

# inAction

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EFP Update, Alisal Ranch  
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# Roadmap for today

- national perspective: FOMC (aka the Fed)
- narrow the focus to California and local areas
- “forecast” the future

# Federal Open Market Committee

- finally!!!
- they raised rates! up 0.25 percentage points

# Federal Open Market Committee

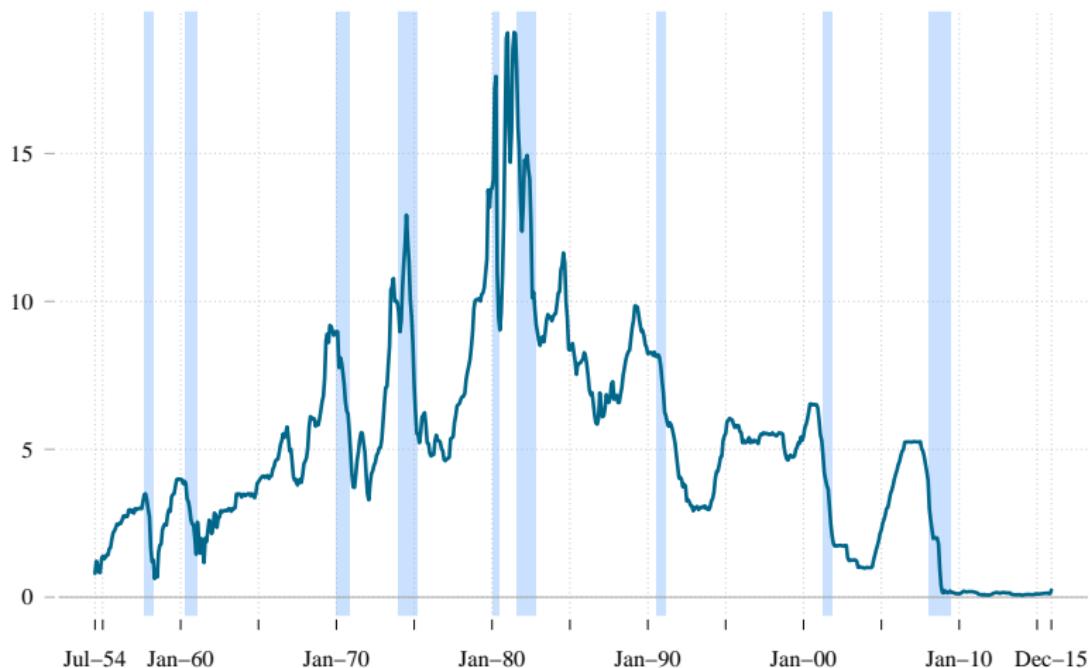
- finally!!!
- they raised rates! up 0.25 percentage points
- the world did not implode!

# Federal Open Market Committee

- finally!!!
- they raised rates! up 0.25 percentage points
- the world did not implode!
- why did they raise now?

## Effective Federal Funds Rate

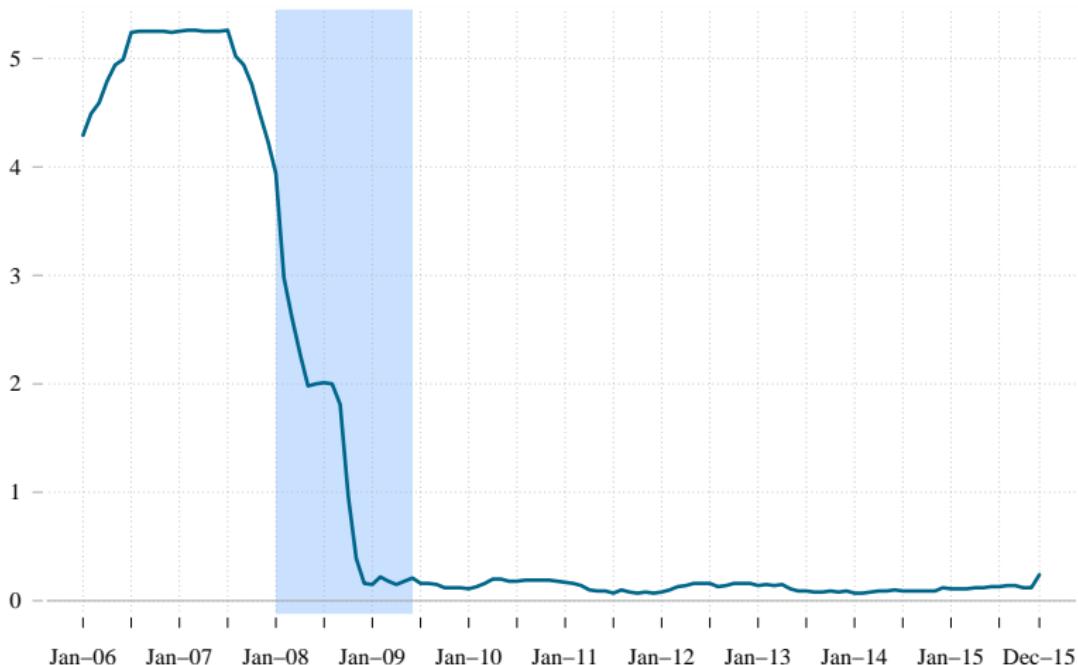
Percent



Source: FRB St. Louis

## Effective Federal Funds Rate

Percent



Source: FRB St. Louis

# FOMC

- parse the Dec. 16 FOMC statement
- “economic activity has been expanding at a  
**moderate pace**”

# FOMC

- parse the Dec. 16 FOMC statement
- “economic activity has been expanding at a **moderate pace**”
- recall:

$$Y = C + I + G + (X - M)$$

# economic activity

$$Y = C + I + G + (X - M)$$

$Y$  = Real GDP, Income, or Expenditures

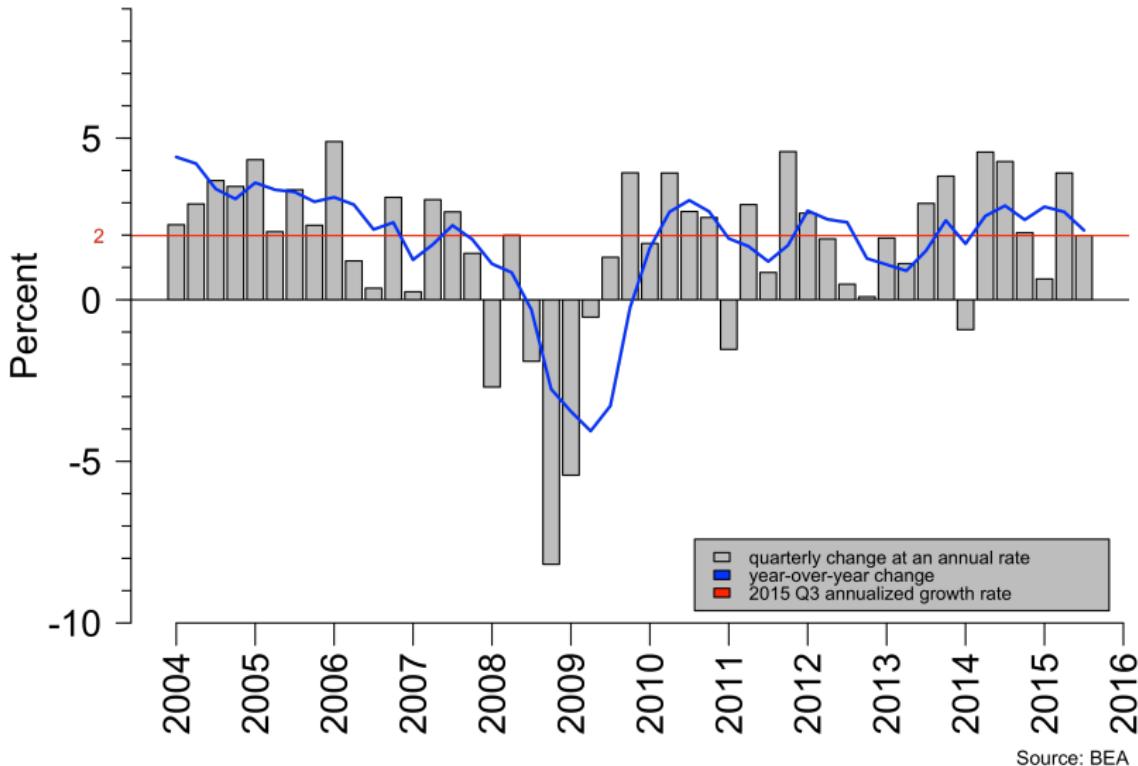
$C$  = Real Personal Consumption Expenditures

