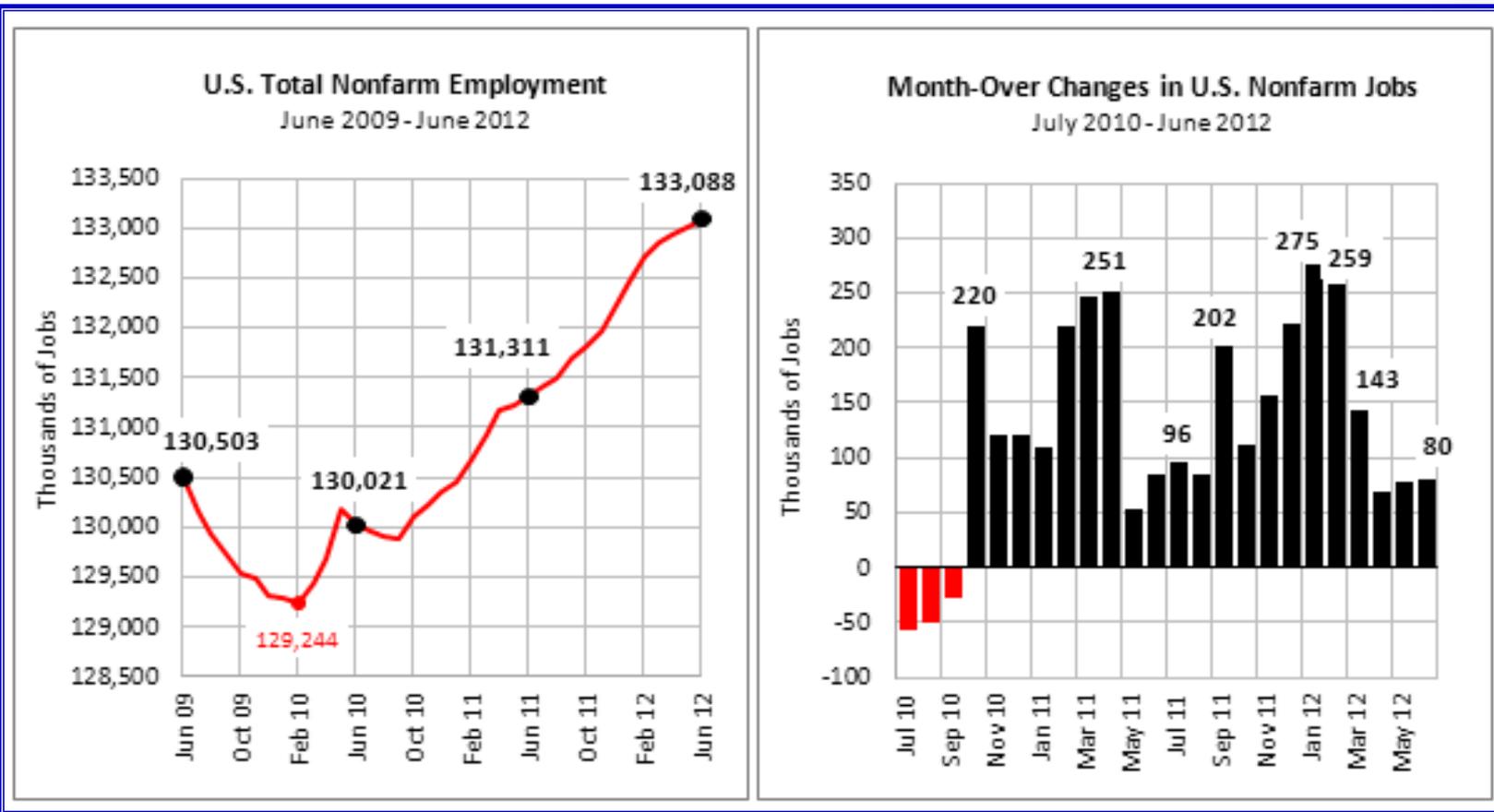
North Dakota	1.3
Nebraska	1.1
South Dakota	0.9
Montana	0.8
Oregon	0.8
New Jersey	0.7
Ohio	0.7
Utah	0.7
California	0.6
Washington	0.5
Georgia	0.5
Texas	0.4
Nevada	0.3
Virginia	0.3
Arizona	0.3

