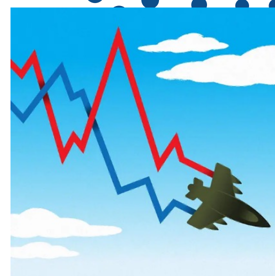

U.S. & Sonoma County Economic Update

Leadership Santa Rosa Business & Economy Day

Jon Haveman, Ph.D.
NEED
July 16, 2026

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1

Available NEED Topics Include:

- US Economy
- Healthcare Economics
- Climate Change
- Economic Inequality
- Economic Mobility
- Trade and Globalization
- Minimum Wages
- Immigration Economics
- Saving Social Security
- Federal Budgets
- Federal Debt
- Black-White Wealth Gap
- Autonomous Vehicles
- Healthcare Economics

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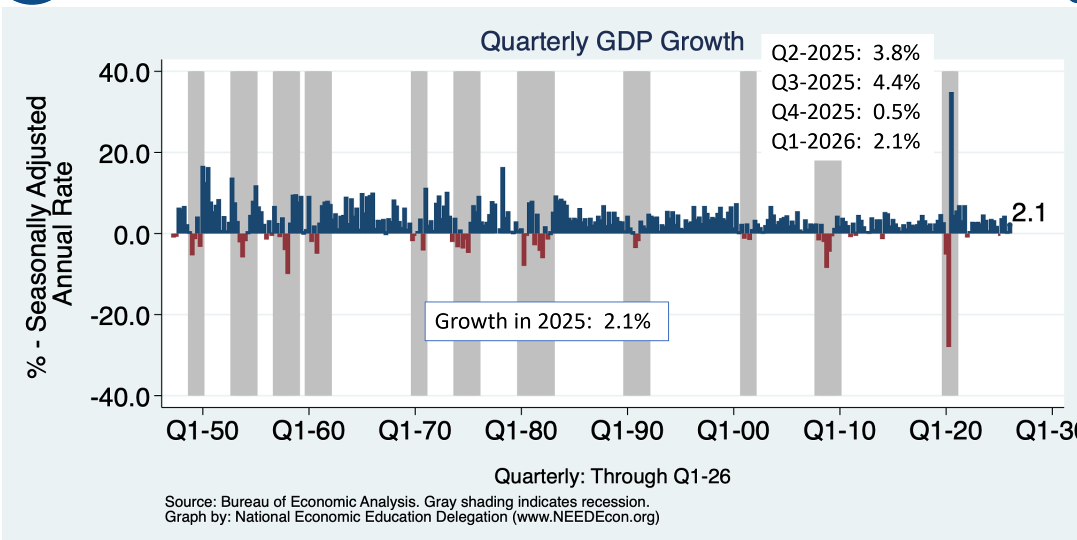
Outline

- Economic Indicators
- Big Picture: Uncertainty
- Sonoma County

Economic Indicators

GDP: Quarterly Growth



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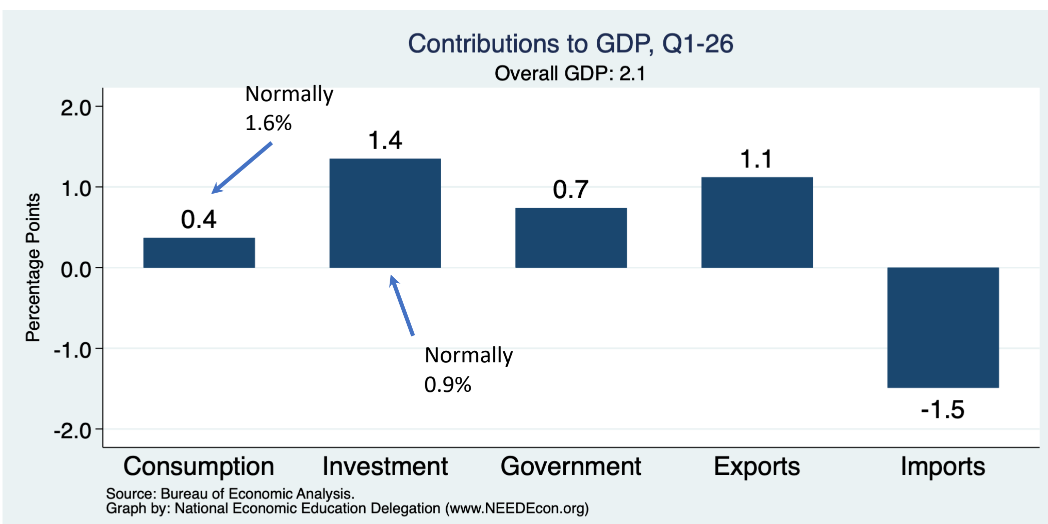
What Drove GDP to Such Growth?



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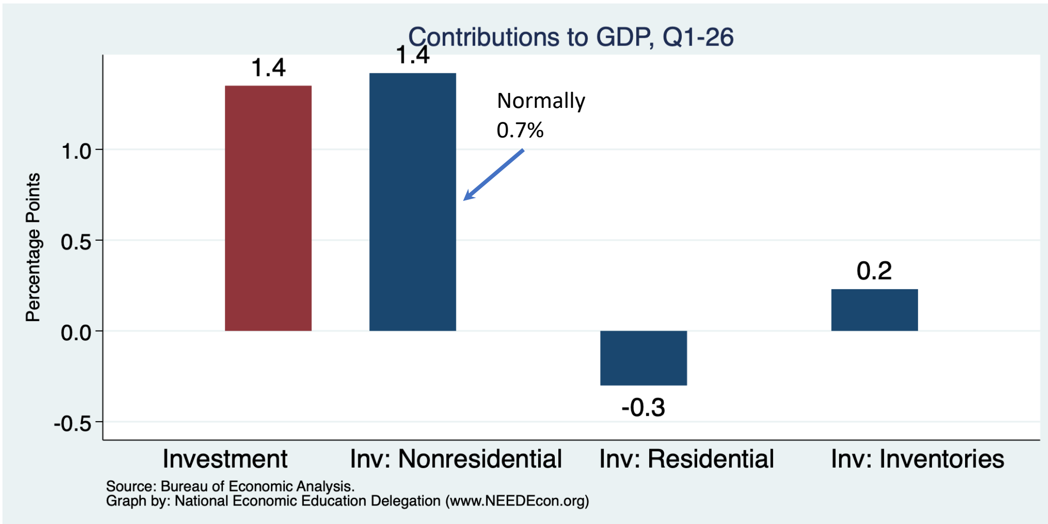
Investment: It's All About AI