$I$  = Investment Expenditures

$G$  = Real Government Expenditures

$X - M$  = eXports - Imports

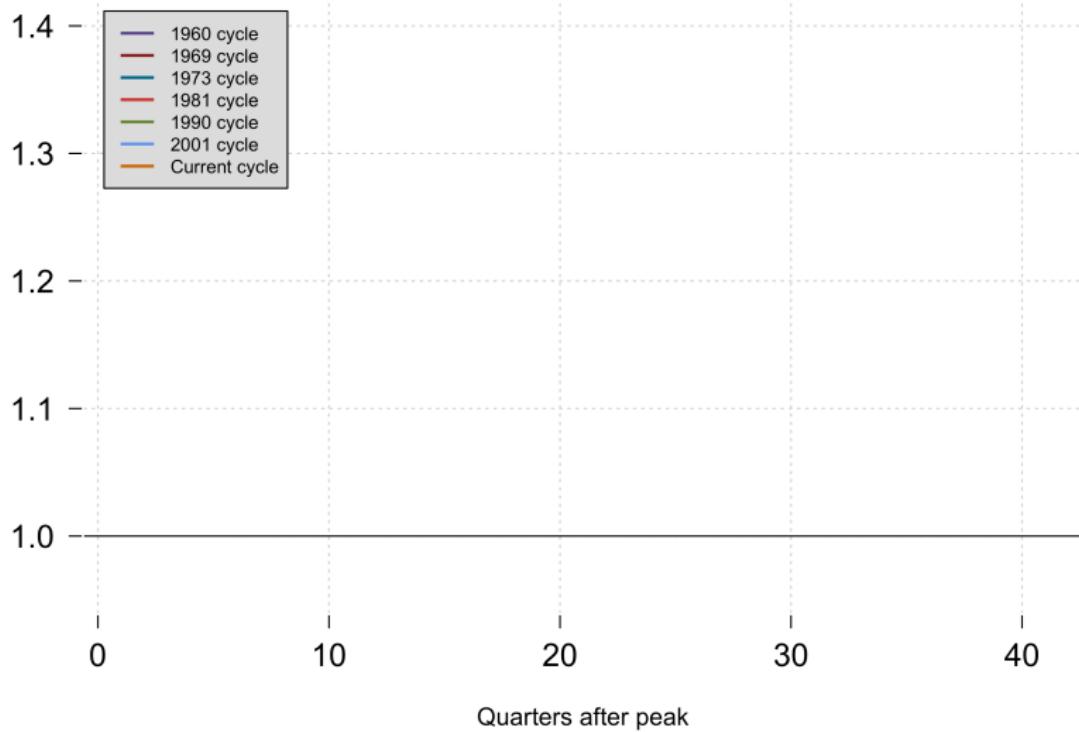
# Real GDP



Source: BEA

# Real GDP

Peak before recession = 1

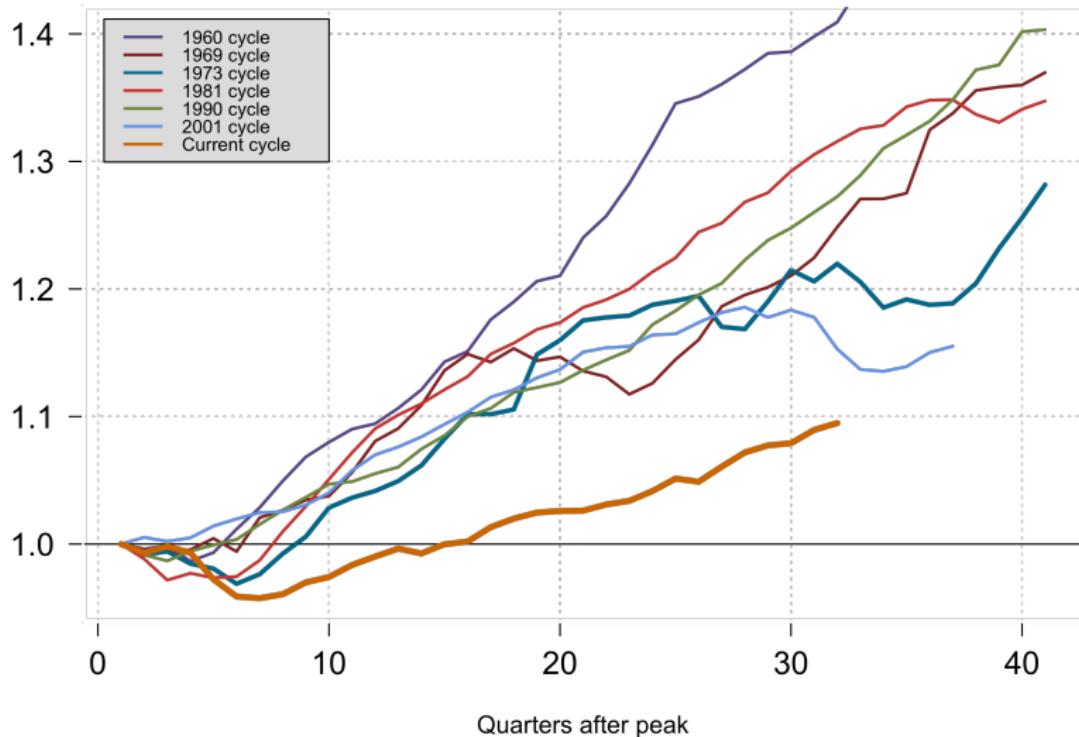


Source: BEA



# Real GDP

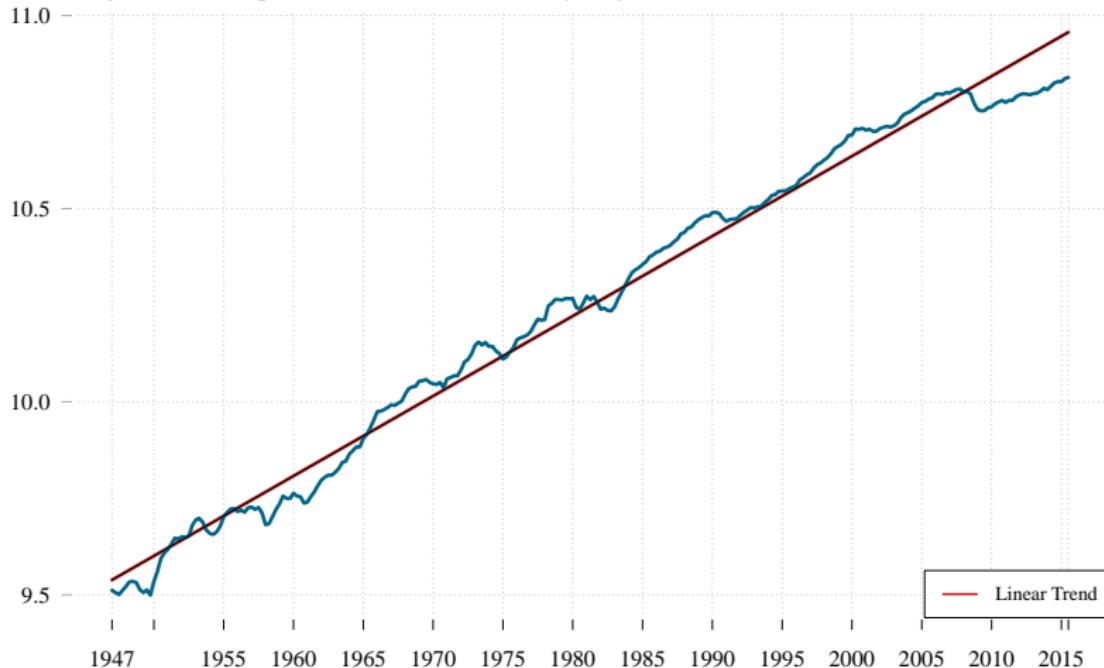
Peak before recession = 1



Source: BEA

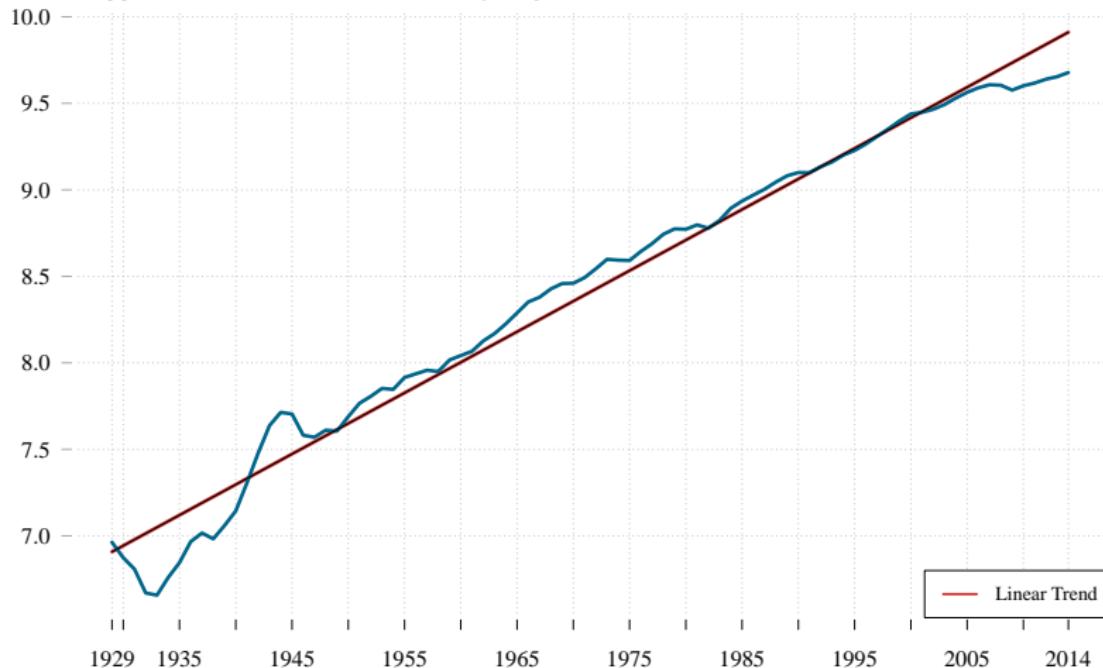
## Real GDP

Log Real Per Capita GDP, 2009\$, Seasonally Adjusted



## Real GDP

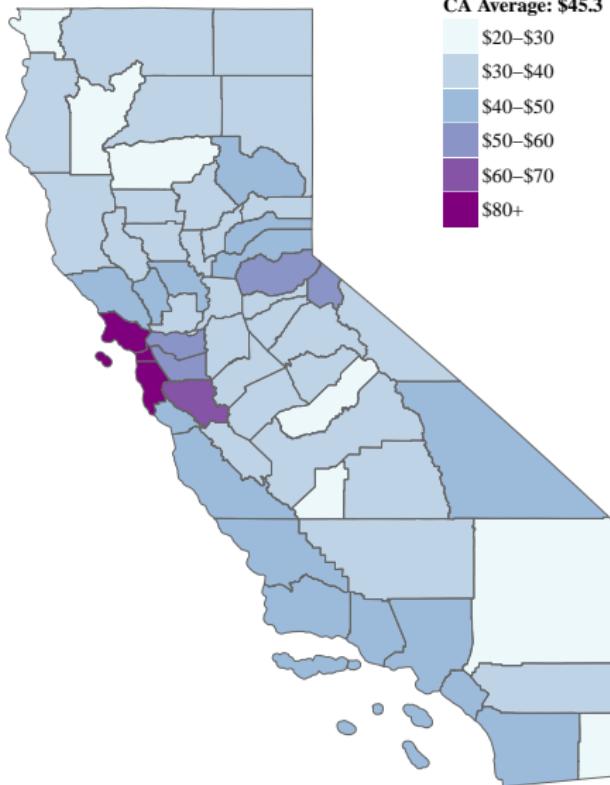
Logged Billions of 2009\$, Seasonally Adjusted



# County Income Inequality

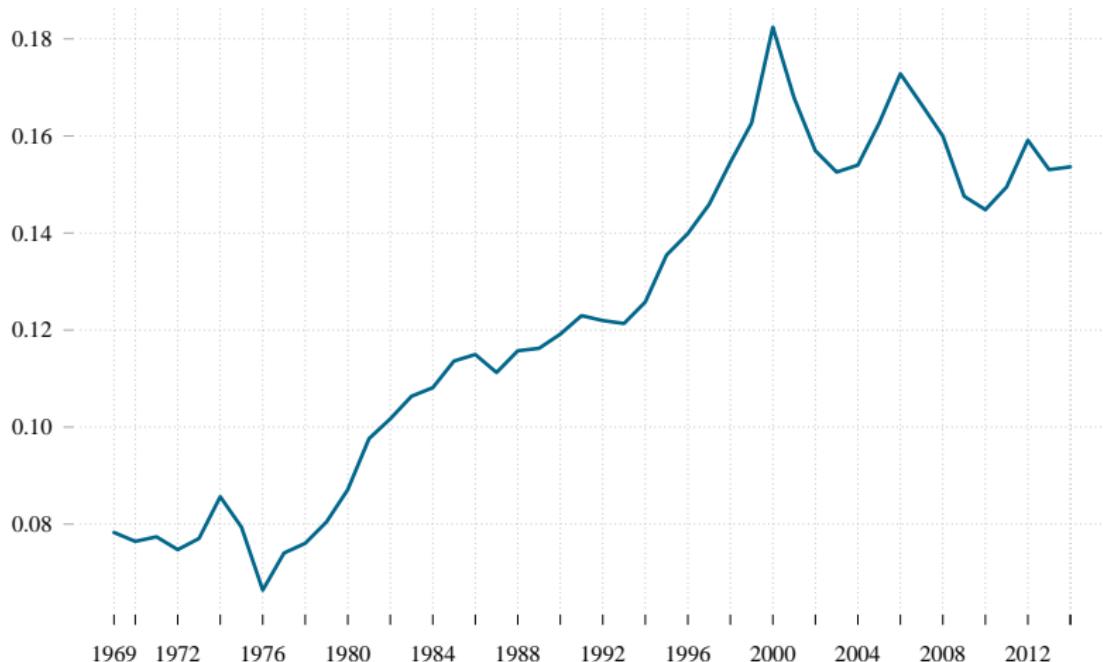
- how is income distributed across CA?

