Social Narratives, Economic Realities and the Outlook for California
Focus on Silicon Valley

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June 2024

Overview

Beacon Economics

- Economic research firm founded in 2006 on the basic principle of letting the data drive the narrative

Today’s Presentation

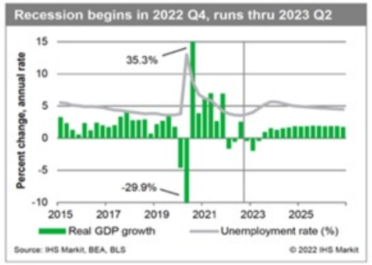
- What we *think* is happening in our economy
- What is *actually* happening in the economy
- Understanding how the combination of the two determines the outlook for the economy

Access to slides available through QR code at end of presentation or at Kristen@beaconecon.com

The 2023 / 2024 Macro Narrative

The Forecast: Recession is Nigh!!!

US Fed meeting decision today: PIMCO warns market is underestimating risk of US recession and rate hikes

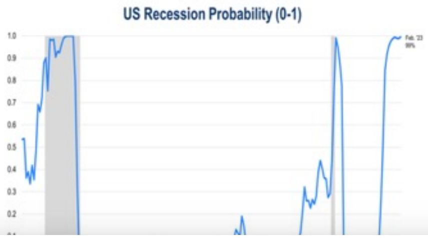


Opinion: The US economy will likely enter a recession soon

Opinion by Dana Peterson and Erik Lundh
Updated 2:38 PM EDT, Wed September 13, 2023

Why a Soft Landing Could Prove Elusive

On the eve of recessions in 1990, 2001 and 2007, many Wall Street economists proclaimed the U.S. was on the cusp of achieving a soft landing, in which interest-rate increases would corral inflation without



HOUSING MARKETS

Housing is in a double-dip recession, First American says

By Brad Finkelstein September 18, 2023, 3:29 p.m. EDT 3 Min Read

Larry Summers warns US econo could face 'Wile E. Coyote mome

By Thomas Barrabi
Published March 7, 2023 | Updated March 7, 2023, 12:20 p.m. ET

Economics | Central Banks

Fed Pivot Will Dominate Year of Rate Cuts

- Quarterly outlook on what to expect from monetary policy
- About-turn follows most aggressive tightening in decades

NEWS > ECONOMIC NEWS

Improved Sales, Economic Outlook Push Small Business Optimism to 5-Month High

By TERRY LANE Published January 09, 2024

NEWS > STOCKS

A record high in the S&P 500 would suggest double-digit gains in 2024

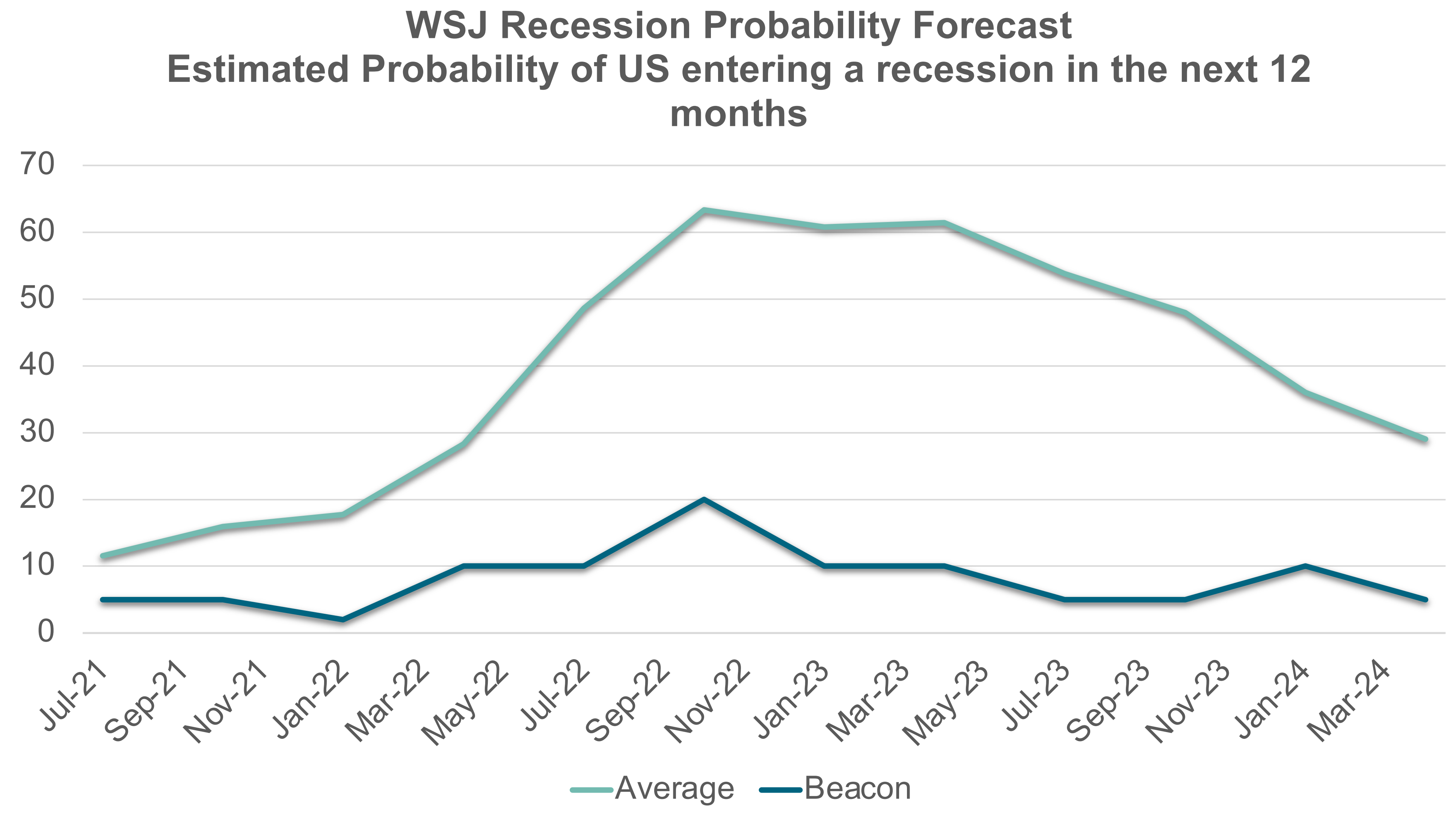
Matthew Fox Jan 8, 2024, 10:14 AM PST Share Save

REAL ESTATE

Mortgage demand jumps nearly 10% to start the year, even as interest rates tick up again

PUBLISHED WED, JAN 10 2024-7:00 AM EST | UPDATED WED, JAN 10 2024-7:39 AM EST

Beacon's Outlook



Beacon's Outlook

US: never any risk of a "hard landing"

- The Good: economy will continue to expand at a decent pace
- The Bad: interest rates will not be falling soon
- The Ugly: Asset prices, federal deficit driving a spending binge

California Economy: Not Dead Yet

- Economy is stronger than the headlines would have you think
- Housing / labor shortages remain dominant issue
- San Jose: Still big in tech, but labor supply constraints are preventing the pivot to new areas for growth

The Big Issue: false narratives pushing ugly politics

- Competing inaccurate narratives driving partisanship
- Misguided priorities driving poor local policy choices
- Big story of 2024: one very ugly election

2023: A solid year for growth

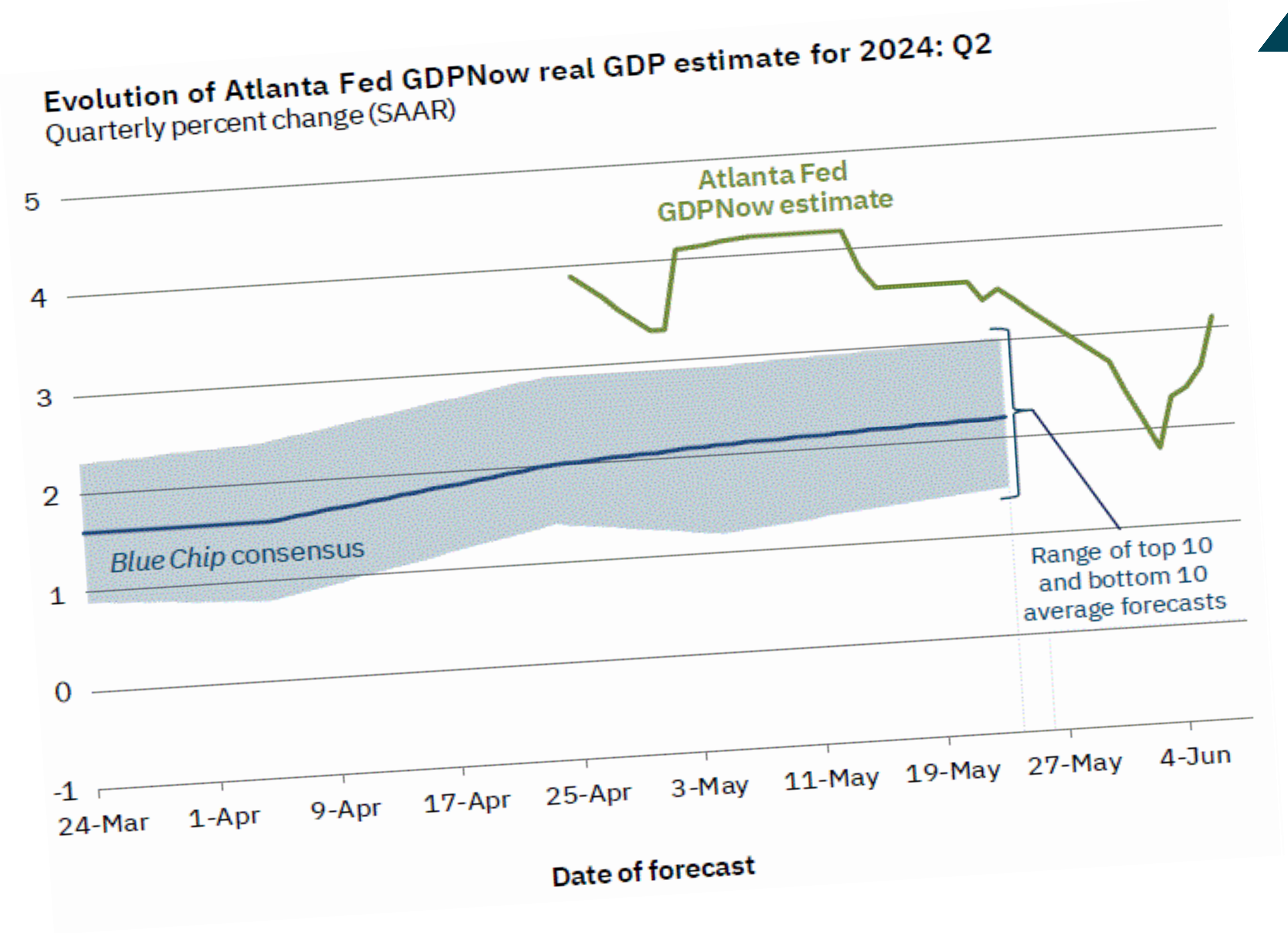
Real GDP Growth SAAR

Contributions to Real GDP Growth

	2019	2022	2023
Gross domestic product	2.50	1.90	2.50
Final Demand	2.54	1.76	2.23
Personal consumption	1.35	1.72	1.49
Durable goods	0.23	-0.02	0.34
Nondurable goods	0.40	0.09	0.13
Services	0.71	1.65	1.02
Fixed investment	0.48	0.24	0.09
Structures	0.08	-0.06	0.36
Equipment	0.06	0.26	-0.01
IPP	0.37	0.48	0.23
Residential	-0.04	-0.44	-0.49
Net exports	-0.12	-0.48	0.58
Exports	0.06	0.76	0.32
Imports	-0.18	-1.24	0.26
Government	0.68	-0.16	0.68

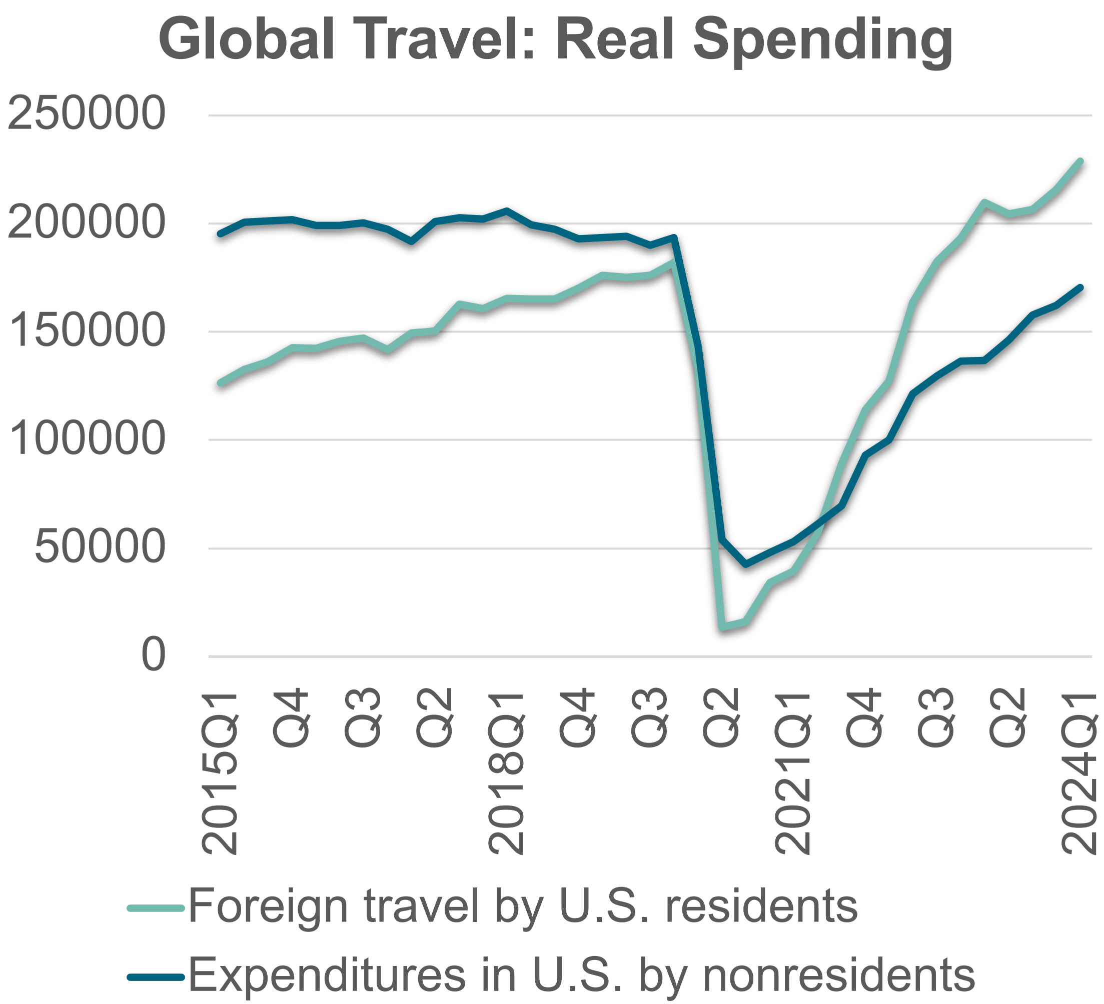
Q1: Slower output, not demand

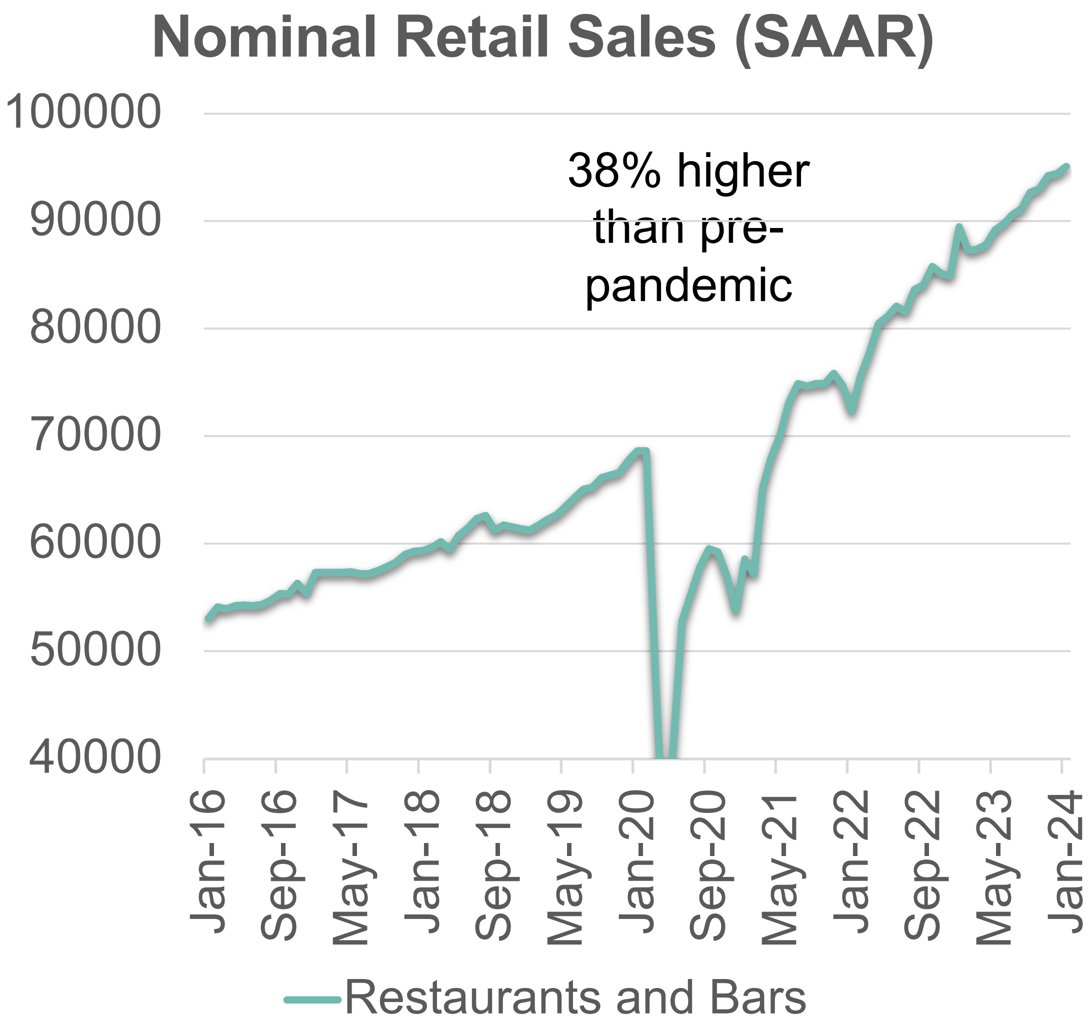
Contributions to Real Growth	2024	2023	
	Q1	Avg	
GDP	1.60	3.15	-1.55
Final Demand	2.81	3.29	-0.48
Consumer Services	1.78	1.10	0.68
Residential	0.52	0.02	0.51
Inv Equipment	0.10	-0.03	0.13
Inv IPP	0.29	0.17	0.12
Change inventories	-0.35	-0.36	0.01
Exports	0.10	0.20	-0.10
Consumer Nondurables	0.00	0.30	-0.30
Consumer Durables	**-0.09**	**0.46**	**-0.55**
Government	0.21	0.79	-0.58
Imports	**-0.96**	**0.02**	**-0.98**



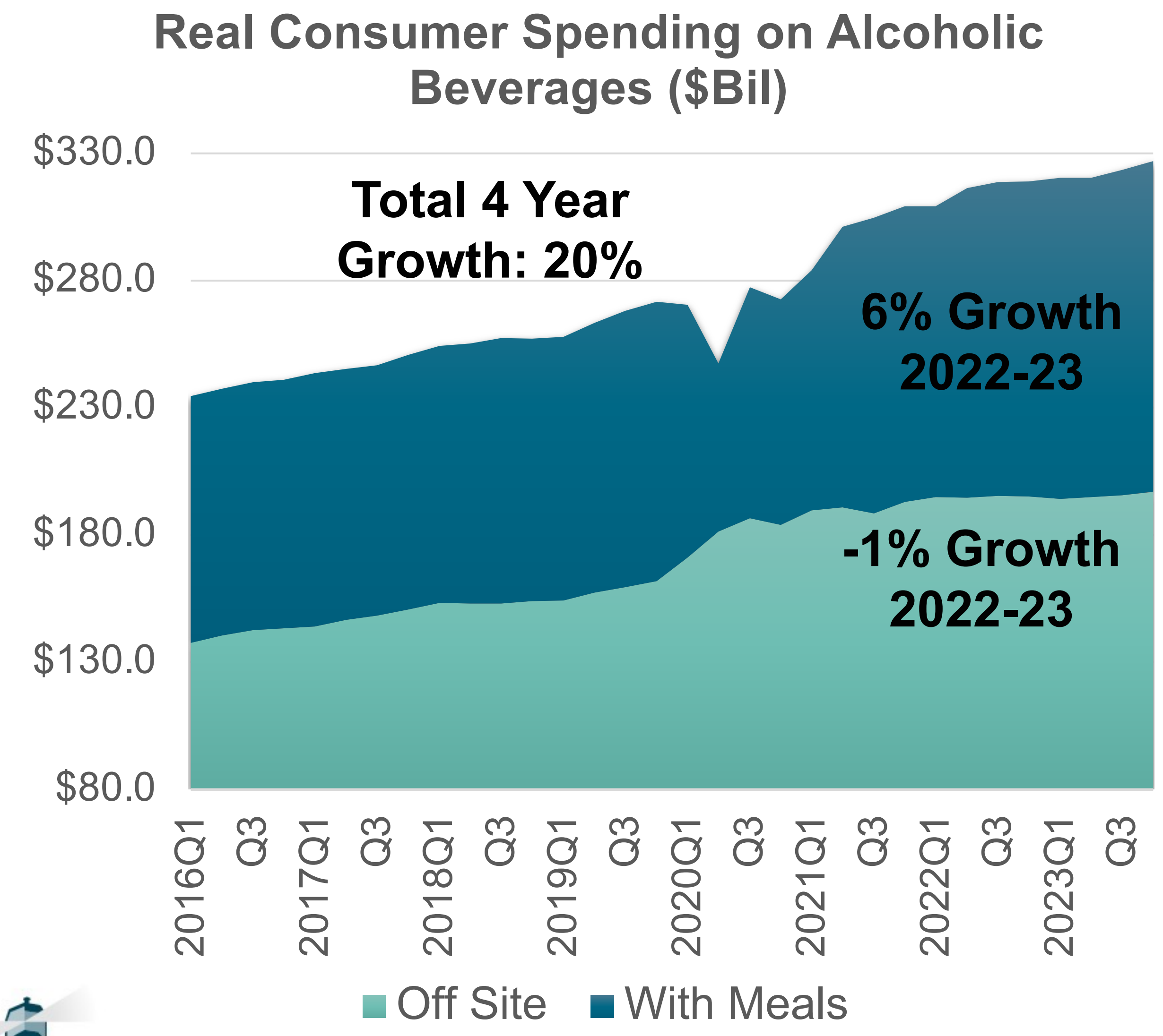
Evolution of Atlanta Fed GDPNow real GDP estimate for 2024: Q2
Quarterly percent change (SAAR)
Atlanta Fed
GDPNow estimate
Blue Chip consensus
Range of top 10
and bottom 10
average forecasts
5
4
3
2
1
0
-1
24-Mar
1-Apr
9-Apr
17-Apr
25-Apr
3-May
11-May
19-May
27-May
4-Jun
Date of forecast

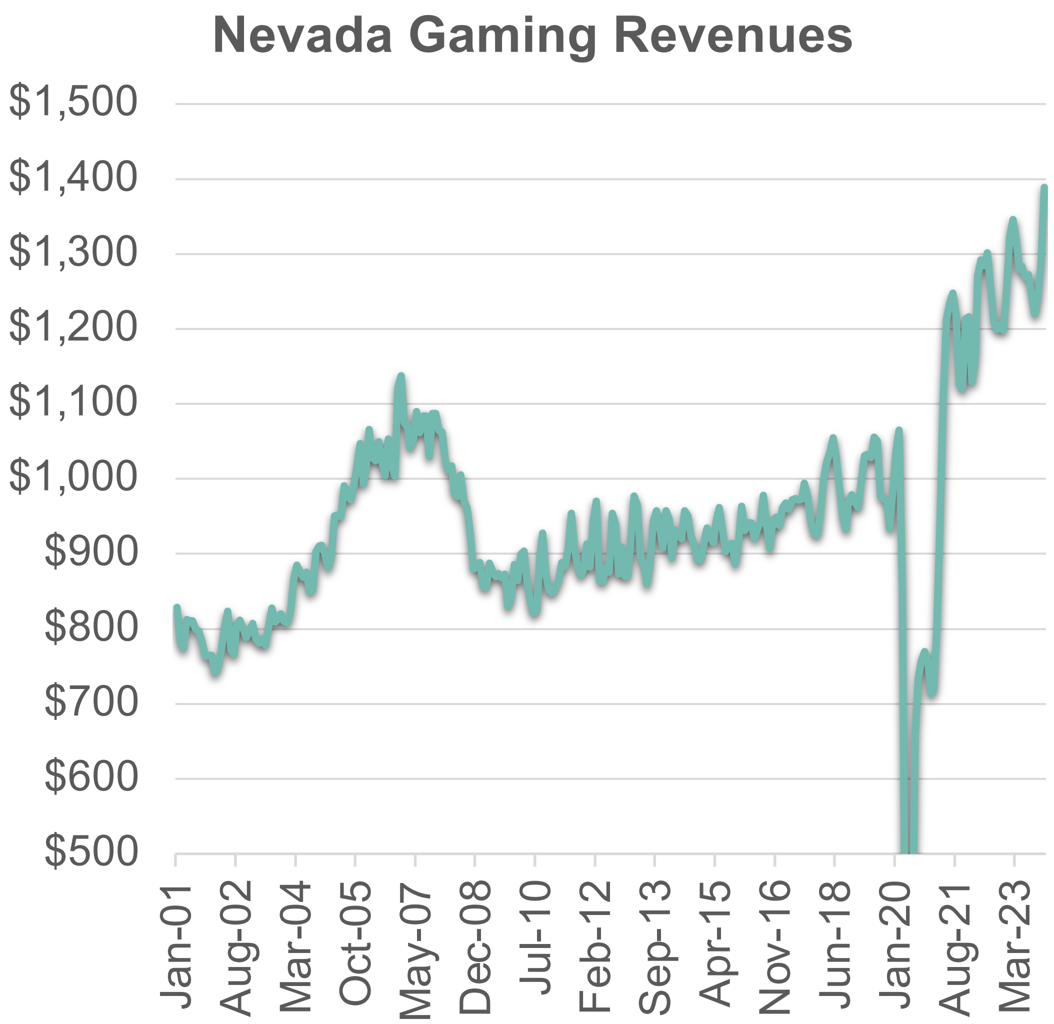
Americans having fun!!



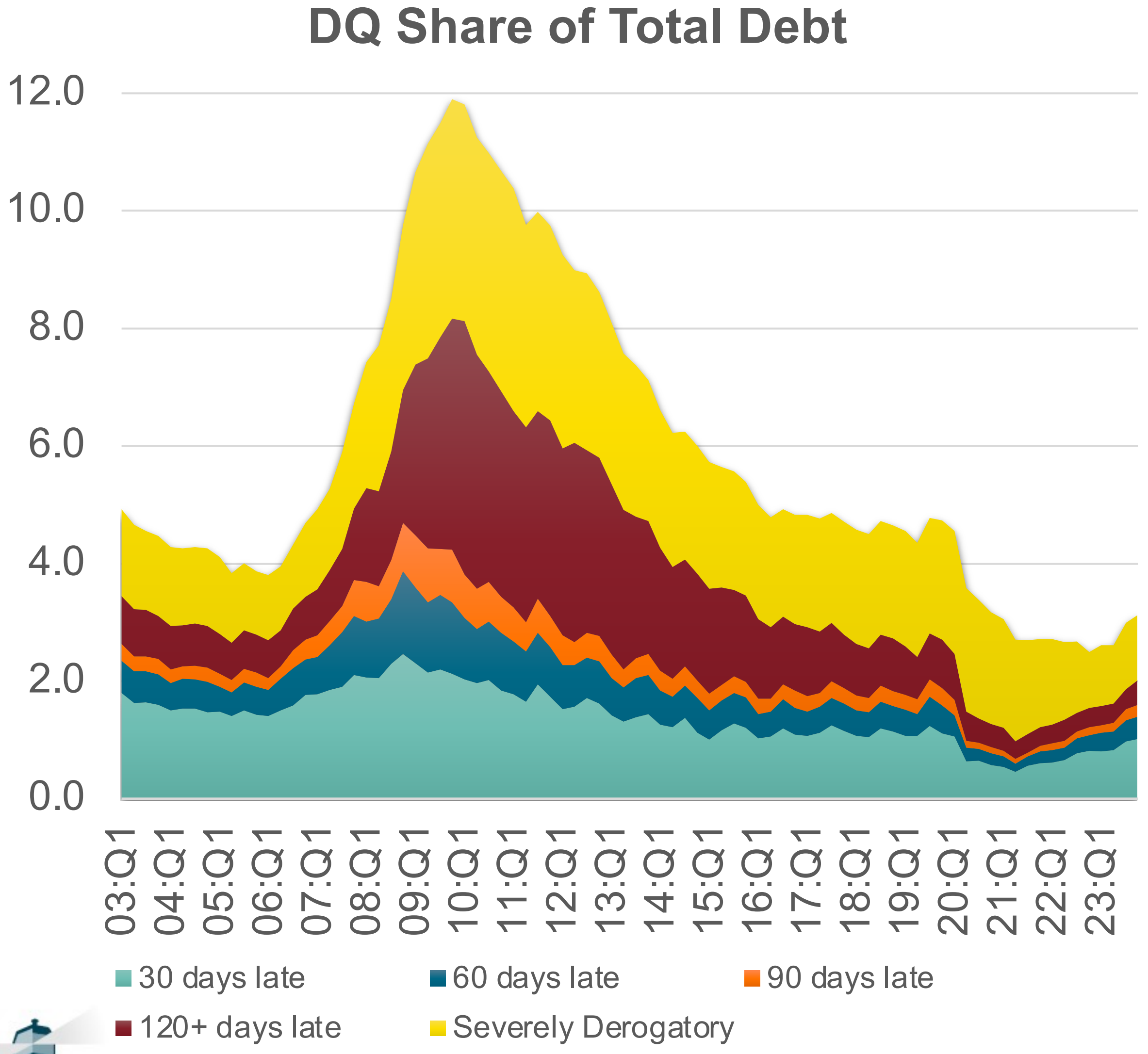


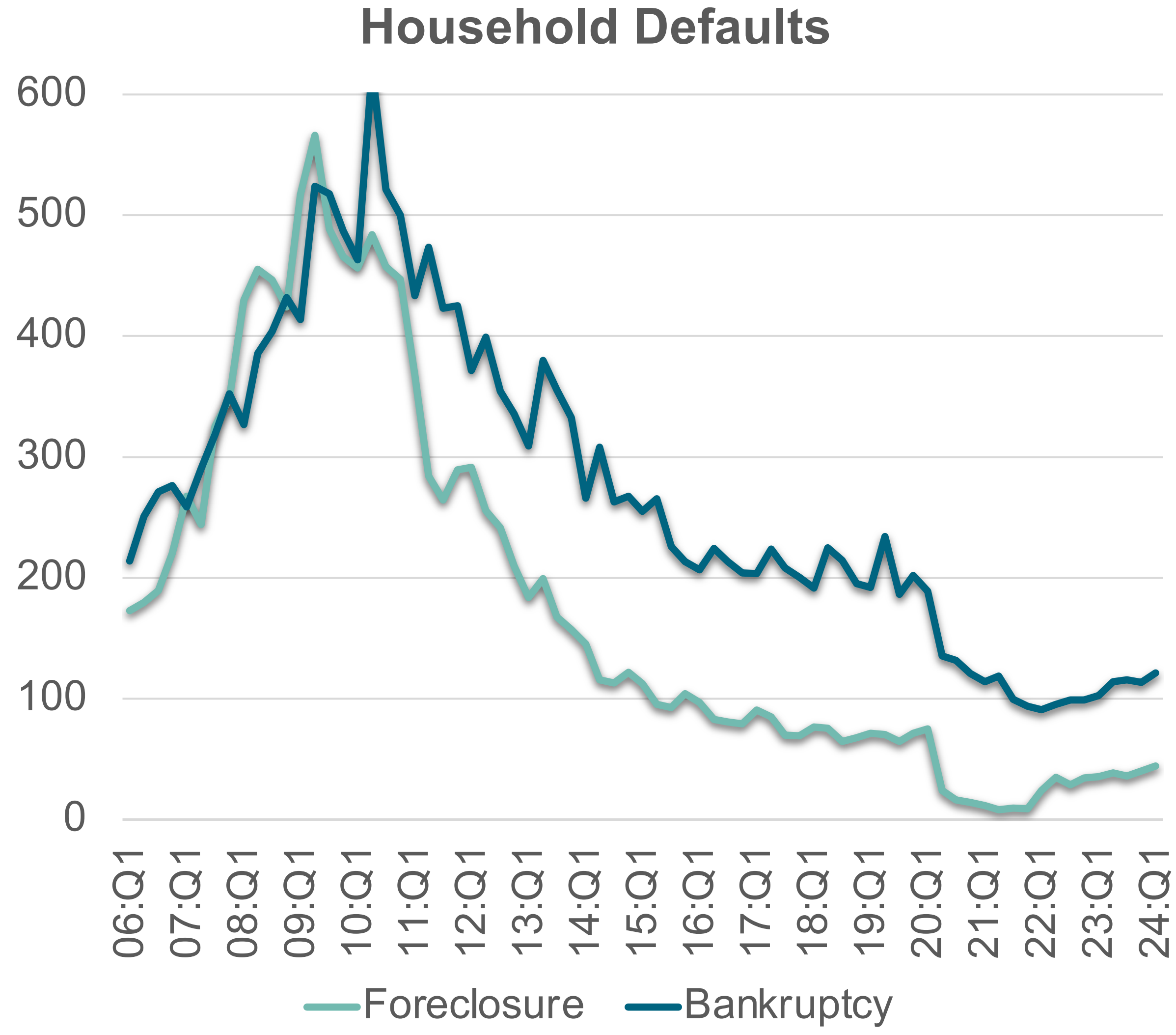
The New "Roaring 20's"?



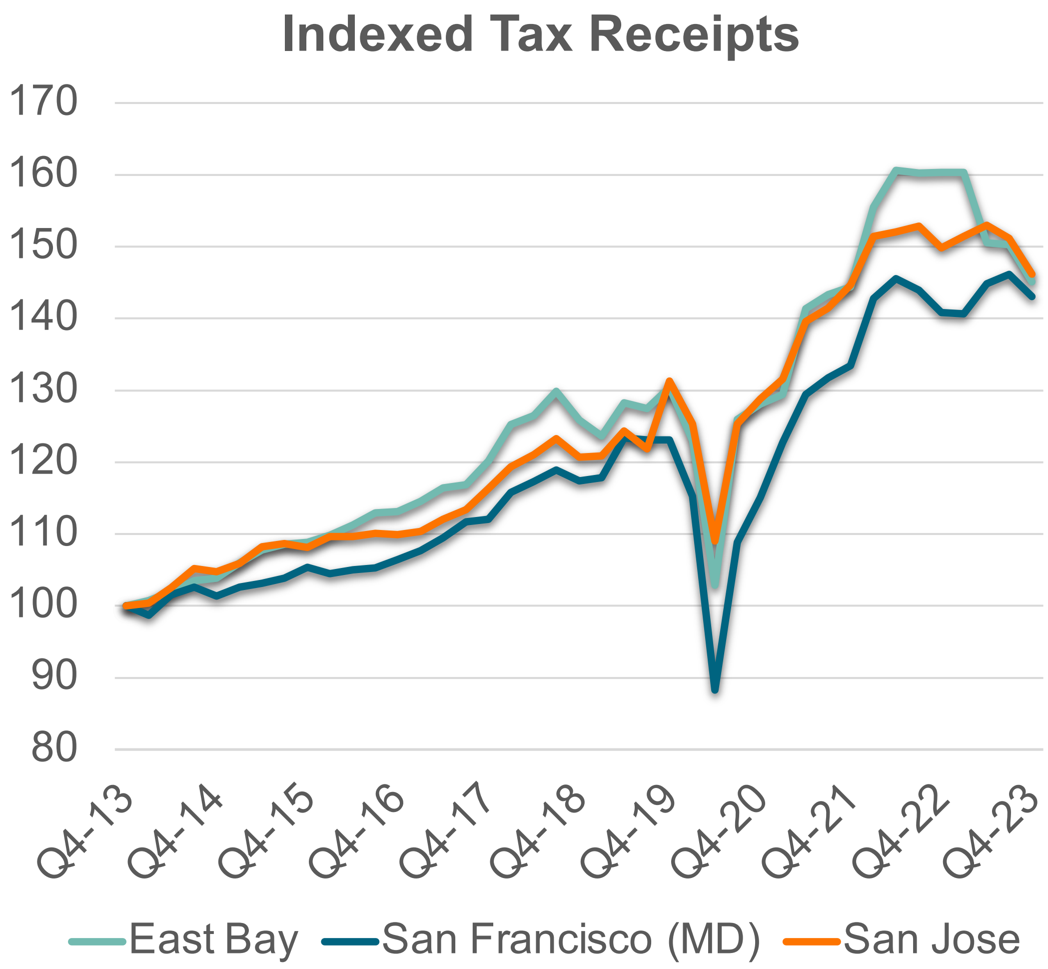


Little topline financial distress



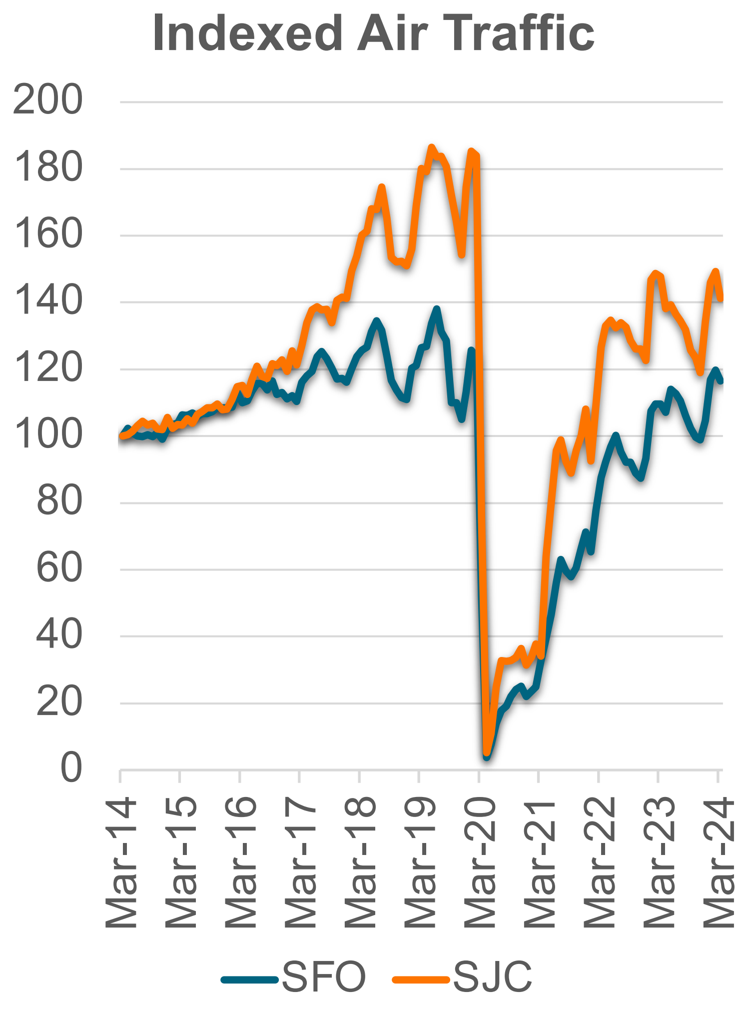


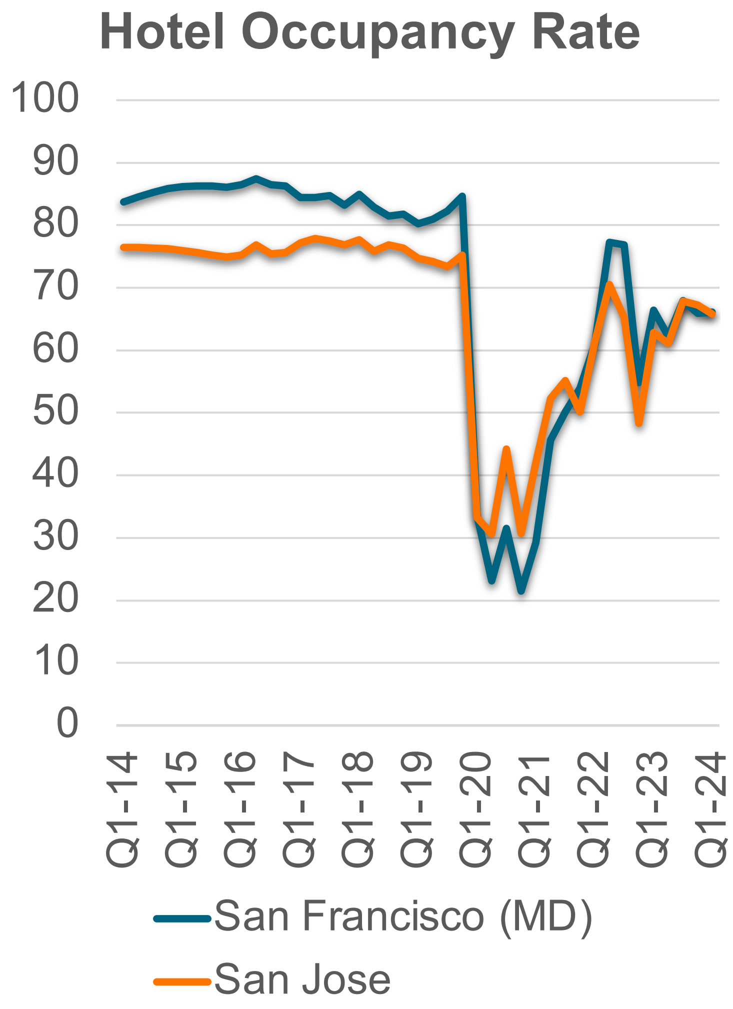
Bay Region Sales Tax Receipts



Metro	Q4-23 ($, 000s)	1-Year Chg. (%)	Chg. Since Q4-19 (%)
California	2,280,224	-2.2	22.4
Fresno	59,394	-3.5	38.7
Los Angeles	519,844	-2.2	16.5
Modesto	32,005	-2.8	27.8
East Bay	**153,823**	**-9.5**	**12.3**
San Francisco	**71,450**	**1.6**	**16.2**
San Jose	**142,400**	**-2.4**	**14.3**
Stockton	60,288	1.7	61.4

Consumer, not Business Travel

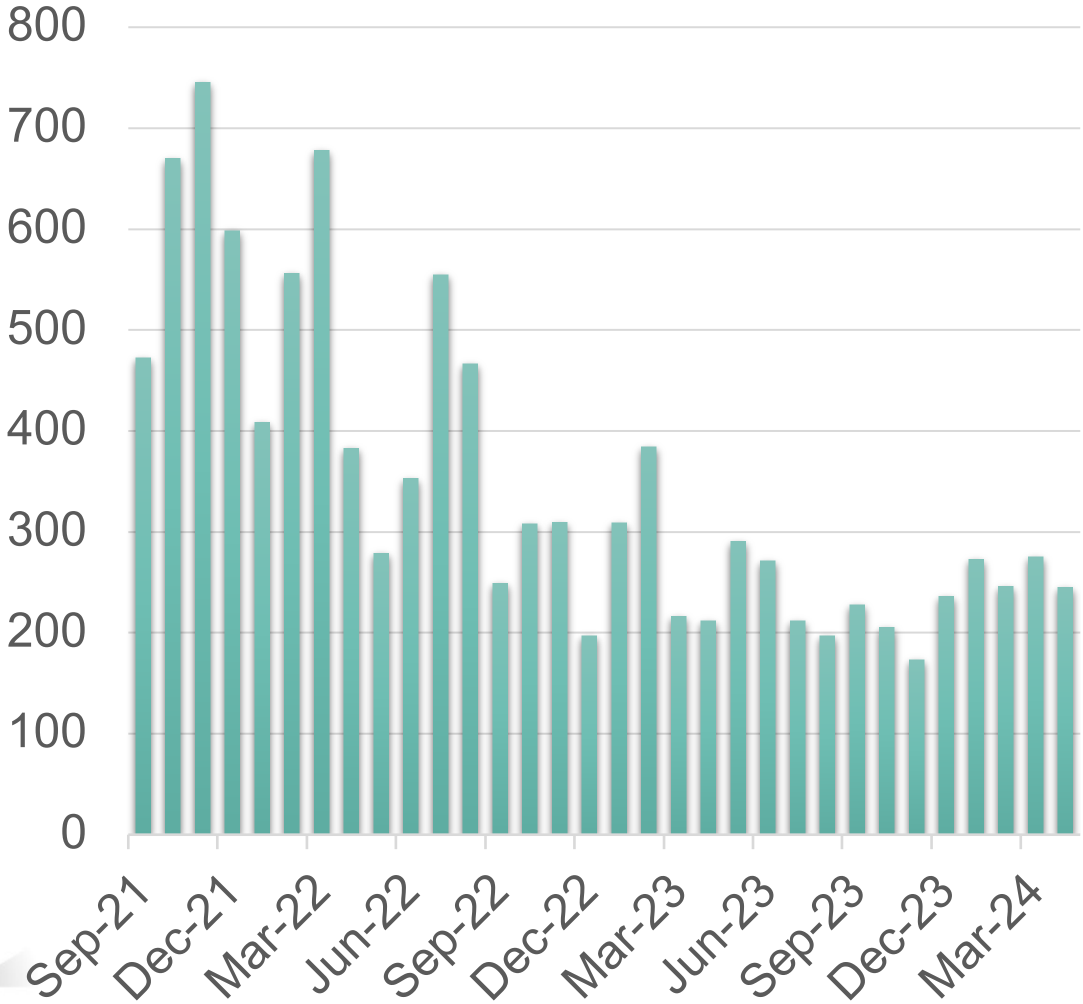




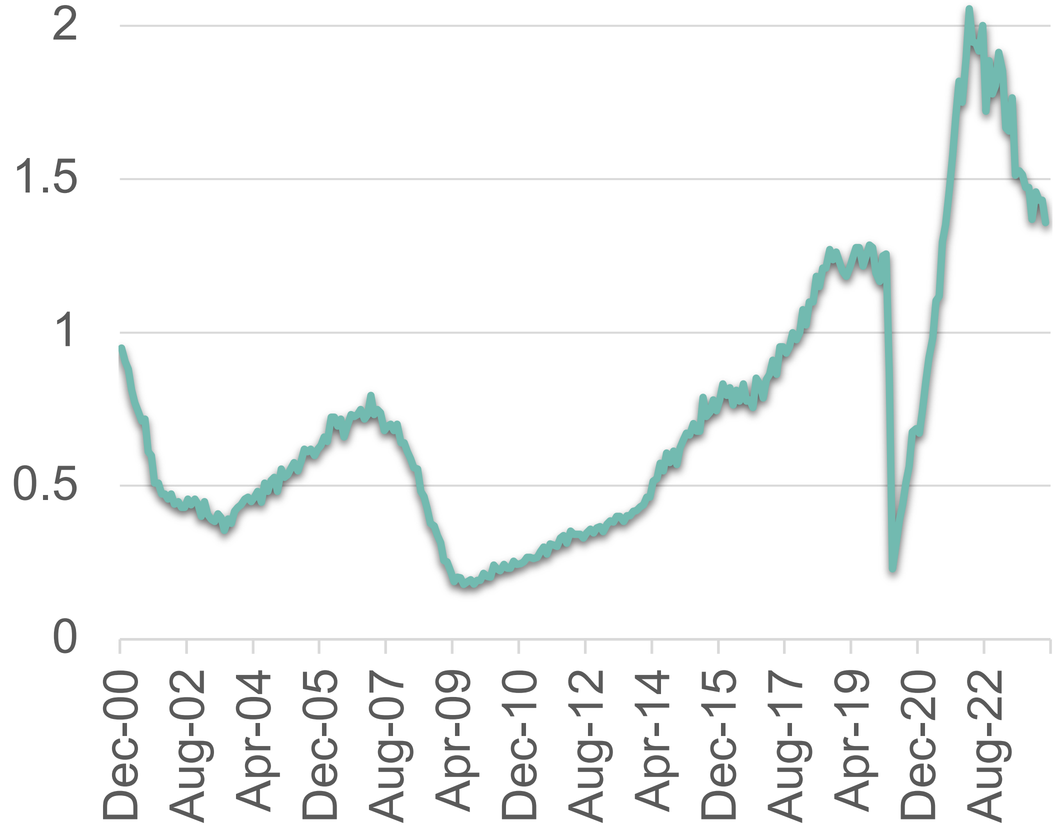
Location	RevPAR Q1-24 ($)	1-Yr Change (%)	Change since Q4-19 (%)
Boston	164.14	11.6	27.9
Las Vegas	124.68	-21.9	88.1
Los Angeles	148.58	9.7	13.6
New York	230.22	4.2	18.0
Oakland	**94.69**	**-0.6**	**-20.9**
Phoenix	113.62	-5.1	18.9
San Diego	146.38	-1.4	31.4
San Francisco	**143.78**	**2.3**	**-22.9**
San Jose	**113.19**	**11.7**	**-20.3**
Seattle	124.16	11.3	12.6

Labor Markets: Cooler, but still tight

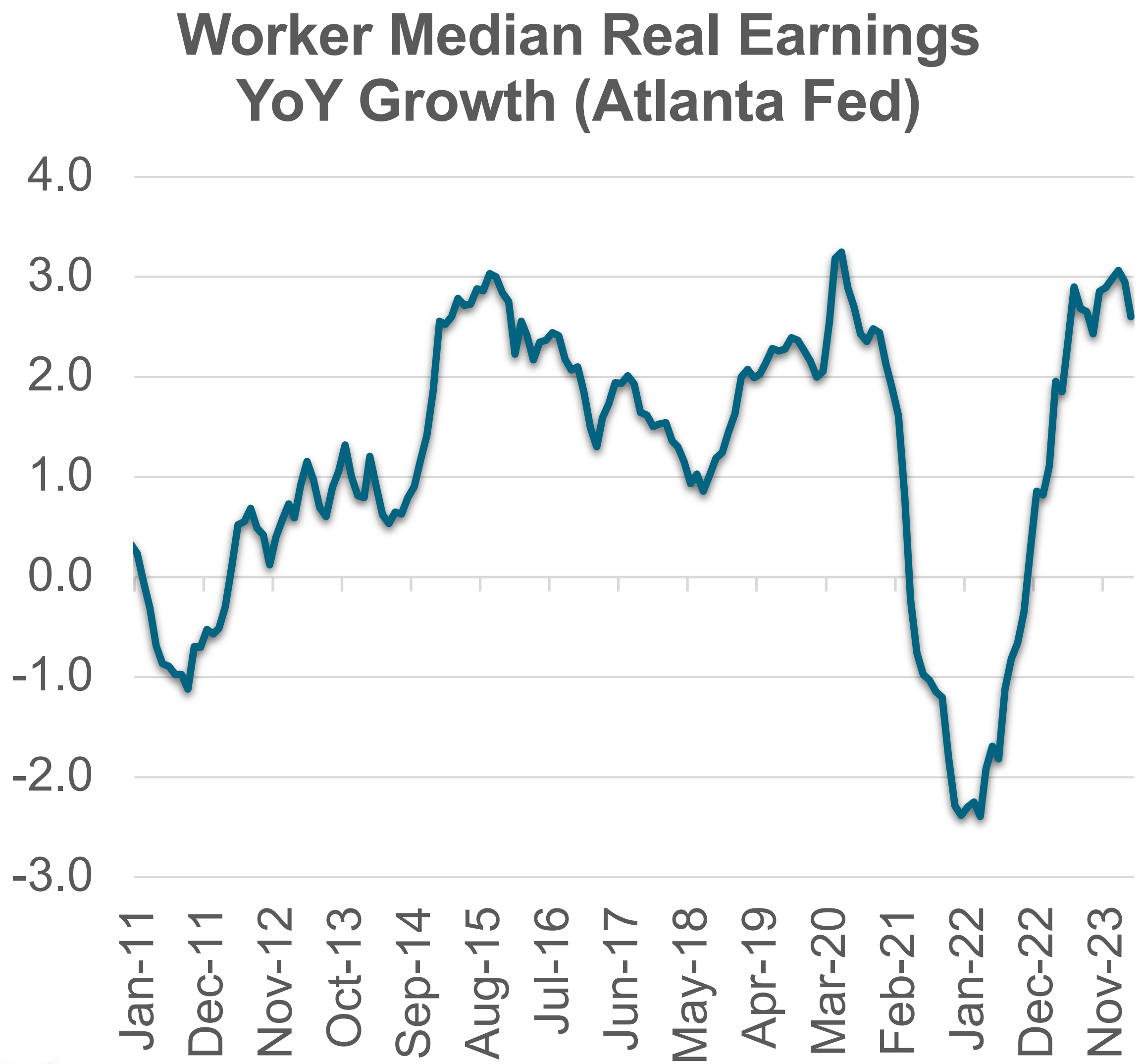
Non-Farm Payroll Growth (000's)

