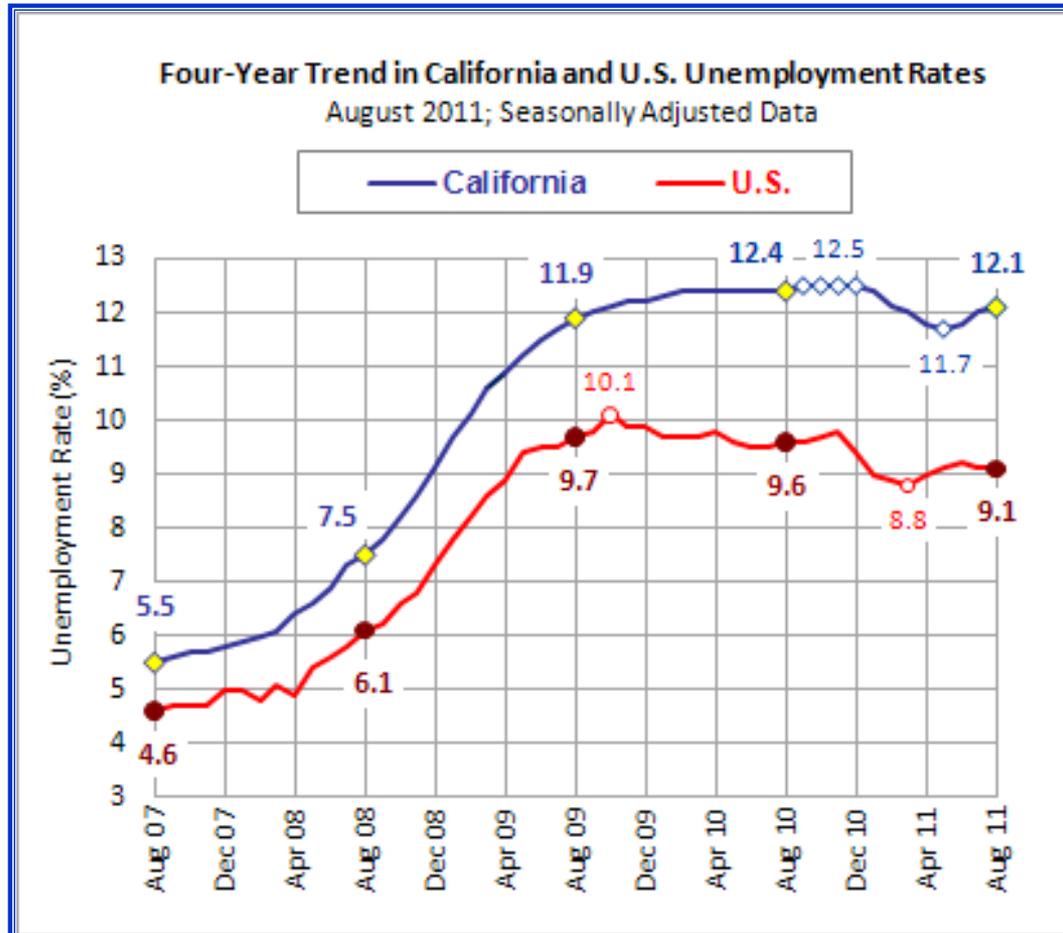


# **Economic Update**

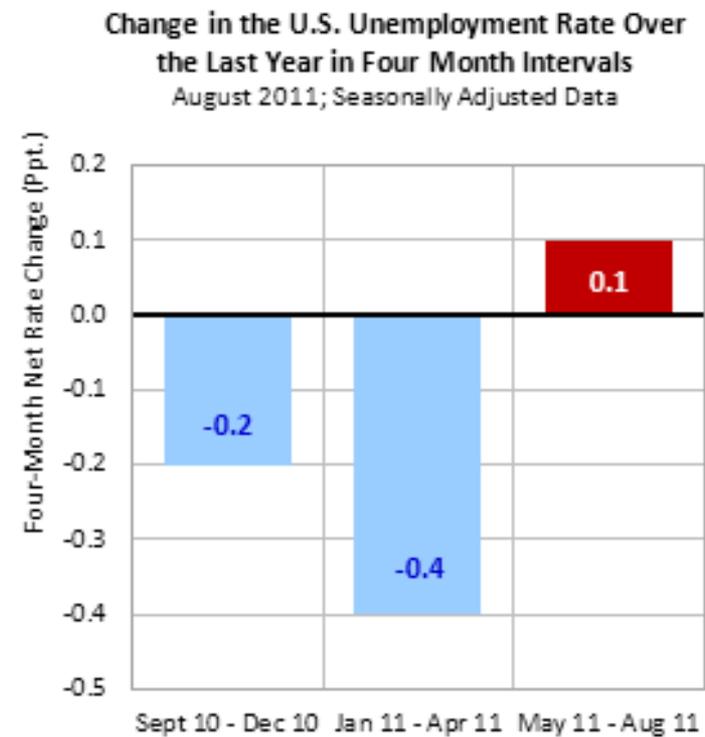
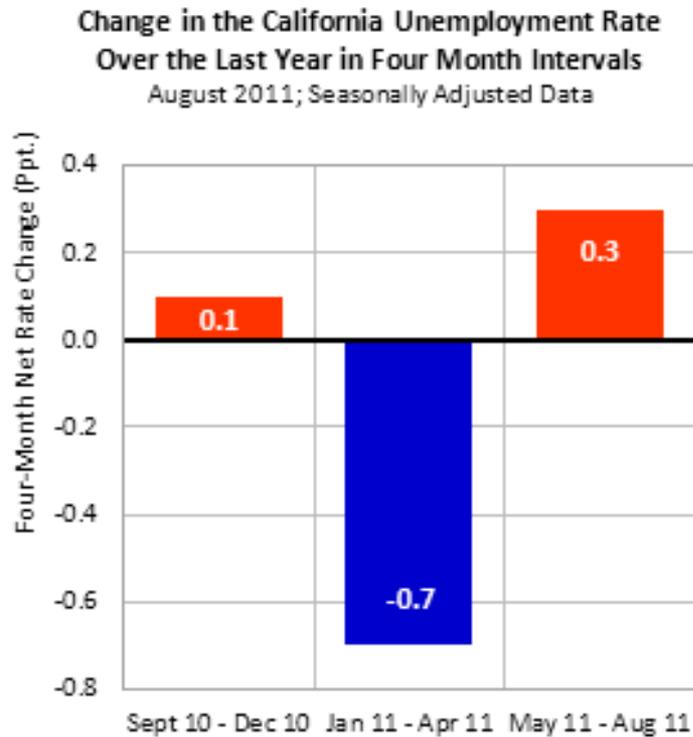
**LMID Advisory Group Meeting  
September 22, 2011**

**Paul Wessen  
Employment Development Department  
Labor Market information Division**

# UNEMPLOYMENT AND EMPLOYMENT

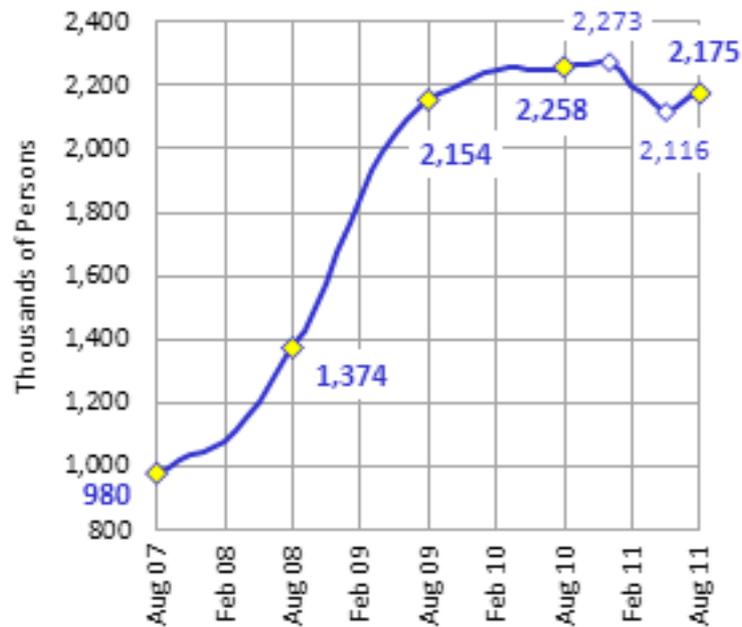


Both the U.S. and California unemployment rates have risen over the last four months. They fell over the previous four:



# Number of Unemployed Persons

**California Civilian Unemployment**  
August 2011; Seasonally Adjusted Data



**U.S. Civilian Unemployment**  
August 2007 - August 2011



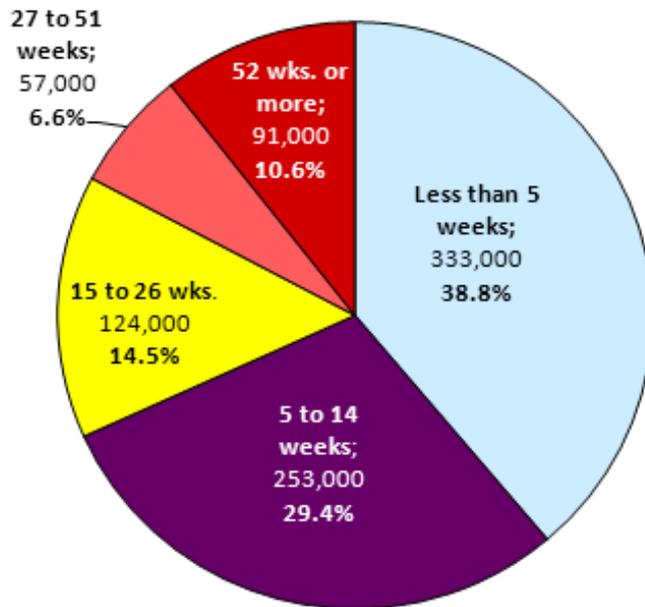
## Long-term unemployment has become pervasive.

### Unemployed Californians by Duration of Unemployment: January 2007 Vs. August 2011

(12-Month Average of Current Population Survey of Households Data)

