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THE CALIFORNIA LONG-TERM ECONOMIC OUTLOOK: SOLID GROWTH WILL OCCUR BUT THE STATE MUST WORK HARD TO HOUSE IT

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California's unemployment rate has continued to decline and the state continues to expand its job count. Overall, California employment grew on average by over 3% annually during 1995-2000. This outcome represents a truly stellar performance, particularly when it is noted that the state didn't grow at all for the first half of the 1990s. UCLA Anderson Forecast projections for this next decade call for an average annual growth of 2.4% of nonfarm employment, a rate not seen since the "Golden" 1980s. (Detailed projections appear in the Appendix to this chapter.)

Similarities between the 1980s and the upcoming decade just don't end there. The 1980s were also a decade when people flocked to the state in record numbers - an annual net in-migration of 337,000. The weak figures of net in-migration seen in the 1990s (127,000 per year) will more than double to a 263,000 annual average in the first decade of this millennium. No wonder projected nonfarm employment growth of 2000-2010 (2.4% per annum) overshadows the anemic yearly growth of 1.6% for the entire 1990s.

Real personal income in the last five years has grown at a very healthy annual rate of 5.0%. In the previous five years (1990-1995), it grew only 1.3% per annum. During the coming 10 years, real personal income is expected to grow at an average annual rate of 3.5%, which is just slightly lower than the 3.7% rate seen in the 1980s. One area of contrast between then and the projections for the first decade of the 21st century is that the unemployment rate will average a little over 5%, much lower than the average of 7% for the '80s.

California really turned the economic corner in the second half of the 1990s. The current state demographics (a younger population) combined with good business and economic conditions in the rest of the United States and the world favor continued California growth. An information technology (IT) revolution is in full bloom and is adding to the dynamism and productivity of the state's economy. The obvious case in point is the Silicon Valley. But there is even a resurgence of low-tech manufacturing employment in Southern California. California's trading partners in the Pacific Rim are recovering steadily (particularly exports to the major Asian countries). Mexico is booming - which also adds to the demand for state products.

Sure, California misses the push once provided by the "old" industries of the 1980s (aerospace, banks). But the Berlin Wall will not be rebuilt to resuscitate the Cold War military economy. Events such as the fall of the Wall mark what economists term "structural breaks." (Meteorologists call them "a once in 50-year phenomenon.") After events such as the end of the Cold War, there is pain as the economy readjusts. Eventually, however, the system's demand and

supply forces refocus idled resources towards their best uses. It may take a while, as it clearly did in California. There is no need to remind anyone of the pain suffered by the state in the early 1990s, job losses, state budget deficits, even riots in Los Angeles.

Does the current prosperity mean that California has made up for the losses suffered in the recession of the early part of the 1990s? In one sense the answer is “yes.” Employment levels in California recovered to their pre-recession levels by late 1995; by 2000, the state had added almost 2 million jobs. It is expected to add another 4 million jobs in the period 2000-2010. However, if an “if then” economic calculation is made, it turns out, not surprisingly, that the structural break was costly. California lost approximately a quarter million jobs during the brutal recession of the early 1990s.

A Structural Break

If California had been able to continue at its pre-recession annual growth rate of employment throughout the 1990s right through to 2010, employment levels then would be 2.2 million higher than the UCLA Anderson Forecast is now projecting. Thus, the loss of aerospace and other jobs was a structural event that *permanently* reduced the activity level of the California economy. If the post-Cold War adjustment had been merely a temporary shock to state growth potential, then the state would eventually catch up with its former trend. Employment would have not only made up for the recession losses but would add still more jobs to return to the prior growth path in a matter of years. Instead, California has rebounded back to the old growth *rate*, but at a lower level or base path.

The state was fortunate to have enough high-tech jobs related to the Internet and computers (mostly in the Bay Area initially; now in Orange County and the L.A./Ventura County border), entertainment, and low-tech jobs (in L.A.) at least to return to the old growth rate. With moving vans of educated workers finally headed again to California and with migration in the form of skilled software engineers and Internet experts from abroad, California’s skill level has been enhanced. Optimism for the coming decades is based on this transformation.

