

# The Economic Outlook

Focus on Contra Costa County  
*January 2017*

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## Trumped!

What does it mean for the National and  
California economy?

# The shocker!

## The Perils of Political Forecasting

 **FiveThirtyEight**

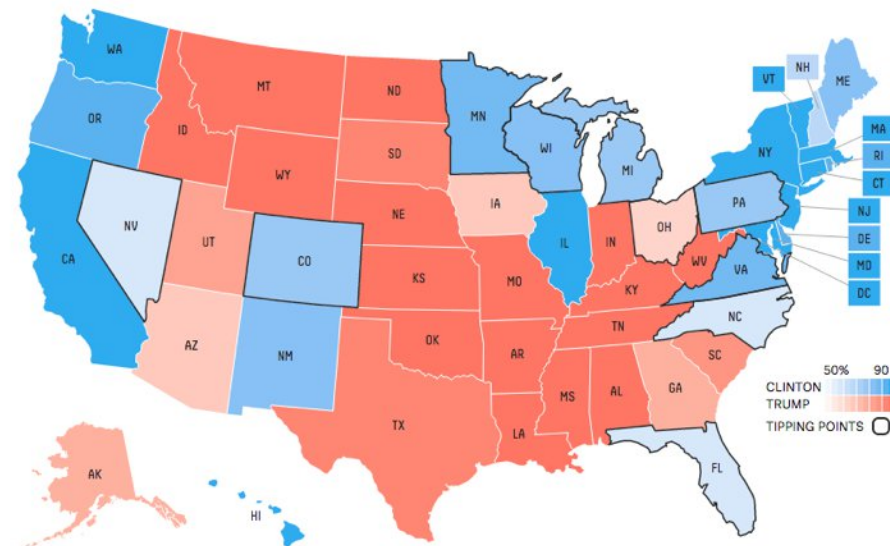
Nate Silver

8 am, Tuesday November 8

**BEACONECONOMICS** Analysis. Answers.

### Who will win the presidency?

Chance of winning



# The Victory of Miserabilism

## Things aren't that bad

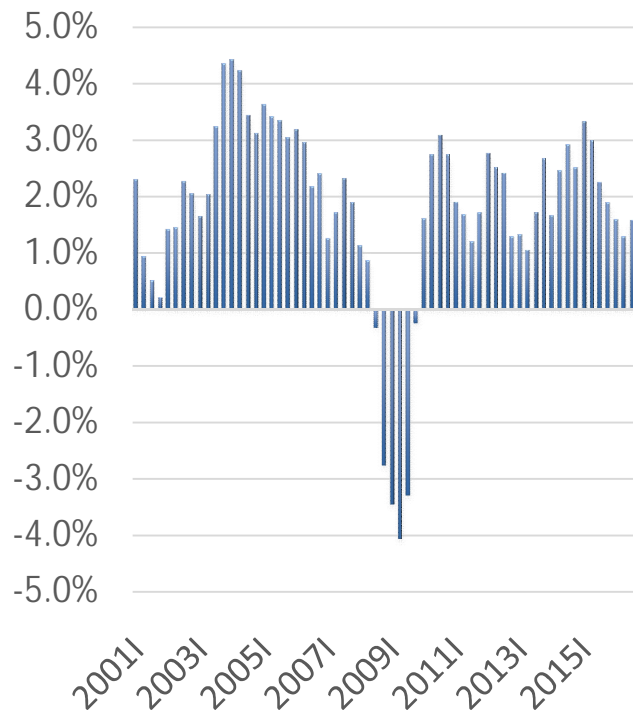
- US GDP is growing slow, but it is growing
- Fundamentals are fine, no chance of recession
- U.S.: 5% world's population, 20% of the world's consumption
- Real incomes have been rising, true well-being even more so
- Labor markets are tight
- Inflation slow, interest rates low
- US energy sector: too successful for its own good
- Manufacturing: doing fine, trade (on net) good for US
- California still leading the nation in growth

## The true challenges

- Slow growth due to self-inflicted wounds / political gridlock
- Global economy weak
- The global commodity glut
- State and Local budgets still stressed, decaying Infrastructure
- The shift to the information economy
- An under-performing housing market / bad financial regulations (Dodd-Frank)
- Underfunded pensions and entitlements
- Growing wealth inequality
- State revenue / water / housing
- The growing disconnect between political debate and reality

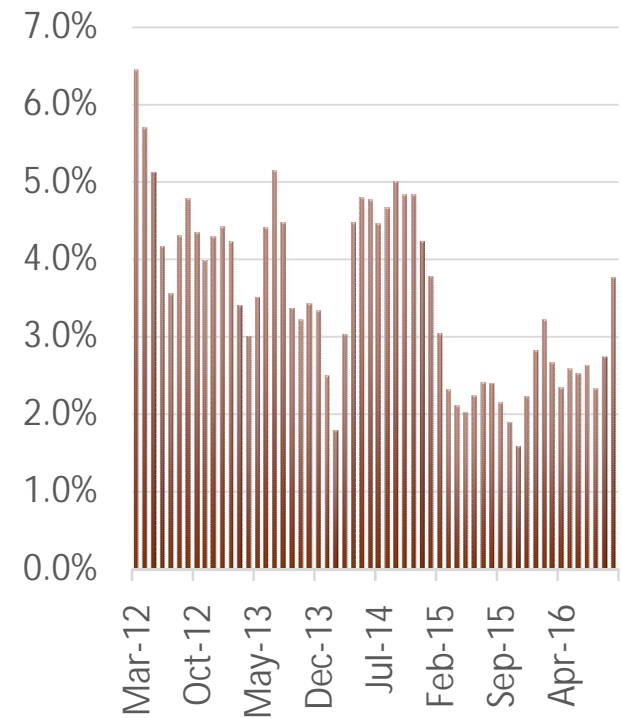
# GDP Growth

Real GDP Growth (Y-o-Y)



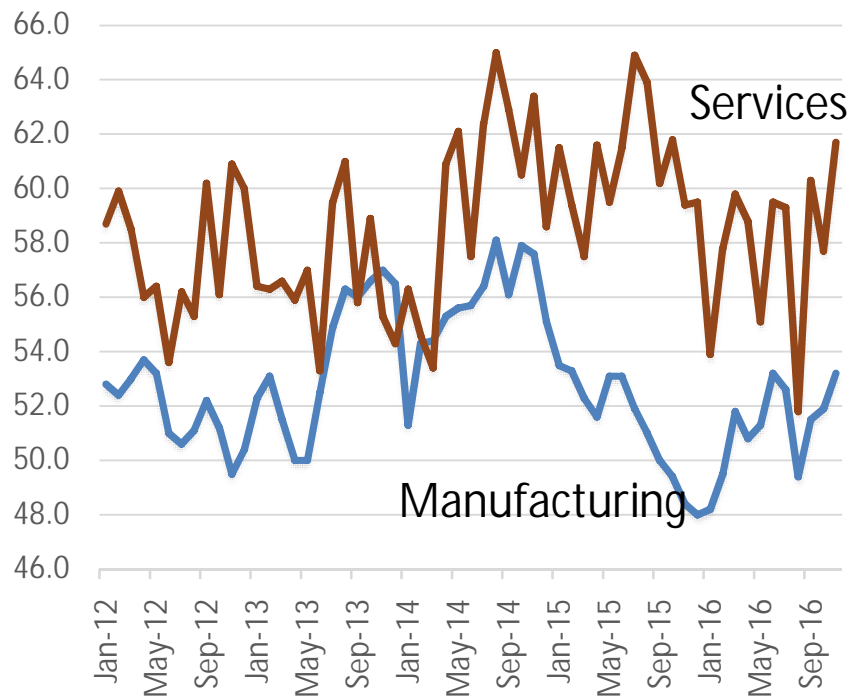
	Avg	2016
	IV-II	III
GDP	1.03	3.20
Cons.	1.84	1.89
Goods	0.74	0.74
Services	1.10	1.15
Invest	-0.76	0.34
Struct	-0.17	0.26
Equip	-0.31	-0.28
IPP	0.23	0.04
Res	0.13	-0.17
Inv	-0.64	0.49
Net Trade	-0.09	0.87
Exports	-0.07	1.18
Imports	-0.02	-0.31
Gov	0.05	0.05

Retail Sales Growth (Y-o-Y)

