



Forecasting the Future

**Marin County's Economy to 2020:
What Can We See Well?**

San Rafael, CA

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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



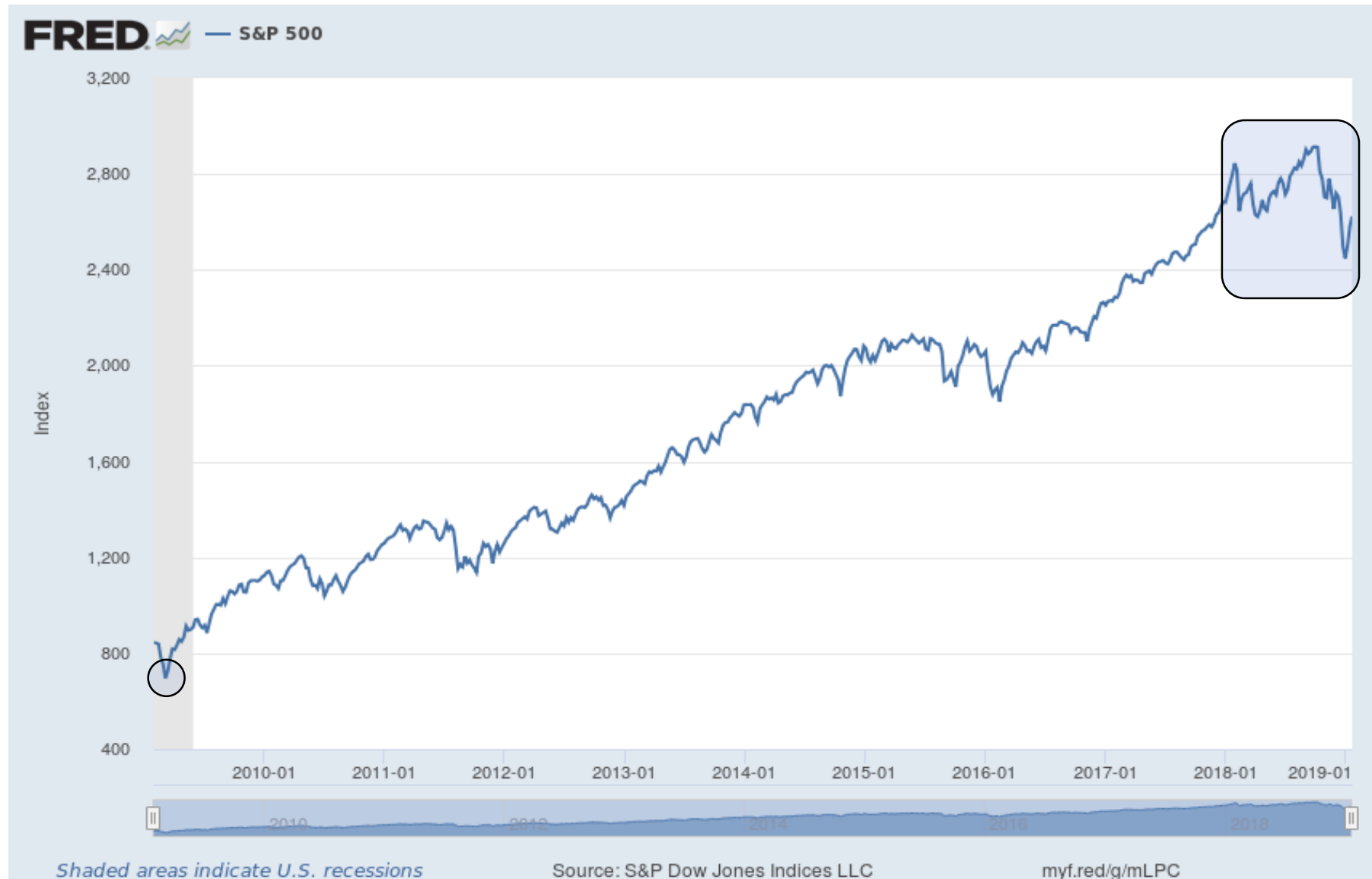
What do the professionals say?

Median Forecasts for Selected Variables in the Current and Previous Surveys						
	Real GDP (%)		Unemployment Rate (%)		Payrolls (000s/month)	
	Previous	New	Previous	New	Previous	New
<i>Quarterly data:</i>						
2018:Q4	2.8	2.6	3.7	3.7	173.3	203.1
2019:Q1	2.5	2.4	3.7	3.7	161.5	172.4
2019:Q2	2.7	2.7	3.6	3.6	162.0	168.1
2019:Q3	2.6	2.4	3.6	3.6	150.1	159.7
2019:Q4	N.A.	2.2	N.A.	3.6	N.A.	142.9
<i>Annual data (projections are based on annual-average levels):</i>						
2018	2.8	2.9	3.9	3.9	194.8	198.5
2019	2.8	2.7	3.6	3.7	167.8	181.9
2020	1.8	2.1	3.7	3.8	N.A.	N.A.
2021	1.5	1.7	4.0	4.0	N.A.	N.A.

