



Navigating the Stimulus Hangover

Focus on the Contra Costa County

January 2023

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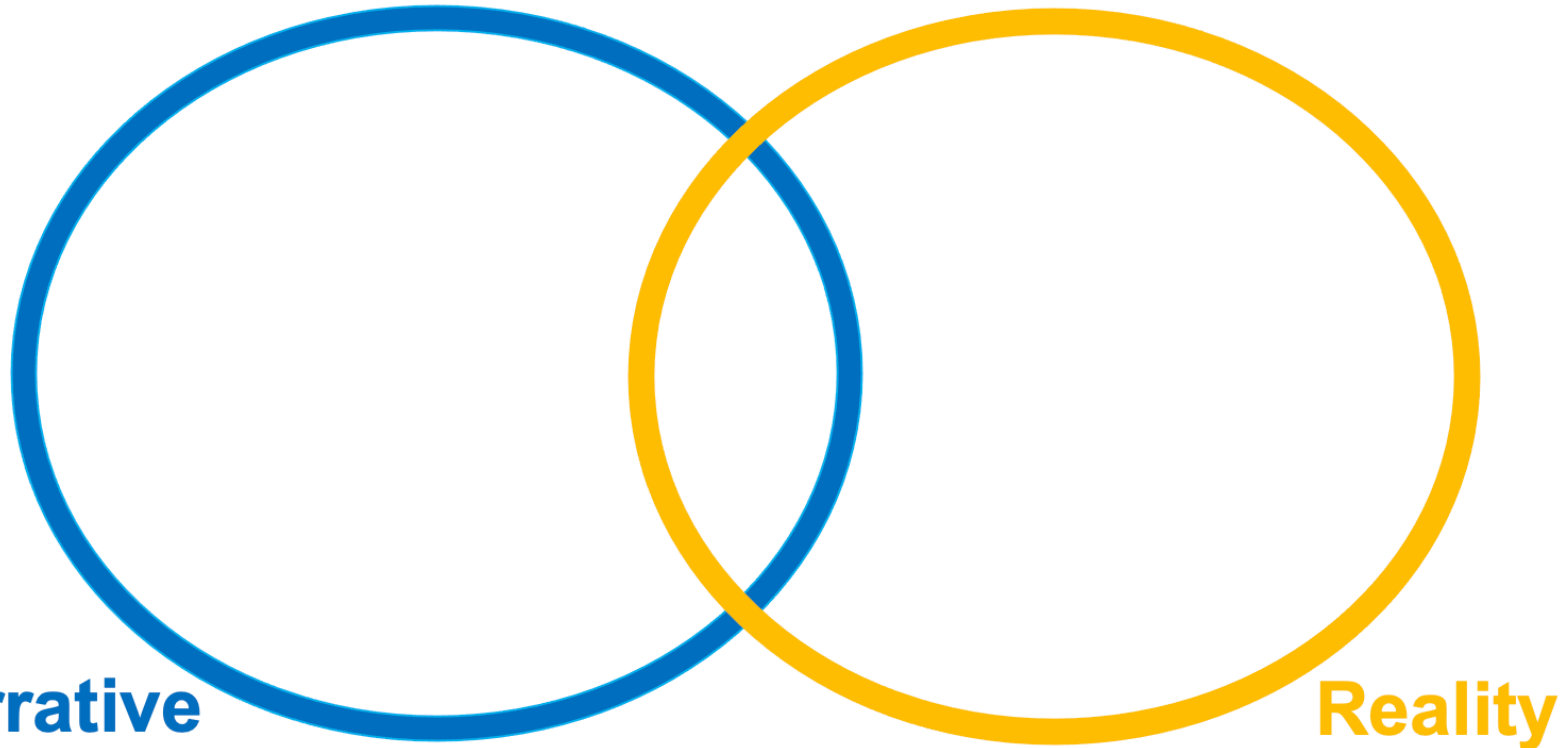
Founding Partner, Beacon Economics

Director, UCR SoBA Center for Economic Forecasting and Development

REFLECTION



Beware the Narrative!



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Note: Gaps indicate question not asked or data unavailable.
Source: Wall Street Journal surveys of economists

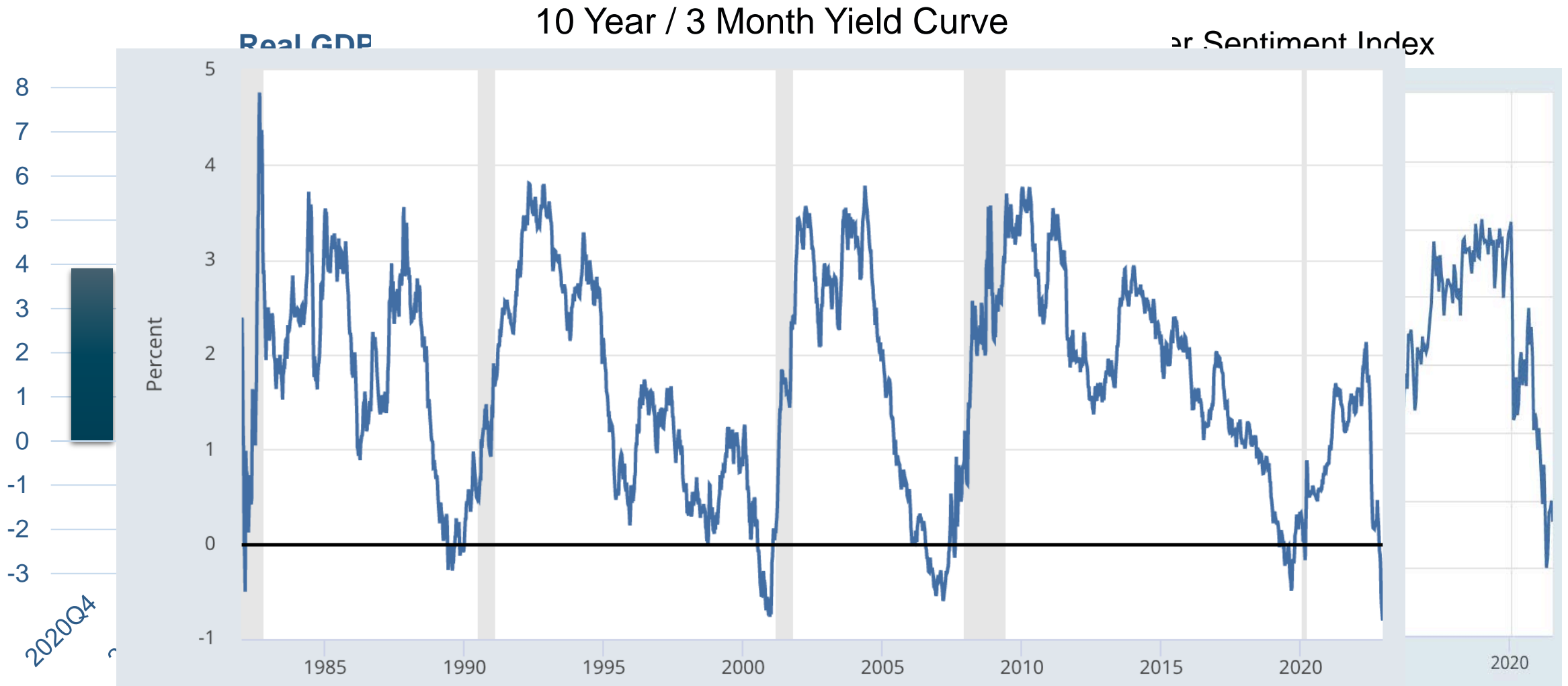
May 20, 2022 · 3:40 PM ET

and people are leaving the field.”

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Mixed Economic Signals in '22

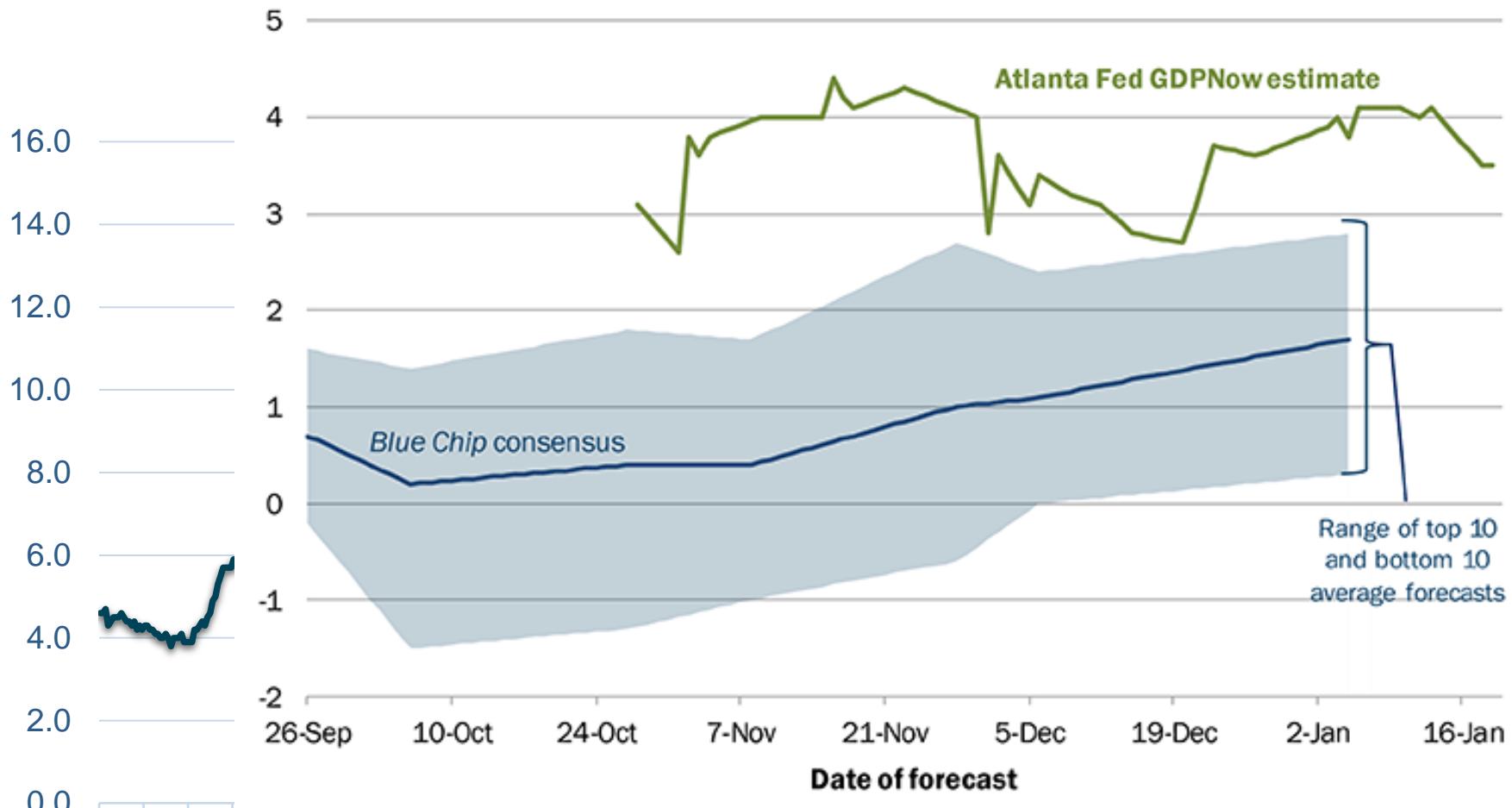


The L



Evolution of Atlanta Fed GDPNow real GDP estimate for 2022: Q4

Quarterly percent change (SAAR)



Sources: Blue Chip Economic Indicators and Blue Chip Financial Forecasts
 Note: The top (bottom) 10 average forecast is an average of the highest (lowest) 10 forecasts in the Blue Chip survey.

uction



So where are we heading?



- The Narrative: A recession is nigh!
 - Economy already in crisis due to inequality, tax rates, regulations, global warming, (pick your fav boogie man)
 - Inflation is crushing consumers
 - Rates are crushing real estate
- The Reality: Highly unlikely we will see a recession in the next 2 years
 - No major imbalances in the real economy
 - Inflation and rising rates have never caused a recession
 - They are the consequences of the excessive use of pandemic stimulus
- What to expect in '23
 - Consumers / biz investment will offset weakness in real estate
 - Asset prices will continue to slowly deflate
 - Rates will likely stabilize as long as the Fed sits on its hands
- The real worries
 - Collapse in filtering will intensify housing shortages
 - Labor shortages are a real problem
 - Public deficit challenges
 - The ongoing gap between the narrative and the reality

How did we get here? The U or V debate...



Coronavirus to cause worst economic downturn since Great Depression, IMF forecasts

CBO: Coronavirus pandemic will scar U.S. labor market for the next decade

30-40 Million People in America Could Be Evicted from Their Homes by the End of 2020

JPMorgan now sees economy contracting by 40% in second quarter, and unemployment reaching 20%

Home prices rose in June, but they'll likely fall in 2021: CoreLogic

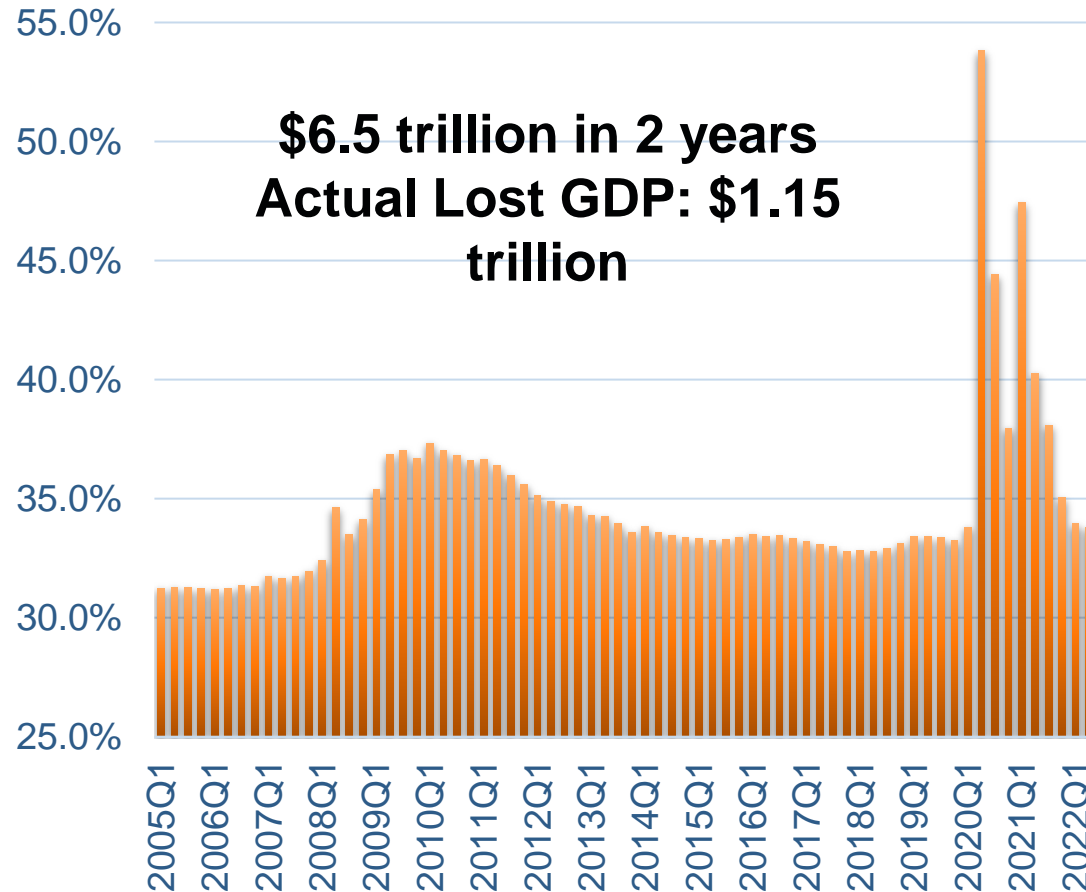
As many as 30% of Americans with home loans — about **15 million** households — could stop paying if the U.S. economy remains closed through the summer or beyond, according to an estimate by Mark **Zandi**, chief economist for Moody's Analytics.

'Make no mistake...the pandemic morphed into a Depression-like crisis,' says UCLA economist, who predicts U.S. economy won't recover from coronavirus until 2023

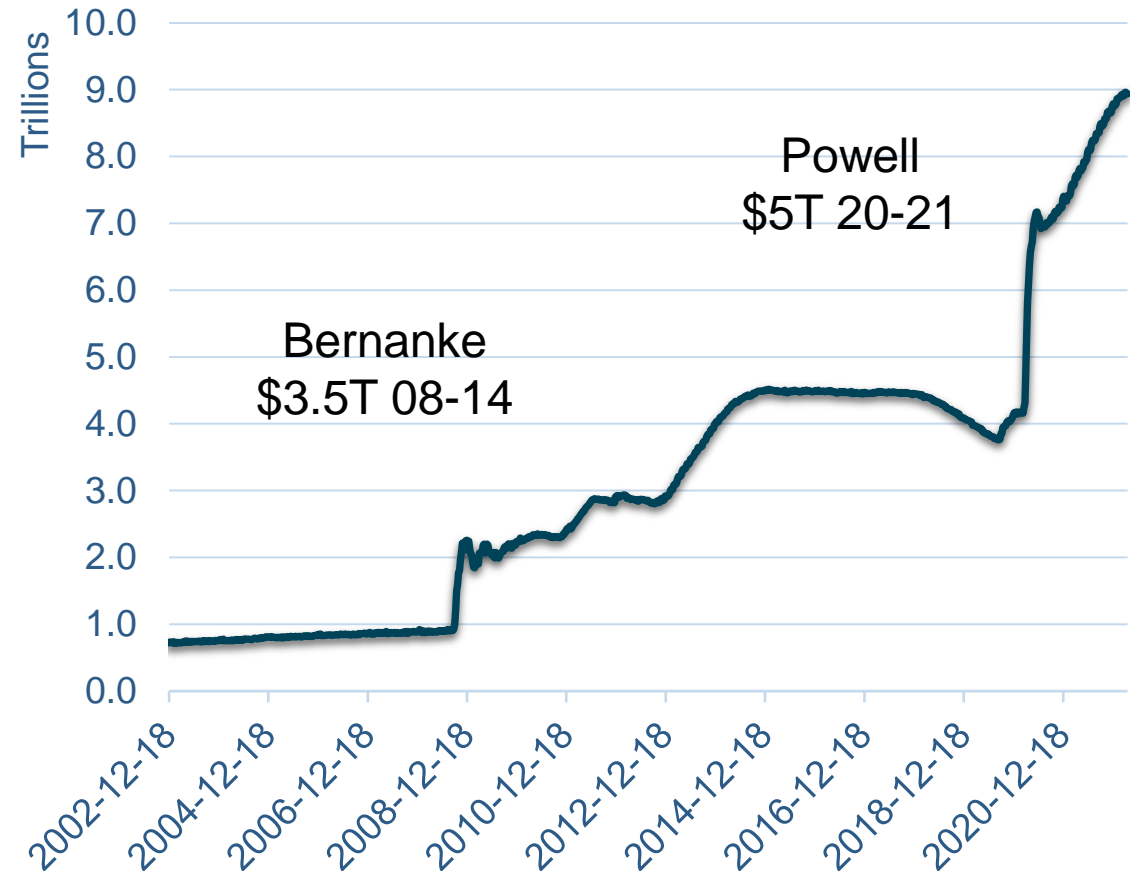
Federal Fiscal (Over)reaction



Federal Expenditures as a Share of GDP



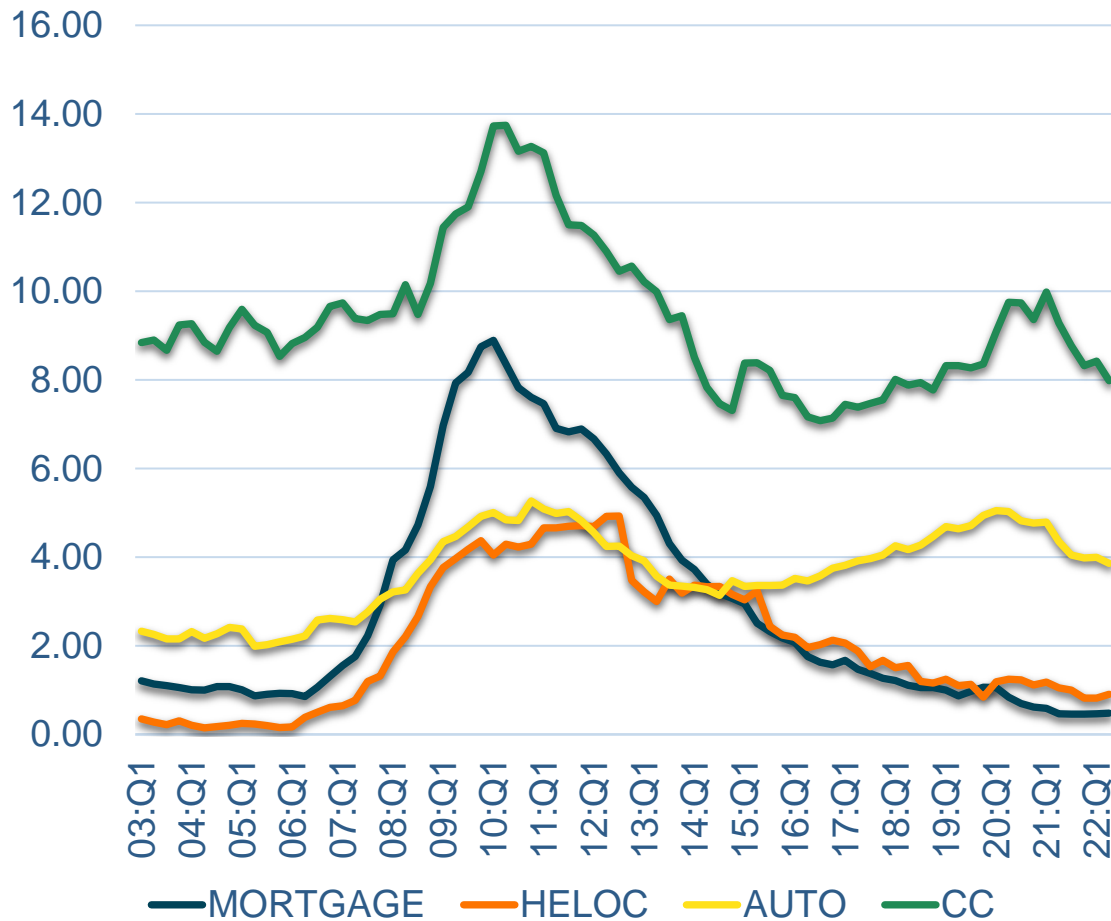
Federal Reserve Balance Sheet Holdings of Government Debt



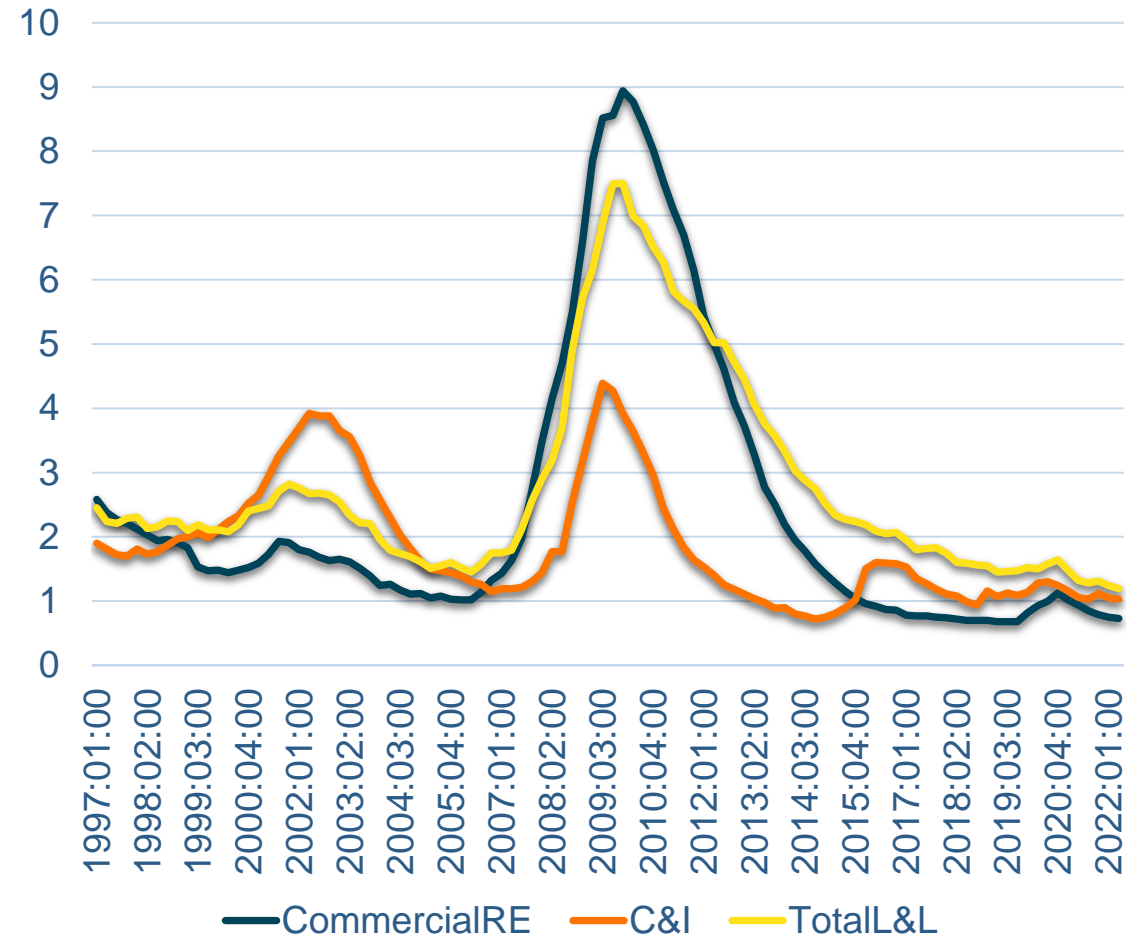
What war was Jerome fighting?



Share Consumer Debt 90+ Days Delinquent



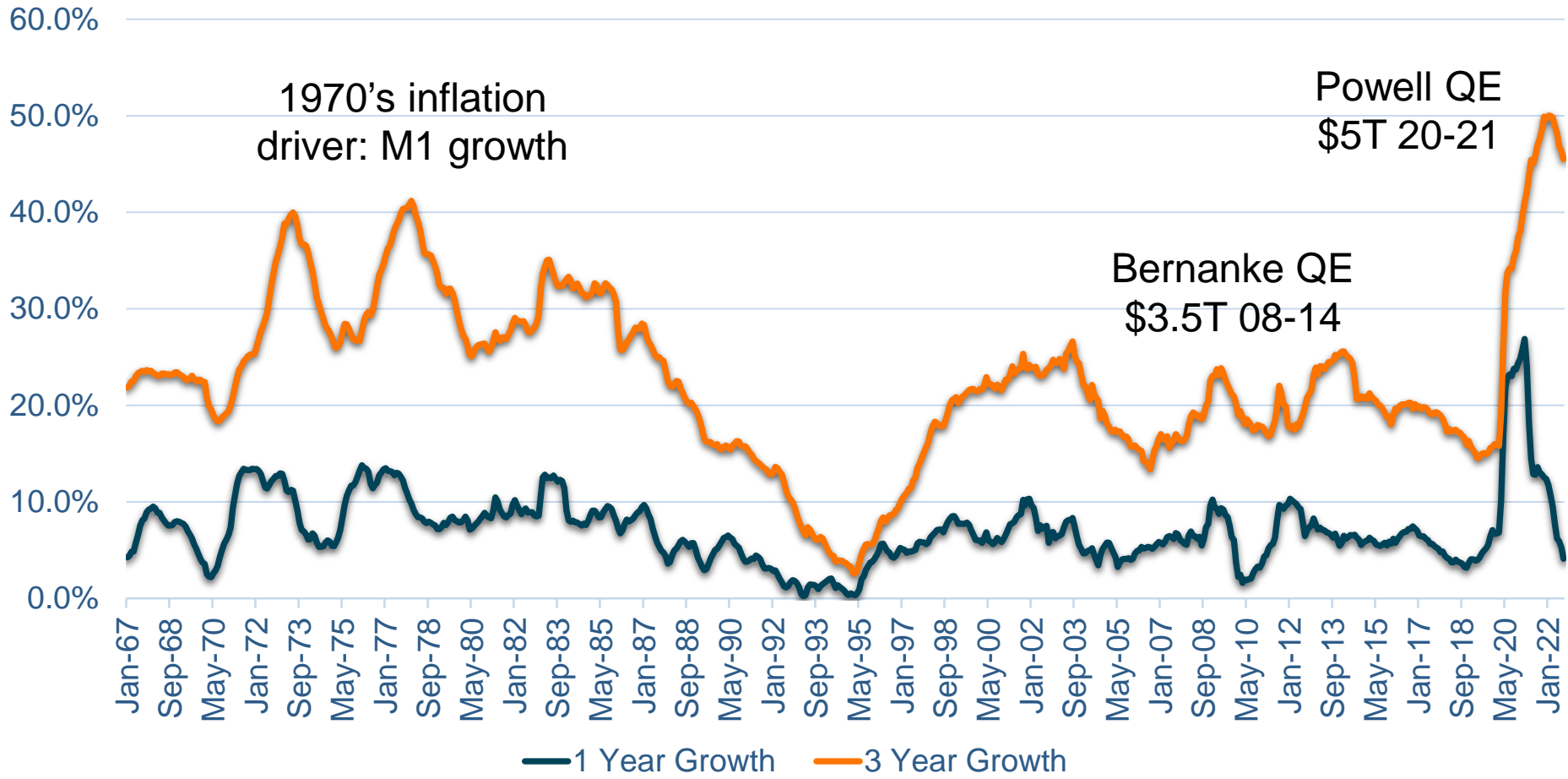
Bank Delinquencies



QE and Money: Then vs Now



Money Supply (M2) 3 Year Growth Rates



QE and Money: Then vs Now



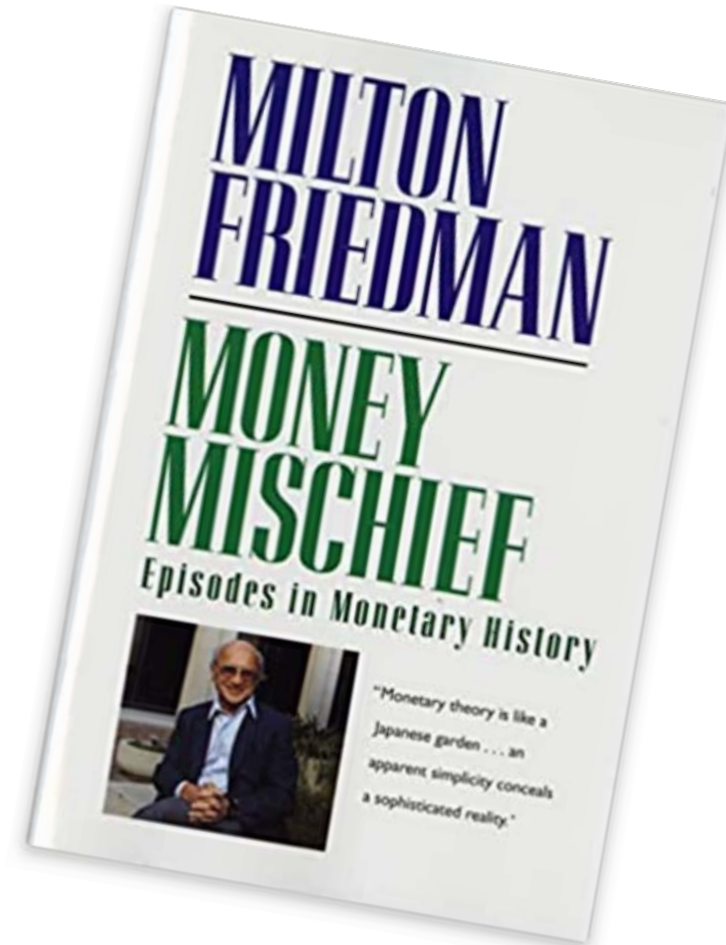
The Problem of Excess Money

Short run: Money illusion

- Falling interest rates
- Asset price bubbles form
- Spending and investment binge ensues

