



## About First Research

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## The Big Picture

- ▶ **State job growth** rose 1.7% in September 2011 from a year ago; national job growth rose 1.2%
- ▶ **State unemployment** averaged 11.4% in September 2011; the national average was 9.1%.
- ▶ **Personal income** rose 6.4% to \$1.7 trillion in Q2 2011 from a year ago.
- ▶ **Tax revenue** increased 7.1% in Q2 2011 from a year ago.
- ▶ **Exports** rose 14.0% to \$99.7 billion in the first seven months of 2011 from a year ago.
- ▶ **Venture capital investment** in CA fell 7% to \$3.7 billion in Q2 2011 from a year ago.

## Employment Data

Minimum wage of \$8.00 well exceeds the \$7.25 national rate.

**California Unemployment and Job Growth Rates**  
September 2011

|                        | Unemployment Rate | Job Growth Rate |
|------------------------|-------------------|-----------------|
| <b>US</b>              | <b>9.1%</b>       | <b>1.2%</b>     |
| <b>Bakersfield</b>     | 13.7%             | 1.3%            |
| <b>Chico</b>           | 12.7%             | -0.6%           |
| <b>El Centro</b>       | 29.6%             | 0.2%            |
| <b>Fresno</b>          | 14.9%             | -1.0%           |
| <b>Hanford</b>         | 14.0%             | 1.9%            |
| <b>Los Angeles</b>     | 11.3%             | 0.9%            |
| <b>Madera</b>          | 13.1%             | -2.4%           |
| <b>Merced</b>          | 16.0%             | -0.5%           |
| <b>Modesto</b>         | 15.1%             | 0.2%            |
| <b>Napa</b>            | 8.5%              | 2.2%            |
| <b>Oxnard</b>          | 10.1%             | 1.7%            |
| <b>Redding</b>         | 13.5%             | 2.9%            |
| <b>Riverside</b>       | 13.4%             | 1.2%            |
| <b>Sacramento</b>      | 11.5%             | -0.4%           |
| <b>Salinas</b>         | 10.1%             | -0.2%           |
| <b>San Diego</b>       | 9.7%              | 1.4%            |
| <b>San Francisco</b>   | 9.2%              | 0.5%            |
| <b>San Jose</b>        | 9.6%              | 3.1%            |
| <b>San Luis Obispo</b> | 9.3%              | 1.3%            |
| <b>Santa Barbara</b>   | 8.6%              | -0.3%           |
| <b>Santa Cruz</b>      | 10.1%             | 4.6%            |
| <b>Santa Rosa</b>      | 9.4%              | -0.1%           |
| <b>Stockton</b>        | 15.4%             | 1.1%            |

**California Industry Growth Rates**  
September 2011

|                                    | Job Growth<br>Sept 10 to Sept<br>11 |
|------------------------------------|-------------------------------------|
| <b>All Employment</b>              | 1.7%                                |
| <b>Construction</b>                | 3.3%                                |
| <b>Manufacturing</b>               | 0.9%                                |
| <b>Metal Products</b>              | 0.7%                                |
| <b>Industrial Machinery</b>        | 6.6%                                |
| <b>Computers &amp; Electronics</b> | 2.9%                                |
| <b>Communications Equip.</b>       | -0.4%                               |
| <b>Semiconductors</b>              | 0.9%                                |
| <b>Avionics</b>                    | -0.3%                               |
| <b>Aerospace Products</b>          | -2.0%                               |
| <b>Furniture</b>                   | 1.6%                                |
| <b>Food Products</b>               | 1.5%                                |
| <b>Apparel</b>                     | 5.5%                                |
| <b>Paper Products</b>              | -5.4%                               |
| <b>Printing</b>                    | -0.2%                               |
| <b>Pharmaceuticals</b>             | 3.2%                                |
| <b>Plastics Products</b>           | -0.5%                               |
| <b>Wholesale Trade</b>             | 2.9%                                |
| <b>Retail Trade</b>                | 0.8%                                |
| <b>Cars &amp; Auto Parts</b>       | 1.6%                                |
| <b>Building Materials</b>          | -0.1%                               |
| <b>Food Stores</b>                 | 2.5%                                |
| <b>Clothing Stores</b>             | 1.5%                                |