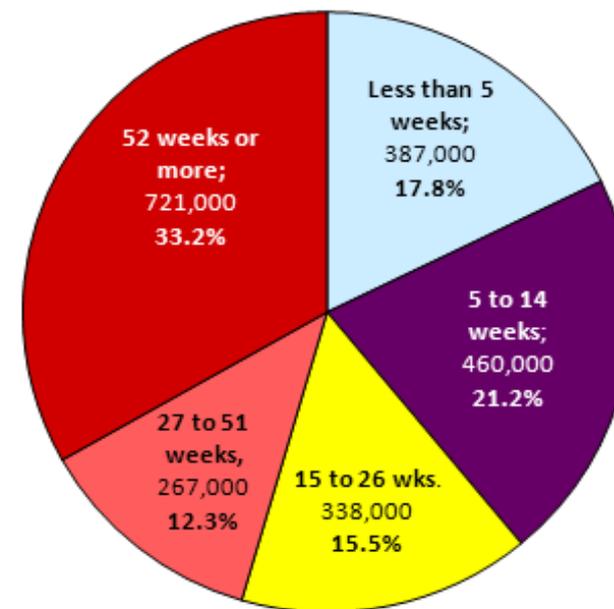
#### January 2007

858,000 Unemployed Californians

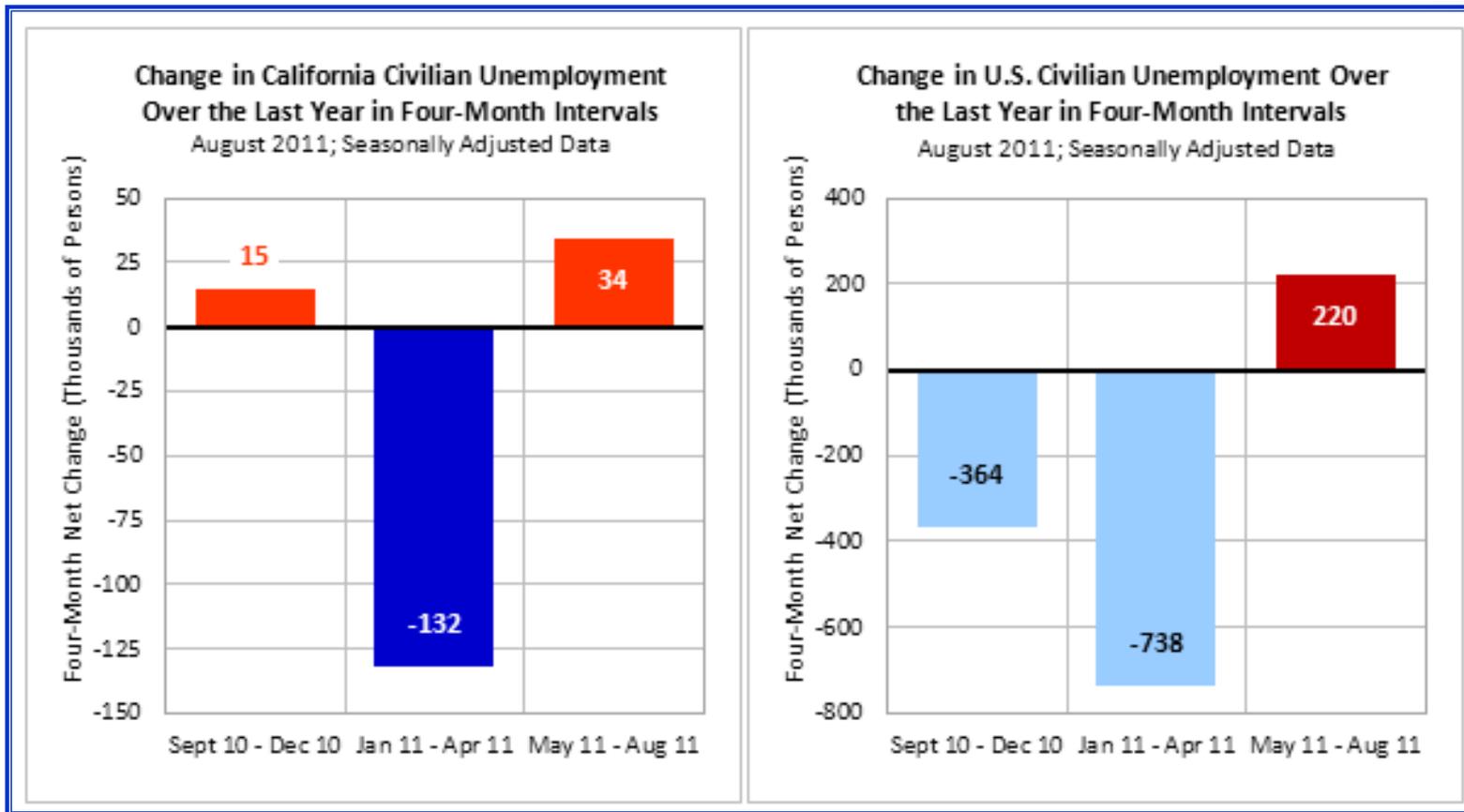


#### August 2011

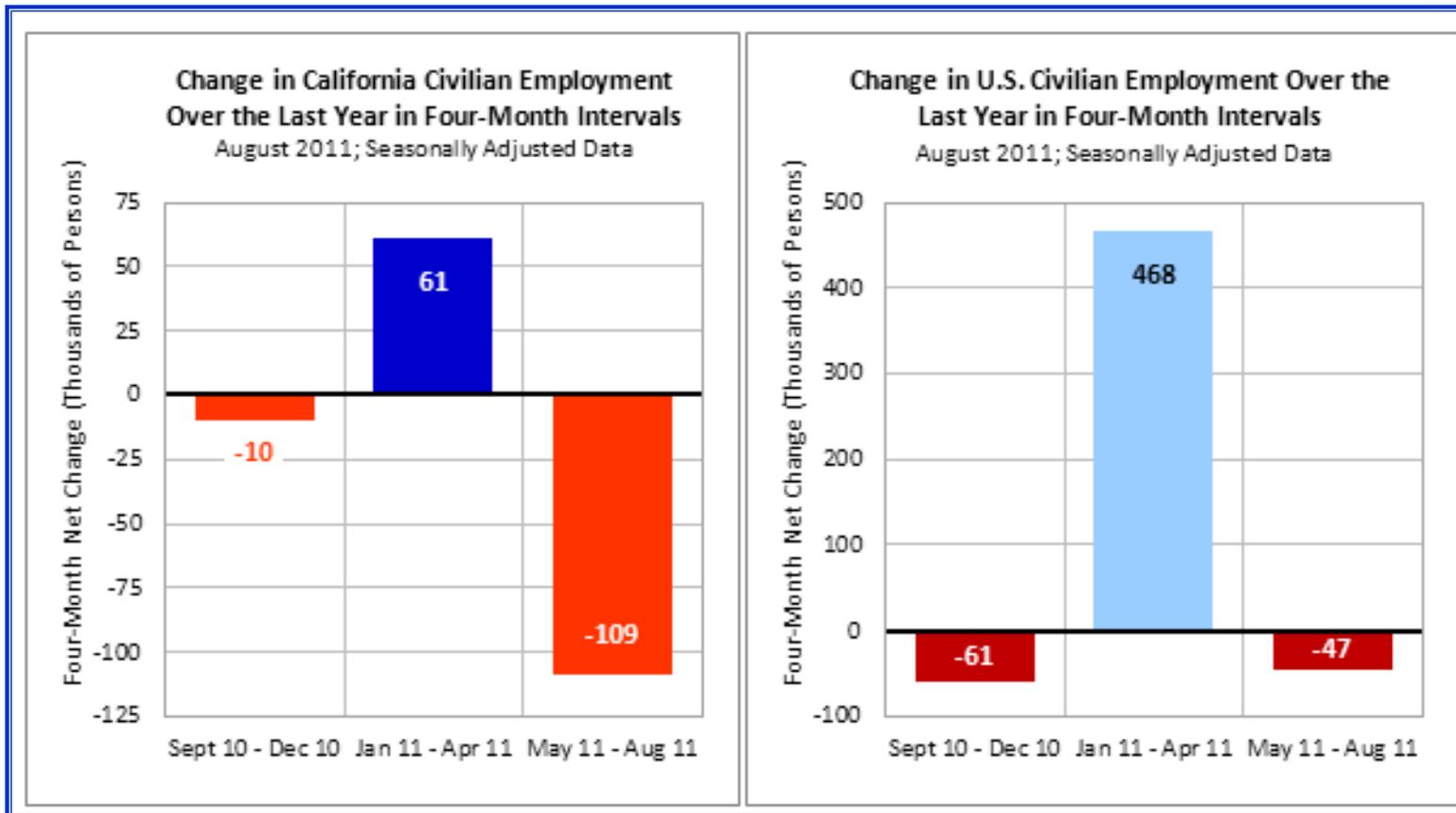
2,173,000 Unemployed Californians



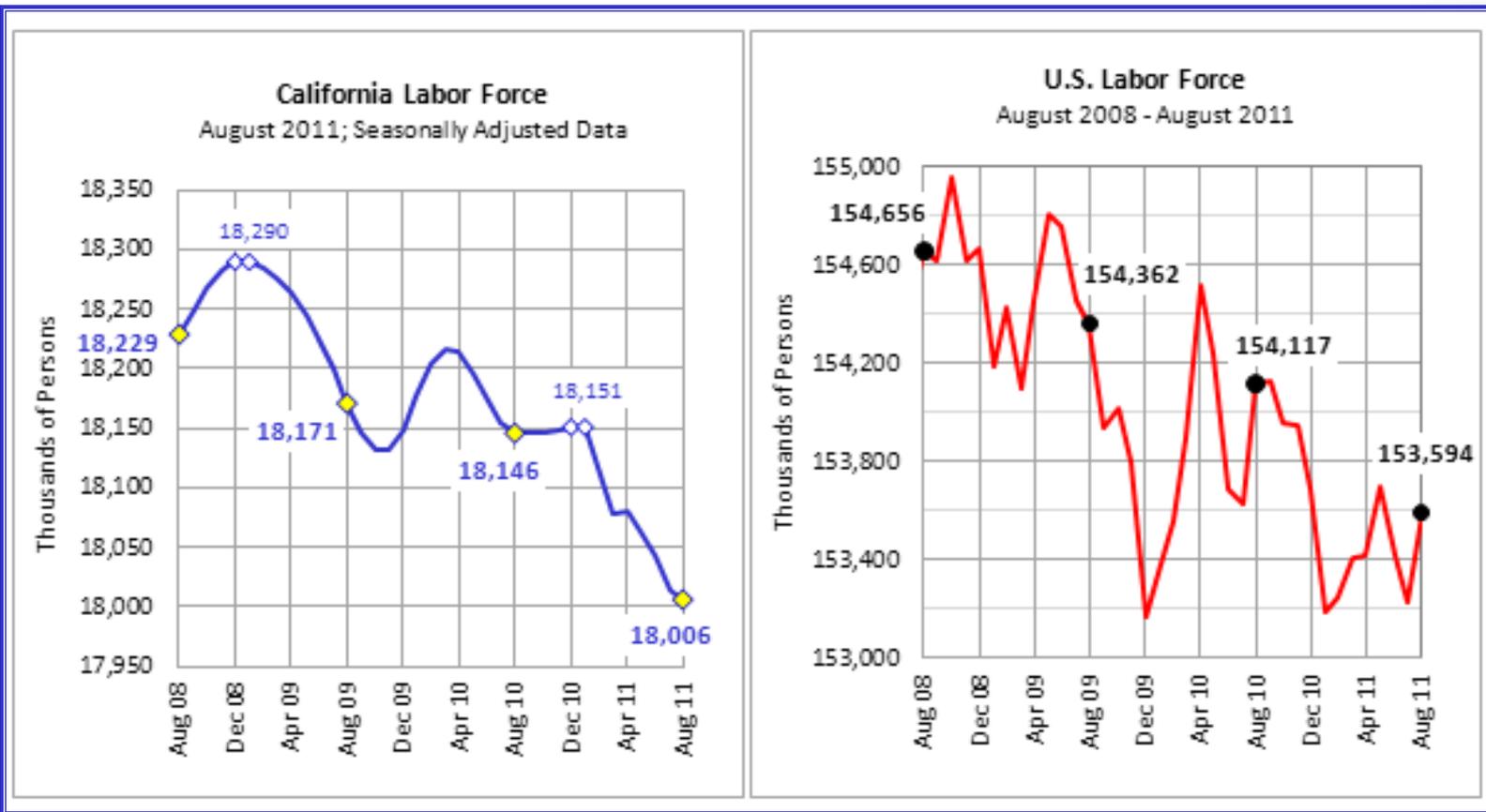
After a promising start in 2011, civilian unemployment in California and the nation has risen over the last four months.



The employment picture has weakened in both the U.S. and in California over the last four months, but more so in California.



## Both the U.S. and California labor markets continue to shrink...

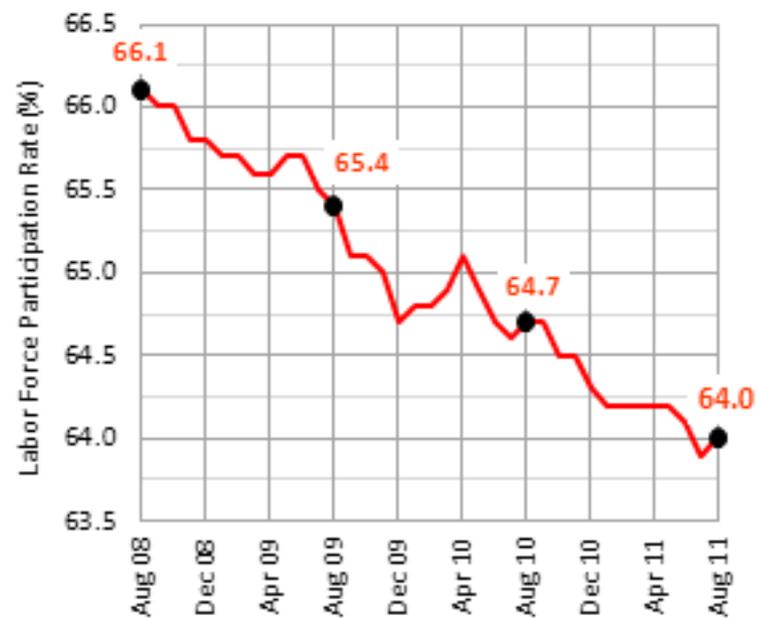


...as workers leave or defer entering the labor force.

California Labor Force Participation Rate  
August 2011; Seasonally Adjusted Data



U.S. Labor Force Participation Rate  
August 2011; Seasonally Adjusted Data

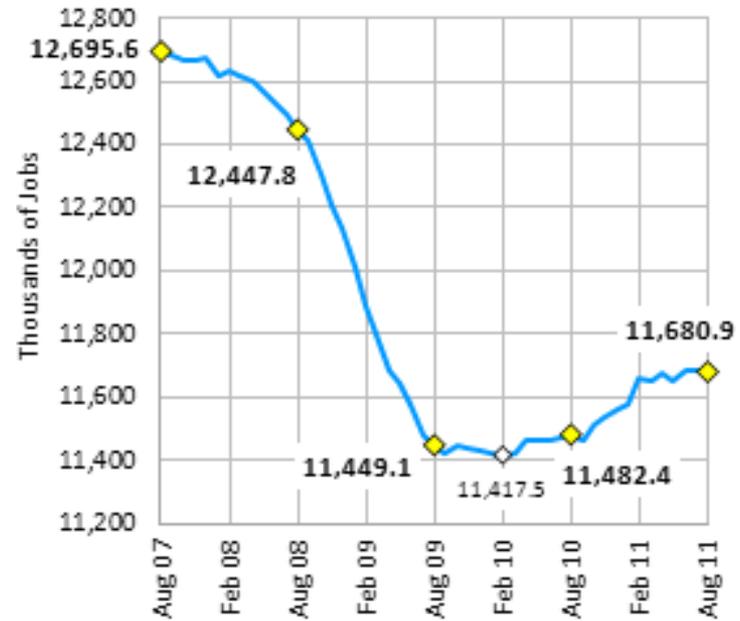


# Total Nonfarm and Private Nonfarm Payroll Jobs

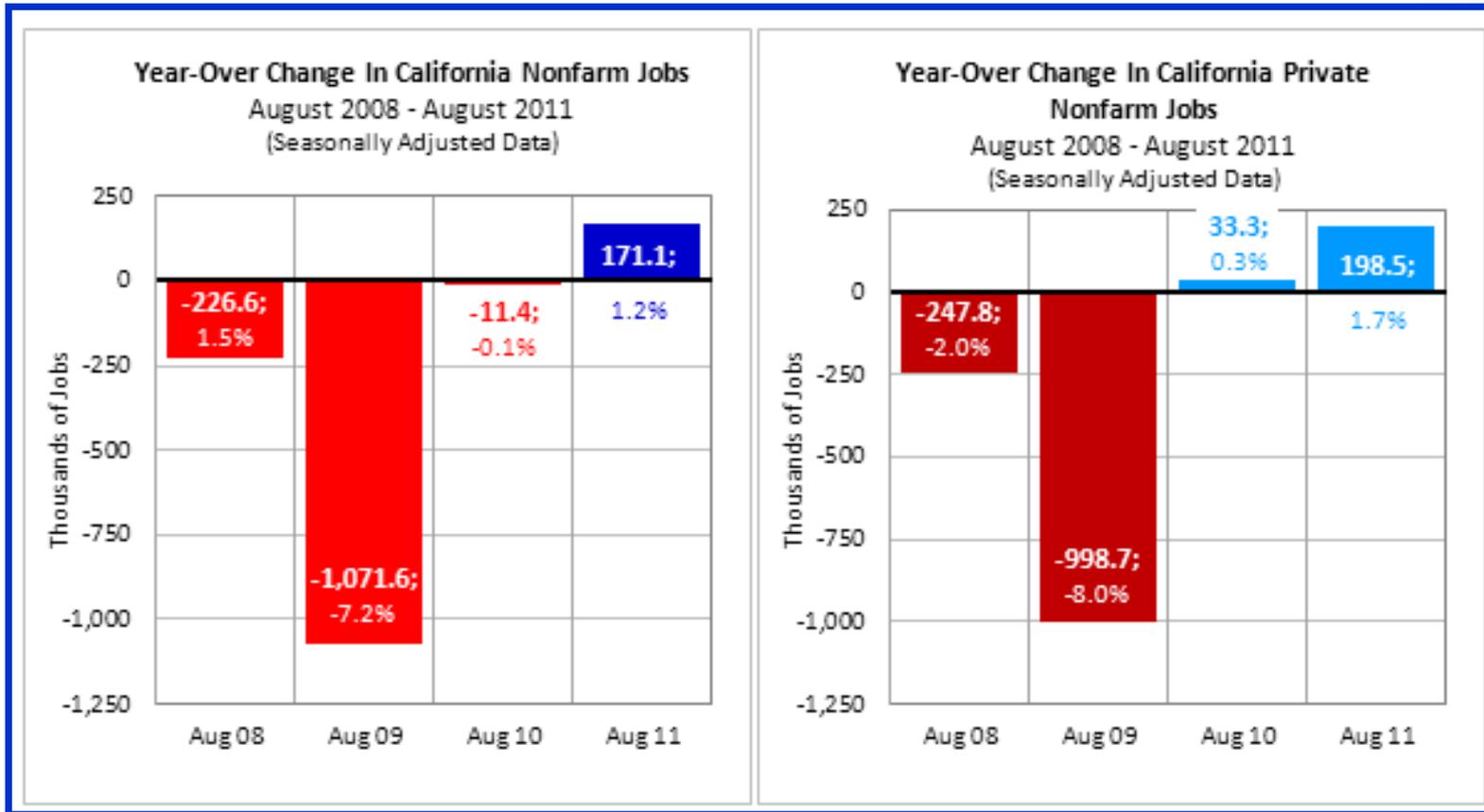
**California Nonfarm Jobs: Four-Year Trend**  
August 2011; Seasonally Adjusted Data



