



CALIFORNIA Economic Indicators

September-October 2009

More Signs of Stability

August brought more indications that the bottom of the recession may have been reached.

REVIEW OF RECENT ECONOMIC DEVELOPMENTS

Economic indicators continue to show signs that the economy may have bottomed out. Monthly nonfarm job losses have diminished greatly. The pace of home building appears to have stabilized, albeit at a very meager level. Existing home prices and the median time needed to sell a home improved in August.

EMPLOYMENT

Job losses continue

California lost 12,300 nonfarm jobs in August 2009. This was the smallest month-over-month loss in a string of losses that started in May 2008. Monthly losses averaged nearly 74,000 during the first six months of 2009 but only 25,000 during July and August.

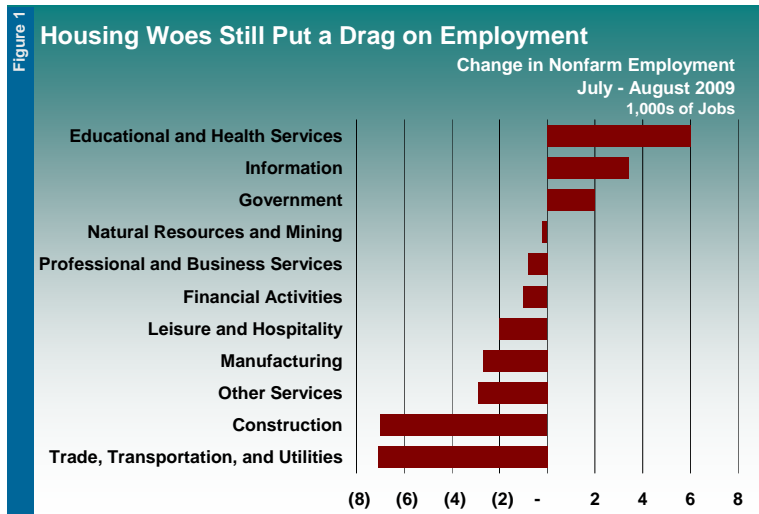
Only three major industry sectors grew in August. Educational and health services added 6,000 jobs; information, 3,400; and government, 2,000.

Sectors closely related to the housing industry—principally retail trade and construction—continued to account for an outsized share of employment losses. Eight sectors declined in August. Trade, transportation, and utilities lost 7,100 jobs; construction, 7,000; other services, 2,900; manufacturing, 2,700; leisure and hospitality, 2,000; financial activities, 1,000; professional and business services, 800; and natural resources and mining, 200. And, on a nonseasonally-adjusted basis, government employment fell by 13,600 in August, including a 3,300 drop in state government.

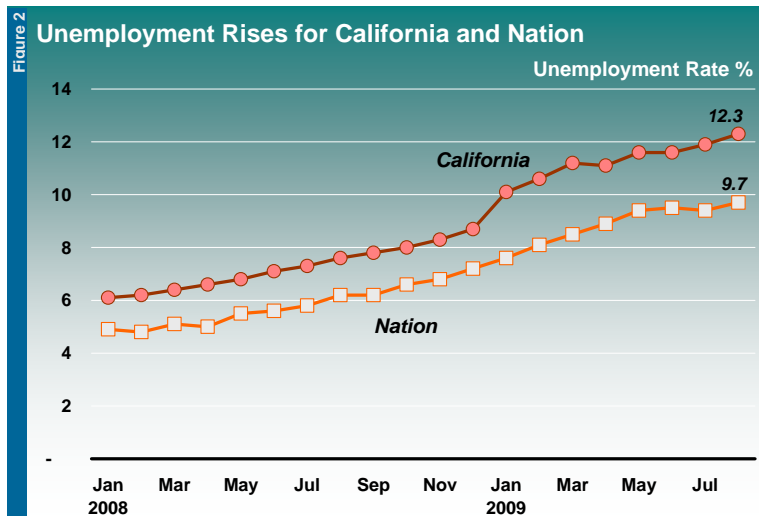
Most industry sectors lost jobs over the year. Nonfarm payroll employment fell by 741,000, or 4.9 percent, from August 2008 to August 2009. Only one sector, educational and health services, grew over the year, adding 14,200 jobs. Employment fell by 190,700 in trade, transportation, and utilities; 142,000 in construction; 133,300 in professional and business services; 121,900 in manufacturing; 57,400 in leisure and hospitality; 42,200 in

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A weak housing sector continued to dampen employment gains.



California tracks the national unemployment trend.

financial activities; 29,000 in information; 18,400 in other services; 18,300 in government; and 2,000 in natural resources and mining.

Since the national recession began in December 2007, California has lost 954,700 industry jobs.

Unemployment rises for the nation and California

California followed the nation's lead in August when both the state's and the nation's unemployment rates rose 0.3 percentage point. The nation's rose to 9.7 percent and California's to 12.2 percent. The number of people unemployed in California was 2,247,990 – up 48,500 over the month and up 850,900 compared with August of last year.

BUILDING ACTIVITY

Mixed results for home building

Home building picked up in August with a healthy gain in single-family permitting overcoming a slowdown in multi-family permitting. Residential permits were issued at a seasonally adjusted annual rate of 36,400 units, a 10-percent increase from July. This pace was still down 34 percent from a year earlier. Single-family permits were down 4 percent (the smallest year-over-year drop since December 2005), while multi-family permitting was down 67 percent. New home permitting during the first eight months of 2009 was down 49 percent from the same months of 2008.

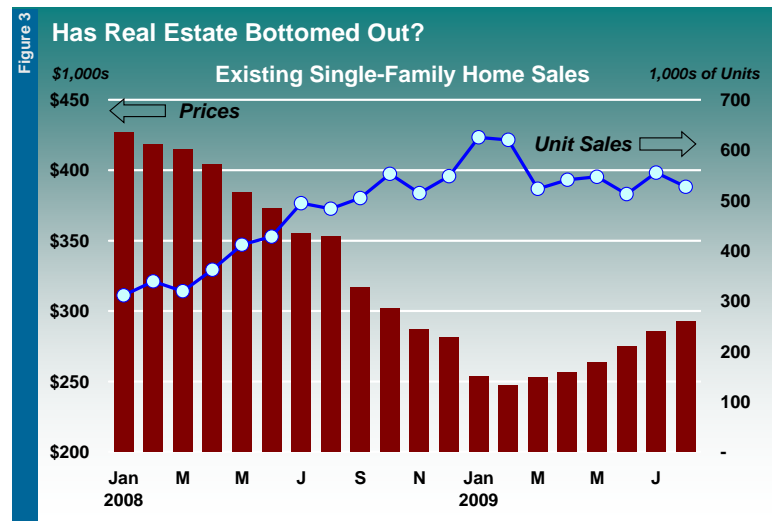
Signs of nonresidential stability?

Some tentative signs of stability may have emerged for nonresidential construction. The pace of business construction permitting hovered close to the \$10 billion annual pace level from May through August. Even though this is meager by historical standards, it was a welcome switch from the steady deterioration that took place from July 2008 through April 2009. However, nonresidential construction permitting in August was still down 46 percent from a year earlier. For the first eight months of 2009 as a whole, nonresidential permitting was down 48 percent from the same months of 2008.

REAL ESTATE

Mixed signals for residential real estate

Real estate markets posted mixed results in August. Statewide home prices rose for the sixth consecutive month. The median price of existing, single-family homes sold in August was \$292,960. On the other hand, the pace of sales—527,000 units at a seasonally adjusted annualized rate—slowed from July, but was up 9 percent from a year earlier. The unsold inventory index inched up to 4.3 months. Conversely, the median number of days needed to sell a home dropped to 35.2 days. At the end of 2008, the median stood at 46 days.



The worst may be over for real estate but we're not out of the woods yet.

THE GREAT RECESSION OF 2008

It is hard to characterize the severity of the economic crisis that struck the U.S. economy at the end of 2008. Even though the bursting of the housing bubble led the nation into a recession at the end of 2007, the economy hit a wall when credit markets collapsed at the end of 2008. That caused the recession to plumb historically low depths on many fronts. All barometers of economic activity took a nose dive at the end of the year. Its after-effects were still being felt a year later across the nation and still very acutely in California.

THE NATION WAS HIT HARD

The brakes on the already recessionary national economy were slammed down hard during the fourth quarter of 2008. Economic activity suffered the largest year-over-year contraction in the post-World War II period. Even though the economy had been slowing since the end of 2007, the rate of deceleration worsened considerably. Gross Domestic Product (GDP) declined 0.7 percent on an annualized basis during the first quarter of 2008, rebounded to a modest 1.5-percent growth in the second quarter, and then sank 2.7 percent in the third. GDP then contracted 5.4 percent in the fourth quarter and 6.4 percent in the first quarter of 2009 for an average drop of nearly 6 percent over both quarters. This slowdown was widespread with declines in consumption, business investment, residential investment, inventory investment, exports, and imports.

