



# US & Marin County Economic Update

## San Rafael Chamber of Commerce

December 9, 2021  
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Executive Director, NEED



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## National Economic Education Delegation

### • Vision

- One day, the public discussion of policy issues will be grounded in an accurate perception of the underlying economic principles and data.

### • Mission

- NEED unites the skills and knowledge of a vast network of professional economists to promote understanding of the economics of policy issues in the United States.

### • NEED Presentations

- Are **nonpartisan** and intended to reflect the consensus of the economics profession.

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## Who Are We?

- **Honorary Board: 54 members**

- 2 Fed Chairs: Janet Yellen, Ben Bernanke
- 6 Chairs Council of Economic Advisers
  - o Furman (D), Rosen (R), Bernanke (R), Yellen (D), Tyson (D), Goolsbee (D)
- 3 Nobel Prize Winners
  - o Akerlof, Smith, Maskin

- **Delegates: 600+ members**

- At all levels of academia and some in government service
- All have a Ph.D. in economics
- Crowdsource slide decks
- Give presentations

- **Global Partners: 44 Ph.D. Economists**

- Aid in slide deck development



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## Available NEED Topics Include:

- **Coronavirus Economics**
- **US Economy**
- **Climate Change**
- **Economic Inequality**
- **Economic Mobility**
- **Trade and Globalization**
- **Minimum Wages**
- **Immigration Economics**
- **Housing Policy**
- **Federal Budgets**
- **Federal Debt**
- **Black-White Wealth Gap**
- **Autonomous Vehicles**
- **US Social Policy**



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- **This slide deck was authored by:**

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- **Disclaimer**

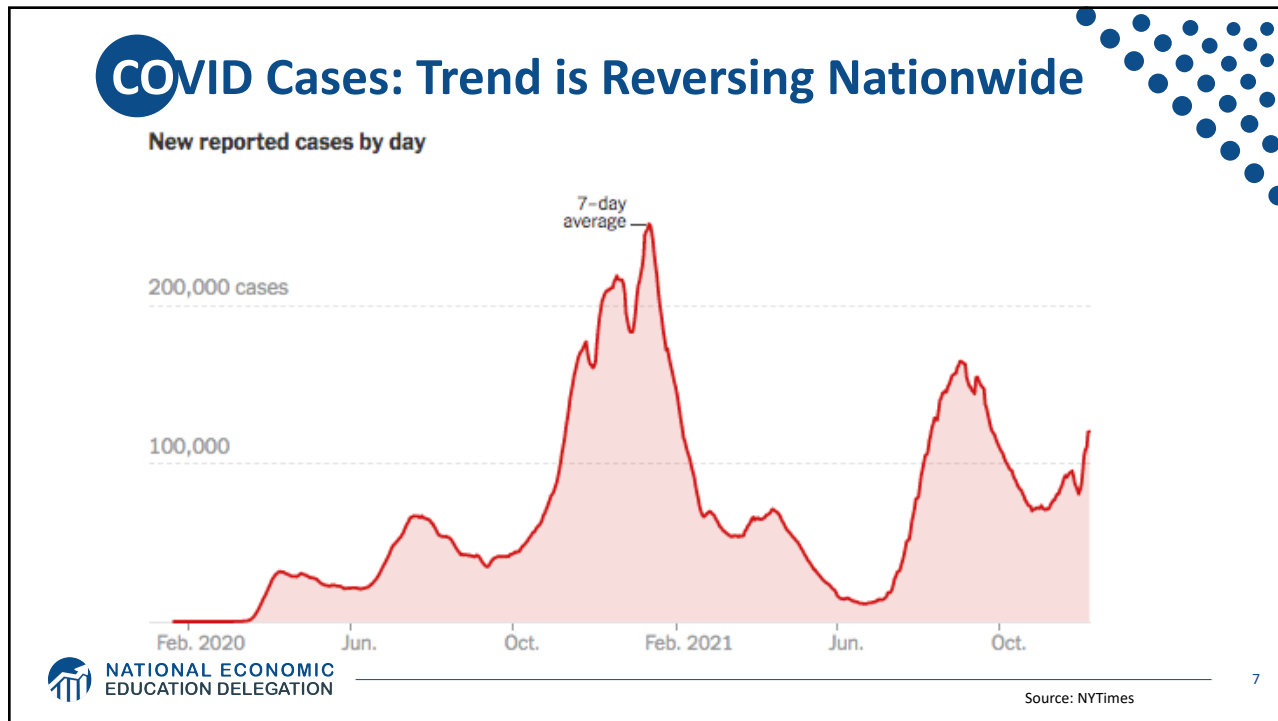
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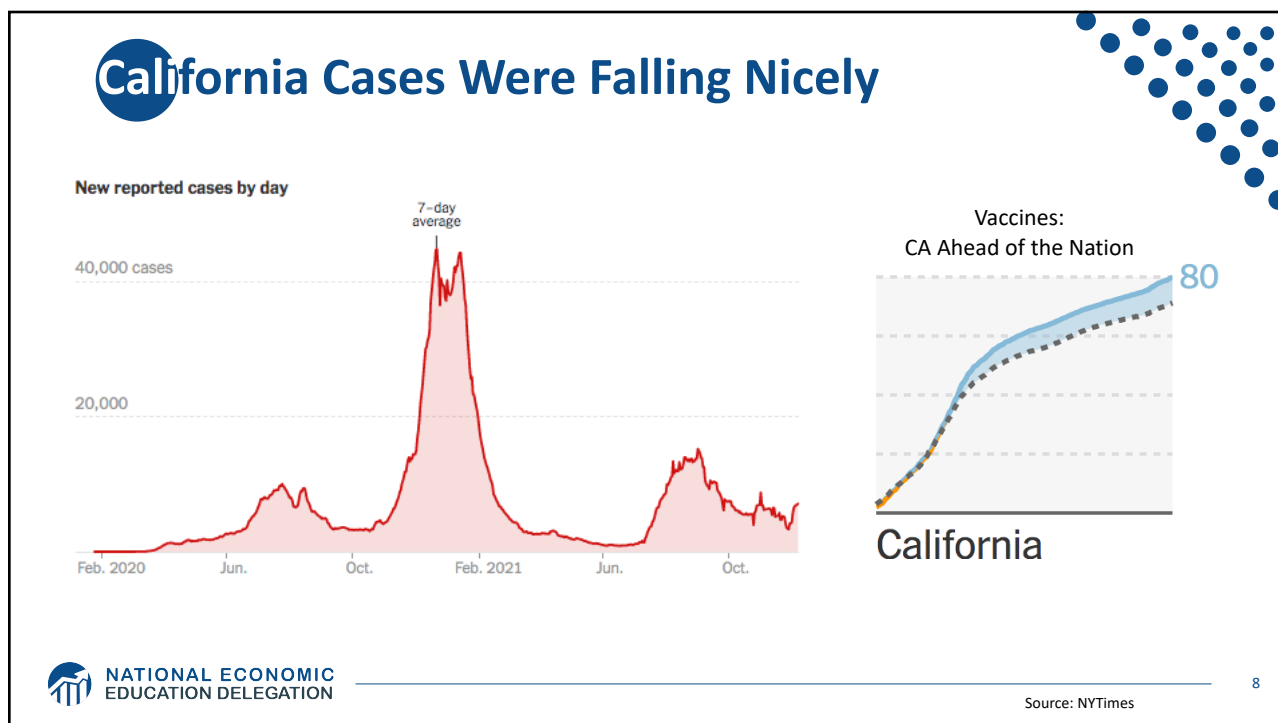
## Outline

- **State of the Pandemic**
- **Evidence of Impact**
- **Employment Growth**
- **Inflation**

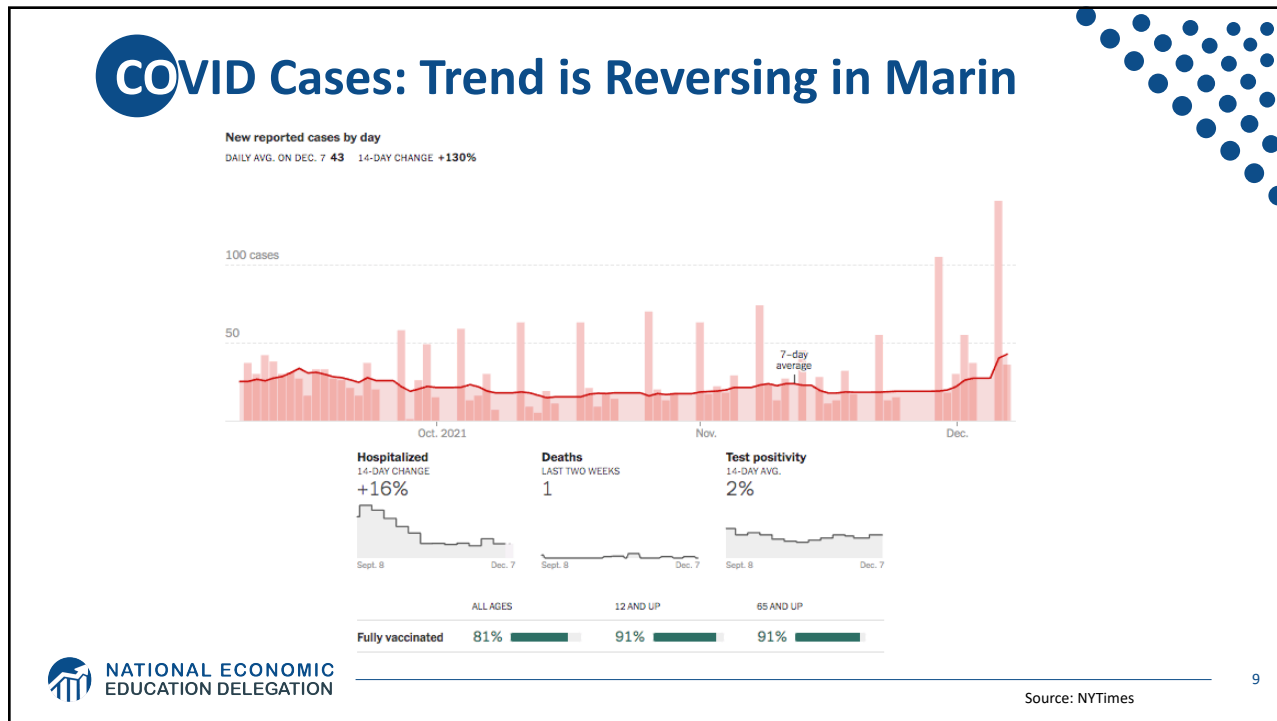
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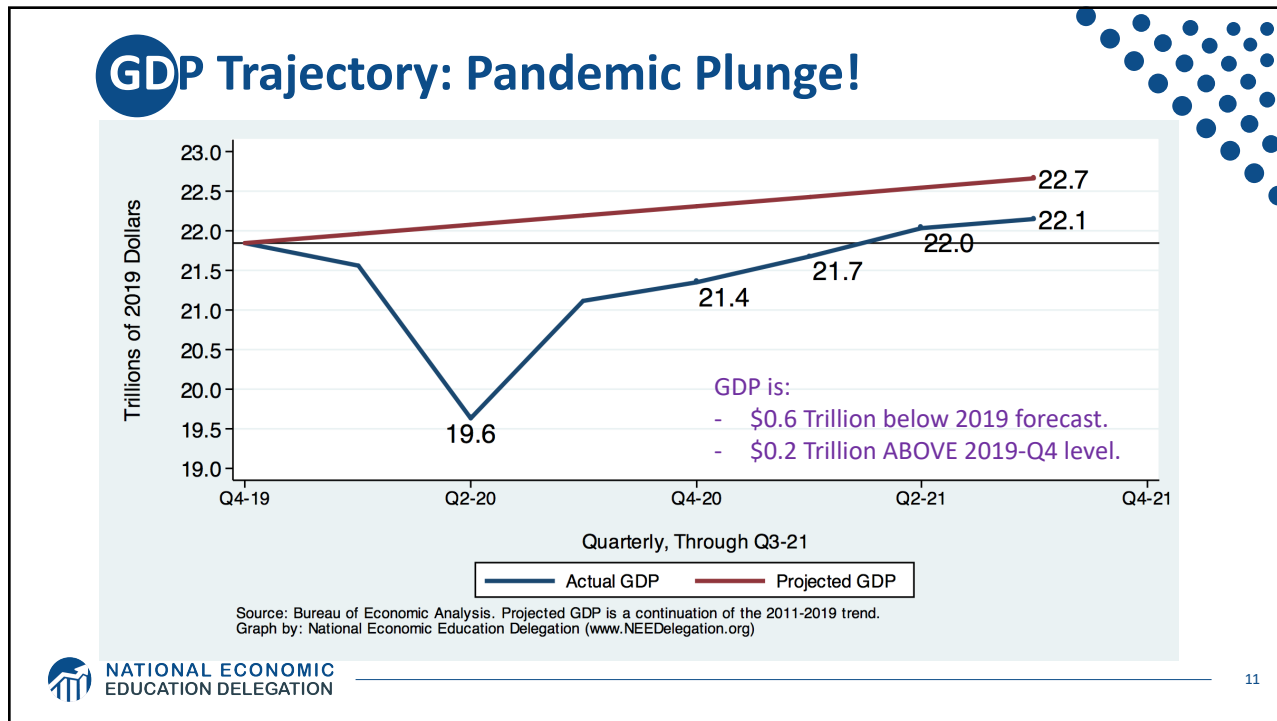
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## GDP Growth & Forecast

