



CALIFORNIA Economic Indicators

May-June 2010

Signs Emerge That Worst May Be Over

The first quarter of 2010 brought signs from several fronts that the economy has bottomed out.

INSIDE

- Economic Forecast Update 3
- Economic Indicator Tables 6
- Economic Indicator Charts 10
- Business Cycle Date 16
- Chronology 17

REVIEW OF RECENT ECONOMIC DEVELOPMENTS

A resurgent labor force is one of several signs that the economy is slowly getting back on its feet. A resumption of job gains contributed to the perception that a sustainable recovery is underway, which, in turn, pulled discouraged people back into the labor market. Building activity, both residential and nonresidential, appears to have stabilized and, while still at low levels, has improved modestly from the beginning of 2009.

EMPLOYMENT

2010 starts off with three consecutive, modest job gains

California gained 4,200 nonfarm jobs in March 2010—the third consecutive month-to-month gain.

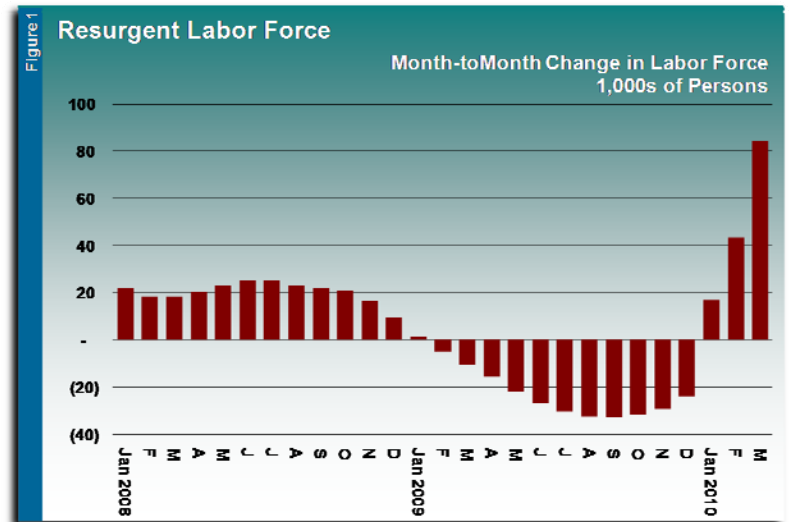
Jobs were added to five major industry sectors. Education and health services added 6,100 jobs; Manufacturing, 4,300; Leisure and Hospitality, 1,700; Other Services, 1,100; and Natural Resources and Mining, 200.

Five sectors lost jobs in March and one held steady. Information lost 2,600 jobs; Construction, 2,400; Professional and Business Services, 2,300; Financial Activities, 1,700; and Government, 200. Employment in Trade, Transportation, and Utilities was unchanged.

Nonfarm payroll employment fell by 458,600 from March 2009 to March 2010. Only one sector gained jobs on a year-over-year basis. Employment rose 26,400 in Education and health services.

Over the year, employment fell by 108,500 in Construction; 103,000 in Trade, Transportation, and Utilities; 71,400 in Manufacturing; 64,000 in Professional and Business Services; 44,600 in Government; 39,400 in Leisure and Hospitality; 28,900 in Financial Activities; 18,500 in Other Services; 3,800 in Information; and 2,900 in Natural Resources and Mining.

Since the national recession began in December 2007, California has lost 1,338,800 industry jobs.



Better job prospects brought people back to the labor force.

Good news hidden in the unemployment rate

The state's unemployment rate rose one-tenth of a percentage point to 12.6 percent in March because the labor force grew faster than employment. Improving labor market conditions typically encourage workers who had left the labor market during the recession to reenter. In March, the labor force expanded by 84,100—the largest one-month gain since March 1990—while civilian employment rose 53,600—the strongest month-over growth since April 2000. Note: it is likely that these gains will be moderated when revisions are made in subsequent months.

BUILDING ACTIVITY

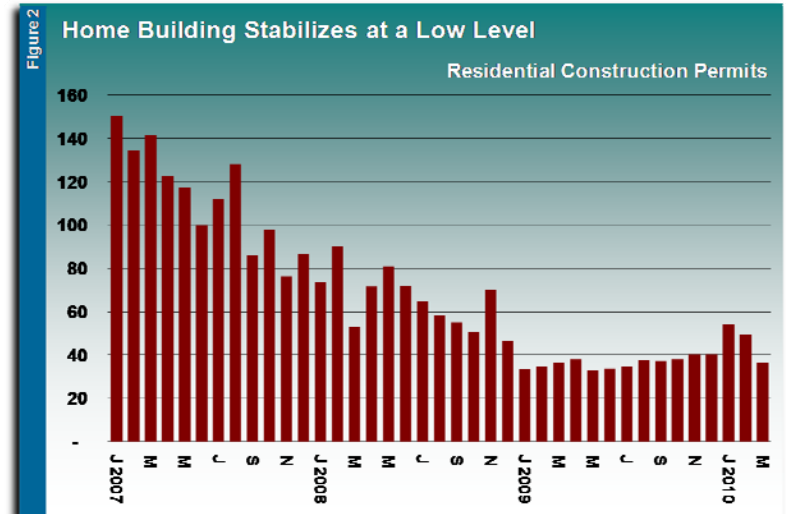
Stable, but disappointing home building

Residential permits were issued at a seasonally adjusted annual rate of 36,500 units in March; essentially the same pace posted a year earlier. Single-family permits were up 12.3 percent, while multi-family permitting was down 17.2 percent.

Based largely on a surge of permitting in January and February, new home permitting during the first 3 months of 2010 was up 34.7 percent from the same months of 2009. Despite this gain, the level of building activity remains dismal, less than half the pace recorded during the 2001 recession.

Nonresidential construction is also stable but below par

Similarly, despite three consecutive month-to-month gains through March, nonresidential building activity is still mired at disappointing levels. Nonresidential construction permitting fell 1.6 percent in March from a year earlier. For the first 3 months of 2010 as a whole, nonresidential permitting was down 8.1 percent from the same months of 2009.



Home building activity has bottomed out but has shown scant improvement.

REAL ESTATE

Rising prices restrain existing home sales

Real estate activity has fluctuated within a relatively narrow (and restrained) range since [March 2009](#). Sales of existing, single-family detached homes totaled 516,600 units at a seasonally adjusted annualized rate in March—up only 2.6 percent from a year earlier. The median price of existing, single-family homes sold in March was \$301,800, up 21 percent from a year earlier.

The unsold inventory index dropped to 5 months in March. The median number of days needed to sell a home slid to 39.2 days, a 19 percent improvement from a year earlier. In 2005, the median number of days averaged 33.5 days. From 2006 through 2009, it averaged 51.2 days. (Source: [California Association of Realtors](#))

■ ECONOMIC FORECAST UPDATE

The following is from the May Revision of the Governor's 2010-11 Budget. The forecasts were prepared in April 2010 and are based on information available at that time.

The national and California economies improved between the Governor's Budget and the May Revision. For example, output of the national economy grew for the third consecutive quarter in the first quarter of 2010, and California payroll employment grew in four of the six months ending in March. These were perhaps the most encouraging signs coming from the two economies in recent months but there were others. In fact, the good signs are coming at an increasing rate, especially in the national economy.

But, because the recession was so deep, the recent monthly gains in payroll employment pale in comparison to the loss of payroll jobs since the beginning of the recession. The same is true for national economic output. The gains in the last three quarters were small compared to the loss in economic output since the recession began. And that is the case for almost every economic indicator that is showing gains.

In addition, some sectors of both economies have yet to show any good signs at all—construction, for example. So unless the pace of the recovery picks up substantially, the recovery will be long.

