



CALIFORNIA Economic Indicators

January–February 2008

2008 Off to a Weak Start

Housing troubles continued to plague state economy as 2008 began.

REVIEW OF RECENT ECONOMIC DEVELOPMENTS

Real estate market difficulties continued into 2008. January kicked off the New Year with job losses, a drop in home building and home prices, and an elevated inventory of homes for sale. On top of all that, recent data revisions painted a worse picture of 2007 than had been previously thought.

EMPLOYMENT

2008 began with job losses

California nonfarm payroll employment fell by 20,300 in January, and the gain in December was revised down 4,100 to 11,400. The good news was that the January loss principally stemmed from the writers' strike and those losses should be recouped in upcoming months. Motion picture and video production lost 22,100 jobs in January.

The biggest gains in January were in trade, transportation, and utilities (10,900) and professional and business services (10,000). Government added 3,800 jobs and natural resources and mining and manufacturing made small gains.

Job losses outside of motion pictures were again heavily impacted by the then-ongoing housing slump. In January, construction dropped 12,900 jobs; and financial activities, 1,200. Elsewhere, other services lost 3,600; leisure and hospitality 1,500; education and health services, 1,300.

Industry employment history was revised

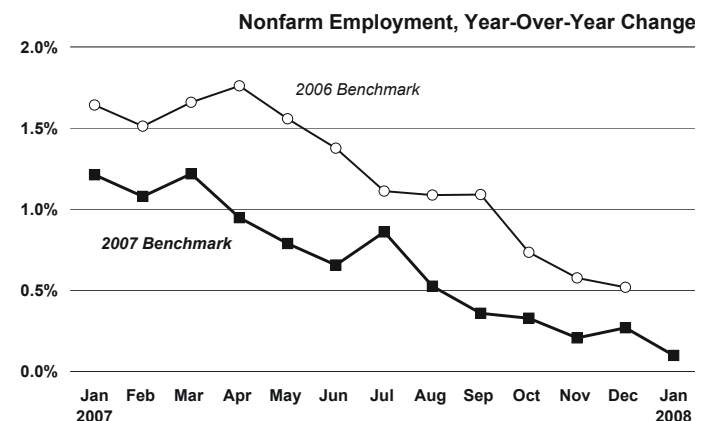
The January labor market report incorporated revised, or "rebenchmarked," employment estimates which painted a worse picture of 2007 than had been previously thought. As suspected, the loss of jobs in housing-related industries was larger than initially reported. Total nonfarm job growth in 2007 was reduced from the originally reported 183,300 to 105,800. The annual growth rate was reduced from 1.2 percent to 0.7 percent. Thus, 2008 started with much less momentum than previously thought. Nonfarm payroll employment in January was up only 6,000 jobs, or essentially unchanged, from a year earlier.

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FIGURE 1

Less Momentum for 2008



Job gains in 2007 were weaker than originally thought.

Unemployment volatility disappears with revisions

The annual revisions also erased the initially reported sharp jump in the state's unemployment rate to 6.1 percent in December. After the revisions, the state's unemployment rate was 5.9 percent in both December and January and 5.7 percent in November. The annual revisions also essentially eliminated the dramatic month-to-month volatility in the household employment estimates originally reported throughout 2007.

Building Activity

Home building sea-saw extends into 2008

The home-building see-saw continued into 2008 with a sharp drop in permitting in January following a strong up-tick in December. Revised building standards that went into effect as of January likely caused a surge by builders in December in order to head off more stringent building requirements. Residential permitting in January fell to 66,400 units on a seasonally adjusted annual rate basis—off 52 percent from a year earlier. Abstracting from the month-to-month volatility, home building continued to slow. The average pace of new home construction permitting was down 43 percent for the three months ending with January from the same months a year earlier.

Nonresidential building still growing

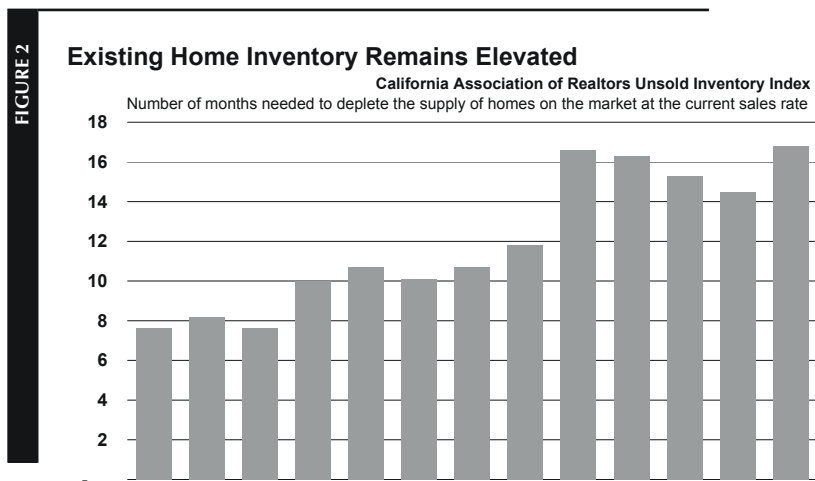
Despite recent ups and downs, nonresidential construction improved from a year ago. After jumping 19 percent in December, the value of nonresidential construction permitting in January dropped almost 23 percent on a seasonally adjusted annual rate basis. During the three months ending with January as a whole, permitting was up 7.2 percent from the same months a year earlier.

REAL ESTATE

High inventories dampen home prices

Reacting to lower prices and mortgage rates, home sales improved for the third month in a row in January. Sales of existing single-family detached homes reached a seasonally adjusted annual rate of 313,580 units, according to the California Association of Realtors. This rate, though, is down nearly 30 percent from January 2007.

Better news on sales, however, didn't keep home prices from taking another dive in January as the inventory of homes for sale remained elevated. The median price of existing single-family homes sold dropped 4 percent, to \$429,790—the fifth consecutive month-over-month decline. This price was also down almost 22 percent from a year earlier. A change in the sales mix away from upper-end homes—most likely the result of tightening credit conditions—played a role in the decline.



The large inventory of existing homes available for sale continued to keep prices down.

2007 IN REVIEW

The current economic slowdown afflicting California and the nation is the result of a one-two punch. The first blow fell in 2005 and 2006 when real estate markets peaked and began a gradual slowdown. Late in 2006, it appeared that despite some losses, home sales and prices had stabilized. The second blow, though, fell in 2007 when the subprime lending meltdown and rising foreclosures led to the implosion of real estate mortgage markets. Residential real estate markets were jolted by rising inventories as too many homes were on the market and the number of qualified buyers, particularly those looking to move up, dwindled. Ominously, as 2007 progressed, the likelihood steadily increased that rather than just suffering through severe corrections in real estate and home construction markets, the economy might run into a full-fledged economic slowdown. Enough data is now available to characterize what happened to the California economy in 2007.

REAL ESTATE

Real estate markets are at the heart of the current doldrums. The pace of existing home sales essentially stabilized early in 2005. In October of that year, though, a steady deterioration in the pace of home sales began. In 2006, home sales dropped approximately 23 percent, according to the California Association of Realtors. The slide was even more dramatic in 2007, even if there was some stability during the final three months of the year. On a year-over-year basis, home sales dropped 26 percent in 2007. The low point came in October, when the pace dropped over 40 percent from a year earlier to only 265,000 units on a seasonally-adjusted annual rate basis. This was nearly 60 percent below than the peak reached in January 2005.

The deterioration of home sales had a predictable impact on other market fundamentals. The unsold inventory index—the number of months needed to deplete the supply of homes on the market at the current sales rate—rose to 6 months in 2006, from 3 in 2005. In 2007 it leapt to 12 months. The month-to-month rise was even more dramatic. The index stood at 5.9 months at the end of 2006 and then skyrocketed to 16.6 months by September 2007.

