CALIFORNIA
Economic Indicators

July-August 2009

The End of the Beginning?

Evidence is cropping up that the bottom of the recession may have been reached.

INSIDE

■ REVIEW OF RECENT ECONOMIC DEVELOPMENTS

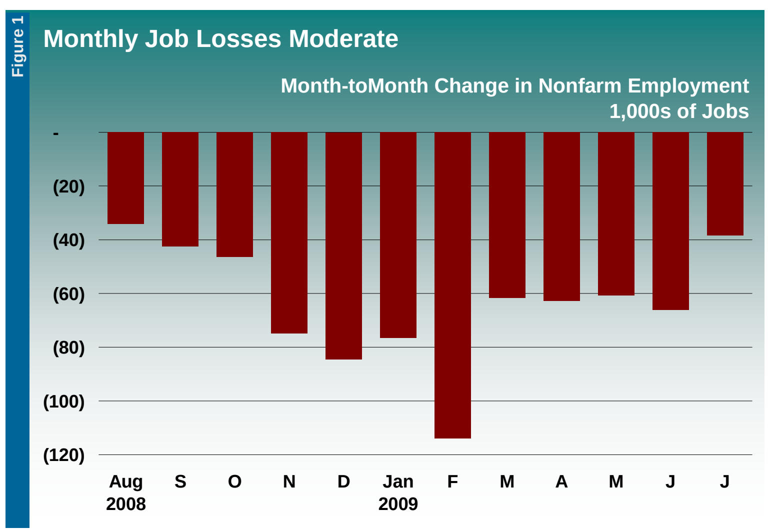
Signs emerged at midyear that the current slowdown may be bottoming out. California labor markets and residential real estate markets brought mostly good news in July. The number of jobs lost was the smallest in 11 months. The state's unemployment rate rose, however. Existing home prices rose for the fifth consecutive month amid a pick-up in real estate markets.

EMPLOYMENT

Diminishing job losses
The recession's impact on California labor markets appears to be weakening. With only two major industry sectors adding jobs, California lost 35,800 nonfarm jobs in July. This was the smallest month-over-month loss since August 2008. Leisure and hospitality added 2,400 jobs; and professional and business services gained 500. The small natural resources and mining sector held steady in July.

Job losses were still widespread, though. Eight industry sectors lost jobs in July. Trade, transportation, and utilities lost 15,900 jobs; construction, 10,700; educational and health services, 3,300; manufacturing, 2,500; other services, 2,400; information, 2,100; government, 1,500; financial activities, 300.

On a year-over-year basis, nonfarm payroll employment fell by 760,200 from July 2008 to July 2009, a 5.1-percent loss. Educational and health services was the only sector to gain jobs over the year (17,900).



The pace of job loss slowed substantially since the beginning of the year.

Over the year, employment fell by 196,600 in trade, transportation, and utilities; 144,500 in construction; 132,000 in professional and business services; 124,400 in manufacturing; 62,100 in leisure and hospitality; 44,300 in financial activities; 30,200 in information; 23,700 in government; 18,600 in other services; and 1,700 in natural resources and mining.

Since the national recession began in December 2007, California has lost 903,900 industry jobs.

Unemployment still up
Since the unemployment rate is a lagging indicator of economic conditions, it isn't surprising that it continued to deteriorate in July. The state's unemployment rate rose to 11.9 percent in July—a new record high in the current series dating back to

1976. The number of people unemployed in California was 2,199,000–up 45,400 over the month, and up 852,600 compared with July of last year. The national unemployment rate was 9.4 percent in July, up from 5.8 percent a year earlier.

Building Activity

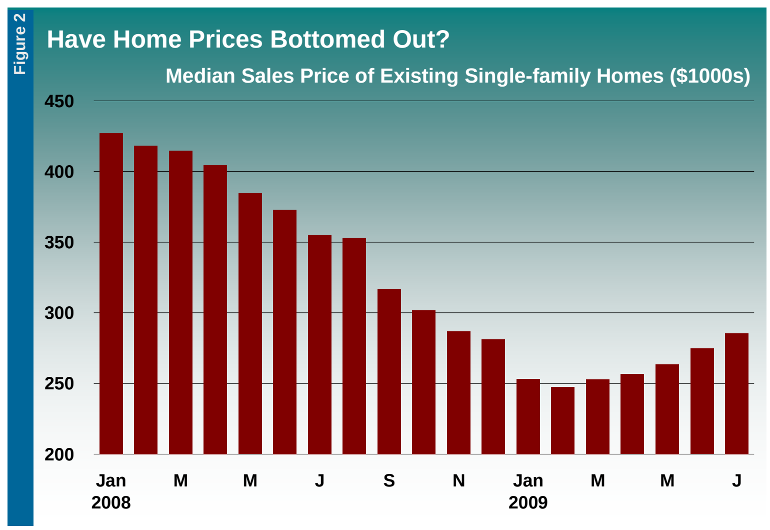
Some stability for home building
Home building may have stopped its relentless slowdown with January and February being the worst months of the current slowdown. After dipping to 30,000 units during the first two months of the year, the pace of new home construction permitting hovered around the 35,000 unit level during the last five months since February. In July, residential permits were issued at a seasonally adjusted annual rate of 32,500 units, down over 50 percent from a year earlier. Single-family permits were down 38.3 percent, while multi-family permitting was down 64.6 percent. New home permitting during the first seven months of 2009 was down 51.5 percent from the same months of 2008.

No improvement yet for nonresidential construction
Nonresidential construction has yet to show signs of bottoming out. In July, permitting fell 50 percent from a year earlier. All categories of construction are still much weaker compared to a year ago with store, office, and hotel/motel suffering the worst losses. For the first seven months of 2009 as a whole, nonresidential permitting was down 48 percent from the same months of 2008.

Real Estate

Residential real estate may have reached bottom
In July, real estate markets continued to show signs that the worst may be behind us. Sales of existing, single-family detached homes totaled 554,000 units at a seasonally adjusted annualized rate, a 12-percent improvement from a year earlier. The median price of homes sold in July was $285,500, down 19.6 percent from a year earlier. This did, though, mark the fifth consecutive month-over-month increase in the median sales price.

The unsold inventory index inched down to 3.9 months. The median number of days needed to sell a home fell to 39.9 days, a 16.5-percent improvement from a year earlier.



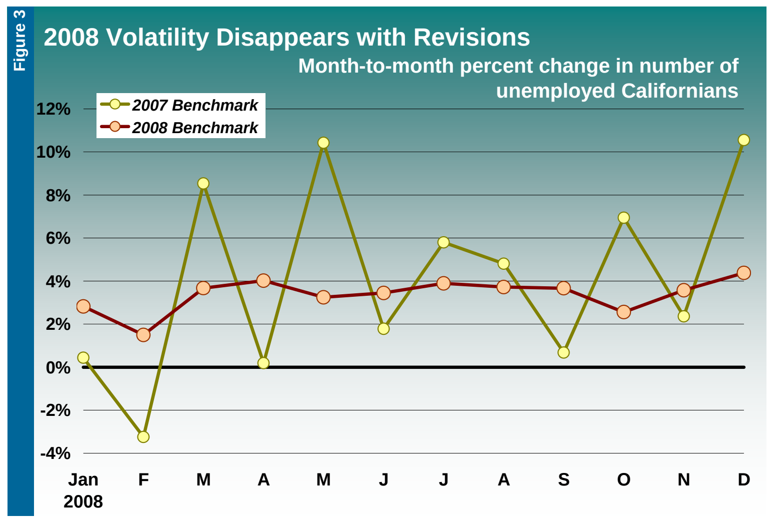
A COMPLEX UNEMPLOYMENT PICTURE

National and state unemployment rates are important indicators of economic health. However, the simple ratio of people unemployed to the overall labor force presents a very simplistic picture. This headline ratio tells us very little about the underlying dynamics, particularly during economic slowdowns, when the rate is mostly closely watched. During these times more complex information is needed. The monthly unemployment rate published by the Bureau of Labor Statistics (the Official Rate) is often criticized for not accurately gauging the true level of hardship suffered during economic downturns. It is common for many commentators to cite a “real unemployment rate” that is significantly higher than the Official Rate. Fortunately, the Bureau of Labor Statistics (BLS) also gathers and publishes other information to supplement the basic official unemployment rate.

