


Economic Update US & Santa Cruz County

Economic Forum
Santa Cruz Chamber of Commerce
& UC Santa Cruz

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NEED
February 15, 2024



**NATIONAL ECONOMIC
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Outline

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

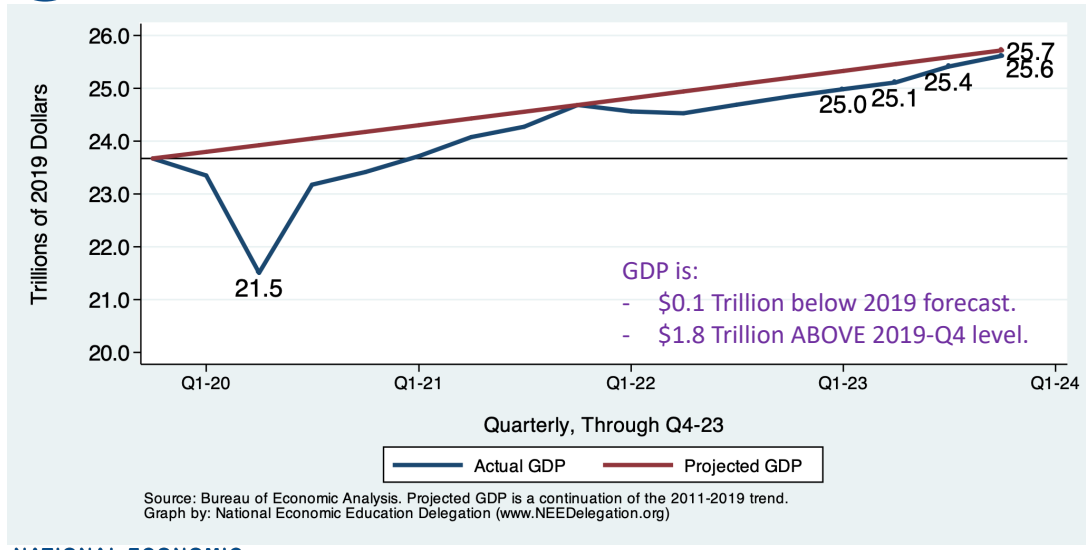
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Economic Indicators

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GDP Trajectory: Pandemic Recovery Complete!



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Headline:

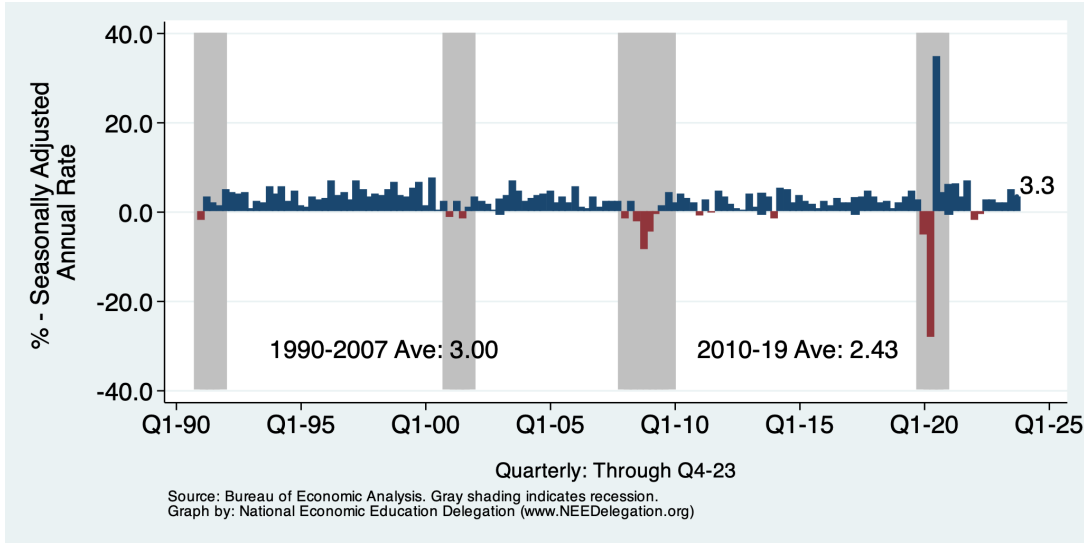
G.D.P. Report Shows a Drop, Fanning Fears of a U.S. Recession

- 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.

JUN 2022

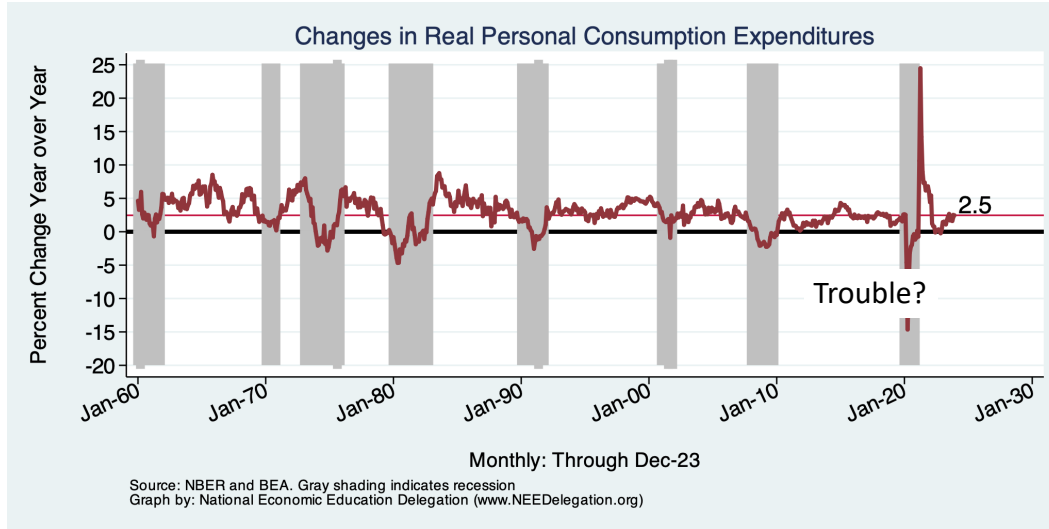
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GDP: Quarterly Growth



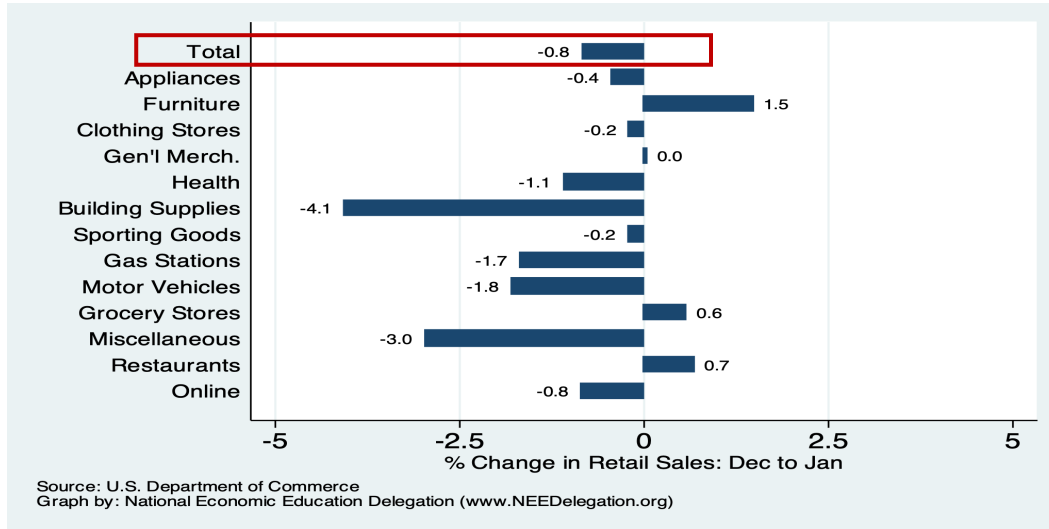
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Personal Consumption Expenditures



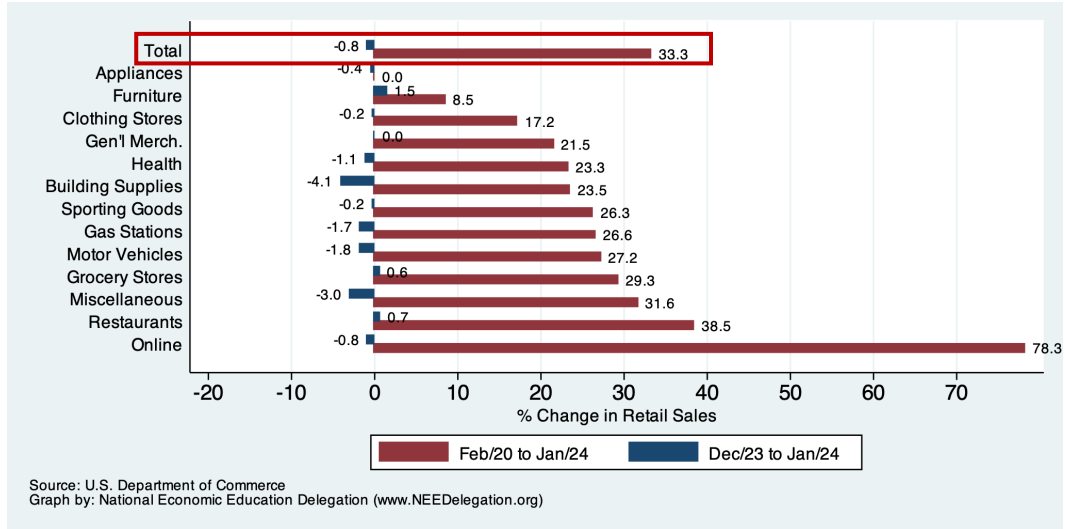
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Retail Sales Fell -0.8% in January



