



Social Narratives, Economic Realities, and the Outlook for '24

Focus on Contra Costa County

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beaconecon.com



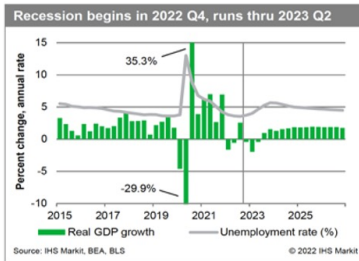
The 2023 narrative

The Forecast: Recession is Nigh!!!

US Fed meeting decision today: PIMCO warns market is underestimating risk of US recession and rate hikes

Opinion: The US economy will likely enter a recession soon

Opinion by Dana Peterson and Erik Lundh
Updated 2:38 PM EDT, Wed September 13, 2023



Why a Soft Landing Could Prove Elusive

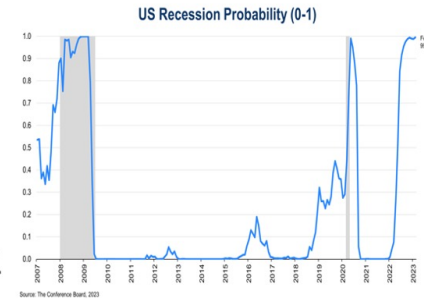
On the eve of recessions in 1990, 2001 and 2007, many Wall Street economists proclaimed the U.S. was on the cusp of achieving a soft landing, in which interest-rate increases would corral inflation without

Finance

Regulators seize First Republic Bank, sell assets to JPMorgan

By Scott Murdoch, Niket Nishant and Chris Prentice

May 1, 2023 6:11 PM PDT · Updated 5 months ago



HOUSING MARKETS

Housing is in a double-dip recession, First American says

By Brad Finkelstein September 18, 2023, 3:29 p.m. EDT 3 Min Read

Larry Summers warns US economy could face 'Wile E. Coyote moment'

By Thomas Barrabi
Published March 7, 2023 | Updated March 7, 2023, 12:20 p.m. ET



There's a 98% chance of a global recession, research firm warns

By Matt Fagan, CNN Business
Updated 11:27 AM EDT, Wed September 28, 2022

FINANCE - HOUSING

The housing market just slid into a full-blown correction, says top economist Mark Zandi

By LANCE LAMBERT
May 27, 2022 9:36 AM PDT



Narratives vs Reality

There was no risk of a “hard landing”

- Excess demand causes inflation, not recessions
- Higher interest rates offset by high liquidity, low private sector debt

Outlook for 24—more of the same

- Consumer demand still strong, fiscal stimulus still a net positive
- Fed likely to moderate stance, albeit not as much as the market thinks

The California economy is fine

- Budget deficit is a function of a broken revenue system
- Housing supply constraints behind population loss

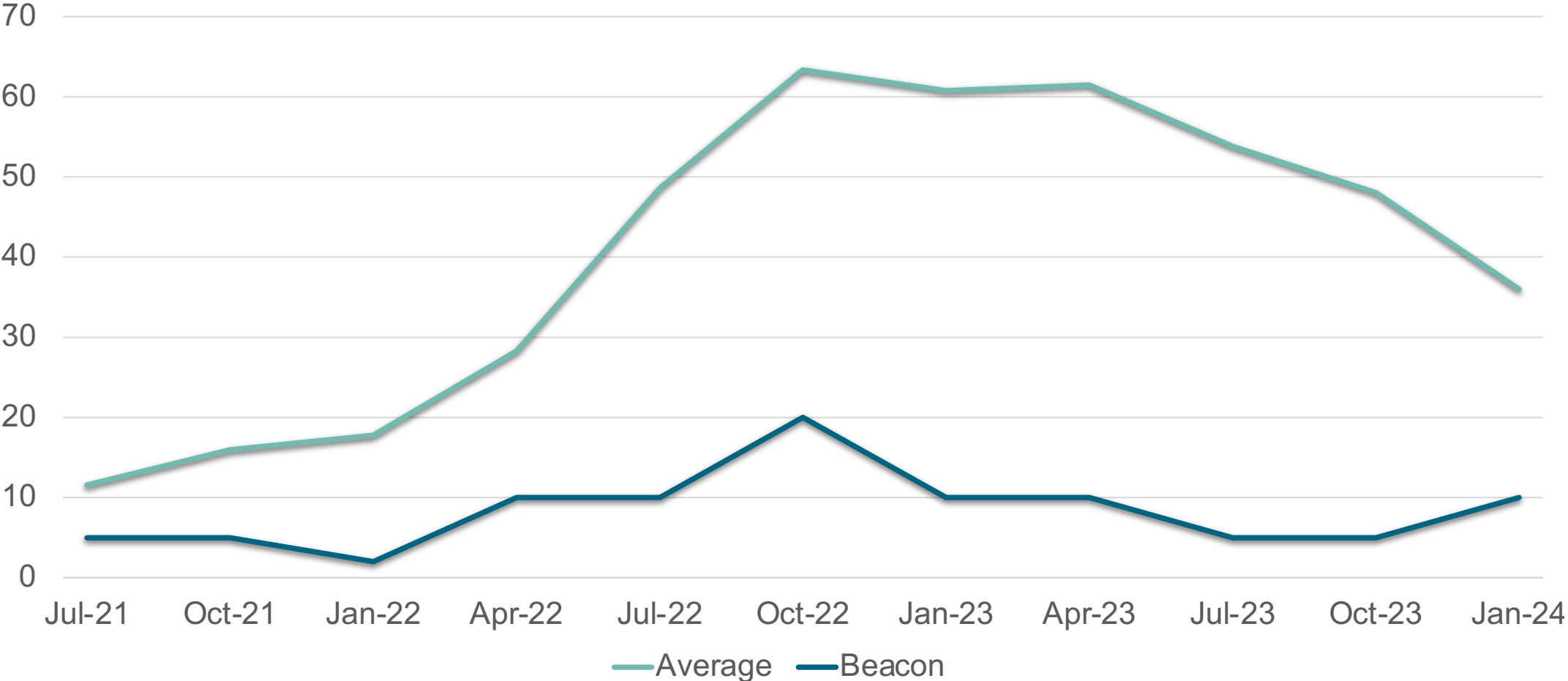
Economic reality checks

- Record federal deficits to keep long run rates high
- Asset prices remain frothily high
- Labor supply issues constrain overall US growth



Beacon's Outlook: No Recession

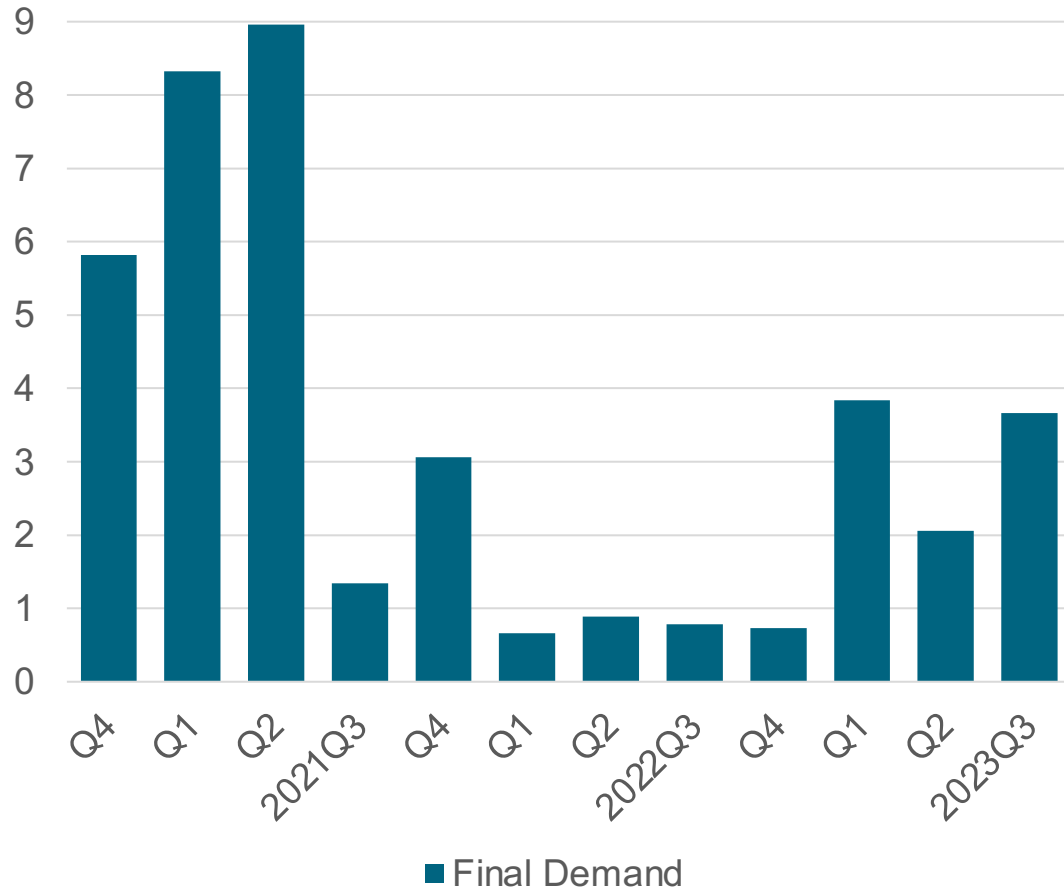
WSJ Recession Probability Forecast
Chance of US entering a recession in the next 12 months



2023: A great year for growth



US Real Growth in Final Demand



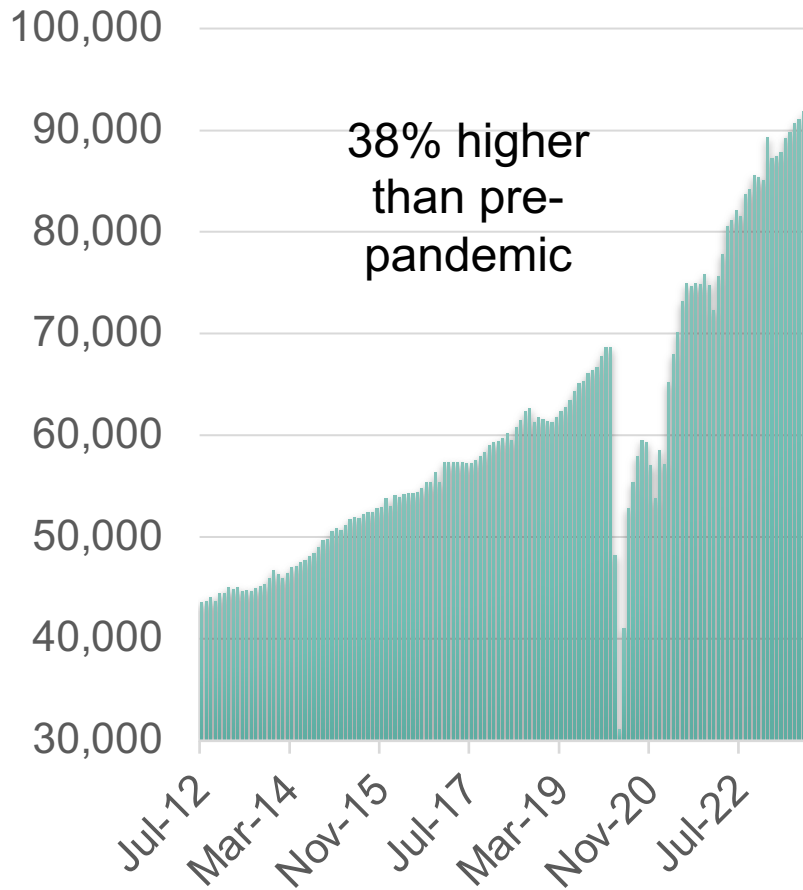
Annual Avg Contributions to Real Growth

	2021	2022	2023
GDP	5.43	0.68	3.07
Final Demand	5.42	0.77	3.19
Personal consumption	4.76	0.78	1.93
Goods	1.48	-0.15	0.78
Services	3.28	0.93	1.15
Fixed investment	0.69	-0.15	0.53
Structures	-0.03	0.03	0.43
Equipment	0.10	0.26	-0.01
IPP	0.60	0.43	0.16
Residential	0.02	-0.87	-0.05
Net exports	-0.82	0.20	0.18
Exports	0.71	0.52	0.12
Imports	-1.53	-0.32	0.07
Government	-0.02	0.13	0.73
Federal	0.05	-0.02	0.26
State and local	-0.06	0.15	0.46

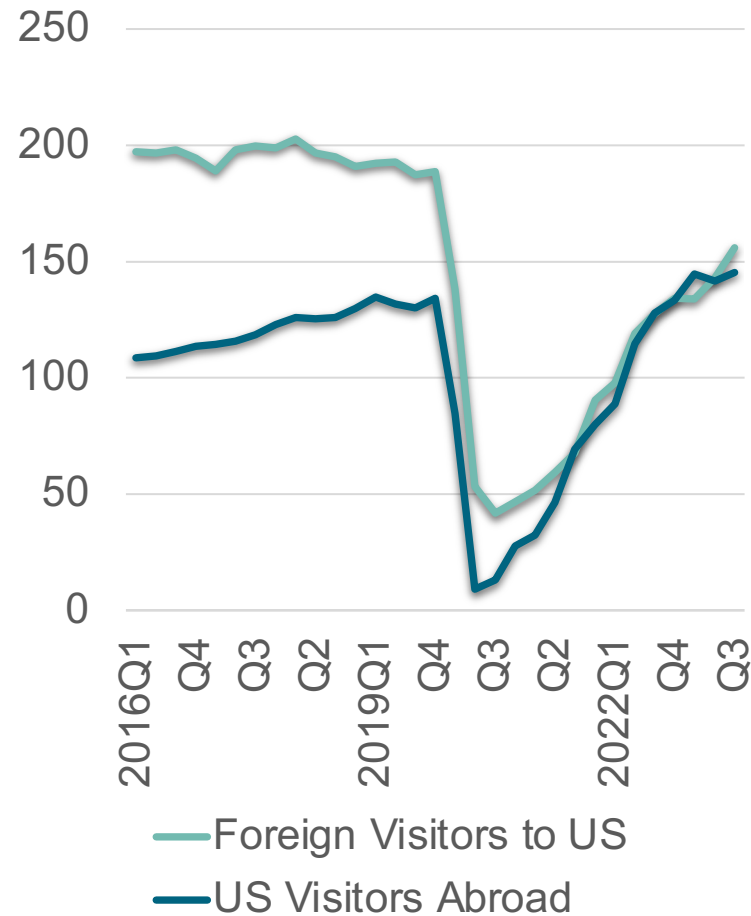


Americans: Having Fun...

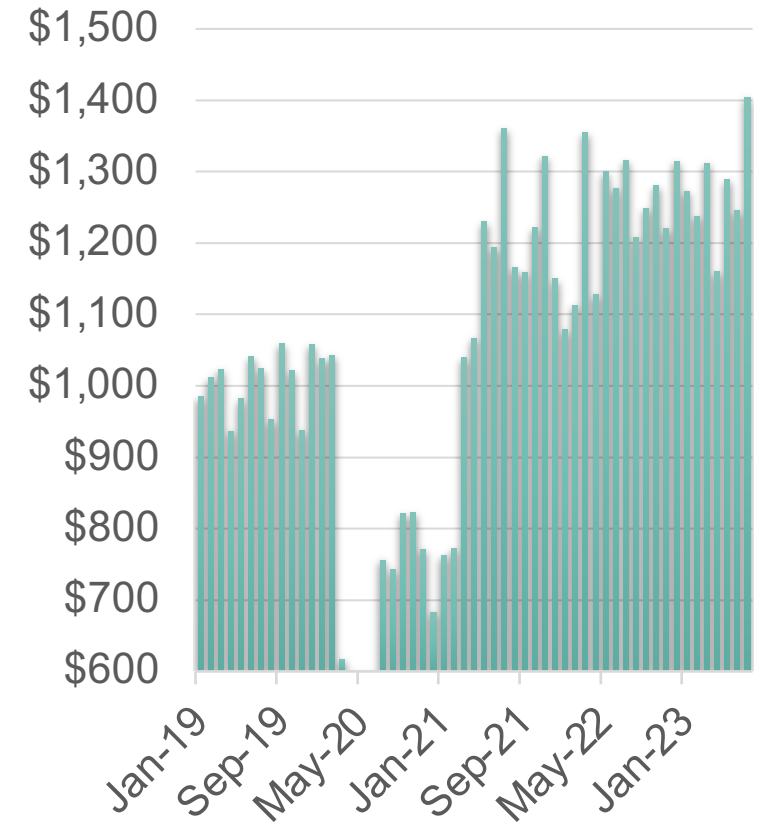
Retail: Restaurant and Bars



Real Spending on Travel

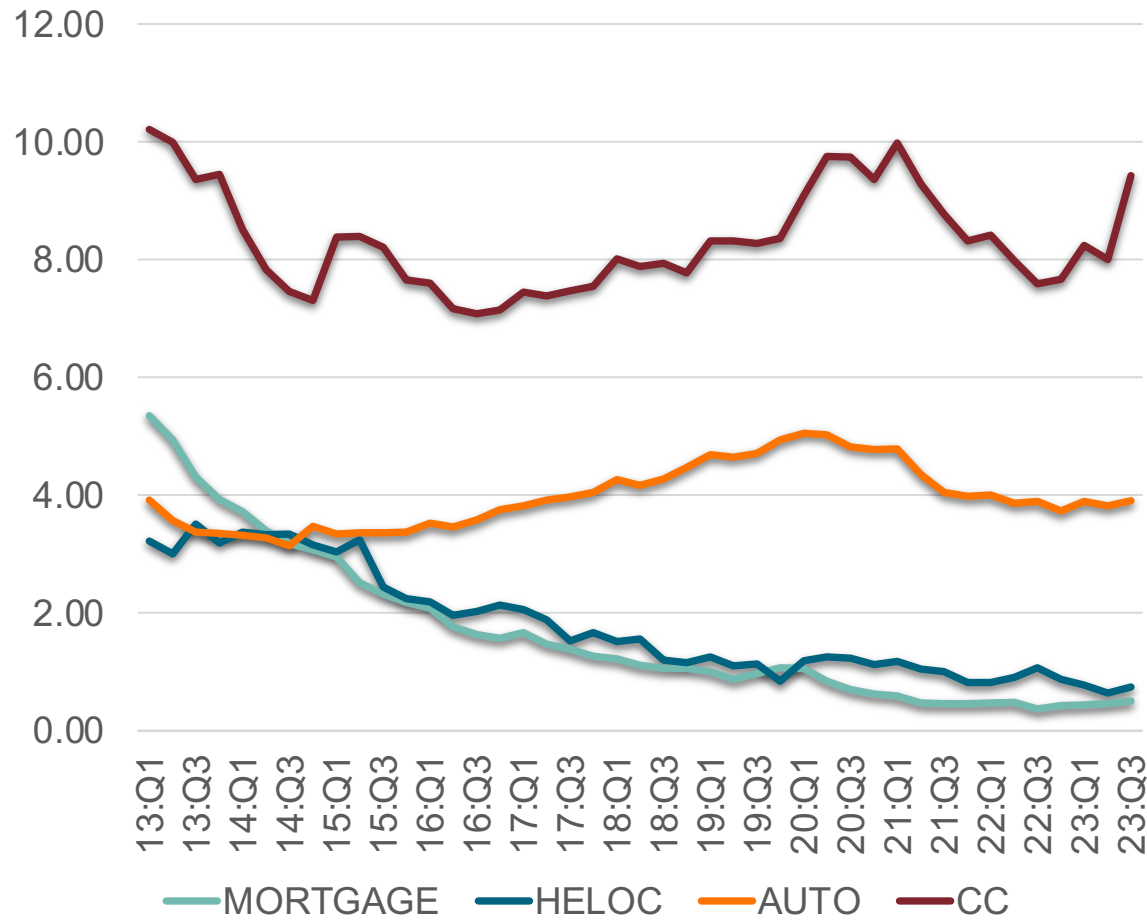


Nevada Gaming Revenues

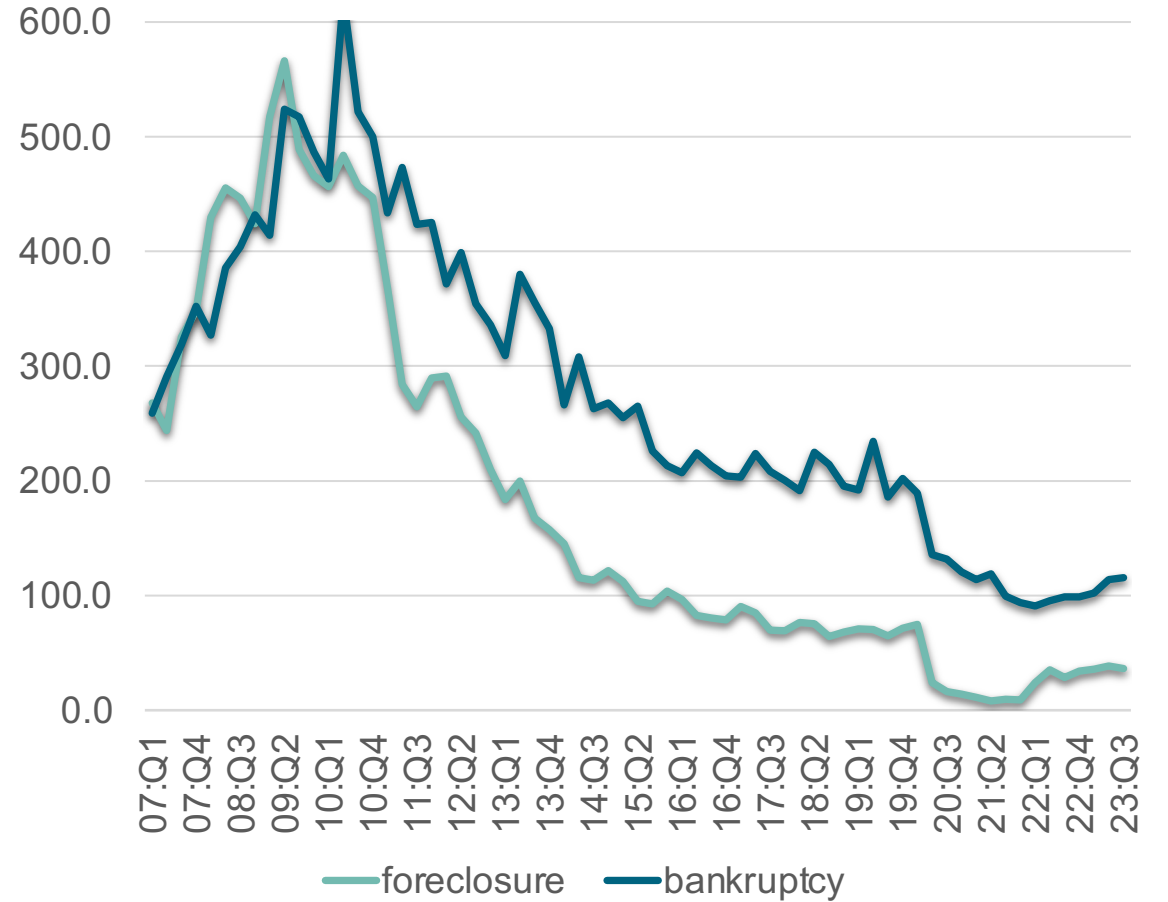


Consumer debt clean

% Debt 90+ Days Delinquent



Household Distress (thousands / Quarter)

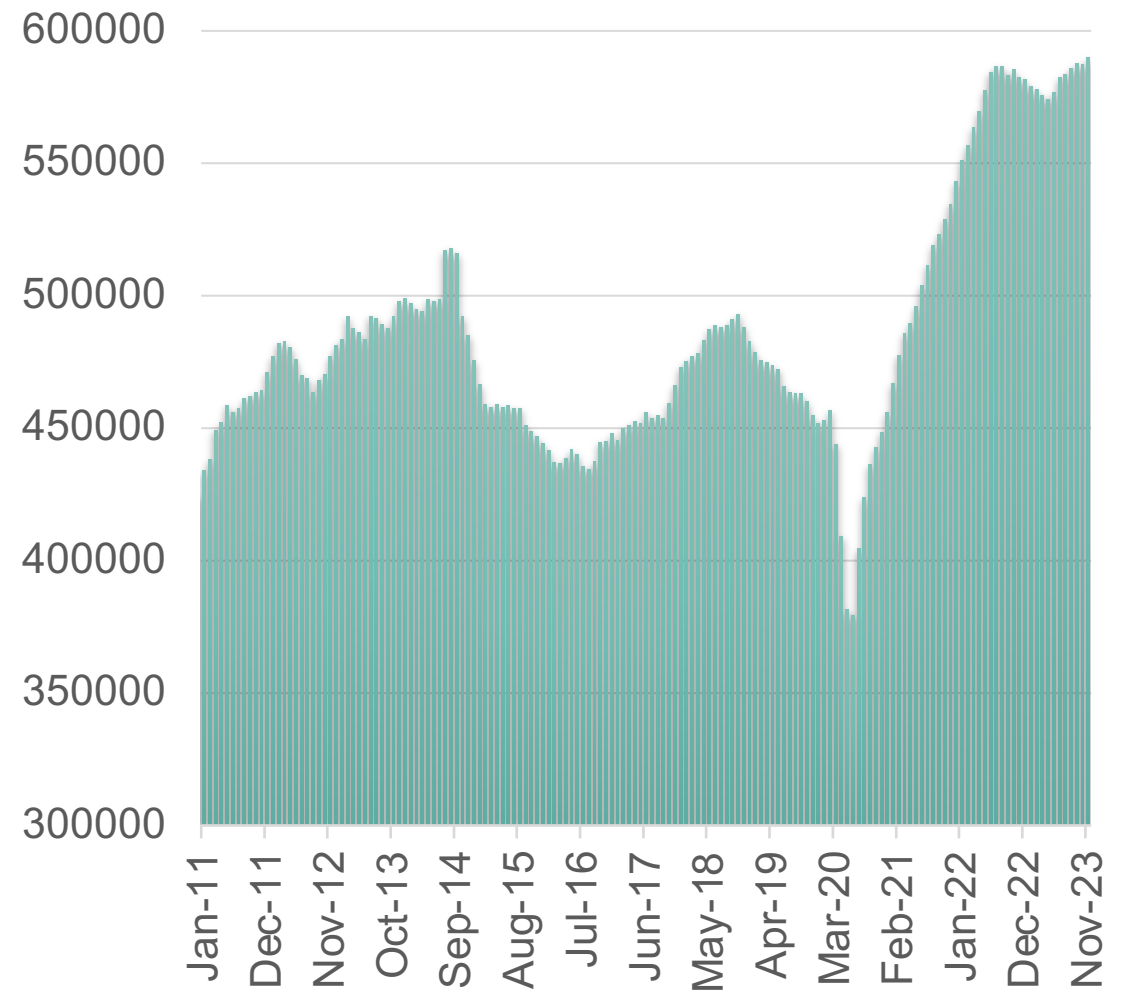


US Production

US Industrial Production



Factory Orders (Nominal)

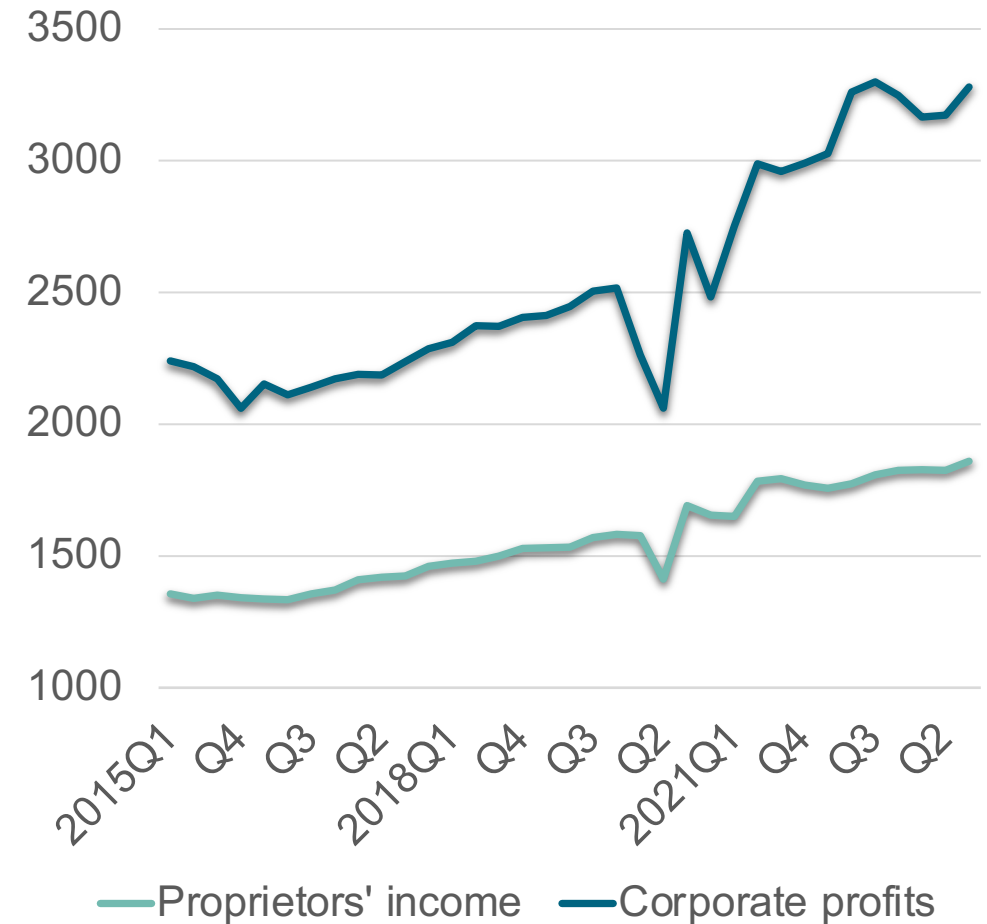


Investment, Profits Up



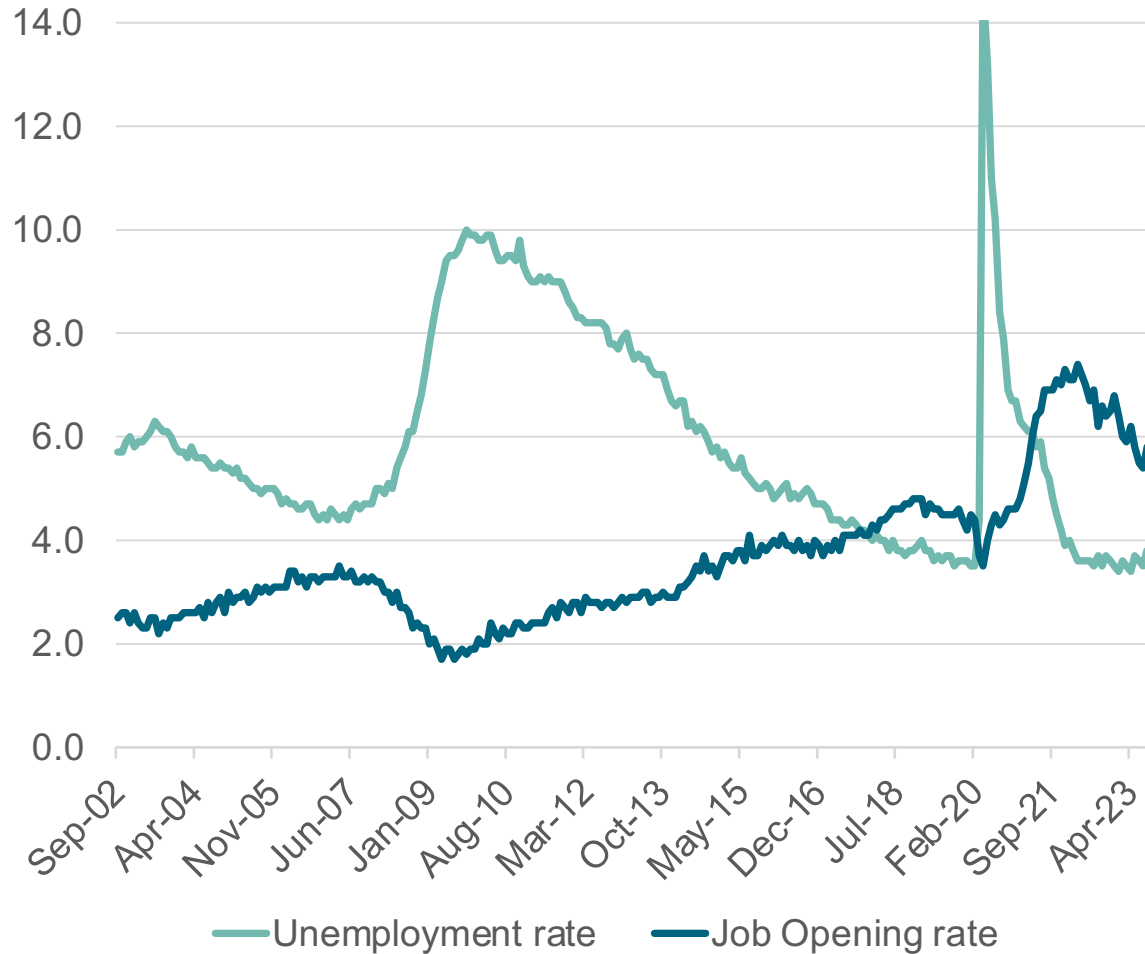
US Real Fixed Investment	2023 Change Change		
	Q3	2022	2019
Private fixed investment	3964	0.8%	5.7%
Residential	734	-7.8%	-4.6%
Software	720.9	7.9%	53.6%
Research and development	606.4	0.9%	18.3%
Information processing equip	475.3	-8.1%	10.5%
Transportation equipment	275.8	13.9%	-8.1%
Industrial equipment	250.6	-0.3%	-3.0%
Commercial and health care Str	169.3	2.0%	-11.5%
Manufacturing Str	130.6	65.7%	80.1%
Power and communication	103.7	3.0%	-24.9%
Mining exploration and wells	102.5	-7.2%	-21.2%
Entertainment, literary, and artistic	94.6	0.2%	5.1%

