



CALIFORNIA Economic Indicators

March-April 2011

The Job Picture Improves

2011 starts off with welcome employment news.

REVIEW OF RECENT ECONOMIC DEVELOPMENTS

The state's economy was definitely growing as 2011 got underway. California labor markets improved. The unemployment rate fell to 12.4 percent, and nonfarm employment increased for the fourth consecutive month. Commercial construction improved. However, weak real estate markets and disappointing home building are dampening the pace of recovery.

EMPLOYMENT

Job gains kick off 2011

California job gains that started at the close of 2010 continued at the beginning of 2011.

California [gained 12,500 nonfarm jobs in January](#)—the fourth in a string of monthly job gains that averaged 30,800. This trend may not persist as January job estimates have historically been volatile.

Five major industry sectors added jobs in January. Trade, transportation, and utilities added 19,200 jobs; construction, 17,800; government, 3,000; manufacturing, 1,000; and mining and logging, 800.

Six sectors lost jobs. Information lost 9,600 jobs; professional and business services, 6,900; other services, 5,400; financial activities, 5,100; leisure and hospitality, 1,700; and educational and health services, 600.

California gained 102,100 jobs from January 2010 to January 2011 (0.7 percent)—the strongest year-over-year job growth since July 2007.

Employment rose 60,400 in professional and business services; 47,600 in educational and health services; 29,800 in trade, transportation, and utilities; 23,100 in leisure and hospitality; 8,400 in information; 4,700 in manufacturing; and 1,100 in mining and logging.

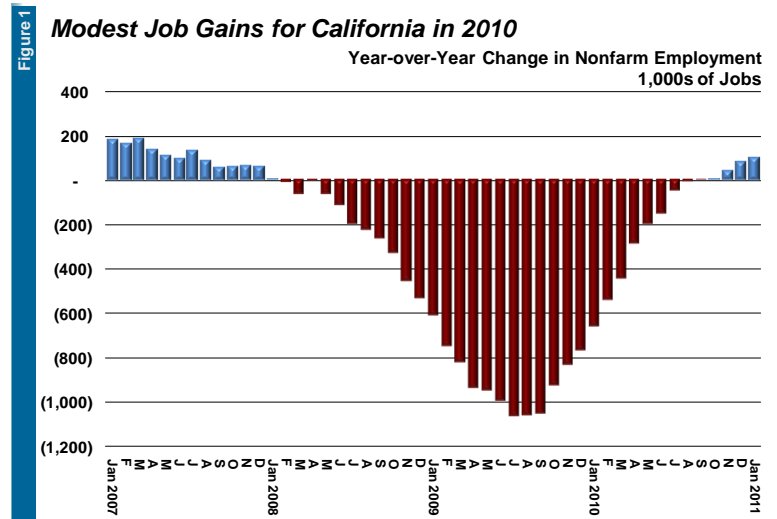
Over the year, employment fell 49,700 in government; 10,400 in construction; 7,200 in other services; and 5,700 in financial activities.

Unemployment dips

The state's unemployment rate fell to 12.4 percent in January. The number of people unemployed in California was 2,247,600—down 24,900 over the month, but up 7,100 compared with January of last year. The national unemployment rate fell by 0.4 percentage point to 9.0 percent in January.

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Job gains that started at the end of 2010 carried over to the beginning of 2011.

BUILDING ACTIVITY

Home building up despite slow start to 2011

Home building slowed in January following an end-of-the-year surge in December 2010 to beat the imposition of new building codes that took effect at the beginning of 2011. However, the average pace of permitting during the three months ending with January was up 22 percent from the same period a year earlier.

Residential permits were issued at a seasonally adjusted annual rate of 54,215 units in January, down almost 17 percent from December. Single-family permits fell 35.4 percent, while multi-family permitting was up 10.1 percent.

Nonresidential construction permitting, on the other hand, rose 13.6 percent in January on a year-over-year basis, based on strong resurgence in the store, industrial, and other categories.

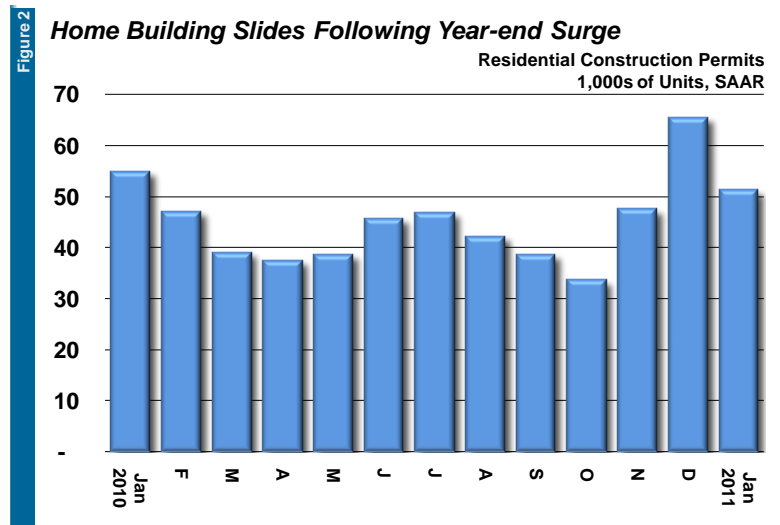
REAL ESTATE

Mixed news for real estate markets

Sales of existing, single-family detached homes improved for the third consecutive month in January. Sales totaled 546,420 units at a seasonally adjusted annualized rate and were up 2.5 percent from a year earlier.

Home prices softened considerably in January. The median price of existing, single-family homes sold in January was \$278,900, down 2 percent from January 2010.

The unsold inventory index rose to 6.7 months in January. The median number of days needed to sell a home rose to 61.8 days—nearly double the time needed a year earlier when federal and state home buyer incentives were in effect. (Source: [California Association of Realtors](#))



After a surge at the end of 2010, home building slowed in January.

CALIFORNIA'S LINK WITH JAPAN

The Tohoku Pacific earthquake and tsunami which struck Japan on March 11 was the most serious natural disaster to hit Japan since the Kobe earthquake of 1995. The 9.0 magnitude quake was stronger than the 7.3 magnitude of the Kobe earthquake. Early damage cost estimates run up to \$200 billion or around 4% of Japanese GDP—compared to \$100 billion for the Kobe quake.

Given Japan's importance to the global economy, there is concern about the economic ripple effects that could result. This is of special concern to California since its economic links with Japan are historically broad and deep. They include integrated two-way trade in high-technology goods, extensive vehicle imports, lucrative agricultural exports, and tourism. Japan is the state's fourth-largest foreign market for its goods exports, falling behind neighboring Mexico and Canada, and the trade-giant China. California is also a very popular vacation destination for the Japanese tourists, just as Japan is for Californians.

