



CALIFORNIA Economic Indicators

September–October 2007

Signs of Slowing

Real estate troubles continued to put a break on the economy.

REVIEW OF RECENT ECONOMIC DEVELOPMENTS

Signs of a slowing economy abounded in November. Disappointing job gains were coupled with a dramatic slowdown in home building. Existing home sales languished at a depressed pace and home prices continued to weaken.

EMPLOYMENT

Inconclusive labor market reports in November

Labor market reports for November were ambiguous. Job growth was meager, but the unemployment rate held steady. Nonfarm payroll employment rose by only 900 jobs in November, and the state's unemployment rate was unchanged at 5.6 percent. Over the last 12 months, nonfarm payroll employment grew by 85,700, or 0.6 percent. The last time year-over-year job growth was that low was in April 2004.

Six of the 11 major industry sectors gained jobs in November, with the biggest gain—5,200—in educational and health services. Leisure and hospitality added 4,000; information, 2,300; professional and business services, 2,100; other services, 200; and natural resources and mining, 100.

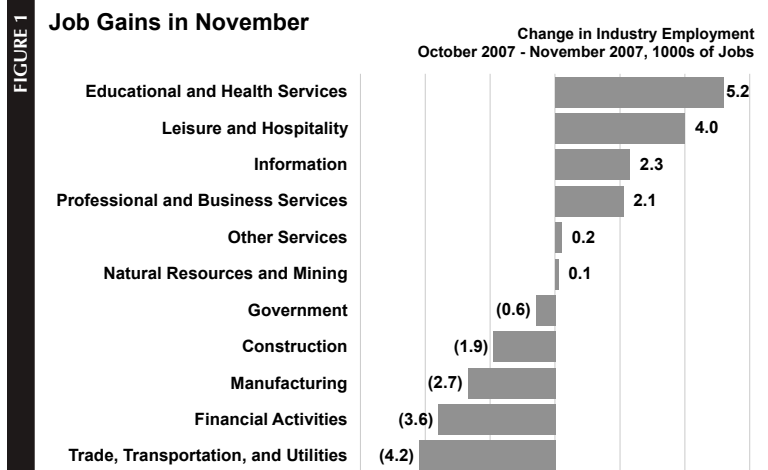
Trade, transportation, and utilities posted the biggest decline with the loss in the retail trade subsector accounting for more than all of the loss in this category. Financial activities also lost a sizable number of jobs. Trade, transportation, and utilities lost 4,200 jobs; financial activities, 3,600; manufacturing, 2,700; construction, 1,900; and government, 600. The effects of the writer's strike were not apparent in November's labor market estimates.

Six of the 11 major industry sectors gained jobs over the 12 months ending with November. The biggest gains were in educational and health services (53,600) and government (45,200). Employment in leisure and hospitality rose 28,000; professional and business services, 20,700; other services, 6,700; and trade, transportation, and utilities, 800.

Five sectors lost jobs over the year, led by construction. Payroll employment fell by 35,400 in construction; 18,200 in financial activities; 14,400 in manufacturing; 1,000 in information; and 300 in natural resources and mining.

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Weak housing markets continued to dampen job growth in November.

Unemployment rate up sharply since March

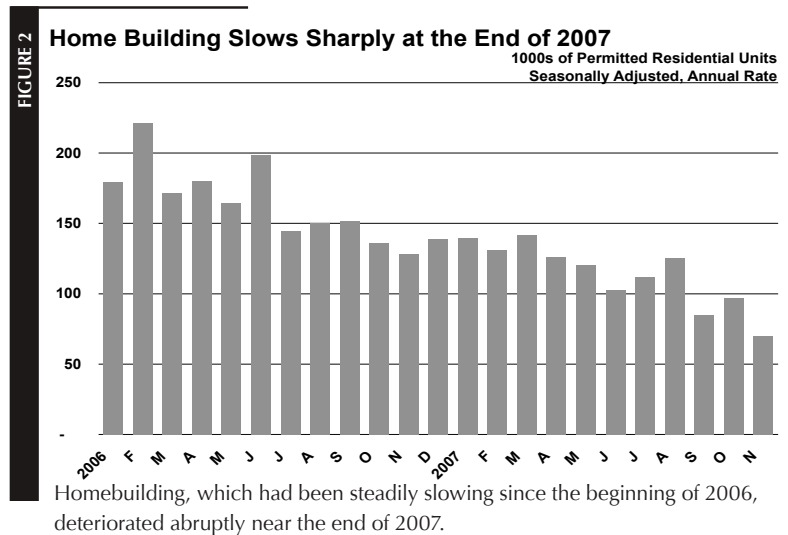
California's unemployment rate held steady at 5.6 percent for the third consecutive month in November. Despite this stability, there has been a high degree of volatility in the underlying details. The number of employed Californians rose 121,000 in November—the second largest one-month increase on record. The number of unemployed increased 16,000 after a rare 7,000-person drop in October. California's unemployment rate trended up sharply after March when it was 4.8 percent. Prior to that, the rate had been exceptionally stable. From May 2006 through March 2007, the rate was consistently just under 5.0 percent.

BUILDING ACTIVITY

Home building hits a weak patch in September

September, October, and November of 2007 were tough months for California home building.

Home construction permitting tumbled in September, with permitted single-family units dropping 23 percent and multifamily permitting, 42 percent. And there were no signs of recovery in October and November. Residential permitting during the three months averaged 84,000 units on a seasonally adjusted, annual rate basis. This was the weakest three-month period for home building since April-June of 1998 and was a notable reduction from the 125,000 unit pace set during the first eight months of 2007.



Modest gains in nonresidential building

Permitting for nonresidential construction slowed in October and November from the strong pace posted in September. However, for the three months ending with November, nonresidential permitting was up 2.5 percent from the same months of 2006. This improvement was led by strong gains in office construction and alterations and additions.

REAL ESTATE

Home sales hit low gear at the end of 2007

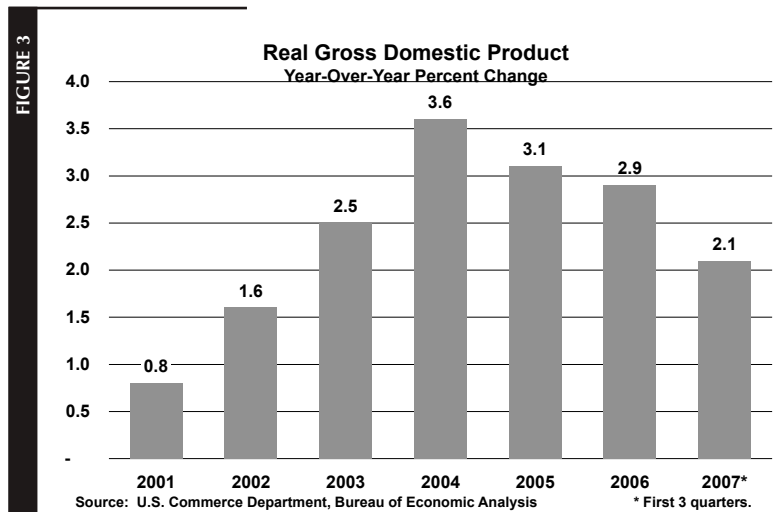
After ratcheting down for eight consecutive months, sales of existing single-family homes rose modestly in November. The pace of sales—287,600 units on a seasonally adjusted annual rate basis—though, was still down over 36 percent from a year earlier according to the California Association of Realtors. November's up-tick followed a precipitous slide in home sales that began in March 2007. The improvement was modest, though, as November was also the third consecutive sub-300,000 unit month. Home sales during the first 11 months of 2007 were down 25.6 percent from the same months of 2006 and off nearly 44 percent from the same months of 2005.

