

Reflections on the California Economy

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DOF Annual Forecast Conference

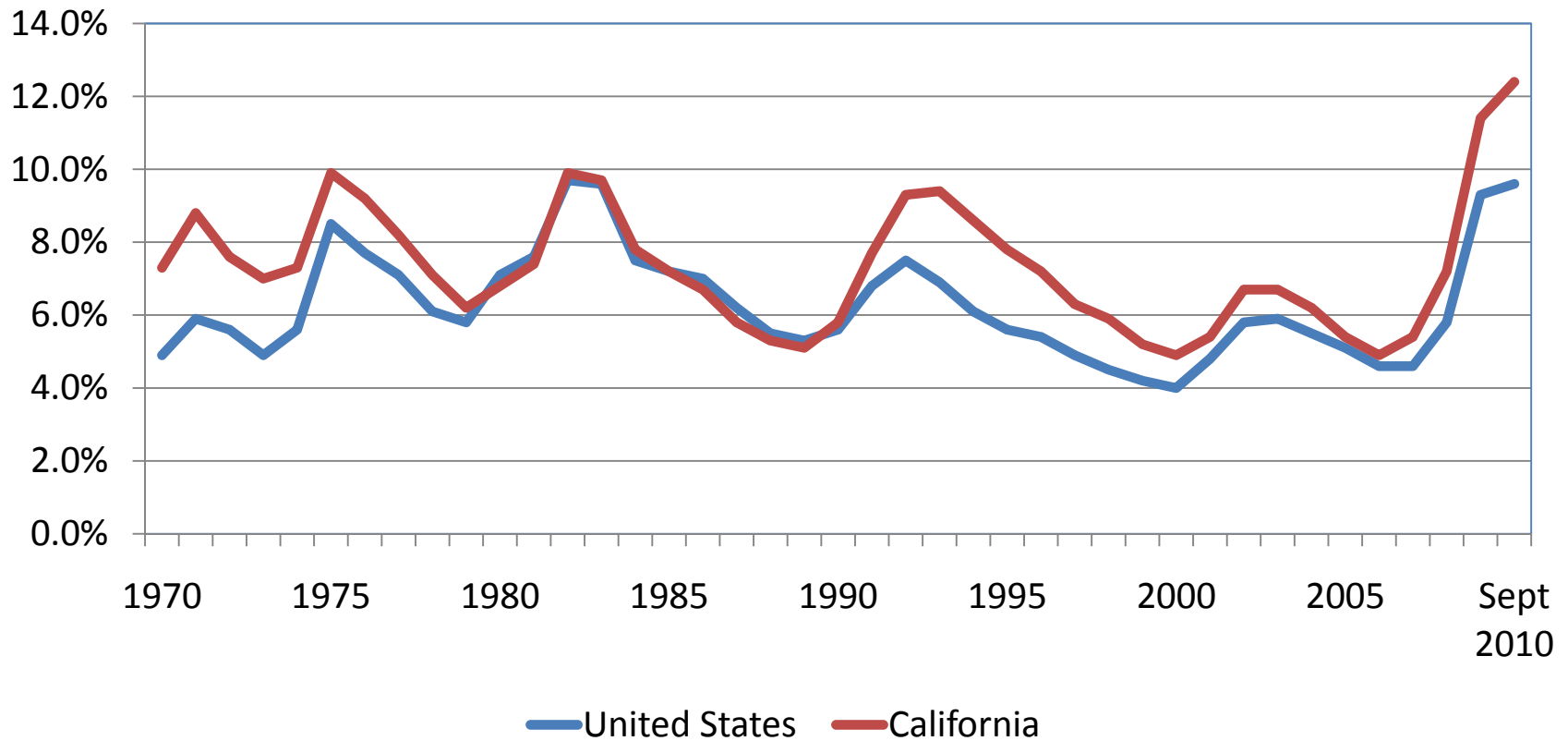
November 9, 2010

Understanding the Poor CA Job Trends

- The CA economy tracks the national economy. The major factor determining the timing and strength of recovery is the national outlook
- CA has seen above average job losses and unemployment increases during the recession
- The reason is our huge construction losses
- Ex construction future growth will outpace the nation but the construction recovery will lag and restrain near term growth