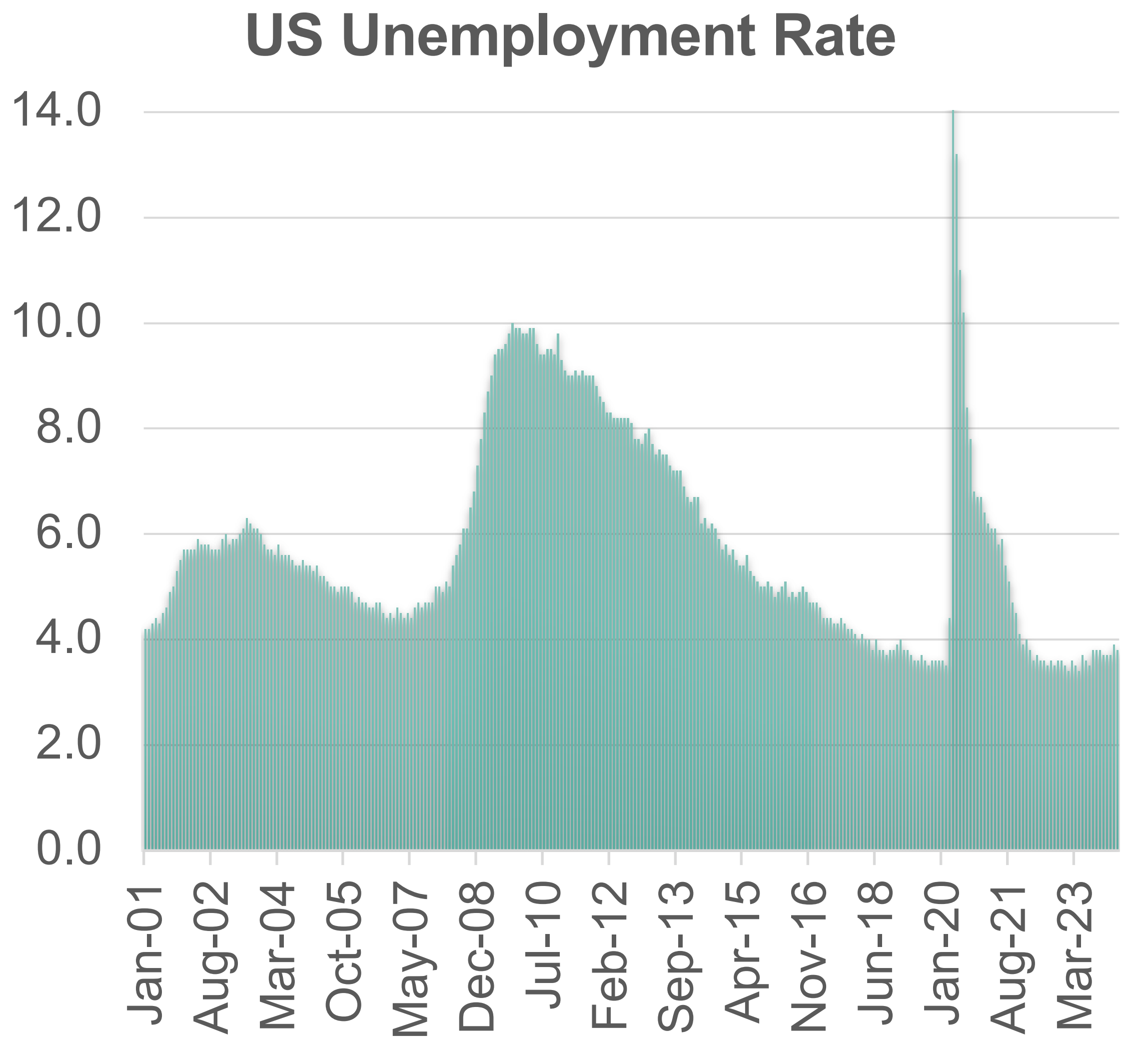


Job Opening / Unemployed Worker

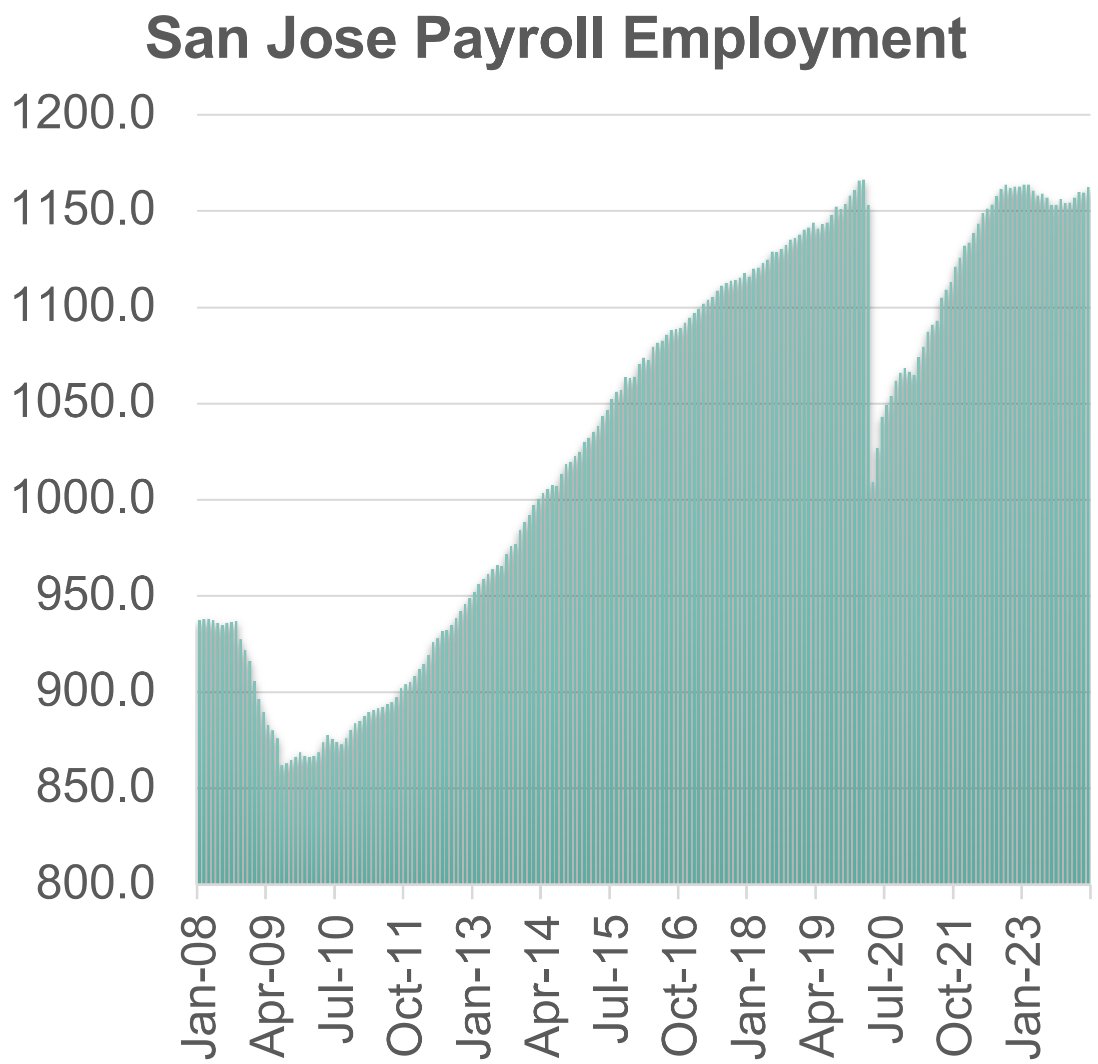


Tight market, rising wages



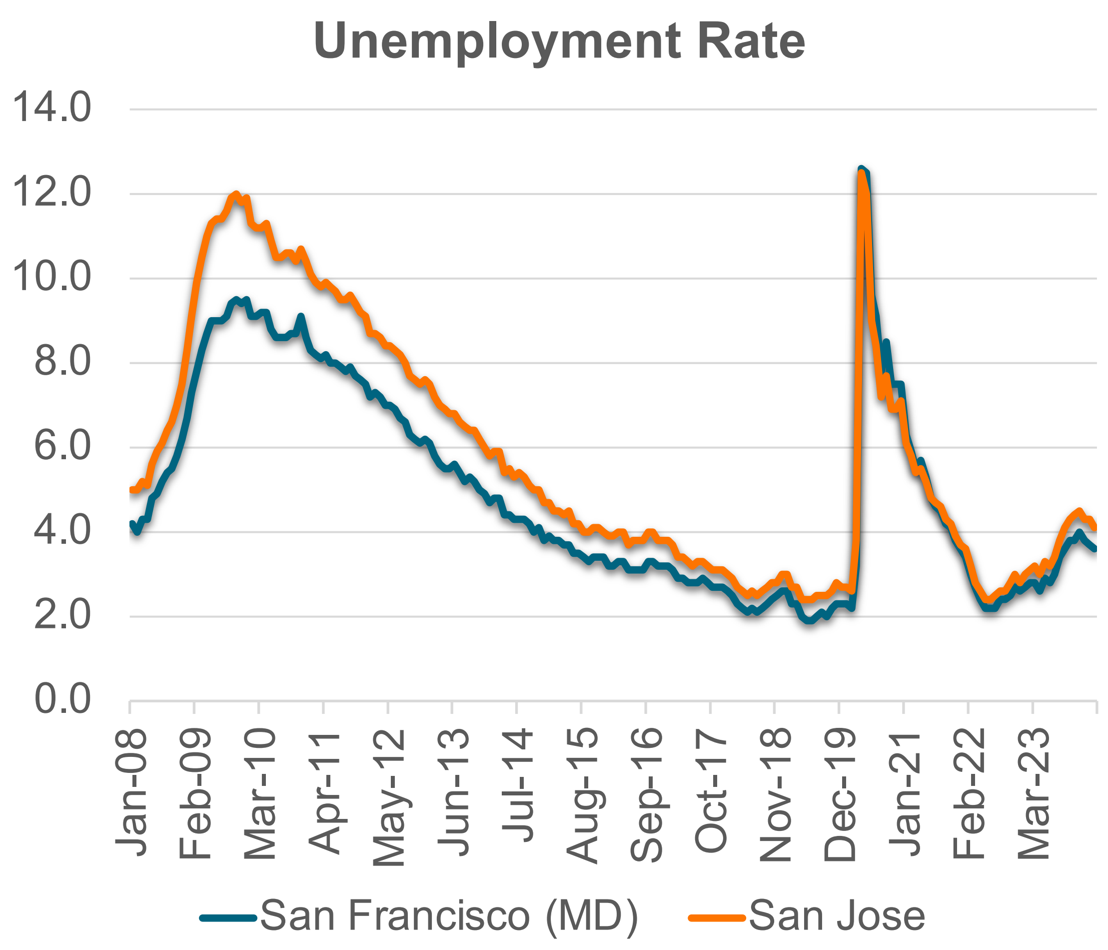


Local Employment



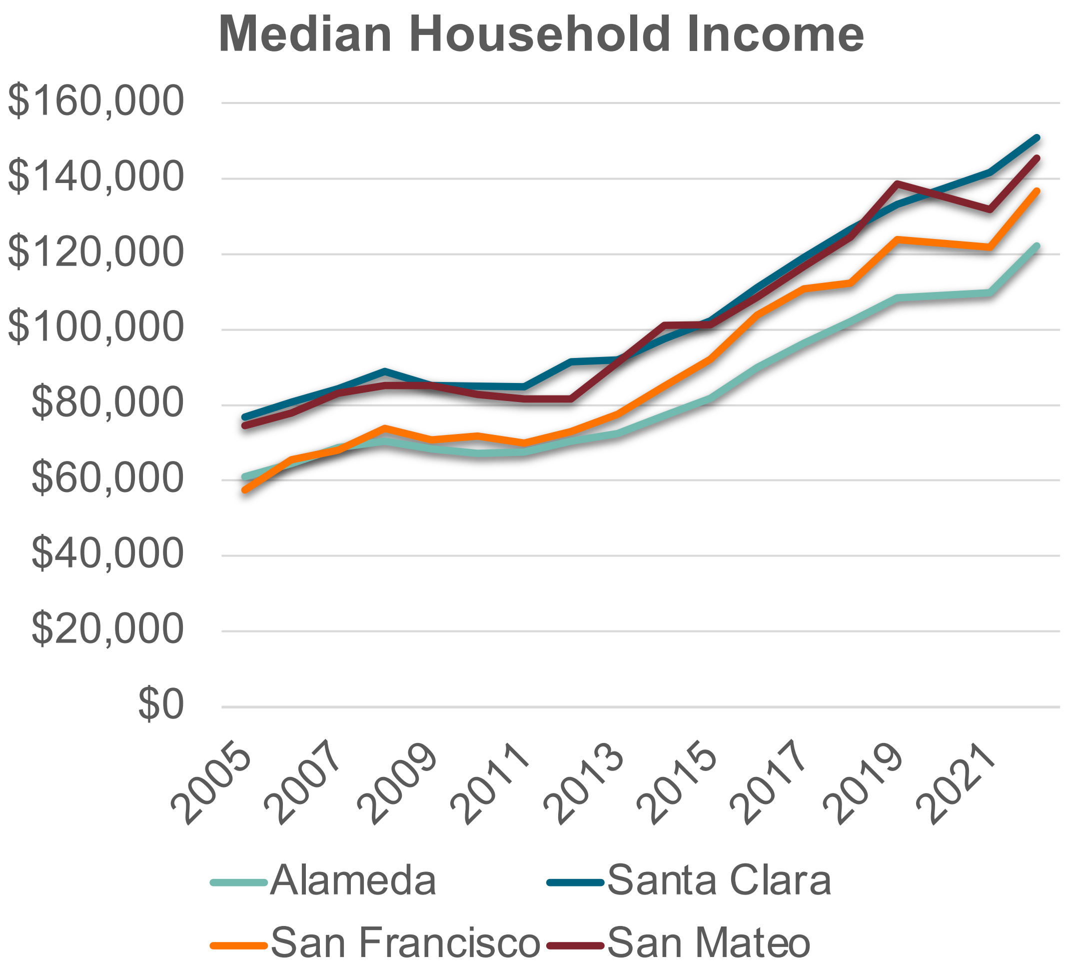
Industry	Mar-24	1 Yr Gr	5 Yr Ch
Total Nonfarm	1162.2	0.2%	18.3
Health Care	**154.3**	**6.8%**	**25.1**
Prof Sci Tech	168	-1.9%	5.2
Manufacturing	176.4	-2.2%	4.1
Government	100.6	3.5%	3.1
Admin Support	65.1	3.2%	2.8
Logistics	18	-2.7%	2.2
Education	50.6	4.1%	1.7
Financial Activities	37.7	-0.8%	0.7
NR/Construction	52.6	-2.0%	-0.3
Management	14.4	6.7%	-1.4
Leisure Hospitality	104.3	1.9%	-2.5
Other Services	26	-1.5%	-3.1
Wholesale Trade	28.3	-3.4%	-3.6
Information	92.2	-7.4%	-5.2
Retail Trade	73.9	0.0%	-10.3

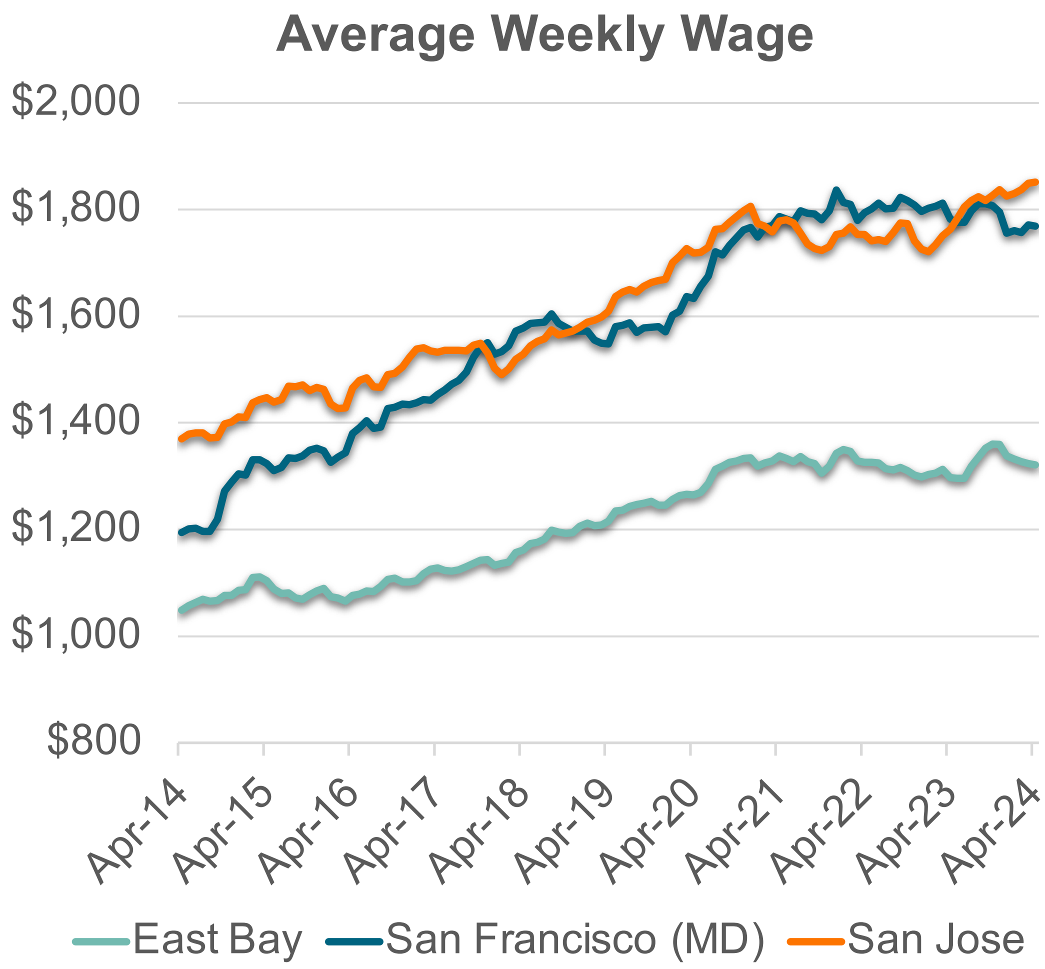
Local Unemployment



Company	Layoffs 7/1/2023 to 5/15/2024
Broadcom Inc.	1,267
Cisco Systems, Inc.	973
Tesla, Inc.	858
Jabil Inc.	643
Apple Inc.	614
Intel Corporation	517
LinkedIn Corporation	506
BILL Operations, LLC	468
Surefox North America Inc	386
PayPal	311
eBay Inc.	261

Local Incomes

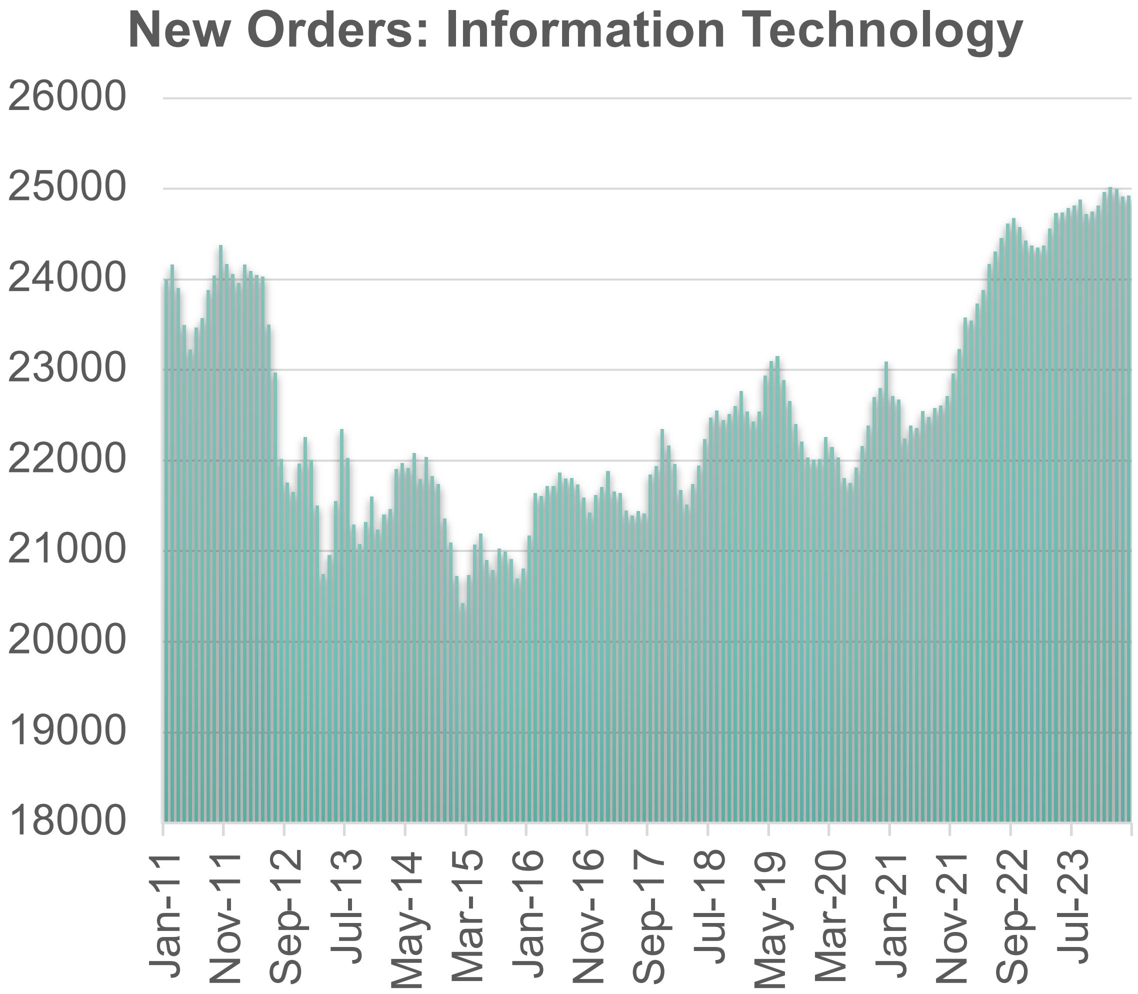


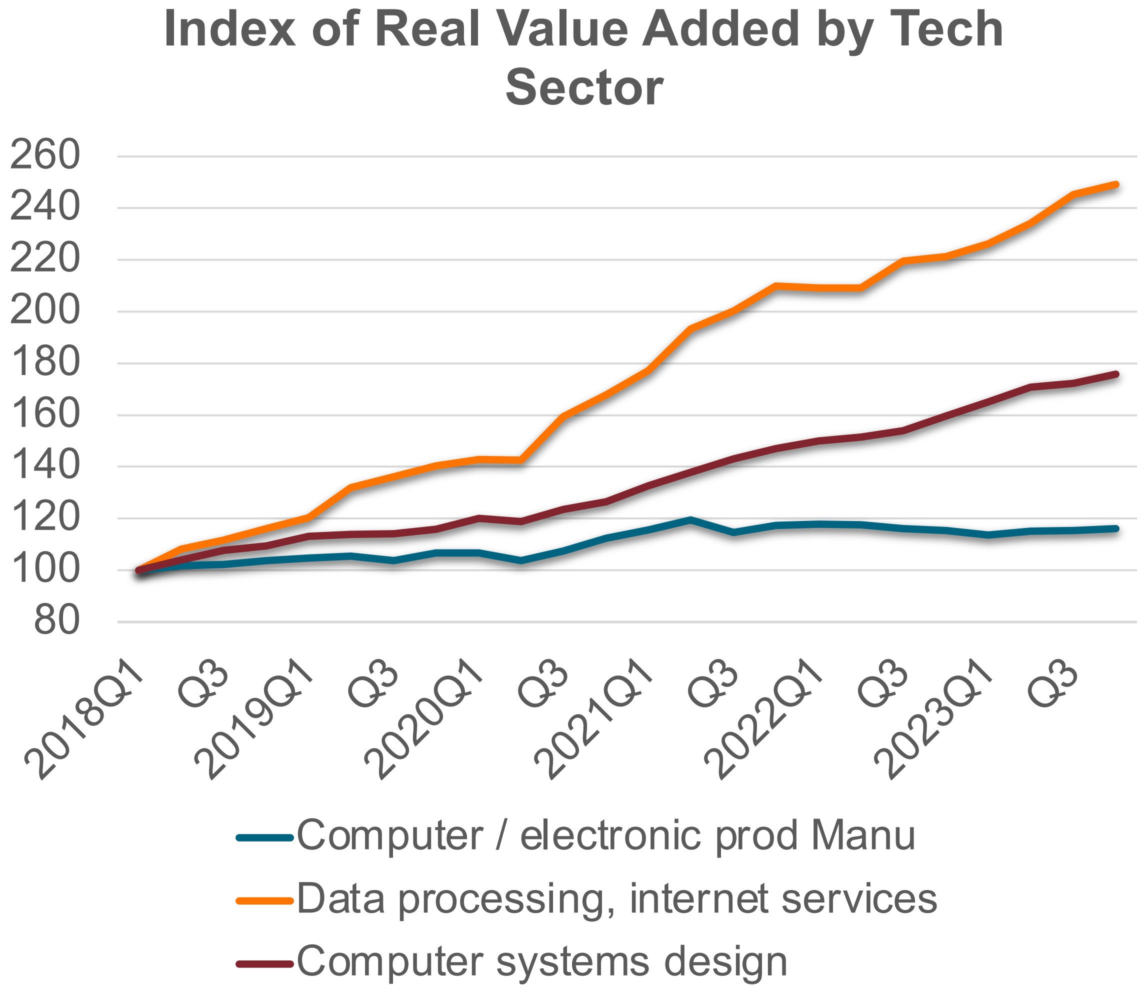


Rates up up, but investment Up

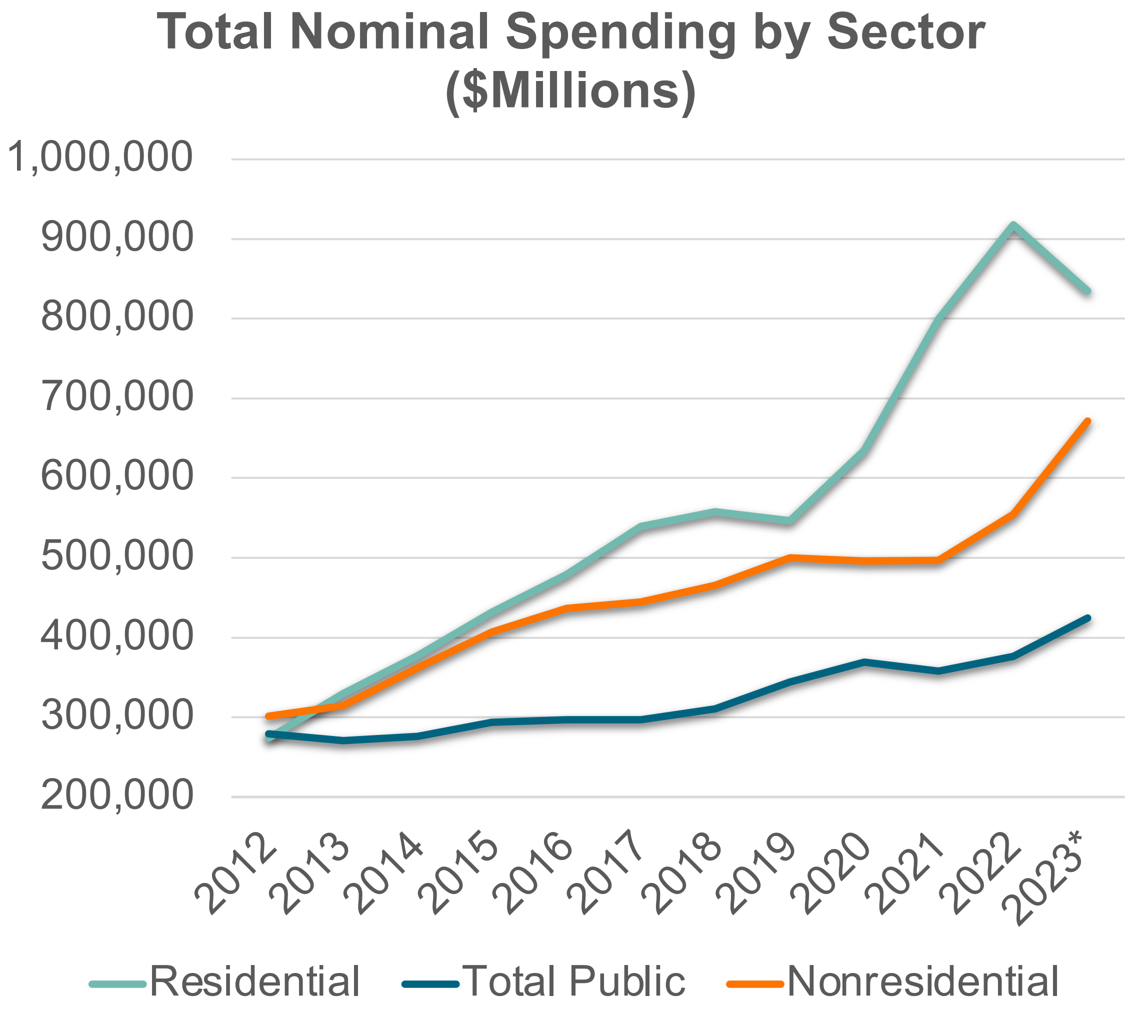
Real Fixed Investment	Ch From Q4 19	Ch From Q4 23
Private fixed investment	7.4%	3.6%
Manufacturing Str.	99.2%	73.9%
Software	**52.8%**	**7.8%**
Research Development	**15.7%**	**-0.1%**
Information equip	**14.3%**	**-0.9%**
IPP	1.9%	-0.5%
Industrial equipment	0.9%	-1.7%
Residential Str.	**-3.5%**	**0.4%**
Commercial health care Str.	-9.4%	5.2%
Transportation equipment	-11.6%	2.8%
Mining, shafts, wells	-12.8%	-11.6%

IT Industry: Shifting to Distribution

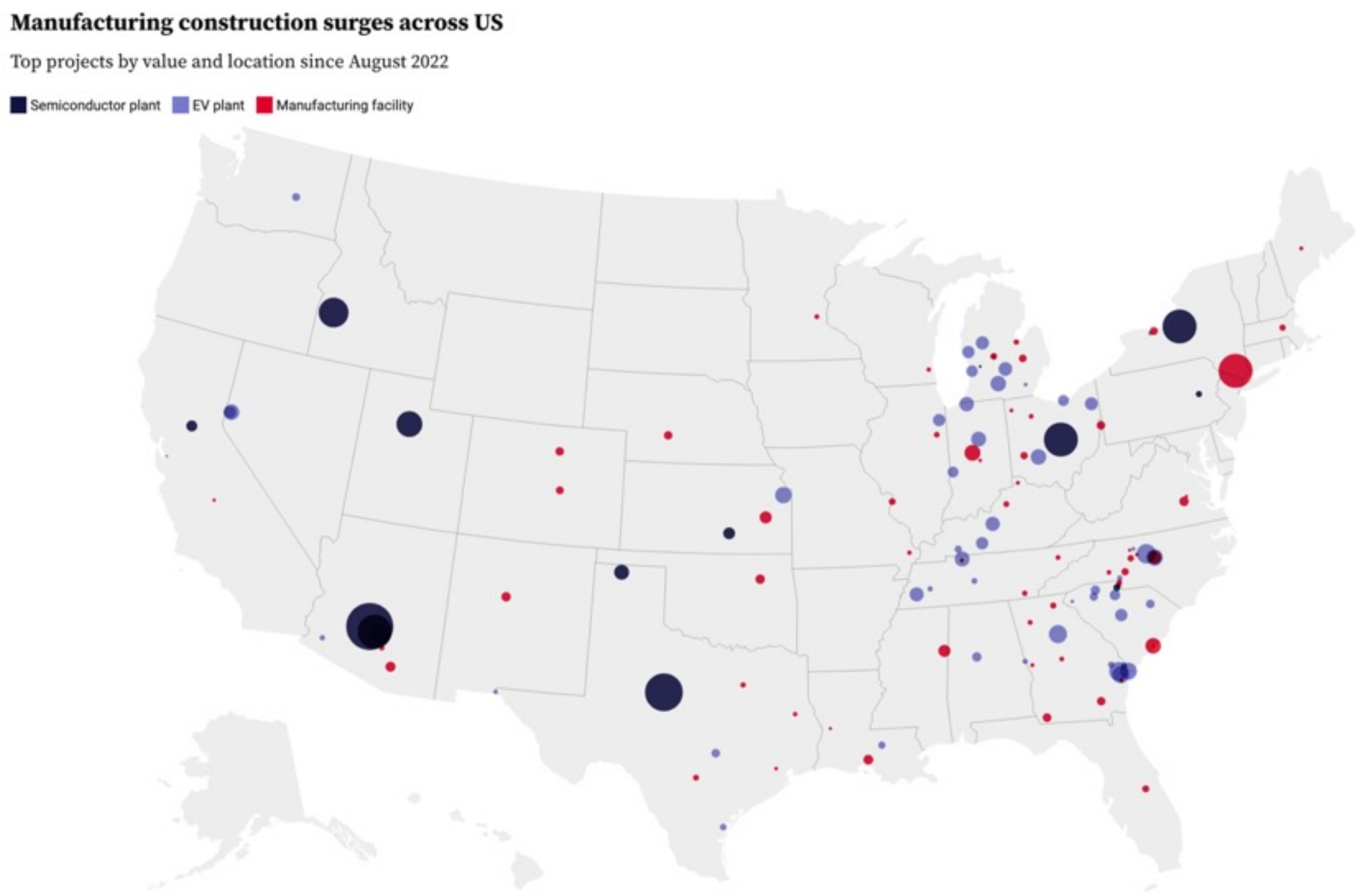




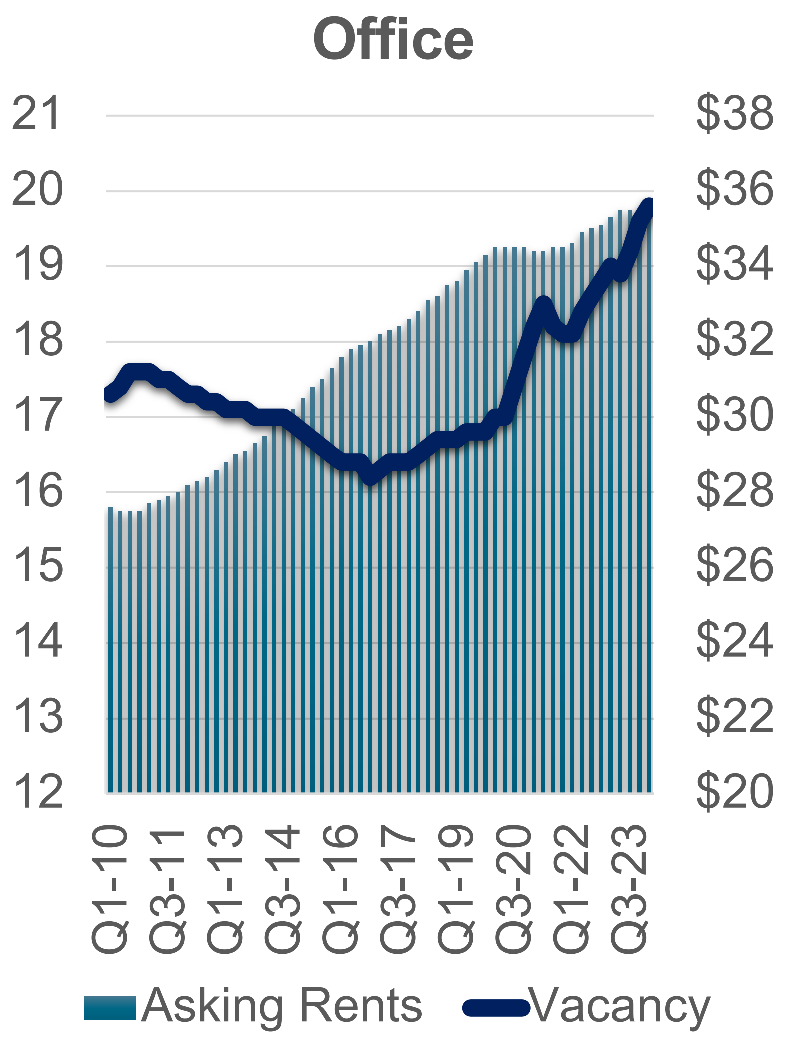
The Construction Industry

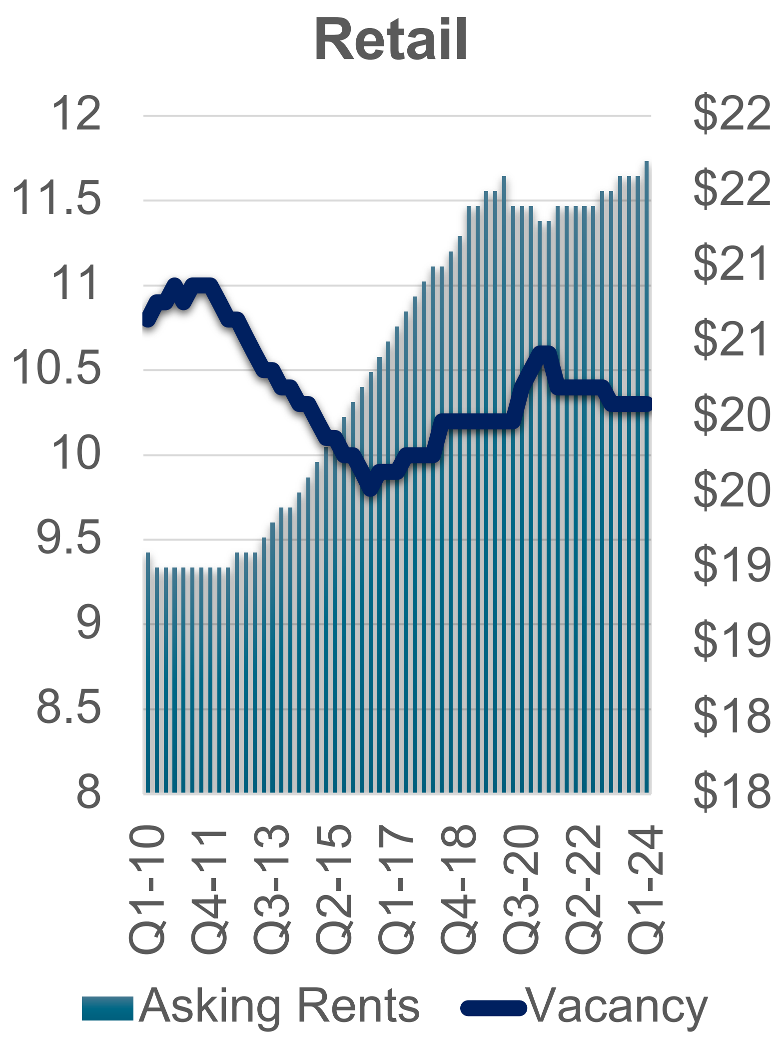


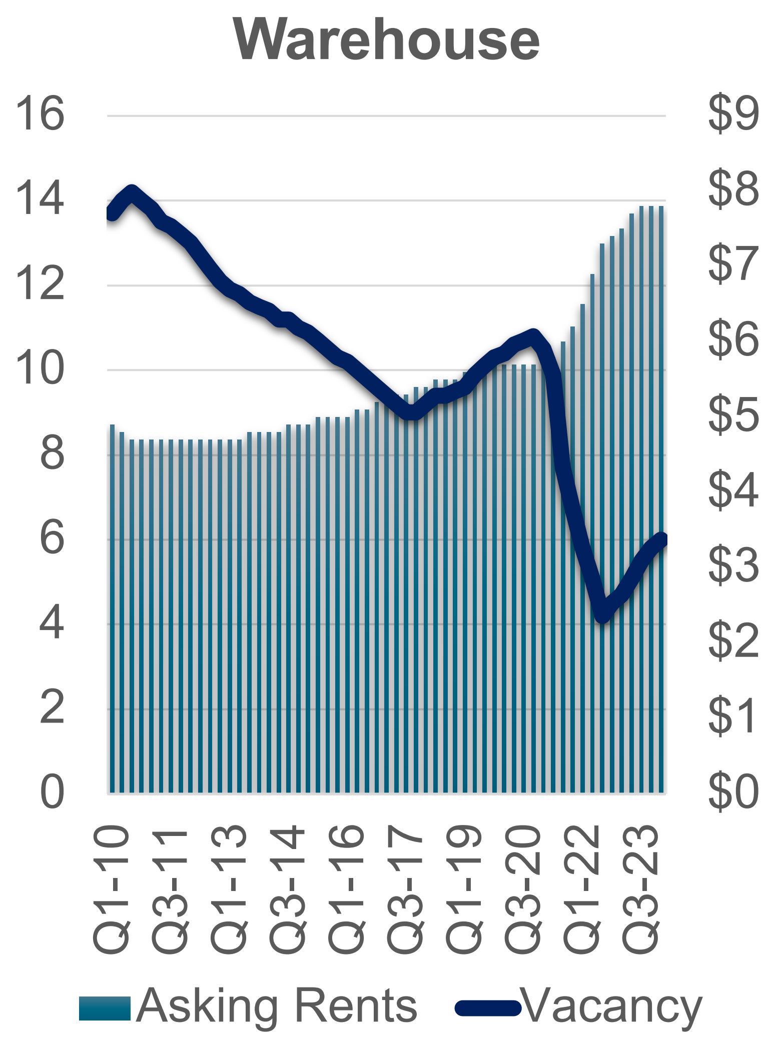
	2023*	1 Year	5 Yr Avg Gr
Private			
Manufacturing	198,237	73.7%	22.5%
Commercial	127,073	8.4%	8.9%
Power	103,488	3.5%	1.9%
Office	84,241	7.3%	4.7%
Health care	49,136	13.3%	7.7%
Communication	24,515	1.5%	0.2%
Lodging	24,228	25.5%	-4.5%
Educational	22,152	16.6%	-0.2%
Transportation	20,136	15.8%	2.4%
Public			
Highway and street	130,769	15.4%	7.4%
Educational	88,867	7.0%	2.4%
Transportation	43,622	5.5%	4.3%
Sewage waste	39,201	22.7%	10.8%
Water supply	25,841	13.9%	11.2%


Manufacturing construction surges across US
Top projects by value and location since August 2022
Semiconductor plant
EV plant
Manufacturing facility

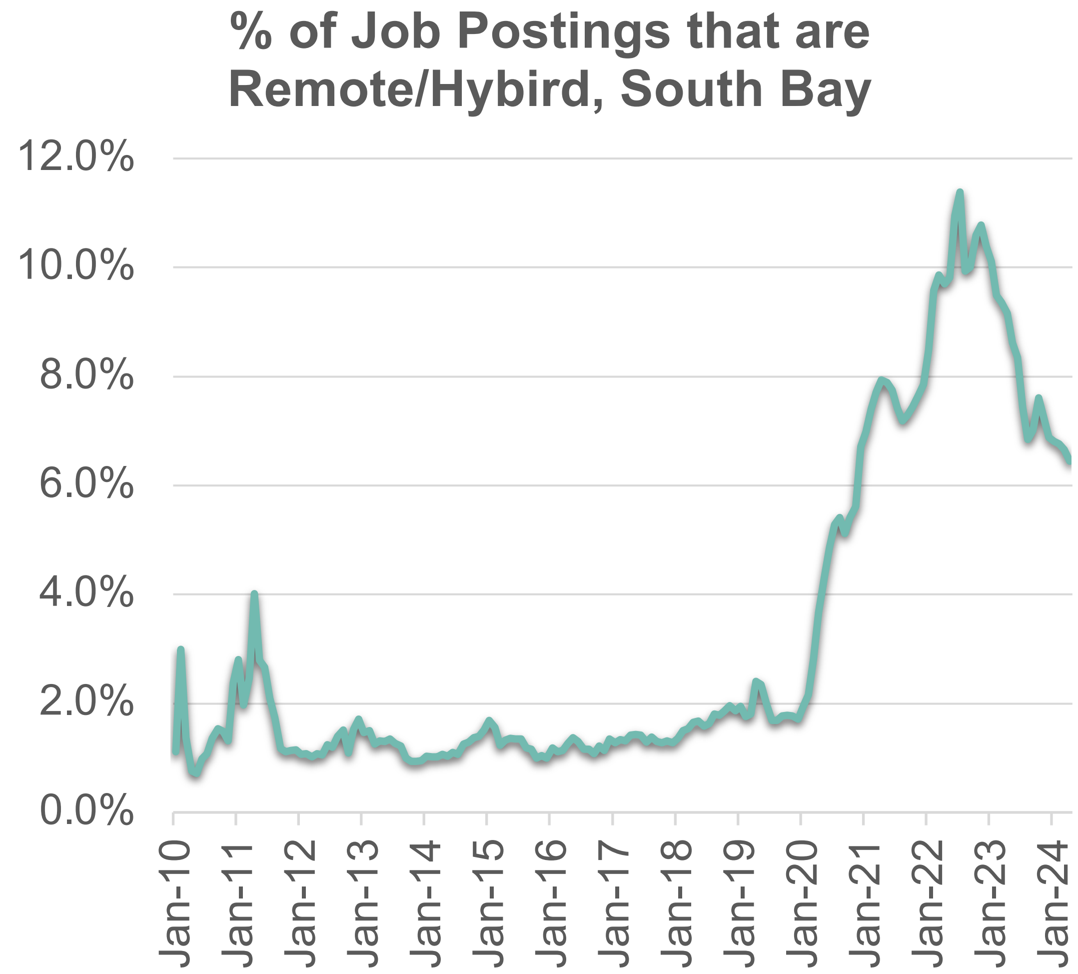
Commercial Trends







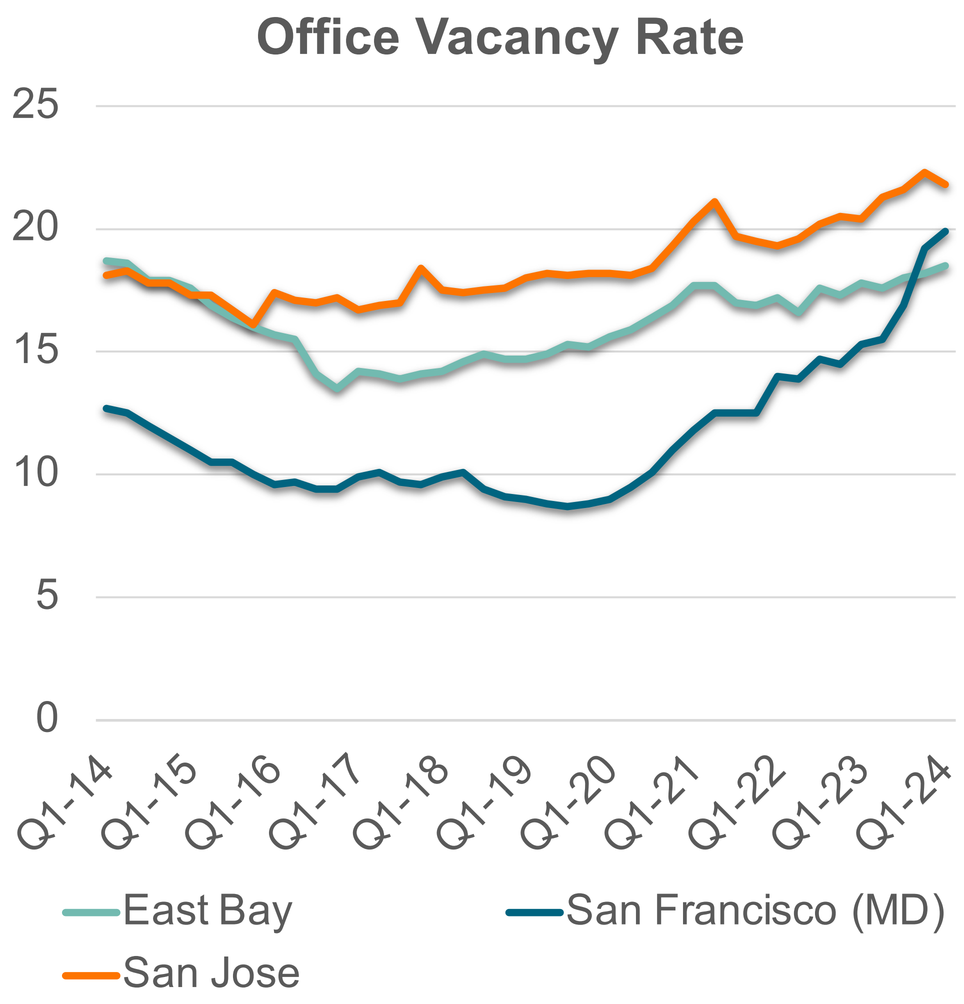
Downtown Activity

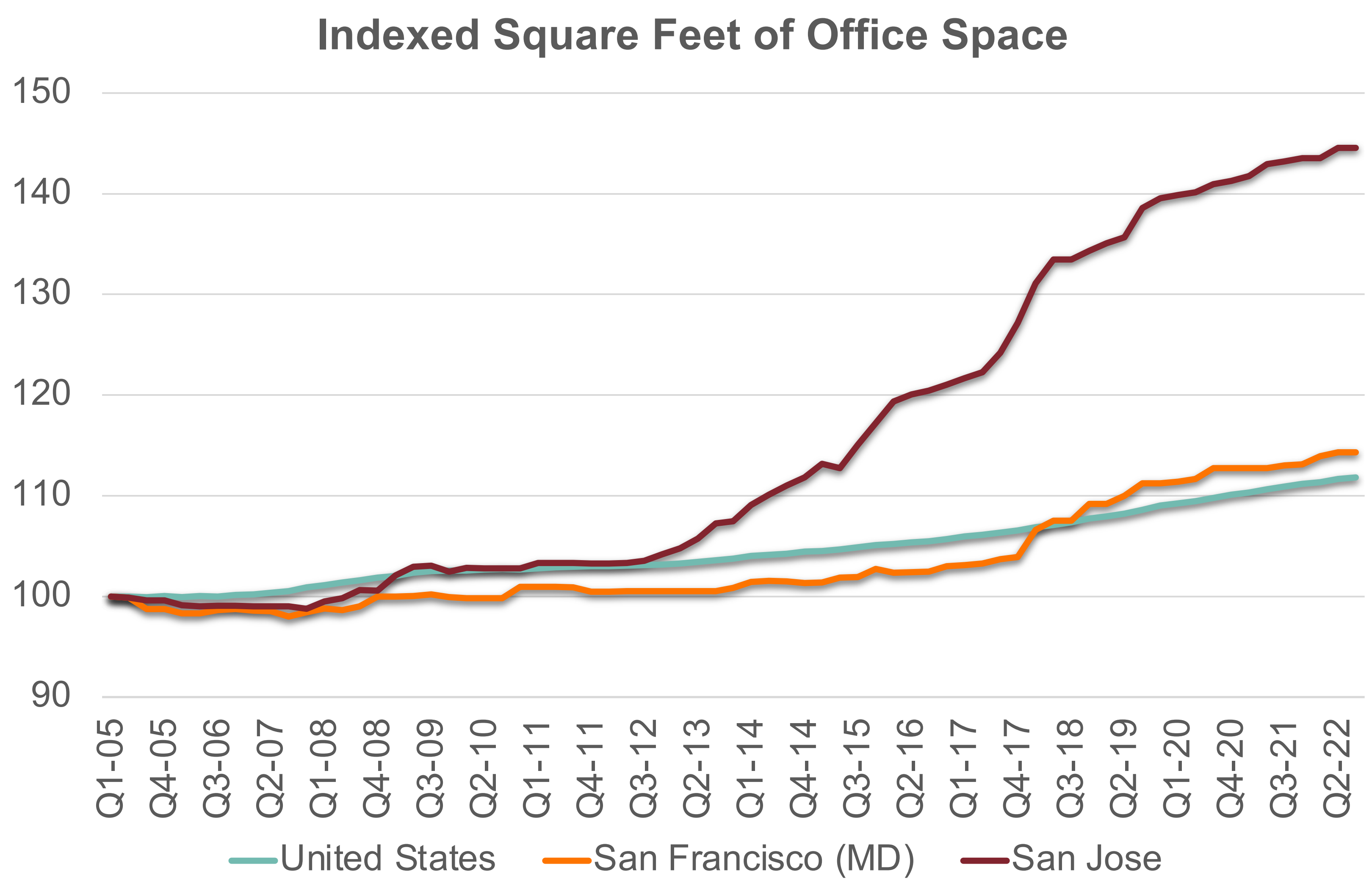


Location	Downtown Recovery Rankings
Las Vegas	102.6%
San Jose	**96.5%**
Bakersfield	94.6%
Tucson	91.2%
Phoenix	89.2%
Los Angeles	83.2%
San Diego	79.6%
Oakland	74.4%
Austin	72.6%
Fresno	71.8%
San Francisco	67.3%
Sacramento	65.7%
Seattle	56.5%

Office Markets

Metro	Q1-24 (%)	1-Yr Change (pp)	Change since Q4-19 (pp)
Austin	25.0	1.8	11.7
Boston	17.8	1.4	4.9
Dallas	25.7	1.1	2.6
District of Columbia	16.1	1.1	3.4
Modesto	12.4	-1.0	-6.1
New York Metro	12.8	0.4	4.6
Oakland (MD)	18.5	0.7	3.3
San Francisco (MD)	19.9	4.6	11.1
San Jose	**21.8**	**1.4**	**3.6**
Seattle	16.6	0.4	5.9
Stockton	22.0	-1.2	-2.1

