

Focus on Moreno Valley

August 2017

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Forecasting and Development*

*The more things change...
...the more the economy stays the same.*

Forecasting 101



The Rise of Miserabilism

If it ain't broke... don't fix it

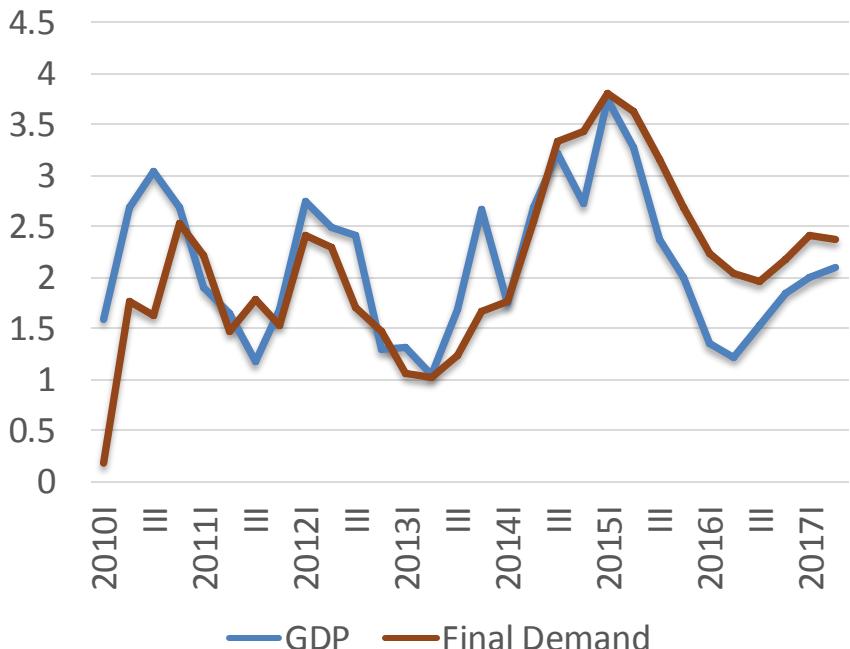
- US GDP is growing slow, but it is growing
- Fundamentals still fine, no sign of looming recession
- U.S.: 5% world's population, 20% of the world's consumption
- Real incomes have been rising, true well-being even more so
- Labor markets are tight
- Inflation slow, interest rates low
- Business investment solid, profits are high
- US energy: too successful for its own good
- Manufacturing: doing just fine
- Housing market—signs of progress
- California still out in front

The true challenges

- Political Gridlock, self inflicted wounds
- State and Local budgets still stressed
- Under-investment in infrastructure
- Health cost inflation
- A broken tax system
- Underfunded pensions and entitlements
- An under-performing housing market / bad financial regulations (Dodd-Frank)
- State housing supply shortages
- Growing wealth inequality
- The growing disconnect between political debate and reality

GDP Q2: Picking up

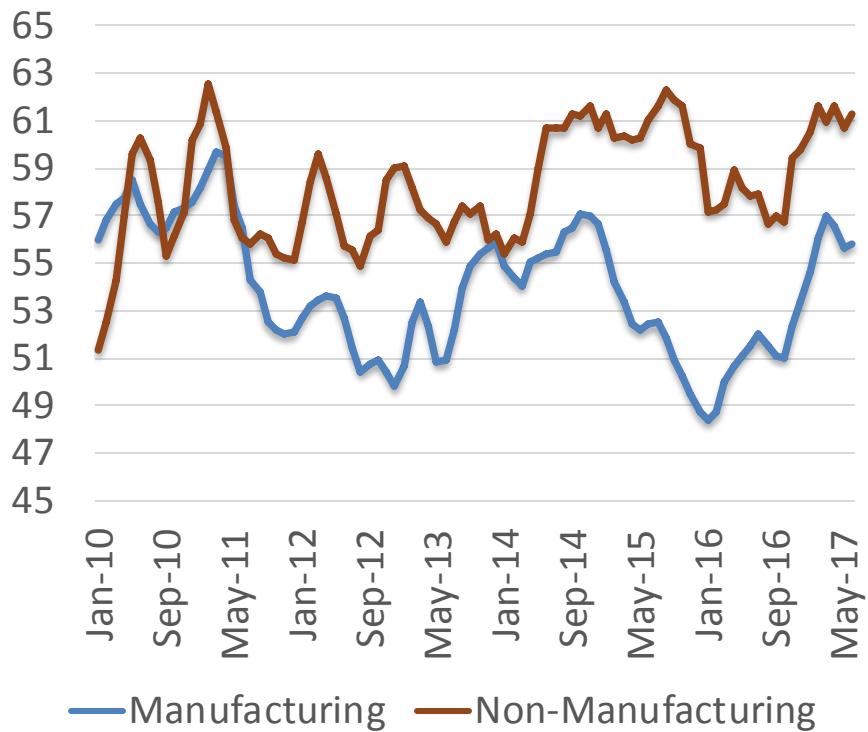
**Output and Demand Growth
(Y-o-Y)**



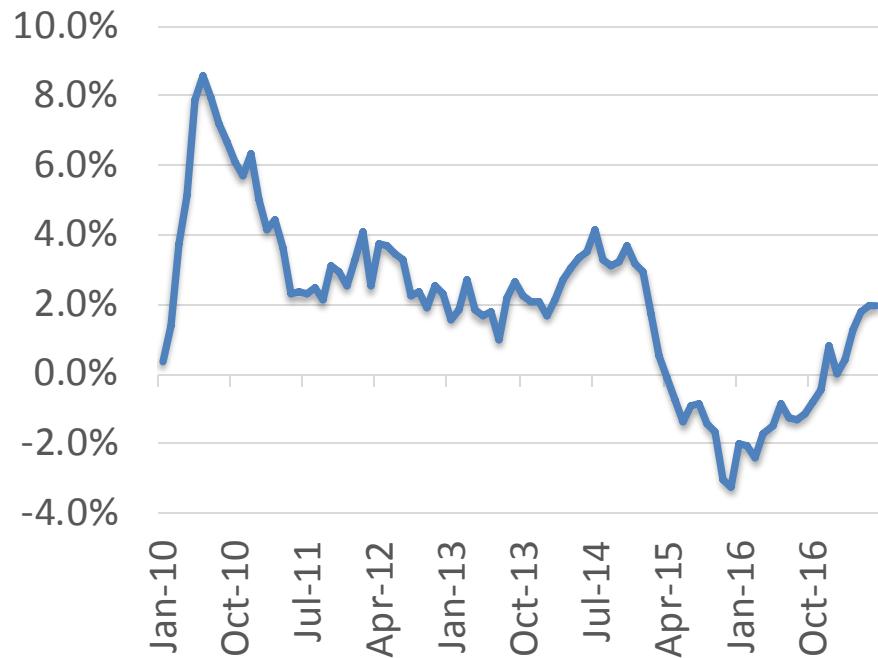
	2015	2016	2017H1
GDP	2.00	1.85	1.90
Final Demand	2.70	2.19	2.44
Consumer	2.04	1.93	1.63
Dur	0.47	0.51	0.23
N Dur	0.41	0.36	0.36
Serv	1.17	1.06	1.04
Investment	0.40	0.18	0.82
Struct	-0.28	0.10	0.27
Equip	0.21	-0.22	0.34
IPP	0.13	0.21	0.15
Res	0.35	0.09	0.07
Inventory	-0.02	-0.02	-0.74
Net exports	-0.68	-0.31	0.20
Exports	-0.23	0.07	0.67
Imports	-0.45	-0.38	-0.47
Government	0.28	0.07	0.01
Federal	0.08	-0.02	-0.01
Local	0.20	0.09	0.02

Industrial Activity

ISM Indexes to June (Soothed)

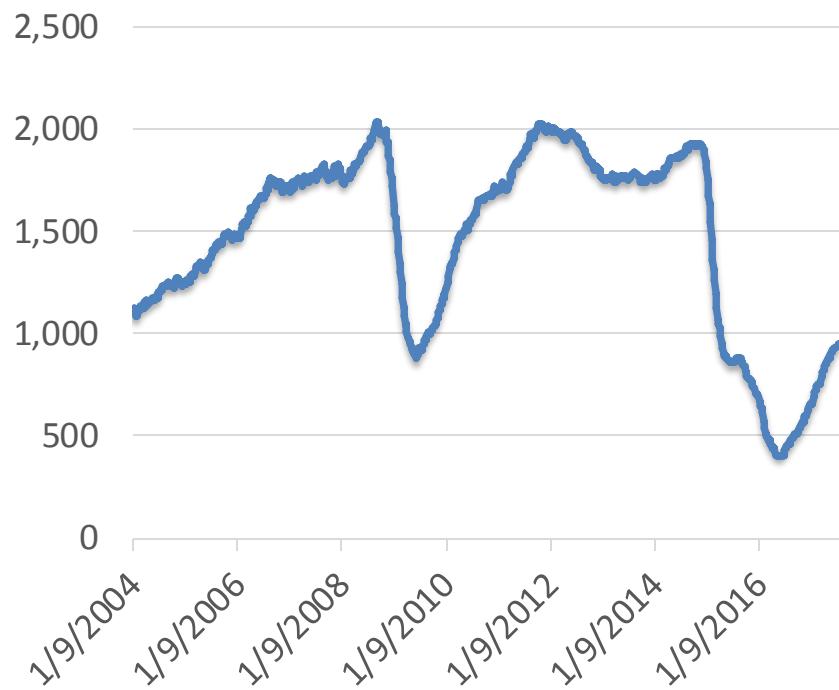


Industrial Production Y-o-Y Growth

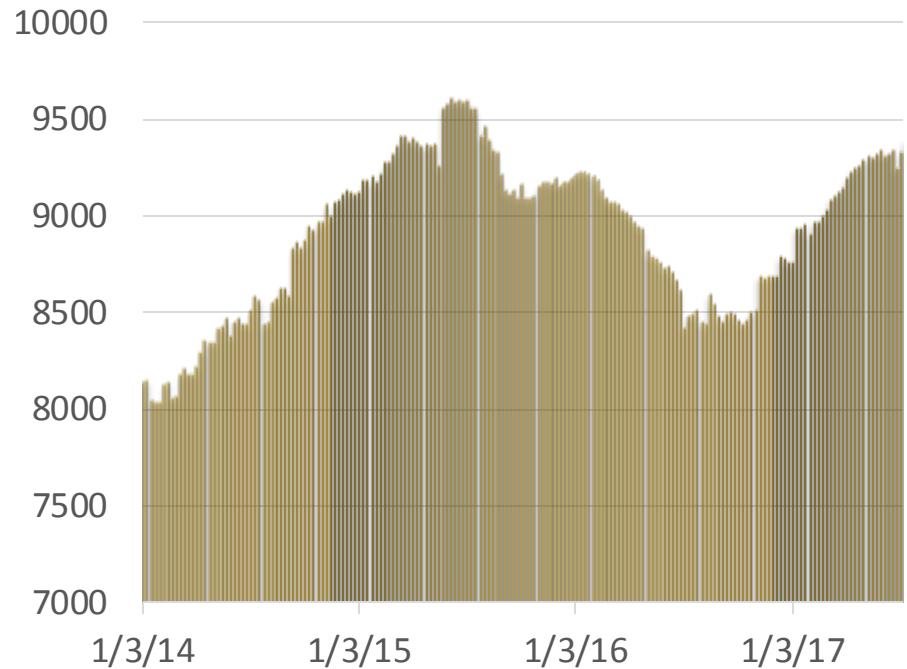


Oil Booming... at \$50 / Barrel

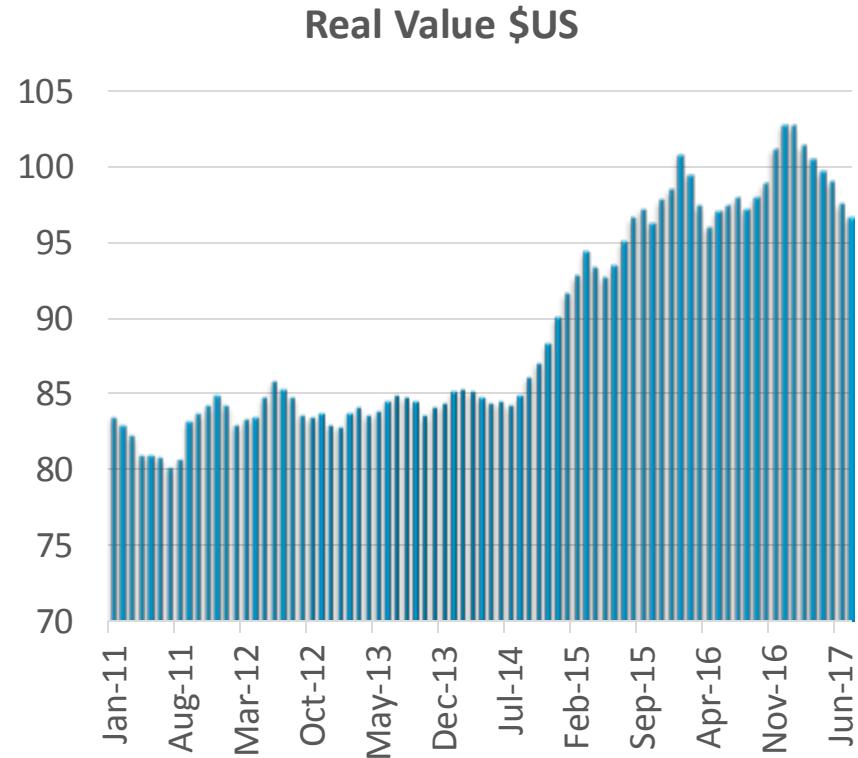
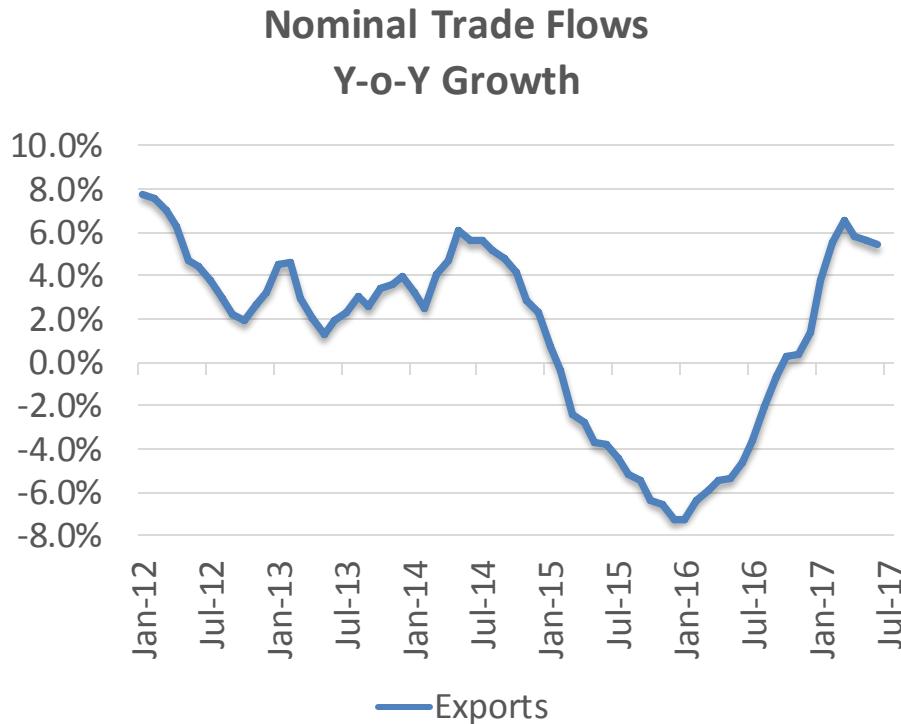
Baker Hughes Rig Count



Weekly Production
(Thous Barrels / Day)

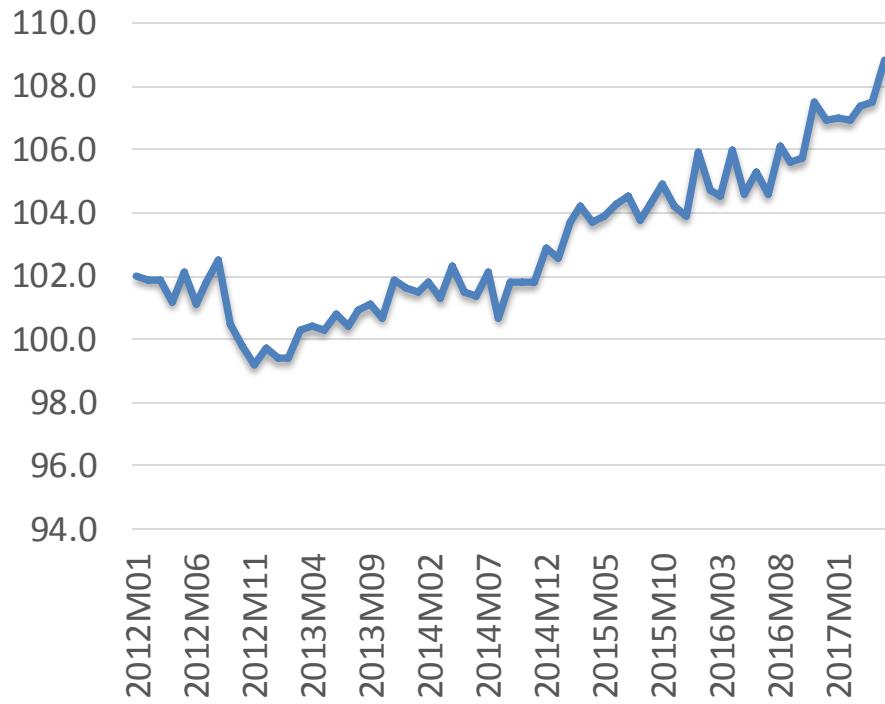


External Accounts



EU: On the Rise

EU Industrial Production (28 Country)