The slight improvement of sales in November did not halt the slide in home prices. The median price of existing single-family homes sold in November—\$488,640—dropped for the third consecutive month. Between August and November, the state's median home price fell 17 percent.

■ 2008-2009 ECONOMIC OUTLOOK

The following is from the Governor's 2008-09 Budget. The forecasts were prepared in late November 2007 and are based on information available at that time.

The California and national economies faced considerable headwinds in 2007—a deepening housing slump, a breakdown in mortgage markets, tighter credit, more volatile financial markets, and rising energy prices. Upward resets of subprime mortgage rates made payments unaffordable for many borrowers and helped push mortgage defaults and foreclosures to record levels. Several large financial institutions reported huge losses on subprime mortgages and securities backed by these mortgages. Uncertainty about how far the problems with these mortgages would spread increased financial market volatility and prompted lenders to tighten credit standards. The Federal Reserve injected liquidity into the financial markets and eased monetary policy on a number of occasions in the second half of the year, but as year-end neared, financial markets were still not functioning normally.



The effects of the housing slump are evident in a broad range of measures of the national economy. New home sales will likely be down between 35 and 40 percent in 2007 from their peak level in 2005 and new single-family home building, about 25 percent from the peak level in 2006. Total job growth will be the smallest since 2004, and unless future revisions change the historical numbers significantly, real GDP growth will be the lowest since 2002 (Figure 3).

In California, where the housing slump has been deeper than the vast majority of other states, single-family housing permits in the third quarter of 2007 were only about one-third of their level in the third quarter of 2005 and existing home sales, about half of their level two years ago. Personal income has held up well, but taxable sales have slowed considerably.

The outlook for the national economy is for slower growth in 2008 and improved growth in 2009 and 2010:

- Real GDP is projected to grow 1.9 percent in 2008, and 2.9 percent in 2009 and 2010, as compared to 2.1 percent in 2007.
- Nonfarm payroll employment is forecast to increase 0.8 percent in 2008, 1.2 percent in 2009 and 1.3 percent in 2010, as compared to 1.3 percent in 2007.

The outlook for the California economy is also for slower growth in 2008 followed by improved growth in 2009 and 2010:

- Personal income is projected to grow 4.8 percent in 2008, 5.2 percent in 2009, and 5.4 percent in 2010, as compared to 5.6 percent in 2007.
- Nonfarm payroll employment is forecast to increase 0.7 percent in 2008, 1.0 percent in 2009 and 1.6 percent in 2010, as compared to 0.8 percent in 2007.

THE NATION - SLOWING GROWTH

The struggling housing sector continued to slow the national economy in the first 11 months of 2007. Home building, home sales, and related retail sales all declined. The slowdown in home building alone reduced national output growth by almost one percentage point, on average, in the first three quarters of the year. As 2007 closed, there was little evidence that the housing downturn is abating. The problems with subprime mortgages have raised financial market volatility and have spurred a

credit tightening that not only could delay a housing recovery, but hurt parts of the economy outside the housing sector as well.

The contraction in residential construction and mortgage finance and a slide in housing-related retailing have cooled labor markets in the nation. Through November, job gains averaged 118,000 per month, a sharp drop from a year ago when the average monthly gain was 185,000. In addition, the nation's unemployment rate trended up from 4.5 percent in June 2007 to 4.7 percent in September, October, and November.

Fortunately, American consumers continue to spend freely, and foreigners are enjoying how much more American goods and services a Euro, a British pound, or a Canadian dollar will buy. American consumers increased their spending by 3.6 percent in 2004, 3.2 percent in 2005, 3.1 percent in 2006 and 3 percent, on a year-over-year basis, in the first three quarters of 2007. The growth in U.S. exports was even more impressive: 9.7 percent in 2004, 6.9 percent in 2005, 8.4 percent in 2006, and 8 percent, on a year-over-year basis, in the first three quarters of 2007. Without the contribution of exports, output growth would be sluggish.

Energy prices increased in the first 11 months of 2007, with the average price for regular-grade gasoline about 8 percent higher than a year ago. Prices of light, sweet crude oil almost reached \$100 per barrel in November before sliding back. The average price in the first 11 months was about 9 percent higher than a year earlier. These increases boosted measures of overall inflation in the economy, but measures of inflation that exclude energy prices remained relatively stable.

California - Slowing Growth As Well

Total personal income has held up surprisingly well in California during the housing slump. This broad measure of the economy was 5.8 percent higher than a year earlier in the first half of 2007, which is not much lower than the 6.5 percent growth in both 2005 and 2006.

However, the housing slump and higher energy prices have taken a significant toll on taxable sales, another broad measure of the economic performance. After growing by 7.4 percent in 2005, taxable sales increased by only 4 percent in 2006 and 0.8 percent in the first three quarters of 2007. While industry detail on taxable sales is not available yet, weaker vehicle sales and sales at home improvement outlets likely played a significant role in the deceleration of taxable sales. New vehicle registrations fell 2.3 percent in 2006 and 7.3 percent from a year ago in the first nine months of 2007. And, no doubt, some of the declines in sales of national home improvement chains were in California.

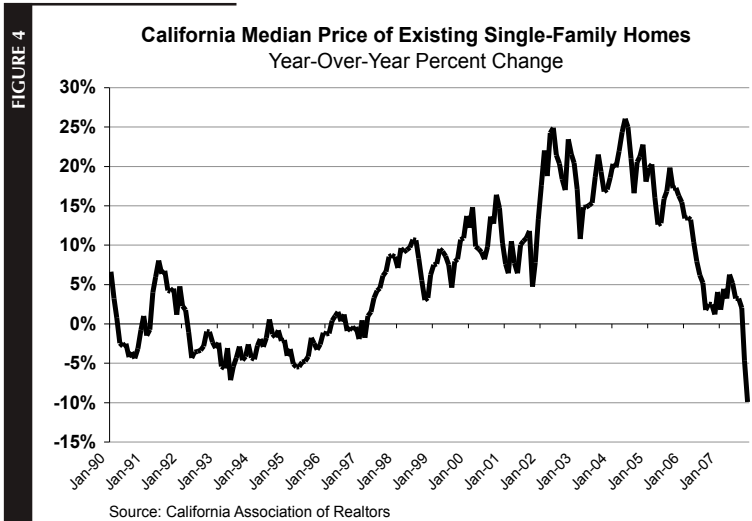
California home building and residential real estate markets continued to slow in 2007. Single-family residential permits

PERSONAL INCOME

California personal income, as defined by the U.S. Bureau of Economic Analysis, is the total of all Californians' earnings, including wages and salaries, supplements to wages and salaries, proprietors' income, rental income, dividends, interest income, and personal current transfer receipts (e.g., retirement and disability insurance benefits, medical payments, unemployment insurance benefits, veterans benefits), less contributions for government social insurance. Capital gains are not included.

California personal income grew by 6.5 percent in 2006 to \$1.43 trillion.

Personal income and payroll employment are the most important broad and timely measures of state economies.



were down 36 percent from a year ago in the first ten months of 2007, and existing single-family home sales, 25 percent. In October, the number of unsold homes on the market amounted to 16.3 months of sales at the October sales rate. A year earlier, inventories amounted to 7.2 months of sales. The median price of existing single-family homes sold in October, \$497,000, was 9.9 percent lower than the median price a year earlier (Figure 4).

Growing private-sector nonresidential building offset some of the drag of residential construction on the California economy in 2007. The value of private-sector nonresidential building permits issued in the first ten months of 2007 was 4.2 percent higher than the year-ago value. But the value of public works construction was down 3.9 percent.

Monthly job gains slowed considerably in the state in the first ten months of 2007, averaging just 5,800. Gains averaged 20,900 in the first ten months of 2006. The state's unemployment rate increased from 4.8 percent in March 2007 to 5.6 percent in September and October 2007.

