

California Weathers Increased Volatility

The California economy posted another year of solid growth in 2017. California real gross domestic product was up 3.0 percent last year supported by solid job growth and sustained gains in the state's key technology sector. That momentum has slowed a bit and there are signs of increased volatility in the early part of 2018. After a strong January job gain of 48,900 jobs, California job gains were muted in February and turned negative in March. This was the first monthly net job loss in the state since June 2016. Tech sector financials have also been volatile this year as the Dow Jones Technology Stock Index has seen two cycles of 10 percent declines from peak to trough in daily closing prices, followed by periods of above 10 percent rebound in prices. From an economic perspective, this becomes an issue if the uncertainty in financial markets begins to impact business confidence and investment. We expect California job growth to stabilize in the coming months and be a driver of economic activity this year, but we expect volatility in the major financial indices to remain in the near-term.

The state's housing sector continued to improve through the start of 2018, supported by more single-family construction. Permits for new single-family units were up to a 62,000 unit annual rate, or 16.5 percent from a year ago in March, according to the California Department of Finance. This is a positive development for the state's tight housing market which is seeing home prices climb again. The Case-Shiller Home Price Index was up 8.2 percent in L.A., 10 percent in San Francisco and 7.6 percent in San Diego from a year ago in February.

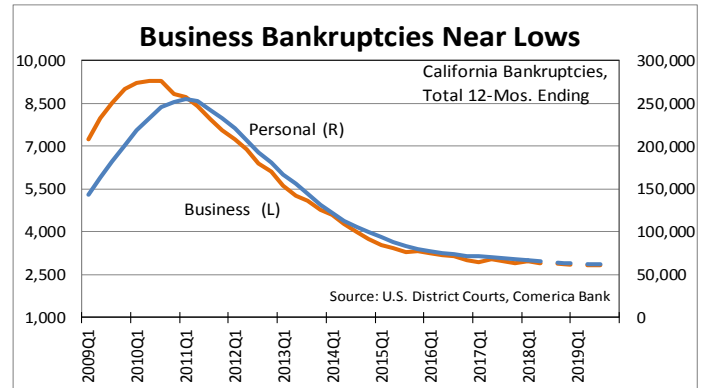
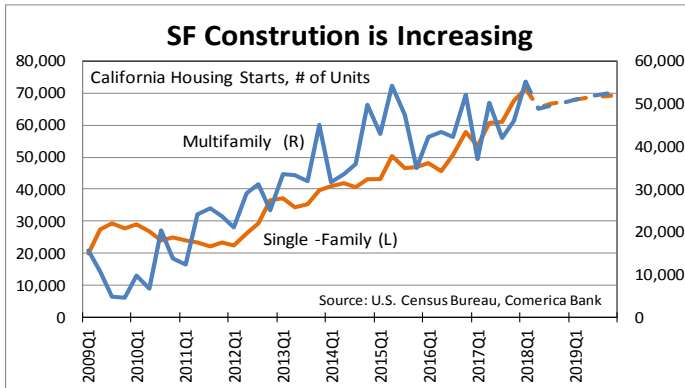
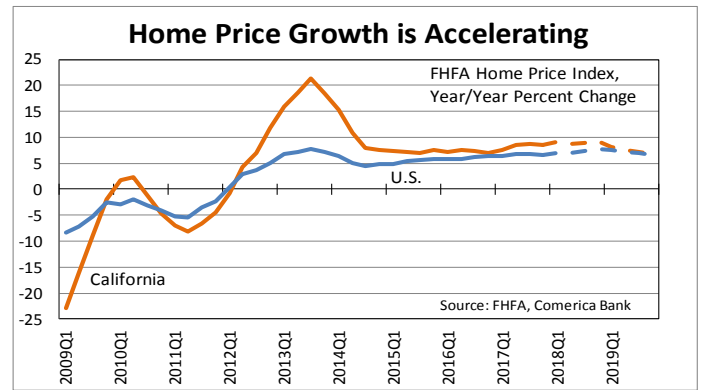
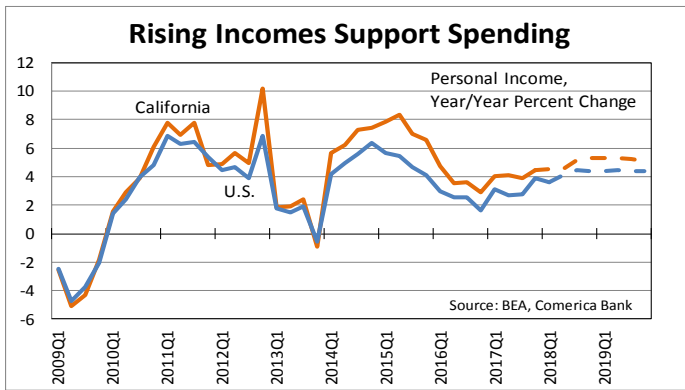
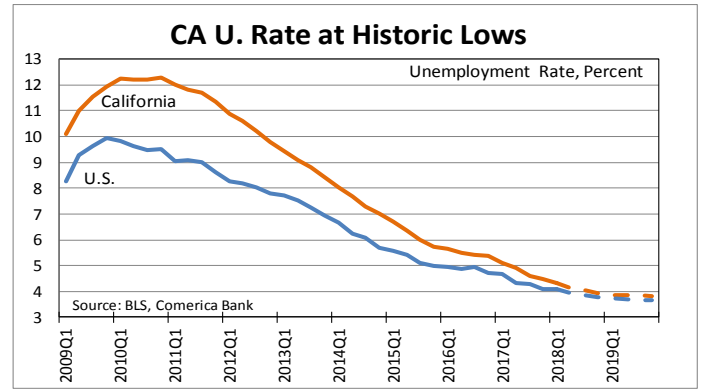
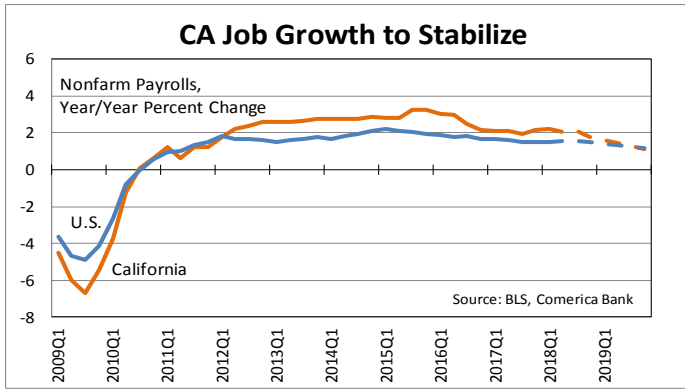
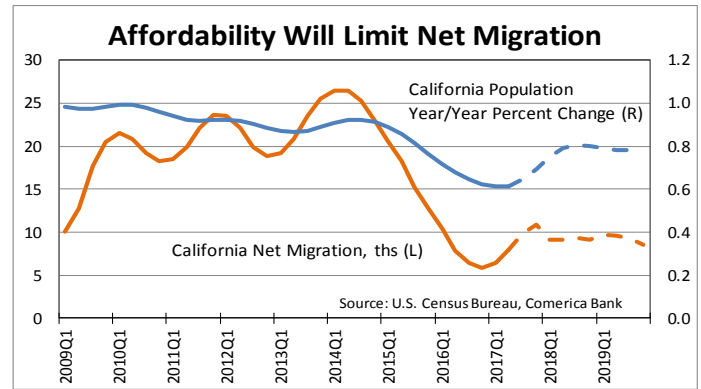
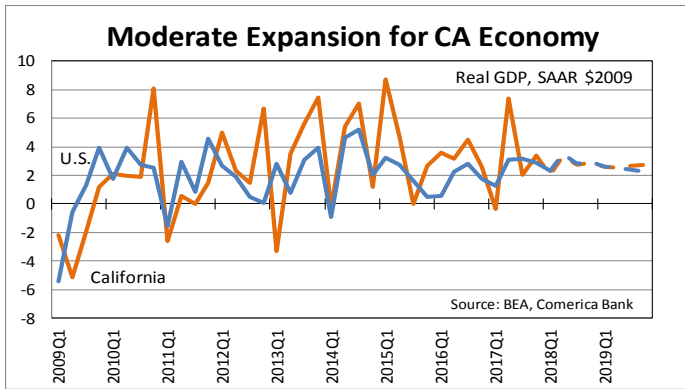
California Economic Outlook

