

# Economic Outlook for California

Annual ACCCA/ACBO Budget Workshop  
January 19, 2022

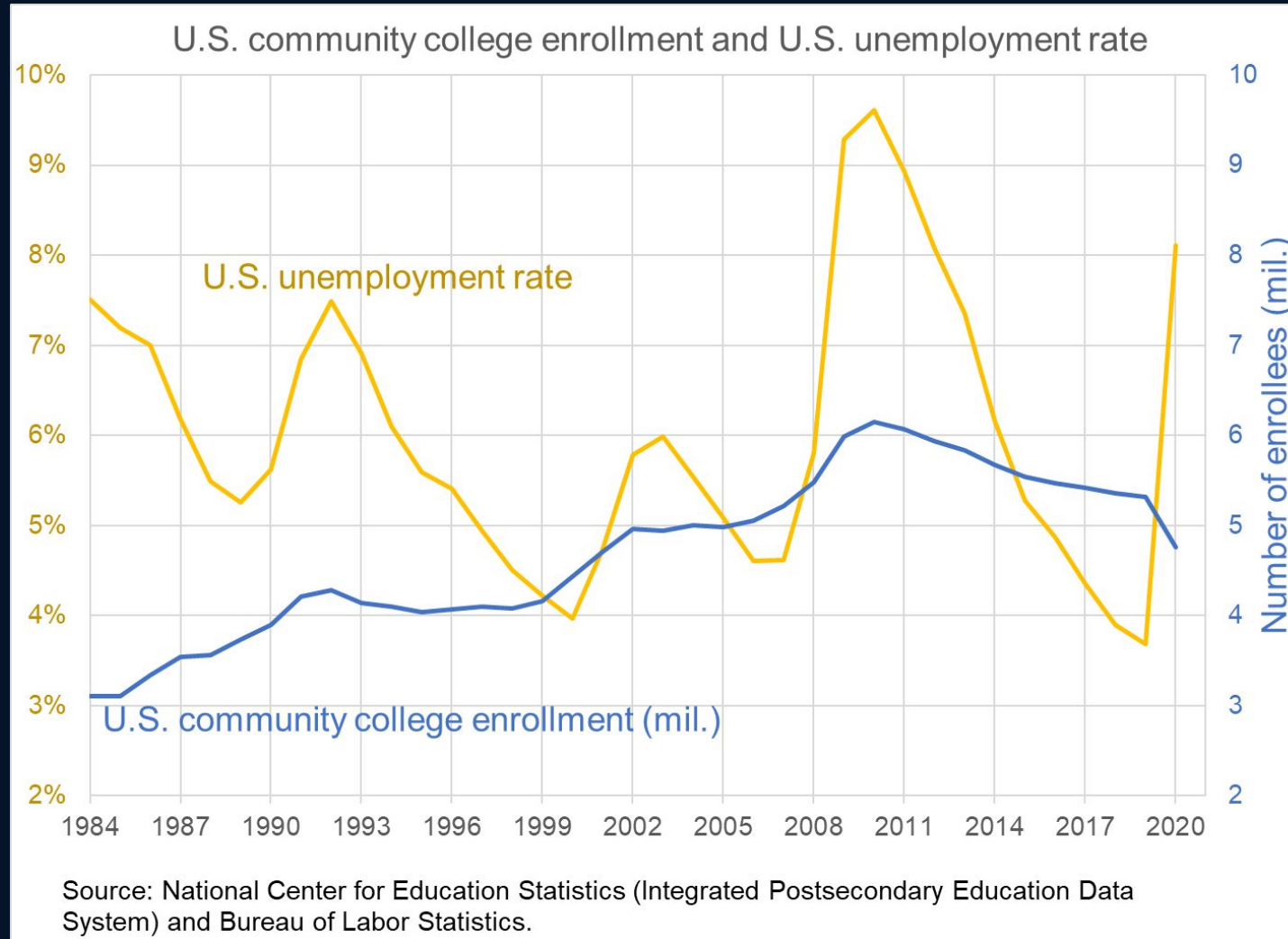
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Economist  
UCLA Anderson Forecast

# Overview

- The U.S. economy and forecast (brief)
- The California economy
  - Labor markets
  - Real estate
  - Income and spending
- Economic forecast for California

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# Economic activity and community colleges

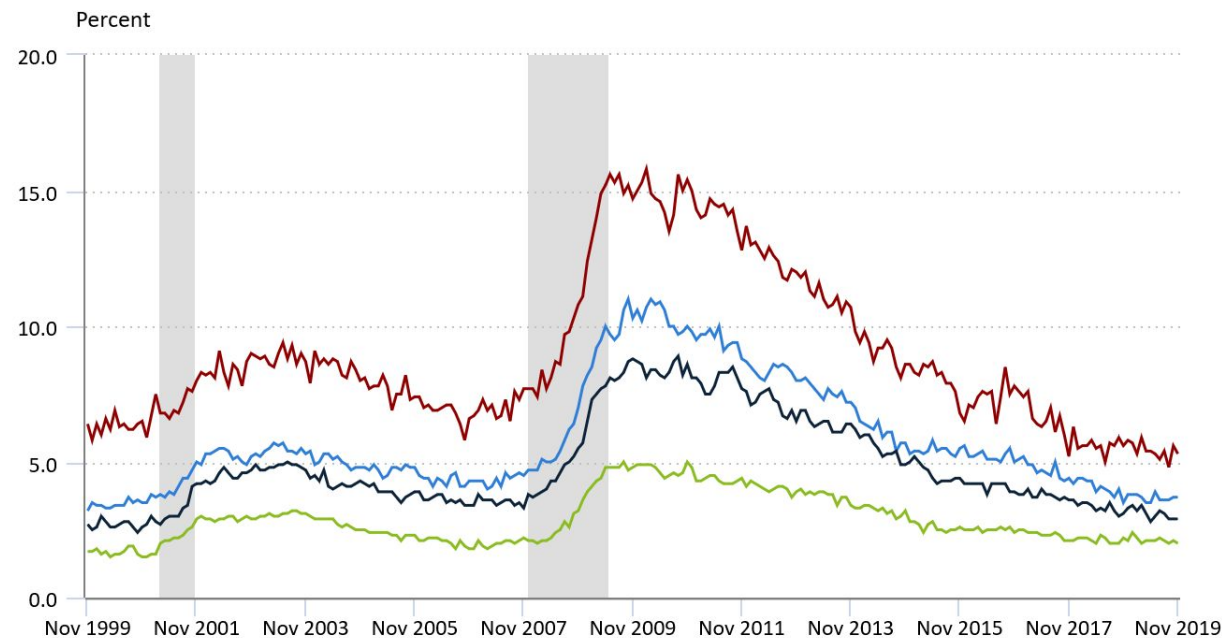


# Unemployment rate by educational attainment

## Unemployment rates for persons 25 years and older by educational attainment, seasonally adjusted

Click and drag within the chart to zoom in on time periods

— Less than a high school diploma — High school graduates, no college — Some college or associate degree  
— Bachelor's degree and higher



Hover over chart to view data.

Note: Shaded area represents recession, as determined by the National Bureau of Economic Research.

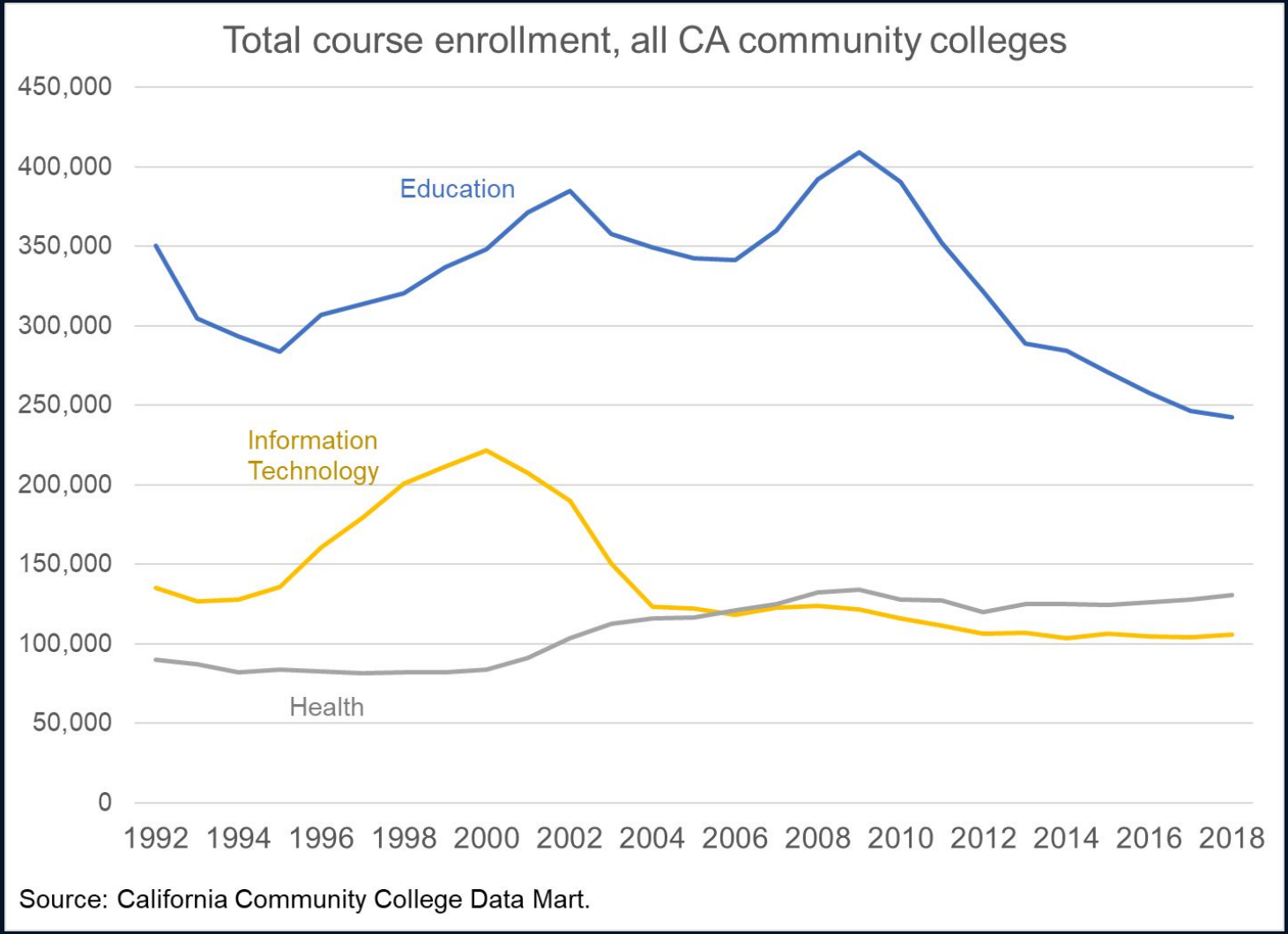
Source: U.S. Bureau of Labor Statistics.



Source: "The Employment Situation" news release, BLS.

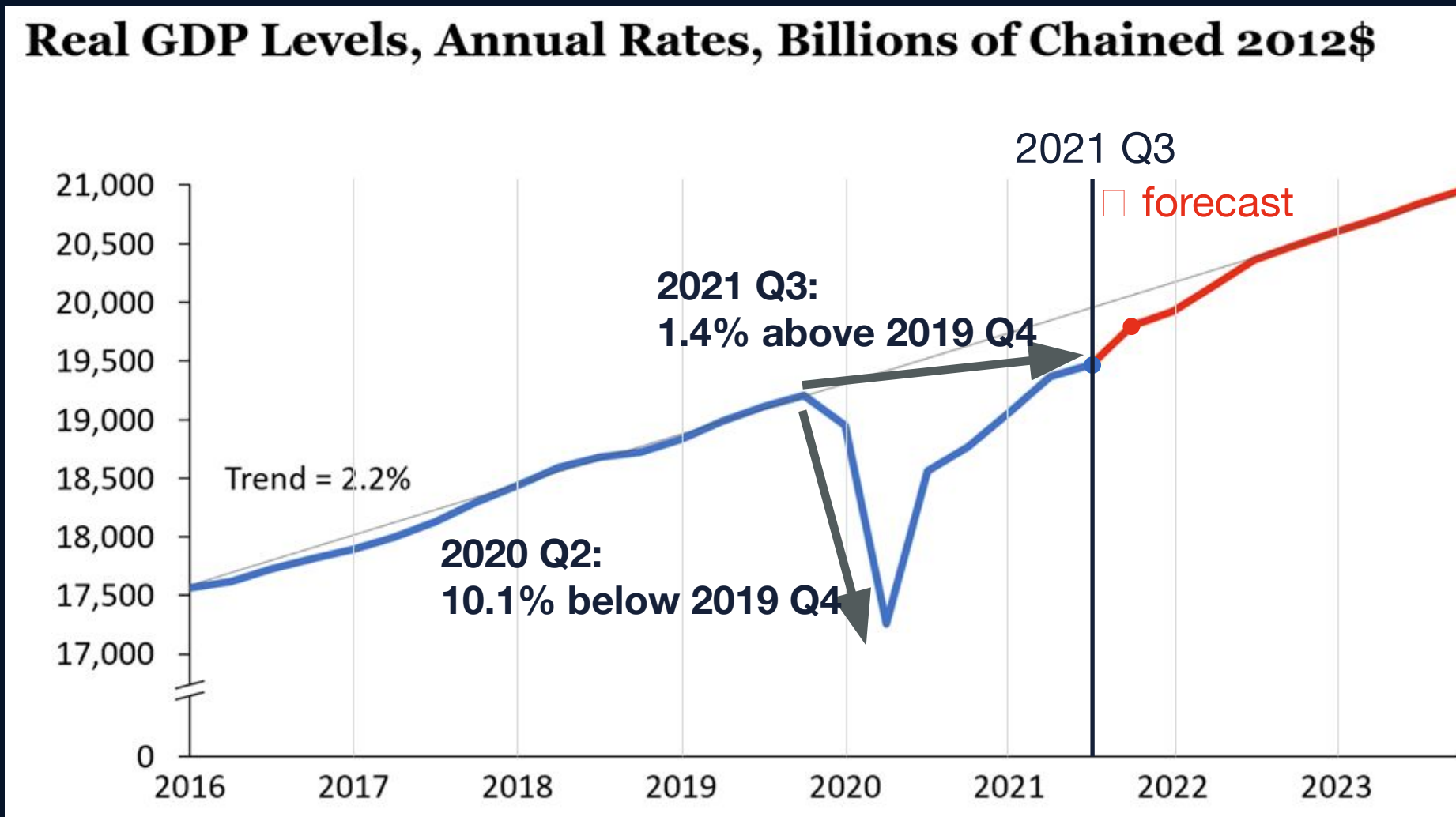
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# The economy affects what students study



