THEMES FOR 2006

- Mid-economic cycle -- significant momentum
- Energy, inflation, and interest rates
- Housing slowdown -- what are the spillovers?
- California’s economy continues to expand
U.S. ECONOMIC GROWTH

% change in real GDP, year-over-year

Sources: BEA, forecast by LAEDC

U.S. Economic Growth Chart

- 1996: 3.7%
- 1997: 4.5%
- 1998: 4.2%
- 1999: 4.4%
- 2000: 3.7%
- 2001: 0.8%
- 2002: 2.7%
- 2003: 4.2%
- 2004: 3.6%
- 2005f: 3.6%
- 2006f: 3.6%

Note: 2005 and 2006 figures are forecasts.
INFLATION & INTEREST RATES

Percent, 4th Quarter Averages

Sources: Federal Reserve, BLS, LAEDC
CONSUMER INFLATION RATE

Source: BLS
SPOT ENERGY PRICES

Sources: EIA, Natural Gas Weekly
CALIFORNIA WHOLESALE ELECTRICITY PRICE

Average $ per Megawatt-Hour

Source: Wall Street Journal
PRICE/COST PRESSURES

% Change vs. Previous December

- Labor Compensation (Sep/Sep)
- Industrial Commodities
- Farm Prices

Sources: US BLS, USDA, Bridge/Commodity Research Bureau
UNEMPLOYMENT COMING DOWN

% SA

- U.S. 4.9% (Dec '05)
- CA 4.9% (Nov '05)

Source: BLS, CA EDD
AFTER-TAX CORPORATE PROFITS

Unadjusted, Yr/Yr % Change

Latest Quarter
Plotted: 3Q 2005

Year: Quarter

Source: Bureau of Economic Analysis
BUSINESS SPENDING -- EQUIPMENT

Billions of $2000

- Information Processing [--->
- Transportation [<--
- Industrial [<--
- Other [<--

Source: Bureau of Economic Analysis
BUSINESS IS HIRING AGAIN

Year/Year % Change in Nonfarm Jobs

California
Rest of U.S.

Source: CA Employment Development Dept.
PERSONAL INCOME IS RISING

Year/Year Percent Change

Source: BEA
REGIONAL GROWTH PATTERN

Year/Year % Change (Smoothed)

Latest month: November 2005

Source: CA Employment Development Dept.
TAXABLE SALES

Year/Year % Change

Year: Quarter

California  Bay Area  Southern California  Central Valley

Sources: Dept. of Commerce, BOE
CALIFORNIA VEHICLE REGISTRATIONS

000s of Passenger-type Vehicles

Source: CA DOF
MEDIAN HOME PRICE IN CALIFORNIA

Source: California Association of REALTORS®
CALIFORNIA NONRESIDENTIAL BUILDING PERMITS

Billions of $ 2005

Source: Construction Industry Research Board
AGRICULTURE: BETTER
(Gross Cash Income in CA)

Sources: CA Dept. of Agriculture, LAEDC
BOEING COMMERCIAL AIRCRAFT

Number of Commercial Aircraft

Source: Boeing, LAEDC
LOCATION PRODUCTION DAYS

YTD

Source: Entertainment Industry Development Corp./LA Film Office
TECHNOLOGY JOB TRENDS IN CALIFORNIA

Annual Averages, Thousands

Source: California Employment Development Dept.
TOTAL CARGO HANDLED AT LA/LB PORTS

Latest month plotted: November 2005

Sources: Ports of Los Angeles & Long Beach
TOTAL CARGO HANDLED
AT PORT OF OAKLAND

Source: Port of Oakland

Latest month plotted: November 2005
U.S. TRAVEL & TOURISM SALES

Billions of $

1q01 3q01 1q02 3q02 1q03 3q03 1q04 3q04 1q05 3q05

Source: Bureau of Economic Analysis
HOTEL OCCUPANCY RATES

Los Angeles  San Francisco  San Diego

Source: PKF Consulting
CALIFORNIA TAX REVENUES

Year/Year % Change

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


Month: Year

Source: CA Department of Finance
## California Economic Forecast

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2004</th>
<th>2005e</th>
<th>2006f</th>
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<tbody>
<tr>
<td>Nonfarm Jobs</td>
<td>-0.5</td>
<td>1.0</td>
<td>1.4</td>
<td>1.5</td>
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<tr>
<td>Unemployment Rate</td>
<td>6.8</td>
<td>6.2</td>
<td>5.4</td>
<td>5.3</td>
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<tr>
<td>Total Personal Income</td>
<td>3.2</td>
<td>6.6</td>
<td>6.0</td>
<td>6.1</td>
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<tr>
<td>Taxable Retail Sales</td>
<td>6.7</td>
<td>9.3</td>
<td>9.6</td>
<td>9.4</td>
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<tr>
<td>Housing Unit Permits</td>
<td>195,682</td>
<td>212,960</td>
<td>214,200</td>
<td>201,000</td>
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</tbody>
</table>

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

Forecast Source: LAEDC
THINGS TO WATCH -- CALIFORNIA

- Sacramento politics
- Budget
- Business climate post Nissan
- Power supply and cost
- Local government pension & medical coverage obligations
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