

Economic Update

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<https://econsnapshot.com>

CBA Laguna Beach
January, 2025

WTF

WTF

What's The Forecast?

a lot to think about

economic growth

inflation and interest rates

regulatory changes in the financial sector

tariffs

a warning about presentations

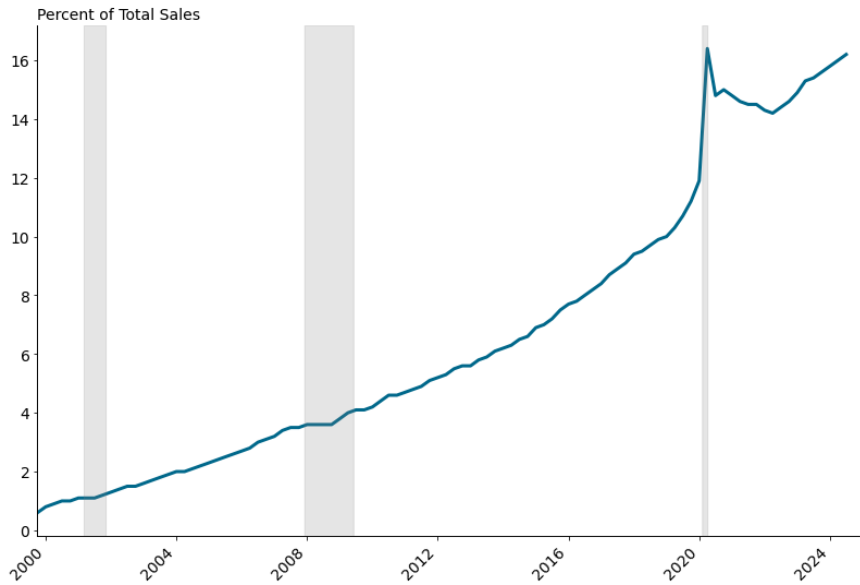
not mine, of course

how are the data presented?

sometimes like magic

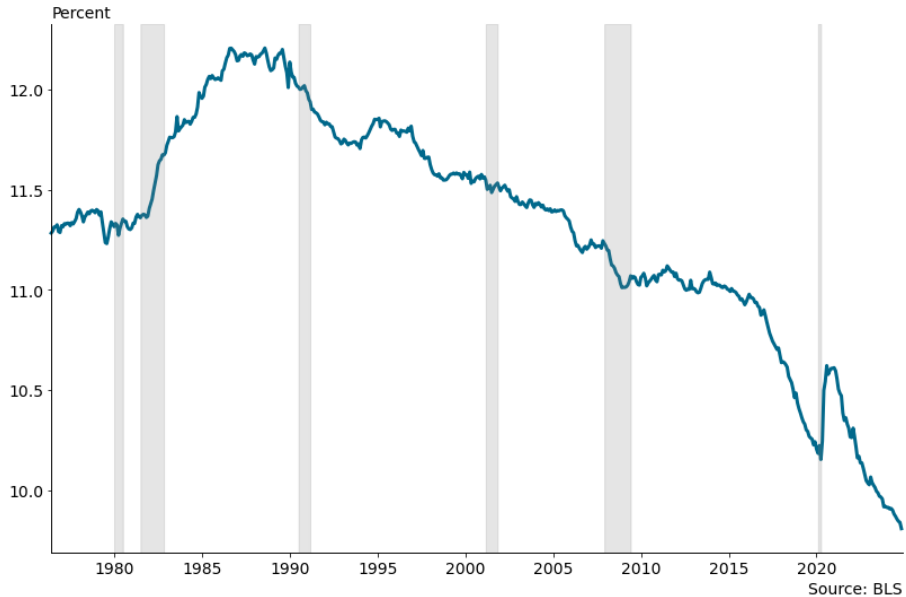
for example...online sales.

