



CALIFORNIA Economic Indicators

November–December 2007

No Respite

Bogged down by housing troubles, California continued to slow at year-end.

REVIEW OF RECENT ECONOMIC DEVELOPMENTS

The California economy continued to decelerate through the end of the year as the real estate and home building downturn weighed increasingly on employment growth.

EMPLOYMENT¹

Labor market indicators for December were mixed, with payroll employment making a nice gain while the state's unemployment rate rose sharply.

The industry, or payroll, employment estimate is considered the more reliable labor market indicator. It comes from a larger and more comprehensive survey than that the household survey used to gauge the unemployment rate.

The December payroll survey turned up a respectable 15,500 new jobs, widely distributed across nine of the 11 major industry sectors.

The biggest gains in December were in education and health services (5,900), leisure and hospitality (5,600), and government (3,700). Professional and business services added 2,800; information, 1,500; trade, transportation, and utilities, 1,100; manufacturing, 500; other services, 400; and natural resources and mining, 200.

The housing slump continued to be the principal source of employment losses. Financial activities lost 4,200 jobs; and construction, 2,000. Retail trade, which is part of the trade, transportation and utilities industry sector, lost 2,200 jobs—evidence that holiday spending was lackluster.

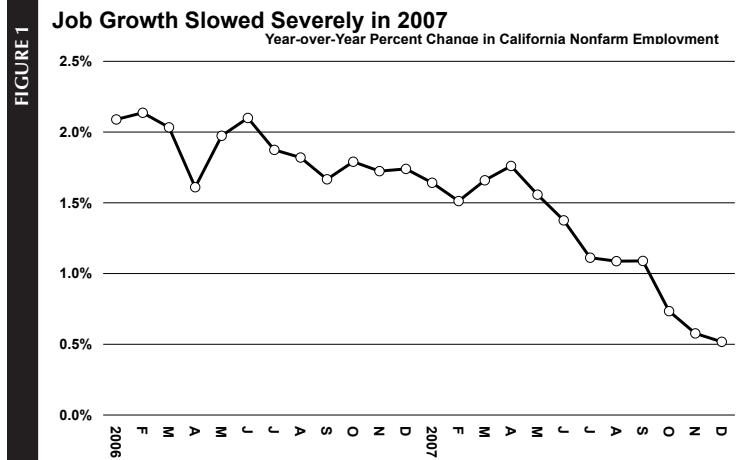
Despite the gain in December, the pace of annual job growth slowed dramatically over the course of 2007. Total nonfarm employment at the end of the year was up only 0.5 percent from the last month of 2006. Employment rose 55,400 in Educational and Health Services from a year ago; 47,800 in Government; 29,800 in Leisure and Hospitality; 20,000 in Professional and Business Services; and 6,600 in Other Services.

Over the year, employment fell by 37,700 in Construction; 23,800 in Financial Activities; 14,300 in Manufacturing; 2,500 in Information; 2,400 in Trade, Transportation, and Utilities; and 100 in Natural Resources and Mining.

¹ These data were released in January 2008, and thus do not reflect the benchmark revisions released at the end of February 2008.

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As housing troubles mounted, California employment growth decelerated during 2007.

Sharp jump in unemployment in December

The state's unemployment rate increased by 0.5 percentage point to 6.1 percent in December. This jump was the biggest since February 1992—although from a much lower level. Since the Bureau of Labor Statistics revised its method for calculating state and local unemployment rates several years ago, the underlying labor force statistics have been notoriously volatile. For example, the number of unemployed Californians increased by 88,000 or 8.5 percent in December, which was the biggest month-over-month increase since 1976. Unemployment likely trended up from September to December, and the upcoming annual benchmark revisions, which will be released in late February, should tone down much of the volatility.

BUILDING ACTIVITY

Disappointing home building at year's end

In December, home building continued a see-saw pattern of alternating gains and losses that started in August. After slowing dramatically in November, the pace of home building improved in

December, even though it remained at a very sluggish pace. Residential permitting in December reached 91,000 units on a seasonally adjusted annual rate basis—off nearly 35 percent from a year earlier.

Nonresidential building recovers a bit in December

Nonresidential construction permitting jumped 17 percent from November to December. During 2007 as a whole, permitting was up 6.3 percent from 2006. Despite the jump in December, nonresidential construction has been on a gradual slowing trend since early in 2006.

REAL ESTATE

Slight up-tick in home sales in December, but prices slide further

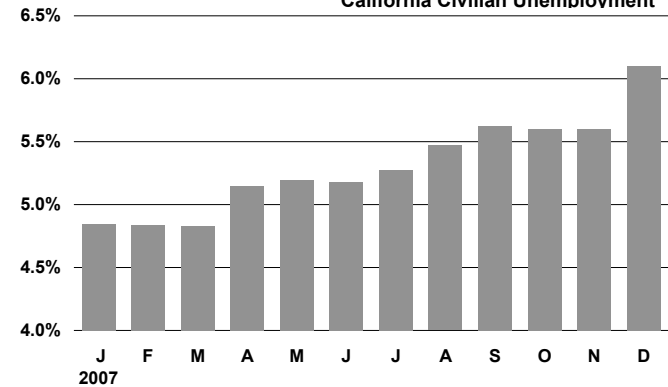
Sales of existing single-family detached homes improved for the second consecutive month in December, reaching 301,040 units on a seasonally adjusted annual rate basis. Still, they were down over 33 percent from December 2006, according to the California Association of Realtors.

Firming sales, however, did not halt the slide in home prices. The median price of existing single-family homes sold in December dropped 2.9 percent from November. The price, \$475,000, was down almost 16.5 percent from a year earlier—the fourth consecutive year-over-year decline. Some of the drop was likely the result of a shifting composition of the types of homes sold. Credit limits and tightening credit conditions most likely reduced the proportion of total sales accounted for by upper-end homes.

FIGURE 2

Unemployment Rate Jumps in December

California Civilian Unemployment

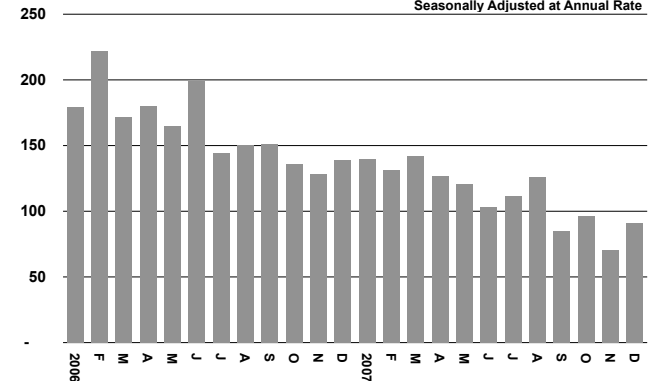


Amid a lot of underlying volatility, California's unemployment rate jumped up one-half percentage point in December.