**California Private Nonfarm Jobs: Four-Year Trend**  
August 2011; Seasonally Adjusted Data

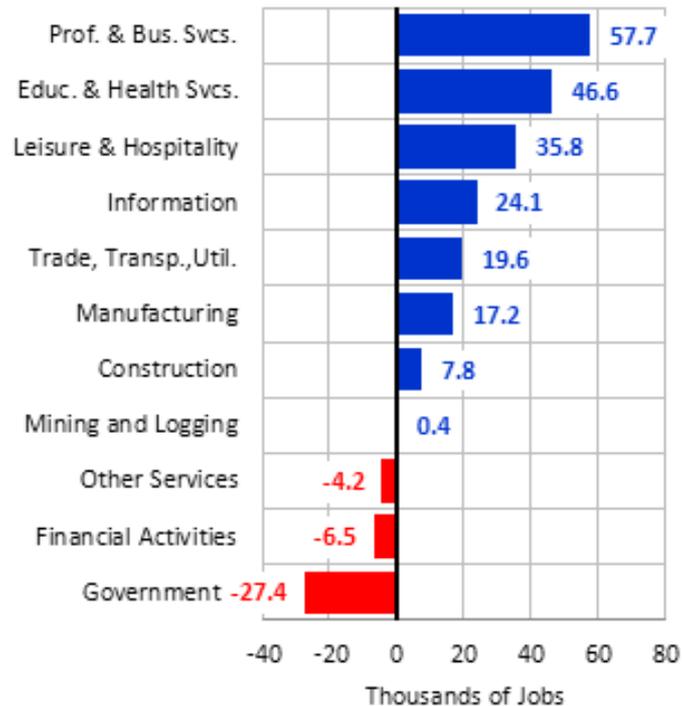


## California's employment situation has improved over the last two years...

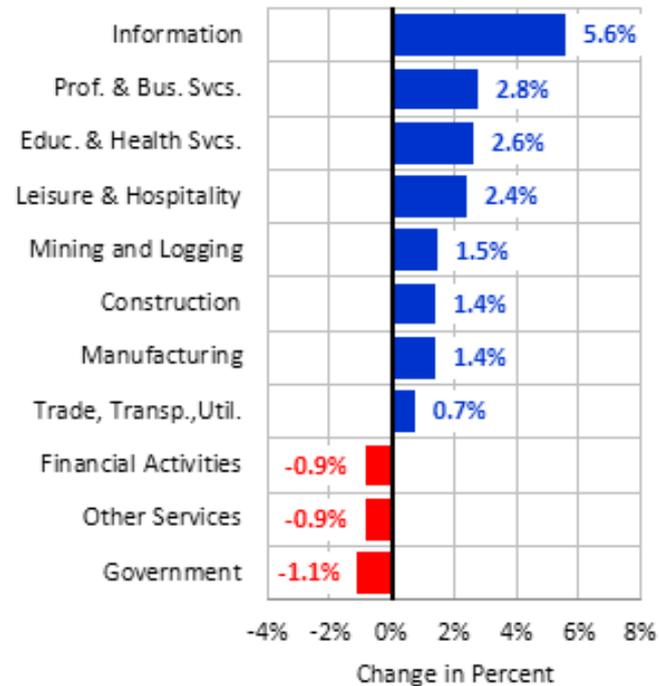


## Year-over job gains have been widespread across California industries....

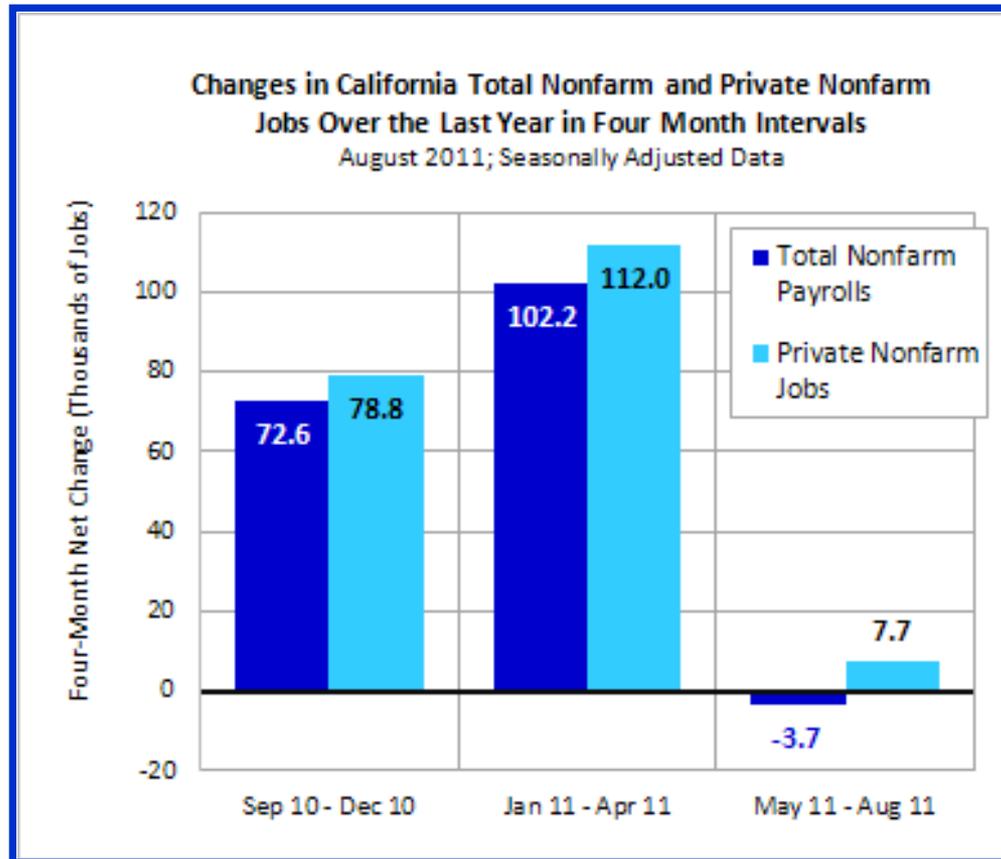
**Year-Over Job Changes in California Industry Sectors**  
August 2011; Seasonally Adjusted Data



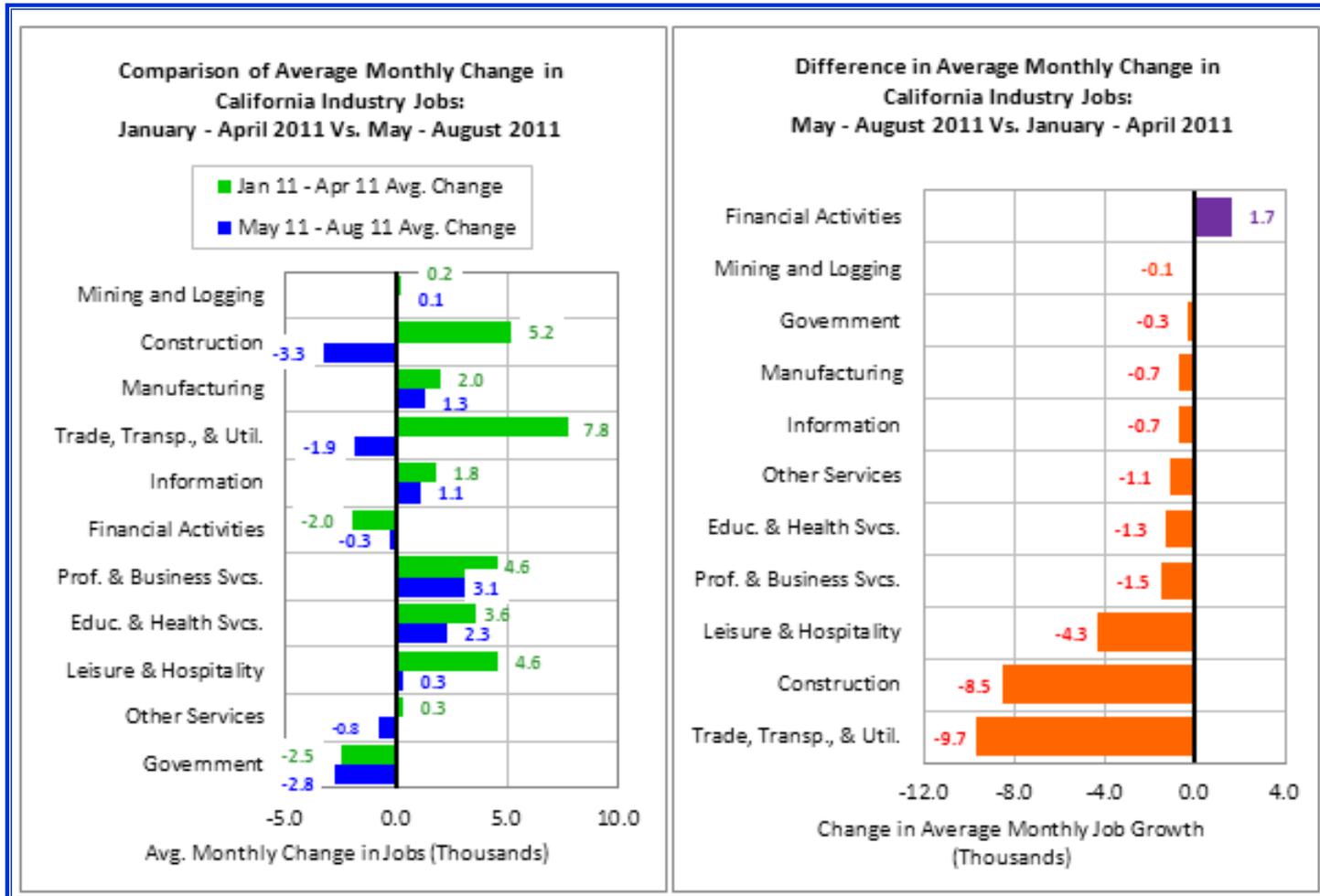
**Year-Over Job Changes in California Industry Sectors in Percent**  
August 2011; Seasonally Adjusted Data



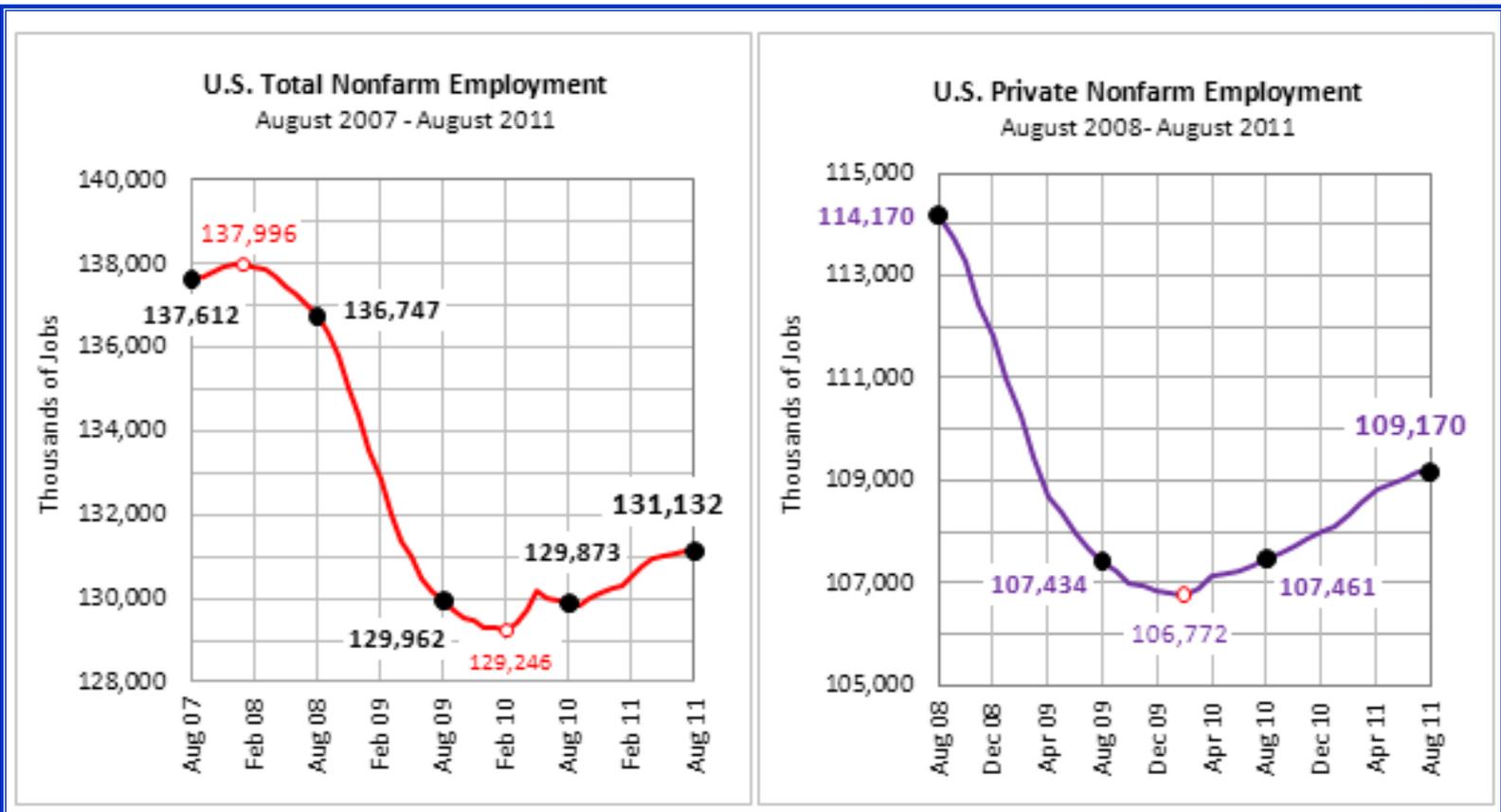
However, job growth has stalled over the last four months...



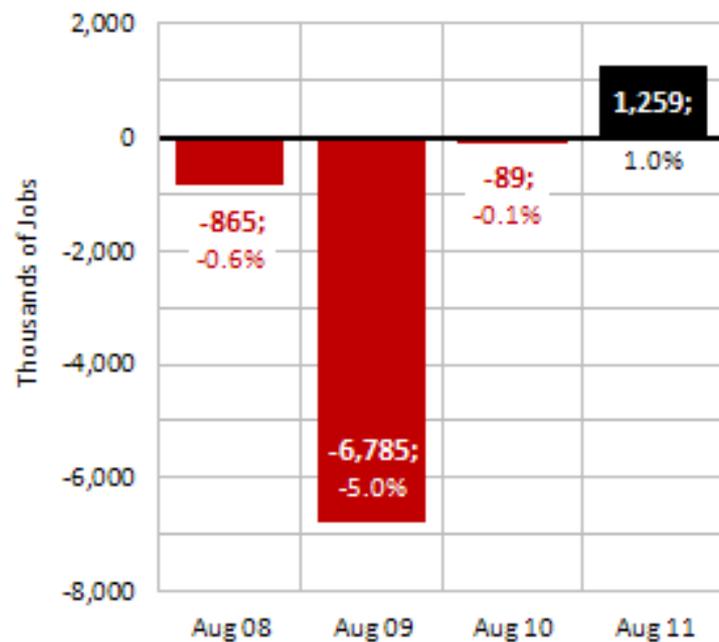
...and the slowdown has affected nearly all industries.



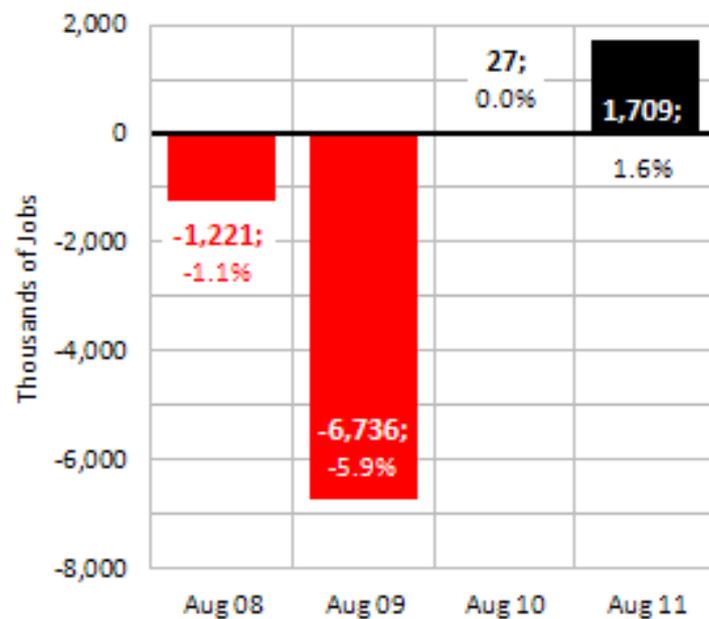
## The nation has experienced a similar employment trend to California's...