National Incomes (BEA)

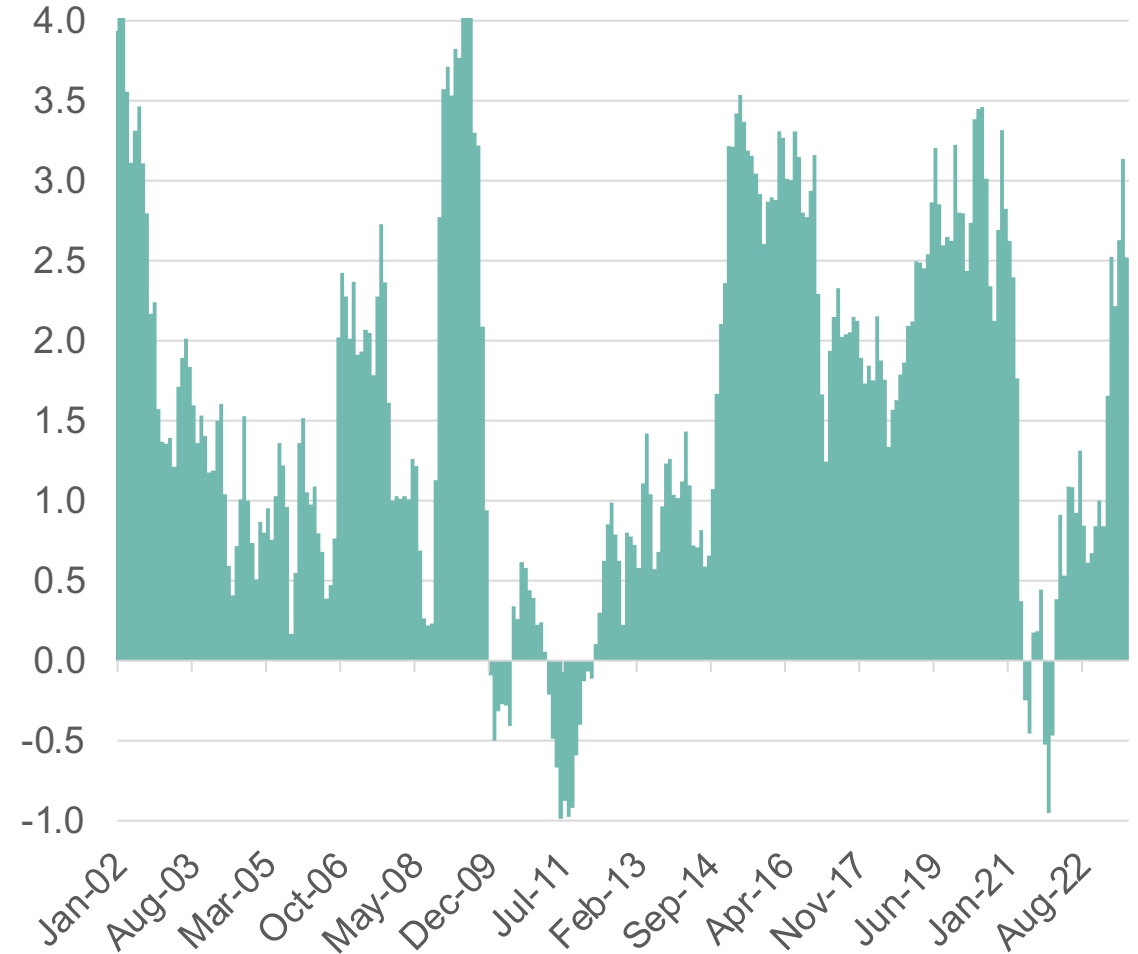


Labor Markets Remain Tight, Wages Up

Unemployment and Job Openings

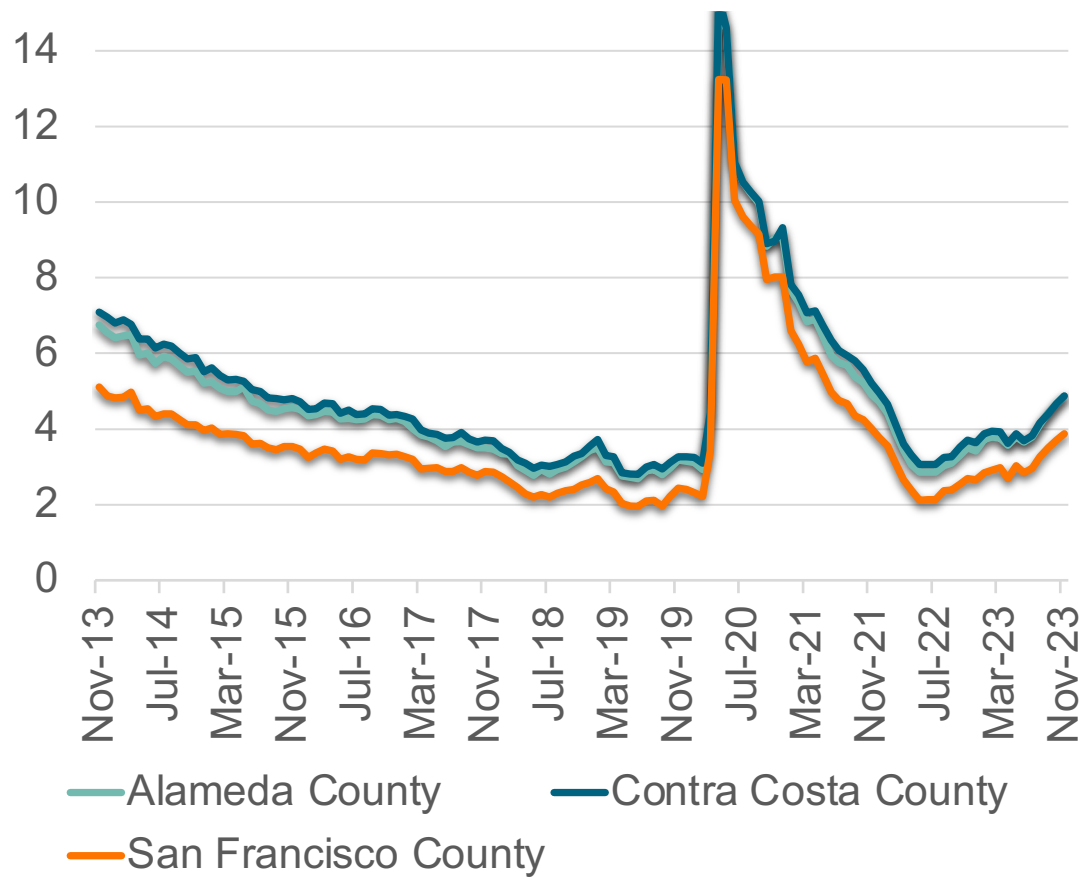


Real Wage Growth

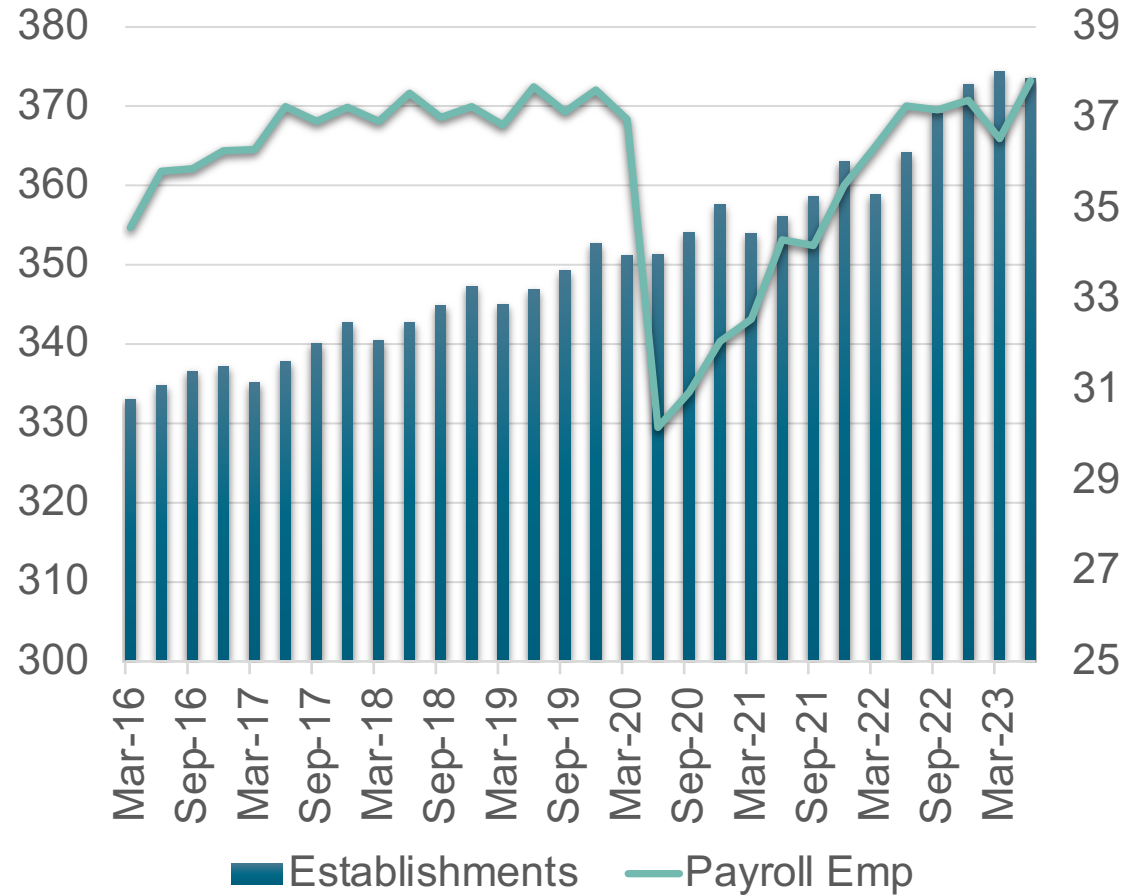


Local Labor Markets

Unemployment Rate

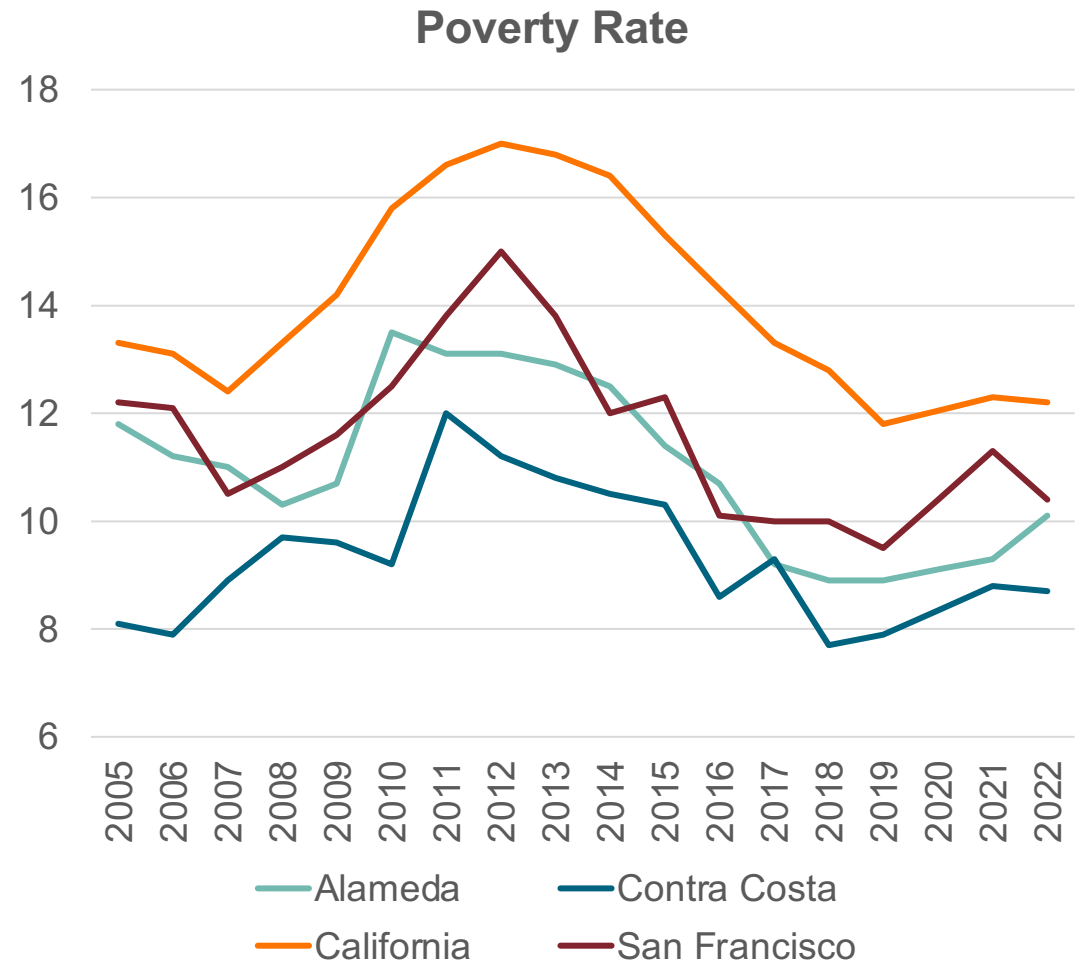


Contra Costa County Payrolls (000s)



Earnings by Education

Education	2022 Earnings (\$)	1-Year Chg. (%)	Chg. Since 2017 (%)
Population 25 and older	67,425	7.6	30.4
Less than High School	33,840	4.6	28.8
High School Diploma	42,000	-6.2	19.2
Some College	54,635	6.0	30.1
Bachelor's Degree	93,010	11.5	24.6
Grad/Prof Degree	128,372	23.9	34.1



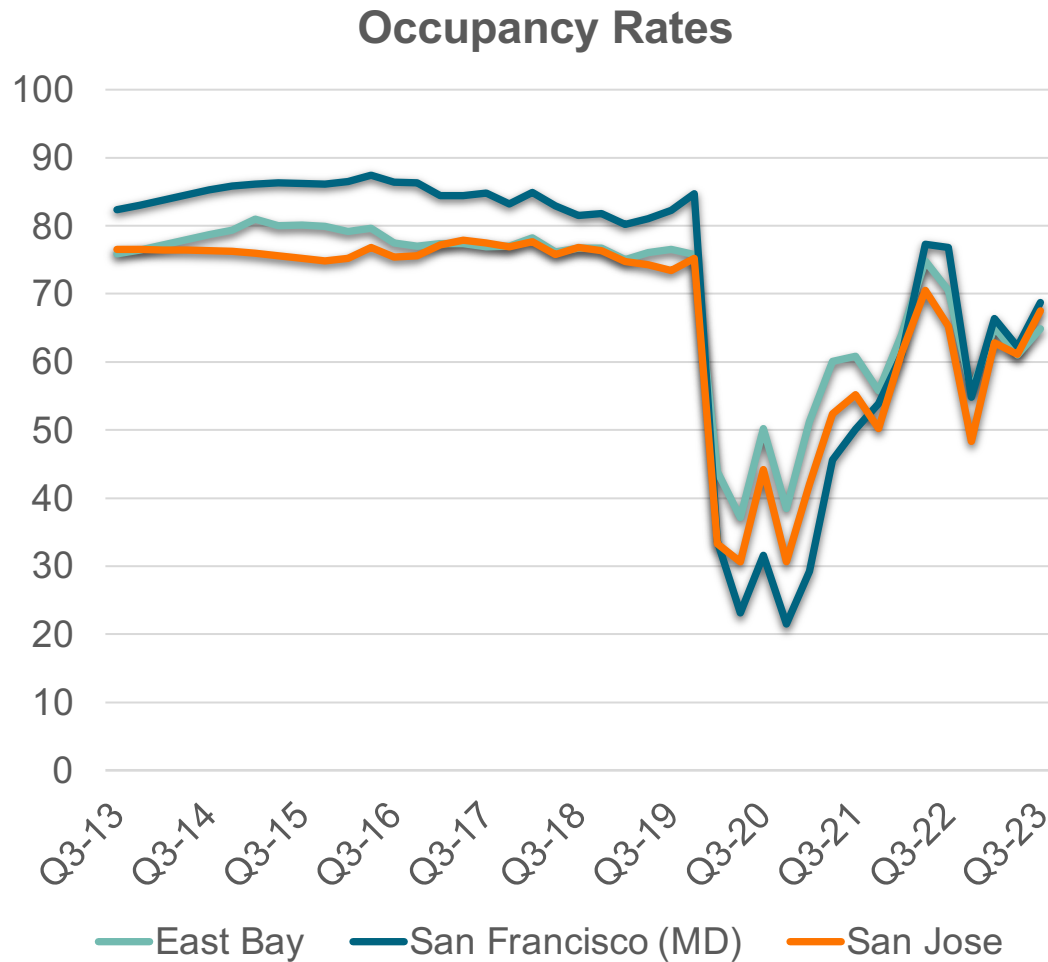
Contra Costa County Employment

Industry Employment for East Bay			
Industry	Dec-23	1 Yr Gr	Ch Pre-Pand
Total Nonfarm	1206.5	1.9%	5.5
Health Care	197.5	5.2%	20.2
Manufacturing	114.2	0.8%	12.7
Logistics	55.4	-1.6%	10.7
NR/Construction	80.9	6.0%	2.9
Prof Sci Tech	105.3	-2.5%	2.5
Other Services	42.1	7.4%	0.5
Education	23.9	2.6%	-0.7
Management	24.4	0.0%	-1
Financial Activities	51.8	0.2%	-3.5
Wholesale Trade	40.4	-2.9%	-4.3
Information	23.2	-5.7%	-4.4
Leisure and Hospitality	116.5	5.4%	-5.6
Retail Trade	105.6	0.6%	-5.6
Admin Support	60.4	-4.9%	-8.6
Government	165	3.7%	-10.3

Contra Costa Data	Q4-22 Emp.	County 1-Year Change (%)	LQ
Total	366.8	3.0	1.0
Fin. Svcs. and Real Estate	24.6	-1.0	1.4
Health Care	67.9	3.8	1.3
Retail Trade	41.5	2.2	1.3
Other Svcs.	12.4	4.5	1.1
Leisure and Hospitality	39.2	5.2	1.0
Prof, Sci, Tech, and Mgmt	33.2	0.8	1.0
NR/Construction	28.0	5.2	1.0
Admin Support	24.3	0.0	1.0
Education	7.3	3.3	1.0
Government	46.2	3.9	0.9
Transport/Warehouse/Util	14.3	7.7	0.8
Wholesale Trade	8.2	3.3	0.6
Manufacturing	13.9	1.3	0.5
Information	5.7	-3.1	0.5



Bay Hotels: Better, but not back



Metro	Q3-23 (\$)	1-Yr Chg. (%)	Chg. Since Q4-19 (%)
Average Daily Rate			
East Bay	145.00	-3.9	-8.2
San Francisco (MD)	218.61	-9.5	-0.7
San Jose	166.93	-1.1	-11.5
RevPAR			
East Bay	94.10	-11.5	-21.4
San Francisco (MD)	150.26	-19.0	-19.4
San Jose	112.69	2.3	-20.6



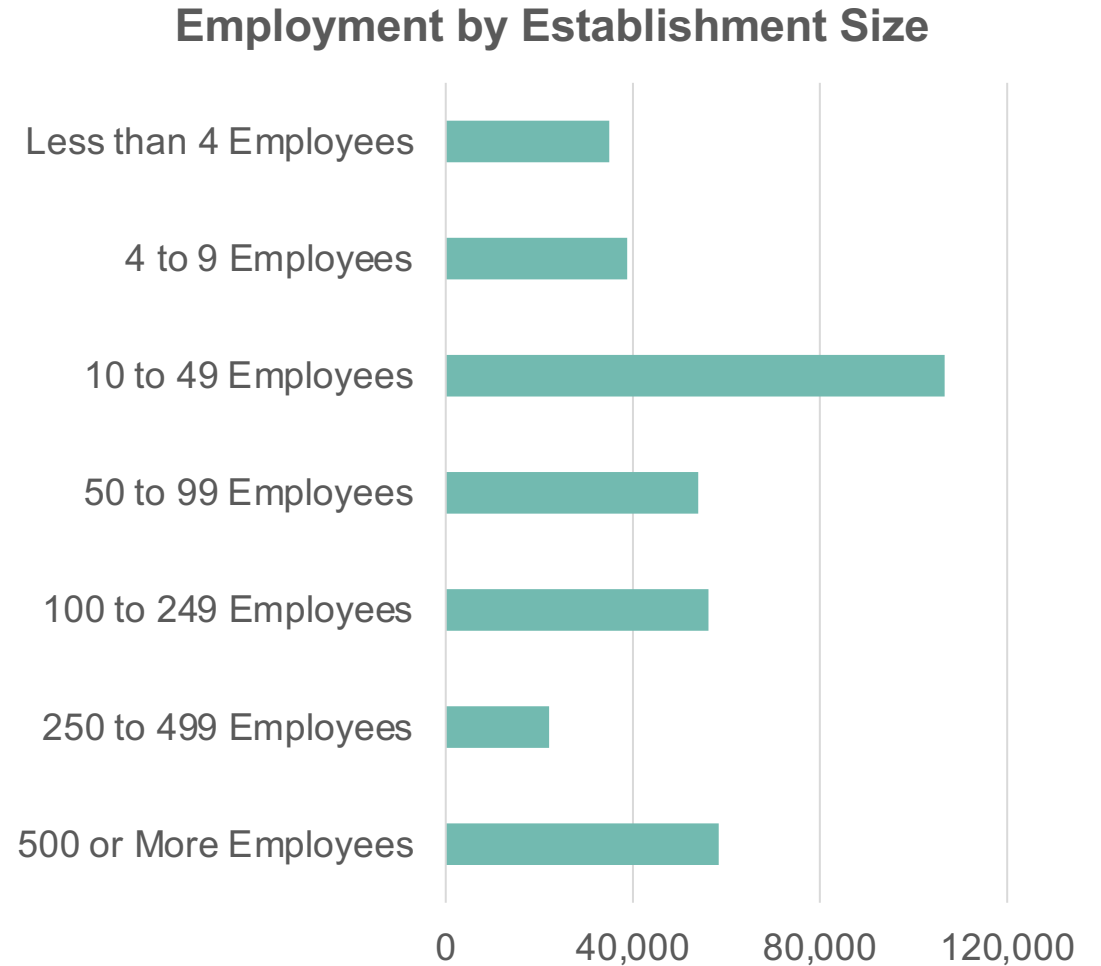
Commercial Real Estate

Metro	Cost of Rent Q3-23 (\$)	Cost of Rent 1-Yr Growth (%)	Vacancy Rate Q3-23 (%)	Vacancy Rate 1-Yr Change (pp)
Office				
East Bay	34.88	-0.5	18.0	0.4
San Francisco (MD)	64.21	-1.0	17.3	2.6
San Jose	48.41	0.6	21.6	1.4
Stockton	18.47	-0.1	23.0	0.4
Retail				
East Bay	32.07	0.7	8.7	-0.3
San Francisco (MD)	41.17	0.4	6.1	1.1
San Jose	38.34	1.5	5.8	0.2
Stockton	20.66	0.1	7.6	-0.2



Contra Costa County Establishments

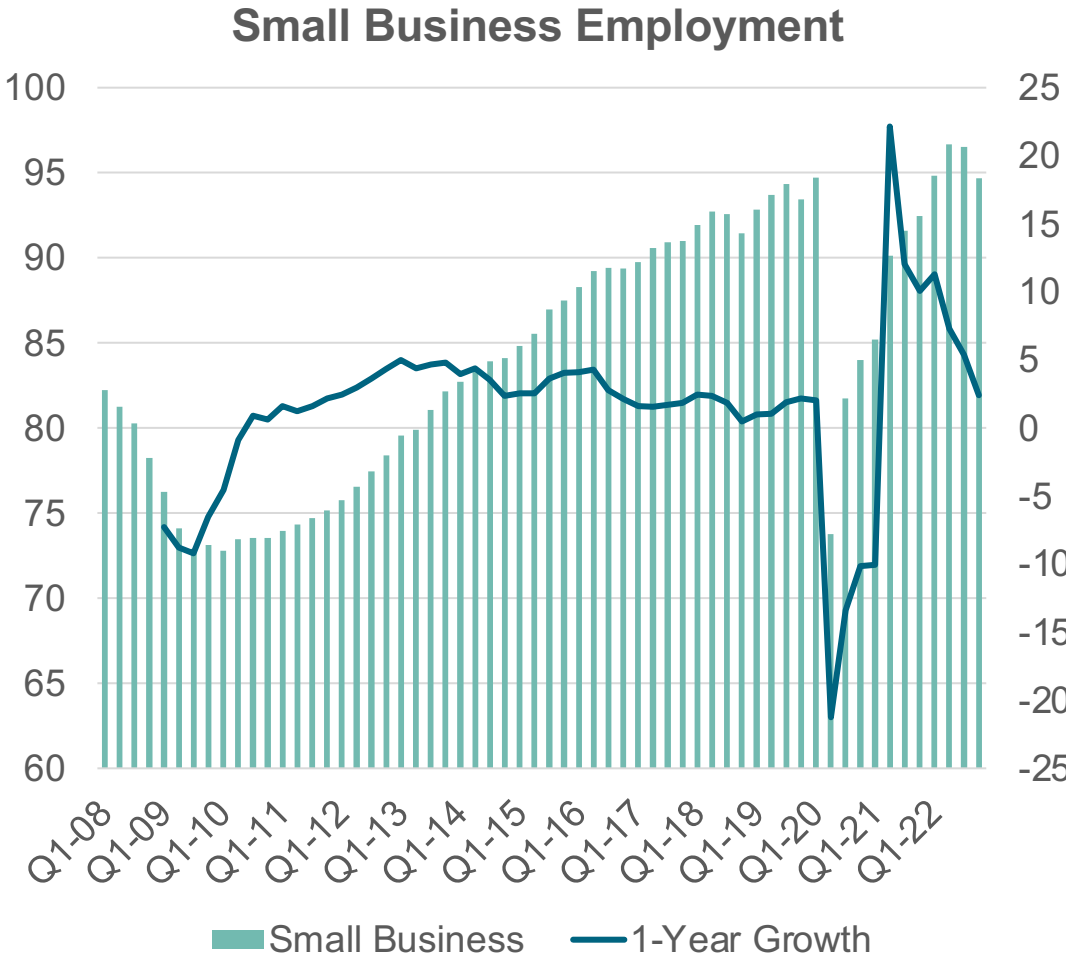
Year	Firm Births	Firm Deaths	Total Net Change	Total Firms*
2018	1,020	532	+488	15,118
2019	980	494	+486	15,108
2020	869	469	+400	15,023
2021	845	712	+133	15,156
2022	1,403	427	+976	16,132