Projections for California’s Industries

Aerospace was a star of the California economy in the 1980s (steady growth, high-paying and seemingly-secure jobs for the middle-class). But it bled profusely when the Cold War ended, and now looks to have reached its lowest point. But this prediction depends on a major effort by existing, surviving small shops related to the industry to retool themselves aggressively to serve civil or commercial aviation needs. California will continue to excel as a center for research and development. But don’t count upon either of the political parties to give a big boost to defense spending. The manufacturing side of California aerospace will not be rebuilt.

Agriculture was California’s *other* major industry of ten years ago. Farm activity is probably best measured by income generated rather than employment. By the income measure, the farm sector has maintained its 1988 share of California’s economy. El Niño is now history

and Asia is in a serious recovery mode. The trade barriers to California farm produce in Asia will gradually melt as that region recovers from its financial crisis and grows again at its old pace.

Agribusiness will – in short - be a growth sector in California. With intense competition among alternative uses for prime farmland in the state - including residential development and conservation - farm productivity will continue to increase at a high rate. There will be higher production from reduced acreage. Water rights will remain hotly contested and farm water conservation will be needed.

Employment in the **financial institutions** industry in California declined more than any major sector except aerospace. Although banks and thrift institutions in the state have resumed profitable growth, there are no longer headquarters of any major bank in California. None are expected in the near future. The rising tide of productivity makes the scale issue (optimal size of a firm) more pronounced in banking and brokerage businesses. Finance companies and mortgage brokers have gained market share at the expense of banks and thrifts.

California consumers now use ATMs and will use them in the near future, too. However, these consumers will eventually be doing most of their banking functions (as well as real estate, insurance, and investment business) on-line. The employment implications of this shift are unclear and present mixed trends. Fewer employees will be needed to serve retail customers. But some workers will be added to operate the new technology. Further downsizing of functions such as regulatory compliance and credit approval will not be easy.

Business services, an expanding and diverse group of activities, was typified ten years ago by its large element of business-to-business services such as temp agencies, photocopying firms, and custodial services. Its most dynamic element, however, has been its core of high-tech services including software, Internet service providers, and other relatively new data-processing activities. These activities have pushed this sector to rapid annual growth rates. Fast growth of the information services component of business services is likely to continue during the next two decades. But the overall annual growth rate by 2020 could be about half as much as it was in the preceding two decades.

Ten years ago, **retail trade** employed about 18% of total state nonfarm employment. Although retail jobs increased during 1990-2000, the gain was only about 10% of the total rise in nonfarm jobs over that period. In part, this sluggish growth reflected the severity of the early 1990s' decline in home prices. A fall in home prices represents a loss of wealth that in turn undermines consumer spending. California taxable sales – an index of consumption - declined 3.5% from 1990 to 1993. Moreover, even with a return of robust sales growth in recent years, retail job growth has been restrained by lean profit margins, reflecting industry consolidations and competitive pressures from mail-order sellers and, increasingly, Internet vendors.

The dimensions of Internet commerce twenty years from now are hard to anticipate. Wholesale and retail trade industries will be transformed, and most business will be transacted on-line. The UCLA Anderson Forecast projects future employment gains in this sector

comparable to those of the last twenty years. But Internet-related productivity gains will be a key factor determining the labor input in retail (and wholesale) business.

During the building boom of the late 1980s, the **construction** crane was often cited as the California state bird. If so, the recession in the early 1990s made it an endangered species! The recession reduced residential building permits to one-third of the levels seen in the 1980s. Total employment in the construction industry, not nearly as cyclical as physical output measures, peaked at 562,000 jobs in 1990, declined 21% by 1993, and finally exceeded its prior peak in 1998. Now that the crane has come back from extinction, projected construction activity in 2020 will still be lower than in 1986, but significantly higher than at the end of the 20th century. Gains in construction employment – in short - will likely be modest.

Housing: The Big Question

Negative forces that will buffet the United States in the years after 2010 relating to the aging of the baby boomers will also affect California. But the impact will be smaller in California than in the rest of the U.S. because California is a younger-than-average state. The history of post-war California population growth demonstrates that broad demographic trends have been driven primarily by net in-migration (domestic and foreign). Following the very robust 1950s, a slowdown in the net-migration rate kept population growth below 2% in the 1960s.

