



CALIFORNIA Economic Indicators

January-February 2010

2009 Ends With Mixed Results

Employment stumbles at year-end while real estate makes modest gains.

REVIEW OF RECENT ECONOMIC DEVELOPMENTS

Amid otherwise positive signs, 2009 ended with a disappointing loss of nonfarm jobs. Employment losses had been slowing since midyear and the state actually gained jobs in October. While still weak, both home building and existing home sales showed signs of improvement at year's end.

INSIDE

- An Uneven Recovery 3
- Economic Indicator Tables. 5
- Economic Indicator Charts. 9
- Business Cycle Date 15
- Chronology. 16

EMPLOYMENT

Frustrating loss at year-end

California lost [38,800 nonfarm jobs](#) in December, which was a contrast to better news in October and November when the state gained 31,100 jobs and lost only 17,600 respectively. (Source: EDD)

Three major industry sectors added jobs in December: Education and health services added 7,500 jobs; information, 2,000; and financial activities, 1,100.

On the other side of the ledger, trade, transportation, and utilities lost 15,300 jobs; other services, 8,100; construction, 7,500; manufacturing, 5,900; leisure and hospitality, 5,000; professional and business services, 4,700; government, 2,700; and natural resources and mining, 200.

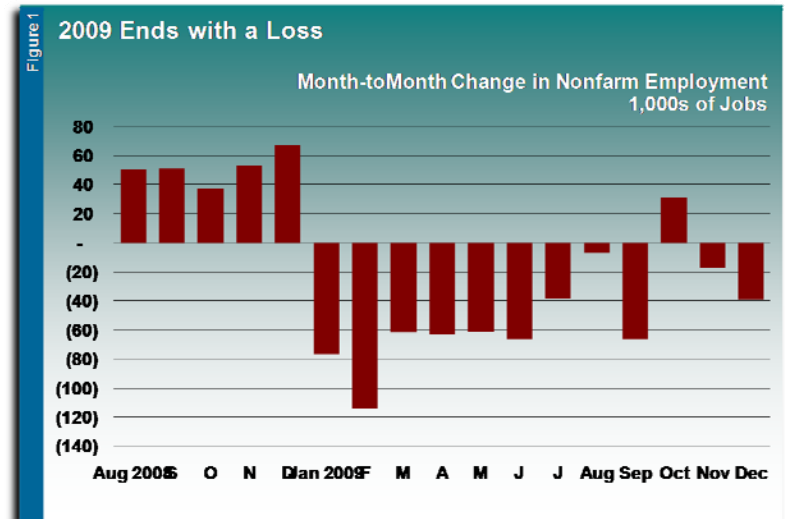
Nonfarm payroll employment fell by 579,400, or 3.9 percent, from December 2008 to December 2009. Only the education and health services sector gained employment over the year, adding 22,800 jobs.

Over the year, employment fell by 127,100 in trade, transportation, and utilities; 116,100 in construction; 106,600 in manufacturing; 89,900 in professional and business services; 44,300 in government; 43,600 in leisure and hospitality; 30,500 in financial activities; 25,100 in other services; 17,500 in information; and 1,500 in natural resources and mining.

Since the National recession began in December 2007, California has lost 1,041,300 industry jobs.

Unemployment rate holds steady

California's unemployment rate held steady at 12.4 percent in December. The number of people unemployed in California dropped for the second consecutive month, falling to 2,254,400. This total, though, was still up 648,600 compared with December of 2008. The national unemployment rate was unchanged at 10 percent in December.



Job losses slowed throughout most of 2009.

BUILDING ACTIVITY

Multi-family holds down homebuilding

Single-family home building continued to improve in December, but was overshadowed by a significant slowdown in multi-family construction. Residential permits were issued at a seasonally adjusted annual rate of 39,200 units, down over 15.4 percent from a year earlier. Single-family permitting improved for the fifth consecutive month and was up 27 percent from December 2008. On the other hand, multi-family permitting slowed in December and was down 60 percent from a year earlier. New home permitting during 2009 as a whole was down 45 percent from 2008.

Nonresidential was still slow

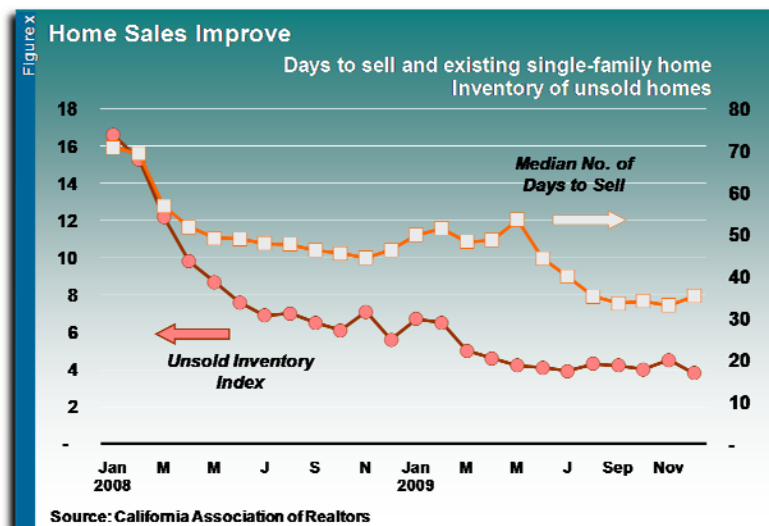
Nonresidential construction permitting fell 27.6 percent in December from a year earlier. For 2009 as a whole, nonresidential permitting was down 43 percent from the same months of 2008. There were major reductions in all building categories ranging from an 80-percent drop in hotel/motel construction to a 25-percent slowdown in additions and alterations.

REAL ESTATE

A good end to 2009

While still mired in disappointing conditions, the existing home market ended 2009 on a good note. Both sales and prices of existing home improved in December. After slowing in November, sales of existing single-family detached homes accelerated to 558,320 units at a seasonally adjusted annualized rate [in December](#). The median price of existing single-family homes sold in December was \$306,820, up 8.4 percent from a year earlier. This was the second consecutive year-over-year increase following 26 consecutive year-over-year declines.

The unsold inventory index dropped to 3.8 months from 4.5 months in November. In contrast, the median number of days needed to sell a home rose to 35.3 days from 33.1 days in November. (Source: [California Association of Realtors](#))



Real estate conditions, while still disappointing, were still much improved at the end of 2009

AN UNEVEN RECOVERY

More so than in previous economic cycles, California is experiencing a rather lopsided recovery from the recession that began at the end of 2007. While no area is booming, there are clear differences to how different regions of the state are faring. Given the nature of the housing boom that preceded the recession, it is not surprising that the state's inland regions are having more difficulties than the coastal areas.

REGIONAL DISPARITIES DURING THE BOOM

The search for affordable housing led many home buyers away from expensive communities in the San Francisco Bay area and coastal Southern California to the lower-priced inland regions, including the Inland Empire, the Central Valley, and Sacramento. This, along with speculation and excessive easy-money lending for home buying and refinancing, pushed up prices most dramatically in these regions. Home price gains in these inland regions ranged from 22 to nearly 29 percent during 2004 and 2005—over 25 percent on average. Prices in the major coastal metropolitan areas ran up from 15 to 25 percent during this period—only 20 percent on average.