The Forecast

The state and national economies will continue to face the same headwinds—a struggling housing sector, problems in mortgage markets, tighter credit, more volatile financial markets, and high energy prices—in 2008 and, to a lesser extent, in 2009, but economic growth should start to pick up in late 2008 (Figure 5).

FIGURE 5

Selected Economic Data for 2007, 2008, and 2009

	United States	2007 (Est.)	2008 (Projected)	2009 (Projected)
Real gross domestic product (2000 CW* \$, percent change)		2.1	1.9	2.9
Personal consumption expenditures		2.9	2.0	2.7
Gross private domestic investment		(5.0)	(3.9)	4.5
Government purchases of goods and services		2.1	2.1	0.6
GDP deflator (2000=100, percent change)		2.6	1.6	1.7
GDP (current dollar, percent change)		4.7	3.6	4.6
Federal funds rate (percent)		5.04	4.27	4.57
Personal income (percent change)		6.5	4.9	5.0
Corporate profits before taxes (percent change)		4.8	(2.1)	3.3
Nonfarm wage and salary employment (millions)		138.0	139.2	140.9
(percent change)		1.3	0.8	1.2
Unemployment rate (percent)		4.6	5.0	5.0
Housing starts (millions)		1.35	1.02	1.29
(percent change)		(25.7)	(24.1)	26.9
New car sales (millions)		7.5	7.4	7.5
(percent change)		(3.6)	(1.8)	1.3
Consumer price index (1982-84=100)		207.1	211.7	215.8
(percent change)		2.8	2.2	2.0
California				
Civilian labor force (thousands)		18,187.2	18,454.3	18,709.0
(percent change)		1.6	1.5	1.4
Civilian employment (thousands)		17,227.1	17,402.8	17,659.9
(percent change)		1.2	1.0	1.5
Unemployment (thousands)		960.1	1,051.4	1,049.1
(percent change)		10.0	9.5	(0.2)
Unemployment rate (percent)		5.3	5.7	5.6
Nonfarm wage and salary employment (thousands)		15,177.4	15,283.4	15,443.7
(percent change)		0.8	0.7	1.0
Personal income (billions)		1,515.8	1,588.5	1,670.3
(percent change)		5.6	4.8	5.2
Housing units authorized (thousands)		117.0	95.0	104.0
(percent change)		(28.4)	(19.1)	10.1
Corporate profits before taxes (billions)		187.7	188.6	196.2
(percent change)		5.6	0.5	4.0
New auto registrations (thousands)		1,742.0	1,750.5	1,758.0
(percent change)		0.2	0.5	0.4
Total taxable sales (billions)		563.1	582.5	609.1
(percent change)		0.9	3.4	4.6
Consumer price index (1982-84=100)		217.3	223.0	229.0
(percent change)		3.3	2.6	2.7

* CW: Chain Weighted
Note: Percentage changes calculated from unrounded data.

Select Indicators

	2006		2007			Year-Over % Change
	Sep	Jun	Jul	Aug	Sep	
EMPLOYMENT (Seasonally adjusted)						
Civilian employment (000)	17,075	17,238	17,238	17,218	17,280	1.2%
Unemployment (000)	868	942	960	996	1,029	18.7%
Unemployment rate	4.8	5.2	5.3	5.5	5.6	--
Nonagricultural wage and salary employment (000) e	15,121.9	15,266.7	15,252.7	15,274.6	15,283.9	1.1%
Goods-producing industries	2,466.4	2,455.4	2,449.3	2,437.7	2,433.2	-1.3%
Natural resources and mining	25.5	25.2	25.3	25.3	25.4	-0.4%
Construction	941.0	933.0	925.0	917.4	912.4	-3.0%
Manufacturing	1,499.9	1,497.2	1,499.0	1,495.0	1,495.4	-0.3%
Service-providing industries	12,655.5	12,811.3	12,803.4	12,836.9	12,850.7	1.5%
Trade, transportation, and utilities	2,887.2	2,900.7	2,898.6	2,901.6	2,902.6	0.5%
Information	470.8	474.6	465.5	470.1	478.0	1.5%
Financial activities	939.9	933.9	934.3	931.5	928.7	-1.2%
Professional and business services	2,238.5	2,268.3	2,266.9	2,269.6	2,268.3	1.3%
Educational and health services	1,630.5	1,664.7	1,667.4	1,675.7	1,679.0	3.0%
Leisure and hospitality	1,523.9	1,560.8	1,562.5	1,564.1	1,566.7	2.8%
Other services	508.9	515.0	515.4	516.1	518.2	1.8%
Government	2,455.8	2,493.3	2,492.8	2,508.2	2,509.2	2.2%
Federal government	247.2	244.1	245.2	246.7	245.7	-0.6%
State and local government	2,208.6	2,249.2	2,247.6	2,261.5	2,263.5	2.5%
High-technology industries b/	886.5	899.2	899.5	901.8	899.8	1.5%
Computer and electronic products manufacturing	319.5	322.2	323.0	322.9	322.2	0.8%
Aerospace products and parts manufacturing	72.5	72.2	72.2	72.0	72.0	-0.7%
Software publishers	41.1	42.2	42.0	42.0	41.8	1.7%
Telecommunications	109.0	108.1	108.7	109.4	109.4	0.4%
Internet service providers	55.5	56.3	55.4	56.1	56.0	0.9%
Computer systems design	188.3	194.6	194.1	195.0	194.7	3.4%
Scientific research and development	100.6	103.6	104.1	104.4	103.7	3.1%
HOURS AND EARNINGS IN MANUFACTURING (Not seasonally adjusted)						
Average weekly hours	40.5	40.9	40.7	40.9	41.0	1.2%
Average weekly earnings	\$647.60	\$668.31	\$665.45	\$670.35	\$674.45	4.1%
Average hourly earnings	\$15.99	\$16.34	\$16.35	\$16.39	\$16.45	2.9%
CONSUMER PRICE INDEX (1982-84=100) (Not seasonally adjusted)						
All Urban Consumers Series						
California Average	n.a.	217.4	n.a.	217.5	n.a.	--
San Francisco CMSA	n.a.	216.1	n.a.	216.2	n.a.	--
Los Angeles CMSA	212.9	217.3	217.5	217.3	217.7	2.3%
Urban Wage Earners and Clerical Workers Series						
California Average	n.a.	209.9	n.a.	209.7	n.a.	--
San Francisco CMSA	n.a.	211.4	n.a.	211.6	n.a.	--
Los Angeles CMSA	205.3	209.6	209.4	209.2	209.8	2.2%
CONSTRUCTION						
Private residential housing units authorized (000) c/	153.3	101.2	117.6	133.1	82.9	-45.9%
Single units	87.0	68.8	66.0	61.6	43.2	-50.3%
Multiple units	66.2	32.5	51.6	71.4	39.7	-40.1%
Residential building authorized valuation (millions) d/	\$34,360	\$26,149	\$28,357	\$30,184	\$22,497	-34.5%
Nonresidential building authorized valuation (millions)	\$21,505	\$18,486	\$23,252	\$27,216	\$23,361	8.6%
Nonresidential building authorized valuation (millions)	\$1,601	\$1,904	\$1,680	\$2,200	\$1,725	7.7%
Commercial	569	729	538	815	678	19.1%
Industrial	93	111	87	130	134	44.6%
Other	295	329	308	401	272	-8.1%
Alterations and additions	644	736	747	853	642	-0.4%
AUTO SALES (Seasonally adjusted)						
New auto registrations (number)	152,704	135,413	140,428	138,081	128,526	-15.8%

a/ The wage and salary employment information is based on the new North American Industry Classification System (NAIC)

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 THIRD QUARTER 2007

(Percent)