What Could Possibly Go Wrong in California? July

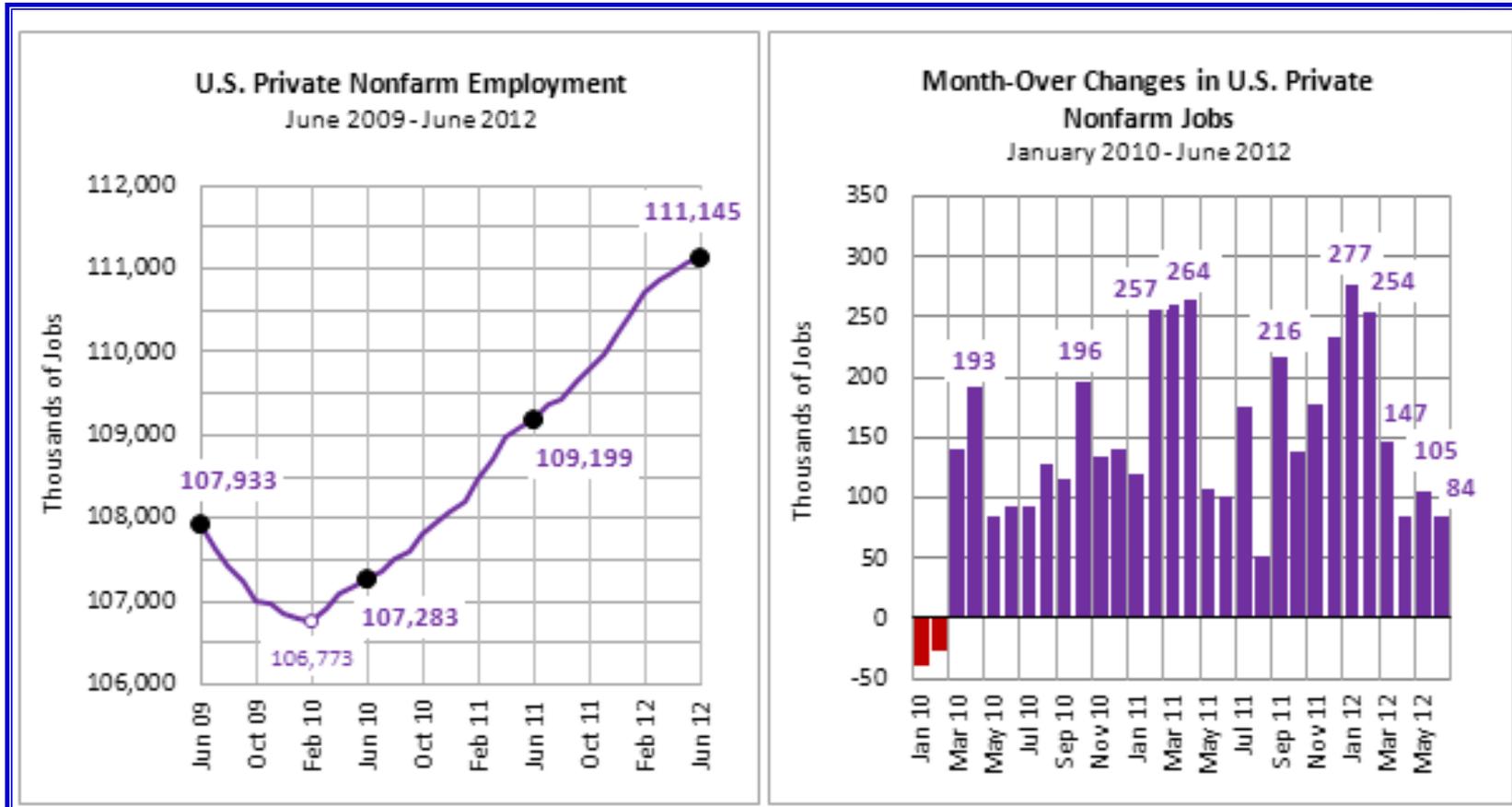


U.S. NONFARM EMPLOYMENT

The nation continues to experience sustained, if not terribly strong, job growth. Whereas job growth has strengthened noticeably in recent months, it has weakened nationally.



The same is true in the private sector.

