



Economic Update US & Monterey Bay Area

Regional Economic Outlook Monterey Bay Economic Partnership

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NEED
May 3, 2024

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Outline

- Economic Indicators
- Inflation/Federal Reserve
- The Local Economy



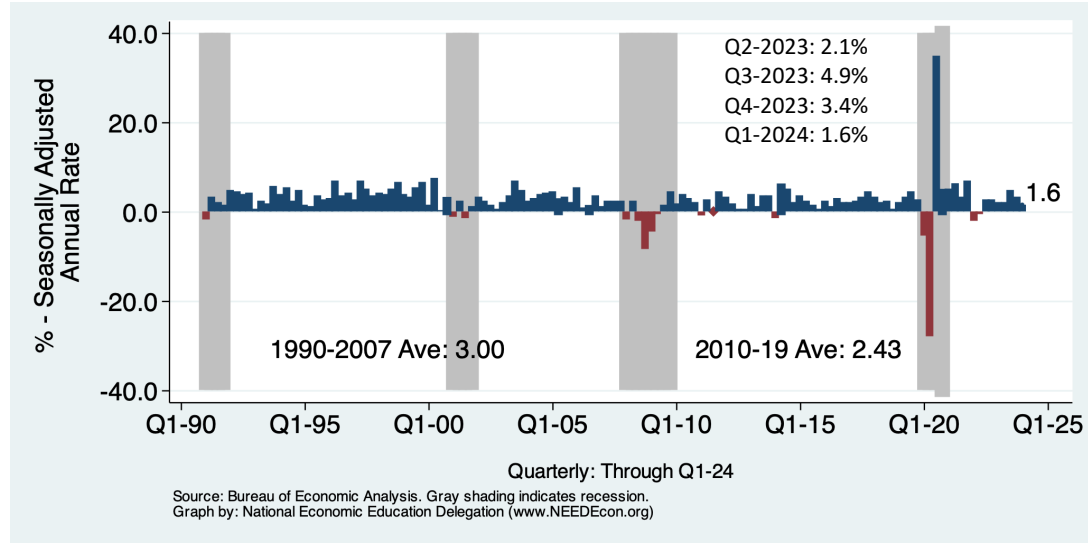
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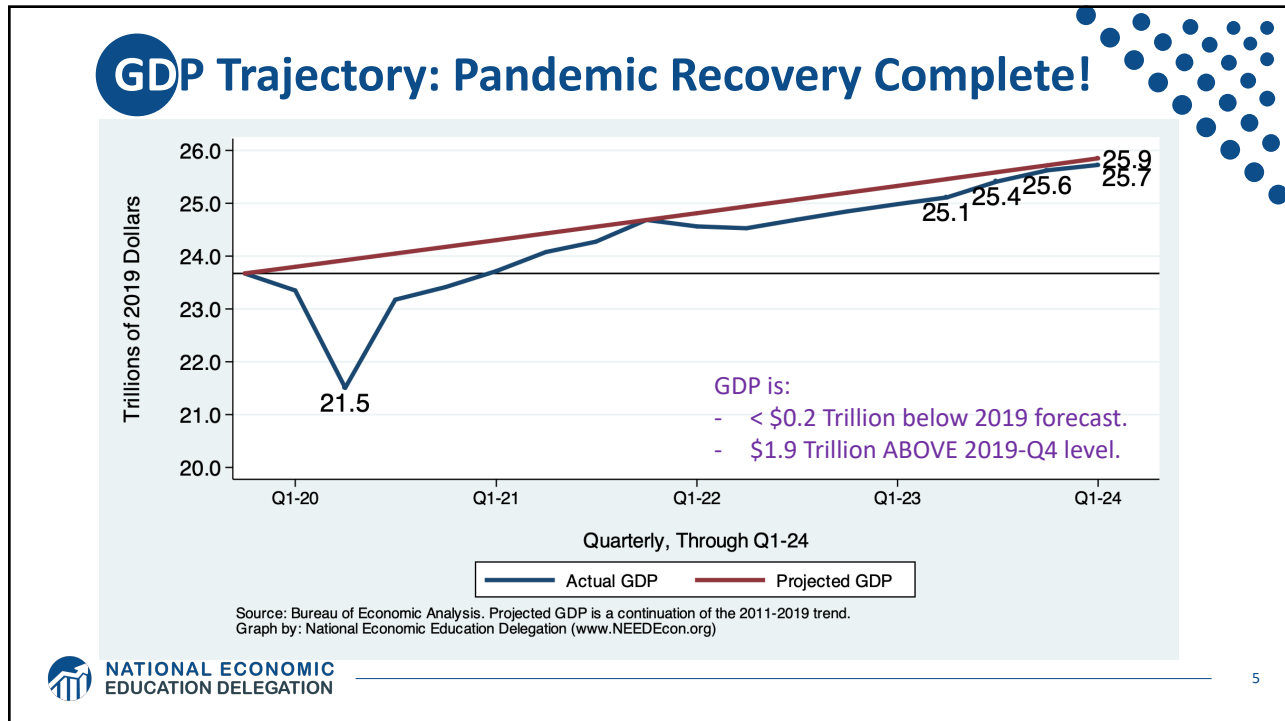
Economic Indicators

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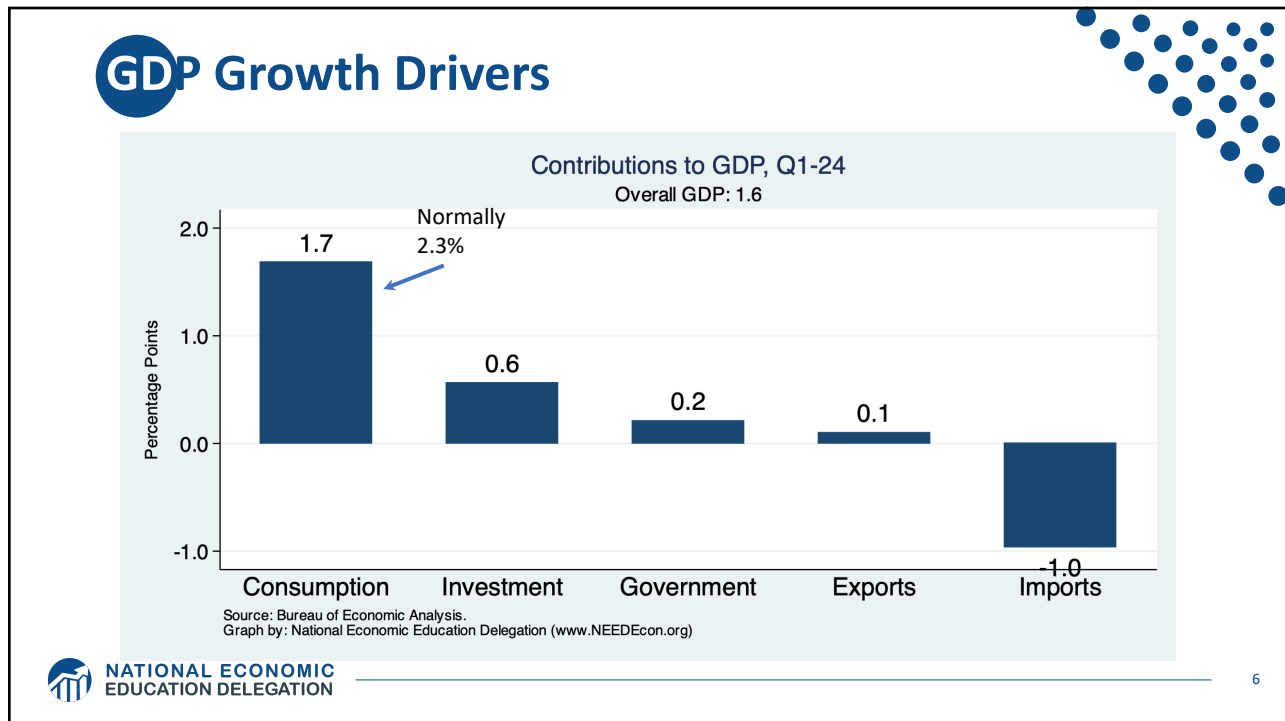
GDP: Quarterly Growth



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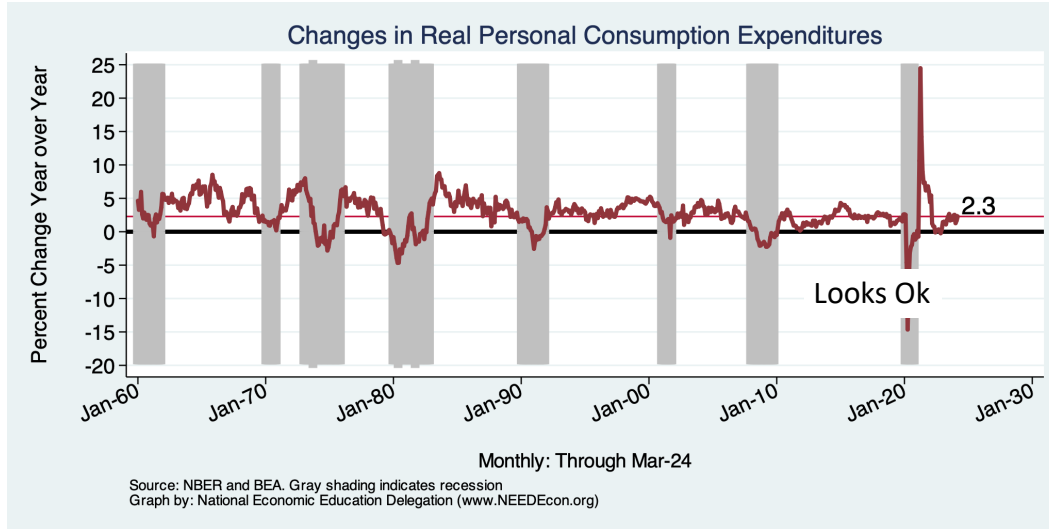


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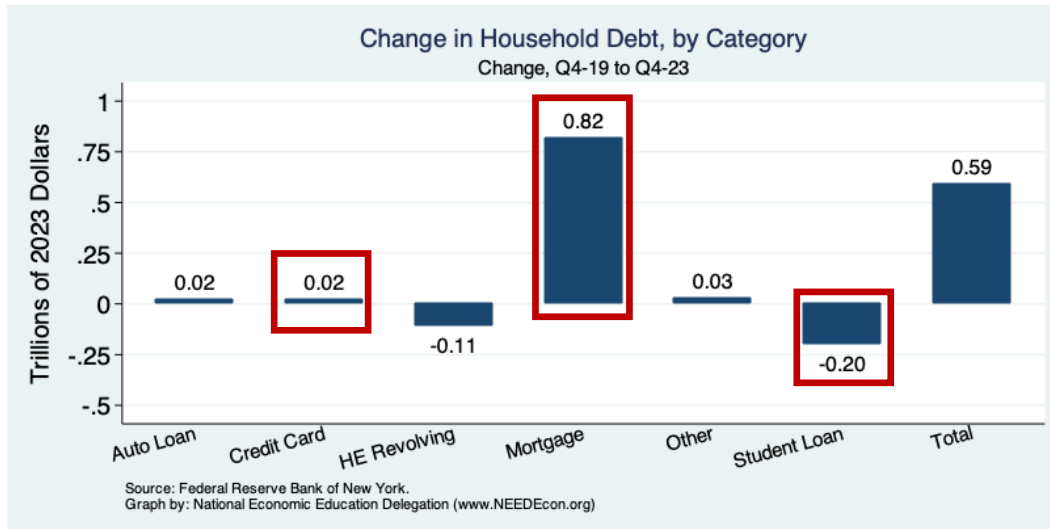
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Personal Consumption Expenditures

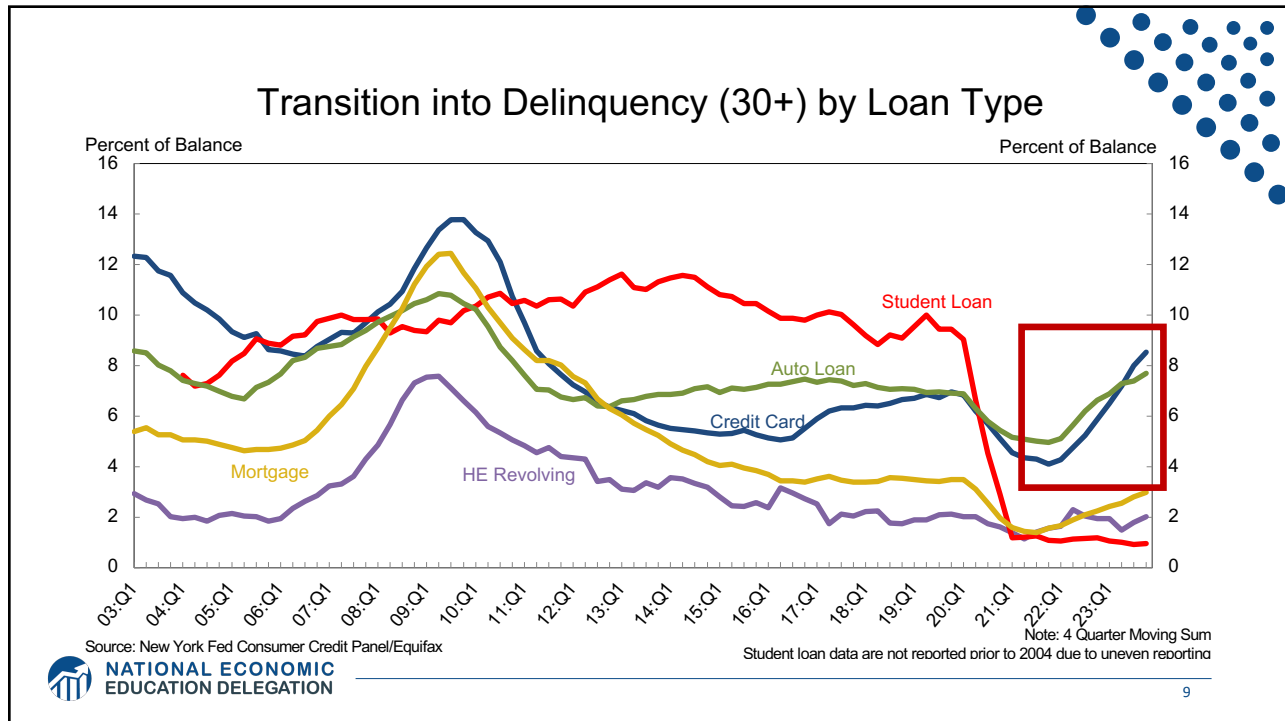


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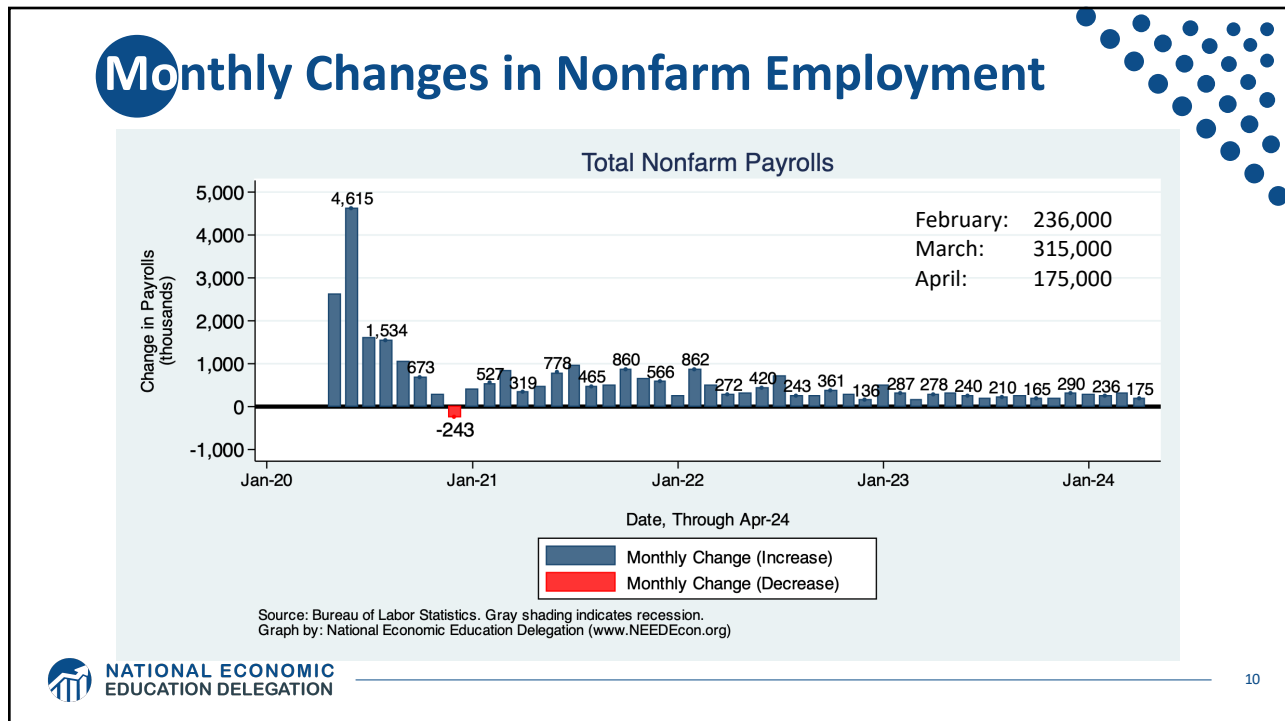
Household Debt: Change During the Pandemic