*Establishments with 3 or more employees



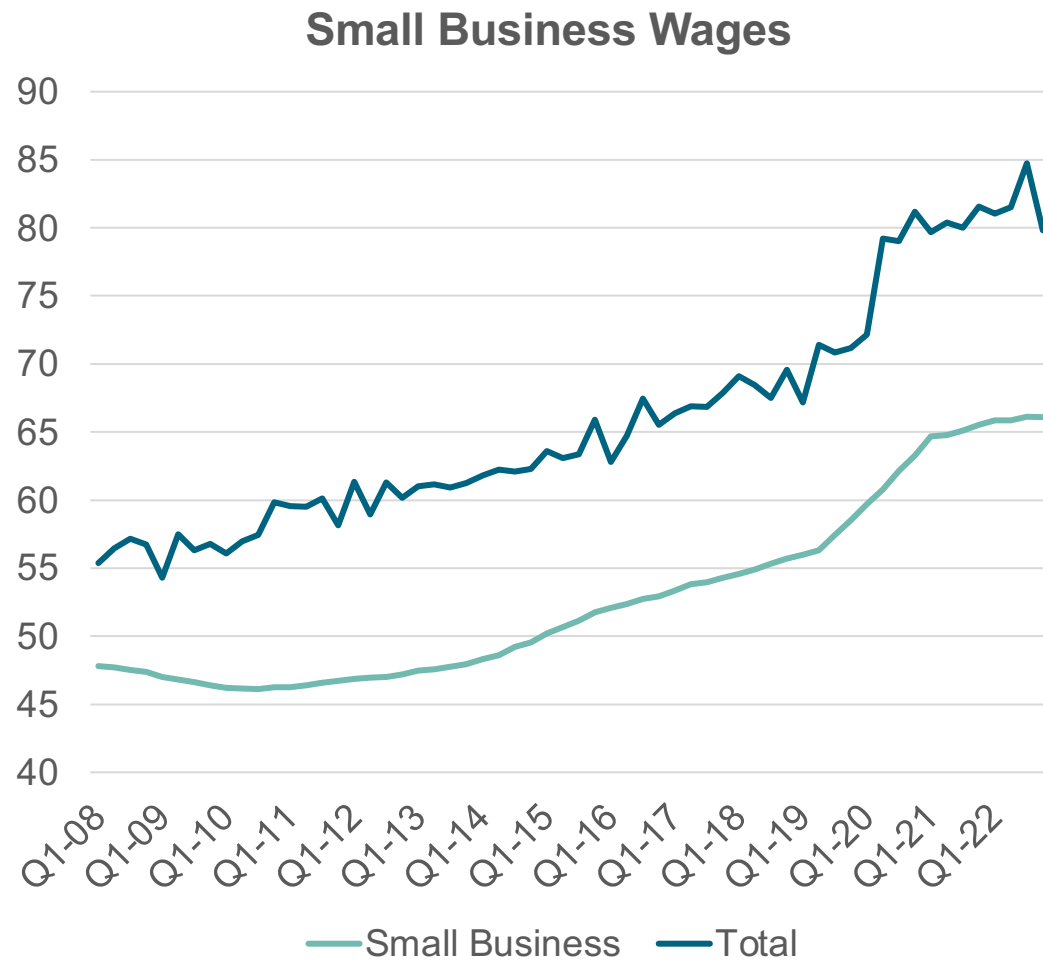
Small Business Employment



Industry	Q4-22 Emp.	County 1-Year Change (%)	State 1-Year Change (%)	Share of County (%)
Total Private	94,665	2.4	2.8	29.5
Leisure and Hospitality	17,670	5.6	5.2	45.1
Health Care	14,325	3.1	3.8	21
NR/Construction	13,676	2.4	5.2	48.8
Prof, Sci, Tech, and Mgmt	10,198	-0.9	0.8	30.7
Admin Support	7,291	1.6	0	30
Other Svcs.	6,858	2.9	4.5	55.2
Retail Trade	6,263	1.8	2.2	15.1
Fin. Svcs. and Real Estate	5,167	-1.9	-1	21
Manufacturing	3,723	1.2	1.3	26.7
Education	3,178	7.4	3.3	43.4
Wholesale Trade	3,091	1.3	3.3	37.8
Transport/Warehouse/Util	2,211	4.2	7.7	15.5
Information	1,014	-8.2	-3.1	17.8



Small Business Wages

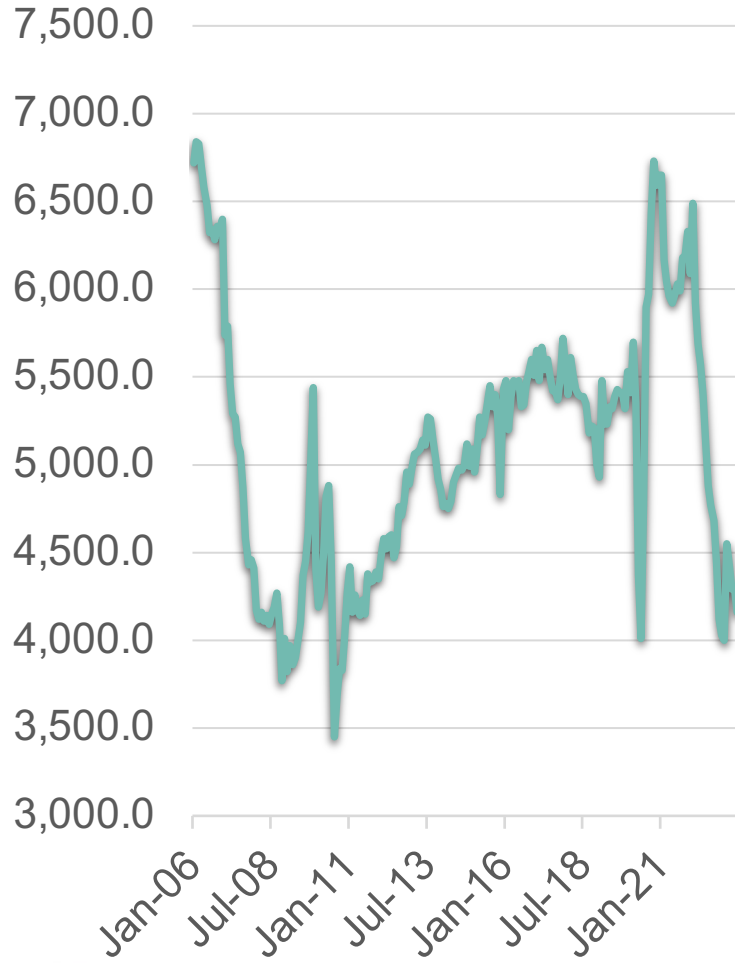


Industry	Q4-22 Avg. Wage	County 1-Year Change (%)	State 1-Year Change (%)	Small vs. Total (%)
Total Private	66.1	0.9	-2.1	-17.2
Information	147.6	-1.8	-11.8	4.7
Prof, Sci, Tech, and Mgmt	110.8	1.2	-2.0	-17.8
Fin. Svcs. and Real Estate	110.7	0.5	-5.4	-7.8
Wholesale Trade	96.4	-2.1	1.6	-10.7
Manufacturing	85.5	10.4	2.3	-22.3
NR/Construction	79.7	2.3	2.8	-13.7
Transport/Warehouse/Util	65.8	3.0	-1.6	-37.3
Admin Support	60.0	3.0	-4.5	-7.7
Health Care	57.5	2.0	-1.3	-23.5
Retail Trade	51.6	2.7	-0.3	6.0
Other Svcs.	49.0	0.9	-2.9	-0.2
Education	39.0	2.7	-1.1	-19.8
Leisure and Hospitality	29.0	2.7	1.3	-4.0

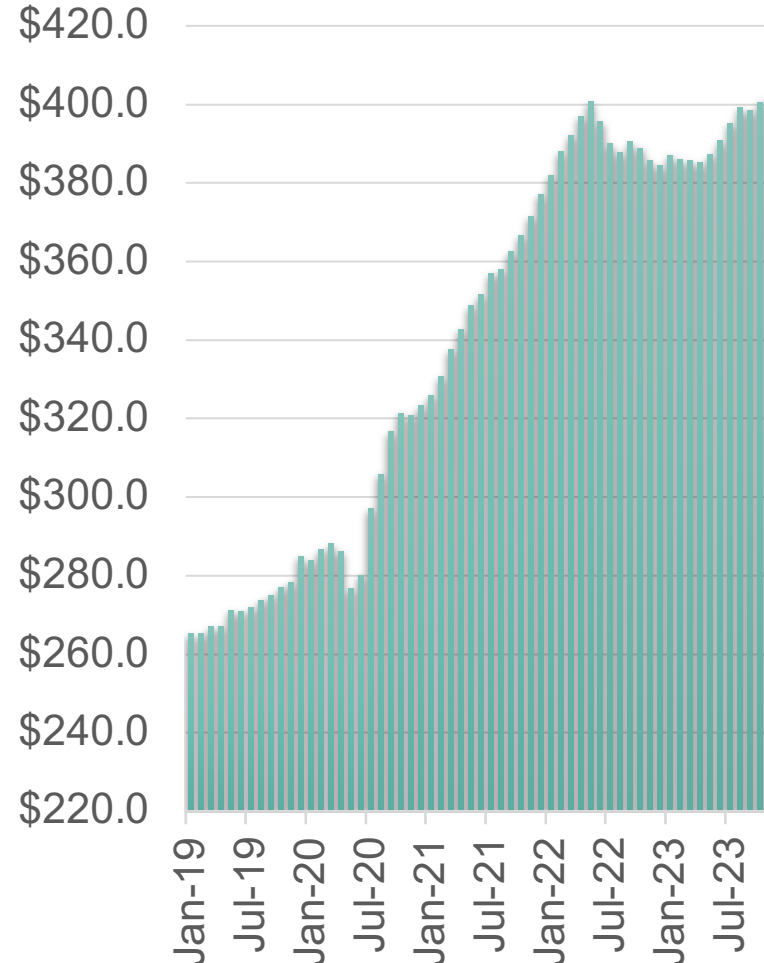


Housing: Sales down, yet prices, starts rising...

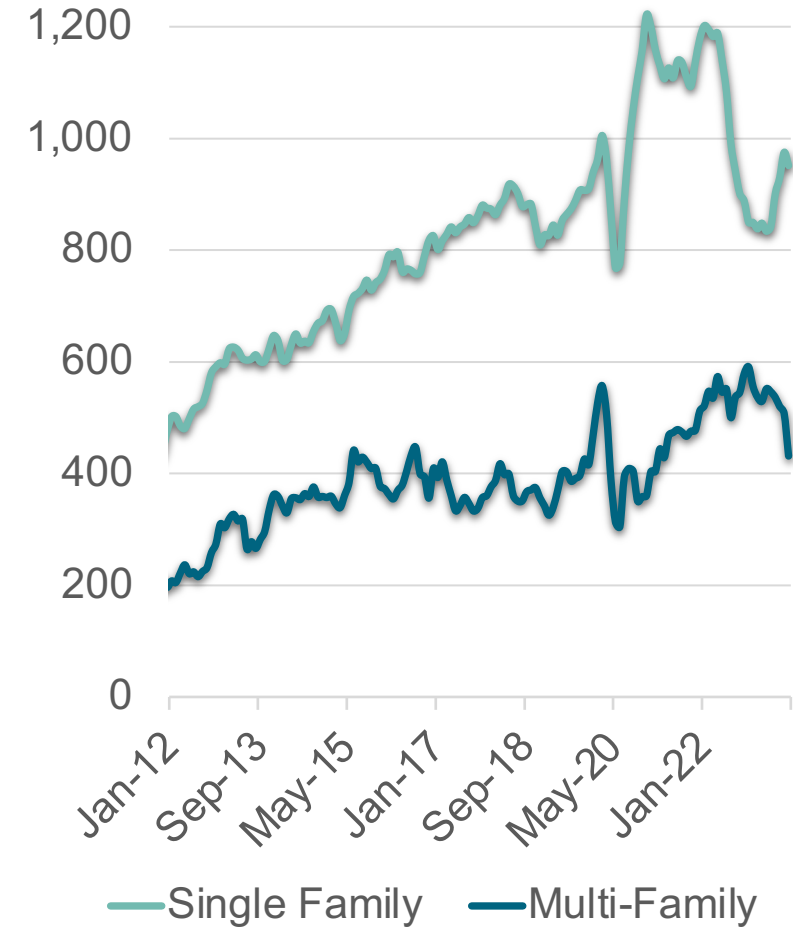
US Existing Home Sales



US Median Home Prices

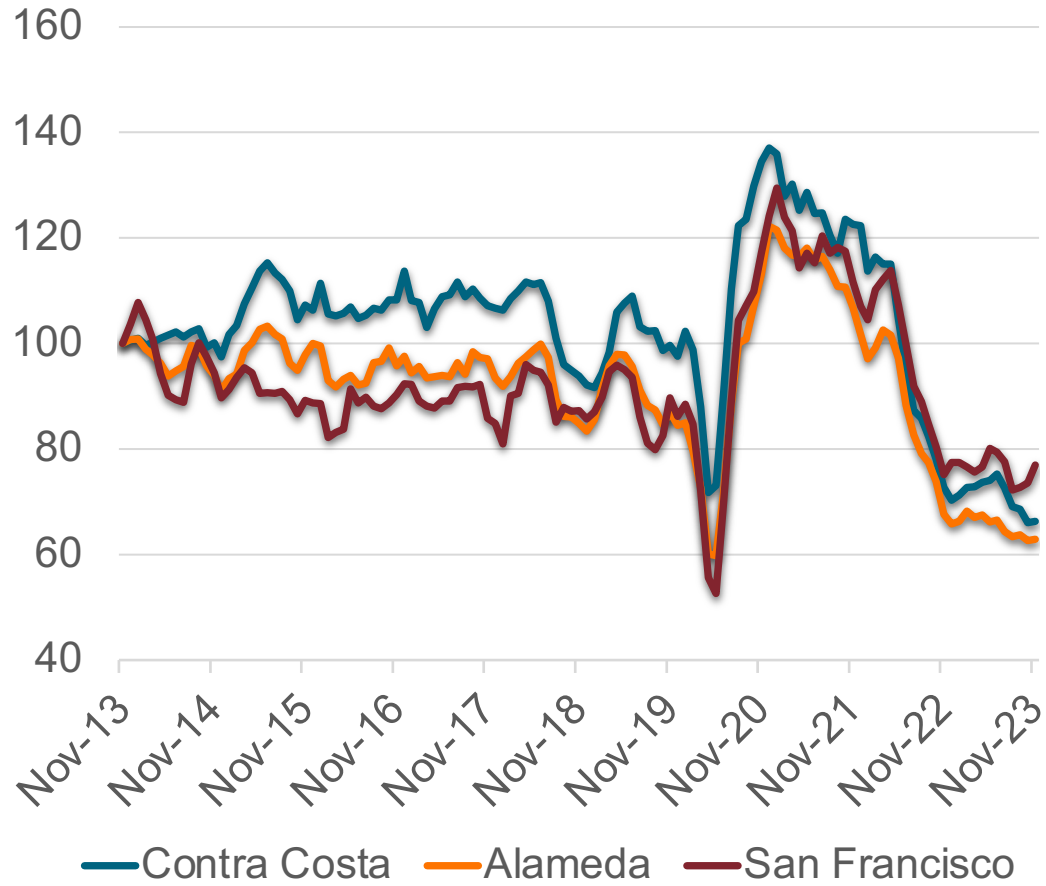


Housing Starts SAAR

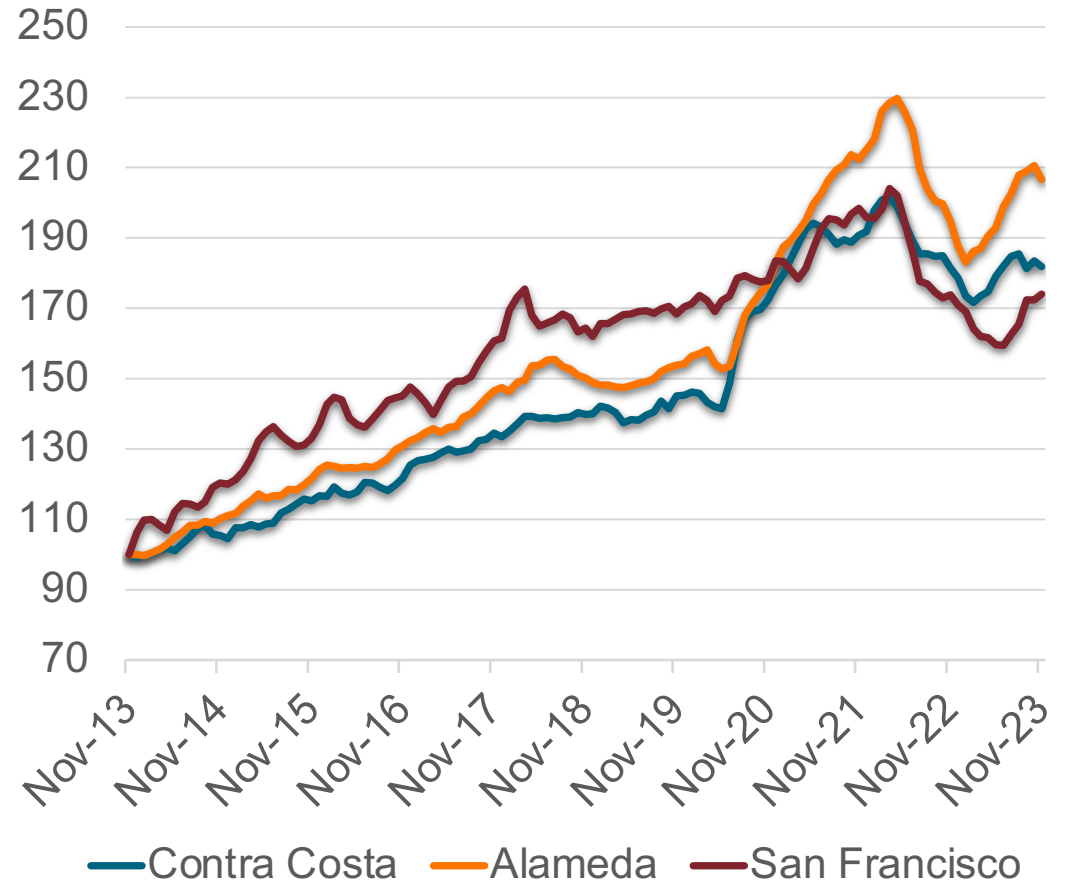


Residential Real Estate

Indexed Homes Sold



Indexed Home Prices

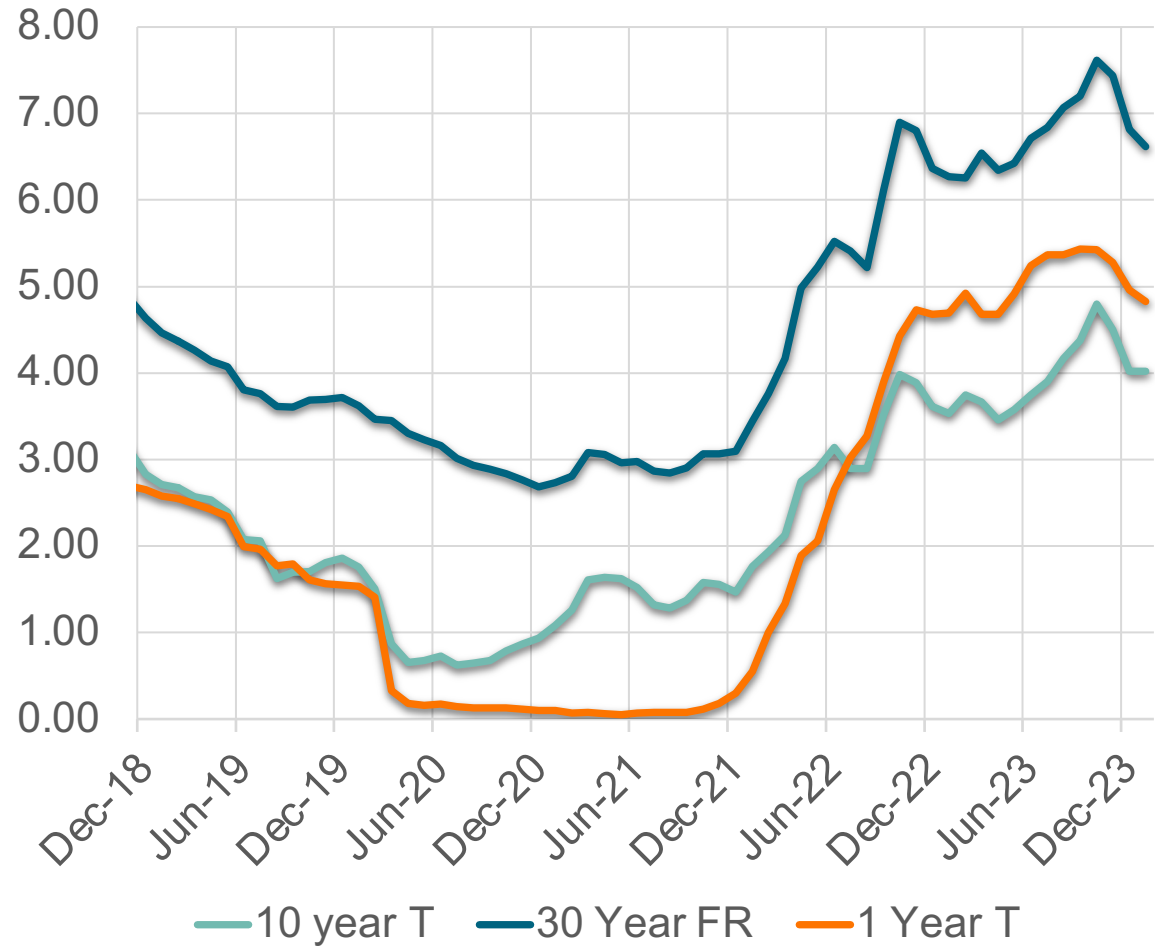


Inflation and Rate are Down

PCE Inflation Rate (YoY)



Interest Rates



Sentiment and Equities Up

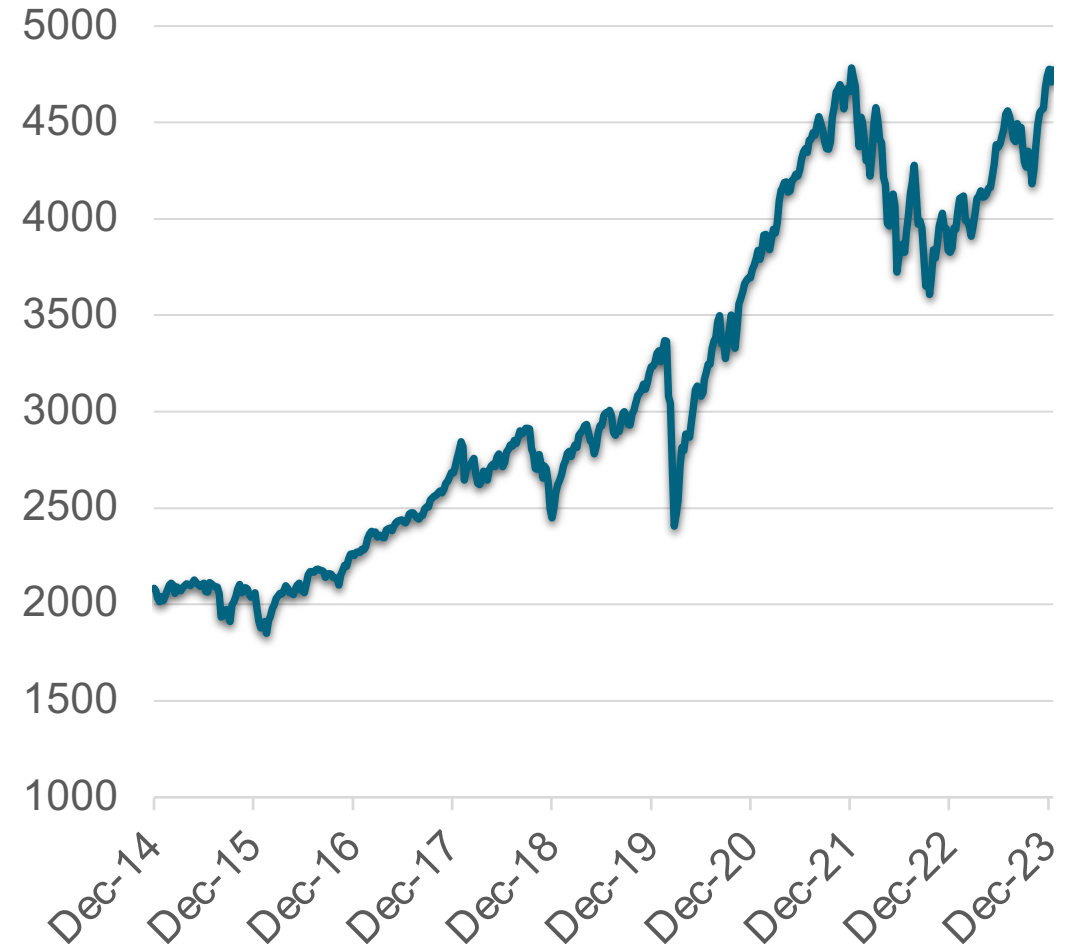
Index of Consumer Sentiment

(Monthly and three month moving average)



University of Michigan 2024

SP500

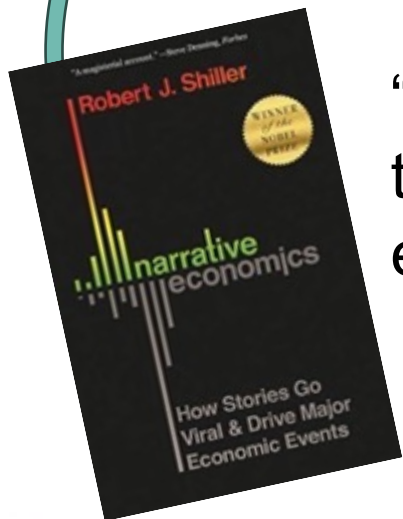


Beware the Narrative!

Social Narratives

Economic Reality

- ✓ Narratives skewing interpretations of economic news
- ✓ Narratives at the root of economic bubbles
- ✓ Narratives driving bad policy choices



“We need to incorporate the contagion of narratives into economic theory. Otherwise, we remain blind to a very real ... mechanism for economic change..”

—R. Shiller, *Narrative Economics*



Miserabilism and the Pandemic

CBO: Coronavirus pandemic will scar U.S. labor market for the next decade

30-40 Million People in America Could Be Evicted from Their Homes by the End of 2020

FINANCE · ECONOMY

What shape will the recovery take? U-shape, check mark, square root symbol, and swoosh are all on the table, say economists

Coronavirus: Leading economist warns of 10 years of depression and debt

© 22 May 2020

As many as 30% of Americans with home loans — about **15 million** households — could stop paying if the U.S. economy remains closed through the summer or beyond, according to an estimate by Mark **Zandi**, chief economist for Moody's Analytics.

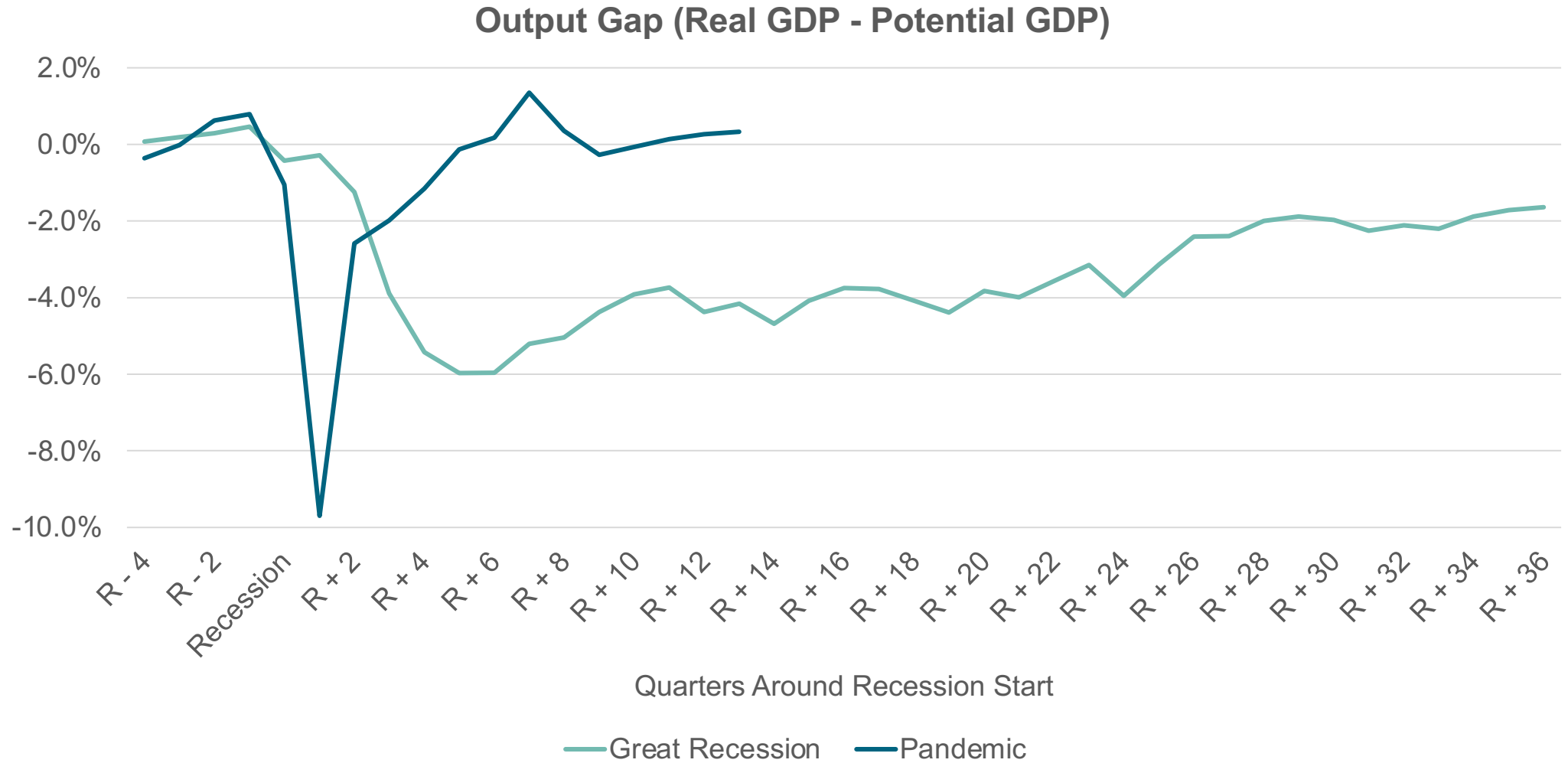
Home prices rose in June, but they'll likely fall in 2021: CoreLogic

Coronavirus to cause worst economic downturn since Great Depression, IMF forecasts

'Make no mistake...the pandemic morphed into a Depression-like crisis,' says UCLA economist, who predicts U.S. economy won't recover from coronavirus until 2023



The Pandemic Over-reaction



Actual Lost GDP: \$1.2 Trillion

Fiscal Stimulus: \$6 Trillion

\$50,000 in stimulus / household

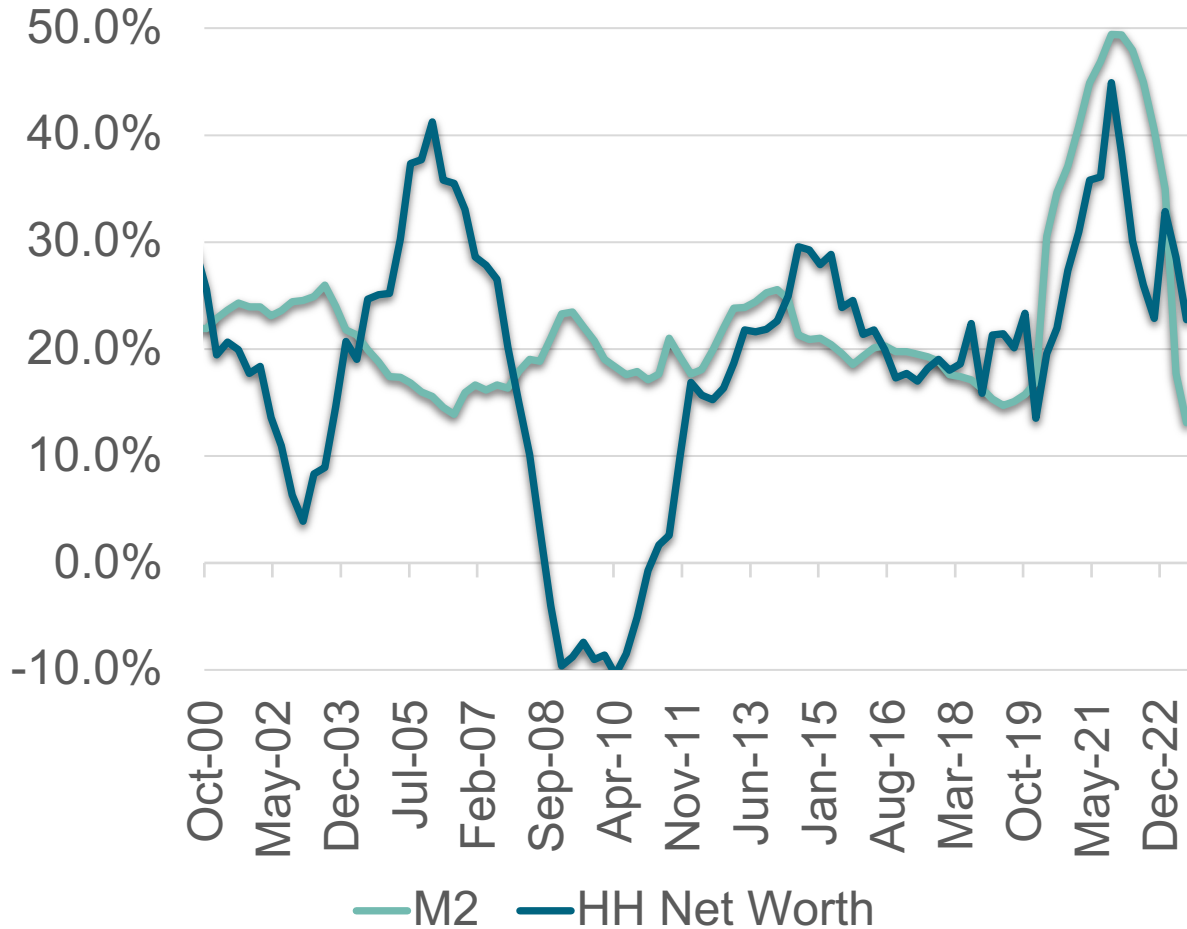
\$5 trillion in QE, 35% increase M2



The consumer boom



3 Year Growth



Growth in Real Spending Q3 19- Q3 23

Recreational goods / vehicles	67.5%
Furnishings and Appliances	19.6%
Clothing and footwear	19.2%
Motor vehicles and parts	10.8%
<i>Food services / accommodations</i>	9.7%
Health care	9.5%
Grocery etc	7.0%
Housing and utilities	6.8%
Recreation services	2.6%
Financial services and insurance	2.1%
Transportation services	1.0%
Gasoline other energy goods	-2.6%



How far can inflation go?