Per-Capita Personal Income: 2014  
In Thousands

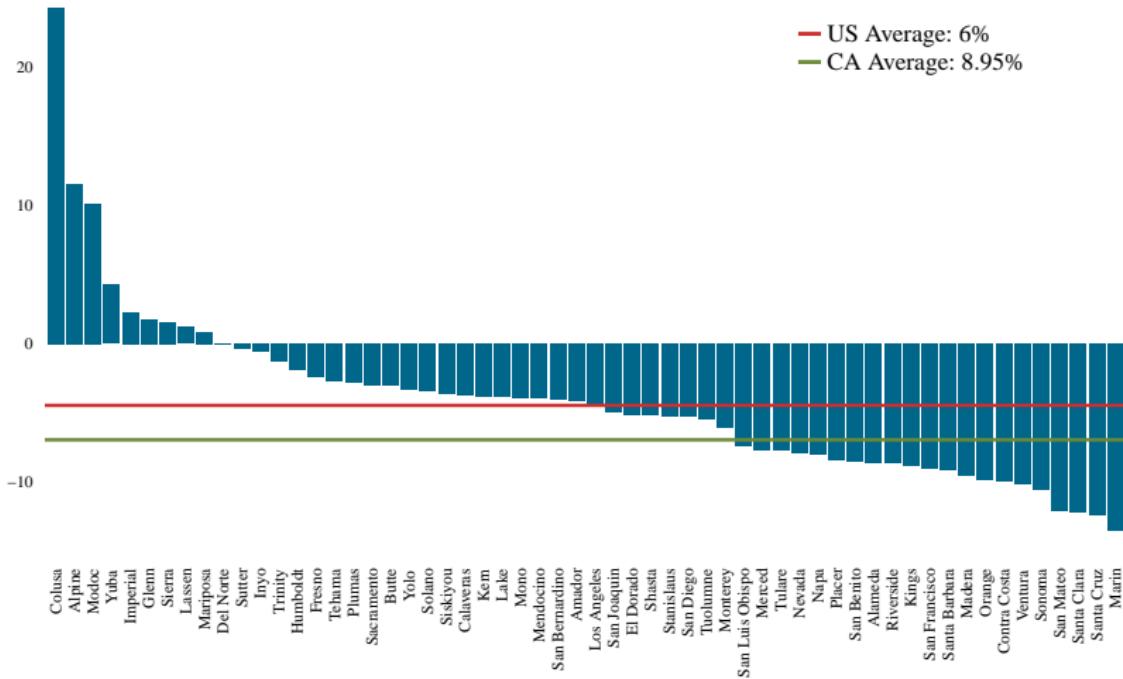


## Gini Coefficient

Real per capita personal income across counties

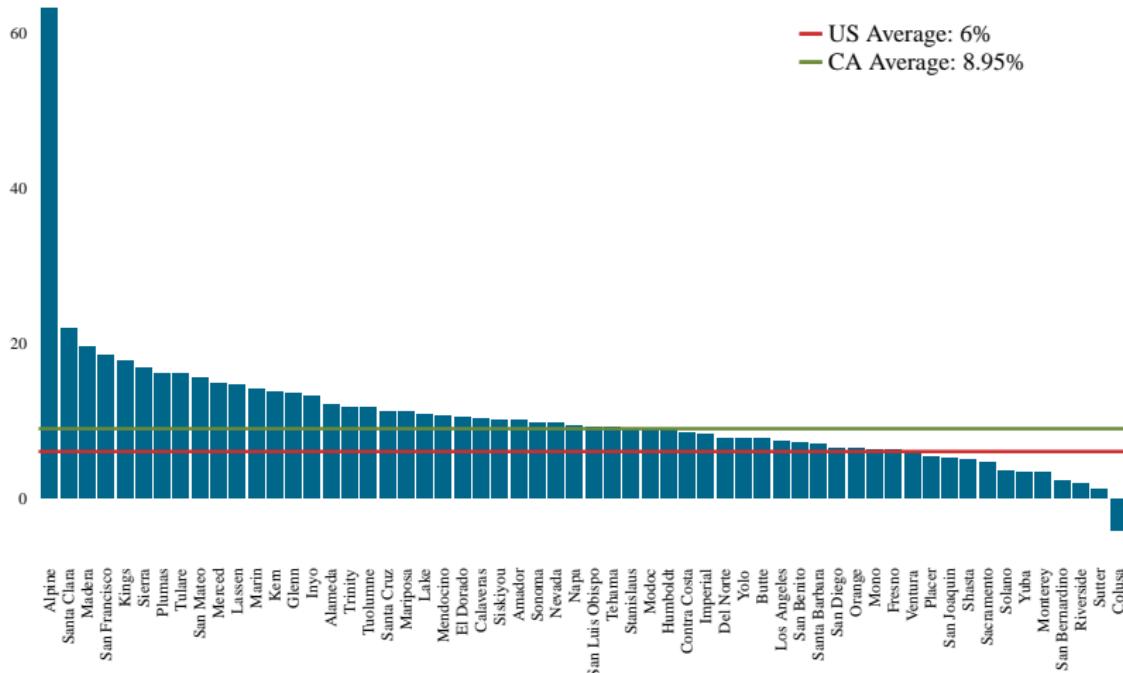


## Percent Change in Per-Capita Personal Income 2007–2009



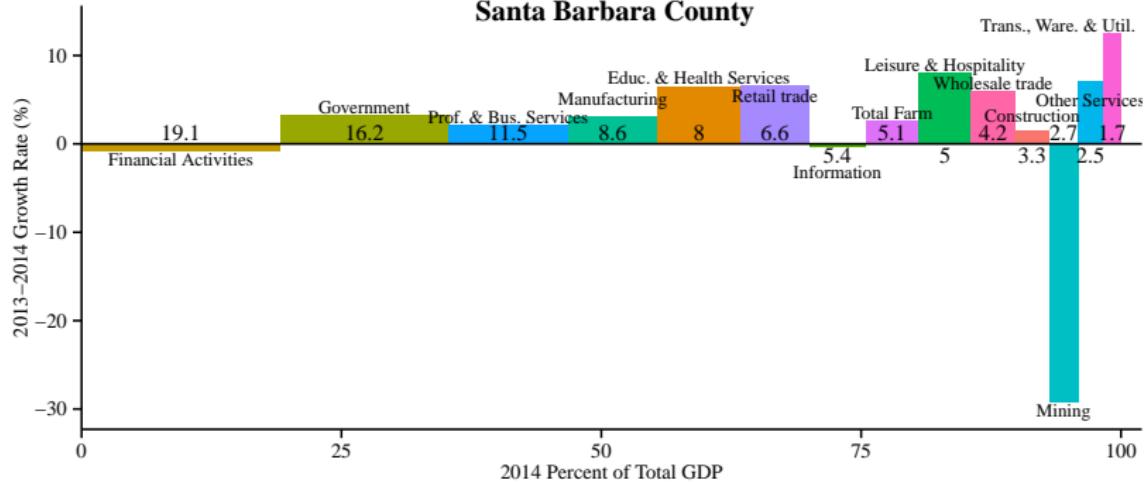
Source: BEA

## Percent Change in Per-Capita Personal Income 2009–2014



Source: BEA

## Real Gross Domestic Product (GDP) by Industry Santa Barbara County



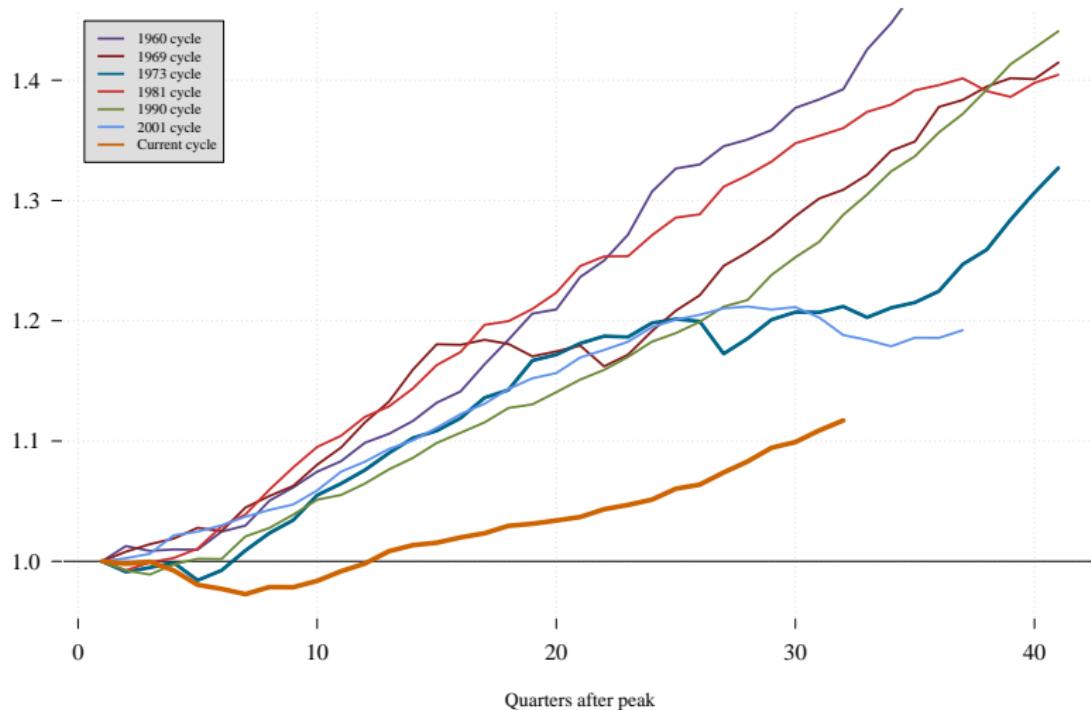
# ...FOMC

- “Household spending and business fixed investment have been increasing at **solid** rates in recent months...”

$$Y = C + I + G + (X - M)$$

## Real Personal Consumption Expenditures

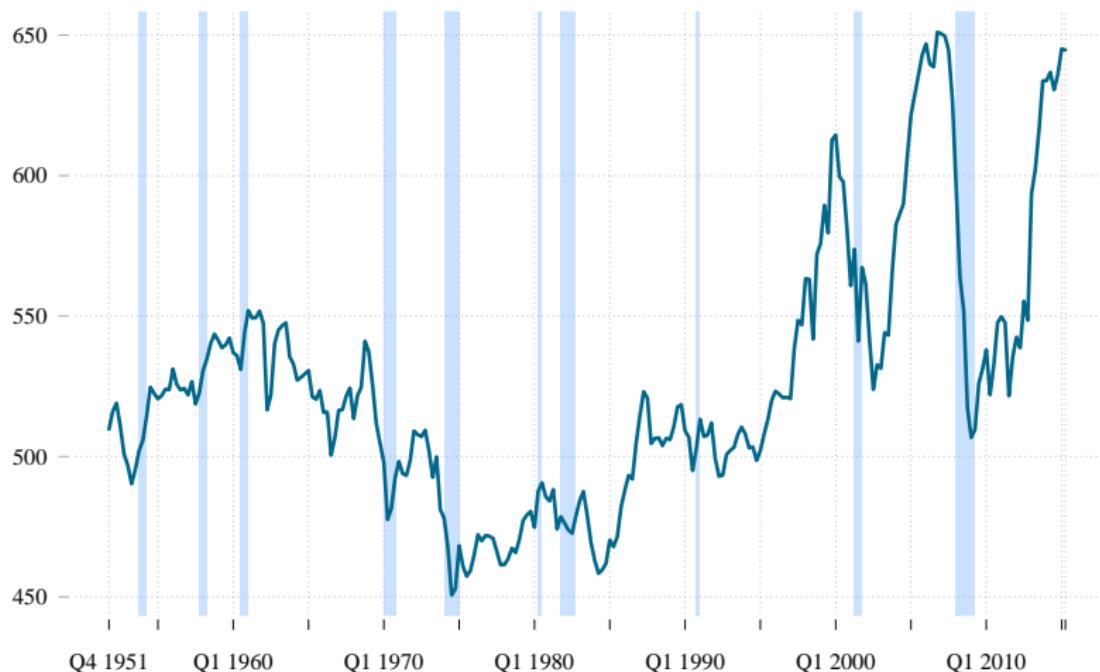
Peak before recession = 1



Source: BEA

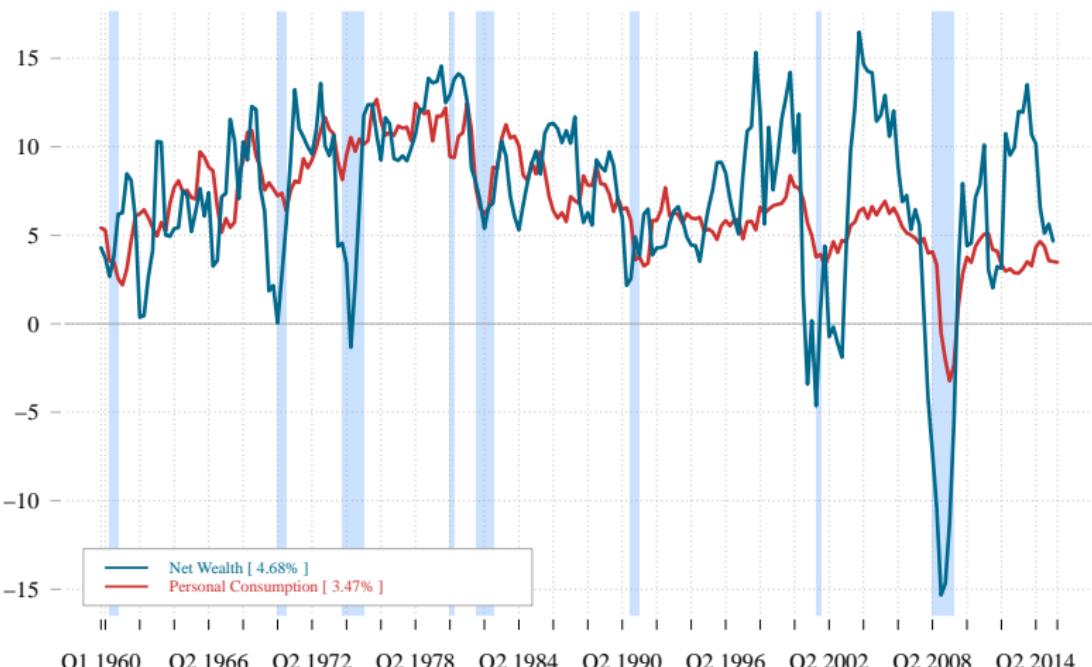
## Net Worth as a Percentage of Disposable Income

Percent (%)



# Net Wealth and Personal Consumption Expenditures

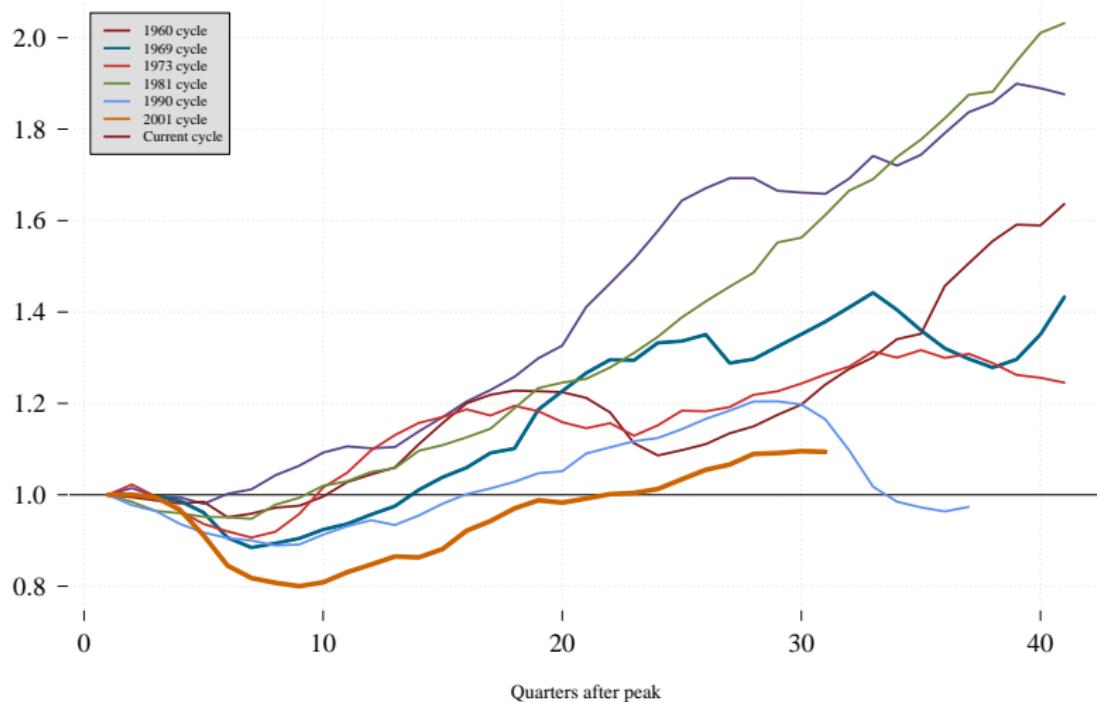
Annual Growth Rate (%)



Source: Board of Governors and Bureau of Economic Analysis

## Non-Residential Fixed Investment

Peak before recession = 1



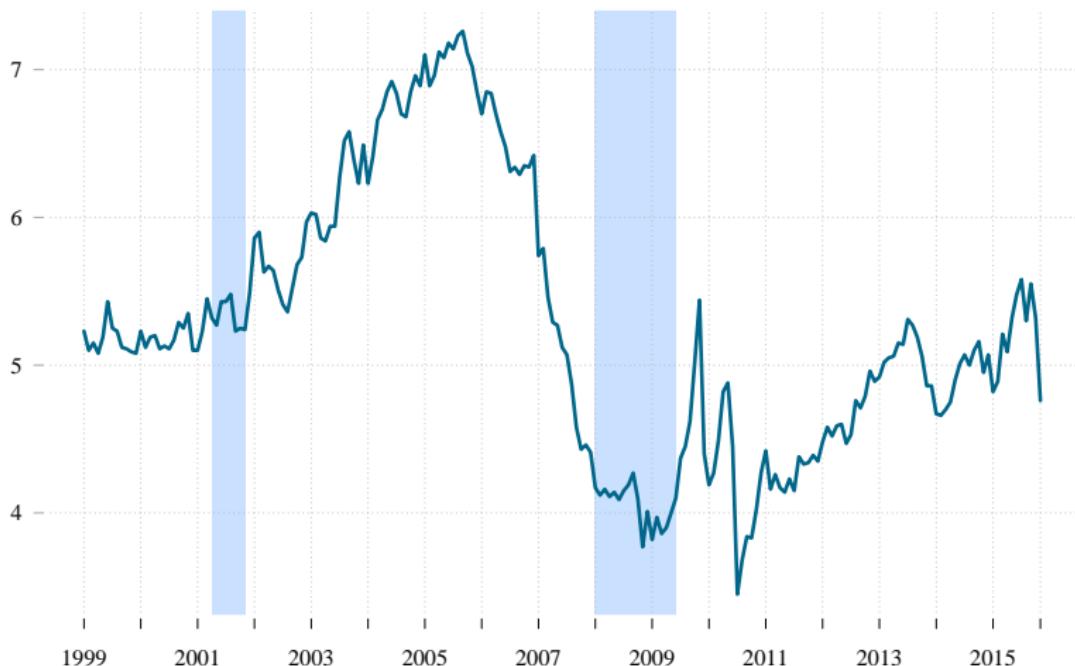
Source: BEA

# ...FOMC

- “and the housing sector has improved further; however, net exports have been **soft**.”

