

Sonoma County State of The County Conference

The U.S. and California

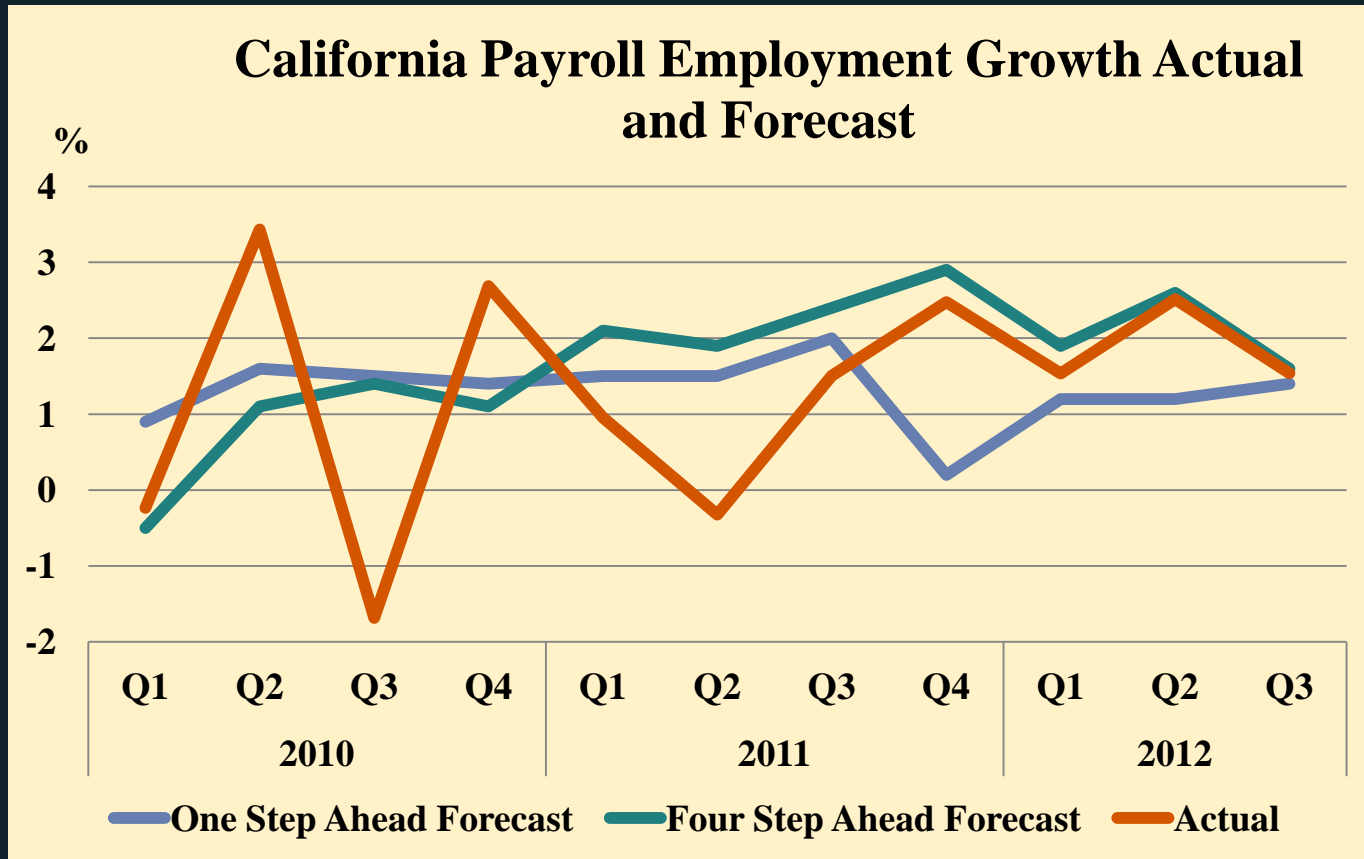
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Anderson School of Management
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UCLA Anderson Forecast

January 23, 2013

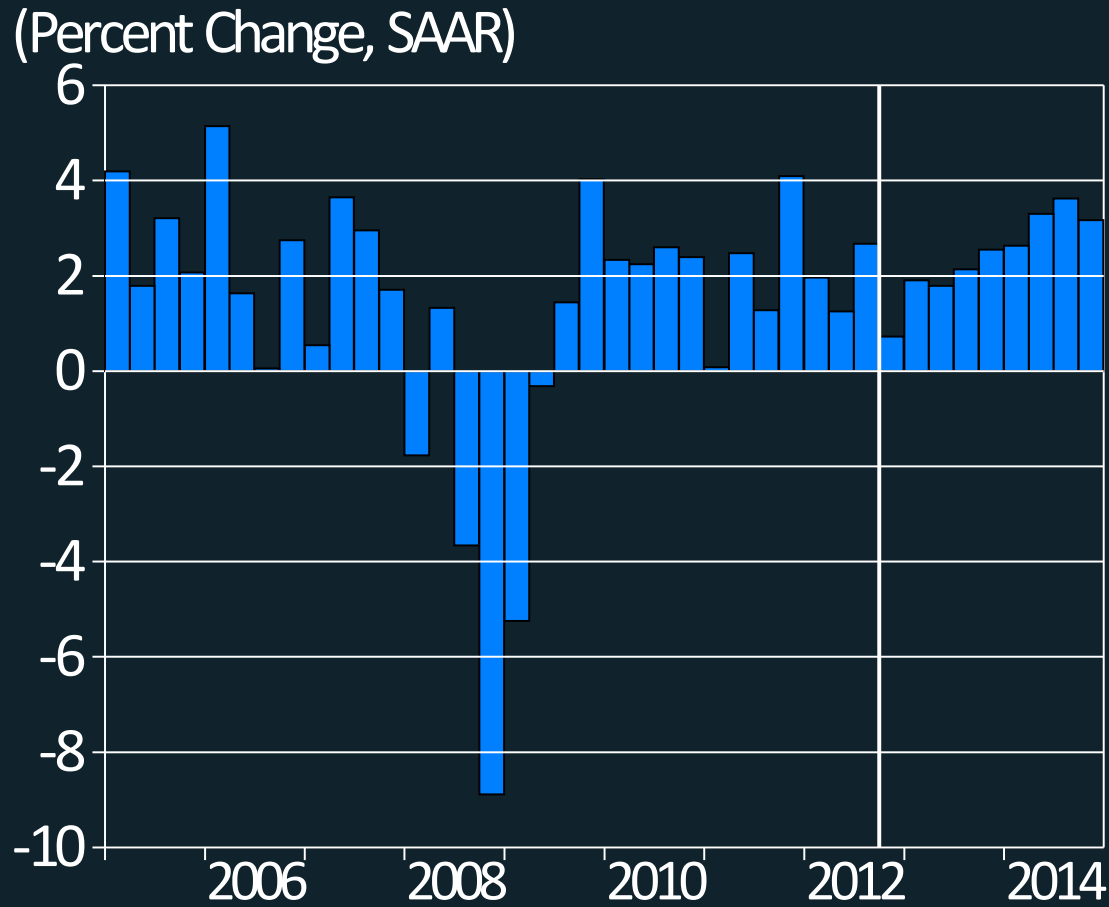
Main Themes

- How have we done?
- The US: Muddling Through with 1-3% Growth
- Monetary and Fiscal Policy
- California
- Sonoma

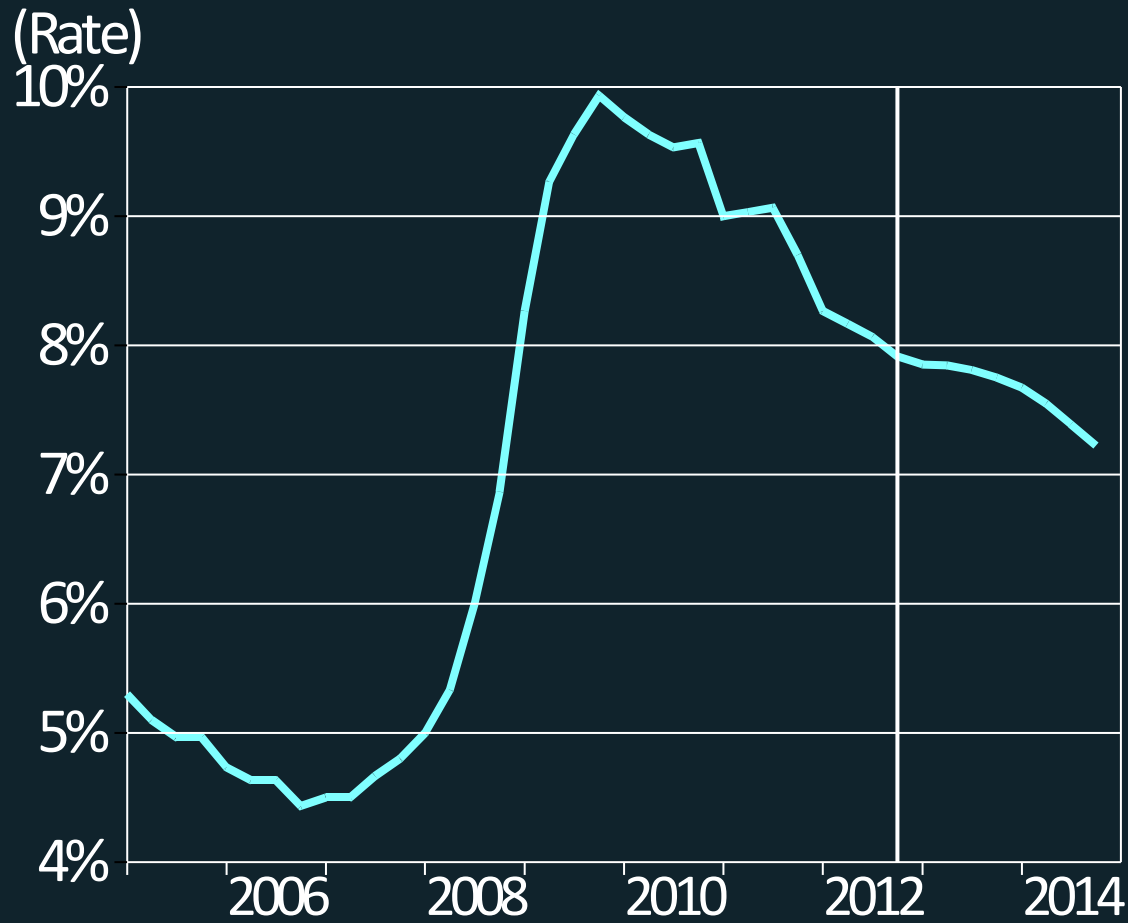
Forecast Performance California Employment Growth



