



# State and Regional Economic Developments in California

## Introduction

After experiencing a major recession in the early 1990s, California has recently been enjoying healthy and diverse economic growth. While the state faces near-term challenges related to international developments and softness in its electronics manufacturing industries, its longer-term outlook appears to be positive. This report examines recent economic developments in California, with special emphasis on how the state's major geographic economic regions have been faring. It also looks at the near-term outlook for the state and its economic regions.

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## CALIFORNIA'S STATEWIDE ECONOMIC PICTURE

California's \$1 trillion-plus economy—the seventh largest in the world—has experienced a number of major changes during the past decade. It has seen the deepest recession in over a half century, along with the permanent downsizing of some major industries such as aerospace, construction, finance, and utilities. More recently, the state has experienced major *gains* in other industries—in particular, those related to high technology manufacturing and services, movie production, multimedia activities, tourism, apparel, and international trade.

### The Period of Transition Has Been Painful

The experience of individual workers and businesses during this recent period of economic change and transition has been mixed. Some, for example, have benefitted from the new opportunities that California's changing economy has brought forth. Others, caught in the numerous industrial dislocations, downsizings, and restructurings that have occurred, have faced difficult circumstances. Indeed, some workers face permanently lowered job and income prospects.

### However, California Is Finally "Back"

Despite the lingering problems associated with the state's restructurings, California's economy as a whole has fully recovered from its period of economic malaise. Broad measures such as aggregate employment, income, and sales activity are at new highs and have been expanding at above-average rates, signifying that California has finally

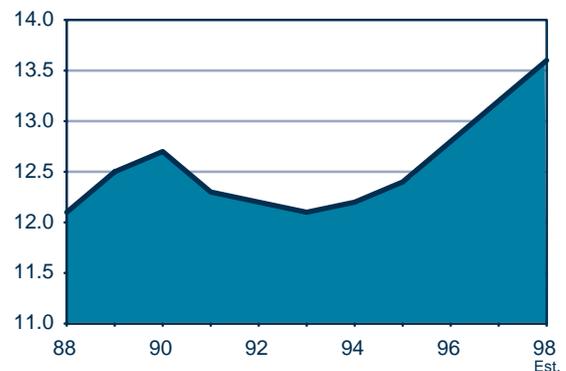
regained its role as a national and international economic leader.

**Recent Job Growth Has Surged.** Figure 1 provides a general picture of California's "roller coaster" economic performance in the 1990s. Among other things, it indicates that:

- ◆ The number of jobs in the state fell by 5.6 percent (over 720,000 jobs) between the second quarter of 1990 and the second quarter of 1993, when the recession was in full force.
- ◆ As a result of the three years of moderate growth which followed, California finally reached its prerecession employment peak in the third quarter of 1996.

**Figure 1**  
**California's Economy During the 1990s**

*Wage and Salary Employment*  
(In Millions)



- ◆ Since then, however, economic growth has accelerated, with the state adding nearly 900,000 jobs in the past two years.

**The 1990s' Expansion Got Stronger as It Aged.**

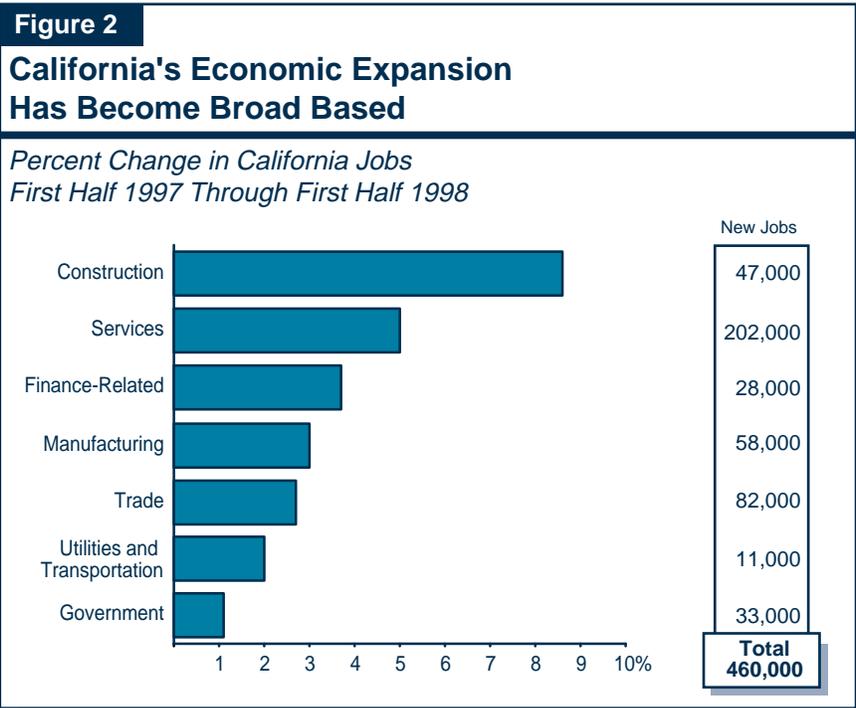
In past decades, the early stages of economic expansions have traditionally been characterized by rapid growth, due to major gains in the residential construction, retail trade, and durable goods manufacturing industries. These rapid early stages were generally followed by more moderate growth periods, as the expansions matured and the pace of spending by households and businesses eventually settled down into somewhat slower, more sustainable rates.

In sharp contrast to these past experiences, the early stages of the current expansion were characterized by modest economic growth, with employment and income growing at less than one-half the rates of earlier expansions. This was partly due to the continued cutbacks in defense-related aerospace industries, ongoing restructurings in finance and communications industries, and softness in housing activity (with the latter having persisted well into 1996).

More recently, however, the state's expansion began to broaden and strengthen, as the restructurings began to subside

and the real estate markets perked up. Employment and income growth in the state surpassed the national average in 1996 for the first time since 1989. These positive trends accelerated in 1997 and remained strong through the first half of 1998. Over the past two years, meaningful employment growth has spread to virtually all major geographical regions and industry sectors in the state. Other economic indicators confirm these trends, such as home sales, nonresidential construction activity, taxable sales, and weekly hours and earnings in the manufacturing sector.

**Recent Growth Has Been Broad Based.** As indicated in Figure 2, nearly all of the state's major sectors added jobs through the first half of 1998. The state's services sector has contributed over 200,000 jobs over the past year—nearly one-half of





## WAGE AND SALARY EMPLOYMENT CATEGORIES

Employment data provide the most current and comprehensive information on industry trends in the state. These data are collected monthly by the state's Employment Development Department (EDD) from businesses in California, and are categorized by industry sector based on the Standard Industrial Classification (SIC). The major nonagricultural categories are:

- ◆ **Construction.** This category includes general contractors engaged in the construction of homes, offices, stores, and other buildings. It also includes special trade contractors engaged in plumbing, painting, and electrical work. The category also includes contractors involved in heavy construction of roads, highways, and other infrastructure projects.
- ◆ **Manufacturing.** The manufacturing sector is broadly divided into the durable goods and nondurable goods subsectors. In California, a large number of durable goods manufacturers are involved in the production of computers, electronic components, aerospace equipment, and other "high technology" goods. Major nondurable manufacturing categories in California include apparel and textiles.
- ◆ **Utilities and Transportation.** This category includes utilities, phone companies, and providers of passenger and freight transportation and warehousing. The transportation subcategories include businesses involved in the distribution of internationally traded goods.
- ◆ **Trade.** This category includes establishments selling merchandise to people (retail trade) and to other businesses (wholesale trade). Retail trade establishments include department stores, food stores, automotive dealers, and eating and drinking establishments. Wholesale trade establishments include importers and exporters, which have benefitted from the expansion of international trade activities in recent years and thus have grown in importance.
- ◆ **Finance, Insurance, and Real Estate.** This category includes banks, credit institutions, mortgage brokers, investment companies, insurance companies, and securities brokers. It also includes real estate brokers and agents, and title companies.
- ◆ **Services.** This is the state's single largest industrial category. It includes a vast array of business activities. Among these are business services, hotels, entertainment and recreation, personal services, automotive repair, and film production. It also encompasses a variety of professional services, including health, legal, accounting, and engineering. One of the fastest growing of the service categories is business services, which includes software design and other computer-related services (see later box on page 6).
- ◆ **Government.** This category includes both federal government employment (including civilian employees working on military bases) and state and local government employment (which includes teachers, and employees of city, county, and state government within California).

the total gain. In percentage terms, the fastest growing industry has been construction, which is benefitting from increases in both residential and nonresidential building activity. Other industries posting significant gains include trade and manufacturing.

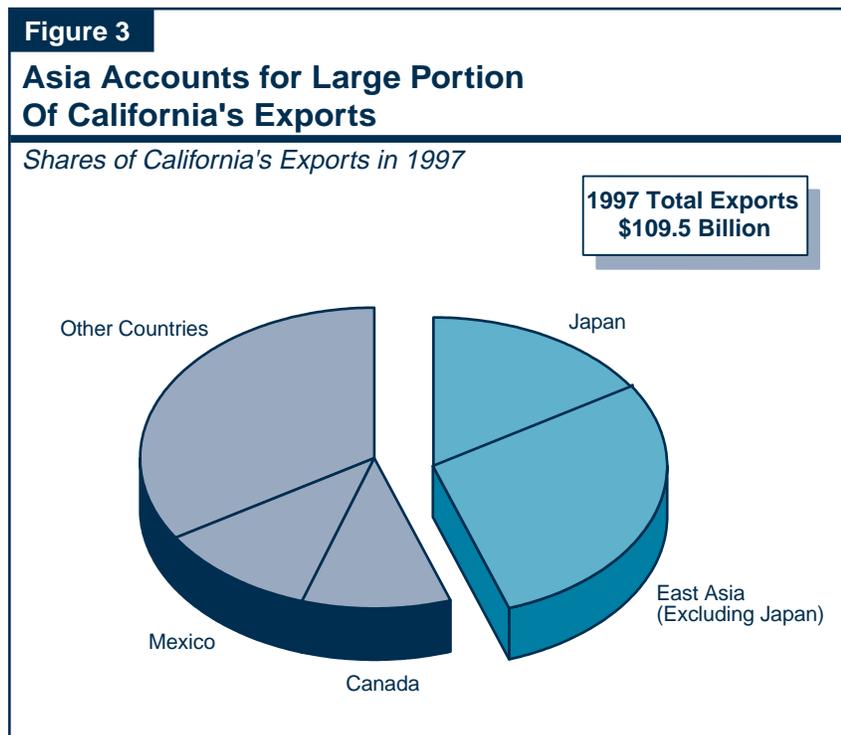
The emergence of broad-based economic growth has very positive implications for California. The state's diverse industry mix makes our economy currently more stable and less vulnerable to downturns in one or two key industries than it has been in the past, such as in the late 1980s when the economy was highly dependent on defense and real estate-related spending.