M2 Growth (2 Year)



Unit Money Supply (M2 / GDP)

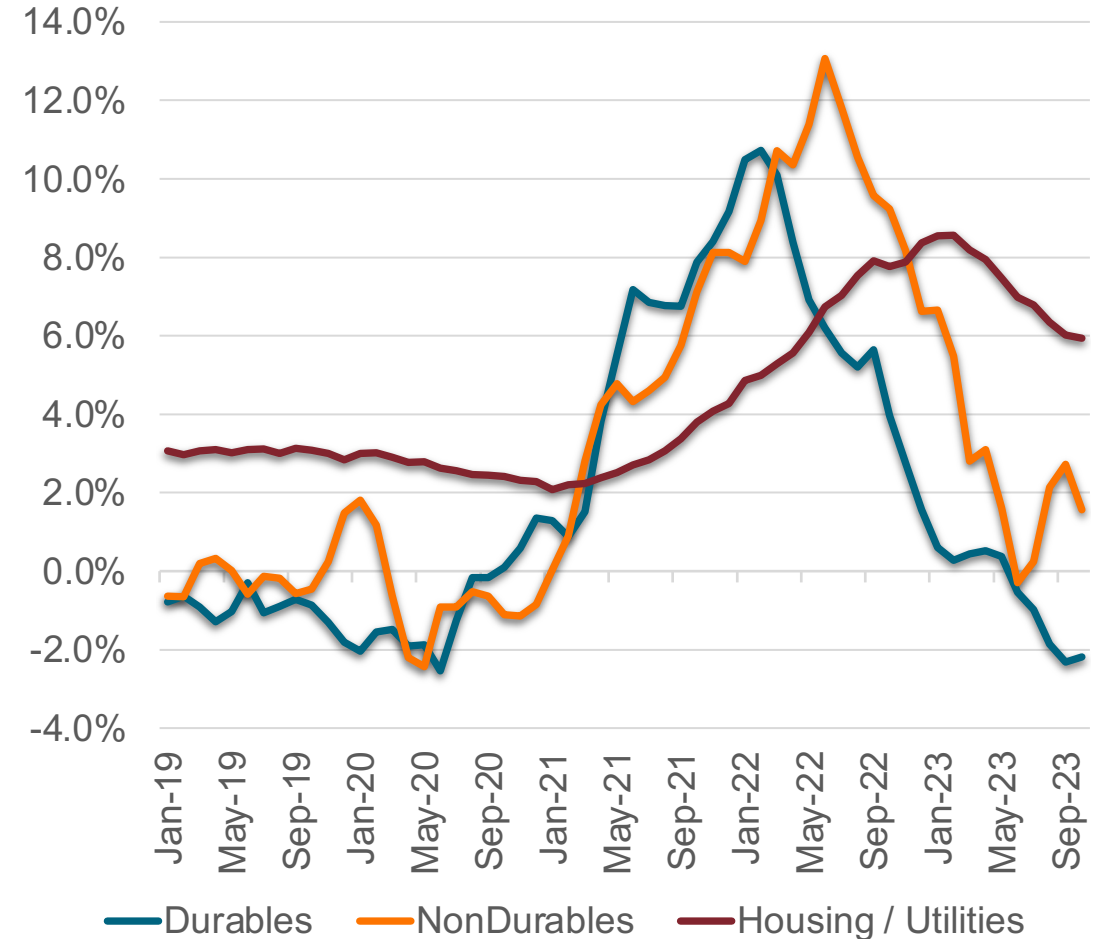


Cooling prices, softening demand

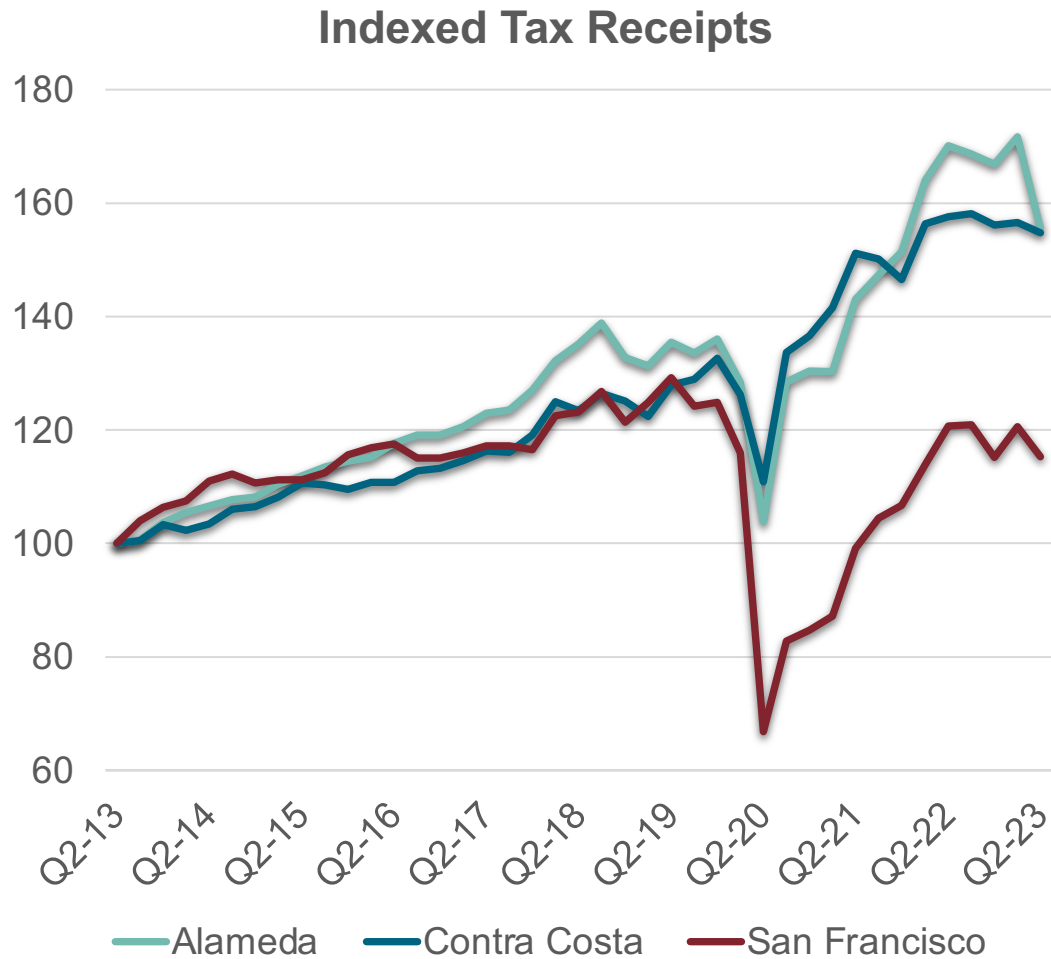
Nominal Retail Sales

	Dec Sales	YoY Gr
Retail & food services Total	709,890	4.8%
Food services & drinking places	94,559	11.1%
Electronics & appliance stores	7,679	10.4%
Nonstore retailers	120,496	9.7%
Motor vehicle & parts dealers	136,507	8.3%
Clothing & clothing accessories	26,611	2.9%
General merchandise stores	74,032	2.2%
Food & beverage stores	83,124	1.0%
Building material & garden eq	41,665	-2.3%
Furniture & home furn stores	10,783	-5.0%
Gasoline stations	53,169	-8.4%

Consumer Price Growth



Local Taxable Sales

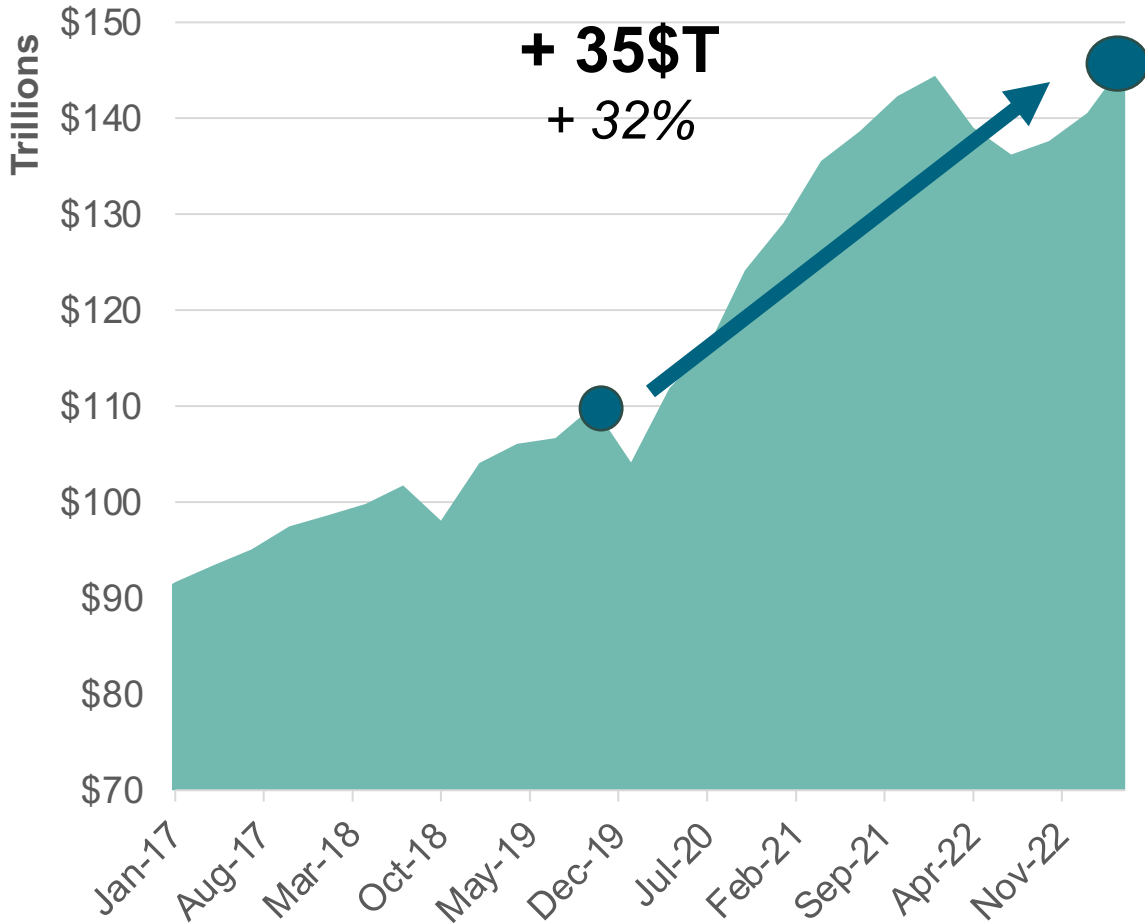


Category	Q2-23 (\$, 000s)	1-Year Chg. (%)	Chg. Since Q4-19 (%)
Total	55,754	-1.8	16.6
Business and Industry	6,935	9.4	46.9
Restaurants and Hotels	6,440	4.5	20.3
County & State Pool	11,611	2.6	22.0
Autos and Transportation	8,321	-0.2	10.8
Food and Drugs	3,273	-1.2	15.8
General Consumer Goods	9,712	-5.7	5.8
Building and Construction	4,724	-8.5	16.1
Fuel and Service Stations	4,954	-18.6	7.8

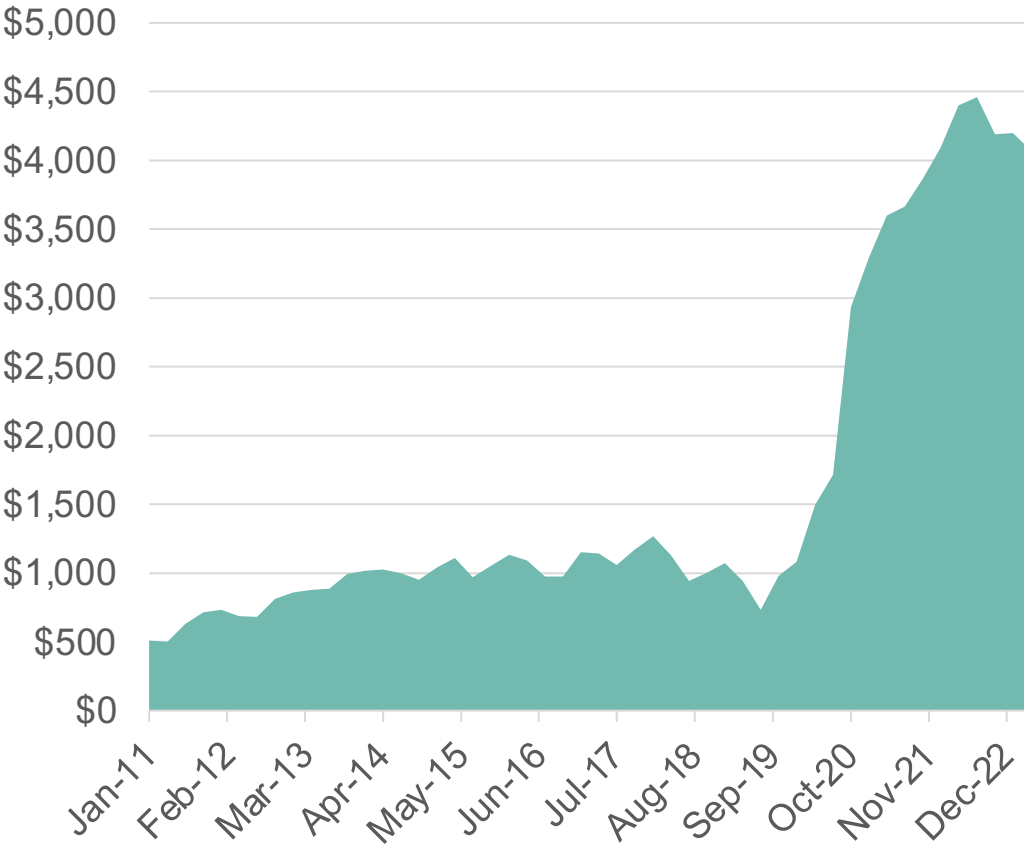


The Wealth Effect Still in Place

US Household Net Worth

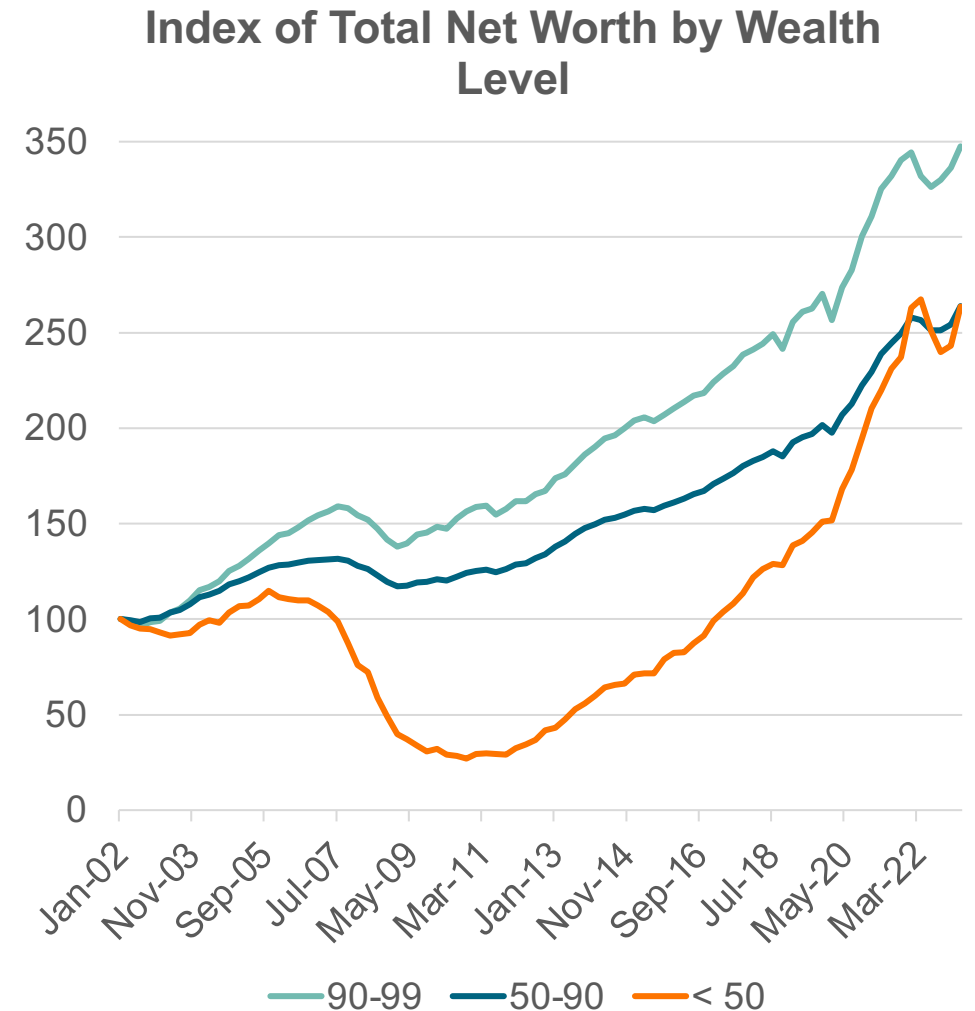


US Household Checkable Deposits \$Billions



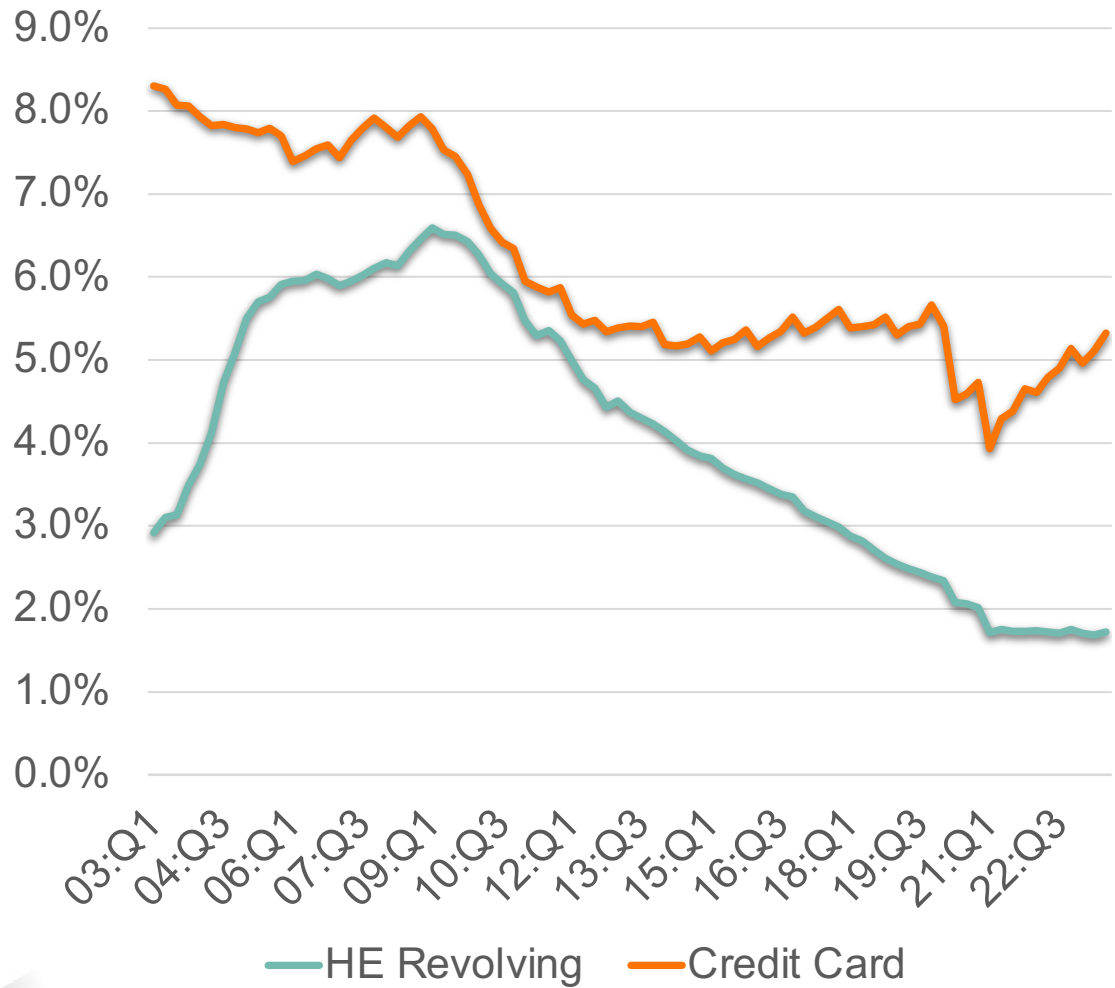
Changes in Distribution of Wealth

	2022		Real growth 13-22	
	Median	Mean	Median	Mean
As Percentile of income				
Less than 20	16.9	180.5	119%	65%
20–39.9	55.4	199.3	94%	39%
40–59.9	171.3	422.9	118%	97%
60–79.9	299.0	597.1	48%	41%
80–89.9	792.8	1,317.9	107%	63%
90–100	2,650.5	6,518.2	84%	55%
As Percentile of net worth				
Less than 25	3.5	-5.3	n.a.	n.a.
25–49.9	93.3	98.8	134%	117%
50–74.9	356.3	373.7	67%	65%
75–89.9	1,036.2	1,102.4	61%	59%
90–100	3,794.6	7,810.5	59%	52%

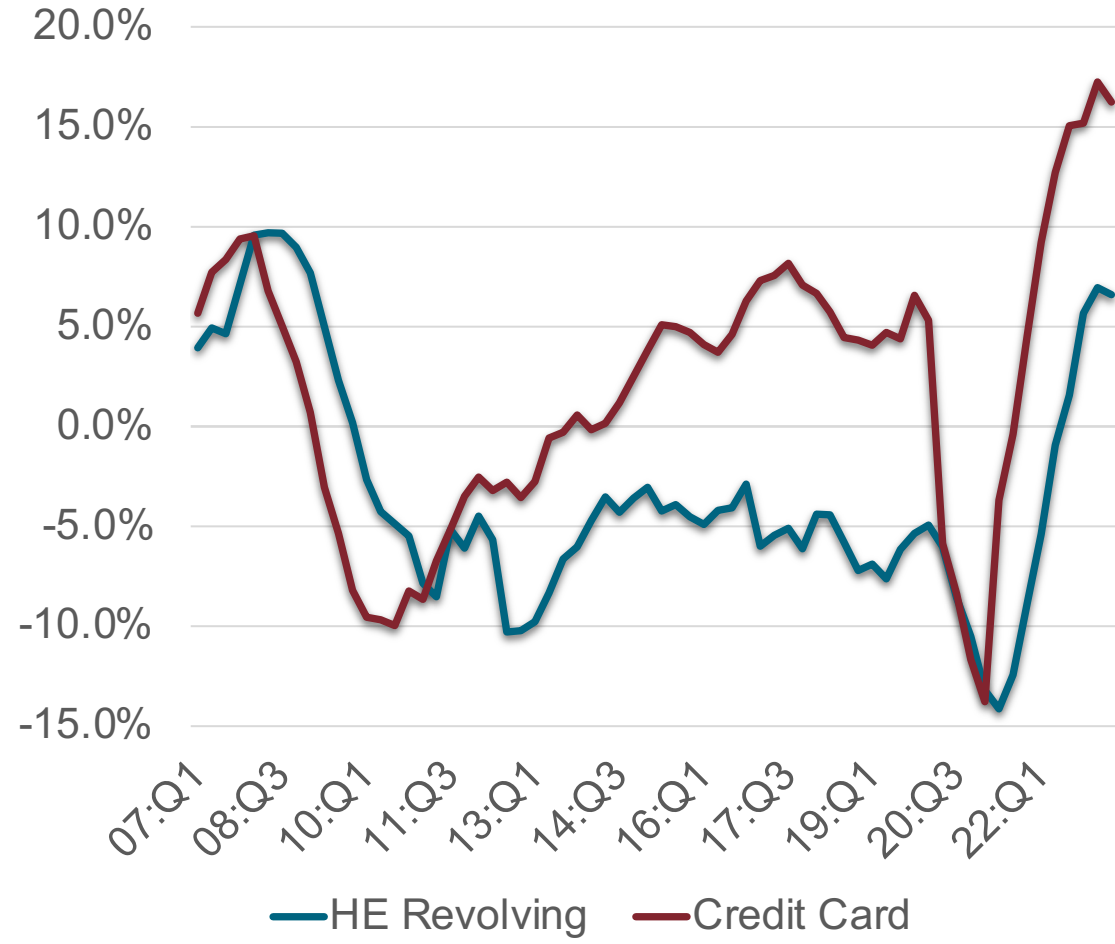


Consumer Debt: Not a problem... yet

Consumer Debt as % of DPI

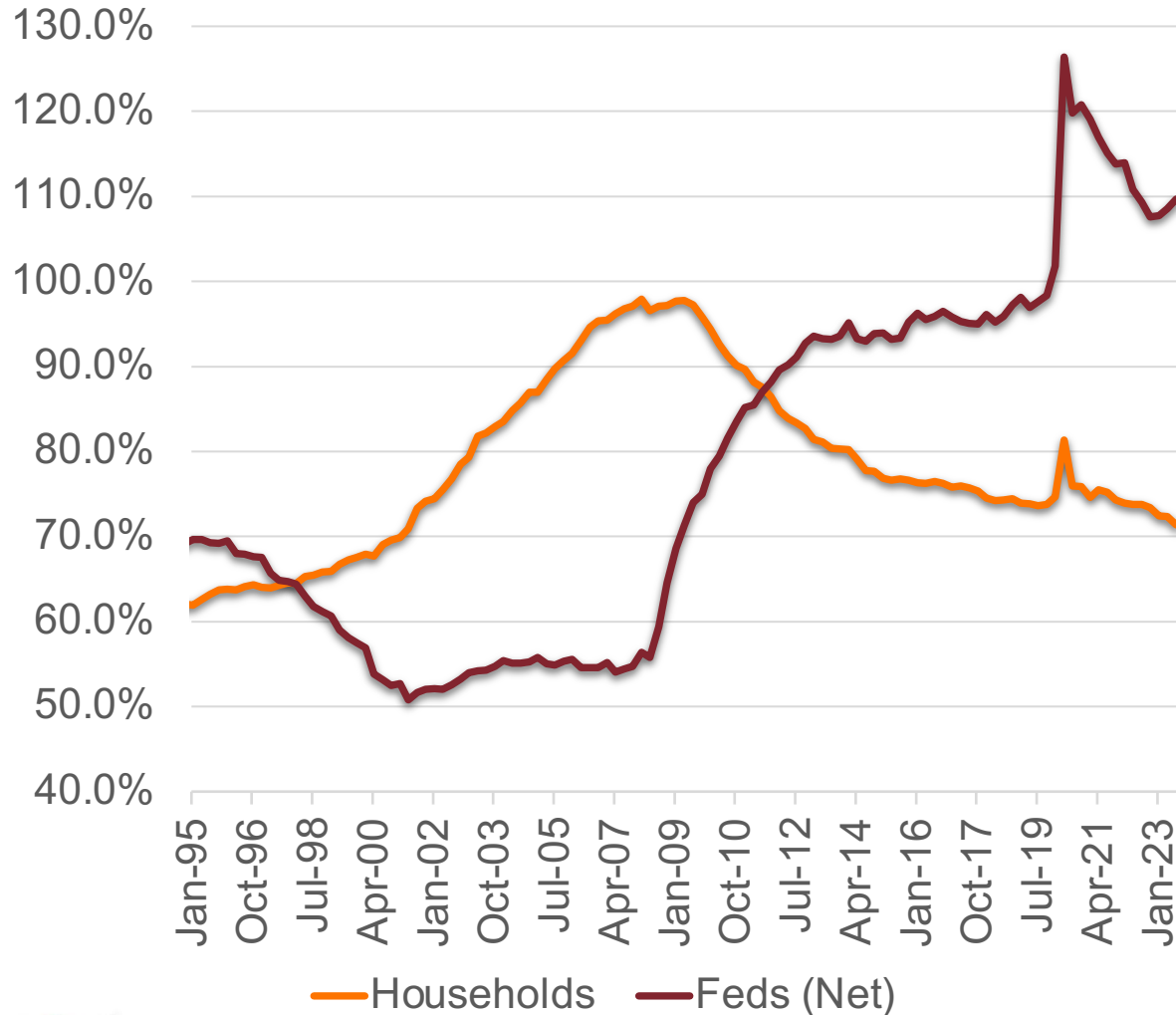


YoY Growth Consumer Credit



Why didn't interest rate hikes hurt?