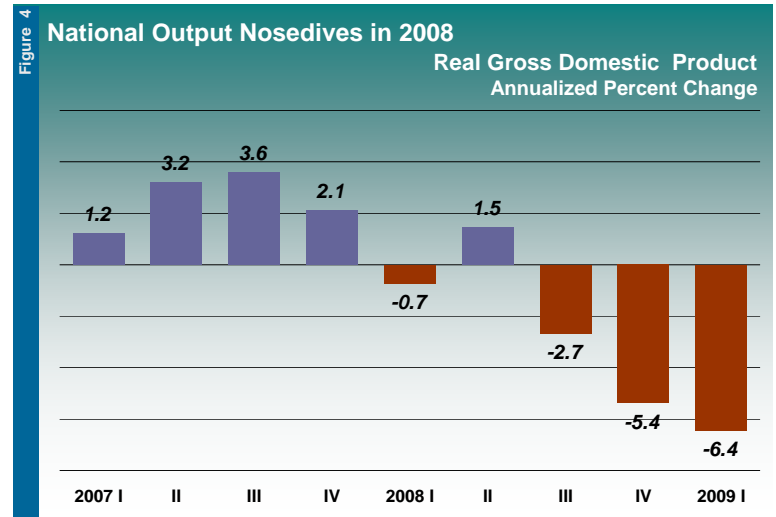
Labor markets suffer

This deterioration was clearly reflected in labor markets. Total nonfarm employment started sliding at the beginning of 2008, but job losses ballooned during the last few months of 2008. Over 2 million industry jobs were lost in the first quarter of 2009, the largest quarterly loss on record. The nation shed 137,000 jobs per month on average during the first eight months of the year, followed by 495,000 per month during the remaining four months. The losses continued to accelerate in 2009, rising to 648,000 on average during the first four months. Needless to say, the national unemployment rate soared over this time. After meandering up from 4.9 percent to 6.2 percent during the first nine months of 2008, the rate climbed a full percentage point during the last three months of the year. In December, the unemployment rate climbed to its highest level—7.2 percent—since the severe 1982 recession. Over the course of 2008, the number of persons unemployed grew by 3.6 million and nearly half of those losses came in the last three months of the year.

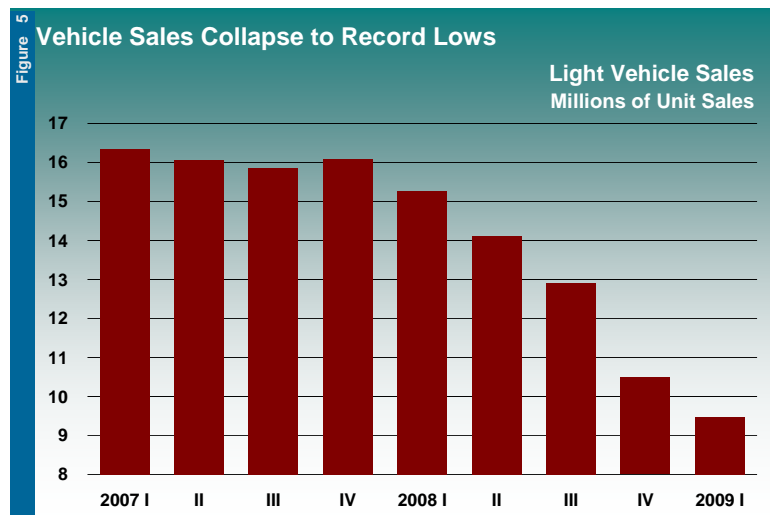
Housing markets tumble

The rate of home foreclosures trended up steadily throughout 2006 and 2007, but peaked in the second quarter of 2008 and then eased in the third and fourth quarters. Foreclosure activity then shot up dramatically in the first quarter of 2009 and rose even more during the second. Foreclosure actions were started on 1.4 percent of all mortgages during the first half of 2009—more the four times the average rate from 1979 through 2005. Prior to the current housing troubles, the highest foreclosure rate recorded was 0.5 percent just after the 2001 recession.

Home building activity tumbled in the wake of the financial collapse. The pace of housing starts initially began sliding at the beginning of 2006. The pace of deceleration worsened considerably in the fourth quarter of 2008, falling 44 percent from a year earlier. Home building in the first quarter of 2009 was even worse, falling to less than half the pace recorded a year earlier. Housing starts in December were at their lowest level since current record keeping began in 1959.



The recession deepens significantly at the end of 2008.



Automobile sales plummeted as the recession intensified.

Consumer attitudes and spending collapse

Given this raft of bad news, it was not surprising that consumer attitudes about the economy collapsed between October 2008 and February 2009. The Consumer Confidence Index fell to its lowest level in the 41 years that data have been collected as households absorbed ongoing job losses, soft home sales and prices, rising foreclosures, and tight credit standards. Following some improvement in August and September 2008, consumer sentiment collapsed in October in reaction to heightened financial and credit market turmoil.

Reflecting deteriorating consumer attitudes, car sales crashed at the end of 2008. Motor vehicle sales tumbled in September and then collapsed in October to their lowest level in 25 years. They fell even further in November, to the lowest level since 1982. The major causes were a deteriorating economy, a weak labor market, and the seizing-up of credit markets which has made auto financing much more difficult. Light vehicle sales in the fourth quarter of 2008 fell 35 percent from a year earlier and dropped again in the first quarter of 2009 for a 38 percent year-over-year drop.

The housing-driven recession had transformed into a consumer recession. The drop in car sales had a devastating impact on overall consumer spending. Real consumer spending fell by 3.5 percent in the last quarter of 2008 after dropping by 3.8 percent in the third. These were the first back-to-back declines in real spending since late 1990/early 1991 and the largest two-quarter decline since 1980.

CALIFORNIA FOLLOWS SUIT

As goes the nation in this recession, so goes California. The state received more than its share of the benefits from the housing boom that preceded the recession and suffered similar but more dramatic setbacks afterward. Not only did California garner a disproportionate share of rising home building and related activities, it was also home to many key players in the creative financing movement that collapsed along with real estate markets.

California's income took a big hit at the end of 2008. The growth of personal income received by Californians began slowing noticeably at the beginning of 2008 right after home prices began falling and the official recession began. On an annual basis, California personal income fell by \$19.7 billion in the fourth quarter of 2008. The losses then grew to \$29.5 billion in the first quarter of 2009. On a year-over-year basis, California personal income fell 3.2 percent in the second quarter of 2009, which was the worst loss on a series that dates back to 1970.

The employment picture sours

Income growth also reflected labor market conditions. Fueled by the housing boom, industry employment enjoyed robust growth in 2005 and 2006, especially in construction, retail trade, and finance. As the housing boom lost its luster in 2007, though, job growth waned. Construction and financial activity employment actually declined in 2007. Retail trade employment followed suit in 2008. What had been the growth leaders became severe drags on the economy. Then along came the financial crisis at the end of 2008. The state shed 28,500 jobs per month on average during the first nine months of 2008. Losses accelerated to 69,000 per month during the last three months and then worsened to 84,000 losses per month during the first quarter of 2009. The unemployment rate leapt nearly a full percentage point during the last three months of the year and then jumped another 1.4 percentage points—to 10.1 percent—in January 2009.

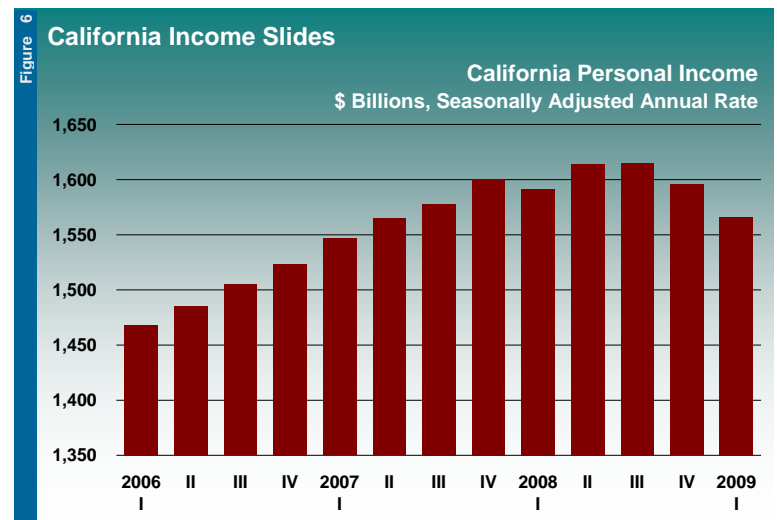
Real estate troubles mount

The deflation of the housing bubble was at the root of these developments. High home prices lead to a slowdown in existing home sales during later months of 2005. The median existing single-family sales price wouldn't peak, though, until May 2007. Thereafter came a long dramatic slide in prices—and equity—that wouldn't end until March 2009. During that time, the average single family home in California would lose over 58 percent of its value. This was a stupendous shock to an economy that had become dependent on rising real estate values.

