

## A Review of the Economy: Fiscal Year 2014-15

### National Economy

This edition of the Economic Perspective reviews important economic developments that occurred in fiscal year 2014-15.

- The U.S. economy in 2014-15 was characterized by stronger than average economic growth, very low interest rates, increasing employment, declining unemployment rates, and extremely low inflation.
- World crude oil prices declined over 30 percent in fiscal year 2014-15, resulting in correspondingly lower gasoline prices. With the low gas prices, the U.S. consumer price index (CPI) increased just 0.7 percent, the smallest increase in 60 years.
- By many important measures, the California economy outpaced national growth in fiscal year 2014-15.
- California payroll employment rose 3.1 percent, much faster than its historical average, and one percent faster than U.S. payroll employment.
- California car sales, construction activity, and home prices increased, while consumer price inflation was below its long-term average.

In fiscal year 2014-15, real U.S. gross domestic product (GDP) grew 2.7 percent, well above the 2.1 percent growth of the previous year. With the improving economy, employment increased and the unemployment rate declined.

The unemployment rate declined from 6.8 percent in fiscal year 2013-14 to 5.7 percent in 2014-15.

### Gross Domestic Product

Real gross domestic product – the broadest measure of the nation’s output of goods and services – rose 2.7 percent in fiscal year 2014-15. As shown in Chart 1, this growth was the fastest since fiscal year 2005-06.

Chart 1  
Growth in Real GDP

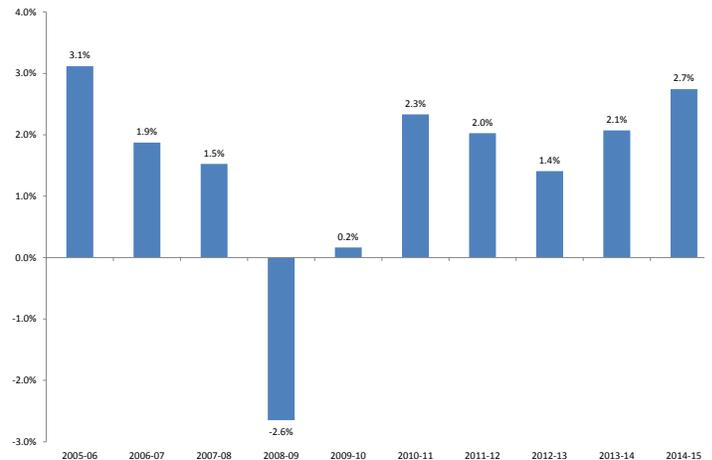
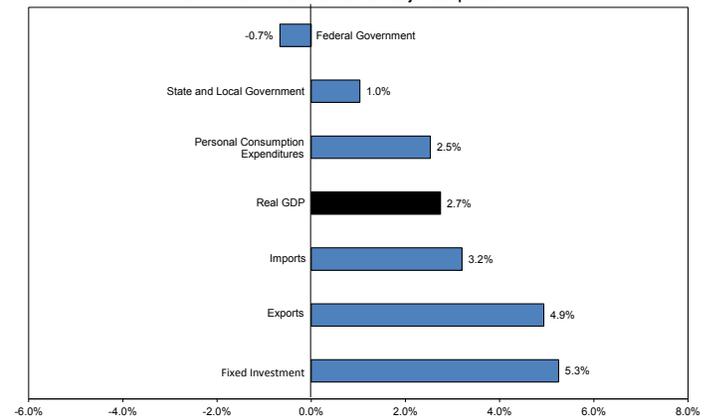


Chart 2  
2014-15 Growth in Real GDP and Major Components



### Real GDP by Sector

As shown in Chart 2, real fixed investment spending increased by 5.3 percent, leading economic growth. Real personal consumption expenditures, which accounted for 68 percent of GDP, rose 2.5 percent, slower than overall real GDP. Federal government spending declined 0.7 percent, while state and local government spending increased 1.0 percent.

### Corporate Profits

U.S. corporate profits before taxes were up 4.8 percent in 2014-15. Profits grew much faster than the 1.9 percent growth of the previous fiscal year.

### Nonagricultural Employment

With the growth in overall real GDP and corporate profits, nonagricultural employment rose 2.1 percent. This was the fastest growth since fiscal year 1999-00.

### Interest Rates

The U.S. Federal Reserve Board (Fed) maintained extremely low interest rates in 2014-15, continuing its monetary policy instituted during the recession. The Fed kept the federal funds rate within a target range of zero to 0.25 percent. Three-month U.S. Treasury bill rates averaged 0.02 percent in fiscal year 2014-15, while ten-year U.S. Treasury bond yields averaged 2.23 percent. Short-term interest rates were generally at historic lows.

### Consumer Prices

With falling crude oil prices, the U.S. consumer price index rose only 0.7 percent in 2014-15, the smallest increase since 1955-56.

### Housing Starts

Over a million housing units were started in 2014-15, the highest number since before the Great Recession.

