

# CALIFORNIA ECONOMIC FORECAST

The state's official population in 2009 was 38.5 million people, and as of December 2009, total wage and salary employment stood at 14.57 million wage and salary jobs. California accounts for 12.6 percent of the U.S. population and 11.3 percent of the nation's wage and salary employment. The per capita income in California is \$39,600, and the average salary per worker is \$57,566.

In 2009, 670,433 total wage and salary jobs were lost in California, representing a decline in employment of 4.4 percent. Farm employment, which accounts for less than 3 percent of total employment in the state, declined by 1,630 jobs or 0.4 percent. The unemployment rate increased to an annualized rate of 11.7 percent in 2009. Between December 2007 and December 2009, the state lost 1.1 million jobs, a 7.1 percent decline in the workforce.

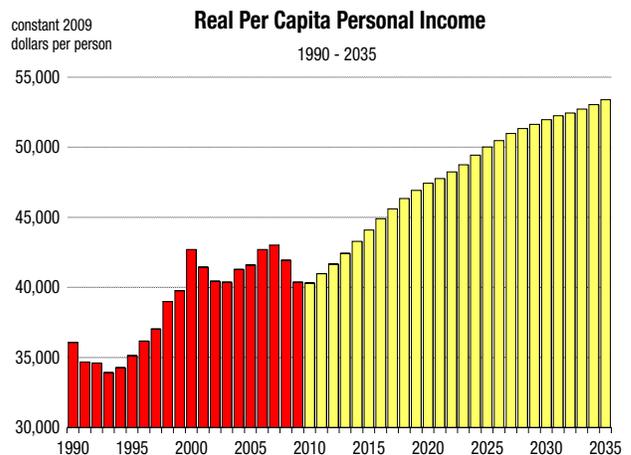
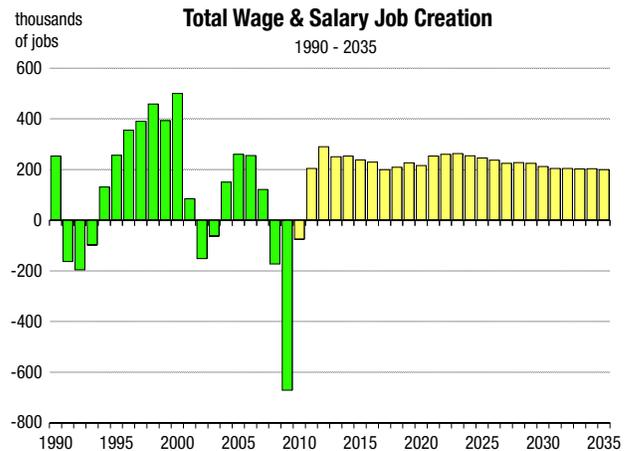
The only sector with net job creation during 2009 was education and healthcare, which increased by 23,600 jobs or 1.4 percent. The largest employment losses were in the construction (-140,000 jobs), manufacturing (-112,500 jobs), professional services (-110,930 jobs), and retail trade (-105,750 jobs) sectors. 2009 was the ninth straight year of declining manufacturing employment; the sector has lost more than half a million jobs since 1999.

The population in California grew at a rate of 0.9 percent in 2009. The fastest growing county in the state was Imperial, which grew by 2.0 percent, followed by Placer and Kern, which both increased by 1.6 percent. There were 10 counties that lost population during 2009. Despite the weak economy, net migration in California was still positive last year, with 37,600 migrants entering the state.

Population growth is expected to be moderate over the next several years, while employment growth will resume in 2011. Inland counties will dominate growth. The fastest growing areas in the state will be the Inland Empire, the San Joaquin Valley, and the Sacramento Valley.

## FORECAST HIGHLIGHTS

- Job growth remains negative in 2010 at -0.5 percent. Between 2010 and 2015, 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, while farm employment remains unchanged.
- Average salaries adjusted for inflation are forecast to increase 2.1 percent in 2010. Inflation adjusted salaries are expected to rise an average of 1.0 percent per year from 2010 to 2015.
- Between 2010 and 2015, the principle job creation occurs primarily in healthcare and education, professional services, retail trade, and leisure activities. These sectors account for 62 percent of all jobs created in the state over this time period.