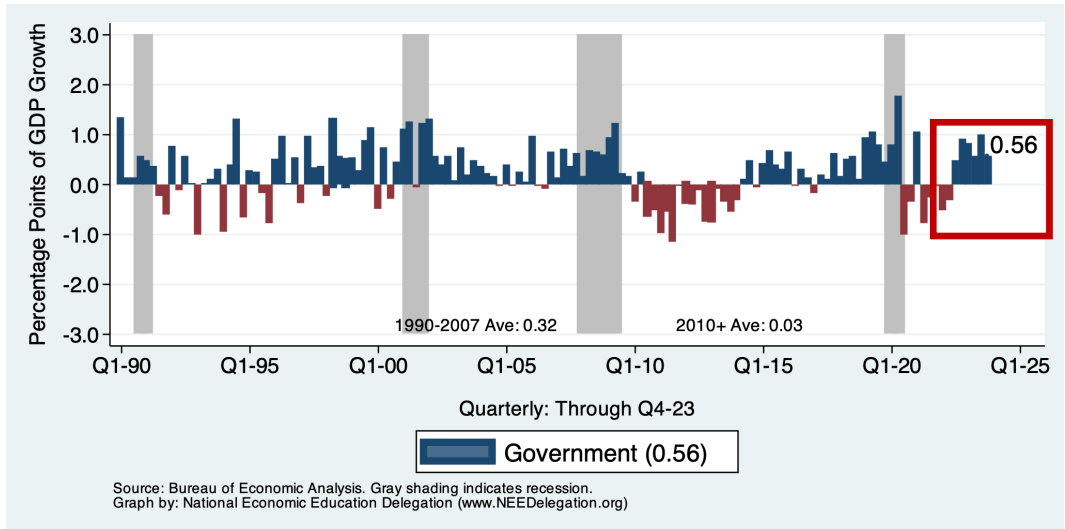
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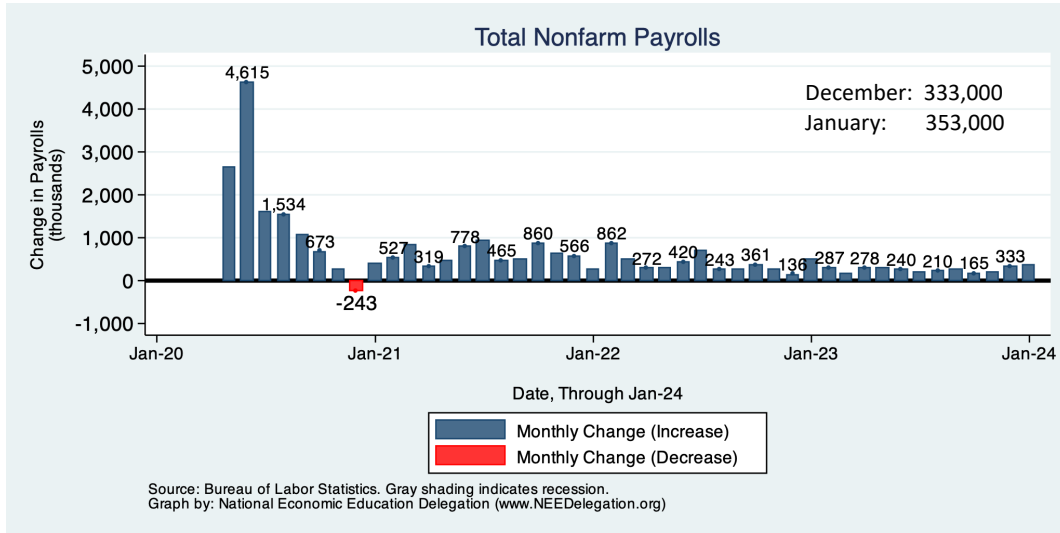
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Contributions to GDP: Government



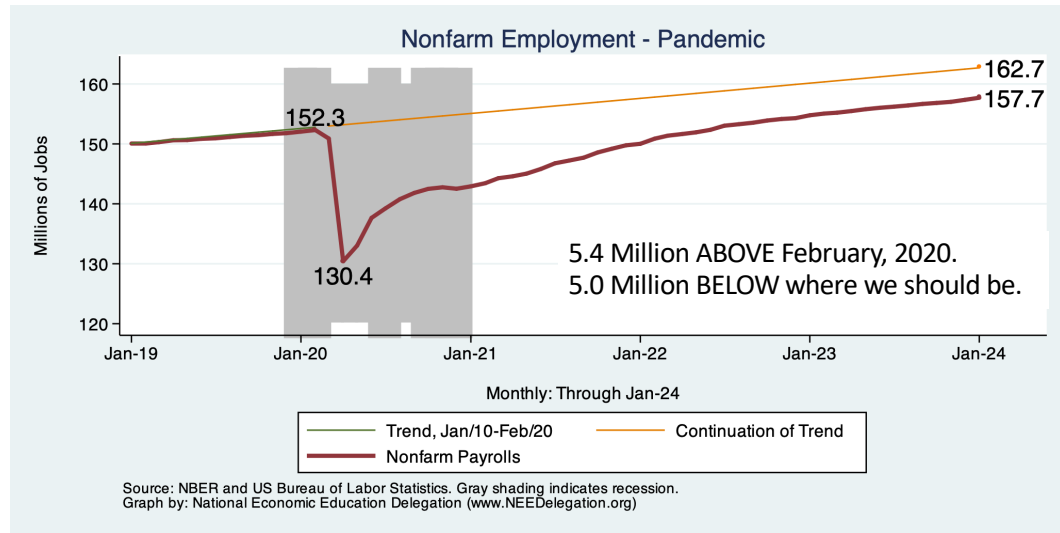
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Monthly Changes in Nonfarm Employment



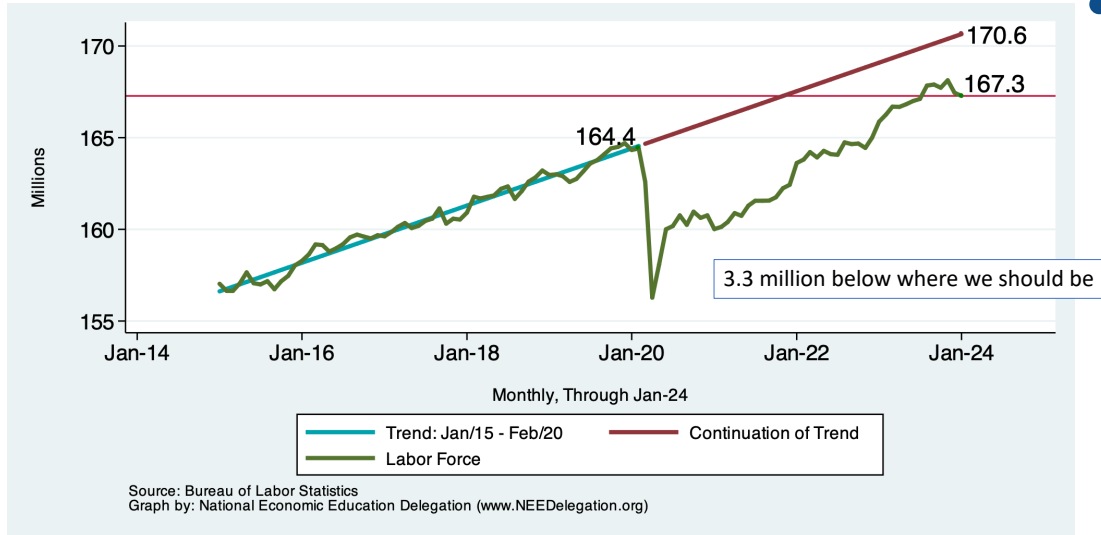
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Employment Gap



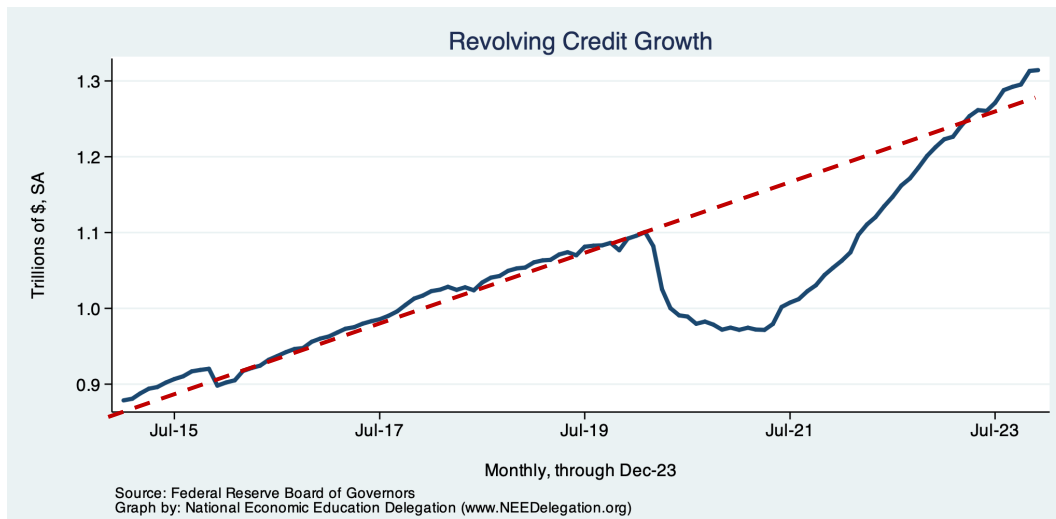
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Where Have All the Workers Gone?