CALIFORNIA TRADE WITH JAPAN

Significant Imports from Japan

- Vehicles & Auto Parts
- Computers, Peripherals & Machinery
- Electrical Equipment & Electronic Components
- Optical & Medical Instruments
- Rubber & Rubber Products

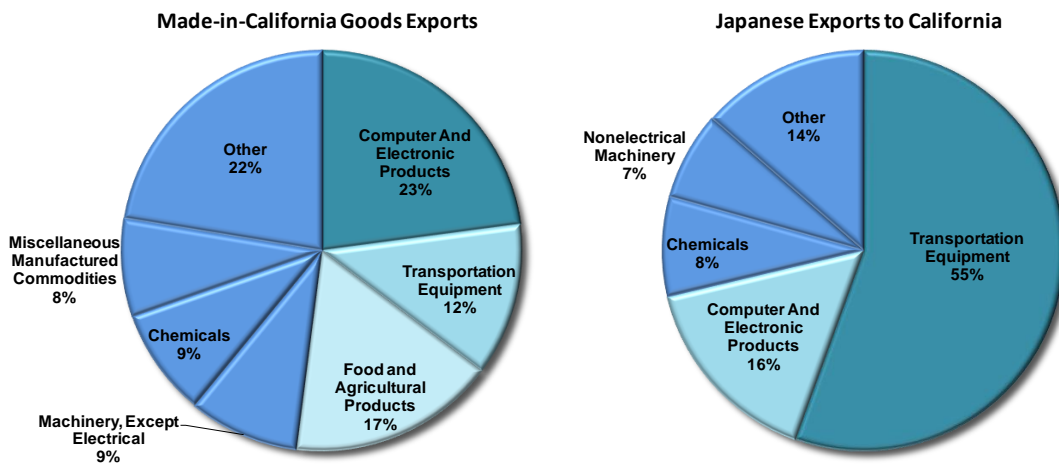
Major Exports to Japan

- Optical & Medical Instruments
- Aircraft & Parts
- Computers, Peripherals & Machinery
- Electrical Equipment & Electronic Components
- Plastics & Plastic Products
- Rice & Almonds

Made-in-California goods exports to Japan totaled \$12.2 billion in 2010—an 11.7 percent rebound from a recession-ravaged 2009. The biggest gains in absolute dollar terms were in computer and electronic products, transportation equipment, nonelectrical machinery, miscellaneous manufactured commodities, and petroleum and coal products. Japanese goods exports destined for California totaled \$40.7 billion in 2010¹. This was a 21-percent increase from the prior year. This jump reflected an incomplete economic recovery since imports from Japan plummeted nearly 40 percent in 2009. Imports from Japan are dominated by motor vehicles, motor vehicle parts (including tires) and a wide range of high-technology machinery and consumer electronics products.

Figure 3

California Trade with Japan in 2010



Fortunately, both Japan and California are large, modern, sophisticated industrial economies. As such, they have tremendous resilience. Both learned lessons from similar experiences in the past. Many companies have contingency plans to deal with interruptions of their supply chains and distribution systems.

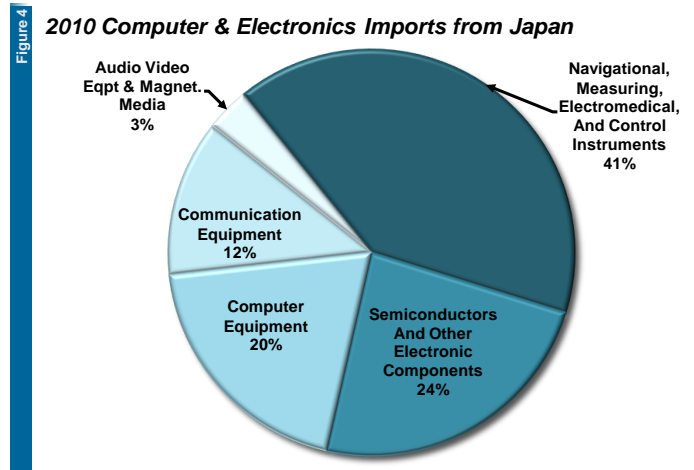
¹ According to the U.S. Department of Commerce "In certain cases, the state of destination may not reflect the final location for which the imported goods are destined. Rather for these shipments, the state of destination, as known at the time the entry documentation is filed, may reflect an intermediary, storage or distribution point."

The most recent example was the Kobe earthquake, which affected a more concentrated industrial area. Thanks to Japan's ability to adapt and reconfigure, the quake barely registered on its overall economic output. Industrial output fell 2.6 percent in the month of the quake and retail sales fell 1.4 percent. In the five quarters following the earthquake, Japanese GDP rose by an average of 0.7 percent per quarter, and industrial output in the Kobe region regained 98 percent of its pre-quake level within 18 months. The Japanese economy is also large enough—about \$5 trillion a year—to easily absorb rebuilding costs of the recent quake (according to the latest estimates available).

For California specifically, the effects won't likely be severe. The negative effects might more or less balance the positives. A shortage of key electronics components might temporarily affect some high-technology firms. Given, their dependence on Japanese suppliers, Silicon Valley high-tech firms have very likely developed contingencies for disasters such as this. Exports associated with rebuilding—like construction materials and equipment, engineering services, and food—may increase in the near term. If significant disruptions of car exports develop, U.S. car makers could benefit, but may also reduce California port activity. The effect on tourism is difficult to assess. Japanese outbound tourism is especially sensitive to crises. There may be a significant reduction of Japanese visits to California. On the other hand, fewer tourists may visit Japan, which could mean more tourist or vacation spending in California.

COMPUTER AND ELECTRONIC PRODUCTS

Despite the devastation, high-tech industry experts don't anticipate long-term effects on the supply chain that connects Japan with the Silicon Valley. Japan is a major supplier of electronic components to the Silicon Valley. Japan is a key, and sometimes dominant, producer of many components—such as flash memory—that are vital to many high-technology products such as PCs, and smart phones. Fortunately, most of the manufacturing centers are in southern Japan and thus far away from the stricken areas. There was brief interruption in production right after the earthquake. Chip prices rose in response to the brief shutdown, but they shouldn't affect final consumer prices. The biggest threat would be extended problems with Japan's energy grid. Otherwise, expectations are that Japanese producers will quickly work around the current difficulties.



FOOD AND AGRICULTURAL PRODUCTS

Japan remains a significant export market for California agricultural products. Japan receives of about 12 percent of California's agricultural exports, which puts it third in importance behind the European Union and Canada. Japan is a major consumer of California rice, fruits and nuts. It buys roughly a quarter of the state's rice crop, much of it grown in the Sacramento Valley. It buys millions of pounds of California almonds. Rice and almonds combined account for nearly one-third of total California farm exports to Japan.

California Agricultural Exports to Japan, 2007

	<u>\$ Millions</u>		<u>\$ Millions</u>
Rice	141	Cottonseed	7
Almonds	120	Cauliflower	7
Lemons	79	Table Grapes	6
Hay	78	Raspberries	6
Dairy and Products	58	Melons	5
Wine	55	Asparagus	4
Walnuts	52	Onions	4
Oranges and Products	44	Dry Beans	4
Broccoli	35	Lettuce	3
Beef and Products	33	Olives	3
Strawberries	32	Tangerines and Nectarines	2
Dried Plums	32	Apricots	2
Cherries	31	Flowers and Nursery	2
Grapefruit	31	Grape Juice	2
Raisins	31	Figs	2
Tomatoes, Processed	18	Celery	1
Cotton	12	Fresh Tomatoes	1
Pistachios	11	Garlic	1
		Kiwifruit	1

PORT ACTIVITY

Activity at and related to the ports of Los Angeles and Long Beach are a major component of the Los Angeles area economy. The ports together handle nearly 25 percent of total trade between Japan and the U.S. With two-way trade valued at over \$48 billion, Japan was the Los Angeles Customs District's second largest trading partner in 2010. Total Japanese imports unloaded were \$35.6 billion and U.S. exports to Japan through the southern California ports totaled \$12.7 billion.