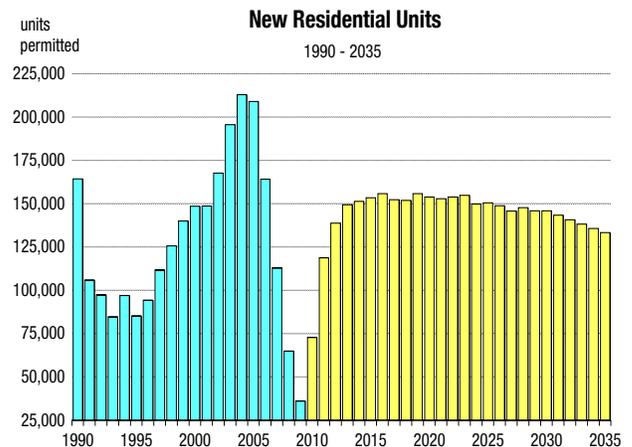
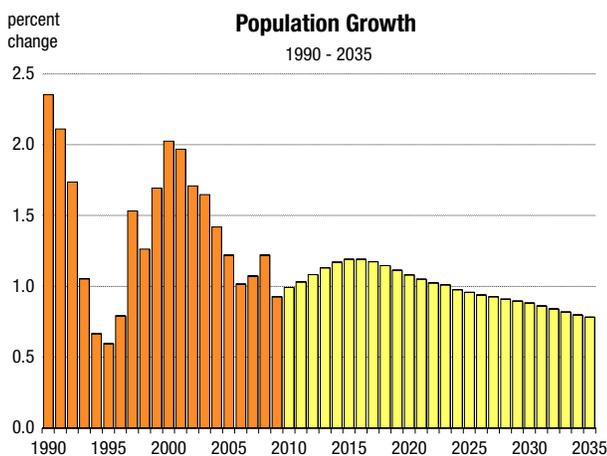


- The population in the state will grow, but at a slower rate than in the past. Annual growth in the 2010 to 2015 period averages 1.1 percent per year.
- Net migration is forecast at 67,566 people in 2010. Over the next five years net migration is expected to average 136,400 net migrants per year.
- Real per capita income is forecast to decline 0.3 percent in 2010. Between 2010 and 2015 real per capita incomes are expected to rise an average of 1.8 percent per year.
- Total taxable sales, adjusted for inflation, are forecast to increase 1.3 percent in 2010. From 2010 to 2015 real taxable sales are forecast to increase by an average of 3.6 percent per year.
- Industrial production is forecast to increase 1.2 percent in 2010. Between 2010 and 2015 the growth rate of industrial production will average 2.9 percent per year. Total crop production, adjusted for inflation, is expected to rise an average of 0.7 percent per year between 2010 and 2015.