FIGURE 3

Home Building Drops at End of 2007

Permitted Home Construction, 1000s of Units
Seasonally Adjusted at Annual Rate



Despite alternating ups and downs, homebuilding remained disappointing through the end of 2007.

Select Indicators

	2006		2007			Year-Over % Change
	Nov	Aug	Sep	Oct	Nov	
EMPLOYMENT (Seasonally adjusted)						
Civilian employment (000)	17,130	17,218	17,280	17,219	17,340	1.2%
Unemployment (000)	852	996	1,029	1,022	1,038	21.8%
Unemployment rate	4.7	5.5	5.6	5.6	5.6	--
Nonagricultural wage and salary employment (000) a/	15,188.4	15,274.6	15,286.7	15,273.2	15,274.1	0.6%
Goods-producing industries	2,470.8	2,437.7	2,432.4	2,425.2	2,420.7	-2.0%
Natural resources and mining	26.0	25.3	25.4	25.6	25.7	-1.2%
Construction	938.3	917.4	911.3	904.8	902.9	-3.8%
Manufacturing	1,506.5	1,495.0	1,495.7	1,494.8	1,492.1	-1.0%
Service-providing industries	12,717.6	12,836.9	12,854.3	12,848.0	12,853.4	1.1%
Trade, transportation, and utilities	2,890.3	2,901.6	2,901.0	2,895.3	2,891.1	0.0%
Information	473.7	470.1	478.3	470.4	472.7	-0.2%
Financial activities	941.5	931.5	928.8	926.9	923.3	-1.9%
Professional and business services	2,255.4	2,269.6	2,269.0	2,274.0	2,276.1	0.9%
Educational and health services	1,637.4	1,675.7	1,682.8	1,685.8	1,691.0	3.3%
Leisure and hospitality	1,540.7	1,564.1	1,564.7	1,564.7	1,568.7	1.8%
Other services	511.6	516.1	518.6	518.1	518.3	1.3%
Government	2,467.0	2,508.2	2,511.1	2,512.8	2,512.2	1.8%
Federal government	247.0	246.7	245.8	245.4	244.9	-0.9%
State and local government	2,220.0	2,261.5	2,265.3	2,267.4	2,267.3	2.1%
High-technology industries b/	888.9	901.8	899.9	900.0	902.0	1.5%
Computer and electronic products manufacturing	320.1	322.9	322.2	320.4	321.2	0.3%
Aerospace products and parts manufacturing	72.3	72.0	72.2	72.2	72.4	0.1%
Software publishers	41.6	42.0	41.8	41.8	41.8	0.5%
Telecommunications	108.6	109.4	109.4	110.0	110.4	1.7%
Internet service providers	55.5	56.1	55.9	55.7	55.3	-0.4%
Computer systems design	189.4	195.0	194.7	195.6	196.3	3.6%
Scientific research and development	101.4	104.4	103.7	104.3	104.6	3.2%
HOURS AND EARNINGS IN MANUFACTURING (Not seasonally adjusted)						
Average weekly hours	40.5	40.9	40.9	40.7	40.7	0.5%
Average weekly earnings	\$651.65	\$670.35	\$672.81	\$671.96	\$673.18	3.3%
Average hourly earnings	\$16.09	\$16.39	\$16.45	\$16.51	\$16.54	2.8%
CONSUMER PRICE INDEX (1982-84=100) (Not seasonally adjusted)						
All Urban Consumers Series						
California Average	n.a.	217.5	n.a.	219.0	n.a.	--
San Francisco CMSA	n.a.	216.2	n.a.	217.9	n.a.	--
Los Angeles CMSA	211.1	217.3	217.7	218.7	219.9	4.2%
Urban Wage Earners and Clerical Workers Series						
California Average	n.a.	209.7	n.a.	211.5	n.a.	--
San Francisco CMSA	n.a.	211.6	n.a.	213.1	n.a.	--
Los Angeles CMSA	203.3	209.2	209.8	211.3	212.8	4.7%
CONSTRUCTION						
Private residential housing units authorized (000) c/	128.2	125.4	84.5	96.8	69.8	-45.6%
Single units	88.8	61.2	47.2	52.8	44.7	-49.6%
Multiple units	39.5	64.2	37.3	44.1	25.1	-36.4%
Residential building authorized valuation (millions) d/	\$32,035	\$28,786	\$24,601	\$24,808	\$20,994	-34.5%
Nonresidential building authorized valuation (millions) d/	\$21,155	\$22,968	\$23,342	\$22,632	\$22,472	6.2%
Nonresidential building authorized valuation (millions) e/	\$1,636	\$2,222	\$1,787	\$2,028	\$1,740	6.3%
Commercial	615	821	696	854	771	25.2%
Industrial	93	132	139	120	118	27.2%
Other	318	408	289	268	210	-33.8%
Alterations and additions	610	861	662	786	640	4.9%
AUTO SALES (Seasonally adjusted)						
New auto registrations (number)	150,177	138,081	128,526	139,689	143,416	-4.5%

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 FOURTH QUARTER 2007 (Percent)

	Office Downtown		Office Suburban		Office Metropolitan		Industrial	
	4Q07	4Q06	4Q07	4Q06	4Q07	4Q06	4Q07	4Q06
	Northern and Central California:							
Oakland	11.4	12.9	13.2	11.3	12.8	11.6	n.a.	n.a.
Sacramento	13.5	11.6	14.5	12.7	14.0	12.4	10.5	13.2
San Francisco	8.4	8.5	9.5	13.4	8.7	10.0	10.2	10.7
San Jose	13.3	19.8	10.6	9.2	11.2	11.6	n.a.	n.a.
Southern California:								
Los Angeles Metro	13.2	14.3	8.7	8.5	9.4	9.4	7.4	7.9
Orange County	n.a.	n.a.	14.2	8.8	14.2	8.8	6.5	5.2
San Diego	13.4	11.7	14.3	10.4	14.1	10.7	11.1	7.4
Ventura County	n.a.	n.a.	13.2	8.9	13.2	8.9	n.a.	n.a.
National Average	10.3	10.8	14.2	13.6	12.8	12.6	10.2	9.7