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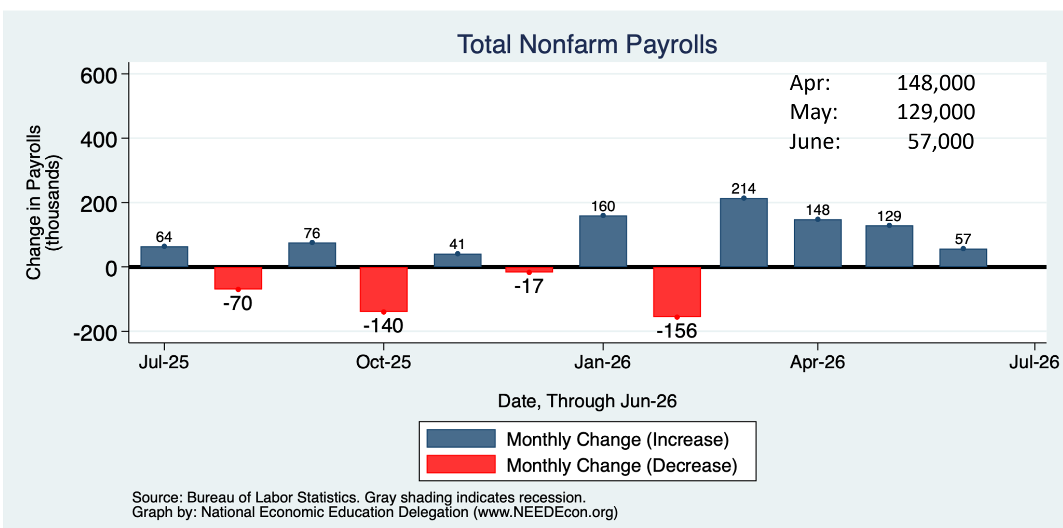
Monthly Changes in Nonfarm Employment



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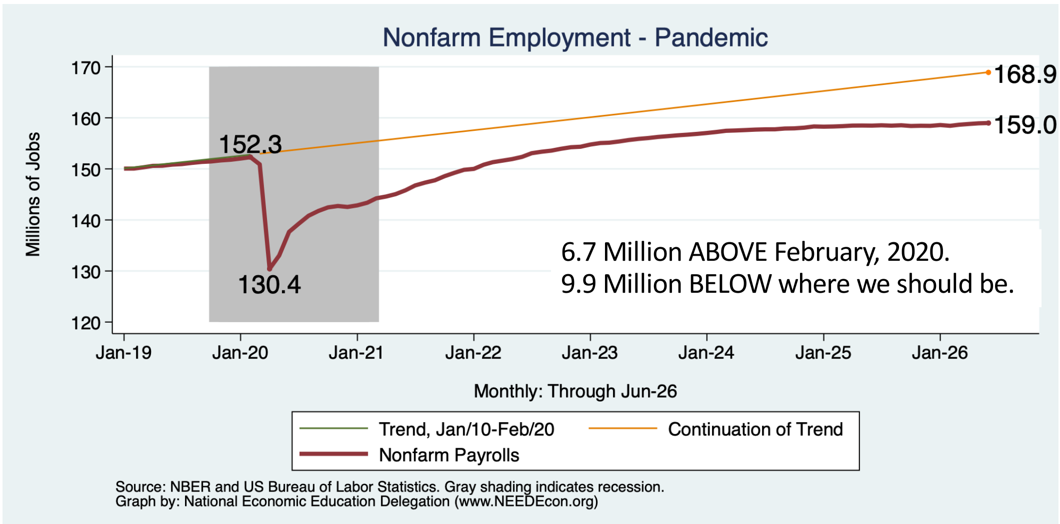
Employment Gap … is Growing



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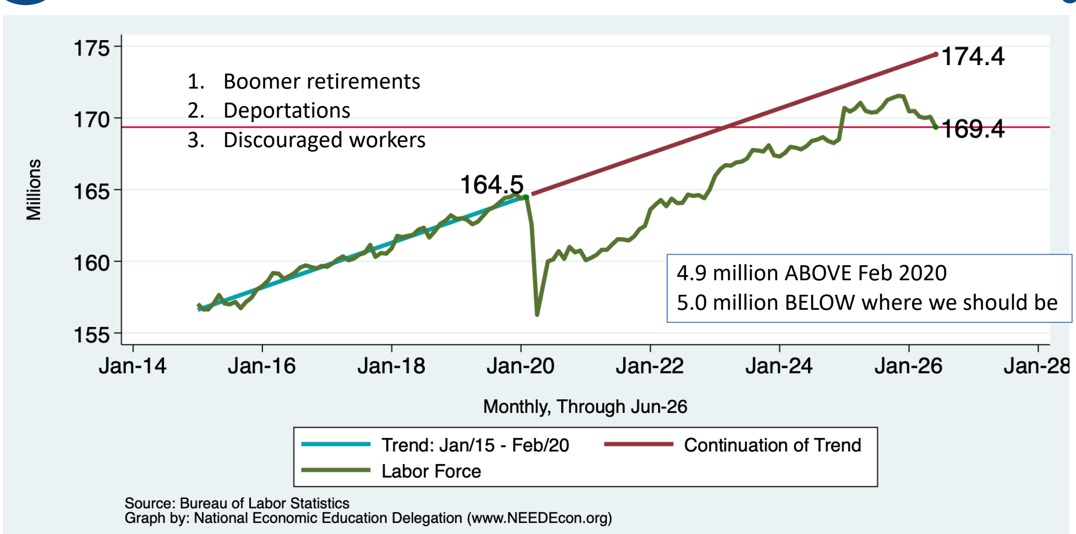
Where Are The Workers Going?