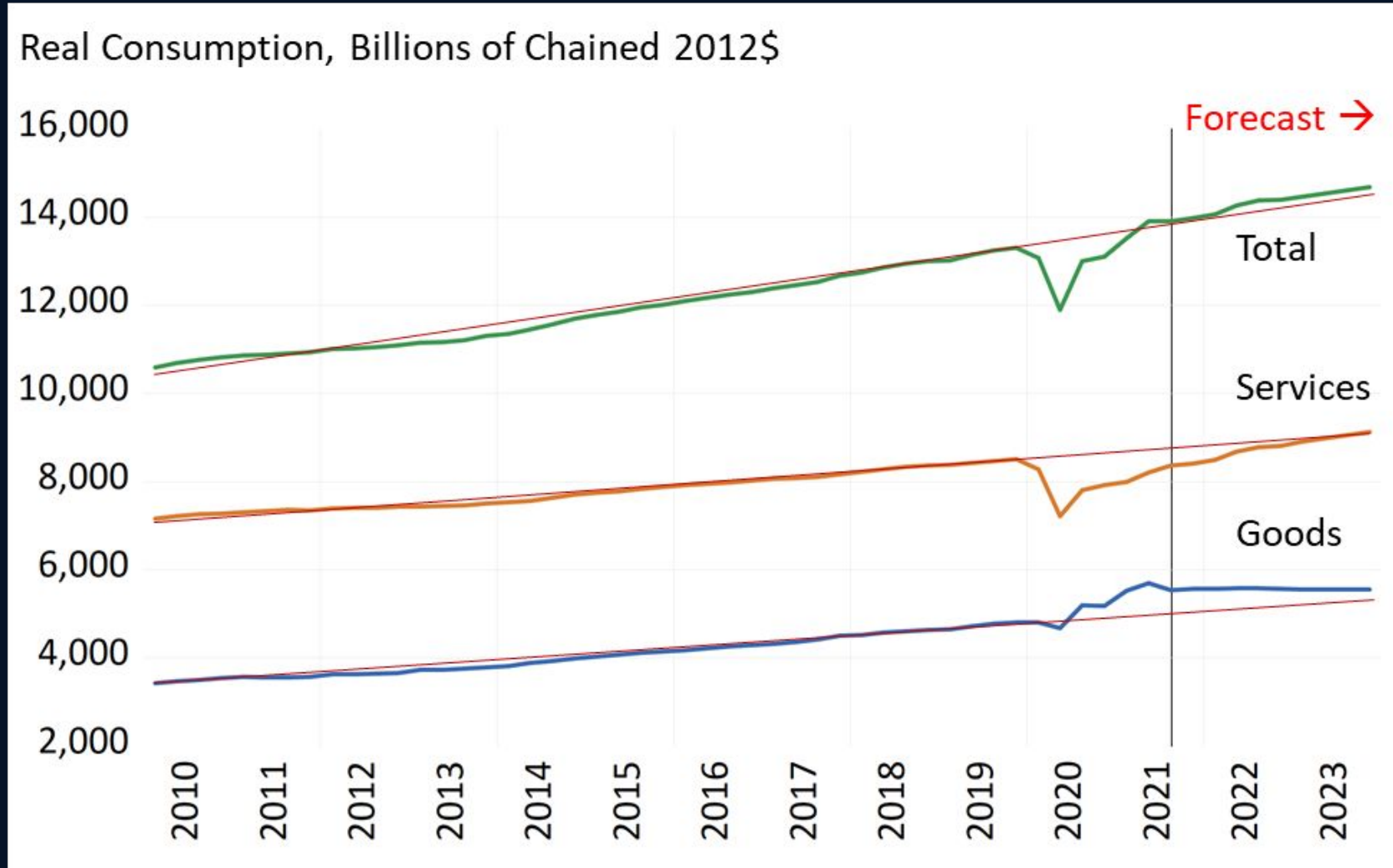
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# U.S. real GDP is back above pre-pandemic levels



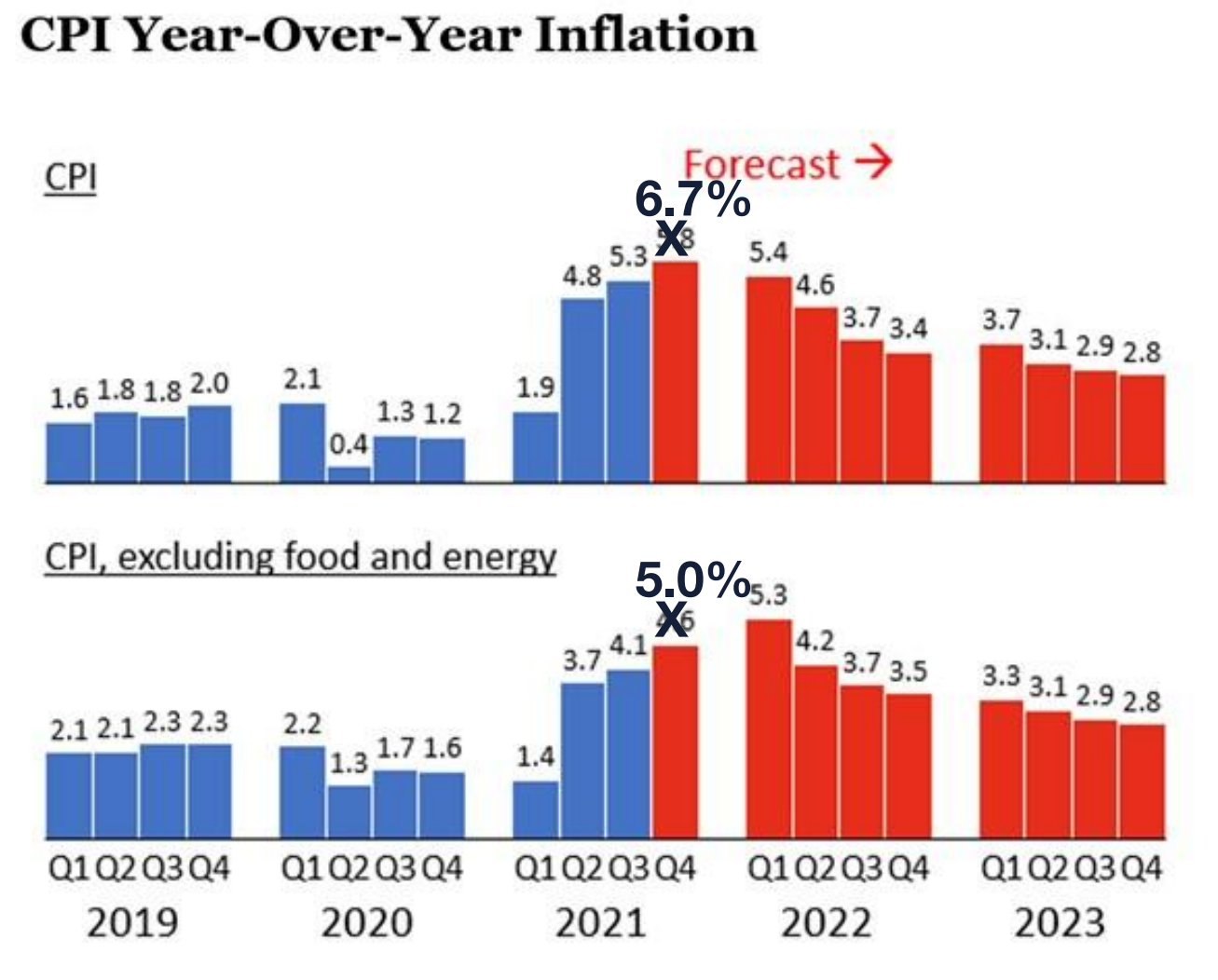
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# Goods vs services: changes in consumption patterns



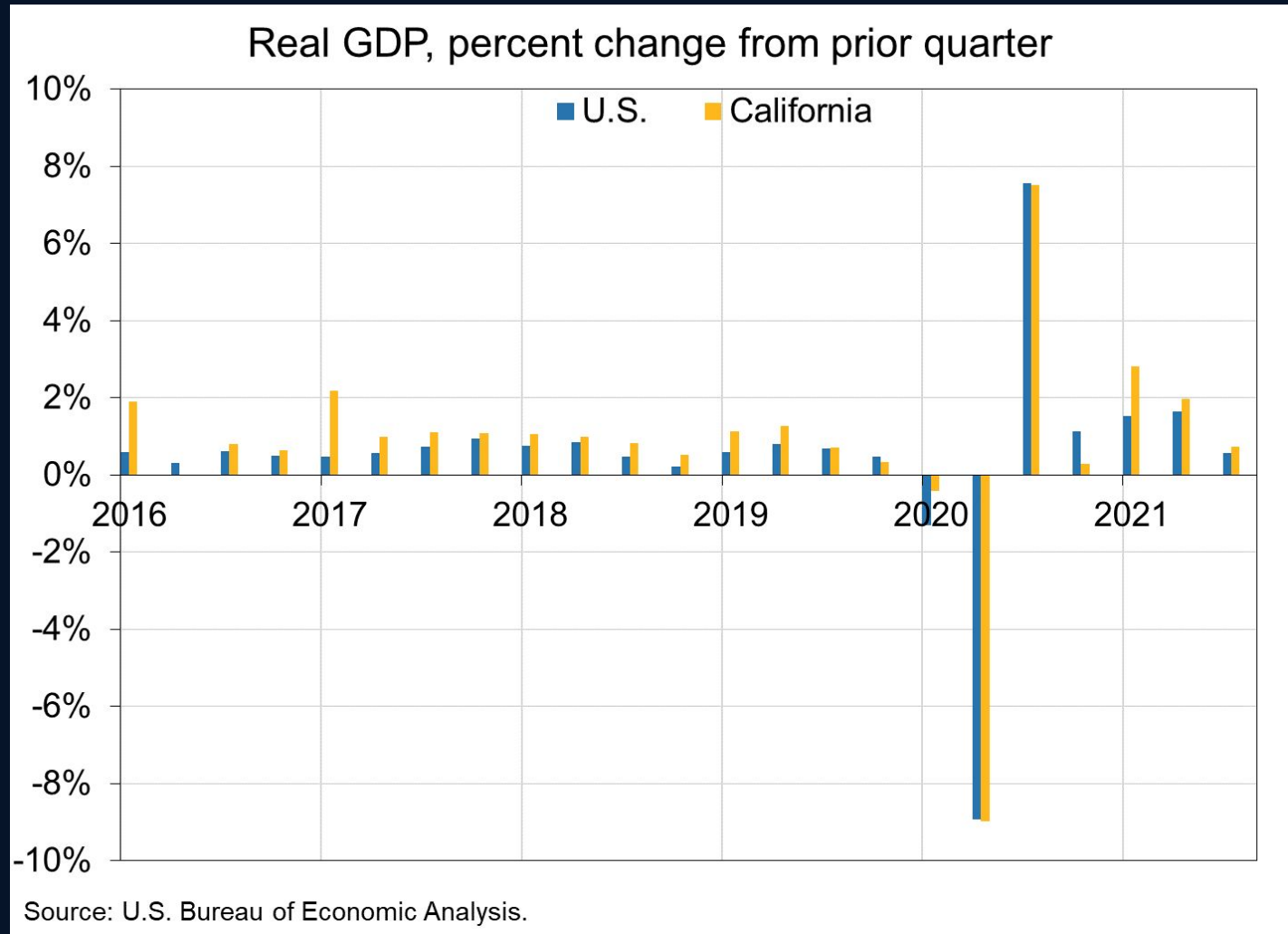
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# Inflation remains elevated





# U.S. vs California GDP



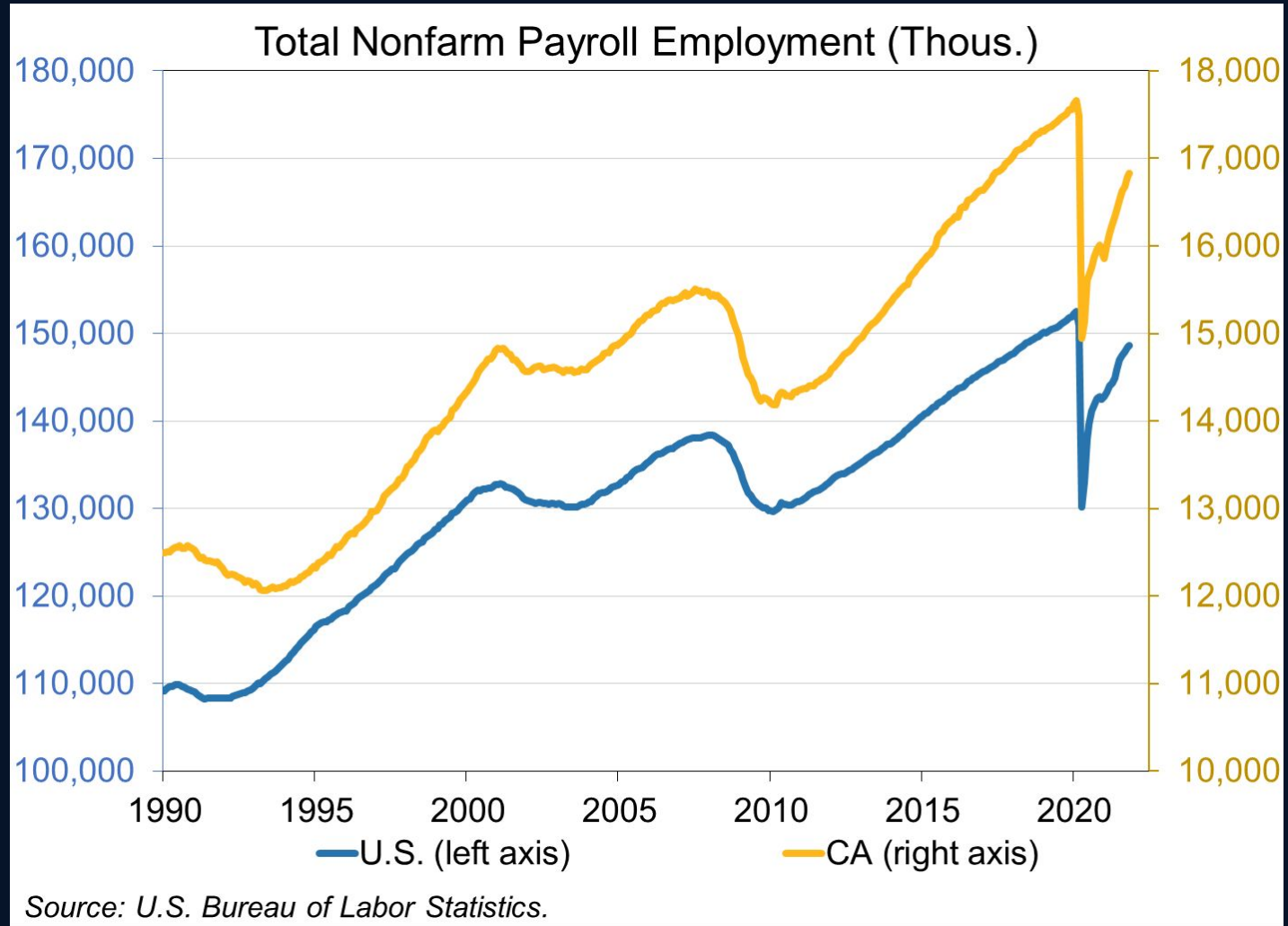
As of 2021 Q3:

