



North Valley Economic Forecast Conference: Emergence and Growth in 2015-17

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General Overview



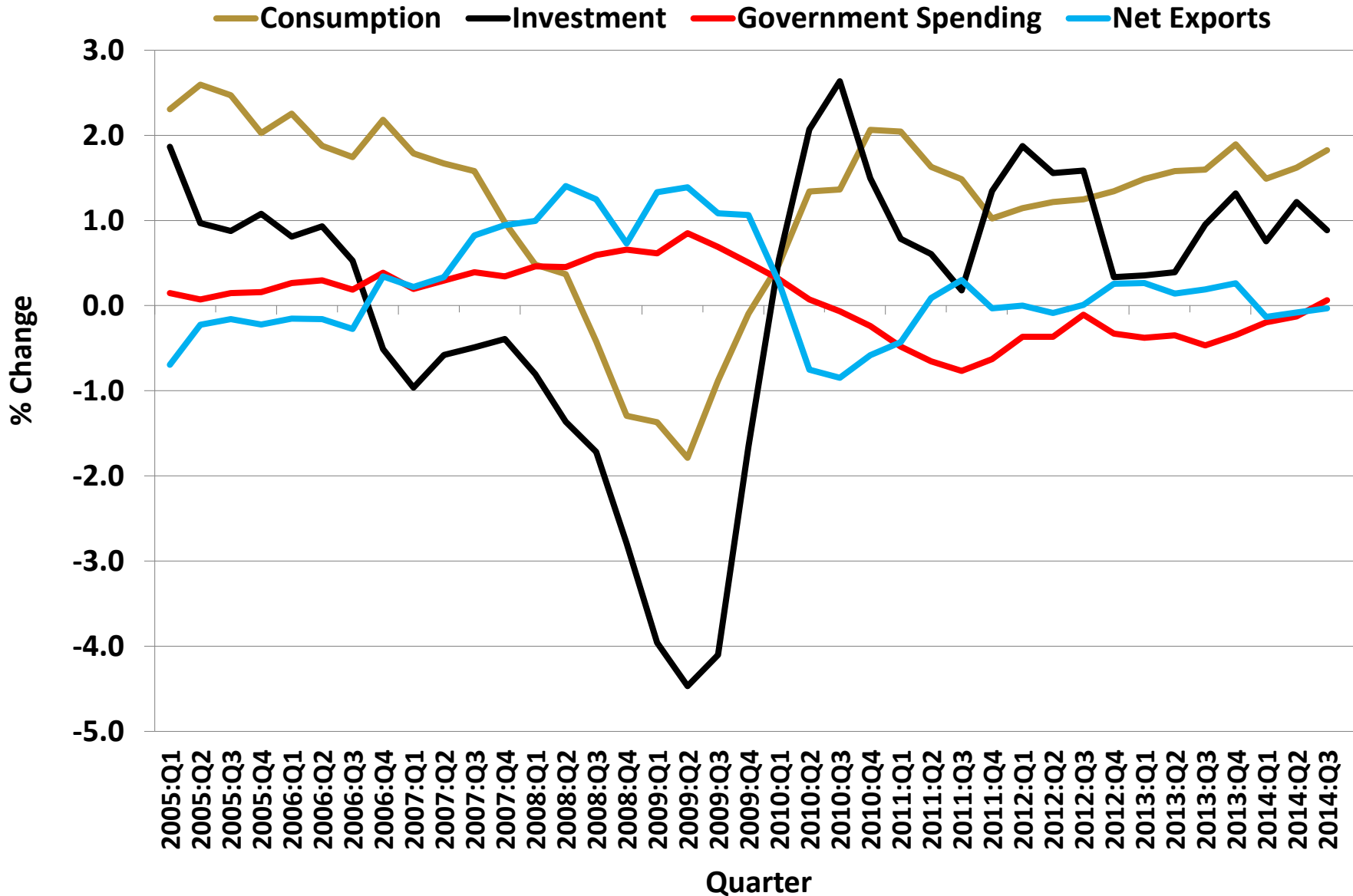
- 2015 another year of positive growth
- Low interest rates and housing markets growth
- Growth engines choppy and tenuous
- Labor markets still generating jobs, especially coastal/metro California
- North Valley remains a mixed bag of recovery
 - 2015 looks generally positive, following the state's growth

