



# MARIN

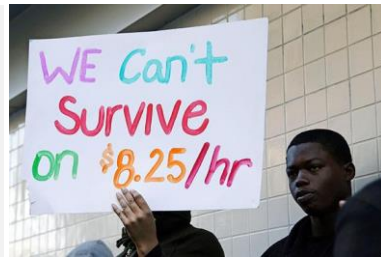
## ECONOMIC FORUM



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California Economy: 2016  
New Wages, New Tech, New Ag

## California Economic Overview - 2016 Marin Economic Forum

### Key Observations

- California is forecasted to grow faster than the US economy through 2019.
- California's economic growth continue to drive the national economy and to be one of the fastest growing among the 50 states.
- The unemployment rate in California continues to fall, though the unemployed have slowed a bit in finding jobs.
- The drop in initial claims for unemployment insurance has slowed and stopped in some counties.
- Regionally, Marin, San Francisco and San Mateo counties remain the lowest unemployment rate counties in California.
- Median household income and personal income levels in California continue to climb in real terms from the Great Recession's bottom.
- Housing markets continue to see price growth, as inventories remain low versus demand, and building remains focused on multi-family versus single-family.
- Construction employment growth remains strong, while manufacturing employment has weakened a bit in 2016.
- Taxable Sales to grow 2.1 percent annually from 2016-2018 and hit a record \$625 billion in fourth-quarter 2014 after seeing a low of \$450 billion in first-quarter 2009.
- Poverty rates remain a concern, as does income and wealth inequality
- Minimum wage legislation attempts to help income inequality, but may exacerbate both wealth and income inequality.
- Drought conditions, a lack of robust recovery in the interior valleys, summer fires, and commodities prices are acting as a drag on many parts of California.

## **California Economy**

Political, social and economic change have all taken place for California in 2016. There are both national and state-level political changes coming. In April 2016, within a three- to four-week period, the California legislature passed state-wide, minimum wage legislation. This legislation shifted local debate and concerns about raising the minimum wage to what the effects are now going to be, including businesses choosing to continue operating in the state of California.

However, California's economy continues to have positive outlooks toward 2019. Both the Department of Finance and the Anderson School of Business at UCLA forecasts predict no recessions through 2019 as of late 2016. Even with international turmoil (intermittent terrorism in Europe, Brexit and the pound sterling losing value, Chinese economic data issues and concerns, e.g.), most economists are predicting the state's economy to be stronger in 2017 and 2018 than in 2015 and 2016.

Much of California's positive forecast is based on the Bay Area economy remaining a vital jobs and financial metropolis. Growth (both real and perceived) continues to be centered around the world of mobile applications, social media, and internet-based companies. Costs of doing business in the Bay Area are rising for both employers and employees. Businesses are now facing minimum wage increases, business tax pressures otherwise, and residential housing costs climbing. During 2016, California continued to create jobs, experience real estate appreciation, fill commercial real estate across all sectors, add to household incomes, and remain the global center of both internet-based businesses and biotechnology firms.

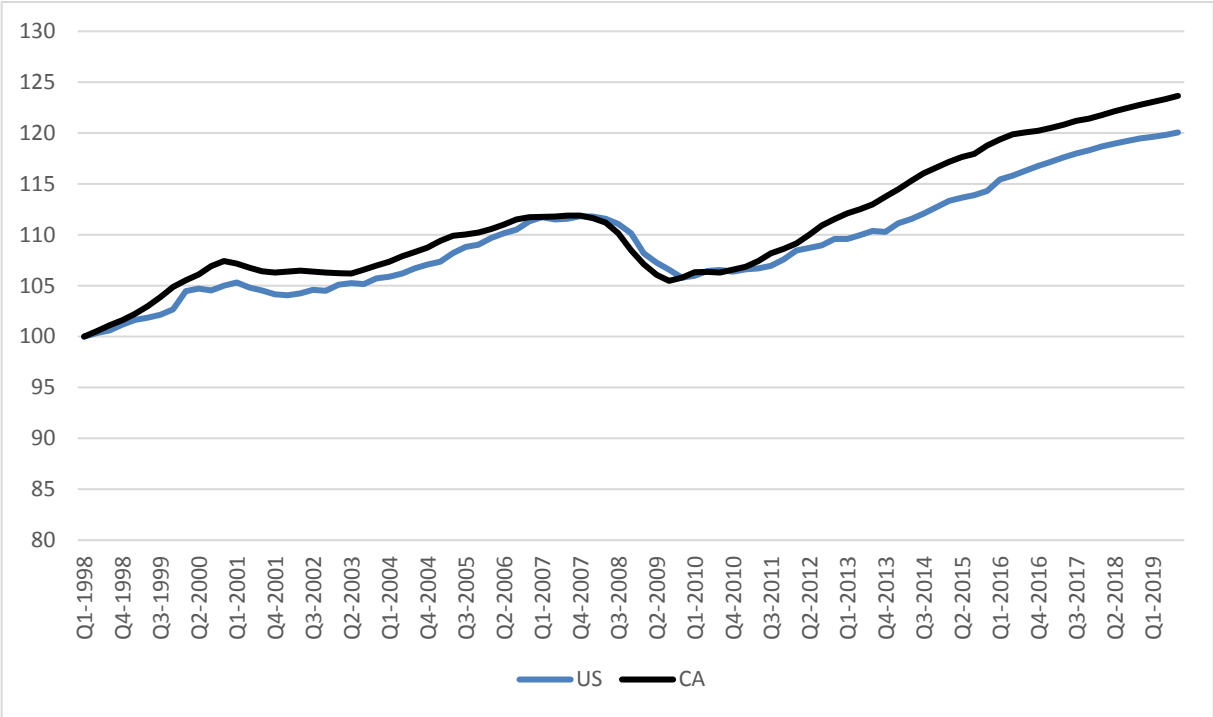
California has lingering social and environmental issues, and more challenges and changes are coming. There is a vote for the legalization of the recreational use of cannabis in 2016's election (Prop 64). The social and environmental ramifications of this vote may have broad effects on California, ranging from the use of agricultural land and warehousing to public safety to tourism. Drought remains an issue for California despite relatively heavy precipitation in the 2015-2016 winter. Five years of drought have already affected land use and agricultural choice in many parts of California.