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



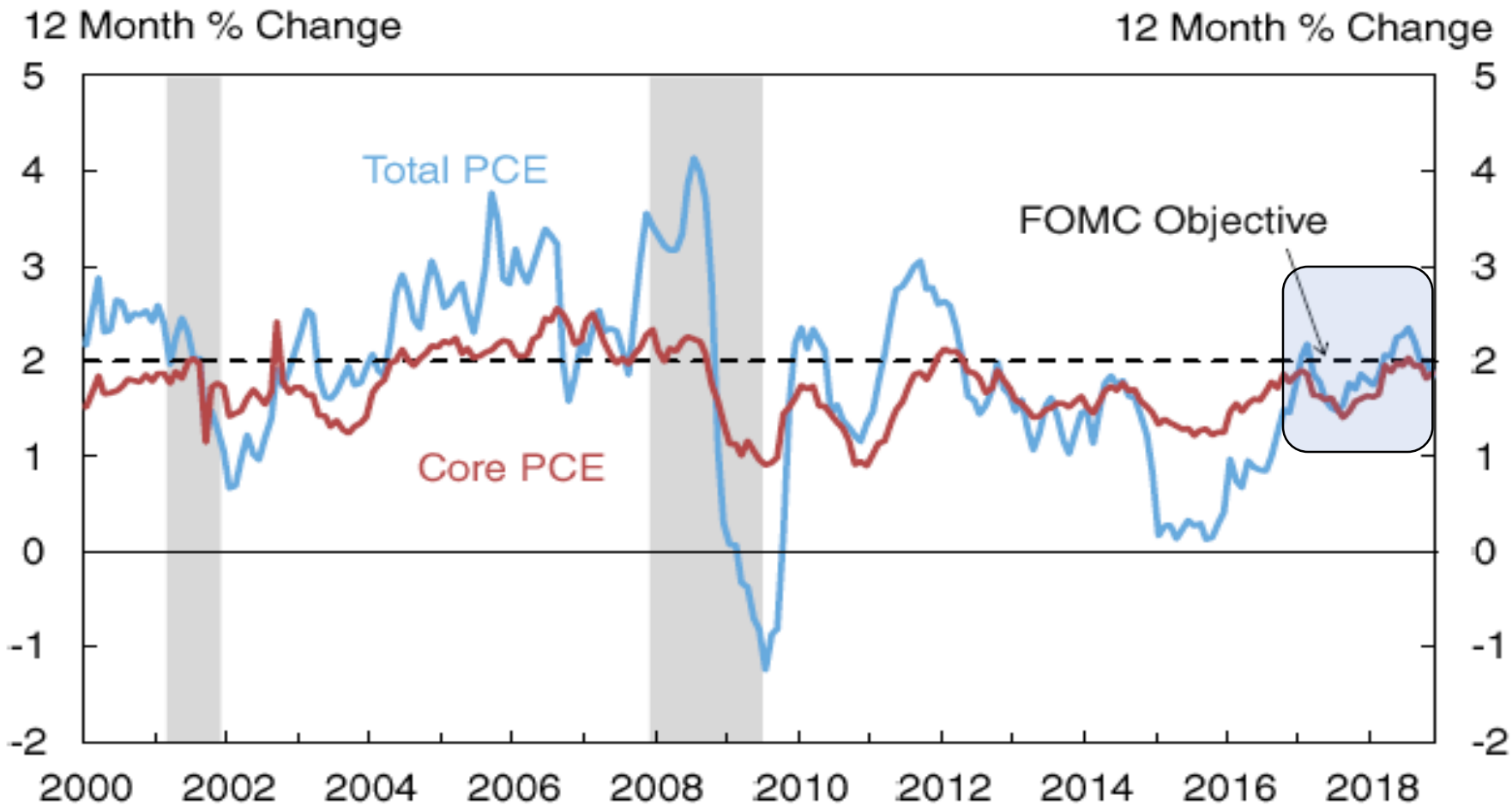
Equity Markets: S&P 500 (Weekly Index), 2015 in contrast



