

## California Cooling

Economic data released for the first quarter is consistent with a moderate expansion for the California economy at the start of the year. California GDP has grown at or above 3 percent since 2013. However, there are signs that some of the major economic drivers are cooling. The state added 51,300 jobs in Q1. This is about half the job gains seen in 2018Q1, and the slowest start to the year since 2016. While we expect job growth to pickup in Q2, the overall trend in the pace of hiring will be slightly weaker in 2019 than in 2018. California has also seen a slowdown in the residential housing sector. Both single-family and multifamily housing starts have been on a downward trend since early 2018. In the near-term lower mortgage rates may be able to help stabilize new home construction this year. However, the longer run trends of low affordability and net outflow of people from the state are more difficult to overcome. Home prices across the state's major metropolitan areas are increasing at the slowest rates since turning positive in 2012. The year-over-year change in the Case Shiller Home Price Index for Los Angeles was up 1.8 percent, San Francisco was up 1.3 percent and San Diego was up 1.0 percent in February. Ongoing trade tension between the U.S and China is a major risk factor for the California's trade sector. Combined imports for the Ports of Long Beach and Los Angeles were up just 0.8 percent while exports were down by 8.9 percent from a year ago in April. The Trump Administration implemented additional tariffs on \$200 billion worth of Chinese goods on May 10 and the Chinese government has threatened retaliatory tariffs in response.

### California Economic Outlook

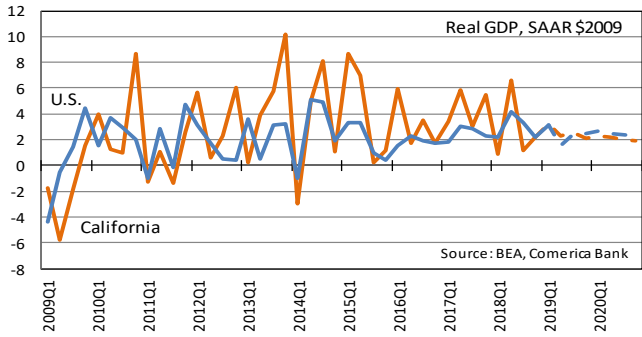
	4Q'18a	1Q'19a	2Q'19f	3Q'19f	4Q'19f	1Q'20f	2Q'20f	3Q'20f	2018a	2019f	2020f
<b>State GDP</b>											
Real GDP (Chained 2009 Millions \$)	2703597	2725137	2740730	2757994	2772547	2788166	2803044	2817245	2677939	2749102	2809804
<b>Percent Change Annualized</b>	<b>2.2</b>	<b>3.2</b>	<b>2.3</b>	<b>2.5</b>	<b>2.1</b>	<b>2.3</b>	<b>2.2</b>	<b>2.0</b>	<b>3.5</b>	<b>2.7</b>	<b>2.2</b>
<b>Labor and Demographics</b>											
Payroll Jobs (Thousands)	17281	17330	17401	17472	17538	17604	17667	17728	17181	17435	17696
<b>Percent Change Annualized</b>	<b>1.9</b>	<b>1.1</b>	<b>1.6</b>	<b>1.7</b>	<b>1.5</b>	<b>1.5</b>	<b>1.5</b>	<b>1.4</b>	<b>2.0</b>	<b>1.5</b>	<b>1.5</b>
Unemployment Rate (Percent)	4.1	4.2	4.1	4.0	3.9	3.9	3.8	3.8	4.2	4.0	3.8
Population (Thousands)	39655	39709	39762	39815	39866	39918	39969	40020	39584	39788	39995
<b>Percent Change Annualized</b>	<b>0.5</b>	<b>0.5</b>	<b>0.5</b>	<b>0.5</b>	<b>0.5</b>	<b>0.5</b>	<b>0.5</b>	<b>0.5</b>	<b>0.4</b>	<b>0.5</b>	<b>0.5</b>
Net Migration (Thousands)	-8.5	-8.7	-8.7	-8.3	-8.1	-8.2	-7.9	-7.9	-38.0	-33.7	-31.8
<b>Personal Income</b>											
Total Personal Income (Nom., Millions \$)	2516239	2543735	2578526	2610232	2641929	2673154	2703776	2734945	2475727	2593605	2719606
<b>Percent Change Annualized</b>	<b>5.2</b>	<b>4.4</b>	<b>5.6</b>	<b>5.0</b>	<b>4.9</b>	<b>4.8</b>	<b>4.7</b>	<b>4.7</b>	<b>4.7</b>	<b>4.8</b>	<b>4.9</b>
<b>Housing</b>											
Housing Starts (Total, Ann. Rate)	90008	90664	96915	98059	98575	98882	99117	99317	112208	96053	99236
<b>Percent Change Annualized</b>	<b>-56.8</b>	<b>2.9</b>	<b>30.6</b>	<b>4.8</b>	<b>2.1</b>	<b>1.3</b>	<b>1.0</b>	<b>0.8</b>	<b>8.6</b>	<b>-14.4</b>	<b>3.3</b>
SF Housing Starts (# of Units, Ann Rate)	55546	53461	54431	55105	55399	55596	55777	55876	65092	54599	55832
MF Housing Starts (# of Units, Ann Rate)	34461	37203	42484	42954	43176	43286	43340	43441	47116	41454	43404
Existing Home Sales (Ths. of Units, Ann Rate)	416	425	425	425	427	427	428	429	443	426	428
House Prices, FHFA (1991 Q1=100, SA)	285	288	291	293	296	299	303	306	282	292	305
<b>Year/Year Percent Change</b>	<b>5.4</b>	<b>3.7</b>	<b>3.8</b>	<b>3.6</b>	<b>3.8</b>	<b>4.0</b>	<b>4.2</b>	<b>4.3</b>	<b>7.1</b>	<b>3.7</b>	<b>4.3</b>
<b>Bankruptcies</b>											
Total Business (12 Months Ending)	2813	2683	2667	2652	2642	2631	2630	2639	2860	2661	2638
Total Personal (12 Months Ending)	65855	65846	66033	65721	65714	65805	65978	66241	66437	65829	66126