Long run: The Hangover

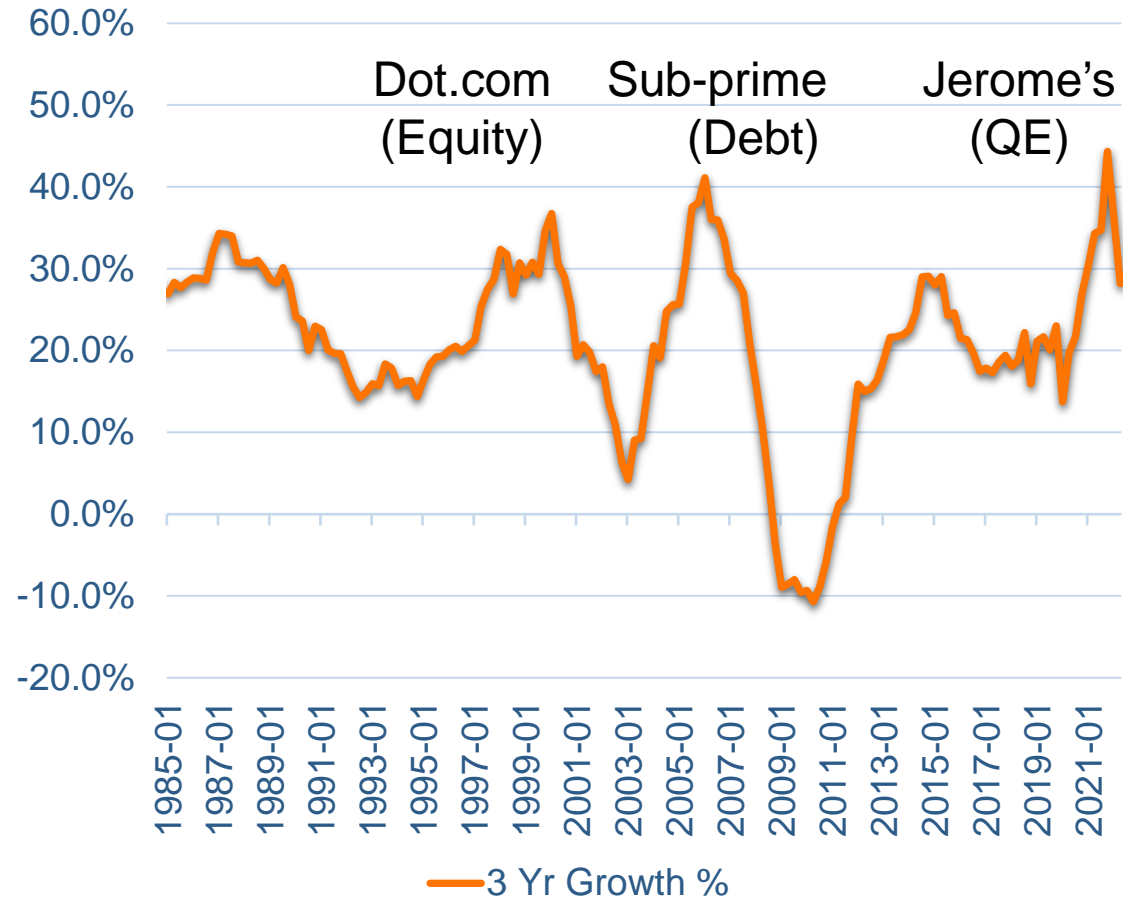
- SR: Inflation and rates rise
- SR: Asset markets sag
- LR: Sharp transfers of real wealth
- LR: Investments risk rises



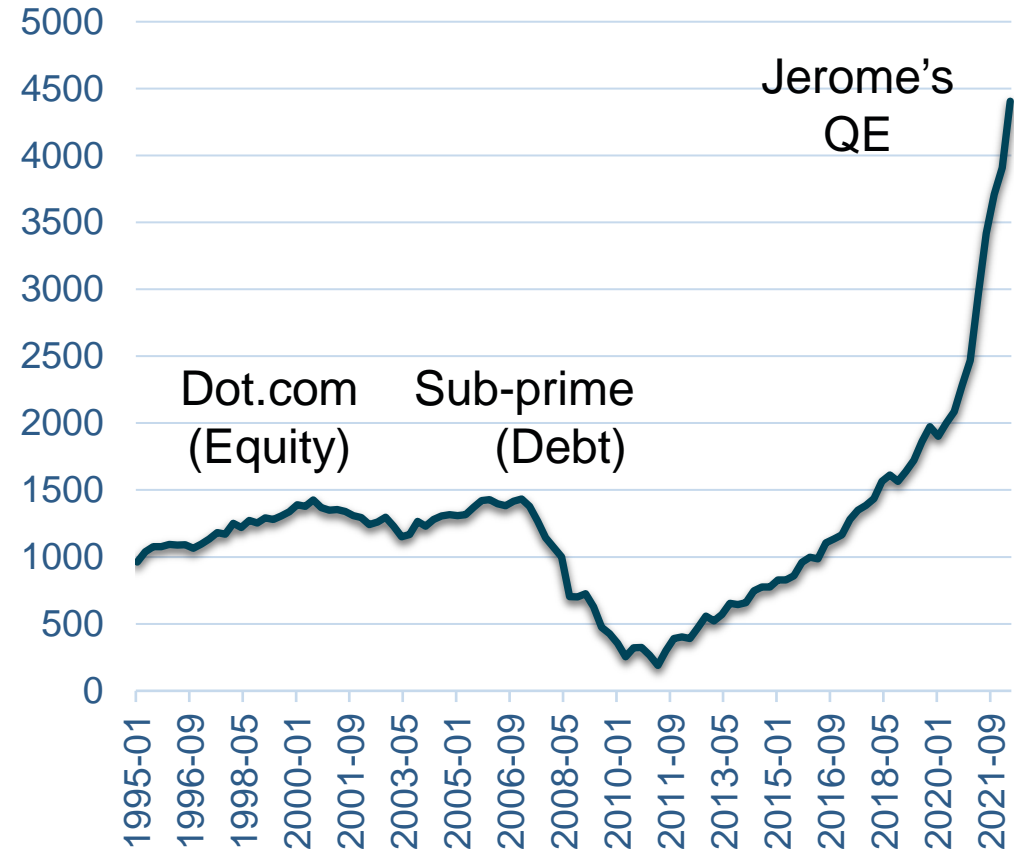
US asset bubbles and the wealth effect.



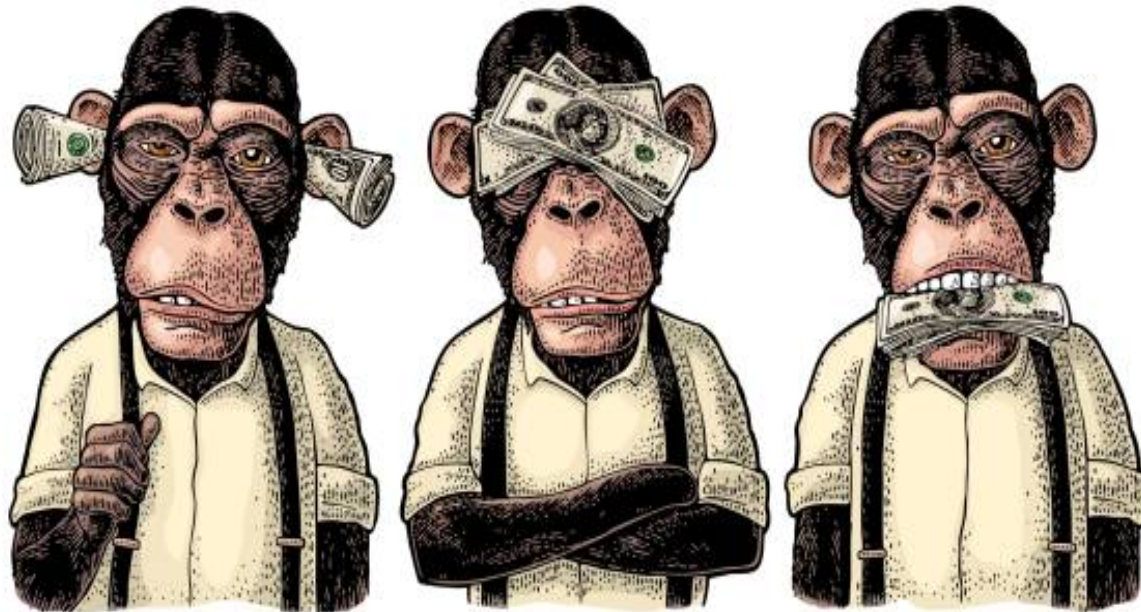
US Household Net Worth grew by \$30 trillion from 2020-2022



Wealth Level in bottom 50% of Household, \$Billion



The Inflation Conversation



❓ The Lakers horrible perimeter defense

“Inflation is always and everywhere a monetary phenomenon in the sense that it is and can be produced only by a more rapid increase in the quantity of money than in output.”

Milton Friedman

2010

2015

2020

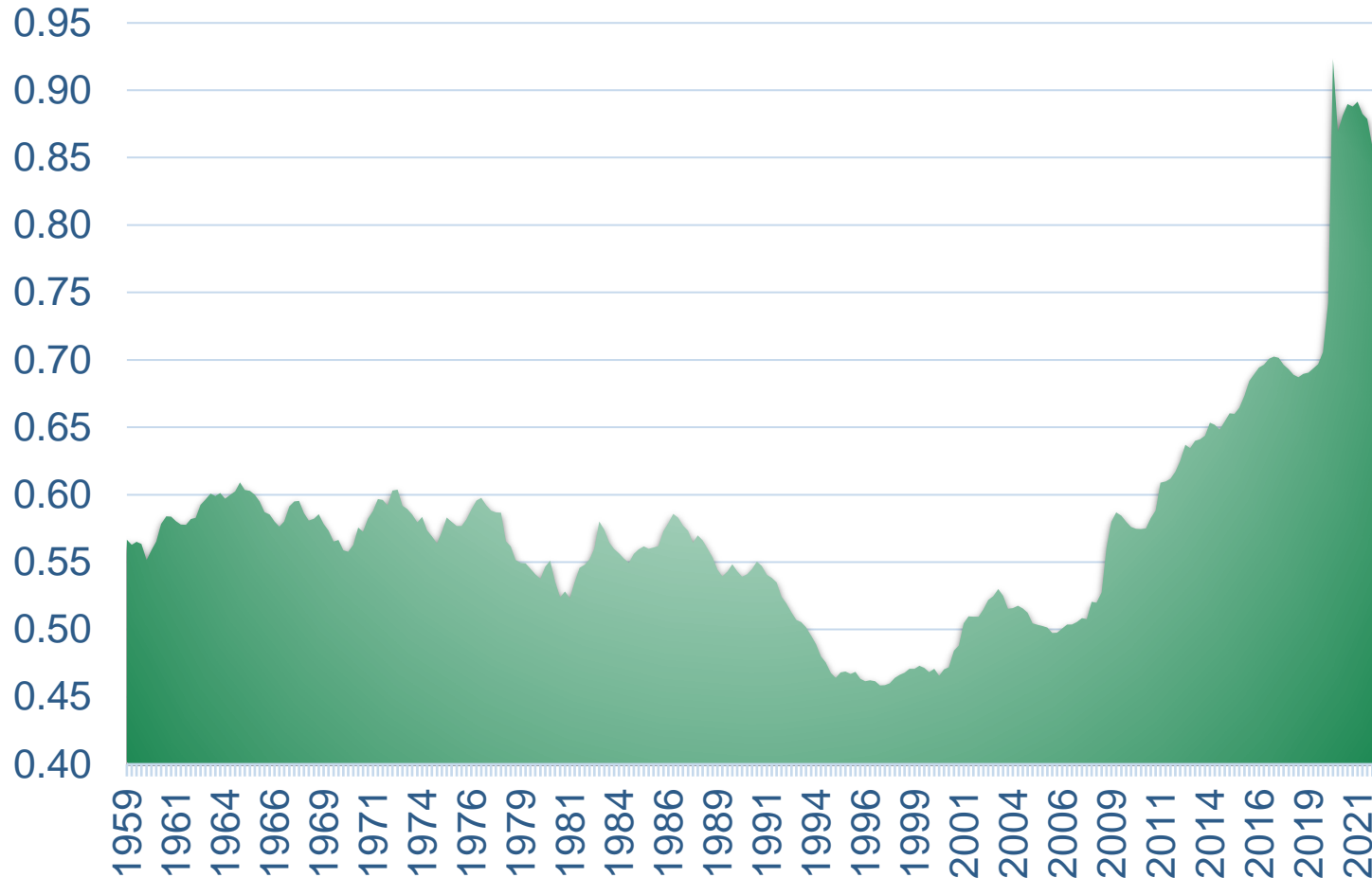
Source: IMF CPI database and IMF staff calculations.
Note: Chart shows median total inflation and in select categories across 88 countries, including 28 advanced economies and 60 emerging and developing economies.

IMF

How much farther can inflation go?



Unit Money Supply: $M2 / (P * RGDP)$



10% to 20% increase in P to offset M2 (with little real growth)

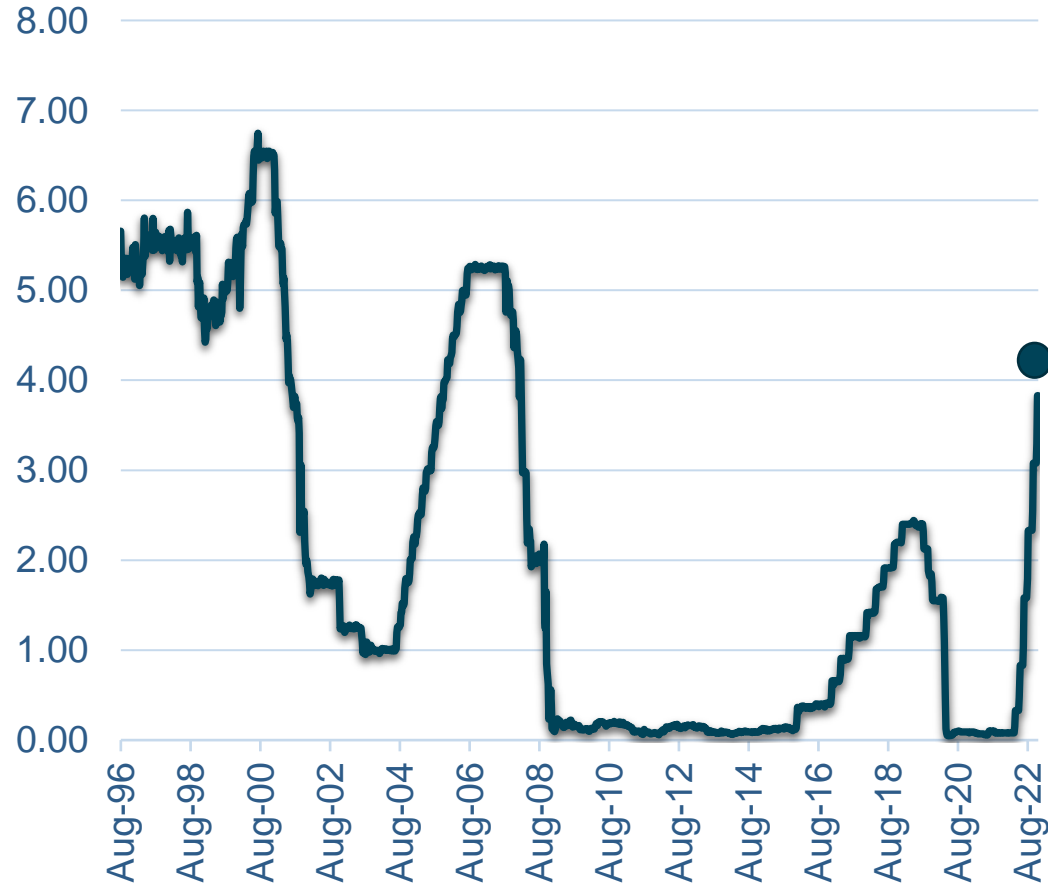
Growth Q419 to Q322

M2	32.5%
Real Output	4.1%
Inflation to date	12.7%
Remainder	15.5%

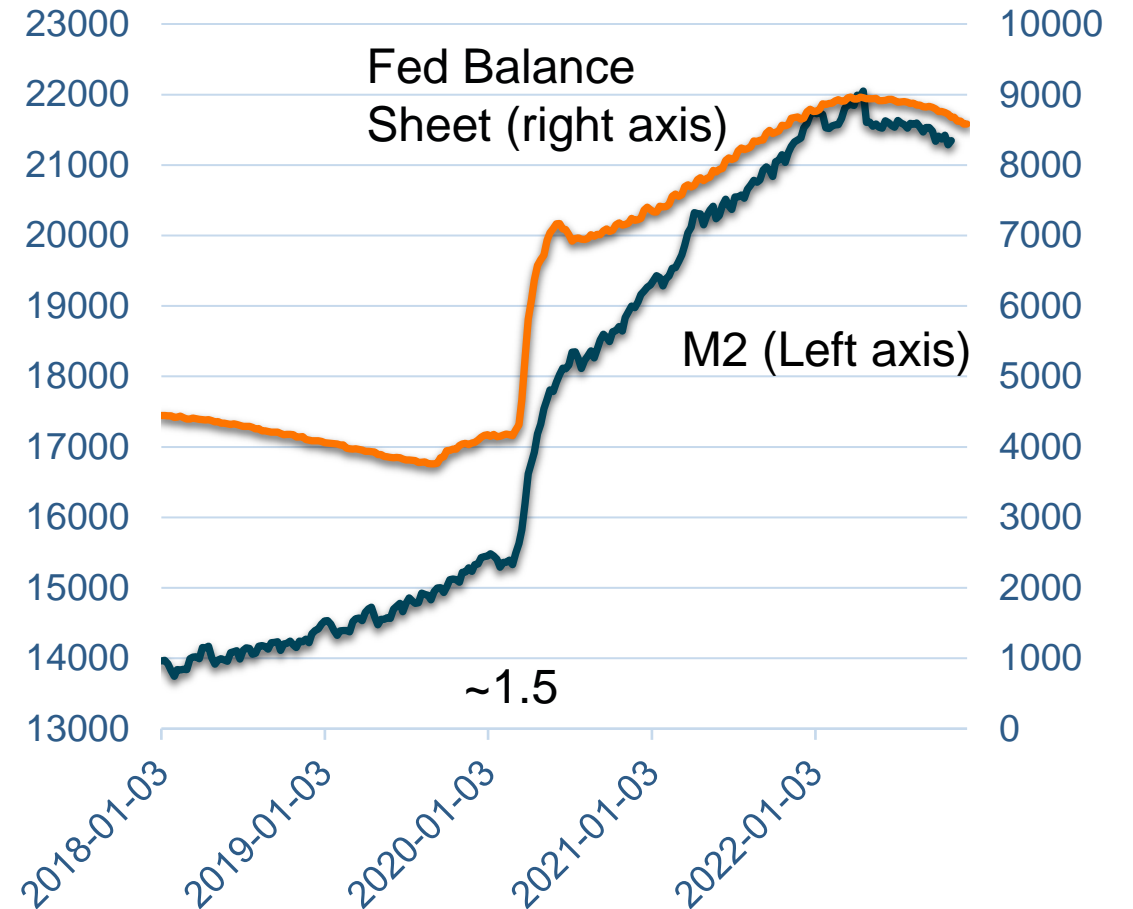
The Fed Response



Federal Funds Rate



M2 and the Fed's Balance Sheet



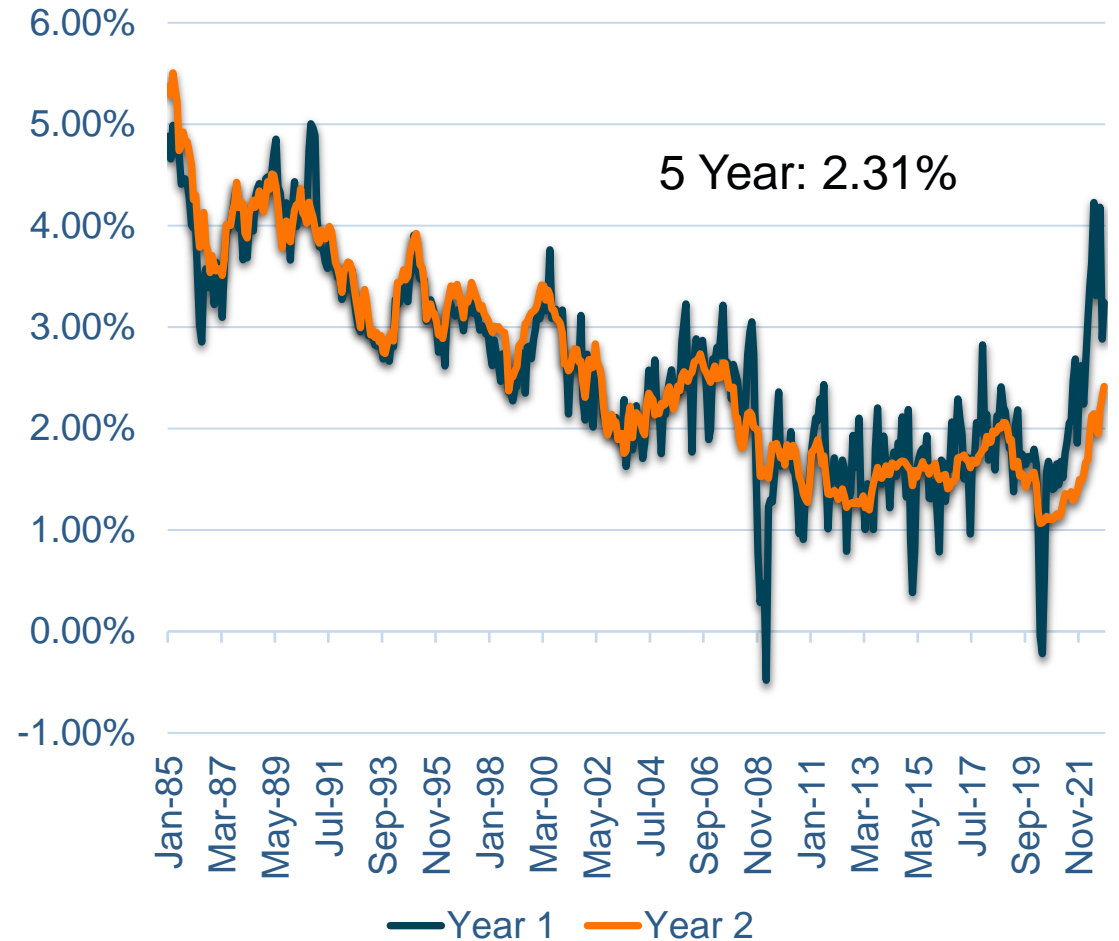
The Rate Response...



Treasury Rates



Inflation Expectations



Gravity still works...



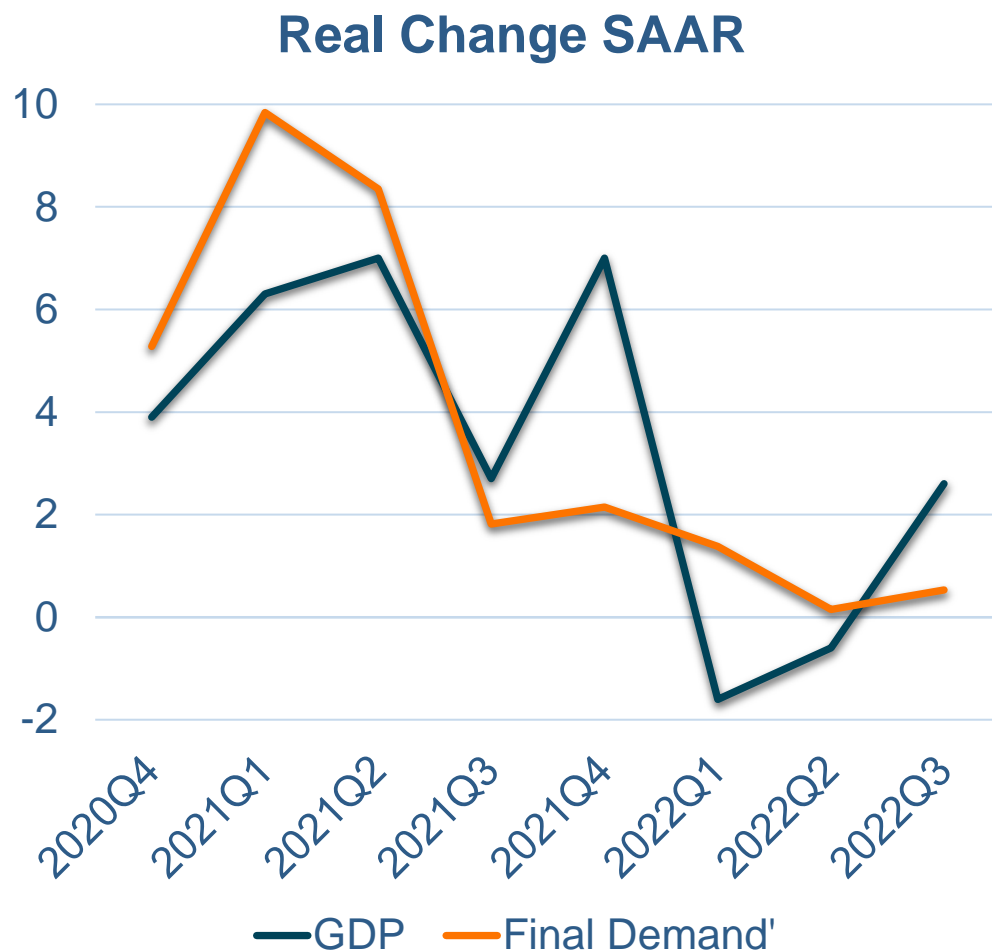
Capital Invested and Number of Deals.



Recent Real GDP Growth



Contributions to Real GDP Growth

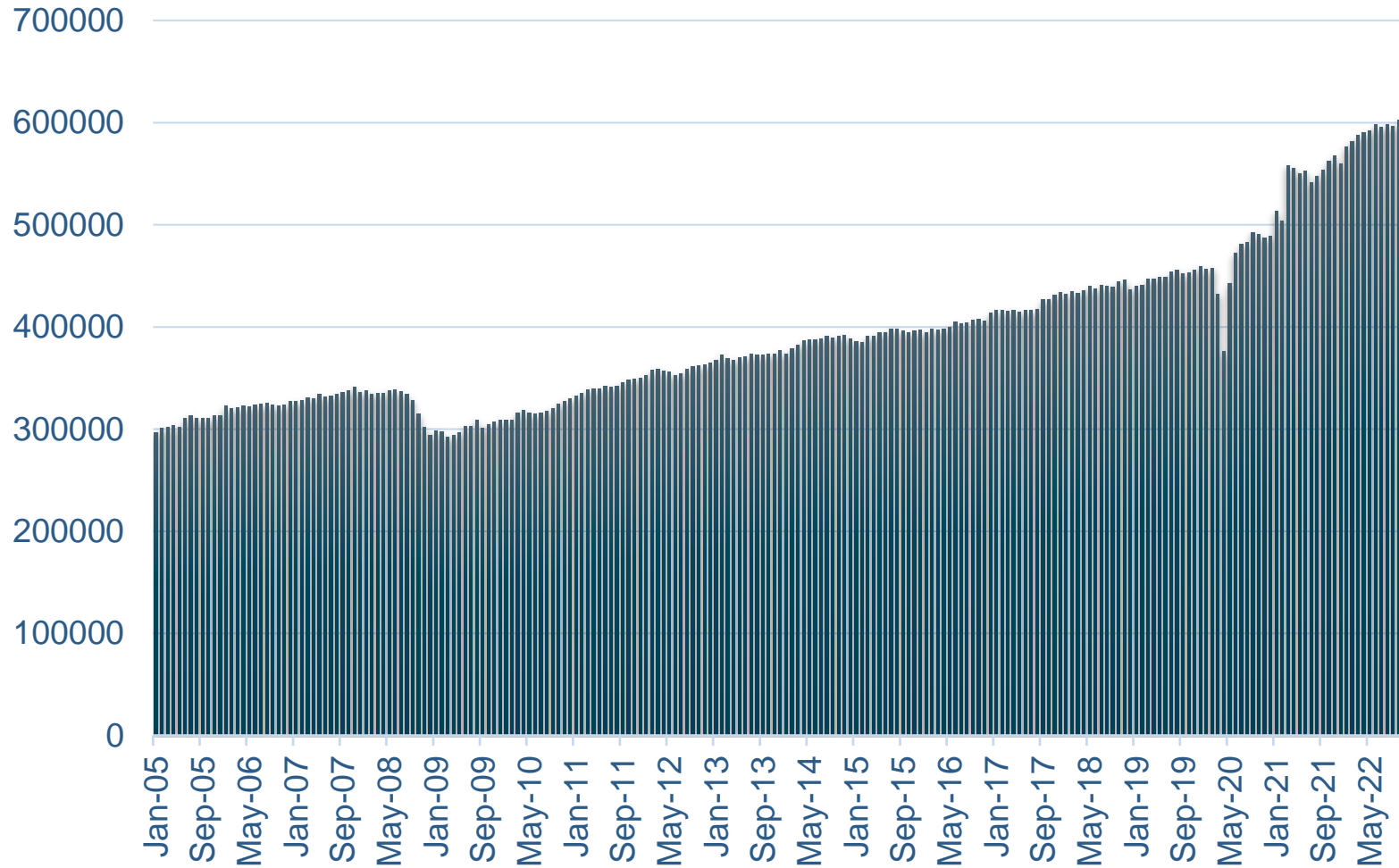


	2019	2020	2021	2022
Gross domestic product	2.58	1.18	5.75	0.13
Final Demand	2.56	1.18	5.54	0.69
Personal consumption	1.45	0.39	4.74	1.09
Durable goods	0.40	1.40	0.59	0.11
Nondurable goods	0.32	0.81	1.04	-0.41
Services	0.74	-1.82	3.11	1.39
Fixed investment	0.42	0.51	0.67	-0.33
Structures	0.20	-0.50	-0.14	-0.29
<i>Equipment</i>	-0.18	0.06	0.28	0.33
<i>Intellectual property</i>	0.33	0.22	0.56	0.45
Residential	0.08	0.74	-0.02	-0.82
Change inventories	-0.38	0.79	0.93	-0.82
Net exports	0.40	-0.79	-0.72	0.27
Exports	0.11	-0.83	0.70	0.87
Imports	0.29	0.03	-1.41	-0.60
Government	0.69	0.29	0.12	-0.09

Bad News?