## **INCOME**

Figure 1 illustrates recent gross state product growth compared to the national economy. California's economy continues to show growth that exceeds the national economy's annual growth rate. California's gross state product rising is among the fastest rates of all states since 2015, and the share of US gross domestic product continues to rise. Commodities prices, such as those for crude oil, have suffered from mid-2015 forward, and this has changed outcomes for oil-based enterprises in the

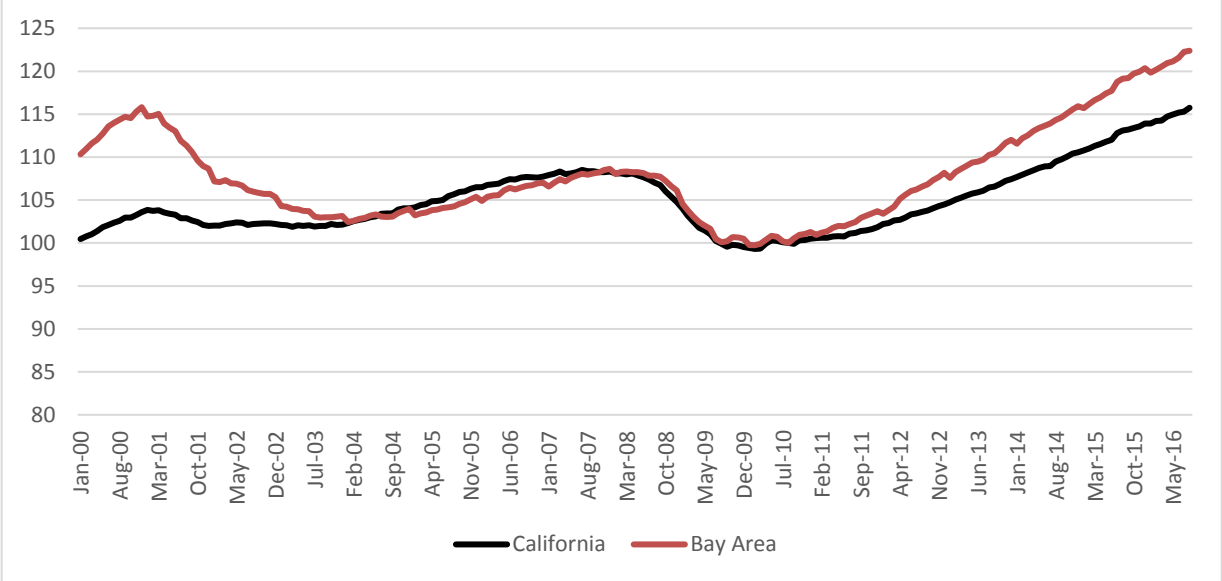
Midwest; California's importance to the national economy has risen as a result, continued growth in technology businesses and tourism are drivers of the California economy.

Figure 1: California and US GDP Comparison, 1998 – 2019, 1998 = 100



Sources: California Department of Finance ([www.dof.ca.gov](http://www.dof.ca.gov)) and Employment Development Dept. ([www.edd.ca.gov](http://www.edd.ca.gov))

Figure 2: California and Bay Area Employment, Index 2009 = 100, 2000-2016



Sources: California Department of Finance ([www.dof.ca.gov](http://www.dof.ca.gov)) and Employment Development Dept. ([www.edd.ca.gov](http://www.edd.ca.gov))

