California Industry Employment Projections
2010 – 2012

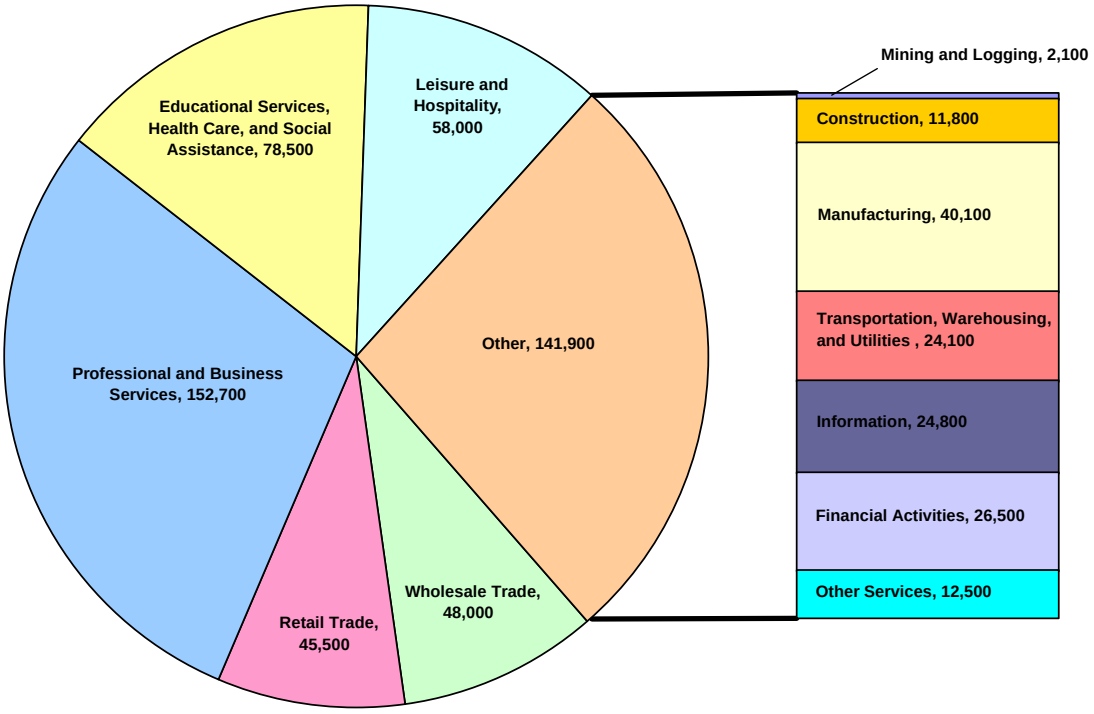
Overview

Total Industry Employment in California, which includes Self-Employment, Unpaid Family Workers, Private Household Workers, Farm Employment, and Nonfarm Wage and Salary Employment, is expected to reach 16,316,300 in the third quarter of 2012, an increase of 3.3 percent over the two-year projections period. Total Nonfarm employment is projected to add more than 486,000 jobs by the third quarter of 2012.

According to the Current Employment Statistics (CES) data, California nonfarm employment grew by more than 154,000 jobs between April 2010 and April 2011. Over the same timeframe most major industry sectors experienced growth, led by the Information sector with a growth rate of 7 percent. Finance, Other Services, and Government were the only industries showing a decline. The U.S. Bureau of Economic Analysis published data in the first quarter of 2011 showing the increases in the national gross domestic product the last seven quarters. The data suggest that the state is on the road to economic recovery, however progress has been slow.

The California short-term industry employment projections reflect the current economic climate with widespread, moderate growth. The only major nonfarm industry sector projected to decline during the two-year projections period is Government; all other sectors are projected to grow between 2 and 7.5 percent. Nearly 60 percent of all projected nonfarm job growth is in Professional and Business Services, Educational Services, Health Care, and Social Assistance, and Leisure and Hospitality.

Which growing industry sectors are gaining the most jobs?