Consumer spending retreats quickly

One of the earliest casualties of the housing meltdown and financial crisis was the automobile industry. Auto sales, as measured by new fee-paid registrations, peaked at 166,400¹ vehicles in April 2005. Registration activity decelerated gradually but steadily thereafter until the middle of 2008. At that point registrations went over a cliff, falling 40 percent by December. In January 2009, only 67,500 new vehicle registrations were issued in California, the lowest one-month level on a record dating back to 1990.

¹ Seasonally adjusted



California personal income started dropping at the end of 2008.

Just as with the nation, the drop in car sales was part of an overall drawdown in consumer spending. Taxable retail sales in California peaked early in 2007 and then gradually decelerated until the end of 2008. At that point sales plummeted, falling 8 percent in the fourth quarter of 2008. The slowing trend continued into 2009. Retail sales during the first quarter of 2009 were down 16 percent from a year earlier.

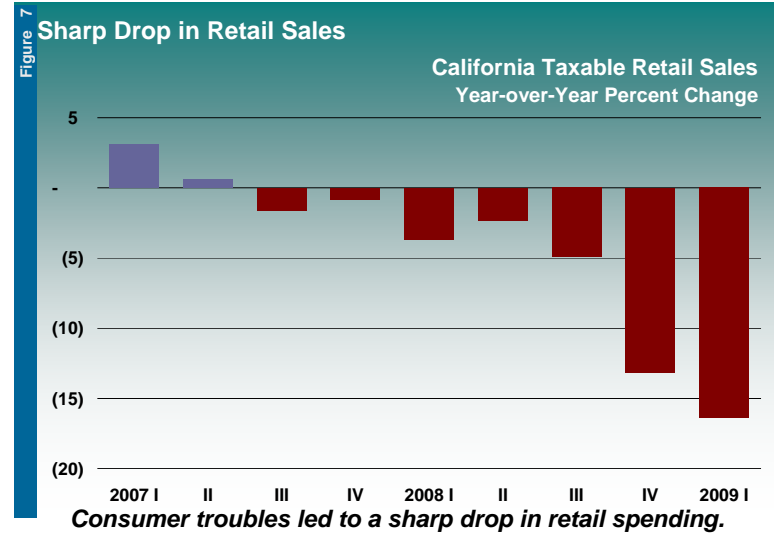
GOOD SIGNS IN 2009?

By the middle of 2009, confidence was growing that a depression had been averted and that the worst was behind us. A variety of economic stimulus measures had been taken by the federal government. Credit markets were on the mend and the financial sector was no longer in free-fall.

Less bad passes for good now

At midyear, economic indicators were giving mixed signals—which on balance is better than the earlier uniformly negative readings. In the second quarter of 2009, national output and employment were still falling. Consumer spending was also still weak. Most other indicators, though, had stabilized or were showing tepid improvement. Housing starts and home sales had bottomed out. Consumer sentiment had improved, even though it hadn't yet translated into a recovery in spending.

These same patterns were reflected in California. Income and employment were still falling in the second quarter as were retail sales. The exception was auto sales, which staged a modest comeback from the federal "cash-for-clunkers" program. The best signs for hope came from a bottoming-out of housing markets. The steep drop in home prices improved home affordability which led to a modest rebound in home sales in the third quarter of 2009. The inventory of unsold homes had fallen as had the time needed to sell a house. By midyear, home prices had stabilized and even eked out some modest gains. The best hope going forward is that the emerging stability in real estate will eventually spread to other sectors.



Select Indicators

	2008		2009			Year-Over % Change
	Sep	Jun	Jul	Aug	Sep	
EMPLOYMENT (Seasonally adjusted)						
Civilian employment (000)	17,033	16,347	16,259	16,143	16,137	-5.3%
Unemployment (000)	1,448	2,154	2,200	2,260	2,247	55.1%
Unemployment rate	7.8	11.6	11.9	12.3	12.2	--
Nonagricultural wage and salary employment (000) a/	14,933.1	14,285.4	14,246.9	14,239.7	14,200.4	-4.9%
Goods-producing industries	2,204.6	1,977.6	1,961.6	1,954.6	1,937.3	-12.1%
Natural resources and mining	28.8	27.0	26.9	26.6	26.8	-6.9%
Construction	759.1	643.8	632.4	629.2	615.1	-19.0%
Manufacturing	1,416.7	1,306.8	1,302.3	1,298.8	1,295.4	-8.6%
Service-providing industries	12,728.5	12,307.8	12,285.3	12,285.1	12,263.1	-3.7%
Trade, transportation, and utilities	2,845.2	2,682.8	2,673.7	2,668.9	2,672.8	-6.1%
Information	477.0	445.3	442.9	445.5	442.6	-7.2%
Financial activities	839.1	802.4	801.8	799.8	797.3	-5.0%
Professional and business services	2,237.6	2,117.0	2,112.4	2,107.4	2,104.7	-5.9%
Educational and health services	1,732.1	1,743.5	1,738.4	1,747.5	1,743.9	0.7%
Leisure and hospitality	1,566.0	1,513.6	1,516.9	1,514.9	1,514.4	-3.3%
Other services	512.8	501.4	499.0	496.5	495.5	-3.4%
Government	2,518.7	2,501.8	2,500.2	2,504.6	2,491.9	-1.1%
Federal government	248.1	249.5	251.9	250.8	248.4	0.1%
State and local government	2,270.6	2,252.3	2,248.3	2,253.8	2,243.5	-1.2%
High-technology industries b/	883.9	844.9	844.8	844.8	838.0	-5.2%
Computer and electronic products manufacturing	302.7	279.3	278.4	277.3	275.2	-9.1%
Aerospace products and parts manufacturing	73.2	71.2	71.1	70.8	70.0	-4.4%
Software publishers	44.0	43.1	43.1	42.9	42.6	-3.2%
Telecommunications	119.5	113.8	113.9	113.4	113.3	-5.2%
Internet service providers, web portals and data processing	20.2	18.7	18.5	18.5	18.5	-8.4%
Computer systems design	207.3	202.0	202.8	205.3	203.4	-1.9%
Scientific research and development	117.0	116.8	117.0	116.6	115.0	-1.7%
HOURS AND EARNINGS IN MANUFACTURING (Not seasonally adjusted)						
Average weekly hours	40.7	39.2	39.2	39.8	38.9	-4.4%
Average weekly earnings	\$689.87	\$696.58	\$693.06	\$703.27	\$695.53	0.8%
Average hourly earnings	\$16.95	\$17.77	\$17.68	\$17.67	\$17.88	5.5%
CONSUMER PRICE INDEX (1982-84=100) (Not seasonally adjusted)						
All Urban Consumers Series						
California Average	NA	225.0	NA	225.4	NA	--
San Francisco CMSA	NA	225.7	NA	225.8	NA	--
Los Angeles CMSA	227.4	223.9	224.0	224.5	225.2	-1.0%
Urban Wage Earners and Clerical Workers Series						
California Average	NA	217.3	NA	217.7	NA	--
San Francisco CMSA	NA	221.0	NA	221.3	NA	--
Los Angeles CMSA	220.3	216.1	216.1	216.6	217.3	-1.4%
CONSTRUCTION						
Private residential housing units authorized (000) c/						
Single units	57	36	33	36	36	-36.6%
Multiple units	31	27	22	28	28	-11.6%
Multiple units	26	8	11	9	9	-66.3%
Residential building authorized valuation (millions) d/	\$16,727	\$12,384	\$10,904	\$12,268	\$12,504	-25.2%
Nonresidential building authorized valuation (millions) d/	\$17,174	\$9,383	\$10,204	\$10,056	\$9,225	-46.3%
Nonresidential building authorized valuation (millions) e/	\$1,487	\$941	\$917	\$894	806	-45.8%
Commercial	450	157	134	130	103	-77.2%
Industrial	67	11	30	15	49	-26.3%
Other	289	198	221	172	158	-45.3%
Alterations and additions	681	575	532	578	496	-27.2%
AUTO SALES (Seasonally adjusted)						
New auto registrations (number)	103,290	73,340	71,471	95,095	NA	--
a/ The wage and salary employment information is based on the new North American Industry Classification System (NAICS).						
b/ Not seasonally adjusted						
c/ Seasonally adjusted at annual rate						
d/ Seasonally adjusted						
e/ Not seasonally adjusted						
NA Not available						