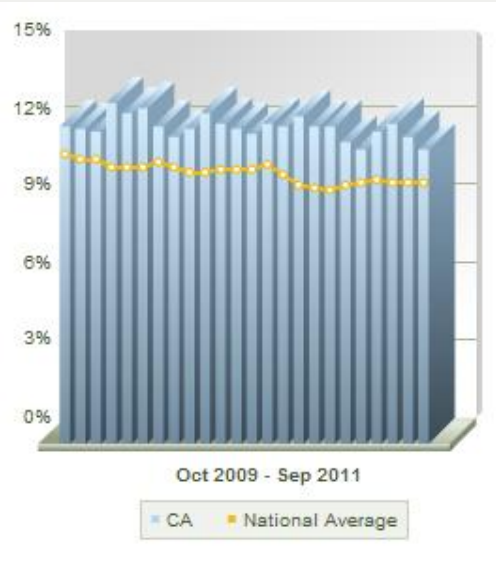
|                  |       |       |
|------------------|-------|-------|
| <b>Vallejo</b>   | 11.0% | -1.3% |
| <b>Visalia</b>   | 15.0% | 2.0%  |
| <b>Yuba City</b> | 16.5% | 2.2%  |

Source: Bureau of Labor Statistics

|                                   |       |
|-----------------------------------|-------|
| <b>Transportation, Utilities</b>  | 1.0%  |
| <b>Telecommunications</b>         | -2.7% |
| <b>Finance</b>                    | -0.9% |
| <b>Banks</b>                      | 0.1%  |
| <b>Business Services</b>          | 3.5%  |
| <b>Healthcare &amp; Education</b> | 2.2%  |
| <b>Hospitals</b>                  | 1.7%  |
| <b>Hotels</b>                     | 2.0%  |
| <b>Restaurants</b>                | 2.5%  |
| <b>Government</b>                 | 0.4%  |
| <b>Local Government</b>           | 1.2%  |

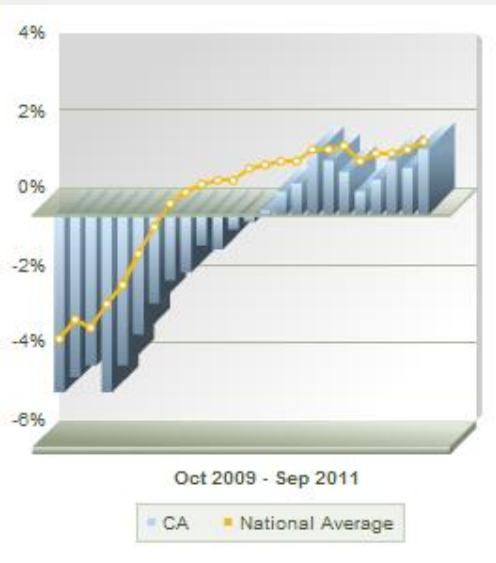
Source: Bureau of Labor Statistics

### California Unemployment Rate vs. National Average



Source: Bureau of Labor Statistics

### California Job Growth Rates vs. National Average



Source: Bureau of Labor Statistics

## Major Industry Update

## **MINING**

The CA mining industry includes about 749 companies with combined annual revenue of \$22.2 billion. The mining industry employs approximately 29,000 with an annual payroll of \$1.8 billion. Large mining sub-sectors include oil and gas extraction (valued at \$17.5 billion); nonmetallic minerals (\$2.4 billion); and support activities for the industry (\$2.2 billion). The industry contributes \$19.7 billion to California's gross state product, representing 1% of the state's total gross state product. Annual capital expenditures total \$4.5 billion. Issues impacting the mining industry include obtaining permits; safety, land, and pollution regulations; environmental lawsuits; fluctuations in commodity prices; and taxes on mined products. CA mining industry annual exports total about \$575 million. Annual labor turnover is 5.7%.

## **CONSTRUCTION & REAL ESTATE**

CA construction and real estate industries include about 123,600 companies with combined annual revenue of \$293 billion. Construction and real estate employ about 1.2 million with an annual payroll of \$56 billion. Large sub-sectors include residential construction (valued at \$50 billion); industrial (\$1.9 billion); commercial and institutional (\$44 billion); heavy and civil (\$29 billion); special trades (\$92 billion); and real estate services (\$77 billion). The construction industry contributes \$62.1 billion to California's gross state product, representing 3.3% of the state's total gross state product; the real estate industry contributes \$305 billion to California's gross state product, representing 16% of the state's total gross state product. Annual capital expenditures total \$2 billion. Issues impacting the construction and real estate industries include material, equipment, insurance, and labor costs; land planning and acquisition; environmental regulations and building codes; worker safety; cash flow and liquidity management; property obsolescence; and interest rate changes. Annual labor turnover is 11.2% in construction and 7.9% in real estate services.

