

McGladrey: 2015 California Comeback

Joseph Brusuelas | January 2015



Assurance • Tax • Consulting

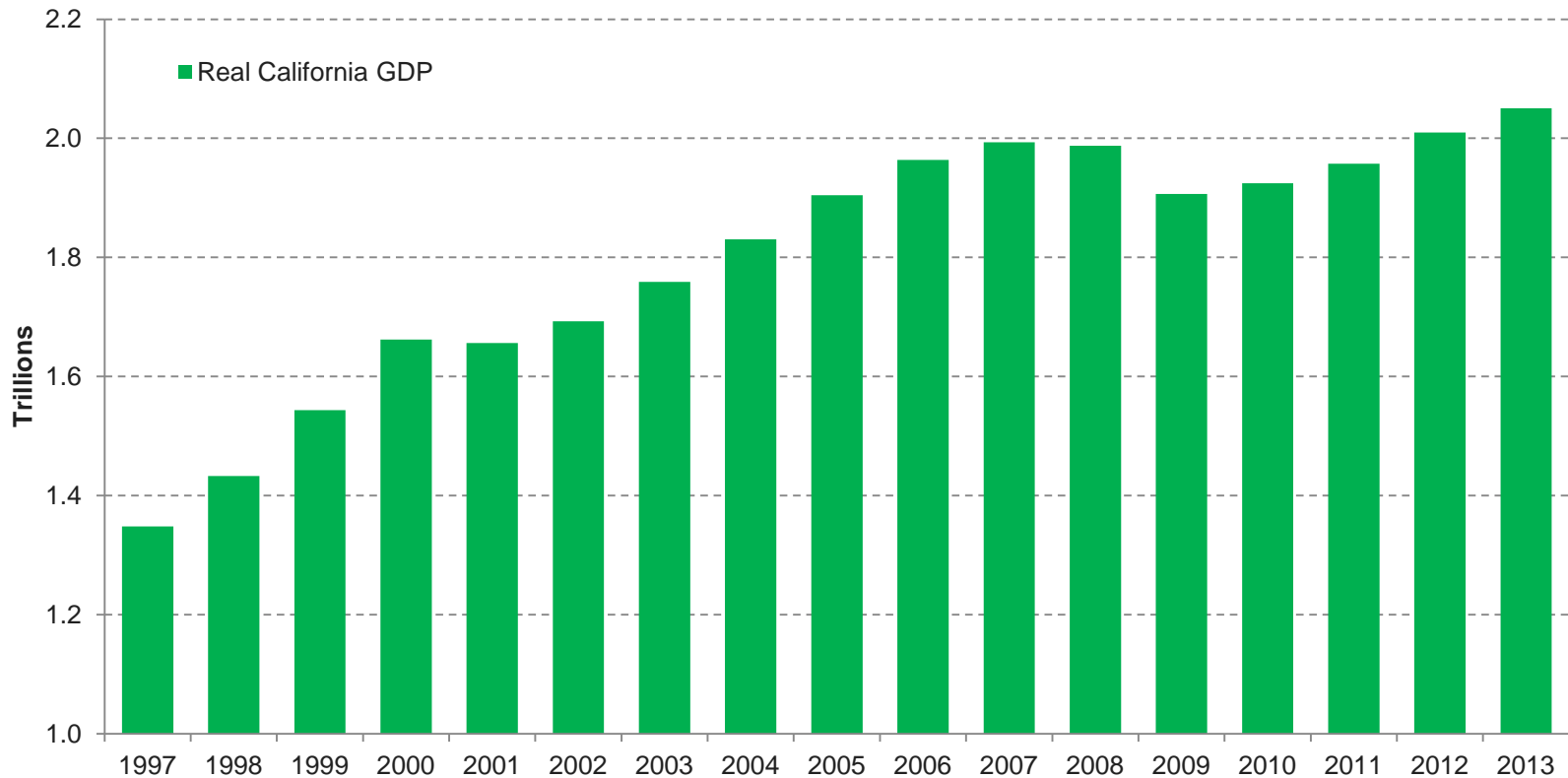
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California Economic Outlook

- **Growth to remain solid**
 - Primary drivers are tech and consumer-led demand
 - External demand may cause moderation in growth in tech and Bay Area
- **Private sector to lead way**
 - Bay Area, Orange County and San Diego County
 - Technology, professional business services and construction
 - Exposure to Federal outlays remains a risk to recovery in Central Valley, Los Angeles and San Diego
- **Fiscal outlook**
 - Rising revenues in 2015-2016 to provided transitory public sector bounty
- **Long-term economic challenges remain**
 - Pensions
 - Tax framework that is too steeply progressive
 - Broaden the base