In the face of this dramatic meltdown, it was surprising that California home prices didn't start to erode until well into 2007. To be sure, the meteoric rise in home prices that began in 2001 had essentially run its course by early 2006. After rising 21 percent in 2004 and 16.6 percent in 2005, California's median single family home sales price rose only 6.6 percent in 2006, as calculated by the California Association of Realtors. The actual decline in California's median price began in March 2007. By the end of the year, the median price—\$476,400—had fallen over 20 percent from the April 2007 peak. In September, the state's median was down on a year-over-year basis (4.7 percent) for the first time since February 1997.

The end of 2007 brought a slight glimmer of hope for California real estate markets. Home prices were still falling at year end (and indeed took another big dip in January 2008). On the other hand, home sales showed some signs of life. Likely spurred by the precipitous drop in prices and lower mortgage interest rates, the pace of existing home sales made month-to-month gains in November and December. The inventory of homes available for sale also dipped a bit in December.

FIGURE 3

Median Existing Single-family Home Sales Price
\$1,000s

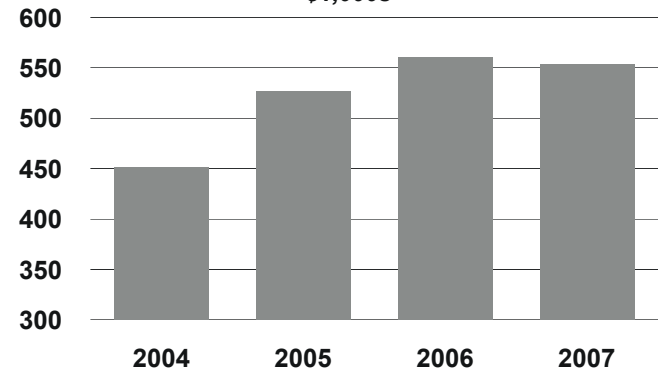


FIGURE 4

Sales of Existing Single-family Homes
1,000s of Units

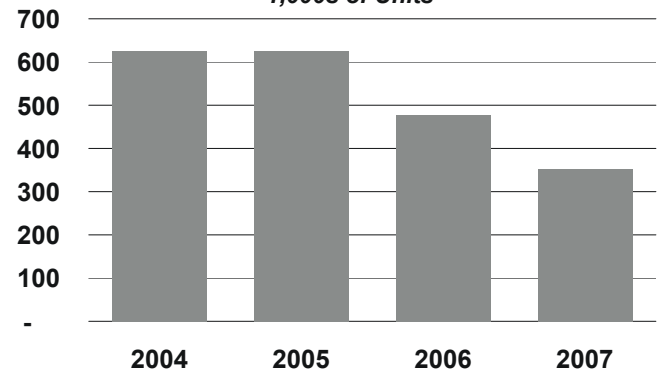
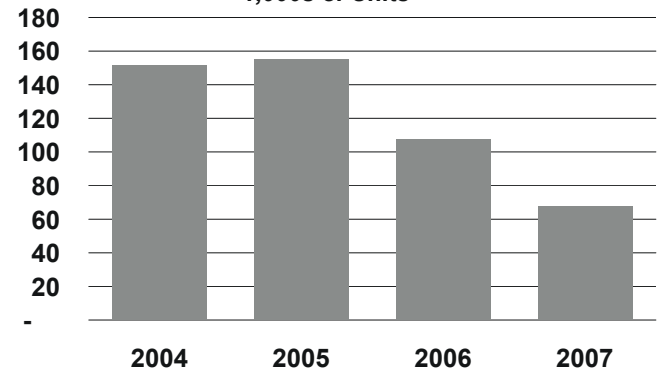


FIGURE 5

Single-family Building Permits
1,000s of Units



CONSTRUCTION

The deterioration of the state's real estate market had a predictable devastating effect on residential construction activity in 2007. Home building in California reached its most recent zenith in 2004 and 2005, generating 212,000 and 210,000 new home construction permits, respectively. In 2006, the pace slowed to 164,000 units—a 22-percent drop. Home builders retrenched further in 2007, with total permits reaching only 112,000 units—little more than half the 2005 pace.

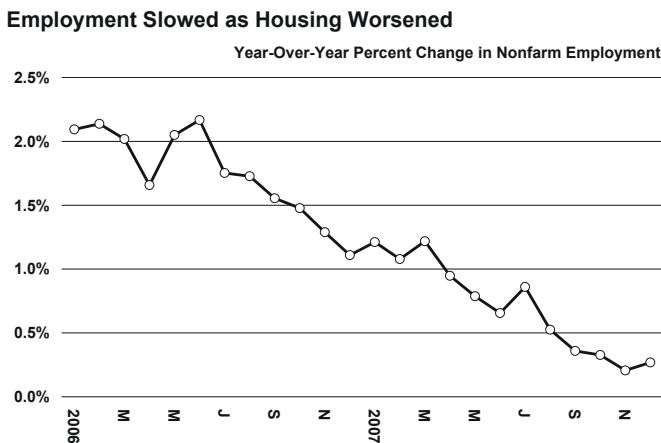
Since the subprime mortgage meltdown directly impacted homeowners exclusively, single-family home construction bore the brunt of the slowdown. After peaking in September 2005, the seasonally adjusted annual rate of single-family home permitting dropped in 18 out of the 27 months through the end of 2007 (and fell again in January 2008). Total single-family permitting in 2007 was down 37 percent from 2006. Permit issuances during the last three months of 2007 were down nearly 42 percent from the same months of 2006. Single-family construction accounted for over three quarters of the overall slowdown in residential permitting.

LABOR MARKETS

Real estate and home building troubles took a predictable toll on California's labor markets in 2007. By the end of the year, job creation had turned negative with most of the weakness coming from industry sectors closely tied to real estate and construction.

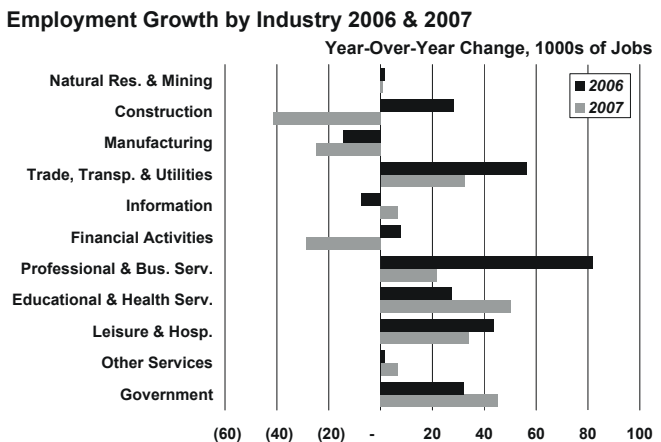
The steady deterioration in the job market began in 2006, but employment growth essentially ground to a halt over the course of 2007. After adding an average of 27,000 nonfarm jobs per month in 2005, the pace slowed to about 14,000 in 2006 and then plummeted to only 3,400 in 2007. The year-over-year pace of job growth peaked in June 2006 at 2.2 percent. By December, the pace had been halved to 1.1 percent. It held steady through March 2007 before slowing again. During the final three months of 2007, the year-over-year pace averaged only 0.3 percent. In fact, the state lost 200 jobs per month on average during the last six months of 2007 (and lost 20,300 in January 2008).

FIGURE 6



The toll that the housing meltdown took on labor markets was evident from the contrast between those industry sectors that are closely tied to home building and real estate and those that are not. Job growth in the connected industries—construction, retail trade, and financial activities—turned negative in 2007 while the remaining sectors continued to expand, albeit at a slower pace than in 2006. Employment in the housing-related sectors fell 1.7 percent in 2007 after growing 1.6 percent in 2006 and 3.6 percent in 2005. Job growth in other sectors decelerated slightly, from 1.8 percent in 2006 to 1.4 percent in 2007. The sectors tied to housing lost 9,000 jobs per month on average in 2007. The other sectors added 12,000 per month on average.