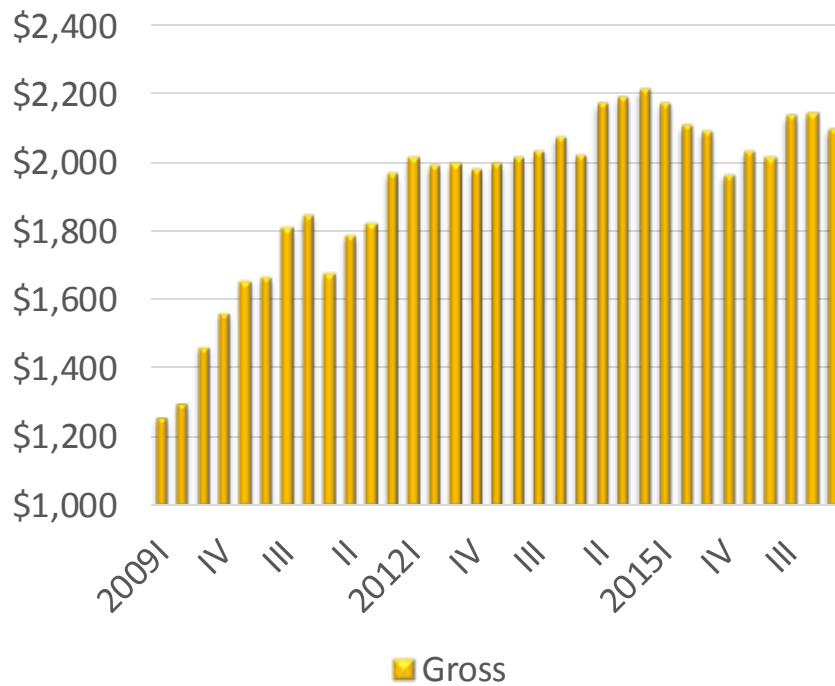


CPI Inflation EU

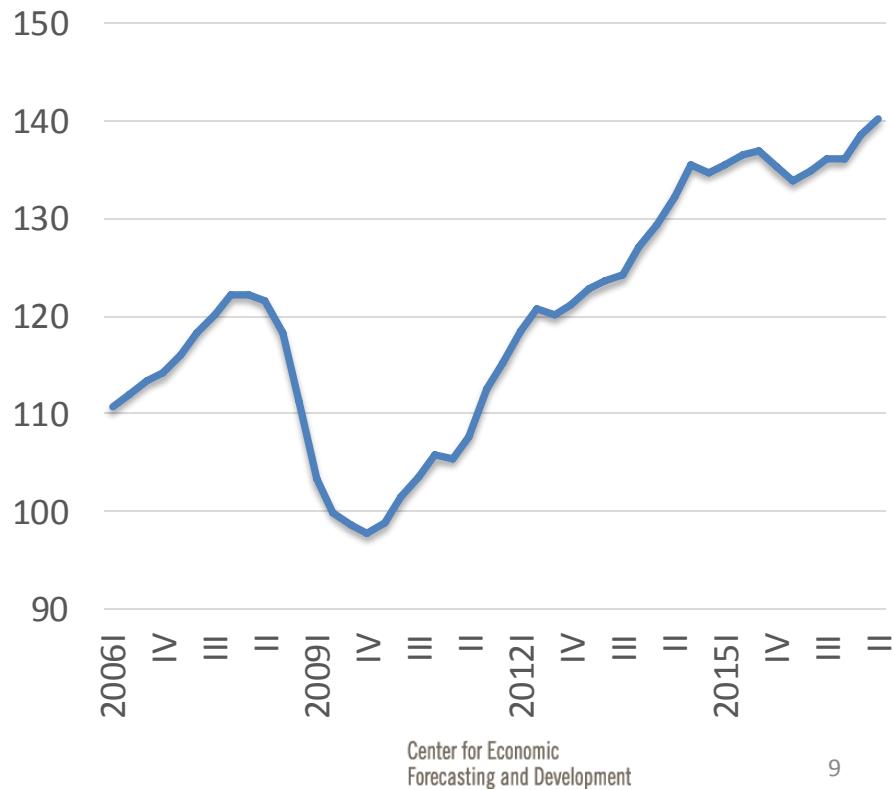


Business Investment: Up

Gross Corporate Profits with CCA and
Inv Adj



Real Nonresidential Investment

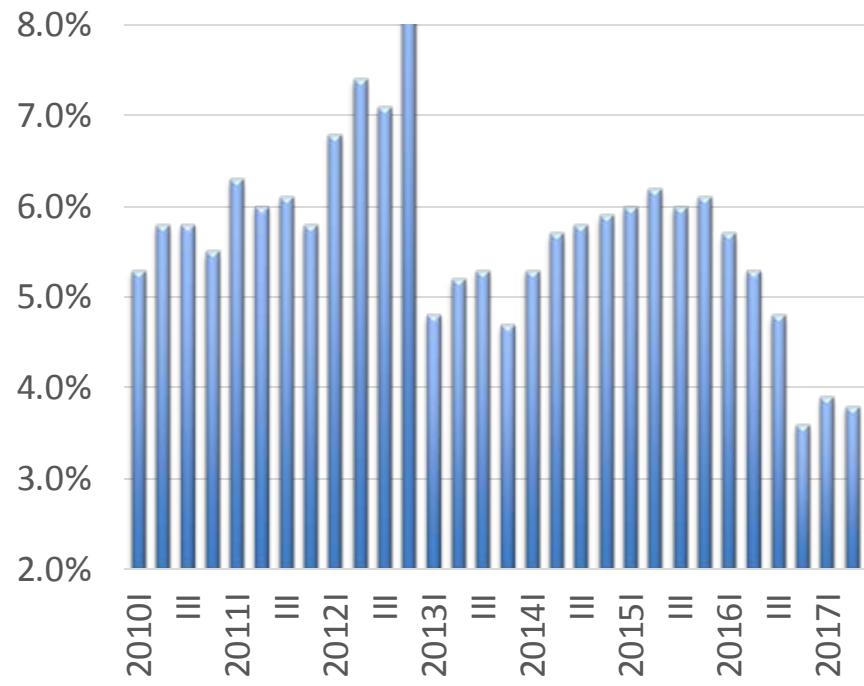


Consumer Spending

Y-o-Y Growth Real Consumer Spending

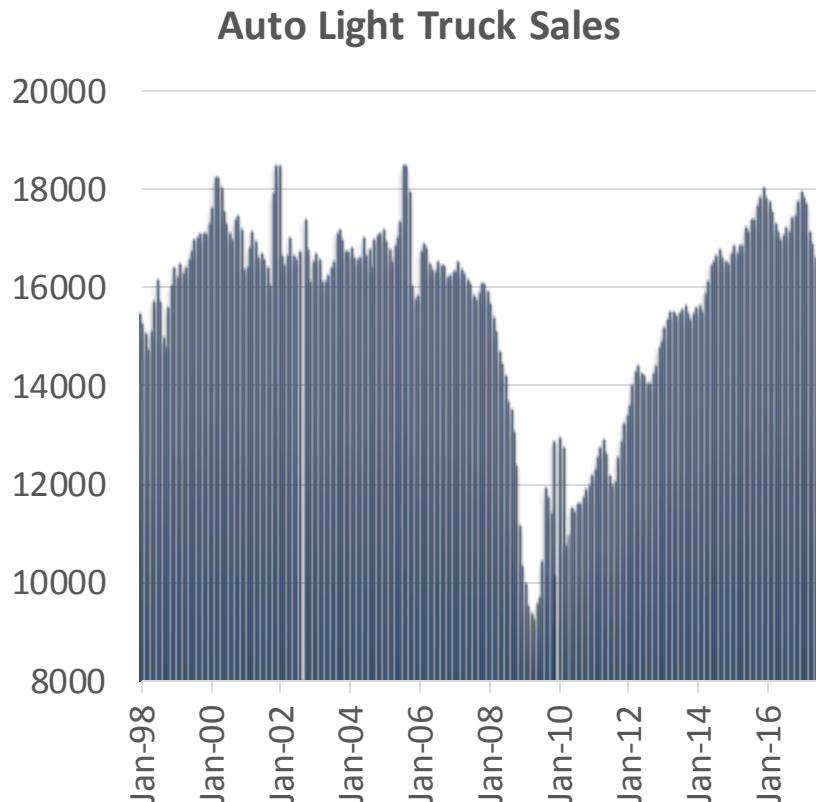


Consumer Savings Rate

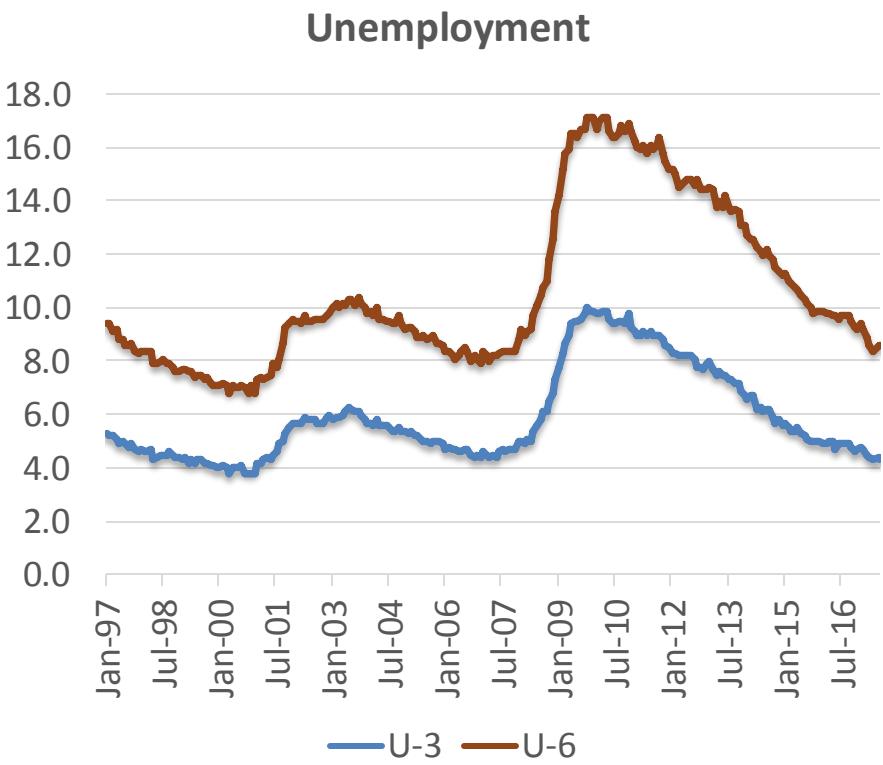
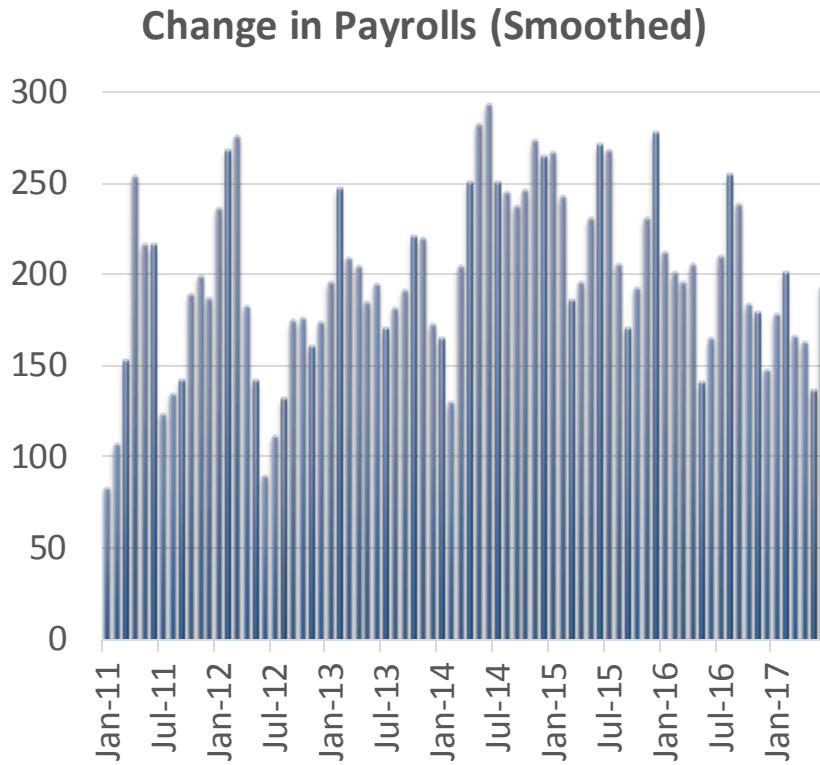


Consumer Spending by Type

	2015	2017	Diff
Personal consumption	3.35	2.35	-1.00
Motor vehicles and parts	0.39	-0.22	-0.61
Food and accommodations	0.26	0.04	-0.22
Health care	0.62	0.43	-0.19
Gasoline and other energy	0.14	-0.01	-0.15
Transportation services	0.14	0.06	-0.08
Housing and utilities	0.30	0.23	-0.08
Other durable goods	0.13	0.06	-0.07
Recreation services	0.10	0.07	-0.03
Furnishings	0.18	0.16	-0.02
Clothing and footwear	0.05	0.08	0.03
Financial services	0.35	0.42	0.08
Other nondurable goods	0.31	0.39	0.08
Recreational goods	0.20	0.34	0.15



Labor Markets



Labor Market Dynamics

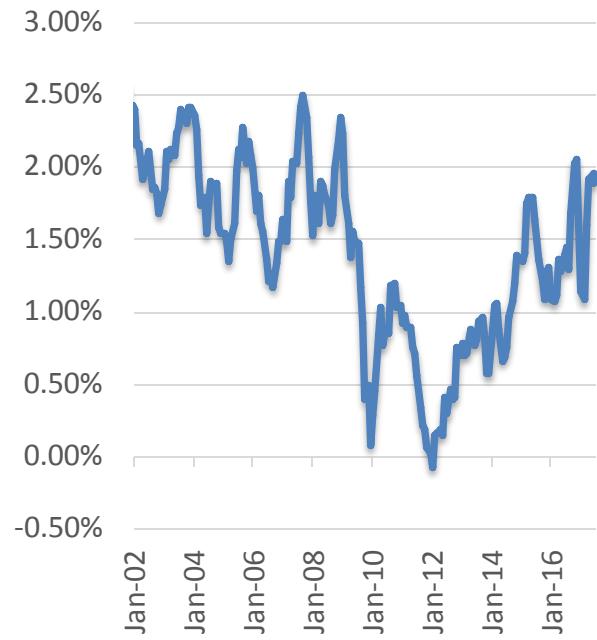
JOLT Jobs Data



Labor Force Growth

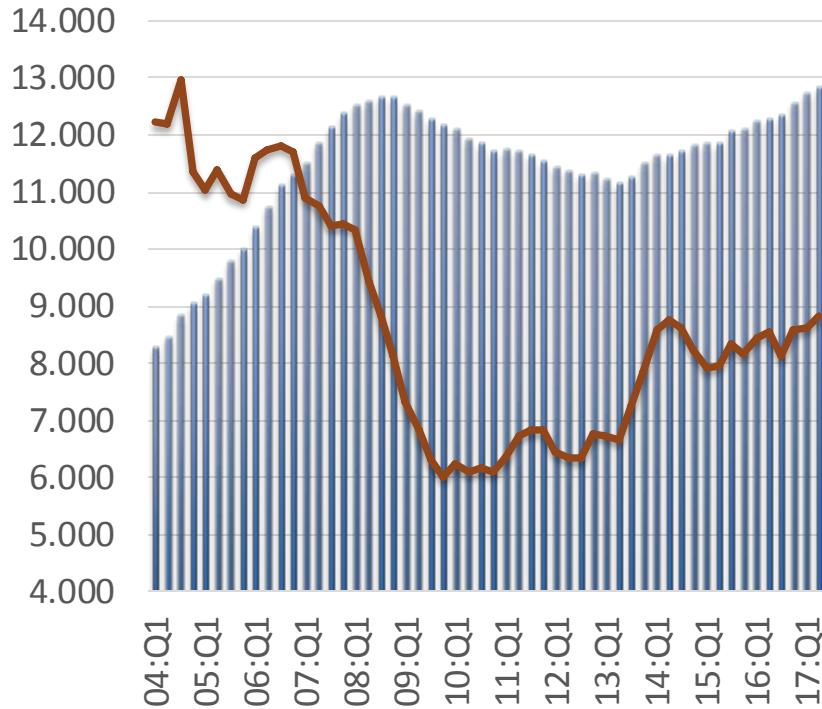


Real Wage Gains (Atlanta Fed adj) Full Time Workers

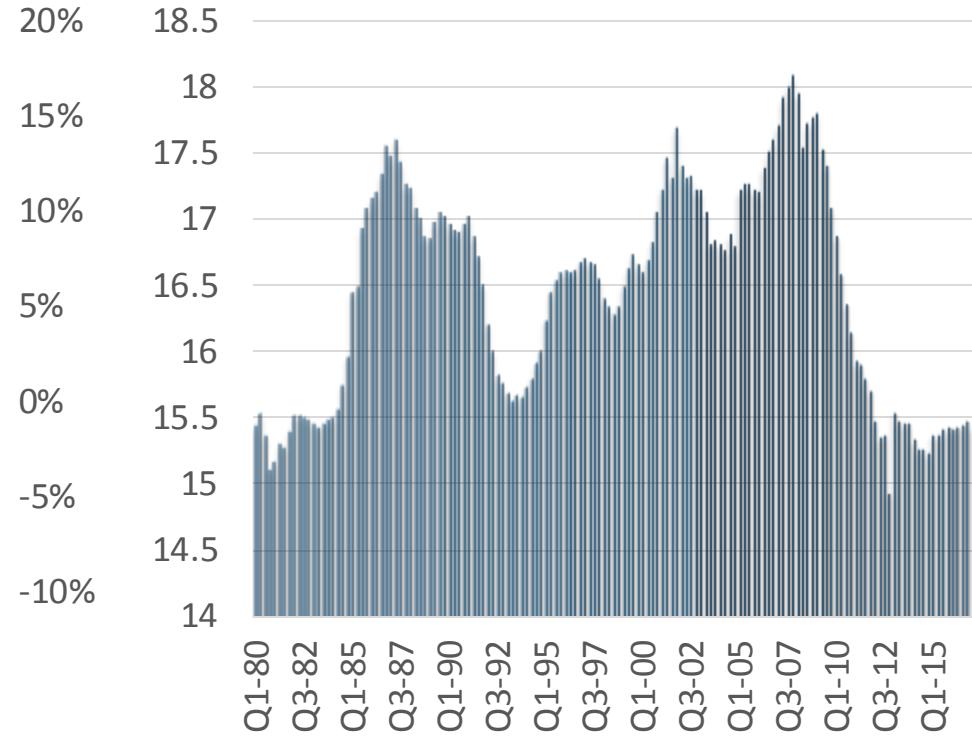


Consumer Credit

Outstanding Consumer Credit



Financial Obligation Ratio



Income Stagnation?