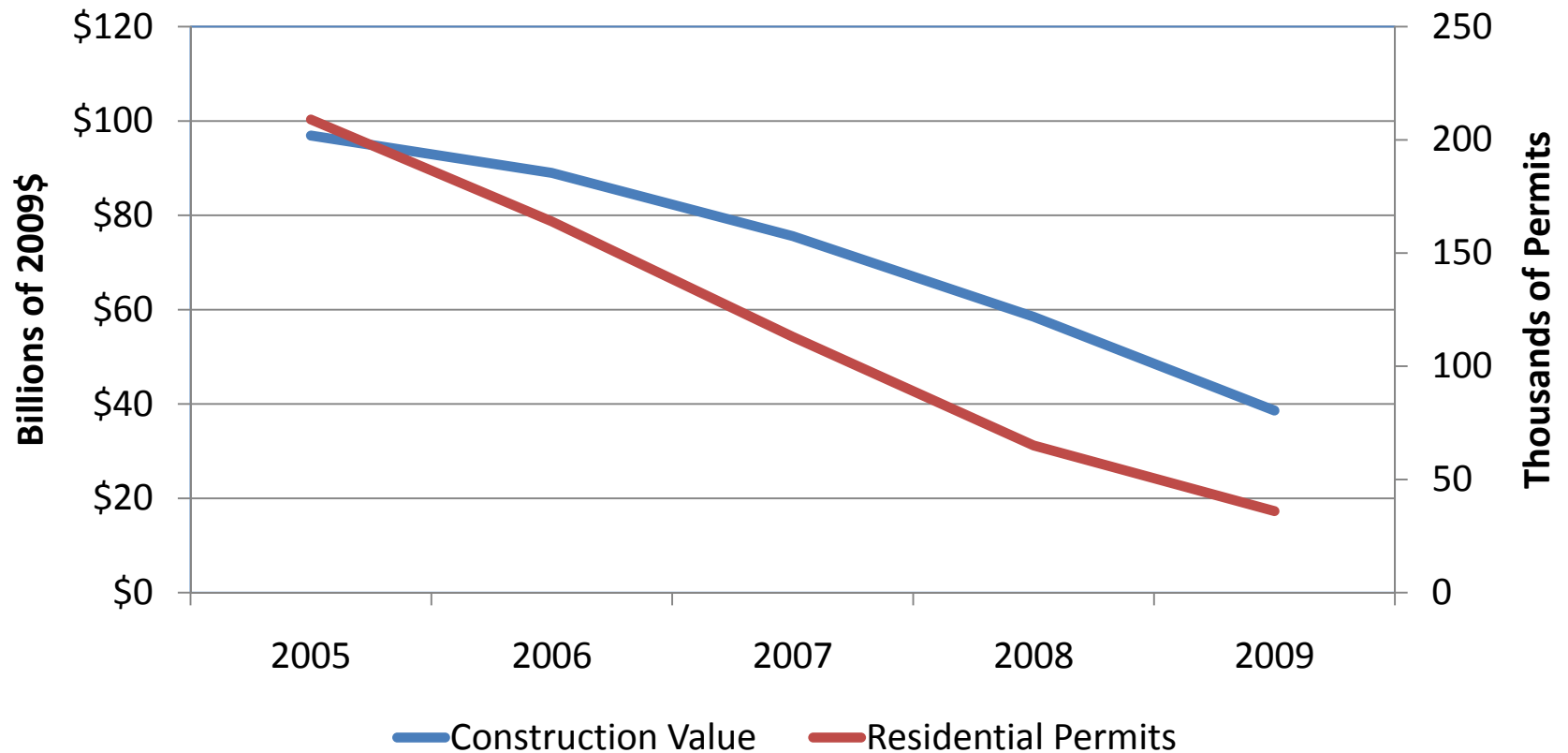
The National Forecast is the Key Driver for California