FOREIGN TRADE THROUGH CALIFORNIA PORTS

SALES OF EXISTING SINGLE-FAMILY HOMES			Exports		Imports		DOD PRIME CONTRACTS a/	
	Median Price	Units (SAAR)	(\$ millions)	(\$ millions)	\$ millions	% of U.S.		
####	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%
####	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			
####	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			
####	Jan	\$549,460	500,470	\$10,848	\$25,555			
	Feb	534,400	513,740	10,791	23,004			
	Mar	562,130	539,170	13,336	27,722			
	Apr	562,380	516,960	11,991	27,005			
	May	563,860	488,260	12,306	28,090			
	Jun	575,850	483,690	12,664	29,621			
	Jul	567,860	453,980	12,255	29,990			
	Aug	577,300	442,150	12,720	31,550			
	Sep	557,150	444,780	12,567	30,608			
	Oct	552,020	443,320	12,913	32,200			
	Nov	554,500	450,930	12,676	29,747			
	Dec	569,560	451,976	12,756	28,396			
####	Jan	\$559,300	437,580	\$12,325	\$28,025			
	Feb	558,130	464,560	11,717	26,183			
	Mar	580,090	427,110	13,954	27,815			
	Apr	597,640	373,280	12,360	28,049			
	May	592,780	366,370	13,283	28,734			
	Jun	594,280	364,280	13,864	29,961			
	Jul	586,030	350,980	12,837	30,537			
	Aug	588,970	319,200	13,527	31,206			
	Sep	530,830	271,590	13,375	30,962			
	Oct	497,110	265,030	14,511	33,415			
	Nov	488,640	287,600	13,483	31,767			

a/ U.S. fiscal year: October through September n.a. Not available

Leading Indicators/^a

		Manufacturing		Unemployment Insurance Claims	New Business Incorporations	Housing Unit Authorizations (Thousands)
		Overtime Hours	Average Weekly Hours			
2002	Jan	3.8	38.9	66,358	7,285	138.0
	Feb	3.9	39.4	57,122	6,810	132.3
	Mar	4.1	39.9	61,093	7,309	137.3
	Apr	4.1	39.9	62,279	7,327	134.4
	May	4.1	39.6	60,700	8,536	132.2
	Jun	4.1	39.9	59,006	6,982	162.5
	Jul	3.9	39.2	61,905	7,291	146.2
	Aug	4.0	39.8	61,363	7,599	135.1
	Sep	3.9	40.0	60,762	7,389	140.6
	Oct	3.8	39.6	63,112	8,188	126.8
	Nov	3.9	39.8	59,091	7,534	140.2
	Dec	3.9	39.9	60,044	7,684	150.9
2003	Jan	3.9	39.5	60,114	7,464	189.8
	Feb	4.0	39.8	60,424	8,598	247.2
	Mar	3.7	39.7	59,639	7,105	188.8
	Apr	3.6	39.6	63,029	7,857	184.5
	May	3.7	39.8	60,911	7,715	207.7
	Jun	3.7	39.9	60,851	7,858	176.5
	Jul	3.8	39.5	60,324	8,156	189.3
	Aug	3.8	39.6	58,097	7,079	191.2
	Sep	3.9	39.6	57,666	8,427	184.3
	Oct	3.9	39.7	60,721	8,208	225.0
	Nov	4.1	40.3	55,212	7,462	192.5
	Dec	4.0	39.6	51,300	8,287	192.5
2004	Jan	4.0	40.0	49,870	8,161	205.8
	Feb	4.1	40.2	50,160	8,596	205.6
	Mar	4.2	40.2	48,924	8,347	210.7
	Apr	4.4	39.9	48,650	8,462	201.8
	May	4.5	40.3	46,661	8,030	204.9
	Jun	4.3	39.9	49,797	8,837	209.3
	Jul	4.4	40.2	48,536	8,636	197.7
	Aug	4.2	40.2	47,805	8,289	215.6
	Sep	4.1	39.3	47,268	8,778	213.2
	Oct	4.2	39.8	47,402	8,130	214.2
	Nov	4.4	39.9	47,419	9,020	236.9
	Dec	4.4	39.8	48,016	9,012	227.3
2005	Jan	4.5	40.2	49,701	5,926	205.5
	Feb	4.5	39.9	46,500	8,977	201.2
	Mar	4.4	39.9	45,230	9,131	209.1
	Apr	4.5	40.0	43,777	9,560	209.8
	May	4.4	39.9	43,516	9,425	212.6
	Jun	4.4	39.6	42,618	9,282	218.3
	Jul	4.3	39.9	41,073	9,189	233.4
	Aug	4.6	40.0	41,064	9,118	198.7
	Sep	4.5	40.1	41,247	9,221	264.3
	Oct	4.5	40.5	40,114	8,740	195.8
	Nov	4.3	40.0	40,036	9,072	190.6
	Dec	4.3	39.3	41,128	9,088	175.8
2006	Jan	4.2	40.3	41,564	9,044	179.3
	Feb	4.3	40.3	38,567	8,699	221.5
	Mar	4.3	40.1	42,555	9,405	171.7
	Apr	4.1	40.3	43,065	8,519	179.8
	May	4.3	40.2	42,980	9,356	164.4
	Jun	4.4	40.5	40,768	8,579	198.7
	Jul	4.1	40.5	42,493	8,417	144.2
	Aug	4.0	40.3	42,831	8,981	150.5
	Sep	3.9	40.3	41,810	8,646	151.3
	Oct	4.1	40.5	42,212	9,070	135.7
	Nov	3.9	40.4	43,312	9,063	128.2
	Dec	4.2	40.7	45,035	8,772	139.1
2007	Jan	4.1	40.5	42,819	9,099	139.3
	Feb	3.8	40.4	42,567	8,890	130.9
	Mar	3.9	40.4	43,807	8,513	141.9
	Apr	3.8	40.8	42,878	8,429	126.3
	May	3.9	40.6	45,313	8,548	120.3
	Jun	4.2	40.8	45,332	8,821	102.6
	Jul	3.8	41.0	45,230	8,705	111.5
	Aug	4.0	40.8	46,083	9,284	125.4
	Sep	3.8	40.7	46,134	8,560	84.5
	Oct	3.8	40.6	49,236	n.a.	96.8
	Nov	3.8	40.6	48,672	n.a.	69.8

a/ Seasonally adjusted by the California Department of Finance.