THE OFFICIAL RATE IS VOLATILE

During the first half of 2009, California’s unemployment rate rose to historic levels. In addition to the attention-getting headline number, the underlying details also set records. The number of unemployed Californians in January rose 257,000 persons, a 16-percent increase in just one month. This increase was 3.7 times the previous record increase of 69,000 persons in February 1992. The previous record percent increase, in November 1990, was only 5.8 percent.

State unemployment estimates became more volatile and notably less reliable following a major redesign of the BLS local area estimation methodology that was implemented in 2005. The modifications were intended to reduce employment overestimation and unemployment underestimation. They were also intended to make state estimates better reflect the national rate and to reduced the severity of the revisions made by the annual benchmarking process. While these goals were accomplished, the new system introduced much greater volatility into the monthly state estimates. More than a few record-shattering month-over-month changes have occurred regularly since the redesign. Typically, much of this volatility is revised away later by the annual benchmarking process. The heightened volatility, thus, casts doubt on the dependability of monthly readings developed throughout the year.



Long after monthly estimates are initially published, annual revisions remove most of the volatility.

The old method often overestimated employment and underestimated unemployment at the state level when compared to the national estimates. Monthly state-level estimates also did not sum to the national estimate, which caused two major shortcomings. First, significant changes in the national unemployment rate were not always discernable in the state estimates. Second, the annual benchmarking process typically resulted in significant annual revisions to historical state level data. Ironically, this effort to improve state-national consistency and minimize annual revisions resulted in startling month-to-month volatility.

Benchmarking Clouds the Picture

The redesigned process utilizes monthly “real-time benchmarking” to minimize annual revisions and to ensure that state-level estimates sum up to the national totals. Unemployment estimates for the nation are derived from a monthly nationwide survey of 60,000 households (approximately 5,500 in California), commonly called the "household survey." The survey responses constitute the national estimates of employment and unemployment. Division estimates are developed for the nine national Census divisions. The difference between the national estimate and the sum of the initial division estimates are then allocated proportionately among the divisions to come up with the final division estimates. Initial state estimates are made from their survey results along with state industry employment estimates (from the Establishment Survey) and state unemployment claims. The variation between the sum of the states and the division estimate is allocated among the states. Thus, the entire national estimate is equal to the sum of the state estimates.

In order to benchmark state estimates in real time, the variation between the sum of individual state estimates and the Census division estimate is allocated to the states in the division in proportion to their size. There are several divisions that consist of a very populous state, such as California, joined with a number of much smaller states[1]. In these cases, the bulk of the variation is allocated to the largest state. This is very likely the source of much of the volatility of California estimates.

[1] The Pacific Census Division includes California, Washington, Oregon, Hawaii, and Alaska.

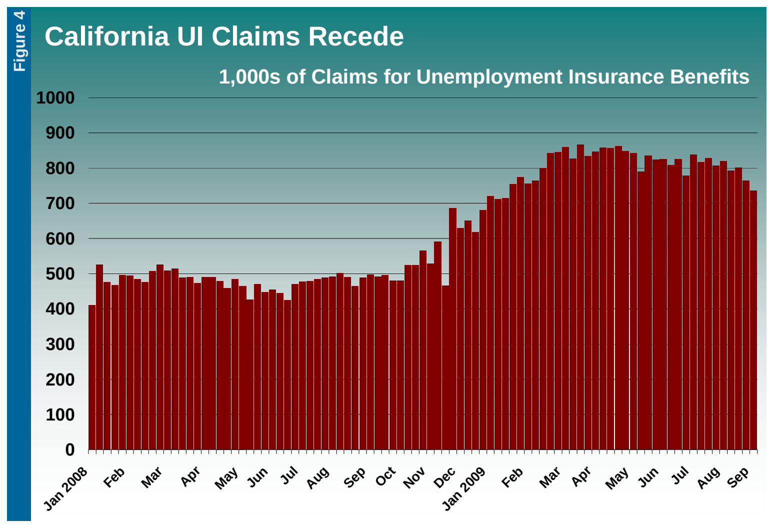
This hierarchical approach ensures that trends in the national employment figures show up in California figures and also means that the conditions of other states are, to some degree, reflected in California's estimates. This approach clouds the picture painted by local unemployment estimates and diminishes their veracity as an indicator of a particular state's economic condition.

A better picture emerges after revisions
A more realistic labor market picture emerges only after the annual revision process. This is evident in the smoothing of the 2008 employment statistics published in the February 2009 release. Just as with the January estimate, several extraordinary and record-setting movements took place during 2008. However, essentially all of this volatility vanished with the release of revised historical data in February.

Monthly estimates of state unemployment rates are not the best indicators of current economic conditions. Due to the small sample they are based on—less than 0.06 percent of all households—and the volatility induced by the current methodology, monthly unemployment estimates should not be considered the most reliable labor market indicator as they are released throughout the year. They are considered accurate only after annual benchmark revisions. Since state estimates are also forced to sum to the nation, they will, to some extent, be distorted by the conditions in other states.

Unemployment Claims

Another indicator of economic stress is the level of claims filed for unemployment insurance benefits. A rising level of initial claims indicates a weakening economy, and vice versa. While not related to the national unemployment rate, unemployment insurance claims data are used to calculate state and local unemployment estimates. The number of ongoing claims for unemployment insurance (UI) benefits reached historic highs in California and the nation earlier this year.



Unemployment insurance claims appear to have peaked in mid-2009.

The U.S. Unemployment Compensation Program was created in 1935 by the Social Security Act to provide temporary partial wage replacement to workers who are involuntarily unemployed during downturns in the business cycle. It is financed through federal and state employer payroll taxes. Almost all state programs provide benefits for up to 26 weeks as well as an additional 13 weeks of extended benefits during severe economic downturns. The UI program initially covered employees of private businesses employing eight or more workers. However, the system expanded greatly since the 1950s such that in 2006, 96 percent of civilian wage and salary workers were covered.

In late June 2009, the nationwide number of ongoing weekly UI claims had reached about 6.9 million, the highest level ever recorded. In California, claims for unemployment insurance reached a record-setting peak in May 2009 at 862,000. This was the culmination of a dramatic rise that began in the middle of 2008, when the level gyrated around 480,000. By the end of January 2009, the level passed the previous record of 692,000 claims. After May, the level eroded fitfully. By the middle of September, it had fallen to 736,000, a 15-percent drop. While this is a significant improvement, it was still 79 percent higher than at the beginning of 2008.

UI claim information is also not a complete picture of the employment situation. Some people are still jobless when their benefits run out, some unemployed persons may not be eligible for benefits, and some never apply for benefits. Estimates of the number of people unemployed do not equate to the number of persons filing claims for unemployment insurance benefits. Unemployed workers can be categorized based on the reason they became unemployed: new entrants to the labor force, reentrants to the labor force, voluntary job leavers, and job losers due to permanent and temporary layoffs, firings for cause, or completion of temporary positions. Generally, only job losers are eligible for UI benefits.

Underemployment

Another important and often overlooked measure of labor market tension is the degree to which workers with jobs are under utilized. Since 1996, BLS has published six alternative measures of labor underutilization with their monthly *Employment Situation* news release. BLS published state level measures beginning with annual averages for 2005 through 2008 and beginning with the second quarter of 2008, it began to update these data on a four-quarter moving-average basis.

Some analysts believe that that the official definition of unemployment (the Official rate) is too broad or, more often, is, too narrow. For example, many contend that certain employed persons should be included among the unemployed if they are working fewer hours than desired, i.e. that they are, in a sense, partially unemployed. Because most workers derive most of their income from paid employment, underemployment is considered indicative of some level of economic hardship.

- The first measure (U-1) includes only unemployed persons who were jobless for 15 weeks or more. This includes persons unemployed for such an extended period that unemployment insurance or savings might be exhausted, and would actually be suffering serious financial hardship.
- The second category (U-2) consists of job losers and persons who completed temporary jobs. It includes workers who became unemployed because they lost their jobs (rather than those who recently entered the job market or those who quit jobs to look for work). In theory, those who lost their jobs, perhaps without advance notice, more than likely suffered more financial difficulty than those who left work of their own volition and on their own schedule.
- The third alternative measure (U-4) adds discouraged workers to the official unemployment rate (U-3). Discouraged workers are those who indicated a desire to work and a job market-related reason for not currently looking for employment.
- A larger group of persons is referred to as marginally attached workers (U-5). This includes discouraged workers as well as persons who face other impediments, such as transportation problems or child care requirements, that keep them from current job search.
- The last alternative measure (U-6), adds in all persons employed part time for economic reasons. This group is visibly underemployed.

