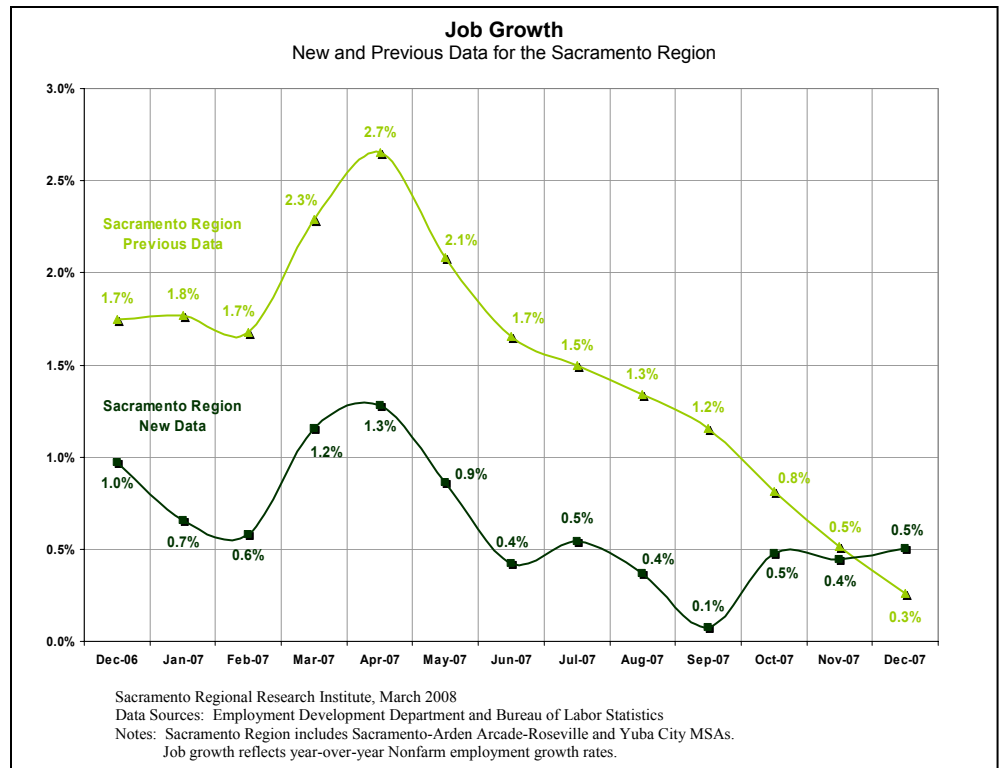


### EMPLOYMENT GROWTH IN THE SACRAMENTO REGION, THE BAY AREA, CALIFORNIA, AND THE UNITED STATES

Revised employment data shows significantly lower job growth in the Sacramento Region throughout 2007.

Every year, the Employment Development Department (EDD) benchmarks its employment data to reflect more precise information derived from detailed tax and payroll records. On a monthly basis, EDD generates employment estimates based on a sample of employers. When new tax and payroll information becomes available, the estimates are revised to provide a more accurate accounting of employment by industry. This year, the revisions also reflect changes in industry definitions and some smoothing of historical data.

Similar to last year, EDD's benchmark process resulted in a downward revision for the six-county Sacramento Region with this shift being much more pronounced than the previous. The new data shows that the Region saw lower year-over-year employment growth rates in 11 of the 12 months of 2007 compared to what was previously estimated. The average monthly difference in job growth between the previous and benchmarked data for 2007 is -0.9 percentage points, which is notably higher than the -0.1 percentage point divergence that resulted from the 2006 data revisions. The benchmarked data also illustrates a somewhat different job growth trend in the latter half of 2007—whereas the previous data showed a generally declining trend starting in the spring and continuing through the rest of the year, the new data demonstrates a notable rebound in the winter of 2007 with fairly flat growth through the end of the year. However, the benchmarked data shows a job growth range of 0.1 to 1.3 percent, much lower than the 0.3 to 2.7 percent range reflected in the prior estimates. It is interesting to note that the benchmarking process also resulted in a downward revision for the Bay Area and California with respective average monthly differences between the new and old data for 2007 of -0.4 and -0.5 percentage points. Overall, the dynamic movement in the economy was not adequately captured in the EDD estimates, leading to much lower growth than what was previously tracked.



Major Sector Employment Gains and Losses			
New and Previous Data for the Sacramento Region			
Annual Average 2006-2007			
Sector	Previous Data	New Data	Difference
Total Nonfarm	13,842	5,758	-8,083
Private Sector	6,658	-1,067	-7,725
Public Sector	7,183	6,825	-358
Edu. & Health Svcs.	3,317	5,050	1,733
Information	158	283	125
Nat. Res. & Mining	50	83	33
Other Services	817	583	-233
Leisure & Hospitality	1,842	1,558	-283
Construction	-3,175	-3,458	-283
Government	7,183	6,825	-358
Financial & Activities	-1,383	-2,067	-683
Manufacturing	-242	-2,033	-1,792
Trade, Trans., & Util.	2,150	25	-2,125
Prof. & Business Svcs.	3,125	-1,092	-4,217