Select Indicators (continued)

OFFICE VACANCY AND INDUSTRIAL AVAILABILITY RATES, THIRD QUARTER 200 ¹									
(Percent)									
		Office Vacancy		Office Vacancy		Office Vacancy		Industrial Availability	
		Downtown		Suburban		Metropolitan			
		3Q09	3Q08	3Q09	3Q08	3Q09	3Q08	3Q09	3Q08
Northern and Central California:									
Oakland		12.5	10.3	17.2	13.0	15.4	11.9	9.8	9.2
Sacramento		16.1	12.6	23.5	16.9	21.9	16.0	14.1	10.8
San Francisco		15.0	10.4	16.9	11.7	15.7	10.9	9.1	7.3
San Jose		21.7	16.7	22.6	14.1	22.5	14.6	17.2	12.3
Southern California:									
Los Angeles Metro		15.6	14.1	15.6	11.0	15.6	11.5	8.0	5.5
Orange County		NA	NA	17.2	15.4	NA	NA	10.7	7.4
San Diego		15.6	15.0	22.7	19.4	21.5	18.7	15.6	11.3
Ventura County		NA	NA	24.3	19.2	NA	NA	NA	NA
National Average		14.0	10.8	18.8	15.6	17.2	14.0	12.9	10.1
SALES OF EXISTING SINGLE-FAMILY HOMES				FOREIGN TRADE THROUGH CALIFORNIA PORTS		DOD PRIME CONTRACTS a/			
		Median Price	Units (SAAR)	Exports (\$ millions)	Imports (\$ millions)	\$ millions		% of U.S.	
2005	Jan	\$484,580	659,410	\$9,405	\$22,776	1993-94	22,573	20.5%	
	Feb	470,920	608,160	9,756	21,738	1994-95	18,277	16.8%	
	Mar	496,550	634,700	11,390	23,735	1995-96	18,230	16.7%	
	Apr	509,630	658,060	10,356	24,337	1996-97	18,477	17.3%	
	May	522,590	618,920	10,882	24,774	1997-98	17,401	15.9%	
	Jun	542,330	656,310	11,108	26,153	1998-99	17,372	15.1%	
	Jul	539,840	647,910	10,828	26,452	1999-00	18,100	14.7%	
	Aug	567,320	632,240	11,166	26,452	2000-01	19,939	14.7%	
	Sep	543,510	650,780	10,825	28,012	2001-02	23,816	15.0%	
	Oct	538,770	621,530	11,371	28,847	2002-03	28,681	15.0%	
	Nov	548,680	579,560	11,194	27,030	2003-04	27,875	13.7%	
	Dec	547,400	531,910	11,709	26,024	2004-05	31,065	13.1%	
						2005-06	32,126	12.5%	
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	594,110	357,460	12,360	28,049				
	May	594,530	358,640	13,283	28,734				
	Jun	591,280	357,890	13,864	29,961				
	Jul	587,560	341,130	12,837	30,537				
	Aug	588,670	313,310	13,527	31,206				
	Sep	535,760	255,340	13,375	30,962				
	Oct	517,240	254,650	14,511	33,415				
	Nov	490,511	280,920	13,483	31,767				
	Dec	480,820	294,520	14,313	29,615				
2008	Jan	\$427,200	311,160	\$13,016	\$28,280				
	Feb	418,260	338,970	13,664	27,306				
	Mar	414,640	319,290	14,868	27,996				
	Apr	404,470	362,170	14,308	29,907				
	May	384,540	411,770	15,023	30,640				
	Jun	373,100	427,910	15,800	31,269				
	Jul	355,000	494,390	15,992	33,976				
	Aug	352,730	483,400	15,206	31,892				
	Sep	319,310	519,530	14,545	31,994				
	Oct	301,740	552,750	14,485	32,308				
	Nov	286,850	514,240	12,290	26,322				
	Dec	281,180	548,193	11,397	24,082				
2009	Jan	\$253,330	625,413	\$9,640	\$21,730				
	Feb	247,590	620,410	9,987	16,926				
	Mar	253,040	522,980	11,149	20,895				
	Apr	256,700	540,904	10,590	20,822				
	May	263,666	546,926	10,769	21,678				
	Jun	274,740	512,405	11,214	22,725				
	Jul	285,480	555,290	11,371	23,893				
	Aug	292,960	526,970	11,738	24,327				
	Sep	296,090	530,520	NA	NA				
a/ U.S. fiscal year: October through September				NA Not available					

Leading Indicators ^{a/}

		Manufacturing		Unemployment	New	Housing Unit
		Overtime	Average	Insurance	Business	Authorizations
		Hours	Weekly Hours	Claims	Incorporations	(Thousands)
2004	Jan	4.0	40.0	50,075	8,219	204.0
	Feb	3.9	40.2	51,494	8,570	205.1
	Mar	4.2	40.2	49,020	8,395	208.9
	Apr	4.4	39.9	48,825	8,549	202.7
	May	4.4	40.4	46,243	7,950	202.5
	Jun	4.2	39.9	49,741	8,778	209.5
	Jul	4.4	40.1	48,595	8,524	195.9
	Aug	4.2	40.1	47,796	8,404	223.5
	Sep	4.1	39.3	47,378	8,804	210.9
	Oct	4.2	39.7	47,214	8,045	210.4
	Nov	4.4	39.9	47,332	8,980	249.1
	Dec	4.5	39.9	48,167	8,970	226.5
2006	Jan	4.3	40.2	41,313	9,158	190.1
	Feb	4.5	40.3	38,639	8,646	210.0
	Mar	4.4	40.1	42,562	9,641	168.9
	Apr	4.3	40.2	43,140	8,478	180.5
	May	4.4	40.2	42,801	9,323	156.3
	Jun	4.4	40.4	40,845	8,598	200.3
	Jul	4.3	40.4	42,516	8,241	141.0
	Aug	4.1	40.1	42,742	9,203	151.8
	Sep	4.0	40.2	42,140	8,512	151.0
	Oct	4.2	40.5	42,276	8,878	141.6
	Nov	4.1	40.3	42,982	9,107	134.9
	Dec	4.2	40.8	44,850	8,648	141.1
2007	Jan	4.2	40.6	42,403	9,223	142.0
	Feb	3.8	40.2	42,911	8,836	124.4
	Mar	3.9	40.3	43,592	8,773	143.7
	Apr	3.9	40.5	43,087	8,354	124.9
	May	4.0	40.6	45,121	8,552	115.7
	Jun	4.1	40.6	45,550	8,835	99.6
	Jul	4.0	40.9	45,377	8,536	115.7
	Aug	4.0	40.7	45,806	9,512	120.2
	Sep	4.1	40.7	46,637	8,368	88.4
	Oct	4.0	40.6	49,462	8,864	99.4
	Nov	3.9	40.7	48,189	9,393	77.0
	Dec	3.8	40.5	48,637	8,224	96.6
2008	Jan	3.7	40.4	49,652	7,996	69.9
	Feb	3.7	40.7	49,201	8,768	77.5
	Mar	4.0	41.0	50,263	7,670	53.0
	Apr	4.2	41.3	52,052	8,578	73.8
	May	3.8	40.9	52,260	8,108	76.8
	Jun	3.9	40.7	55,022	7,970	71.9
	Jul	3.9	40.9	60,550	7,983	65.9
	Aug	3.8	40.4	62,215	7,123	55.2
	Sep	3.9	40.5	63,228	7,644	57.5
	Oct	3.6	40.6	67,147	7,368	50.9
	Nov	3.3	40.5	71,109	6,279	71.9
	Dec	3.3	40.2	73,868	6,878	52.4
2009	Jan	3.0	40.0	77,424	6,672	30.6
	Feb	3.0	39.5	79,672	7,268	30.3
	Mar	3.0	39.0	80,818	6,649	39.2
	Apr	2.8	38.5	77,237	7,278	38.2
	May	2.9	39.0	75,326	6,403	31.9
	Jun	3.0	39.1	83,034	6,895	35.5
	Jul	2.8	39.4	84,203	7,060	33.1
	Aug	3.2	39.6	80,221	6,277	36.4
	Sep	3.2	38.7	87,253	6,411	36.4

a/ Seasonally adjusted by the California Department of Finance.