The latest alternative readings for California labor markets add another dimension to the dire picture presented by the official unemployment statistics. 2006 was the last year of across-the-board improvement in labor market conditions. Thereafter, the underemployment readings slide in 2007 and then deteriorate precipitously in 2008. The number of unemployed doubled between 2006 and the middle of 2009, rising from 855,000 to 1.7 million. However, there was a comparable increase in the number of workers involuntarily employed part time, from 588,000 to 1.3 million (up 121 percent). While the official unemployment rate was 9.5 percent, the overall share of distressed labor market participants was actually near 18 percent. This means that the pain and suffering of the current downturn is actually more far reaching than even the elevated tally of the unemployed implies.

Figure 5

Alternative Measures of Labor Underutilization
1,000s of Persons
California

	2005	2006	2007	2008	2008Q3-2009Q2
Civilian Labor Force	17,703	17,821	18,078	18,392	18,566
Total Unemployed	938	855	958	1,306	1,727
Discouraged	53	53	36	55	74
All Other Marginally Attached Workers	124	125	127	166	186
Employed Part Time for Economic Reasons	602	588	669	938	1,300

Source: DOF calculation based on BLS underemployment rates (below) and labor force estimates.

Figure 6

Alternative Measures of Labor Underutilization
Percent of the civilian labor force
California

	2005	2006	2007	2008	2008Q3-2009Q2
U-1 Unemployed 15 weeks or longer	1.9	1.6	1.7	2.8	4.3
U- 2 Job losers and persons who completed temporary jobs	2.6	2.3	2.8	4.0	5.7
U-3 Total unemployed	5.3	4.8	5.3	7.1	9.3
U-4 Total unemployed plus discouraged workers	5.6	5.1	5.5	7.4	9.7
U-5 Total unemployed, plus discouraged workers, plus all other marginally attached workers	6.3	5.8	6.2	8.3	10.7
U-6 Total unemployed, plus all marginally attached workers, plus total employed part time for economic reasons	9.7	9.1	9.9	13.4	17.7

Select Indicators

	2008	2009				Year-Over
	Jul	Apr	May	Jun	Jul	% Change
EMPLOYMENT (Seasonally adjusted)						
Civilian employment (000)	17,058	16,564	16,388	16,347	16,260	-4.7%
Unemployment (000)	1,347	2,066	2,153	2,154	2,187	62.4%
Unemployment rate	7.3	11.1	11.6	11.6	11.9	--
Nonagricultural wage and salary employment (000) a/	15,009.8	14,412.6	14,351.5	14,285.4	14,249.6	-5.1%
Goods-producing industries	2,235.0	2,016.9	1,996.9	1,977.6	1,964.4	-12.1%
Natural resources and mining	28.7	27.5	27.5	27.0	27.0	-5.9%
Construction	777.6	665.4	655.3	643.8	633.1	-18.6%
Manufacturing	1,428.7	1,324.0	1,314.1	1,306.8	1,304.3	-8.7%
Service-providing industries	12,774.8	12,395.7	12,354.6	12,307.8	12,285.2	-3.8%
Trade, transportation, and utilities	2,863.5	2,700.2	2,695.3	2,682.8	2,666.9	-6.9%
Information	473.4	455.1	448.1	445.3	443.2	-6.4%
Financial activities	846.4	807.3	804.4	802.4	802.1	-5.2%
Professional and business services	2,249.5	2,141.8	2,131.4	2,117.0	2,117.5	-5.9%
Educational and health services	1,722.3	1,744.8	1,744.3	1,743.5	1,740.2	1.0%
Leisure and hospitality	1,578.1	1,518.3	1,516.2	1,513.6	1,516.0	-3.9%
Other services	517.6	504.4	502.7	501.4	499.0	-3.6%
Government	2,524.0	2,523.8	2,512.2	2,501.8	2,500.3	-0.9%
Federal government	249.0	263.0	252.8	249.5	249.9	0.4%
State and local government	2,275.0	2,260.8	2,259.4	2,252.3	2,250.4	-1.1%
High-technology industries b/	*889.6*	*850.7*	*846.8*	*844.9*	*845.9*	*-4.9%*
Computer and electronic products manufacturing	*305.8*	*284.2*	*281.3*	*279.3*	*278.9*	*-8.8%*
Aerospace products and parts manufacturing	*73.6*	*72.0*	*71.4*	*71.2*	*71.1*	*-3.4%*
Software publishers	*44.3*	*43.1*	*43.2*	*43.1*	*43.3*	*-2.3%*
Telecommunications	*120.3*	*113.5*	*114.0*	*113.8*	*113.6*	*-5.6%*
Internet service providers, web portals and data processing	*20.5*	*19.0*	*19.0*	*18.7*	*19.1*	*-6.8%*
Computer systems design	*207.6*	*202.0*	*201.8*	*202.0*	*202.4*	*-2.5%*
Scientific research and development	*117.5*	*116.9*	*116.1*	*116.8*	*117.5*	*0.0%*
HOURS AND EARNINGS IN MANUFACTURING (Not seasonally adjusted)						
Average weekly hours	40.7	38.4	38.9	39.2	39.2	*-3.7%*
Average weekly earnings	$679.69	$680.83	$688.14	$696.58	$693.06	*2.0%*
Average hourly earnings	$16.70	$17.73	$17.69	$17.77	$17.68	*5.9%*
CONSUMER PRICE INDEX (1982-84=100) (Not seasonally adjusted)						
All Urban Consumers Series						
California Average	NA	222.9	NA	225.0	NA	--
San Francisco CMSA	NA	223.9	NA	225.7	NA	--
Los Angeles CMSA	229.9	221.7	222.5	223.9	224.0	*-2.6%*
Urban Wage Earners and Clerical Workers Series						
California Average	NA	214.7	NA	217.3	NA	--
San Francisco CMSA	NA	218.6	NA	221.0	NA	--
Los Angeles CMSA	223.2	213.4	214.4	216.1	216.1	*-3.2%*
CONSTRUCTION						
Private residential housing units authorized (000) c/	66	38	32	35	32	*-50.7%*
Single units	35	23	24	27	21	*-38.3%*
Multiple units	31	15	8	8	11	*-64.6%*
Residential building authorized valuation (millions) d/	$18,389	$11,547	$10,620	$12,123	10,759	*-41.5%*
Nonresidential building authorized valuation (millions) d/	$20,555	$11,558	$10,075	$9,352	10,208	*-50.3%*
Nonresidential building authorized valuation (millions) e/	$1,791	$1,038	$829	$938	917	*-48.8%*
Commercial	612	185	128	156	138	*-77.5%*
Industrial	49	28	55	11	30	*-38.9%*
Other	259	207	139	197	220	*-15.1%*
Alterations and additions	872	619	508	574	530	*-39.2%*
AUTO SALES (Seasonally adjusted)						
New auto registrations (number)	128,120	90,297	80,415	73,340	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, SECOND QUARTER 2009
(Percent)

	Office Vacancy Downtown		Office Vacancy Suburban		Office Vacancy Metropolitan		Industrial Availability	
	2Q09	2Q08	2Q09	2Q08	2Q09	2Q08	2Q09	2Q08
Northern and Central California:								
Oakland	11.5	11.2	16.7	13.3	14.6	12.3	10.4	8.7
Sacramento	15.9	12.7	22.3	15.9	21.0	15.3	14.1	10.1
San Francisco	14.7	9.1	16.7	10.1	15.4	9.5	9.3	6.7
San Jose	21.9	17.1	22.0	13.2	22.0	14.0	15.8	12.5
Southern California:								
Los Angeles Metro	14.9	13.5	14.7	11.1	14.8	11.5	7.7	5.4
Orange County	NA	NA	16.7	15.0	16.7	15.0	10.5	6.8
San Diego	15.9	14.3	21.9	18.3	20.9	17.6	14.6	10.7
Ventura County	NA	NA	25.4	16.2	25.4	16.2	NA	NA
National Average	13.3	10.6	18.1	15.2	16.5	13.7	12.4	9.5