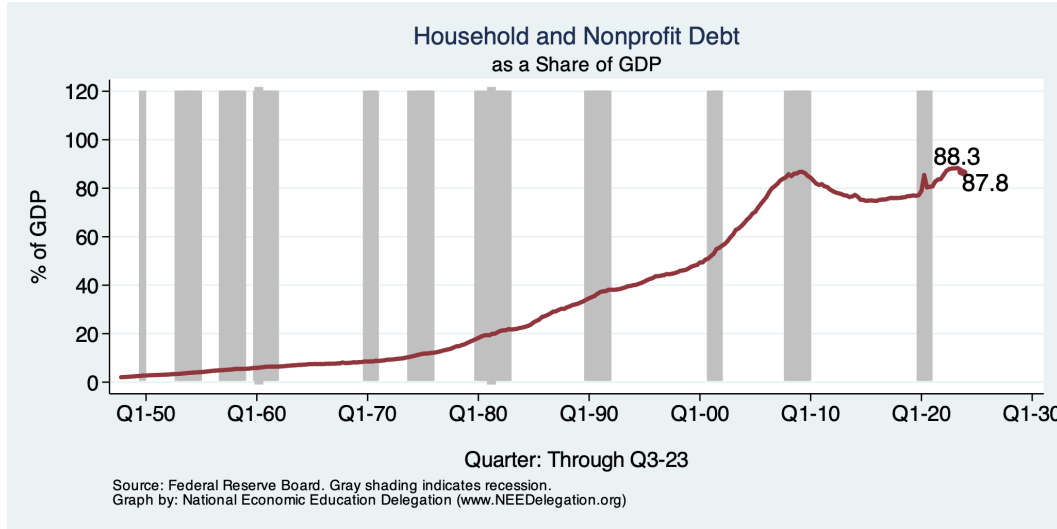
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Borrowing on Credit



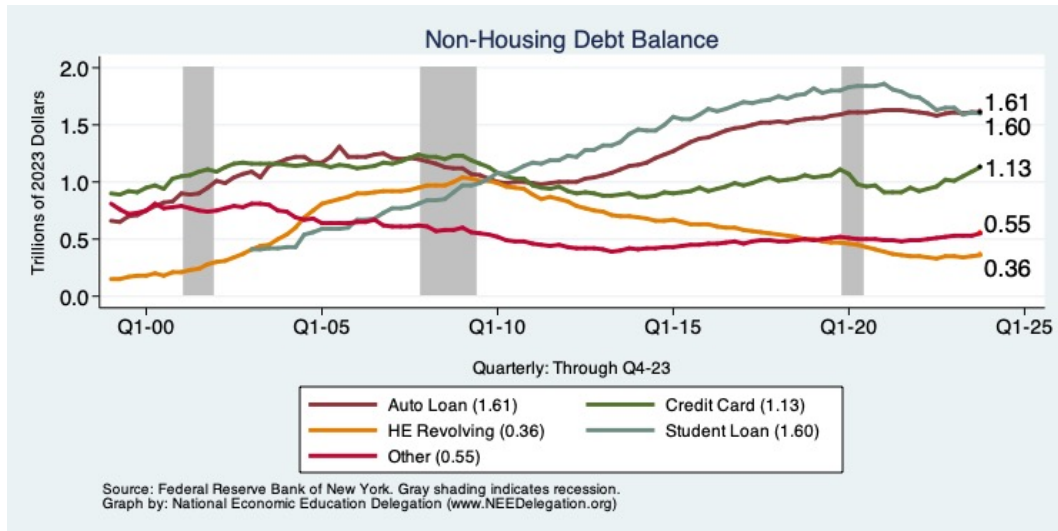
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Household Debt as a Share of GDP



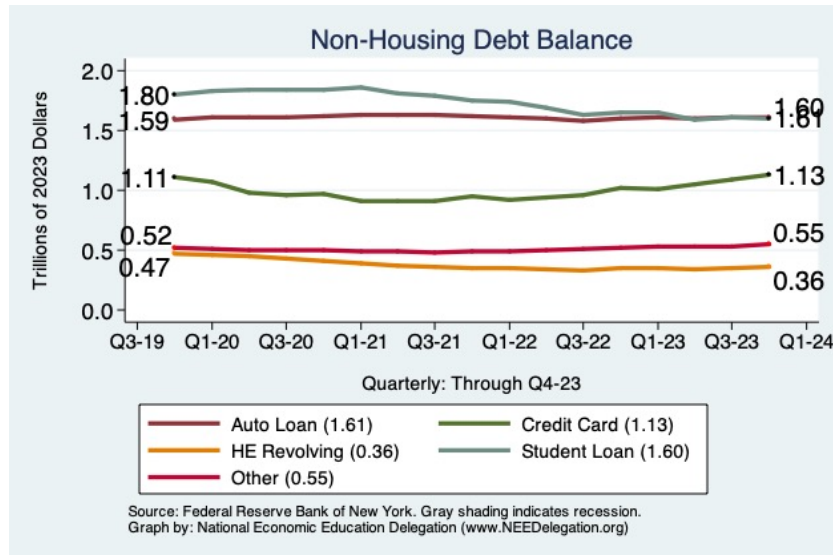
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Household Debt: Other Sources



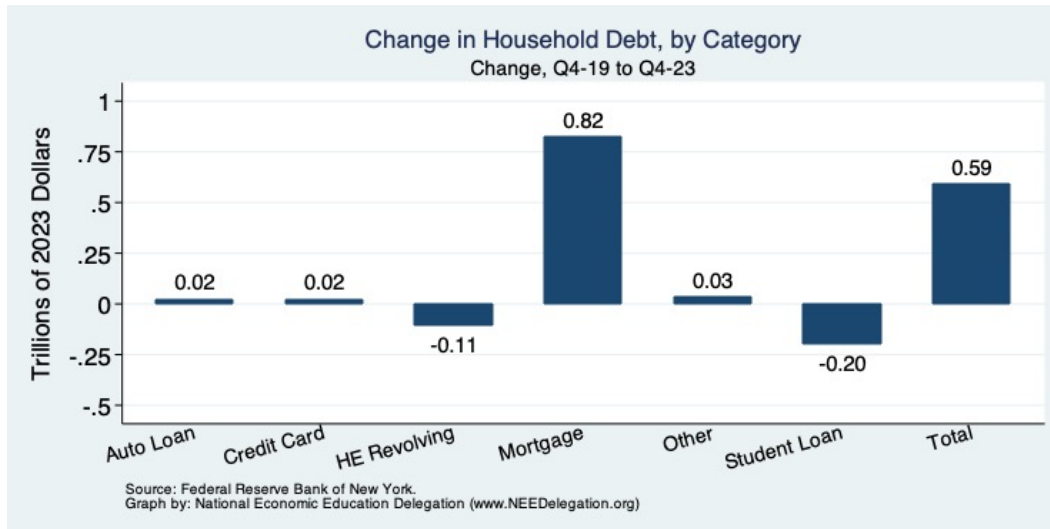
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Household Debt: Other Sources - Pandemic



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Household Debt: Change During the Pandemic



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Inflation



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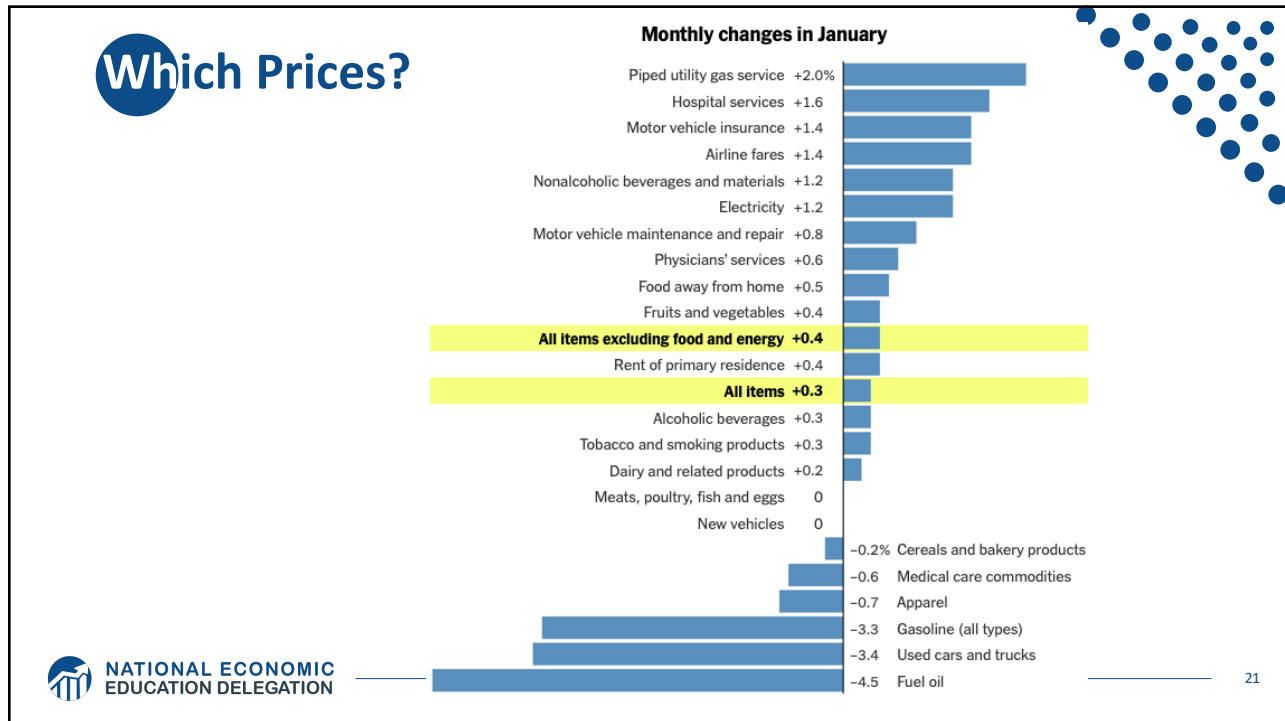
Inflation: Latest Figures