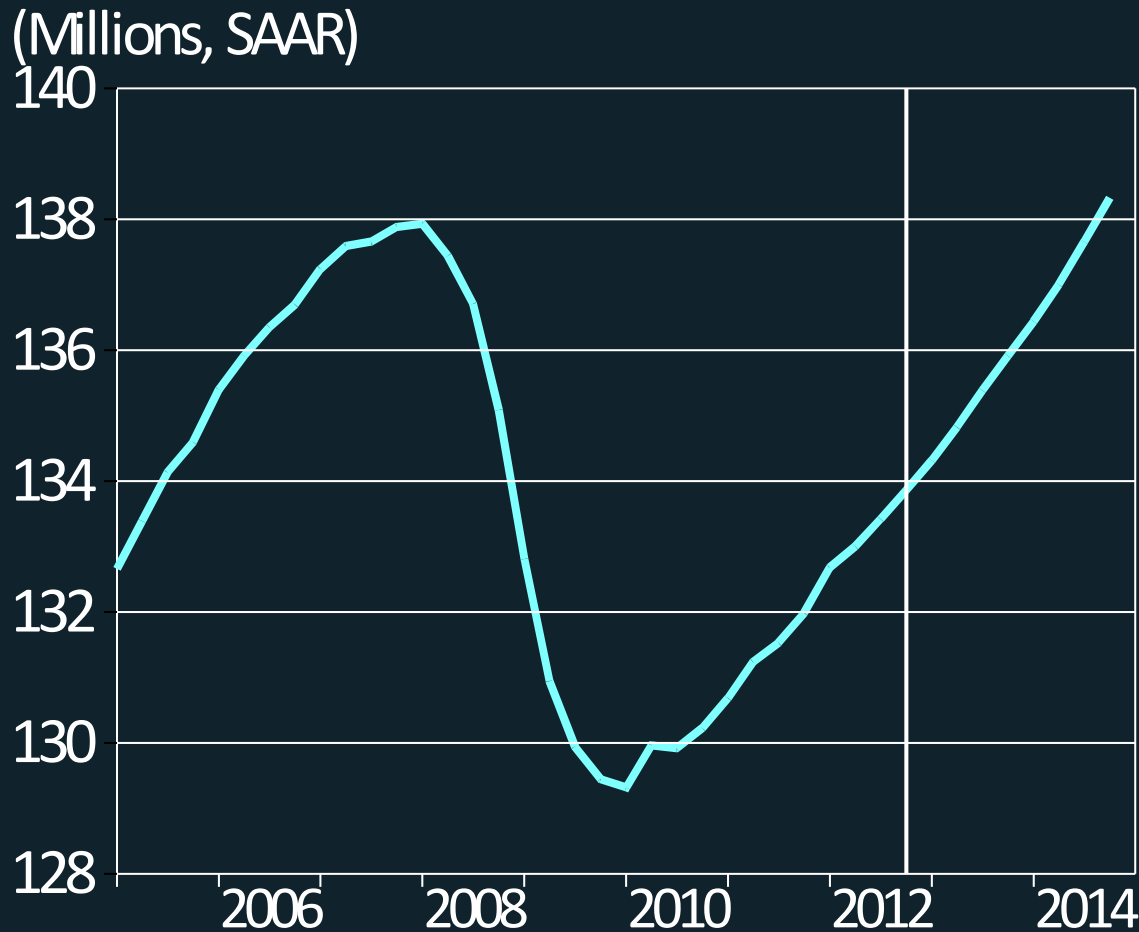
GDP Growth Remains Slow



Unemployment Plateaus, Then Falls

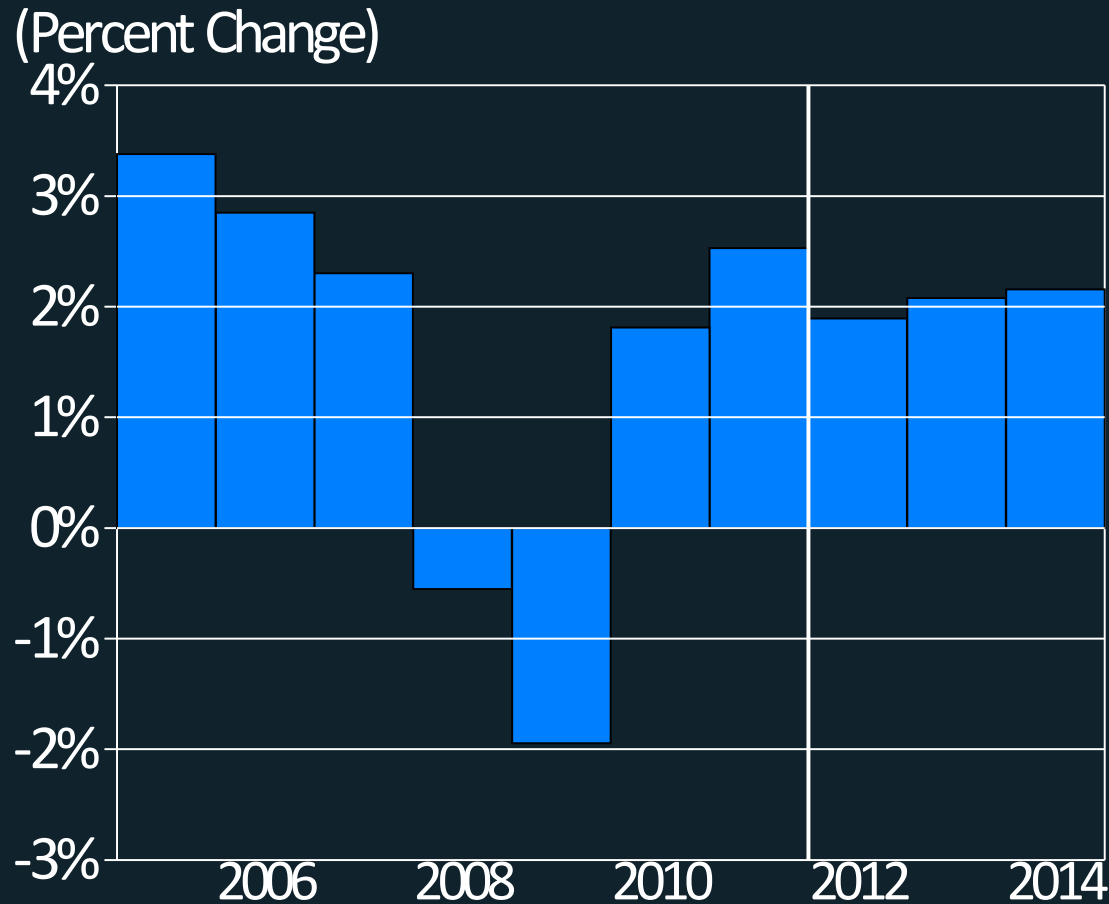


Payroll Employment Rebounding



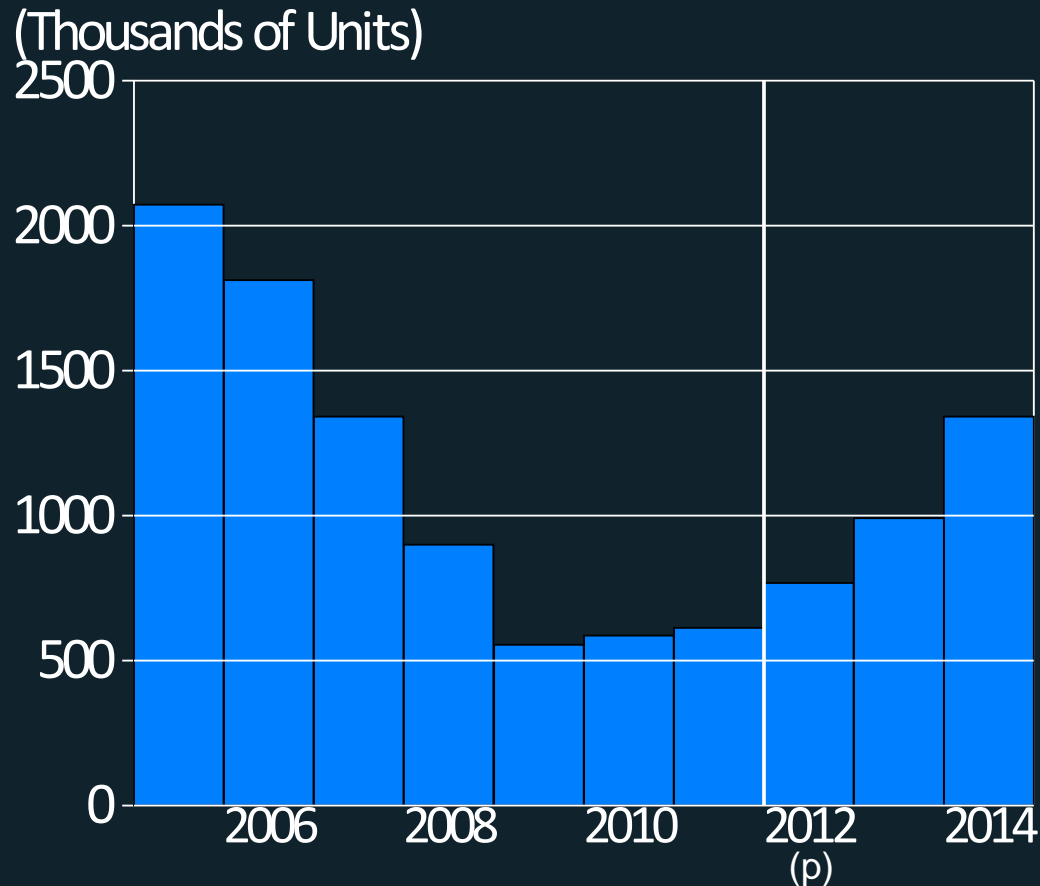
Tepid Consumption Growth : 2%

Real Consumer Spending, Annual Data

