



# US/Marin Economic Update

San Rafael Leadership Institute  
San Rafael Chamber of Commerce

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## Outline

- **Recession – The State of the US Economy**
- **Inflation**
- **Marin’s Economy – mixed in**
- **Summary**



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## Headline:

### **G.D.P. Report Shows a Drop, Fanning Fears of a U.S. Recession**

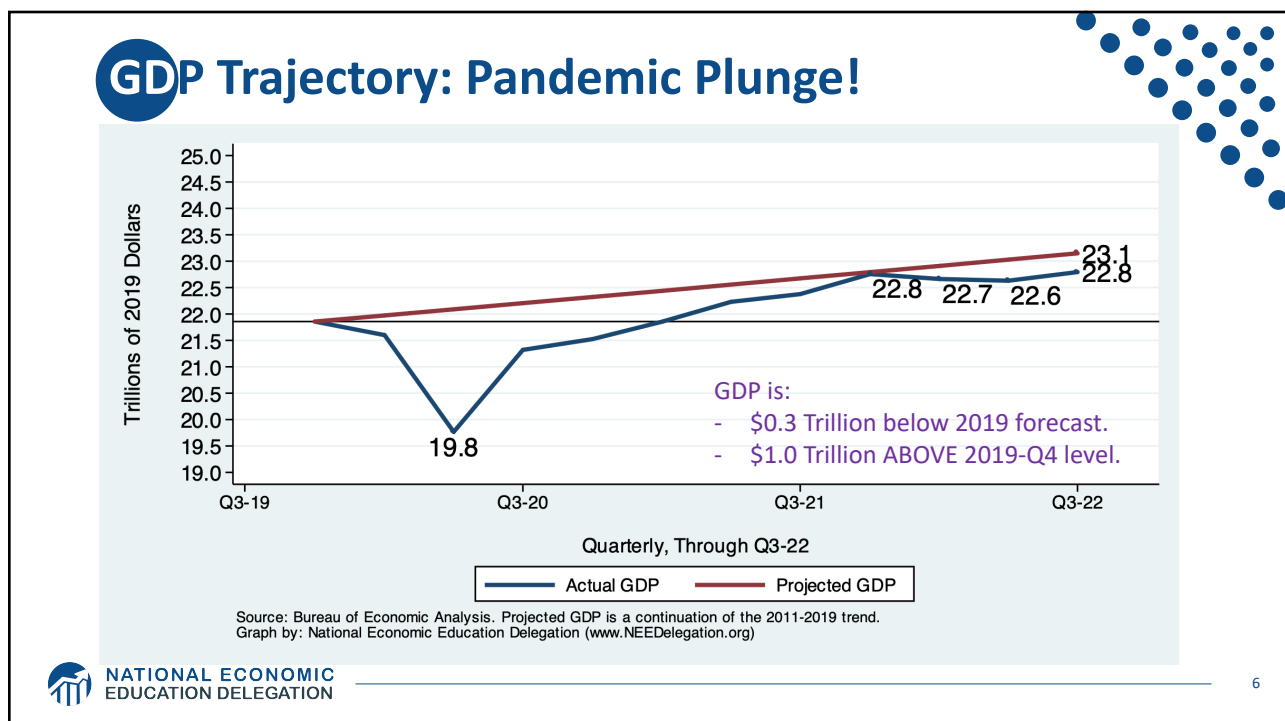
- A key measure of economic output fell for the second straight quarter, raising fears that the United States could be entering a recession.
- Gross domestic product, adjusted for inflation, fell 0.2 percent in the second quarter, the equivalent of a 0.9 percent annual rate of decline. Follow updates.



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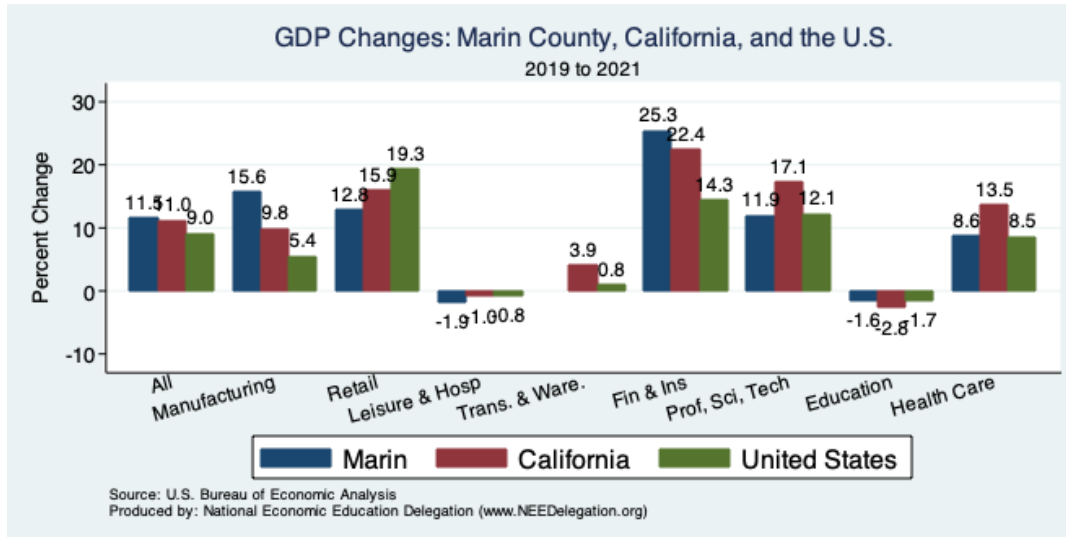


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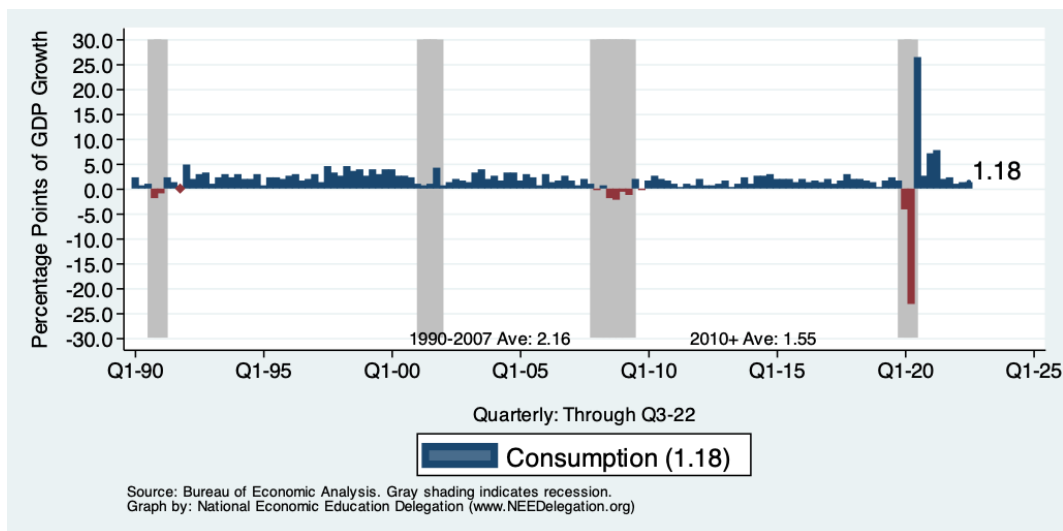
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## Marin is Rebounding, but Not Uniformly



