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❖ U.S. Economic Developments

Strong Real GDP Growth Continues

The above-average growth of the past several quarters continues—with real GDP showing an increase of 4.2 percent in the first quarter of 2004. Annual data show that real GDP rose 3.1 percent in 2003, which is close to the long-term average of 3.3 percent.

Many economic forecasters expect the relatively strong growth of the past several quarters to continue. A survey of 32 professional forecasters polled by the Federal Reserve Bank of Philadelphia in February calls for real GDP to increase 4.6 percent in 2004 and 3.8 percent in 2005.

Employment Growth Accelerates

In the first quarter of 2004, growth in U.S. nonagricultural employment accelerated sharply. Preliminary data show that 513,000 nonagricultural jobs were created in the first quarter, nearly three times the gain of 179,000 jobs created in the fourth quarter of 2003.

The economists polled by the Federal Reserve Bank of Philadelphia predicted that employment gains will average about 273,000 nonagricultural jobs per quarter for 2004. Typical economic models used by forecasters show a strong association between growth in real GDP and growth in jobs. While there can be wide variation in the relationship between jobs and economic growth figures, the first quarter job gains are consistent with the relatively strong real GDP growth expected by these economists.

Unemployment Rate Declining

With the improving economy, the average quarterly U.S. unemployment rate has been declining since it reached a peak of 6.1 percent in the third quarter of 2003. The average quarterly unemployment rate fell to 5.9 percent in the fourth quarter of 2003 and 5.6 percent in the first quarter of 2004.

❖ California Economic Developments

California Growth in Payroll Jobs Slower Than U.S. Growth in Early 2004

Though the gains have been very small, California data show that nonagricultural employment has increased every quarter since mid-2003. However, preliminary data for the first quarter of 2004 indicate that California has added proportionately fewer nonagricultural jobs than has the U.S. economy. California has about 11 percent of total U.S. nonagricultural jobs. If the state had matched the U.S. increase proportionately in the first quarter, about 56,000 jobs would have been added to the state's payrolls. Instead, California added 29,000 nonagricultural jobs in the first quarter.

California Unemployment Rate Following U.S. Trend

Unlike the nonagricultural employment data, recent trends in California unemployment have closely paralleled those of

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In-Depth Perspective: Taxable Sales

Long-Term Trends in Per-Capita Purchases in California

In the February issue of this newsletter we reviewed inflation-adjusted California taxable sales over the past ten years. In this issue we examine changes in per capita taxable sales (unadjusted for inflation) by type of business over the same time period, 1993 through 2002.

Californians are spending more on taxable goods

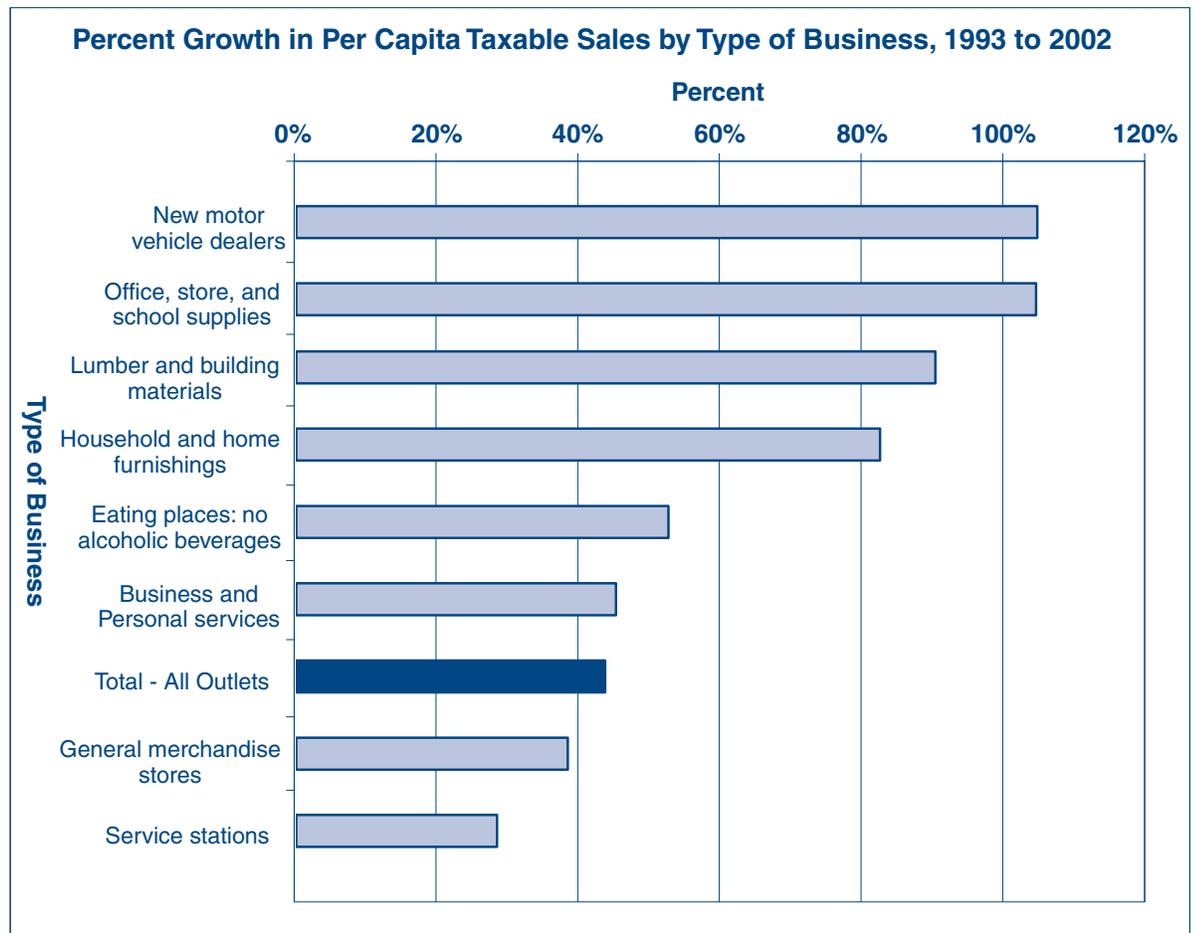
California taxable sales per capita increased 44 percent from 1993 through 2002. This gain matched the growth in the state's personal income per capita over the same time period. In terms of

dollars, taxable sales per capita increased by \$3,801 from 1993 through 2002.