Continued economic growth depresses fertility as families concentrate more resources on raising fewer children. This phenomenon occurs simultaneously with advances in medical technology that reduce mortality. Hence, the net impact on natural population increase is still positive. Recent migration patterns suggest that Asians and Latinos will comprise the majority of future immigrants. Population growth averaged 2.3% per annum in the 1980s and only 1.4% in the 1990s. But the number of Californians will grow at a rate of 1.6% per annum in the coming twenty years. This rate is higher than the previous decade but nowhere near the 1950s' annual growth rate of 4%. Net annual in-migration will average 261,000 in the next 20 years. That level is only three-fourths of the 337,000 net migration seen in the 1980s.

The big question is where and how California will house everyone? Building permits picked up somewhat in 2000 from their ultra-low levels of the early 1990s. The UCLA Anderson Forecast expects housing permits to average 187,000 annually over the next 20-year period. This pace is substantially slower than it was in 1985-1990, when the annual average was 245,000 permits.

In the 1980s, California added 5.8 million people to its population. Building activity was robust. But supply still fell short of demand as was evident in home price appreciation in the latter part of the 1980s. In the first decade of the 21st century, California will again add approximately 5 million people, but with far less building activity. And in the decade after that, we will add another 7 million people with pretty much the same pace of building activity as in the prior ten years. The mismatch between demand and supply will manifest itself in home price appreciation (an economic outcome). But there will also be crowding in existing housing - higher density of people per house or square foot (a social outcome). California's urban areas will see

the kind of crowding experienced in old city quarters in Europe and Asia and increasingly in places like Manhattan. Issues of transportation (personal and public) will become more and more pressing.

The luxury or dream of owning a 3-bedroom house with a yard, pool and 2-car garage for a family of four is an American icon that is coming under pressure, especially in California. Thus, state political leaders will have to examine anew their policies toward expansion in growth-phobic counties of California. It is precisely in those regions that the biggest imbalance between demand for, and supply of, housing will be felt. The reasons for the anti-growth movement are rooted in how the current state and local fiscal system is designed. Sharing of property taxes and other sources of revenue between the state, county, and the cities and the burden of providing basic civic services as the population increases intensifies anti-growth pressures. Changes in these fiscal institutions are key policy targets. There is no doubt that California is capable of having solid economic growth, as the UCLA Anderson Forecast projects. But this outcome could be thwarted absent necessary policy changes.