Prices: FED Watching

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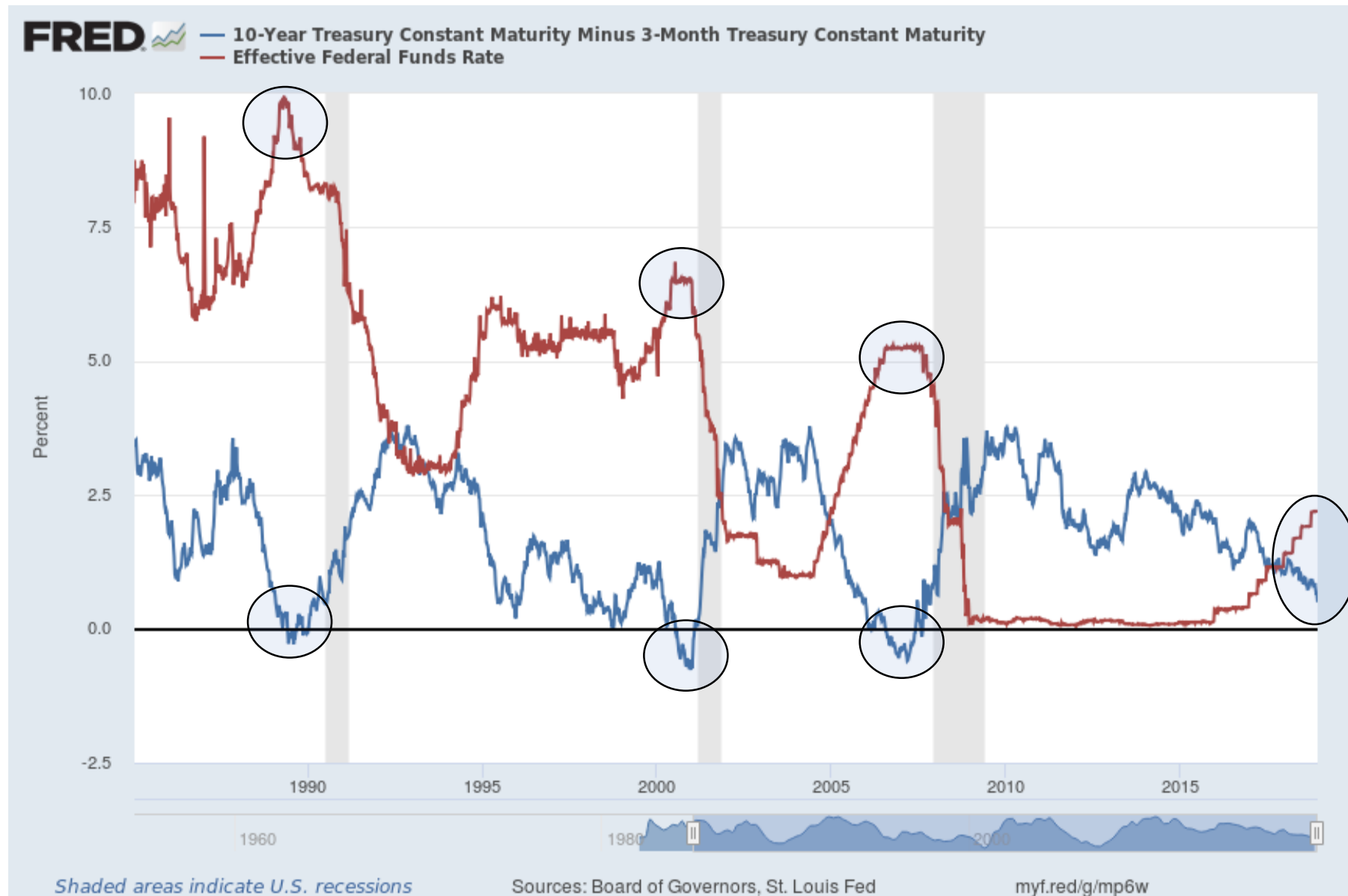
PCE Deflator



Source: Bureau of Economic Analysis
