

CALIFORNIA STATE ECONOMIC FORECAST

The gross state product of California is estimated at \$1.7 trillion, making it the eighth largest economy in the world. The state has a population of 37.44 million people and 15.45 million wage and salary jobs. The per capita income in California is \$37,838, and the average salary per worker is \$54,975.

In 2006, 274,200 total wage and salary jobs were created in California, representing an increase in employment of 1.8 percent. Non-farm employment, which accounts for over 97 percent of total employment in the state, added 275,100 jobs. The unemployment rate declined to 4.9 percent in 2006.

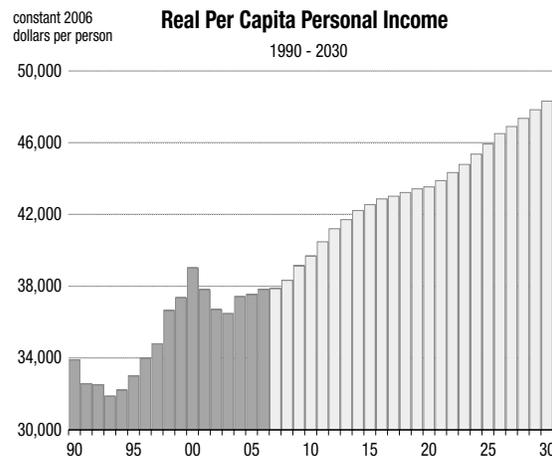
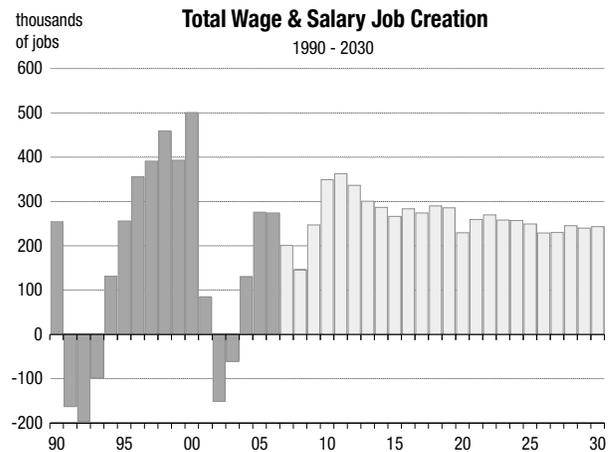
The principal sectors that are producing jobs in California are professional services, leisure services, construction, government, and healthcare and education. Professional services employment increased by 77,100, while leisure services increased by 44,200 jobs. Construction, government, and healthcare and education each grew between 30,000 and 35,000 jobs in 2006. Employment in manufacturing continued to decline, losing nearly 10,000 jobs. The information and agriculture sectors both lost less than 1,000 jobs.

The population in California grew at a rate of 1.3 percent in calendar 2006. The fastest growing major counties in the state are Riverside and Kern Counties, which increased 3.3 and 2.8 percent respectively between January 2006 and January 2007. Net migration in California was positive last year, with 145,600 migrants entering the state. All of it was foreign migration as domestic net migration exceeded 65,000 persons leaving the state.

Employment and population growth are expected to moderate over the next several years. Inland counties will dominate growth. The fastest growing areas in the state will remain the Inland Empire, the San Joaquin Valley, and to a lesser extent the Sacramento Valley.

FORECAST HIGHLIGHTS

- Job growth averages 1.3 percent in 2007. Over the next five years, a 1.6 percent average annual growth rate is forecast. Non-farm employment increases by an average of 1.7 percent over the same period.
- Average salaries adjusted for inflation are forecast to decline slightly in 2007. Inflation adjusted salaries are expected to rise an average of 0.3 percent per year over the next 5 years.
- The population in the state will grow, but at a slower rate than the last several years. Annual growth in the 2007 to 2011 period averages 1.1 percent per year.
- Net migration is forecast at 100,600 people in 2007. Over the next five years net migration is expected to average 98,000 net migrants per year.