# California Economic Forecast

## 2002-2009 History, 2010-2035 Forecast

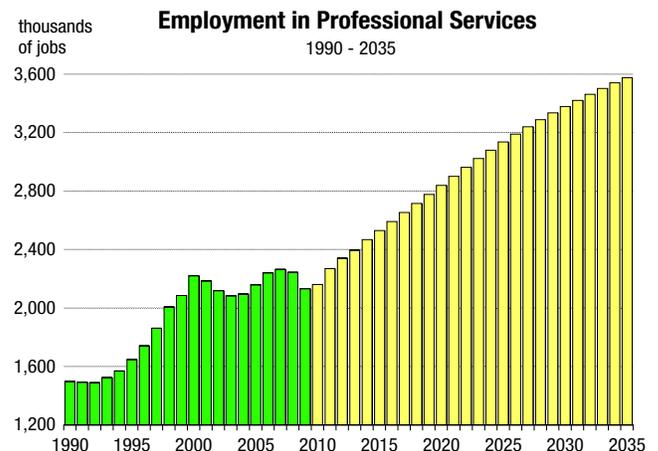
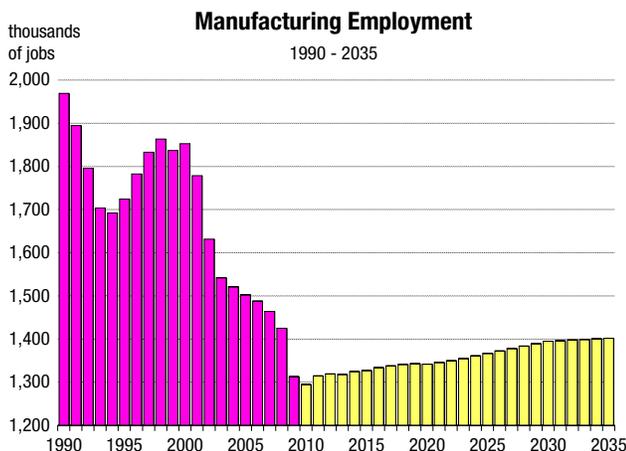
|      | Population<br>(millions) | Net<br>Migration<br>(thousands) | Registered<br>Vehicles<br>(millions) | Households<br>(millions) | New Homes<br>Permitted<br>(thousands) | Total Taxable<br>Sales<br>(billions) | Personal<br>Income<br>(billions) | Real Per<br>Capita Income<br>(dollars) | Inflation Rate<br>(% change<br>in CPI) | Real Farm<br>Crop Value<br>(billions) | Real Industrial<br>Production<br>(billions) | Unemploy-<br>ment Rate<br>(percent) |
|------|--------------------------|---------------------------------|--------------------------------------|--------------------------|---------------------------------------|--------------------------------------|----------------------------------|--|--|---------------------------------------|---|-------------------------------------|
| 2002 | 35.36                    | 301.1                           | 30.4                                 | 11.7                     | 167.8                                 | \$456.6                              | \$1,188.8                        | \$39,086                               | 1.6                                    | 32.9                                  | 238.6                                       | 6.7                                 |
| 2003 | 35.94                    | 278.9                           | 30.5                                 | 11.9                     | 195.7                                 | \$474.0                              | \$1,223.6                        | \$38,866                               | 1.8                                    | 33.9                                  | 239.7                                       | 6.8                                 |
| 2004 | 36.45                    | 209.7                           | 32.8                                 | 12.0                     | 213.0                                 | \$507.9                              | \$1,286.2                        | \$39,823                               | 1.2                                    | 36.3                                  | 247.7                                       | 6.2                                 |
| 2005 | 36.90                    | 128.8                           | 32.8                                 | 12.2                     | 209.0                                 | \$536.1                              | \$1,342.1                        | \$40,261                               | 2.0                                    | 36.5                                  | 260.5                                       | 5.4                                 |
| 2006 | 37.27                    | 61.2                            | 33.3                                 | 12.4                     | 164.3                                 | \$555.3                              | \$1,434.7                        | \$41,282                               | 3.2                                    | 34.2                                  | 276.2                                       | 4.9                                 |
| 2007 | 37.67                    | 69.9                            | 33.0                                 | 12.5                     | 113.0                                 | \$558.0                              | \$1,511.9                        | \$41,613                               | 3.4                                    | 37.7                                  | 275.7                                       | 5.4                                 |
| 2008 | 38.13                    | 127.4                           | 33.2                                 | 12.7                     | 65.0                                  | \$526.3                              | \$1,547.0                        | \$40,859                               | 3.0                                    | 37.2                                  | 276.8                                       | 7.2                                 |
| 2009 | 38.49                    | 37.6                            | 32.9                                 | 12.7                     | 36.2                                  | \$514.6                              | \$1,524.1                        | \$39,600                               | 0.7                                    | 37.9                                  | 265.8                                       | 11.7                                |
| 2010 | 38.87                    | 67.6                            | 32.8                                 | 12.8                     | 73.0                                  | \$531.7                              | \$1,564.8                        | \$39,473                               | 2.0                                    | 38.5                                  | 268.9                                       | 12.0                                |
| 2011 | 39.27                    | 92.7                            | 33.1                                 | 12.8                     | 118.9                                 | \$554.2                              | \$1,646.2                        | \$40,098                               | 2.5                                    | 39.2                                  | 276.3                                       | 10.8                                |
| 2012 | 39.70                    | 117.6                           | 33.7                                 | 12.9                     | 138.9                                 | \$587.4                              | \$1,726.8                        | \$40,752                               | 2.1                                    | 39.5                                  | 285.9                                       | 9.1                                 |
| 2013 | 40.15                    | 140.7                           | 34.2                                 | 13.1                     | 149.5                                 | \$624.4                              | \$1,816.8                        | \$41,487                               | 2.2                                    | 39.8                                  | 294.1                                       | 8.3                                 |
| 2014 | 40.62                    | 159.5                           | 34.8                                 | 13.2                     | 151.4                                 | \$664.3                              | \$1,914.1                        | \$42,306                               | 2.1                                    | 39.9                                  | 302.2                                       | 7.4                                 |
| 2015 | 41.10                    | 171.9                           | 35.2                                 | 13.3                     | 153.5                                 | \$706.7                              | \$2,015.4                        | \$43,076                               | 2.2                                    | 39.8                                  | 310.7                                       | 6.9                                 |
| 2016 | 41.59                    | 178.0                           | 35.7                                 | 13.5                     | 155.9                                 | \$750.8                              | \$2,119.7                        | \$43,843                               | 2.1                                    | 40.2                                  | 319.0                                       | 6.6                                 |
| 2017 | 42.08                    | 178.9                           | 36.1                                 | 13.6                     | 152.3                                 | \$792.9                              | \$2,224.1                        | \$44,508                               | 2.2                                    | 40.4                                  | 327.3                                       | 6.5                                 |
