



# CALIFORNIA Economic Indicators

March-April 2010

## New Year Begins With Unclear Signals

This year began on a better footing than 2009 did, but there were still no signs of a robust recovery.

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### REVIEW OF RECENT ECONOMIC DEVELOPMENTS

While 2010 began with broad-based job gains and a boost in home building, other news was muted. The unemployment rate rose in January. Business construction appeared to be stuck in low gear. Existing home sales started the year out weak. While the economy appears to have stabilized, there is little sign that sustained growth is underway yet.

#### EMPLOYMENT

##### A job gain to start off 2010

California gained 32,500 nonfarm jobs in January 2010—a good gain that was widely spread across eight of eleven major industry sectors. (Source: EDD)

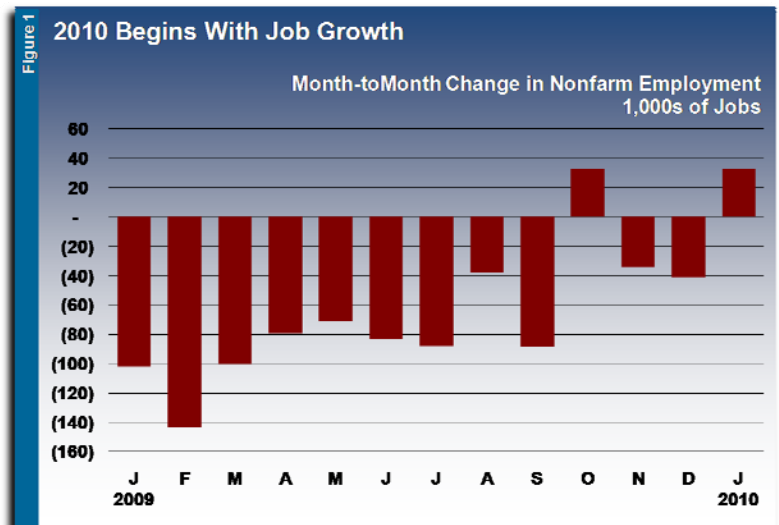
Construction added 16,200 jobs; manufacturing, 8,900; education and health services, 7,100; trade, transportation, and utilities, 5,500; government, 4,500; leisure and hospitality, 2,000; other services, 1,200; and natural resources and mining, 500. Three industries lost jobs: Financial Activities lost 400 jobs; Professional and Business Services, 900; and Information, 12,100.

Nonfarm payroll employment fell by 701,700 from January 2009 to January 2010, a 4.8-percent drop. Only one industry sector added jobs over the year. Education and health services employment rose 12,400. Ten sectors lost jobs over the year, including 148,600 in trade, transportation, and utilities; 135,700 in professional and business services; 128,700 in construction; 119,300 in manufacturing; 59,200 in leisure and hospitality; 39,100 in financial activities; 36,800 in government; 30,000 in other services; 12,800 in information; and 3,600 in natural resources and mining.

Since the National recession began in December 2007, California has lost 1,339,000 industry jobs.

##### Unemployment rate rises

The state's unemployment rate rose 0.2 percentage point to 12.5 percent in January. The number of people unemployed in California was 2,266,500—up 32,600 over the month, and up 488,800 compared with January of last year.



A modest job gain at the start of 2010 was a welcome contrast to how 2009 began.

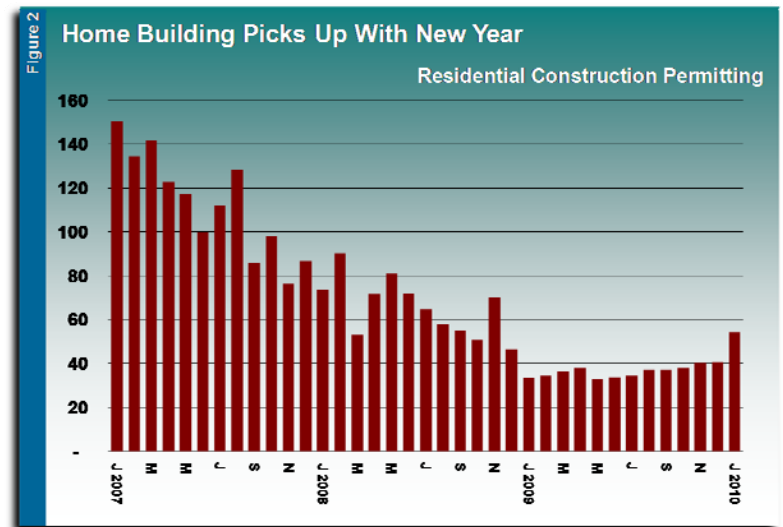
## BUILDING ACTIVITY

### Home building up over the year

In January, the pace of residential construction improved on a year-over-year basis for the first time in nearly four years. Residential permits were issued at a seasonally adjusted annual rate of 52,242 units, up over 57 percent from a year earlier. The last year-over-year gain was in February 2006. Both single and multi-family construction were up substantially. Despite this gain, the overall level of construction activity is still down over 72 percent from January 2006.

### Nonresidential building is stuck in low gear

Nonresidential construction permitting fell 18 percent in January from a year earlier. The weakness was widespread with slowing in all building categories except offices and industrial, which were up 3.8 percent and 11.4 percent, respectively. Nevertheless, nonresidential building activity has fluctuated within a relatively narrow (and low) range since the beginning of 2009.



*January saw the first year-over-year growth in nearly four years.*

## REAL ESTATE

### 2010 is off to a slow start

The pace of home sales and prices dropped at the beginning of 2010. Sales of existing, single-family detached homes totaled 539,040 units at a seasonally adjusted annualized rate [in January](#). This is down nearly 11 percent from a year earlier and down 3.5 percent from December. On the good side, sales remained above the 500,000-unit threshold for the 17th consecutive month.

The median price of existing, single-family homes sold in January (\$287,440) dipped from December but was up 15 percent from a year earlier.

The unsold inventory index rose to 5.8 months—a 2-point jump from December. The median number of days needed to sell a home, though, fell 2 days from December to 33.8 days, which is also a 16-day improvement from a year earlier. (Source: [California Association of Realtors](#))

## MAJOR REVISIONS TO EMPLOYMENT ESTIMATES

Employment estimates are the most closely watched indicators of the economy's health. There are two different monthly employment reports that illuminate California labor market conditions; the nonfarm, or payroll, estimates and the household estimates (the source of the unemployment rate). Both received major revisions when the first figures of 2010 were released in March. These changes affect the historical picture of the recent as well as the distant past. To unravel this new picture, it is helpful to review how these estimates are made and what changes have been made.

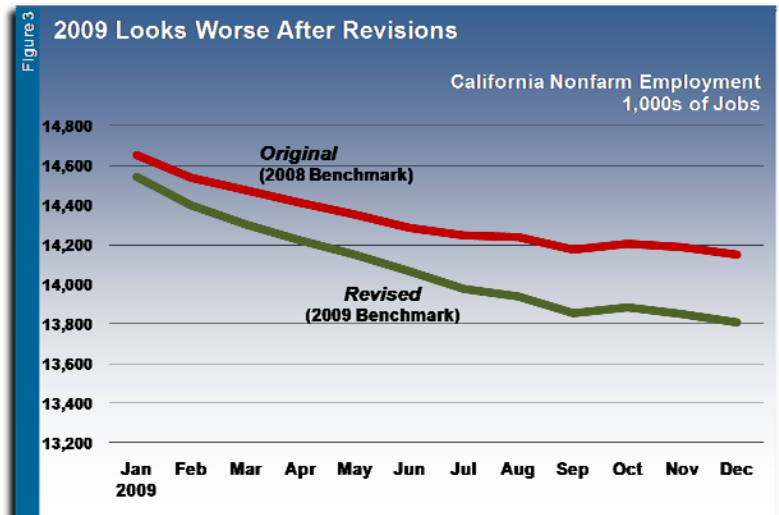
### RECENT HISTORY CHANGED DRAMATICALLY

Due to the unprecedented severity of the recession that began at the end of 2007, it is not surprising that the revisions show that labor market conditions in 2008 and 2009 were worse than originally thought. Revised estimates in both the payroll series and the household series were weaker than in the previous estimates.