U.S. real GDP 1.4%  
above 2019 Q4 level

CA real GDP 3.2%  
above 2019 Q4 level

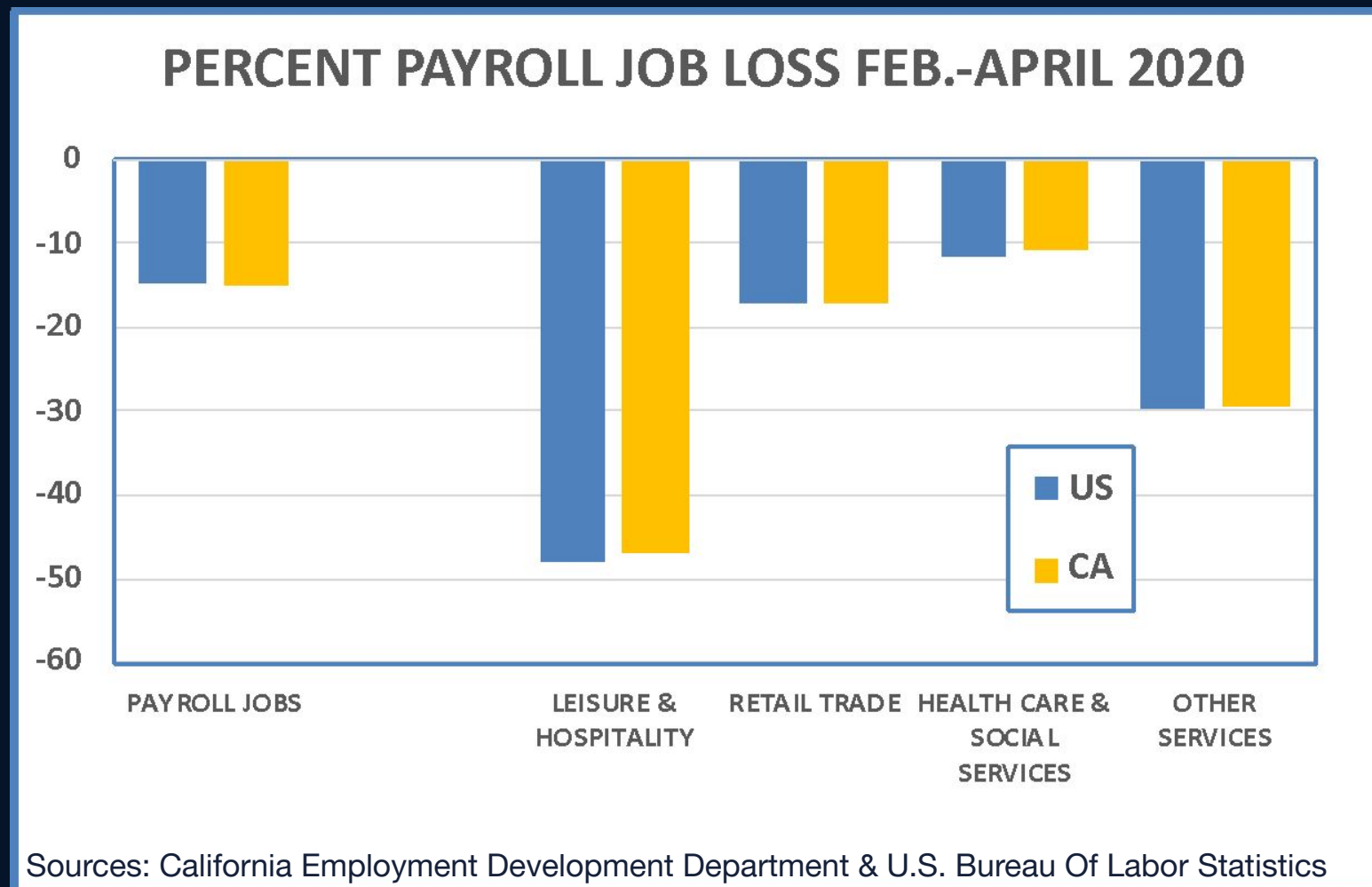
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# California labor markets move with U.S. labor markets

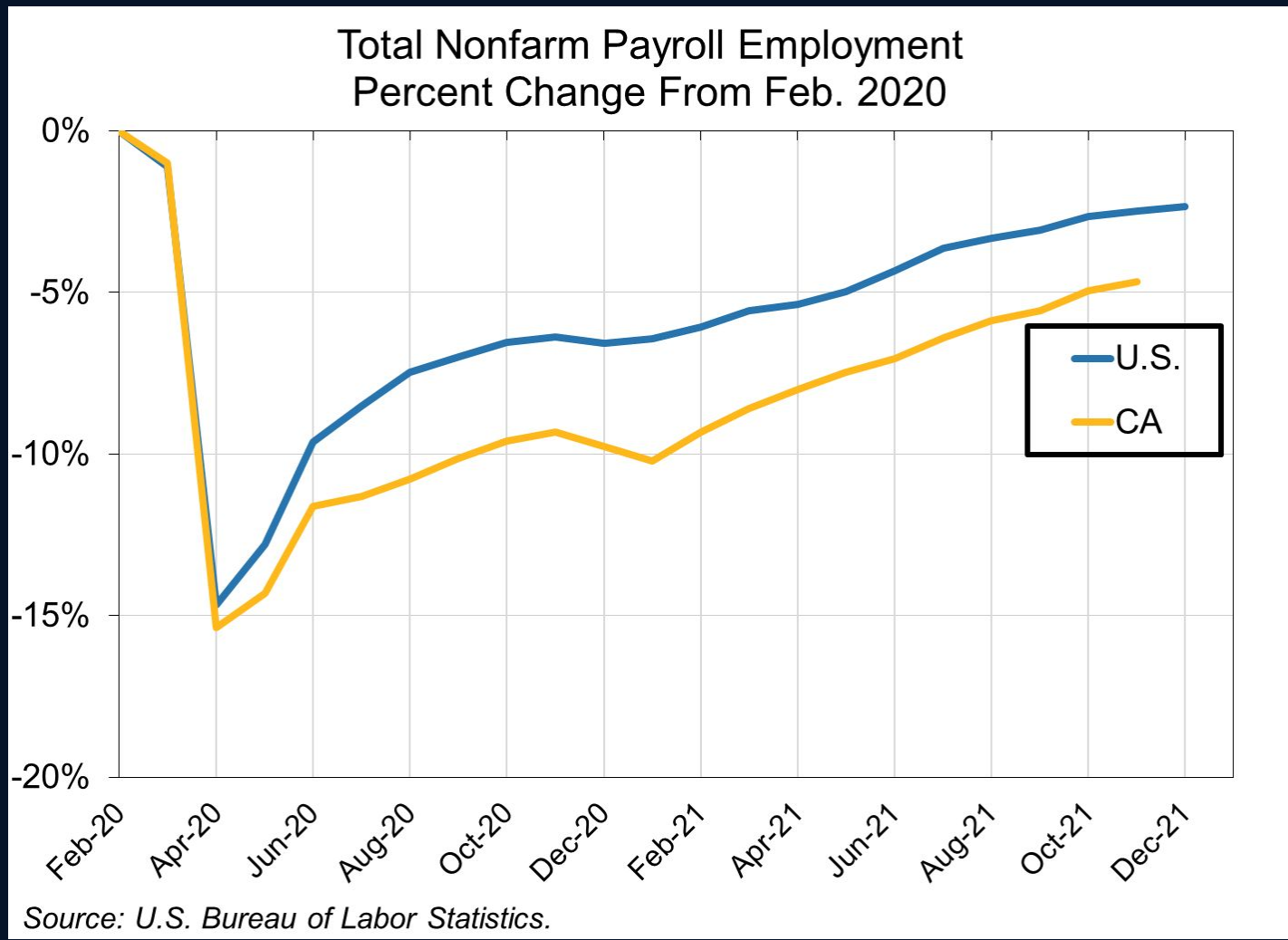


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# Similar losses in the 2020 recession ...



# ... but a slower initial recovery

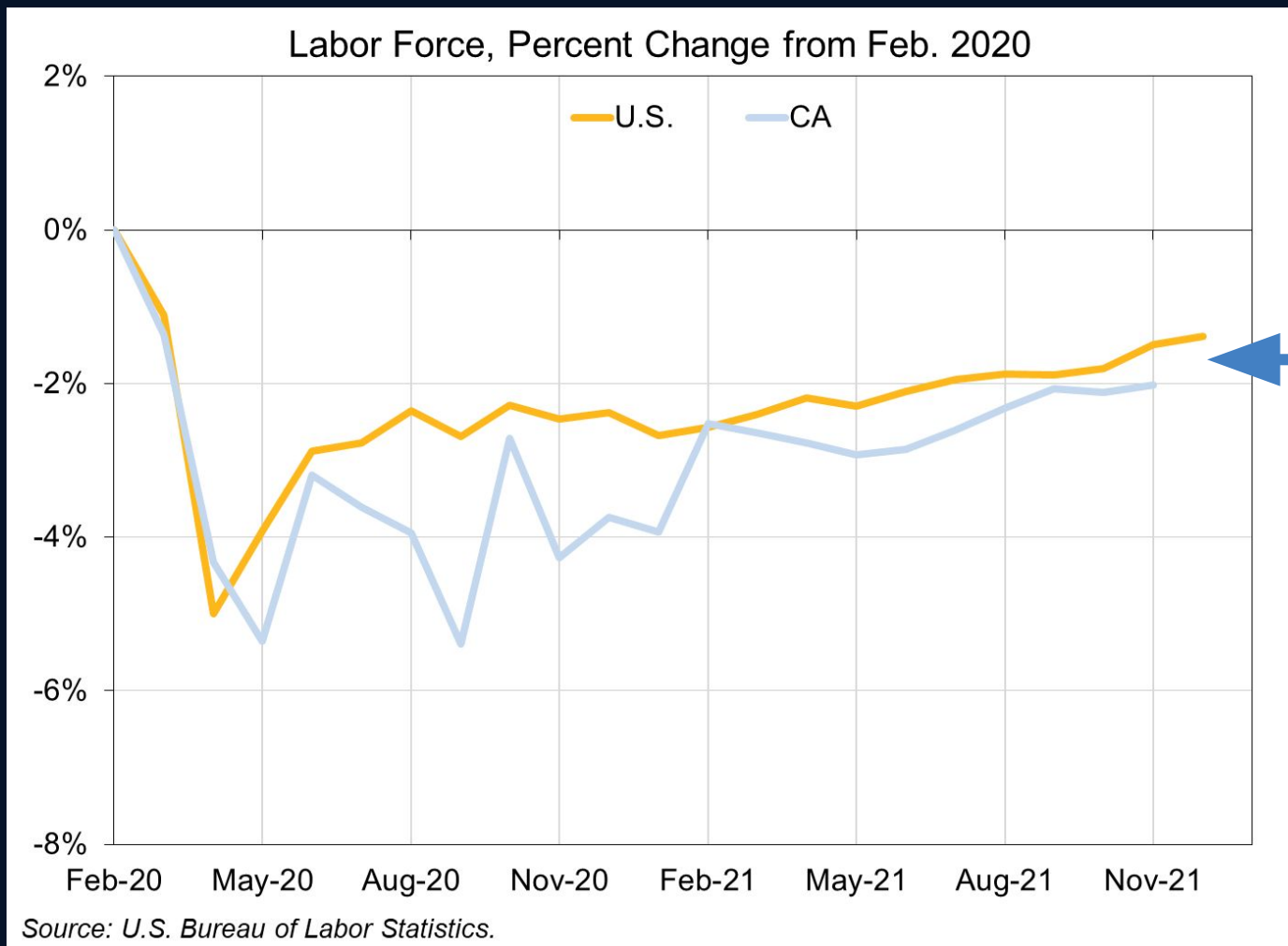


Forecast:

Payroll jobs return to  
Feb. 2020 levels

early 2023 (U.S.)  
Mid/late 2023 (CA)

# Some explanations: 1) smaller labor force

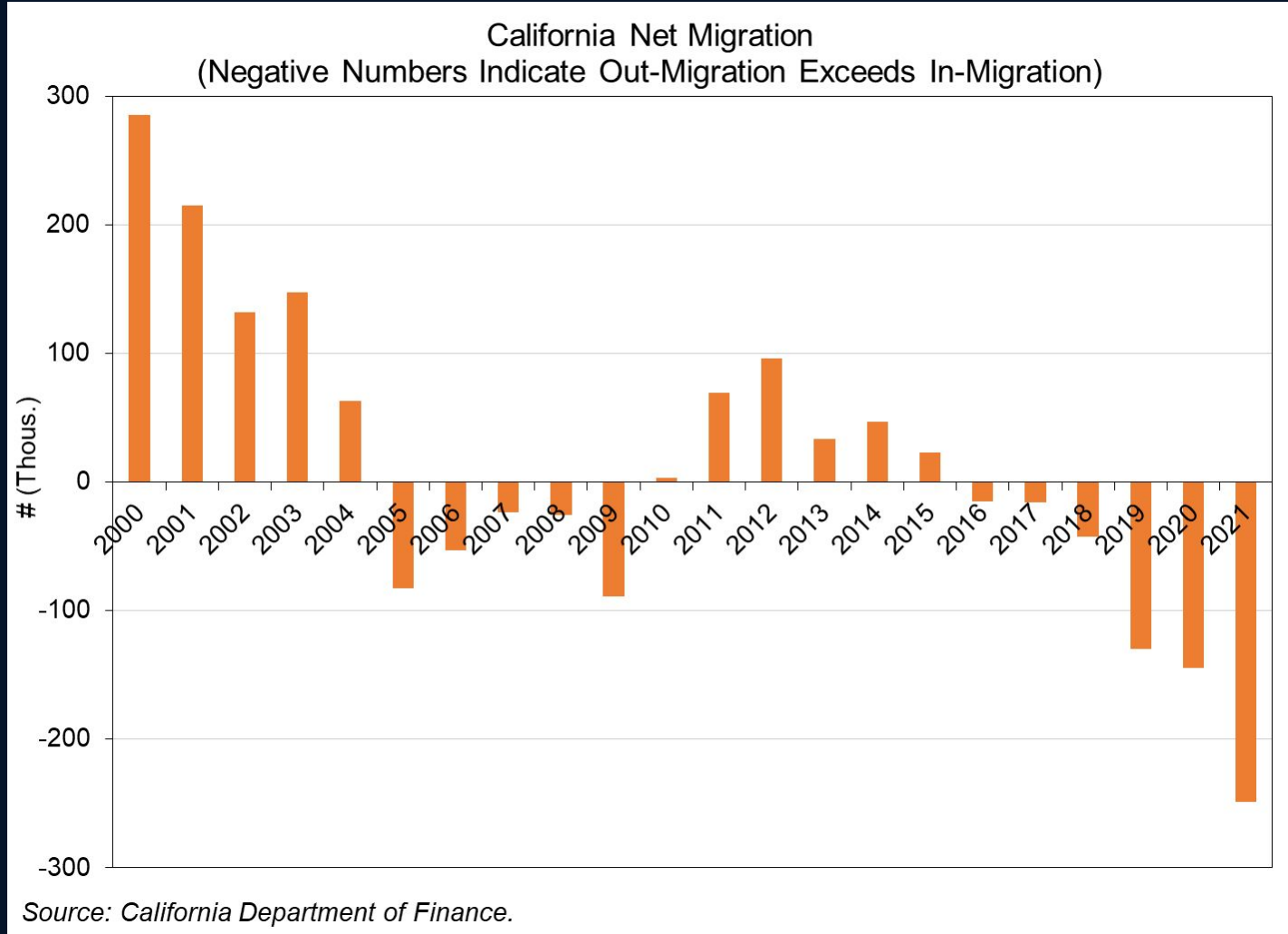


(Feb. 2020 vs Nov. 2021):