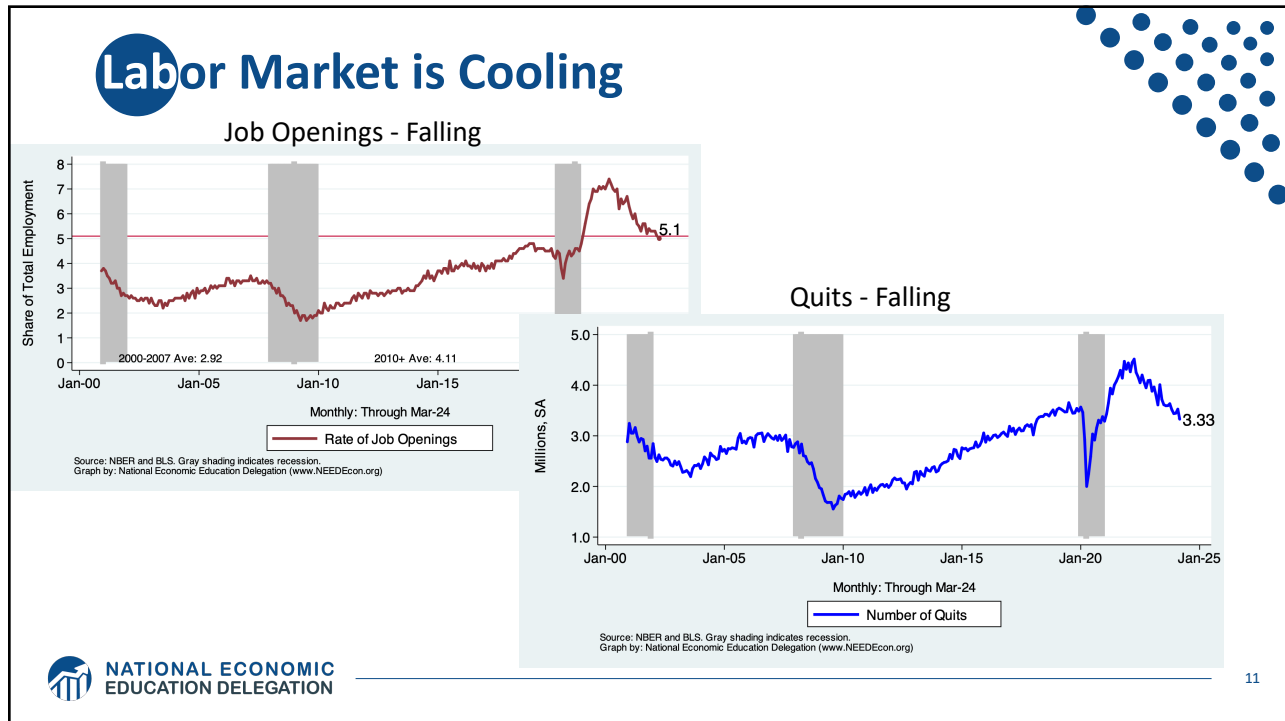
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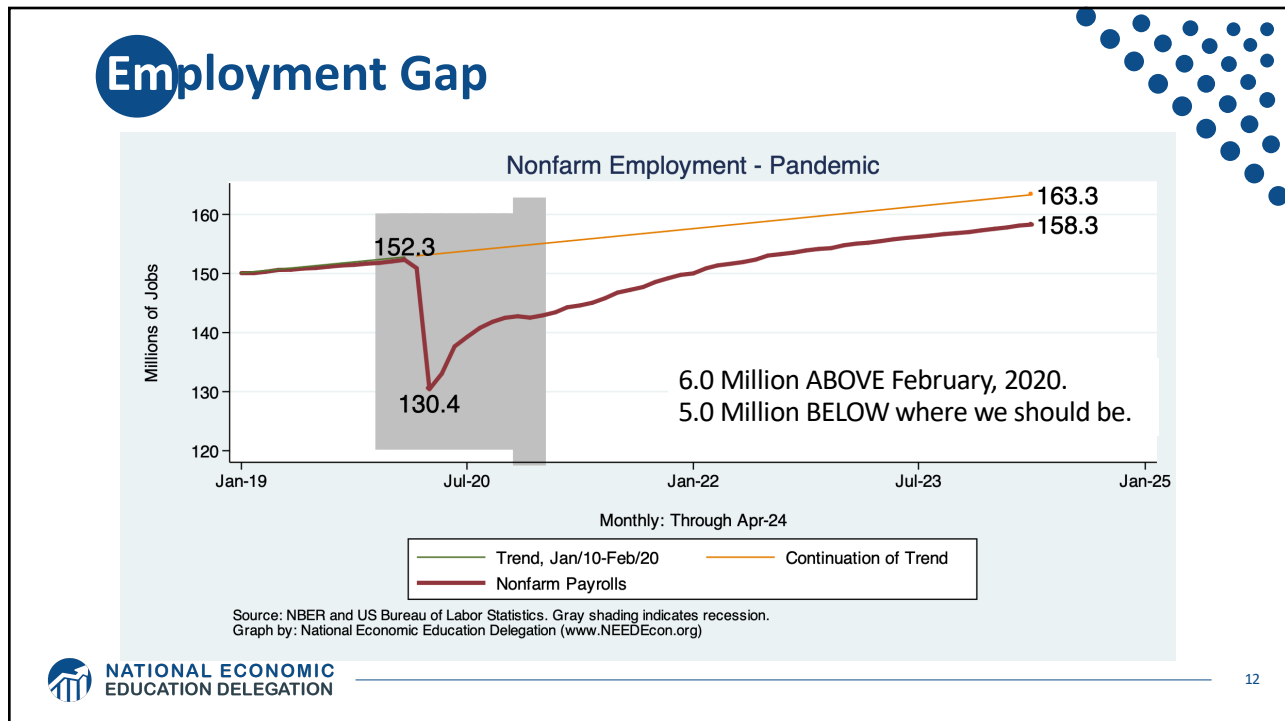
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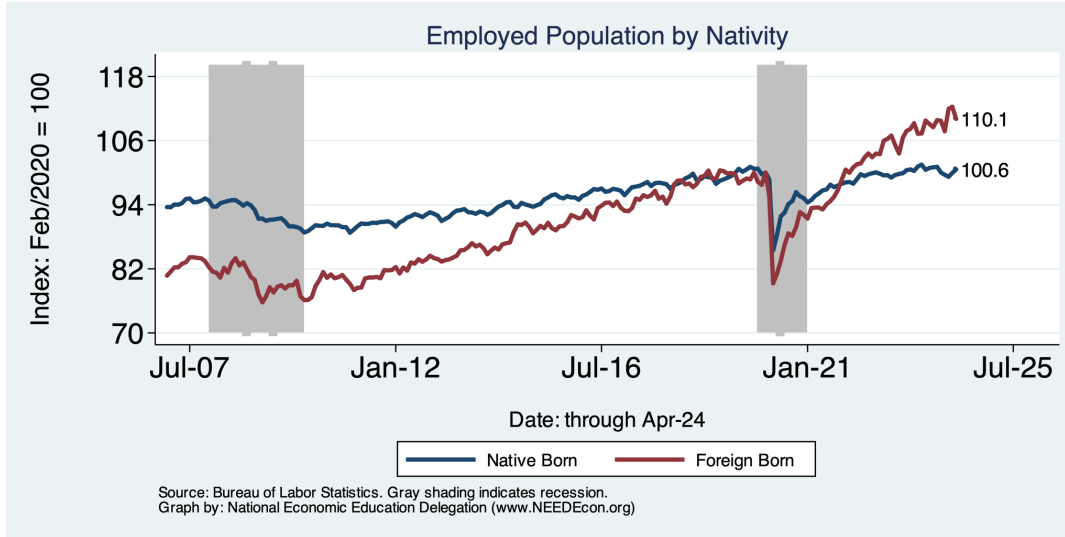


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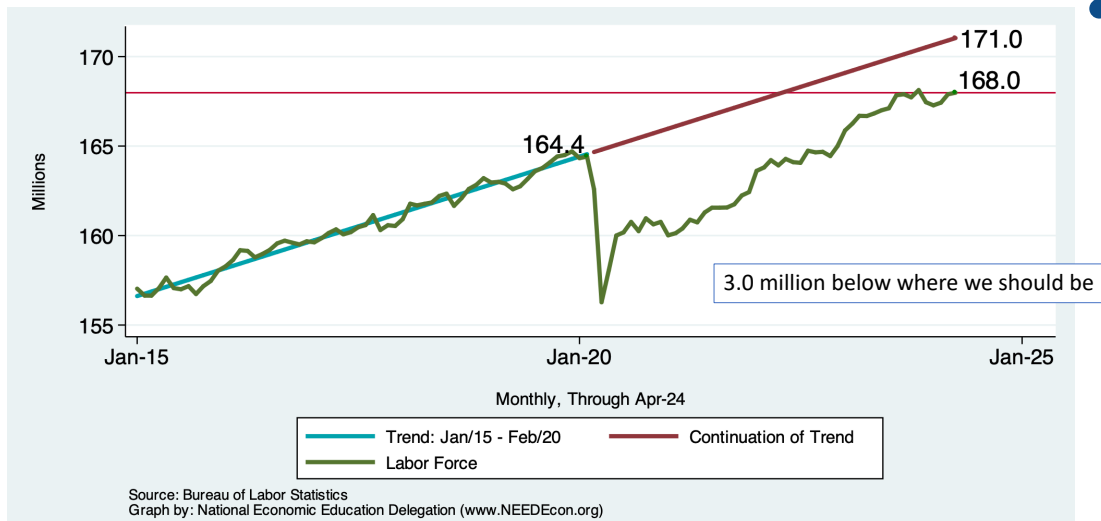
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Immigrants to the Rescue?



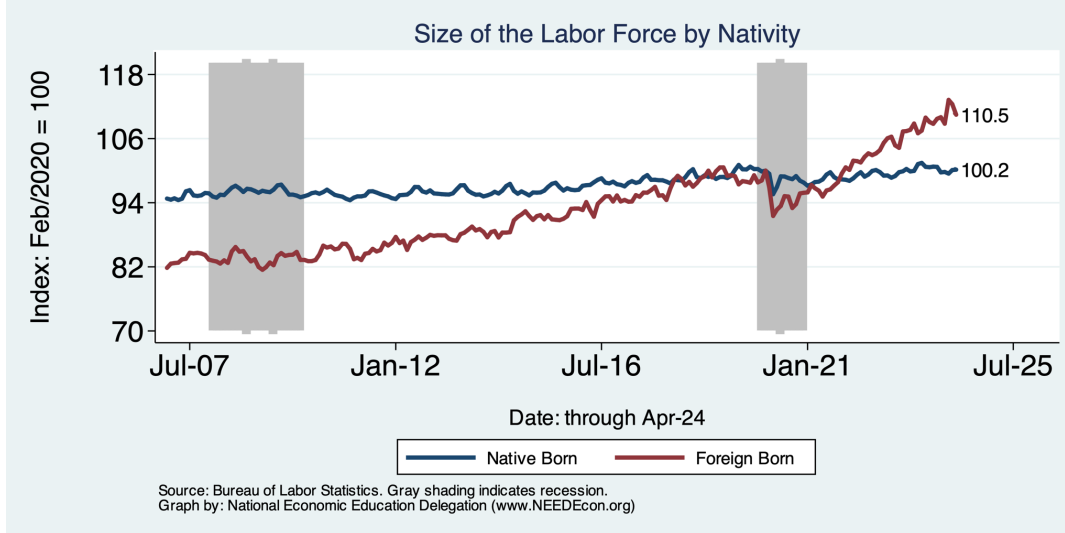
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Where Have All the Workers Gone?



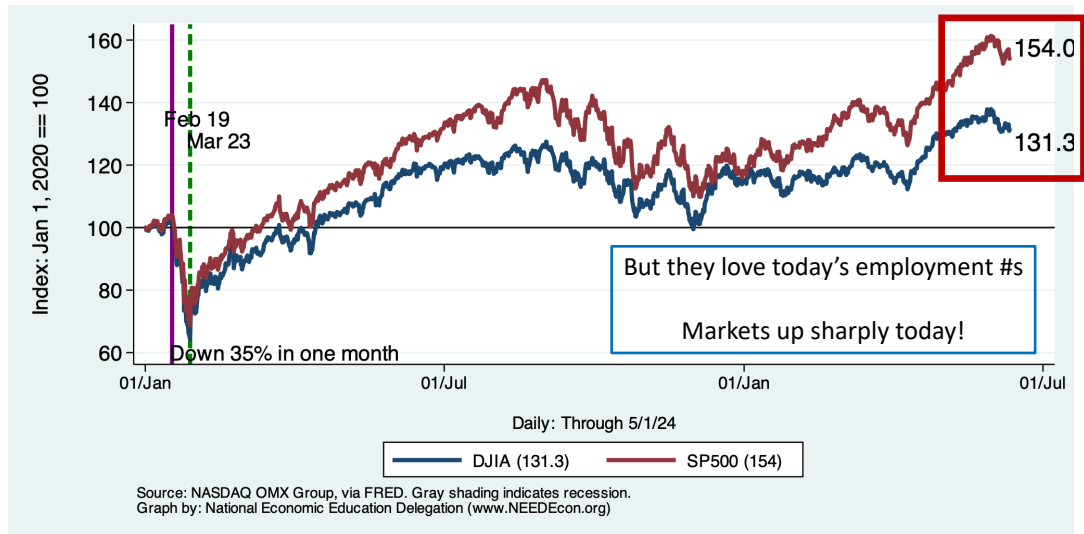
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Immigrants to the Rescue?



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Stock Prices: Didn't Like The Inflation #s



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Inflation

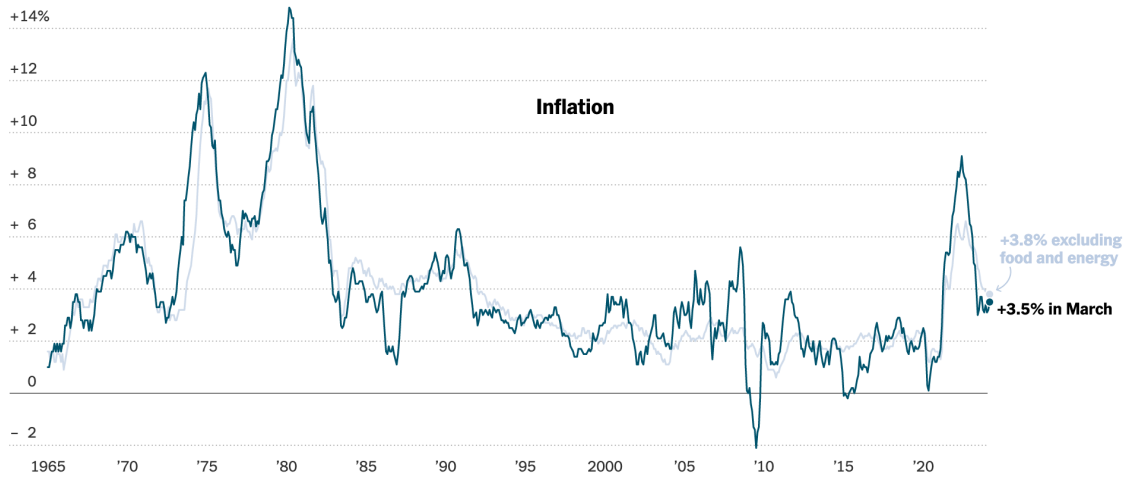


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Inflation: Latest Figures



Year-over-year change in the Consumer Price Index • Source: Bureau of Labor Statistics • By Karl Russell