Prices soared but weren't supported by comparable economic growth. Even though home prices dangerously outstripped economic gains all around the state, the inland regions became significantly more vulnerable to an economic downturn. Per capita personal income in the inland metropolitan areas grew only 3.6 percent on average during 2004 and 2005. In the coastal regions, the gain was much greater— 6.3 percent on average. Moreover, these areas lacked the industrial diversity or attachment to dynamic (i.e. high-tech) markets that Los Angeles and San Francisco enjoyed.

Thus, the impact of the recession was much more severe in the housing-dependent inland areas. In 2007, job growth was relatively balanced, with industry employment growing about 1 percent in both areas. When the full weight of the recession hit in 2008, however, the interior regions suffered twice the losses proportionally, with employment falling 2 percent from 2007. Employment dropped 3.8 percent in the Riverside-San Bernardino-Ontario metropolitan area. The coastal areas fared much better, with employment falling only 1 percent on average.

Real estate markets in the interior, as would be expected, took a much harder hit. According to the California Association of Realtors, in December 2009, the median sales price of existing homes had dropped over 50 percent from their highest peak in 2006 and 2007. The Riverside/San Bernardino region suffered the greatest loss, with the median dropping over 56 percent between January 2007 and December 2009. Coastal regions suffered a less severe drop, averaging around 38 percent.

AN UNEVEN RECOVERY

This largely explains why the economic conditions of the interior regions are lagging behind those on the coast. Even though things appeared to be on the mend by the end of 2009, conditions were clearly worse inland. The unemployment rate averaged 15 percent in the inland major metropolitan areas during November 2009 versus 11 percent on the coast. Over the twelve months ending in November, the inland unemployment rate rose 4.6 percentage points on average versus 3.8 on the coast.

As would be expected, residential real estate conditions are significantly worse inland. According to the Federal Housing Finance Agency's House Price Index, during the first three quarters of 2009, home prices fell significantly faster in the

inland metropolitan areas—21.6 percent year-over-year on average versus only 12.3 percent on the coast. According to the California Association of Realtors, in December 2009, the

Figure 1

Home Prices Weren't Supported by Income Growth

Percent year-year change in home prices and per capita personal income

Average during 2004 and 2005

	Home Prices *	Per Capita Income **
Inland MSAs		
Bakersfield	28.8	3.4
Fresno	25.6	3.0
Riverside-San Bernardino-Ontario	26.5	4.1
Sacramento--Arden-Arcade--Roseville	22.1	5.0
Stockton	23.8	2.6
Coastal MSAs		
Los Angeles-Long Beach-Santa Ana	24.7	5.8
Oxnard-Thousand Oaks-Ventura	22.8	6.8
San Diego-Carlsbad-San Marcos	21.0	6.4
San Francisco-Oakland-Fremont	15.6	7.1
San Jose-Sunnyvale-Santa Clara	15.5	5.5

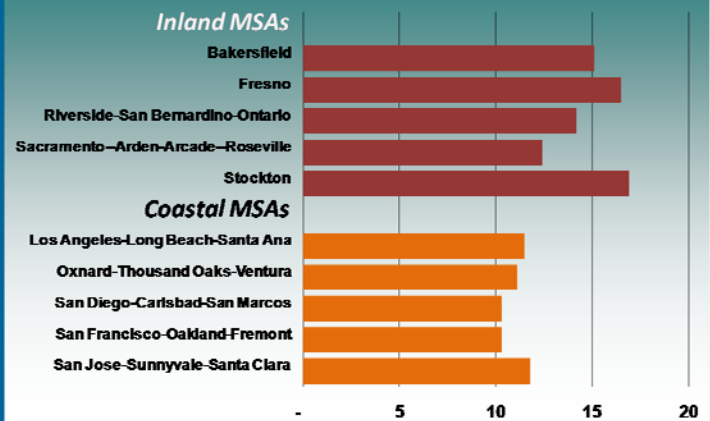
* Federal Housing Finance Agency's House Price Index

** Bureau of Economic Analysis

Figure 1

Unemployment Rate Varies by Region

Percent Unemployed, November 2009

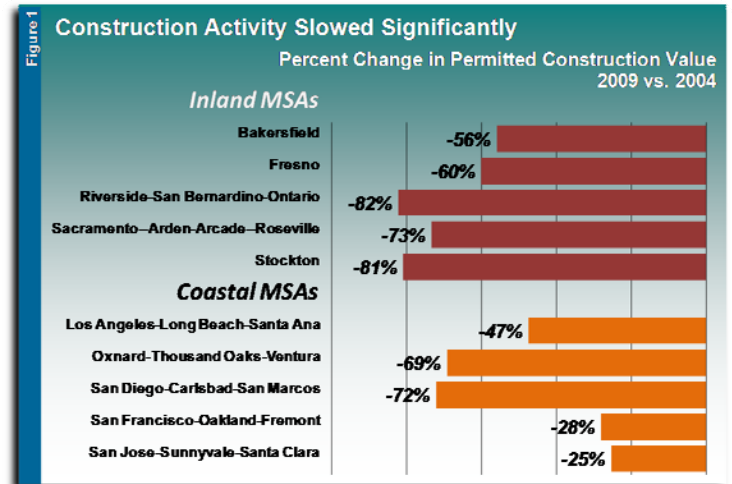


The unemployment situation was noticeably worse in the inland regions.

pace of existing home sales had improved over the year in all the coastal regions—including a 30-plus percent gain in the San Francisco Bay area—but actually **slowed** significantly in the inland regions, with the exception of Fresno.

The home price losses that resulted from the bursting of the housing bubble took a big toll on the value of both residential and nonresident construction activity. This slowdown had definite regional contrasts. The value of residential and nonresidential permits issued during the first 11 months of 2009 compared to the same months 2004 (the last full year before building activity peaked) diminished 70 percent in the interior but only 48 percent in coastal regions. The value of residential permits issued in the interior regions was down 77 percent compared to a 64 percent slowdown on the coast. The value of nonresidential permits dropped 43 percent in inland areas but only 19 percent in coastal areas.

This most likely means that California will not climb out of the recession uniformly. Moreover, some areas may not return to their peak level of economic activity for quite some time.



The housing slump took a tremendous toll on construction activity, particularly in inland areas.