Automobile imports dominate inbound shipments from Japan. Supply and energy concerns caused some temporary production interruptions immediately after the earthquake that extended to the end of March and early April. Toyota—the world's biggest automaker— Honda, and Nissan all briefly stopped production at their plants in northeastern Japan. Significant damage also effected the shipment of auto parts from Japan. The disaster-stricken northeast houses many third tier parts-makers —machine shops that make parts for secondary suppliers.

SERVICES

The importance of Japan to California goes beyond the goods trade. The export of services has been steadily rising in importance to the nation and California. The value of service exports from the U.S. to Japan rose from \$33.2 billion in 2000 to \$46.6 billion in 2010. For every \$100 of U.S. goods sold to Japan, there was an additional \$65 of services sold during those years—rising from \$52 in 2000 to \$76 in 2010. Given its extensive commercial relationships with Japan, California's service/goods ratio most likely equals or exceeds the nation's. Thus, the export of California services to Japan in 2010 may have totaled over \$9 billion.

Tourism

Tourism makes up a sizable part of this service trade that could be significantly impacted by the crisis in the near term. Los Angeles County is home to the largest Japanese-American Community in the U.S. Naturally, California is a popular destination for Japanese tourists. California annually receives from 400,000 to over 600,000 visitors from Japan—about 16 percent of all Japanese visitors to the nation as a whole. In 2009, the average Japanese visitor to California stayed 7 nights and spent \$153 per day, according to the California Travel & Tourism Commission. According to preliminary data for 2010, California received 557,000 visitors from Japan who spent approximately \$1,100 per trip, which translated into approximately \$605 million of economy activity.

Select Indicators

	2010			2011		Year-Over % Change
	Feb	Nov	Dec	Jan	Feb	
EMPLOYMENT (Seasonally adjusted)						
Civilian employment (000)	15,953	15,878	15,878	15,905	15,917	-0.2%
Unemployment (000)	2,251	2,270	2,273	2,246	2,202	-2.2%
Unemployment rate	12.4%	12.5%	12.5%	12.4%	12.2%	--
Nonagricultural wage and salary employment (000) a/	13,859.6	13,937.0	13,958.7	13,959.4	14,055.9	1.4%
Goods-producing industries	1,843.0	1,822.4	1,822.1	1,841.0	1,860.2	0.9%
Mining and logging	25.8	26.8	26.4	27.0	27.1	5.0%
Construction	575.9	551.3	550.3	566.8	582.3	1.1%
Manufacturing	1,241.3	1,244.3	1,245.4	1,247.2	1,250.8	0.8%
Service-providing industries	12,016.6	12,114.6	12,136.6	12,118.4	12,195.7	1.5%
Trade, transportation, and utilities	2,610.3	2,622.2	2,621.3	2,639.4	2,648.5	1.5%
Information	424.6	438.9	442.5	433.9	449.4	5.8%
Financial activities	760.4	758.8	761.7	757.4	759.9	-0.1%
Professional and business services	2,045.3	2,096.6	2,106.0	2,105.5	2,145.2	4.9%
Educational and health services	1,765.0	1,806.5	1,813.0	1,812.2	1,814.2	2.8%
Leisure and hospitality	1,484.9	1,504.1	1,511.1	1,511.0	1,516.9	2.2%
Other services	484.0	484.8	483.5	477.7	481.5	-0.5%
Government	2,442.1	2,402.7	2,397.5	2,381.3	2,380.1	-2.5%
Federal government	258.7	254.9	254.3	254.1	254.1	-1.8%
State and local government	2,183.4	2,147.8	2,143.2	2,127.2	2,126.0	-2.6%
High-technology industries b/	818.6	832.0	833.2	822.7	827.1	1.0%
Computer and electronic products manufacturing	271.0	277.1	279.4	279.6	279.4	3.1%
Aerospace products and parts manufacturing	69.3	68.8	68.5	68.3	68.7	-0.9%
Software publishers	44.7	45.4	45.4	45.4	45.4	1.6%
Telecommunications	102.2	97.8	97.4	96.5	97.1	-5.0%
Internet service providers, web portals and data processing	18.9	19.6	19.7	19.7	19.8	4.8%
Computer systems design	195.4	205.1	205.2	195.8	198.0	1.3%
Scientific research and development	117.1	118.2	117.6	117.4	118.7	1.4%
HOURS AND EARNINGS IN MANUFACTURING (Not seasonally adjusted)						
Average weekly hours	39.2	40.4	40.9	40.8	40.8	4.1%
Average weekly earnings	\$733.04	\$772.04	\$785.28	\$788.66	\$789.48	7.7%
Average hourly earnings	\$18.70	\$19.11	\$19.20	\$19.33	\$19.35	3.5%
CONSUMER PRICE INDEX (1982-84=100) (Not seasonally adjusted)						
All Urban Consumers Series						
California Average	225.6	NA	227.5	NA	230.3	2.1%
San Francisco CMSA	226.1	NA	227.7	NA	230.0	1.7%
Los Angeles CMSA	224.6	225.9	226.6	228.7	229.7	2.3%
Urban Wage Earners and Clerical Workers Series						
California Average	218.3	NA	220.7	NA	223.7	2.5%
San Francisco CMSA	222.0	NA	224.2	NA	226.6	2.1%
Los Angeles CMSA	217.1	218.7	219.6	221.5	222.8	2.6%
CONSTRUCTION						
Private residential housing units authorized (000) c/	47	47	65	51	29	-39.0%
Single units	29	23	38	27	19	-33.3%
Multiple units	18	25	27	25	9	-48.2%
Residential building authorized valuation (millions) d/	\$13,929	\$13,772	\$18,641	\$16,081	\$11,810	-15.2%
Nonresidential building authorized valuation (millions) d/	\$11,049	\$11,245	\$11,403	\$12,593	\$12,248	10.9%
Nonresidential building authorized valuation (millions) e/	\$9,226	\$10,490	\$11,815	\$10,557	\$10,215	10.7%
Commercial	1,799	1,554	2,854	1,522	926	-48.6%
Industrial	409	59	188	993	636	55.7%
Other	1,257	2,152	1,808	1,838	2,214	76.2%
Alterations and additions	5,761	6,724	6,966	6,204	6,439	11.8%
2009						
2010						
Year-Over % Change						
AUTO SALES (Seasonally adjusted)						
New auto registrations (number)	76,772	83,742	87,697	93,976	100,001	30.3%
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, FOURTH QUARTER 2010									
(Percent)									
		Office Vacancy		Office Vacancy		Office Vacancy		Industrial Availability	
		Downtown		Suburban		Metropolitan			
		4Q10	4Q09	4Q10	4Q09	4Q10	4Q09	4Q10	4Q09
Northern and Central California:									
Oakland East-Bay		13.9	13.2	16.6	17.1	15.5	15.6	10.9	10.9
Sacramento		15.1	13.7	24.5	23.5	22.5	21.4	16.1	14.2
San Francisco		15.5	14.9	14.7	16.5	15.2	15.5	10.9	10.1
San Jose		20.5	22.5	19.7	22.2	19.9	22.3	16.2	16.8
Walnut Creek		NA	NA	17.5	17.0	17.5	17.0	16.3	16.4
Southern California:									
Inland Empire		NA	NA	23.5	24.3	23.5	24.3	14.3	15.4
Los Angeles Metro		17.7	16.6	17.6	15.7	17.6	15.8	7.7	8.3
Orange County		NA	NA	17.4	18.0	17.4	18.0	9.2	10.9
San Diego		17.3	16.6	19.5	21.5	19.1	20.7	16.4	16.0
Ventura County		NA	NA	23.0	24.0	23.0	24.0	NA	NA
National Average		14.6	14.5	18.9	18.7	17.4	17.3	13.3	13.2
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	2006-07	36,135	12.2%	
	Mar	582,930	422,300	13,954	27,815	2007-08	37,820	10.8%	
	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	\$284,600	532,870	\$11,973	\$22,934				
	Feb	278,190	518,390	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	449,480	14,968	29,851				
	Nov	296,690	491,590	14,527	31,003				
	Dec	305,020	520,080	16,190	28,404				
2011	Jan	\$279,140	547,080	\$14,372	\$27,307				
	Feb	271,320	497,660	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)
2006	Jan	4.3	40.2	41,098	9,362	188.8
	Feb	4.7	40.7	38,618	8,670	221.2
	Mar	4.5	40.2	42,535	9,303	173.7
	Apr	4.3	40.1	43,296	8,958	180.4
	May	4.4	40.2	42,917	9,032	161.8
	Jun	4.4	40.5	40,897	8,370	194.3
	Jul	4.3	40.3	42,401	8,613	144.3
	Aug	4.1	40.2	42,889	8,844	148.3
	Sep	3.9	40.2	42,269	8,686	152.7
	Oct	4.2	40.4	41,973	8,923	133.1
	Nov	4.1	40.2	43,011	8,815	138.2
	Dec	4.2	40.6	44,979	9,151	131.6
2007	Jan	4.2	40.7	42,230	9,153	151.0
	Feb	3.9	40.7	42,868	8,793	132.1
	Mar	3.9	40.4	43,457	8,818	144.4
	Apr	3.9	40.6	43,332	8,410	124.6
	May	4.0	40.6	45,294	8,290	117.7
	Jun	4.1	40.6	45,620	8,964	99.5
	Jul	4.0	40.8	45,088	8,532	110.4
	Aug	4.0	40.8	46,046	9,123	123.2
	Sep	3.9	40.6	46,872	8,945	88.2
	Oct	4.0	40.5	48,953	8,538	99.1
	Nov	3.9	40.6	48,198	9,051	77.5
	Dec	3.8	40.3	48,873	8,758	86.4
2008	Jan	3.8	40.5	49,489	8,026	73.6
	Feb	4.0	39.9	49,128	8,228	84.6
	Mar	4.0	41.0	49,957	8,068	54.3
	Apr	4.2	41.5	52,545	8,247	73.2
	May	3.8	40.9	52,539	8,210	81.1
	Jun	3.7	40.8	55,059	8,051	71.1
	Jul	3.9	40.9	59,953	7,649	62.3
	Aug	3.7	40.3	62,641	7,416	55.5
	Sep	3.7	40.5	63,690	7,489	56.5
	Oct	3.7	40.6	66,171	7,087	52.2
	Nov	3.3	40.2	71,143	6,574	74.3
	Dec	3.4	40.2	74,433	6,767	45.6
2009	Jan	3.0	40.0	77,165	7,067	33.7
	Feb	3.0	38.2	79,595	7,085	32.6
	Mar	2.9	39.1	80,165	6,713	37.9
	Apr	2.8	38.7	78,042	6,991	39.1
	May	3.0	38.9	75,808	6,782	33.8
	Jun	3.0	39.1	83,023	6,636	32.9
	Jul	2.8	39.3	83,177	6,769	33.2
	Aug	3.1	39.5	80,885	6,526	37.4
	Sep	3.1	39.4	88,144	6,275	38.2
	Oct	3.2	39.6	80,727	6,515	38.7
	Nov	3.6	40.2	73,328	6,748	41.5
	Dec	3.5	39.9	74,884	5,355	38.0
2010	Jan	3.9	40.0	83,870	5,732	55.0
	Feb	3.7	40.0	75,344	5,468	47.0
	Mar	3.7	39.9	83,623	7,803	38.9
	Apr	3.9	40.2	85,920	5,201	37.5
	May	3.9	40.2	84,299	5,552	38.7
	Jun	3.8	40.0	87,382	3,973	45.7
	Jul	3.5	40.1	84,744	10,037	46.8
	Aug	3.7	40.0	82,678	6,767	42.1
	Sep	3.6	39.8	90,139	5,951	38.7
	Oct	4.0	39.9	74,376	6,735	33.6
	Nov	4.4	40.2	70,994	6,063	47.5
	Dec	4.4	40.5	82,189	6,084	65.4
2011	Jan	4.6	41.1	70,917	NA	51.2
	Feb	4.6	41.6	70,643	NA	28.7