via Haver Analytics

Note: Shading shows NBER recessions.

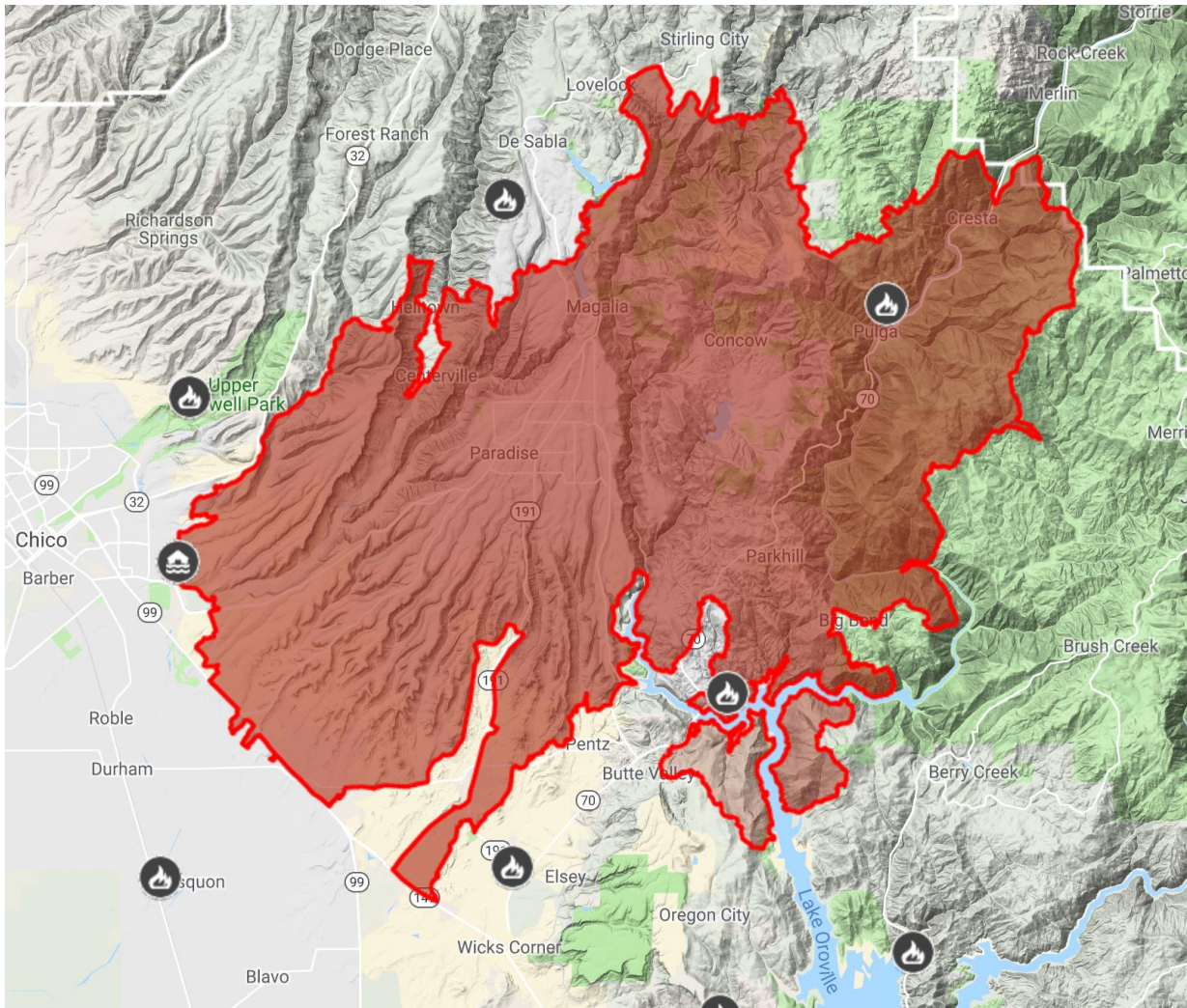
10 yr - 3 Month Spread and Federal Funds Rate, Jan 1985 to October 2018, % Weekly Avg