**What About the Impact of Asia's Problems?** An important factor affecting California's near-term

economic outlook is the economic and financial problems occurring in East Asia (this area includes Malaysia, Thailand, Indonesia, the Philippines, South Korea, Taiwan, Singapore, Hong Kong, Japan, and China). The decline in currency values and the weakening economies in the emerging Asian areas are having significant adverse impacts on U.S. trade, and these impacts are expected to become more pronounced during the second half of 1998. The announcement of a deeper-than-expected economic downturn in Japan has added to concerns about the impact of Asia's problems on U.S. international trade. California is particularly vulnerable to slowdowns in Asia, due to the larger-than-average share of California's goods and services that are exported to that region. As indicated in Figure 3, nearly one-half

of total California exports are to Japan and other East Asian Countries.

So far, the impacts of Asia's problems on California have been fairly modest. Although exports to several East Asian countries have fallen over the past year, these reductions have thus far been offset by growth in other markets, particularly Mexico and Europe. However, the full impact of the Asian crisis on California is still not known and remains to be seen. It may be the case that, because of contractual arrangements and





## BUSINESS SERVICES GROWTH REFLECTIVE OF SEVERAL TRENDS

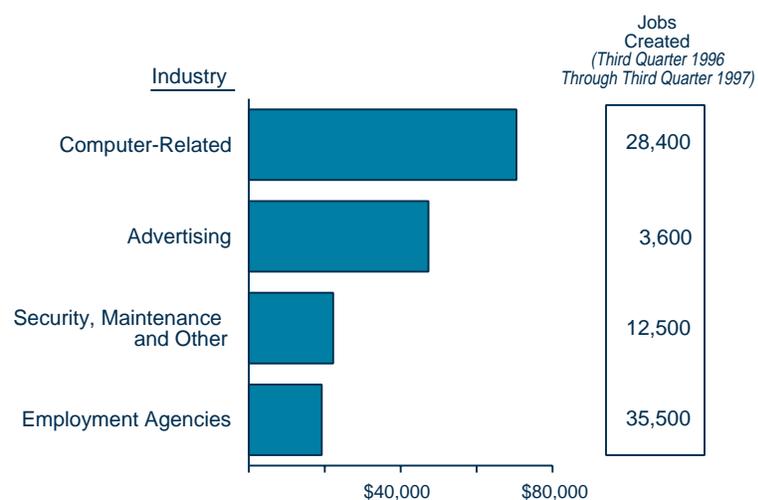
Throughout California, one of the fastest growing industries in the current economic expansion has been business services. Since the category of business services has traditionally included many temporary and lower-paying services-related jobs, some observers have expressed concern that the rapid growth in this sector is evidence that the underlying foundations of the current economic expansion are not all that strong.

While some of the growth in business services is indeed related to a rise in temporary employment service jobs, this category also includes a significant number of highly skilled, highly paid, and permanent jobs. For example, nearly one-third of the growth in the business services category over the past several years has been related to jobs in high technology companies specializing in computer and systems design, computer hardware, and software development and services. The average pay level in these highly specialized industry categories is currently over \$70,000 annually, or more than double the statewide average annual pay level for all industries (see accompanying figure). Another relatively high paying sector is advertising, with average incomes of over \$45,000 annually.

The growth in computer-related business services jobs reflects the growing importance of small and specialized businesses in California. Many of the design, development, and support-related functions provided by employees in these service sectors would in the past have been performed by workers in larger, more integrated manufacturing firms. A consequence of the emerging and evolving business services sector is that the historical distinction drawn between “high-wage manufacturing jobs” and “low-wage service jobs” is becoming more and more blurred.

### Business Services Include a Mixture of High-Wage And Low-Wage Industries

Average Annual Salary in Third Quarter 1997



other factors, a time lag has simply been experienced between the onset of Asia's financial problems and the associated reductions in orders for California-produced goods that will follow. Indeed, more current national trade-related data suggest that some negative effects are now beginning to appear, and company profit reports indicate that some California businesses with significant Asian markets are experiencing sales and profit slowdowns. The more serious these slowdowns become, the more serious will be the implications for California's high technology industries, which export significant amounts of goods and services to these countries.

At this point, however, the "best guess" is that, while Asia's problems will cause a slowdown in the U.S. and California economic expansions, especially in late 1998 and early 1999, their negative effects will not be severe enough to derail our economies.

**The Near-Term Outlook—Some Slowing, But Moderate Growth Ahead**

Figure 4 provides our May forecast for California's economy from 1998 through 2000. The forecast assumed that the combination of Asia's economic problems and more modest

growth in the U.S. economy will lead to a tapering in the rate of job and income growth in this state. As discussed below, the slowdowns will likely be most pronounced in Silicon Valley, which in recent years has been the fastest growing region of the state.

Despite this easing though, California will likely continue to experience moderate economic expansion through the end of the decade, sustained in part by strength in construction, services, and retail trade activity. During this period, California's employment and income growth are expected to exceed the national average by about 1-to-2 percentage points per year.

**Figure 4**  
**Summary of LAO's May 1998 Economic Outlook**

*Percent Changes<sup>a</sup>*

	Preliminary 1997	Projected		
		1998	1999	2000
<b>United States Forecast</b>				
Percent change in:				
Real GDP	3.8	3.0	1.9	2.4
Personal income	5.8	5.4	4.0	4.3
Wage and salary jobs	2.3	2.6	1.0	1.1
Consumer Price Index	2.4	1.7	2.6	2.8
Unemployment rate (%)	5.0	4.7	5.1	5.3
Housing Starts (000)	1,478	1,514	1,431	1,425
<b>California Forecast</b>				
Percent change in:				
Personal income	7.3	7.1	5.8	5.4
Wage and salary jobs	3.3	3.4	2.9	2.5
Taxable sales	6.3	6.2	5.6	5.2
Consumer Price Index	2.2	2.1	2.8	3.0
Unemployment rate (%)	6.3	5.8	5.4	5.3
New housing permits (000)	111	130	153	157

<sup>a</sup> Unless otherwise indicated.



## REGIONAL ECONOMIC DEVELOPMENTS IN CALIFORNIA

Underlying California's aggregate economic developments in the 1990s have been varying economic performances within its individual major geographic regions. In this section, we review the state's regional economic developments during the 1990s, and discuss the regional aspects of the current statewide economic outlook. For purposes of this report, we have grouped California's counties into five broad regions, each of which has somewhat distinct economic and geographic characteristics. These regions, shown in Figure 5, are:

- ◆ **Southern California**, which consists of Los Angeles, Orange, San Diego, Ventura, Riverside, and San Bernardino Counties.
- ◆ The **San Francisco Bay Area**, which includes the nine counties which are proximate to the San Francisco Bay.
- ◆ The **Central Valley**, which ranges from Kern County in the south to Shasta County in the north, and includes such metropolitan areas as Sacramento, Stockton, Fresno, Modesto, and Bakersfield.

- ◆ The **Central Coast**, ranging from Santa Barbara in the south to Santa Cruz in the north.
- ◆ The **Rest-of-the-State**, which consists of the rural mountainous counties surrounding the Central Valley and Imperial County.

### How Have California's Regions Performed in the 1990s?

The state's overall economic fortunes in the 1990s—both positive and negative—have been substantially affected by developments in Southern California. For example, the severity of California's recession was due largely to major job losses in



Southern California. Likewise, the more recent improvement in the state's overall economic growth can be traced to the acceleration of employment and other economic measures in Southern California's economy. To be sure, favorable economic developments in other regions in the recent past have had significant positive effects on the state's overall performance. For instance, booming economic activity in Silicon Valley clearly boosted California's overall economy in the mid-1990s. Nevertheless, the sheer size of Southern California has made it a dominant factor in California's overall 1990s' economic performance.

Figure 6 shows how the state's various individual geographic regions have performed in the 1990s. It shows that the recession that hit Northern

California was *moderate*, with total jobs falling by less than 3 percent between mid-1990 and mid-1993. In contrast, the downturn in Southern California was *severe*, with total employment falling by over 7 percent during the same period.

The figure also shows that employment turned upward earlier in Northern California than in Southern California and, until recently, the percentage rate of growth has been greater in the north than in the south. Finally, the figure shows that all regions except Southern California had surpassed their prerecession employment peaks by mid-1995, and have expanded an additional 10 percent to 15 percent since then. In contrast, Southern California did not recoup the jobs lost in the recession until last year, and today is just 3 percent above where it was at the beginning of the decade.

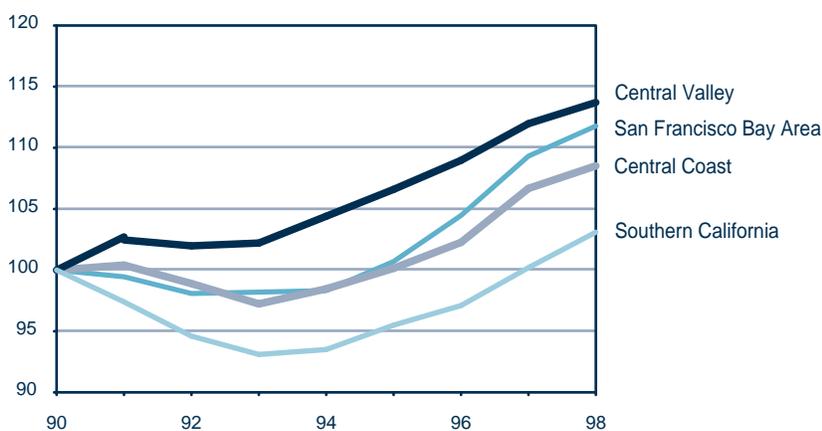
**What Explains the Regional Variation in Economic Performance?**

One reason for the regional variation in economic performance during the 1990s noted above relates to the large and growing presence of the high technology sector in the Silicon Valley, which has experienced booming economic conditions in recent years. Equally important, however, is Southern California's relatively greater exposure to the major downturns that occurred during the 1990s in aerospace

**Figure 6**

**Comparison of Regional Economic Performance During the 1990s<sup>a</sup>**

*Employment Index (1990 = 100)*



<sup>a</sup>Does not include the Rest-of-the-State region, which has about 200,000 jobs.



and construction. This is illustrated in Figure 7, which shows that the majority of job losses in these two industry sectors occurred in Southern California.