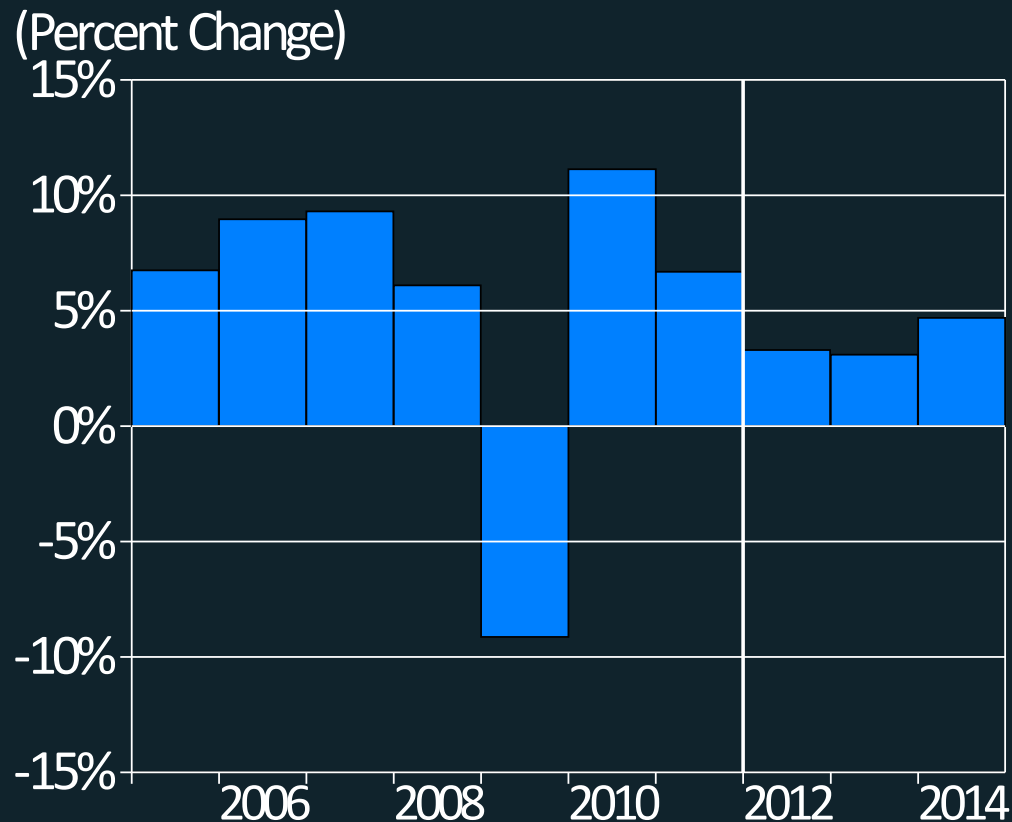


Housing Momentum Gaining Strength

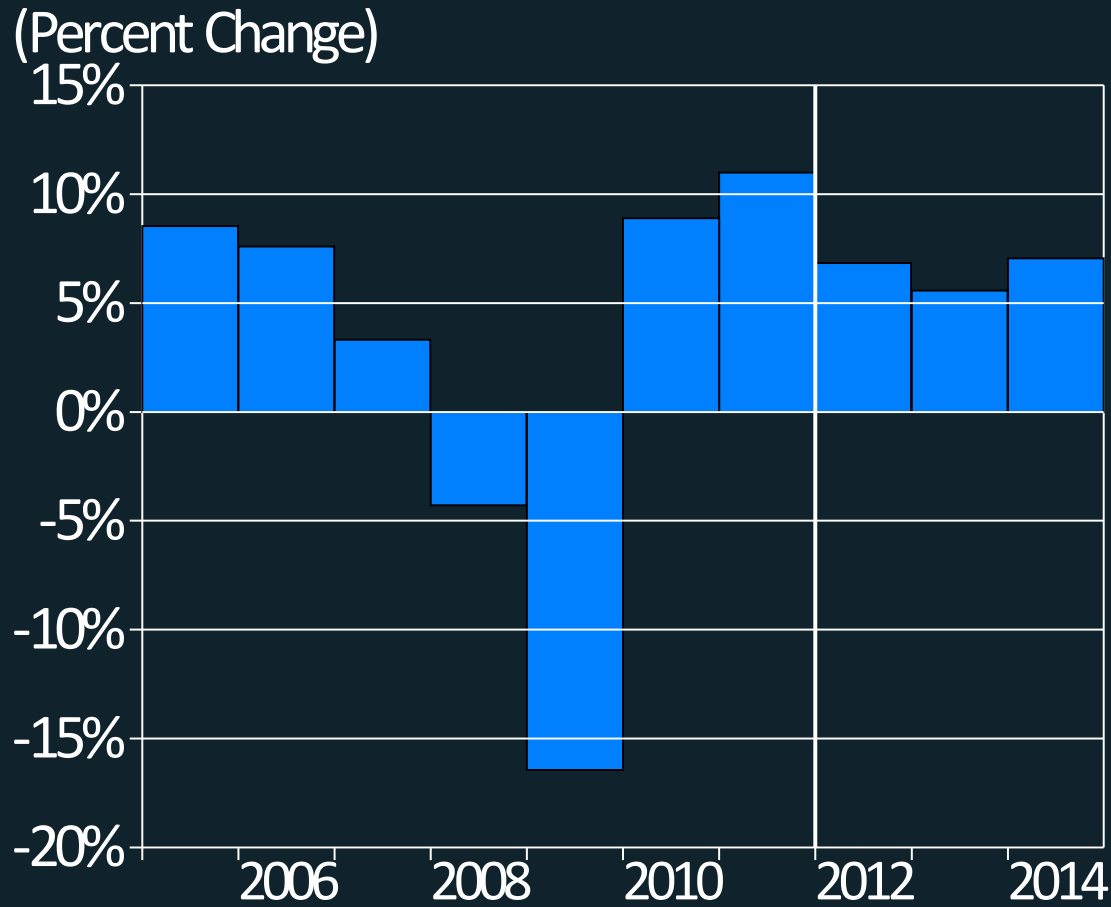
Total Housing Starts, Annual Data



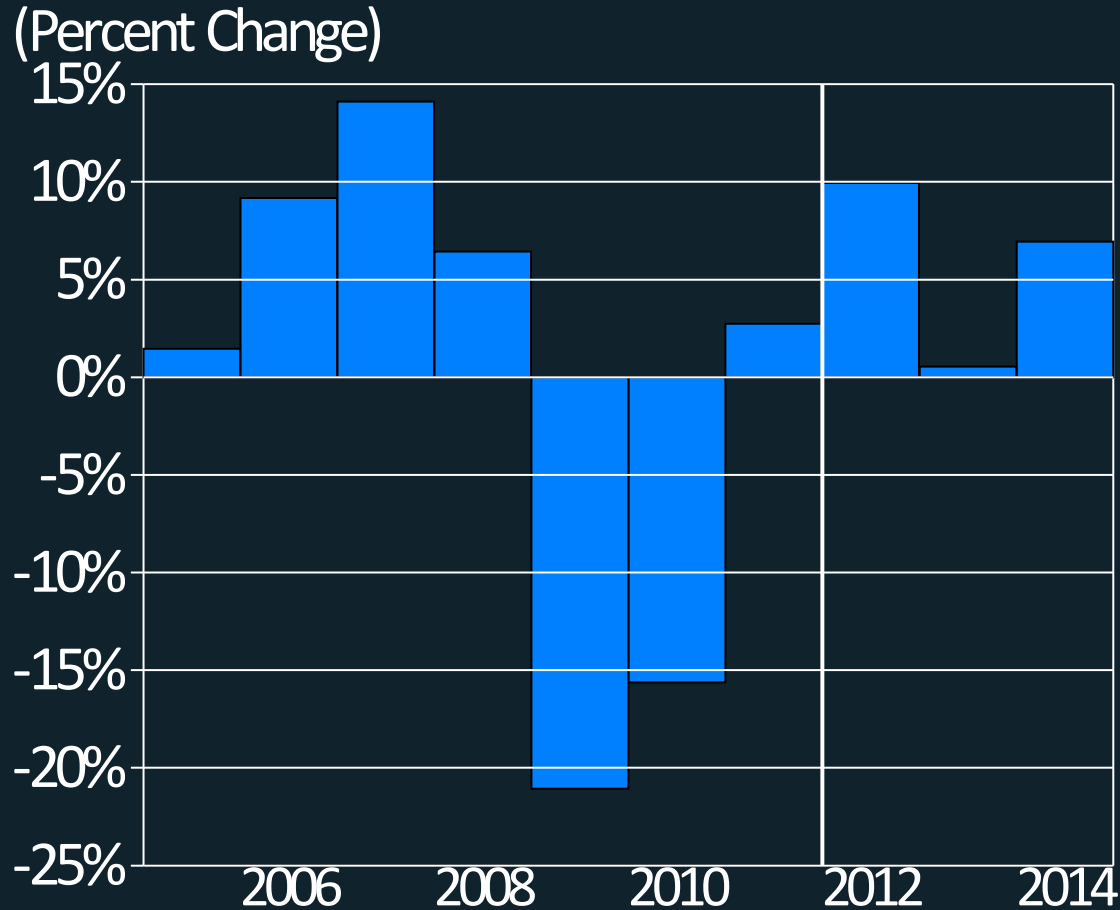
Export Growth Weighed Down by Recession in Europe and Japan and Slowdown in “BRICs”