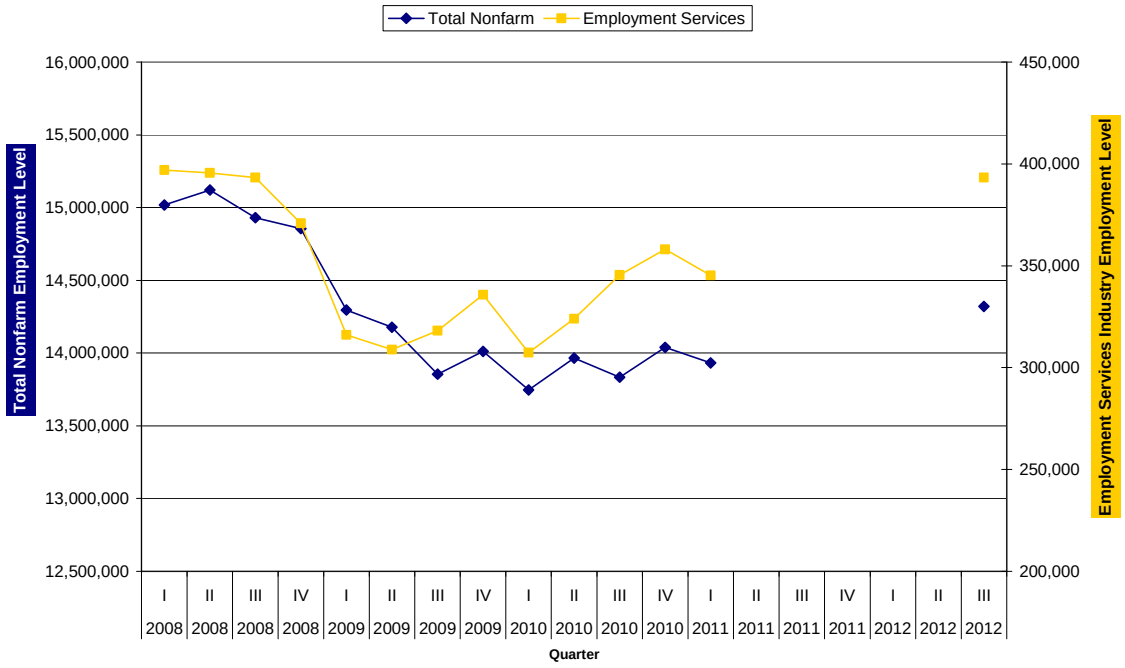


Industry Trends

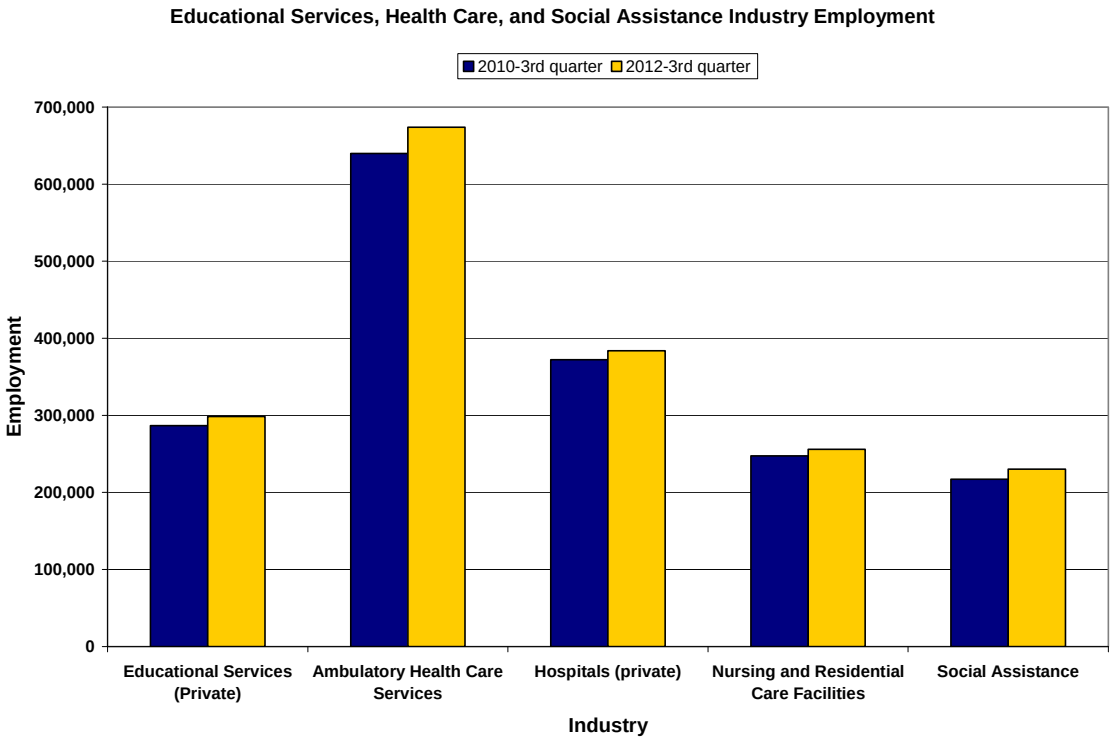
The largest number of new jobs is expected in the Professional and Business Services industry sector, with a gain of more than 152,000 jobs. The Employment Services industry, which includes employment placement agencies and temporary help services, accounts for 31 percent of all projected job growth in the Professional and Business Services sector. Computer Systems Design, and Management, Scientific, and Technical Consulting Services are also expected to experience strong growth within this industry sector.

The Employment Services industry, often viewed as a leading indicator for the California economy, experienced year-over job growth of 37,000 in April 2011 according to CES data. This is an indicator that economic activity is increasing. Employers may be hesitant to hire full-time permanent employees coming out of a recession, leading to this increase in temporary workers. As the economy recovers growth in this industry may slow, as employers transition to stable, full-time permanent workers to meet the growing demand for their products.

Employment Services as an Indicator for Total Nonfarm Employment



Strong job growth is anticipated in the Educational Services, Health Care, and Social Assistance sector, with projected job gains across all industry subsectors totaling 78,500. This industry sector, unaffected by job losses during the economic downturn, grew at a rate of 1.5 percent annually for the two years prior to the 2010 third quarter. Due to demographic factors, job growth is projected to continue at an annual rate of 2.2 percent. Unlike the State Education and Local Education sectors, which are forecasted to shed jobs, the Private Education Services industry is expected to gain 11,700 jobs.



