



CALIFORNIA Economic Indicators

May-June 2009

A Slate of Mixed Signals

Varied readings may suggest an end to the economic free-fall.

REVIEW OF RECENT ECONOMIC DEVELOPMENTS

Recent economic indicators offered a muddled picture. While a turnaround doesn't appear in the offing, there was a break in the consistent bad news that characterized the beginning of the year. Broad based job losses continued even though the unemployment rate improved slightly. Construction activity was disappointing but there were tentative signs of stability in residential real estate markets.

EMPLOYMENT

Job losses continue

California suffered widespread employment losses totaling 63,700 nonfarm jobs in April. The losses would have been greater if the U.S. Census Bureau had not temporarily hired 10,000 workers in California in preparation for the 2010 Census.

Only three major industry sectors grew in April. Government added 9,300 jobs (with the federal government adding 11,500, State government adding 400, and local government losing 2,600); natural resources and mining, 200; and other services, 200. As for the other sectors, trade, transportation, and utilities lost 18,900 jobs; manufacturing, 14,100; professional and business services, 10,000; construction, 9,800; information, 7,800; educational and health services, 5,000; financial activities, 4,800; and leisure and hospitality, 3,000.

Annualized employment losses accelerated steadily during the first four months of 2008. From April 2008 to April 2009, nonfarm payroll employment fell by 706,700, or 4.7 percent. The pace of losses was 3 percent in December 2008. Since the national recession began in December 2007, California has lost 777,900 industry jobs.

On a year-over-year basis, only one industry sector grew in April. Educational and health services added 19,900 jobs. Elsewhere, employment fell by 189,000 in trade, transportation, and utilities; 149,900 in construction; 121,700 in professional and business services; 115,100 in manufacturing; 62,500 in leisure and hospitality; 50,300 in financial activities; 22,100 in information; 14,800 in other services; 600 in government; and 600 in natural resources and mining.

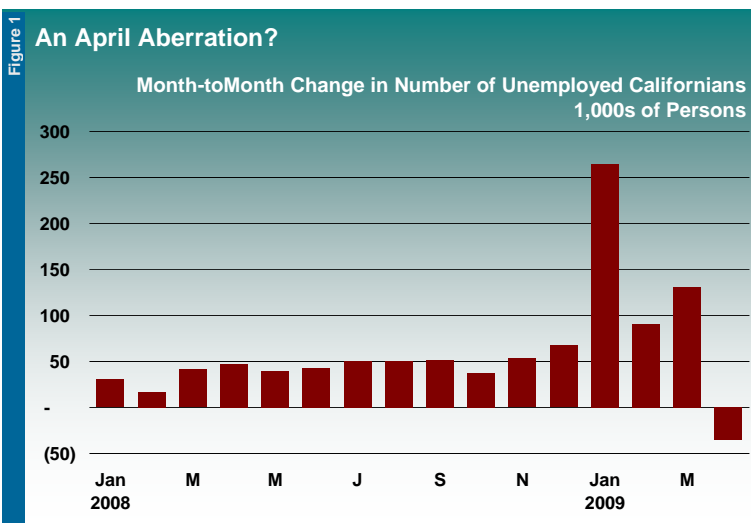
A blip for unemployment?

California's unemployment rate fell for the first time in

almost three years in April. The rate slid 0.2 percentage point to 11.0 percent. Household employment rose 42,200 in April. After 24 consecutive month-over increases, the

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Better unemployment news in April was most likely an aberration.

number unemployed fell 35,100.

Keep in mind that household employment estimates come from a much smaller and more limited survey than the establishment survey used to estimate nonfarm employment. Moreover, since the Bureau of Labor Statistics revised its method for calculating state and local unemployment rates a few years ago, the underlying labor force statistics have been notoriously volatile. It is very likely that this improvement will disappear shortly or be succeeded by worse readings in the future.

For the record, California's unemployment rate was the fourth highest in the nation, following Michigan (12.6), Oregon (12.1), and South Carolina (11.4). The national unemployment rate was 8.5 percent in April, up from 4.6 percent a year earlier.

BUILDING ACTIVITY

Stagnant home building

Home construction remained stuck at recessionary levels in April. Even though April was the third consecutive month-over-month increase in single-family construction, total residential permits were issued at a sluggish seasonally adjusted annual rate of 33,340 units, down over 54.8 percent from a year earlier. Single-family permits were down 34.7 percent, while multi-family permitting was down 72 percent.

Slower commercial construction

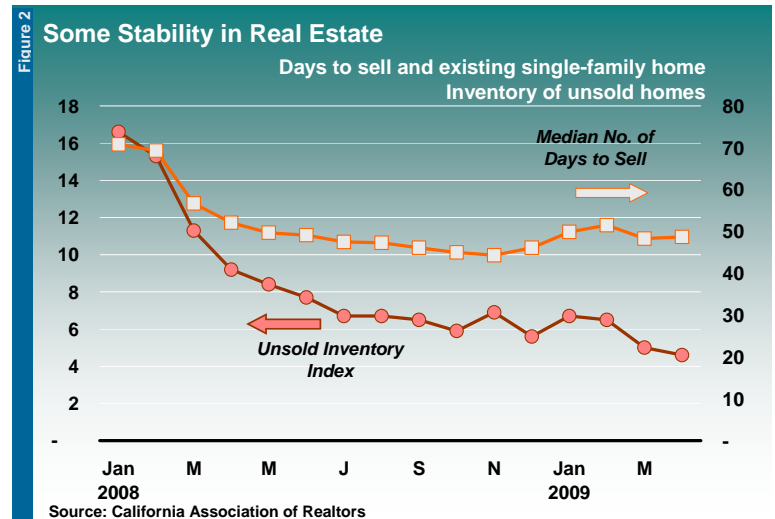
Nonresidential construction continued to deteriorate in April as permitting fell 48.9 percent from a year earlier. Furthermore, the value of permits issued in April was the lowest since November 1997. For the first four months of 2009 as a whole, nonresidential permitting was down 46.6 percent from the same months of 2008.

REAL ESTATE

Growing signs of life in residential real estate

Home sales prices improved in April for the second consecutive month, putting the median price up 3.7 percent from February. March broke a string of 18 consecutive month-over-month drops. Despite the positive March-April showing, the median price of existing single-family homes sold in April—\$256,700—was down 36.5 percent from a year earlier.

In addition, the unsold inventory index for existing homes dropped for the third consecutive month in April, falling to 4.6 months. The index stood at 9.8 months in April 2008. Furthermore, the median number of days needed to sell a home in April essentially held steady at 48.7 days, which was a 6 percent improvement from a year earlier.



Real estate market readings show tentative signs of stability.

ECONOMIC FORECAST UPDATE

The following is from the May Revision of the Governor's 2009-10 Budget. The forecasts were prepared in April 2009 and are based on information available at that time.

The national and California recessions deepened considerably between November 2008, when the Governor's Budget forecast was constructed, and April 2009, when the May Revision forecast was developed. Monthly job losses grew sharply and became more widely dispersed across industries in California. Unemployment rose above 10 percent. Personal income and taxable sales fell in the fourth quarter of 2008.

The national economy fared much the same—growing job losses, rising unemployment, falling personal income—and to top it off, steep declines in real GDP in the fourth quarter of 2008 and the first quarter of 2009 (Figure 3).

To recover, both economies will need improved credit availability. California's economy will also need a stronger national economy. On both fronts, a smattering of encouraging signs have been spotted recently. Most importantly, consumers are starting to spend more and conditions in a number of financial markets, including equity markets, have improved.

Output of both economies should begin to grow in the second half of 2009, but the recovery will likely be slow at first, with payroll employment continuing to fall and unemployment remaining high for perhaps six months.

The outlook for the national economy is for negative growth in 2009, weak growth in 2010, and good growth in 2011:

- Real GDP is projected to fall 3.5 percent in 2009, and grow 1.4 percent in 2010 and 3.5 percent in 2011, as compared to the 1.1 percent growth in 2008.
- Nonfarm payroll employment is forecast to fall by 3.6 percent in 2009 and 0.8 percent in 2010 and grow 1.5 percent in 2011, as compared to a decline of 0.4 percent in 2008.

The outlook for the California economy is also for negative growth in 2009 followed by weak growth in 2010, and better growth in 2011:

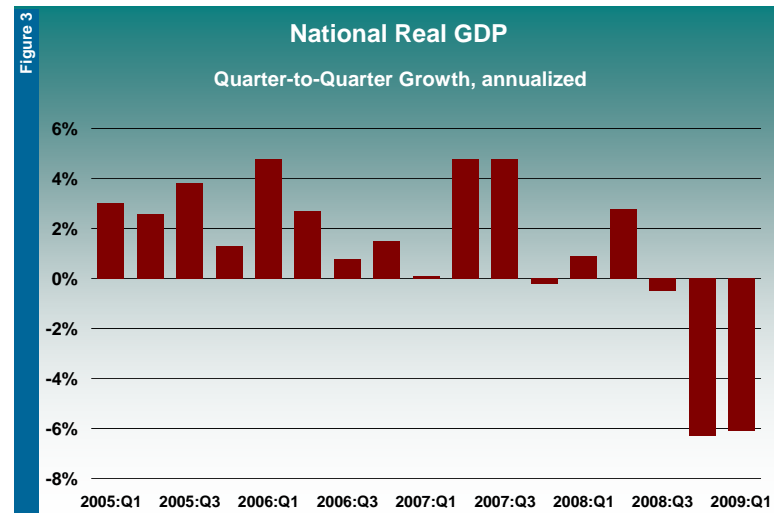
- Personal income is projected to fall 1 percent in 2009; and grow 1.4 percent in 2010, and 3.9 percent in 2011, as compared to 2.5 percent in 2008. The projected decline in personal income is the first since 1938.
- Nonfarm payroll employment is forecast to fall by 3.9 percent in 2009 and 0.9 percent in 2010 and grow 1.6 percent in 2011, as compared to a 1.2 percent decline in 2008.

