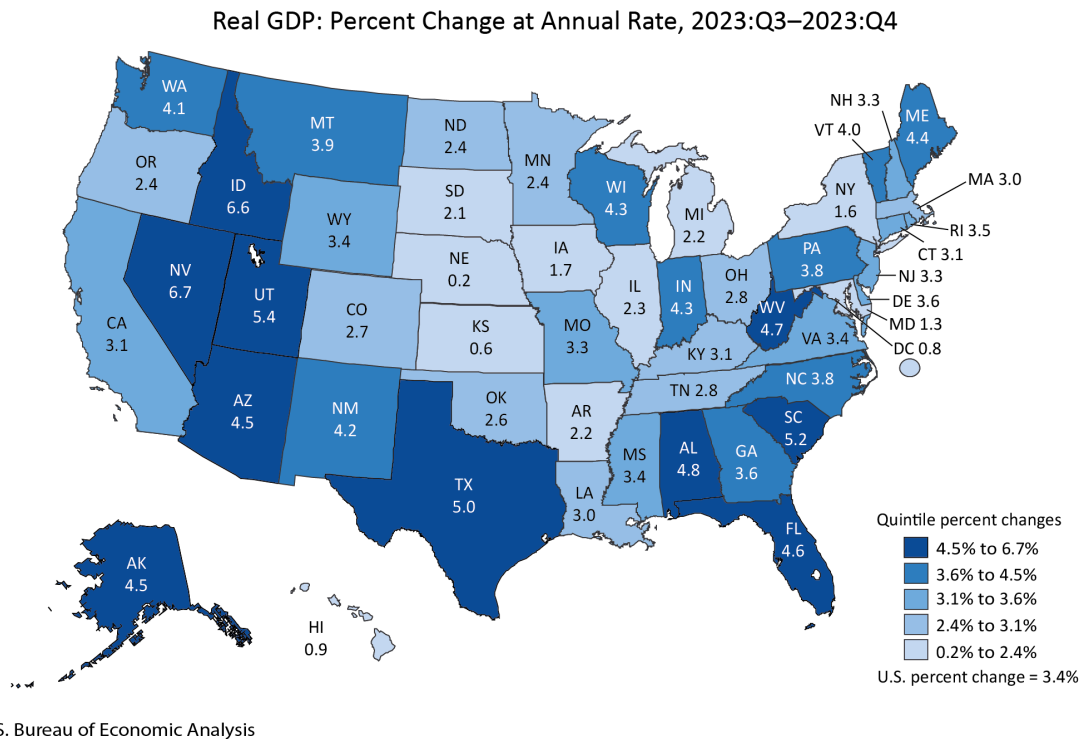


Special Report: California Risks Slipping to 6th Largest Economy

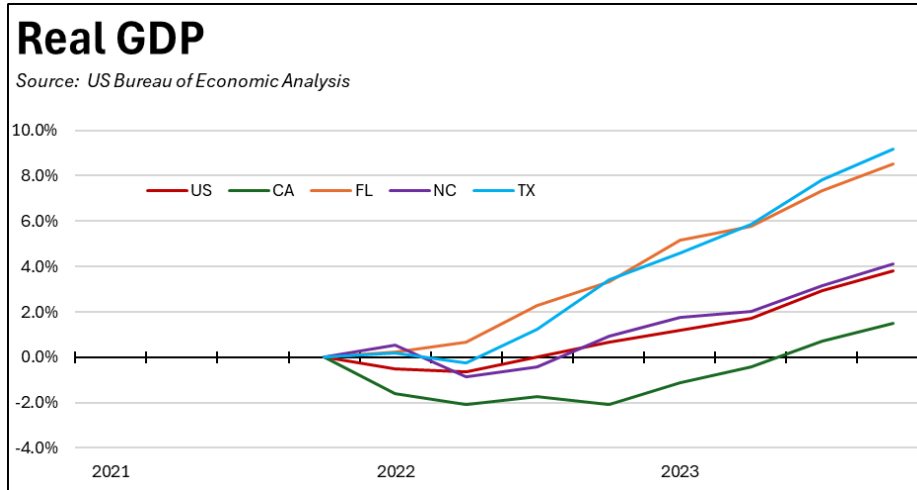
The Center for Jobs and the Economy has issued a special report on California’s Q4 2023 GDP growth, which although rising, continues to lag behind the national average, signifying ongoing economic challenges for the state. Despite maintaining its position as the 5th largest economy, California faces revenue difficulties amidst sluggish growth and declining contributions from the tech industry. For additional information and data about the California economy visit www.centerforjobs.org/ca.