Appendix Table. Summary of the UCLA Forecast for California

	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
Personal Income, Taxable Sales, and Price Inflation (%Change)										
Personal Income (Bil.\$)	320.7	341.9	367.5	411.6	447.1	477.8	517.3	561.1	606.7	655.6
Calif. (% Ch)	12.0	6.6	7.5	12.0	8.6	6.9	8.3	8.5	8.1	8.1
U.S. (% Ch)	11.9	6.5	6.4	11.1	7.3	5.6	6.7	7.8	7.7	6.6
Pers. Income (Bil. 96\$)	528.8	532.7	556.4	597.6	621.3	641.0	666.4	692.7	715.8	738.8
Calif. (% Ch)	2.6	0.7	4.4	7.4	4.0	3.2	4.0	3.9	3.3	3.2
U.S. (% Ch)	2.8	0.8	2.1	7.2	3.8	3.1	2.8	3.8	3.2	1.9
Taxable Sales (Bil.\$)	155.1	154.5	169.1	193.8	208.4	217.3	231.6	250.9	271.8	281.9
(% Ch)	8.7	-0.4	9.4	14.6	7.5	4.2	6.6	8.3	8.3	3.7
(Bil. 96\$)	255.9	240.7	255.9	281.4	289.7	291.5	298.3	309.7	320.6	317.7
(% Ch)	-0.4	-5.9	6.3	10.0	2.9	0.6	2.3	3.8	3.5	-0.9
Consumer Prices (% Ch)	10.8	6.6	1.6	5.0	4.6	3.1	4.2	4.6	5.0	5.5
Employment and Labor Force (Household Survey, % Change)										
Employment	1.3	0.3	1.2	4.8	3.6	3.3	4.0	3.4	3.0	3.9
Labor Force	2.0	3.1	0.9	2.7	2.9	2.7	3.0	2.9	2.7	4.7
Unemployment Rate (%)	7.4	9.9	9.7	7.8	7.2	6.7	5.8	5.3	5.1	5.8
U.S.	7.6	9.7	9.6	7.5	7.2	7.0	6.2	5.5	5.3	5.6
Total Nonfarm Nonfarm Employment (Payroll Survey, % Change)										
Calif.	1.4	-1.8	1.1	4.8	3.7	2.9	3.5	3.8	2.7	2.1
U.S.	0.8	-1.8	0.7	4.7	3.2	2.0	2.6	3.2	2.5	1.4
Mining	13.2	2.4	-5.3	-0.2	0.4	-14.9	-8.4	1.3	-1.2	1.1
Construction	-4.8	-14.4	4.9	11.1	7.0	3.3	8.2	8.6	5.8	0.4
Manufacturing	0.7	-3.7	-1.5	4.0	1.0	0.8	1.0	1.8	0.5	-1.8
Nondurable Goods	1.5	-3.1	-2.1	0.9	-0.1	3.8	3.4	3.2	2.2	1.4
Durable Goods	0.3	-3.9	-1.3	5.4	1.5	-0.5	-0.1	1.1	-0.3	-3.4
High Technology	2.4	1.9	1.9	8.1	3.7	0.2	-0.2	-0.8	-1.1	-3.3
Trans. & Public Util.	1.5	-2.2	-2.0	1.5	2.5	2.7	2.6	0.9	1.6	2.3
Trade	1.5	-1.2	2.5	6.0	4.1	3.1	3.8	4.8	2.2	1.4
Finance, Ins. & R.E.	3.2	-0.1	1.8	3.7	2.9	4.5	3.6	2.4	2.1	2.5
Services	3.8	0.7	3.4	6.8	6.0	4.6	5.2	5.3	4.3	4.6
Federal Gov't	-1.9	-0.1	0.2	2.0	2.6	1.0	0.9	1.2	1.2	1.1
State and Local Gov't	-0.1	-1.5	-0.8	1.2	2.6	3.0	2.8	3.0	3.8	4.4
Nonfarm Employment (Payroll Survey, Thous.)										
Total Nonfarm	9985	9809	9919	10390	10770	11085	11471	11910	12237	12499
Mining	49	50	48	48	48	41	37	38	37	38
Construction	408	349	366	407	436	450	487	529	560	562
Manufacturing	2032	1958	1928	2005	2024	2039	2060	2097	2107	2068
Nondurable Goods	648	628	615	620	620	643	665	686	701	711
Durable Goods	1384	1329	1312	1384	1404	1396	1395	1411	1406	1357
High Technology	614	626	638	689	714	715	714	708	700	677
Trans. & Public Util.	555	543	532	540	553	568	583	588	598	612
Trade	2302	2275	2332	2473	2575	2655	2755	2887	2952	2992
Finance, Ins. & R.E.	643	642	654	678	697	729	755	773	789	809
Services	2240	2257	2335	2493	2643	2765	2910	3064	3196	3342
Federal Gov't	328	327	328	334	343	346	350	354	358	362
State and Local Gov't	1428	1407	1396	1413	1449	1493	1534	1580	1640	1713
Population and Migration										
Net Immigration(Thous)	272	288	285	233	332	368	378	373	418	421
Population (Thous)	24278	24805	25337	25816	26403	27052	27717	28393	29142	29944
(% Ch)	2.1	2.2	2.1	1.9	2.3	2.5	2.5	2.4	2.6	2.8
Construction Activity and Home Values										
Residential Building										
Permits (Thous. Un.)	105	85	168	220	272	314	253	256	238	166
Home Values-LA Co (% Ch)	6.2	1.5	-0.5	2.5	-4.9	10.4	15.7	23.0	18.7	1.1
Nonres.Const. (Mil. 96\$)	13021	11827	13844	16580	18211	18004	16817	17685	16461	14903