Equipment & Software Growth Slowing

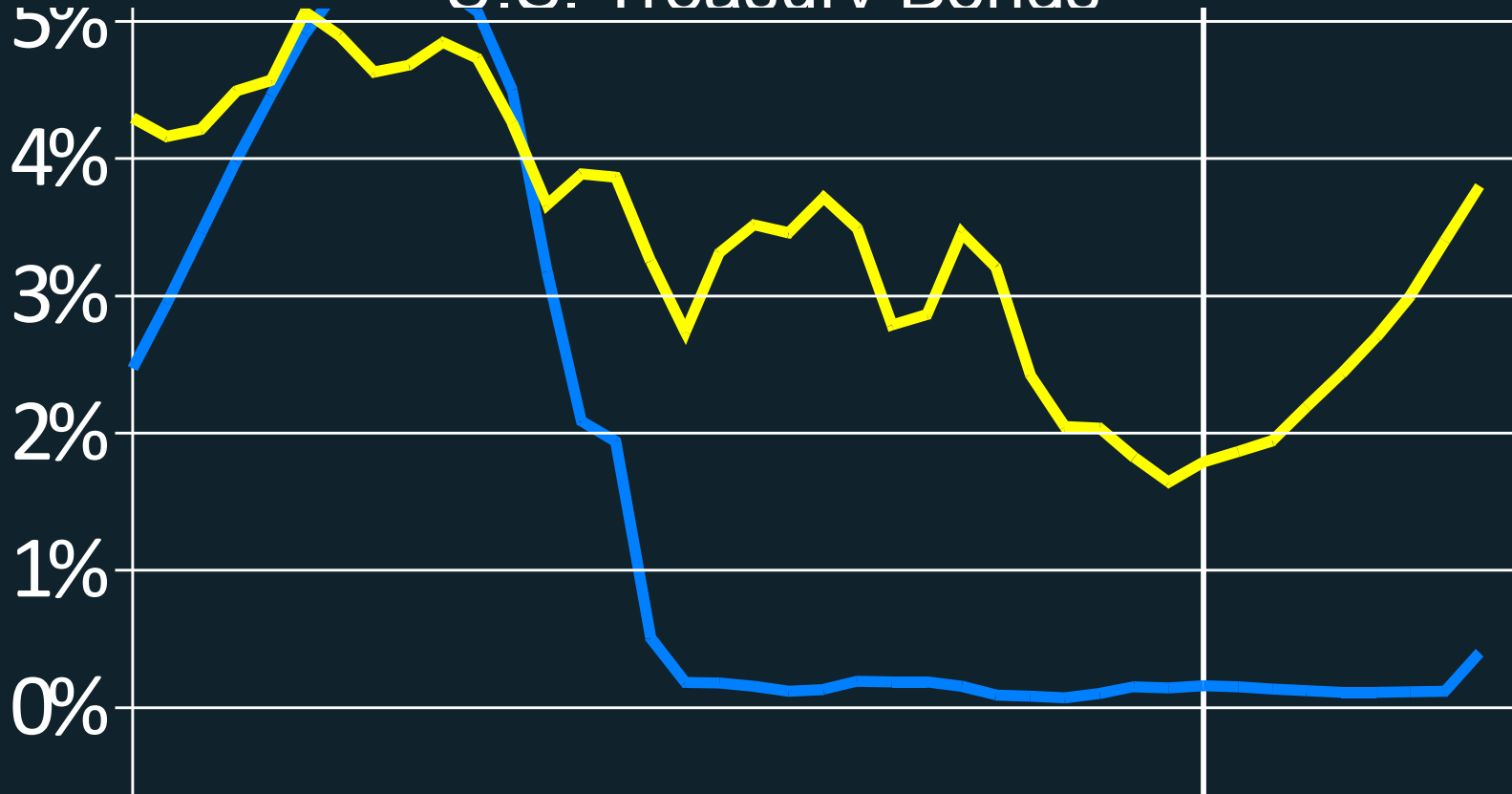


Investment in Business Structures Stalls in 2013

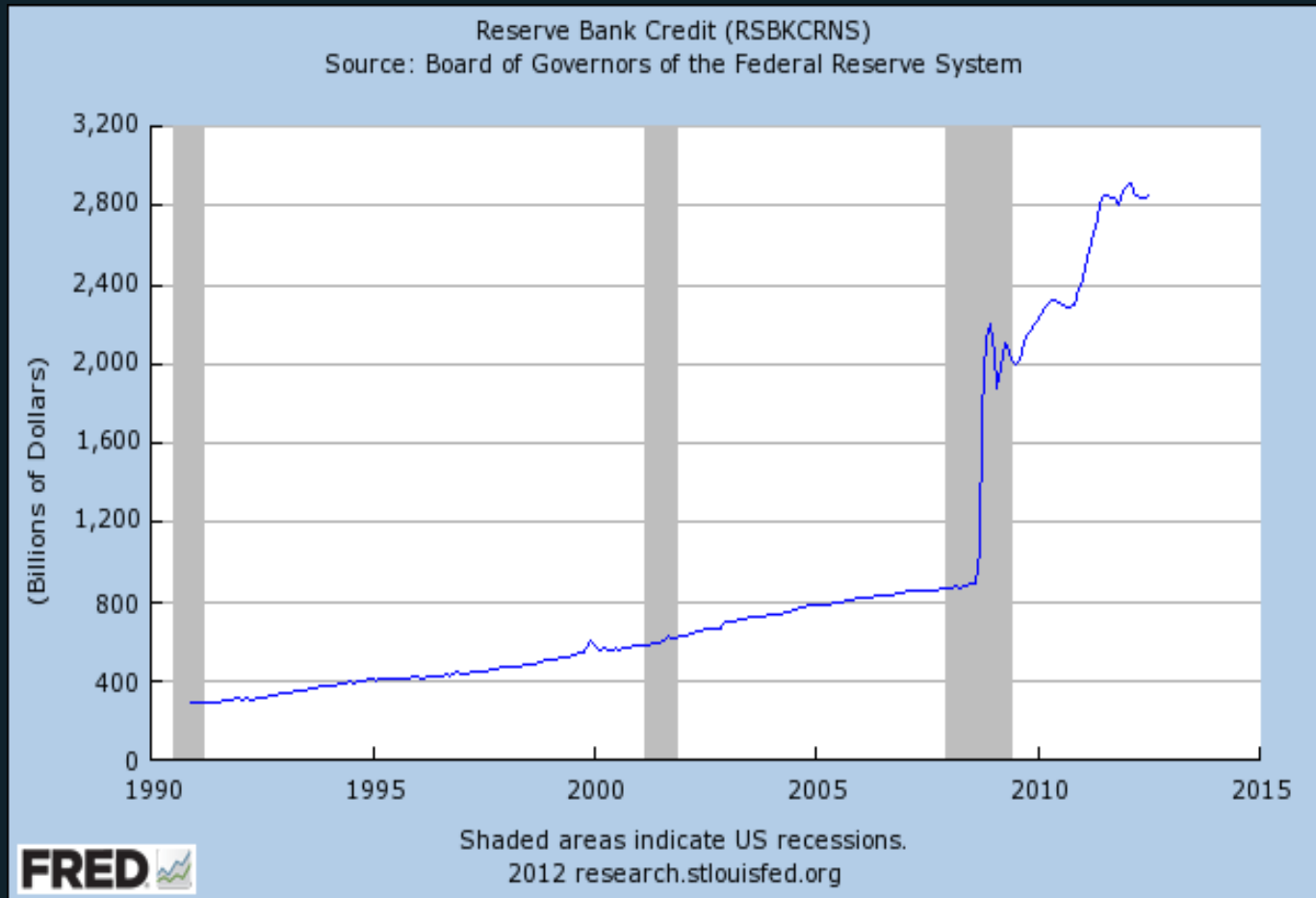


Interest Rates Stay Low

Federal Funds Rate Vs. 10-year U.S. Treasury Bonds

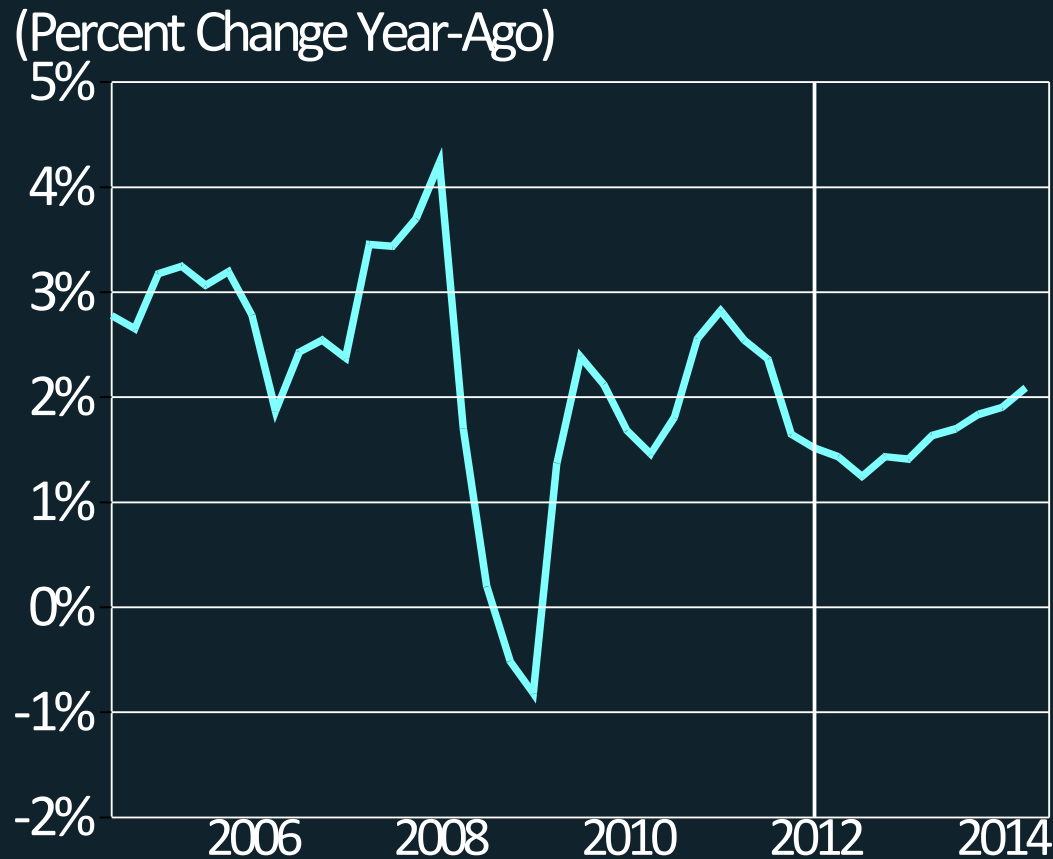


The Fed Goes All-Out



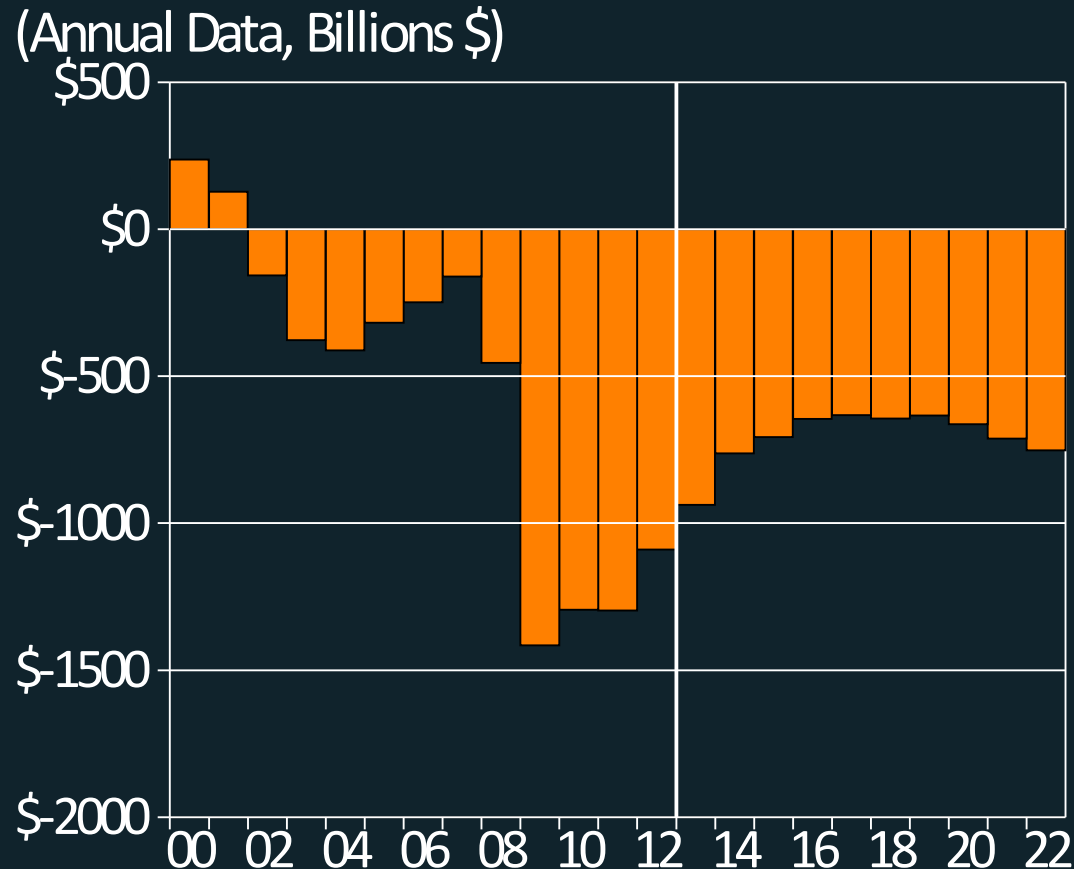
Inflation Remains Quiescent

Price Deflator for Personal Consumption Expenditures



Federal Deficit to Stay High

Federal Surplus/Deficit, FY 2000 – FY 2022



A Historical View of Periods of Slow Growth

- Panic and recession of 1873
- Panic and recession of 1893
- 1920-1940
- From An Industrial To An Information Economy

Entering the Information Age

- Growth Sectors
 - Education & Information
 - Professional, Scientific & Technical Services
 - Advanced Manufacturing
 - Health Care
 - Leisure & Hospitality
 - Personal Care Services

U.S. Forecast

- Slow/No Growth
- But, we will likely avoid a contraction.
- Gradual growth to return in mid-'12
- Downside risk:
 - Europe
 - More Fiscal Restraint