| 2018 | 42.56                    | 176.5                           | 36.6                                 | 13.8                     | 151.9                                 | \$831.0                              | \$2,335.0                        | \$45,214                               | 2.2                                    | 40.7                                  | 336.4                                       | 6.4                                 |
| 2019 | 43.04                    | 172.7                           | 37.0                                 | 13.9                     | 155.9                                 | \$875.6                              | \$2,440.4                        | \$45,762                               | 2.1                                    | 41.0                                  | 346.1                                       | 6.2                                 |
| 2020 | 43.50                    | 169.1                           | 37.5                                 | 14.1                     | 153.9                                 | \$919.7                              | \$2,544.5                        | \$46,252                               | 2.1                                    | 40.8                                  | 356.8                                       | 6.1                                 |
| 2021 | 43.96                    | 168.4                           | 38.0                                 | 14.2                     | 152.9                                 | \$964.3                              | \$2,653.9                        | \$46,572                               | 2.5                                    | 40.6                                  | 368.2                                       | 6.1                                 |
| 2022 | 44.41                    | 165.7                           | 38.6                                 | 14.3                     | 153.9                                 | \$1,008.1                            | \$2,776.7                        | \$47,020                               | 2.6                                    | 41.0                                  | 379.5                                       | 6.0                                 |
| 2023 | 44.86                    | 164.7                           | 39.1                                 | 14.5                     | 154.9                                 | \$1,052.8                            | \$2,904.4                        | \$47,493                               | 2.5                                    | 41.3                                  | 390.9                                       | 5.9                                 |
| 2024 | 45.30                    | 162.8                           | 39.7                                 | 14.6                     | 149.9                                 | \$1,099.4                            | \$3,044.0                        | \$48,155                               | 2.4                                    | 41.7                                  | 403.4                                       | 5.8                                 |
| 2025 | 45.73                    | 161.8                           | 40.2                                 | 14.8                     | 150.5                                 | \$1,147.5                            | \$3,184.1                        | \$48,709                               | 2.4                                    | 42.1                                  | 416.2                                       | 5.7                                 |
| 2026 | 46.16                    | 159.8                           | 40.7                                 | 14.9                     | 148.9                                 | \$1,197.1                            | \$3,323.7                        | \$49,155                               | 2.5                                    | 42.2                                  | 429.7                                       | 5.7                                 |
| 2027 | 46.59                    | 157.8                           | 41.2                                 | 15.0                     | 145.8                                 | \$1,248.8                            | \$3,473.2                        | \$49,638                               | 2.5                                    | 42.3                                  | 443.7                                       | 5.6                                 |
| 2028 | 47.01                    | 155.9                           | 41.7                                 | 15.2                     | 147.7                                 | \$1,302.7                            | \$3,623.9                        | \$49,962                               | 2.7                                    | 42.6                                  | 458.3                                       | 5.6                                 |
| 2029 | 47.43                    | 153.9                           | 42.1                                 | 15.3                     | 145.9                                 | \$1,358.9                            | \$3,777.0                        | \$50,249                               | 2.7                                    | 42.7                                  | 473.5                                       | 5.5                                 |
| 2030 | 47.85                    | 150.9                           | 42.6                                 | 15.4                     | 146.0                                 | \$1,417.5                            | \$3,933.0                        | \$50,529                               | 2.6                                    | 42.5                                  | 489.4                                       | 5.5                                 |
| 2031 | 48.27                    | 147.0                           | 43.0                                 | 15.6                     | 143.4                                 | \$1,478.7                            | \$4,091.3                        | \$50,770                               | 2.6                                    | 42.2                                  | 505.8                                       | 5.4                                 |
| 2032 | 48.67                    | 143.1                           | 43.4                                 | 15.7                     | 140.8                                 | \$1,542.6                            | \$4,247.7                        | \$50,923                               | 2.6                                    | 42.8                                  | 522.7                                       | 5.4                                 |
| 2033 | 49.07                    | 137.1                           | 43.8                                 | 15.8                     | 138.3                                 | \$1,609.1                            | \$4,416.7                        | \$51,164                               | 2.6                                    | 43.3                                  | 540.2                                       | 5.5                                 |
| 2034 | 49.46                    | 131.2                           | 44.2                                 | 16.0                     | 135.8                                 | \$1,678.6                            | \$4,594.1                        | \$51,436                               | 2.6                                    | 43.7                                  | 558.3                                       | 5.6                                 |
| 2035 | 49.85                    | 126.3                           | 44.6                                 | 16.1                     | 133.4                                 | \$1,751.1                            | \$4,779.7                        | \$51,729                               | 2.6                                    | 43.8                                  | 576.9                                       | 5.6                                 |

