

Appendix 9

Top Economic Trends for 2015

In the post-recession economy, California faces a national and global economic environment that is significantly different from that of a decade ago. In the future, capital will increasingly become more geographically dispersed and California's singular dominance in technology and innovation has already shifted. Centers of innovation are developing across the globe with the support of new and more agile thinking about the deployment of human, physical and financial capital. In framing these shifts, economic researchers have identified several key trends that are redefining the U.S. economy and its position within the post-recession era:

- Cities and regions will become the dominant drivers of economic growth. State and national policies will need to be modified to reflect these emerging centers economic power.
- Advancing information and transportation technologies are expanding networks, making interregional and global relationships increasingly more important.
- Ideas and products are increasingly designed and assembled within networks that are more collaborative than combative.
- Job growth will be driven by smaller size companies that are better able to meet specialized consumer needs and connect to diverse supply chains within expanding global markets.
- Scarcity and the impact on the environment will continue to put increasing pressure on the development and deployment of alternative and lower carbon fuels.
- Deepening income inequality will result in costly outcomes, most adversely affecting women, minorities, immigrants, the disabled, and the formerly incarcerated, and thus require the diversion of public resources to address unemployment, poverty, social unrest, and violence.
- As the large Boomer population transitions from the workforce, productivity will become even more dependent on accessing middle and high skilled workers that can utilize evolving technologies and systems.
- The available workforce will be substantially smaller, more diverse, and have educational backgrounds that were provided through school systems that lag in other industrialized nations.

While the state has many positive attributes, including a world class public education system, this changing global environment also brings new competitors, business models and societal expectations. Key among California's challenges are the quality of the state's infrastructure and logistic networks, its education and workforce delivery systems, and the business environment for supporting entrepreneurial and small business development fundamentals.