**Figure 7**

### Aerospace and Construction Losses Hit South Hard

In Thousands



### Recent Improvement in South Has Boosted State

By 1996, the negative forces affecting Southern California had finally “run their course,” paving the way for accelerating economic growth for California as a whole. As shown in Figure 8, most of the acceleration in statewide employment growth can be traced to Southern California. Specifically, the figure shows that:

- ◆ Job growth in the San Francisco Bay Area has held steady at between 100,000 and 130,000 new jobs annually for each of the past three years.
- ◆ Job growth in the Central Valley accelerated mildly, from 36,000 between 1995 and 1996 to 42,000 between 1997 and 1998.
- ◆ The rate of job growth in Southern California has *doubled*, from 119,000 between 1995 and 1996 to nearly 239,000 over the past year.

## WHAT'S AN MSA?

Our discussion of economic developments within California’s major economic regions concentrates on employment data that are compiled by the California Employment Development Department (EDD) for the state’s *Metropolitan Statistical areas (MSAs)*. An MSA is a contiguous area with a large population center and a high degree of economic integration. In most instances, the MSAs are identical to the corresponding county; thus, for example, we refer to the *MSA and County* of Los Angeles interchangeably in our report. However, in a few cases, the MSAs consist of two or more adjacent counties. Examples of multiple-county MSAs include Sacramento (which consists of Sacramento, Placer, and El Dorado Counties), Riverside/San Bernardino, and San Francisco (which consists of San Francisco, San Mateo, and Marin Counties).

We believe that continued growth in Southern California will keep the state's economic expansion on track in the near-term future, offsetting some of the slowing that will likely occur in the San Francisco Bay Area in the coming year.

In the sections which follow, we look at the key factors behind the recent economic changes experienced *within* each of the state's individual major economic regions.

### TRENDS IN THE SOUTHERN CALIFORNIA ECONOMIC REGION

**Background.** As indicated previously, Southern California is the largest economic region of the state, accounting for well over one-half of

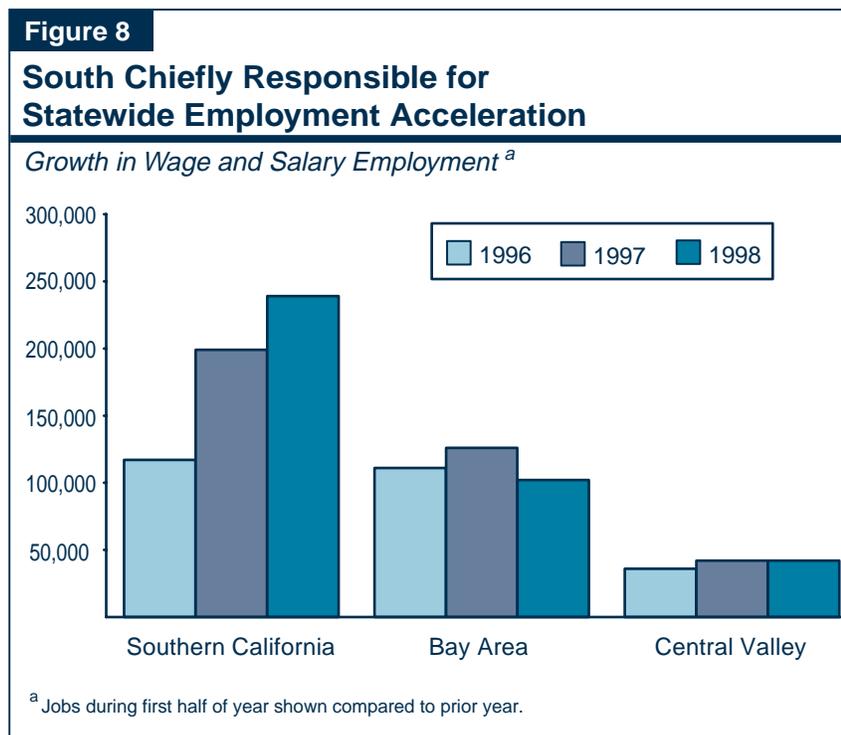
California's total population and workforce. Figure 9 (see page 12) provides a variety of economic and demographic information relating to the Southern California Economic Region. Los Angeles is, by far, the largest county in the region, accounting for 9.6 million in population. It is followed in size by the Orange County, San Diego County, and Riverside/San Bernardino County metropolitan areas (each containing between 2.7 million and 3.1 million people), along with Ventura County (which has a population of about 730,000).

**Economic Performance in the 1990s.** Figure 10 (see page 13) shows how each of the major metropolitan areas in Southern California has fared in the 1990s, focusing on employment performance. It shows that the recession had adverse

impacts ranging from modest (in the Riverside/San Bernardino metropolitan statistical area [MSA]) to severe (in Los Angeles County). The figure also shows that all counties except Los Angeles County have surpassed their prerecession peaks in terms of overall jobs.

#### Los Angeles County

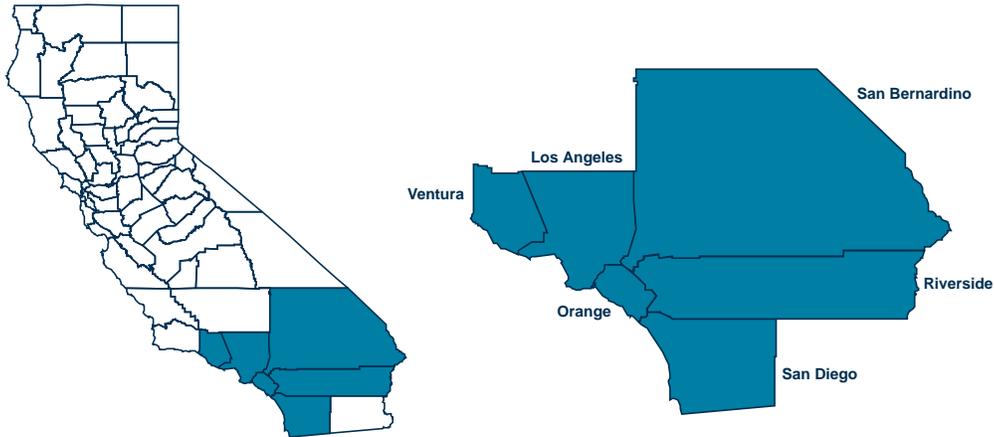
In addition to being the state's single largest county-level economic area, Los Angeles County has been through the most extensive and difficult economics-related transition of any region in California. The striking





**Figure 9**

**Southern California Economic Region—Selected Characteristics**

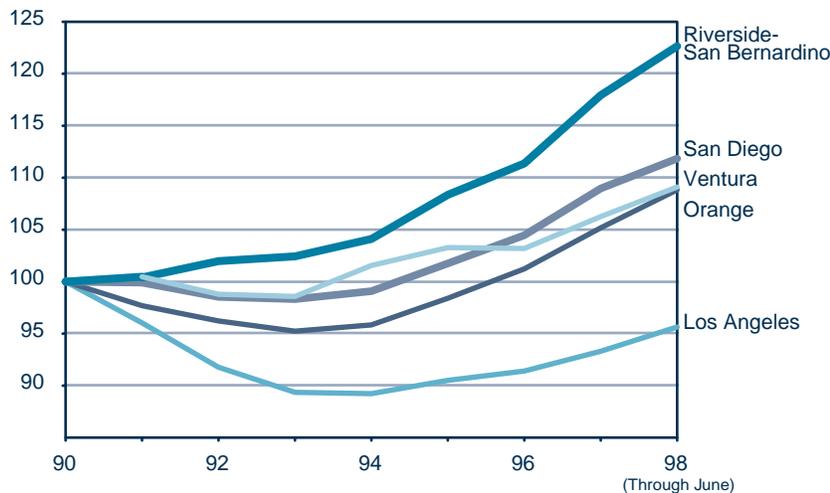


Key Demographic and Economic Data					
County	Population			1996 Per Capita Personal Income	Unemployment Rate June 1998
	7/1/90	1/1/98	Percent Change		
Los Angeles	8,902,000	9,603,300	7.9%	\$24,945	6.3%
Orange	2,417,600	2,722,300	12.6	28,936	3.0
Riverside/ San Bernardino	2,631,300	3,063,100	16.4	19,090	6.1
San Diego	2,511,400	2,794,800	11.3	24,282	3.5
Ventura	670,200	730,800	9.0	25,839	4.9

Recent Employment Trends						
County	Nonfarm Employment 1st Half 1998	Percent Change				
		1994	1995	1996	1997	1998
Los Angeles	3,948,483	-0.8%	1.3%	0.8%	2.1%	2.8%
Orange	1,266,650	0.4	2.3	2.9	3.2	4.3
Riverside/ San Bernardino	874,017	1.2	4.4	3.1	4.6	4.6
San Diego	1,072,667	0.6	1.9	3.0	4.1	3.3
Ventura	248,850	1.9	2.5	0.3	1.8	3.0

**Figure 10**  
**Southern California Employment Performance**  
**During the 1990s, by County**

*Employment Index (1990=100)*



impact of this transition on employment in selected industries over the past decade is depicted in Figure 11 (see page 16). The single largest and most dramatic change has been a major reduction in the number of durable goods manufacturing jobs. This sector has fallen by more than 170,000 jobs since 1990, including over 100,000 aerospace jobs. The county also lost large numbers of jobs in the wholesale trade, retail trade, finance, and construction industries.

These losses have been partly offset by gains in service-related jobs, particularly in motion picture production and business services. The county also has gained approximately 30,000 jobs in the apparel industry over the past eight years. This is in striking contrast to the nation as a whole, which

has experienced job losses in this industry. Finally, Los Angeles County has gained a significant number of jobs in transportation and warehousing industries, reflecting the major expansion of international trade flows through the Ports of Los Angeles and Long Beach during recent years.

***Film Industry Strong Through Mid-Decade.*** One of the few sources of economic growth in Los Angeles during the early and mid-1990s was the film production industry. This high paying industry includes a variety of activities associated with the production and distribution of

movies and television-related products. As shown in Figure 12 (see page 16), motion picture production employment increased from slightly below 90,000 jobs in early 1992 to nearly 140,000 jobs by early 1997—an annual average growth rate of about 10 percent. Gains in this industry also had ripple effects on other parts of the area's economy, leading to job growth in apparel design, advertising, and related service industries in Los Angeles County.

***However, Film Industry Has Slowed.*** After several strong years, job growth in this industry slowed during the latter half of 1997, reflecting a cutback in film production by major studios. Factors responsible for the slowdown include slowing foreign demand for films and rising production costs, which together are squeezing



## REGIONAL EFFECTS OF DEFENSE CUTBACKS

Defense cutbacks have taken a major toll on California, which has historically received one out of every five dollars spent by the U.S. Department of Defense. At the end of the cold war in the late 1980s, military spending in California totaled more than \$50 billion, or about 8 percent of California's Gross State Product. About three-fourths of total defense outlays in the state involved contract spending—mostly directed to private defense aerospace firms—for the research, development, and production of major weapons systems. The remaining one-fourth of outlays was related to military and civilian personnel working on military installations throughout the state. The defense cutbacks which occurred affected both of these areas of contract spending and personnel. As described below, the primary impact of the cutback in *contract spending* has been in the *southern* portion of California, while the impact of *base closures and consolidations* was centered in the *northern* half of the state.