THE NATION

The national economy contracted sharply in the fourth quarter of 2008 and the first quarter of 2009. The two quarter percentage decline in economic output was the largest since the first quarter of 1958. However, two favorable developments occurred in the first quarter of 2009: consumers began to spend more, and businesses worked off a large amount of unwanted inventories that had built up as the economy slowed during 2008. Consumer spending grew by over 2 percent in the first quarter after falling sharply in the third and fourth quarters of 2008. The paring of inventories brought them into better alignment with sales—something that needs to happen before a recovery can take hold. Recent consumer confidence surveys indicate that consumers are somewhat less pessimistic about the economy. The fiscal stimulus package should give consumer spending a boost in the coming months.

The housing sector is showing some signs of stabilizing. Sales are up a bit, and the inventory of unsold new homes has fallen. Mortgage rates have fallen considerably since last summer. Falling home prices along with lower mortgage rates have made housing more affordable, but the supply of mortgage credit remains tight.

Unlike consumers, businesses are not yet ready to spend more. Spending for equipment and software by businesses fell at an annual rate of almost 30 percent in both the fourth and first quarters. Businesses will likely need to see additional positive signs coming from the economy before they increase capital spending.



Similarly, exports will not likely contribute much to economic growth until mid 2010. After growing strongly for five years, exports fell sharply in the last two quarters as the economies of major trading partners weakened.

Labor markets have not been a source of encouraging news. More than 5.7 million payroll jobs have been lost in the nation since December 2007, the beginning of the recession. While the average monthly loss has been almost 360,000 jobs, the losses have grown over time. The last six have averaged 656,000 per month. The national unemployment rate has risen quickly in the last year. In April 2009, it jumped 0.4 percentage point to 8.9 percent. In April 2008, it was 5 percent.

A number of financial markets have improved in recent weeks, among them markets for short-term funding, including interbank markets and the commercial paper market. Concerns about credit risk in those markets appear to have receded somewhat, there is more lending at longer maturities, and interest rates have declined. In addition, the issuance of asset-backed securities (ABS) backed by credit card, auto, and student loans all picked up in March and April, and ABS funding rates have declined. Also, mortgage rates have fallen in response to the Federal Reserve's purchases of agency debt and mortgage-backed securities. And recently, bond issuance by nonfinancial firms has been relatively strong.

CALIFORNIA

The toll of the recession in California has been most visible in the labor markets. Payroll employment peaked in California in July 2007, five months earlier than in the nation. Since then employment has fallen by almost 730,000 jobs. And, as in the nation, monthly job losses were modest initially and then grew and became more widespread across industries over time. The six months ending in March 2009 accounted for five of the six biggest monthly payroll job losses in the official employment series, which began in January 1990 (Figure 04). No major region was spared. No metropolitan statistical area or metropolitan division gained payroll jobs from March 2008 to March 2009.

California's unemployment rate rose quickly from 6.4 percent in March 2008 to 11.2 percent in March 2009.

California personal income fell by an estimated 0.3 percent, taxable sales by 11.5 percent, and new vehicle registrations by 24 percent from the third quarter to the fourth quarter of 2008.

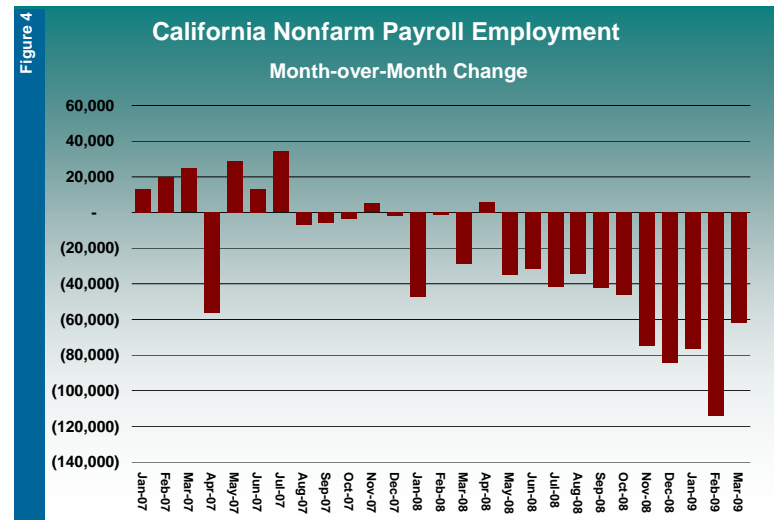
Made-in-California exports fell by 5.9 percent from the fourth quarter of 2007 to the fourth quarter of 2008. High-tech exports fell by almost 17 percent.

California's housing slump is showing signs of coming to an end. California home building fell for the fourth consecutive year in 2008. The number of units for which permits were granted was only 30 percent of the level in 2004, and few new homes were sold in 2008. But existing single-family detached home sales grew by 27 percent. Inventory of unsold new homes have been pared.

THE FORECAST

Some positive signs have been seen in the national and California economies in the past month or two: monthly job losses have fallen in both the nation and California on occasion, consumers have begun to spend a little more, and conditions have improved in a few financial markets. The pace of contraction of both economies may have slowed. Jobs will continue to be lost and unemployment will continue to increase even after economic activity has begun to grow.

The current national recession has entered its 17th month, making it the longest recession in the post-World War II period. It will very likely become the deepest recession in that period before it is done. The recovery could be long and slow, and a relapse is possible. Another batch of possibly toxic mortgages will be resetting in 2010 and 2011. Nevertheless, both economies are projected to grow in 2010. (Figure 5 and Figure 6)



Selected U.S. Economic Indicators

	2008 (Est.)	2009 (Projected)	2010 (Projected)
Real gross domestic product, (2000 dollar) (Percent change)	1.1	-3.5	1.4
Personal consumption expenditures	0.2	-0.9	1.7
Gross private domestic investment	-6.7	-24.0	8.2
Government purchases of goods and services	2.9	0.7	0.2
GDP deflator (2000=100) (Percent change)	2.2	1.5	1.0
GDP, (Current dollar) (Percent change)	3.3	-2.0	2.4
Federal funds rate (Percent)	1.93	0.14	0.21
Personal income (Percent change)	3.8	0.1	1.8
Corporate profits before taxes (Percent change)	-15.3	-16.5	19.5
Nonfarm wage and salary employment (Millions)	137.0	132.1	131.0
(Percent change)	-0.4	-3.6	-0.8
Unemployment rate (Percent)	5.8	9.1	10.2
Housing starts (Millions)	0.90	0.55	0.85
(Percent change)	-32.6	-39.0	53.9
New car and light truck sales (Millions)	13.1	9.5	11.3
(Percent change)	-18.4	-27.4	19.1
Consumer price index (1982-84=100)	215.3	213.7	217.9
(Percent change)	3.8	-0.7	2.0

Forecast based on data available as of April 2009.
Percent changes calculated from unrounded data.

Selected California Economic Indicators

	2008	Percent change	Projected			
			2009	Percent change	2010	Percent change
Personal income (\$ billions)	1,558.9	2.5%	1,542.7	-1.0%	1,564.3	1.4%
Nonfarm W&S employment (thousands)	14,997.0	-1.2%	14,406.7	-3.9%	14,270.6	-0.9%
Natural resources and mining	28.6	7.3%	28.8	0.8%	27.9	-3.2%
Construction	787.6	-11.8%	665.7	-15.5%	649.0	-2.5%
Manufacturing	1,424.5	-2.7%	1,339.8	-5.9%	1,295.3	-3.3%
High technology	374.8	-0.5%	361.1	-3.7%	352.6	-2.3%
Trade, transportation, & utilities	2,856.2	-1.9%	2,721.7	-4.7%	2,705.1	-0.6%
Information	474.0	0.7%	450.8	-4.9%	448.1	-0.6%
Financial activities	852.2	-5.8%	804.7	-5.6%	791.7	-1.6%
Professional and business services	2,243.4	-0.9%	2,157.8	-3.8%	2,139.9	-0.8%
High technology	323.1	5.3%	325.0	0.6%	320.7	-1.3%
Educational and health services	1,724.1	3.2%	1,750.7	1.5%	1,787.7	2.1%
Leisure and hospitality	1,571.9	0.7%	1,542.5	-1.9%	1,567.0	1.6%
Other services	515.2	0.6%	507.8	-1.4%	510.1	0.4%
Government	2,519.3	1.0%	2,436.4	-3.3%	2,348.8	-3.6%
Unemployment rate	7.2%		11.1%		12.0%	
Housing permits (thousands of units)	65	-42.5%	49	-24.4%	85	74.9%
Consumer price index (1982-84=100)	224.8	3.4%	223.8	-0.4%	229.3	2.4%

Forecast based on data available as of April 2009.
Percent changes calculated from unrounded data.