## **MANUFACTURING**

The CA manufacturing industry includes about 44,300 companies with combined annual revenue of \$491 billion. Manufacturing employs about 1.4 million with an annual payroll of \$71 billion. Major manufacturing sub-sectors include computers and electronics (valued at \$85 billion); petroleum and coal products (\$77 billion); food products (\$61 billion); chemicals (\$43 billion); and transportation equipment (\$38 billion). The industry contributes \$220 billion to gross state product, representing 11.6% of California's total gross state product. Annual capital expenditures total \$15.5 billion. Issues impacting manufacturers include raw material, labor, and energy costs; foreign competition; labor, pollution, and foreign trade regulations; supplier and customer consolidation; capital equipment and facility expenses; quality control; and labor relations. CA manufacturing industry annual exports total about \$125 billion. Annual labor turnover is 5.1%.

## **WHOLESALE & RETAIL**

CA wholesale and retail industries include about 168,400 companies with combined annual revenue of \$1 trillion. Wholesale and retail industries in the state employ approximately 2.4 million with an annual payroll of \$86 billion. Large wholesale and retail sub-sectors include motor vehicle and parts wholesalers and dealers (valued at \$155 billion and \$105 billion); food and beverage stores (\$73 billion); commercial equipment wholesalers (\$98 billion). The wholesale industry contributes \$102 billion to gross state product, representing 5.3% of California's total gross state product; the retail industry contributes \$113 billion to gross state product, representing 5.9% of California's total gross state product. Issues impacting wholesale and retail industries include transportation costs, truck driver shortages, logistics, merchandising, inventory management, store advertising and promotions, consumer and business spending, interest rates, and technology use (shipment tracking, GPS, point of sale and inventory control software, and credit card processing). Annual labor turnover is 6.3% in wholesale and 8.8% in retail.

## **TRANSPORTATION & WAREHOUSING**

CA transportation and warehousing industries include about 19,000 companies with combined annual revenue of \$46 billion. Transportation and warehousing industries employ approximately 397,000 with an annual payroll of \$13.1 billion. Large sub-sectors include trucking (valued at \$18.5 billion); air transport (\$16.6 billion); support activities for transportation (\$13.7 billion); couriers and messenger (\$10.2 billion); and water transport (\$4.4 billion). The industry contributes \$44.6 billion to gross state product, representing 2.3% of California's total gross state product. Issues impacting the transportation and warehousing industry include fuel, equipment, and building costs; port traffic and shipment flows; security and freight theft; vehicle pollution regulations and maintenance; driver shortages and licensing; technology for logistics and shipment tracking. Annual labor turnover is 5.9%.

## **INFORMATION**

The CA information industry includes about 21,000 companies and employs approximately 557,000 with an annual payroll of \$48 billion. Large information industry sub-sectors include publishing (valued at \$53 billion); broadcasting (\$15 billion); data services (\$8 billion); and telecommunications. The industry contributes \$132 billion to the gross state product, representing 7% of California's total gross state product. Issues impacting the information industry include

government regulations; industry consolidation; advertising revenue; viewership and readership; business, education, and consumer spending; technology and infrastructure shifts. Annual labor turnover is 8.0%.

## **FINANCE & INSURANCE**

CA finance and insurance industries include about 54,000 companies, and employ approximately 720,000 with an annual payroll of \$57.4 billion. Large subsectors include banks and credit unions, credit intermediation, insurance carriers and agencies, securities intermediation, investment advisors, and related activities. The industry contributes \$107 billion to the gross state product, representing 5.6% of California's total gross state product. Issues impacting the finance and insurance industries include consumer income and investing, weather-related property damage claims, negotiating reimbursement costs and payments to healthcare providers, government regulations and codes, interest rates, industry consolidation, technology use, service differentiation, and client base expansion. Annual labor turnover is 6.0%.

## **PROFESSIONAL SERVICES**

The CA professional services industry includes about 100,300 companies with combined annual revenue of \$145 billion. The professional services industry employs approximately 1.2 million with an annual payroll of \$62 billion. Large professional services sub-sectors include architecture and engineering (valued at \$39 billion); computer systems design (\$36 billion); legal (\$35 billion); and accounting (\$24 billion). The industry contributes \$175 billion to the gross state product, representing 9.2% of California's total gross state product. Issues impacting the professional services industry include government regulations and codes, industry consolidation and business divestiture, corporate spending, technology use, service differentiation, client base expansion, corporate in-sourcing, and international clients servicing. Annual labor turnover is 7.9%.