Unemployment Rates



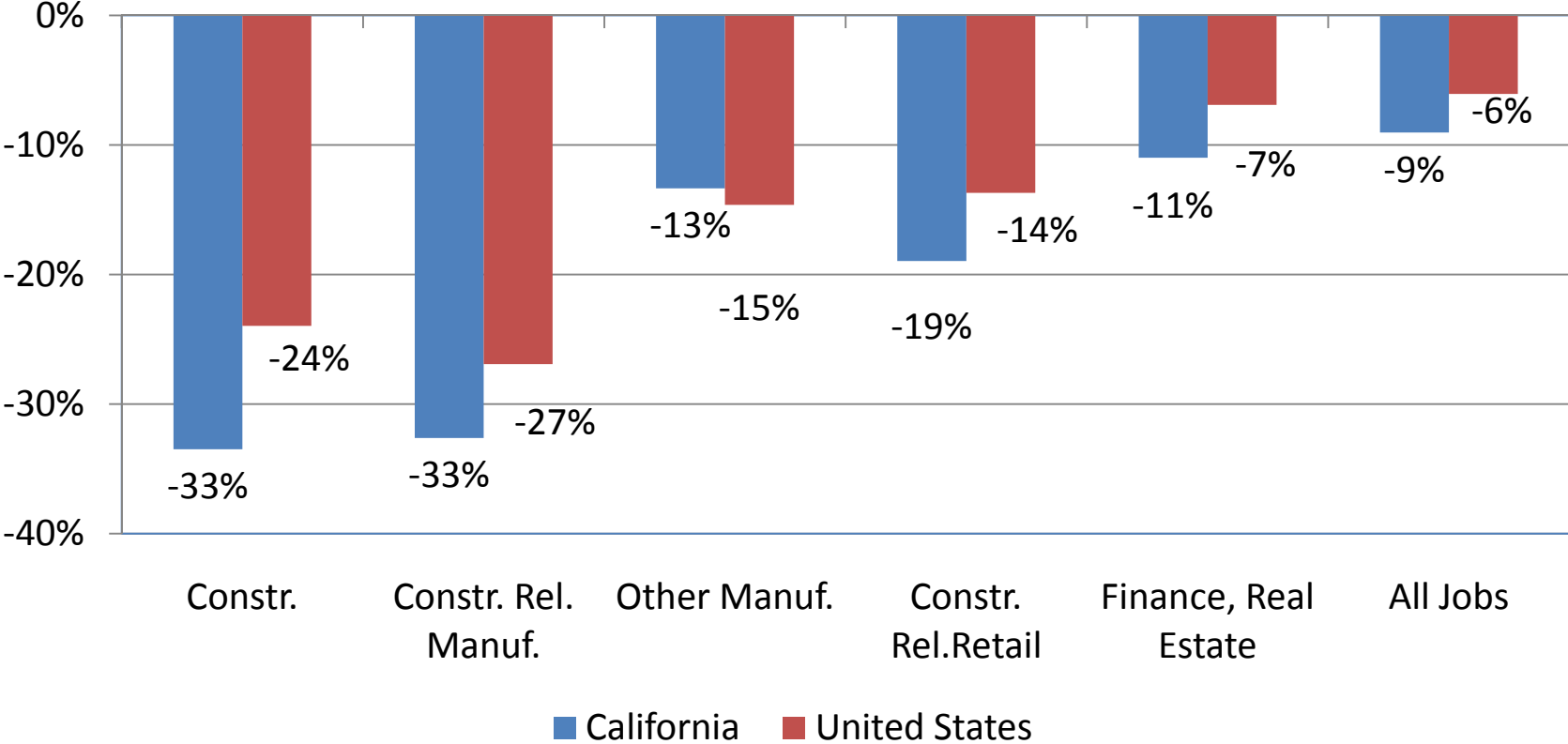
Construction Explains CA's Below Average Job Performance