Quarter	Growth (%), SAAR
2020-Q3	33.8
2020-Q4	4.5
2021-Q1	6.3
2021-Q2	6.7
2021-Q3	2.1
2021-Q4	5.1*

Growth has slowed significantly.

Coincidentally, so has government COVID spending.

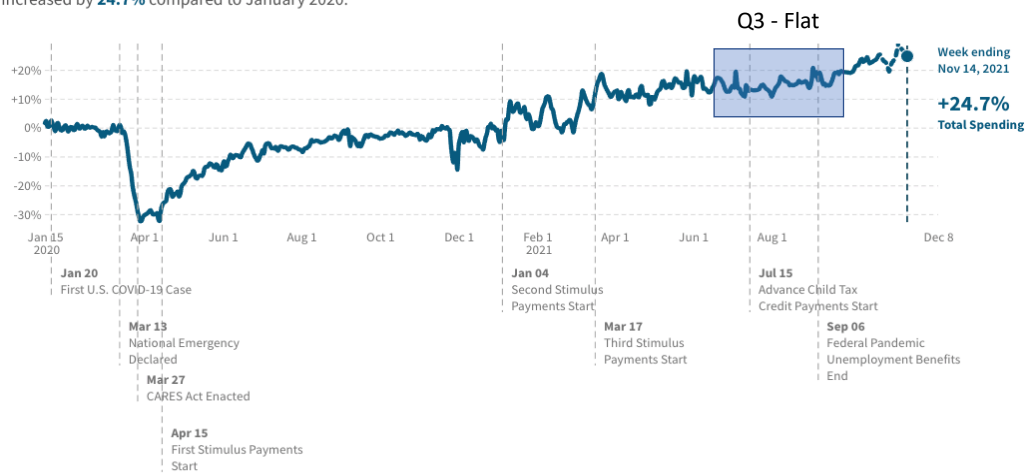
\* Average of Blue Chip forecasts.

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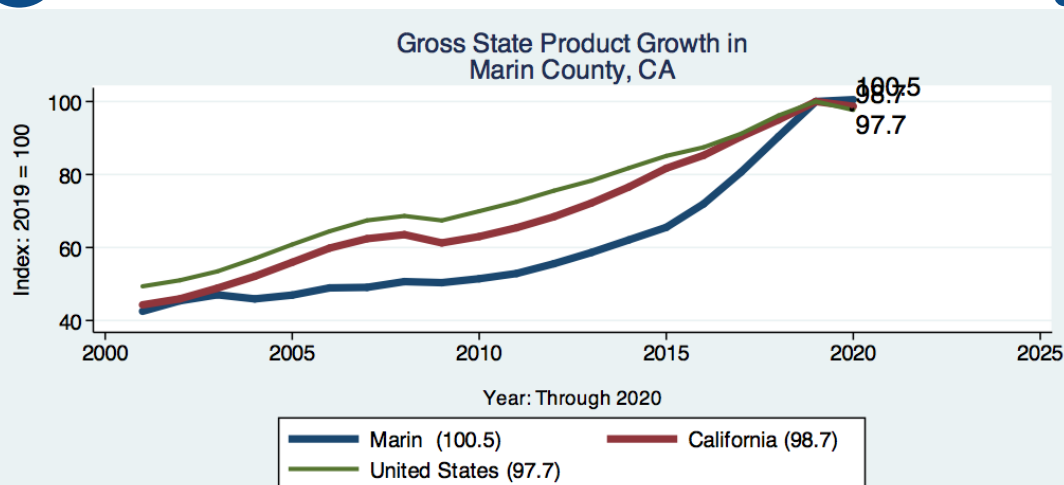
## Spending Patterns Since First US Case

In the United States, as of November 14, 2021, total spending by all consumers increased by **24.7%** compared to January 2020.



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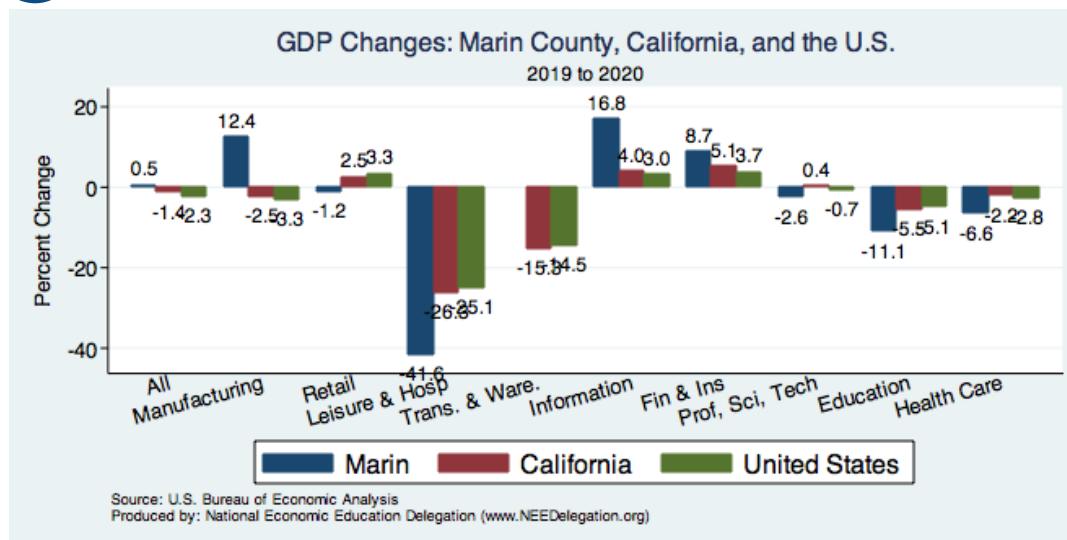
## Marin County Held up Relatively Well



Source: U.S. Bureau of Economic Analysis  
Produced by: National Economic Education Delegation ([www.NEEDelegation.org](http://www.NEEDelegation.org))

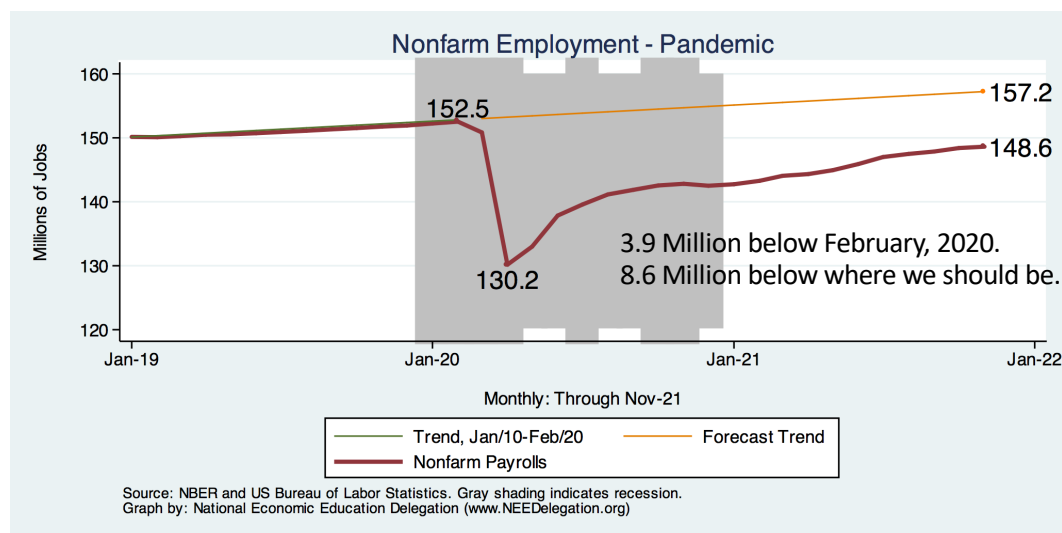
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## But Not All Industries Did



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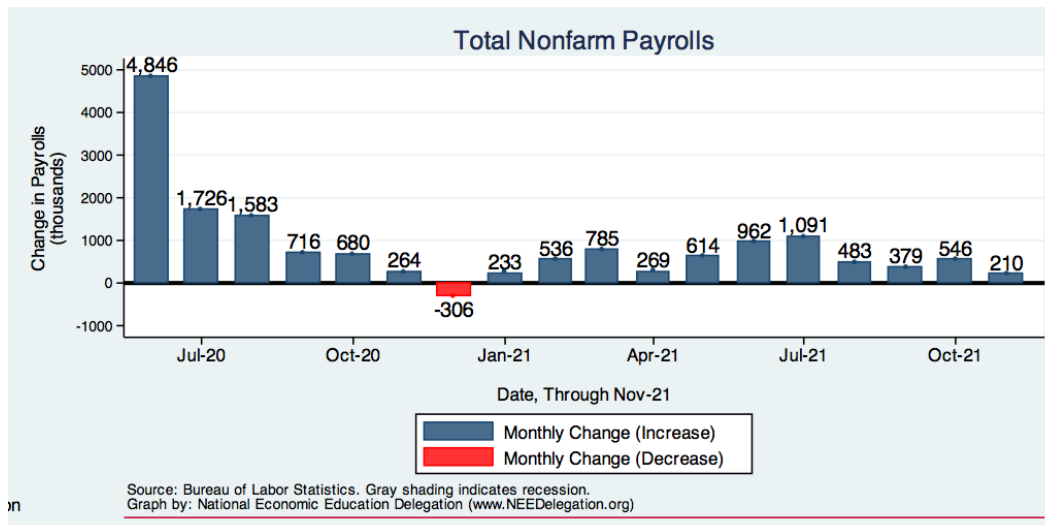
## Employment Gap



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## Employment Growth Has Been Disappointing



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## Why Slow Employment Growth?