Select Indicators

	2008		2009			Year-Over % Change
	May	Feb	Mar	Apr	May	
EMPLOYMENT (Seasonally adjusted)						
Civilian employment (000)	17,097	16,620	16,523	16,564	16,387	-4.2%
Unemployment (000)	1,253	1,961	2,092	2,066	2,138	70.6%
Unemployment rate	6.8	10.6	11.2	11.1	11.5	--
Nonagricultural wage and salary employment (000) a/	15,082.9	14,536.8	14,475.1	14,412.3	14,343.4	-4.9%
Goods-producing industries	2,268.5	2,064.5	2,040.9	2,016.9	1,995.7	-12.0%
Natural resources and mining	28.6	28.2	27.9	27.5	27.2	-4.9%
Construction	803.3	682.8	674.8	665.4	654.1	-18.6%
Manufacturing	1,436.6	1,353.5	1,338.2	1,324.0	1,314.4	-8.5%
Service-providing industries	12,814.4	12,472.3	12,434.2	12,395.4	12,347.7	-3.6%
Trade, transportation, and utilities	2,883.0	2,739.5	2,719.9	2,700.2	2,691.9	-6.6%
Information	476.2	453.4	461.9	455.1	447.0	-6.1%
Financial activities	855.4	817.9	813.7	807.3	803.8	-6.0%
Professional and business services	2,257.0	2,166.1	2,151.7	2,141.8	2,130.9	-5.6%
Educational and health services	1,723.6	1,744.7	1,750.0	1,744.8	1,746.9	1.4%
Leisure and hospitality	1,577.9	1,531.6	1,522.0	1,518.3	1,515.6	-3.9%
Other services	517.5	508.4	503.6	504.1	502.0	-3.0%
Government	2,523.8	2,510.7	2,511.4	2,523.8	2,509.6	-0.6%
Federal government	248.9	249.3	250.2	263.0	251.6	1.1%
State and local government	2,274.9	2,261.4	2,261.2	2,260.8	2,258.0	-0.7%
High-technology industries b/	884.7	863.4	858.4	850.7	847.3	-4.2%
Computer and electronic products manufacturing	302.5	289.7	287.5	284.2	281.3	-7.0%
Aerospace products and parts manufacturing	73.7	72.8	72.8	72.0	71.7	-2.7%
Software publishers	43.6	42.9	42.9	43.1	43.2	-0.9%
Telecommunications	121.3	116.1	115.2	113.5	113.8	-6.2%
Internet service providers, web portals and data processing	20.4	19.5	19.3	19.0	19.0	-6.9%
Computer systems design	207.5	204.7	203.6	202.0	201.5	-2.9%
Scientific research and development	115.7	117.7	117.1	116.9	116.8	1.0%
HOURS AND EARNINGS IN MANUFACTURING (Not seasonally adjusted)						
Average weekly hours	40.8	39.3	38.9	38.4	38.7	-5.1%
Average weekly earnings	\$678.10	\$686.18	\$686.20	\$680.83	\$684.22	0.9%
Average hourly earnings	\$16.62	\$17.46	\$17.64	\$17.73	\$17.68	6.4%
CONSUMER PRICE INDEX (1982-84=100) (Not seasonally adjusted)						
All Urban Consumers Series						
California Average	NA	222.2	NA	222.9	NA	--
San Francisco CMSA	NA	222.2	NA	223.9	NA	--
Los Angeles CMSA	226.7	221.4	221.4	221.7	222.5	-1.8%
Urban Wage Earners and Clerical Workers Series						
California Average	NA	214.0	NA	214.7	NA	--
San Francisco CMSA	NA	216.8	NA	218.6	NA	--
Los Angeles CMSA	219.7	213.2	213.0	213.4	214.4	-2.4%
CONSTRUCTION						
Private residential housing units authorized (000) c/						
Single units	77	30	39	37	31	-59.5%
Multiple units	36	18	21	23	23	-36.6%
Multiple units	41	12	18	14	8	-79.4%
Residential building authorized valuation (millions) d/	\$18,998	\$10,489	\$11,908	\$11,463	10,564	-44.4%
Nonresidential building authorized valuation (millions) d/	\$18,073	\$10,774	\$12,495	\$11,558	9,961	-44.9%
Nonresidential building authorized valuation (millions) e/	\$1,601	\$795	\$989	\$1,038	820	-48.8%
Commercial	546	97	172	185	128	-76.5%
Industrial	38	11	31	28	55	45.3%
Other	208	149	151	207	131	-37.2%
Alterations and additions	810	538	635	619	507	-37.4%
AUTO SALES (Seasonally adjusted)						
New auto registrations (number)	119,310	67,477	77,338	90,297	NA	--
a/ The wage and salary employment information is based on the new North American Industry Classification System (NAICS).						
b/ Not seasonally adjusted						
c/ Seasonally adjusted at annual rate						
d/ Seasonally adjusted						
e/ Not seasonally adjusted						
NA Not available						

Select Indicators (continued)

OFFICE VACANCY AND INDUSTRIAL AVAILABILITY RATES, FOURTH QUARTER 2008									
(Percent)									
		Office Vacancy		Office Vacancy		Office Vacancy		Industrial Availability	
		Downtown		Suburban		Metropolitan			
		4Q08	4Q07	4Q08	4Q07	4Q08	4Q07	4Q08	4Q07
Northern and Central California:									
Oakland		11.7	11.4	14.5	13.2	13.9	12.8	NA	NA
Sacramento		11.3	13.5	17.6	14.5	16.3	14.0	9.8	10.5
San Francisco		12.6	8.4	14.3	9.5	13.2	8.7	12.0	10.2
San Jose		18.4	13.3	14.3	10.6	15.2	11.2	NA	NA
Southern California:									
Los Angeles Metro		14.4	13.2	10.1	8.7	10.7	9.4	9.9	7.4
Orange County		NA	NA	17.4	14.2	17.4	14.2	11.7	6.5
San Diego		14.6	13.4	18.9	14.3	18.2	14.1	10.6	11.1
Ventura County		NA	NA	20.7	13.2	20.7	13.2	NA	NA
National Average		11.7	10.3	16.3	14.2	14.7	12.8	12.1	10.2
SALES OF EXISTING SINGLE-FAMILY HOMES				FOREIGN TRADE THROUGH CALIFORNIA PORTS		DOD PRIME CONTRACTS a/			
		Median Price	Units (SAAR)	Exports (\$ millions)	Imports (\$ millions)		\$ millions	% of U.S.	
2005	Jan	\$484,580	659,410	\$9,405	\$22,776	1993-94	22,573	20.5%	
	Feb	470,920	608,160	9,756	21,738	1994-95	18,277	16.8%	
	Mar	496,550	634,700	11,390	23,735	1995-96	18,230	16.7%	
	Apr	509,630	658,060	10,356	24,337	1996-97	18,477	17.3%	
	May	522,590	618,920	10,882	24,774	1997-98	17,401	15.9%	
	Jun	542,330	656,310	11,108	26,153	1998-99	17,372	15.1%	
	Jul	539,840	647,910	10,828	26,452	1999-00	18,100	14.7%	
	Aug	567,320	632,240	11,166	26,452	2000-01	19,939	14.7%	
	Sep	543,510	650,780	10,825	28,012	2001-02	23,816	15.0%	
	Oct	538,770	621,530	11,371	28,847	2002-03	28,681	15.0%	
	Nov	548,680	579,560	11,194	27,030	2003-04	27,875	13.7%	
	Dec	547,400	531,910	11,709	26,024	2004-05	31,065	13.1%	
						2005-06	32,126	12.5%	
2006	Jan	\$549,460	500,470	\$10,848	\$25,555				
	Feb	534,400	513,740	10,791	23,004				
	Mar	562,130	539,170	13,336	27,722				
	Apr	562,380	516,960	11,991	27,005				
	May	563,860	488,260	12,306	28,090				
	Jun	575,850	483,690	12,664	29,621				
	Jul	567,860	453,980	12,255	29,990				
	Aug	577,300	442,150	12,720	31,550				
	Sep	557,150	444,780	12,567	30,608				
	Oct	552,020	443,320	12,913	32,200				
	Nov	554,500	450,930	12,676	29,747				
	Dec	569,350	452,060	12,756	28,396				
2007	Jan	\$551,220	446,820	\$12,325	\$28,025				
	Feb	554,280	480,170	11,717	26,183				
	Mar	582,930	422,300	13,954	27,815				
	Apr	594,110	357,460	12,360	28,049				
	May	594,530	358,640	13,283	28,734				
	Jun	591,280	357,890	13,864	29,961				
	Jul	587,560	341,130	12,837	30,537				
	Aug	588,670	313,310	13,527	31,206				
	Sep	535,760	255,340	13,375	30,962				
	Oct	517,240	254,650	14,511	33,415				
	Nov	490,511	280,920	13,483	31,767				
	Dec	480,820	294,520	14,313	29,615				
2008	Jan	\$427,200	311,160	\$13,016	\$28,280				
	Feb	418,260	338,970	13,664	27,306				
	Mar	414,640	319,290	14,868	27,996				
	Apr	404,470	362,170	14,308	29,907				
	May	384,540	411,770	15,023	30,640				
	Jun	367,130	424,180	15,800	31,269				
	Jul	350,890	489,080	15,992	33,976				
	Aug	350,140	490,850	15,206	31,892				
	Sep	316,960	504,795	14,545	31,994				
	Oct	301,740	552,750	14,485	32,308				
	Nov	286,850	514,240	12,290	26,322				
	Dec	281,180	548,193	11,397	24,082				
2009	Jan	\$253,330	625,413	\$9,640	\$21,730				
	Feb	247,590	620,410	9,987	16,926				
	Mar	253,040	522,980	11,149	20,895				
	Apr	256,700	540,904	10,590	20,822				
	May	267,570	556,590	NA	NA				
a/ U.S. fiscal year: October through September				NA Not available					