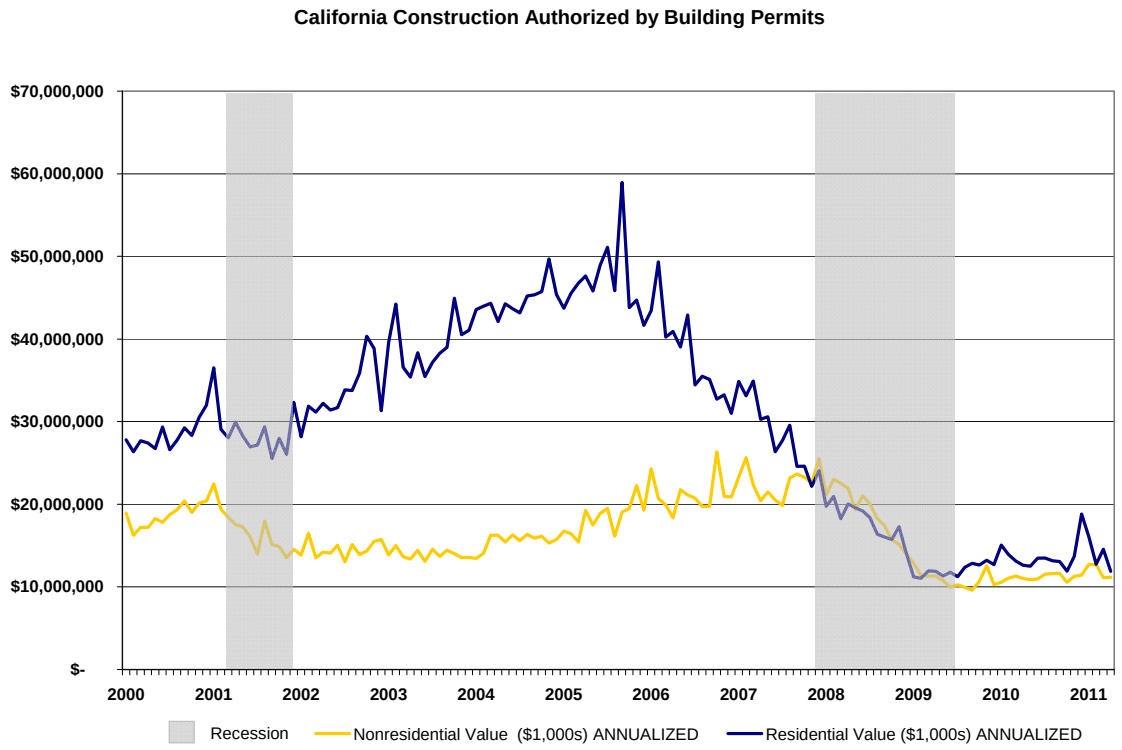
Mining and Logging is expected to gain 2,100 jobs, led by an increase of 900 jobs in Support Activities for Mining. High gasoline and mineral prices are factors driving projected industry growth.

Government employment is projected to decrease at a rate of 0.8 percent annually and is the only industry sector that is forecasted to decline. The yearly budget cycle in Government typically delays the effect of economic downturns making employment losses lag behind the rest of the economy. All levels of government continue to deal with budget deficits and are expected to layoff workers to help balance the budget. The large employment drop in Federal Government is due to temporary Census workers that were hired in 2010 and not retained after Census data collection was completed.

Financial Activities employment has trended very closely with Construction employment during the boom and bust of the housing market. Financial Activities is expected to grow at a rate of 1.7 percent annually and will likely outperform Construction employment as the economy recovers. The excess housing inventory will delay any rebound in Residential Construction, but will likely create employment opportunities in Financial Activities involved with the buying and selling of homes. Credit Intermediation and Related Activities, the largest industry subsector in the Financial Activities sector, is forecasted to have the fastest growth with a 3.5 percent annual growth rate.