Nominal Retail Sales to December



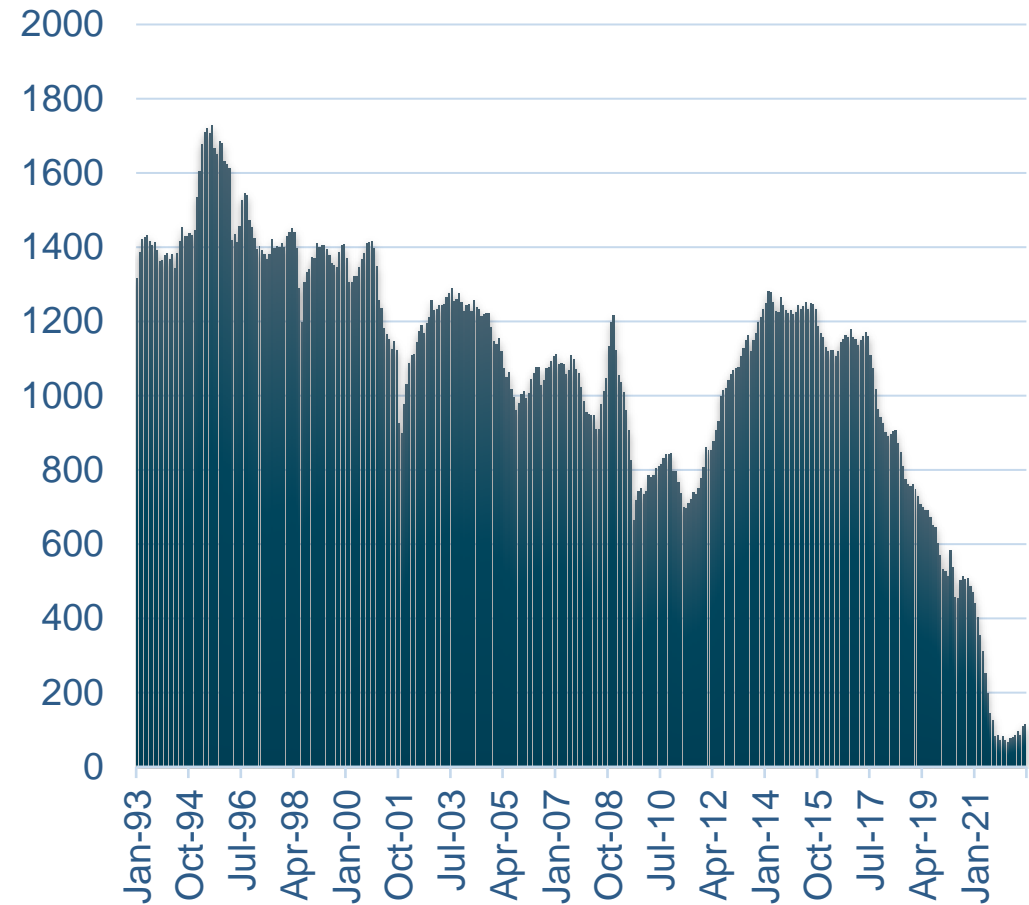
Still Pent-Up Consumer Demand



New Auto Sales SAAR (Mil Units)



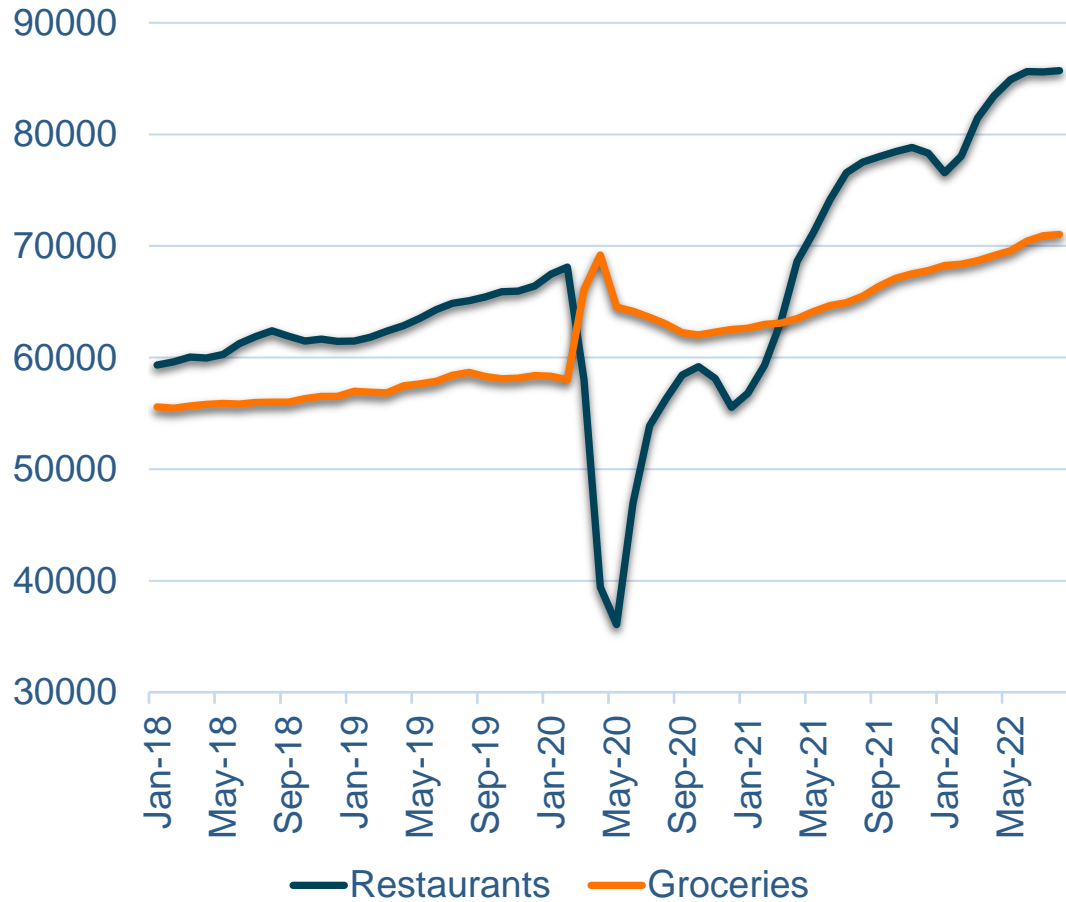
Inventories of Autos for Sale US



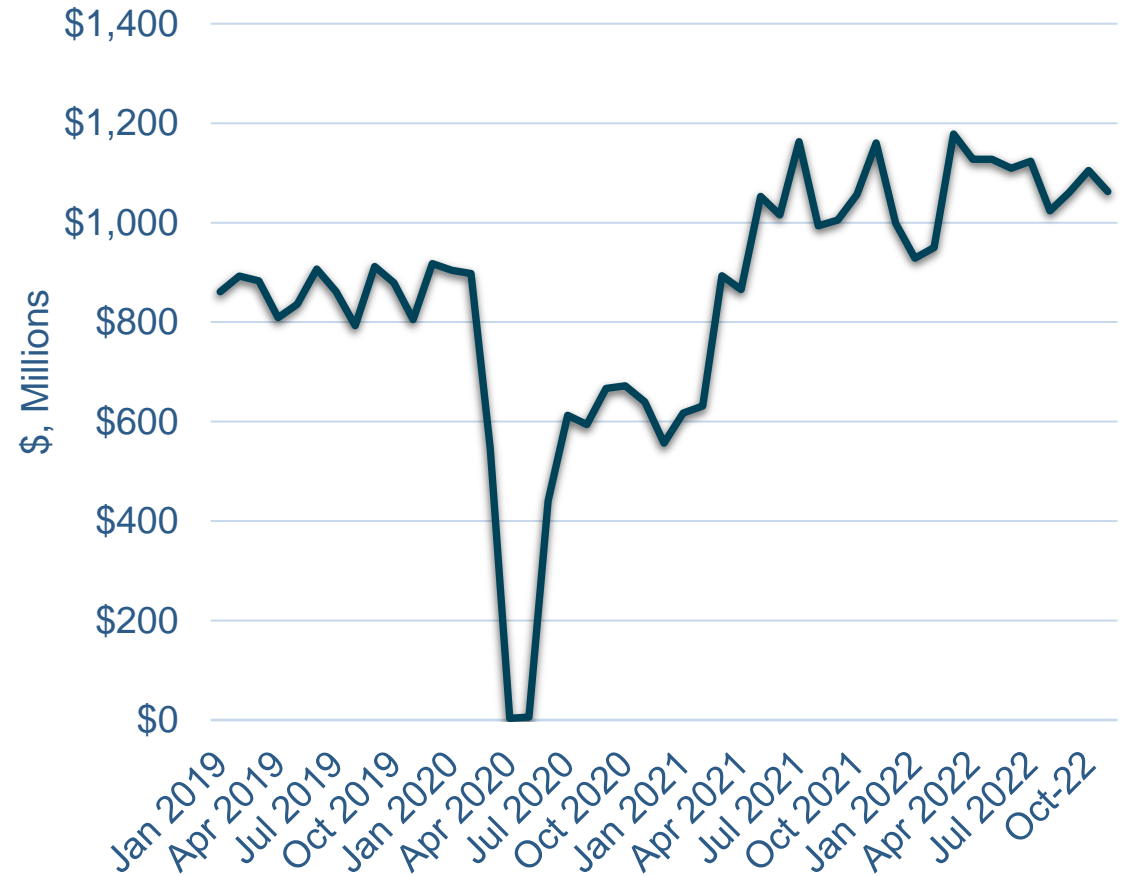
A shift back to consumer services...



Retail Sales on Food



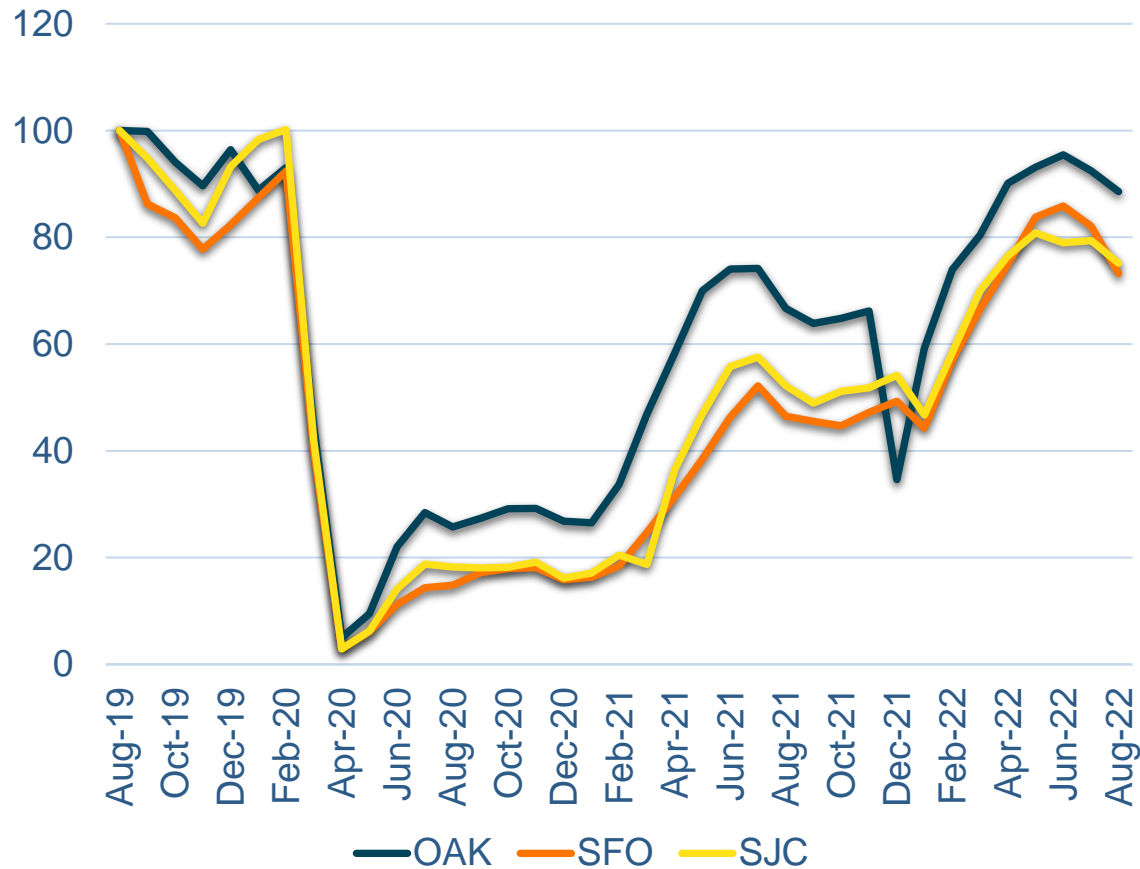
Clark County Gaming Revenue



Travel

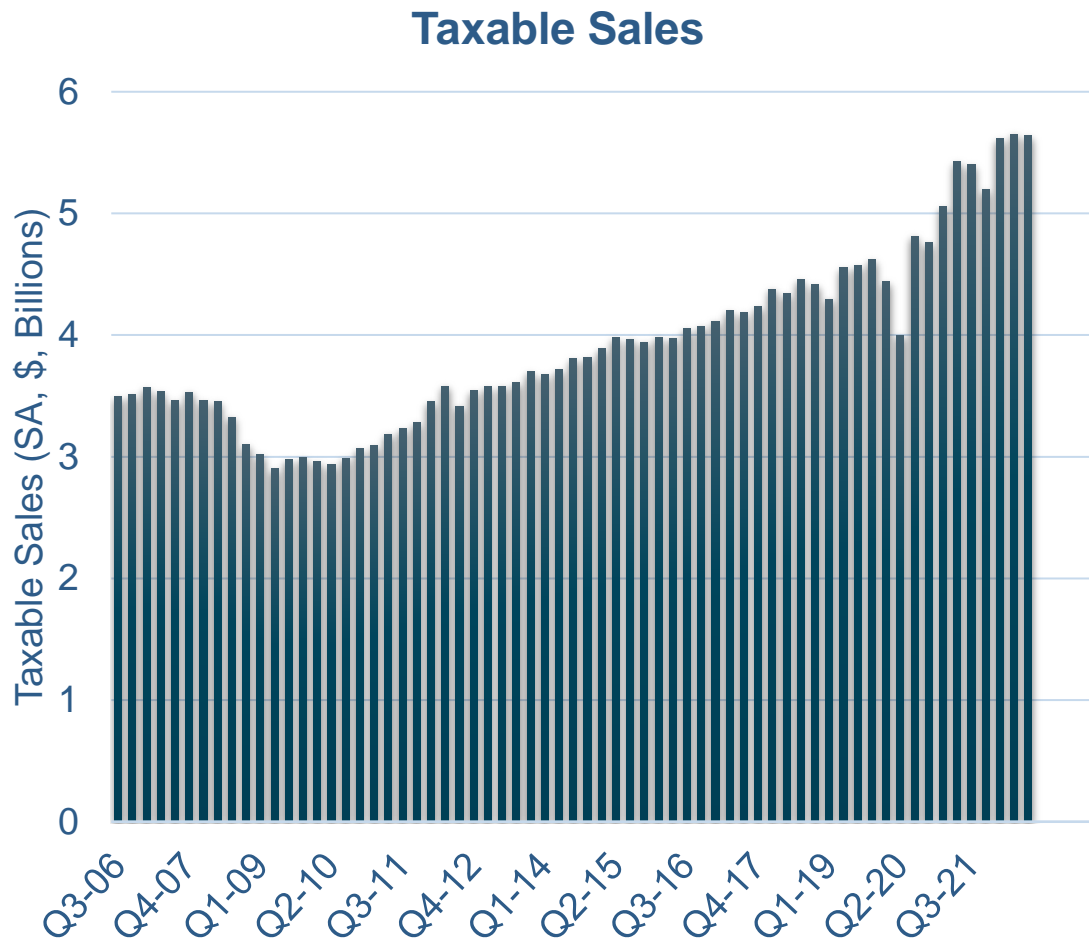


Indexed Air Passengers



Region	ADR		Occupancy Rate	
	Q3-22	3-Yr Dif	Q3-22	3-Yr Dif
US Total	\$141.7	\$14.5	67.4	2.3
East Bay	\$144.5	-\$8.5	77.2	0.7
Inland Empire	\$120.5	\$11.3	72.1	-0.2
San Francisco	\$240.0	\$27.5	80.7	-1.5
LA (MD)	\$178.8	\$19.7	75.1	-5.3

Business Activity - Contra Costa County



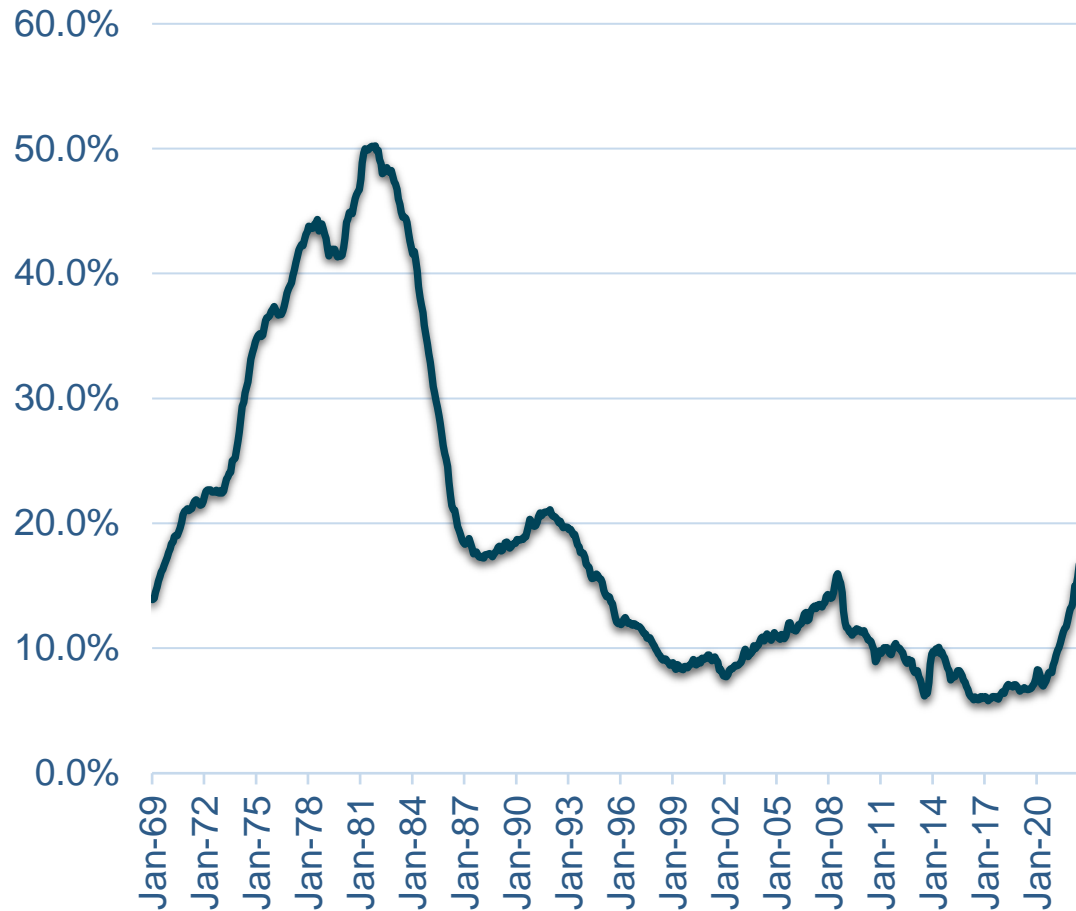
*YTD through Q3

Category	Q3-22 Sales Tax Receipts (\$, Mil.)	1-YR % Growth	
		Contra Costa	CA
Total	57.1	5.3	8.0
Fuel and Service Stations	5.8	23.7	21.8
Business and Industry	6.4	12.4	9.7
Restaurants and Hotels	6.2	7.4	10.1
County & State Pool	12.1	4.8	7.3
General Consumer Goods	10.2	3.6	2.9
Food and Drugs	3.3	-1.1	0.3
Autos and Transportation	8.3	-1.5	6.0
Building and Construction	0.0	-99.1	7.9

Can the consumer survive? Context...



5 Year Cumulative Inflation (PCE Basis)



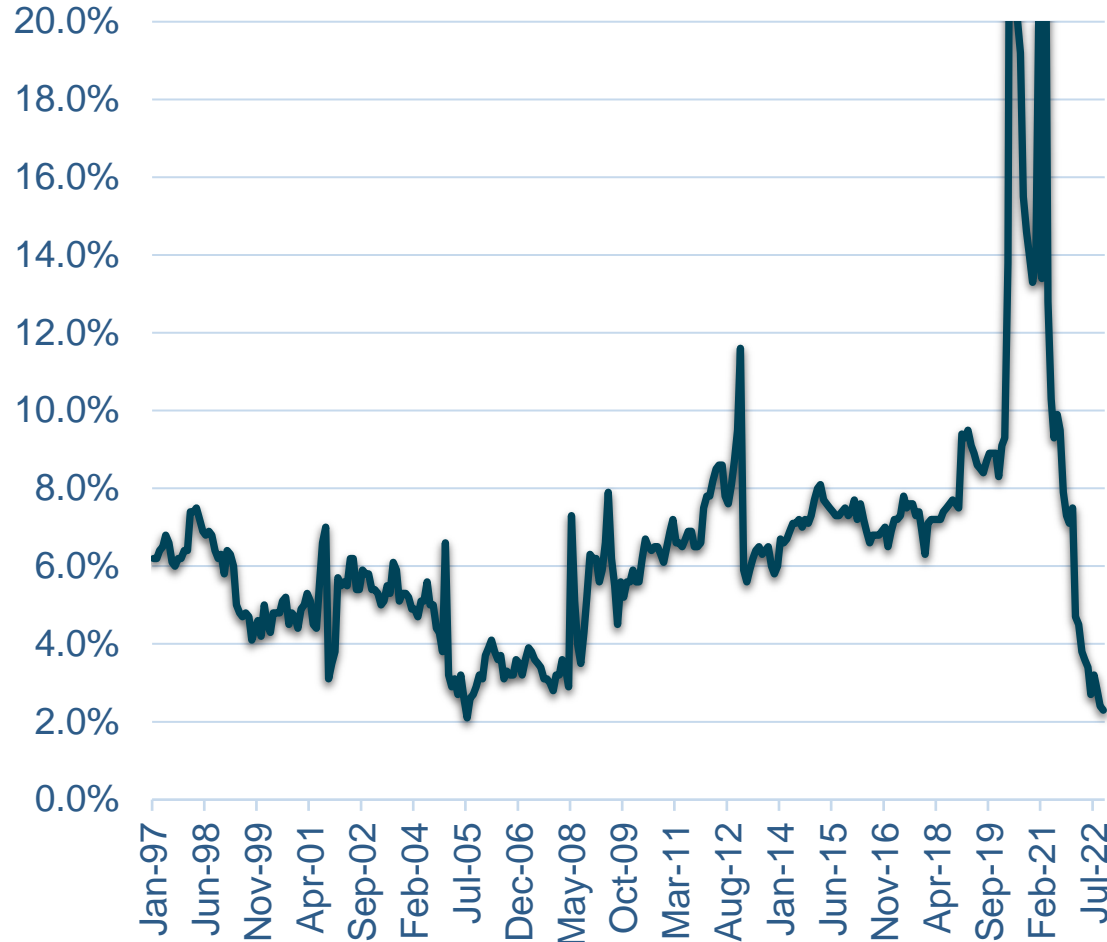
US Financial Obligations Ratio (% of DPI)



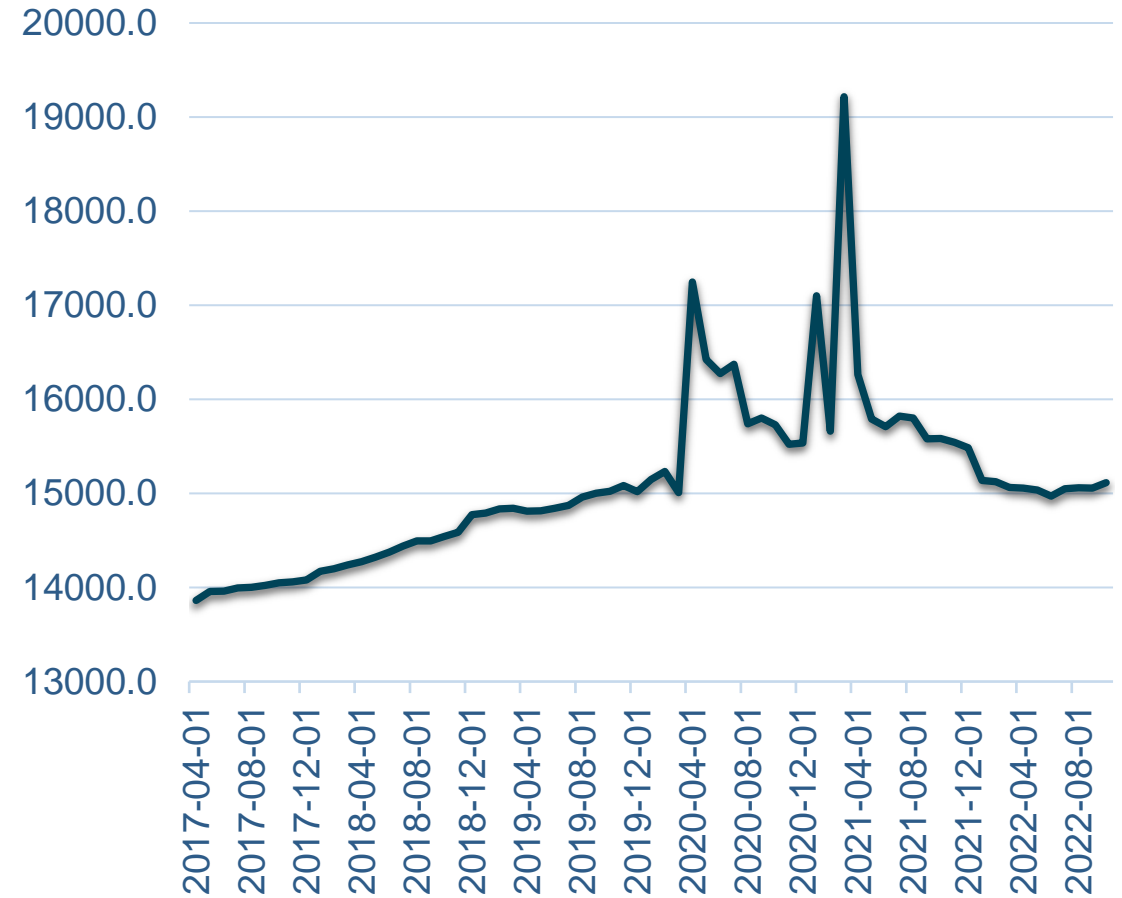
The Income Issue



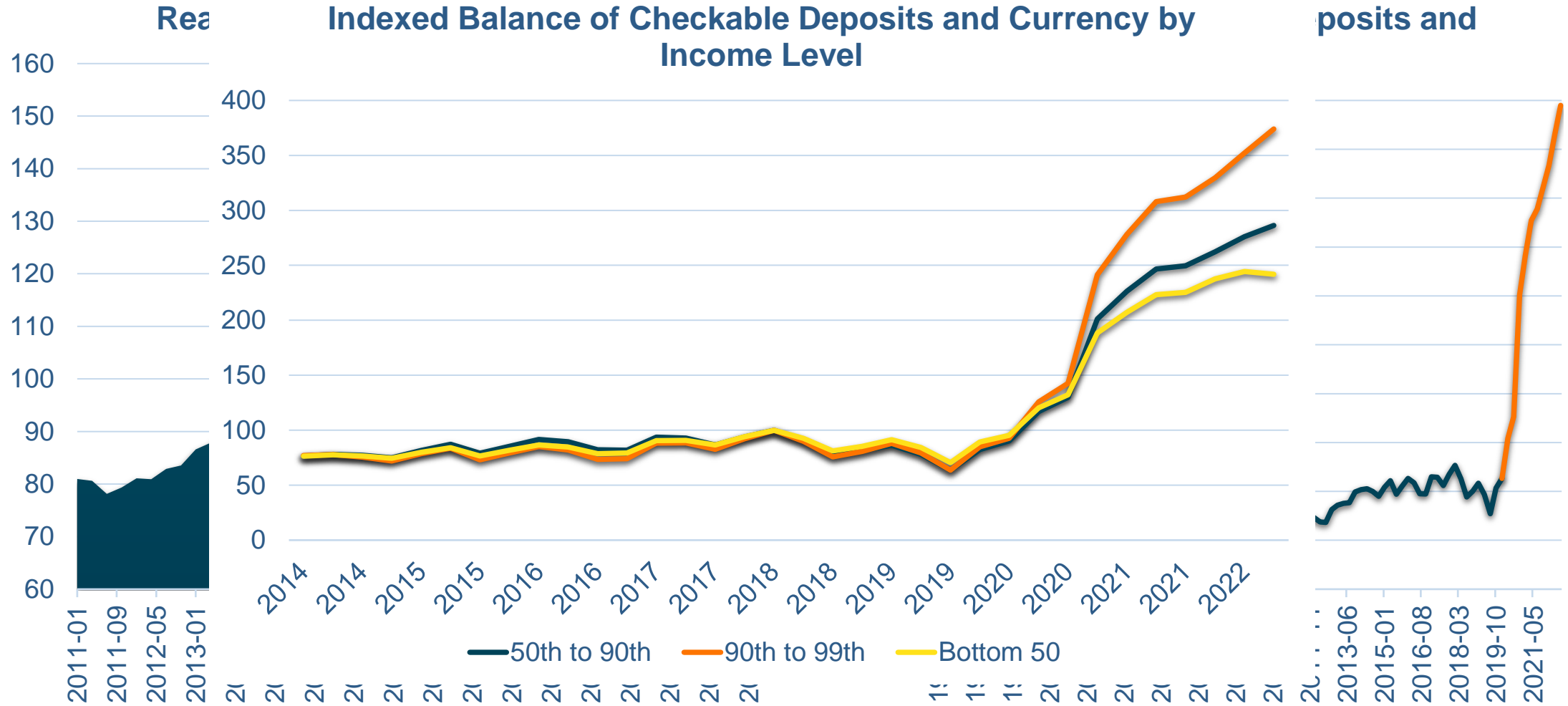
US Savings Rate



US Real Disposable Income



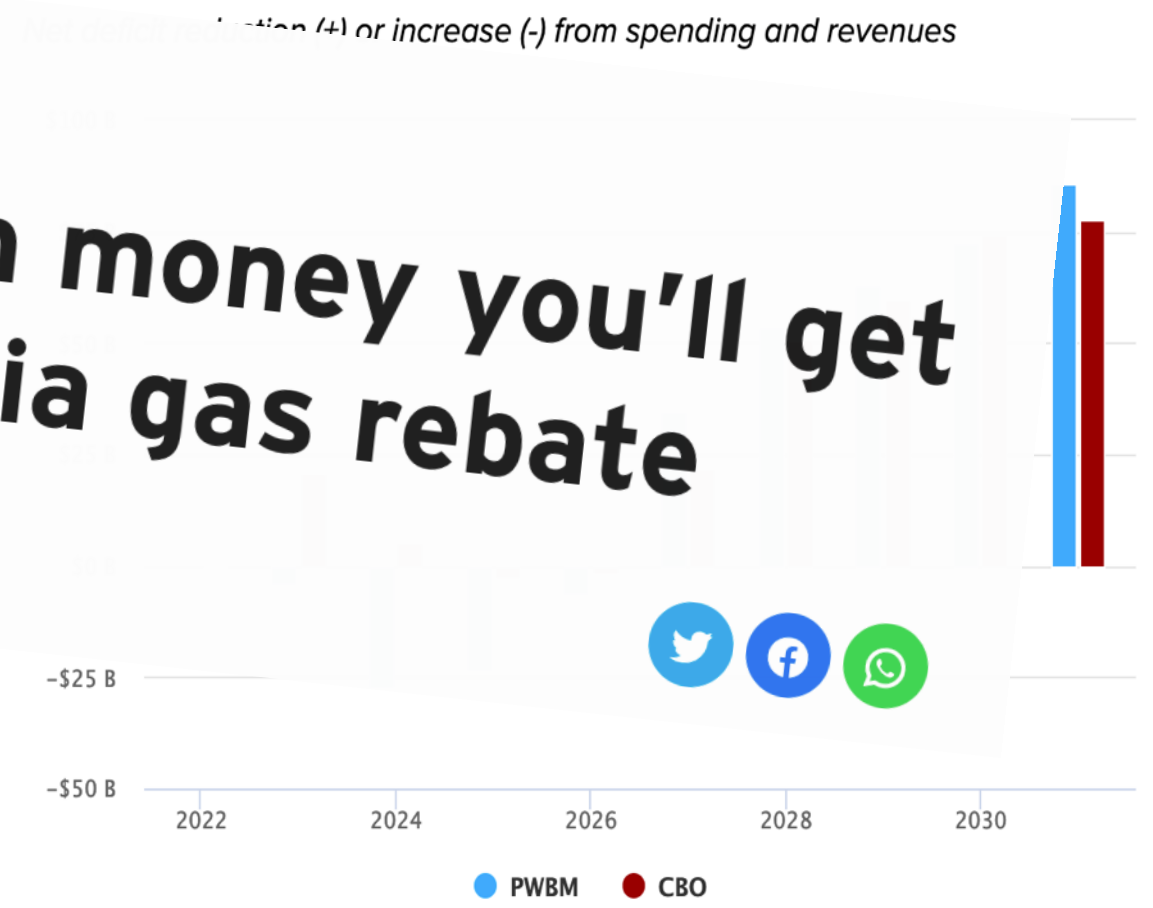
Income vs Wealth



Contradictory Efforts



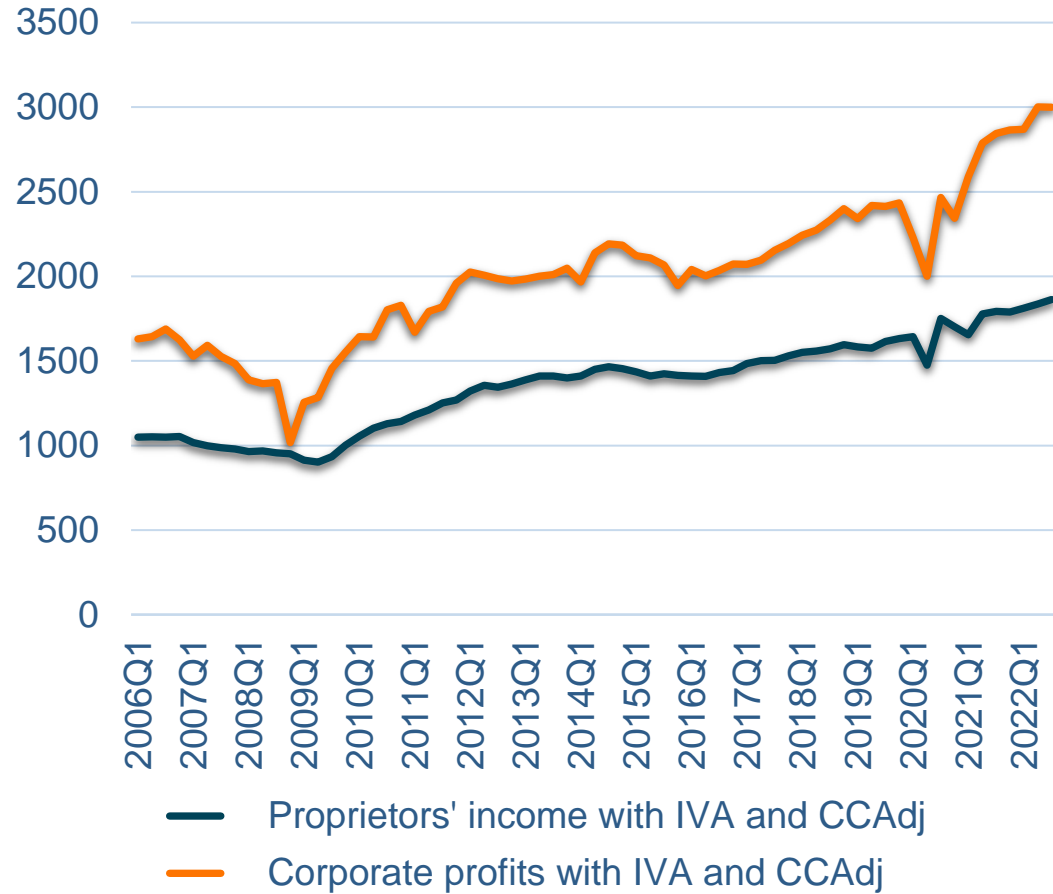
Figure 1. Budgetary Effects of the Inflation Reduction Act of 2022