a = actual f = forecast

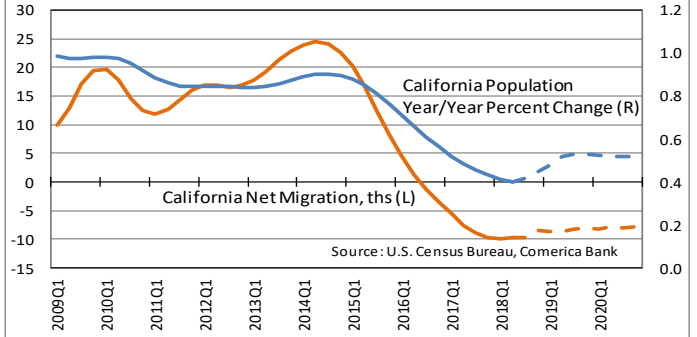
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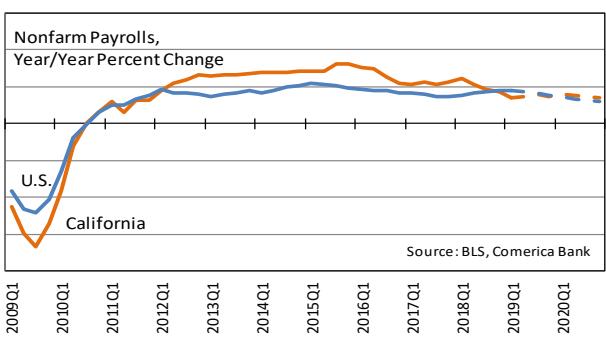
## CA Economic Growth to Cool