Based on better-than-expected indicators that have been released since the Governor's Budget forecast, most notably GDP growth in the final quarter of 2009 that was much stronger than anticipated, the outlook for the national and state economies is more positive, but still remains cautious. Historically, recessions sparked by financial crises and significant declines in asset prices, such as this one, are followed by long, gradual recoveries. The impact of the Federal Reserve actions taken and the federal fiscal stimulus package enacted in early 2009 that moderated the severity and length of the recession will be weakening. Consumer spending is likely to be hamstrung by modest income and job growth, a reduction in wealth, and limited credit availability.

THE NATION

The recession likely ended in the middle of 2009 after hitting its depths during the first half of the year. A wide range of stimulus measures turned the national economy around quickly. Real GDP fell by 6.4 percent on an annualized basis in the first quarter of 2009; in the fourth quarter of 2009, it grew by 5.6 percent. The advance estimate for the first quarter of 2010 was a more moderate and sustainable 3.2- percent annualized growth (Figure 3).

The national economy has shown signs of improvement on many fronts. After plunging from July 2008 to March 2009, factory orders grew by 12 percent between March 2009 and February 2010.

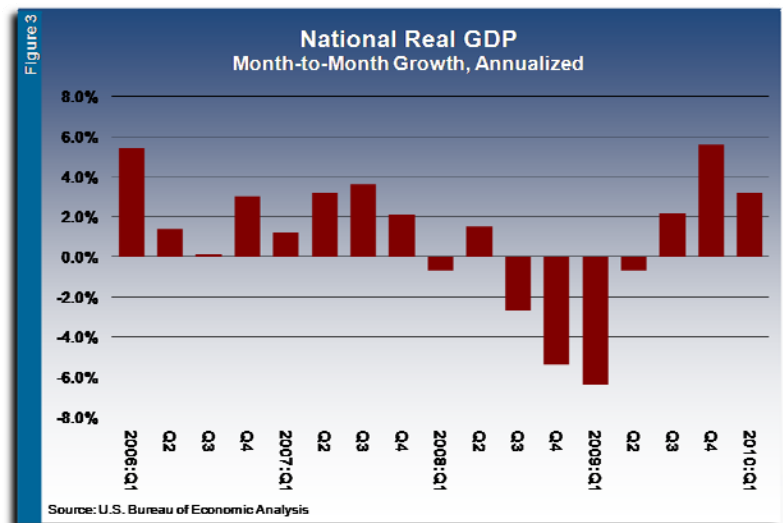
Vehicle sales have stabilized and are beginning a modest, but irregular rebound. During the six months ending with April 2010, motor vehicle sales averaged over 11 million units—somewhat better than their 2009 average, but still well below their 2008 level of 13 million units.

Exports and imports grew strongly in the second half of 2009 and the first quarter of 2010, indicating that the disruptions from the global economic recession and credit market turmoil have eased.

Retail sales surged in the first quarter of 2010, posting their strongest growth since the end of 2007. Consumers spent strongly at the beginning of the New Year despite high unemployment, sluggish income growth, and relatively tight credit.

Despite these positive developments, the recovery remains fragile. As would be expected, construction is the most significant drag on the recovery at this point. Residential construction dropped during the first quarter of 2010, which by itself subtracted 0.29 percentage point from the rate of GDP growth. Nonresidential construction remains on a declining trend because of rising vacancy rates, falling rents, and tight credit conditions, which reduced GDP growth by 0.44 percentage point in the fourth quarter of 2009.

On the bright side, there are signs that home prices have begun to stabilize and have improved in many regions. Existing home sales peaked during the summer of 2005 and fell steadily through November 2008. A robust recovery in sales took place between November 2008 and November 2009, as sales were boosted by the first time homebuyers' tax credit. The



credit's expiration, coupled with severe winter weather, caused home sales to fall again. Following the tax credit's extension, there was a moderate rebound in sales in March 2010. Nevertheless, home prices appear to have ended their 3-1/2 year slide, although any recovery in prices may be weak given the large number of distressed sales. The inventory of homes available for sale has fallen over the past year but there is likely a substantial "shadow" inventory that could come onto the market if home sales or prices were to rebound sharply.

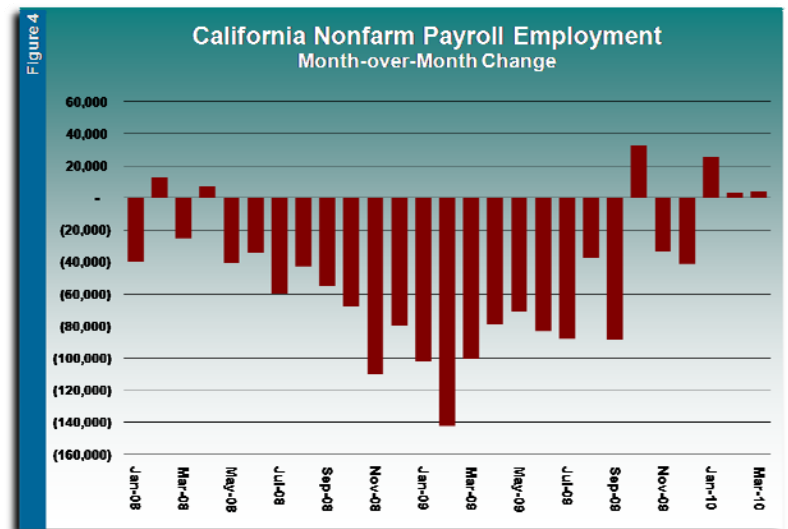
Even though 2010 began with a return to sustained job growth, employment remains the biggest source of concern as it will take a long time to regain the nearly eight million jobs lost during the recession. After falling steadily between December 2007 and October 2009, industry employment increased in five of the six months ending in April 2010. Monthly job losses averaged 615,000 during the first six months of 2009 and only 175,000 during the last half of the year. Then, in concert with other improving indicators, over 570,000 jobs were gained during the first four months of 2010, or 143,000 per month on average. However, the unemployment rate is still elevated—9.9 percent in April. Ongoing robust job growth will be needed to keep the recovery moving ahead.

The level of employment is still very low and it could take a long time to recover all of the lost jobs. Hiring usually lags behind output during the early stages of a recovery because firms tend to increase output first by boosting productivity and by raising the number of hours worked by existing employees. Hiring new employees tends to occur later. Moreover, the unemployment rate often remains high after employment begins to recover, because the perception of better labor market conditions encourages workers who had given up looking for work during the recession to reenter the labor force. According to the current outlook, the unemployment rate will improve gradually and may not reach "full employment" for several years.

CALIFORNIA

The state followed the nation's path through the recession. California labor markets deteriorated dramatically during the latter half of 2008 and the first six months of 2009, suffering their worst losses on record (Figure 4). Between June 2008 and June 2009, the state dropped nearly a million nonfarm jobs. These losses moderated as the year progressed and switched to very modest gains during each of the first three months of 2010. A return to positive job growth is a good sign, but as with the nation, it will take considerable time to recoup the losses.

California's unemployment rate partially bucked the national trend by climbing through the early months of 2010. The national rate leveled off at 10 percent in November and December 2009 and slipped slightly during the first quarter of 2010. The state's rate, in contrast, was still trending up through March 2010, reaching 12.6 percent. Since the recession began in December 2007, the ranks of California's unemployed had grown by 1.3 million.



Given the large toll of lost jobs, it's not surprising that California personal income declined in 2009 on a year-over-year basis for the first time since 1938. The decline began at the end of 2008 and continued through the end of 2009. The rate of decline eased up during the last quarter of 2009 when personal income fell 1.6 percent from a year earlier.