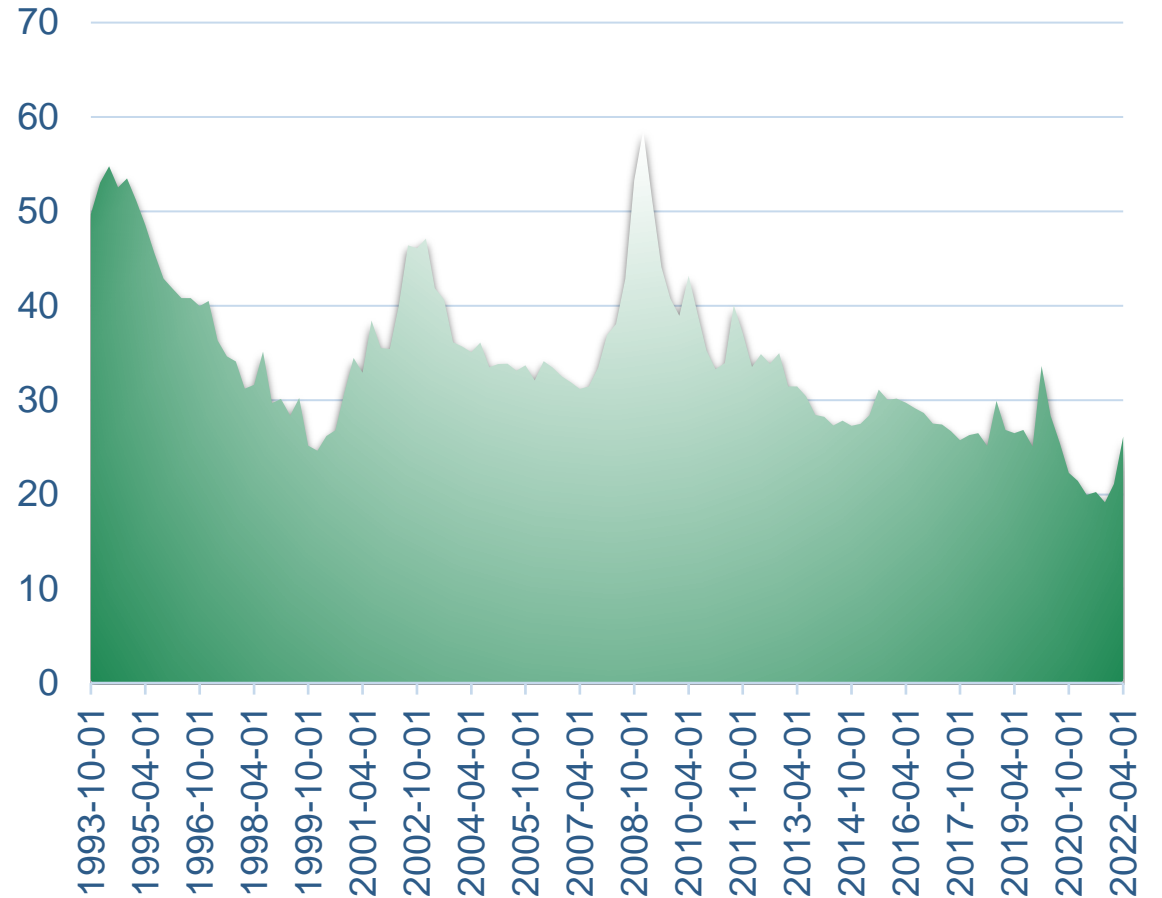
Business is managing as well...



Business Profits



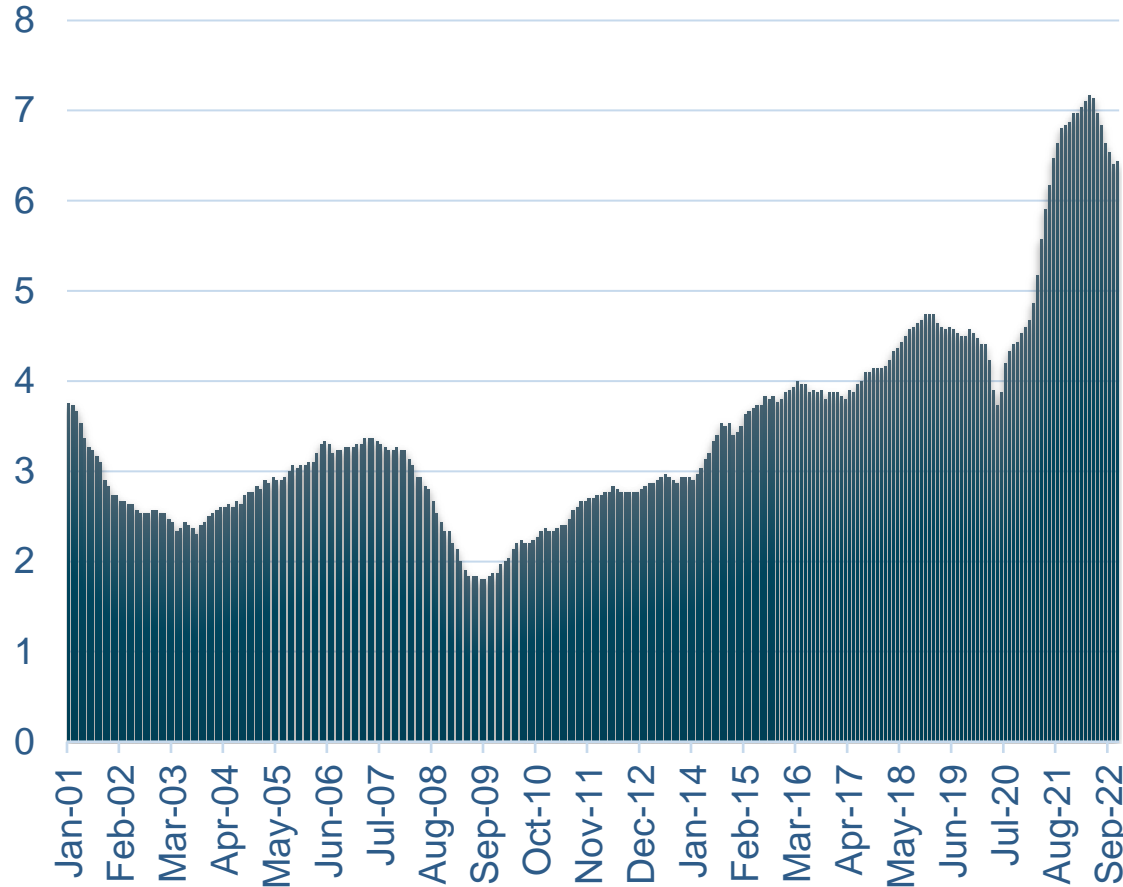
Non-Financial Corporate Debt to Equity



Business's real issue...



US Job Opening Rate

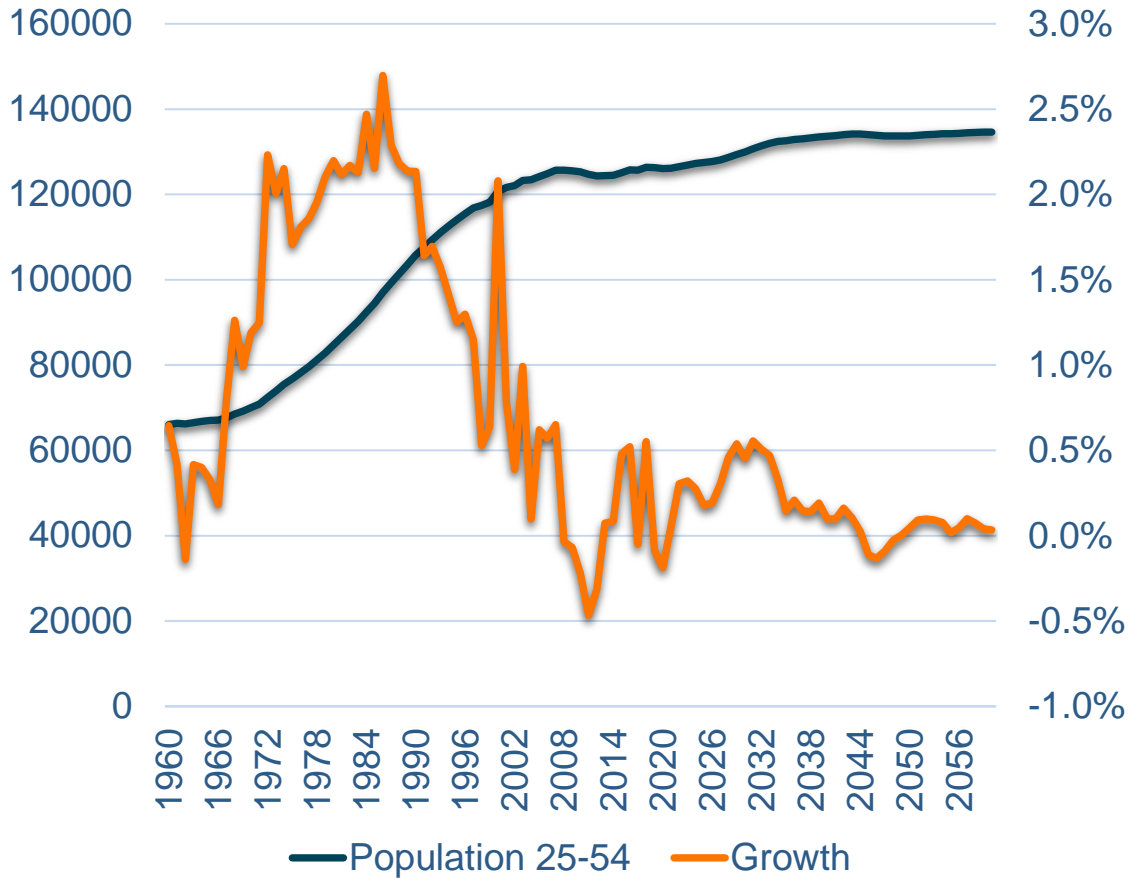


Job Openings Rate by Sector	Jul-19	Jul-22
Total private	4.2	7.7
Health care	2.8	9.3
Leisure hospitality	6.7	9.3
Professional	5.4	9.0
Logistics	3.9	8.0
Other services	3.7	7.5
Financial activities	2.6	7.0
Information	3.9	7.0
Retail trade	4.9	6.5
Manufacturing	2.5	6.2
Education	2.6	6.0
Mining and logging	3.7	5.7
Government	1.5	5.2
Wholesale trade	2.8	4.9
Local education	1.6	4.7
Construction	5.1	4.7

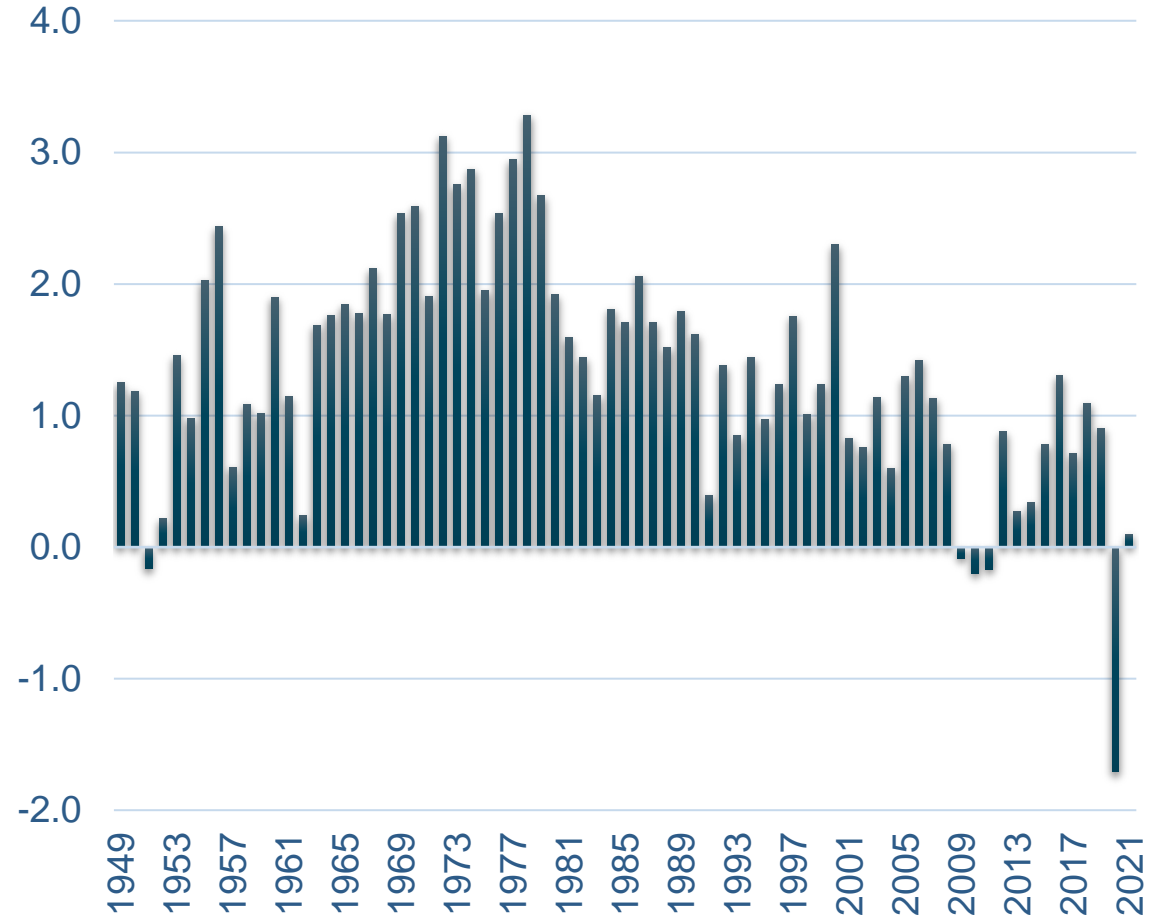
The Era of Labor Shortages is Here



Prime Working Years Population Growth (Census)



YoY Growth US Labor Force



Business Investment



Real Business Investment	2019	2022	
	Q3	Q3	
Private fixed investment	3437.0	3550.5	3.3%
Software	471.3	653.5	38.7%
Information processing eq	486.6	582.3	19.7%
Research and development	459.5	540.3	17.6%
Entertainment, literary	85.0	94.8	11.5%
Industrial equipment	248.7	258.9	4.1%
Manufacturing	63.3	59.8	-5.5%
Transportation equipment	270.8	249.1	-8.0%
Commercial and health care	172.0	136.5	-20.6%
Mining exploration	132.0	100.2	-24.1%
Power and communication	123.2	79.9	-35.1%

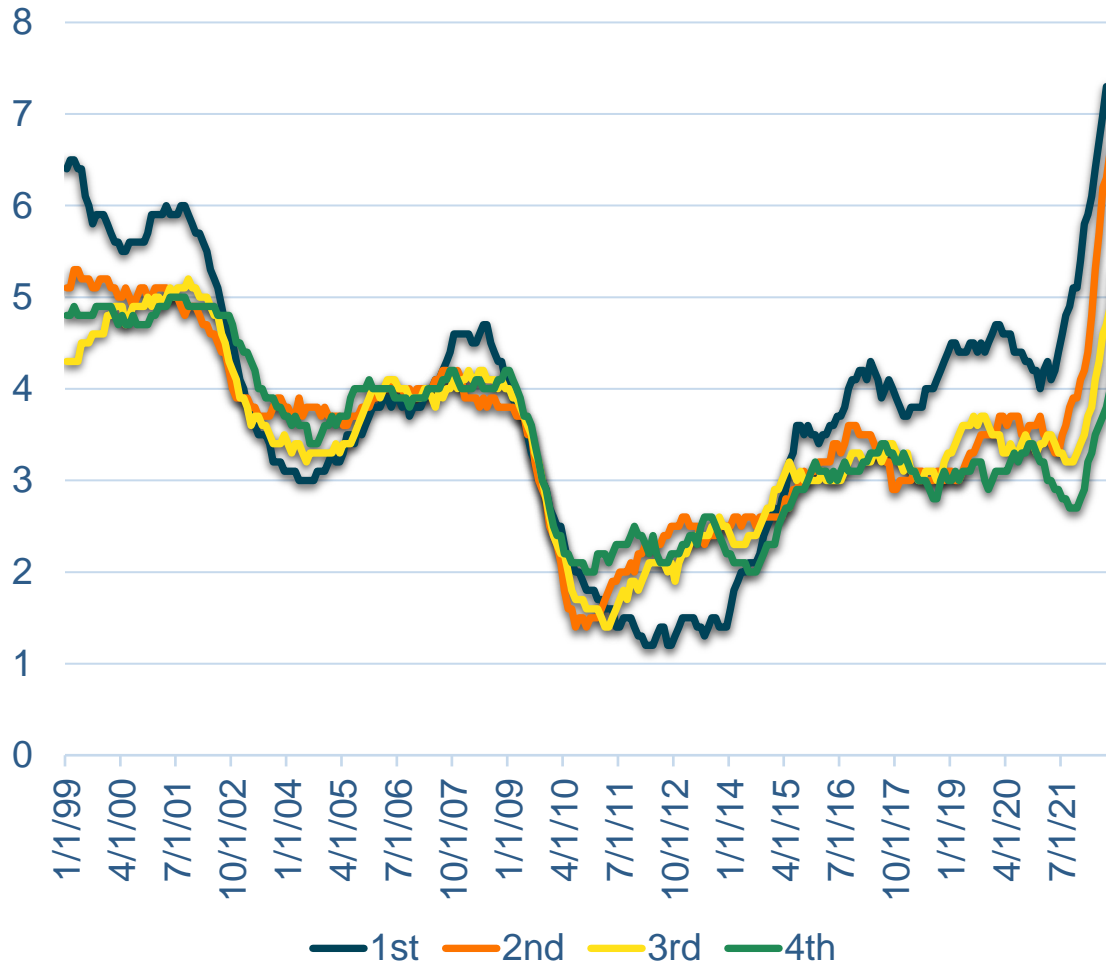
New Orders Non-Defense Capital Goods



A 2-edged sword...



Growth in Worker Earnings by Quartile



Average Weekly Earnings

Location	Aug-19	Aug-22	
Fresno	796	987	24.0%
Las Vegas	818	978	19.6%
San Diego	1034	1234	19.3%
Sacramento	960	1134	18.1%
Orange County	1110	1294	16.6%
Inland Empire	854	992	16.2%
Los Angeles	1101	1277	16.0%
Portland	1050	1213	15.5%
Phoenix	989	1126	13.9%
San Francisco	1543	1756	13.8%
Santa Barbara	931	1002	7.6%
Bakersfield	1006	1074	6.7%
San Jose	1631	1717	5.2%
East Bay	1227	1275	3.9%
Seattle	1453	1450	-0.2%

Regionally? Who is Ahead? Behind?



Current State Job Opening Rate, with change 19-22

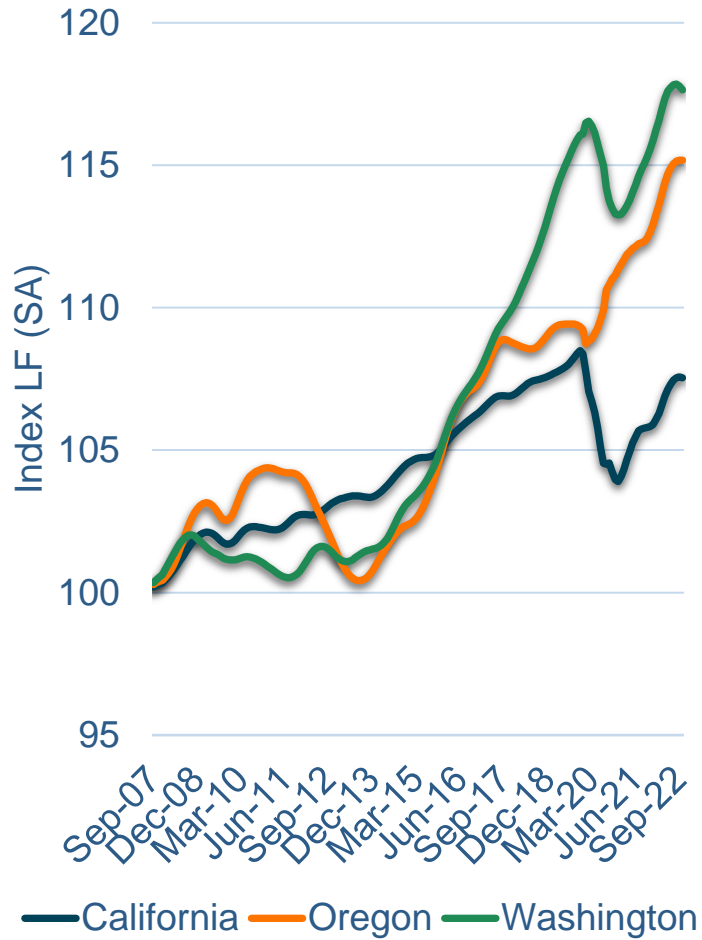
Source: Bureau of Economic Analysis, BEA, Bureau of Labor Statistics, BLS

Alaska	10.1	4.1	South Carolina	7.4	2.5	Nebraska	6.6	1.9
Kentucky	7.9	3.4	Iowa	6.9	2.4	Arizona	7.1	1.7
Georgia	7.9	3.1	Oklahoma	7.2	2.4	Wisconsin	6.7	1.7
Tennessee	7.6	2.9	Maine	7.0	2.4	Pennsylvania	5.9	1.6
Illinois	6.9	2.9	Hawaii	7.1	2.4	Florida	6.2	1.6
Massachusetts	7.2	2.8	Alabama	6.8	2.3	Utah	6.4	1.5
Delaware	7.3	2.8	Vermont	7.4	2.3	Indiana	6.5	1.5
Mississippi	7.3	2.7	Michigan	6.9	2.3	Arkansas	6.7	1.5
Montana	8.3	2.7	California	6.5	2.2	North Dakota	7.0	1.5
Louisiana	7.5	2.7	New Hampshire	6.7	2.2	New Jersey	5.7	1.4
Wyoming	8.4	2.7	Rhode Island	6.9	2.2	Kansas	6.4	1.4
Connecticut	6.5	2.7	South Dakota	7.1	2.1	New Mexico	7.4	1.3
Virginia	7.9	2.7	Maryland	7.0	2.1	Missouri	6.4	1.3
Minnesota	7.1	2.6	Colorado	7.4	2.1	Oregon	6.5	1.3
Texas	7.2	2.6	Ohio	6.8	2.1	New York	5.4	1.2
Nevada	6.8	2.6	Idaho	7.2	2.0	Washington	6.1	1.2
West Virginia	8.3	2.6	District of Columbia	5.9	1.9	North Carolina	7.0	1.1

