

CALIFORNIA STATE ECONOMIC FORECAST

The gross state product of California is estimated at \$1.5 trillion in 2006, making it the eighth largest economy in the world. The state has a population of 37.0 million people and 15.2 million wage and salary jobs. The per capita income in California is \$35,800, and the average salary per worker is \$52,500.

In 2005, 261,300 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 254,850 jobs. The unemployment rate declined to 5.4 percent in 2005.

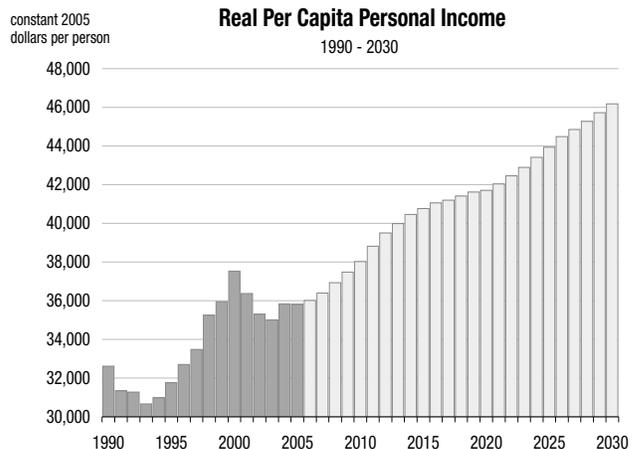
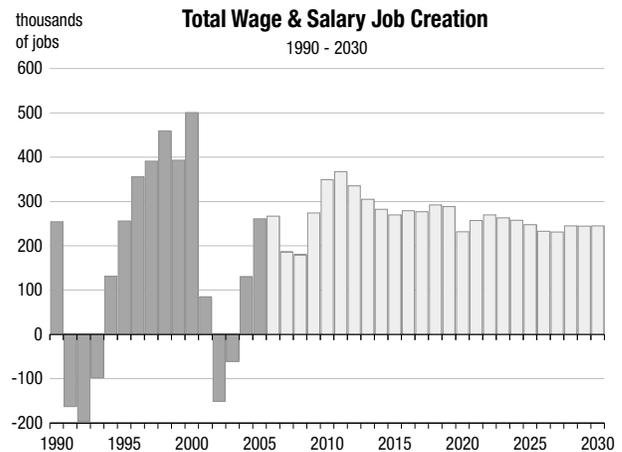
The principal sectors that are producing jobs in California are construction, retail trade, leisure services and professional services. Construction employment increased by 51,400, while professional services increased by 62,600 jobs. Retail trade and leisure services each grew by about 35,000 jobs. Employment in the manufacturing and information technologies sectors declined significantly in 2005. Manufacturing industries lost 20,400 jobs, and employment in information technologies declined by 7,300 jobs.

The population in California grew at a rate of 1.2 percent in calendar 2005. The fastest growing major counties in the state are Riverside and Kern Counties, which increased 3.4 and 2.9 percent respectively between January 2005 and January 2006. Net migration in California was positive last year, with 178,700 migrants entering the state. All of it was foreign migration as domestic net migration declined by 28,600 persons.

Employment and population growth are expected to moderate slightly 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 the Sacramento Valley.

FORECAST HIGHLIGHTS

- Job growth averages 1.8 percent in 2006. Over the next five years, a 1.6 percent average annual growth rate is forecast. Non-farm employment also increases by an average of 1.6 percent over the same period.
- Average salaries adjusted for inflation are forecast to remain unchanged in 2006. 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 2006 to 2010 period averages 1.1 percent per year.
- Net migration is forecast at 143,000 people in 2006. Over the next five years net migration is expected to average 108,000 net migrants per year.

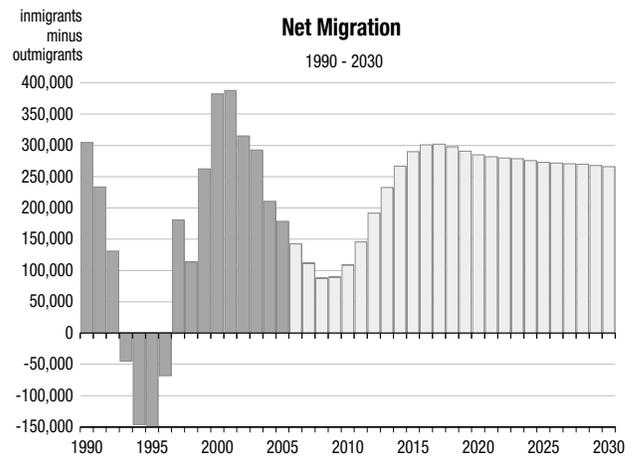
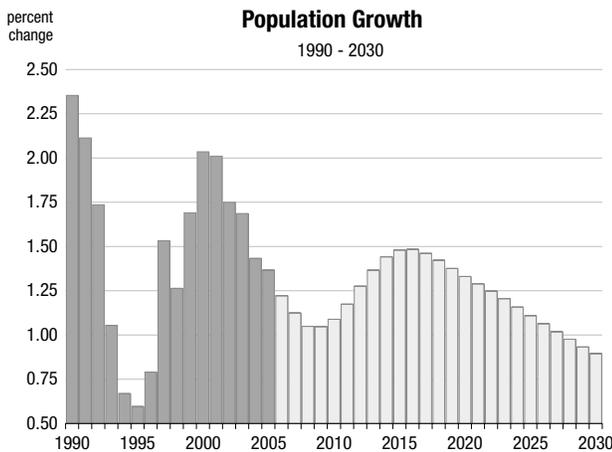