U.S.: 2.5 million fewer people in the labor force

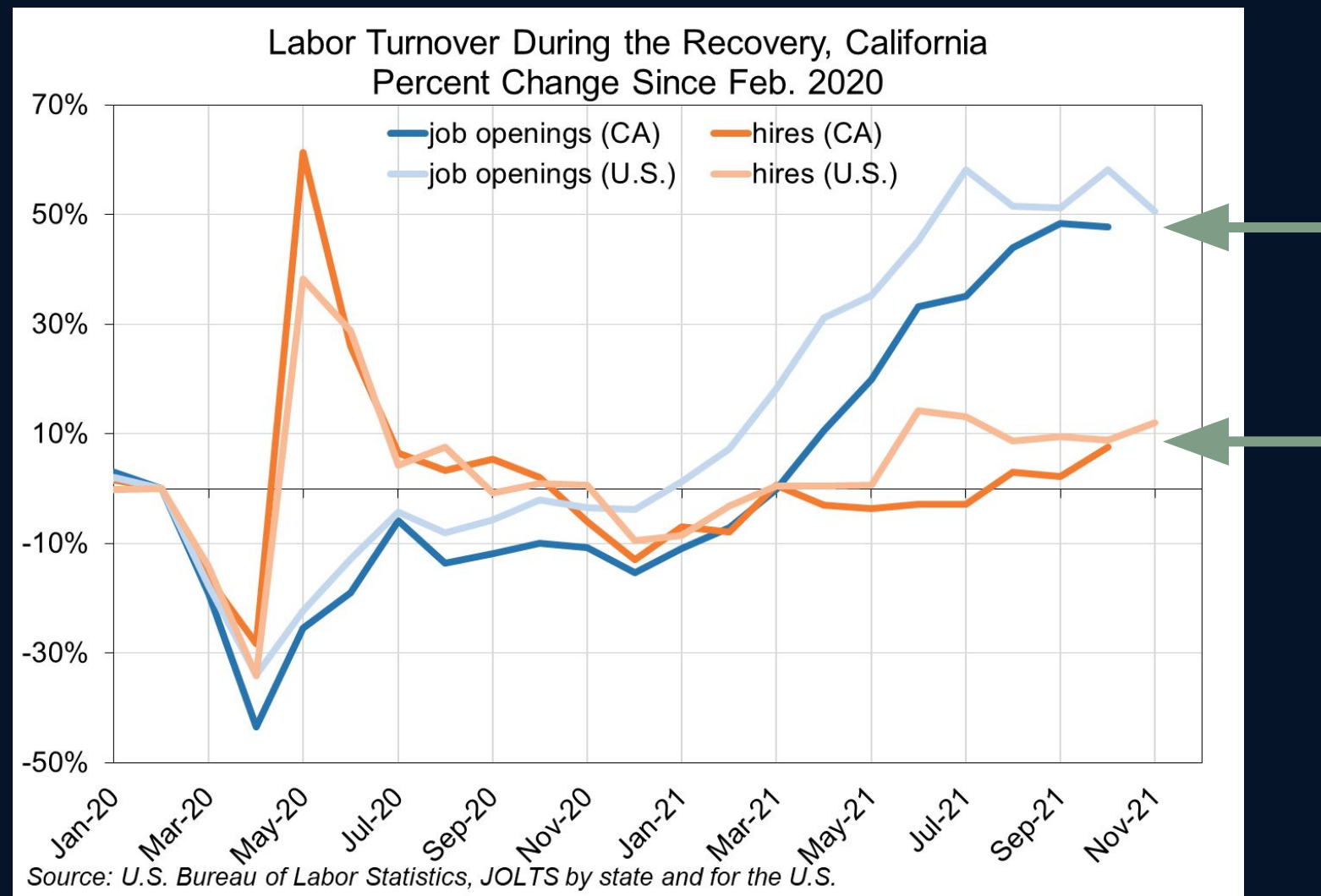
CA: 329K fewer people in the labor force

# 2) fewer people



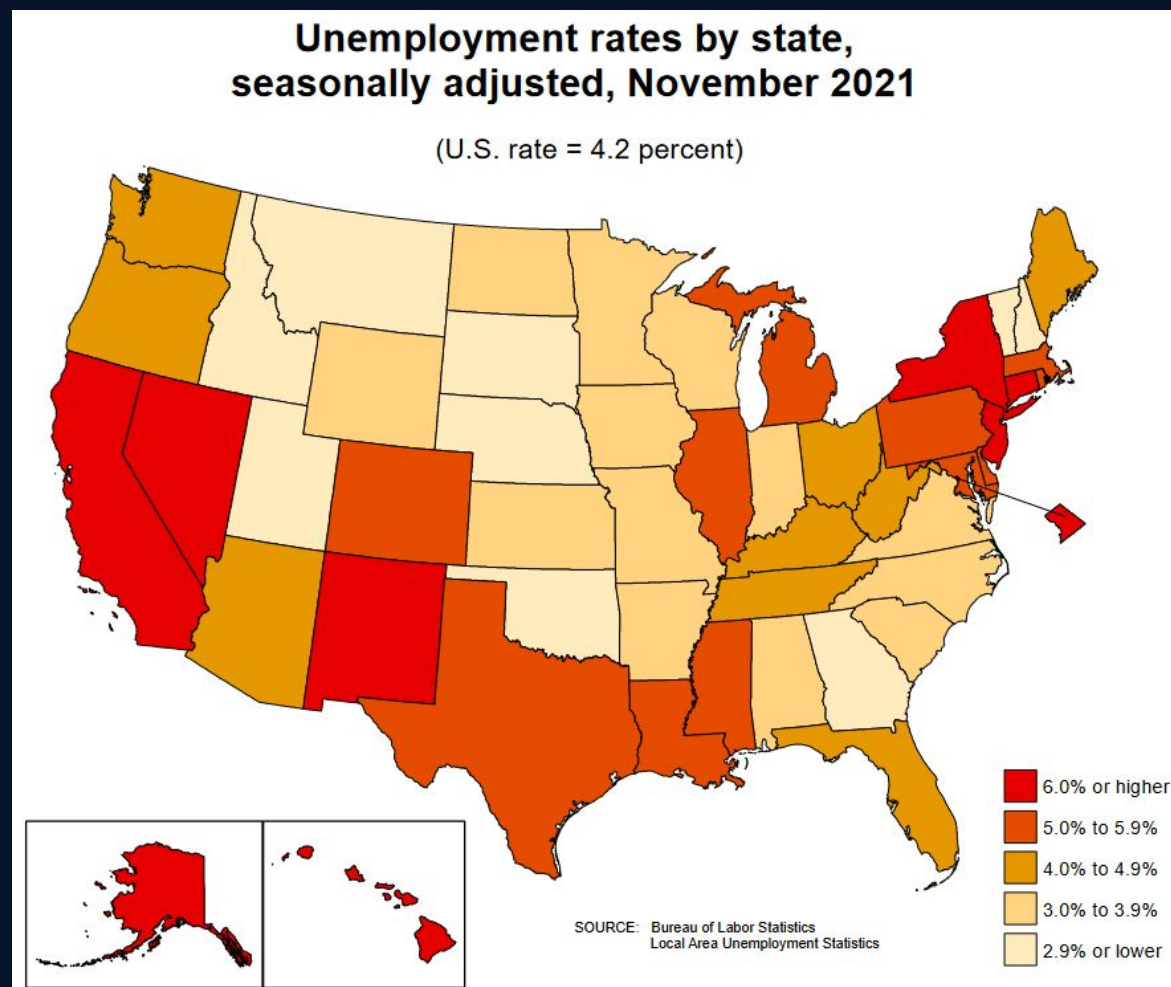
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# 3) supply and demand mismatch





# California unemployment rate higher than others



Source: U.S. Bureau of Labor Statistics  
(<https://www.bls.gov/web/laus/mstrcr2.pdf>)



# Unemployment rates by county

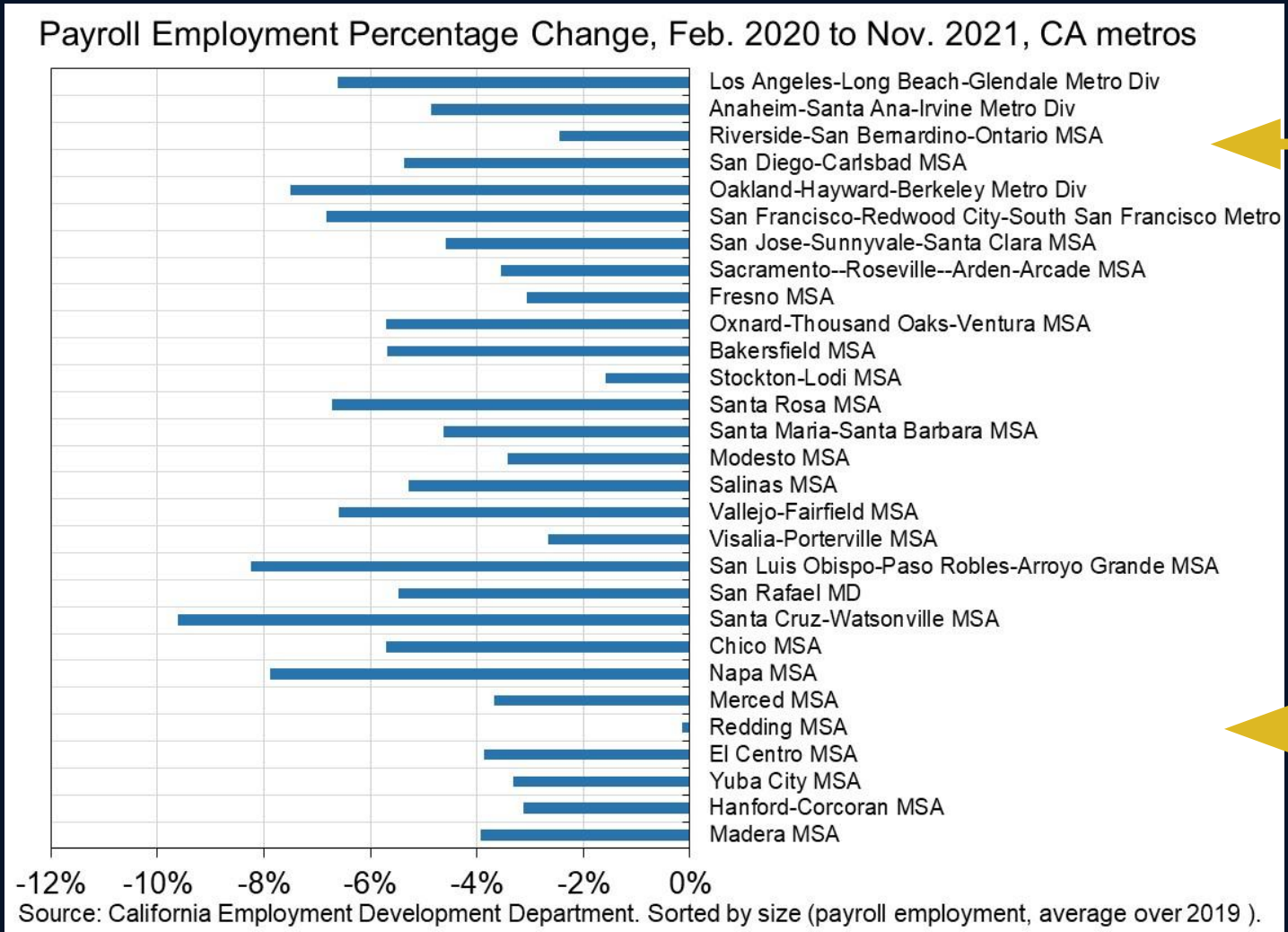
Nov. 2020 Nov. 2021



Source: California Employment Development Department. Data not seasonally adjusted

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# Nonfarm payroll employment (jobs) recovery by metro

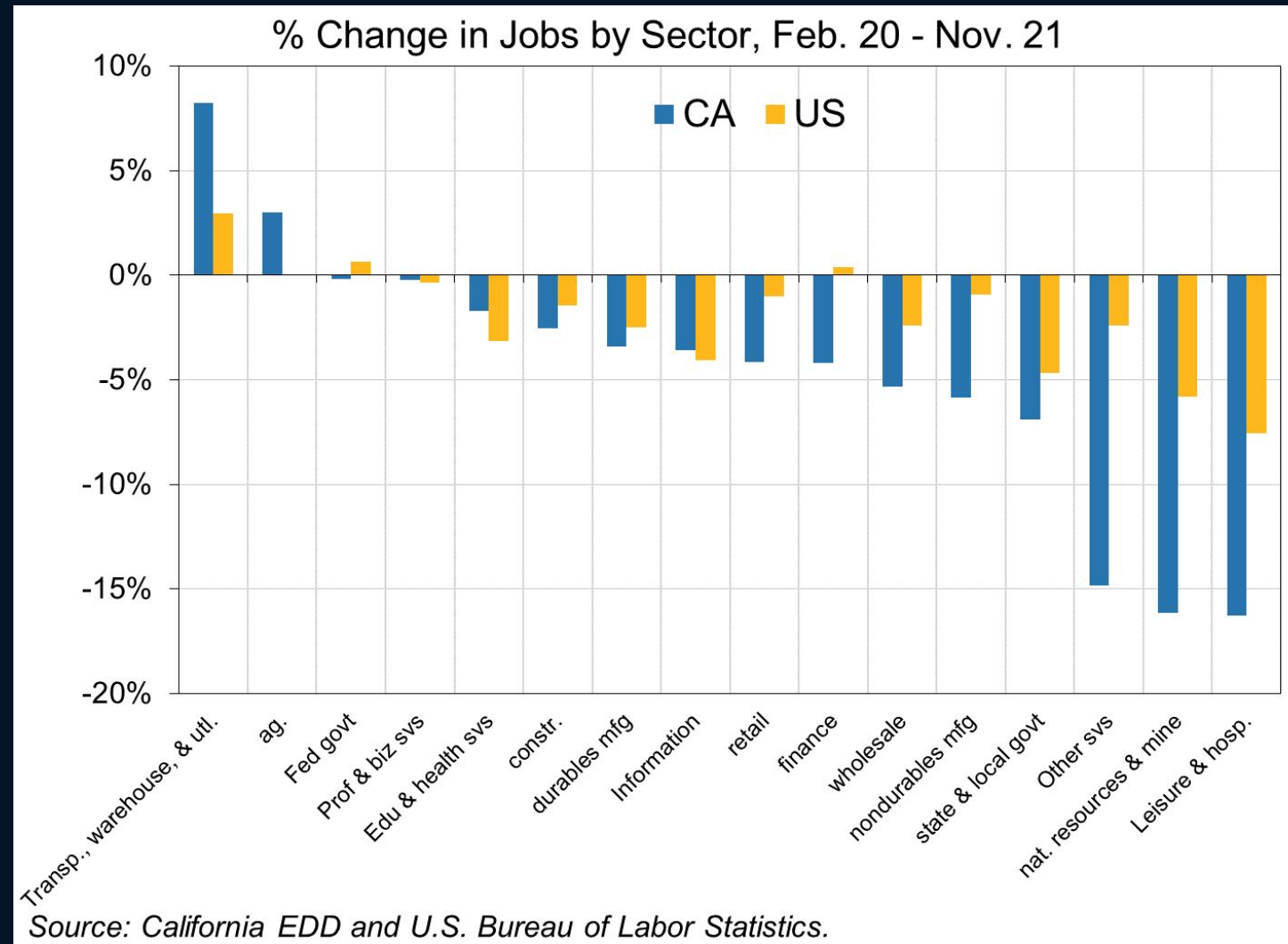


Largest metros  
(by employment  
numbers)

Smallest metros  
(by employment  
numbers)