Local Economic Performance

State Unemployment Rate Nov 2016

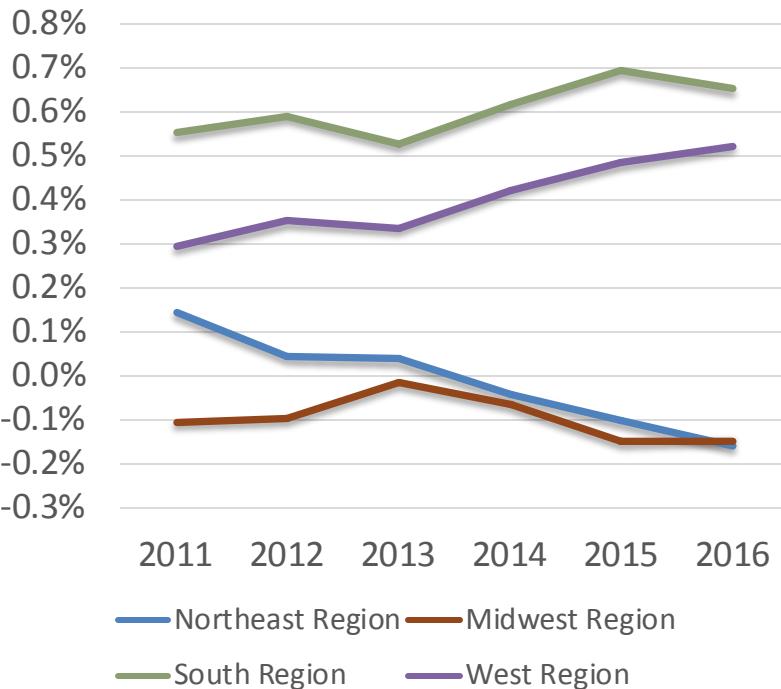
Alaska	6.9	Wyoming	5.3	Iowa	4.2
New Mexico	6.7	Missouri	5.2	Maryland	4.2
Louisiana	6.4	Oklahoma	5.2	Maine	4.1
DC	6.1	Georgia	5.1	Wisconsin	4.1
Mississippi	6	Kentucky	5	Arkansas	4
Nevada	5.8	New York	5	Minnesota	4
West Virginia	5.8	South Carolina	4.9	Virginia	4
Pennsylvania	5.7	Ohio	4.8	Idaho	3.8
Rhode Island	5.6	Texas	4.8	Colorado	3.6
Washington	5.6	Florida	4.7	Massachusetts	3.6
Arizona	5.5	North Carolina	4.7	Utah	3.4
California	5.5	Michigan	4.6	Hawaii	3.3
Illinois	5.5	Tennessee	4.6	Vermont	3.3
Oregon	5.5	Indiana	4.5	Nebraska	3.2
Alabama	5.4	Kansas	4.4	North Dakota	3
Connecticut	5.4	Delaware	4.3	New Hampshire	2.9
New Jersey	5.3	Montana	4.3	South Dakota	2.9

State Participation 2015

Minnesota	70.2	Penn	62.8
Wisconsin	68.0	Ohio	62.5
Maryland	66.8	California	62.2
Colorado	66.7	Georgia	61.3
Missouri	65.6	N Carolina	61.2
Virginia	65.2	New York	61.1
Mass.	64.9	Louisiana	60.5
Illinois	64.7	Michigan	60.3
New Jersey	64.1	Arizona	59.8
Indiana	63.7	Tennessee	59.3
Texas	63.7	Florida	59.3
Washington	63.0	S Carolina	59.0

Population Shifts

Net Migration (% of Pop) by region

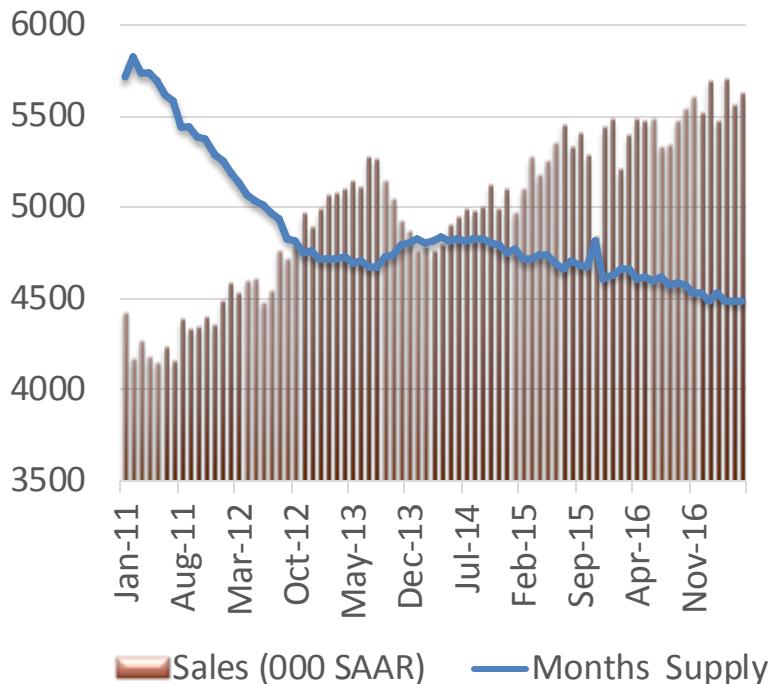


Net Migration by State 14-16

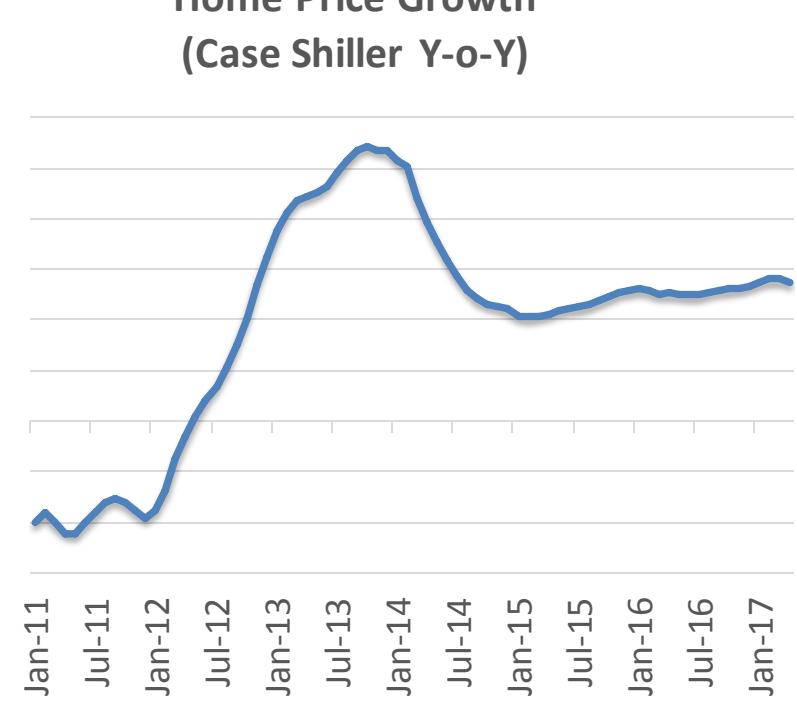
Florida	1.51%	Ohio	-0.05%
Nevada	1.27%	Penn	-0.06%
Colorado	1.10%	Wisconsin	-0.08%
Oregon	1.08%	Michigan	-0.08%
South Carolina	1.04%	New Jersey	-0.14%
Washington	0.99%	Vermont	-0.19%
Arizona	0.96%	W Virginia	-0.26%
Texas	0.90%	New York	-0.27%
North Dakota	0.79%	Mississippi	-0.28%
Idaho	0.77%	Kansas	-0.30%
Delaware	0.66%	Connecticut	-0.32%
North Carolina	0.66%	Wyoming	-0.35%
Montana	0.60%	New Mexico	-0.47%
Georgia	0.54%	Illinois	-0.58%
Tennessee	0.53%	Alaska	-0.73%
Utah	0.49%		

Housing Markets

Housing Sales

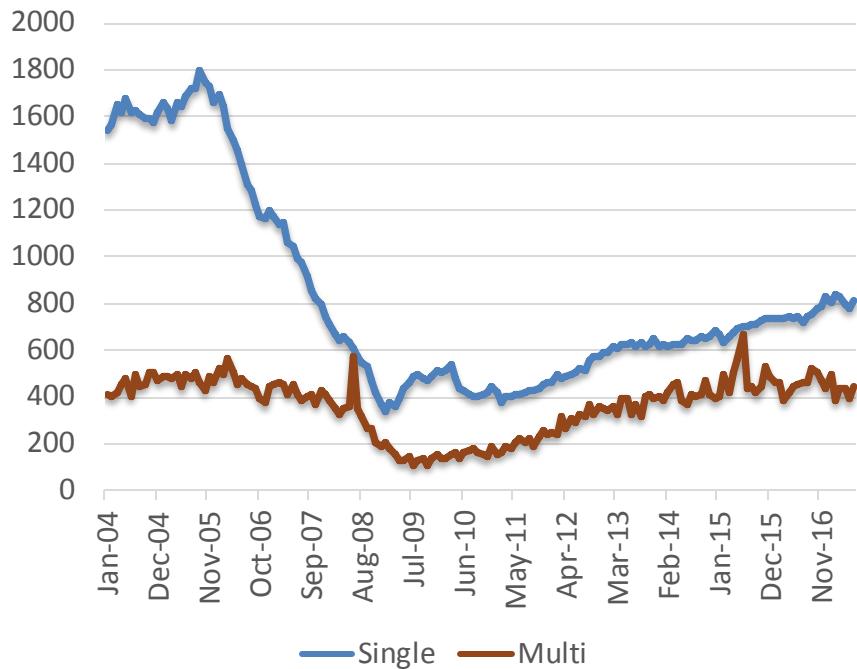


**Home Price Growth
(Case Shiller Y-o-Y)**

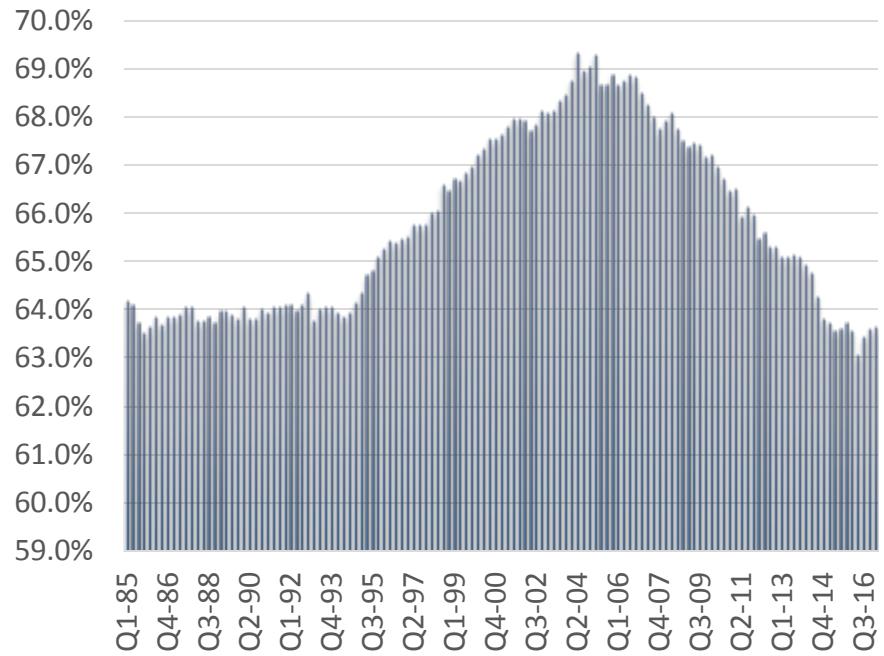


New Housing Markets

Building Permits

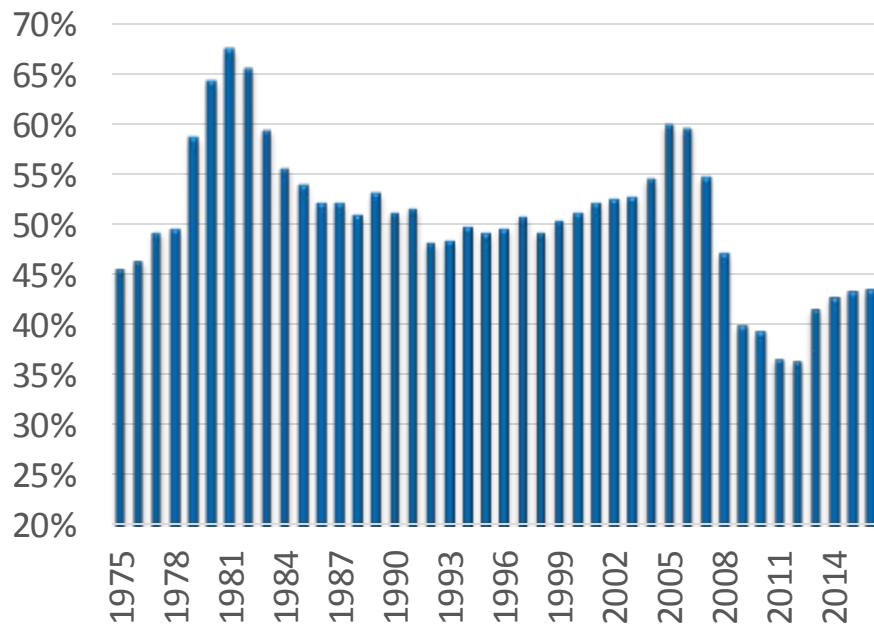


Home Ownership

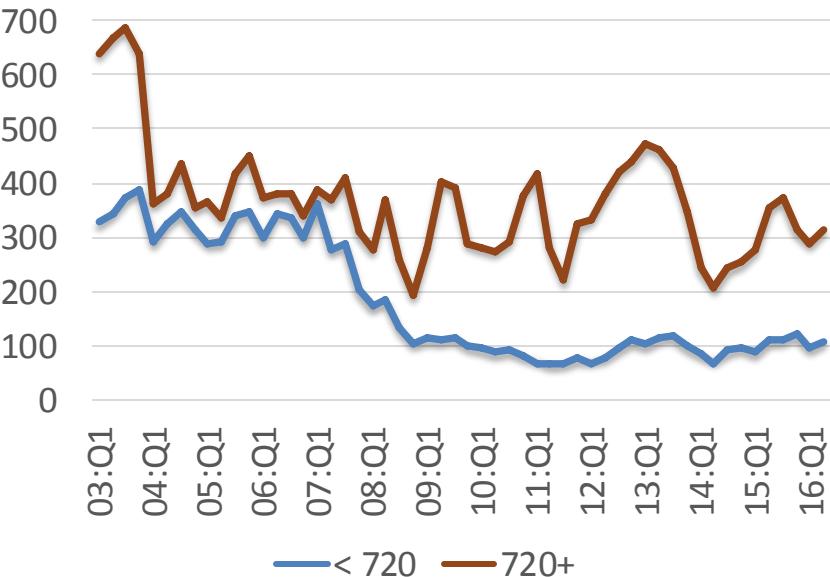


Housing Markets

**Housing Affordability (Beacon Est.
Purchase Share of Income)**

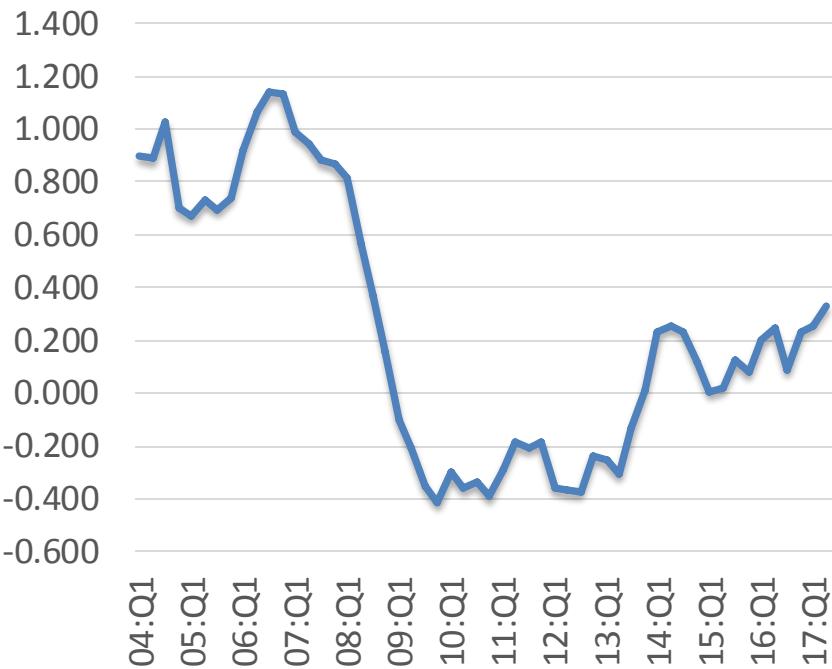


**Mortgage Credit Origination by
Credit Score**



Modest Signs of Improvement

Year over Year Change Outstanding
Mortgage Balances (\$Trill)



Census Housing Vacancies



California fact versus fiction



2016 Best & Worst States For Business

- 50 [California](#)
- 49 [New York](#)
- 48 [Illinois](#)
- 47 [New Jersey](#)
- 46 [Massachusetts](#)
- 45 [Connecticut](#)
- 44 [Hawaii](#)
- 43 [Michigan](#)
- 42 [Oregon](#)
- 41 [Vermont](#)
- 40 [Maryland](#)
- 39 [Mississippi](#)
- 38 [West Virginia](#)
- 37 [Rhode Island](#)

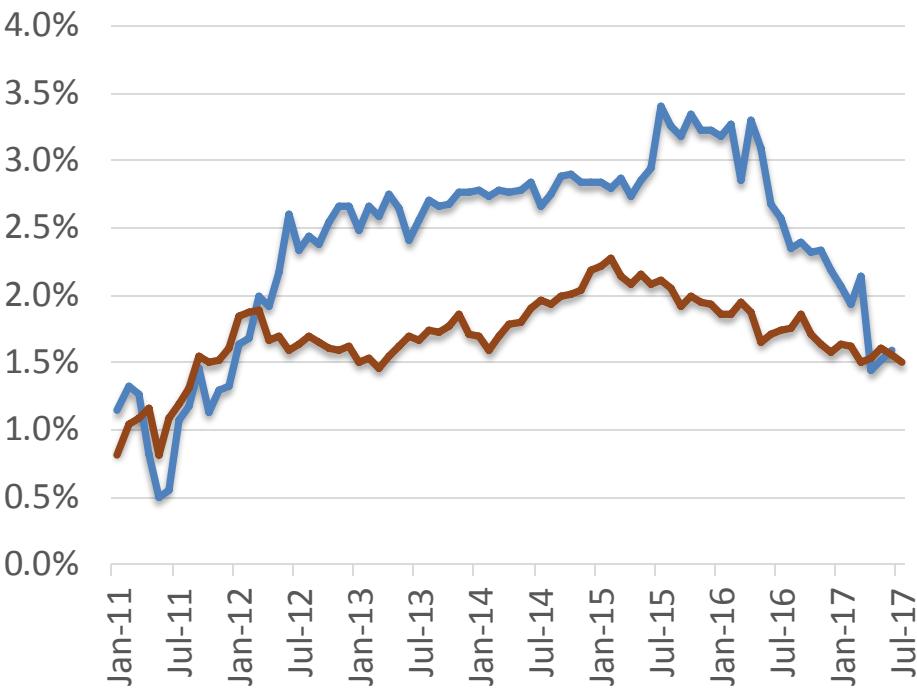


As for California

5 Year Change in Payroll Jobs by State

	New Jobs	Ann Gr	US Share
Utah	226	3.5%	1.8%
Nevada	188	3.1%	1.5%
Florida	1,207	3.1%	9.5%
Idaho	96	3.0%	0.8%
Colorado	344	2.9%	2.7%
Oregon	228	2.7%	1.8%
Washington	401	2.7%	3.2%
California	2,038	2.7%	16.1%
Georgia	521	2.5%	4.1%
Texas	1,425	2.5%	11.2%
Arizona	298	2.3%	2.3%
South Carolina	220	2.3%	1.7%
Tennessee	314	2.3%	2.5%
North Carolina	421	2.1%	3.3%
Montana	40	1.8%	0.3%

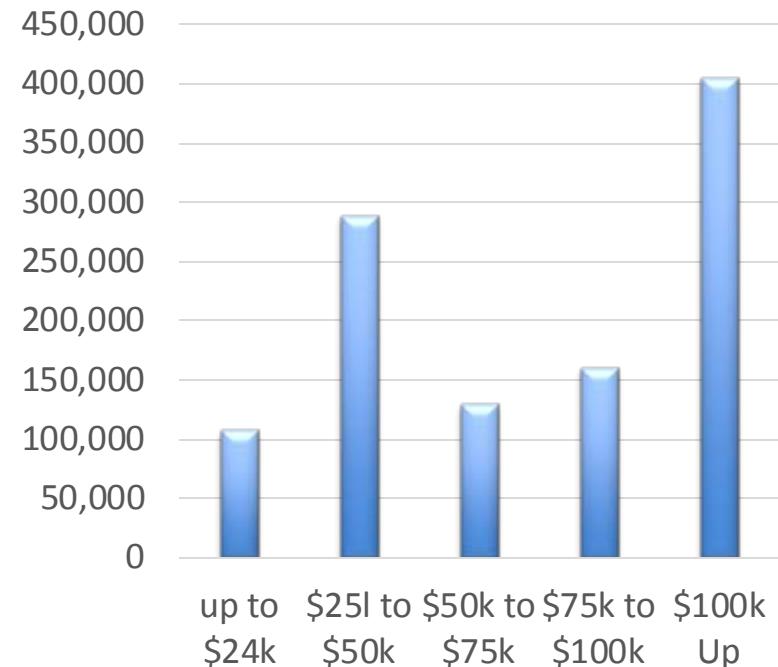
State and National Job Growth



California Employment

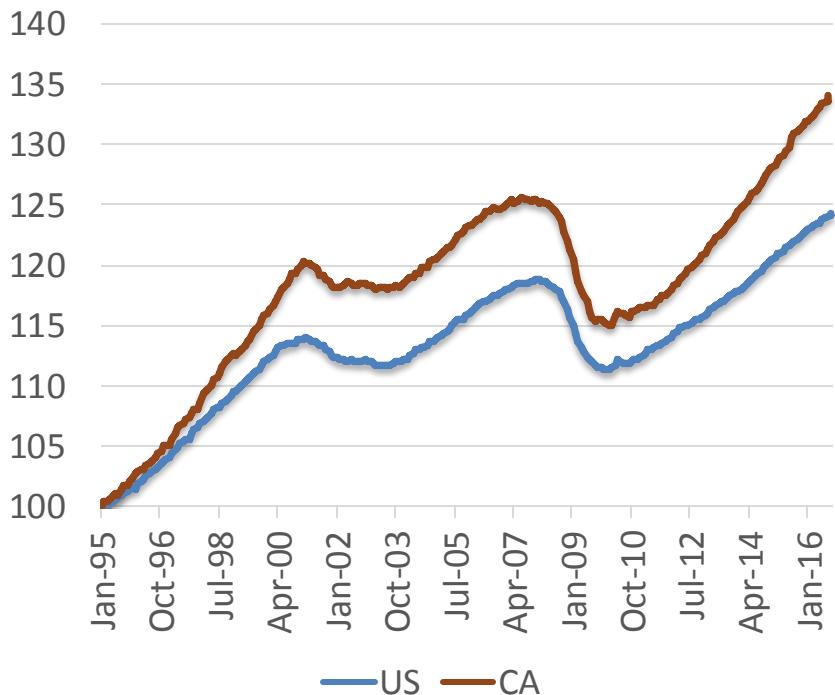
	Feb-17	1 Yr	Ch
Total Nonfarm	16676.1	1.9%	315.8
Education	370.2	5.7%	19.8
Government	2538.2	1.9%	46.4
Wholesale Trade	738.1	2.5%	18.3
Financial Activities	830.6	1.7%	14.1
Health Care	2222.8	3.2%	69.3
Prof Sci Tech	1241.8	2.7%	32.9
Other Services	565.3	2.3%	12.9
Retail Trade	1688.9	0.7%	11.3
Management	227.9	1.2%	2.8
Logistics	593.9	3.3%	18.9
Manufacturing	1299.7	-0.7%	-9.6
Information	532.2	3.1%	15.8
Hospitality	1928.6	2.6%	48.9
Admin Support	1091.6	0.0%	0.5
NR/Construction	806.2	1.7%	13.6