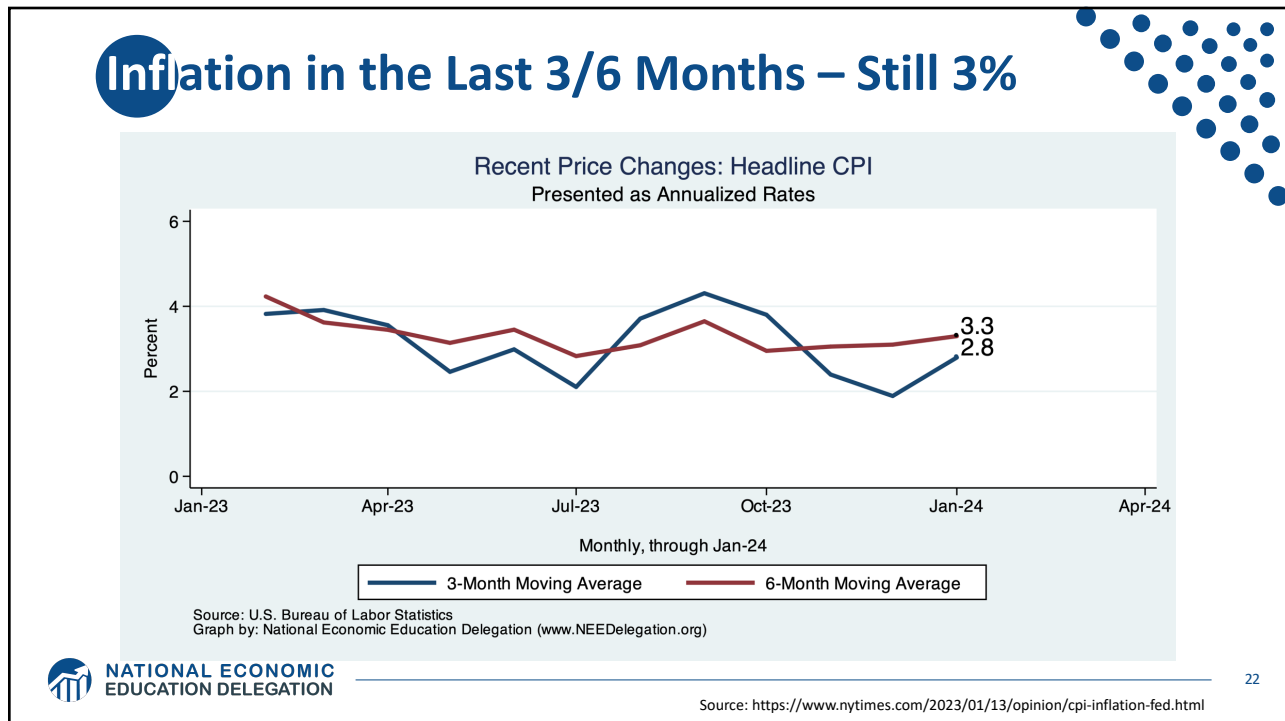
Year-over-year change in the Consumer Price Index - Source: Bureau of Labor Statistics - By Karl Russell



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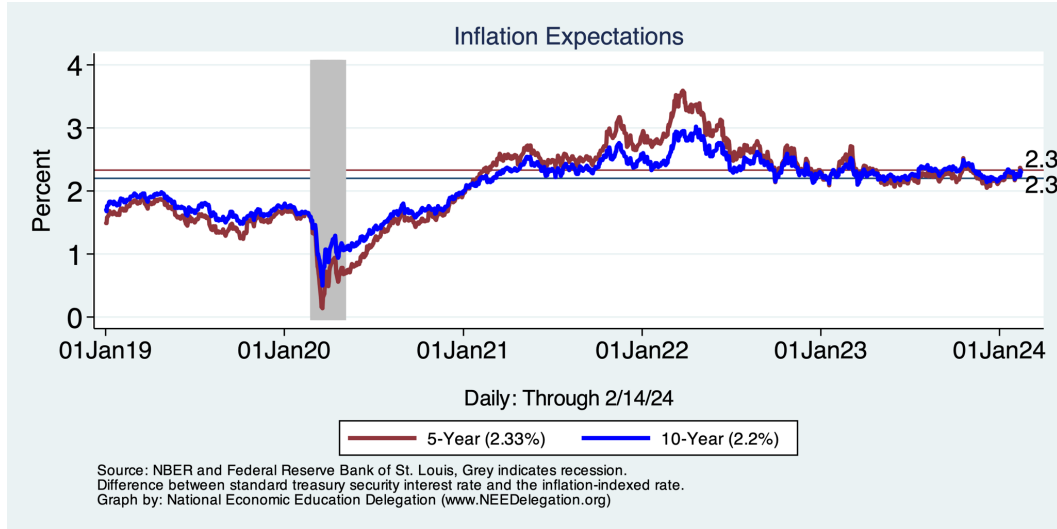


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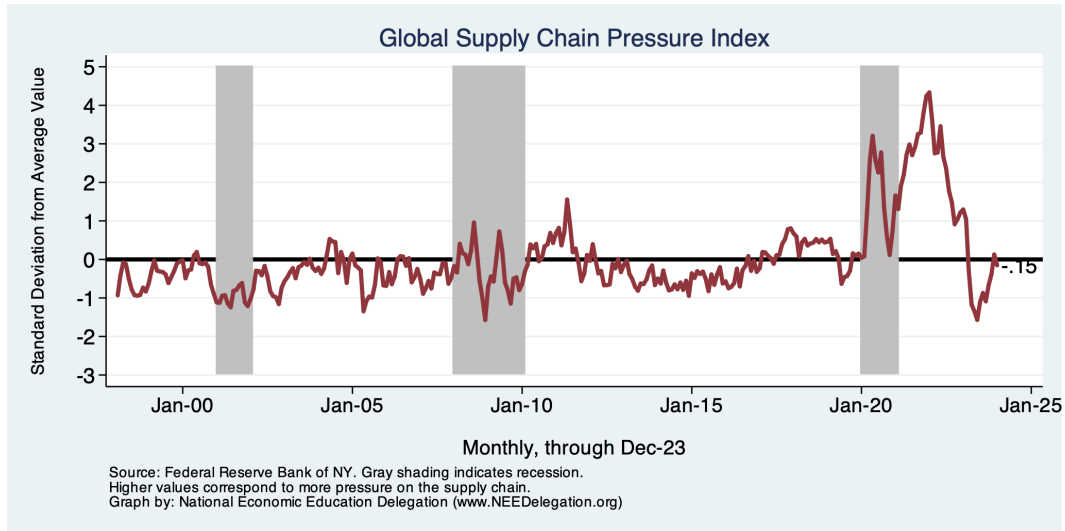
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Inflation Expectations



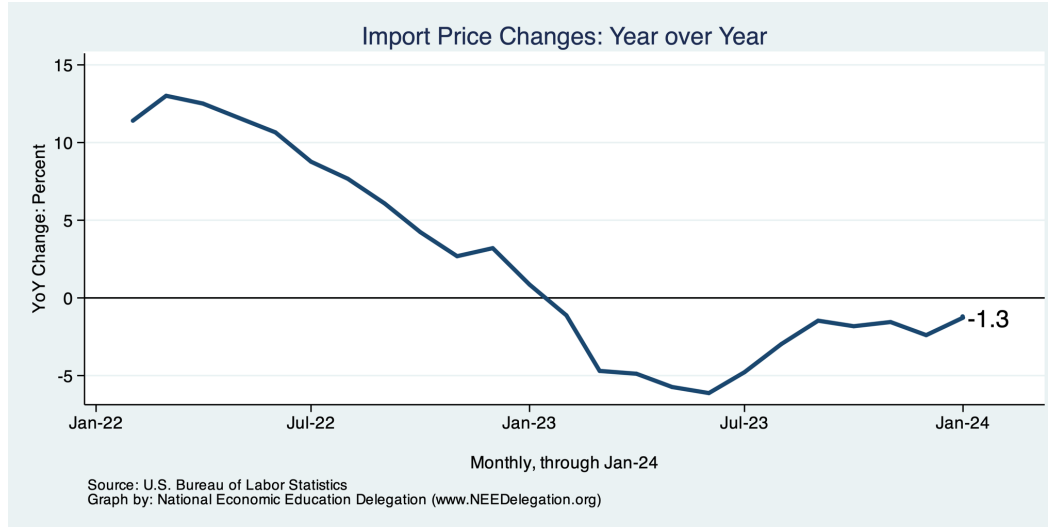
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Supply Chains



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Import Price Inflation was Very High



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My Thoughts on the Future of Inflation

- Most indicators suggests continued declines.
- Last couple of months have been counterproductive.
- Market expectations are solid.
- 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.

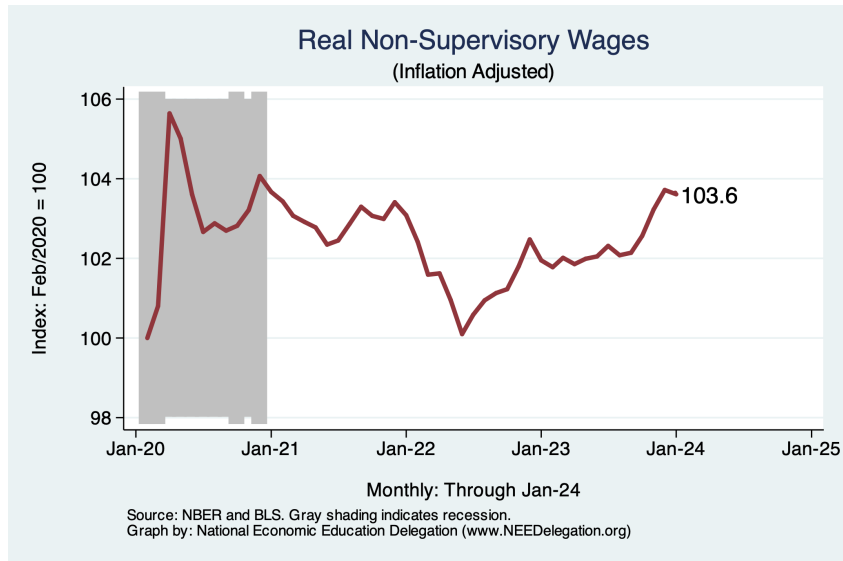


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Wage Growth – Exceeds Inflation