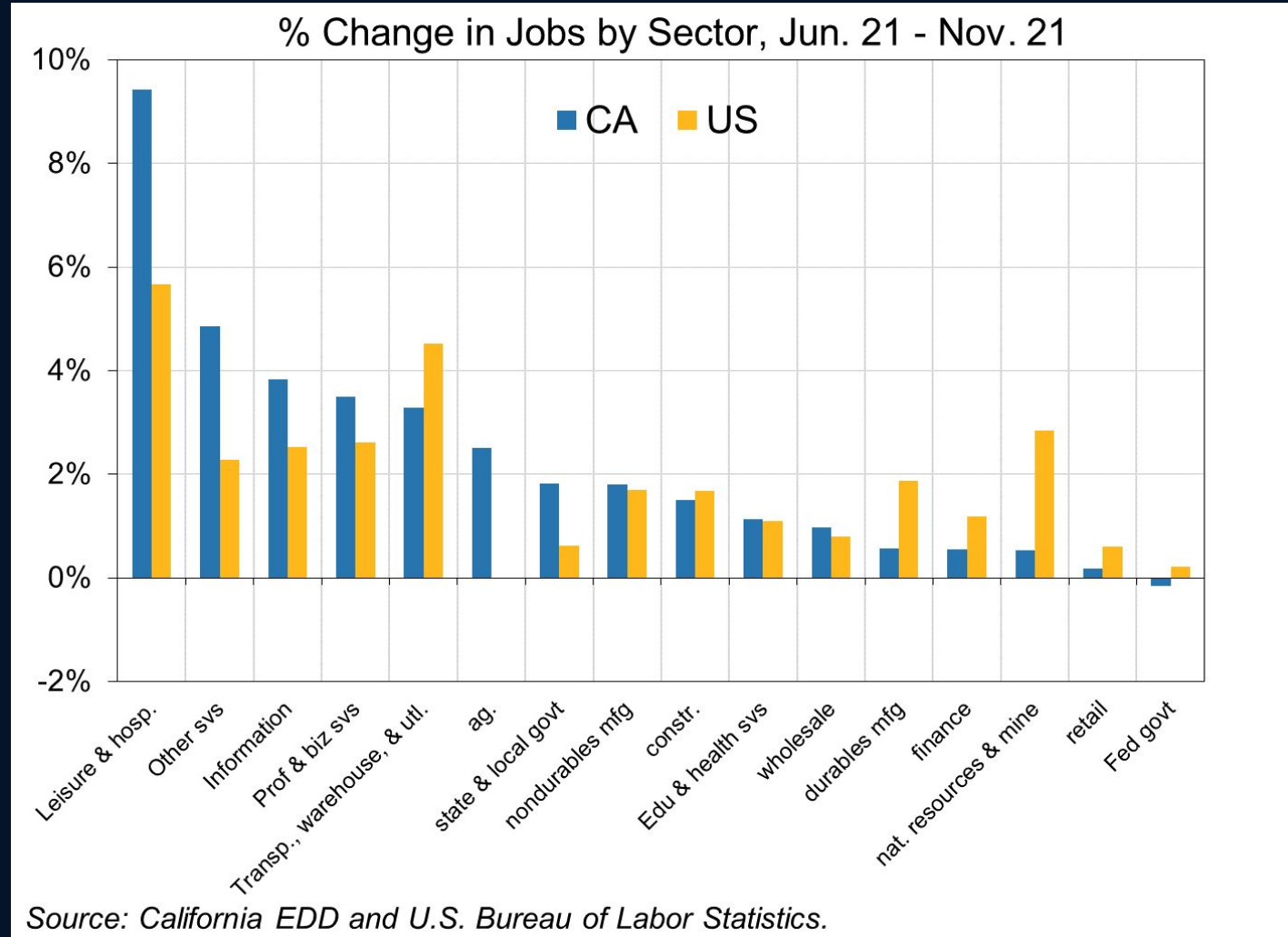
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# Job losses concentrated in a few sectors



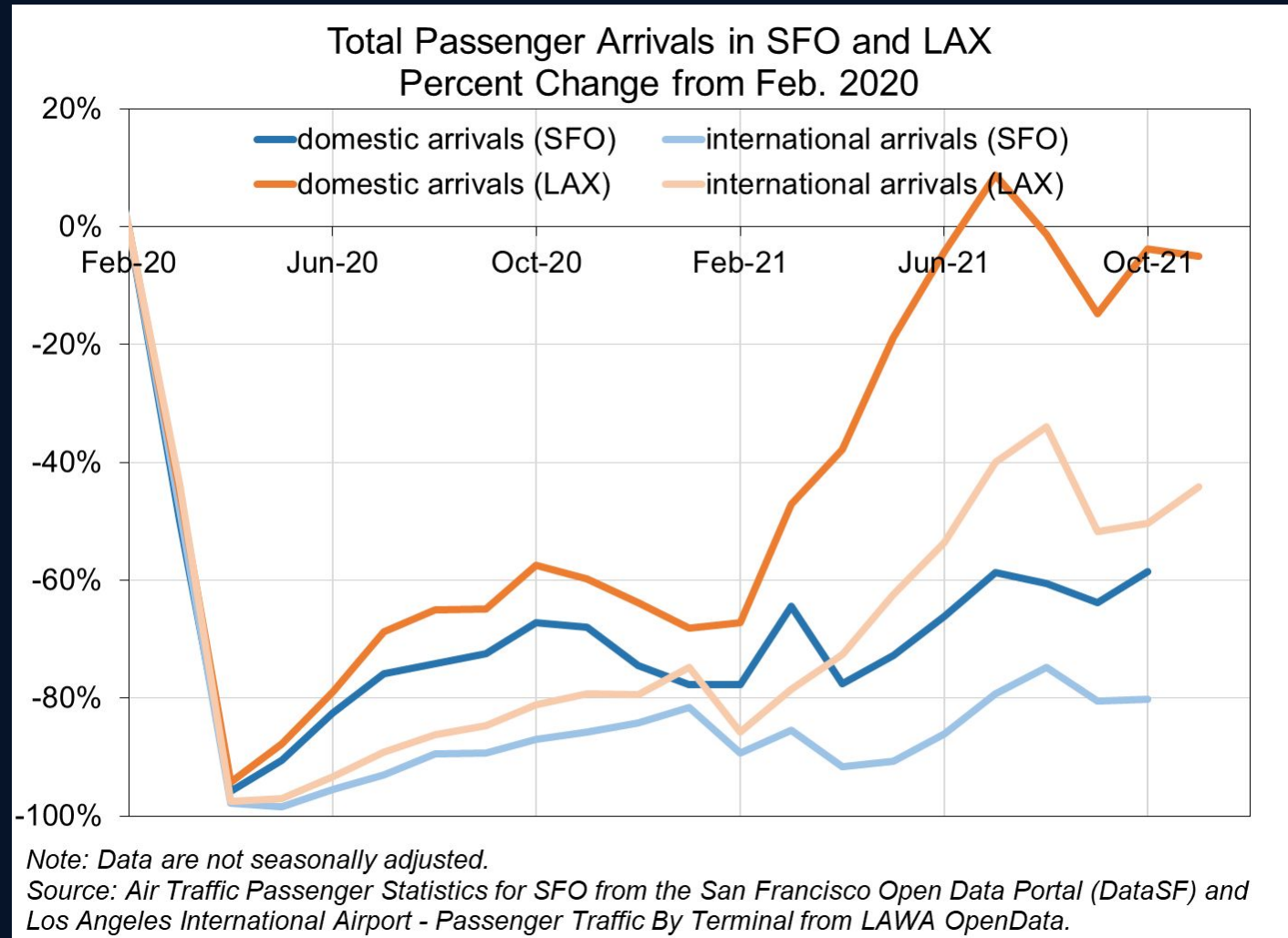
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# Recent job gains concentrated in hardest hit sectors



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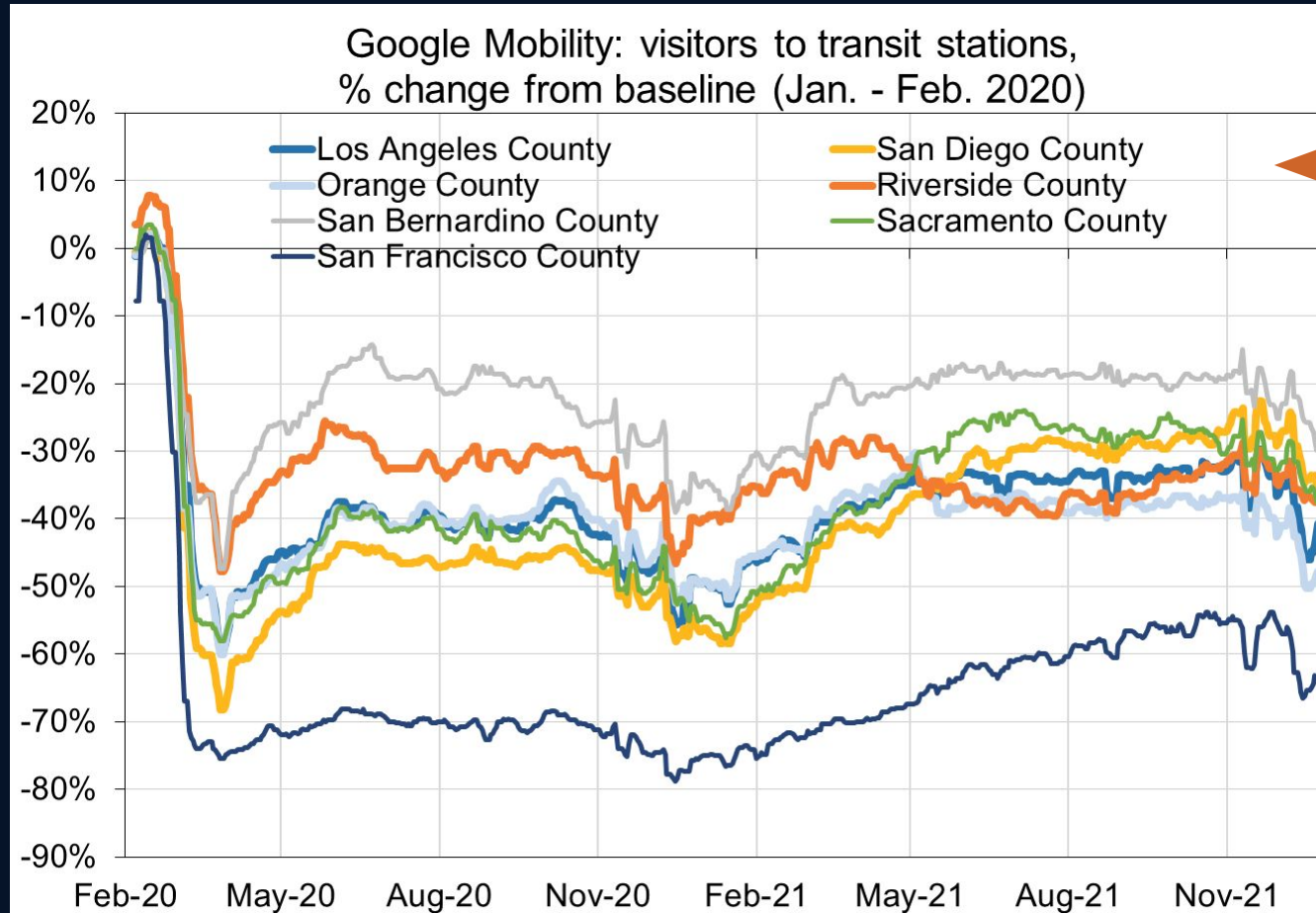
# Air passenger arrivals indicate tourism still lags





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# Normal commute patterns have not returned



Note: Weekdays only, five-day moving average.

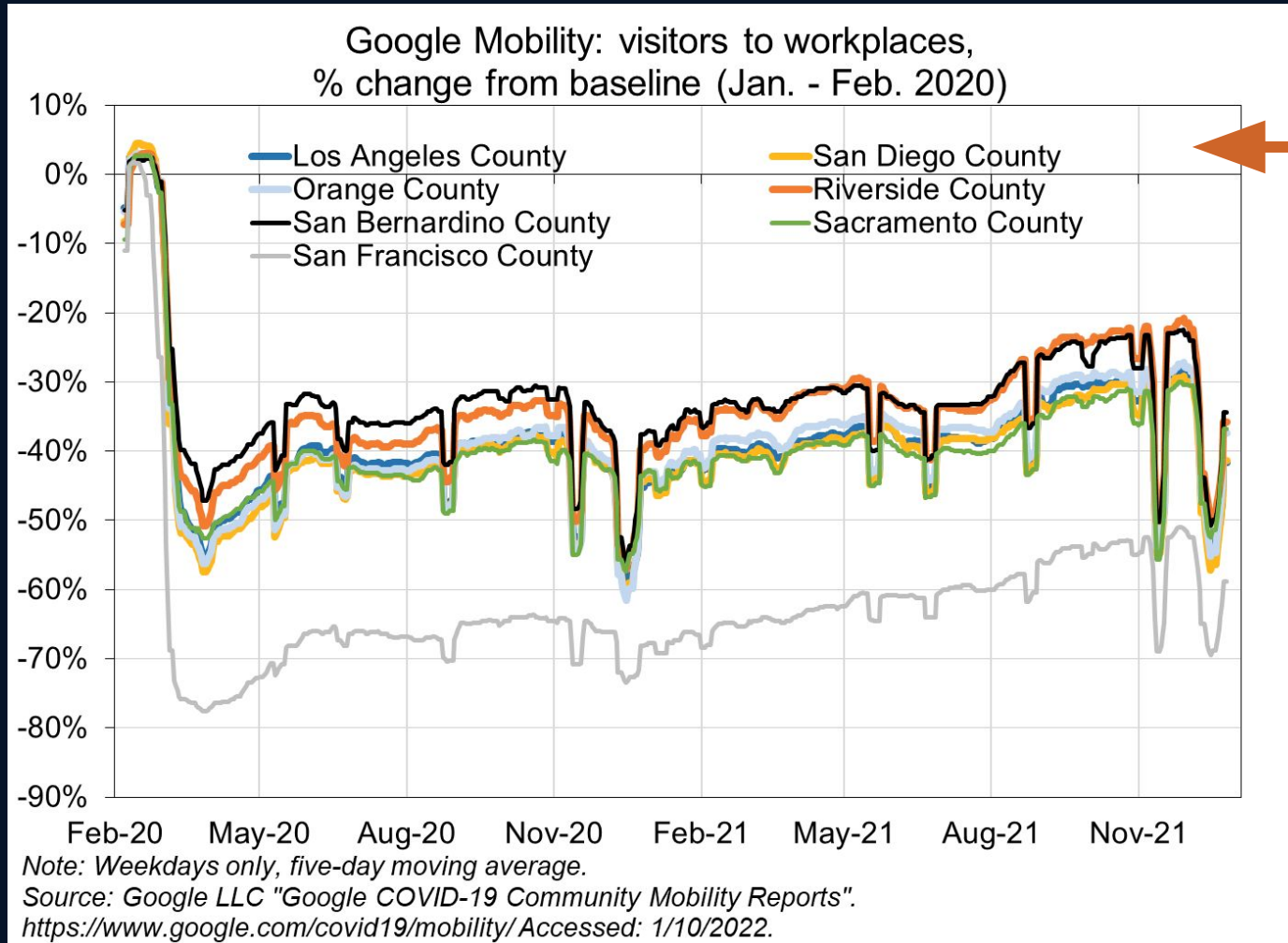
Source: Google LLC "Google COVID-19 Community Mobility Reports".

<https://www.google.com/covid19/mobility/> Accessed: 1/10/2022.