California GDP Poised to Accelerate



Source: McGladrey, Bloomberg



California Economic Outlook

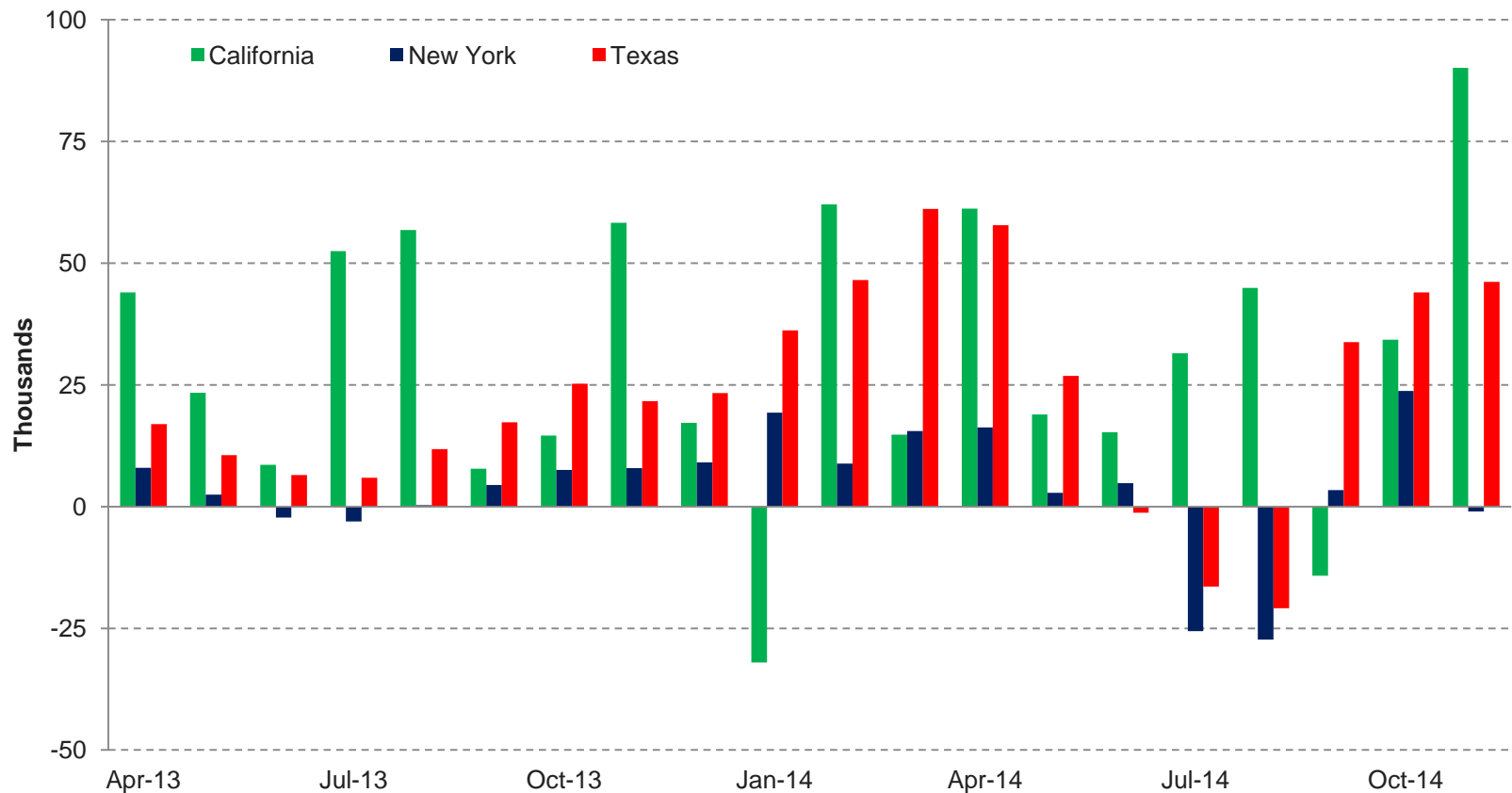
- **Level of unemployment**

- The overall level of unemployment stands at 1.36 million, just above the 20-year average, excluding Great Recession

- **Employment**

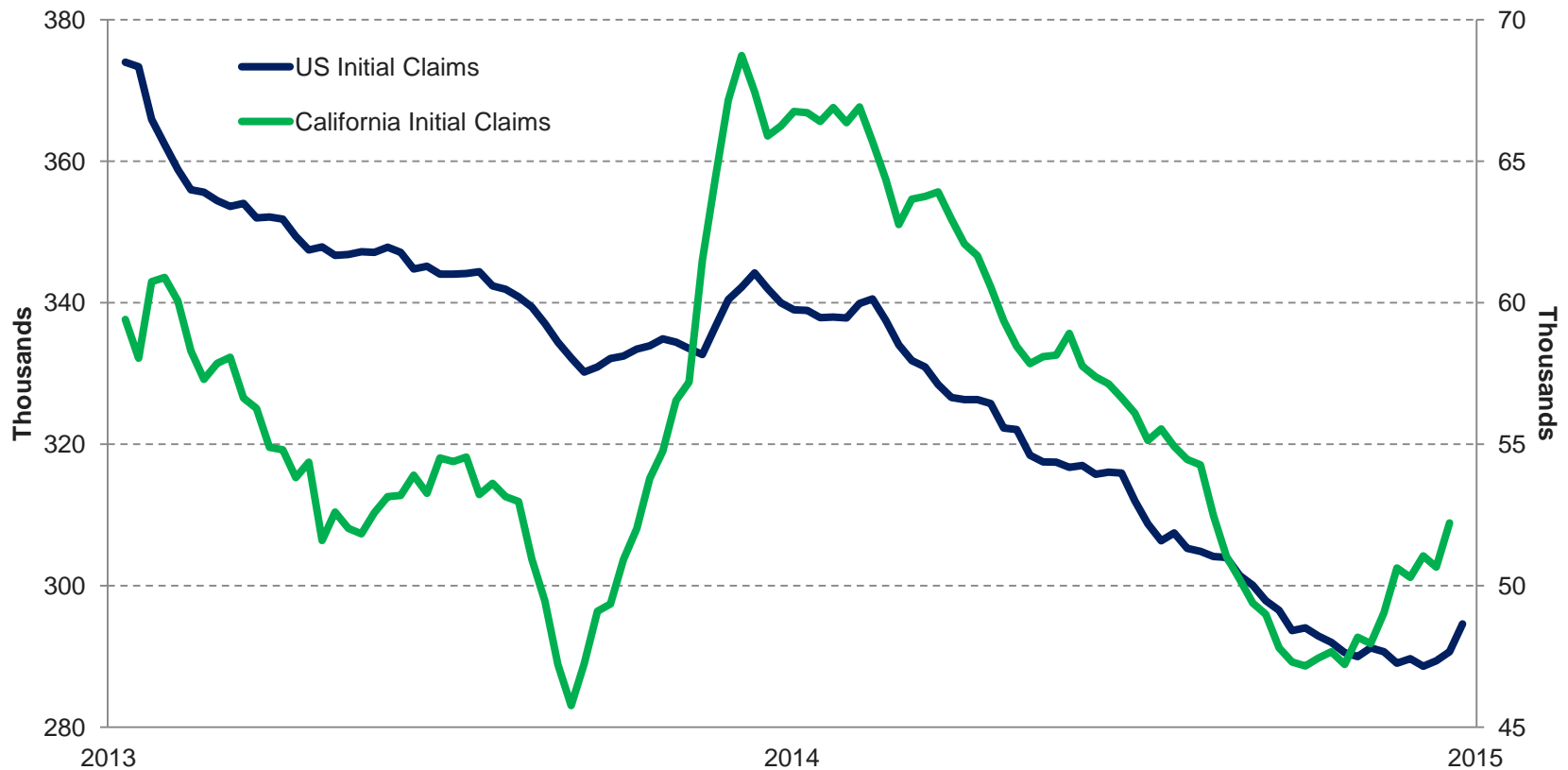
- Unemployment rate dropped to 7.2 compared with 5.6 nationally
- Job growth of 2 percent on year-ago basis in line with 2.1 percent on national level
- Trend in jobless claims continues to trace decline on national basis
- Construction jobs back to 20-year average, excluding Great Recession