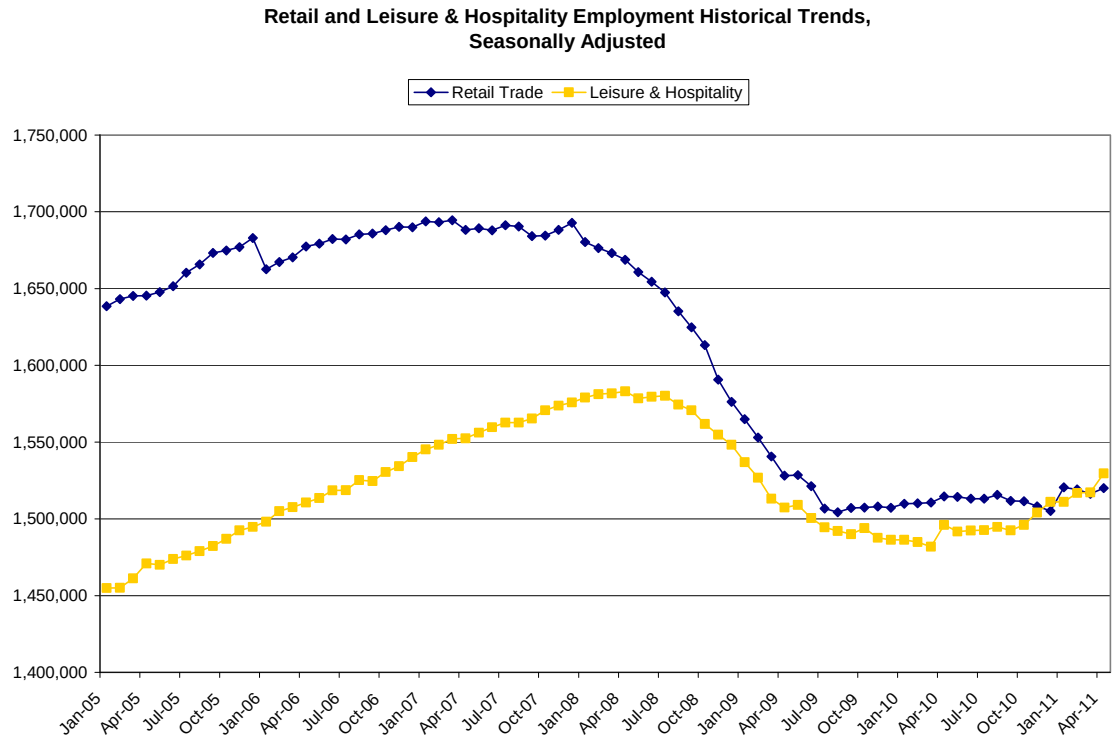
Construction employment appears to have stabilized after experiencing steep declines since 2006 when the industry peaked. Modest growth is expected for this industry sector which is forecasted to grow at a rate of 1 percent annually. Dampening the Construction employment forecast is the large supply of homes for sale in California and the potential of additional foreclosures that could affect the demand for residential home construction. The large housing inventory has caused declining home prices, making potential buyers hesitant to enter the market. Until buyers start absorbing the excess housing, demand for new construction will likely continue to be weak.

While residential construction remains a drag on this sector, there are some subsectors projected to have employment growth. Employment in Nonresidential Building Construction is expected to grow as the economy recovers since this subsector did not experience the same over investment that was seen in Residential Building Construction. Growth in Nonresidential Building Construction will lead to an increased demand for Specialty Trade Contractors that perform specific activities involved with building construction. Another notable subsector is Highway, Street and Bridge Construction which is forecasted to grow at a rate of 4.7 percent annually.



Data Source: California Department of Finance

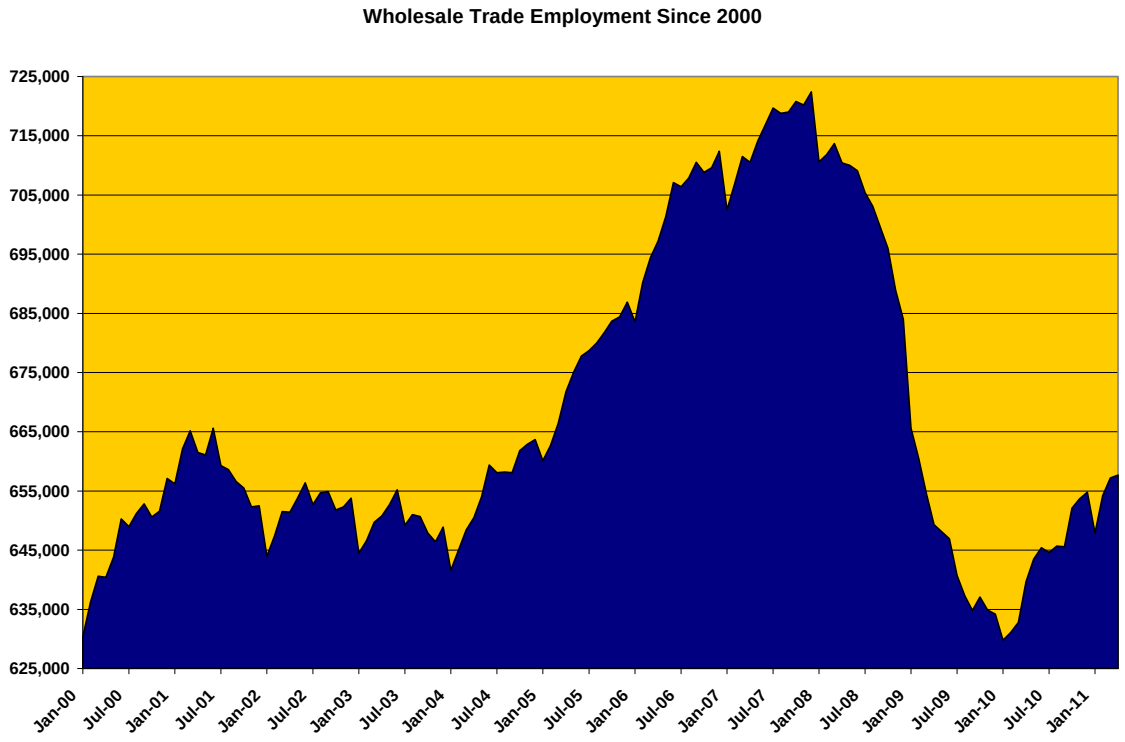
The Leisure and Hospitality and Retail Trade sectors have historically trended in the same general direction. Leisure and Hospitality is expected to add 58,000 jobs. Full-Service Restaurants and Limited-Service Eating Places account for more than 62 percent of the projected job growth in this sector. As the economy recovers, it is anticipated that consumer demand for goods and services will increase.