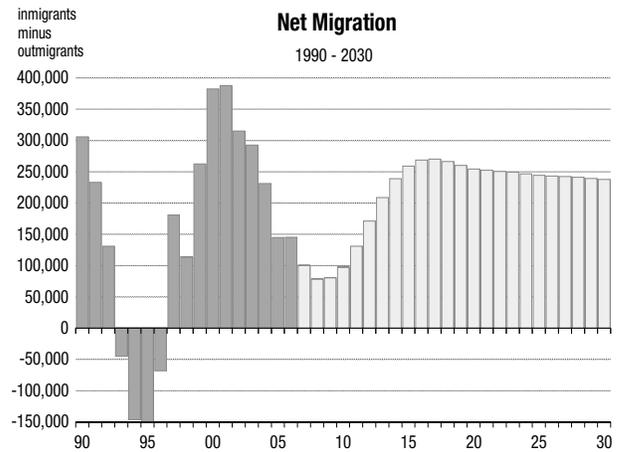
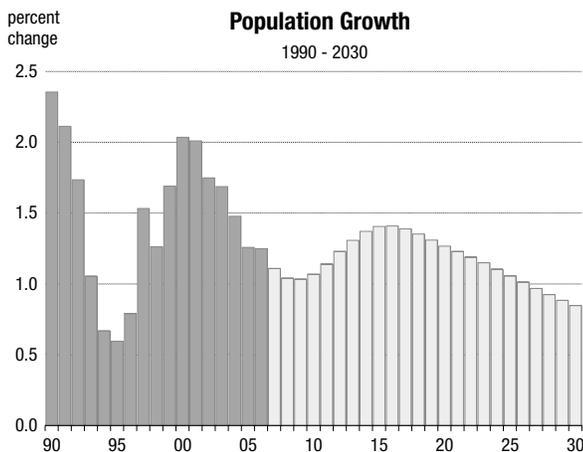


- Between 2007 and 2011, the momentum for employment growth is in professional services, government, wholesale and retail trade, and healthcare and education. These sectors account for 76 percent of all jobs created in the state over the next five years.
- Real per capita income is forecast to increase 0.1 percent in 2007. Over the next five years real per capita incomes are expected to rise an average of 1.4 percent per year.
- Total taxable sales, adjusted for inflation, are forecast to rise 0.6 percent in 2007. Over the next five years real taxable sales are forecast to increase 2.4 percent per year.
- Industrial production is forecast to increase 4.8 percent in 2007. Over the next five years the growth rate of industrial production will average 4.6 percent per year. Total crop production, adjusted for inflation, is expected to decline an average of 1.9 percent per year between 2007 and 2011.