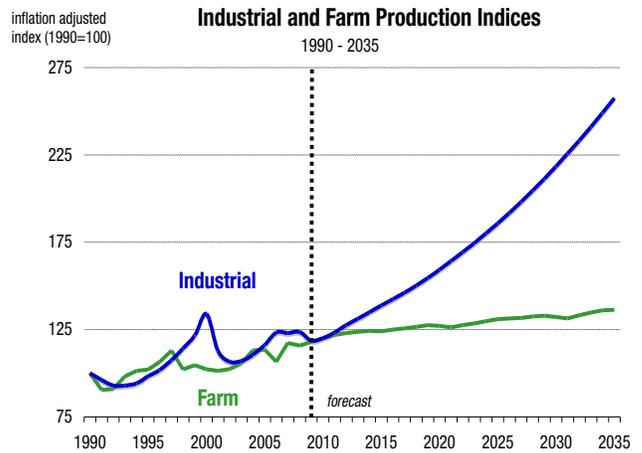
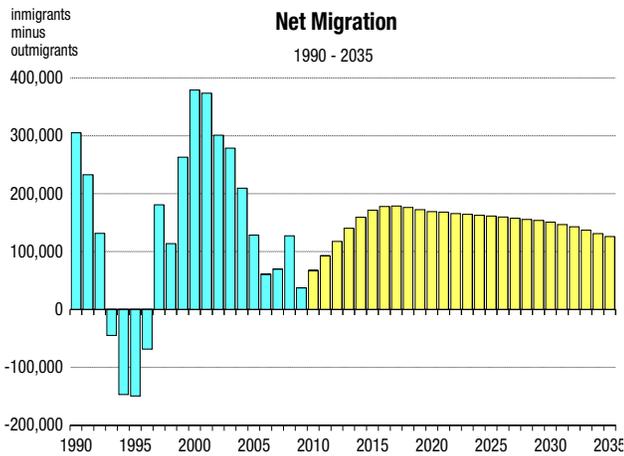
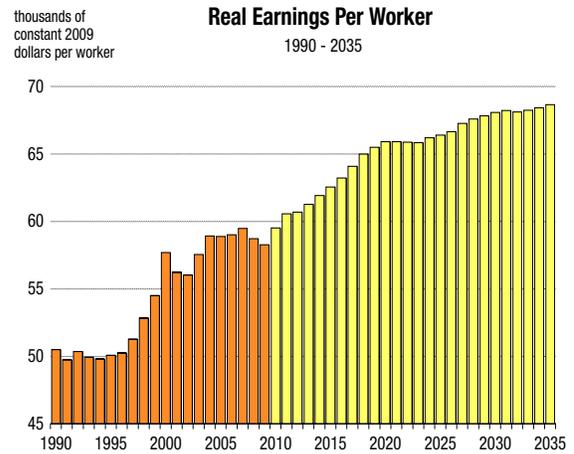
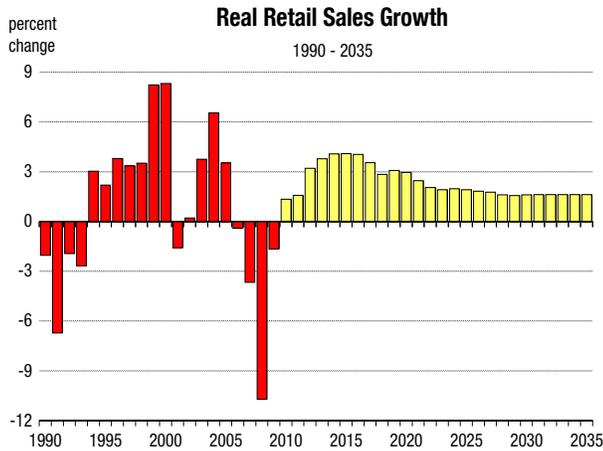