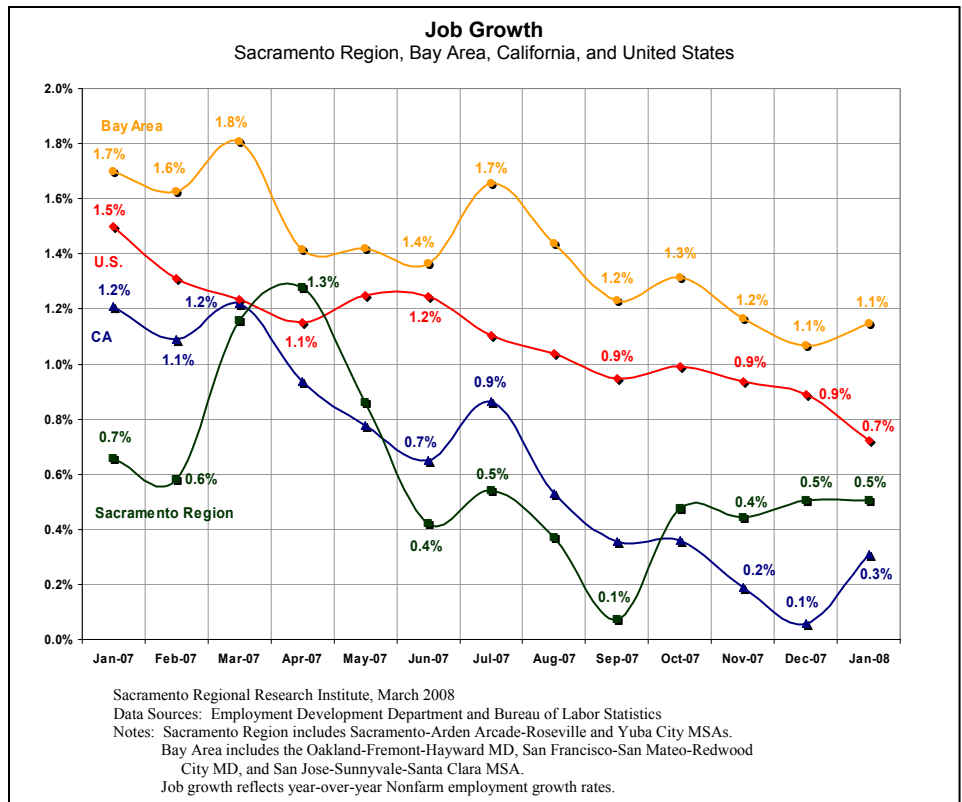
Sacramento Regional Research Institute, March 2008  
 Data Source: Employment Development Department

The benchmarked data shows that the Sacramento Region added over 8,000 fewer jobs on an annual average basis between 2006 and 2007 compared to the previous estimates. This is primarily due to considerable downward revisions in the Professional & Business Services; Trade, Transportation, & Utilities; and Manufacturing sectors. In fact, Manufacturing shifted from a minimal to a significant loss; Trade, Transportation, & Utilities changed from a healthy gain to essentially no growth; and, most concerning, Professional & Business Services moved from a relatively strong increase to a substantial decrease. Only Educational & Health Services experienced a noteworthy upward revision with stronger gains than what was previously calculated. All in all, the net downward revisions in both the public and private sectors show that the Region's economy was much weaker than what was previously thought.

The Sacramento Region appears to have rebounded in recent months with growth surpassing the statewide average.

The new data shows that the Sacramento Region's job growth has been fairly flat for the past four months, averaging around 0.5 percent employment growth. This rate of growth reflects a gain of 4,700 jobs between January 2007 and 2008. The recent performance marks a rebound from the generally declining job growth that the Region was seeing since the spring of 2007 and moved Sacramento back above the statewide average. Improvements in the housing-related sectors (which might have bottomed-out) and Professional & Business Services (shifting back to positive growth) have been the main drivers of the rebound. Even though the Region has seen a recent improvement, it is still posting some of the lowest job growth seen since the summer of 1993.

The Bay Area is still in the midst of the decreasing job growth pattern that began in July 2007. Despite this trend, it continues to outpace the statewide and national averages with growth above 1.0 percent. Over the



the 12 months ending January 2008, the Bay Area saw 1.1 percent employment growth with an increase of 33,100 jobs. The nation also continued its slowly declining job growth trend with a January 2008 year-over-year employment growth rate of 0.7 percent (equating to an increase of 977,000 jobs). California is in a similar position, posting generally declining employment growth rates, but with a notable uptick in January 2008. Over the past 12 months, the state showed 0.3 percent job growth with a gain of 45,900 jobs.

Major Sector Employment Gains and Losses Sacramento Region, California, and Bay Area			
January 2007-2008			
Sector	Sacramento Region		Bay Area
	Region	California	Area
Total Nonfarm	4,700	45,900	33,100
Private Sector	-1,200	-3,600	24,000
Public Sector	5,900	49,500	9,100
Government	5,900	49,500	9,100
Edu. & Health Svcs.	4,200	47,100	7,100
Prof. & Business Svcs.	2,300	42,100	9,000
Leisure & Hospitality	1,300	22,100	5,300
Other Services	800	7,100	2,300
Nat. Res. & Mining	300	200	100
Information	-500	-13,400	1,600
Financial Activities	-1,200	-32,600	-5,700
Manufacturing	-1,600	-20,500	3,800
Trade, Trans., & Util.	-2,100	4,800	800
Construction	-4,700	-60,500	-300

Sacramento Regional Research Institute, March 2008  
 Data Source: Employment Development Department

The Government; Educational & Health Services; and Professional & Business Services sectors posted the greatest employment gains in the Sacramento Region between January 2007 and 2008. Combined, these three sectors created 12,400 jobs in the Region's economy. These gains were minimized by continued losses in the housing-related sectors (Construction & Financial Activities) along with considerable declines in the Trade, Transportation, & Utilities and Manufacturing sectors. In total, these four sectors shed 9,600 jobs in the Region. Both the Bay Area and the state experienced the largest gains in the same three sectors as the Sacramento Region with losses mainly resulting from the housing downturn.

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