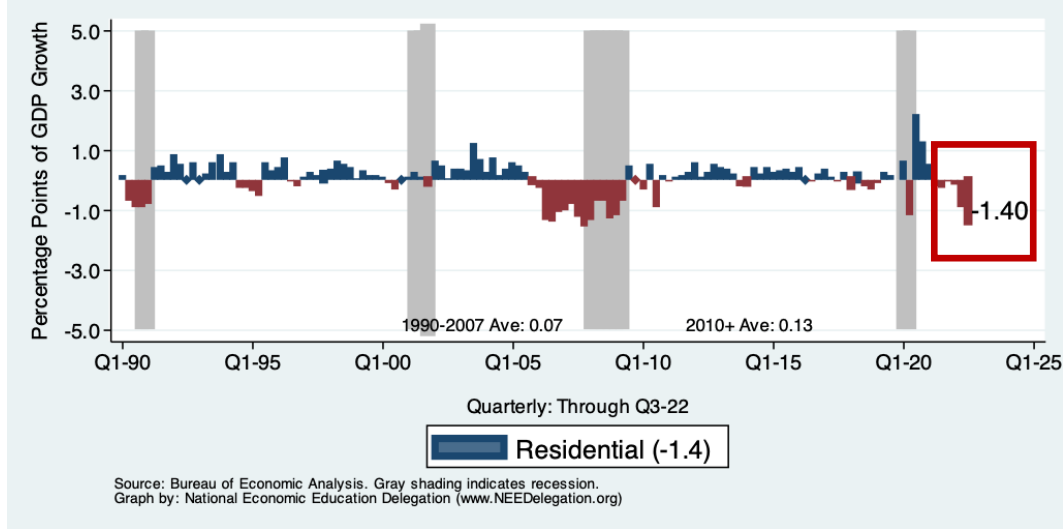
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## Contribution to GDP Growth: Consumption



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## Contributions to GDP: Residential Investment

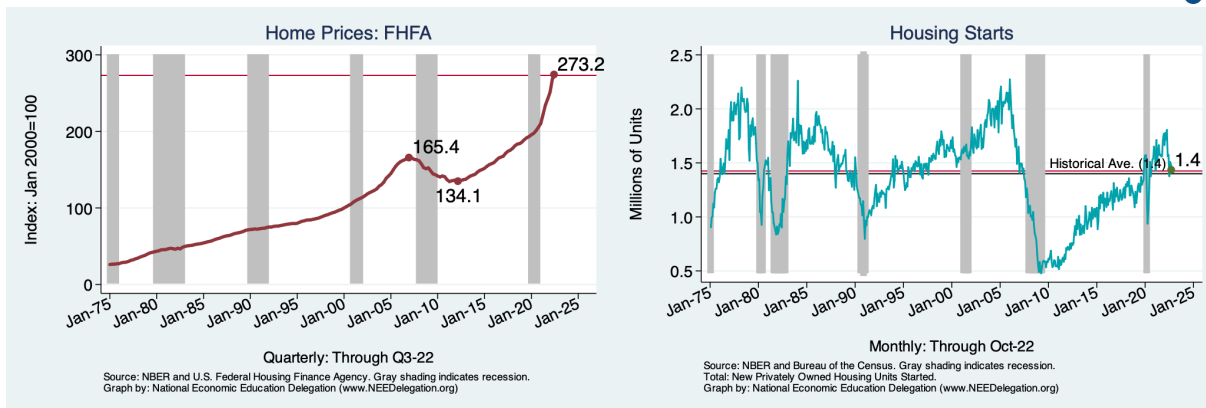


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## Home Prices and Housing Starts

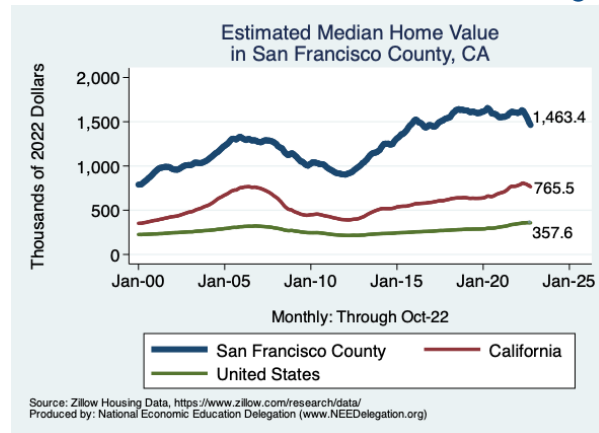
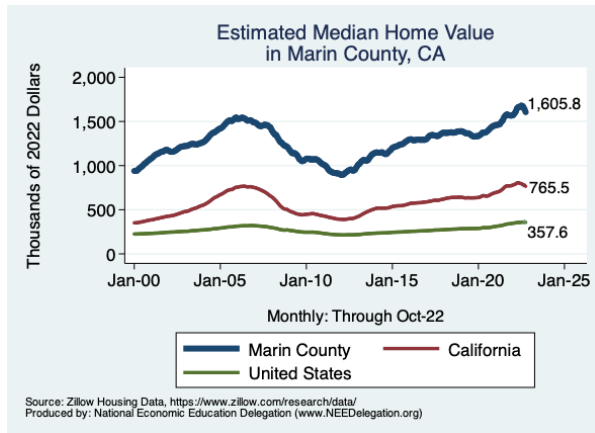


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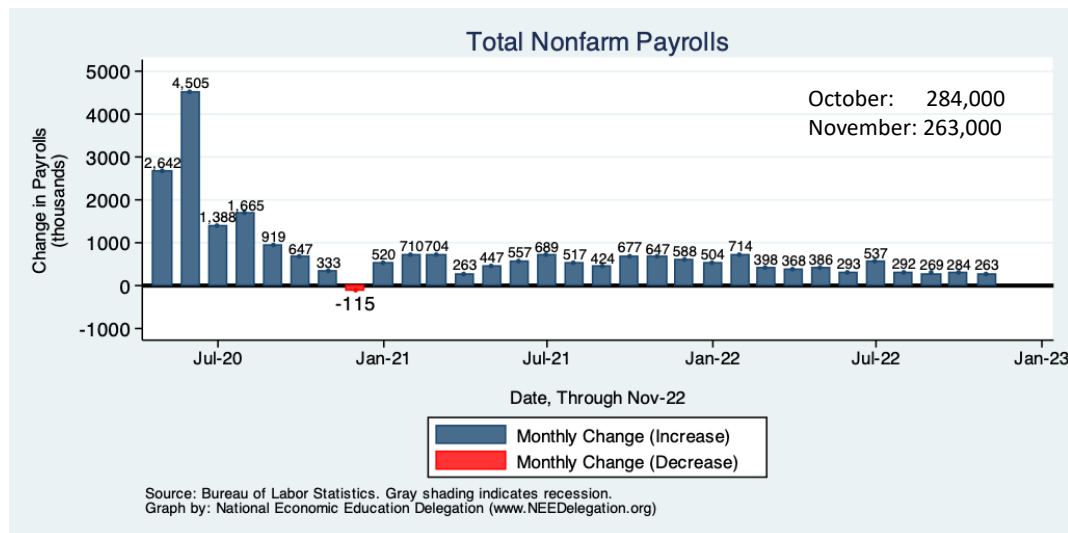
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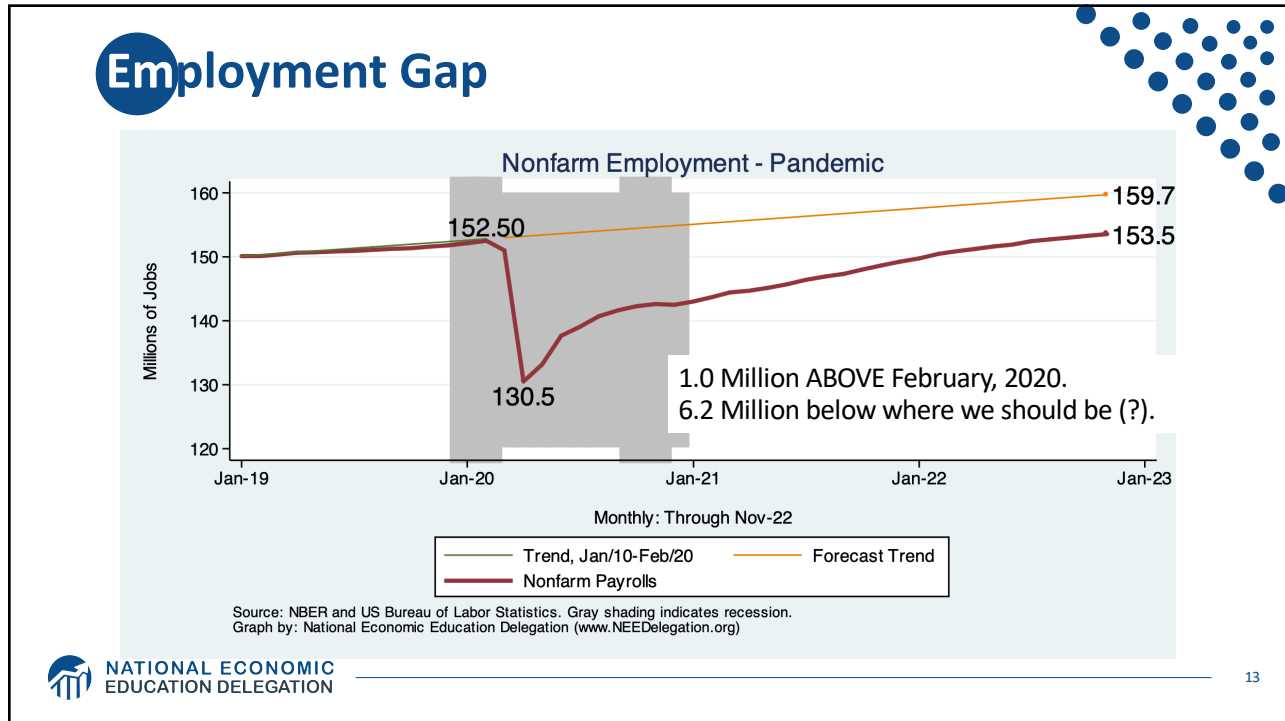
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# Home Prices ... Depends on Where You Are