Leading Indicators ^{a/}

		Manufacturing		Unemployment	New	Housing Unit
		Overtime	Average	Insurance	Business	Authorizations
		Hours	Weekly Hours	Claims	Incorporations	(Thousands)
2004	Jan	4.0	40.0	50,075	8,219	204.0
	Feb	3.9	40.2	51,494	8,570	205.1
	Mar	4.2	40.2	49,020	8,395	208.9
	Apr	4.4	39.9	48,825	8,549	202.7
	May	4.4	40.4	46,243	7,950	202.5
	Jun	4.2	39.9	49,741	8,778	209.5
	Jul	4.4	40.1	48,595	8,524	195.9
	Aug	4.2	40.1	47,796	8,404	223.5
	Sep	4.1	39.3	47,378	8,804	210.9
	Oct	4.2	39.7	47,214	8,045	210.4
	Nov	4.4	39.9	47,332	8,980	249.1
	Dec	4.5	39.9	48,167	8,970	226.5
2006	Jan	4.3	40.2	41,313	9,158	190.1
	Feb	4.5	40.3	38,639	8,646	210.0
	Mar	4.4	40.1	42,562	9,641	168.9
	Apr	4.3	40.2	43,140	8,478	180.5
	May	4.4	40.2	42,801	9,323	156.3
	Jun	4.4	40.4	40,845	8,598	200.3
	Jul	4.3	40.4	42,516	8,241	141.0
	Aug	4.1	40.1	42,742	9,203	151.8
	Sep	4.0	40.2	42,140	8,512	151.0
	Oct	4.2	40.5	42,276	8,878	141.6
	Nov	4.1	40.3	42,982	9,107	134.9
	Dec	4.2	40.8	44,850	8,648	141.1
2007	Jan	4.2	40.6	42,403	9,223	142.0
	Feb	3.8	40.2	42,911	8,836	124.4
	Mar	3.9	40.3	43,592	8,773	143.7
	Apr	3.9	40.5	43,087	8,354	124.9
	May	4.0	40.6	45,121	8,552	115.7
	Jun	4.1	40.6	45,550	8,835	99.6
	Jul	4.0	40.9	45,377	8,536	115.7
	Aug	4.0	40.7	45,806	9,512	120.2
	Sep	4.1	40.7	46,637	8,368	88.4
	Oct	4.0	40.6	49,462	8,864	99.4
	Nov	3.9	40.7	48,189	9,393	77.0
	Dec	3.8	40.5	48,637	8,224	96.6
2008	Jan	3.7	40.4	49,652	7,996	69.9
	Feb	3.7	40.7	49,201	8,768	77.5
	Mar	4.0	41.0	50,263	7,670	53.0
	Apr	4.2	41.3	52,052	8,578	73.8
	May	3.8	40.9	52,260	8,108	76.8
	Jun	3.9	40.7	55,022	7,970	71.9
	Jul	3.9	40.9	60,550	7,983	65.9
	Aug	3.8	40.4	62,215	7,123	55.2
	Sep	3.9	40.5	63,228	7,644	57.5
	Oct	3.6	40.6	67,147	7,368	50.9
	Nov	3.3	40.5	71,109	6,279	71.9
	Dec	3.3	40.2	73,868	6,878	52.4
2009	Jan	3.0	40.0	77,424	6,672	30.6
	Feb	3.0	39.5	79,672	7,268	30.3
	Mar	3.0	39.0	80,818	6,649	38.9
	Apr	2.8	38.5	77,237	NA	37.1
	May	2.8	38.8	75,326	NA	31.1

a/ Seasonally adjusted by the California Department of Finance.

NA Not available

ECONOMIC INDICATOR CHARTS

Series classification as leading or coincident indicators generally follows that established by the National Bureau of Economic Research. The exceptions to this are manufacturing employment and taxable sales. These series are discussed in the technical note below.

TECHNICAL NOTE

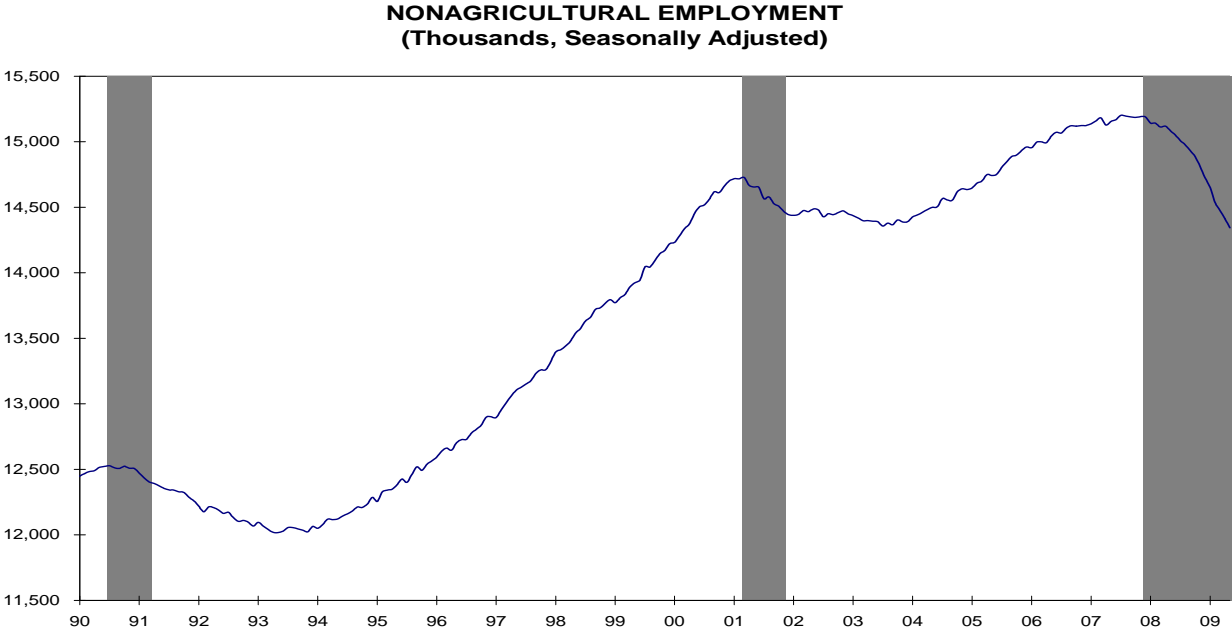
Whenever appropriate, data used in the charts have been seasonally adjusted. The method of seasonal adjustment is the X-12 Arima program. Persons interested in a detailed description of this method are referred to the U.S. Census Bureau's Statistical Research Division.

Under the X-12 Arima method, the addition of new data points changes historical seasonal factors. To avoid monthly data changes in the California Economic Indicators it is necessary to "freeze" the seasonally adjusted data through the past year and manually compute current year values from the projected seasonal factors. Thus historical revisions will be incorporated annually.

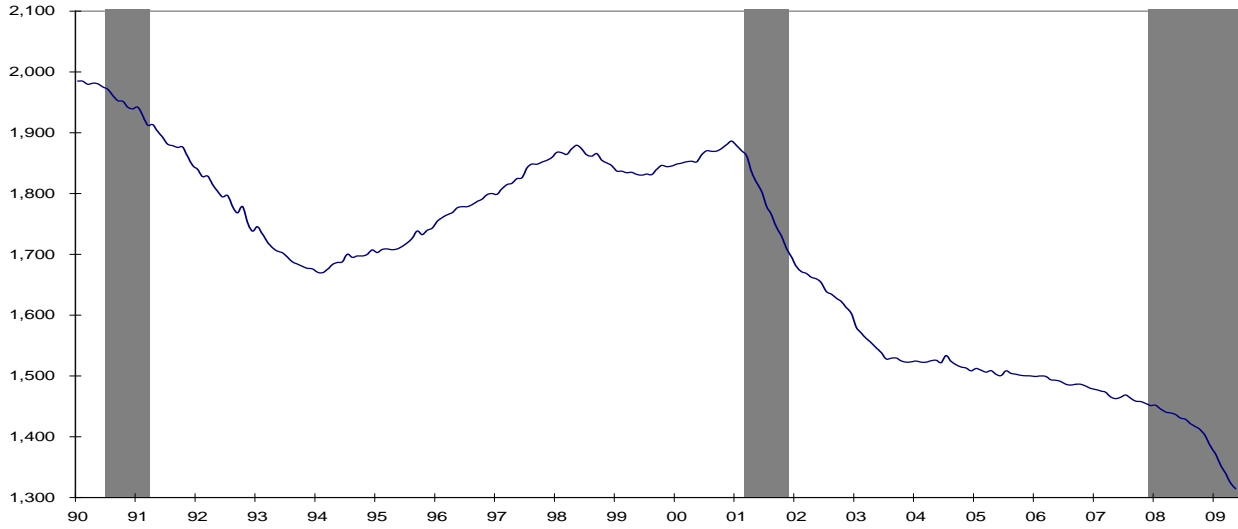
The manufacturing employment series is an addition to the NBER indicator list. It is used here because it appears to show cyclical fluctuations clearly and extends the limited number of series presently available for the State.

Taxable sales are used here as a proxy for retail trade. Data on the latter are not available for California prior to 1964. The taxable series includes sales by both retail and wholesale establishments, and is, therefore, a broad indicator of business activity. It has been classified as a coincident indicator on the basis of fluctuations in the series since 1950.

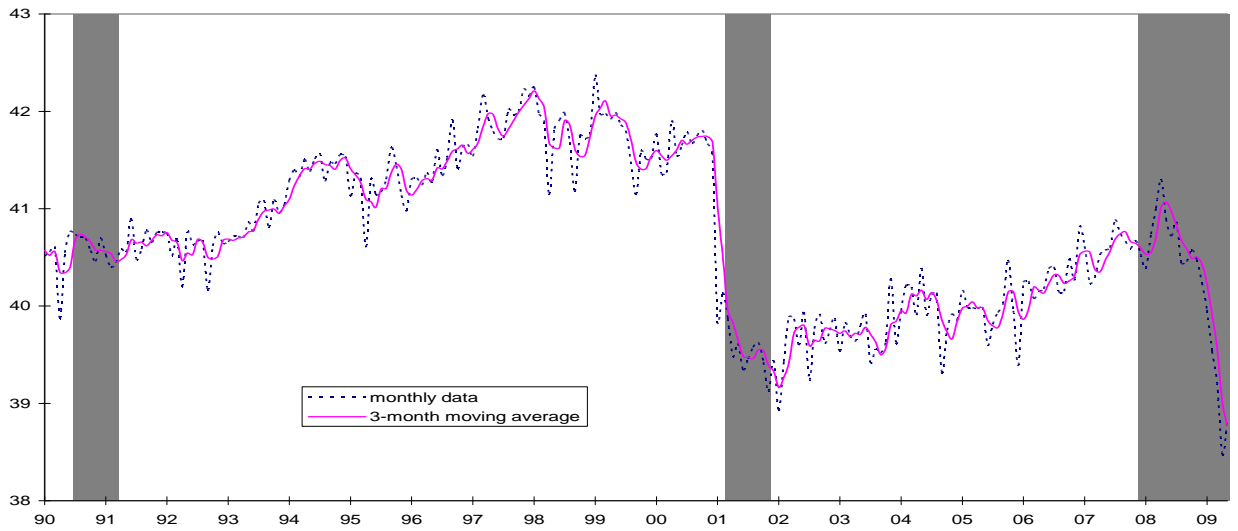
The other indicators shown are for general interest only. They are not directly related to the cyclical indicator series, but are of interest to persons looking at overall economic developments.