Select Indicators

	2008		2009			Year-Over % Change
	Dec	Sep	Oct	Nov	Dec	
EMPLOYMENT (Seasonally adjusted)						
Civilian employment (000)	16,952	16,135	16,041	16,066	15,978	-5.7%
Unemployment (000)	1,606	2,257	2,299	2,273	2,254	40.4%
Unemployment rate	8.7%	12.3%	12.5%	12.4%	12.4%	--
Nonagricultural wage and salary employment (000) a/	14,727.4	14,173.3	14,204.4	14,186.8	14,148.0	-3.9%
Goods-producing industries	2,135.7	1,938.5	1,930.6	1,925.1	1,911.5	-10.5%
Mining and logging	28.3	26.8	26.5	27.0	26.8	-5.3%
Construction	722.6	616.6	615.0	614.0	606.5	-16.1%
Manufacturing	1,384.8	1,295.1	1,289.1	1,284.1	1,278.2	-7.7%
Service-providing industries	12,591.7	12,234.8	12,273.8	12,261.7	12,236.5	-2.8%
Trade, transportation, and utilities	2,767.0	2,668.7	2,664.4	2,655.2	2,639.9	-4.6%
Information	468.0	442.0	443.9	448.5	450.5	-3.7%
Financial activities	829.2	797.3	800.5	797.6	798.7	-3.7%
Professional and business services	2,212.3	2,109.7	2,122.2	2,127.1	2,122.4	-4.1%
Educational and health services	1,741.7	1,744.7	1,758.7	1,757.0	1,764.5	1.3%
Leisure and hospitality	1,545.0	1,511.1	1,511.0	1,506.4	1,501.4	-2.8%
Other services	513.3	498.6	494.5	496.3	488.2	-4.9%
Government	2,515.2	2,462.7	2,478.6	2,473.6	2,470.9	-1.8%
Federal government	247.1	249.0	253.7	251.0	248.8	0.7%
State and local government	2,268.1	2,213.7	2,224.9	2,222.6	2,222.1	-2.0%
High-technology industries b/	876.2	838.7	841.8	840.9	843.8	-3.7%
Computer and electronic products manufacturing	297.1	276.0	274.9	275.1	275.2	-7.4%
Aerospace products and parts manufacturing	73.6	70.0	69.4	68.9	68.7	-6.7%
Software publishers	44.0	42.6	42.7	42.5	42.4	-3.6%
Telecommunications	118.7	113.2	113.0	112.5	112.4	-5.3%
Internet service providers, web portals and data processing	19.6	18.5	18.6	18.5	18.5	-5.6%
Computer systems design	205.5	203.3	207.4	207.6	210.0	2.2%
Scientific research and development	117.7	115.1	115.8	115.8	116.6	-0.9%
HOURS AND EARNINGS IN MANUFACTURING (Not seasonally adjusted)						
Average weekly hours	40.6	39.5	40.0	40.5	40.7	0.2%
Average weekly earnings	\$703.60	\$703.50	\$721.60	\$736.29	\$750.10	6.6%
Average hourly earnings	\$17.33	\$17.81	\$18.04	\$18.18	\$18.43	6.3%
CONSUMER PRICE INDEX (1982-84=100) (Not seasonally adjusted)						
All Urban Consumers Series						
California Average	219.8	NA	226.0	NA	224.3	2.1%
San Francisco CMSA	218.5	NA	226.1	NA	224.2	2.6%
Los Angeles CMSA	219.6	225.2	225.3	224.3	223.6	1.8%
Urban Wage Earners and Clerical Workers Series						
California Average	211.5	NA	218.5	NA	217.1	2.6%
San Francisco CMSA	213.7	NA	221.7	NA	220.1	3.0%
Los Angeles CMSA	211.0	217.3	217.5	216.6	216.2	2.5%
CONSTRUCTION						
Private residential housing units authorized (000) c/						
Single units	46	37	37	40	39	-15.4%
Multiple units	24	28	28	29	30	26.6%
Multiple units	23	9	9	11	9	-59.7%
Residential building authorized valuation (millions) d/	\$14,432	\$12,846	\$12,691	\$13,134	\$12,698	-12.0%
Nonresidential building authorized valuation (millions) d/	\$13,933	\$9,694	\$10,394	\$12,070	\$10,081	-27.6%
Nonresidential building authorized valuation (millions) e/	\$14,327	\$9,848	\$10,494	\$10,905	10,467	-26.9%
Commercial	3,536	1,340	2,035	2,126	2,184	-38.2%
Industrial	309	585	181	840	140	-54.6%
Other	2,821	1,926	1,737	2,357	1,731	-38.6%
Alterations and additions	7,662	5,997	6,541	5,582	6,413	-16.3%
AUTO SALES (Seasonally adjusted)						
New auto registrations (number)	77,936	106,003	84,173	75,209	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 2009									
(Percent)									
		Office Vacancy		Office Vacancy		Office Vacancy		Industrial Availability	
		Downtown		Suburban		Metropolitan			
		4Q09	4Q08	4Q09	4Q08	4Q09	4Q08	4Q09	4Q08
Northern and Central California:									
Oakland East-Bay		13.2	10.4	17.1	14.6	15.6	12.8	10.9	9.8
Sacramento		13.7	11.8	23.5	17.6	21.4	16.4	14.2	10.9
San Francisco		14.9	12.6	16.5	13.5	15.5	12.9	10.1	7.6
San Jose		22.5	16.8	22.2	16.2	22.3	16.3	16.8	12.8
Walnut Creek		NA	NA	17.0	12.5	17.0	12.5	16.4	12.3
Southern California:									
Inland Empire		NA	NA	24.3	21.3	24.3	21.3	15.4	14.5
Los Angeles Metro		16.6	14.4	15.7	12.3	15.8	12.6	8.3	5.7
Orange County		NA	NA	18.0	15.5	18.0	15.5	10.9	8.2
San Diego		16.6	16.1	21.5	20.1	20.7	19.4	16.0	12.1
Ventura County		NA	NA	24.0	22.8	24.0	22.8	NA	NA
National Average		14.6	11.6	18.9	16.2	17.5	14.7	13.2	10.7
SALES OF EXISTING SINGLE-FAMILY HOMES					FOREIGN TRADE				
		Median	Units	Exports	Imports	DOD PRIME CONTRACTS a/			
		Price	(SAAR)	(\$ millions)			\$ millions	% of U.S.	
2006	Jan	\$549,460	500,470	\$10,848	\$25,555	1993-94	22,573	20.5%	
	Feb	534,400	513,740	10,791	23,004	1994-95	18,277	16.8%	
	Mar	562,130	539,170	13,336	27,722	1995-96	18,230	16.7%	
	Apr	562,380	516,960	11,991	27,005	1996-97	18,477	17.3%	
	May	563,860	488,260	12,306	28,090	1997-98	17,401	15.9%	
	Jun	575,850	483,690	12,664	29,621	1998-99	17,372	15.1%	
	Jul	567,860	453,980	12,255	29,990	1999-00	18,100	14.7%	
	Aug	577,300	442,150	12,720	31,550	2000-01	19,939	14.7%	
	Sep	557,150	444,780	12,567	30,608	2001-02	23,816	15.0%	
	Oct	552,020	443,320	12,913	32,200	2002-03	28,681	15.0%	
	Nov	554,500	450,930	12,676	29,747	2003-04	27,875	13.7%	
	Dec	569,350	452,060	12,756	28,396	2004-05	31,065	13.1%	
2007	Jan	\$551,220	446,820	\$12,325	\$28,025	2005-06	32,126	12.5%	
	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	319,310	519,530	14,545	31,994				
	Oct	307,210	557,050	14,485	32,308				
	Nov	287,880	514,240	12,290	26,322				
	Dec	283,060	549,190	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	11,738	24,327				
	Sep	296,610	530,520	11,684	25,986				
	Oct	297,500	562,400	12,794	27,136				
	Nov	304,520	536,720	12,573	25,114				
	Dec	306,820	558,320	13,707	25,292				
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)
2006	Jan	4.3	40.2	41,313	9,158	187.8
	Feb	4.5	40.3	38,639	8,646	223.8
	Mar	4.4	40.1	42,562	9,641	172.9
	Apr	4.3	40.2	43,140	8,478	179.0
	May	4.4	40.2	42,801	9,323	161.5
	Jun	4.4	40.4	40,845	8,598	194.5
	Jul	4.3	40.4	42,516	8,241	143.4
	Aug	4.1	40.1	42,742	9,203	152.2
	Sep	4.0	40.2	42,140	8,512	151.1
	Oct	4.2	40.5	42,276	8,878	133.2
	Nov	4.1	40.3	42,982	9,107	137.5
	Dec	4.2	40.8	44,850	8,648	131.9
2007	Jan	4.2	40.6	42,403	9,223	150.4
	Feb	3.8	40.2	42,911	8,836	134.6
	Mar	3.9	40.3	43,592	8,773	141.8
	Apr	3.9	40.5	43,087	8,354	123.0
	May	4.0	40.6	45,121	8,552	117.2
	Jun	4.1	40.6	45,550	8,835	100.0
	Jul	4.0	40.9	45,377	8,536	111.9
	Aug	4.0	40.7	45,806	9,512	128.4
	Sep	4.1	40.7	46,637	8,368	86.1
	Oct	4.0	40.6	49,462	8,864	97.8
	Nov	3.9	40.7	48,189	9,393	76.4
	Dec	3.8	40.5	48,637	8,224	86.9
2008	Jan	3.7	40.4	49,652	7,996	73.6
	Feb	3.7	40.7	49,201	8,768	90.1
	Mar	4.0	41.0	50,263	7,670	52.9
	Apr	4.2	41.3	52,052	8,578	71.8
	May	3.8	40.9	52,260	8,108	80.9
	Jun	3.9	40.7	55,022	7,970	72.0
	Jul	3.9	40.9	60,550	7,983	64.8
	Aug	3.8	40.4	62,215	7,123	58.0
	Sep	3.9	40.5	63,228	7,644	55.0
	Oct	3.6	40.6	67,147	7,368	50.8
	Nov	3.3	40.5	71,109	6,279	70.1
	Dec	3.3	40.2	73,868	6,878	46.3
2009	Jan	3.0	40.0	77,424	6,672	33.2
	Feb	3.0	39.5	79,672	7,268	34.3
	Mar	3.0	39.0	80,818	6,649	36.4
	Apr	2.8	38.5	77,237	7,278	38.0
	May	2.9	39.0	75,326	6,403	33.0
	Jun	3.0	39.1	83,034	6,895	33.9
	Jul	2.8	39.4	84,203	7,060	34.6
	Aug	3.2	39.6	80,221	6,277	37.4
	Sep	3.3	39.3	87,253	6,411	37.1
	Oct	3.3	39.9	82,122	6,496	37.4
	Nov	3.5	40.4	73,295	6,772	40.0
	Dec	3.5	40.3	74,243	5,424	39.2