California's Sharp Construction Decline



Construction Related Job Losses

Job Losses Dec 2007-Dec 2009



Where Future Job Growth Will Occur

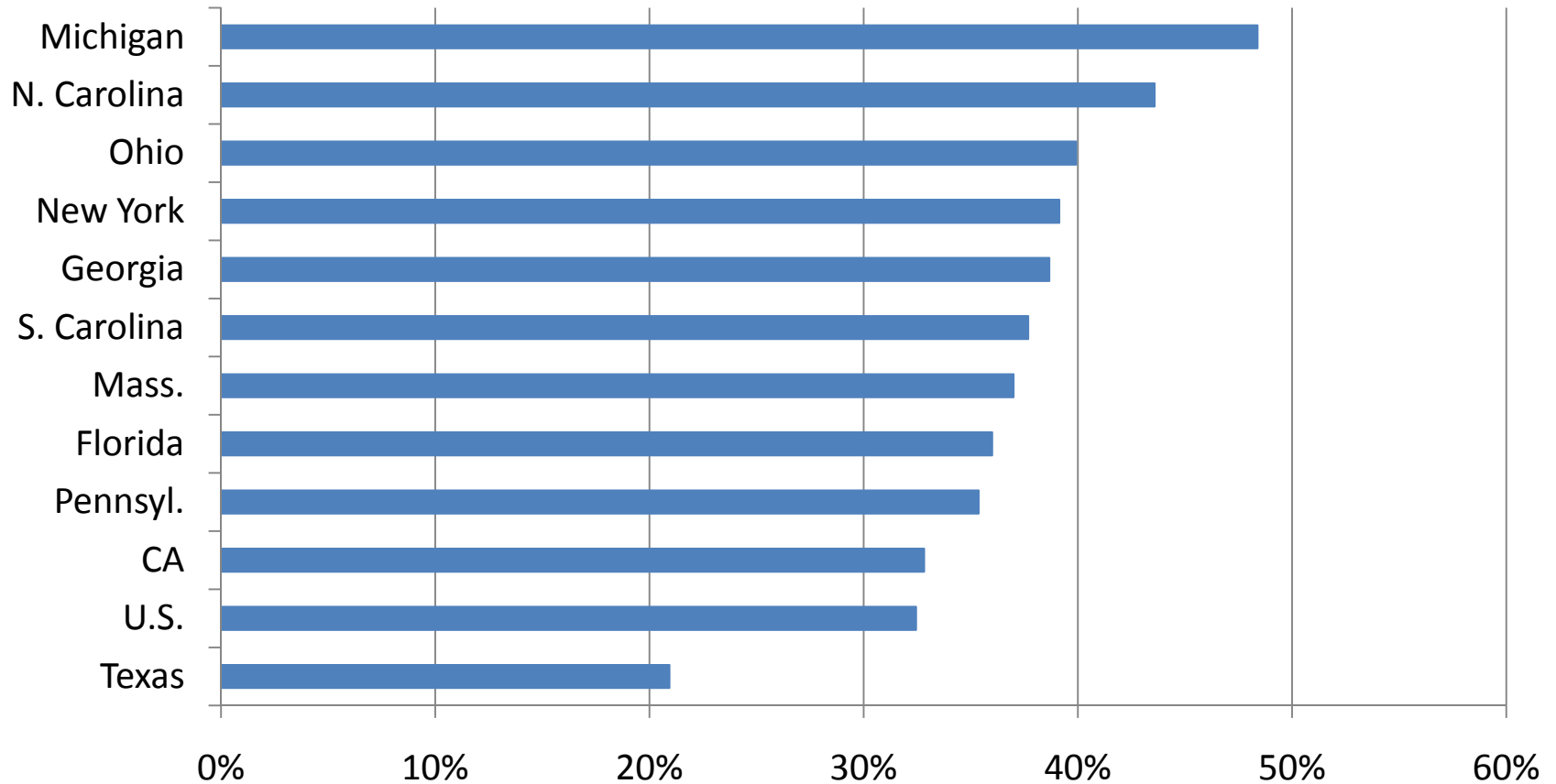
- Why is there so much focus on manufacturing when high wage job growth will be elsewhere?
- A competitiveness strategy should be founded in knowing what the targets are
- CA does not lag in manufacturing but neither is it a growth area
- What about green?

Manufacturing is not the Answer

- Manufacturing jobs in the nation and state, though important, will probably be lower in 2020 than in 2008.
- High wage job growth will be in professional services, Internet related activities and the application of creativity to new goods and services. Trade and tourism will be the other economic base growth sectors.
- These sectors should be the focus of the state's competitiveness strategies.