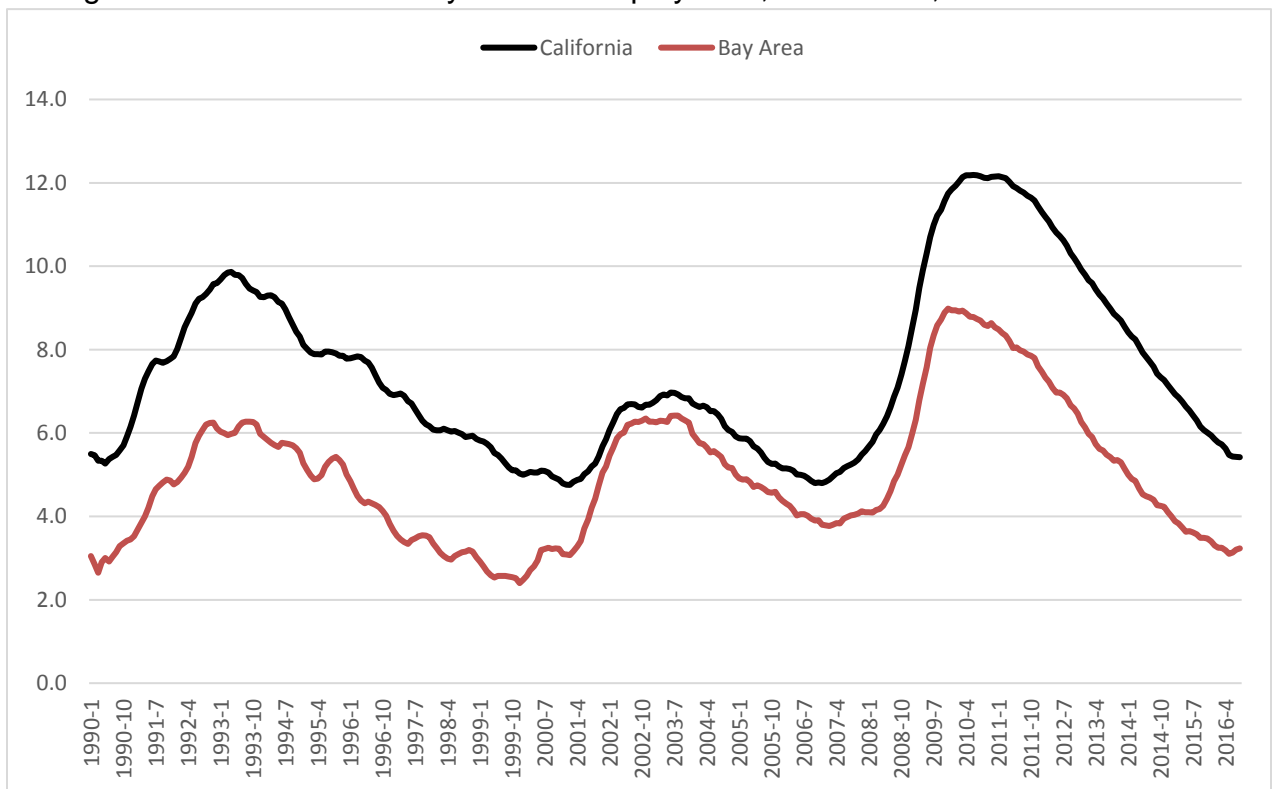
The forecast for California is to continue income and jobs growth through 2019, where the jobs growth rate may accelerate (see Figure 1 and the gap between California and the US economy overall).

California jobs growth continues to show resilience during a tough year for the US economy. Jobs growth was centered on services in California, short of construction. Manufacturing continues to struggle. Figures 1 and 2 in comparison shows that job growth and gross product walk hand-in-hand.

The Bay Area remains a jobs and incomes engine for the state economy. Figure 2 illustrates this versus California overall. Unemployment rates and levels move inversely with employment levels in most settings, but that relationship depends on labor force dynamics. California’s labor force is changing; the number of residents that are working at payroll jobs has been falling since 2011, the level and rate of unemployment in California has steadily fallen since the peak in late 2010.

The Bay Area unemployment rate (as compared to California in Figure 3) peaked earlier and has fallen more rapidly than the state overall. While job growth continues, some parts of the state (mainly those away from major urban centers) still struggle in the recession’s wake to create jobs.

Figure 3: California and Bay Area Unemployment, 1990-2016, % of Labor Force



Sources: California Department of Finance ([www.dof.ca.gov](http://www.dof.ca.gov)) and Employment Development Dept. ([www.edd.ca.gov](http://www.edd.ca.gov))

## SECTOR-LEVEL JOBS GROWTH

Jobs growth in California remains impressive as 2015 ended and 2016 continues. Many areas of California continue a strong jobs recovery. Services growth is outpacing goods-producing jobs. California manufacturing had another negative year of growth, where manufacturing decreased by 8,600 jobs statewide since August 2015. However, manufacturing has generated over 43,000 new jobs in California since 2010, including the recent downturn since 2015.

Agricultural jobs posted small gains (5,600 more jobs since 2015), and construction saw strong gains of over 29,000 more jobs in one year (the bounce back in construction is over 208,000 jobs since the recession hit bottom, a 37 percent increase). Services remain the dominant jobs growth center; California generated 360,800 new service jobs since August 2016 and just over two million jobs in services since the recession hit bottom. That represents 89% of the net new jobs in this recovery.

Figure 4 shows regional data on job growth over the last year, the last two years and since the recession's nadir to date. Employment growth, as a rate of change, has become more even across the state since August 2015, while the San Francisco Bay Area grew at a rate of 2.4 percent so far since 2015. Since 2014, the Bay Area jobs growth was 7.7 percent. Napa County, Madera County and Butte County had the fastest growth, another testament that employment growth is reaching communities that have lingered behind the state average since 2010.

Sectors of growth include construction, wholesale, professional and business services, administrative and waste management services, education, leisure and hospitality, and logistics. Figure 5 shows this growth. Notice that durable goods (machines, computers, and aircraft, e.g.) have grown more than non-durables (food, beverage, clothing, e.g.) manufacturing. Services, especially leisure and hospitality (hotels, restaurants, and bars) and health care have grown strongly during the recovery. Figure 6 shows similar data to Figure 5, but shows the number of workers versus the percentage change.