	Office		Office		Office		Industrial	
	Downtown		Suburban		Metropolitan		3Q07	3Q06
	3Q07	3Q06	3Q07	3Q06	3Q07	3Q06		
Northern and Central California:								
Oakland	10.1	14.2	11.5	14.0	11.2	14.1	n.a.	n.a.
Sacramento	12.8	12.0	13.4	12.6	13.3	12.5	9.9	11.7
San Francisco	8.2	9.0	9.1	14.4	8.5	10.7	10.4	11.2
San Jose	13.2	20.3	9.2	10.5	10.1	12.7	n.a.	n.a.
Southern California:								
Los Angeles Metro	13.4	13.6	8.4	9.7	9.1	10.3	7.7	7.7
Orange County	n.a.	n.a.	11.5	7.6	11.5	7.6	5.9	5.6
San Diego	12.8	9.9	11.9	9.7	12.0	9.7	10.5	7.6
Ventura County	n.a.	n.a.	12.4	8.8	12.4	8.8	n.a.	n.a.
National Average	10.3	11.7	13.9	14.0	12.6	13.2	9.9	9.5

FOREIGN TRADE THROUGH CALIFORNIA PORTS

SALES OF EXISTING SINGLE-FAMILY HOMES

	Median Price	Units (SAAR)
#### Jan	\$336,212	584,600
Feb	326,645	566,890
Mar	351,134	567,609
Apr	364,040	583,333
May	367,627	572,265
Jun	374,535	572,128
Jul	381,938	595,858
Aug	406,142	645,721
Sep	384,686	631,881
Oct	379,119	636,688
Nov	384,472	627,190
Dec	401,724	637,078

Exports Imports

	Exports (\$ millions)	Imports (\$ millions)
#### Jan	\$8,408	\$17,588
Feb	8,423	16,359
Mar	9,784	18,789
Apr	9,158	19,151
May	9,090	18,537
Jun	9,743	19,774
Jul	9,604	20,743
Aug	9,626	19,846
Sep	8,968	21,060
Oct	10,341	23,021
Nov	9,969	21,320
Dec	10,437	20,528

DOD PRIME CONTRACTS a/

	\$ millions	% of U.S.
#### Jan	22,573	20.5%
Feb	18,277	16.8%
Mar	18,230	16.7%
Apr	18,477	17.3%
May	17,401	15.9%
Jun	17,372	15.1%
Jul	18,100	14.7%
Aug	19,939	14.7%
Sep	23,816	15.0%
Oct	28,681	15.0%
Nov	27,875	13.7%
Dec	31,065	13.1%

#### Jan	\$404,463	615,659
Feb	391,550	589,220
Mar	428,060	590,220
Apr	452,680	640,710
May	463,320	632,380
Jun	468,050	633,660
Jul	462,145	639,910
Aug	473,520	591,150
Sep	463,630	626,210
Oct	459,530	639,571
Nov	471,980	652,340
Dec	474,270	645,860

#### Jan	\$9,062	\$19,996
Feb	9,536	18,011
Mar	11,420	22,589
Apr	10,249	21,722
May	10,460	21,760
Jun	10,481	23,971
Jul	10,388	24,162
Aug	10,118	24,127
Sep	10,446	23,974
Oct	10,460	25,279
Nov	9,792	25,769
Dec	10,628	22,863

#### Jan	\$484,580	659,410
Feb	470,920	608,160
Mar	496,550	634,700
Apr	509,630	658,060
May	522,590	618,920
Jun	542,330	656,310
Jul	539,840	647,910
Aug	567,320	632,240
Sep	543,510	650,780
Oct	538,770	621,530
Nov	548,680	579,560
Dec	547,400	531,910

#### Jan	\$9,405	\$22,776
Feb	9,756	21,738
Mar	11,390	23,735
Apr	10,356	24,337
May	10,882	24,774
Jun	11,108	26,153
Jul	10,828	26,452
Aug	11,166	26,452
Sep	10,825	28,012
Oct	11,371	28,847
Nov	11,194	27,030
Dec	11,709	26,024

#### Jan	\$549,460	500,470
Feb	534,400	513,740
Mar	562,130	539,170
Apr	562,380	516,960
May	563,860	488,260
Jun	575,850	483,690
Jul	567,860	453,980
Aug	577,300	442,150
Sep	557,150	444,780
Oct	552,020	443,320
Nov	555,290	450,930
Dec	569,560	451,976

#### Jan	\$10,848	\$25,555
Feb	10,791	23,004
Mar	13,336	27,722
Apr	11,991	27,005
May	12,306	28,090
Jun	12,664	29,621
Jul	12,255	29,990
Aug	12,720	31,550
Sep	12,567	30,608
Oct	12,913	32,200
Nov	12,676	29,747
Dec	12,756	28,396

#### Jan	\$559,300	437,580
Feb	558,130	464,560
Mar	580,090	427,110
Apr	597,640	373,280
May	592,780	366,370
Jun	594,280	364,280
Jul	586,030	350,980
Aug	588,970	319,200
Sep	530,830	271,590
Oct	497,110	265,030

#### Jan	\$12,325	\$28,025
Feb	11,717	26,183
Mar	13,954	27,815
Apr	12,360	28,049
May	13,283	28,734
Jun	13,864	29,961
Jul	12,837	30,537
Aug	13,527	31,206
Sep	13,375	30,962
Oct	n.a.	n.a.

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	156.8
	Feb	3.9	39.4	57,122	6,810	159.2
	Mar	4.1	39.9	61,093	7,309	142.9
	Apr	4.1	39.9	62,279	7,327	162.9
	May	4.1	39.6	60,700	8,536	157.6
	Jun	4.1	39.9	59,006	6,982	146.4
	Jul	3.9	39.2	61,905	7,291	179.6
	Aug	4.0	39.8	61,363	7,599	167.7
	Sep	3.9	40.0	60,762	7,389	182.2
	Oct	3.8	39.6	63,112	8,188	216.8
	Nov	3.9	39.8	59,091	7,534	185.2
	Dec	3.9	39.9	60,044	7,684	156.1
2003	Jan	3.9	39.5	60,114	7,464	195.9
	Feb	4.0	39.8	60,424	8,598	239.9
	Mar	3.7	39.7	59,639	7,105	179.2
	Apr	3.6	39.6	63,029	7,857	189.3
	May	3.7	39.8	60,911	7,715	209.7
	Jun	3.7	39.9	60,851	7,858	171.5
	Jul	3.8	39.5	60,324	8,156	197.6
	Aug	3.8	39.6	58,097	7,079	181.3
	Sep	3.9	39.6	57,666	8,427	188.8
	Oct	3.9	39.7	60,721	8,208	227.7
	Nov	4.1	40.3	55,212	7,462	182.5
	Dec	4.0	39.6	51,300	8,287	203.2
2004	Jan	4.0	40.0	49,870	8,161	200.8
	Feb	4.1	40.2	50,160	8,596	200.1
	Mar	4.2	40.2	48,924	8,347	221.9
	Apr	4.4	39.9	48,650	8,462	207.9
	May	4.5	40.3	46,661	8,030	199.1
	Jun	4.3	39.9	49,797	8,837	213.2
	Jul	4.4	40.2	48,536	8,636	201.0
	Aug	4.2	40.2	47,805	8,289	213.6
	Sep	4.1	39.3	47,268	8,778	220.1
	Oct	4.2	39.8	47,402	8,130	192.5
	Nov	4.4	39.9	47,419	9,020	245.4
	Dec	4.4	39.8	48,016	9,012	239.2
2005	Jan	4.5	40.2	49,701	5,926	189.8
	Feb	4.5	39.9	46,500	8,977	195.3
	Mar	4.4	39.9	45,230	9,131	225.5
	Apr	4.5	40.0	43,777	9,560	207.6
	May	4.4	39.9	43,516	9,425	215.2
	Jun	4.4	39.6	42,618	9,282	224.3
	Jul	4.3	39.9	41,073	9,189	229.2
	Aug	4.6	40.0	41,064	9,118	205.3
	Sep	4.5	40.1	41,247	9,221	275.1
	Oct	4.5	40.5	40,114	8,740	169.5
	Nov	4.3	40.0	40,036	9,072	196.5
	Dec	4.3	39.3	41,128	9,088	175.9
2006	Jan	4.2	40.3	41,564	9,044	173.8
	Feb	4.3	40.3	38,567	8,699	208.5
	Mar	4.3	40.1	42,555	9,405	190.0
	Apr	4.1	40.3	43,065	8,519	170.4
	May	4.3	40.2	42,980	9,356	172.8
	Jun	4.4	40.5	40,768	8,579	204.4
	Jul	4.1	40.5	42,493	8,417	142.9
	Aug	4.0	40.3	42,831	8,981	157.7
	Sep	3.9	40.3	41,810	8,646	153.3
	Oct	4.1	40.5	42,212	9,070	117.7
	Nov	3.9	40.4	43,312	9,063	132.1
	Dec	4.2	40.7	45,035	8,772	135.9
2007	Jan	4.1	40.5	42,819	9,099	140.6
	Feb	3.8	40.4	42,567	8,890	124.1
	Mar	3.9	40.4	43,807	8,513	152.4
	Apr	3.8	40.8	42,878	8,429	122.8
	May	3.9	40.6	45,313	8,548	125.4
	Jun	4.2	40.8	45,332	8,821	101.2
	Jul	3.8	41.0	45,230	8,705	117.6
	Aug	4.0	40.8	46,083	9,284	133.1
	Sep	3.8	40.8	46,134	8,560	82.9