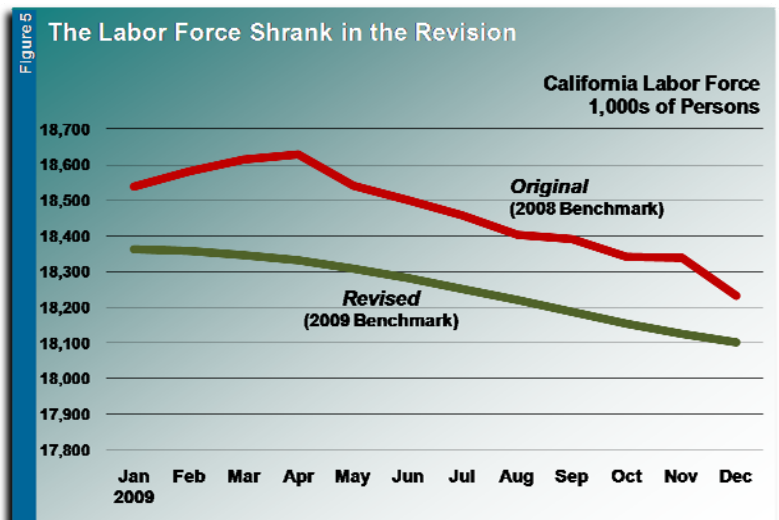
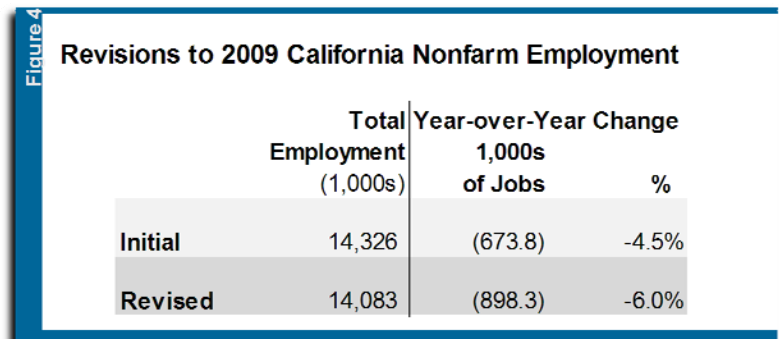
The payroll series received the most dramatic revisions. Not only was the level of employment reduced, but the rate of job loss increased substantially. Nonfarm payroll losses in 2009 were raised by 224,550, a whopping 33 percent. The estimated losses in 2008 were boosted 17,230, or 10 percent. The pace of year-over-year job losses in 2009 was revised to 6.0 percent from an already dismal 4.5-percent. The pace of losses in 2008 was adjusted from 1.1 percent to 1.3 percent.

The fact that the 2009 unemployment rate was lowered by the revisions—from 11.7 percent to 11.5 percent—belies the deterioration indicated by the underlying details. The revisions lowered household employment in 2009 by 165,400 jobs, or 1.0 percent. The big change appeared in the labor force estimates. The size of the labor force in 2009 was revised down 222,100, or 1.2 percent. This meant that the change in the labor force in 2009 went from a 0.4-percent **increase** to a 0.1-percent **drop**. On balance, these revisions lowered the unemployment rate, but actually indicate that the employment situation was worse than previously believed—more jobs were lost and more people were discouraged from looking.

To better interpret these new figures, it is important to understand how the series are developed and revised. The dramatic change in the industry employment "history" resulted from an estimation process that typically underestimates the impact of economic ups and downs. The changes to the household estimates stem from a new estimation process that now includes a statistical "smoothing" step to reduce the volatility in the estimates.



*The benchmark revisions reduced 2009 nonfarm employment levels and growth.*



*Labor force growth was much weaker than originally thought.*

## Revisions to 2009 California Household Employment

	Employment			Unemployment			Labor Force		
	Total (1,000s)	Year-over-Year (1,000s)	%	Total (1,000s)	Year-over-Year (1,000s)	%	Total (1,000s)	Year-over-Year (1,000s)	%
<b>Initial</b>	16,311	(748.6)	-4.4%	2,153	820.9	61.6%	18,464	72.3	0.4%
<b>Revised</b>	16,146	(789.6)	-4.7%	2,096	777.7	59.0%	18,242	(11.9)	-0.1%

## PAYROLL EMPLOYMENT IS THE MOST INFORMATIVE

The nonfarm, or payroll, series is considered to be the more useful of the two labor market measures. In the first place, it provides an insight to industry trends—the inner workings of the economy—and, second, it is based on a much larger survey sample than the household data. In addition, it can be verified or “benchmarked” using actual payroll tax tabulations from the unemployment insurance (UI) program, which covers virtually all private employers in the state.

The official payroll employment estimates are derived from a monthly establishment survey of about 36,000 firms that in total employ about 35 percent of all payroll employees in the state. Once each year, these estimates are calibrated, or “benchmarked” to the year’s first quarterly UI tax report (known as the ES-202). The current series uses a March 2009 benchmark. The first quarter tax information undergoes a rigorous review and editing process to ensure its accuracy and completeness. The official estimates for the second quarter are based on the establishment survey and only in part on ES-202 data since it has not been reviewed as thoroughly. Thereafter, until a new benchmark is established the following year, monthly estimates are calculated based solely on the trends indicated by the establishment survey.

### The survey under-represents small and new firms

Even though the establishment survey is a better indicator than the household series, it has a significant shortcoming. Virtually all large employers are included in the monthly survey, but smaller establishments are only sampled. Moreover, the sample is drawn from a “universe” of payroll tax payers who have filed returns for at least two consecutive years. Thus, there is an inevitable lag between a firm opening for business and when it can be picked up by the survey. This feature, coupled with other lags in the system, means that new firms created in the most recent three to four years are excluded from the survey. Similarly, businesses that have closed are less likely to respond to the survey which means that the associated job losses aren’t reflected in the monthly survey results. Hard information on business births and deaths eventually becomes available and are incorporated only during the annual benchmarking process.

**A benchmark is a reliable data point which is used to control less reliable estimates.**

Since the core payroll employment estimation process misses the churning of new/small businesses, it systematically underestimates the net job growth from business births and deaths. To correct for this and to minimize the adjustments that result from annual benchmarking, in 2000, the Bureau of Labor Statistics (BLS) implemented a net birth/death model.<sup>1</sup> This model estimates a residual net contribution of business births and deaths that are missed.

The ability of this model to make corrections, though, is limited because it is based on historical data. Thus, there will still likely be significant revisions when economic performance deviates substantially from historical patterns, as happened in 2009. Thus, the unprecedented severity of the current recession largely explains the dramatic downward revision made to the payroll series.

## SMOOTHER UNEMPLOYMENT ESTIMATES

The household estimate revisions published in March reflect tinkering with the estimation methodology. In this case, the change was designed to mitigate problems stemming from a previous modification of the methodology.

In 2005, the BLS introduced a major redesign of the local area estimation methodology. 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 often resulted in significant annual revisions to historical state level data. Unfortunately, the 2005-methodology adopted to address these problems resulted in startling month-to-month volatility. This volatility, in turn, cast doubt on the reliability of monthly readings developed throughout the year.

<sup>1</sup> This replaced a “bias adjustment factor model” which had been in effect since the early 1960s.

## The LAUS Process

There are several steps in the Local Area Unemployment Statistics (LAUS) process. It starts with a monthly nationwide survey of households about their employment situation. These survey results are scaled up to derive national estimates of the size of the labor force, the number employed and the number unemployed. Then, state-level estimates are derived. In addition to making these monthly estimates, each year the estimation process is recalibrated, or benchmarked, and historical estimates are revised and published.