### Federal Budget Deficit

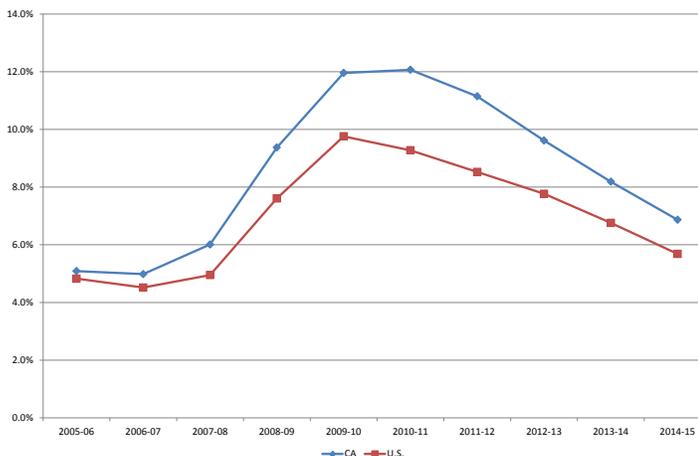
As the economy expanded and incomes increased, the federal budget deficit improved, from \$483 billion in 2013-14 to \$439 billion in 2014-15. The deficit is the lowest it has been since 2007.

## California Economy

By some important measures, the California economy outpaced national growth in fiscal year 2014-15. California nonagricultural employment rose 3.1 percent, faster than the 2.1 percent U.S. increase. California personal income increased 5.2 percent, above U.S. income growth of 4.5 percent.

With the strong growth in jobs, the California unemployment rate declined from 8.2 percent in 2013-14 to 6.9 percent in 2014-15. However, the rate remains well above the 5.0 percent rate in fiscal year 2006-07, the last year prior to the start of the Great Recession (Chart 3).

**Chart 3**  
California and U.S. Unemployment Rates



### Employment

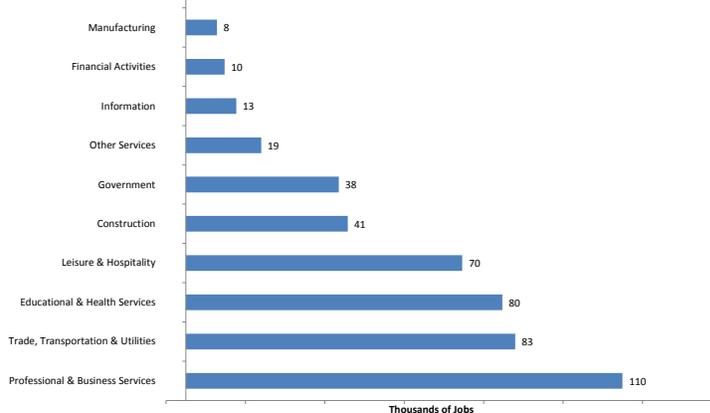
Chart 4 shows that California nonagricultural employment strengthened to 3.1 percent in fiscal year 2014-15, as payrolls rose by 470,000 jobs. Annual growth in California jobs has been over three percent for three consecutive years. The last time jobs growth was this strong for this length of time was in the late 1990s.

**Chart 4**  
Growth in CA and U.S. Nonagricultural Employment



The professional and business services sector led the gains in jobs in 2014-15, as shown in Chart 5. Other sectors with strong job gains included trade, transportation and utilities, education and health services, and leisure and hospitality.

**Chart 5**  
2014-15 Employment Changes by Major California Industry (Thousands of Jobs)



### Building Construction and Home Prices

As shown in Chart 6, the value of all private building construction permits issued in California rose by 8.5 percent in fiscal year 2014-15. Growth cooled off compared to the strong gains the previous three years. Residential growth outpaced nonresidential construction, increasing 13 percent compared to four percent. Even with several years of very strong growth, total construction permit values are still only about 77 percent of their 2005-06 peak levels.

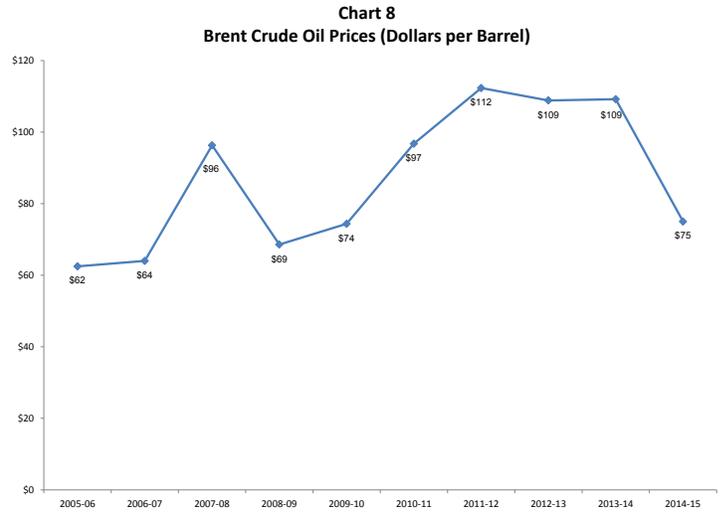
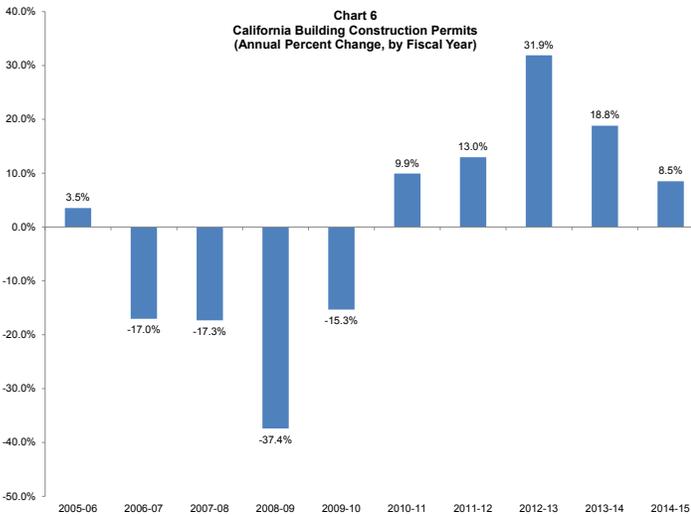
Increases in commercial buildings, hotels, amusement parks, and industrial structures led the gains in nonresidential construction.