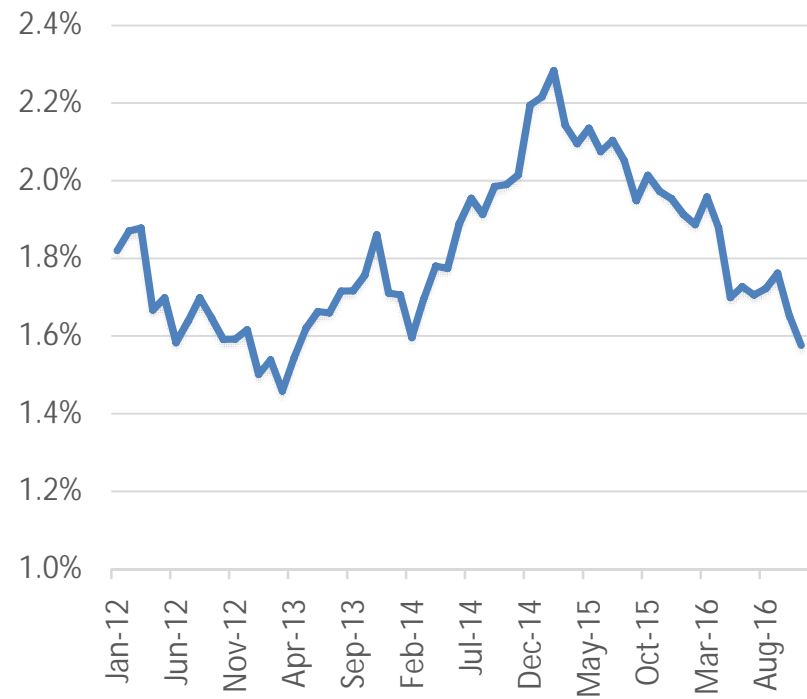


# Broad Indicators

## ISM Indexes (Diffusion)

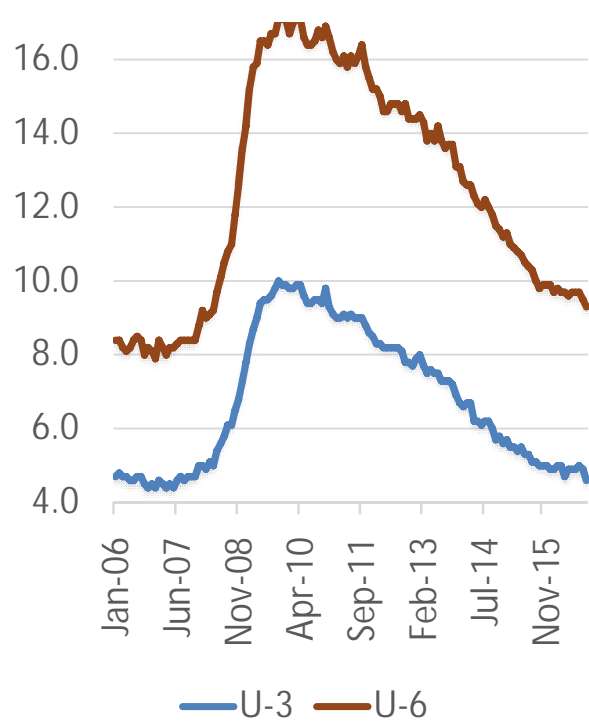


## Y-o-Y Growth Employment

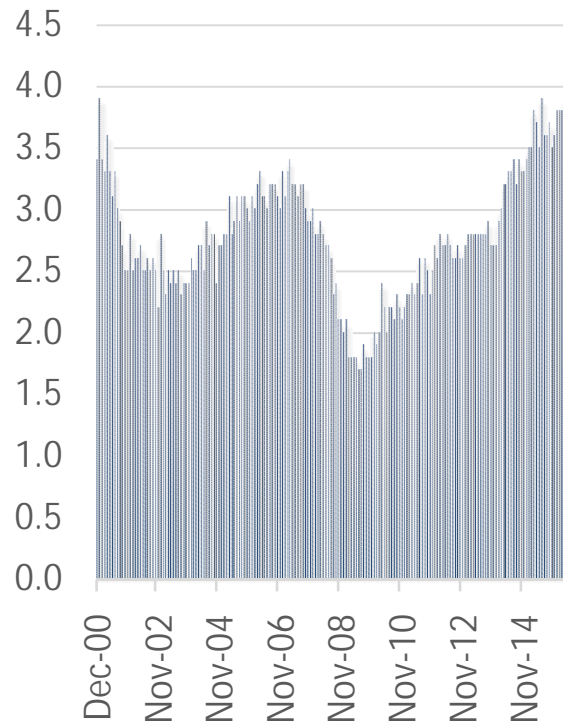


# Labor Markets

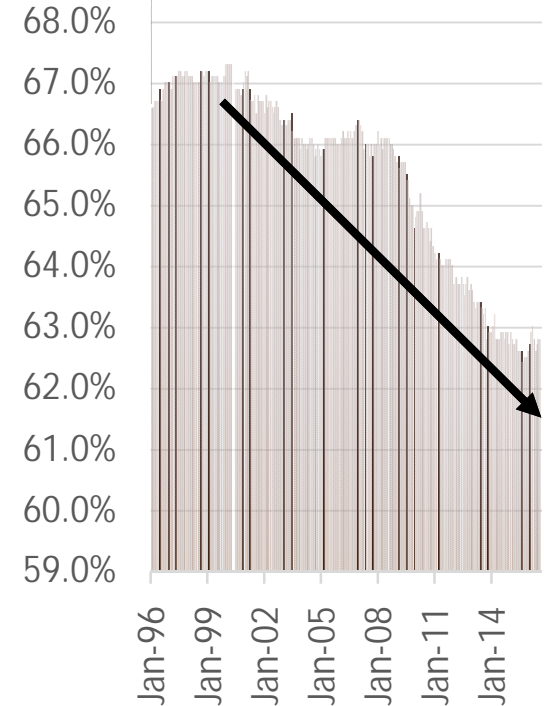
US Unemployment Rate



Job Opening Rate



Participation Rate



# Local Economic Performance

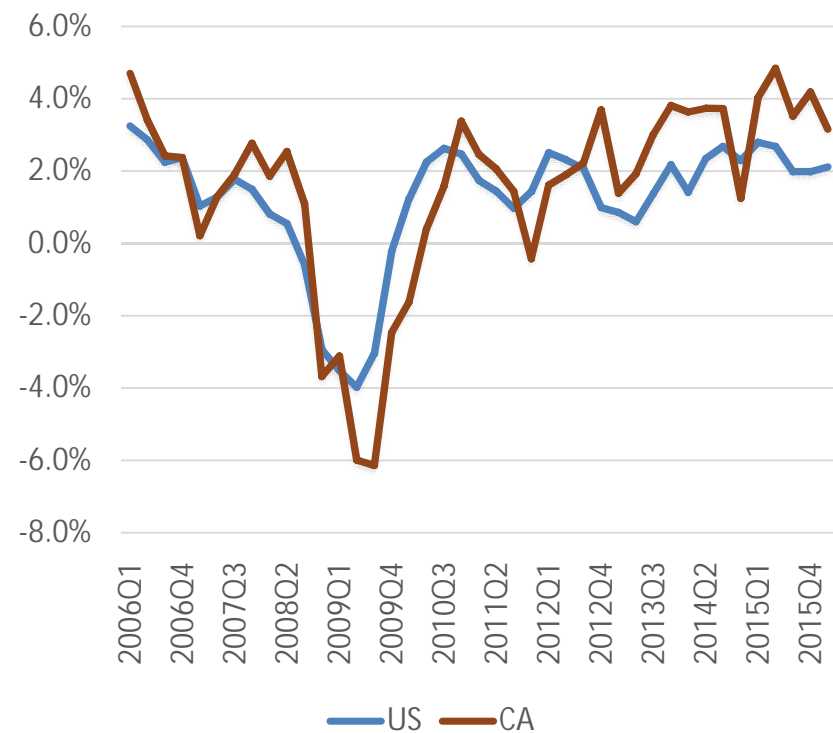
	15	16Ch			15	16Ch			15	16Ch	
Alaska	6.5	6.9	0.4	Wyoming	4.3	5.3	1	Iowa	3.6	4.2	0.6
New Mexico	6.5	6.7	0.2	Missouri	4.6	5.2	0.6	Maryland	5.1	4.2	-0.9
Louisiana	6	6.4	0.4	Oklahoma	4.2	5.2	1	Maine	4.2	4.1	-0.1
DC	6.7	6.1	-0.6	Georgia	5.6	5.1	-0.5	Wisconsin	4.6	4.1	-0.5
Mississippi	6.4	6	-0.4	Kentucky	5.4	5	-0.4	Arkansas	5	4	-1
Nevada	6.6	5.8	-0.8	New York	5	5	0	Minnesota	3.6	4	0.4
West Virginia	6.6	5.8	-0.8	South Carolina	5.5	4.9	-0.6	Virginia	4.2	4	-0.2
Pennsylvania	4.9	5.7	0.8	Ohio	4.6	4.8	0.2	Idaho	4.1	3.8	-0.3
Rhode Island	5.6	5.6	0	Texas	4.5	4.8	0.3	Colorado	3.6	3.6	0
Washington	5.7	5.6	-0.1	Florida	5.1	4.7	-0.4	Massachusetts	4.8	3.6	-1.2
Arizona	5.9	5.5	-0.4	North Carolina	5.7	4.7	-1	Utah	3.5	3.4	-0.1
California	6	5.5	-0.5	Michigan	5.1	4.6	-0.5	Hawaii	3.4	3.3	-0.1
Illinois	5.9	5.5	-0.4	Tennessee	5.6	4.6	-1	Vermont	3.7	3.3	-0.4
Oregon	5.7	5.5	-0.2	Indiana	4.5	4.5	0	Nebraska	3	3.2	0.2
Alabama	6.1	5.4	-0.7	Kansas	4	4.4	0.4	North Dakota	2.7	3	0.3
Connecticut	5.3	5.4	0.1	Delaware	4.9	4.3	-0.6	New Hampshire	3.3	2.9	-0.4
New Jersey	5.2	5.3	0.1	Montana	4.1	4.3	0.2	South Dakota	3.1	2.9	-0.2

# As for California

### 3 Year Change in Payroll Jobs by State

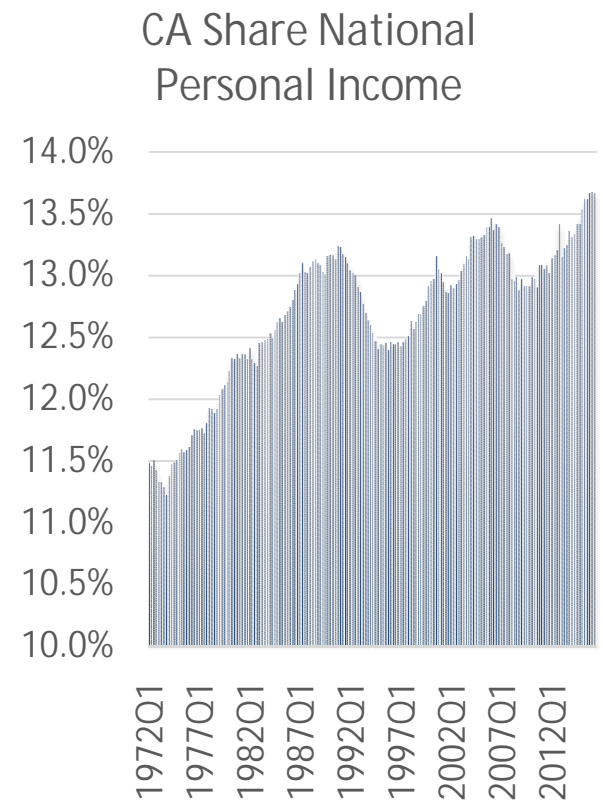
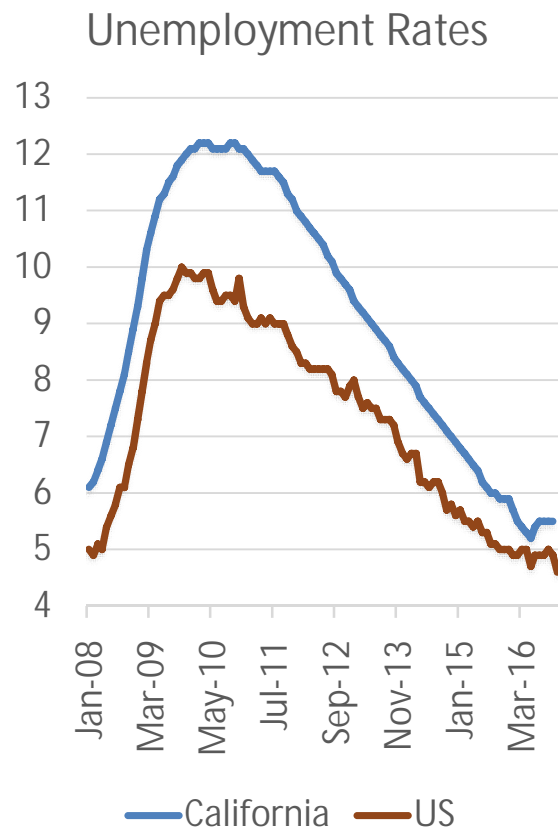
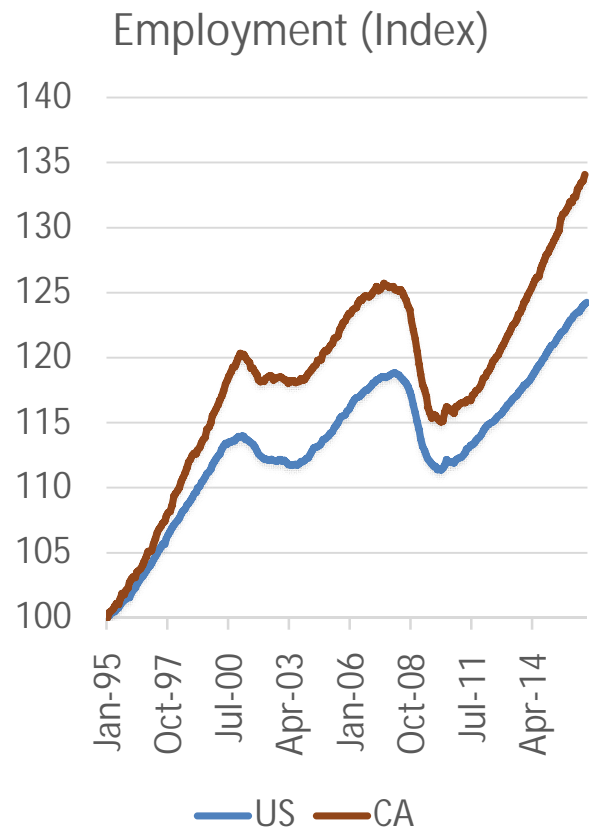
	Abs	Growth	Share
Florida	792.8	3.3%	10.0%
Utah	131.6	3.2%	1.7%
Nevada	117	3.2%	1.5%
Oregon	167.6	3.2%	2.1%
Colorado	219	2.9%	2.8%
Washington	273.7	2.9%	3.5%
Georgia	349.6	2.8%	4.4%
California	1309.1	2.8%	16.5%
Idaho	52.6	2.6%	0.7%
South Carolina	150.7	2.6%	1.9%
Tennessee	211.9	2.5%	2.7%
Texas	828.3	2.4%	10.4%
Arizona	179.4	2.3%	2.3%
North Carolina	264.9	2.1%	3.3%
Delaware	27.9	2.1%	0.4%
Massachusetts	198.6	1.9%	2.5%
Michigan	220.8	1.7%	2.8%

### Real GDP Growth (Y-o-Y)



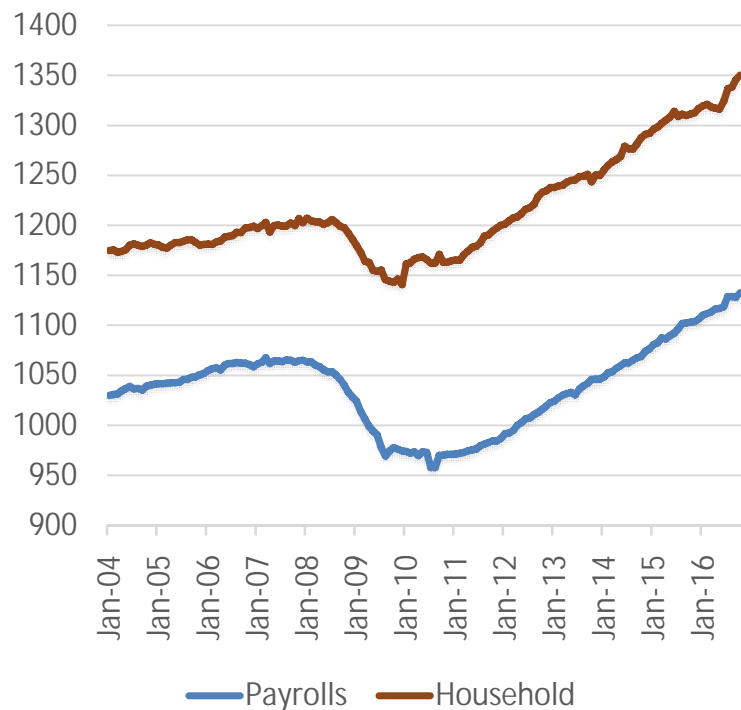


# State Employment / Income



# Industry Employment & 2015 Wages

## East Bay Employment



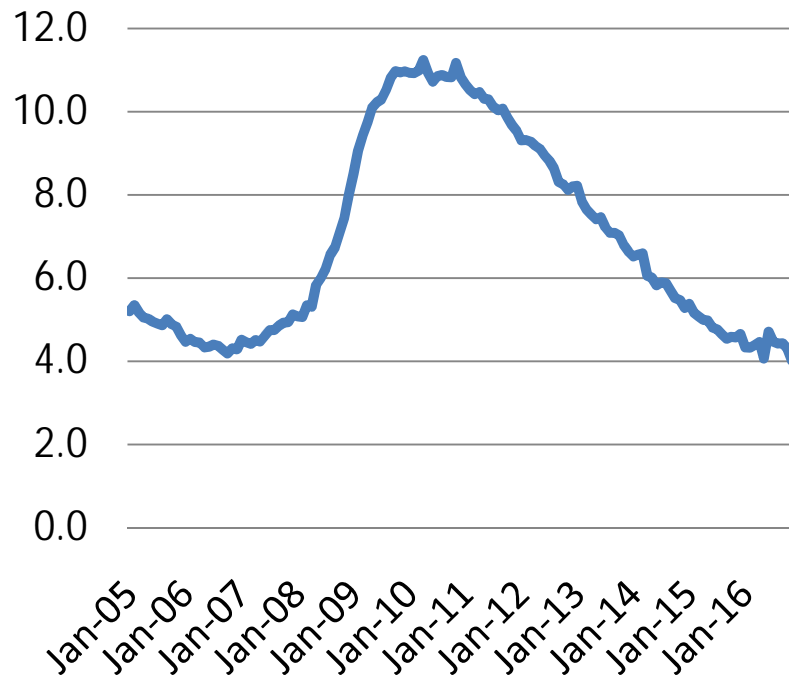
## Industry Employment in East Bay, November 2016