As with other economic measures, taxable sales slid dramatically in 2008, bottomed out early in 2009 and made meager gains during the rest of the year. Taxable sales in 2009 were down 15 percent from 2008 and despite their upward trend, the level of sales during the last half of 2009 were still down 20 percent from the peak reached in the second half of 2006.

Car sales in California reflect this same pattern. Sales ratcheted down harshly in 2008 as the housing crisis unfolded. New fee-paid automobile registrations at the end of 2008 were down over 40 percent from a year earlier. They continued slowing until bottoming out in the middle of 2009. A tentative recovery followed, spurred initially by the federal "Cash for Clunkers" incentive program. Registrations in December 2009 and January 2010 were up 16.7 percent on average from a year earlier. However, the level of registrations during these two months was still off more than 38 percent from the same months of 2006/2007.

Made-in-California exports plummeted in the second half of 2008 before bottoming out in the first quarter of 2009. For the year as a whole California exports fell 17 percent in 2009. High-tech exports fell by nearly 16 percent. With global economic conditions easing up, California exports increased 19.4 percent year-over-year in the first quarter of 2010.

The worst of the housing slump that is at the heart of California's current economic troubles may be over. Home building permitting—which suffered a long, steady three-year decline starting in 2006—bottomed out early in 2009 and was actually up on a year-over-year basis at the start of 2010. However, the number of permits issued was still off 78 percent from the

peak output reached in mid-2005. Existing home markets are also faring better as home prices firmed up, inventories shrank, and the pace of sales stabilized at a sustainable rate. It remains to be seen however, how much of this recovery is owed to the federal tax credit and what impact the "shadow" inventory of existing homes will have on prices.

THE FORECAST

The longest and deepest recession in the post-Depression era is most likely over. Both the state and national economies appear poised to make modest comebacks. And many indicators released since the Governor's Budget forecast have been more encouraging than originally expected. The recovery, though, will probably be moderate and prolonged by historical standards. This means that the outlook for the near future is positive but sober. The national economy is forecast to return to modest growth rates in 2010 and beyond. The outlook for the California economy largely mirrors the national outlook, but with slightly less growth (Figures 5 and 6).

Figure 5

Selected U.S. Economic Indicators

	2009 (Est.)	2010 (Projected)	2011 (Projected)
Real gross domestic product, (2000 dollar) (Percent change)	-2.4	3.0	3.0
Personal consumption expenditures	-0.6	2.4	2.7
Gross private domestic investment	-23.2	11.4	13.2
Government purchases of goods and services	1.8	0.8	-0.8
GDP deflator (2000=100) (Percent change)	1.2	1.0	1.9
GDP, (Current dollar) (Percent change)	-1.3	4.0	5.0
Federal funds rate (Percent)	0.16	0.20	1.70
Personal income (Percent change)	-1.7	3.3	4.9
Corporate profits before taxes (Percent change)	-2.4	18.4	10.4
Nonfarm wage and salary employment (Millions)	130.9	130.2	132.6
(Percent change)	-4.3	-0.5	1.8
Unemployment rate (Percent)	9.3	9.6	9.0
Housing starts (Millions)	0.55	0.67	1.19
(Percent change)	-38.6	21.8	75.9
New car and light truck sales (Millions)	10.3	11.8	13.8
(Percent change)	-21.6	14.2	16.9
Consumer price index (1982-84=100)	214.5	219.3	224.6
(Percent change)	-0.4	2.2	2.4

*Forecast based on data available as of April 2010.
Percent changes calculated from unrounded data.*

Figure 6

Selected California Economic Indicators

	2009	Percent change	Projected			
			2010	Percent change	2011	Percent change
Personal income (\$ billions)	1,558.8	-2.8%	1,608.8	3.2%	1,681.6	4.5%
Nonfarm W&S employment (thousands)	14,089.0	-6.0%	13,984.5	-0.7%	14,228.8	1.7%
Natural resources and mining	25.9	-9.9%	25.4	-1.6%	25.8	1.4%
Construction	621.5	-21.2%	596.2	-4.1%	650.5	9.1%
Manufacturing	1,281.8	-10.1%	1,244.1	-2.9%	1,263.2	1.5%
High technology	350.7	-6.2%	346.9	-1.1%	355.1	2.4%
Trade, transportation, & utilities	2,640.1	-7.4%	2,616.0	-0.9%	2,662.3	1.8%
Information	444.4	-6.5%	446.9	0.6%	460.0	2.9%
Financial activities	797.0	-6.3%	780.6	-2.1%	784.2	0.5%
Professional and business services	2,055.3	-8.1%	2,075.5	1.0%	2,151.2	3.6%
High technology	307.7	-4.4%	309.1	0.5%	314.9	1.9%
Educational and health services	1,740.7	0.9%	1,775.6	2.0%	1,817.4	2.4%
Leisure and hospitality	1,498.5	-4.7%	1,471.8	-1.8%	1,487.7	1.1%
Other services	486.6	-4.8%	485.8	-0.2%	499.6	2.8%
Government	2,497.2	-0.9%	2,466.5	-1.2%	2,427.0	-1.6%
Unemployment rate	11.4%		11.9%		10.7%	
Housing permits (thousands of units)	36	-44.5%	64	75.4%	105	64.2%
Consumer price index (1982-84=100)	224.1	-0.3%	229.4	2.4%	235.5	2.7%

*Forecast based on data available as of April 2010.
Percent changes calculated from unrounded data.*