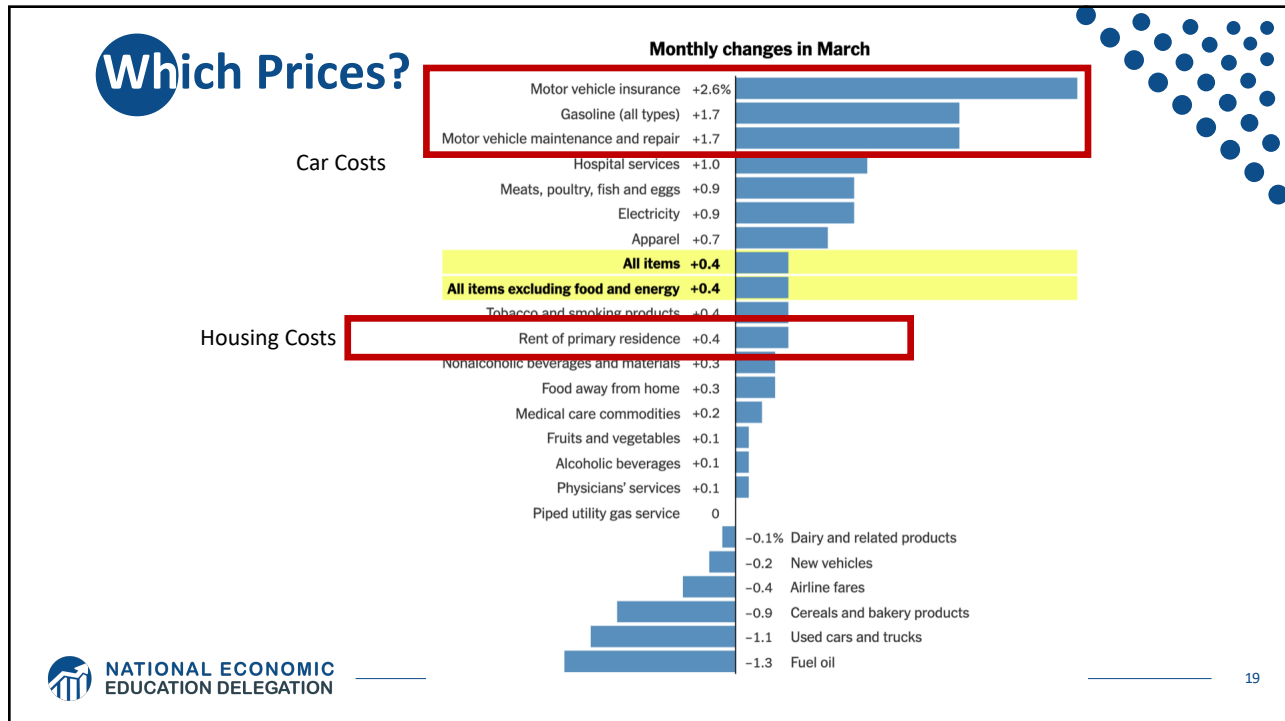


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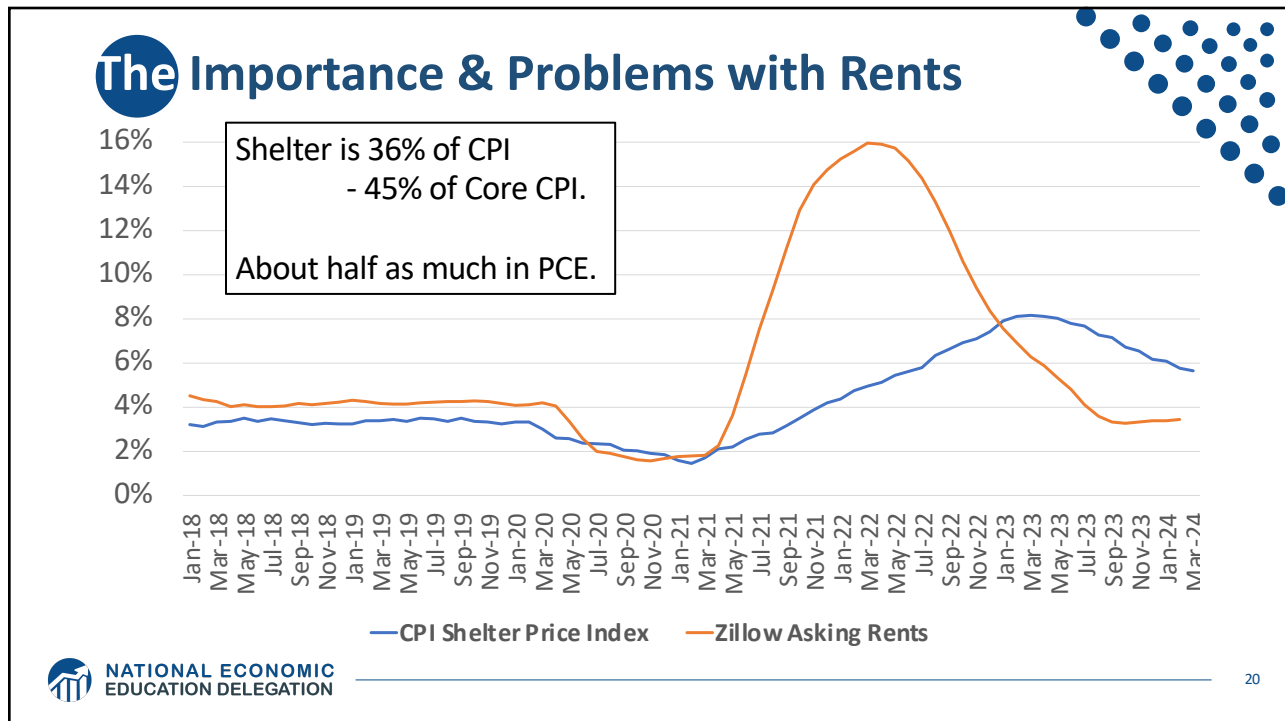
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Source: NYTimes.com

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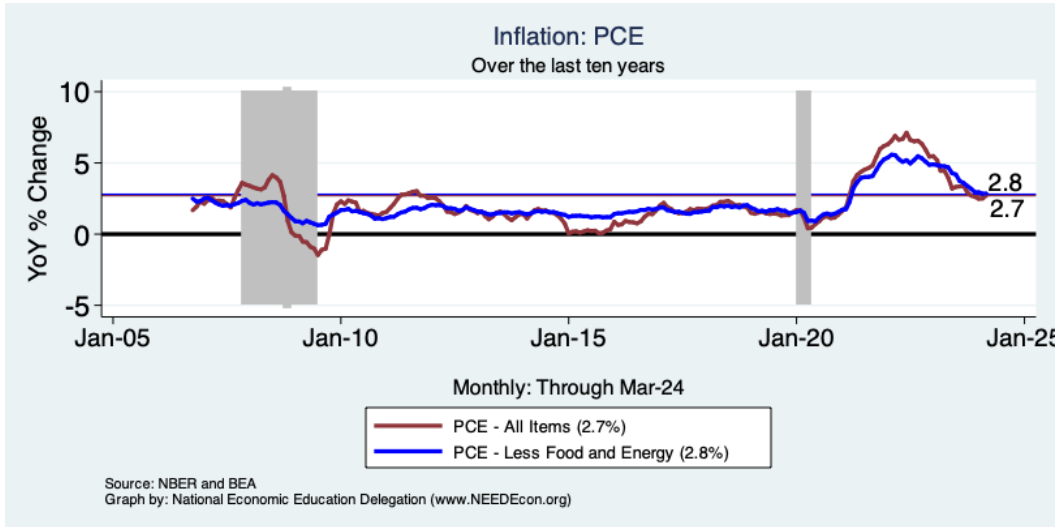


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Fed's Preferred Measure: PCE

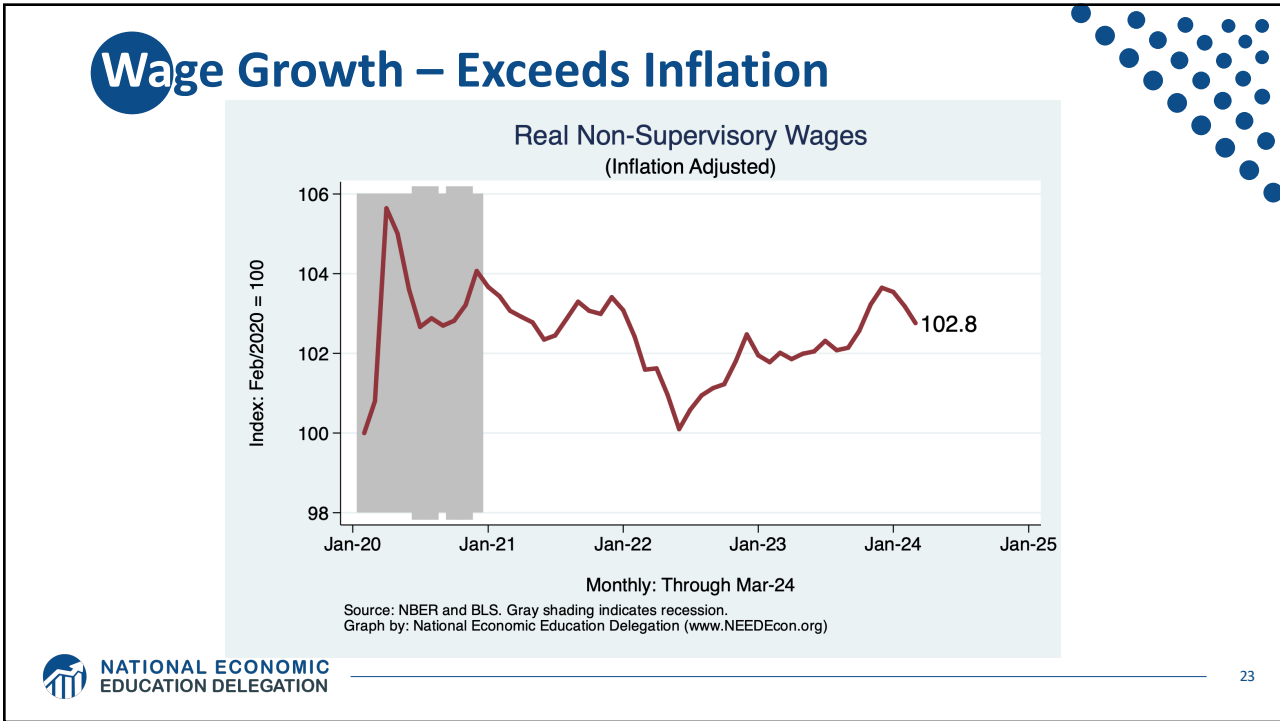


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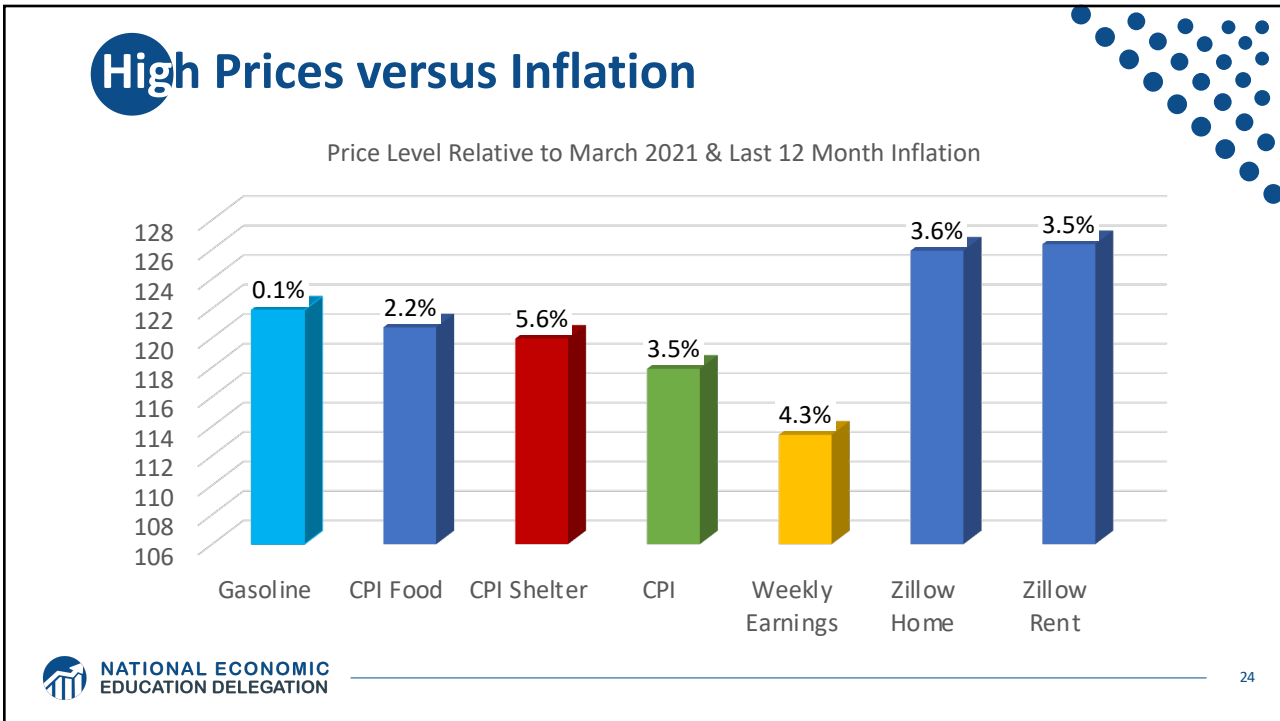
Inflation Expectations



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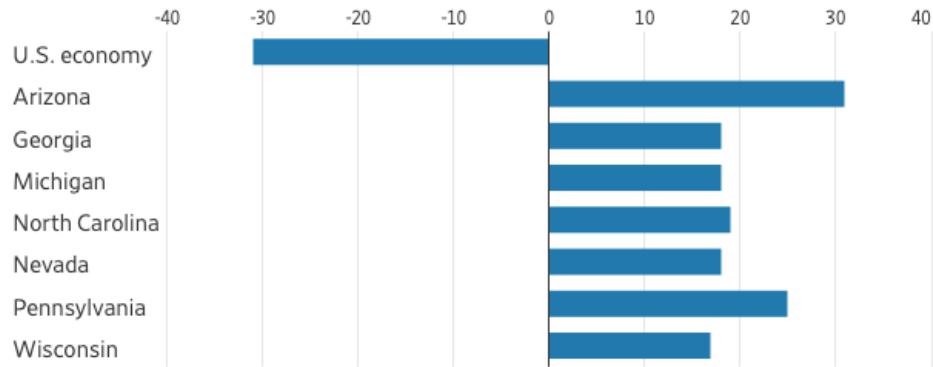
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Mismatch: Feelings About the Economy

Has the U.S. economy, or your state's economy, gotten better or worse in the last two years? *Net share answering 'better.'



*Share saying better minus share saying worse. Negative indicates greater share said worse.

Source: Wall Street Journal Poll



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Source: What's Wrong With the Economy? It's You, Not the Data

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My Thoughts on the Future of Inflation

- Most indicators suggests continued declines.
- Market expectations are worsening.
- Return to 2% might take a little longer.
- Federal Funds rate to stay high for some time.
- Popular expectations may take a little while to catch up.



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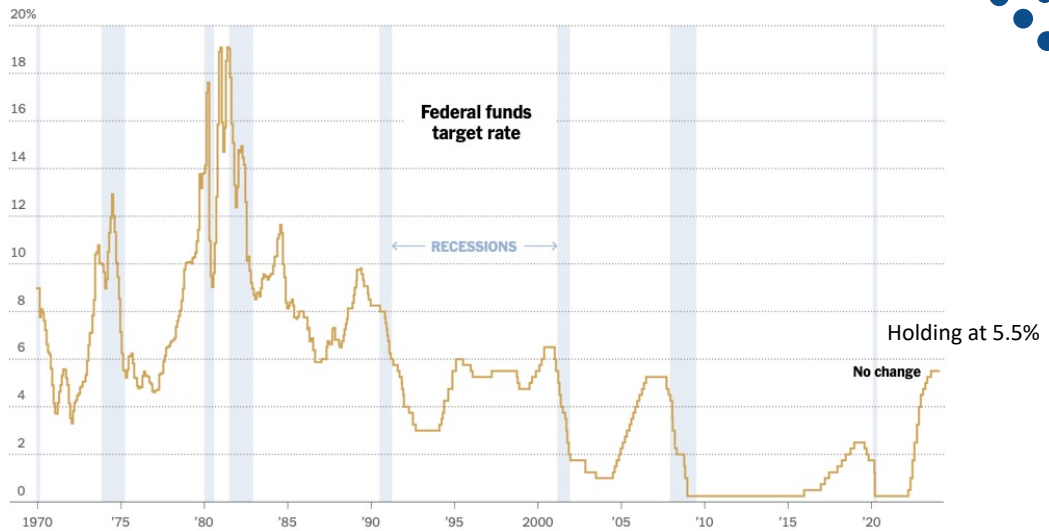
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The Fed: Conservative

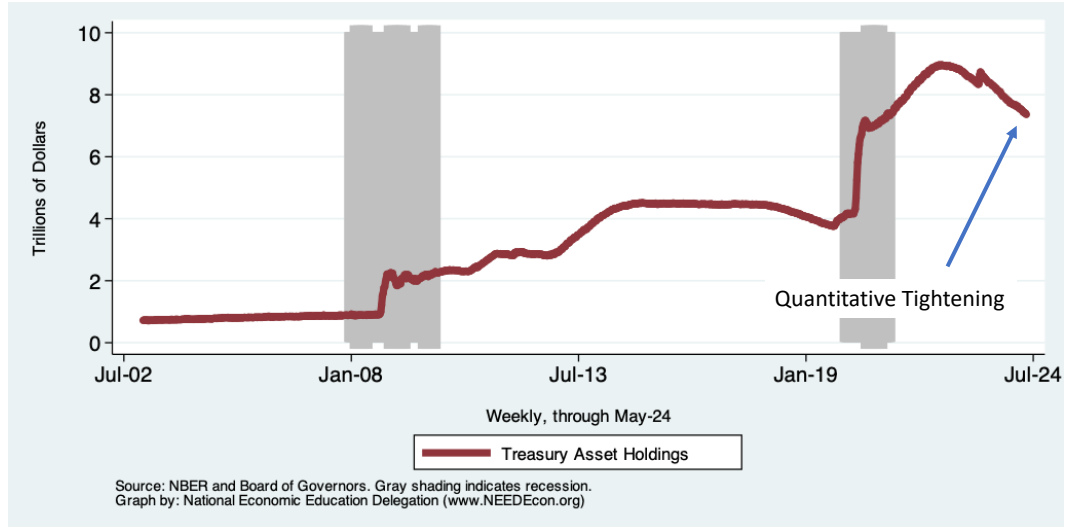
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Federal Funds Rate



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Fed: Reducing its Asset Holdings



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What will the Fed Do?