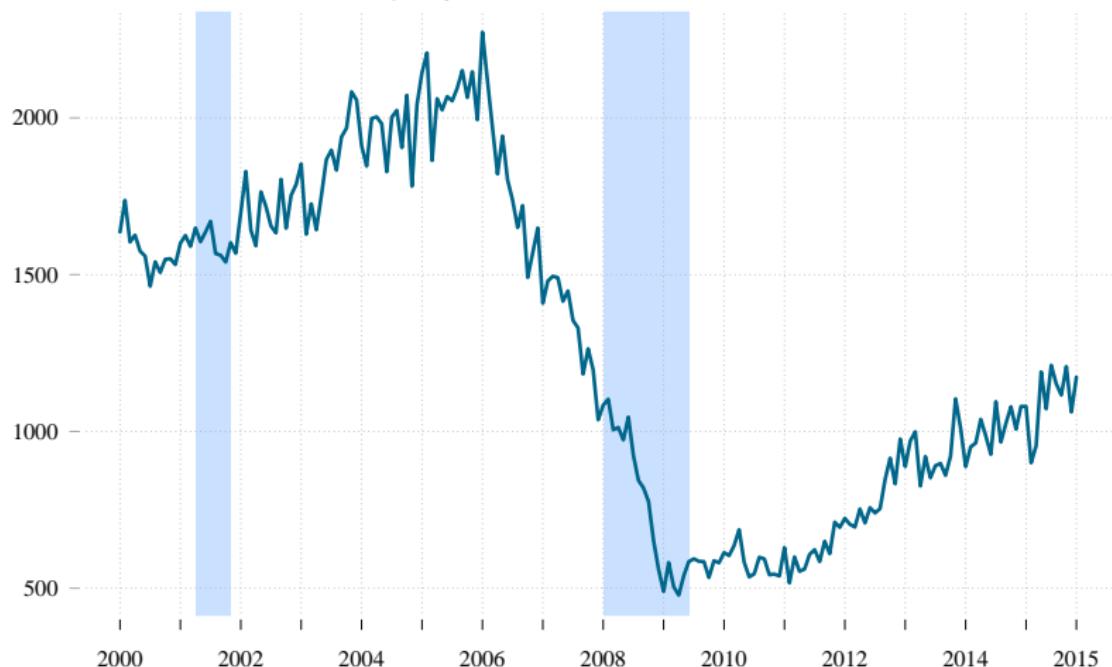
## Existing Home Sales

Millions of Units, Seasonally Adjusted



## Housing Starts

Number of Units, Seasonally Adjusted

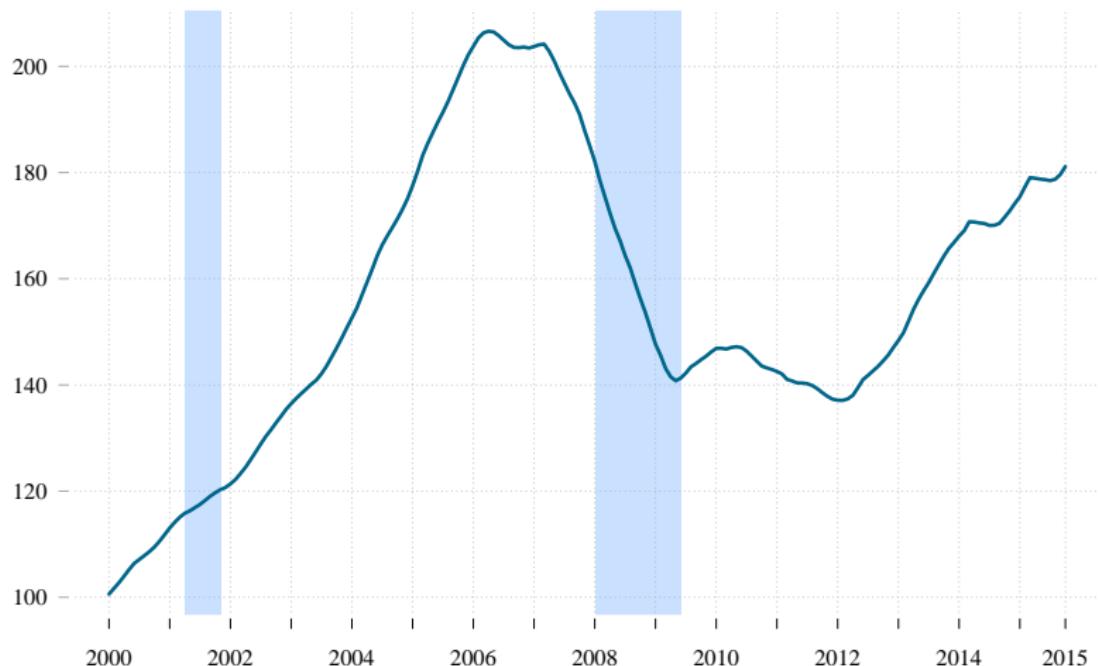


Economic Forecast Project

Source: Census

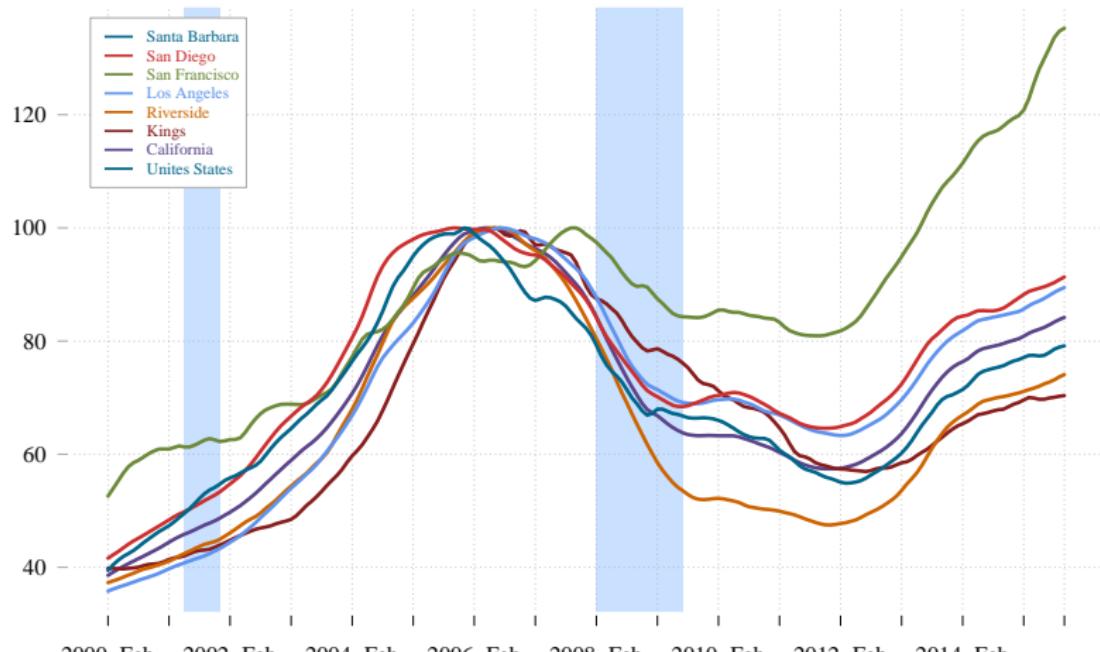
## Case–Shiller 20 City Composite

Index 2000=100



# Zillow Home Value Index (ZHVI)

Index (100 = Pre-Recession Maximum Value)



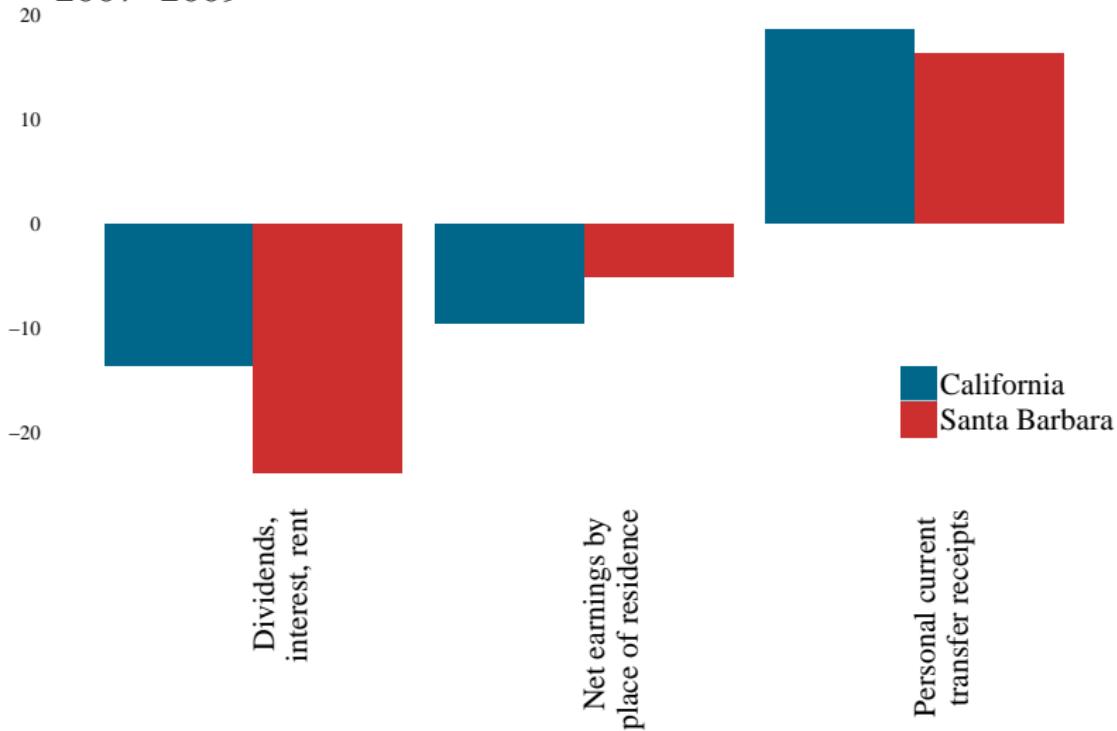
Source: Zillow Research Data

Note: Current value in brackets.