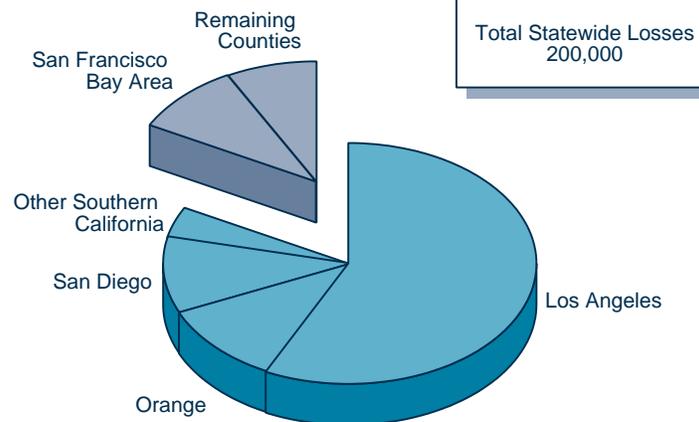
**Contract Spending Cutbacks.** The decline in

defense contract spending, coupled with the consolidation of major defense companies to locations outside of California, has caused statewide employment in the aerospace industry to decline from 370,000 in 1988 to slightly more than 160,000 in 1996. Despite some modest gains since 1996, aerospace employment remains below 170,000, less than one-half the level of a decade ago.

As shown in the first accompanying figure, the majority of the job losses—fourth-fifths of the total—have occurred in Southern California, and nearly two-thirds have taken place in Los

### Private Defense-Related Job Losses Concentrated in South

*Distribution of Aerospace Manufacturing Job Losses by County Early 1988 Through Early 1998*



Angeles County alone. The aerospace job losses are especially significant because they are generally high paying jobs. For example, the average salary for aerospace industries in 1997 was \$57,000. This compares to the statewide average salary for all industries of about \$32,000 during the year.

**Base Closures.** Over the past decade, Congress has approved the closure and realignment of numerous military bases across the country. Actions taken so far have resulted in the closure of 25 bases in California. Along with these reductions have come the realignment of 57,000 military personnel and the loss of over 42,000 civilian jobs in the state.

The second accompanying figure shows the distribution of civilian job losses in California. It shows that the majority of the losses are in the northern and central regions of California, reflecting the closure of such major installations as McClellan Air Force Base and Castle Air Force Base in the Central Valley, the Naval Air Station of Alameda, Mare Island Naval Ship Yard, and Ford Ord Army Base.

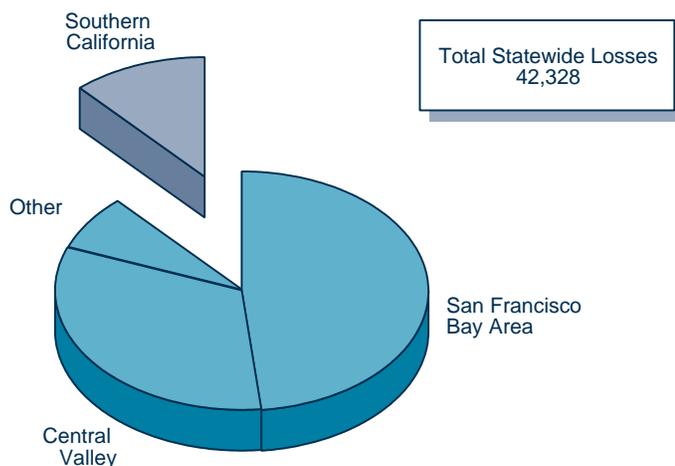
Many military bases in Southern California have been closed or downsized, including George, Norton, and March Air Force Bases in Riverside and San Bernardino Counties, and the Long Beach Naval Ship Yard. However, San Diego County actually *gained* military and civilian personnel as the result of the closure

and consolidation process, as many naval operations were moved to San Diego from other locations on the West Coast of the United States.

**Overall Impact of Defense Cuts.** Given the relatively larger size of the contract spending cutbacks and the numbers of employees involved, the majority of the overall impact of defense cutbacks has been in Southern California and, in particular, Los Angeles County.

### Base-Closure Job Losses Concentrated in North

Distribution of Civilian Employment Reductions Due to Base Closures And Realignments

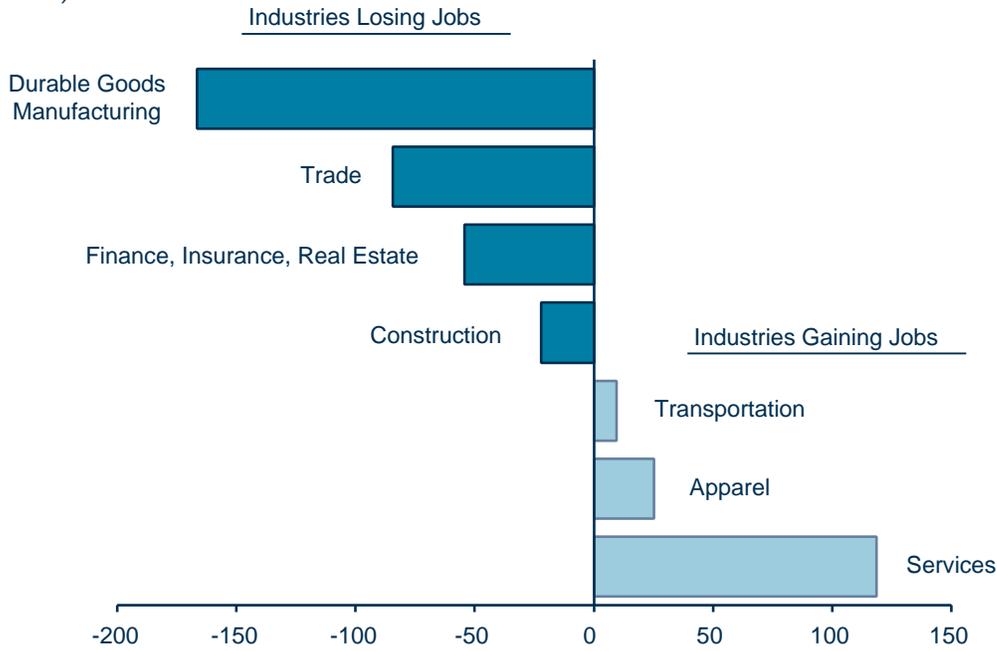




**Figure 11**

**Los Angeles County Has Experienced Major Industry Changes**

*Net Change in Jobs for Selected Industries, 1990 through 1998  
(In Thousands)*



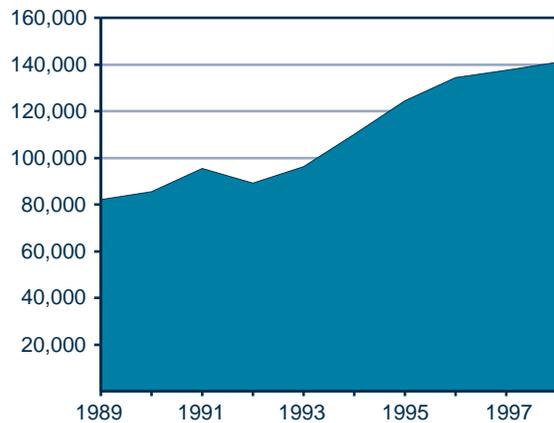
earnings and leading to fewer major productions. While these factors are being partly offset by strong growth in satellite and cable television markets, it appears that near-term growth in the film industry will remain moderate compared to recent years. Nevertheless, motion picture, television, and other film-related production will remain an important economic force in the Los Angeles County economy.

**Overall Economy Currently Growing at Moderate Pace.** Employment in Los Angeles County increased by 2.8 percent between the first half of 1997 and the first half of 1998, reflecting broad-based growth in services, trade, manufacturing,

**Figure 12**

**Film Industry Boosts Los Angeles County Employment**

*Jobs in Film-Related Industries  
Second Quarter of Year Shown*



and construction activity. Although still below the statewide average, the annual increase is the largest in a decade.

In other signs of renewed economic strength, real estate prices and sales are up sharply in the county, and new construction of nonresidential facilities—including offices, industrial building, and retail stores—has jumped 40 percent during the past year. Finally, major capital expansions associated with the Los Angeles and Long Beach Port facilities should boost employment and income in the area's economy. While the region faces some job losses associated with further planned cutbacks by Boeing, Northrop, and other aerospace companies, the overall outlook for the region remains positive.

### **Inland Empire**

The Riverside/San Bernardino metropolitan area (generally referred to as the Inland Empire) is the most populous metropolitan area in California, following Los Angeles County.

The Inland Empire experienced major increases in population and jobs in the 1980s, reflecting the migration of people seeking affordable housing from the higher-cost coastal regions of Southern California. (Home prices in the Inland Empire, for example, have been considerably lower than for its neighboring coastal counties in Southern California.) Many of these interregional migrants continue to maintain jobs in Los Angeles and Orange Counties, and thus face long commutes. The Inland Empire was the center of California's construction boom in the second half of the 1980s, accounting

for as much as one-fifth of the volume of statewide residential construction activity in the latter part of the decade.

Partly because of its dependence on population growth for its economic expansion, the Inland Empire was hard hit when migration into the region slowed with the early-1990s' recession. Although the Inland Empire avoided the major economic downturns of its coastal neighbors, the early 1990s were characterized by high unemployment rates, numerous home loan defaults, and declining property values in the region. The closures of Norton and George Air Force Bases also adversely affected the Inland Empire during this period.

***Economy Is Developing Its Own Industrial Base.*** In more recent years, the Inland Empire has experienced renewed growth, with employment increases averaging about 4 percent annually during the past three years. This growth has been somewhat more subdued than experienced in the 1980s, but it also has been considerably more balanced than in the past. While the area's recent economic gains have partly been related to improving construction activity, there also has been significant percentage job growth in transportation, warehousing, manufacturing, services, and trade-related industries (see Figure 13 on page 18). Many jobs in the latter industries are related to the shipping and distribution of internationally traded goods flowing through the Ports of Los Angeles and Long Beach.

The growth in these diverse industries is a positive development for the Inland Empire region,



for two reasons. First, more of the people in the region are finding jobs locally and thus are avoiding the lengthy commutes into Los Angeles and Orange Counties. Second, the diversification means that the region's prospects for continued prosperity in the future are less tied to continued strong in-migration of people from elsewhere.