a/ Seasonally adjusted by the California Department of Finance.

NA Not available

ECONOMIC INDICATOR CHARTS

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

TECHNICAL NOTE

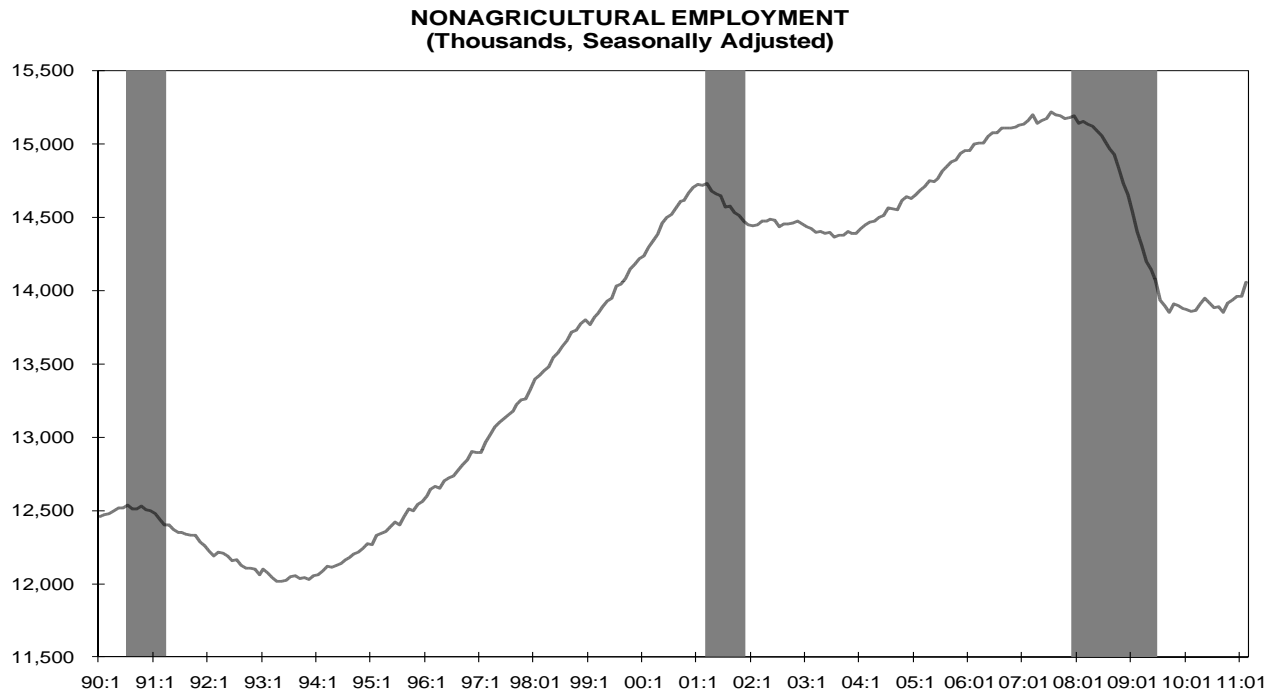
Whenever appropriate, data used in the charts have been seasonally adjusted. The method of seasonal adjustment is the X-12 Arima program. Persons interested in a detailed description of this method are referred to the U.S. Census Bureau's Statistical Research Division.