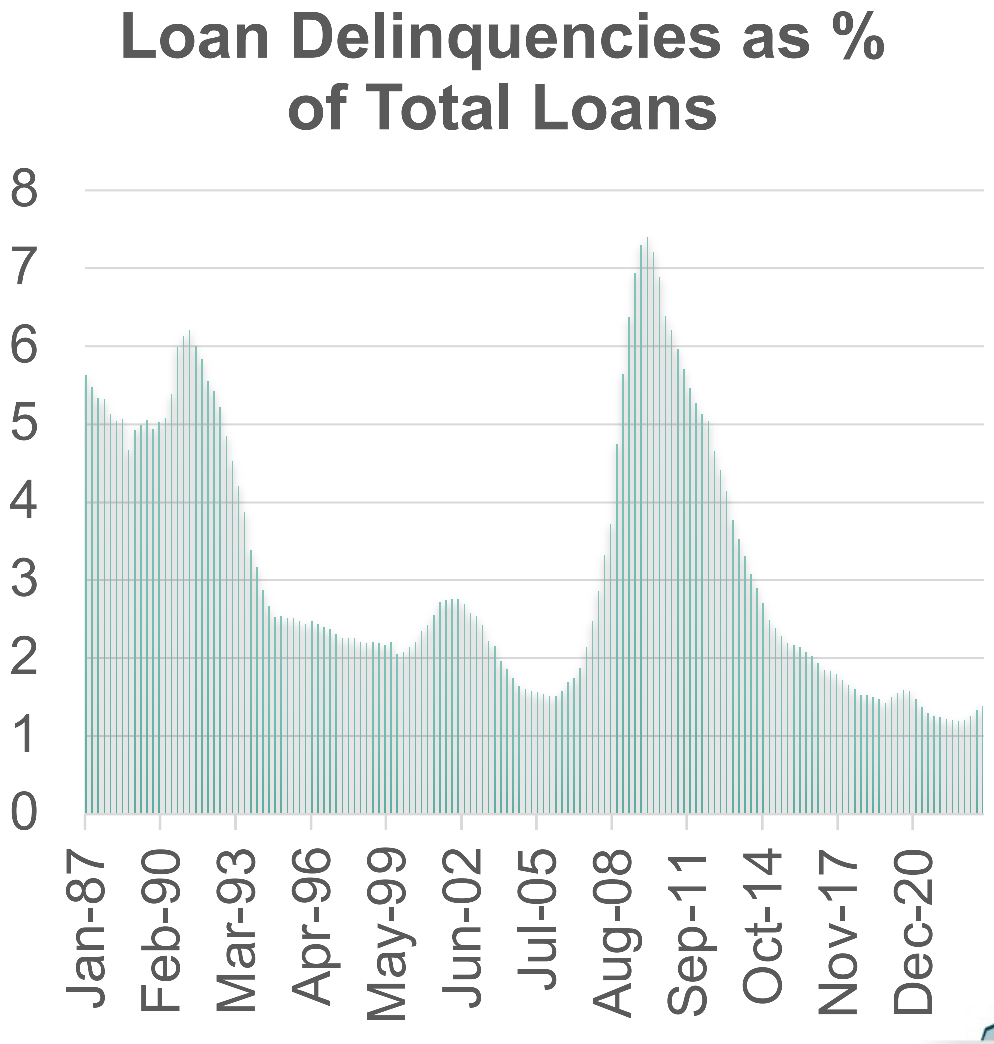




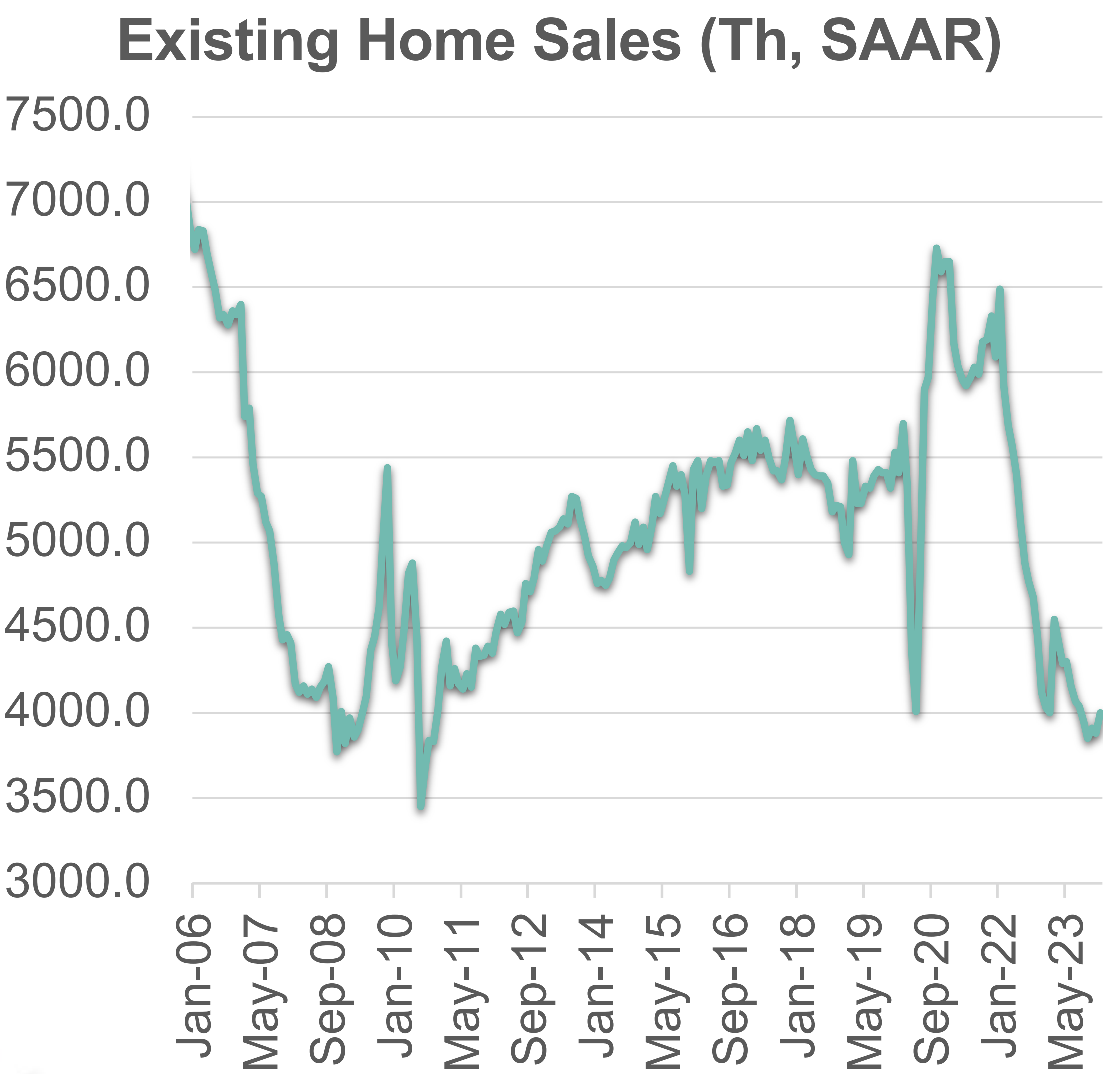
Indexed Square Feet of Office Space
150
140
130
120
110
100
90
Q1-05
Q4-05
Q3-06
Q2-07
Q1-08
Q4-08
Q3-09
Q2-10
Q1-11
Q4-11
Q3-12
Q2-13
Q1-14
Q4-14
Q3-15
Q2-16
Q1-17
Q4-17
Q3-18
Q2-19
Q1-20
Q4-20
Q3-21
Q2-22
United States
San Francisco (MD)
San Jose

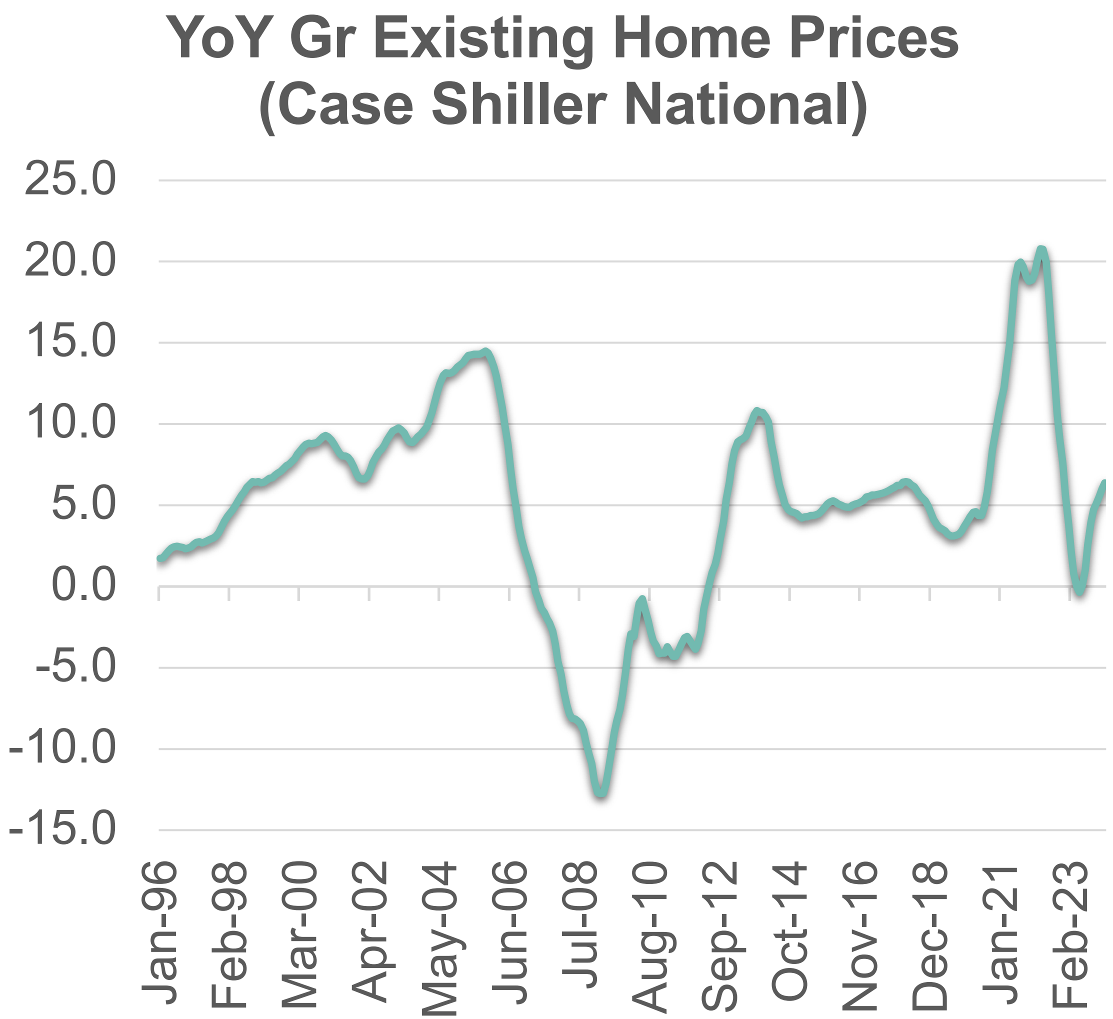
Commercial Loan Portfolios

Delinquency Rates by Loan Type	United States	
	Q4-21	Q4-23
Total loans & leases	1.3	1.4
Real Estate Loans	1.6	1.4
Construction and land development	0.8	0.8
Multifamily residential real estate	0.4	0.6
1-4 family residential	2.4	1.8
Commercial and industrial loans	1.1	1.0
Loans to individuals	1.6	2.8
Automobile loans	2.1	3.4
Credit cards	1.6	3.2
Other loans to individuals	1.4	1.4
Total other loans and leases	0.5	0.3

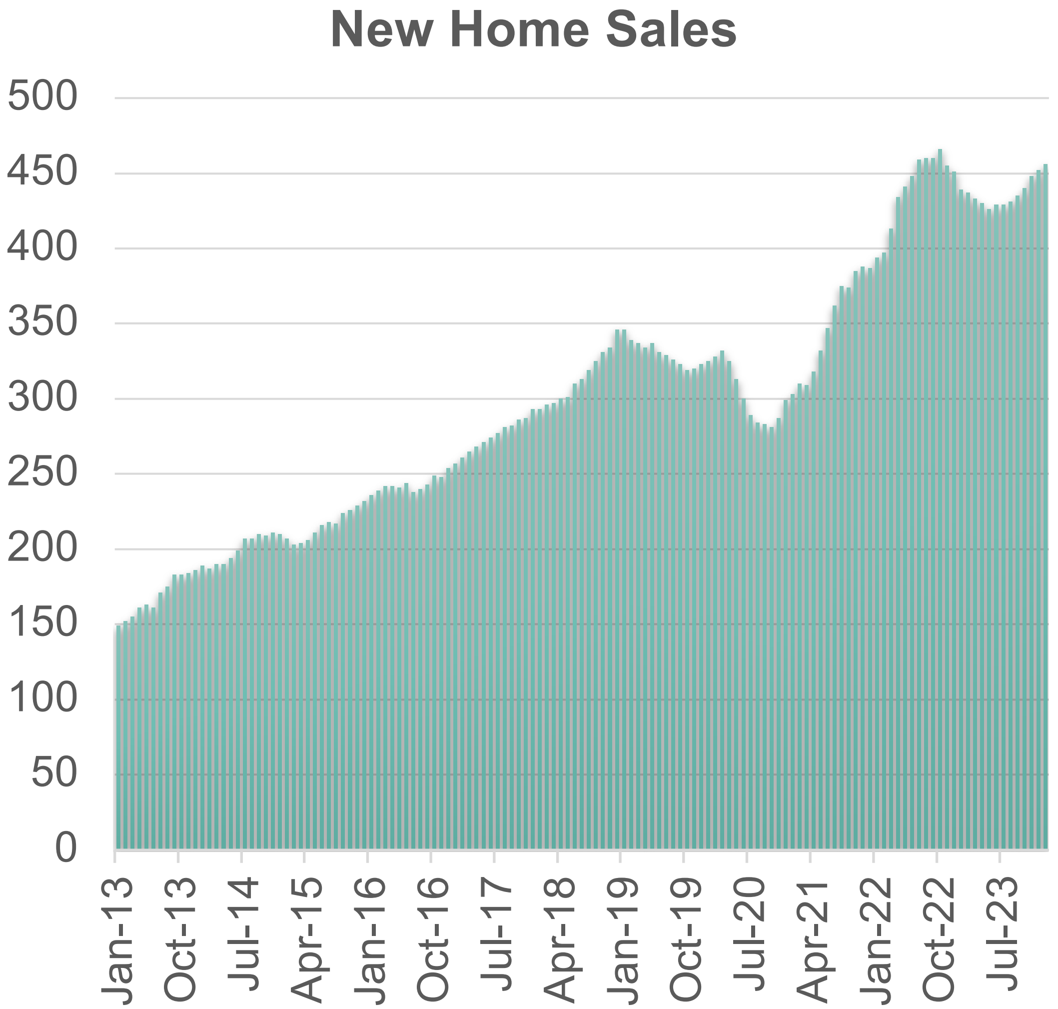


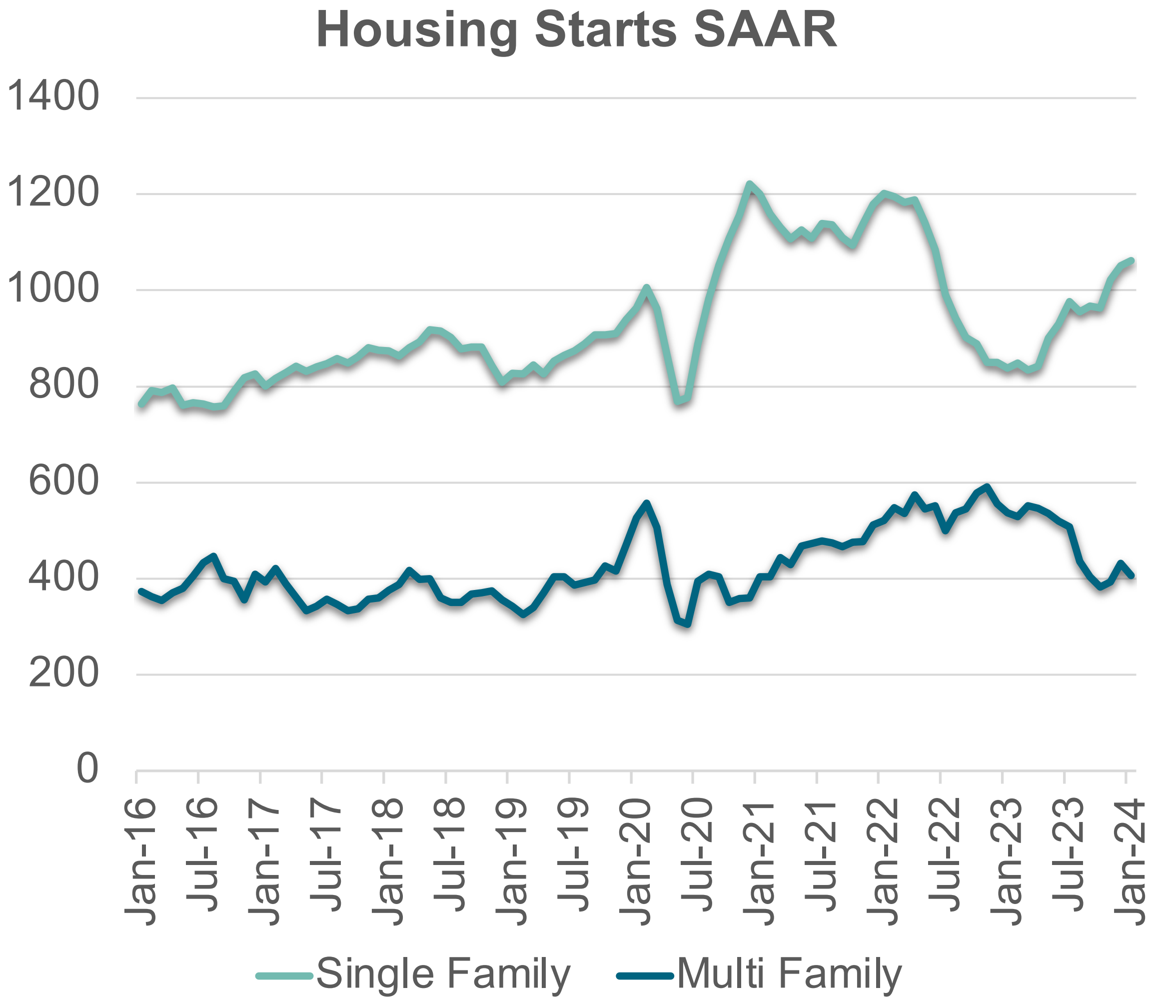
A Frozen Housing Market, yet…



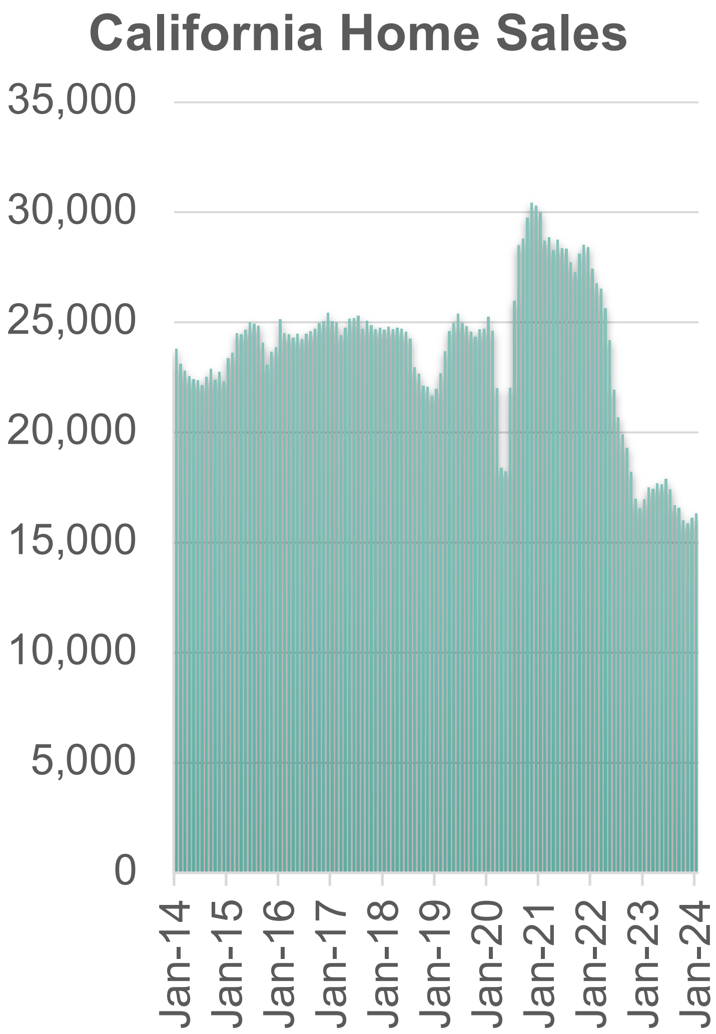


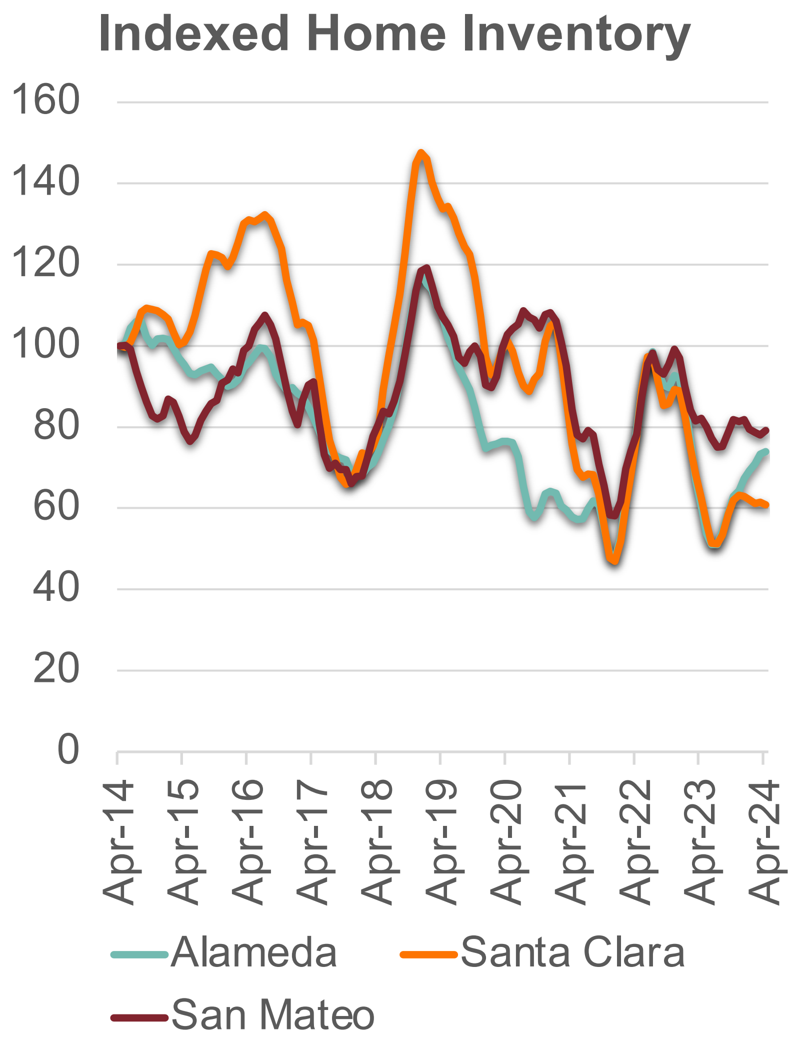
U.S. New Home Sales





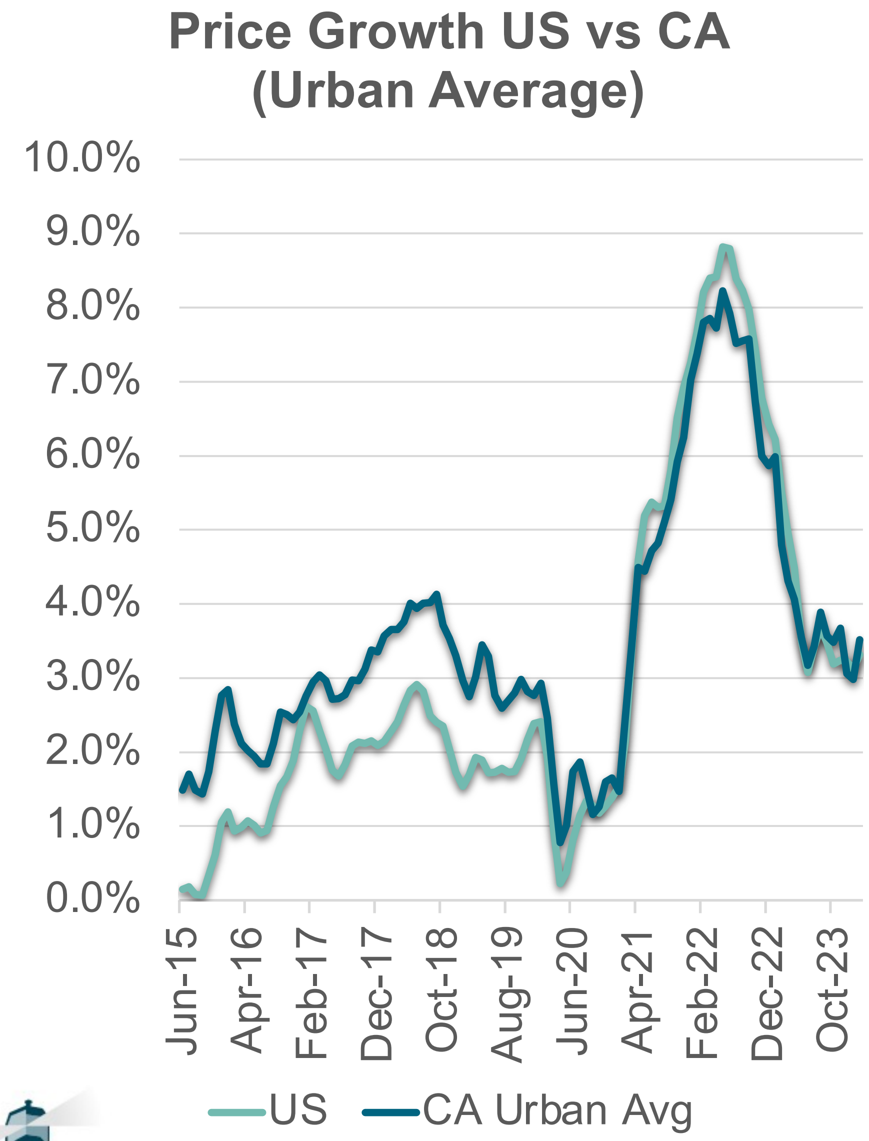
Home Sales

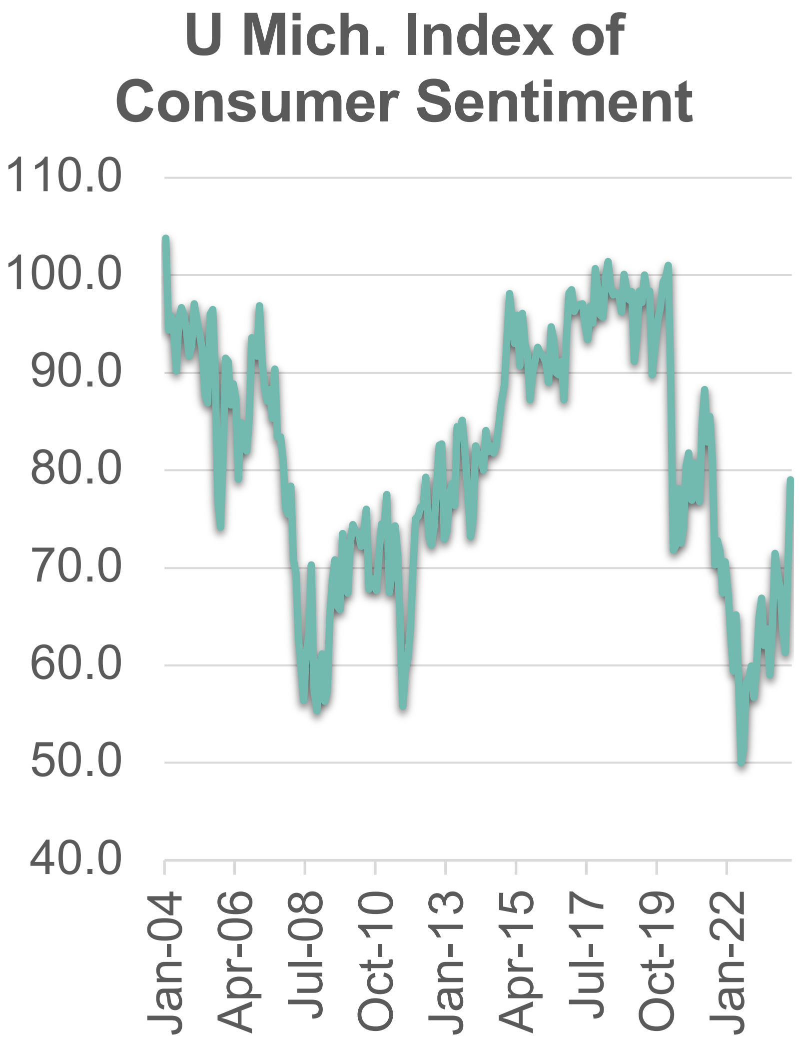


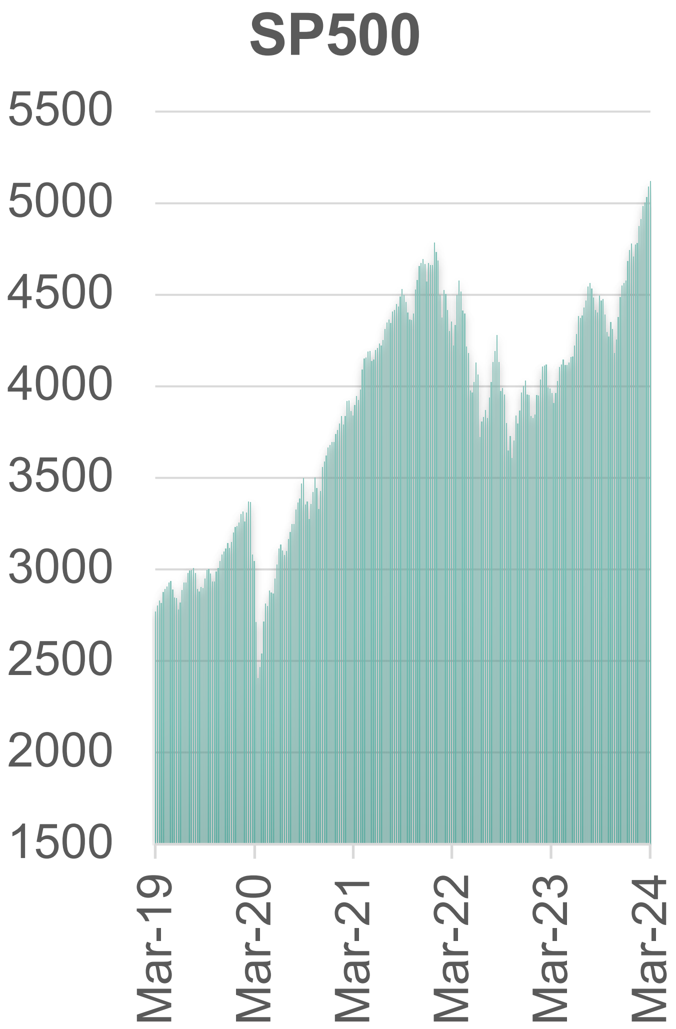


Location	Jan-24 Median Home Price ($000s)	1-Year Chg. (%)	Chg. since Feb-20 (%)
California	820.7	7.8	38.7
Fresno MSA	407.9	3.3	40.1
Inland Empire	571.5	4.6	44.0
Los Angeles MSA	932.2	7.1	34.5
Sacramento MSA	587.2	5.8	34.3
San Diego MSA	988.5	9.7	44.7
San Francisco MSA	1,778.0	4.7	10.5
San Jose MSA	1,745.5	16.3	36.0

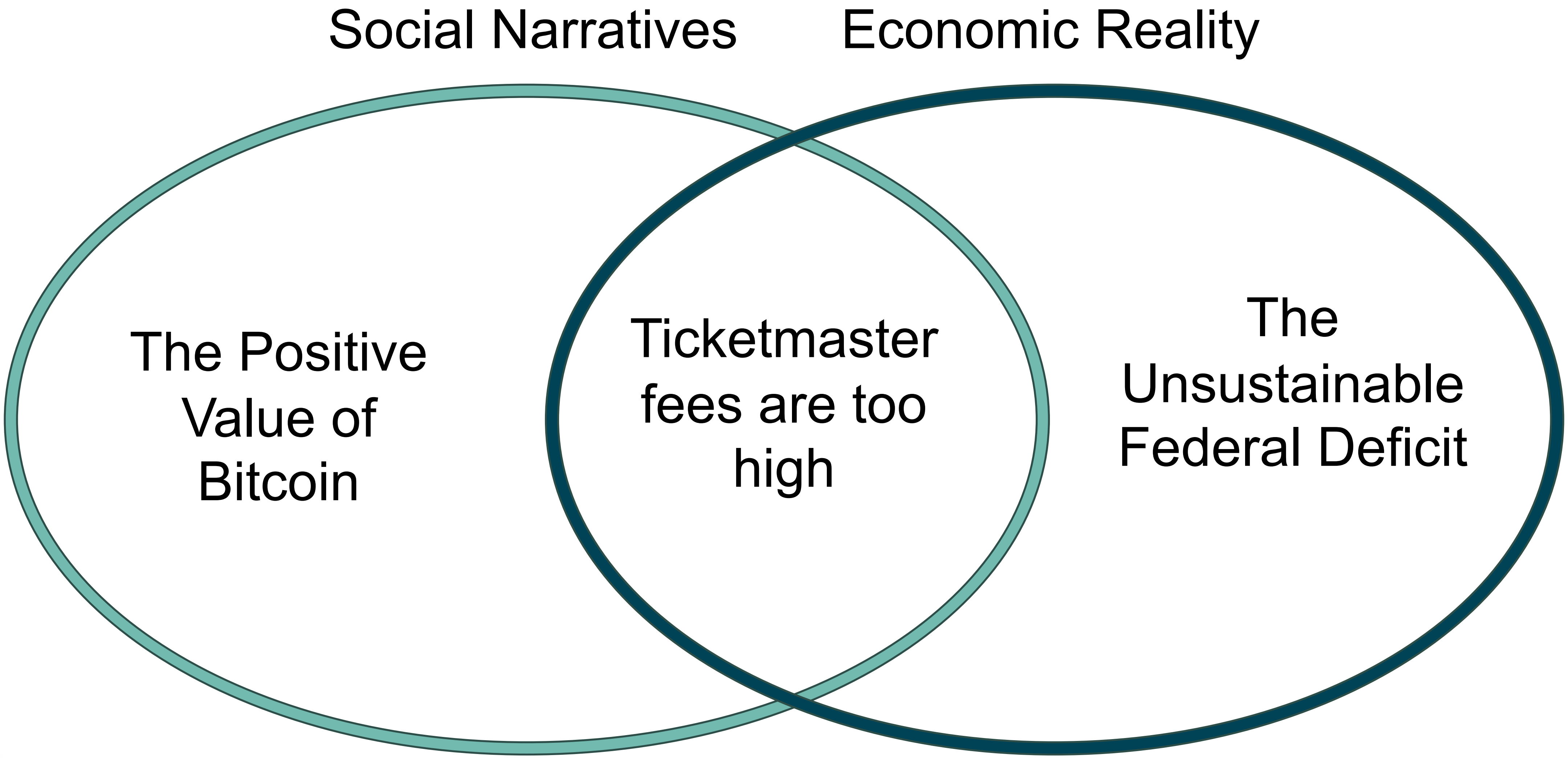
Slowing Inflation / Rising Confidence







Beware the Narrative



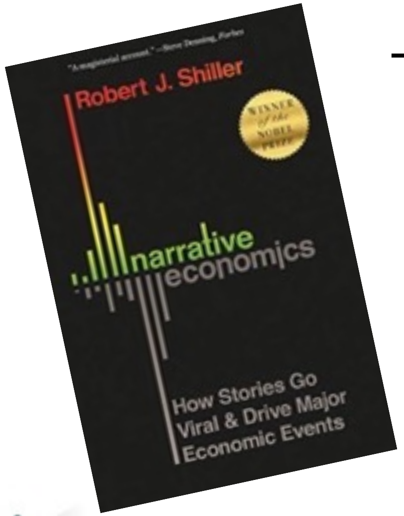
✓Narratives skewing interpretations of economic news

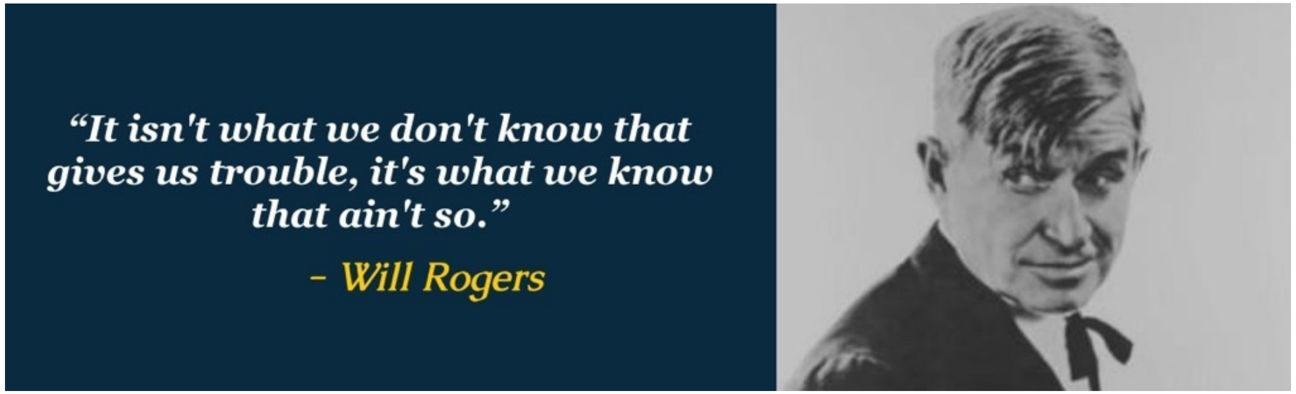
✓Narratives at the root of economic bubbles

✓Narratives driving bad policy choices

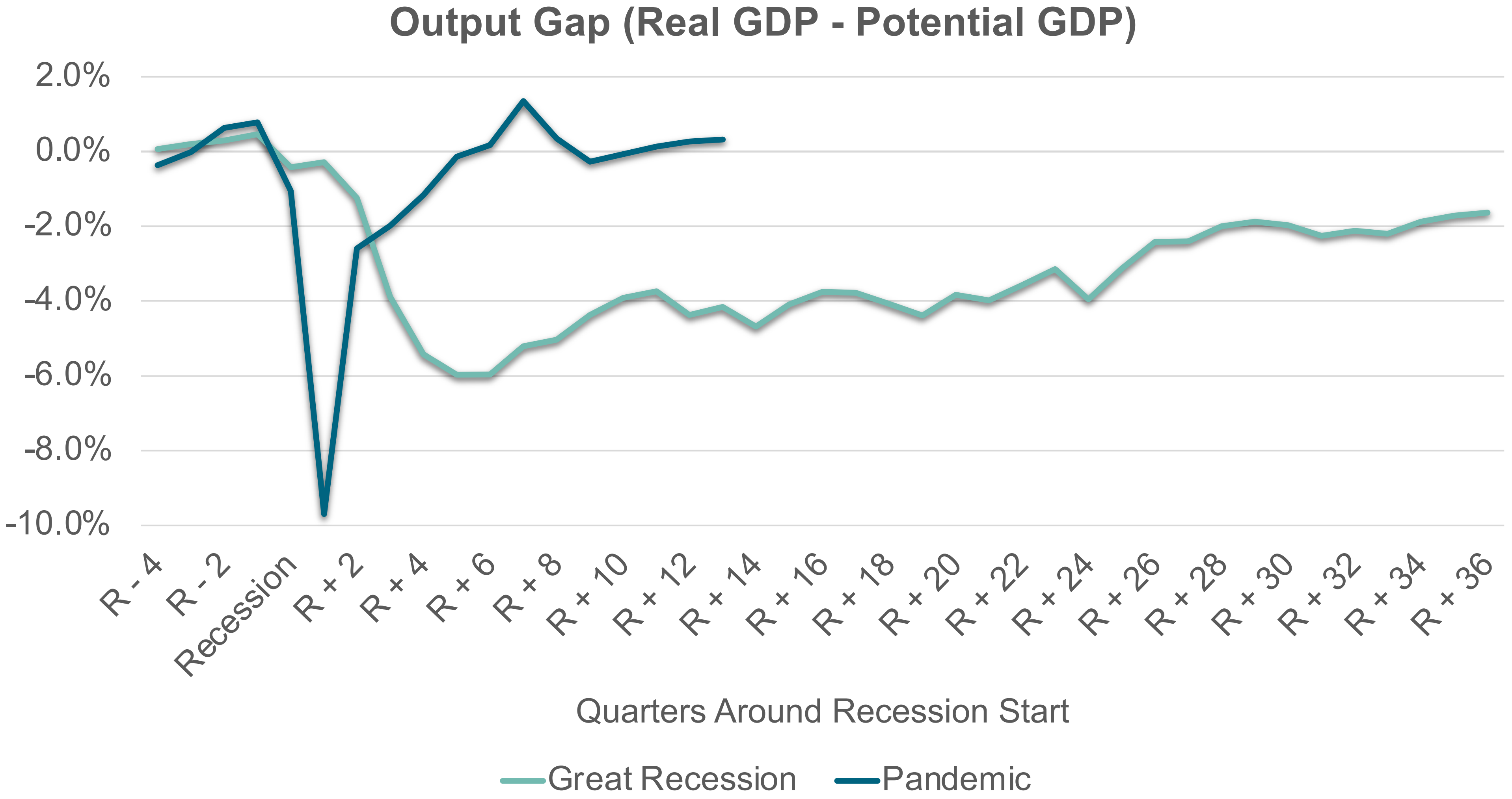
“We need to incorporate the contagion of narratives into economic theory. Otherwise, we remain blind to a very real … mechanism for economic change..”

—R. Shiller, _Narrative Economics_





The Pandemic Over-reaction

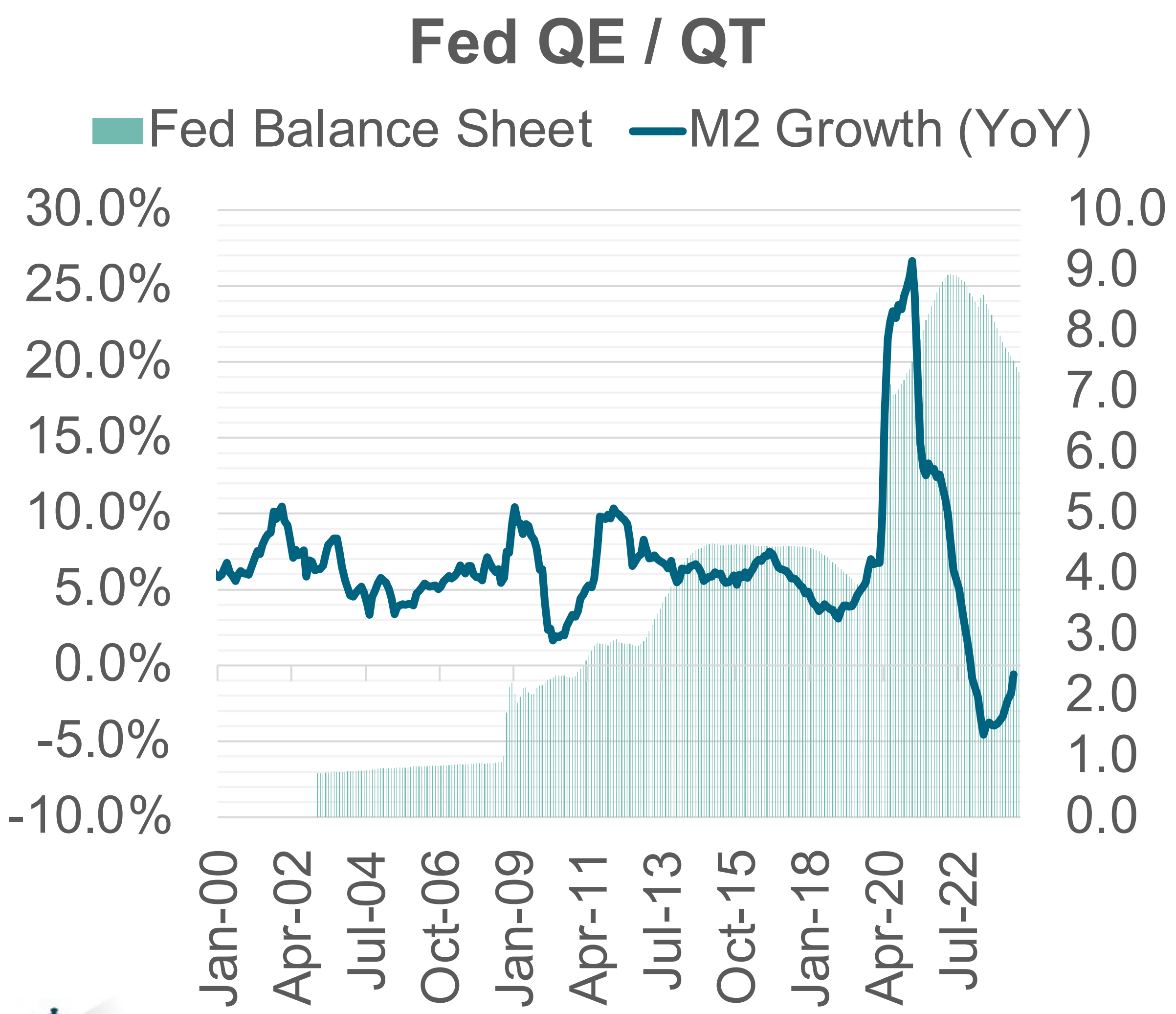


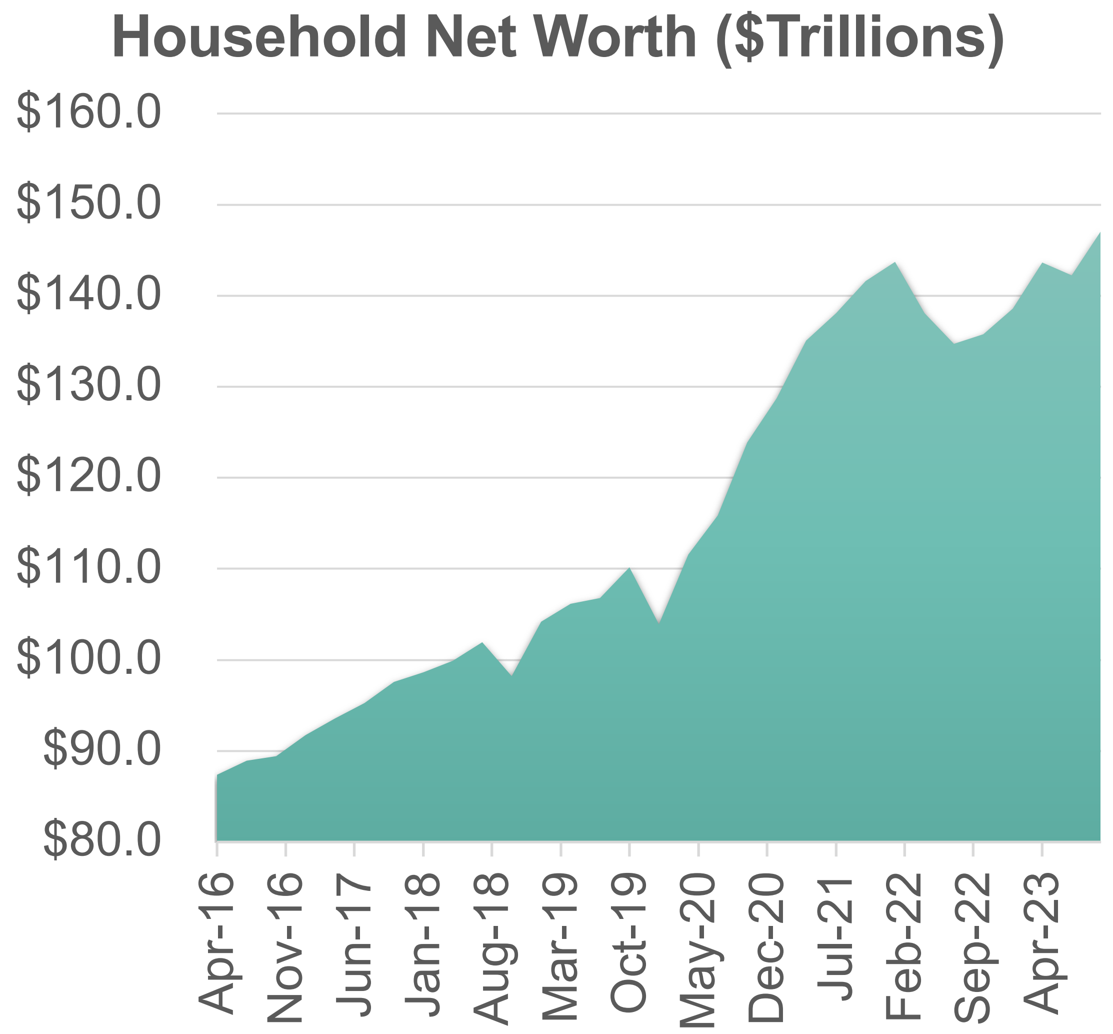
Actual Lost GDP: $1.2 Trillion

Fiscal Stimulus: $6 Tr ($5 Tr QE)

$50,000 in stimulus / household

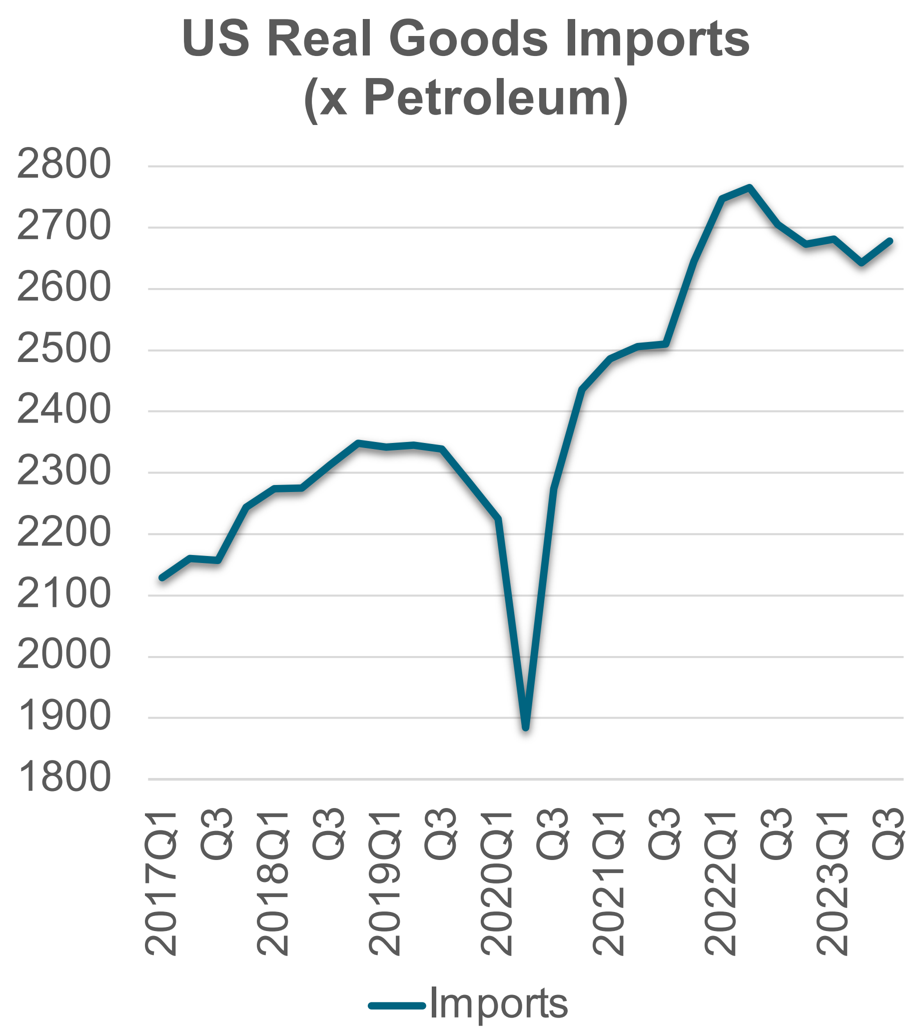
Money and Wealth



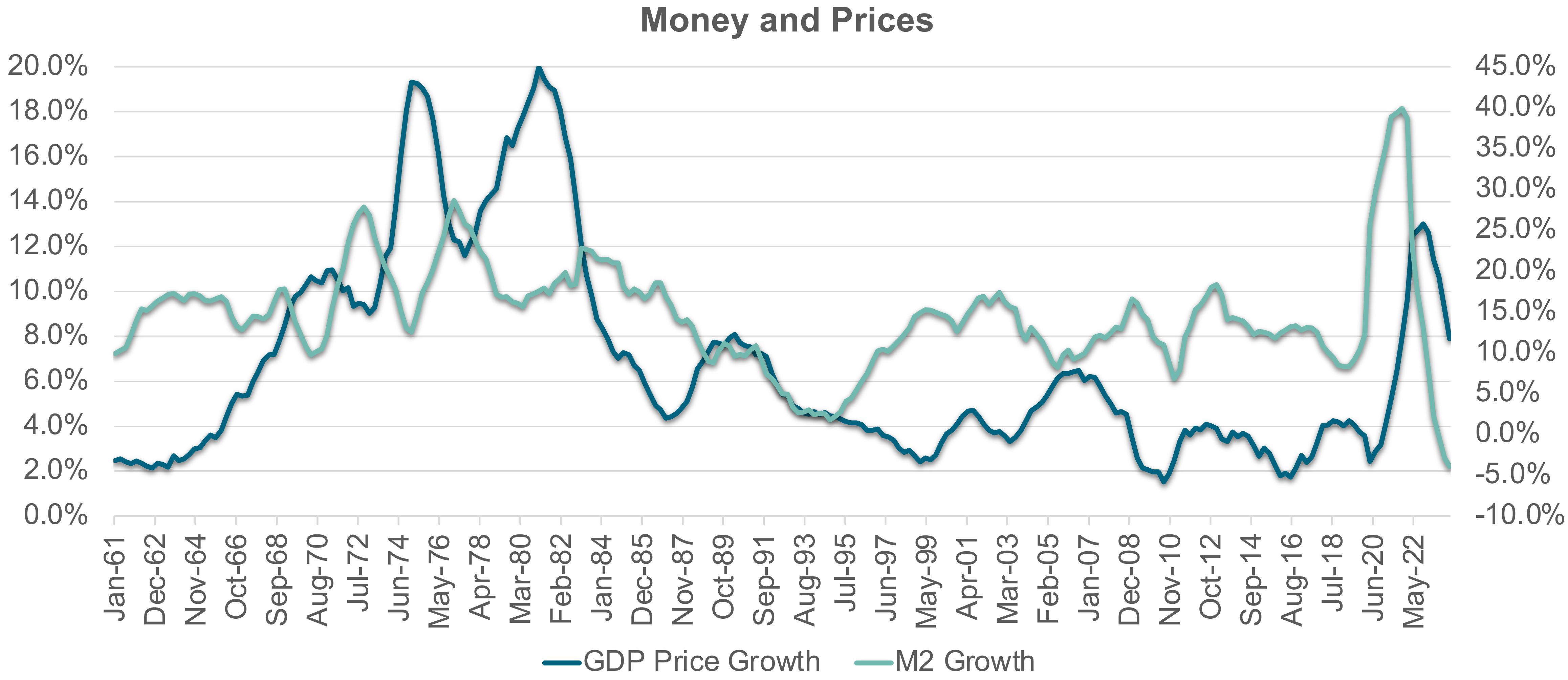


Consumer Spending Boom

Increase in Nominal Consumer Spending 2020Q1-2023Q1	2023 Q1	
Air transportation	$180,330	85.4%
New domestic light trucks	$291,389	68.9%
Foreign travel by U.S. residents	$223,121	66.2%
Sporting equipment, supplies, guns	$121,838	54.2%
Pleasure boats, aircraft	$79,264	53.2%
Video, audio, photographic, and IT Eq	$398,810	50.5%
Live entertainment, excluding sports	$48,084	49.9%
Food services	$1,142,151	42.7%
Household utilities	$439,859	30.2%
Food for off-premises consumption	$1,430,619	22.2%
Rental of tenant-occupied housing	$626,179	20.0%
Pharmaceutical and other medical	$608,061	16.9%
Child care	$56,159	16.8%
Legal services	$123,972	10.2%
Medical care and hospitalization	$206,285	8.3%



