



# CALIFORNIA Economic Indicators

March-April 2007

## Real Estate Tempers Growth

The fallout from the real estate downturn is mostly confined to closely linked sectors.

### REVIEW OF RECENT ECONOMIC DEVELOPMENTS

As with the nation, the dramatic slowdown in California's residential real estate markets restrained overall economic growth. Its effects, though, have been largely confined to sectors most dependent on real estate, namely construction, finance, and retail trade.

### EMPLOYMENT

#### Construction Dampens Job Growth

The ongoing real estate slump pulled down California's industry job growth. On the bright side, the slowdown has been largely confined to construction and other sectors directly linked to real estate. Overall job growth decelerated modestly, from a 2.1 percent year-over-year pace in the first quarter of 2006 to 1.6 percent during the first quarter of 2007. A slowdown in construction employment accounted for most of this slowing.

This sector expanded a whopping 7.8 percent at the beginning of 2006. It was essentially stagnant, however, during the first quarter of 2007, growing only 0.3 percent year-over-year. The retail trade and finance sectors experienced similar slowdowns as well. Retail employment grew 1.5 percent in early 2006, but only 0.9 percent at the beginning of 2007. Job growth in financial activities slowed from 2.7 percent to 0.3 percent over this period. Job growth actually improved outside of these sectors, however, rising from 1.7 percent to 1.9 percent.

A similar pattern occurred in April 2007, when the state gained only 7,400 jobs. Construction employment dropped 3,000, retail trade, 1,100, and financial activities, 700. The other job-losing sectors included the volatile information sector (6,800),

### INSIDE

Building Activity . . . . .	2
2007-08	
Economic Outlook . . . . .	4
Economic Indicator	
Tables . . . . .	7
Economic Indicator	
Charts . . . . .	11
Chronology . . . . .	15

FIGURE 1

#### Real Estate Holds Back Job Gains

##### Employment Growth

	1,000s of Jobs		
	2005	2006	Diff.
Construction	55	34	(21)
Trade, Transportation, and Utilities	66	53	(14)
Wholesale Trade	21	25	4
Retail Trade	41	19	(22)
Transportation and Utilities	4	9	4
Financial Activities	25	14	(11)
Finance and Insurance	18	8	(10)
Real Estate and Rental and Leasir	7	6	(2)
All Others	146	211	65

manufacturing (700), and the small natural resources and mining sector (200). Strong job gains were made in government (5,800), trade, transportation, and utilities (4,200 despite a drop in retail trade), and business and professional services (3,400). Thus far, cooler real estate markets haven't chilled much else.

### Dubious unemployment news

The initial estimate of California's unemployment rate in April was surprising. After nearly a year of exceptional stability, the rate climbed 0.3 percentage point from 4.8 percent in March to 5.1 percent in April—the largest one-month increase since November 2001. The rate had been remarkably stable, coming in at 4.8 percent in six out of the seven months preceding April. This is the first time the rate exceeded 5.0 percent since January 2006.

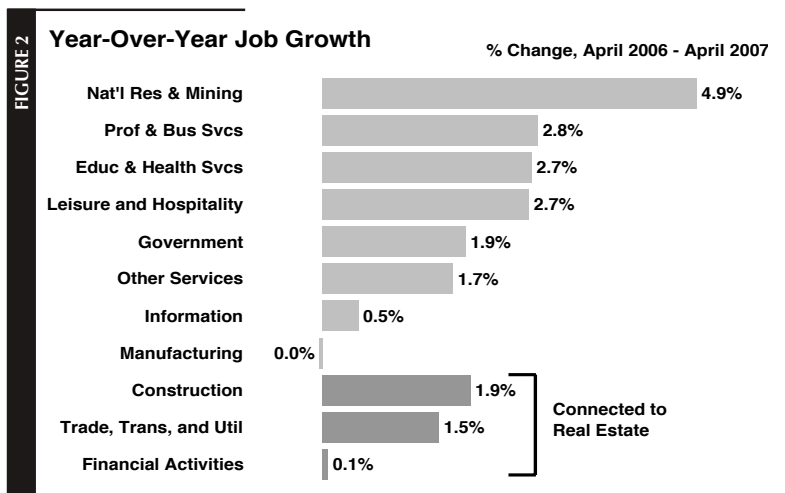
There were unusual readings in both the employment and unemployment components. The number of unemployed Californians jumped up 58,000 persons in April. This was the second largest one-month increase in the official data series going back to January 1976. The number of employed Californians fell by 50,000 persons in April, the largest drop since March 1991. Despite these peculiarities, it is not surprising that the unemployment rate increased given the slowdown in the housing sector. It is unlikely that labor markets weakened as much as this jump would indicate.

## BUILDING ACTIVITY

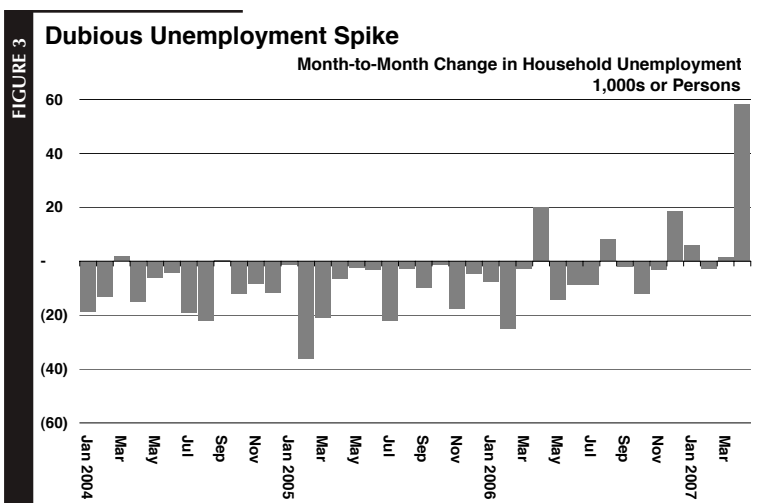
### 2007 begins with better, but still weak, homebuilding

New home construction picked up slightly in the first quarter of 2007, even though it was still subdued by historical standards. Permit issuances averaged 137,000 units on a seasonally adjusted annual rate basis, an improvement from the 128,000-unit pace set in the final quarter of 2006. The permitting pace set over these six months was, however, the slowest since the middle of 1998.

The single family sector has been the most significant source of the slowdown in home building. Permitting for single-family home construction during the first quarter of 2007 was only about half the rate set during the most recent peak in the third quarter of 2005. Over the same period, multi-family construction permitting slowed only 27 percent.



Industries tied to real estate posted sub-par employment growth.



The estimated number of unemployed Californians made a big leap in April 2007.

## Business construction continued to help out

California's slumping construction industries have been buoyed to some extent by healthy business construction. From the peak of residential construction in mid-2005 to the first quarter of 2007, the value of residential construction permitting dropped over 36 percent (on a seasonally adjusted annual rate basis). During the same time, the value of nonresidential permitting rose nearly 14 percent. The pace of nonresidential construction permitting sustained strong double-digit annual growth during the last three quarters of 2005 and the first quarter of 2006. Growth persisted thereafter but at a more moderate pace. Rising nonresidential construction permit values made up for about 15 percent of the drop in residential construction since the third quarter of 2005.

The value of nonresidential construction permits issued during the first three months of 2007 was up nearly 8 percent from the same period of 2006. This improvement was led by strong gains in office and store construction and by additions and alterations.

## REAL ESTATE

### Weaker home sales

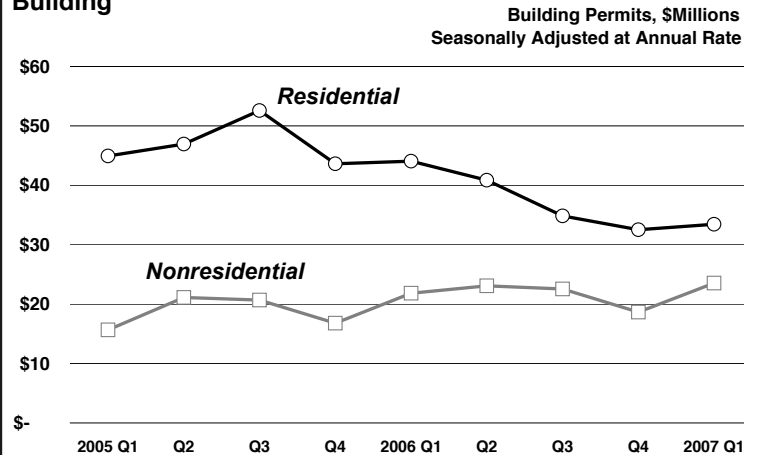
Tightened credit standards and fallout from the subprime loan collapse took a toll on existing home sales in April. The inventory of homes available for sale reached its highest level in years, according to the California Association of Realtors. The Association's Unsold Inventory Index in April 2007 was 10 months, compared with 5.7 months for the same period a year ago. The Index measures the number of months needed to deplete the supply of existing, single-family detached homes on the market at the current sales rate.