About 94,000 home building permits were issued in 2014-15, up from 85,000 in 2013-14. Permits for both multifamily units and single family homes increased.

Median home prices averaged \$461,559 in 2014-15, a 6.1 percent increase over the prior fiscal year. The June median price was the highest since November 2007. Despite the higher value, June was 18 percent below the May 2007 peak price of \$594,530.

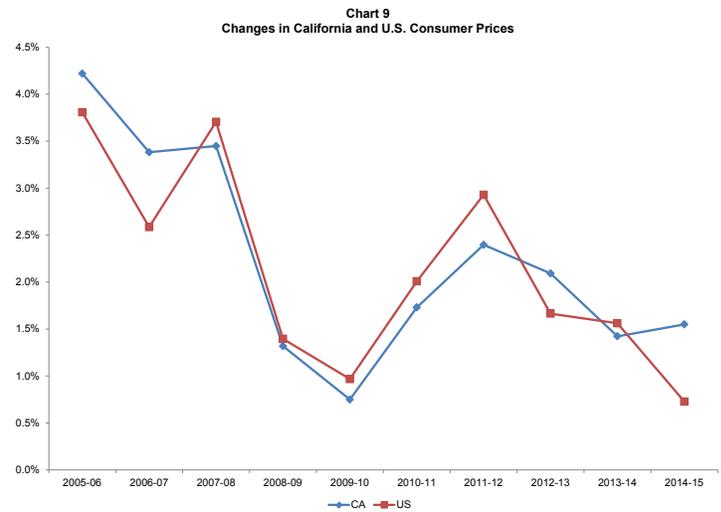
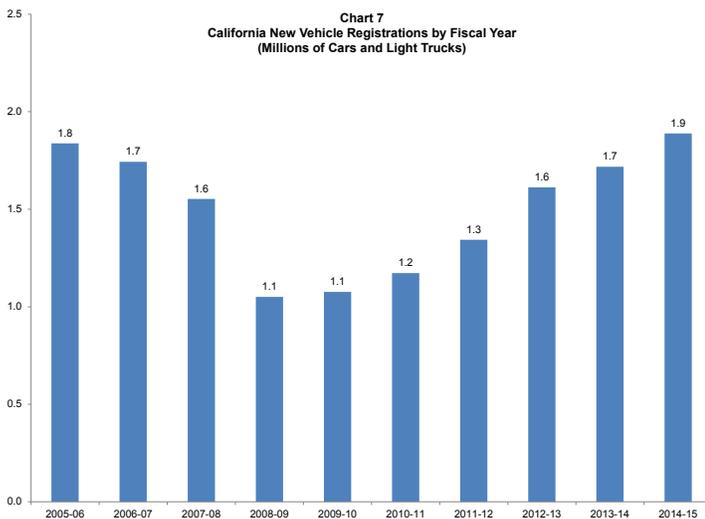
### Consumer Prices

World crude oil prices fell dramatically in 2014-15 (see Chart 8). Consequently, overall consumer prices rose very little, as gasoline and other energy-related components of consumer spending had large price declines. The average price of gasoline fell from \$3.92 in 2013-14 to \$3.42 in 2014-15, the lowest level since 2009-10. As shown in Chart 9, California consumer prices for all urban consumers rose 1.5 percent in 2014-15, similar to 2013-14. Prices for the nation as a whole rose even less. At the national level, the consumer price index increased by 0.7 percent.



### Vehicle Registrations

California new car and truck registrations rose 9.9 percent in fiscal year 2014-15, to 1.9 million cars and light trucks (see Chart 7). Car and truck sales were above the 1.7 million units sold in fiscal year 2006-07, the year before the Great Recession started.



## Contact Us

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Construction Industry Research Board

[www.mychf.org/go/cirb/](http://www.mychf.org/go/cirb/)

U.S. Bureau of Economic Analysis

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