California Labor Market: Late Cycle Bloom



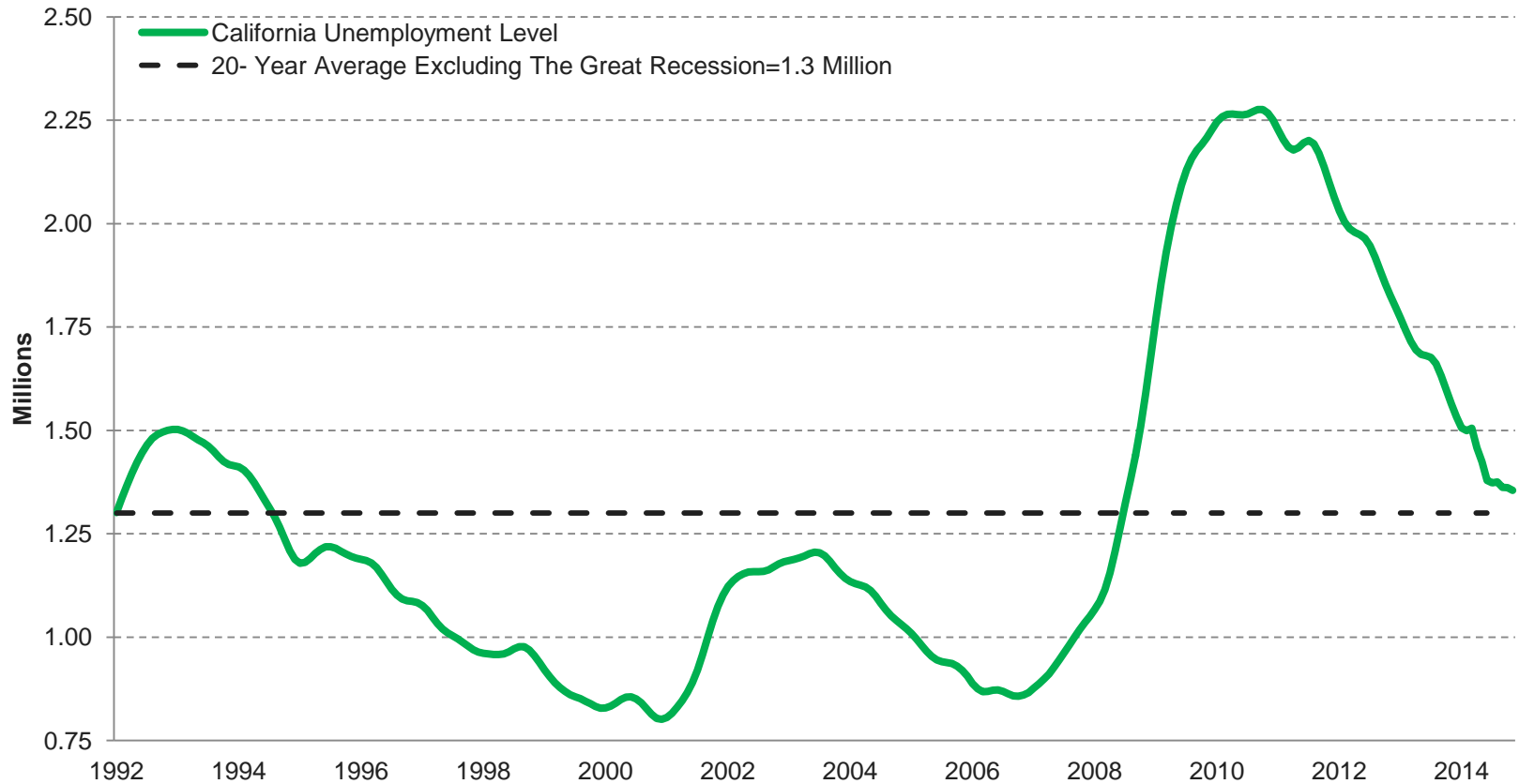
Source: McGladrey, BLS

California Labor Market: Initial Claims



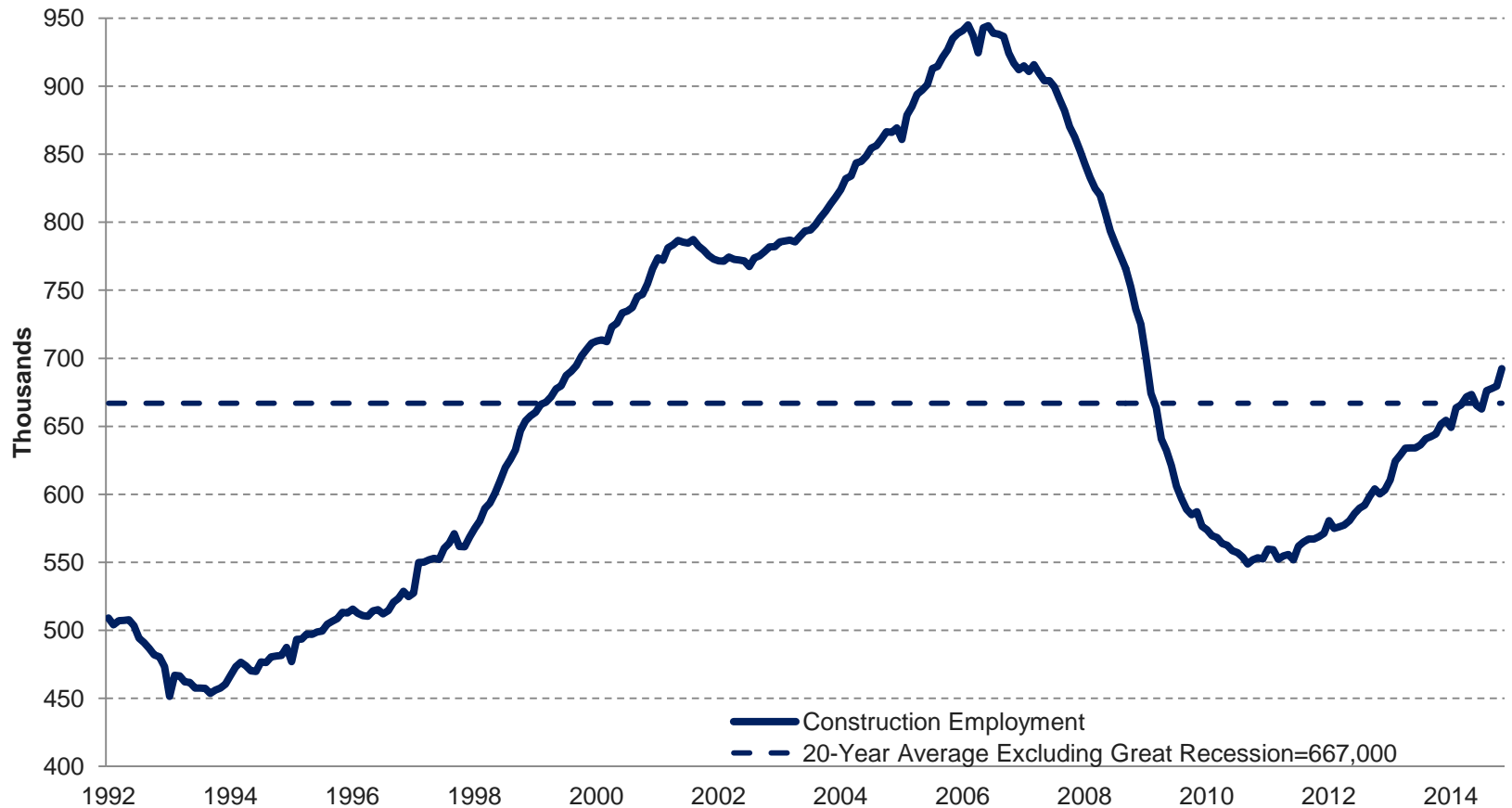
Source: McGladrey, Bloomberg

California Labor Market: Unemployment Levels