A benchmark is a reliable data point to which much less reliable estimates are controlled. The pre-2005 LAUS method used each state's annual average employment and unemployment figures as a benchmark. It was a retrospective benchmarking based on twelve months of historical data, which led to significant annual revisions to historical data.

The redesigned process implemented in 2005 uses "real-time benchmarking" to minimize annual revisions and 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." Division estimates are developed for the nine national Census divisions from a time-series model using the survey responses from within that division. 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.

The variation between the 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<sup>2</sup>. 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 that appeared in the California estimates. The 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 "smoothing" step was added

Immediately after the 2005 redesign was implemented, many of the data users were surprised by significantly greater month-to-month volatility that appeared in the official seasonally-adjusted employment and unemployment estimates. Throughout each year, as the monthly estimates were released there was chronic, extraordinary and record-setting movements. However, all of this volatility vanished when the revised benchmarked data was released the following year. To address this volatility problem, the BLS modified the procedure for the seasonally-adjusted estimates by implementing a smoothing methodology for both current and historical seasonally-adjusted series.<sup>3</sup> According to the BLS,

"The estimates are smoothed using the Henderson Trend Filter (H13), which suppresses irregular variation in real time. The H13 has a long history of smoothing seasonally-adjusted estimates in the X-11 and X-12 seasonal adjustment software to produce trend estimates. The H13 uses a filtering procedure, based on moving averages, to remove the irregular fluctuations from the seasonally-adjusted series, leaving the trend. Symmetric moving averages are used to smooth the historical series while asymmetrical averages are used in real time. The symmetric filter sees both the future and the past, has 13 terms, and does not over smooth the trend cycle. The asymmetric filter is used in real time as each current month's estimate is an end point. It has seven terms and does not introduce lags in identifying turning points."

What this means, unfortunately, is that each month's seasonally adjusted estimate is the result not just of the survey responses for that month, but also the estimates from the preceding months. This takes the household estimates one more step away from being a precise reading of the state's true current labor market condition—the first step being the introduction of real-time benchmarking in 2005. While this should drastically reduce month-to-month volatility, it still means that despite the shortcoming mentioned above, the payroll, or nonfarm, employment series is still the most reliable economic indicator. The introduction of "smoothing" also explains much of the dramatic revision of the household estimates released in March.

**Smoothing takes the household estimates one more step away from being a precise reading of the state's current labor market condition.**

<sup>2</sup> The Pacific Census Division includes California, Washington, Oregon, Hawaii, and Alaska.

<sup>3</sup> The entire series of seasonally-adjusted estimates for all States, the District of Columbia, New York City, the Los Angeles metropolitan area, and the respective balances of New York and California will be replaced from January 1976 through December 2009.

# Select Indicators

	2009		2010			Year-Over % Change
	Apr	Jan	Feb	Mar	Apr	
<b>EMPLOYMENT (Seasonally adjusted)</b>						
Civilian employment (000)	16,321	15,850	15,885	15,939	16,015	-1.9%
Unemployment (000)	2,010	2,269	2,277	2,307	2,300	14.4%
Unemployment rate	11.0%	12.5%	12.5%	12.6%	12.6%	--
Nonagricultural wage and salary employment (000) a/	14,221.3	13,835.0	13,837.8	13,851.8	13,866.0	-2.5%
Goods-producing industries	1,976.7	1,843.7	1,824.8	1,821.4	1,815.7	-8.1%
Mining and logging	26.4	24.6	24.2	24.4	24.7	-6.4%
Construction	646.1	577.8	558.5	555.7	553.8	-14.3%
Manufacturing	1,304.2	1,241.3	1,242.1	1,241.3	1,237.2	-5.1%
Service-providing industries	12,244.6	11,991.3	12,013.0	12,030.4	12,050.3	-1.6%
Trade, transportation, and utilities	2,665.7	2,575.3	2,579.6	2,583.1	2,580.1	-3.2%
Information	442.4	437.7	452.3	450.1	447.6	1.2%
Financial activities	804.4	782.6	780.5	778.9	777.8	-3.3%
Professional and business services	2,072.8	2,020.6	2,031.0	2,032.2	2,035.3	-1.8%
Educational and health services	1,734.5	1,754.7	1,760.5	1,768.0	1,766.6	1.9%
Leisure and hospitality	1,510.8	1,478.7	1,471.1	1,474.3	1,483.6	-1.8%
Other services	491.7	468.5	470.7	475.8	477.3	-2.9%
Government	2,522.3	2,473.2	2,467.3	2,468.0	2,482.0	-1.6%
Federal government	262.8	251.2	247.8	250.7	264.3	0.6%
State and local government	2,259.5	2,222.0	2,219.5	2,217.3	2,217.7	-1.8%
High-technology industries b/	837.9	819.9	820.0	820.4	817.0	-2.5%
Computer and electronic products manufacturing	282.1	271.1	272.1	272.6	272.0	-3.6%
Aerospace products and parts manufacturing	72.1	69.2	69.1	69.2	68.6	-4.9%
Software publishers	44.3	43.6	43.3	43.3	43.2	-2.5%
Telecommunications	113.2	109.6	109.1	107.9	105.5	-6.8%
Internet service providers, web portals and data processing	19.3	19.2	19.6	19.3	19.6	1.6%
Computer systems design	195.8	196.1	195.8	197.0	196.6	0.4%
Scientific research and development	111.1	111.1	111.0	111.1	111.5	0.4%
<b>HOURS AND EARNINGS IN MANUFACTURING (Not seasonally adjusted)</b>						
Average weekly hours	38.4	39.7	39.2	39.6	39.9	3.9%
Average weekly earnings	\$680.06	\$735.24	\$733.82	\$748.44	\$740.15	8.8%
Average hourly earnings	\$17.71	\$18.52	\$18.72	\$18.90	\$18.55	4.7%
<b>CONSUMER PRICE INDEX (1982-84=100) (Not seasonally adjusted)</b>						
All Urban Consumers Series						
California Average	222.9	NA	225.6	NA	227.0	1.8%
San Francisco CMSA	223.9	NA	226.1	NA	227.7	1.7%
Los Angeles CMSA	221.7	224.6	224.6	225.5	225.9	1.9%
Urban Wage Earners and Clerical Workers Series						
California Average	214.7	NA	218.3	NA	219.8	2.4%
San Francisco CMSA	218.6	NA	222.0	NA	223.8	2.4%
Los Angeles CMSA	213.4	217.3	217.1	218.2	218.5	2.4%
<b>CONSTRUCTION</b>						
Private residential housing units authorized (000) c/						
Single units	24	31	28	26	23	-5.8%
Multiple units	14	23	22	10	13	-7.6%
Residential building authorized valuation (millions) d/	\$11,659	\$14,995	\$13,844	\$12,610	\$11,993	2.9%
Nonresidential building authorized valuation (millions) d/	\$11,451	\$10,570	\$11,024	\$11,417	\$10,648	-7.0%
Nonresidential building authorized valuation (millions) e/						
Commercial	2,227	1,065	1,804	1,877	2,441	9.6%
Industrial	341	436	409	1,193	106	-69.0%
Other	2,478	1,321	1,257	1,514	2,741	10.6%
Alterations and additions	7,415	6,068	5,756	7,872	6,276	-15.4%
<b>AUTO SALES (Seasonally adjusted)</b>						
New auto registrations (number)	90,193	89,670	92,293	87,155	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, FIRST QUARTER 2010									
(Percent)									
		Office Vacancy		Office Vacancy		Office Vacancy		Industrial Availability	
		Downtown		Suburban		Metropolitan			
		1Q10	1Q09	1Q10	1Q09	1Q10	1Q09	1Q10	1Q09
Northern and Central California:									
Oakland East-Bay		13.8	11.3	17.4	15.7	16.0	14.0	11.1	10.9
Sacramento		13.0	12.5	24.2	19.7	21.8	18.4	14.3	12.4
San Francisco		16.2	13.6	15.6	14.1	16.0	13.8	10.0	8.5
San Jose		22.2	18.4	21.0	19.1	21.2	19.0	17.2	14.8
Walnut Creek		NA	NA	17.4	15.0	17.4	15.0	13.5	14.5
Southern California:									
Inland Empire		NA	NA	24.0	21.8	24.0	21.8	15.9	14.7
Los Angeles Metro		17.4	15.3	16.3	13.9	16.5	14.1	8.3	6.7
Orange County		NA	NA	18.4	16.1	18.4	16.1	11.1	10.0
San Diego		16.1	16.0	20.9	21.3	20.1	20.4	15.9	13.3
Ventura County		NA	NA	23.9	24.9	23.9	24.9	NA	NA
National Average		15.1	12.3	19.1	17.1	17.8	15.5	13.4	11.5
<b>SALES OF EXISTING SINGLE-FAMILY HOMES</b>					<b>FOREIGN TRADE</b>		<b>DOD PRIME CONTRACTS a/</b>		
		Median	Units	Exports	Imports	\$ millions		% of U.S.	
		Price	(SAAR)	(\$ millions)					
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	\$249,960	602,660	\$9,640	\$21,730				
	Feb	247,590	620,410	9,987	16,926				
	Mar	249,790	504,200	11,149	20,895				
	Apr	253,110	526,720	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				
2010	Jan	\$287,440	539,040	\$11,973	\$22,934				
	Feb	279,840	529,836	12,806	22,869				
	Mar	301,790	516,912	14,366	24,904				
	Apr	306,230	483,830	NA	NA				
a/ U.S. fiscal year: October through September				NA Not available					