Ecommerce

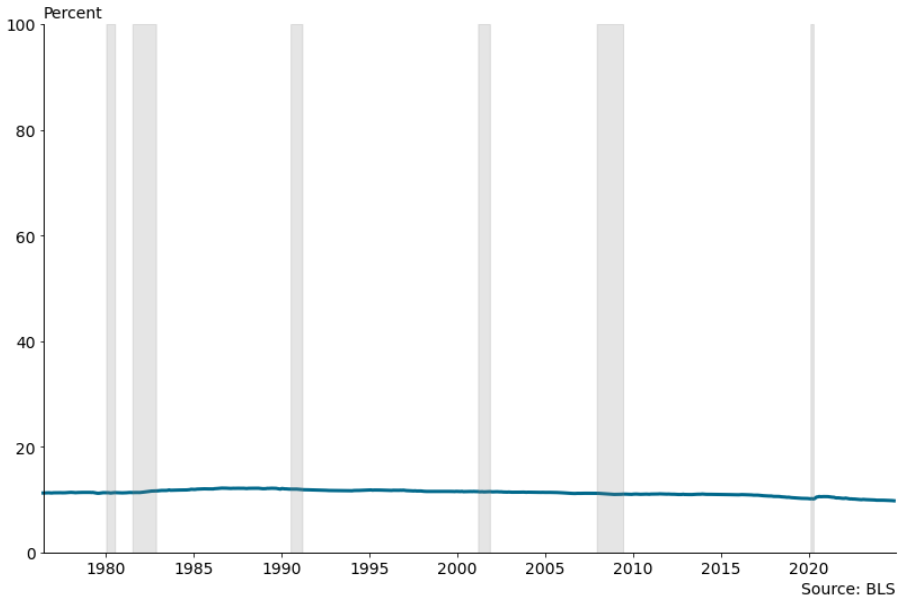


Source: US Census Bureau

Retail Share of Employment



Retail Share of Employment



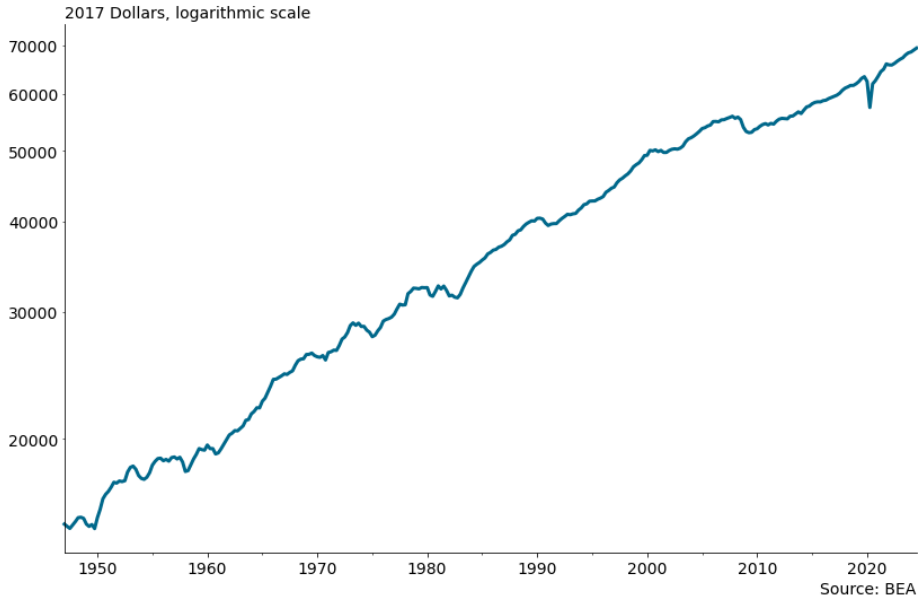
Source: BLS

FOMC recent statement

December 18, 2024

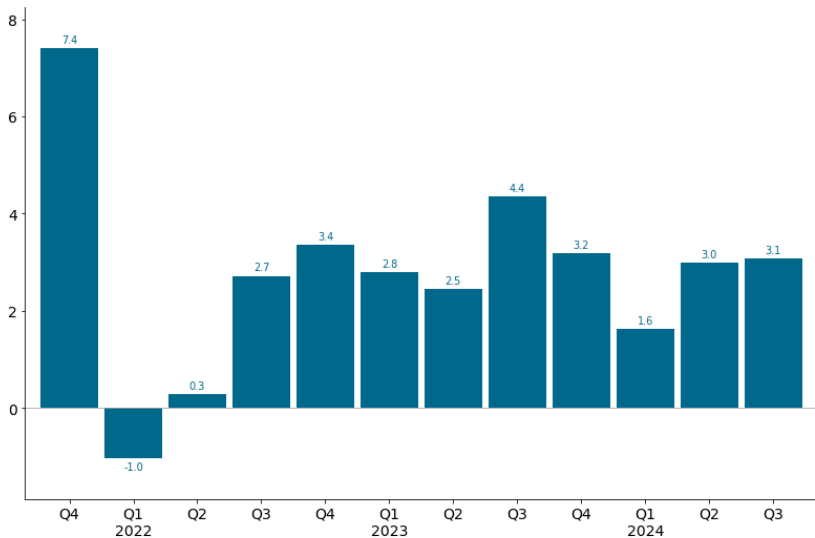
Recent indicators suggest that economic activity has continued to expand at a solid