Debt to GDP ratios

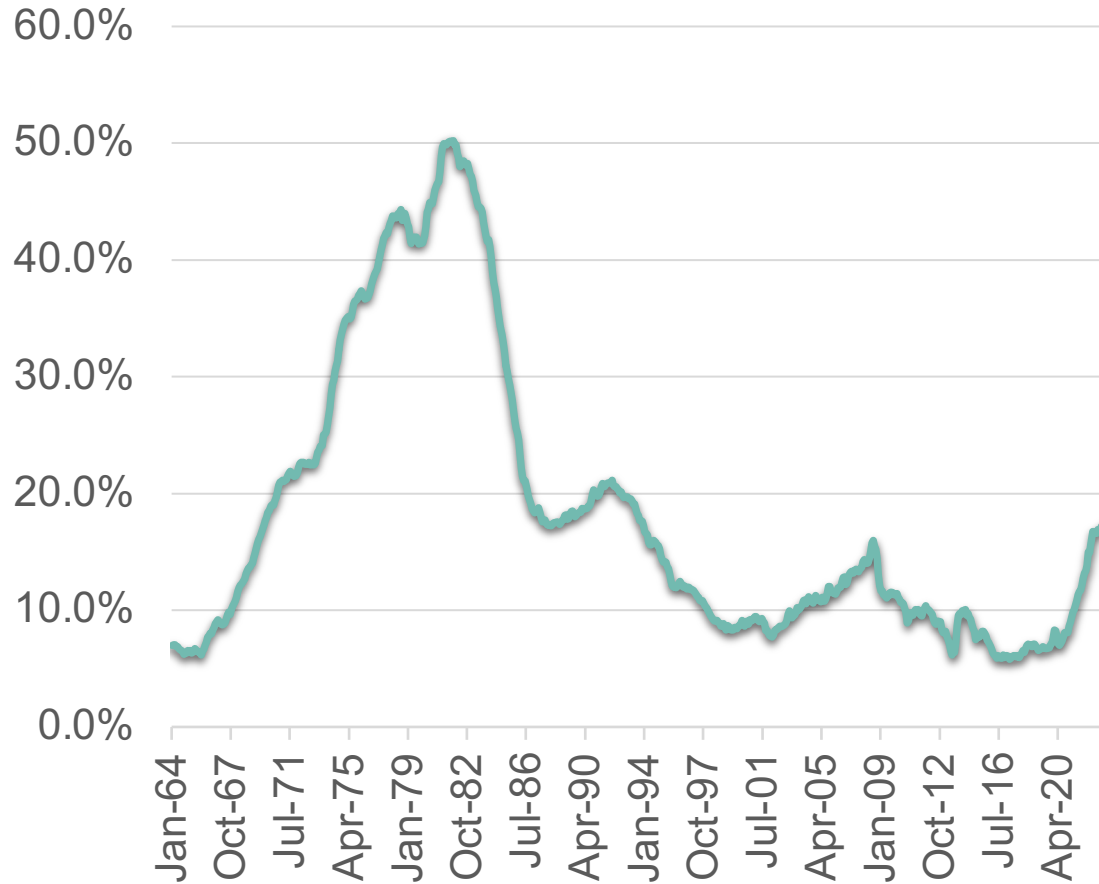


Household Debt Service Ratio as % DPI (Fed Est.)



The Longer Run Context

5 Year Change in Consumer Prices (PCE Basis)



10 Year Treasury Real Interest Rate Cleveland Fed Estimate

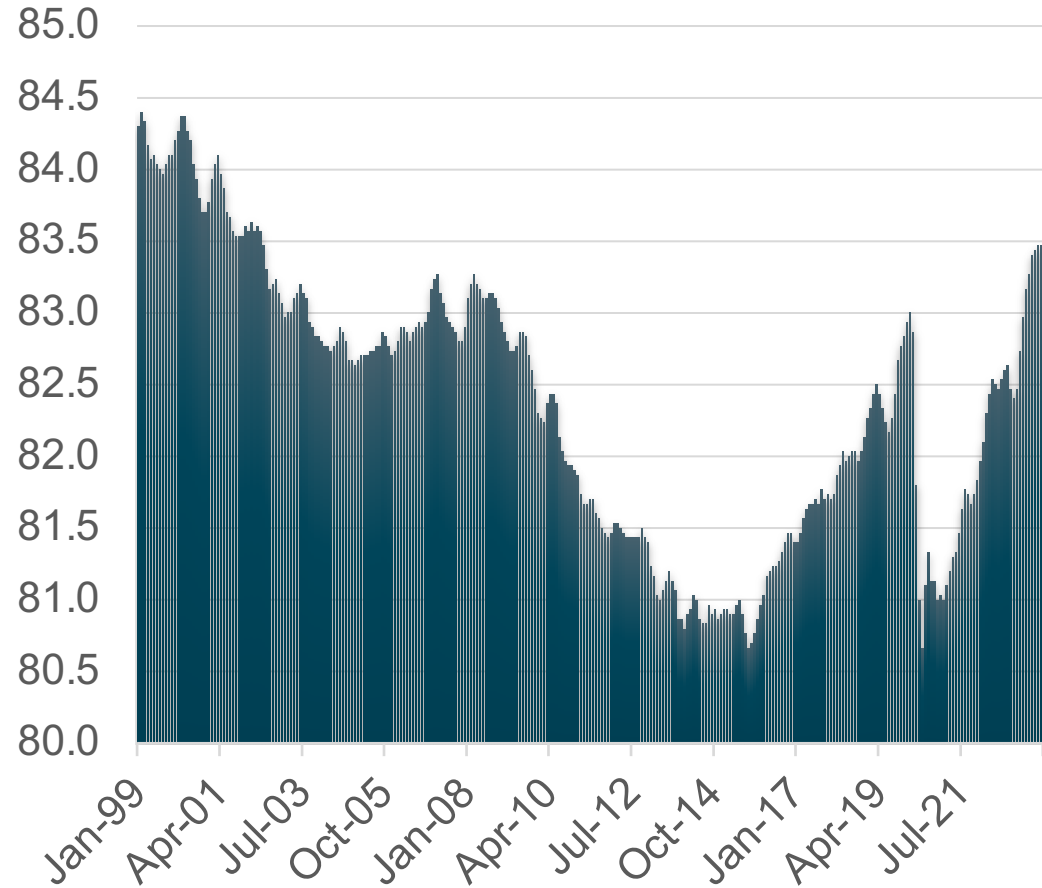


The deeper issue? Labor supply, not consumer demand

Job Openings / Unemployed Person

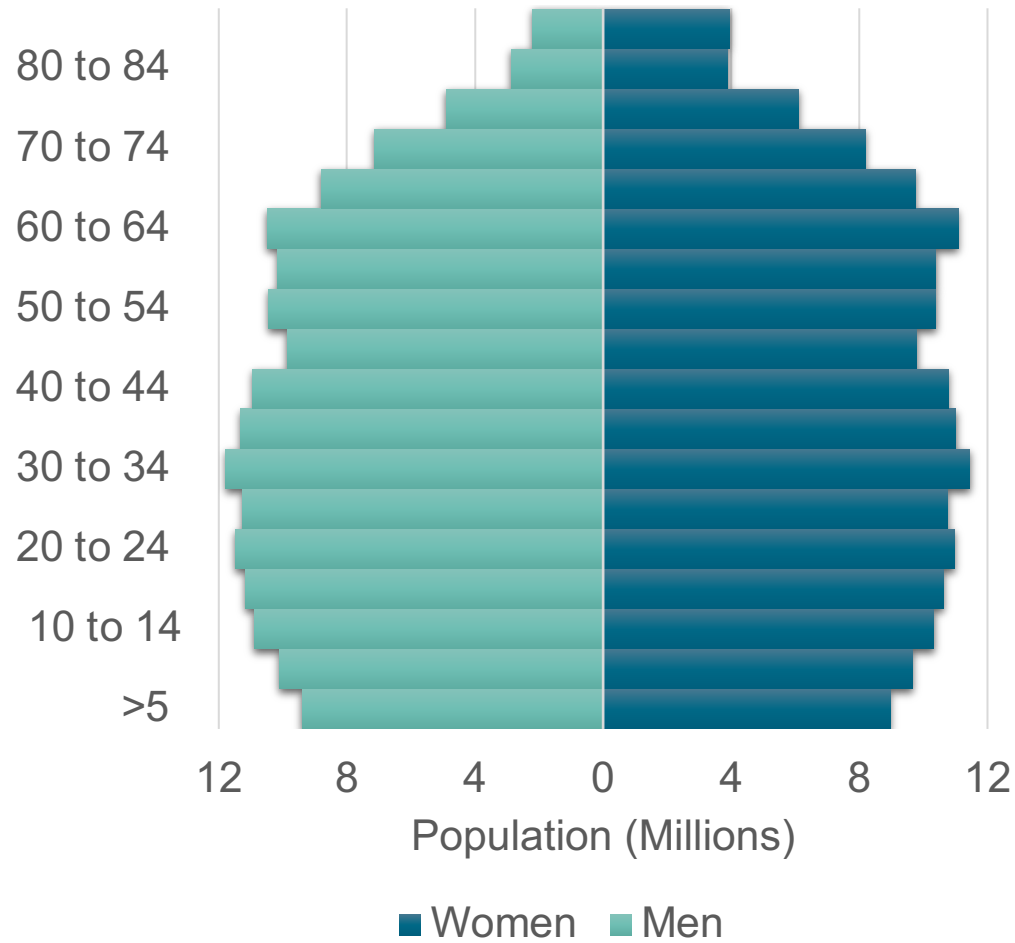


Participation Rate Ages 25-54

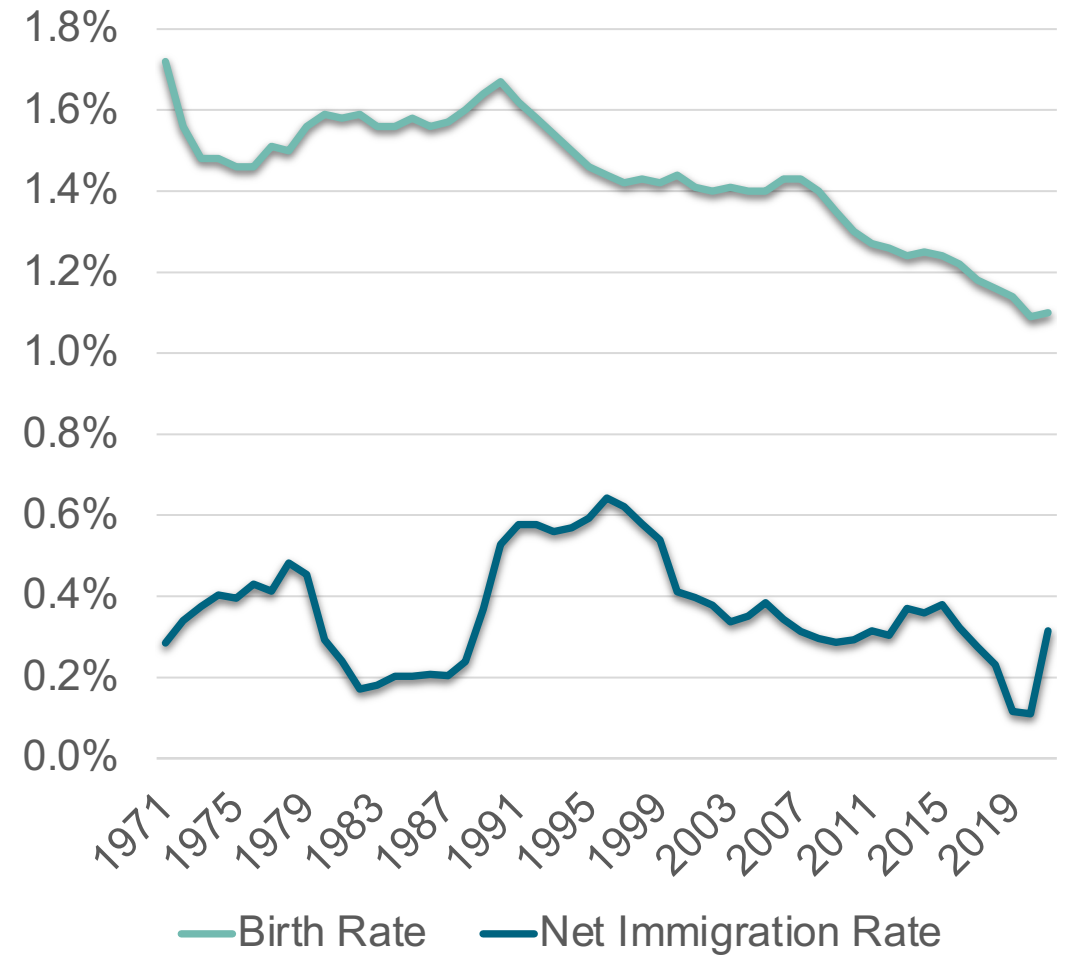


The Era of Labor Shortages is Here

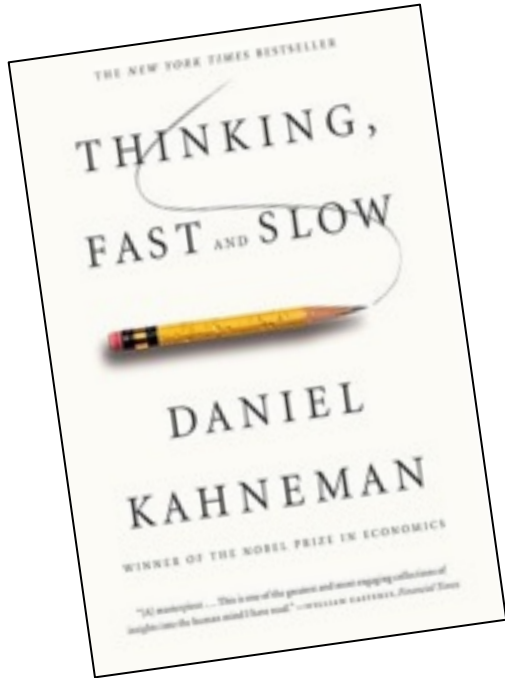
2022 US Population by Sex



Sources of New Population



How do narratives go astray?



“People have two modes of thought: “System 1” is fast, instinctive and emotional; “System 2” is slower, more deliberative, and more logical.”

“System 1 is gullible and biased to believe, System 2 is in charge of doubting and unbelieving, but System 2 is sometimes busy, and often lazy”

— D. Kahneman, *Thinking Fast and Slow*

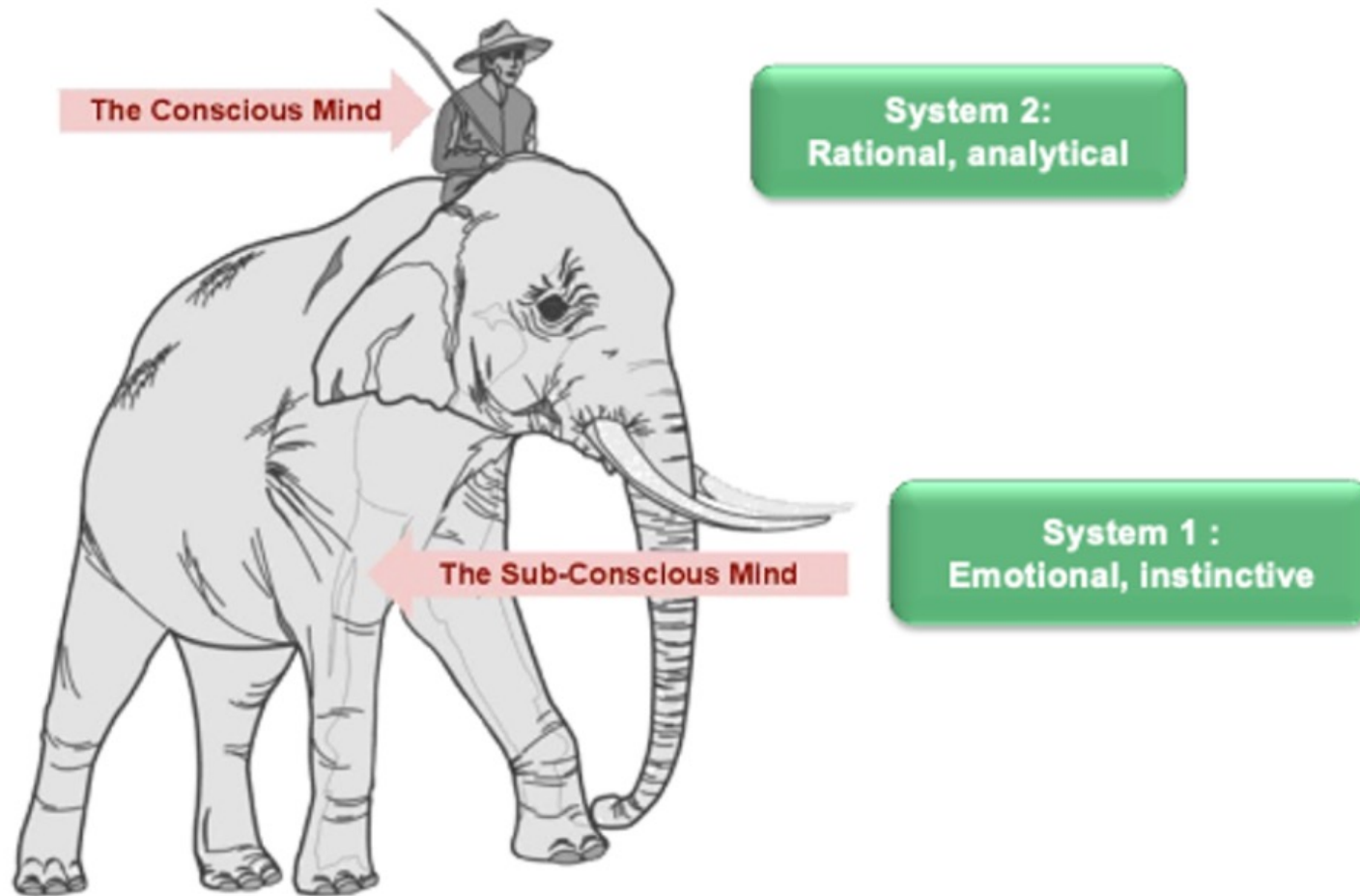
Some Examples of Cognitive Biases

- Anchoring bias
- Apophenia
- Availability heuristic
- Cognitive dissonance
- Confirmation bias
- Egocentric bias
- Extension neglect
- False priors
- Framing effect
- Logical fallacy
- Prospect theory
- Self-assessment
- Truth judgment

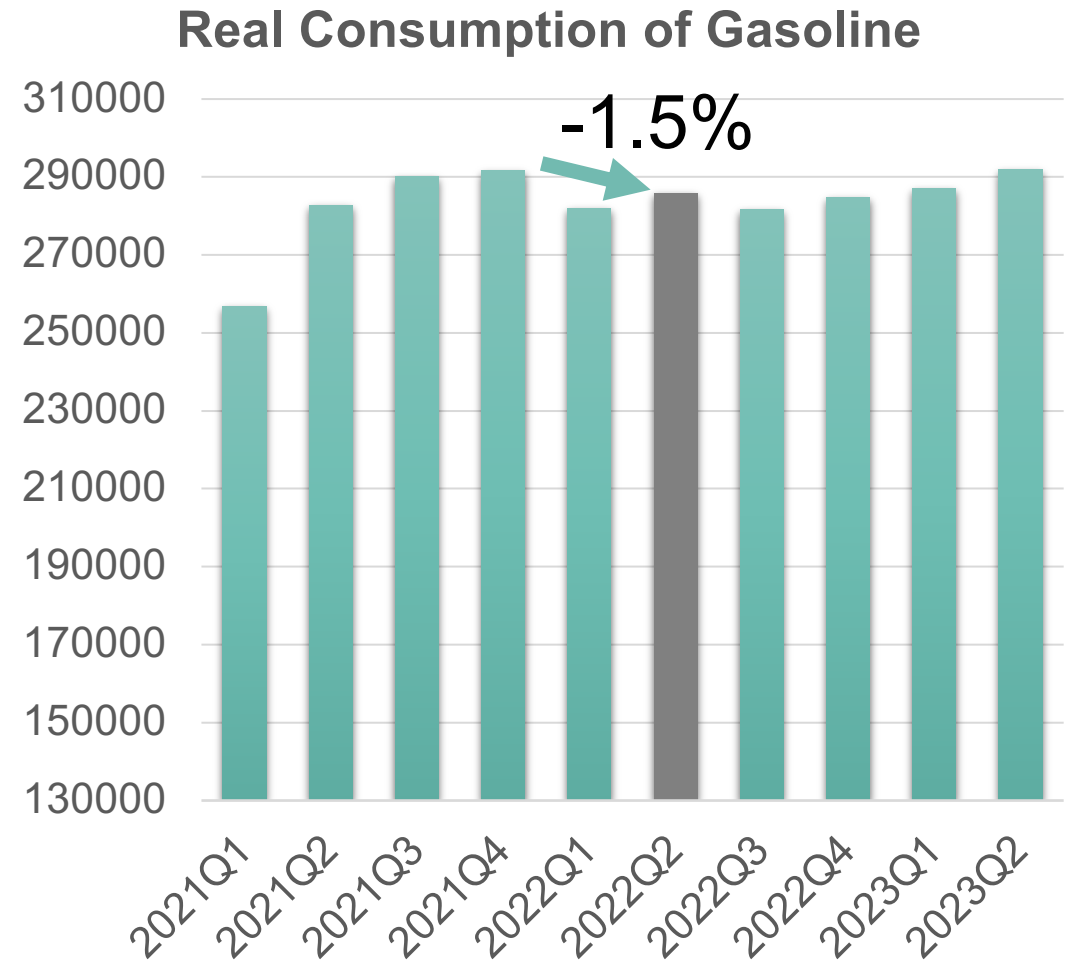
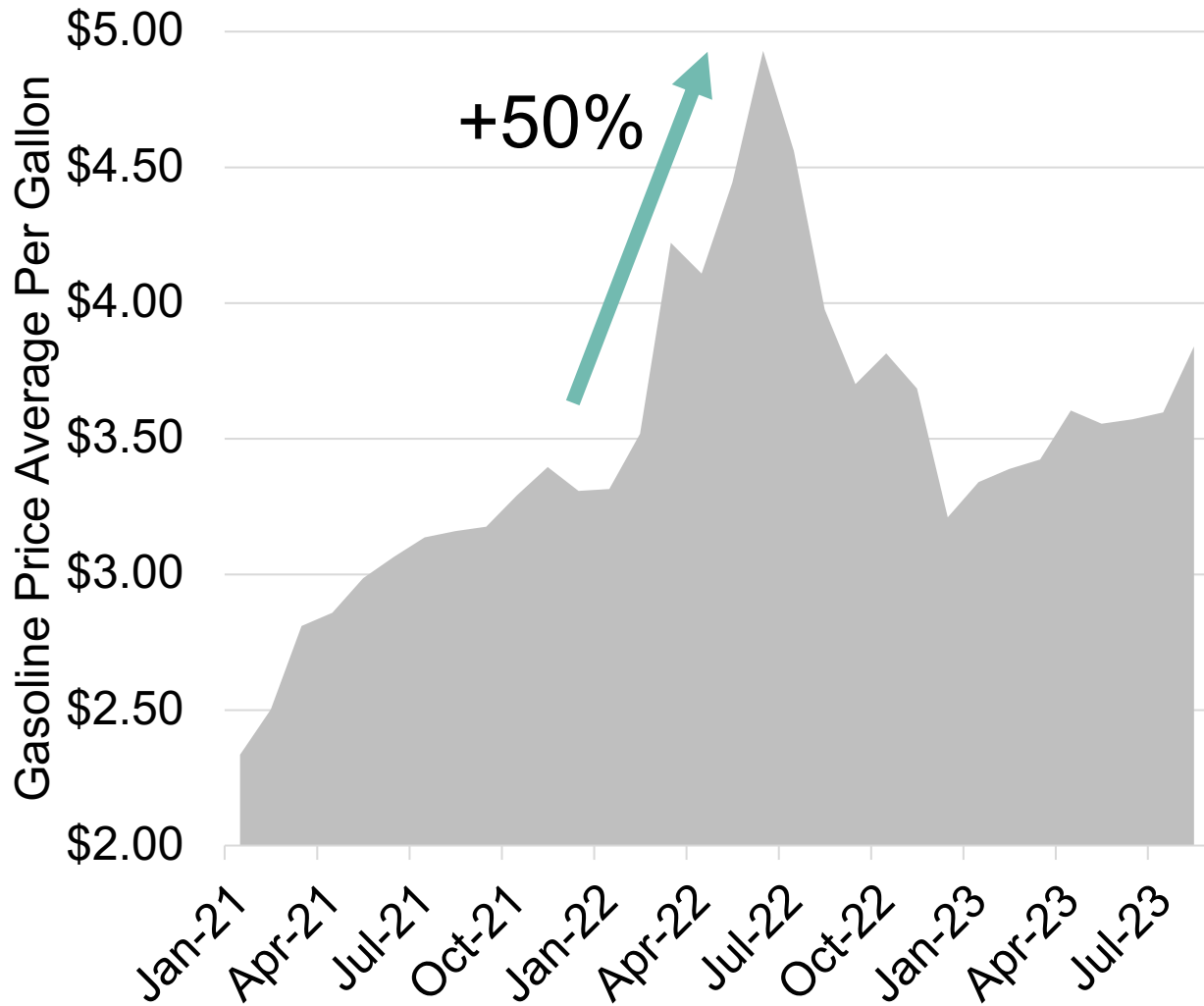
Are the horizontal lines parallel?



We don't think as much as we think we think



Reality: Inflation is caused by demand



The narrative on inflation

85% of Americans Are Feeling Impact of Inflation in Day-to-Day Lives, Finds New Survey

NEWS PROVIDED BY

[L.E.K. Consulting](#) →

05 Dec, 2022, 09:30 ET

- About 90% of Americans said that inflation has had an impact on their spending over the past year when it comes to food and beverage, including 54% who said the impact has been significant.
- A similar number – 88% – said inflation has impacted their spending at restaurants.
- About 89% said inflation has had an impact on their motor vehicle spending, such as gasoline – including 56% who said it's had a significant impact.
- Eighty-six percent said inflation has impacted their spending on travel over the past year (45% said significantly).

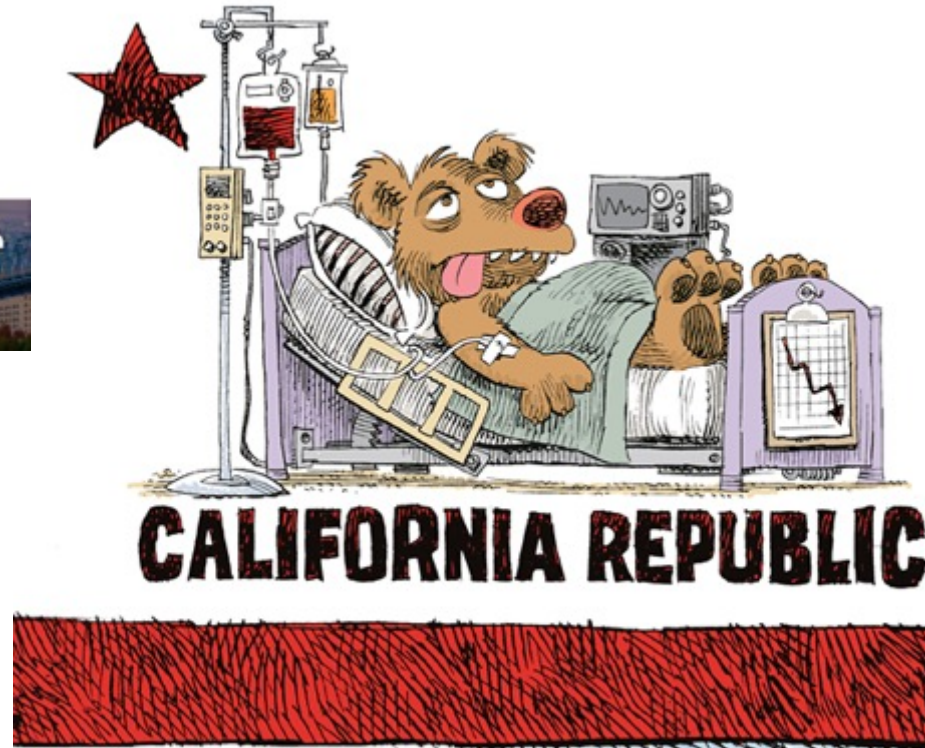


The Regional Narrative

☰ Chief Executive

Best and Worst States for Business

	Rank 2023	Rank 2022
California	50	50
New York	49	49
Illinois	48	48
New Jersey	47	47
Oregon	46	45
Washington	45	46
Massachusetts	44	44
Hawaii	43	42
Connecticut	42	43
Alaska	41	36
Minnesota	40	41



“
So many stores shuttered
in downtown SF. Feels
post-apocalyptic... The
philosophy that led to this
bleak outcome will be the
end of civilization if
extended to the world.”

Elon Musk, Twitter CEO.