National Economy Wrap-Up

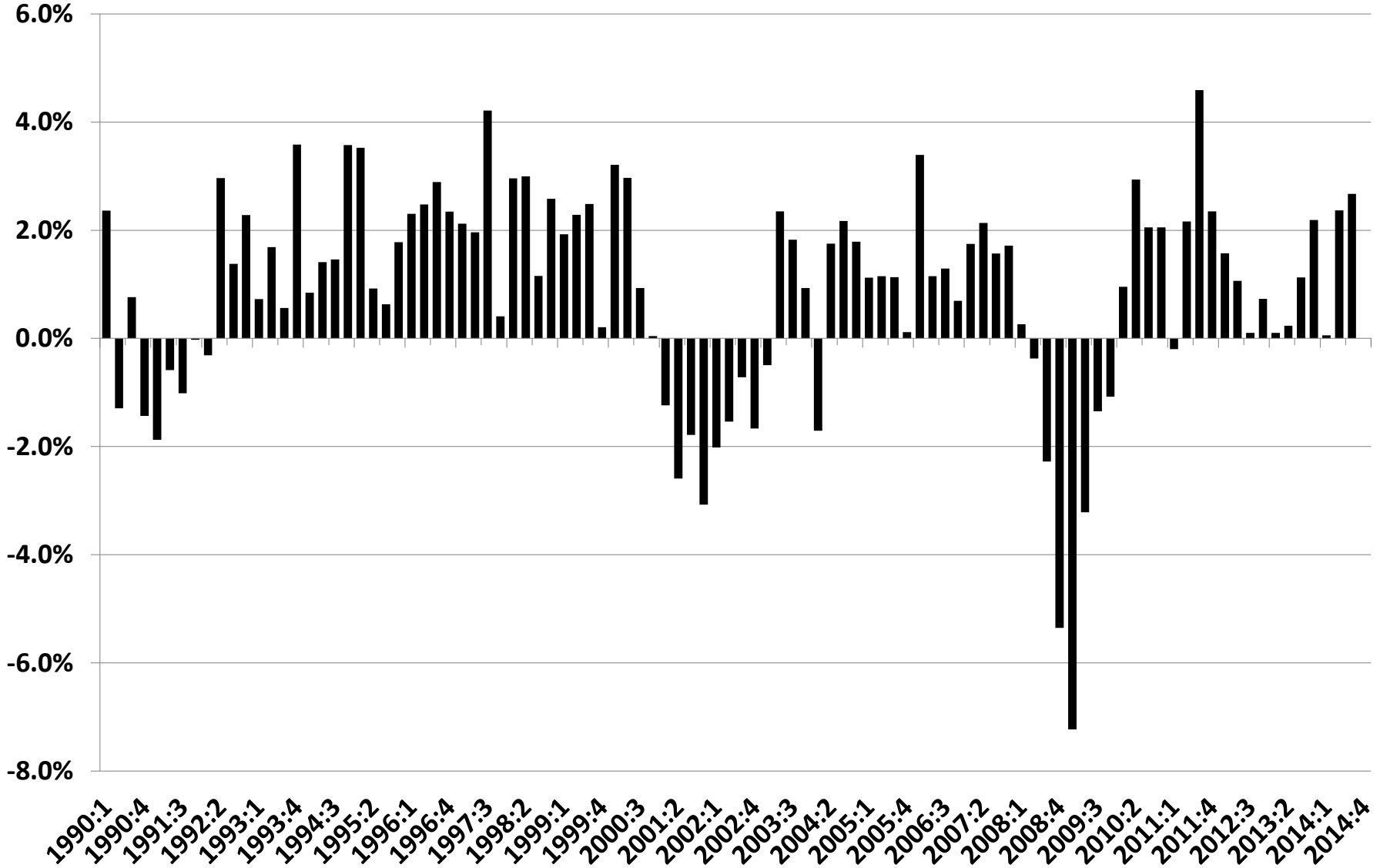


- American economy has its cracks, strengths
 - 2014 a roller coaster year in the national data
- 2015-17 forecasted as continued growth
 - Labor market “slack” rationale for no rate changes yet
- Recent oil prices fall helps inflation suppression
 - Rate change may be delayed a bit
 - If the price change is structural, is this a good thing?
- Still lack the supply-side boost: demand fill in

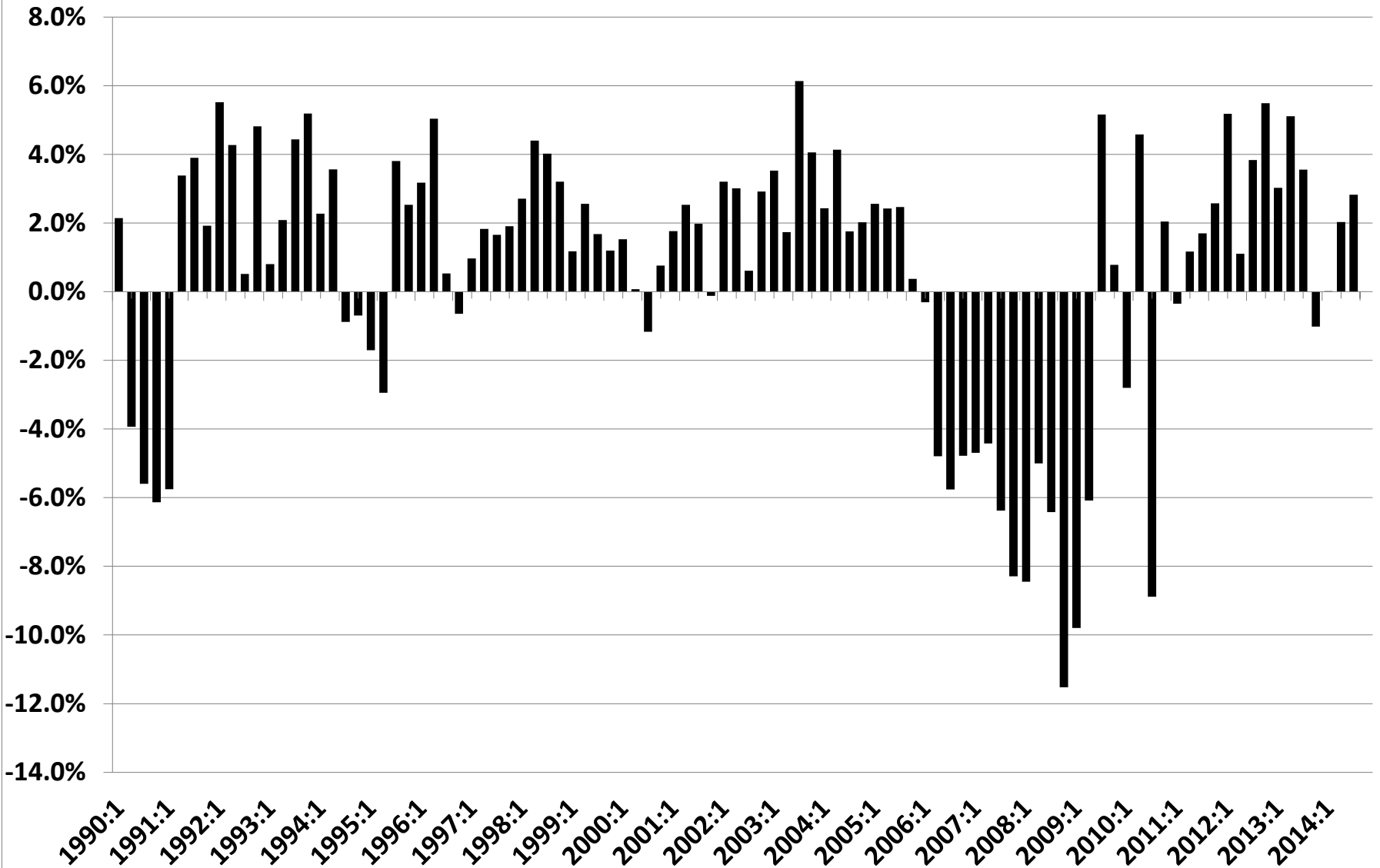
Contributions to Growth of GDP, US, 2005\$, 2005 - Present



