



# CALIFORNIA Economic Indicators

November-December 2010

## Modest Improvements

The California economy made moderate gains near the end of 2010.

### REVIEW OF RECENT ECONOMIC DEVELOPMENTS

After being buffeting throughout the year by on again/off again federal home buying stimulus measures and the ups and downs of the 2010 Census hiring, the state appeared to be making halting progress as the end of the year approached.

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### EMPLOYMENT

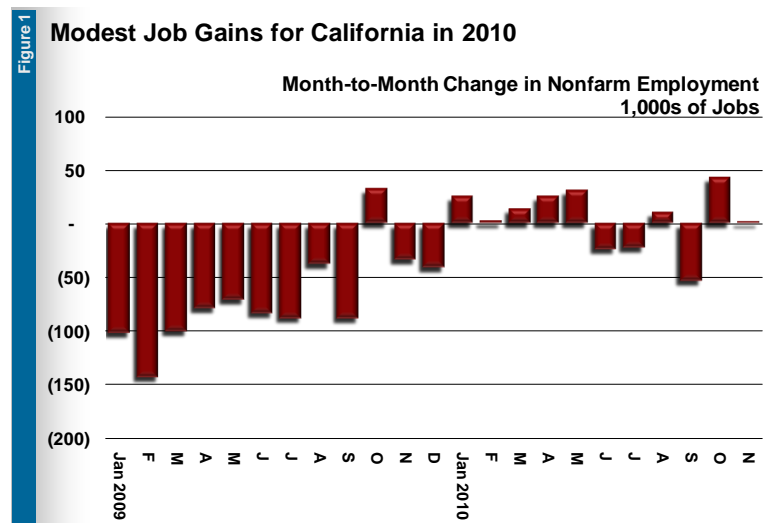
#### Job gains moderate in November

California [gained 1,600 nonfarm jobs in November 2010](#), a slowdown from the 43,100 gain in October. The state added jobs in eight out of the first eleven months of 2010—4,900 per month on average. (Source: EDD)

Construction led the way by adding 7,800 jobs—the strongest month-over-month gain since January 2010. Information gained 5,200 jobs; professional and business services, 3,000; government, 3,000; and educational and health services, 2,900; and leisure and hospitality, 500. Five industry sectors lost jobs in November. Trade, transportation, and utilities lost 12,400 jobs (retail trade accounted for the lion’s share); other services, 3,800; financial activities, 2,900; manufacturing, 1,500; and mining and logging, 200.

The year-over pace of job growth was still dampened by job losses in construction and retail trade—two sectors closely tied to home building activity. Nonfarm payroll employment rose by 12,500, or 0.1 percent, from November 2009 to November 2010. On a year-over-year basis, employment rose 52,400 in professional and business services; 26,200 in educational and health services; 13,400 in leisure and hospitality; and 1,000 in mining and logging. Over the year, employment fell by 36,900 in construction; 17,900 in trade, transportation, and utilities; 12,200 in government; 4,400 in manufacturing; 3,400 in financial activities; 3,100 in information; and 2,600 in other services.

Total nonfarm employment in California was still down 1,317,500 from the beginning of the national recession in December 2007. Among major industry sectors, trade, transportation, and utilities was down the most, still lacking 349,500 jobs. Construction was still down 315,300 jobs; manufacturing, 215,400; professional and business services, 196,700; financial activities, 99,700; leisure and hospitality 84,600; government, 48,000; other services, 44,500; information, 32,300; and mining and logging, 2,200. Educational and health services was the only sector which gained jobs, up 70,700.



Job growth resumed in 2010, but at a disappointing pace.

## California's unemployment rate holds steady

The state's unemployment rate stubbornly held steady at 12.4 percent in November—the fourth consecutive month at this rate. The number of people unemployed in California was 2,266,557 – up 10,100 over the month, and up 39,900 compared with November of 2009.

## BUILDING ACTIVITY

### Home building picks up in November

Home building ended a string of three consecutive months of slowing with a jump in November. Based on mixed results, residential permits were issued at a seasonally adjusted annual rate of 43,925 units, up nearly 40 percent from October and up over 7.5 percent from a year earlier. The pace of multi-family permitting more than doubled from November 2009—up nearly 115 percent. Single-family permits, on the other hand, were down 30 percent.

New home permitting during the first 11 months of 2010 was up almost 18 percent from the same months of 2009, but was, however, still down nearly 80 percent from the pace set in 2005.

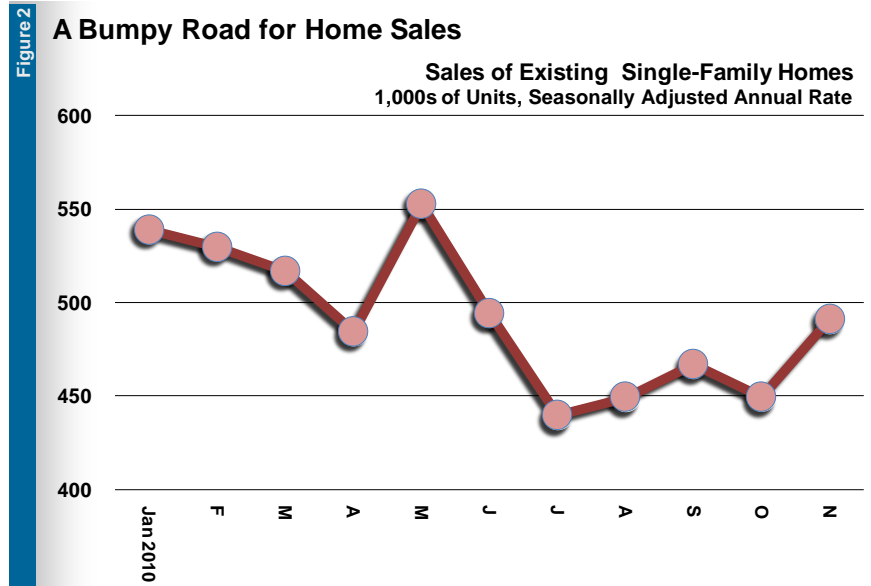
### Mixed results for nonresidential building

Despite improving modestly from October—based on good gains in office and store construction—nonresidential construction permitting slowed nearly 14 percent in November from a year earlier. For the first 11 months of 2010 as a whole, nonresidential permitting was up less than 1.0 percent from the same months of 2009.

## REAL ESTATE

### Existing home markets settle in at low levels

Home sales jumped in November amid falling prices. Sales of existing, single-family detached homes totaled 491,000 units at a seasonally adjusted annualized rate in November, a 9.2-percent improvement from October. The median price of existing, single-family homes sold in November was \$296,800, down 2.4 percent from the previous month and down 2.5 percent from a year earlier. The pace of home sales appears to have settled into a subdued pace while home prices have made little headway over the year. (Source: [California Association of Realtors](#))



*Volatile existing home sales were the result of on-and-off federal home buyers stimulus.*

# ECONOMIC FORECAST UPDATE

The following is from the Governor's 2011-12 Budget. The forecasts were prepared in November 2010 and are based on information available at that time.

The nation and California recovered modestly in 2010 from the worst recession since the Great Depression. National economic output grew as did personal income in both the state and the nation, and job growth resumed. But these gains and many others like them paled in comparison to the losses incurred during the recession. The recession lasted 18 months and it officially ended in June 2009.

The principal cause of the recession was a financial crisis instigated by risky financial activity that led to the bursting of the housing bubble. Based on historical experience, economic recoveries following recessions caused by financial crises are slower and more drawn out than those stemming from other causes. This recovery follows that experience.

Although California is more than 18 months into the recovery, many Californians believe that conditions are not much improved. By many measures, the economy was on the mend in 2010; however, the slowdown wrought by the housing implosion and financial crisis was so severe that the pace of economic recovery continues to be discouraging. Unemployment remains high across the country and especially in California. Home building still lags below the pace of construction set before the housing bubble inflated. Similar trends continue in other areas such as industrial production and notably, home, and retail sales.

Both the nation and California started 2010 mired in an anemic recovery brought about by the nature of the recession that preceded it. The financial balance sheets of many households were still reeling from the financial upheaval and the decline in home values. It is estimated that the financial crisis cost households and non-profit organizations \$11 trillion in assets — nearly a year's worth of national economic output.