California GDP Rises 3.1% in Q4 2023

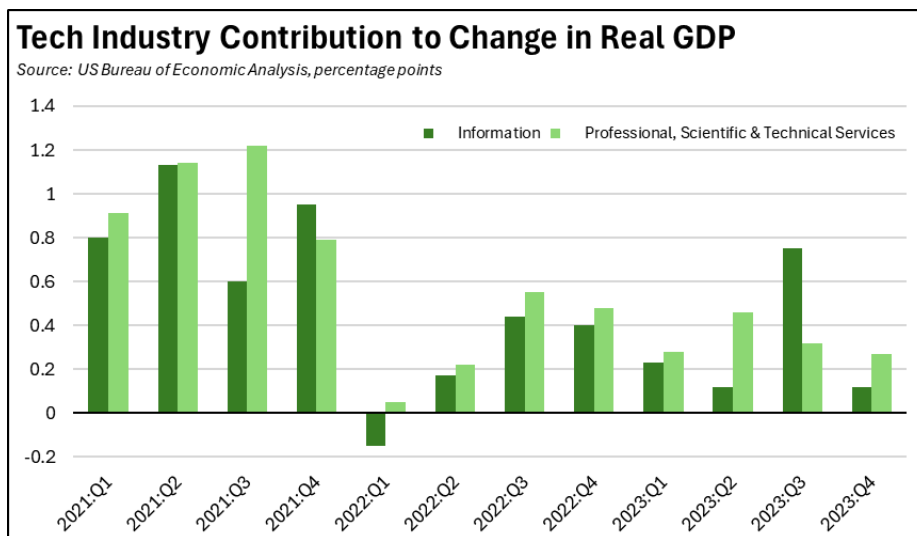
In Q4 2023, US Bureau of Economic Analysis [reports](#) that California real GDP rose 3.1% on an annualized basis, below the US average of 3.4% and 29th highest among the states. For 2023 as a whole, California real GDP rose 2.1%, below the US average of 2.5% and 32nd highest among the states.



While the latest results show improvement, California’s sub-par GDP performance in 2022 and 2023 underlies much of the sharp drop in revenues the state is now experiencing. In the most recent data, California experienced recessionary conditions in 2022 and the first half of 2023. California real GDP dropped 2.1% over two consecutive quarters at the beginning of 2022 and did not recover until Q3 2023. Similar conditions are reflected in the US data as well, but the dip was much shallower and subsequent recovery stronger as was the case with the three states showing stronger jobs expansion than California in the post-pandemic period. Overall, California real GDP grew only 1.5% in the last 8 quarters, compared to 3.8% for the US, 4.1% for North Carolina, 8.5% for Florida, and 9.2% for Texas.



The weakening in state real GDP reflects the declining contribution coming from the tech industry in this period. Taking the two primary industries containing the tech employers, Information and Professional, Scientific & Technical Services contributed as much as 55% of California’s real GDP growth (1.8 percentage points of the 2.6% annualized growth) in the 3rd quarter of 2021, dropping to a low of -0.7% in Q2 2022 and only 12% in the latest Q4 2023 results (0.4 percentage points of the 3.1% growth). The strongest contributing industries in Q4 2023 instead were Manufacturing (0.85 percentage points), Retail Trade (0.51), and State & Local Government (0.35).