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	15,284	1,495	5.6	386

		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	137,311
2007	Qtr I	\$1,491,077	\$812,870	\$142,709
	Qtr II	1,511,381	823,841	142,511
	Qtr III	n.a.	n.a.	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 2006:QIII & QIV are preliminary.
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.

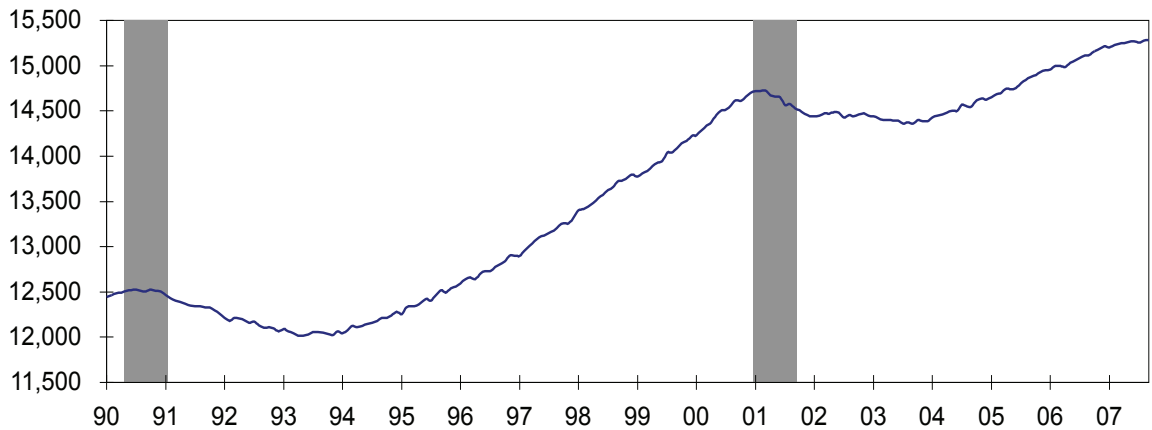
Under the X-12 Arima method, the addition of new data points changes historical seasonal factors. To avoid monthly data changes in the California Economic Indicators it is necessary to "freeze" the seasonally adjusted data through the past year and manually compute current year values from the projected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