## **HEALTHCARE**

The CA healthcare industry includes about 97,300 companies with combined annual revenue of \$192 billion. The healthcare industry employs approximately 1.6 million with an annual payroll of \$73 billion. The largest healthcare sub-sectors include ambulatory services (valued at \$86 billion) and hospitals (\$74 billion). The industry contributes \$125 billion to the gross state product, representing 6.6% of California's total gross state product. Issues impacting the healthcare industry include government regulation of Medicare/Medicaid, doctor/nurse shortages, medical malpractice suits, and care for uninsured patients. About 19% of CA residents lack health insurance. Annual labor turnover is 6.0%.

## **TOURISM**

The CA tourism industry includes about 99,300 companies with combined annual revenue of \$121 billion. CA tourism employs about 1.7 million with an annual payroll of \$36 billion. Large tourism sub-sectors include arts, entertainment, and recreation (valued at \$36 billion); accommodations (\$81 billion); and travel arrangement services (\$4 billion). The arts, entertainment, and recreation industry contributes \$22.9 billion to the gross state product, representing 1.2% of California's total gross state product; the accommodations and food services industry contributes \$50.6 billion to the gross state product, representing 2.7% of California's total gross state product. Issues impacting the tourism industry include visitor numbers, hotel occupancy, international visitors' needs, tourism advertising funds, visitor traffic and revenue fluctuations due to airline industry restructuring, real estate prices to buy hotels and land; and collaboration with universities to create hospitality services degrees and improve labor pool. Annual labor turnover is 11% in accommodations and food service and 9.4% in arts, entertainment, and recreation.

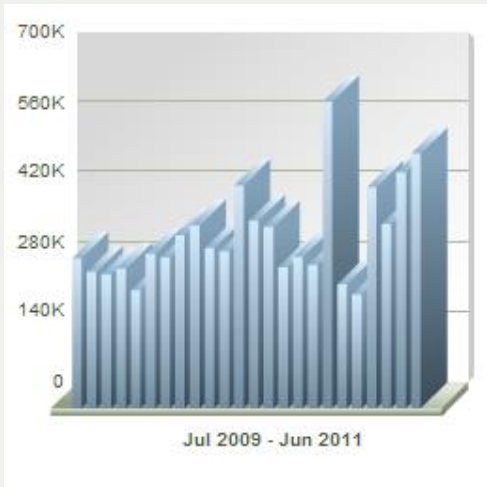
## **AGRICULTURE**

The CA agriculture industry includes 81,500 farms with combined annual revenue of \$33.9 billion, and an average per farm size of 312 acres. The vast majority of CA's farms are family or individually owned. The state is home to one-third of the nation's acreage for vegetable farming. Major crops and farm products include fruits, nuts, and berries (valued at \$11 billion); vegetables, melons, and potatoes (\$5.4 billion); dairy products (\$6.6 billion); and nursery and floriculture products (\$3.6 billion). Expenses average 80% of the agriculture industry's total income. The agriculture, forestry, fishing, and hunting industry contributes \$28.6 billion to California's gross state product, representing 1.5% of the state's total gross state product. Issues impacting the industry include volatile prices and export markets, import competition, equipment costs, animal and plant diseases and pests, droughts and water restrictions, seasonal production and breeding, and changes in government regulation, restrictions, and aid. Annual exports total about \$12.8 billion. Annual labor turnover is 19.6%.

## **Local Real Estate Summary**

**New housing permits** rose 25% in CA in Q2 2011 from a year ago. The national average rose 1%.

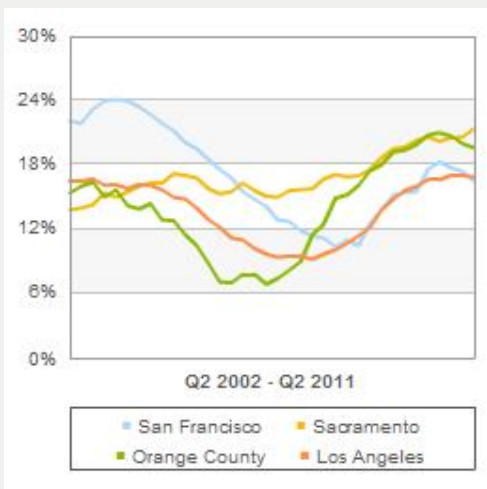
### California New Housing Permits



Source: US Bureau of Census

**Commercial vacancy** rate in Los Angeles was 16.9% in Q1 2011, Orange County 19.6%, Sacramento 21.4%, and San Francisco 16.5%.

### California Commercial Real Estate Vacancy Rate



Data provided by Grubb & Ellis. To purchase a complete report, please visit <http://www.grubb-ellis.com>.