**Real Estate Activity Finally on Rebound.** After remaining depressed for several years, real estate markets are finally rebounding in the Inland Empire. Home sales, prices, and construction activity are climbing in 1998, and major builders are returning to the region. The region is also experiencing large increases in nonresidential construction, particularly involving industrial and commercial buildings.

Continued industry growth and diversification, coupled with a rebound in the region's real estate markets, will likely result in continued economic expansion in this region during the next several years.

### Orange County

Orange is the fourth largest metropolitan area in Southern California, with 1.3 million jobs and 2.7 million in population as of early 1998. The county is characterized by high incomes and housing prices, and very low rates of unemployment. Orange County has a large computer and electronics industry, trailing only Silicon Valley and Los Angeles. It has a large number of workers in aerospace firms involved in the production of advanced missiles, satellites, and navigation systems.

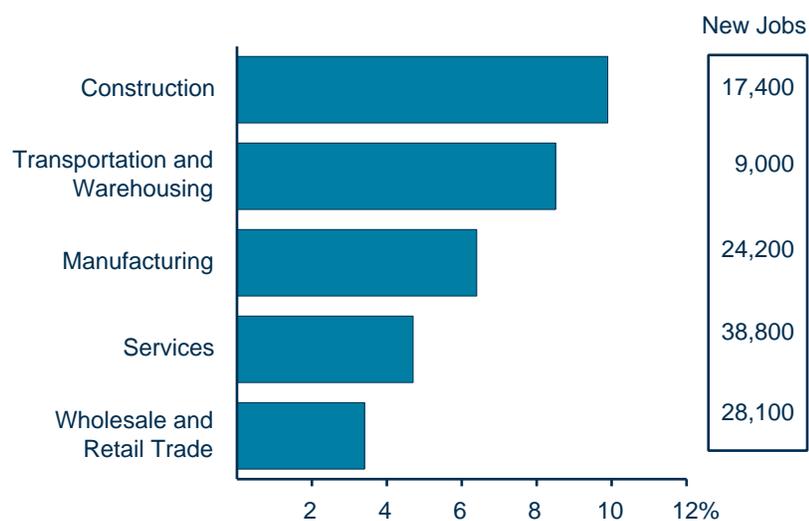
A large number of workers in the region are also employed by firms in high-paying service industries, including computer services, engineering, and management consulting. Finally, as home to Disneyland and several other attractions, Orange County is a major tourist destination.

**Region Was Hard Hit by Statewide Slump.** Orange County was California's third fastest growing metropolitan region in the 1980s (behind Riverside/San Bernardino and San Diego). As with the rest of Southern California, however, the

Figure 13

### Diverse Growth in Inland Empire

Average Annual Percent Change in Jobs  
First Half 1994 Through First Half 1998



region was hard hit by the defense cutbacks and real estate slumps that took place in the early 1990s. The county lost nearly 5 percent of its job base between 1990 and 1993, the second largest percentage decline in a major subregion behind that experienced in Los Angeles County.

**Area's Economy Among Strongest in State During Past Year.** Orange County began to emerge from the 1990s' recession along with the rest of the state in late 1993. During the subsequent three years, however, the area's job and income growth was somewhat subdued by historical standards for a recovery period, and slower than for many other parts of the state. This changed dramatically during 1997 and early 1998. Between the first half of 1997 and the first half of 1998, the county added 52,000 jobs, a 4.3 percent increase. The growth was led by gains in such industry subsectors as high technology manufacturing, business services, communications, wholesale trade, and construction. The job gains have pushed the unemployment rate in Orange County down to 3 percent as of June 1998.

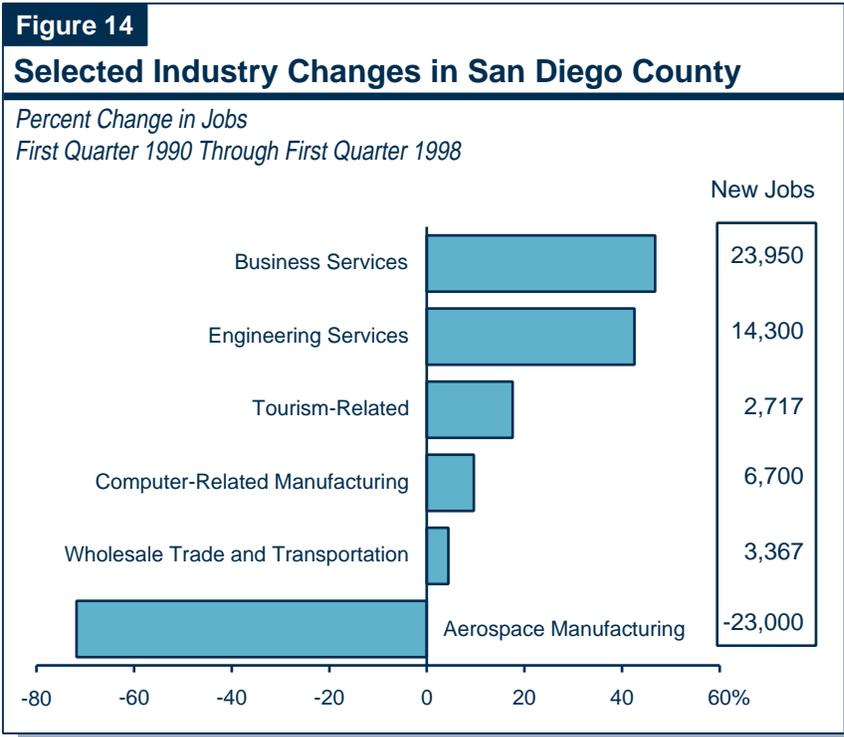
In other signs of economic strength, the county's real estate markets have rebounded sharply during the past two years. Home sales, home prices, and new residential construction have been climbing. Nonresidential

construction activity is also up sharply, reflecting major increases associated with the construction of industrial and office buildings.

Overall, Orange County is among the fastest growing regions in the state in mid-1998, and all signs point toward continued growth during 1999 and beyond.

**San Diego County**

San Diego is the state's third largest MSA, accounting for 2.8 million in population and 1.1 million in wage and salary jobs as of early 1998. Although in earlier decades the county was primarily known for its military-related complexes, San Diego's economy has undergone major changes during the 1990s. Thee impact of these changes on key job categories is shown in Figure 14.





**Major Declines in Aerospace Activity Have Taken Place.** In percentage terms, no other region was harder hit than San Diego by the aerospace cutbacks in the early 1990s. Between 1990 and 1995, San Diego lost most of its major aerospace employers through industrial takeovers and consolidations. As a result, employment in the aerospace subsector dropped from 31,000 in 1988 to about 9,000 in 1998. The declines in this key industry in the mid-1990s depressed job and income growth during the early stages of the statewide economic recovery.

At the same time, the region has seen significant increases in several other major industries. Figure 14 shows that these include the business services, engineering services, and computer-related manufacturing industries. The figure also shows that San Diego has experienced job increases in wholesale trade and transportation industries—which are related to expanded trade with Mexico—as well as in tourism related industries.

**Economy Currently Strong.** The 1990s' economic expansion began somewhat unevenly in San Diego. Due in part to the persistent job losses in aerospace industries, the county faced concerns that many of the new jobs being created were of lower pay and benefits than those lost during the aerospace cutbacks. However, the area's economy gained momentum in 1997, with many industries posting job gains—including a variety of high paying sectors such as engineering, software development, health care technology, and biotechnology. The county is also experiencing a major

resurgence in building activity. The gains in both residential and nonresidential construction activity in 1998 are among the largest in the state. These current positive trends appear likely to continue through the end of the decade.

### **Ventura County**

Ventura has a varied economic base, including some defense and high technology businesses. The county was one of the fastest growing regions of the state in terms of population during the 1970s and early 1980s, and its economic performance reflected this in terms of gains in jobs and income. Ventura's economic growth rate in the 1990s, however, has been fairly modest.

Ventura experienced a moderate downturn in the early 1990s, primarily relating to losses in defense and construction employment. Its economy grew at a slow and uneven pace in the early stages of the state's post-recession recovery and subsequent expansion, but has accelerated during the past year. Industries contributing to this strengthening include durable goods manufacturing, trade, services, and construction. The unemployment rate in the county stands at 4.9 percent, somewhat below the statewide average.

## **TRENDS IN THE SAN FRANCISCO BAY AREA ECONOMIC REGION**

The San Francisco Bay Area is the second largest economic region in the state, accounting for over one-fifth of California's total population. As shown in Figure 15, the region includes nine

**Figure 15 San Francisco Bay Area Economic Region—Selected Characteristics**



Key Demographic and Economic Data					
County/Area	Population			1996 Per Capita Personal Income	Unemployment Rate June 1998
	7/1/90	1/1/98	Percent Change		
Alameda/ Contra Costa	2,092,400	2,308,800	10.3%	\$29,842	3.9%
Napa/Solano	455,400	506,900	11.3	23,267	5.1
San Francisco/ San Mateo/Marin	1,609,500	1,750,900	8.8	39,746	3.0
Santa Clara	1,504,400	1,689,900	12.3	35,395	3.0
Sonoma	390,300	437,100	12.0	27,353	3.3

Recent Employment Trends						
County/Area	Nonfarm Employment 1st Half 1998	Percent Change				
		1994	1995	1996	1997	1998
Alameda/ Contra Costa	967,817	0.2%	1.9%	2.0%	3.6%	3.0%
Napa/Solano	154,167	-0.3	0.3	1.8	3.5	4.7
San Francisco/ San Mateo/Marin	995,733	-0.6	0.8	3.4	3.9	2.2
Santa Clara	951,800	0.3	2.7	6.5	5.0	4.3
Sonoma	168,933	1.7	1.6	4.7	5.2	3.8



counties, ranging from Santa Clara in the south to Sonoma and Napa in the north. The majority of workers and population are in three metropolitan areas: (1) Santa Clara County, which is home to most of the Silicon Valley; (2) the San Francisco MSA (which includes San Francisco, Marin, and San Mateo Counties); and (3) the Oakland MSA (which includes Alameda and Contra Costa Counties).

This economic region is characterized by high per-capita incomes and low unemployment. In fact, the region includes seven of California's top ten counties in terms of average per-capita earnings (see Figure 16). In addition, the unemployment rate for the region—about 3.5 percent in June 1998—was well below the statewide average.

The region is home to Silicon Valley (which is mostly located within Santa Clara County), and thus has a large number of workers employed in high technology-related manufacturing and services industries. It also has a large number of jobs in varied services industries relating to engineering, management consulting, and law. It is a major center for banking and retail trade, and it has a large number of workers employed in tourism-related and international trade-related businesses. The Bay Area is also home to a number of

newly emerging industries such as biotechnology and multimedia.