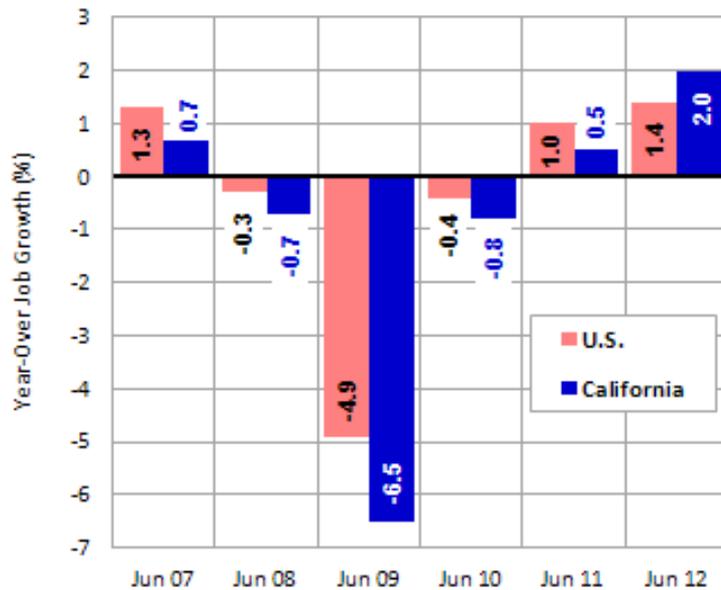


The strength of the nation's jobs recovery depends on the time horizon one looks at.

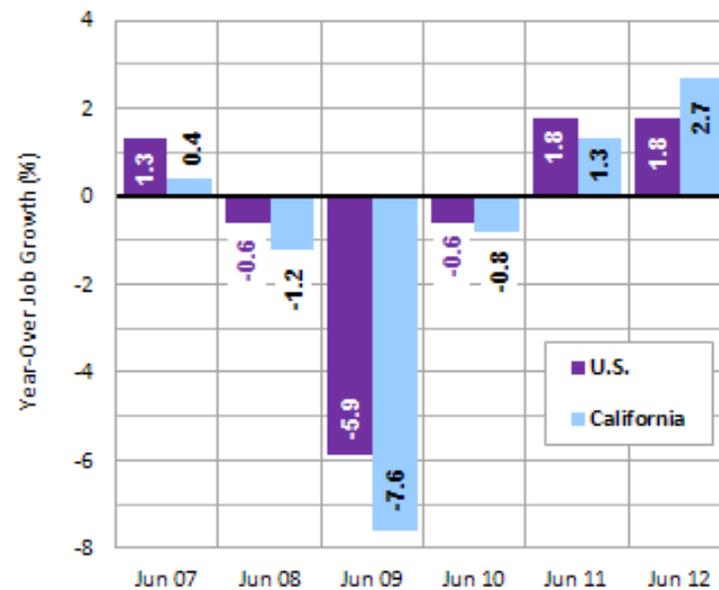
- U.S. nonfarm employment grew by over 3.8 million jobs from February 2010 through June 2012. The nation had recovered over two-fifths (43.8 percent) of the 8.8 million jobs it lost during the Great Recession, but still had 5.0 million more jobs to recover.
- U.S. private nonfarm employment grew by 4.4 million from February 2010 through June 2012. The nation had recovered roughly half (49.3 percent) of the 8.8 million private jobs it lost during the Great Recession, but still had 4.5 million more jobs to recover.
- The nation gained 1.8 million (1.4 percent) nonfarm jobs over the year ending in June 2012. Year-over private sector job gains totaled over 1.9 million (1.8 percent).