Change in Employment by Income Level 11-15

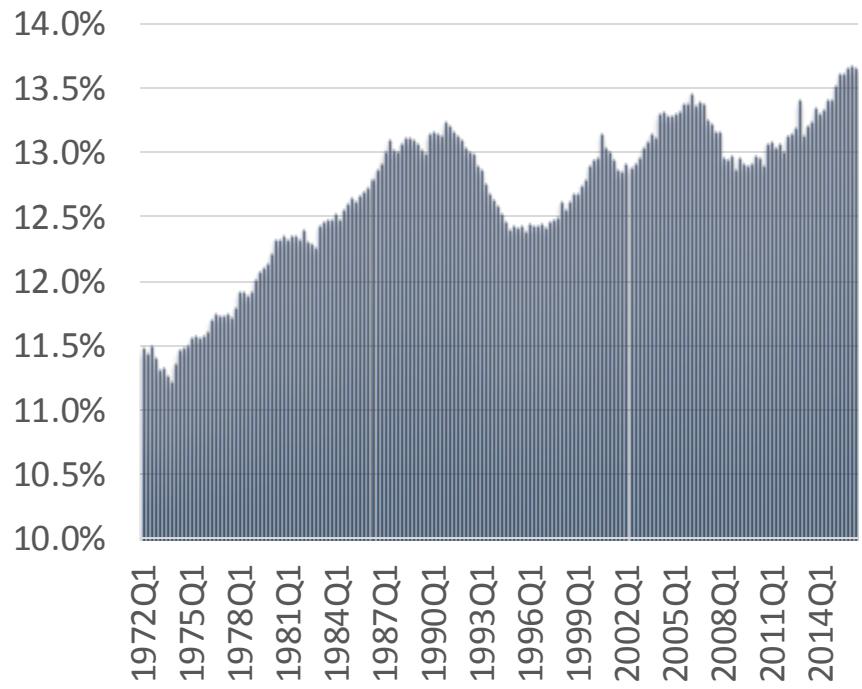


State Employment / Income

Employment (Index)

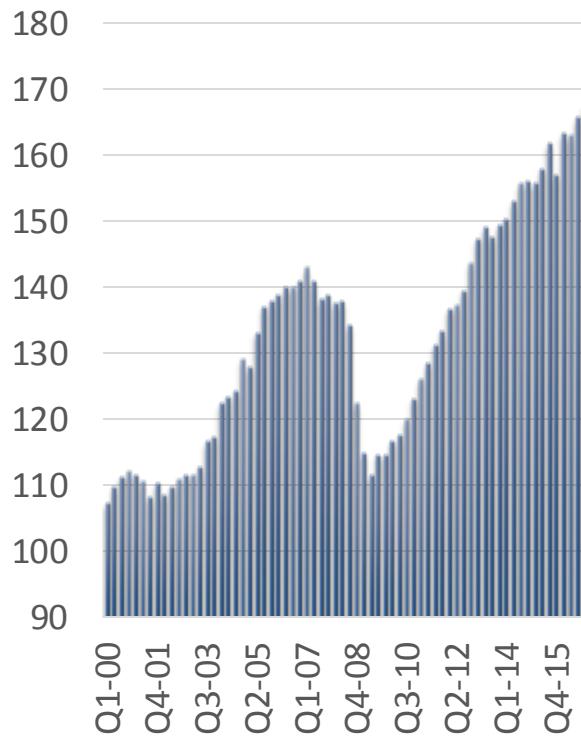


CA Share National Personal Income

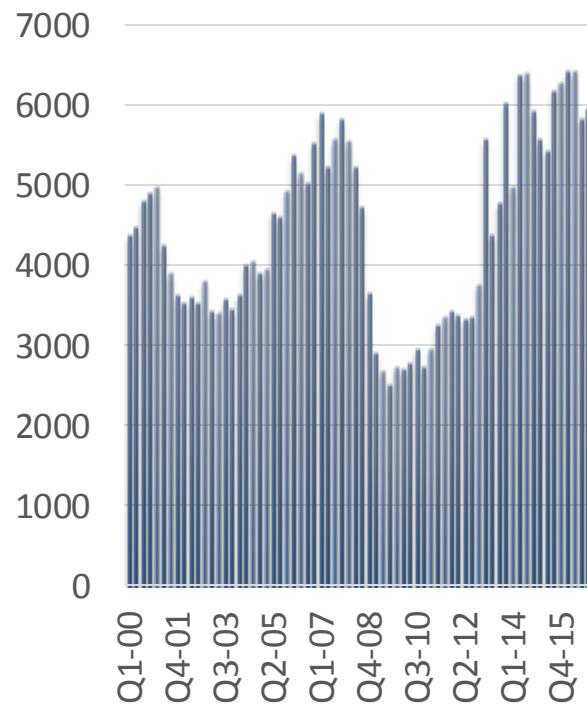


Business Activity

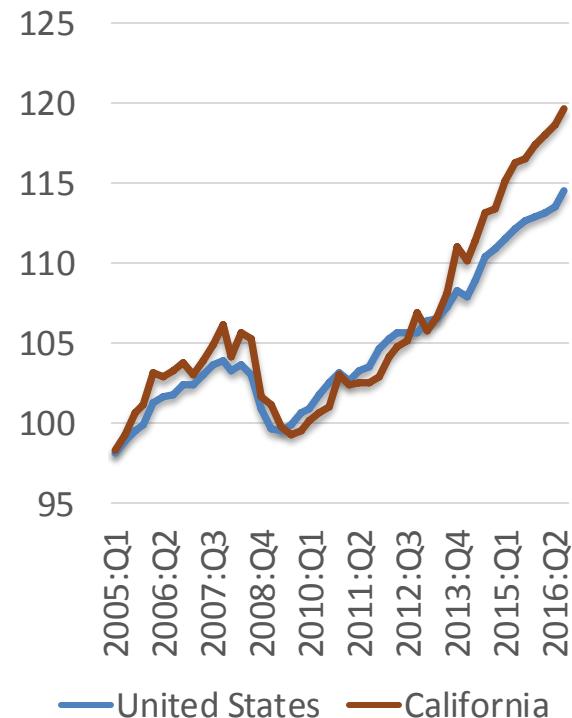
State Taxable Sales



Non-Residential Permit Values

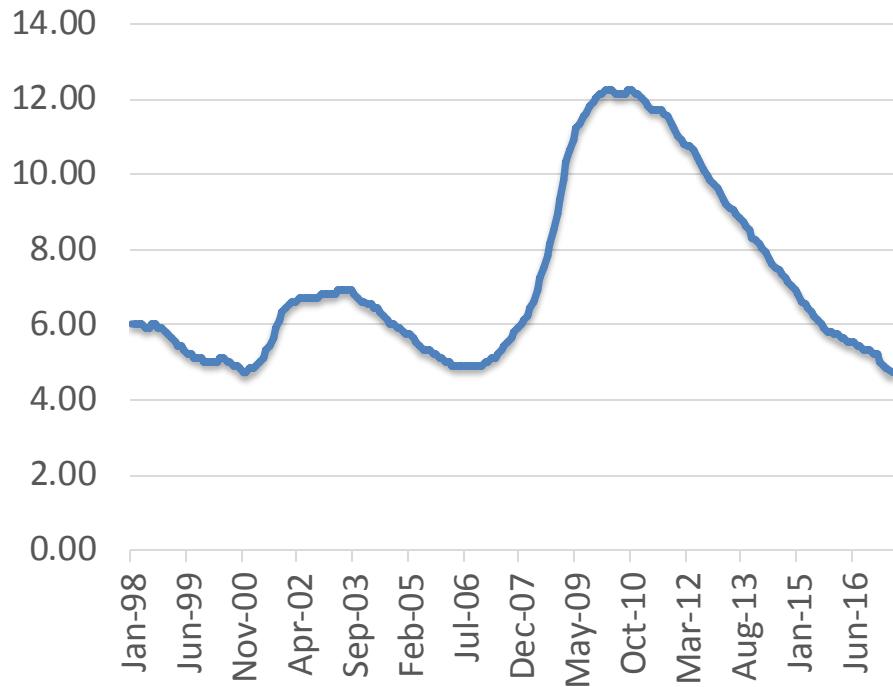


State GDP (Index)

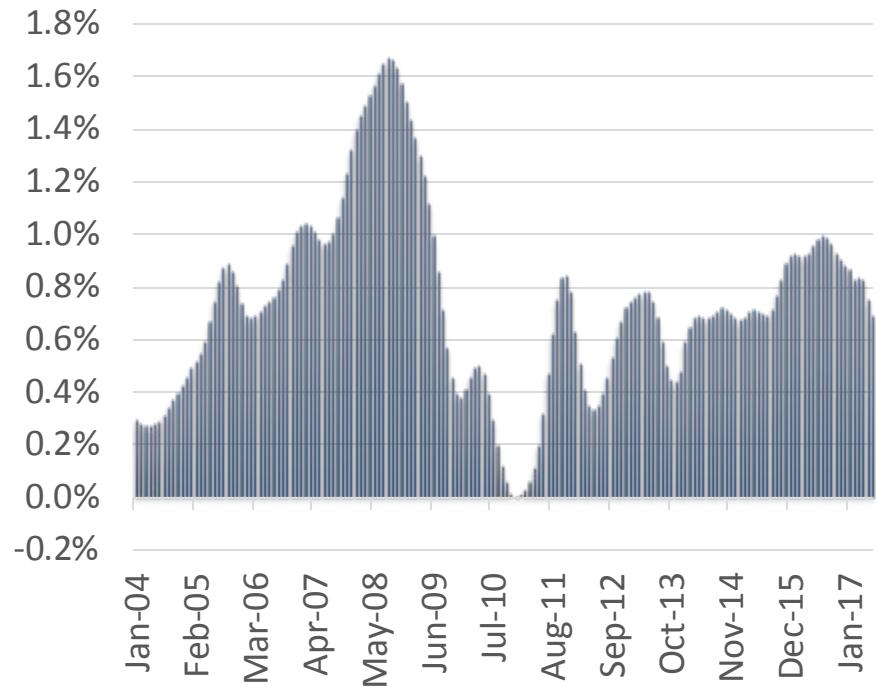


Why the slowing?

CA Unemployment Rate

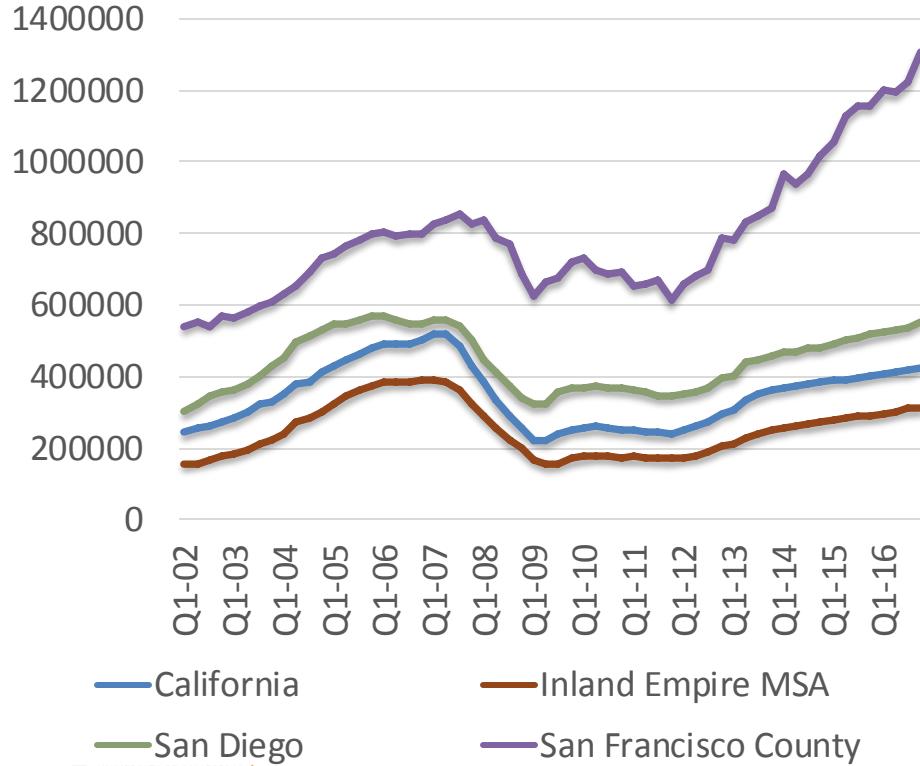


California Labor Force Growth

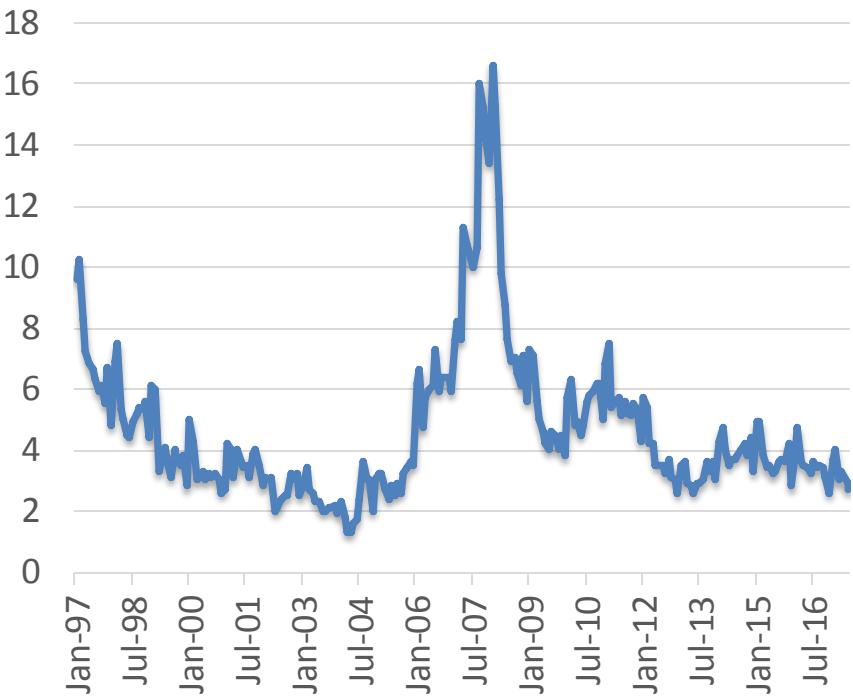


Homes

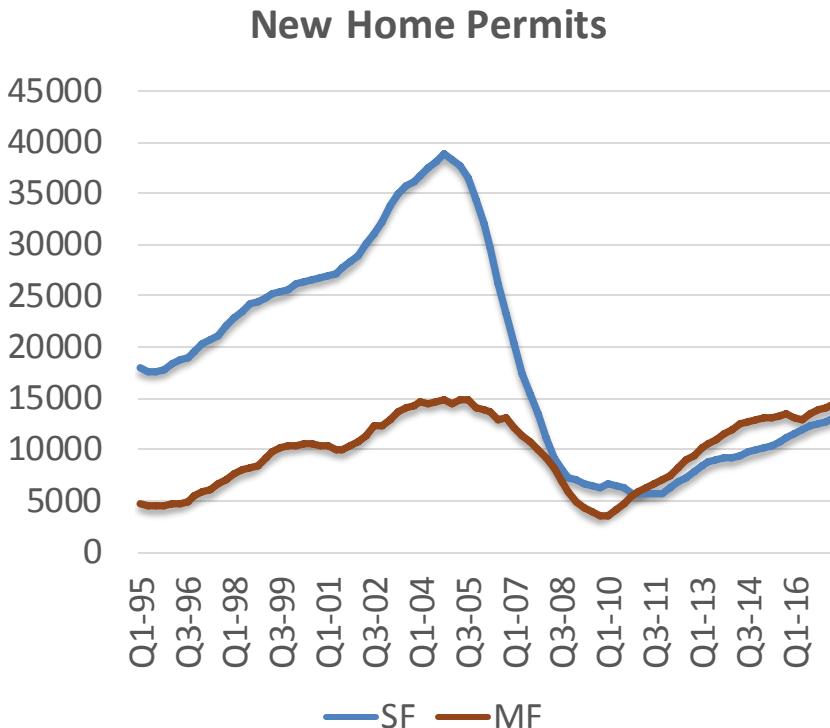
Median Home Prices



Months Supply of Homes



Housing Supply



If there were a bread shortage ...

Bread Control

Government Must Own The Bread!

Bakers Are Greedy!

The Bakeries Have Failed!

Bread Loaf Baking Targets

Non-Profit Baking

Bread Certainty

Points-System Loaf Valuation

Minimum Loaf Size Regulation

Link Loaf Prices to CPI

Stronger Baking Regulation

Baking Impact Fee

Government Bakery

Tax New Loaves!