ECONOMIC INDICATOR CHARTS

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

TECHNICAL NOTE

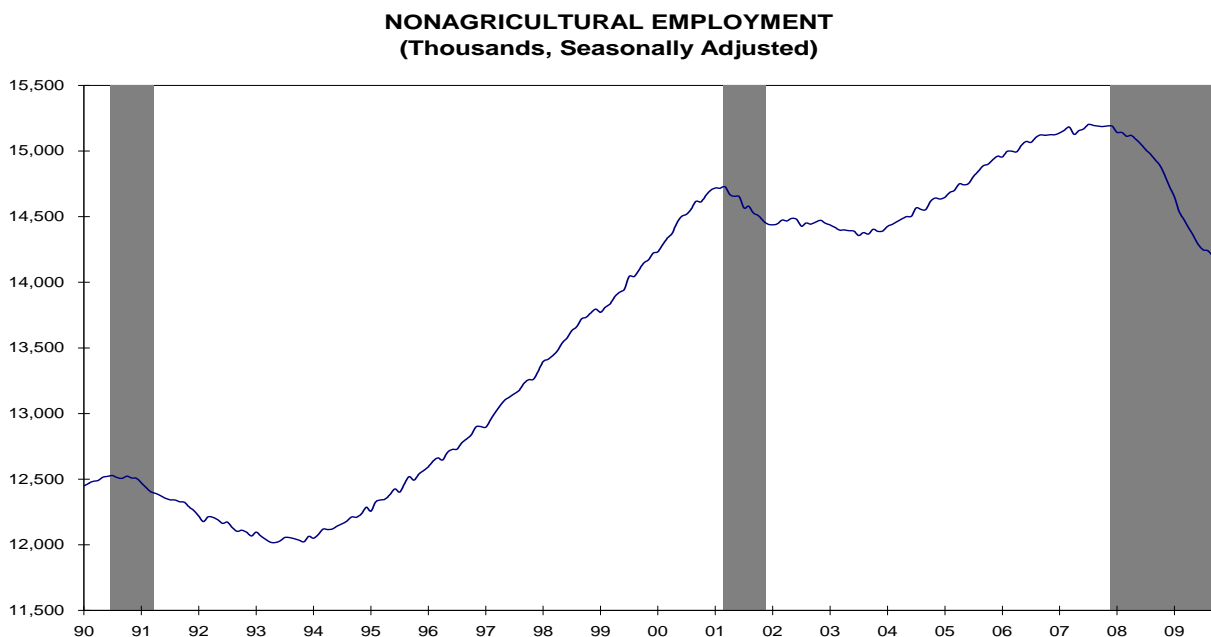
Whenever appropriate, data used in the charts have been seasonally adjusted. The method of seasonal adjustment is the X-12 Arima program. Persons interested in a detailed description of this method are referred to the U.S. Census Bureau's Statistical Research Division.

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

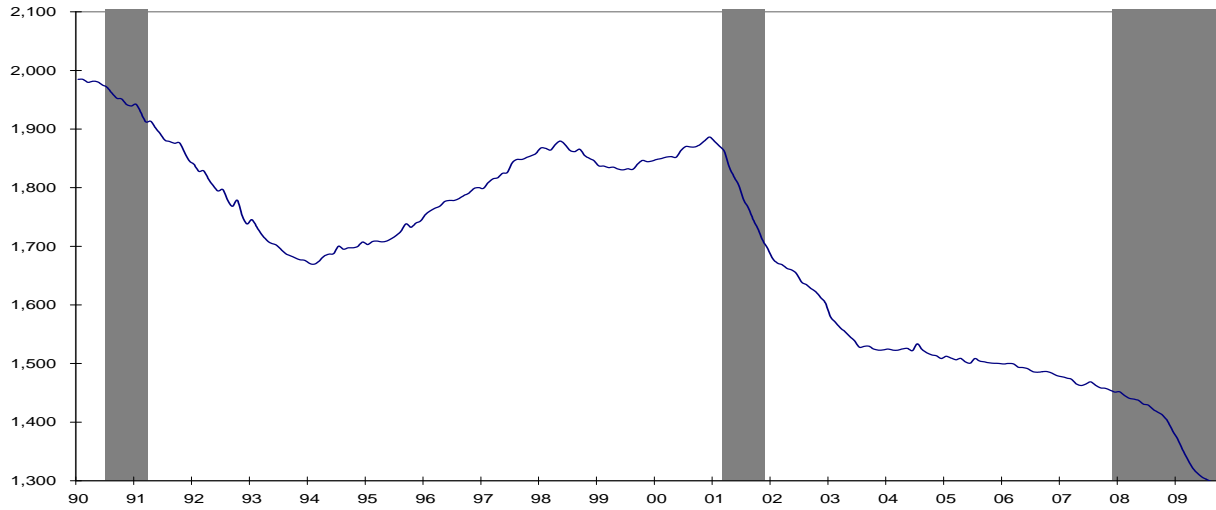
The manufacturing employment series is an addition to the NBER indicator list. It is used here because it appears to show cyclical fluctuations clearly and extends the limited number of series presently available for the State.

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

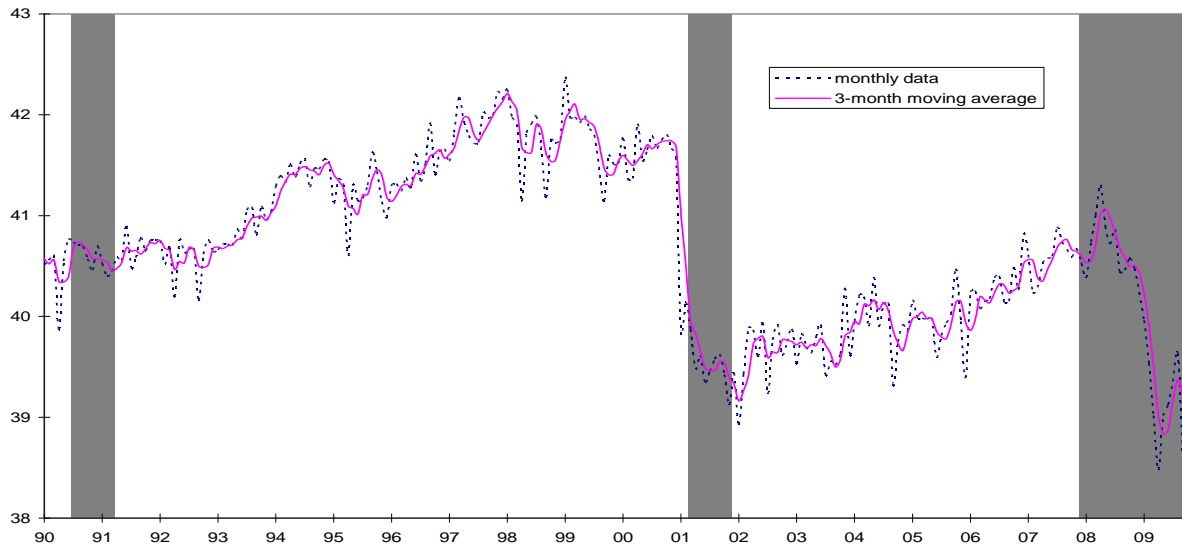
The other indicators shown are for general interest only. They are not directly related to the cyclical indicator series, but are of interest to persons looking at overall economic developments.