Select Indicators

	2009		2010			Year-Over % Change
	May	Feb	Mar	Apr	May	
EMPLOYMENT (Seasonally adjusted)						
Civilian employment (000)	16,244	15,885	15,939	16,014	16,062	-1.1%
Unemployment (000)	2,065	2,277	2,307	2,298	2,277	10.3%
Unemployment rate	11.3%	12.5%	12.6%	12.5%	12.4%	--
Nonagricultural wage and salary employment (000) a/	14,150.2	13,837.8	13,851.8	13,877.2	13,905.5	-1.7%
Goods-producing industries	1,950.1	1,824.8	1,821.4	1,816.0	1,815.1	-6.9%
Mining and logging	25.7	24.2	24.4	24.7	24.7	-3.9%
Construction	632.8	558.5	555.7	554.2	552.0	-12.8%
Manufacturing	1,291.6	1,242.1	1,241.3	1,237.1	1,238.4	-4.1%
Service-providing industries	12,200.1	12,013.0	12,030.4	12,061.2	12,090.4	-0.9%
Trade, transportation, and utilities	2,655.2	2,579.6	2,583.1	2,582.5	2,572.9	-3.1%
Information	441.6	452.3	450.1	445.8	450.5	2.0%
Financial activities	799.5	780.5	778.9	780.8	779.8	-2.5%
Professional and business services	2,057.3	2,031.0	2,032.2	2,038.7	2,042.9	-0.7%
Educational and health services	1,737.0	1,760.5	1,768.0	1,766.6	1,761.5	1.4%
Leisure and hospitality	1,509.7	1,471.1	1,474.3	1,485.6	1,489.2	-1.4%
Other services	489.3	470.7	475.8	477.1	479.5	-2.0%
Government	2,510.5	2,467.3	2,468.0	2,484.1	2,514.1	0.1%
Federal government	252.3	247.8	250.7	266.0	298.9	18.5%
State and local government	2,258.2	2,219.5	2,217.3	2,218.1	2,215.2	-1.9%
High-technology industries b/	834.5	820.0	820.4	820.0	821.3	-1.6%
Computer and electronic products manufacturing	280.0	272.1	272.6	272.8	273.8	-2.2%
Aerospace products and parts manufacturing	71.8	69.1	69.2	68.7	69.1	-3.8%
Software publishers	44.3	43.3	43.3	43.2	43.0	-2.9%
Telecommunications	112.9	109.1	107.9	105.8	106.4	-5.8%
Internet service providers, web portals and data processing	19.3	19.6	19.3	19.6	19.7	2.1%
Computer systems design	195.3	195.8	197.0	198.0	197.0	0.9%
Scientific research and development	110.9	111.0	111.1	111.9	112.3	1.3%
HOURS AND EARNINGS IN MANUFACTURING (Not seasonally adjusted)						
Average weekly hours	38.9	39.2	39.6	39.9	40.1	3.1%
Average weekly earnings	\$687.75	\$733.82	\$748.44	\$754.91	\$761.50	10.7%
Average hourly earnings	\$17.68	\$18.72	\$18.90	\$18.92	\$18.99	7.4%
CONSUMER PRICE INDEX (1982-84=100) (Not seasonally adjusted)						
All Urban Consumers Series						
California Average	NA	225.6	NA	227.0	NA	--
San Francisco CMSA	NA	226.1	NA	227.7	NA	--
Los Angeles CMSA	222.5	224.6	225.5	225.9	226.4	1.8%
Urban Wage Earners and Clerical Workers Series						
California Average	NA	218.3	NA	219.8	NA	--
San Francisco CMSA	NA	222.0	NA	223.8	NA	--
Los Angeles CMSA	214.4	217.1	218.2	218.5	218.8	2.0%
CONSTRUCTION						
Private residential housing units authorized (000) c/	33	50	38	35	37	10.5%
Single units	24	28	26	23	19	-18.6%
Multiple units	9	22	12	12	17	87.2%
Residential building authorized valuation (millions) d/	\$11,054	\$13,831	\$12,832	\$12,091	\$11,647	5.4%
Nonresidential building authorized valuation (millions) d/	\$10,567	\$11,022	\$11,545	\$11,096	\$10,393	-1.6%
Nonresidential building authorized valuation (millions) e/	9,988	\$9,225	\$12,595	\$12,050	9,779	-2.1%
Commercial	1,527	1,804	1,988	2,455	1,792	17.4%
Industrial	656	409	1,193	106	173	-73.6%
Other	1,676	1,257	1,518	2,858	1,643	-2.0%
Alterations and additions	6,130	5,756	7,896	6,631	6,171	0.7%
AUTO SALES (Seasonally adjusted)						
New auto registrations (number)	79,400	92,293	87,155	NA	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
SALES OF EXISTING SINGLE-FAMILY HOMES					FOREIGN TRADE		DOD PRIME CONTRACTS a/		
		Median	Units	Exports	Imports				
		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	\$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	263,440	546,490	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	484,487	13,651	25,814				
	May	324,430	552,800	NA	NA				
a/ U.S. fiscal year: October through September				NA Not available					

Leading Indicators ^{a/}

		Manufacturing		Unemployment	New	Housing Unit
		Overtime	Average	Insurance	Business	Authorizations
		Hours	Weekly Hours	Claims	Incorporations	(Thousands)
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	49.5
	Mar	3.7	39.9	83,623	7,803	37.7
	Apr	3.9	40.2	85,920	NA	35.2
	May	3.9	40.1	84,299	NA	36.5

a/ Seasonally adjusted by the California Department of Finance.

NA Not available

ECONOMIC INDICATOR CHARTS

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

TECHNICAL NOTE

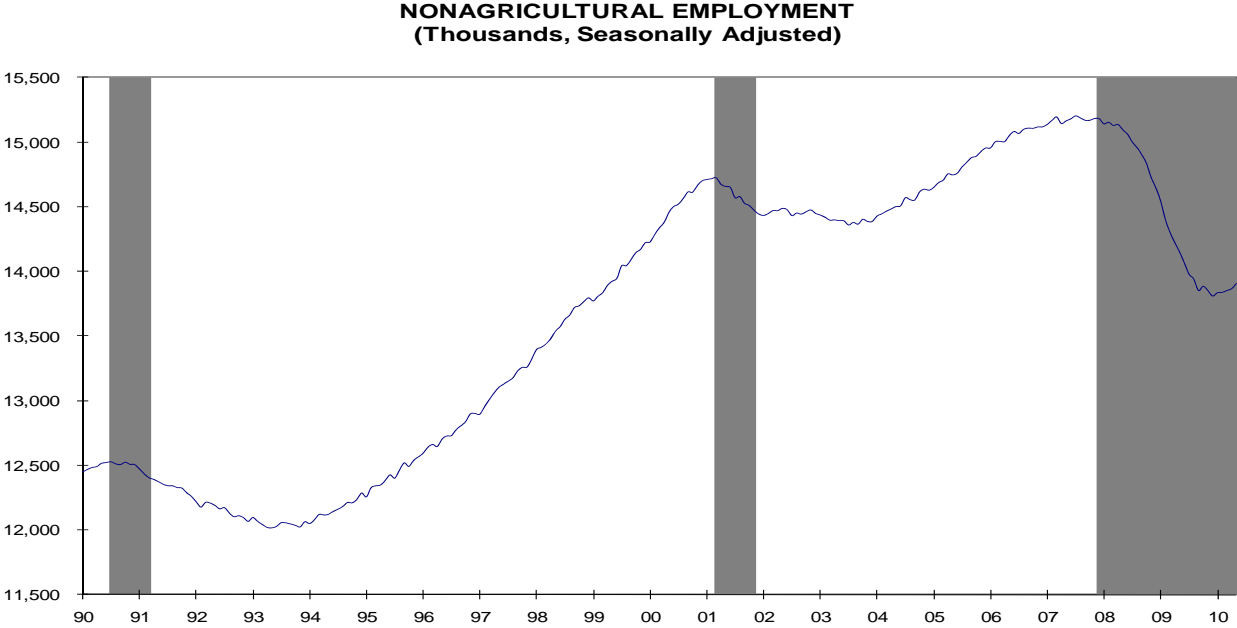
Whenever appropriate, data used in the charts have been seasonally adjusted. The method of seasonal adjustment is the X-12 Arima program. Persons interested in a detailed description of this method are referred to the U.S. Census Bureau's Statistical Research Division.

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

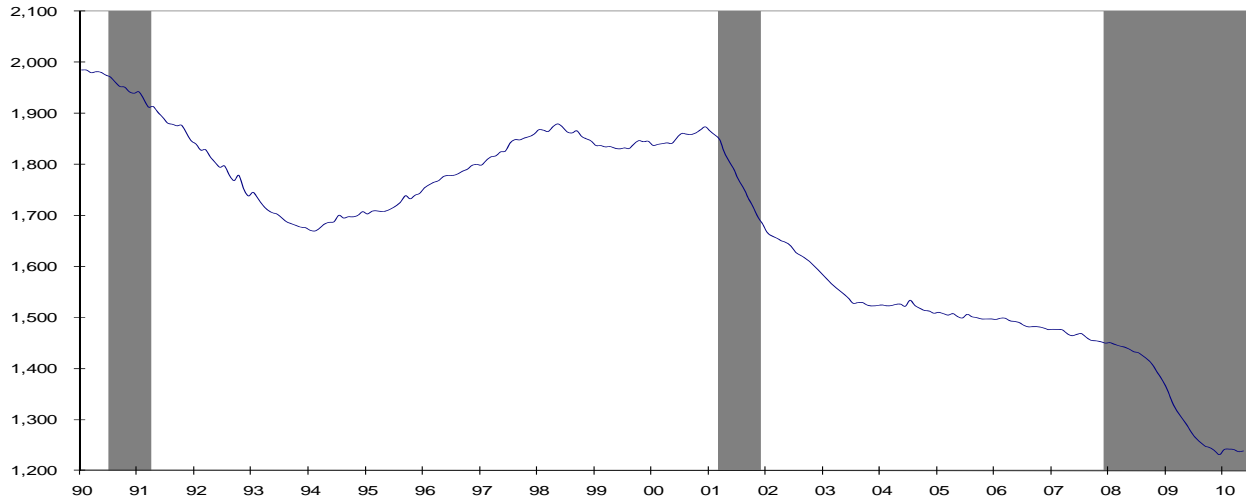
The manufacturing employment series is an addition to the NBER indicator list. It is used here because it appears to show cyclical fluctuations clearly and extends the limited number of series presently available for the State.