- Between 2006 and 2010, the momentum for employment growth is in professional services, government, wholesale and retail trade, and healthcare and education. These sectors account for 77 percent of all jobs created in the state over the next five years.
- Real per capita income is forecast to increase 0.6 percent in 2006. Over the next five years real per capita incomes are expected to rise an average of 1.2 percent per year.
- Total taxable sales, adjusted for inflation, are forecast to rise 5.2 percent in 2006. Over the next five years real taxable sales are forecast to increase 4.8 percent per year.
- Industrial production is forecast to increase 1.8 percent in 2006. Over the next five years the growth rate of industrial production will average 2.1 percent per year. Total crop production, adjusted for inflation, is expected to decline an average of 1.5 percent per year between 2006 and 2010.

California State Economic Forecast

1997-2005 History, 2006-2030 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	181,055	25.4	11.0	111.7	\$341	\$861	\$33,473	2.2	32.8	208.6	6.4
1998	32.86	114,227	27.1	11.1	125.7	\$359	\$936	\$35,248	2.0	29.7	224.6	6.0
1999	33.42	262,514	27.8	11.2	140.1	\$395	\$999	\$35,946	2.9	30.4	241.3	5.3
2000	34.10	382,650	29.1	11.5	148.5	\$442	\$1,104	\$37,535	3.7	29.7	269.1	4.9
2001	34.78	387,984	29.7	11.6	148.8	\$442	\$1,135	\$36,374	4.0	29.4	228.3	5.4
2002	35.39	315,239	30.4	11.7	167.8	\$441	\$1,148	\$35,299	2.4	29.7	228.6	6.7
2003	35.99	292,899	30.5	11.9	195.7	\$460	\$1,184	\$35,004	2.3	30.7	240.8	6.8
2004	36.51	210,991	32.8	12.0	213.0	\$500	\$1,262	\$35,840	2.6	33.0	258.2	6.2
2005	37.00	178,676	32.8	12.2	209.0	\$538	\$1,325	\$35,804	3.6	32.0	265.9	5.4
2006	37.46	142,984	33.7	12.4	179.1	\$566	\$1,402	\$36,014	4.0	30.3	270.7	4.9
2007	37.88	111,985	34.3	12.5	160.4	\$589	\$1,466	\$36,401	2.3	30.7	275.9	5.1
2008	38.28	87,986	34.6	12.7	142.4	\$617	\$1,532	\$36,926	1.9	29.6	281.9	5.6
2009	38.68	89,986	35.1	12.8	156.9	\$647	\$1,602	\$37,477	2.0	30.2	288.4	5.9
2010	39.10	108,985	35.6	12.9	164.2	\$679	\$1,684	\$38,024	2.5	30.2	295.2	5.9
2011	39.56	145,983	36.3	13.1	163.4	\$713	\$1,780	\$38,817	2.3	29.3	306.6	5.9
2012	40.06	191,982	36.9	13.2	165.4	\$750	\$1,874	\$39,502	2.2	29.1	319.1	6.2
2013	40.61	232,980	37.5	13.4	162.7	\$788	\$1,967	\$39,991	2.3	29.2	331.6	6.3
2014	41.20	266,979	38.1	13.5	161.1	\$827	\$2,064	\$40,458	2.3	28.7	344.0	6.3
2015	41.81	289,978	38.7	13.7	159.9	\$869	\$2,163	\$40,765	2.5	28.5	355.3	6.4
2016	42.43	300,977	39.2	13.8	157.2	\$914	\$2,268	\$41,052	2.6	28.1	368.0	6.4
2017	43.05	301,977	39.8	14.0	155.4	\$960	\$2,371	\$41,200	2.6	27.0	379.1	6.4
2018	43.66	297,977	40.4	14.1	156.7	\$1,008	\$2,476	\$41,408	2.5	26.8	393.6	6.4
2019	44.26	290,978	40.9	14.3	157.3	\$1,059	\$2,585	\$41,620	2.5	26.5	406.4	6.4
2020	44.85	284,978	41.4	14.4	157.1	\$1,111	\$2,689	\$41,711	2.4	26.1	416.5	6.3
2021	45.43	281,978	41.9	14.5	154.6	\$1,163	\$2,810	\$42,032	2.4	25.1	423.7	6.2
2022	46.00	279,978	42.4	14.7	154.3	\$1,214	\$2,945	\$42,455	2.5	25.0	425.0	6.3
2023	46.55	278,978	43.0	14.8	153.8	\$1,267	\$3,083	\$42,888	2.4	24.1	424.2	6.3
2024	47.09	275,978	43.5	15.0	151.3	\$1,325	\$3,228	\$43,418	2.2	24.2	417.9	6.3
2025	47.61	272,978	44.0	15.1	151.2	\$1,390	\$3,379	\$43,943	2.3	23.9	409.3	6.3
2026	48.12	271,978	44.5	15.2	150.0	\$1,452	\$3,538	\$44,480	2.4	23.5	408.1	6.2
2027	48.61	270,978	45.0	15.4	152.3	\$1,516	\$3,691	\$44,848	2.4	23.1	406.7	6.2
2028	49.08	269,978	45.5	15.5	152.3	\$1,584	\$3,861	\$45,278	2.6	22.3	410.6	6.2
2029	49.54	267,979	45.9	15.6	150.4	\$1,656	\$4,037	\$45,721	2.6	22.2	415.5	6.2
2030	49.99	265,979	46.4	15.8	148.8	\$1,728	\$4,218	\$46,178	2.5	21.8	417.3	6.2