Sales of existing single-family homes slowed sharply in March and April. Home sales leveled off around a 448,000-unit pace from August 2006 through February 2007. The pace slid in March to 427,110 units on a seasonally adjusted annual rate basis—21 percent below the year ago pace. In April, home sales dropped even more dramatically to 373,280 units—nearly 28 percent below the pace set a year earlier.

The state's median existing single-family home price rose to \$597,640 in April, up over 6 percent from a year earlier. However, this was most likely the result of a shift in the composition of home sales rather a sign of genuine price appreciation. The pressures that have roiled housing markets—more stringent credit standards, rising foreclosures, and burgeoning new home inventories—have had their strongest impacts on lower-priced, predominantly inland, markets. Thus, weaker sales in these areas and modest improvement in the higher priced coastal markets pushed the state's median price up modestly.

FIGURE 4

### Residential Slowdown Cushioned by Business Building



*Improved nonresidential construction has cushioned the blow dealt by the slowdown in new home construction.*

## ■ ECONOMIC FORECAST UPDATE

*The following is from the May Revision of the Governor's 2007-08 Budget. The forecasts were prepared in April 2007 and are based on information available at that time.*

The cooling housing sector has continued to slow the national and California economies since the Governor's Budget forecast was constructed in November. A sharp drop in home building was instrumental in the national economy growing at its slowest pace in four years in the first quarter of 2007. In California, housing permits were 40 percent below the peak level reached in the third quarter of 2005. While the downturn in the housing sector will likely last longer than anticipated in the Governor's Budget forecast, encouraging signs are apparent. Home building was less of a drag on the national economy in the first quarter of 2007 than it was in the last two quarters of 2006, and California housing permits have been stable in the last six months. More importantly, there is little evidence that the weakness in the housing sector has spread to other parts of the national and California economies.

The most significant changes in the May Revision forecast are reduced estimates of California housing permits and personal income growth to reflect the faster-than-expected decline in the state's housing sector and its likely effects on personal income. For 2007, permits are projected to be where they averaged in the last six months at an annual rate, before increasing gradually in 2008 and 2009. The forecast for California personal income growth in 2007 has been lowered in the expectation that earnings will grow more slowly for construction workers, realtors, mortgage lenders, and other housing-related workers. Overall job growth in 2007, however, is slightly higher in the May Revision forecast, as other sectors of the state's economy are doing a good job of making up for jobs lost in the housing sector.

The outlook for the national economy is for slower growth in 2007 and improved growth in 2008 and 2009:

- Real GDP is projected to grow 2.2 percent in 2007, 3.1 percent in 2008, and 3.4 percent in 2009, as compared to 3.3 percent in 2006.
- Nonfarm payroll employment is forecast to increase 1.3 percent in 2007, 1.2 percent in 2008 and 1.6 percent in 2009, as compared to 1.9 percent in 2006.

The outlook for the California economy is also for slower growth in 2007 followed by improved growth in 2008 and 2009:

- Personal income is projected to grow 5.3 percent in 2007, 5.5 percent in 2008, and 5.8 percent in 2009, as compared to 6.1 percent in 2006.
- Nonfarm payroll employment is forecast to increase 1.3 percent in 2007, 1.5 percent in 2008 and 1.8 percent in 2009, as compared to 1.8 percent in 2006.

## THE NATION

Economic growth slowed considerably from the first quarter of 2006 to the first quarter of 2007 (Figure 4). Recovery efforts after Hurricane Katrina boosted growth in the first quarter of 2006. Even after accounting for that, there remained a significant decline in output growth, much of it due to the downturn in the nation's housing sector. The fall in residential construction alone lopped more than one percentage point off of output growth in the third and fourth quarters of 2006 and one percentage point in the first quarter of 2007. Output of construction-related industries, such as housing finance and real estate brokerage and sales also fell or slowed. Statistics on home sales, housing starts, and residential construction show little evidence that the housing sector downturn is stabilizing. The sector will likely continue to be a major drag on the economy in the second quarter and perhaps the third quarter of 2007. Signs of growing stability should be evident by year-end.

Residential construction was the only major industry with output falling in the last four quarters. Other sectors saw output growth slow, but remain positive. Spending by businesses on equipment and software was surprisingly slow, given the strong profits corporations have enjoyed, the tight capacity in some industries, and the modest amount of this investment businesses have made in this expansion, by historical standards. This spending rebounded in the first quarter and in April after

falling sharply in the fourth quarter of 2006. This rebound is expected to continue.

Exports grew strongly in 2006 before falling slightly in the first quarter of 2007. With the dollar falling in value against the Euro and other major currencies, and several major economies likely to grow more strongly than the U.S. economy in 2007, U.S. exports are expected to be strong again in 2007.

Even though economic output grew by less than 2 percent in the first quarter of 2007, consumer spending rose a brisk 3.8 percent. Spending on motor vehicles and parts, medical care, and energy goods and services was particularly healthy. Coming when other sectors of the economy have cooled, this strong performance makes it likely that the first quarter will be the low point of the year.

Job gains slowed in the first four months of 2007, averaging only 129,000 per month. In 2006, the average monthly gain was 189,000. The national unemployment rate has settled at about 4.5 percent. Tight labor markets have resulted in average weekly earnings gains of about 3.5 percent over a year ago.

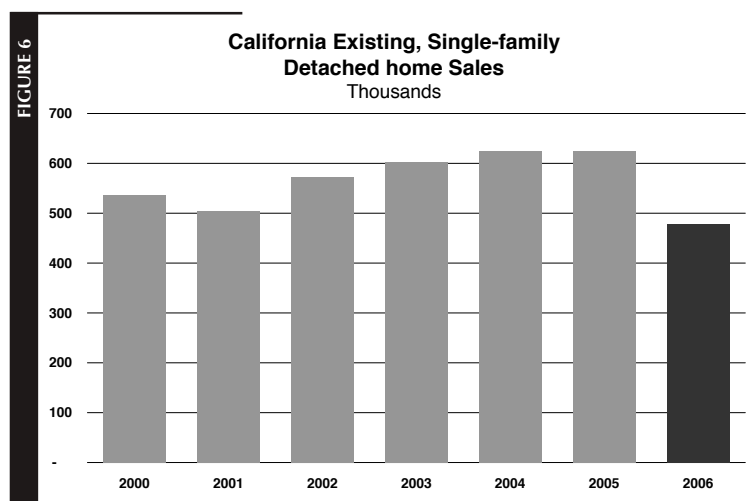
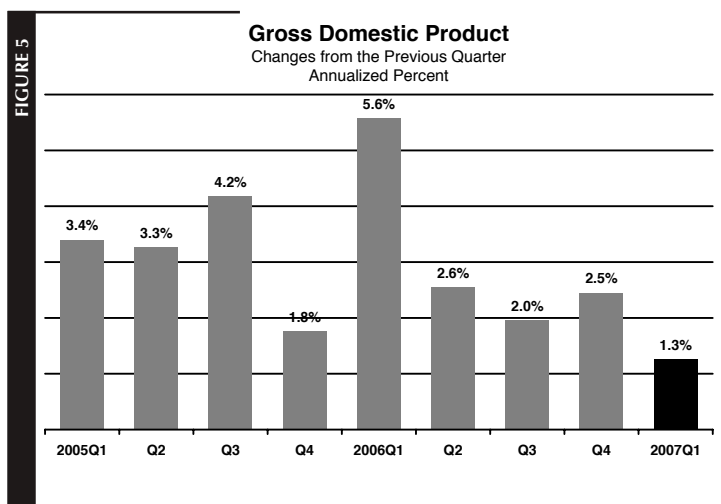
Energy prices shot up in the first four months of 2007, with the average price for regular-grade gasoline reaching \$3 per gallon and crude oil prices pushing \$65 per barrel. These increases have boosted broad measures of inflation in the economy. Measures of inflation that exclude energy prices have eased somewhat but remain above the Federal Reserve's desired range of 1 to 2 percent. With economic growth slowing and inflation higher than it likes, the Federal Reserve policy is unlikely to change its policy.

## CALIFORNIA

California began 2007 with a job loss in January, but February and March brought positive job gains. The annual benchmark revision of employment statistics in March revealed that considerably more jobs were created in the state during 2006 than were initially reported. The state added 275,000 jobs in 2006, the best gain since 2000. Nine out of the 11 major industry sectors saw employment grow in 2006. The state's unemployment rate averaged 4.9 percent in 2006 and was 4.8 percent in each of the first three months of 2007. An important development has been improved job growth in the San Francisco Bay Area. The region had the strongest percentage job growth of major California regional economies in 2006.

California personal income grew by an estimated 6.1 percent in 2006, somewhat stronger than in 2005. Taxable sales slowed considerably, however, in the second half of 2006. For the year as whole, taxable sales increased 3.9 percent compared to 7.4 percent in 2005. New vehicle registrations fell in 2006 and likely played a role in the slowdown of taxable sales.

Made-in-California exports grew by 9.4 percent to a new-record level of \$127.7 billion in 2006. High-tech exports grew 6.7 percent in 2006. Exports of chemicals, miscellaneous manufactured products, and food and kindred products all grew at double-digit rates. Leading export destinations, in order, were Mexico, Canada, Japan, mainland China, South Korea, Taiwan, the United Kingdom, Hong Kong, Singapore, and Germany. Except for Hong Kong, state exports expanded to all of these markets.