OPINION

California's Corporate Exodus

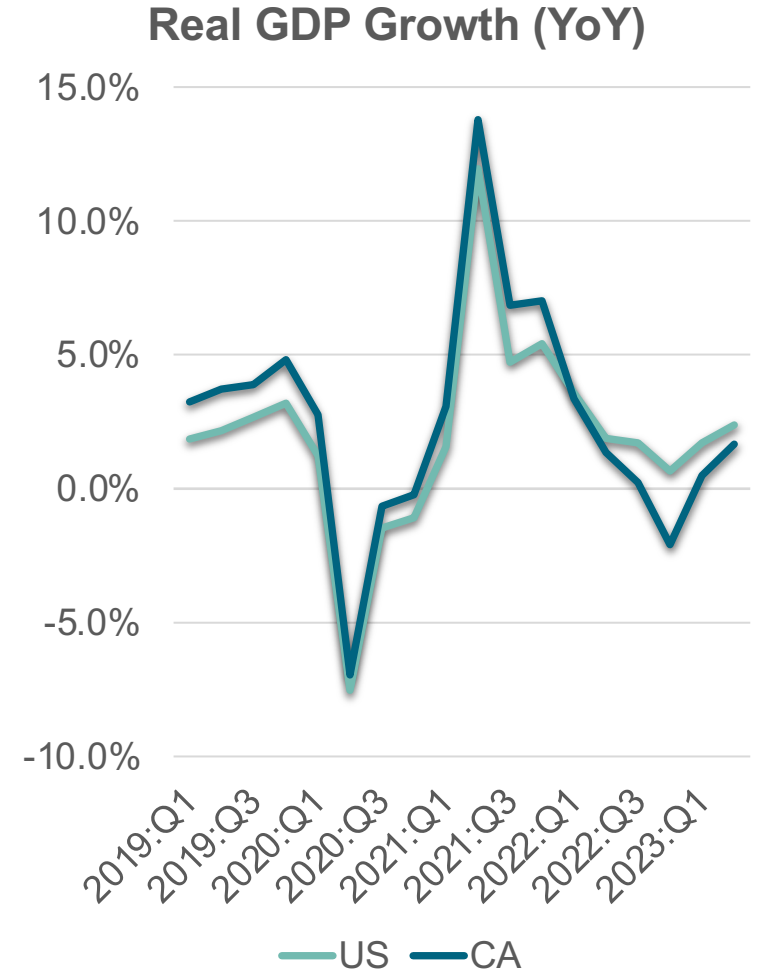
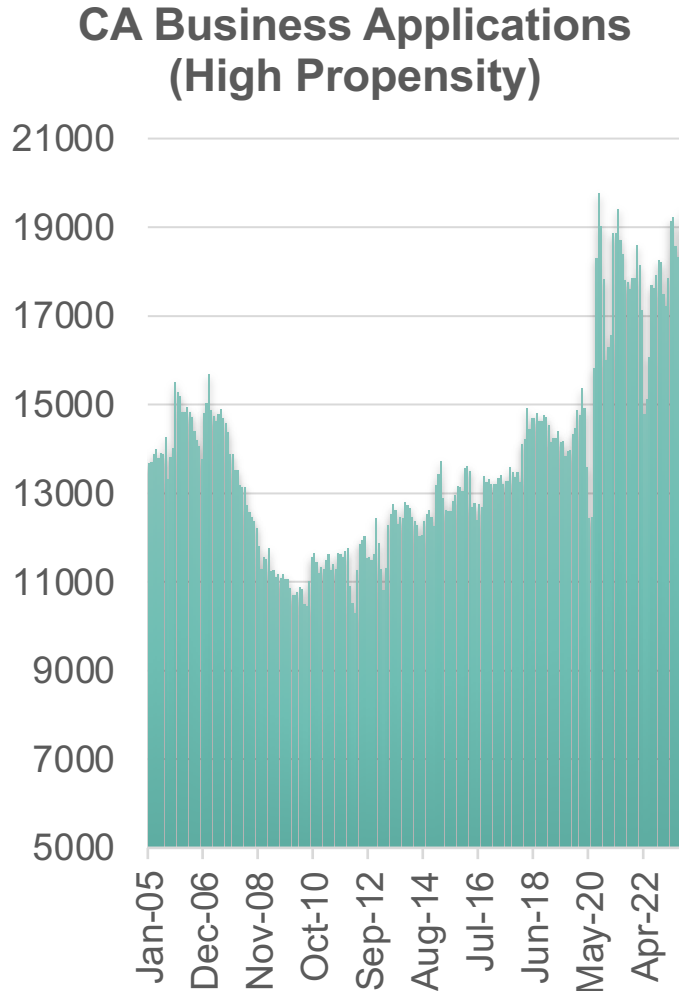
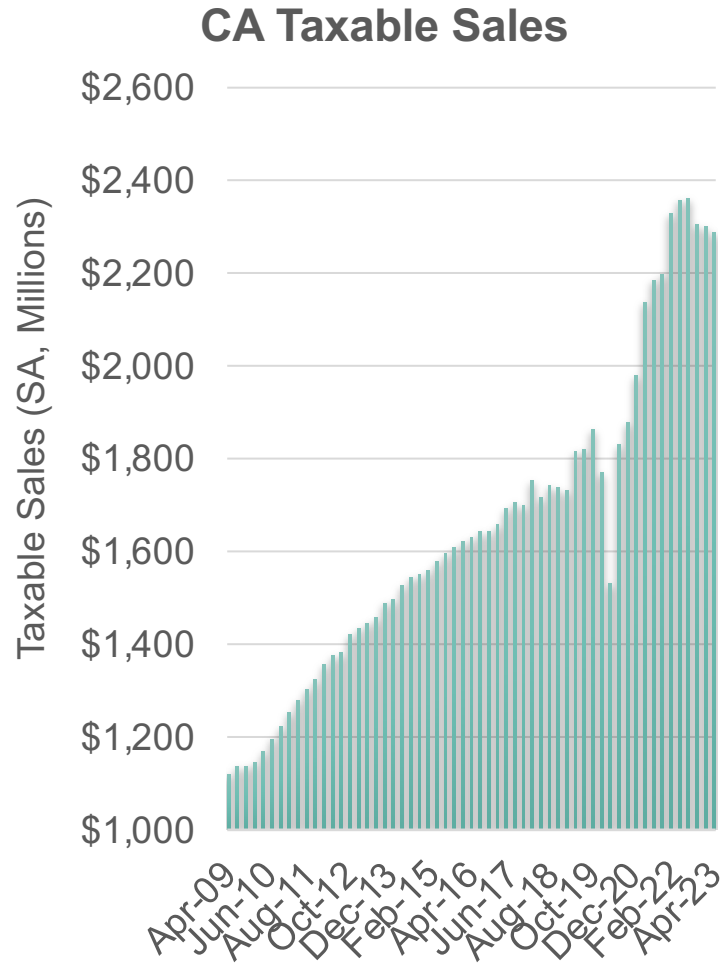
A new report documents the accelerating business flight from the state.

By [The Editorial Board](#)

Follow

Oct. 26, 2022 12:26 pm ET

CA Business Activity



Change 2019 – 2023

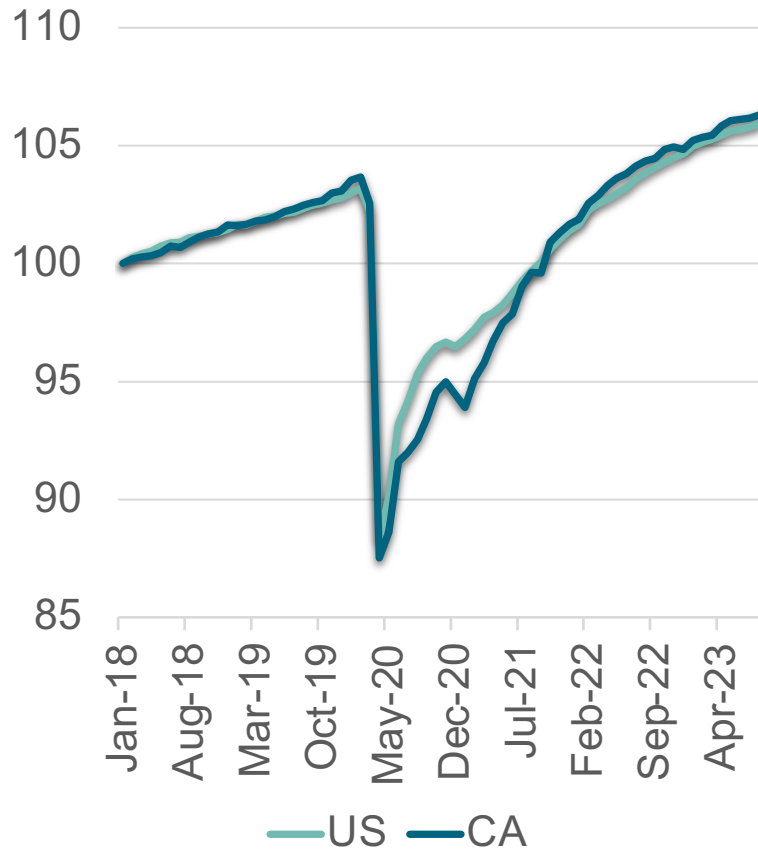
	US	CA
Real GDP Growth	8.0%	9.1%
Change in Payroll Jobs	3.6%	3.8%
Nominal Per Capita Income Growth	23.3%	25.5%
Average Annual Earnings Growth	4.5%	4.9%
Home Price Appreciation	47.5%	43.6%
Change in Unemployment Rate	0.3	0.8



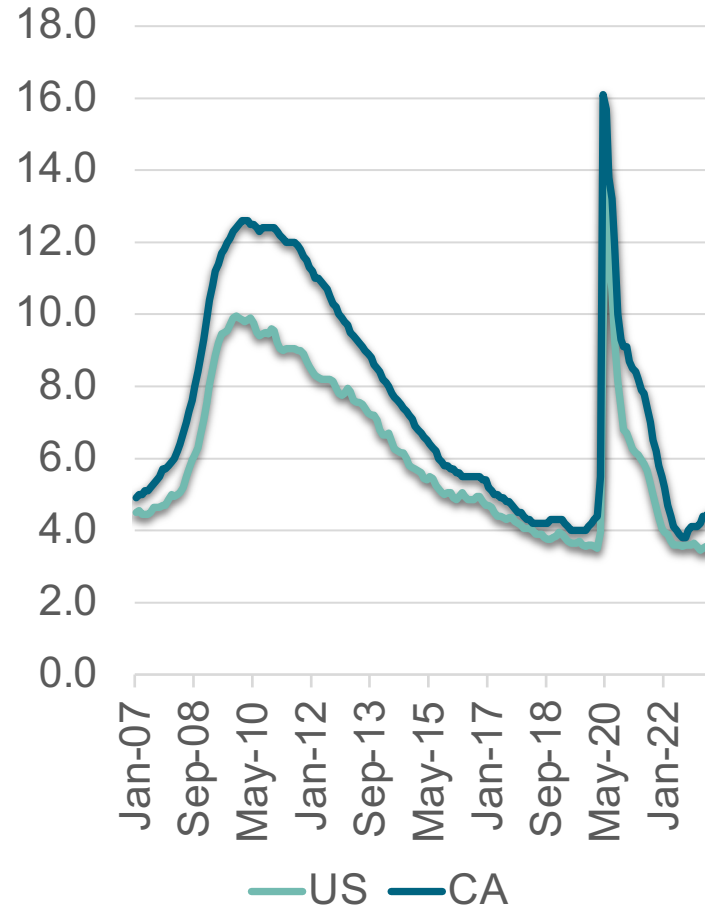
The California Situation



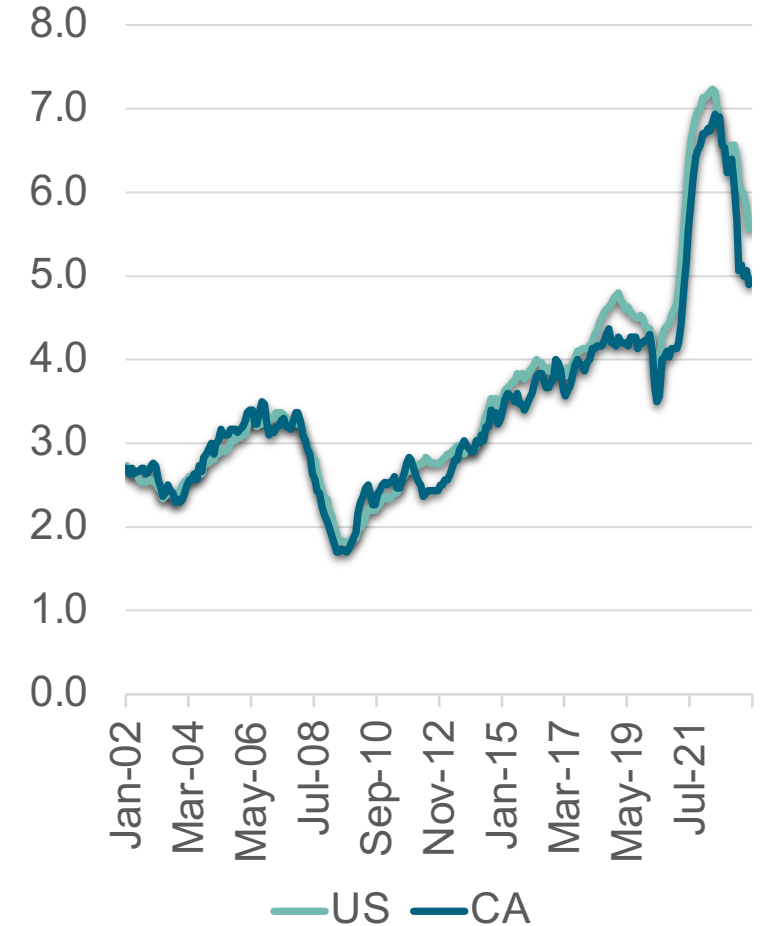
Indexes of Payroll Employment



Unemployment Rate

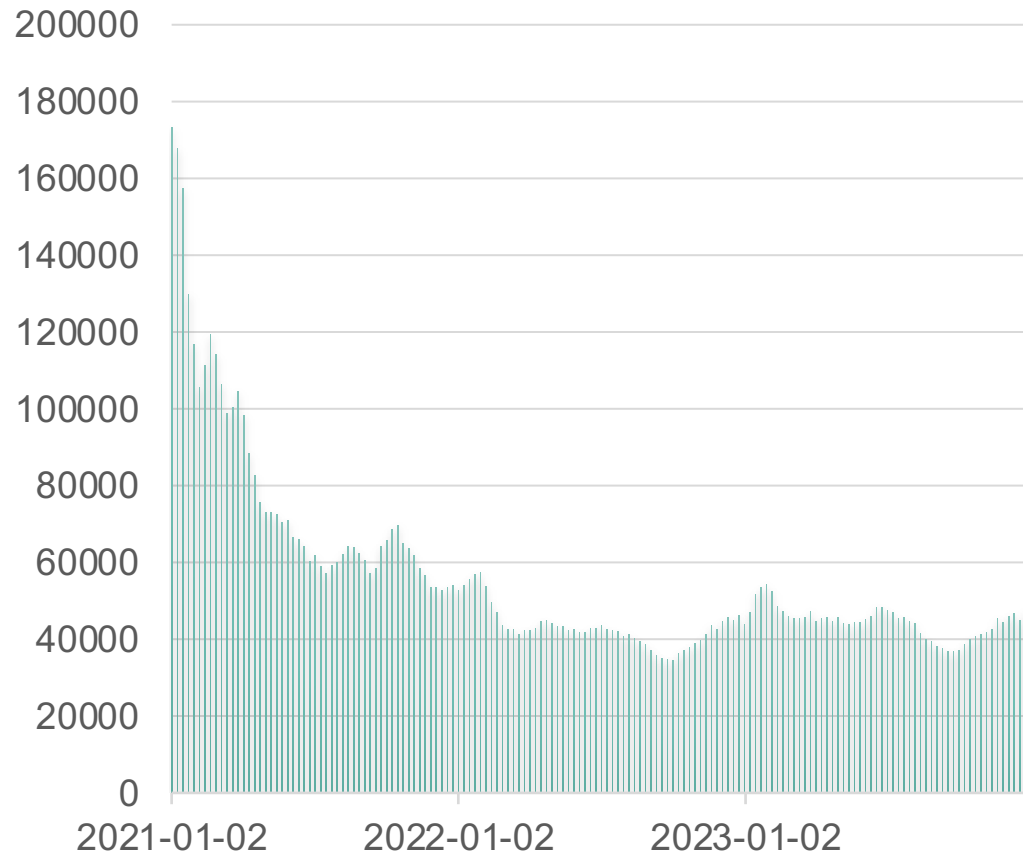


Job Opening Rate

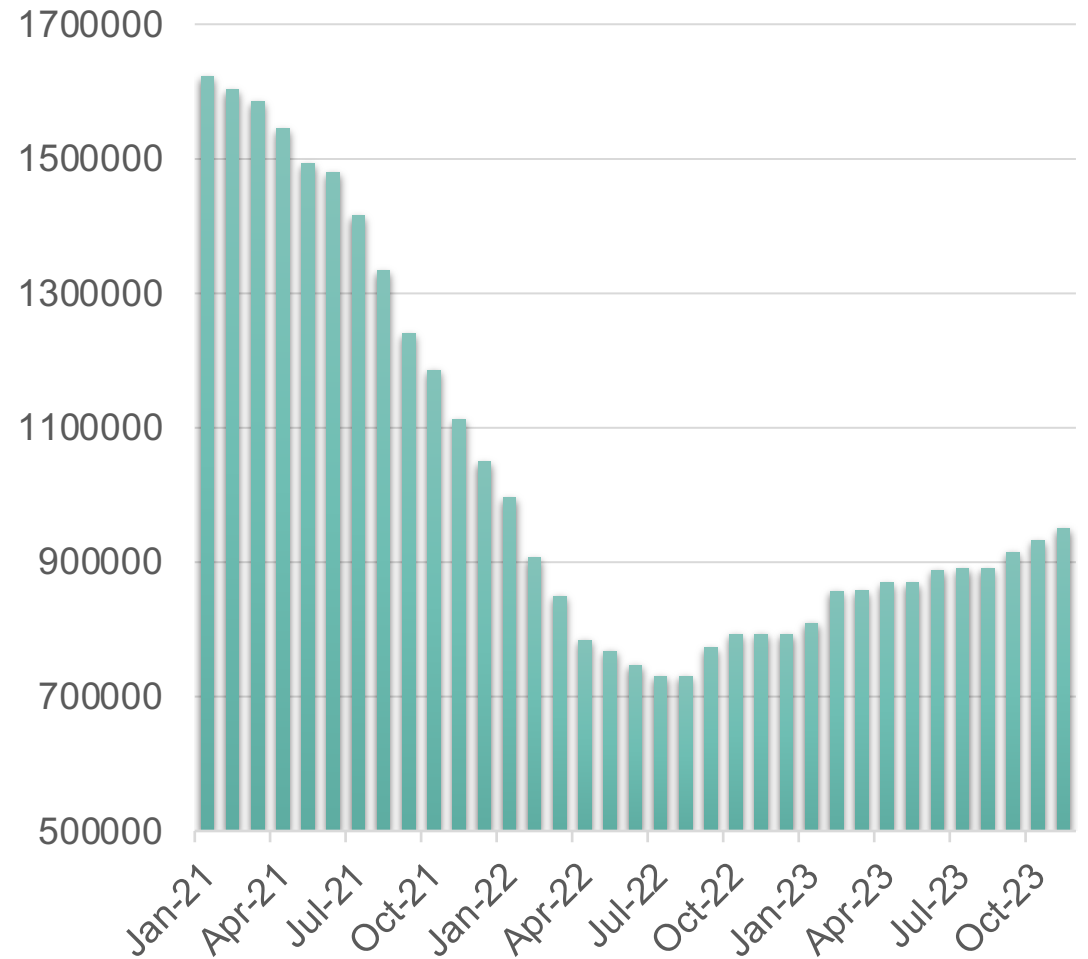


State Unemployment Up?

CA Initial Claims for Unemployment Insurance CA



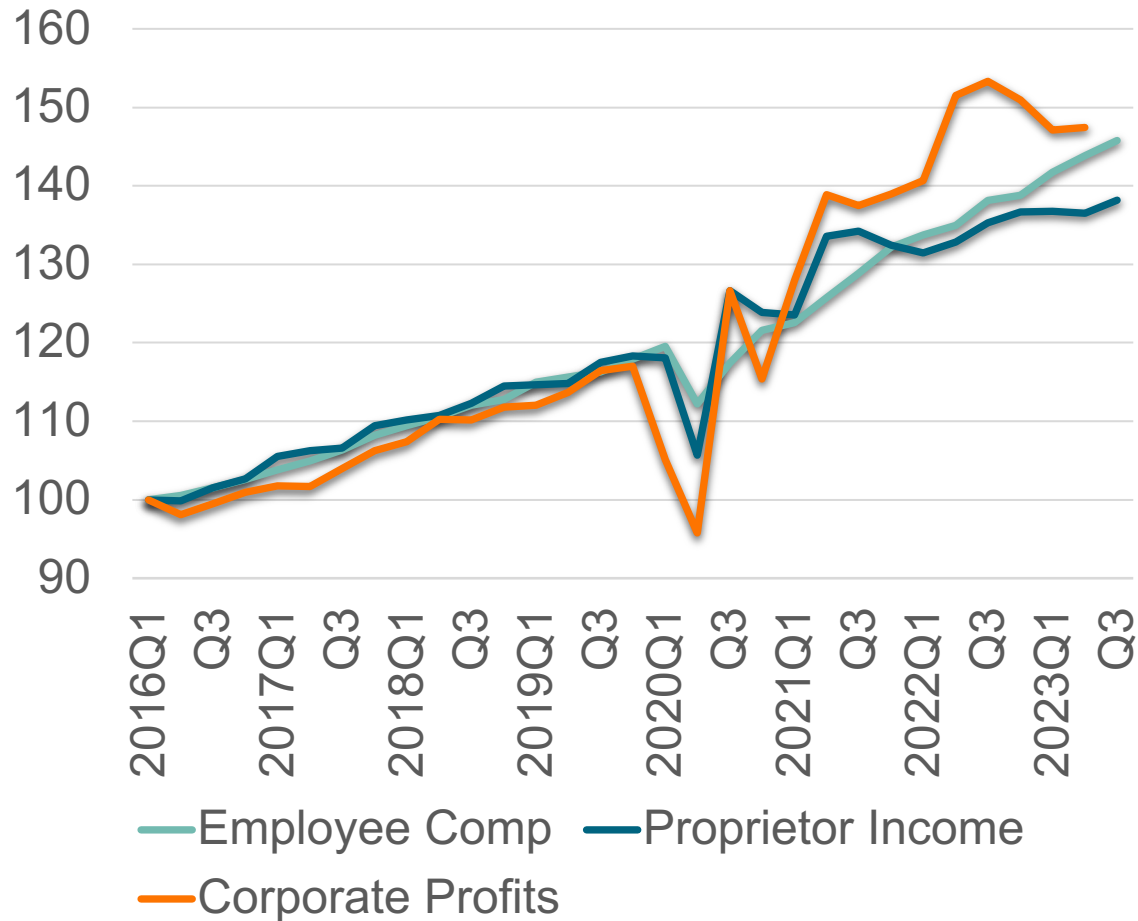
CA Unemployed Workers



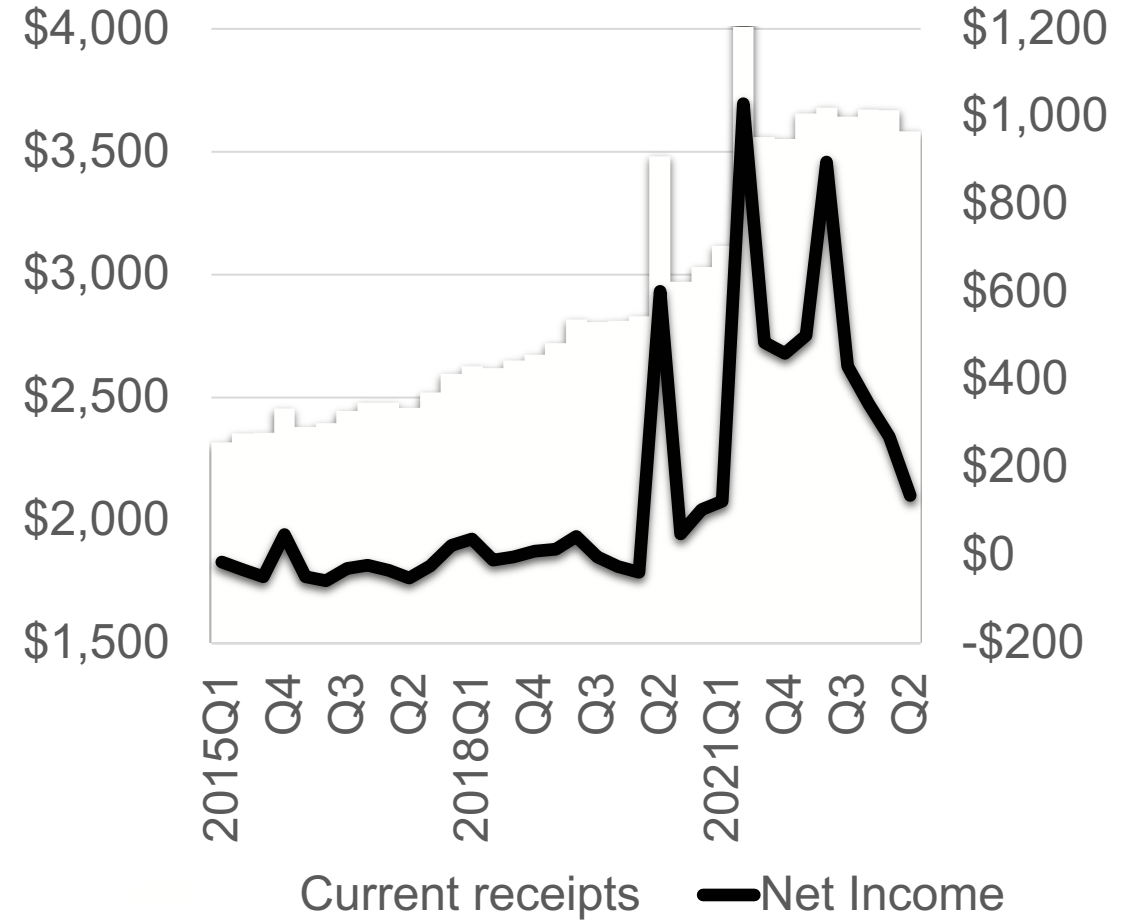


National Income

Index of National Income by Source

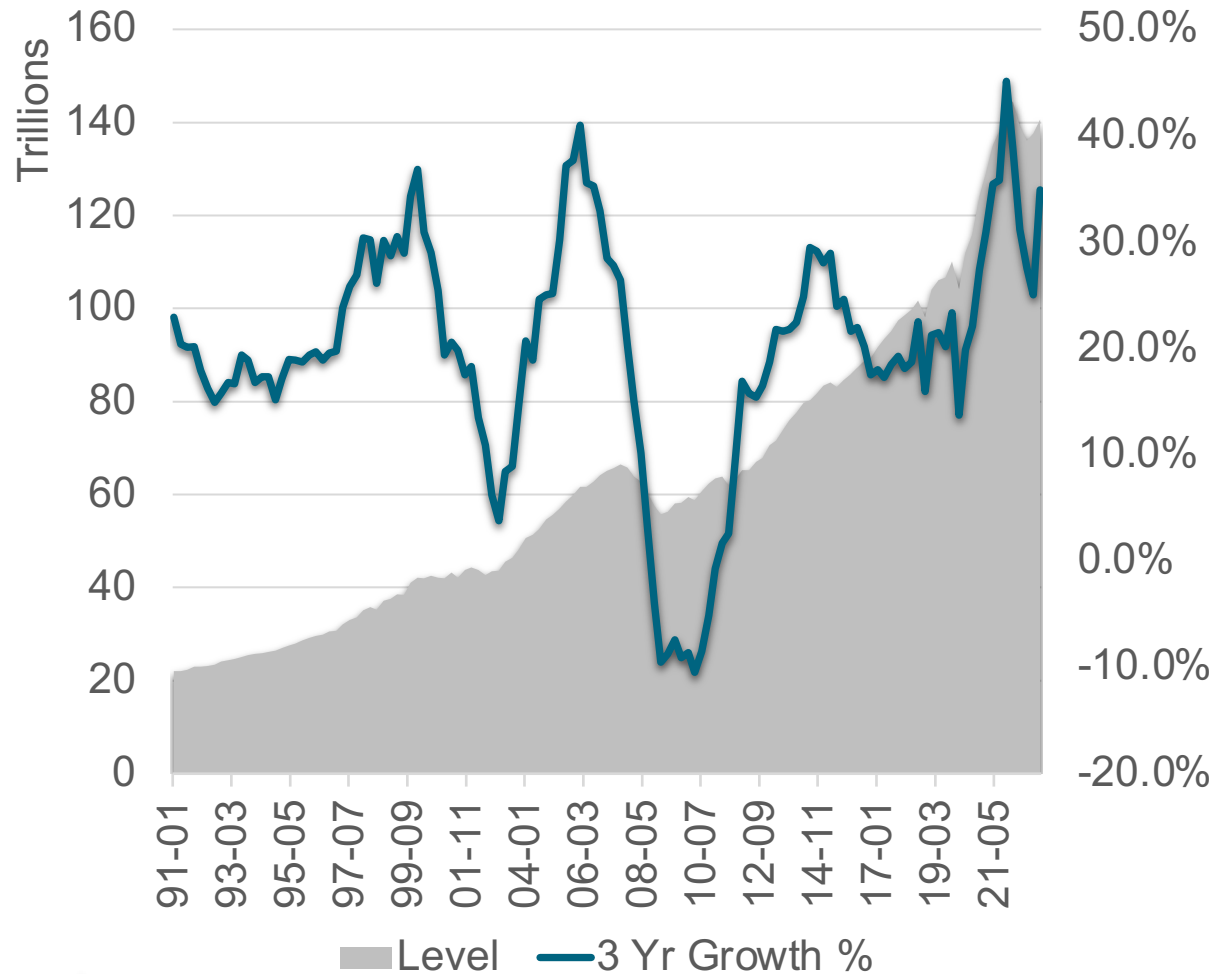


State and Local Gov Finances \$Billions SAAR

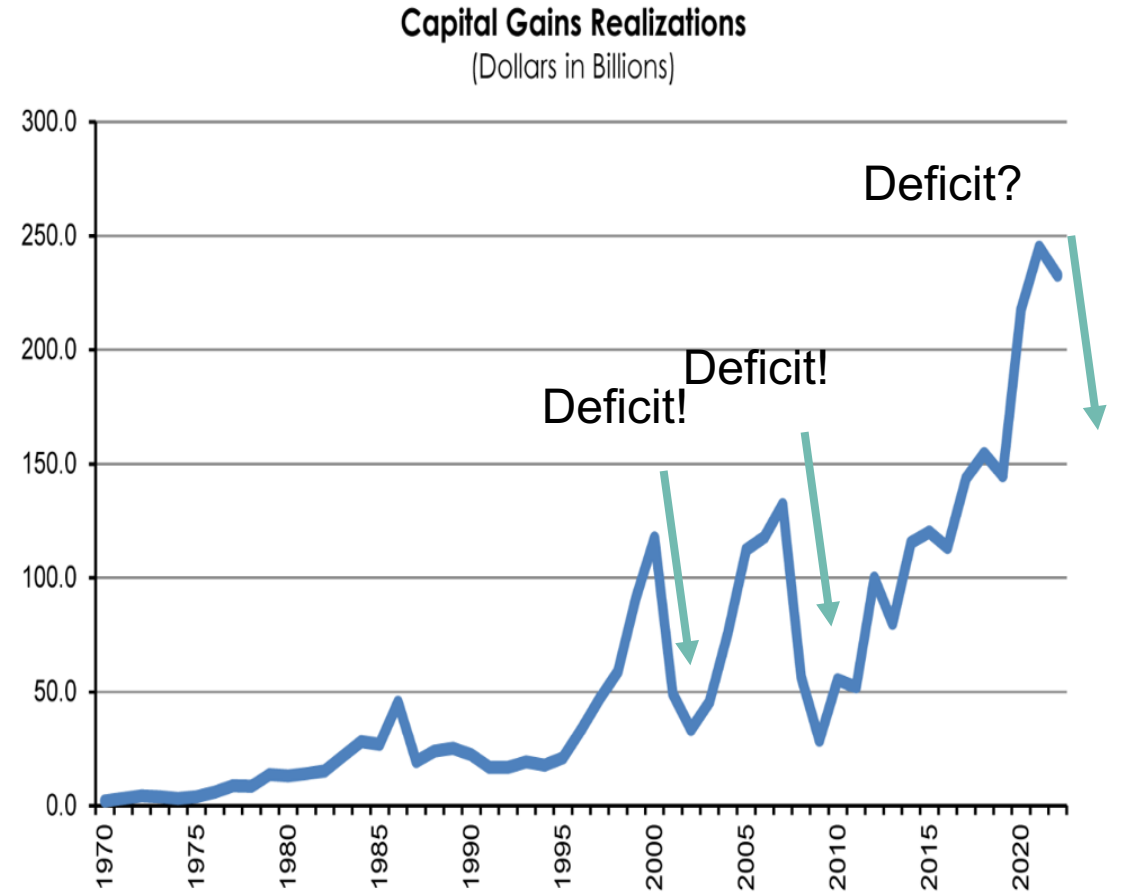


On Bubbles and Budgets!