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

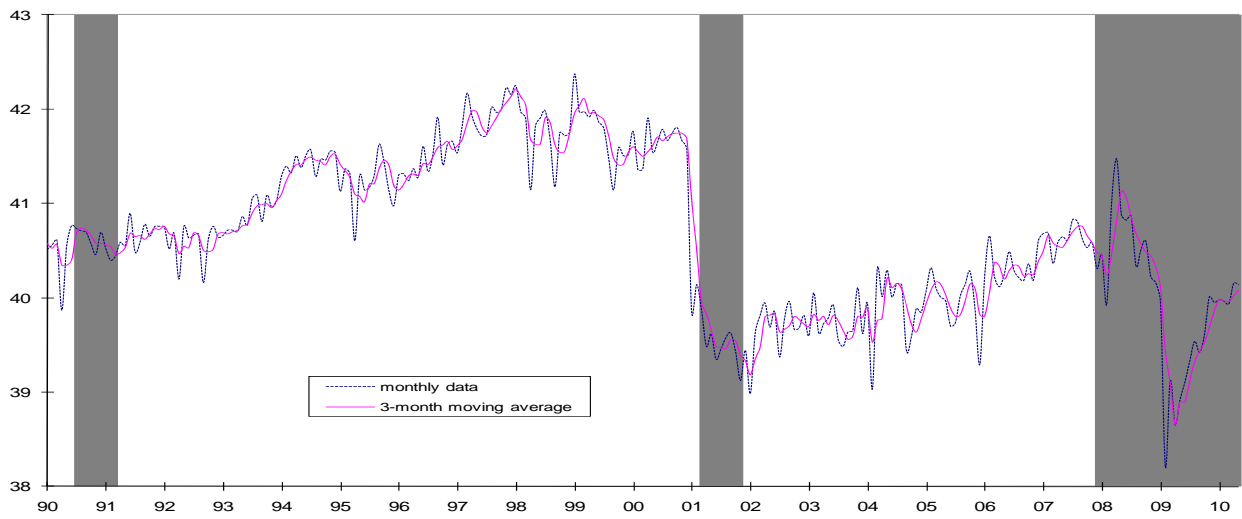
The other indicators shown are for general interest only. They are not directly related to the cyclical indicator series, but are of interest to persons looking at overall economic developments.



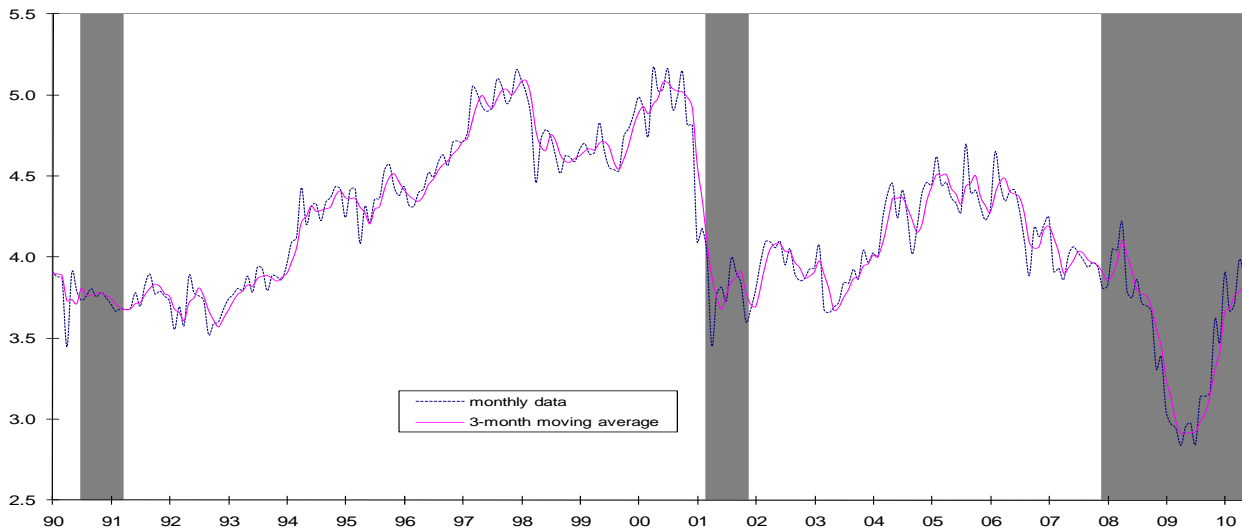
**MANUFACTURING EMPLOYMENT
(Thousands, Seasonally Adjusted)**



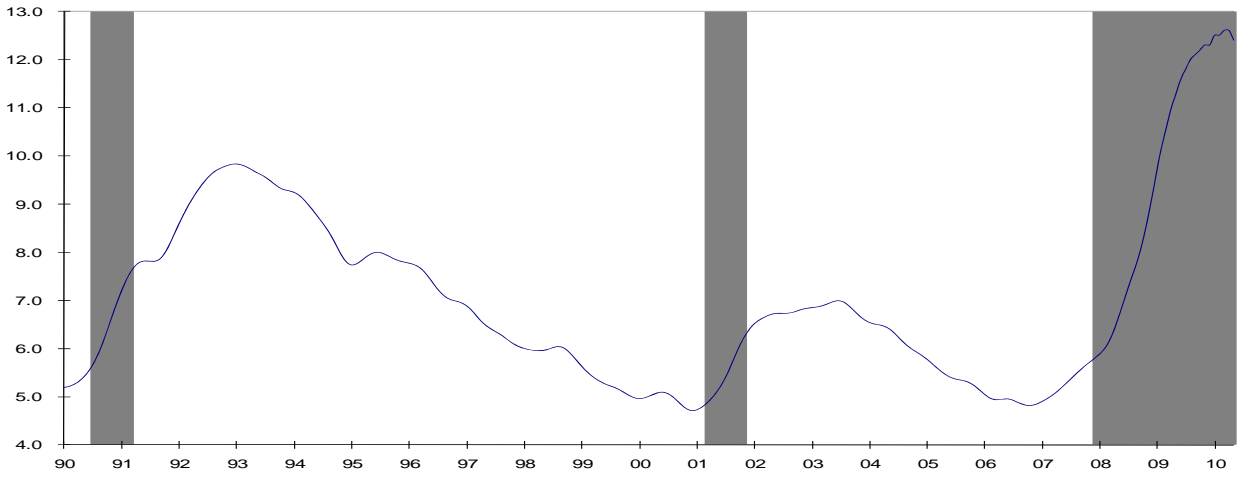
**AVERAGE WEEKLY HOURS, MANUFACTURING
(Seasonally Adjusted)**