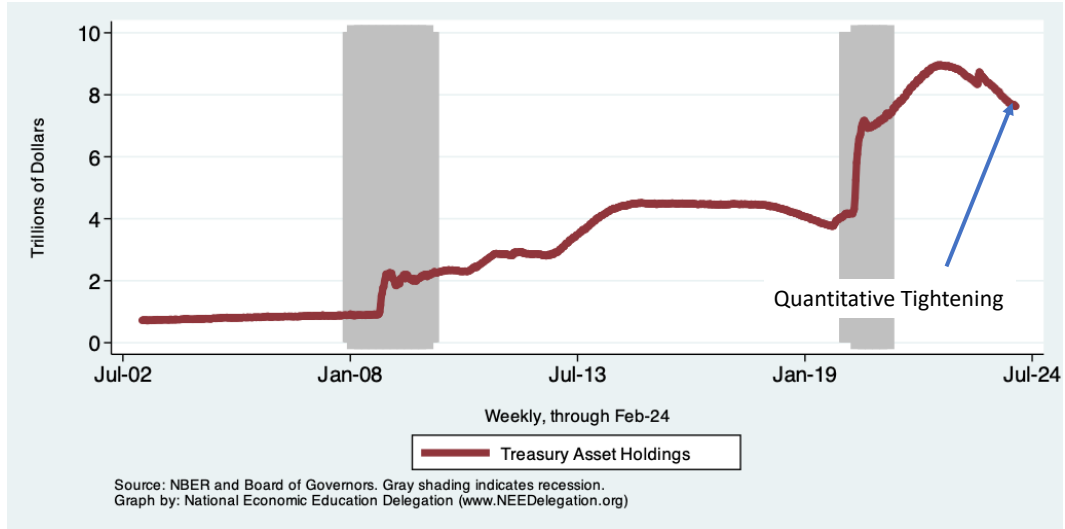


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The Fed: Conservative

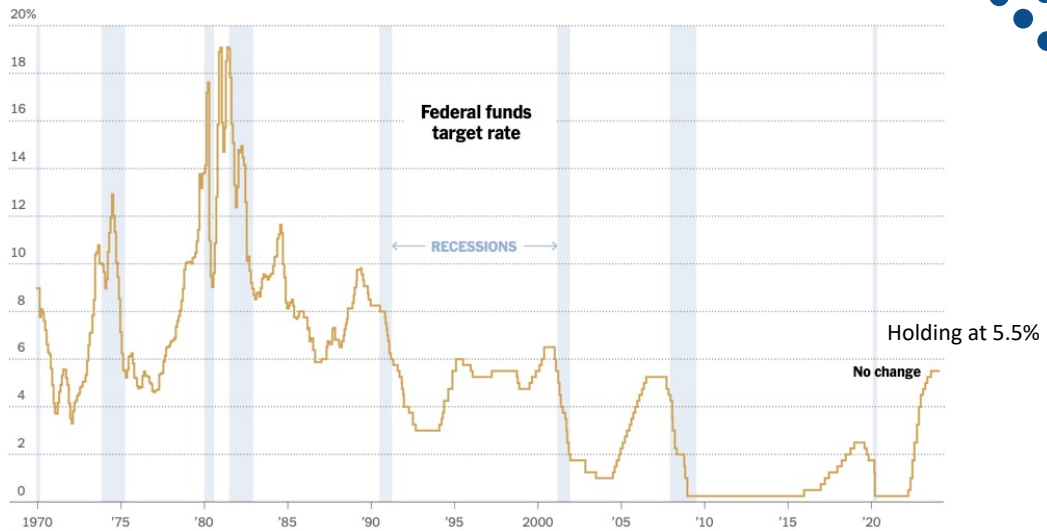
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Fed: Reducing its Asset Holdings



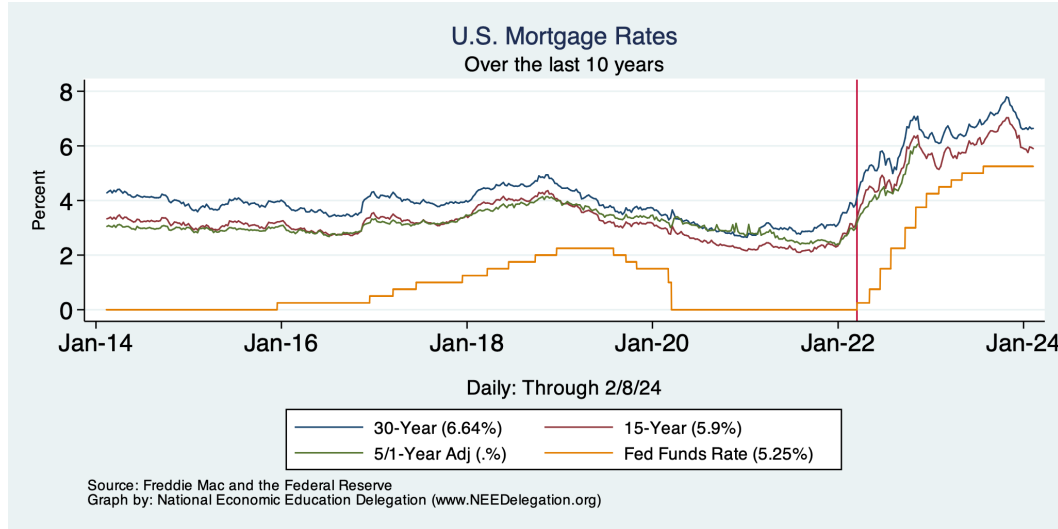
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Federal Funds Rate



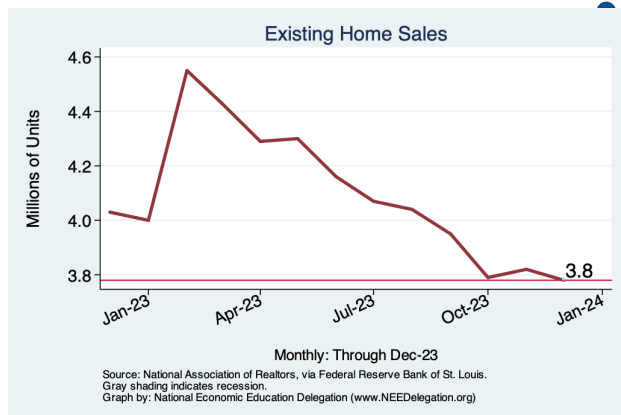
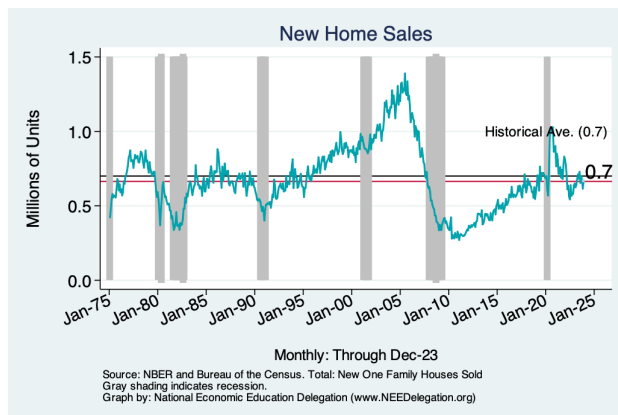
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Mortgage Rates



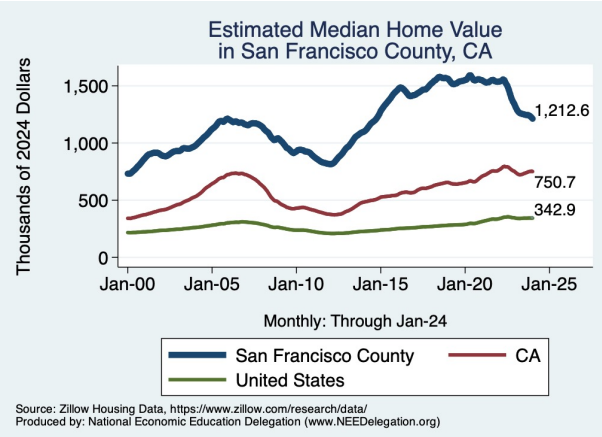
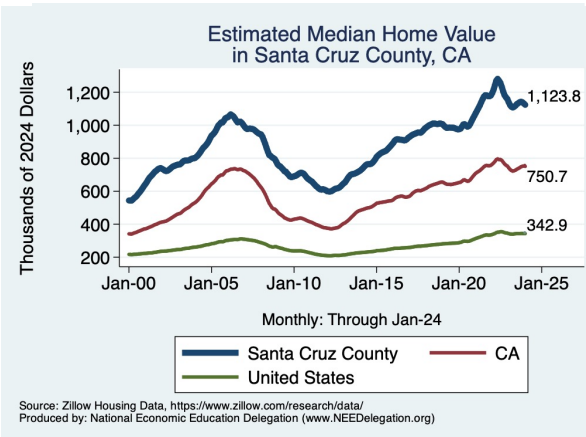
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Home Sales Falling



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Home Prices ... Falling Throughout CA



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Takeaways

- **Is a recession on the horizon?**
 - Perhaps, but no reason to think that it will be anything more than shallow.
 - Many indicators are still in the black.
 - 2023 2nd half GDP growth was pretty good
- **Threats to continued growth:**
 - If inflation reverses course, which seems unlikely.
 - Global conflict (double-edged sword)
- **Inflation**
 - Certainly trending (slightly) in the wrong direction.
 - Not worried about it.
 - Fed policy will continue to push against it.
 - Likely to recover 2% by year's end.