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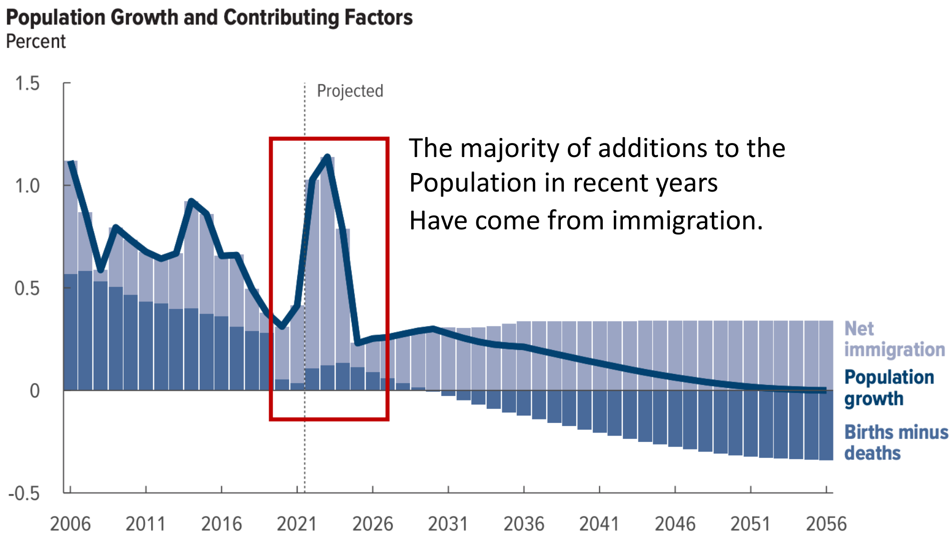
Is Immigration Saving the Day?



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Source: CBO – The Demographic Outlook, 2026-2056

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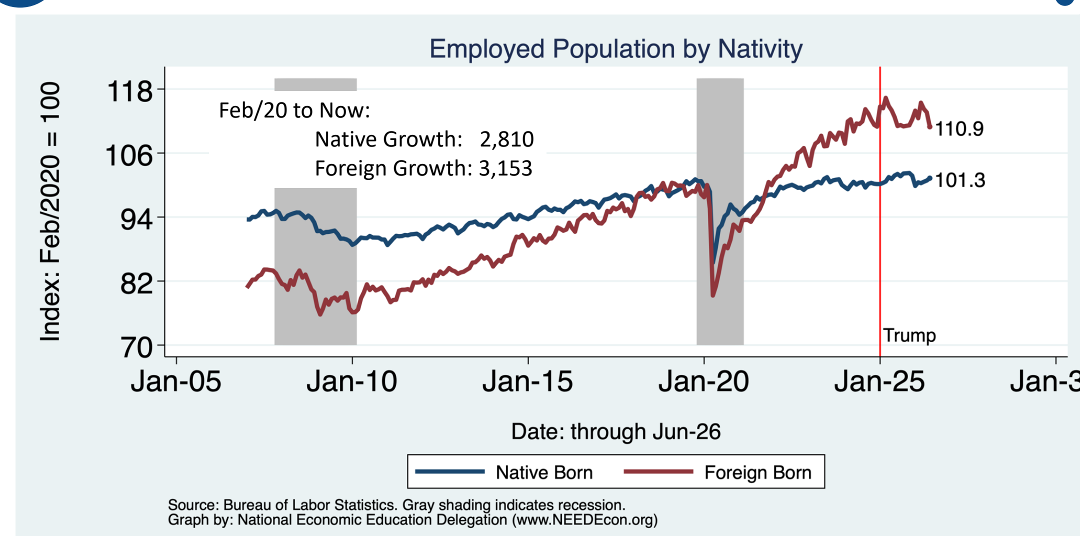
Immigrants to the Rescue? Less So Now



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Some Notes on Employment Growth

- **Slowing over the last couple of months.**
  - Ragged before that.
  - Likely connected to slow labor force growth.
- **The slower pace is ok: Just have to keep up with population growth.**
- **Growth is primarily coming from among the foreign born.**
- **ALL growth is coming from Healthcare and Social Services.**
- **Women now occupy more nonfarm jobs than men.**

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Inflation

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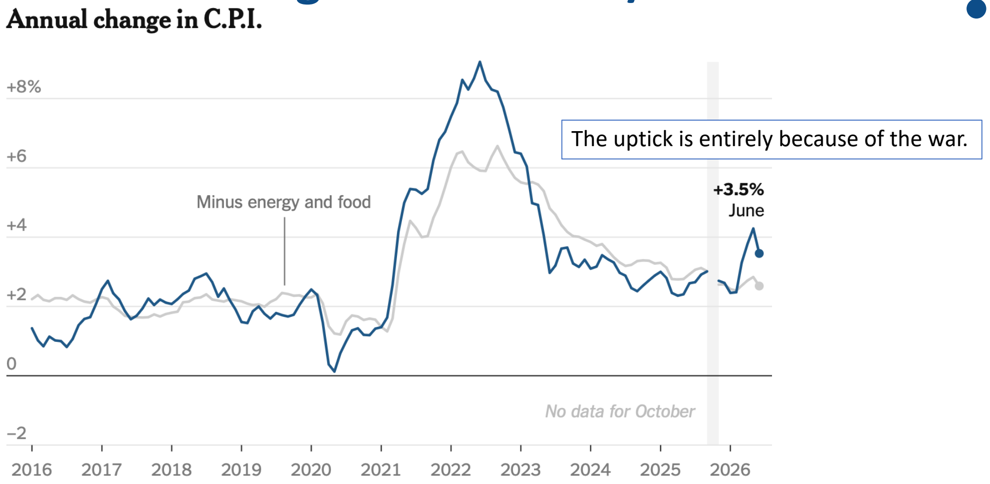
14

Inflation: Latest Figures – to June/26



Note: Data is seasonally adjusted year-over-year change in the Consumer Price Index. October 2025 is missing because of the government shutdown. Source: Bureau of Labor Statistics. By The New York Times

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Source: NYTimes.com

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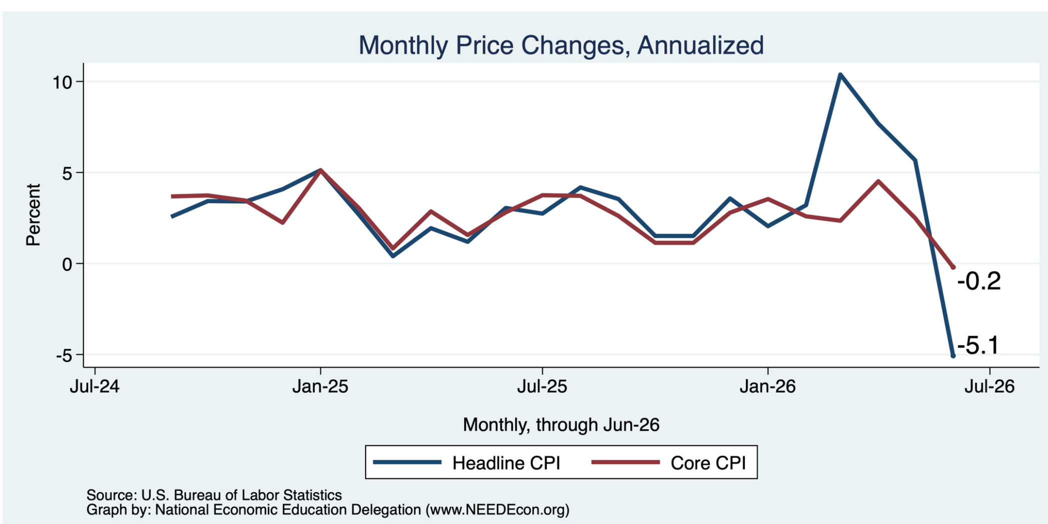
CPI – Big Price Declines in Last Month