# California Employment Forecast

## 2002-2009 History, 2010-2035 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)----- |                     |      |              |               |                            |                          |                      |                       |             |                    |         |            |
| 2002                                     | 14,831              | 373  | 774          | 1,632         | 491                        | 2,234                    | 853                  | 2,119                 | 497         | 1,499              | 1,382   | 2,447      |
| 2003                                     | 14,768              | 375  | 797          | 1,542         | 481                        | 2,238                    | 886                  | 2,084                 | 476         | 1,536              | 1,400   | 2,426      |
| 2004                                     | 14,919              | 386  | 850          | 1,521         | 483                        | 2,273                    | 902                  | 2,097                 | 482         | 1,560              | 1,439   | 2,398      |
| 2005                                     | 15,180              | 378  | 905          | 1,503         | 487                        | 2,335                    | 927                  | 2,160                 | 474         | 1,586              | 1,475   | 2,420      |
| 2006                                     | 15,435              | 375  | 934          | 1,488         | 496                        | 2,383                    | 935                  | 2,241                 | 466         | 1,614              | 1,519   | 2,452      |
| 2007                                     | 15,557              | 384  | 893          | 1,464         | 508                        | 2,405                    | 905                  | 2,264                 | 471         | 1,670              | 1,560   | 2,495      |
| 2008                                     | 15,385              | 391  | 786          | 1,425         | 506                        | 2,349                    | 850                  | 2,244                 | 475         | 1,725              | 1,571   | 2,519      |
| 2009                                     | 14,714              | 389  | 646          | 1,313         | 482                        | 2,206                    | 805                  | 2,133                 | 448         | 1,749              | 1,518   | 2,497      |
| 2010                                     | 14,639              | 382  | 634          | 1,295         | 488                        | 2,205                    | 790                  | 2,160                 | 445         | 1,739              | 1,528   | 2,444      |
| 2011                                     | 14,844              | 381  | 646          | 1,315         | 503                        | 2,221                    | 798                  | 2,270                 | 453         | 1,764              | 1,553   | 2,402      |
| 2012                                     | 15,134              | 381  | 670          | 1,319         | 519                        | 2,269                    | 805                  | 2,342                 | 463         | 1,800              | 1,577   | 2,442      |
| 2013                                     | 15,386              | 382  | 699          | 1,318         | 533                        | 2,312                    | 811                  | 2,396                 | 472         | 1,831              | 1,598   | 2,477      |
| 2014                                     | 15,640              | 382  | 709          | 1,325         | 548                        | 2,353                    | 816                  | 2,468                 | 481         | 1,863              | 1,621   | 2,507      |
| 2015                                     | 15,878              | 382  | 719          | 1,327         | 563                        | 2,395                    | 822                  | 2,530                 | 488         | 1,896              | 1,647   | 2,536      |
| 2016                                     | 16,108              | 381  | 727          | 1,334         | 577                        | 2,438                    | 827                  | 2,592                 | 495         | 1,927              | 1,673   | 2,555      |
| 2017                                     | 16,307              | 378  | 735          | 1,338         | 589                        | 2,468                    | 835                  | 2,654                 | 501         | 1,955              | 1,697   | 2,573      |
| 2018                                     | 16,517              | 374  | 741          | 1,342         | 601                        | 2,493                    | 835                  | 2,716                 | 505         | 1,990              | 1,719   | 2,608      |
| 2019                                     | 16,744              | 370  | 750          | 1,343         | 616                        | 2,519                    | 836                  | 2,778                 | 508         | 2,031              | 1,741   | 2,650      |
| 2020                                     | 16,960              | 368  | 757          | 1,342         | 629                        | 2,548                    | 838                  | 2,839                 | 510         | 2,068              | 1,763   | 2,688      |
| 2021                                     | 17,213              | 368  | 767          | 1,346         | 645                        | 2,583                    | 841                  | 2,901                 | 513         | 2,123              | 1,783   | 2,725      |
| 2022                                     | 17,473              | 369  | 776          | 1,350         | 661                        | 2,626                    | 846                  | 2,963                 | 517         | 2,175              | 1,804   | 2,757      |
| 2023                                     | 17,737              | 369  | 791          | 1,355         | 677                        | 2,670                    | 853                  | 3,023                 | 522         | 2,226              | 1,824   | 2,786      |
| 2024                                     | 17,991              | 369  | 801          | 1,361         | 692                        | 2,711                    | 861                  | 3,080                 | 528         | 2,277              | 1,844   | 2,813      |
| 2025                                     | 18,237              | 369  | 811          | 1,367         | 705                        | 2,753                    | 870                  | 3,136                 | 535         | 2,324              | 1,862   | 2,840      |
| 2026                                     | 18,475              | 369  | 824          | 1,373         | 717                        | 2,791                    | 880                  | 3,189                 | 541         | 2,367              | 1,881   | 2,867      |
| 2027                                     | 18,700              | 369  | 837          | 1,378         | 727                        | 2,826                    | 890                  | 3,240                 | 547         | 2,409              | 1,898   | 2,891      |
| 2028                                     | 18,928              | 369  | 855          | 1,384         | 738                        | 2,862                    | 900                  | 3,289                 | 555         | 2,449              | 1,914   | 2,913      |
| 2029                                     | 19,153              | 369  | 871          | 1,389         | 750                        | 2,898                    | 910                  | 3,335                 | 562         | 2,491              | 1,929   | 2,935      |
| 2030                                     | 19,366              | 370  | 885          | 1,395         | 762                        | 2,934                    | 920                  | 3,379                 | 568         | 2,530              | 1,942   | 2,955      |
| 2031                                     | 19,570              | 370  | 896          | 1,397         | 774                        | 2,971                    | 930                  | 3,421                 | 575         | 2,567              | 1,956   | 2,974      |
| 2032                                     | 19,776              | 370  | 907          | 1,398         | 786                        | 3,008                    | 940                  | 3,462                 | 581         | 2,605              | 1,970   | 2,994      |
| 2033                                     | 19,979              | 370  | 918          | 1,399         | 798                        | 3,045                    | 950                  | 3,502                 | 588         | 2,641              | 1,984   | 3,014      |
| 2034                                     | 20,182              | 371  | 930          | 1,401         | 811                        | 3,082                    | 961                  | 3,541                 | 594         | 2,678              | 1,998   | 3,034      |
| 2035                                     | 20,381              | 371  | 942          | 1,402         | 823                        | 3,119                    | 971                  | 3,576                 | 601         | 2,712              | 2,012   | 3,055      |