Pending Developments:

- **May-June 12 full set of inflation and employment for April.**
 - Inflation: both CPI and PCEPI
- **Wednesday, June 12 Fed policy meeting with new economic projections**

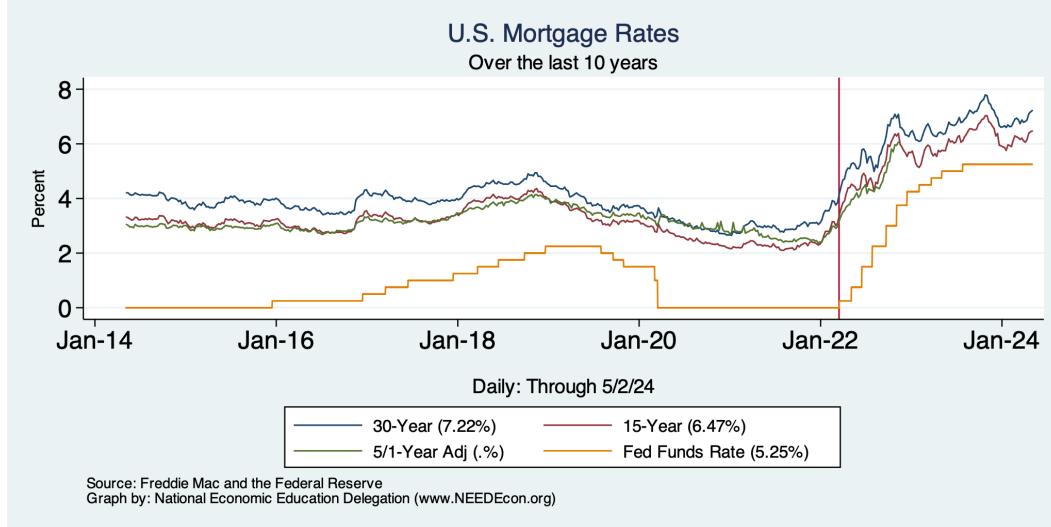


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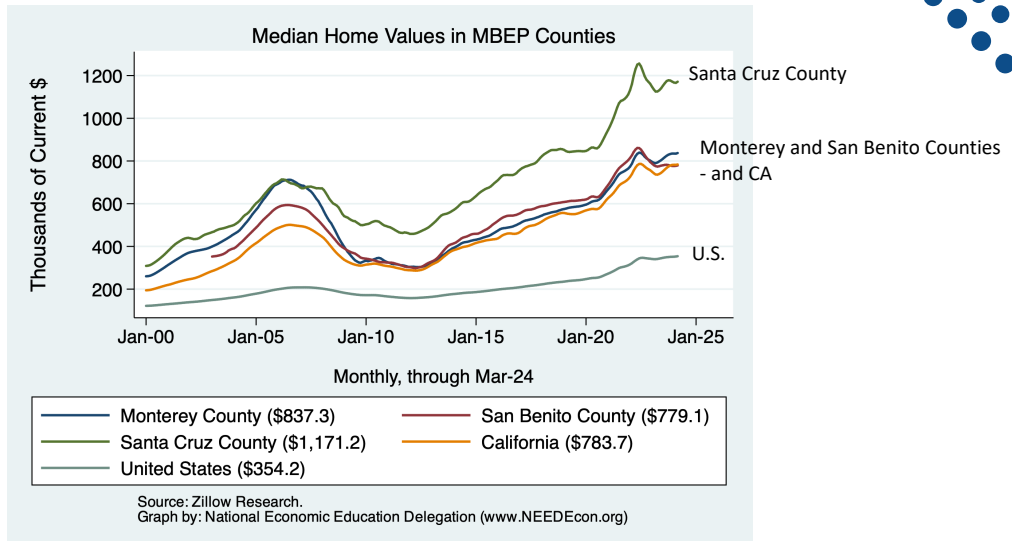
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Mortgage Rates



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Home Prices Around the MBA



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If you'd like to see other geographies....

- I have these graphs for all CA counties and cities.
- I also have graphs of rents for cities.
- If you would like some other geography, just let me know:

Jon@NEEDEcon.org



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Takeaways

- **Is a recession on the horizon?**
 - No.
 - Many indicators are in the black.
 - 2023 2nd half GDP growth was pretty good
- **Inflation**
 - Certainly trending in the wrong direction.
 - Not worried about it.
 - Driven by housing and insurance.
 - Fed policy will continue to push against it.
 - Likely to recover 2%-ish by middle of next year.



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Uncertainties

- **Conflicts in Ukraine and Israel.**
 - Global Supply Chains?
 - Oil Prices?
 - Aid to Ukraine and Israel?
- **Asset prices (stocks)**
- **Household balance sheets**
- **Fed Actions in a Political Year.**



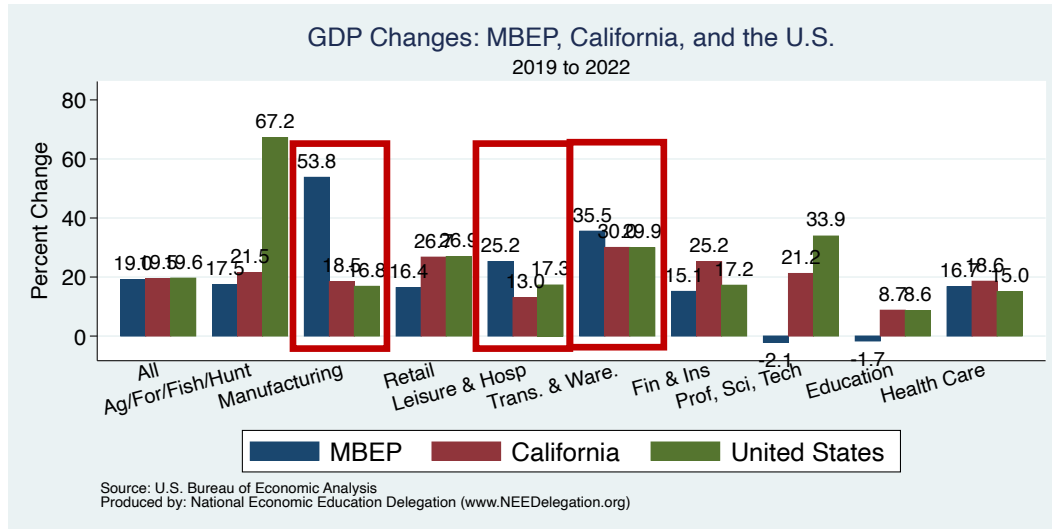
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Locally



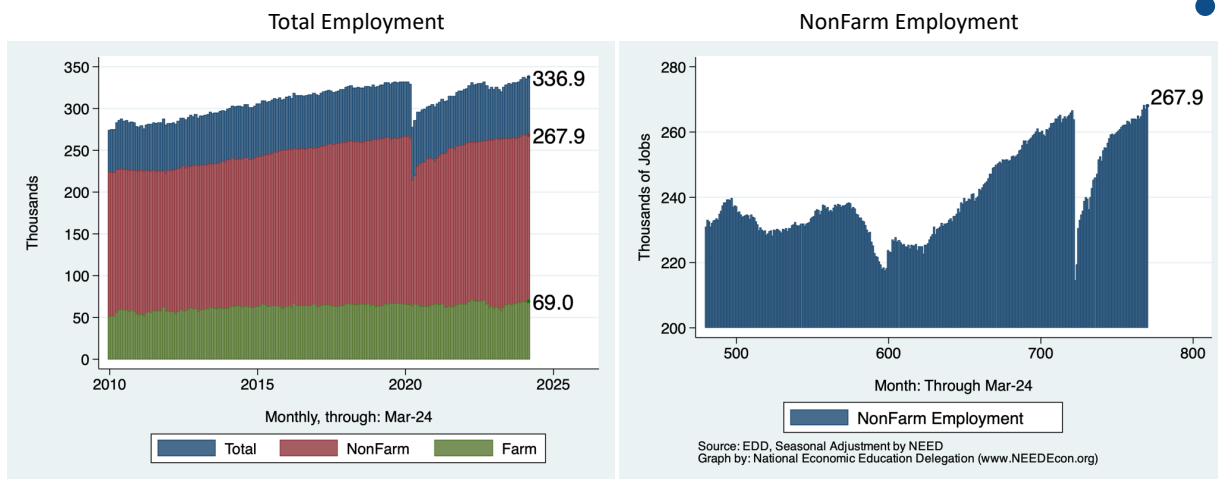
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MBEP Economy: GDP Growth



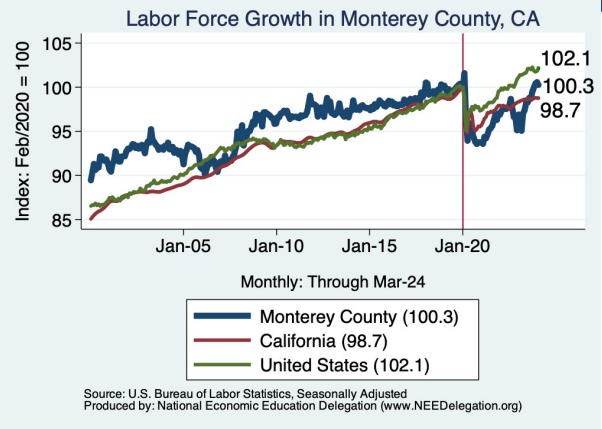
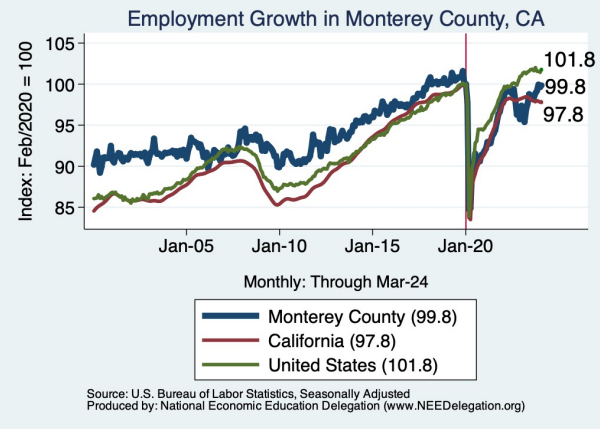
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Employment Recovery

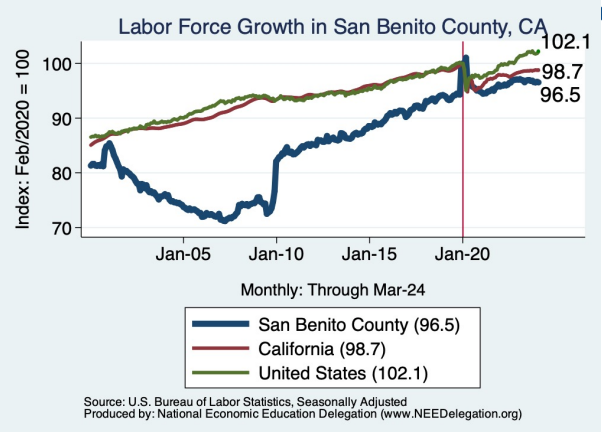
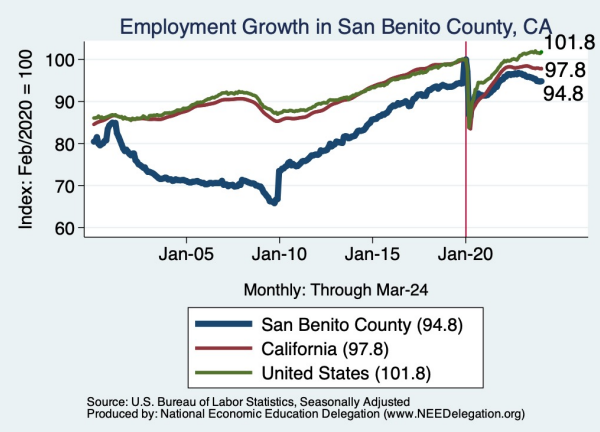


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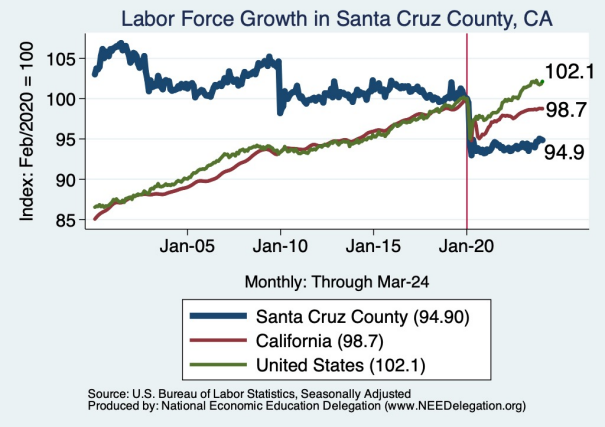
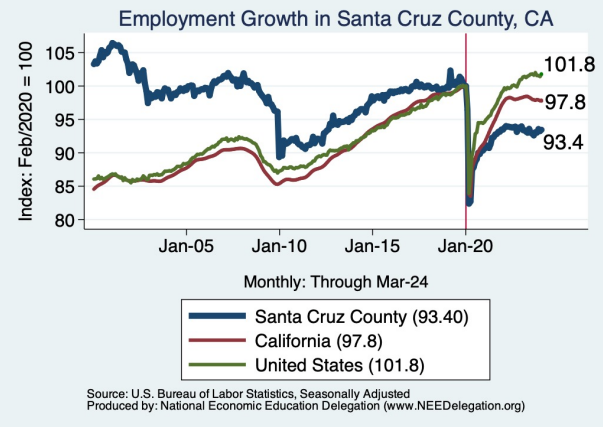
Employment in Monterey County?



Employment in San Benito County?

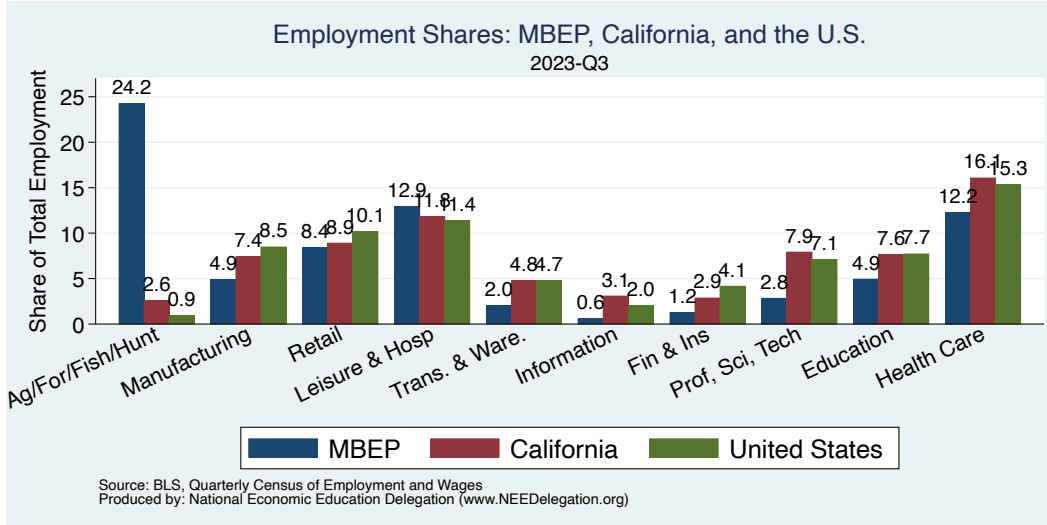


Employment in Santa Cruz County?