California home building and residential real estate markets slowed considerably in 2006. The number of residential units permitted fell 22 percent, as compared to 15 percent for the nation; however, permits increased in the state in the first quarter of 2007. Existing, single-family detached home sales fell 24 percent in 2006, and home price appreciation slowed considerably (Figure 5).

## THE FORECAST

The struggling housing sector will continue to weigh on the state and national economies during the rest of 2007 and, to a lesser extent, in 2008, but economic growth should steadily improve beginning in the third quarter of 2007 (Figures 6 and 7).

FIGURE 7

### Selected U.S. Economic Indicators

	2006 (Est.)	2007 (Projected)	2008 (Projected)
Real gross domestic product, (2000 dollar) (Percent change)	3.3	2.2	3.1
Personal consumption expenditures	3.2	3.2	3.0
Gross private domestic investment	4.3	(4.8)	3.4
Government purchases of goods and services	2.1	2.5	1.7
GDP deflator (2000=100) (Percent change)	2.9	2.3	1.7
GDP, (Current dollar) (Percent change)	6.3	4.6	4.8
Federal funds rate (Percent)	5.0	5.2	5.0
Personal income (Percent change)	6.3	5.5	5.3
Corporate profits before taxes (Percent change)	19.2	3.4	2.8
Nonfarm wage and salary employment (Millions)	136.2	137.9	139.6
(Percent change)	1.9	1.3	1.2
Unemployment rate (Percent)	4.6	4.7	4.7
Housing starts (Millions)	1.8	1.4	1.6
(Percent change)	(12.4)	(21.3)	8.6
New car and light truck sales (Millions)	16.5	16.7	16.9
(Percent change)	(2.6)	1.0	1.5
Consumer price index (1982-84=100)	201.6	205.5	209.7
(Percent change)	3.2	2.0	2.0

Forecast based on data available as of April 2007.  
Percent changes calculated from unrounded data.

FIGURE 8

### Selected California Economic Indicators

	2006	Percent change	Projected			
			2007	Percent change	2008	Percent change
Personal income (\$ billions)	1,416.6	6.1%	1,491.9	5.3%	1,573.4	5.5%
Nonfarm W&S employment (thousands)	15,064.9	1.8%	15,257.2	1.3%	15,485.1	1.5%
Natural resources and mining	25.1	6.7%	26.5	5.4%	27.0	2.1%
Construction	937.5	3.6%	920.6	-1.8%	921.0	0.0%
Manufacturing	1,502.7	-0.8%	1,497.6	-0.3%	1,501.4	0.3%
High technology	393.0	-0.8%	392.7	-0.1%	395.0	0.6%
Trade, transportation, & utilities	2,870.8	1.7%	2,916.7	1.6%	2,958.5	1.4%
Information	471.8	-0.4%	473.2	0.3%	482.0	1.9%
High technology	205.6	-0.5%	207.8	1.1%	212.2	2.1%
Financial activities	937.8	1.1%	939.5	0.2%	943.0	0.4%
Professional and business services	2,226.6	3.7%	2,292.2	2.9%	2,360.8	3.0%
High technology	285.5	5.2%	299.2	4.8%	313.4	4.7%
Educational and health services	1,618.5	2.0%	1,653.5	2.2%	1,685.5	1.9%
Leisure and hospitality	1,520.0	3.1%	1,555.0	2.3%	1,592.6	2.4%
Other services	506.6	0.2%	512.1	1.1%	521.3	1.8%
Government	2,447.4	1.3%	2,470.4	0.9%	2,491.9	0.9%
Unemployment rate	4.9%		5.0%		5.0%	
Housing permits (thousands of units)	162.9	-22.1%	132.8	-18.5%	143.4	7.9%
Consumer price index (1982-84=100)	210.4	3.9%	216.2	2.8%	221.8	2.6%

Forecast based on data available as of April 2007.  
Percent changes calculated from unrounded data.

# Select Indicators

	2006		2007			Year-Over % Change
	Mar	Dec	Jan	Feb	Mar	
<b>EMPLOYMENT (Seasonally adjusted)</b>						
Civilian employment (000)	16,969	17,141	17,208	17,195	17,259	1.7%
Unemployment (000)	873	871	877	874	876	0.2%
Unemployment rate	4.9	4.8	4.8	4.8	4.8	--
Nonagricultural wage and salary employment (000) a.	14,994.1	15,212.6	15,202.2	15,225.8	15,244.3	1.7%
Goods-producing industries	2,469.2	2,470.1	2,476.3	2,474.6	2,474.3	0.2%
Natural resources and mining	24.5	26.0	26.2	26.1	26.0	6.1%
Construction	937.0	937.2	942.9	942.4	946.2	1.0%
Manufacturing	1,507.7	1,506.9	1,507.2	1,506.1	1,502.1	-0.4%
Service-providing industries	12,524.9	12,742.5	12,725.9	12,751.2	12,770.0	2.0%
Trade, transportation, and utilities	2,860.3	2,897.0	2,899.7	2,899.6	2,904.8	1.6%
Information	475.5	477.3	467.4	474.3	476.2	0.1%
Financial activities	940.5	941.2	942.8	943.5	941.9	0.1%
Professional and business services	2,199.5	2,260.2	2,255.1	2,260.7	2,265.4	3.0%
Educational and health services	1,605.4	1,641.5	1,642.5	1,647.6	1,650.8	2.8%
Leisure and hospitality	1,507.2	1,544.6	1,535.9	1,541.1	1,547.4	2.7%
Other services	501.8	511.9	511.8	511.5	509.1	1.5%
Government	2,434.7	2,468.8	2,470.7	2,472.9	2,474.4	1.6%
Federal government	248.6	245.4	244.5	244.3	244.6	-1.6%
State and local government	2,186.1	2,223.4	2,226.2	2,228.6	2,229.8	2.0%
High-technology industries b/	881.4	893.3	890.7	894.0	892.0	1.2%
Computer and electronic products manufacturing	320.9	322.3	321.0	322.4	320.9	0.0%
Aerospace products and parts manufacturing	73.5	72.4	72.1	71.9	71.9	-2.2%
Software publishers	40.6	41.9	41.7	41.8	41.9	3.2%
Telecommunications	111.2	109.0	109.2	110.9	109.2	-1.8%
Internet service providers	53.8	55.7	55.4	55.3	55.5	3.2%
Computer systems design	182.7	190.4	189.9	190.0	190.8	4.4%
Scientific research and development	98.7	101.6	101.4	101.7	101.8	3.1%

## HOURS AND EARNINGS IN MANUFACTURING (Not seasonally adjusted)

Average weekly hours	40.1	41.2	40.1	40.2	40.4	0.7%
Average weekly earnings	\$634.38	\$667.03	\$651.22	\$652.85	\$656.90	3.5%
Average hourly earnings	\$15.82	\$16.19	\$16.24	\$16.24	\$16.26	2.8%

## CONSUMER PRICE INDEX (1982-84=100) (Not seasonally adjusted)

<b>All Urban Consumers Series</b>						
California Average	n.a.	211.0	n.a.	214.9	n.a.	--
San Francisco CMSA	n.a.	210.4	n.a.	213.7	n.a.	--
Los Angeles CMSA	208.5	210.6	212.6	214.8	216.5	3.8%
<b>Urban Wage Earners and Clerical Workers Series</b>						
California Average	n.a.	203.4	n.a.	207.0	n.a.	--
San Francisco CMSA	n.a.	205.6	n.a.	208.8	n.a.	--
Los Angeles CMSA	200.8	202.9	204.5	206.6	208.9	4.0%

## CONSTRUCTION

Private residential housing units authorized (000) c/	190	135.0	140.4	123.9	148.1	-22.1%
Single units	123	78.9	95.3	88.6	85.0	-31.0%
Multiple units	67	56.1	45.1	35.3	63.1	-5.6%
Residential building authorized valuation (millions) d.	\$41,406	\$30,510	\$34,972	\$32,048	\$33,334	-19.5%
Nonresidential building authorized valuation (millions) d.	\$18,490	\$18,354	\$30,401	\$21,042	\$19,191	3.8%
Nonresidential building authorized valuation (millions) e.	\$1,735	\$1,566	\$1,773	\$1,780	\$1,830	5.4%
Commercial	621	531	675	737	706	13.7%
Industrial	119	134	85	121	108	-9.1%
Other	340	325	258	215	283	-17.0%
Alterations and additions	655	577	755	707	733	11.9%

## AUTO SALES (Seasonally adjusted)

New auto registrations (number)	151,922	133,886	152,867	140,841	n.a.	--
---------------------------------	---------	---------	---------	---------	------	----