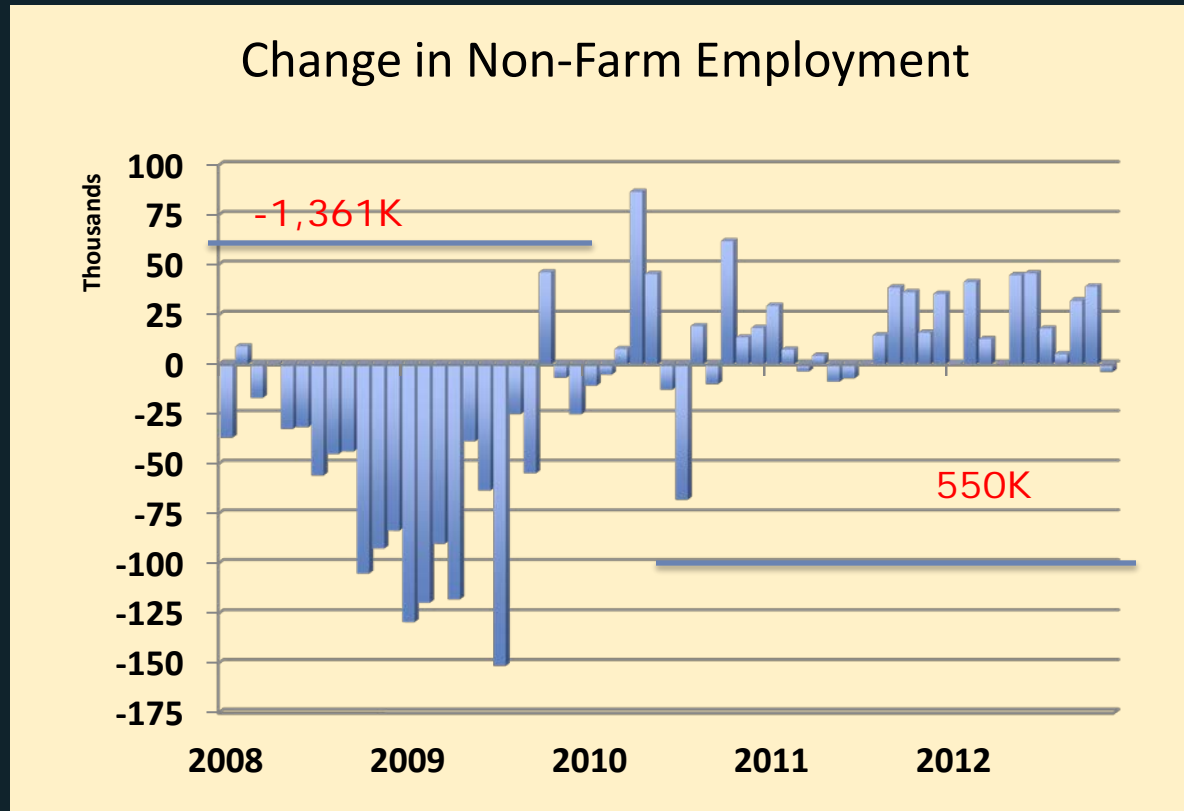
The Two Californias



The Two Californias

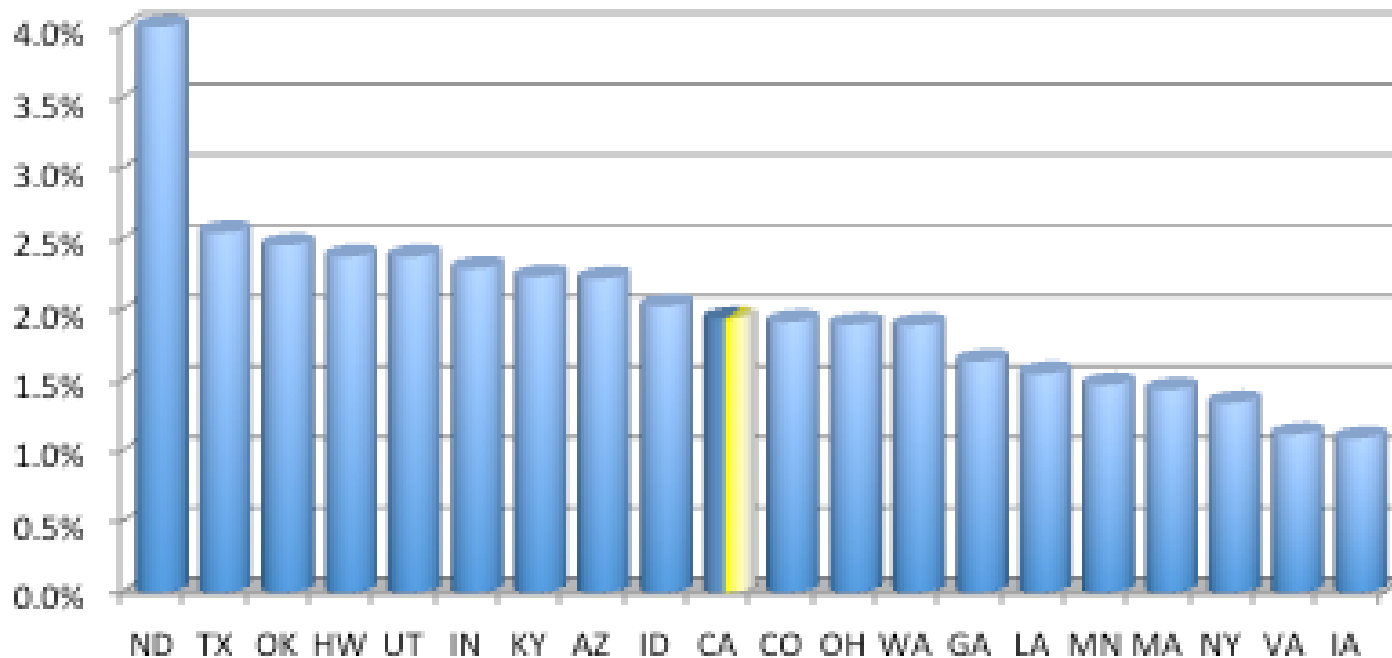


Employment Continued Slow Growth



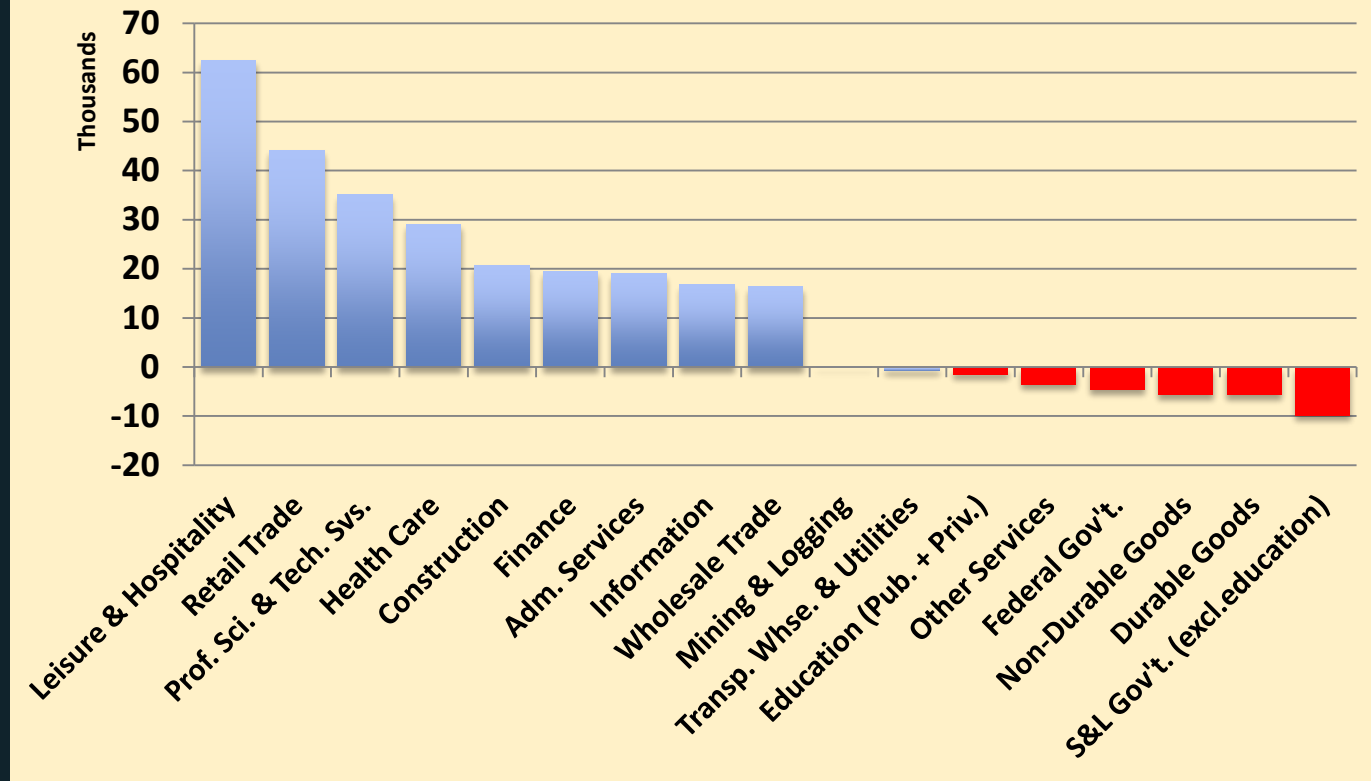
California in top 10 in job growth

Rate of Non-Farm Payroll Job Growth (3 Mo. Ave, Nov. 2011 to Nov. 2012)