Industry	Nov-16 (000s)	1-Yr Chg. (000s)	1-Yr % Chg.	Alameda County	Contra Costa County
Hospitality	114.8	7.4	6.9%	\$28,567	\$21,139
Construction	68.5	4.4	6.8%	\$75,149	\$73,095
Education/Health	188.1	7.9	4.4%	\$56,170	\$60,036
Information	23.1	0.5	2.3%	\$132,625	\$103,695
Financial Activities	49.9	1.1	2.2%	\$72,643	\$95,792
Other Services	38.9	0.6	1.6%	\$40,516	\$35,895
Trade,Transport,Util.	204.8	2.9	1.4%	\$53,773	\$52,059
Government	170.0	1.3	0.8%	\$72,410	\$62,508
Professional	184.5	1.2	0.6%	\$98,798	\$86,415
Manufacturing	85.9	-1.6	-1.9%	\$86,815	\$95,482
<b>Total Nonfarm</b>	<b>1129.4</b>	<b>25.4</b>	<b>2.3%</b>	<b>\$68,791</b>	<b>\$63,792</b>

Source: CA Employment Development Department and U.S. Bureau of Labor Statistics

# EB / CC Employment

East Bay Unemployment Rate

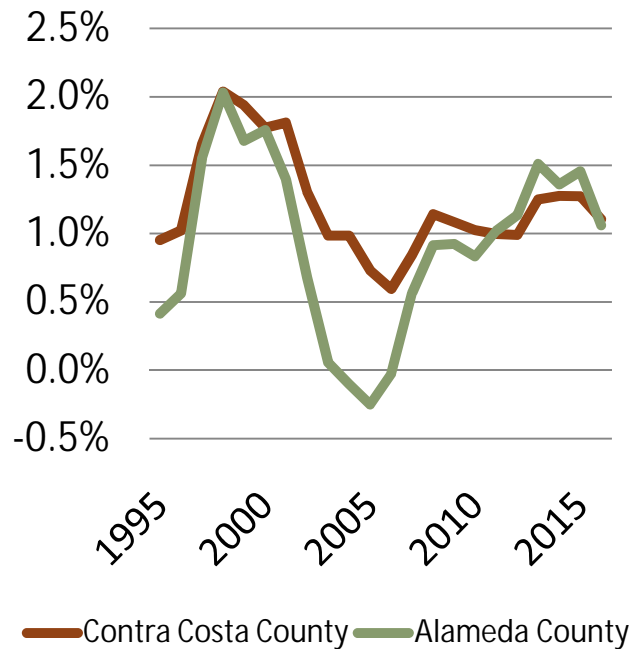


	Nov-14	Nov-15	Nov-16
Civilian Labor Force	547,600	551,000	561,500
Civilian Employment	516,600	525,000	538,300
Civilian Unemployment	30,900	25,900	23,200
Civilian Unemployment Rate	5.7%	4.7%	4.1%

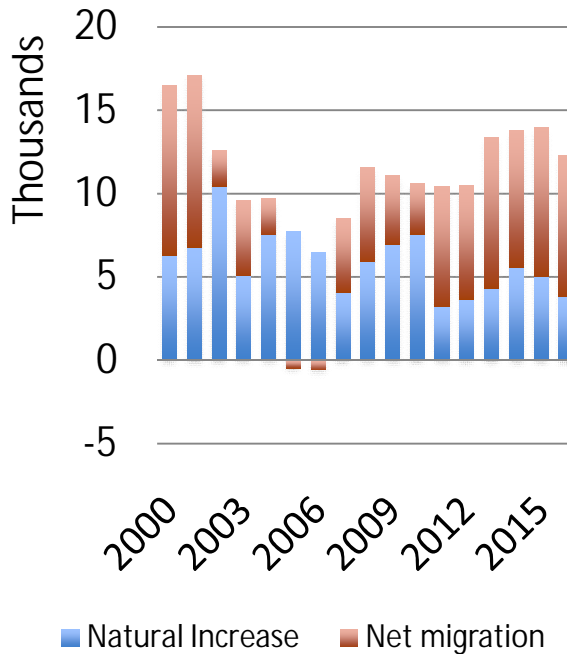
	Payroll	14-15	15-16	Ch
Total, all industries	361,187	1.9%	3.6%	12,456
Construction	24,705	2.9%	13.0%	2,845
Manufacturing	14,788	-1.9%	-2.5%	-374
Trade, transportation	63,706	2.9%	4.3%	2,606
Information	8,049	-0.9%	-3.3%	-274
Financial activities	26,889	5.5%	2.2%	586
Professional	51,585	-6.7%	2.6%	1,316
Education health	65,758	4.7%	5.4%	3,379
Leisure hospitality	41,231	4.2%	4.6%	1,803
Federal Government	4,721	6.2%	0.1%	3
Local Government	43,522	1.9%	0.6%	256

# Population

### Annual Population Growth



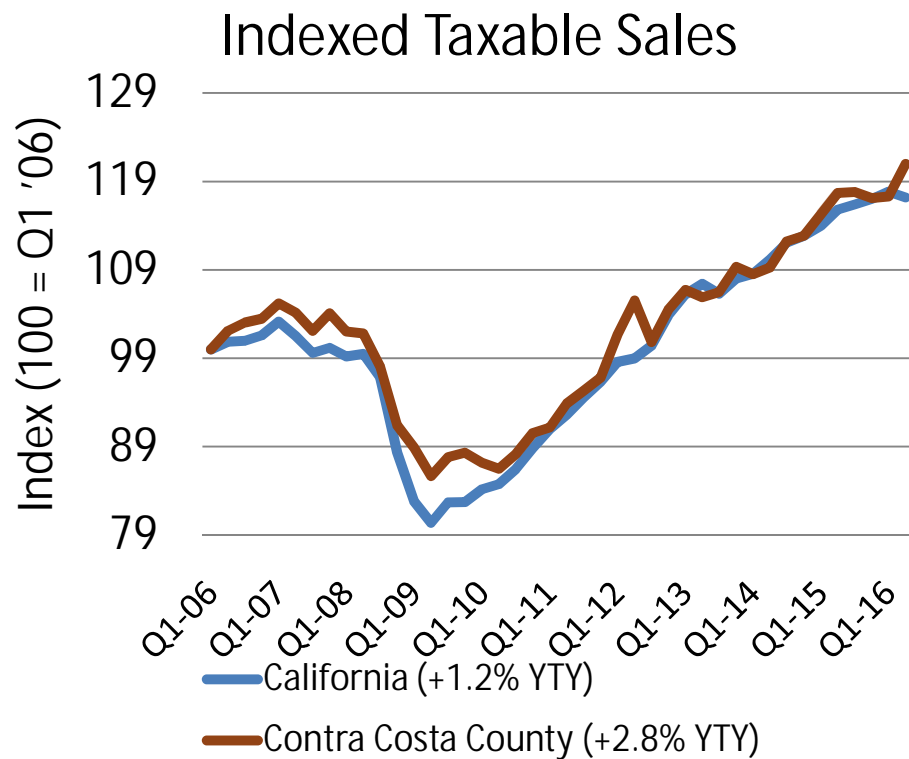
### Components of County Population Growth



### 2015 Income Data

	Alameda	Contra Costa
HH	571,828	391,996
	1.5%	1.0%
Median	81,717	83,104
	5.8%	3.4%
Mean	109,109	115,085
	6.8%	2.2%

# Spending Trends



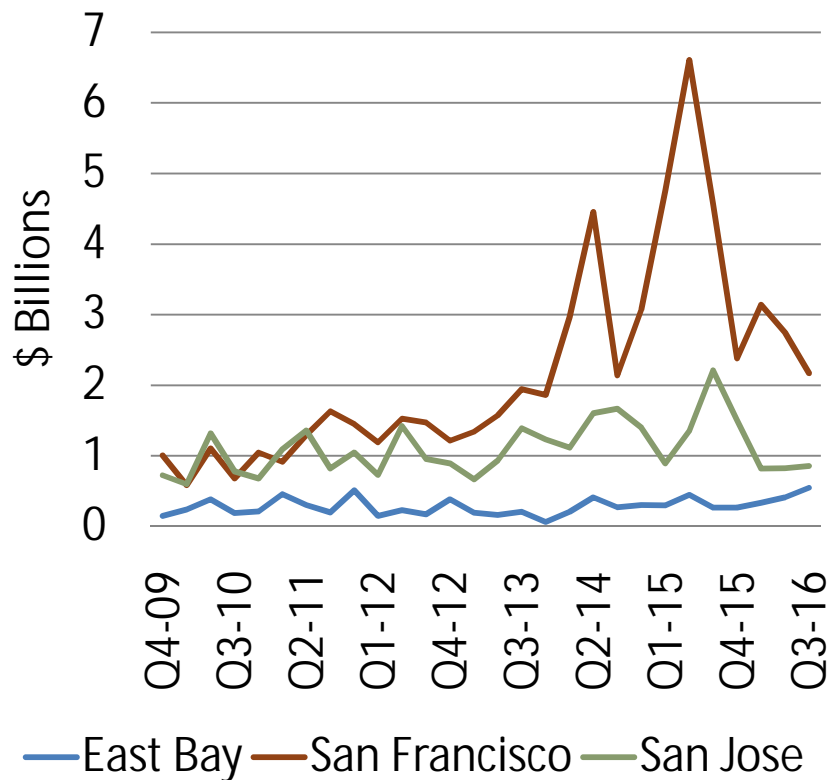
Source: CA Board of Equalization

### East Bay Taxable Receipts, Q2 '16

Category	Q2 '16	1-Yr % Chg.
Autos and Transportation	20,085,216	5.8%
Building and Construction	9,737,149	3.1%
Business and Industry	19,236,935	1.9%
Food and Drugs	6,450,910	4.1%
Fuel and Service Stations	7,656,040	-15.9%
General Consumer Goods	23,694,226	2.4%
Restaurants and Hotels	13,028,135	5.8%
<b>Total</b>	<b>117,012,069</b>	<b>2.6%</b>

Source: HdL Companies

# Bay Area Venture Capital



Venture Capital Investment Since 2010 (\$ millions)

Industry	Bay Area	Contra Costa	Share
Biotechnology	11048.2	36.6	0.3%
Electronics Instr.	1051.2	7.7	0.7%
IT Services	8036.2	5.0	0.1%
Industrial Energy	7241.0	76.4	1.1%
Media and Entertain.	9824.1	3.1	0.0%
Medical D. & E.	5749.0	64.6	1.1%
Semiconductors	3728.9	0.3	0.0%
Software	53336.2	96.2	0.2%

Source: Price Waterhouse Coopers' Moneytree Reports

# East Bay Tech Sector

## Technology Industry Employment and Annual Average Wage, 2015

Industry	Contra Costa	
	Employment	A.A.W. (\$)
Semiconductors and related device mfg	192	89714
Computer and software merchant wholesalers	2159	174583
Other electronic parts merchant wholesalers	222	63642
Software publishers	2974	158584
Data processing, hosting and related services	1313	103931
Internet publishing and web search portals	420	91008
Engineering services	16097	105223
Custom computer programming services	7272	120509
Computer systems design services	9032	121163
Computer facilities management services	14	52398
Other computer related services	1076	92564
Research and development in biotechnology	5360	125884
Other physical and biological research	825	97573

Source: U.S. Bureau of Labor Statistics QCEW Data

## Major Deals in Contra Costa Since 2010

Name	\$ mill	Industry
HealthTell Inc	26.1	Biotechnology
Trov Inc	25.5	Software
Alion Inc.	25.1	Industrial Energy
Breathe Technologies Inc.	23.0	Medical D. & E. *
Five9s Communications Inc	22.0	Software
MBA Polymers Inc.	18.4	Industrial Energy
MBA Polymers Inc.	14.6	Industrial Energy
Steadymed Ltd	12.2	Medical D. & E.
Providence Medical Technology	12.0	Medical D. & E.
Five9 Inc.	12.0	Software
Whamcloud. Inc.	10.0	Software
Mayvonn Inc	10.0	Retail Dist

Source: Price Waterhouse Coopers' Moneytree Reports

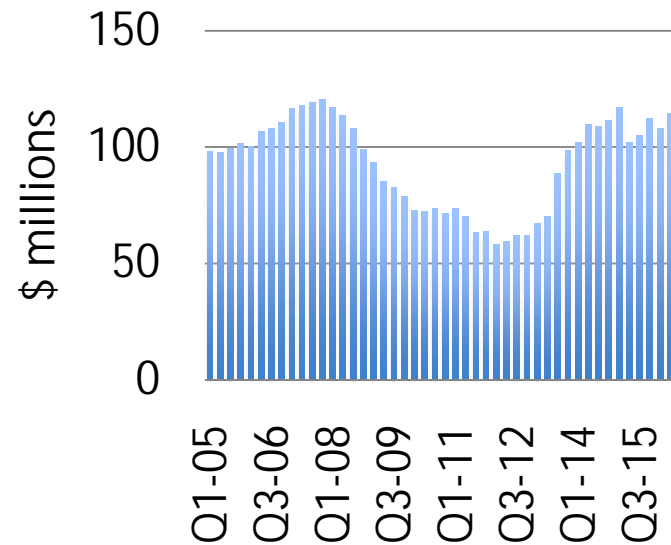
# Commercial Real Estate

## Nonresidential Permitting YTD, Q1 – Q3

Type	2016 (\$ 000s)	YTD Chg. (\$000s)	YTD % Chg.
Total Nonres.	360614.9	36934.0	11%
Nonres. Alts/Add	228011.2	88293.9	63%
Retail	42717.0	6893.9	19%
Hotel	9900.0	9900.0	N/A
Industrial	5541.5	-5176.7	-48%
Office	0.0	-14853.3	-100%