Coincident Indicators/^a

		Nonagricultural Employment (Thousands)	Manufacturing Employment (Thousands)	Unemployment Rate (Percent)	Unemployment Avg. Weeks Claimed (Thousands)
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	15,243	1,503	4.8	345
	Apr	15,248	1,501	5.1	356
	May	15,264	1,498	5.2	376
	Jun	15,267	1,497	5.2	347
	Jul	15,253	1,499	5.3	372
	Aug	15,275	1,495	5.5	370
	Sep	15,287	1,496	5.6	386
	Oct	15,273	1,495	5.6	407
	Nov	15,274	1,492	5.6	379

		Personal Income (\$ millions)	Total Wages & Salaries (\$ millions)	Taxable Sales b/ (\$ millions)
2004	Qtr I	\$1,235,017	\$682,482	\$122,428
	Qtr II	1,253,695	694,290	123,851
	Qtr III	1,271,895	704,832	125,590
	Qtr IV	1,302,022	714,201	127,372
2005	Qtr I	\$1,312,153	\$719,420	\$128,341
	Qtr II	1,334,980	727,853	133,482
	Qtr III	1,362,403	744,194	138,255
	Qtr IV	1,382,235	753,257	135,741
2006	Qtr I	\$1,412,521	\$777,805	\$138,437
	Qtr II	1,424,566	773,697	140,639
	Qtr III	1,440,963	783,735	141,414
	Qtr IV	1,461,588	800,874	138,532
2007	Qtr I	\$1,492,071	\$813,966	\$142,709
	Qtr II	1,512,733	823,528	142,511
	Qtr III	1,531,558	831,193	138,679

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.

b/ Taxable sales estimates for 2007 are preliminary.

ECONOMIC INDICATOR CHARTS

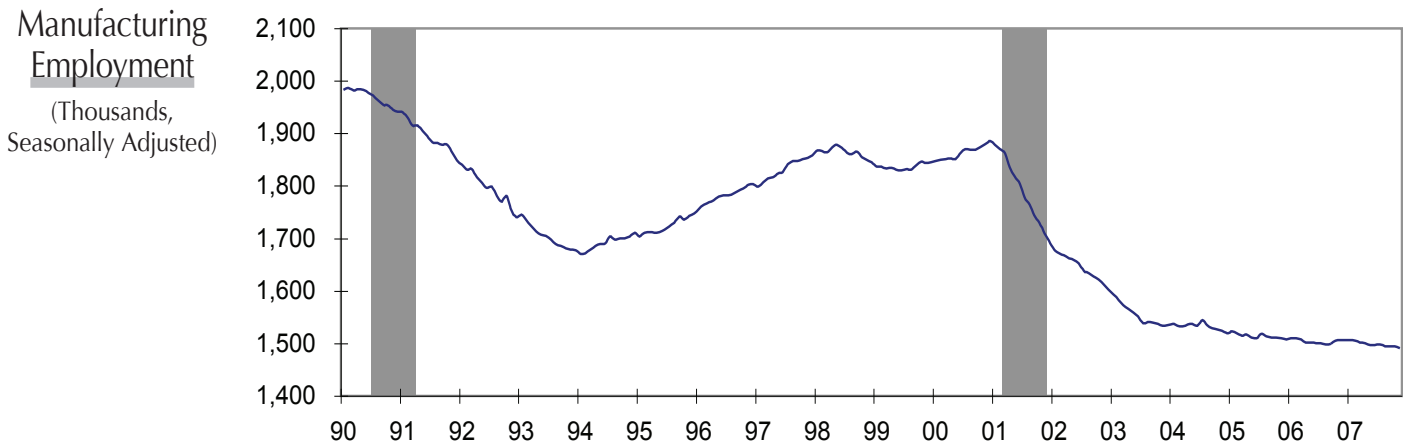
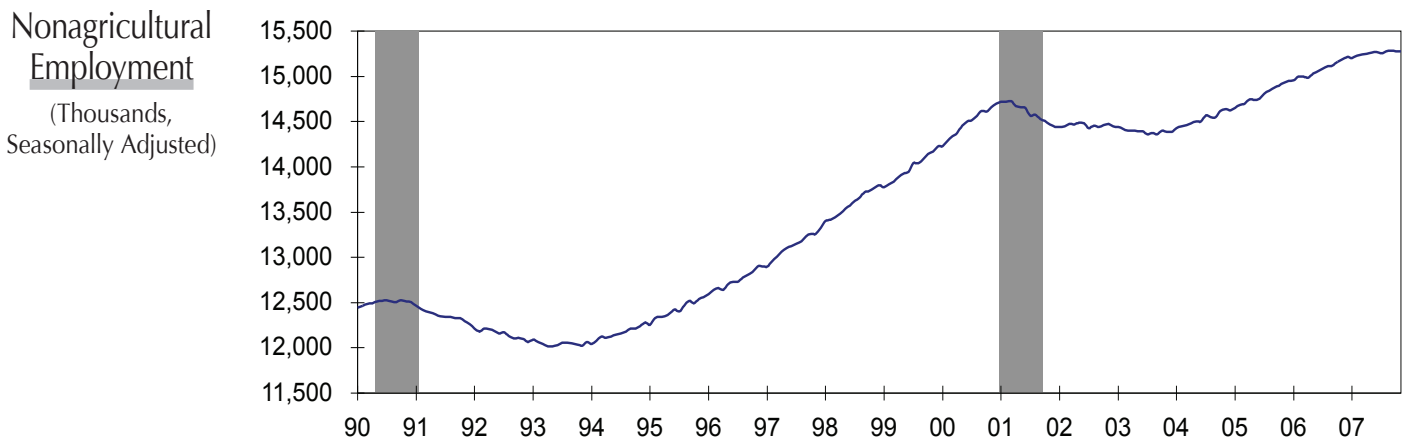
Series classification as leading or coincident indicators generally follows that established by the National Bureau of Economic Research. The exceptions to this are manufacturing employment and taxable sales. These series are discussed in the technical note below.

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.

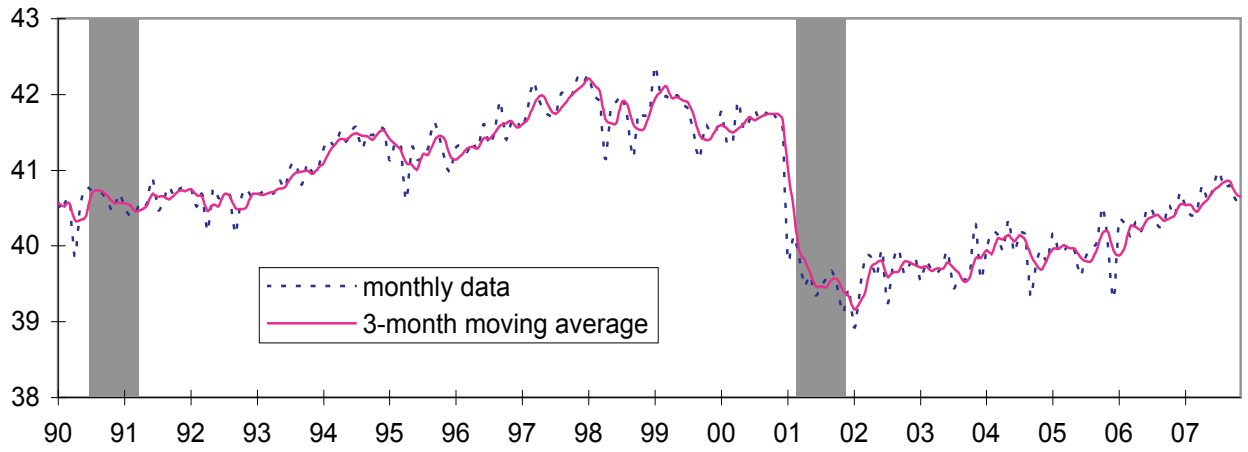
Under the X-12 Arima method, the addition of new data points changes historical seasonal factors. To avoid monthly data changes in the California Economic Indicators it is necessary to "freeze" the seasonally adjusted data through the past year and manually compute current year values from the projected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