SALES OF EXISTING SINGLE-FAMILY HOMES / **FOREIGN TRADE THROUGH CALIFORNIA PORTS**

		Median Price	Units (SAAR)	Exports ($ millions)	Imports ($ millions)
2005	Jan	$484,580	659,410	$9,405	$22,776
	Feb	470,920	608,160	9,756	21,738
	Mar	496,550	634,700	11,390	23,735
	Apr	509,630	658,060	10,356	24,337
	May	522,590	618,920	10,882	24,774
	Jun	542,330	656,310	11,108	26,153
	Jul	539,840	647,910	10,828	26,452
	Aug	567,320	632,240	11,166	26,452
	Sep	543,510	650,780	10,825	28,012
	Oct	538,770	621,530	11,371	28,847
	Nov	548,680	579,560	11,194	27,030
	Dec	547,400	531,910	11,709	26,024
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	373,100	427,910	15,800	31,269
	Jul	355,000	494,390	15,992	33,976
	Aug	352,730	483,400	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	263,666	546,926	10,769	21,678
	Jun	274,740	512,405	11,214	22,725
	Jul	285,480	555,290	11,371	23,893
	Aug	292,960	526,970	NA	NA

DOD PRIME CONTRACTS a/

	$ millions	% of U.S.
1993-94	22,573	20.5%
1994-95	18,277	16.8%
1995-96	18,230	16.7%
1996-97	18,477	17.3%
1997-98	17,401	15.9%
1998-99	17,372	15.1%
1999-00	18,100	14.7%
2000-01	19,939	14.7%
2001-02	23,816	15.0%
2002-03	28,681	15.0%
2003-04	27,875	13.7%
2004-05	31,065	13.1%
2005-06	32,126	12.5%

a/ U.S. fiscal year: October through September

NA Not available

Leading Indicators [a/]

		Manufacturing		Unemployment	New	Housing Unit
		Overtime Hours	Average Weekly Hours	Insurance Claims	Business Incorporations	Authorizations (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	39.3
	Apr	2.8	38.5	77,237	7,278	38.0
	May	2.9	39.0	75,326	6,403	31.7
	Jun	3.0	39.1	83,034	6,895	34.9
	Jul	2.8	39.4	84,203	7,060	32.5

a/ Seasonally adjusted by the California Department of Finance.

Coincident Indicators [a/]

		Nonagricultural Employment (Thousands)	Manufacturing Employment (Thousands)	Unemployment Rate (Percent)	Unemployment Avg. Weeks Claimed (Thousands)
2005	Jan	14,647	1,512	5.9	400
	Feb	14,683	1,509	5.7	393
	Mar	14,700	1,506	5.6	384
	Apr	14,749	1,509	5.5	366
	May	14,742	1,503	5.5	367
	Jun	14,753	1,501	5.5	382
	Jul	14,807	1,509	5.4	360
	Aug	14,847	1,504	5.3	360
	Sep	14,888	1,503	5.3	336
	Oct	14,898	1,501	5.3	345
	Nov	14,933	1,500	5.2	339
	Dec	14,961	1,500	5.1	322
2006	Jan	14,955	1,499	5.1	337
	Feb	14,996	1,500	4.9	336
	Mar	14,998	1,499	4.9	341
	Apr	14,993	1,494	5.0	352
	May	15,044	1,493	4.9	337
	Jun	15,073	1,491	4.9	343
	Jul	15,066	1,486	4.8	343
	Aug	15,103	1,485	4.9	340
	Sep	15,122	1,486	4.8	339
	Oct	15,118	1,486	4.8	342
	Nov	15,124	1,483	4.8	351
	Dec	15,125	1,479	4.9	344
2007	Jan	15,138	1,478	5.0	357
	Feb	15,158	1,475	5.0	359
	Mar	15,183	1,473	5.0	345
	Apr	15,126	1,465	5.2	351
	May	15,155	1,463	5.2	369
	Jun	15,168	1,465	5.3	363
	Jul	15,202	1,469	5.3	373
	Aug	15,195	1,463	5.5	374
	Sep	15,190	1,459	5.6	394
	Oct	15,186	1,458	5.7	401
	Nov	15,191	1,455	5.7	386
	Dec	15,189	1,451	5.9	420
2008	Jan	15,142	1,452	6.1	419
	Feb	15,141	1,445	6.2	408
	Mar	15,112	1,441	6.4	450
	Apr	15,118	1,439	6.6	463
	May	15,087	1,437	6.8	462
	Jun	15,051	1,431	7.1	478
	Jul	15,010	1,429	7.3	492
	Aug	14,976	1,422	7.6	520
	Sep	14,933	1,417	7.8	547
	Oct	14,887	1,411	8.0	562
	Nov	14,812	1,401	8.3	563
	Dec	14,727	1,385	8.7	642
2009	Jan	14,651	1,371	10.1	644
	Feb	14,537	1,354	10.6	686
	Mar	14,475	1,338	11.2	777
	Apr	14,413	1,324	11.1	757
	May	14,352	1,314	11.6	847
	Jun	14,285	1,307	11.6	854
	Jul	14,250	1,304	11.9	826

		Personal Income b/ ($ millions)	Wages & Salaries b/ ($ millions)	Taxable Sales c/ ($ millions)
2005	Qtr I	$1,306,795	$719,018	$128,441
	Qtr II	1,326,755	727,730	132,901
	Qtr III	1,357,460	745,588	137,349
	Qtr IV	1,380,004	754,090	137,712
2006	Qtr I	$1,421,156	$779,132	$138,577
	Qtr II	1,432,775	773,613	139,688
	Qtr III	1,455,298	785,616	140,779
	Qtr IV	1,473,093	798,904	140,528
2007	Qtr I	$1,493,590	$814,873	$142,917
	Qtr II	1,510,674	820,693	140,544
	Qtr III	1,530,566	828,366	138,526
	Qtr IV	1,548,190	839,277	139,341
2008	Qtr I	$1,547,385	$836,751	$137,642
	Qtr II	1,574,312	843,458	137,245
	Qtr III	1,577,087	846,423	131,684
	Qtr IV	1,556,736	832,668	121,011
2009	Qtr I	$1,544,246	$824,680	$115,060
	Qtr II	NA	NA	110,696

a/ Seasonally adjusted.
b/ Estimates by the U.S. Bureau of Economic Analysis.
c/ Taxable sales estimates for 2008:Q3, Q4 and 2009:Q1, Q2 are preliminary.
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.

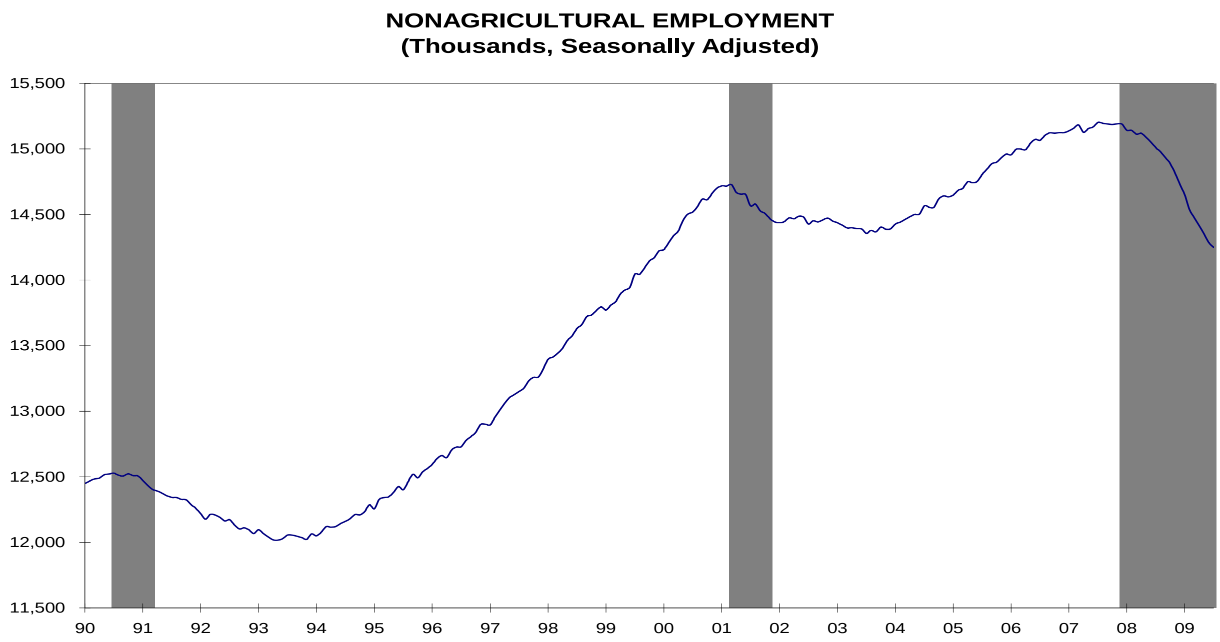
TECHNICAL NOTE
Whenever appropriate, data used in the charts have been seasonally adjusted. The method of seasonal adjustment is the X-12 Arima program. Persons interested in a detailed description of this method are referred to the U.S. Census Bureau's Statistical Research Division.