Appendix Table - Continued. Summary of the UCLA Forecast for California

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Personal Income, Taxable Sales, and Price Inflation (%Change)										
Personal Income (Bil.\$)	669.8	701.6	714.1	735.1	771.5	812.4	862.8	920.5	989.7	1091.2
Calif. (% Ch)	2.2	4.7	1.8	2.9	4.9	5.3	6.2	6.7	7.5	10.3
U.S. (% Ch)	3.7	6.0	4.1	5.0	5.3	5.6	6.0	6.5	5.4	6.8
Pers. Income (Bil. 96\$)	729.5	740.3	736.1	751.2	779.9	812.3	850.0	890.9	934.4	1004.0
Calif. (% Ch)	-1.3	1.5	-0.6	2.0	3.8	4.2	4.6	4.8	4.9	7.4
U.S. (% Ch)	-0.1	2.9	1.7	2.9	3.0	3.4	3.9	5.4	3.6	4.2
Taxable Sales (Bil.\$)	270.8	272.3	272.1	285.9	300.7	321.0	340.8	358.6	394.1	437.2
(% Ch)	-3.9	0.6	-0.1	5.1	5.2	6.7	6.2	5.2	9.9	10.9
(Bil. 96\$)	294.9	287.4	280.5	292.1	304.0	320.9	335.8	347.1	372.1	402.2
(% Ch)	-7.2	-2.5	-2.4	4.1	4.1	5.6	4.6	3.4	7.2	8.1
Consumer Prices (% Ch)	4.2	3.5	2.6	1.4	1.7	2.0	2.2	2.0	2.9	3.4
Employment and Labor Force (Household Survey, % Change)										
Employment	-2.2	-0.2	-0.5	1.2	0.5	1.7	3.9	2.8	2.4	2.6
Labor Force	-0.2	1.5	-0.4	0.4	-0.3	1.0	2.9	2.4	1.6	2.4
Unemployment Rate (%)	7.7	9.3	9.4	8.6	7.8	7.2	6.3	5.9	5.2	5.0
U.S.	6.9	7.5	6.9	6.1	5.6	5.4	4.9	4.5	4.2	4.1
Total Nonfarm										
Nonfarm Employment (Payroll Survey, % Change)										
Calif.	-1.1	-1.7	-0.9	0.9	2.2	2.6	3.0	3.5	3.1	3.8
U.S.	-1.1	0.3	1.9	3.1	2.7	2.1	2.6	2.6	2.3	2.3
Mining	-1.9	-4.3	-1.4	-8.5	-6.0	-2.6	-0.6	-13.3	-7.2	-1.5
Construction	-8.5	-8.2	-5.6	4.2	4.5	4.3	8.7	11.1	11.4	9.7
Manufacturing	-4.7	-4.1	-4.5	-1.6	1.0	3.2	3.4	1.9	-1.4	0.8
Nondurable Goods	-1.2	0.9	-1.9	0.5	0.9	1.1	1.6	-0.2	-0.3	1.2
Durable Goods	-6.5	-6.8	-6.1	-2.8	1.0	4.6	4.5	3.2	-2.0	0.6
High Technology	-5.6	-8.4	-9.8	-8.2	-1.1	4.4	4.3	2.4	-4.1	-1.7