**Year-Over Changes in U.S. Nonfarm Jobs**  
August 2008- August 2011

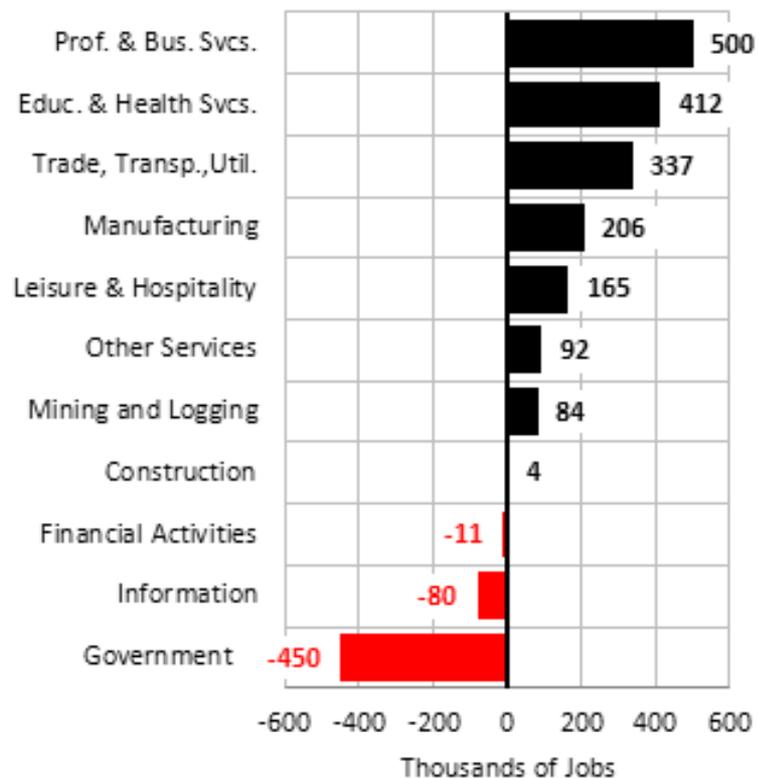


**Year-Over Changes in U.S. Private Nonfarm Jobs**  
August 2008 - August 2011



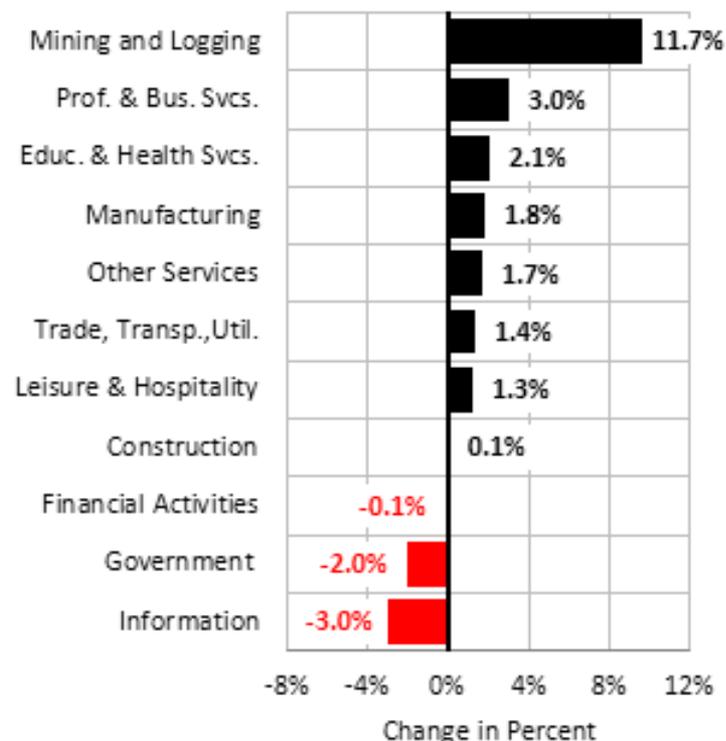
### Year-Over Job Changes in U.S. Industry Sectors

August 2011; Seasonally Adjusted Data

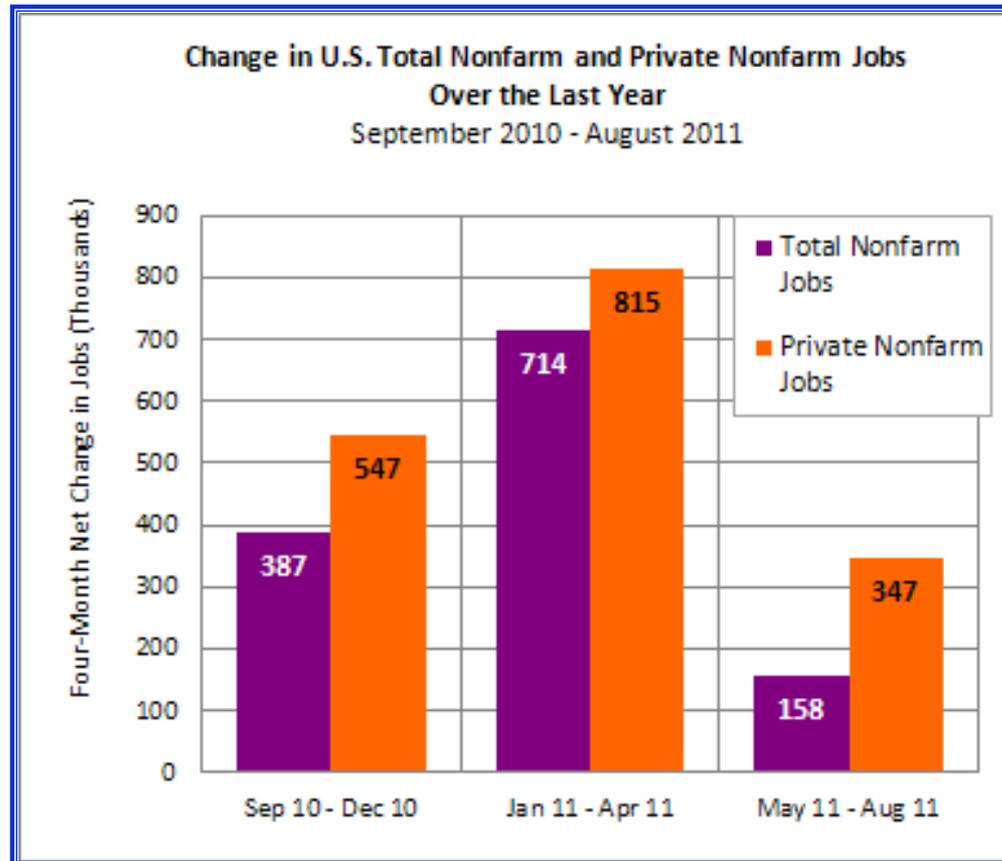


### Year-Over Job Changes in U.S. Industry Sectors in Percent

August 2011; Seasonally Adjusted Data

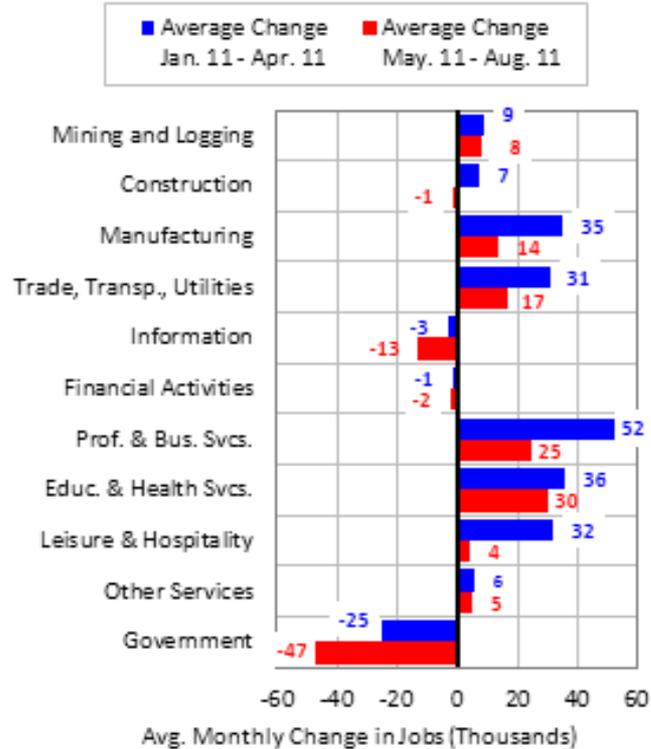


## U.S. job growth has slowed over the last four months...

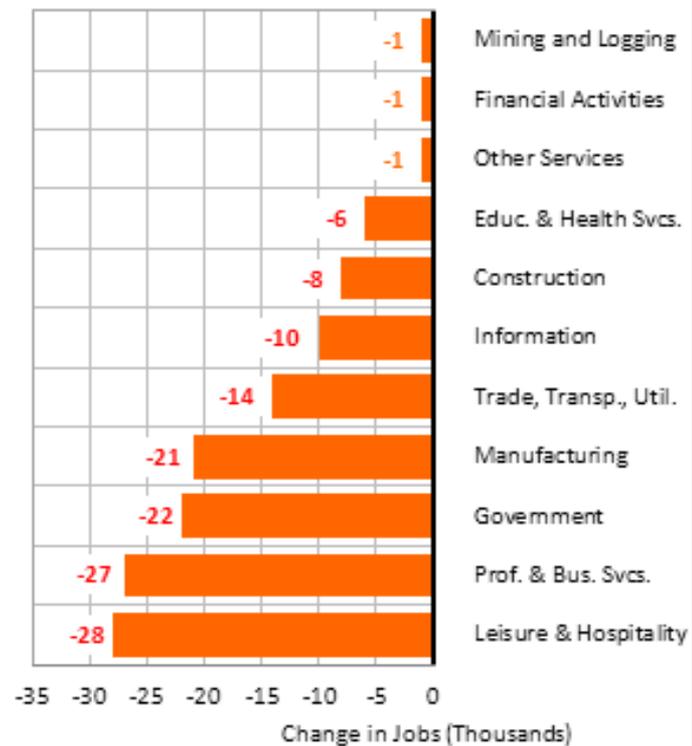


...in all U.S. industry sectors.

Comparison of Average Monthly Change in U.S. Industry Sector Jobs:  
January - April 2011 Vs. May - August 2011



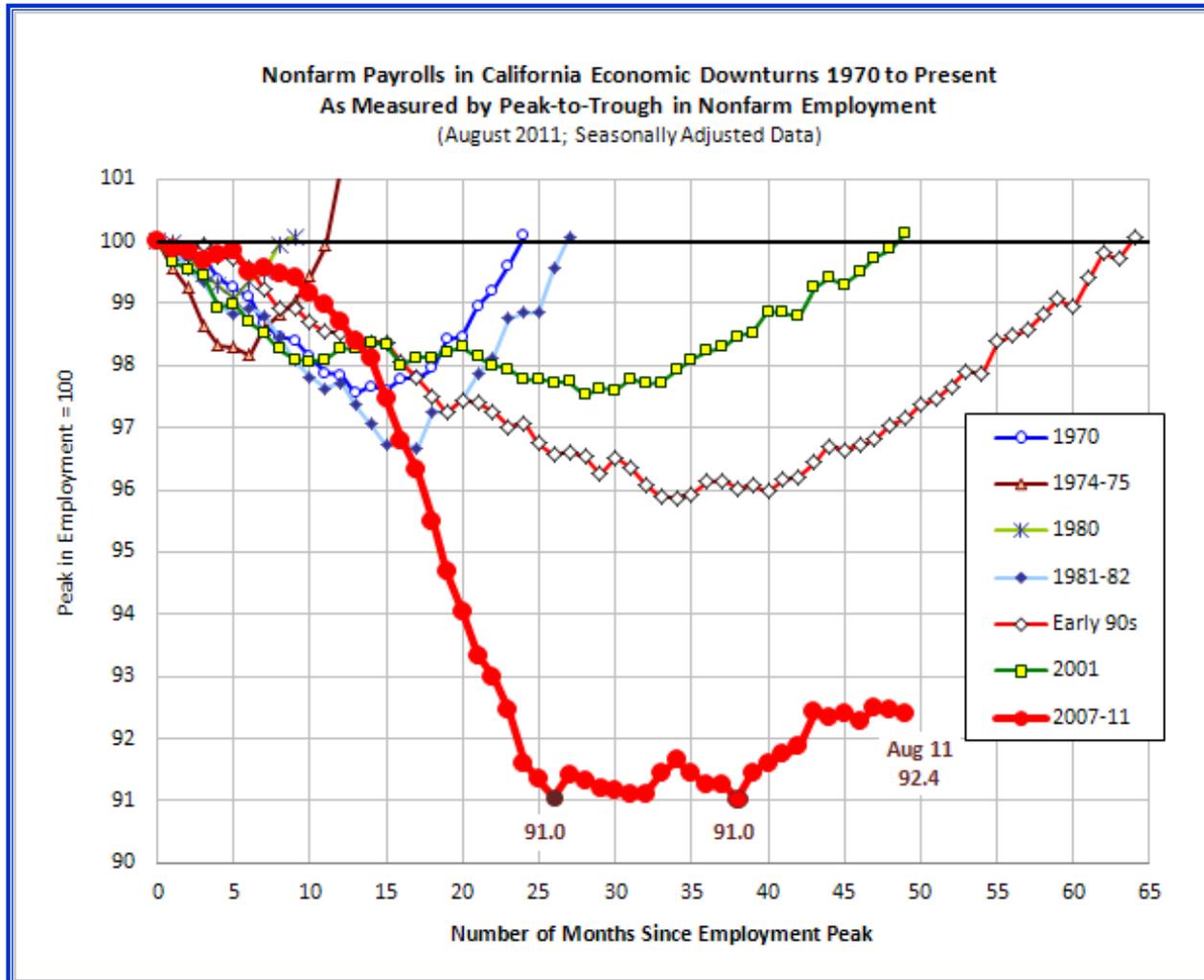
Difference in Average Monthly Change in U.S. Industry Jobs:  
May - August 2011 Vs. January - April 2011



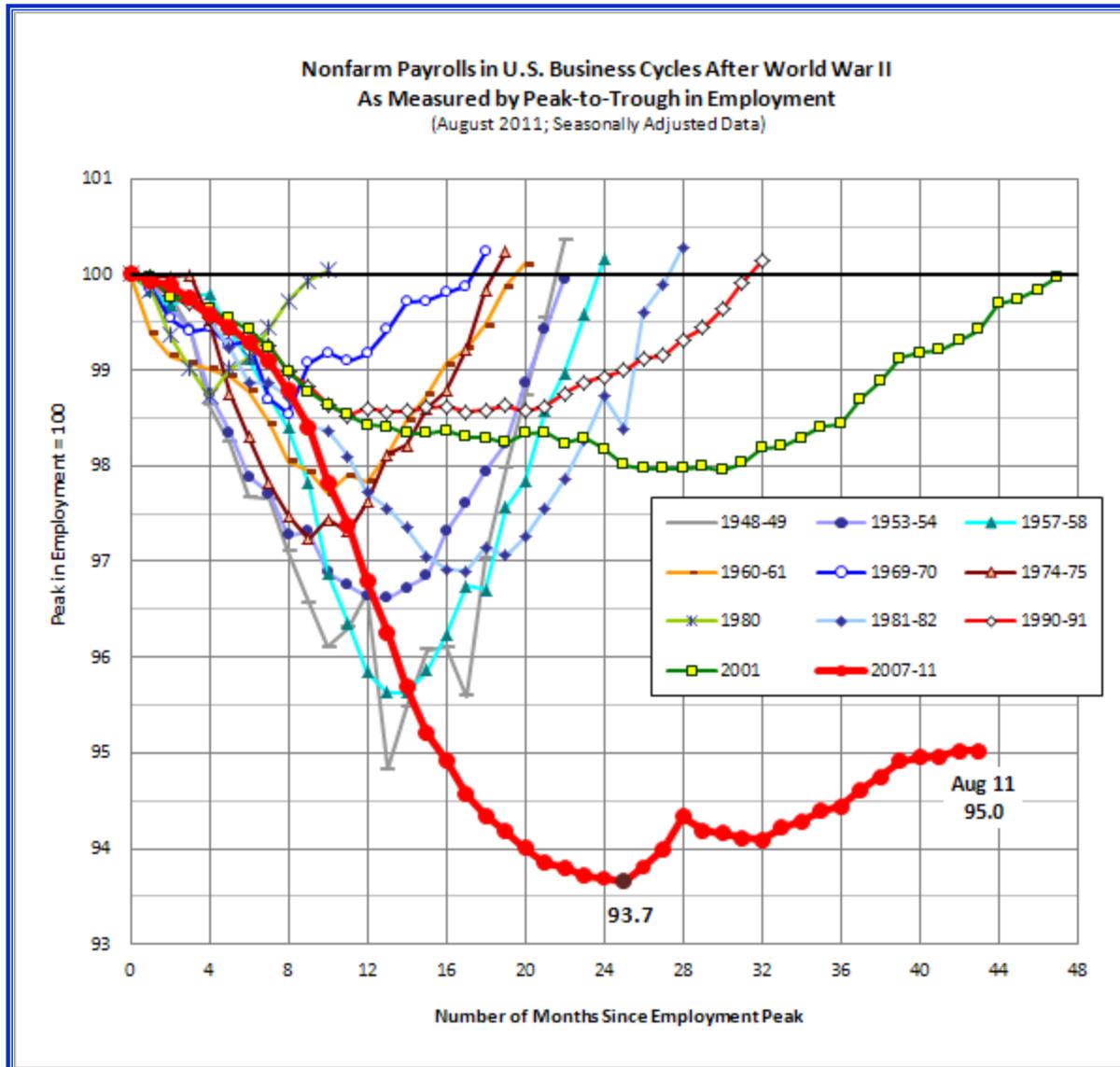
## The headwinds that have buffeted the economy in recent months likely include:

- Deepening debt crisis in Europe—potential threat to global economy and financial system.
- Debt ceiling standoff in the U.S./downgrade of U.S. credit/volatile stock market.
- Diminishing impacts of stimulatory monetary policies by the Federal Reserve and the fading away fiscal stimulus. Consumers and businesses have not picked up the slack.
- Supply chain disruptions caused by extreme weather in the U.S. (drought, floods) and the natural disaster in Japan.
- Tepid consumer spending due high energy prices and food prices, tight credit, and stagnating incomes.
- Falling consumer and business confidence about the health of the economy and its prospects for recovery.