a/ Seasonally adjusted by the California Department of Finance.

Coincident Indicators ^{a/}

		Nonagricultural		Manufacturing		Unemployment		Unemployment	
		Employment		Employment		Rate		Avg. Weeks Claimed	
		(Thousands)		(Thousands)		(Percent)		(Thousands)	
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		14,247		1,302		11.9		826
	Aug		14,240		1,299		12.3		874
	Sep		14,173		1,295		12.3		845
	Oct		14,204		1,289		12.5		788
	Nov		14,187		1,284		12.4		785
	Dec		14,148		1,278		12.4		709
			Personal		Wages &				
			Income b/		Salaries b/		Taxable Sales c/		
			(\$ millions)		(\$ millions)		(\$ millions)		
2007	Qtr I		\$1,546,510		\$823,890		\$143,287		
	Qtr II		1,564,564		830,717		140,605		
	Qtr III		1,577,537		833,548		137,484		
	Qtr IV		1,600,471		848,283		139,987		
2008	Qtr I		\$1,591,691		\$842,347		\$138,076		
	Qtr II		1,613,949		847,457		137,257		
	Qtr III		1,615,235		848,679		133,664		
	Qtr IV		1,595,575		833,650		123,338		
2009	Qtr I		\$1,566,078		\$812,413		\$115,477		
	Qtr II		1,562,649		803,983		110,638		
	Qtr III		1,566,088		804,049		111,204		

a/ Seasonally adjusted.

b/ Estimates by the U.S. Bureau of Economic Analysis.

c/ Taxable sales estimates for 2009:Q1, Q2, Q3 are preliminary.

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

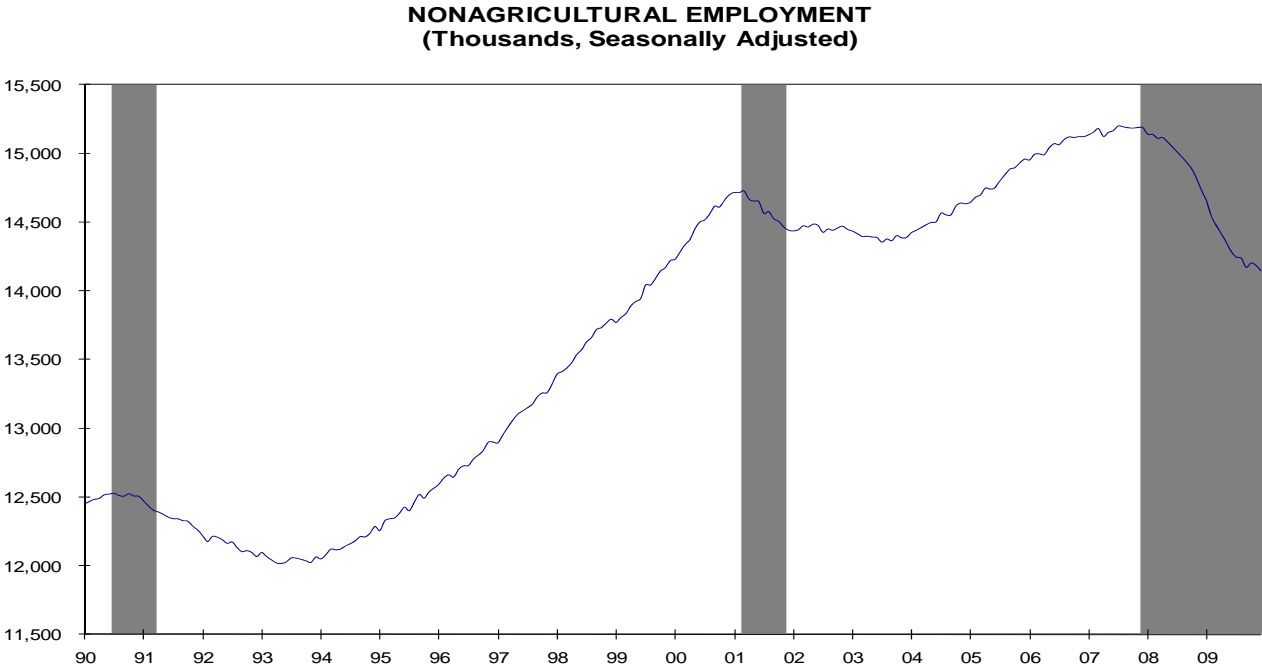
Whenever appropriate, data used in the charts have been seasonally adjusted. The method of seasonal adjustment is the X-12 Arima program. Persons interested in a detailed description of this method are referred to the U.S. Census Bureau's Statistical Research Division.

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.