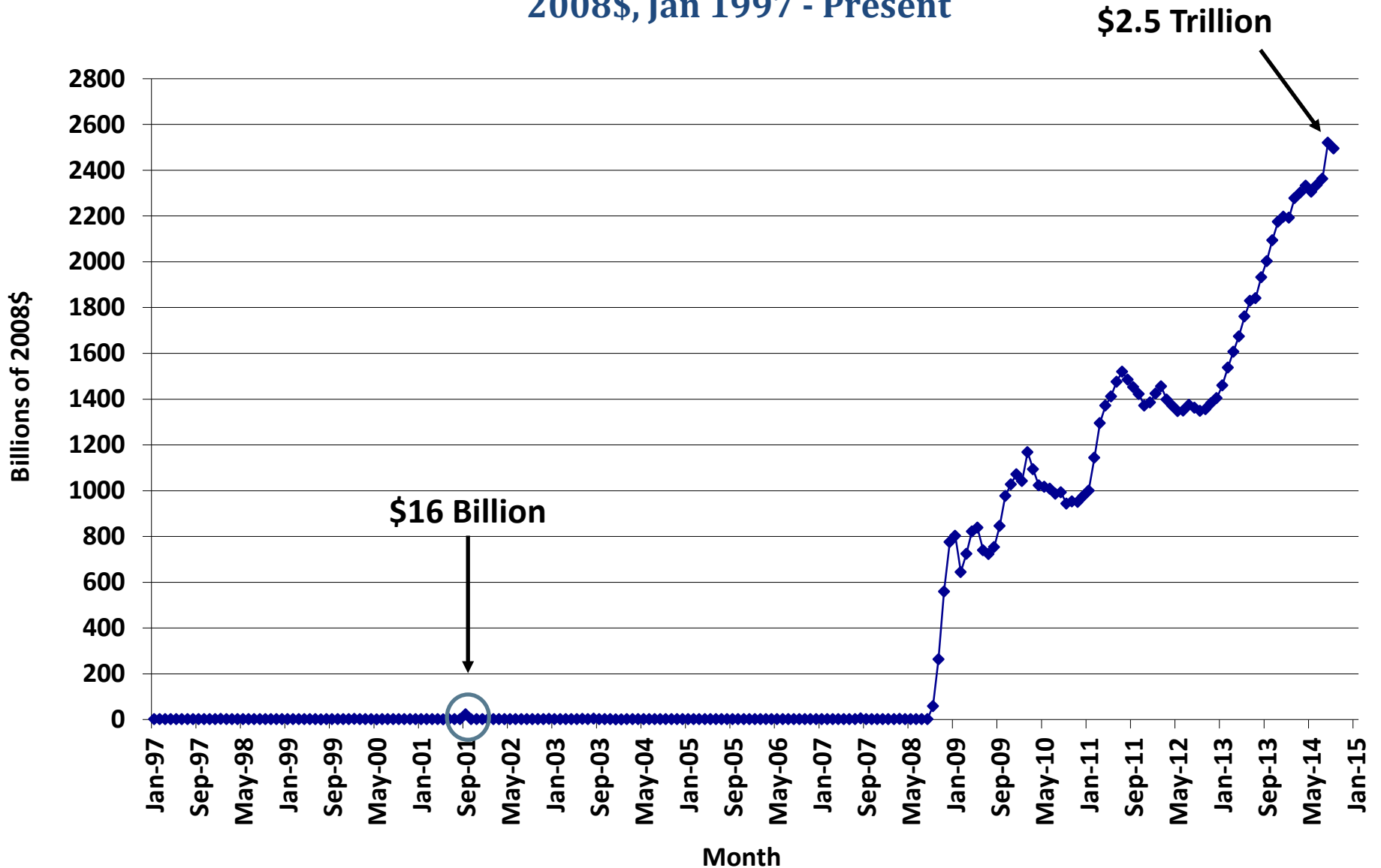
Non-Residential Investment, US (% change 2005\$, SA), 1990Q1 - 2014Q3



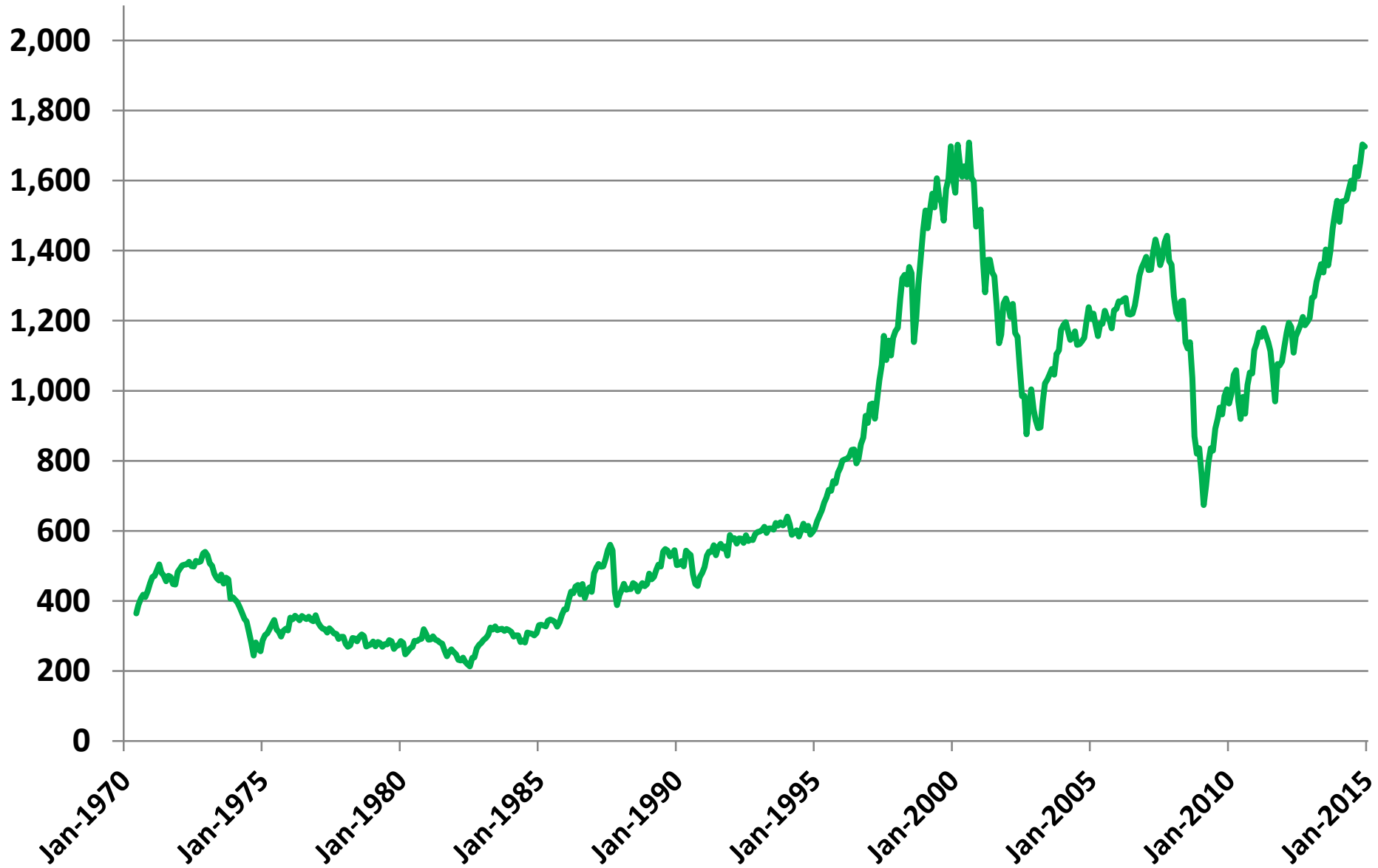
Residential Investment, US (% change 2005\$, SA), 1990Q1 - 2014Q3