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



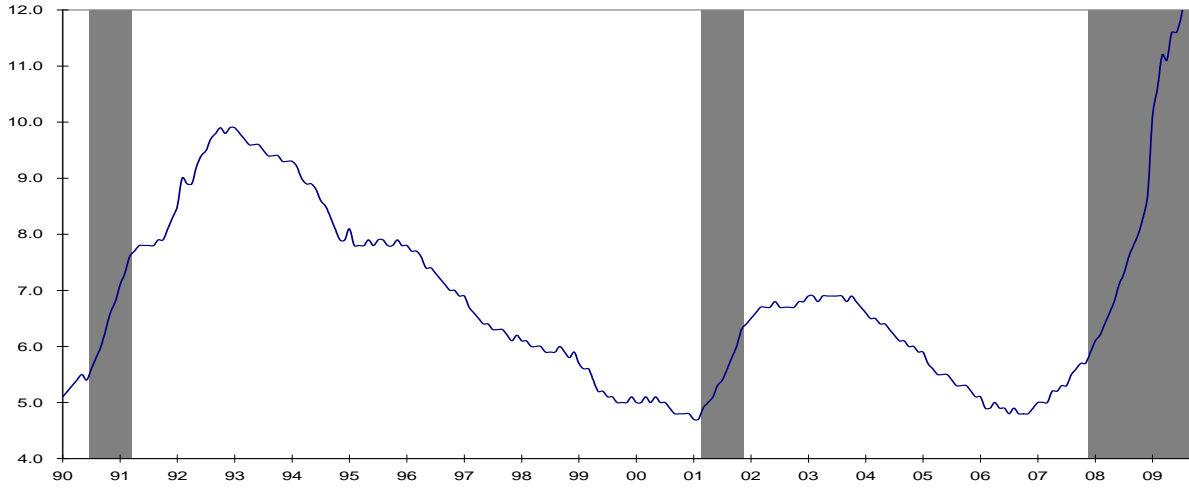
**AVERAGE WEEKLY HOURS, MANUFACTURING
(Seasonally Adjusted)**



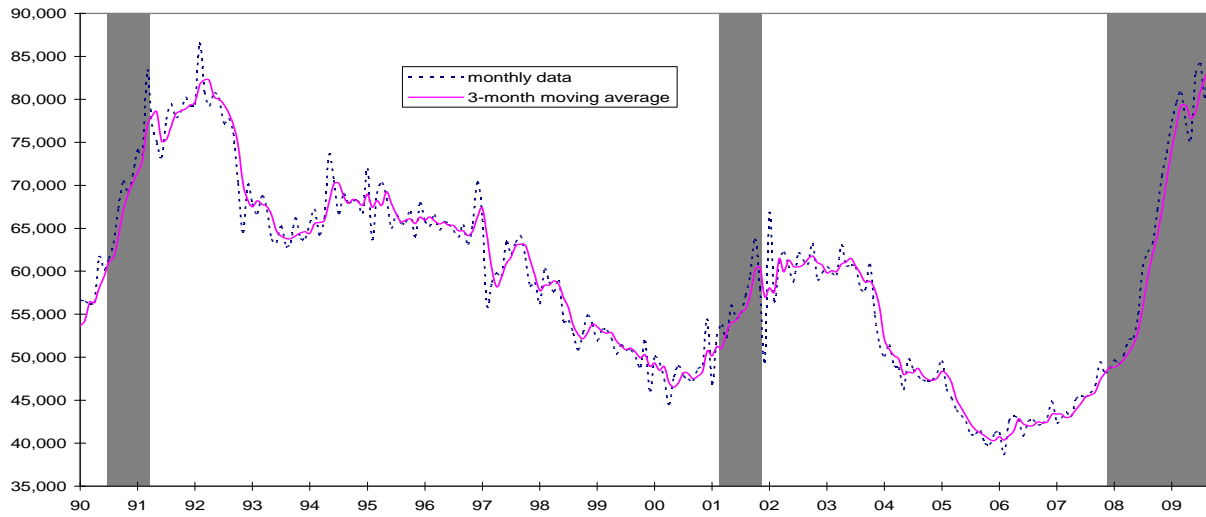
**AVERAGE OVERTIME HOURS, MANUFACTURING
(Seasonally Adjusted)**



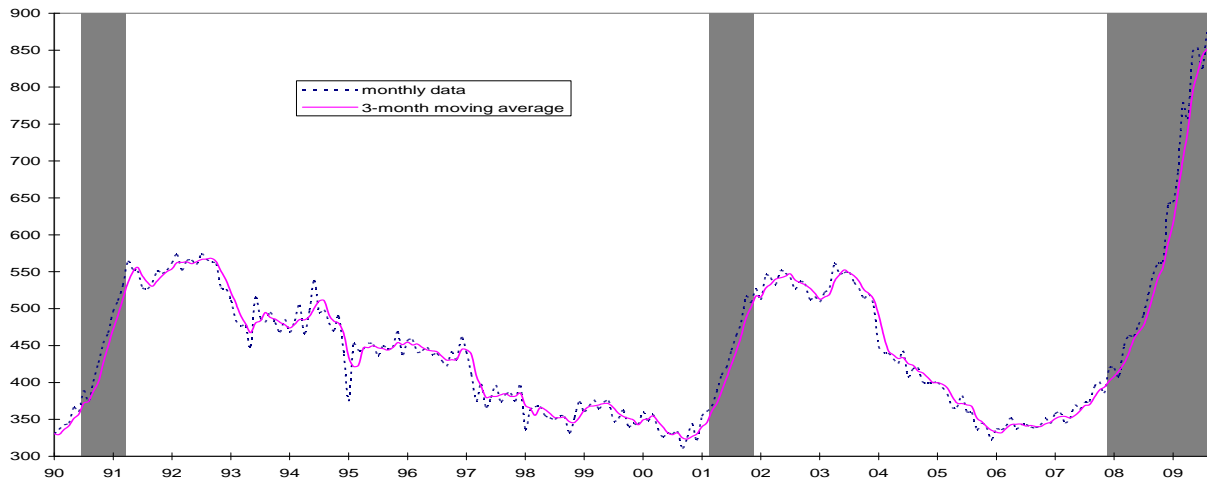
**UNEMPLOYMENT RATE
(Percent)**



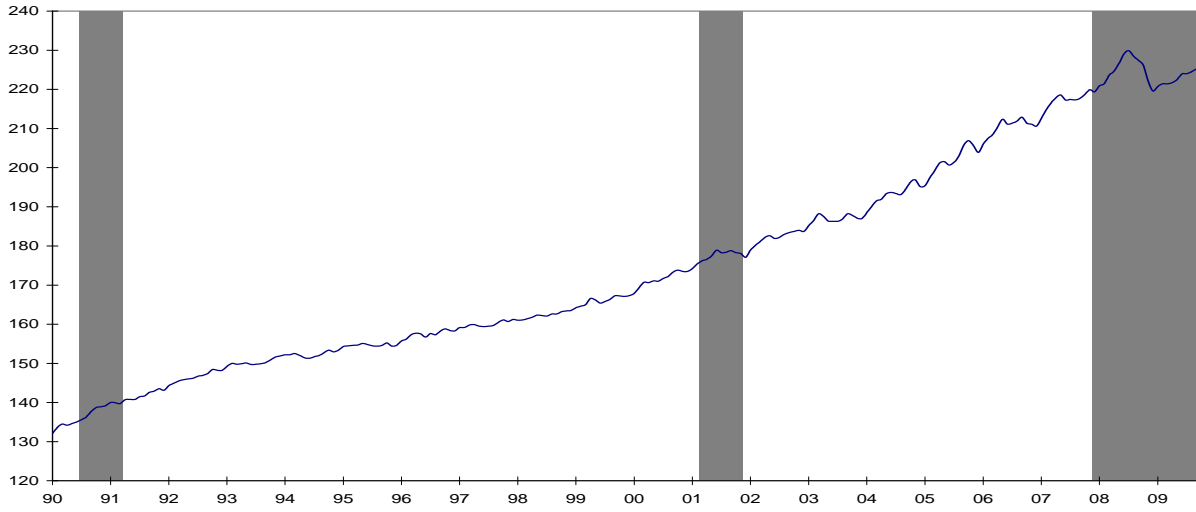
**INITIAL AND TRANSITIONAL CLAIMS FOR UNEMPLOYMENT INSURANCE
(Weekly Average, Seasonally Adjusted)**



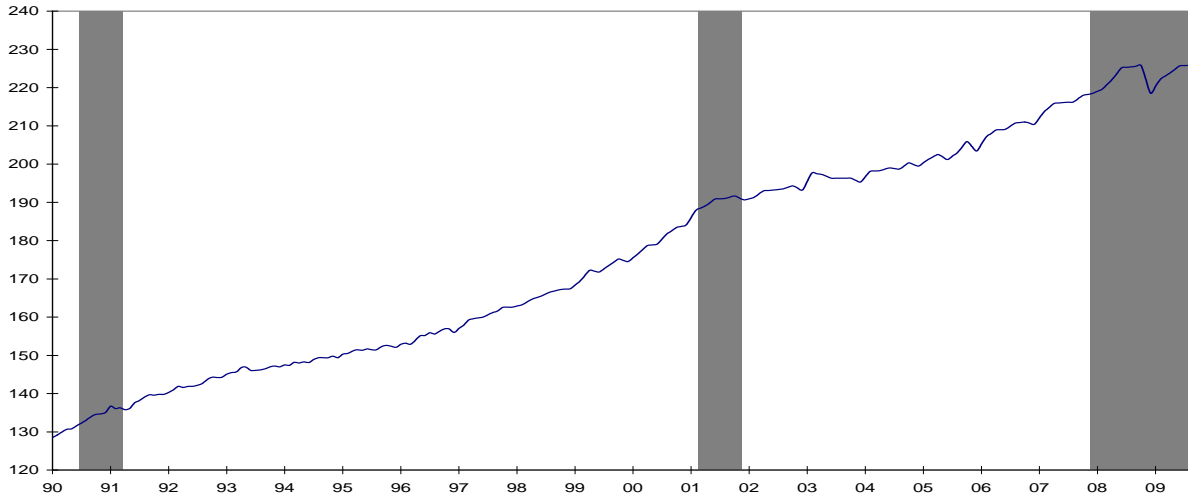
**UNEMPLOYMENT, AVERAGE WEEKS CLAIMED
(Thousands, Seasonally Adjusted)**