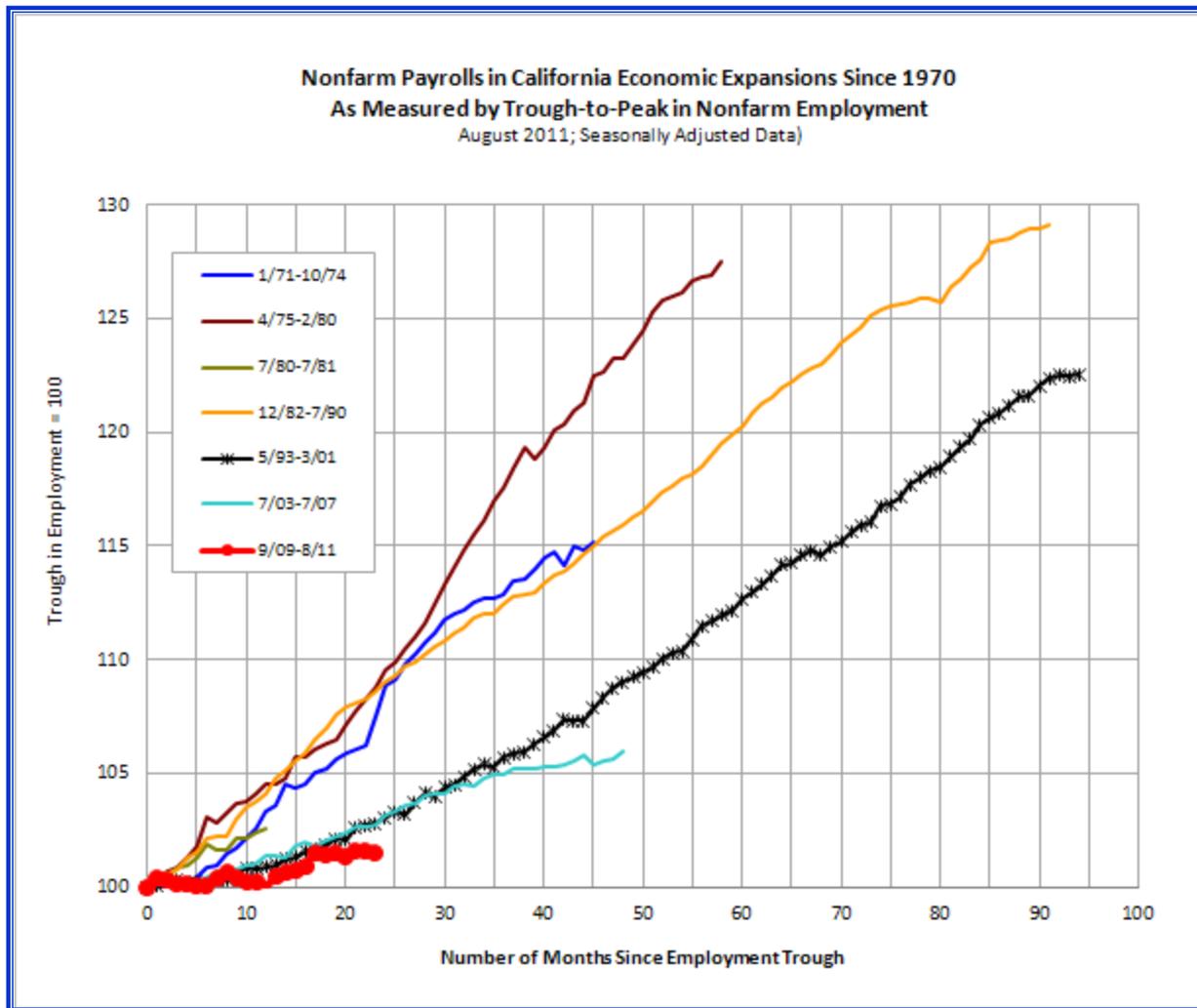
# Business Cycles Compared: California Today



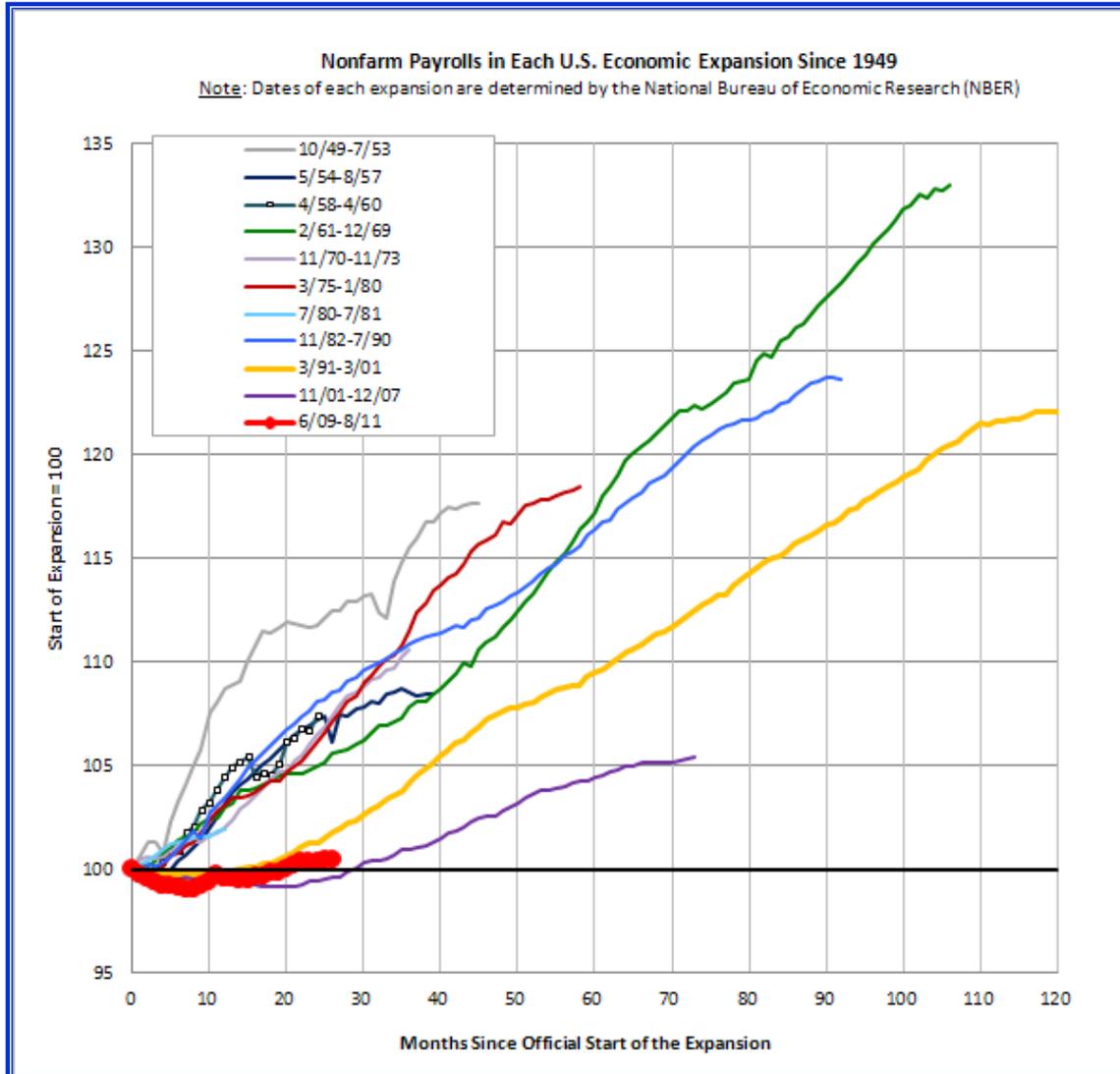
# Business Cycles Compared: U.S.



# Economic Recoveries Compared: California

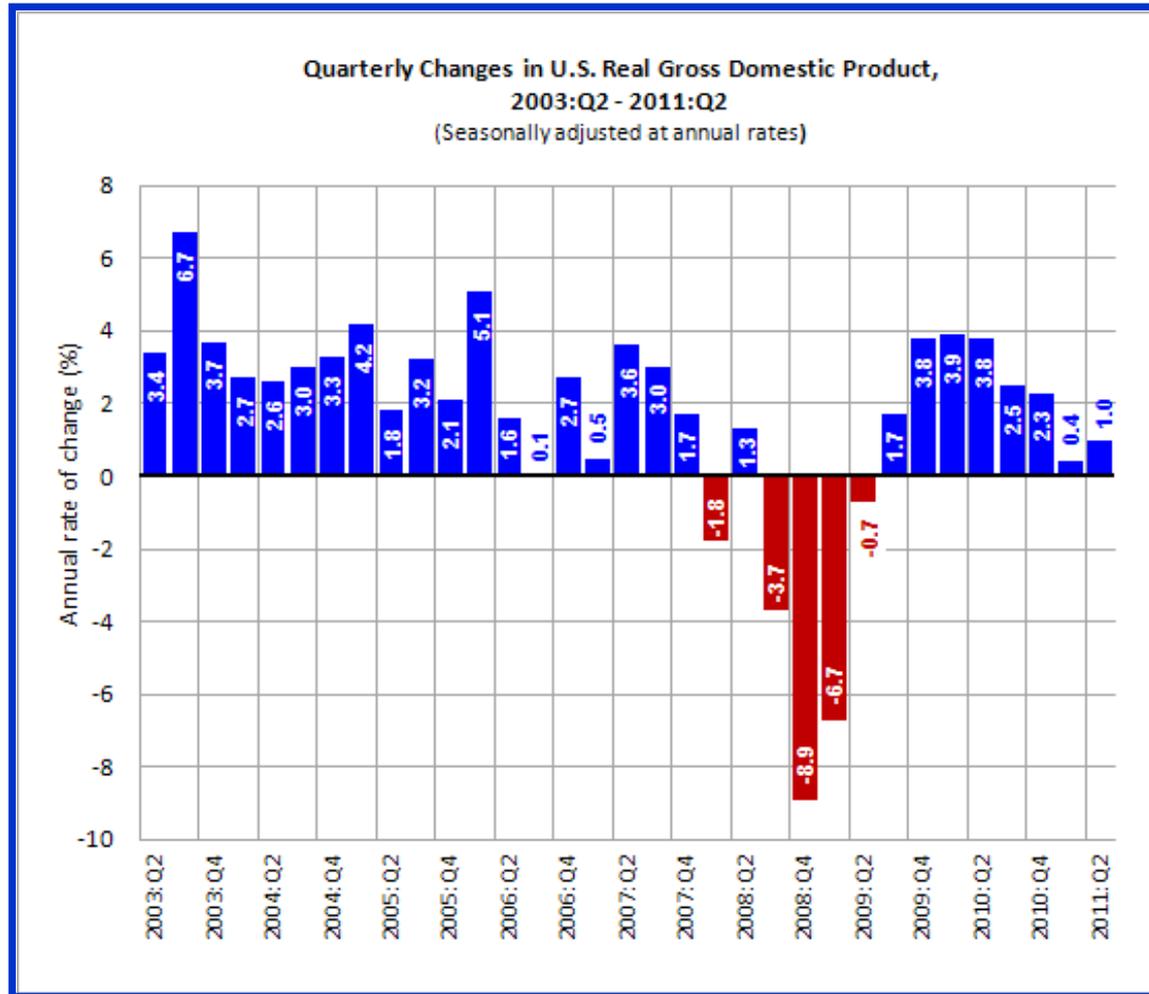


# Economic Recoveries Compared: U.S.



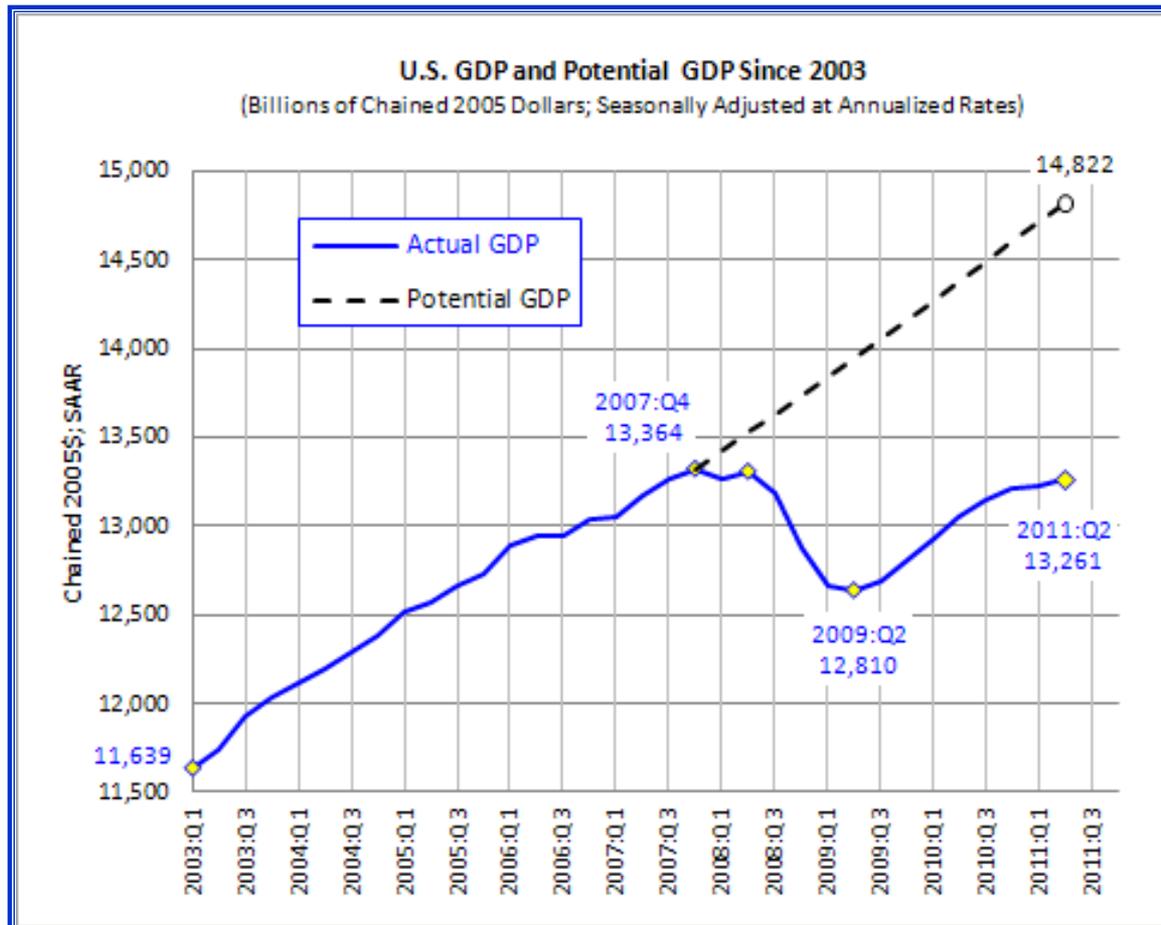
## A Look at the U.S. Gross Domestic Product and Other Indicators

GDP = Consumer Spending + Investment + Government + Net Exports (X-I)