Excess Reserves at U.S. Depository Institutions (Loanable Funds Not Lent) 2008\$, Jan 1997 - Present



SP500, 2005\$, 1970-Present



So What?!



- American economy has good (not great) momentum going into 2015
- Interest rates likely to rise in 2015 because...
 - Job growth continues
- But...
 - European economy slowdown pressure interest rates downward
- Growth likely through 2017
 - Don't expect 1990s/2000s before recession again

California



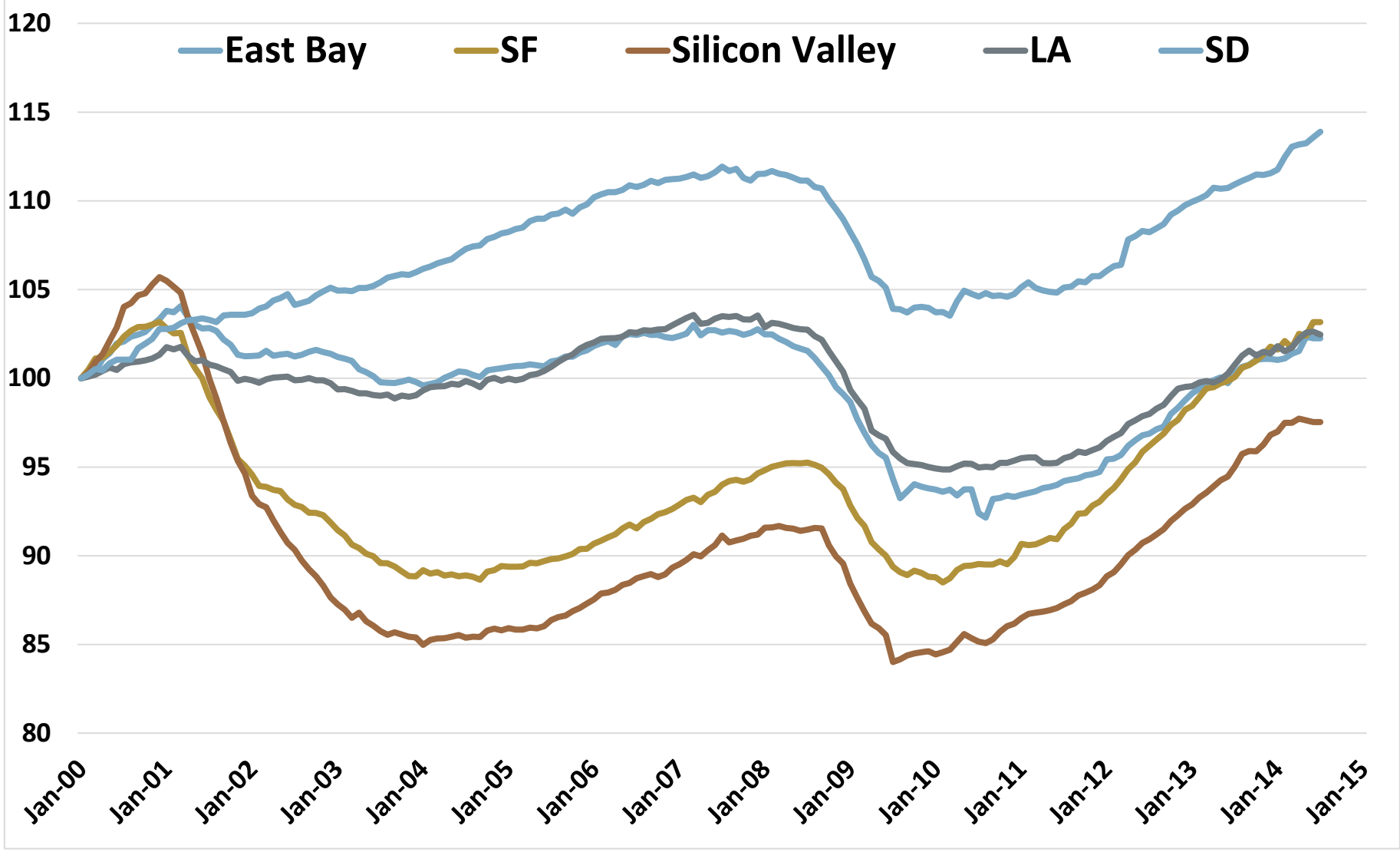
- Growth continues, forecasted through 2017
- Bifurcated California continues: coastal versus valleys
- Bay Area again the powerhouse in California
- Ag areas now have slack labor and water issues
 - Global commodities glut and potential slowdown not helping
- State-level budgets in recovery also
 - Tax environment (current and expected) affects business calculus

