



**City of Long Beach Memorandum**  
Working Together to Serve

ATTACHMENT C

**Date:** June 24, 2009  
**To:** Patrick H. West, City Manager  
**From:** Lori Ann Farrell, Director of Financial Management/CFO  
**For:** Mayor and Members of the City Council  
**Subject:** UCLA Anderson Economic Forecast – June 2009

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The UCLA Anderson School of Management's quarterly economic forecast was released on June 16, 2009. It presents a sobering picture of California's economy and predicts the State will not come out of recession until the second half of 2011. "California's economy is quite a bit weaker than the U.S. economy, and we don't expect to see a recovery any time soon," the report stated.

Office, retail and industrial construction remain weak for the foreseeable future, according to the report. The closure of auto dealerships and the expected consolidation of chain stores are expected to worsen the retail outlook in the coming year. Taxable sales are expected to decline this year and not recover until 2011. Notably, sales tax performance in Long Beach for the 3<sup>rd</sup> Quarter of the Fiscal Year is expected to show a 21 percent year-over-year decline. The report also indicated a mild turnaround at the Ports of Los Angeles and Long Beach as orders for bulk manufactured goods, foods and raw materials demonstrate the beginning of increased demand, but it also stated that housing markets in California have yet to bottom out. According to the report: "The good news is that the worst is behind us. The bad news is that the near-term employment picture isn't all that good."

California's unemployment rate now stands at a near-record 11 percent, largely from slashed payrolls in home building and finance amid the mortgage crisis and foreclosure surge. It is expected that the State's unemployment rate will peak at 12.1 percent in the fourth quarter of 2009 and will average 11.5 percent for the year. Though the California economy will be growing in 2011, it will not be generating enough jobs to drive the unemployment rate below double digits until the end of 2011. The UCLA forecast suggests that this recession will end with what economists call a "jobless recovery" - an increase in the gross domestic product but without a corresponding rebound in payroll employment.

A UCLA economist says widespread State-worker layoffs will create a substantial drag as California's economy tries to climb out of the recession. However the downward drag caused by the State budget deficit means California will bounce back more slowly than the nation when the slow recovery begins late this year or in 2010.

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Should you have any questions concerning this matter, please do not hesitate to call me at extension 8-6427.

cc: Suzanne Frick, Assistant City Manager  
Reginald Harrison, Deputy City Manager  
Robert Swayze, Economic Development and Cultural Affairs Manager

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Type			Note	Source
<b>Leading</b>	Stock Market (DJIA)	9069.29	Close as of Thurs., 7/23/09. Dow closes above 9,000 for the first time since January.	Bloomberg
	Consumer Confidence (July)	66	Down from 70.8 in June. Fell for the first time in five months as mounting unemployment and depressed wages shook households. The biggest employment slump of any recession in the last eight decades may be making more Americans feel their jobs are in jeopardy.	Reuters/Univ. of Michigan
	Federal Funds Rate	0.25%	All-time low.	WSJ
	Oil	\$55.423/bbl	Midway Sunset as of 7/16/09.	LBGO
	CPI (June)	+0.7%	Month/Month. Rose at their quickest pace since last summer as expensive gasoline claimed a larger chunk of household budgets.	BLS
	Index of Leading Economic Indicators (June)	+0.7%	Index points to the direction of the economy over the next 3 to 6 months. Rose for a third consecutive month. First time the index has climbed for three months in a row since 2004. Smaller job losses, rising stock prices and stabilization in homebuilding and manufacturing are evidence that government efforts to stem the financial crisis and lower borrowing costs may pay off.	Conference Board
<b>Lagging</b>	Housing Starts (June)	+3.6	Month/Month. Construction of single-family dwellings jumped by the most since 2004.	Commerce Dept.
	PPI (June)	1.8%	Prices at the wholesale level surged because of higher energy costs.	Commerce Dept.
	Prime Rate	3.25%	Energy prices rose 7.6% as gasoline price jumped 17.3%. Last rate change 12/18/08	WSJ

Economic Indicators  
Week of 7/24/09

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Nat'l Unemployment Rate	9.5% (June)	Rose to the highest amount in almost 26 years. Payrolls declined by 467,000 (following a 322,000 drop in May) in June, making it the 18th straight month of job cuts. The economy has lost about 6.5 million jobs since December 2007.	BLS
State of CA Unemploy. Rate (June)	11.6%	Up 4.5 percentage points from a year earlier. The State lost 66,500 jobs last month, and has shed 766,300 jobs in the last year.	Labor Dept.
L.A. County Unemploy. Rate	11.4% (Jun)	From 11.6% in May	EDD
Trade Balance Level	-\$29.2 bil (May)	Narrowed in May to the lowest level in almost a decade as exports jumped while imports of crude oil and auto parts declined.	US Dept of Commerce
Weekly Initial Jobless Claims	554,000	Seasonally adjusted. Claims had fallen by 93,000 over the previous two weeks. Jumped 30,000 last week from a six-month low as distortions caused by shifts in the timing of auto-plant shutdowns subsided.	Labor Dept.
Weekly Initial Jobless Claims (Four-Week Moving Average)	566,000	The four-week moving average for new claims, an important gauge of labor market health, fell to 566,000, from 585,000. This measure is supposed to iron out weekly volatility, and has now fallen for 4 consecutive weeks.	Labor Dept.
Nat'l Retail Sales (June)	-4.9%	Seasonally adjusted rate. Decline contrasts with a 1.9% increase a year ago. Wal-Mart, which has been performing well all year, used to help lift the total industry number, but in April it stopped reporting monthly sales figures.	US Dept of Commerce
Median So Cal Home Prices (June)	+6.4%	Month/Month. \$250,000 median price reflects first significant increase in two years. However, it's still below the 2007 peak of \$505,000. LA County's median price in June was \$320,000, up from \$300,000 in May but down about 23% from a year earlier.	DataQuick
Existing Home Sales (Jun)	+3.6%	Increased for a third consecutive month, spurred by tax incentives, lower borrowing costs and foreclosure-driven declines in prices. Rose to an annual rate of 4.89 million, the highest level since October.	Nat'l Assoc. of Realtors

Type				Note	Source
Coincident	Manufacturing Index (June)	44.8		Shrank in June at the slowest pace in 10 months. Up from 42.8 in May. Readings below 50 signal a contraction. Stabilization in consumer spending, the biggest part of the economy, may prompt factories to boost production in coming months.	ISM
	Non-Manufacturing Businesses Index (June)	47		Contracted at the slowest pace in nine months, as measures of new orders and employment improved. Non-manufacturing makes up almost 90 percent of the economy. Readings less than 50 signal contraction. The index's third straight monthly improvement reflects signs of stabilization in housing and consumer spending.	ISM
	Industrial Production (June)	-0.4%		Shrank less than forecast, signaling manufacturing is on the verge of stabilizing. The decrease was the smallest in 8 months.	Federal Reserve