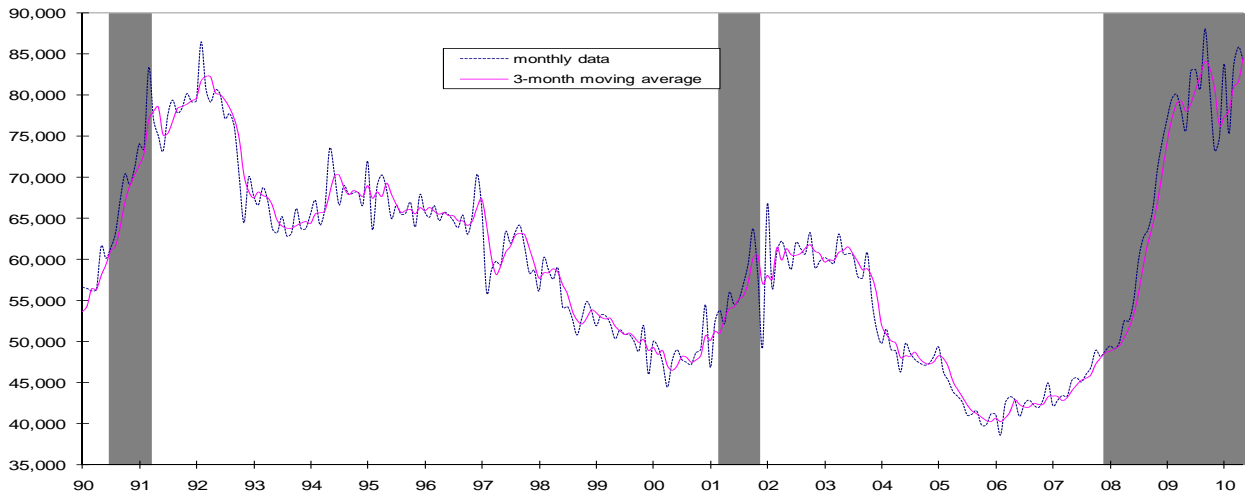
**AVERAGE OVERTIME HOURS, MANUFACTURING
(Seasonally Adjusted)**



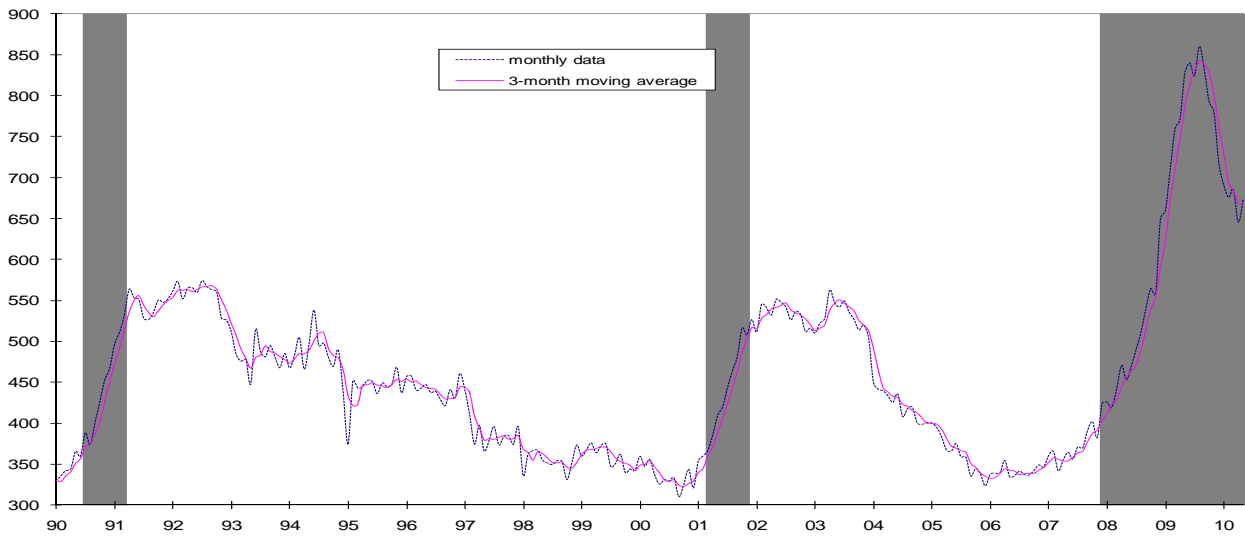
**UNEMPLOYMENT RATE
(Percent)**



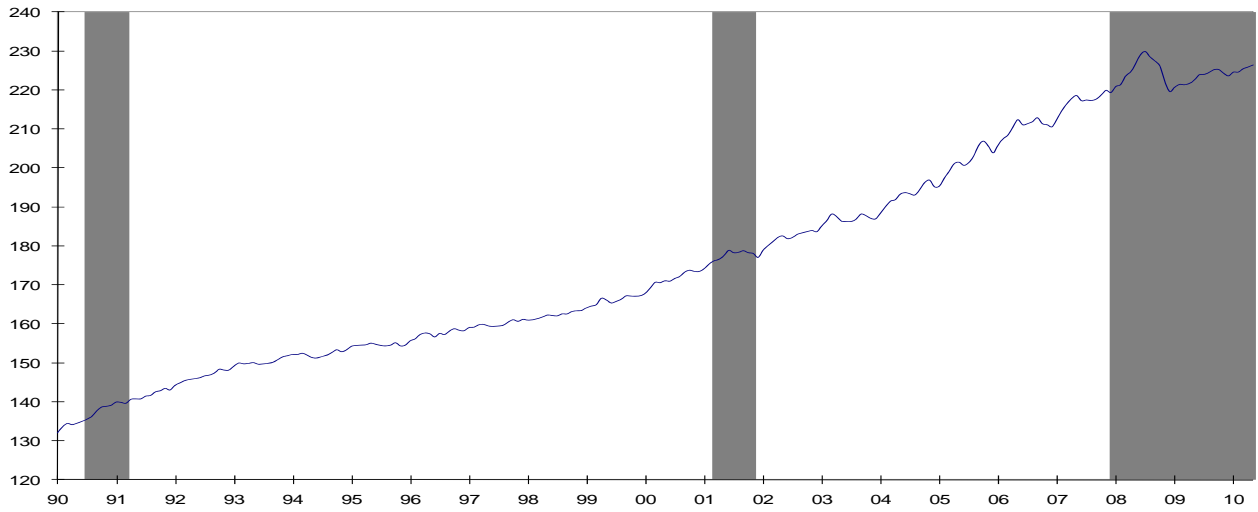
**INITIAL AND TRANSITIONAL CLAIMS FOR UNEMPLOYMENT INSURANCE
(Weekly Average, Seasonally Adjusted)**