Trans. & Public Util.	0.2	-1.0	0.5	1.4	1.8	1.8	3.4	4.8	3.6	4.5
Trade	-2.3	-3.0	-0.8	1.2	2.5	2.0	2.5	2.4	2.6	2.8
Finance, Ins. & R.E.	-1.1	-0.9	0.3	-3.0	-5.0	0.7	2.9	5.4	2.5	1.7
Services	2.1	0.4	1.1	2.8	4.8	4.4	3.5	4.9	4.4	5.5
Federal Gov't	-4.0	-0.5	-2.8	-3.4	-4.0	-5.1	-3.8	-4.3	-1.8	2.7
State and Local Gov't	1.8	0.4	-0.3	1.4	1.5	1.3	2.1	2.0	3.9	3.4
Nonfarm Employment (Payroll Survey, Thous.)										
Total Nonfarm	12359	12153	12045	12159	12421	12743	13129	13595	14017	14553
Mining	37	35	35	32	30	29	29	25	23	23
Construction	514	472	446	464	485	506	550	611	680	746
Manufacturing	1971	1891	1805	1777	1794	1852	1914	1951	1924	1940
Nondurable Goods	702	708	695	698	705	712	724	722	720	729
Durable Goods	1269	1182	1110	1079	1090	1139	1190	1229	1204	1211
High Technology	638	584	527	484	479	500	521	534	512	503
Trans. & Public Util.	613	607	611	619	630	642	664	695	721	753
Trade	2922	2835	2812	2845	2915	2974	3048	3123	3205	3295
Finance, Ins. & R.E.	799	792	794	771	732	737	758	799	819	833
Services	3411	3426	3462	3558	3728	3890	4025	4224	4409	4654
Federal Gov't	347	346	336	325	312	296	285	272	268	275
State and Local Gov't	1743	1750	1744	1768	1795	1817	1856	1894	1967	2035
Population and Migration										
Net Immigration(Thous)	224	225	-43	-82	-64	1	265	241	245	262
Population (Thous)	30564	31186	31515	31789	32046	32332	32834	33381	33921	34479
(% Ch)	2.1	2.0	1.1	0.9	0.8	0.9	1.6	1.7	1.6	1.6
Construction Activity and Home Values										
Residential Building										
Permits (Thous. Un.)	105	98	84	96	86	94	112	125	140	150
Home Values-LA Co (% Ch)	-3.6	-2.4	-8.2	-6.8	-4.4	2.4	2.9	8.1	6.1	5.9
Nonres.Const. (Mil. 96\$)	11067	9355	8382	8444	8360	9614	11744	13821	15096	16065