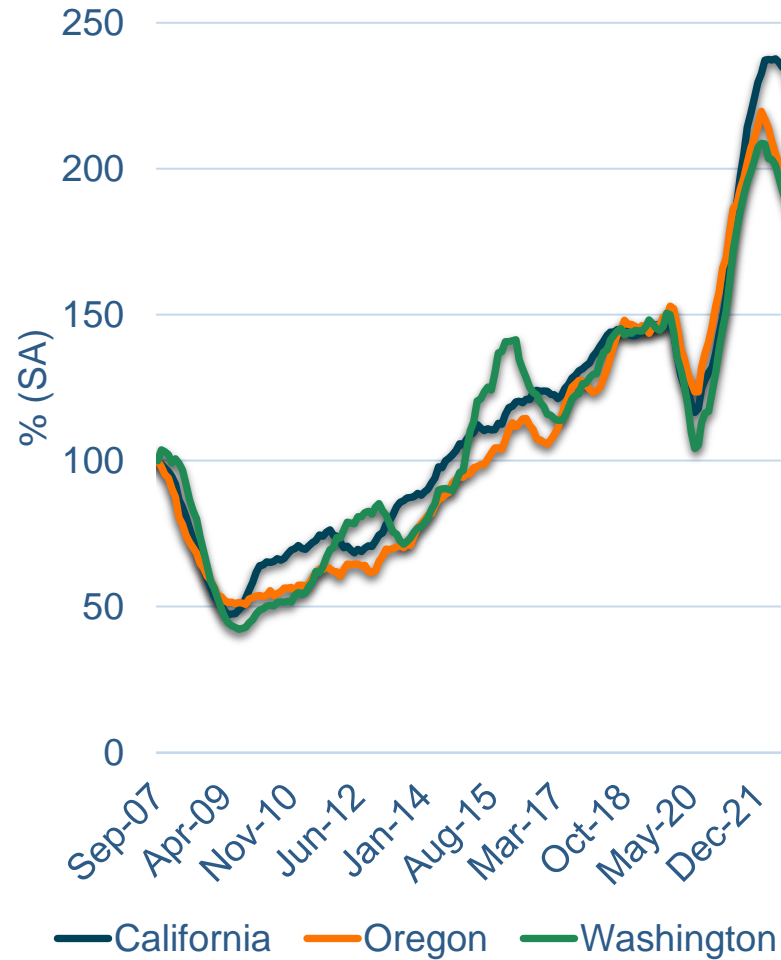
Regional Outcomes



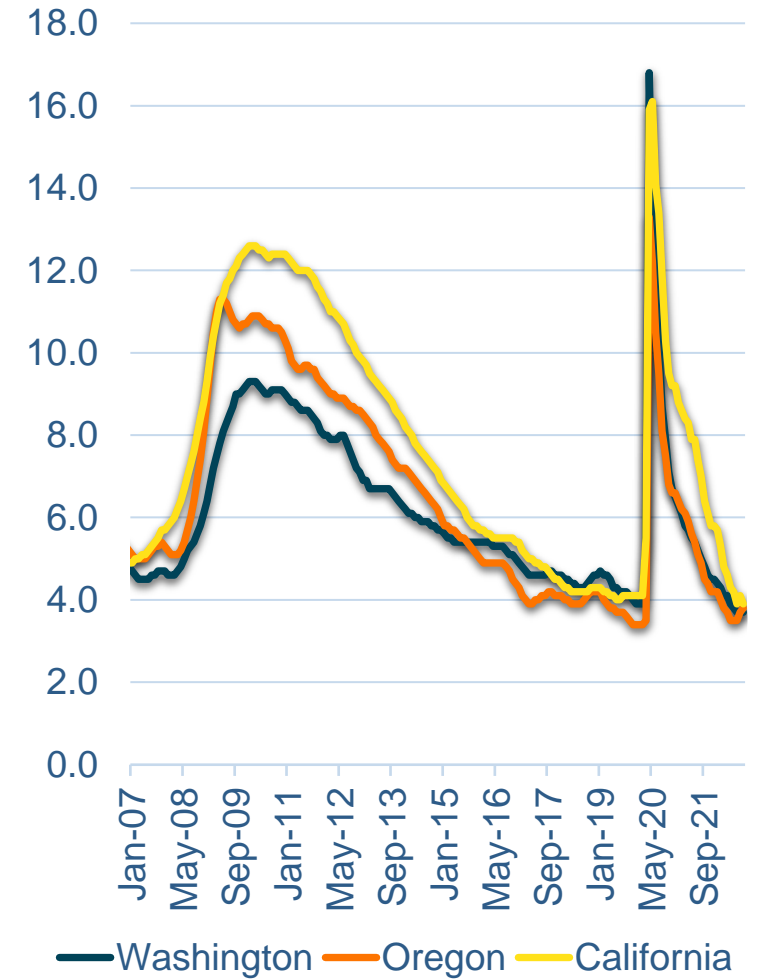
Indexed Labor Force



Indexed Job Openings



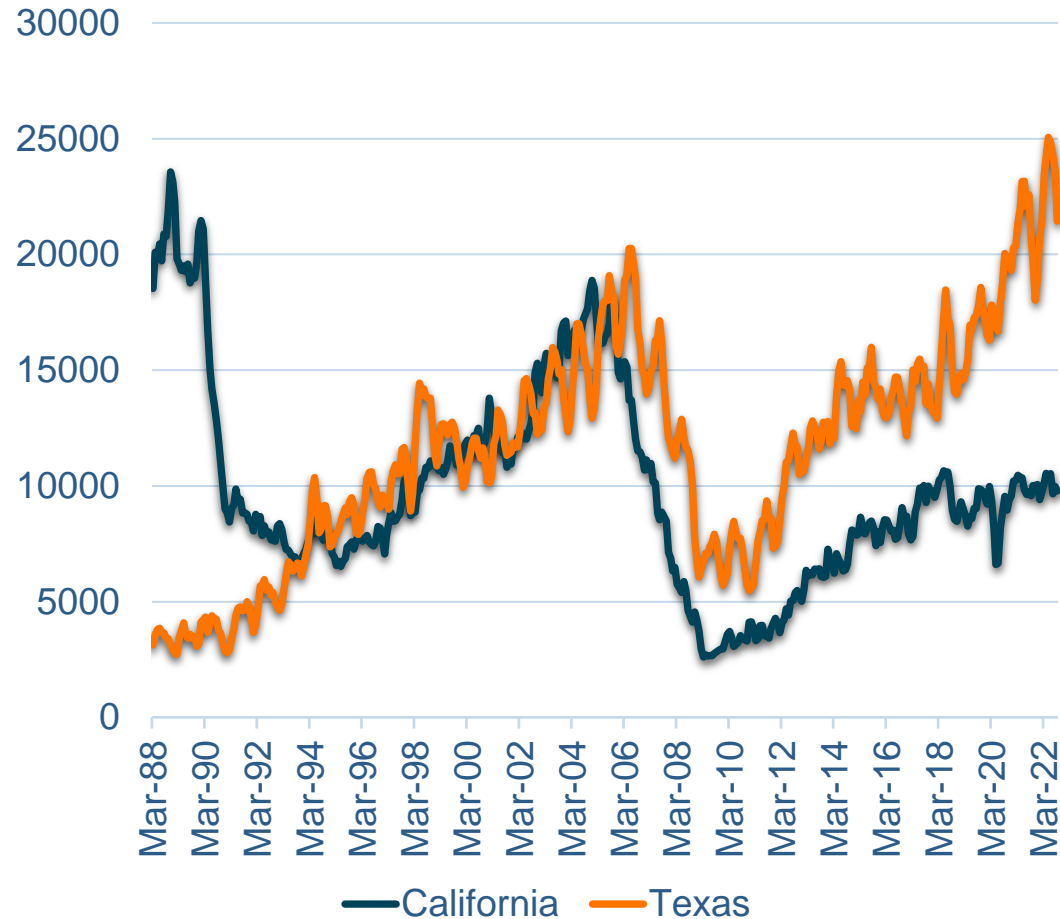
Unemployment Rate



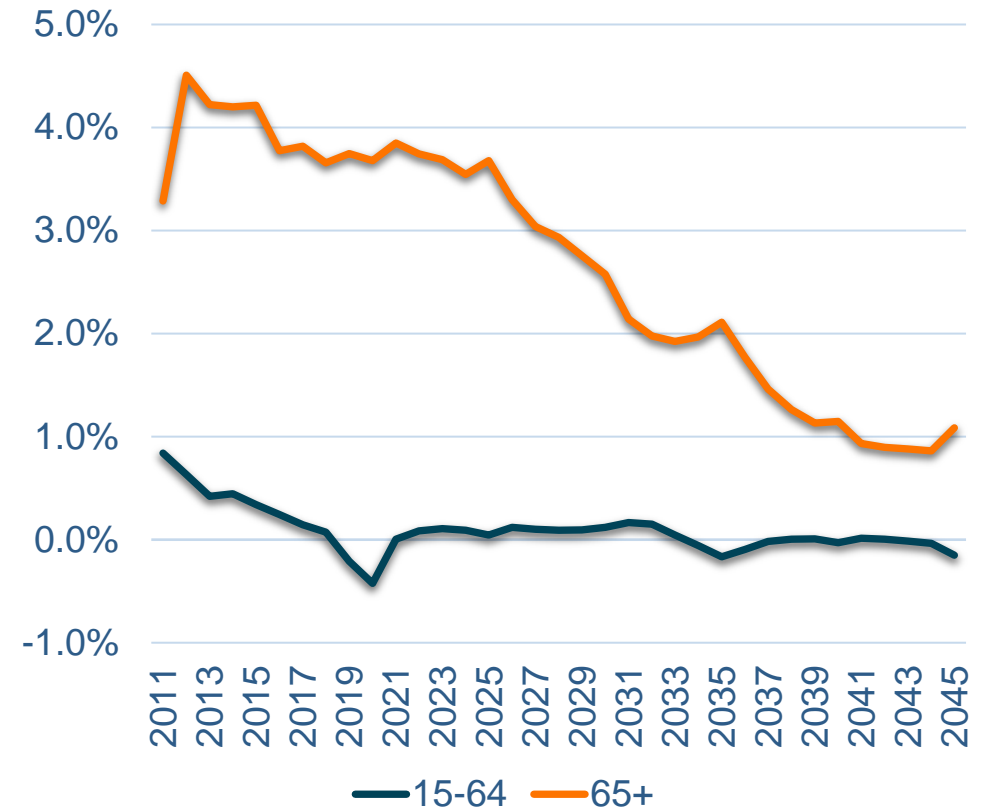
The Real California Story



Private Housing Permits



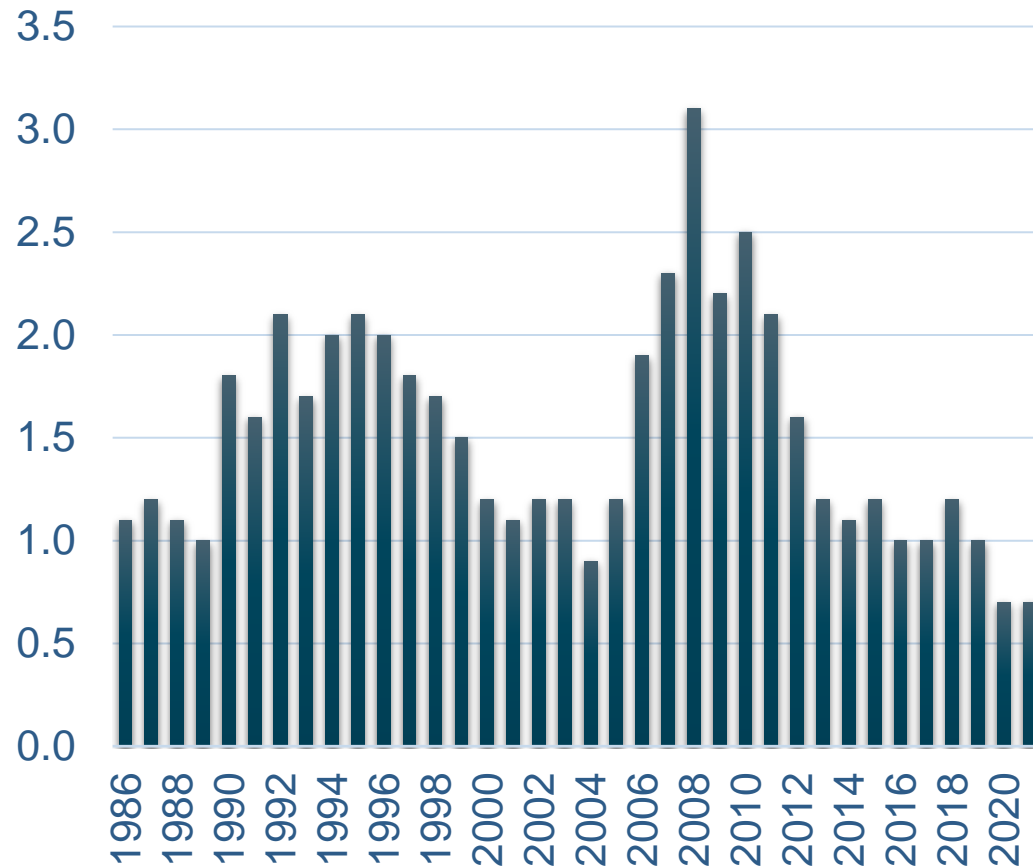
California Population Forecasts by Age (CA DoF est.)



Vacancies and Housing Costs



California Housing Vacancy



Share Households > 35% Housing Cost to Income

	2018	2021	2018	2021
California	29.4%	29.6%	45.4%	46.4%
Los Angeles	34.3%	35.2%	47.8%	49.6%
Riverside	31.9%	31.1%	51.6%	48.8%
San Bernardino	27.7%	28.6%	48.2%	46.8%
Sacramento	24.4%	24.2%	45.8%	46.0%
Fresno	24.5%	25.5%	46.9%	44.9%
Santa Clara	25.5%	25.3%	36.4%	34.7%

The State Employment Situation

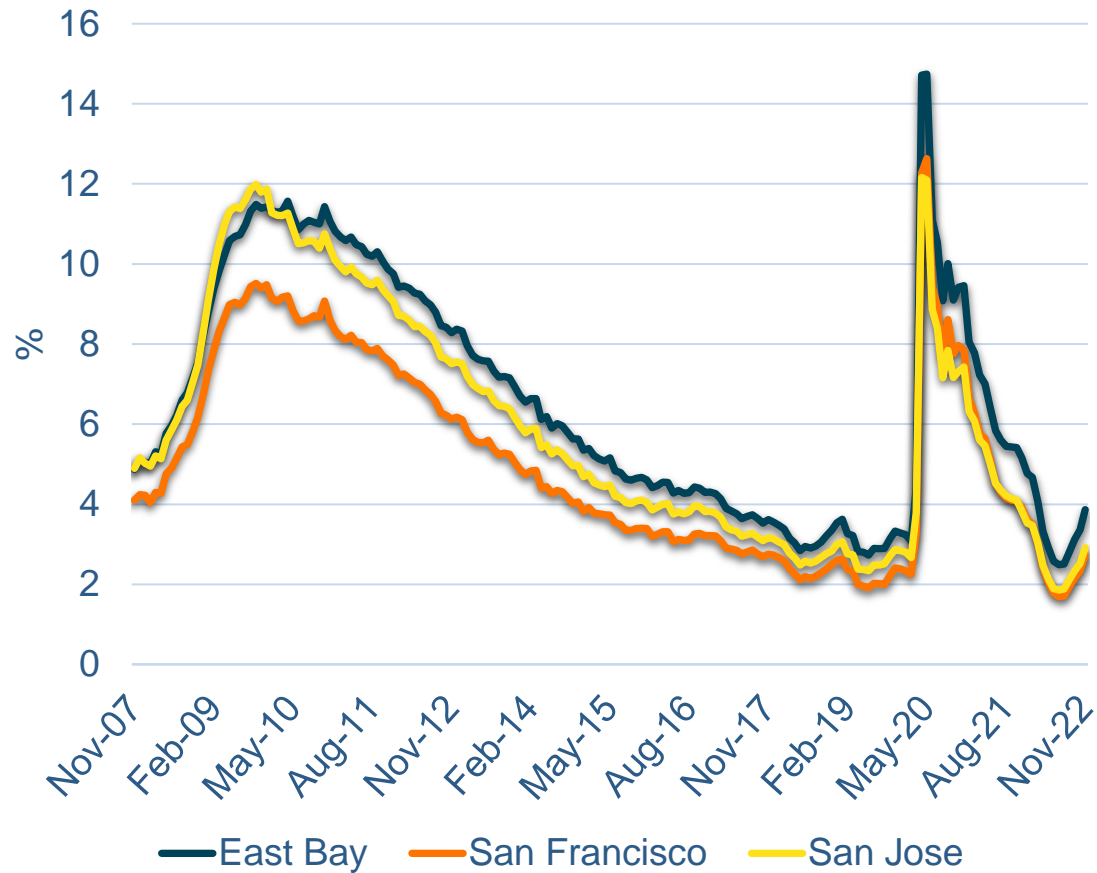


	Unemployment		Payrolls		Labor Force	
	Jul-19	Jul-22	Jul-22	Ch 19-22	Jul-22	Ch 19-22
Unemployment Rate						
California	4.0	3.9	17,618	1.1%	19,327	-0.4%
Inland Empire	3.9	3.3	1,667	7.2%	2,184	5.0%
Stockton	5.7	4.5	263	6.6%	335	2.5%
Sacramento	3.5	2.8	1,055	3.0%	1,122	1.5%
Fresno	7.1	5.3	377	4.3%	456	1.5%
Bakersfield	7.9	5.9	279	2.9%	386	0.8%
San Jose	2.5	1.8	1,168	1.9%	1,086	0.0%
San Diego	3.1	2.6	1,519	1.0%	1,585	-0.3%
Santa Barbara	3.4	2.6	195	1.1%	221	-0.8%
Modesto	6.0	4.5	184	1.5%	241	-0.9%
San Francisco (MD)	2.0	1.7	1,178	-0.8%	1,034	-1.0%
Orange County (MD)	2.6	2.2	1,676	-0.1%	1,605	-1.2%
Oakland (MD)	2.9	2.4	1,181	-0.6%	1,385	-1.7%
Ventura	3.4	2.7	308	-1.3%	411	-3.0%
Los Angeles (MD)	4.4	4.9	4,532	-0.6%	5,022	-3.1%
Santa Rosa	2.6	2.2	204	-2.6%	250	-3.4%

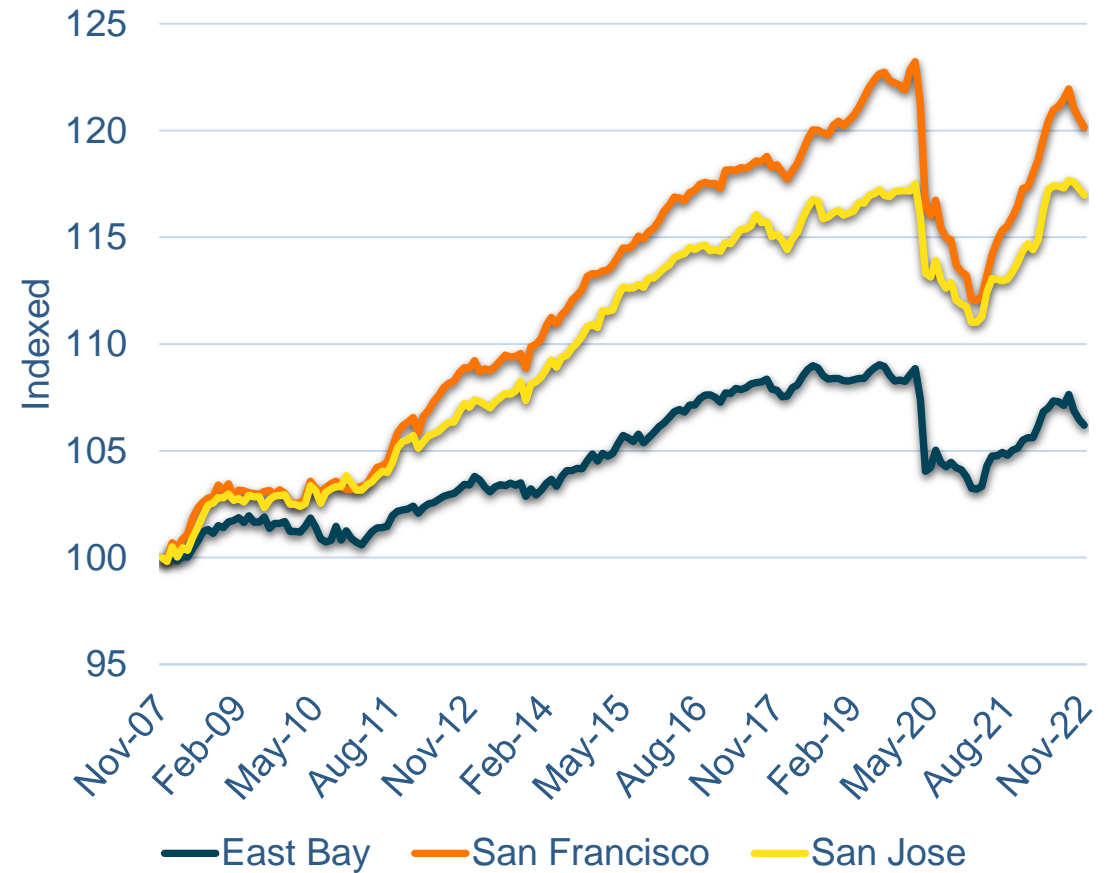
Labor Markets



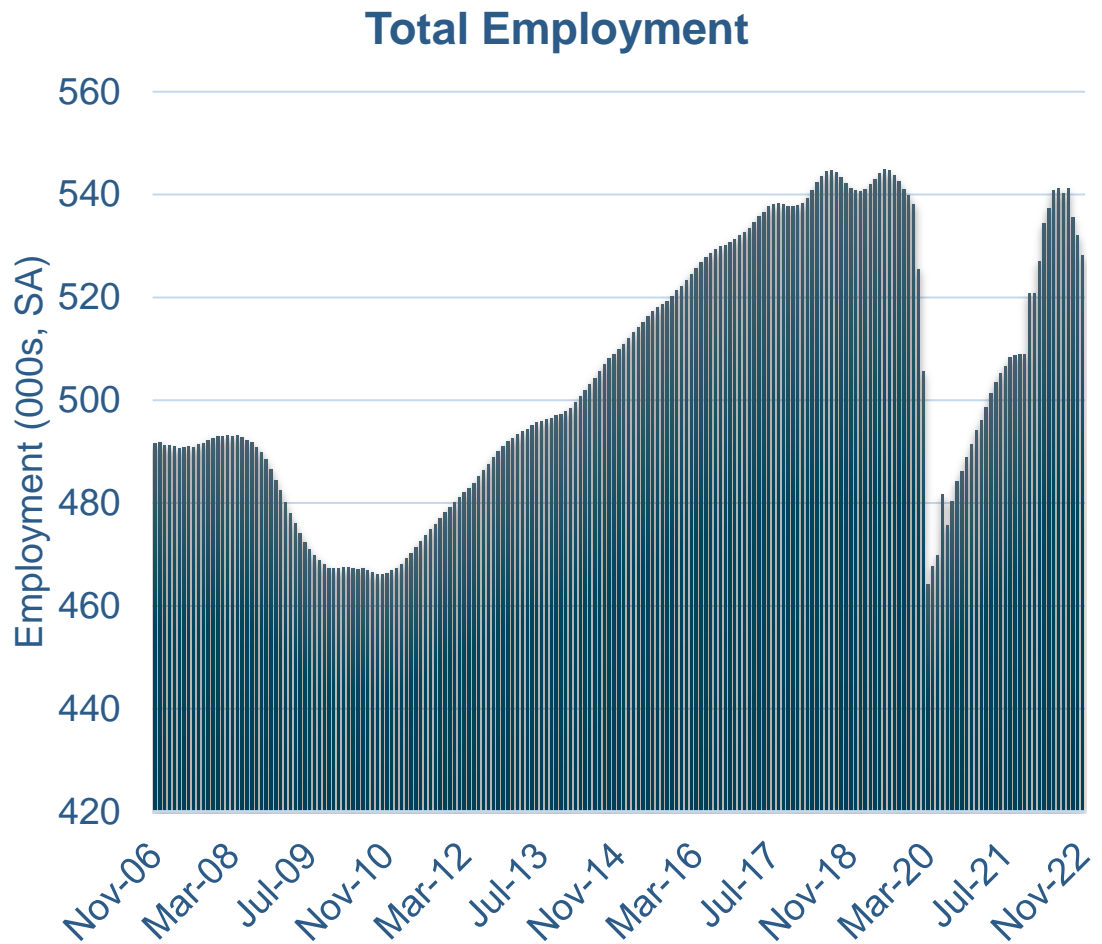
Unemployment Rate



Labor Force



Employment – East Bay

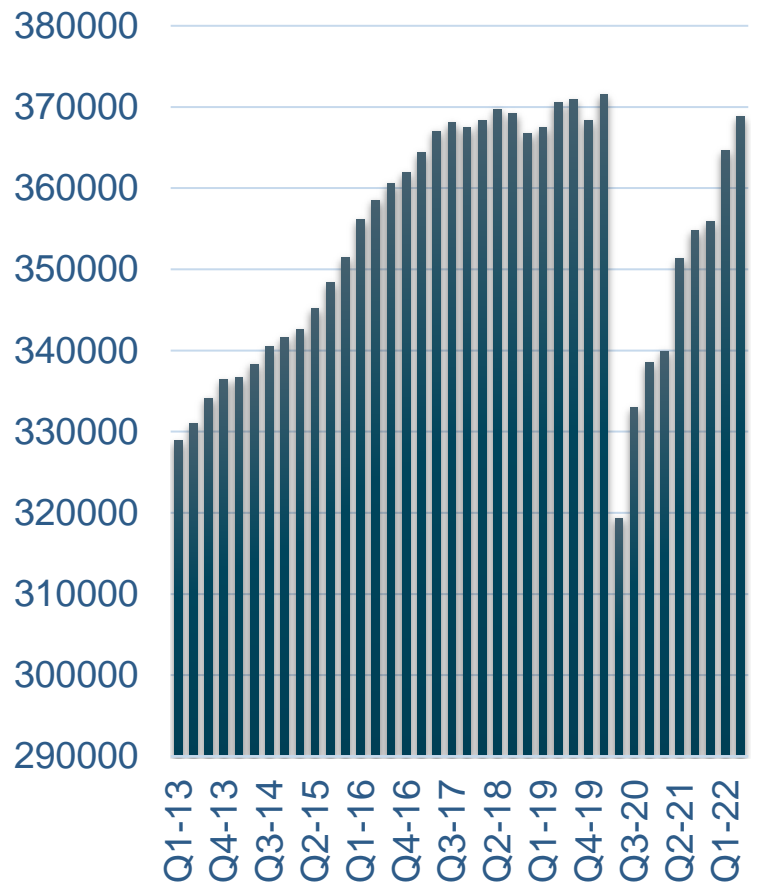


Industry	Q4-22 Emp (000s)	3-Yr Chg (000s)	3-Yr % Growth
Total Nonfarm	1185.3	-10.6	-0.9
Manufacturing	115.3	13.7	13.5
Education/Health	208.9	8.4	4.2
Trade, Transport, Util.	203.2	2.8	1.4
Prof Sci and Tech	104.9	2.4	2.4
Retail Trade	109.3	-1.9	-1.7
Information	25.1	-2.2	-8.1
Construction	73.8	-2.6	-3.4
Wholesale Trade	42.2	-2.7	-6.1
Admin Support	65.3	-3.6	-5.2
Financial Activities	51.4	-4.3	-7.7
Government	164.2	-10.9	-6.2
Leisure and Hospitality	107.8	-12.9	-10.7

Contra Costa Employment



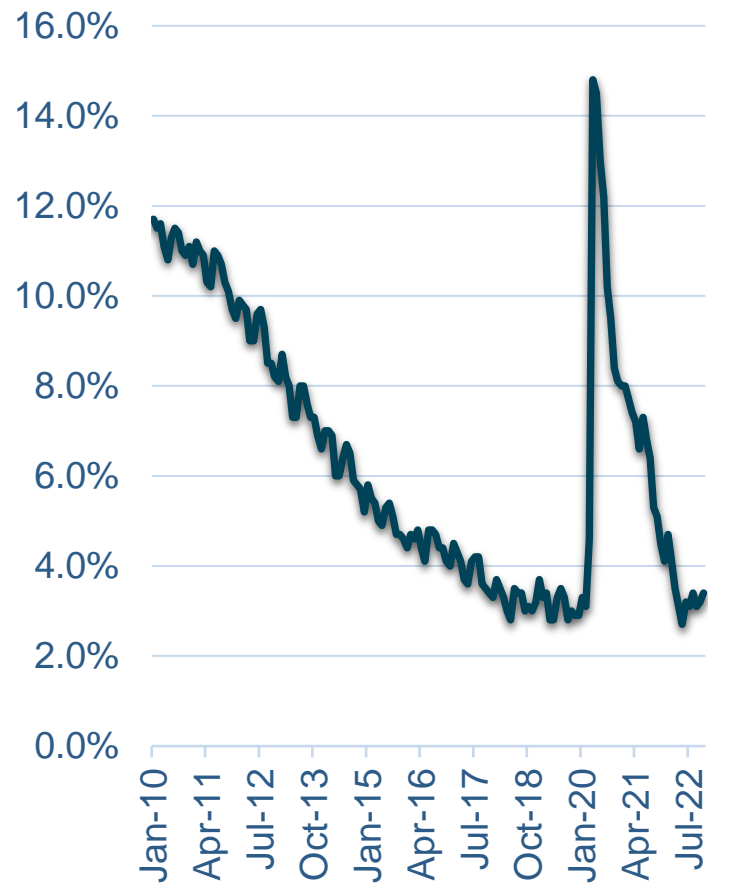
Payroll Employment



Household Employment



Unemployment Rate

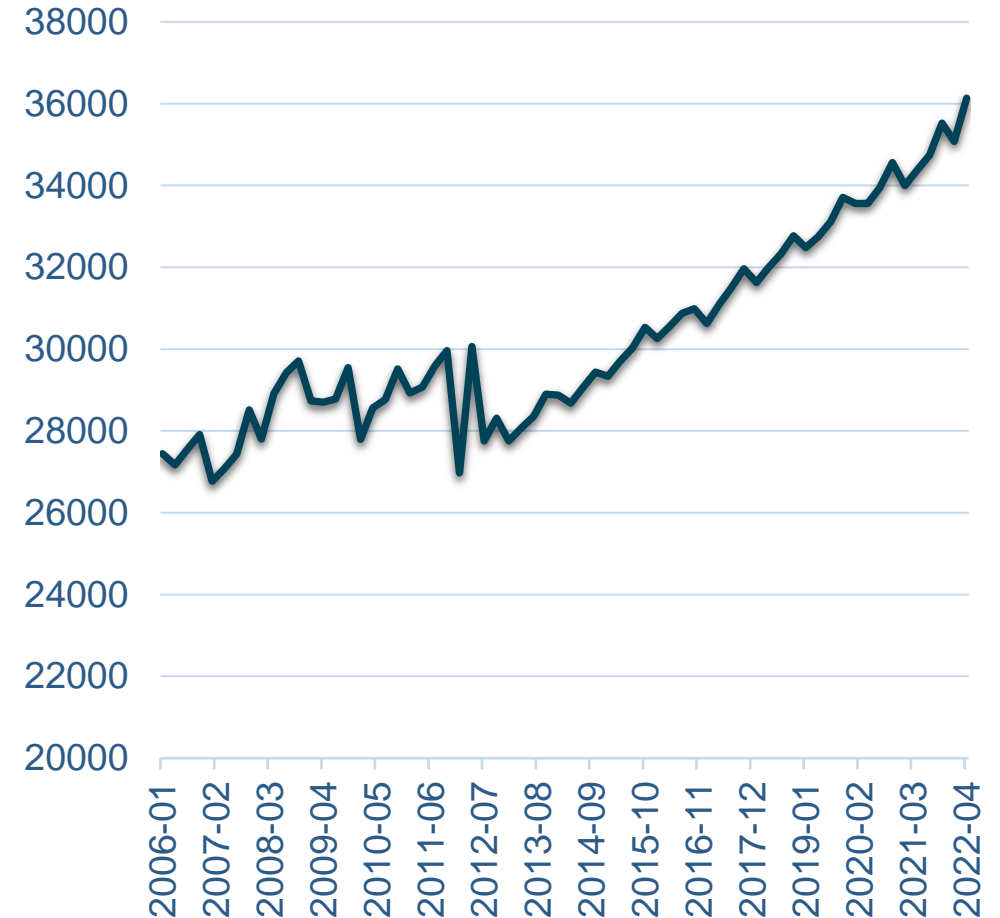


CCC Employment



	2019 Dec	2021 Dec	Ch
Total, All Industries	380,000	368,400	-11,600
Health Care & Social Assistance	65,200	68,500	3,300
Transportation, Warehousing & Utilities	12,600	14,300	1,700
Professional, Scientific & Technical Services	25,300	26,000	700
Administrative & Support & Waste Services	24,300	24,600	300
Retail Trade	43,300	43,300	0
Educational Services	7,800	7,100	-700
Arts, Entertainment & Recreation	6,500	5,800	-700
Wholesale Trade	8,900	8,100	-800
Information	7,000	5,800	-1,200
Management of Companies & Enterprises	8,600	7,300	-1,300
Other Services	13,600	12,300	-1,300
Mining, Logging and Construction	26,200	24,500	-1,700
Manufacturing	15,700	14,000	-1,700
Financial Activities	26,900	24,600	-2,300
Accommodation & Food Services	36,000	33,300	-2,700
Government	51,600	48,300	-3,300

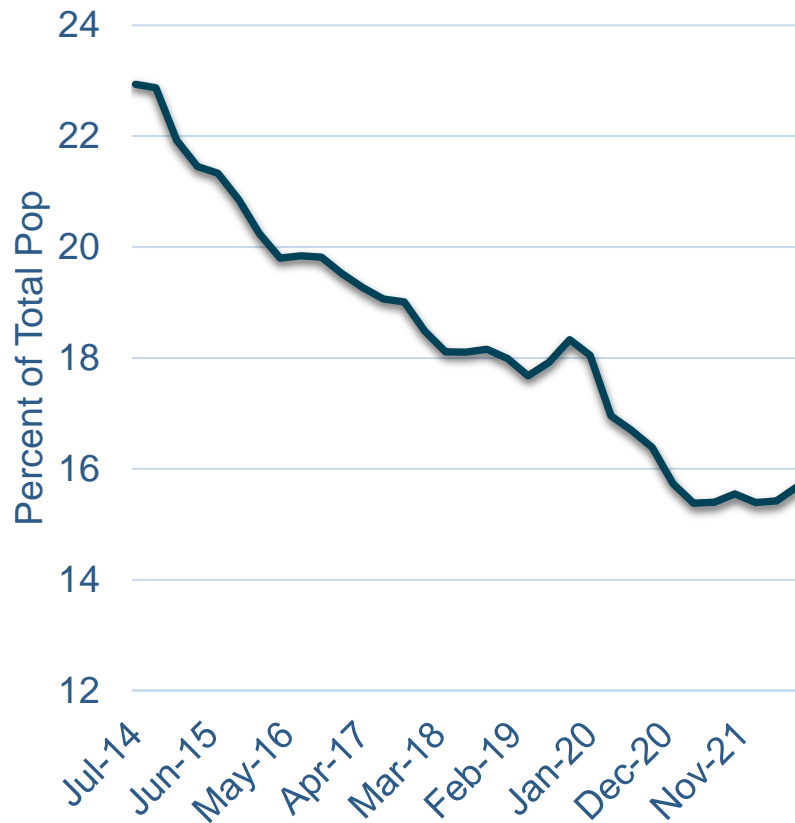
Private Sector Establishments



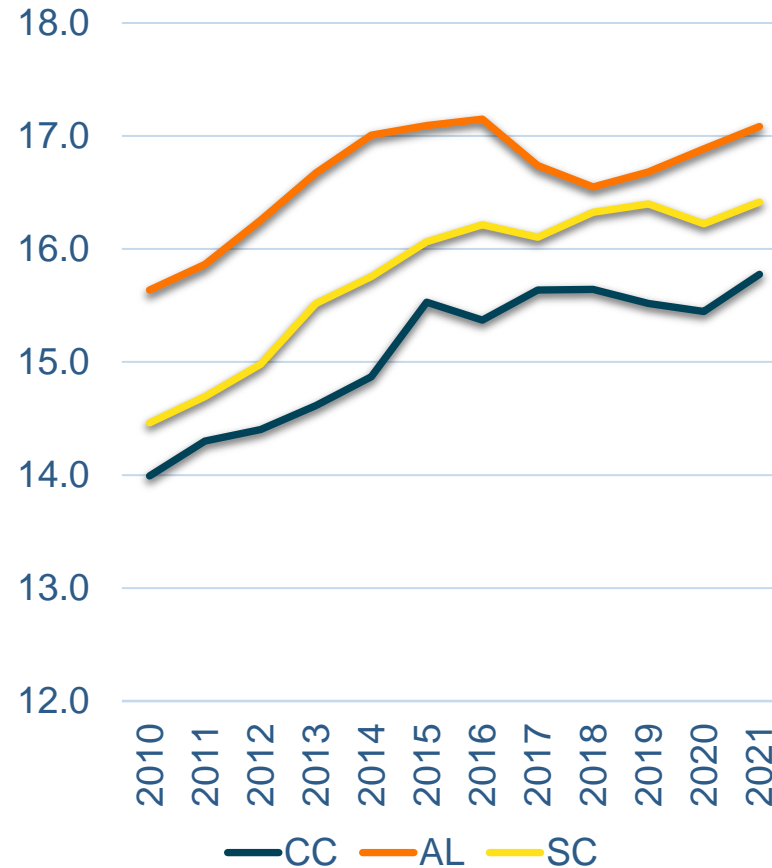
Income Dynamics



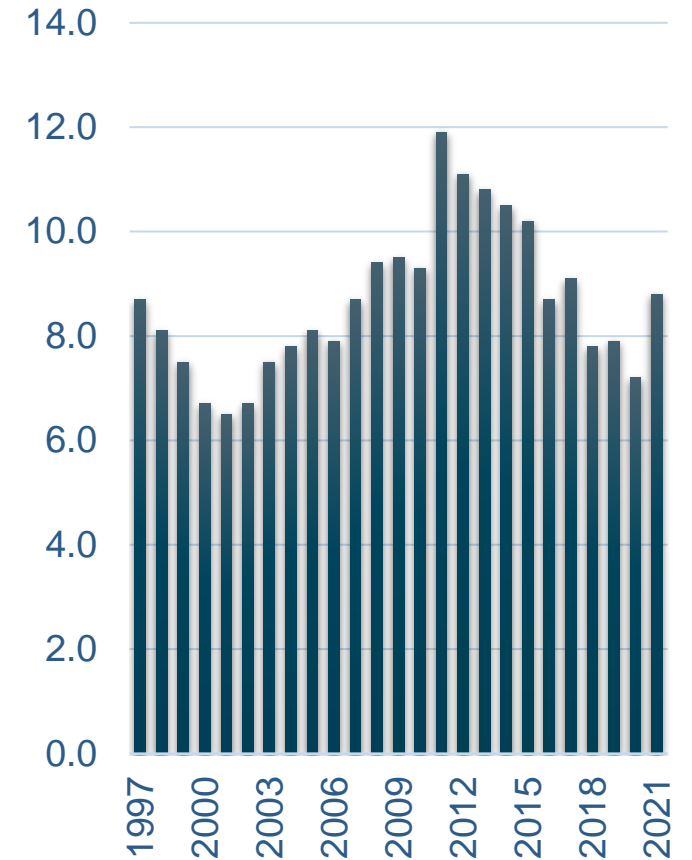
Subprime Credit Population, Contra Costa County