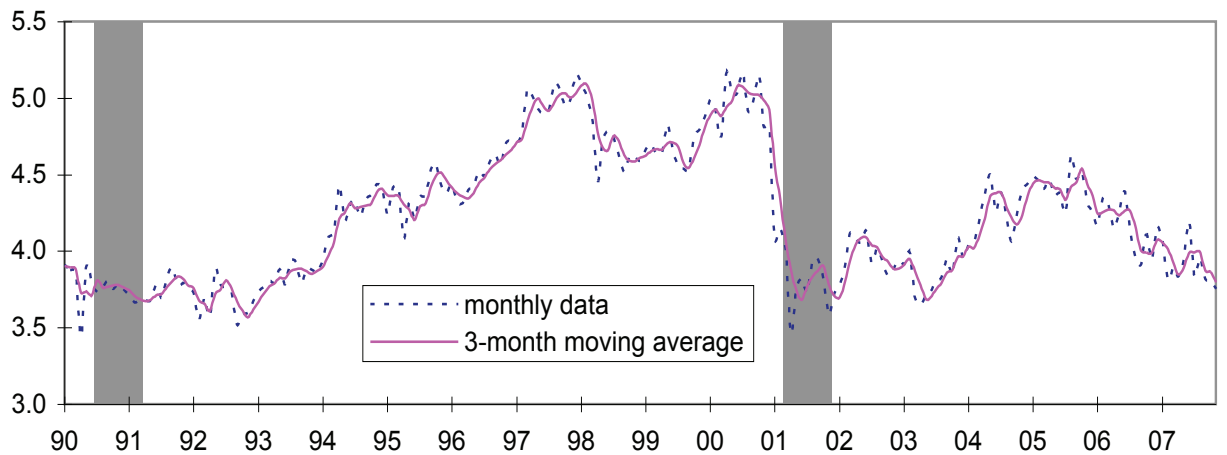
Taxable sales are used here as a proxy for retail trade. Data on the latter are not available for California prior to 1964. The taxable series includes sales by both retail and wholesale establishments, and is, therefore, a broad indicator of business activity. It has been classified as a coincident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



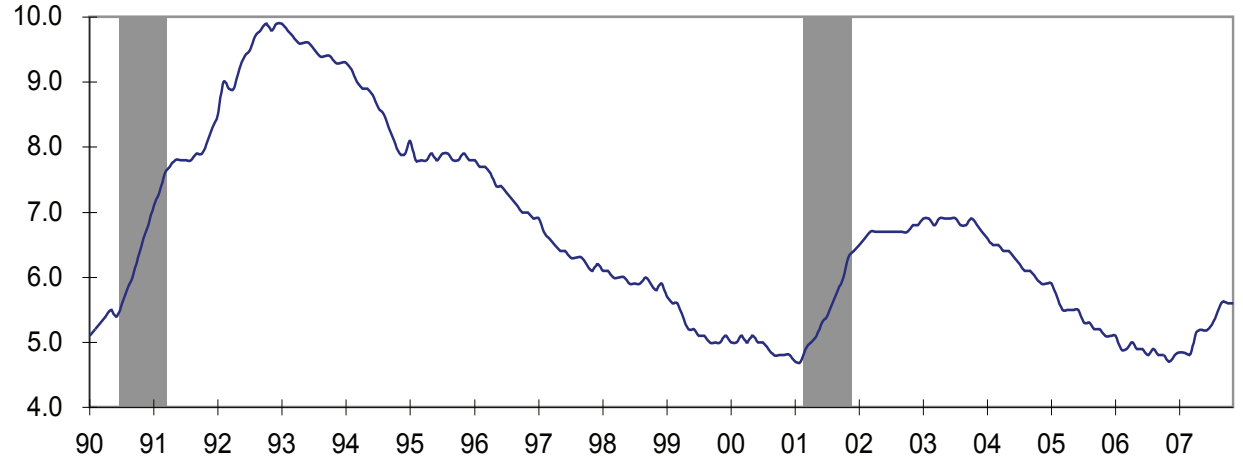
Average Weekly Hours, Manufacturing (Seasonally Adjusted)



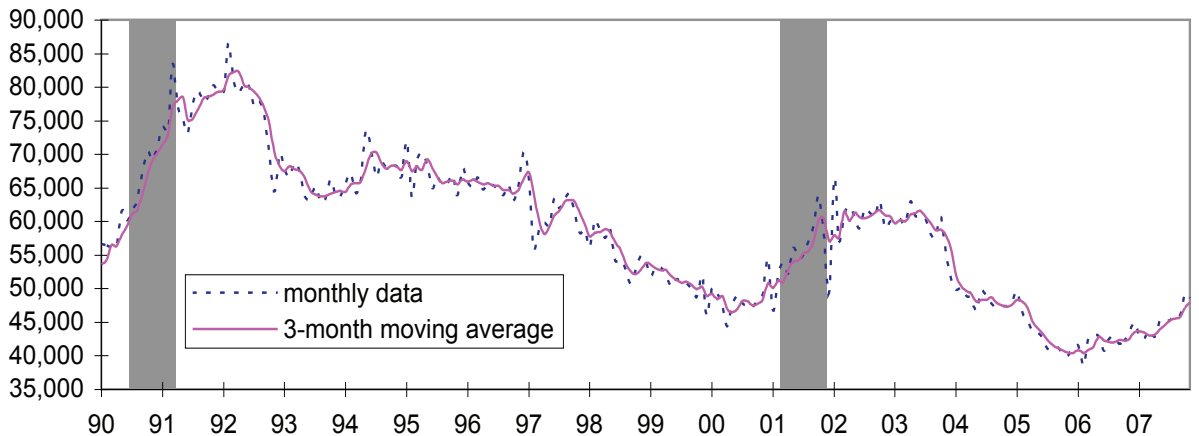
Average Overtime Hours, Manufacturing (Seasonally Adjusted)