Figure 4: California Employment by Major Region (Thousands, SA), August 2016

Selected MSAs	One Year	Two Years	Since August 2010
Anaheim-Santa Ana-Irvine	2.6%	6.1%	16.0%
Bakersfield	2.0%	2.4%	15.0%
Chico	4.6%	5.4%	12.5%
El Centro	4.8%	7.1%	11.7%
Fresno	3.2%	7.1%	16.3%
Hanford-Corcoran	-1.3%	1.9%	4.9%
Los Angeles-Long Beach-Glendale	1.8%	4.1%	11.6%
Madera	7.9%	6.7%	13.9%
Merced	2.8%	5.6%	9.3%
Modesto	3.0%	6.6%	14.1%
Napa	3.1%	7.3%	20.2%
Oakland-Hayward-Berkeley	2.5%	6.0%	17.8%
Oxnard-Thousand Oaks-Ventura	1.1%	1.7%	8.3%
Redding	0.5%	2.6%	8.7%
Riverside-San Bernardino-Ontario	2.2%	7.1%	20.7%
Sacramento--Roseville--Arden-Arcade	2.4%	6.0%	14.2%
Salinas	1.2%	4.5%	8.3%
San Diego-Carlsbad	1.9%	5.4%	14.3%
San Francisco-Redwood City-South San Francisco	2.4%	7.7%	26.5%
San Jose-Sunnyvale-Santa Clara	3.3%	7.9%	25.4%
San Luis Obispo-Paso Robles-Arroyo Grande	2.7%	6.2%	20.2%
<b>San Rafael (Marin County)</b>	<b>3.1%</b>	<b>5.2%</b>	<b>15.8%</b>
Santa Cruz-Watsonville	1.9%	5.8%	14.3%
Santa Maria-Santa Barbara	2.2%	4.9%	13.4%
Santa Rosa	3.1%	6.0%	22.1%
Stockton-Lodi	3.4%	7.8%	19.2%
Vallejo-Fairfield	2.3%	6.3%	14.2%
Visalia-Porterville	2.8%	6.4%	13.5%
Yuba City	1.7%	5.7%	12.8%
<b>California</b>	<b>2.3%</b>	<b>5.7%</b>	<b>15.7%</b>

Sources: California Department of Finance ([www.dof.ca.gov](http://www.dof.ca.gov)) and Employment Development Dept. ([www.edd.ca.gov](http://www.edd.ca.gov))

The construction sector remains a source of growth, due to both commercial and multi-unit residential building in urban areas. This theme has continued since the recent recession ended; growth in construction jobs was 6.5 percent since August 2014 and 7.3 percent the previous 12 months. In September 2015, the Federal Reserve's choice to keep interest rates at emergency levels likely will continue to fuel renovation, refinancing, and other credit markets associated with construction of all types.

Figure 5: California Employment Growth by Industry (Thousands, Seasonally Adjusted), August 2016

Category	One Year	Two Year	Since August 2010
Civilian Labor Force	1.4%	2.1%	4.9%
Civilian Employment	2.0%	4.1%	12.8%
Civilian Unemployment	-7.4%	-22.5%	-52.3%
Civilian Unemployment Rate	-8.3%	-24.7%	-54.5%
Total Farm	1.3%	2.3%	12.1%
Total Nonfarm	2.3%	5.7%	15.7%
Goods Producing	0.8%	4.7%	13.6%
Mining and Logging	-12.4%	-21.5%	-8.8%
Construction	4.0%	13.0%	37.4%
Manufacturing	-0.7%	0.9%	3.5%
Durable Goods	-0.4%	1.6%	4.7%
Nondurable Goods	-1.1%	-0.2%	1.5%
Service Providing	2.6%	5.9%	16.1%
Trade, Transportation & Utilities	1.7%	4.7%	14.0%
Wholesale Trade	2.1%	3.9%	14.1%
Retail Trade	1.5%	3.9%	11.5%
Transportation, Warehousing & Utilities	1.7%	8.5%	22.1%
Information	2.7%	7.3%	15.8%
Financial Activities	1.4%	4.1%	7.3%
Finance & Insurance	0.5%	3.0%	4.2%
Real Estate & Rental & Leasing	3.3%	6.3%	13.8%
Professional & Business Services	3.6%	7.0%	24.6%
Professional, Scientific & Technical Services	4.9%	8.6%	25.3%
Management of Companies & Enterprises	2.0%	4.3%	18.1%
Administrative & Support & Waste Services	2.4%	5.7%	25.2%
Educational & Health Services	3.4%	7.7%	20.4%
Educational Services	5.8%	9.2%	26.5%
Health Care & Social Assistance	3.0%	7.5%	19.4%
Leisure & Hospitality	3.4%	7.3%	26.0%
Arts, Entertainment & Recreation	8.3%	12.7%	28.4%
Accommodation & Food Services	2.5%	6.3%	25.5%
Other Services	1.0%	2.7%	14.2%
Government	1.8%	4.4%	4.1%
Federal Government	0.7%	1.9%	-6.3%
State Government	1.5%	4.2%	6.8%
Local Government	2.1%	4.8%	4.9%

Sources: California Department of Finance ([www.dof.ca.gov](http://www.dof.ca.gov)) and Employment Development Dept. ([www.edd.ca.gov](http://www.edd.ca.gov))