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

California and North Bay Thinking Fires, Housing, Labor

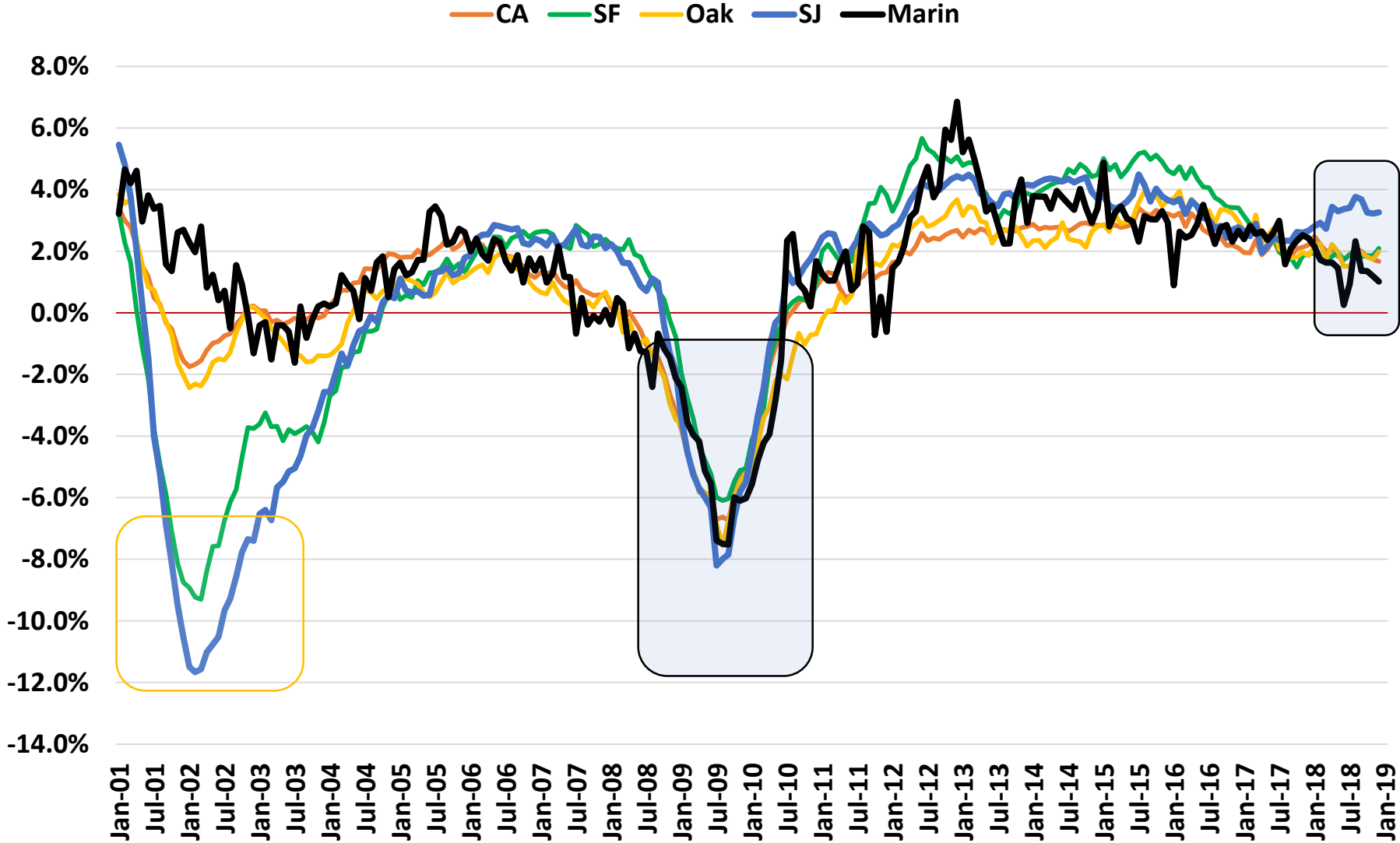


**Fires affect supply
for sure...what
about demand?**

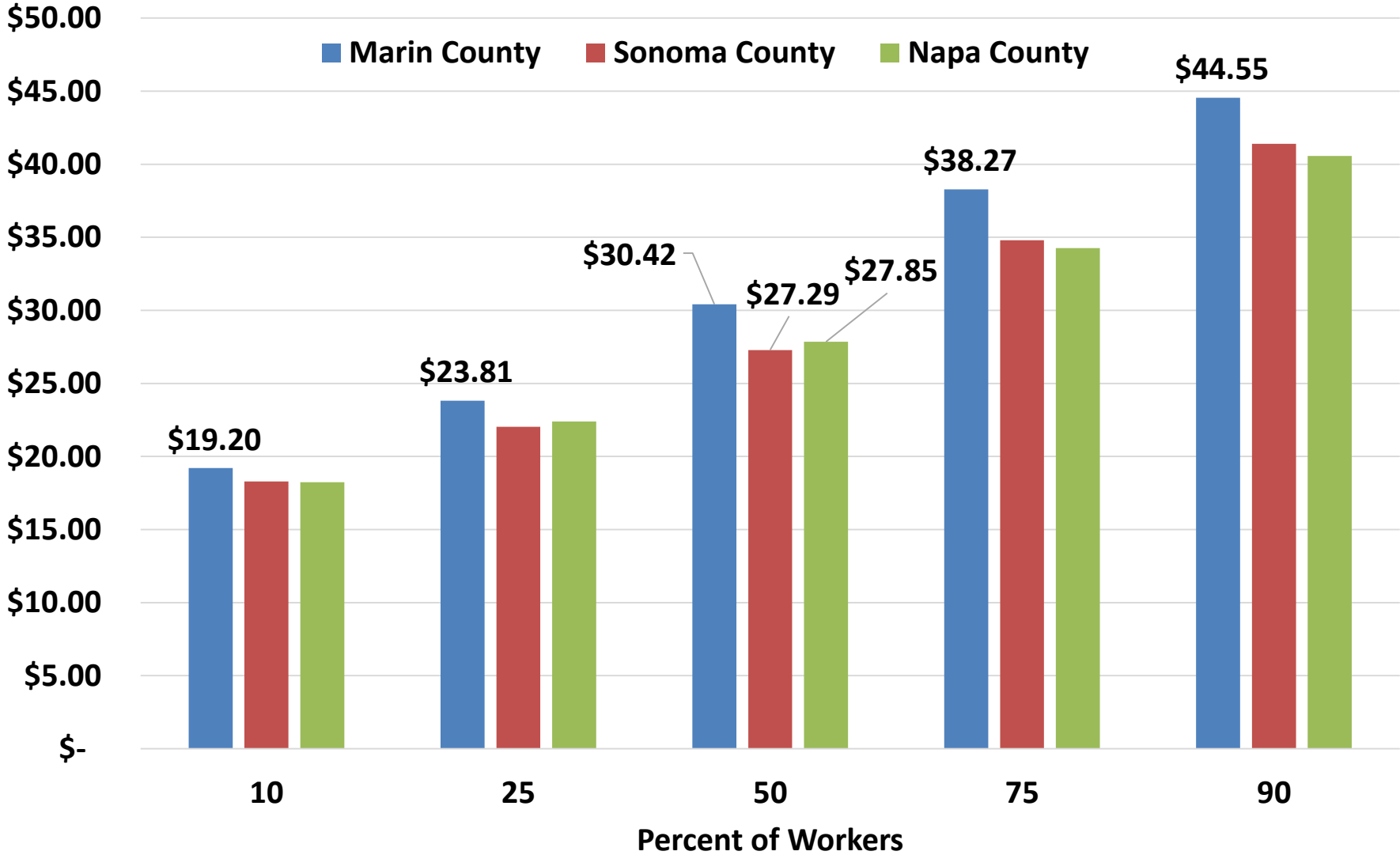
**Marin County
probably, dubiously
positively affected**