pace. Since earlier in the year, labor market conditions have generally eased, and the unemployment rate has moved up but remains low. Inflation has made progress toward the Committee's 2 percent objective but remains somewhat elevated.

Real GDP Per Capita



Real GDP

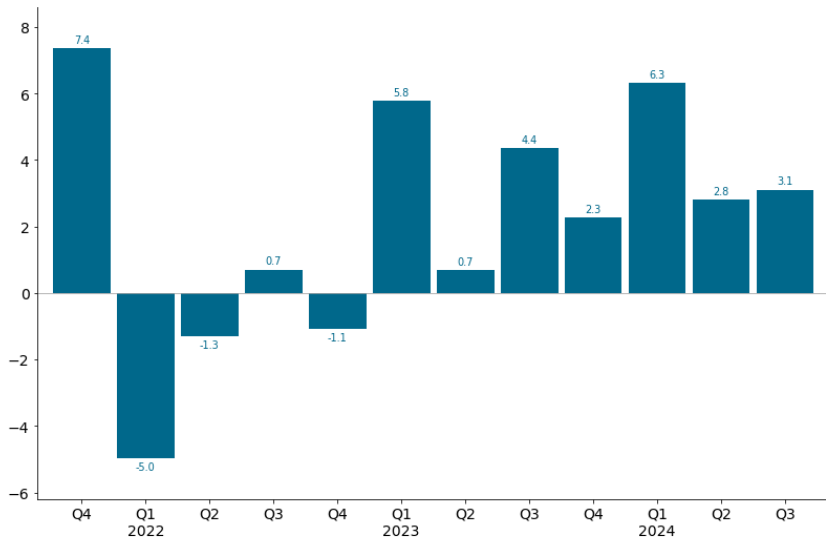
Annualized Percentage Change, Seasonally Adjusted