California State Economic Forecast

1997-2006 History, 2007-2030 Forecast

	Population (millions)	Net Migration (people)	Registered Vehicles (millions)	Households (millions)	New Homes Permitted (thousands)	Total Taxable Sales (billions)	Personal Income (billions)	Real Per Capita Income (dollars)	Inflation Rate (% change in CPI)	Real Farm Crop Value (billions)	Real Industrial Production (billions)	Unemploy- ment Rate (percent)
1997	32.45	181.1	25.4	11.0	111.7	\$340.9	\$860.5	\$34,801	2.2	34.1	220.3	6.4
1998	32.86	114.2	27.1	11.1	125.7	\$362.8	\$936.0	\$36,646	2.0	30.9	231.0	6.0
1999	33.42	262.5	27.8	11.2	140.1	\$404.1	\$999.2	\$37,371	2.9	31.6	245.0	5.3
2000	34.10	382.7	29.1	11.5	148.5	\$455.7	\$1,103.8	\$39,023	3.7	30.9	270.4	4.9
2001	34.78	388.0	29.7	11.6	148.8	\$461.3	\$1,135.3	\$37,817	4.0	30.6	231.3	5.4
2002	35.39	315.2	30.4	11.7	167.8	\$457.3	\$1,147.7	\$36,699	2.4	30.9	222.5	6.7
2003	35.99	293.0	30.5	11.9	195.7	\$474.8	\$1,187.0	\$36,477	2.3	31.9	231.5	6.8
2004	36.52	231.4	32.8	12.0	213.0	\$508.7	\$1,268.0	\$37,414	2.6	34.4	238.6	6.2
2005	36.98	145.2	32.8	12.2	209.0	\$537.7	\$1,335.4	\$37,541	3.6	33.3	240.8	5.4
2006	37.44	145.6	33.3	12.4	164.3	\$569.1	\$1,416.8	\$37,838	4.0	33.7	245.6	4.9
2007	37.86	100.6	34.2	12.5	124.5	\$589.1	\$1,478.1	\$37,890	3.0	32.1	257.5	5.2
2008	38.25	79.1	34.7	12.6	132.4	\$617.4	\$1,541.1	\$38,343	2.0	30.9	269.4	5.5
2009	38.65	80.7	35.1	12.7	148.7	\$651.5	\$1,621.1	\$39,145	2.0	31.6	281.8	5.4
2010	39.06	97.8	35.6	12.9	155.9	\$684.2	\$1,702.2	\$39,682	2.5	31.6	294.8	5.3
2011	39.51	131.4	36.3	13.0	154.1	\$718.4	\$1,796.8	\$40,483	2.3	30.6	307.9	5.4
2012	39.99	171.6	37.0	13.2	155.8	\$756.2	\$1,891.4	\$41,205	2.2	30.4	320.1	5.5
2013	40.52	208.9	37.6	13.3	153.1	\$794.8	\$1,984.1	\$41,720	2.3	30.5	332.7	5.6
2014	41.07	239.2	38.2	13.4	151.6	\$835.4	\$2,082.1	\$42,228	2.3	30.0	345.3	5.7
2015	41.65	259.3	38.7	13.6	150.5	\$878.4	\$2,180.9	\$42,554	2.5	29.7	356.8	5.7
2016	42.24	269.0	39.3	13.7	147.8	\$923.9	\$2,285.8	\$42,865	2.6	29.4	369.8	5.8
2017	42.82	270.5	39.8	13.9	146.2	\$971.5	\$2,387.1	\$43,018	2.6	28.2	382.5	5.8
2018	43.40	266.7	40.4	14.0	147.3	\$1,020.6	\$2,490.8	\$43,224	2.5	28.0	397.8	5.8
2019	43.97	260.5	41.0	14.1	147.9	\$1,072.2	\$2,598.5	\$43,435	2.5	27.7	412.1	5.7
2020	44.53	254.7	41.5	14.3	147.6	\$1,125.3	\$2,701.3	\$43,535	2.4	27.2	425.4	5.7
2021	45.08	252.6	42.0	14.4	145.2	\$1,179.2	\$2,822.6	\$43,891	2.4	26.2	436.4	5.6
2022	45.61	250.8	42.5	14.5	144.9	\$1,232.0	\$2,956.6	\$44,342	2.5	26.1	443.9	5.6
2023	46.14	249.6	43.0	14.7	144.7	\$1,285.9	\$3,093.6	\$44,796	2.4	25.2	453.1	5.7
2024	46.65	246.9	43.6	14.8	142.2	\$1,345.9	\$3,238.4	\$45,364	2.2	25.3	463.5	5.7
2025	47.14	244.6	44.1	14.9	142.2	\$1,412.0	\$3,389.6	\$45,926	2.3	24.9	472.7	5.6
2026	47.62	243.6	44.6	15.0	141.0	\$1,475.9	\$3,548.4	\$46,501	2.4	24.5	480.9	5.6
2027	48.08	242.4	45.1	15.2	143.2	\$1,542.4	\$3,700.6	\$46,900	2.4	24.1	487.3	5.6
2028	48.53	241.3	45.5	15.3	143.1	\$1,612.6	\$3,870.4	\$47,364	2.6	23.3	496.6	5.6
2029	48.95	239.6	46.0	15.4	141.2	\$1,686.3	\$4,045.9	\$47,836	2.6	23.2	507.0	5.6
2030	49.37	237.9	46.5	15.6	139.8	\$1,760.9	\$4,226.3	\$48,326	2.5	22.8	517.0	5.6