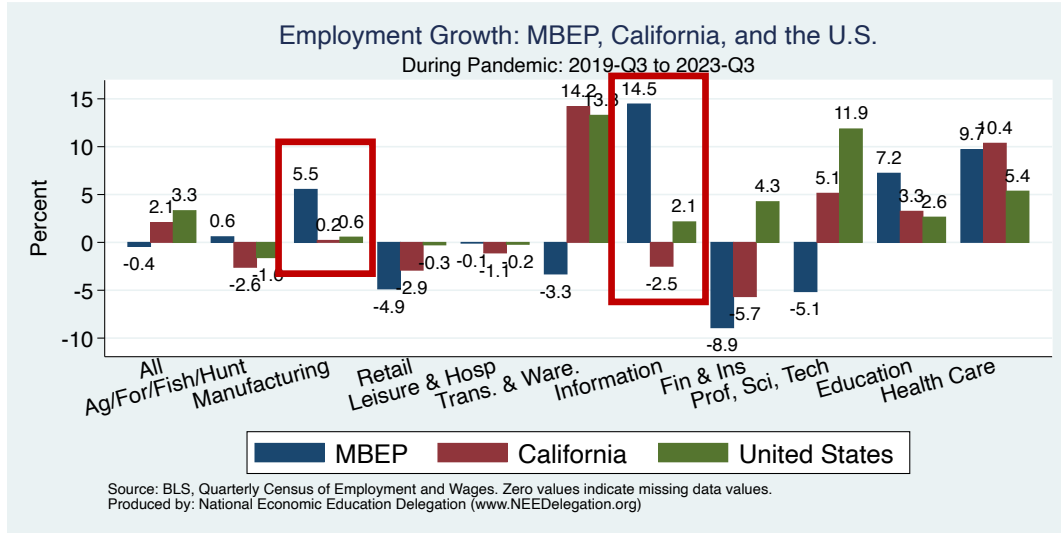
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MBEP Economy: Employment Patterns



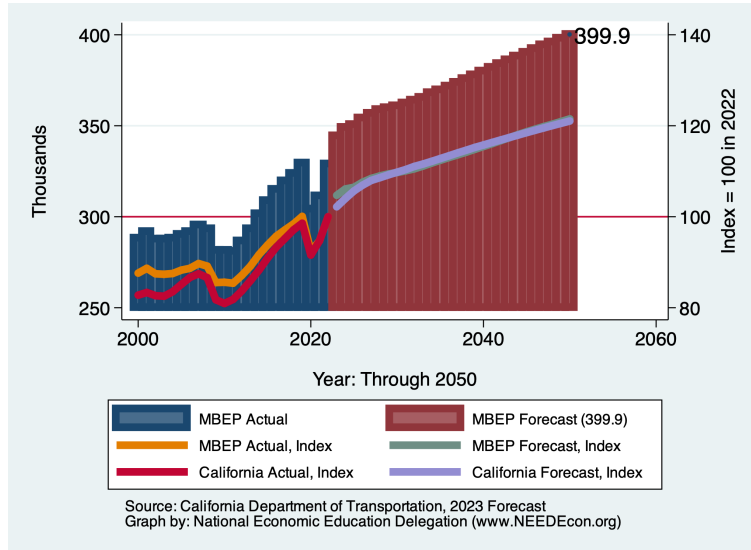
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The Pandemic Effect: Employment



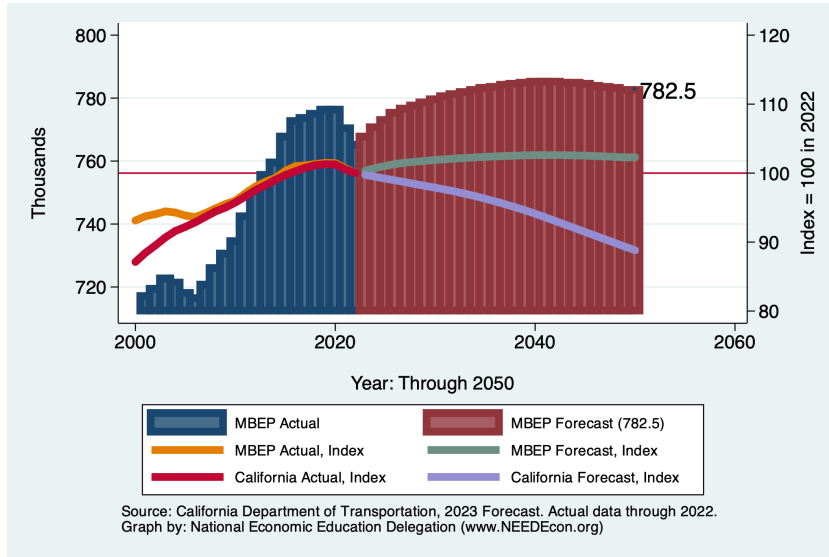
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CalTrans Forecast: Employment



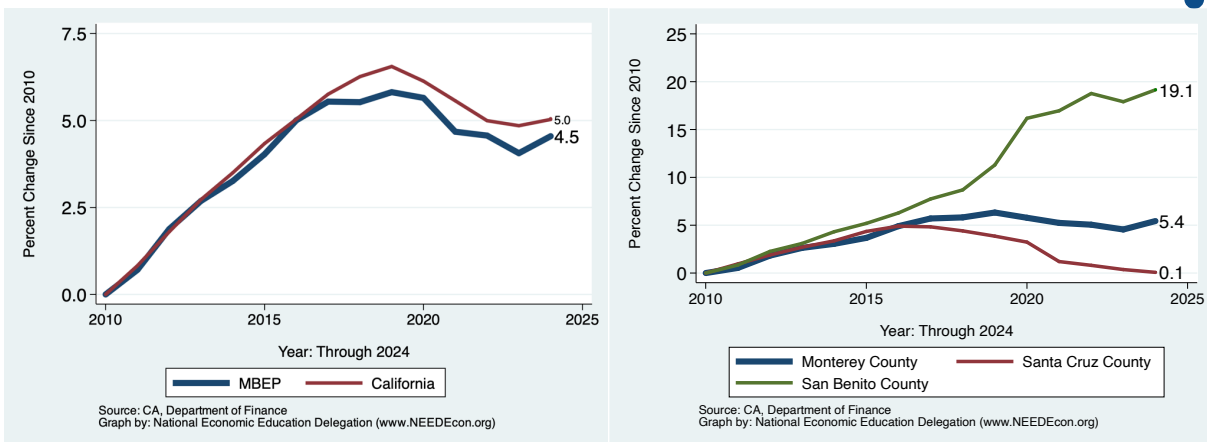
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CalTrans Forecast: Population



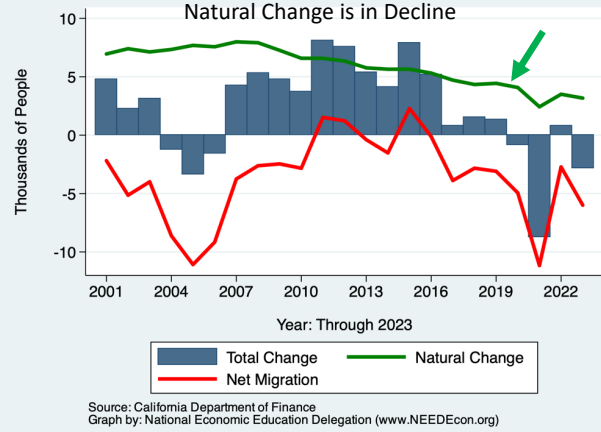
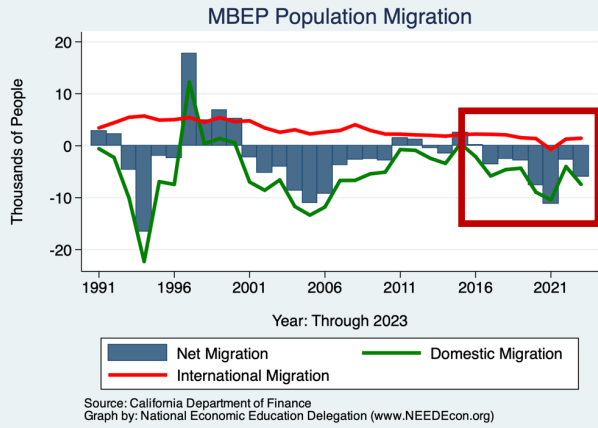
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Local Population Change



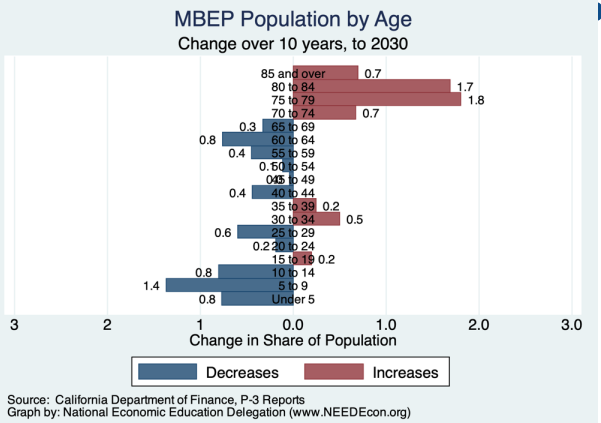
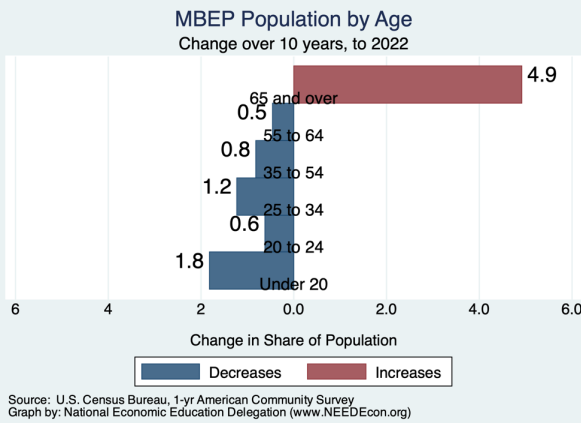
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Monterey Bay Area Migration Patterns



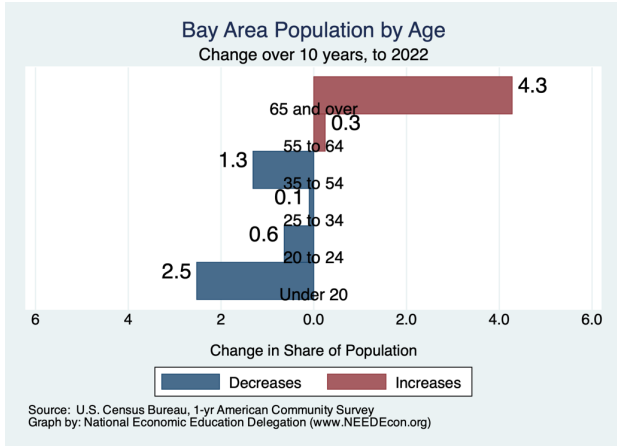
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MBA Population Change

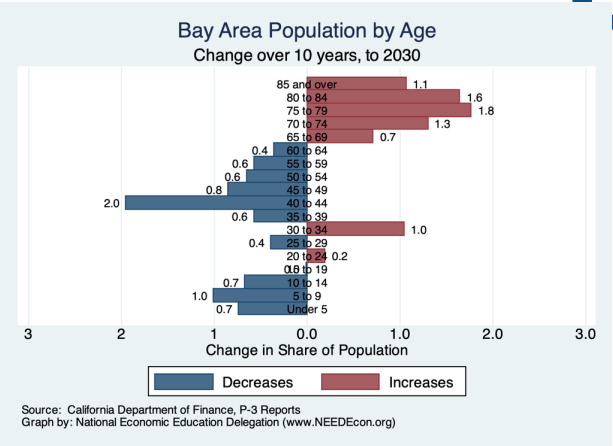


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Bay Area Population Change

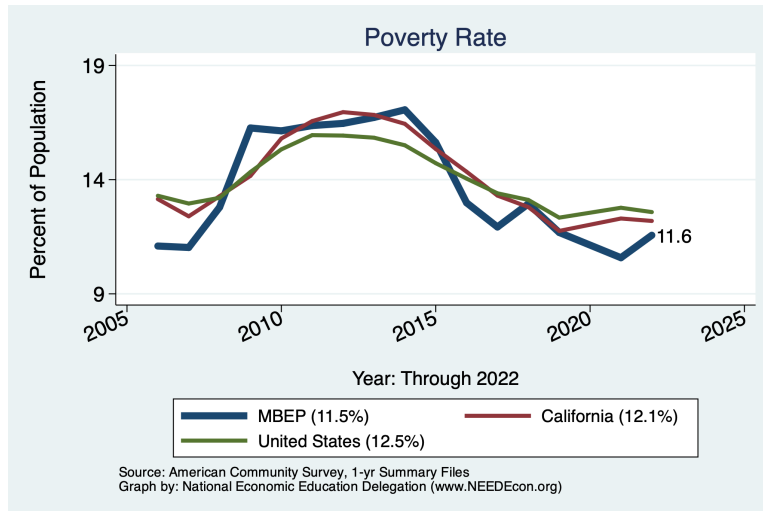


Source: U.S. Census Bureau, 1-yr American Community Survey
Graph by: National Economic Education Delegation (www.NEEDEcon.org)



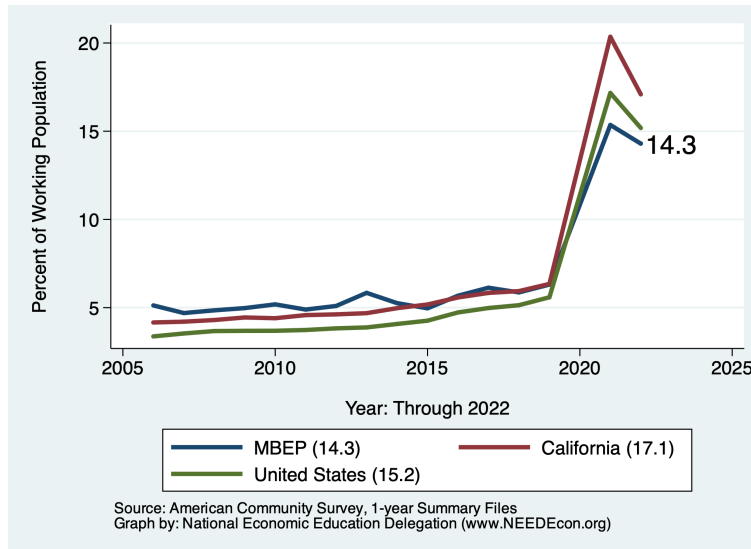
Source: California Department of Finance, P-3 Reports
Graph by: National Economic Education Delegation (www.NEEDEcon.org)

MBA Poverty



Source: American Community Survey, 1-yr Summary Files
Graph by: National Economic Education Delegation (www.NEEDEcon.org)

Working From Home



Monterey Bay Area: Summary

- **Home prices have returned to trend growth.**
- **Aging population will require in-migration to grow the local economy.**
 - However, recent years have seen more out-migration than in.
- **Employment recovery is relatively slow.**
 - Significant growth in manufacturing and information.
 - Prospects for employment growth seem favorable.
- **Poverty rates are low.**
 - Primarily among adults. Child poverty is low.

Thank you!

Any Questions?

www.NEEDEcon.org

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www.NEEDelegation.org/LocalGraphs

For every state and county in the United States.

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

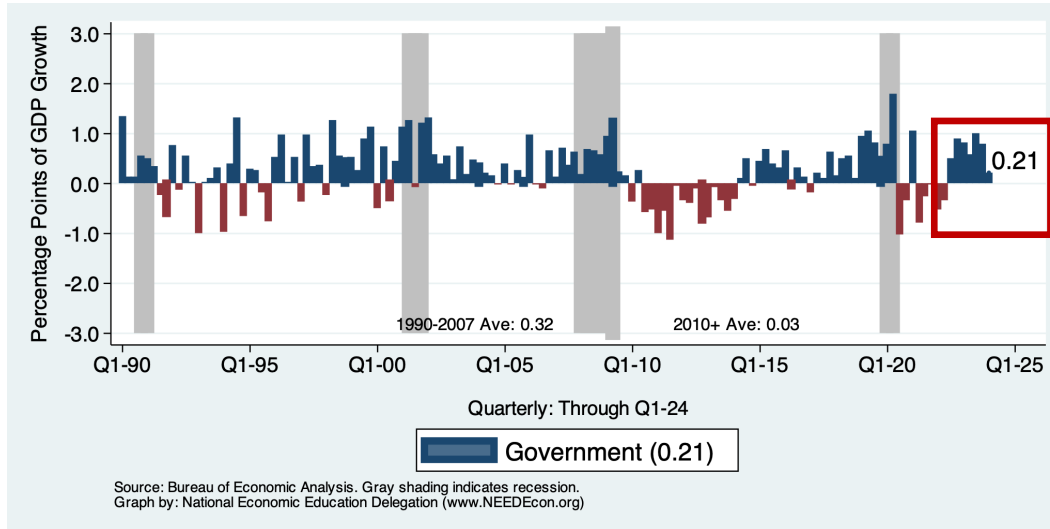


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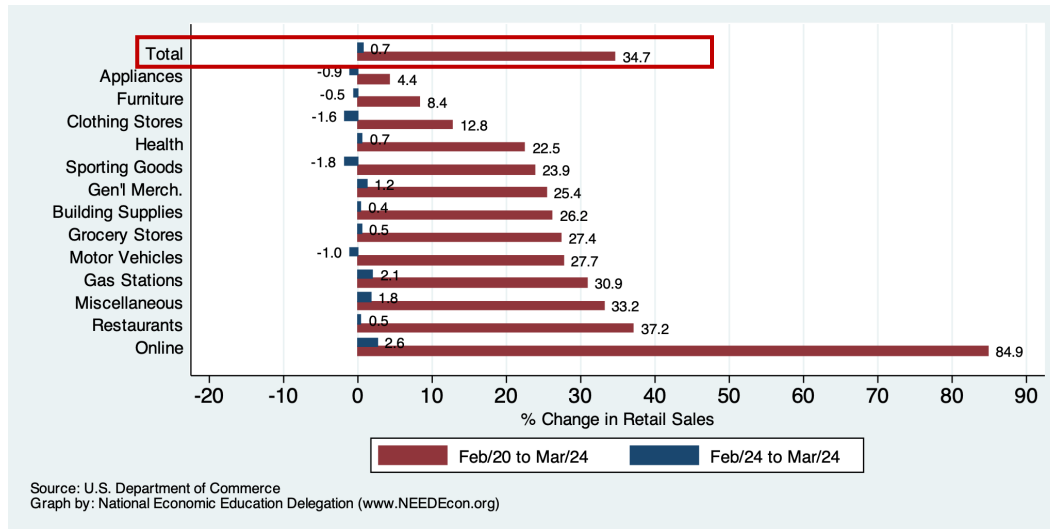
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Contributions to GDP: Government



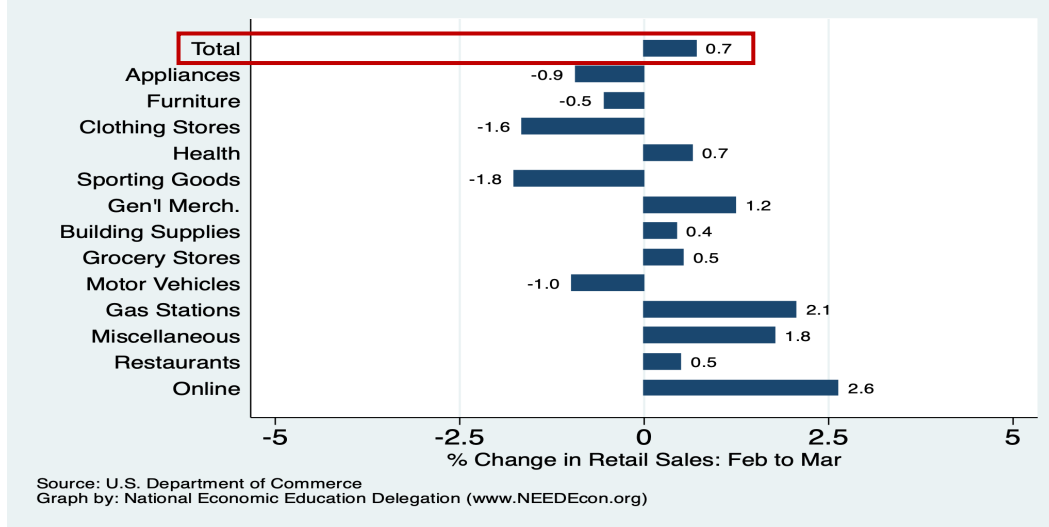
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Retail Sales Rose 0.7% in March