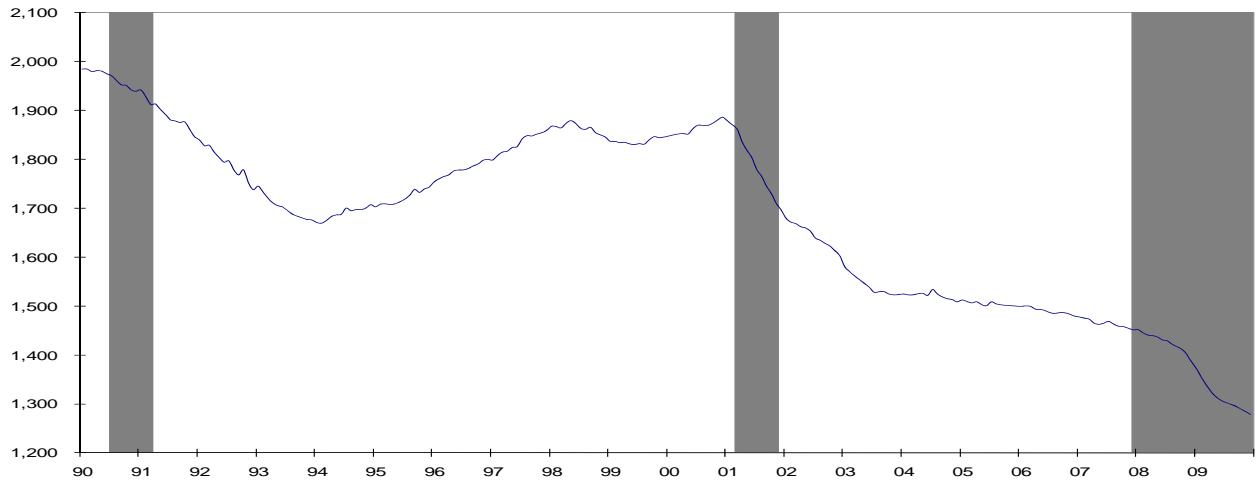
The manufacturing employment series is an addition to the NBER indicator list. It is used here because it appears to show cyclical fluctuations clearly and extends the limited number of series presently available for the State.

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.

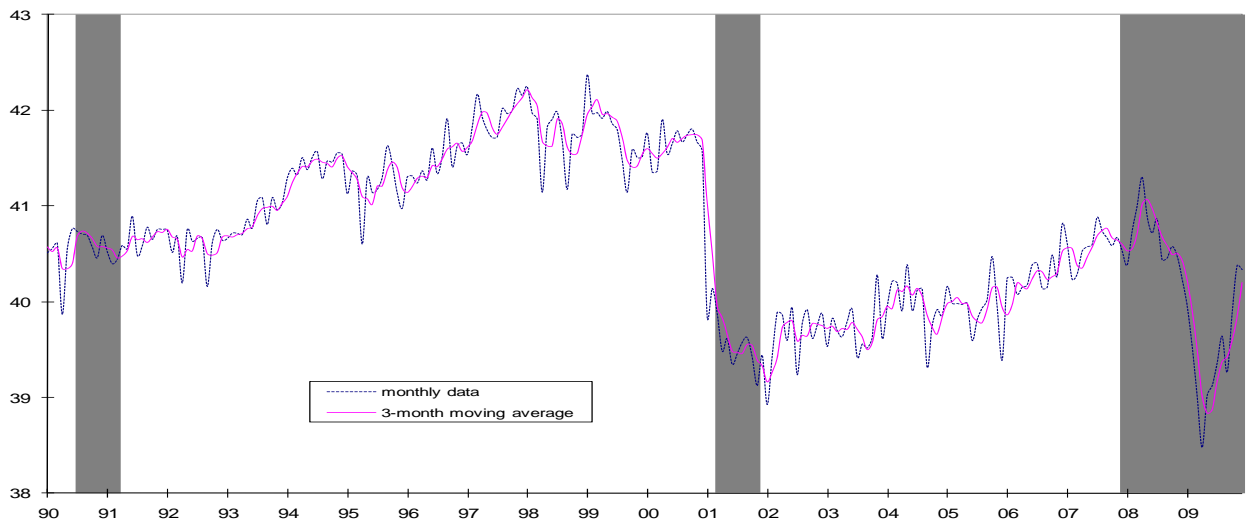
The other indicators shown are for general interest only. They are not directly related to the cyclical indicator series, but are of interest to persons looking at overall economic developments.



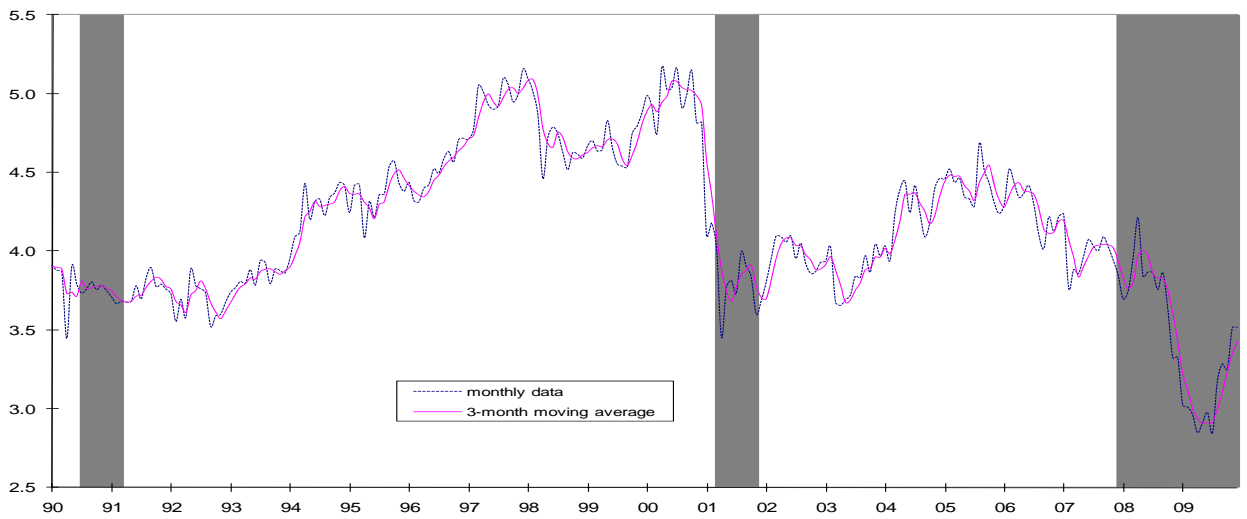
**MANUFACTURING EMPLOYMENT
(Thousands, Seasonally Adjusted)**



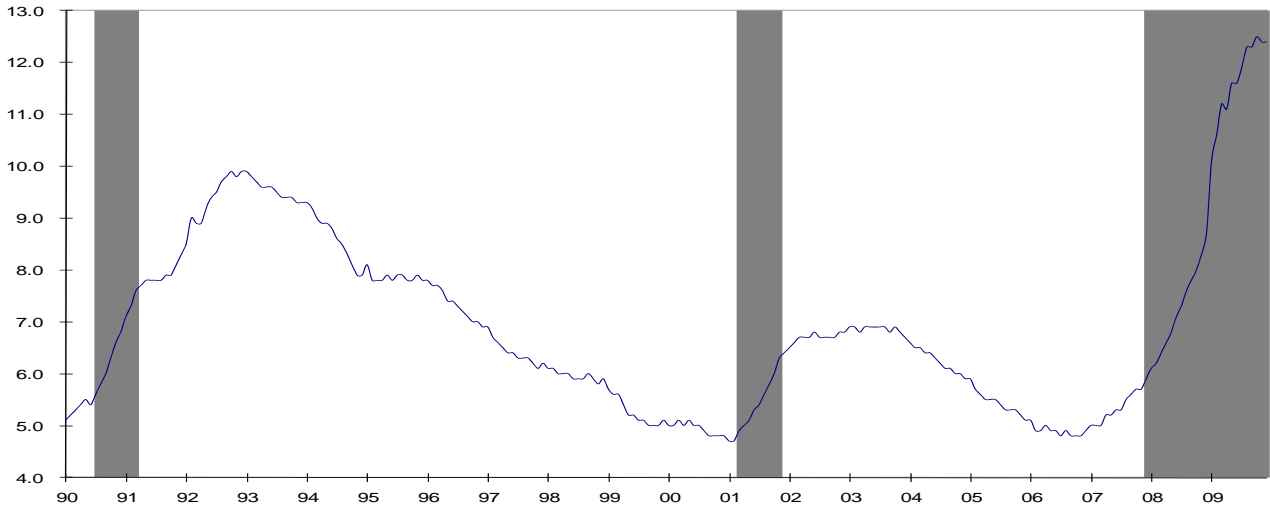
**AVERAGE WEEKLY HOURS, MANUFACTURING
(Seasonally Adjusted)**