Source: Construction Industry Research Board

## Nonresidential Permit Values



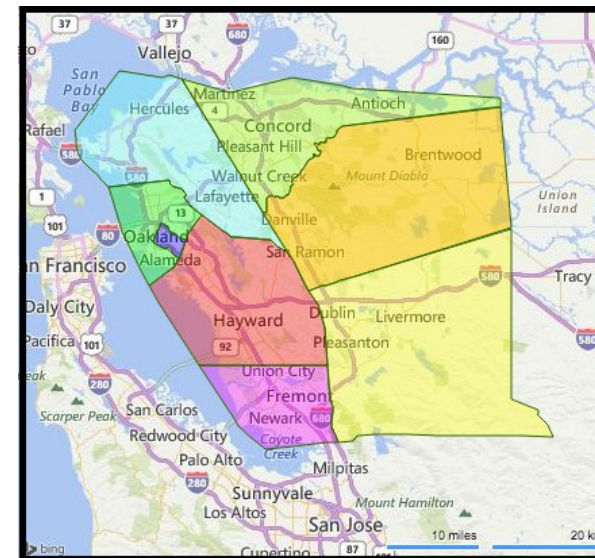


# East Bay Office Market

East Bay Office Market, Q3 '16

Submarket	Costs of Rent (\$/sq.ft.)		Vacancy Rate (%)	
	Q3 '16	1-Yr.% Chg.	Q3 '16	1-Yr.
				Chg.
Airport/San Leandro/Hayward	23.05	4.4%	19.8	-1.4
Central Business District	36.05	12.9%	9.2	-0.9
Fremont/Newark	22.15	1.5%	21.6	-1.5
North Alameda	32.68	10.7%	5.9	-4.1
North Contra Costa	30.44	7.6%	13.3	-3.1
North I-680	28.94	2.3%	8.8	0.5
South I-680	27.42	5.1%	25.5	-1.6
West Contra Costa	25.57	2.8%	14.6	-0.1
Total Metro Area	29.84	7.4%	14.1	-1.6

Source: Reis, Inc.



# East Bay Retail Market

East Bay Retail Rental Market, Q3 '16

Submarket	Cost of Rent (\$/sq.ft.)		Vacancy Rate (%)	
	1-Yr. %		Q3 '16	1- Yr. Chg.
	Q3 '16	Chg.		
Central Contra Costa	32.39	0.9%	5.3	0.8
Central/North Alameda	30.83	1.6%	7.9	2.9
East Alameda	28.39	1.4%	7.5	-0.2
East Contra Costa	24.13	2.1%	9.4	-1.2
South Alameda	25.99	2.8%	6.5	-1.5
West Contra Costa	34.45	2.0%	5.3	0.4
Total Metro Area	29.63	1.6%	6.8	0.4

Source: Reis, Inc.



# Quiz Time

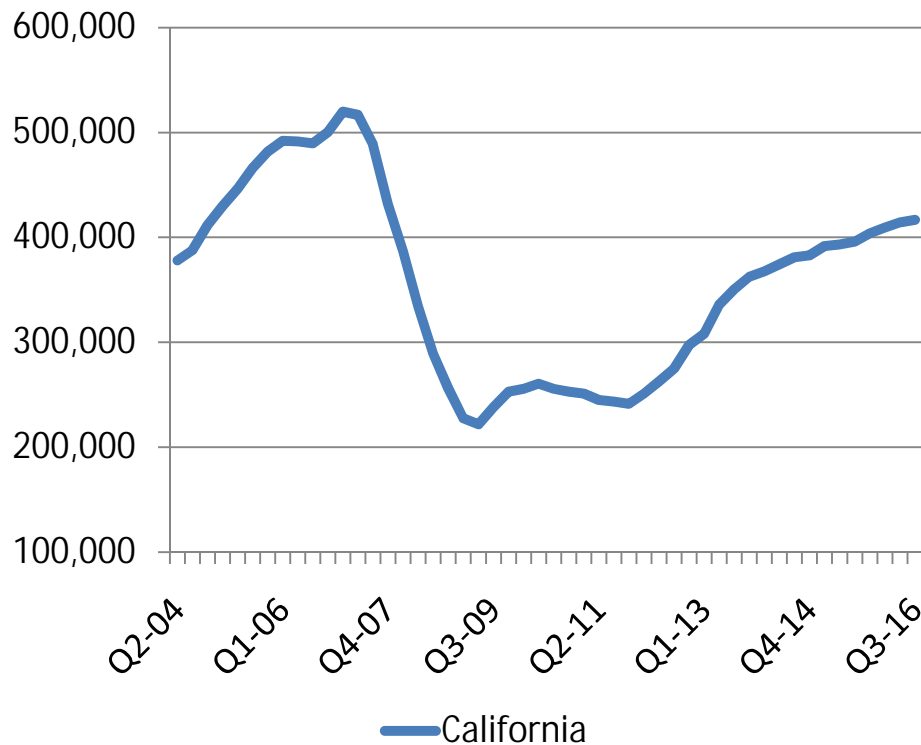
Match the payroll employment growth rate (letters)  
(1995-2015) to the California region (numbers)

A	23.6%
B	25.8%
C	27.0%
D	33.8%
E	39.8%

1	Bay Area
2	Central Coast
3	Greater Los Angeles
4	Greater Sacramento
5	So Central Valley

# Homes

Median Home Prices

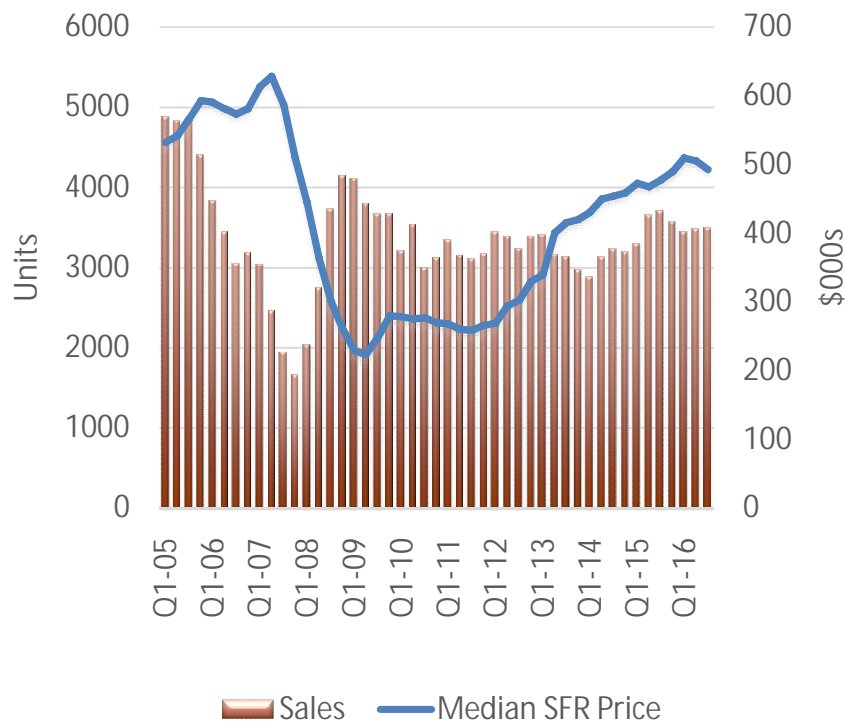


California Home Prices, Q3-16

County	Median Price	YoY Growth (%)
Monterey	517,400	13.7
San Luis Obispo	537,200	8.1
Inland Empire	306,400	8.0
San Diego	536,400	6.0
San Francisco	1,221,500	5.8
Orange County	696,200	3.7
South Bay	919,000	2.3
Santa Barbara	461,600	-4.1
Los Angeles	542,600	6.9

# Single Family Real Estate

## SFR Sales and Median Prices



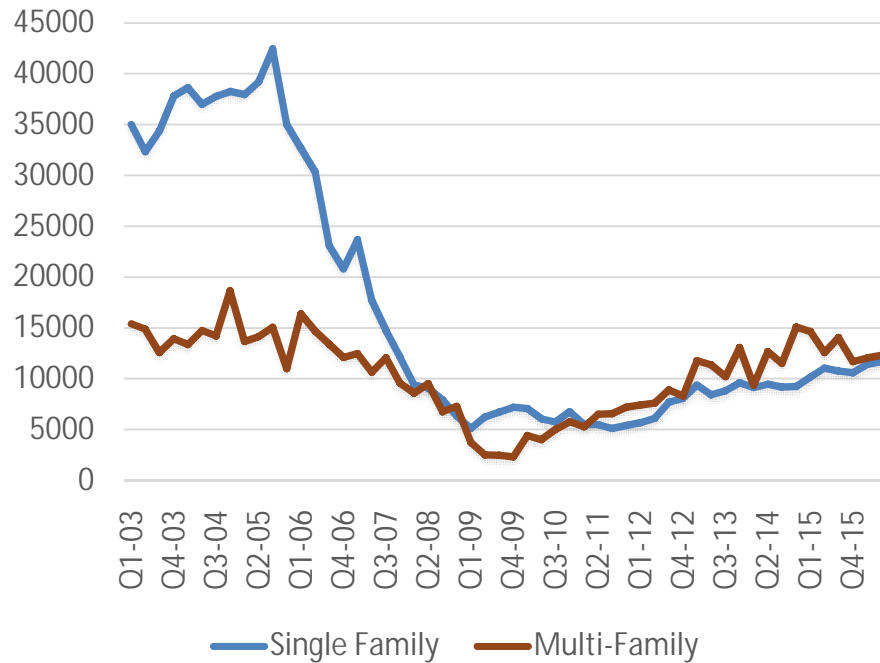
## SFR Sales and Median Prices, Q3 '16

Location	Median Prices		Sales	
	Q3 '16	1-Yr. % Chg.	Q3 '16	1-Yr % Chg.
Antioch	346593	5.0%	452	0.5%
Brentwood	502122	4.6%	280	8.4%
Concord	514994	11.7%	367	-11.1%
Richmond	356606	14.5%	199	-4.5%
<b>Total County</b>	<b>493108</b>	<b>3.2%</b>	<b>3479</b>	<b>-5.8%</b>

Source: Reis, Inc.

# State Housing

## State Residential Permits (Units)



## New Pop / Permits

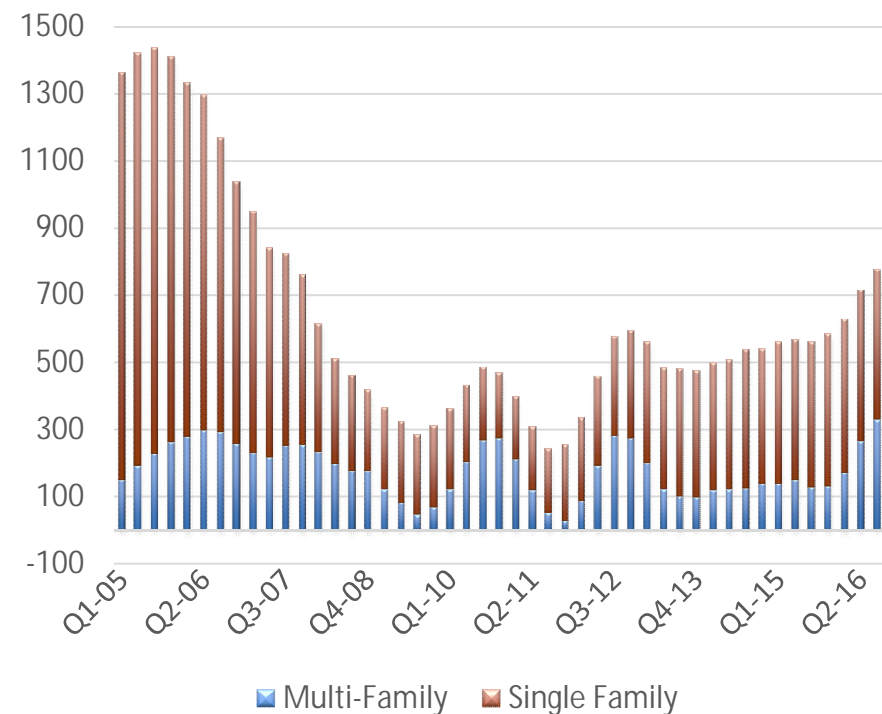
California	4.1	Tulare	4.0
Ventura	6.8	Los Angeles	4.0
Contra Costa	6.6	Fresno	4.0
Sonoma	6.1	San Mateo	3.4
Alameda	5.9	Kern	3.0
Santa Barbara	5.3	Santa Clara	3.0
San Bernardino	5.0	Orange	2.8
Solano	4.6	Placer	2.1
Riverside	4.5	San Francisco	2.1
San Diego	4.2	Sacramento	0.7

