State Board of Equalization

ECONOMIC PERSPECTIVE

Summary of Recent Economic Developments
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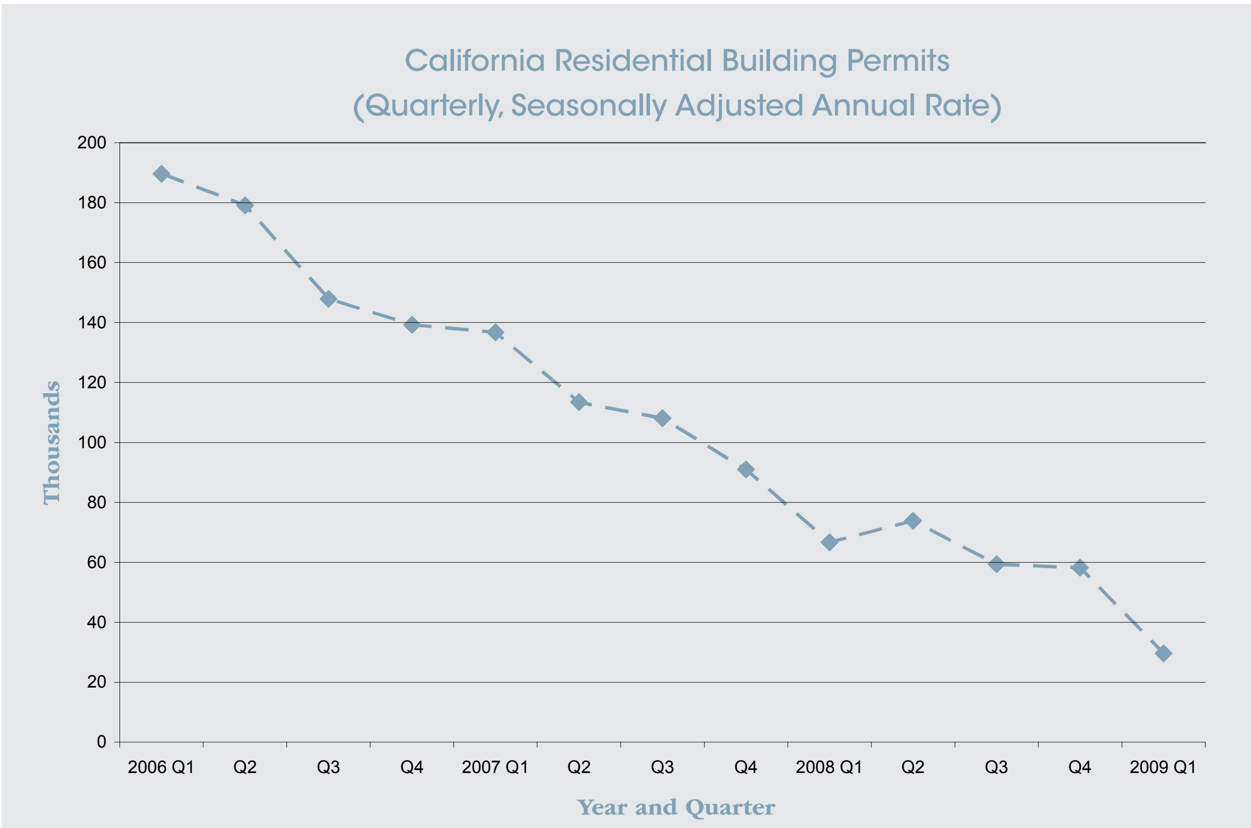

Record Low Home Building Rates Continue into 2009

Taxable transactions related to residential construction are very important to overall taxable sales. Recent data indicate that residential construction activity has yet to turn around. After establishing a record low for 2008, California building permits are continuing to drop sharply so far in 2009. About 65,000 residential building permits were issued in 2008, the smallest total since 1954. On a seasonally adjusted basis permits seemed to be leveling off in the third and fourth quarters of 2008 at annualized rates of around 60,000 permits. However, as shown in the chart, in the first quarter of 2009 building activity fell further even from these record-low levels to an average of about 32,000 permits. To put this number into perspective, an average of 143,000 residential permits per year have been issued over the past ten years.