Source: BEA

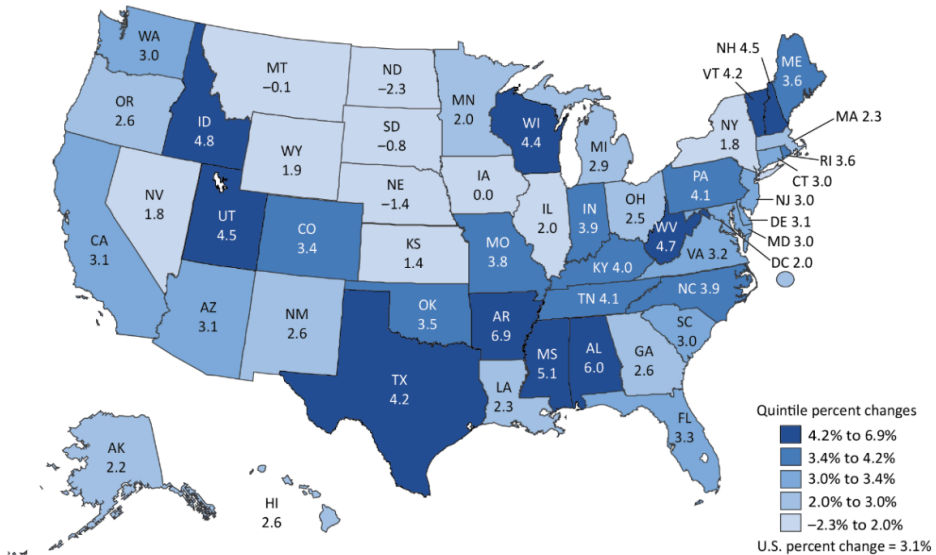
California Real GDP

Annualized Percentage Change, Seasonally Adjusted

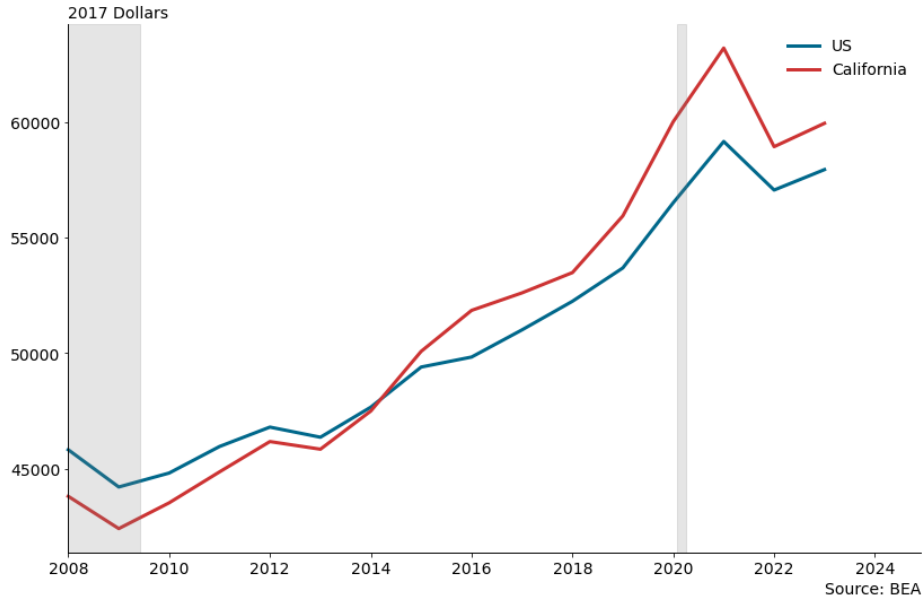


Source: BEA

Real GDP: Percent Change at Annual Rate, 2024:Q2–2024:Q3