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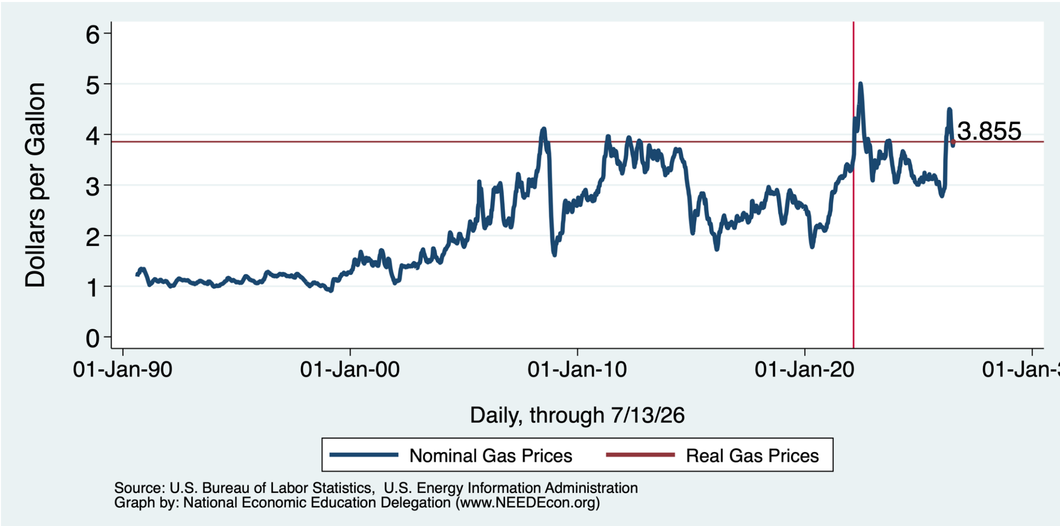
Inflation: Gas Prices



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The Fed: Reining in Inflation?

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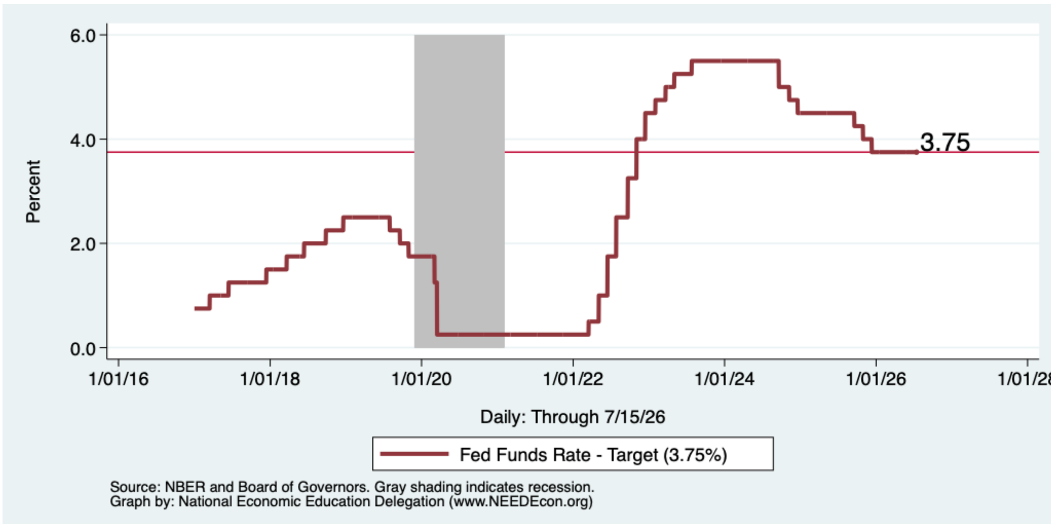
Federal Funds Rate – Recent Activity



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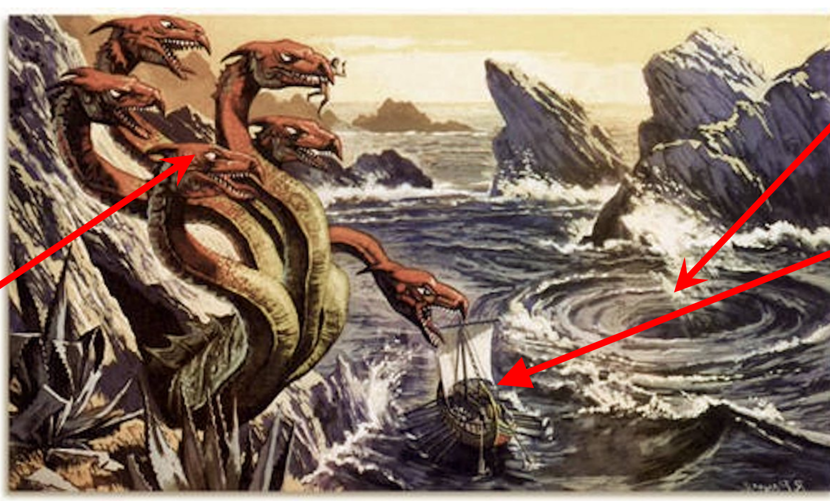
Scylla and Charybdis: “A Rock and a Hard Place”

Recession
(Unemployment)



Inflation

Jerome Powell
And now
Kevin Warsh

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20

Bigger Picture: Uncertainty

Uncertainties

- **What effect will continued deportations have?**
- **Will AI continue to drive growth?**
- **Will tariffs continue to drive inflation?**
  - Fed says that ALL of the inflation above 2% is from tariffs, until…
- **Will the war drive inflation beyond fuel prices?**
  - It is clear in fuel prices, but every other sector of the economy depends on fuel. Higher fuel prices drive prices in the rest of the economy up.
- **Will consumers continue to hold up?**
  - Evidence that spending is in decline.
- **What happens to Fed policy now that Jerome Powell is gone?**

BREAKING | BUSINESS

AI Investment Will Hit 2% Of U.S. GDP This Year, Analyst Says—Nearing Defense Spending Levels

By Mary Whitfill Roeloffs, Forbes Staff. Mary Roeloffs is a Forbes breaking new... Follow Author

Published Jun 05, 2026, 01:31pm EDT, Updated Jun 05, 2026, 02:24pm EDT

- The nation's AI buildout is comparable in economic scale to the county's entire higher-education sector—which accounts for about 2.3% of the GDP—and approaches the size of the national defense budget, which was 2.9% of GDP in 2025 at $954 billion.