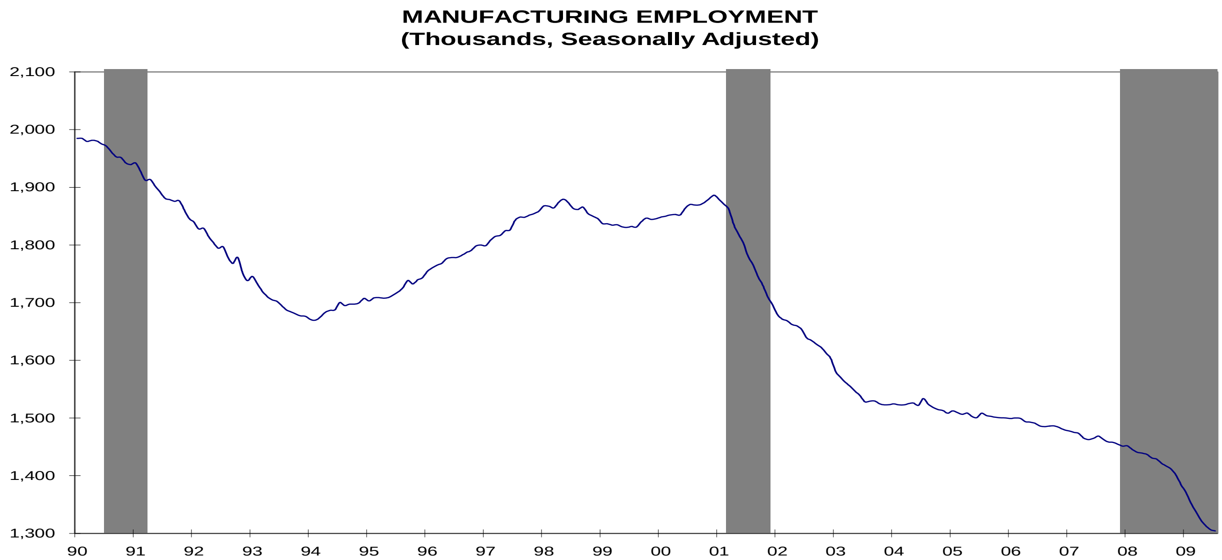
Under the X-12 Arima method, the addition of new data points changes historical seasonal factors. To avoid monthly data changes in the California Economic Indicators it is necessary to "freeze" the seasonally adjusted data through the past year and manually compute current year values from the projected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

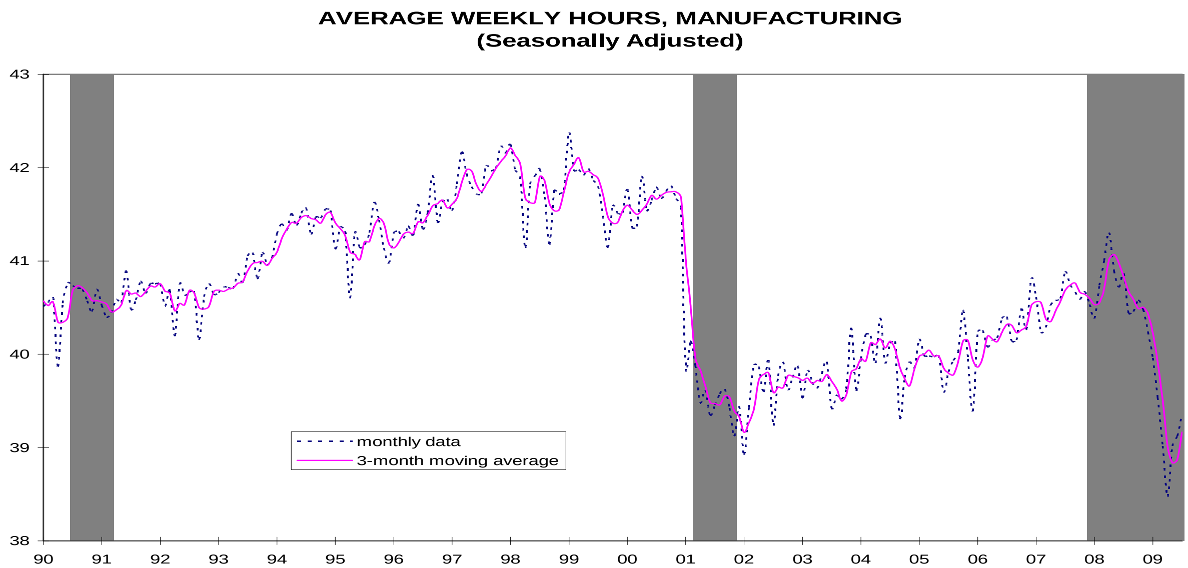
The manufacturing employment series is an addition to the NBER indicator list. It is used here because it appears to show cyclical fluctuations clearly and extends the limited number of series presently available for the State.

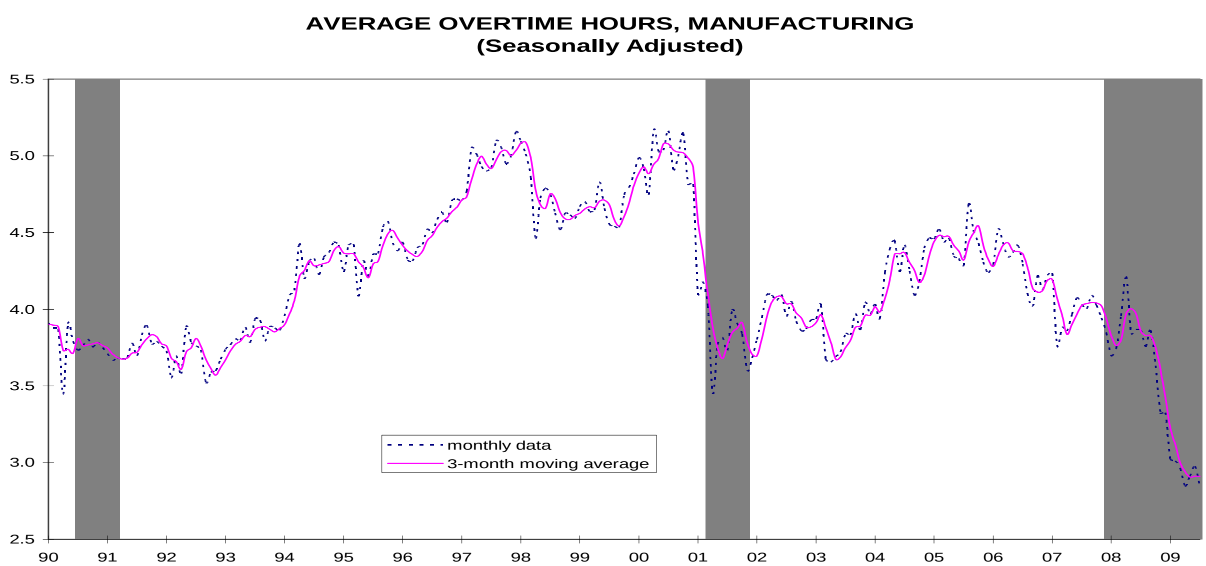
Taxable sales are used here as a proxy for retail trade. Data on the latter are not available for California prior to 1964. The taxable series includes sales by both retail and wholesale establishments, and is, therefore, a broad indicator of business activity. It has been classified as a coincident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