**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

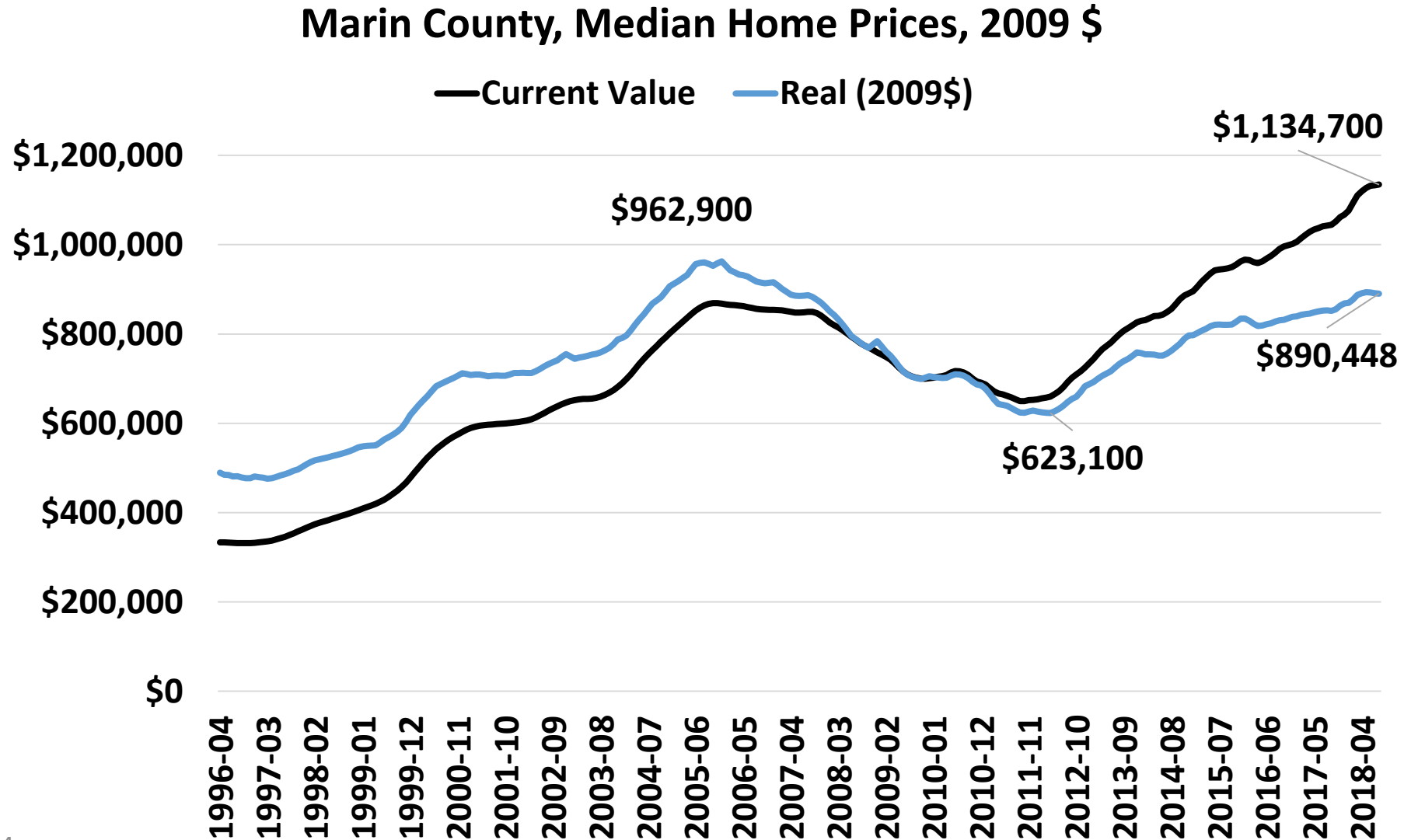


Comparative Wage Distributions, North Bay, 2018, Current Dollars



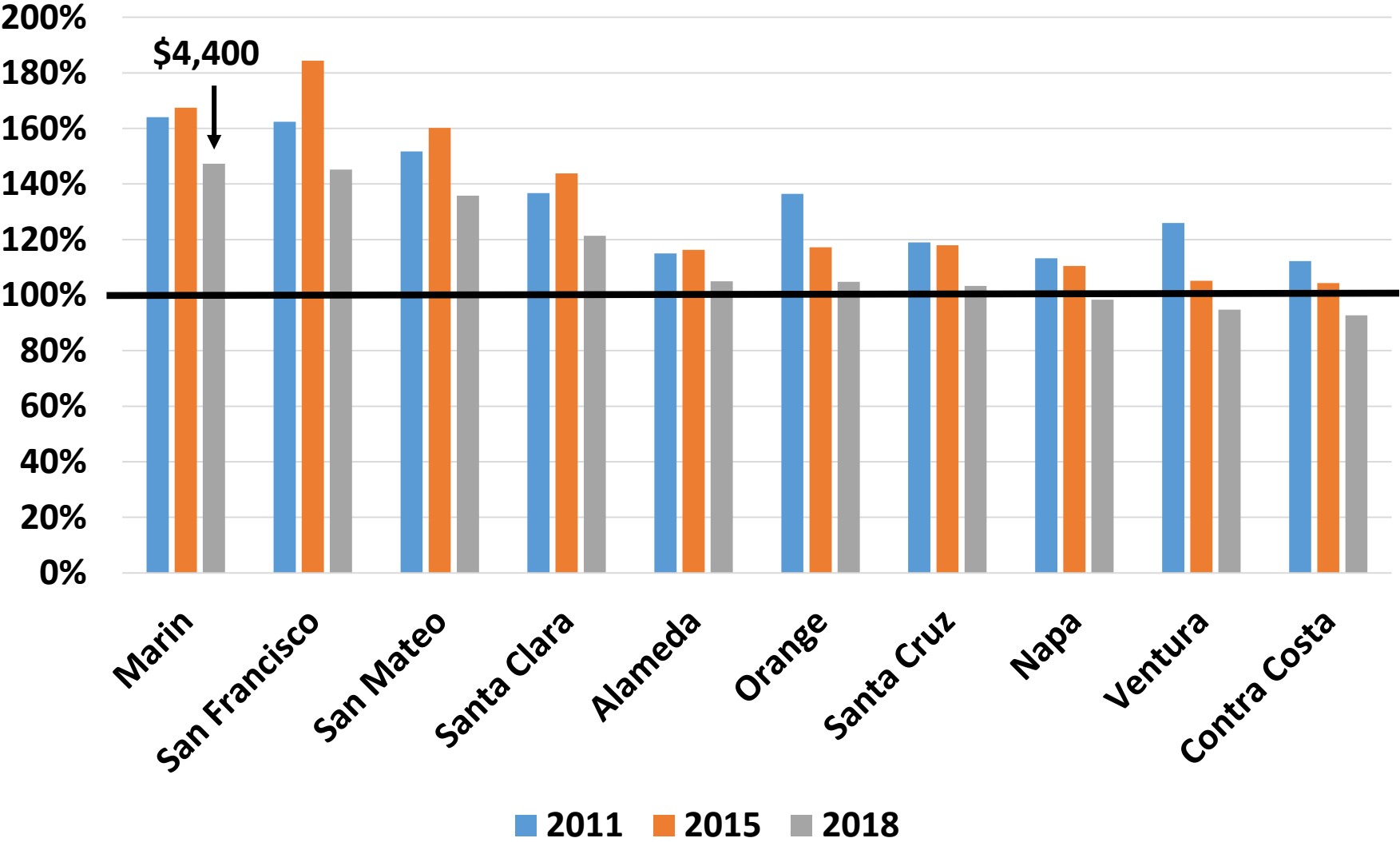