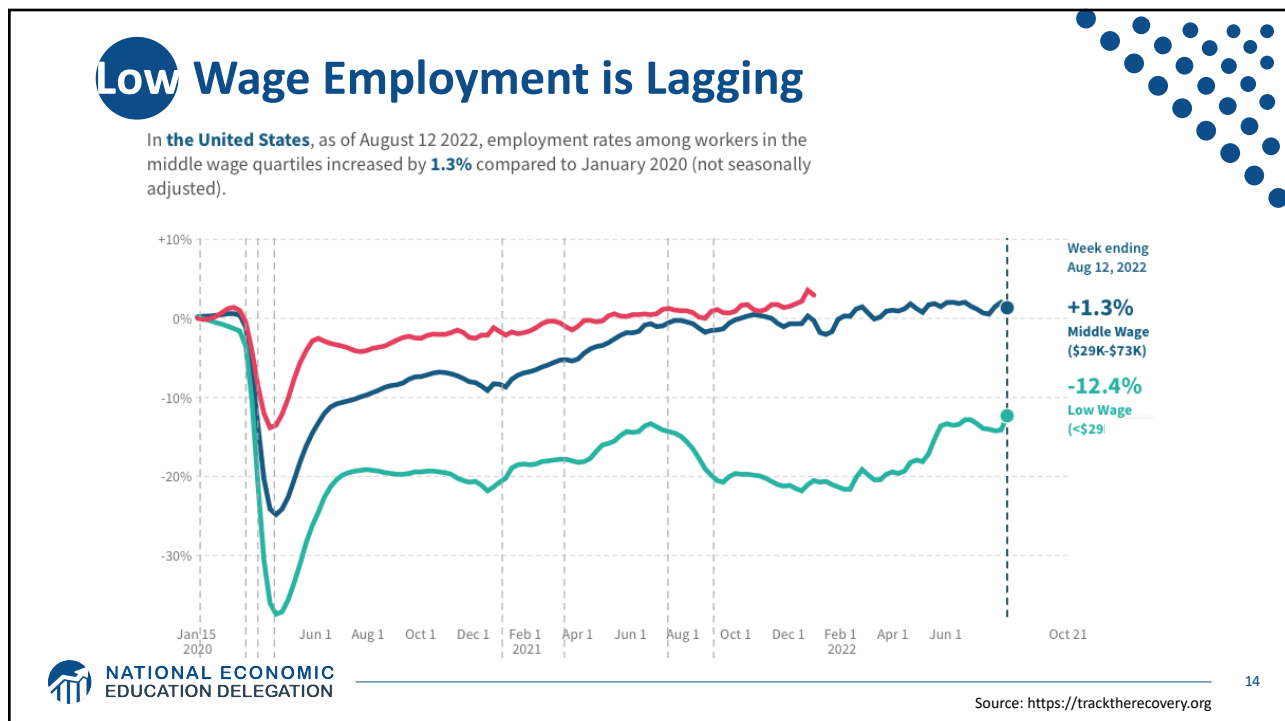


# Monthly Changes in Nonfarm Employment

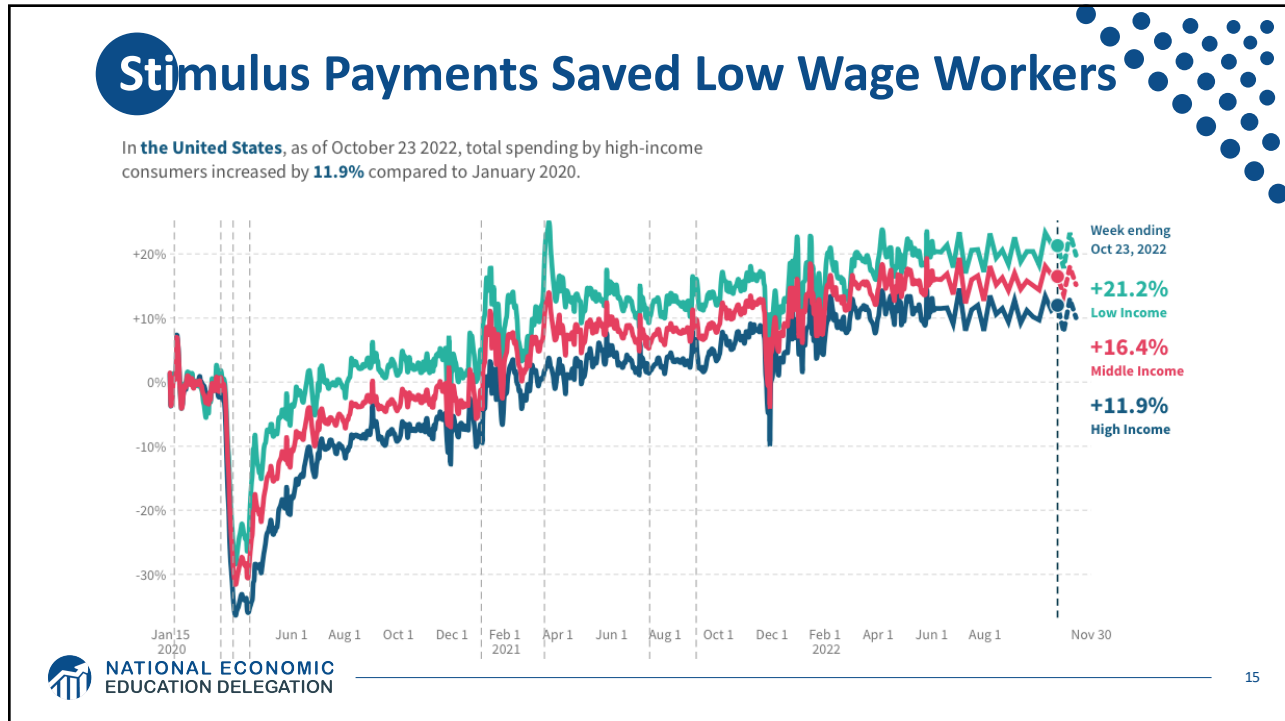




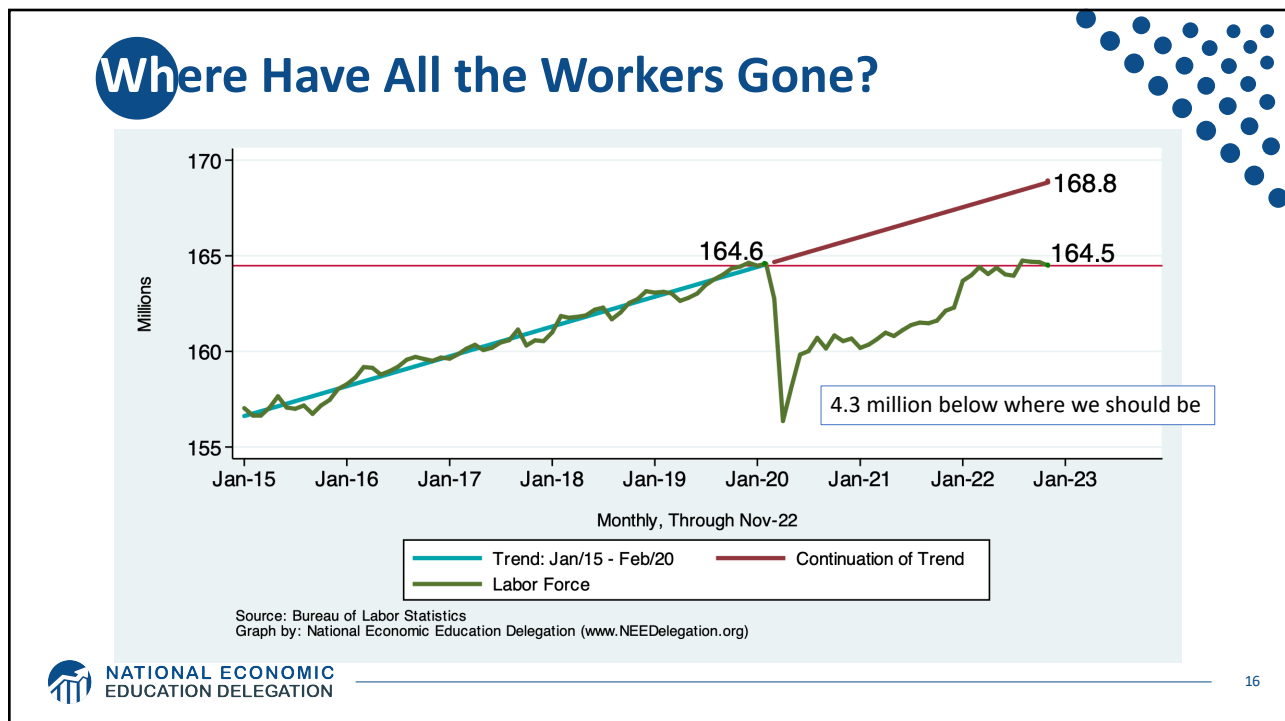
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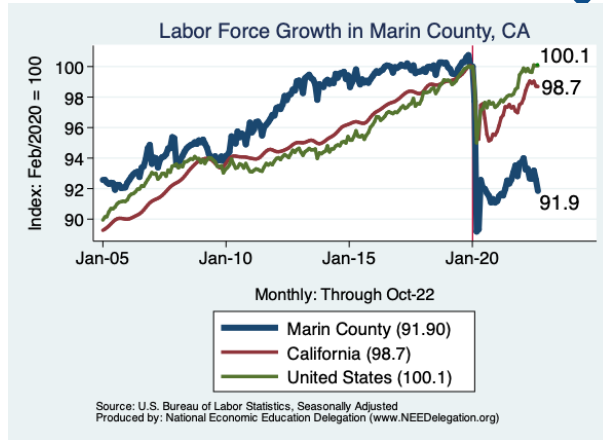
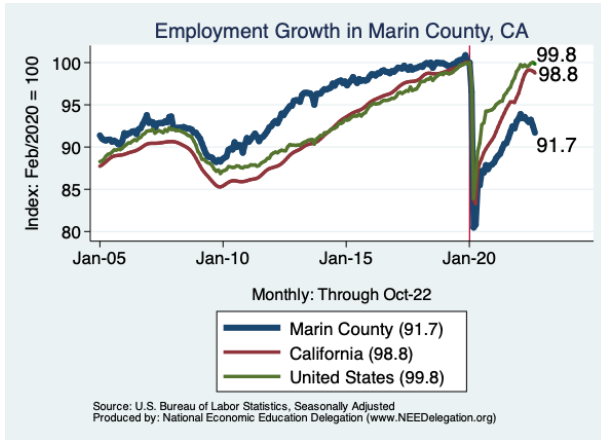
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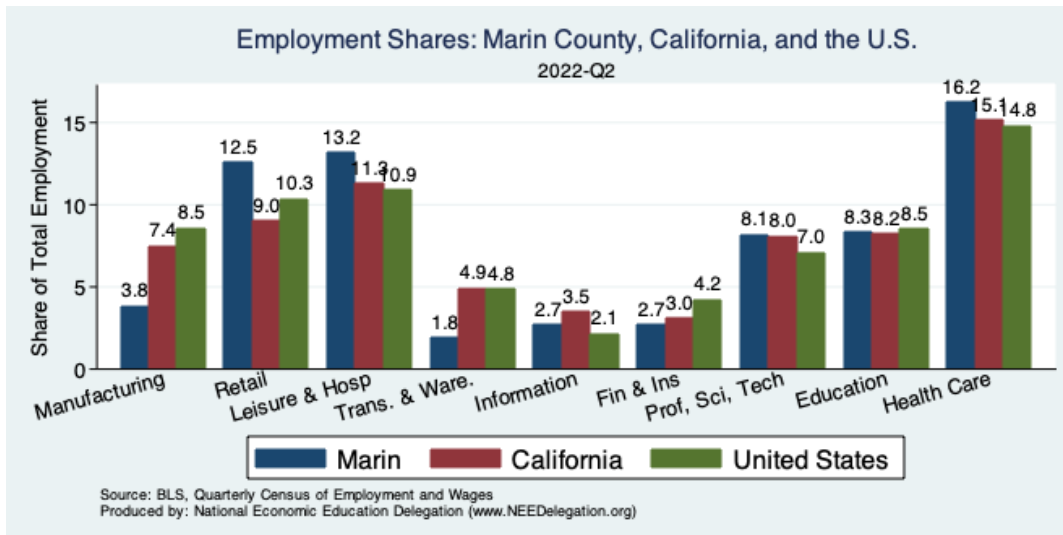