Figure 6: Employment Growth in Key Sectors

Category	One Year	Since August 2010
Civilian Labor Force	269,600	898,100
Civilian Employment	354,400	2,061,600
Civilian Unemployment	-85,000	-1,163,700
Total Farm	5,600	46,400
Total Non-Farm	378,000	2,249,200
Goods Producing	17,200	249,600
Mining and Logging	-3,500	-2,400
Construction	29,300	208,300
Manufacturing	-8,600	43,700
Durable Goods	-3,500	36,600
Nondurable Goods	-5,100	7,100
Service Providing	360,800	1,999,600
Trade, Transportation & Utilities	49,600	370,200
Wholesale Trade	14,900	91,400
Retail Trade	25,300	175,500
Transportation, Warehousing & Utilities	9,400	103,300
Information	13,200	68,200
Financial Activities	11,400	55,500
Finance & Insurance	2,400	21,400
Real Estate & Rental & Leasing	9,000	34,100
Professional & Business Services	89,900	512,700
Professional, Scientific & Technical Services	60,100	258,200
Management of Companies & Enterprises	4,700	36,100
Administrative & Support & Waste Services	25,100	218,400
Educational Services	20,300	77,800
Health Care & Social Assistance	63,300	356,000
Leisure & Hospitality	62,300	391,200
Arts, Entertainment & Recreation	23,900	69,200
Accommodation & Food Services	38,400	322,000
Other Services	5,600	68,900
Government	45,200	99,100
Federal Government	1,800	-16,600
State Government	7,900	33,200
Local Government	35,500	82,500

Sources: California Department of Finance ([www.dof.ca.gov](http://www.dof.ca.gov)) and Employment Development Dept. ([www.edd.ca.gov](http://www.edd.ca.gov))

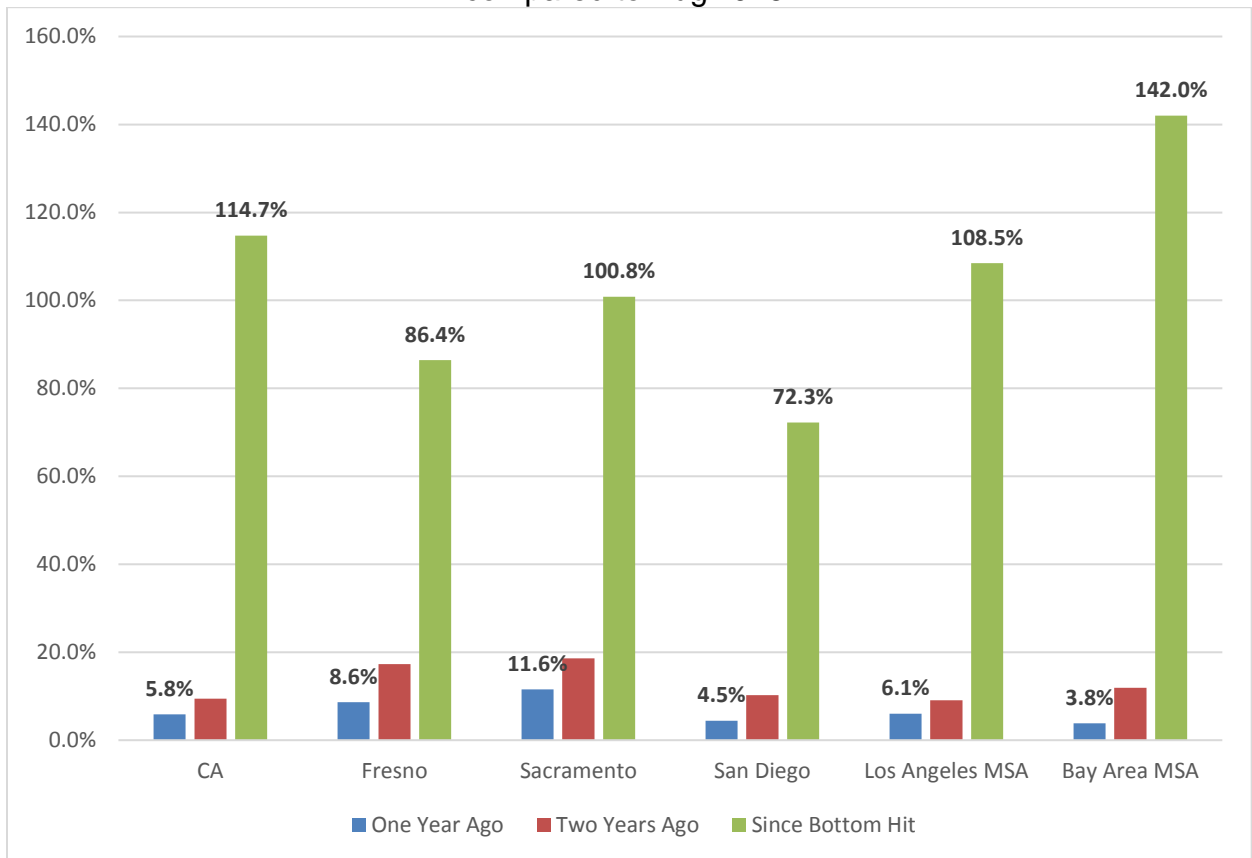
Manufacturing has a wide breadth in California, covering everything from aerospace, defense, telecommunications hardware, wine, to tortillas. While slowing down in 2016, manufacturing still represents approximately 7.8 percent of all jobs in California. Retail jobs are closing in on 10.3 percent of all jobs in California in comparison. Finance is only 4.9 percent of jobs. Movements away from California may be a rising threat due to increased costs of living, an opportunity cost as California's growing economy fuels both rising housing and commercial real estate prices.

## HOUSING

Housing prices are now in their sixth year of growth, and have grown to reclaim most if not all the housing recession's lost wealth in nominal terms. Figure 7 shows the change in housing values for California, the Bay Area (the nine counties), San Diego, and Los Angeles to provide prospective on housing market recovery. Interest rates continue at relatively low levels, which have fueled home sales and renovations, and are tied to construction employment in California.

Building permits have increased, and the number of housing units has also grown (67,110 more units in net since 2015), along with the population (348,000 more people in net since 2015). The mix of these data suggest that California's housing market remains in recovery and expansion mode.