Appendix Table - Continued. Summary of the UCLA Forecast for California

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Personal Income, Taxable Sales, and Price Inflation (%Change)										
Personal Income (Bil.\$)	1148.2	1217.6	1288.7	1362.4	1447.1	1543.1	1638.6	1747.4	1861.0	1979.7
Calif. (% Ch)	5.2	6.0	5.8	5.7	6.2	6.6	6.2	6.6	6.5	6.4
U.S. (% Ch)	5.3	4.5	4.4	5.0	4.7	4.6	4.8	5.0	5.2	5.5
Pers. Income (Bil. 96\$)	1027.9	1067.5	1103.7	1136.5	1175.2	1222.7	1266.0	1319.4	1359.4	1403.1
Calif. (% Ch)	2.4	3.9	3.4	3.0	3.4	4.0	3.5	4.2	3.0	3.2
U.S. (% Ch)	3.4	3.0	2.9	3.4	3.1	2.8	2.8	2.8	2.8	2.8
Taxable Sales (Bil.\$)	461.7	486.2	510.2	536.2	567.1	601.5	636.5	676.0	718.3	765.7
(% Ch)	5.6	5.3	4.9	5.1	5.8	6.1	5.8	6.2	6.3	6.6
(Bil. 96\$)	413.4	426.2	436.9	447.3	460.5	476.6	491.7	510.5	524.7	542.7
(% Ch)	2.8	3.1	2.5	2.4	3.0	3.5	3.2	3.8	2.8	3.4
Consumer Prices (% Ch)	3.0	2.7	2.5	2.6	2.6	2.6	2.5	2.5	2.4	2.6
Employment and Labor Force (Household Survey, % Change)										
Employment	2.5	2.5	2.4	2.3	2.3	2.6	2.4	2.1	2.1	2.0
Labor Force	2.5	2.6	2.4	2.3	2.2	2.5	2.4	2.2	2.0	1.9
Unemployment Rate (%)	5.0	5.1	5.2	5.2	5.1	5.1	5.0	5.2	5.1	5.0
U.S.	4.4	4.6	4.8	4.7	4.7	4.8	4.7	4.6	4.7	5.0
Total Nonfarm Nonfarm Employment (Payroll Survey, % Change)										
Calif.	2.6	2.4	2.3	2.2	2.3	2.6	2.5	2.2	2.2	2.2
U.S.	1.8	1.3	1.1	1.4	1.2	1.2	1.2	1.1	0.9	0.9
Mining	1.6	-0.5	-0.8	0.0	1.5	0.4	0.4	0.6	0.3	-0.4
Construction	7.0	3.4	1.3	0.7	1.2	1.9	0.9	0.3	0.2	0.2
Manufacturing	0.4	0.7	0.9	0.9	0.7	0.5	0.5	0.5	0.3	0.2
Nondurable Goods	1.1	2.1	1.3	0.5	0.2	0.3	0.3	0.2	0.1	0.1
Durable Goods	-0.1	-0.1	0.7	1.2	1.0	0.7	0.7	0.7	0.5	0.3
High Technology	0.3	2.6	2.3	1.6	0.9	0.6	1.0	1.1	0.8	0.8
Trans. & Public Util.	3.1	1.6	0.7	0.9	1.0	2.2	1.7	1.4	1.6	1.8
Trade	2.0	2.0	2.2	2.1	2.2	2.6	2.1	2.1	2.2	2.0
Finance, Ins. & R.E.	2.4	2.2	1.4	1.6	1.5	2.3	2.6	2.3	2.2	2.3
Services	3.6	3.7	3.4	3.6	3.7	4.1	3.9	3.5	3.5	3.4
Federal Gov't	-5.7	-0.3	1.0	2.2	1.9	1.6	1.5	1.3	1.4	0.9
State and Local Gov't	2.7	2.4	2.3	1.7	1.6	1.7	1.8	1.6	1.7	1.8
Nonfarm Employment (Payroll Survey, Thous.)										
Total Nonfarm	14930	15295	15639	15985	16349	16781	17193	17570	17962	18348
Mining	23	23	23	23	23	24	24	24	24	24
Construction	798	825	836	842	852	868	876	878	880	882
Manufacturing	1947	1961	1979	1997	2011	2021	2032	2042	2049	2054
Nondurable Goods	737	752	762	766	767	769	771	773	774	774
Durable Goods	1211	1209	1217	1232	1244	1252	1261	1270	1276	1280
High Technology	505	518	530	538	543	547	552	558	562	567
Trans. & Public Util.	776	789	794	801	809	827	841	853	867	882
Trade	3361	3428	3504	3577	3657	3752	3833	3913	4000	4080
Finance, Ins. & R.E.	853	871	884	897	911	932	956	978	999	1023
Services	4822	4999	5168	5353	5551	5779	6007	6216	6433	6649
Federal Gov't	259	258	261	267	272	276	280	284	288	290
State and Local Gov't	2090	2141	2190	2227	2263	2302	2344	2382	2422	2465
Population and Migration										
Net Immigration(Thous.)	226	254	258	262	266	270	275	279	284	288
Population (Thous.)	35011	35560	36129	36710	37301	37901	38510	39129	39759	40398
(% Ch)	1.5	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6
Construction Activity and Home Values										
Residential Building										
Permits (Thous. Un.)	145	153	169	187	199	201	194	191	193	193
Home Values-LA Co (% Ch)	4.5	3.8	3.0	4.0	1.6	7.9	4.8	4.2	3.8	3.6
Nonres.Const. (Mil. 96\$)	17479	17077	17163	17646	18261	18636	18476	18334	18194	17999