California State Employment Forecast

1997-2005 History, 2006-2030 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	555	1,825	478	2,038	744	1,889	462	1,292	1,236	2,141
1998	14,002	406	614	1,857	497	2,088	774	2,037	483	1,330	1,263	2,166
1999	14,396	404	683	1,830	508	2,137	793	2,119	517	1,368	1,297	2,239
2000	14,897	408	731	1,857	517	2,204	795	2,246	575	1,398	1,333	2,318
2001	14,982	380	779	1,786	514	2,233	835	2,186	551	1,447	1,364	2,382
2002	14,831	373	774	1,638	491	2,234	853	2,114	497	1,499	1,382	2,447
2003	14,770	377	796	1,548	481	2,237	886	2,080	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	15,161	376	902	1,513	487	2,327	927	2,148	475	1,584	1,474	2,414
2006	15,428	386	936	1,490	493	2,362	946	2,216	472	1,618	1,517	2,449
2007	15,614	386	905	1,496	494	2,396	955	2,265	482	1,654	1,542	2,489
2008	15,794	386	855	1,503	497	2,437	962	2,315	493	1,692	1,570	2,526
2009	16,069	387	840	1,506	511	2,486	971	2,374	511	1,745	1,588	2,581
2010	16,418	387	843	1,508	528	2,542	982	2,466	532	1,799	1,612	2,637
2011	16,786	388	844	1,522	544	2,599	993	2,576	552	1,852	1,636	2,687
2012	17,121	388	846	1,524	558	2,651	1,004	2,687	569	1,897	1,659	2,731
2013	17,426	388	850	1,523	571	2,703	1,016	2,783	584	1,940	1,681	2,771
2014	17,709	388	856	1,515	584	2,754	1,028	2,865	596	1,984	1,703	2,808
2015	17,979	388	864	1,503	598	2,804	1,041	2,932	607	2,028	1,728	2,846
2016	18,258	388	876	1,512	611	2,859	1,054	2,976	619	2,074	1,755	2,884
2017	18,536	387	885	1,512	625	2,915	1,070	3,020	631	2,120	1,783	2,924
2018	18,829	386	893	1,514	641	2,970	1,082	3,061	644	2,179	1,809	2,971
2019	19,117	385	897	1,513	658	3,024	1,093	3,105	654	2,244	1,826	3,021
2020	19,349	385	894	1,498	674	3,076	1,103	3,147	663	2,301	1,834	3,062
2021	19,606	385	893	1,488	689	3,135	1,114	3,191	672	2,362	1,845	3,105
2022	19,877	385	893	1,480	707	3,193	1,125	3,235	680	2,431	1,857	3,144
2023	20,140	385	898	1,475	723	3,246	1,138	3,277	689	2,497	1,865	3,183
2024	20,398	385	907	1,471	739	3,296	1,150	3,320	697	2,559	1,872	3,220
2025	20,646	385	916	1,469	753	3,347	1,163	3,362	705	2,614	1,880	3,255
2026	20,879	386	924	1,467	765	3,393	1,176	3,405	713	2,666	1,889	3,286
2027	21,110	386	936	1,467	776	3,431	1,189	3,451	722	2,715	1,899	3,320
2028	21,356	386	950	1,468	788	3,475	1,202	3,492	731	2,764	1,911	3,353
2029	21,600	386	963	1,470	800	3,521	1,215	3,528	741	2,812	1,925	3,386
2030	21,845	386	976	1,472	813	3,567	1,228	3,565	749	2,862	1,939	3,420