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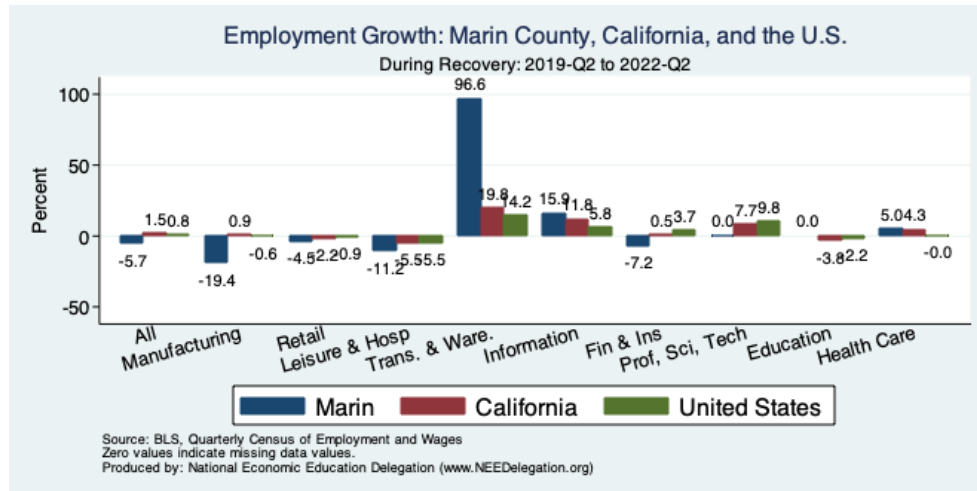
# How Are Things in Marin?



# Marin's Primary Employment Industries

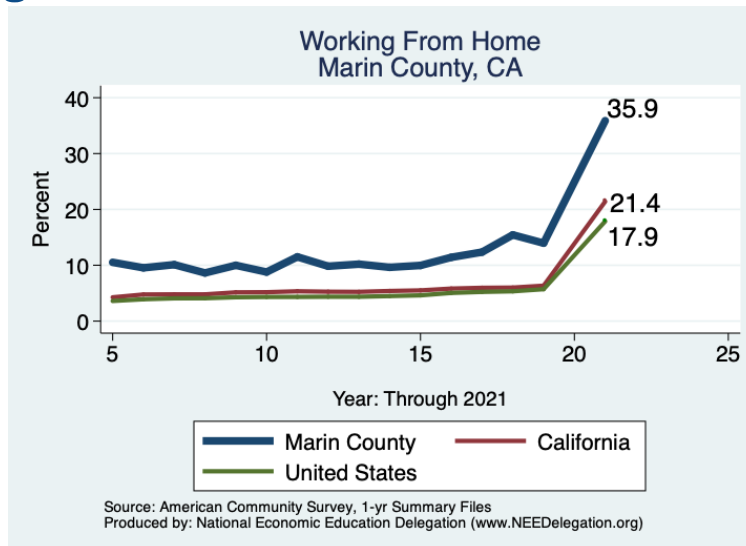


## How Are They Doing?



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## Working from Home?