## Leading Indicators <sup>a/</sup>

		Manufacturing		Unemployment	New	Housing Unit
		Overtime	Average	Insurance	Business	Authorizations
		Hours	Weekly Hours	Claims	Incorporations	(Thousands)
2006	Jan	4.3	40.2	41,098	9,362	187.8
	Feb	4.7	40.7	38,618	8,670	223.8
	Mar	4.5	40.2	42,535	9,303	172.9
	Apr	4.3	40.1	43,296	8,958	179.0
	May	4.4	40.2	42,917	9,032	161.5
	Jun	4.4	40.5	40,897	8,370	194.5
	Jul	4.3	40.3	42,401	8,613	143.4
	Aug	4.1	40.2	42,889	8,844	152.2
	Sep	3.9	40.2	42,269	8,686	151.1
	Oct	4.2	40.4	41,973	8,923	133.2
	Nov	4.1	40.2	43,011	8,815	137.5
	Dec	4.2	40.6	44,979	9,151	131.9
2007	Jan	4.2	40.7	42,230	9,153	150.4
	Feb	3.9	40.7	42,868	8,793	134.6
	Mar	3.9	40.4	43,457	8,818	141.8
	Apr	3.9	40.6	43,332	8,410	123.0
	May	4.0	40.6	45,294	8,290	117.2
	Jun	4.1	40.6	45,620	8,964	100.0
	Jul	4.0	40.8	45,088	8,532	111.9
	Aug	4.0	40.8	46,046	9,123	128.4
	Sep	3.9	40.6	46,872	8,945	86.1
	Oct	4.0	40.5	48,953	8,538	97.8
	Nov	3.9	40.6	48,198	9,051	76.4
	Dec	3.8	40.3	48,873	8,758	86.9
2008	Jan	3.8	40.5	49,489	8,026	73.6
	Feb	4.0	39.9	49,128	8,228	90.1
	Mar	4.0	41.0	49,957	8,068	52.9
	Apr	4.2	41.5	52,545	8,247	71.8
	May	3.8	40.9	52,539	8,210	80.9
	Jun	3.7	40.8	55,059	8,051	72.0
	Jul	3.9	40.9	59,953	7,649	64.8
	Aug	3.7	40.3	62,641	7,416	58.0
	Sep	3.7	40.5	63,690	7,489	55.0
	Oct	3.7	40.6	66,171	7,087	50.8
	Nov	3.3	40.2	71,143	6,574	70.1
	Dec	3.4	40.2	74,433	6,767	46.3
2009	Jan	3.0	40.0	77,165	7,067	33.4
	Feb	3.0	38.2	79,595	7,085	34.4
	Mar	2.9	39.1	80,165	6,713	36.4
	Apr	2.8	38.7	78,042	6,991	37.9
	May	3.0	38.9	75,808	6,782	33.1
	Jun	3.0	39.1	83,023	6,636	33.6
	Jul	2.8	39.3	83,177	6,769	34.7
	Aug	3.1	39.5	80,885	6,526	38.6
	Sep	3.1	39.4	88,144	6,275	37.3
	Oct	3.2	39.6	80,727	6,515	37.7
	Nov	3.6	40.0	73,328	6,748	40.9
	Dec	3.5	39.9	74,884	5,355	40.3
2010	Jan	3.9	40.0	83,870	5,732	54.3
	Feb	3.7	40.0	75,344	5,468	49.4
	Mar	3.7	39.9	83,623	7,803	36.2
	Apr	4.0	40.2	85,920	NA	35.5
a/ Seasonally adjusted by the California Department of Finance.						
NA Not available						

### Coincident Indicators <sup>a/</sup>

		Nonagricultural	Manufacturing	Unemployment	Unemployment
		Employment (Thousands)	Employment (Thousands)	Rate (Percent)	Avg. Weeks Claimed (Thousands)
2007	Jan	15,136	1,477	4.9	361
	Feb	15,167	1,477	5.0	366
	Mar	15,194	1,476	5.0	342
	Apr	15,143	1,468	5.1	356
	May	15,164	1,464	5.2	365
	Jun	15,179	1,467	5.3	356
	Jul	15,203	1,468	5.4	372
	Aug	15,188	1,461	5.5	370
	Sep	15,169	1,455	5.5	391
	Oct	15,169	1,454	5.6	402
	Nov	15,182	1,453	5.7	383
	Dec	15,181	1,450	5.8	425
2008	Jan	15,141	1,451	5.9	426
	Feb	15,154	1,447	6.0	420
	Mar	15,128	1,444	6.1	443
	Apr	15,136	1,442	6.4	471
	May	15,095	1,438	6.6	453
	Jun	15,061	1,433	7.0	470
	Jul	15,000	1,431	7.3	490
	Aug	14,958	1,424	7.5	512
	Sep	14,903	1,417	7.8	540
	Oct	14,835	1,407	8.2	565
	Nov	14,725	1,392	8.7	558
	Dec	14,646	1,377	9.2	650
2009	Jan	14,543	1,359	9.7	659
	Feb	14,401	1,336	10.2	710
	Mar	14,300	1,318	10.6	760
	Apr	14,221	1,304	11.0	771
	May	14,150	1,292	11.3	827
	Jun	14,067	1,277	11.6	840
	Jul	13,979	1,264	11.8	824
	Aug	13,941	1,256	12.0	860
	Sep	13,852	1,248	12.1	832
	Oct	13,885	1,245	12.2	792
	Nov	13,851	1,239	12.3	779
	Dec	13,810	1,231	12.3	717
2010	Jan	13,835	1,241	12.5	691
	Feb	13,838	1,242	12.5	676
	Mar	13,852	1,241	12.6	685
	Apr	13,866	1,237	12.6	646
		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	\$1,566,092	\$812,203	\$115,784	
	Qtr II	1,565,040	803,257	110,638	
	Qtr III	1,555,425	788,627	111,204	
	Qtr IV	1,570,998	791,004	114,466	

