Forecasting the Future
Marin County’s Economy to 2020:
What Can We See Well?

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Agenda

• National and State Overview: is recession coming soon?
  • Slowdown likely for 2019 and 2020, recession before late 2020 unlikely

• Overview: Marin County and North Bay
  • Fire rebuild and expansion of disaster
  • Jobs and income growth continue

• Workforce and housing and commute concerns to continue
National/Global Themes

Source: Google Images
What do the professionals say?

<table>
<thead>
<tr>
<th>Quarterly data:</th>
<th>Real GDP (%)</th>
<th>Unemployment Rate (%)</th>
<th>Payrolls (000s/month)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Previous</td>
<td>New</td>
<td>Previous</td>
<td>New</td>
</tr>
<tr>
<td>2018:Q4</td>
<td>2.8</td>
<td>2.6</td>
<td>3.7</td>
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<tr>
<td>2019:Q1</td>
<td>2.5</td>
<td>2.4</td>
<td>3.7</td>
</tr>
<tr>
<td>2019:Q2</td>
<td>2.7</td>
<td>2.7</td>
<td>3.6</td>
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<tr>
<td>2019:Q3</td>
<td>2.6</td>
<td>2.4</td>
<td>3.6</td>
</tr>
<tr>
<td>2019:Q4</td>
<td>N.A.</td>
<td>2.2</td>
<td>N.A.</td>
</tr>
</tbody>
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<th>Annual data (projections are based on annual-average levels):</th>
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<td>2.1</td>
<td>3.7</td>
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<td>2021</td>
<td>1.5</td>
<td>1.7</td>
<td>4.0</td>
</tr>
</tbody>
</table>

Source: Philadelphia Federal Reserve Branch
Equity Markets: S&P 500 (Monthly Index)
Shaded dates = recession, Jan 2009 – Jan 15, 2019
Equity Markets: S&P 500 (Weekly Index), 2018 in Review
Equity Markets: S&P 500 (Weekly Index), 2015 in contrast
Prices: FED Watching

PCE Deflator

Source: Bureau of Economic Analysis via Haver Analytics

Note: Shading shows NBER recessions.
10 yr - 3 Month Spread and Federal Funds Rate, Jan 1985 to October 2018, % Weekly Avg
So What?

• National/global:
  • Low Interest rates: still pretty good historically
  • Fiscal concerns and federal zaniness not a help

• Recession unlikely before 2020, maybe 2021... but,
  • Likely a mild recession because of mild growth
  • Slowdown versus actual contraction: close relatives

• Marin County affected by global markets with lag
  • Housing and labor markets remain good foundationally
  • Watch Bay Area major employers over next 18 months
Fires affect supply for sure...what about demand?

Marin County probably, dubiously positively affected

When insurance funding runs out, may be a short-run scramble in housing/labor in North Bay
Non-Farm 12-month % Change, Seasonally Adjusted
Marin County and California, 2001 - Sept 2018

Source: California EDD
Comparative Wage Distributions, North Bay, 2018, Current Dollars

Source: Bureau of Labor Statistics
Housing Prices, Marin County
Current and 2009 Dollars, April 1996 – Sept 2018

Source: Zillow Research
Comparative Rents, Bay Area, 2011, 2015 and 2018, % of Sonoma County

Source: Zillow Research

$4,400
Zillow Forecast by County, 2019, % Growth
Median Home Price (solid line = CA +7.7%)

Source: Zillow Research
Marin County Jobs, 2018-2027, % Growth

Source: CA Economic Forecast/CalTrans
Bottom Line

• More volatility coming in financial markets
• All positive cycles must end, but can be slower growth vs. contraction
• North Bay and Marin County to continue the struggle with wages, commuting and housing: all related
• Housing is a supply and demand game, don’t get too deep
• Mid 2020s the real challenge coming, depends on longer work lives and the nature of work
What to Watch: Forecasting the Future

• Geopolitics and market reactions
•Interest rate watch
• Bay Area employment and quick cuts
• Home building in North Bay
• Marin County employers and wages
• Workforce Development and Business Retention and Expansion
Questions?
Thanks!
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