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# Inflation



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## Inflation: Latest Figures

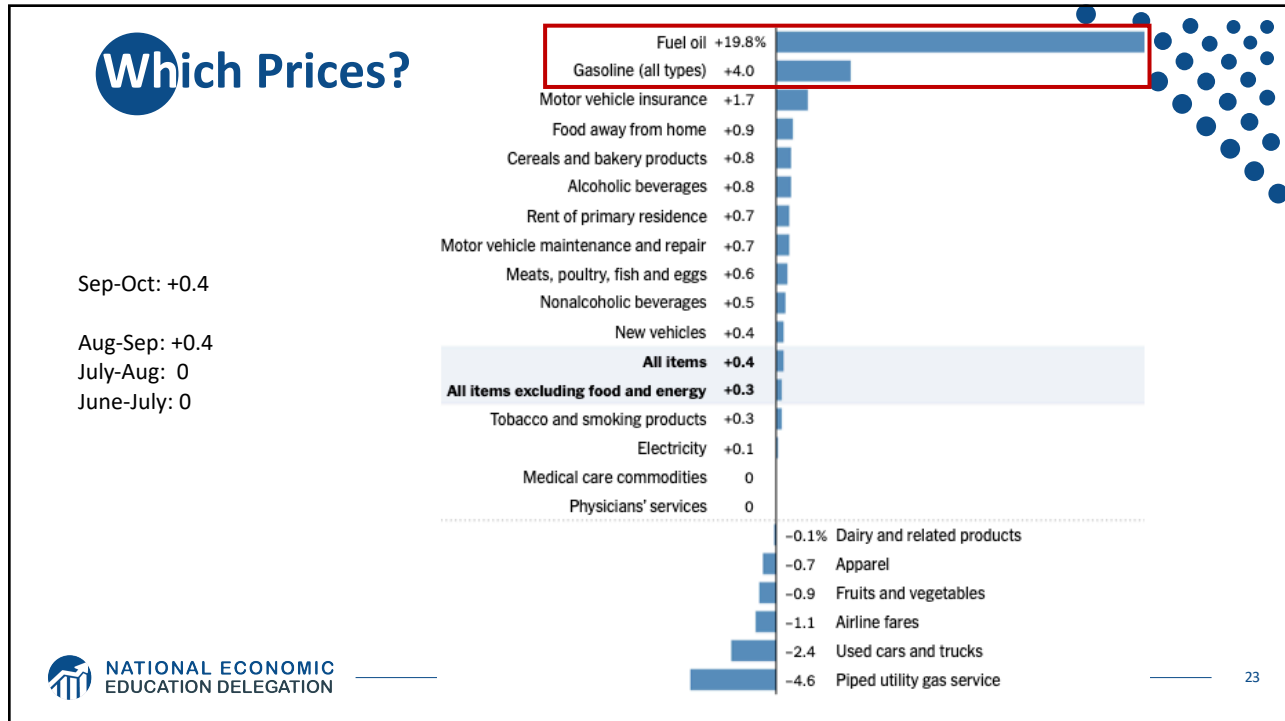


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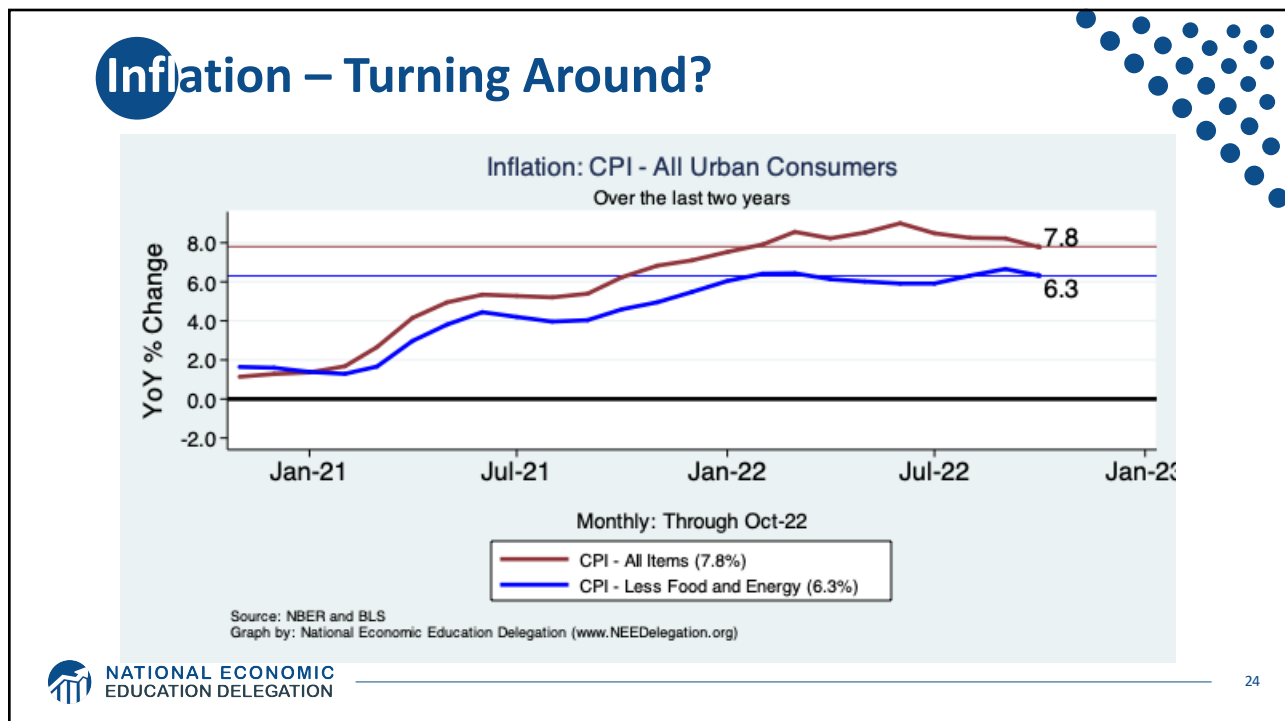
Source: NYTimes.com

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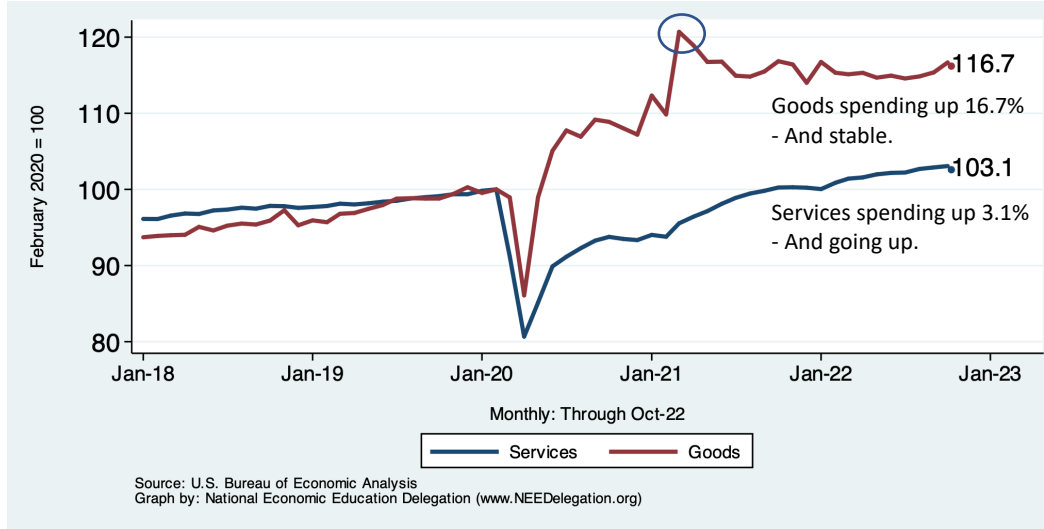


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## Spending Patterns Changed - More Goods!