Housing Prices, Marin County

Current and 2009 Dollars, April 1996 – Sept 2018



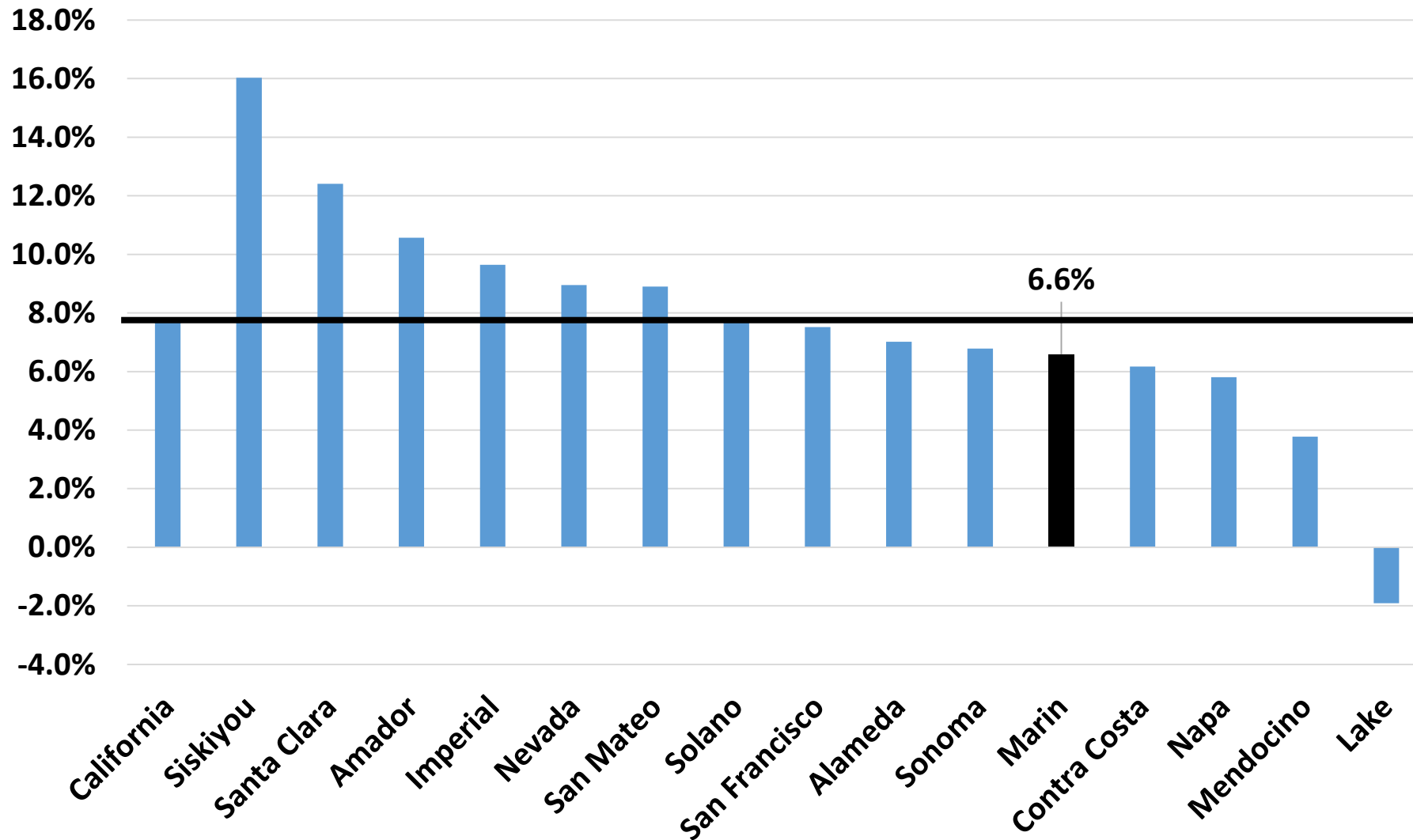
Source: Zillow Research

Comparative Rents, Bay Area, 2011, 2015 and 2018, % of Sonoma County