The loss of these assets led to financial retrenchment as consumers became thriftier, and households began saving more. While this will have positive effects in the long run, it means less consumer spending now. In turn, this lower level of consumer spending makes businesses cautious. Thus, despite surging profits, corporations have refrained from hiring and have instead opted to increase their cash reserves. Unfortunately, weak employment growth restrains consumption spending. This creates a "Catch-22" —without more spending, hiring will remain weak.

## THE NATION — TENTATIVELY ON THE MEND

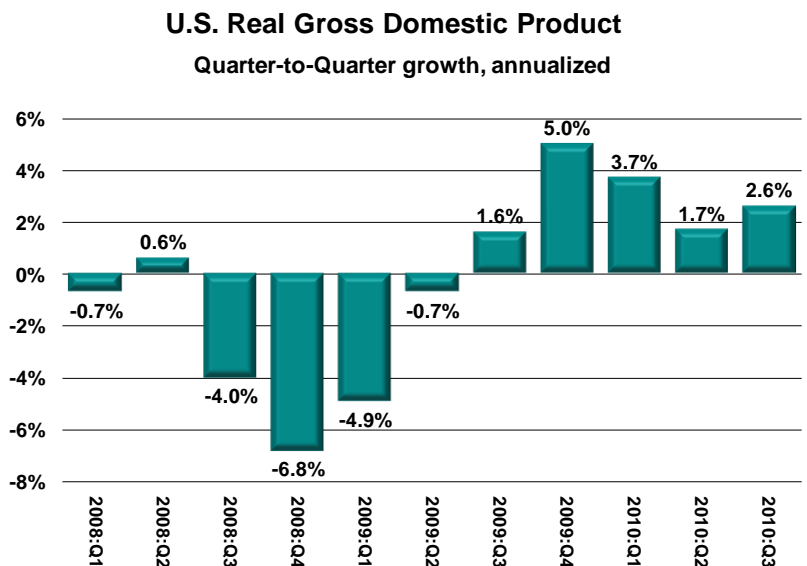
Fears of a "double dip" recession were being discussed during the early months of 2010. However, subsequent economic readings improved and this fear was replaced with an expectation that the nation is in for a long and slow recovery. As 2010 came to a close, the national economy was in the midst of a "wobbly" recovery. Federal stimulus measures stopped the economy's tailspin. By the end of 2010, the impact of these measures began to diminish and economic activity moderated. After accelerating to a 5.0-percent annualized growth rate in the fourth quarter of 2009, the pace slowed to 3.7 percent in the first quarter of 2010 and to only 1.7 and 2.6 percent in the second and third quarters, respectively. This is reflected in Figure 3.

Throughout 2010, many economic indicators languished at disappointing levels — even though they did improve from 2009 levels. The following issues help demonstrate the mixed economic news.

**Vehicle Sales** — Vehicle sales stabilized and began a modest but irregular rebound. During the six months ending with November 2010, motor vehicle sales averaged nearly 12 million units — better than the 2009 average, but well below the 16-million-unit pace set during the late 1990s and early 2000s.

**New Home Construction** —After falling precipitously from 2006 through 2009, the national pace of housing starts during the first quarter of 2010 was up by more than 16 percent from the same time in 2009. However, this pace —about 600,000 units on an annualized basis —was still 60 percent behind the pace set before the housing bubble.

Figure 3



**Home Prices** — Home prices began to stabilize in 2010 and improved in many regions. According to the Case-Shiller Home Price Index, home prices in September 2010 were 0.6 percent above their year-ago level —the eighth straight month of year-over-year increases following 37 straight months of year-over-year declines. However, home prices were still 30 percent below their April 2006 peak —similar to what they were in November 2003. While the turnaround in 2010 was very welcome news, home prices are far from resembling pre-recession conditions.

**Manufacturing** — Manufacturing activity expanded for the 16<sup>th</sup> consecutive month in November 2010 following 18 months of declines. However, because of the deep declines that occurred during 2008 and 2009, the level of factory activity was still subdued, with ample unused capacity.

**Consumer Sentiment** — At the end of 2010, consumer sentiment was stuck at recessionary levels. Households were still worried about the economy, as their assessments of both current conditions and the future were subdued.

**Unemployment** — Even though 2010 began with a return to sustained job growth, it will take a long time to regain the eight million jobs lost during the recession. Job losses averaged 395,000 per month during 2009. The nation added about 86,000 jobs per month during the first eleven months of 2010. However, the unemployment rate is still high — 9.8 percent in November. At the end of November 2010, there were 7 million more unemployed Americans than there were at the beginning of the recession. More robust job growth will be needed to keep the recovery moving ahead.

Of the issues listed above, employment remains the biggest source of concern. The level of employment is still very low, and it could take a long time to recover all of the lost jobs. One reason for this is that the unemployment rate often remains high after employment begins to recover, because workers who had given up looking for work during the recession re-enter the labor force, driving up the unemployment rate.

Additionally, hiring usually lags behind output during the early stages of a recovery. This lag exists because firms tend to increase output first by boosting productivity and by raising the number of hours worked by existing employees. Hiring new employees tends to occur later. Thus, even though corporate profits have recovered from the depths of the recession, businesses have not expanded their payrolls — at mid-2010, non-financial corporations' cash balances were up 26 percent from a year earlier. However, one hopeful sign is that equipment spending increased in 2010 as firms focused on increasing productivity. It is forecasted that businesses will begin spending again and expanding payrolls. Given the uncertainty surrounding the timing of this expansion in hiring, most forecasts have been cautious. According to the current outlook, the unemployment rate will improve gradually and may not reach "full employment" for several years.

As discussed earlier, a full-bodied economic recovery appears to be waiting for the return of sustained job growth. As long as labor markets are soft, consumers will be wary and thrifty, but employers are reluctant to hire and invest in the face of restrained consumer spending.

## CALIFORNIA —REFLECTING THE NATION

The state roughly paralleled the nation through the recession and into the recovery. However, in addition to being one of the states hardest hit by the collapse of the housing market, California's state and local budget problems turned public sector employment into a source of weakness. Some of the California specific economic factors are detailed below.

**Vehicle Sales** — Vehicle sales declined severely in 2008 as the housing crisis unfolded. New automobile registrations at the end of 2008 were down over 40 percent from a year earlier. A tentative recovery began in the middle of 2009, spurred initially by the federal "Cash for Clunkers" incentive program. Registrations in the first nine months of 2010 were up 11 percent from a year earlier. However, the level of registrations during these months was still off 40 percent from the same months of 2006.

**New Home Construction** —The worst of the housing slump may be over. Home building permitting, which suffered a long steady three-year decline starting in 2006, stabilized at a very low level in 2009. Spurred by the on-again/off-again federal home buyers tax credit and, to a lesser extent, by California's first-time buyer tax credit, permitting improved fitfully throughout most of 2010. The issuance of housing permits rose nearly 18 percent during the first ten months of the year from the same months of 2009. However, the number of permits issued was still down 80 percent from the peak reached in mid-2005.

**Home Prices** — Residential real estate markets also stabilized in 2009 as home prices appreciated, inventories shrank, and the pace of sales stabilized at a sustainable rate. This, however, yielded to mixed results in 2010, leaving the resiliency of the housing recovery in question.

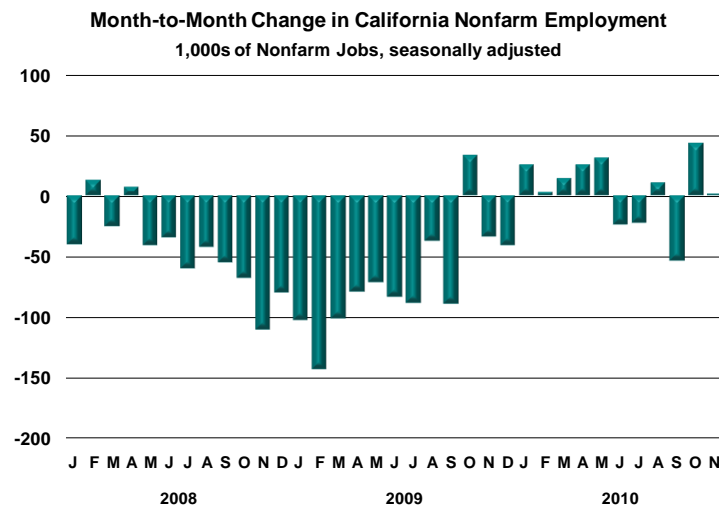
**Made-in-California Exports** — California exports plummeted during the final quarter of 2008 and the first quarter of 2009. California exports fell 17 percent in 2009 from 2008 levels. High-tech exports fell by nearly 16 percent. With global economic conditions easing up, California exports began recovering in the fourth quarter of 2009. Exports during the first half of 2010 were up by more than 21 percent compared to the first half of 2009.