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

n.a. Not available

# Select Indicators *Continued*

## VACANCY RATES FOR FIRST QUARTER 2007 (Percent)

	Office		Office		Office		Industrial	
	Downtown		Suburban		Metropolitan		1Q07	1Q06
	1Q07	1Q06	1Q07	1Q06	1Q07	1Q06		
Northern and Central California:								
Oakland	11.3	15.0	11.4	13.1	11.4	13.5	n.a.	n.a.
Sacramento	9.7	13.3	12.3	13.4	11.8	13.4	13.0	11.0
San Francisco	8.6	11.5	12.4	17.3	9.8	13.3	10.5	11.6
San Jose	20.0	21.8	9.7	12.8	12.0	14.8	n.a.	n.a.
Southern California:								
Los Angeles Metro	13.9	14.6	8.3	10.3	9.1	11.0	7.4	7.2
Orange County	n.a.	n.a.	8.8	6.1	8.8	6.1	6.9	7.5
San Diego	12.7	10.1	11.2	8.9	11.5	9.1	7.1	9.4
Ventura County	n.a.	n.a.	10.8	10.1	10.8	10.1	n.a.	n.a.
National Average	10.8	12.3	13.9	14.3	12.8	13.6	9.7	9.7

## FOREIGN TRADE THROUGH CALIFORNIA

### SALES OF EXISTING SINGLE-FAMILY HOMES

		Median	Units	PORTS		DOD PRIME CONTRACTS a/		
		Price	(SAAR)	Exports	Imports	\$ millions	% of U.S.	
2003	Jan	\$336,212	584,600	\$8,408	\$17,588	1993-94	22,573	20.5%
	Feb	326,645	566,890	8,423	16,359	1994-95	18,277	16.8%
	Mar	351,134	567,609	9,784	18,789	1995-96	18,230	16.7%
	Apr	364,040	583,333	9,158	19,151	1996-97	18,477	17.3%
	May	367,627	572,265	9,090	18,537	1997-98	17,401	15.9%
	Jun	374,535	572,128	9,743	19,774	1998-99	17,372	15.1%
	Jul	381,938	595,858	9,604	20,743	1999-00	18,100	14.7%
	Aug	406,142	645,721	9,626	19,846	2000-01	19,939	14.7%
	Sep	384,686	631,881	8,968	21,060	2001-02	23,816	15.0%
	Oct	379,119	636,688	10,341	23,021	2002-03	28,681	15.0%
	Nov	384,472	627,190	9,969	21,320	2003-04	27,875	13.7%
	Dec	401,724	637,078	10,437	20,528	2004-05	31,065	13.1%
2004	Jan	\$404,463	615,659	\$9,062	\$19,996			
	Feb	391,550	589,220	9,536	18,011			
	Mar	428,060	590,220	11,420	22,589			
	Apr	452,680	640,710	10,249	21,722			
	May	463,320	632,380	10,460	21,760			
	Jun	468,050	633,660	10,481	23,971			
	Jul	462,145	639,910	10,388	24,162			
	Aug	473,520	591,150	10,118	24,127			
	Sep	463,630	626,210	10,446	23,974			
	Oct	459,530	639,571	10,460	25,279			
	Nov	471,980	652,340	9,792	25,769			
	Dec	474,270	645,860	10,628	22,863			
2005	Jan	\$484,580	659,410	\$9,405	\$22,776			
	Feb	470,920	608,160	9,756	21,738			
	Mar	496,550	634,700	11,390	23,735			
	Apr	509,630	658,060	10,356	24,337			
	May	522,590	618,920	10,882	24,774			
	Jun	542,330	656,310	11,108	26,153			
	Jul	539,840	647,910	10,828	26,452			
	Aug	567,320	632,240	11,166	26,452			
	Sep	543,510	650,780	10,825	28,012			
	Oct	538,770	621,530	11,371	28,847			
	Nov	548,680	579,560	11,194	27,030			
	Dec	547,400	531,910	11,709	26,024			
2006	Jan	\$549,460	500,470	\$10,848	\$25,555			
	Feb	534,400	513,740	10,791	23,004			
	Mar	562,130	539,170	13,336	27,722			
	Apr	562,380	516,960	11,991	27,005			
	May	564,430	488,260	12,306	28,090			
	Jun	575,800	483,690	12,664	29,621			
	Jul	566,940	453,980	12,255	29,990			
	Aug	576,360	442,150	12,720	31,550			
	Sep	553,050	444,780	12,567	30,608			
	Oct	548,680	443,320	12,913	32,200			
	Nov	555,290	450,930	12,676	29,747			
	Dec	569,560	451,976	12,756	28,396			
2007	Jan	\$559,300	437,580	\$12,325	\$28,025			
	Feb	558,130	464,560	11,717	26,183			
	Mar	580,090	427,110	n.a.	n.a.			

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

n.a. Not available

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

		Manufacturing		Unemployment	New	Housing Unit
		Overtime	Average	Insurance	Business	Authorizations
		Hours	Weekly Hours	Initial Claims	Incorporations	(Thousands)
2001	Jan	4.1	39.8	46,799	7,529	200.3
	Feb	4.1	40.1	52,410	6,424	135.2
	Mar	4.0	39.9	53,817	6,552	144.7
	Apr	3.5	39.5	52,230	6,227	153.1
	May	3.8	39.6	56,059	6,759	152.9
	Jun	3.8	39.3	54,542	6,423	145.2
	Jul	3.7	39.5	55,115	6,536	130.0
	Aug	3.9	39.6	57,162	7,277	161.0
	Sep	3.9	39.7	59,617	5,928	113.7
	Oct	3.8	39.4	63,824	7,048	145.8
	Nov	3.6	39.1	58,094	7,299	138.5
	Dec	3.7	39.4	49,380	6,900	166.1
2002	Jan	3.8	38.9	66,358	7,284	156.8
	Feb	3.9	39.4	57,122	6,846	159.2
	Mar	4.1	39.9	61,093	7,329	142.9
	Apr	4.1	39.9	62,279	7,320	162.9
	May	4.1	39.6	60,700	8,550	157.6
	Jun	4.1	39.9	59,006	6,972	146.4
	Jul	3.9	39.2	61,905	7,279	179.6
	Aug	4.0	39.8	61,363	7,595	167.7
	Sep	3.9	40.0	60,762	7,348	182.2
	Oct	3.8	39.6	63,112	8,192	216.8
	Nov	3.9	39.8	59,091	7,516	185.2
	Dec	3.9	39.9	60,044	7,682	156.1
2003	Jan	3.9	39.5	60,114	7,475	195.9
	Feb	4.0	39.8	60,424	8,658	239.9
	Mar	3.7	39.7	59,639	7,138	179.2
	Apr	3.6	39.6	63,029	7,813	189.3
	May	3.7	39.8	60,911	7,769	209.7
	Jun	3.7	39.9	60,851	7,834	171.5
	Jul	3.8	39.5	60,324	8,087	197.6
	Aug	3.8	39.6	58,097	7,094	181.3
	Sep	3.9	39.6	57,666	8,353	188.8
	Oct	3.9	39.7	60,721	8,197	227.7
	Nov	4.1	40.3	55,212	7,465	182.5
	Dec	4.0	39.6	51,300	8,288	203.2
2004	Jan	4.0	40.0	49,870	8,216	200.8
	Feb	4.1	40.2	50,160	8,678	200.1
	Mar	4.2	40.2	48,924	8,397	221.9
	Apr	4.4	39.9	48,650	8,333	207.9
	May	4.5	40.3	46,661	8,135	199.1
	Jun	4.3	39.9	49,797	8,807	213.2
	Jul	4.4	40.2	48,536	8,473	201.0
	Aug	4.2	40.2	47,805	8,391	213.6
	Sep	4.1	39.3	47,268	8,648	220.1
	Oct	4.2	39.8	47,402	8,087	192.5
	Nov	4.4	39.9	47,419	9,054	245.4
	Dec	4.4	39.8	48,016	9,020	239.2
2005	Jan	4.5	40.2	49,701	6,002	189.8
	Feb	4.5	39.9	46,500	9,073	195.3
	Mar	4.4	39.9	45,230	9,204	225.5
	Apr	4.5	40.0	43,777	9,300	207.6
	May	4.4	39.9	43,516	9,641	215.2
	Jun	4.4	39.6	42,618	9,263	224.3
	Jul	4.3	39.9	41,073	8,877	229.2
	Aug	4.6	40.0	41,064	9,374	205.3
	Sep	4.5	40.1	41,247	8,995	275.1
	Oct	4.5	40.5	40,114	8,621	169.5
	Nov	4.3	40.0	40,036	9,174	196.5
	Dec	4.3	39.3	41,128	9,104	175.9
2006	Jan	4.2	40.3	41,564	9,211	173.4
	Feb	4.3	40.3	38,567	8,771	208.8
	Mar	4.3	40.1	42,555	9,490	190.0
	Apr	4.1	40.3	43,065	8,194	170.3
	May	4.3	40.2	42,980	9,650	172.5
	Jun	4.4	40.5	40,768	8,573	205.2
	Jul	4.1	40.5	42,493	8,031	141.5
	Aug	4.0	40.3	42,831	9,389	157.7
	Sep	3.9	40.3	41,810	8,348	152.3
	Oct	4.1	40.5	42,212	8,866	117.4
	Nov	3.9	40.4	43,312	9,221	131.6
	Dec	4.2	40.7	45,035	8,782	135.0
2007	Jan	4.1	40.5	42,818	9,307	140.4
	Feb	3.8	40.4	42,567	8,924	123.9
	Mar	3.8	40.4	n.a.	8,627	148.1