FIGURE 7



Besides these industries, manufacturing was the only major industry sector that lost jobs in 2007. It dropped 25,000 jobs, with the losses spread proportionately between durable and nondurable goods. Rather than a reflection of the housing slowdown, most of these losses are likely the result of a long-term downward trend in manufacturing in California and the nation. The year 2000 was the last one in which manufacturing employment expanded in California.

Eight major industry sectors added jobs in 2007. The leader was education and health services which added 50,000 jobs (3.1 percent). Health care and social

assistance contributed the lion's share of these new jobs (40,000). Not far behind was government, which added 45,000 jobs (1.8 percent). Leisure and hospitality grew by 34,000 jobs (2.3 percent). Professional and business services also added jobs in 2007, but at a much weaker pace than in previous years. This sector gained only 23,000 jobs in 2007 after adding 82,000 in 2006 and 74,000 in 2005. Information and other services each added 7,000 jobs, which in both cases was an improvement on recent years. The small natural resources and mining sector gained 800 jobs.

PERSONAL INCOME

Even though similar trends were apparent, the slowdown in 2007 did not affect California's personal income as dramatically as it did labor markets. Personal income earned by Californians grew 5.8 percent in 2007, only moderately slower than in 2006, when it rose 6.5 percent. Salaries and wages, which constitute over half of all personal income, essentially accounted for all of this slowdown, decelerating from 6.5 percent in 2006 to 5.2 percent in 2007.

Nonwage income barely slowed at all, decelerating from 6.6 percent to 6.5 percent. Only property income (dividends, interest, and rent) accelerated in 2007, growing 9.7 percent in 2007 after gaining 8.9 percent in 2006. Reflecting the tepid economic conditions in 2007, nonfarm proprietor's income (profits) suffered the most serious slowdown, growing only 0.4 percent in 2007 after growing 4.5 percent in 2006.

Earnings across industry sectors also reflected the state's current economic troubles. Total earnings fell in only two sectors, construction and real estate, rental and leasing, which slid 3.0 percent and 4.5 percent respectively. The most dramatic swing was in construction earnings which grew 6.0 percent in 2006. Earnings outside of these sectors did not decelerate this much, growing 5.3 percent in 2007 and 6.0 percent in 2006. The best earnings growth in 2007 was posted in professional and technical services (8.7 percent), reflecting ongoing strength in many high technology sectors. Strong earnings gains were also made in private educational services (8.2 percent); accommodation and food services (7.5 percent); and wholesale trade and state and local government (both 6.8 percent).

The contrast between California wages and nonwage income was even more obvious after taking into account the effects of inflation. California consumer prices rose 3.3 percent in 2007. Thus, inflation-adjusted wages grew only 1.9 percent in 2007, a significant slowdown from 2.5 percent in the prior year. On the other hand, real nonwage income actually accelerated in 2007, rising 3.1 percent compared to 2.6 percent in 2006.

CONSUMPTION

Next to construction activity, the slowdown in 2007 had its greatest impact on retail spending. Strong equity gains and robust home sales during the housing boom generated substantial retail sales growth. Naturally, much of this activity was curtailed when real estate markets turned. The year-over-year growth rate of taxable retail sales in California peaked at 10 percent in the third quarter of 2005. It slowed substantially during the second half of 2006 and turned negative during the second half of 2007, when sales fell 1.6 percent from the same period a year earlier. The previous year-over drop in retail sales occurred during the first half of 2002. Slowing new car sales accounted for a significant part of this slowdown. New automobile registrations in California fell 6.5 percent in 2007.

Personal income is the earnings received by all persons from:

- Employment (wages and benefits net of Social Security payroll taxes),
- Property income (dividends, interest and rent),
- Proprietors' income (individual and partnership business income), and
- Public and private transfer payments, (Social Security, welfare, Medicare, MediCal, etc. from the public sector, and household credit losses from the private sector).

Personal income differs from "cash" income in that it:

- Includes several non-monetary income items such as employee health insurance benefits and employer contributions to pension funds,
- Includes "imputed" rent of owner-occupied housing and imputed interest on bank accounts and life insurance policies,
- Excludes capital gains (because gains do not represent current production), and
- Excludes payouts from all pension plans, including IRA, 401k and traditional pension plans.

Select Indicators

	2007				2008	Year-Over % Change
	Jan	Oct	Nov	Dec	Jan	
EMPLOYMENT (Seasonally adjusted)						
Civilian employment (000)	17,160	17,215	17,238	17,240	17,219	0.3%
Unemployment (000)	897	1,039	1,050	1,079	1,079	20.3%
Unemployment rate	5.0	5.7	5.7	5.9	5.9	--
Nonagricultural wage and salary employment (000) a	15,135.8	15,168.0	15,159.6	15,171.0	15,150.7	0.1%
Goods-producing industries	2,414.2	2,351.4	2,340.8	2,333.6	2,321.3	-3.8%
Natural resources and mining	25.9	25.6	25.6	25.5	25.9	0.0%
Construction	912.5	868.5	861.4	856.0	843.2	-7.6%
Manufacturing	1,475.8	1,457.3	1,453.8	1,452.1	1,452.2	-1.6%
Service-providing industries	12,721.6	12,816.6	12,818.8	12,837.4	12,829.4	0.8%
Trade, transportation, and utilities	2,908.9	2,911.0	2,909.3	2,908.3	2,919.2	0.4%
Information	463.3	473.4	471.2	475.0	449.9	-2.9%
Financial activities	921.2	894.9	889.0	887.1	885.9	-3.8%
Professional and business services	2,253.0	2,271.3	2,274.5	2,276.4	2,286.4	1.5%
Educational and health services	1,642.5	1,676.4	1,681.5	1,686.6	1,685.3	2.6%
Leisure and hospitality	1,545.5	1,556.1	1,556.8	1,561.9	1,560.4	1.0%
Other services	510.2	517.7	518.1	518.7	515.1	1.0%
Government	2,477.0	2,515.8	2,518.4	2,523.4	2,527.2	2.0%
Federal government	249.0	246.0	245.8	245.6	246.2	-1.1%
State and local government	2,228.0	2,269.8	2,272.6	2,277.8	2,281.0	2.4%
<i>High-technology industries b/</i>	860.6	870.6	872.0	875.0	870.7	1.2%
<i>Computer and electronic products manufacturing</i>	307.1	304.4	305.1	306.4	305.8	-0.4%
<i>Aerospace products and parts manufacturing</i>	72.8	71.6	71.6	71.6	71.3	-2.1%
<i>Software publishers</i>	42.5	43.6	43.4	43.8	43.1	1.4%
<i>Telecommunications</i>	120.7	122.1	122.2	122.9	121.7	0.8%
<i>Internet service providers</i>	21.6	21.9	21.7	21.6	21.5	-0.5%
<i>Computer systems design</i>	193.6	200.5	201.2	201.7	201.1	3.9%
<i>Scientific research and development</i>	102.3	106.5	106.8	107.0	106.2	3.8%
HOURS AND EARNINGS IN MANUFACTURING (Not seasonally adjusted)						
Average weekly hours	40.1	40.7	40.7	40.8	40.0	-0.2%
Average weekly earnings	\$644.41	\$666.26	\$667.07	\$669.53	\$660.80	2.5%
Average hourly earnings	\$16.07	\$16.37	\$16.39	\$16.41	\$16.52	2.8%
CONSUMER PRICE INDEX (1982-84=100) (Not seasonally adjusted)						
All Urban Consumers Series						
California Average	n.a.	219.0	n.a.	219.6	n.a.	--
San Francisco CMSA	n.a.	217.9	n.a.	218.5	n.a.	--
Los Angeles CMSA	212.6	218.7	219.9	219.4	220.9	3.9%
Urban Wage Earners and Clerical Workers Series						
California Average	n.a.	211.5	n.a.	212.6	n.a.	--
San Francisco CMSA	n.a.	213.1	n.a.	214.2	n.a.	--
Los Angeles CMSA	204.5	211.3	212.8	212.3	213.8	4.5%
CONSTRUCTION						
Private residential housing units authorized (000) c	139.4	98.7	69.4	94.6	66.0	-52.6%
Single units	91.9	53.5	43.7	52.7	36.0	-60.8%
Multiple units	47.5	45.2	25.7	41.9	30.0	-36.8%
Residential building authorized valuation (millions) d	\$33,317	\$25,309	\$21,049	\$25,860	\$18,783	-43.6%
Nonresidential building authorized valuation (millions) d	\$23,196	\$22,726	\$22,784	\$27,229	\$21,131	-8.9%
Nonresidential building authorized valuation (millions) e	\$1,793	\$2,036	\$1,764	\$1,945	\$1,643	-8.4%
Commercial	678	871	776	837	569	-16.0%
Industrial	85	141	129	104	137	61.3%
Other	260	270	209	256	193	-25.9%
Alterations and additions	771	755	650	747	744	-3.5%
AUTO SALES (Seasonally adjusted)						
New auto registrations (number)	152,724	139,689	143,416	127,085	135,582	-11.2%