**Taxable Sales** — Taxable sales deteriorated dramatically in 2008, bottomed out early in 2009, and recovered modestly during the rest of the year and into 2010. Sales during the first half of 2010 were up 4 percent from the first half of 2009, but were still down 17 percent from the peak reached in the first half of 2007.

**Employment** — California suffered its worst job losses on record during the latter half of 2008 and the first six months of 2009 — losing nearly a million nonfarm jobs. These losses moderated during the second half of 2009 and switched to very modest gains in 2010. As with the nation, it will likely take a long time for employment to reach pre-recession levels. The national unemployment rate peaked at 10 percent in the last quarter of 2009 and declined sporadically through July 2010. The state’s rate, in contrast, continued to trend up to 12.6 percent in March 2010, and then improved slightly thereafter (Figure 4).

**Personal Income** - The huge toll of lost jobs depressed California personal income, which declined in 2009 on a year-over-year basis for the first time since 1938. Personal income fell in the first three quarters of 2009 before increasing moderately in the fourth quarter. For 2009 as a whole, personal income fell over \$38 billion, or 2.4 percent, from 2008. Personal income during the first two quarters of 2010 was up 1 percent from the same period in 2009.

Figure 4



## Selected Economic Data for 2010, 2011, and 2012

	2010	2011	2012
	(Est.)	(Projected)	(Projected)
<b>United States</b>			
Real gross domestic product (2005 CW* \$, percent change)	2.7	2.2	2.9
Personal consumption expenditures	1.6	2.3	2.1
Gross private domestic investment	17.4	2.9	12.6
Government purchases of goods and services	1.0	0.1	(1.4)
GDP deflator (2005=100, percent change)	1.0	1.3	1.4
GDP (current dollar, percent change)	3.7	3.5	4.4
Federal funds rate (percent)	0.2	0.1	1.2
Personal income (percent change)	2.7	3.1	3.9
Corporate profits before taxes (percent change)	28.5	3.7	5.3
Nonfarm wage and salary employment (millions)	130.2	131.5	133.9
(percent change)	(0.5)	1.0	1.8
Unemployment rate (percent)	9.7	9.6	9.1
Housing starts (millions)	0.60	0.77	1.21
(percent change)	9.0	27.1	57.8
New car sales (millions)	5.6	6.6	7.9
(percent change)	3.4	16.3	20.1
Consumer price index (1982-84=100)	218.0	221.0	224.8
(percent change)	1.6	1.4	1.7
<b>California</b>			
Civilian labor force (thousands)	18,247.0	18,456.3	18,756.0
(percent change)	(0.0)	1.1	1.6
Civilian employment (thousands)	15,976.6	16,222.9	16,634.2
(percent change)	(1.2)	1.5	2.5
Unemployment (thousands)	2,270.4	2,233.4	2,121.8
(percent change)	9.0	(1.6)	(5.0)
Unemployment rate (percent)	12.4	12.1	11.3
Nonfarm wage and salary employment (thousands)	13,942.1	14,106.7	14,365.9
(percent change)	(1.2)	1.2	1.8
Personal income (billions)	1,614.4	1,675.4	1,742.4
(percent change)	2.7	3.8	4.0
Housing units authorized (thousands)	42.6	73.6	122.0
(percent change)	16.6	72.7	65.9
Corporate profits before taxes (billions)	154.8	163.1	175.3
(percent change)	19.1	5.4	7.5
New auto registrations (thousands)	1,096.3	1,285.0	1,349.3
(percent change)	1.4	17.2	5.0
Total taxable sales (billions)	474.0	507.6	551.2
(percent change)	4.2	7.1	8.6
Consumer price index (1982-84=100)	227.0	230.4	234.2
(percent change)	1.3	1.5	1.7

\* CW: Chain Weighted

Note: Percentage changes calculated from unrounded data.