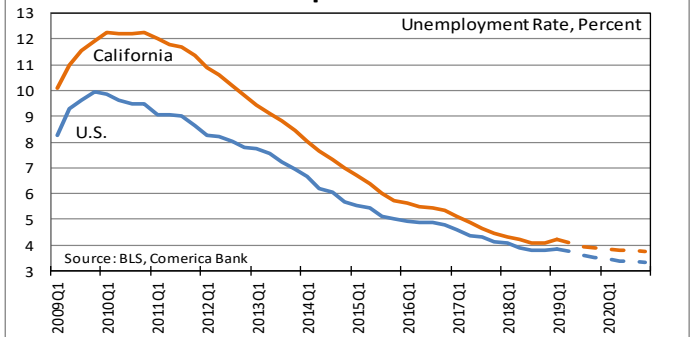
## Population Growth to Remain Low



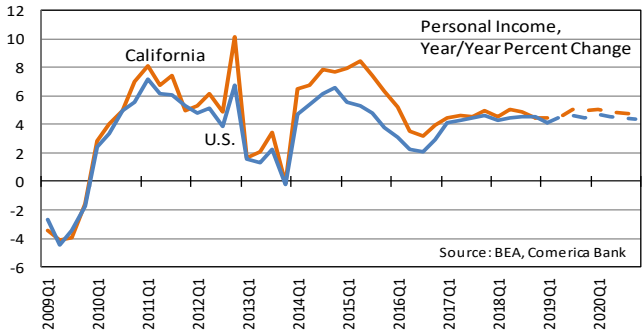
## CA Job Growth Slows



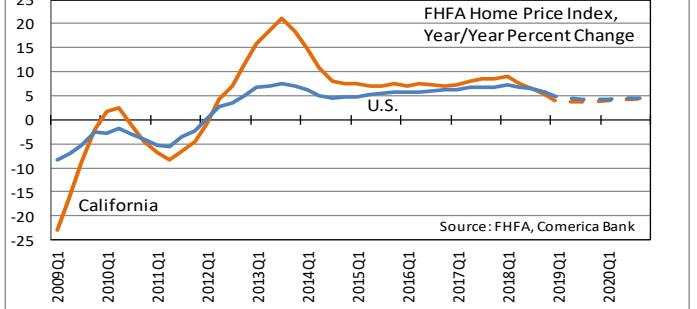
## CA U. Rate Up to 4.3% in March



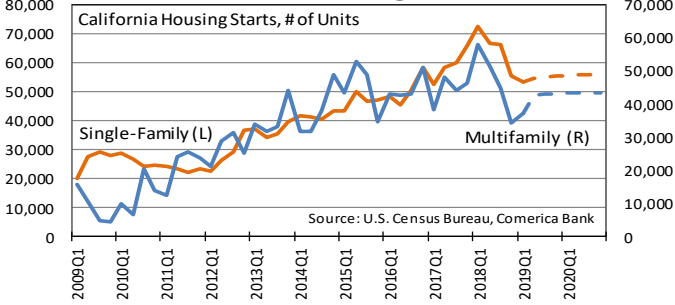
## Incomes Continue to Improve



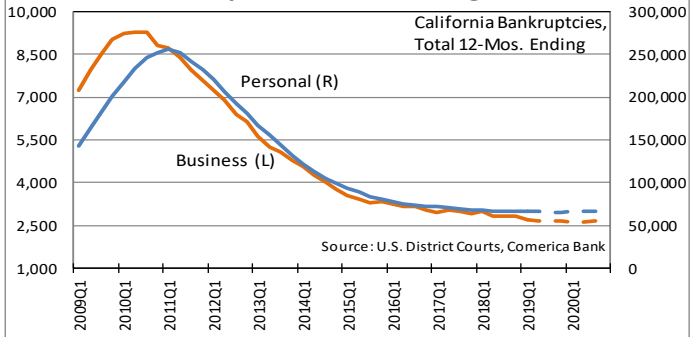
## Home Price Growth Edges Lower in Major Metropolitan Areas



## New Residential Construction Saw Further Slowing in Q1



## Bankruptcies Are Levelling Out



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