# Bay Area Housing Affordability

County	Affordability			Estimated Costs	
	Q3 '16	Q2 '16	Q3 '15	Median Home Price	Monthly Payment
Solano	45	45	45	\$393,000	\$1,910
Contra-Costa	35	32	34	\$601,510	\$2,920
Sonoma	27	26	26	\$580,500	\$2,820
Napa	25	25	23	\$639,000	\$3,110
Alameda	22	20	20	\$795,400	\$3,870
Santa Clara	22	19	19	\$1,000,000	\$4,860
Marin	19	18	19	\$1,185,000	\$5,760
San Mateo	15	14	13	\$1,300,000	\$6,320
San Francisco	14	13	11	\$1,298,000	\$6,310

Source: California Association of Realtors

## CC County Permits

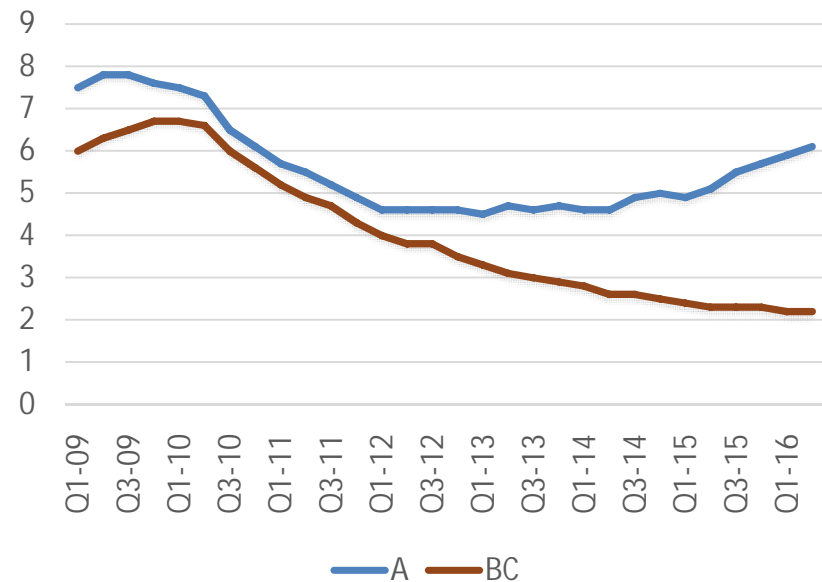


# Apartments

## Share Renters with > 30% of Income on Rent

	2010	2014
Los Angeles	59.2%	60.1%
Riverside	62.7%	59.8%
Santa Barbara	56.7%	58.4%
Fresno	57.0%	58.3%
Orange	58.3%	58.0%
San Diego	58.8%	56.7%
Sacramento	58.7%	54.5%
Alameda	53.7%	51.4%
Santa Clara	47.7%	49.2%
San Francisco	46.2%	42.5%

## California Apartment Vacancies





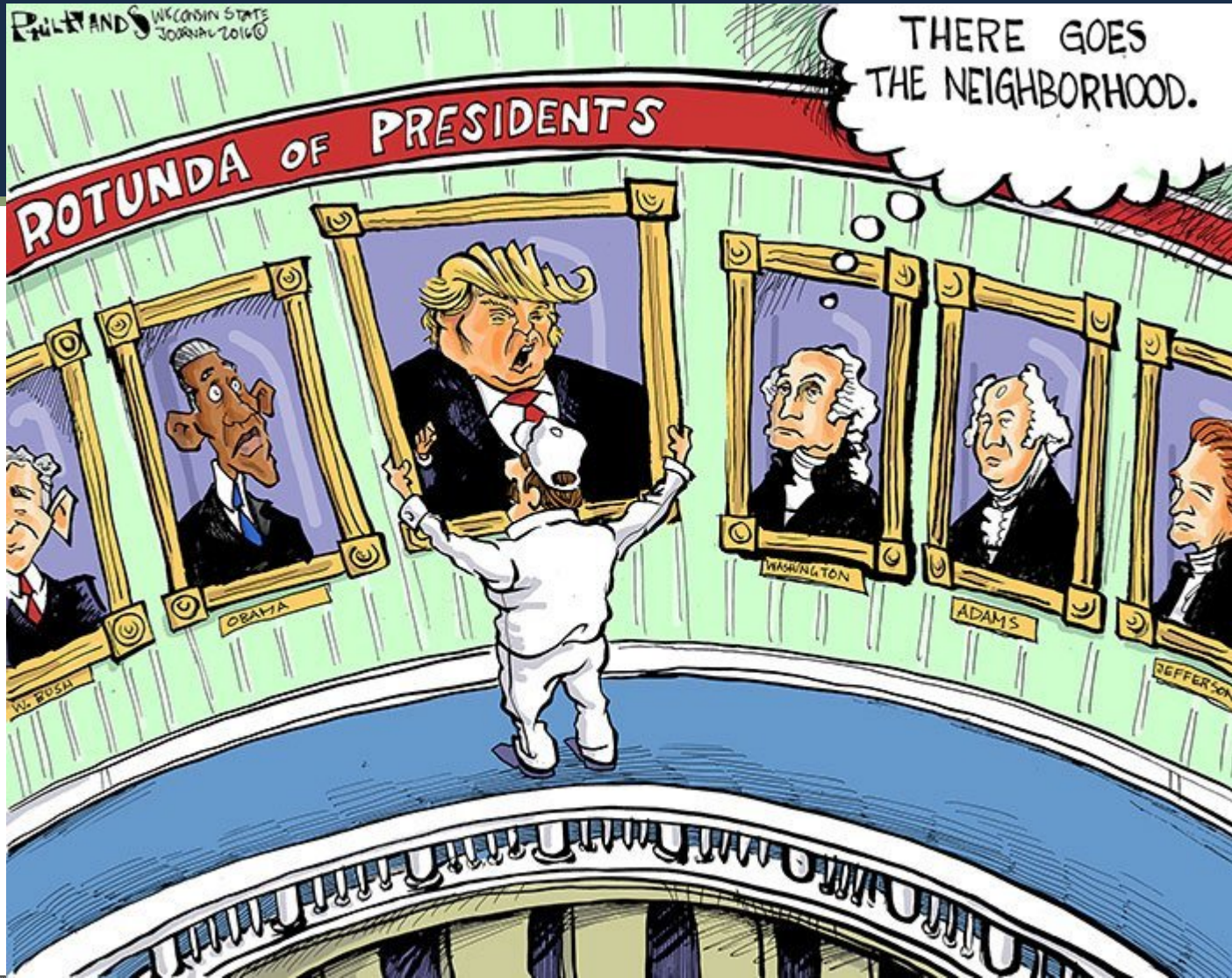
# East Bay Apartment Market



East Bay Apartment Market, Q3 '16

Submarket	Cost of Rent		Vacancy Rates (%)	
	Q3 '16	1-Yr. % Chg.	Q3 '16	1 Yr. Chg.
Concord/Martinez	1530	1.7%	2.1	0.0
East Alameda	1890	1.3%	2.9	0.8
East Contra Costa	1542	1.7%	2	-0.3
Fremont/Newark/Union City	1848	3.4%	2.5	0.2
North Alameda	1947	2.3%	5.7	0.9
San Leandro/Hayward	1661	4.9%	1.5	0.0
San Ramon/Walnut Creek	1785	4.0%	3.3	0.4
West Contra Costa	1938	4.4%	3.4	1.2
Total Metro Area	1789	3.2%	3.1	0.5

Source: Reis, Inc.

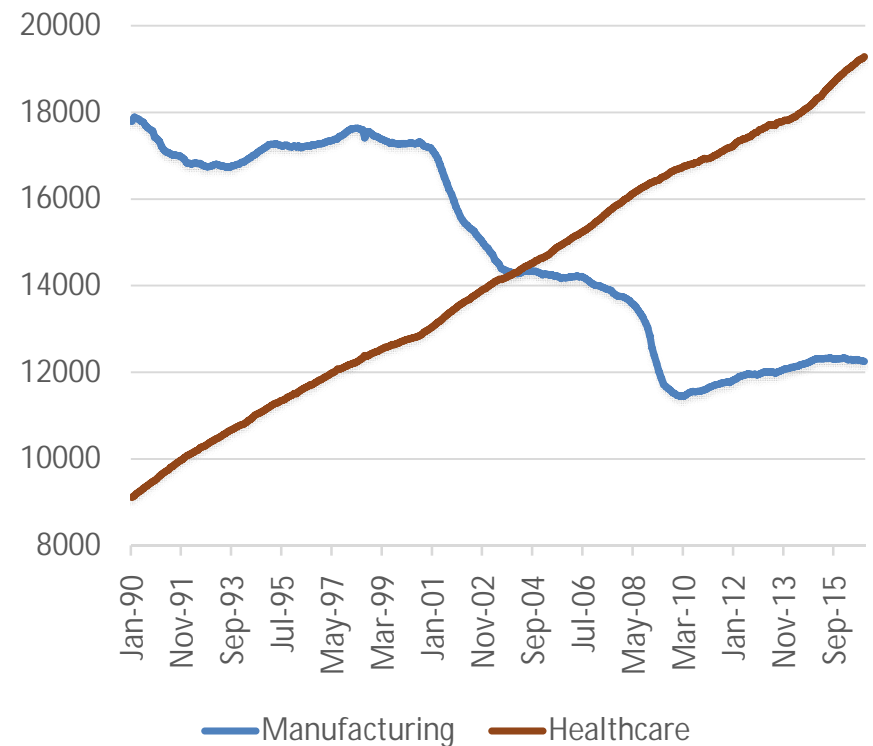


# The Future of Obama-care?

## US Population Insurance Status

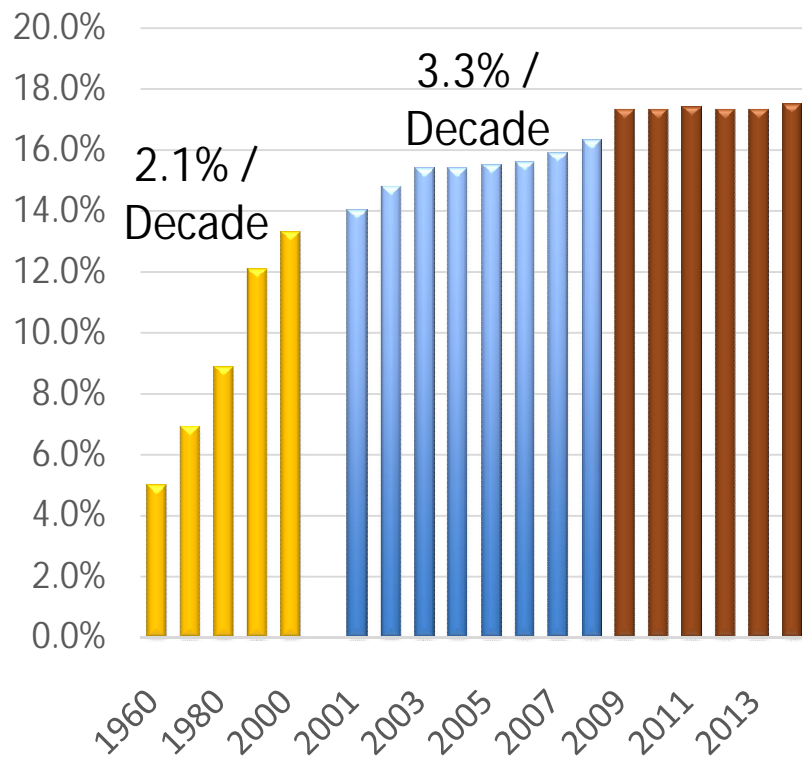
		2015	09-15 Change
65+	Public	44,731	7,913
	Private	1,314	558
	Uninsured	392	34
Total	Public	117,107	21,831
	Private	169,586	9,055
	Uninsured	29,758	-15,907