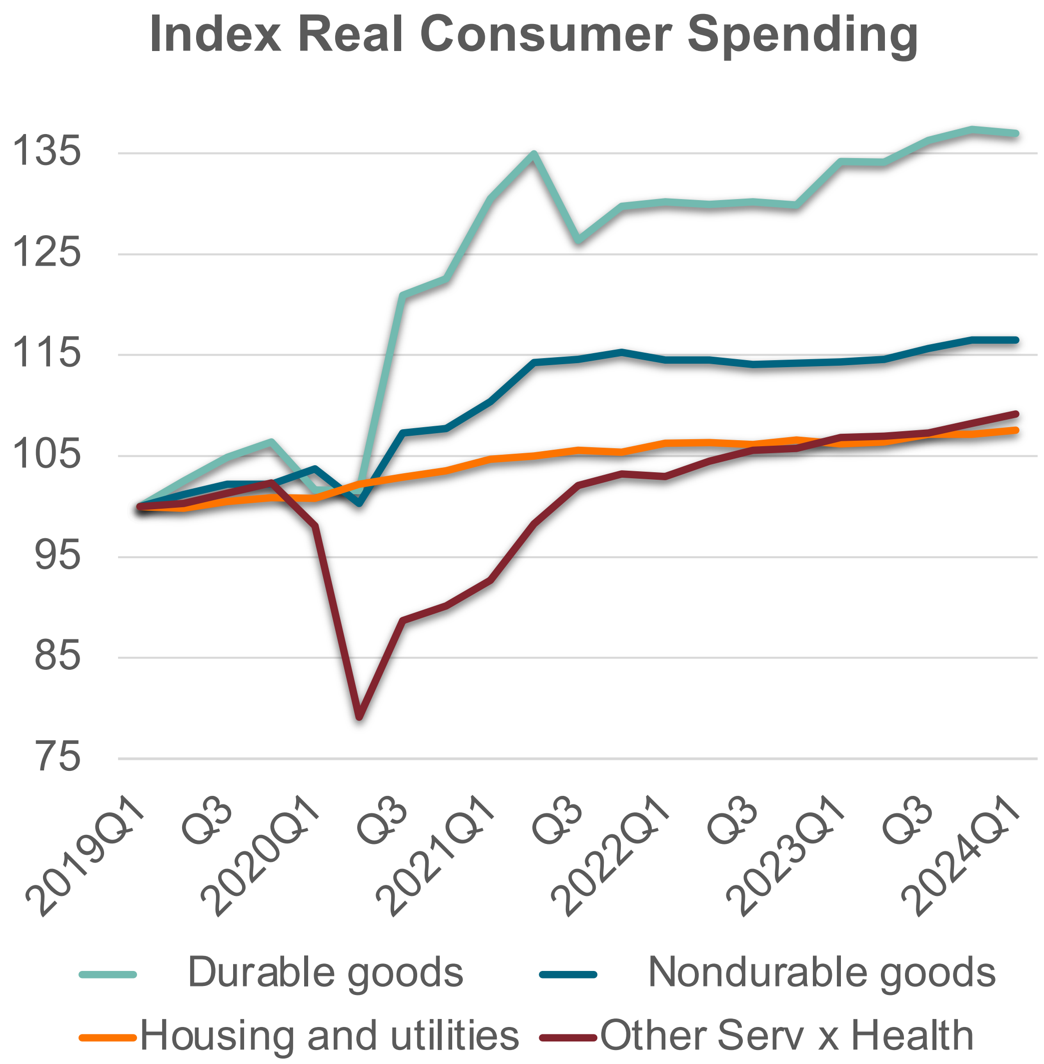
Excess Money + Demand = Inflation



Inflation Settling Down, Not Spending

Year on Year Growth Prices (GDP Basis)

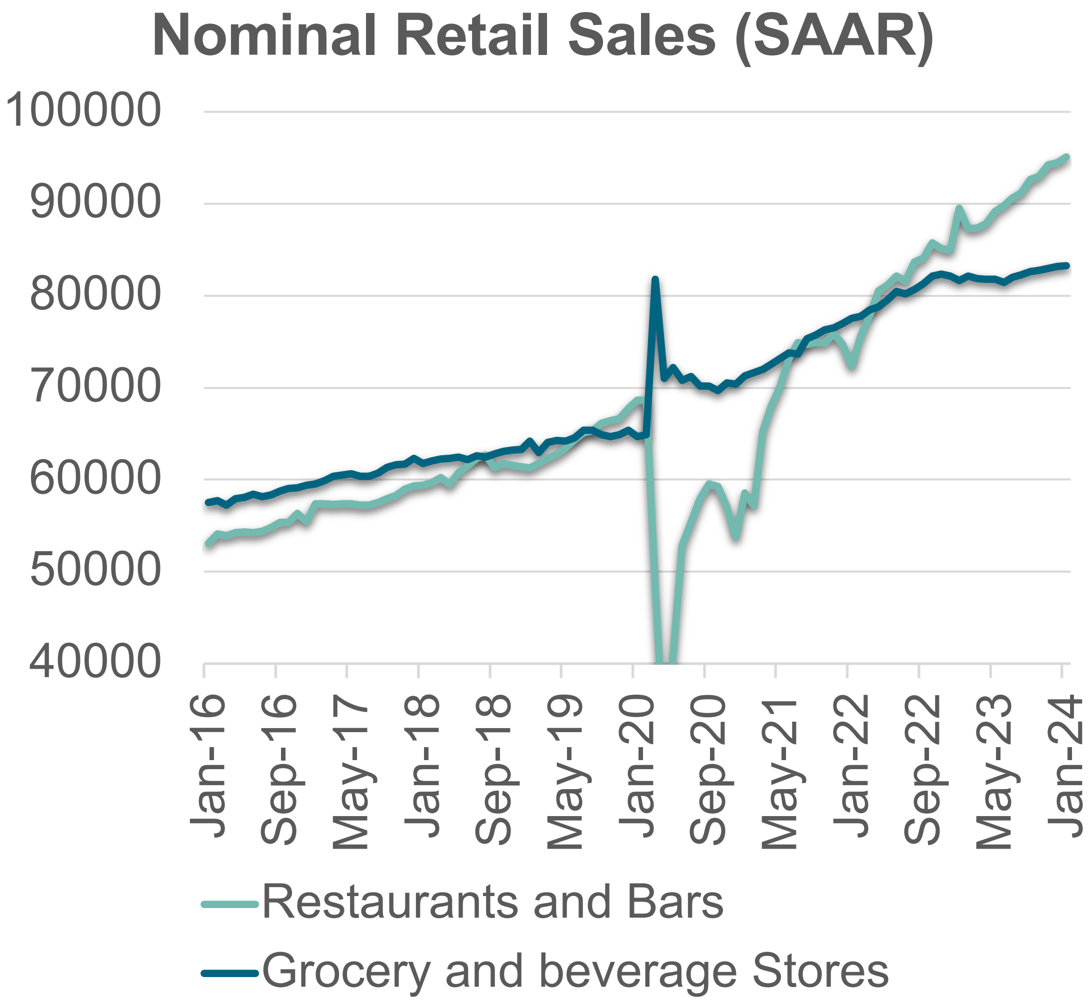
	21-22	22-23	23-24
Gross domestic product	6.9%	5.3%	2.5%
Personal consumption	6.6%	5.0%	2.6%
Goods	9.7%	3.3%	-0.2%
Services	5.0%	5.9%	4.0%
Fixed investment	7.3%	5.9%	1.3%
Structures	12.9%	11.5%	0.1%
Equipment	3.9%	6.9%	1.6%
Intellectual property	1.5%	2.0%	1.2%
Residential	**15.1%**	**6.3%**	**2.1%**



Shifting Nominal Spending

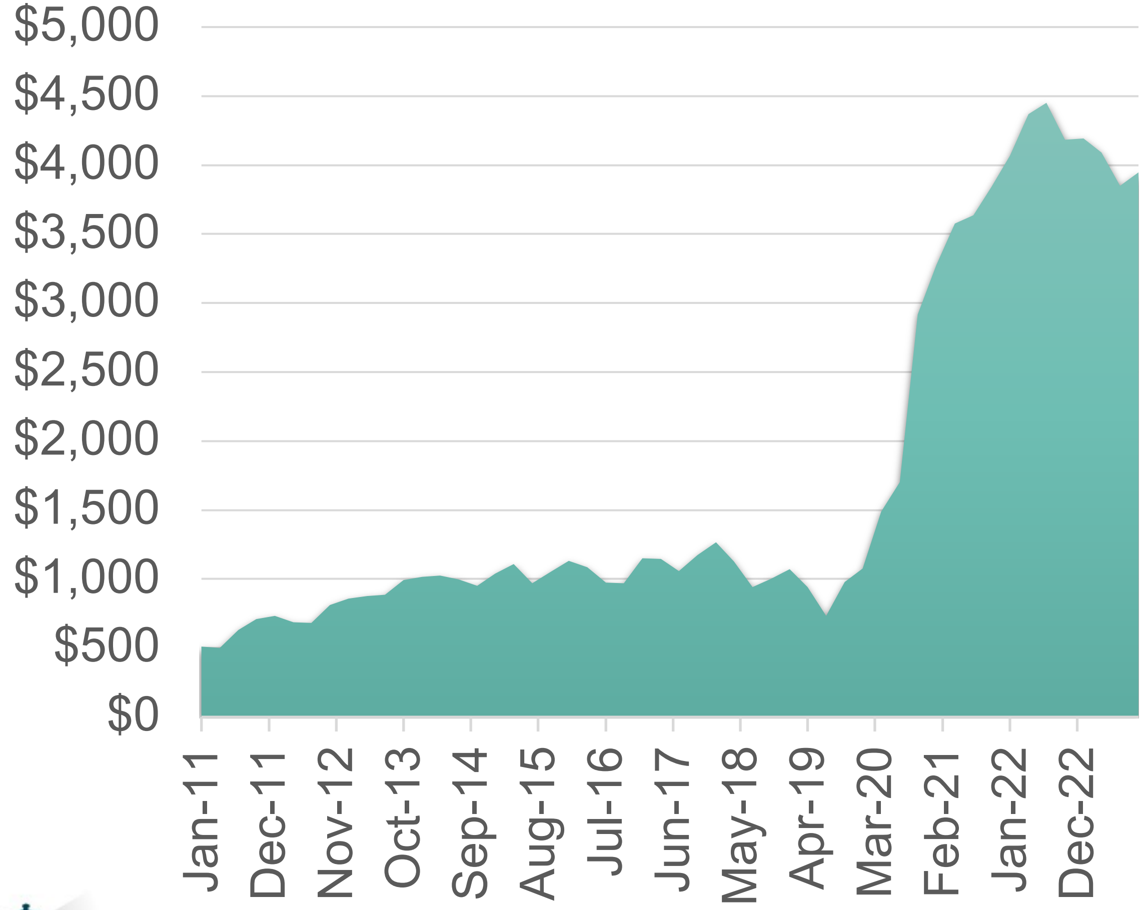
Contributions to Nominal Spending Growth

	21-22	22-23	23-24
Housing and utilities	10.2%	19.9%	23.2%
Financial serv insurance	2.2%	4.4%	10.9%
Food services accom.	13.6%	14.5%	9.3%
Recreation services	7.3%	5.6%	5.1%
Food and beverages	5.9%	6.2%	4.1%
Transportation services	8.7%	5.5%	3.9%
Recreational goods veh	3.9%	1.2%	3.3%
Clothing and footwear	3.0%	2.1%	1.2%
Furnishings	1.8%	1.0%	-0.4%
Gasoline energy goods	9.4%	-1.9%	-1.2%
Motor vehicles and parts	3.5%	3.3%	-4.4%



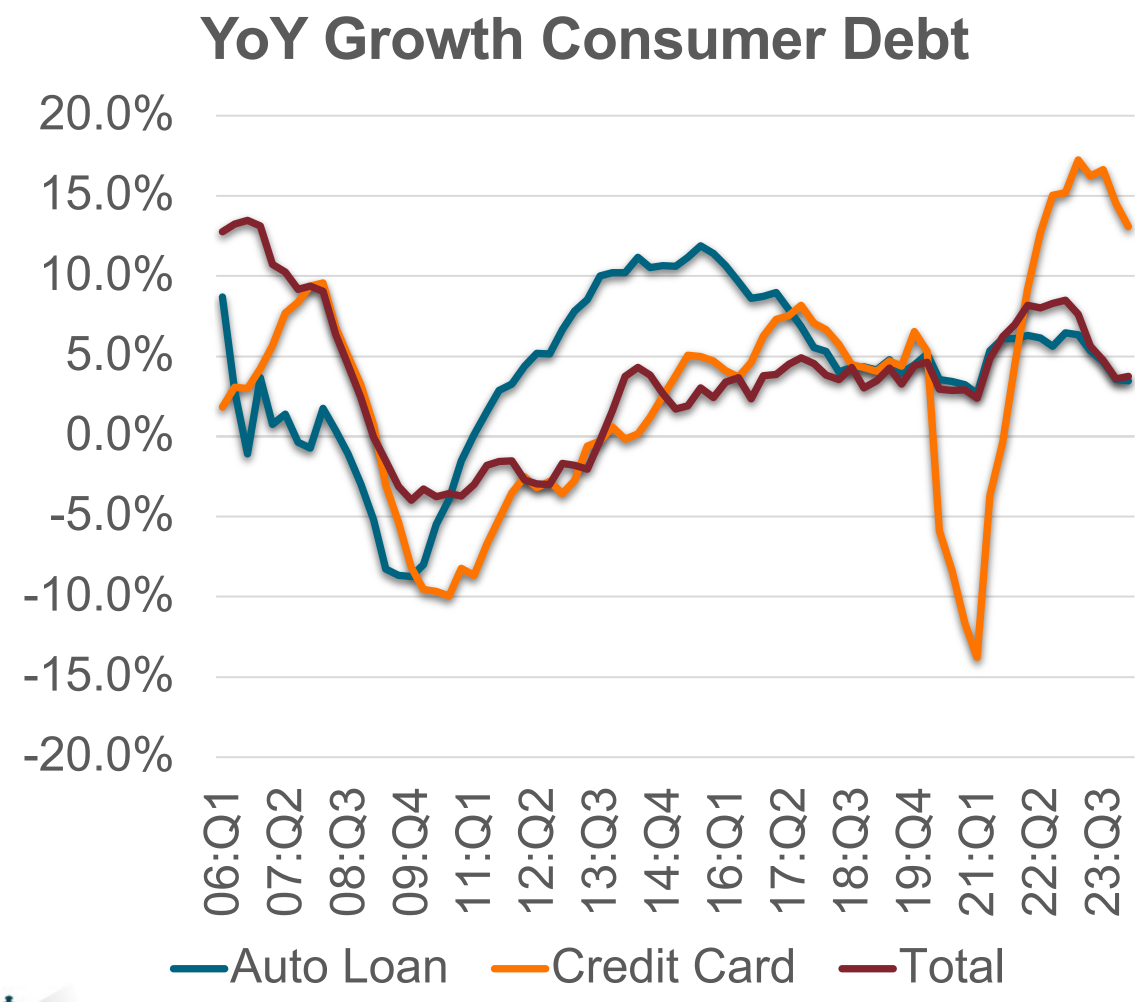
Outlook for Consumers: Still Good

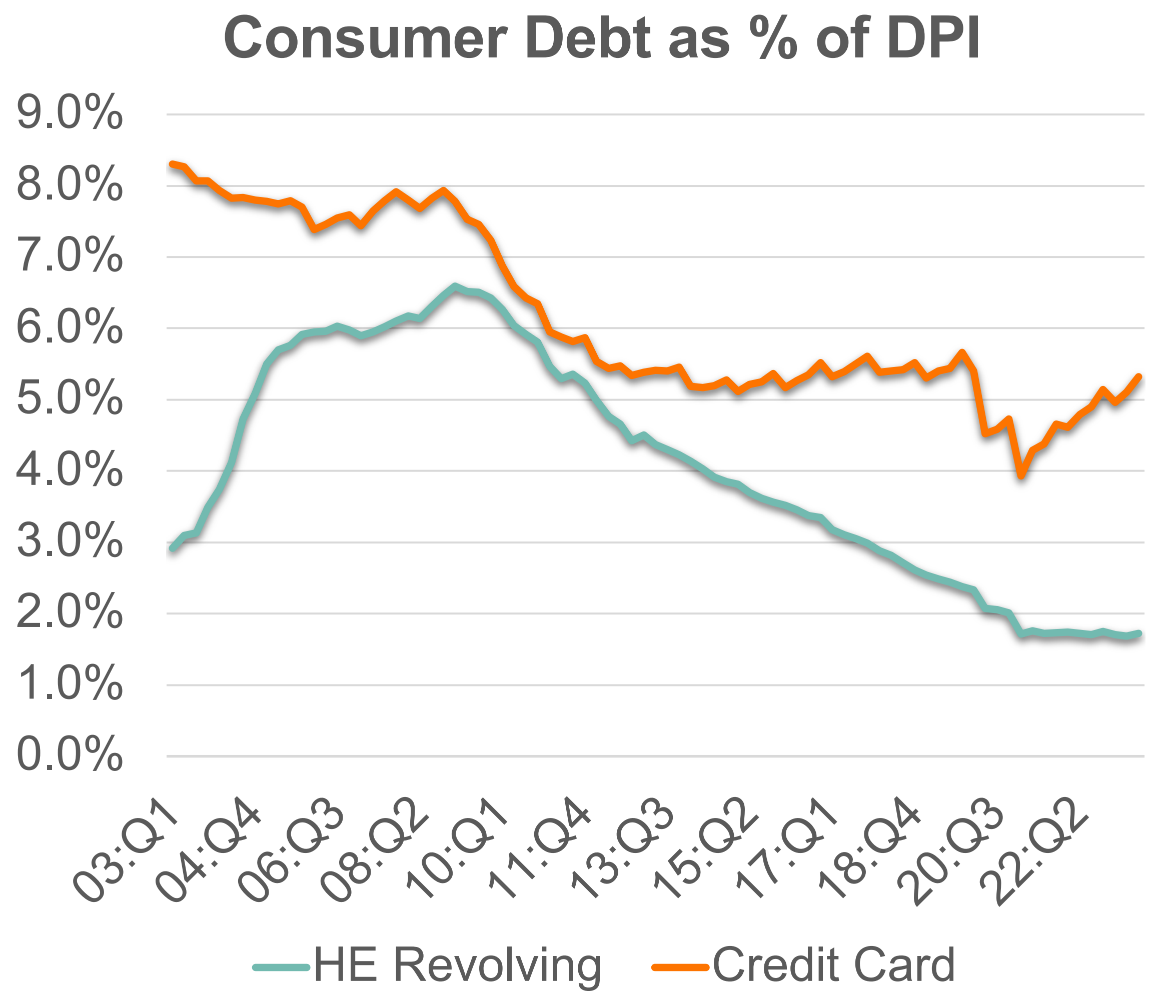
US Household Checkable Deposits ($Billions)



Household Debt Service Ration as % DPI (Fed Est.)

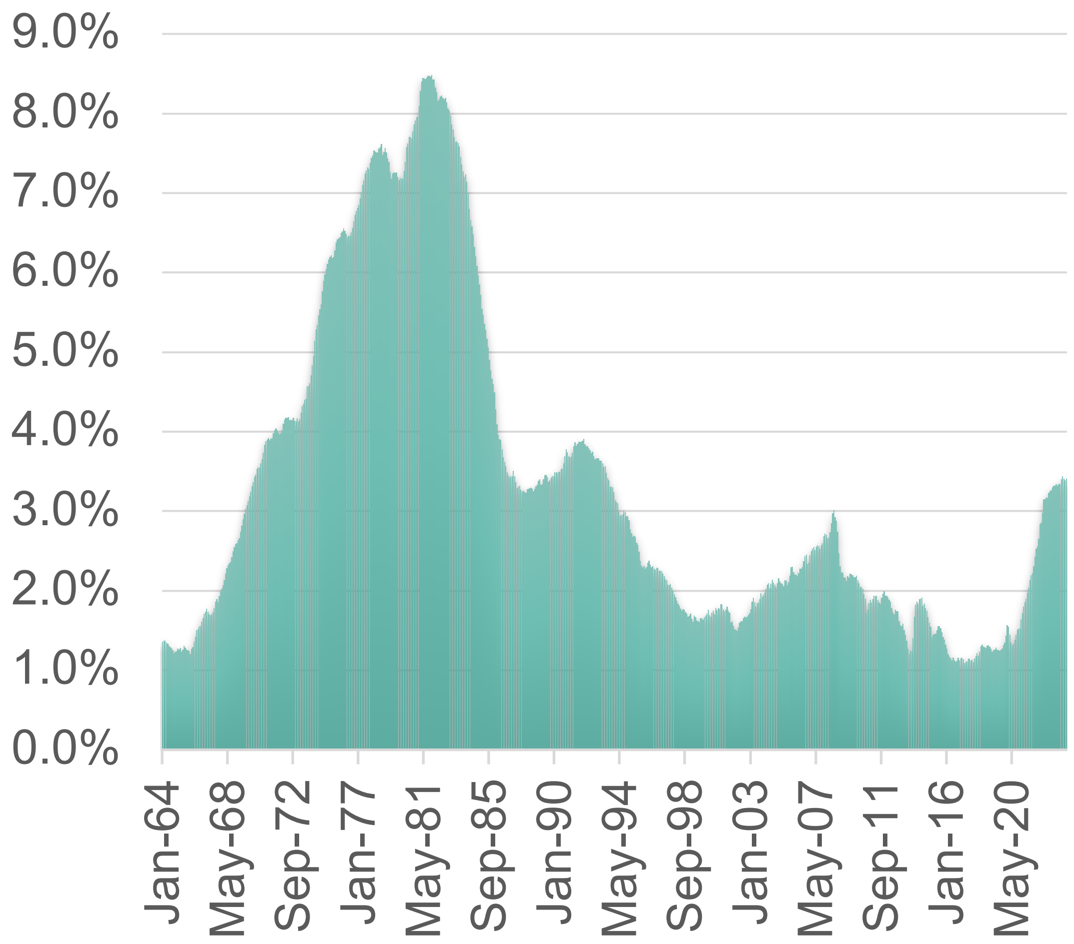
Consumer Debt Levels: Not a problem… not yet at least





The Longer Run Context

5 Year Average Inflation Rate



10 Year Treasury Real Interest Rate
Cleveland Fed Estimate

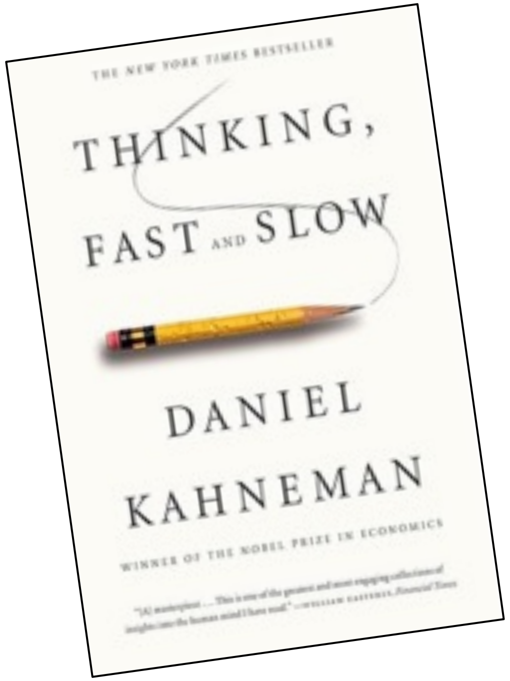
The narrative on inflation

85% of Americans Are Feeling Impact of Inflation in Day-to-Day Lives, Finds New Survey

NEWS PROVIDED BY
L.E.K. Consulting →
05 Dec, 2022, 09:30 ET

- About 90% of Americans said that inflation has had an impact on their spending over the past year when it comes to food and beverage, including 54% who said the impact has been significant.
- A similar number – 88% – said inflation has impacted their spending at restaurants.
- About 89% said inflation has had an impact on their motor vehicle spending, such as gasoline – including 56% who said it's had a significant impact.
- Eighty-six percent said inflation has impacted their spending on travel over the past year (45% said significantly).

How do narratives go astray?



"People have two modes of thought: "System 1" is fast, instinctive and emotional; "System 2" is slower, more deliberative, and more logical."

"System 1 is gullible and biased to believe, System 2 is in charge of doubting and unbelieving, but System 2 is sometimes busy, and often lazy"

— D. Kahneman, *Thinking Fast and Slow*

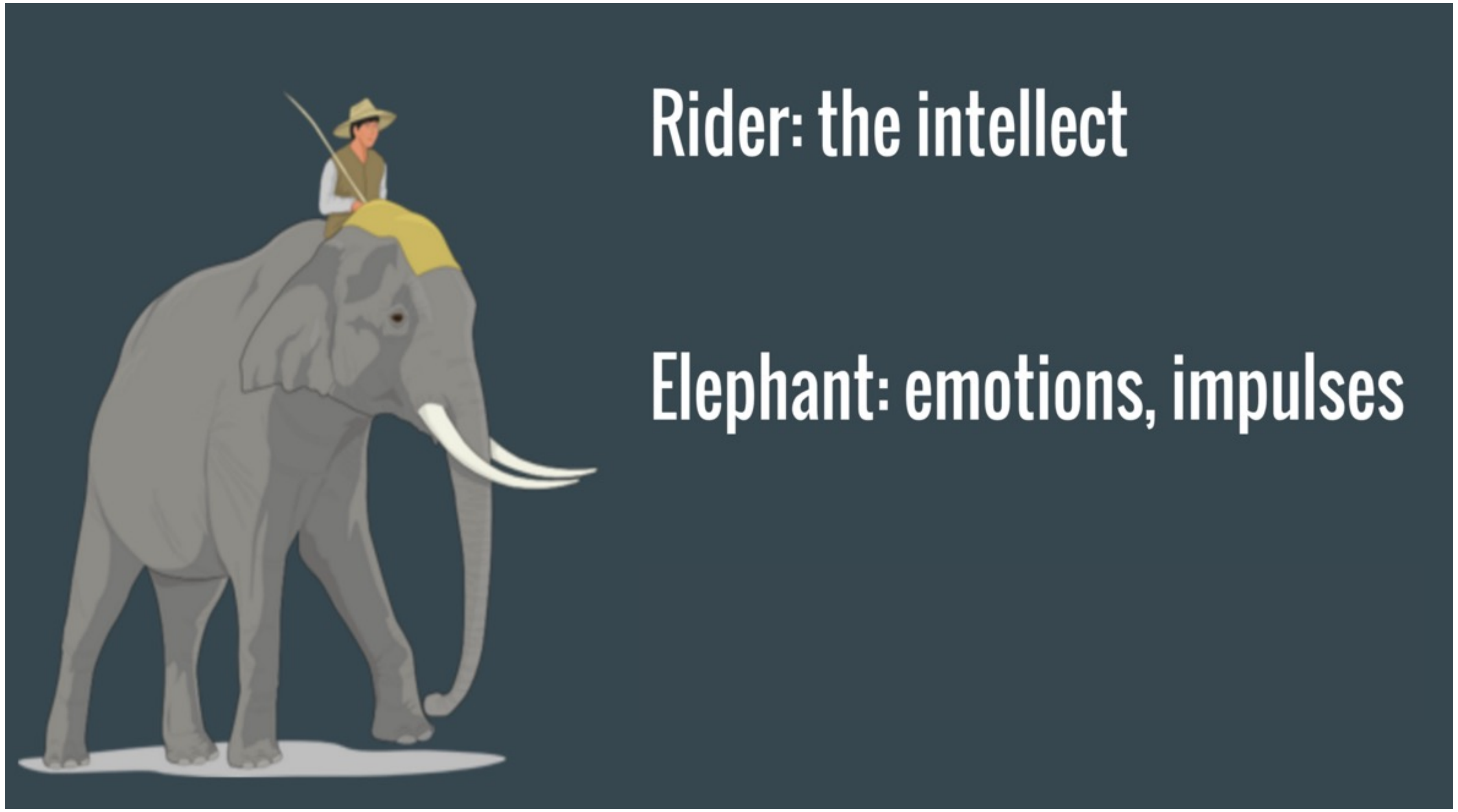
***Some* Examples of Cognitive Biases**

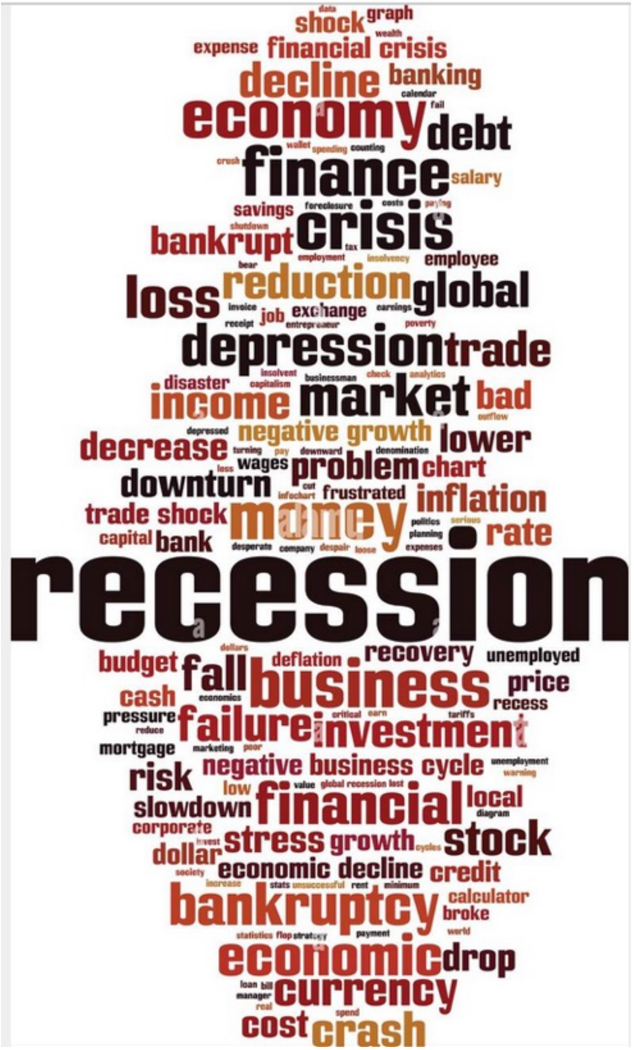
Anchoring bias
Apophenia
Availability heuristic
Cognitive dissonance
Confirmation bias
Egocentric bias
Extension neglect
False priors
Framing effect
Logical fallacy
Prospect theory
Self-assessment
Truth judgment

Are the horizontal lines parallel?


We don't think as much as
we think we think.
24 HOUR
FITNESS

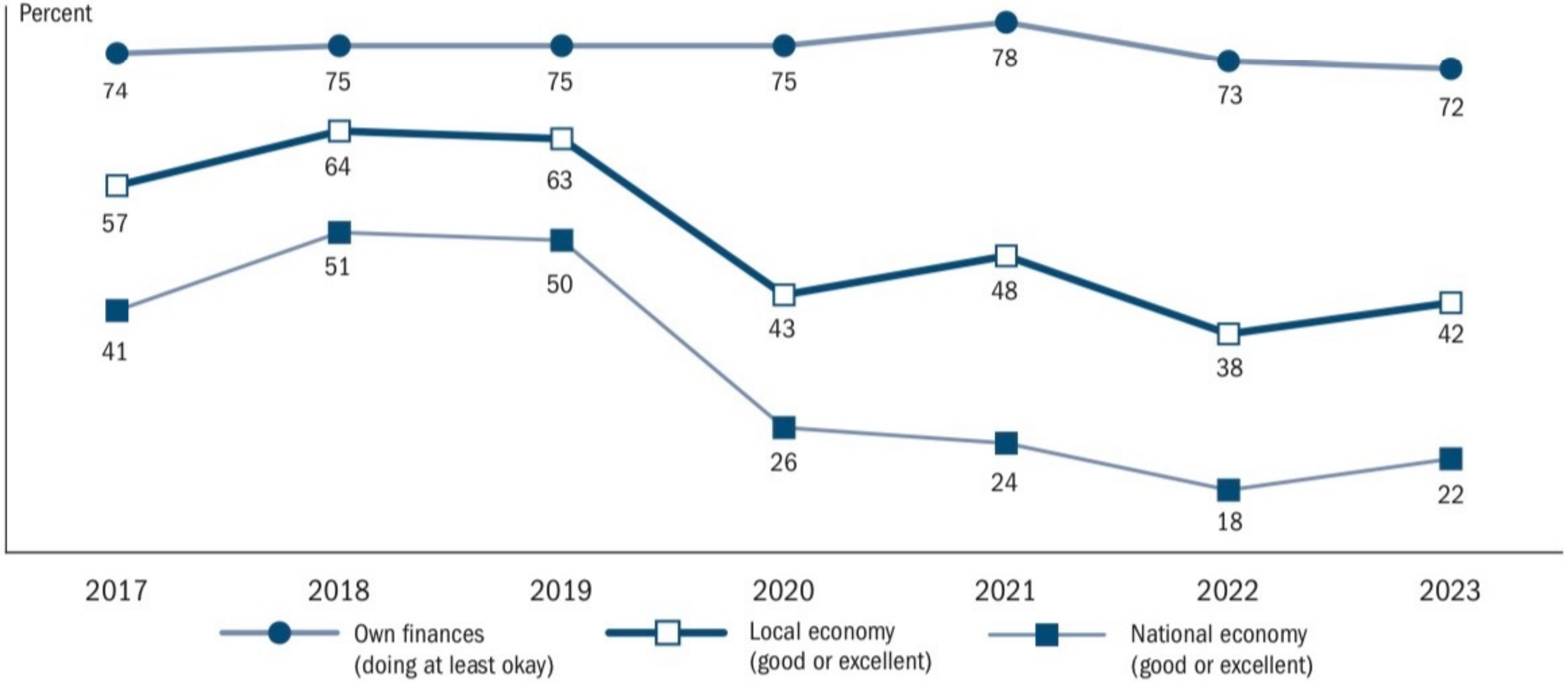
The Elephant and the Rider





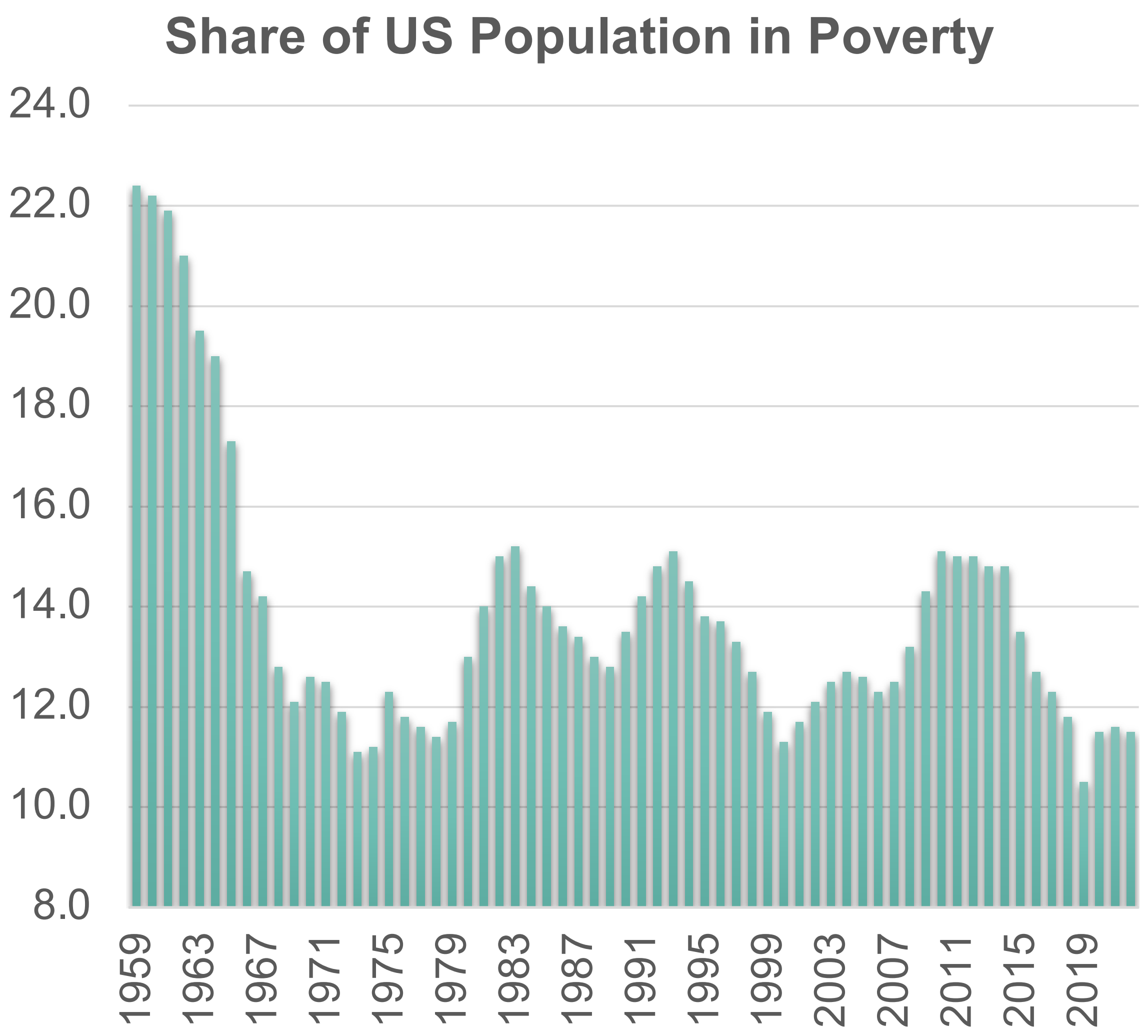
The rider has only the illusion of control..

Figure 7. Assessment of own financial well-being, local economy, and national economy (by year)



Note: Among all adults.

Lower paid workers seeing more gains

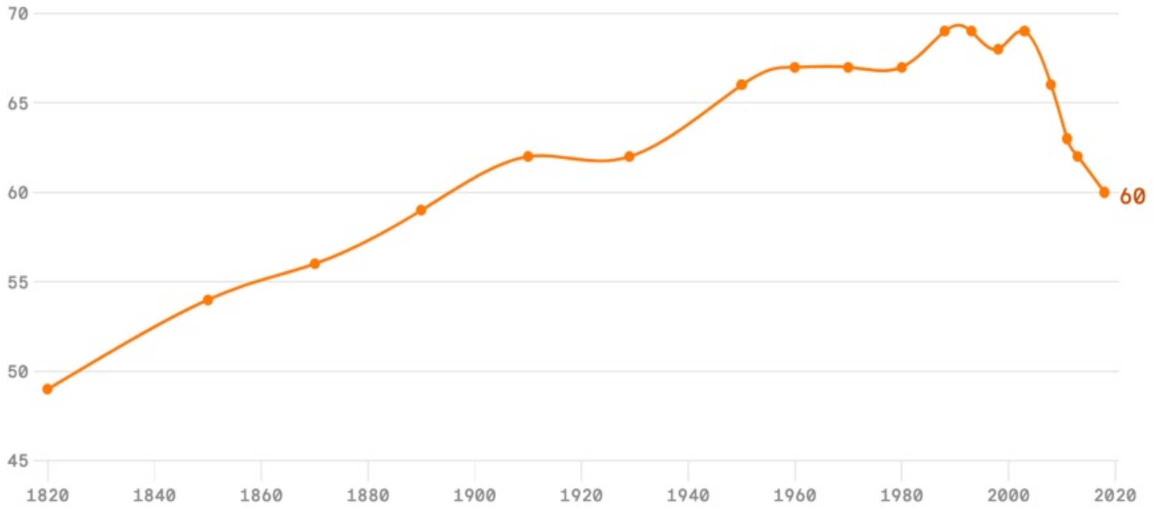


Global inequality at lowest level in nearly 150 years

Felix Salmon, author of Axios Markets

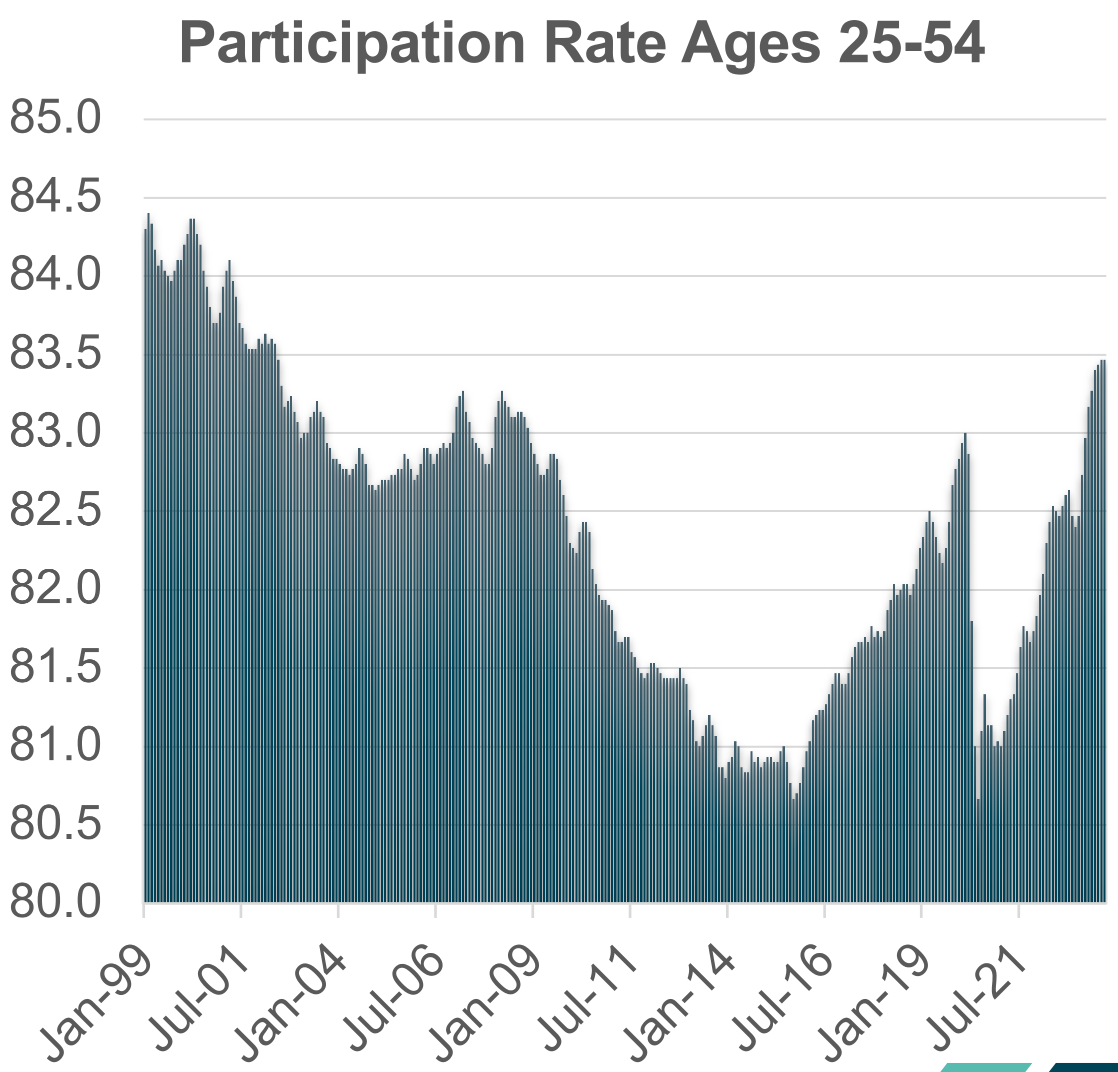
Estimated Gini global income inequality index

1820–2018

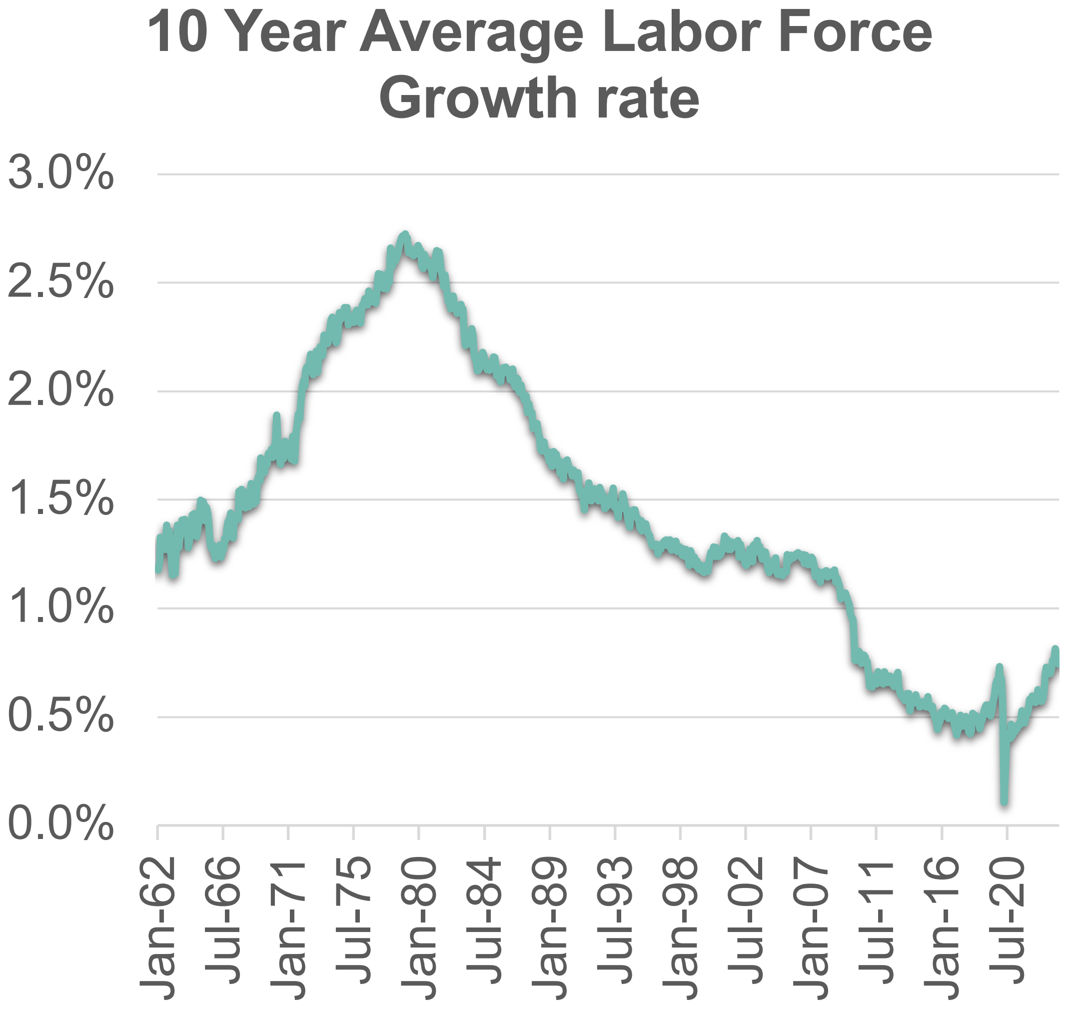


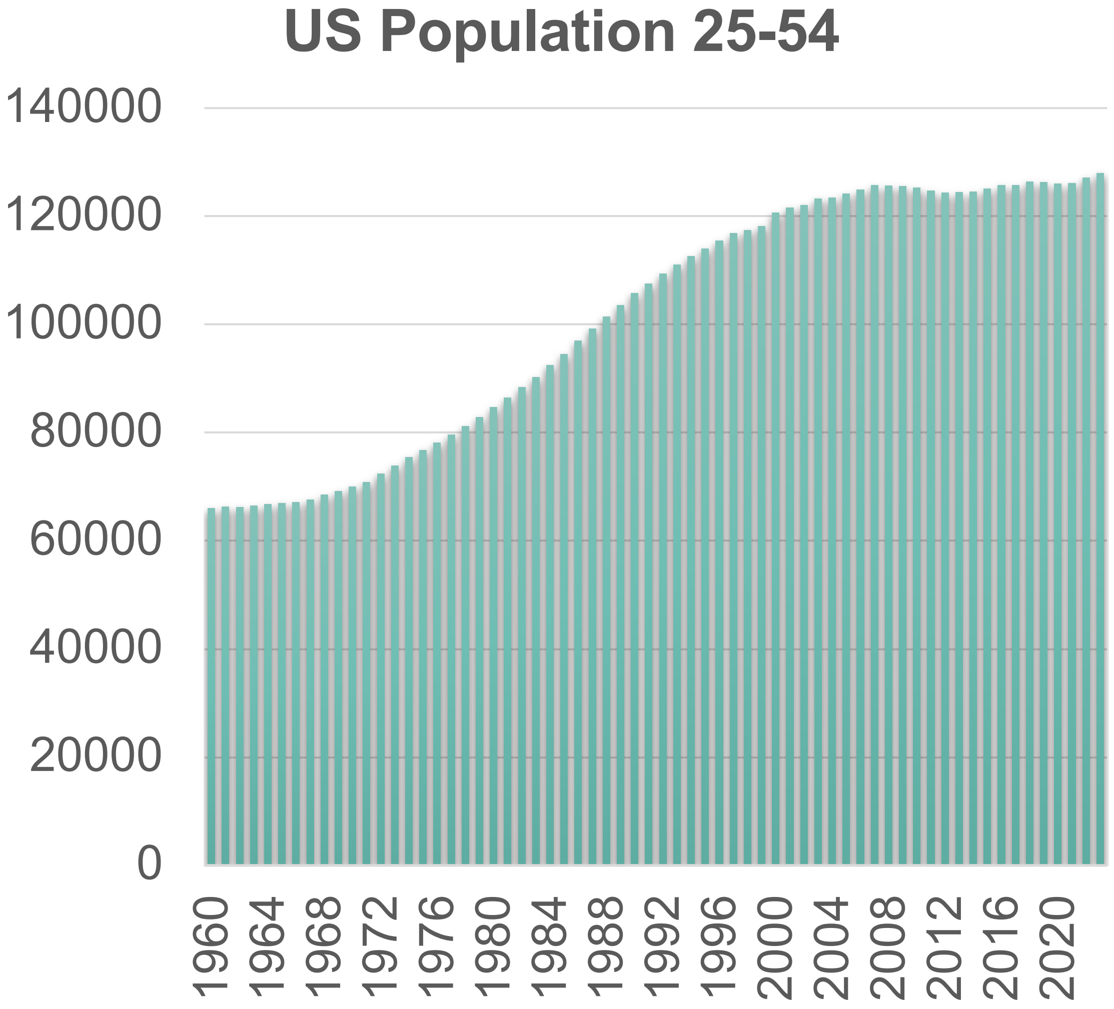
Data: Branko Milanovic; Chart: Axios Visuals