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Retail Sales Rose 0.7% in March

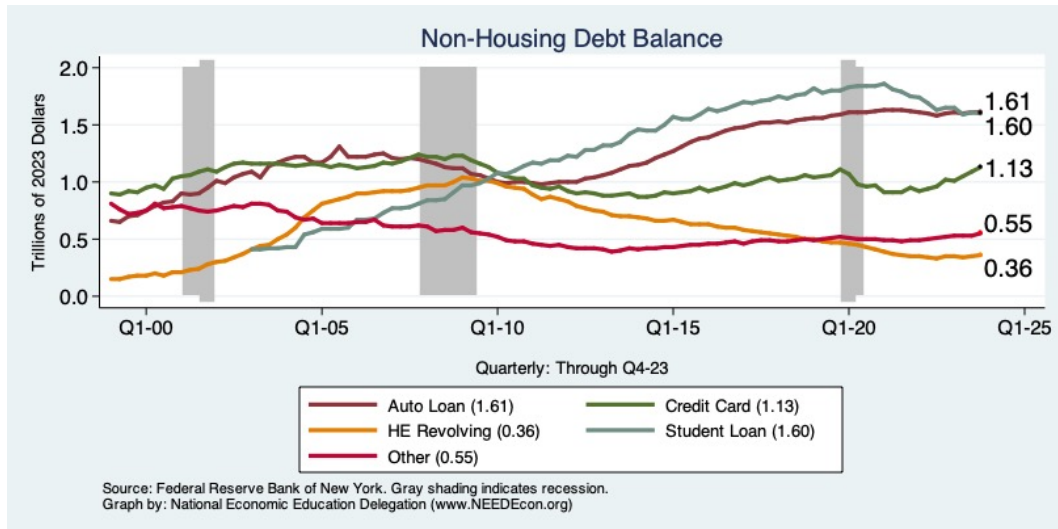


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Household Debt: Non-mortgage Sources

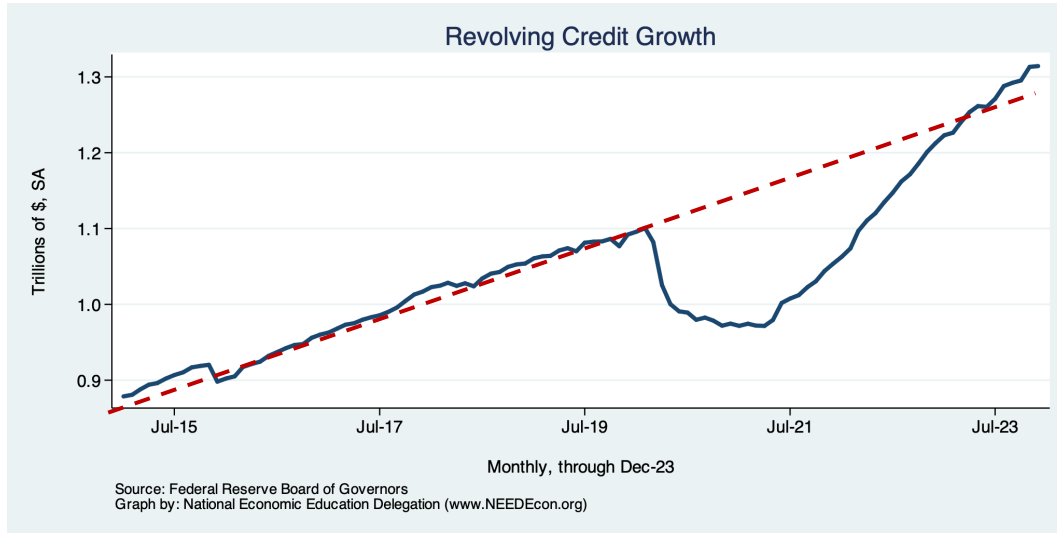


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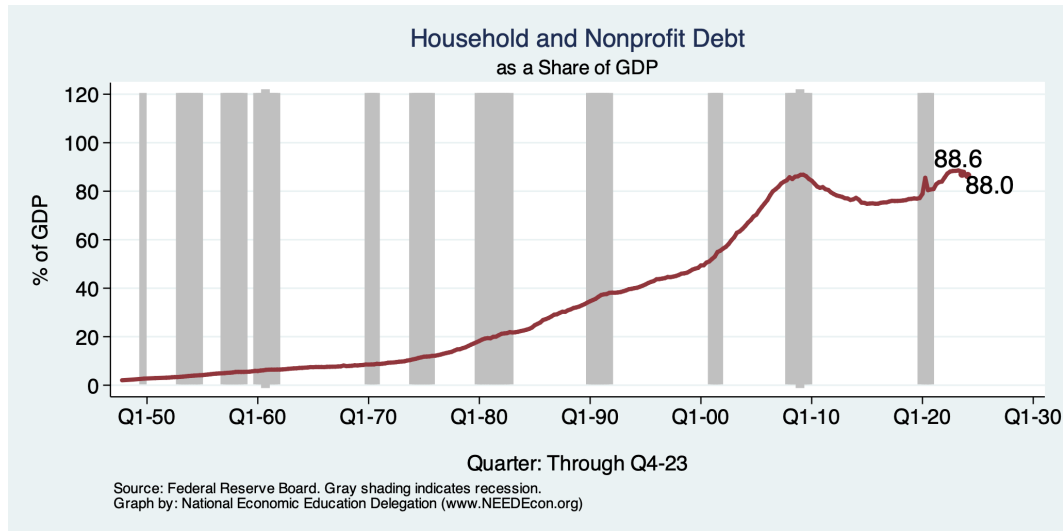
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Borrowing on Credit



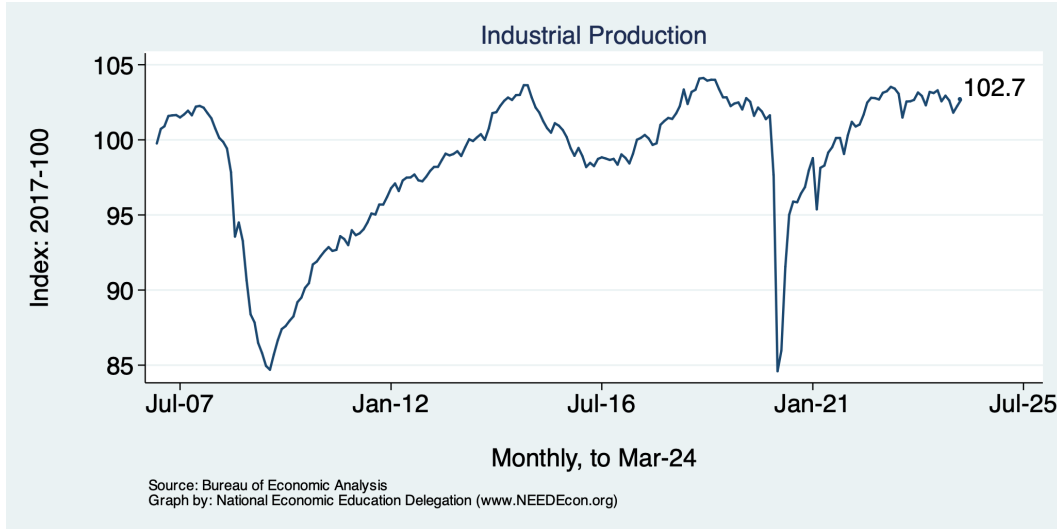
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Household Debt as a Share of GDP



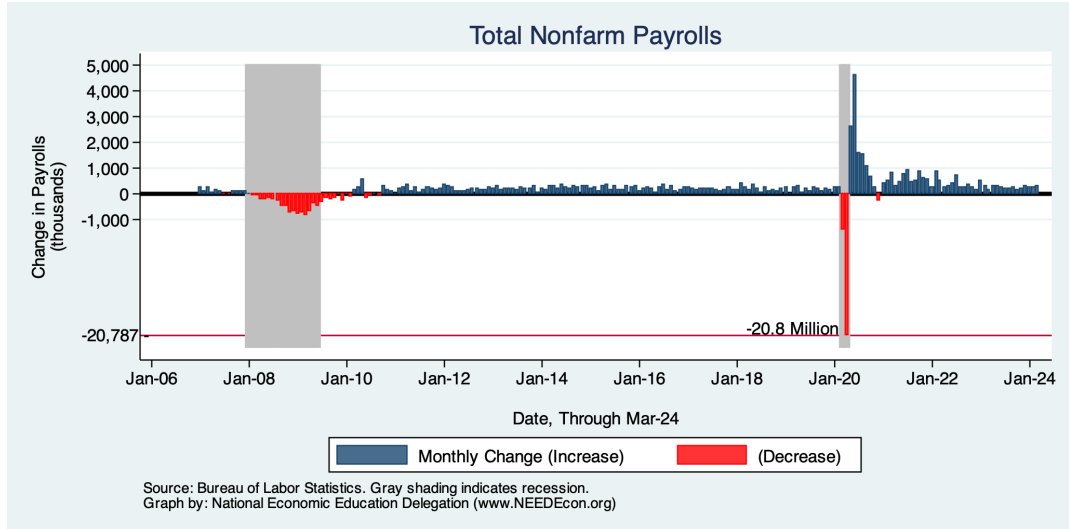
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Industrial Production (Manuf, Util, Mining)



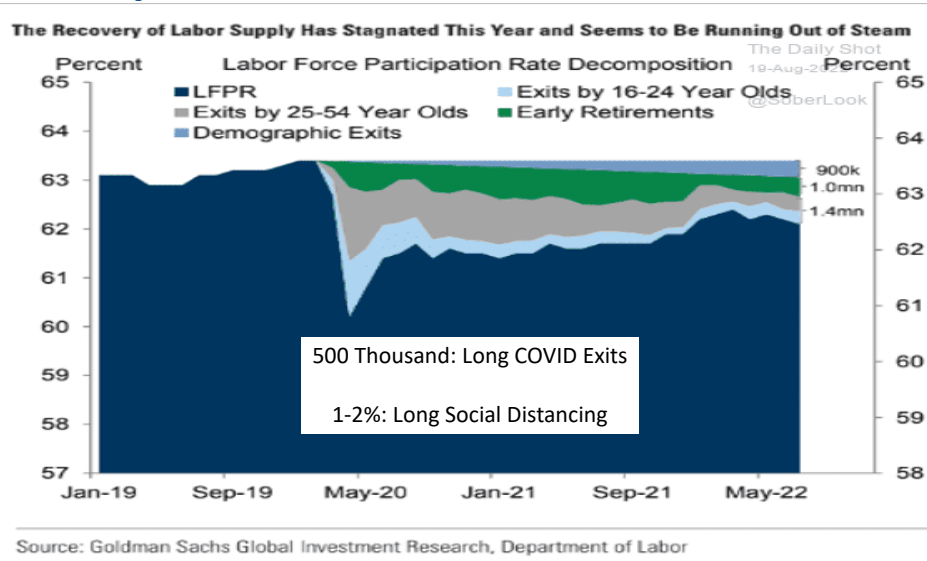
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Monthly Changes in Nonfarm Employment



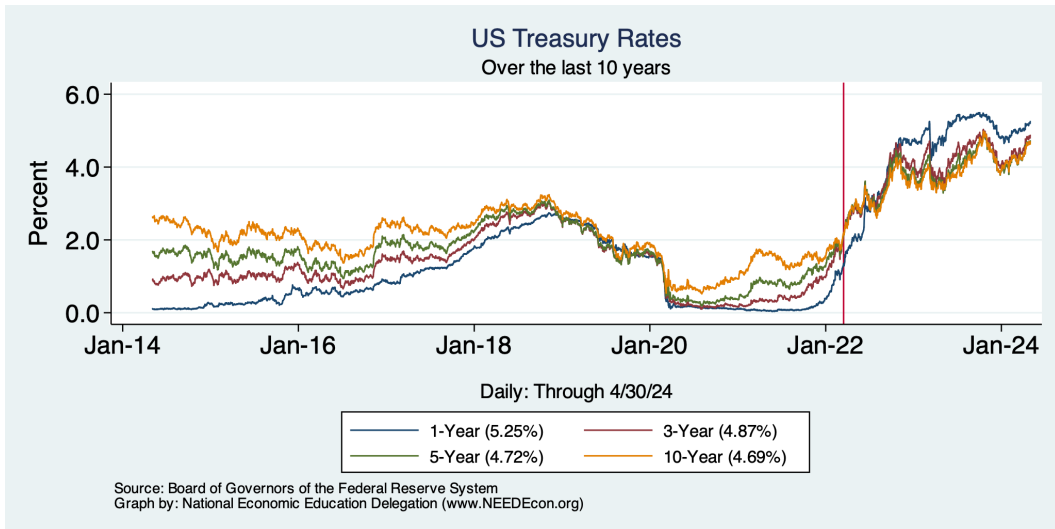
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Some Explanations



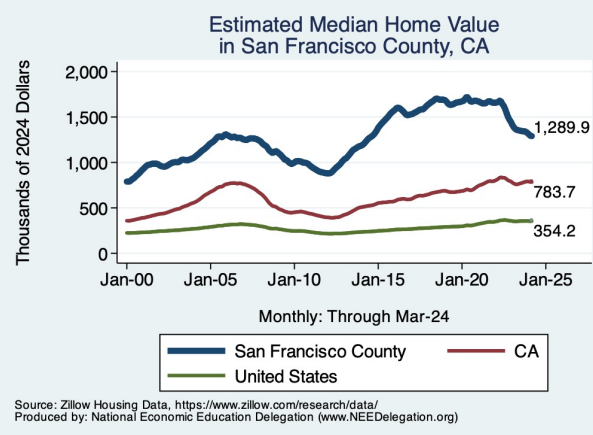
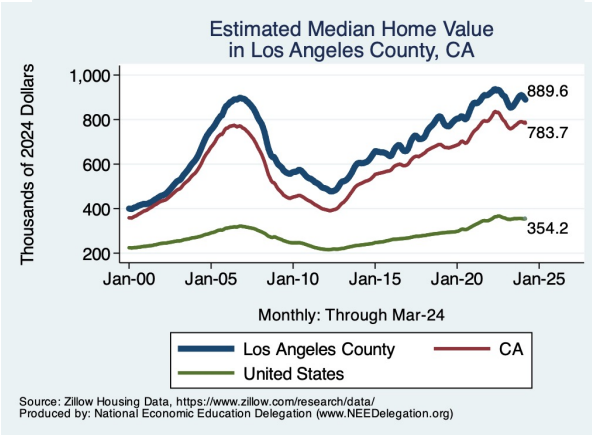
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Treasuries



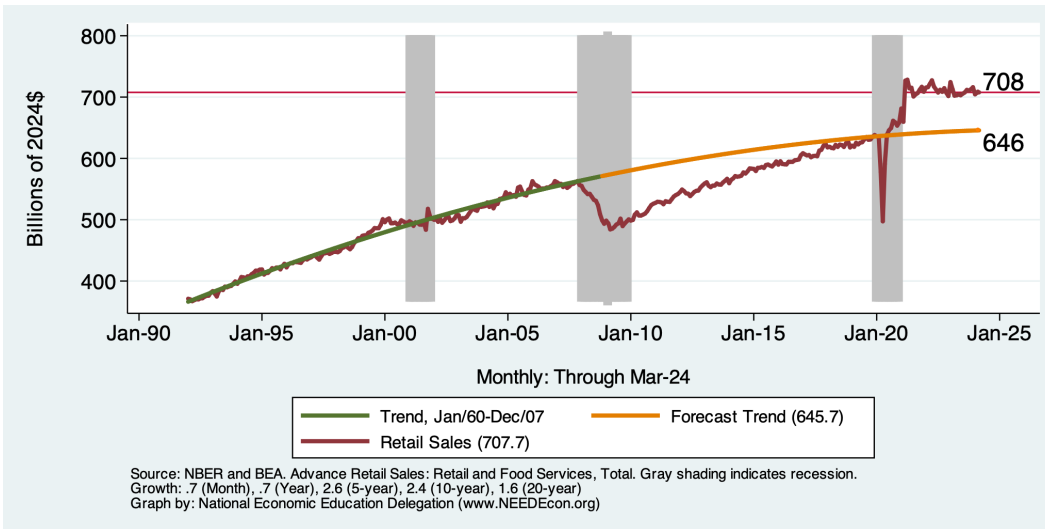
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Home Prices ... Down Throughout CA



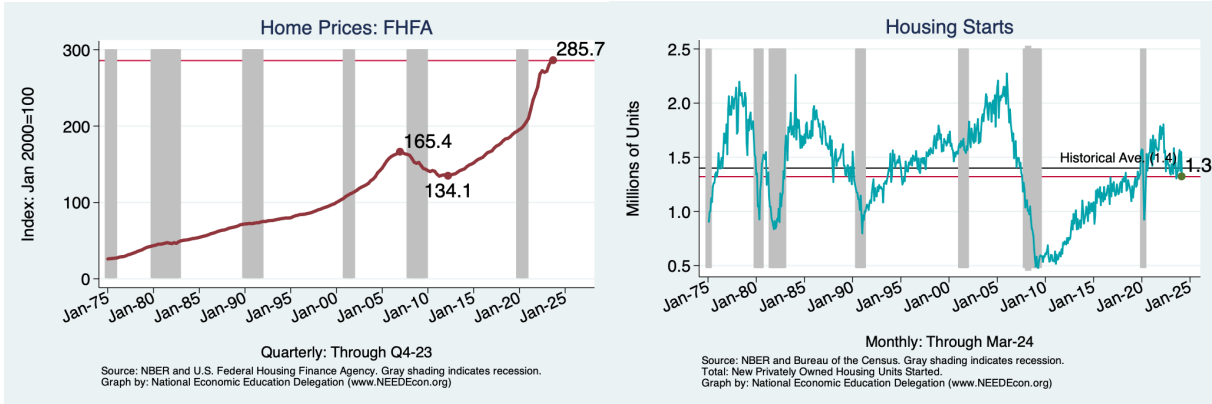
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But SUPER High to Begin With!