# Select Indicators

	2009		2010			Year-Over % Change
	Nov	Aug	Sep	Oct	Nov	
<b>EMPLOYMENT (Seasonally adjusted)</b>						
Civilian employment (000)	15,899	15,968	15,975	15,972	15,970	0.4%
Unemployment (000)	2,227	2,260	2,268	2,256	2,267	1.8%
Unemployment rate	12.3%	12.4%	12.4%	12.4%	12.4%	--
Nonagricultural wage and salary employment (000) a/	13,850.9	13,872.1	13,818.5	13,861.7	13,863.3	0.1%
Goods-producing industries	1,839.7	1,804.7	1,787.7	1,793.0	1,799.1	-2.2%
Mining and logging	24.4	25.6	25.5	25.5	25.3	3.7%
Construction	576.5	541.3	529.2	531.6	539.4	-6.4%
Manufacturing	1,238.8	1,237.8	1,233.0	1,235.9	1,234.4	-0.4%
Service-providing industries	12,011.2	12,067.4	12,030.8	12,068.7	12,064.2	0.4%
Trade, transportation, and utilities	2,586.0	2,574.3	2,571.9	2,580.6	2,568.2	-0.7%
Information	448.7	453.0	442.7	440.4	445.6	-0.7%
Financial activities	782.8	776.4	782.3	782.3	779.4	-0.4%
Professional and business services	2,022.0	2,057.0	2,063.6	2,071.4	2,074.4	2.6%
Educational and health services	1,742.9	1,763.9	1,759.9	1,766.3	1,769.2	1.5%
Leisure and hospitality	1,476.5	1,485.5	1,486.8	1,489.4	1,489.9	0.9%
Other services	475.1	479.5	474.4	476.3	472.5	-0.5%
Government	2,477.2	2,477.8	2,449.2	2,462.0	2,465.0	-0.5%
Federal government	250.4	251.1	246.0	243.5	243.8	-2.6%
State and local government	2,226.8	2,226.7	2,203.2	2,218.5	2,221.2	-0.3%
High-technology industries b/	819.5	827.4	825.0	827.1	830.5	1.3%
Computer and electronic products manufacturing	270.3	277.8	277.5	278.8	280.8	3.9%
Aerospace products and parts manufacturing	69.2	68.9	68.6	68.5	68.6	-0.9%
Software publishers	43.9	42.7	42.7	42.4	42.7	-2.7%
Telecommunications	110.5	104.7	103.8	103.8	104.5	-5.4%
Internet service providers, web portals and data processing	19.1	19.6	19.5	19.5	19.4	1.6%
Computer systems design	194.8	199.7	199.1	200.5	201.6	3.5%
Scientific research and development	111.7	114.0	113.8	113.6	112.9	1.1%
<b>HOURS AND EARNINGS IN MANUFACTURING (Not seasonally adjusted)</b>						
Average weekly hours	40.3	40.2	39.9	40.3	40.5	0.5%
Average weekly earnings	\$737.89	\$760.99	\$764.88	\$769.33	\$776.39	5.2%
Average hourly earnings	\$18.31	\$18.93	\$19.17	\$19.09	\$19.17	4.7%
<b>CONSUMER PRICE INDEX (1982-84=100) (Not seasonally adjusted)</b>						
All Urban Consumers Series						
California Average	NA	227.4	NA	227.7	NA	--
San Francisco CMSA	NA	228.0	NA	228.1	NA	--
Los Angeles CMSA	224.3	226.4	226.0	226.8	225.9	0.7%
Urban Wage Earners and Clerical Workers Series						
California Average	NA	220.1	NA	220.6	NA	--
San Francisco CMSA	NA	224.2	NA	224.4	NA	--
Los Angeles CMSA	216.6	218.8	218.4	219.3	218.7	1.0%
<b>CONSTRUCTION</b>						
Private residential housing units authorized (000) c/	41	44	36	31	44	7.5%
Single units	30	23	21	20	21	-30.2%
Multiple units	11	21	15	11	23	114.9%
Residential building authorized valuation (millions) d/	\$13,292	\$13,307	\$13,034	\$11,905	\$13,229	-0.5%
Nonresidential building authorized valuation (millions) d/	\$12,302	\$11,569	\$11,685	\$10,142	\$10,613	-13.7%
Nonresidential building authorized valuation (millions) e/	11,115	\$12,888	\$11,884	\$9,736	10,082	-9.3%
Commercial	2,188	2,424	2,414	1,046	1,516	-30.7%
Industrial	840	567	177	546	59	-93.0%
Other	2,369	1,957	2,089	1,533	1,970	-16.8%
Alterations and additions	5,719	7,940	7,204	6,612	6,537	14.3%
<b>AUTO SALES (Seasonally adjusted)</b>						
New auto registrations (number)	76,772	83,742	85,572	NA	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 2010									
(Percent)									
		Office Vacancy		Office Vacancy		Office Vacancy		Industrial Availability	
		Downtown		Suburban		Metropolitan			
		3Q10	3Q09	3Q10	3Q09	3Q10	3Q09	3Q10	3Q09
Northern and Central California:									
Oakland East-Bay		14.5	12.5	16.1	17.2	15.5	15.4	10.9	9.8
Sacramento		14.5	16.1	24.0	23.5	22.0	21.9	15.3	14.1
San Francisco		15.7	15.0	14.4	16.9	15.2	15.7	10.6	9.1
San Jose		22.9	21.7	19.9	22.6	20.5	22.5	17.1	17.2
Walnut Creek		NA	NA	17.3	16.4	17.3	16.4	15.3	18.0
Southern California:									
Inland Empire		NA	NA	23.4	24.7	23.4	24.7	15.3	15.8
Los Angeles Metro		17.8	15.6	17.4	15.6	17.4	15.6	7.6	8.0
Orange County		NA	NA	17.5	17.2	17.5	17.2	10.8	10.7
San Diego		16.2	15.6	20.0	22.7	19.3	21.5	16.6	15.6
Ventura County		NA	NA	22.4	24.3	22.4	24.3	NA	NA
National Average		14.8	14.0	18.9	18.6	17.5	17.1	13.4	12.9
SALES OF EXISTING SINGLE-FAMILY HOMES					FOREIGN TRADE		DOD PRIME CONTRACTS a/		
		Median	Units	Exports	Imports				
		Price	(SAAR)	(\$ millions)			\$ millions	% of U.S.	
2006	Jan	\$549,460	500,470	\$10,848	\$25,555	1993-94	22,573	20.5%	
	Feb	534,400	513,740	10,791	23,004	1994-95	18,277	16.8%	
	Mar	562,130	539,170	13,336	27,722	1995-96	18,230	16.7%	
	Apr	562,380	516,960	11,991	27,005	1996-97	18,477	17.3%	
	May	563,860	488,260	12,306	28,090	1997-98	17,401	15.9%	
	Jun	575,850	483,690	12,664	29,621	1998-99	17,372	15.1%	
	Jul	567,860	453,980	12,255	29,990	1999-00	18,100	14.7%	
	Aug	577,300	442,150	12,720	31,550	2000-01	19,939	14.7%	
	Sep	557,150	444,780	12,567	30,608	2001-02	23,816	15.0%	
	Oct	552,020	443,320	12,913	32,200	2002-03	28,681	15.0%	
	Nov	554,500	450,930	12,676	29,747	2003-04	27,875	13.7%	
	Dec	569,350	452,060	12,756	28,396	2004-05	31,065	13.1%	
2007	Jan	\$551,220	446,820	\$12,325	\$28,025	2005-06	32,126	12.5%	
	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	307,210	557,050	14,485	32,308				
	Nov	287,880	514,240	12,290	26,322				
	Dec	283,060	549,190	11,397	24,082				
2009	Jan	\$249,960	602,660	\$9,640	\$21,730				
	Feb	247,590	620,410	9,987	16,926				
	Mar	249,790	504,200	11,149	20,895				
	Apr	253,110	526,720	10,590	20,822				
	May	263,440	546,490	10,769	21,678				
	Jun	274,640	514,230	11,214	22,725				
	Jul	285,310	555,780	11,371	23,893				
	Aug	293,400	526,110	11,738	24,327				
	Sep	296,610	531,180	11,684	25,986				
	Oct	297,500	560,390	12,794	27,136				
	Nov	304,520	536,720	12,573	25,114				
	Dec	306,820	558,320	13,707	25,292				
2010	Jan	\$287,440	539,040	\$11,973	\$22,934				
	Feb	279,840	529,836	12,806	22,869				
	Mar	301,790	516,912	14,366	24,904				
	Apr	306,230	484,487	13,651	25,814				
	May	324,430	552,800	14,272	26,957				
	Jun	311,950	494,242	14,194	30,808				
	Jul	314,850	439,617	13,875	29,709				
	Aug	318,660	449,290	14,028	31,878				
	Sep	309,720	466,930	13,738	30,582				
	Oct	304,220	450,360	14,968	29,851				
	Nov	NA	NA	NA	NA				
a/ U.S. fiscal year: October through September				NA Not available					



**Coincident Indicators <sup>a/</sup>**

		Nonagricultural		Manufacturing		Unemployment		Unemployment	
		Employment		Employment		Rate		Avg. Weeks Claimed	
		(Thousands)		(Thousands)		(Percent)		(Thousands)	
2007	Jan	15,136		1,477		4.9		361	
	Feb	15,167		1,477		5.0		366	
	Mar	15,194		1,476		5.0		342	
	Apr	15,143		1,468		5.1		356	
	May	15,164		1,464		5.2		365	
	Jun	15,179		1,467		5.3		356	
	Jul	15,203		1,468		5.4		372	
	Aug	15,188		1,461		5.5		370	
	Sep	15,169		1,455		5.5		391	
	Oct	15,169		1,454		5.6		402	
	Nov	15,182		1,453		5.7		383	
	Dec	15,181		1,450		5.8		425	
2008	Jan	15,141		1,451		5.9		426	
	Feb	15,154		1,447		6.0		420	
	Mar	15,128		1,444		6.1		443	
	Apr	15,136		1,442		6.4		471	
	May	15,095		1,438		6.6		453	
	Jun	15,061		1,433		7.0		470	
	Jul	15,000		1,431		7.3		490	
	Aug	14,958		1,424		7.5		512	
	Sep	14,903		1,417		7.8		540	
	Oct	14,835		1,407		8.2		565	
	Nov	14,725		1,392		8.7		558	
	Dec	14,646		1,377		9.2		650	
2009	Jan	14,543		1,359		9.7		659	
	Feb	14,401		1,336		10.2		710	
	Mar	14,300		1,318		10.6		760	
	Apr	14,221		1,304		11.0		771	
	May	14,150		1,292		11.3		827	
	Jun	14,067		1,277		11.6		840	
	Jul	13,979		1,264		11.8		824	
	Aug	13,941		1,256		12.0		860	
	Sep	13,852		1,248		12.1		832	
	Oct	13,885		1,245		12.2		792	
	Nov	13,851		1,239		12.3		779	
	Dec	13,810		1,231		12.3		717	
2010	Jan	13,835		1,241		12.5		691	
	Feb	13,838		1,242		12.5		676	
	Mar	13,852		1,241		12.6		685	
	Apr	13,877		1,237		12.5		646	
	May	13,908		1,241		12.4		673	
	Jun	13,884		1,245		12.3		684	
	Jul	13,861		1,238		12.3		646	
	Aug	13,872		1,238		12.4		664	
	Sep	13,819		1,233		12.4		650	
	Oct	13,862		1,236		12.4		644	
	Nov	13,863		1,234		12.4		608	
		Personal		Wages &					
		Income b/		Salaries b/		Taxable Sales c/			
		(\$ millions)		(\$ millions)		(\$ millions)			
2007	Qtr I	\$1,545,365		\$827,810		\$143,287			
	Qtr II	1,561,554		833,316		140,605			
	Qtr III	1,570,427		836,699		137,484			
	Qtr IV	1,595,680		851,747		139,987			
2008	Qtr I	\$1,600,904		\$850,547		\$138,076			
	Qtr II	1,621,724		851,927		137,257			
	Qtr III	1,622,134		850,189		133,664			
	Qtr IV	1,598,968		830,560		123,338			
2009	Qtr I	\$1,571,784		\$807,779		\$115,784			
	Qtr II	1,574,645		803,695		111,080			
	Qtr III	1,567,694		796,181		113,606			
	Qtr IV	1,576,477		799,005		114,466			
2010	Qtr I	\$1,596,980		\$803,317		\$118,293			
	Qtr II	1,613,063		810,939		116,681			
	Qtr III	1,621,134		816,991		118,972			
a/ Seasonally adjusted.									
b/ Estimates by the U.S. Bureau of Economic Analysis.									
c/ Taxable sales estimates for 2009:Q4, 2010:Q1, Q2, and Q3 are preliminary.									