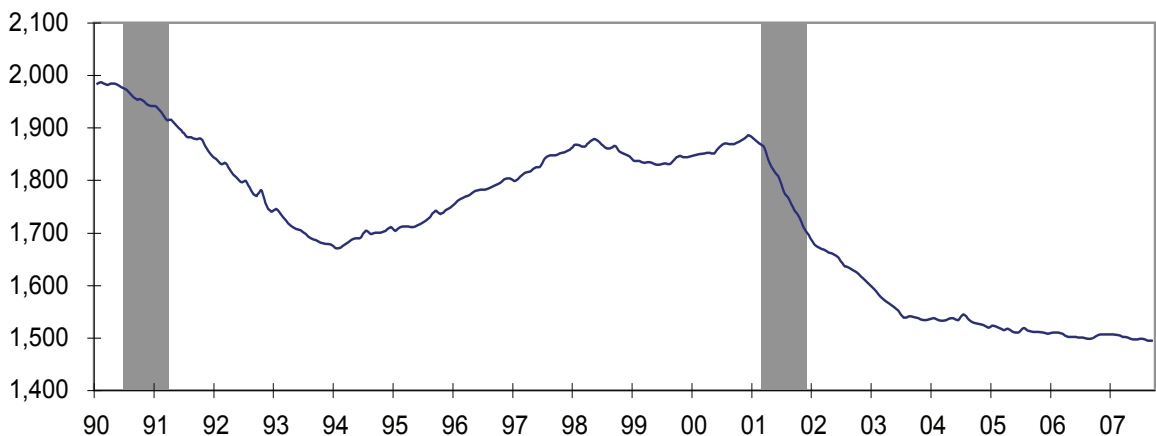
Nonagricultural Employment

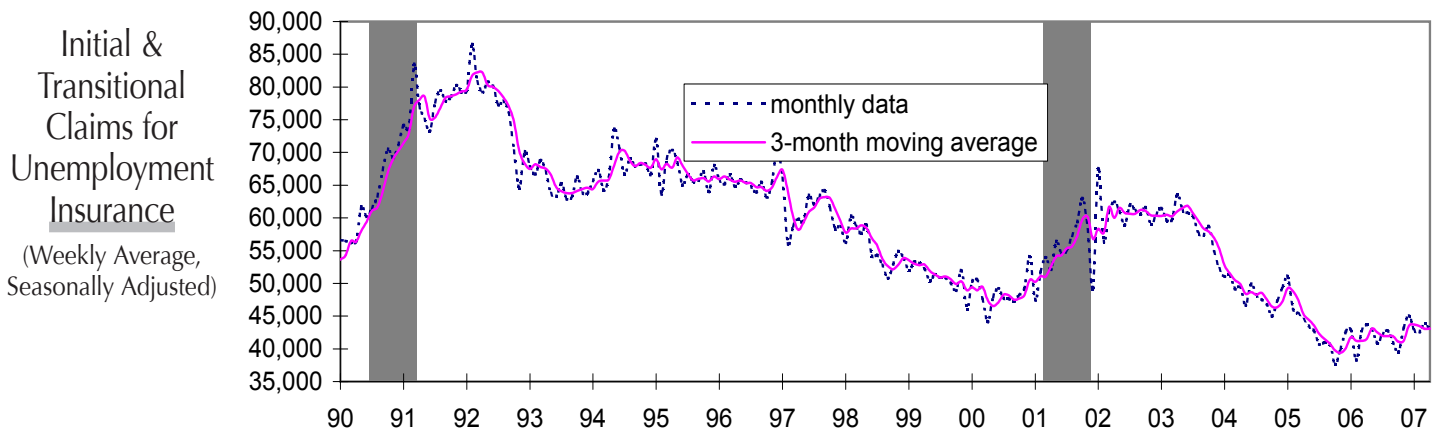
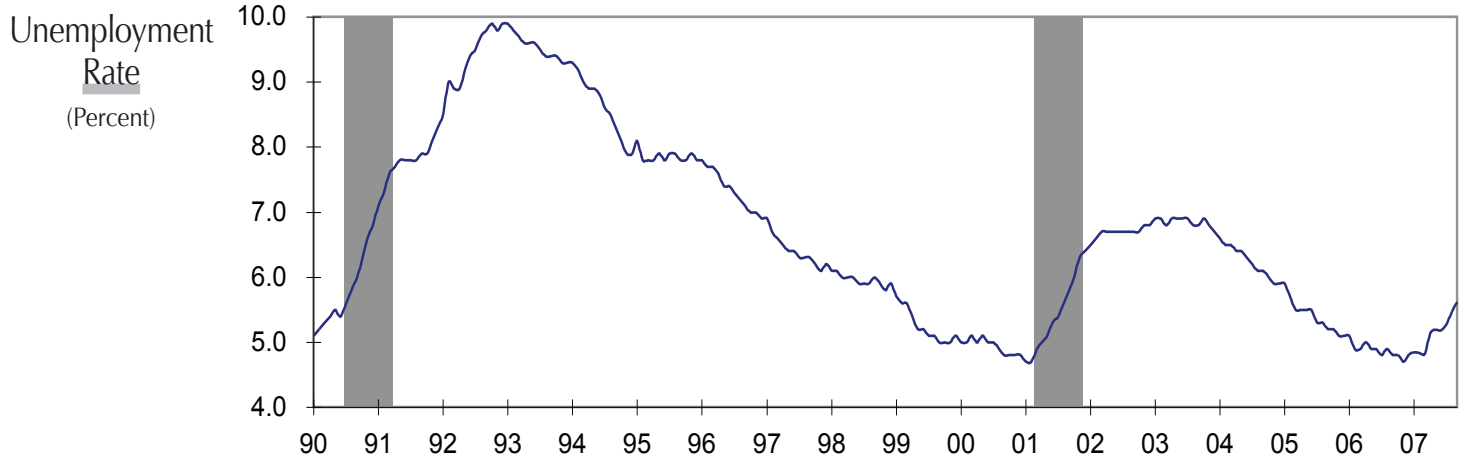
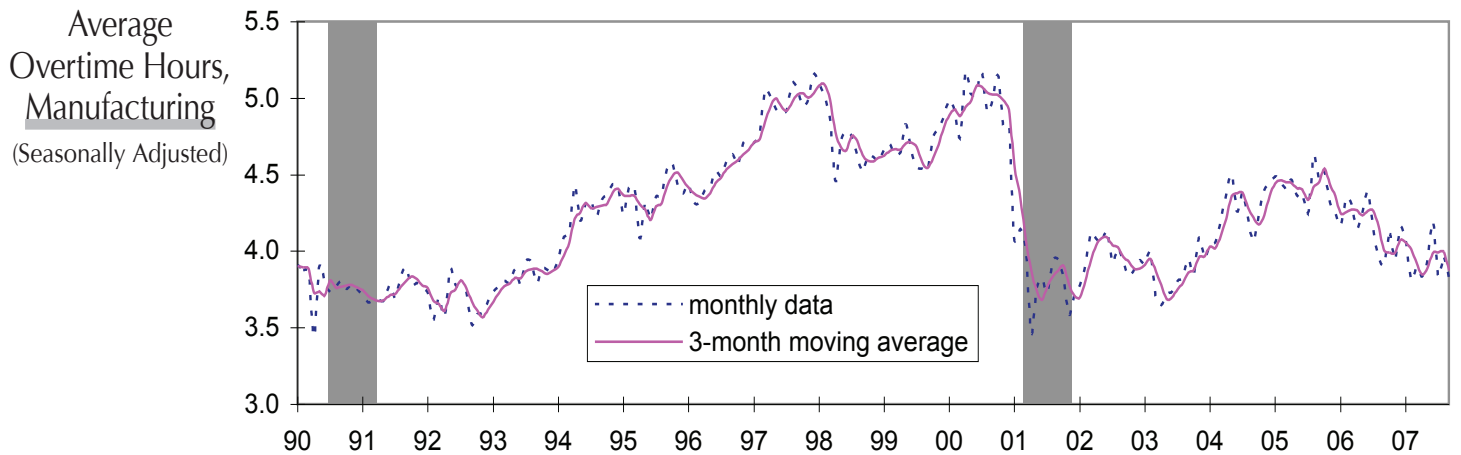
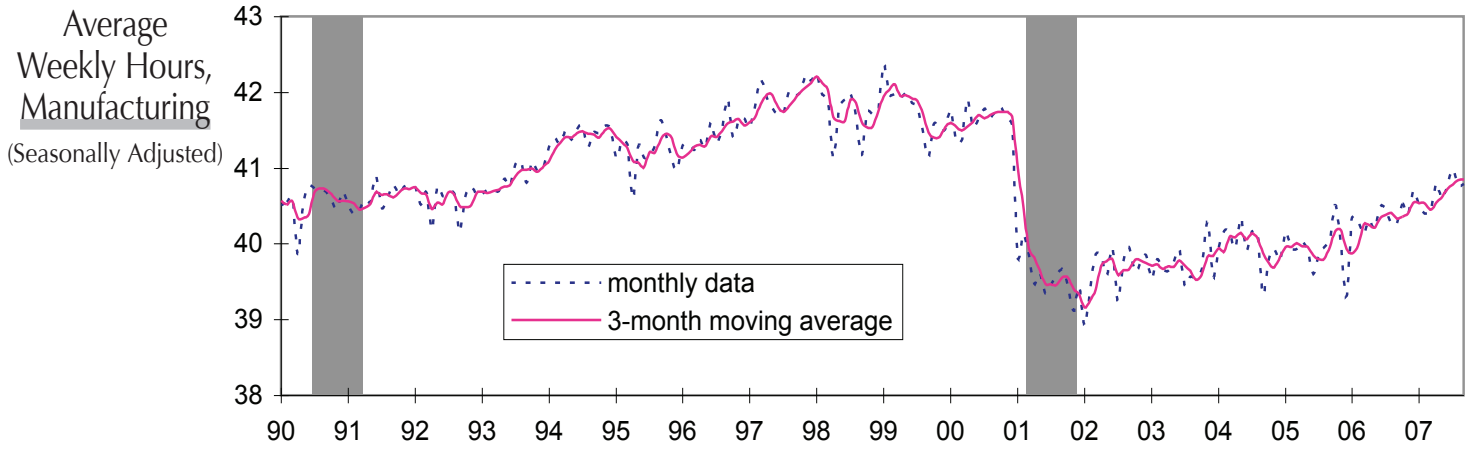
(Thousands, Seasonally Adjusted)



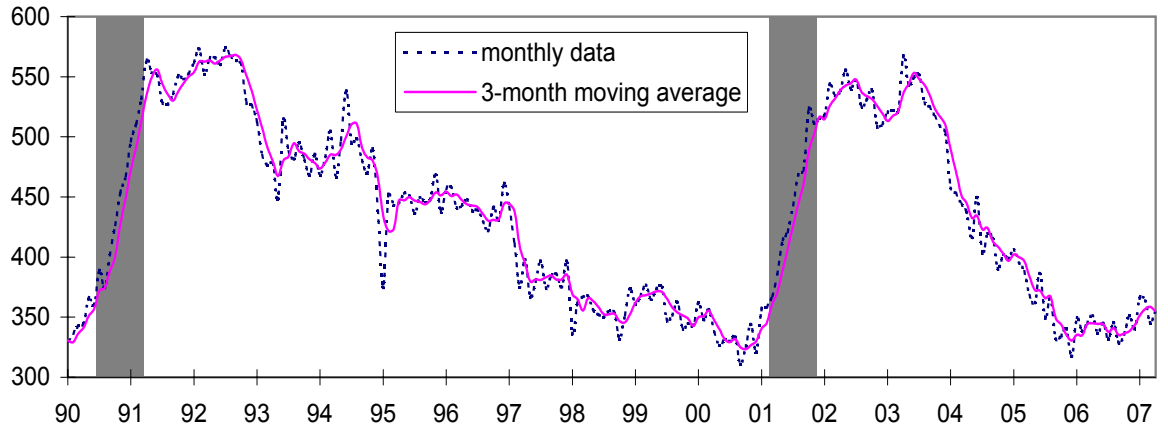
Manufacturing Employment

(Thousands, Seasonally Adjusted)

