TRI-COUNTY ECONOMIC FORECAST CONFERENCE

California Economic Outlook

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VP & Senior Economist
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THEMES FOR 2007

- Slower economic growth
- Housing activity declines
- Still Strength elsewhere

U.S. ECONOMIC GROWTH

% Change in Real GDP, Year-Over-Year

Sources: BEA, estimate & forecasts by LAEDC
**GDP COMPARISONS**

% Change in Real GDP, Year-Over-Year

<table>
<thead>
<tr>
<th>Year</th>
<th>U.S.</th>
<th>California</th>
</tr>
</thead>
<tbody>
<tr>
<td>'98</td>
<td>6.3</td>
<td>4.4</td>
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<tr>
<td>'99</td>
<td>7.9</td>
<td>5.7</td>
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<tr>
<td>'00</td>
<td>7.6</td>
<td>3.7</td>
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<td>'01</td>
<td>0.9</td>
<td>1.5</td>
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<td>'02</td>
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<td>4.2</td>
</tr>
<tr>
<td>'03</td>
<td>3.2</td>
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<td>3.6</td>
</tr>
<tr>
<td>'05</td>
<td>4.3</td>
<td>3.2</td>
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</tbody>
</table>

Source: BEA

**CONSUMER INFLATION RATE**

Year/Year % Change

<table>
<thead>
<tr>
<th>Year/Year</th>
<th>San Francisco CMSA</th>
<th>Los Angeles CMSA</th>
<th>U.S.</th>
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<tr>
<td>'96</td>
<td>0.8</td>
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<td>0.5</td>
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<td>'97</td>
<td>2.0</td>
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<td>1.0</td>
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<td>3.0</td>
<td>1.2</td>
<td>2.0</td>
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<tr>
<td>'06</td>
<td>2.0</td>
<td>1.0</td>
<td>1.0</td>
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</tbody>
</table>

Source: Bureau of Labor Statistics

**SPOT ENERGY PRICES**

$/Mcf  $/Barrel

Sources: EIA, Natural Gas Weekly
CALIFORNIA WHOLESALE ELECTRICITY PRICE

Average $ per Megawatt-Hour

Source: Wall Street Journal

PRICE/COST PRESSURES

% Change vs. Previous December

Sources: BLS, USDA, Bridge/Commodity Research Bureau

LABOR COMPENSATION -- WEST

Year/Year % Change

Source: BLS
UNEMPLOYMENT HAS COME DOWN

UNEMPLOYMENT HAS COME DOWN

Jan-90 Jan-91 Jan-92 Jan-93 Jan-94 Jan-95 Jan-96 Jan-97 Jan-98 Jan-99 Jan-00 Jan-01 Jan-02 Jan-03 Jan-04 Jan-05 Jan-06

% (SA)

Latest

U.S. 4.5%

CA 4.6%

Source: BLS, CA EDD

AFTER-TAX CORPORATE PROFITS

AFTER-TAX CORPORATE PROFITS

Unadjusted, Yr/Yr % Change

Latest Quarter

Plotted: 3Q 2006

Year: Quarter

Source: Bureau of Economic Analysis

U.S. EQUITY PRICES

U.S. EQUITY PRICES

S&P 500

NASDAQ Composite

Year: Month

Source: Data from S&P, NASDAQ
BUSINESS SPENDING -- EQUIPMENT

Billions of $ 2000

Source: Bureau of Economic Analysis

NONFARM EMPLOYMENT GROWTH

Year/Year % Change

Latest Month Plotted: Nov 2006

CHANGE IN NONFARM EMPLOYMENT -- MAJOR INDUSTRIES IN CALIFORNIA
(Nov '06 / Nov '05)

Source: California Employment Development Dept.
TECHNOLOGY JOB TRENDS IN CALIFORNIA

Thousands of Jobs

Source: California Employment Development Department

CA EXPORTS BY INDUSTRY

Year/Year % Change

Source: MISER

TOTAL CARGO HANDLED AT LA/LB PORTS

TEU in Thousands

Latest month plotted: November 2006

Sources: Ports of Los Angeles & Long Beach
CALIFORNIA TAX REVENUES

Year/Year % Change

-50%
-40%
-30%
-20%
-10%
0%
10%
20%
30%
40%
50%

Month: Year

Source: CA Department of Finance

CALIFORNIA ECONOMIC FORECAST

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2005</th>
<th>2006e</th>
<th>2007f</th>
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<tbody>
<tr>
<td>Nonfarm Jobs</td>
<td>1.0</td>
<td>1.4</td>
<td>1.5</td>
<td>0.9</td>
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<tr>
<td>Unemployment Rate</td>
<td>6.2</td>
<td>5.4</td>
<td>4.9</td>
<td>5.2</td>
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<tr>
<td>Total Personal Income</td>
<td>6.0</td>
<td>5.0</td>
<td>6.1</td>
<td>6.2</td>
</tr>
<tr>
<td>Taxable Retail Sales</td>
<td>9.4</td>
<td>7.5</td>
<td>6.0</td>
<td>5.9</td>
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<tr>
<td>Housing Unit Permits</td>
<td>212,960</td>
<td>208,972</td>
<td>164,900</td>
<td>157,000</td>
</tr>
</tbody>
</table>

*Annual % change except housing permits, which are in units.

Forecast Source: LAEDC

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