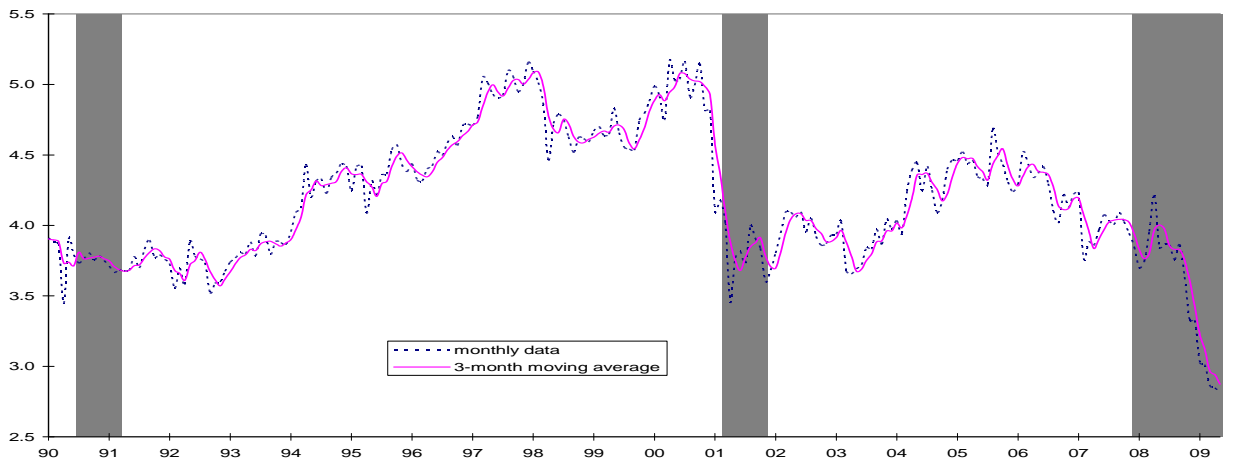
**MANUFACTURING EMPLOYMENT
(Thousands, Seasonally Adjusted)**



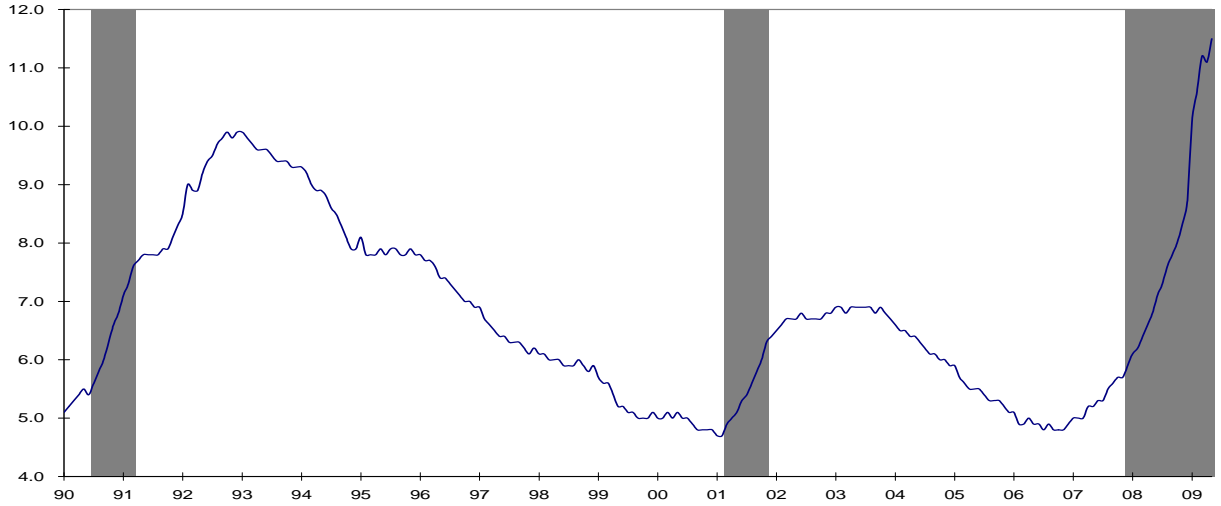
**AVERAGE WEEKLY HOURS, MANUFACTURING
(Seasonally Adjusted)**



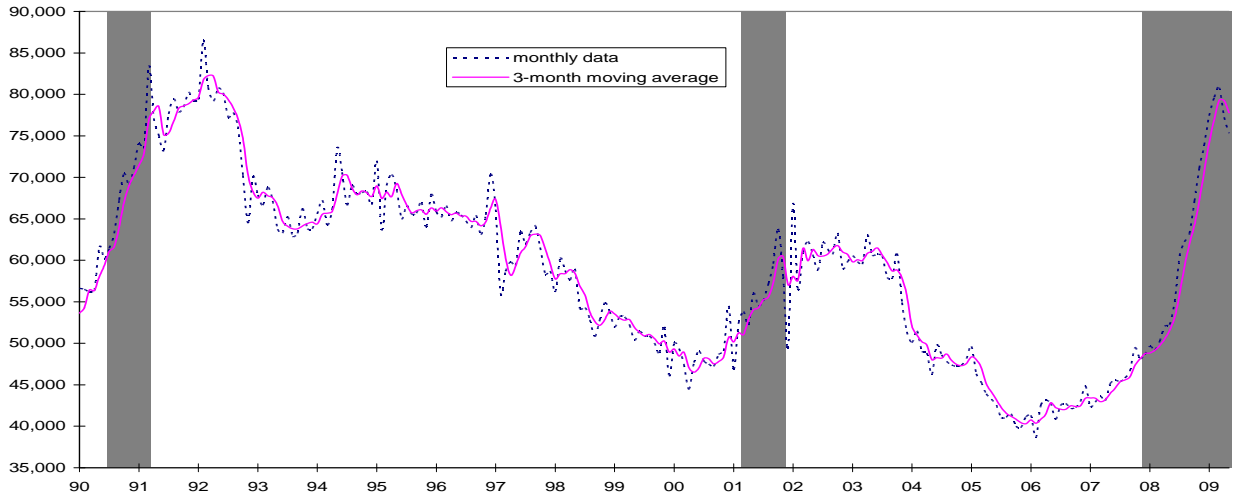
**AVERAGE OVERTIME HOURS, MANUFACTURING
(Seasonally Adjusted)**



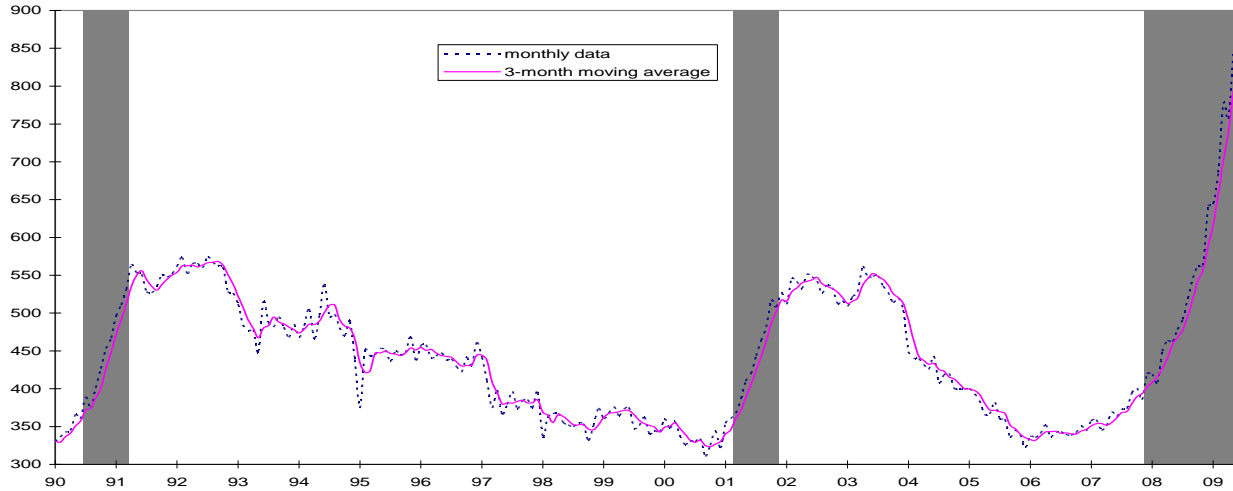
**UNEMPLOYMENT RATE
(Percent)**



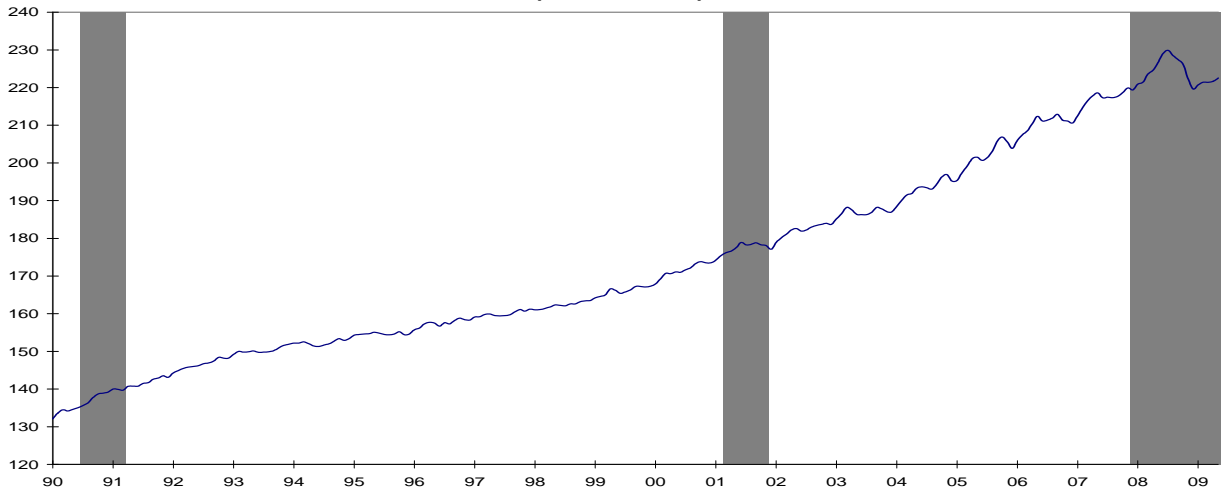
**INITIAL AND TRANSITIONAL CLAIMS FOR UNEMPLOYMENT INSURANCE
(Weekly Average, Seasonally Adjusted)**