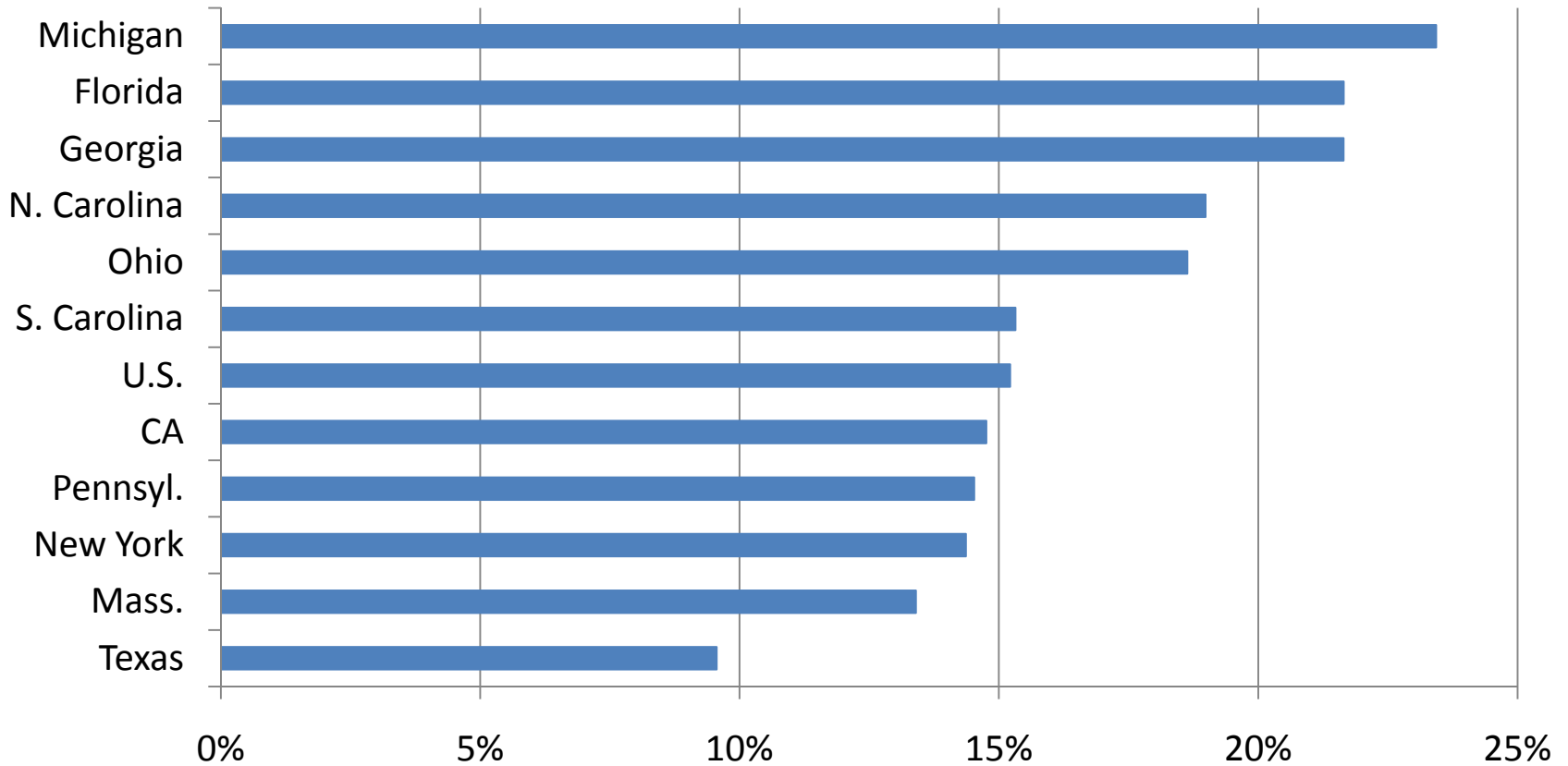
Manufacturing Job Losses Everywhere

Jan 2000-Sept 2010



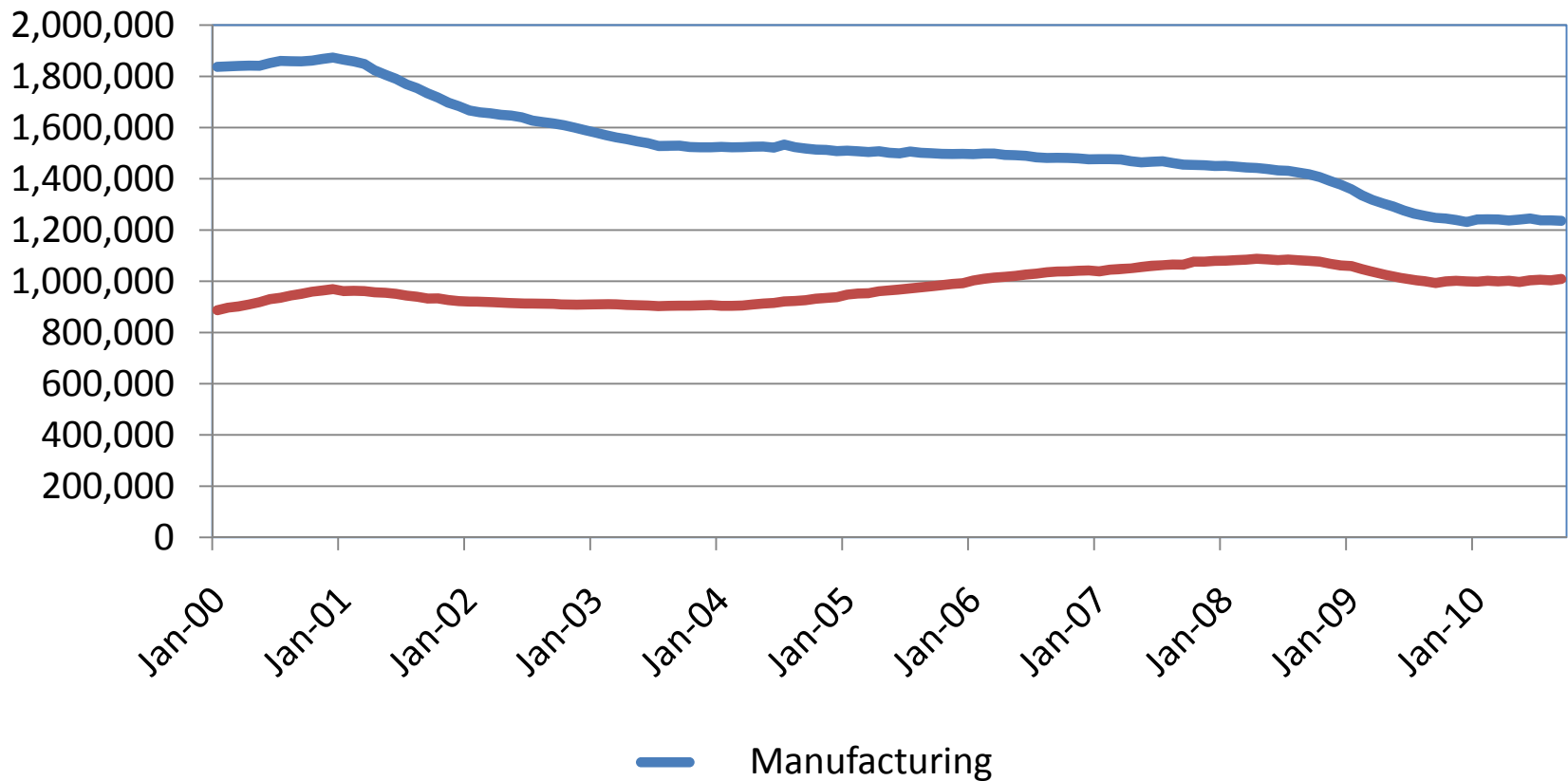
Manufacturing Job Losses in Recession

Dec 2007-Sept 2010



Manuf. Vs. Prof, Tech, Sci Services

Jobs in California



The Next Two Years

- Forecast
- Issues