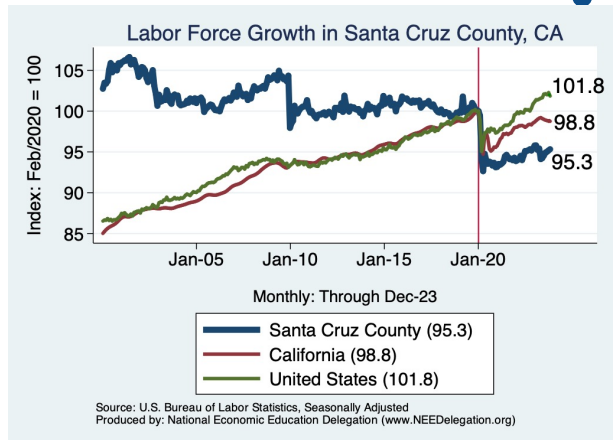
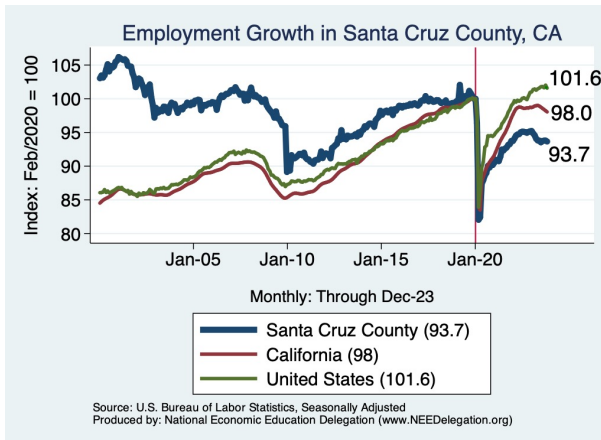
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Santa Cruz Economy

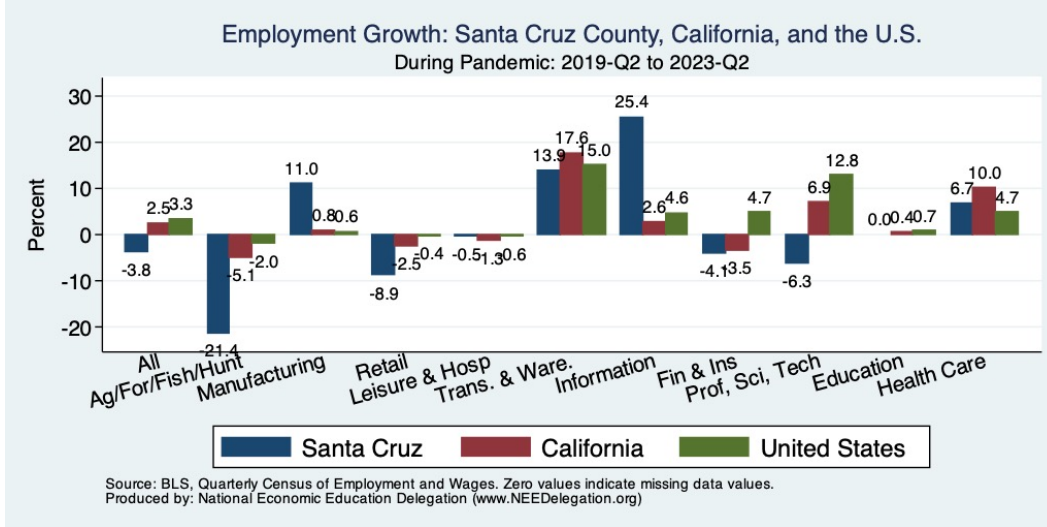
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Employment in Santa Cruz County?



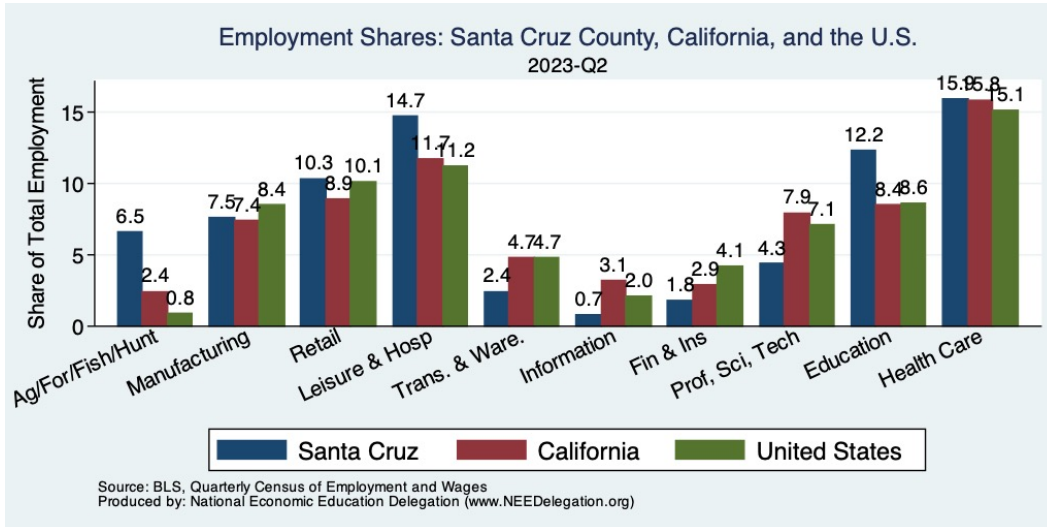
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The Pandemic Effect: Employment



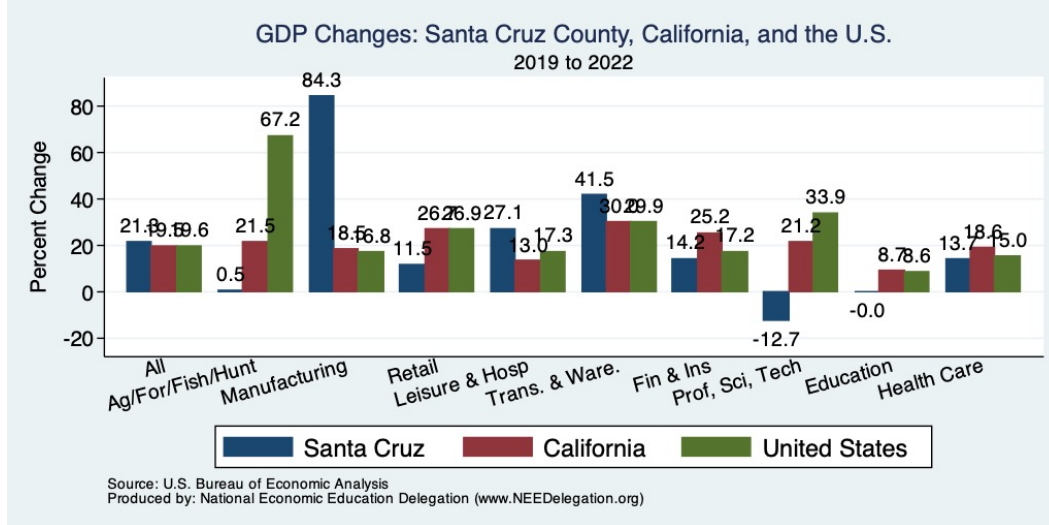
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Santa Cruz Economy: Employment



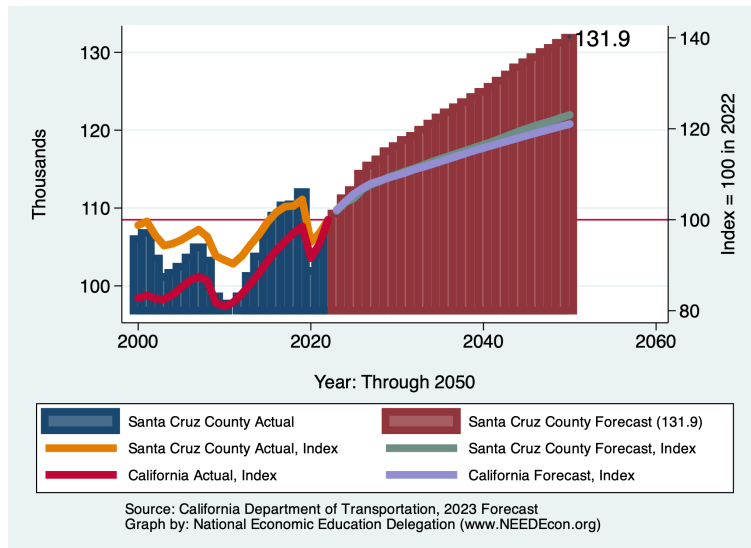
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Santa Cruz Economy: GDP Growth