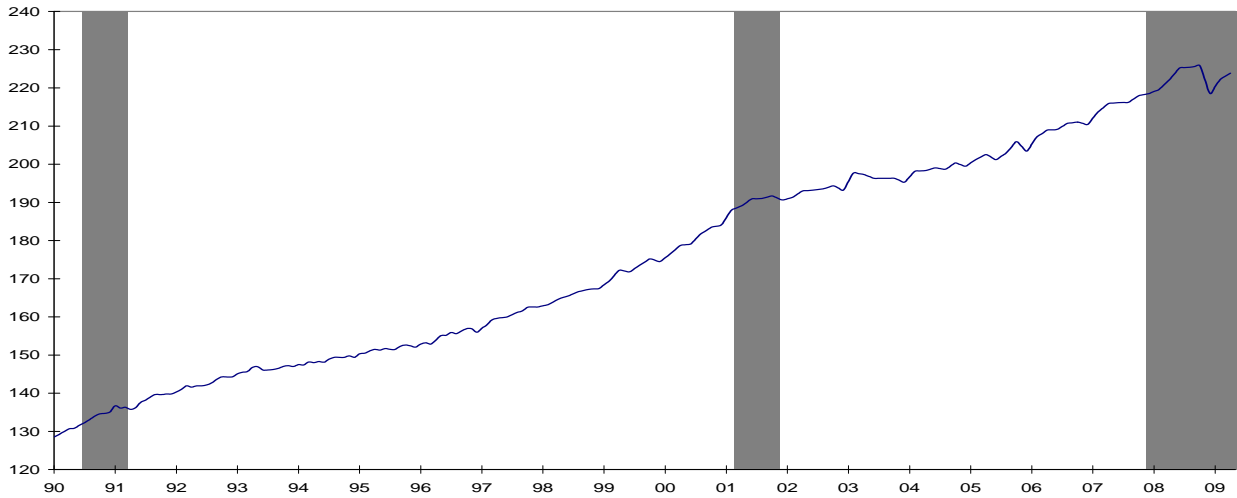
**UNEMPLOYMENT, AVERAGE WEEKS CLAIMED
(Thousands, Seasonally Adjusted)**



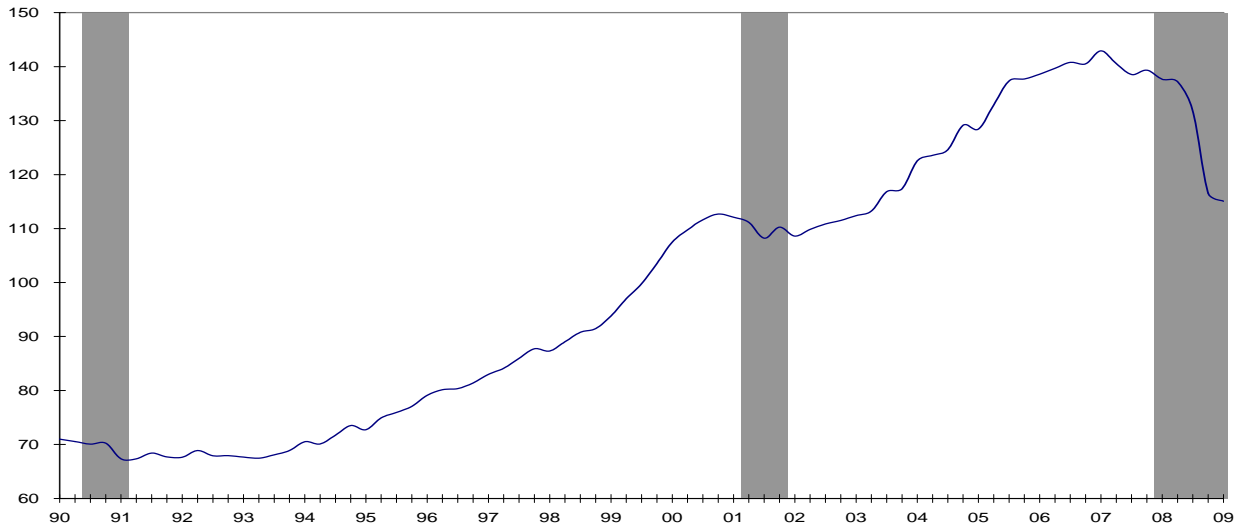
**CONSUMER PRICE INDEX, LOS ANGELES
(1982-84=100)**



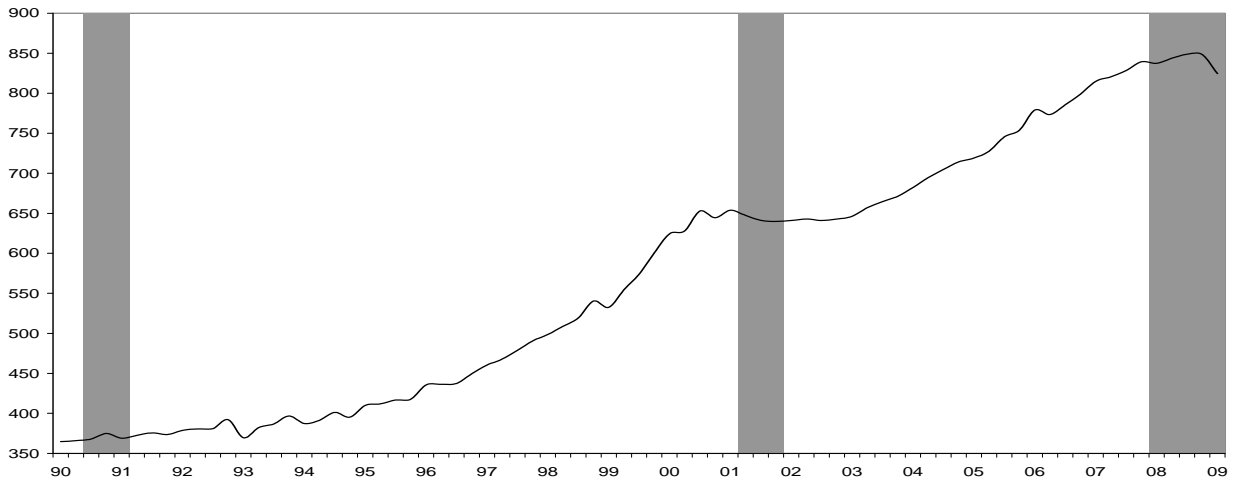
**CONSUMER PRICE INDEX, SAN FRANCISCO
(1982-84=100)**



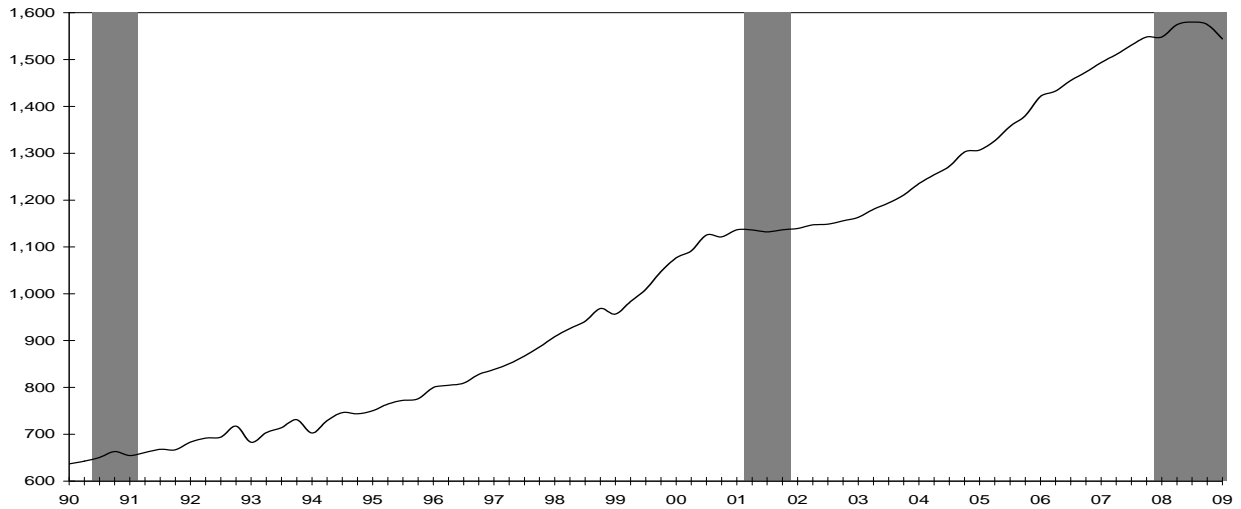
**TAXABLE SALES
(\$ Billions, Seasonally Adjusted)**