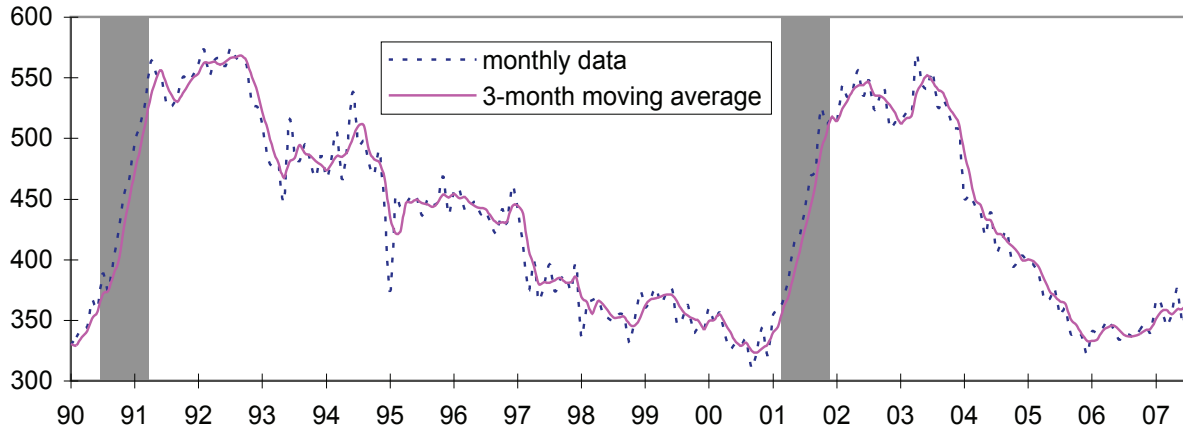
Unemployment Rate (Percent)



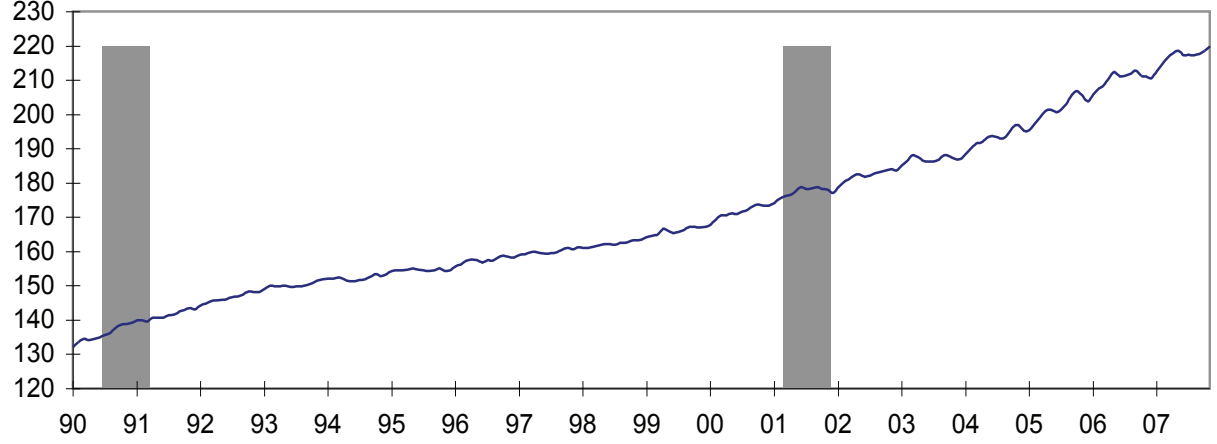
Initial & Transitional Claims for Unemployment Insurance (Weekly Average, Seasonally Adjusted)



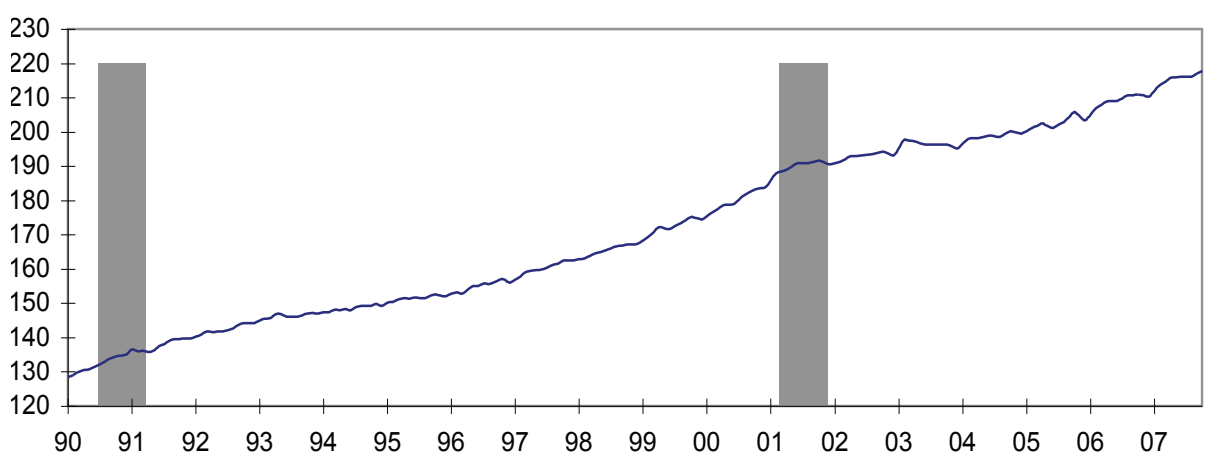
**Unemployment,
Average Weeks
Claimed**
(thousands,
Seasonally Adjusted)



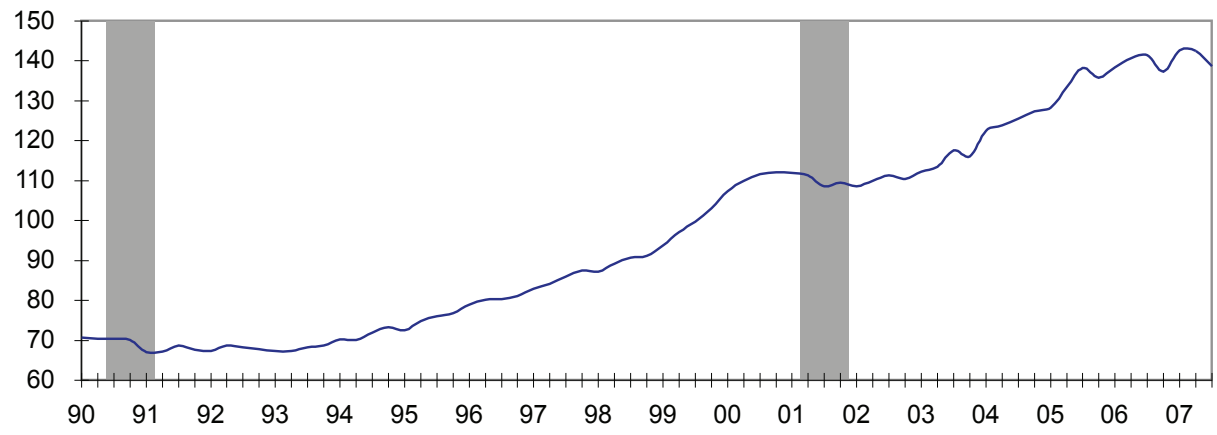
**Consumer
Price Index,
Los Angeles**
(1982-84=100)