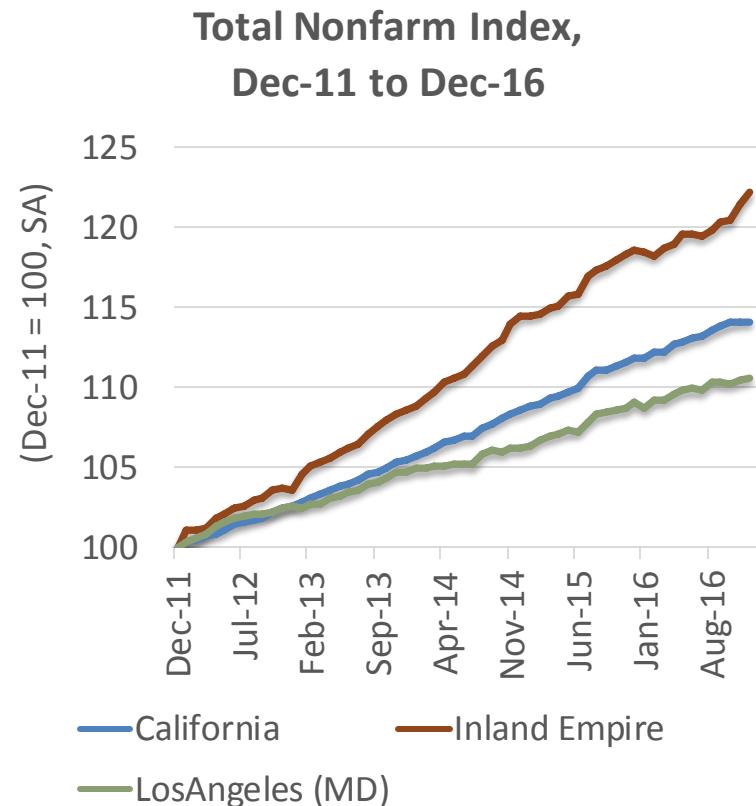
I Support Baking But Not Near My House

Inclusionary Baking

Baking bonus – more loaves allowed if some discounted

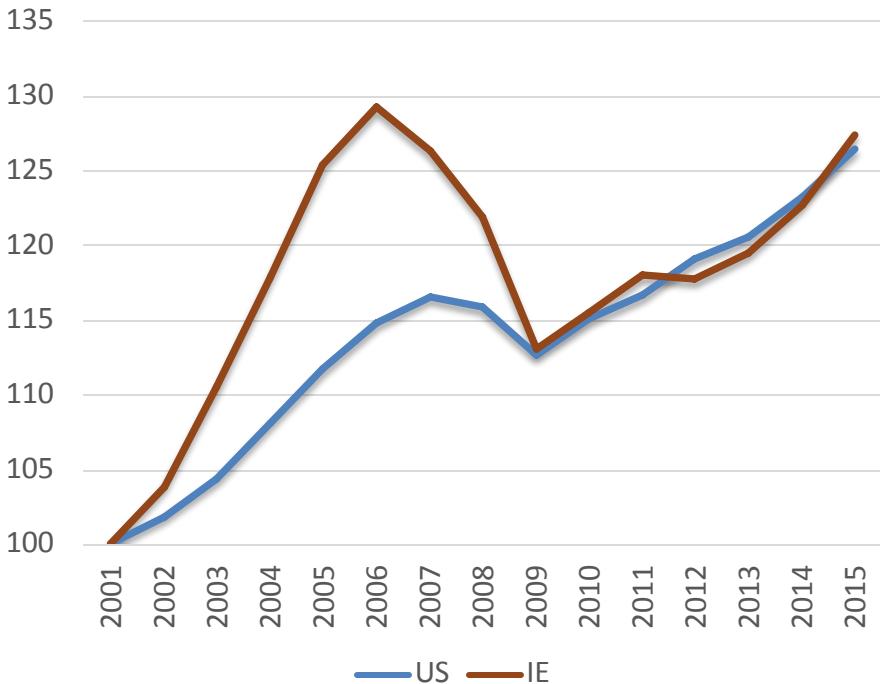
Where is Growth?

	Jun-17	15-16	16-17
Ventura	310	1.6%	3.2%
Inland Empire	1,439	3.8%	2.8%
San Francisco (MD)	1,117	4.3%	2.2%
Oakland (MD)	1,153	3.1%	2.0%
Fresno	342	3.7%	1.9%
San Diego	1,440	2.3%	1.8%
San Jose	1,085	2.7%	1.7%
Los Angeles (MD)	4,439	2.4%	1.7%
California	16,703	2.7%	1.6%
Santa Barbara	184	1.1%	1.5%
Santa Rosa	204	2.6%	1.4%
Stockton	228	3.5%	1.4%
Sacramento	962	3.7%	1.3%
Orange County (MD)	1,588	2.4%	0.8%
Bakersfield	257	-0.5%	0.7%



IE Economic Output

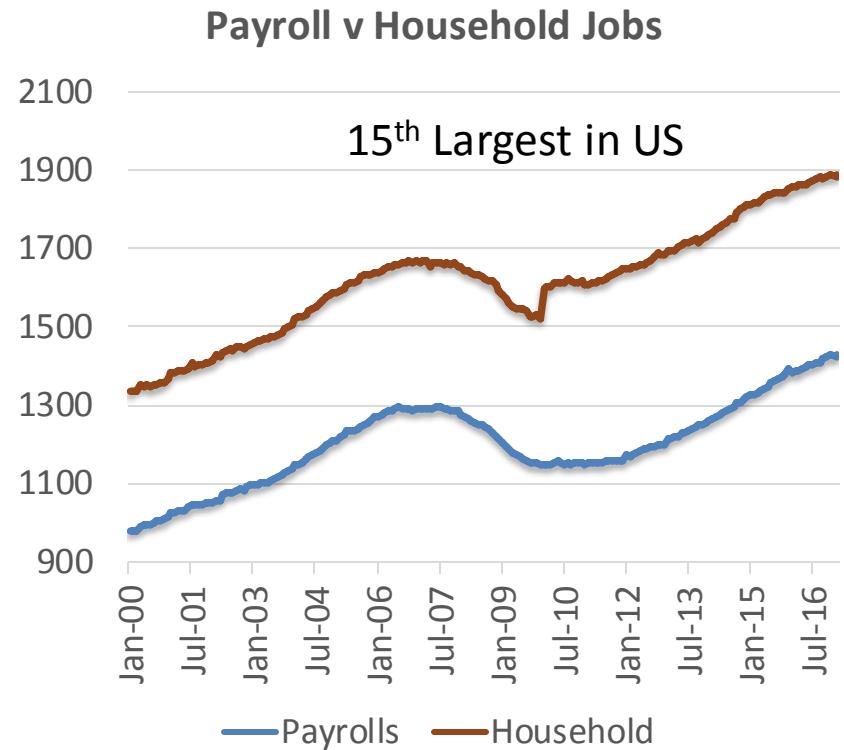
Real GMP Index



	Gr	Gr-US	LQ
All industry total	8.2%		
Government	3.1%	4.1%	7.0%
Retail trade	8.2%	-0.6%	3.4%
Transportation	15.5%	16.0%	2.6%
Construction	21.7%	12.2%	2.1%
Other services	6.0%	2.5%	0.9%
Wholesale trade	31.0%	21.1%	0.9%
Education, health	12.4%	5.4%	0.7%
Entertainment	7.6%	0.3%	0.2%
Manufacturing	9.7%	4.9%	-2.9%
Information	15.5%	-2.7%	-3.9%
Financial	-0.2%	-3.6%	-4.2%
Professional	7.5%	-2.4%	-5.6%

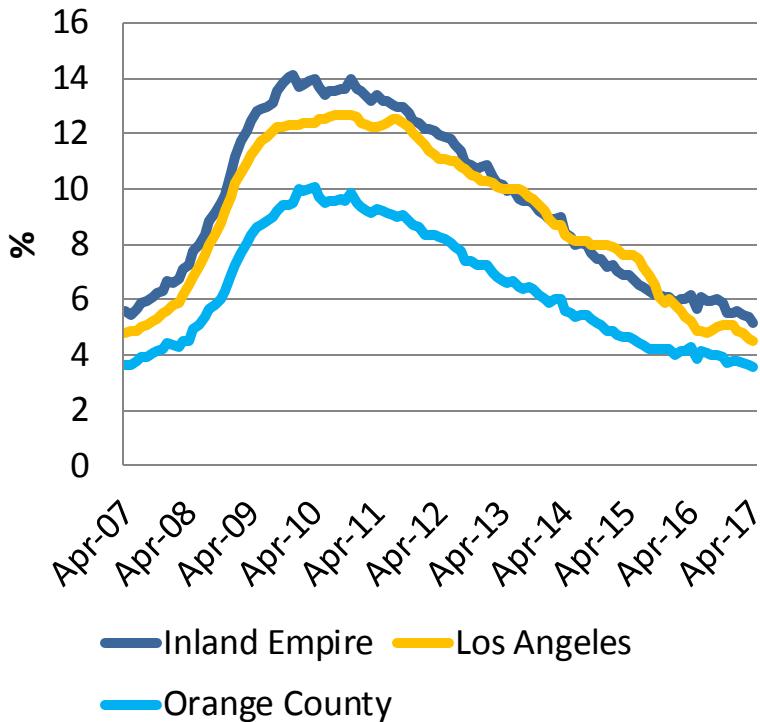
Inland Empire Jobs

Industry	Apr-17 (000s)	Change (000s)	Change (%)
Government	243.7	5.1	2.1
Education/Health	218.6	5.6	2.6
Retail Trade	179.9	0.7	0.4
Leisure and Hospitality	163.1	4.9	3.1
Trans, Warehouse, Util	110.6	6.1	5.9
Construction	106.6	14.5	15.8
Manufacturing	99.4	0.8	0.8
Admin Support	98.9	1.2	1.3
Wholesale Trade	63.5	0.7	1.1
Other Services	46.1	1.6	3.6
Financial Activities	45.2	0.6	1.4
Prof Sci and Tech	39.0	-0.1	-0.4
Information	11.4	-0.2	-1.9
NR/Mining	0.8	-0.1	-11.4
Total Nonfarm	1436.1	41.5	3.0

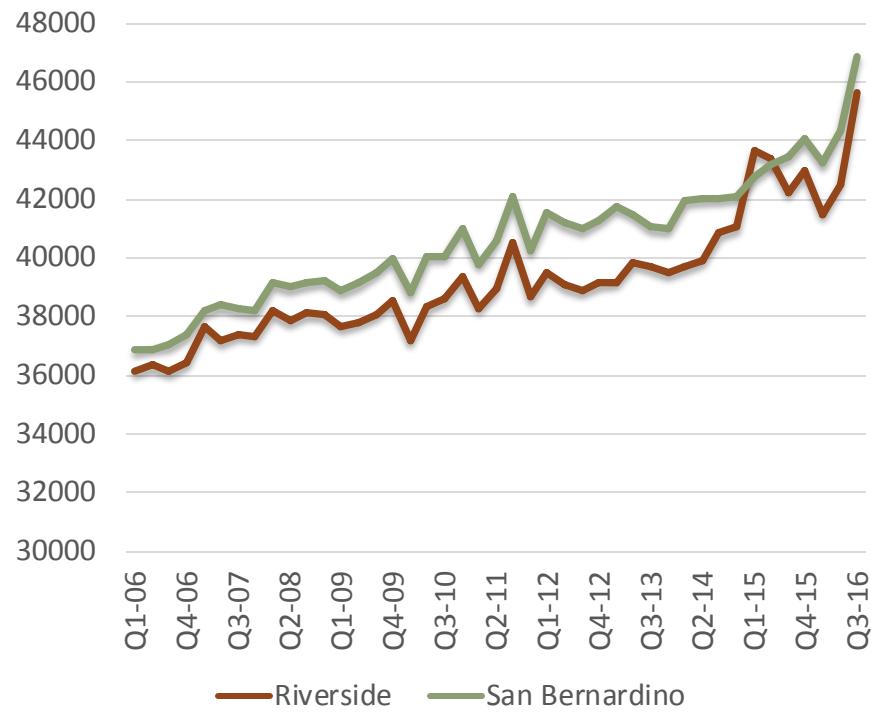


Unemployment and Local

Unemployment Rates

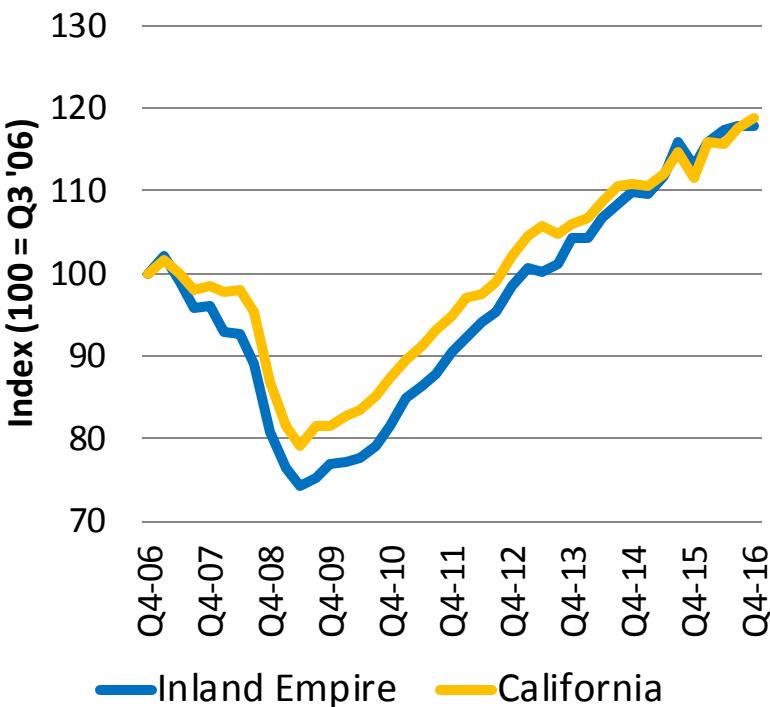


Average Payroll Wage



Consumer Spending

Indexed Taxable Sales



Category	Q4-2016	1-Yr. Chg.	1-Yr. % Chg.
Autos & Transp.	31,651,440	1,834,391	6.2
Building & Const.	16,780,272	109,423	0.7
Business & Ind.	28,328,014	-1,502,347	-5.0
Food & Drugs	8,378,738	160,876	2.0
Fuel & Service Stat.	16,407,197	-217,654	-1.3
Consumer Goods	38,835,778	818,887	2.2
Rests & Hotels	19,008,160	1,022,912	5.7
Total	179,007,880	3,804,866	2.2

Non Residential Activity

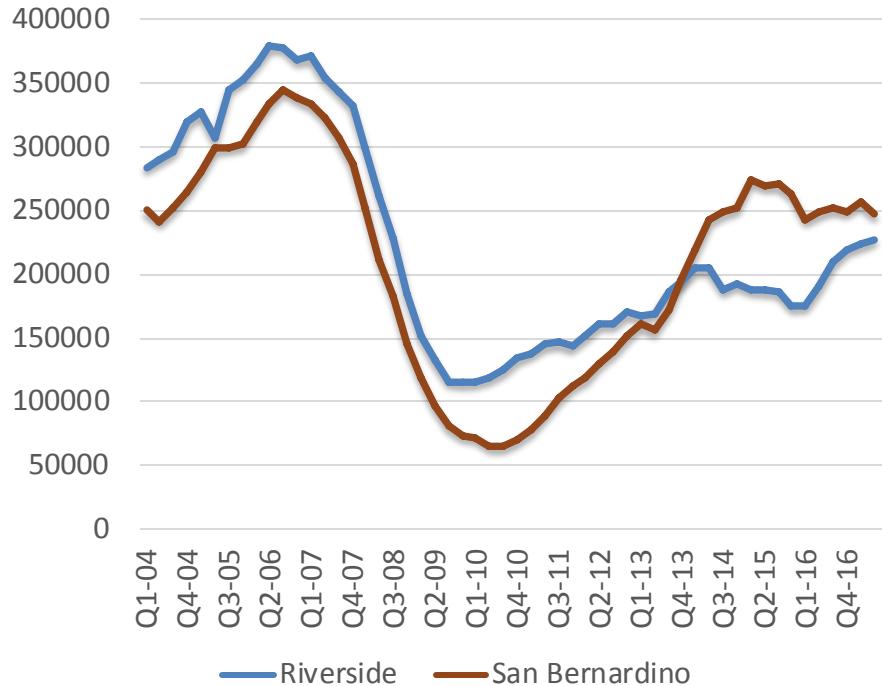
Industrial

Inland Empire		Q2-16	Q2-17
Flex/R&D	Cost	7.7	7.9
Flex/R&D	Vacancy	8.6	7.5
Warehouse	Cost	4.7	4.8
Warehouse	Vacancy	8.6	8

Office

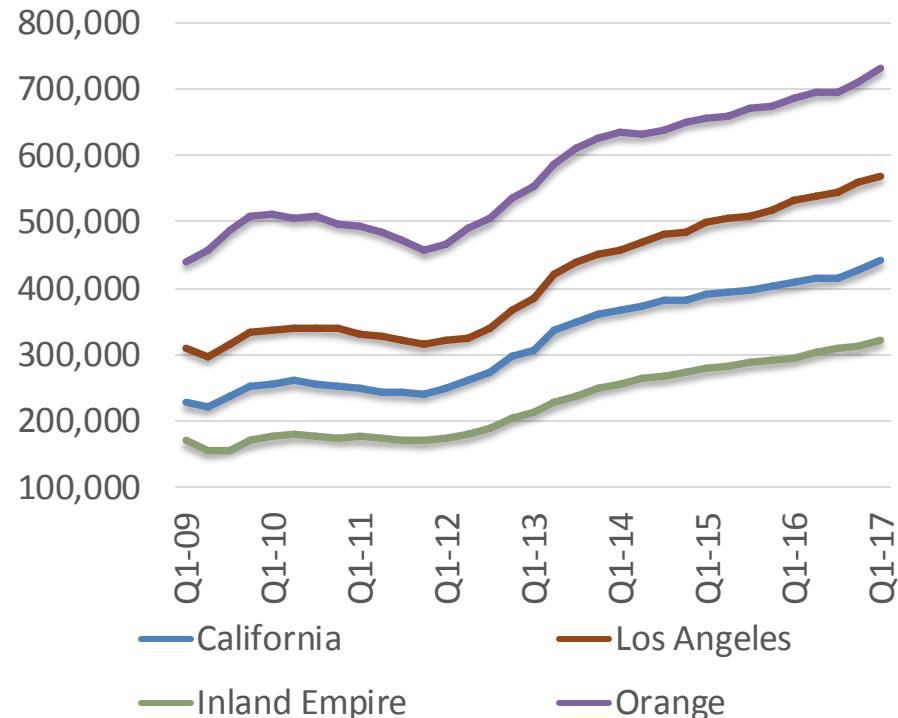
Inland Empire		Q2-16	Q2-17
Cost	A	25.7	26.2
Vacancy	A	24.8	24.4
Cost	BC	17.9	18.1
Vacancy	BC	19	17.6