### • It might be:

- Continued fear of the virus – now Omicron.
- Microchip shortages.
- Geographic mismatch and an unwillingness to relocate...yet.
- Childcare – lack of availability.
- People wanting to do better.
  - o Facilitated by additional UI/Child Tax Credit payments.
- People dropping out of the labor force.

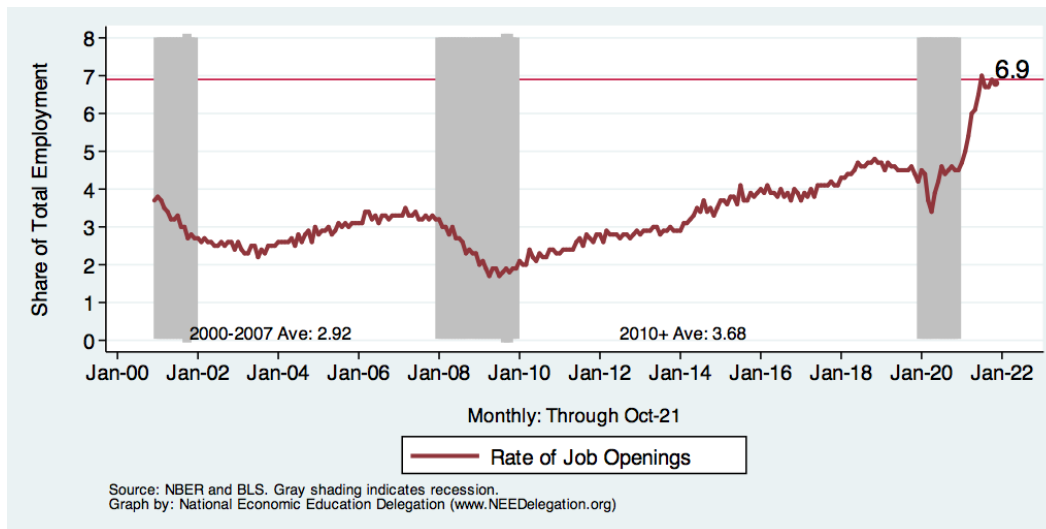


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## Job Openings Are Up

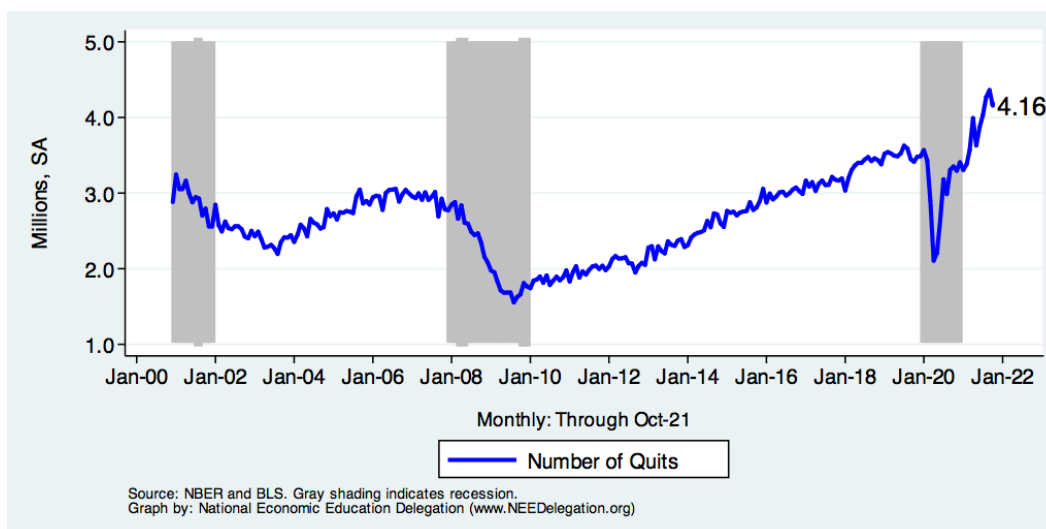


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## Quits Are High! The Great Resignation



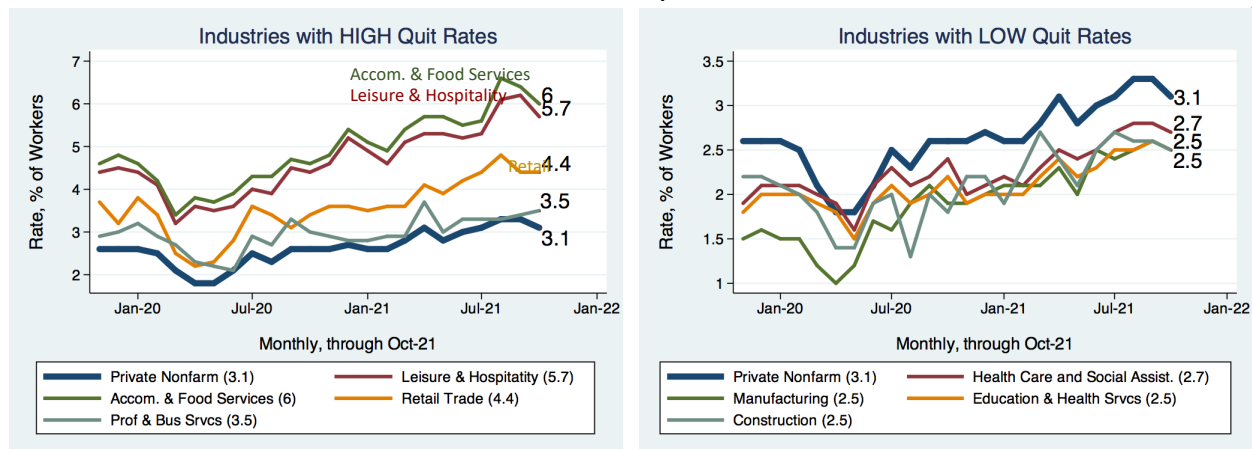
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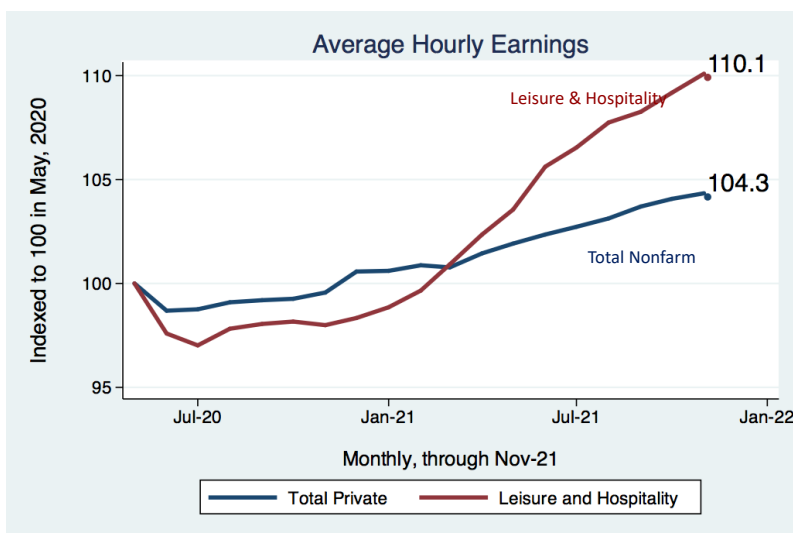
# Quits – Rising, but More in Some Industries

Reached a peak?



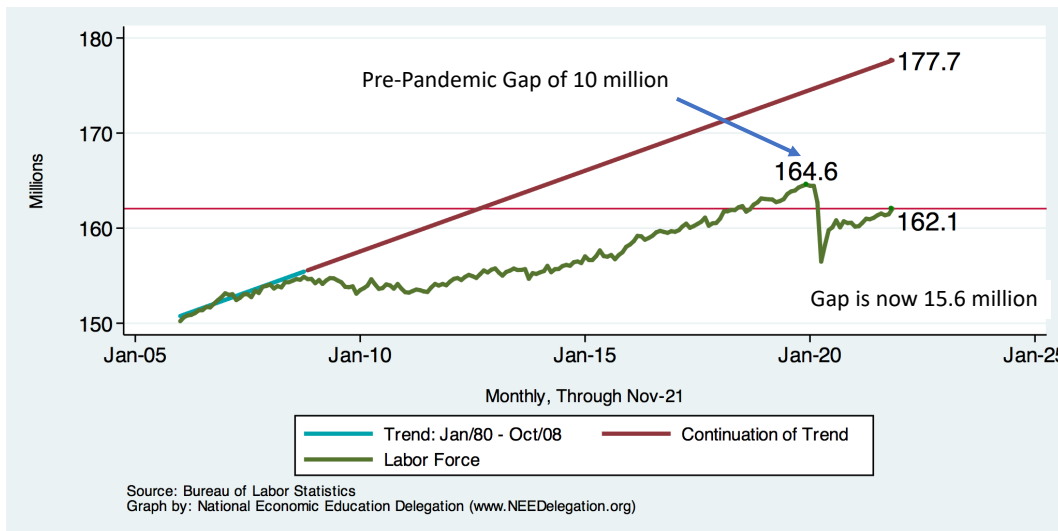
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# This is Happening Despite Rising Wages



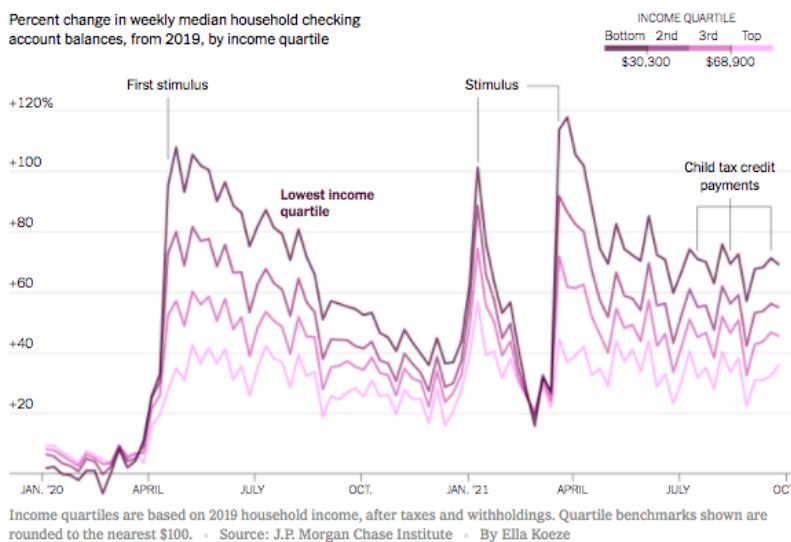
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## Labor Force Gap is Widening