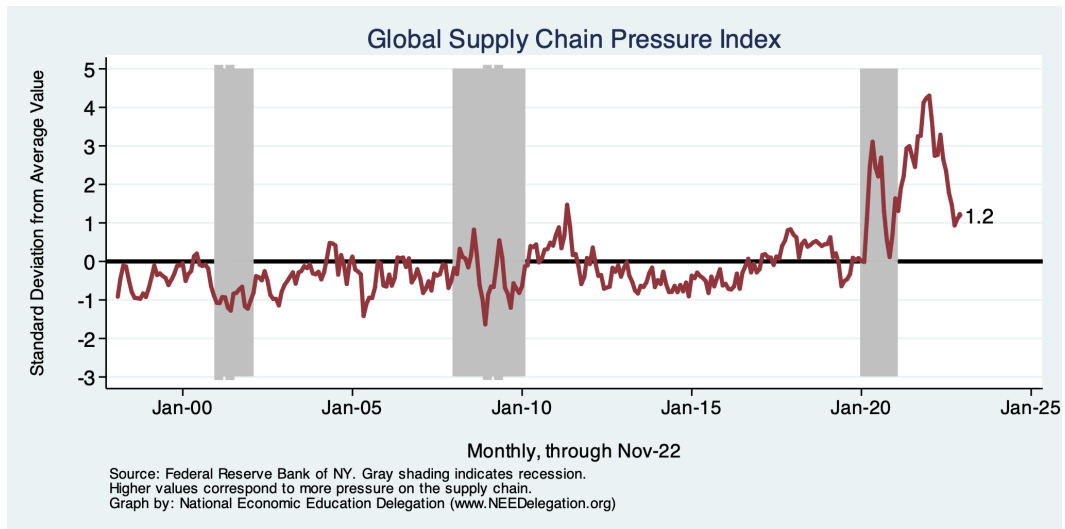


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## Supply Chains



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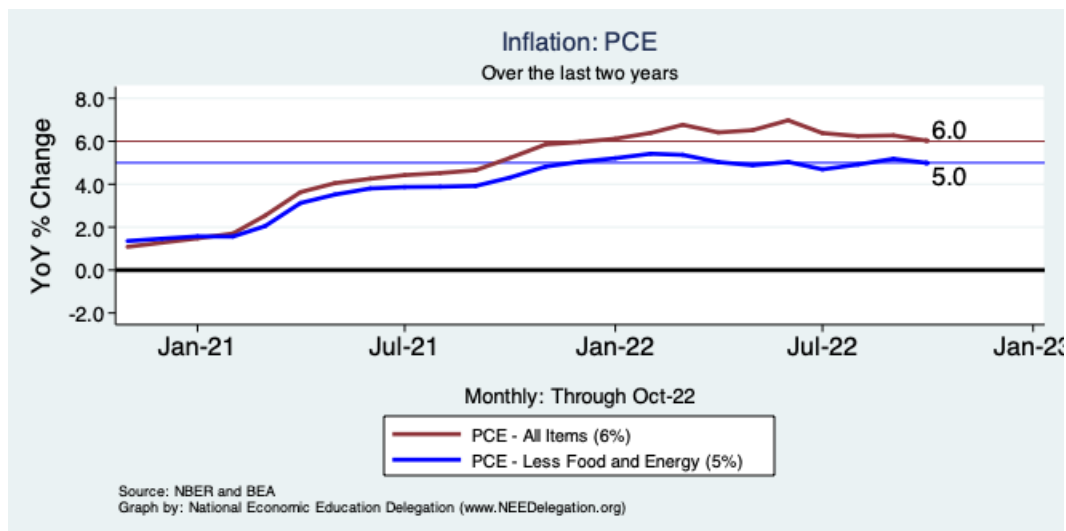
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## My Diagnosis for the Uptick in Inflation

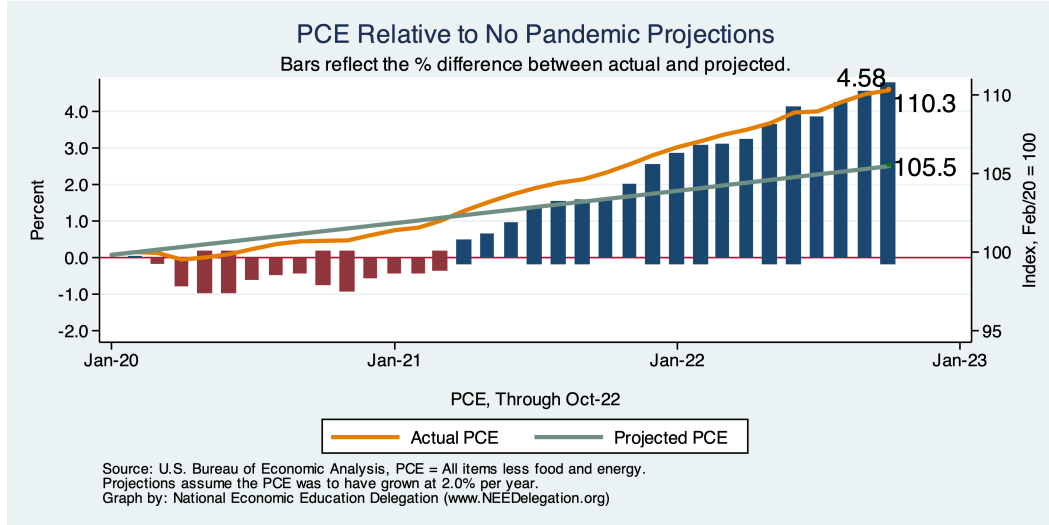
- Spending patterns have changed dramatically.
- Yes, there were supply chain issues that affected some areas in particular (e.g., computer chips).
- Corporations have used the cover of inflation to raise prices more.
- But there was also too much total spending.
- Fiscal stimulus led households to increase saving over 2021 by more than \$2 trillion. Strong retail sales numbers suggest they are prepared to spend it.
- **Whose to Blame: ARP probably too big, but the Fed could have acted sooner.**
  - International forces.



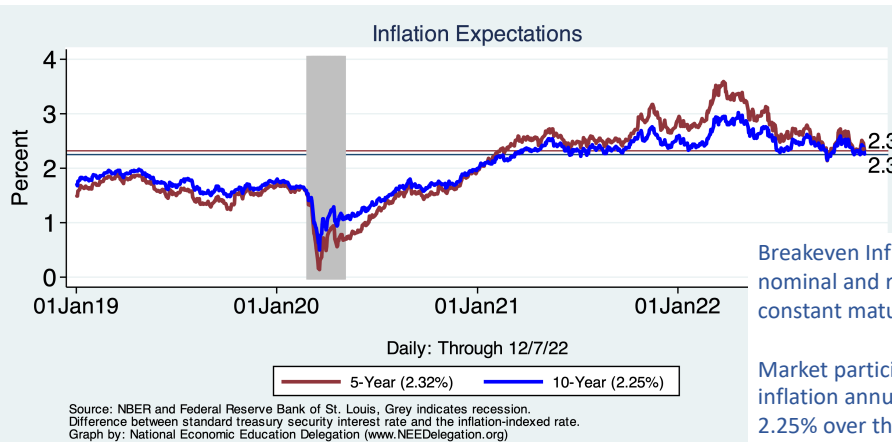
## Inflation – The Fed’s Metric



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



# Measure of Inflation Expectations



Breakeven Inflation Rate = Difference between nominal and real 5-year and 10-year Treasury constant maturity securities.

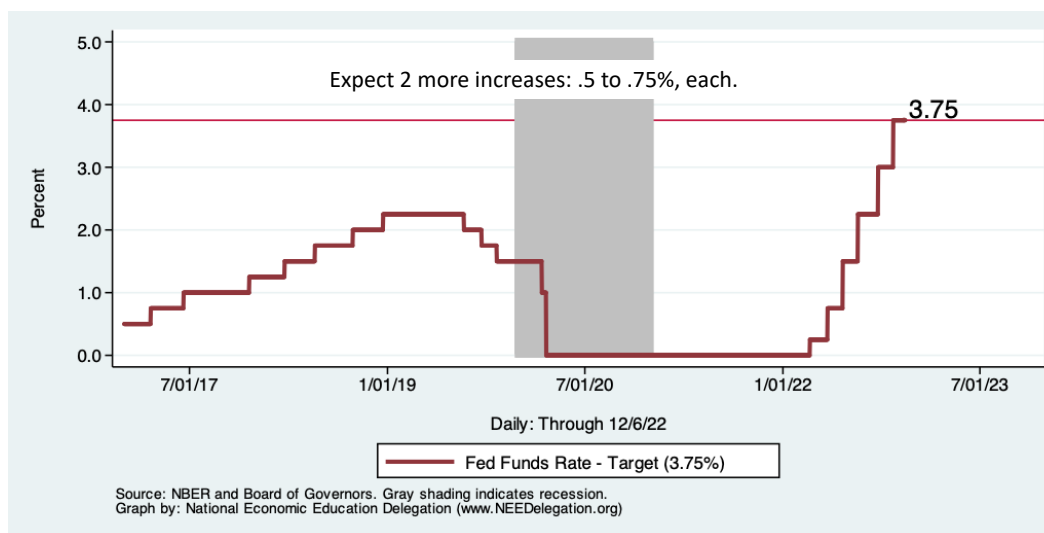
Market participants expect around 2.2% inflation annually over the next 10 years and 2.25% over the next 5 years.