# can we afford it?

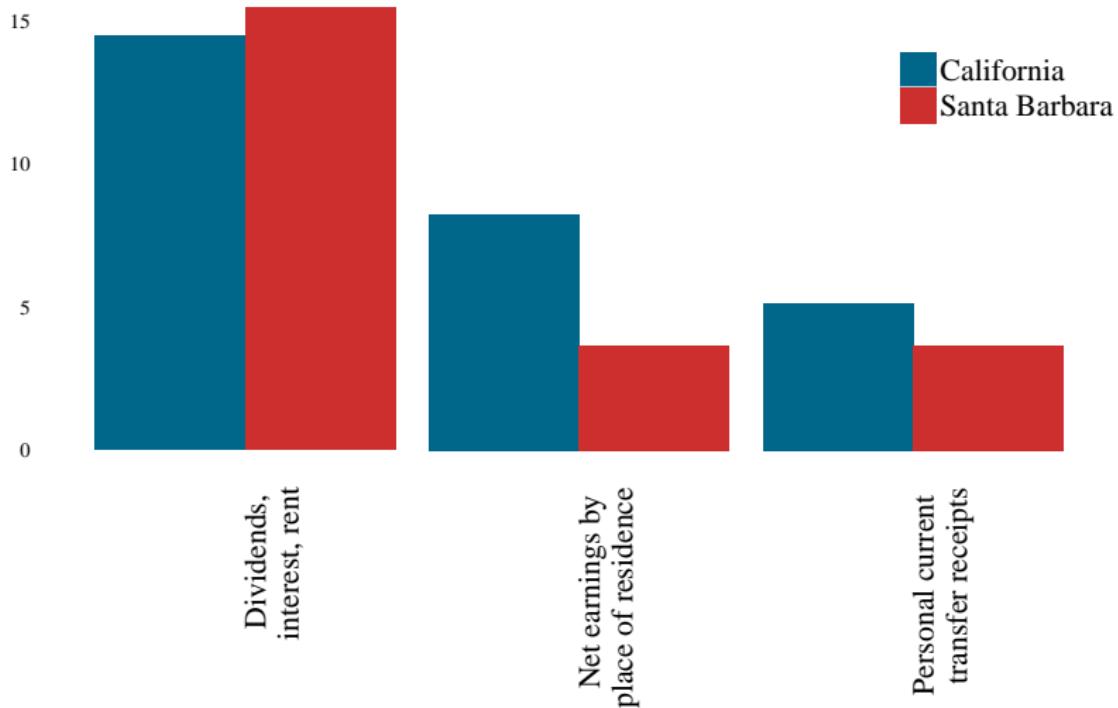
- income
- housing price

## Percent Change in Per-Capita Personal Income by Component 2007–2009



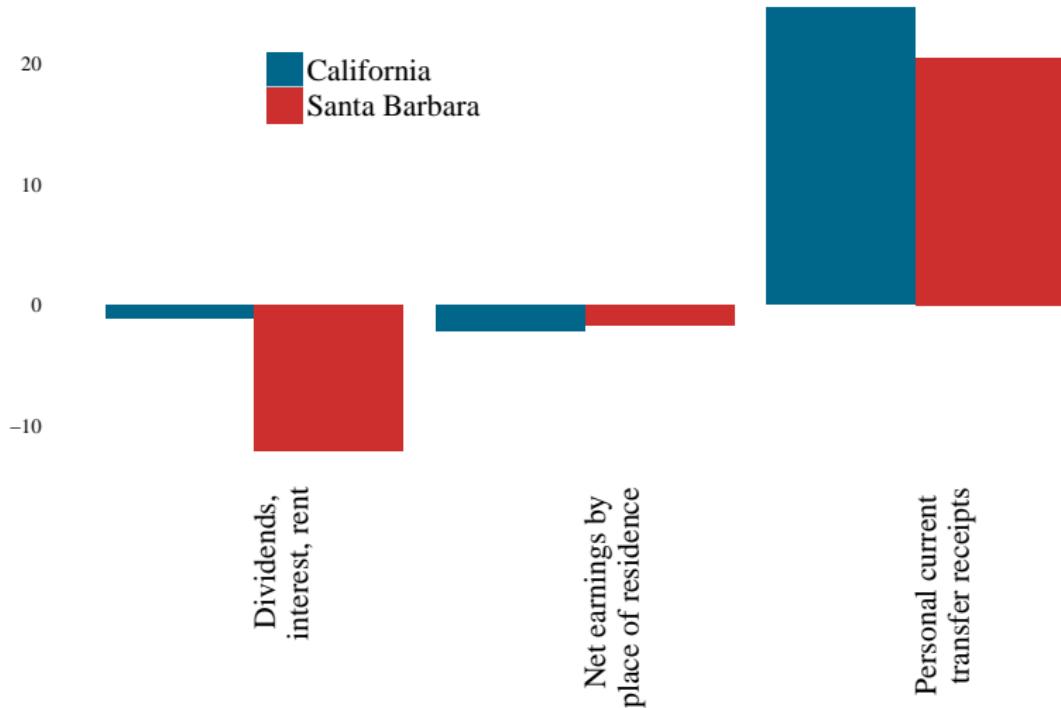
Source: BEA

## Percent Change in Per-Capita Personal Income by Component 2009–2014



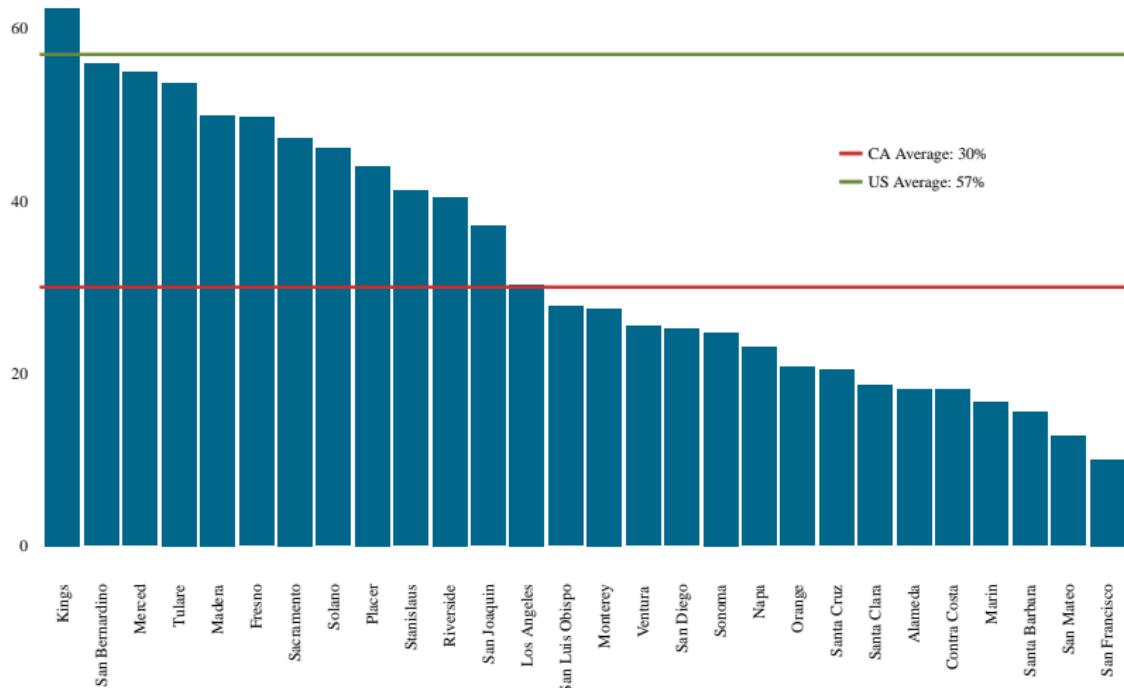
Source: BEA

## Percent Change in Per-Capita Personal Income by Component 2007–2014



Source: BEA

## CAR Affordability 2015Q2



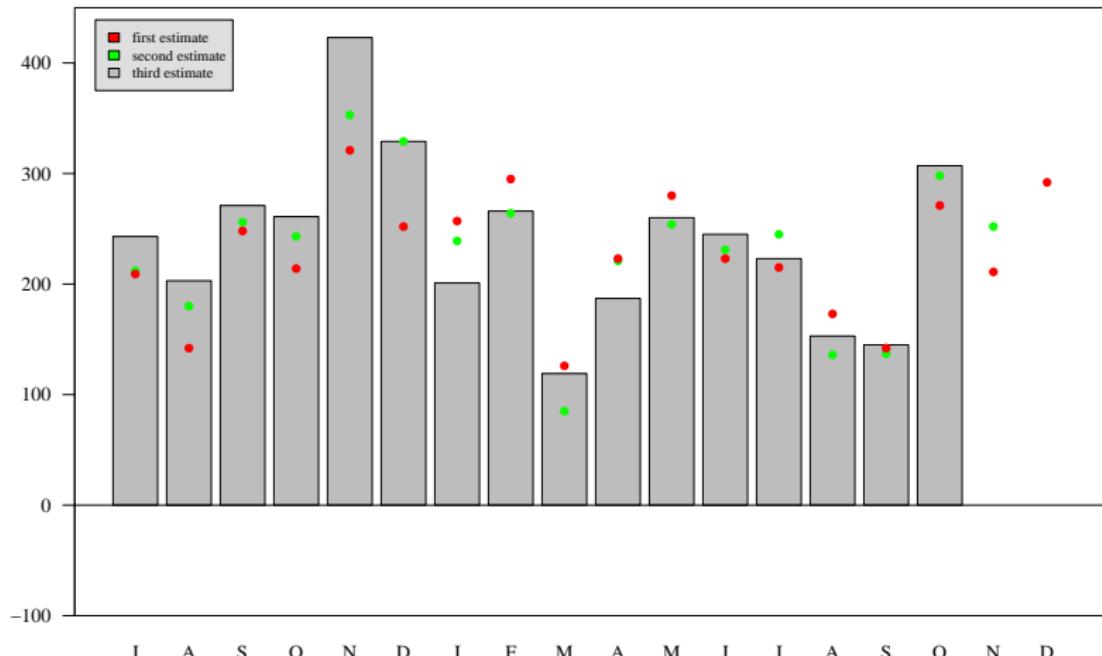
Source: California Realtors Association

# ...FOMC

- “The pace of job gains slowed and the unemployment rate held steady.”

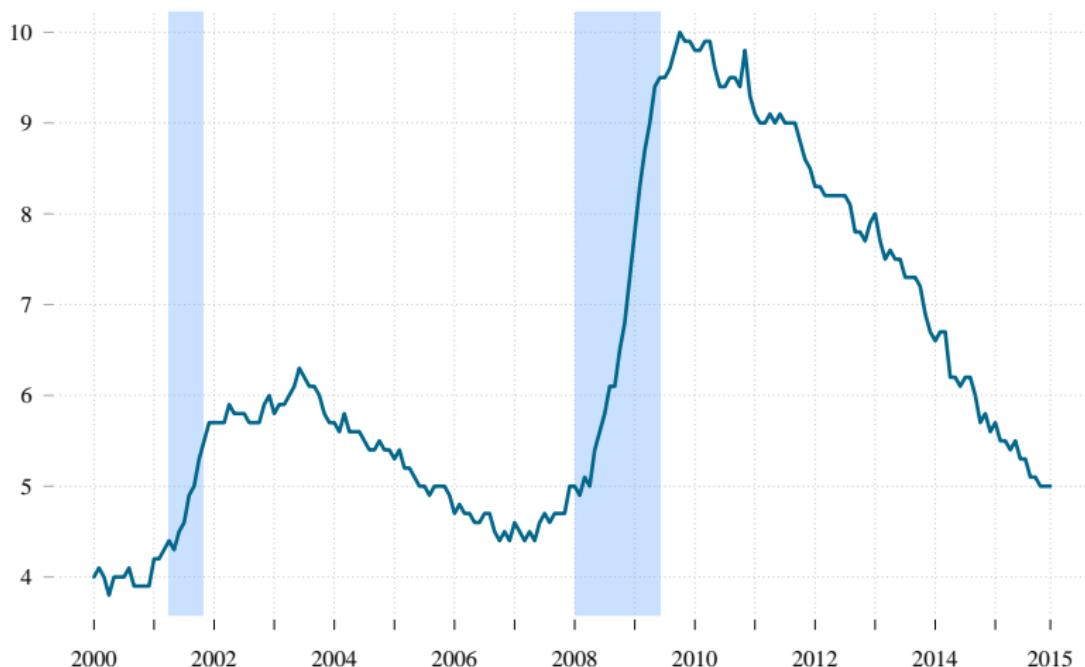
## Net Employment Change

Thousands, SA



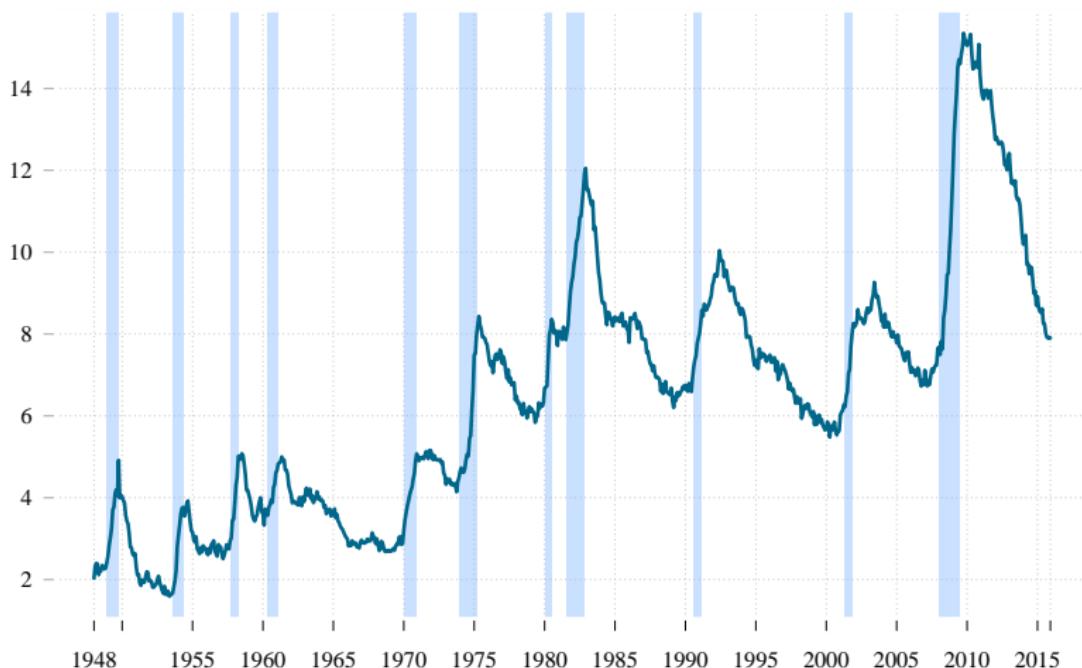
# Unemployment Rate

Percent, SA



## Unemployed Persons

Millions, SA



# employment

- large differences within and across counties

**Santa Barbara County**  
**Sub-County Places**  
**November 2015**

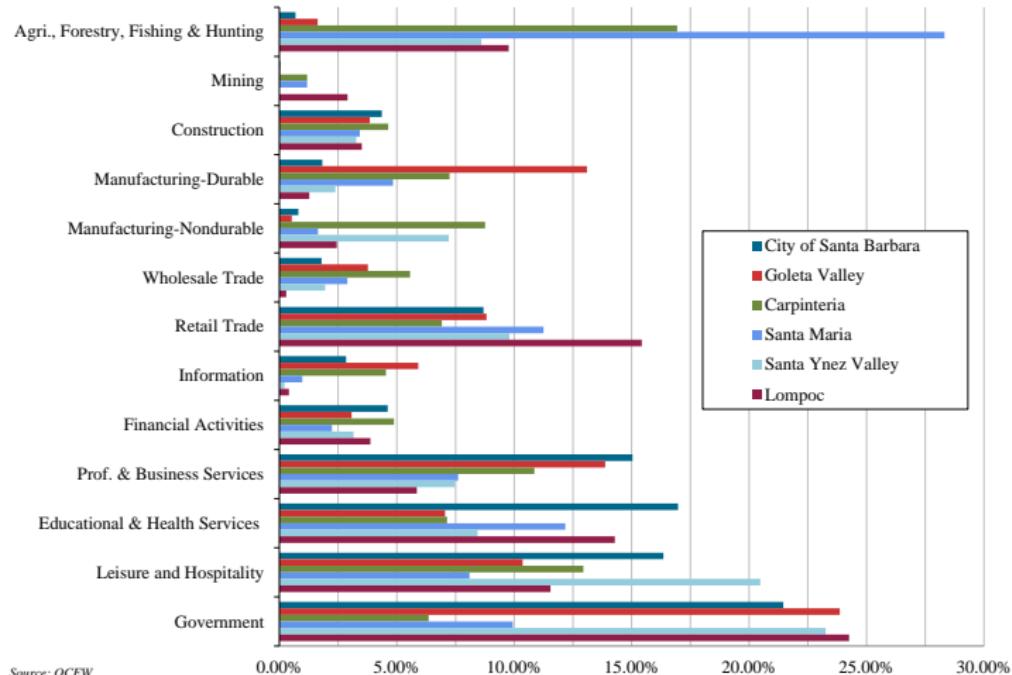
Data Seasonally Adjusted

	Employment			Unemployment Rate			
	Current Level	Percent Change Month	Year	Current Level	Month	Pct. Pt. Change Year	5 Year
<b>County</b>							
Santa Barbara	211,797	0.2%	2.3%	5.0%	0.0%	-0.8%	-5.1%
<b>Cities</b>							
South County							
Carpinteria	7,573	0.6%	2.7%	4.3%	0.2%	-0.7%	-4.2%
Goleta	17,258	0.0%	2.4%	2.8%	0.1%	-0.5%	-3.0%
Santa Barbara	50,863	0.1%	2.6%	3.9%	0.1%	-0.7%	-3.9%
North County							
Buellton	NA	NA	NA	3.1%	0.1%	-0.6%	-3.2%
Guadalupe	NA	NA	NA	4.6%	0.2%	-0.8%	-4.5%
Lompoc	17,320	0.0%	2.3%	6.5%	0.3%	-1.0%	-6.0%
Santa Maria	45,987	0.0%	2.5%	5.9%	0.2%	-1.0%	-5.6%
Solvang	NA	NA	NA	6.0%	0.2%	-1.0%	-5.7%
<b>Census Designated Places</b>							
North County							
Los Alamos	NA	NA	NA	6.4%	0.2%	-1.1%	-6.1%
Mission Hills	NA	NA	NA	4.9%	0.3%	-0.8%	-4.6%
Orcutt	13,778	-0.2%	2.2%	4.7%	0.2%	-0.8%	-4.7%
Santa Ynez	NA	NA	NA	2.9%	0.1%	-0.5%	-3.0%
Vandenberg AFB	NA	NA	NA	4.3%	0.1%	-0.9%	-4.4%
Vandenberg Village	NA	NA	NA	5.8%	0.2%	-1.0%	-5.6%