California experienced stronger year-over total and private nonfarm job growth than the nation over the last year

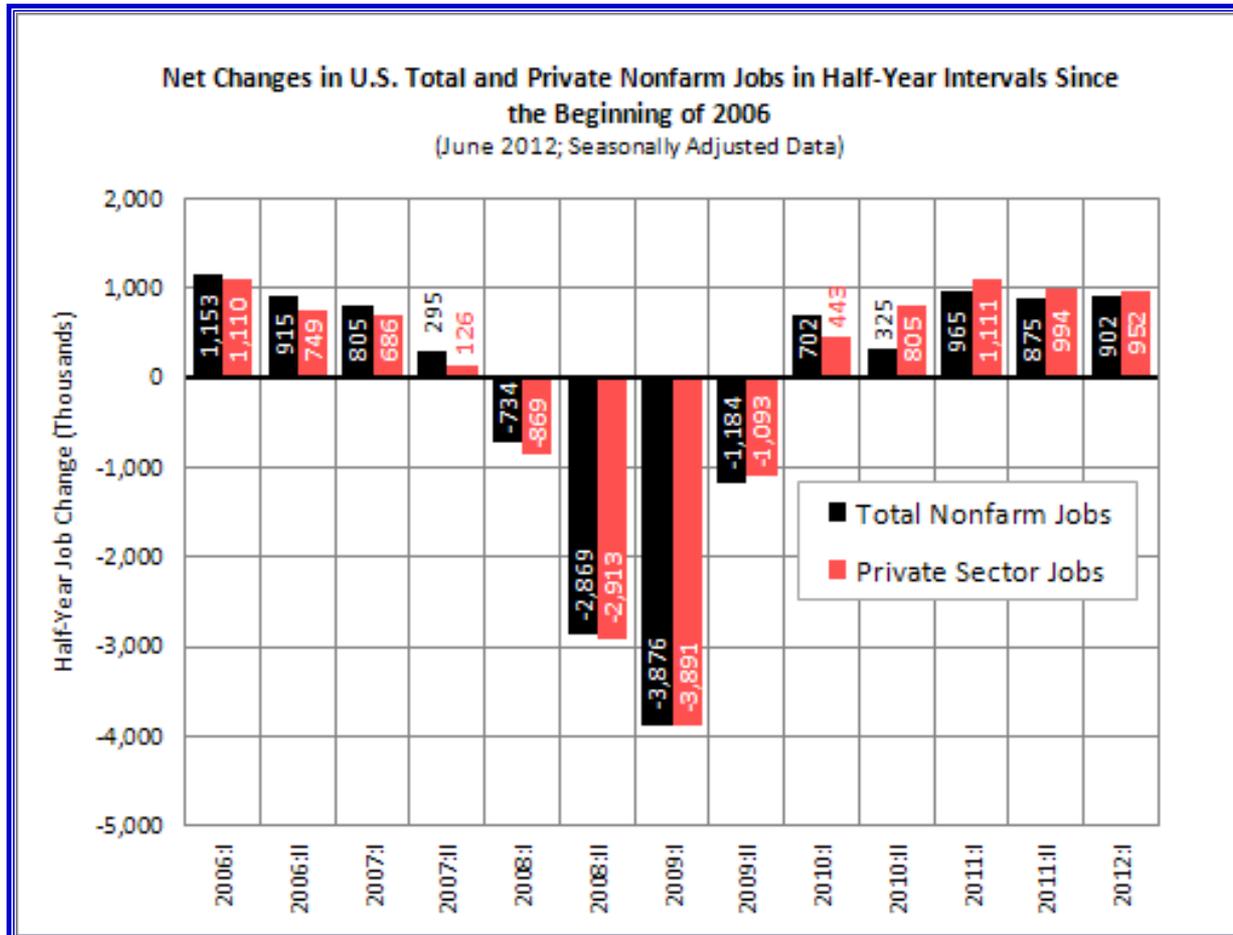
U.S. and California Nonfarm Employment:
Year-Over Percent Changes in June, 2007 - 2012



U.S. and California Private Nonfarm Employment:
Year-Over Percent Changes in June, 2007 - 2012