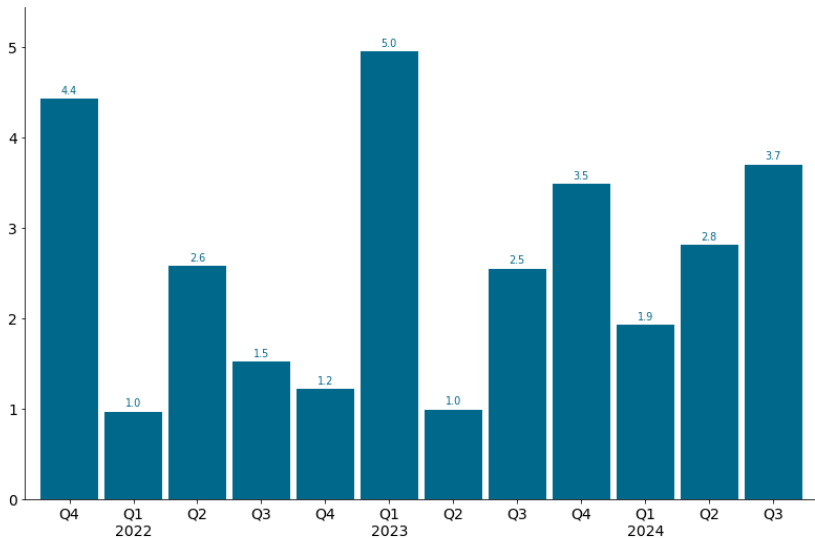


Real Personal Income



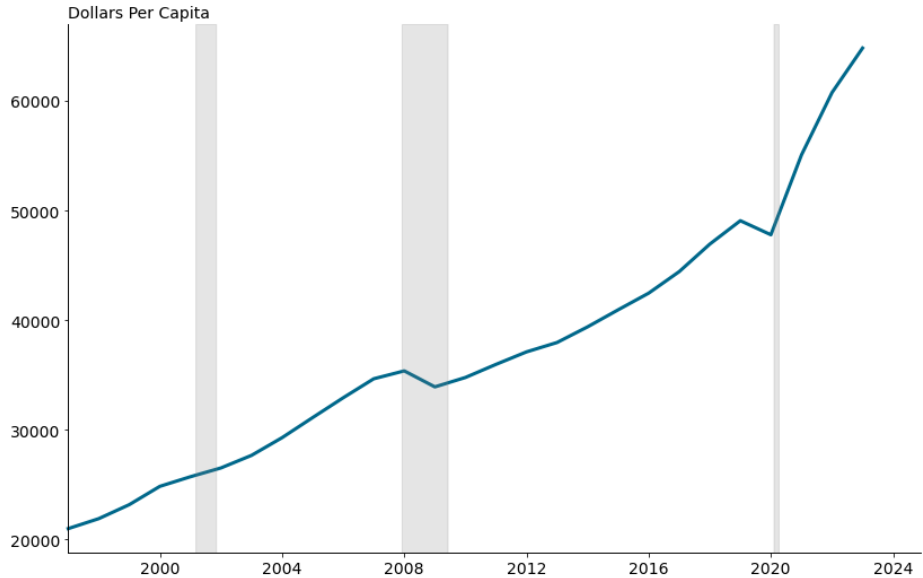
Real Consumption

Annualized Percentage Change, Seasonally Adjusted



Source: BEA

Personal Consumption Expenditures, California



Source: BEA

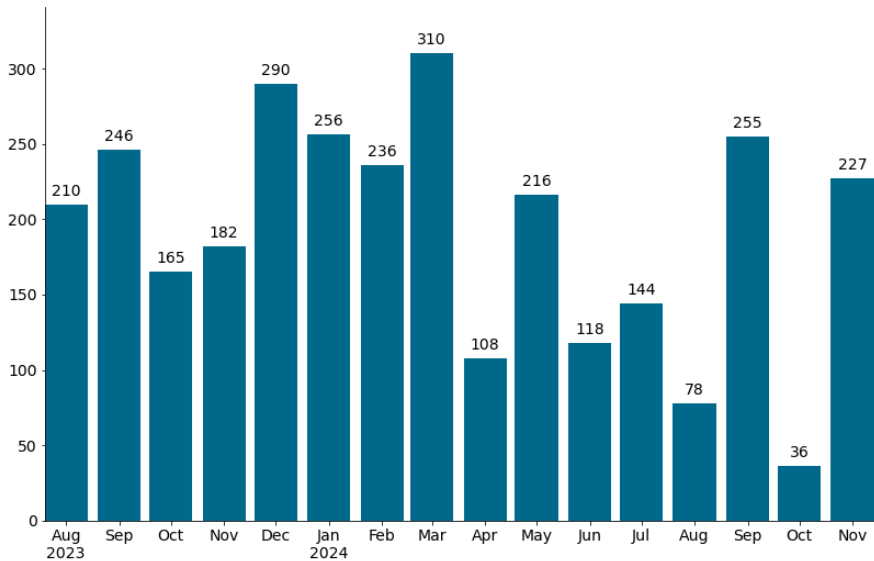