## Employment by Sector



# The Healthcare Crisis

National Health Spending % GDP

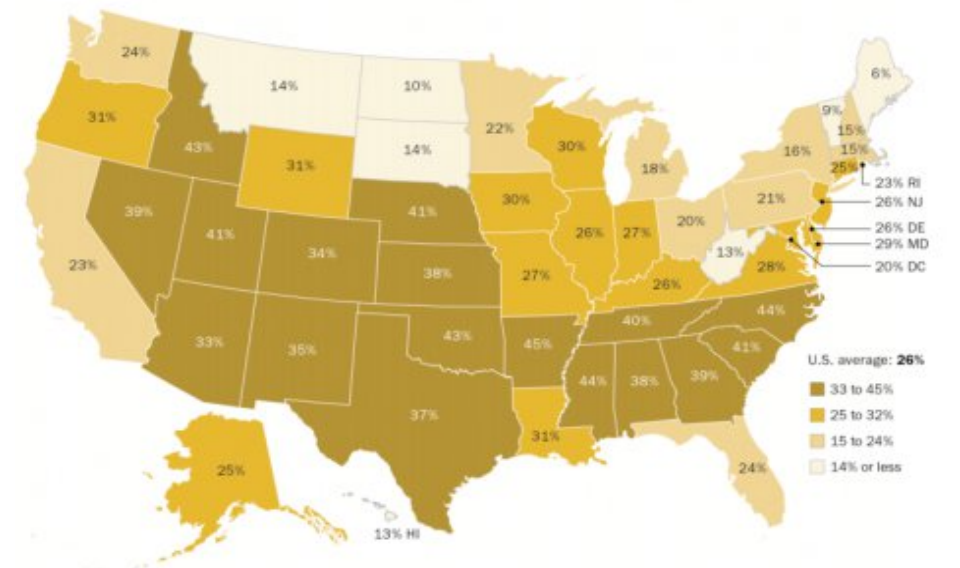
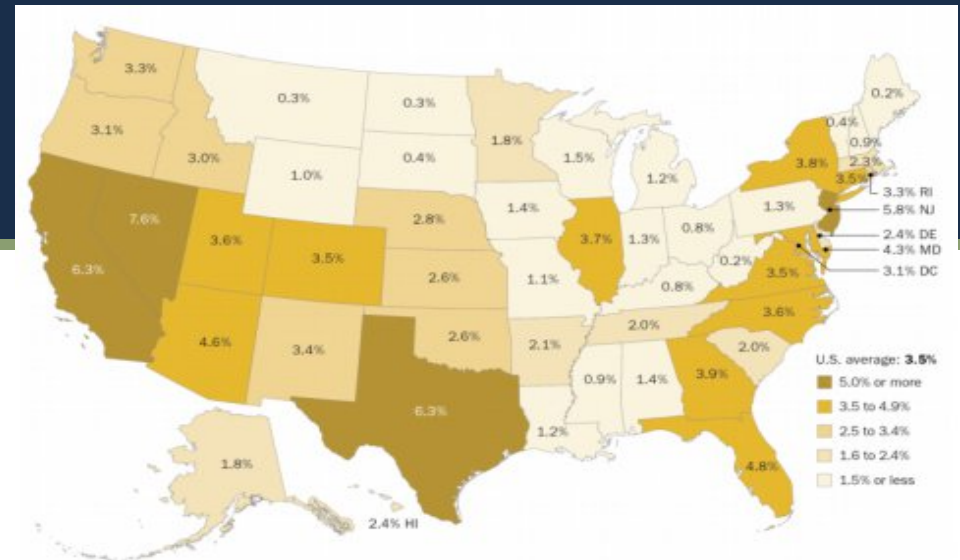
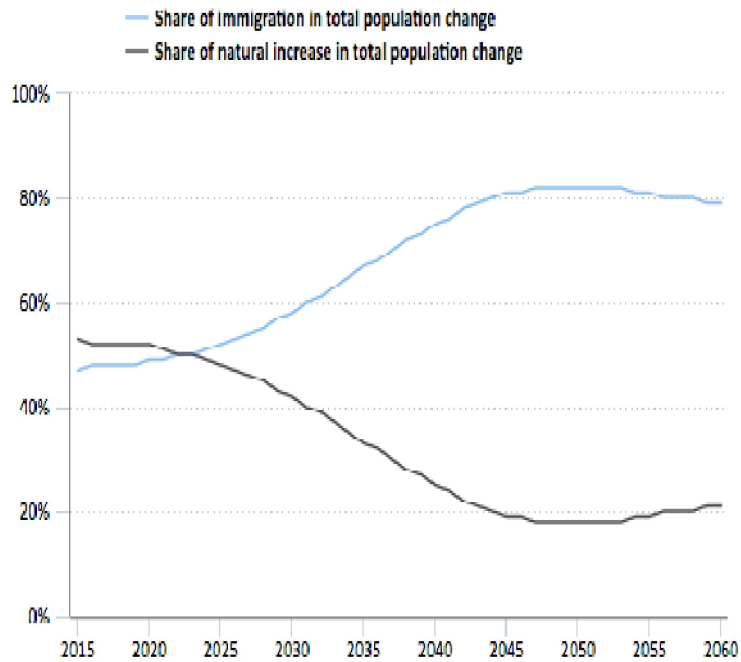


Per Capita Healthcare Spending  
2015, PPP Adjusted

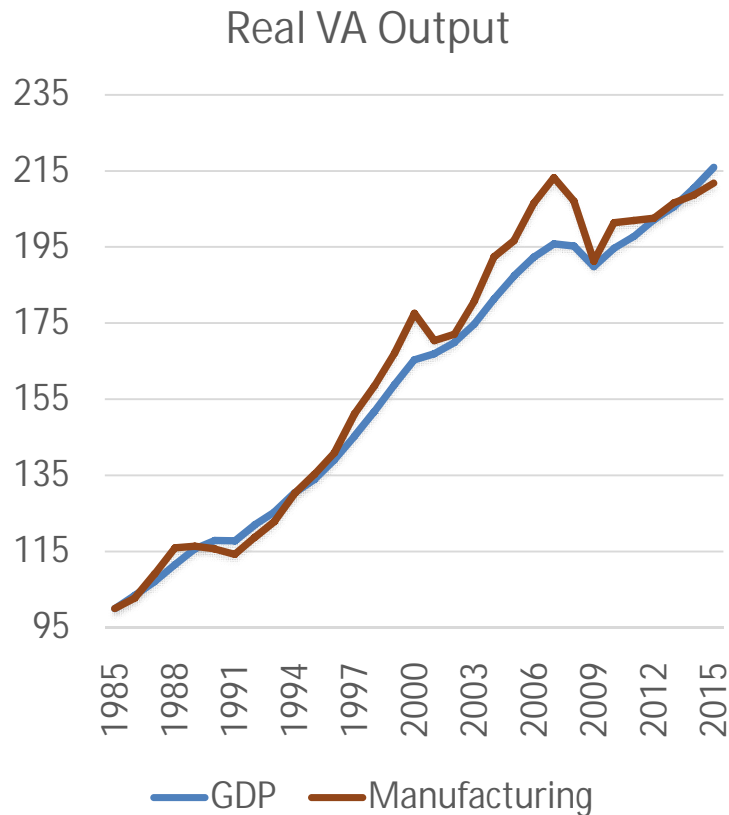
USA	\$9,402	France	\$5,428
Norway	\$7,832	Canada	\$5,421
Switzerland	\$7,300	Belgium	\$5,340
Sweden	\$6,285	Australia	\$4,873
Netherlands	\$6,209	Finland	\$4,467
Germany	\$6,204	Japan	\$4,255
Austria	\$6,143	UK	\$3,717

# Immigration

Projected share of natural increase of population and immigration in total population change



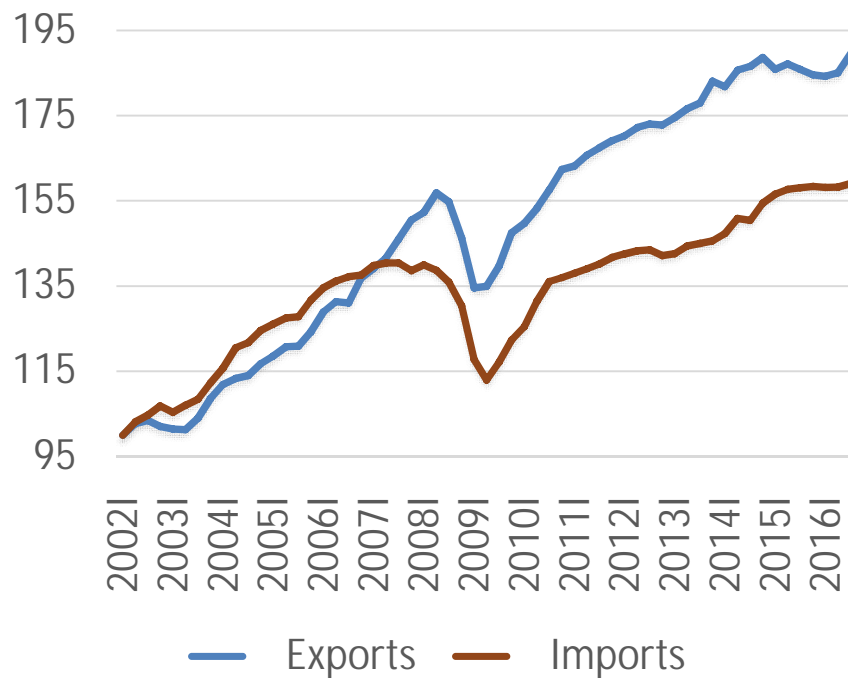
# Manufacturing and Technology



Growth in Real Output	75-95	95-15	Jobs	Prod.
Total	90.8%	56.5%	-5018	61%
Computer	1651.4%	1277.6%	-761	548%
Petroleum Prod	773.6%	126.0%	-9	40%
Motor vehicles	61.2%	78.5%	-353	85%
Primary metals	-34.0%	43.9%	-240	61%
Other transportation	-8.7%	33.6%	-111	33%
Chemical products	84.2%	28.1%	-160	37%
Plastics	133.6%	3.1%	-248	12%
Electrical eq	55.9%	-3.1%	-205	44%
Fabricated metal	54.3%	-3.7%	-287	8%
Printing	73.4%	-5.6%	-372	41%
Nonmetallic mineral	21.5%	-7.4%	-131	7%
Food and beverage	63.7%	-9.3%	40	5%
Wood products	24.1%	-9.8%	-240	30%
Furniture	70.0%	-19.9%	-271	9%
Paper	52.2%	-28.1%	-258	10%
Textile mills	100.0%	-46.4%	-396	14%
Apparel	13.3%	-62.6%	-527	15%

# Trade Indicators

Real Imports and Exports (Index  
2002=100)

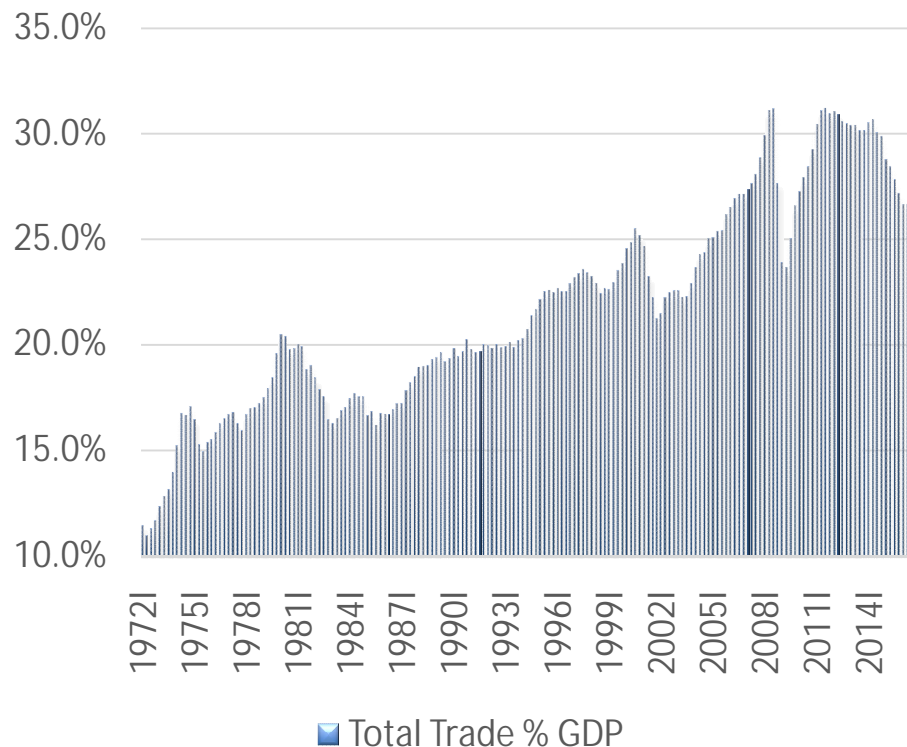


Nominal Trade Flows as % GDP



# Foreign Trade

Nominal Trade Flows as % GDP



BEACONECONOMICS Analysis. Answers.

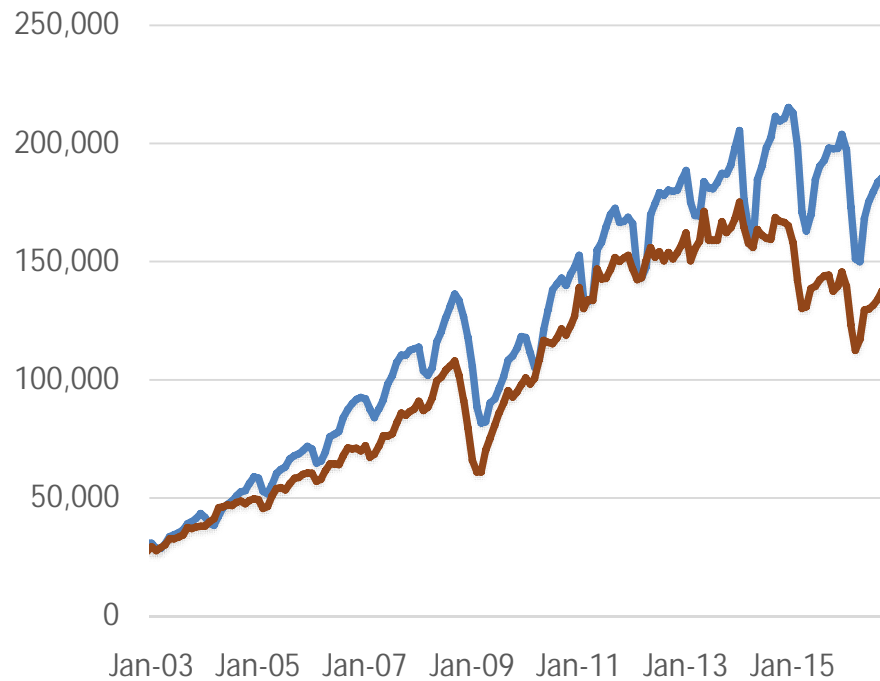
Goods Trade 2016 YTD

	Balance	Total Trade	Share
Total, All	-\$546	\$2,697	100.0%
China	-\$258	\$416	15.4%
Canada	-\$6	\$407	15.1%
Mexico	-\$47	\$391	14.5%
Japan	-\$51	\$143	5.3%
Germany	-\$49	\$123	4.5%
Korea, South	-\$23	\$84	3.1%
United Kingdom	\$2	\$82	3.0%
France	-\$12	\$58	2.2%
India	-\$19	\$50	1.8%
Taiwan	-\$10	\$48	1.8%
Italy	-\$21	\$46	1.7%
Switzerland	-\$11	\$44	1.6%
Netherlands	\$19	\$42	1.6%
Brazil	\$3	\$41	1.5%
Ireland	-\$26	\$40	1.5%