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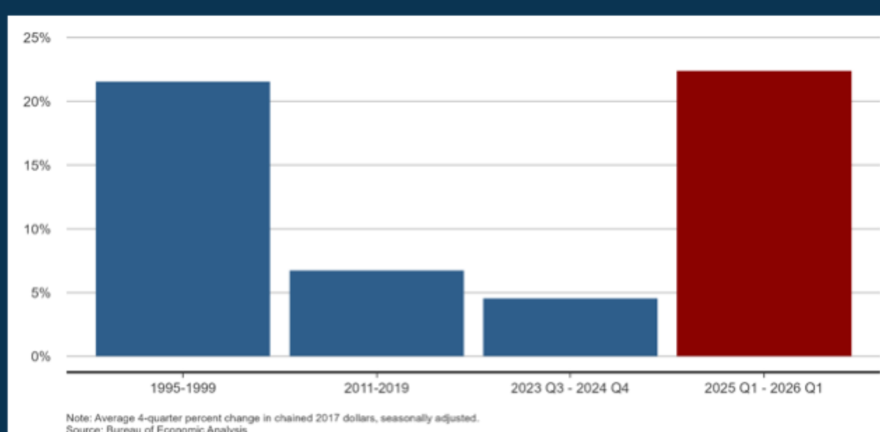
Strong AI-induced equipment investment

Real investment in information processing equipment



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Source: Presentation given by Sylvain Leduc to the Monterey Bay Economic Partnership

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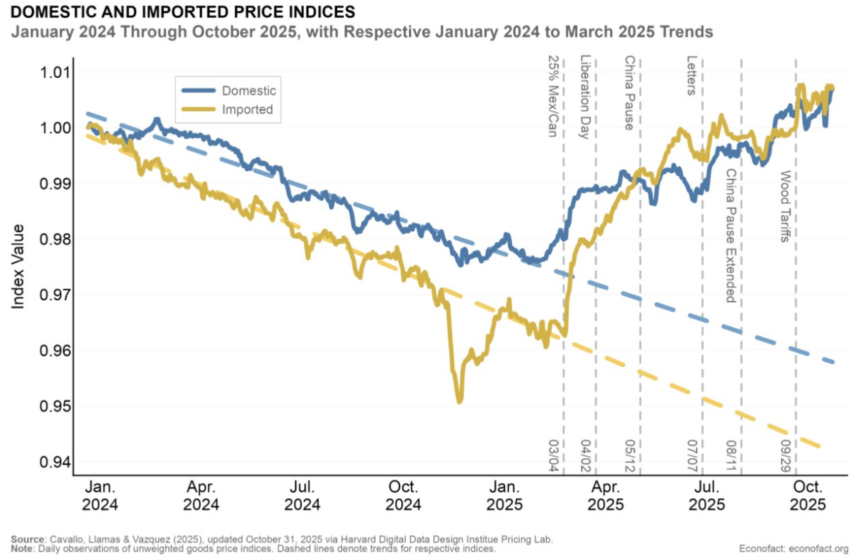
Tariffs and Price Effects



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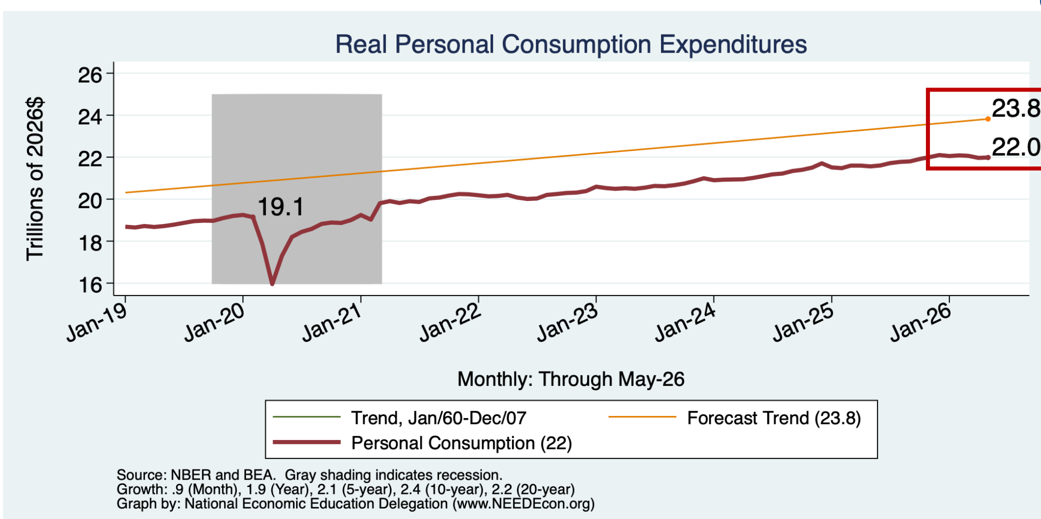
Personal Consumption Expenditures Are Slowing