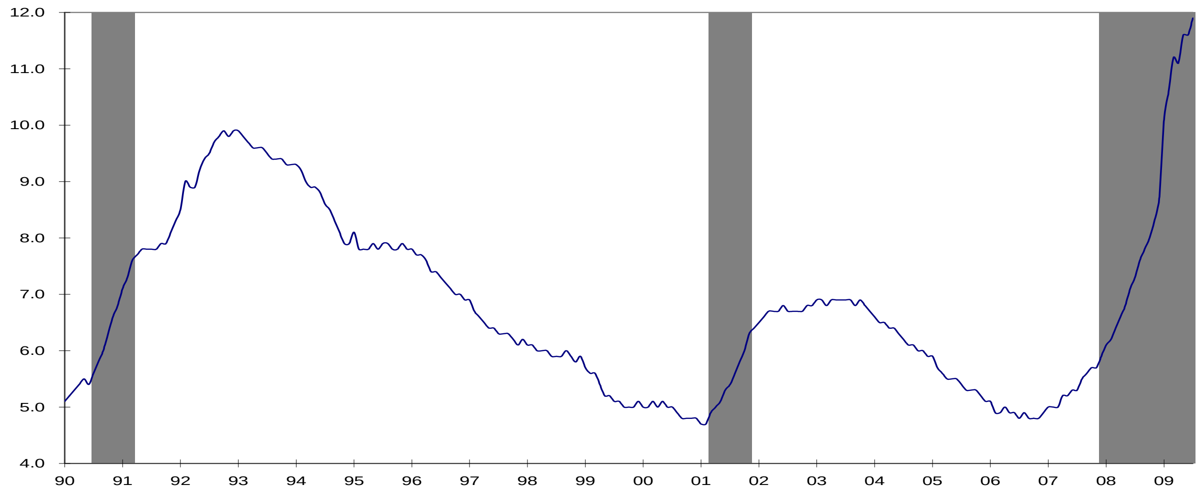



MANUFACTURING EMPLOYMENT
(Thousands, Seasonally Adjusted)
2,100
2,000
1,900
1,800
1,700
1,600
1,500
1,400
1,300
90 91 92 93 94 95 96 97 98 99 00 01 02 03 04 05 06 07 08 09

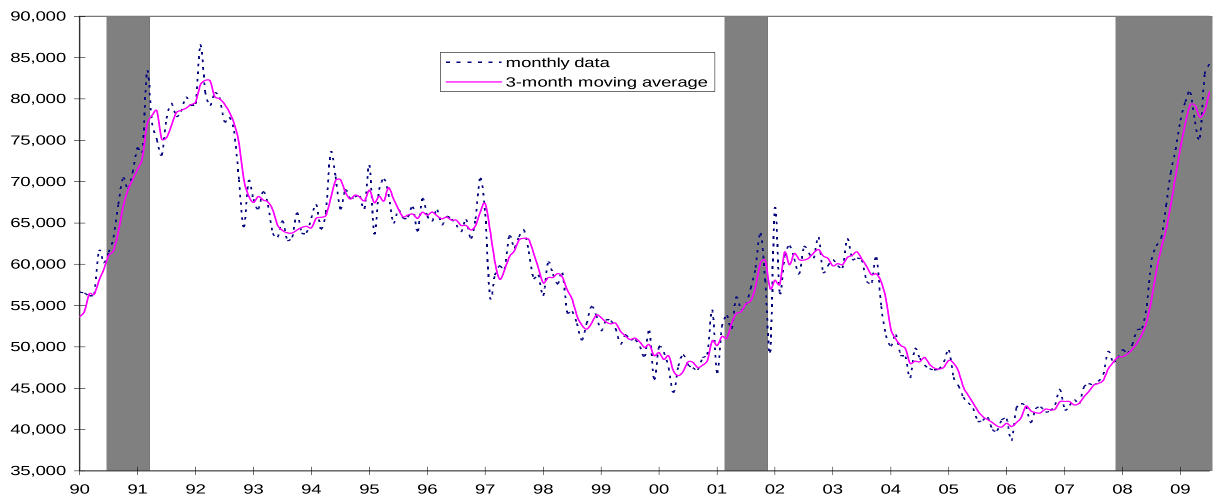

AVERAGE WEEKLY HOURS, MANUFACTURING
(Seasonally Adjusted)
43
42
41
40
39
38
monthly data
3-month moving average
90 91 92 93 94 95 96 97 98 99 00 01 02 03 04 05 06 07 08 09


AVERAGE OVERTIME HOURS, MANUFACTURING
(Seasonally Adjusted)
5.5
5.0
4.5
4.0
3.5
3.0
2.5
monthly data
3-month moving average
90 91 92 93 94 95 96 97 98 99 00 01 02 03 04 05 06 07 08 09

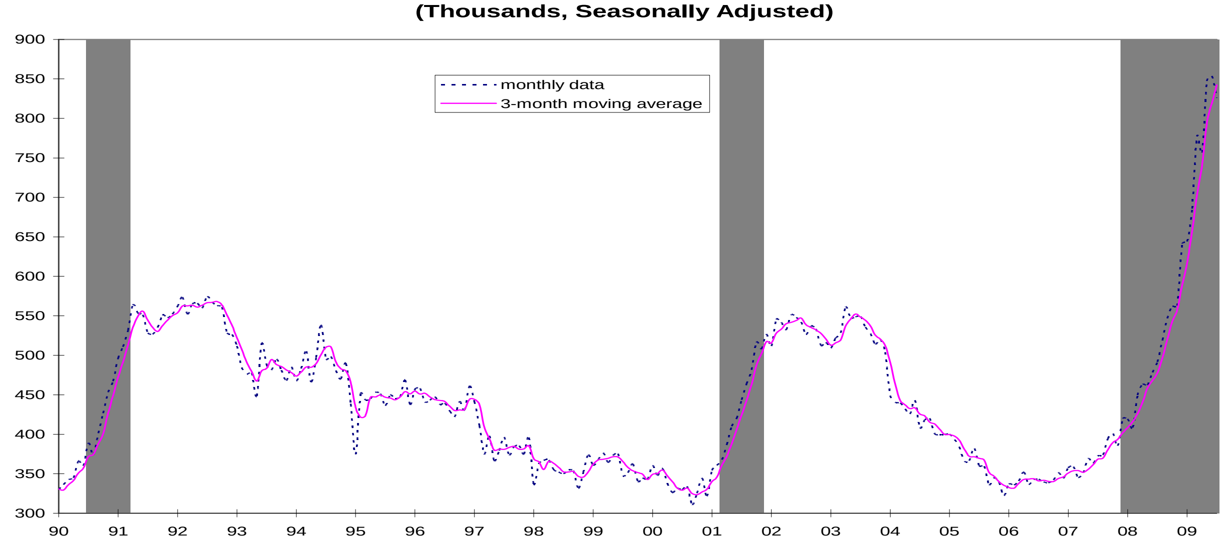
UNEMPLOYMENT RATE
(Percent)