Non-Residential Permits

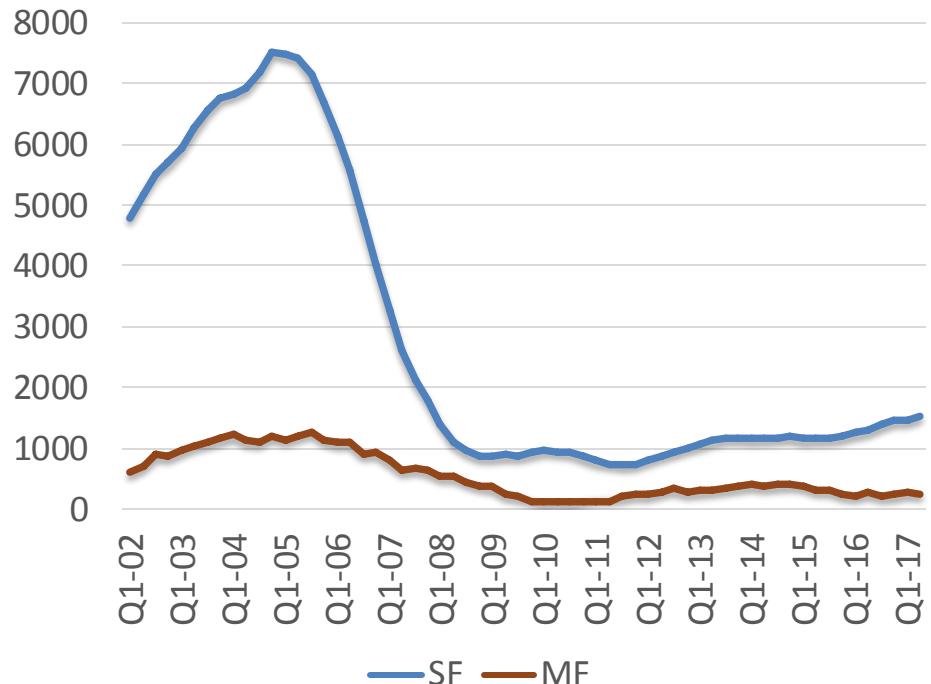


Housing Market

Median Home Prices

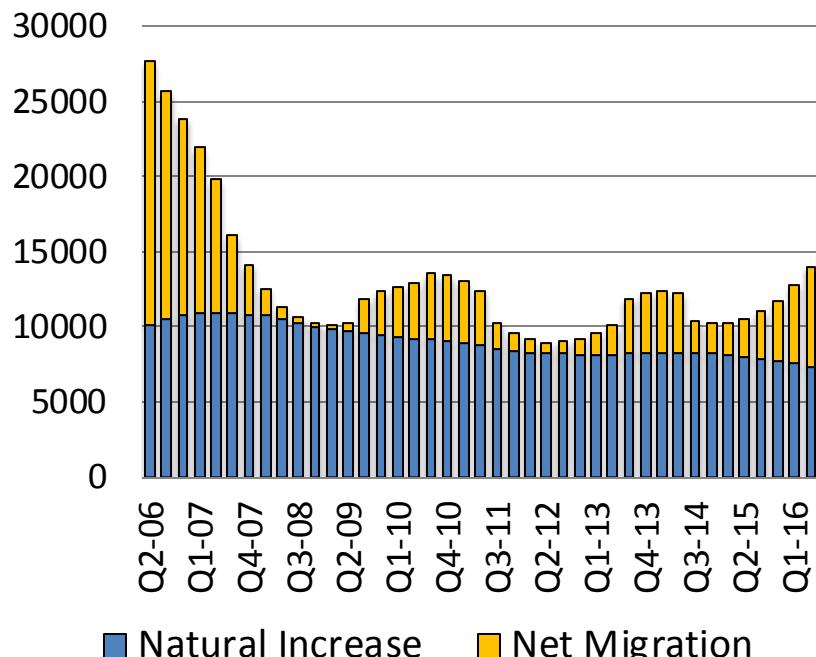


Riverside Permits



Population Trends

Components of Population Growth



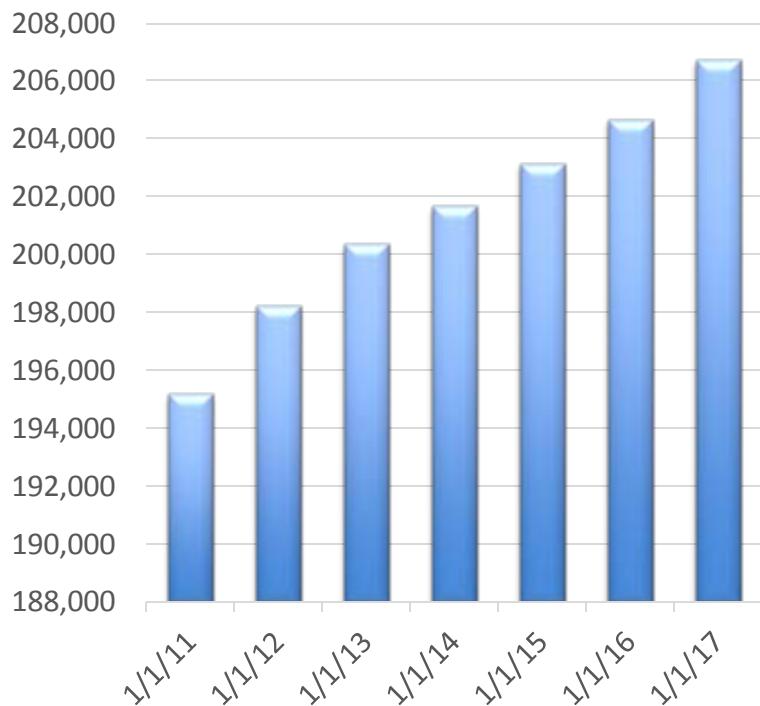
City	2017	1-Yr. Chg.	1-Yr. % Chg.
Riverside	326,792	3,126	0.97
San Bernardino	216,972	1,294	0.60
Fontana	212,786	3,607	1.72
Moreno Valley	206,750	2,038	1.00
R. Cucamonga	177,324	1,643	0.94
Ontario	174,283	4,069	2.39
Corona	167,759	3,828	2.34
Victorville	123,565	512	0.42
Murrieta	114,914	2,682	2.39
Temecula	111,024	1,389	1.27
Unincorporated	682,661	8,045	1.19
Incorporated	3,862,378	53,057	1.39
County Total	4,545,039	61,102	1.36

Moreno Valley



Population Trends

MV Population



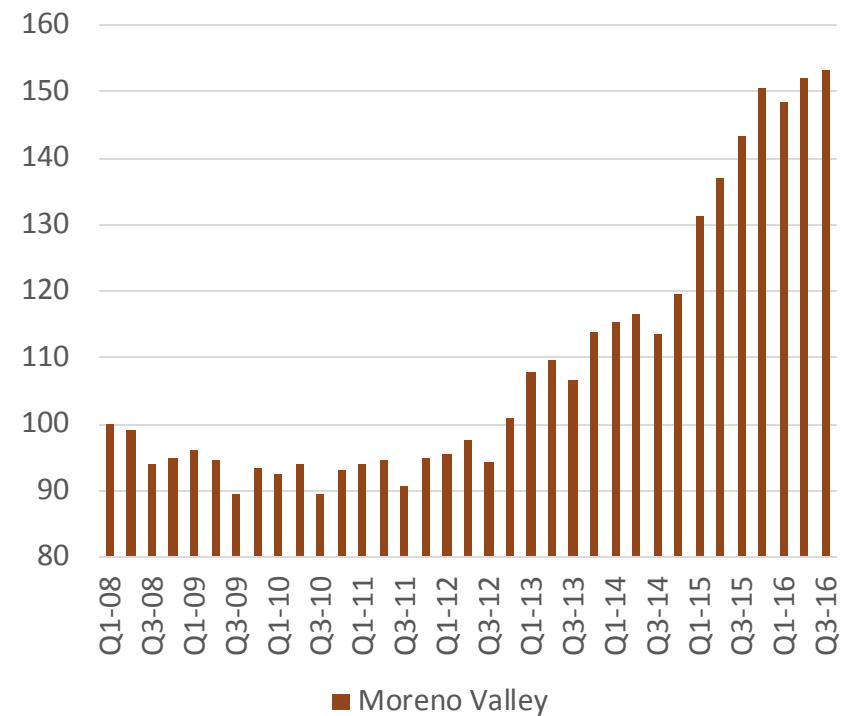
	Riverside County	Moreno Valley
Total	714,728	52,091
Median income (dollars)	58,292	56,025
Mean income (dollars)	76,841	69,071
Share > 100k	25.0%	21.0%
% Adults Bach or more	20.8%	14.9%
Unemployment (2015)	7.7%	6.8%
Participation Rate (15)	73.6%	74.9%

MV Employment

Industry	<u>Moreno Valley</u>	
	Q3 '16	1-Yr. % Chg.
Transport, Warehouse, Util.	11,881.3	18.3
Government	8,379.3	0.2
Retail Trade	5,976.3	6.9
Health Care	4,951.0	0.2
Leisure and Hospitality	4,547.7	6.0
Admin Support	1,354.0	2.8
Manufacturing	1,121.0	23.0
Financial Activities	1,098.0	-6.2
Wholesale Trade	668.7	-16.6
Prof, Sci, Tech, and Mgmt	585.0	1.1
Other Services	571.7	-1.5
NR/Construction	399.0	-9.5
Information	208.0	121.3
Educational Services	139.3	14.5
Total Private	33,671.3	8.9
Employment	42,050.7	7.0

Source: California Employment Development Department

Total Employment, Indexed



Top Employers

Employer	Sector	EEs	% Total Employment
March Air Reserve	Military	8,600	9.3%
Amazon	Distribution	7,500	8.1%
MV Unified Schl. Dst.	Government	3,489	3.8%
Riverside Uni. Health System	Medical Facilities	2,987	3.2%
Ross Dress for Less/dd's Discounts	Distribution	1,921	2.1%
Moreno Valley Mall (non-anchor)	Retail	1,390	1.5%
Harbor Freight Tools	Distribution	800	0.9%
Kaiser Permanente	Medical Facilities	789	0.9%
Val Verde Unified Schl. Dst.	Government	680	0.7%
Walgreens	Distribution	600	0.7%
Source: City of Moreno Valley Economic Development Department; CA Department of Finance; City of Moreno Valley			

Moreno Valley Industrial Market, cont.

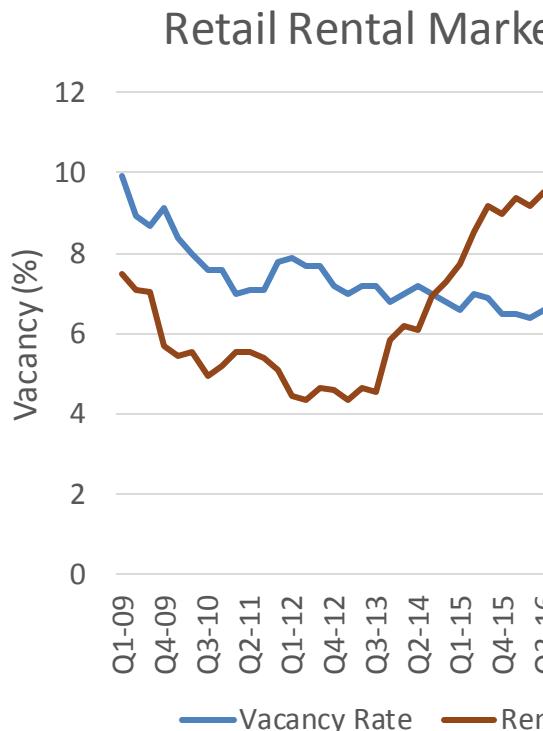
Warehouse Rental Market

Submarket	<u>Rents</u>		<u>Vacancies</u>	
	Q2'17	1-Yr. Chg.	Q2'17	1-Yr. Chg.
Chino	6.13	2.5%	8	-2.4%
Temecula	5.31	2.9%	18.7	-20.8%
Corona	5.13	3.4%	6	-3.2%
Perris/Moreno Valley	5.02	3.5%	7.4	-32.1%
Ontario	5	3.5%	7.2	-6.5%
Palm Springs	5	2.9%	10.1	-2.9%
Fontana	4.96	3.5%	11.1	9.9%
Montclair	4.92	3.6%	5.6	-5.1%
Rancho Cucamonga	4.6	3.8%	8.1	6.6%
San Bernardino/Redlands	4.35	3.8%	6.5	-8.5%
Victorville	4.29	4.4%	14.7	-7.0%

Flex Rental Market

Submarket	<u>Rents</u>		<u>Vacancies</u>	
	Q2'17	1-Yr. Chg.	Q2'17	1-Yr. Chg.
Perris/Moreno Valley	9.51	2.3%	11.6	-14.1%
Rancho Cucamonga	9.09	3.5%	2.4	-25.0%
Victorville	8.96	1.8%	28.5	-0.7%
Ontario	8.41	3.1%	3.2	-15.8%
Palm Springs	8.38	2.7%	13.9	-14.2%
San Bernardino/Redlands	8.28	2.1%	5.9	-22.4%
Chino	7.94	2.2%	5.4	-6.9%
Montclair	7.61	2.7%	4.4	33.3%
Temecula	7.48	3.3%	9.1	-20.2%
Corona	7.25	4.0%	9.2	-3.2%

Moreno Valley Retail Market



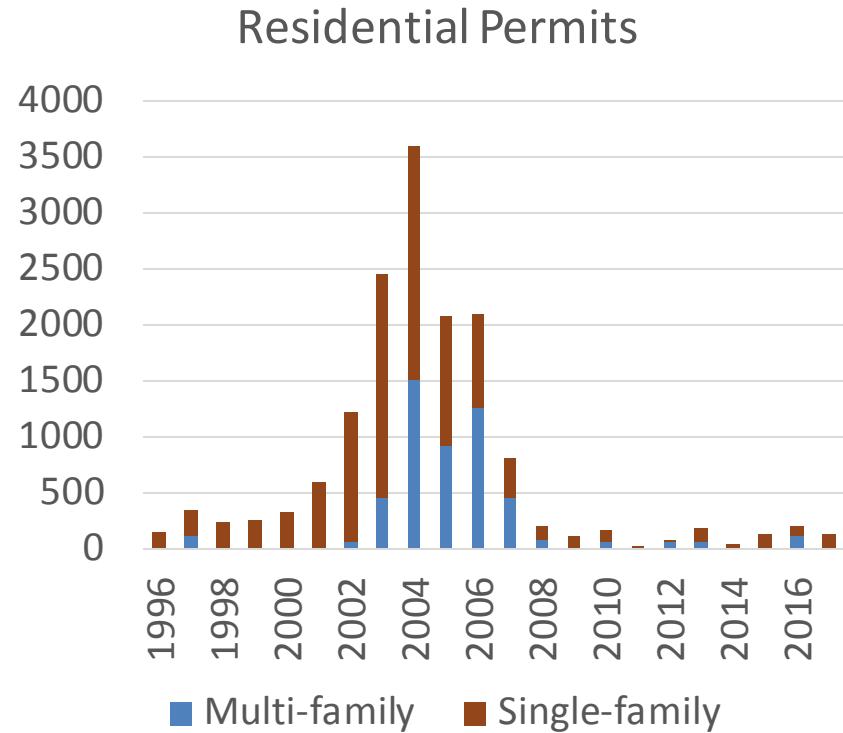
Retail Rental Market

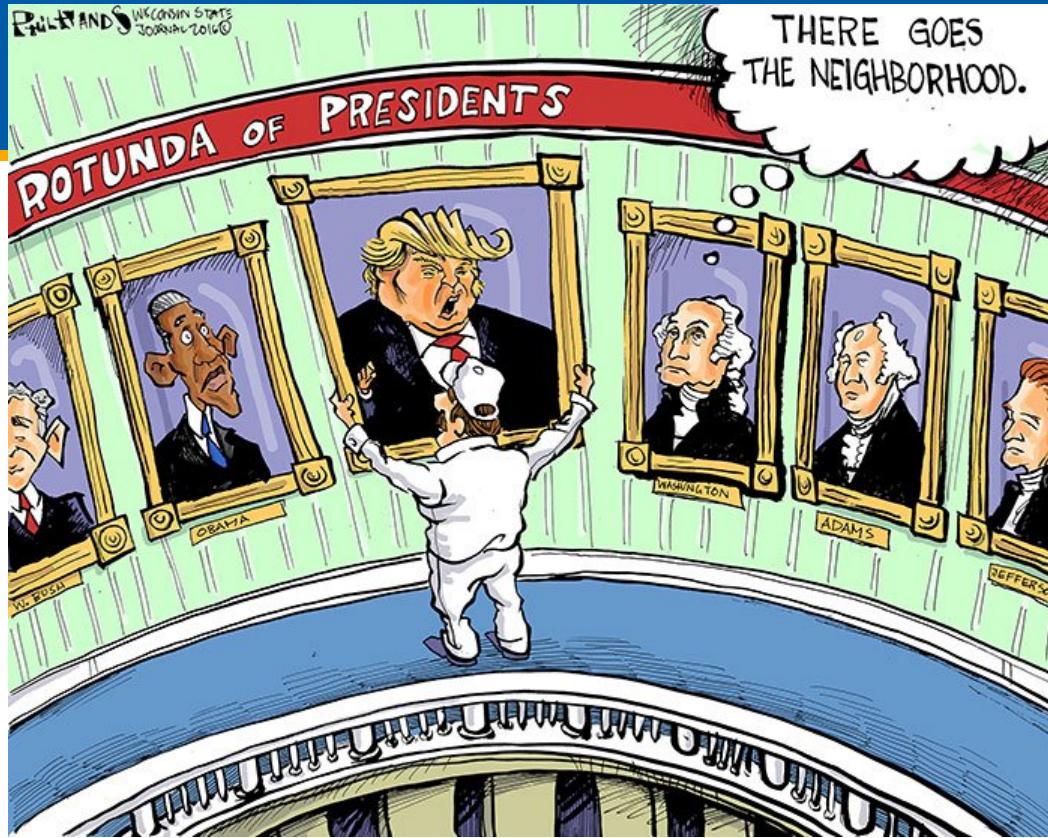
Submarket	<u>Rents</u>		<u>Vacancies</u>	
	Q2'17	1-Yr. Chg.	Q2'17	1-Yr. Chg.
Palm Desert	25.99	-0.7%	13.5	-6.3%
Rancho Cucamonga/Chino	24.71	3.9%	10.8	-0.9%
South Riverside County	22.34	2.1%	7	-15.7%
Moreno Valley/Riverside/Corona	21.95	1.3%	6.9	7.8%
Colton/Redlands/San Bernardino	19.35	3.5%	10.1	3.1%
Victorville	17.76	3.9%	6.5	-15.6%
Metro	22.32	2.2%	9.2	-4.2%

Permitting Levels

Property	<u>Moreno Valley</u>	
	2016	1-Yr. Chg.
Multi-family units	112	0
Single family units	95	-29%
Industrial (\$)	0	-100%
Office (\$)	0	-100%
Retail (\$)	18,675,232	390%
Nonresidential Alts (\$)	13,243,156	-64%
Total Nonresidential (\$)	37,420,152	-61%

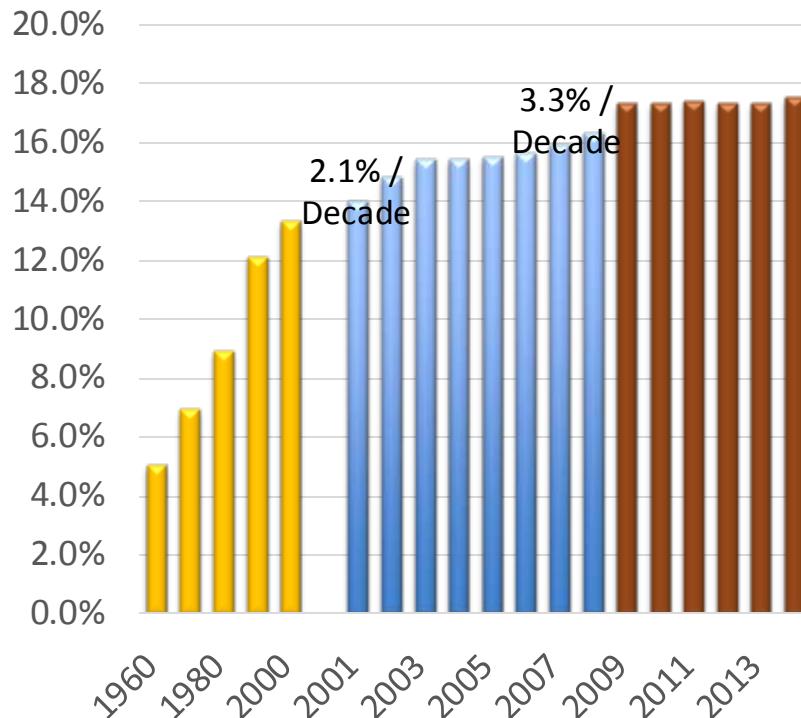
Source: CIRB





The Healthcare Crisis

National Health Spending % GDP



Per Capita Healthcare Spending
2015, PPP Adjusted

USA	\$9,402	France	\$5,428
Norway	\$7,832	Canada	\$5,421
Switzerland	\$7,300	Belgium	\$5,340
Sweden	\$6,285	Australia	\$4,873
Netherlands	\$6,209	Finland	\$4,467
Germany	\$6,204	Japan	\$4,255
Austria	\$6,143	UK	\$3,717

The case of the barking dog...