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

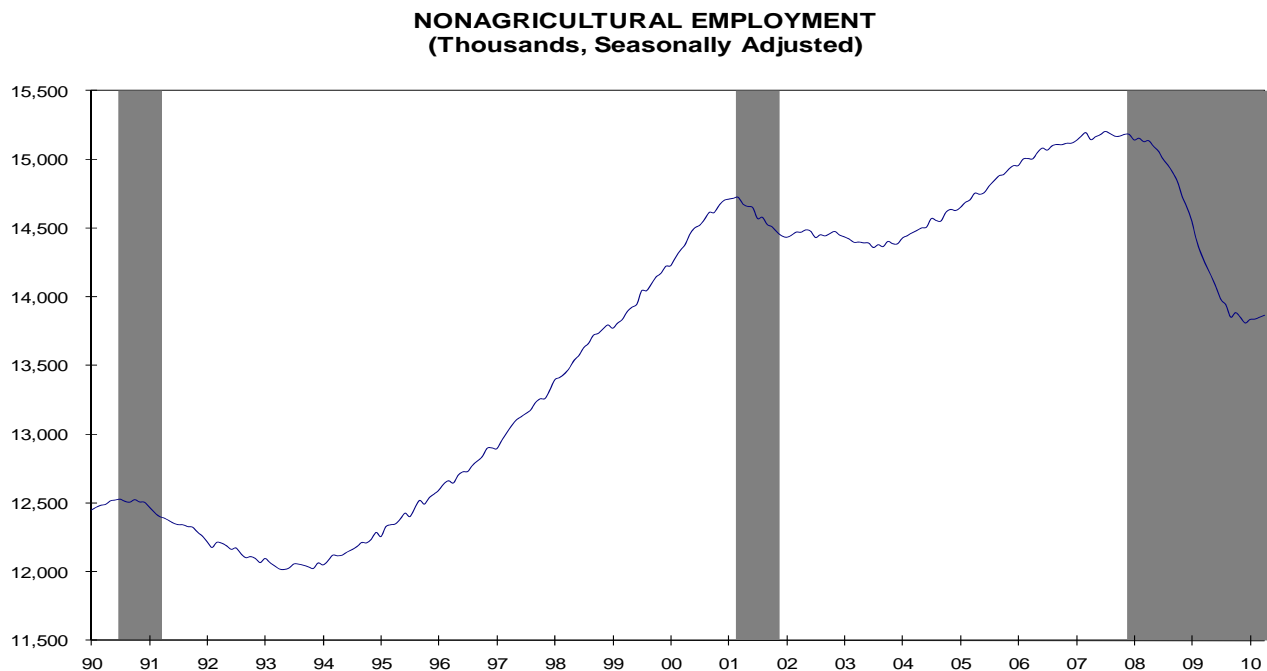
Whenever appropriate, data used in the charts have been seasonally adjusted. The method of seasonal adjustment is the X-12 Arima program. Persons interested in a detailed description of this method are referred to the U.S. Census Bureau's Statistical Research Division.

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.

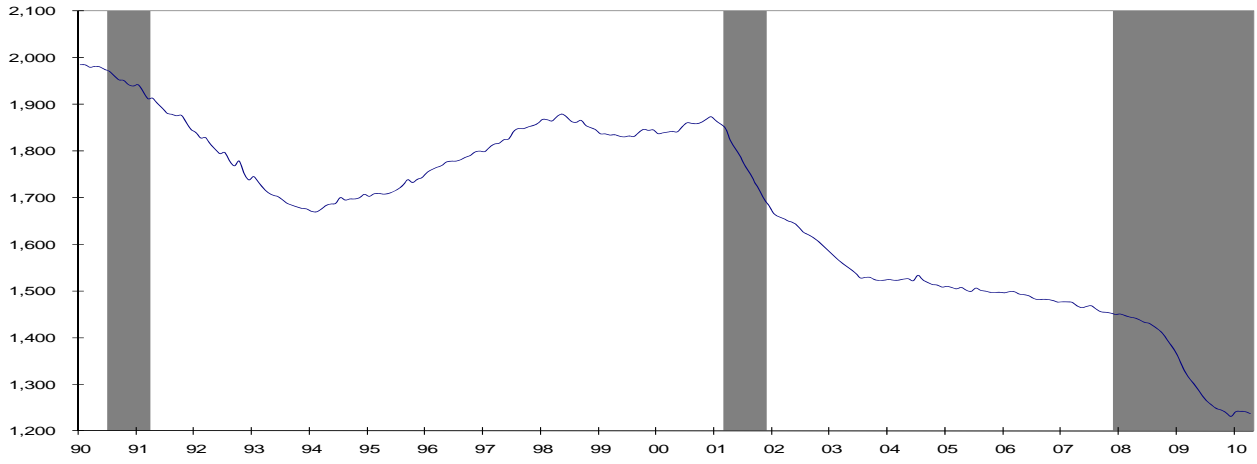
The manufacturing employment series is an addition to the NBER indicator list. It is used here because it appears to show cyclical fluctuations clearly and extends the limited number of series presently available for the State.

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.

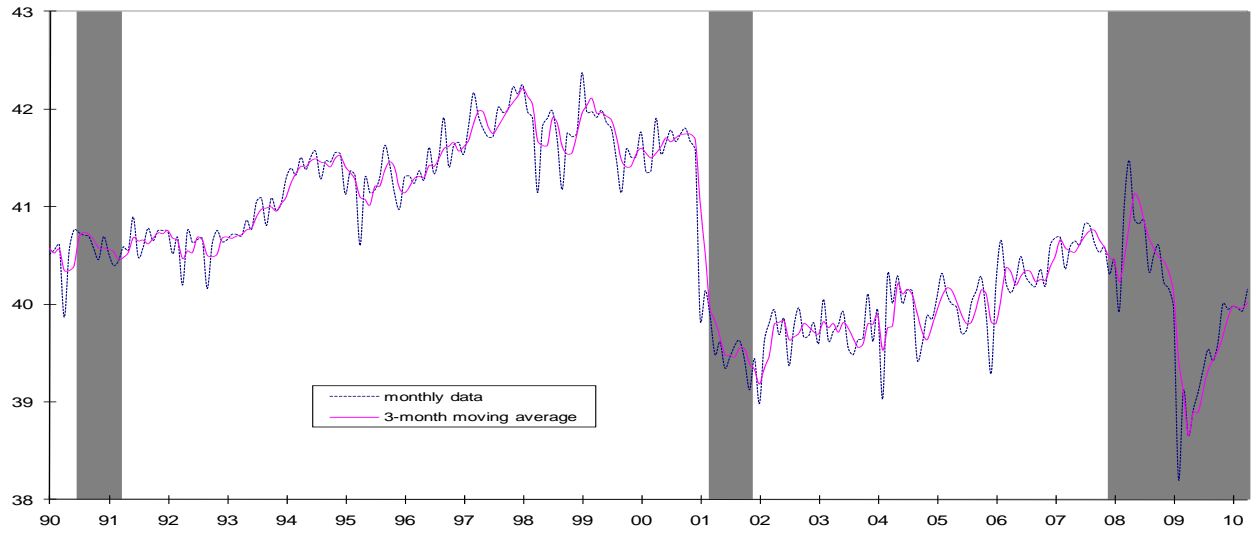
The other indicators shown are for general interest only. They are not directly related to the cyclical indicator series, but are of interest to persons looking at overall economic developments.