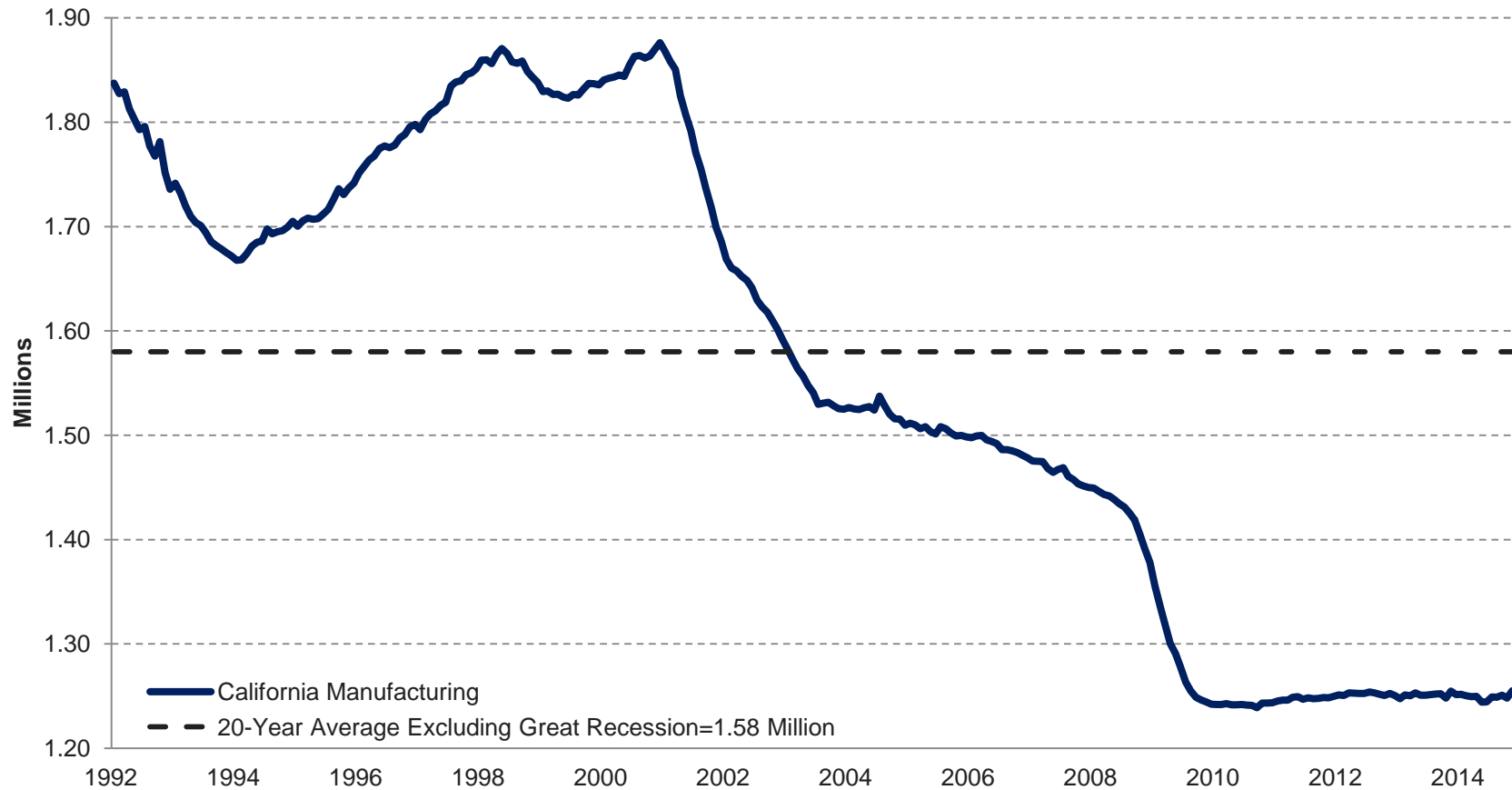
Source: McGladrey, BLS

California Labor Market: Construction



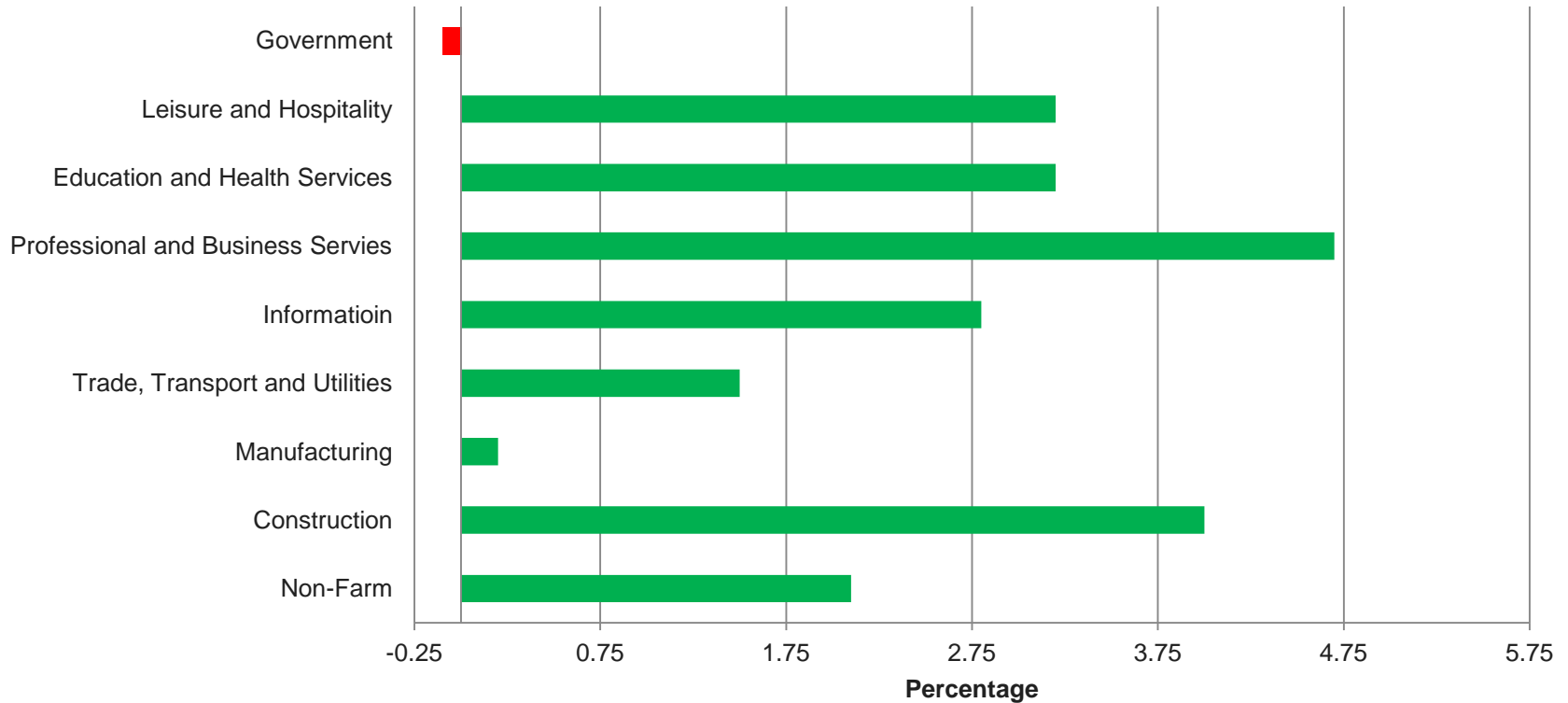
Source: McGladrey, BLS

California Labor Market: Manufacturing



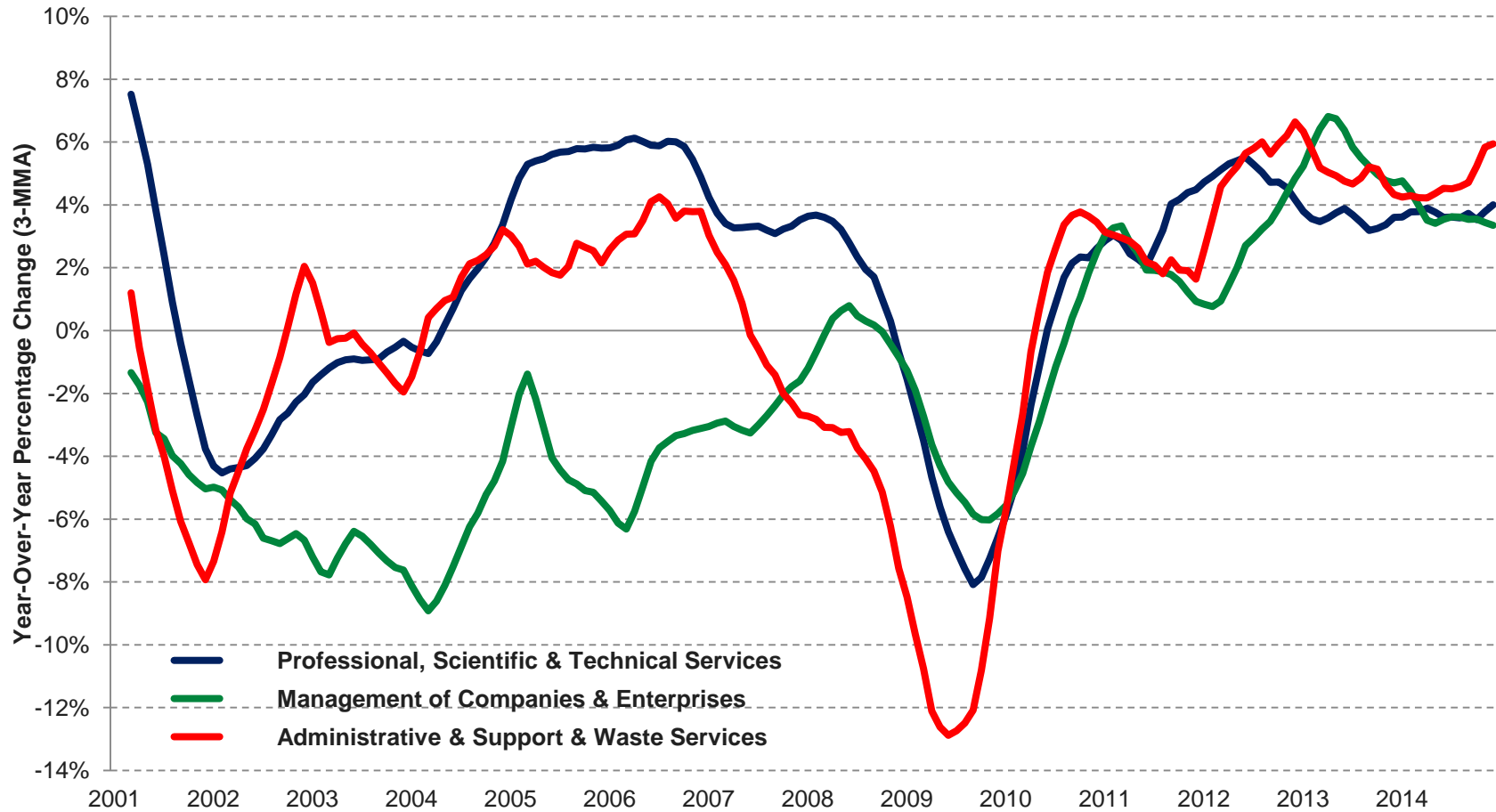
Source: McGladrey, BLS

California Labor Market: By Industry