These and other data indicate that the California economy has yet to reach the bottom of its current economic downturn.

A Regional View of Taxable Sales From 2001 to 2007

The Most Recent Expansion: 2001-2007

California and the nation are currently mired in a severe recession that began over a year ago, in January 2008. The last national recession ended in November 2001. There was a long period of economic recovery and expansion from the end of 2001 through 2007. While there are no official definitions of recession and expansion time periods for California and other states, this state generally follows national economic trends. This article reviews California, regional, and county taxable sales growth from 2001 to 2007, a time period which approximately corresponds to the most recent expansion.

TABLE 1
Taxable Sales Growth for California and Regions From 2001 to 2007, Ranked From Highest to Lowest

San Joaquin Valley	42.4%
Southern California	32.5%
Northern Sacramento Valley	31.7%
California	***27.1%***
Sacramento Area	26.9%
Rest of State	24.1%
Central Coast	19.2%
San Francisco Bay Area	11.6%

Wide Range in Regional Growth

As shown in Table 1, California taxable sales rose 27.1 percent from 2001 to 2007. While taxable sales rose in all major regions of the state, some of them fared quite differently over this time period. Growth in taxable sales ranged from a high of 42.4 percent in the San Joaquin Valley to a low of 11.6 percent for the San Francisco Bay Area. Southern California and the San Francisco Bay Area combined accounted for 78 percent of the state's taxable sales in 2007. These two regions, which are the most populous, had very different growth rates, as Southern California taxable sales rose 32.5 percent, compared to just 11.6 percent in the San Francisco Bay Area.

In the next sections we will examine county growth of taxable sales within regions, moving from the fastest-growing regions to the slowest-growing ones.

San Joaquin Valley

As shown in Table 2, taxable sales growth in San Joaquin Valley, the fastest growing region, ranged from a high of 66.4 percent for Madera County to a low of 28.1 percent for Stanislaus County. Madera County growth was the fastest of any county in the state from 2001 to 2007. Even the slowest growing county in this region had faster growth than the statewide average of 27.1 percent. This region accounted for about nine percent of all California taxable sales in 2007.

TABLE 2
Taxable Sales Growth for the San Joaquin Valley and its Counties From 2001 to 2007, Ranked From Highest to Lowest

Madera	66.4%
Kern	55.7%
Tulare	50.6%
Fresno	43.2%
San Joaquin Valley	***42.4%***
Kings	42.3%
Merced	36.4%
San Joaquin	33.3%
Stanislaus	28.1%

Southern California

Taxable sales growth in Southern California ranged from a high of 59.2 percent in Riverside County to a low of 26.0 percent in San Diego County. (See Table 3.) Riverside and San Bernardino counties were the region's leading counties by far, while the majority of the remaining counties had growth fairly close to the statewide average. Taxable sales in Southern California accounted for 56 percent of the state's total taxable sales in 2007.

TABLE 3
Taxable Sales Growth for Southern California and its Counties From 2001 to 2007, Ranked From Highest to Lowest

Riverside	59.2%
San Bernardino	54.7%
Southern California	***32.5%***
Orange	28.5%
Ventura	28.3%
Los Angeles	28.3%
San Diego	26.0%

Northern Sacramento Valley

Growth rates in the Northern Sacramento Valley ranged from 45.8 percent in Tehama County to 29.4 percent for Butte County. Shasta and Butte counties accounted for 81 percent of the region's taxable sales in 2007, and these two counties had growth close to the state average. The Northern Sacramento Valley accounted for about one percent of California taxable sales in 2007.

TABLE 4
Taxable Sales Growth for the Northern Sacramento Valley and its Counties From 2001 to 2007, Ranked From Highest to Lowest

Tehama	45.8%
Colusa	37.0%
Glenn	35.1%
Northern Sacramento Valley	***31.7%***
Shasta	29.7%
Butte	29.4%

Sacramento Area

The fastest growth rates for counties in the Sacramento area were outside of Sacramento County, which accounted for 59 percent of the region's taxable sales in 2007. Counties outside of Sacramento County had growth rates faster than the state average, while Sacramento County taxable sales rose 19.4 percent, much lower than the statewide average of 27.1 percent. The Sacramento Area accounted for about six percent of California taxable sales in 2007.

