



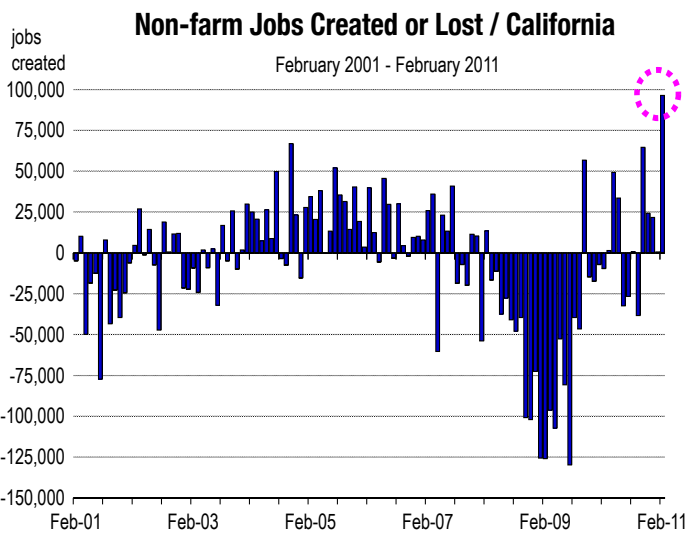
THE SPRING REPORT ON THE ECONOMIC RECOVERY: PROGRESS TO DATE

by **Mark Schniepp**

The Labor Market continues to build momentum

The U.S. economy has now created 1.6 million private sector jobs over the last 13 months, and 564,000 this year. At the current pace of job creation, over 2.4 million jobs will be created.

Initial claims for unemployment have now subsided to 2008 levels. The unemployment rate has also declined to 8.8 percent, the lowest level in 2 years. In California, the rate is 12.2 percent and dropping. Nearly 100,000 jobs were created in California in February, the highest number of net jobs created in a month over the last 10 years.



Rising energy prices are annoying but not a major concern

While they are producing some concern, the rise in energy prices, notably crude oil, is unlikely to derail the momentum in the economy occurring this year. Consumers will have to allocate more dollars into gasoline purchases and out of something else. Spending will continue, especially as more workers are hired and income is generated. Much of the increase in oil prices is fear based, due to recent global turmoil which will subside over time.

Jobless rate falls to 2-year low

Private sector adds 200,000 positions again
By Jeannine Aversa
Associated Press

INSIDE
Economist: State performing below potential, but it's growing. USA

Increased hiring cut the unemployment rate to 8.8 percent.
Still, the job gains haven't led many people who stopped looking for

adults are either working or looking for work; it's the lowest participation rate in more than 25 years.
The economy added 216,000 jobs last month, the government reported Friday. Factories, retailers, the education and health care sectors, and professional and financial services all expanded payrolls. Those

The private sector added more than 200,000 jobs for a second straight month. It was the first time that has happened since 2006, more than a year before the recession started. America's largest companies plan to step up hiring in the next six months, a March survey of CEOs found. Google, Siemens

Economists expect the stronger hiring to endure throughout the year, producing a net gain of about 2.5 million jobs for 2011. Even so, that would make up for only a small share of the 7.5 million jobs lost during the recession. The economy must average up to 300,000 new jobs a month to significantly

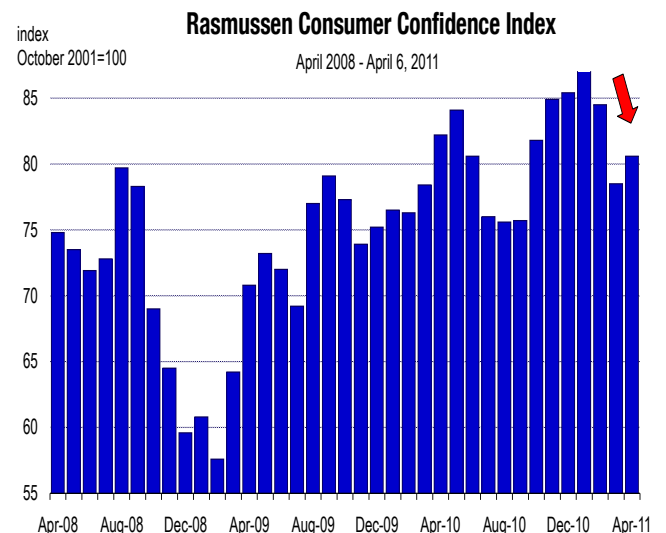
Ventura County Star, April 2, 2011, front page

Recent Global Turmoil is causing consumers to worry

The Japanese earthquake disaster and the ensuing fear of radiation contamination has contributed to recent pessimism among consumers.

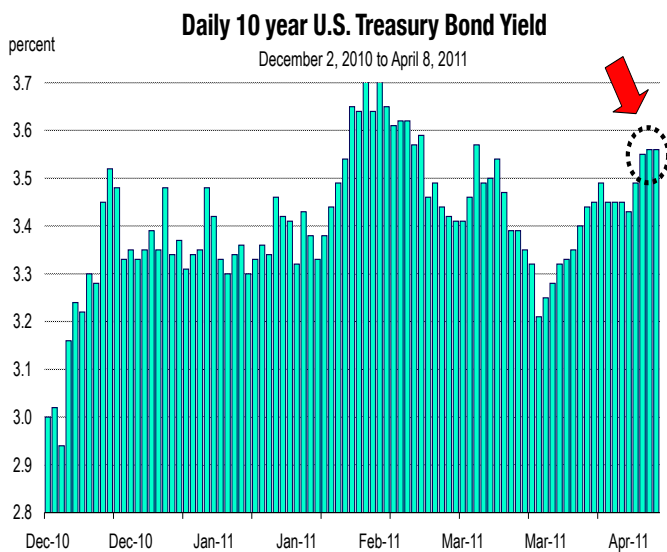
The U.S. military's presence in Libya is further producing a negative response by Americans who are not clear about why the military is involved there. Just 21 percent believe the U.S. has a clearly defined mission in Libya.

Consequently, confidence in the economy has declined slightly through April, but current levels still represent a substantial improvement since last summer. These "shocks" to the world have had little impact in slowing the global or U.S. economic recoveries to date, though they are weighing in on the psyche of consumers.



Interest rates are not making news

And no news regarding interest rates is good news. Treasury yields and mortgage rates are moving laterally, with very little variation over the last 6 months. A quiet mortgage rate market will support the housing market and its impending recovery this year. Although to date, housing has been a huge disappointment, it is expected to accelerate over the next 6 months in terms of both increased transactions and rising prices.



The Short Term Outlook

After 3 very lean years, the economy is still on track for better times this year and next. Businesses are in solid financial shape, households are eliminating debt, and the credit faucet is slowly opening.

The overseas shocks have had only a modest effect on growth and the expansion of the world's economy appears to remain solid. We don't expect the labor market recovery to be impacted and it will continue to build momentum this year. Inflation is still not a problem and that position will remain unchanged in view of the shocks.

Business sentiment is still upbeat because sales are much stronger this year. Spending will continue to rise in the private sector but slow in the public sector. Substantial government spending cuts are vital to address the nation's long-term fiscal problems, but it is important to recognize that they will also produce a drag on 2011 and 2012 economic growth. Credible fiscal discipline will have important positive confidence effects on business investment, consumer spending and asset markets.

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