Source: McGladrey, State of California Economic Development Department

Solid Growth in High Wage Jobs



Source: McGladrey, State of California Economic Development Department



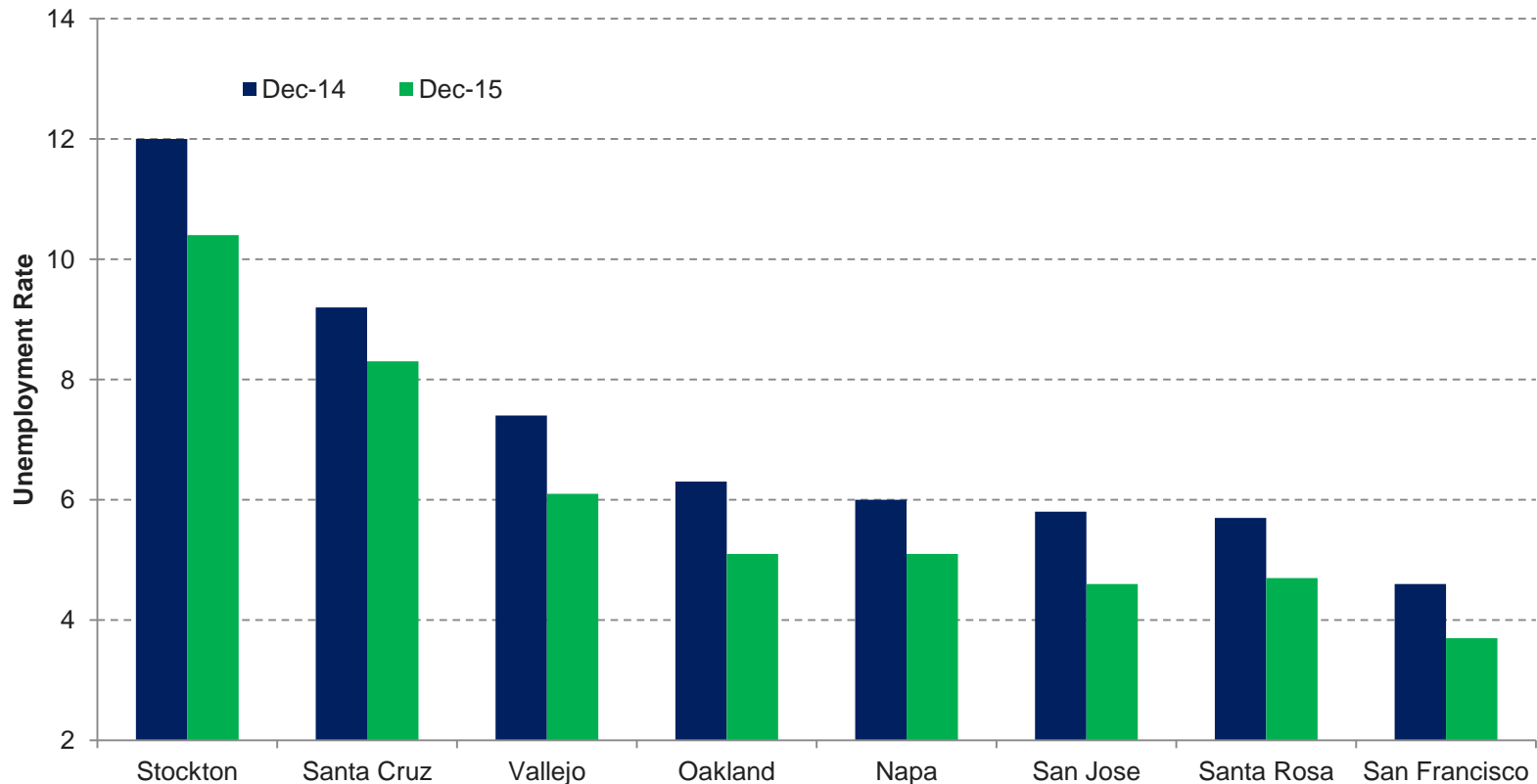
California Labor Market: Bay Area Job Growth