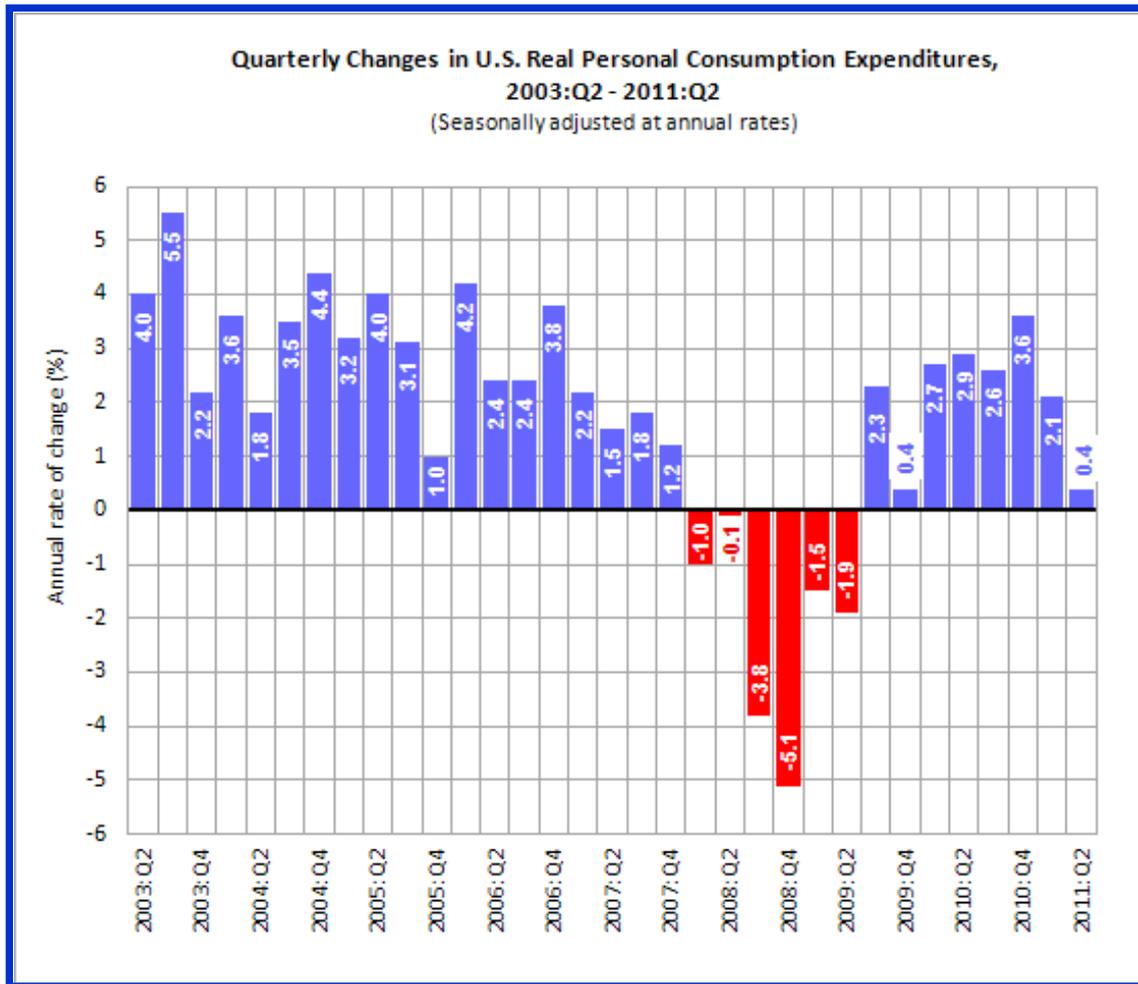
## U.S. Gross Domestic Product

GDP = Consumer Spending + Investment + Government + Net Exports (X-I)

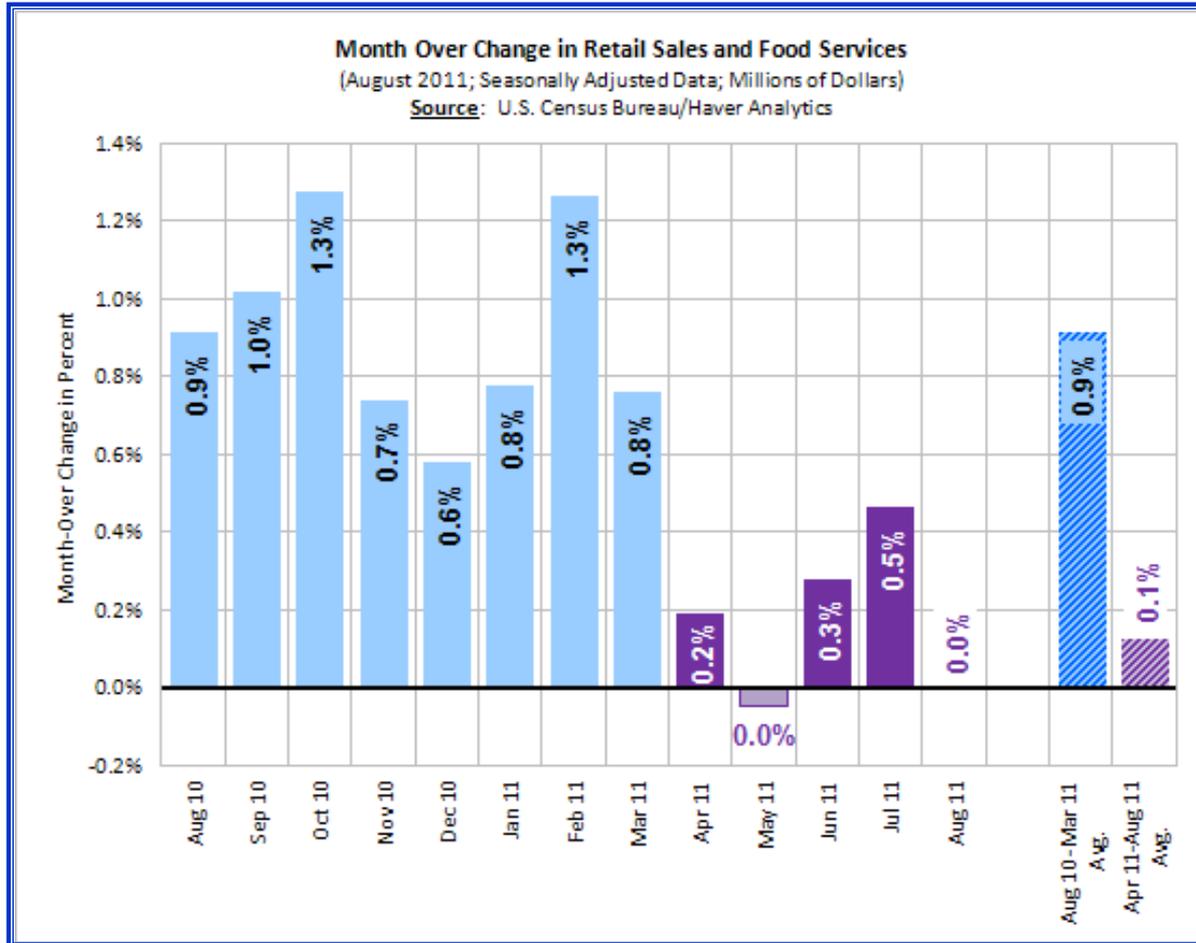


GDP = Consumer Spending + Investment + Government + Net Exports (X-I)

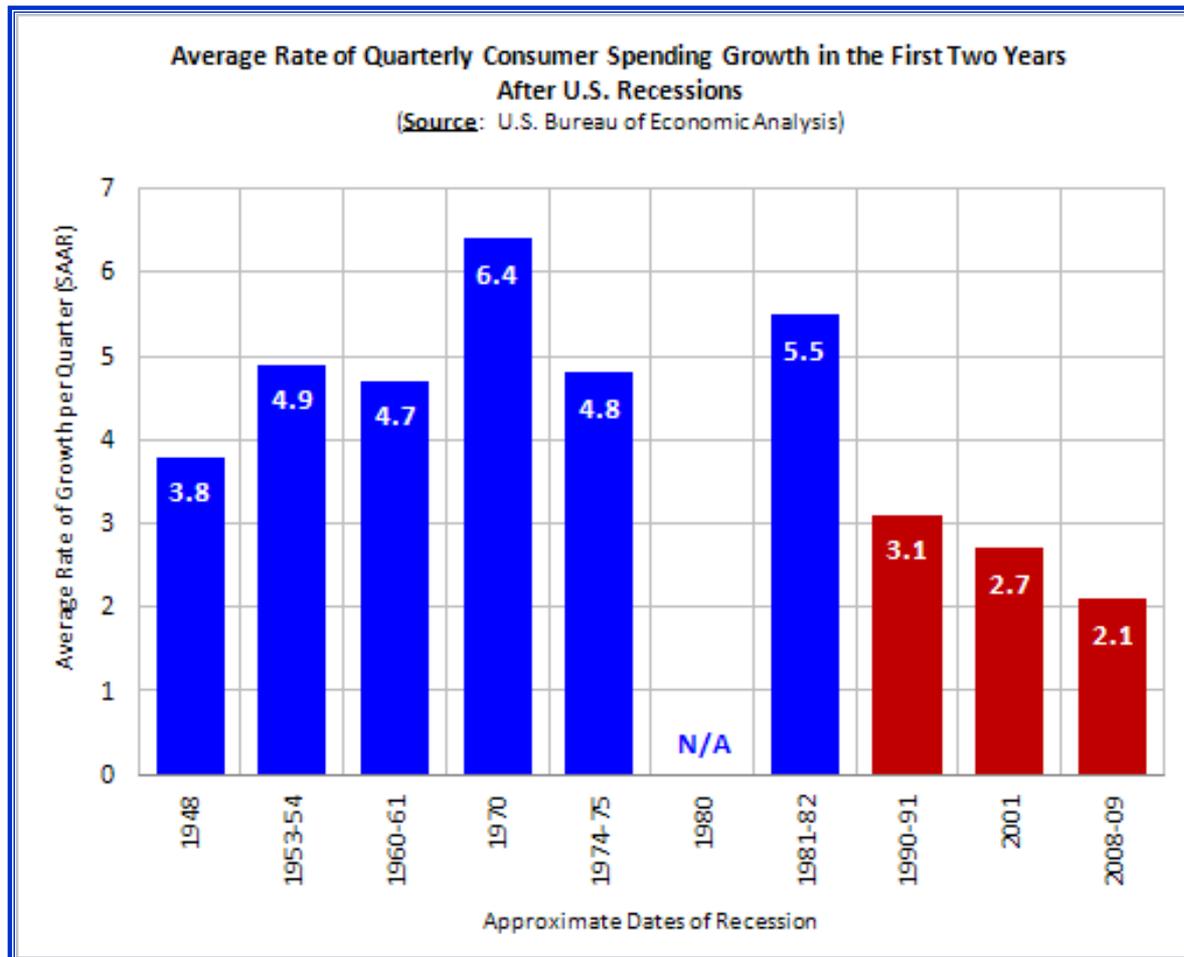
## Consumer Spending



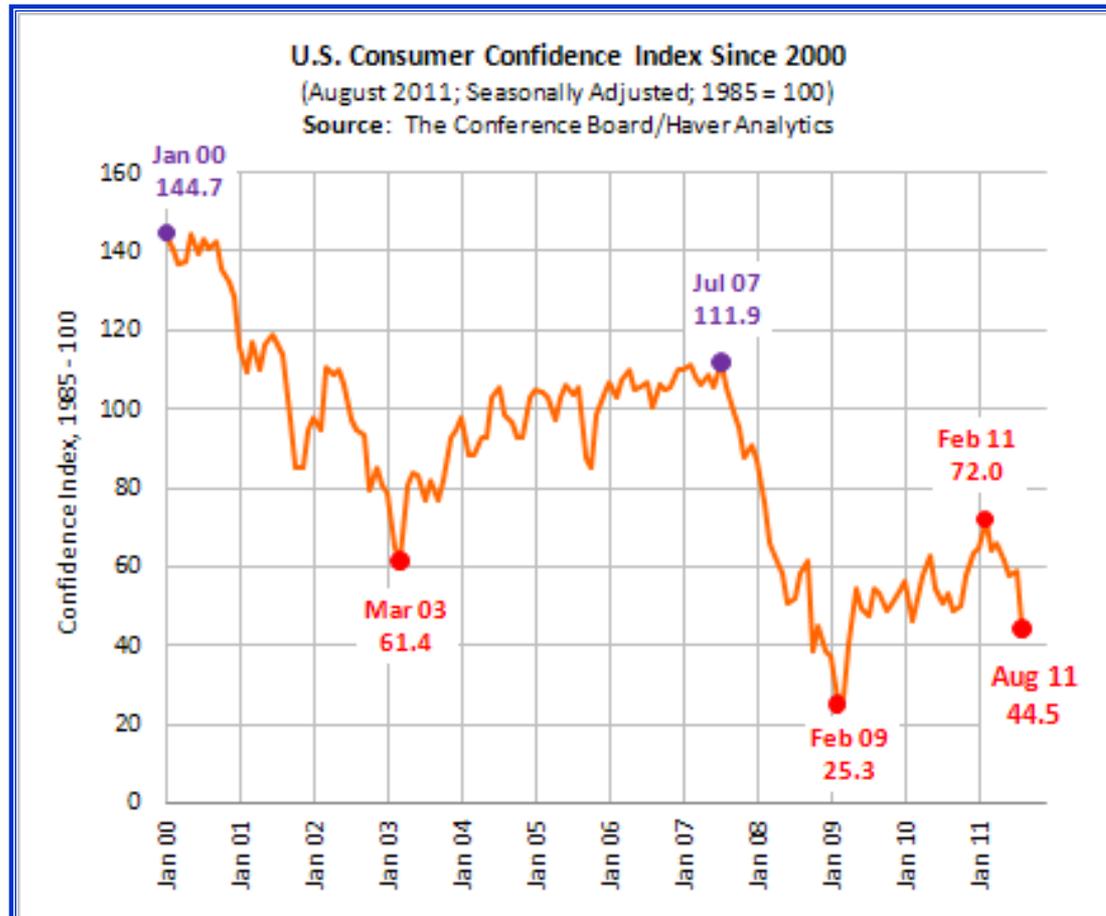
## Consumer Spending: Monthly Retail Sales (U.S.)