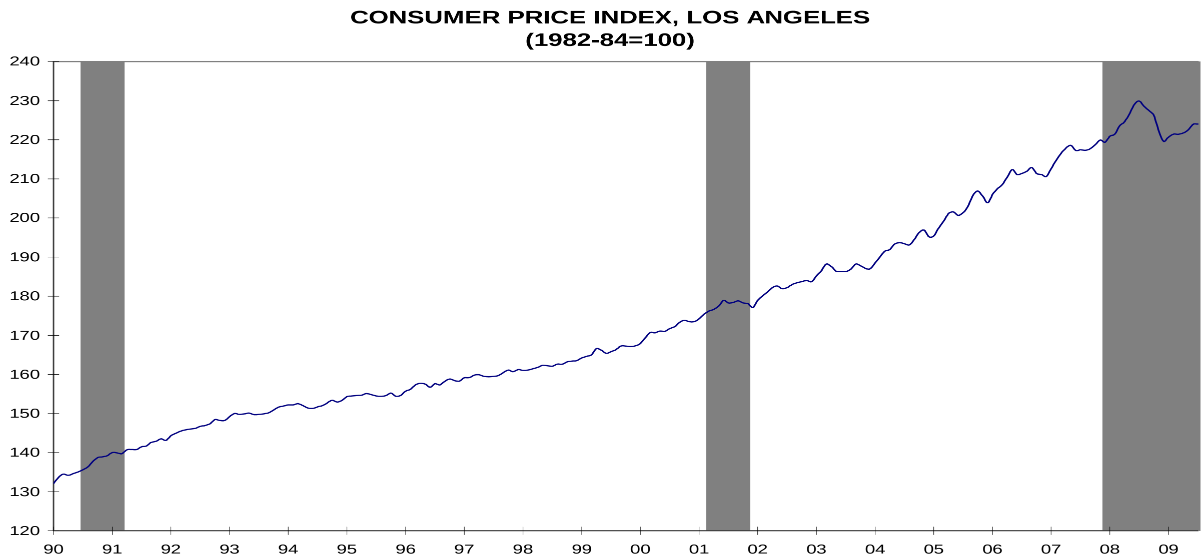


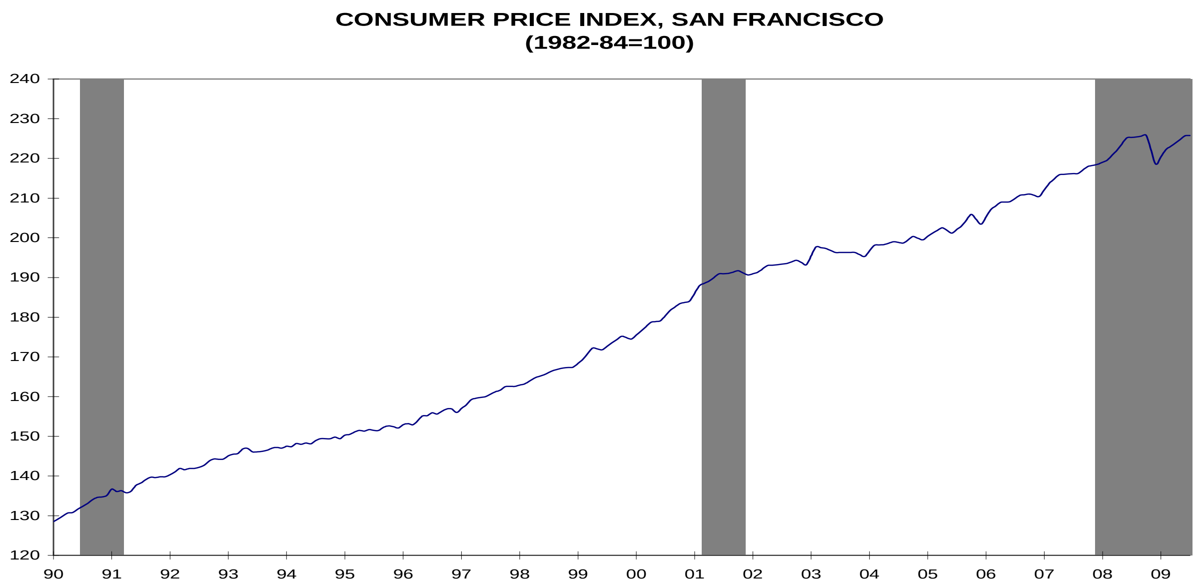
INITIAL AND TRANSITIONAL CLAIMS FOR UNEMPLOYMENT INSURANCE
(Weekly Average, Seasonally Adjusted)

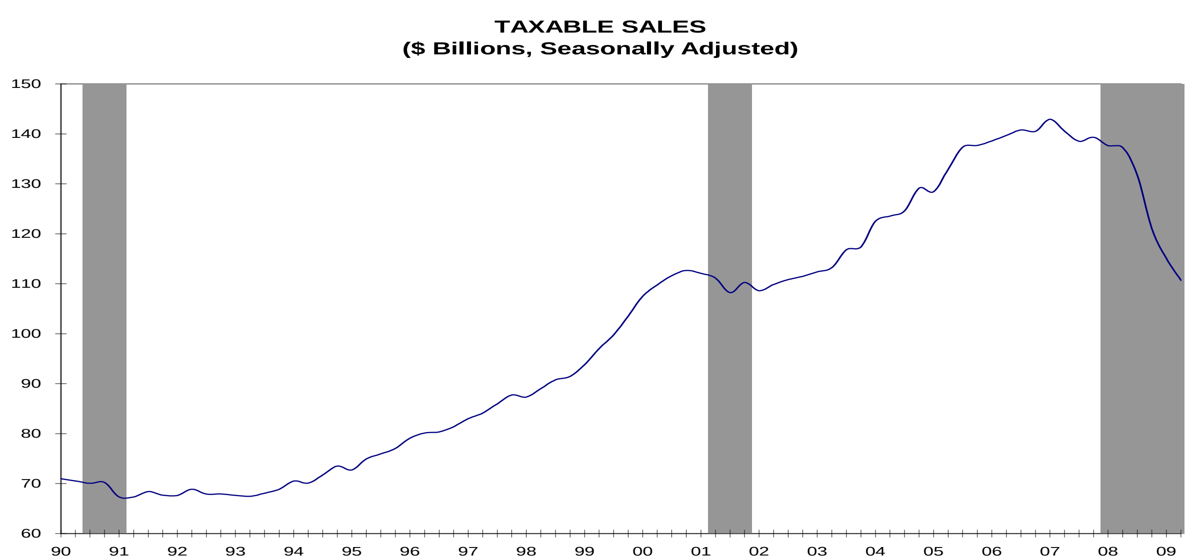


UNEMPLOYMENT, AVERAGE WEEKS CLAIMED
(Thousands, Seasonally Adjusted)

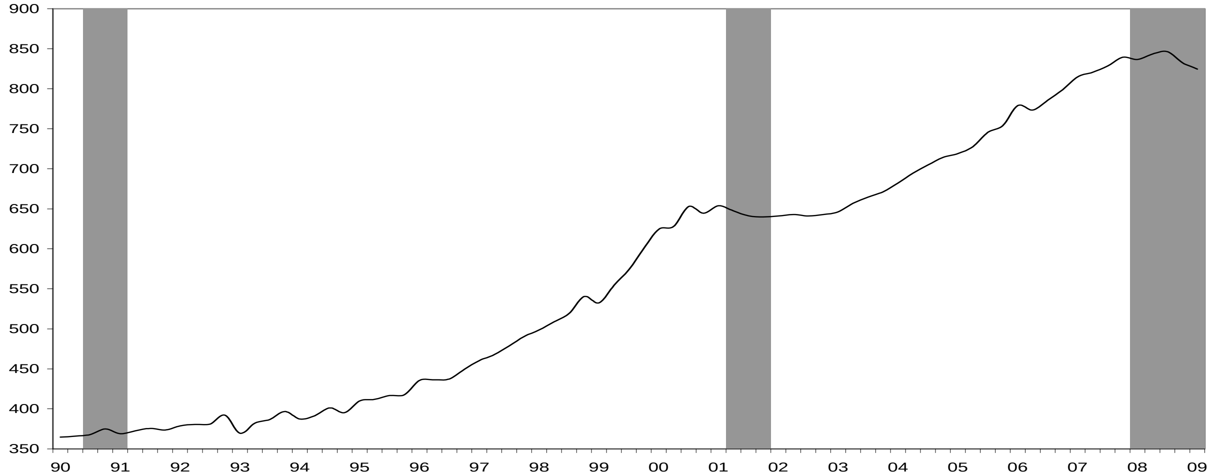



CONSUMER PRICE INDEX, LOS ANGELES
(1982-84=100)
240
230
220
210
200
190
180
170
160
150
140
130
120
90 91 92 93 94 95 96 97 98 99 00 01 02 03 04 05 06 07 08 09

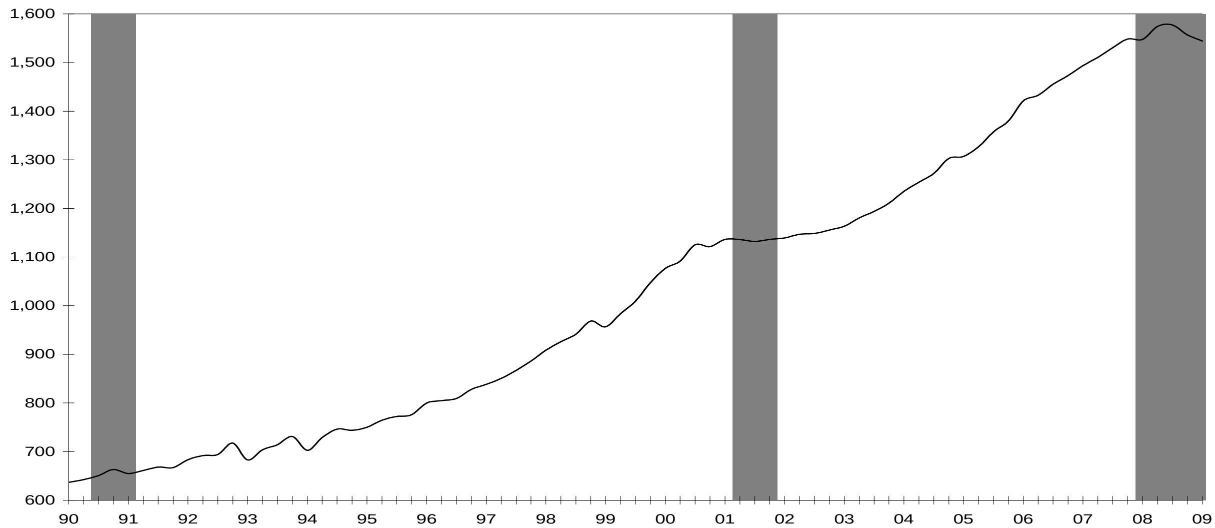

CONSUMER PRICE INDEX, SAN FRANCISCO
(1982-84=100)
240
230
220
210
200
190
180
170
160
150
140
130
120
90 91 92 93 94 95 96 97 98 99 00 01 02 03 04 05 06 07 08 09