TABLE 5
Taxable Sales Growth for the Sacramento Area and its Counties From 2001 to 2007, Ranked From Highest to Lowest

Placer	42.9%
Yuba	40.2%
Sutter	39.6%
Yolo	35.2%
El Dorado	33.4%
Sacramento Area	***26.9%***
Sacramento	19.4%

Central Coast

Taxable sales growth in the Central Coast Region was quite a bit lower than the statewide average, increasing 19.2 percent compared to 27.1 percent for the state. The only county in this region with faster growth than average was San Luis Obispo, with a 38.6 percent increase. The Central Coast Region comprised about four percent of California taxable sales in 2007.

TABLE 6
Taxable Sales Growth for the Central Coast and its Counties From 2001 to 2007, Ranked From Highest to Lowest

San Luis Obispo	38.6%
Santa Barbara	21.1%
Central Coast	***19.2%***
Monterey	11.4%
Santa Cruz	10.9%
San Benito	9.8%

Rest of State

Taxable sales in 19 counties comprising the Rest of State (mostly rural areas) ranged from a high growth rate of 63.1 percent for Imperial County to a 1.7 percent decline for Alpine County. Imperial County's growth was the second highest of any county in the state, while Alpine was the only county with a decline in taxable sales over this period. Median county growth for this region (the tenth highest growth rate in the region) was close to the state average. The Rest of State Region accounted for two percent of 2007 California taxable sales.

TABLE 7
Taxable Sales Growth for the Rest of State and its Counties From 2001 to 2007, Ranked From Highest to Lowest

Imperial	63.1%
Calaveras	41.6%
Siskiyou	35.1%
Amador	34.4%
Mono	32.9%
Del Norte	32.1%
Humboldt	30.9%
Nevada	29.5%
Lake	29.2%
Mariposa	28.2%
Mendocino	27.8%
Rest of State	***24.1%***
Lassen	23.6%
Plumas	23.4%
Inyo	22.4%
Trinity	21.8%
Tuolumne	20.6%
Sierra	16.7%
Modoc	15.0%
Alpine	-1.7%

San Francisco Bay Area

Taxable sales in the San Francisco Bay Area rose just 11.6 percent from 2001 to 2007, far below the state average. The area was slow to recover from the dot-com bust, as taxable sales remained below the 2001 level from 2002 until 2004. Growth from 2001 to 2007 ranged from a high of 32.2 percent for Solano County to a low of 3.6 percent for San Mateo County. All counties except for Solano and Napa had growth rates below the state average. Growth in Santa Clara County was extremely weak, just 4.8 percent. The San Francisco Bay Area is the second largest region in the state (behind Southern California) recording 22 percent of the state's taxable sales in 2007.

TABLE 8
Taxable Sales Growth for the San Francisco Bay Area and its Counties From 2001 to 2007, Ranked From Highest to Lowest

Solano	32.2%
Napa	32.2%
San Francisco	17.3%
Sonoma	15.5%
Contra Costa	14.9%
Alameda	13.5%
San Francisco Bay Area	***11.6%***
Marin	11.3%
Santa Clara	4.8%
San Mateo	3.6%

Contact Us

Please contact us if you would like to be added to our mailing list, need additional copies, or have questions or comments.

Joe Fitz, Chief Economist, MIC:67
State Board of Equalization
PO Box 942879
Sacramento, CA 94279-0067
916-323-3802
research@boe.ca.gov

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www.boe.ca.gov/news/epcont.htm

Taxpayers' Rights Advocate:
888-324-2798

To contact your Board Member, see
www.boe.ca.gov/submenus/boardmembers.htm

Online Resources

For more information about topics covered in this issue, please visit any of the websites listed below.

California Department of Finance
www.dof.ca.gov

California Employment Development Department (EDD), *Labor Market Conditions in California*
www.labormarketinfo.edd.ca.gov

Federal Reserve Bank of Philadelphia, *Survey of Professional Forecasters*
www.phil.frb.org/econ/spf/index.html

National Association for Business Economists
www.nabe.com

U.S. Bureau of Economic Analysis
www.bea.gov

U.S. Bureau of Labor Statistics
www.bls.gov/cpi/

U.S. Census Bureau
www.census.gov