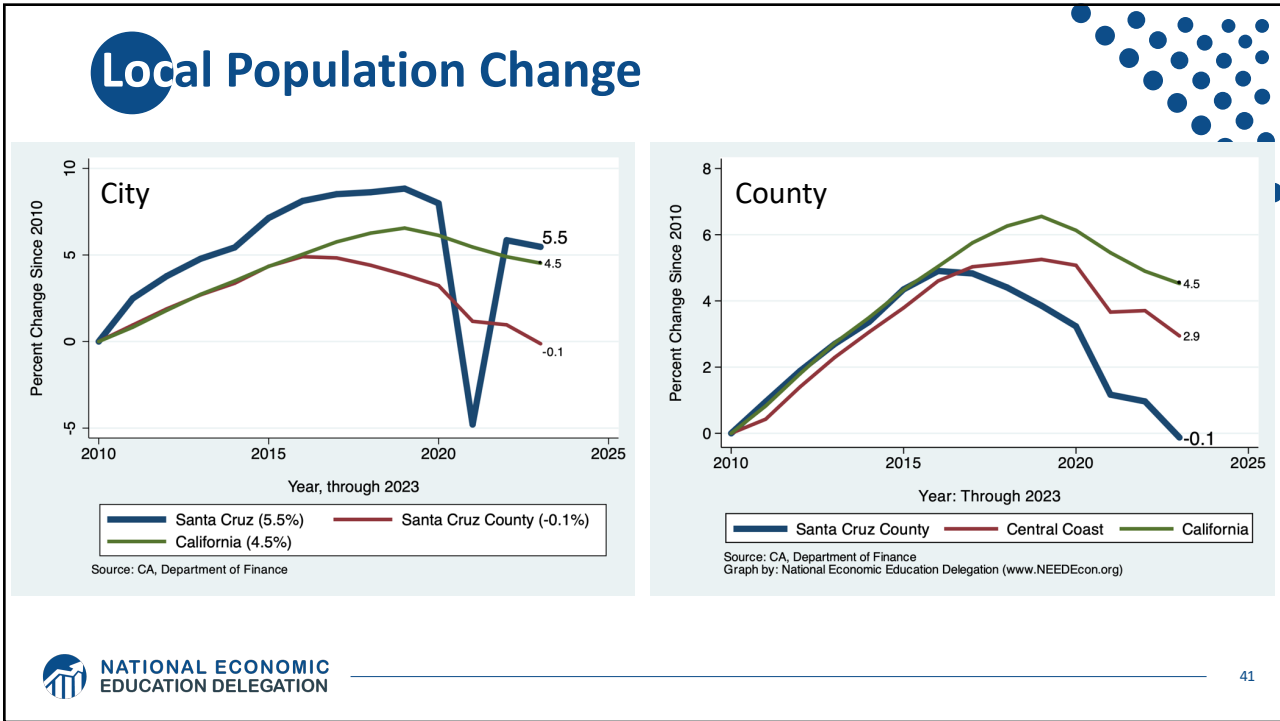


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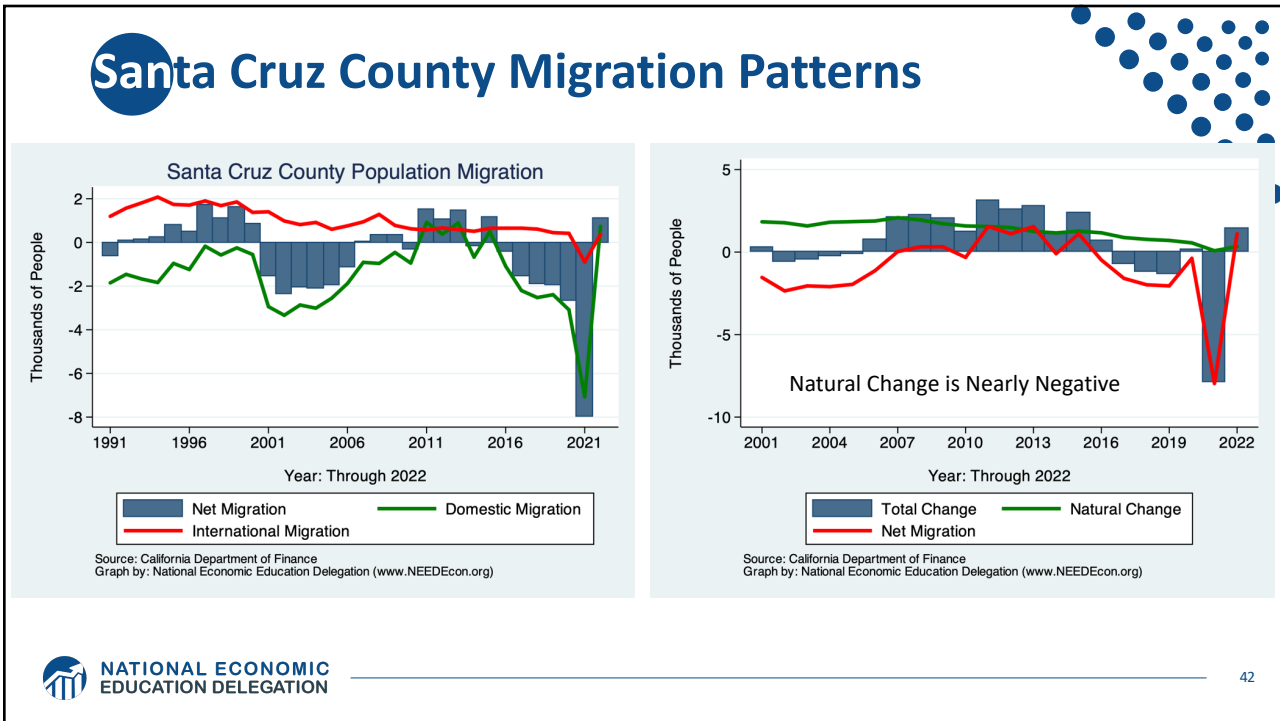
CalTrans Forecast: Employment



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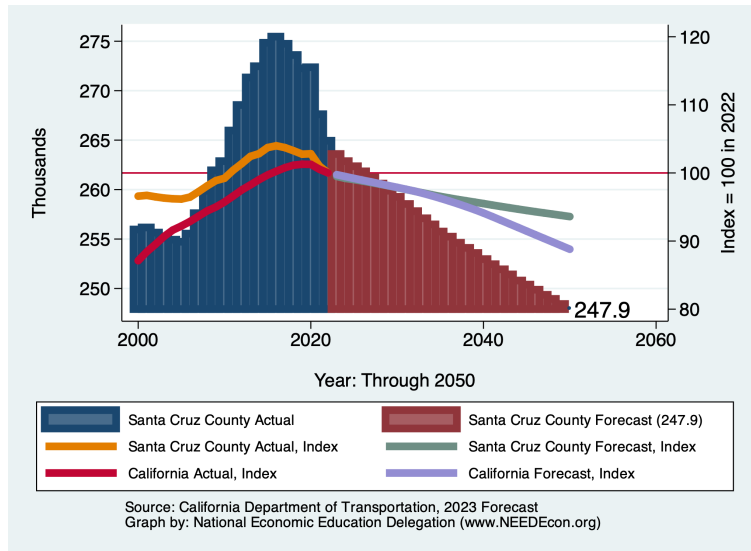


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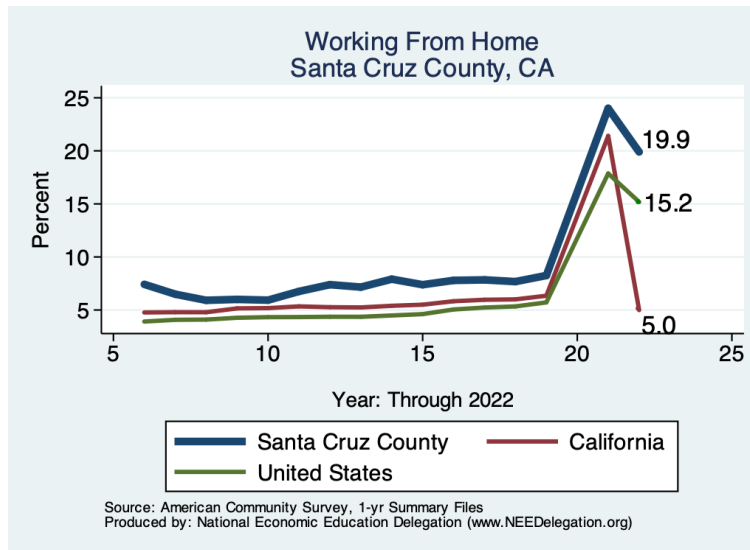
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CalTrans Forecast: Population



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Working From Home



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Santa Cruz County: Summary

- Home prices are falling as they are elsewhere in CA.
- Santa Cruz County has been altered by the pandemic.
 - Lots of working from home.
 - An economy more focused on manufacturing relative to ag.
 - GDP has grown faster than in CA or the US.
 - Employment has not.
- If this shift is permanent, that could be good for Santa Cruz County.
- However, countywide population declines are concerning.

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Thank you!

Any Questions?

www.NEEDelegation.org

Jon D. Haveman

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Contact NEED: info@NEEDelegation.org

Submit a testimonial: www.NEEDelegation.org/testimonials.php

Become a Friend of NEED: www.NEEDelegation.org/friend.php

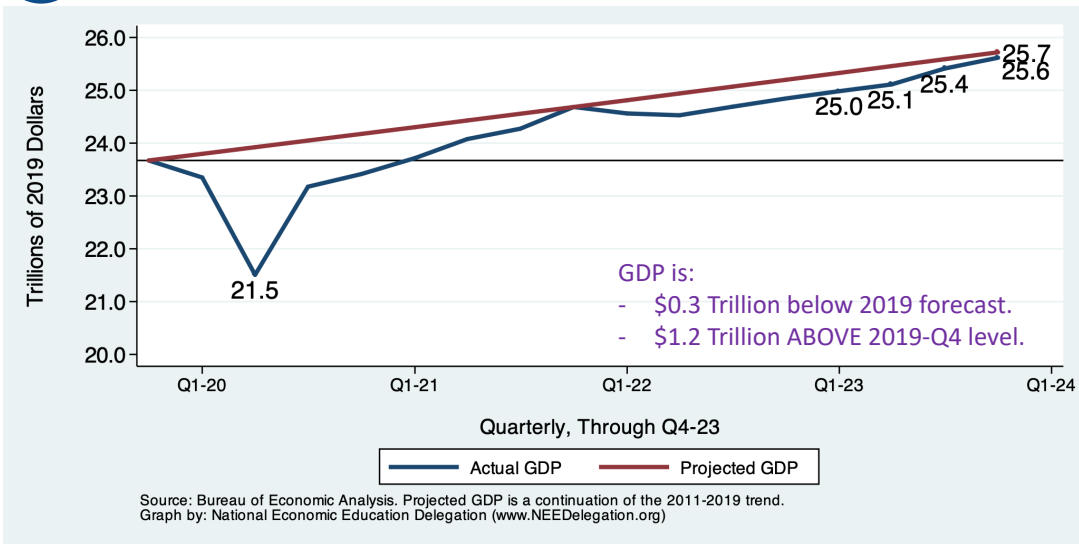
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www.NEEDelegation.org/LocalGraphs

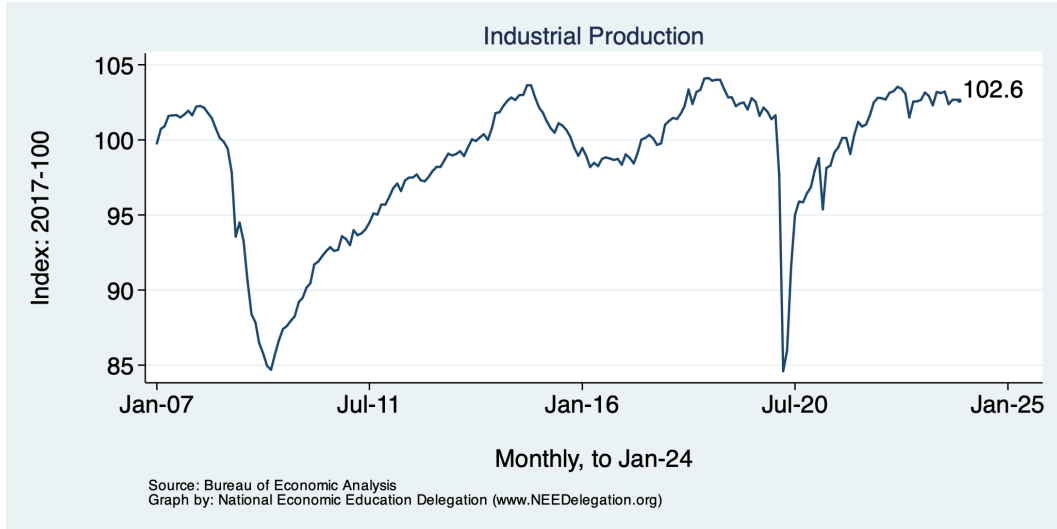
For every state and county in the United States.
Detailed graphs on employment, housing, moves, and other statistics.