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



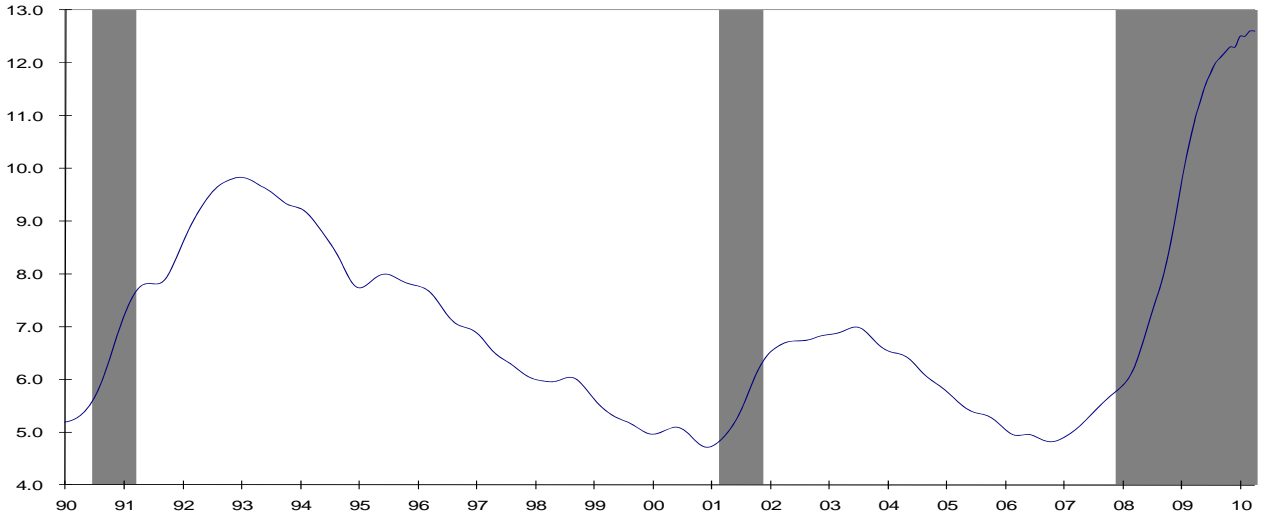
**AVERAGE WEEKLY HOURS, MANUFACTURING  
(Seasonally Adjusted)**



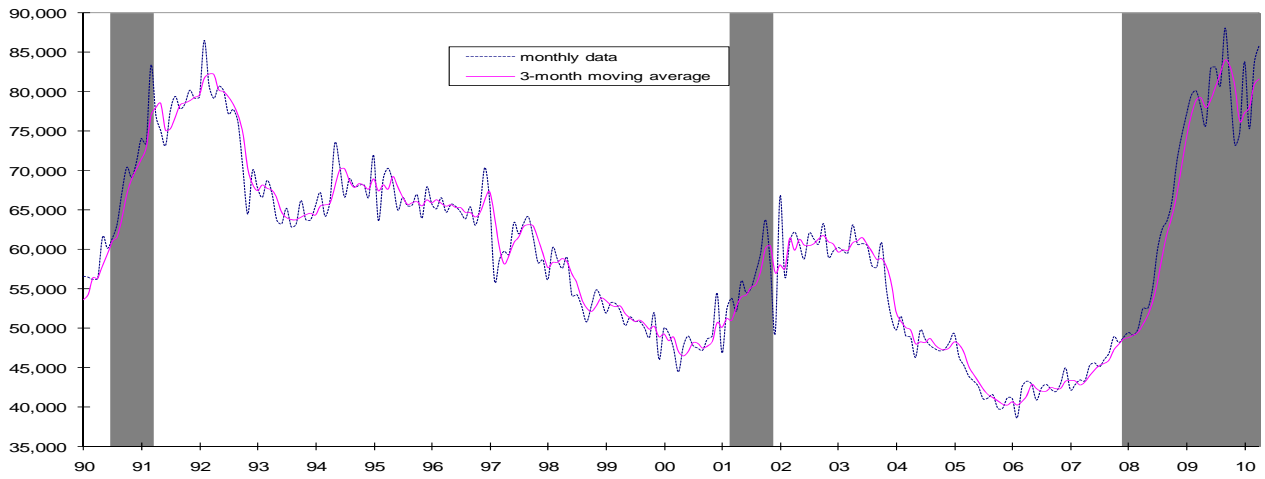
**AVERAGE OVERTIME HOURS, MANUFACTURING  
(Seasonally Adjusted)**



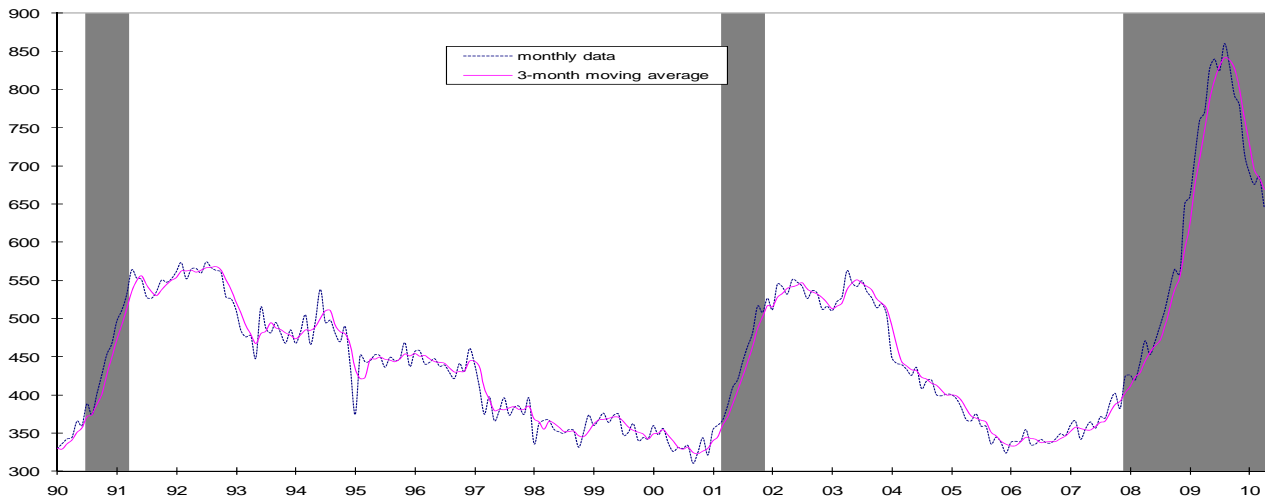
**UNEMPLOYMENT RATE  
(Percent)**



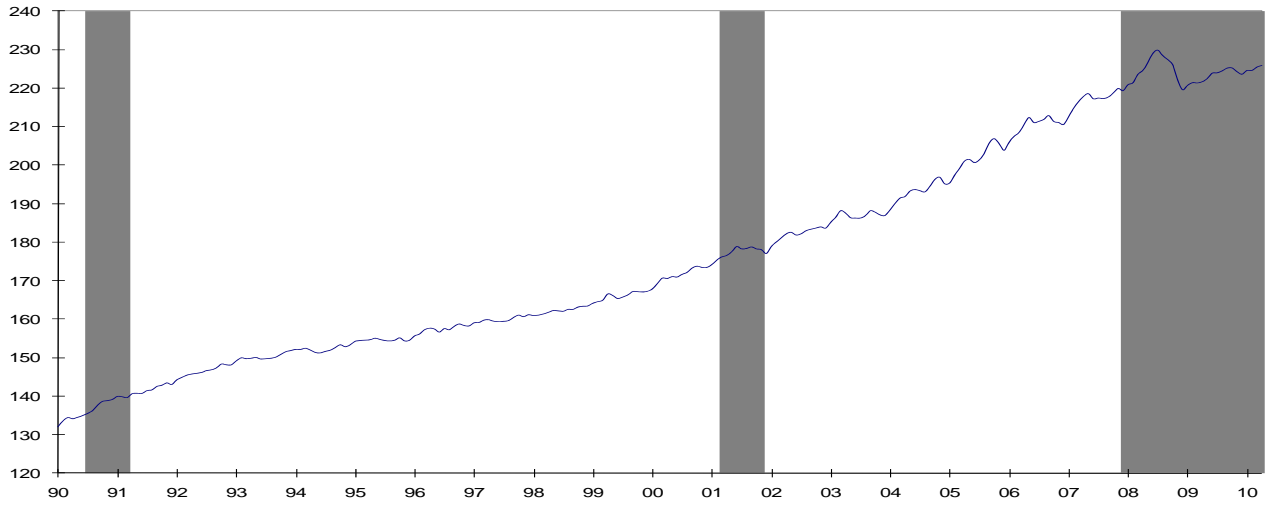
**INITIAL AND TRANSITIONAL CLAIMS FOR UNEMPLOYMENT INSURANCE  
(Weekly Average, Seasonally Adjusted)**