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		Office		Office		Industrial	
	Downtown		Suburban		Metropolitan		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

SALES OF EXISTING SINGLE-FAMILY HOMES

PORTS

DOD PRIME CONTRACTS a/

		Median Price	Units (SAAR)	Exports Imports			\$ millions	% of U.S.
				(\$ millions)				
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	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	569,350	452,060	12,756	28,396			
2007	Jan	\$551,220	446,820	\$12,325	\$28,025			
	Feb	554,280	480,170	11,717	26,183			
	Mar	582,930	422,300	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	489,570	287,600	13,483	31,767			
	Dec	476,380	301,040	14,313	29,615			
2008	Jan	\$429,790	313,580	\$13,016	28,280			

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

n.a. Not available

Leading Indicators/^a

		Manufacturing		Unemployment	New	Housing Unit
		Overtime Hours	Average Weekly Hours	Insurance Claims	Business Incorporations	Authorizations (Thousands)
2002	Jan	3.8	38.9	66,636	7,285	138.0
	Feb	3.9	39.4	57,127	6,810	132.3
	Mar	4.1	39.9	61,095	7,309	137.3
	Apr	4.1	39.9	62,252	7,327	134.4
	May	4.1	39.6	60,597	8,536	132.2
	Jun	4.1	39.9	58,962	6,982	162.5
	Jul	3.9	39.2	61,875	7,291	146.2
	Aug	4.0	39.8	61,325	7,599	135.1
	Sep	3.9	40.0	60,725	7,389	140.6
	Oct	3.8	39.6	63,069	8,188	126.8
	Nov	3.9	39.8	59,066	7,534	140.2
	Dec	3.9	39.9	60,013	7,684	150.9
2003	Jan	3.9	39.5	60,500	7,464	189.8
	Feb	4.0	39.8	60,450	8,598	247.2
	Mar	3.7	39.7	59,627	7,105	188.8
	Apr	3.6	39.6	62,996	7,857	184.5
	May	3.7	39.8	60,744	7,715	207.7
	Jun	3.7	39.9	60,715	7,858	176.5
	Jul	3.8	39.5	60,298	8,156	189.3
	Aug	3.8	39.6	58,070	7,079	191.2
	Sep	3.9	39.6	57,634	8,427	184.3
	Oct	3.9	39.7	60,661	8,208	225.0
	Nov	4.1	40.3	55,131	7,462	192.5
	Dec	4.0	39.6	51,370	8,287	192.5
2004	Jan	4.0	40.0	50,262	8,161	205.8
	Feb	4.1	40.2	50,215	8,596	205.6
	Mar	4.2	40.2	48,845	8,347	210.7
	Apr	4.4	39.9	48,663	8,462	201.8
	May	4.5	40.3	46,437	8,030	204.9
	Jun	4.3	39.9	49,581	8,837	209.3
	Jul	4.4	40.2	48,549	8,636	197.7
	Aug	4.2	40.2	47,823	8,289	215.6
	Sep	4.1	39.3	47,338	8,778	213.2
	Oct	4.2	39.8	47,295	8,130	214.2
	Nov	4.4	39.9	47,341	9,020	236.9
	Dec	4.4	39.8	48,188	9,012	227.3
2005	Jan	4.5	40.2	50,011	5,926	205.5
	Feb	4.5	39.9	46,613	8,977	201.2
	Mar	4.4	39.9	45,084	9,131	209.1
	Apr	4.5	40.0	43,844	9,560	209.8
	May	4.4	39.9	43,211	9,425	212.6
	Jun	4.4	39.6	42,341	9,282	218.3
	Jul	4.3	39.9	41,141	9,189	233.4
	Aug	4.6	40.0	41,131	9,118	198.7
	Sep	4.5	40.1	41,437	9,221	264.3
	Oct	4.5	40.5	39,984	8,740	195.8
	Nov	4.3	40.0	39,978	9,072	190.6
	Dec	4.3	39.3	41,352	9,088	175.8
2006	Jan	4.3	40.2	41,651	9,044	179.3
	Feb	4.5	40.2	38,711	8,699	221.5
	Mar	4.4	40.0	42,336	9,405	171.7
	Apr	4.4	40.2	43,184	8,519	179.8
	May	4.4	40.1	42,531	9,356	164.4
	Jun	4.5	40.4	40,533	8,579	198.7
	Jul	4.2	40.5	42,662	8,417	144.2
	Aug	4.1	40.2	42,949	8,981	150.5
	Sep	4.0	40.2	42,154	8,646	151.3
	Oct	4.3	40.5	42,070	9,070	135.7
	Nov	4.1	40.3	43,305	9,063	128.2
	Dec	4.3	40.7	45,290	8,772	139.1
2007	Jan	4.1	40.5	42,735	9,099	139.4
	Feb	3.8	40.2	42,805	8,890	130.8
	Mar	3.9	40.2	43,454	8,513	141.8
	Apr	3.8	40.6	43,033	8,429	126.5
	May	4.0	40.4	44,729	8,548	120.4
	Jun	4.2	40.6	45,168	8,821	102.0
	Jul	3.9	40.9	45,494	8,705	111.9
	Aug	4.1	40.8	46,201	9,284	126.2
	Sep	4.1	40.7	46,601	8,560	84.8
	Oct	4.2	40.6	49,039	9,091	98.7
	Nov	3.9	40.6	48,732	9,320	69.4
	Dec			49,154	8,385	94.6
2008	Jan	3.9	40.3	50,132	7,877	66.0