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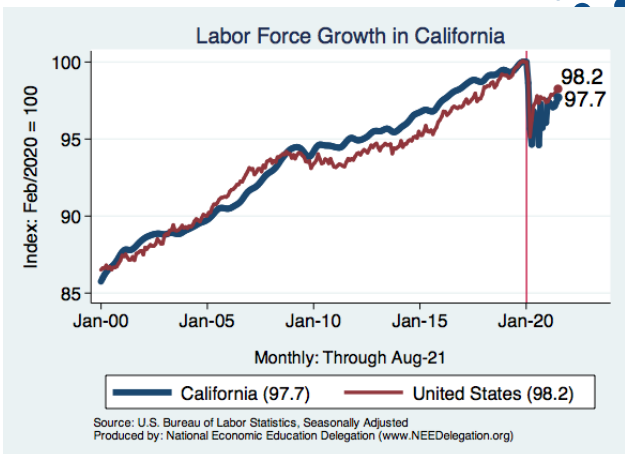
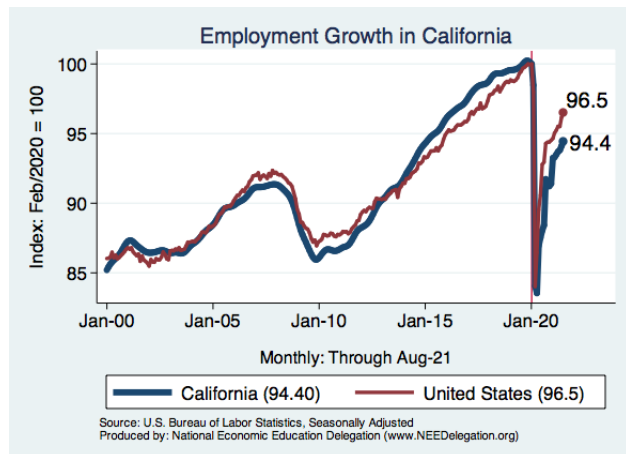
## Rising Wages and Declining Resources



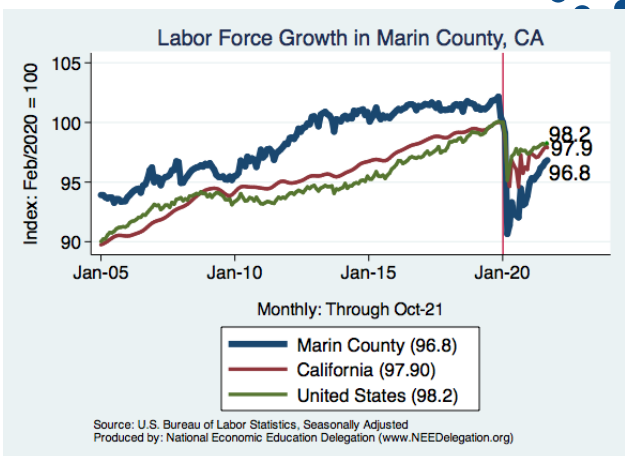
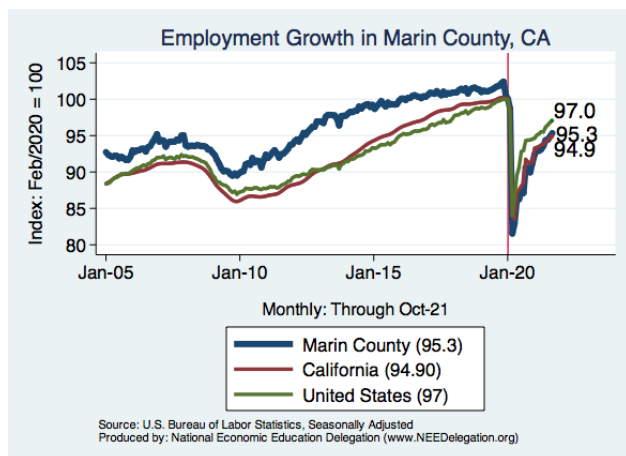
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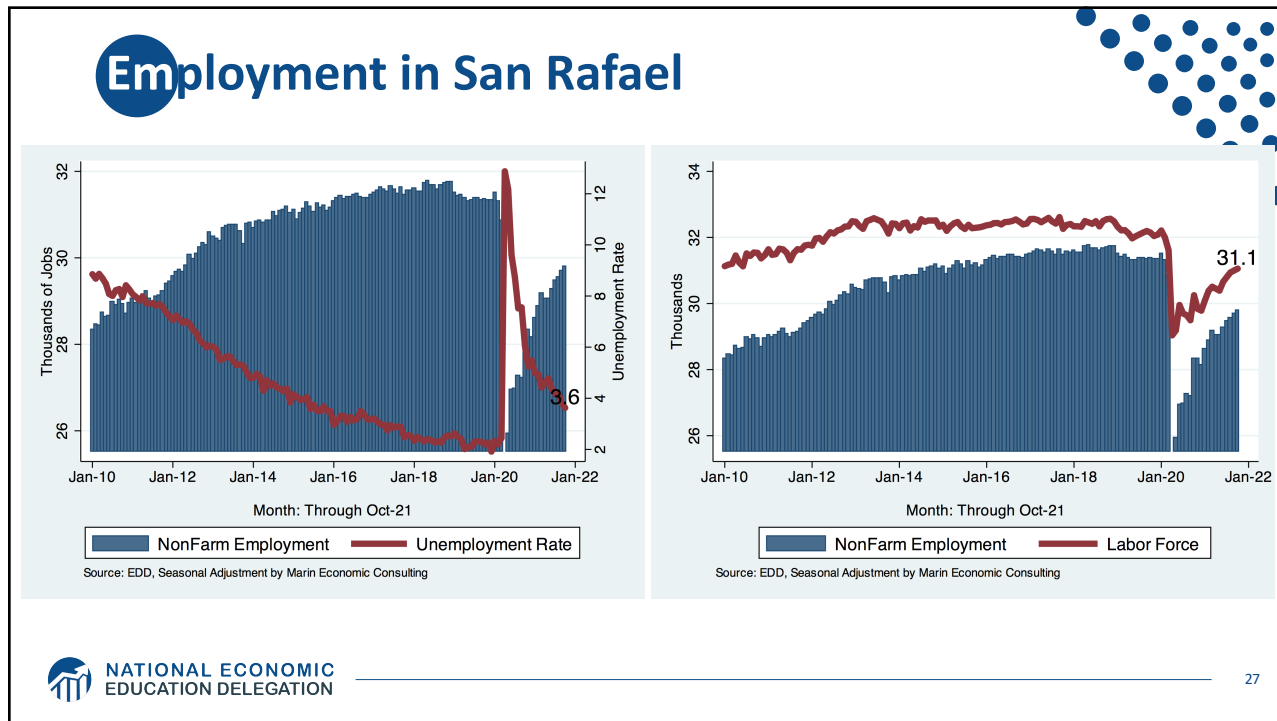
Source: NYTimes.com

# Employment in California

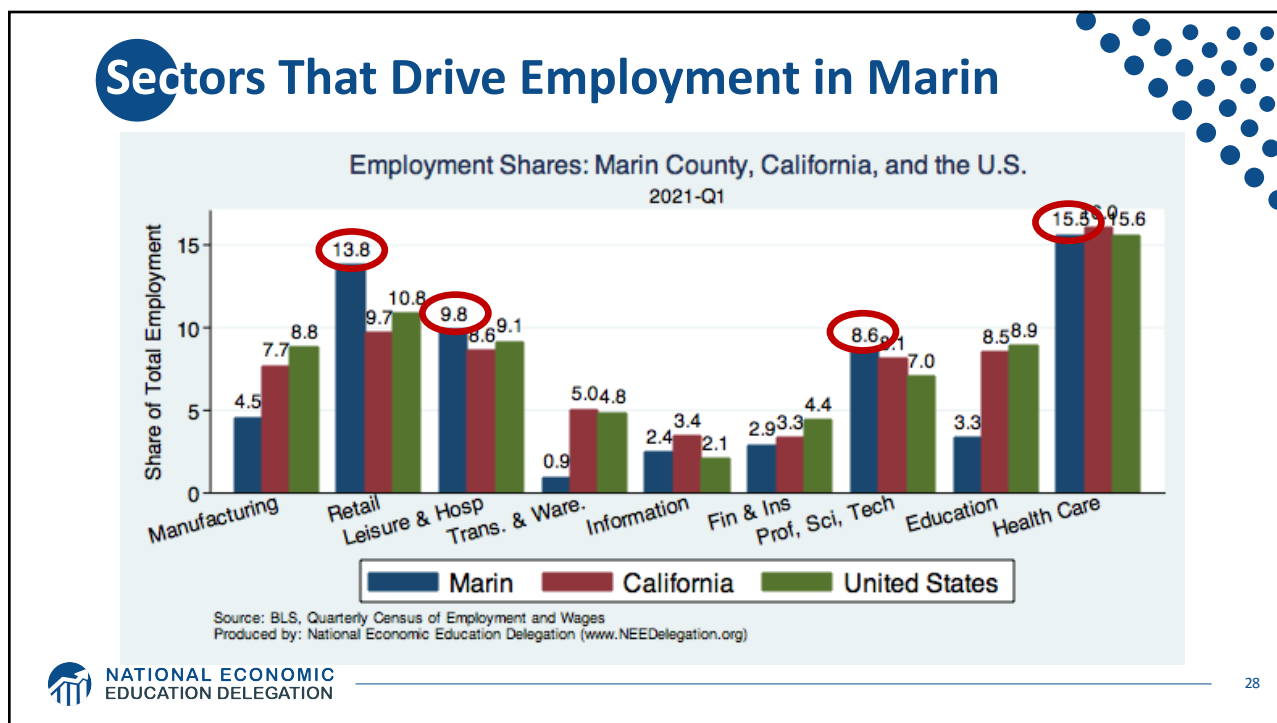


# Employment in Marin



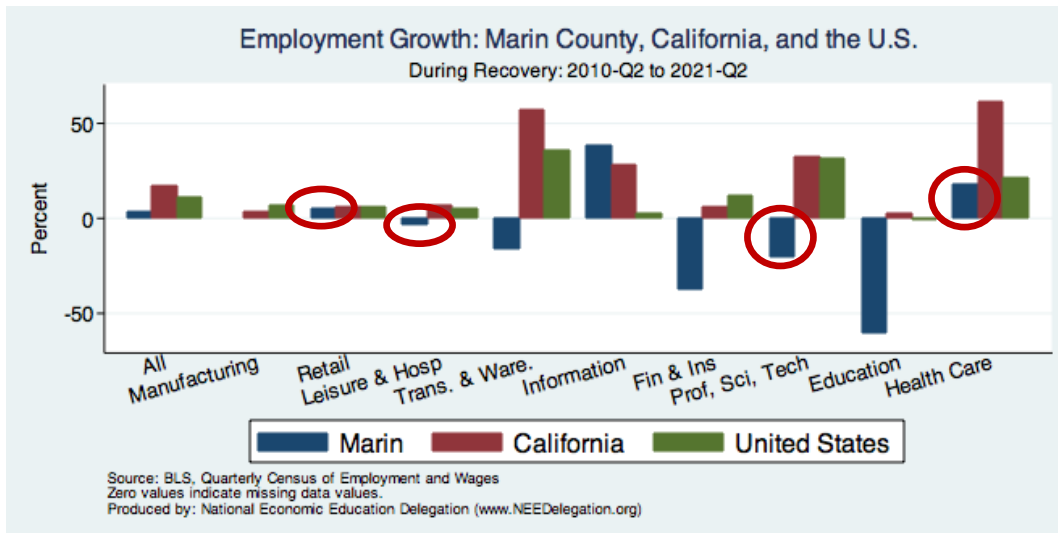


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## And How Are They Doing?