## ECONOMIC INDICATOR CHARTS

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

### TECHNICAL NOTE

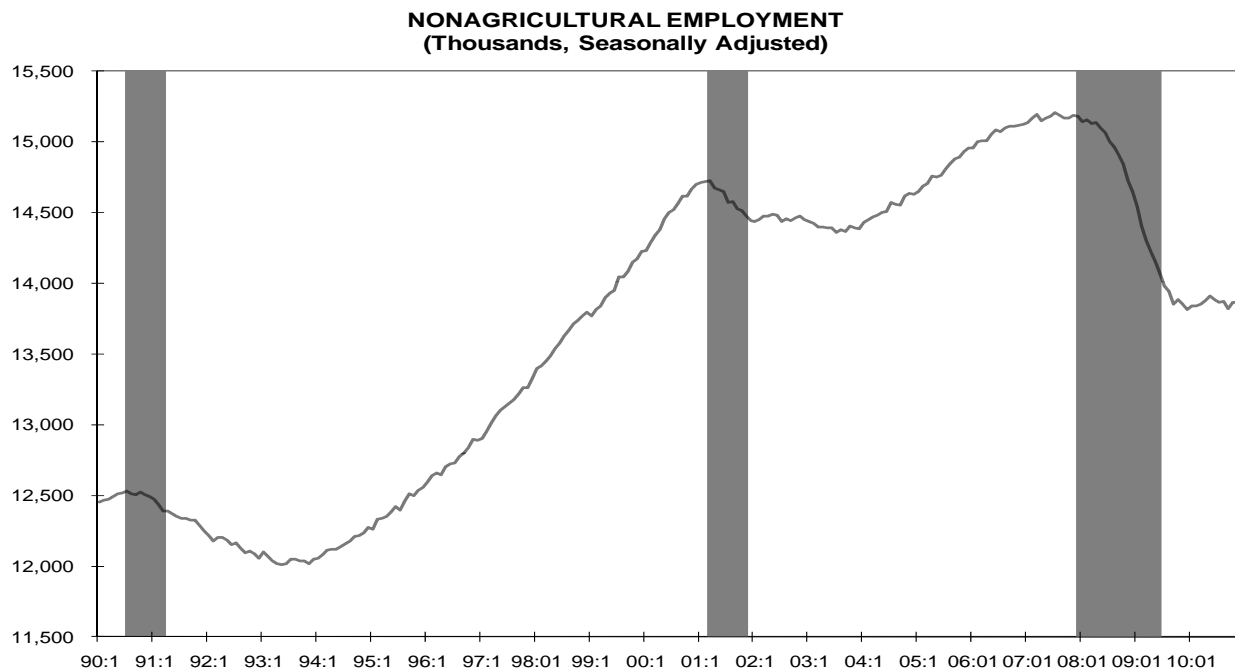
Whenever appropriate, data used in the charts have been seasonally adjusted. The method of seasonal adjustment is the X-12 Arima program. Persons interested in a detailed description of this method are referred to the U.S. Census Bureau's Statistical Research Division.

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.

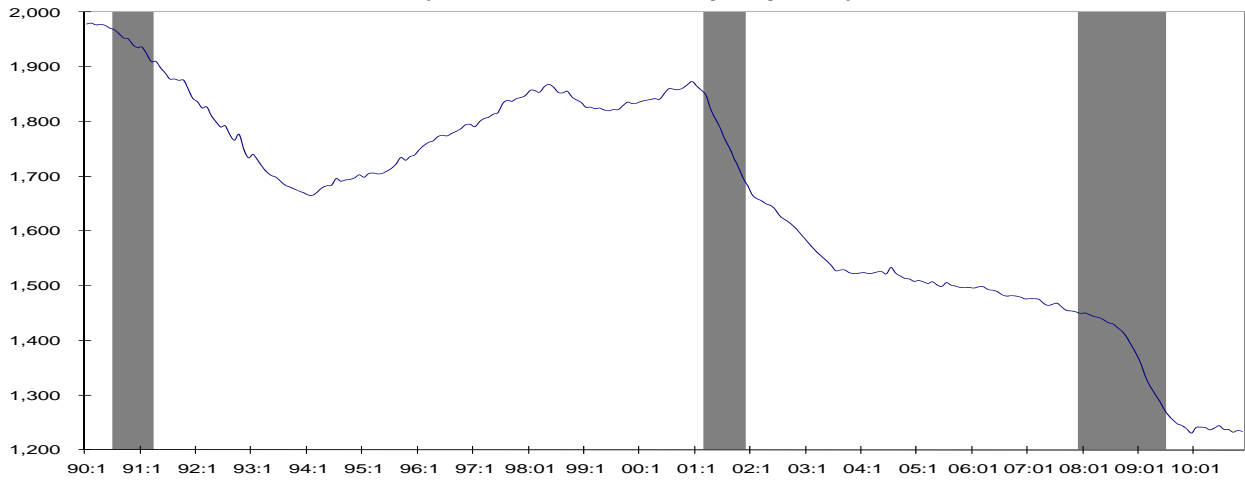
The manufacturing employment series is an addition to the NBER indicator list. It is used here because it appears to show cyclical fluctuations clearly and extends the limited number of series presently available for the State.

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.

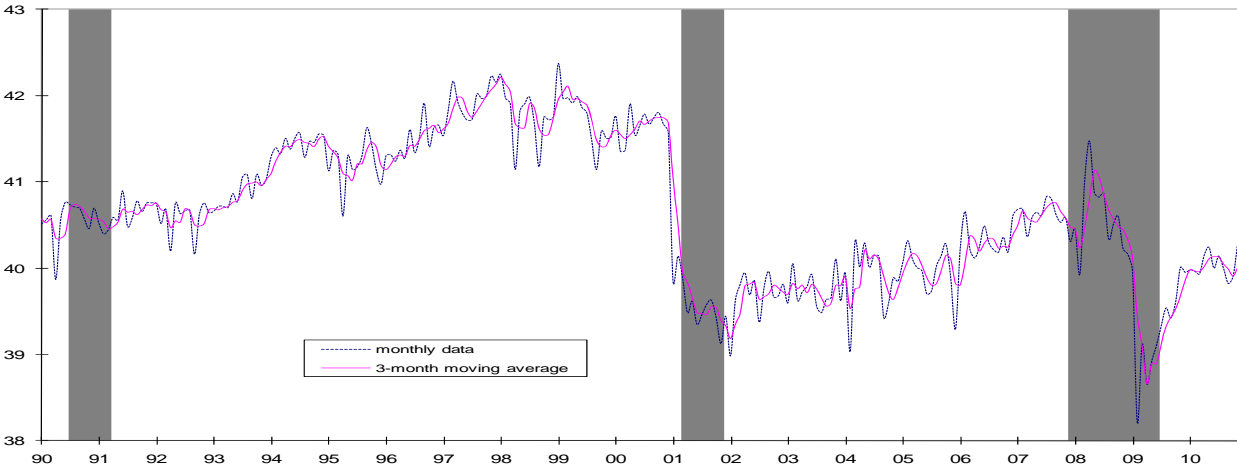
The other indicators shown are for general interest only. They are not directly related to the cyclical indicator series, but are of interest to persons looking at overall economic developments.