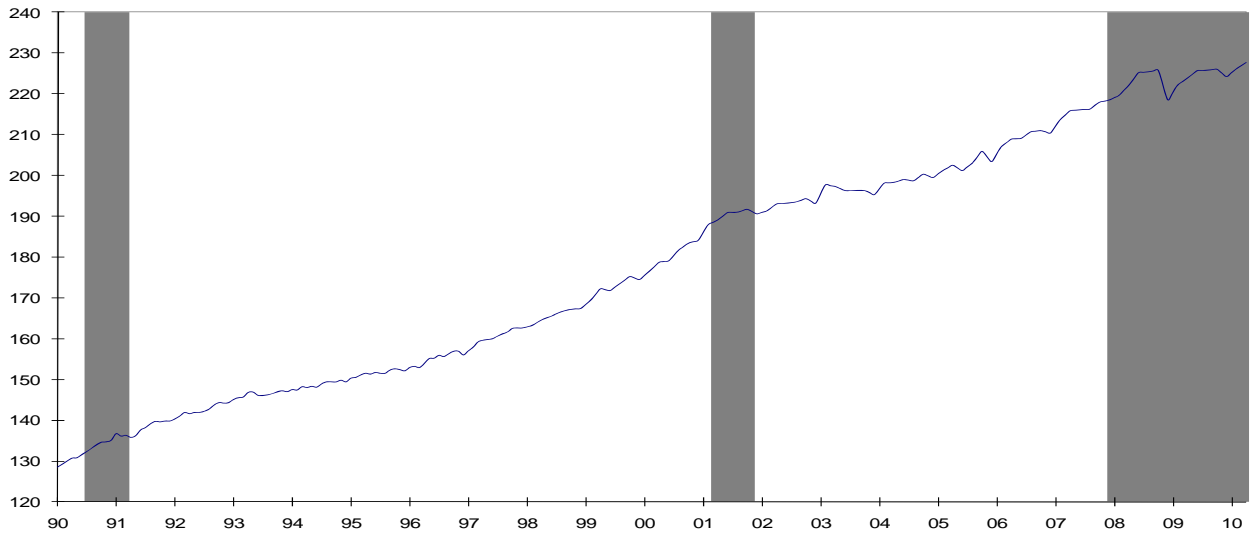
**UNEMPLOYMENT, AVERAGE WEEKS CLAIMED
(Thousands, Seasonally Adjusted)**



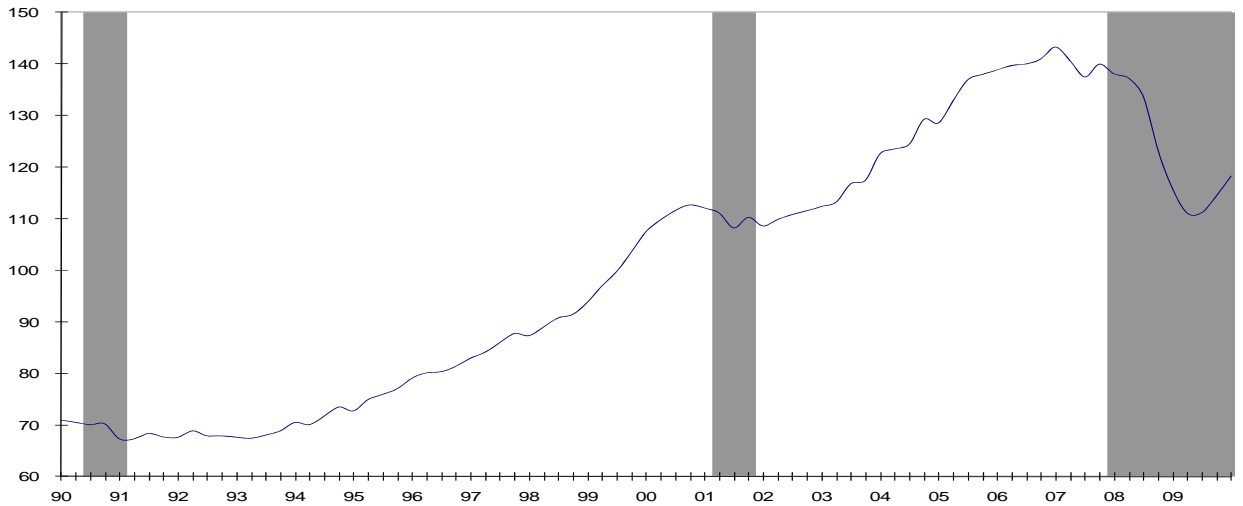
**CONSUMER PRICE INDEX, LOS ANGELES
(1982-84=100)**



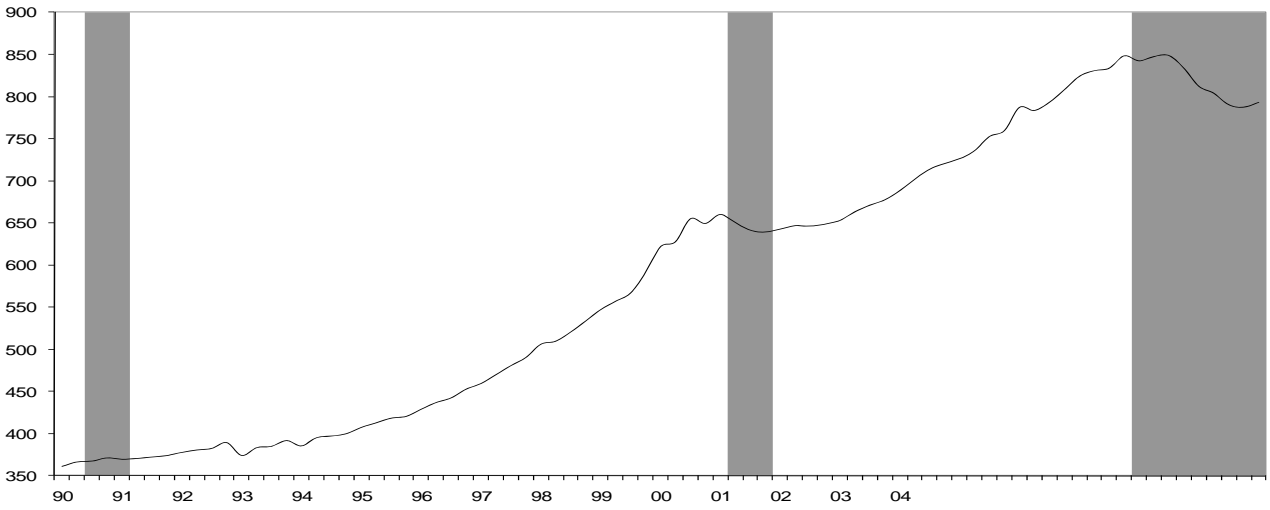
**CONSUMER PRICE INDEX, SAN FRANCISCO
(1982-84=100)**



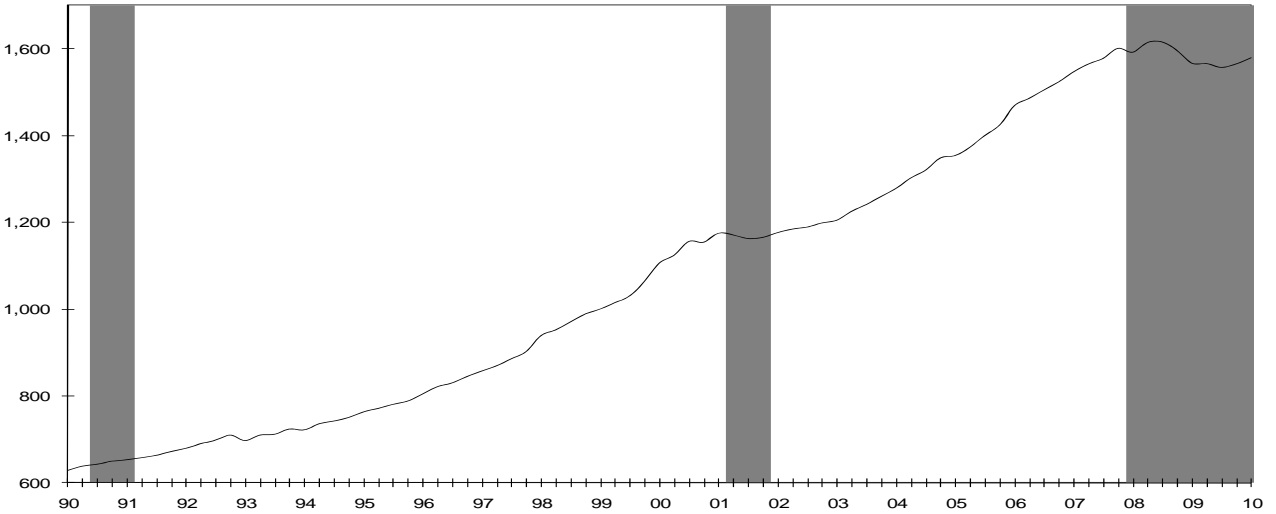
**TAXABLE SALES
(\$ Billions, Seasonally Adjusted)**