## State Economic and Demographic Indicators

### Projected Economic Growth (2010-2015)

|                                  |                                |
|----------------------------------|--------------------------------|
| Expected retail sales growth:    | 17.9 %                         |
| Expected job growth:             | 8.5 %                          |
| Fastest growing jobs sector:     | Professional Business Services |
| Expected personal income growth: | 15.4 %                         |

|  |        |
|--|--------|
| Expected population growth:            | 5.7 %  |
| Net migration to account for:          | 30.6 % |
| Expected growth in number of vehicles: | 7.6 %  |

### Demographics (2009)

|   |        |
|---|--------|
| Unemployment rate (December):             | 12.1 % |
| County Rank* in California (58 counties): | N/A    |
| Working age (16-64) population:           | 66.2 % |

|  |           |
|--|-----------|
| Population with B.A. Degree or higher: | 26.2 %    |
| Median Home Selling Price:             | \$276,546 |
| Median Household Income:               | \$61,034  |

### Quality of Life

|   |                         |
|---|-------------------------|
| Violent Crime rate (2008):                | 489 per 100,000 persons |
| County Rank* in California (58 counties): | N/A                     |
| Average Commute Time to work (2009):      | 30.1 minutes            |

|                                   |        |
|-----------------------------------|--------|
| High School drop out rate (2008): | 18.9 % |
| Households at/below poverty line: | 10.8 % |

\* The county ranked 1st corresponds to the lowest rate in California