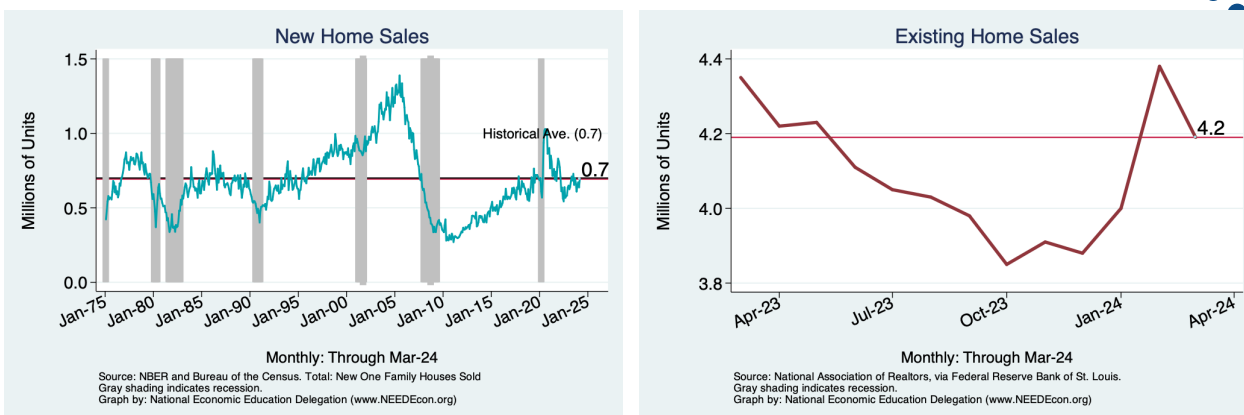
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Home Prices and Housing Starts



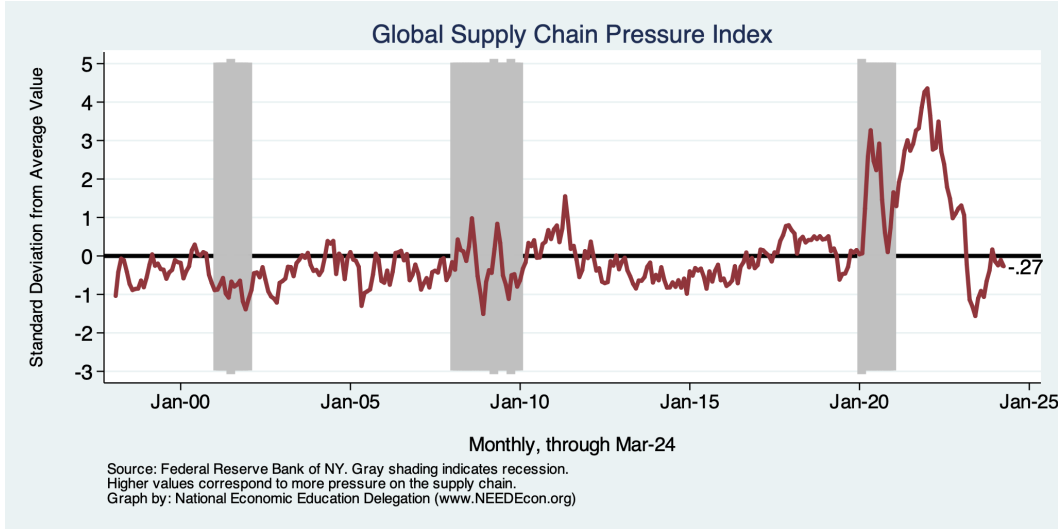
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Home Sales are Not Horrible



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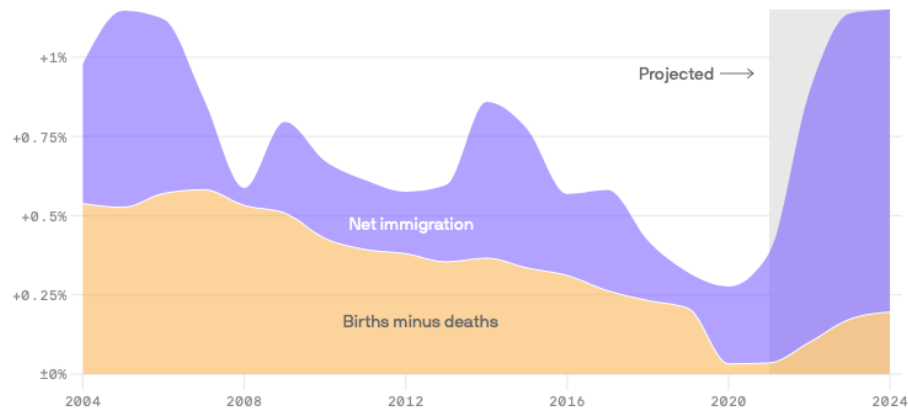
Supply Chains



Is Immigration Saving the Day?

Demographic factors in U.S. population growth

Annual population change 2004-2024



Data: The Brookings Institution via Congressional Budget Office; Graphic: Rahul Mukherjee / Axios

The “Nominal” Side

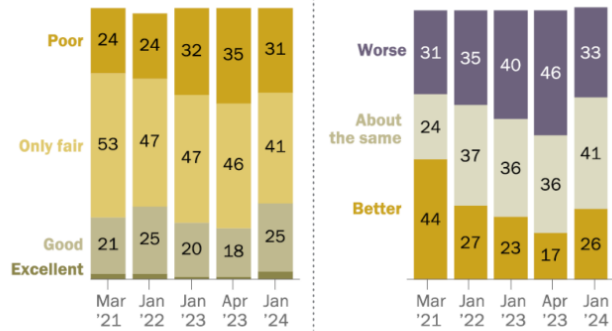
Views of the nation’s economy | Pew Research Center

Modest improvement in national economic outlook

% who say that economic conditions in this country today are ___

% who say they expect that economic conditions in the country will be ___ a year from now

- Inflation: A lot of progress on inflation, but the recent data are troubling.
- But, this is not the popular view



Note: No answer responses are not shown. Refer to the topline for full trend.
Source: Survey of U.S. adults conducted Jan. 16-21, 2024.

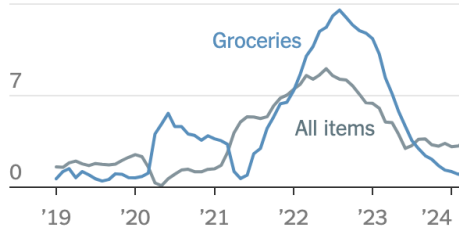


PEW RESEARCH CENTER

Change in prices from a year earlier in select categories

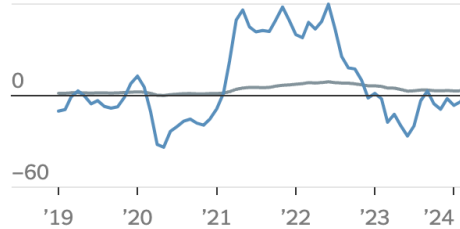
Groceries

+14%



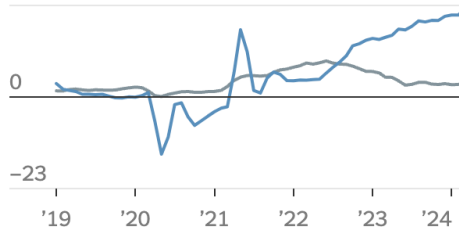
Gasoline

+60%



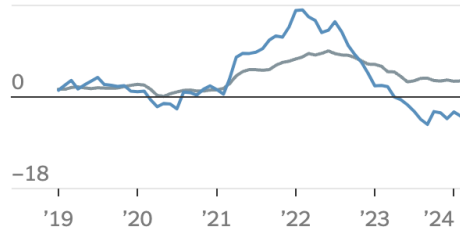
Car insurance

+23%

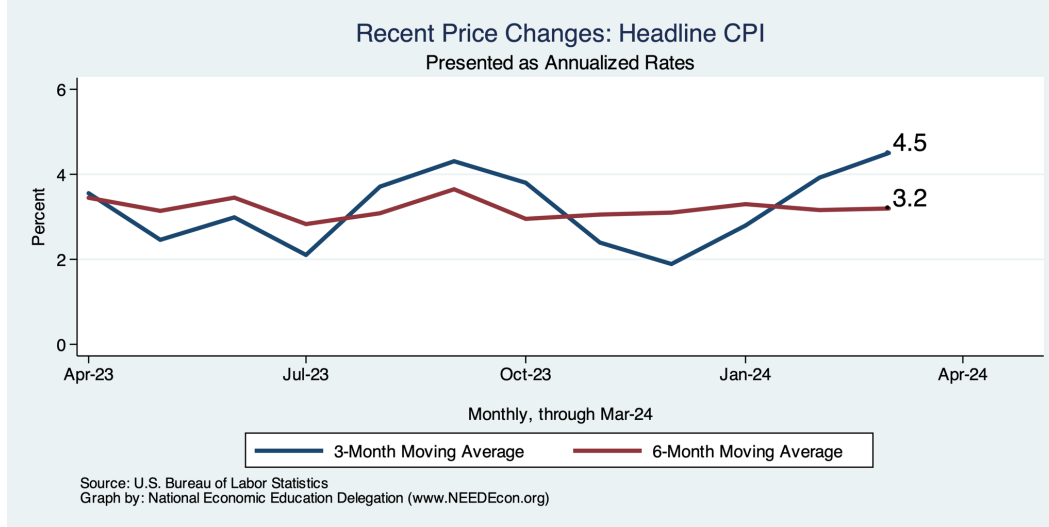


Furniture

+18%

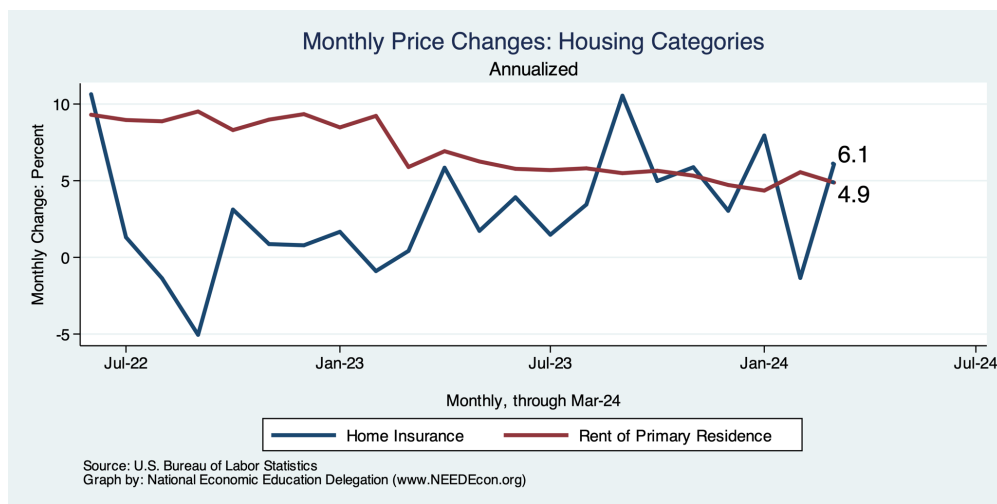


Inflation in the Last 3/6 Months – Still 3%



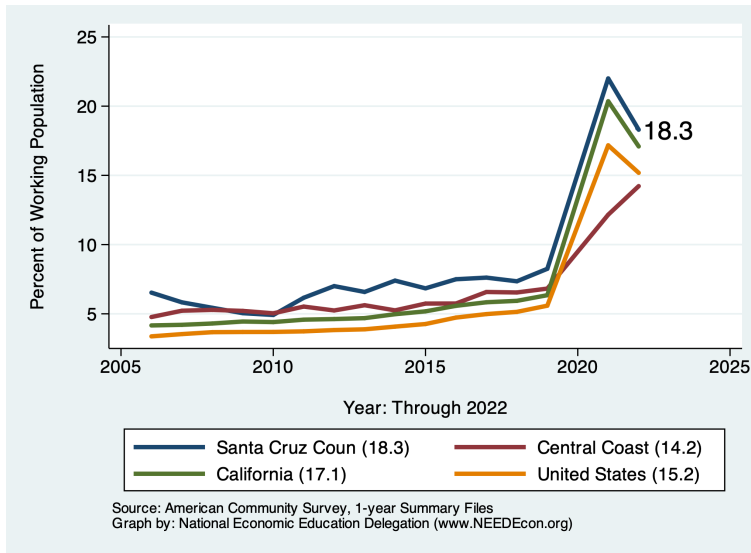
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Housing is the Primary Problem



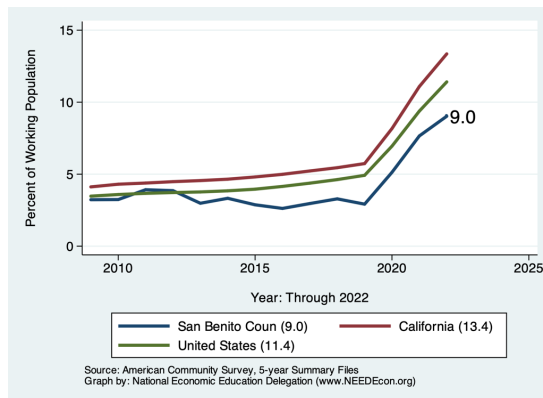
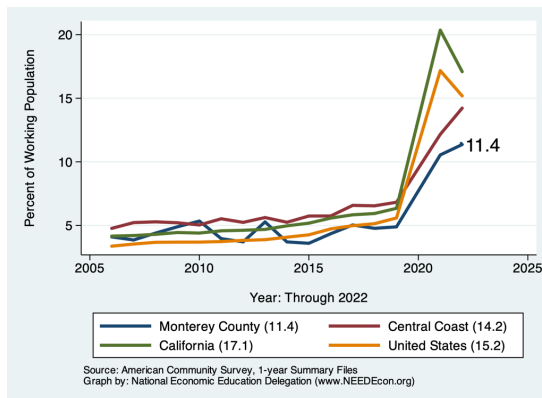
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Working From Home