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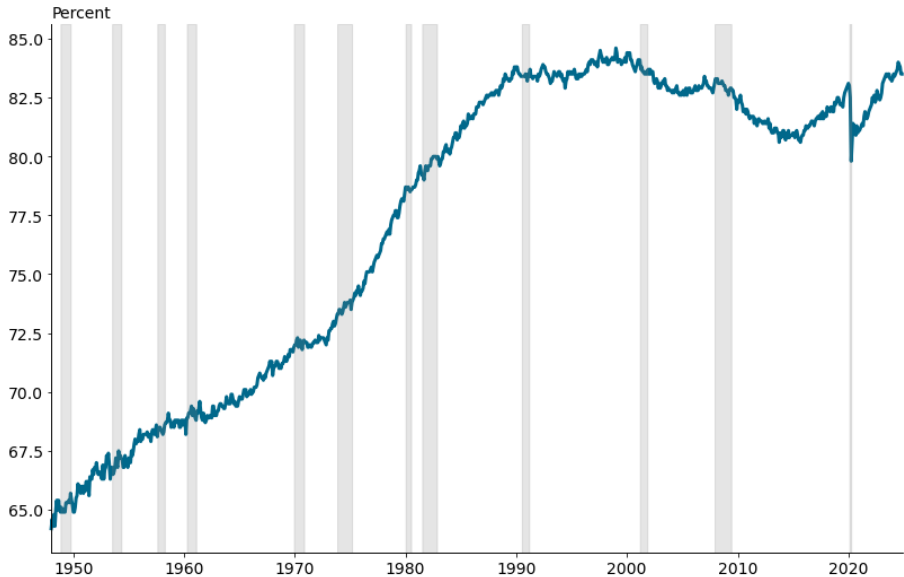
Payroll Employment Change

(000's) Seasonally Adjusted



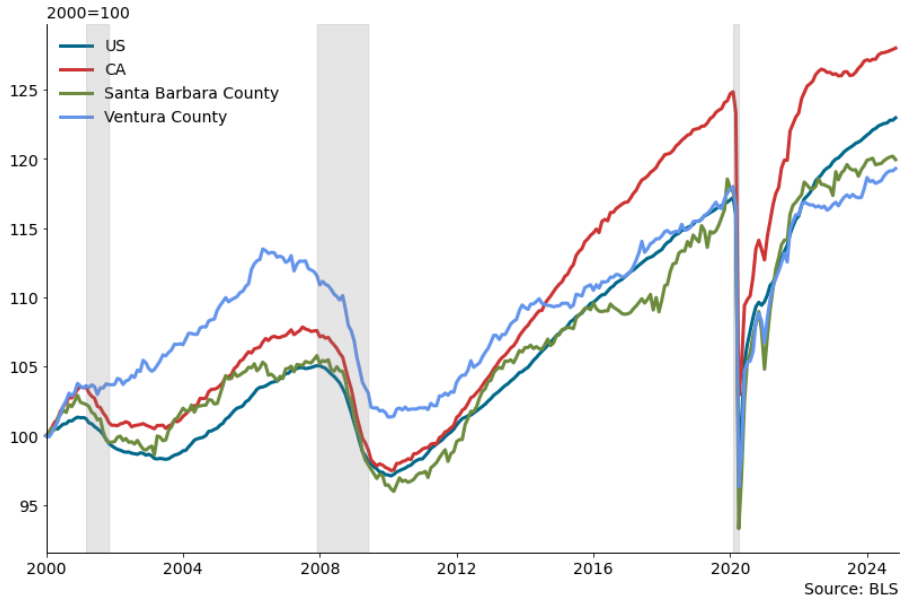
Source: BLS

Labor Force Participation Rate 25-54 Yrs.