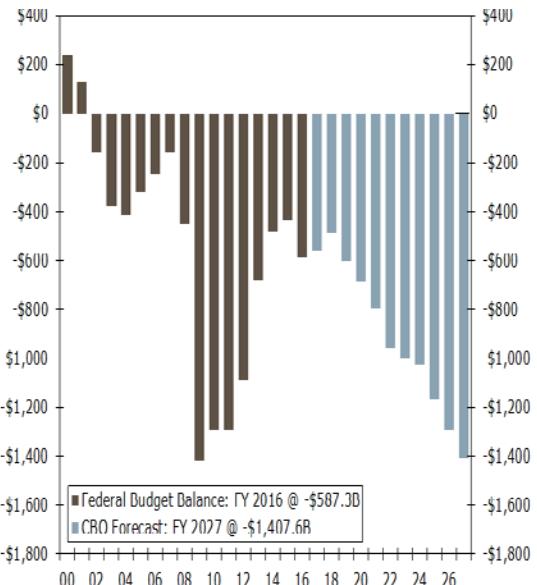
Population Growth Projections

	2015	2015-2025	2025-2035
Total	321,369	25,966 8.1%	23,003 6.6%
<18 years	73,635	1,380 1.9%	2,431 3.2%
18 to 24	31,214	(478) -1.5%	154 0.5%
25 to 44	84,657	8,772 10.4%	3,552 3.8%
45 to 64	84,032	(1,797) -2.1%	3,553 4.3%
65 years+	47,830	18,090 37.8%	13,313 20.2%
85 years+	6,304	1,178 18.7%	4,427 59.2%

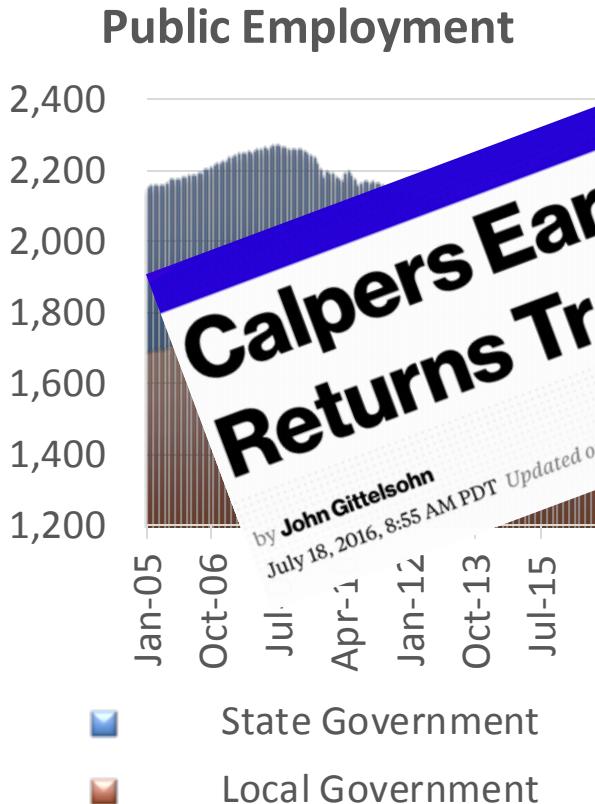
Medicare Spending Projections

	Fed M. Spending / Senior
1995	\$5,461
2015	\$13,531
2035*	\$43,395
	Spending Share Federal Rev
1995	13.0%
2015	18.7%
2035*	41.0%

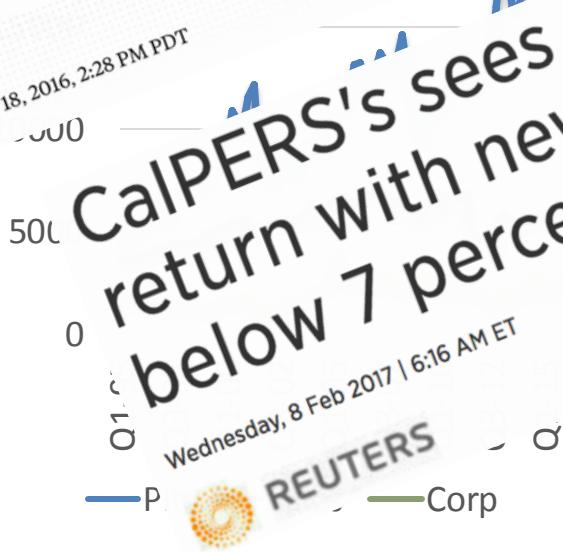
CBO Deficit Projections



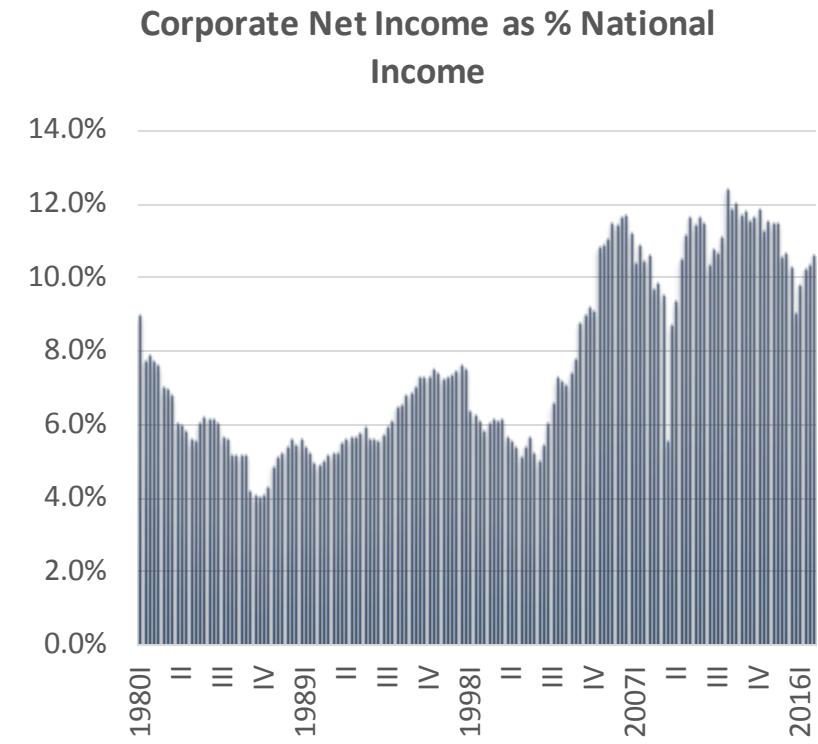
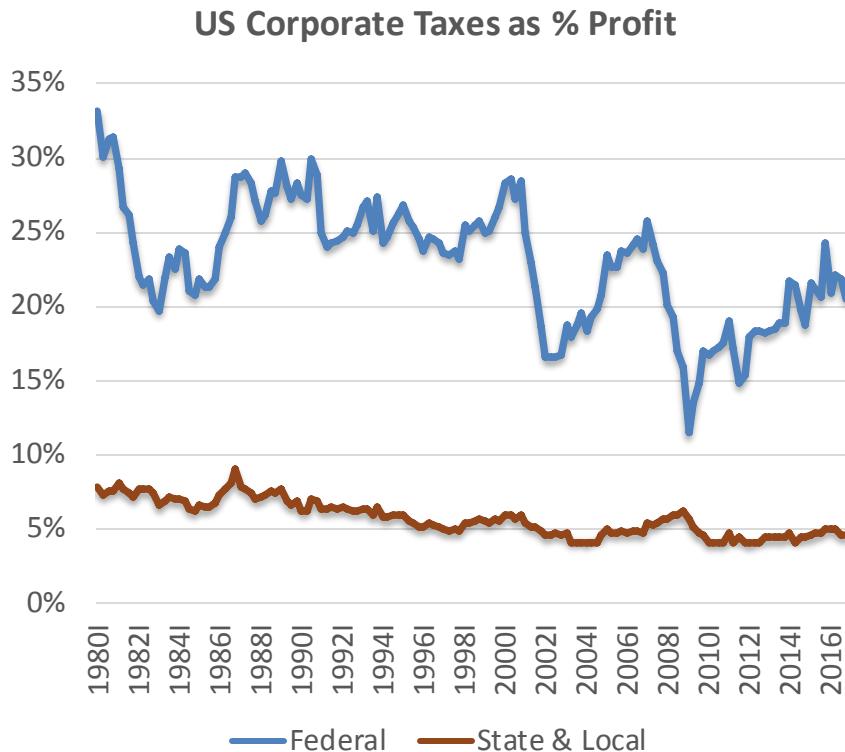
Public Sector



Calpers Earns 0.6% as Long-Term Returns Trail Fund's Target



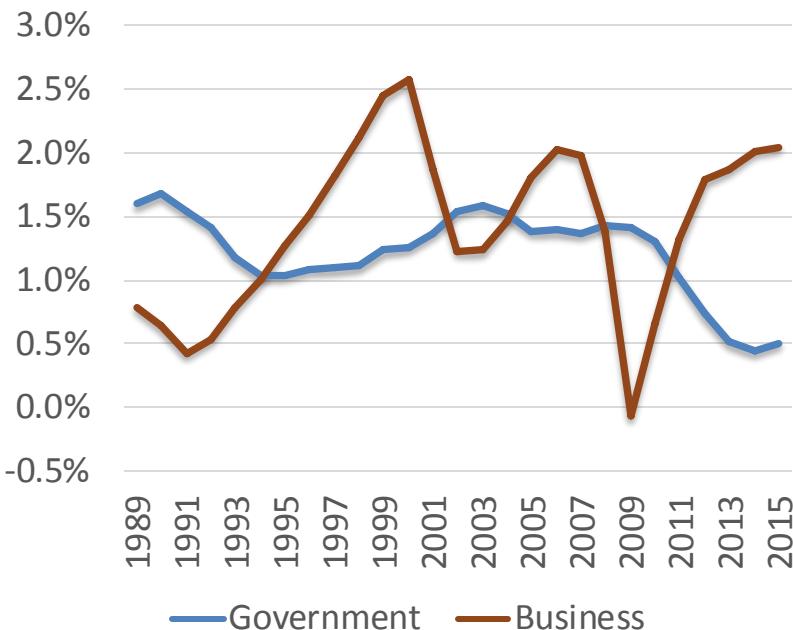
Tax Reform not Tax Cuts



Long Run Trends in Investment

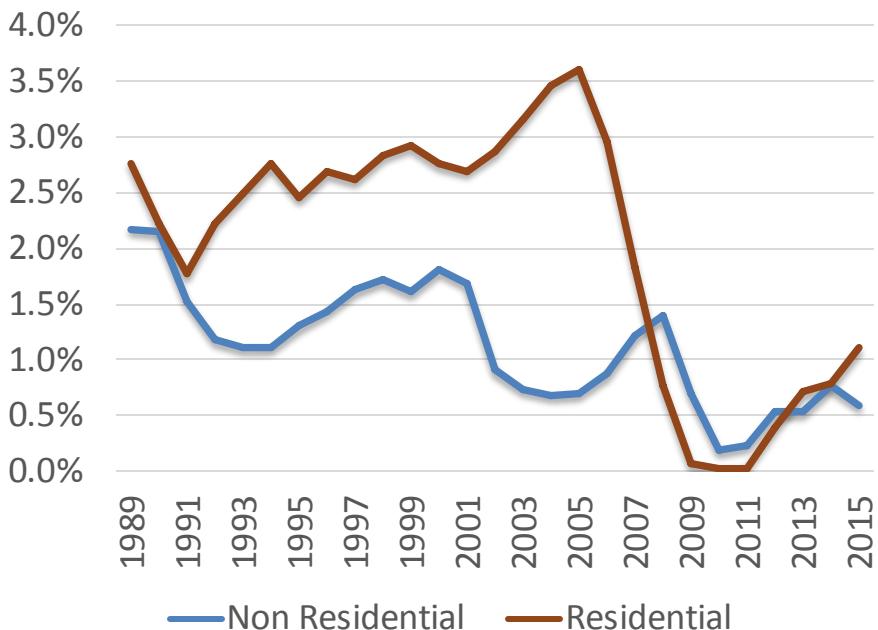
Real Net Investment % GDP

Business Eq and Gov



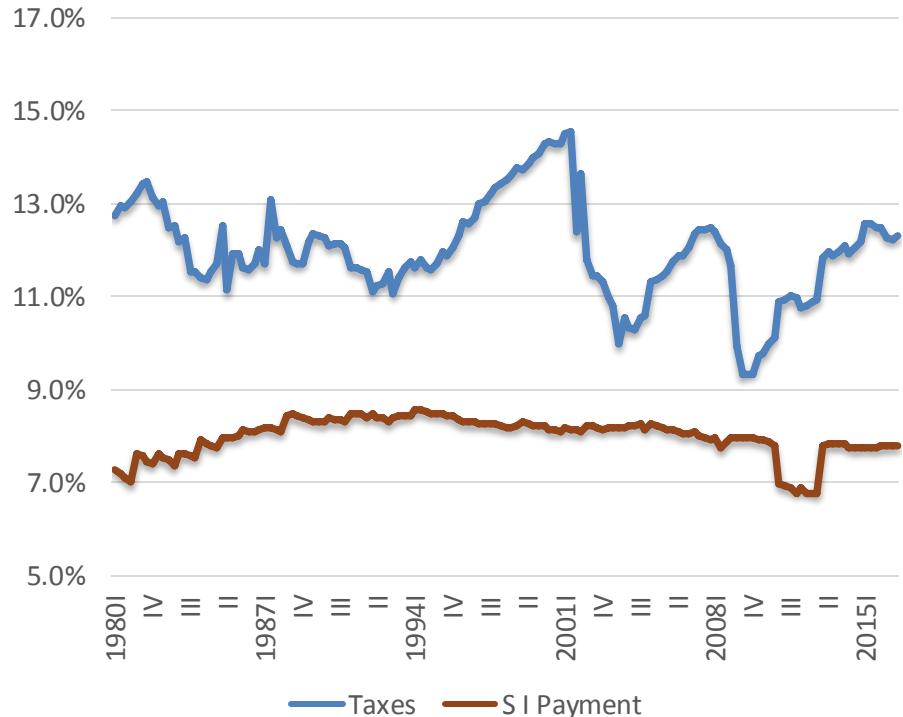
Real Net Investment % GDP

Structures



Implications

Income Taxes Share of Income

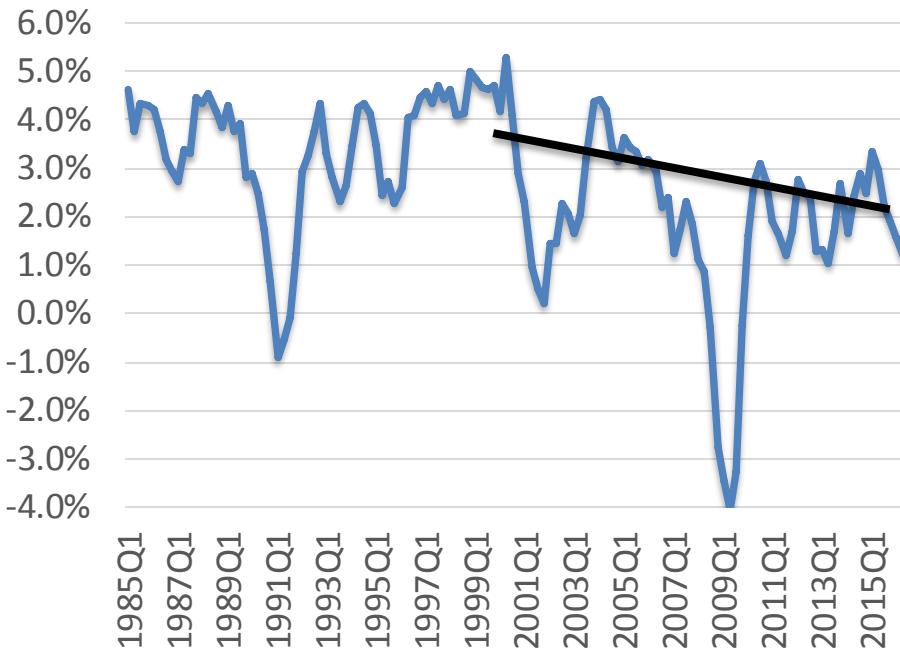


Real Net Worth

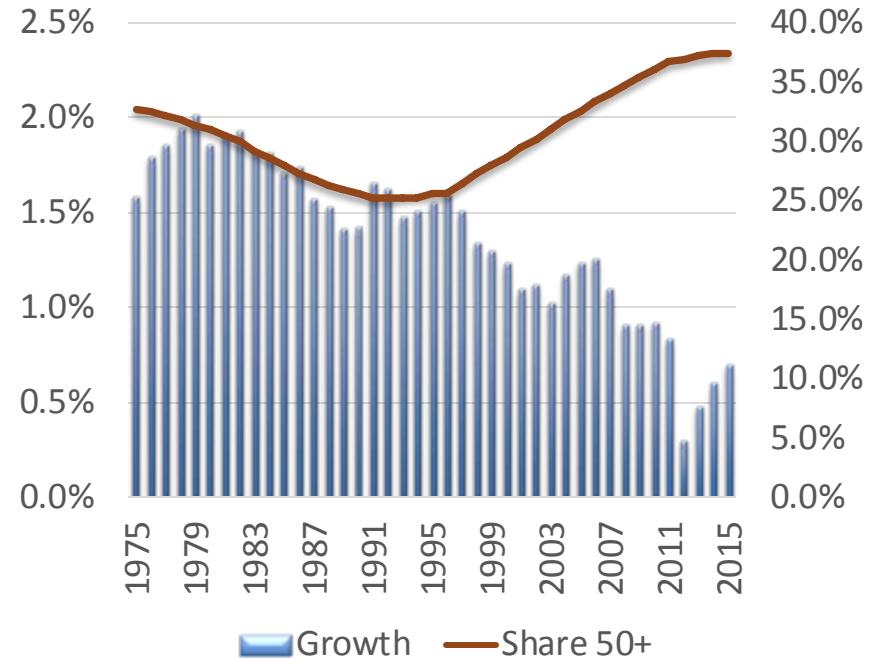
	1989	2001	2013
Mean Net Worth by Percentile of Net Worth			
Less than 25	-\$1.0	\$0.1	-\$13.0
25–49.9	\$41.8	\$58.4	\$35.9
50–74.9	\$162.2	\$219.9	\$177.7
75–89.9	\$411.6	\$594.0	\$546.3
90–100	\$2,294	\$3,631	\$3,962

Secular Stagnation?

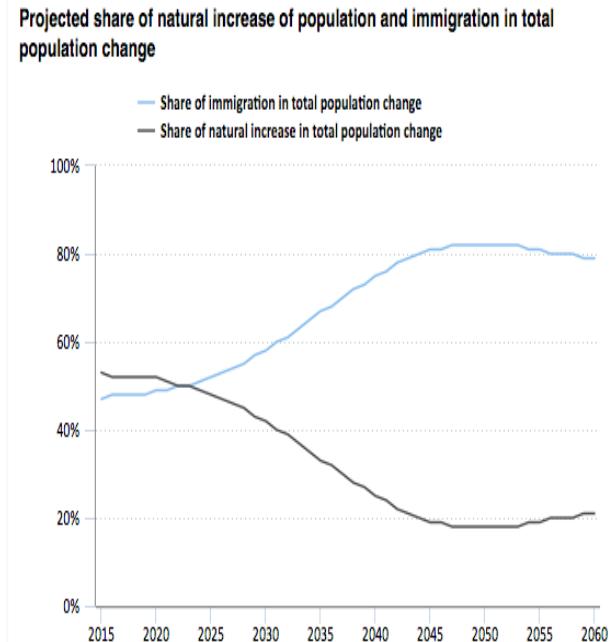
Real GDP Growth Y-o-Y



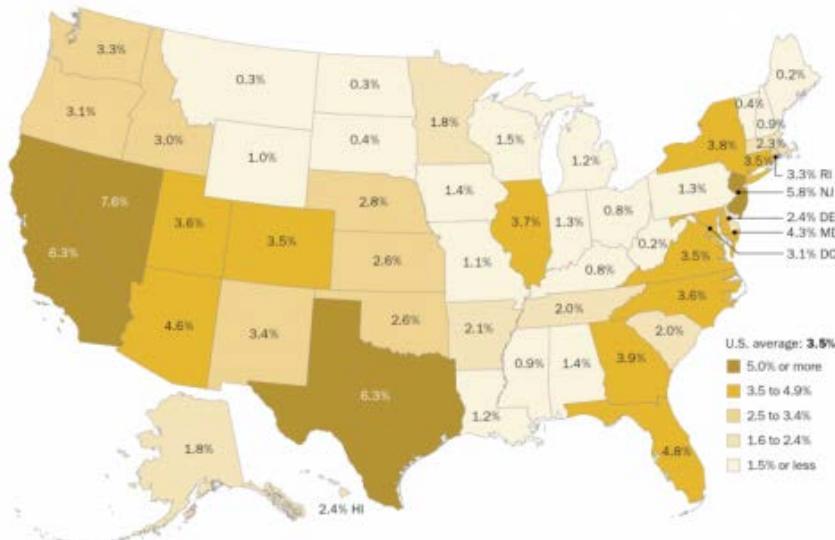
US Population of 25-64 Year Olds



Immigration



Unauthorized Immigrant Share of Population, by State, 2012



Note: Percentages calculated from unrounded numbers.