## Average Quarterly Growth in Consumer Spending in the first two years of U.S. expansions.

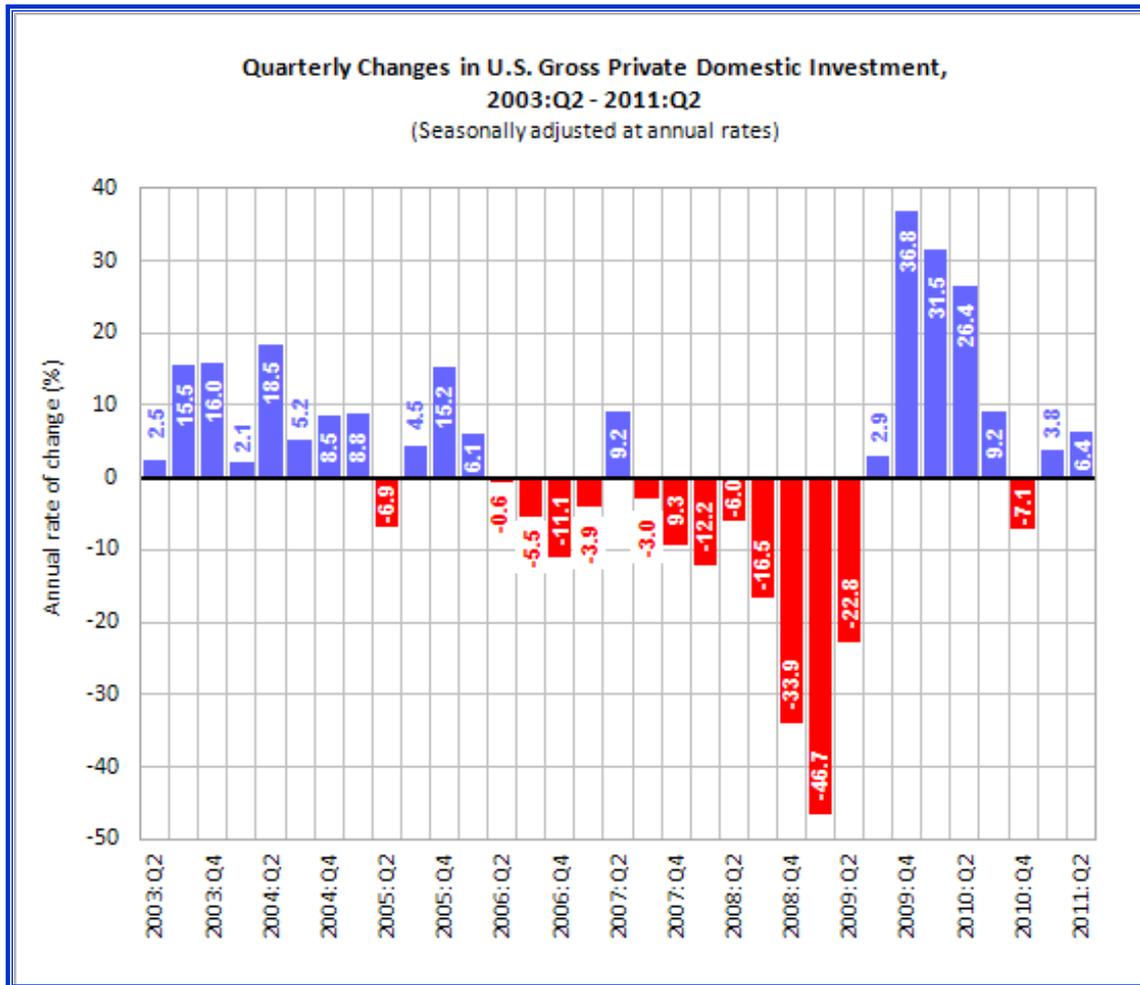


## Consumer Confidence (U.S.)



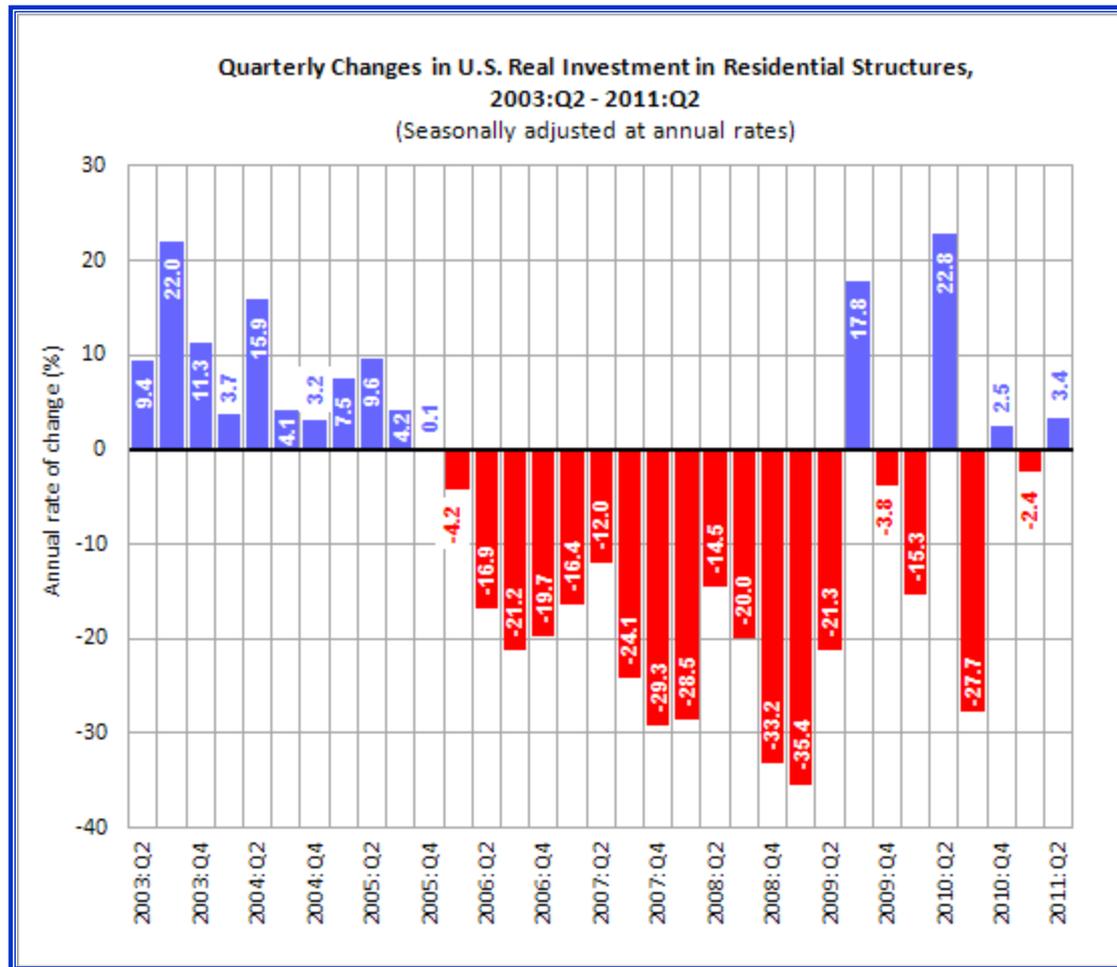
GDP = Consumer Spending + Investment + Government + Net Exports (X-I)

## Business Investment



GDP = Consumer Spending + Investment + Government + Net Exports (X-I)

## Investment in Residential Structures (i.e., houses)

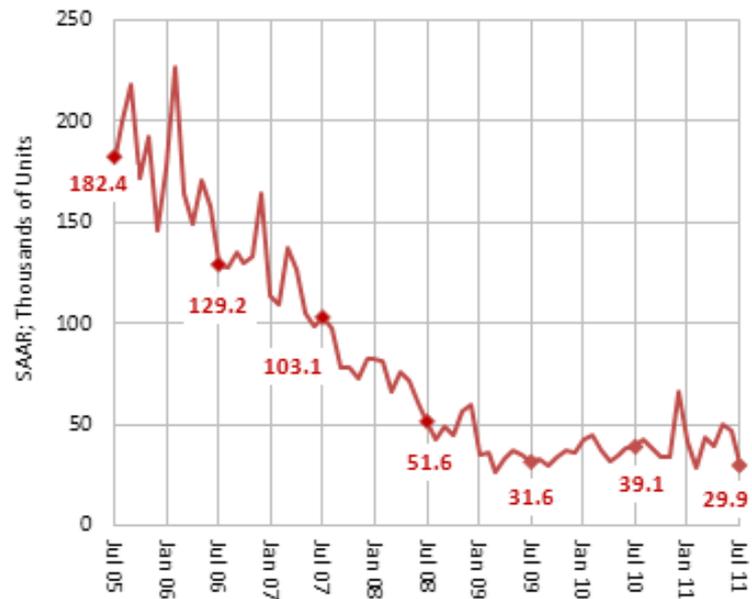


# Housing Starts and Permits in California

### California Housing Starts Since 2005

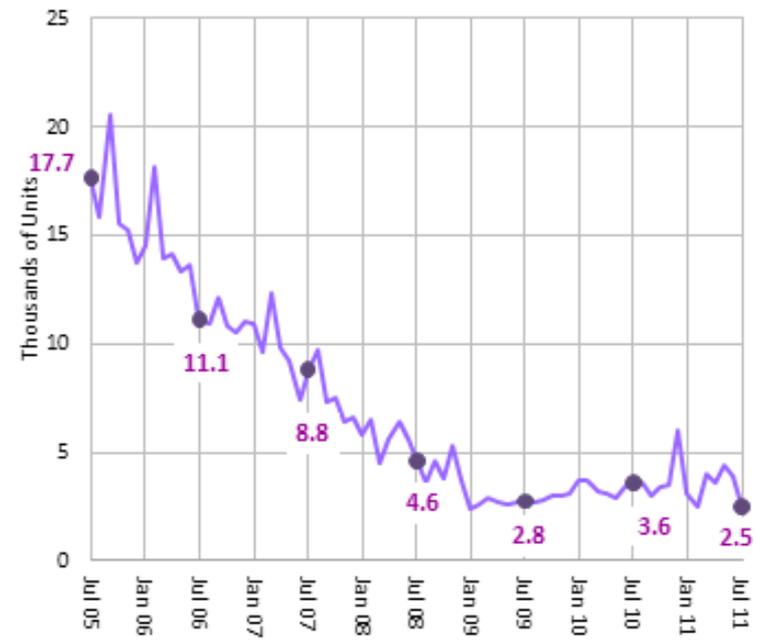
(Seasonally Adjusted at Annualized Rates; Thousands of Units)

Source: Bank of Tokyo-Mitsubishi; Haver Analytics



### California New Housing Permits: Five-Year Trend

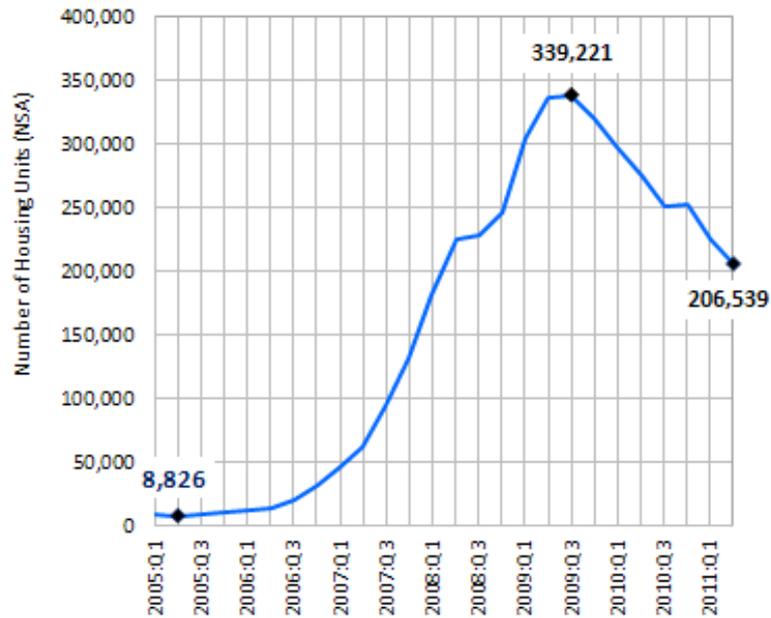
July 2011; Seasonally Adjusted by Haver Analytics)



## Mortgage distress in California--improving, but a long way to go.

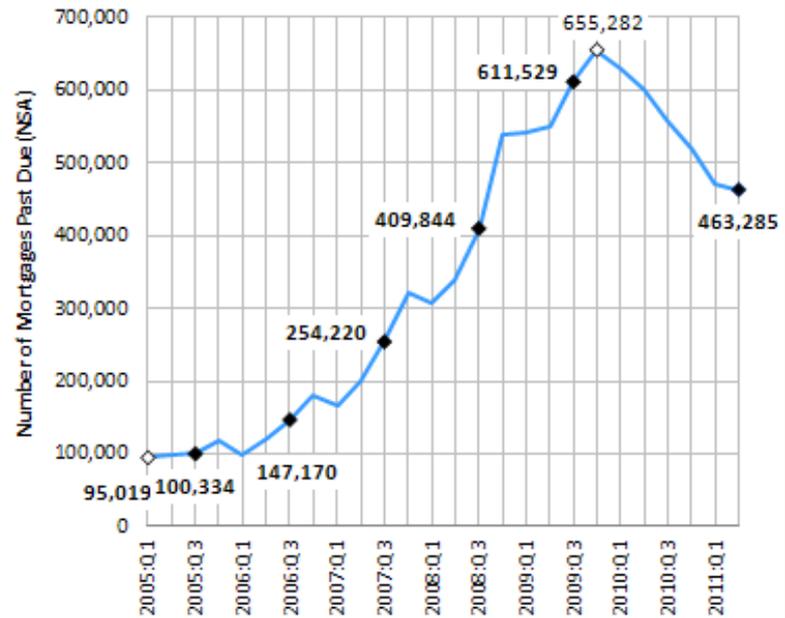
### Inventory of Mortgages in Foreclosure, California

(Source: Mortgage Bankers Association; Haver Analytics)



### Total Number of Mortgages Past Due in California

(Source: Mortgage Bankers Association; Haver Analytics)

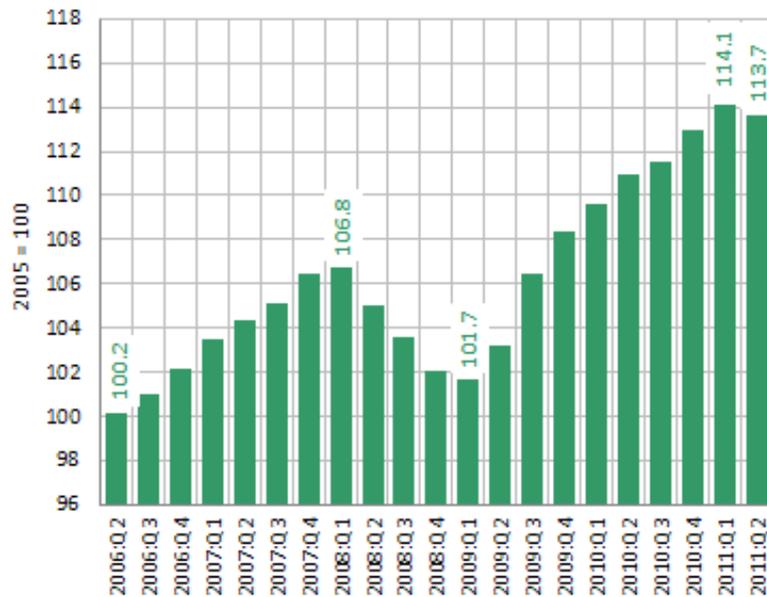


# U.S. Productivity Indices

## PRODUCTIVITY IN THE U.S. MANUFACTURING SECTOR: OUTPUT PER HOUR OF ALL PERSONS

(Seasonally Adjusted Data; 2005 = 100)

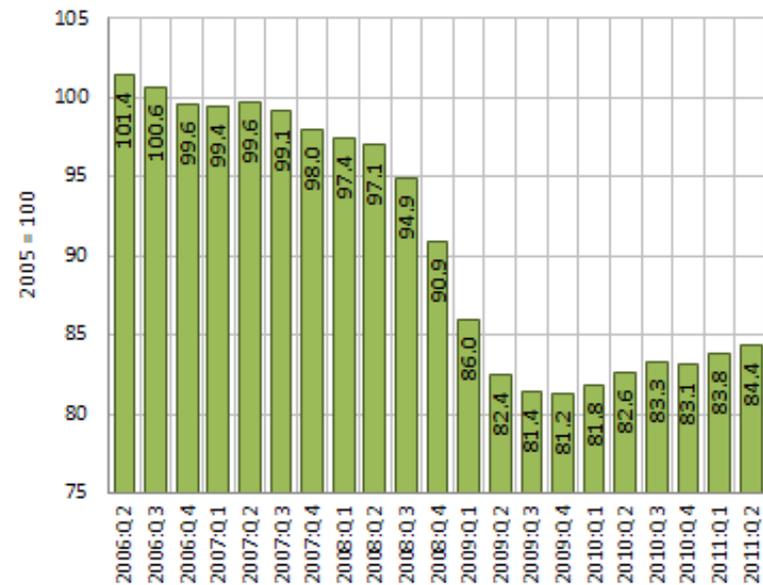
Source: Bureau of Labor Statistics/Haver Analytics



## U.S. MANUFACTURING SECTOR: HOURS OF ALL WORKERS

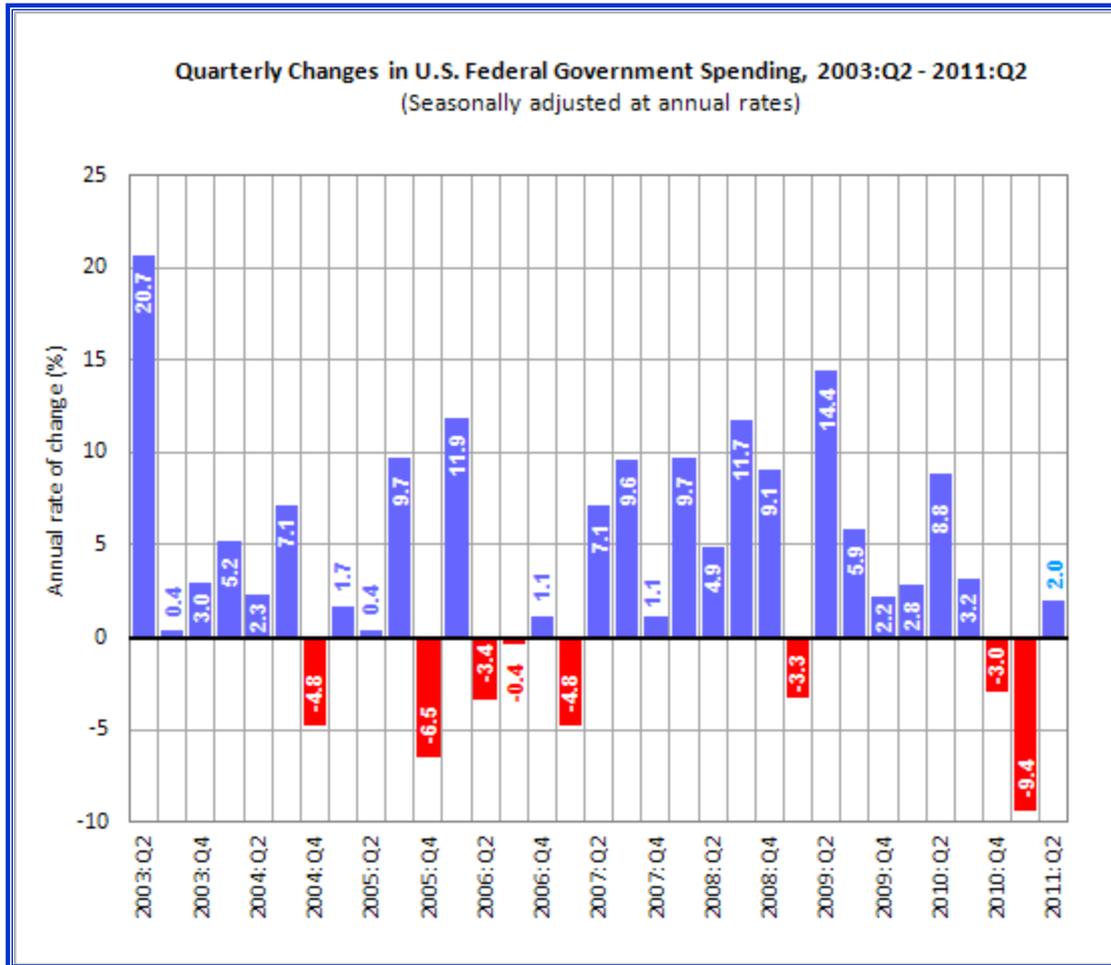
(Seasonally Adjusted Data; 2005 = 100)