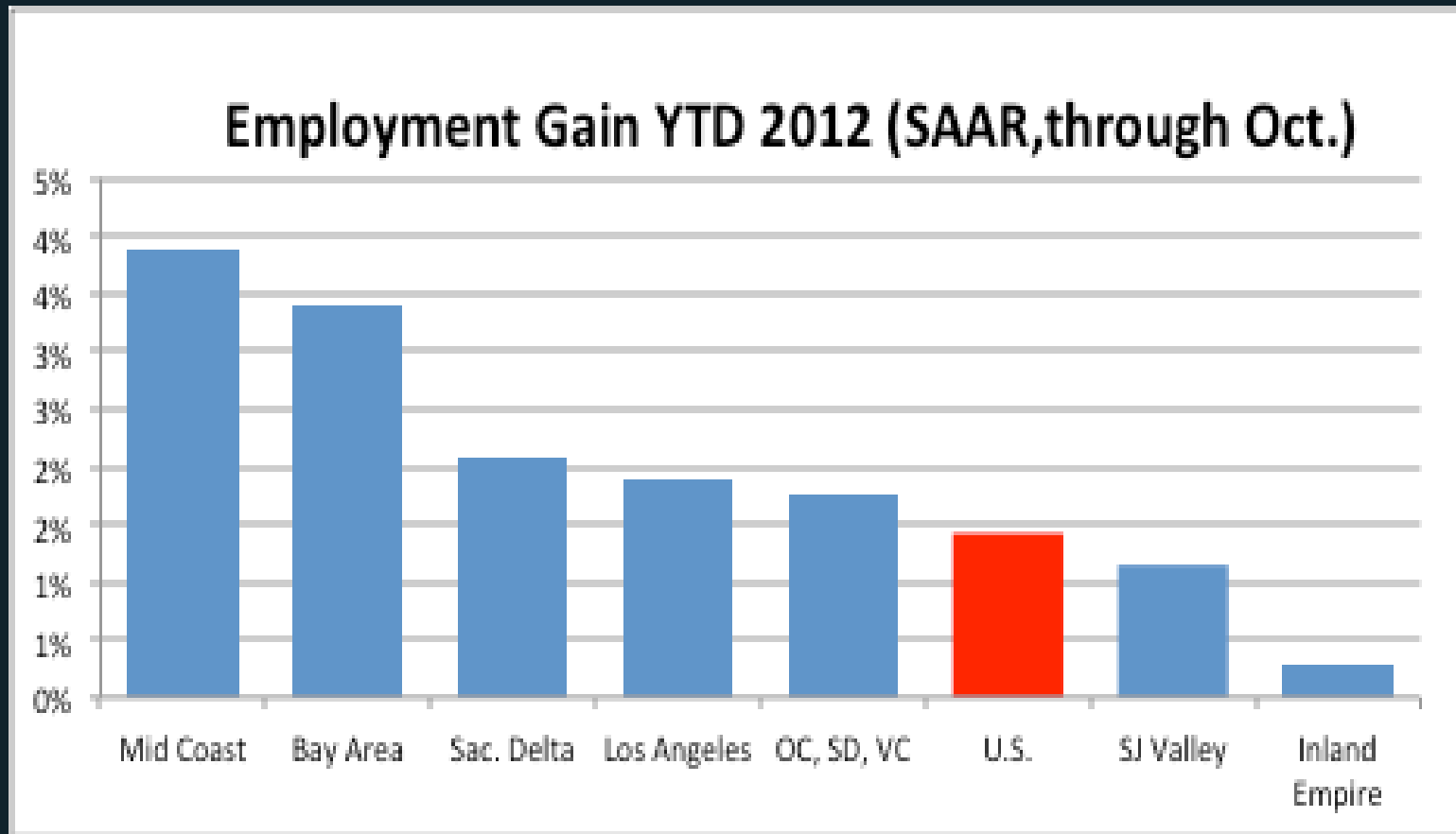


Most Sectors Are Gaining

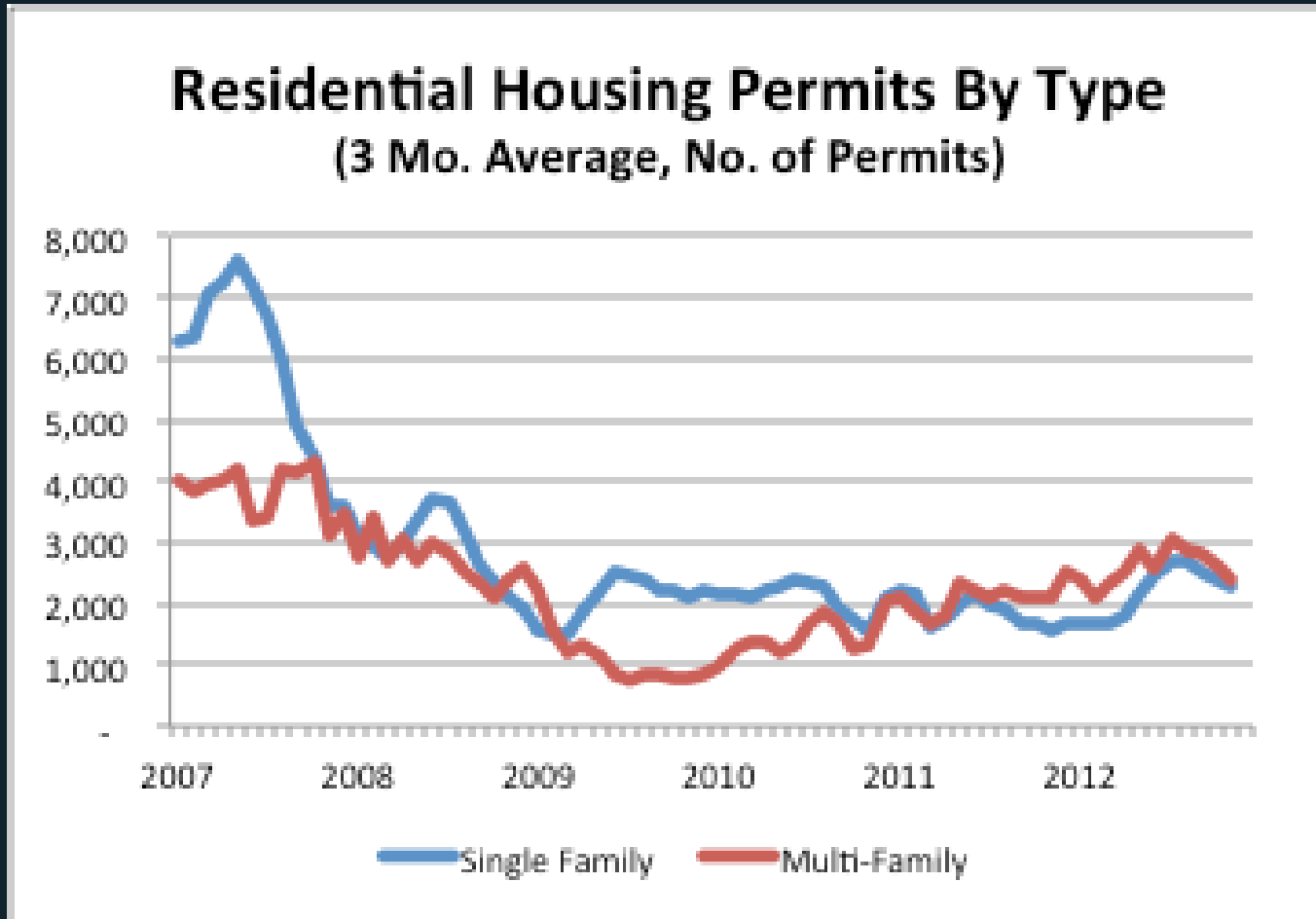
Change In Payroll Employment YTD 2012



And Across Geographies