<sup>a/</sup> Seasonally adjusted by the California Department of Finance.  
n.a. Not available

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

		Nonagricultural Employment (Thousands)	Manufacturing Employment (Thousands)	Unemployment Rate (Percent)	Unemployment Avg. Weeks Claimed (Thousands)
2002	Jan	14,438	1,680	6.5	515
	Feb	14,446	1,672	6.6	543
	Mar	14,475	1,669	6.7	534
	Apr	14,466	1,662	6.7	540
	May	14,487	1,660	6.7	556
	Jun	14,479	1,653	6.8	535
	Jul	14,428	1,639	6.7	548
	Aug	14,452	1,635	6.7	524
	Sep	14,443	1,628	6.7	534
	Oct	14,459	1,623	6.7	540
	Nov	14,473	1,613	6.8	509
	Dec	14,449	1,603	6.8	513
2003	Jan	14,439	1,594	6.9	514
	Feb	14,420	1,583	6.9	521
	Mar	14,398	1,574	6.8	521
	Apr	14,398	1,567	6.9	569
	May	14,396	1,559	6.9	546
	Jun	14,391	1,552	6.9	541
	Jul	14,357	1,539	6.9	555
	Aug	14,376	1,541	6.8	526
	Sep	14,362	1,541	6.8	532
	Oct	14,403	1,538	6.9	520
	Nov	14,384	1,535	6.8	508
	Dec	14,386	1,535	6.7	507
2004	Jan	14,429	1,537	6.6	450
	Feb	14,445	1,534	6.5	453
	Mar	14,461	1,534	6.5	444
	Apr	14,481	1,537	6.4	438
	May	14,502	1,538	6.4	420
	Jun	14,503	1,534	6.3	439
	Jul	14,568	1,545	6.2	408
	Aug	14,549	1,536	6.1	415
	Sep	14,547	1,530	6.1	423
	Oct	14,616	1,528	6.0	395
	Nov	14,636	1,525	5.9	400
	Dec	14,626	1,520	5.9	403
2005	Jan	14,651	1,524	5.9	398
	Feb	14,685	1,520	5.7	396
	Mar	14,695	1,515	5.5	387
	Apr	14,747	1,517	5.5	367
	May	14,739	1,512	5.5	367
	Jun	14,750	1,510	5.5	376
	Jul	14,808	1,519	5.3	354
	Aug	14,840	1,514	5.3	360
	Sep	14,874	1,512	5.2	339
	Oct	14,895	1,512	5.2	340
	Nov	14,931	1,511	5.1	337
	Dec	14,953	1,509	5.1	322
2006	Jan	14,957	1,511	5.1	341
	Feb	14,999	1,511	4.9	339
	Mar	14,994	1,508	4.9	344
	Apr	14,984	1,503	5.0	350
	May	15,030	1,503	4.9	343
	Jun	15,060	1,501	4.9	334
	Jul	15,085	1,501	4.8	338
	Aug	15,110	1,499	4.9	338
	Sep	15,122	1,500	4.8	336
	Oct	15,162	1,506	4.8	342
	Nov	15,188	1,507	4.7	347
	Dec	15,213	1,507	4.8	340
2007	Jan	15,202	1,507	4.8	367
	Feb	15,226	1,506	4.8	364
	Mar	15,244	1,502	4.8	n.a.

	Personal Income (\$ millions)	Total Wages & Salaries (\$ millions)	Taxable Sales (\$ millions)
2001	Qtr I	\$1,138,374	\$649,717
	Qtr II	1,133,096	646,255
	Qtr III	1,134,344	643,642
	Qtr IV	1,135,402	642,812
2002	Qtr I	\$1,141,338	\$642,910
	Qtr II	1,147,785	641,135
	Qtr III	1,147,971	639,919
	Qtr IV	1,153,768	643,974
2003	Qtr I	\$1,163,677	\$647,444
	Qtr II	1,179,563	656,068
	Qtr III	1,190,698	663,371
	Qtr IV	1,214,223	672,319
2004	Qtr I	\$1,234,741	\$682,933
	Qtr II	1,254,782	692,509
	Qtr III	1,274,933	704,954
	Qtr IV	1,307,740	715,106
2005	Qtr I	\$1,313,717	\$724,244
	Qtr II	1,323,822	727,064
	Qtr III	1,336,741	737,347
	Qtr IV	1,367,267	756,289
2006	Qtr I	\$1,406,156	\$780,007
	Qtr II	1,399,298	768,992
	Qtr III	1,418,177	778,390
	Qtr IV	1,442,656	794,134

a/ Seasonally adjusted by the California Department of Finance with the exception of the nonagricultural and manufacturing employment and the unemployment rate which are seasonally adjusted by the California Employment Development Department.  
n.a. 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.

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.

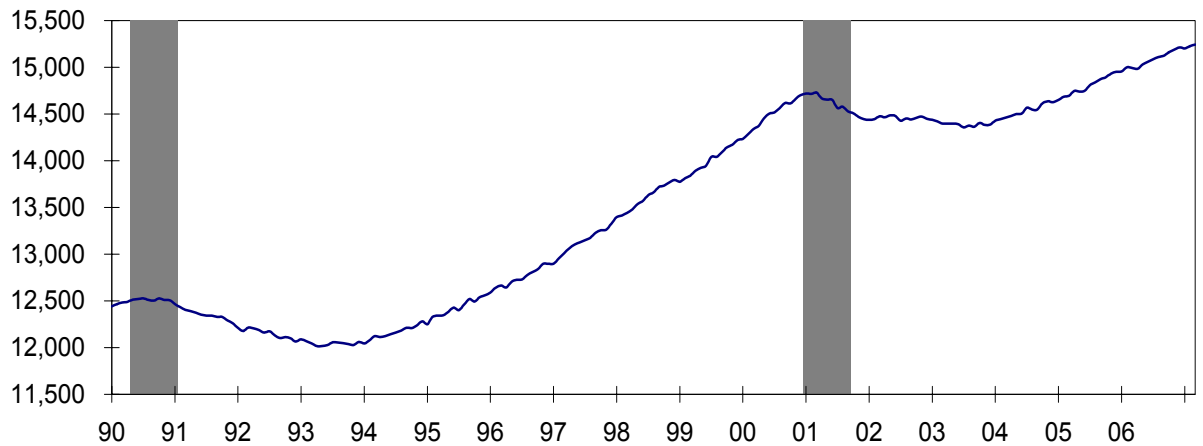
Under the X-12 Arima method, the addition of new data points changes historical seasonal factors. To avoid monthly data changes in the California Economic Indicators it is necessary to "freeze" the seasonally adjusted data through the past year and manually compute current year values from the projected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

This 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.

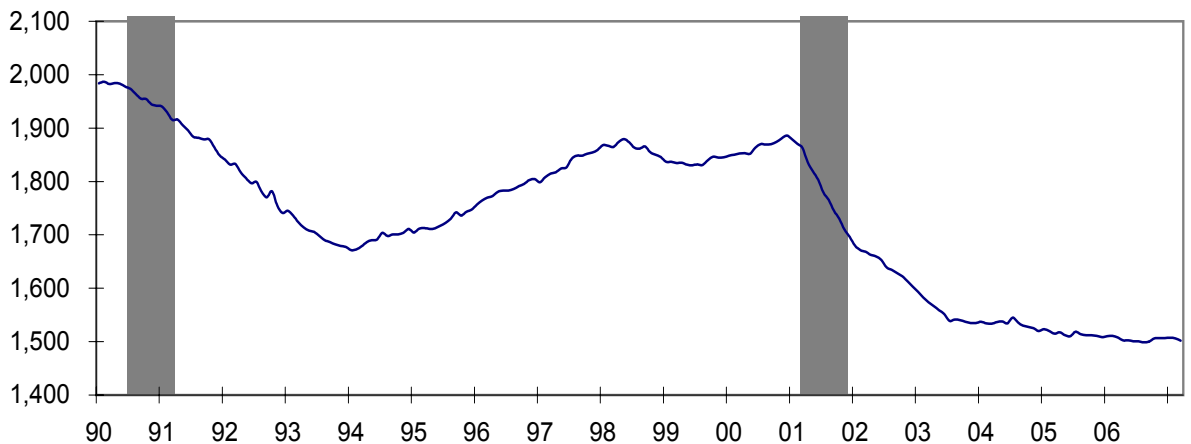
### Nonagricultural Employment

(Thousands, Seasonally Adjusted)