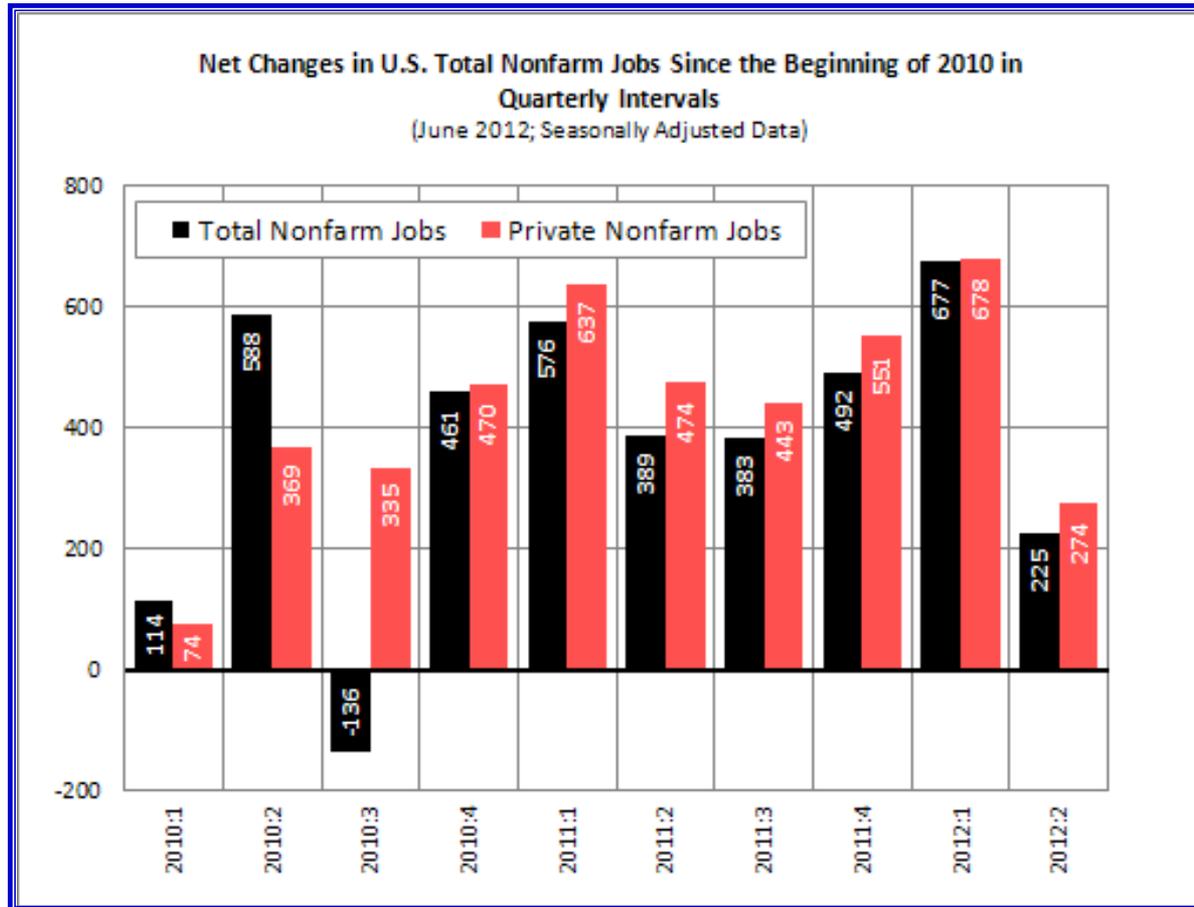


2012-to-Date: Half-Year Job Growth Patterns in the United States



Quarterly Job Growth Patterns in the United States (Net Change in Jobs)

On a quarterly basis, net job growth in the second quarter of 2012 was the nation's weakest since the first quarter of 2010, at the beginning of the employment expansion.



How was job growth different in the second quarter of 2012 than in the first quarter of 2012?

Differences in Net U.S. and California Industry Job Growth: Second Quarter 2012 Vs First Quarter 2012

(June 2011; Seasonally Adjusted Data)

U.S.		CALIFORNIA	
Total Nonfarm	-452	Total Nonfarm jobs	23.3
Total Private	-404	Private Nonfarm Jobs	14.7
Information	11	Professional and Business Services	12.3
Other Services	10	Government	8.6
Trade, Transportation and Utilities	9	Leisure and Hospitality	4.7
Financial Activities	-1	Information	4.4
Mining and Logging	-9	Other Services	3.9
Construction	-43	Construction	2.9
Government	-48	Financial Activities	0.8
Professional and Business Services	-70	Trade, Transportation and Utilities	0.6
Educational and Health Services	-92	Mining and Logging	-0.7
Manufacturing	-94	Educational and Health Services	-6.3
Leisure and Hospitality	-125	Manufacturing	-7.9

What Ails the U.S. Economy?

Consumers are spending on durable goods such as cars, but on little else.