Retail Trade is expected to grow by 45,500 jobs. Half of the projected job growth in Retail Trade can be found in three industries: Department Stores, Food and Beverage Stores, and Clothing and Clothing Accessories Stores. Automobile Dealers are projected to increase employment by 3,800 over the next two years. The industry experienced employment losses for 26 consecutive months leading up to August 2009. After a 20 percent drop in employment from 2008 third quarter to 2009 third quarter, employment stabilized in the four quarters preceding the projections period.

Wholesale Trade is projected to grow by 48,000 jobs, with a 26,900 job increase projected in Merchant Wholesalers, Durable Goods. After a loss of 92,600 jobs between December 2007 and January 2010, Wholesale Trade employment began its recovery by gaining an average of nearly 2,000 jobs per month in the eight-month period from January 2010 to the start of the projections period. An increase in Manufacturing employment and a pent-up demand for consumer goods are strong contributing factors to the projected job gains.

The Transportation, Warehousing, and Utilities sector is projected to add 24,100 jobs. Truck Transportation will increase by 9,500 jobs, which trends with projected employment increases in the Retail Trade and Wholesale Trade sectors.


Wholesale Trade Employment Since 2000
725,000
715,000
705,000
695,000
685,000
675,000
665,000
655,000
645,000
635,000
625,000
Jan-00
Jul-00
Jan-01
Jul-01
Jan-02
Jul-02
Jan-03
Jul-03
Jan-04
Jul-04
Jan-05
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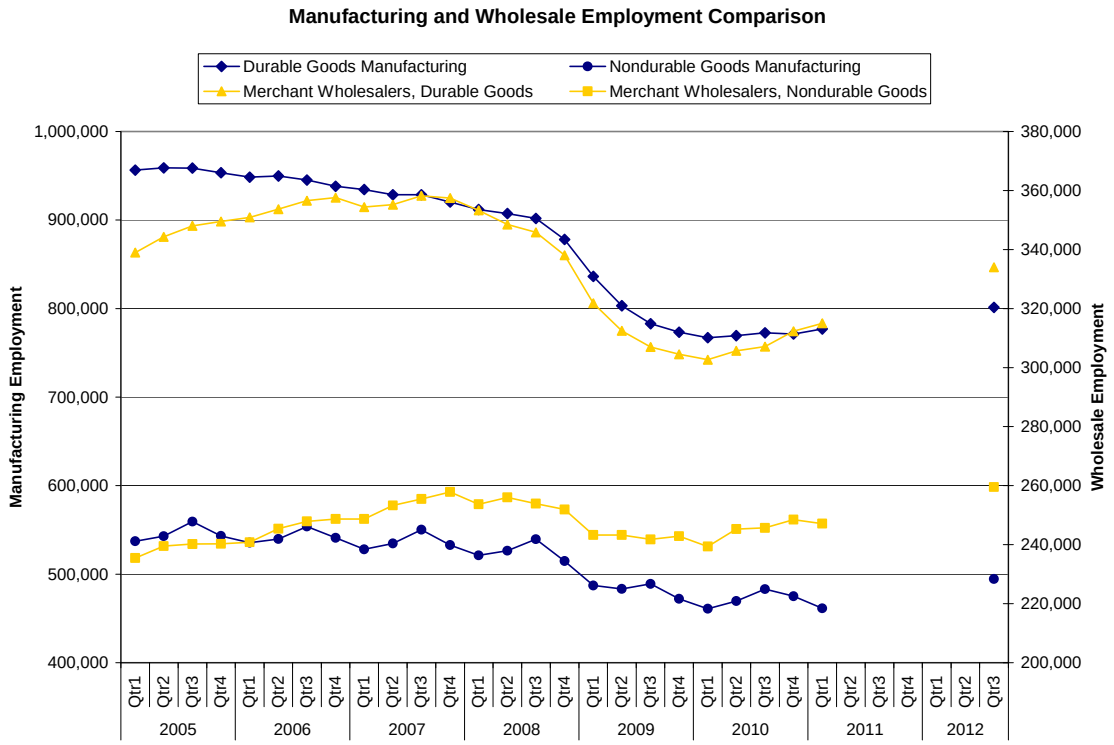
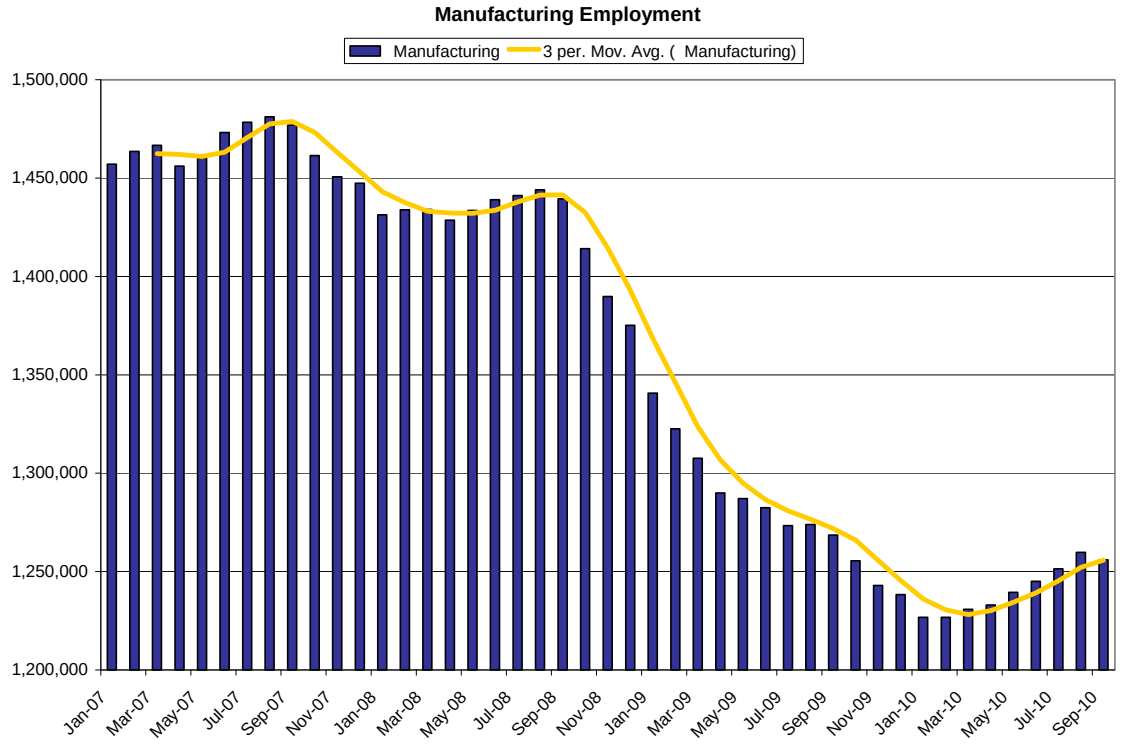