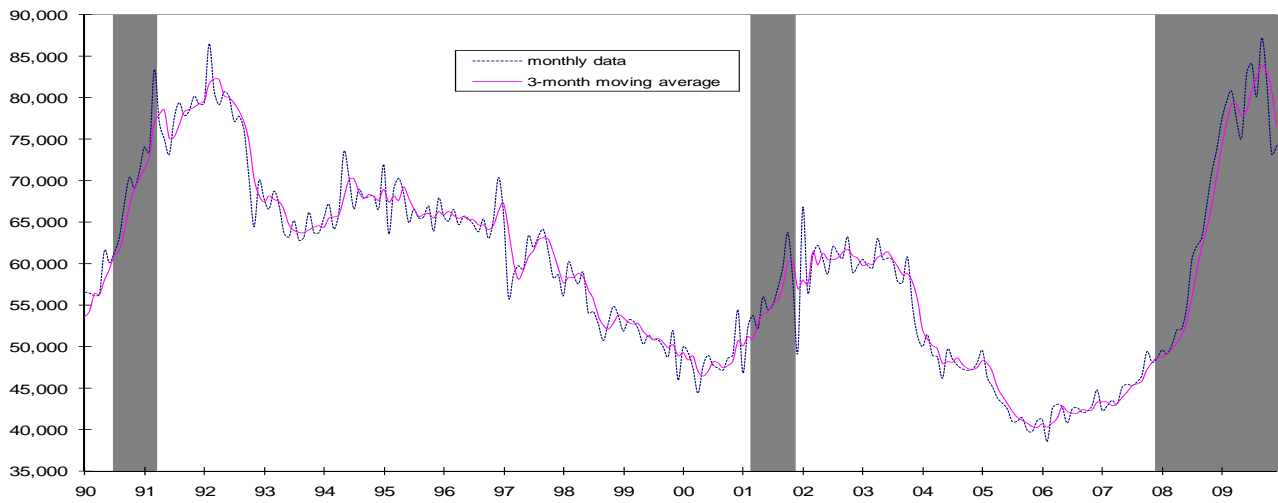
**AVERAGE OVERTIME HOURS, MANUFACTURING
(Seasonally Adjusted)**



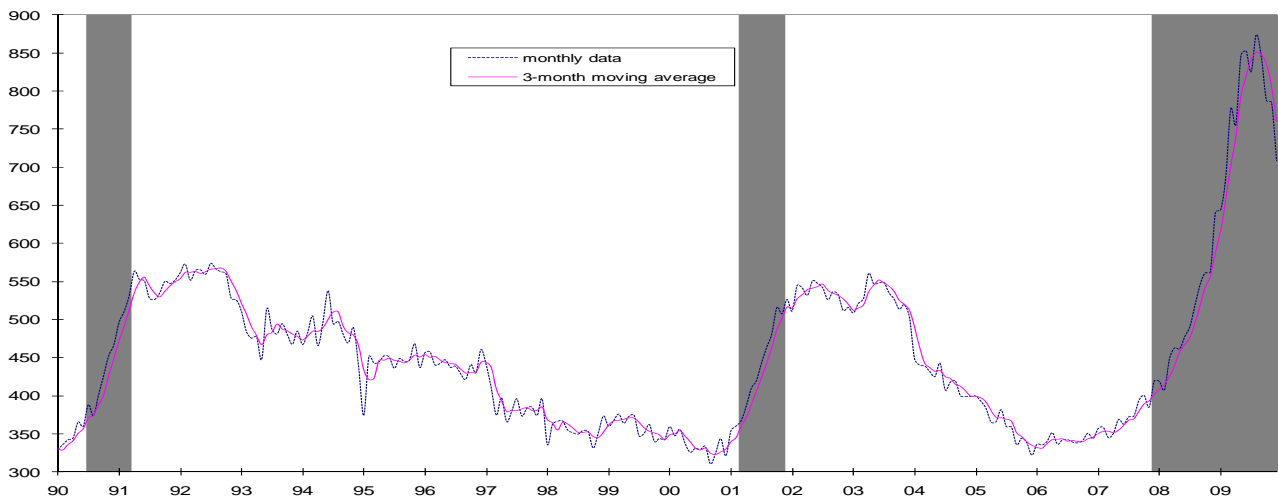
**UNEMPLOYMENT RATE
(Percent)**



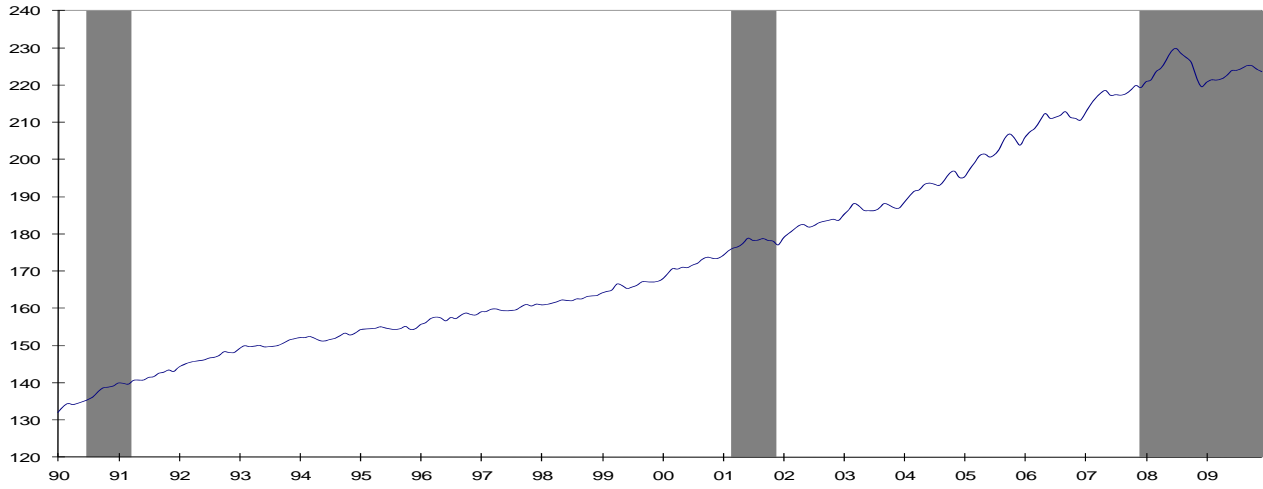
**INITIAL AND TRANSITIONAL CLAIMS FOR UNEMPLOYMENT INSURANCE
(Weekly Average, Seasonally Adjusted)**