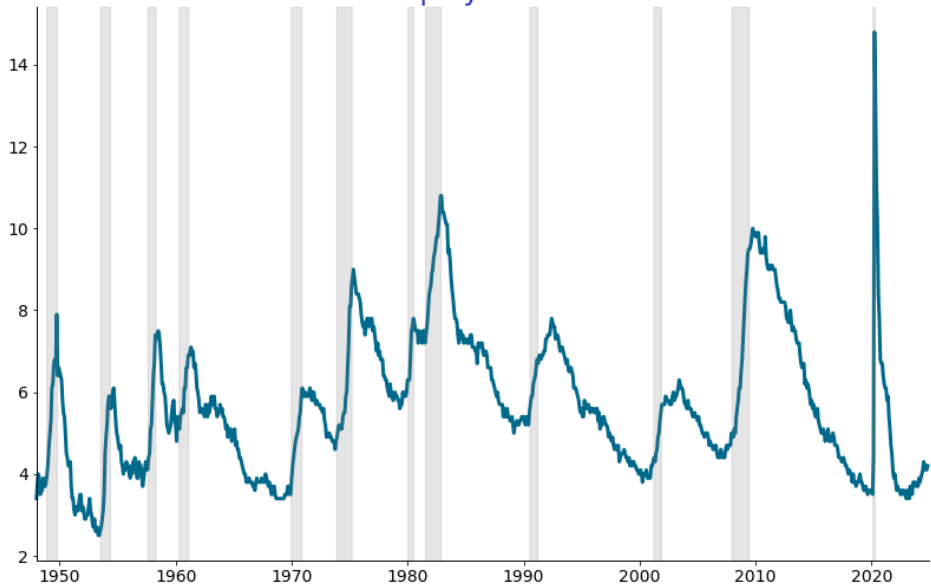


Source: BLS

Employment, Private

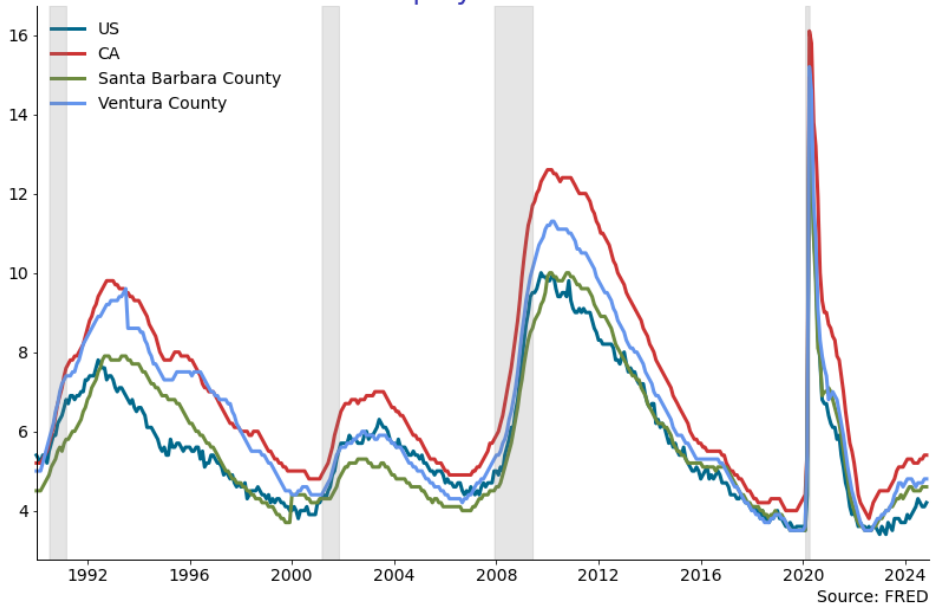


Unemployment Rate



Source: BLS

Unemployment Rates



Source: FRED

Unemployment and Job Openings



Source: BLS

unemployment and job openings in CA

job market a little tougher in CA

about 630,000 openings

about 1,000,000 unemployed

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well...what do they mean by inflation?

cpi

cpi - ex food and energy

cpi "supercore"