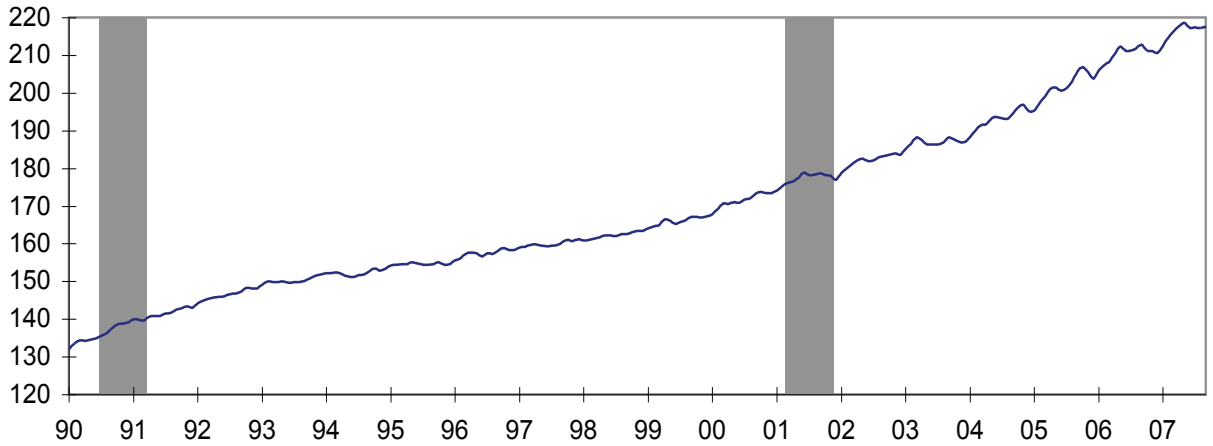




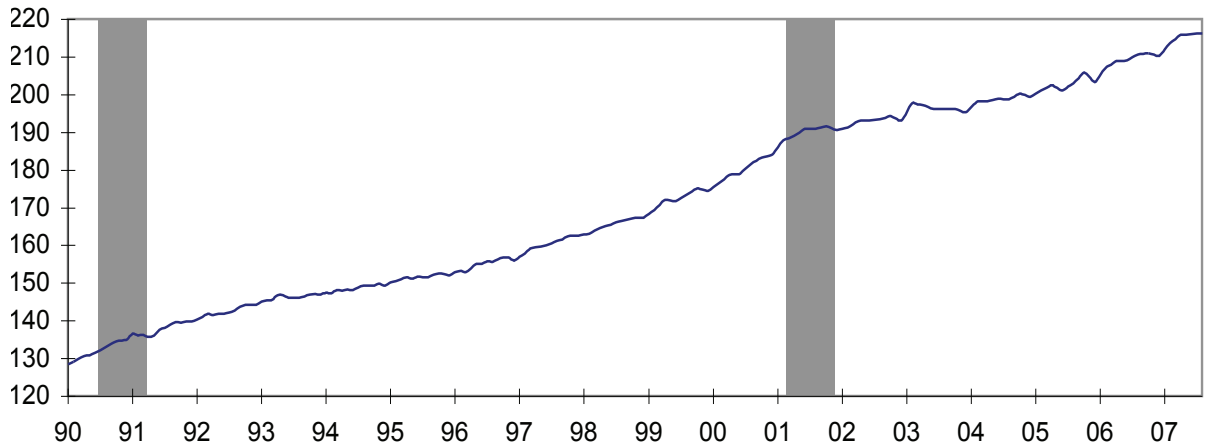
**Unemployment,
Average Weeks
Claimed**
(thousands,
Seasonally Adjusted)



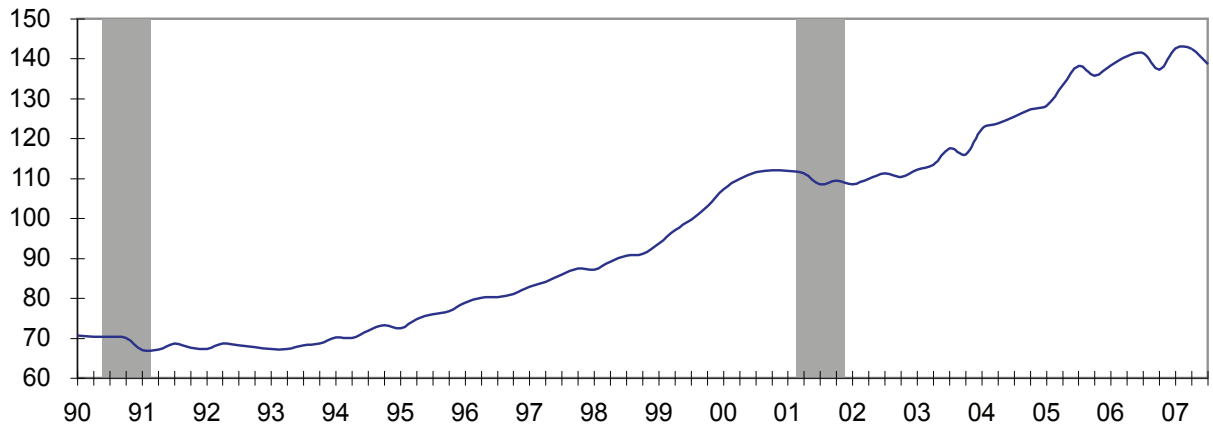
**Consumer
Price Index,
Los Angeles**
(1982-84=100)



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

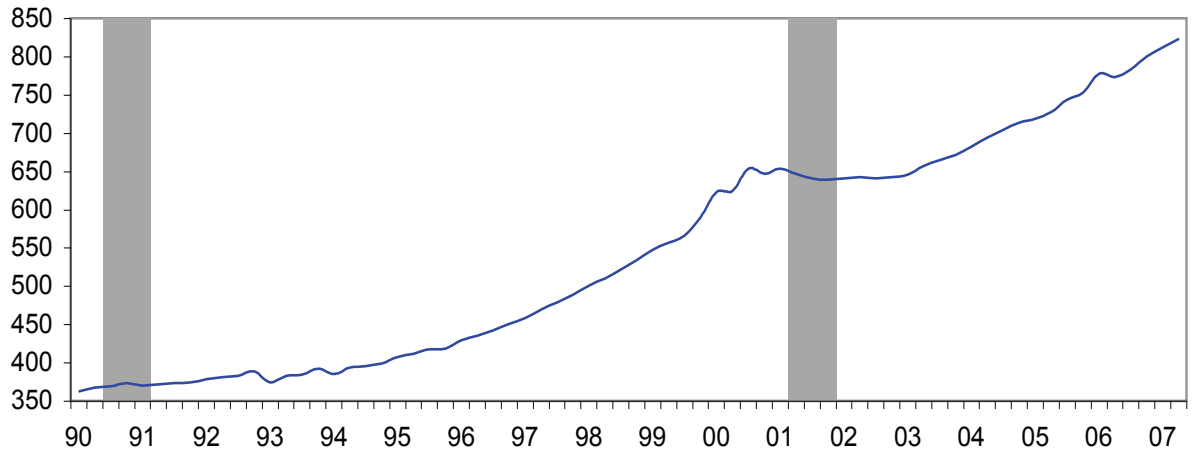


Taxable Sales
(Dollars in billions,
Seasonally Adjusted)