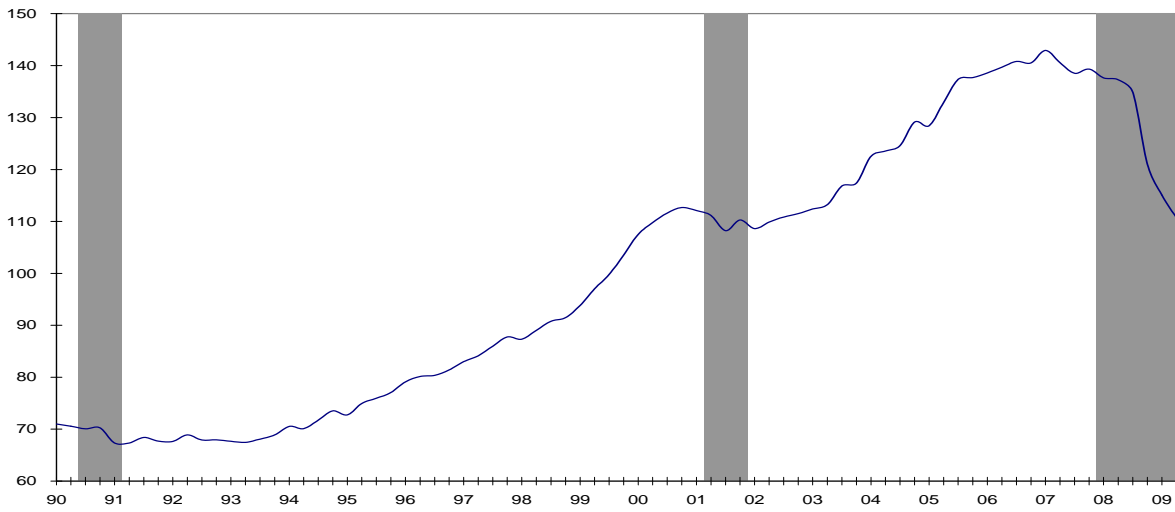
**CONSUMER PRICE INDEX, LOS ANGELES
(1982-84=100)**



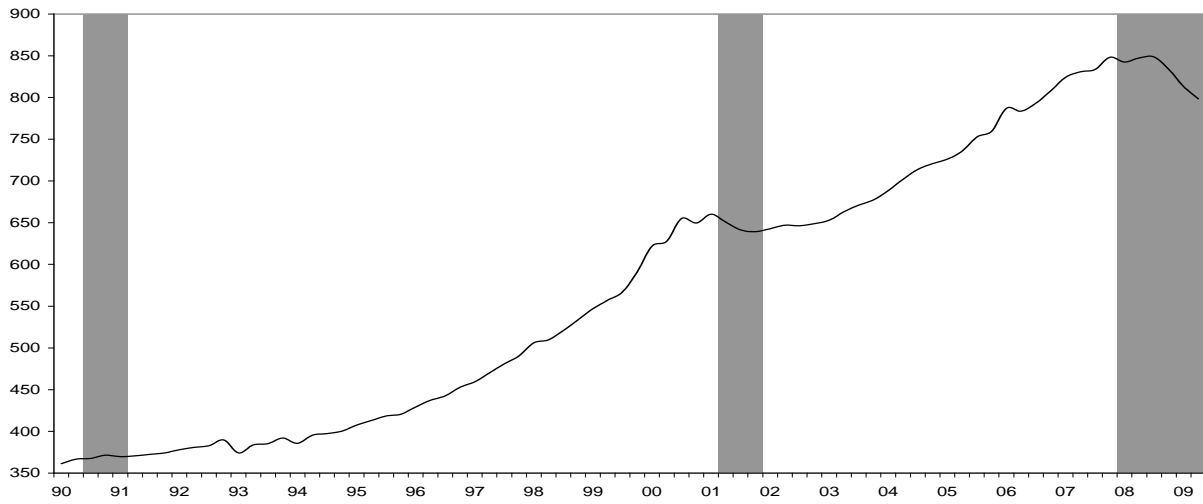
**CONSUMER PRICE INDEX, SAN FRANCISCO
(1982-84=100)**



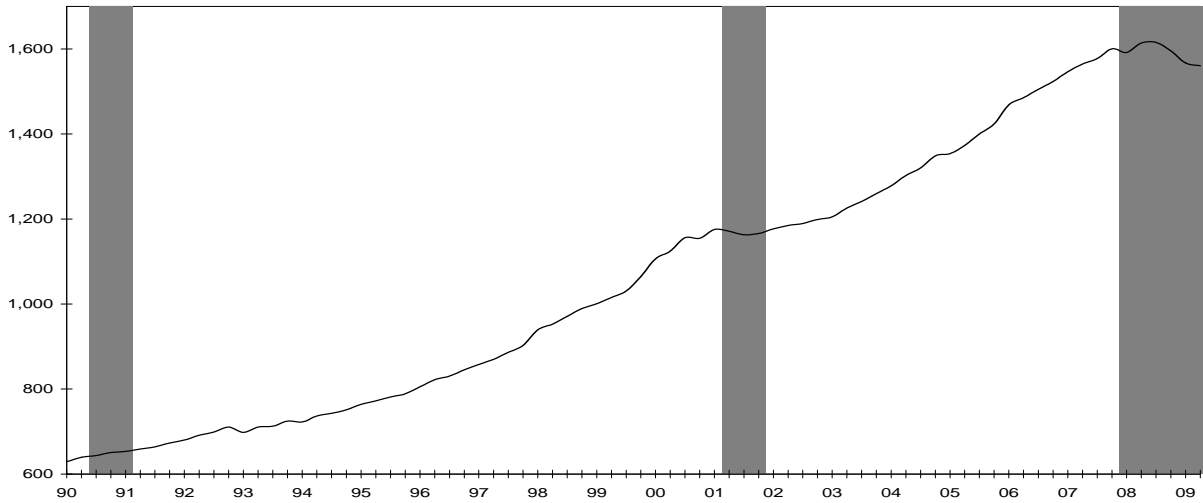
**TAXABLE SALES
(\$ Billions, Seasonally Adjusted)**



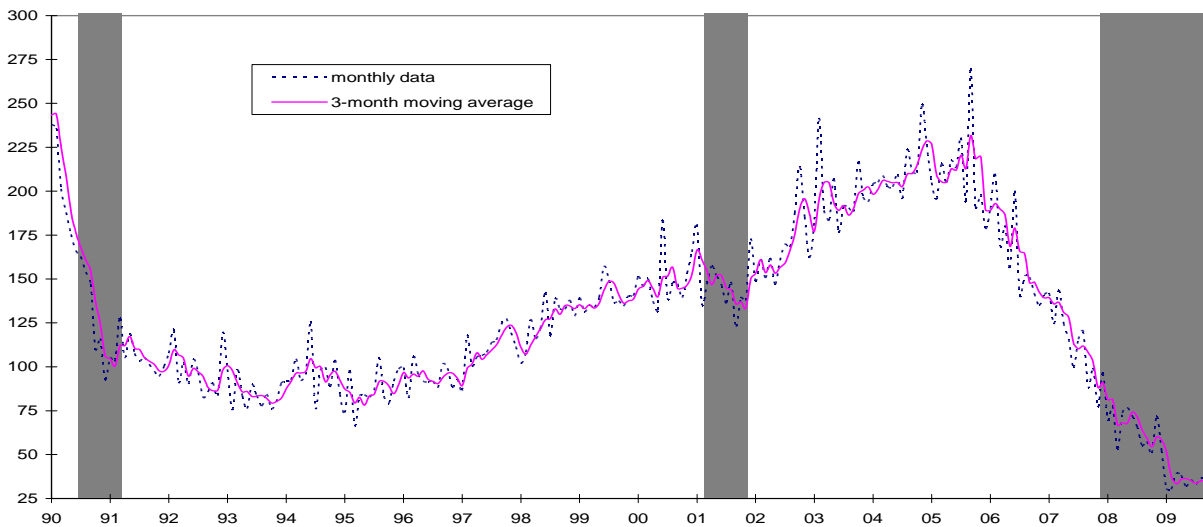
TOTAL WAGES AND SALARIES
(\$ Billions, Seasonally Adjusted)