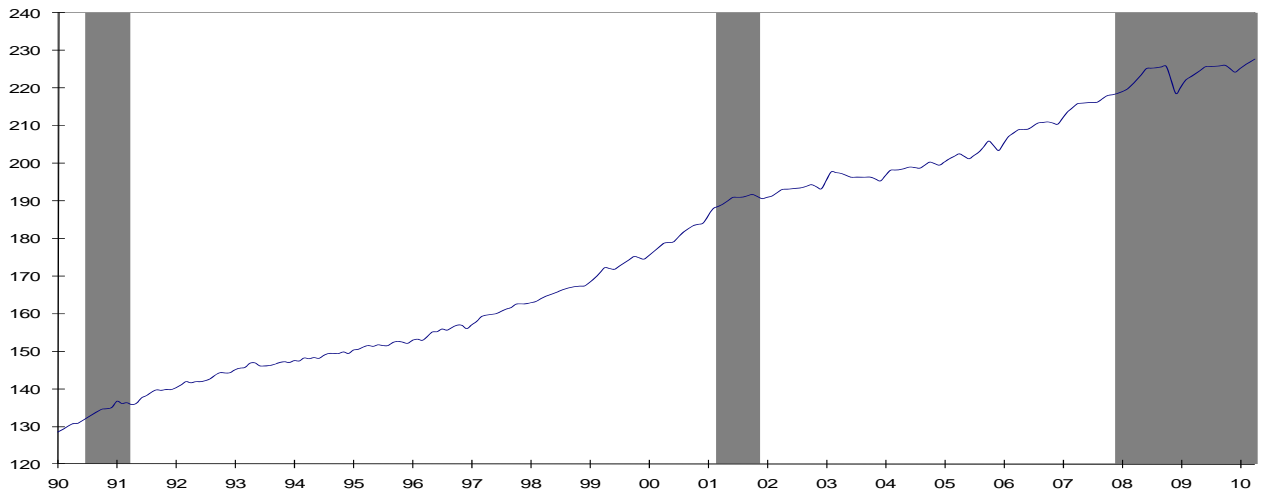
**UNEMPLOYMENT, AVERAGE WEEKS CLAIMED  
(Thousands, Seasonally Adjusted)**



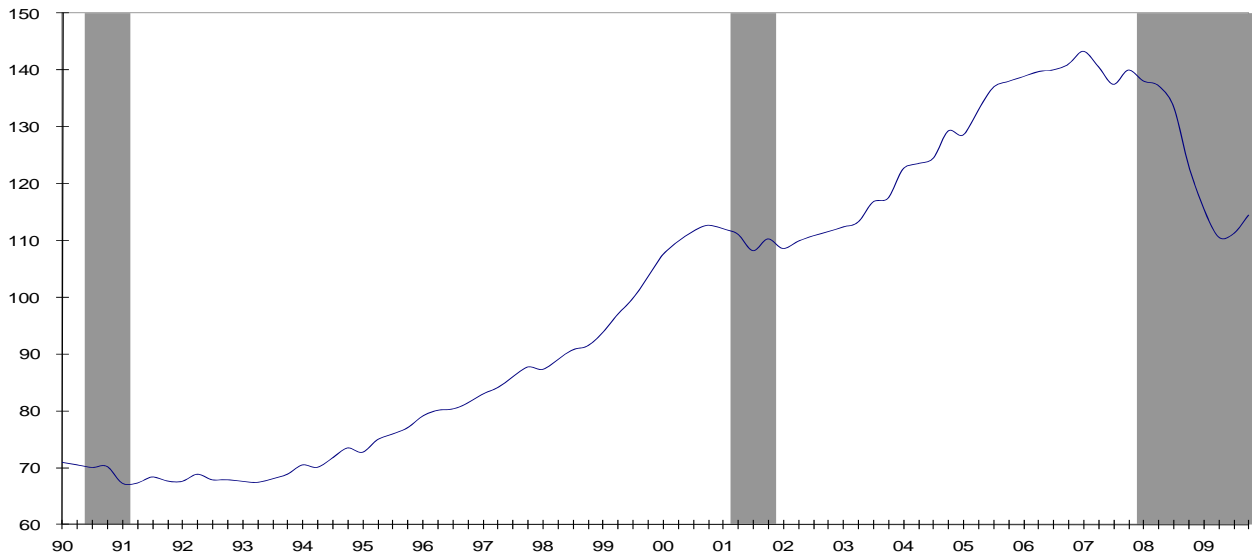
**CONSUMER PRICE INDEX, LOS ANGELES  
(1982-84=100)**



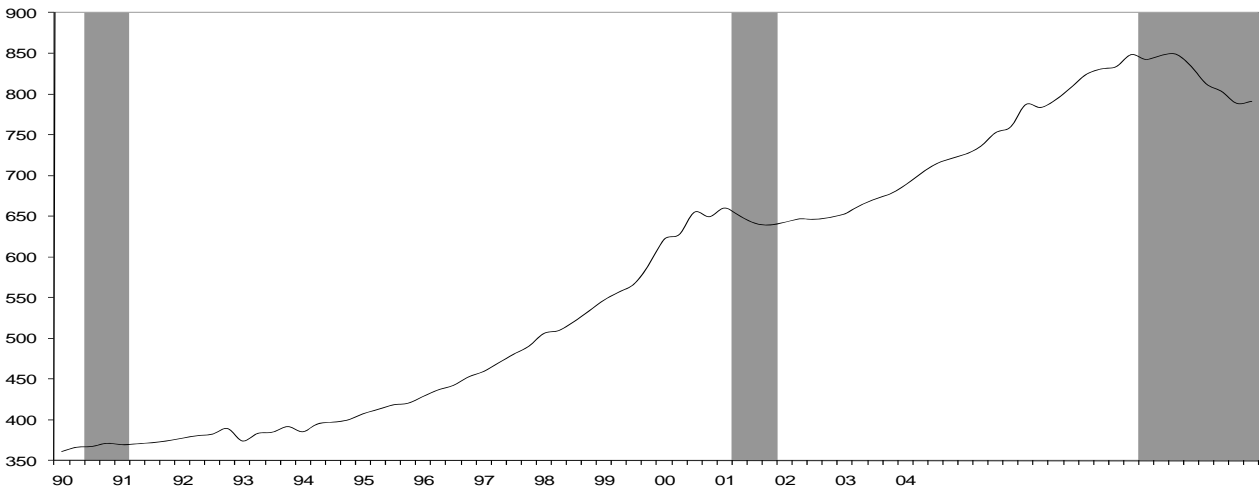
**CONSUMER PRICE INDEX, SAN FRANCISCO  
(1982-84=100)**



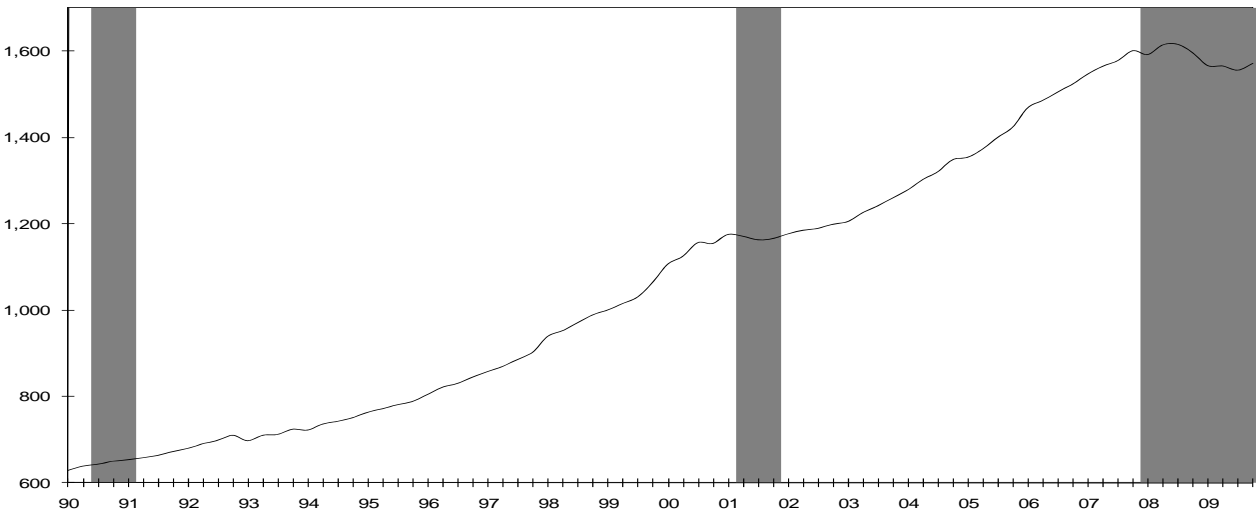
**TAXABLE SALES  
(\$ Billions, Seasonally Adjusted)**