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.

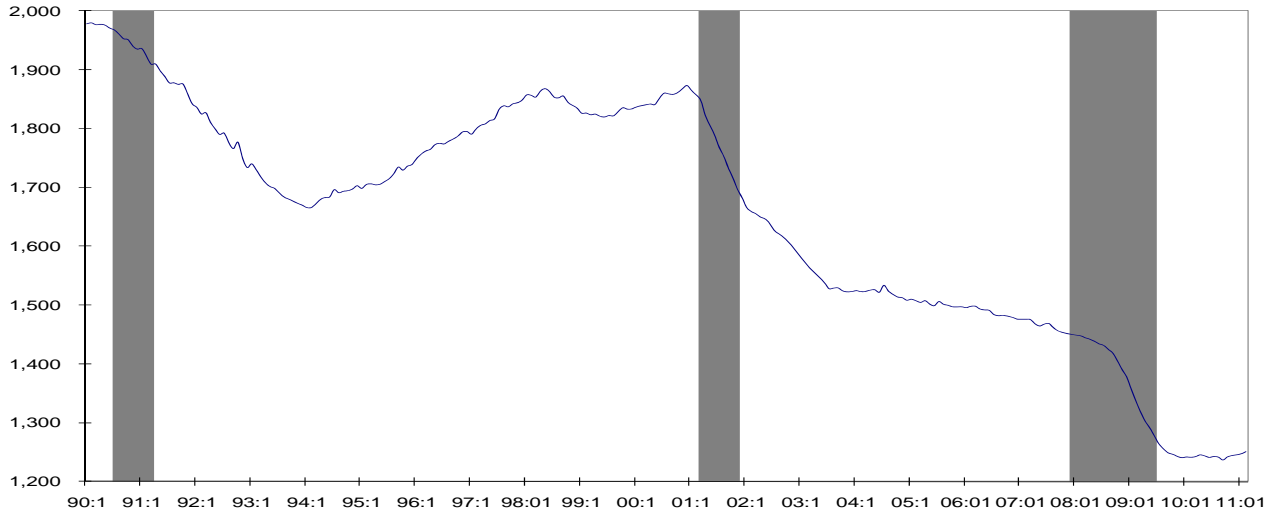
The manufacturing employment series is an addition to the NBER indicator list. It is used here because it appears to show cyclical fluctuations clearly and extends the limited number of series presently available for the State.

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.

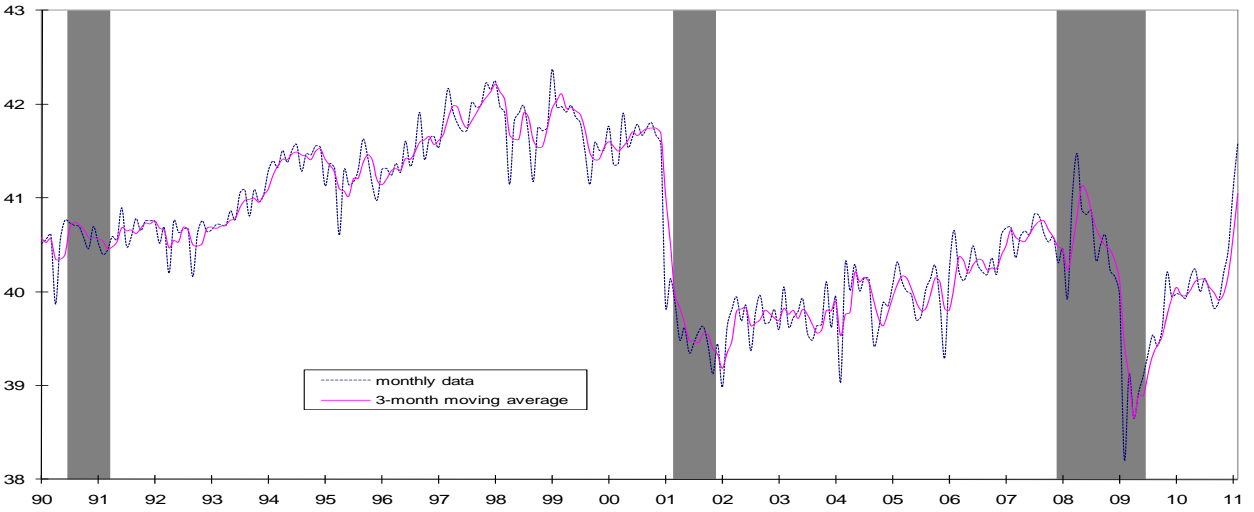
The other indicators shown are for general interest only. They are not directly related to the cyclical indicator series, but are of interest to persons looking at overall economic developments.



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



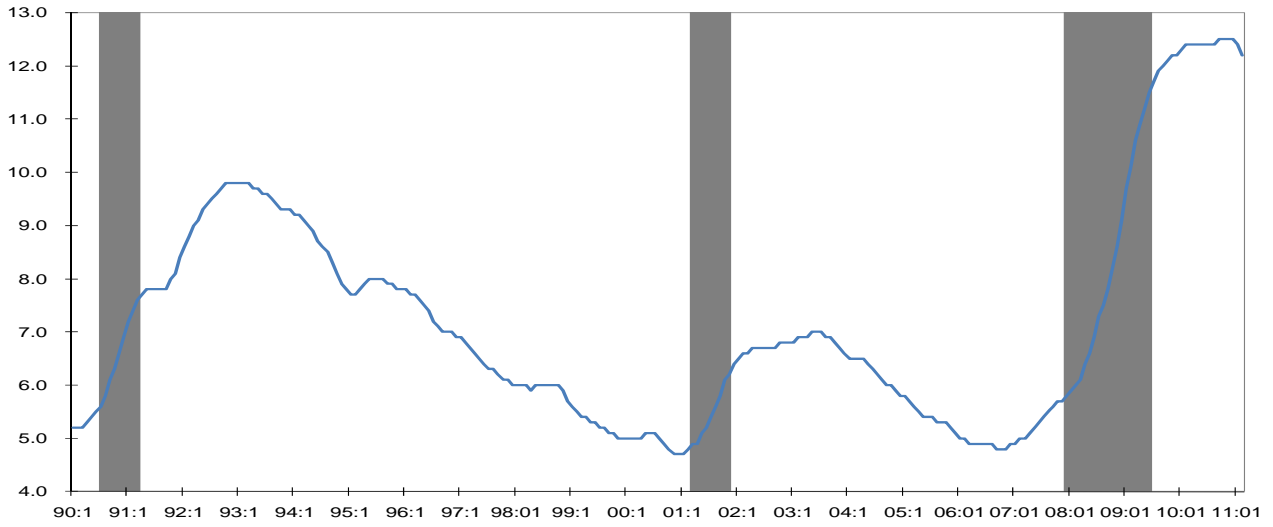
**AVERAGE WEEKLY HOURS, MANUFACTURING
(Seasonally Adjusted)**