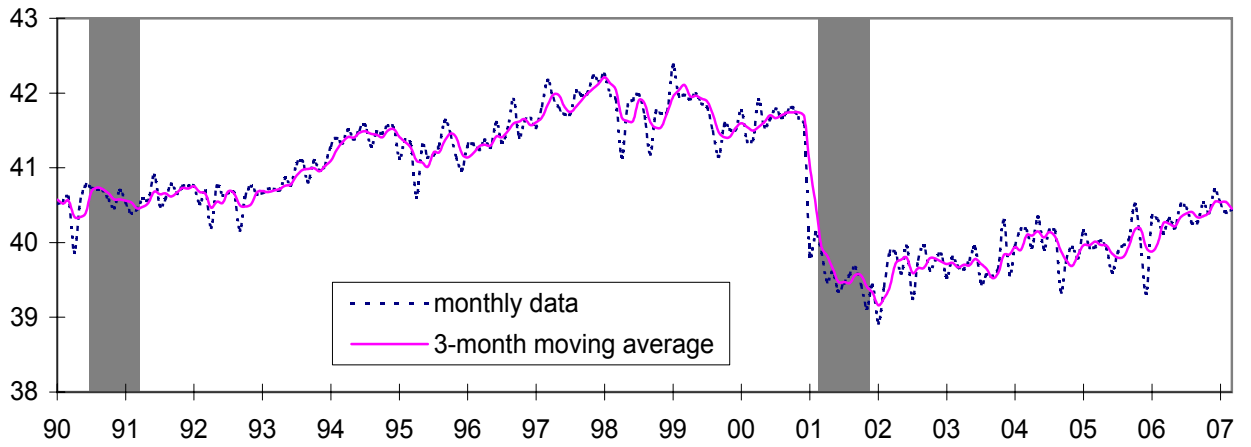


### Manufacturing Employment

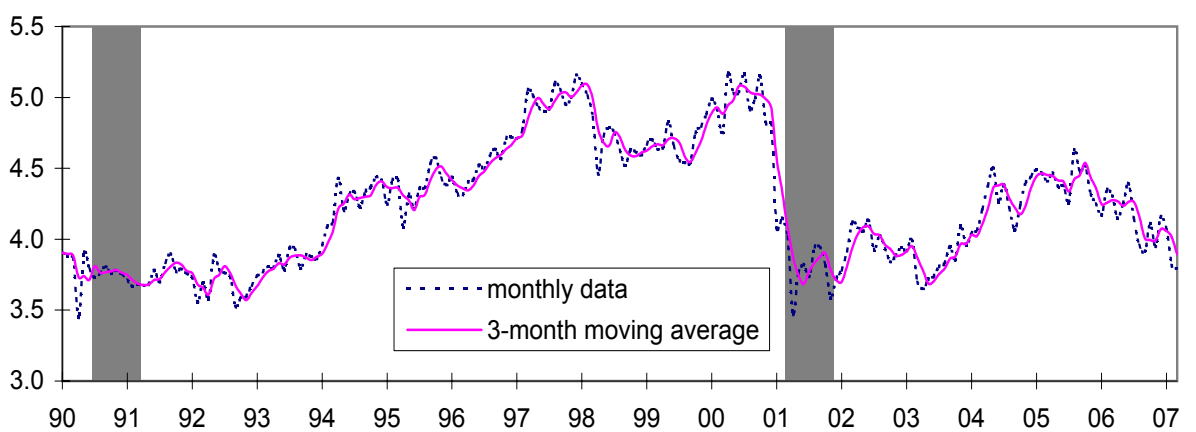
(Thousands, Seasonally Adjusted)



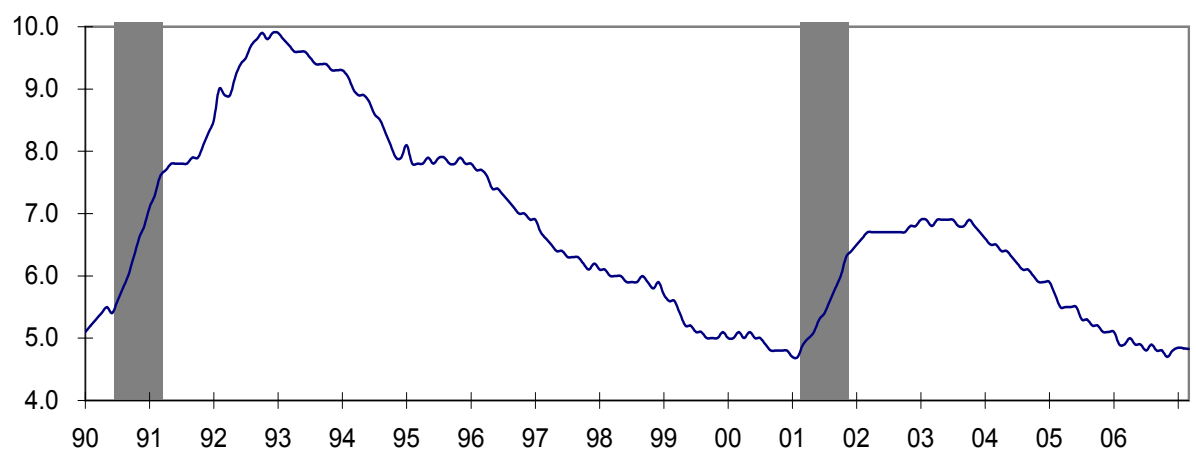
Average Weekly Hours, Manufacturing (Seasonally Adjusted)



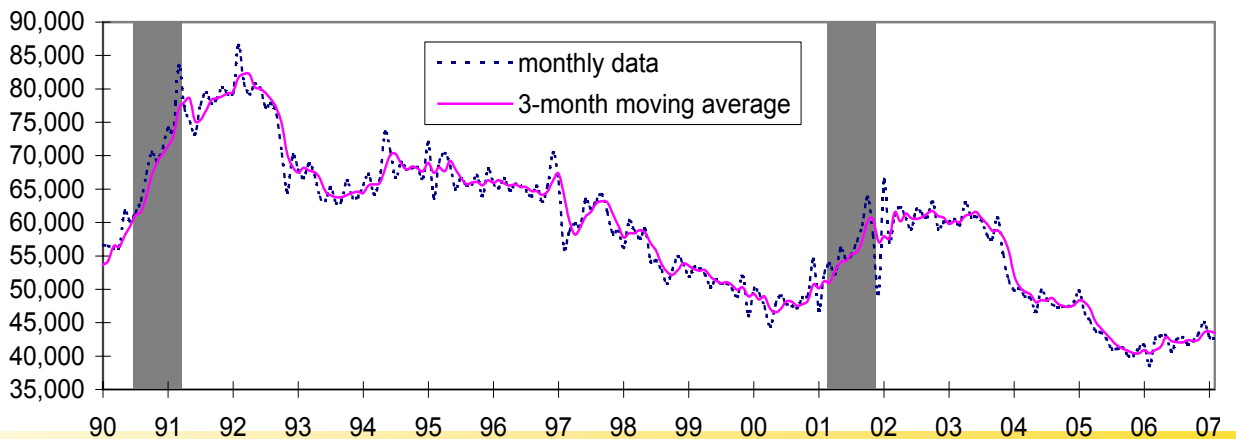
Average Overtime Hours, Manufacturing (Seasonally Adjusted)



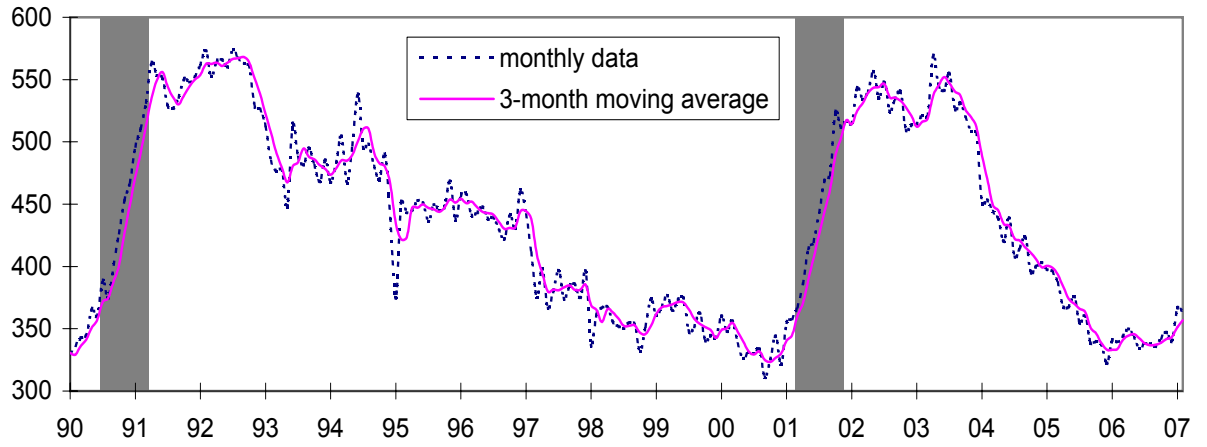
Unemployment Rate (Percent)