Inflation expectations are calming down.

# What's the Fed Doing About It?

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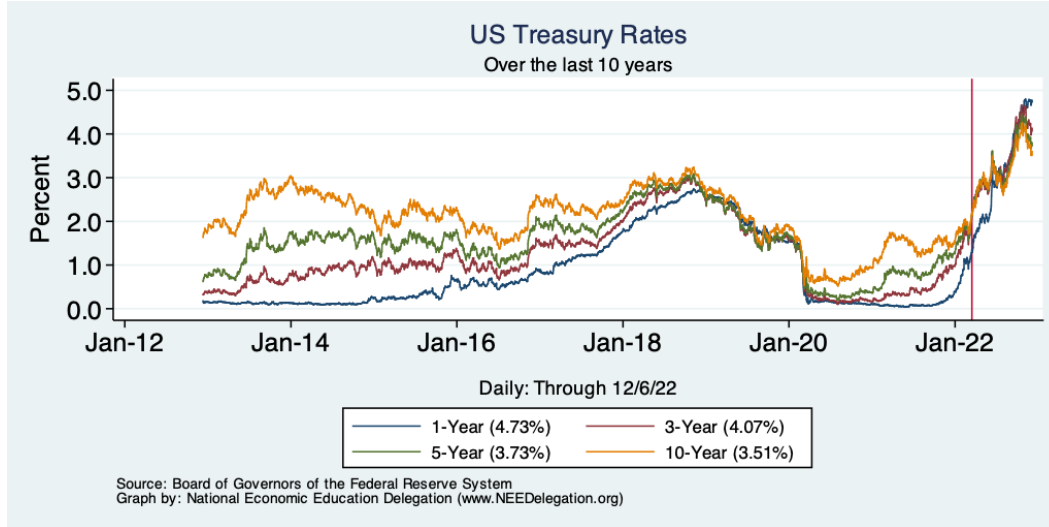
## Federal Funds Rate – Recent Activity



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# Treasuries

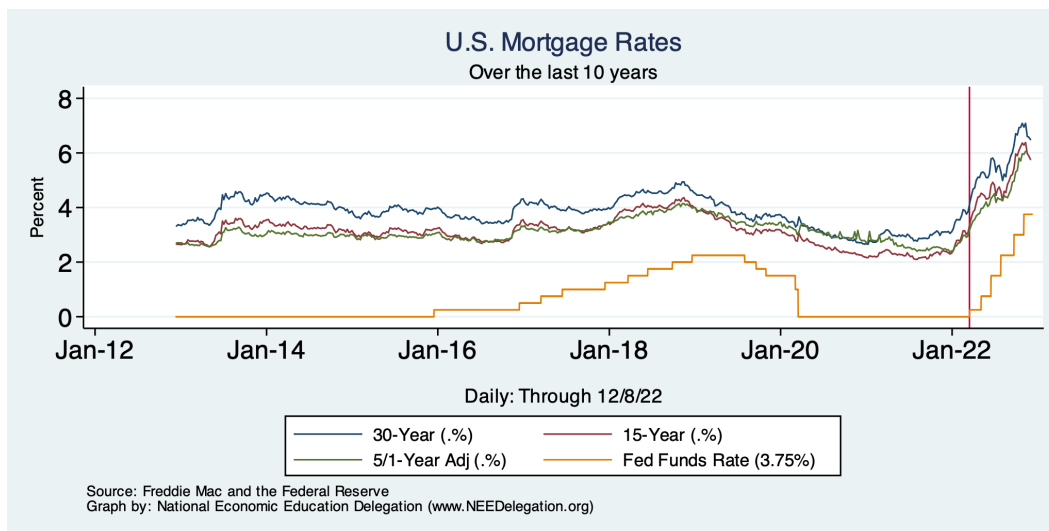


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# Mortgage Rates

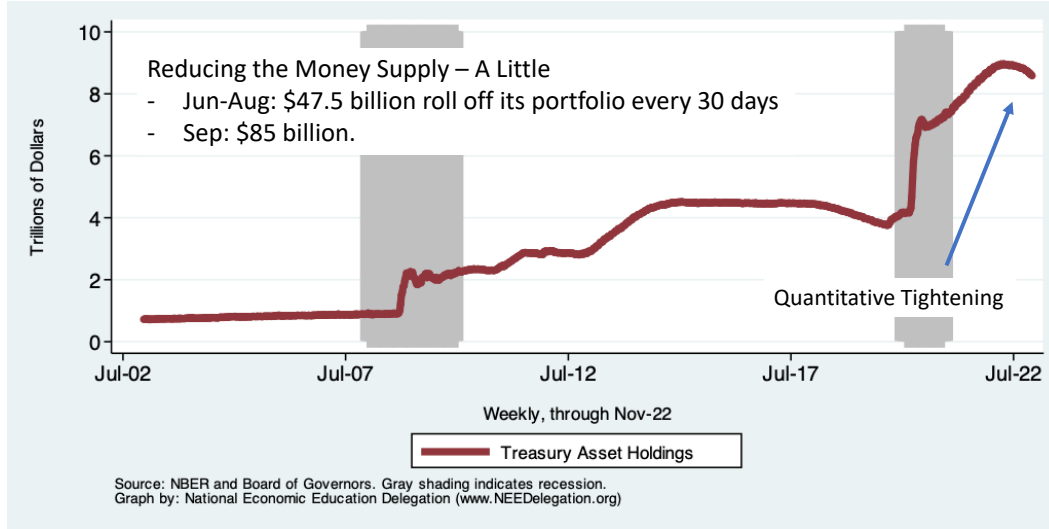


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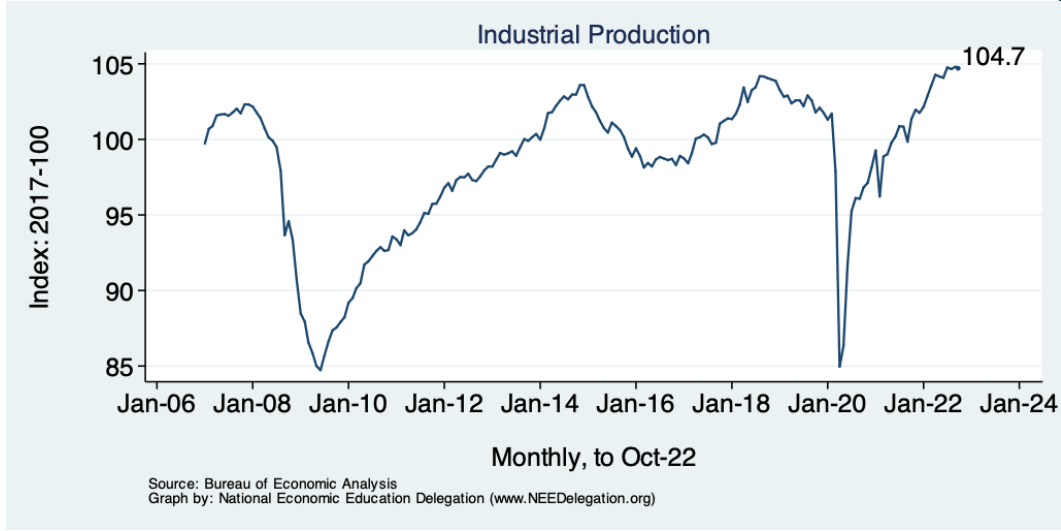
## Fed: Also Reducing its Asset Holdings