Long Run Issue: Labor Supply, not Consumer Demand

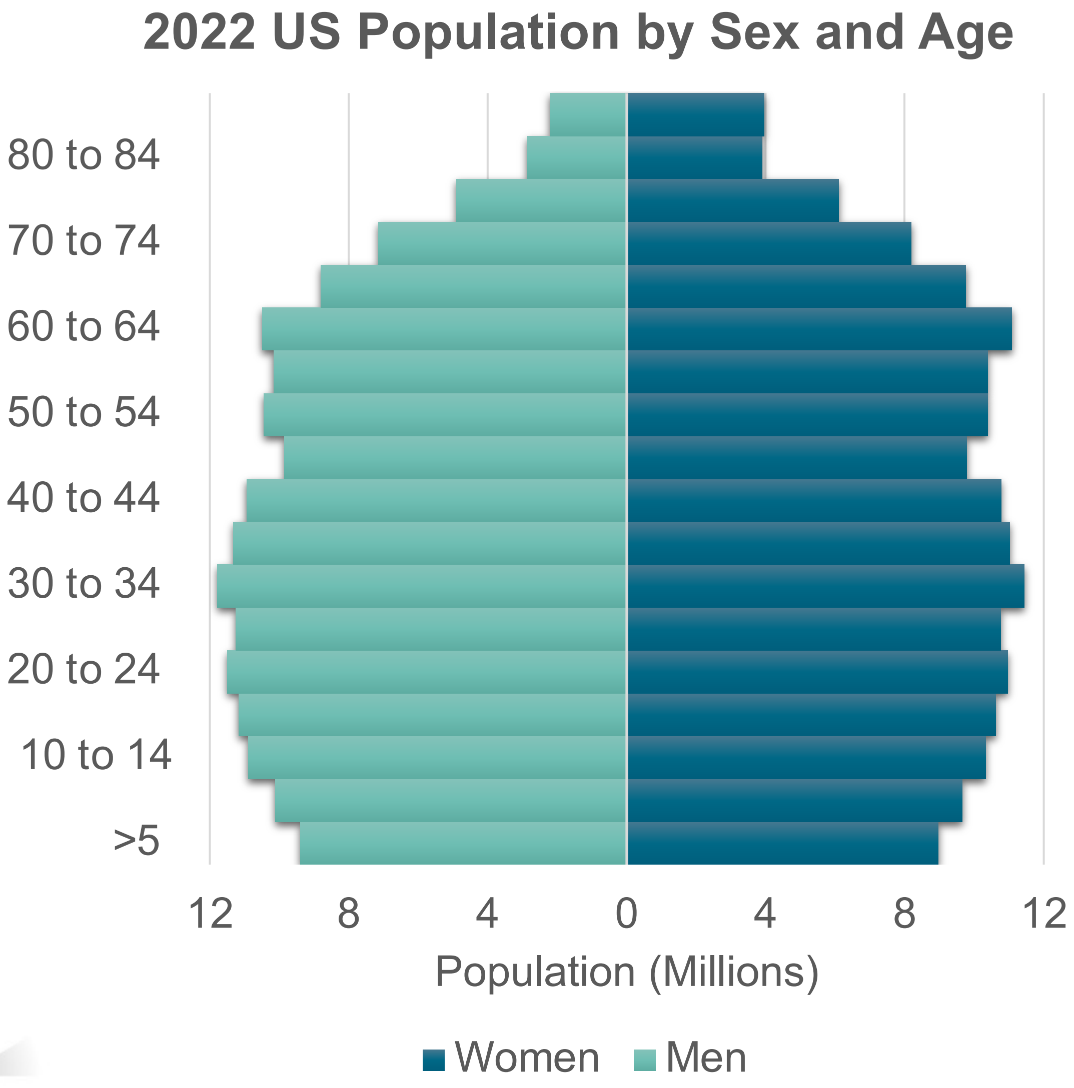


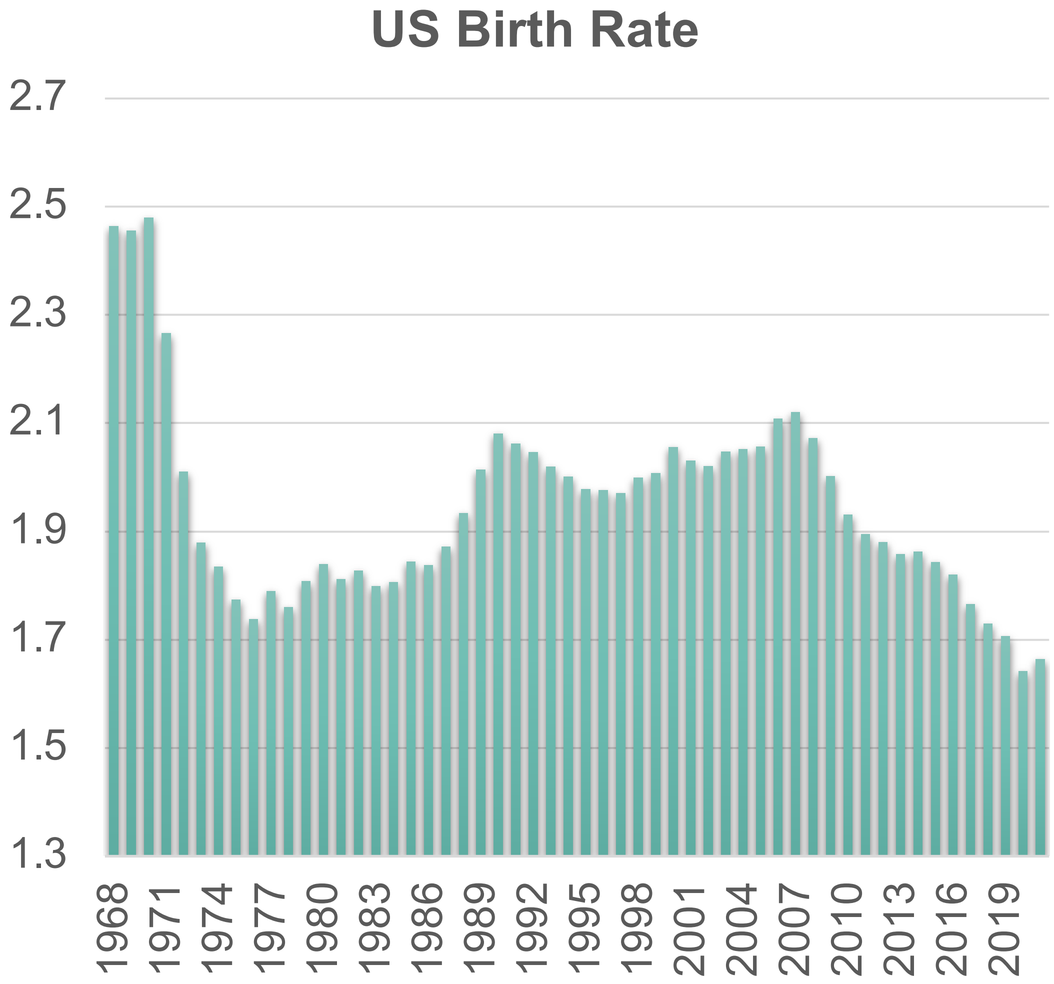
Long Run Issue: Labor Supply, not Consumer Demand



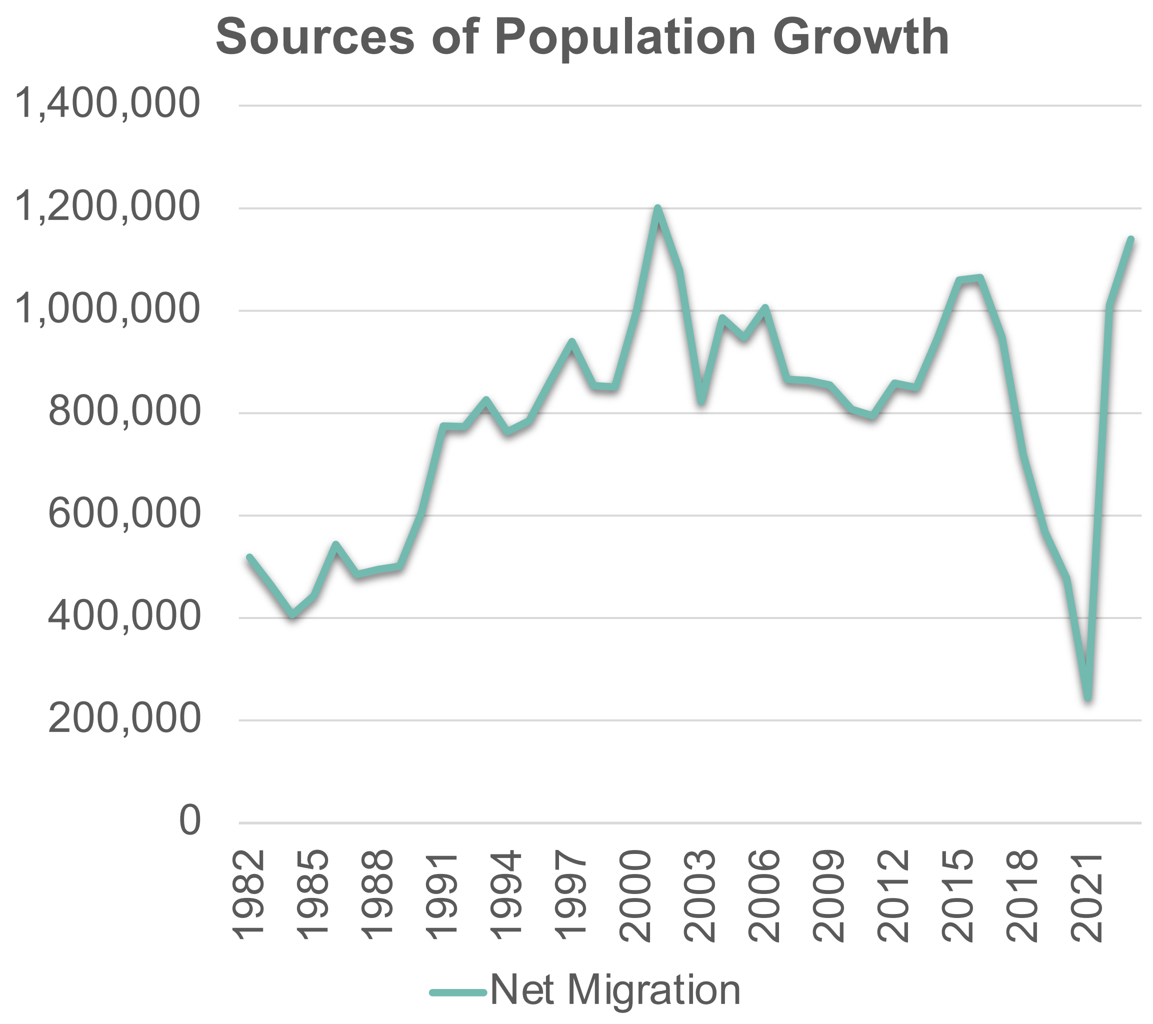


Labor Supply Issues

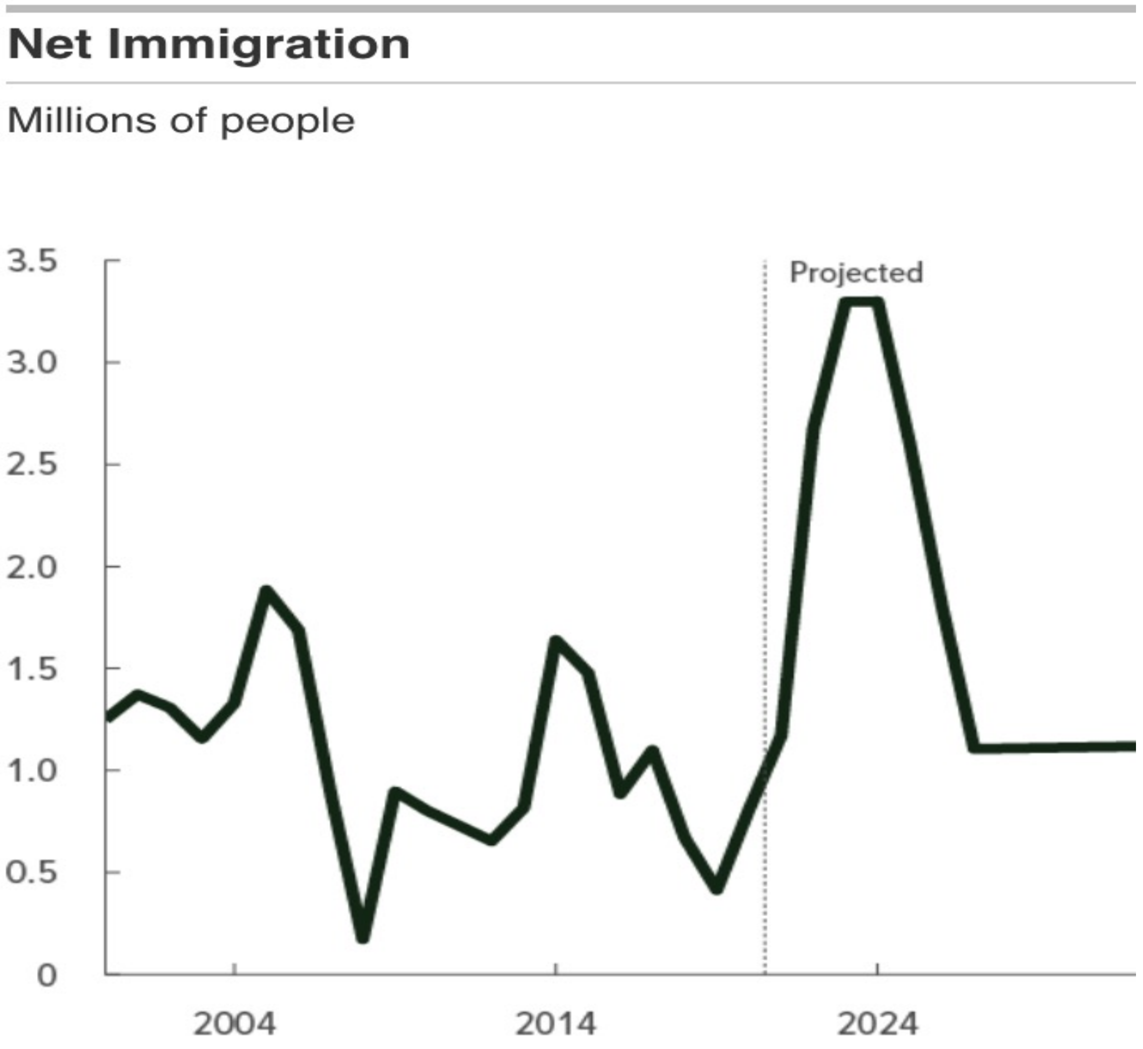




Migration



Sources of Population Growth
1,400,000
1,200,000
1,000,000
800,000
600,000
400,000
200,000
0
1982
1985
1988
1991
1994
1997
2000
2003
2006
2009
2012
2015
2018
2021
Net Migration



Net Immigration
Millions of people
3.5
3.0
2.5
2.0
1.5
1.0
0.5
0
Projected
2004
2014
2024

ECONOMY

The economy is roaring. Immigration is a key reason.

Momentum in the job market picked up aggressively over the past year — all while Washington is deadlocked on a border deal

By Rachel Siegel, Lauren Kaori Gurley and Meryl Kornfield

Updated February 27, 2024 at 11:39 a.m. EST | Published February 27, 2024 at 6:00 a.m. EST

WSJ

The Massive Immigration Wave Hitting America's Classrooms

In Stoughton, Mass., students arrive with traumatic pasts and little English

By Jon Kamp Follow *and Alicia A. Caldwell* Follow | *Photographs by Mel Musto for The Wall Street Journal*

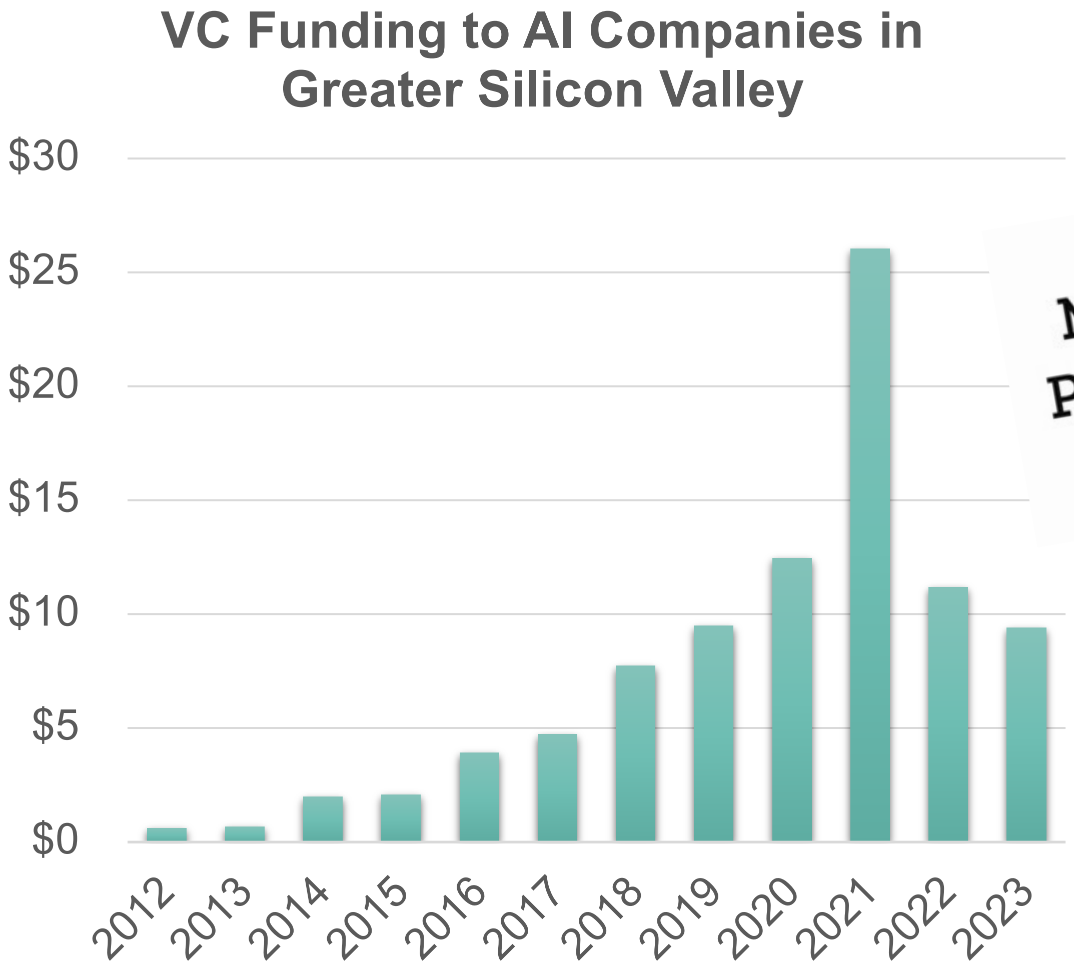
May 25, 2024 9:00 am ET

The Cure for Secular Stagnation

Figure 8: Increase in Average Annual Growth Rate With Estimated Policy Shifts

Policy Change	Boost in Annual Growth Rate	Estimated By
Enact immigration reform to increase number of workers	0.3%	CBO
Reform the income tax code	0.05% - 0.3%	JCT, Treasury
Increase the Social Security retirement ages by two years	0.15%	CBO
Reduce deficits by $4 trillion over ten years	0.1%	CBO
Expand energy production at level of shale boom*	0.09%	CBO
Repeal the Affordable Care Act ("Obamacare")	0.08%	CBO
Ratify the Trans-Pacific Partnership	0.01%	U.S. ITC
Increase public investment in infrastructure, education, and research by $400 billion	0 - 0.01%	CBO

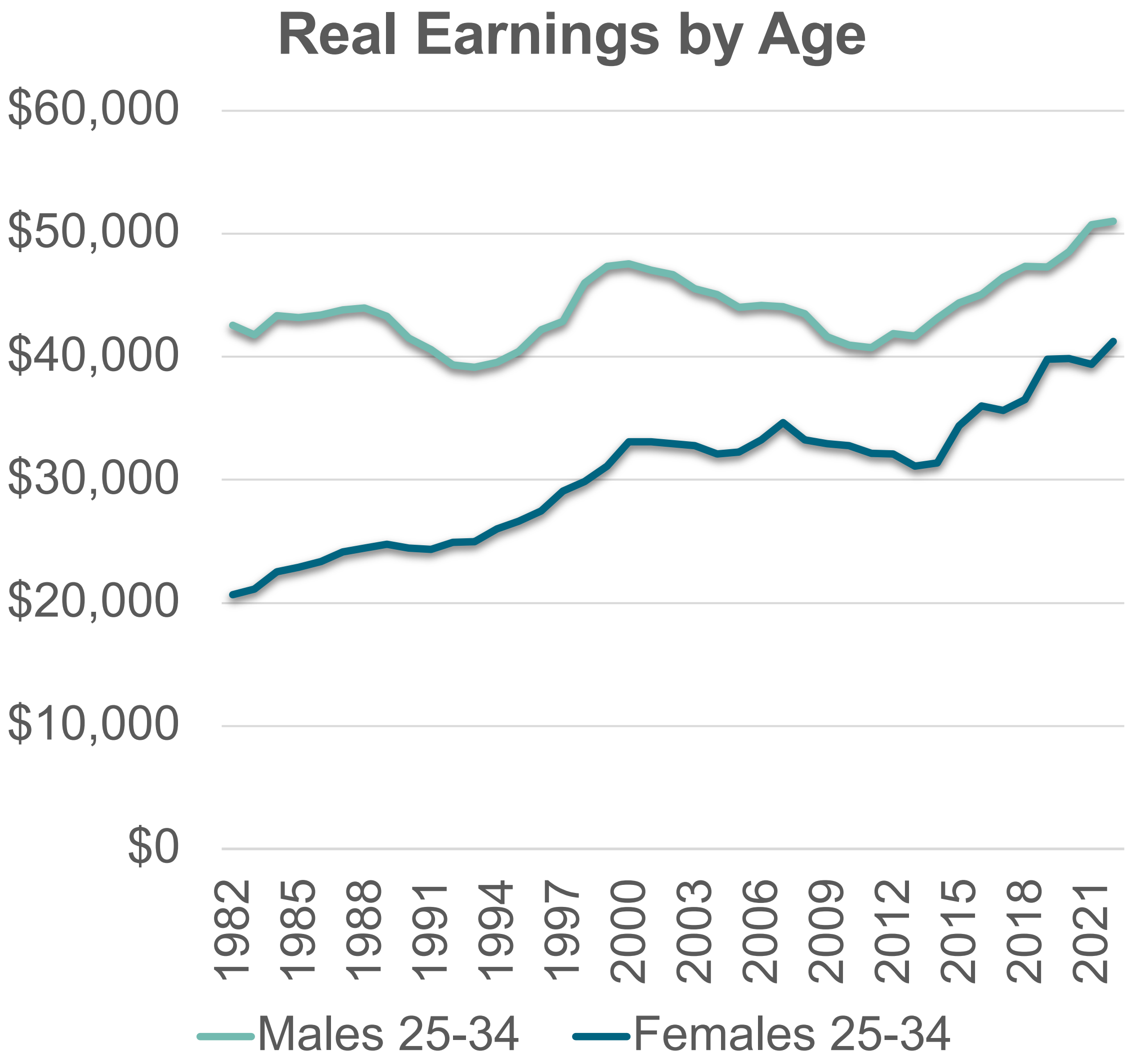
The AI Narrative vs Reality

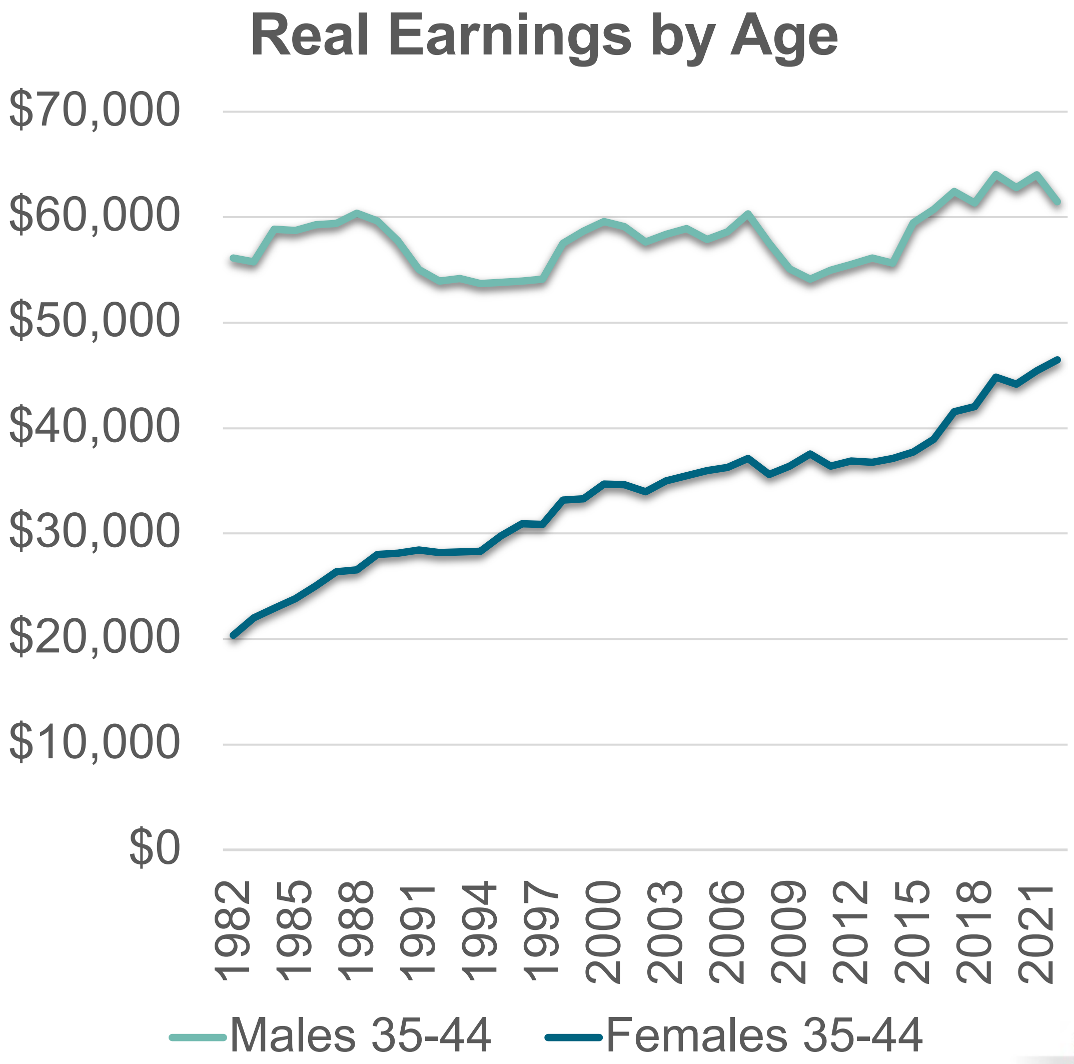



BUSINESS • COVID-19

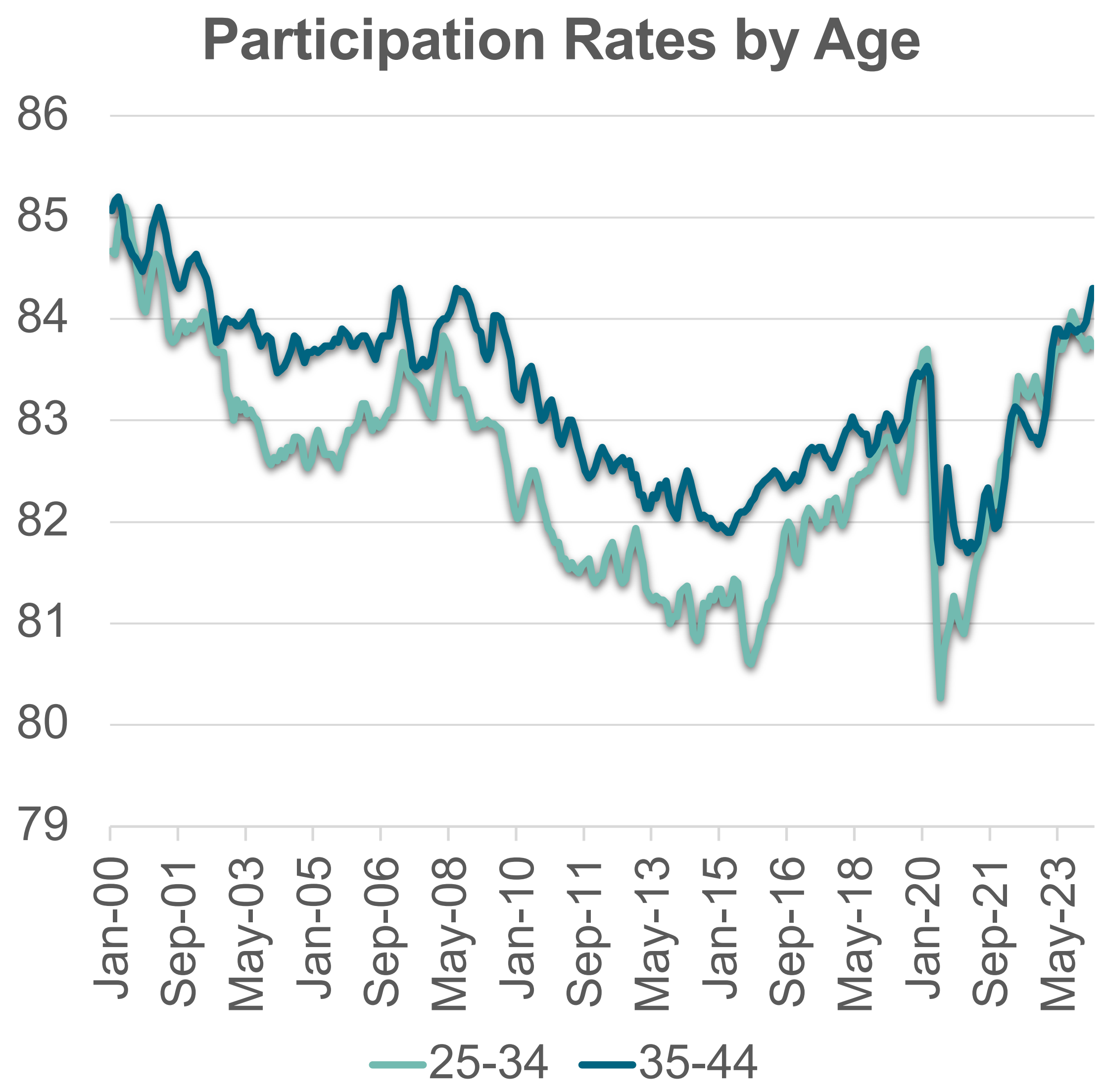
Millions of Americans Have Lost Jobs in the Pandemic—And Robots and AI Are Replacing Them Faster Than Ever

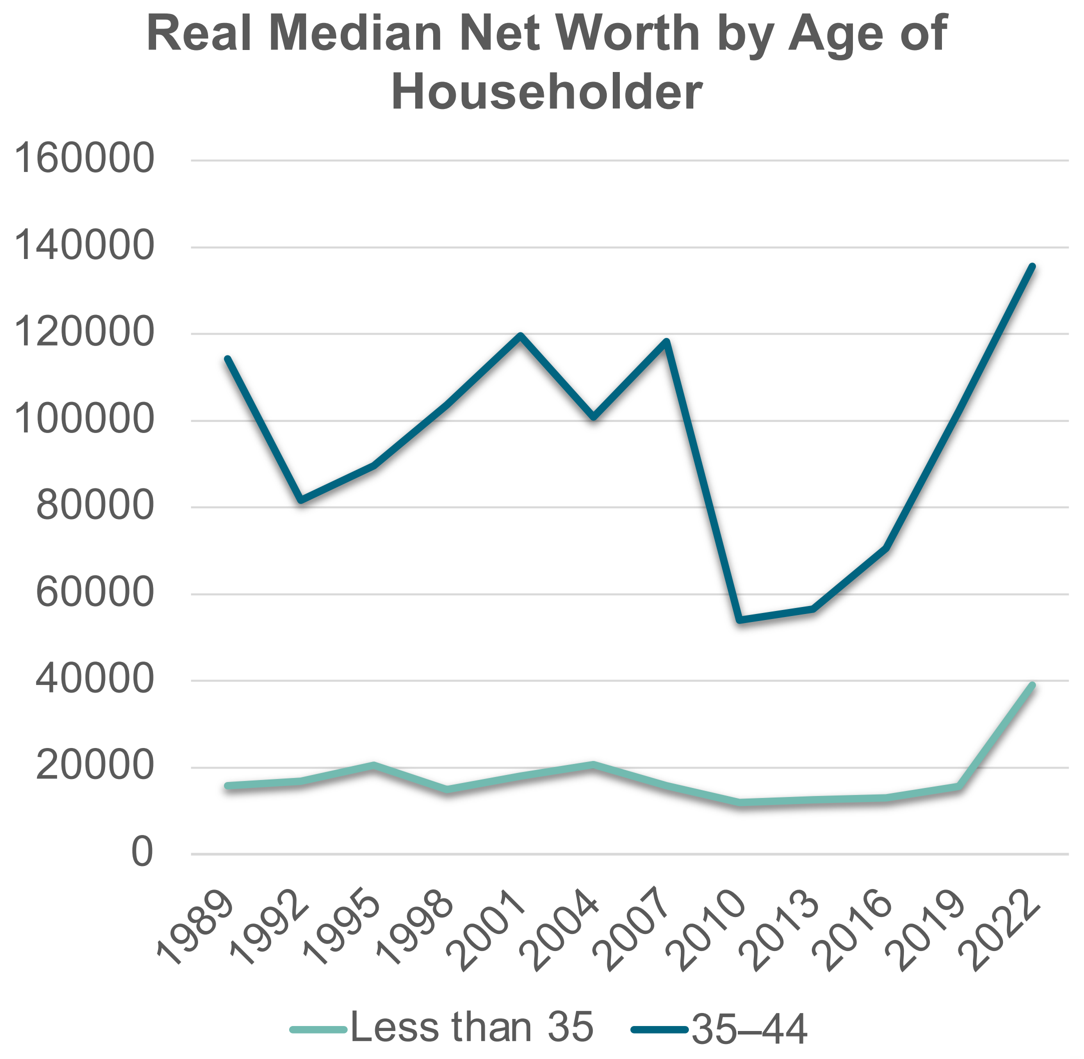
What about Millennials and Gen Z?



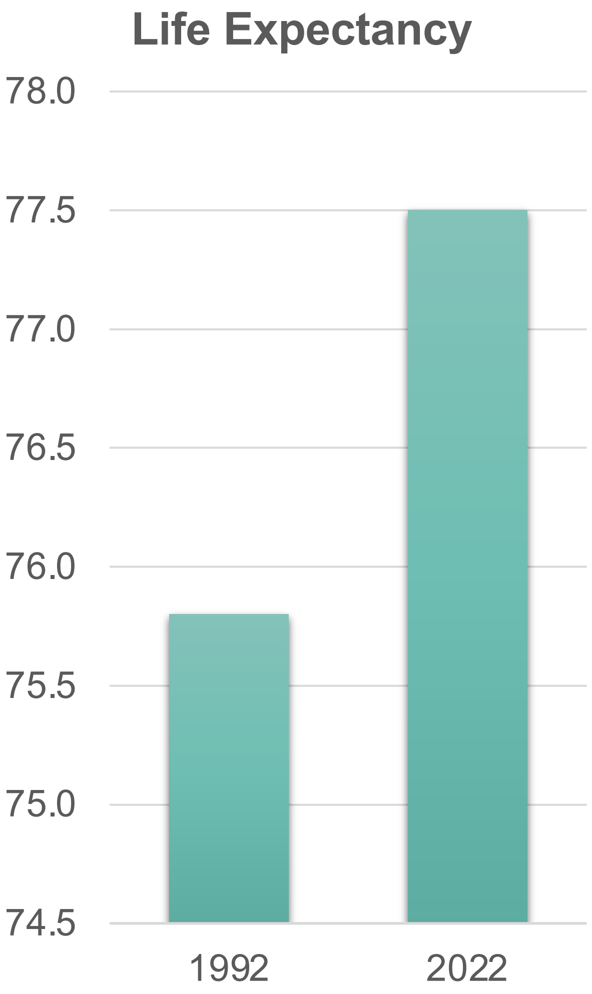


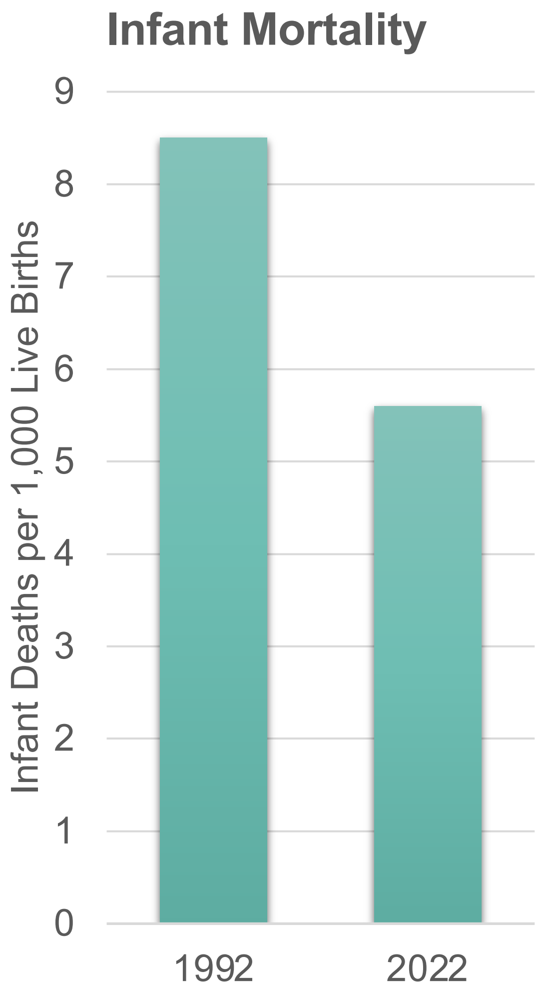
Employment and Wealth

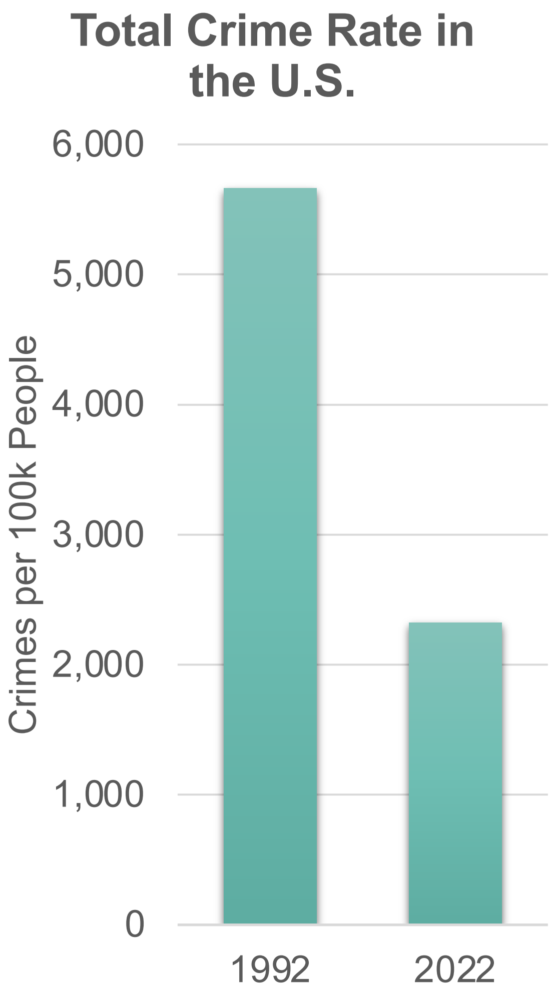


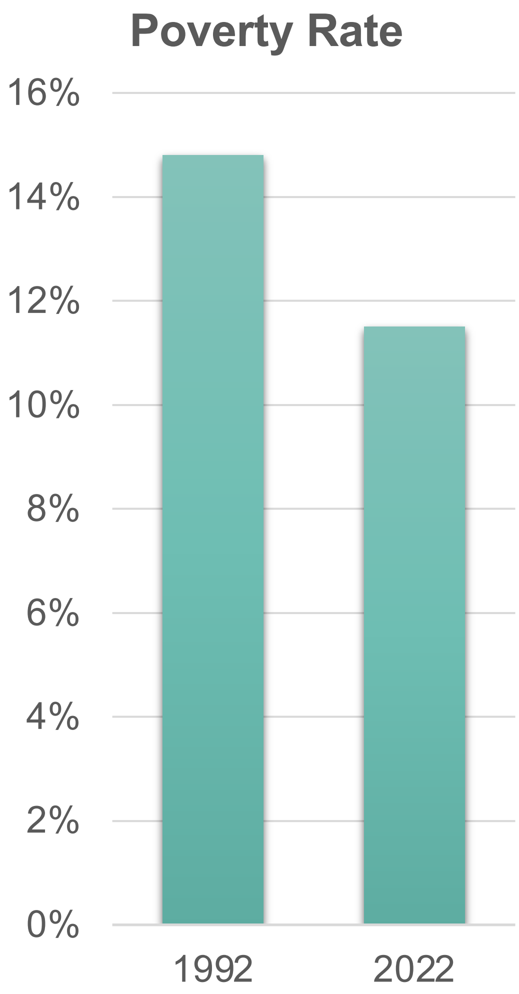


Other Quality of Life Metrics









Whither the Golden State?

From the Right:
California is a failing economy!

From the Left: *California is failing its people!*

From the Governor:
We're doing just fine, thank you very much!


Sacramento Bee

Record number of people are fleeing California for Florida. Will DeSantis use it against Newsom?

An estimated 3

Los Angeles Times

California Jobs First: State Launches First-of-its-Kind Council to Create Thousands of More Jobs Across All Regions

Published: Mar 08, 2024

Los Angeles Times

Column: Newsom's budget plan reflects his rosy view of the economy

Spending cuts in California could become more severe later if Gov. Gavin Newsom's revenue projections are off base.

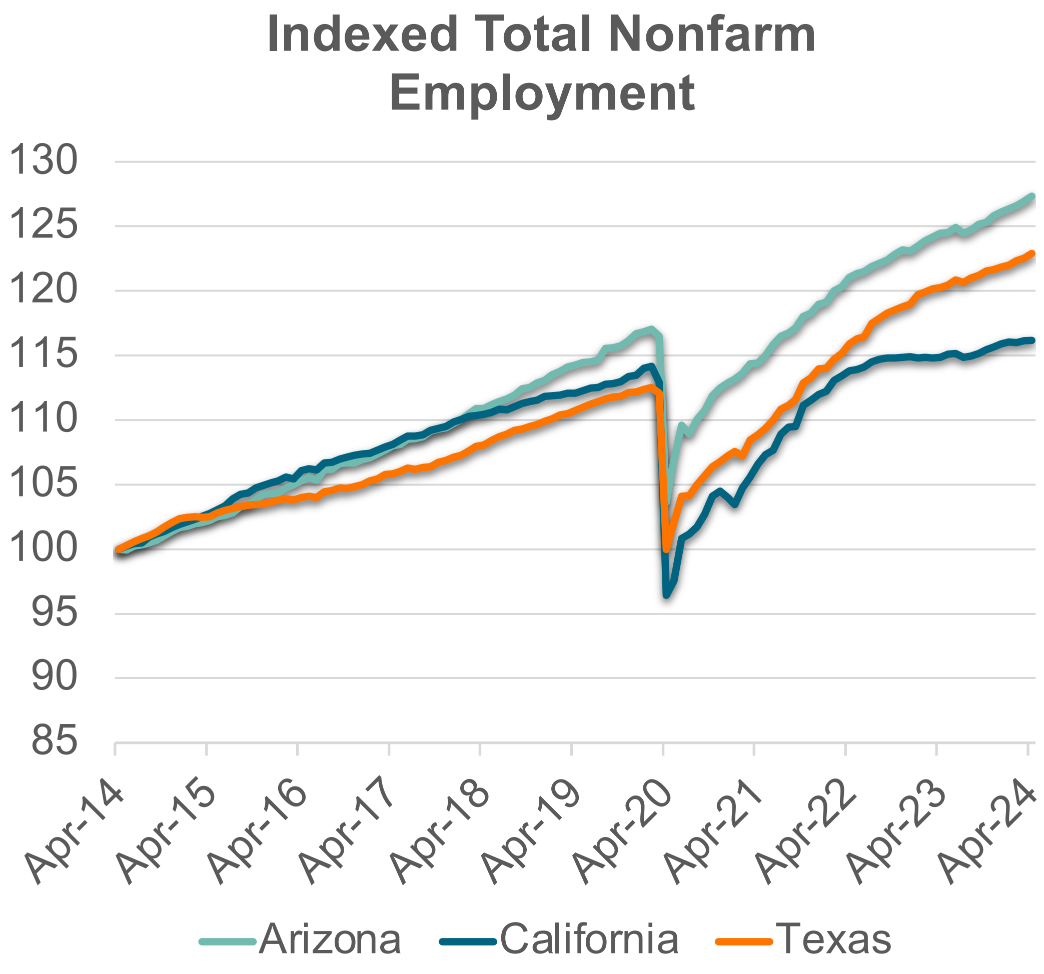
Jan 11, 2024

workers' costs of living, report says

Nearly a third of Californians are living in or near poverty.

- In early 2023, 31.1% of residents were poor or near poor (with resources up to one and a half times the CPM poverty line), up from 28.7% in fall 2021.

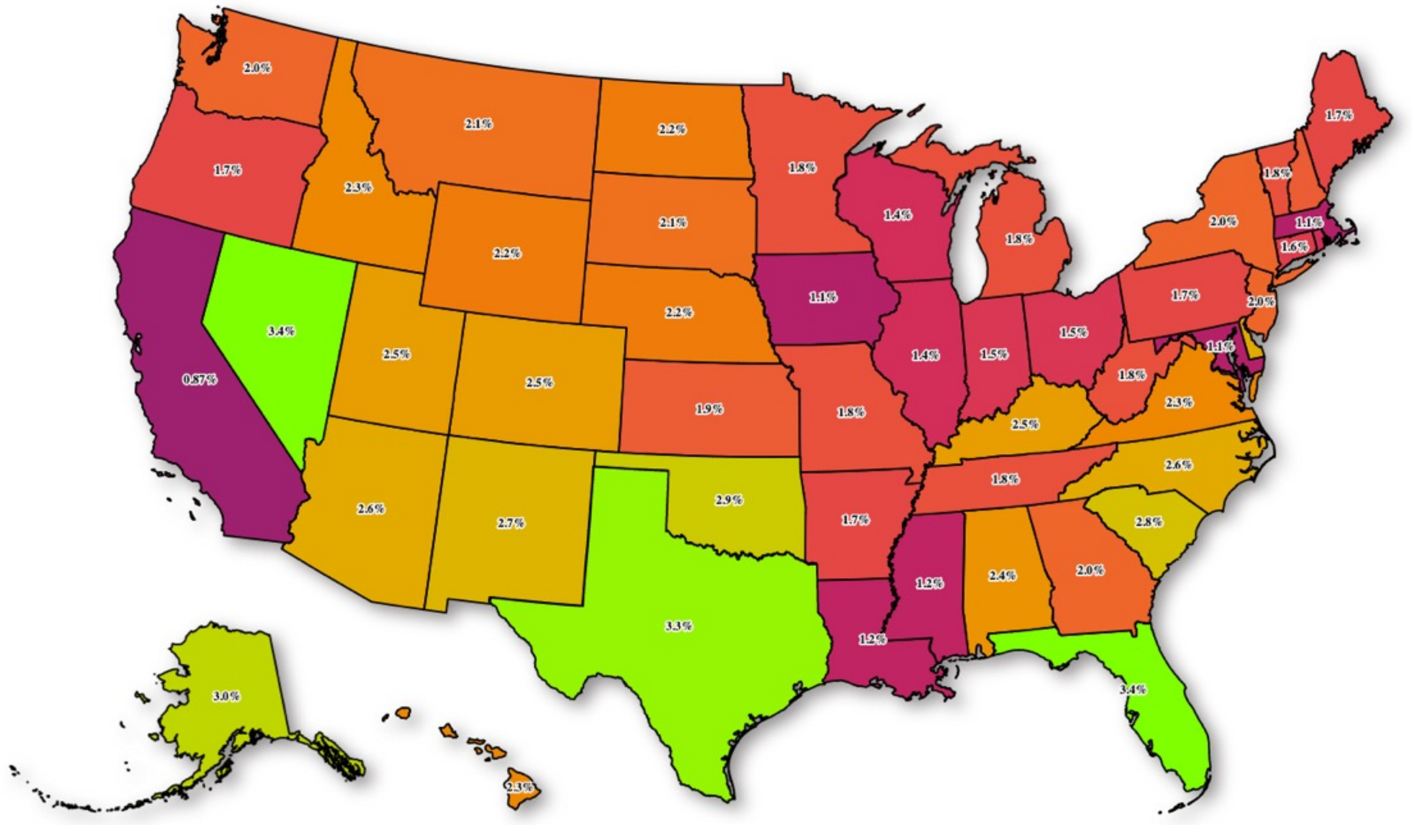
Regional Employment



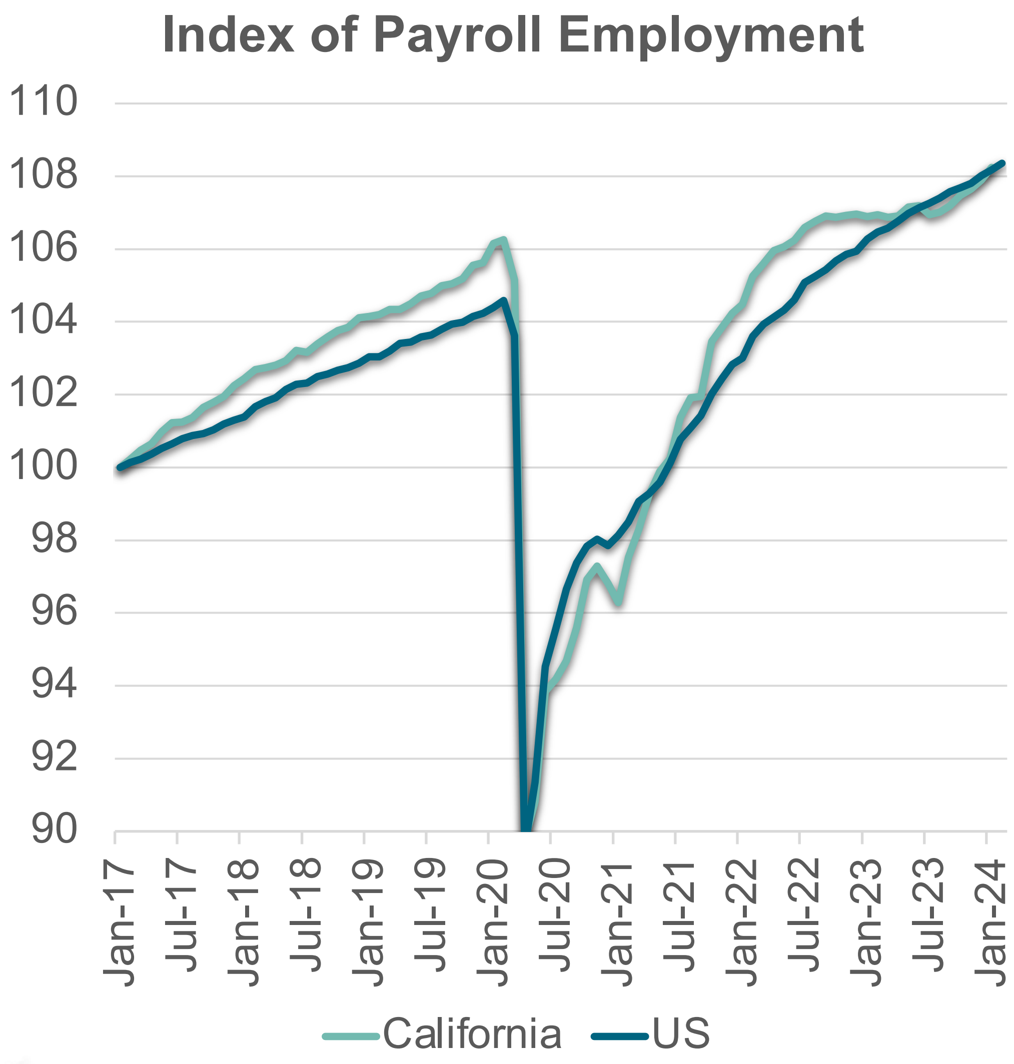
Location	Mar-24 Emplt (000s)	1-Year Chg. (%)	Chg. since Feb-20 (%)
Austin	1,355.5	2.2	15.8
Dallas	4,275.7	1.5	10.2
Denver	1,630.5	0.4	4.8
Houston	3,425.9	2.0	7.0
Inland Empire	1,695.7	1.5	6.1
Las Vegas	1,153.7	3.3	9.5
Los Angeles (MD)	4,568.2	0.3	-1.3
Miami	2,952.5	2.3	7.2
Orange County (MD)	1,698.5	1.5	0.5
Orlando	1,482.2	1.9	9.7
Phoenix	2,443.1	2.2	9.5
Sacramento	1,093.6	2.7	5.4
San Diego	1,559.7	0.8	2.4
San Francisco (MD)	1,162.1	-1.1	-3.7

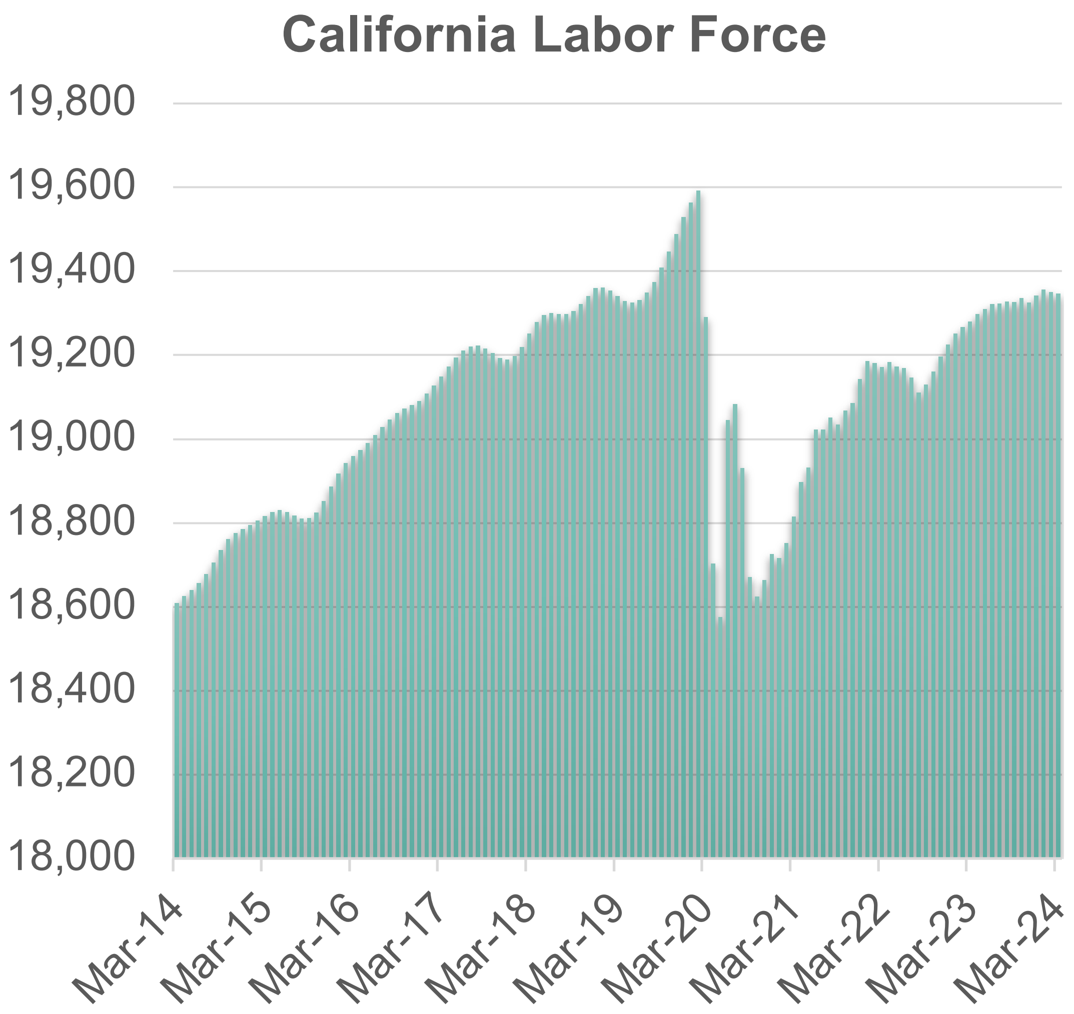
Who's hiring?