**Notes:** (NA) values represent locations in which data cannot be seasonally adjusted.

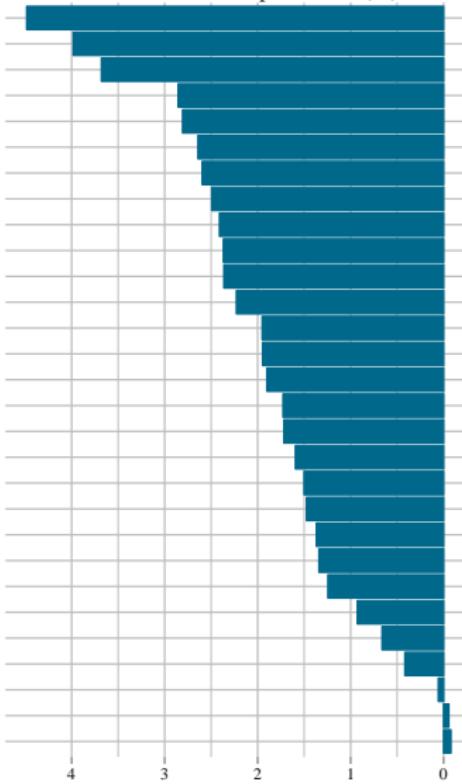
## Industry Employment for Santa Barbara County Areas

2013, Employment Shares (%)

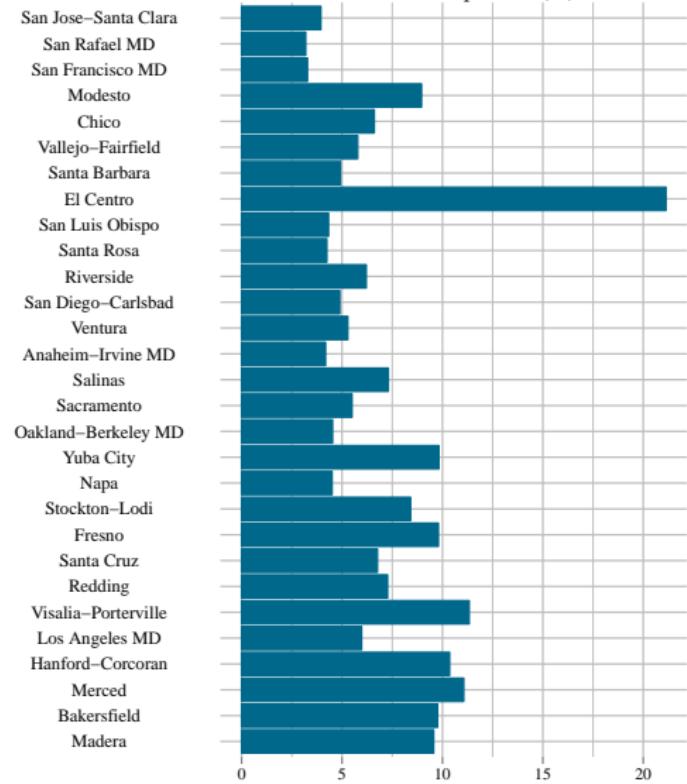


Source: QCEW

Current Annual Empl. Growth (%)

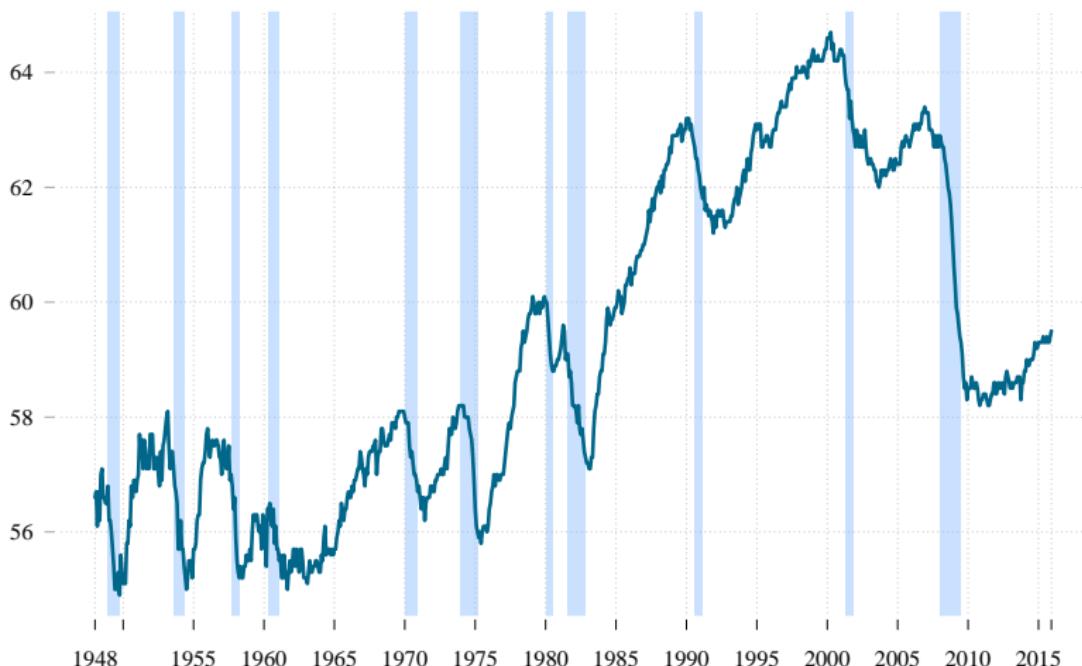


Current Unempl. Rate (%)

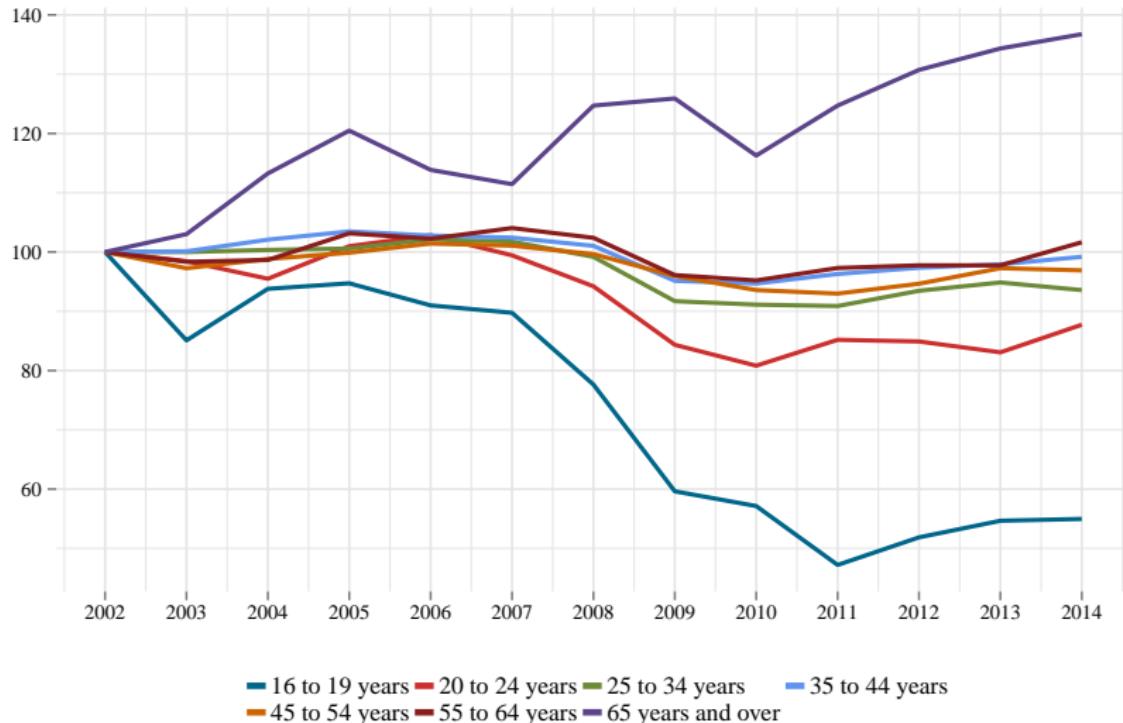


# Employment to Population Ratio

Percent

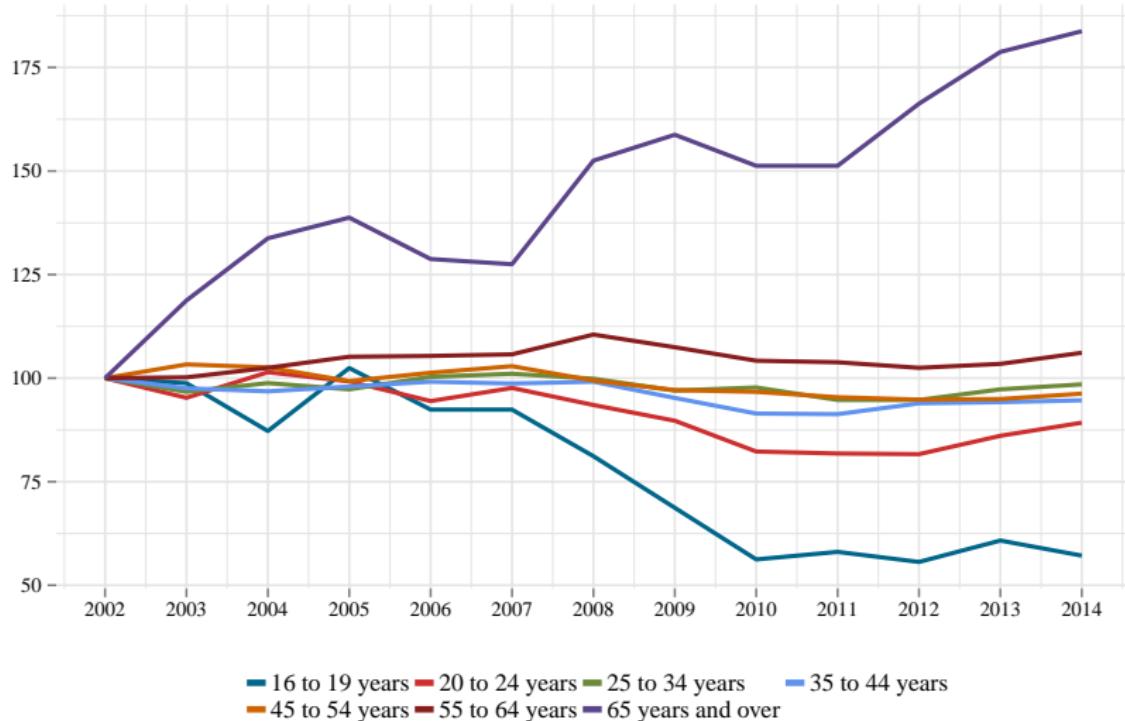


## California: Employment to Population Ratio Men (Index: 2002 = 100)



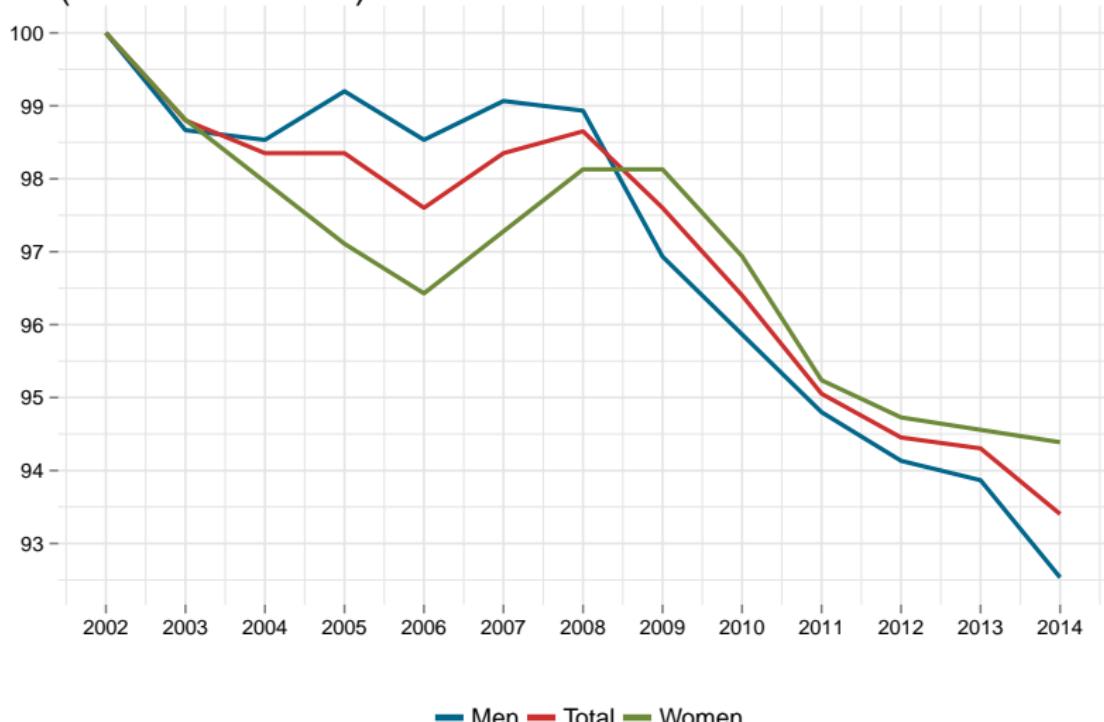
Source: BLS – Local Area Unemployment Statistics