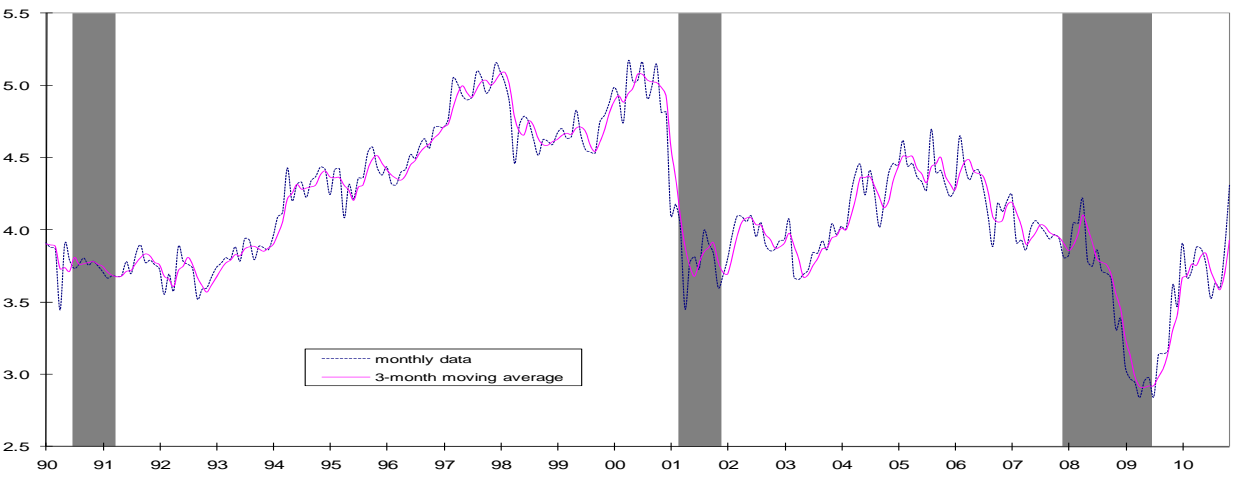
**MANUFACTURING EMPLOYMENT  
(Thousands, Seasonally Adjusted)**



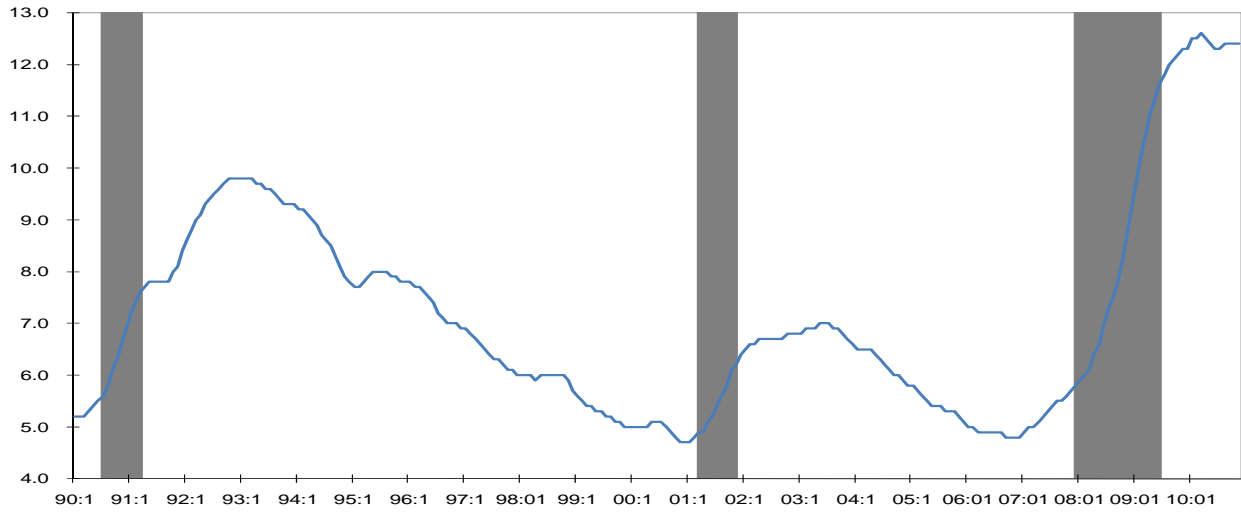
**AVERAGE WEEKLY HOURS, MANUFACTURING  
(Seasonally Adjusted)**



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



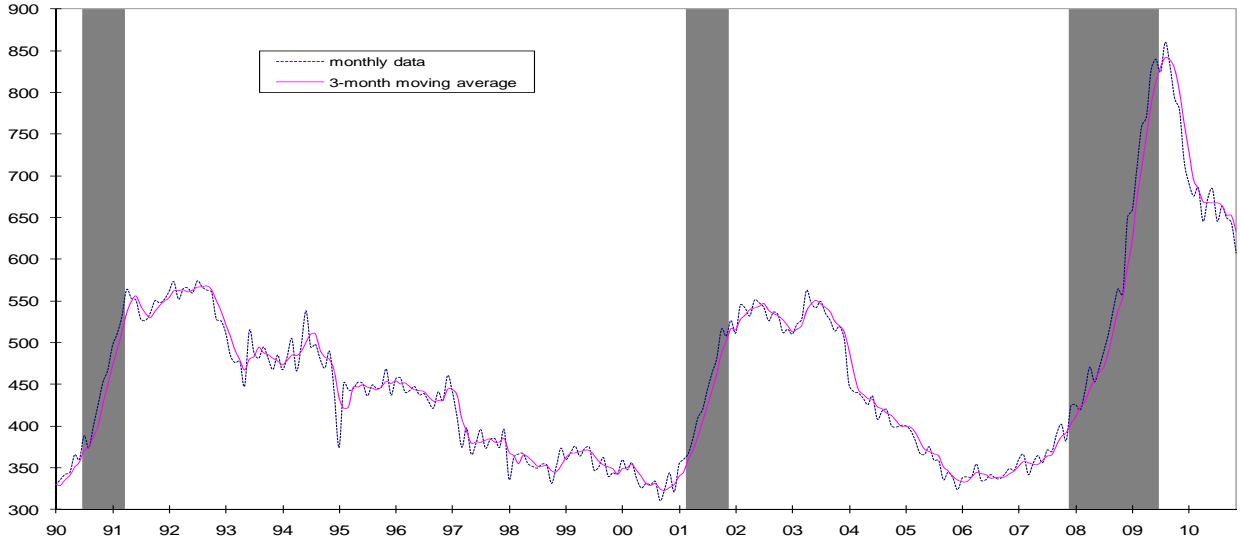
**UNEMPLOYMENT RATE  
(Percent)**



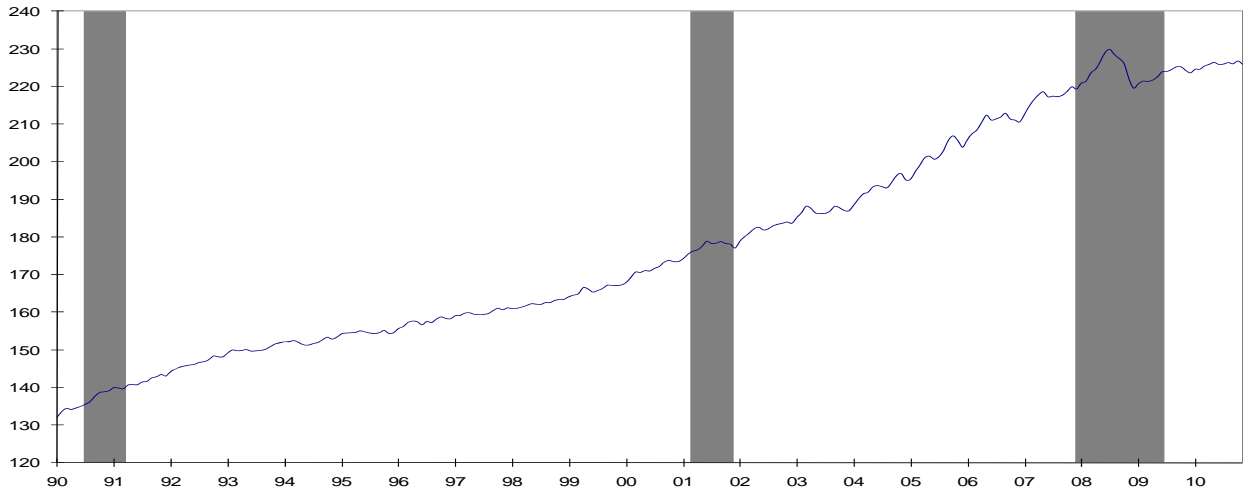
**INITIAL AND TRANSITIONAL CLAIMS FOR UNEMPLOYMENT INSURANCE  
(Weekly Average, Seasonally Adjusted)**