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## Concerns: Debt, Inflation & Structural Changes

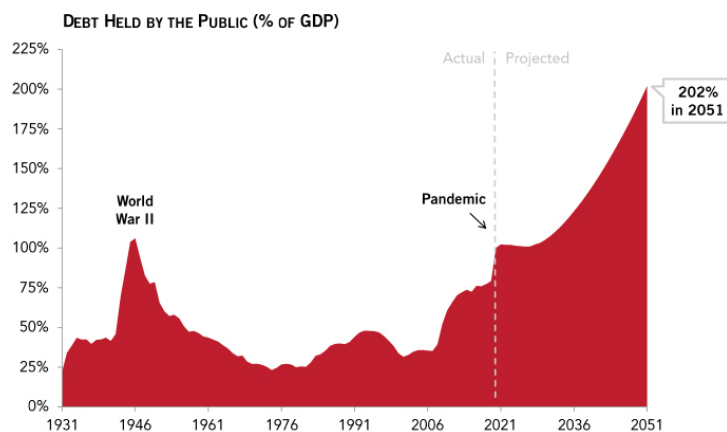


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## Debt: A Problem Exacerbated...Not Created



The national debt is on an unsustainable path



SOURCE: Congressional Budget Office, *The 2021 Long-Term Budget Outlook*, March 2021.  
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## Current Deficits in Perspective:

- The budgetary cost of the 3 major fiscal packages during the pandemic was over \$5 trillion. As a share of the economy this is almost the size of war production in 1943.  
(Romer, *Brookings Papers on Economic Activity*, 3/25/2021.)
- Since March of 2021, Fed net holdings of US Treasury bonds have increased by \$2.7 trillion.



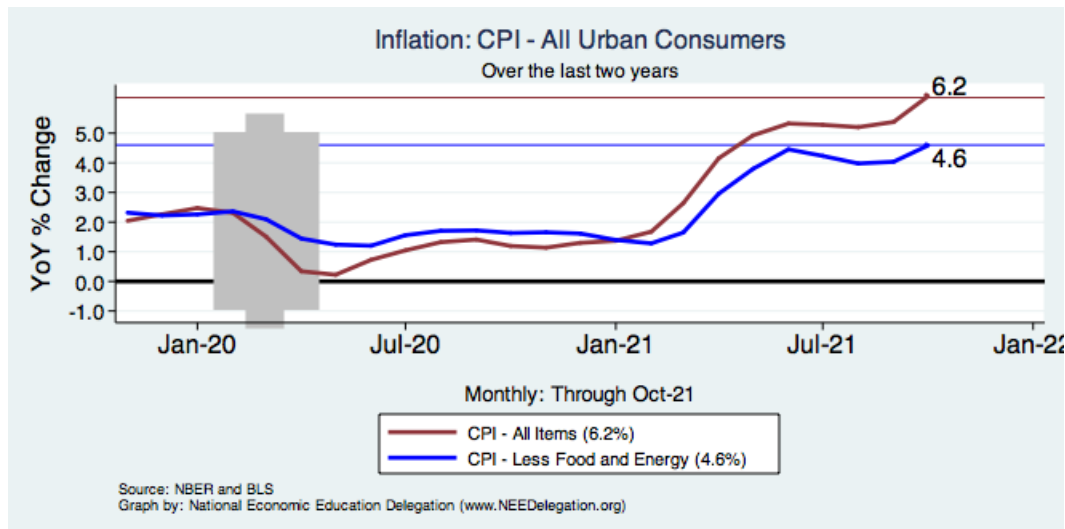
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## Inflation – Climbing! Should we worry?



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## What Index to Follow: CPI or PCE?

- **CPI is the headline statistic, followed by most newspapers.**
  - Allows more granularity – ability to look at specific products.
- **PCE is the one followed by the Fed.**
  - Why?
    - Accounts for short term fluctuations in consumer purchases.
    - Based on more reliable data.
- **Fed generally pays attention to the core inflation #s.**
  - Excluding food and energy.

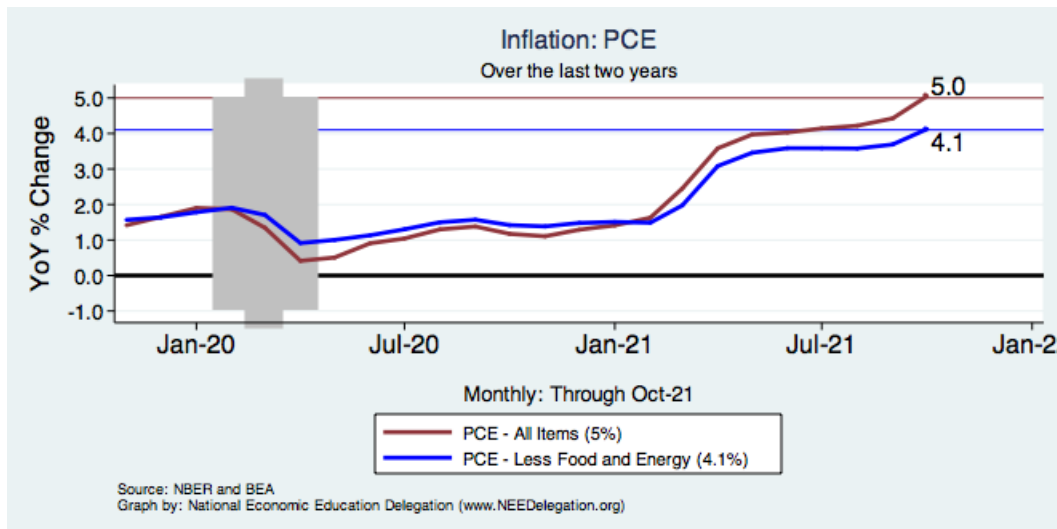


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## Inflation – The Fed’s Metric! Should we worry?

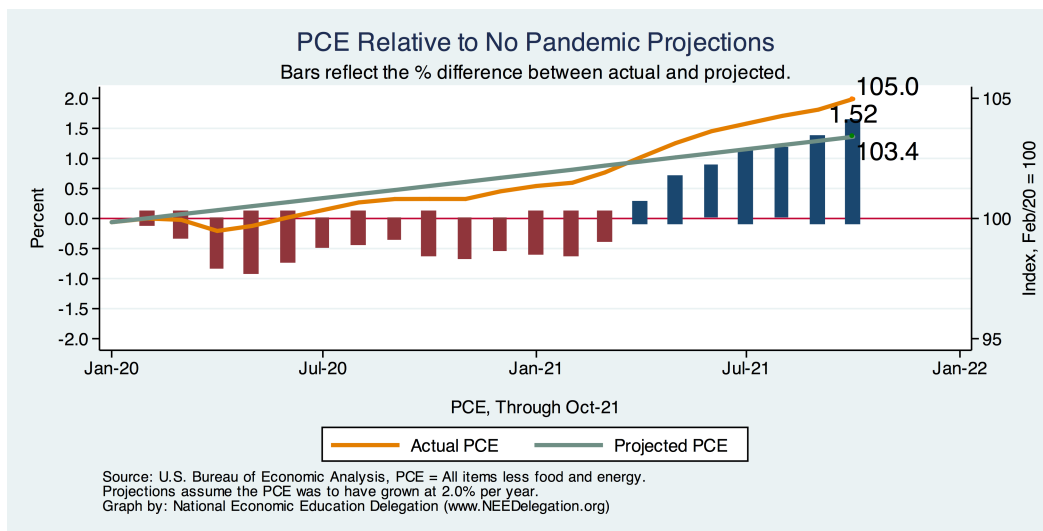


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## Inflation – PCE and Fed Suggest: I don't know.

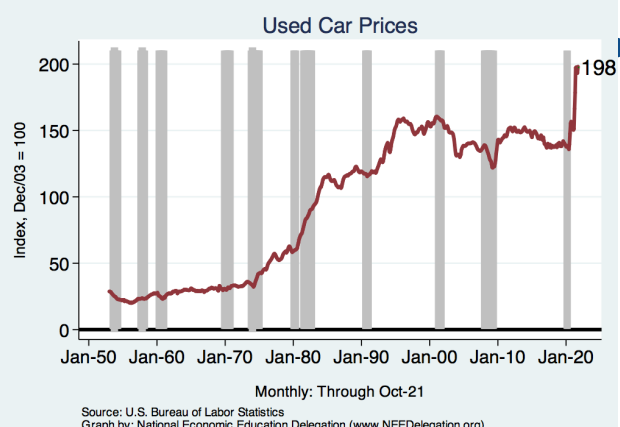
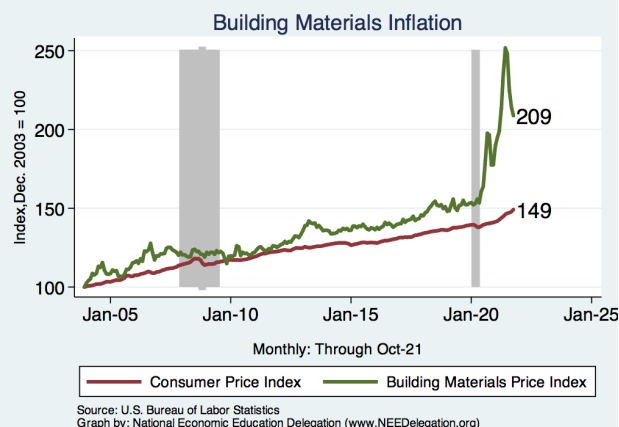


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## Inflation: Concentrated



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## Puzzle: Is Inflation Permanently Higher?

- **Fed: Price increases may be:**
  - 1) rebound from low prices last year;
  - 2) temporary due to supply chain disruptions; e.g., used cars, bldg supplies.
  - 3) influenced by rising wages in the future.
- **On the other hand: We are close to full employment and monetary and fiscal policies are very easy.**
- **Nobody knows, but Fed has wavered in its optimism.**



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## Structural Changes?

- **Pandemic has been an accelerant.**
  - Not a change agent.
  
- **Retail**
- **Telecommuting**
- **Telehealth**
- **Business travel?**
  
- **Wealth concentration**
- **Industry concentration**
- **Automation**

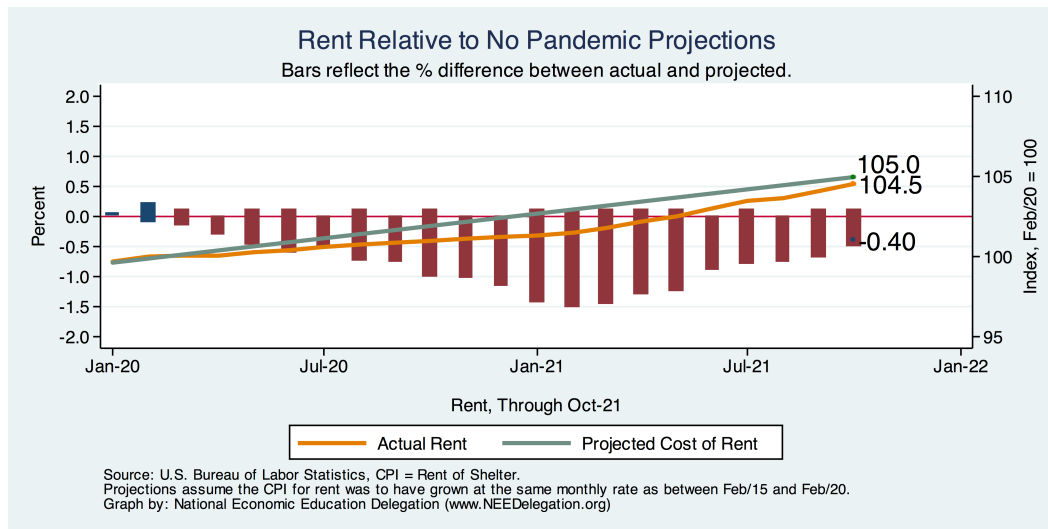


## Residential Real Estate

- **Rental markets**
  - Eviction moratoria are over.
    - o CA: Making payments can stay + 25%.
    - o Self-evictions?
  - Not enough in the American Rescue Plan.
  - Reports of rents rising significantly.
- **Owned homes**
  - Depends on location.
    - o San Francisco – recovering.
    - o Los Angeles County – continued strength.
  - Size matters: large homes are selling particularly well.