2023 JOB GROWTH: 0.9% – 3.4%



State Labor Markets



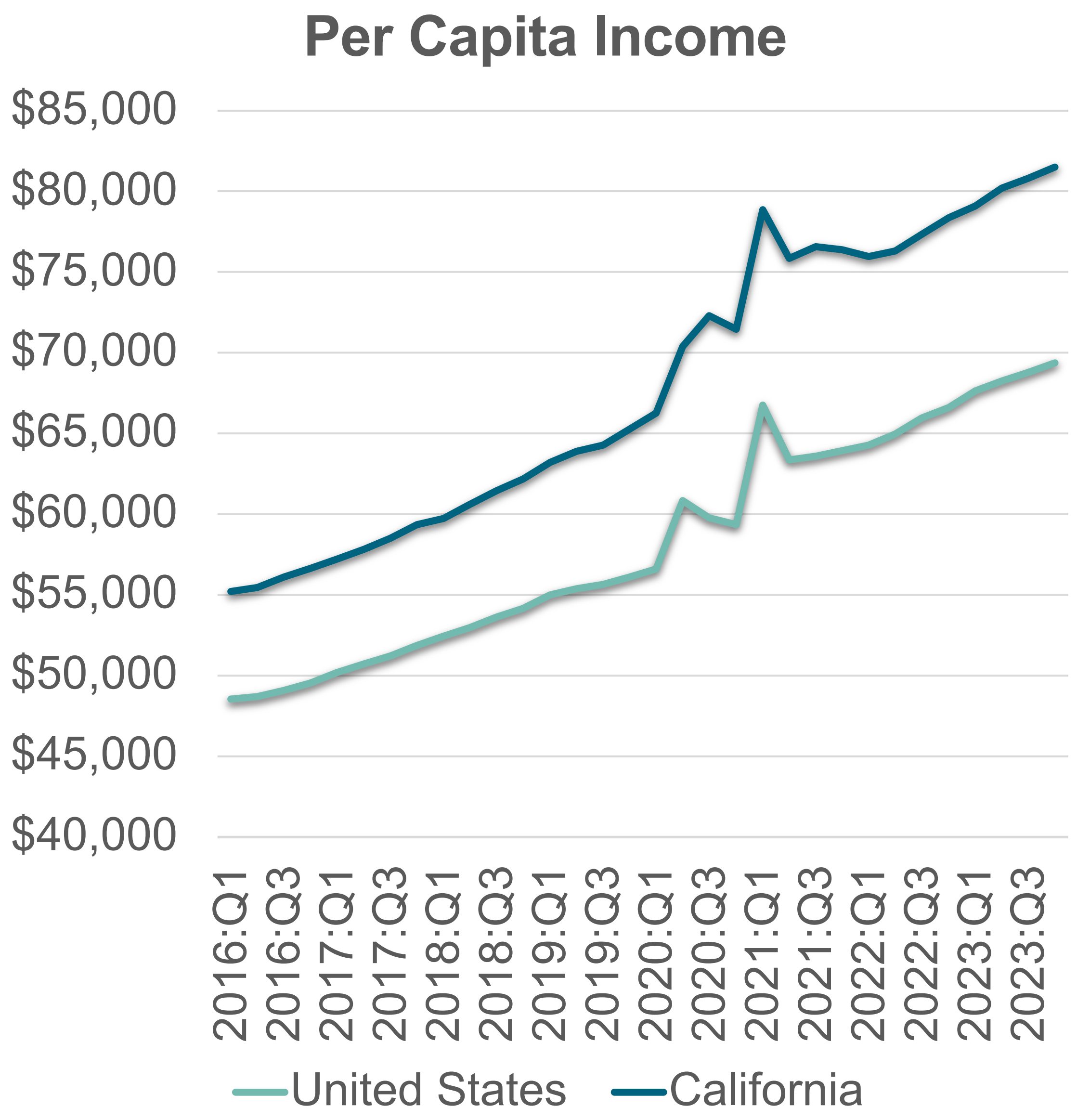


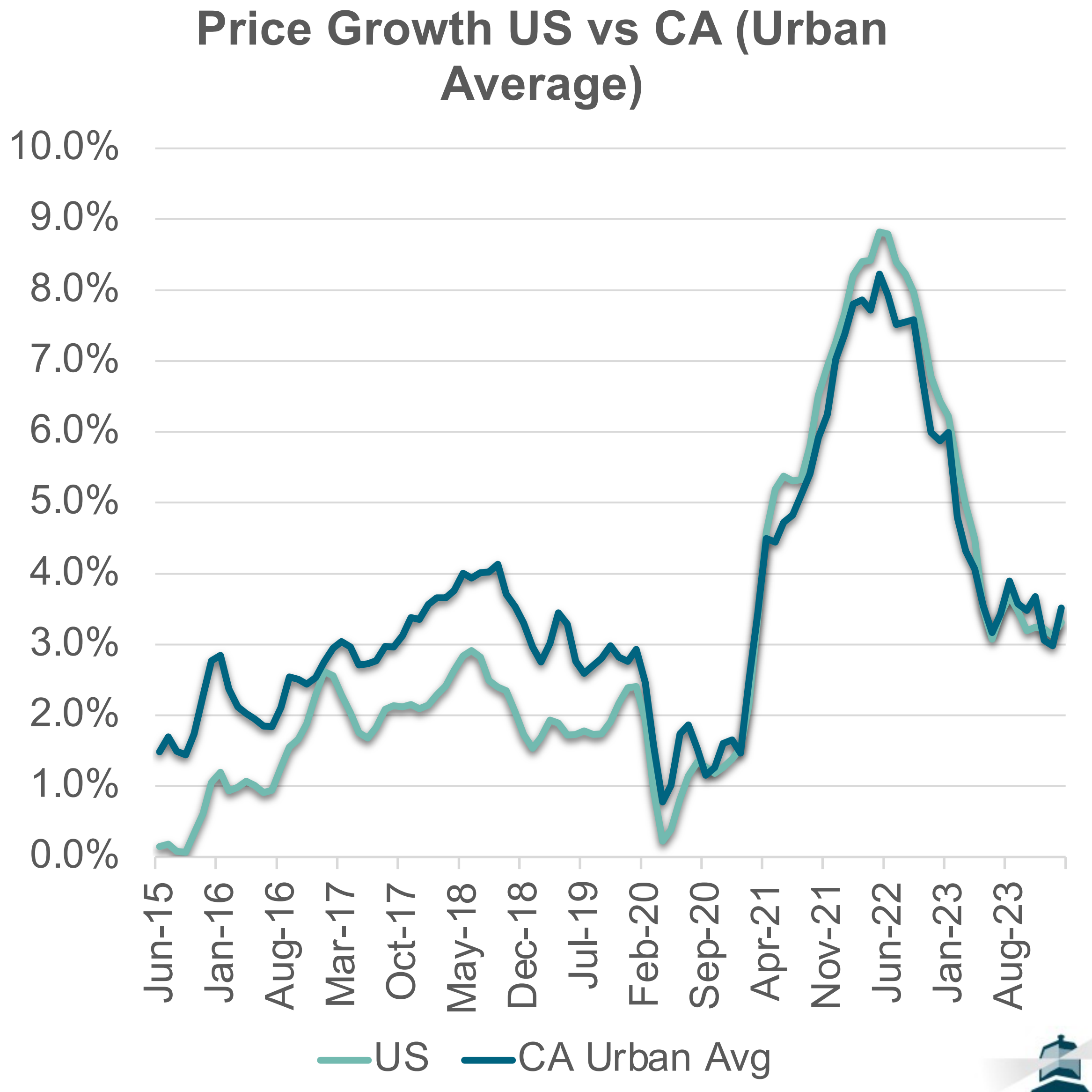
	24-Jan	20-24
Civilian Labor Force	19,357	-1.10%
Total Nonfarm	18,007	2.00%

The California Economy

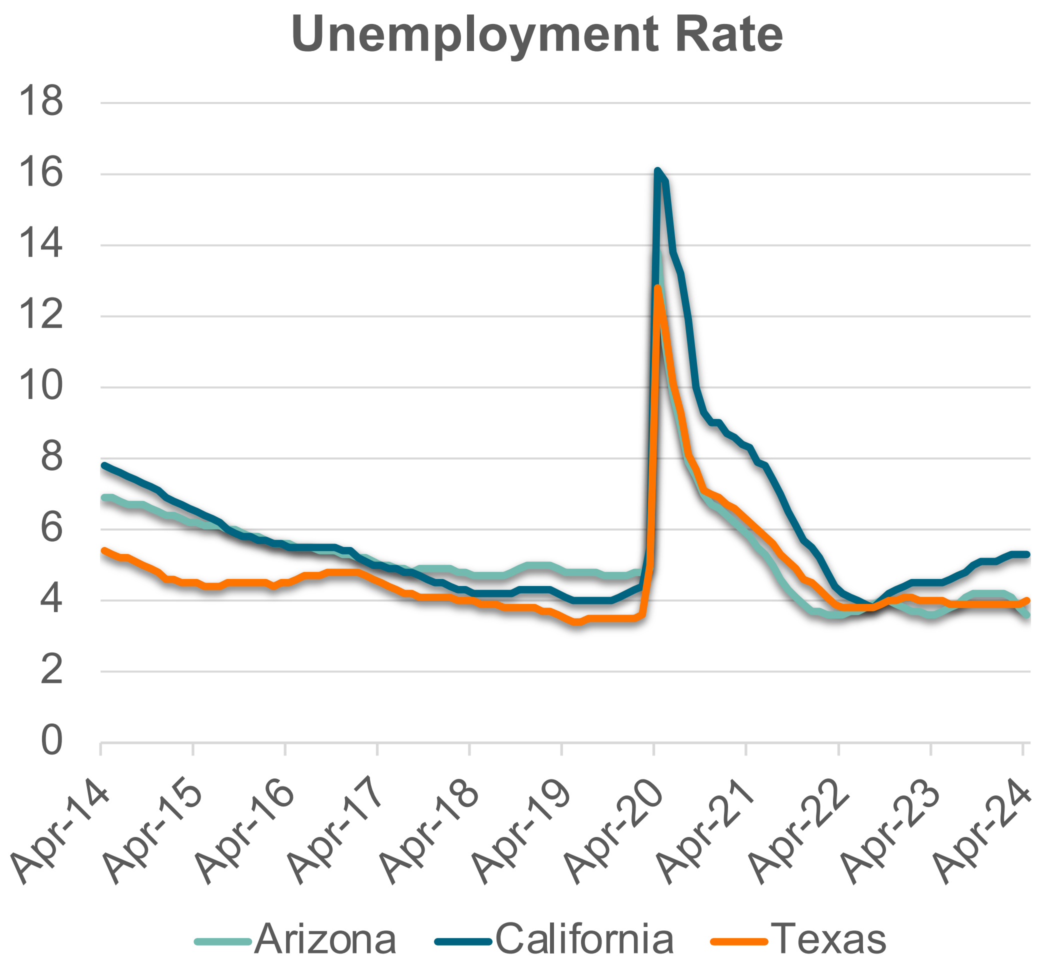
Real GDP Growth	1 Year CA	1 Year CA-US	5 Year CA	5 Year CA-US
All industry total	**3.7%**	**0.6%**	**13.6%**	**1.9%**
Durable goods manu	6.1%	3.3%	23.7%	15.1%
Information	**9.9%**	**4.2%**	**58.0%**	**8.1%**
Finance and insurance	7.0%	5.6%	15.7%	7.7%
Logistics	**2.1%**	**-2.6%**	**19.9%**	**7.3%**
Healthcare social	2.6%	-2.7%	19.9%	3.6%
Professional, scientific	5.1%	0.9%	34.0%	1.4%
Retail trade	8.3%	-1.4%	10.8%	0.1%
Government	3.5%	1.6%	2.0%	-1.8%
Administrative support	-5.9%	-3.7%	9.1%	-2.4%
Real estate	0.6%	-0.7%	11.3%	-3.2%
Other services	-0.7%	1.9%	-9.2%	-4.1%
Accommodation food	**-1.2%**	**-2.8%**	**-1.4%**	**-4.9%**
Construction	4.8%	-2.7%	-7.9%	-7.8%
Agriculture	14.2%	9.0%	-14.9%	-11.2%
Nondurable goods	1.5%	-2.8%	-11.3%	-13.4%

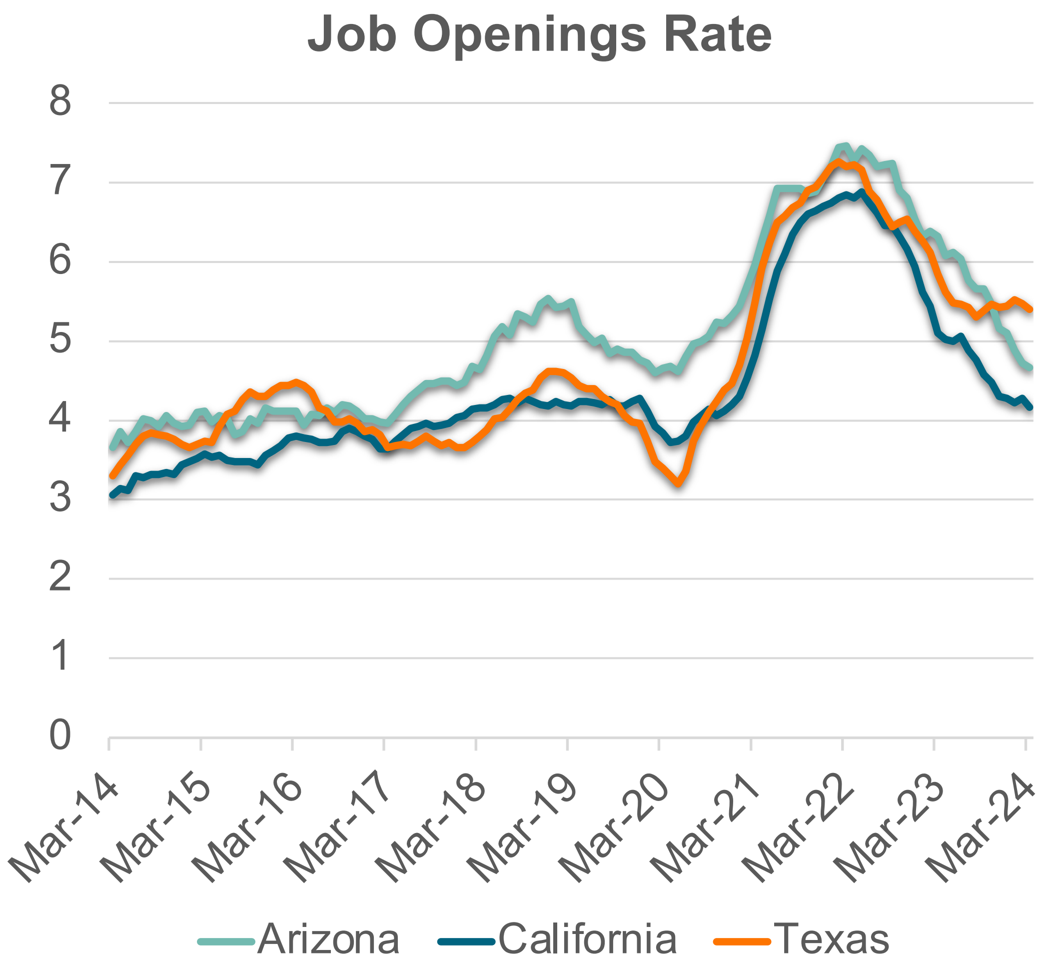
California in Context





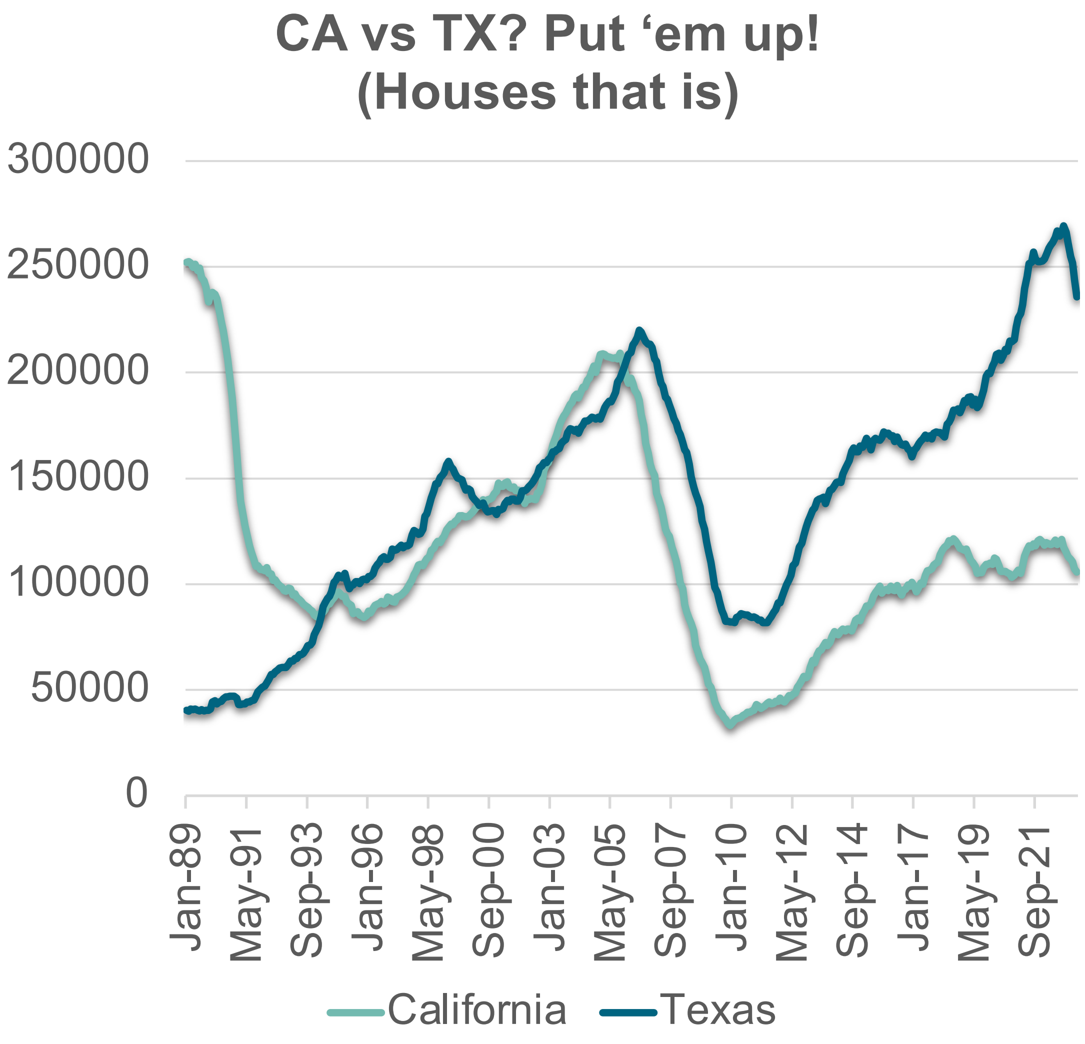
Unemployment and Job Openings





State Labor Supply & Housing

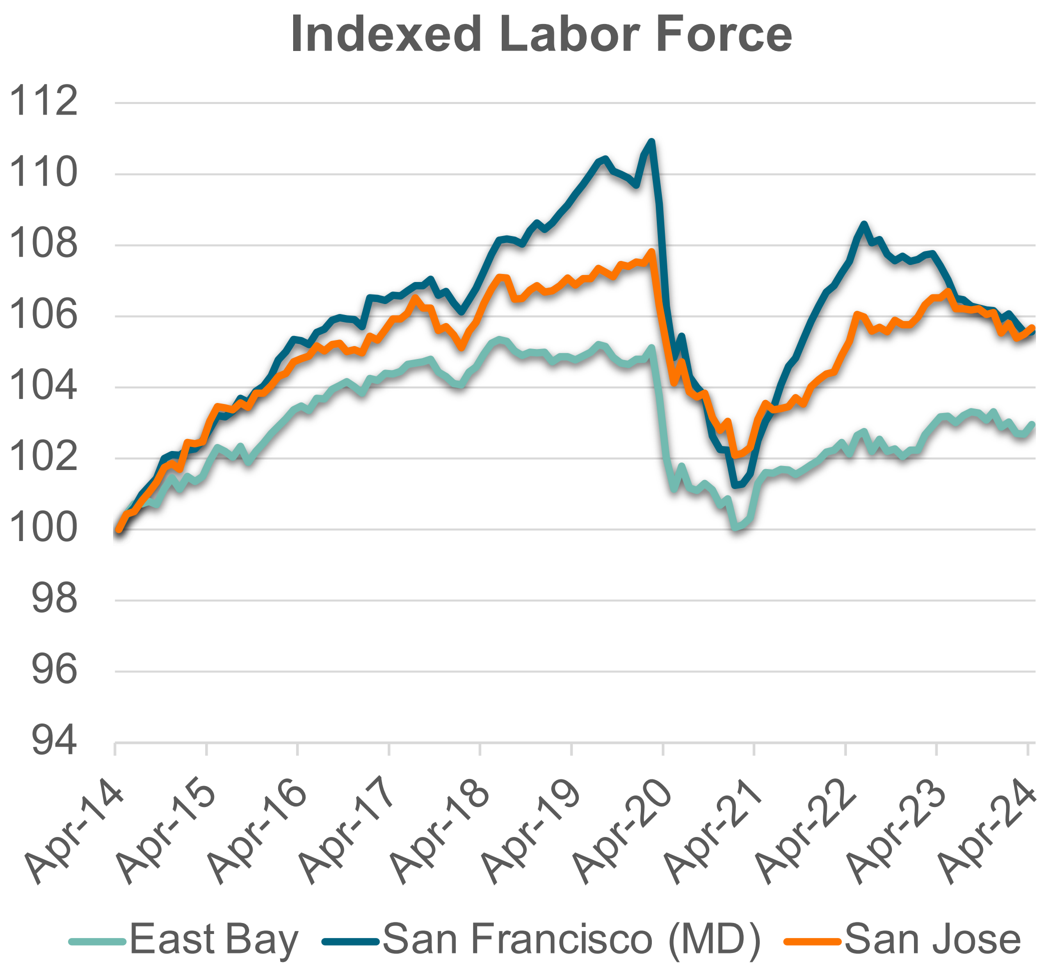
	02-12	12-22	Rank
Utah	14.3%	29.3%	1
Idaho	12.6%	23.1%	2
Arizona	13.8%	18.4%	3
Colorado	12.3%	16.4%	4
Texas	17.7%	16.0%	5
Florida	16.0%	15.3%	6
Washington	11.9%	15.0%	7
Nevada	20.5%	13.4%	8
Nebraska	6.3%	4.6%	24
Minnesota	2.7%	4.3%	25
California	7.2%	4.1%	26
Hawaii	8.1%	4.0%	27
New Jersey	5.3%	3.6%	28
Vermont	3.1%	-3.3%	48
Maine	3.3%	-3.7%	49
Wyoming	12.7%	-3.9%	50
Mississippi	3.1%	-6.0%	51



State Growth: LF = Jobs

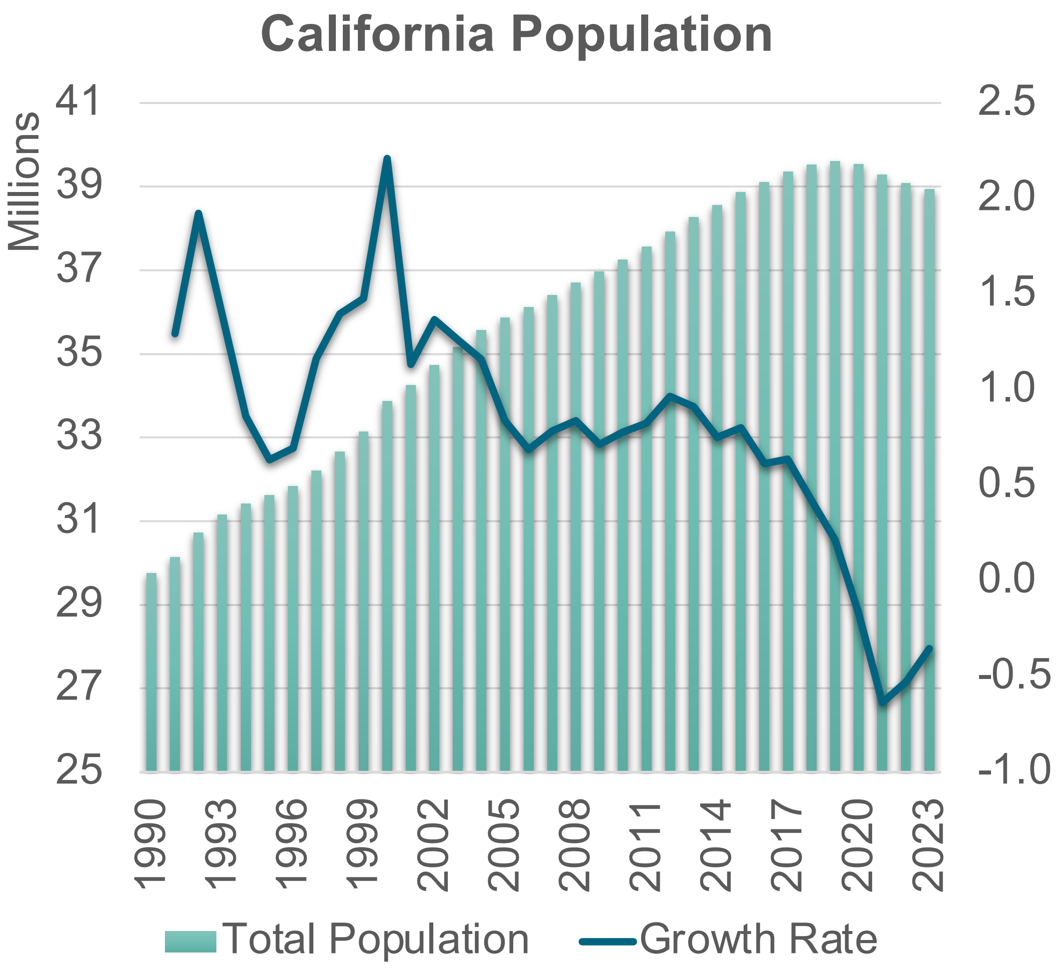
	Payrolls Jan-24	5 Year Change		Labor Force Jan-24	5 Year Change
California	*18007*	*3.9%*		*19357.4*	*0.0%*
Stockton	**279.0**	**14.3%**		**350.0**	**6.7%**
Inland Empire	**1694.6**	**10.8%**		**2174.6**	**5.5%**
Fresno	**392.9**	**9.3%**		**465.4**	**3.0%**
Bakersfield	**294.0**	**9.2%**		**399.4**	**2.3%**
Modesto	**194.6**	**8.1%**		**249.5**	**2.7%**
Sacramento	**1092.7**	**7.7%**		**1141.2**	**3.8%**
San Diego	1562.5	4.4%		1601.3	1.0%
Ventura	317.9	2.6%		415.3	-1.9%
Orange County (MD)	1698.8	2.1%		1594.4	-1.4%
San Jose	**1161.8**	**1.9%**		**1067.4**	**-1.0%**
Oakland (MD)	1196.6	1.0%		1378.0	-1.7%
Los Angeles (MD)	4587.6	0.8%		5010.9	-2.0%
Santa Rosa	209.4	0.6%		251.7	-2.5%
San Francisco (MD)	1170.8	0.4%		1007.3	-2.0%

Local Labor Force



Location	Apr-24 LF (000s)	1-Year Chg. (%)	Chg. since Feb-20 (%)
Los Angeles (MD)	4,993.5	-0.6	-5.4
Modesto	248.8	2.5	1.9
New York City (MD)	7,299.1	0.2	-1.5
Oakland (MD)	1,372.4	-0.2	-2.4
Salt Lake City	732.8	0.7	6.7
San Francisco (MD)	997.5	-2.1	-5.0
San Jose	**1,064.3**	**-1.0**	**-2.2**
Seattle	2,237.0	-0.7	0.4
Stockton	349.0	1.3	4.9

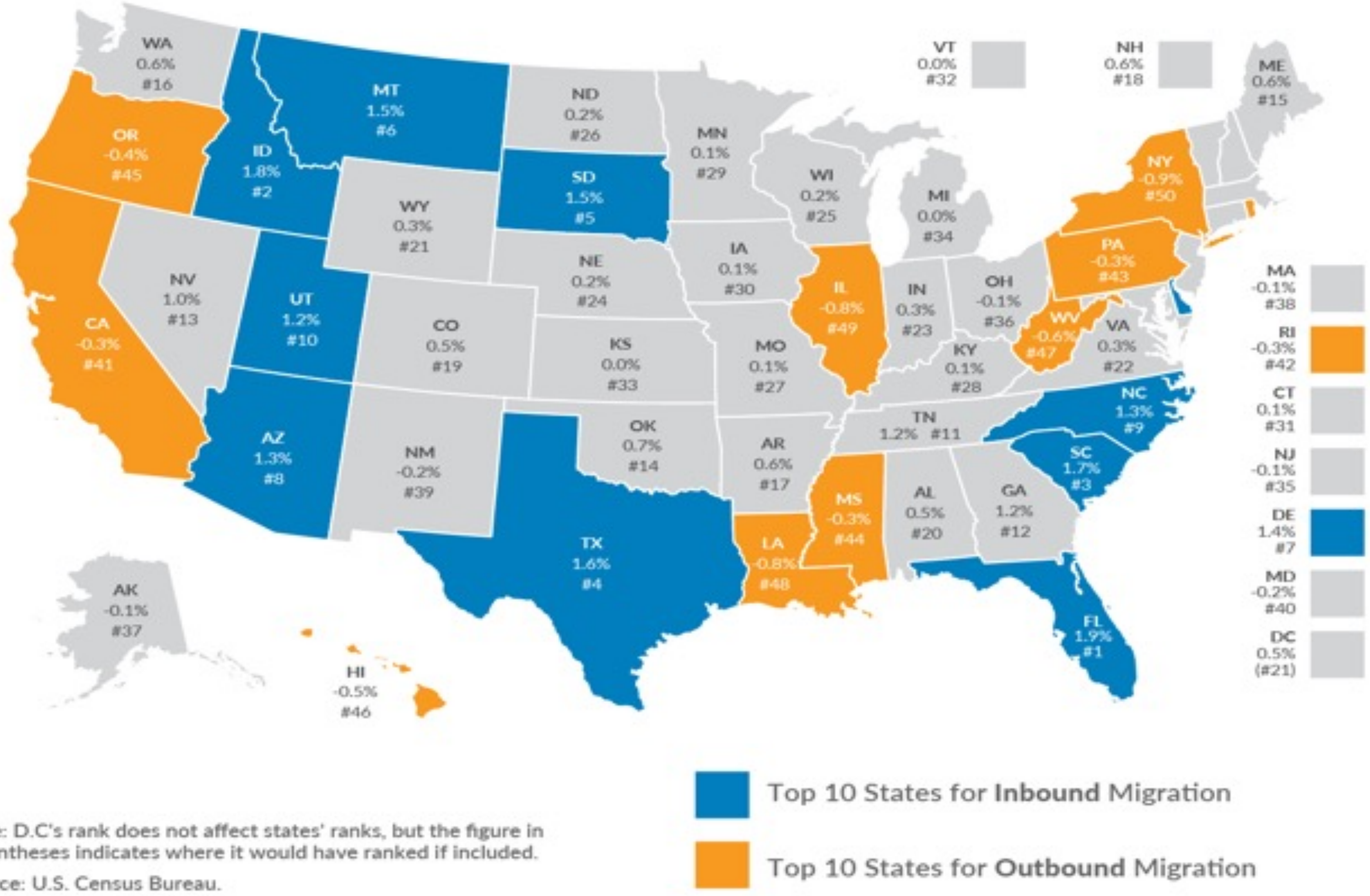
California's Population Decline



County	2023 Population	1-Year Change (%)	10-Year Change (%)
California	38,940,231	-0.4	1.8
Los Angeles	9,761,210	-0.7	-2.6
San Diego	3,269,755	-0.2	2.2
Orange	3,137,164	-0.5	1.1
Riverside	2,439,234	0.3	7.5
San Bernardino	2,182,056	0.1	4.7
Santa Clara	1,886,079	-0.3	1.2
Alameda	1,636,194	-0.5	4.2
Sacramento	1,572,453	-0.1	8.1
Contra Costa	1,147,653	-0.4	5.7
Fresno	1,011,499	0.2	5.7
Kern	907,476	-0.1	5.0
San Francisco	831,703	-0.6	-1.5
Ventura	825,653	-0.7	-1.8
San Joaquin	786,145	0.4	11.6
San Mateo	737,644	-0.4	-1.3

State Population Change in 2022

State Migration Patterns, from Most Inbound to Most Outbound, 2022

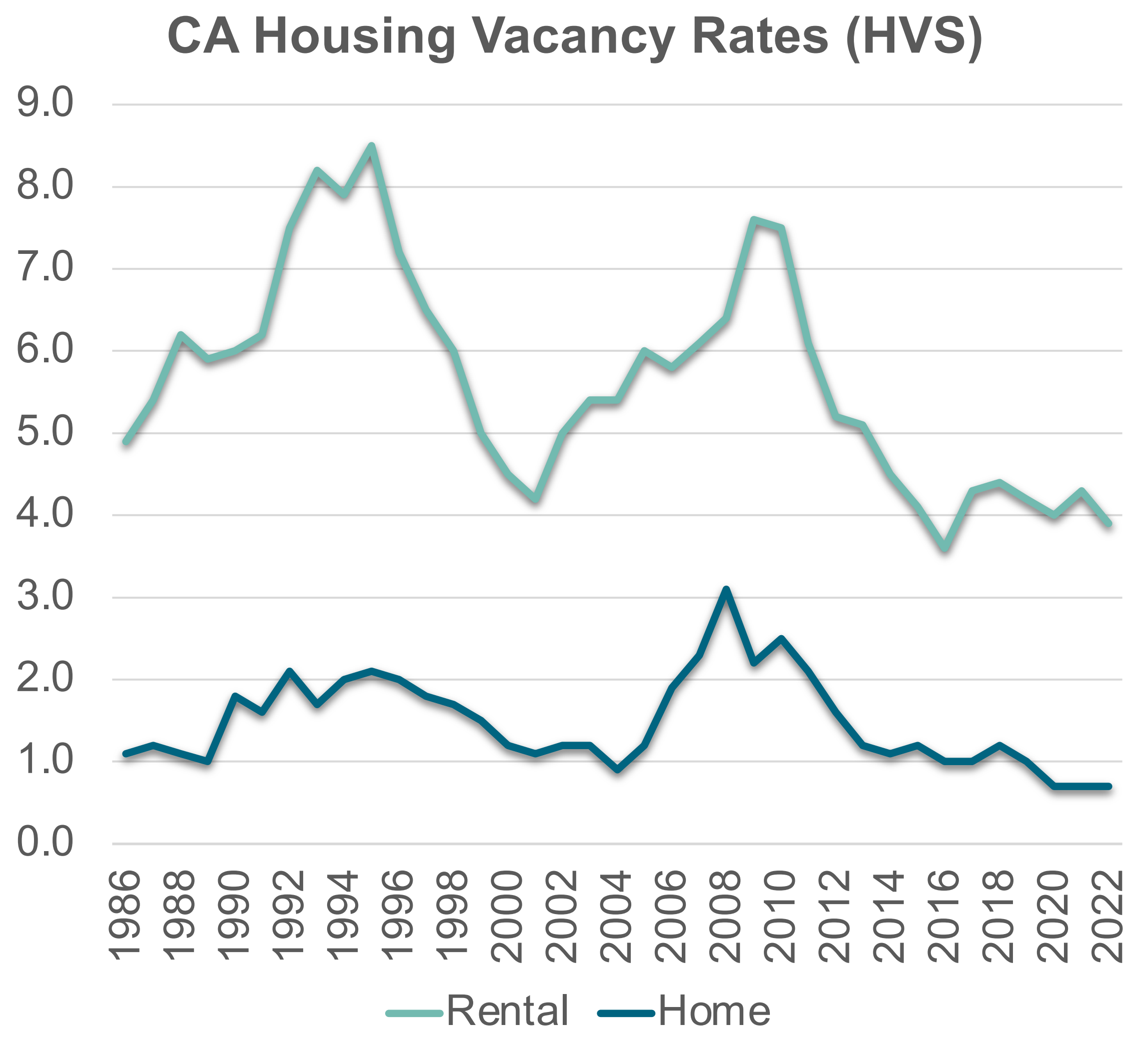


Note: D.C's rank does not affect states' ranks, but the figure in parentheses indicates where it would have ranked if included.

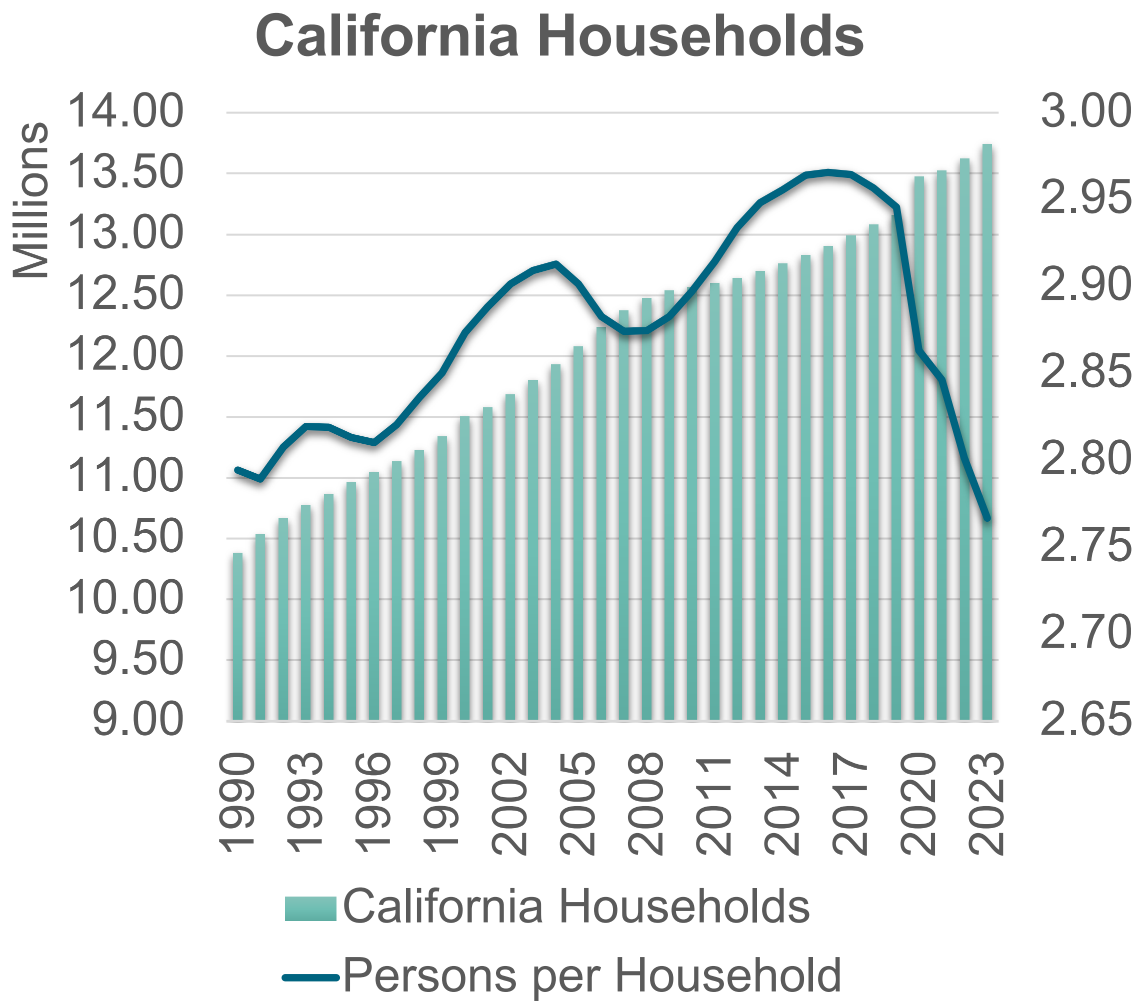
Source: U.S. Census Bureau.

TAX FOUNDATION @TaxFoundation

"Fleeing"?



CA Housing Vacancy Rates (HVS)
9.0
8.0
7.0
6.0
5.0
4.0
3.0
2.0
1.0
0.0
1986 1988 1990 1992 1994 1996 1998 2000 2002 2004 2006 2008 2010 2012 2014 2016 2018 2020 2022
Rental
Home



California Households
Millions
14.00
13.50
13.00
12.50
12.00
11.50
11.00
10.50
10.00
9.50
9.00
3.00
2.95
2.90
2.85
2.80
2.75
2.70
2.65
1990 1993 1996 1999 2002 2005 2008 2011 2014 2017 2020 2023
California Households
Persons per Household

California Skill Shifts

Net Migration by Educational Attainment (Total from 2019-2022)

Education	AZ	CA	CO
Net Migration	**109,116**	**-71,099**	**109,061**
Less Than HS	-64,750	-185,830	-17,652
HS Grad	32,261	-39,856	-13,481
Some College	-32,376	-352,870	-39,336
BA	101,014	166,445	120,066
Grad	72,967	341,012	59,464

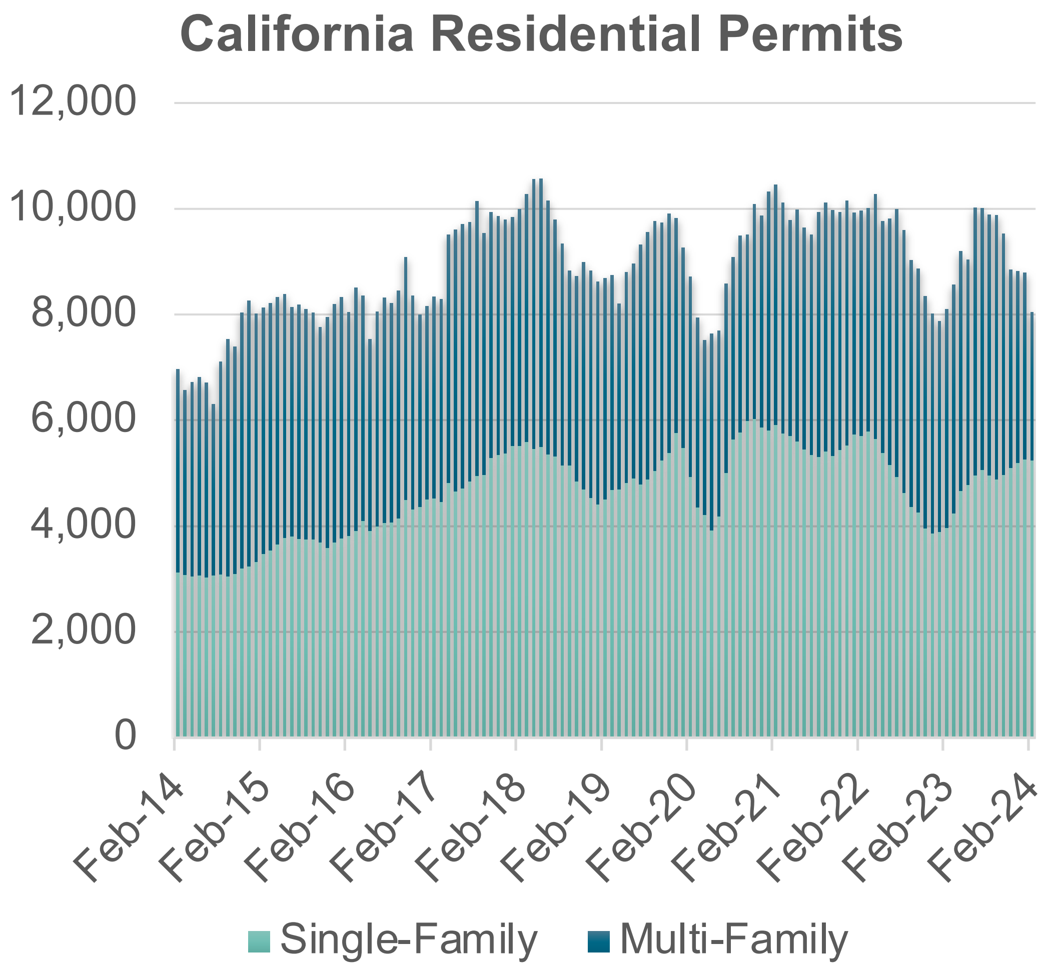
California Educational Attainment	2022 Labor Force	10-Year Change (%)
Less than HS	1,959,233	-17.2
HS Graduate	3,155,868	6.1
Some College	4,417,887	-7.9
Bachelor's Degree or +	6,849,482	26.2

Shifting Population

California Educational Attainment	2022 Labor Force	10-Year Chg. %)
Less than HS	1,959,233	-17.2
HS Graduate	3,155,868	6.1
Some College	4,417,887	-7.9
Bachelor's +	6,849,482	26.2

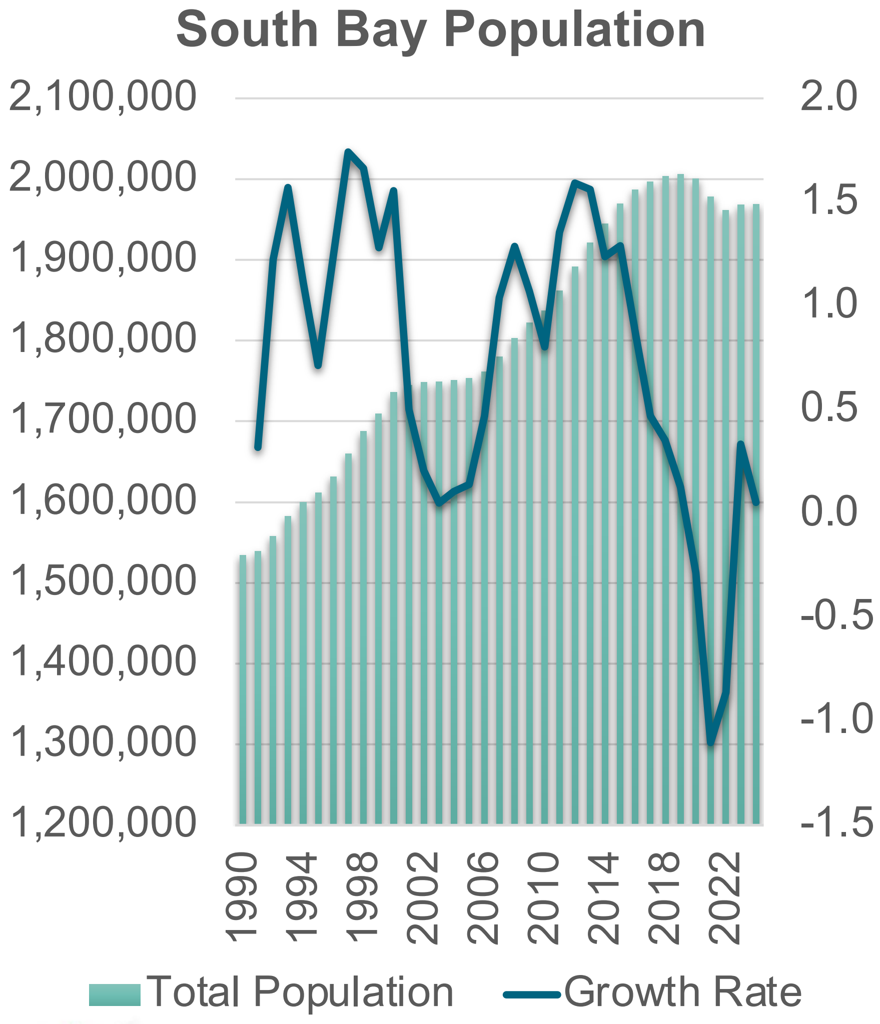
California Population by Age	Population	10-Year Change (%)
Under 25	12,162,569	-8.3
25 to 44	11,139,847	4.6
45 to 64	9,568,024	0.4
65 and over	6,158,902	33.9

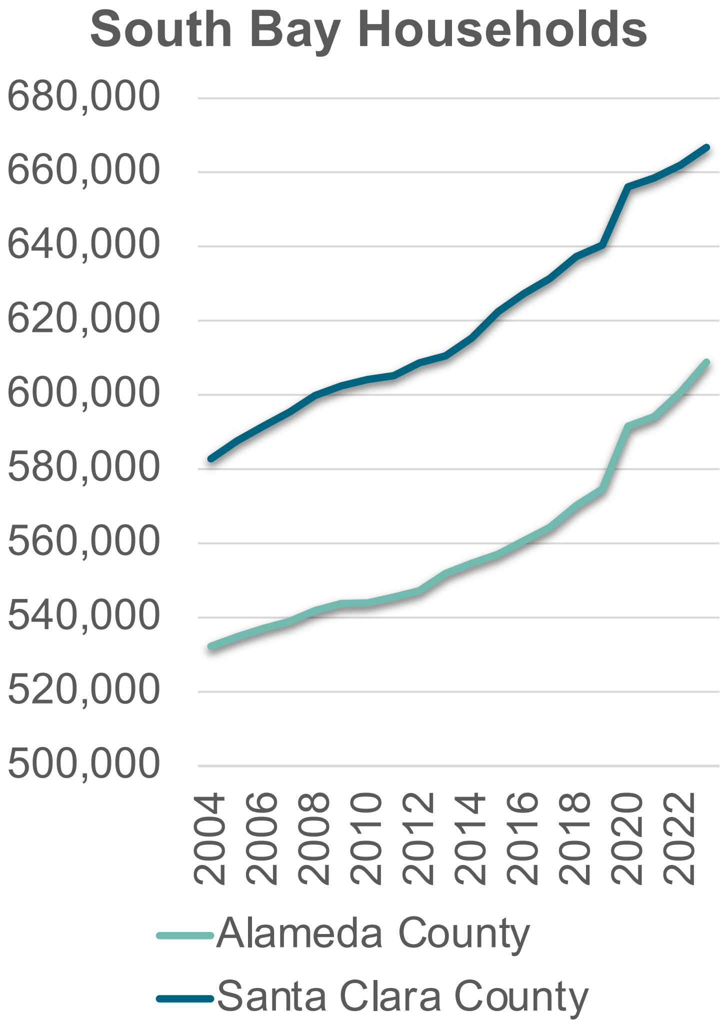
Housing Supply

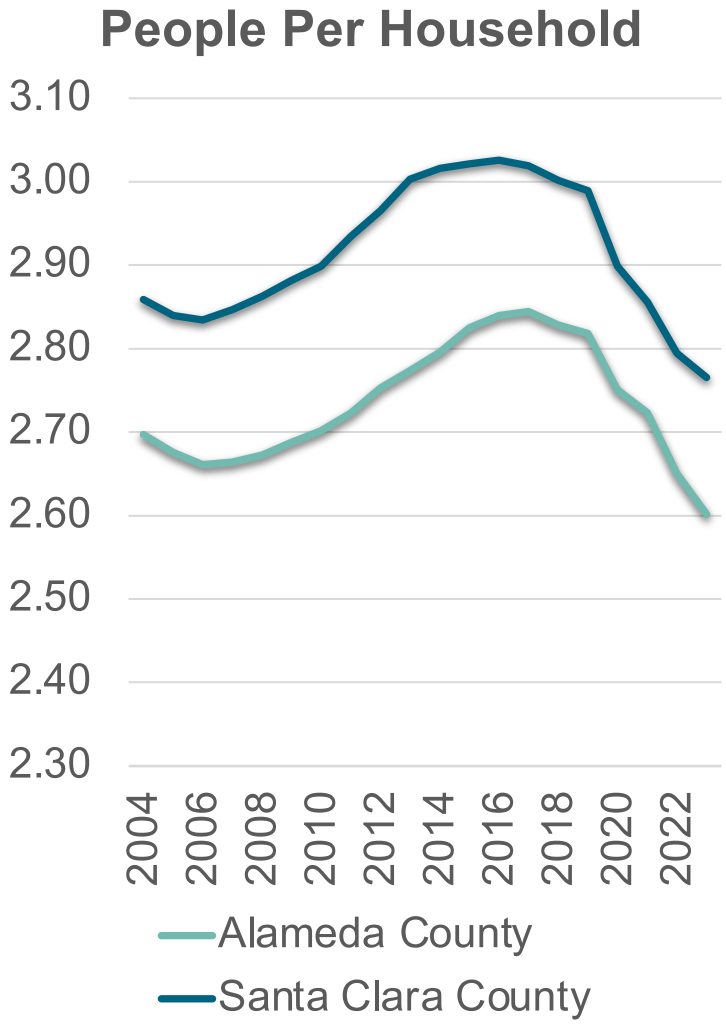


Location	2023 Permits (Units)	1-Year Chg. (%)	Chg. since 2019 (%)
Single-Family			
California	56,655	-6.0	-4.3
Fresno	2,266	-4.0	7.9
Inland Empire	10,861	-8.1	1.3
Los Angeles	11,574	8.0	29.5
Sacramento	7,945	-2.6	11.2
San Diego	2,879	-17.4	-2.6
San Francisco	3,197	-7.9	-19.8
San Jose	2,283	-25.1	-10.6
Multi-Family			
California	53,052	0.4	4.6
Fresno	1,314	84.6	18.9
Inland Empire	7,588	102.3	75.8
Los Angeles	17,395	-15.3	-17.5
Sacramento	3,734	53.3	70.0
San Diego	8,065	36.1	62.9
San Francisco	4,935	-38.4	-48.2
San Jose	4,426	50.0	-3.0