Figure 7: Growth of Housing Prices, One Year, Two Years ago and Since Bottom compared to Aug 2016



Source: California Association of REALTORS®

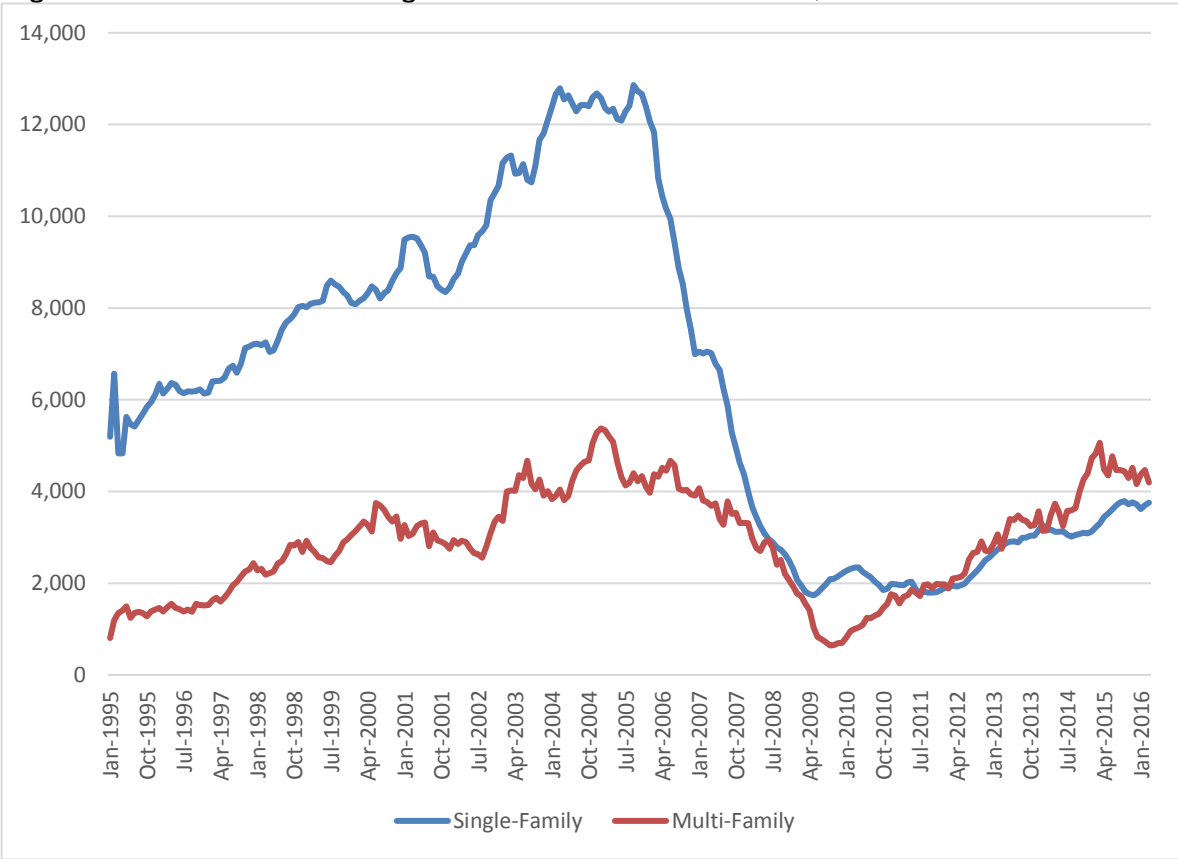
Over the course of the last year (August 2015 to August 2016), home prices in California have increased by 5.8 percent. Particular locations have been increasing faster, where the Los Angeles metro area has grown by 6.1 percent and Fresno has grown by 8.6 percent and Sacramento by over 11 percent. Median home values in San Francisco

have increased by 3.8% year over year, and 4.1 percent in San Diego. The higher-priced areas have seen both market saturation, a lack of inventory, and higher prices; these areas led the housing market recovery in California, and other areas are now catching up.

The lack of inventory for sale has affected both homes for sale and rental pricing. One metric being watched carefully is the number of people per household. Household formation, how people combine in a single housing unit, may be shifting due to higher prices in such places as San Francisco (rents for two-bedroom apartments may be as high as \$4,500 a month as of October 2016). Figure 8 shows a similar picture to the national data on single-family versus multi-family building permits.

Forecasts for home prices remain strong through 2018. Permit activity remains at relatively low levels, though there have been more permits in the last two years and predictions are that more will come (especially with low-cost financing remaining in place).

Figure 8: Residential Building Permits Issued in California, 1995-2016



Sources: economagic.com and Census Bureau

California overall continues to have fundamental strength and discussion of a housing

bubble is more likely in rental markets than homes for purchase, but the supply and demand conditions suggest there is no downturn predicted before 2019. Housing shortages and a booming, wealthy technology sector have been spurring rapid price increases throughout the region. That wealth has not spread itself to some parts of the state and poverty remains an issue in many California counties.

### **SOCIOECONOMIC ISSUES: Poverty**

Notice the geography of counties in Figures 10 and 11 versus the state average. The interior valleys and northern and eastern border counties still struggle with the proportion of impoverished people and households versus the coastal, urban areas. Sacramento and Los Angeles are somewhat exceptions to this, but for good reason. Sacramento is surrounded by counties that remain in a struggle to break free of the recent recession, and Los Angeles remains a bifurcated economy between its coastal job engine and its eastern neighbors that remain a drag on the LA region.