## California: Employment to Population Ratio Women (Index: 2002 = 100)



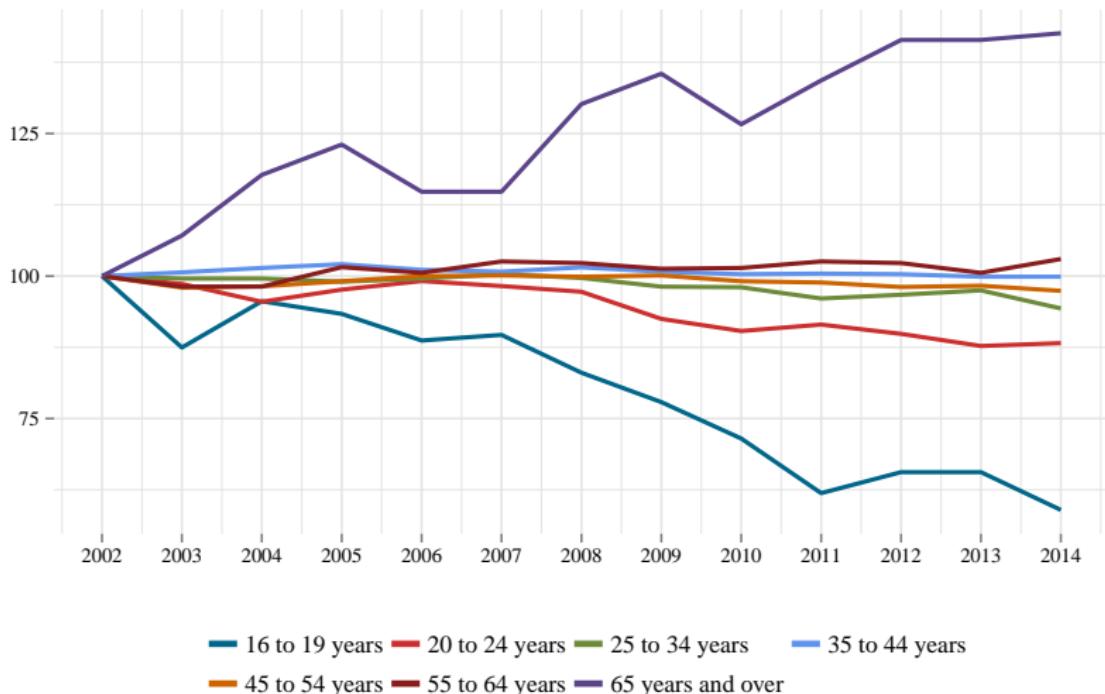
Source: BLS – Local Area Unemployment Statistics

## California: Participation Rate (Index 2002 = 100)



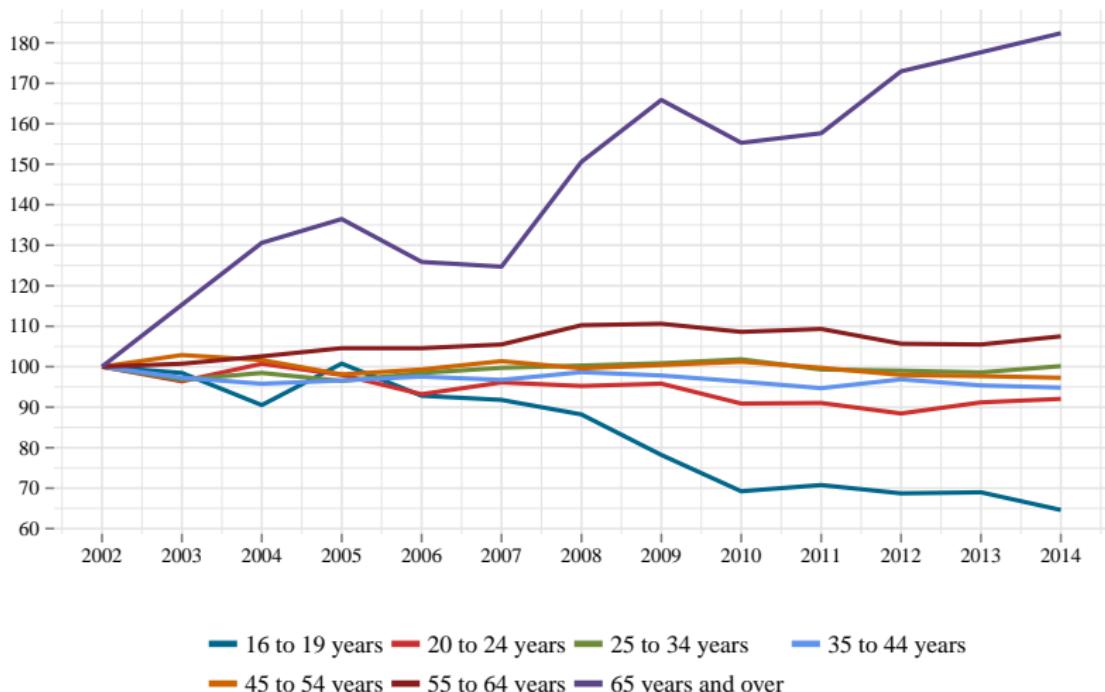
Source: BLS – Local Area Unemployment Statistics

## California: Participation Rate Men (Index: 2002 = 100)



Source: BLS – Local Area Unemployment Statistics

## California: Participation Rate Women (Index: 2002 = 100)



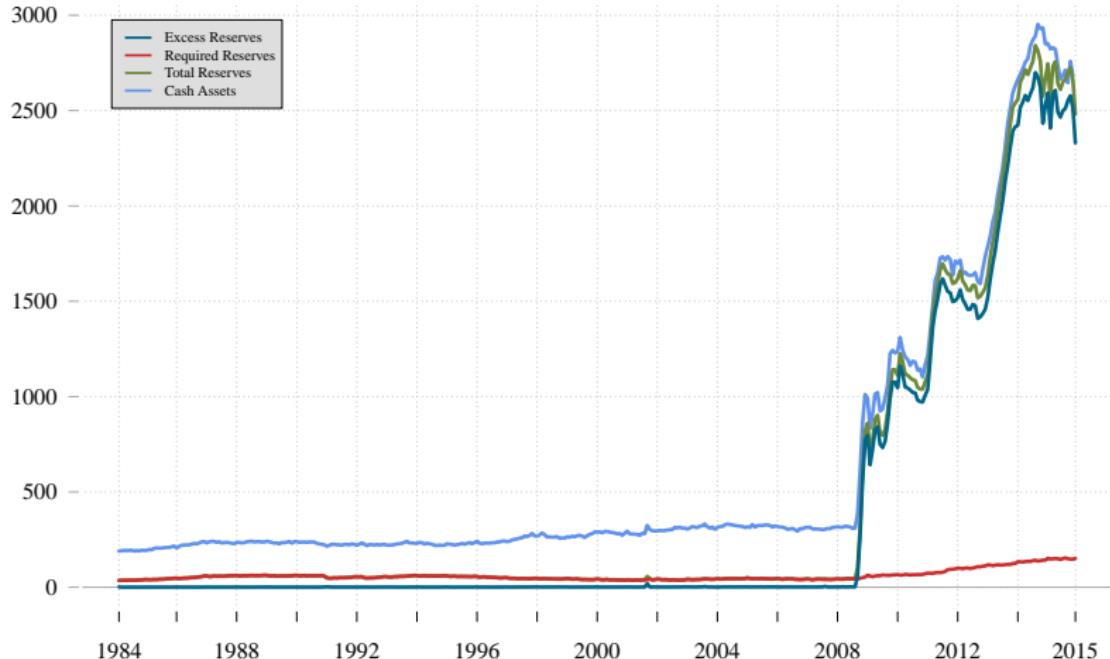
Source: BLS – Local Area Unemployment Statistics