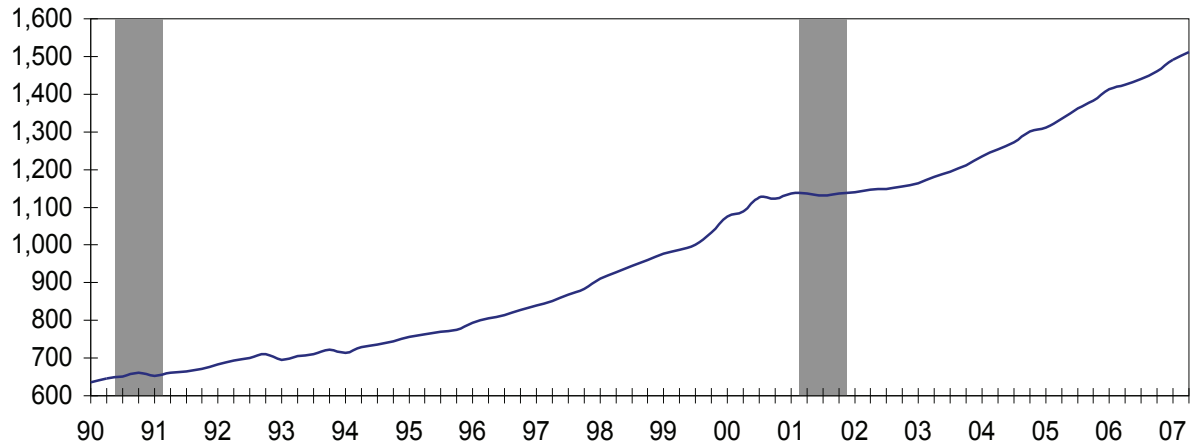
Wages and Salaries

(Dollars in billions, Seasonally Adjusted)



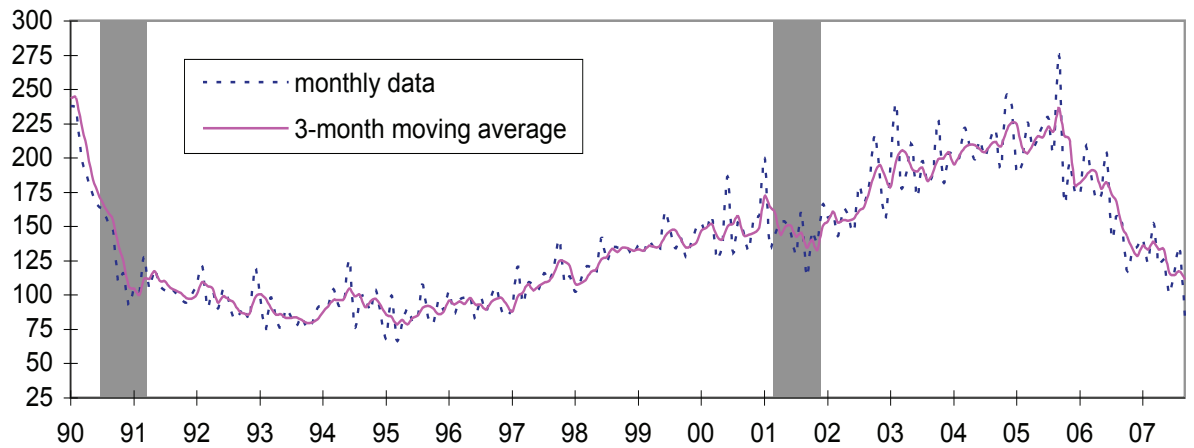
Personal Income

(Dollars in billions, Seasonally Adjusted)



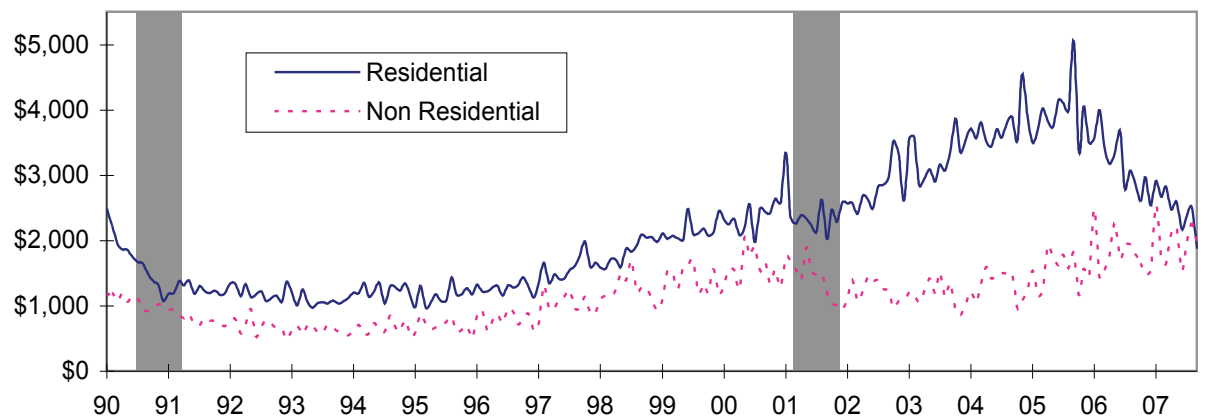
New Housing Units Authorized By Building Permits

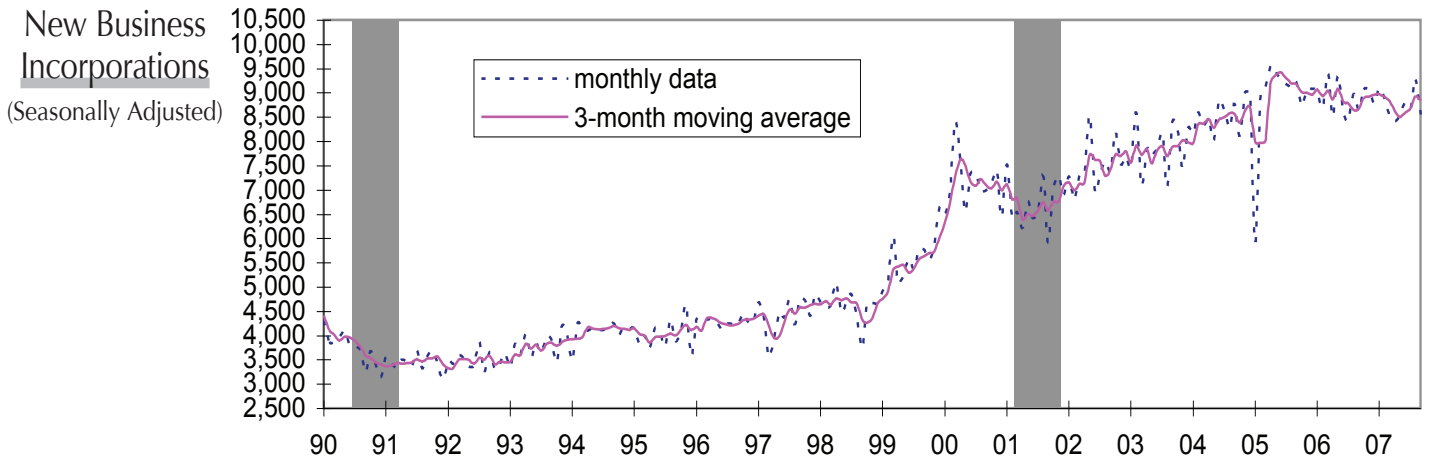
(thousands, Seasonally Adjusted at Annual Rate)



Residential & Nonresidential Building Permit Valuation

(Dollars in millions, Seasonally Adjusted)





■ 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.