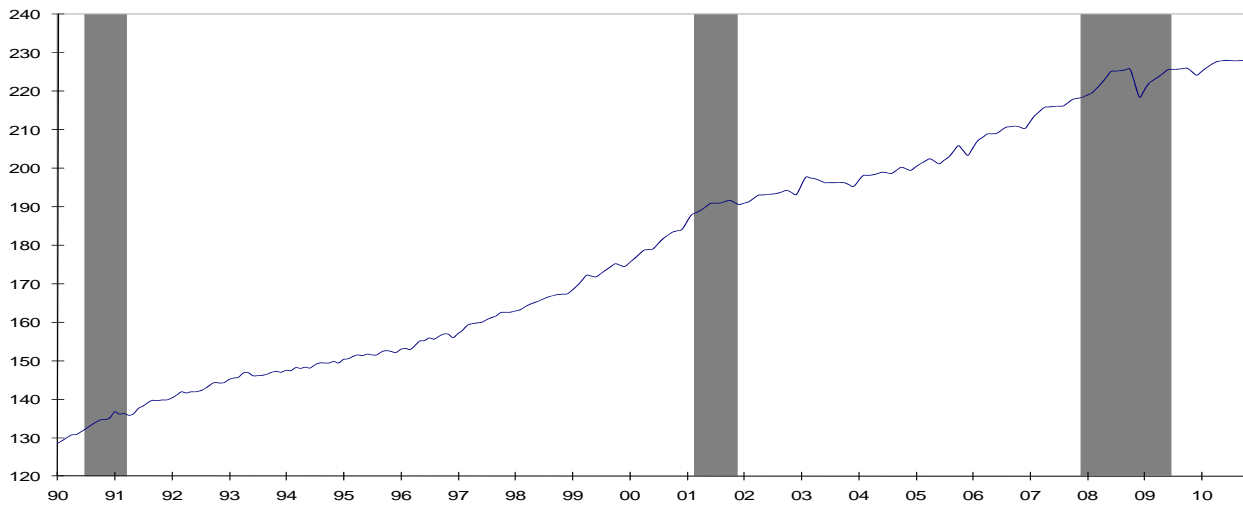
**UNEMPLOYMENT, AVERAGE WEEKS CLAIMED  
(Thousands, Seasonally Adjusted)**



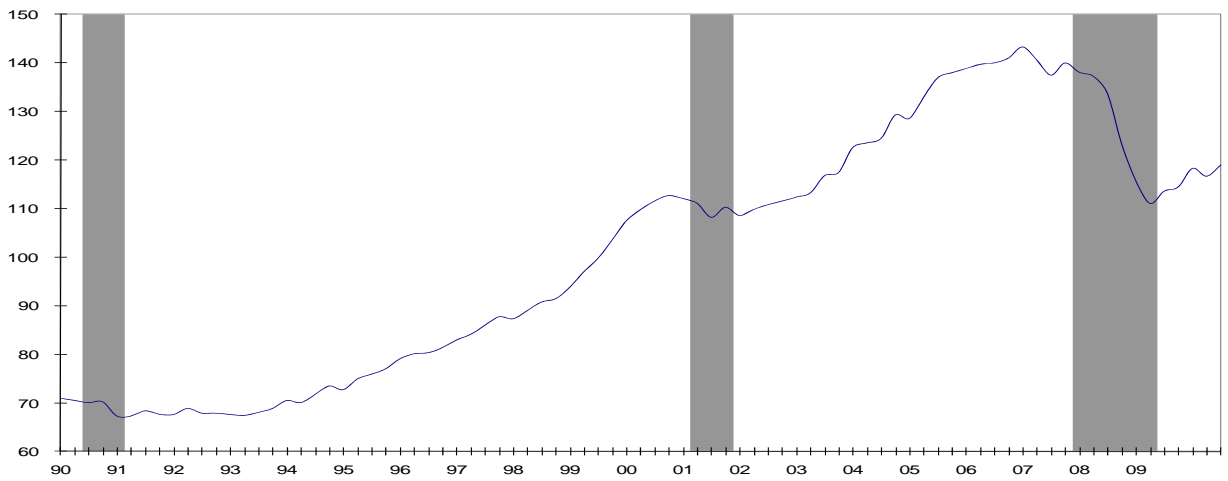
**CONSUMER PRICE INDEX, LOS ANGELES  
(1982-84=100)**



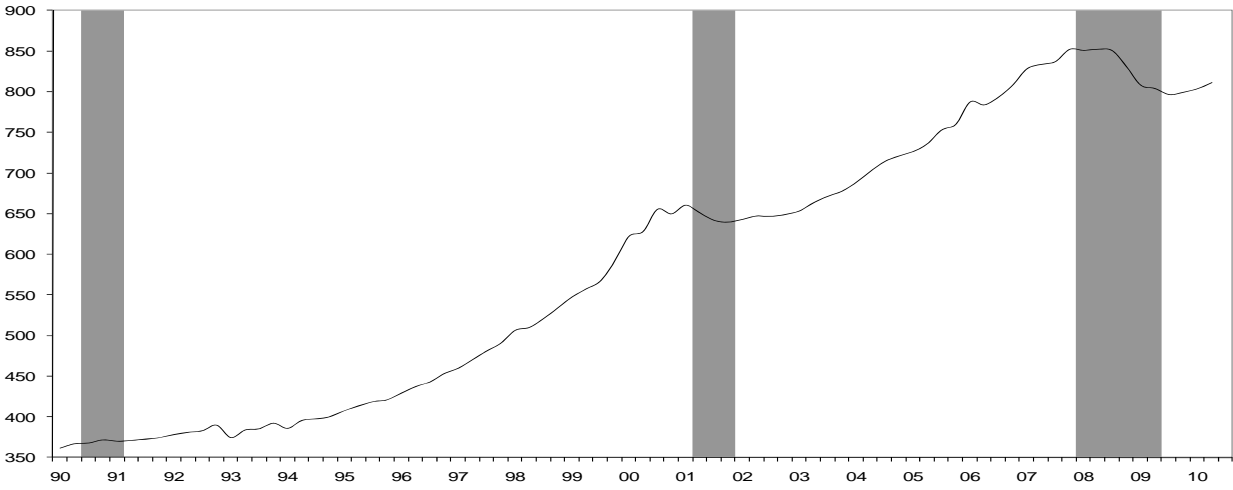
**CONSUMER PRICE INDEX, SAN FRANCISCO  
(1982-84=100)**



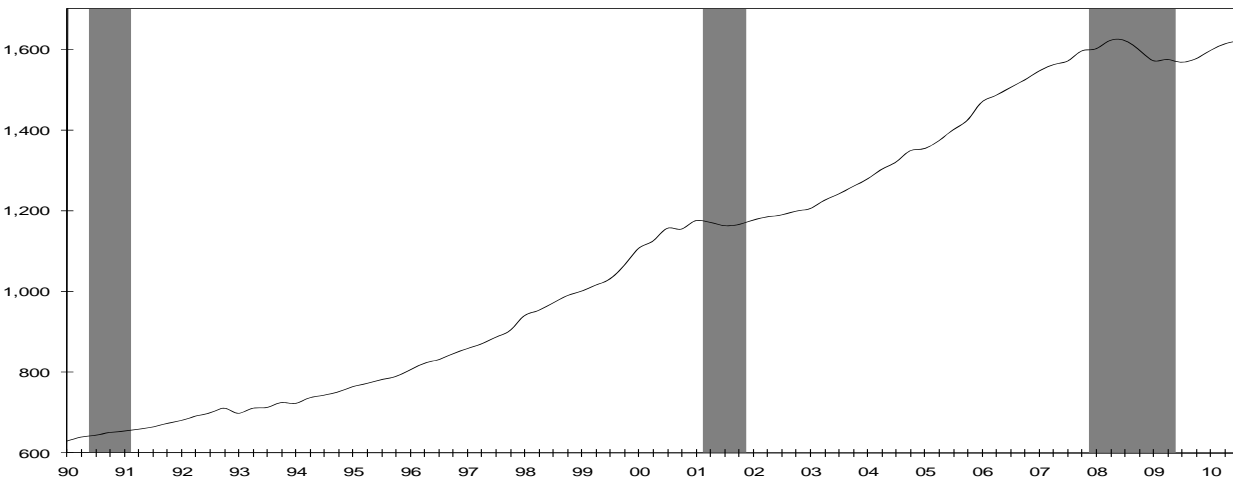
**TAXABLE SALES  
(\$ Billions, Seasonally Adjusted)**