In 2002, Californians spent an average of \$12,491 per person on taxable goods. The business with the largest taxable sales per capita was new motor vehicles, at \$1,530 per person. The next largest category was general merchandise stores, at \$1,211 per person.

Where the largest growth in taxable sales has occurred

In our analysis, we selected the eight types of businesses with the largest growth in terms of dollars from 1993 to



In-Depth Perspective: Taxable Sales

2002. Taxable sales of these businesses increased from a minimum of \$125 per person (Household and Home Furnishings) to a maximum of \$783 per person (New Motor Vehicle Dealers). These eight businesses accounted for 58 percent of all growth in taxable sales per person in this time period.

The chart shows per capita taxable sales growth for these businesses, as well as total growth in taxable sales per capita. The businesses are ranked in terms of percentage growth in per capita sales from 1993 to 2002.

Taxable sales per capita by new motor vehicle dealers jumped 105 percent from 1993 to 2002, more than any other major type of business. While new and used cars and trucks account for the vast majority of such sales, vehicle dealer taxable sales also include parts, tires, batteries and accessories. The U.S. Bureau of Economic analysis data show that the price index for new car prices increased only about 4 percent from 1993 to 2002. However, the price indices do not measure quality improvements, including features such as

air bags, antilock breaks, and onboard computer assistance options that have become more popular over the past ten years. U.S. data indicate that, on average, consumers are buying higher quality cars.

California vehicle registration data show that we are replacing cars sooner, on average, than we did in 1993. The median age of vehicles (the age at which half are older and half are younger) has decreased by about 18 months from 1994 to 2003. In 2003, nearly half the cars on the road were five years old or less.

Taxable sales per capita by retailers selling office, store, and school supplies increased 104 percent from 1993 to 2002, nearly matching the percentage gain by new car dealers. The greatly increased use of home and small business computers and related equipment and supplies over the past decade contributed heavily towards this gain. Other types of businesses with very strong sales growth over the past decade include retailers selling lumber and building materials and household and home furnishings.

Taxable Sales Per Capita, 1993–2002

Type of Business	1993	2002	Difference
New motor vehicle dealers	\$747	\$1,530	\$783
General merchandise stores	\$874	\$1,211	\$337
Lumber and building materials	\$280	\$532	\$252
Office, store, and school supplies	\$188	\$386	\$198
Business and personal services	\$425	\$618	\$193
Eating places: no alcoholic beverages	\$319	\$487	\$168
Service stations	\$528	\$678	\$150
Household and home furnishings	\$151	\$276	\$125
All other businesses	\$5,177	\$6,774	\$1,597
Total All Outlets	\$8,690	\$12,491	\$3,801

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the nation as a whole. As shown below, the state's average quarterly unemployment rate has declined since reaching a peak in the third quarter of 2003:

- 6.8% Third quarter, 2003
- 6.6% Fourth quarter, 2003
- 6.3% First quarter, 2004

Stronger Increases in Taxable Sales in 2003

Based on preliminary data, the Board estimates that taxable sales in the state will increase by 2.5 percent in the fourth quarter of 2003, compared to taxable sales in the fourth quarter of 2002. For all of 2003, taxable sales increased 3.0 percent based on preliminary data for the final two quarters of the year. Annual growth in 2003 was below the long-term average, as taxable sales increased an average of 5.0 percent per year from 1993 through 2002.

Taxable Sales in California

You might be interested in reading *Taxable Sales in California*. This publication is a quarterly report on retail sales activity in California, as measured by transactions subject to sales and use tax. The report includes data about statewide taxable sales by type of business, as well as data about taxable sales in all California cities and counties.

To read past issues, please visit www.boe.ca.gov/news/tsalescont.htm.

Online Resources

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

Some sites charge a fee to use their services.

National Association for Business Economics
<http://www.nabe.com>

The UCLA Anderson Forecast
March 2004 Forecast
<http://www.anderson.ucla.edu/research/forecast/>

Federal Reserve Bank of Philadelphia
Survey of Professional Forecasters,
February 23, 2004
<http://www.phil.frb.org/econ/spf/index.html>

U.S. Department of Commerce, STAT-USA
<http://www.stat-usa.gov>

U.S. Bureau of Economic Analysis
Survey of Current Business
<http://www.bea.doc.gov/bea/pubs.htm>

California Department of Finance
<http://www.dof.ca.gov>

California Employment Development Department (EDD)
Labor Market Conditions in California,
April 9, 2004
<http://www.calmis.cahwnet.gov>

California State Board of Equalization
March 26, 2004, News Release
Taxable Sales in California—
Fourth Quarter, 2003
<http://www.boe.ca.gov/news/newscont04.htm>

Contact Us

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

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Current and past issues of this publication are on the Board's website, <http://www.boe.ca.gov/news/epcont.htm>.