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	441
	Mar	14,461	1,534	6.5	440
	Apr	14,481	1,537	6.4	436
	May	14,502	1,538	6.4	426
	Jun	14,503	1,534	6.3	436
	Jul	14,568	1,545	6.2	408
	Aug	14,549	1,536	6.1	418
	Sep	14,547	1,530	6.1	421
	Oct	14,616	1,528	6.0	401
	Nov	14,636	1,525	5.9	399
	Dec	14,626	1,520	5.9	402
2005	Jan	14,651	1,524	5.9	400
	Feb	14,685	1,520	5.7	393
	Mar	14,695	1,515	5.5	385
	Apr	14,747	1,517	5.5	371
	May	14,739	1,512	5.5	366
	Jun	14,750	1,510	5.5	374
	Jul	14,808	1,519	5.3	359
	Aug	14,840	1,514	5.3	360
	Sep	14,874	1,512	5.2	337
	Oct	14,895	1,512	5.2	345
	Nov	14,931	1,511	5.1	337
	Dec	14,953	1,509	5.1	325
2006	Jan	14,957	1,511	5.1	337
	Feb	14,999	1,511	4.9	335
	Mar	14,994	1,508	4.9	343
	Apr	14,984	1,503	5.0	358
	May	15,030	1,503	4.9	336
	Jun	15,060	1,501	4.9	335
	Jul	15,085	1,501	4.8	342
	Aug	15,110	1,499	4.9	339
	Sep	15,122	1,500	4.8	339
	Oct	15,162	1,506	4.8	342
	Nov	15,188	1,507	4.7	348
	Dec	15,213	1,507	4.8	348
2007	Jan	15,136	1,476	5.0	357
	Feb	15,159	1,473	5.0	358
	Mar	15,178	1,470	5.0	349
	Apr	15,139	1,466	5.2	359
	May	15,162	1,465	5.3	368
	Jun	15,172	1,464	5.3	353
	Jul	15,193	1,467	5.4	371
	Aug	15,182	1,459	5.5	372
	Sep	15,170	1,457	5.6	395
	Oct	15,168	1,457	5.7	401
	Nov	15,160	1,454	5.7	381
	Dec	15,171	1,452	5.9	427
2007	Jan	15,151	1,452	5.9	418
		Personal Income b/ (\$ millions)	Wages & Salaries b/ (\$ millions)	Taxable Sales c/ (\$ 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	
	Qtr IV	n.a.	n.a.	136,887	

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/ Estimates by the U.S. Bureau of Economic Analysis

c/ Taxable sales estimates for 2007 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.

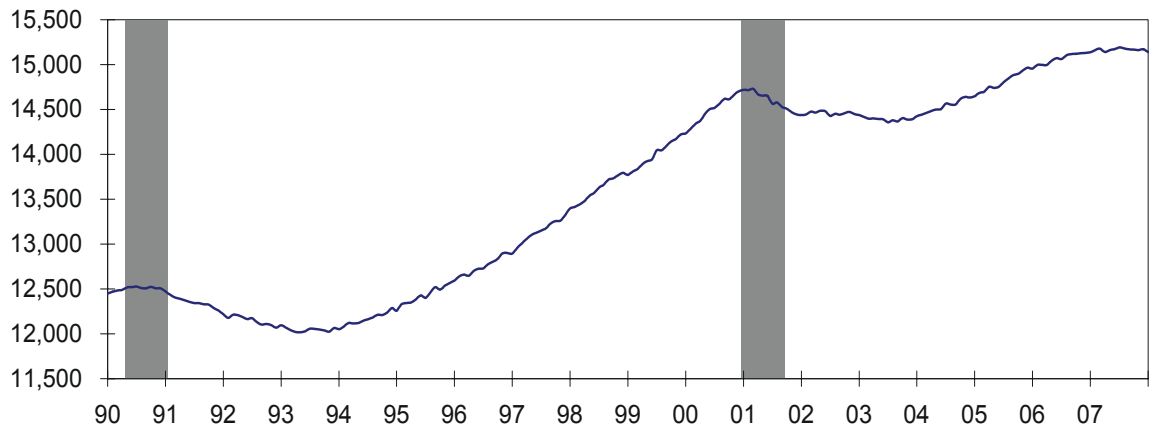
Under the X-12 Arima method, the addition of new data points changes historical seasonal factors. To avoid monthly data changes in the California Economic Indicators it is necessary to "freeze" the seasonally adjusted data through the past year and manually compute current year values from the projected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