California through 2017



- Department of Finance and Anderson School at UCLA forecast growth through 2017: **+3.5% GCP on average**
- Growth = sales, property, capital gains, income tax gains
- Personal income: 4.5% real growth
- Taxable sales growth: 2.6% real growth
- Employment: 2.3% growth, 5.7% unemployment in 2017
- Prices: 2.3% rise per year to 2017

Employment Indices, 2000 - 2014, SA, Jan 2000 = 100, Major Metro Areas in CA



Source: EDD (www.edd.ca.gov)

Inflation and Regionality



YTD Average (Oct to Oct)	United States	San Francisco Bay Area	Los Angeles MSA	California
2013	232.9	244.8	239.3	241.6
2014	236.9	251.8	242.7	246.1
Percent Change	1.7%	2.8%	1.4%	1.9%

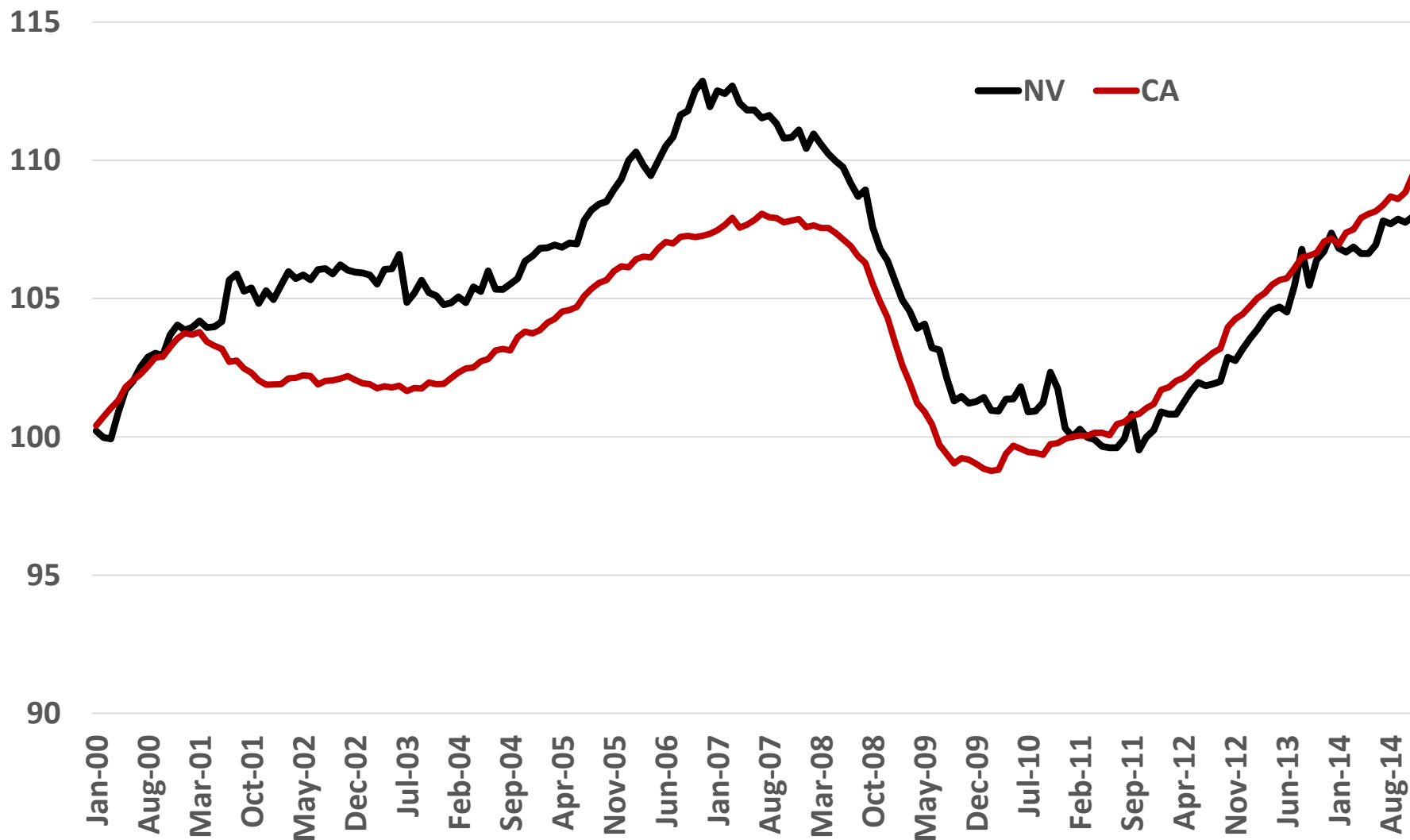
North Valley Data Highlights

(For 2014 to date, Payroll Employment)