Inequality



Poverty Rate



Earnings Growth 17-21 (ACS)

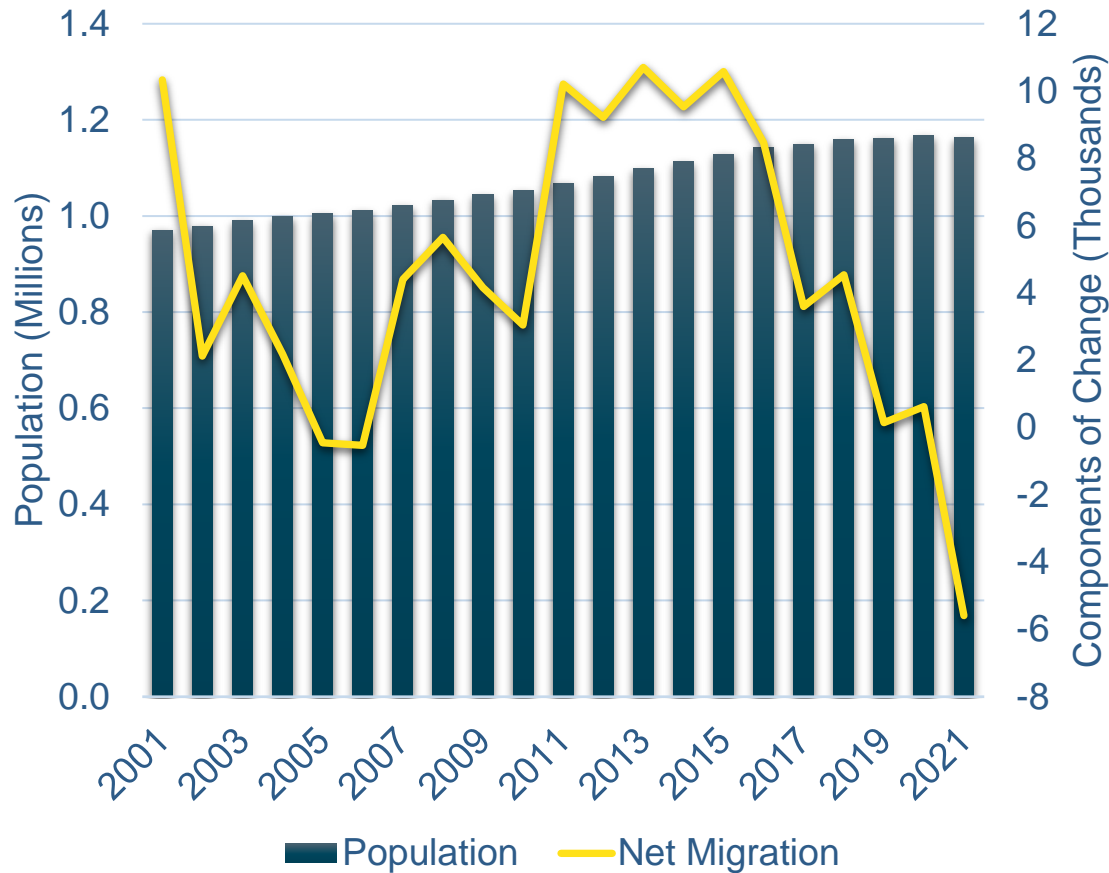


	Contra Costa		Antioch city		Concord city		Pittsburg city		Richmond city	
Median earnings (dollars) for full-time, year-round workers with earnings	78453	17.6%	64250	40.0%	70820	14.6%	51200	21.1%	64008	47.2%
Mean earnings (dollars) for full-time, year-round workers with earnings	112783	20.3%	78333	35.5%	89721	22.6%	62498	5.4%	84187	46.7%
MEDIAN EARNINGS BY EDUCATIONAL ATTAINMENT										
Less than high school graduate	32357	23.2%	35298	41.2%	30781	13.5%	30179	14.6%	31883	18.6%
High school graduate (includes equivalency)	44787	27.1%	40873	30.9%	47740	28.1%	44455	79.2%	36045	-11.3%
Some college or associate's degree	51527	22.7%	52393	27.7%	54137	35.2%	47640	30.9%	42831	28.1%
Bachelor's degree	83427	11.8%	70804	27.0%	75384	13.4%	62376	3.1%	76428	27.7%
Graduate or professional degree	103589	8.2%	79861	52.3%	90577	12.2%	87824	63.3%	80109	-1.1%

Population



Contra Costa Population

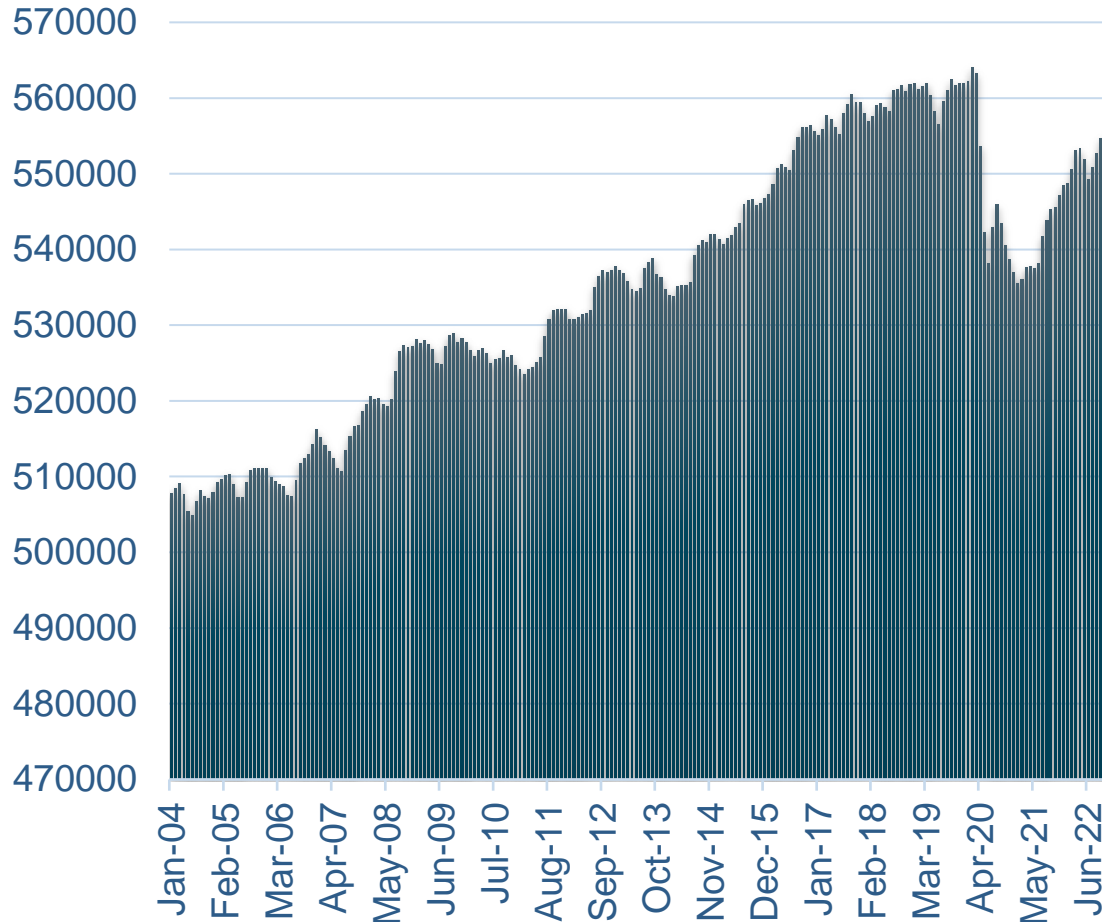


Select Cities	2022 Population	1-Yr % Growth
County Total	1,156,555	-0.4
Oakley	44,533	2.1
Brentwood	64,342	0.2
Danville	43,352	0.0
Antioch	115,074	-0.1
El Cerrito	25,650	-0.1
Richmond	114,489	-0.1
Orinda	19,478	-0.1
Incorporated	979,614	-0.4
San Ramon	83,820	-0.5

Contra Costa Labor Force



Labor Force



	2021	Ch 15-21	% Ch 15-21
Population 25 to 64 years	500008	25954	5.5%
Less than high school	43594	1115	2.6%
High school graduate	83726	5003	6.4%
Some college or associate's degree	127953	-19114	-13.0%
Bachelor's degree or higher	244561	38965	19.0%
Age < 30	124197	-1905	-1.5%
Age 30-54	333119	15656	4.9%
Age 55+	151624	21972	16.9%

Labor Shortage Solutions

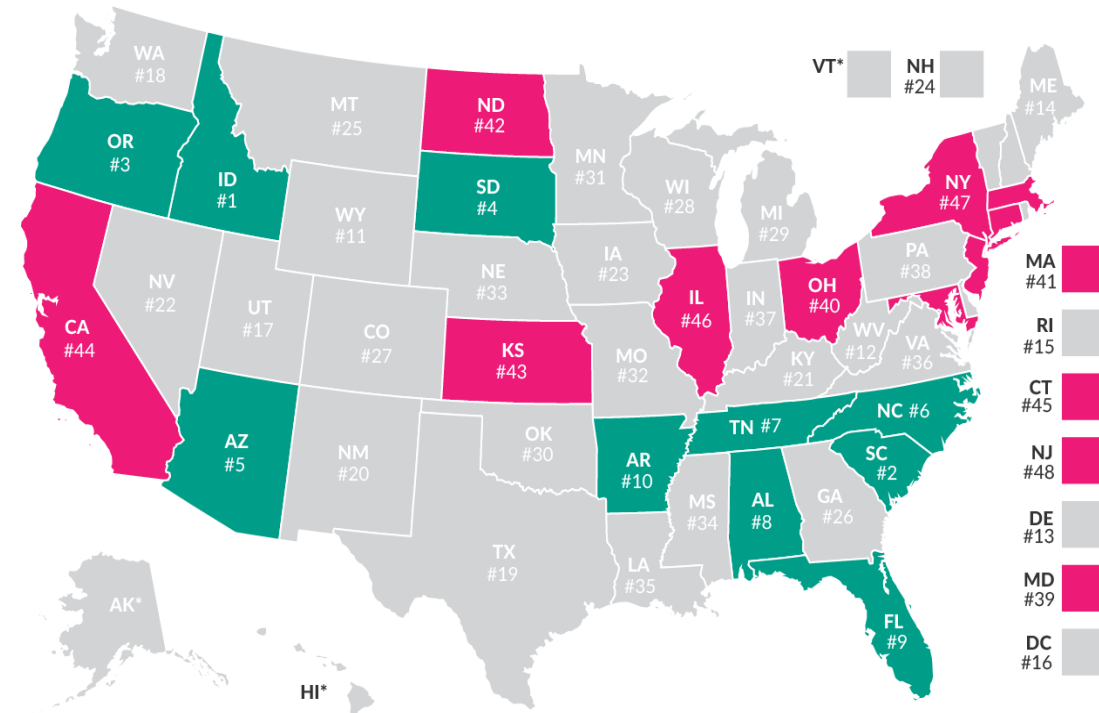


■ Solutions

- Extensive: Increasing labor force through immigration (SR) or birthrates (LR)
- Intensive: Raising participation rates among the existing population
- Productivity enhancements: capital investments / skill training

Where Did Americans Move in 2020?

State Migration Patterns, from Most Inbound to Most Outbound, 2020



Note: Rankings are determined based on the number of inbound moves as a percentage of total moves in a state. DC is included in state rankings while Vermont is excluded because of its small sample size. Alaska and Hawaii are not included in the study.

Source: United Van Lines, 2020 National Movers Study.

Top 10 States for Inbound Migration

Top 10 States for Outbound Migration

How About Residential Markets?



Existing Homes Sales (000's. SAAR)



Months Supply New Homes For sale



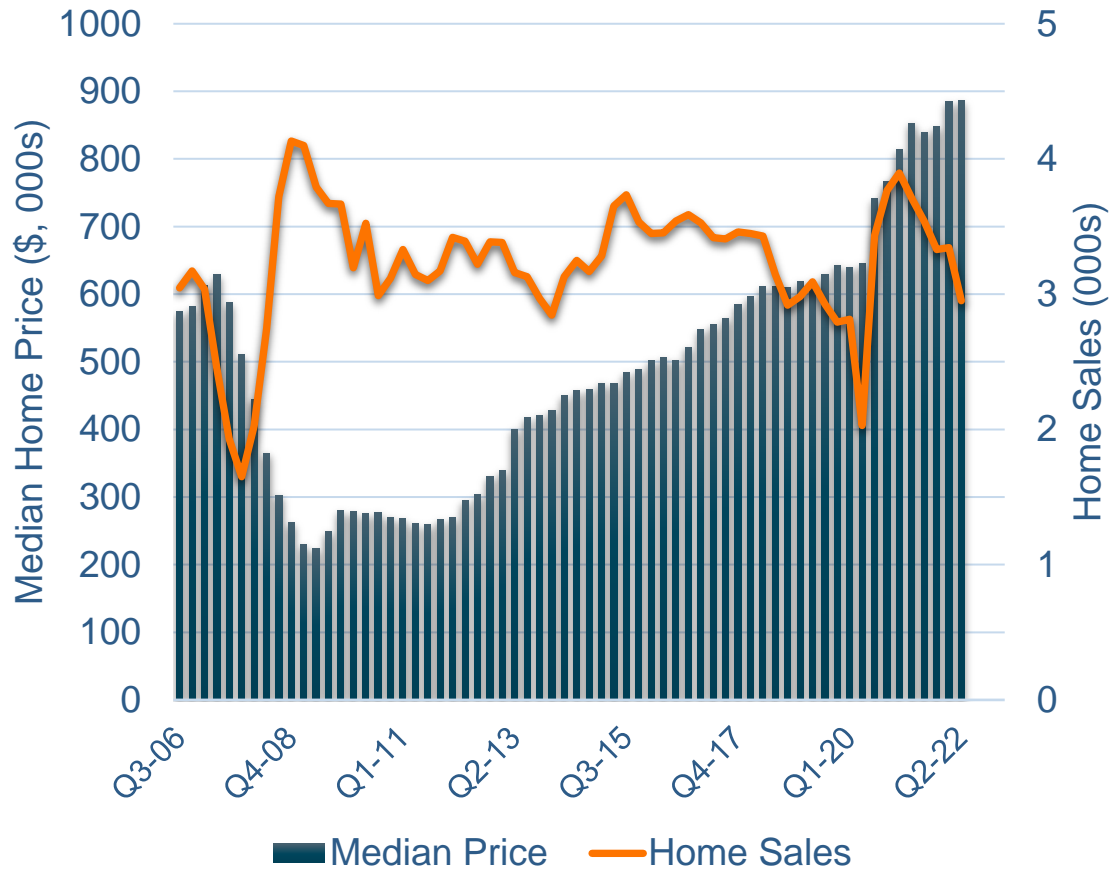
Single Family Housing Starts



Housing Market



Contra Costa Home Prices and Sales



County	Median Prices		Home Sales	
	Q2-22 (\$)	1-Yr % Gr	Q2-22	1-Yr % Gr
Alameda	1,309,808	17.1	2,956	-23
Ventura	885,635	12.5	1,748	-22.5
Monterey	832,955	6.2	682	-21.0
San Francisco	1,776,255	5.7	776	-12.6
Contra Costa	885,830	3.4	2,952	-22.2

Sticker Shock



New Home Cost (Annual payment 100% LTV)



Case Shiller HPA
July 20 – July 22

Tampa	64.0%	Los Angeles	37.9%
Phoenix	62.0%	San Francisco	35.1%
Miami	61.4%	New York	34.9%
Dallas	54.2%	Boston	34.6%
Charlotte	49.5%	Portland	33.6%
Las Vegas	49.2%	Cleveland	30.9%
San Diego	49.1%	Detroit	29.4%
Atlanta	45.8%	Chicago	27.4%
Seattle	43.9%	DC	26.0%
Denver	40.3%	Minneapolis	24.6%

Market Collapse? Not a chance...



Months Supply of Existing Homes



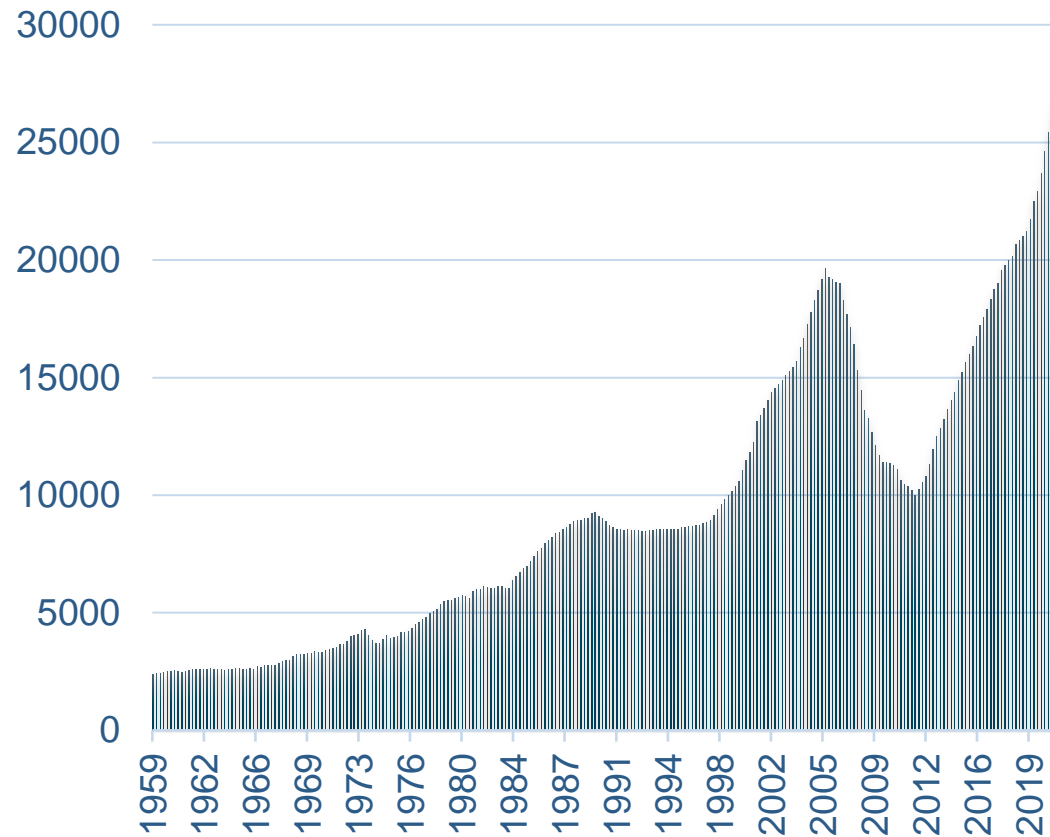
Overall Housing Vacancy

	Northeast	Midwest	South	West
Vacant Year Round 2022	7.6%	7.4%	9.6%	6.6%
For Sale / Rent	2.0%	2.4%	2.7%	2.0%
Vacant Year Round 2012	8.9%	9.9%	12.6%	9.0%
For Sale / Rent	3.3%	4.0%	4.7%	3.5%
Vacant Year Round 2008	8.6%	9.8%	12.3%	8.4%
For Sale / Rent	3.6%	4.9%	5.3%	3.6%

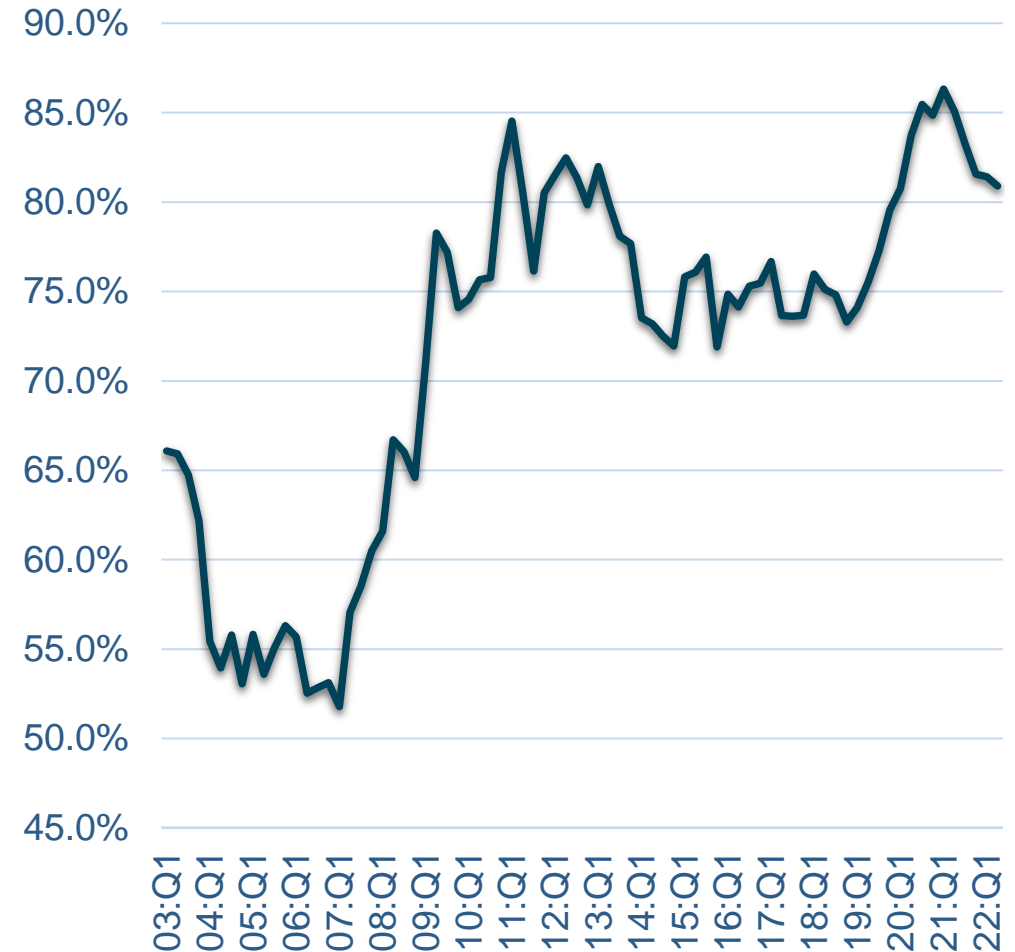
Market Collapse? Not a chance...



Real Equity in US Real Estate (Households, \$Bil 1-4 family)