Source: McGladrey, State of California Economic Development Department

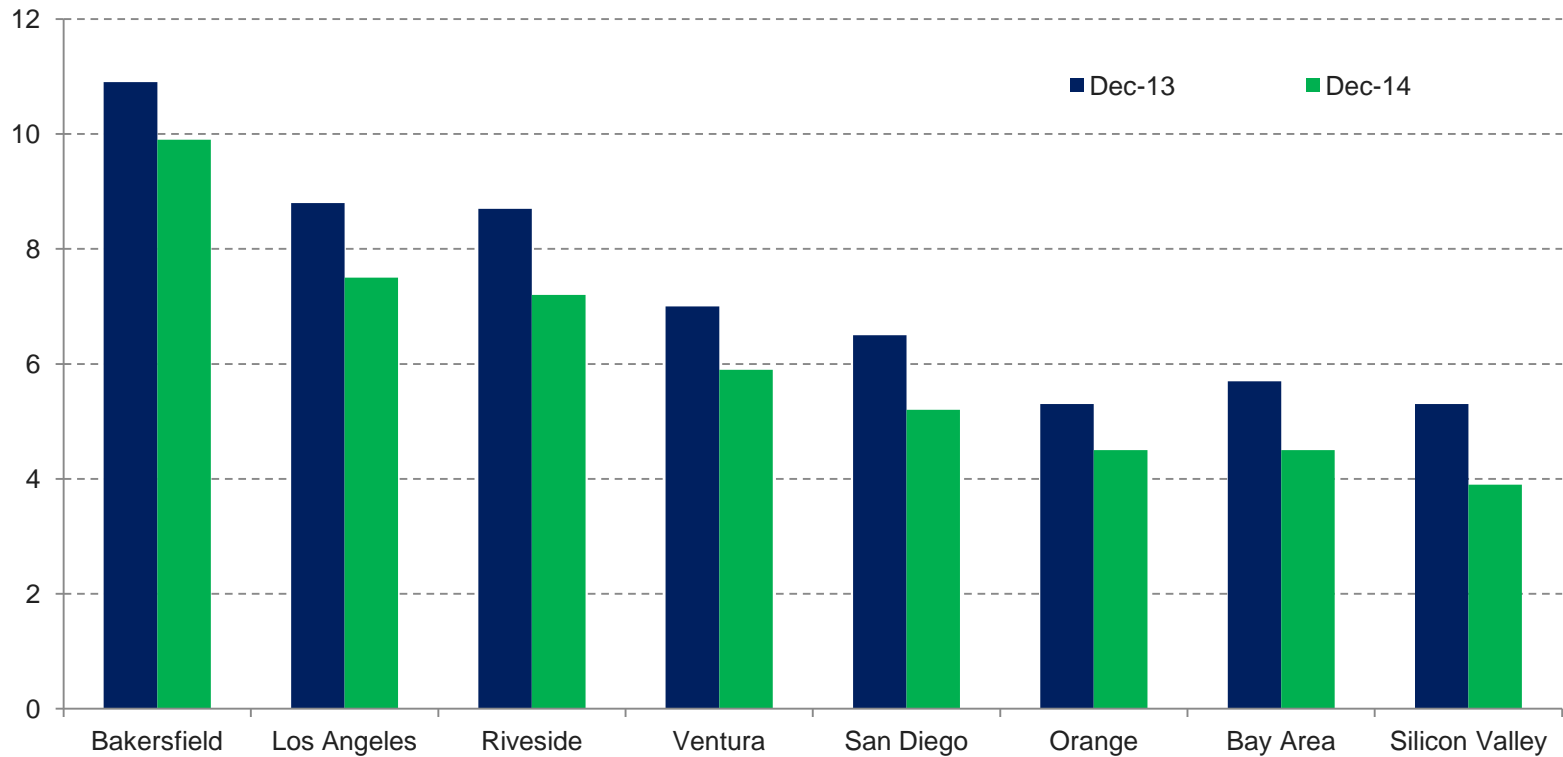


California Labor Market: Bay Area Unemployment Rates



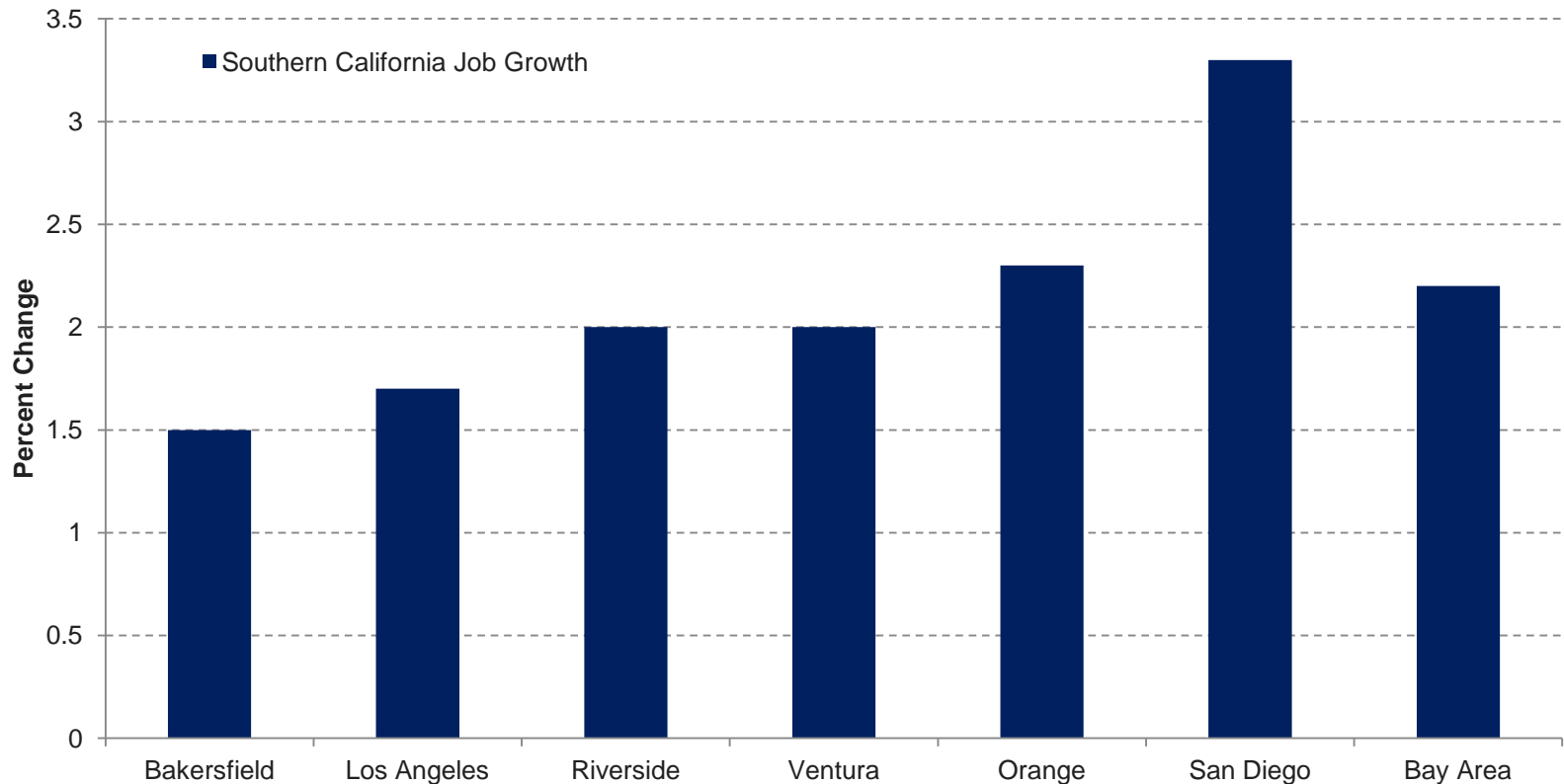
Source: McGladrey, State of California Economic Development Department