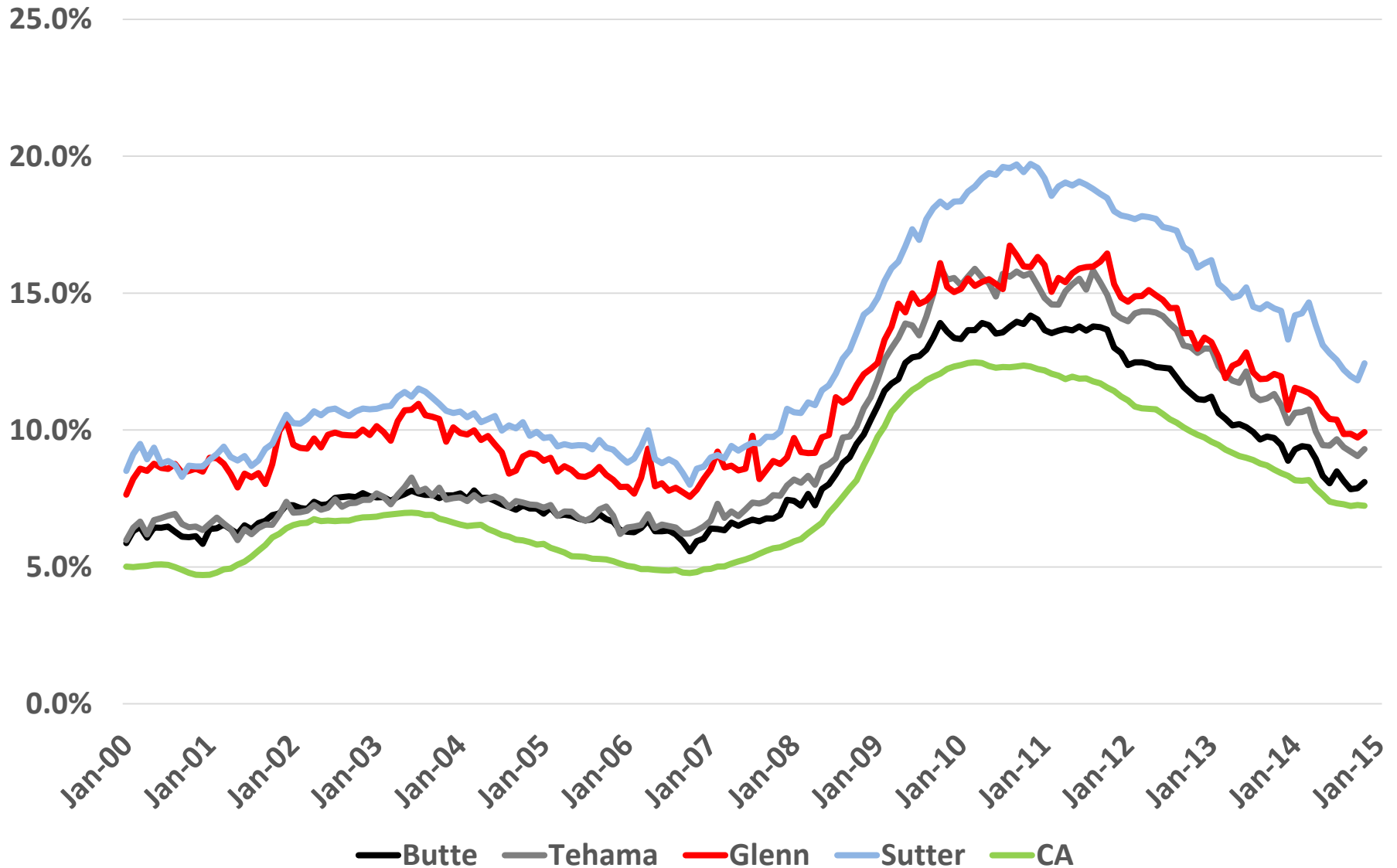


- **Butte:** Job growth +1,600 Non-farm jobs
 - **Real GCP growth 2014: 2.6%**
- **Glenn:** Job growth +450 Non-farm jobs
 - **Real GCP growth 2014: 3.6%**
- **Tehama:** Job growth +270 Non-farm jobs
 - **Real GCP growth 2014: 3.0%**
- **Sutter:** Job growth +500 Non-farm + 500 farm!
 - **Real GCP growth 2014: 3.6%**

Employment Indices: North Valley (NV) and CA Seasonally Adjusted, 2000 – Nov 2014, Index 2011 = 100