	4Q'17a	1Q'18a	2Q'18f	3Q'18f	4Q'18f	1Q'19f	2Q'19f	3Q'19f	2017a	2018f	2019f
State GDP											
Real GDP (Chained 2009 Millions \$)	2417948	2429977	2450106	2466828	2484394	2500248	2515857	2532642	2386388	2457826	2524672
Percent Change Annualized	3.4	2.0	3.4	2.8	2.9	2.6	2.5	2.7	3.0	3.0	2.7
Labor and Demographics											
Payroll Jobs (Thousands)	16966	17050	17128	17202	17271	17329	17380	17423	16819	17163	17399
Percent Change Annualized	2.9	2.0	1.8	1.8	1.6	1.4	1.2	1.0	2.1	2.0	1.4
Unemployment Rate (Percent)	4.5	4.3	4.1	4.1	3.9	3.9	3.8	3.8	4.8	4.1	3.8
Population (Thousands)	39689	39770	39850	39929	40007	40084	40162	40240	39578	39889	40201
Percent Change Annualized	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.6	0.8	0.8
Net Migration (Thousands)	10.9	9.1	9.1	9.3	9.1	9.7	9.6	9.2	35.1	36.6	37.0
Personal Income											
Total Personal Income (Nom., Millions \$)	2339066	2369472	2400027	2431673	2463999	2495830	2526730	2558636	2303870	2416293	2542890
Percent Change Annualized	4.7	5.3	5.3	5.4	5.4	5.3	5.0	5.1	4.1	4.9	5.2
Housing											
Housing Starts (Total, Ann. Rate)	113466	126485	113989	115994	117580	118878	119942	120797	104410	118512	120345
Percent Change Annualized	47.0	54.4	-34.0	7.2	5.6	4.5	3.6	2.9	9.4	13.5	1.5
SF Housing Starts (# of Units, Ann Rate)	67510	71354	65243	66484	67378	67952	68418	68788	60672	67615	68575
MF Housing Starts (# of Units, Ann Rate)	45956	55131	48746	49510	50203	50925	51524	52010	43738	50897	51770
Existing Home Sales (Ths. of Units, Ann Rate)	480	478	483	489	493	498	501	504	470	486	502
House Prices, FHFA (1991 Q1=100, SA)	272	280	286	291	297	303	308	312	265	288	310
Year/Year Percent Change	8.5	9.1	8.7	8.8	9.2	8.2	7.7	7.2	8.3	9.0	7.5
Bankruptcies											
Total Business (12 Months Ending)	2910	2978	2919	2897	2859	2833	2823	2817	2974	2913	2821
Total Personal (12 Months Ending)	68449	67229	65610	64327	63572	62924	62612	62591	69956	65185	62745

a = actual f = forecast

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