Selected large  
counties in CA

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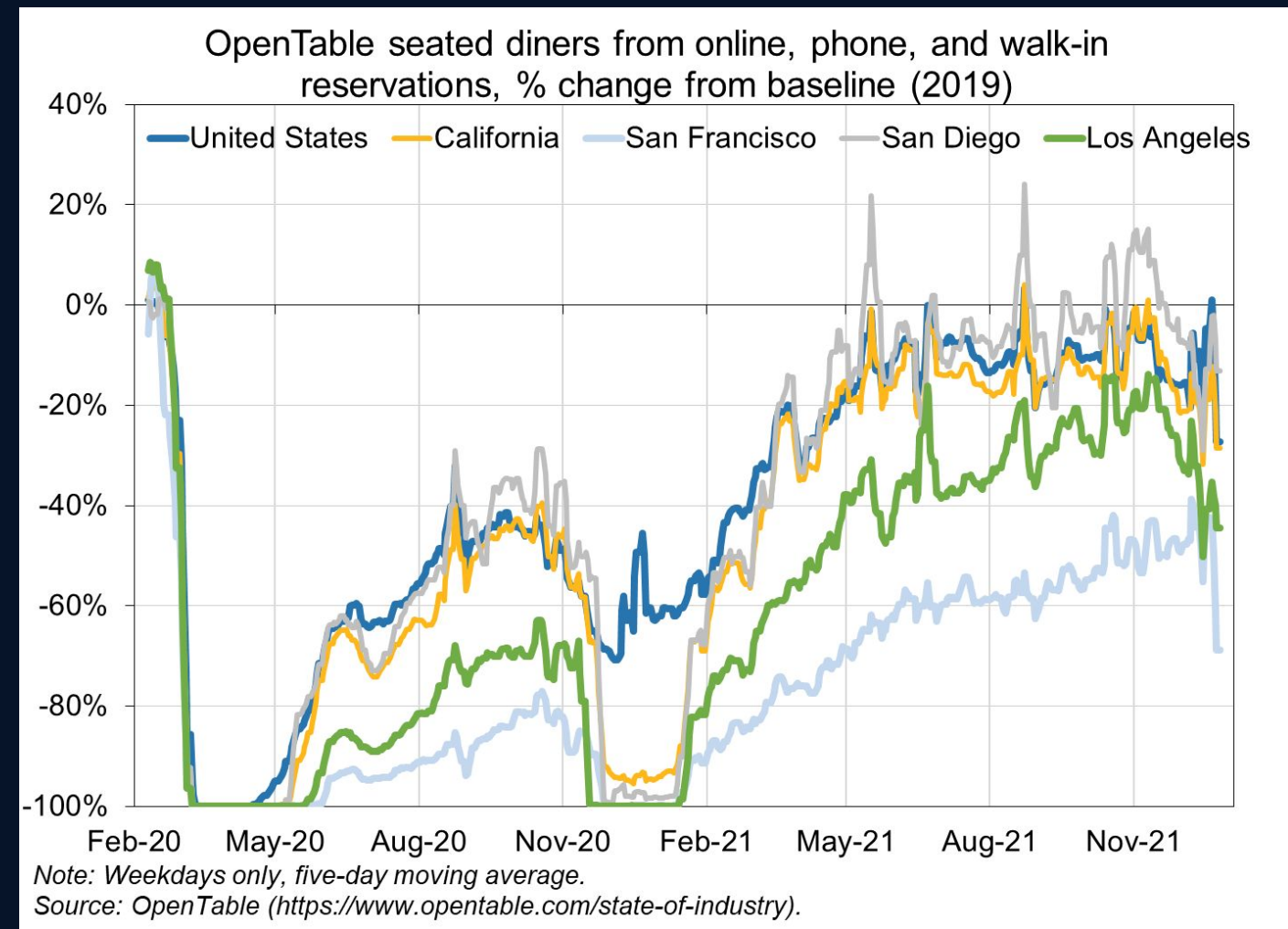
# Fewer workers are going to their offices



Selected large  
counties in CA

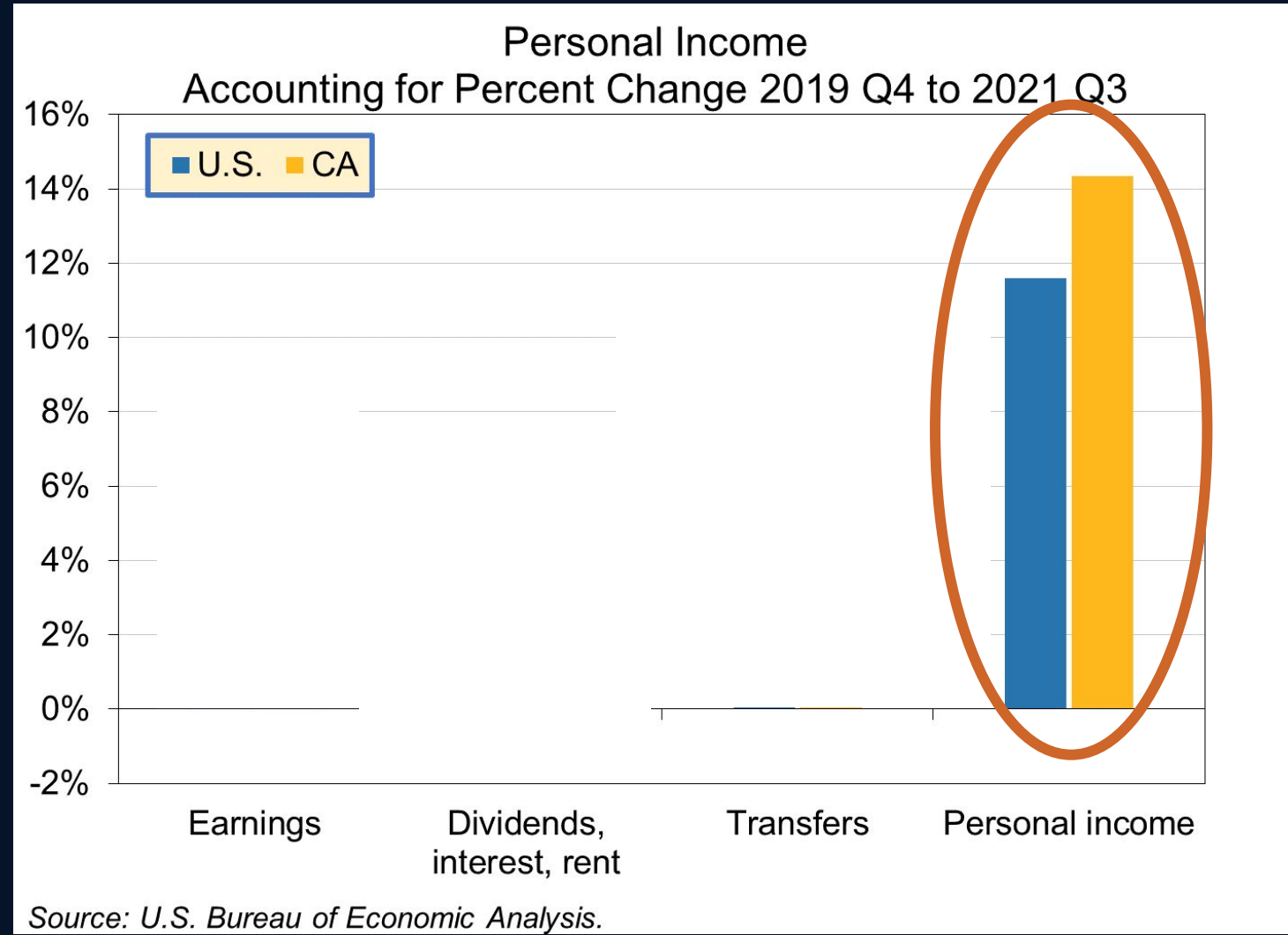
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# Fewer people are dining out





# Gains in personal income




# Taxable sales: decline and rebound

## % Change in Taxable Sales, 2019 Q4 to ... (selected counties)

	2020 Q2	2021 Q3
Alpine	-53.1%	4.4%
San Francisco	-51.8%	-25.1%
San Mateo	-37.0%	-4.7%
...	...	
Colusa	21.5%	27.5%
Modoc	27.0%	46.3%
Trinity	35.7%	33.5%

Largest declines  
(2019 Q4 to 2020 Q2)

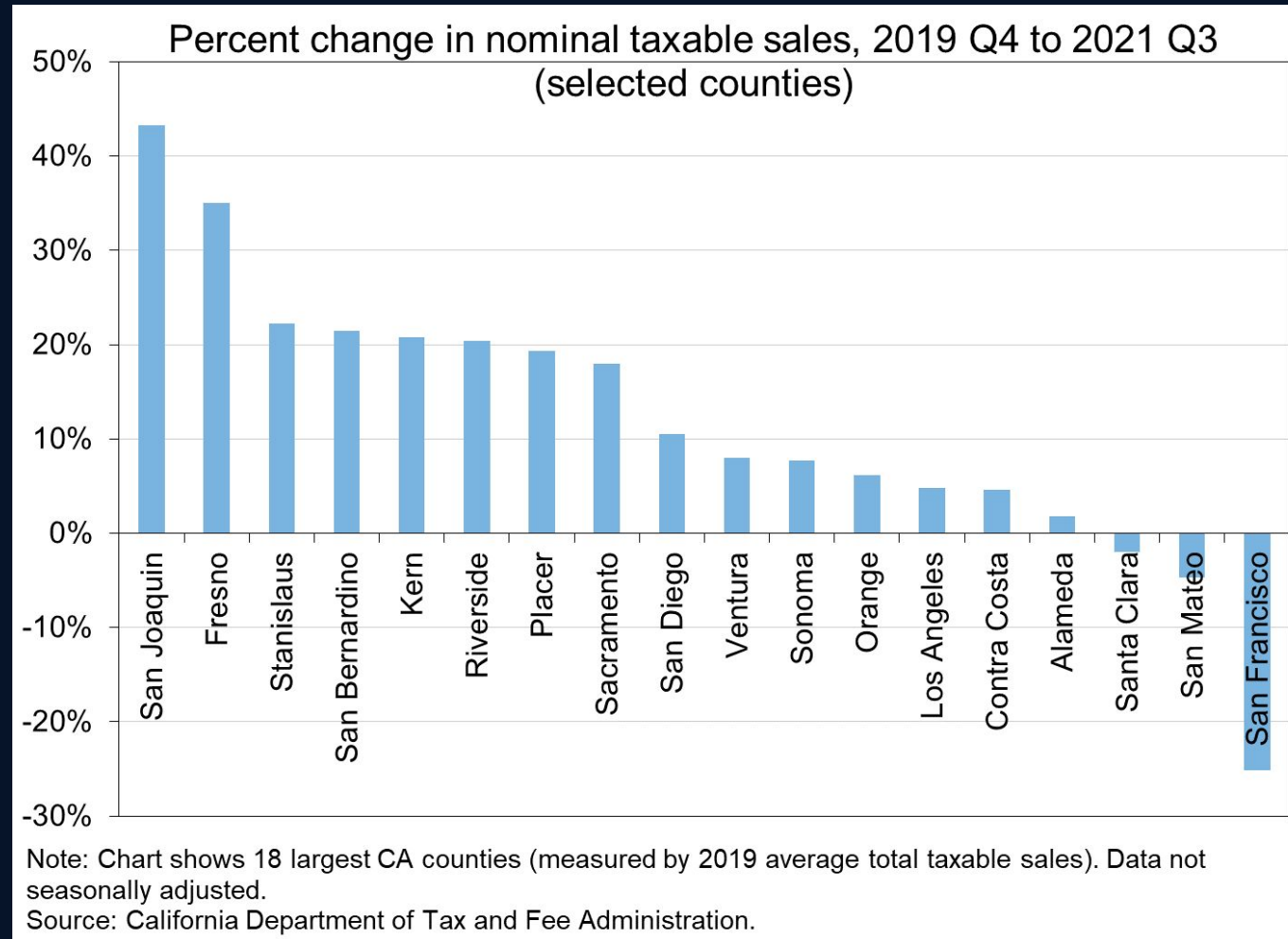


Largest increases  
(2019 Q4 to 2020 Q2)



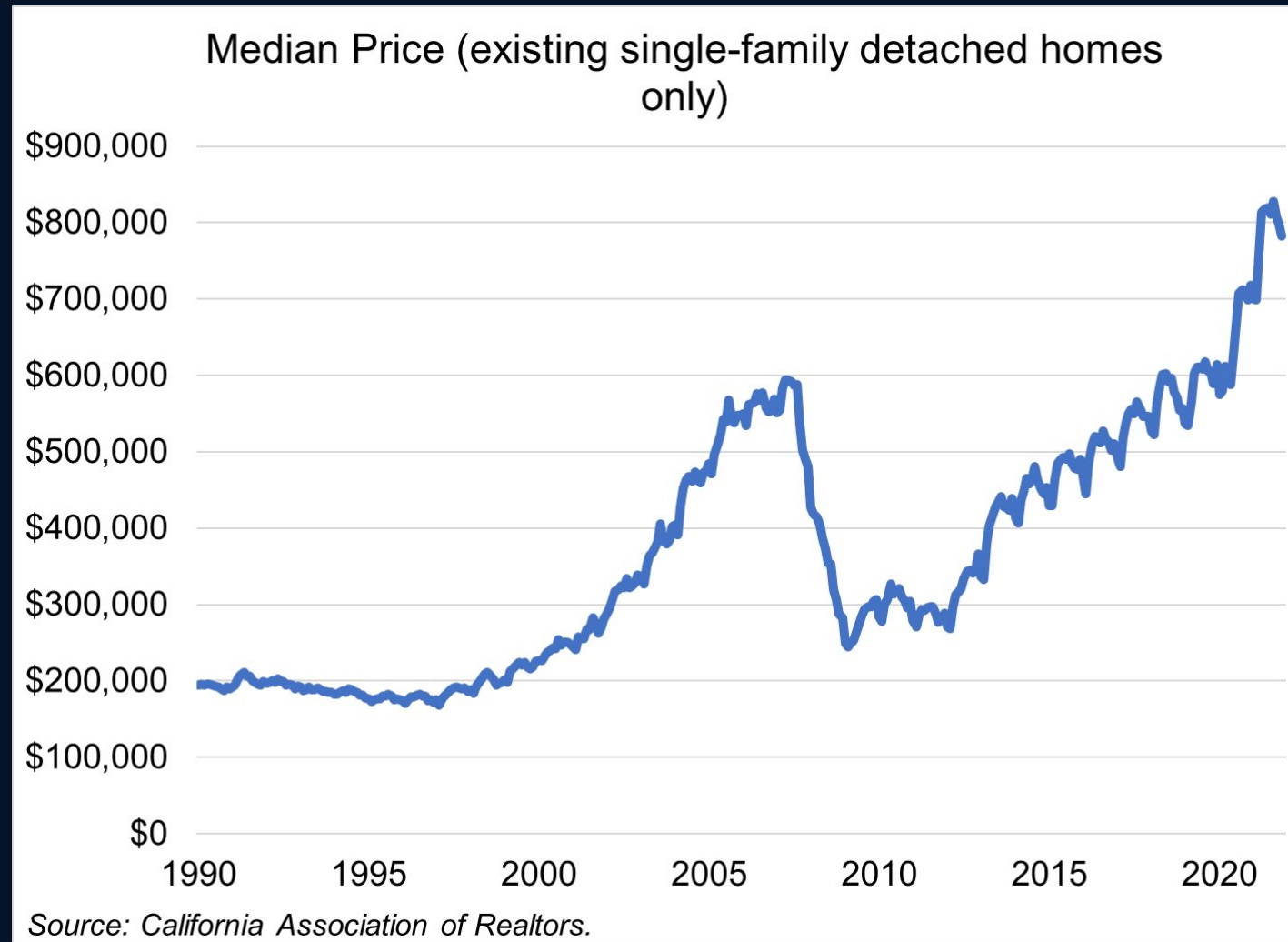
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# Taxable sales in most counties above 2019 Q4 levels