Manufacturing and Wholesale Employment Comparison
Durable Goods Manufacturing
Nondurable Goods Manufacturing
Merchant Wholesalers, Durable Goods
Merchant Wholesalers, Nondurable Goods
Manufacturing Employment
Wholesale Employment
1,000,000
900,000
800,000
700,000
600,000
500,000
400,000
380,000
360,000
340,000
320,000
300,000
280,000
260,000
240,000
220,000
200,000
Qtr1
Qtr2
Qtr3
Qtr4
2005
2006
2007
2008
2009
2010
2011
2012

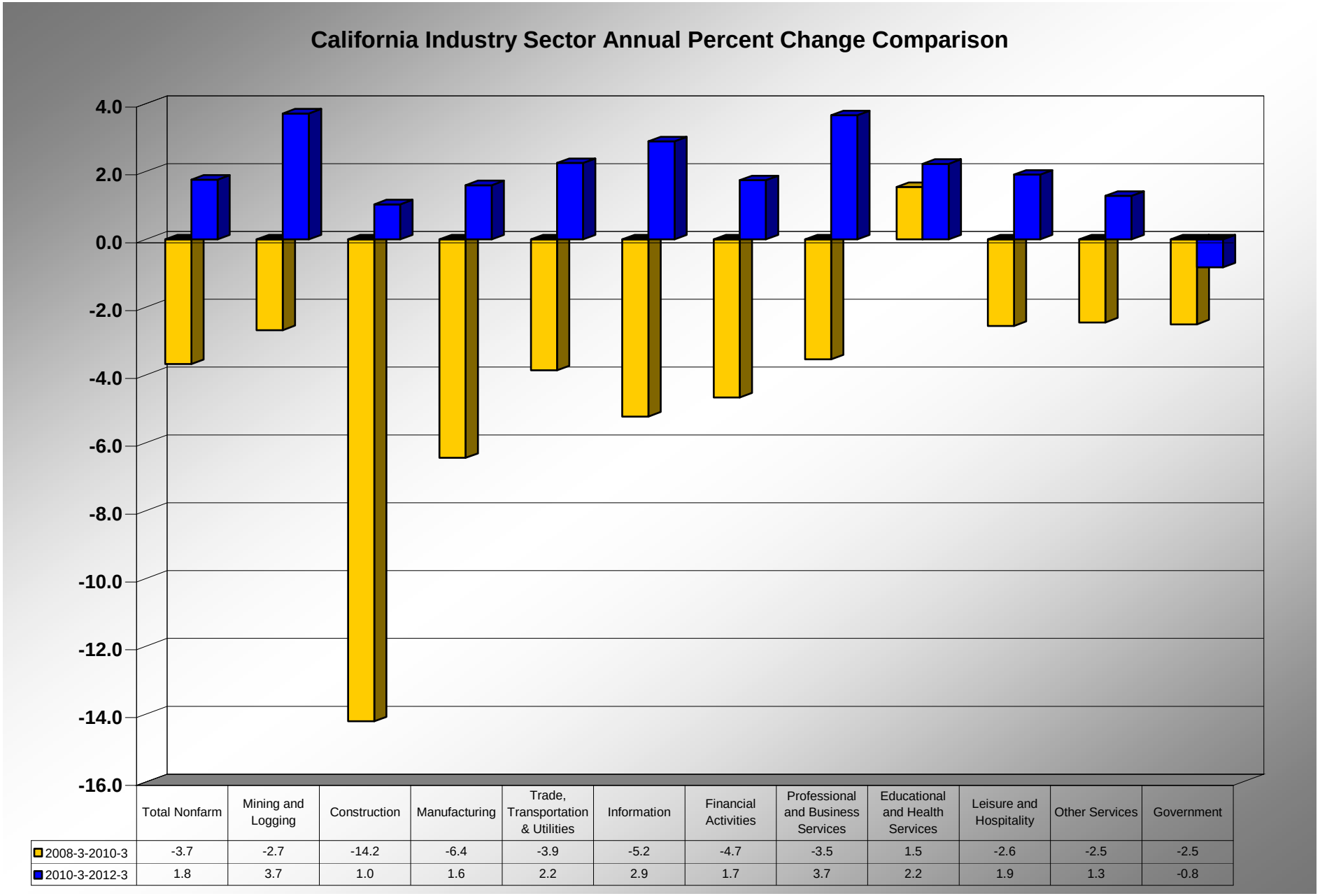
Despite the historical decline of Manufacturing in California, employment is projected to increase at a rate of 1.6 percent annually. CES data shows Manufacturing employment trending upward with a year-over job gain of 10,300 in April 2011, with more than 96 percent of that gain in Durable Goods Manufacturing. It is anticipated that a number of the jobs that were lost during the recession will return as the economy recovers, especially highly technical manufacturing jobs. Durable Goods Manufacturing is projected to grow by 28,700 jobs. Computer and Electronic Product Manufacturing is expected to add 17,700 jobs, which accounts for more than 44 percent of all projected job growth in Manufacturing. Nondurable Goods Manufacturing is projected to gain 11,500 jobs.