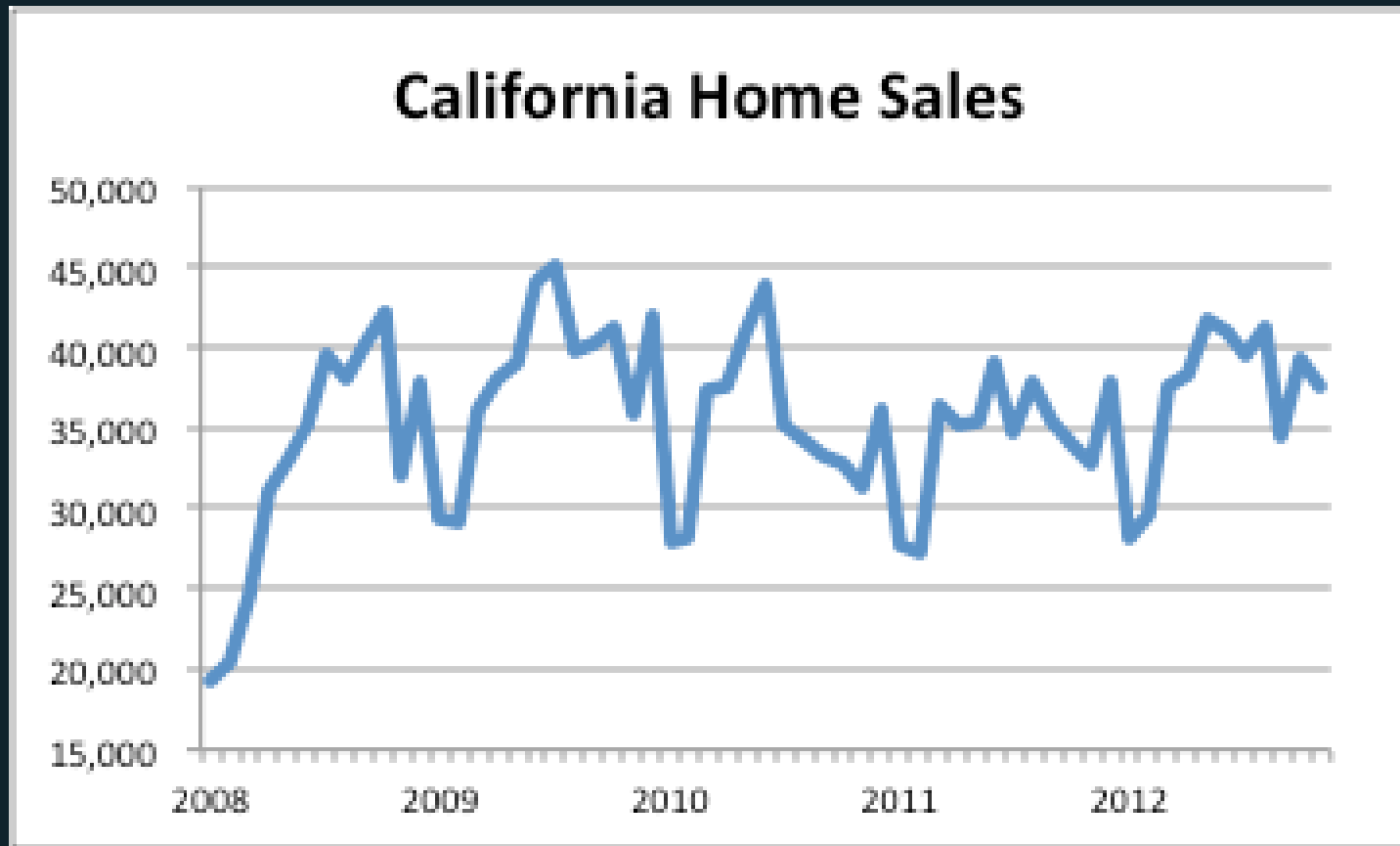


Residential Construction is improving



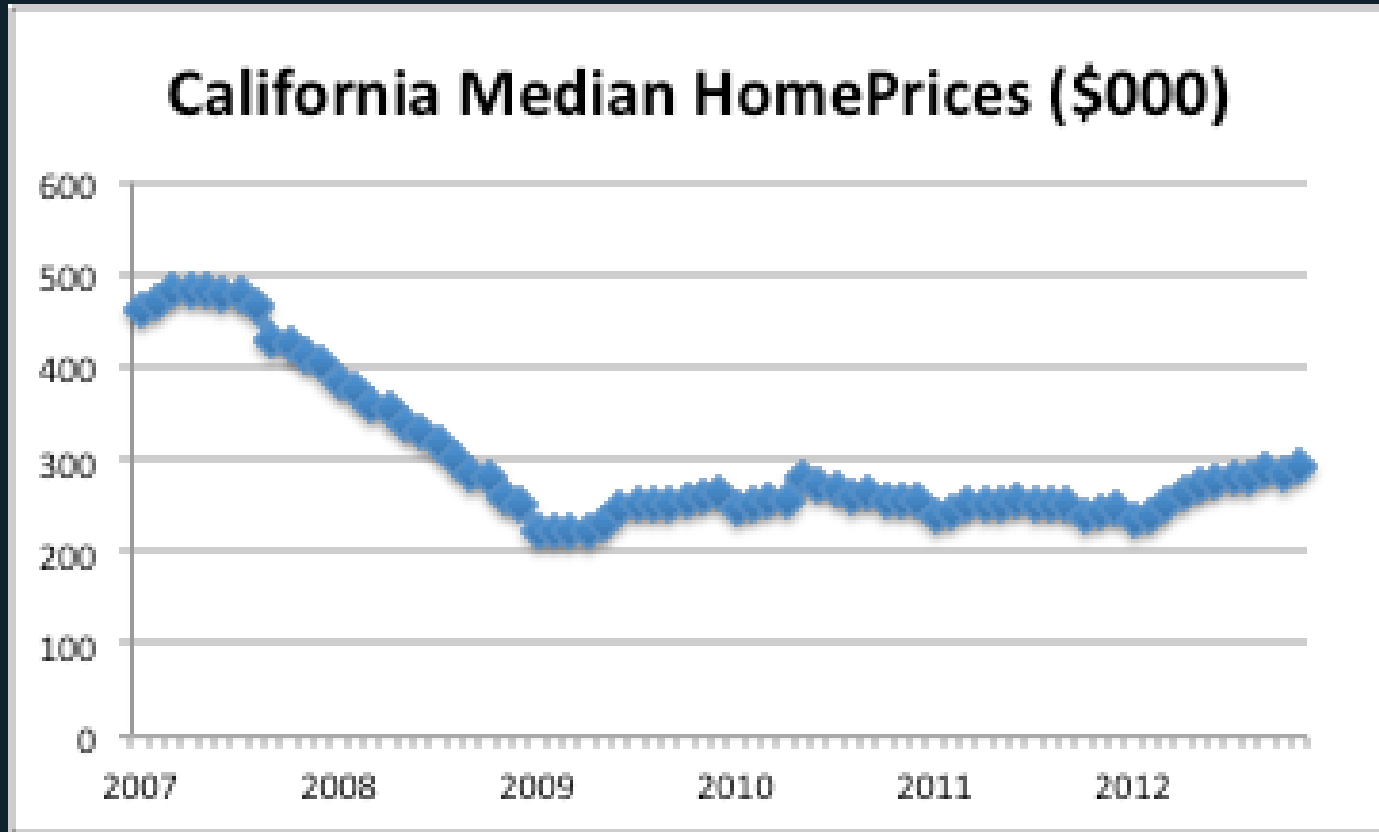
Source: CIRB, US Census, UCLA Anderson Forecast