California Labor Market: Southern California Unemployment Rates



Source: McGladrey, State of California Economic Development Department

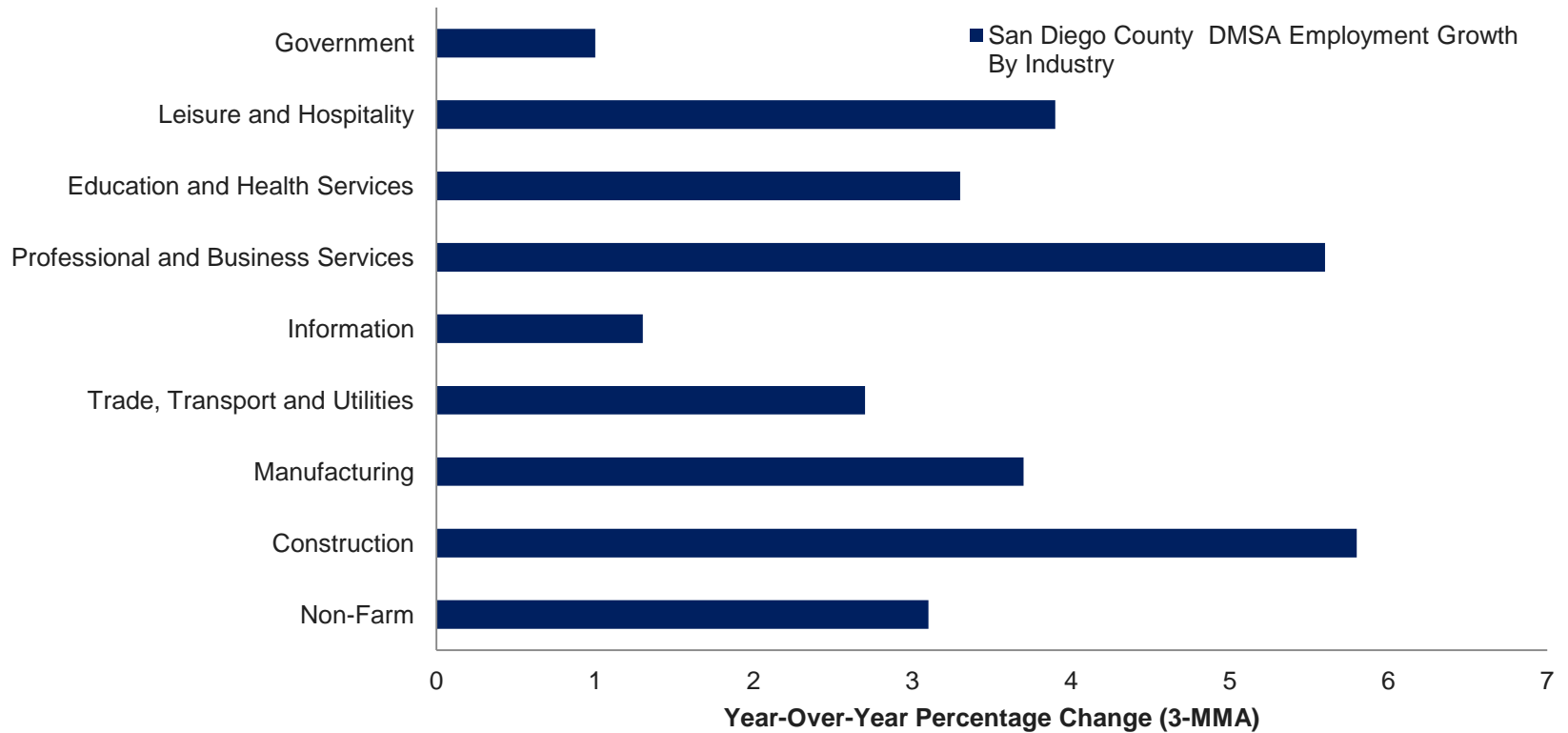
California Labor Market: Southern California Job Growth