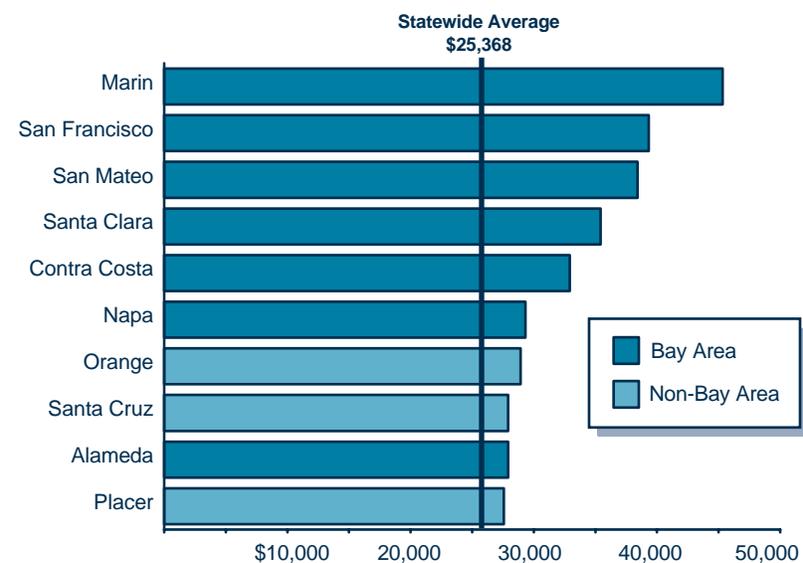
***How Have Bay Area Economies Performed in the 1990s?*** As shown in Figure 17, the recession had a significant impact on the San Francisco MSA. This was due to losses in its banking, retail-trade-related, and tourism-related industries. The downturn had more modest impacts on the remainder of the Bay Area.

Beginning in 1995, the Santa Clara MSA experienced dramatic job increases, and San Francisco's MSA saw healthy job growth. Employment in the East Bay Counties also turned upward, but the rate of growth lagged somewhat in the early stages of

**Figure 16**

### Bay Area Counties Have Highest Average Incomes In California

*Per Capita Personal Income in 1996 (Top Ten Counties)*



the current economic expansion. Over the past two years, all counties within the Bay Area experienced healthy economic growth.

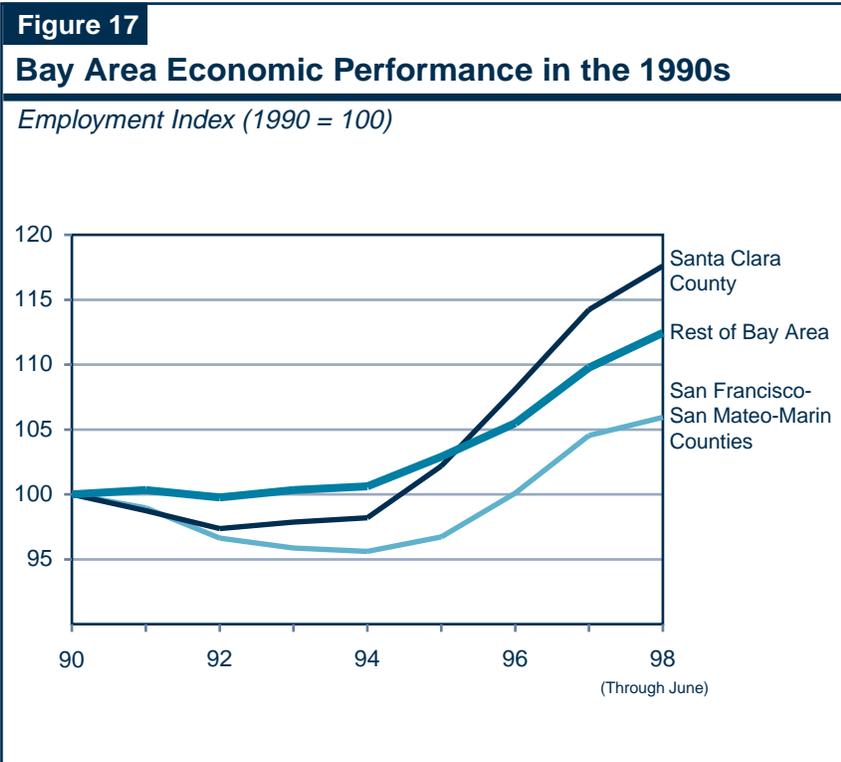
**Santa Clara County**

*Has Been Hottest Economy in the State.* Santa Clara County is the state's high technology capital, with nearly one-fourth of its workforce employed in manufacturing and services industries related to the design and production of computers, electronics, and software. The region has experienced booming economic conditions in recent years, characterized by dramatic increases in employment, income, consumer spending, business investment, new business startups, and construc-

tion activity. Total wage and salary employment in the area has increased by an average rate of 5.5 percent per year from early 1995 through early 1998, or more than *double* the statewide average.

The importance of the high technology sector to the Santa Clara area's overall economic performance is shown in Figure 18 (see page 24), which compares its annual percentage changes in high technology wage and salary employment to its annual changes in total wage and salary employment. The figure shows that the downturn in total employment mirrored the decline in high technology employment in the early 1990s. Likewise, more recently, the major gains in the high technology sector have boosted the region's overall job growth.

Given the importance of high technology industries to Santa Clara's overall economy, the future performance of businesses in this sector is an important factor in the county's near-term outlook. Current signs point to a significant slowdown in the high technology sector, which will likely impact the subregion's overall economy. Manufacturers of computers and computer-related components are currently facing intense competition in several markets, especially in the areas of computer memory





chips, where overproduction and slackening sales have led to significant price declines. This situation is being exacerbated by slowing demand from Japan and other Asian countries, due to the economic problems in these countries. In recent months, several major California-based computer companies have announced profit declines, production cutbacks, hiring freezes, and worker furloughs. While the weakness on the “hardware” side of the industry is being partly offset by continued strength in software development and production, the overall outlook for high technology industries is for slower growth in the coming year.

Over the longer term, the Santa Clara region faces challenges related to limited availability of land for both future business expansions and new housing construction. Vacancy rates are near all-time lows, and land prices have been bid up to historic highs in recent years. For example, the median price of an existing home in the Santa Clara MSA has jumped from \$250,000 to \$380,000 during the past two years alone, and now stands 80 percent above the statewide average. At some point, these high prices could affect the ability of firms in the region to expand capacity and attract new workers.

The combination of these near-term and long-term factors suggests that there will be significant economic slowing in the Silicon Valley relative to its recent rapid pace of growth—and indeed, recent employment reports have indicated some slowing within the region. However, we also expect the region to remain a key California economic leader in the years ahead.

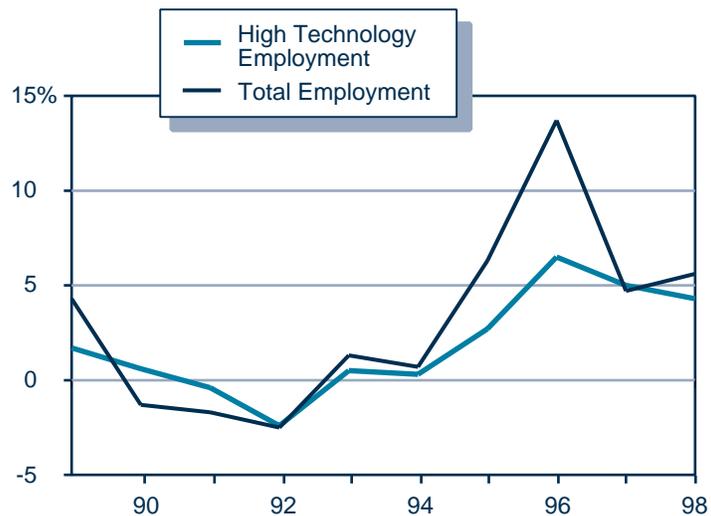
### The San Francisco MSA

The San Francisco MSA is the highest income, highest cost region of the state. Key elements of the San Francisco MSA’s economy include tourism,

**Figure 18**

### High Technology-Related Employment Leads Economic Boom in Santa Clara County

*Percent Change in Wage and Salary Employment<sup>a</sup>*



<sup>a</sup>Based on jobs during first half of year shown compared to first half of prior year.

professional services, international trade, and finance. The San Francisco area also has a burgeoning multimedia industry.

**Recent Job Growth Has Been Uncharacteristically Strong.** After contracting by nearly 5 percent between 1990 and 1994, the San Francisco MSA's economy turned upward in 1994, and accelerated sharply beginning in 1995. For example, wage and salary employment registered a 3.9 percent rise between 1996 and 1997, before moderating to a 2.2 percent increase over the past year. These gains have been led by rising international trade activity, high levels of tourism and convention-related spending, and growth in business and professional services jobs. Even after accounting for the slowdown over the past year, the recent job performance has been quite strong, given that the San Francisco economy is considered to be a "mature" one. (That is, it is characterized by little unused land for population growth and further development.) Unemployment in the San Francisco MSA had dropped to 3 percent as of mid-1998—among the lowest levels in the state.

**The East Bay and North Bay**

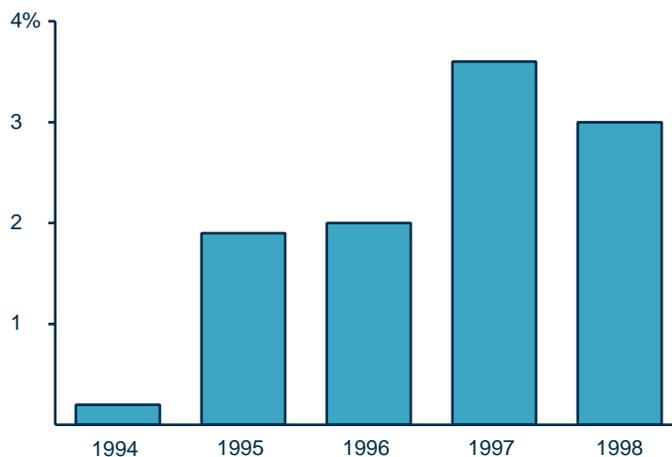
Although the East Bay and North Bay Counties in the overall San Francisco Bay Area region experienced only a

modest economic downturn in the early 1990s, growth in these areas lagged during the early stages of the current economic expansion. This is partly due to the closure of the Alameda Naval Air Station and the Mare Island Naval Shipyard, which had employed a large number of civilian personnel. However, employment growth in the East Bay accelerated in 1997 (see Figure 19), reflecting expansion in various service industries (including biotechnology, business services, and management consulting), as well as growth in international trade-related industries. There are also signs that growth in high technology industries in the Silicon Valley is beginning to "spill over" into East Bay subareas, including Fremont, Pleasanton, and Livermore.