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

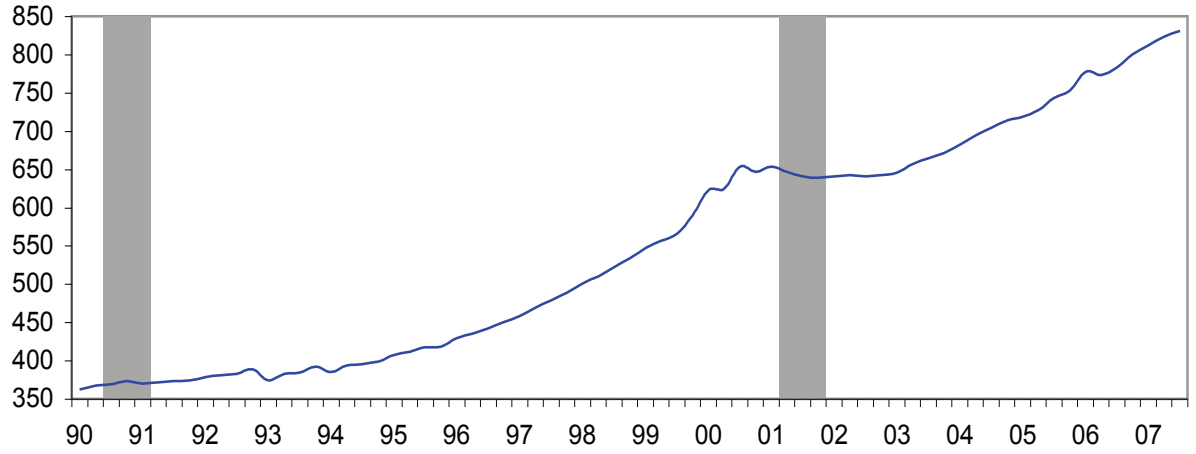


Taxable Sales
(Dollars in billions,
Seasonally Adjusted)



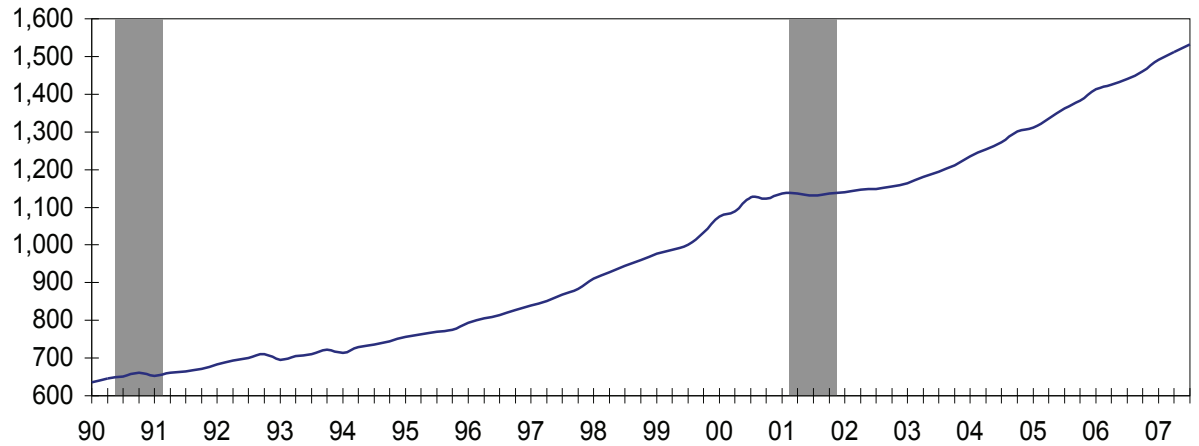
Wages and Salaries

(Dollars in billions, Seasonally Adjusted)



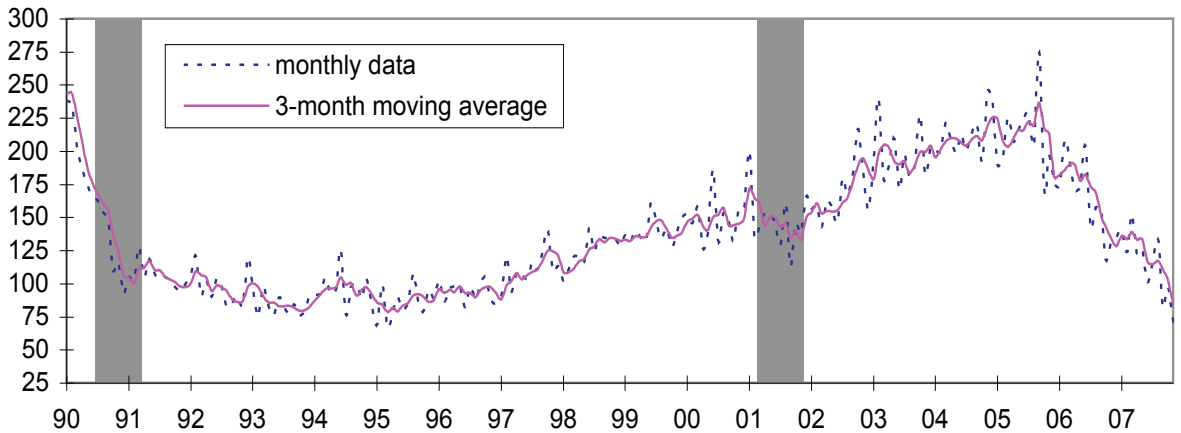
Personal Income

(Dollars in billions, Seasonally Adjusted)