## Other Indicators



# Industrial Production

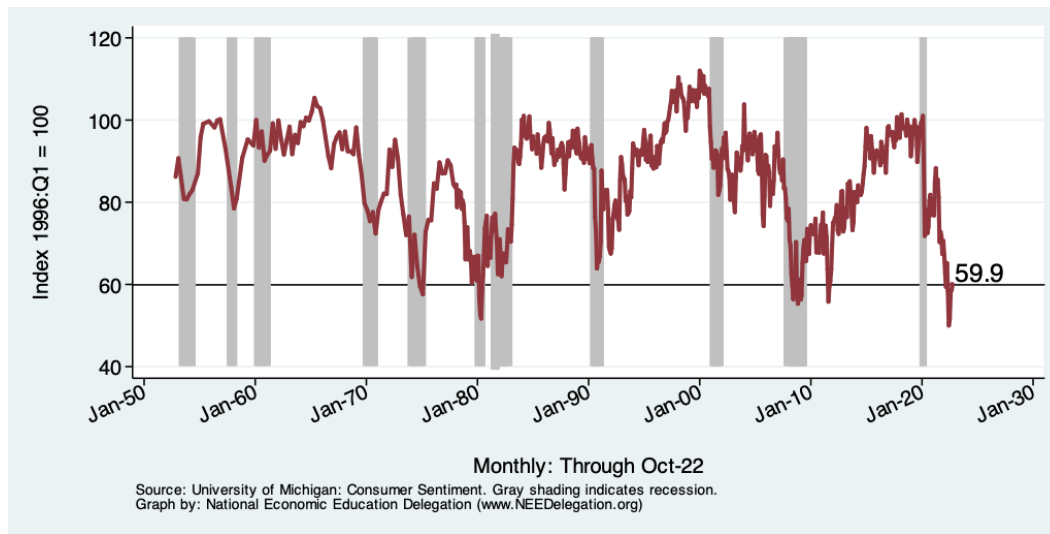


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# Consumer Confidence: Not High

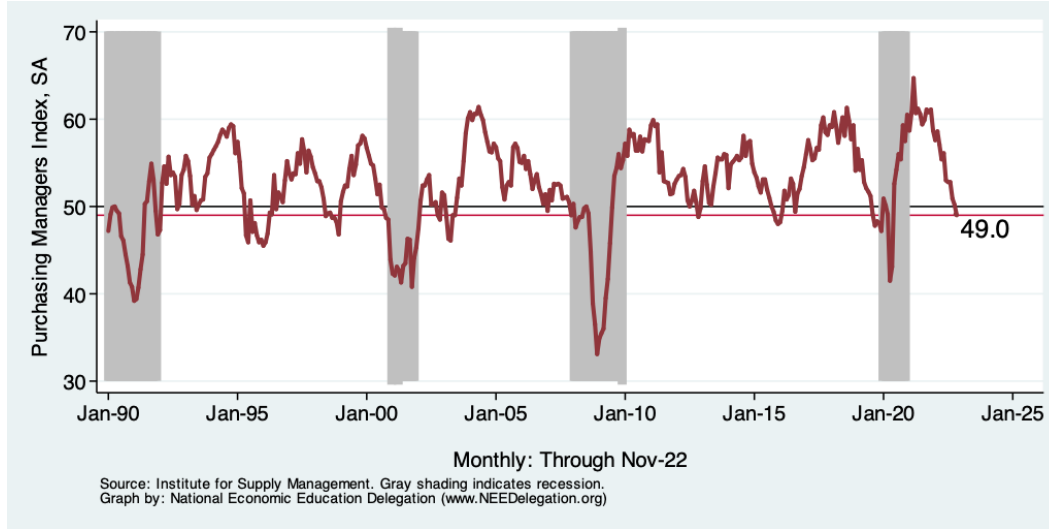


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## Producer Confidence: In Trouble

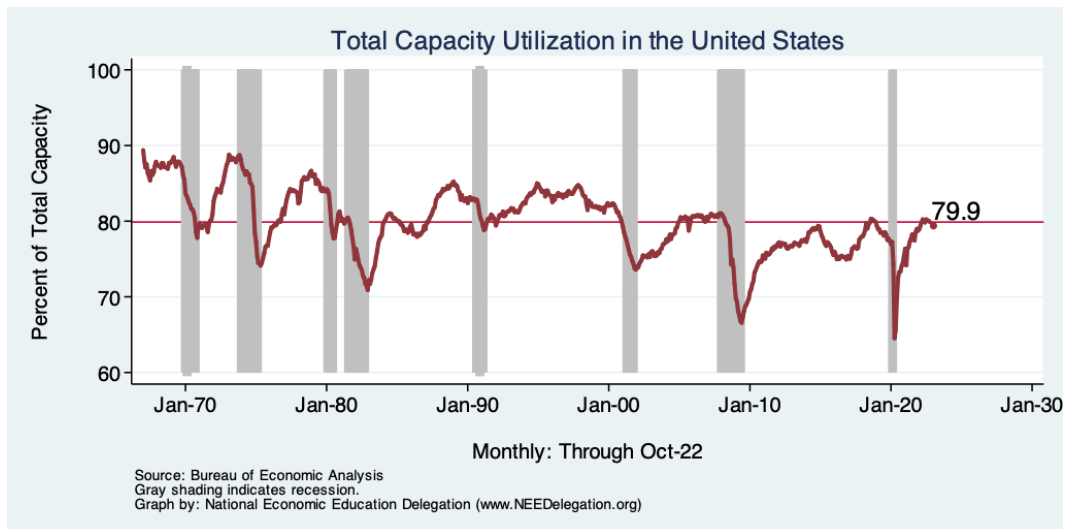


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## Capacity Utilization: Trending Down

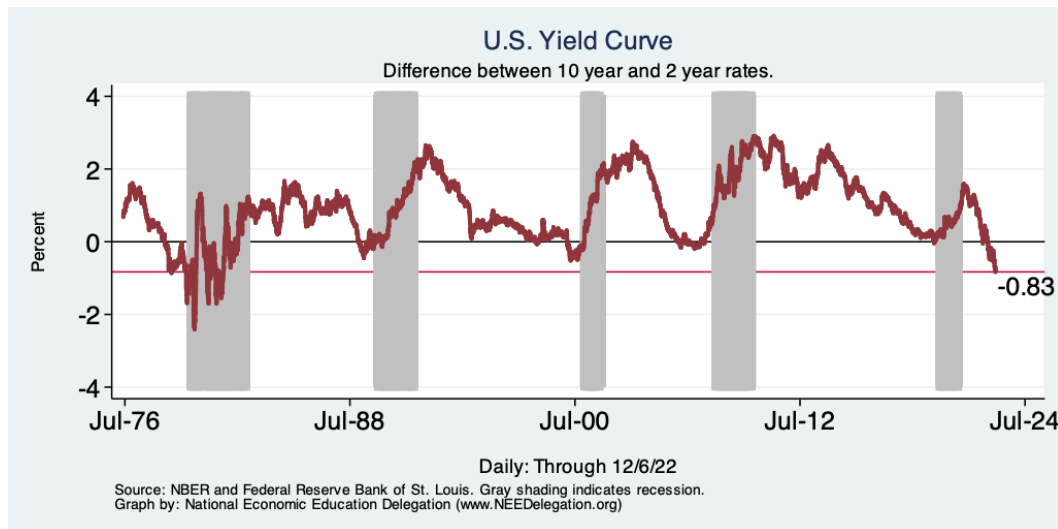


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## Alarming Compression of Interest Rates



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## Takeaways

- **Is a recession on the horizon?**

- Larry Summers, Jamie Dimon, and Elon Musk are worried about a recession.
- While the chances of slipping into a recession have increased, I think on many dimensions the economy is doing quite well.
  - o Consumers have been driving the recovery, and consumers account for two-thirds of GDP.
  - o Job creation remains robust – 263k in November.

- **What about GDP? Looking OK!**

- **Other Indicators suggest slowing.**

- A real mixed bag. Great uncertainty. News reports aren't helping.

- **Marin economy...**

- Shrinking employment and labor force.
- Housing markets very slow.
- Uncertain times.



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**Thank you!**

## Any Questions?

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



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