**Figure 19**

**Job Growth in East Bay Remains Healthy**

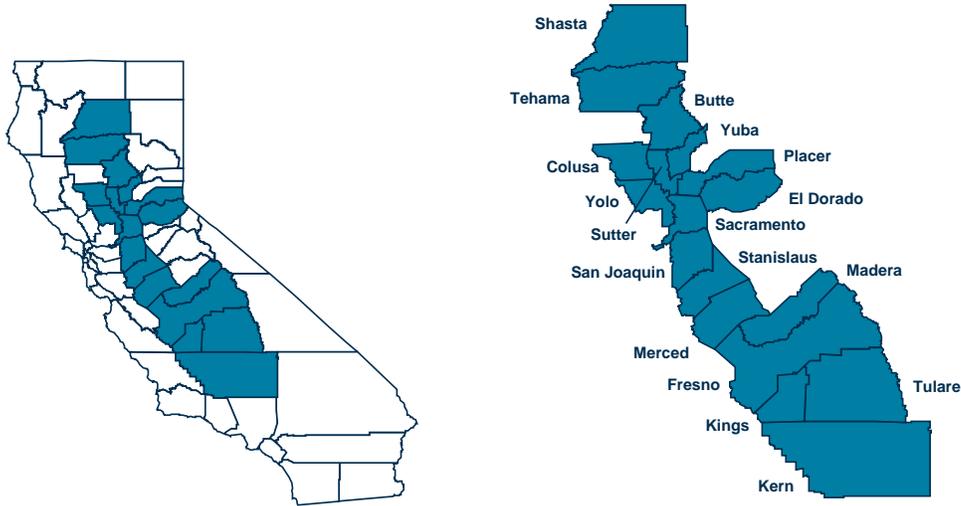
*Percent Change in Jobs<sup>a</sup>  
Alameda and Contra Costa Counties*



<sup>a</sup> Based on jobs during first half of year shown compared to first half of prior year.



**Figure 20 Central Valley Economic Region—Selected Characteristics**



**Key Demographic and Economic Data**

County	Population			1996 Per Capita Personal Income	Unemployment Rate June 1998
	7/1/90	1/1/98	Percent Change		
Butte	183,100	201,600	10.1%	\$19,084	8.8%
Colusa	16,400	18,550	13.1	20,419	14.2
Fresno/Madera	763,100	901,100	10.1	18,727	13.2
Kern	549,600	639,800	16.4	17,810	10.9
Kings	102,300	122,800	20.0	14,553	12.1
Merced	180,200	204,400	13.4	17,064	14.8
Sacramento/Placer/ El Dorado	1,351,500	1,525,300	12.9	24,444	5.0
San Joaquin	483,800	545,200	12.7	19,531	10.5
Shasta	148,600	165,000	11.0	20,144	8.8
Stanislaus	375,200	427,600	14.0	18,953	12.9
Sutter/Yuba	123,800	138,200	11.6	17,739	14.6
Tehama	49,900	55,400	11.0	16,061	9.2
Tulare	314,000	360,400	14.8	16,905	13.5
Yolo	141,500	156,800	10.8	22,747	4.6

continued

**Outlook for San Francisco Bay Area Region—Moderate Growth**

The outlook for the San Francisco Bay Area economic region is for moderate growth. The Santa Clara and San Francisco MSAs are likely to experience slower growth relative to recent years, while the East Bay and North Bay communities are likely to experience continued moderate expansion.

**TRENDS IN THE CENTRAL VALLEY ECONOMIC REGION**

The Central Valley region is the third largest economically in the state, with about 5.5 million population and 2.1 million jobs in 1998. As indi-

cated in Figure 20, the largest subregion within the Central Valley is the Sacramento MSA (which includes Sacramento, Placer, and El Dorado Counties). Other major subareas within the region include Fresno, Kern, San Joaquin, and Stanislaus Counties. Outside of Sacramento, the Central Valley region has somewhat below-average per-capita incomes and high unemployment relative to other areas of the state. This partly reflects the large number of relatively low-paying seasonal jobs in agriculture and food processing industries in the region.

**Figure 20 Central Valley Economic Region—Selected Characteristics – cont.**

Recent Employment Trends						
County	Nonfarm Employment 1st Half 1998	Percent Change				
		1994	1995	1996	1997	1998
Butte	66,083	3.0%	1.3%	2.8%	3.9%	2.9%
Colusa	4,353	1.1	0.7	2.2	2.5	-4.6
Fresno/Madera	276,150	1.4	2.7	2.2	1.3	1.8
Kern	182,017	0.0	0.9	1.3	3.0	1.6
Kings	28,153	5.1	3.5	2.0	2.9	6.7
Merced	49,717	1.9	-2.9	0.4	2.8	3.0
Sacramento/Placer/El Dorado	633,383	2.3	3.1	3.2	2.9	2.7
San Joaquin	166,867	0.1	2.2	1.4	2.6	1.8
Shasta	54,883	0.5	1.4	3.1	2.2	0.8
Stanislaus	133,833	0.6	1.2	3.0	3.7	3.6
Sutter/Yuba	34,017	1.8	0.1	1.3	2.7	3.9
Tehama	12,890	1.2	2.4	0.8	0.8	1.9
Tulare	91,017	1.6	1.8	-0.4	1.8	2.5
Yolo	77,917	5.3	1.8	1.7	-0.1	2.1



## Agriculture—The Leading Industry

Agriculture has historically been the leading industry of the Central Valley, accounting for one-in-nine jobs in the region as a whole and one-in-six in the counties outside of Sacramento. When industries related to agricultural production are counted as well, such as agricultural food processing and service/supply industries, agriculture accounts directly and indirectly for up to one-third of the jobs in some Central Valley subareas. Figure 21 illustrates the Central Valley's dominance in agricultural production.

## However, Region's Economic Base Is Becoming More Diversified

In recent years, much of the Central Valley's economic growth has come from the industrial diversification of its major economic areas, largely resulting from the migration of people and firms from high-cost coastal regions of the state. For example, Sacramento has experienced significant increases in employment in high technology industries, due to the expansion of several major computer and electronics firms into its metropolitan area. Job growth within the Central Valley has also occurred as a result of business expansions in various light manufacturing, wholesaling, and distribution industries, as

well as the location of divisions of various insurance and financial services companies. Finally, San Joaquin, Stanislaus, and Solano Counties have seen significant population increases associated with workers who commute to the Bay Area, who are seeking affordable housing and various other lifestyle-related factors that can still be found in the Central Valley.

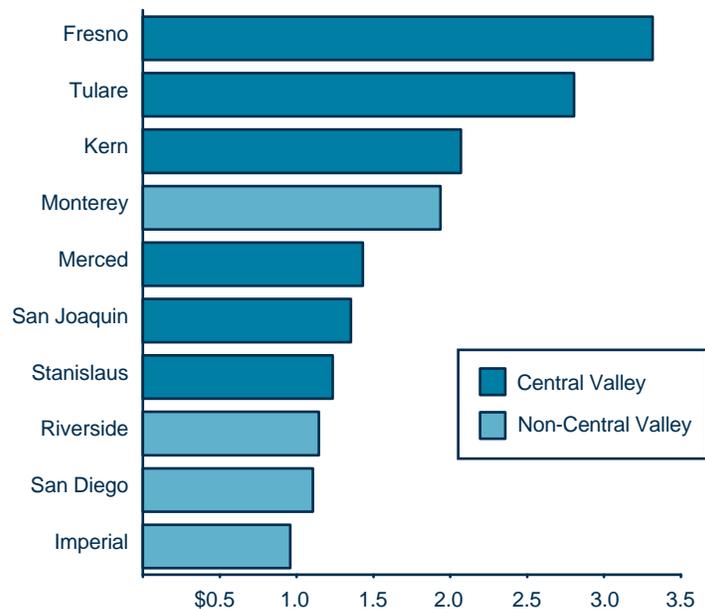
## Growth Has Recently Lagged Statewide Average

Although the migration of people and firms to the Central Valley slowed in the early 1990s, the region as a whole maintained positive economic

**Figure 21**

### Central Valley Dominates Agricultural Production In California

*Top Ten Counties, By Value of Agricultural Production in 1996 (In Billions)*



growth through the state's major recession. In addition, the Central Valley remained one of the faster growing regions in California during the early stages of the state's current economic expansion. Over the past two years, however, the region's economic performance has lagged the rest of the state, (see Figure 22).

**The Sacramento MSA.** The Sacramento MSA has been the Central Valley's fastest-growing major subregion since the beginning of the current economic expansion. Over the past year, jobs in this area increased by 2.7 percent. Sacramento's private economy (that is, excluding government-related employment) increased by 3.5 percent, reflecting rapid growth in varied manufacturing, wholesale trade, transportation, and construction

industries. In contrast, the subregion's government sector—which employs about one-in-four workers—increased by just 0.6 percent, reflecting such factors as cutbacks at McClellan Air Force Base and relatively level state government employment.

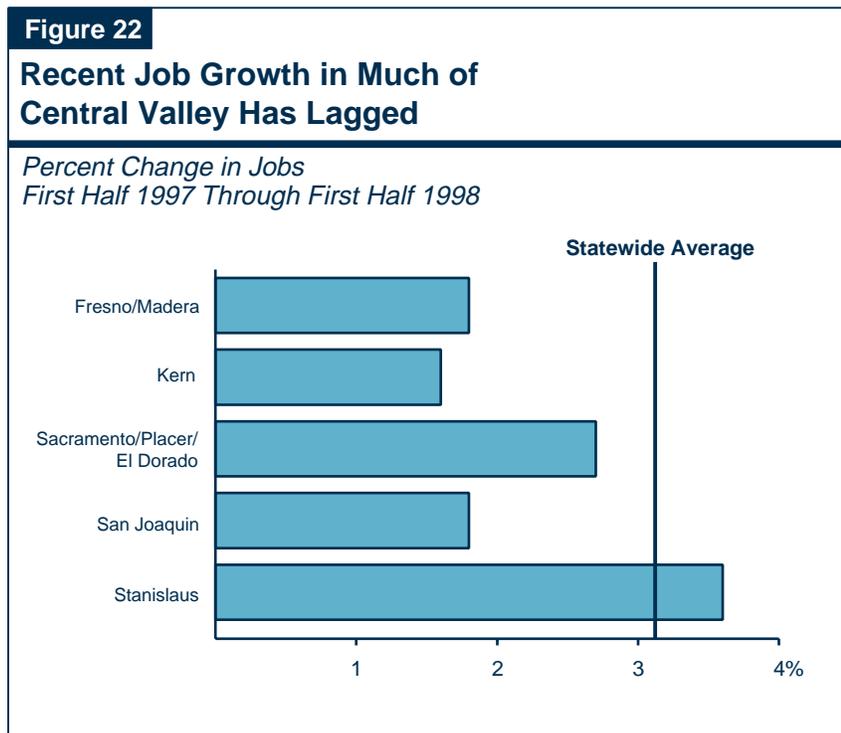
In the near term, continued job cutbacks related to military base closures and the slowdown in high technology employment will hold down overall job growth. Over the longer term, however, the subregion should be one of the faster growing regions of the state, reflecting continued expansion of population and businesses into the area.