HH Net Worth and Growth



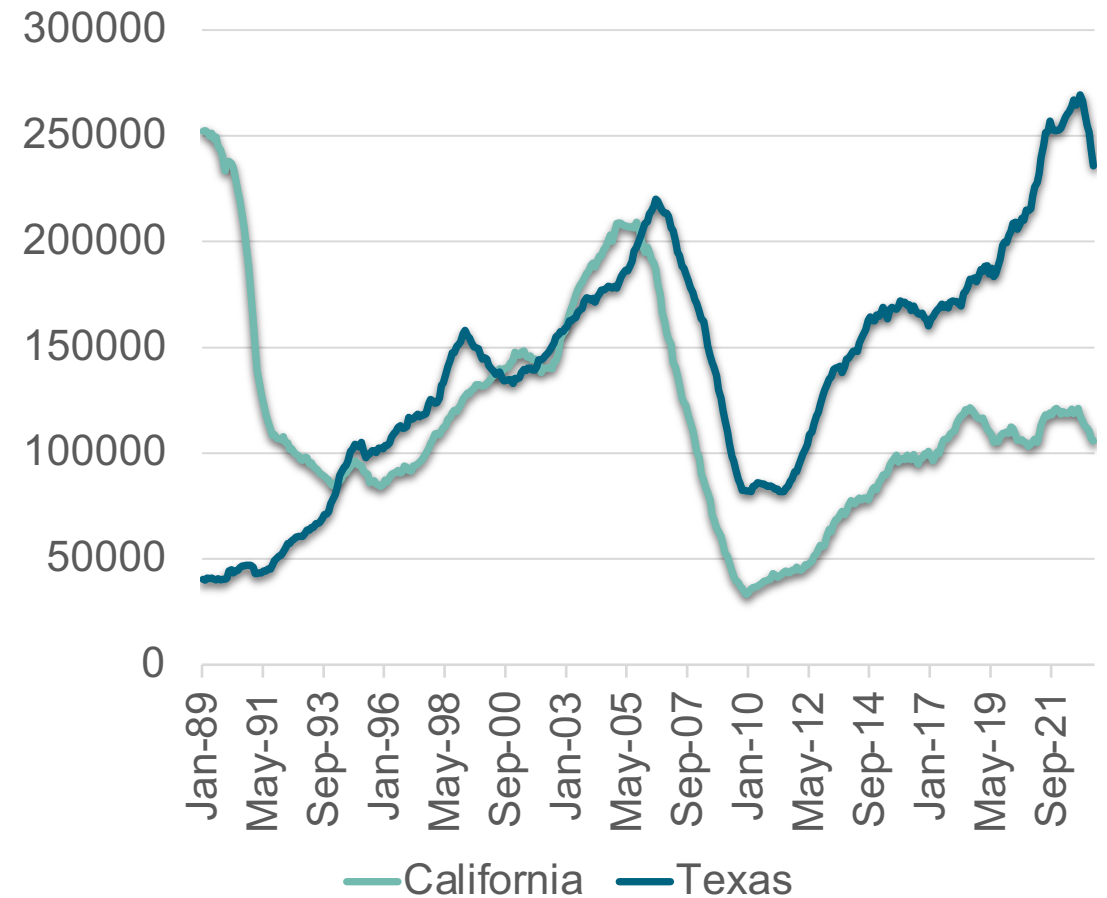
CA CG Income Tax Revenues (LAO Estimate)



State Labor Supply & Housing

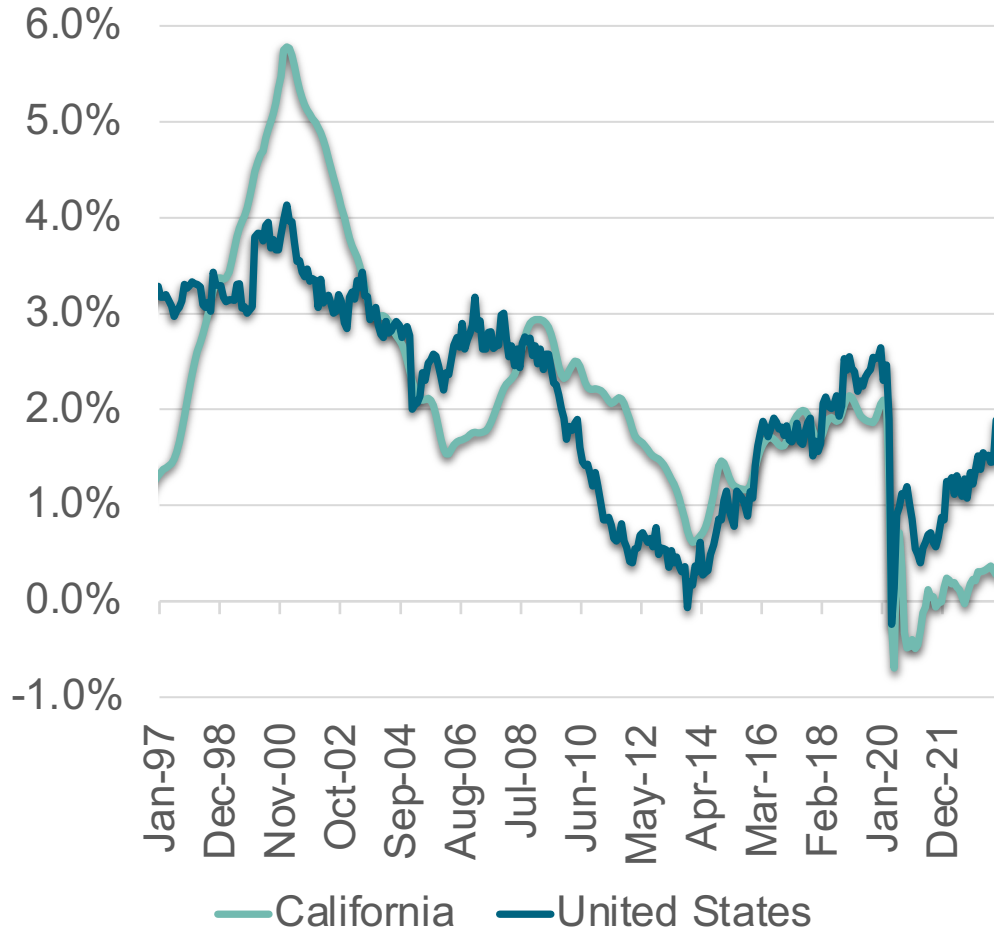
	02-12	12-22	Rank
Utah	14.3%	29.3%	1
Idaho	12.6%	23.1%	2
Arizona	13.8%	18.4%	3
Colorado	12.3%	16.4%	4
Texas	17.7%	16.0%	5
Florida	16.0%	15.3%	6
Washington	11.9%	15.0%	7
Nevada	20.5%	13.4%	8
Nebraska	6.3%	4.6%	24
Minnesota	2.7%	4.3%	25
California	7.2%	4.1%	26
Hawaii	8.1%	4.0%	27
New Jersey	5.3%	3.6%	28
Vermont	3.1%	-3.3%	48
Maine	3.3%	-3.7%	49
Wyoming	12.7%	-3.9%	50
Mississippi	3.1%	-6.0%	51

CA vs TX? Put 'em up!
(Houses that is)



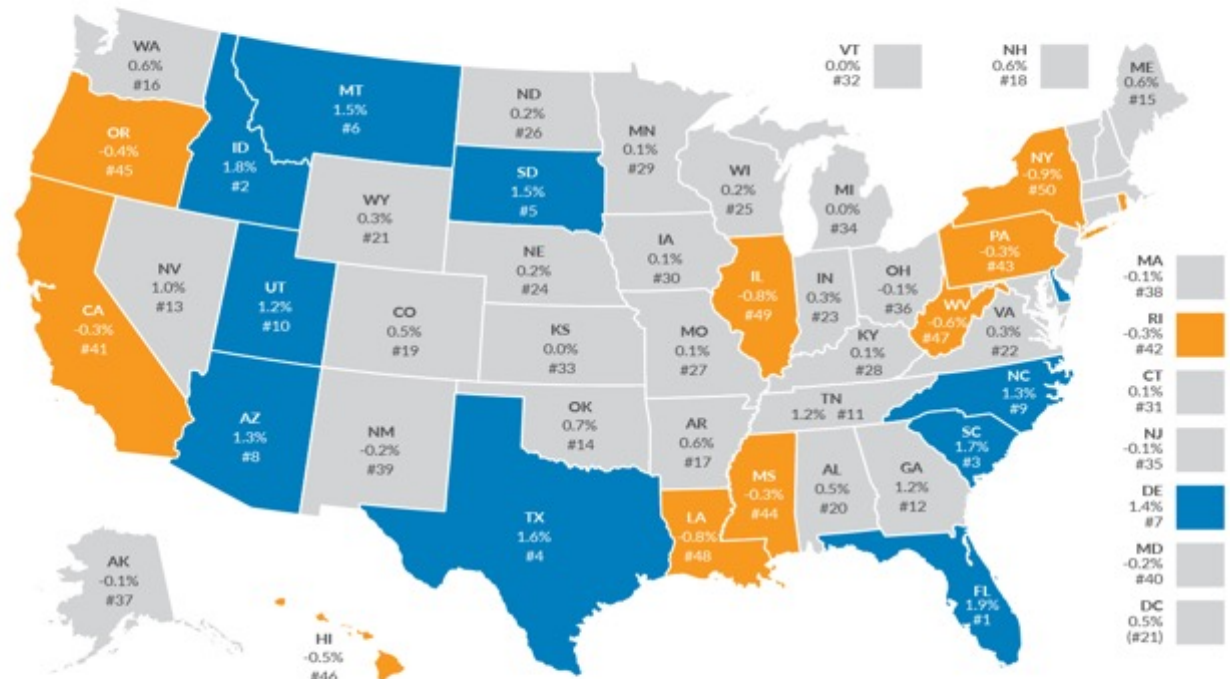
Population = Growth

Labor Force Growth (5 year)



State Population Change in 2022

State Migration Patterns, from Most Inbound to Most Outbound, 2022



Note: D.C.'s rank does not affect states' ranks, but the figure in parentheses indicates where it would have ranked if included.
Source: U.S. Census Bureau.

- Top 10 States for Inbound Migration
- Top 10 States for Outbound Migration



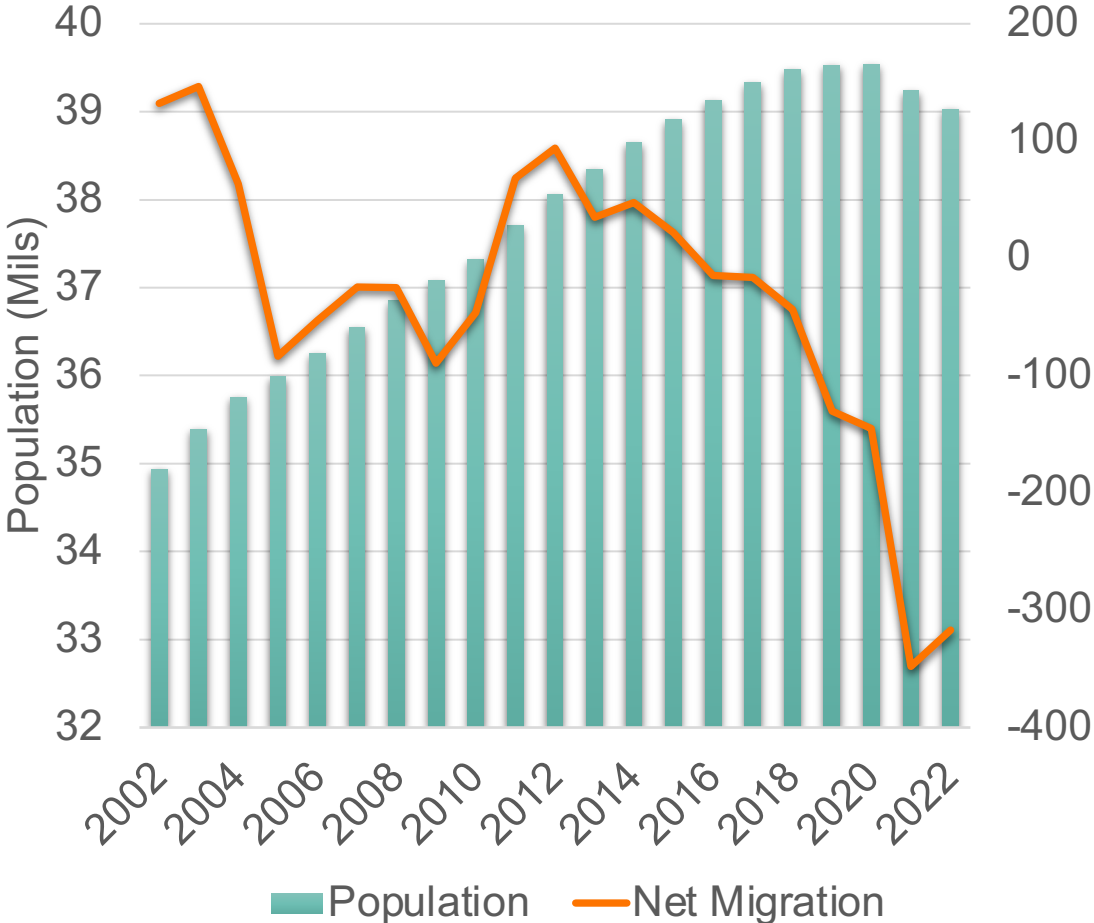
Recent Regional Outcomes

	Payrolls		Unemployment Rate		Labor Force	
	Aug-23	Ch from Feb 20	Aug-23	Ch from Feb 20	Aug-23	Ch from Feb 20
Stockton	278.8	10.2%	5.9	-0.2	345.2	3.8%
Sacramento	1095.2	5.7%	4.1	0.4	1132.5	2.3%
Inland Empire	1677.3	5.6%	4.6	0.5	2154.9	2.5%
Fresno	388.6	4.8%	7.1	-0.4	458.2	0.6%
Bakersfield	290.8	4.1%	7.9	-0.4	394.4	0.5%
San Diego	1573.0	3.5%	3.7	0.4	1597.3	0.6%
San Jose	1187.9	2.2%	3.5	0.8	1082.6	-0.6%
Orange County (MD)	1712.2	1.6%	3.4	0.5	1600.5	-1.2%
San Francisco (MD)	1214.3	1.0%	3.0	0.7	1037.5	-1.2%
Modesto	184.9	0.8%	6.4	0.2	240.2	-1.7%
Oakland (MD)	1208.0	0.6%	3.9	0.8	1386.9	-1.4%
Ventura	317.4	0.5%	4.1	0.4	415.8	-1.8%
Los Angeles (MD)	4648.4	0.3%	5.0	0.0	5023.0	-4.3%
Santa Rosa	209.1	-0.7%	3.5	0.7	249.1	-3.4%

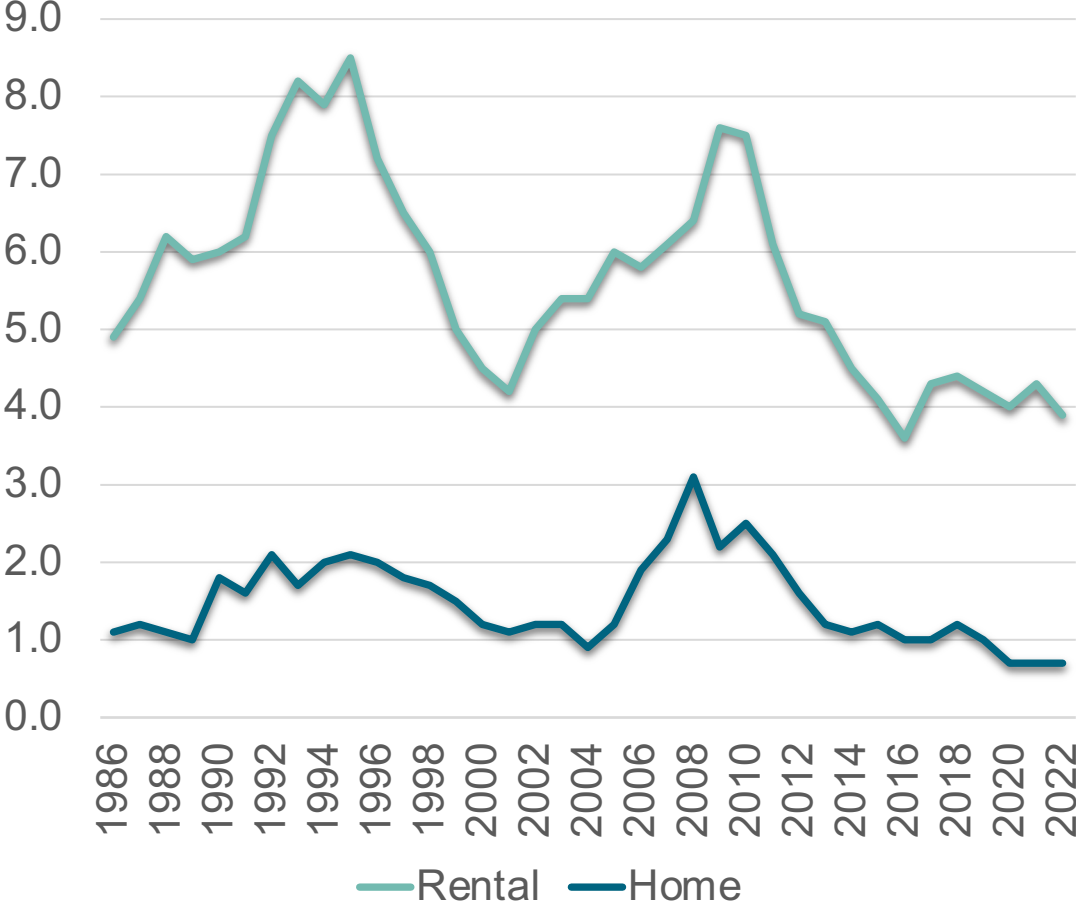


Fleeing? Or being Pushed?

California- Population Change

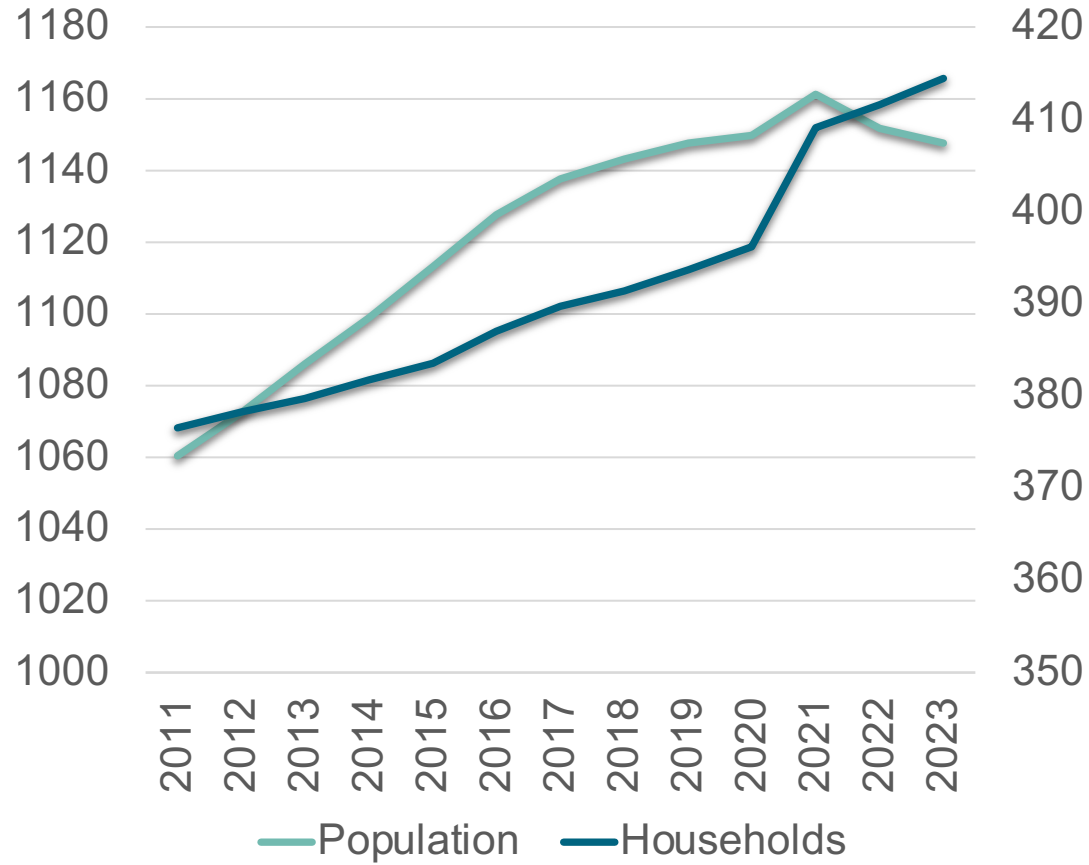


CA Housing Vacancy Rates (HVS)

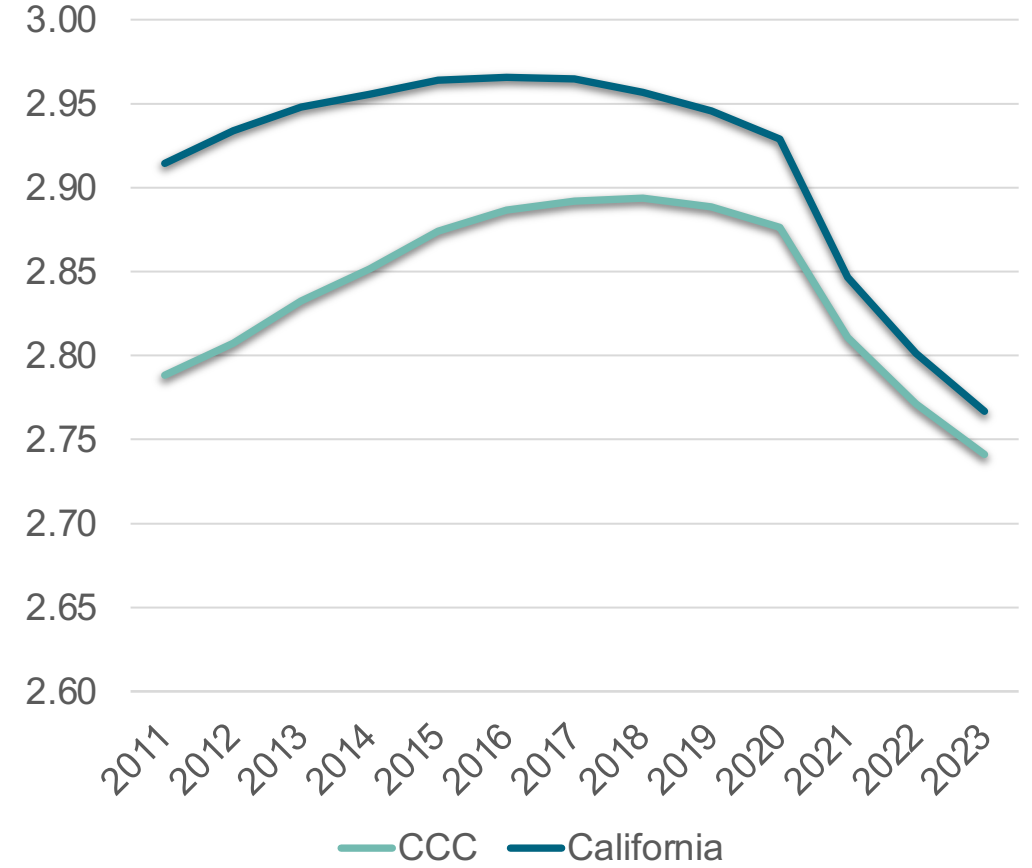


Contra Costa Housing Dynamics

Population and Households

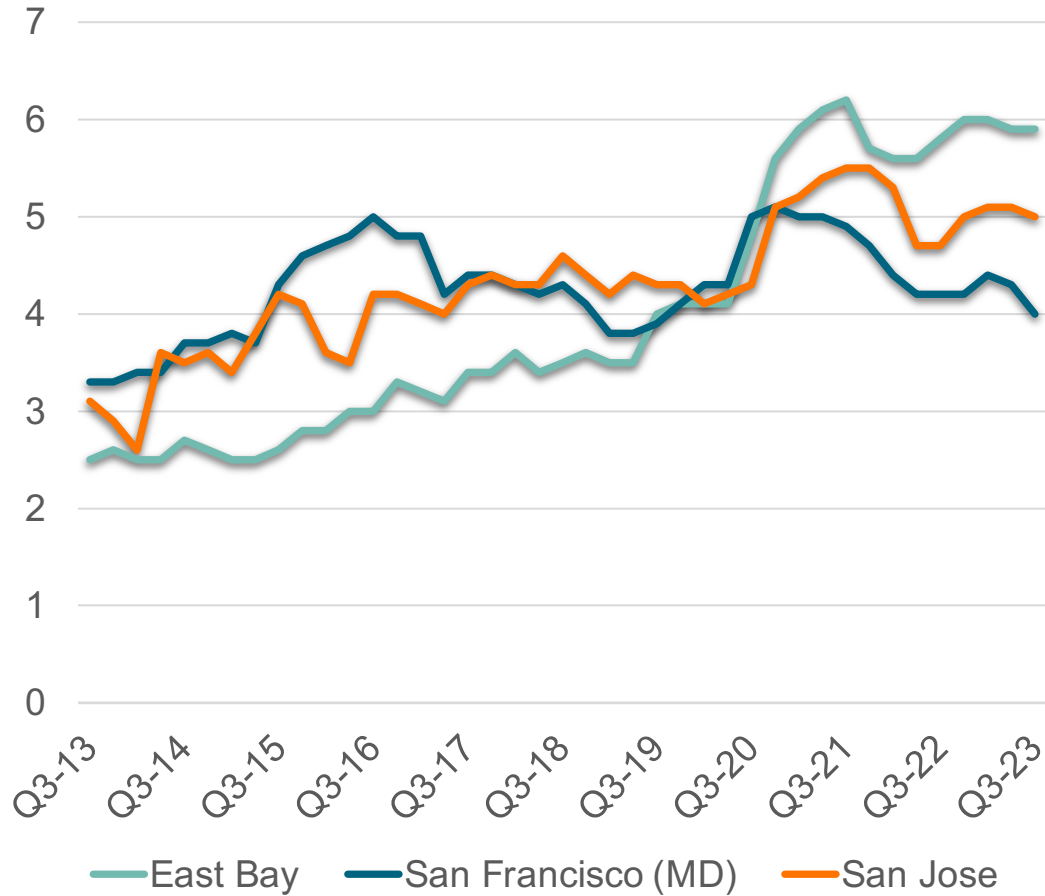


People per Household Average

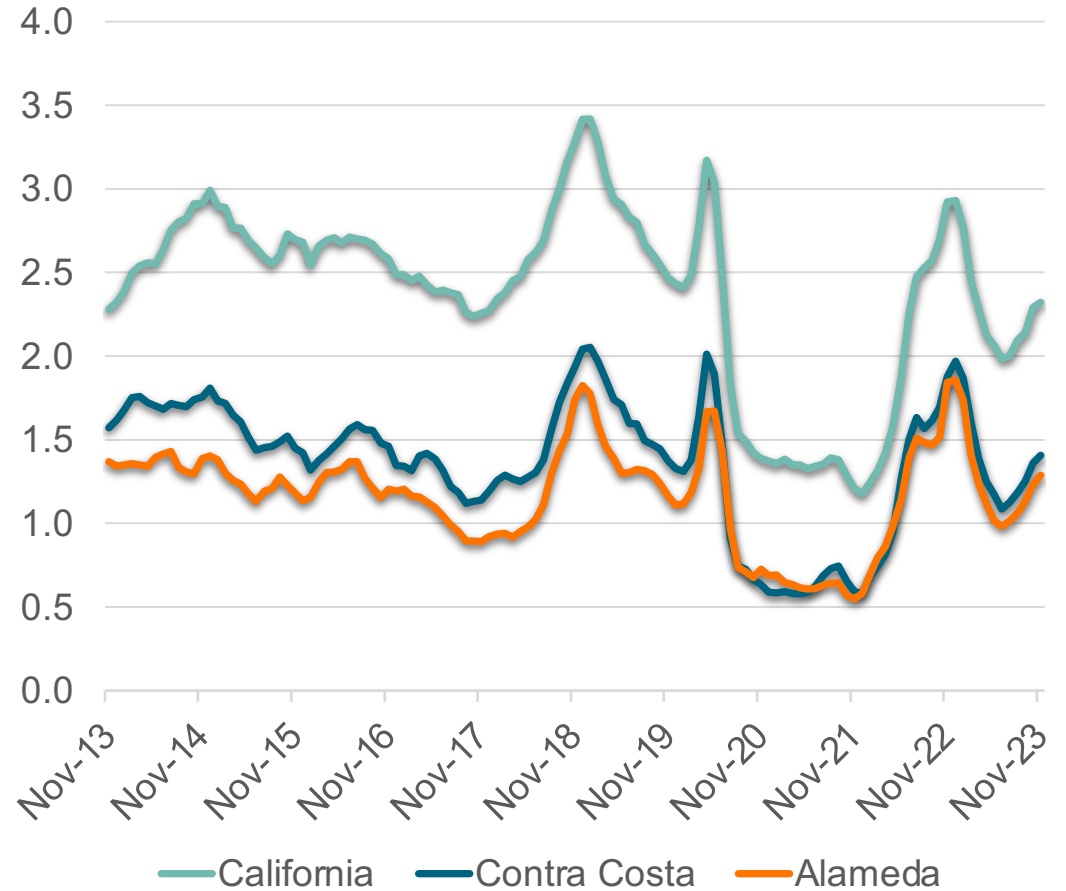


Housing Inventory

Apartment Vacancy Rates



Months of Supply



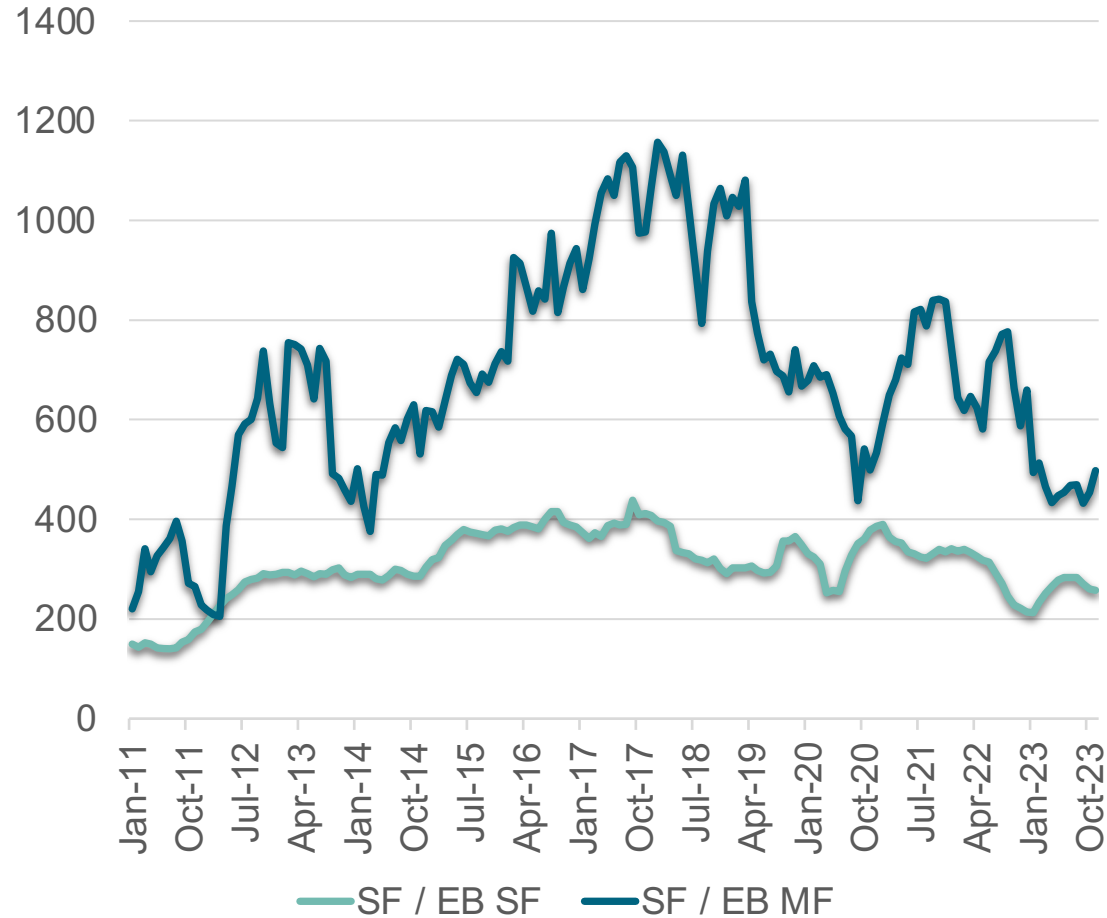
Housing Stock 2023

Location	Single-Family Units	Single-Family 10-Year Change	Single-Family 10-Year Change (%)	Multi-Family Units (000s)	Multi-Family 10-Year Change	Multi-Family 10-Year Change (%)
Alameda County	378,348	22,137	6.2	255,850	33,424	15.0
Contra Costa County	320,401	19,885	6.6	103,235	7,013	7.3
San Francisco County	128,471	3,055	2.4	289,091	36,343	14.4
San Joaquin County	206,702	23,426	12.8	47,677	3,614	8.2
Santa Clara County	430,335	21,989	5.4	252,879	40,832	19.3