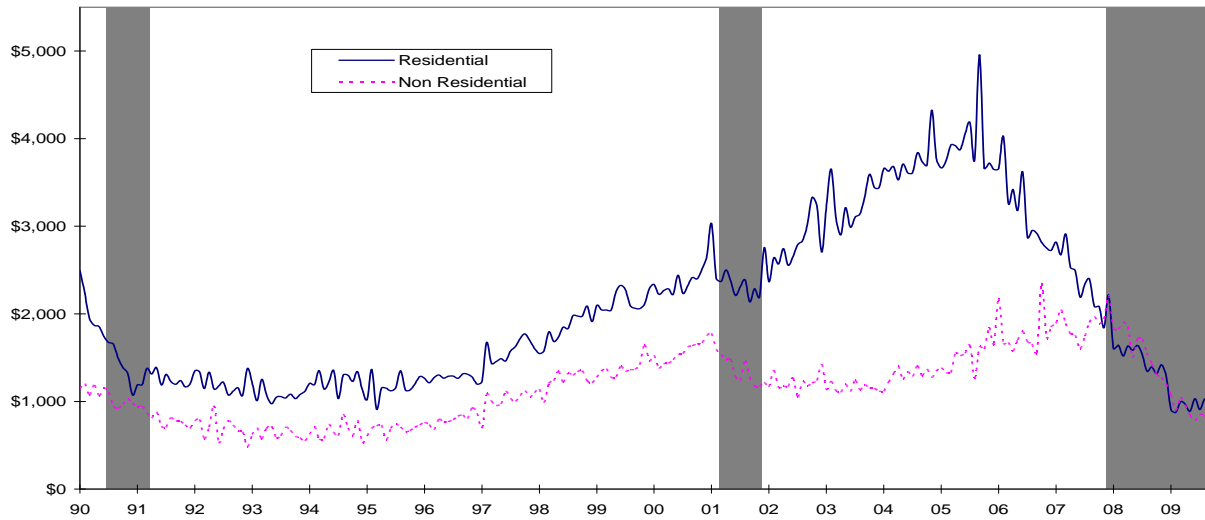
PERSONAL INCOME
(\$ Billions, Seasonally Adjusted)



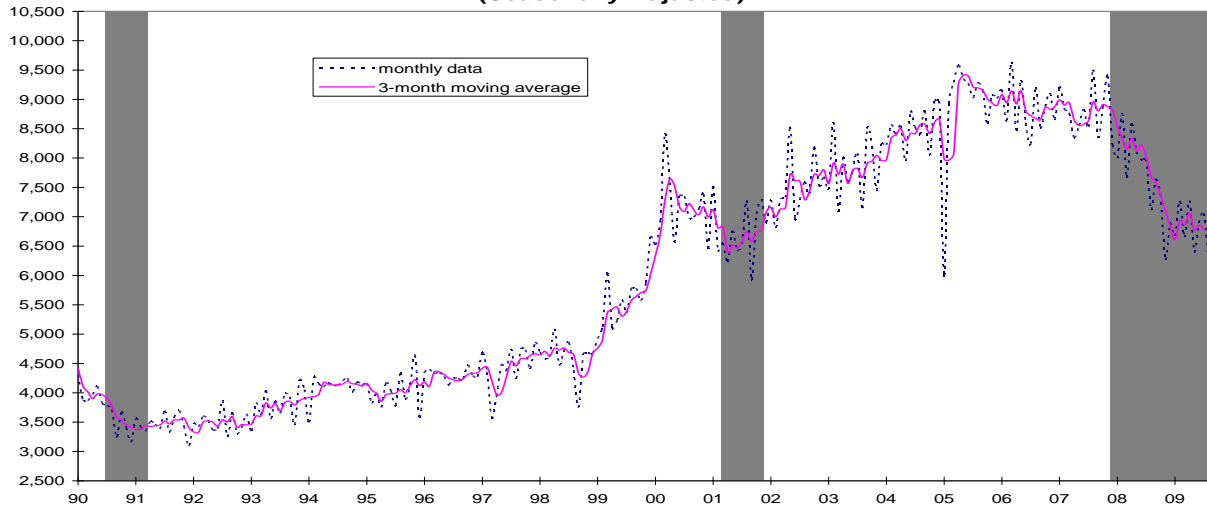
NEW HOUSING UNITS AUTHORIZED BY BUILDING PERMITS
(Thousands, Seasonally Adjusted At Annual Rate)



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



**NEW BUSINESS INCORPORATIONS
(Seasonally Adjusted)**



REFERENCE DATES OF UNITED STATES BUSINESS CYCLES, 1854-

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

CHRONOLOGY

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

---2007---

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

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

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

---2008---

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

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

October 3	The Emergency Economic Stabilization Act (commonly referred to as a bailout of the U.S. financial system) became law. Wells Fargo to merge with Wachovia.
October 6 - 10	Worst week for the stock market in 75 years.
October 6	Fed provides \$900 billion in short-term cash loans to banks.
October 7	Fed makes emergency move to lend around \$1.3 trillion directly to companies.
October 8	Federal funds rate target reduced from 2 percent to 1.5 percent. The discount rate was cut to 1.75 percent.
October 11	The Dow Jones Industrial Average caps its worst week ever with its highest volatility day ever recorded in its 112 year history.
October 12	European leaders announce recapitalization plans for Europe's banks.
October 24	OPEC to cut oil output by 1.5 million barrels a day.
October 29	Federal funds rate target reduced from 1.5 percent to 1 percent.
October 30	Third quarter GDP declines 0.3 percent.
November 3	Boeing machinists' 57-day strike ends.
November 15-	Wildfires burn five Southern California counties.
November 17	Japan is officially in recession.
November 24	The federal government approves plan to help Citigroup.
December 1	Recession in the US began in December 2007, according to NBER.
December 16	The Federal Reserve cut the federal funds rate target to a range of between zero percent and 0.25 percent.
December 17	OPEC to cut oil production starting January in a bid to prop up falling oil prices.
December 19	U.S. auto industry bailout approved.
December 23	Third quarter GDP decreased at an annual rate of 0.5 percent.
January 20	Barack Obama inaugurated as the 44th President of the U.S.
January 23	British economy is officially in recession.
February 3	S&P lowered California's bond rating to A from A+.
February 17	President Obama signed the \$787 billion economic stimulus package into law. The "American Recovery and Reinvestment Act of 2009" includes a variety of spending measures and tax cuts intended to promote economic recovery.
February 18	President Obama unveiled the Homeowner Affordability and Stability Plan.

February 20	California Governor Arnold Schwarzenegger signs the 2009-10 state budget bill.
February 27	Fourth quarter GDP decreased at an annual rate of 6.2 percent.
March 2	Dow Jones Industrial Average drops below 7000 for the first time since 1997.
March 19	Moody's lowered California's bond rating from A1 to A2. Fitch lowered California's bond rating from A+ to A.
March 23	U.S. Treasury Secretary unveils the Public-Private Investment Program.
April 23	California adopts low carbon fuel standards.
April 26	Swine Flu declared public health emergency.
April 29	First quarter GDP decreased at annual rate of 6.1 percent.
April 30	Chrysler files for bankruptcy.
May 7	Governor Schwarzenegger proclaims state of emergency in Santa Barbara due to Jesusita wildfire.
June 1	General Motors files for bankruptcy.
June 10	Fiat completes acquisition of Chrysler assets.
June 25	First quarter GDP decreased at annual rate of 5.5 percent.
July 6	Fitch Ratings downgraded California's long-term bond rating from A- to BBB. Moody's lowered the State's rating from A2 to Baa1.
July 24	Dow closes above 9000; first time since January. Federal minimum wage jumps from \$6.55 an hour to \$7.25 an hour.
July 28	Case-Shiller index shows first rise in U.S. housing prices for 3 years.
August 24	Cash-for-Clunkers program ends.
August 27	Second quarter GDP fell 1 percent, unchanged from the advance estimate in July and following a 6.4% drop in Q1.
October 14	Dow closes above 10,000 for the first time in a year.
October 29	Third quarter GDP increased at an annual rate of 3.5 percent.