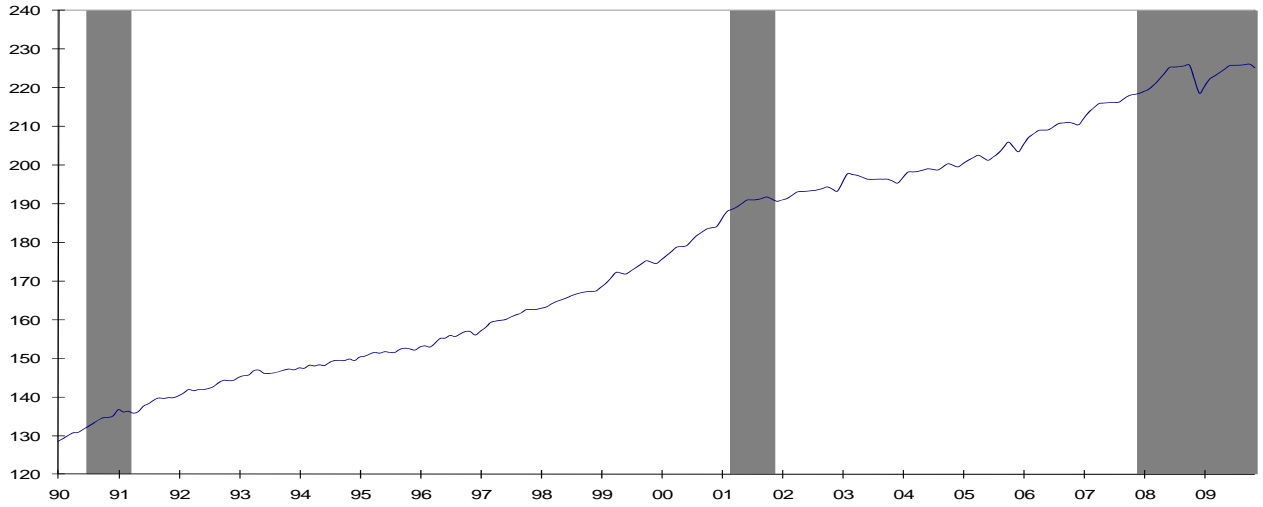
**UNEMPLOYMENT, AVERAGE WEEKS CLAIMED
(Thousands, Seasonally Adjusted)**



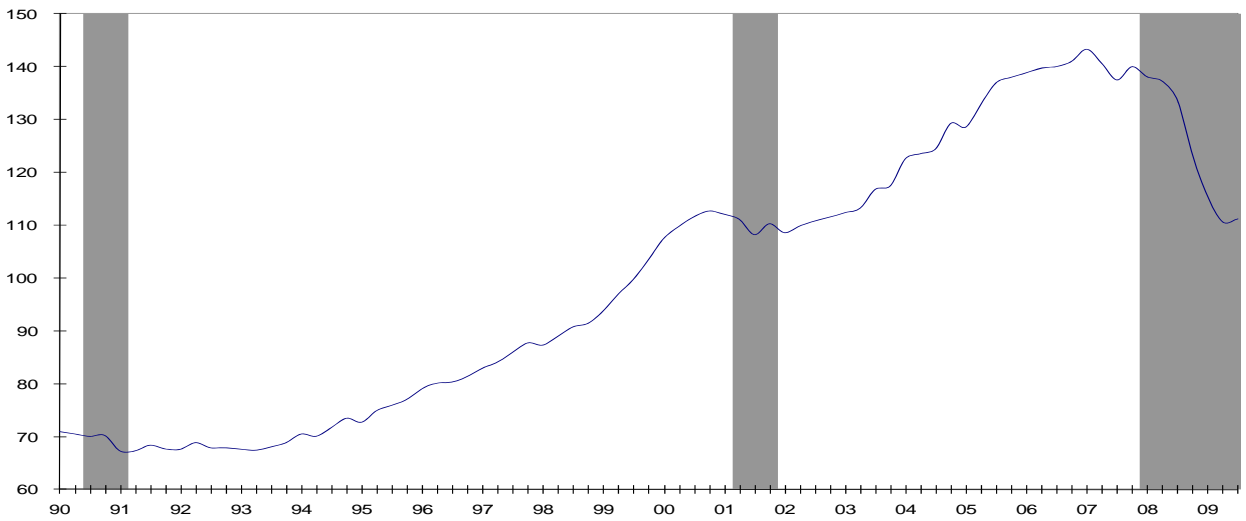
**CONSUMER PRICE INDEX, LOS ANGELES
(1982-84=100)**



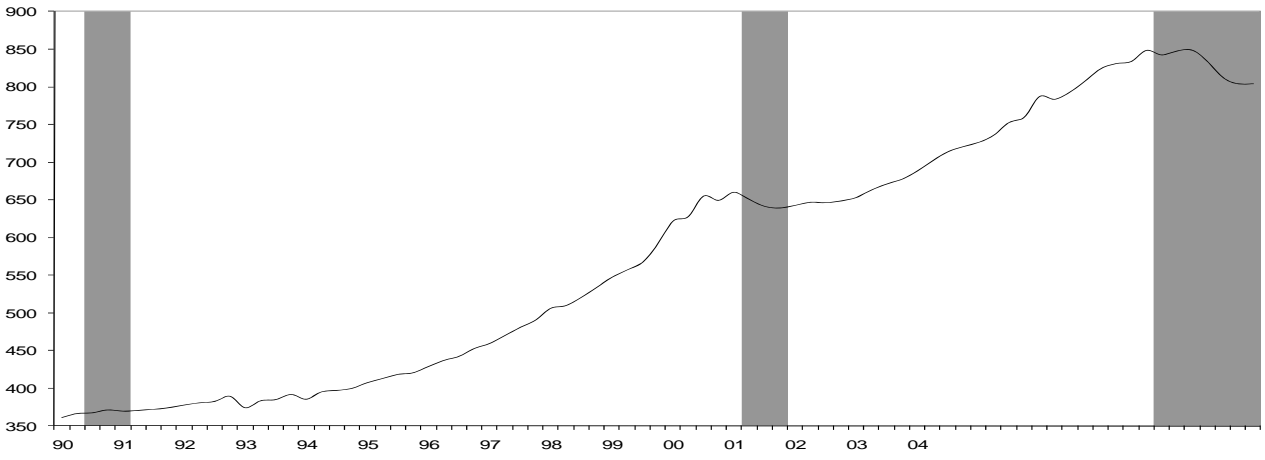
**CONSUMER PRICE INDEX, SAN FRANCISCO
(1982-84=100)**