**Home prices** fell 10% in Sacramento, 5% in Los Angeles, and 5% in San Francisco metro areas in Q2 2011 from a year ago. The national average fell 7%.

### California Annual Home Price Changes

|  | 2010 | Q1 11 | Q2 11 |
|--|------|-------|-------|
| <b>US Average</b>                                  | -3%  | -5%   | -7%   |
| <b>Bakersfield</b>                                 | -9%  | -9%   | -11%  |
| <b>Chico</b>                                       | -9%  | -5%   | -7%   |
| <b>El Centro</b>                                   | -10% | 4%    | -7%   |
| <b>Fresno</b>                                      | -12% | -9%   | -11%  |
| <b>Hanford-Corcoran</b>                            | -7%  | -6%   | -12%  |
| <b>Los Angeles-Long Beach-Glendale (MSAD)</b>      | -2%  | -4%   | -5%   |
| <b>Madera</b>                                      | -16% | -5%   | -7%   |
| <b>Merced</b>                                      | -6%  | -7%   | -4%   |
| <b>Modesto</b>                                     | -9%  | -8%   | -9%   |
| <b>Napa</b>  | -8%  | -6%   | -6%   |
| <b>Oakland-Fremont-Hayward (MSAD)</b>              | -2%  | -4%   | -7%   |
| <b>Oxnard-Thousand Oaks-Ventura</b>                | -1%  | -4%   | -6%   |
| <b>Redding</b>                                     | -12% | -10%  | -13%  |
| <b>Riverside-San Bernardino-Ontario</b>            | -4%  | -4%   | -6%   |
| <b>Sacramento-Arden-Arcade-Roseville</b>           | -8%  | -9%   | -10%  |
| <b>Salinas</b>                                     | -6%  | -8%   | -9%   |
| <b>San Diego-Carlsbad-San Marcos</b>               | -2%  | -3%   | -6%   |
| <b>San Francisco-San Mateo-Redwood City (MSAD)</b> | -2%  | -2%   | -5%   |
| <b>San Jose-Sunnyvale-Santa Clara</b>              | 0%   | -2%   | -3%   |
| <b>San Luis Obispo-Paso Robles</b>                 | -7%  | -8%   | -7%   |
| <b>Santa Ana-Anaheim-Irvine (MSAD)</b>             | 0%   | -2%   | -4%   |
| <b>Santa Barbara-Santa Maria-Goleta</b>            | -4%  | -5%   | -7%   |
| <b>Santa Cruz-Watsonville</b>                      | -5%  | -4%   | -9%   |
| <b>Santa Rosa-Petaluma</b>                         | -4%  | -6%   | -8%   |
| <b>Stockton</b>                                    | -5%  | -6%   | -9%   |

|                            |      |     |      |
|----------------------------|------|-----|------|
| <b>Vallejo-Fairfield</b>   | -7%  | -8% | -9%  |
| <b>Visalia-Porterville</b> | -10% | -8% | -10% |
| <b>Yuba City</b>           | -8%  | -6% | -11% |

Source: FHFA

## Website Resources

[State of California](http://www.ca.gov)

<http://www.ca.gov>

[California Procurement Division](http://www.pd.dgs.ca.gov/)

<http://www.pd.dgs.ca.gov/>

[California Secretary of State](http://www.ss.ca.gov)

<http://www.ss.ca.gov>

[California State Data Center at University of California](http://ucdata.berkeley.edu)

<http://ucdata.berkeley.edu>

[RAND California Page](http://www.ca.rand.org/cgi-bin/homepage.cgi)

<http://www.ca.rand.org/cgi-bin/homepage.cgi>

[California Labor Market Information](http://www.labormarketinfo.edd.ca.gov/)

<http://www.labormarketinfo.edd.ca.gov/>

[California Chamber of Commerce](http://www.calchamber.com)

<http://www.calchamber.com>

[Los Angeles Business](http://losangeles.bizjournals.com/losangeles)

<http://losangeles.bizjournals.com/losangeles>

[Sacramento Business Journal](http://sacramento.bizjournals.com/sacramento)

<http://sacramento.bizjournals.com/sacramento>

[San Francisco Business Times](http://sanfrancisco.bizjournals.com/sanfrancisco)

<http://sanfrancisco.bizjournals.com/sanfrancisco>

[San Jose Business Journal](http://sanjose.bizjournals.com/sanjose)

<http://sanjose.bizjournals.com/sanjose>

[FDIC Statistics on Banking - California](http://www2.fdic.gov/SDI/SOB/)

<http://www2.fdic.gov/SDI/SOB/>

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