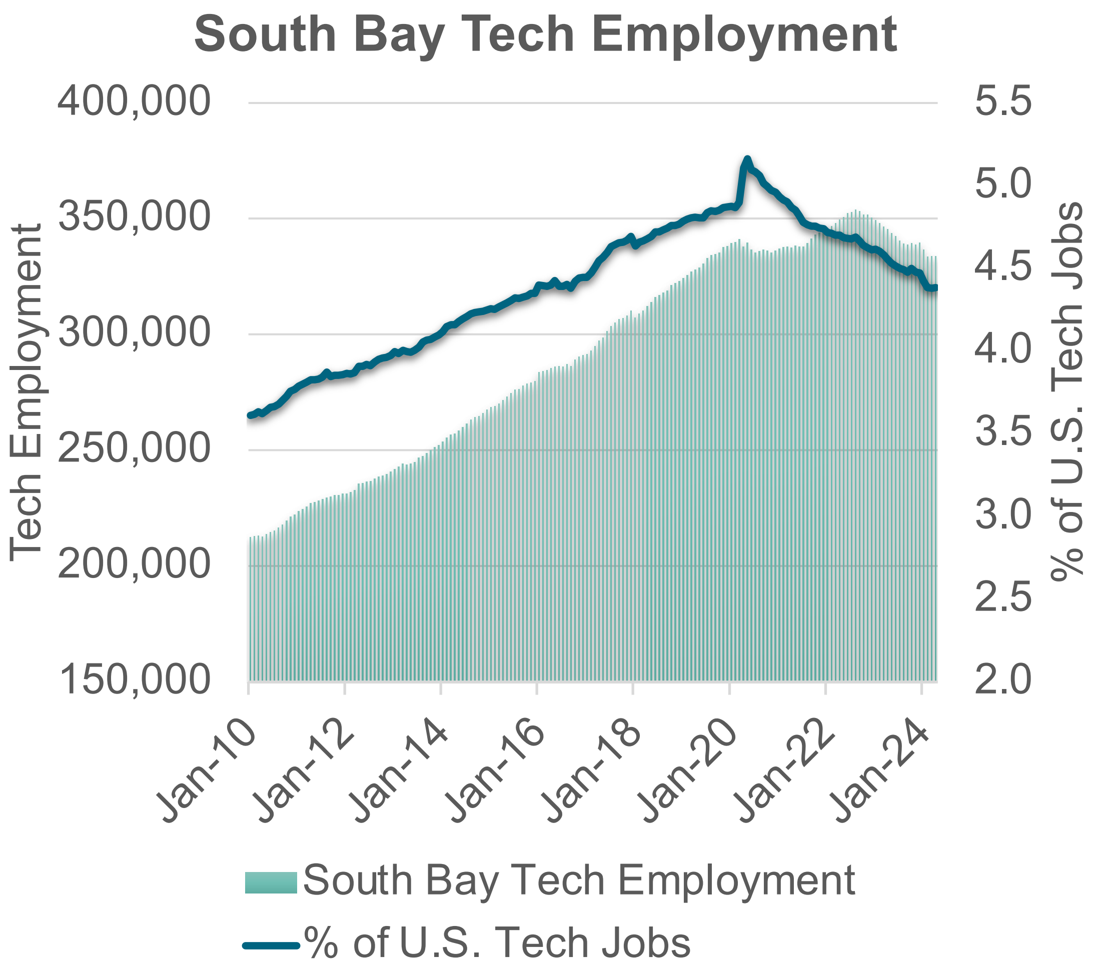
Regional Population

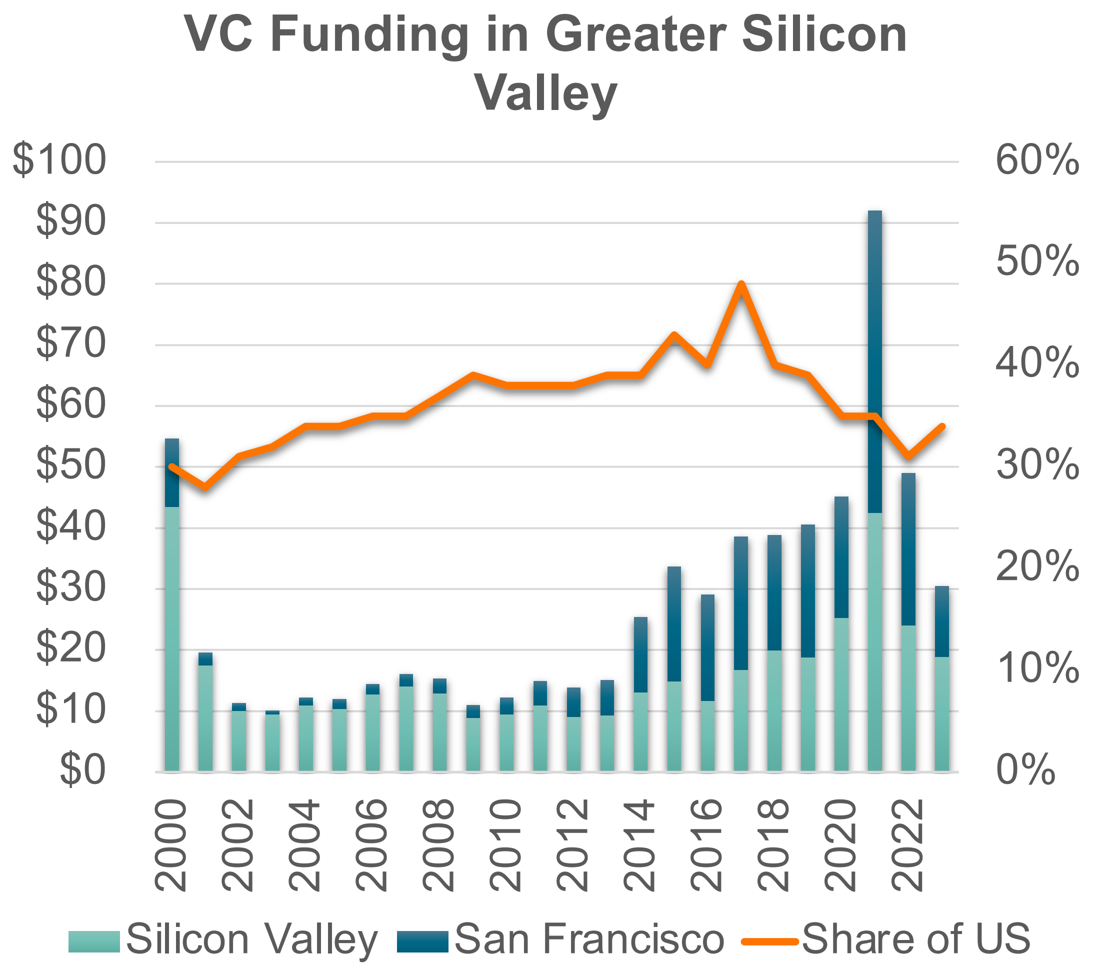






Tech Employment





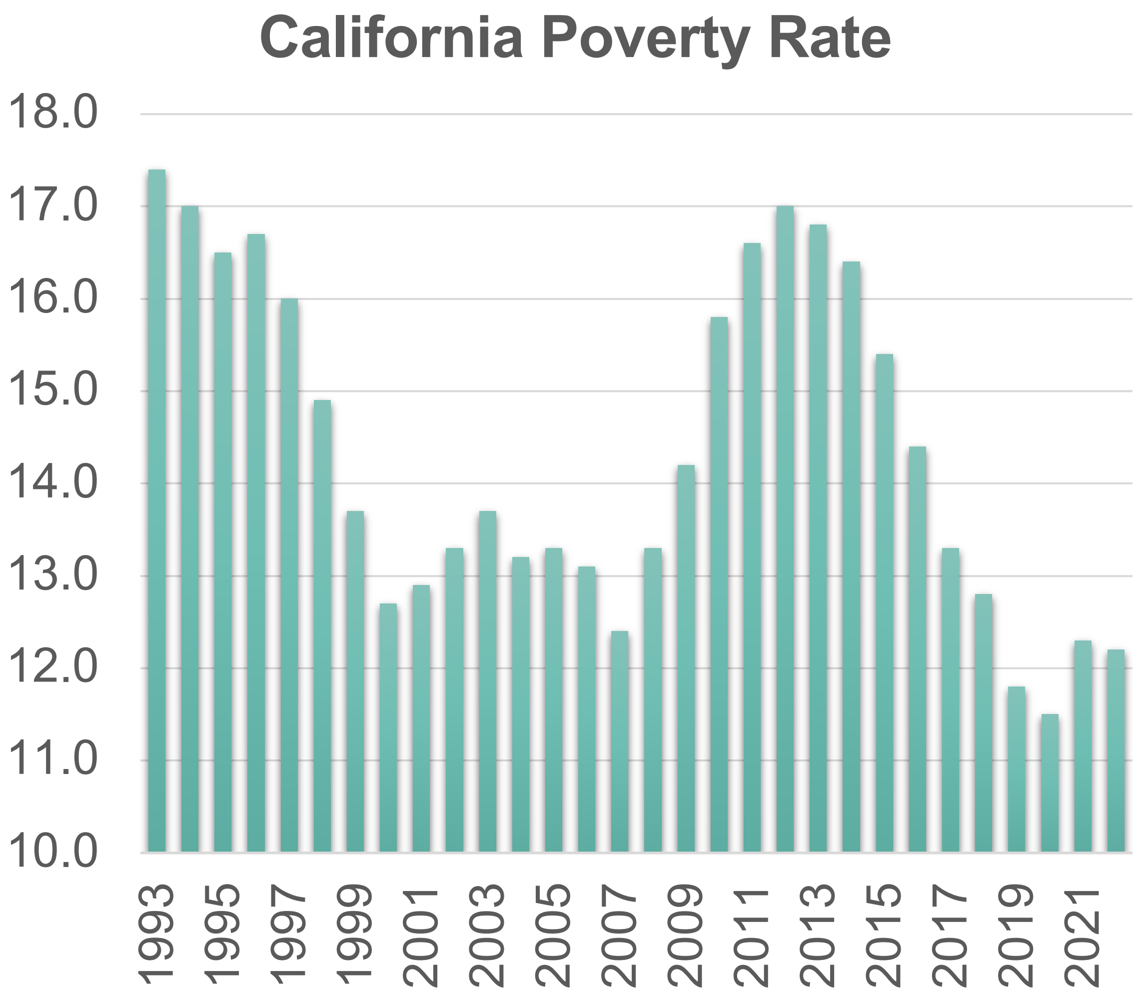
Tech Growth by Region

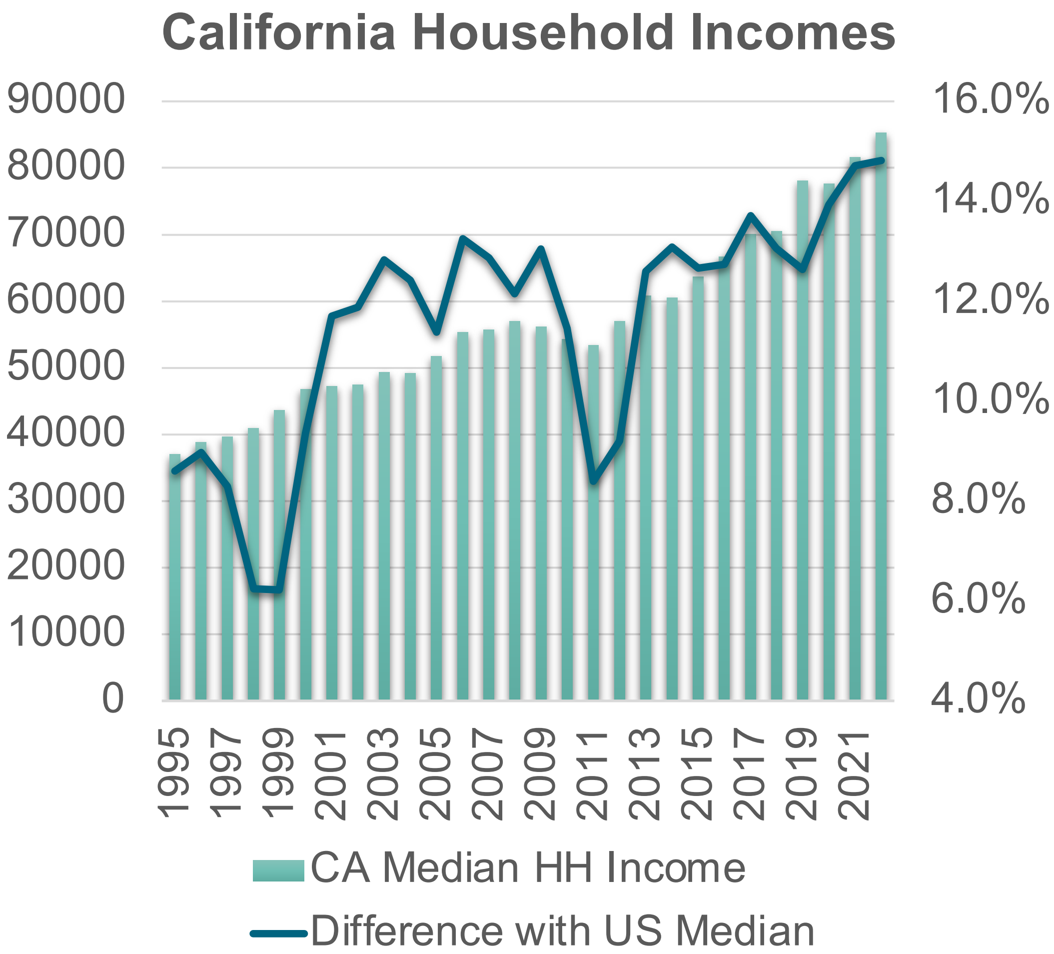
Tech Job Growth	% Change in Tech Emp. from Feb-20
United States	4.5
California	1.6
Austin	20.4
Dallas (MD)	13.4
Durham	9.6
Huntsville	13.8
Oakland (MD)	-0.5
Salt Lake City	9.7
San Francisco	-2.5
San Jose	-1.3

Weekly Wages	Apr-24 Avg Weekly Wage ($)	Chg. since Feb-20 (%)
Austin	1,196	7.7
Boston	1,440	9.1
Chicago	1,126	5.2
Dallas	1,227	13.8
Denver	1,400	19.3
East Bay	1,315	2.7
Los Angeles (MD)	1,306	12.1
New York City	1,371	4.5
Salt Lake City	1,281	19.8
San Francisco	1,772	6.4
San Jose	**1,842**	**5.5**
Seattle	1,429	2.2

Median Home Prices	Apr-24 Median ($000s)	Chg. since Feb-20 (%)
California	843.4	42.4
Fresno MSA	411.6	41.3
Inland Empire	581.8	46.6
Los Angeles	946.8	36.5
Sacramento	585.1	33.8
San Diego	1,024.3	49.6
San Fran	1,795.3	11.4
San Jose	**1,791.9**	**39.5**
Stockton	541.5	35.3

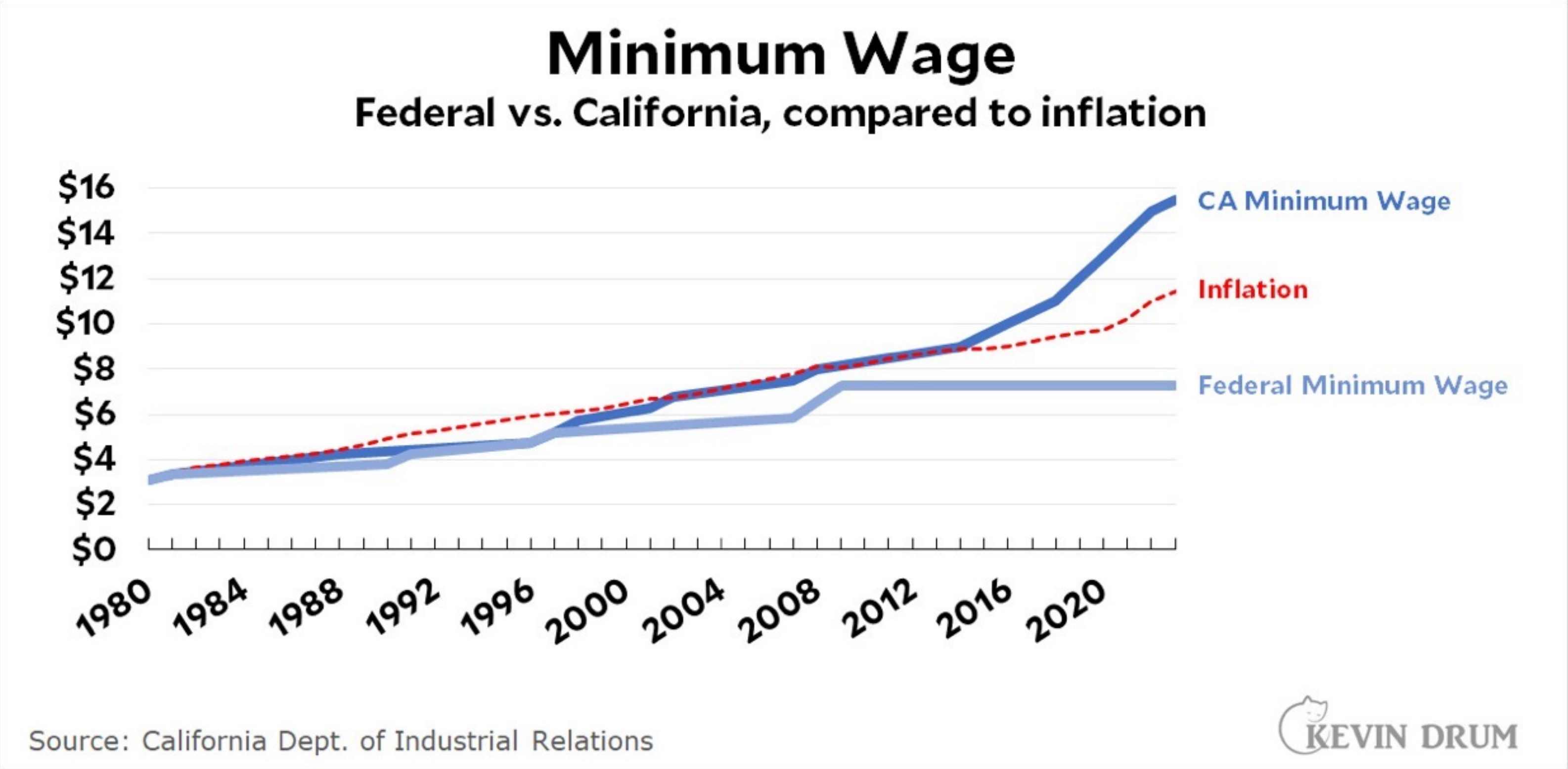
California Worker Earnings



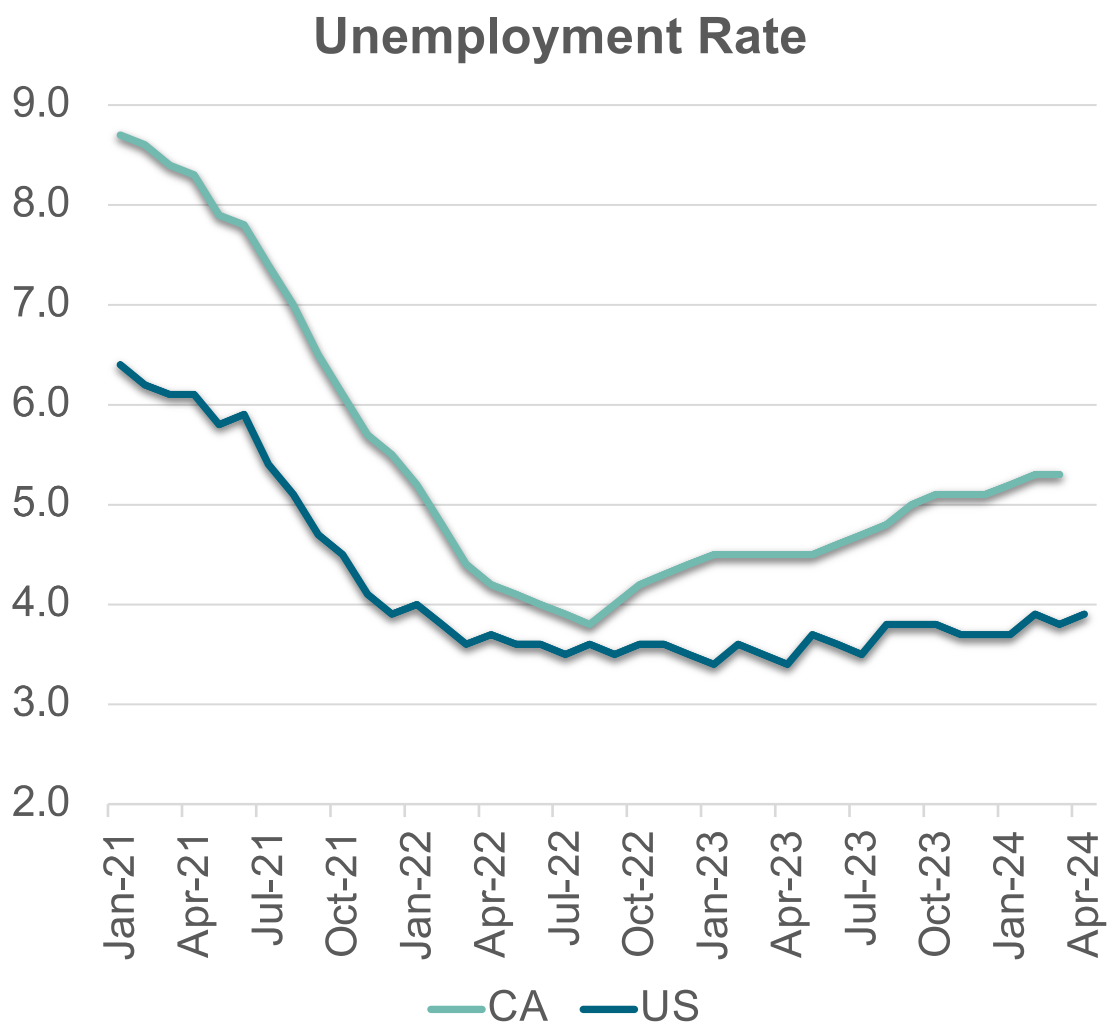


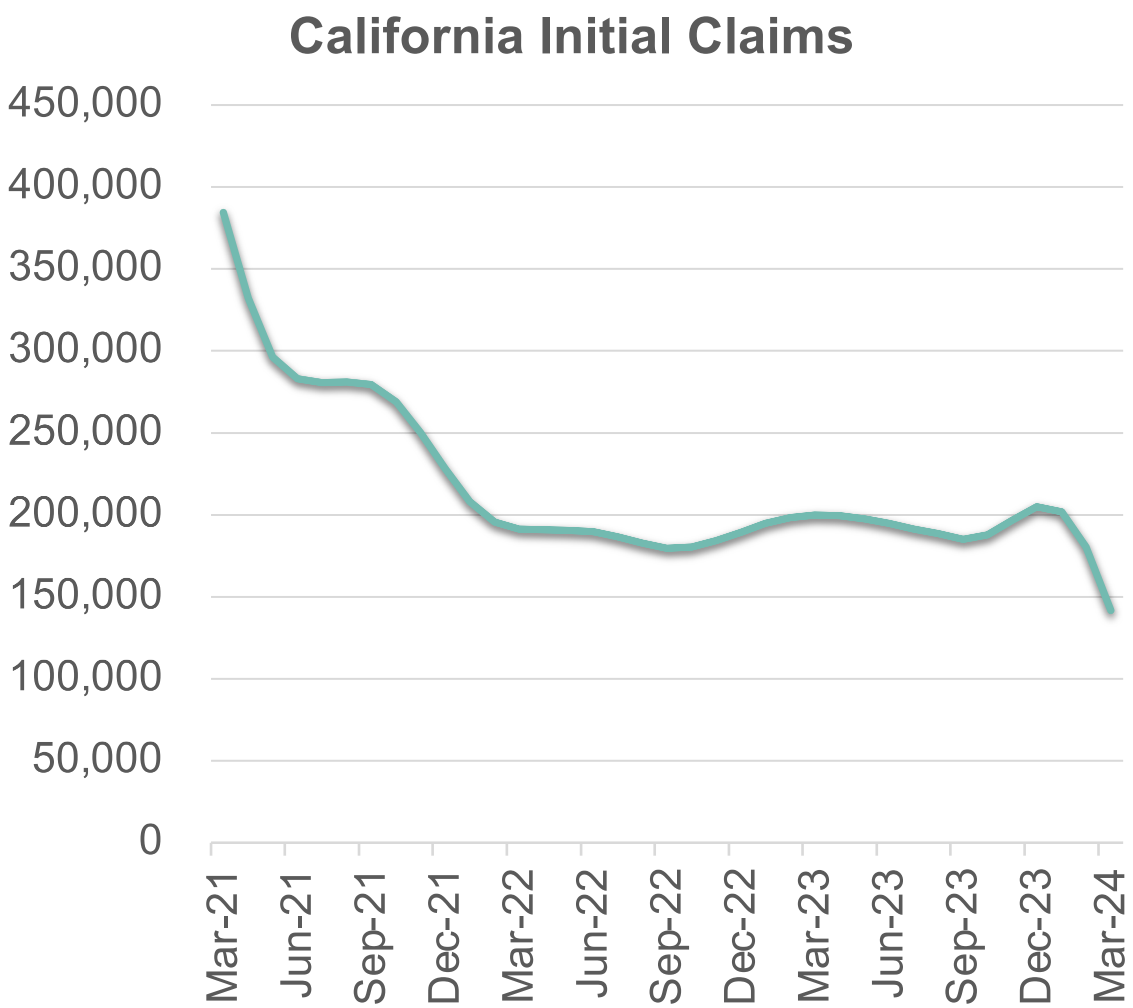
Nearly a third of Californians are living in or near poverty.

- In early 2023, 31.1% of residents were poor or near poor (with resources up to one and a half times the CPM poverty line), up from 28.7% in fall 2021.

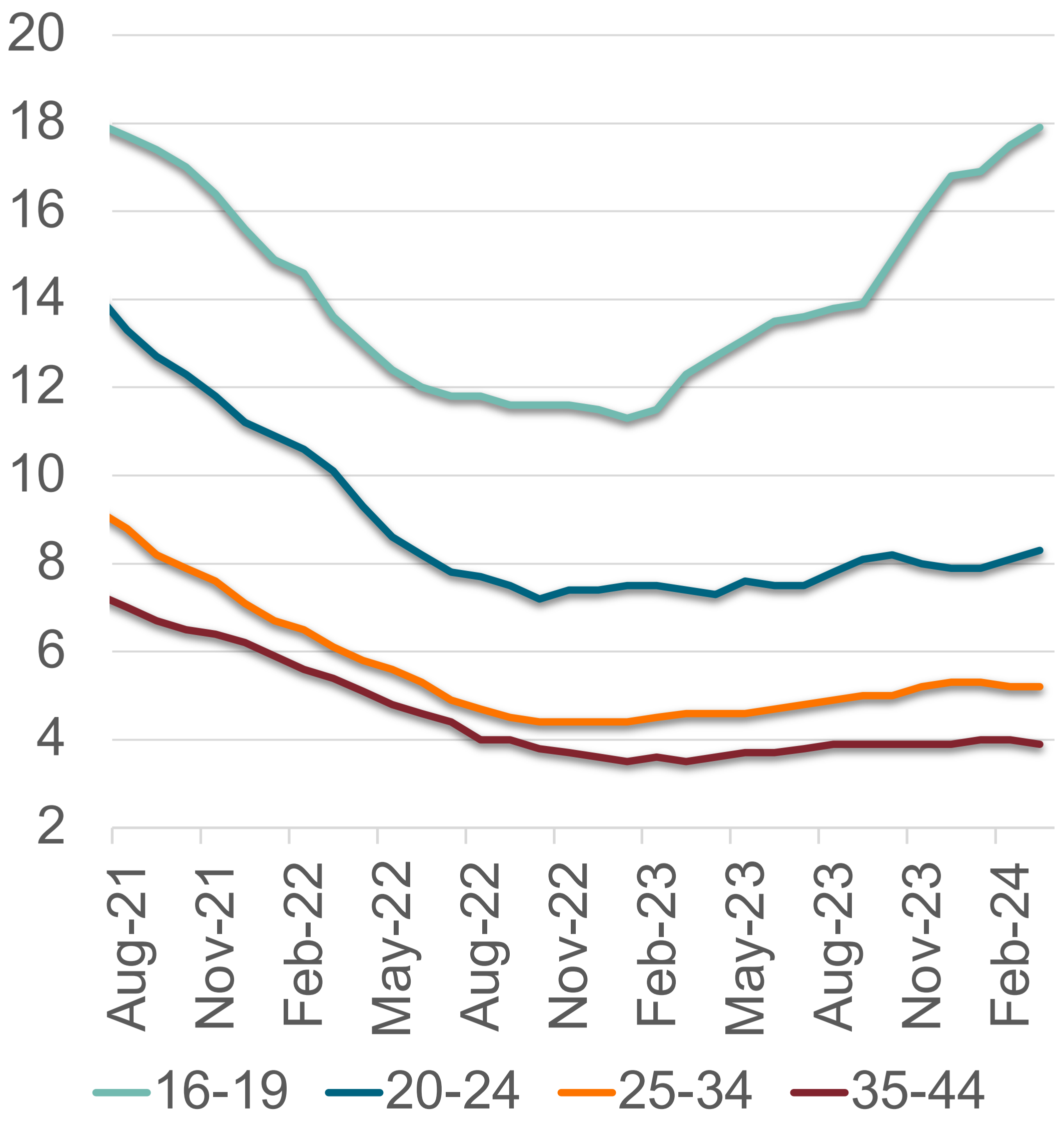


Initial Claims and Unemployment





CA Unemployment by Age



Employment by Industry 24 and Under CA 2022

	Industry Name	Employ
722	Food Services and Drinking Places	490,631
611	Educational Services	170,385
541	Professional, Scientific, and Technical Services	106,437
23	Construction	100,539
445	Food and Beverage Stores	96,982
621	Ambulatory Health Care Services	89,140
452	General Merchandise Stores	81,870
561	Administrative and Support Services	76,108
713	Amusement, Gambling, and Recreation Industries	72,919
448	Clothing and Clothing Accessories Stores	70,249
624	Social Assistance	45,481
493	Warehousing and Storage	39,901
454	Nonstore Retailers	39,311
492	Couriers and Messengers	35,216

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Democrats
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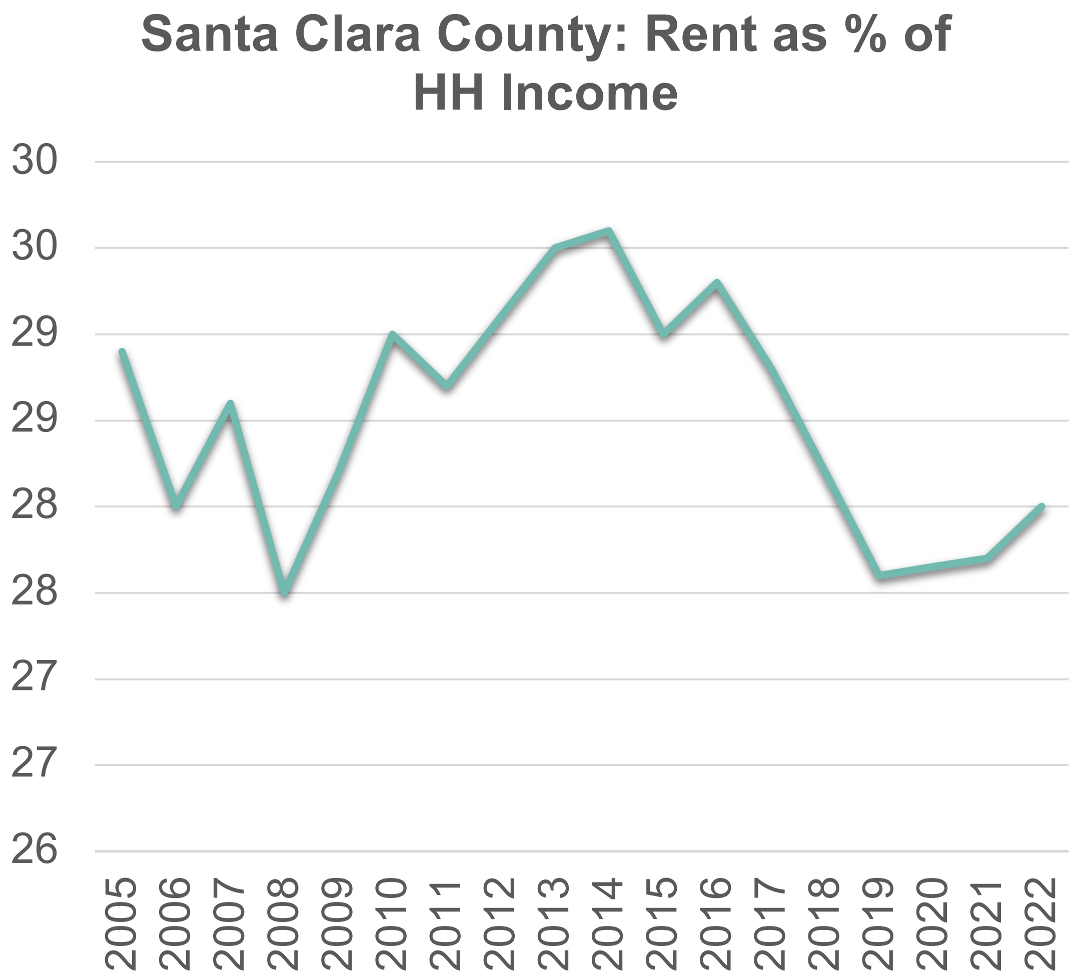
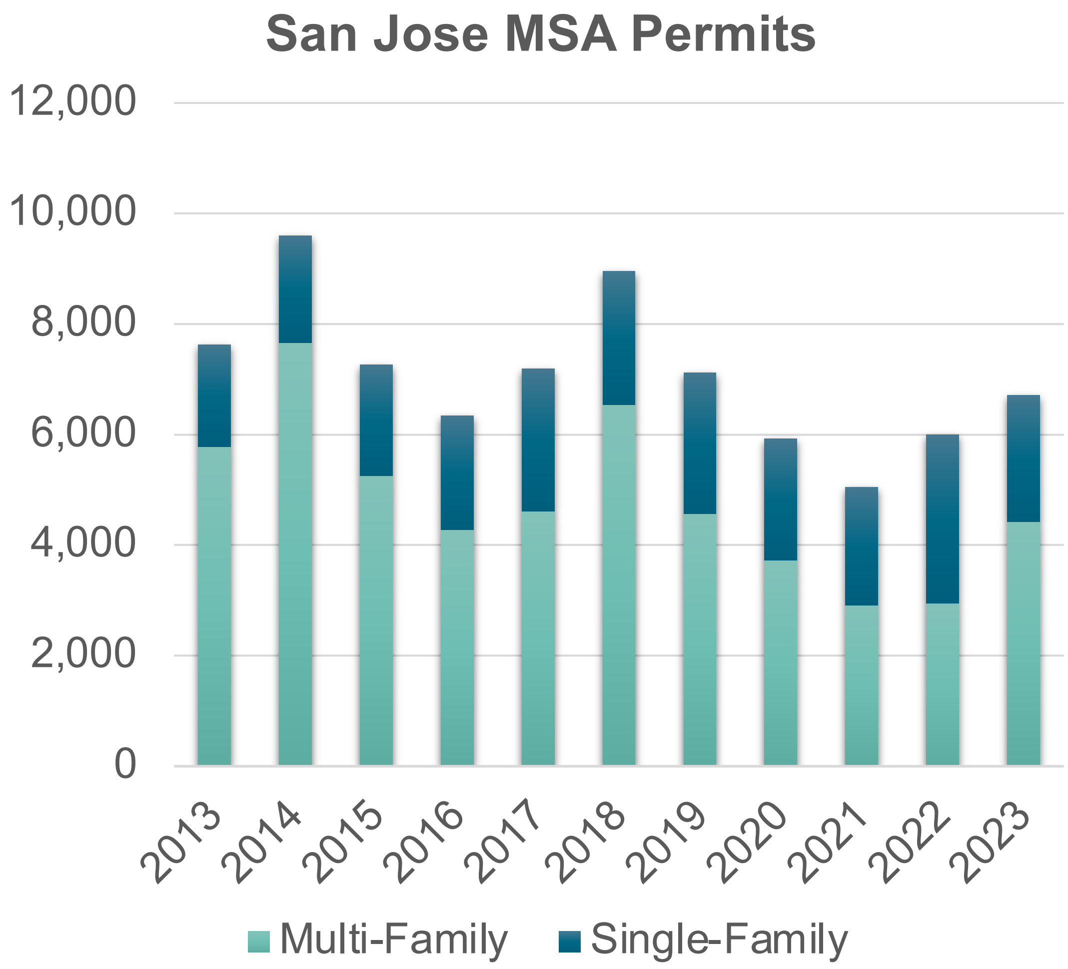
JOINT ECONOMIC COMMITTEE DEMOCRATS
CHAIRMAN - SENATOR MARTIN HEINRICH (D-NM)
YOUTH EMPLOYMENT PROGRAMS CAN GROW THE ECONOMY, EXPAND OPPORTUNITY, AND IMPROVE PUBLIC SAFETY
November 30, 2023

Affordability

Share Cost Burdened: Renters	2017	2022
United States	49.5	51.9
California	55.2	56.0
Fresno	55.7	56.4
Los Angeles	57.8	58.2
Modesto	49.9	57.5
Inland Empire	58.5	60.2
Sacramento	55.1	59.1
San Diego	57.2	58.3
San Francisco MSA	46.7	48.9
San Jose	**47.1**	**45.7**
Santa Cruz	60.0	56.2
Stockton	56.8	52.7



Residential Permits



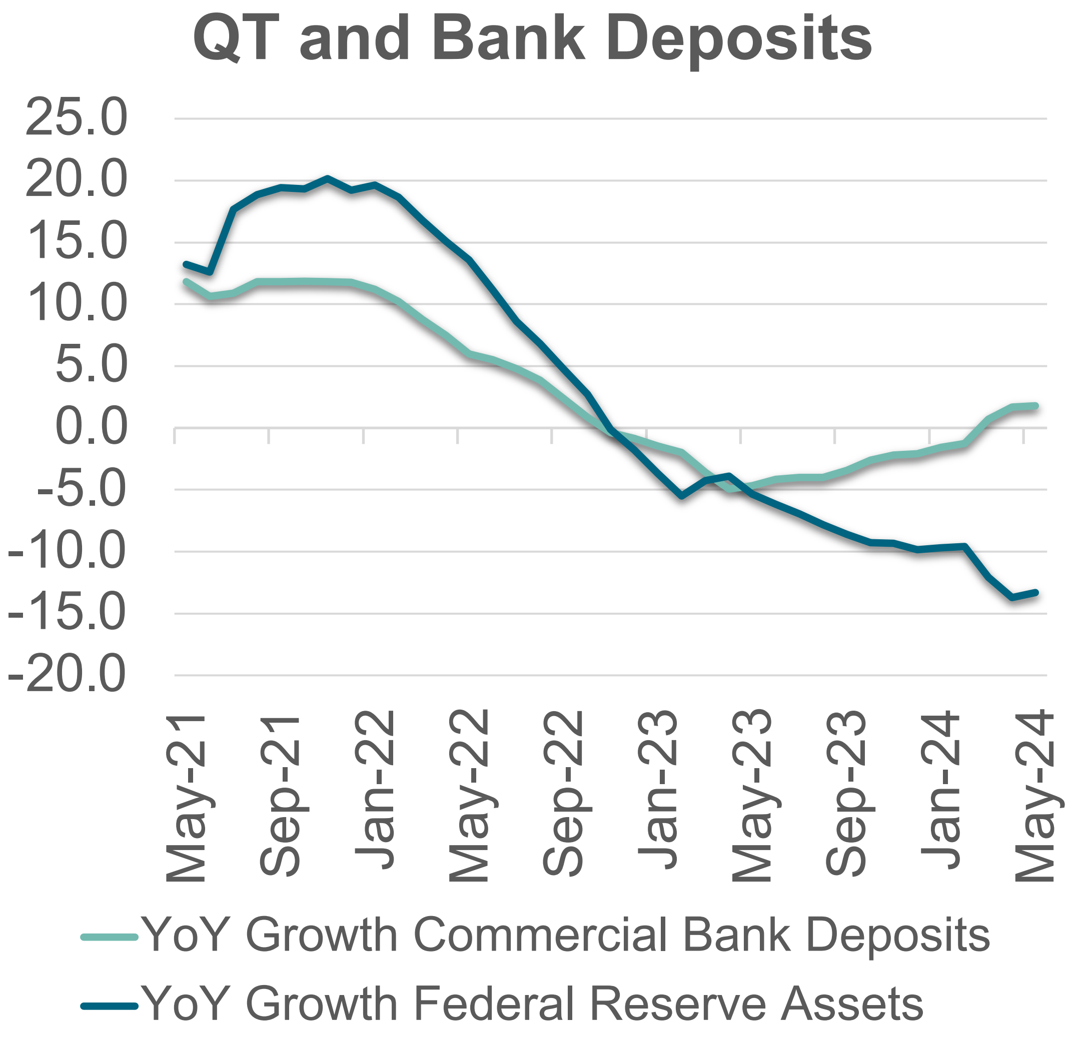
Location	2023 SF Permits (Units)	1-Year Chg. (%)	Chg. since 2019 (%)
Single-Family			
California	56,655	-6.0	-4.3
Inland Empire	10,861	-8.1	1.3
Los Angeles	11,574	8.0	29.5
Sacramento	7,945	-2.6	11.2
San Francisco	3,197	-7.9	-19.8
San Jose	**2,283**	**-25.1**	**-10.6**
Stockton	2,176	-29.5	12.2
Multi-Family			
California	53,052	0.4	4.6
Inland Empire	7,588	102.3	75.8
Los Angeles	17,395	-15.3	-17.5
Sacramento	3,734	53.3	70.0
San Francisco	4,935	-38.4	-48.2
San Jose	**4,426**	**50.0**	**-3.0**
Stockton	219	-68.2	-34.4

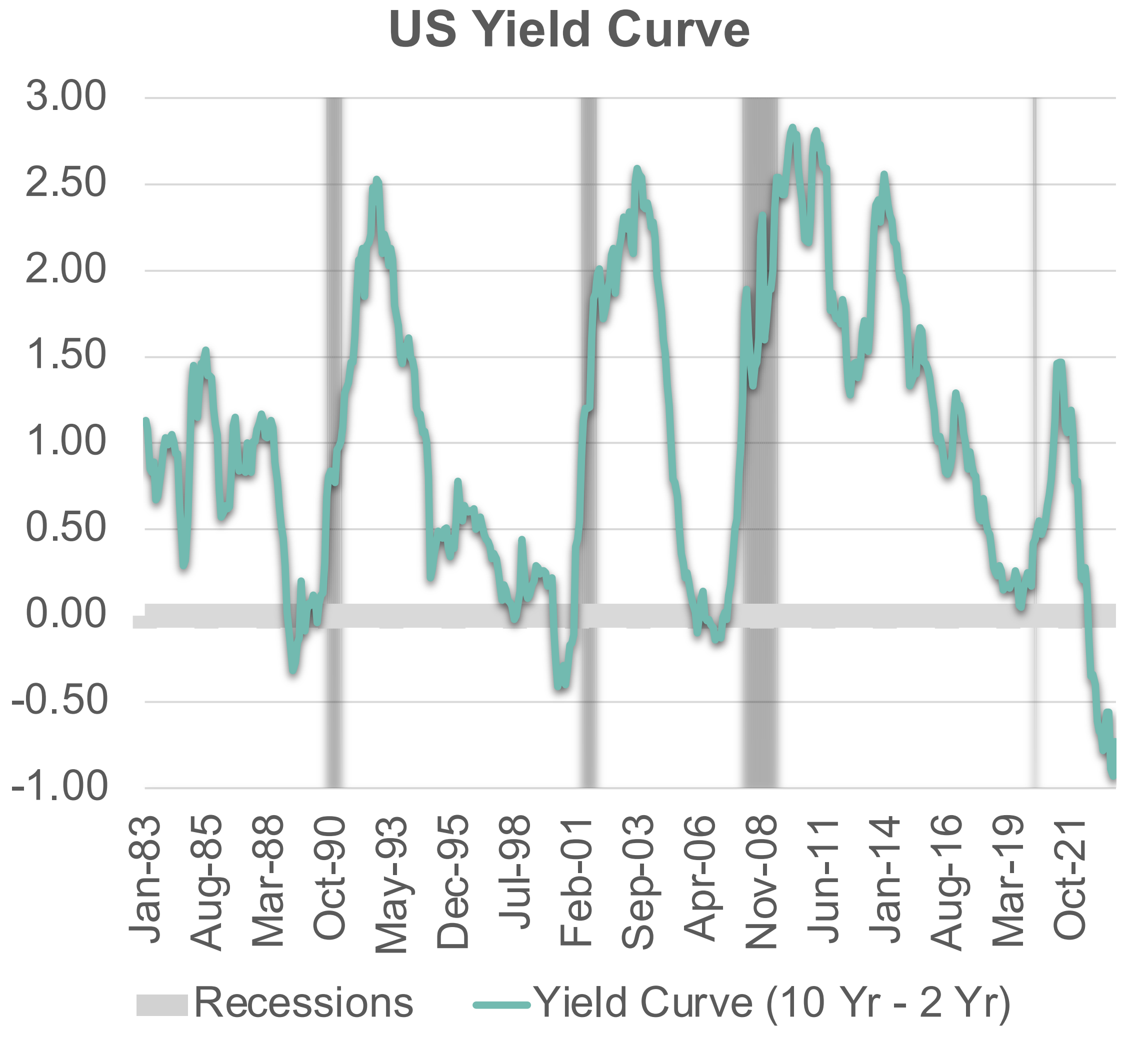
Narratives of Fed Policy?