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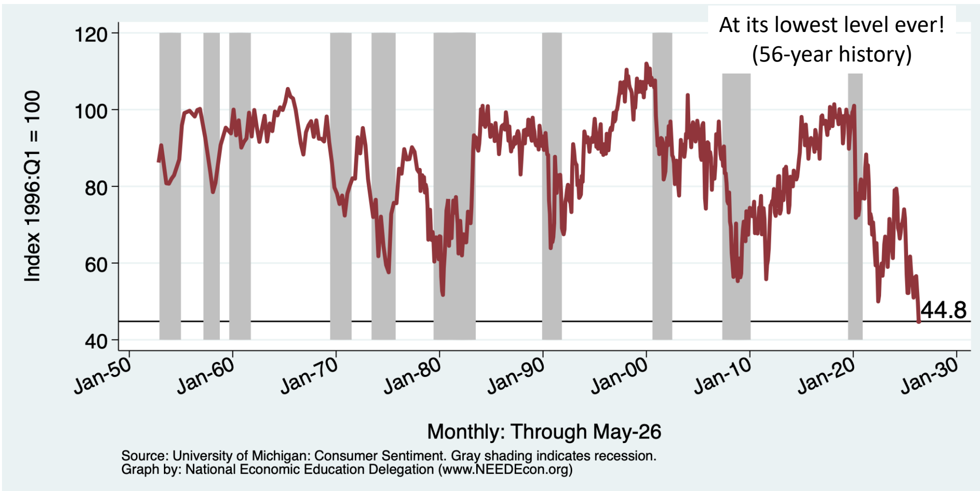
Consumer Confidence is Waning



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Monetary Policy after Jerome Powell?

Kevin Warsh: replaced Jerome Powell as the Chair of the Fed in May.

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28

Summary

- **Inflation: was getting close to Fed's 2% target.**
  - But is now going in the wrong direction
- **Current immigration and trade policies will exacerbate inflation.**
- **Immigration: deportations tax the economy and are expensive.**
  - Many, MANY ag workers are unauthorized immigrants. (50% of Central Valley)
- **Tariffs: are a tax.**
  - Taxes raise prices. Period. Full Stop.
  - Taxes often cost jobs. Tariffs likely will.
- **The war is going to drive up prices and uncertainty.**
  - Nobody invests into uncertainty.
- **What if the AI bubble bursts?**

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29

Are We Headed for A Recession?

- **Probably not.**
- **Forecasts are all over the place.**
  - IMF forecasting 2.4% in 2026.
  - 30-50% chance of a recession by some models.
- **A slowdown in economic growth seems inevitable.**
  - But the economy has been proving remarkably resilient!
- **A bout of stagflation unlikely, but possible.**

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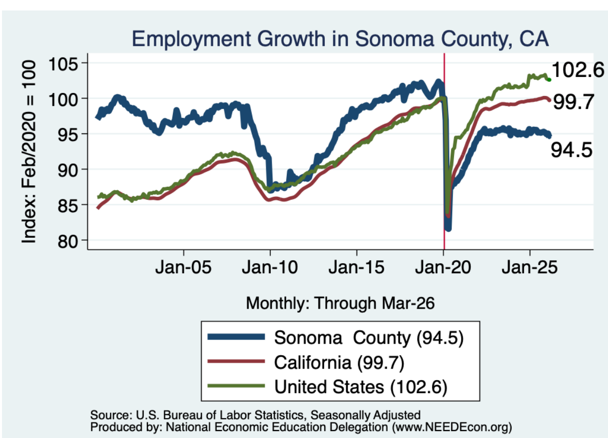
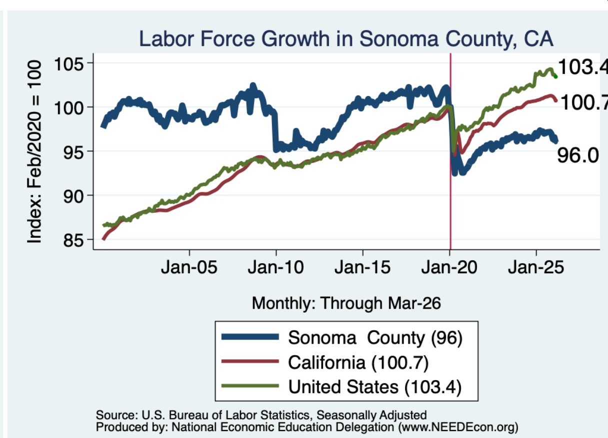
30

Locally

31

Employment and Labor Force





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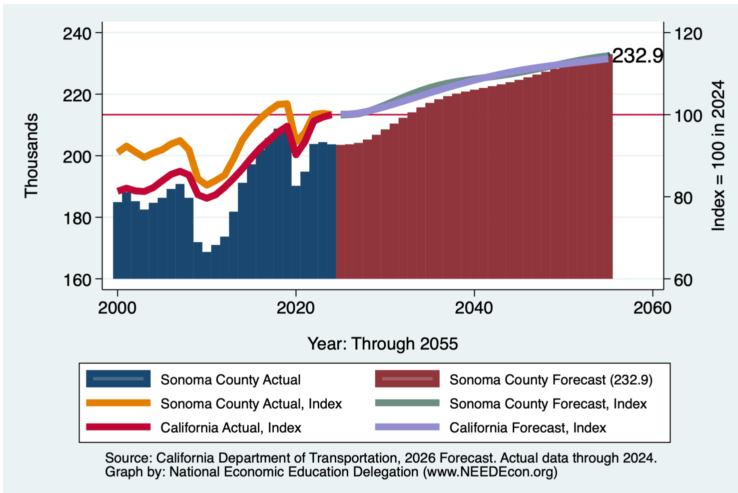
DOT Forecast: Employment



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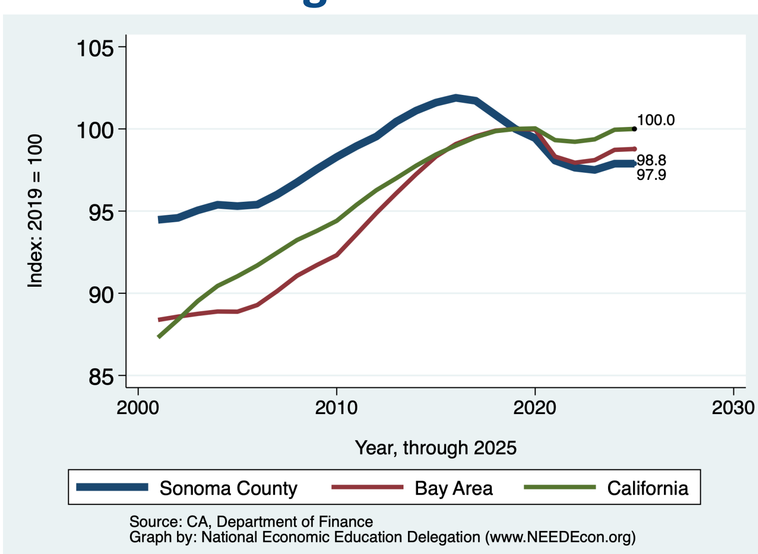
Population Declining