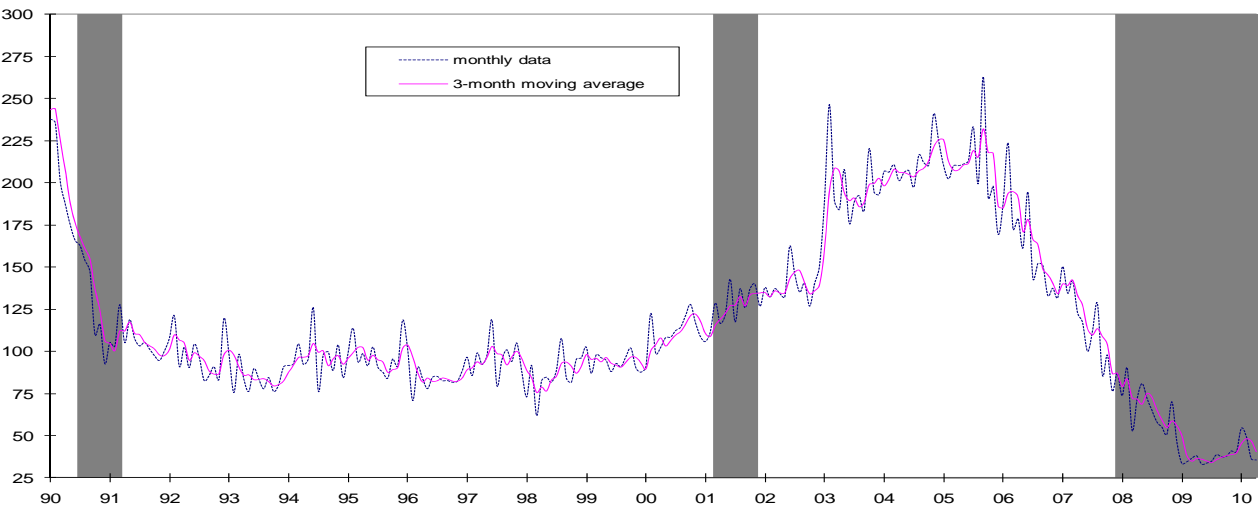
**TOTAL WAGES AND SALARIES**  
(\$ Billions, Seasonally Adjusted)



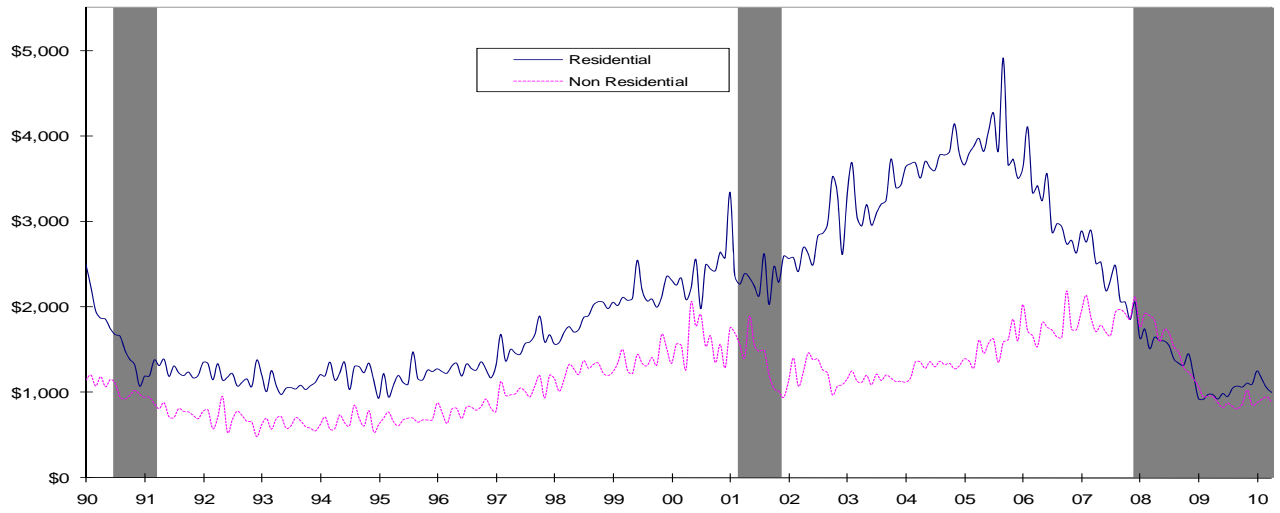
**PERSONAL INCOME**  
(\$ Billions, Seasonally Adjusted)



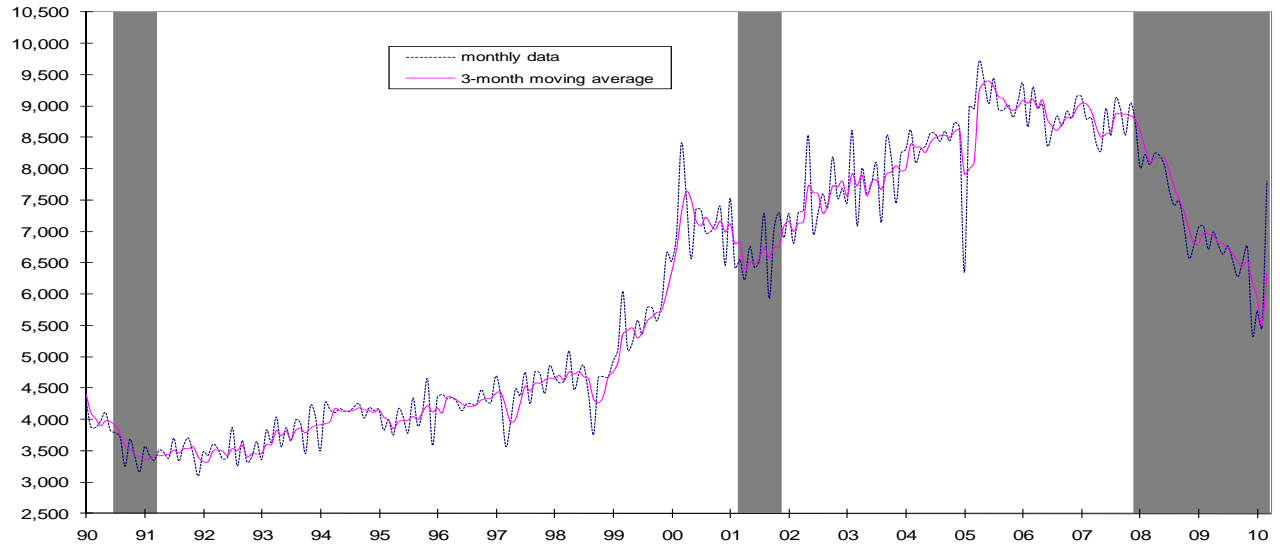
**NEW HOUSING UNITS AUTHORIZED BY BUILDING PERMITS**  
(Thousands, Seasonally Adjusted At Annual Rate)



**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 <sup>th</sup> 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

March 23                      Obama signs landmark health care overhaul bill.

April 2-                        BP massive oil spill in the Gulf of Mexico.

April 14-20                    Ash clouds from an Icelandic volcano shut down airports across Europe.

April 15                        Obama signs extension of jobless benefits.

April 30                        First quarter GDP increased at an annual rate of 3.2 percent.