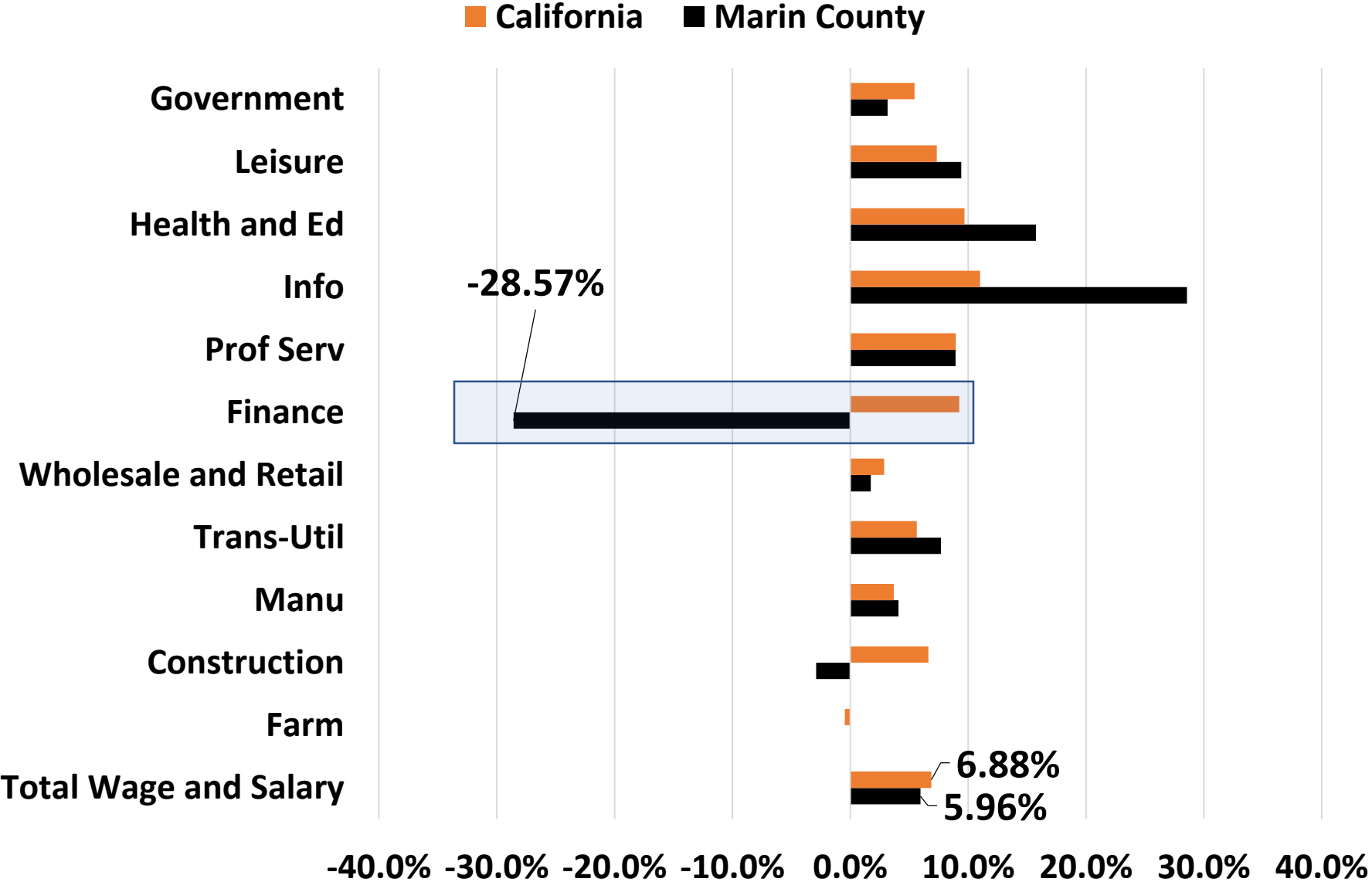


Source: Zillow Research

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



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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