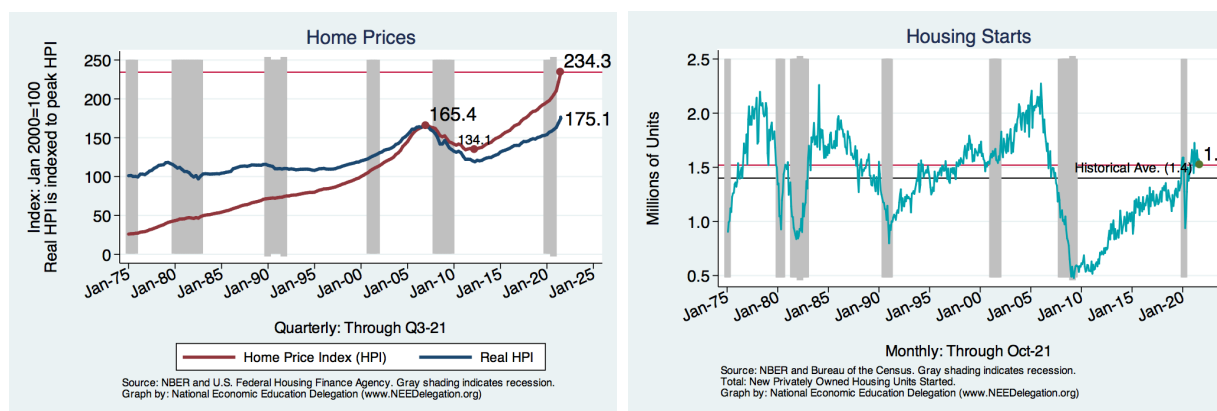


# Inflation – Cost of Rent



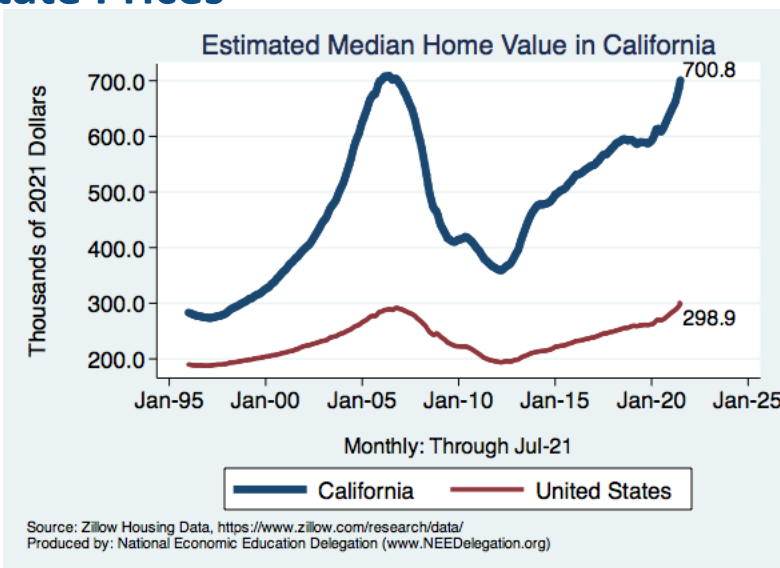
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# Home Prices and Housing Starts



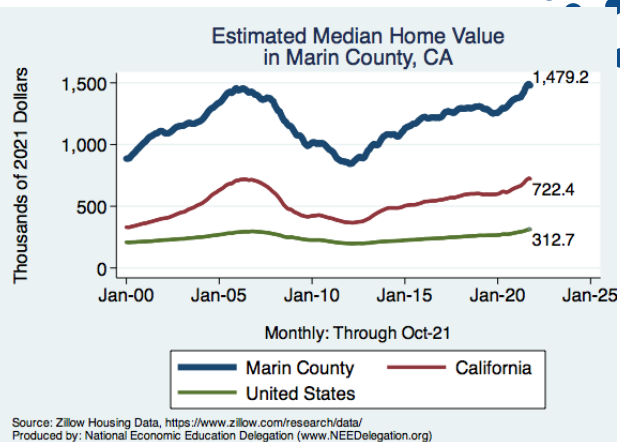
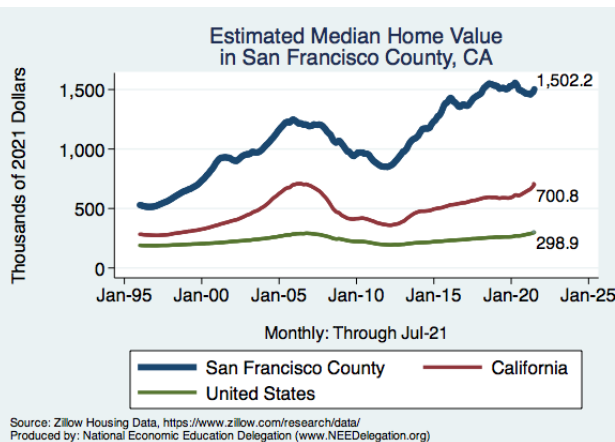
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# Real Estate Prices



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# RE Experiences Differ!



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## Primary Topics Covered

- **GDP**
  - Recovered the decline, but not where it should be.
  - Won't recover previous forecast until late 2022.
- **Employment**
  - Still down 8.6 million jobs relative to forecast. (3.9 million relative to Feb/20).
  - Labor force is 2.5 million smaller than at the beginning of the pandemic.
  - Rising wages are not enticing low-wage workers back to work.
- **Inflation**
  - Going to be high for a while, but transitory – maybe?
- **Federal Debt**
  - Has grown significantly, but economists are not worried...yet.
- **Real Estate**
  - Residential, strong. Commercial, less so...for some time.



## Conclusion

- **Recovery is well underway, but may be slowing.**
- **Significant structural changes – accelerant.**
- **GDP will likely expand 5% percent this year, 3-4% next.**
- **Physical health determines economic health for the economy.**
  - Well on our way to recovery, both health and economic.
  - Variants may well slow our progress: Omicron.
  - Gov't missteps may also hinder progress.
- **Biggest problems:**
  - Supply chain bottlenecks.
  - Labor force participation.



**Thank you!**

# Any Questions?

[www.NEEDelegation.org](http://www.NEEDelegation.org)

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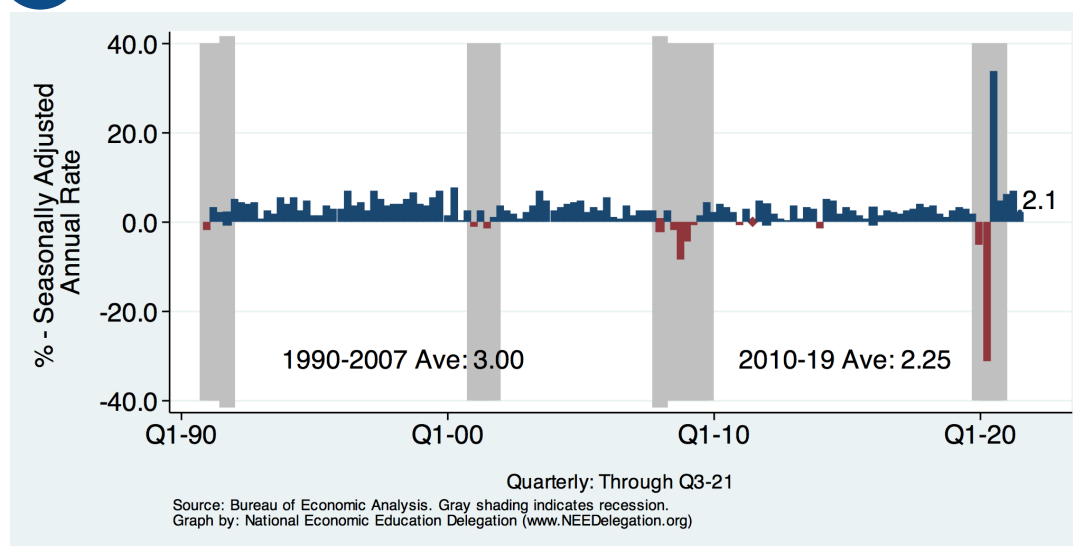
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## GDP: Quarterly Growth