The Federal Reserve Narrative

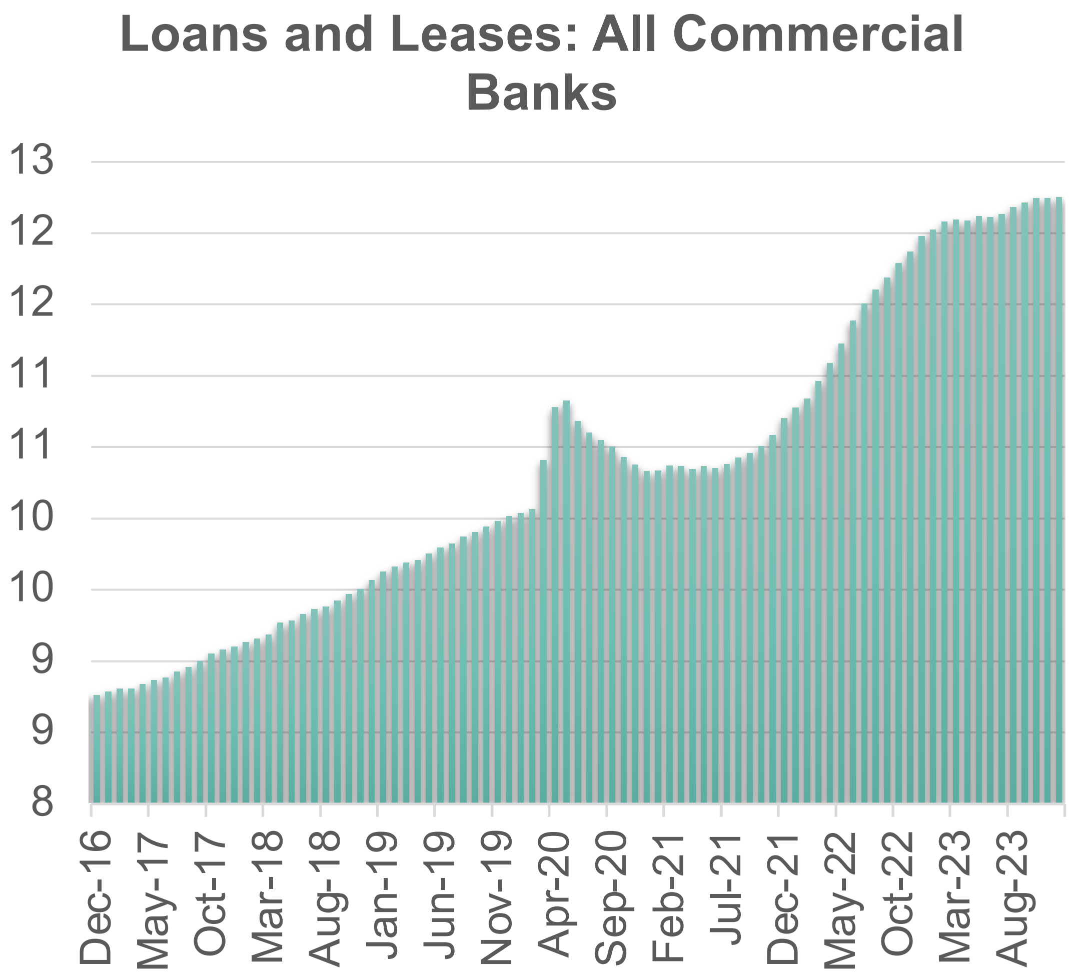
- US inflation due to some exogenous shock
- Inflation is now being driven by inflation expectations
- Inflation is causing substantial harm to American households
- The Fed must fight inflation and it is worth the loss of some jobs / higher unemployment

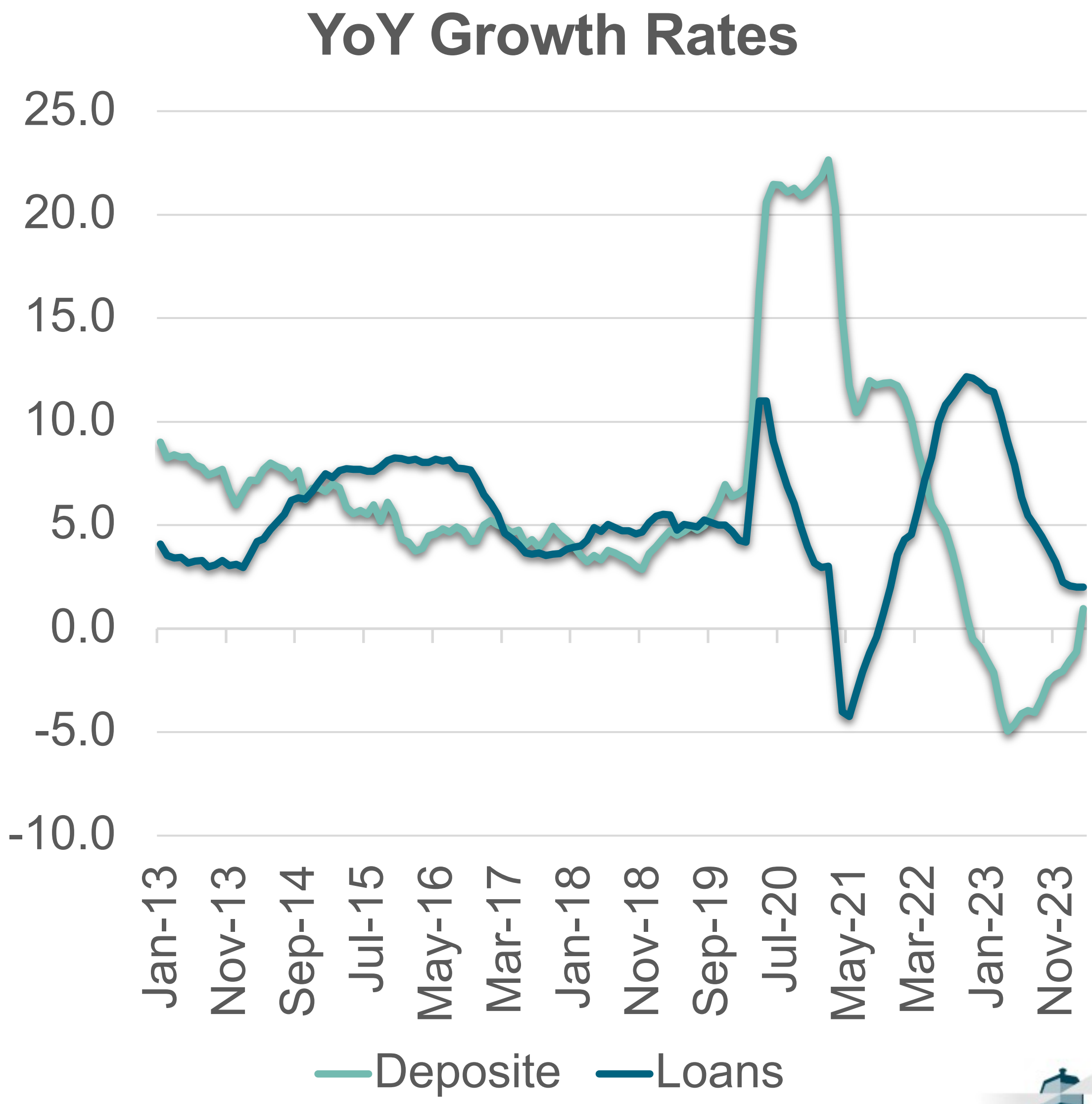
The Fed Response



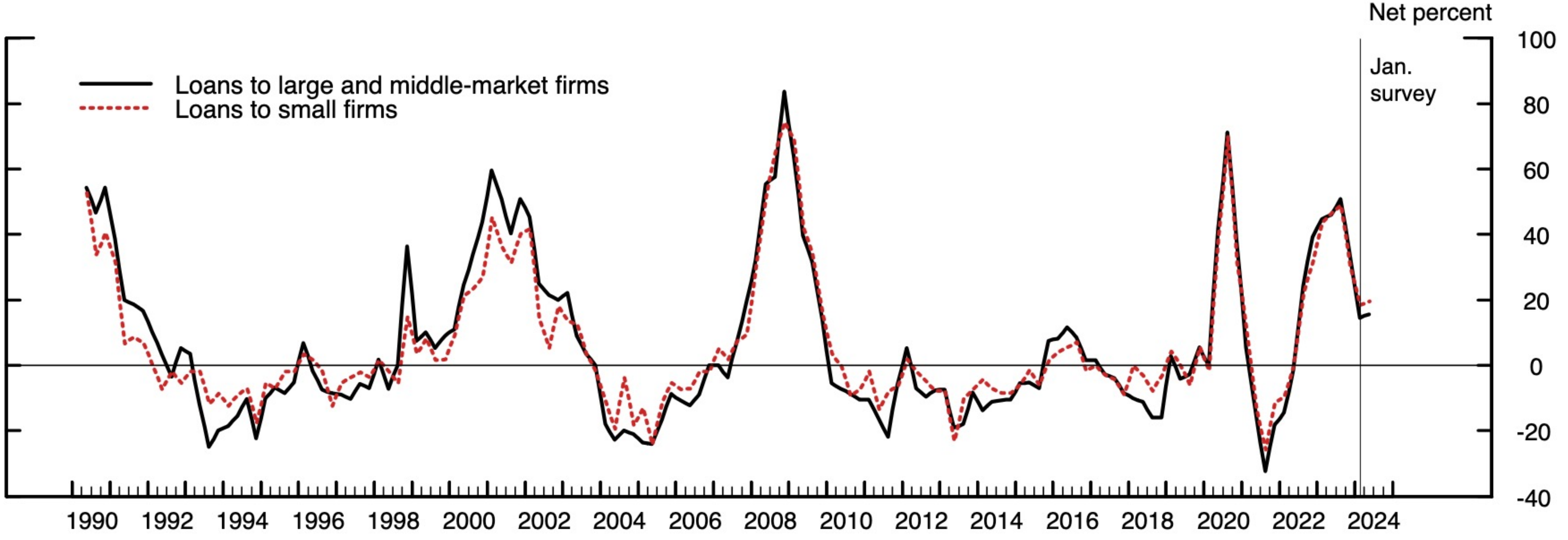


Banking Sector: Remaining Solid

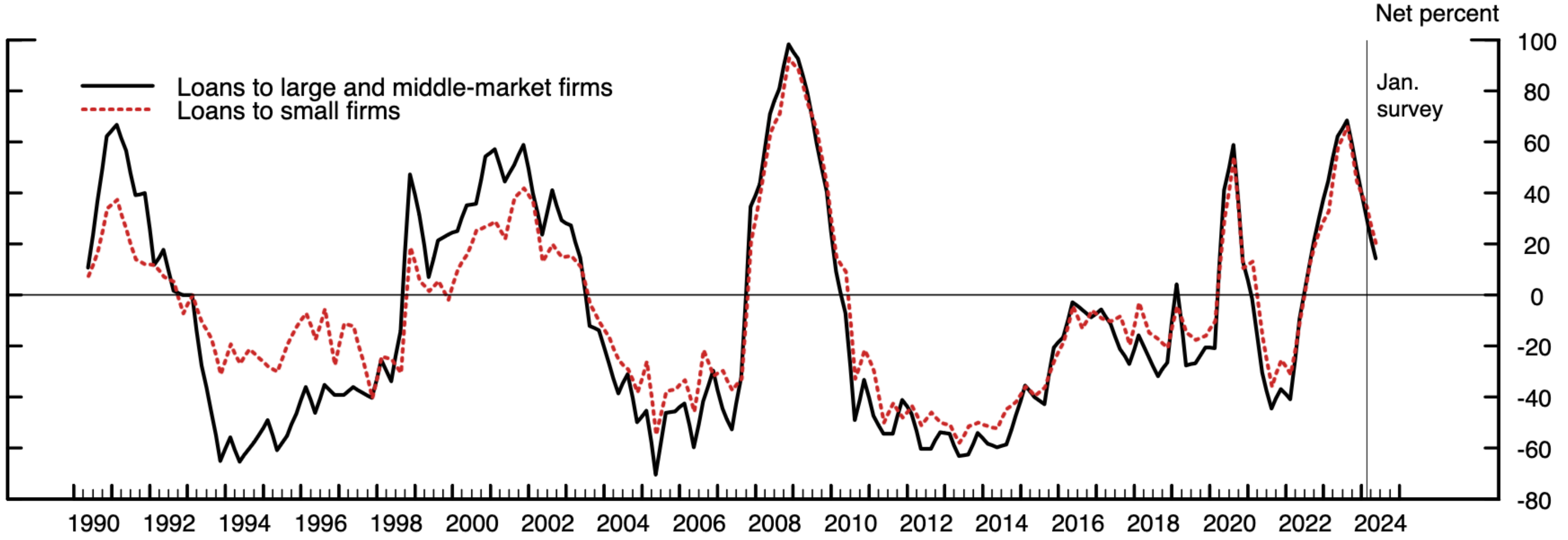


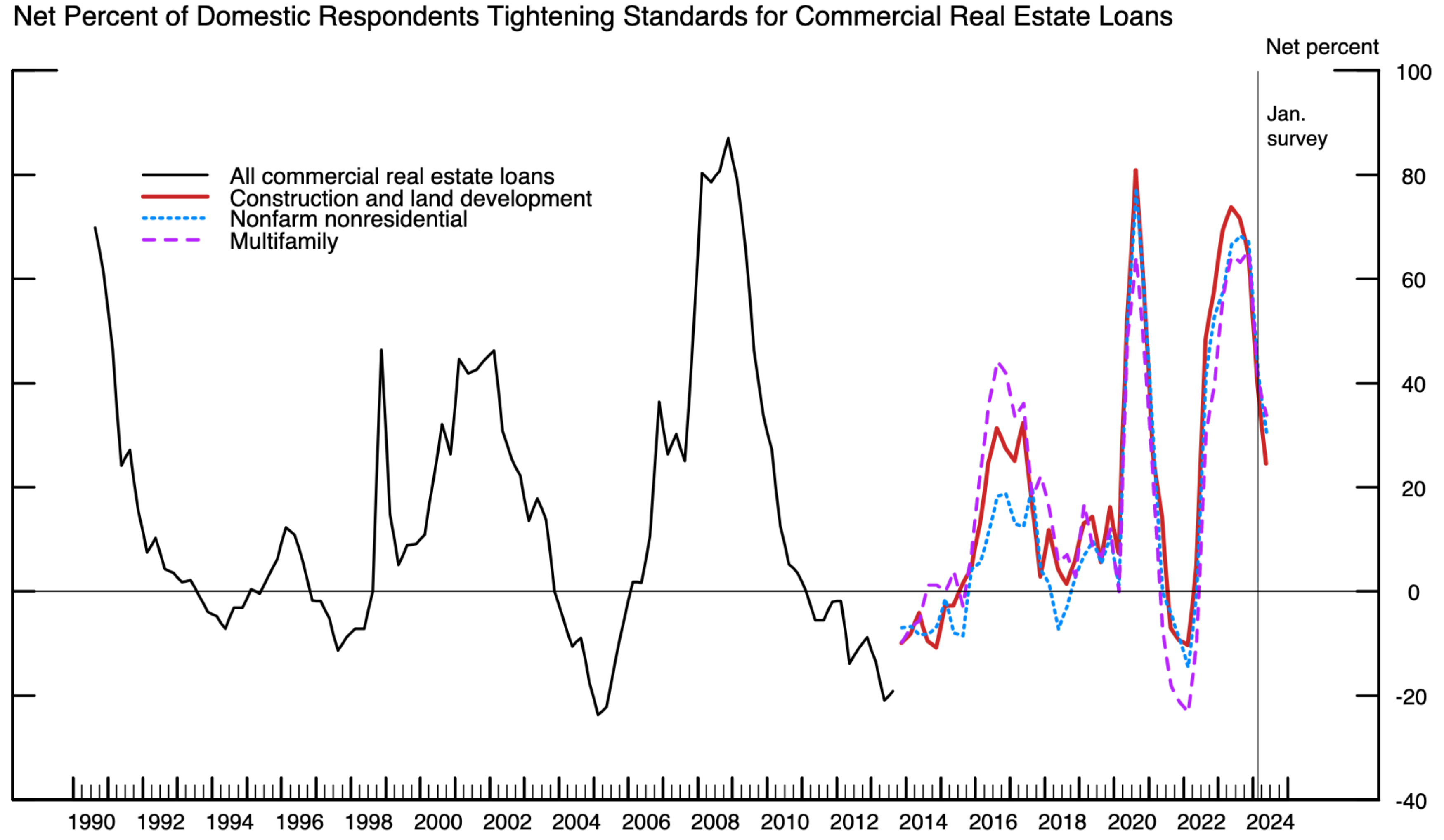


Net Percent of Domestic Respondents Tightening Standards for Commercial and Industrial Loans

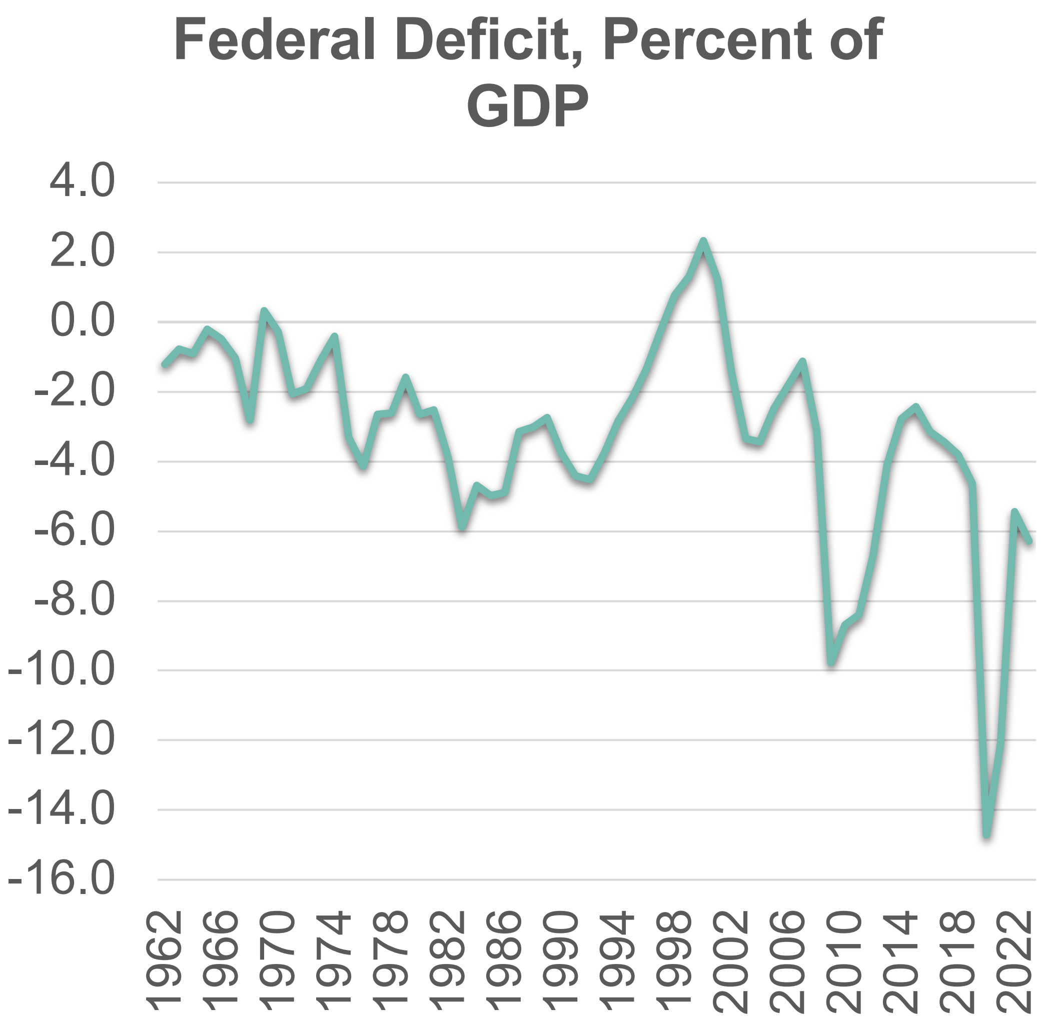


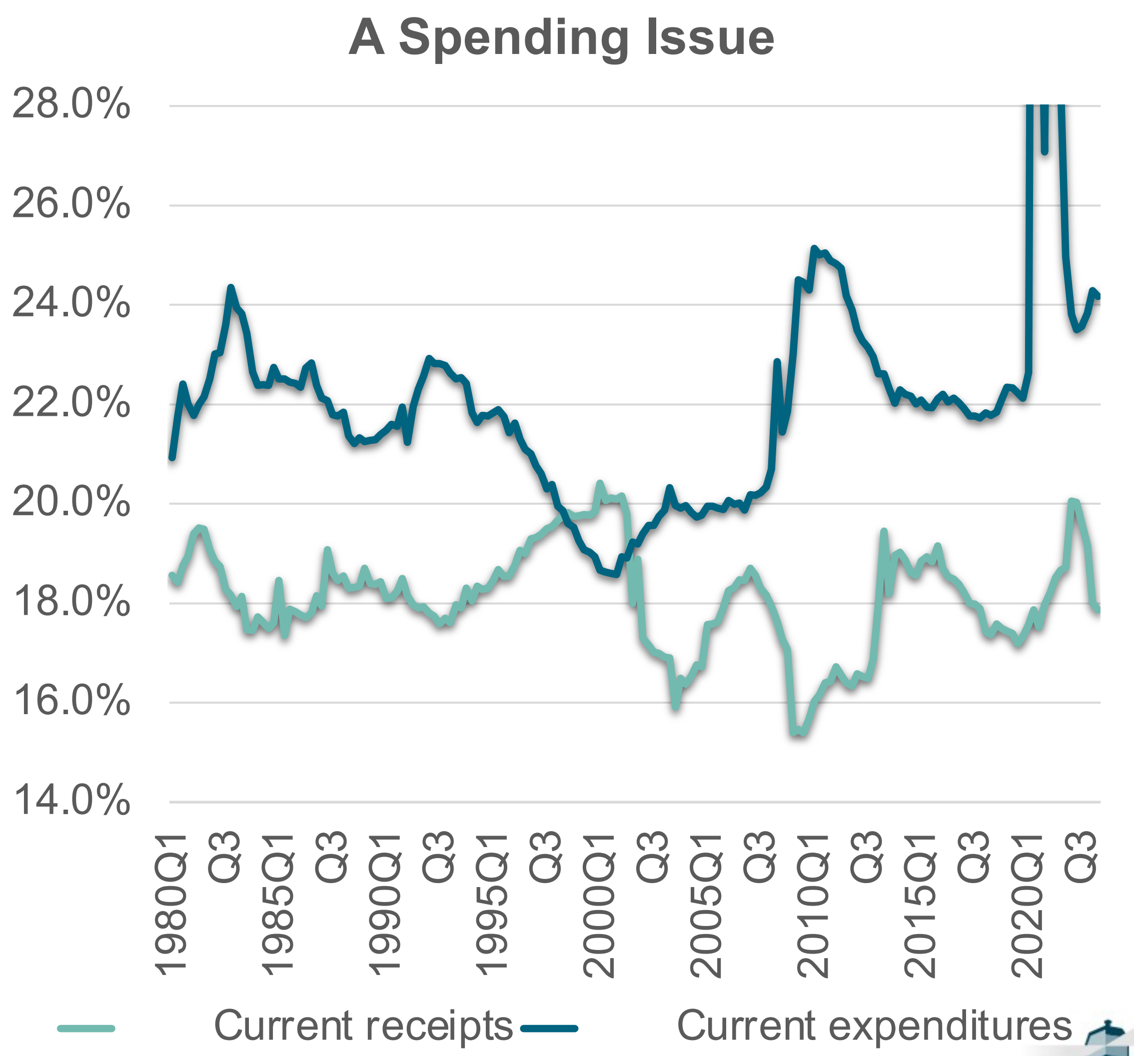
Net Percent of Domestic Respondents Increasing Spreads of Loan Rates over Bank's Cost of Funds



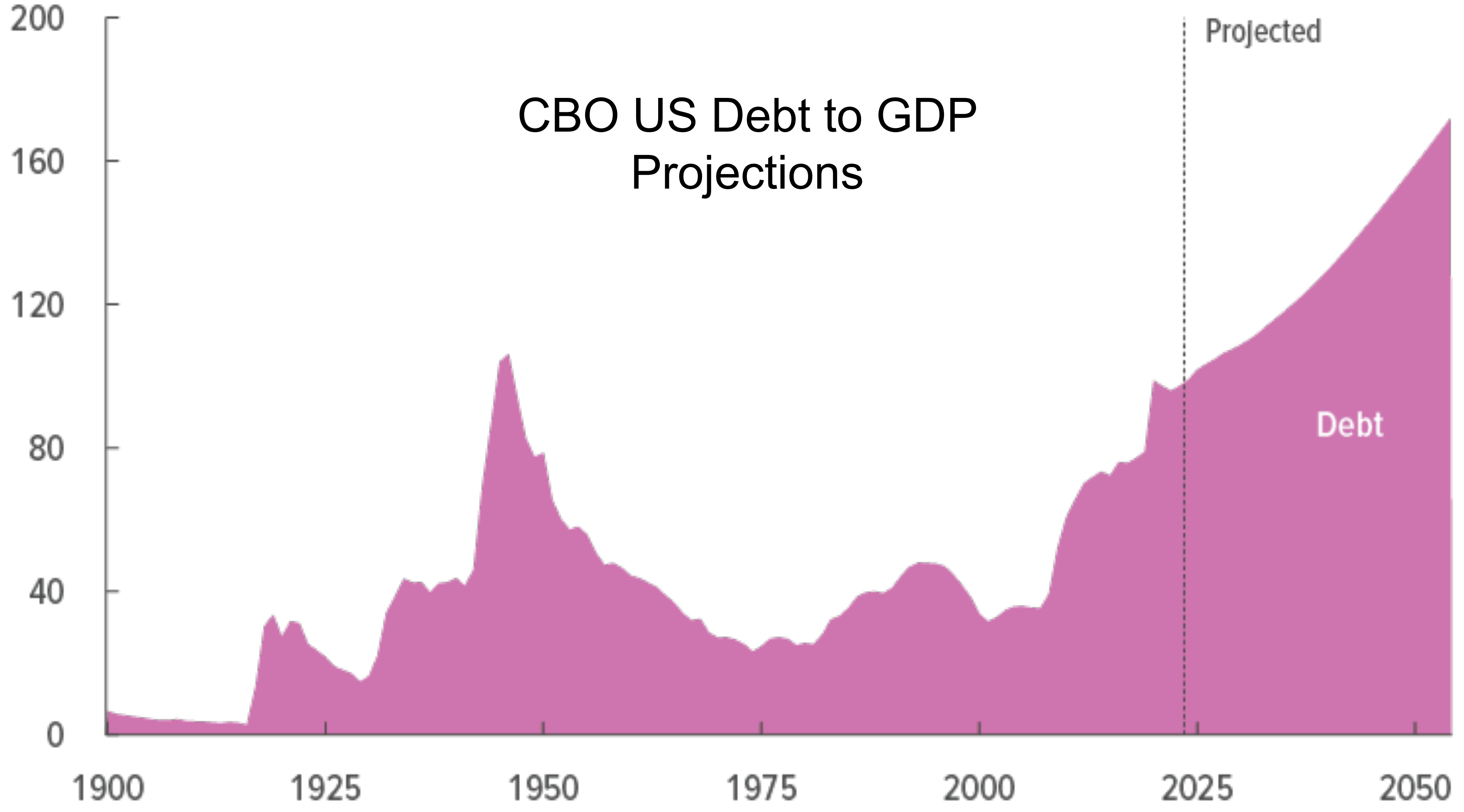

Net Percent of Domestic Respondents Tightening Standards for Commercial Real Estate Loans
Net percent
Jan.
survey
All commercial real estate loans
Construction and land development
Nonfarm nonresidential
Multifamily
100
80
60
40
20
0
-20
-40
1990
1992
1994
1996
1998
2000
2002
2004
2006
2008
2010
2012
2014
2016
2018
2020
2022
2024

Powell's Legacy: The Federal Deficit

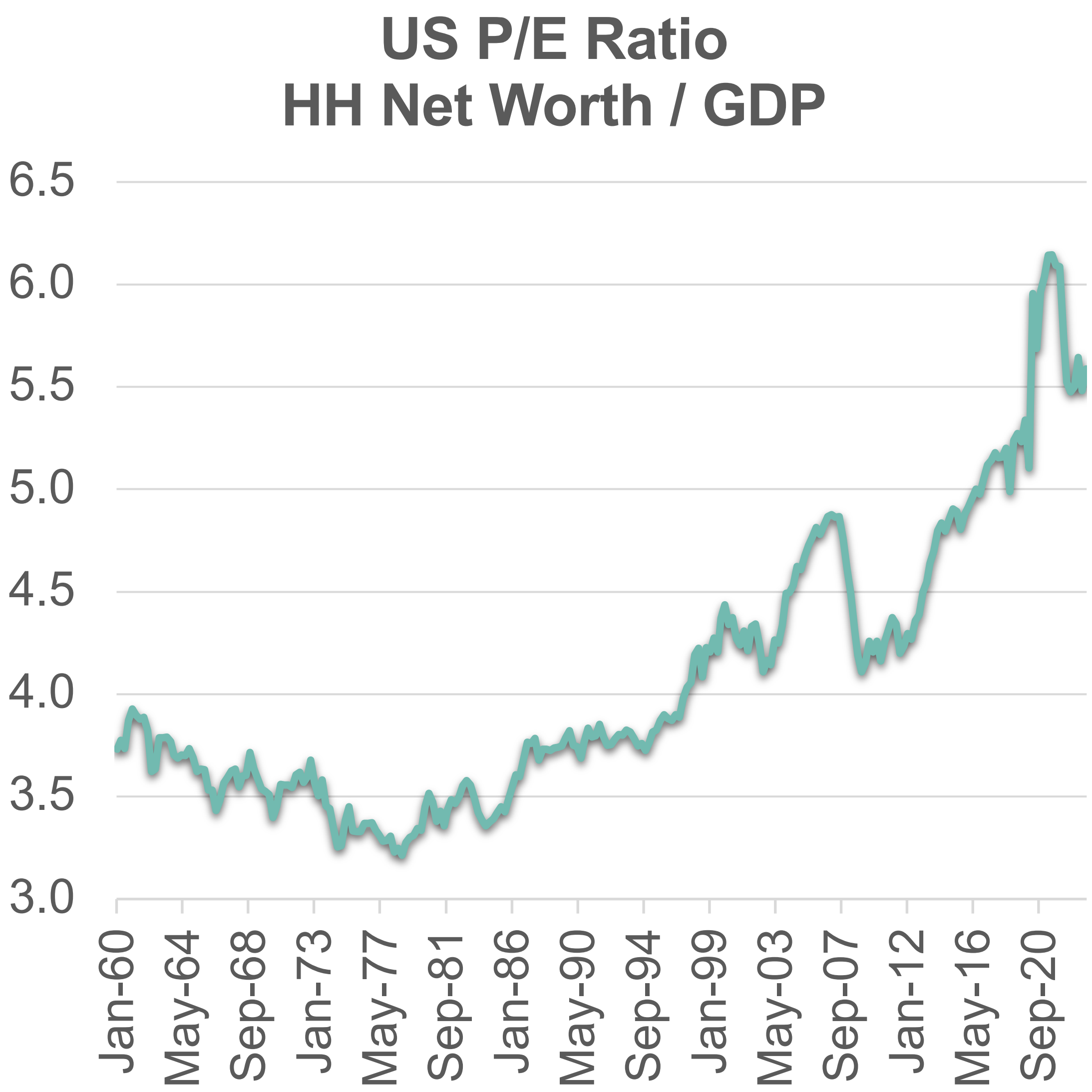


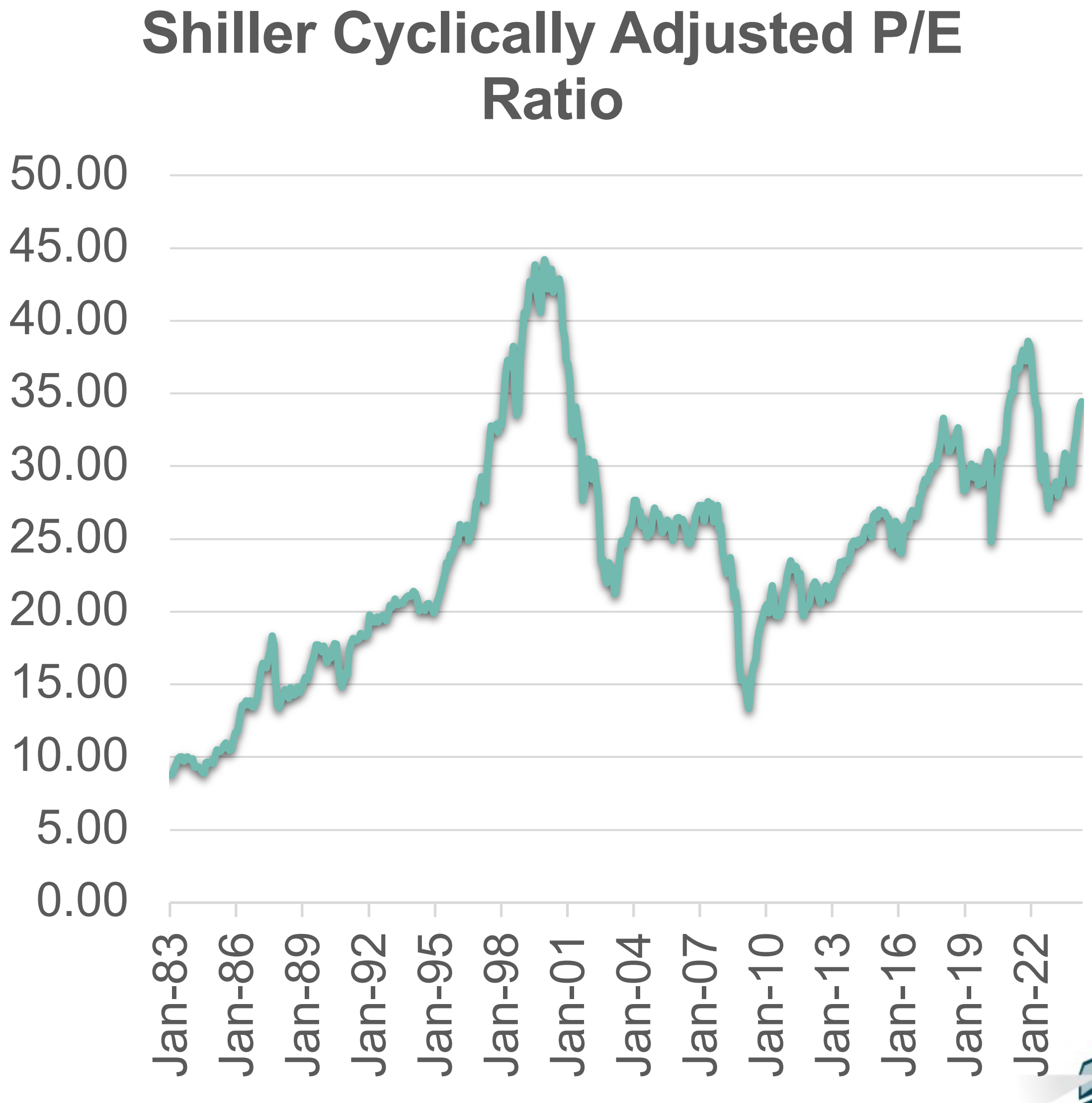


CBO US Debt to GDP
Projections

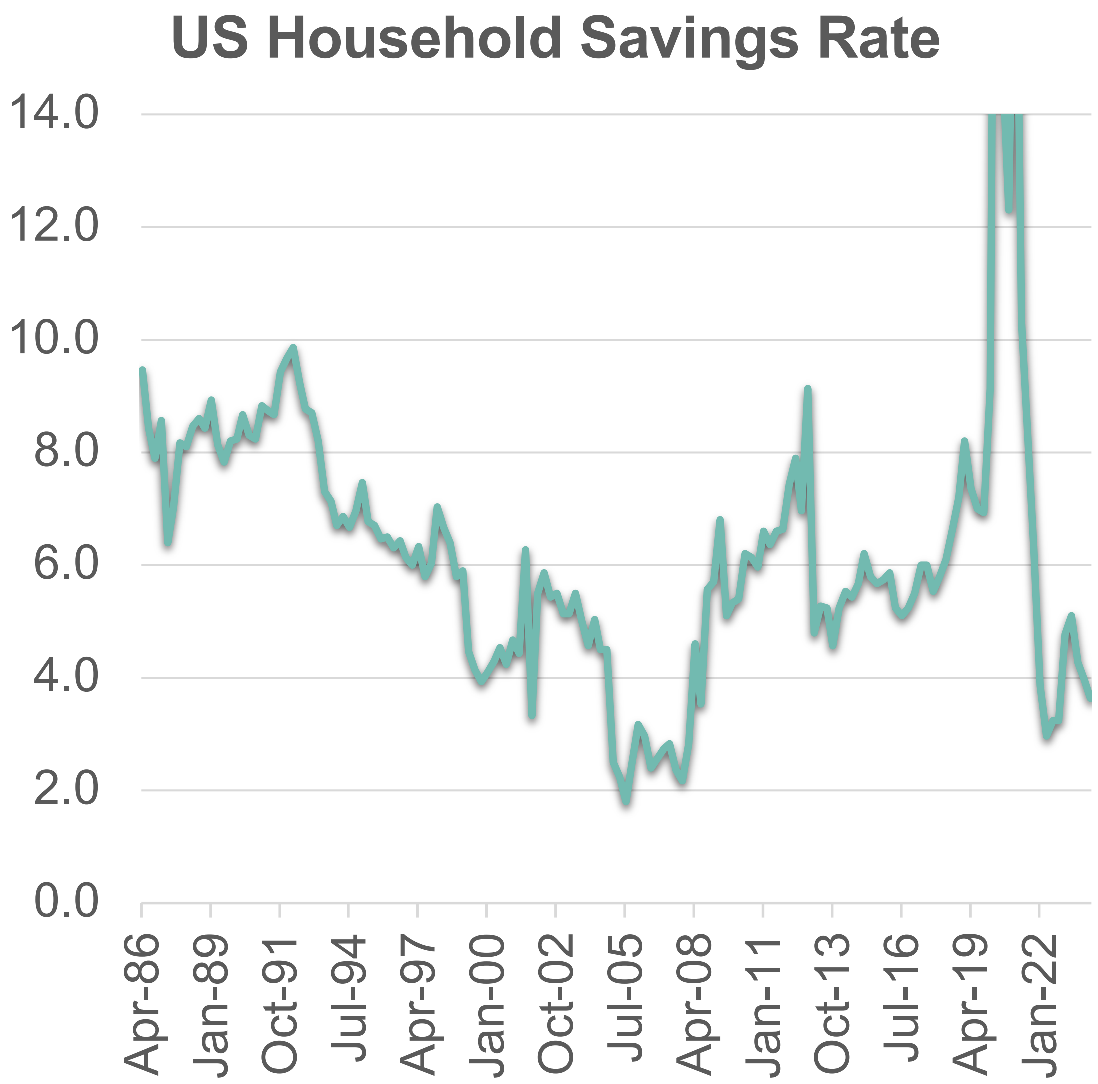


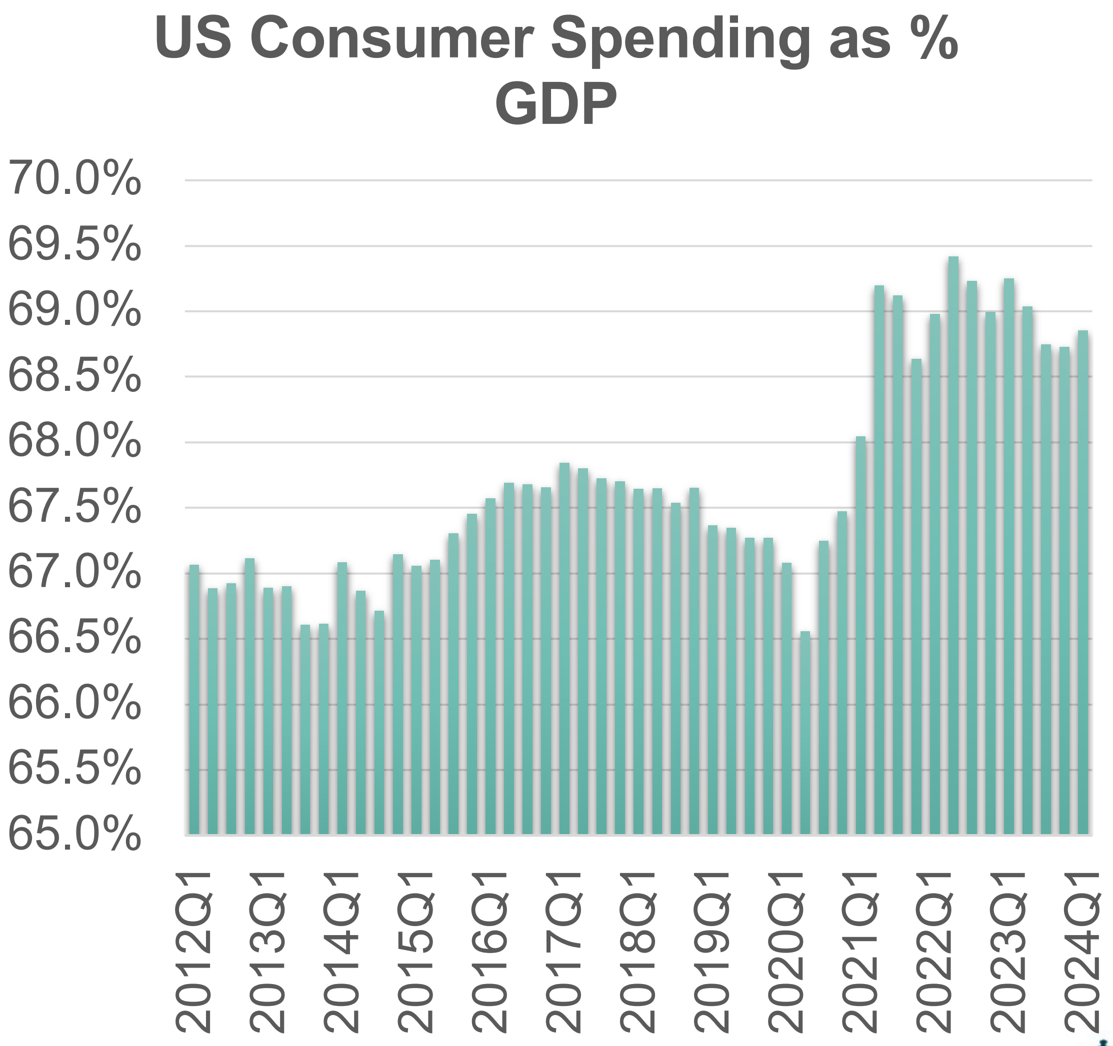
Powell’s Legacy: Frothy Asset Prices



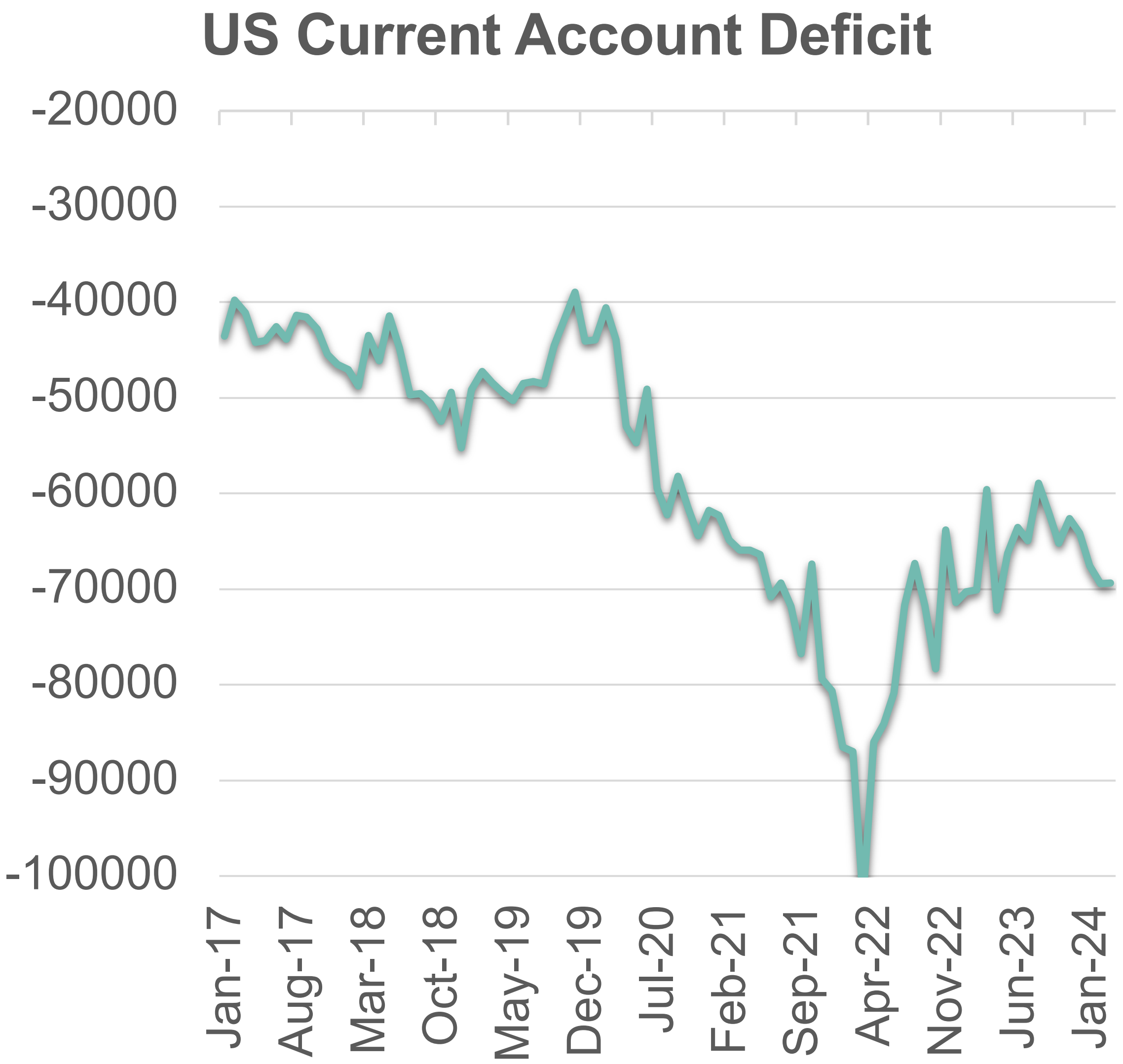


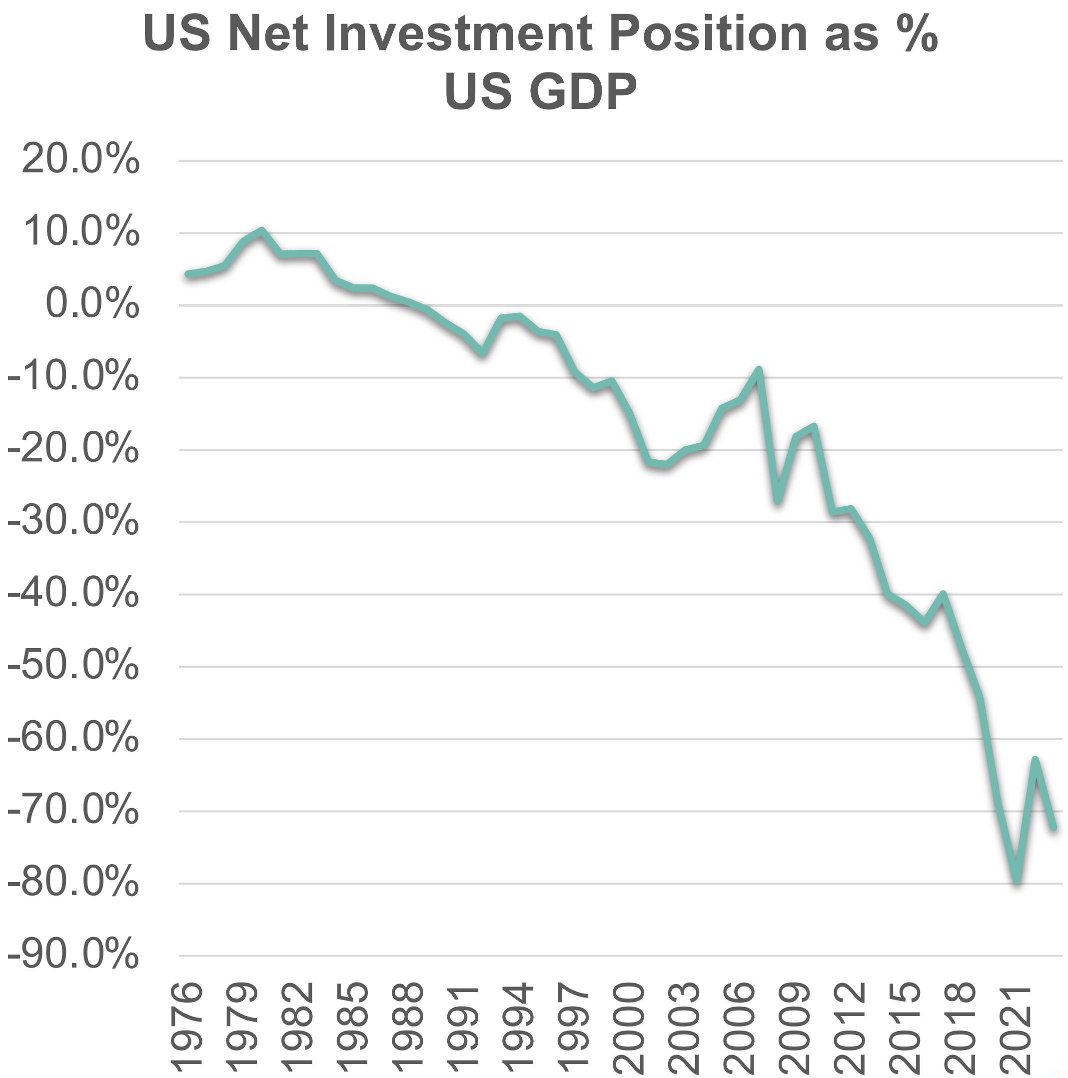
Powell’s Legacy: Excess Spending



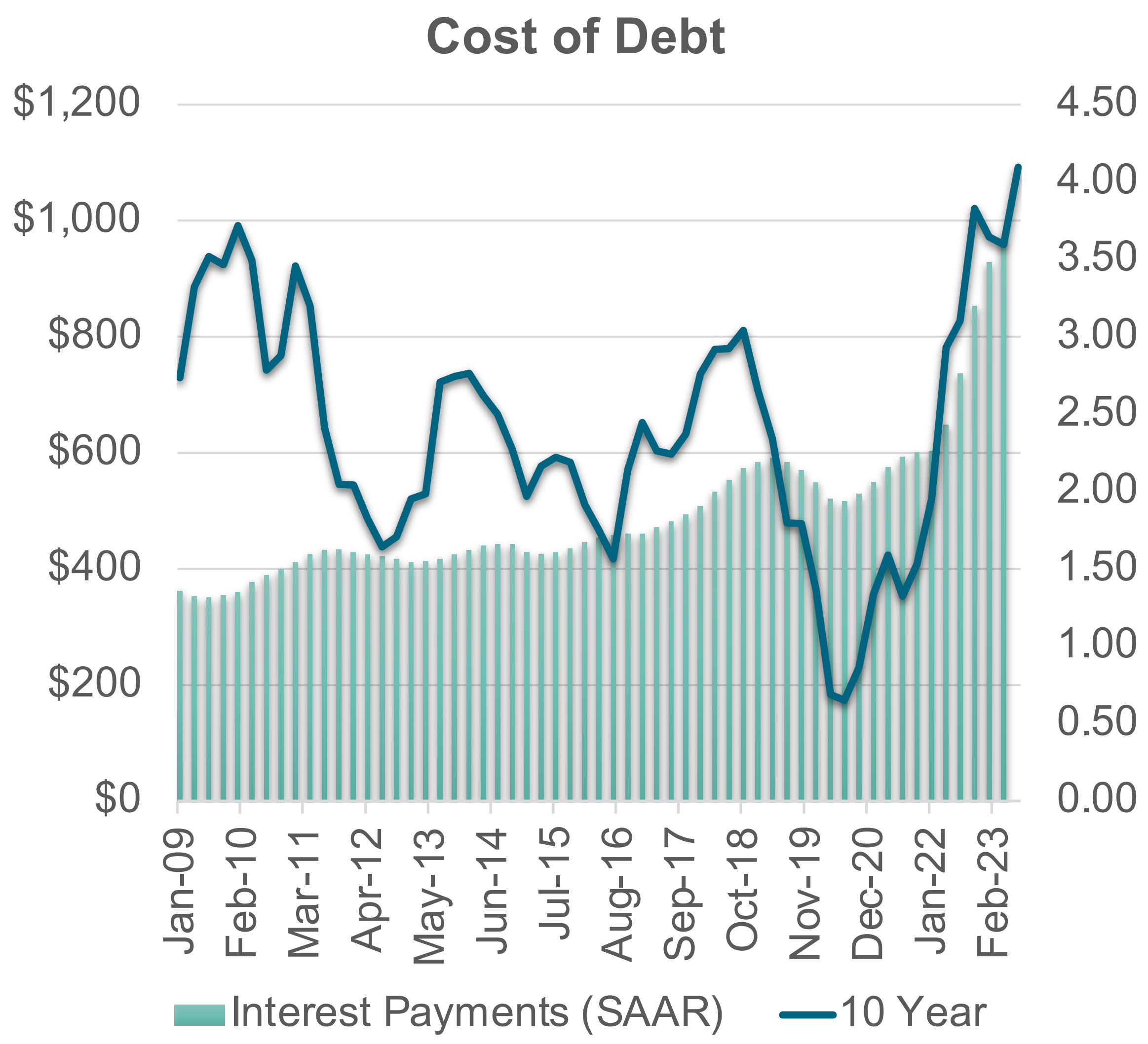


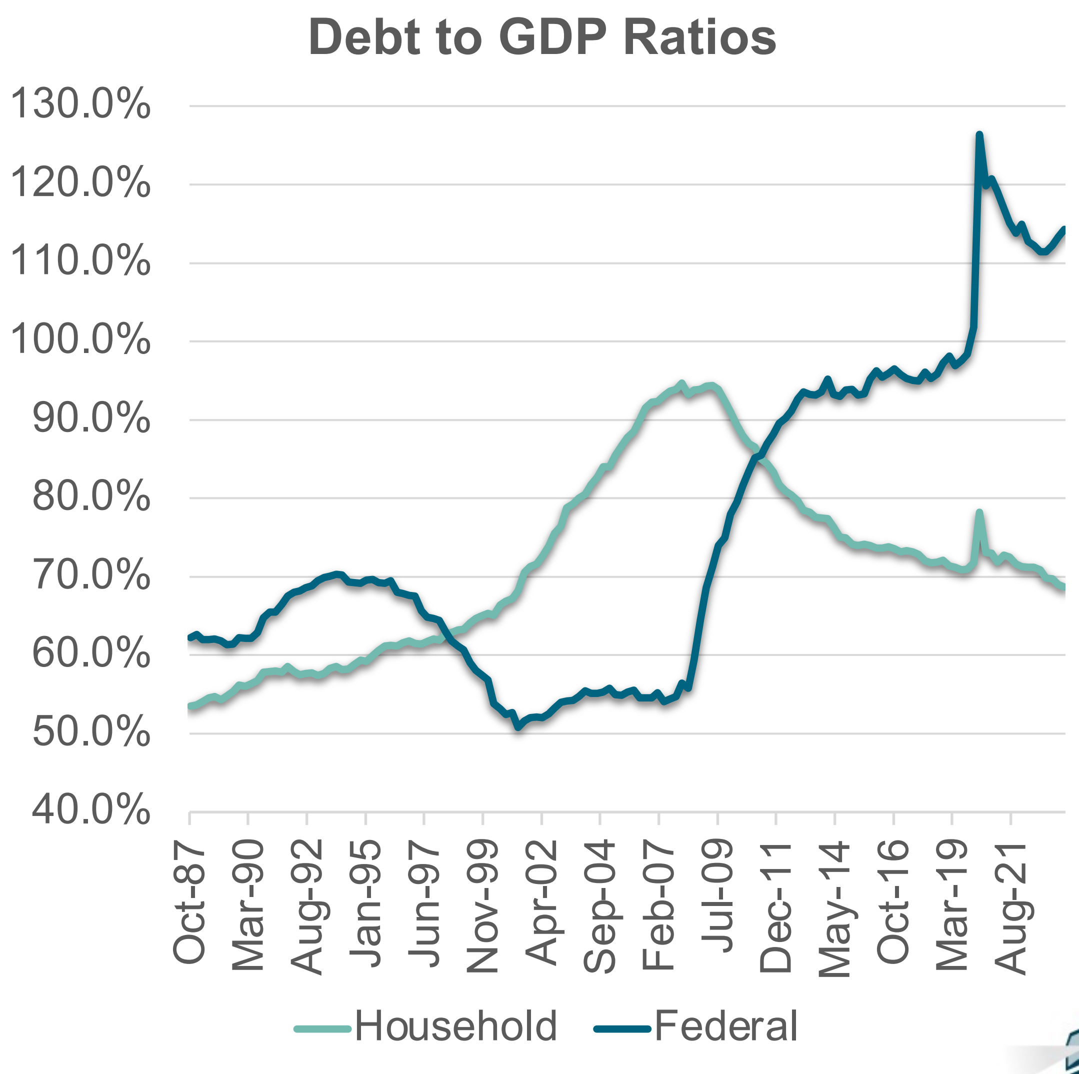
Powell's Legacy: External Deficits





Powell's Legacy: The Federal Deficit





Out of the Woods?

We were never in the woods.

- Excess demand causes inflation, not recessions
- Higher rates offset by high liquidity, low private debt levels
- Consumer demand will remain strong keep US going

California: Missing the point

- Housing Supply not affordability
- Revenue reform not higher taxes
- Upskill workers, not up pay

Housing: Demand v liquidity

- Market will move into equilibrium slowly
- Cool, not collapse

The real issue?

- The narrative is running amuck
- Political chaos in its wake

Final Thoughts

California needs to increase housing supply

- Market rate as much as affordable
- Re-zoning, reduction in local fees, building code over-reach
- Incentives vs punishment
- MF needed everywhere-not just cities

Urban areas have too much office, not enough Housing

- The lack of crisis is a crisis
- Don’t want dead zones—adaptive reuse
- Suburban may have too much industrial

Incomes and Inequality

- Things are better, but more help is needs
- Upskill, not up-pay
- Teaching Anti-fragility

San Jose and Tech

- Labor and housing costs diminish areas competitiveness
- Stickiness preventing pivot to new areas
- Area needs to lean in on labor force growth to attract entrepreneurs
- AI is not a game-changer, impact on Bay will be felt when AI is built into broader system

Sticky Narratives

“People can believe pretty much whatever they want to believe about moral and political issues, as long as some other people near them believe it, so you have to focus on indirect methods to change what people want to believe.

— Jonathan Haidt, *The Righteous Mind: Why Good People are Divided by Politics and Religion*

Thank You!

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