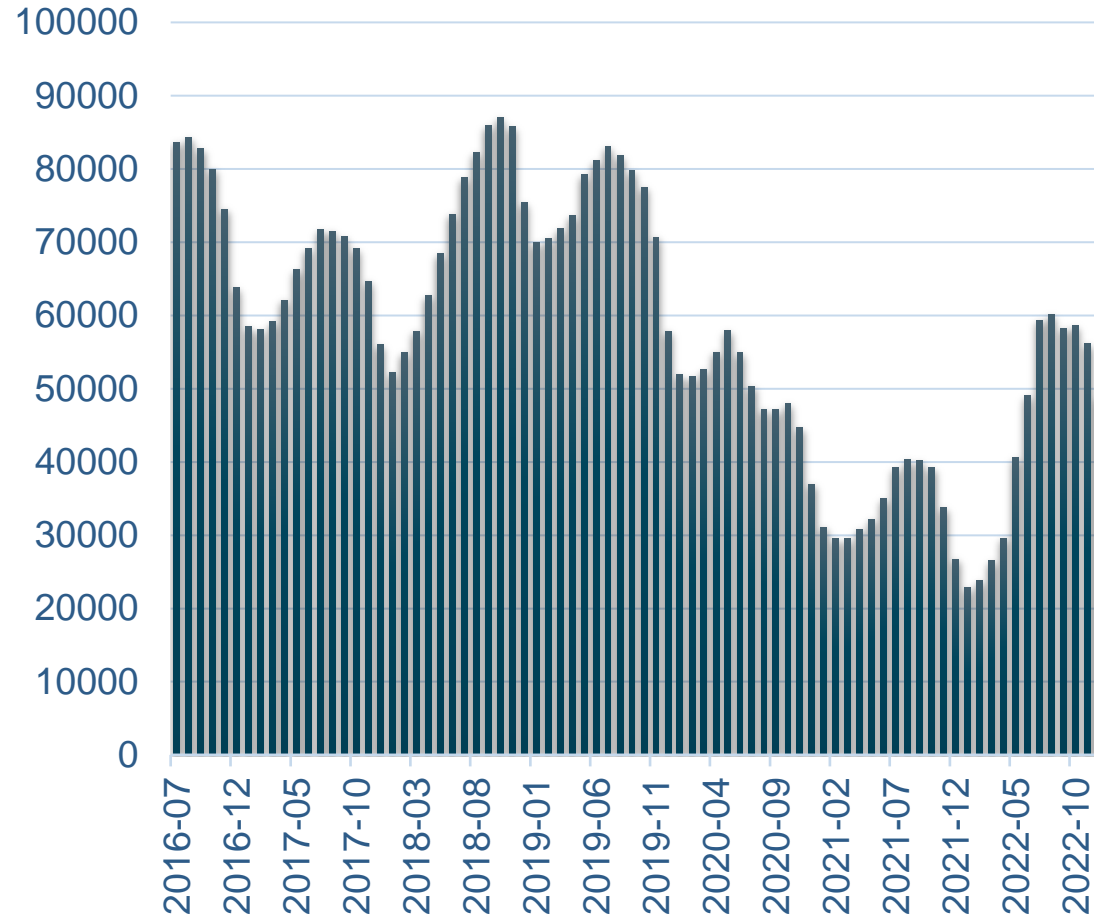
Share Mortgage Debt > 720 FICO



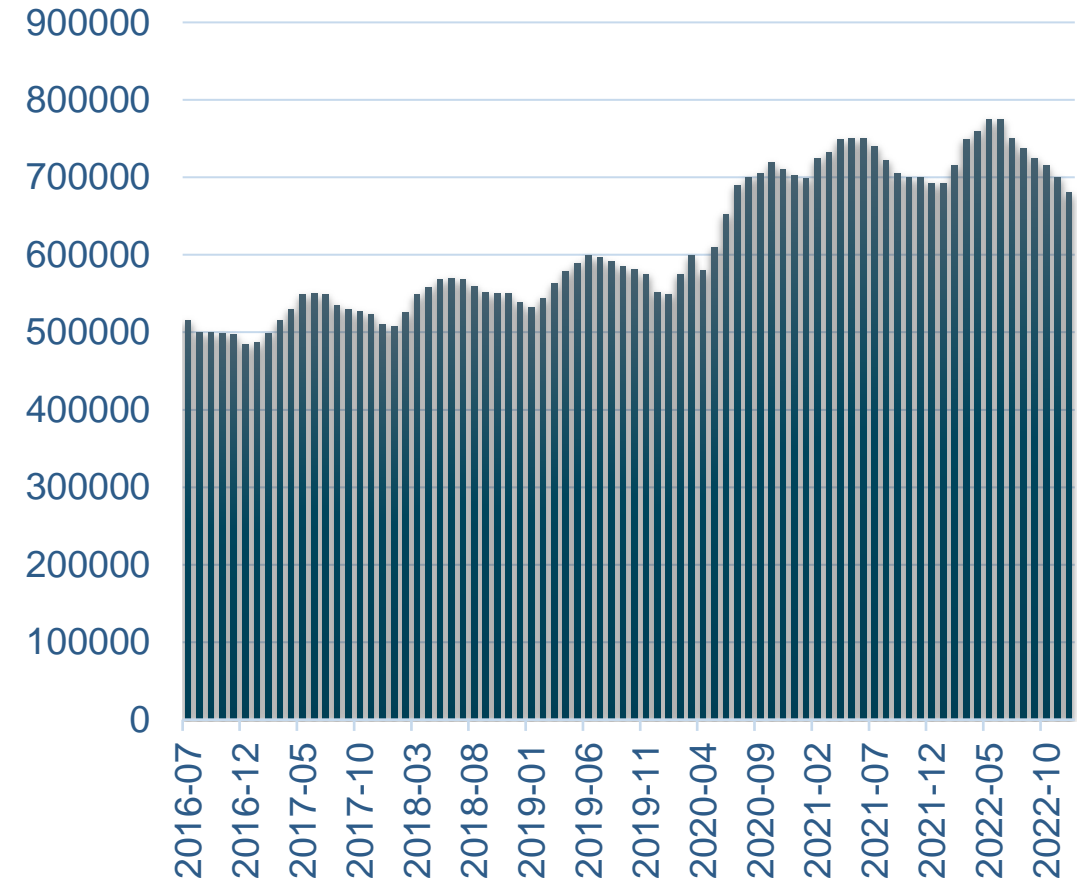
Recent Numbers



Active Listings California



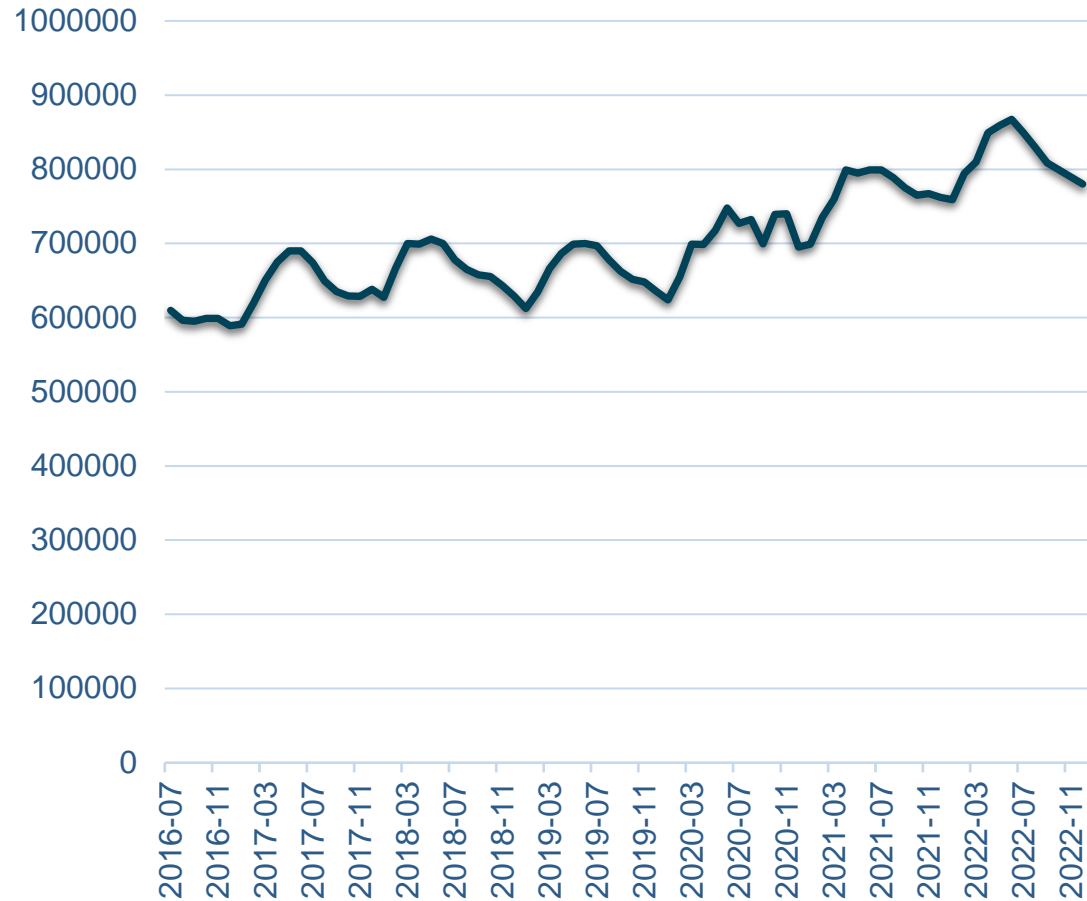
Listing Price: California



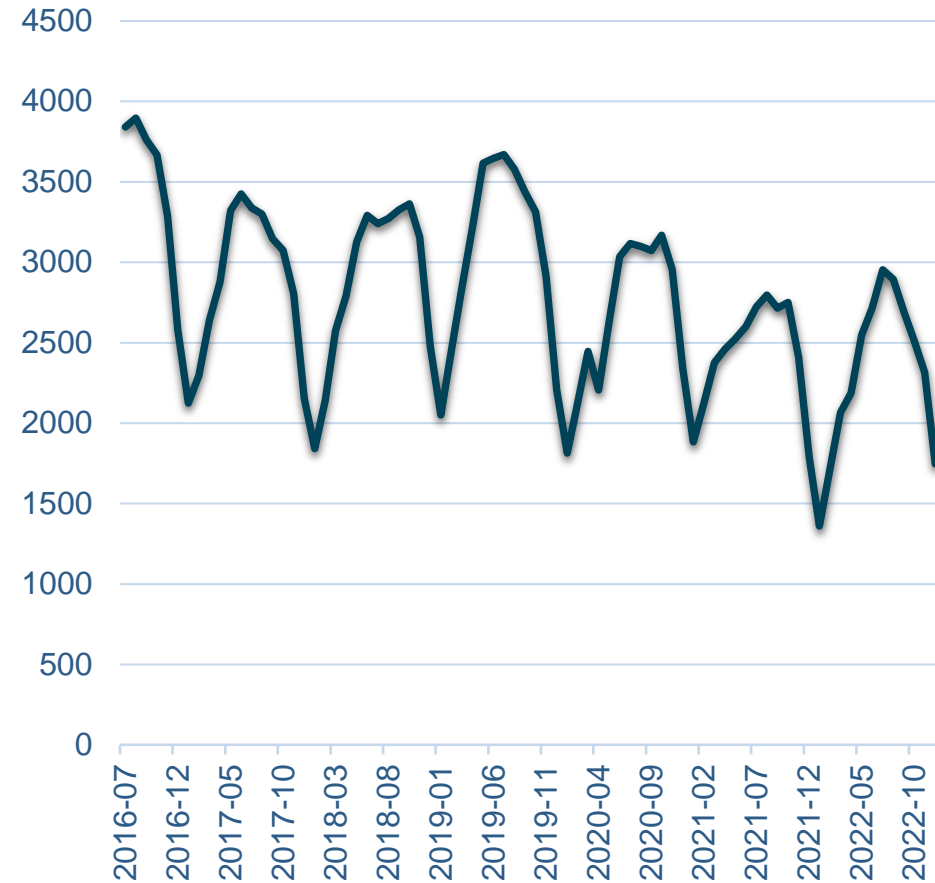
The Local Situation: CC County



Asking Price



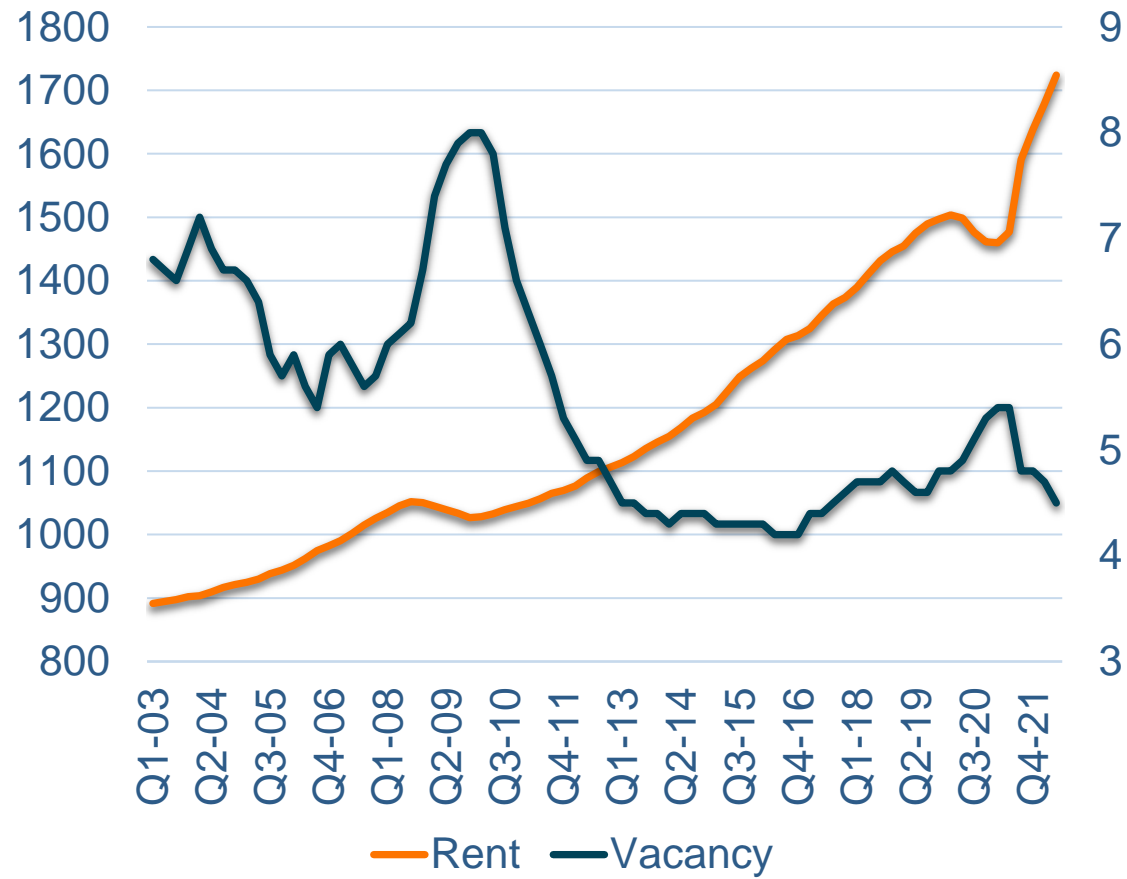
Listings



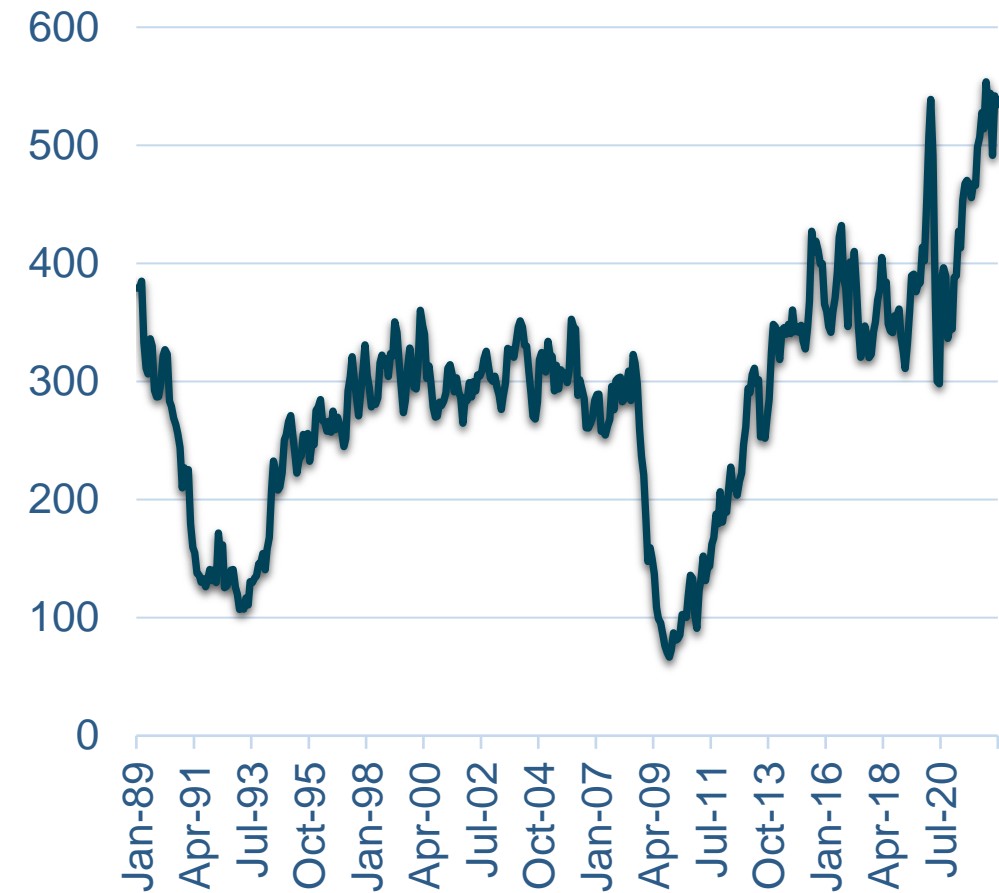
Market Driver: Housing Demand



US Apartment Markets



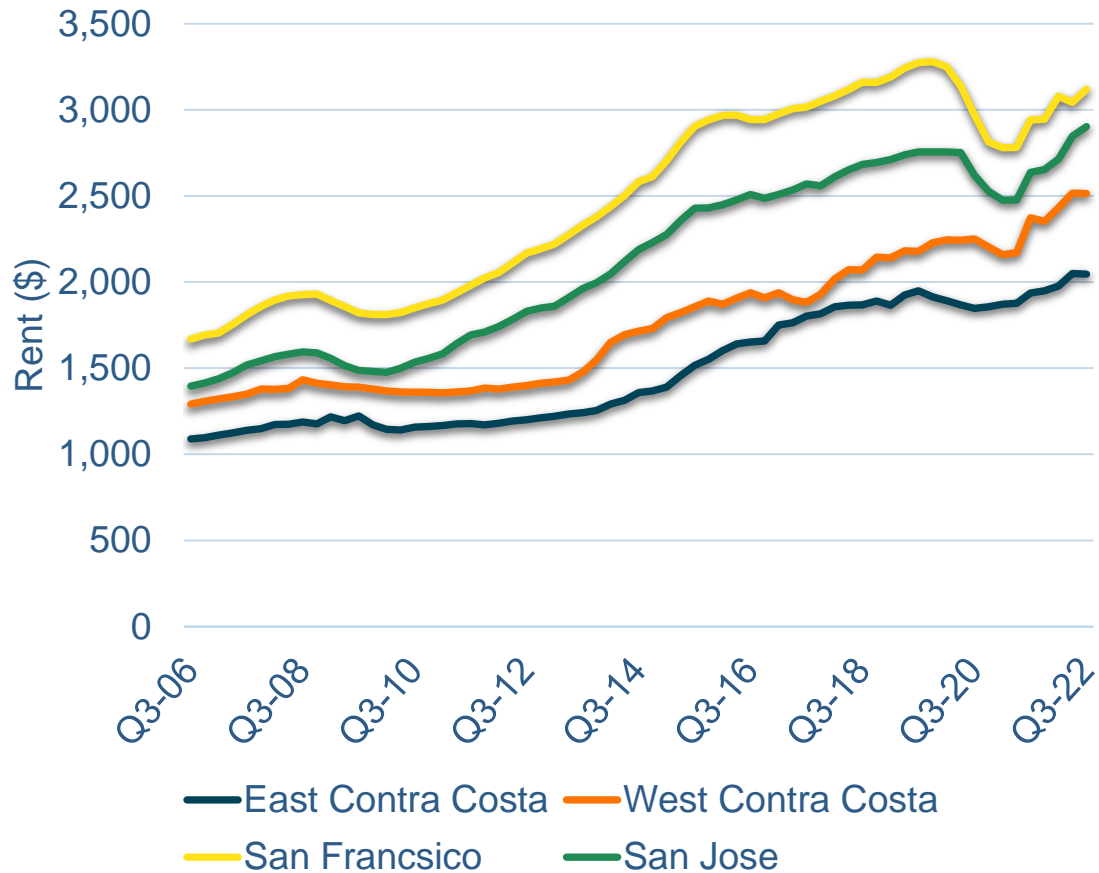
Starts 5+ Unit Buildings



Apartments



Cost of Rent



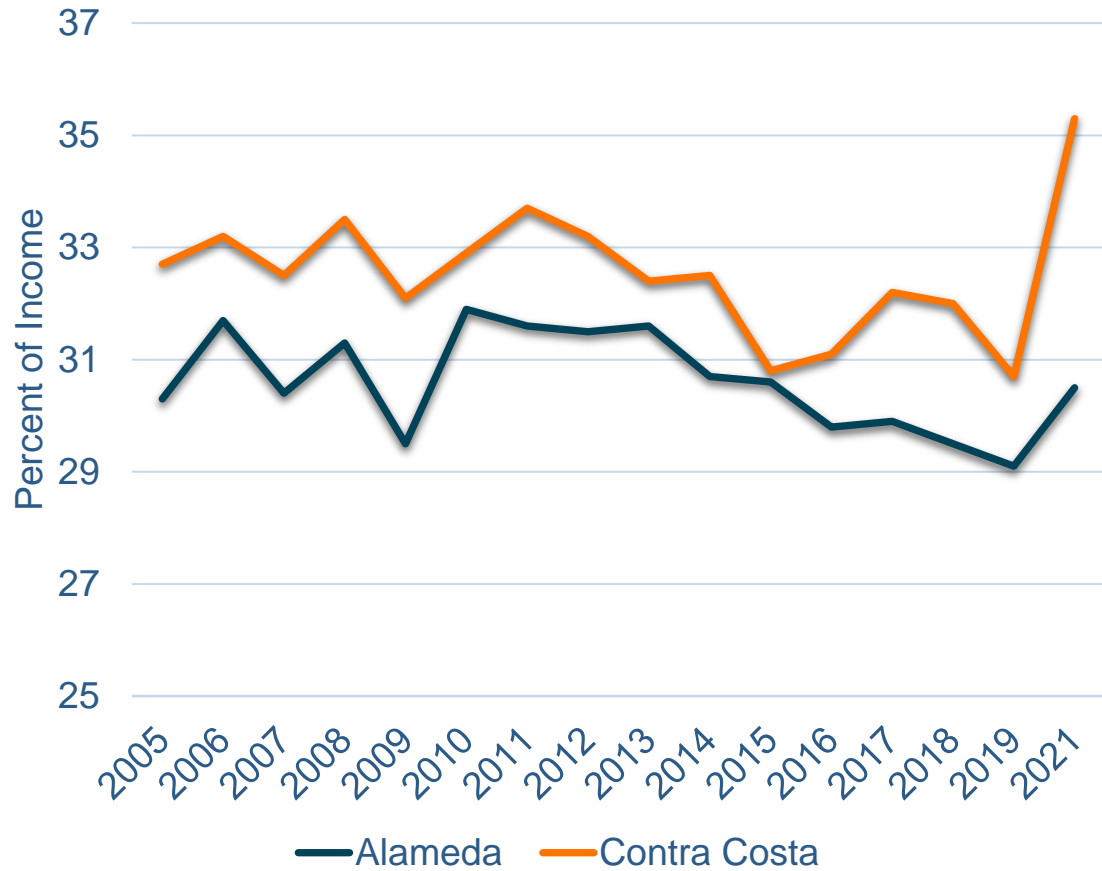
Vacancy Rates



Household Income



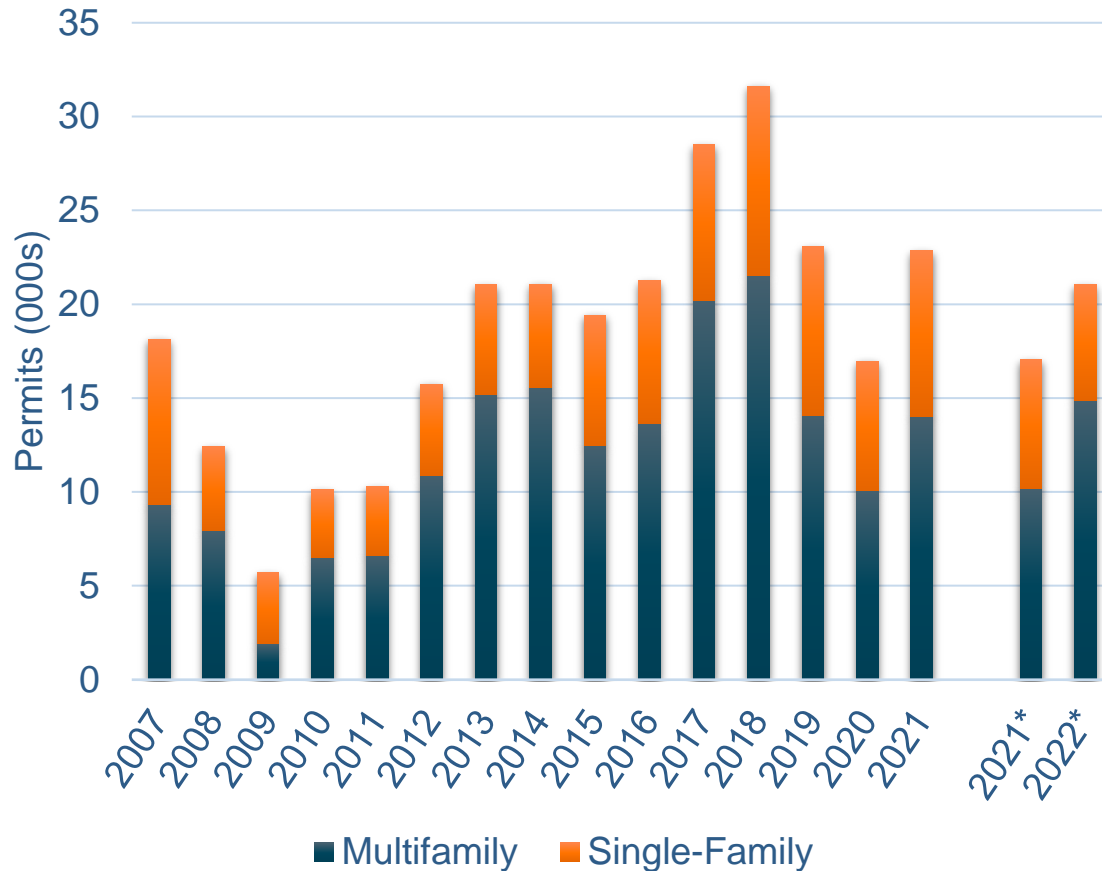
Median Rent as % of HH Income



Residential Permits – Bay Area



Number of Permits, Total Bay



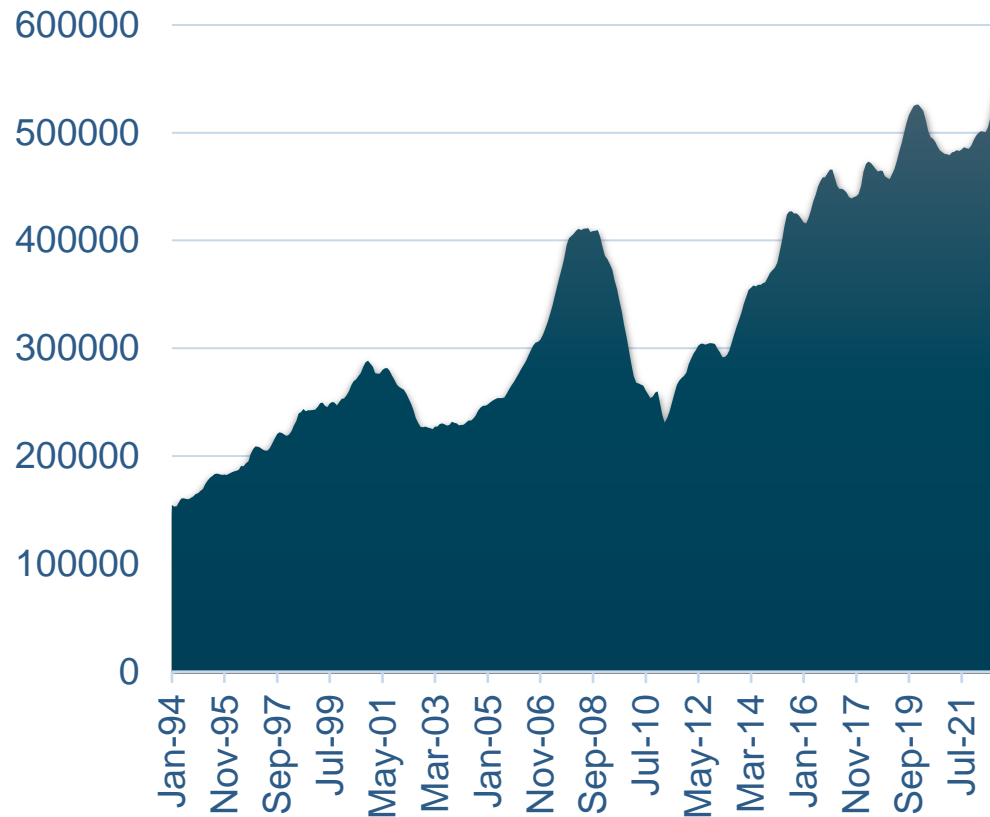
County	Single-family Permits		Multifamily Permits	
	2022*	1-Yr Abs. Chg	2022*	1-Yr Abs. Chg
San Francisco	266	131	3,380	564
Monterey	404	-59	451	155
Santa Clara	1,299	-475	4,378	1,237
Alameda	1,011	-517	2,438	-1,641
Contra Costa	1,337	-870	548	-1,153
Sacramento	3,160	-1,019	4,100	1,834

*YTD through Q3

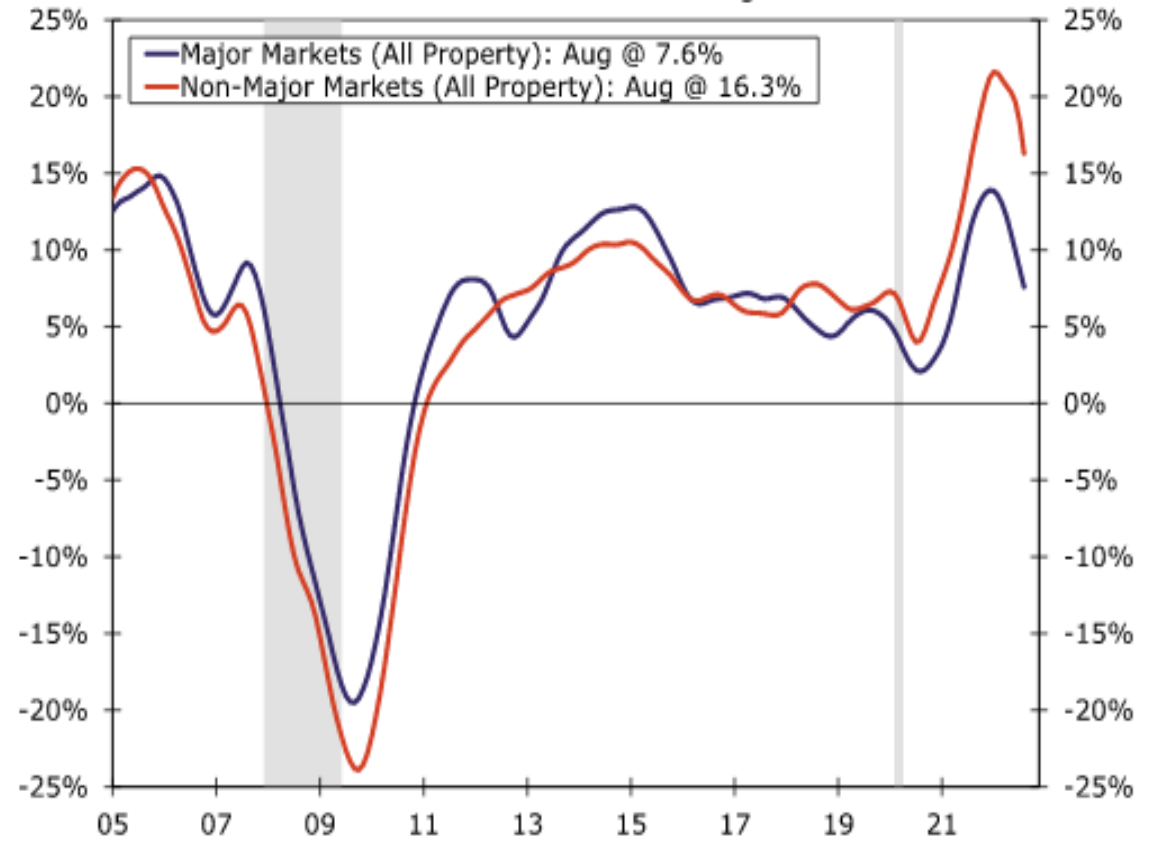
Non-Residential Markets



Non-Residential Construction Spending



Commercial Property Price Index Year-over-Year Percent Change



Source: Real Capital Analytics and Wells Fargo Economics

Nonresidential Rents and Vacancies



Office	Cost of Rent		Vacancy Rates	
	Q3-22 (\$/sf)	1-Yr % Gr	Q3-22 (%)	1-Yr Abs. Chg
North I-680	30.1	-0.1	12.2	-0.5
North Contra Costa	33.2	-0.3	20.1	2.3
West Contra Costa	31.7	-0.6	21.4	0.9

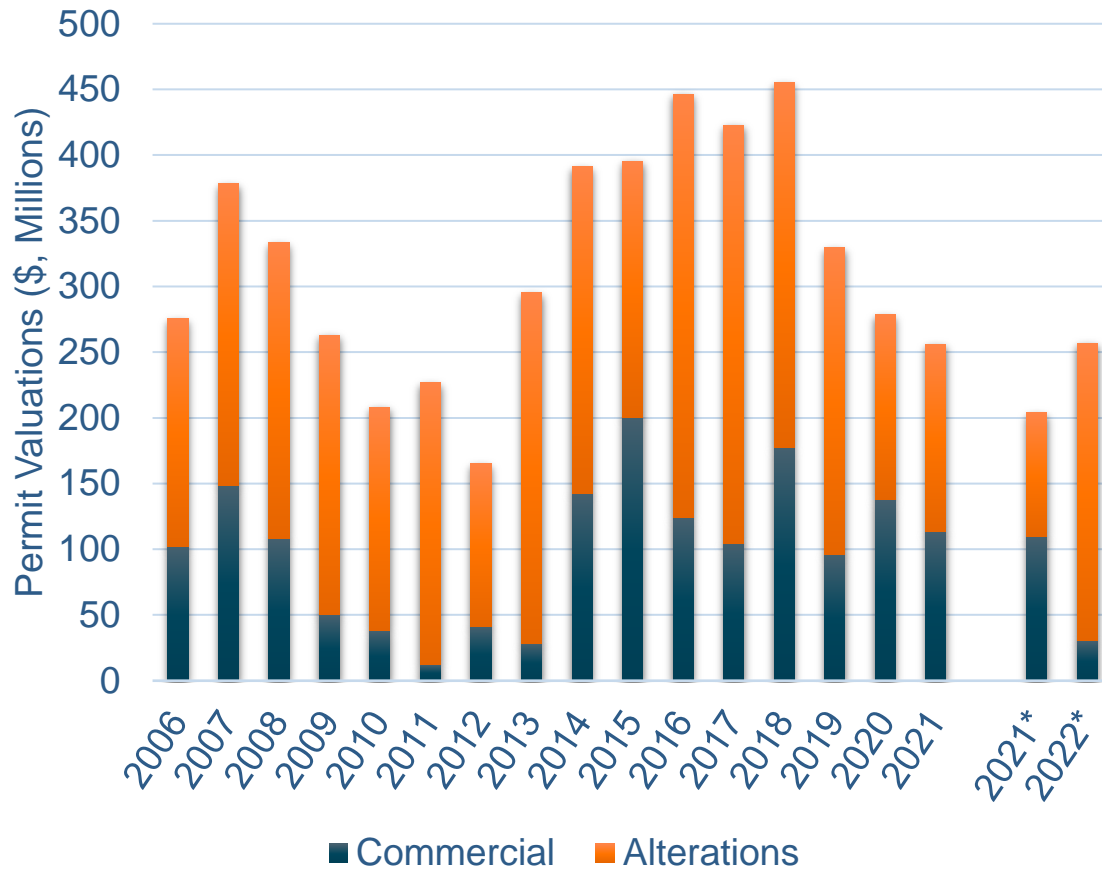
Retail				
Central Contra Costa	35.5	0.1	8.2	0.0
East Contra Costa	24.8	0.1	9.9	0.3
West Contra Costa	35.2	0.1	9.7	0.0

Warehousing/Distribution				
Concord/Pittsburg	7.1	20.4	1.0	-5.7
Berkeley, Richmond, and Martinez	8.7	17.5	3.5	-2.5