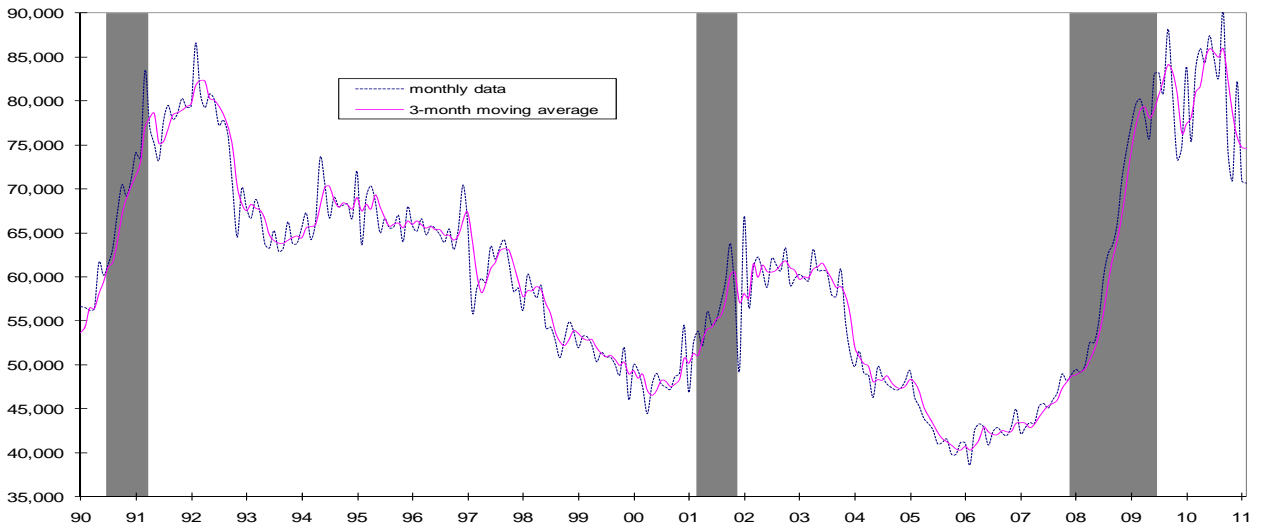
**AVERAGE OVERTIME HOURS, MANUFACTURING
(Seasonally Adjusted)**



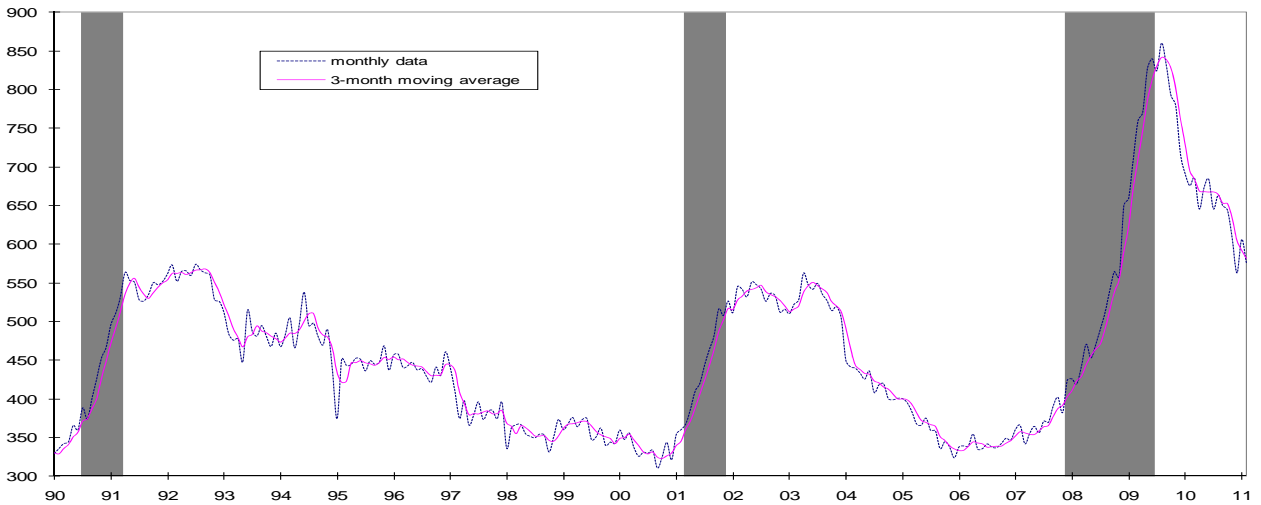
**UNEMPLOYMENT RATE
(Percent)**



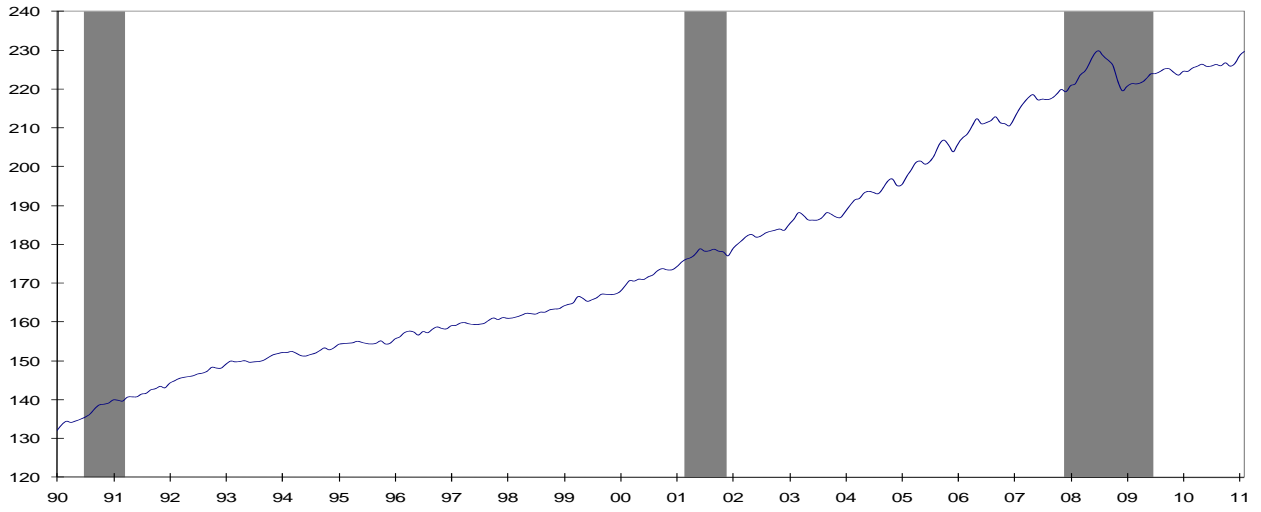
**INITIAL AND TRANSITIONAL CLAIMS FOR UNEMPLOYMENT INSURANCE
(Weekly Average, Seasonally Adjusted)**