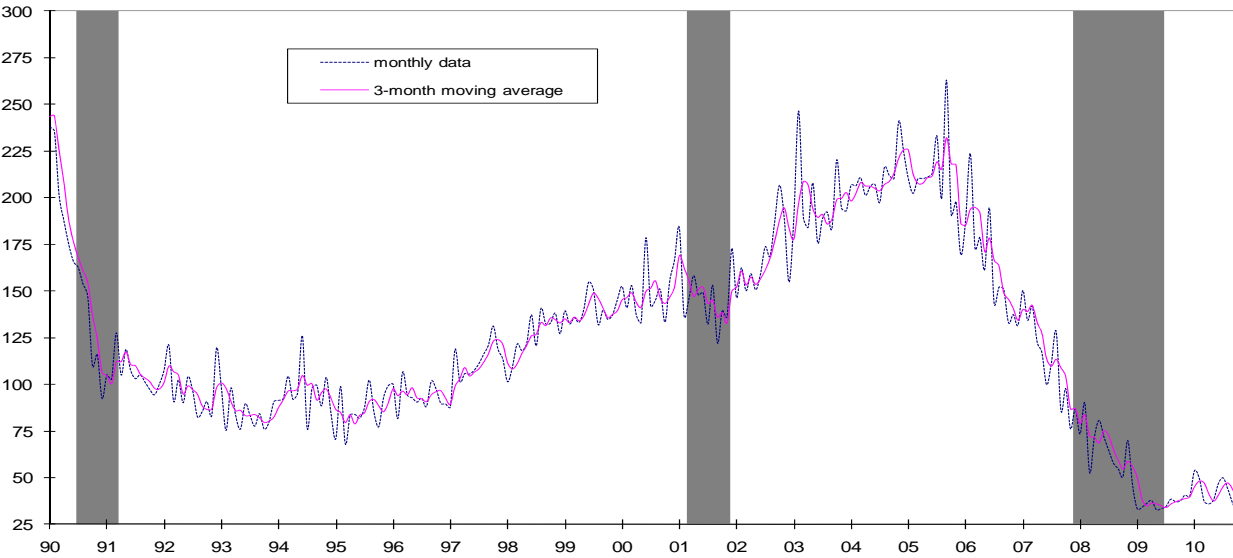
**TOTAL WAGES AND SALARIES**  
**(\$ Billions, Seasonally Adjusted)**



**PERSONAL INCOME**  
**(\$ Billions, Seasonally Adjusted)**



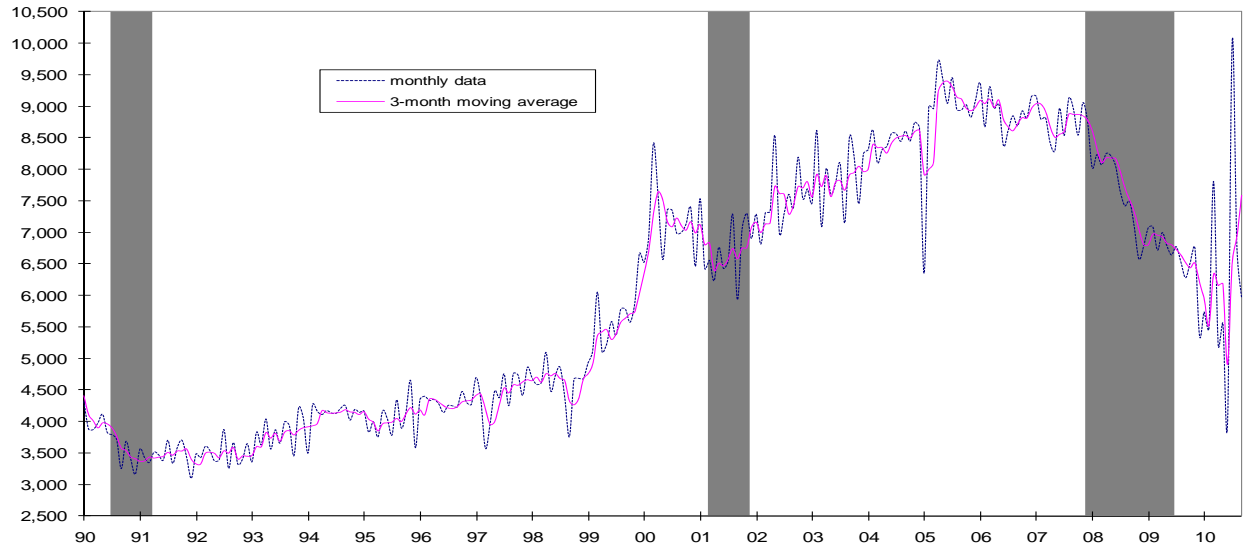
**NEW HOUSING UNITS AUTHORIZED BY BUILDING PERMITS**  
**(Thousands, Seasonally Adjusted At Annual Rate)**



**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	June	2009	73	18	91

## 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 <sup>th</sup> 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.

### ---2009---

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.
November 6	Jobless benefit extended.  Homebuyer tax credit extended and expanded.
December 22	Third quarter GDP annual growth rate is 2.2%, per final estimate.

December 31 Down 25 percent at its March 9, 2009 nadir, the Dow Jones industrial average rose 59 percent, and finished the year up 19 percent. The Nasdaq increased 79 percent and ended 2009 up 44 percent. The S&P 500 rose 65 percent, finishing the year up 23 percent.

### ---2010---

January 13 S&P lowered California's bond rating to A- from A.

January 28 The Senate confirmed Federal Reserve Chairman Ben Bernanke's second term.

February 18 The Federal Reserve raised the discount rate charged to banks for direct loans by a quarter point to 0.75 percent.

February 26 Fourth quarter GDP increased at an annual rate of 5.9 percent.

February 27 Chile earthquake

March 23 Obama signs landmark health care overhaul bill.

April 2- BP massive oil spill in the Gulf of Mexico.

April 14-20 Ash clouds from an Icelandic volcano shut down airports across Europe.

April 15 Obama signs extension of jobless benefits.

April 30 First quarter GDP increased at an annual rate of 3.2 percent.

May 27 Revised first quarter GDP increased at an annual rate of 3.0 percent.

July 21 The Wall Street Reform and Consumer Protection Act was signed into law by President Obama.

July 22 President Obama signed a six-month extension of emergency jobless benefits for the long-term unemployed.

July 30 Second quarter GDP increased at an annual rate of 2.4 percent. In the first quarter, GDP increased 3.7 percent.

September 16 US poverty rate jumped to 14.3% in 2009, its highest level since 1994, and the 43.6 million Americans in need is the highest number in 51 years of record-keeping, according to the Census Bureau.

September 20 The US recession ended in June 2009, according to the NBER.  
Californians' income falls for the first time since WWII.

September 30 Second quarter GDP increased at an annual rate of 1.7 percent. In the first quarter, GDP increased 3.7 percent.

October 15 In 2011, for the second straight year, there will be no inflation-based increase in Social Security benefits.

- November 3 The Federal Reserve announced a second round of quantitative easing through the purchase of \$600 billion in long term Treasury bonds.
- December 17 President Obama signed into law an extension of the existing federal income tax cuts and long-term unemployment benefits. The bill also includes a 2% rollback of Social Security payroll taxes.
- December 22 Third quarter GDP increased at an annual rate of 2.6 percent.  
In the second quarter, GDP increased 1.7 percent