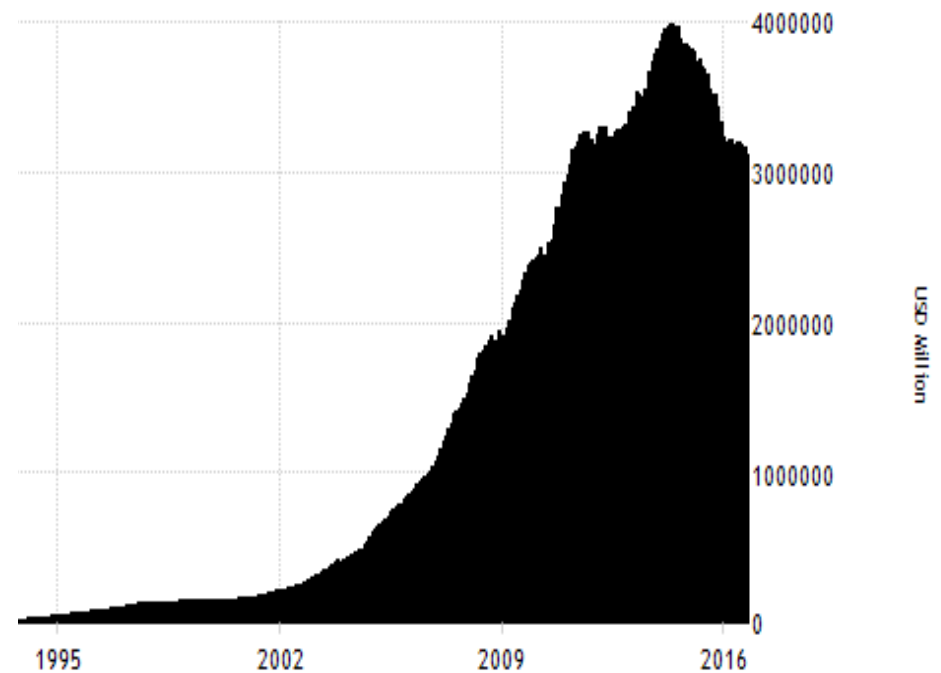


# Chinese Output

## China Imports and Exports (Nominal, \$US)



## Chinese Foreign Reserves

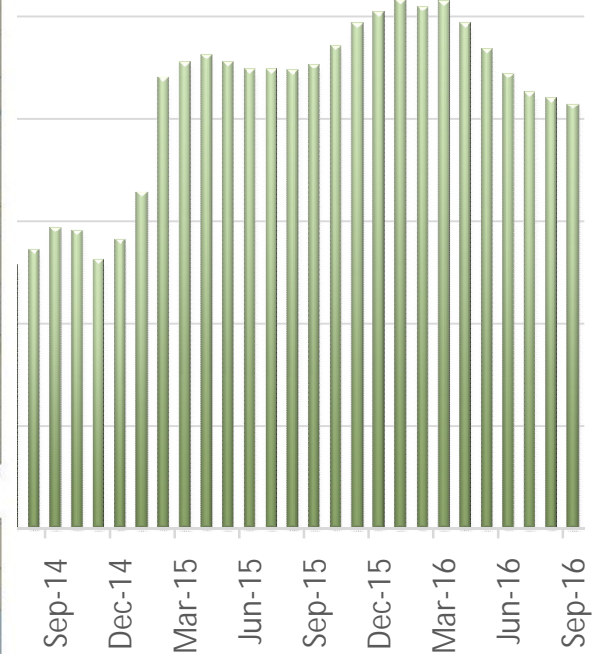
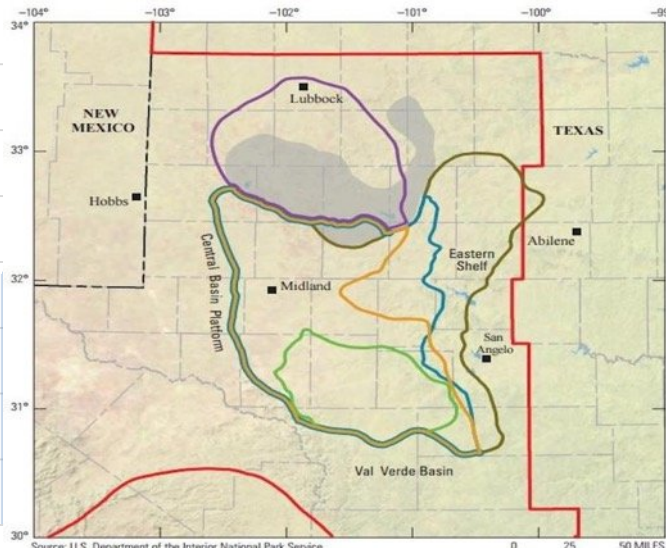
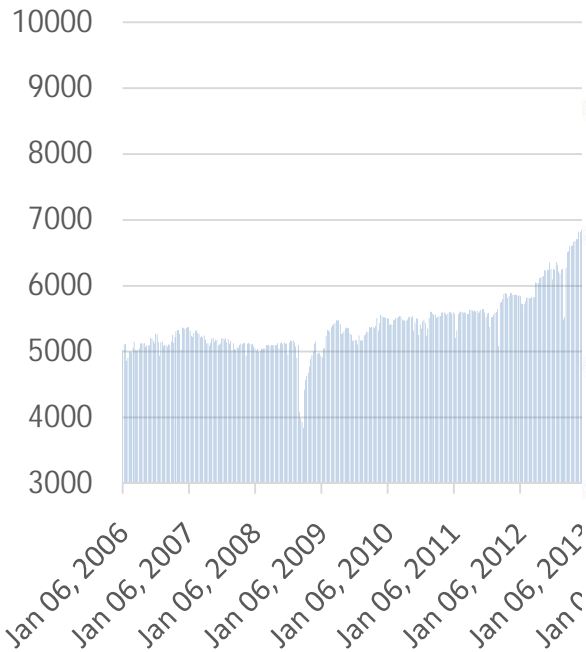


# The largest oil deposit ever found in America was just discovered in Texas

An estimated average of 20 billion barrels of oil and 1.6 billion barrels of natural gas liquids are available for the taking in the Wolfcamp shale, which is in the Midland Basin portion of Texas' Permian Basin.

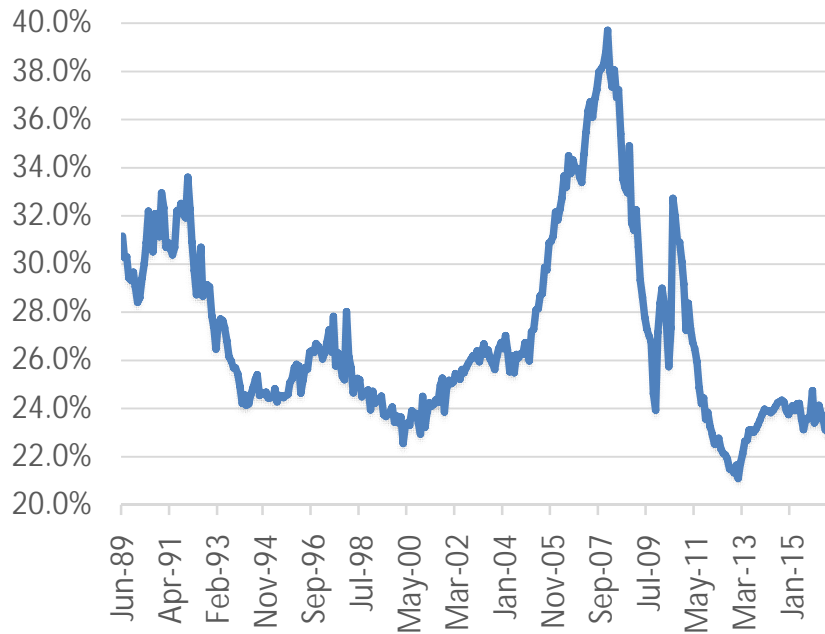
ted Wells

Daily Oil Production  
September

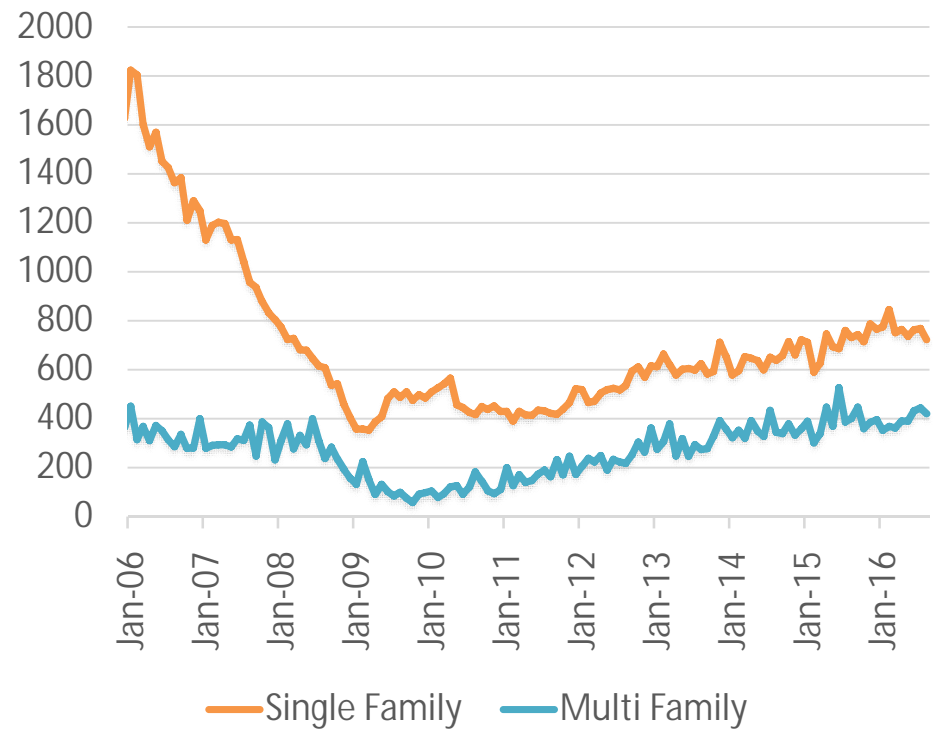


# Housing Markets

Affordability: Median Price for Median HH, Tax Adjustment, DPI

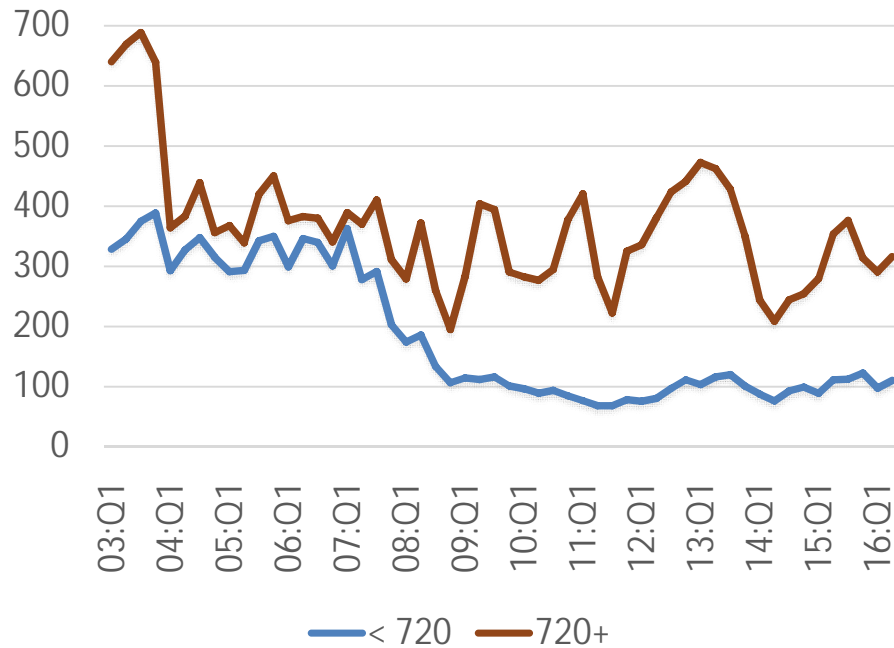


Housing Starts (SAAR)

