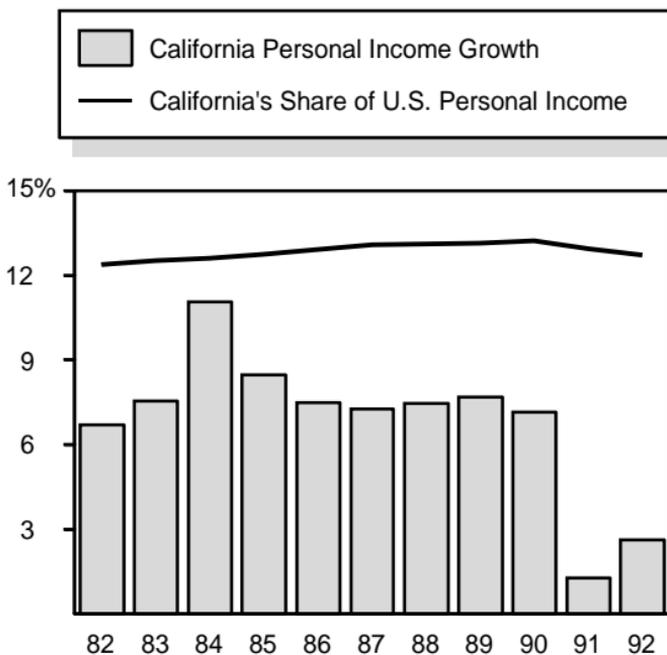
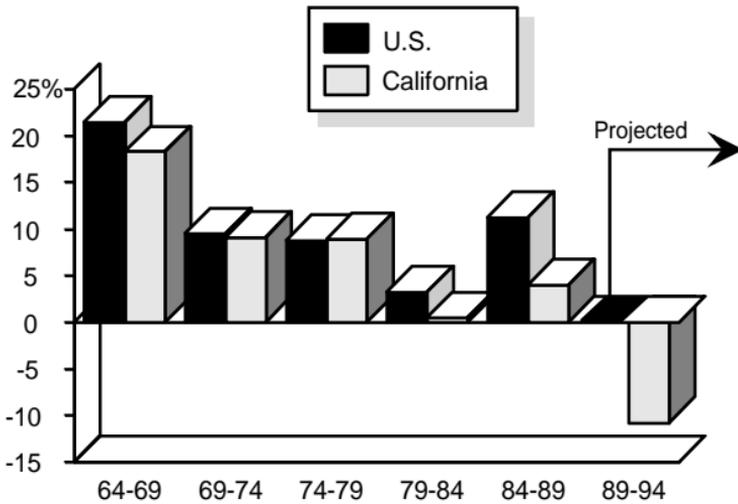


California's Income Growth Has Slowed Markedly Since 1990



- California's total personal income grew consistently above 6 percent during the 1980s.
- The recession in 1991 slowed income growth to the 2 percent range, well below the state's rate of inflation and population growth.
- For the first time in recent history, California's share of national income has declined.

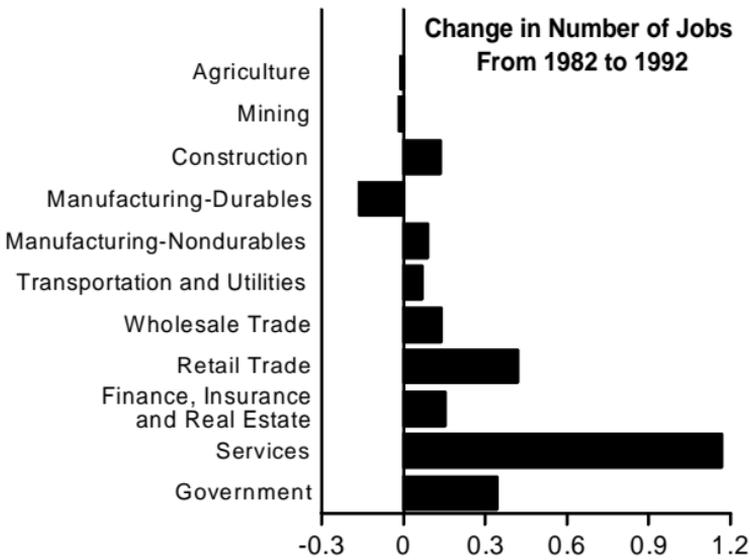
California's Growth in Real Income^a Per Capita Lags The Nation's



^a Current dollar income adjusted for inflation.