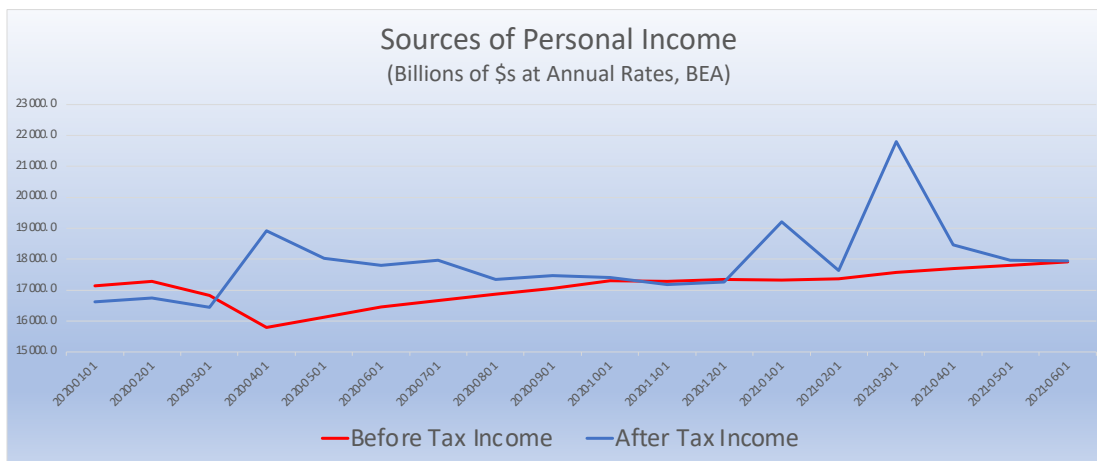


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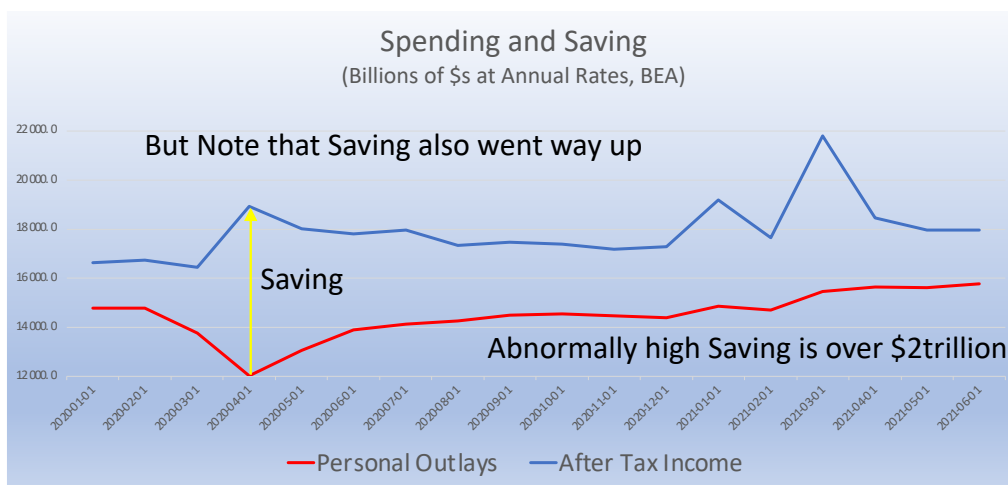
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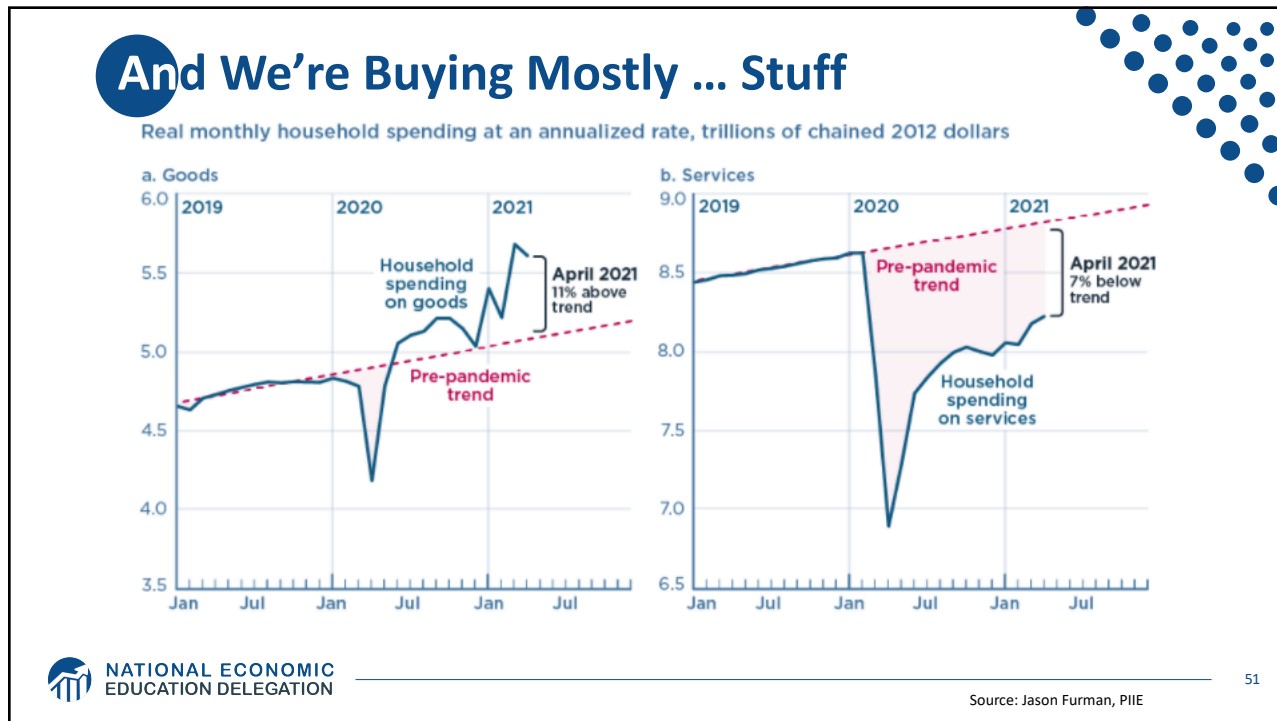


## Recovery Due to Immense Fiscal Stimulus and Control of COVID

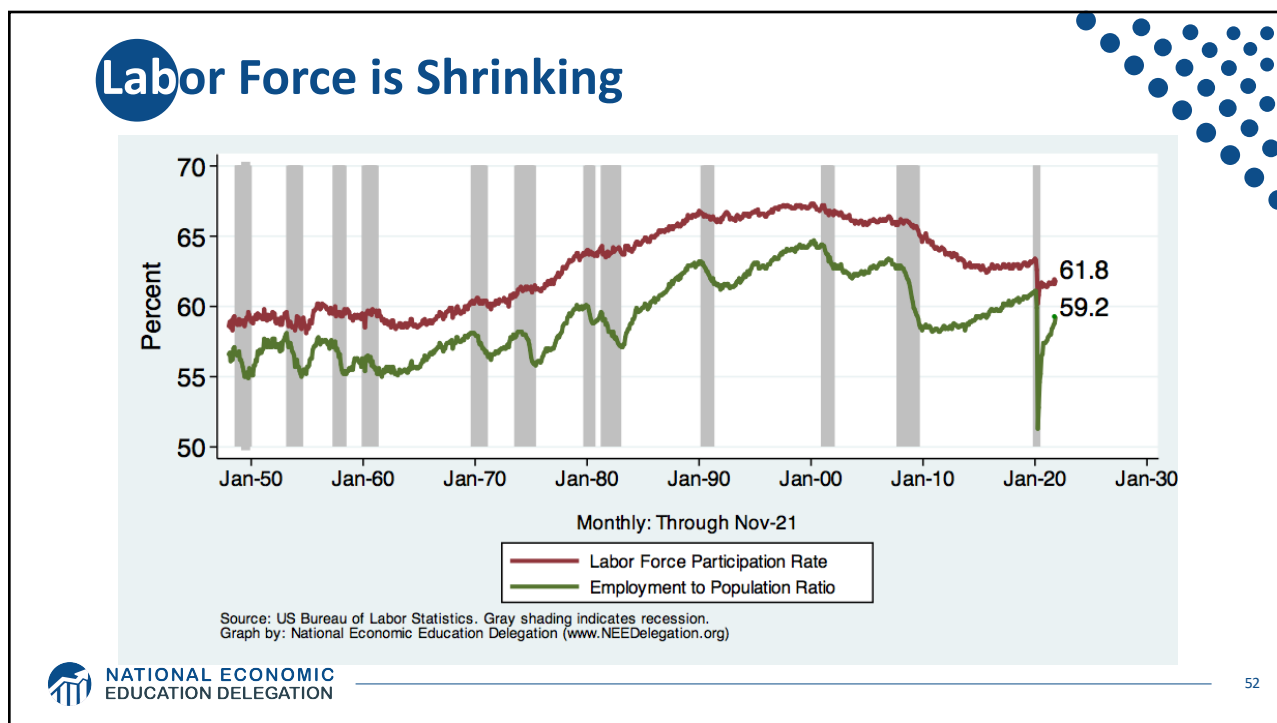


## Stimulus allowed Spending to Recover

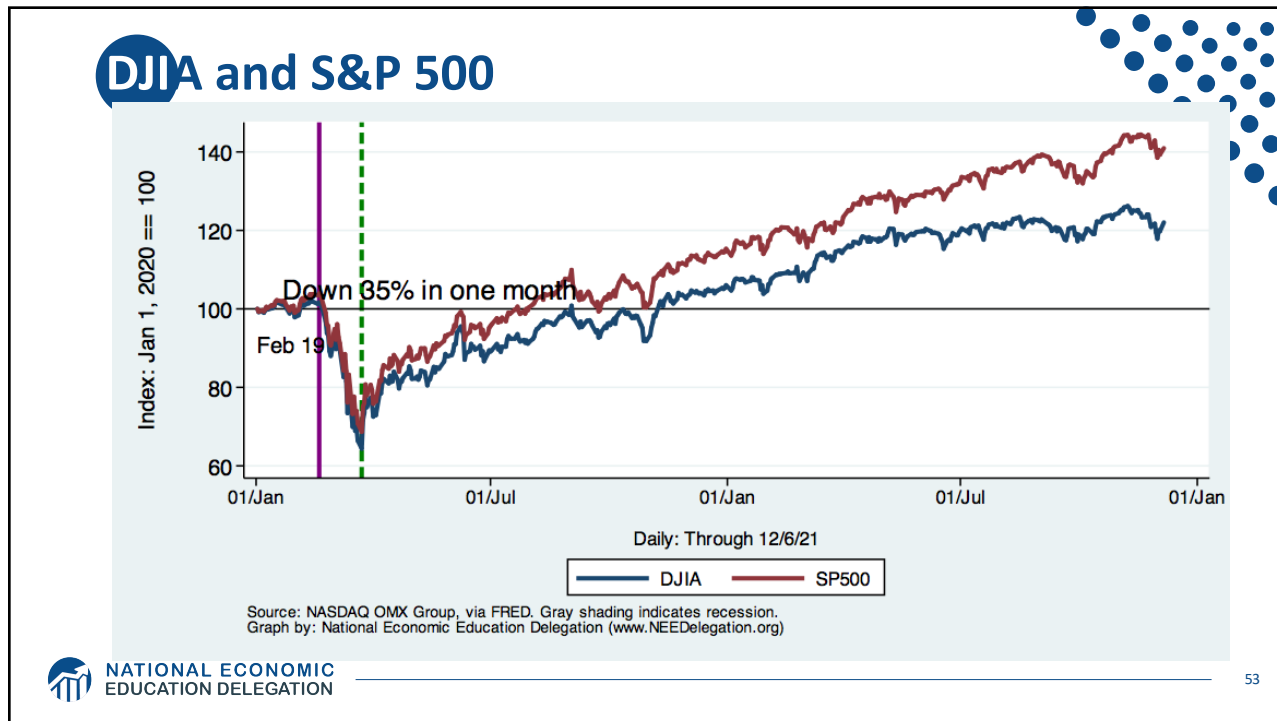




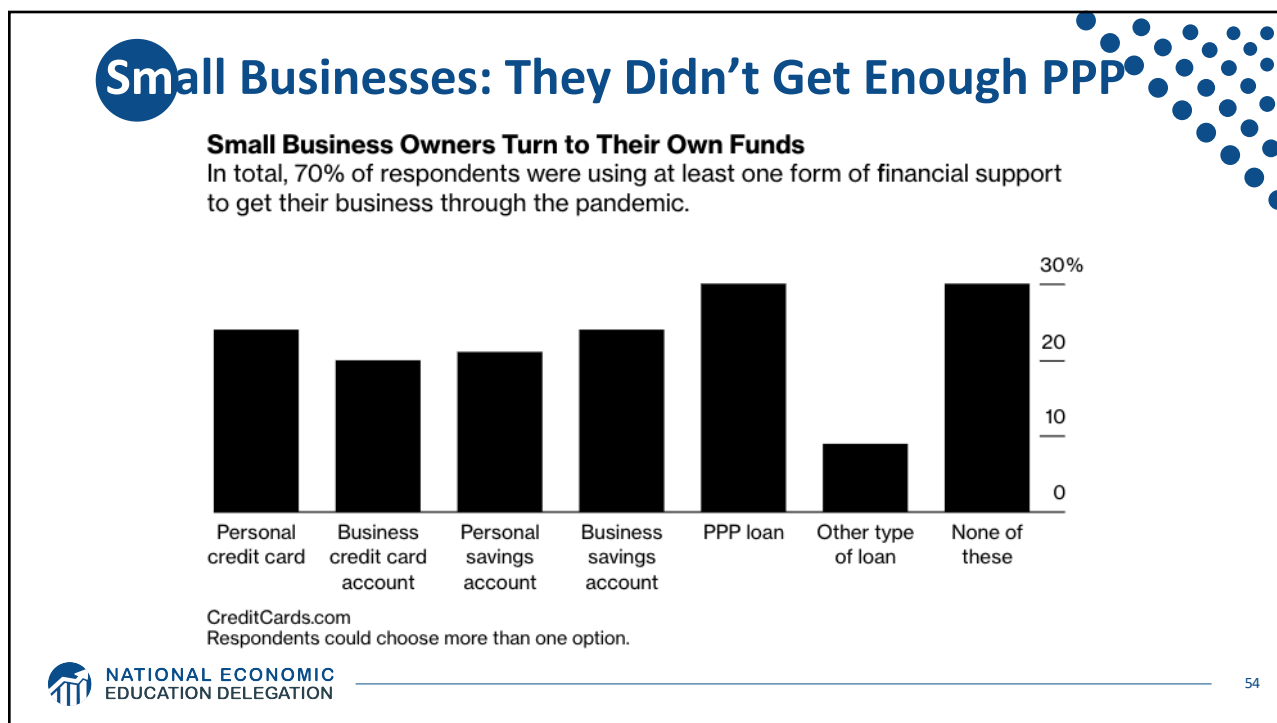
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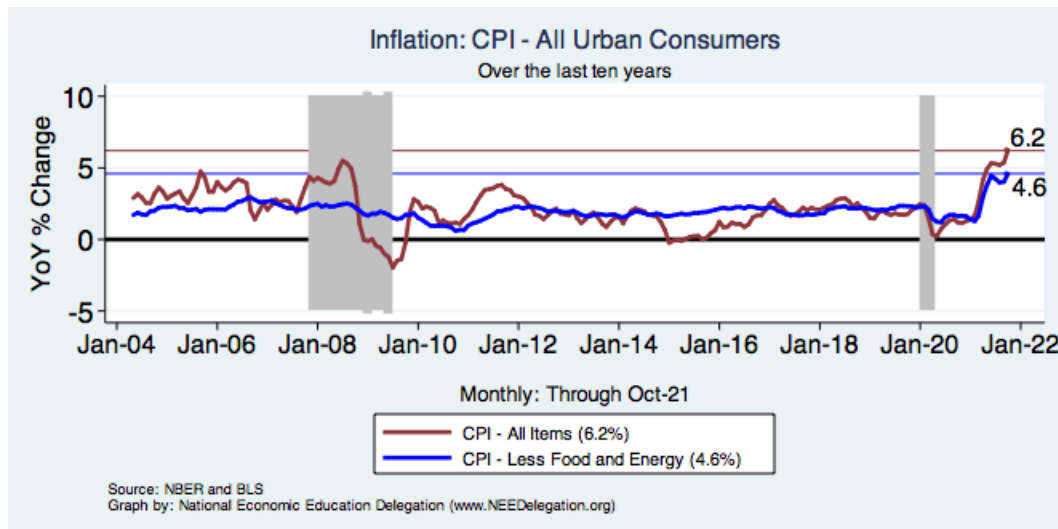