Sources: Pew Research Center estimates for 2012 based on augmented American Community Survey data from Integrated Public Use Microdata Series (IPUMS)

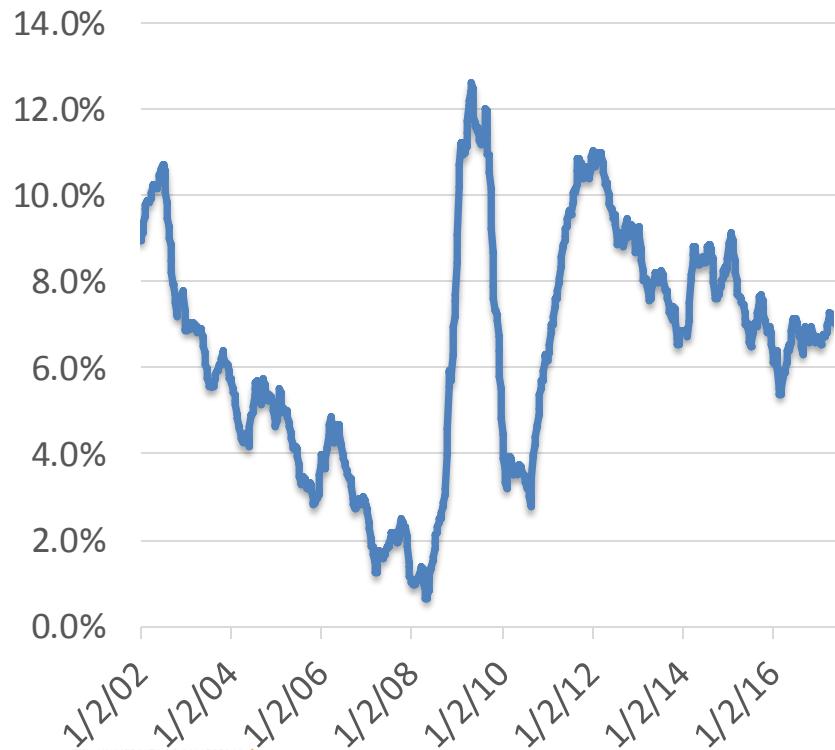
Where can growth come from?

Figure 8: Increase in Average Annual Growth Rate With Estimated Policy Shifts

Policy Change	Boost in Annual Growth	Estimated	
		Rate	By
Enact immigration reform to increase number of workers	0.3%	CBO	
Reform the income tax code	0.05% - 0.3%	JCT, Treasury	
Increase the Social Security retirement ages by two years	0.15%	CBO	
Reduce deficits by \$4 trillion over ten years	0.1%	CBO	
Expand energy production at level of shale boom*	0.09%	CBO	
Repeal the Affordable Care Act ("Obamacare")	0.08%	CBO	
Ratify the Trans-Pacific Partnership	0.01%	U.S. ITC	
Increase public investment in infrastructure, education, and research by \$400 billion	0 - 0.01%	CBO	

US Inflation

Y-o-Y Growth Net Monetary Base

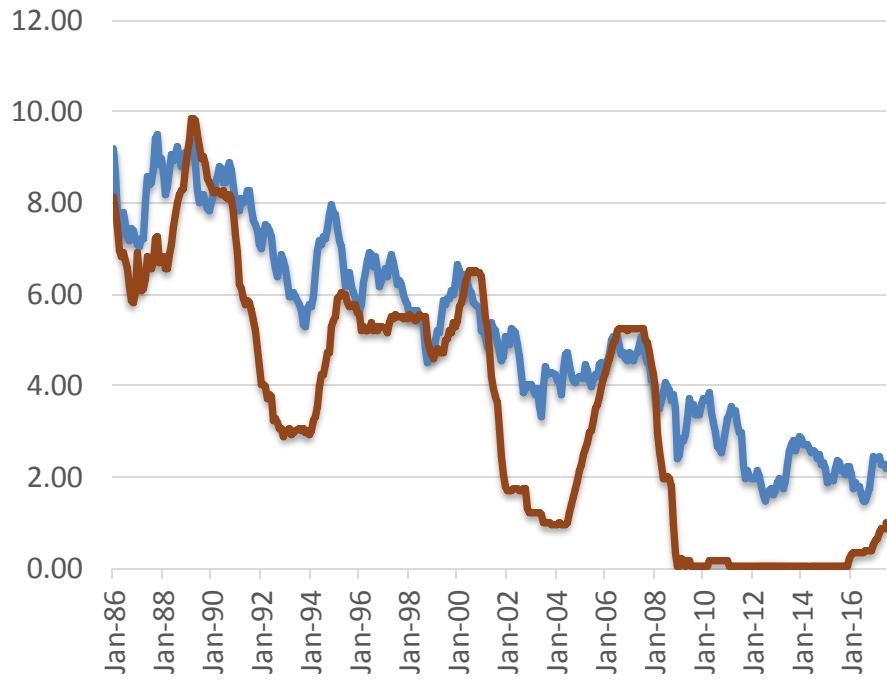


US Core Inflation Rate

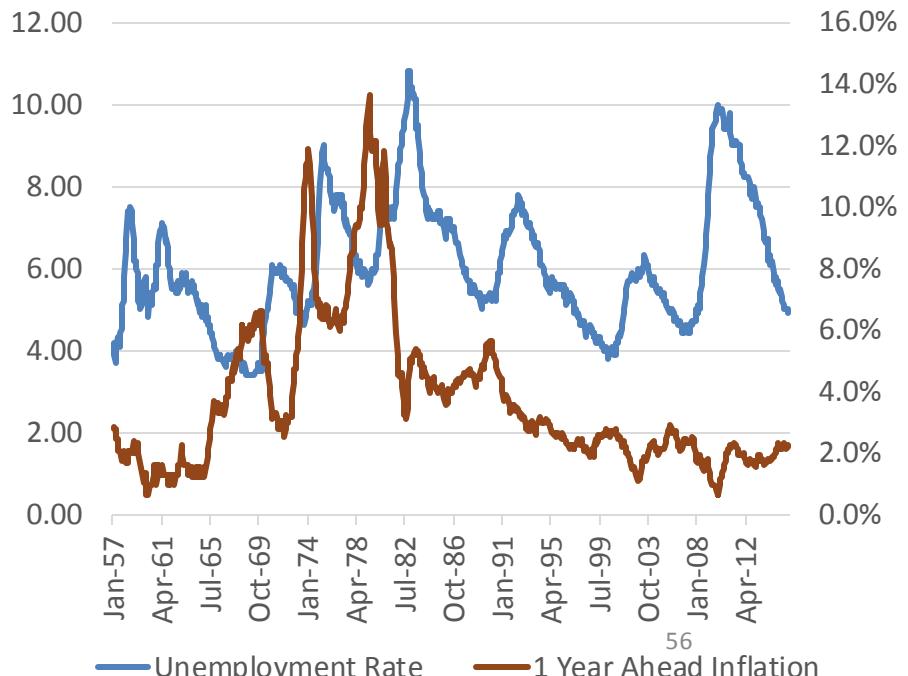


Interest Rates

10 Year and the FFR



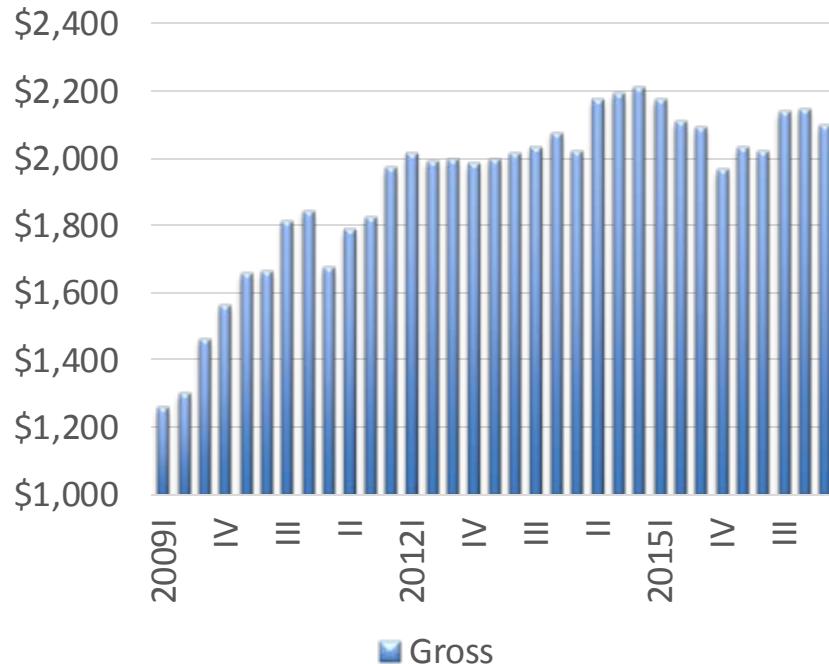
The Philips Curve: Inflation Regime Dependent



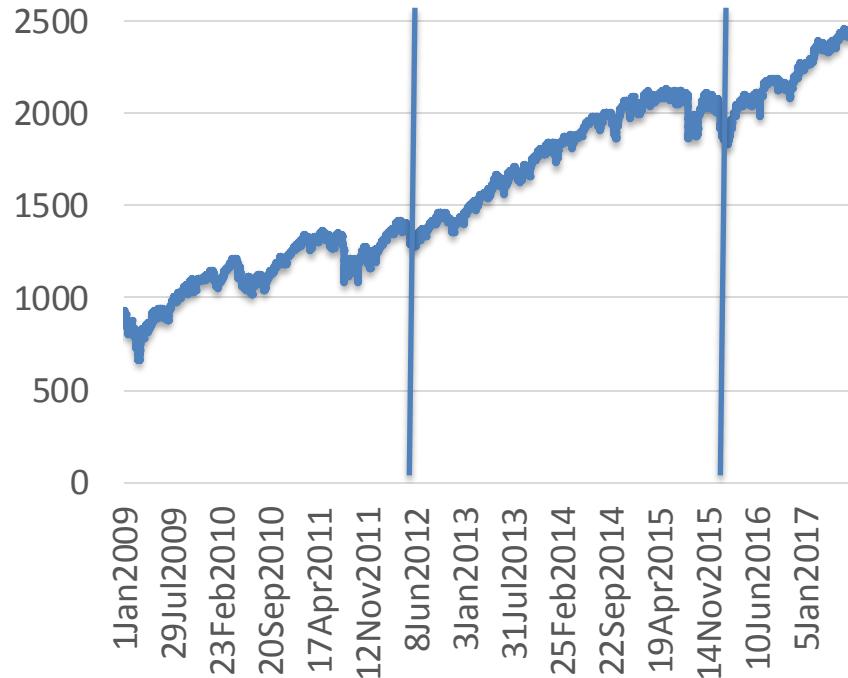
56

Corporate Profits

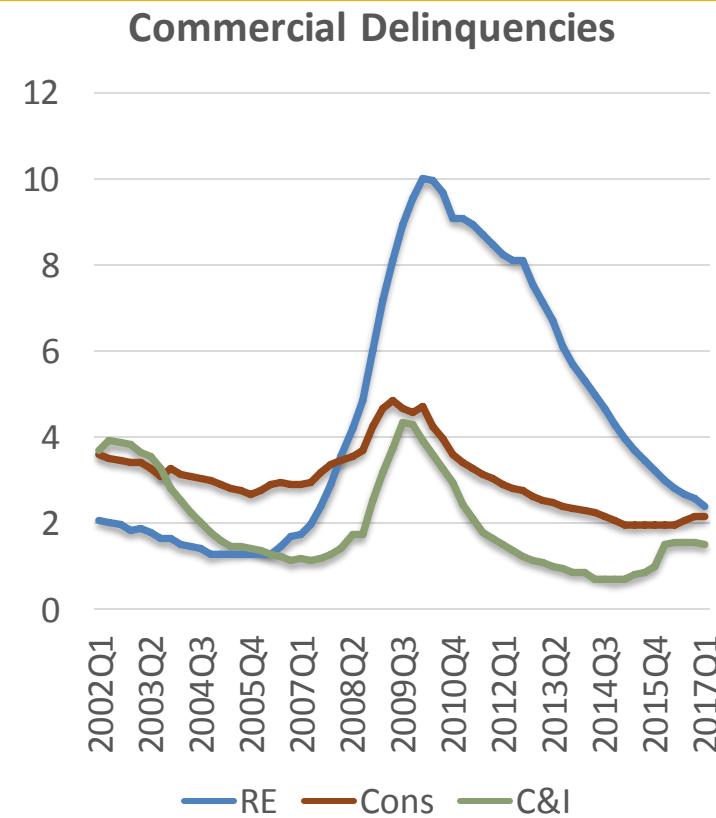
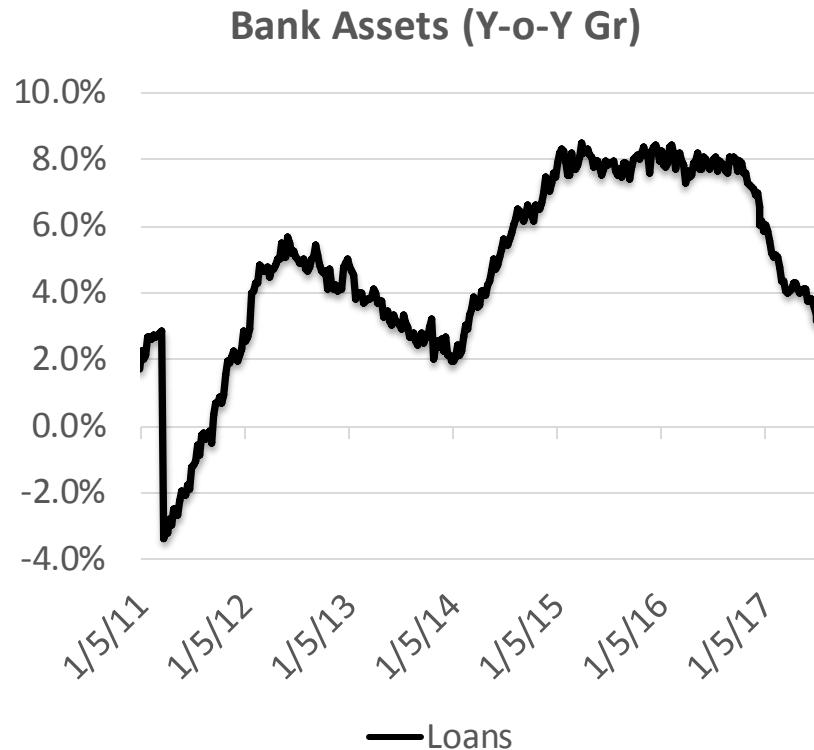
Gross Corporate Profits with CCA
and Inv Adj



S&P 500



Commercial Banking



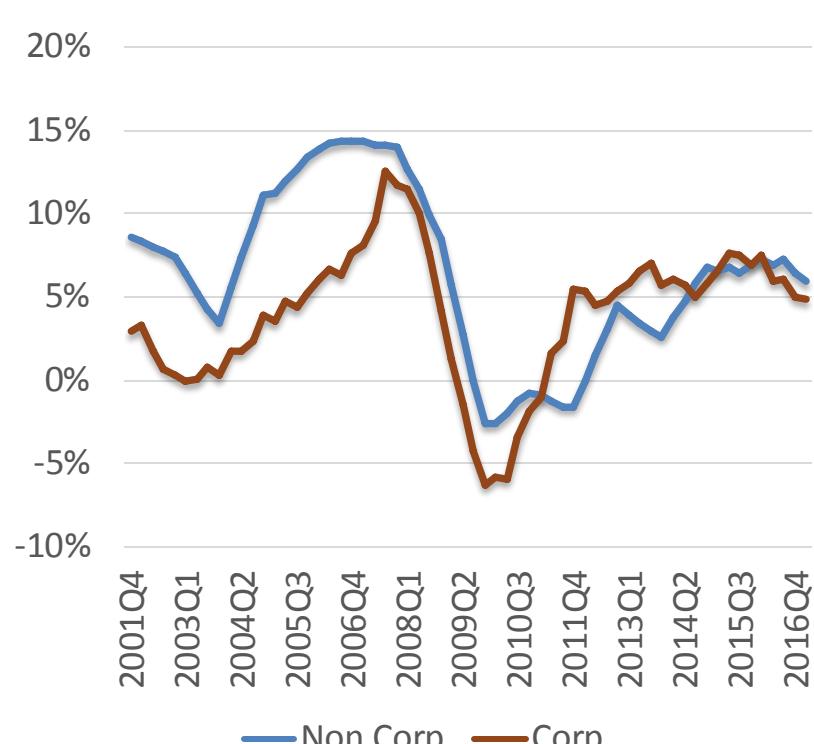
Banking

Stronger demand for	2015Q1	2016Q1	2017Q1	Tightening Standard	2015Q1	2016Q1	2017Q1
Auto loans	4.7	1.6	-13.6	Auto loans	-4.7	-6.3	11.7
Credit card loans	6.3	0	-8.3	Credit card loans	-1.9	-1.9	8.3
Construction	17.4	8.5	-7.4	Construction	-2.8	12.7	25
Non Res Structures	15.3	9.9	2.9	Commercial	-1.4	5.6	13
Multi Family	25.4	8.5	-7.2	Multi Family	0	22.5	33.3
C&I loans	17.8	-11.1	0	C&I loans	-5.5	8.2	1.4
GSE-eligible mortgage loans	-17.2	-12.7	-1.6	GSE-eligible mortgage loans	-12.5	-14.3	-4.8
Increase Spreads	-35.6	-16.7	-5.8				

Banking

	Prev 40 Weeks	Last 40 Weeks	Balance
C&I	6.7%	0.6%	2,100,047
Residential	2.9%	0.5%	2,160,406
Construction	10.6%	7.4%	309,707
MF	10.4%	7.0%	323,146
Non-Res	7.2%	4.8%	1,305,084
Credit Cards	6.8%	3.4%	727,863
Auto	5.4%	1.8%	413,294
Other Cons	6.4%	3.2%	236,436
Fed Funds	2.7%	-9.8%	338,271
Financial	6.6%	5.1%	425,391

Flow of Funds Debt Tables Y-o-Y Gr



The Big Picture

The Economic Outlook

- Economic Growth Outlook for 2017: 2-2.5% even with the weak first quarter
- Labor markets to remain tight, wages to put pressure on profits
- Financial markets a bit frothy, but interest rates to remain low
- Exports, business investment to pick up
- California to slow but mainly due to housing shortage
- IE: The new hot spot in the state

The Trump Factor

- **The Good:** Infrastructure, Mortgage Reform, Government Efficiency, Trade negotiations
- **The Bad:** Interest Rates, Federal Deficit, Personal Liabilities, Deregulation of Wall Street, Foreign policy, Healthcare
- **The Ugly:** The potential for a trade war, Immigration and the Environment, Entitlements, Revenge of the Left



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