Source: McGladrey, State of California Economic Development Department



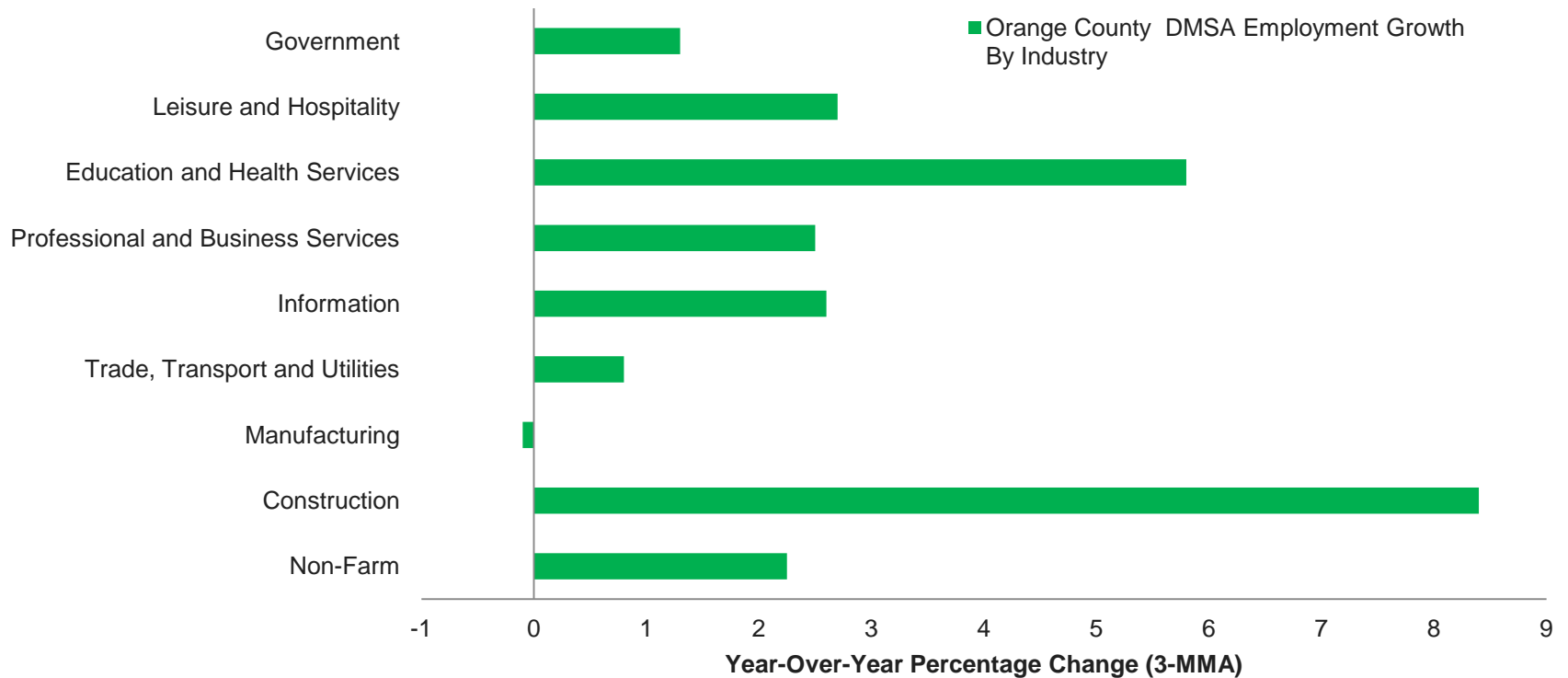
California Labor Market: San Diego by Industry



Source: McGladrey, State of California Economic Development Department

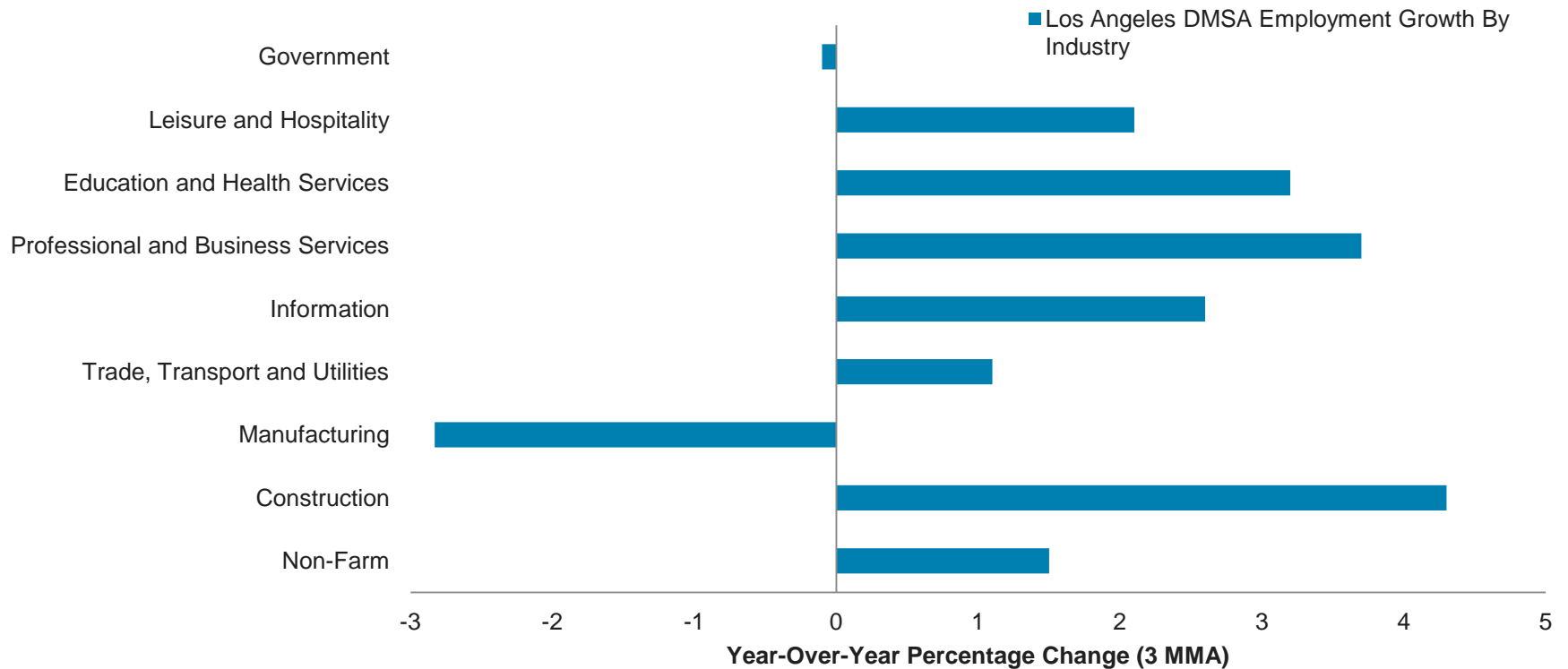


California Labor Market: Orange County by Industry



Source: McGladrey, State of California Economic Development Department

California Labor Market: Los Angeles by Industry



Source: McGladrey, State of California Economic Development Department

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