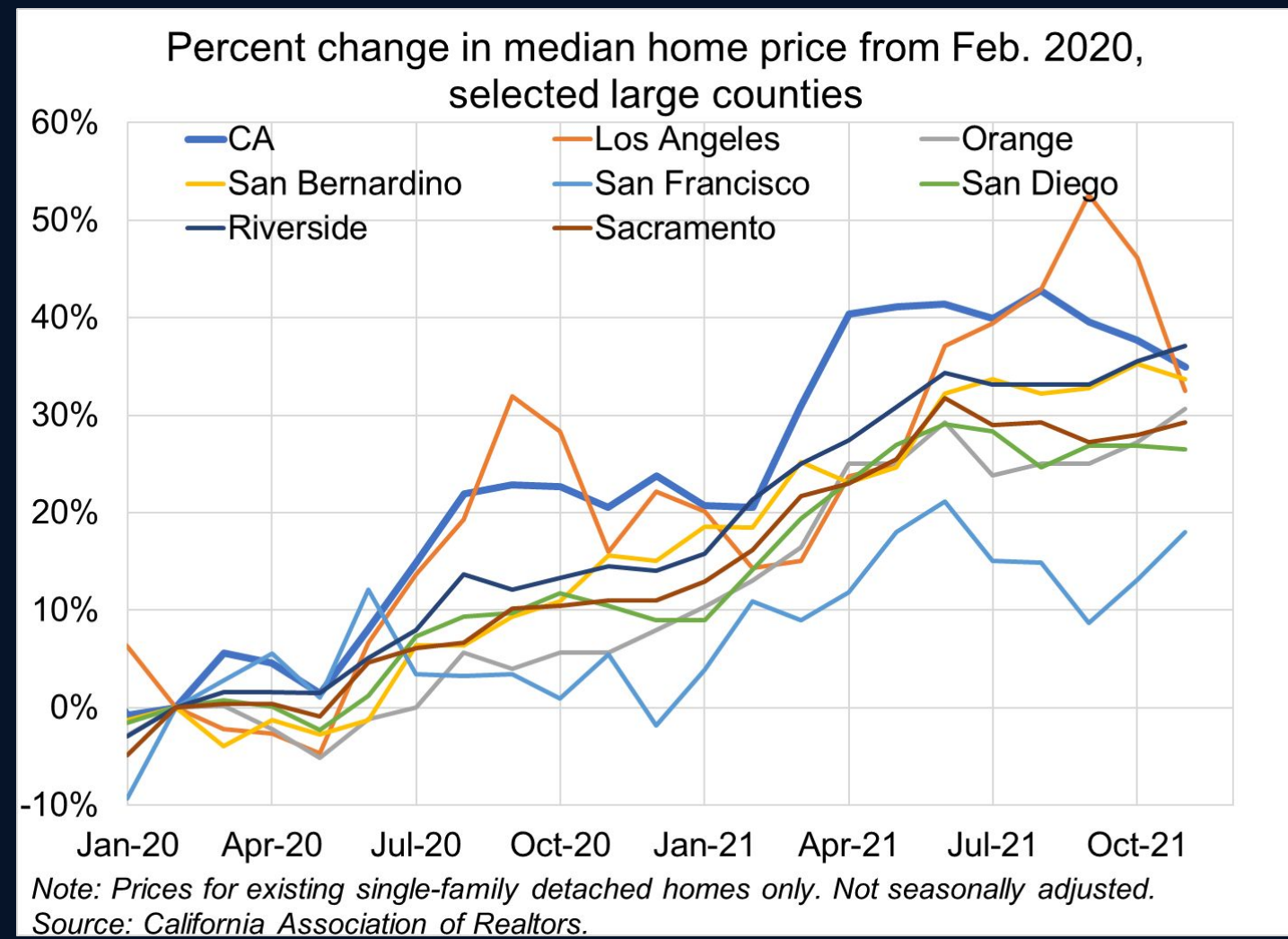
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# Residential real estate: prices up sharply since 2020

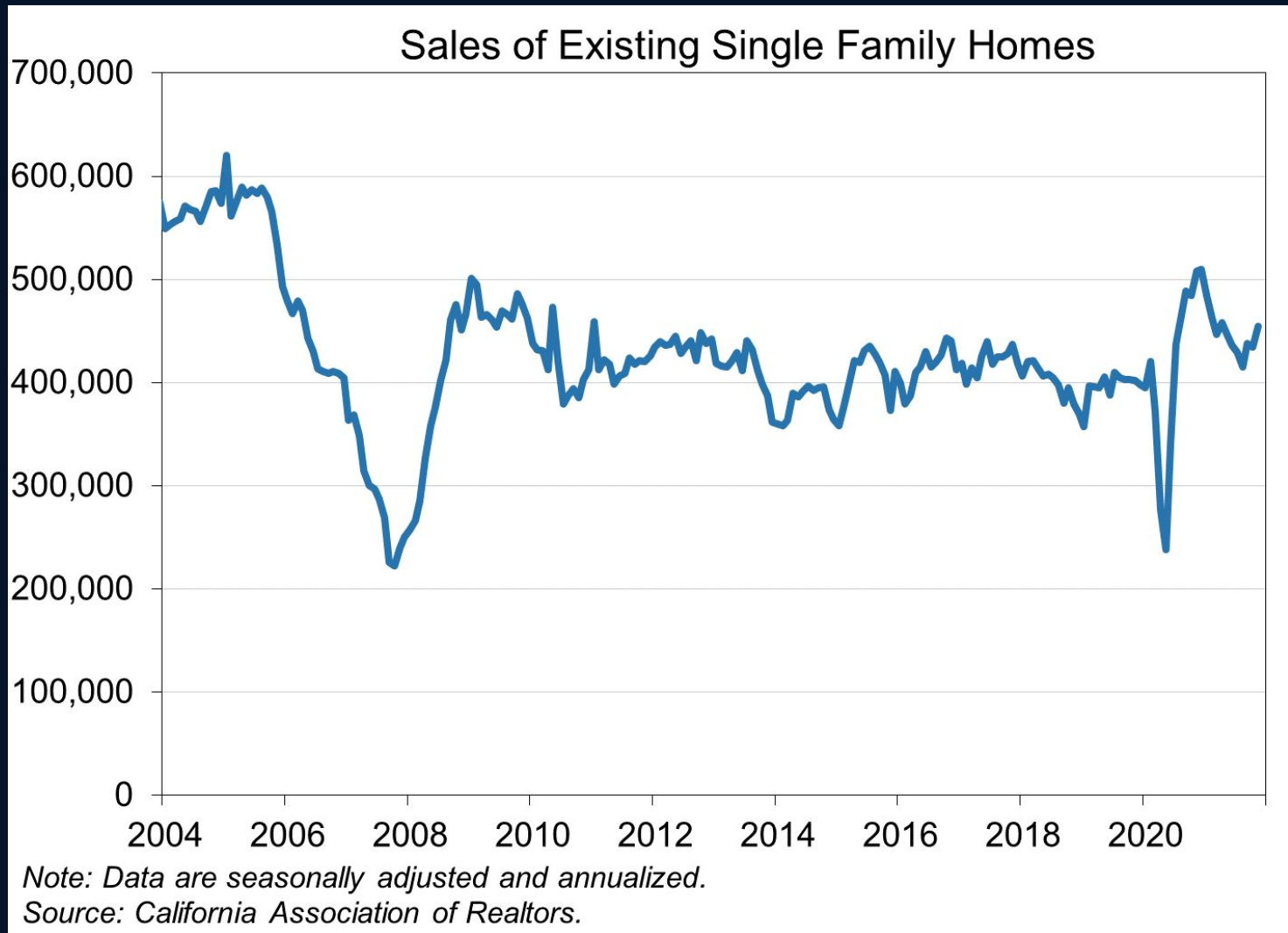


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# Higher prices across the state

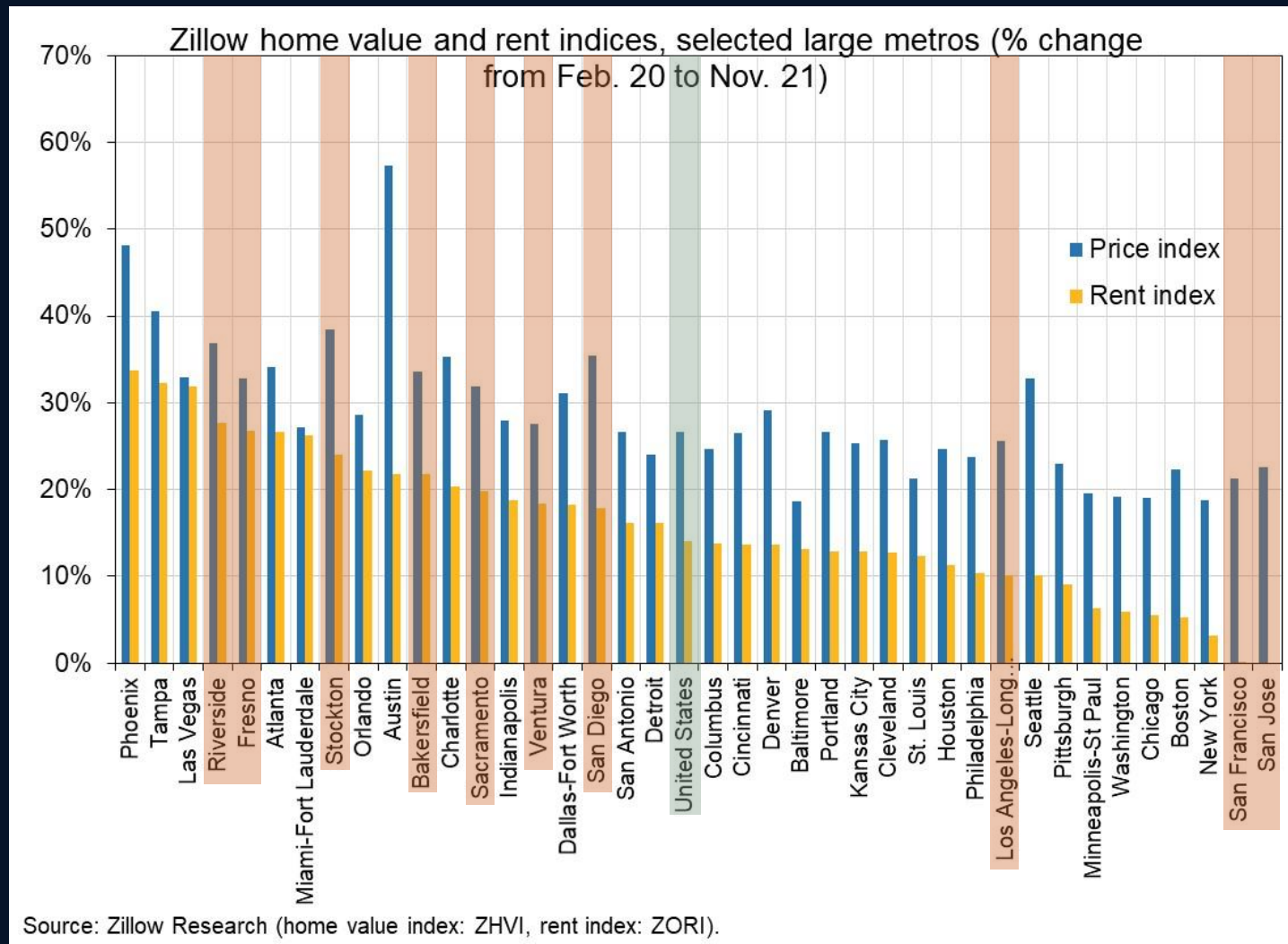


# More sales across the state



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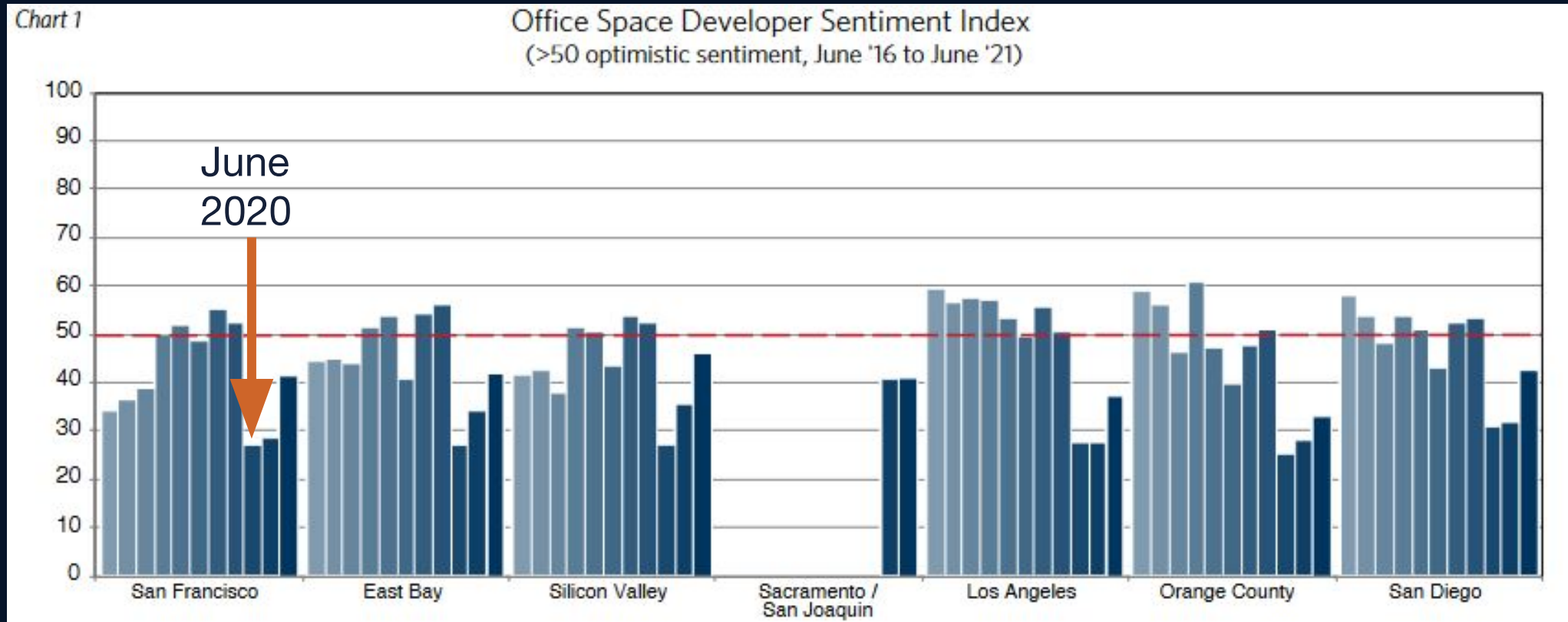
# Rents generally up, less so in some larger metros





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# Commercial real estate: sentiments differ by sector



Source: June 2021 Allen Matkins / UCLA Anderson Forecast Commercial Real Estate Survey.