In June 2011, the Employment Development Department's Labor Market Information Division developed employment projections for the 2012 third quarter (July through September). The third quarter of 2010 was used as the base to develop the industry employment projections. Seasonal industries, such as farming, may be slightly higher or lower than annual average employment estimates for the same industries published elsewhere.

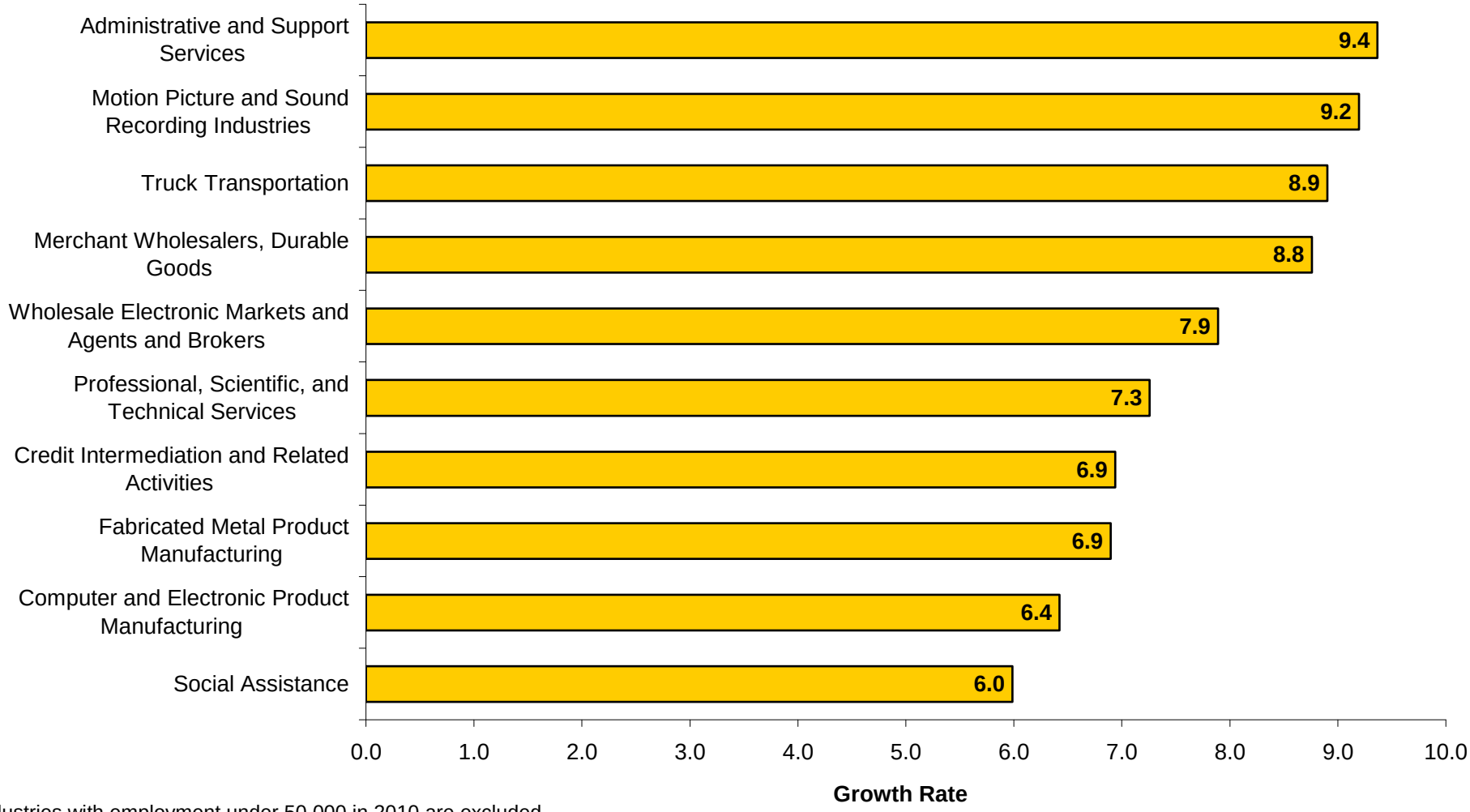
The complete 2010-2012 Industry Employment Projections are available online.