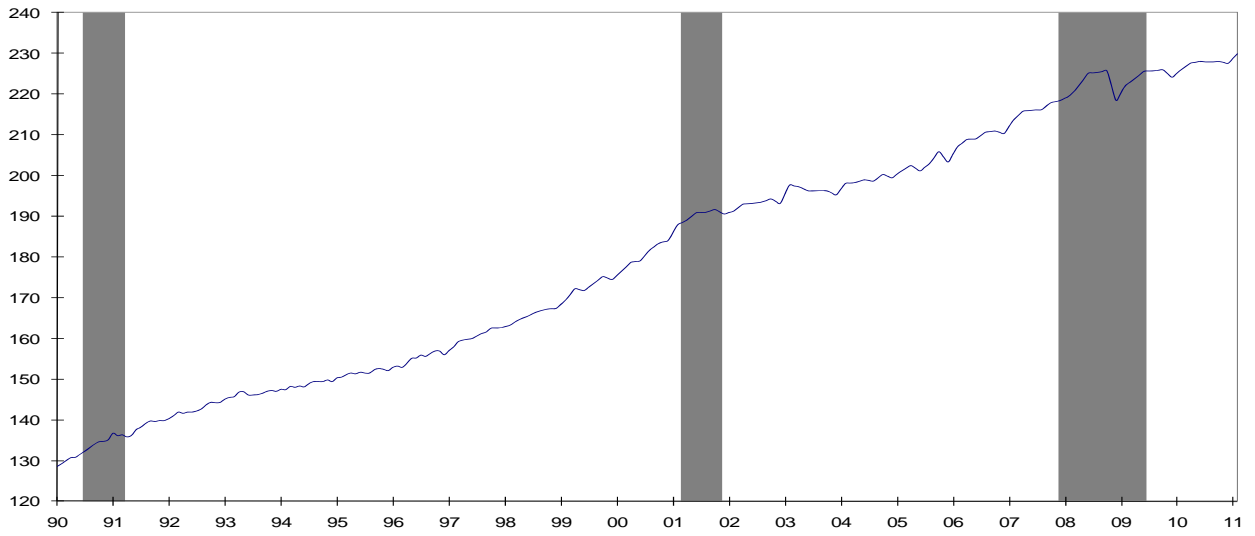
**UNEMPLOYMENT, AVERAGE WEEKS CLAIMED
(Thousands, Seasonally Adjusted)**



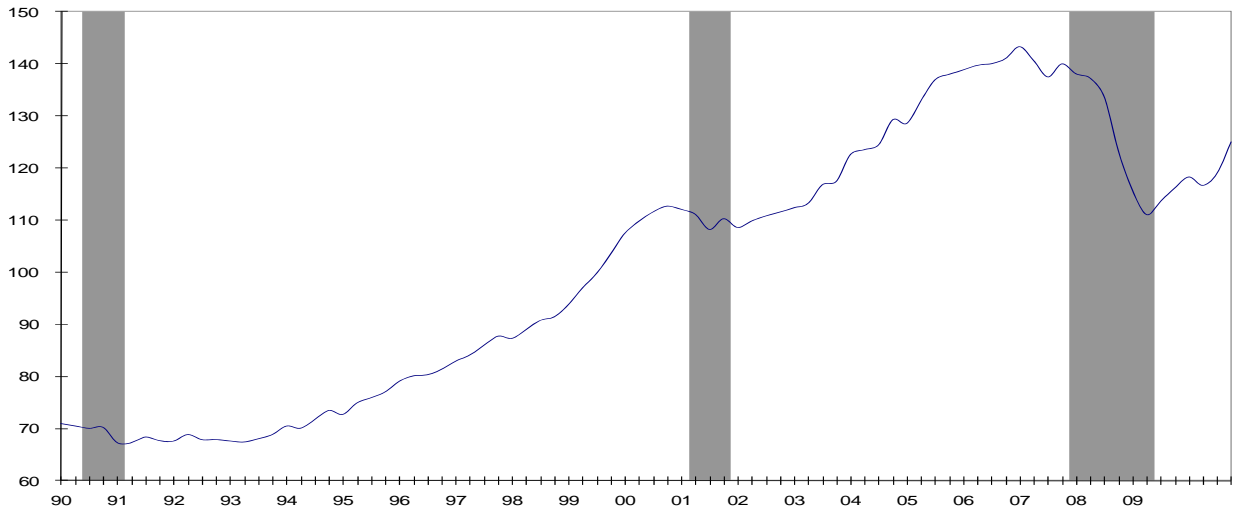
**CONSUMER PRICE INDEX, LOS ANGELES
(1982-84=100)**



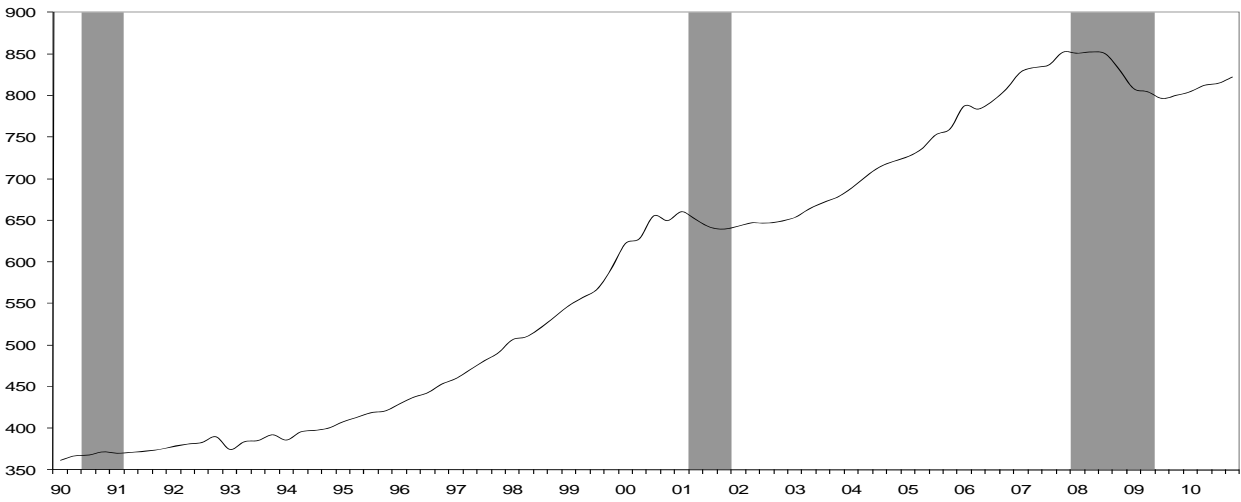
**CONSUMER PRICE INDEX, SAN FRANCISCO
(1982-84=100)**