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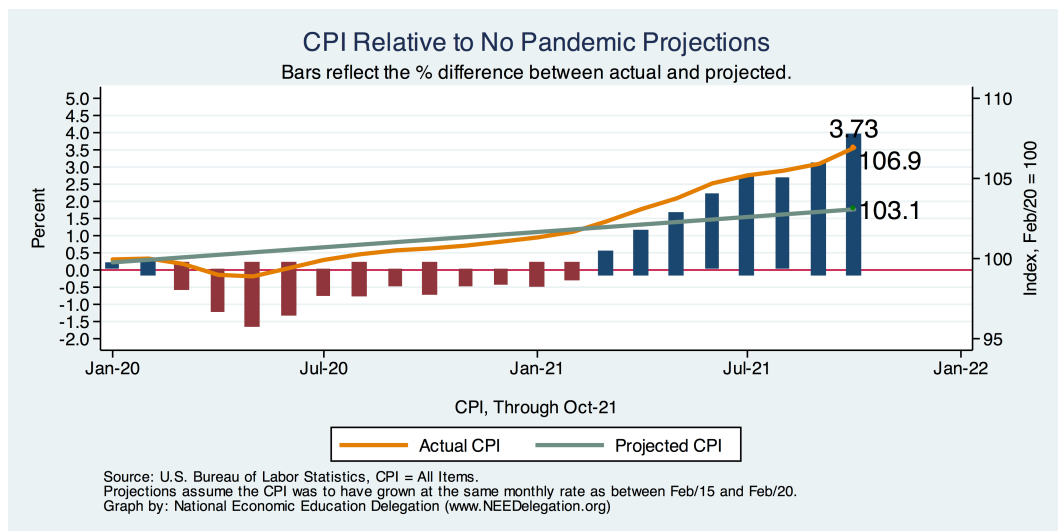
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## Inflation – Prepandemic Stability

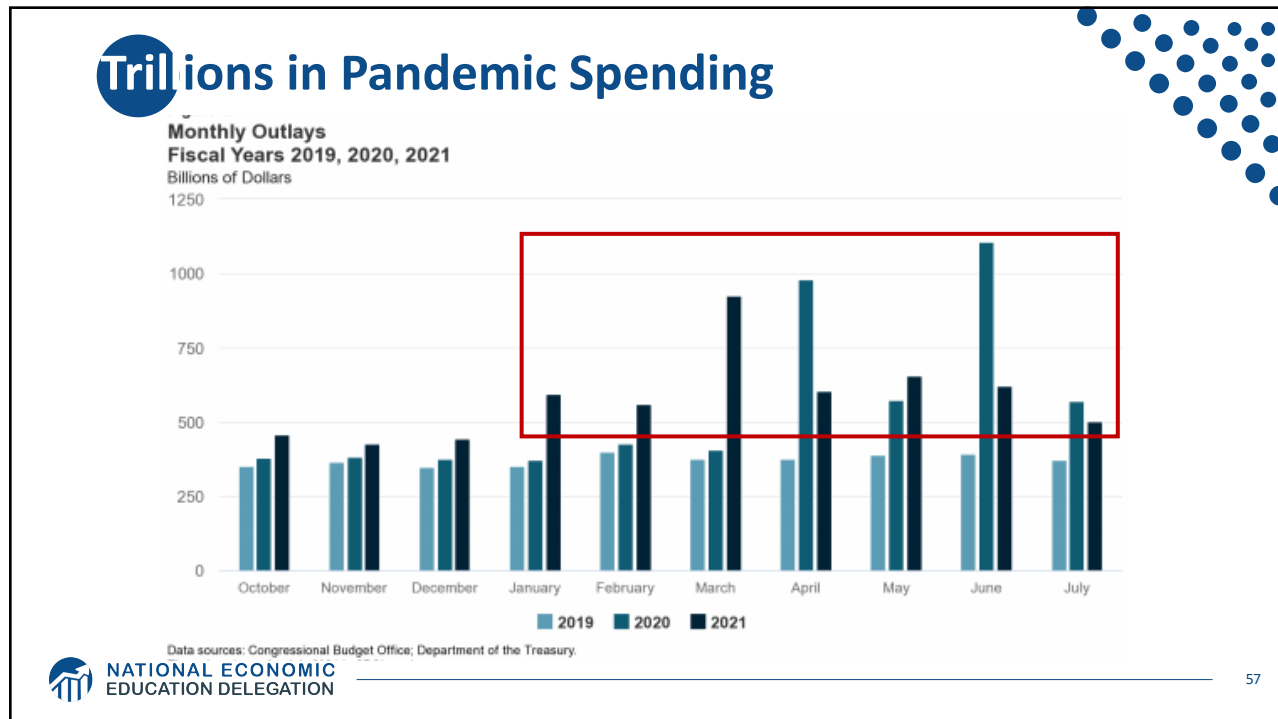


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## Inflation – CPI Suggests: Yes!



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## Why so Excited About Telecommuting?

- **Productivity at home appears to be really high during pandemic.**
  - Nothing else to do.
  - Short term – corporate culture and new hires – visibility to the boss – camaraderie.
- **CEOs are salivating over reduced Comm RE costs.**

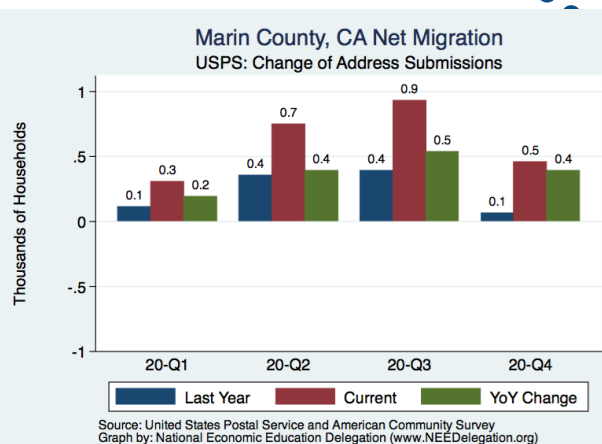
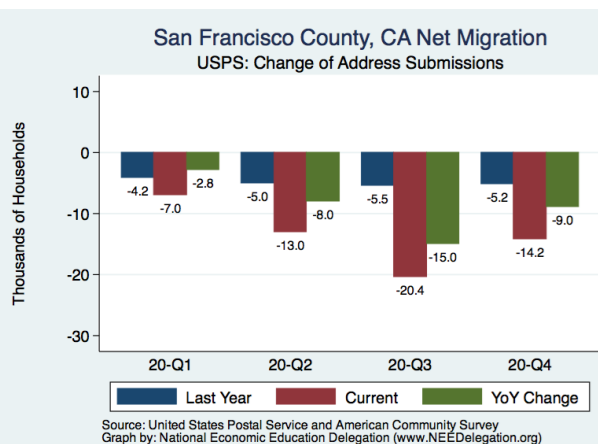
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## Telecommuting – Will it Stick?

- **Working from home is ALWAYS less productive than working in the office.**
  - But the gap has shrunk because of technology.
- **In the interest of workplace productivity, employers are likely to allow more working from home.**
  - Increased in-office moral and hence productivity.
  - But not 100% or even 50%. How much?
- **Has important implications for real estate.**

## Population Change: San Francisco & Marin Counties

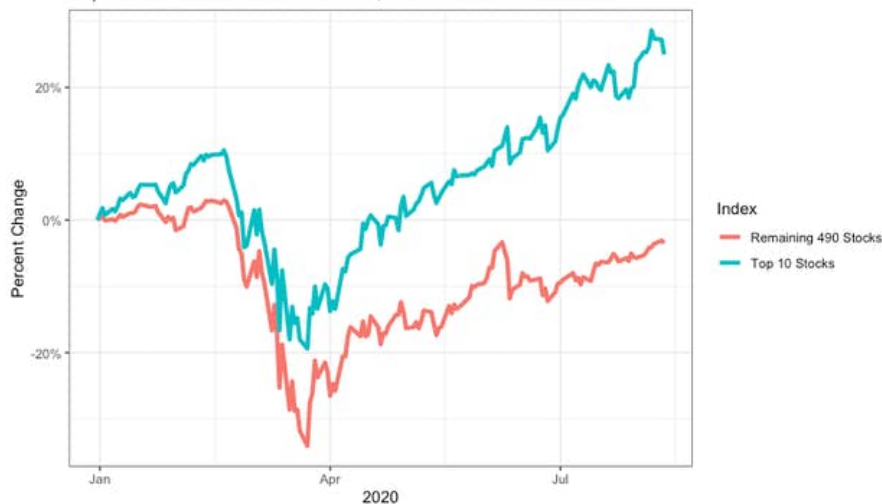


## Recovery/Recession for Whom?

Top 10 S&P Stocks:

1. Apple
2. Microsoft
3. Amazon
4. Facebook
5. Alphabet Class A shares
6. Alphabet Class C shares
7. Berkshire Hathaway
8. Johnson & Johnson
9. Visa
10. Procter & Gamble

Top 10 S&P Stocks vs. Bottom 490, Year-to-Date Performance



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## Inflation – Summary

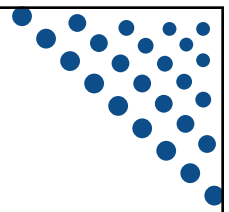
- **Headline inflation story is troublesome.**
- **The Fed suggests that it is not.**
- **Powell: current high inflation is “transitory”.**
  - That does not mean that price levels will come down.
  - It means that inflation is likely to return to its prior trajectory once the economy has worked out the pandemic kinks.
- **Fed targets 2.0%. We are currently just 1.2% above that.**



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For every state and county in the United States.

Detailed graphs on employment, housing, moves, and other statistics.



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