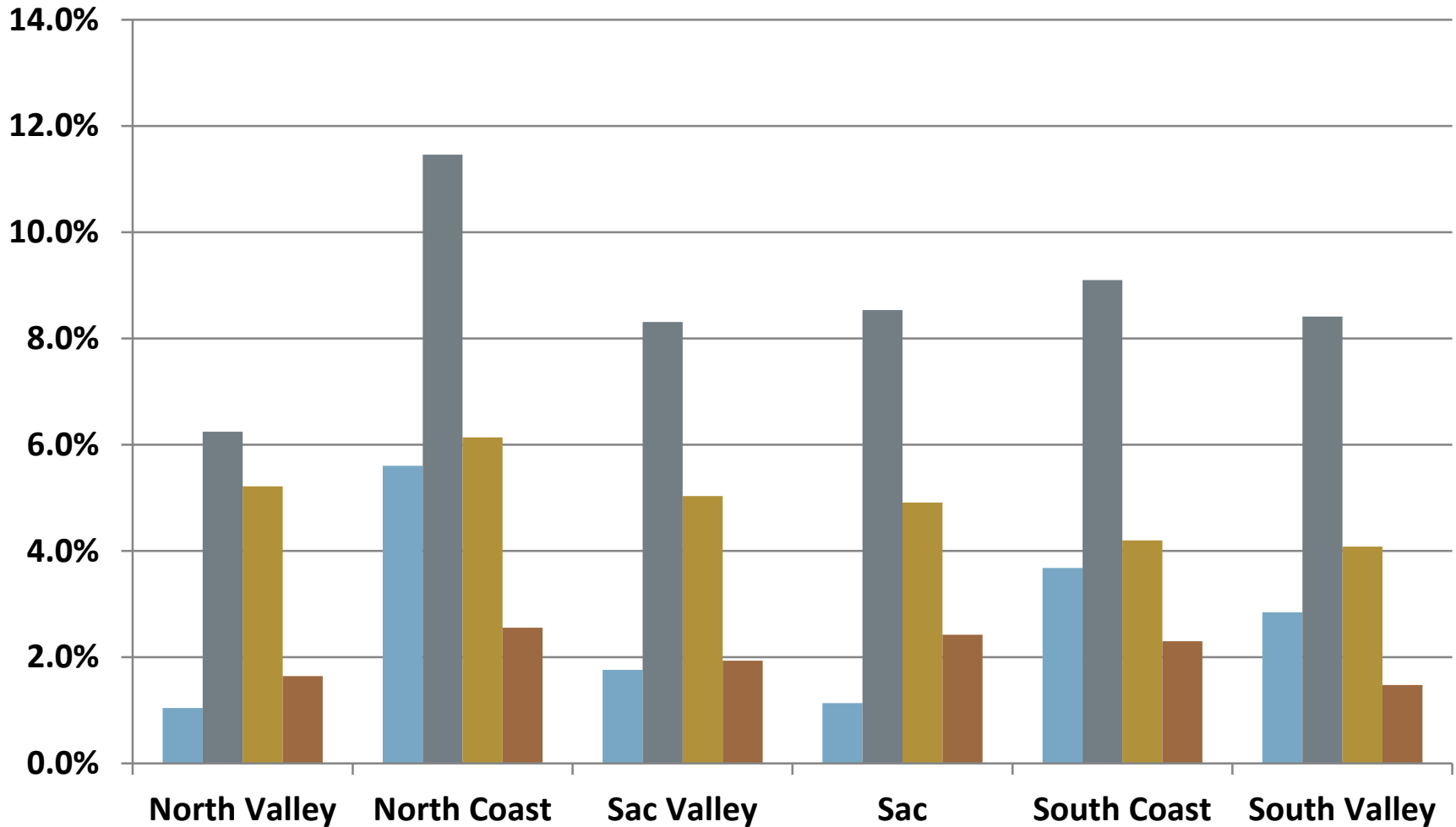


Unemployment, Seasonally Adjusted, 2000-2014



Employment Growth Comparison, Selected Areas Since 2008

■ 2008-14 ■ 2010-14 ■ 2012-14 ■ 2013-14

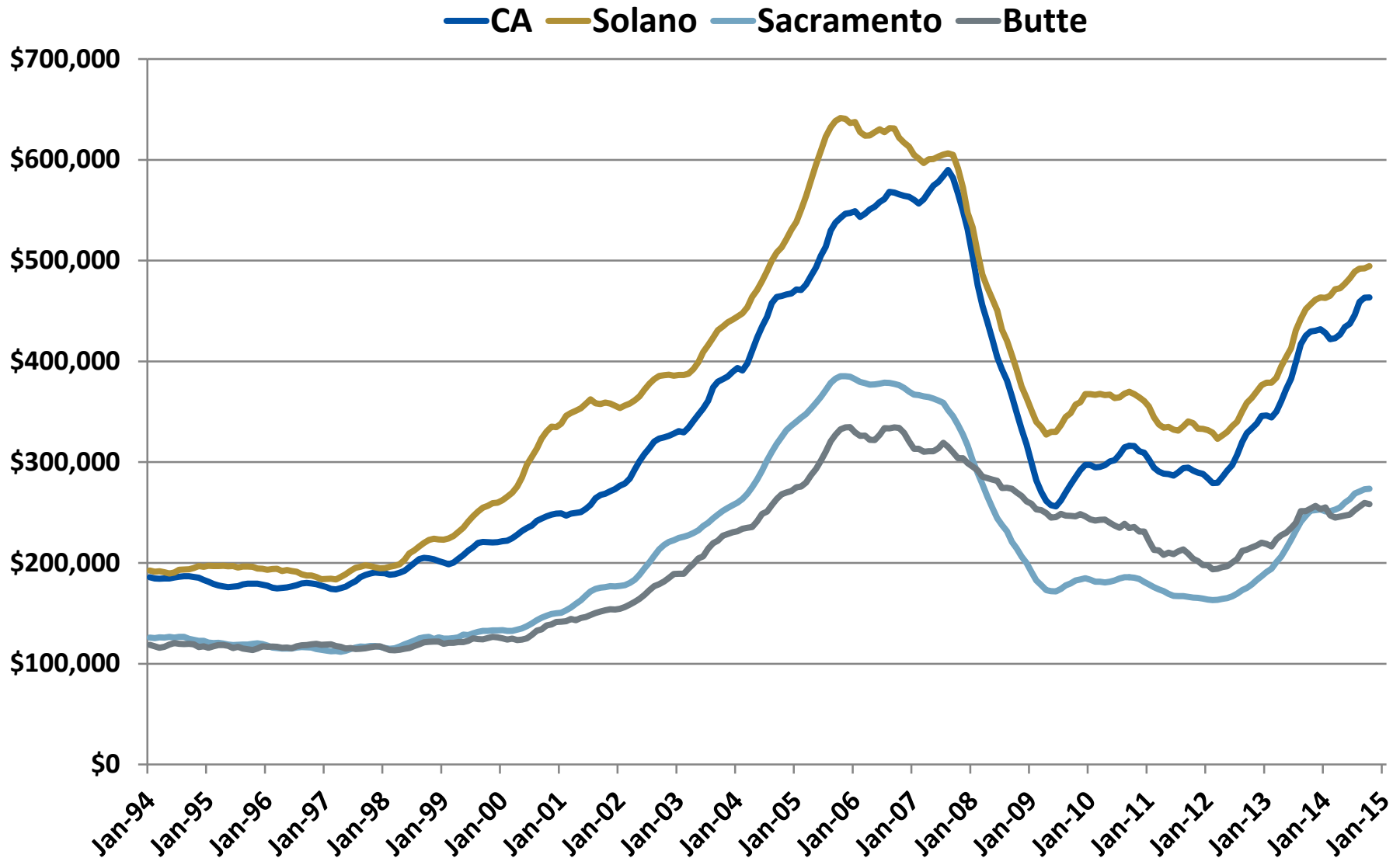


Housing Markets

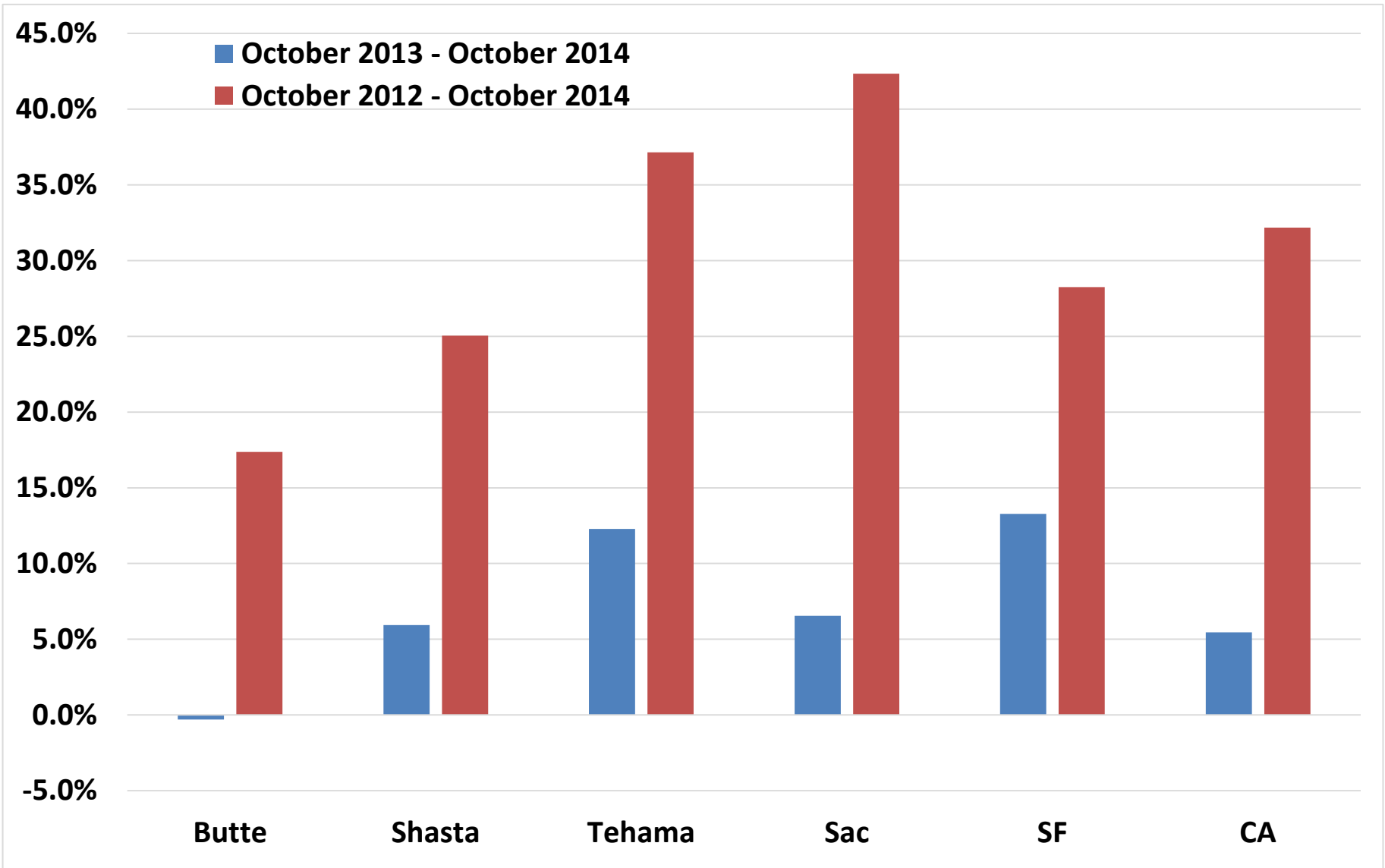


- Basics data and takes
 - Housing prices moving as predicted for 2014
 - Inventory still low, 2015 positive and a bit slower
 - Rents remain high and market is multi-faceted
- Considerations:
 - Rental prices, higher wage demands and housing
 - Are we becoming a society of renters?

CA Housing data: Median Home Prices, \$



CA Housing data: Median Home Price Growth, % growth



Quick on Socioeconomic Front



- Watch for the following in 2015 to get more steam
 - Density debates and housing mix
 - Transportation issues
 - Income inequality: wages and you
 - Parcel taxes as a new/old ballot measure for revenue

Census Highlights and Comparisons

Median Age

	2000	2007	2010	2013
Butte	35.8	34.7	37.2	37.0
Sutter	34.1	33.6	34.2	34.8
Tehama	37.8	37.1	39.2	39.9
Glenn	33.7	34.2	35.1	37.2
Shasta	38.9	38.5	41.3	42.1
Sac	33.8	34.1	34.6	35.1
CA	33.3	34.5	34.9	35.4

Census Highlights and Comparisons: Median Household Income

	2000	2007	2010	2013
Butte	\$ 43,914	\$ 43,858	\$ 43,836	\$ 43,752
Sutter	\$ 52,876	\$ 54,569	\$ 49,181	\$ 50,408
Tehama	\$ 42,822	\$ 40,989	\$ 40,662	\$ 41,924