# lingering issues

- current stance of policy
- regulatory pressures

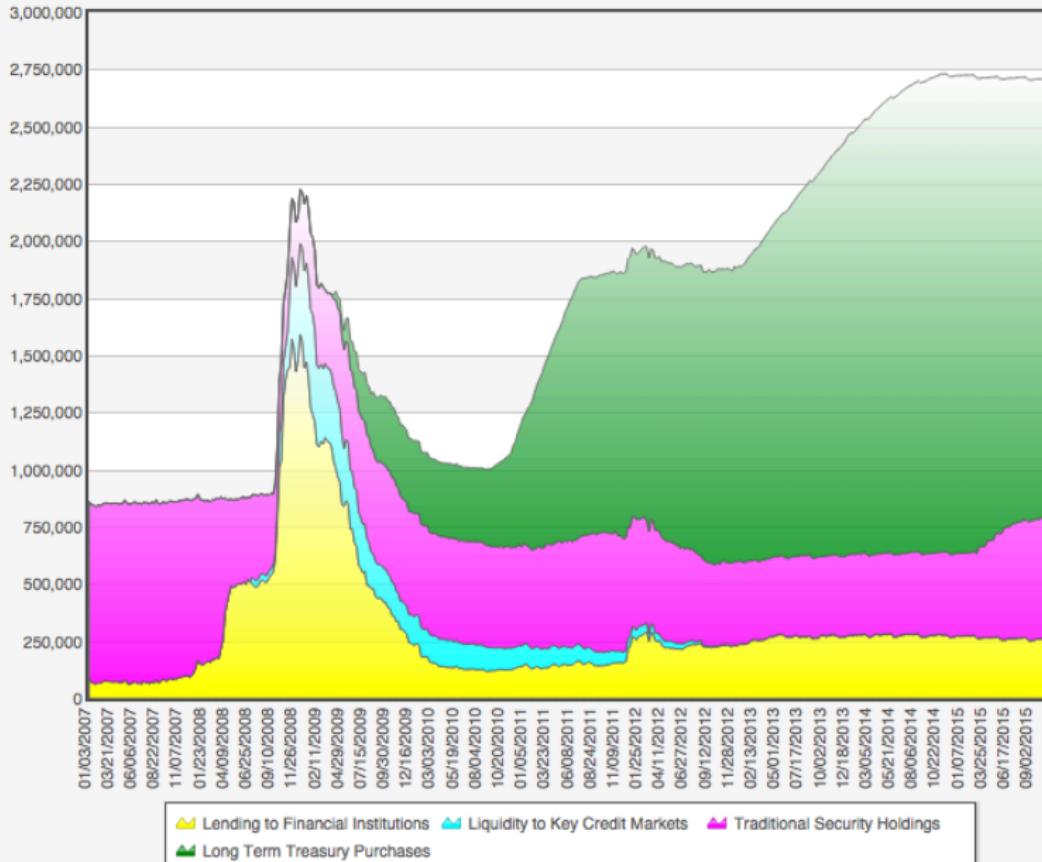
# Reserves

Billions of Dollars



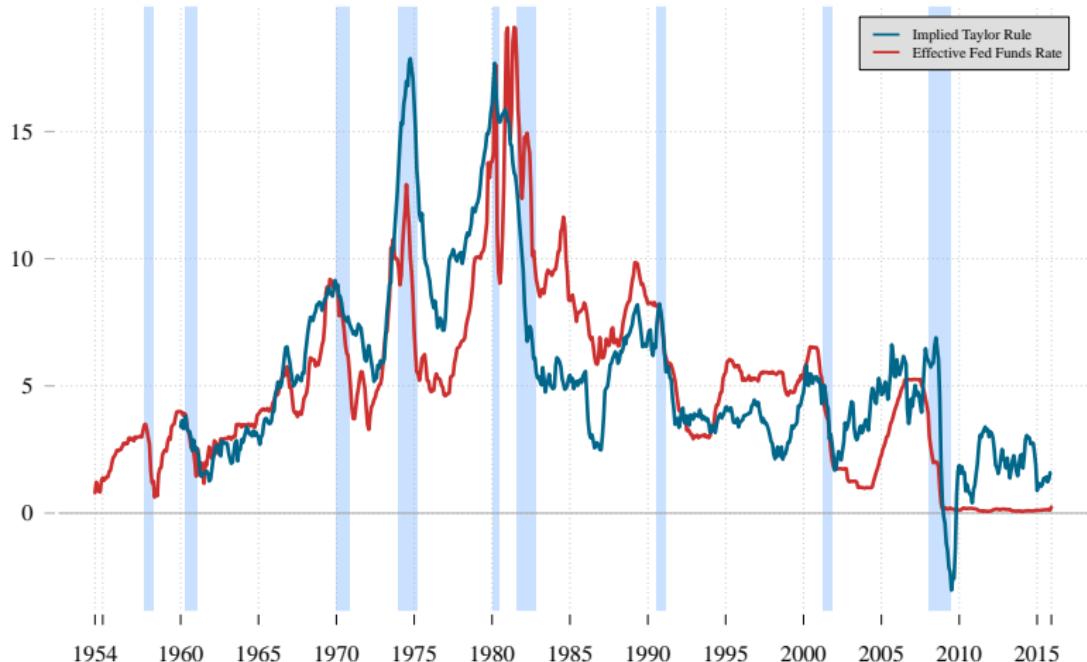
## Summary View

Millions of Dollars



## Taylor Rule

$$FF = .5 * (5.0 - URATE) + 2 + INF + .5 * (INF - 2)$$



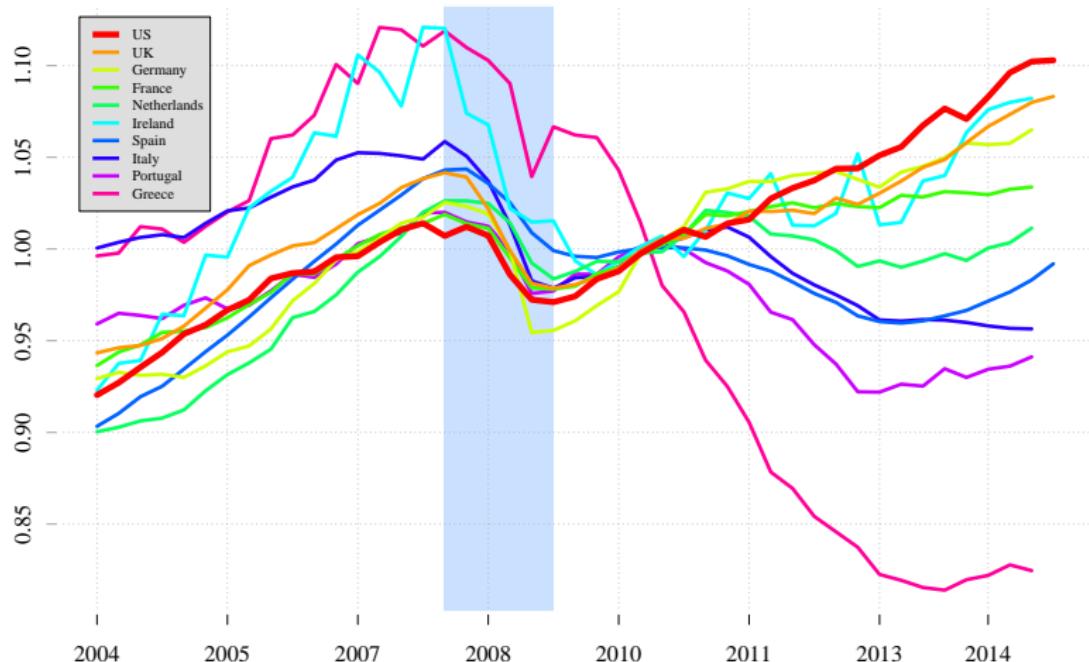
outlook for the rest of the world

# outlook for the rest of the world

- still sucks

# Real GDP

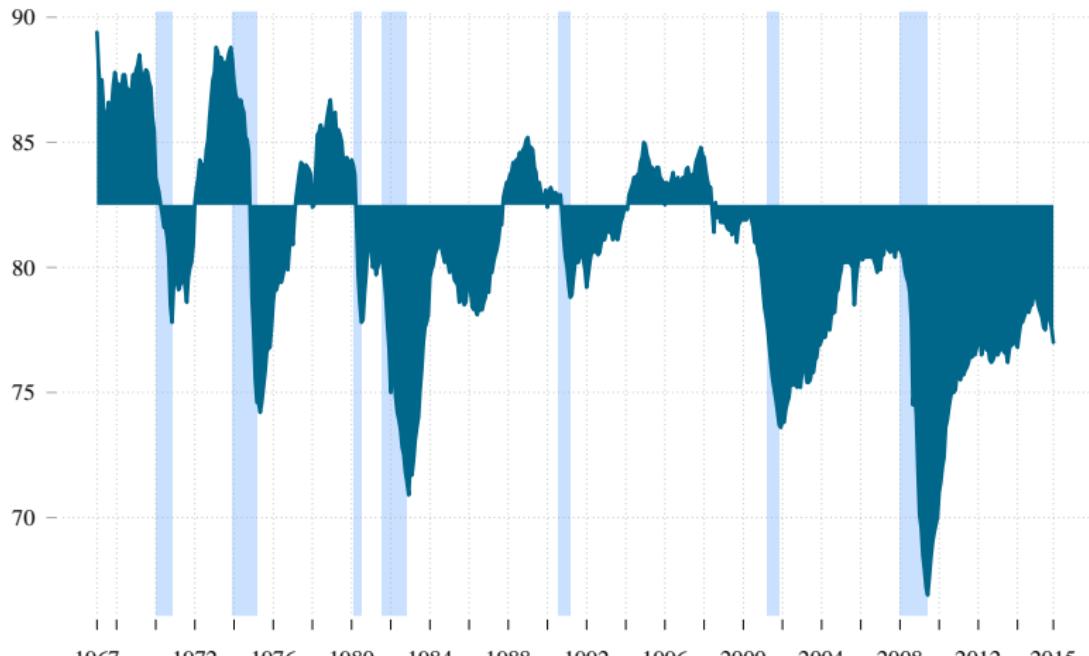
Index, 2010=1, Quarterly, SA



# final thoughts

- some good, some bad

## Capacity Utilization Rate



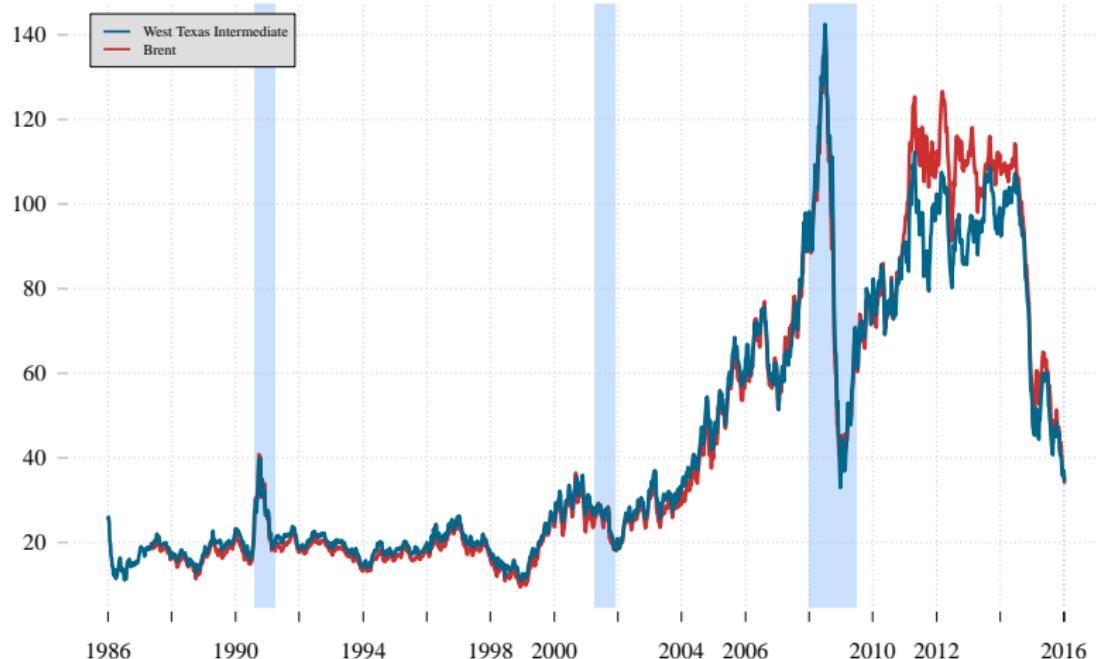
82.5 is estimated inflation boom/bust level

Economic Forecast Project

Source: Board of Governors

# Oil Prices

Price per barrel, weekly



## 5 Year Inflation Expectations

Percent

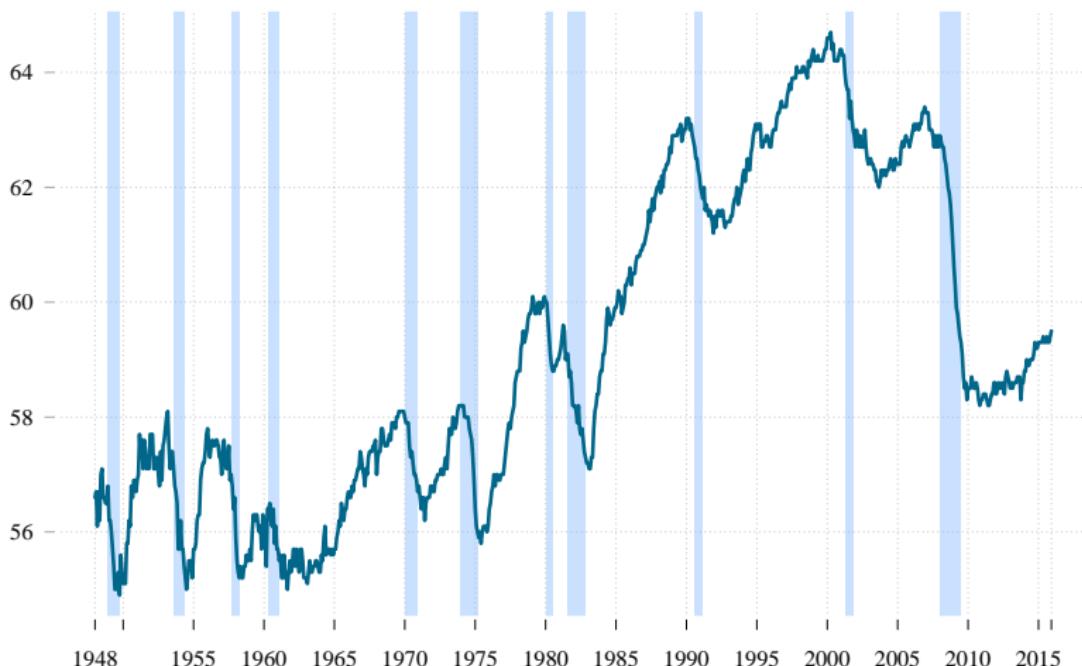


Economic Forecast Project

Source: FRB St. Louis

# Employment to Population Ratio

Percent



# how to not grow a business

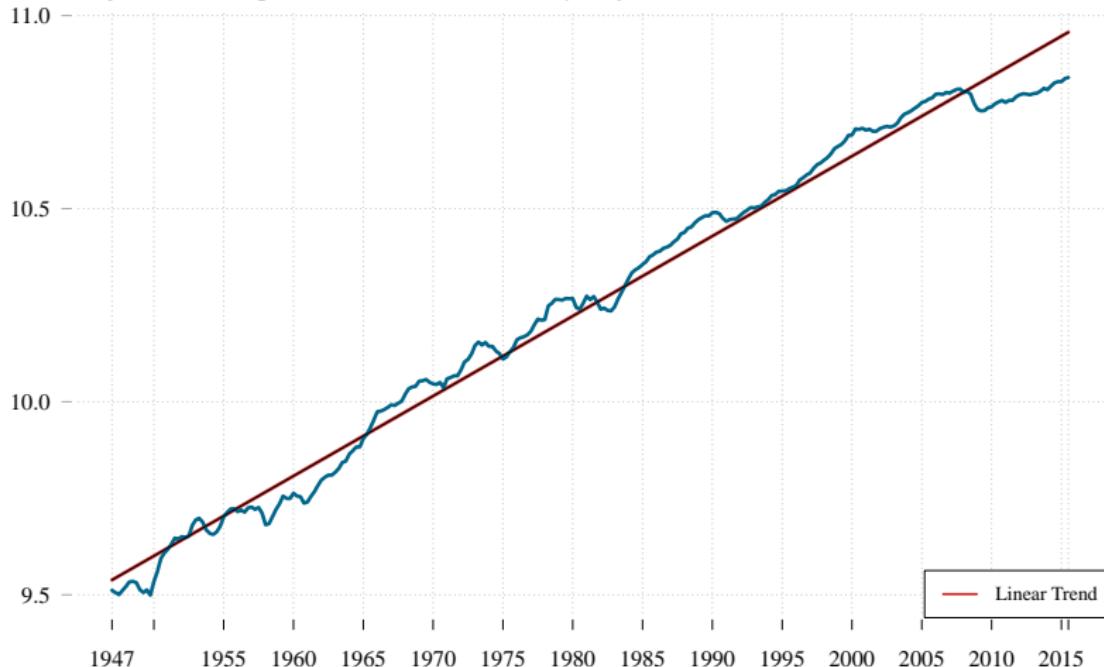
- Waste Connections...Folsom to Dallas:
  - “Then the other part of it was the cost of doing business in California. Highest tax rates in the nation. Until recently very expensive real estate. Tremendous regulation and really a broken legislature. Something that's got a built-in structural deficit that's not going to improve,” explained Mittelstaedt. “The reality is this is just a very difficult place to do business. It's a very expensive place to do business.”

# “forecasting”

- where we are: google trends (nowcasting)
- where will we be: Fed forecasts

## Real GDP

Log Real Per Capita GDP, 2009\$, Seasonally Adjusted

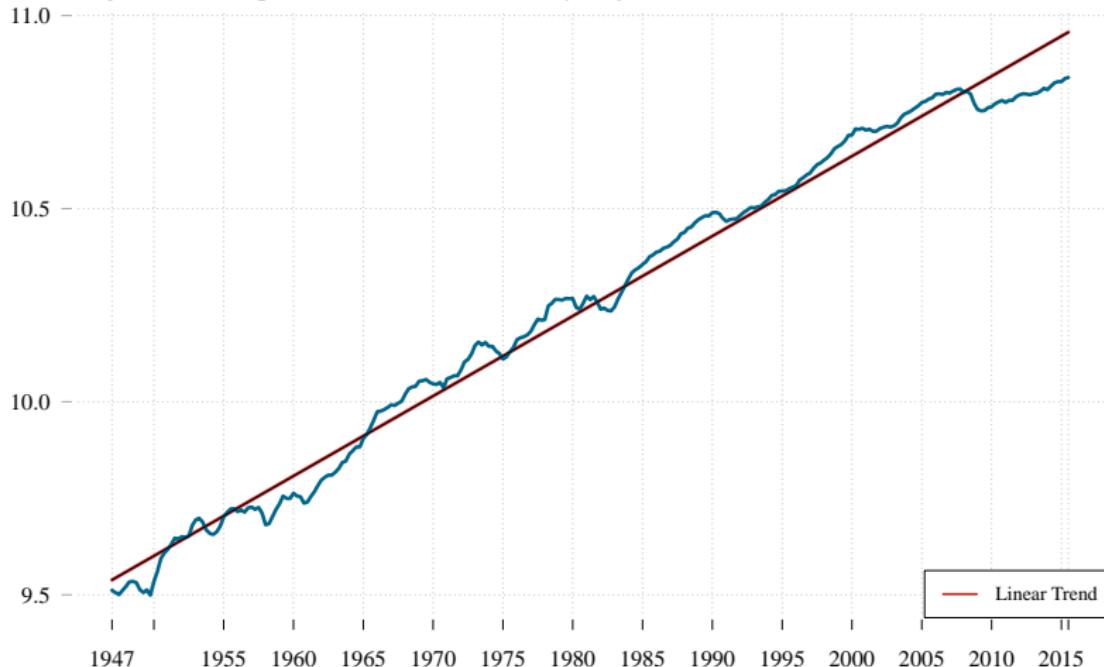


# final thoughts

- lots of weakness out there
- and yes, signs of strength

## Real GDP

Log Real Per Capita GDP, 2009\$, Seasonally Adjusted



thank you!