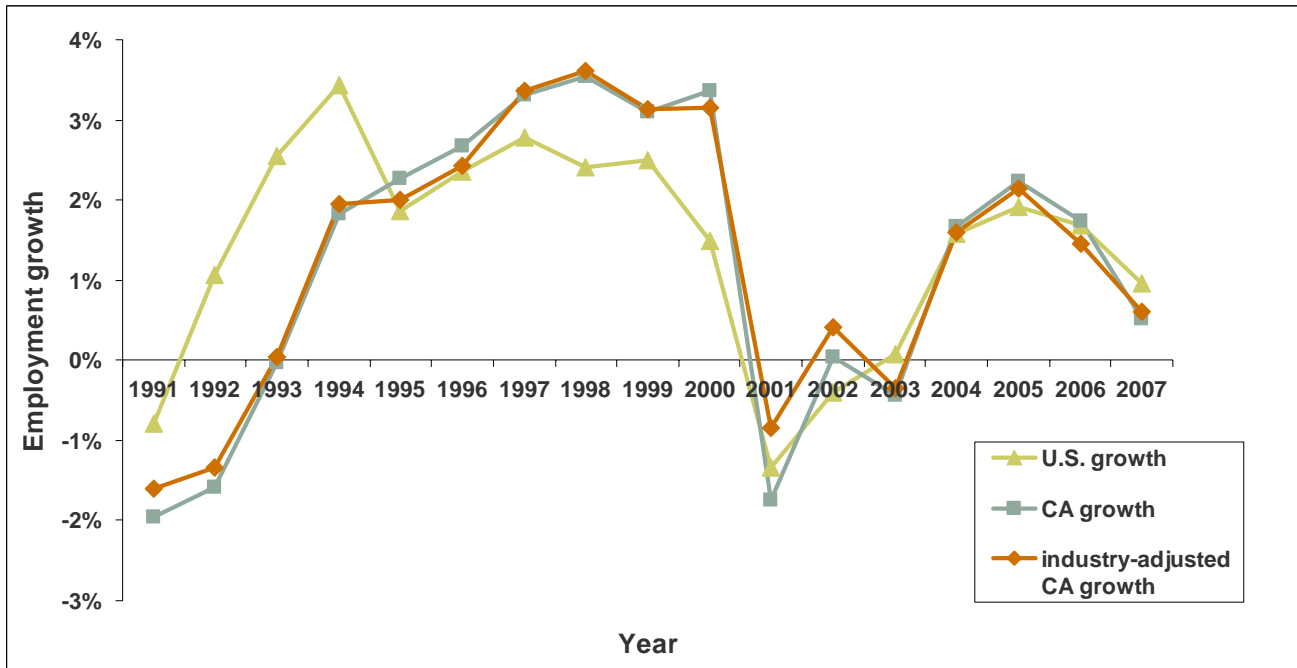


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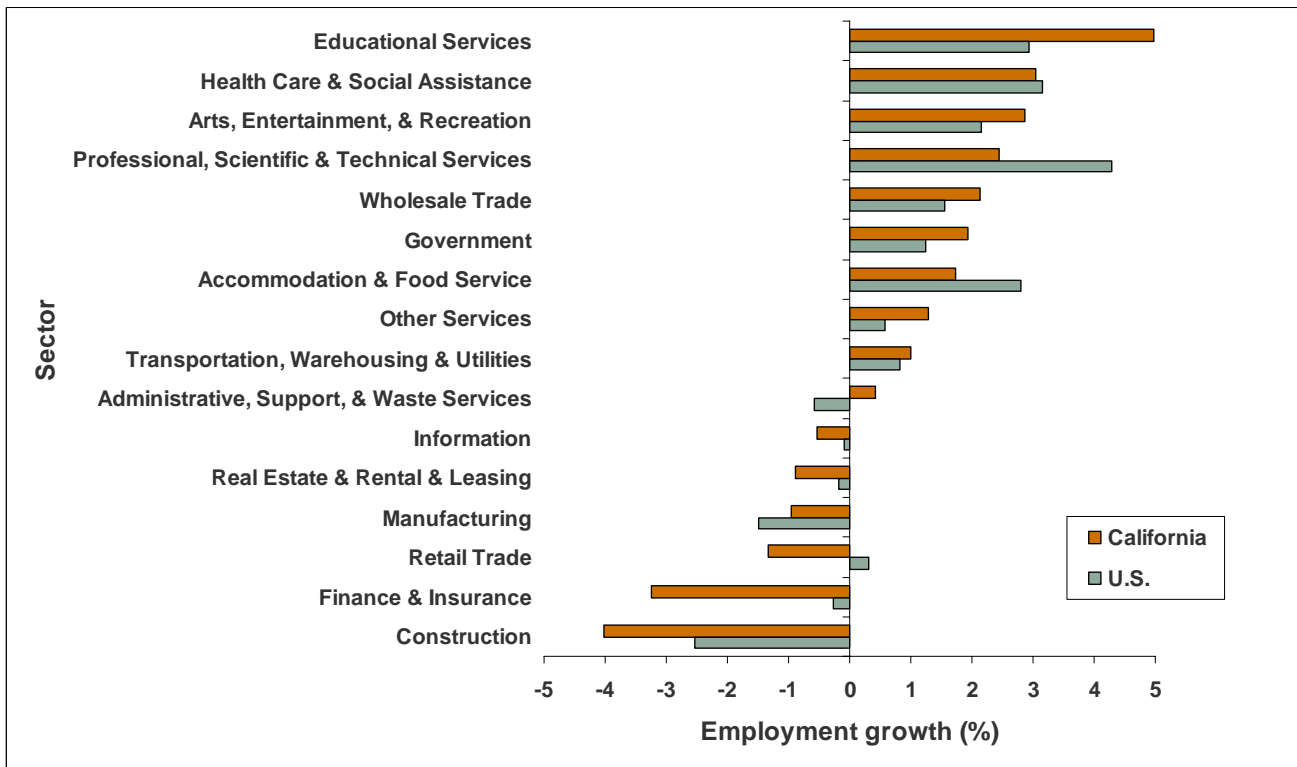
- **GROWTH IN 2007 WAS THE SLOWEST SINCE 2003 — AND SLOWER THAN THE NATIONAL AVERAGE.**
California's total non-farm employment grew by 0.5 percent in 2007, well below California's 2006 growth of 1.7 percent. This was the slowest growth since 2003, when California's employment declined by 0.4 percent. National growth was 1.0 percent, making 2007 the first time since 2003 (and only the third time since 1995) that employment grew faster nationally than it did in California. Still, relative to California's economic performance since 1990, growth in 2007 was near the middle of the range: the fastest growth was in 1998, at 3.5 percent, and the slowest was in 1991, when employment fell by 2.0 percent. At the same time, California's unemployment rate rose to 6.1 percent in December 2007 from 4.8 percent in December 2006, a jump of 1.3 percentage points, whereas national unemployment rose to 5.0 percent from 4.4 percent, an increase of only 0.6 percentage points.
- **IN CALIFORNIA, THE HIGHS ARE HIGHER AND THE LOWS ARE LOWER.**
Over the past 15 years, economic cycles have generally been more pronounced in California than in the rest of the country. For instance, when national employment growth was strong (1995-2000 and 2004-2006), California's growth exceeded it in most years. In 2007, a similar pattern occurred: U.S. growth slowed, and California growth slowed even more.
- **CALIFORNIA'S INDUSTRY MIX DOES NOT DETERMINE CALIFORNIA'S ECONOMIC PERFORMANCE.**
California's growth rate differs little from its "industry-adjusted" growth rate, which estimates California's growth as if the state had the same industry mix as the rest of the country. Thus, when California growth diverges from national growth, it is due to California-specific factors rather than to factors affecting heavily-weighted California industries, such as the information sector. The notable exception was during the dot-com bust from 2001 to 2003, when the information sector lost more than 7.0 percent of its jobs annually, on average.