TAXABLE SALES
($ Billions, Seasonally Adjusted)
150
140
130
120
110
100
90
80
70
60
90 91 92 93 94 95 96 97 98 99 00 01 02 03 04 05 06 07 08 09

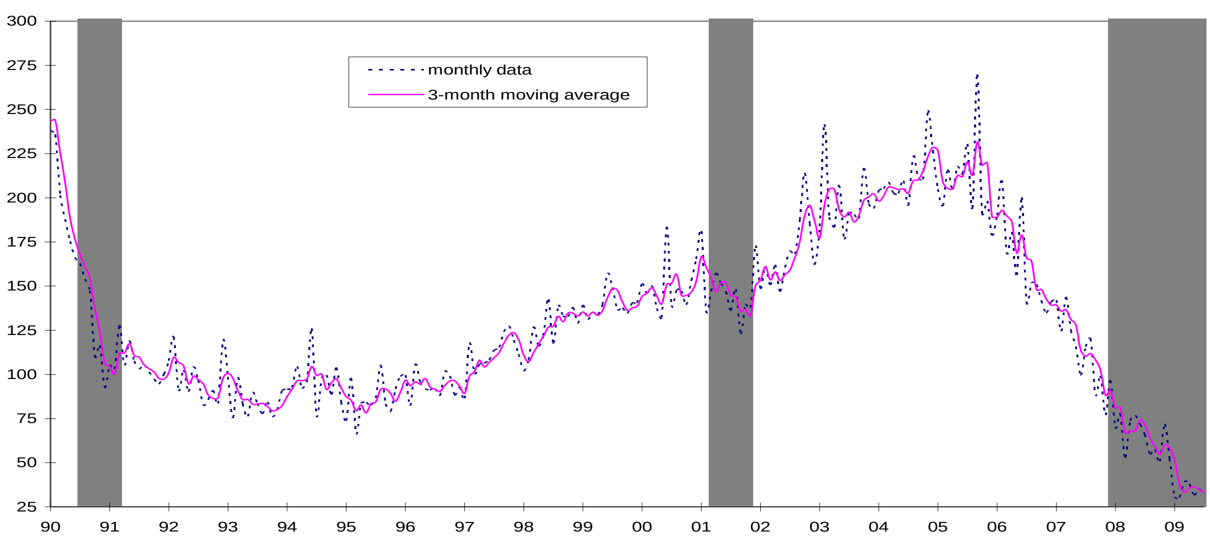
TOTAL WAGES AND SALARIES
($ Billions, Seasonally Adjusted)



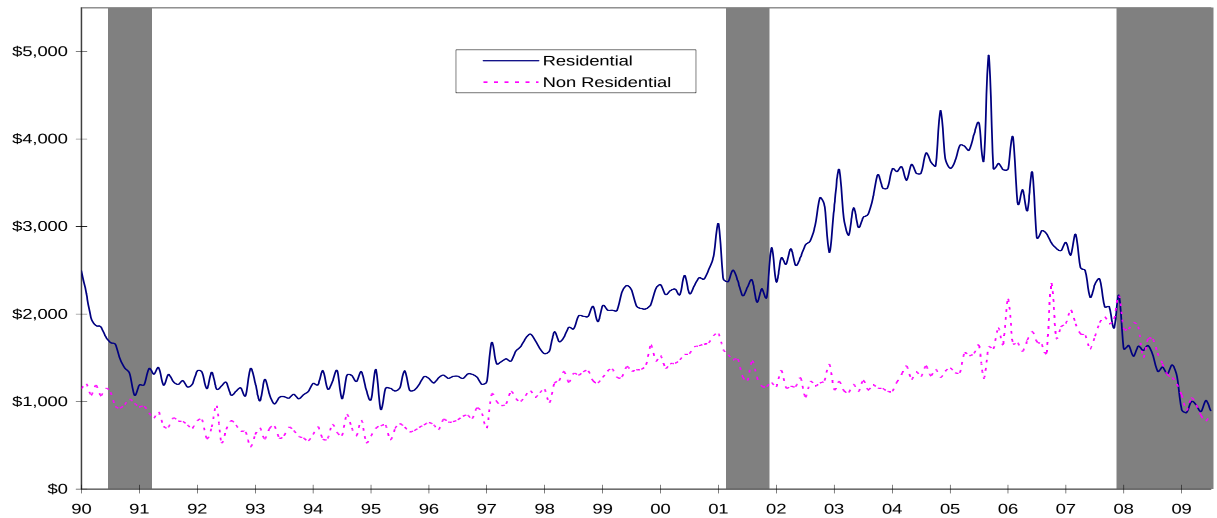
PERSONAL INCOME
($ Billions, Seasonally Adjusted)



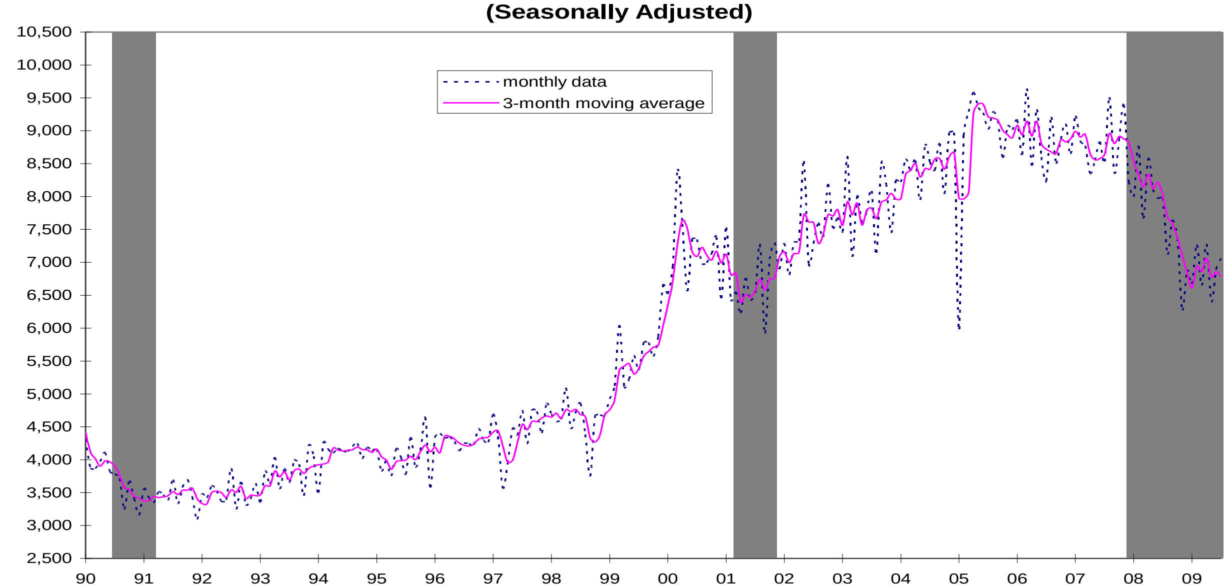
NEW HOUSING UNITS AUTHORIZED BY BUILDING PERMITS
(Thousands, Seasonally Adjusted At Annual Rate)



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-

Initial Trough		Peak		Terminal Trough		Expansion (months)	Contraction (months)	Total (months)
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 4th 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.
July 6	Fitch Ratings downgraded California's long-term bond rating from A- to BBB. Moody's lowered the State's rating from A2 to Baa1.
July 24	Dow closes above 9000; first time since January.
	Federal minimum wage jumps from $6.55 an hour to $7.25 an hour.
July 28	Case-Shiller index shows first rise in U.S. housing prices for 3 years.
August 24	Cash-for-Clunkers program ends.
August 27	Second quarter GDP fell 1 percent, unchanged from the advance estimate in July and following a 6.4% drop in Q1.