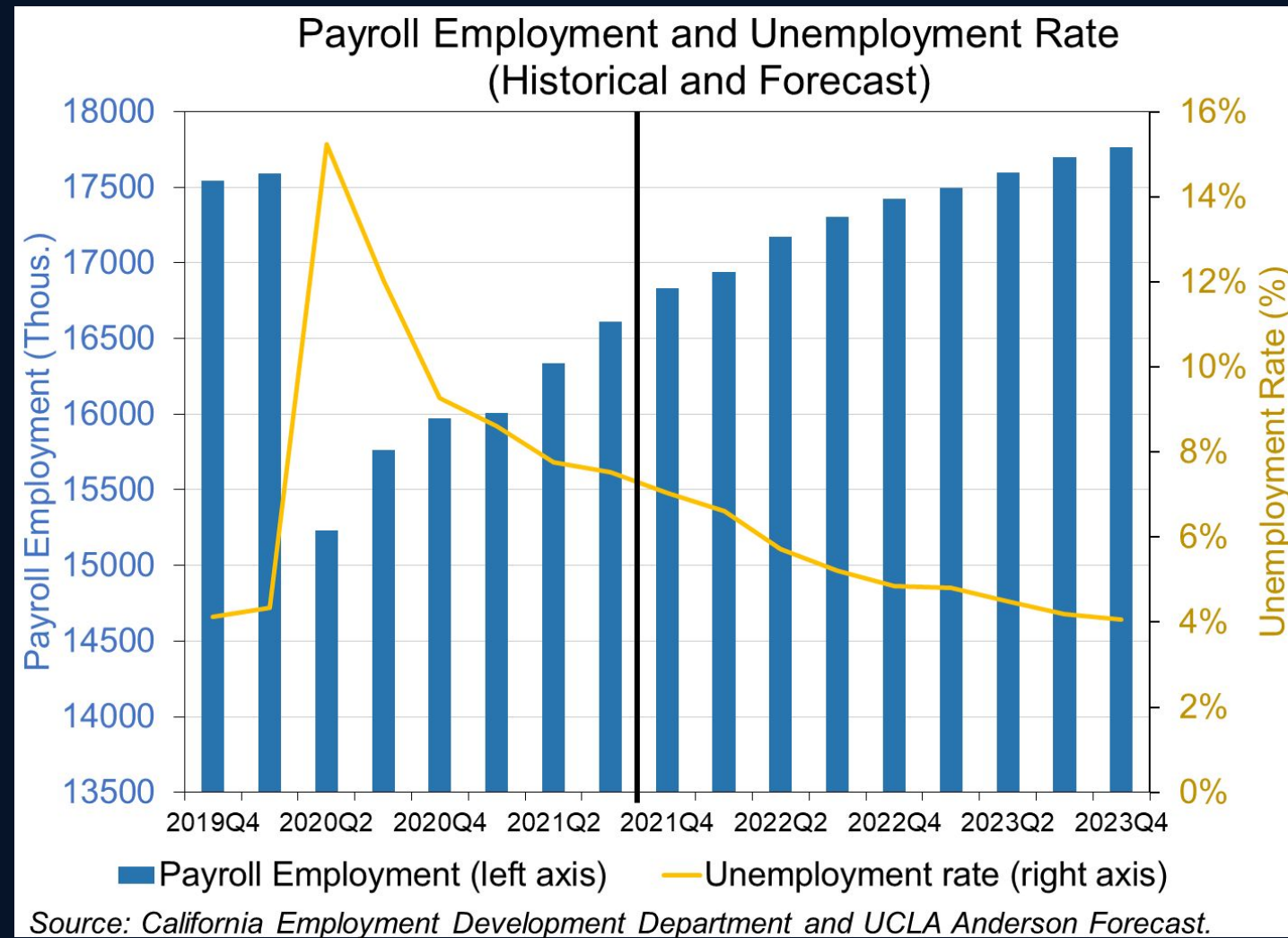


# California forecast key indicators (Dec. 2021)

	<u>2021</u>	<u>2022</u>	<u>2023</u>
Payroll jobs (ann. % chg.)		1.9%	4.7% 2.5%
Unemployment rate (ann. avg.)		7.7%	5.6% 4.4%
Personal income (ann. % chg.)		6.7%	1.9% 5.8 %
CPI inflation (ann. % chg.)		4.0%	4.1% 2.9 %

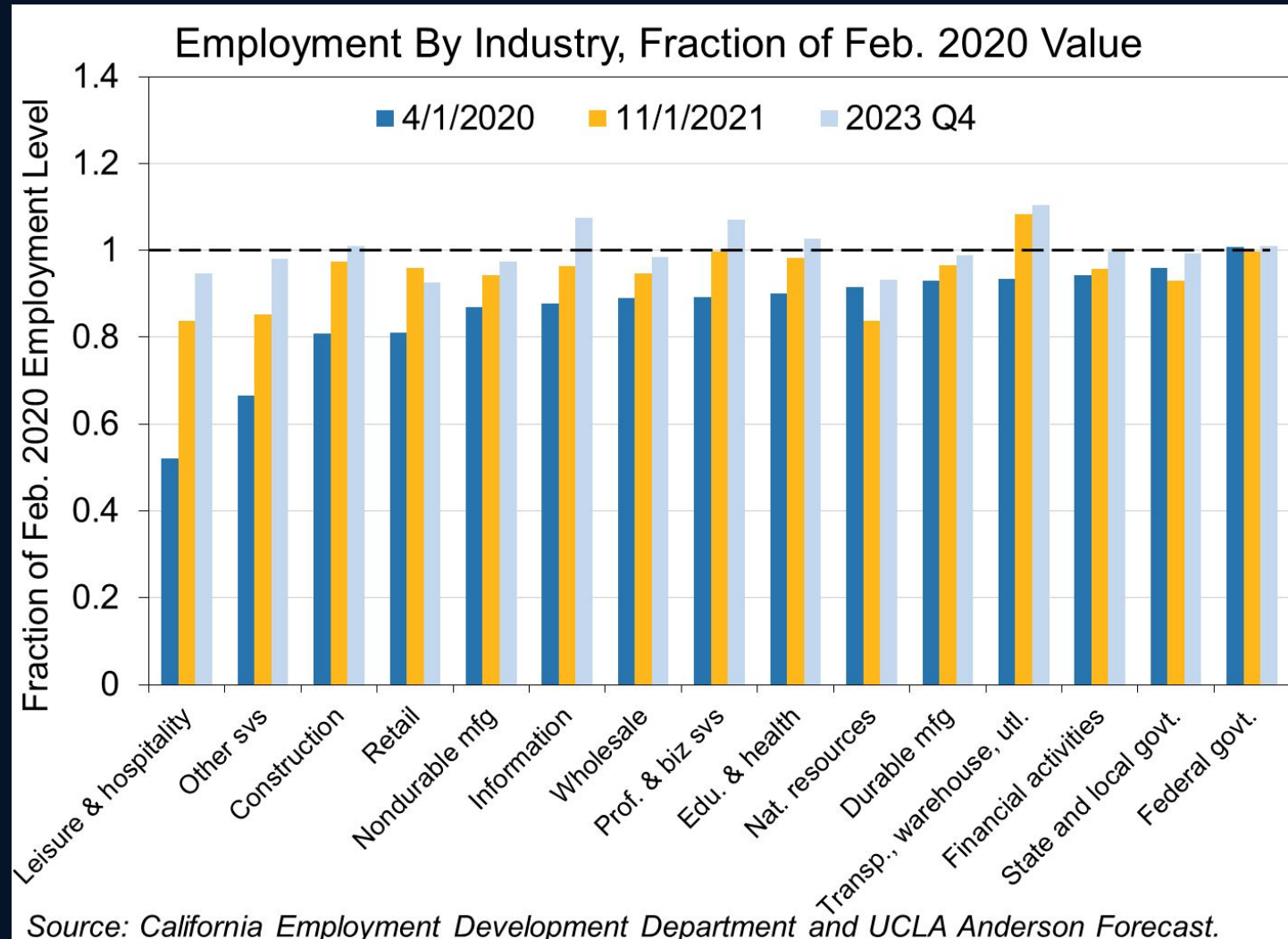
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# California forecast key indicators



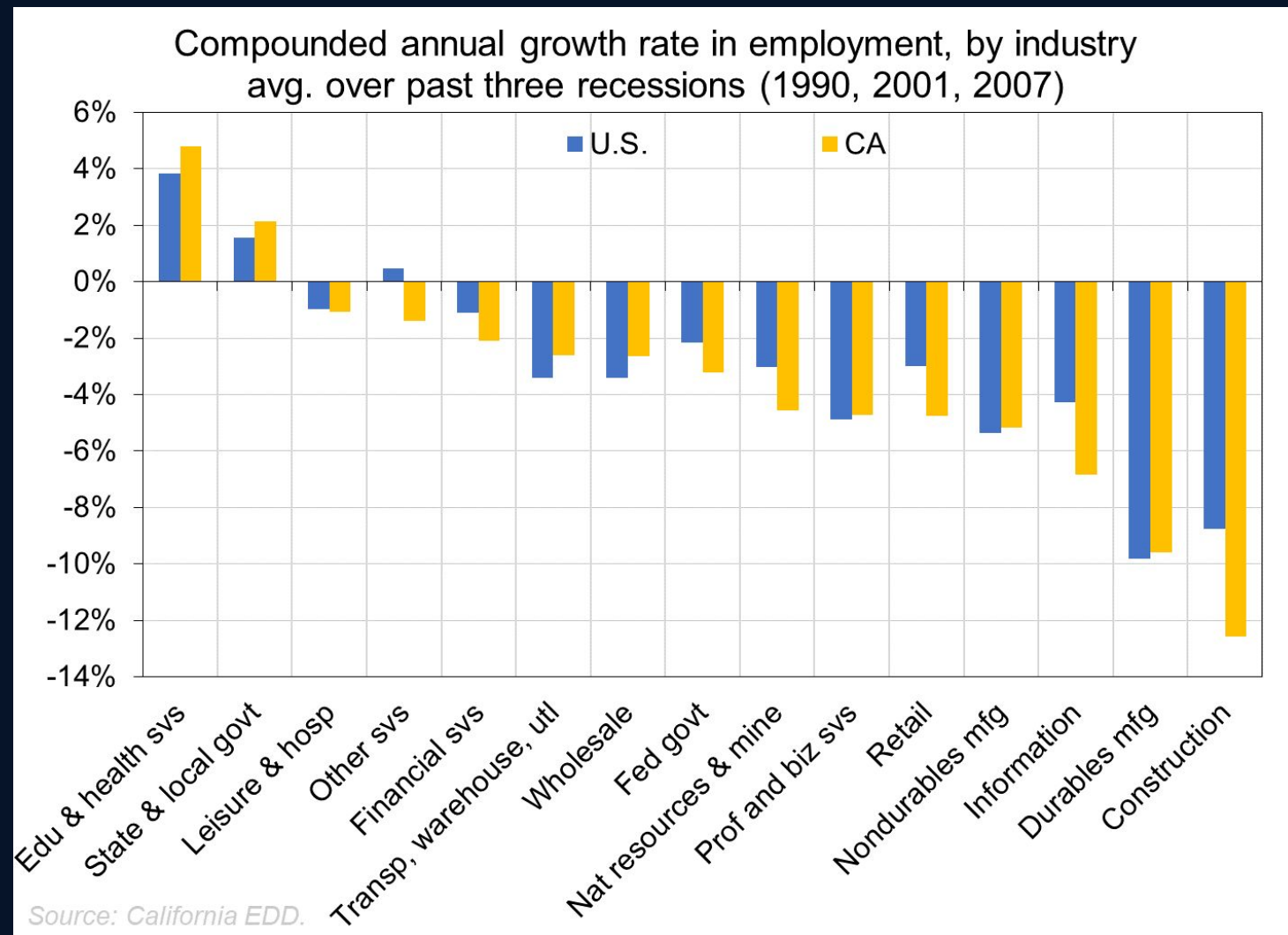
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# California forecast key indicators: sector employment



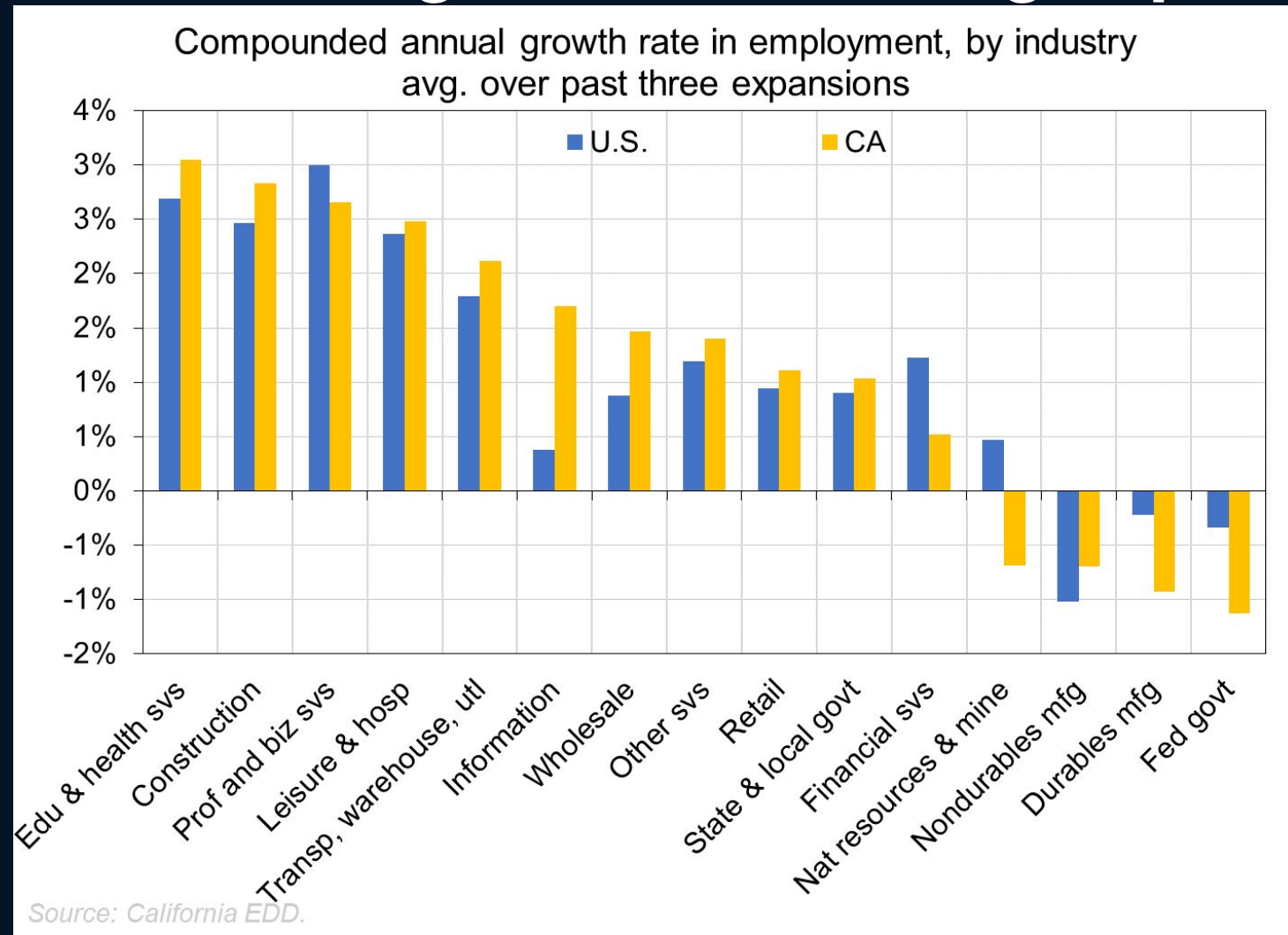
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# Which industries contract least during recessions?



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# Which industries grow most during expansions?



## Summary

- The California economic recovery continues
- Areas of economic strength support government revenue:
  - Personal income
  - Taxable sales
  - Residential real estate
- Issues to watch:
  - Labor supply (labor force exits, migration)
  - Inflation

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# Thank you!