Glenn	\$ 44,432	\$ 42,808	\$ 43,507	\$ 43,023
Shasta	\$ 47,423	\$ 46,652	\$ 43,718	\$ 44,651
Sac	\$ 60,284	\$ 63,147	\$ 56,067	\$ 55,064
CA	\$ 65,365	\$ 66,598	\$ 61,400	\$ 61,094

Census Highlights, 2009-2013

Average Household Size

	2000	2007	2010	2013
Butte	2.48	2.51	2.50	2.53
Sutter	2.87	2.95	2.95	2.95
Tehama	2.62	2.61	2.60	2.66
Glenn	2.84	2.95	2.89	2.87
Shasta	2.52	2.56	2.52	2.54
Sac	2.64	2.69	2.69	2.72
CA	2.87	2.92	2.89	2.94

Census Highlights and Comparisons: BA Degree or Higher

% of Pop	2000	2007	2010	2013
Butte	21.8	24.4	24.1	24.4
Sutter	15.3	17.9	18.7	18.7
Tehama	11.3	11.5	12.6	13.5
Glenn	10.7	12.6	16.2	14.6
Shasta	16.6	17.8	20.0	18.8
Sac	24.8	27.5	27.8	28.0
CA	26.6	29.1	30.1	30.7

North Valley Forecast and Future



- 2015 looks like a year of continued growth
 - Will follow California overall through 2017
- 2015 as a year of innovation and entrepreneurship
 - Prep for a slowdown by looking for new businesses today
 - Differentiation in the local economy = balance when needed
 - Jobs supply is here: integrating education and jobs
 - What is differentiable about the North Valley?
- Economic and social goals need to be aligned

Things to watch in 2015



- Interest rates and debates
- The politics of growth
- The European economy
- Regressive taxes versus support for lower wage workers
- Supply-side possibilities: water, solar, new technologies