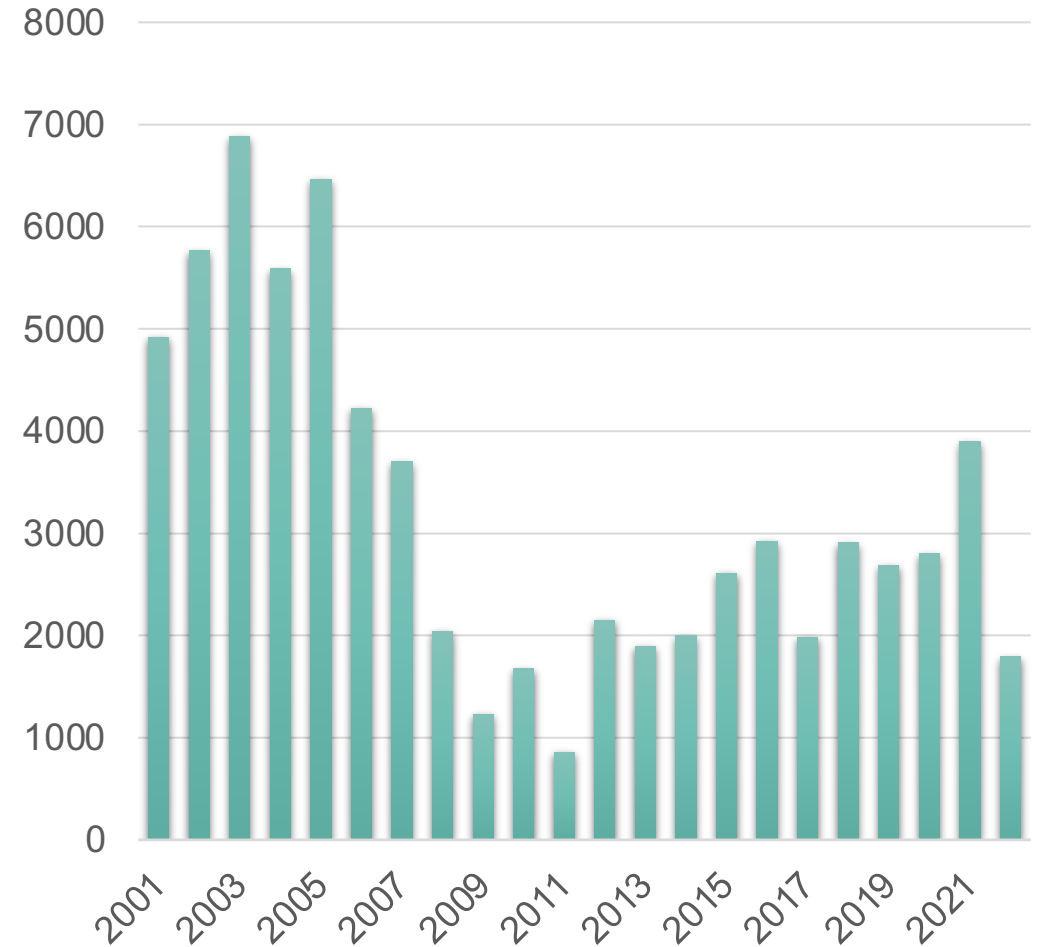


Local Housing Permits

MSA Level Permits



CC County Res Permits

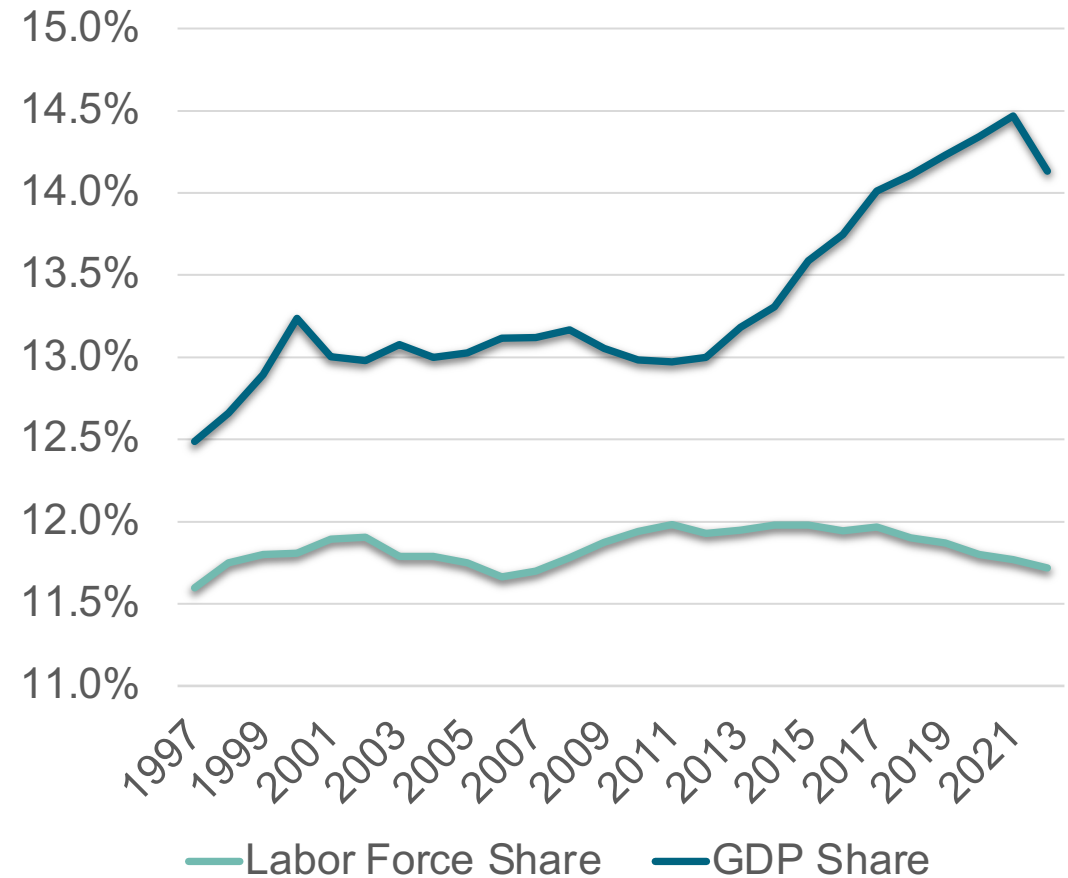


California Skill Shifts

**Net Migration by Educational Attainment
(Total from 2019-2022)**

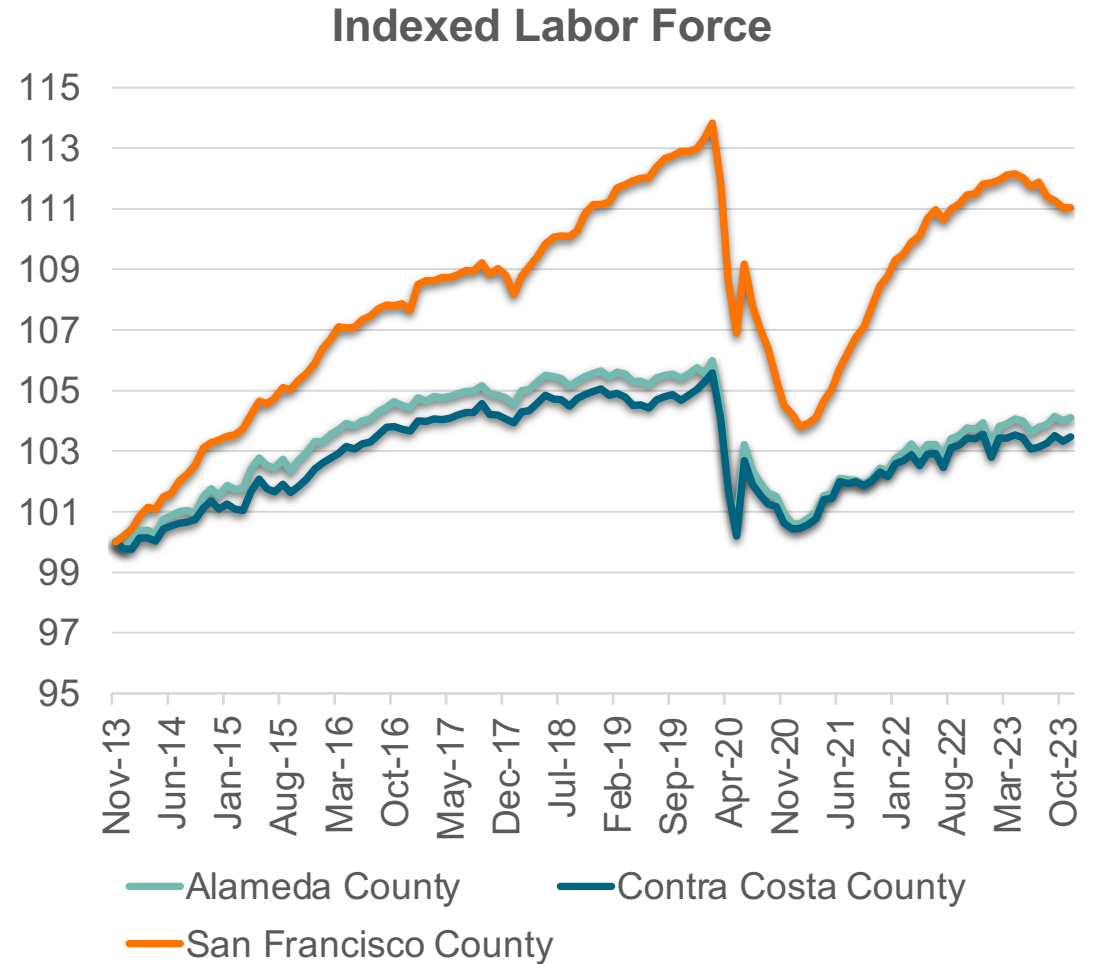
Education	AZ	CA	CO
Net Migration	109,116	-71,099	109,061
Less Than HS	-64,750	-185,830	-17,652
HS Grad	32,261	-39,856	-13,481
Some College	-32,376	-352,870	-39,336
BA	101,014	166,445	120,066
Grad	72,967	341,012	59,464

CA's share of US

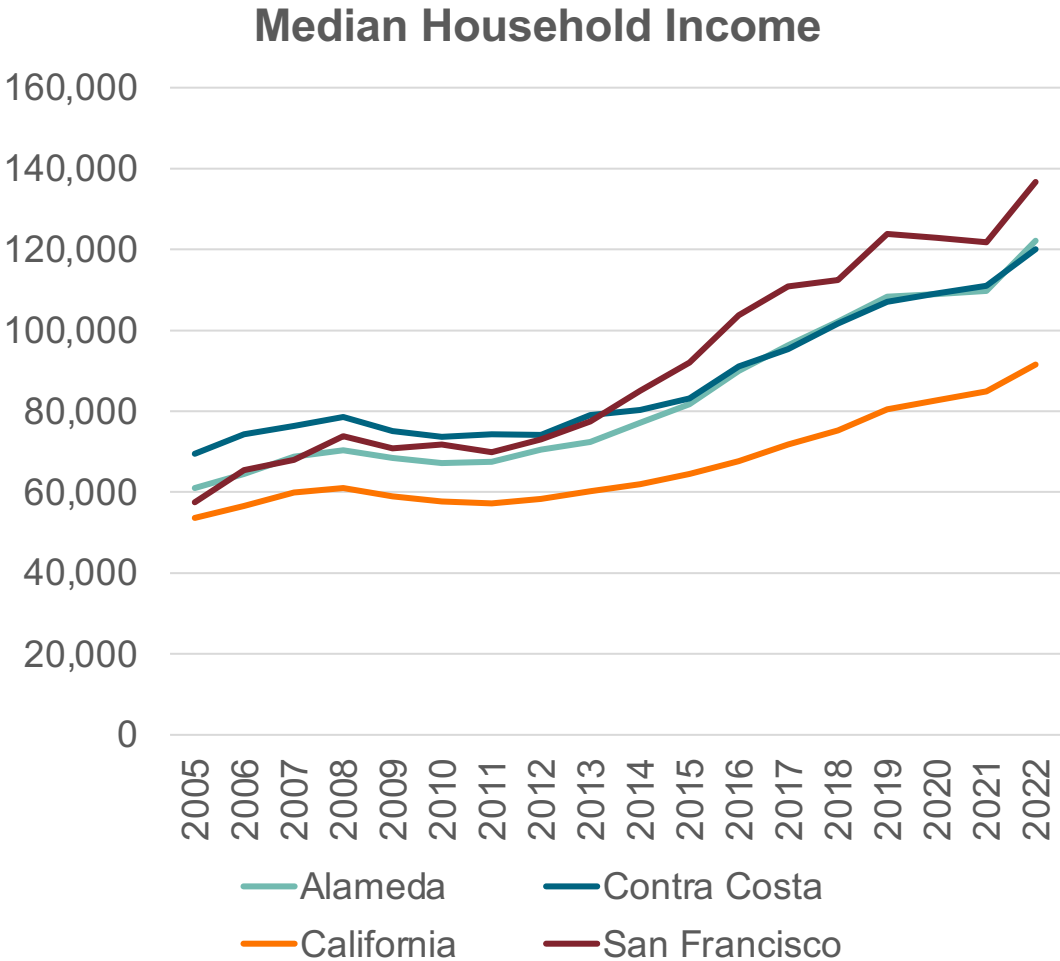


Locla Labor Force

Educational Attainment	2022	10-Year Change
Population 25 to 64 years	495,136	7.5
Less than HS	46,098	5.8
HS Graduate	80,838	4.7
Some College	127,708	-10.9
Bachelor's or Higher	240,614	22.2



Household Income



Income	Contra Costa County 2022	1-Year Chg. (%)	Chg. Since 2019 (%)
Total Households	415,194	0.0	0.0
Less than \$25,000	43,041	-0.2	0.2
\$25,000 to \$49,999	46,314	-0.8	-0.5
\$50,000 to \$99,999	85,730	-1.6	-4.1
\$100,000 to \$149,999	74,364	-0.3	-1.0
More than \$150,000	165,745	2.8	5.4



Affordability

Location	2017	2022
% Owners Cost Burdened		
California	38.4%	37.8%
Alameda	32.8%	32.0%
Contra Costa	36.1%	35.8%
San Francisco	36.6%	34.3%
% Renters Cost Burdened		
California	55.3%	56.0%
Alameda	49.7%	52.3%
Contra Costa	53.7%	56.9%
San Francisco	37.1%	37.6%

Contra Costa County % Rent Burdened



Labor Supply is the Main Issue

Extensive: Increasing labor force

- Immigration reform
- In LA: Housing Supply is WF Development, not affordability

Intensive: Raising participation rates among the existing population

- Seniors, childcare support, skill upgrading

Productivity enhancements: worker skill training

- Vocational skills in short supply
- Not all college degrees are created equal

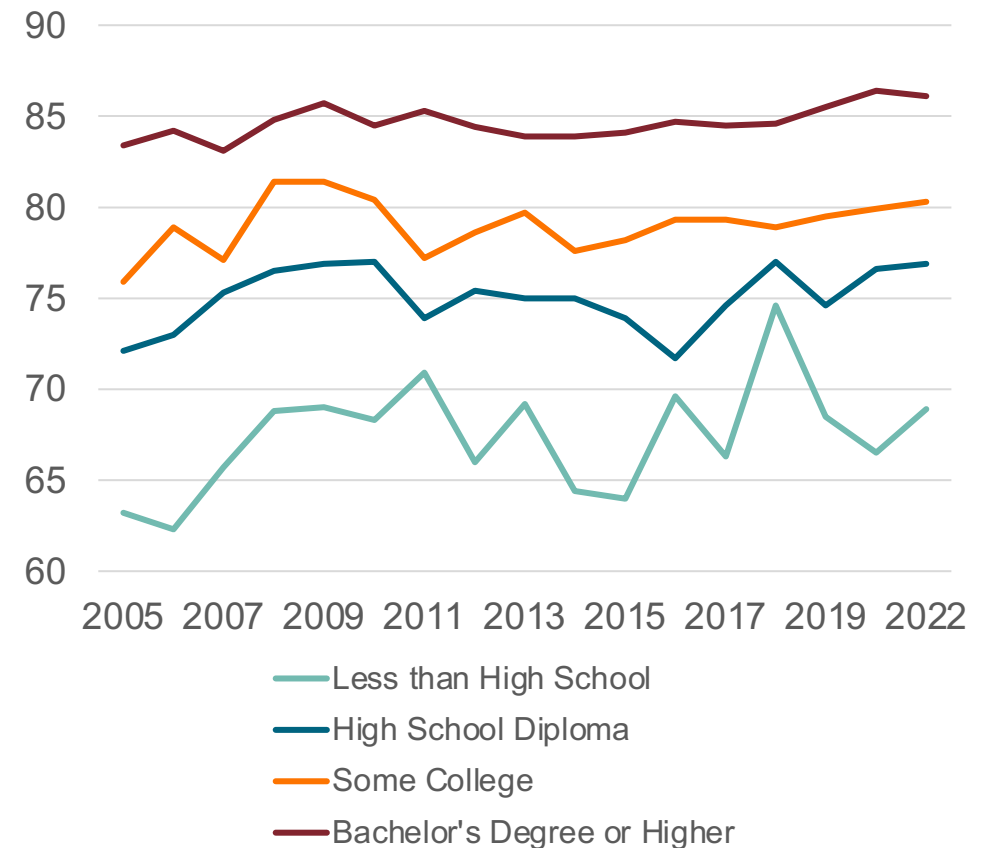
Productivity enhancements: capital investments

- Capital improves productivity and this improves incomes

Rapid changes need an adaptive worker

- Teaching anti-fragility

CC Labor Force Participation by Education



Out of the Woods?

We were never actually in the woods

- Household finances, consumer demand driving the economy
- Economic indicators remain solid, growth to continue
- Fed will likely back off some

Headwinds will intensify

- Inflation will stay above target
- LR Rates will stay higher longer
- Public deficits are unsustainable
- Asset prices too high
- Economic growth to slow—but no recession

The big issue: Narratives

- Labor supply not consumer demand
- Inflation is not a problem, the Fed is
- Government deficits are going to have to be dealt with

2024 Forecast Highlights

- GDP Growth 1.7%
- Unemployment Rate: 3.9%

- 10 Year Treasury: 4.9%
- 30 Year FR Mortgage: 8.1%

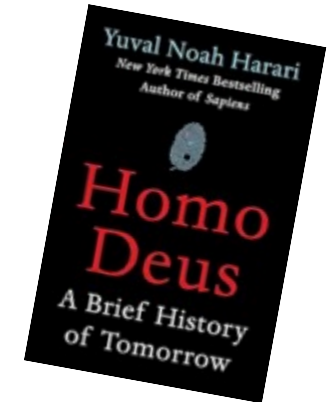
- HPI Forecast: 1.7%
- Housing Starts: 1.42m



Sticky Narratives

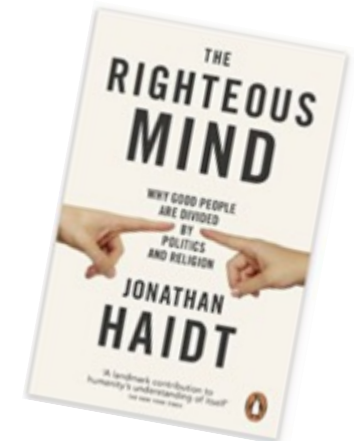
“Sapiens rule the world because only they can weave an intersubjective web of meaning: a web of laws, forces, entities and places that exist purely in their common imagination.

— Yuval Noah Harari, *Homo Deus: A Brief History of Tomorrow*



“People can believe pretty much whatever they want to believe about moral and political issues, as long as some other people near them believe it, so you have to focus on indirect methods to change what people want to believe.

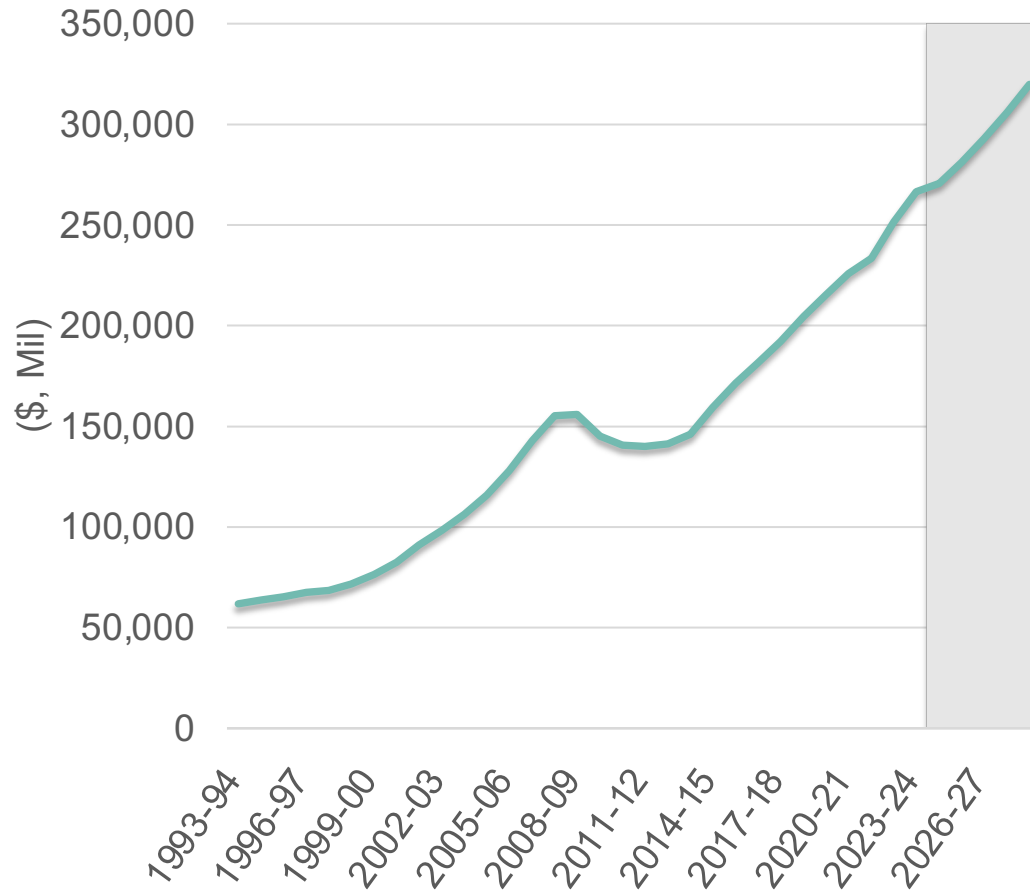
— Jonathan Haidt, *The Righteous Mind: Why Good People are Divided by Politics and Religion*



Contra Costa County Forecast



Contra Costa County AV Forecast



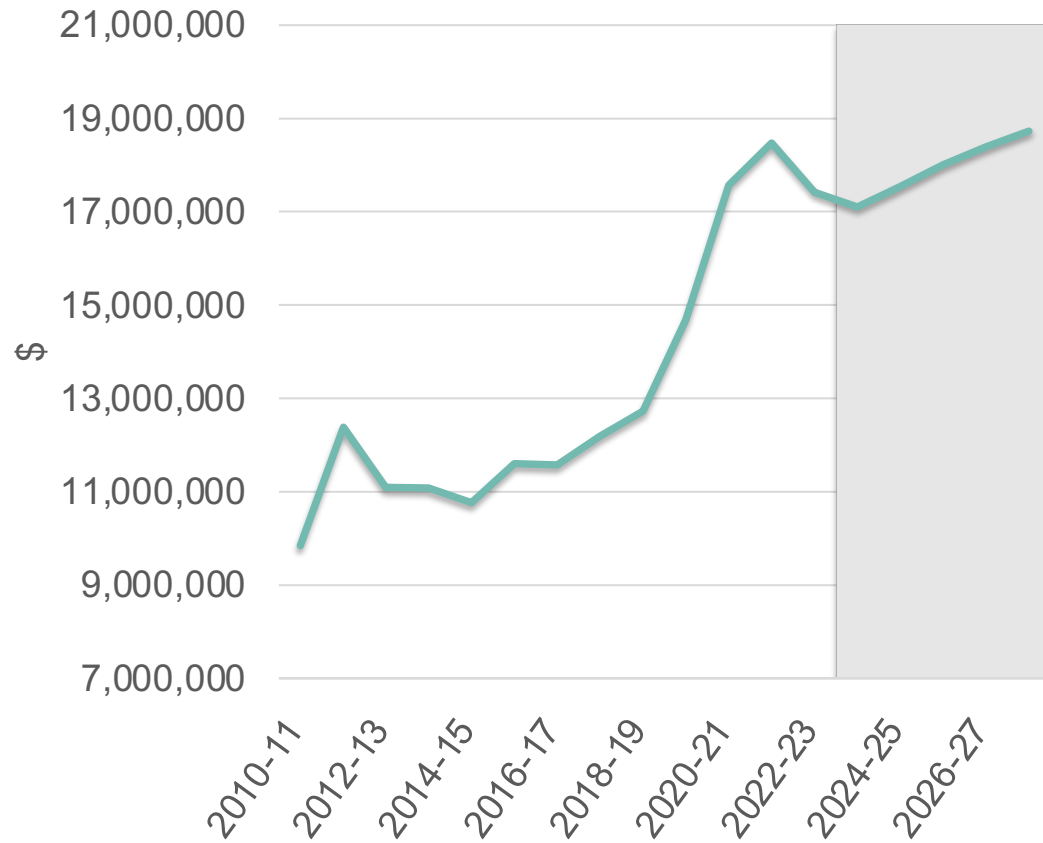
Contra Costa County AV Forecast



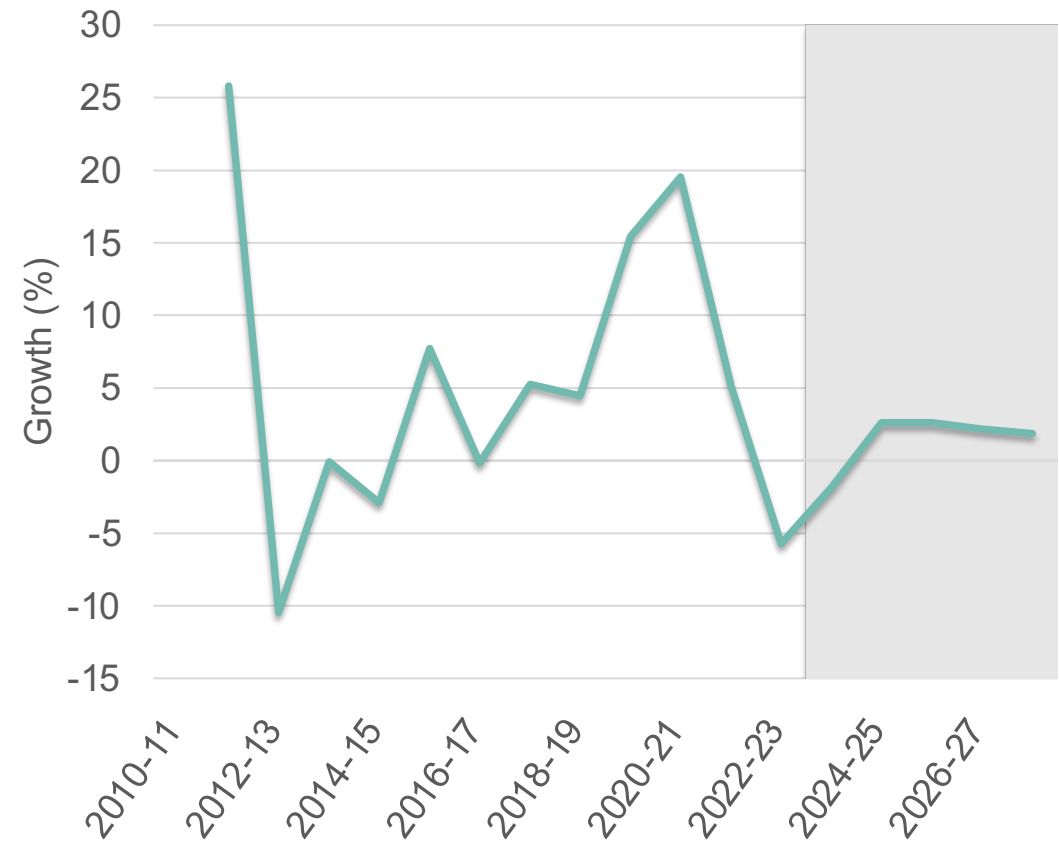
Contra Costa County Forecast



Contra Costa County Sales and Use Tax Forecast



Contra Costa County Sales and Use Tax Forecast



Thank You!

Sources

California EDD
HdL Companies
Redfin
REIS
California DOF
U.S. Census Bureau



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