California Still the 5th Largest Economy by Current GDP

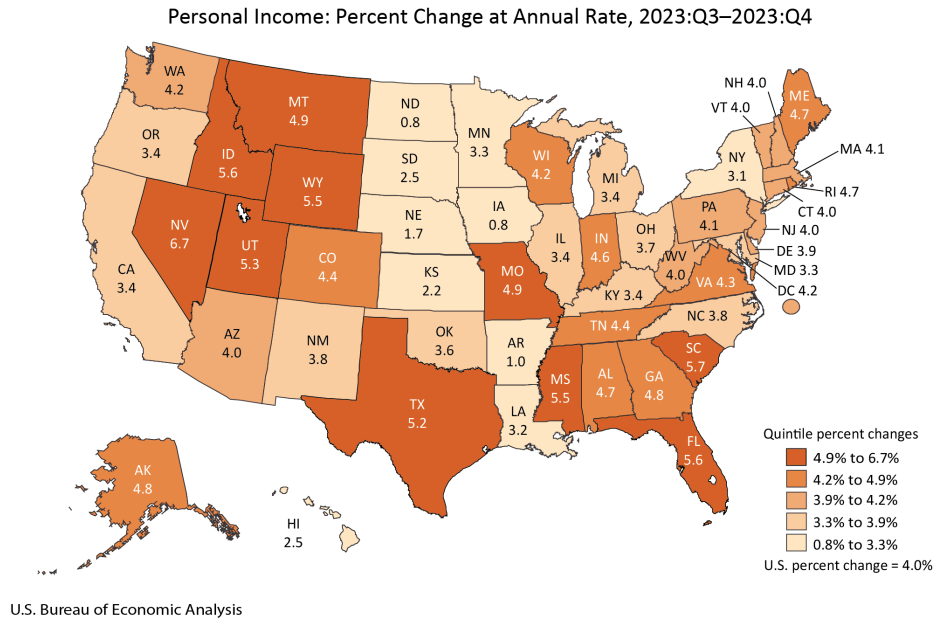
At a preliminary level of \$3.862 trillion in 2023, California’s Current GDP in 2023 still ranked the 5th largest using the current results from the [International Monetary Fund](#) (IMF). California, however, was only 3.5% larger than #6 ranked India. At its current rate of growth and using the IMF projections, California would slip below India in 2024.

These results are based on the October 2023 IMF results. They will be updated when the spring edition is

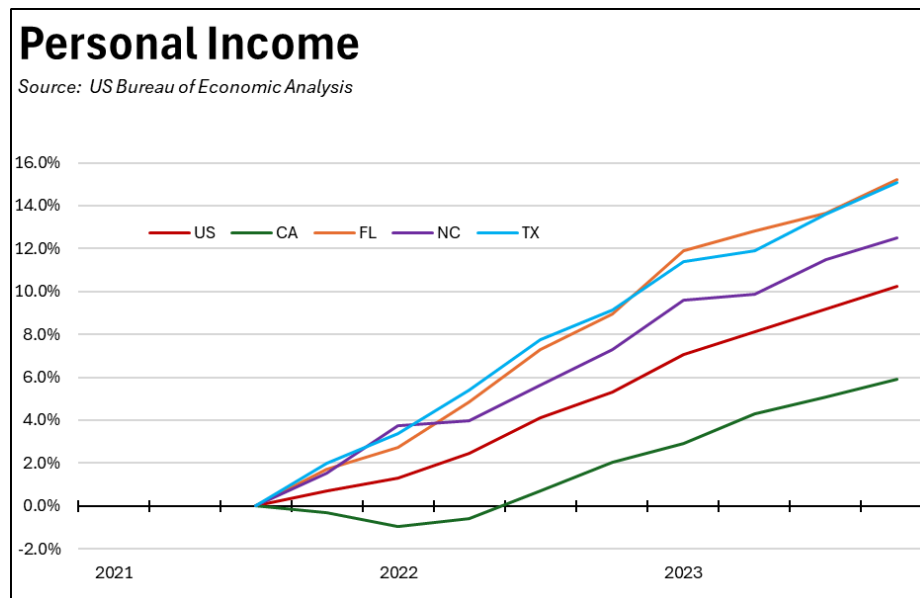
released in April.

Personal Income Rises 3.4% in Q4 2023

The effects on tax revenues are more directly seen in the most recent Personal Income data, along with revisions to the previous data for 2020 through 2023. In Q4 2023, California Personal Income rose 3.4% on an annualized basis, below the US average of 4.0% and 39th highest among the states.



Personal Income has followed a trend similar to Real GDP, but with the down period beginning a quarter earlier. In total, California Personal Income has grown only 5.9% since mid-2021.



Information and Professional, Scientific & Technical Services contributed a combined -4.0% to the 2.39%

increase in the Earnings component of Personal Income for the quarter. Earnings gains instead were led by State & Local Government (26.9%), Health Care & Social Assistance (19.7%), and Construction (14.5%).