Produced by: Employment Development Department
Labor Market Information Division
Phone: (916) 262-2162



	Total Nonfarm	Mining and Logging	Construction	Manufacturing	Trade, Transportation & Utilities	Information	Financial Activities	Professional and Business Services	Educational and Health Services	Leisure and Hospitality	Other Services	Government
2008-3-2010-3	-3.7	-2.7	-14.2	-6.4	-3.9	-5.2	-4.7	-3.5	1.5	-2.6	-2.5	-2.5
2010-3-2012-3	1.8	3.7	1.0	1.6	2.2	2.9	1.7	3.7	2.2	1.9	1.3	-0.8

California
Top Ten Fastest Growing Industries
2010-2012



Industries with employment under 50,000 in 2010 are excluded.

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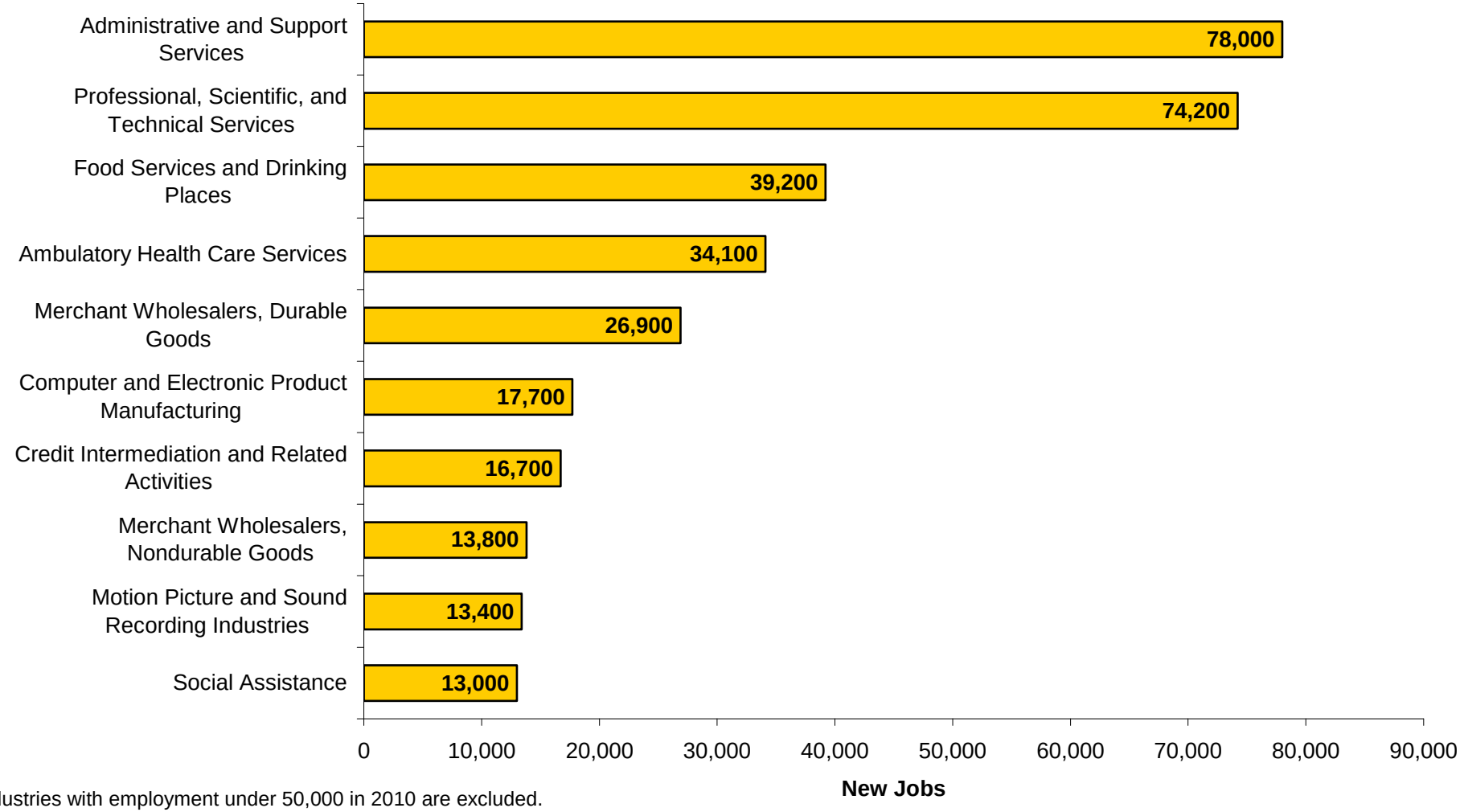

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