The changes in median household income somewhat mask the poverty issues. In Marin County, for example, median household income is at \$100,662 in 2015 on the one-year survey from the Census Bureau. That is the third highest in California, and among the highest for a county in the nation. Figure 13 shows all the counties in California. Since 2005, the nominal change in median household income is over \$21,000 for Marin County. In 2005, Marin County had the highest median household income in California.

Perhaps more importantly, the poverty rates of Santa Clara, San Mateo, and San Francisco counties all exceed Marin County. The state overall is over 2 times Marin County's poverty rate, and really pulled up (in the wrong direction) by different geographies and settings: Imperial, San Francisco, and Los Angeles counties are among the highest poverty rates in California.

We look at minimum wages and the potential legalization of marijuana in the Marin County Economic Outlook 2016 and other socioeconomic issues coming to California.

Figure 10: Poverty Rates in Selected California Counties, 2005, 2010, 2015, % of Population, One Year Samples, American Community Survey, by Age

County/State	2005 by Age				2015 by Age			
	Total	<18	18-64	65 and >	Total	<18	18-64	65 and >
<b>Marin</b>	<b>5.9</b>	<b>6.5</b>	<b>5.7</b>	<b>6.4</b>	<b>7.1</b>	<b>7.4</b>	<b>7.8</b>	<b>4.7</b>
Santa Clara	8.3	10.6	7.7	6.7	8.2	8.4	8.1	8.0
San Mateo	7.4	9.7	6.7	6.7	8.5	10.3	8.2	7.2
El Dorado	7.7	7.7	8.0	5.8	8.7	11.8	8.2	7.0
Placer	5.5	7.2	5.2	4.0	9.0	9.5	9.8	6.0
Ventura	9.9	14.6	8.5	5.5	9.6	13.7	8.7	6.8
Contra Costa	8.1	11.2	7.5	4.6	10.3	13.2	10.3	5.5
Napa	7.0	8.2	6.8	5.5	10.8	13.2	10.8	7.8
Sonoma	9.1	11.4	9.0	5.0	11.1	14.6	11.1	6.8
Alameda	11.8	14.6	11.3	8.6	11.4	13.6	11.2	8.3
Solano	9.3	13.1	7.9	6.9	12.1	16.4	11.6	7.1
San Francisco	12.2	13.4	12.0	12.0	12.3	11.1	12.3	13.9
Orange	8.8	11.2	8.1	6.8	12.7	16.7	11.9	9.4
Nevada	6.3	5.4	6.5	6.8	13.4	13.8	13.8	12.0
San Diego	11.0	15.9	9.6	7.4	13.8	17.7	13.4	9.2
San Luis Obispo	14.8	17.1	16.1	6.2	14.9	14.6	17.5	7.0
Monterey	14.4	19.3	13.5	5.0	15.3	23.1	13.3	8.1
Santa Barbara	12.3	16.7	11.9	5.5	15.7	21.0	15.7	7.7
Santa Cruz	11.8	15.4	11.2	7.2	16.1	19.6	16.9	8.0
Riverside	11.4	15.4	10.3	7.3	16.2	22.8	14.8	9.8
Los Angeles	16.3	23.3	14.1	9.8	16.6	23.3	15.0	13.1
Sacramento	13.6	19.7	12.1	6.8	16.9	22.7	16.0	10.4
San Joaquin	14.6	19.7	13.1	8.0	17.4	23.9	16.2	8.2
Yolo	15.7	15.2	17.5	5.4	18.3	17.5	20.8	6.7
Sutter	9.7	8.4	10.5	8.8	18.6	25.4	17.4	11.5
San Bernardino	15.0	19.8	13.0	11.1	19.0	27.4	16.9	10.2
Lake	20.1	31.4	19.2	7.7	19.4	21.9	21.9	10.3
Shasta	13.2	19.6	12.5	6.3	19.6	28.0	21.1	6.5
Stanislaus	14.4	18.9	13.1	8.9	19.7	27.7	18.0	10.3
Humboldt	15.8	16.0	18.0	4.6	21.0	19.8	24.8	7.9
Mendocino	18.2	24.0	17.2	13.0	21.2	25.6	24.0	8.6
Butte	19.6	22.8	21.6	6.5	21.8	21.4	25.4	9.2
Kern	21.2	29.4	18.5	10.4	21.9	31.9	18.9	9.9
Yuba	12.8	16.5	12.8	1.8	23.2	35.7	20.8	6.1
Madera	16.6	26.1	14.0	5.1	23.4	34.4	21.3	9.0
Kings	21.3	27.3	20.0	6.6	23.6	32.7	21.5	9.6
Imperial	21.5	27.7	19.5	13.3	25.1	31.6	23.3	18.0
Fresno	20.7	30.1	17.5	9.9	25.3	36.9	22.5	10.8
Merced	18.1	25.2	15.8	7.0	26.7	38.5	23.6	10.9
Tulare	23.4	32.1	19.9	15.0	27.6	37.0	25.2	13.1
<b>California</b>	<b>13.3</b>	<b>18.6</b>	<b>11.9</b>	<b>8.1</b>	<b>15.3</b>	<b>21.2</b>	<b>14.3</b>	<b>9.9</b>

Source: Census Bureau (factfinder.census.gov)

Figure 11: Median Household Income, 2005, 2010, 2015, % change and \$ change since 2005, Selected Counties in CA