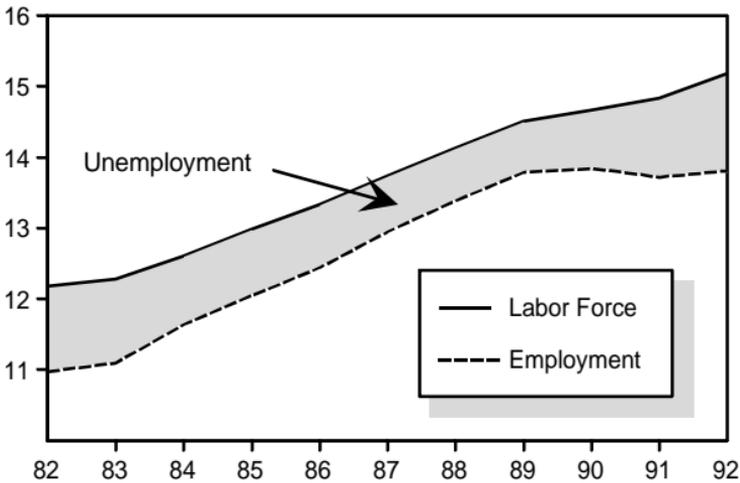
- Since the early 1980s, California's real income per capita has increased very little and has been declining since the beginning of the 1990s.
- Factors contributing to this trend include: high growth in the younger, nonworking population; somewhat higher inflation than the rest of the nation; a relatively high unemployment rate; a changing job structure of less high-paying and more low-paying jobs and occupations.

California Employment Has Shifted Toward Services While Manufacturing Has Declined (In Millions)



- California has followed the national trend of low growth or declines of employment in the “goods” sectors and high growth in the “services” sectors.
- Job decline in durables manufacturing employment, including most of defense products manufacturing, began by 1988.
- The service category includes rapidly growing activities such as health care and business services.

California Employment Stalls While Labor Force Growth Continues (In Millions)



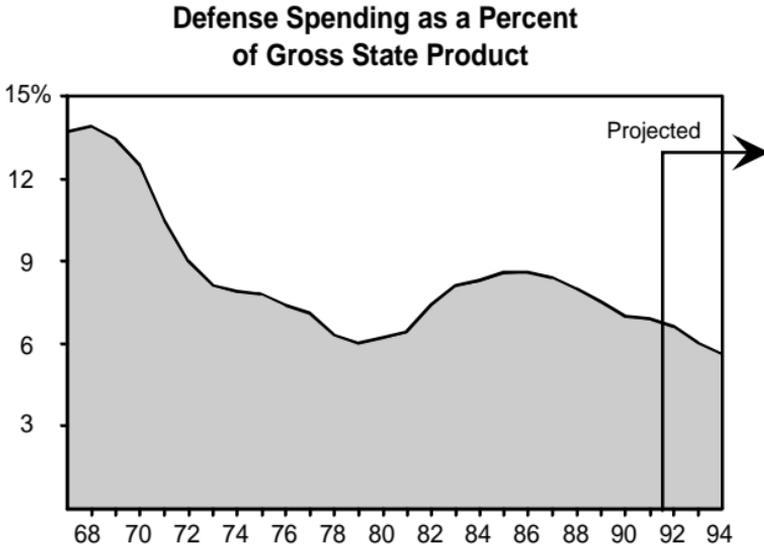
- California's labor force expanded rapidly during the past decade, rising from about 12 million to over 15 million by 1992.
- The state's unemployment rate fell below the nation's during the boom years of the mid-1980s.
- Since 1990, however, the state's employment level has been flat and has not recovered as was the case after previous national recessions.

California's Employment Growth Now Lags The Nation's



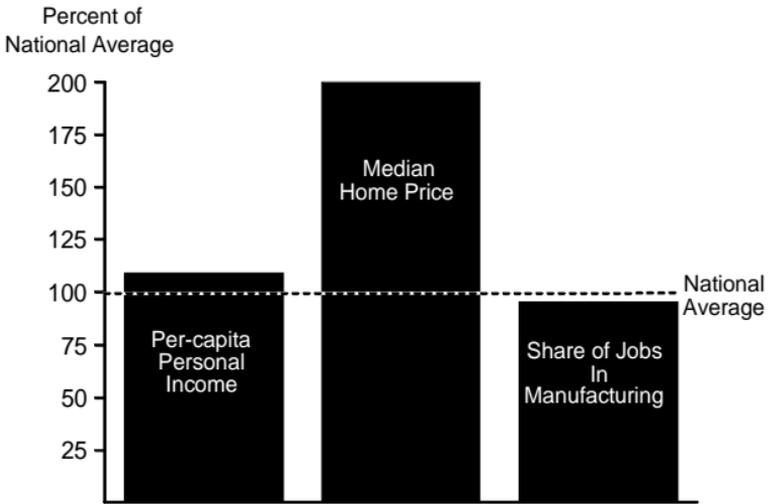
- Historically, California's employment growth rate paralleled the nation's, but was higher.
- California never has been "recession proof," since a national slowdown always meant a state slowdown.
- The state's slow recovery since 1990 compared with the nation is unprecedented.

Defense Share of California's Economy Continues to Decline



- Defense spending—including both contracts and military bases—has been the largest single “industry” in the state.
- The state’s economic expansion during the early 1980s was due in part to the rapid increase in defense spending.
- Recent and expected further decreases in defense spending are important reasons for the state’s current economic problems.

California Varies in Economic Characteristics Compared with U.S. 1991



- California's personal income per capita was 9 percent above the U.S. average in 1991. This differential has declined significantly over the past decade (for example, the state was 16 percent above the nation in 1981).
- The median single-family home price in the state was nearly twice the national average in 1991. Since then, however, the state's median home price has declined—both in dollars terms and relative to the national average.