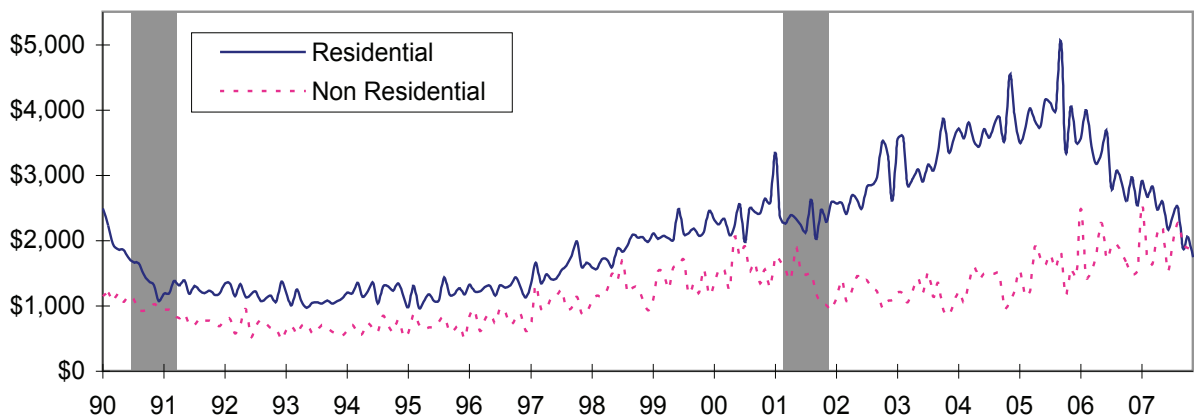
New Housing Units Authorized By Building Permits

(thousands, Seasonally Adjusted at Annual Rate)

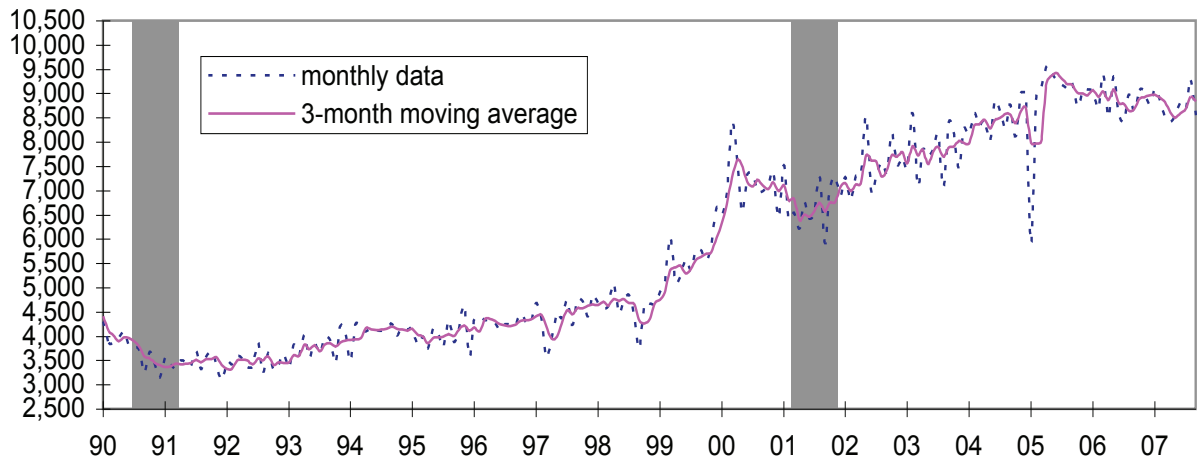


Residential & Nonresidential Building Permit Valuation

(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

2007

- January 1** California minimum wage increased to \$7.50 per hour from \$6.75.
- January 11** Vietnam becomes WTO member.
- Mid-January** Freezing temperatures in California caused some \$1.3 billion in crop losses.
- January 25-26** Sales of both new and existing homes in the U.S. suffered sharp declines last year. The plunge in new home sales was the biggest drop since 1990 and sales of existing homes saw its biggest decline since 1989.
- February** Crippling winter storms blanketed large swaths of the Midwest and Northeast with snow, ice and freezing rain.
- February 21** Rising default rates hitting subprime mortgage industry hard.
- February 27** Dow Jones industrial average down 416 points, biggest one-day point loss since 2001, after declining markets in China and Europe and a steep drop in durable goods orders triggered a massive sell-off on Wall Street.
- February 28** GDP grew at a 2.2 percent pace in the 4th quarter –a considerably weaker rate than what the government first estimated.
- March 2** The latest benchmark revision to the California labor market statistics shows nonfarm payroll employment growth was considerably stronger than what was first estimated.
- March 14** President Bush issues a disaster declaration for California counties hurt by the January deep freeze.
- March 29** Fourth quarter GDP revised upwards to 2.5 percent.

April 16	The number of default notices sent to California homeowners last quarter increased to its highest level in almost ten years, the result of flat appreciation, slow sales, and post teaser-rate mortgage resets.
April 25	Dow Jones Industrials close above 13,000 for the first time.
April 27	First quarter GDP increased at an annual rate of 1.3 percent.
May 3	S&P 500 closed above 1,500 for the first time in more than six years. Dow Jones Industrials surged to a record high for the sixth time in seven sessions.
May 4	US payroll job growth slowest since 2004. The Dow Jones industrial average hit another record high making this the longest bull run in 80 years.
May 31	First quarter GDP increased at an annual rate of 0.6 percent. That's down from its initial estimate of 1.3 percent growth.
July 24	Federal minimum wage increased to \$5.85 from \$5.15 per hour.
July 26	The Dow Jones industrial average dropped 311.50 points or 2.3 percent amid concerns about housing and credit markets.
August 2	Mattel says it is recalling 1.5 million Chinese-made toys worldwide marking the latest in a string of recalls that have fueled U.S.-China tensions over the safety of Chinese products.
August 9	The Dow Jones industrial average was down 387.18 points or 2.8 percent as worries about the global credit market sparked a broad sell-off in stocks.
August 10	The Federal Reserve injected \$38 billion into the banking system in an effort to provide liquidity as needed to keep financial markets operating normally.
August 17	The Federal Reserve, reacting to concerns about the subprime lending crisis, cut its discount rate half a percentage point to 5.75 percent.
August 23	Bank of America invests \$2 billion in Countrywide Financial Corporation, helping the nation's largest mortgage lender shore up its finances as it struggles with a liquidity crunch.
August 24	California Governor Arnold Schwarzenegger signs the 2007-08 state budget bill.
August 28	The Dow Jones industrial average closed down 280.28 points or 2.1 percent as investors were hit by fresh worries over declining consumer confidence, falling home prices, shrinking profits on Wall Street and uncertainty about the Federal Reserve.
August 30	Second quarter GDP increased at an annual rate of 4 percent. That's up from its initial estimate of 3.4 percent growth.
September 10	Blasts rip Mexico gas and oil pipelines.
September 18	Federal funds rate 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 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.