County	2005	2010	2015	% Chg 2005-2015	\$ Chg
Santa Clara County	\$76,810	\$85,002	\$102,340	33.20%	\$25,530
San Mateo County	\$74,546	\$82,748	\$101,272	35.90%	\$26,726
<b>Marin County</b>	<b>\$78,919</b>	<b>\$83,867</b>	<b>\$100,662</b>	<b>27.60%</b>	<b>\$21,743</b>
San Francisco County	\$57,496	\$71,745	\$92,094	60.20%	\$34,598
Contra Costa County	\$69,487	\$73,721	\$83,104	19.60%	\$13,617
Alameda County	\$61,014	\$67,169	\$81,717	33.90%	\$20,703
Ventura County	\$66,859	\$71,864	\$80,032	19.70%	\$13,173
El Dorado County	\$63,147	\$66,129	\$79,019	25.10%	\$15,872
Orange County	\$65,953	\$70,880	\$78,428	18.90%	\$12,475
Placer County	\$62,080	\$67,884	\$75,708	22.00%	\$13,628
Napa County	\$65,260	\$64,401	\$75,513	15.70%	\$10,253
Solano County	\$62,213	\$63,384	\$67,443	8.40%	\$5,230
San Diego County	\$56,335	\$59,923	\$67,320	19.50%	\$10,985
Sonoma County	\$58,330	\$59,055	\$66,674	14.30%	\$8,344
Santa Cruz County	\$58,640	\$61,071	\$65,139	11.10%	\$6,499
Santa Barbara County	\$55,970	\$56,767	\$63,625	13.70%	\$7,655
San Luis Obispo County	\$49,721	\$53,978	\$62,648	26.00%	\$12,927
Monterey County	\$57,081	\$54,534	\$60,494	6.00%	\$3,413
Los Angeles County	\$48,248	\$52,684	\$59,134	22.60%	\$10,886
Yolo County	\$50,157	\$55,798	\$58,966	17.60%	\$8,809
Sacramento County	\$51,793	\$52,709	\$58,942	13.80%	\$7,149
Riverside County	\$52,253	\$54,296	\$58,292	11.60%	\$6,039
Nevada County	\$51,615	\$54,456	\$54,177	5.00%	\$2,562
San Bernardino County	\$49,026	\$52,607	\$53,803	9.70%	\$4,777
San Joaquin County	\$49,391	\$50,011	\$53,705	8.70%	\$4,314
Stanislaus County	\$47,525	\$48,044	\$52,363	10.20%	\$4,838
Sutter County	\$49,913	\$46,521	\$52,277	4.70%	\$2,364
Kern County	\$40,224	\$45,524	\$51,342	27.60%	\$11,118
Yuba County	\$37,695	\$45,755	\$50,451	33.80%	\$12,756
Madera County	\$46,787	\$48,268	\$47,150	0.80%	\$363
Fresno County	\$41,899	\$45,221	\$46,949	12.10%	\$5,050
Shasta County	\$42,227	\$41,023	\$46,693	10.60%	\$4,466
Kings County	\$41,095	\$44,609	\$45,746	11.30%	\$4,651
Butte County	\$36,602	\$41,657	\$45,644	24.70%	\$9,042
Tulare County	\$38,722	\$43,397	\$42,413	9.50%	\$3,691
Merced County	\$40,281	\$42,449	\$41,997	4.30%	\$1,716
Mendocino County	\$41,734	\$40,536	\$41,896	0.40%	\$162
Imperial County	\$35,533	\$41,802	\$40,852	15.00%	\$5,319
Humboldt County	\$33,093	\$38,492	\$40,484	22.30%	\$7,391
Lake County	\$40,067	\$34,910	\$37,294	-6.90%	(\$2,773)
<b>California</b>	<b>\$53,629</b>	<b>\$57,708</b>	<b>\$64,500</b>	<b>20.3%</b>	<b>\$10,871</b>

Source: Census Bureau (factfinder.census.gov)

## **CALIFORNIA INTO THE FUTURE**

The forecast for California's economy remains strong through 2019, and perhaps through 2020. Employment levels, personal income, household income all point toward more investment and consumption in California over the next three years. California has been a busy place in this election year from a social standpoint; minimum wage legislation and the potential legalization of marijuana for recreational use may create volatility in agricultural markets, tourism, commercial space, land use, and the political arena starting in 2017.

Housing prices rising remain a blessing and a curse, but have provided wealth and financial stability in California. As housing prices have increased, the ability to enter the market has fallen away steadily; wages have slowly increased, but not kept pace with housing. Rental prices have also gone up, a reflection of low housing inventories for purchase and shrinking vacancy rates.

National and international economic issues affect the California economy also. Low interest rates and global slowdowns, including the Brexit issue in the United Kingdom, may transmit themselves to tourism and financial markets as 2017 unfolds. Sectoral growth in services for California's tourism industry may be a data point to watch in 2017 if there are international travel reversals. While this is unlikely to spell a California recession, it is a reminder that California (on its own) is a globally-connected marketplace.

Poverty remains a major issue for California. Minimum wage legislation is focused on changing that, but poverty has two dimensions: income and wealth. Housing opportunities, a way to build stable, real wealth and ownership of real estate, will fade further without a conversion of income to savings. However, lower-income workers struggle to save against rising costs of living. This conundrum is an unfortunate by-product of growth in California.

In spite of the risks, California is to remain the American economy's engine, regardless of competition from other states. A challenge for California is to watch taxation and regulation as to not drive more businesses and employment from this state as global market forces continuously attempt to do so.