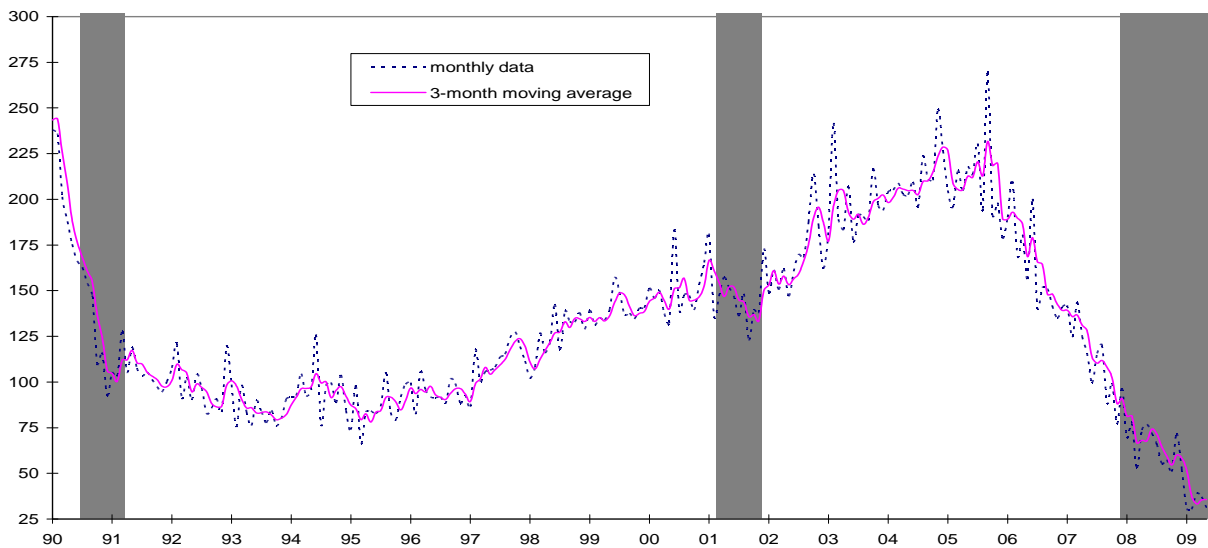
TOTAL WAGES AND SALARIES
(\$ Billions, Seasonally Adjusted)



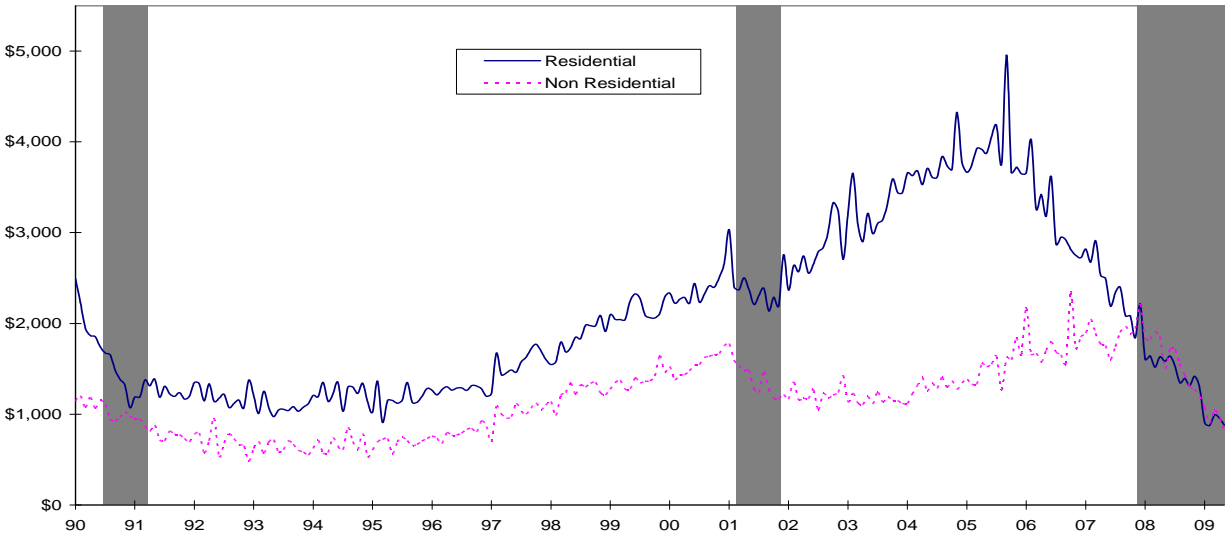
PERSONAL INCOME
(\$ Billions, Seasonally Adjusted)



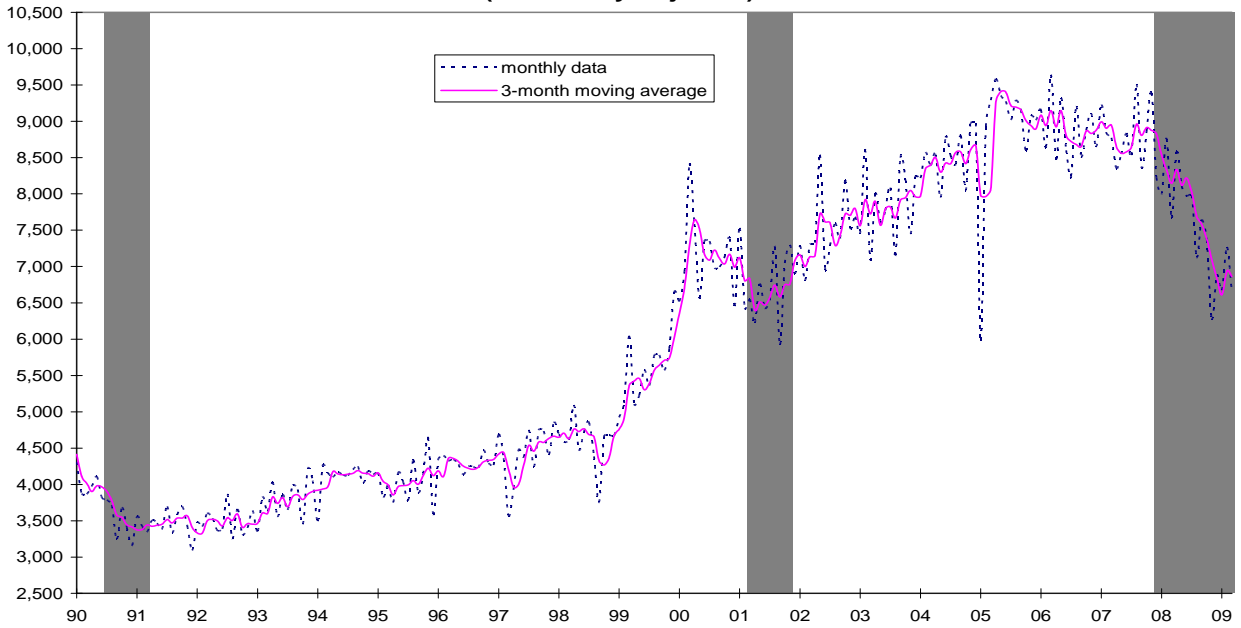
NEW HOUSING UNITS AUTHORIZED BY BUILDING PERMITS
(Thousands, Seasonally Adjusted At Annual Rate)



**RESIDENTIAL AND NONRESIDENTIAL BUILDING PERMIT VALUATION
(Dollars In Millions, Seasonally Adjusted At Annual Rate)**



**NEW BUSINESS INCORPORATIONS
(Seasonally Adjusted)**



REFERENCE DATES OF UNITED STATES BUSINESS CYCLES, 1854-

<u>Initial Trough</u>		<u>Peak</u>		<u>Terminal Trough</u>		<u>Expansion (months)</u>	<u>Contraction (months)</u>	<u>Total (months)</u>
Dec.	1854	June	1857	Dec	1858	30	18	48
Dec.	1858	Oct.	1860	June	1861	22	8	30
June	1861	April	1865	Dec.	1867	46	32	78
Dec.	1867	June	1869	Dec.	1870	18	18	36
Dec.	1870	Oct.	1873	March	1879	34	65	99
March	1879	March	1882	May	1885	36	38	74
May	1885	March	1887	April	1888	22	13	35
April	1888	July	1890	May	1891	27	10	37
May	1891	Jan.	1893	June	1894	20	17	37
June	1894	Dec.	1895	June	1897	18	18	36
June	1897	June	1899	Dec.	1900	24	18	42
Dec.	1900	Sept.	1902	Aug.	1904	21	23	44
Aug.	1904	May	1907	June	1908	33	13	46
June	1908	Jan.	1910	Jan.	1912	19	24	43
Jan.	1912	Jan.	1913	Dec.	1914	12	23	35
Dec.	1914	Aug.	1918	March	1919	44	7	51
March	1919	Jan.	1920	July	1921	10	18	28
July	1921	May	1923	July	1924	22	14	36
July	1924	Oct.	1926	Nov.	1927	27	13	40
Nov.	1927	Aug.	1929	March	1933	21	43	64
March	1933	May	1937	June	1938	50	13	63
June	1938	Feb.	1945	Oct.	1945	80	8	88
Oct.	1945	Nov.	1948	Oct.	1949	37	11	48
Oct.	1949	July	1953	May	1954	45	10	55
May	1954	Aug.	1957	April	1958	39	8	47
April	1958	April	1960	Feb.	1961	24	10	34
Feb.	1961	Dec.	1969	Nov.	1970	106	11	117
Nov.	1970	Nov.	1973	March	1975	36	16	52
March	1975	Jan.	1980	July	1980	58	6	64
July	1980	July	1981	Nov.	1982	12	16	28
Nov.	1982	July	1990	March	1991	92	8	100
March	1991	March	2001	Nov.	2001	120	8	128
Nov.	2001	Dec.	2007			73		

CHRONOLOGY

The following summary lists economic, political, and natural developments which have influenced California economic indicators, and may account for unusual movements in the series. Appraisal of the charts will be facilitated in many cases by taking into consideration those factors which may be contributing to temporary directional changes in business activity which are not indicative of significant changes in the economic situation of the State. In addition, major national and international events of general interest have also been included.