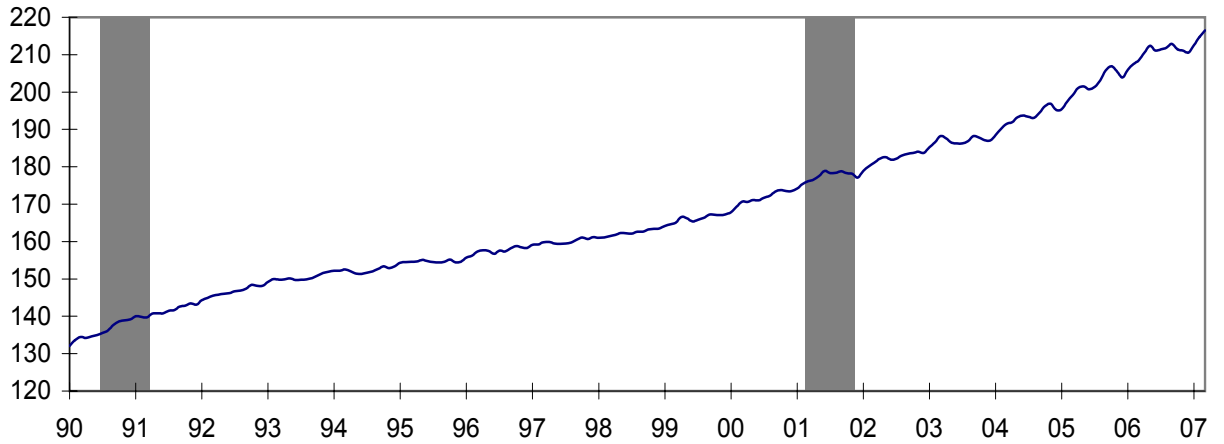
Initial & Transitional Claims for Unemployment Insurance (Weekly Average, Seasonally Adjusted)



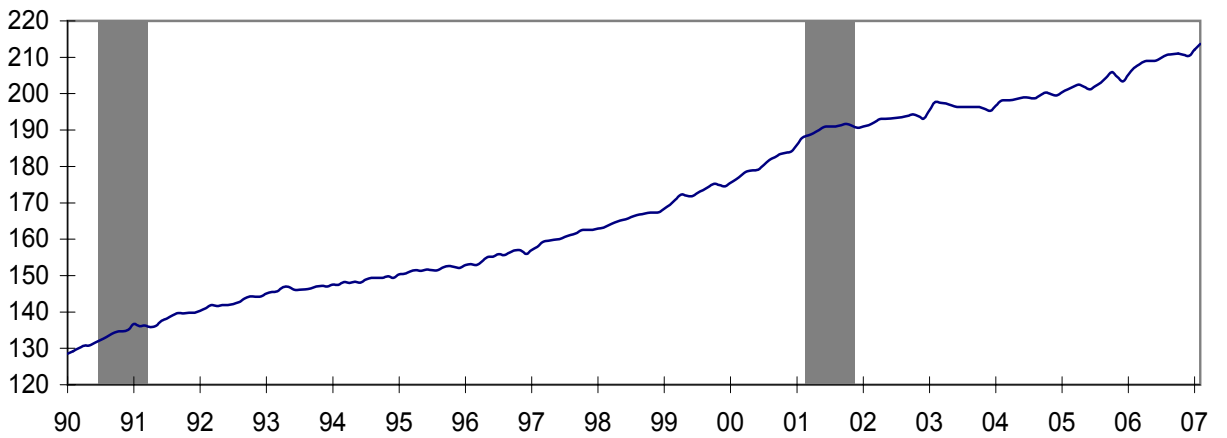
**Unemployment,  
Average Weeks  
Claimed**  
( thousands,  
Seasonally Adjusted)



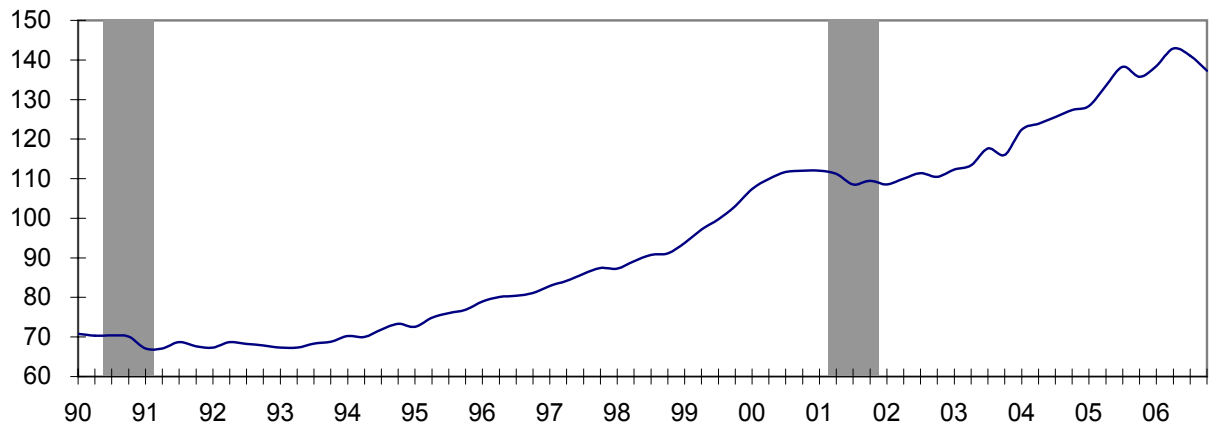
**Consumer  
Price Index,  
Los Angeles**  
(1982-84=100)



**Consumer  
Price Index,  
San Francisco**  
(1982-84=100)

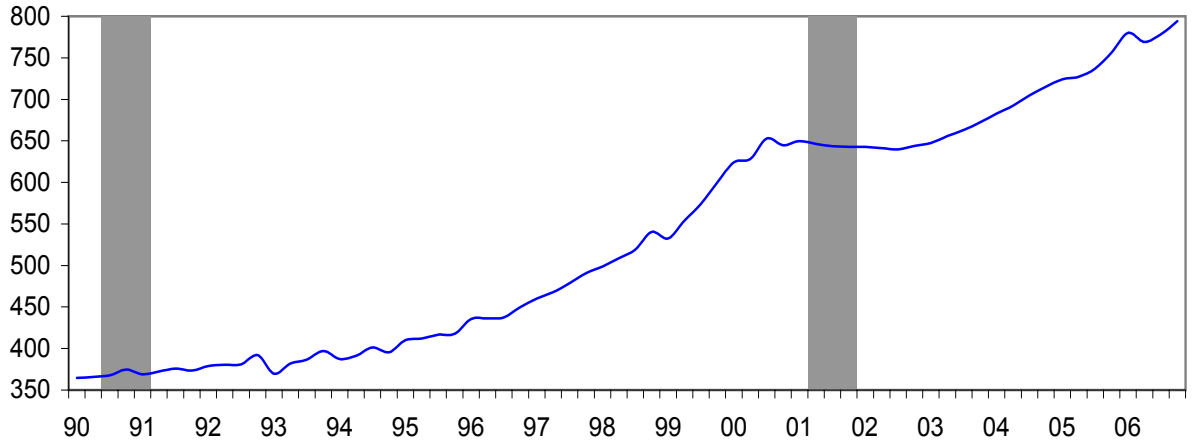


**Taxable Sales**  
(Dollars in billions,  
Seasonally Adjusted)



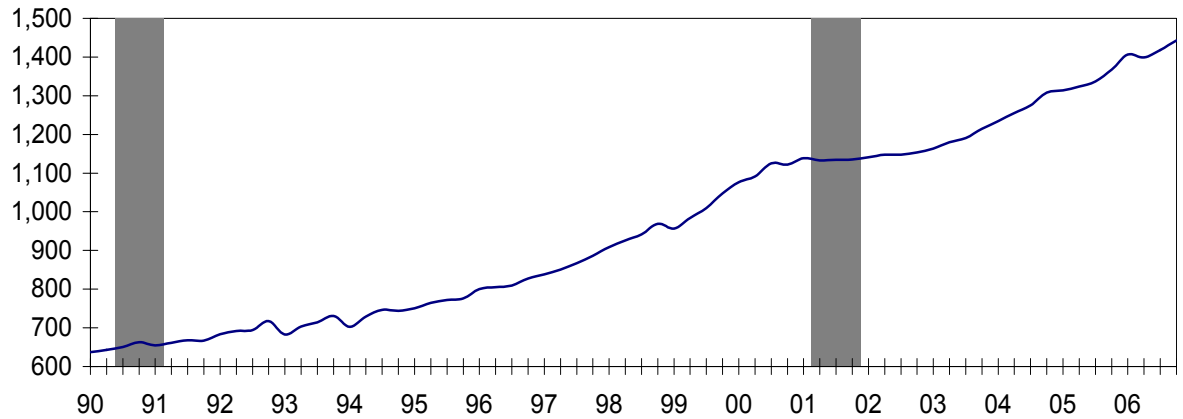
## Wages and Salaries

(Dollars in billions, Seasonally Adjusted)