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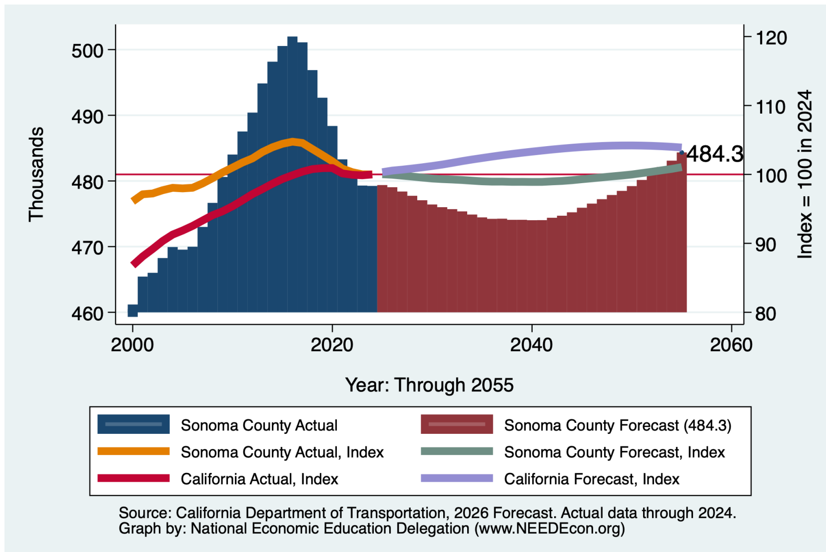
DOF Forecast: Population



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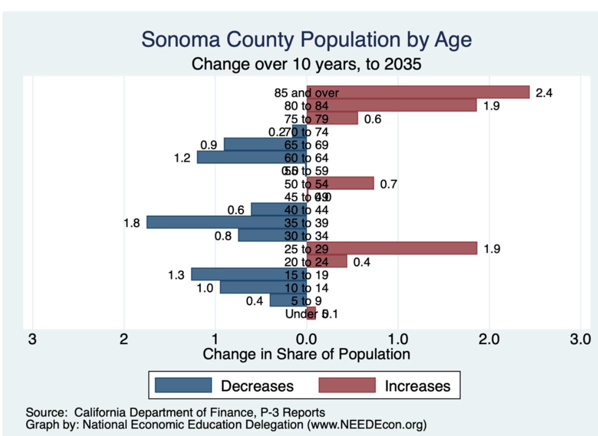
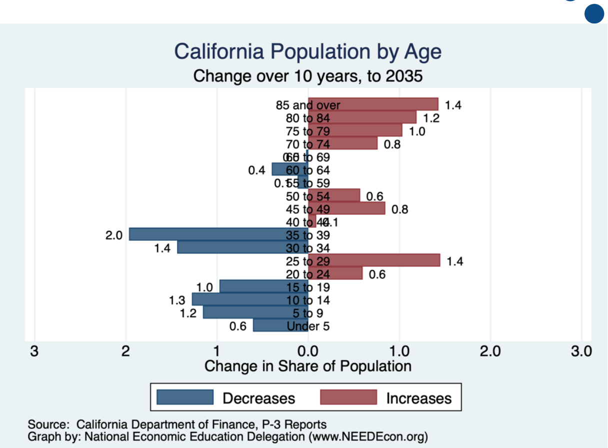
Aging Population





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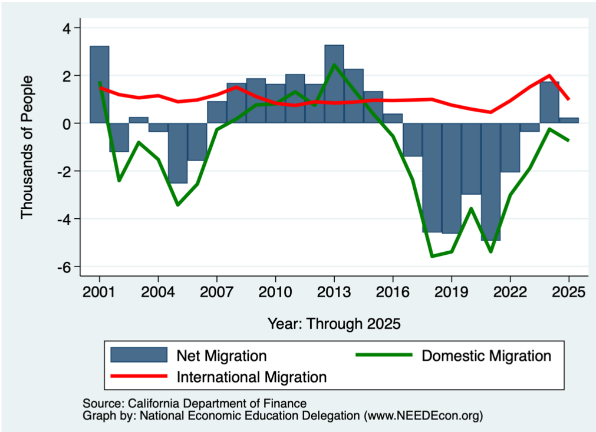
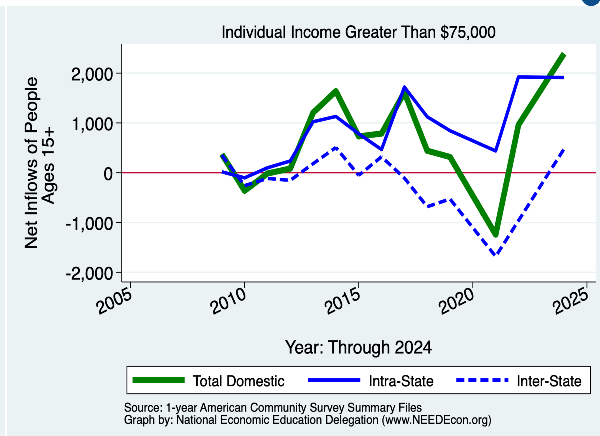
Migration: High Income Inflows

Sonoma County





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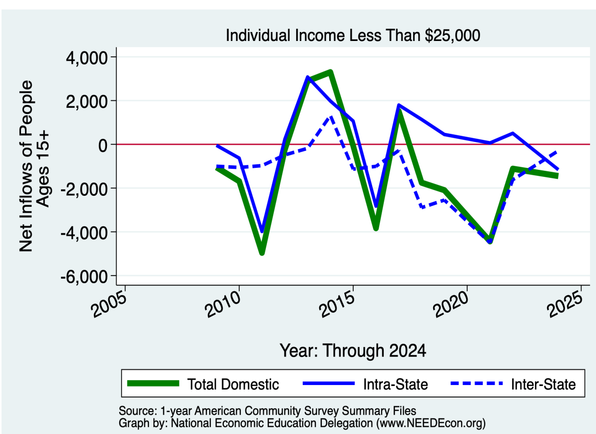
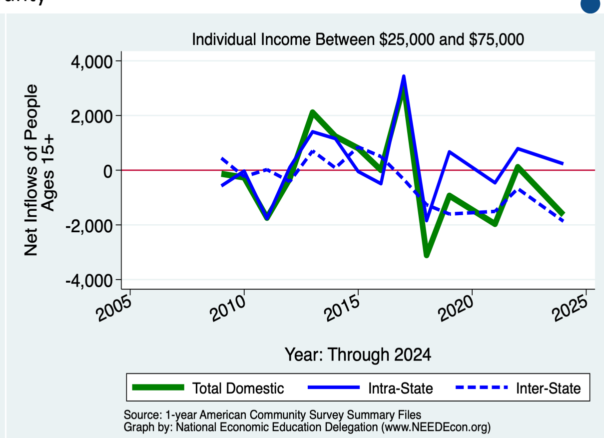
Migration: Outflows of Mid/Lower-Income

