California Is the World's Sixth Largest Economy

- California’s gross state product exceeds $1.2 trillion, making it one of the world’s largest economies.
- California accounts for 13 percent of the nation’s output and trails only Japan, Germany, England, and France.
- Our nation’s next largest state economy—New York—is about 70 percent the size of California’s.
California's Economy Is Highly Diversified

*Share of Gross State Product in 1999*

- Because of California’s economic diversification, it is not overly dependent on any one industry.
- The largest single industry sector in California is services. It accounts for nearly one-fourth of all output, and includes many high-paying jobs involving computer and software design, motion picture production, engineering, and legal work. It also includes many low-paying positions involving personal services, child care, landscaping, and restaurant and hotel services.
- Its next largest sectors—finance, trade, and manufacturing—reflect such elements as banking activities, venture capital financing, and the manufacturing and sale of high-tech goods.
California Regains Growth Margin Over Nation

Annual Percent Change in Wage and Salary Jobs

- The early 1990s' recession hit California especially hard, with employment, output, and incomes falling more than the nation.

- California also lagged behind the nation in the early stages of the subsequent recovery, as declines in aerospace, banking, and certain other industries dominant in the state held California’s growth down through the middle of the decade.

- Thereafter, however, the pace of the state’s economy accelerated, with job growth exceeding the nation in each of the past five years. Economic growth was particularly strong in 2000, with jobs and incomes increasing at their strongest pace since the early 1980s.
California can be divided into five major regions, each having somewhat distinct economic and geographic characteristics. For example, the largest and most diverse region is Southern California, with workers in virtually all industries; the Bay Area is known for high-tech activities and high average income; and the Central Valley is highly agricultural, but becoming more diversified.
The current economic expansion has benefitted households at all income levels, but especially those at the top.

The rapid gains at the top reflect large returns to education and high investment earnings.
Foreign Trade Is an Important Element of California's Economy

Total California Exports (In Billions)

- California has one of the world’s largest trade sectors. Exports of California products topped $125 billion in 2000, accounting for over 11 percent of the state’s total economic output.

- After pausing in 1998 and 1999, sales to foreign markets jumped by more than 20 percent in 2000, as demand from Asia’s markets rebounded and trade with Mexico soared. Mexico is now California’s largest export market, having surpassed Japan in 1999.

- High-tech goods account for the majority of California’s exports, with electronics, computers, aerospace, and instruments accounting for over three-fourths of shipments abroad.
Business Services and Construction Have Led the 1990s' Expansion

Annual Average Percent Change in California Jobs, 1994 Through 2000

- The single strongest sector leading California’s 1990s’ expansion has been business services, especially the segments associated with the high-tech “new economy.”

- Construction recorded the next strongest percentage job gains, reflecting rapid increases in nonresidential construction and remodeling activity, along with moderate growth in single-family housing. Electronics manufacturing also registered solid growth, led by increases in computers, telecommunications, and instruments.

- Lagging industry categories have included aerospace and federal government employment, both of which have been adversely affected by defense cutbacks.
The State's Software Industries Have Boomed During the Decade

New Jobs, 1994 to Early 2000

The most dramatic aspect of California's economic expansion in the 1990s has been the growth in the state's computer-related services industries.

These industries, which include businesses involved in development of computer systems, software, and the Internet, have increased from less than 130,000 jobs in 1994 to nearly 340,000 by early 2000.

Employee compensation in these industries also has grown dramatically, with several subsectors paying average annual incomes in excess of $100,000. These high payments partly reflect stock options and bonuses granted to many employees in these industries.
Nonresidential Construction Has Led California's Building Rebound

*Construction Permits, 1989 Through 2000*

- Construction was one of the state’s fastest growing employment sectors in the second half of the 1990s, with all industry segments experiencing gains—residential, nonresidential, and additions/alterations.

- The rebound in the residential sector has been moderate by historical standards, with permits currently well below the 1980s’ average. This reflects such factors as local building controls and lengthened times for the issuance of new permits.

- In contrast, nonresidential construction activity has soared in recent years, with total permit valuations nearing all-time highs.
High California Home Prices Have Driven Down Affordability

Median Home Prices in July 2000

- Strong economic growth has put significant upward pressure on housing prices in California, particularly in coastal regions. This has especially eroded affordability in the Bay Area, Orange County, and San Diego.

- The statewide median price of a single-family home has risen from $175,000 in 1996 to about $245,000 as of mid-2000. Currently, less than one-third of California households have sufficient income to purchase such a home.

- By far, the highest cost region is the San Francisco Bay Area, which had a median home price of $460,000 in mid-2000. At the other extreme, the median price was $140,000 in the Inland Empire and the Central Valley.
California is the largest agricultural producer in the nation.

Total receipts from farming were nearly $25 billion in 1998, accounting for one-eighth of the national total and greater than Texas and Iowa combined—the second and third largest agricultural states.

Major commodities in California include dairy and nursery products, grapes, cattle, and lettuce.

The state also is a dominant producer of many specialty crops, such as strawberries, oranges, kiwis, and artichokes.
Features of the "New Economy"

California is a primary beneficiary of the "new economy," given its emphasis on high-tech activities.

For example, the state has roughly one-fifth of the nation's workforce in industries such as computers, software, and the Internet.