Source: Bureau of Labor Statistics/Haver Analytics



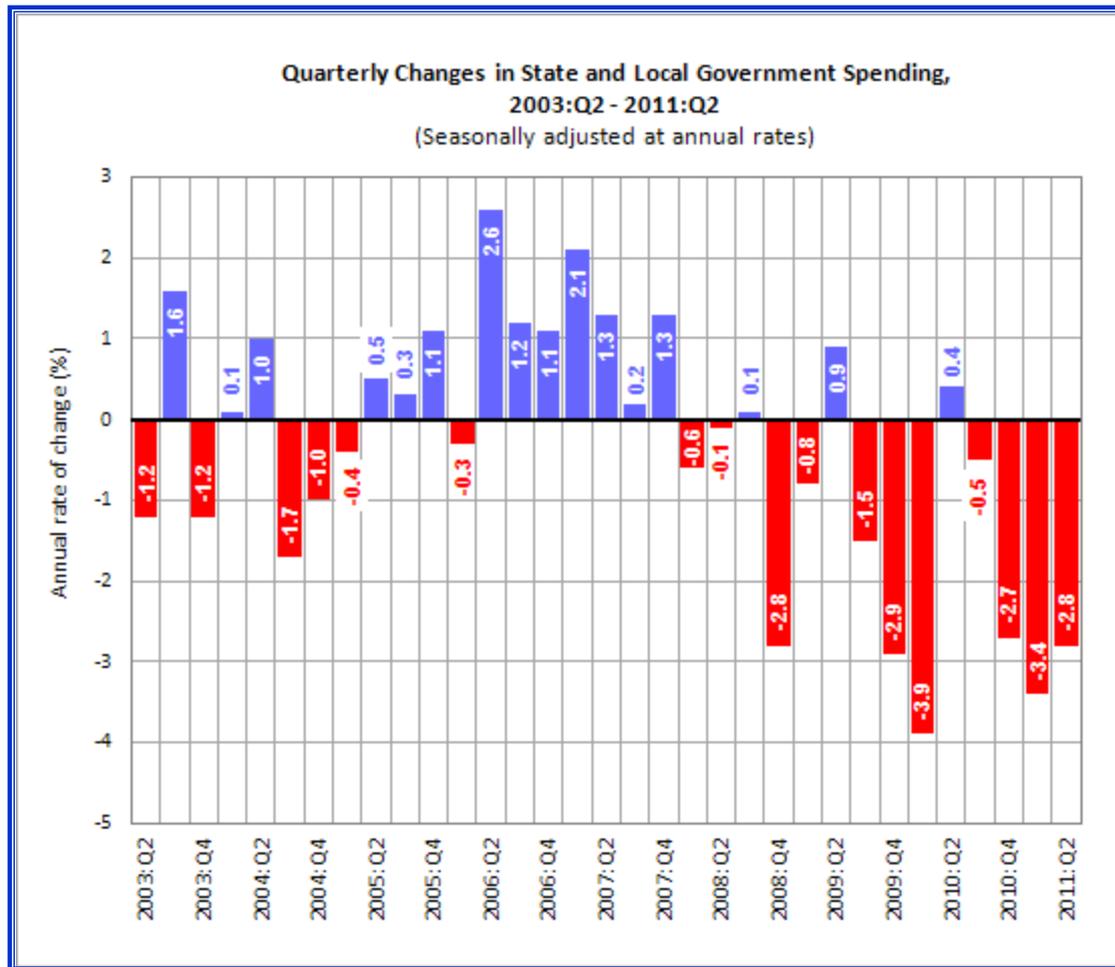
GDP = Consumer Spending + Investment + Government + Net Exports (X-I)

## Federal Government Spending

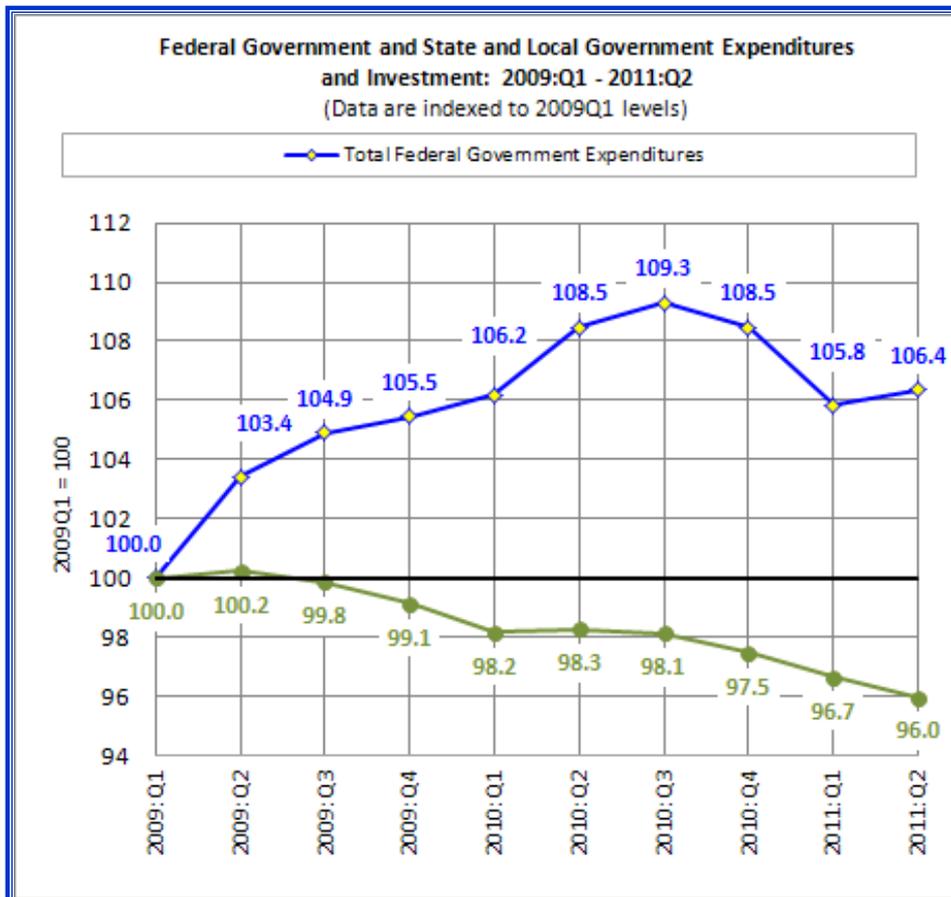


GDP = Consumer Spending + Investment + Government + Net Exports (X-I)

## State and Local Government Spending: The Anti-Stimulus



## Federal and State and Local Government Spending Compared



### Total Change in Spending from 2009Q1 to 2011Q2:

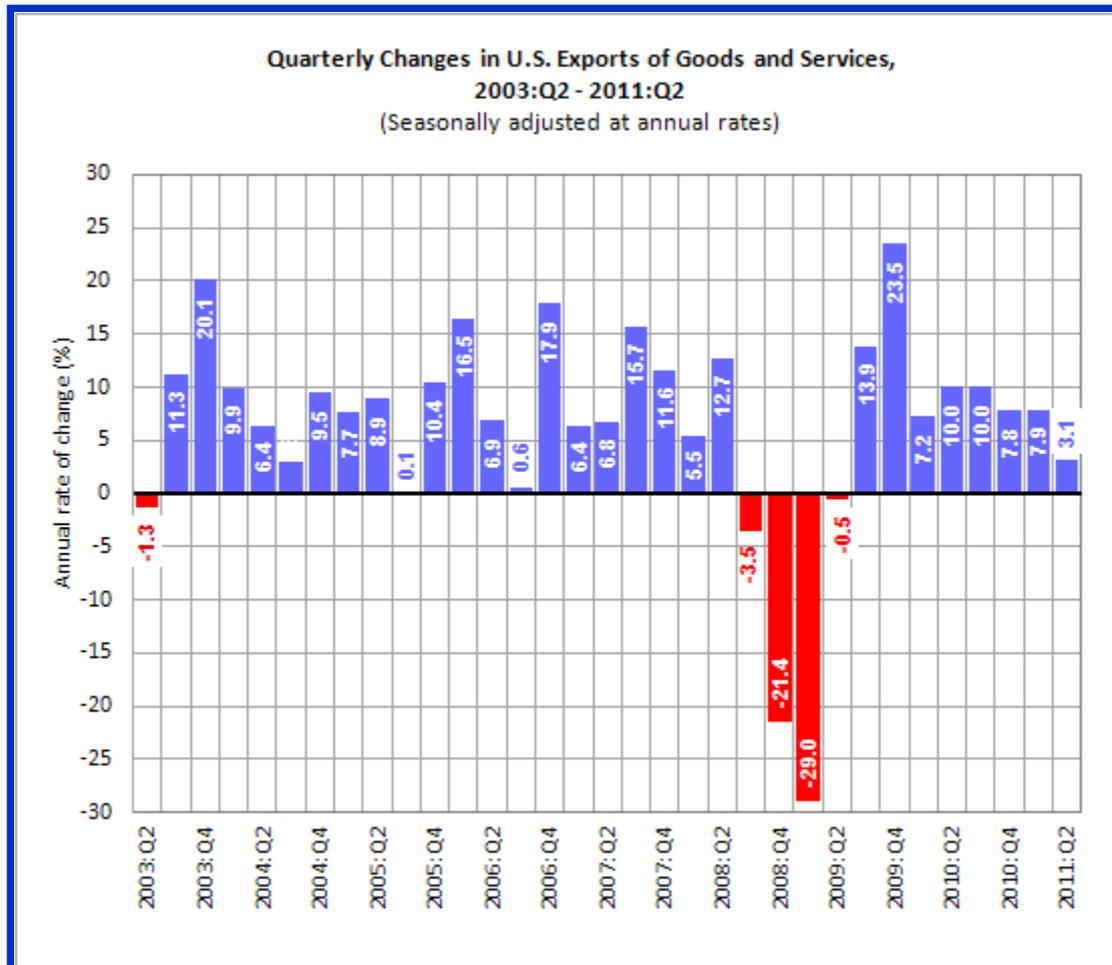
Total Federal Spending: +\$ 63.3 billion  
 Defense Spending: +\$ 36.1 billion  
 Non-Defense Spending: +\$ 27.2 billion

State and Local Government Spending: -\$ 61.2 billion

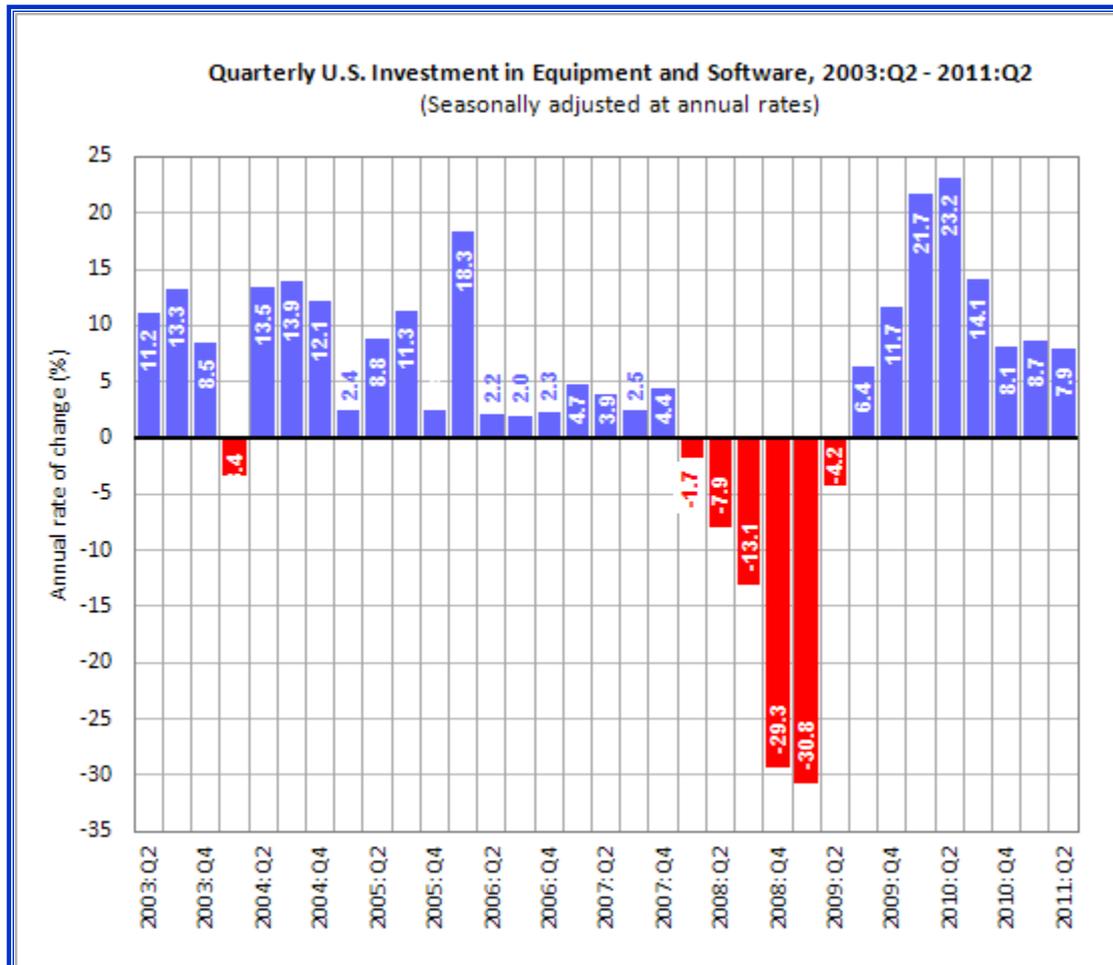
### Change in Spending from 2011Q3 to 2011Q2 Only: -\$61.9 billion

Total Federal Spending: -\$ 29.3 billion  
 Defense Spending: -\$ 22.6 billion  
 Non-Defense Spending: -\$ 6.7 billion  
 State and Local Government Spending: -\$ 32.9 billion

## The Bright Spots: Exports



## The Bright Spots: Investment in Equipment and Software



## Outlook

- The economy needs a jump start. Doubtful legislative prospects for the Administration's proposed \$450 billion jobs plan.
- Vicious circle: For economy to improve, consumers must spend more (i.e., demand must increase). For consumers to spend more, the pace of employment and income growth must grow. For employment and incomes to grow, demand must increase.
- Double-dip recession is unlikely, but downside risks remain high (i.e., threats to global economy such as financial and economic crisis in Europe, or additional blows to consumer and business confidence).
- Prognosis: slow and uneven expansion will continue--limited recovery of jobs lost during the recession, unemployment continuing to hover at high levels. The economy lacks an engine of growth in the near term.