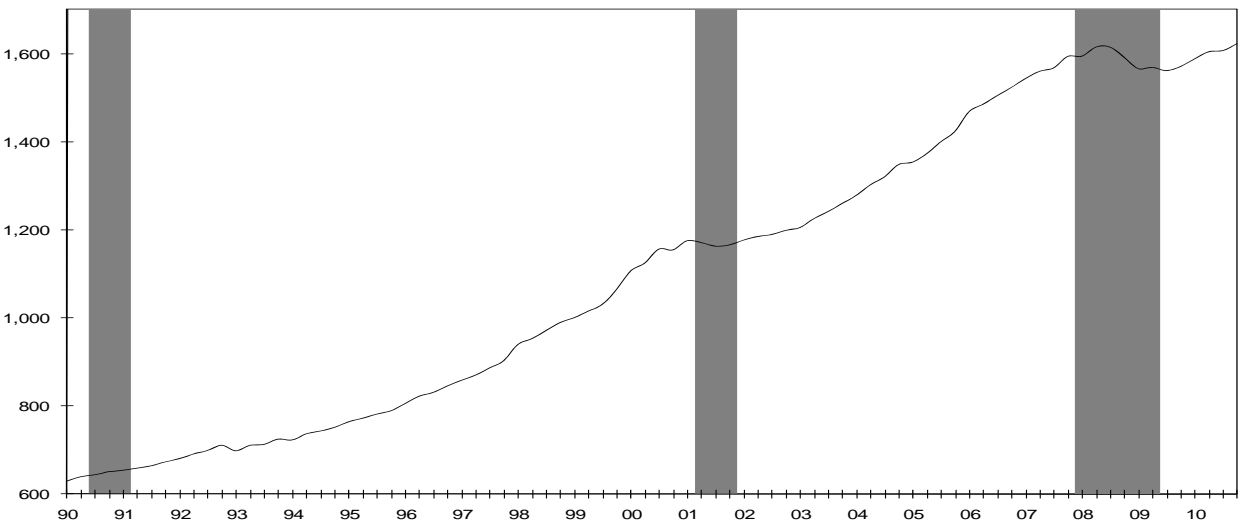
**TAXABLE SALES
(\$ Billions, Seasonally Adjusted)**



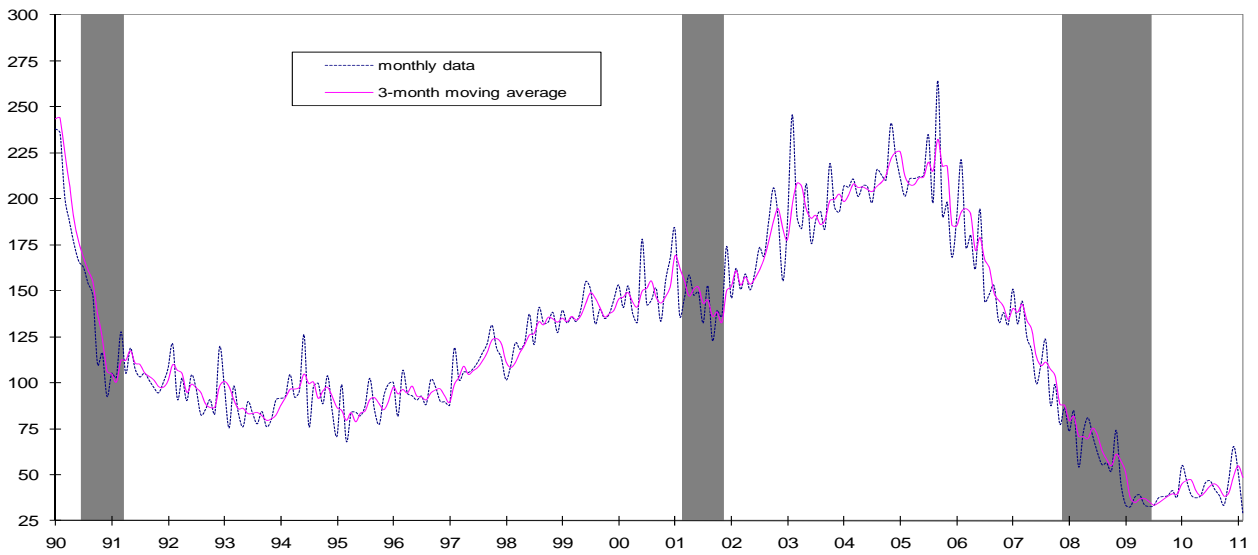
TOTAL WAGES AND SALARIES
(\$ Billions, Seasonally Adjusted)



PERSONAL INCOME
(\$ Billions, Seasonally Adjusted)



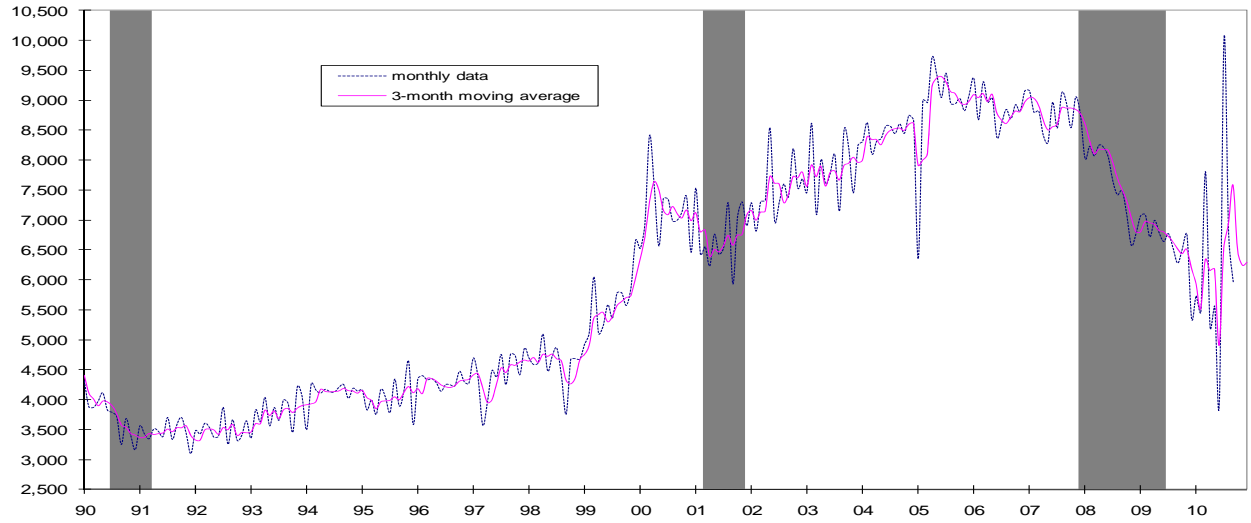
NEW HOUSING UNITS AUTHORIZED BY BUILDING PERMITS
(Thousands, Seasonally Adjusted At Annual Rate)



**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 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.

---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

---2011---

- January-
February Commodity prices soaring.
Uprisings in the Middle East.
- February 25 Fourth quarter real GDP increased at an annual rate of 2.8 percent.
In the third quarter, real GDP increased 2.6 percent.
- March 11 Powerful earthquake and tsunami devastate Northern Japan.
- March 19 U.S. joins airstrikes in Libya.
- March 25 Fourth quarter real GDP increased at an annual rate of 3.1 percent.
In the third quarter, real GDP increased 2.6 percent.