Appendix Table - Continued. Summary of the UCLA Forecast for California

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Personal Income, Taxable Sales, and Price Inflation (%Change)										
Personal Income (Bil.\$)	2101.0	2222.7	2350.2	2485.6	2630.5	2785.8	2948.2	3127.5	3324.1	3509.7
Calif. (% Ch)	6.1	5.8	5.7	5.8	5.8	5.9	5.8	6.1	6.3	5.6
U.S. (% Ch)	5.6	5.6	5.5	5.5	5.4	5.4	5.4	5.4	5.4	5.4
Pers. Income (Bil. 96\$)	1443.7	1479.5	1514.1	1552.0	1590.2	1630.4	1670.5	1718.1	1771.5	1811.8
Calif. (% Ch)	2.9	2.5	2.3	2.5	2.5	2.5	2.5	2.8	3.1	2.3
U.S. (% Ch)	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9
Taxable Sales (Bil.\$)	818.4	872.8	931.2	993.2	1059.1	1131.8	1207.8	1283.5	1359.7	1436.5
(% Ch)	6.9	6.6	6.7	6.7	6.6	6.9	6.7	6.3	5.9	5.6
(Bil. 96\$)	562.3	580.9	599.9	620.1	640.2	662.4	684.4	705.1	724.6	741.5
(% Ch)	3.6	3.3	3.3	3.4	3.2	3.5	3.3	3.0	2.8	2.3
Consumer Prices (% Ch)	2.7	2.7	2.8	2.6	2.6	2.7	2.8	2.7	2.6	2.5
Employment and Labor Force (Household Survey, % Change)										
Employment	2.0	1.8	1.7	1.6	1.7	1.8	1.7	1.8	1.8	1.6
Labor Force	2.1	1.9	1.6	1.6	1.7	1.6	1.8	1.6	1.7	1.6
Unemployment Rate (%)	5.1	5.3	5.1	5.1	5.1	5.0	5.1	4.9	4.9	4.8
U.S.	5.0	5.1	5.1	4.9	5.0	4.9	4.8	4.9	4.9	4.7
Nonfarm Employment (Payroll Survey, % Change)										
Total Nonfarm										
Calif.	2.1	1.8	1.7	1.6	1.7	1.7	1.7	1.8	1.8	1.6
U.S.	1.0	1.0	1.1	1.1	1.0	1.0	1.0	1.0	1.0	1.0
Mining	-0.4	-0.5	-0.5	-0.3	-0.1	-0.3	-1.2	-1.4	-1.0	0.0
Construction	0.3	0.2	0.2	0.3	0.3	0.3	0.4	0.5	0.2	0.1
Manufacturing	0.1	0.1	0.2	0.2	0.2	0.1	0.1	0.1	0.0	0.1
Nondurable Goods	0.1	0.1	0.2	0.3	0.3	0.3	0.3	0.2	0.2	0.3
Durable Goods	0.1	0.1	0.2	0.1	0.1	0.1	0.0	-0.0	-0.1	-0.0
High Technology	0.2	0.2	0.2	0.2	0.2	0.0	0.1	0.1	0.0	0.0
Trans. & Public Util.	1.9	1.4	1.0	1.0	1.1	1.1	1.2	1.6	1.7	1.2
Trade	1.8	1.6	1.6	1.5	1.4	1.4	1.4	1.6	1.5	1.1
Finance, Ins. & R.E.	2.6	2.3	1.9	1.5	1.5	1.8	1.7	1.8	1.8	1.4
Services	3.3	2.8	2.4	2.3	2.5	2.5	2.5	2.7	2.6	2.5
Federal Gov't	1.0	1.1	1.1	1.0	1.0	1.0	1.1	0.8	0.7	0.8
State and Local Gov't	1.7	1.7	1.8	1.7	1.8	1.9	1.8	1.8	1.7	1.7
Nonfarm Employment (Payroll Survey, Thous.)										
Total Nonfarm	18731	19073	19393	19703	20034	20378	20728	21108	21479	21820
Mining	24	24	23	23	23	23	23	23	22	22
Construction	884	886	887	890	893	895	899	903	906	907
Manufacturing	2055	2057	2060	2064	2067	2070	2073	2074	2074	2077
Nondurable Goods	775	775	777	779	781	783	785	787	789	791
Durable Goods	1280	1281	1283	1285	1286	1287	1287	1287	1286	1286
High Technology	568	569	570	571	572	573	573	574	574	574
Trans. & Public Util.	899	911	920	930	940	951	962	977	994	1006
Trade	4154	4221	4289	4354	4416	4480	4544	4615	4682	4734
Finance, Ins. & R.E.	1050	1074	1095	1111	1128	1148	1168	1189	1210	1227
Services	6865	7054	7222	7387	7572	7761	7956	8172	8383	8589
Federal Gov't	293	297	300	303	306	309	313	315	317	320
State and Local Gov't	2507	2550	2596	2640	2689	2740	2790	2841	2891	2939
Population and Migration										
Net Immigration(Thous)	293	298	302	307	312	317	322	328	333	338
Population (Thous)	41048	41708	42379	43060	43753	44456	45172	45898	46636	47387
(% Ch)	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6
Construction Activity and Home Values										
Residential Building										
Permits (Thous. Un.)	190	189	190	188	190	191	192	194	195	197
Home Values-LA Co (% Ch)	3.6	3.6	3.8	3.7	3.9	3.8	4.0	4.1	3.5	3.4
Nonres.Const. (Mil. 96\$)	17825	17801	17869	18055	18341	18631	18845	18944	18815	18660