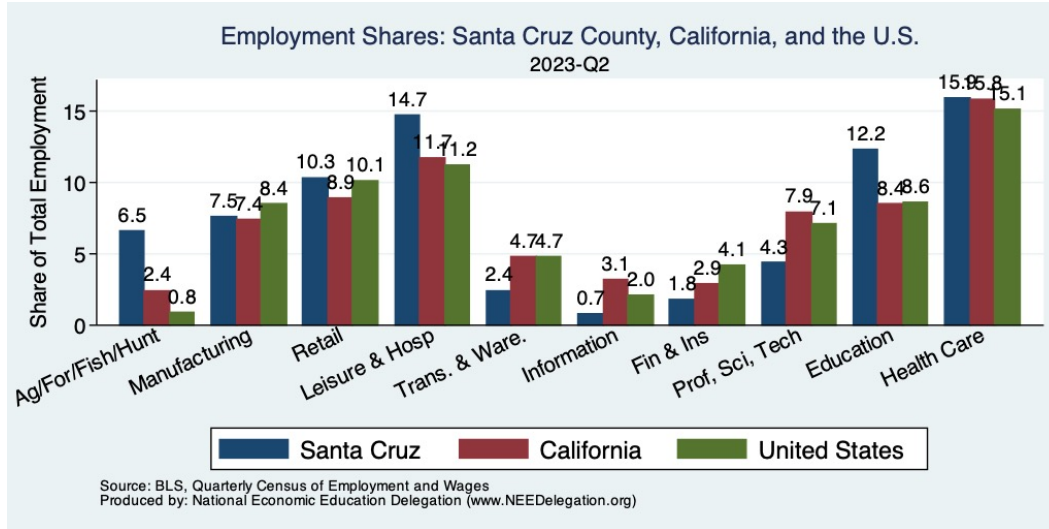
75

Working From Home

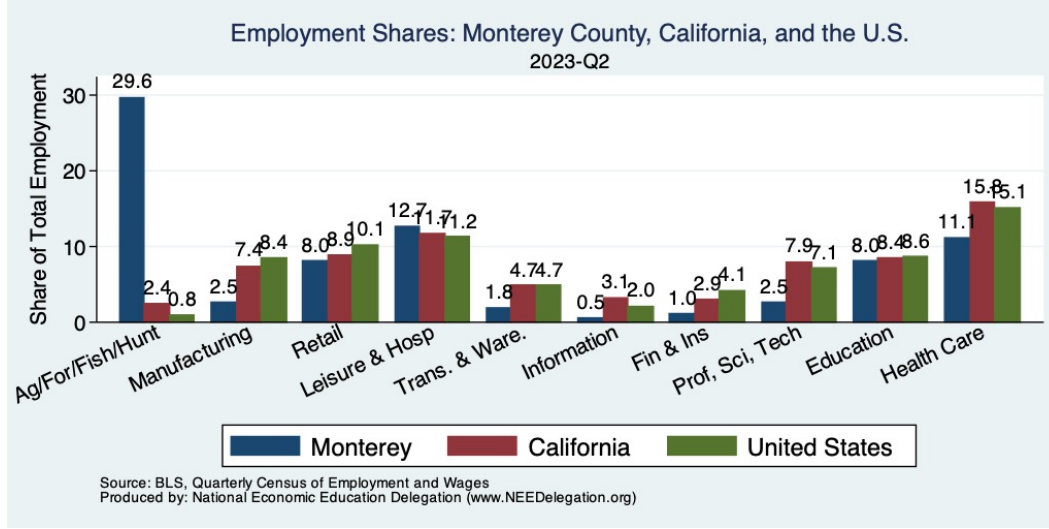


76

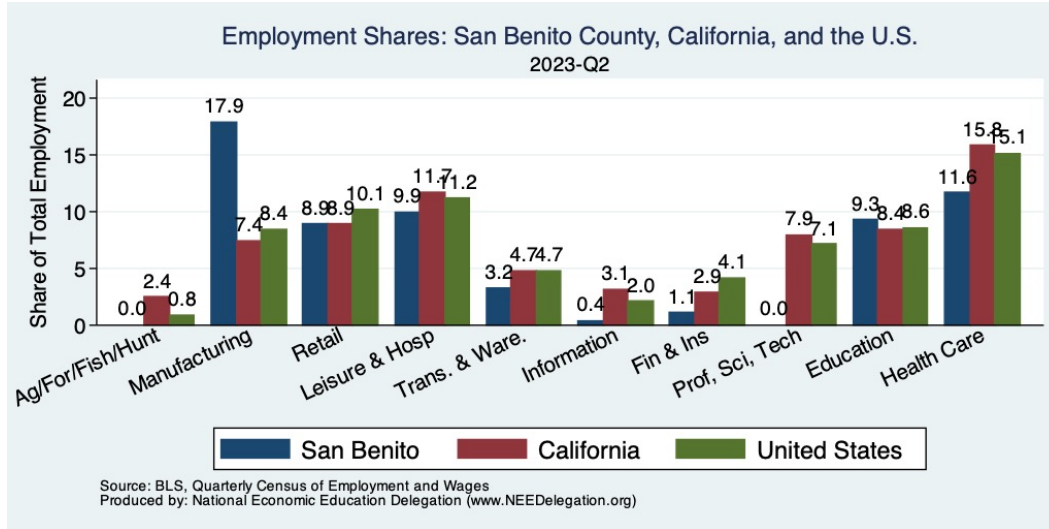
Santa Cruz Economy: Employment



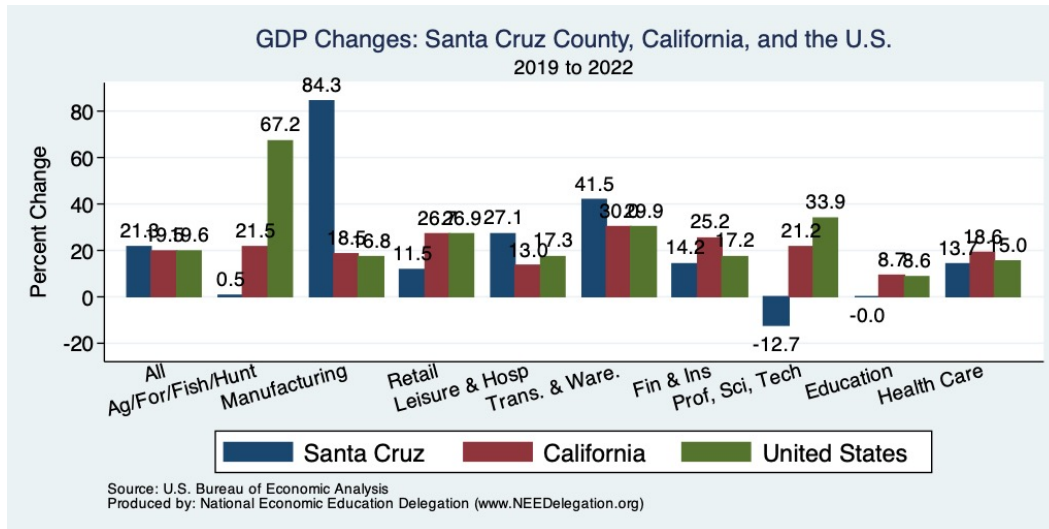
Monterey County Economy: Employment



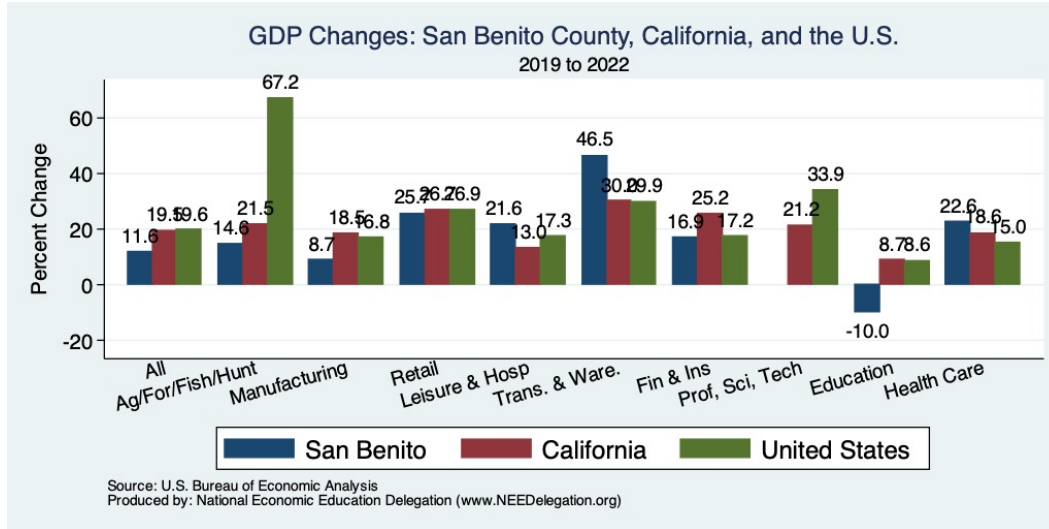
San Benito County Economy: Employment



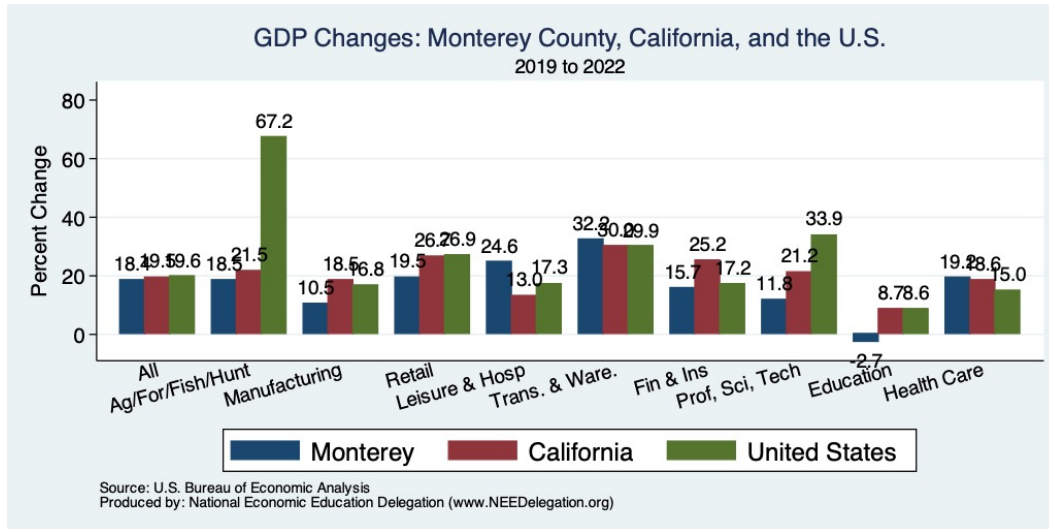
Santa Cruz Economy: GDP Growth



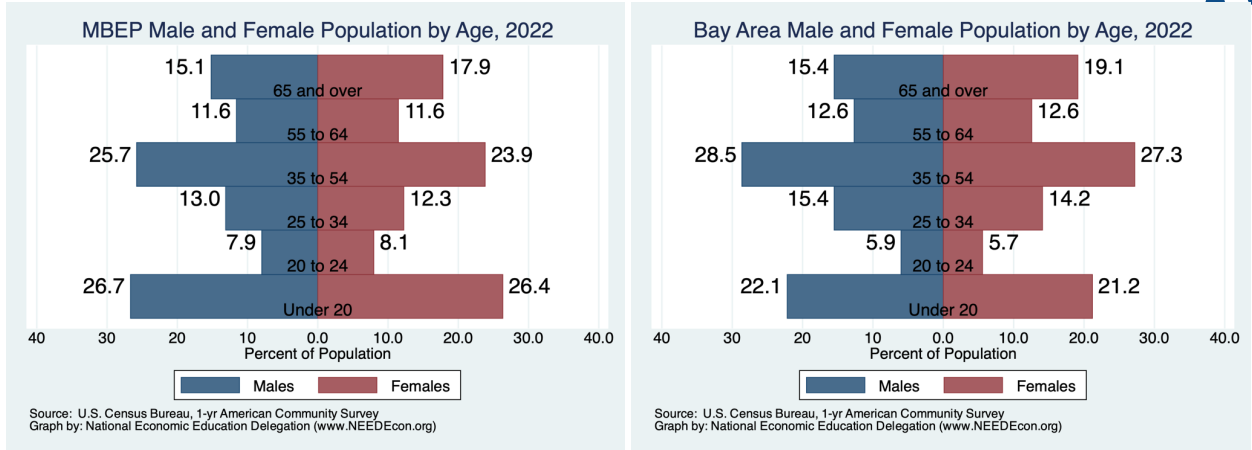
San Benito Economy: GDP Growth



Monterey Economy: GDP Growth

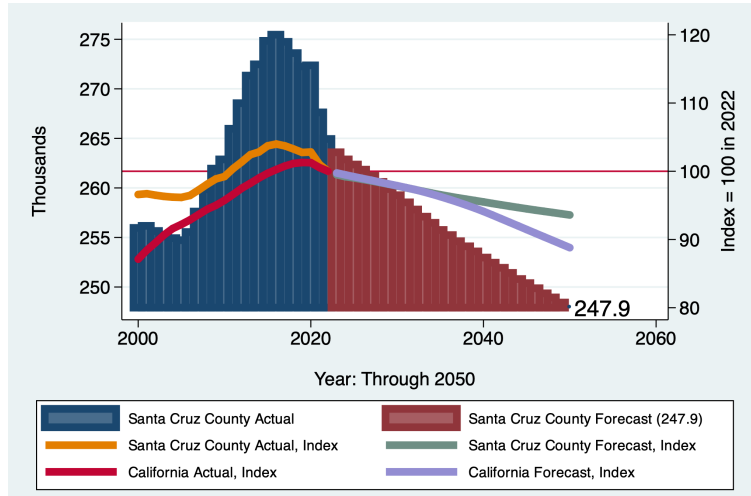


MBA Population Age Distribution



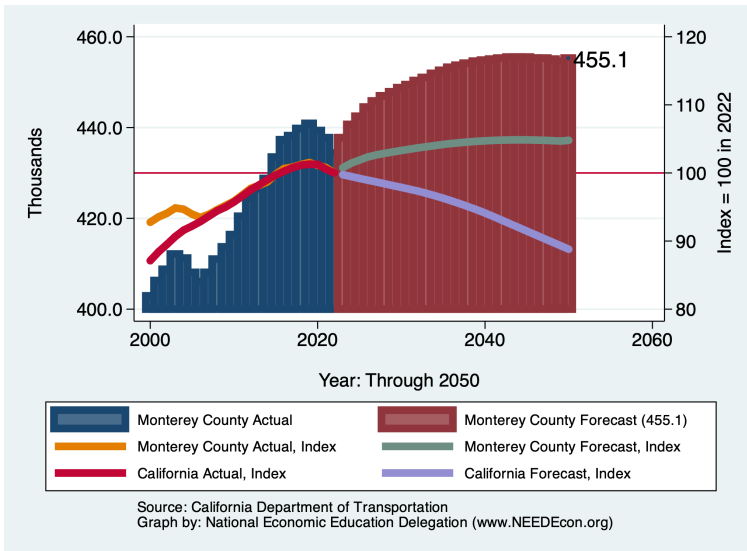
83

CalTrans : Santa Cruz County Population



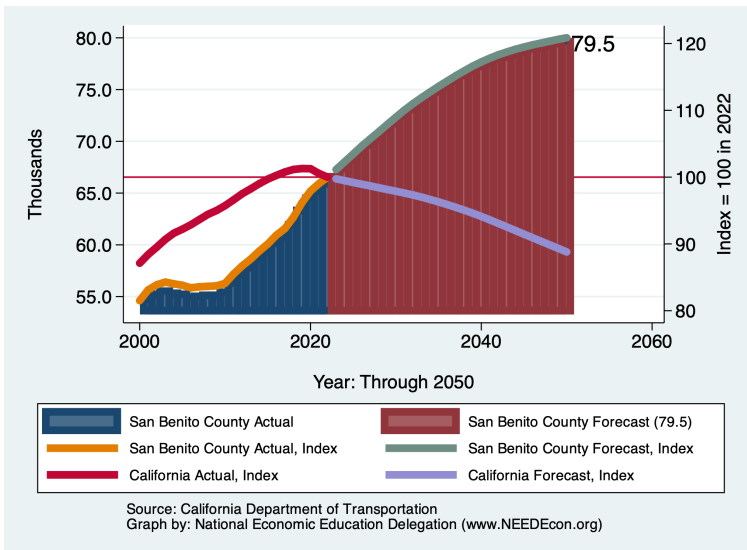
84

CalTrans: Monterey County Population



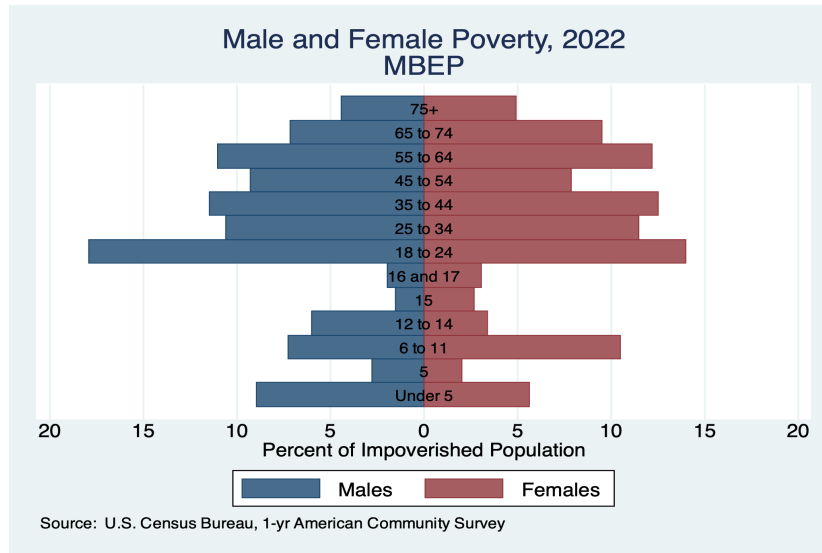
85

CalTrans: San Benito County Population



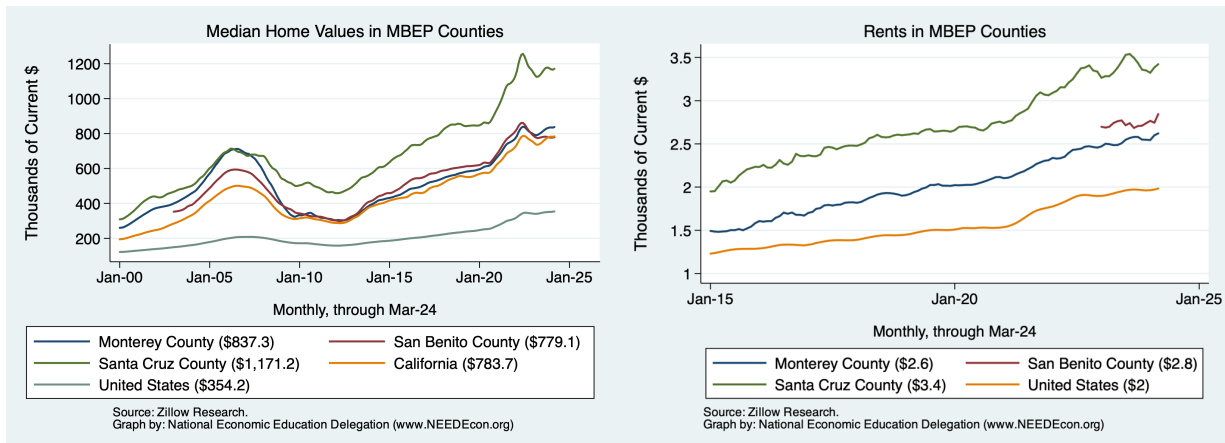
86

MBA Poverty



87

Monterey Bay Area Real Estate



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