Nonres Real Estate – Contra Costa County



Permit Values



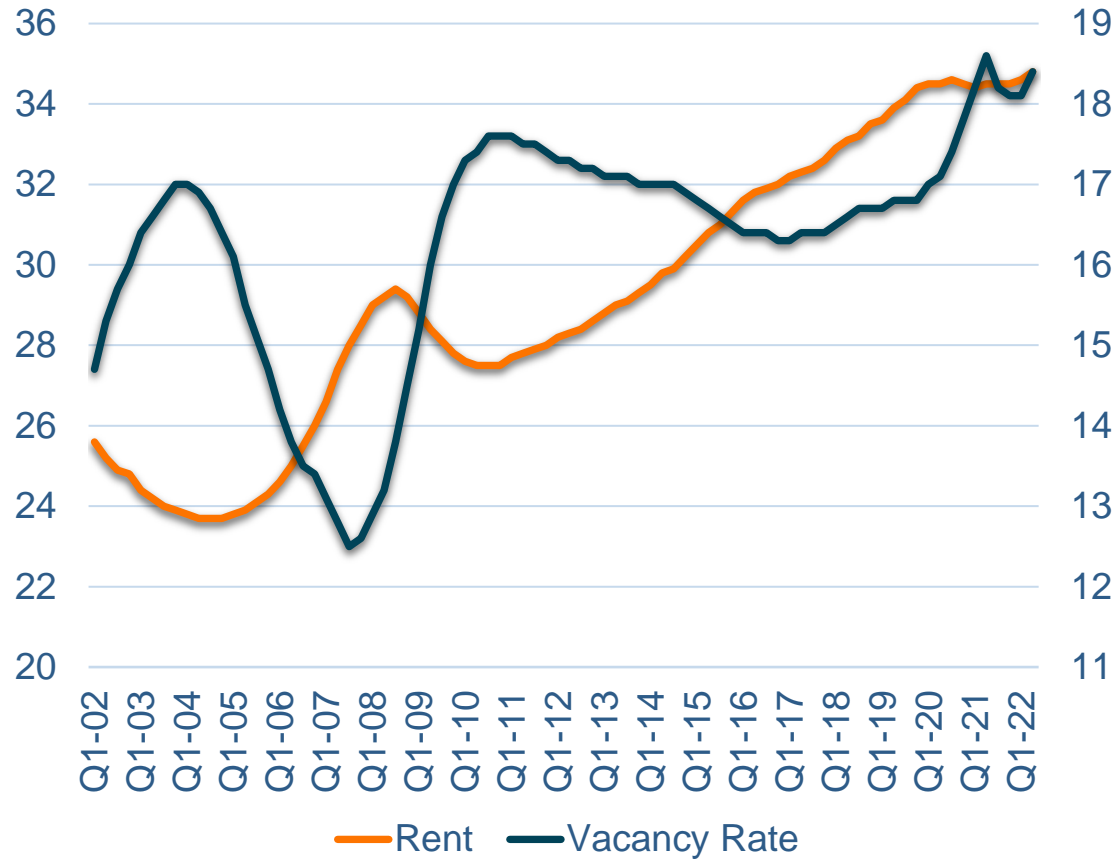
*YTD through Q3

Permit Type	2022* Permit Value (\$, Mil)	Abs. Change vs. 2021* (\$, Mil)
Hotel	14.5	14.5
Alterations	226.6	83.4
Commercial	30.4	-82.7
Retail	15.7	-48.8
Office	0.1	-29.7

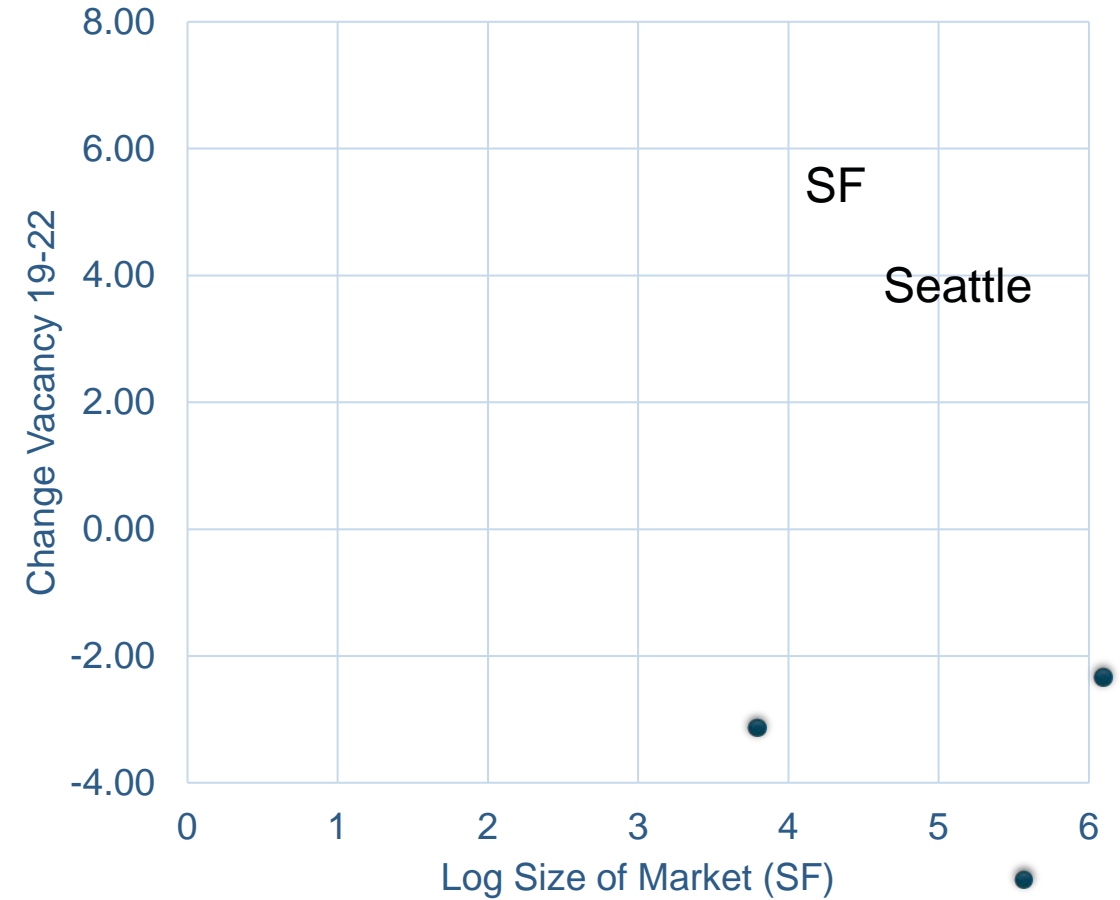
Office Space



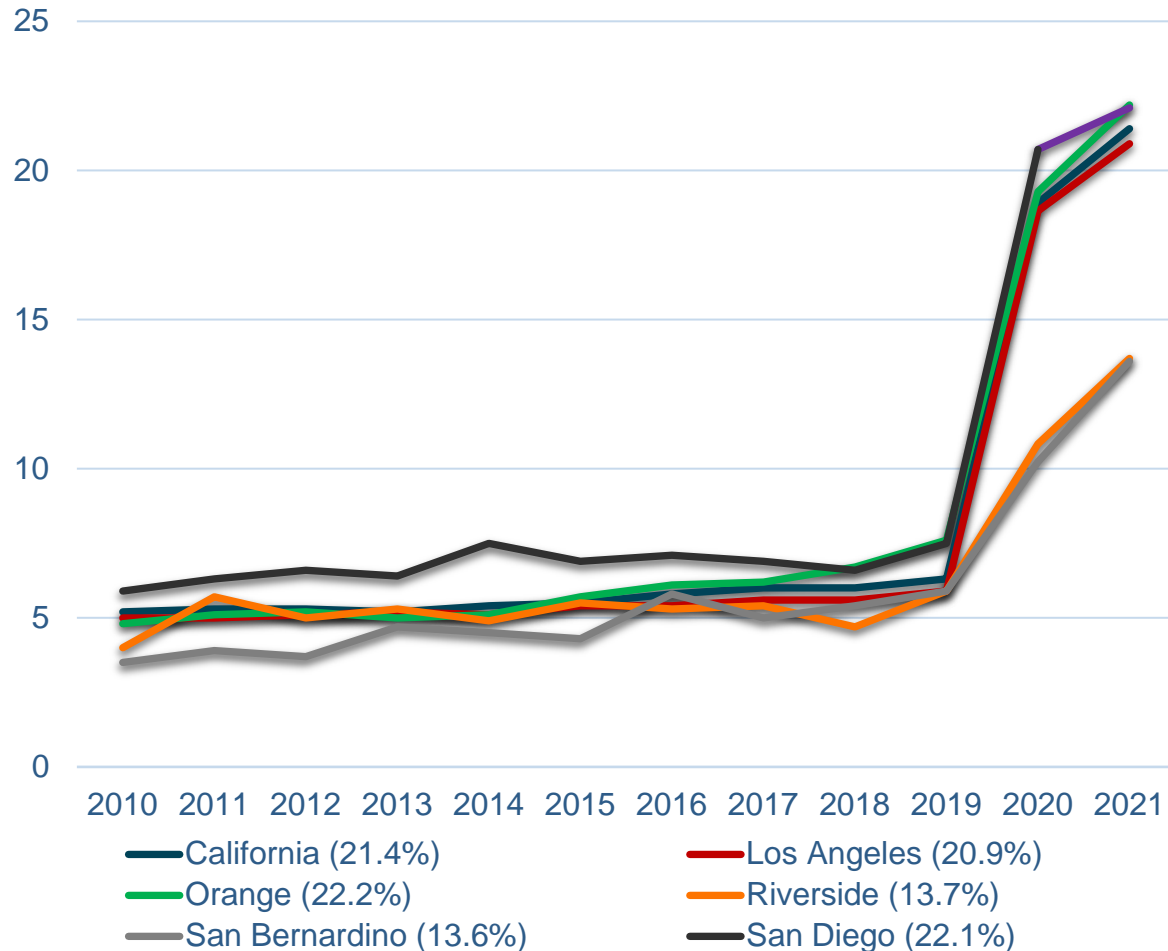
National Trends



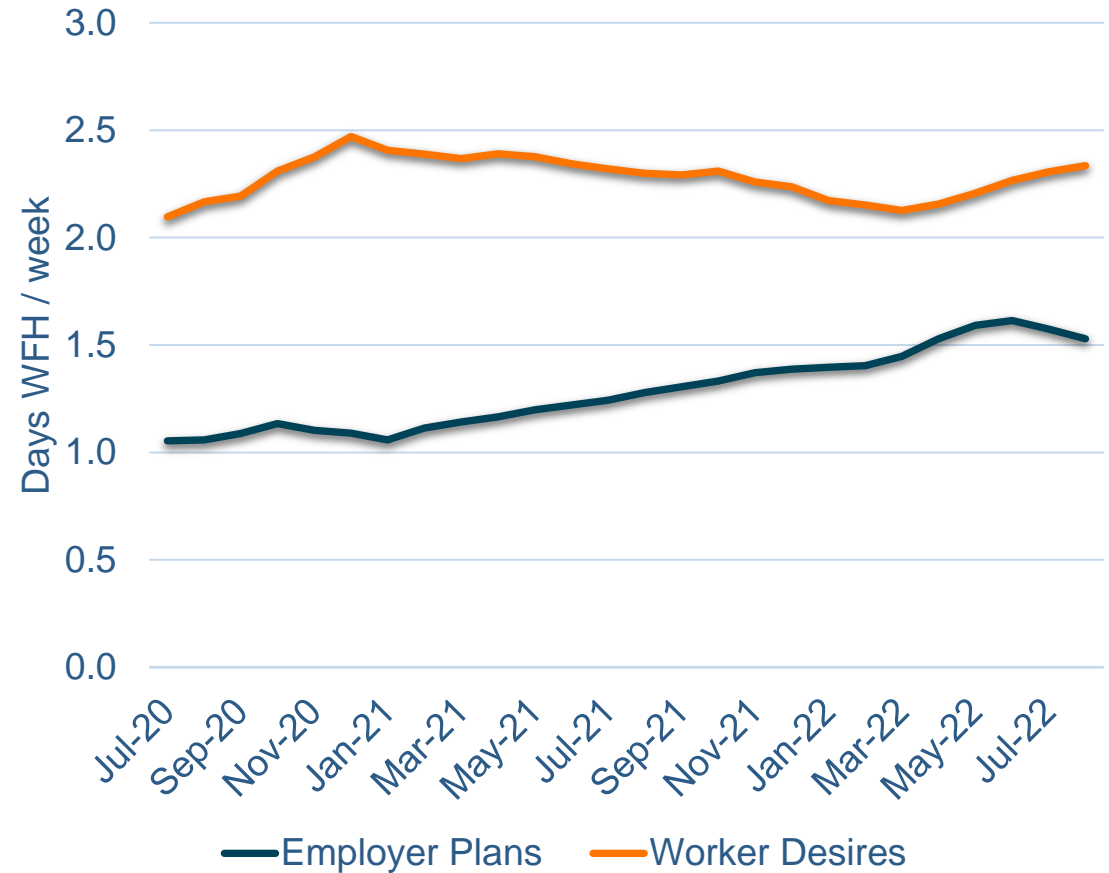
Mixed Results



Work-from-home Trends



WFH: Employer Plans vs Worker Desires

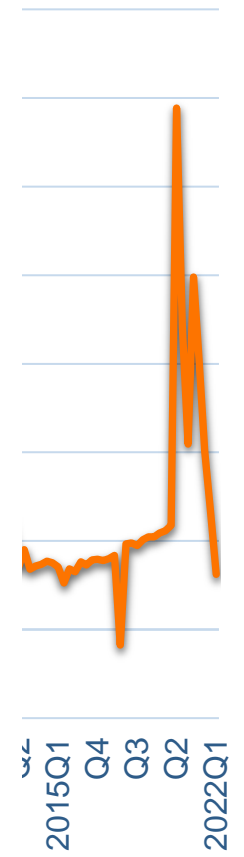
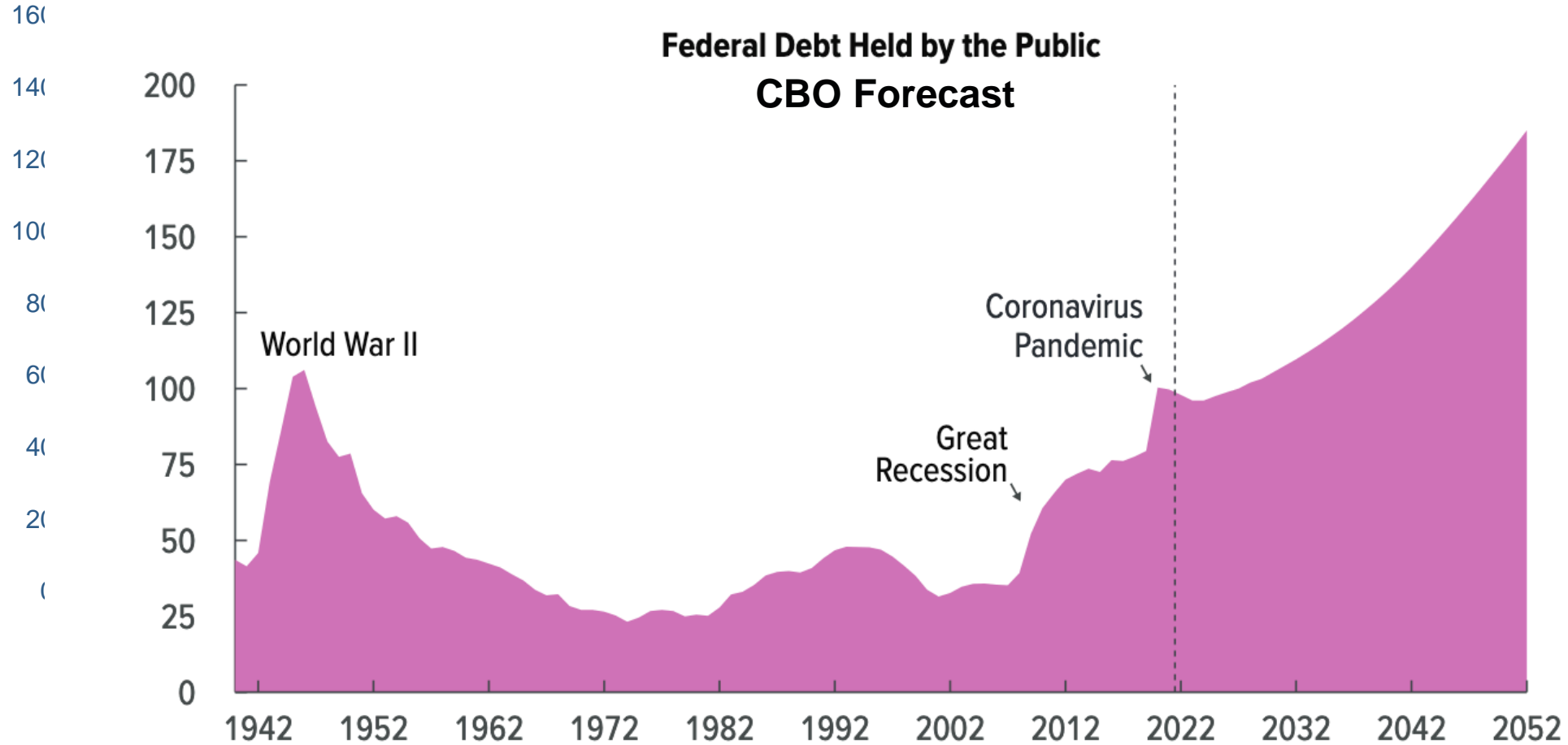


The Fiscal Situation



Federal Debt % GDP

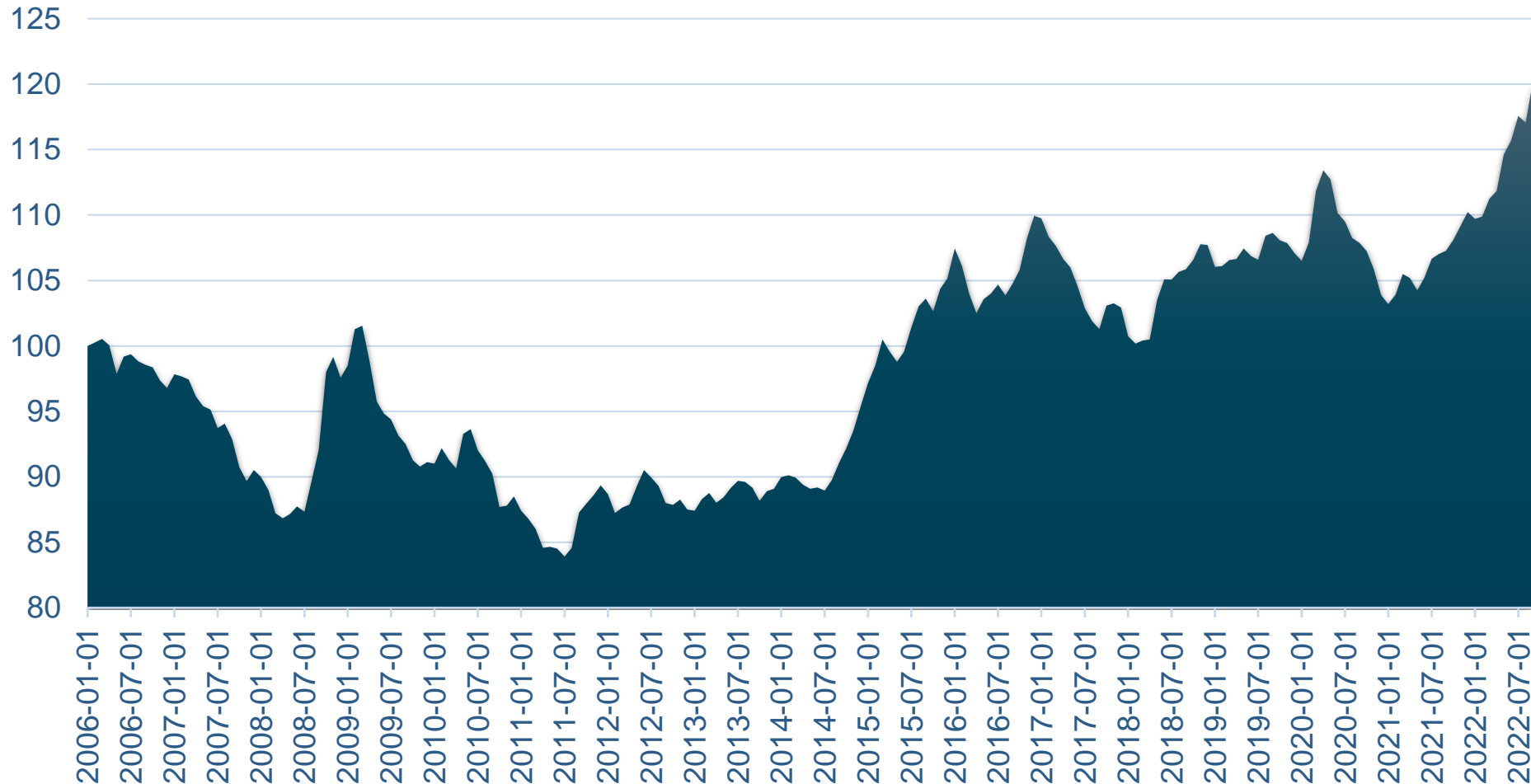
Federal Flows % GDP



Are Global Bond Markets Afraid?



Real Value of \$US



Growing Pressures

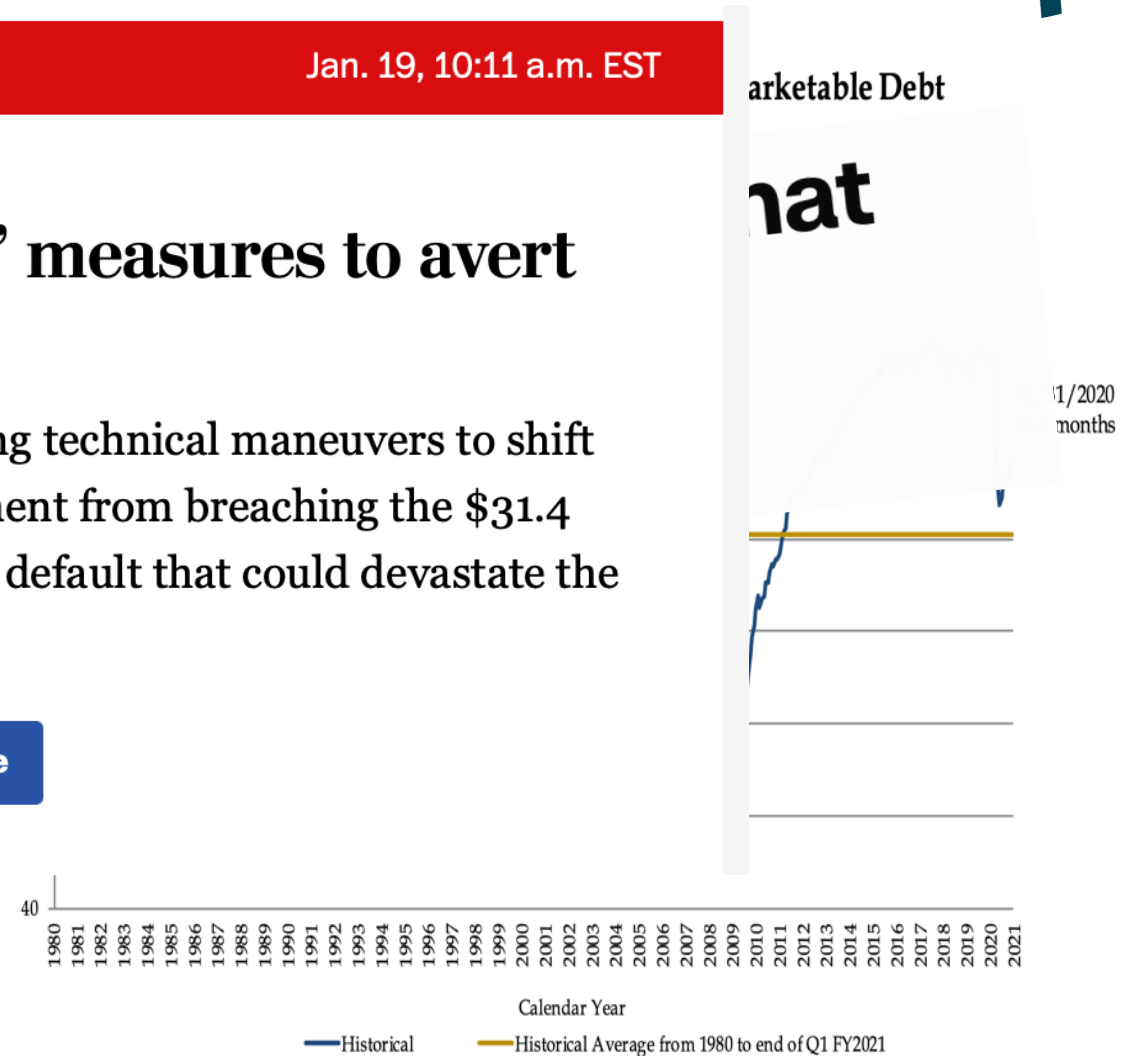
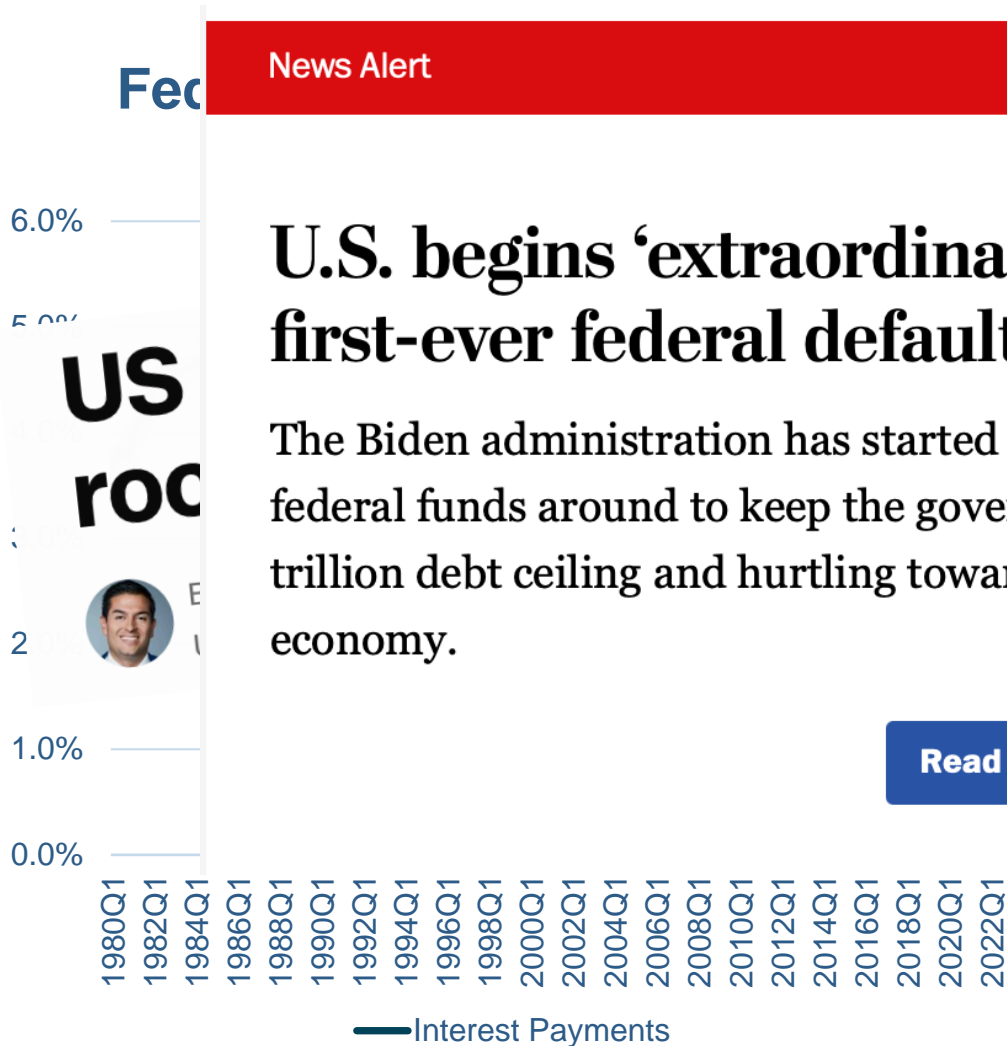


News Alert Jan. 19, 10:11 a.m. EST

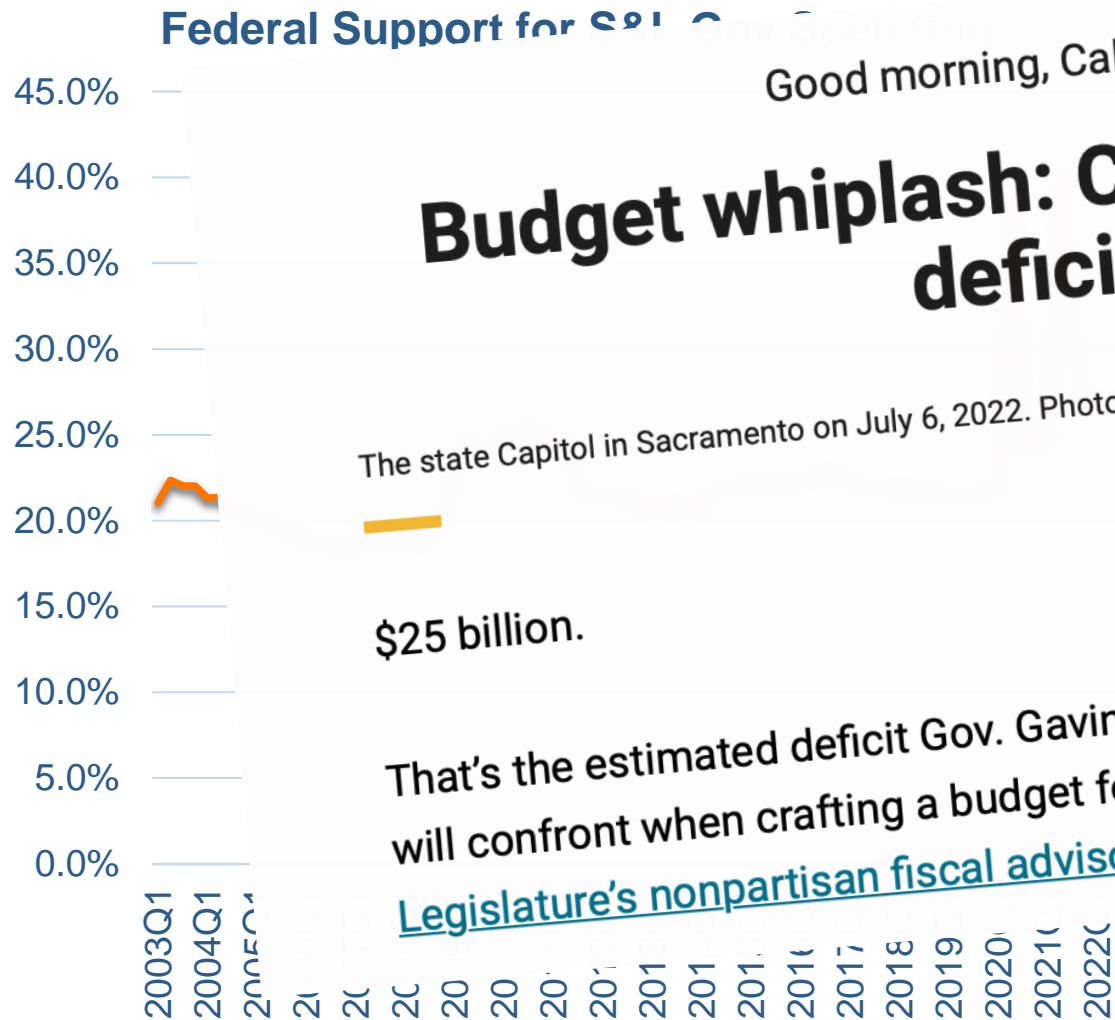
U.S. begins 'extraordinary' measures to avert first-ever federal default

The Biden administration has started using technical maneuvers to shift federal funds around to keep the government from breaching the \$31.4 trillion debt ceiling and hurtling toward a default that could devastate the economy.

[Read more](#)



The Local Risks



Good morning, California.

Budget whiplash: CA faces \$25B deficit

The state Capitol in Sacramento on July 6, 2022. Photo by Rahul Lal, CalMatters

\$25 billion.

That's the estimated deficit Gov. Gavin Newsom and state lawmakers will confront when crafting a budget for the upcoming fiscal year, [the Legislature's nonpartisan fiscal advisor announced Wednesday.](#)

	State	Local
	26.7%	3.4%
		27.5%
	57.6%	58.6%
	41.9%	37.6%
	0.7%	27.0%
	19.5%	6.7%
	15.8%	1.8%
	2.3%	0.4%
	1.1%	0.1%
Current charges	9.5%	15.9%
Miscellaneous general revenue	6.2%	5.1%

A bumpy path ahead...



- **Expansion**

- Asset values drying up
- Construction
- Inflation w
- Wealth and consumer
- Underlying strong
- Economy can have



Scenarios

What will the Fed do? Raise it til
t?
Long run fiscal
US terms of trade
China is
an economic reality
narratives still
wide



Thank You



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