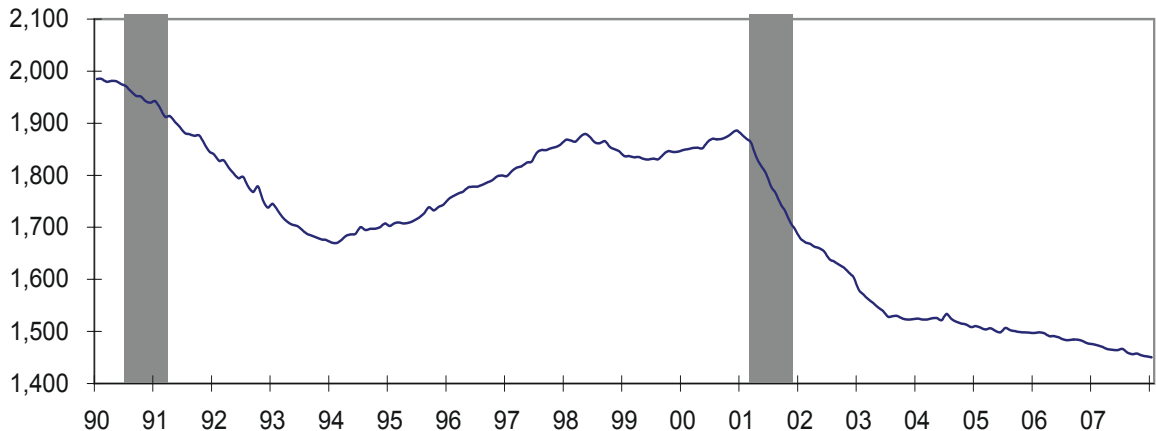
Nonagricultural Employment

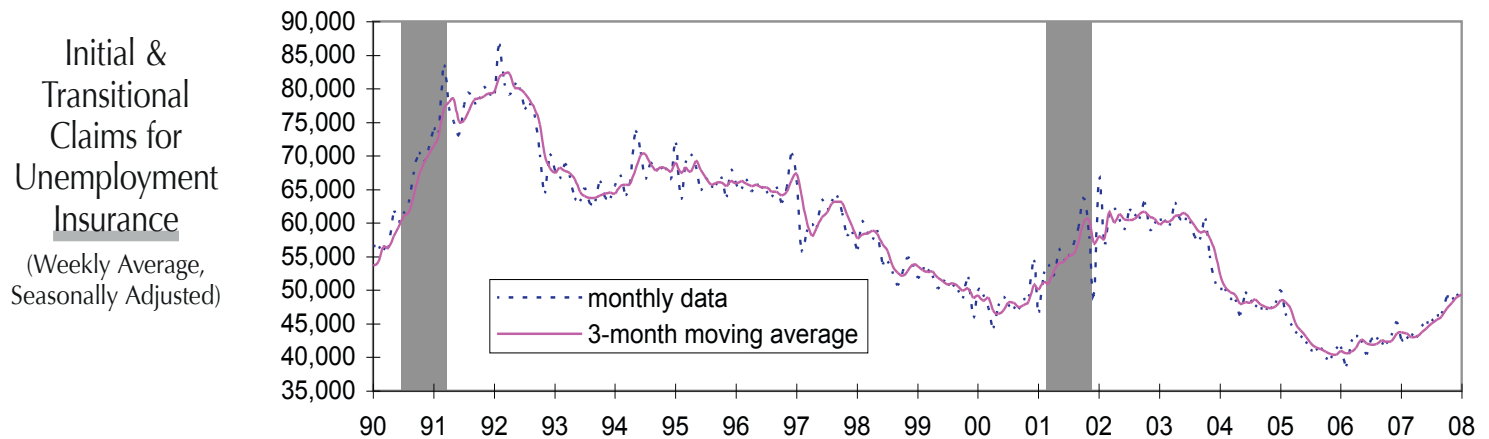
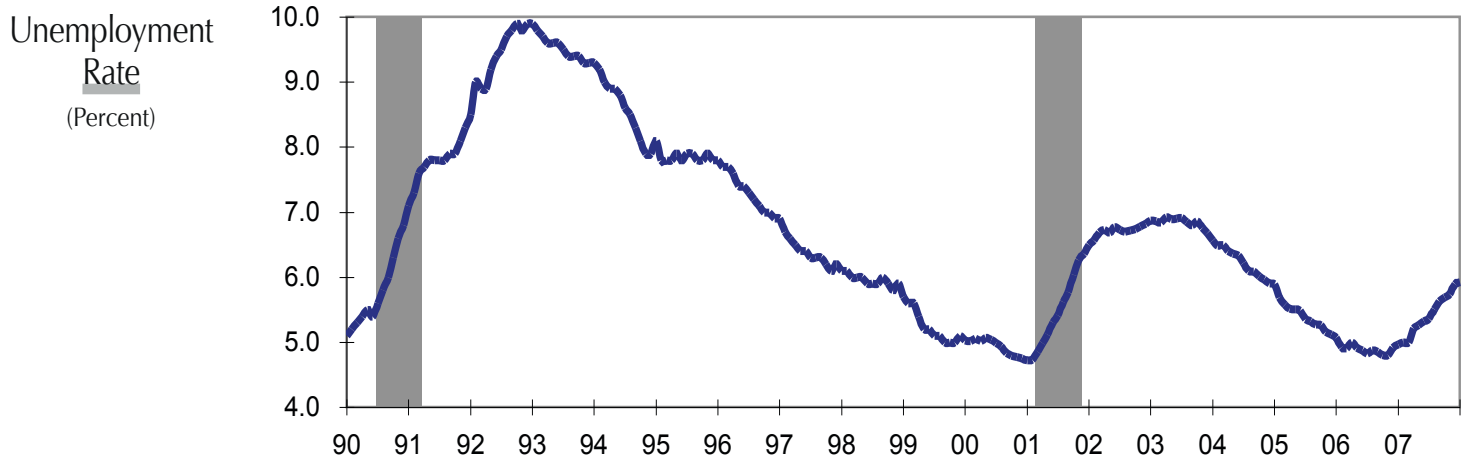
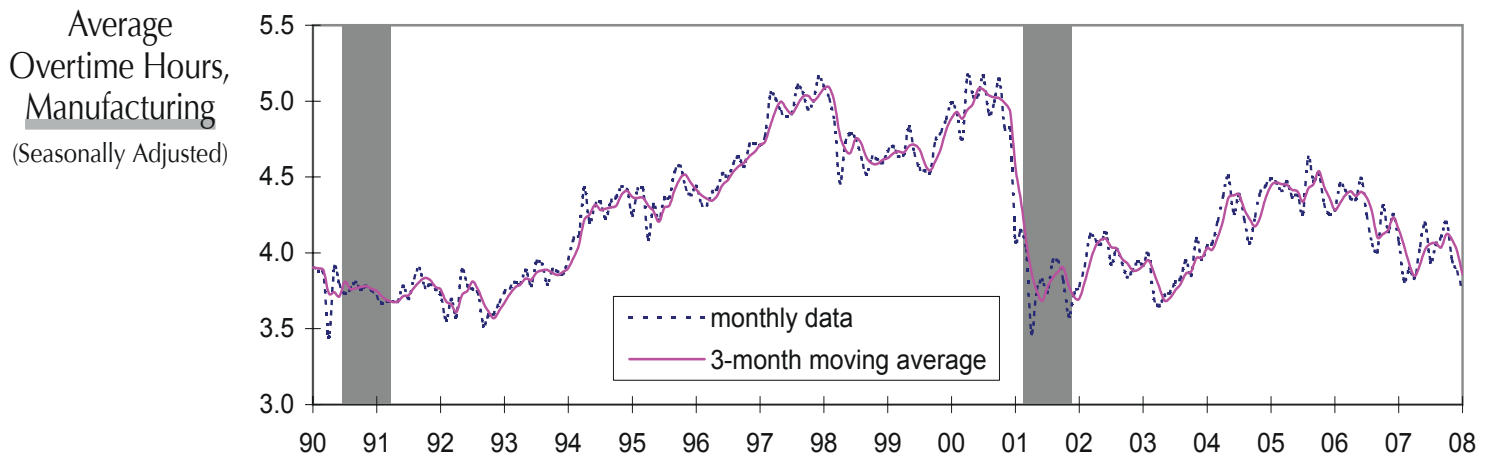
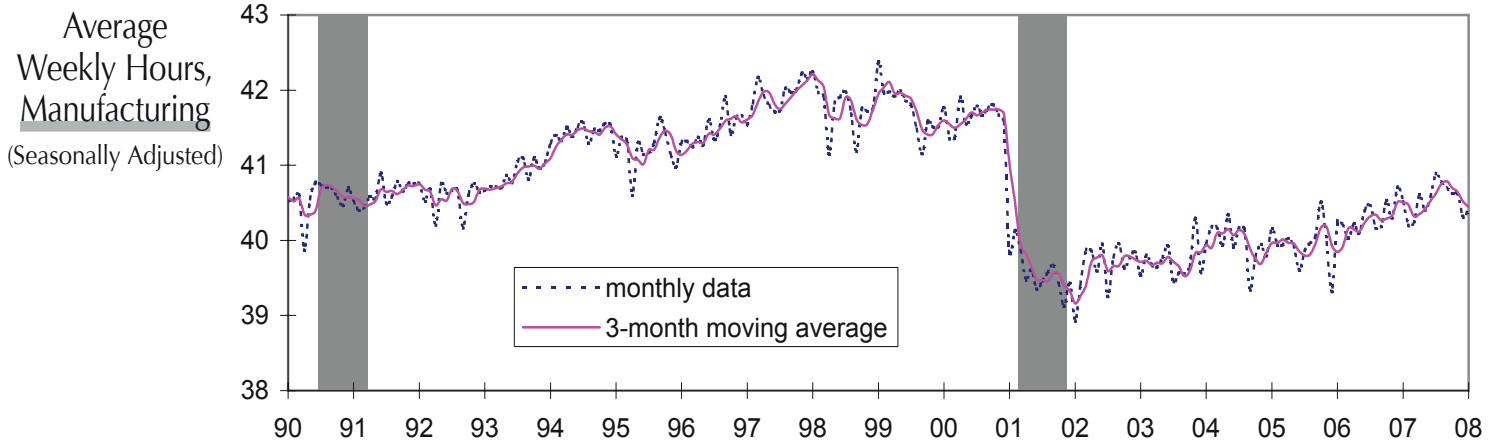
(Thousands,
Seasonally Adjusted)



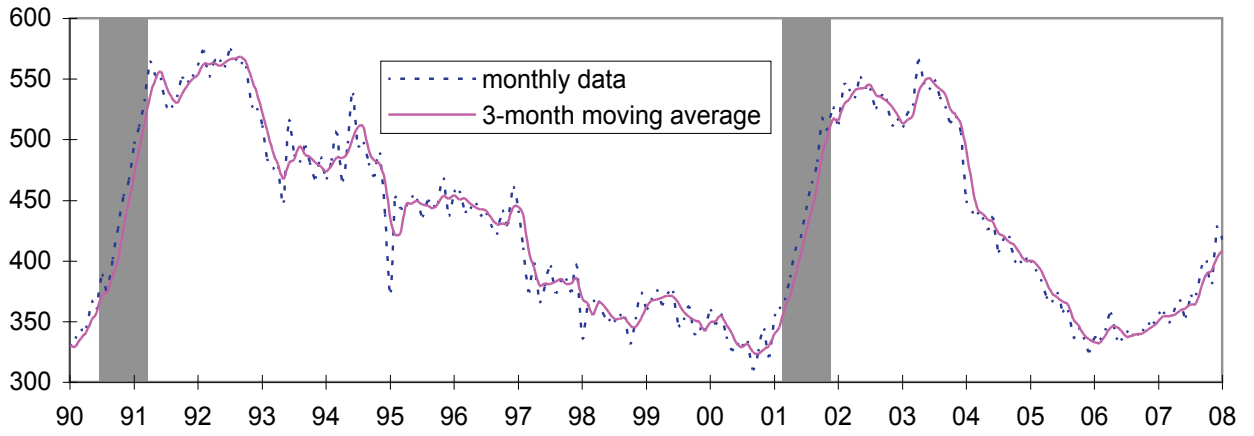
Manufacturing Employment

(Thousands,
Seasonally Adjusted)