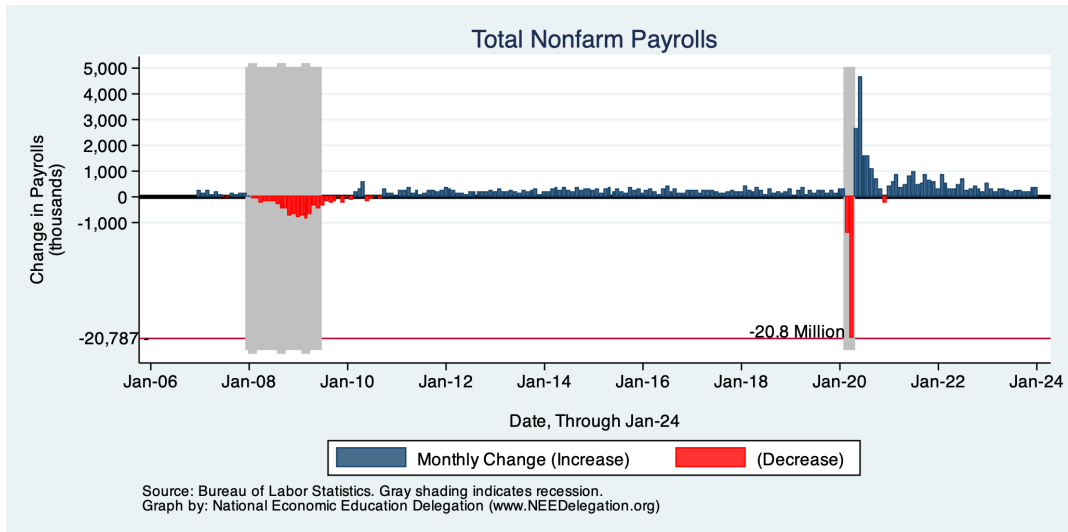
GDP Trajectory: Pandemic Plunge!



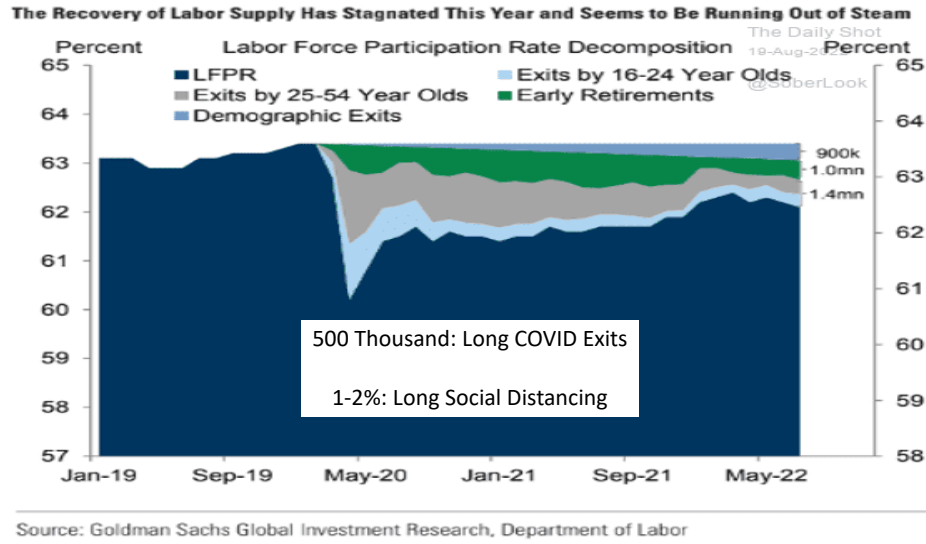
Industrial Production (Manuf, Util, Mining)



Monthly Changes in Nonfarm Employment

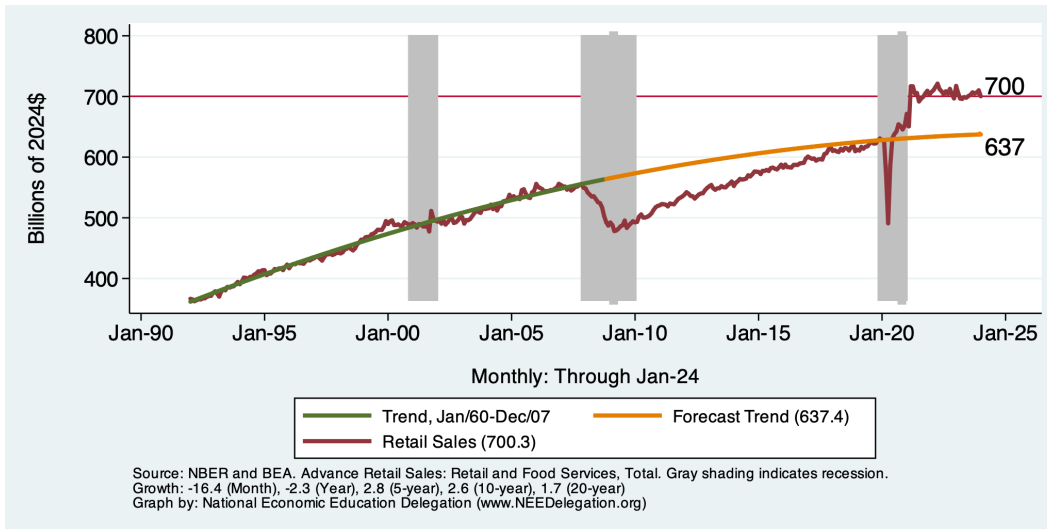


Some Explanations



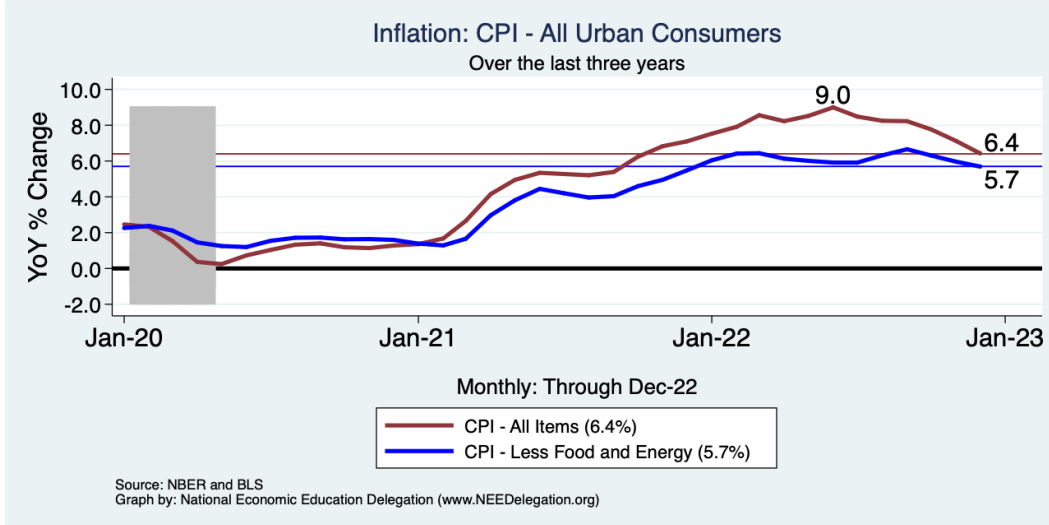
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But SUPER High to Begin With!



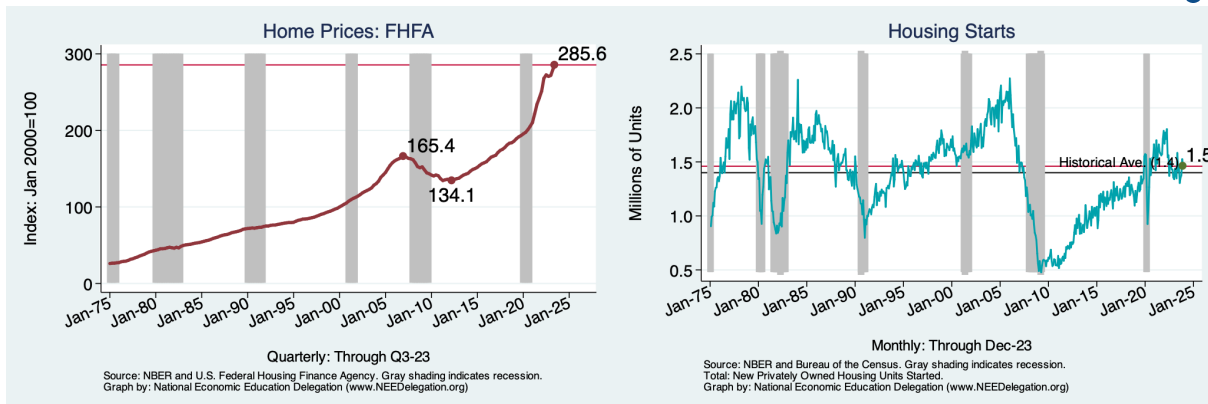
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Inflation – Falling! Job is not done.



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Home Prices and Housing Starts



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