But home sales have yet to trend up



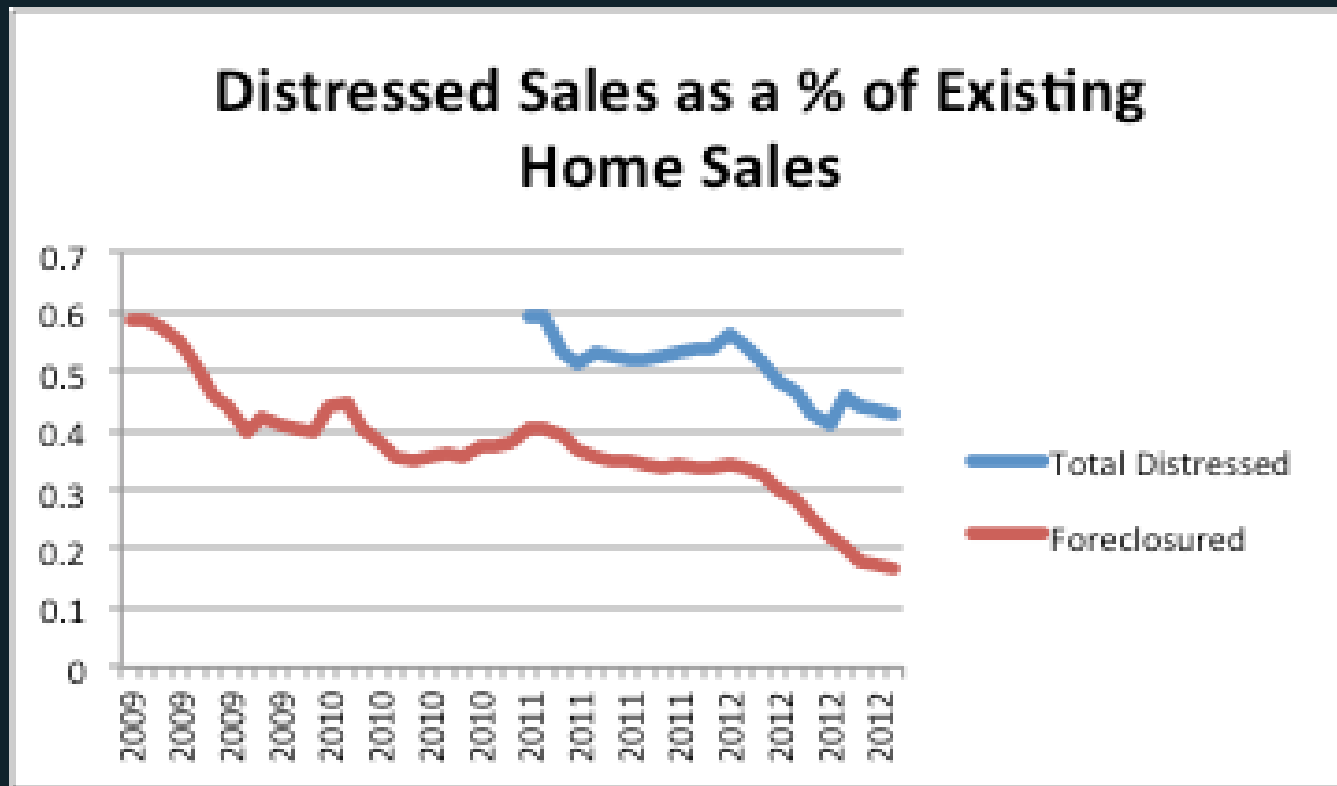
Source: DataQuick

Although median prices
appear to be firming



Source: DataQuick

And the foreclosure pipeline has come down to the 1995 Peak!



Source: DataQuick, UCLA Anderson Forecast

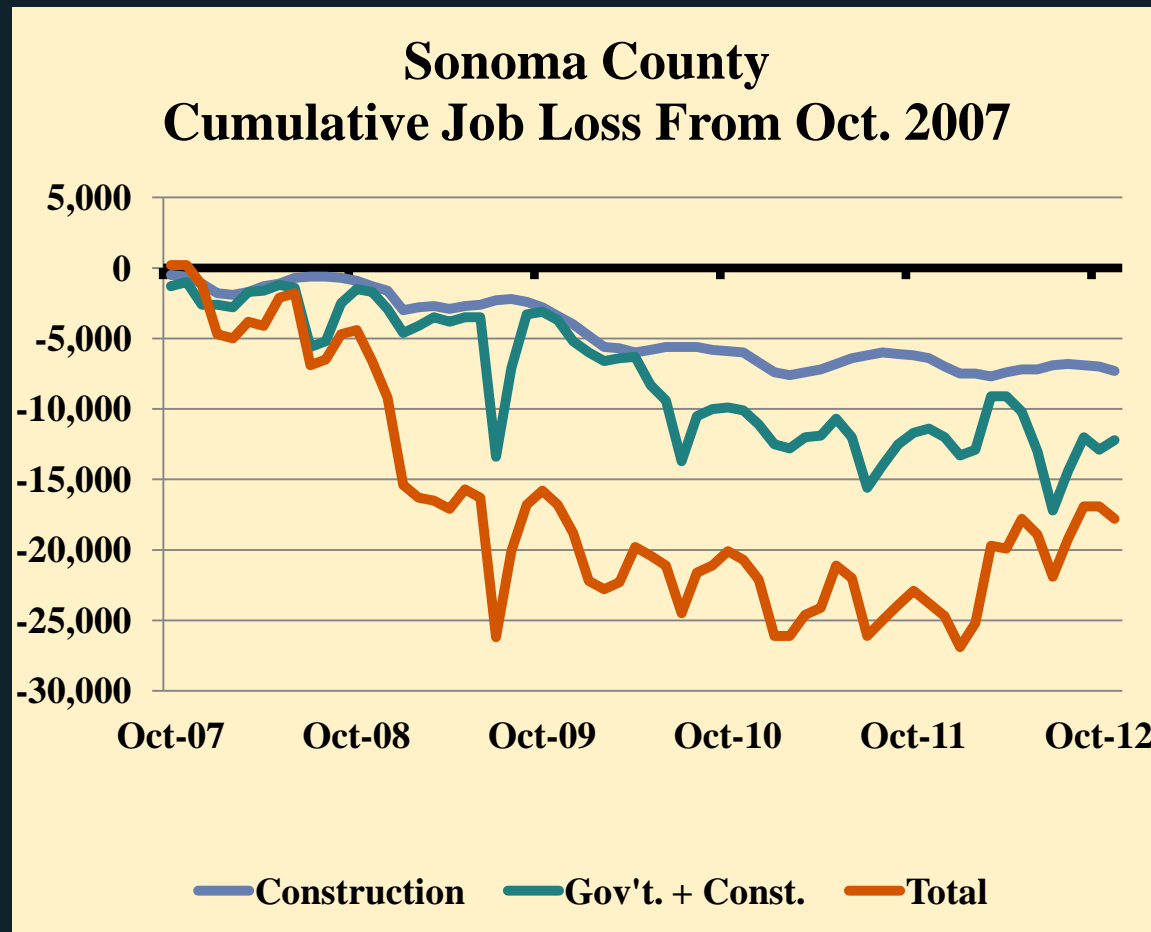
Real Estate In California Shows Improvement

- But, 43% of all CA sales are still distressed sales
- Local Market Improvement
 - Job Growth
 - Foreign Sales
- multi-family building recovering
- Non-Residential poised for growth
- Preliminary statistical evidence of overall recovery

CALIFORNIA FORECAST

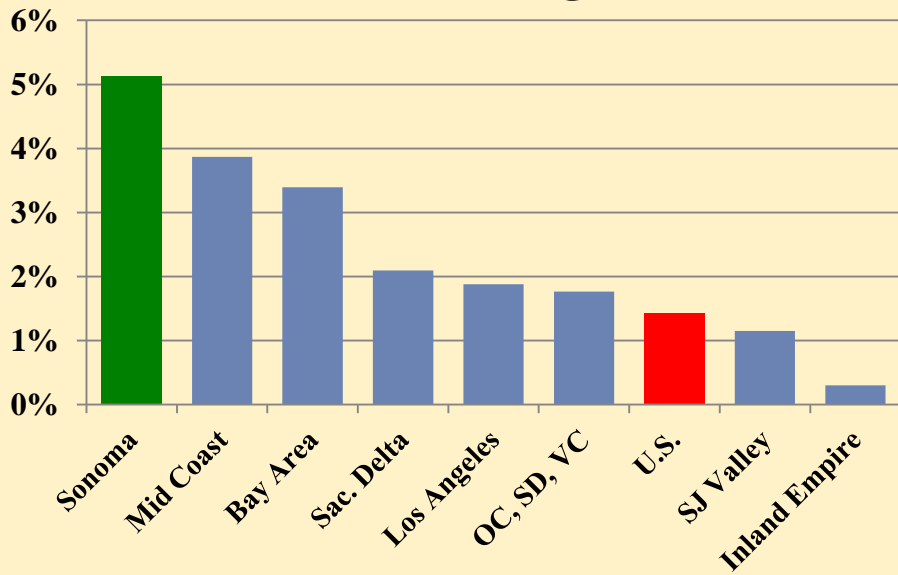
| | 2012 | 2013 | 2014 |
|--------------------|-------|------|------|
| Payroll Employment | 1.8% | 1.4% | 2.2% |
| Unemployment | 10.5% | 9.7% | 8.4% |
| Personal Income | 1.2% | 1.8% | 3.1% |

The Recession is Over -- Mostly



As Sonoma is Growing Rapidly

Employment Gain YTD 2012 (SAAR, through Oct.)



Rate of Non-Farm Payroll Job Growth

(3 Mo. Ave, Nov. 2011 to Nov. 2012)