California State Employment Forecast

1997-2006 History, 2007-2030 Forecast

	Total Wage & Salary	Farm	Construction	Manufacturing	Transportation & Utilities	Wholesale & Retail Trade	Financial Activities	Professional Services	Information	Health & Education	Leisure	Government
-----employment (thousands of jobs)-----												
1997	13,543	413	556	1,833	479	2,042	751	1,862	463	1,294	1,238	2,141
1998	14,002	406	616	1,864	498	2,092	786	2,007	484	1,332	1,265	2,166
1999	14,396	404	685	1,837	509	2,142	805	2,086	518	1,371	1,299	2,239
2000	14,897	408	733	1,864	518	2,210	807	2,211	577	1,401	1,336	2,318
2001	14,982	380	780	1,791	514	2,235	836	2,174	552	1,448	1,365	2,382
2002	14,831	373	774	1,644	491	2,234	853	2,106	497	1,499	1,382	2,447
2003	14,770	377	797	1,554	481	2,238	886	2,072	476	1,536	1,400	2,426
2004	14,900	369	850	1,533	483	2,273	902	2,085	482	1,560	1,439	2,396
2005	15,176	378	905	1,514	487	2,335	927	2,148	474	1,586	1,475	2,417
2006	15,450	377	939	1,504	496	2,378	941	2,225	473	1,618	1,519	2,447
2007	15,651	379	915	1,508	504	2,408	943	2,291	473	1,650	1,557	2,482
2008	15,797	381	869	1,511	509	2,446	951	2,333	478	1,684	1,582	2,506
2009	16,045	380	881	1,515	516	2,497	962	2,395	483	1,720	1,613	2,529
2010	16,394	382	883	1,517	533	2,553	973	2,488	504	1,771	1,636	2,585
2011	16,757	381	884	1,529	550	2,610	984	2,599	523	1,822	1,661	2,633
2012	17,094	384	886	1,532	564	2,662	996	2,712	540	1,866	1,685	2,677
2013	17,394	380	890	1,531	577	2,715	1,008	2,809	555	1,907	1,706	2,716
2014	17,681	385	896	1,523	590	2,765	1,020	2,891	566	1,949	1,729	2,752
2015	17,948	382	904	1,513	604	2,816	1,033	2,959	577	1,992	1,755	2,789
2016	18,232	388	915	1,521	618	2,871	1,047	3,003	588	2,036	1,782	2,826
2017	18,506	386	924	1,521	631	2,927	1,064	3,048	600	2,081	1,811	2,865
2018	18,797	385	932	1,523	648	2,982	1,076	3,090	612	2,137	1,836	2,912
2019	19,082	384	936	1,522	665	3,037	1,087	3,134	622	2,199	1,854	2,961
2020	19,312	382	934	1,508	681	3,089	1,098	3,177	631	2,254	1,862	3,001
2021	19,572	386	932	1,499	697	3,148	1,109	3,221	639	2,313	1,873	3,043
2022	19,841	388	932	1,492	714	3,206	1,121	3,266	647	2,379	1,885	3,081
2023	20,100	385	937	1,487	731	3,260	1,133	3,308	656	2,443	1,894	3,120
2024	20,357	387	946	1,484	747	3,310	1,146	3,351	664	2,502	1,901	3,155
2025	20,607	391	955	1,482	761	3,362	1,160	3,394	672	2,555	1,908	3,190
2026	20,836	389	963	1,481	774	3,408	1,173	3,437	680	2,605	1,918	3,220
2027	21,066	390	975	1,480	784	3,445	1,186	3,484	688	2,653	1,928	3,253
2028	21,312	393	988	1,482	796	3,490	1,200	3,525	697	2,699	1,941	3,286
2029	21,552	391	1,001	1,483	809	3,536	1,213	3,562	707	2,746	1,955	3,318
2030	21,795	392	1,014	1,485	821	3,582	1,226	3,600	714	2,793	1,969	3,351