**Other Central Valley Areas.** Growth in other Central Valley metropolitan regions has been somewhat mixed during the past year. For example, the Stanislaus MSA has experienced relatively strong growth, reflecting

continued migration of people and businesses into the region from the Bay Area. However, other metropolitan areas—such as the San Joaquin, Fresno/Madera, and Kern MSAs—have been growing at more modest rates.

**Outlook for the Central Valley**

The Central Valley is anticipated to be among California's faster-growing regions over the longer term, as people and firms continue to migrate from coastal areas into the various metropolitan areas throughout the valley.





**Figure 23 Central Coast Economic Region—Selected Characteristics**



**Key Demographic and Economic Data**

County	Population			1996 Per Capita Personal Income	Unemployment Rate June 1998
	7/1/90	1/1/98	Percent Change		
Monterey	357,400	386,200	8.1%	\$25,032	7.6%
San Benito	37,000	46,600	25.9	18,831	10.5
San Luis Obispo	218,000	239,000	9.6	21,483	4.0
Santa Barbara	370,900	405,500	9.3	27,003	3.7
Santa Cruz	230,400	250,200	8.6	27,896	5.1

**Recent Employment Trends**

County	Nonfarm Employment 1st Half 1998	Percent Change				
		1994	1995	1996	1997	1998
Monterey	118,483	-0.1%	-0.4%	4.6%	3.5%	2.2%
San Benito	11,688	-0.3	8.1	9.1	12.9	3.1
San Luis Obispo	84,417	3.2	4.8	3.5	2.8	3.9
Santa Barbara	152,333	0.2	0.2	0.4	3.9	1.4
Santa Cruz	93,817	0.8	1.9	2.1	3.5	4.2

With high and rising home costs and other capacity constraints in the Bay Area, a significant amount of the underlying growth in that region is likely to spill over into the Central Valley in the years ahead. A key issue for the Central Valley will involve land use decisions relating to tradeoffs between agricultural, industrial, commercial, and residential growth.

### **TRENDS IN THE CENTRAL COAST ECONOMIC REGION**

As shown in Figure 23, the Central Coast economic region includes the counties of Santa Barbara, San Luis Obispo, Monterey, San Benito, and Santa Cruz. Together, these counties account for about 1.3 million of the state's population and about one-half million of its total employment base. The main industries in the region include: tourism; computer, electronics and software-related services (which are mostly centered in the Santa Barbara and Santa Cruz areas); aerospace (which is centered in Santa Barbara County adjacent to Vandenberg Air Force Base); and agriculture (which is centered in Monterey County, the fourth largest agricultural county in California).

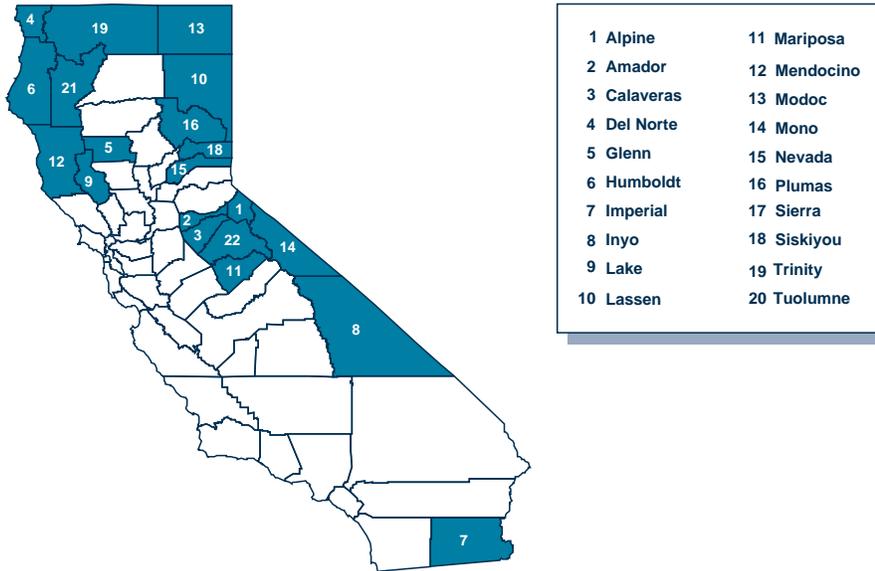
In addition, there are a large number of employees working on and around the campuses of both the University of California (in Santa Barbara and Santa Cruz) and the California State University (in San Luis Obispo and, more recently, Fort Ord in Monterey).

The early 1990s' recession resulted in modest employment reductions in various manufacturing, retail trade, tourism-related, services, finance, and construction industries in the Central Coast region. Also, defense-related reductions had a significant adverse impact on the region. For example, Monterey County was affected by the closure of the Fort Ord Army Base, while cutbacks by defense contractors lowered aerospace employment in Santa Barbara County. Overall, wage and salary employment in the Central Coast region fell by about 3 percent between 1990 and 1993.

In more recent years, the Central Coast has expanded in line with California's overall economy. Employment growth over the past year has ranged from 1.4 percent (in Santa Barbara County) to 4.2 percent (in Santa Cruz County), reflecting increases in services, trade, and manufacturing industries.



**Figure 24 Rest-of-State Economic Region—Selected Characteristics**



Key Demographic and Economic Data					
County	Population		Percent Change	1996 Per Capita Personal Income	Unemployment Rate June 1998
	7/1/90	1/1/98			
Alpine	1,100	1,200	9.1%	\$23,487	16.0%
Amador	30,300	33,700	11.2	18,702	5.2
Calaveras	32,350	38,350	18.5	17,929	8.5
Del Norte	24,150	28,900	19.7	14,482	9.4
Glenn	24,900	26,950	8.2	17,727	13.3
Humboldt	119,600	127,700	6.8	19,606	6.7
Imperial	110,800	142,100	28.2	14,394	23.4
Inyo	18,250	18,500	1.4	21,382	6.9
Lake	51,000	55,100	8.0	19,286	9.9
Lassen	27,700	34,150	23.3	14,881	7.9
Mariposa	14,550	16,150	11.0	18,485	6.3
Mendocino	81,000	86,900	7.3	20,750	7.2
Modoc	9,725	10,150	4.4	14,743	9.6
Mono	10,050	10,600	5.5	20,682	12.6
Nevada	79,100	88,800	12.3	21,705	5.9
Plumas	19,750	20,600	4.3	20,788	7.4
Sierra	3,320	3,360	1.2	19,344	8.8
Siskiyou	43,550	44,700	2.6	18,751	11.1
Trinity	13,000	13,250	1.9	16,499	10.7
Tuolumne	48,650	52,800	8.5	17,817	6.7

continued

### TRENDS IN THE REST-OF-THE-STATE ECONOMIC REGION

The remaining 20 counties of California not included within the four major economic regions discussed above account for a large share of the land mass of California, but only a small share of the state's population and employment. As shown in Figure 24, the largest of these counties are Mendocino, Imperial, Humboldt, and Nevada.

Population and employment in these rural areas have been increasing at a moderate rate, and we expect this trend to continue into the foreseeable future.

**Figure 24** Rest-of-State Economic Region—Selected Characteristics – cont.

Recent Employment Trends						
County	Nonfarm Employment 1st Half 1998	Percent Change				
		1994	1995	1996	1997	1998
Alpine	1,195	0.4%	27.9%	-5.1%	-0.4%	6.9%
Amador	9,630	-1.7	3.1	4.3	1.9	0.1
Calaveras	7,175	-1.4	-3.5	3.7	3.5	-0.5
Del Norte	7,392	2.3	1.0	4.1	2.3	0.1
Glenn	6,475	2.3	2.8	-1.3	3.9	2.5
Humboldt	48,433	1.1	2.3	3.1	1.3	1.7
Imperial	35,617	3.4	-1.1	-0.2	1.9	1.6
Inyo	7,548	-0.3	3.0	3.8	3.3	2.7
Lake	11,937	4.7	6.1	1.8	-2.6	2.4
Lassen	9,430	1.5	-1.5	10.5	2.9	-1.0
Mariposa	4,218	0.3	2.9	4.5	13.4	-2.7
Mendocino	28,515	4.0	1.8	5.8	0.6	1.5
Modoc	2,412	5.2	-0.1	2.1	-3.3	4.3
Mono	5,915	-3.5	2.0	0.3	2.3	4.0
Nevada	23,650	0.8	-0.3	1.2	3.0	1.4
Plumas	6,907	0.6	-0.1	4.6	2.6	4.6
Sierra	918	-1.4	3.7	-0.9	-0.2	-1.4
Siskiyou	12,955	1.8	-0.7	0.9	2.2	0.2
Trinity	3,278	4.1	0.5	0.6	1.1	6.7
Tuolumne	14,890	4.5	-1.5	-2.8	4.4	4.6



## IMPLICATIONS OF CALIFORNIA'S RENEWED ECONOMIC GROWTH

During California's deep and prolonged 1990s' recession, concerns emerged about whether California's growth prospects had permanently deteriorated. The healthy and diversified economic growth that has emerged over the past two years indicates that the state remains economically competitive with other geographic regions of the country.

With this economic improvement comes a major shift in the types of challenges facing state and local policymakers. In contrast to the early 1990s, when the focus was on controlling budgetary deficits and retaining jobs and businesses in California, the main challenge in future years is likely to involve accommodating the significant demographic and economic growth that will

inevitably occur over the next decade. The improving economy has already resulted in an acceleration in statewide population growth, and such higher growth trends will likely continue. The more rapid growth in the state's economy and population bring back to the forefront many of the growth-related issues and challenges which were somewhat dormant during the early 1990s—issues and challenges in areas such as land use planning, education, air and water quality, water supplies, transportation, and other infrastructure.

The key challenge facing state policymakers will be to develop an appropriate mix of spending, regulatory, and tax policies that will both sustain economic growth, and address the challenges posed by such growth in the future.





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