- **CONSTRUCTION HAD THE SHARPEST LOSSES, AS DID FINANCE AND INSURANCE.**
Among broad sectors, construction employment fell the most in 2007, declining by 4.0 percent. Finance and insurance followed with a 3.3 percent drop. In both sectors, job growth in California was well behind the national average, and the decline in 2007 contrasts with earlier consistent growth even during the state's economic decline from 2001 to 2003. These sectors' fortunes are tied to the housing market, whose troubles have hurt California more than the nation overall.
- **SERVICE SECTOR EMPLOYMENT GREW FASTEST; MANUFACTURING'S DECLINE CONTINUED.**
The fastest growing sectors in California were all services: employment in professional, scientific, and technical services, education, health care, and arts and recreation employment all grew well over 2.0 percent. California's manufacturing employment fell 0.9 percent, but this was hardly unique to California or to 2007. National manufacturing employment fell 1.5 percent in 2007, and in California manufacturing employment has contracted at an annualized rate of 1.5 percent from 1990 to 2007. Fewer than 10 percent of California's non-farm jobs are now in manufacturing.



California and U.S. Employment Growth, 1990-2007



Employment Growth by Sector, 2006-2007



Source: U.S. Bureau of Labor Statistics and California's Employment Development Department, based on the Current Employment Survey. National data were released on January 4, 2008, and state data were released on January 18, 2008. National and state data for December 2007 are preliminary and subject to revision.

Notes: All data shown in the charts and text are seasonally adjusted. The first figure shows total non-farm employment growth rates from Dec. of the previous year to Dec. of the labeled year. The second figure shows growth rates from Dec. 2006 to Dec. 2007. The industry-adjusted growth rate calculation, performed by PPIC, is based on data for 3-digit NAICS industries, which are not seasonally adjusted.

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