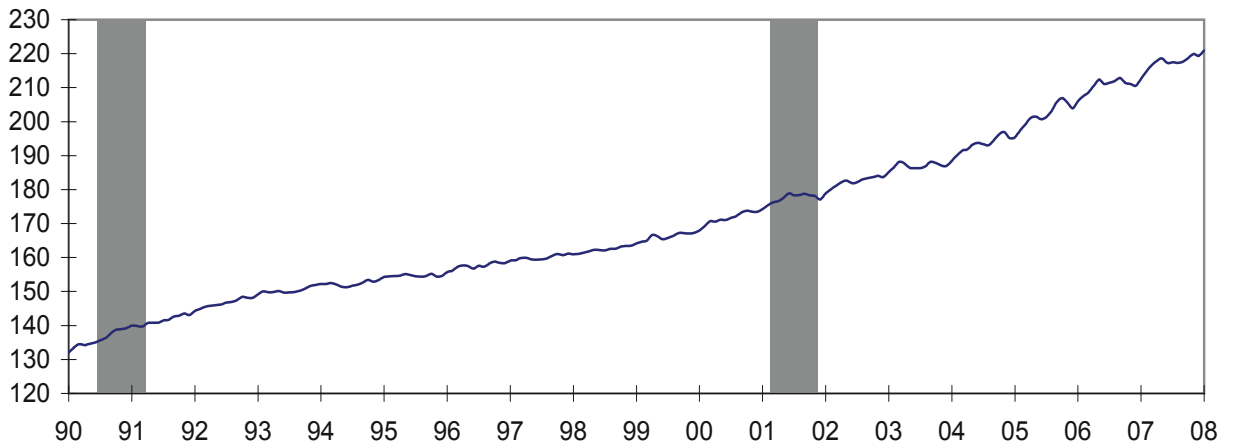




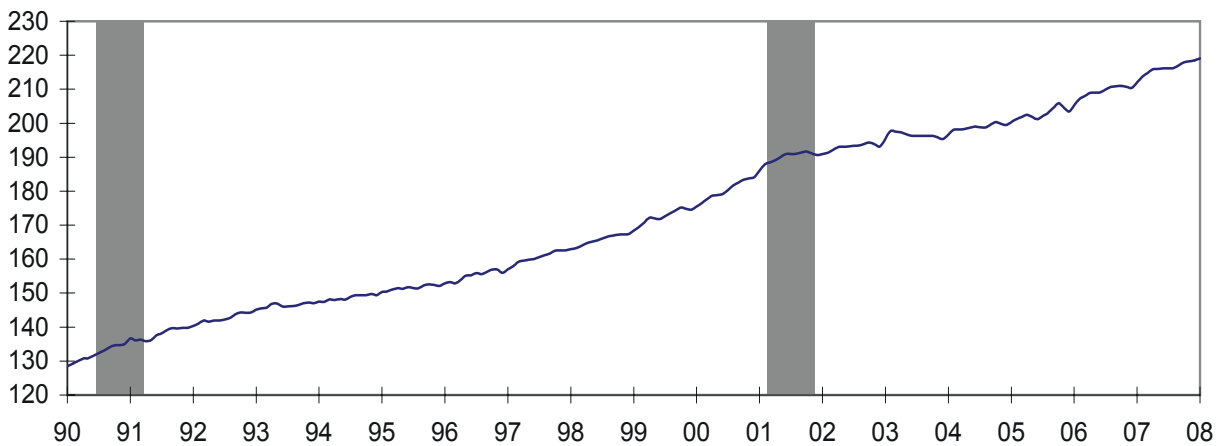
Unemployment,
Average Weeks
Claimed
(thousands,
Seasonally Adjusted)



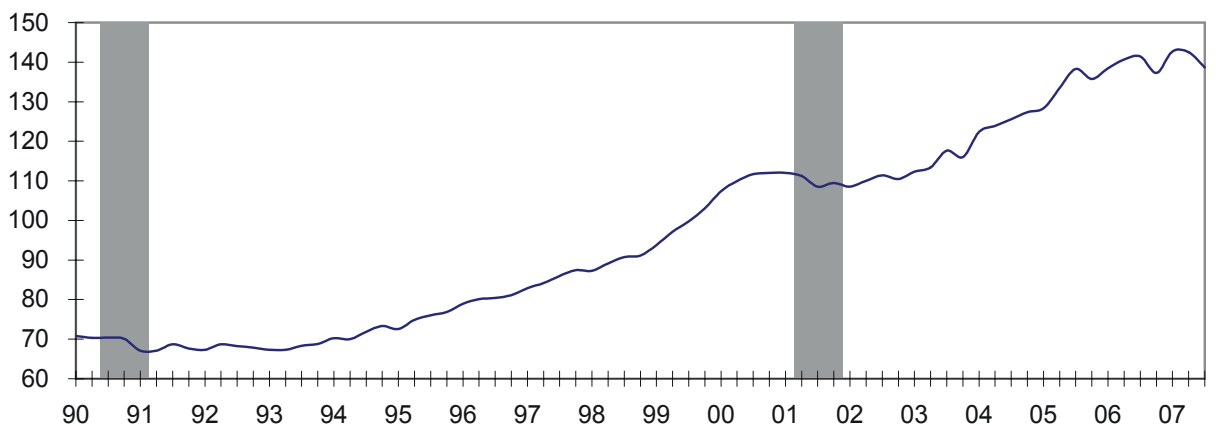
Consumer
Price Index,
Los Angeles
(1982-84=100)



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

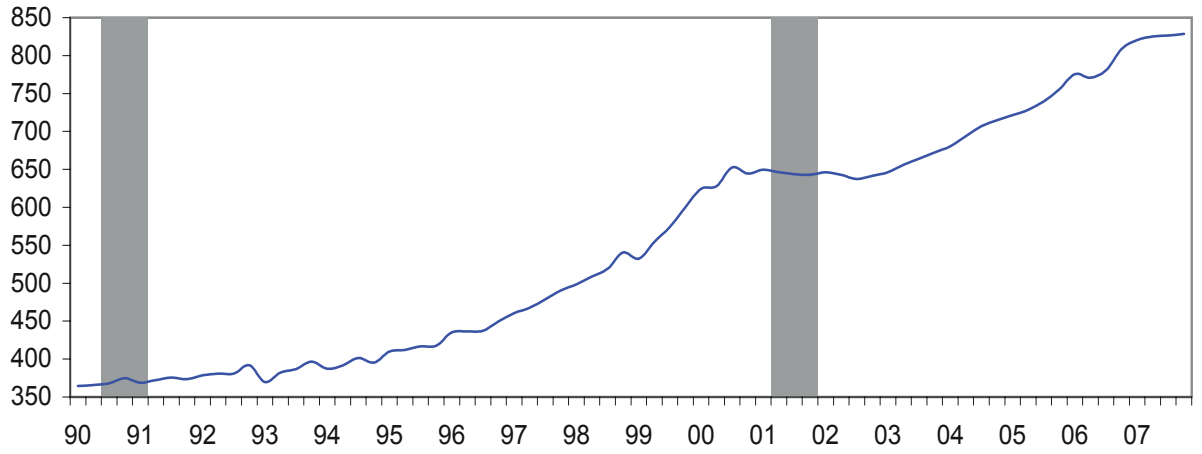


Taxable Sales
(Dollars in billions,
Seasonally Adjusted)