Sonoma County





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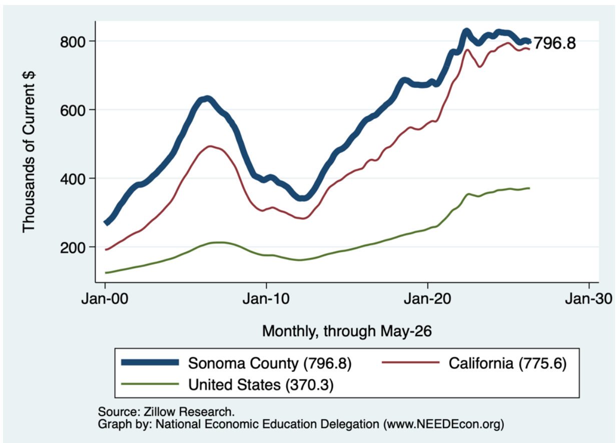
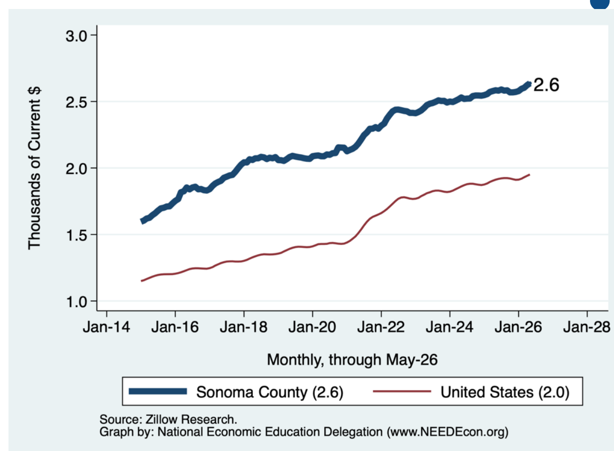
Housing Costs

Home Prices



Rents



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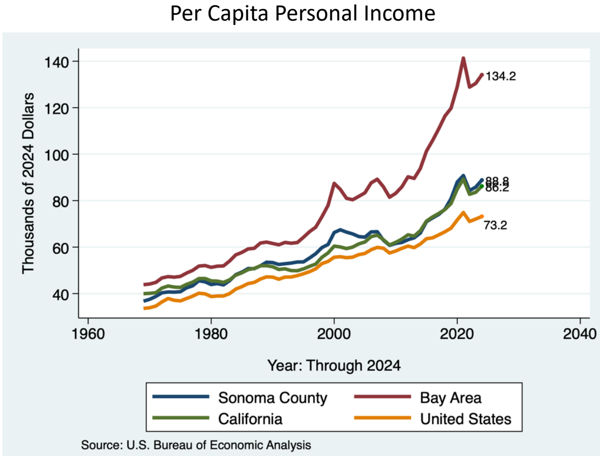
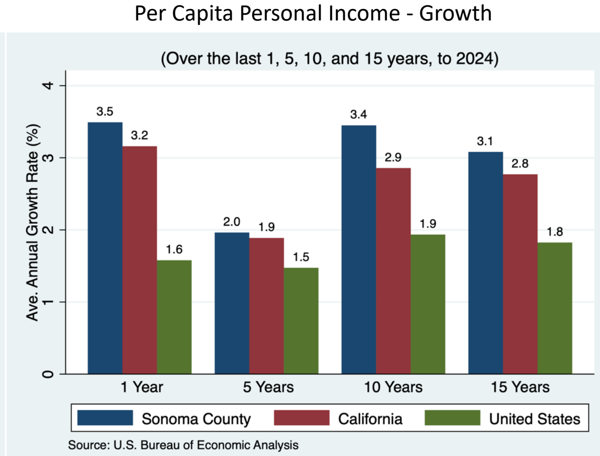
Personal Income – Sonoma County

Per Capita Personal Income



Per Capita Personal Income - Growth



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Sonoma County: Summary

- **Home prices are coming down.**
- **Aging population will require in-migration to grow the local economy.**
  - However, recent years have seen more out-migration than in.
- **Employment recovery is (might be) picking up.**
  - Leisure and hospitality is source of significant job losses.
- **Per capita income is rising – driven by exodus of lower-income residents?**
- **The county appears to be quite healthy.**
  - What will come to dominate:
    - Forecasts for employment growth?
    - Declining population?

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41

41

For More on the Local Economy:

- **Sonoma County Regional Report:**
  - https://www.needecon.org/RegionalReports/Sonoma_County/
- **Sonoma County Graphs:**
  - https://www.needecon.org/LocalGraphs/list_counties_graph.php?state=CA&nm=U29ub21h
- **City Reports:**
  - Santa Rosa: https://needecon.org/CityReports/Santa_Rosa.pdf
  - Petaluma: https://needecon.org/CityReports/Petaluma.pdf
  - Sonoma: https://needecon.org/CityReports/Sonoma.pdf
  - Others: https://www.needecon.org/CityReports/

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Big Questions!

- **What economic indicators should local business leaders be watching most closely right now and why?**
- **What are the three biggest economic opportunities for Sonoma County over the next decade?**
- **How will AI change the workforce in Northern California over the next five years?**
- **If Sonoma County wants to thrive in 2040, what should we start doing today?**

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Economic Development Recommendations

- **Business Diversification:** Provide assistance to high-impact sectors like manufacturing and creative economies.
- **Workforce Development:** Partner with Santa Rosa Junior College and local agencies to upskill workers in healthcare, craft production, and technology to retain talent.
- **Housing and Infrastructure:** Address workforce stability by prioritizing mixed-use developments near transportation hubs and supporting large-scale projects like the Eldridge redevelopment.

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Thank you!

Any Questions?

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