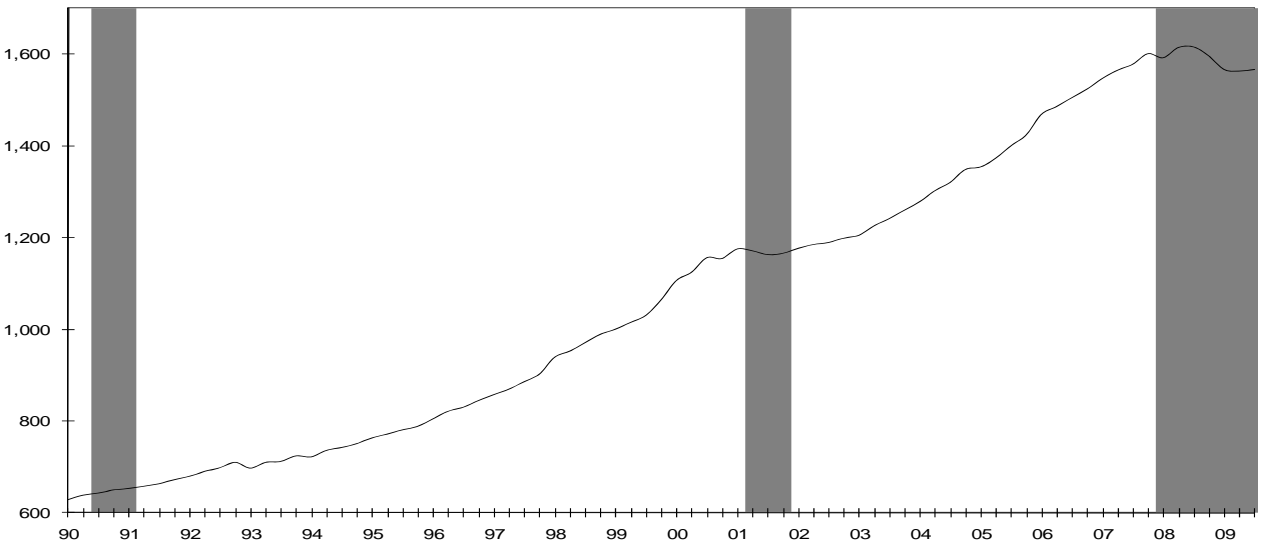
**TAXABLE SALES
(\$ Billions, Seasonally Adjusted)**



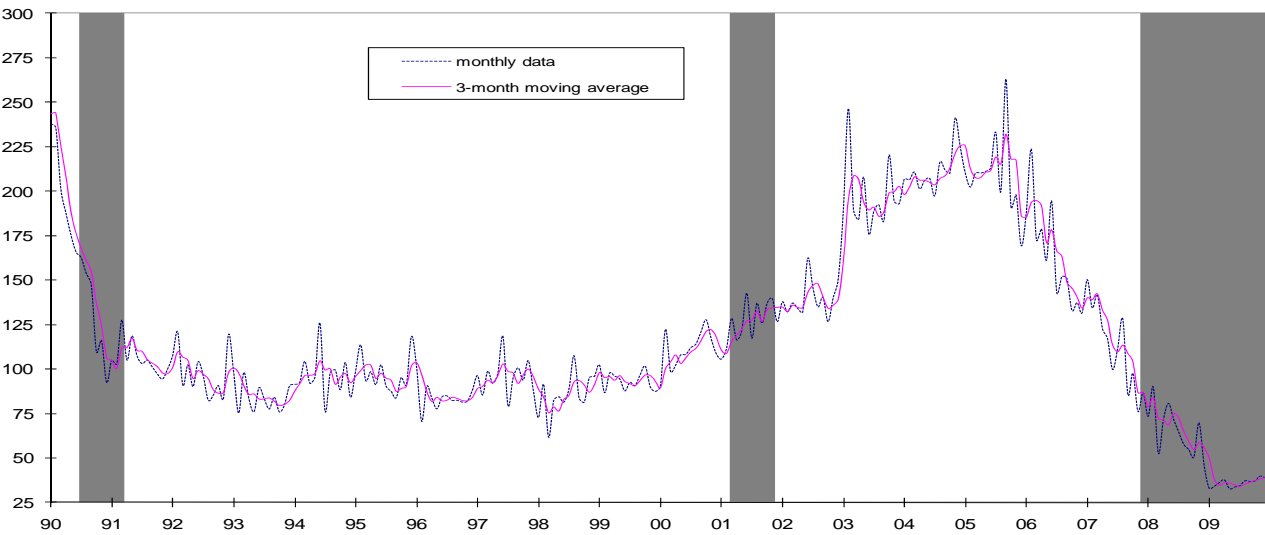
TOTAL WAGES AND SALARIES
(\$ Billions, Seasonally Adjusted)



PERSONAL INCOME
(\$ Billions, Seasonally Adjusted)



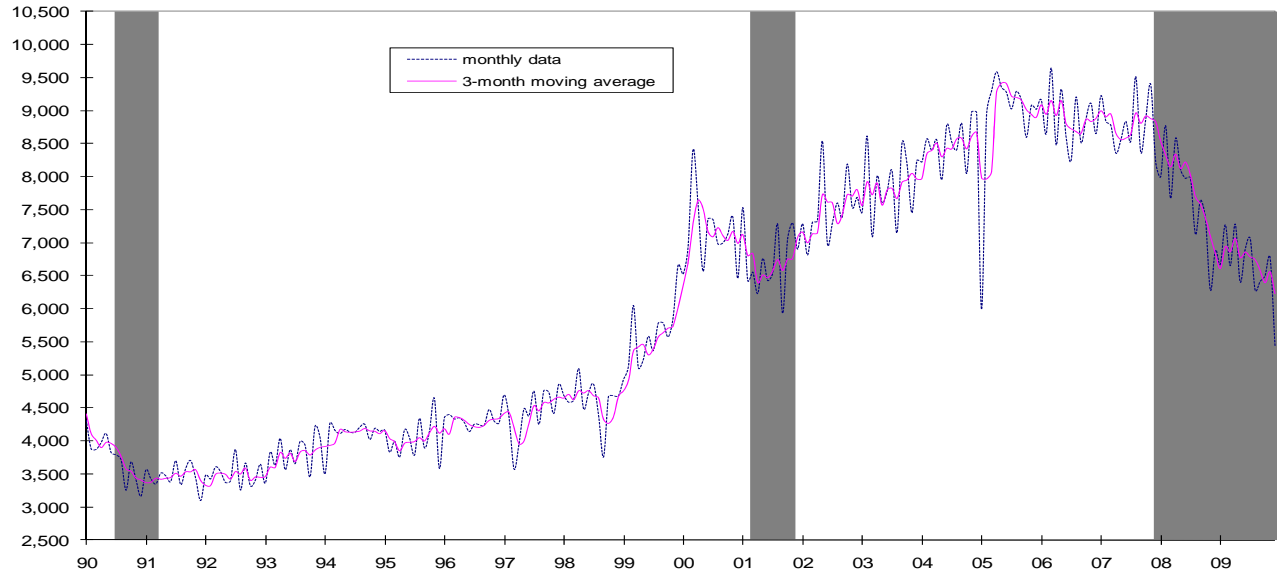
NEW HOUSING UNITS AUTHORIZED BY BUILDING PERMITS
(Thousands, Seasonally Adjusted At Annual Rate)



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.

---2009---

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.
October 14	Dow closes above 10,000 for the first time in a year.
October 29	Third quarter GDP increased at an annual rate of 3.5 percent.
November 6	Jobless benefit extended. Homebuyer tax credit extended and expanded.
December 22	Third quarter GDP annual growth rate is 2.2%, per final estimate.

December 31 Down 25 percent at its March 9, 2009 nadir, the Dow Jones industrial average rose 59 percent, and finished the year up 19 percent. The Nasdaq increased 79 percent and ended 2009 up 44 percent. The S&P 500 rose 65 percent, finishing the year up 23 percent.

---2010---

January 13 S&P lowered California's bond rating to A- from A.

January 28 The Senate confirmed Federal Reserve Chairman Ben Bernanke's second term.

February 18 The Federal Reserve raised the discount rate charged to banks for direct loans by a quarter point to 0.75 percent.

February 26 Fourth quarter GDP increased at an annual rate of 5.9 percent.

February 27 Chile earthquake