---2007---

January 1	California minimum wage increased to \$7.50 per hour from \$6.75.
January 11	Vietnam becomes WTO member.
Mid-January	Freezing temperatures in California caused some \$1.3 billion in crop losses.
January 25-26	Sales of both new and existing homes in the U.S. suffered sharp declines last year. The plunge in new home sales was the biggest drop since 1990 and sales of existing homes saw its biggest decline since 1989.
February	Crippling winter storms blanketed large swaths of the Midwest and Northeast with snow, ice and freezing rain.
February 21	Rising default rates hitting subprime mortgage industry hard.
February 27	Dow Jones industrial average down 416 points, biggest one-day point loss since 2001, after declining markets in China and Europe and a steep drop in durable goods orders triggered a massive sell-off on Wall Street.
February 28	GDP grew at a 2.2 percent pace in the 4 th quarter –a considerably weaker rate than what the government first estimated.
March 2	The latest benchmark revision to the California labor market statistics shows nonfarm payroll employment growth was considerably stronger than what was first estimated.
March 14	President Bush issues a disaster declaration for California counties hurt by the January deep freeze.
March 29	Fourth quarter GDP revised upwards to 2.5 percent.
April 16	The number of default notices sent to California homeowners last quarter increased to its highest level in almost ten years, the result of flat appreciation, slow sales, and post teaser-rate mortgage resets.
April 25	Dow Jones Industrials close above 13,000 for the first time.
April 27	First quarter GDP increased at an annual rate of 1.3 percent.
May 3	S&P 500 closed above 1,500 for the first time in more than six years. Dow Jones Industrials surged to a record high for the sixth time in seven sessions.

May 4	US payroll job growth slowest since 2004. The Dow Jones industrial average hit another record high making this the longest bull run in 80 years.
May 31	First quarter GDP increased at an annual rate of 0.6 percent. That's down from its initial estimate of 1.3 percent growth.
July 24	Federal minimum wage increased to \$5.85 from \$5.15 per hour.
July 26	The Dow Jones industrial average dropped 311.50 points or 2.3 percent amid concerns about housing and credit markets.
August 2	Mattel says it is recalling 1.5 million Chinese-made toys worldwide marking the latest in a string of recalls that have fueled U.S.-China tensions over the safety of Chinese products.
August 9	The Dow Jones industrial average was down 387.18 points or 2.8 percent as worries about the global credit market sparked a broad sell-off in stocks.
August 10	The Federal Reserve injected \$38 billion into the banking system in an effort to provide liquidity as needed to keep financial markets operating normally.
August 17	The Federal Reserve, reacting to concerns about the subprime lending crisis, cut its discount rate half a percentage point to 5.75 percent.
August 23	Bank of America invests \$2 billion in Countrywide Financial Corporation, helping the nation's largest mortgage lender shore up its finances as it struggles with a liquidity crunch.
August 24	California Governor Arnold Schwarzenegger signs the 2007-08 state budget bill.
August 28	The Dow Jones industrial average closed down 280.28 points or 2.1 percent as investors were hit by fresh worries over declining consumer confidence, falling home prices, shrinking profits on Wall Street and uncertainty about the Federal Reserve.
August 30	Second quarter GDP increased at an annual rate of 4 percent. That's up from its initial estimate of 3.4 percent growth.
September 10	Blasts rip Mexico gas and oil pipelines.
September 18	Federal funds rate target reduced from 5.25 percent to 4.75 percent. Discount rate cut from 5.75 percent to 5.25 percent.
September 27	Second quarter GDP increased at an annual rate of 3.8 percent. That's down from its preliminary estimate of 4 percent.
October 21-26	Southern California wildfires.
October 31	Federal funds rate target reduced from 4.75 percent to 4.50 percent. Discount rate cut from 5.25 percent to 5 percent.
November 1	The Federal Reserve injects \$41 billion in temporary reserves into the US money markets.

November 5-	Members of the Writers Guild of America strike
November 12	Citigroup, Bank of America, and JPMorganChase agree to a \$75 billion superfund to restore confidence to credit markets.
November 15	US House of Representatives passes the Mortgage Reform and Anti-Predatory Lending Act of 2007.
December 6	President Bush announces a plan to voluntarily and temporarily freeze the mortgage rates of a limited number of mortgage debtors holding adjustable rate mortgages.
December 11	Federal funds rate target reduced from 4.50 percent to 4.25 percent. Discount rate cut from 5 percent to 4.75 percent.
December 12	The Federal Reserve injects \$40B into the money supply and coordinates such efforts with central banks from Canada, United Kingdom, Switzerland and European Union.
December 18	The Federal Reserve approves measures to give mortgage holders more protection to prevent the current housing crisis from worsening further.
December 20	Third quarter GDP increased at an annual rate of 4.9 percent.
December 21	In California, sales of new and existing houses and condos were down 39 percent from a year ago in November. Sales have declined in the last 26 months on a year-over-year basis. The median price paid for a home was down 2.4 percent from the prior month and down 11.9 percent from a year ago. Financing with adjustable-rate mortgages and with multiple mortgages have dropped sharply. Foreclosure activity is at record levels.
December	Banks, mortgage lenders, real estate investment trusts, and hedge funds continue to suffer significant losses as a result of mortgage payment defaults and mortgage asset devaluation.

---2008---

January 1	California minimum wage increased to \$8.00 per hour from \$7.50.
January 11	Bank of America agrees to purchase Countrywide Financial.
January 14	Fitch assigns Negative Rating Watch to State of California.
January 21-22	Global stock markets plunge.
January 22	Federal funds rate target reduced from 4.25 percent to 3.5 percent, the biggest one-day interest rate reduction on record.
January 30	Federal funds rate target reduced from 3.5 percent to 3 percent.
February 12	Hollywood writers strike ends.
February 19	Crude oil price tops \$100 a barrel.
March 13	Gold futures hit \$1000 an ounce for the first time. Crude oil price tops \$110 a barrel. Gas prices rise to another record high.

March 16	JPMorgan agrees to buy Bear Stearns for a mere fraction of what it was once worth.
March 17	The Fed expanded the range of programs to boost financial market liquidity and cut the discount rate by 25 basis points, to 3.25 percent
March 18	Federal funds rate target reduced from 3 percent to 2.25 percent.
March 27	Fourth quarter GDP increased at an annual rate of 0.6 percent, compared with 4.9 percent in the third quarter.
April 15	Retail chains caught in a wave of bankruptcies.
April 16	Consumer prices, over the past 12 months, is up by 4 percent, reflecting sharp gains in energy costs, which are up 17 percent over that period, and food prices, which are up 4.4 percent.
April 30	Federal funds rate target reduced from 2.25 percent to 2 percent. First quarter GDP increased at an annual rate of 0.6 percent.
July 6	Extended unemployment insurance benefits begin.
July 11	IndyMac Bank seized by federal regulators.
July 30	President Bush signs housing rescue law.
August 8	Georgia-Russia conflict escalates.
August 28	Second quarter GDP increased at an annual rate of 3.3 percent.
September 1	Hurricane Gustav strikes land west of New Orleans.
September 7	The U.S. government takes over Fannie Mae and Freddie Mac.
September 13	Hurricane Ike hits Texas.
September 14	Merrill Lynch sold to Bank of America.
September 15	Lehman Brothers files for bankruptcy protection.
September 17	The Federal Reserve loans \$85 billion to American International Group (AIG).
September 19	Treasury to provide temporary guarantees for money market mutual funds.
September 23	Governor Schwarzenegger signs record-late state budget.
September 25	Washington Mutual was seized by the FDIC, and its banking assets were sold to JP MorganChase.
September 26	Second quarter GDP increased at an annual rate of 2.8 percent.
September 29	Citigroup buys banking operations of Wachovia.
October 1	Financial crisis spreads to Europe.

October 3	The Emergency Economic Stabilization Act (commonly referred to as a bailout of the U.S. financial system) became law. Wells Fargo to merge with Wachovia.
October 6 - 10	Worst week for the stock market in 75 years.
October 6	Fed provides \$900 billion in short-term cash loans to banks.
October 7	Fed makes emergency move to lend around \$1.3 trillion directly to companies.
October 8	Federal funds rate target reduced from 2 percent to 1.5 percent. The discount rate was cut to 1.75 percent.
October 11	The Dow Jones Industrial Average caps its worst week ever with its highest volatility day ever recorded in its 112 year history.
October 12	European leaders announce recapitalization plans for Europe's banks.
October 24	OPEC to cut oil output by 1.5 million barrels a day.
October 29	Federal funds rate target reduced from 1.5 percent to 1 percent.
October 30	Third quarter GDP declines 0.3 percent.
November 3	Boeing machinists' 57-day strike ends.
November 15-	Wildfires burn five Southern California counties.
November 17	Japan is officially in recession.
November 24	The federal government approves plan to help Citigroup.
December 1	Recession in the US began in December 2007, according to NBER.
December 16	The Federal Reserve cut the federal funds rate target to a range of between zero percent and 0.25 percent.
December 17	OPEC to cut oil production starting January in a bid to prop up falling oil prices.
December 19	U.S. auto industry bailout approved.
December 23	Third quarter GDP decreased at an annual rate of 0.5 percent.
January 20	Barack Obama inaugurated as the 44th President of the U.S.
January 23	British economy is officially in recession.
February 3	S&P lowered California's bond rating to A from A+.
February 17	President Obama signed the \$787 billion economic stimulus package into law. The "American Recovery and Reinvestment Act of 2009" includes a variety of spending measures and tax cuts intended to promote economic recovery.
February 18	President Obama unveiled the Homeowner Affordability and Stability Plan.

February 20	California Governor Arnold Schwarzenegger signs the 2009-10 state budget bill.
February 27	Fourth quarter GDP decreased at an annual rate of 6.2 percent.
March 2	Dow Jones Industrial Average drops below 7000 for the first time since 1997.
March 19	Moody's lowered California's bond rating from A1 to A2. Fitch lowered California's bond rating from A+ to A.
March 23	U.S. Treasury Secretary unveils the Public-Private Investment Program.
April 23	California adopts low carbon fuel standards.
April 26	Swine Flu declared public health emergency.
April 29	First quarter GDP decreased at annual rate of 6.1 percent.
April 30	Chrysler files for bankruptcy.
May 7	Governor Schwarzenegger proclaims state of emergency in Santa Barbara due to Jesusita wildfire.
June 1	General Motors files for bankruptcy.
June 10	Fiat completes acquisition of Chrysler assets.
June 25	First quarter GDP decreased at annual rate of 5.5 percent.