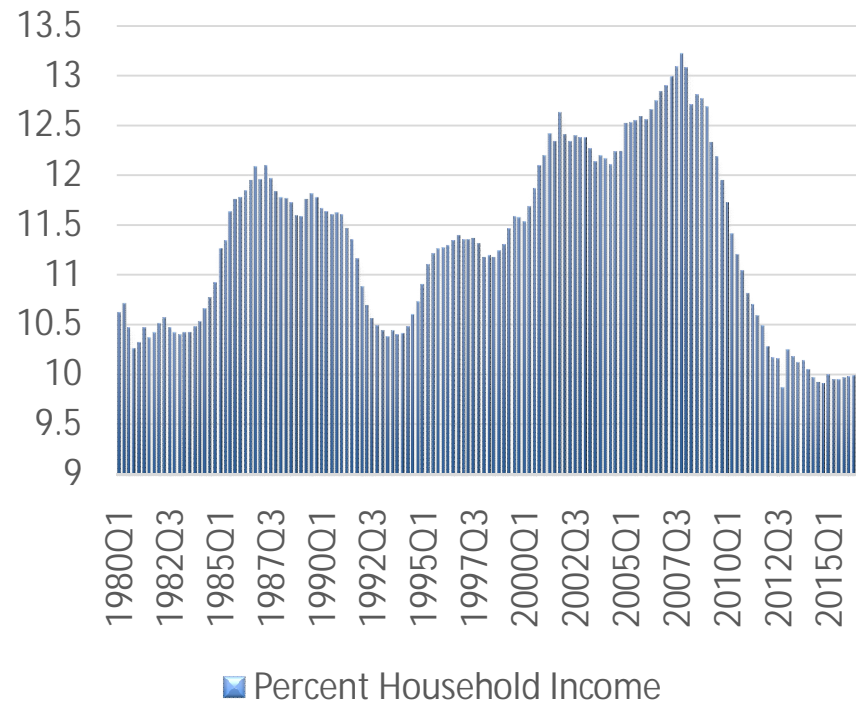


# Mortgage Impediments

Mortgage Credit Origination by Credit Score



US Debt Service Ratio

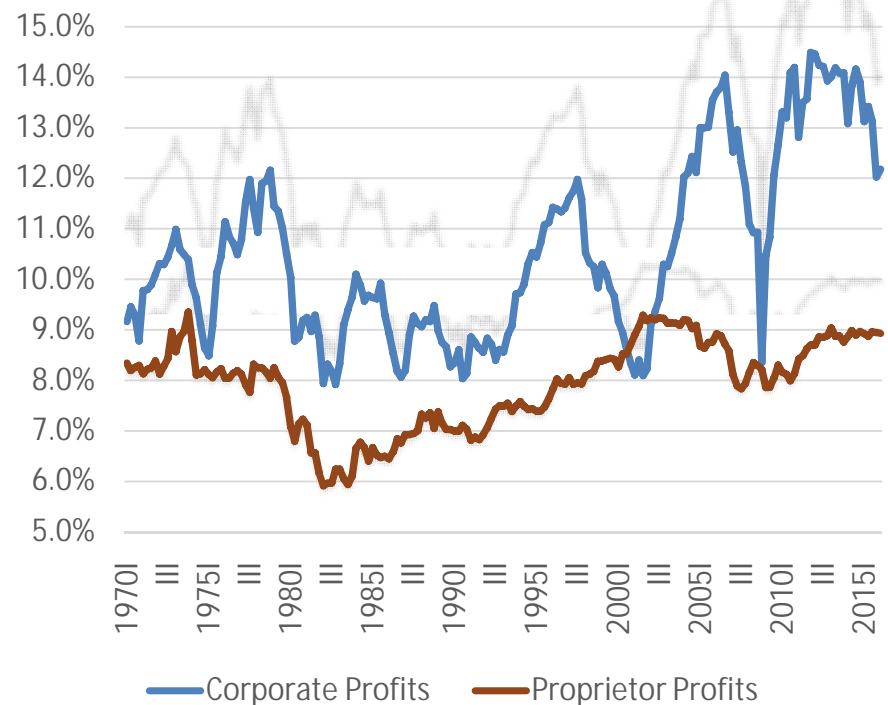


# US Taxes / Investment

Corporate Effective Tax Rate  
State and Federal

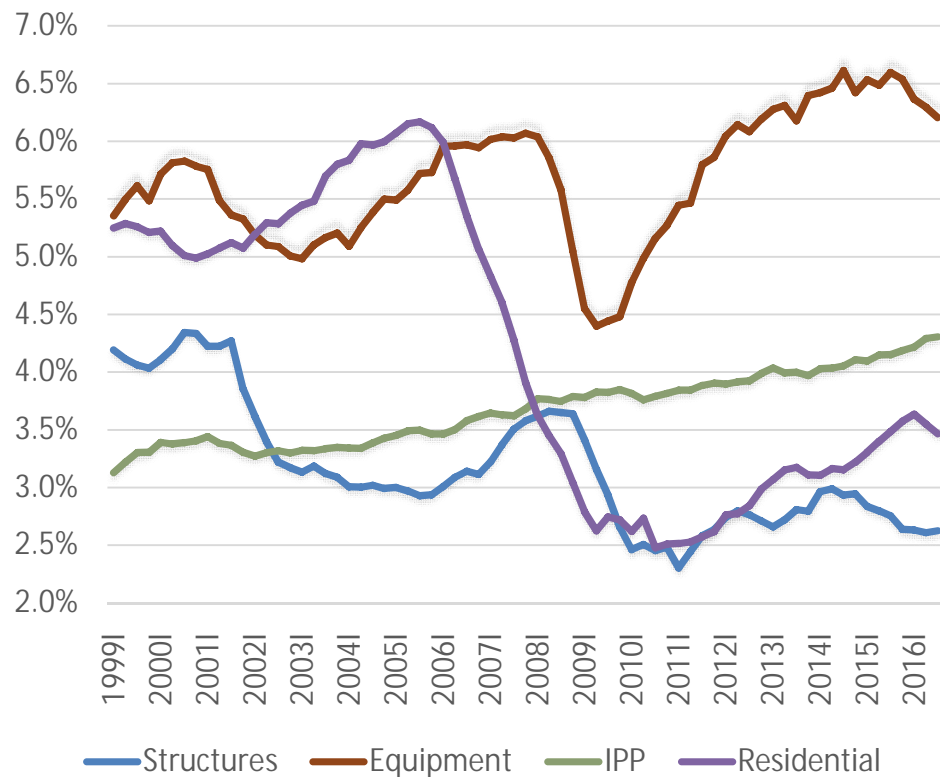


Share of National Income



# US Investment

Investment (Real) Share of GDP

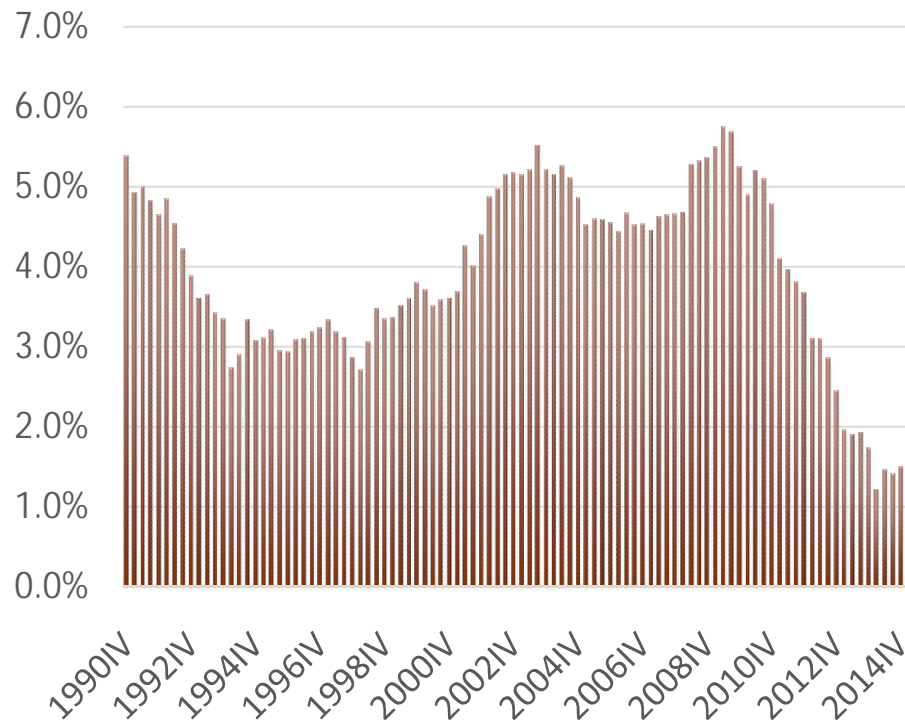


BEACONECONOMICS Analysis. Answers.

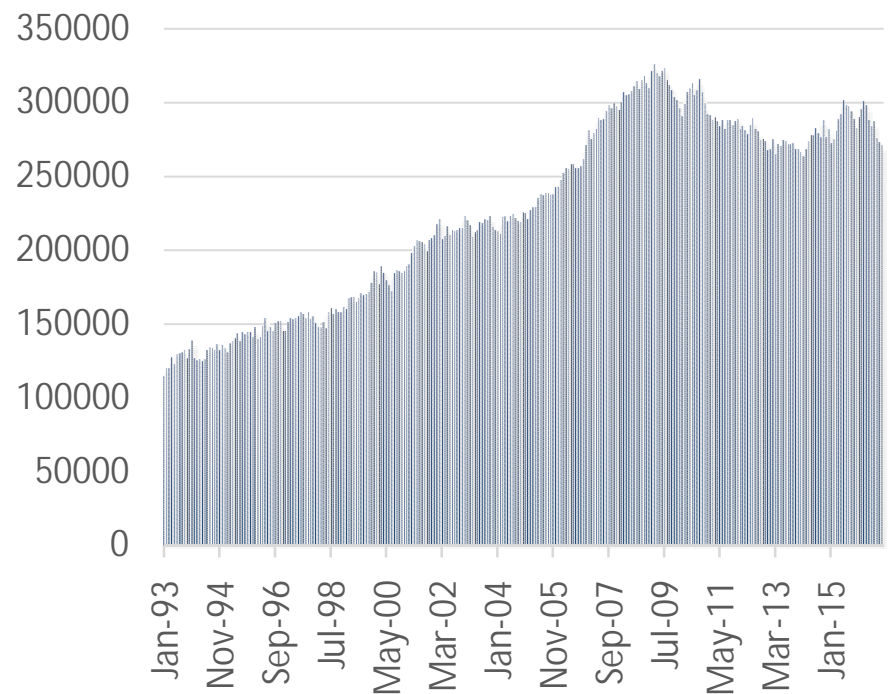
Real Investment	2015	2000-2015
Structures	452.1	-81.4
Commercial and health care	132.3	-80.0
Manufacturing	69.1	13.5
Power and communication	86.2	13.7
Mining exploration, shafts	91.4	10.9
Equipment	1072.5	345.6
Information equipment	338.7	158.3
Industrial equipment	207.3	8.8
Transportation equipment	302.2	98.1
Intellectual property products	680	253.9
Software	333.1	157.2
Research and development	270.2	77.2
Entertainment, literary	77.8	18.5
Residential	564.5	-73.4

# Public Construction

Public Net Investment as % of Revenues



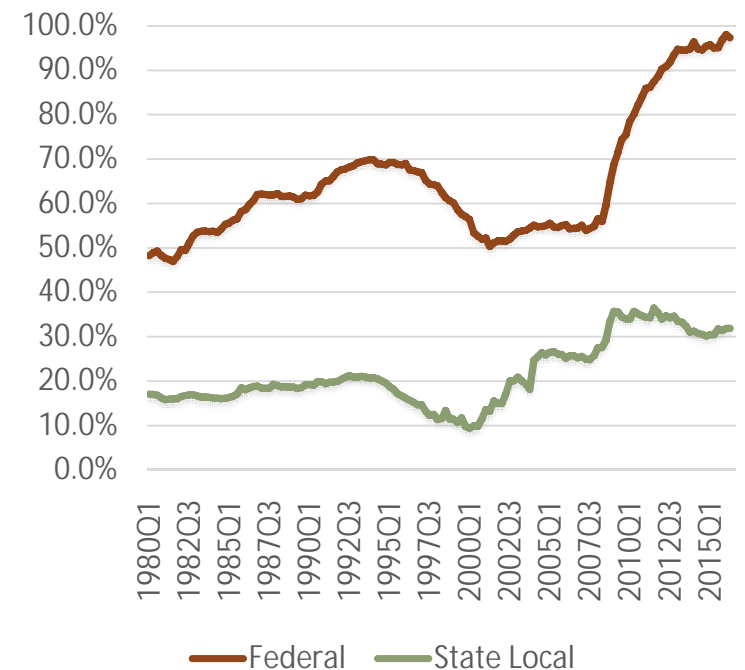
Spending on Current Infrastructure



# Federal Budget

	2016		
	I	II	
Current receipts	3,443	3,473	
Current tax receipts	2,107	2,141	61.4%
Personal current taxes	1,521	1,537	43.9%
Taxes on production and imports	138	137	4.0%
Taxes on corporate income	425	445	12.9%
Contributions for social insurance	1,215	1,226	34.9%
Current expenditures	4,111	4,137	
Consumption expenditures	969	975	23.9%
Defense	586	591	14.6%
Current transfer payments	2,630	2,632	63.5%
Government social benefits	2,029	2,045	49.2%
Other current transfer payments	601	587	14.3%
Interest payments	454	472	11.2%
Subsidies	58	59	1.4%

Government Gross Debt  
as % of GDP





# The Trump Factor

## Positives

- Something will get done in Washington DC
- Institutions should be able to control worst impulses
- Infrastructure investment: stimulative if done right
- Tax cuts: stimulative if done right
- Financial deregulation good for housing, banks
- Americans hate Obamacare, but they tend to like the Affordable Care Act

## Negatives

- Federal deficit likely to explode
- Potential for major trade war / strain on global relations
- Increase in wealth inequality
- Federal Reserve to cede control to Congress
- Corruption factor, personal baggage
- Backwards steps in immigration policies / skilled labor issues
- Backwards steps in environmental policies
- Revenge of the Left



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