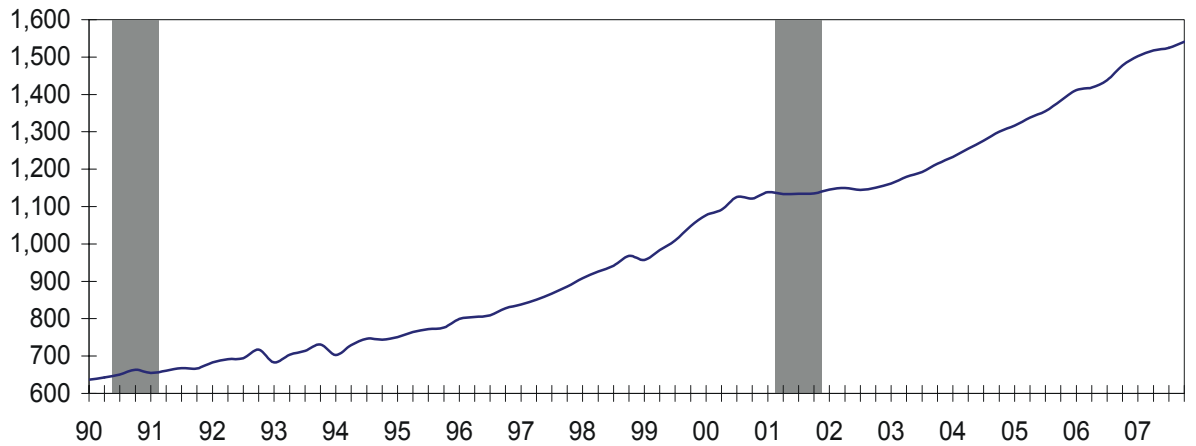
Wages and Salaries

(Dollars in billions, Seasonally Adjusted)



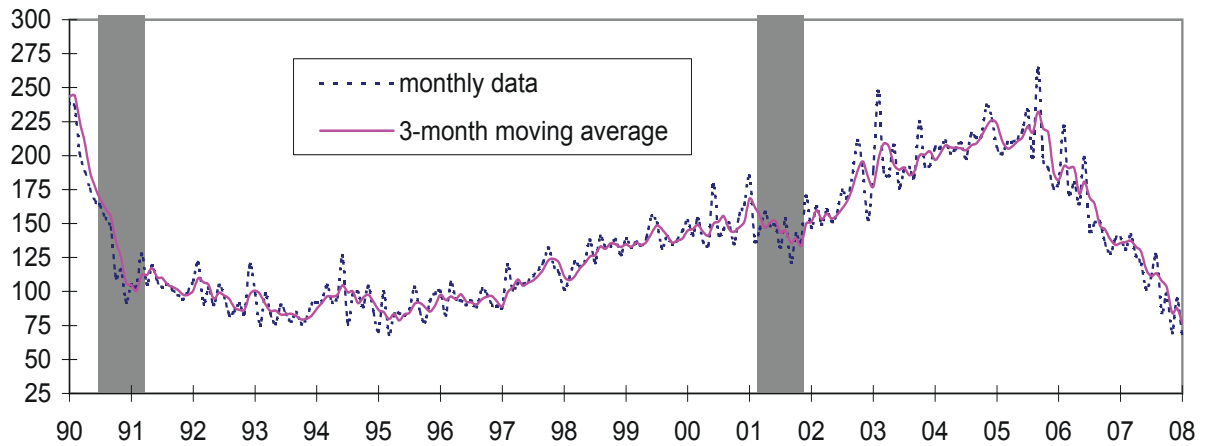
Personal Income

(Dollars in billions, Seasonally Adjusted)



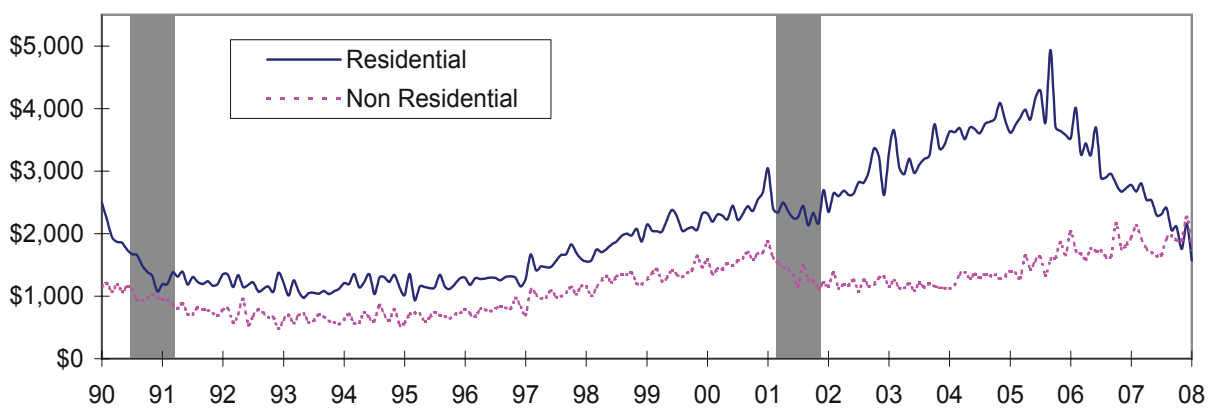
New Housing Units Authorized By Building Permits

(thousands, Seasonally Adjusted at Annual Rate)

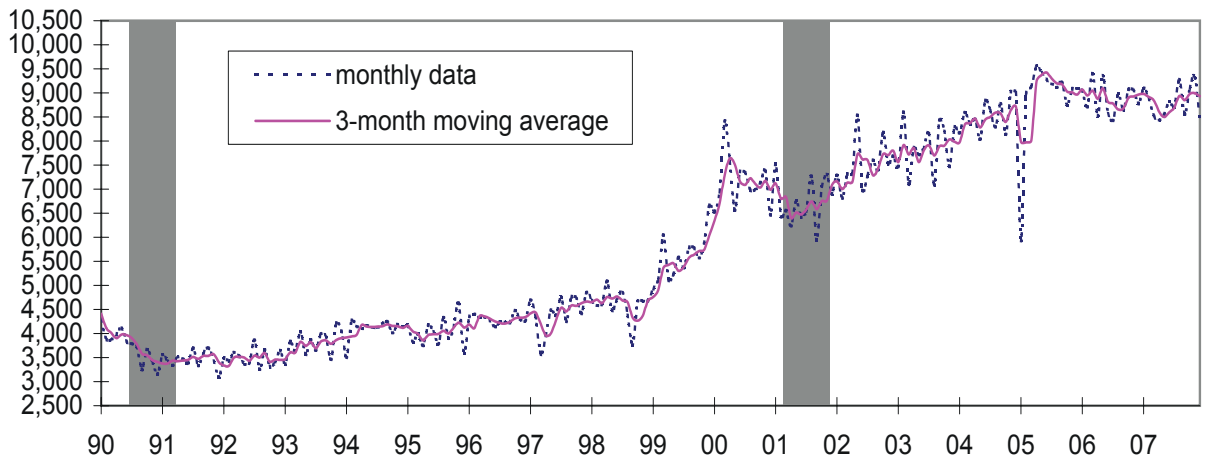


Residential & Nonresidential Building Permit Valuation

(Dollars in millions, Seasonally Adjusted)



**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.

2008

- January 1** California minimum wage increased to \$8.00 per hour from \$7.50.
- January 11** Bank of America agrees to purchase Countrywide Financial.
- January 14** Fitch assigns Negative Rating Watch to State of California.
- January 21-22** Global stock markets plunge.
- January 22** Federal funds rate target reduced from 4.25 percent to 3.5 percent, the biggest one-day interest rate reduction on record.
- January 30** Federal funds rate target reduced from 3.5 percent to 3 percent.
- February 12** Hollywood writers strike ends.
- February 19** Crude oil price tops \$100 a barrel.