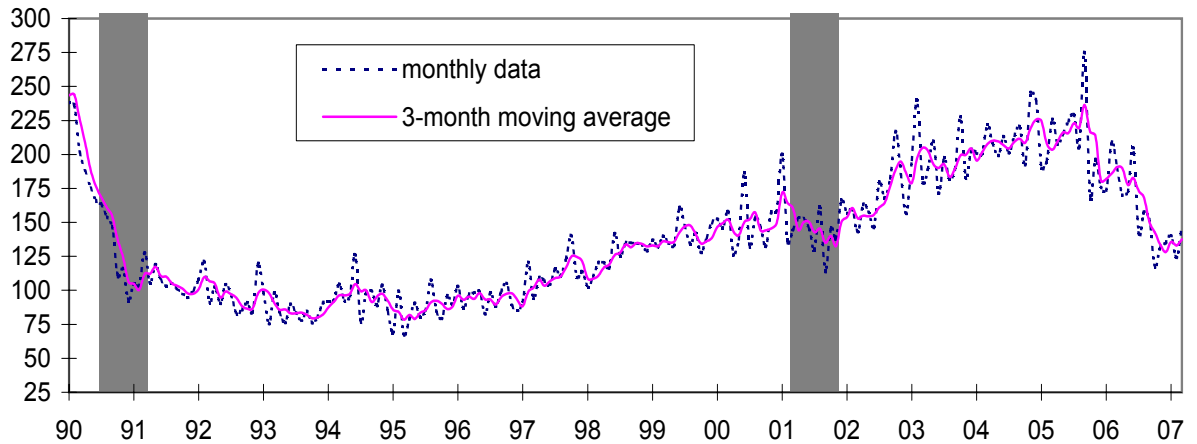
## Personal Income

(Dollars in billions, Seasonally Adjusted)



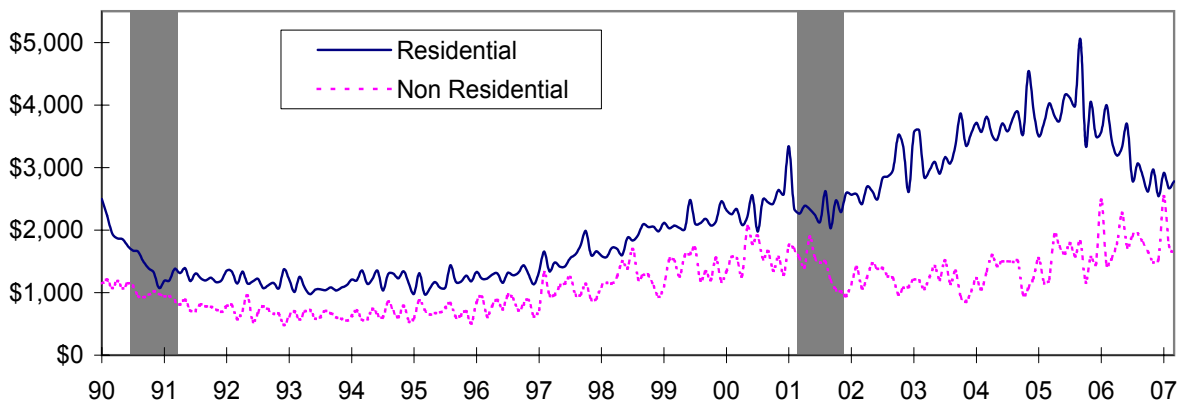
## New Housing Units Authorized By Building Permits

(thousands, Seasonally Adjusted at Annual Rate)

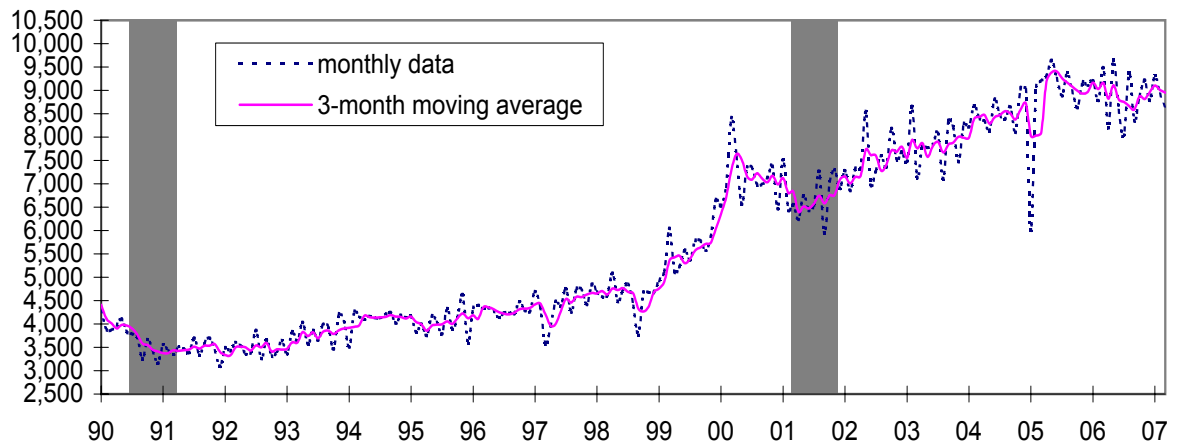


## Residential & Nonresidential Building Permit Valuation

(Dollars in millions, Seasonally Adjusted)



New Business  
Incorporations  
(Seasonally Adjusted)



## ■ 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. A similar summary of events dating back to 1956 is available at the Department's internet home page at: [www.dof.ca.gov](http://www.dof.ca.gov)

### 2006

- January 31** Federal funds rate raised from 4.25 percent to 4.50 percent.  
Alan Greenspan steps down after more than 18 years as chairman of the Federal Reserve.  
Ben Bernanke was sworn in as the new chairman of the Federal Reserve.
- February 17** A total of 38,300 new and resale houses and condos were sold in California last month. That's down 27.5 percent from December and down 9.5 percent from January 2005.  
Last month's sales count was the lowest since January 2002.  
The median price paid for a home last month was \$452,000. That's down 1.3 percent from December and up 13.0 percent from January 2005. Last month's year-over-year increase was the lowest since a 12.4 percent increase in March 2003 when the median reached \$290,000. Prices increased at their fastest rate in June 2004 when the \$382,000 median was up 23.2 percent from the same month a year before.
- February 28** GDP increased at an annual rate of 1.6 percent in the fourth quarter of 2005, posting the smallest gain in three years.
- March 28** Federal funds rate raised from 4.50 percent to 4.75 percent.  
This is the fifteenth consecutive increase since June 2004 and the first since Ben Bernanke took over as chairman of the Federal Reserve.
- May 10** Federal funds rate raised from 4.75 percent to 5.00 percent.
- May 17** Standard and Poor's raised California's bond rating to A+ from A.  
Moody's upgraded California's bond rating to A1 from A2.
- June 9** Fitch upgraded California's bond rating to A+ from A.
- June 29** GDP increased at an annual rate of 5.6 percent in the first quarter of 2006.  
It was the strongest quarterly growth in 2 1/2 years.  
Federal funds rate raised from 5.00 percent to 5.25 percent.

<b>June 30</b>	California Governor Arnold Schwarzenegger signs the 2006-07 state budget bill.
<b>July 12</b>	Hezbollah attacks Israel.
<b>July (mid to late)</b>	Heat wave sets records across the United States and caused scattered power outages.
<b>July 28</b>	GDP increased at an annual rate of 2.5 percent in the second quarter of 2006.
<b>August 7</b>	BP announces plan to shutdown Prudhoe Bay oil field.
<b>August 10</b>	U.K. foils plot to bomb U.S.-bound airliners.
<b>September 5</b>	Intel announced that it will lay off about 10 percent of its work force.
<b>September 12</b>	California minimum wage legislation signed. The \$1.25 increase in the minimum wage will be phased in, with an increase of 75 cents on January 1, 2007 and an increase of 50 cents on January 1, 2008.
<b>October 19</b>	Dow Jones Industrials close above 12,000 for the first time.
<b>October 27</b>	GDP increased at an annual rate of 1.6% in the third quarter, down from 2.6% in the second quarter.
<b>November 7</b>	California Governor Arnold Schwarzenegger won a second term. Voters in six states approved ballot measures raising the minimum wage, joining 18 other states in setting a wage higher than the federal mark of \$5.15 an hour.
<b>December 21</b>	GDP increased at an annual rate of 2.0 percent in the third quarter.

## 2007

<b>January 1</b>	California minimum wage increased to \$7.50 per hour from \$6.75.
<b>January 11</b>	Vietnam becomes WTO member.
<b>Mid-January</b>	Freezing temperatures in California caused some \$1.3 billion in crop losses.
<b>January 25-26</b>	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.
<b>February</b>	Crippling winter storms blanketed large swaths of the Midwest and Northeast with snow, ice and freezing rain.
<b>February 21</b>	Rising default rates hitting subprime mortgage industry hard.
<b>February 27</b>	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.
<b>February 28</b>	GDP grew at a 2.2 percent pace in the 4th quarter –a considerably weaker rate than what the government first estimated.
<b>March 2</b>	The latest benchmark revision to the California labor market statistics shows nonfarm payroll employment growth was considerably stronger than what was first estimated.
<b>March 14</b>	President Bush issues a disaster declaration for California counties hurt by the January deep freeze.
<b>March 29</b>	Fourth quarter GDP revised upwards to 2.5 percent.
<b>April 16</b>	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.
<b>April 25</b>	Dow Jones Industrials close above 13,000 for the first time.
<b>April 27</b>	First quarter GDP increased at an annual rate of 1.3 percent.