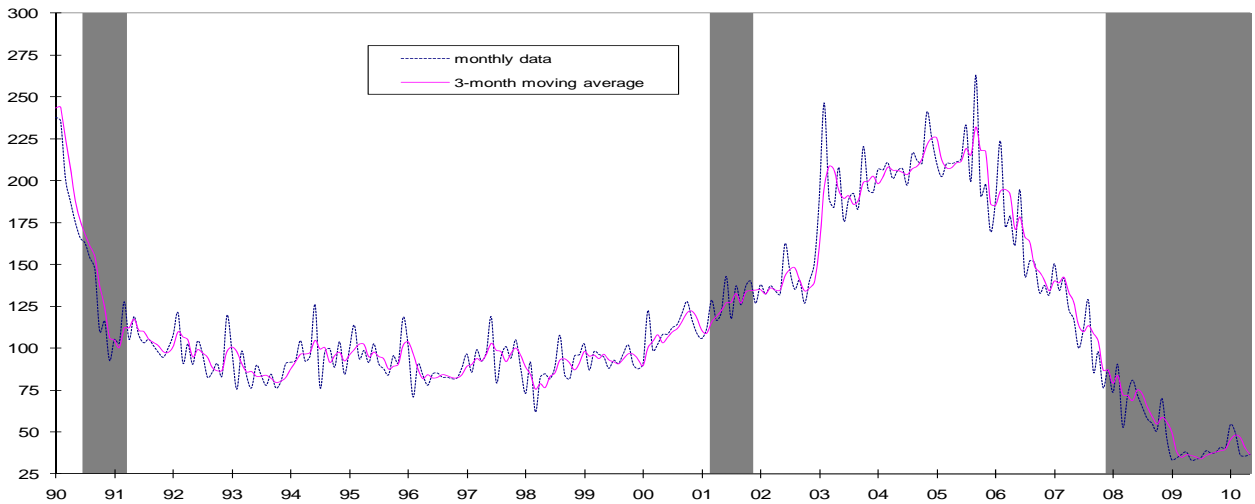
TOTAL WAGES AND SALARIES
(\$ Billions, Seasonally Adjusted)



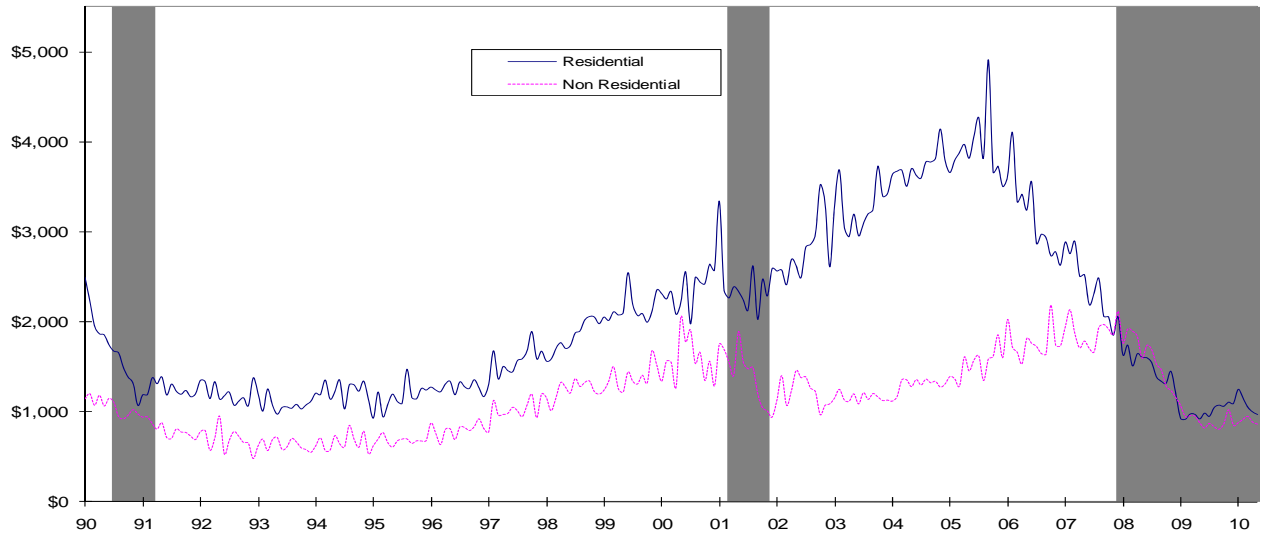
PERSONAL INCOME
(\$ Billions, Seasonally Adjusted)



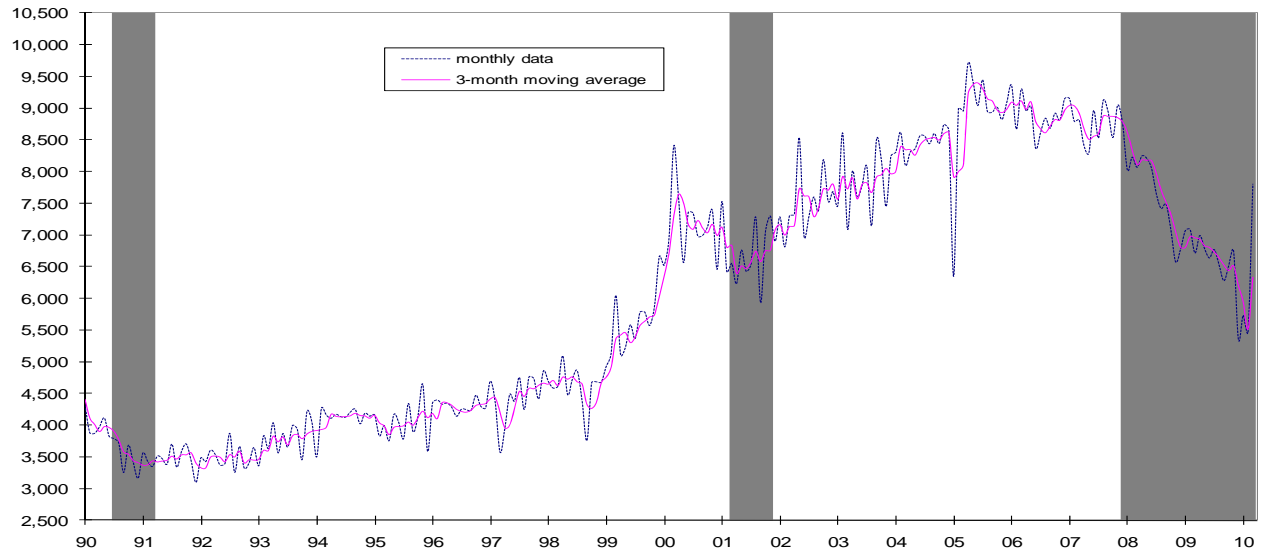
NEW HOUSING UNITS AUTHORIZED BY BUILDING PERMITS
(Thousands, Seasonally Adjusted At Annual Rate)



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



NEW BUSINESS INCORPORATIONS
(Seasonally Adjusted)



REFERENCE DATES OF UNITED STATES BUSINESS CYCLES, 1854-

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

CHRONOLOGY

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

---2007---

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

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

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

---2008---

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

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

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

---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.

May 27 Revised first quarter GDP increased at an annual rate of 3.0 percent.