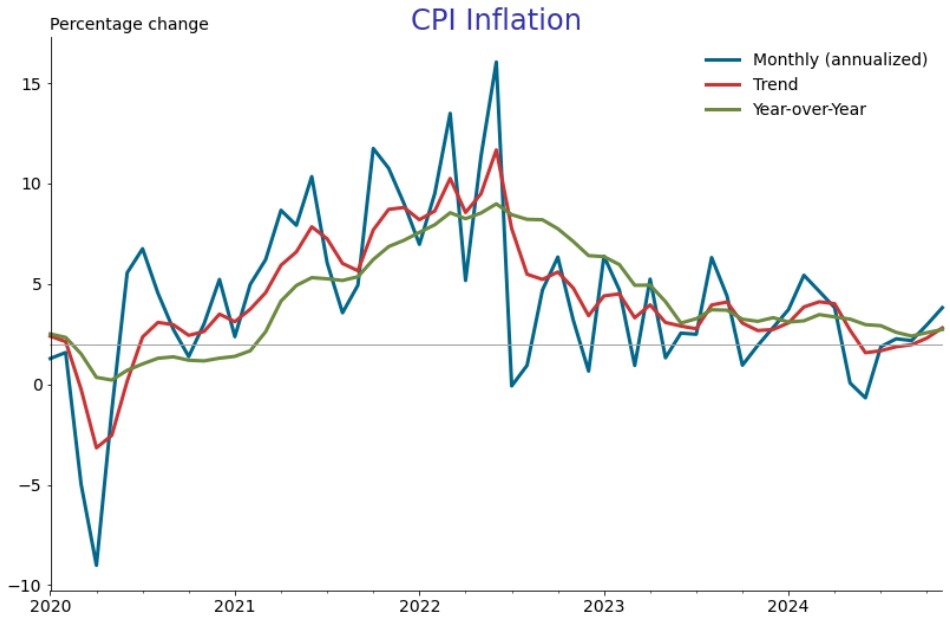
pce

pce - ex food and energy

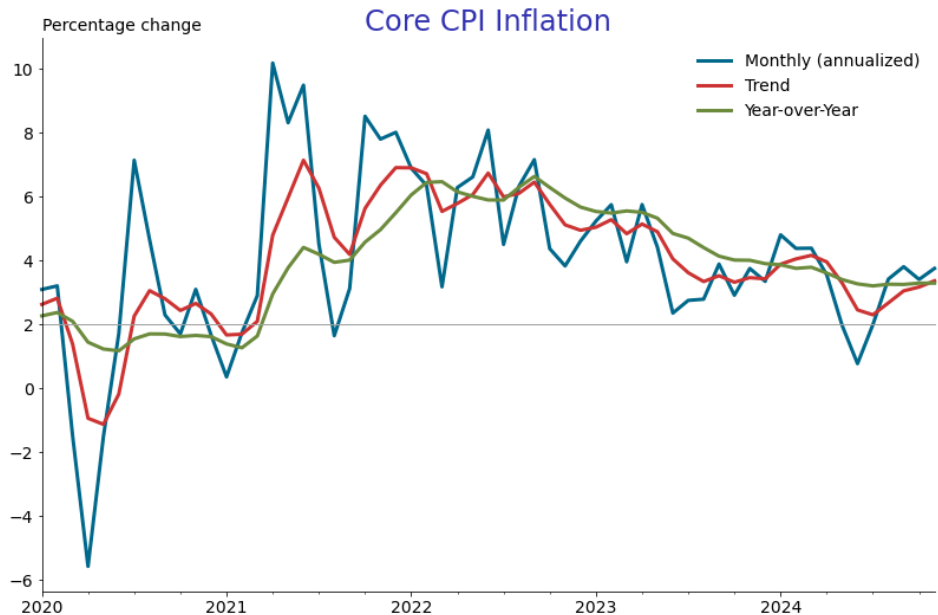
pce "supercore"

all have come down...but

Cleveland Fed President Hammack dissented

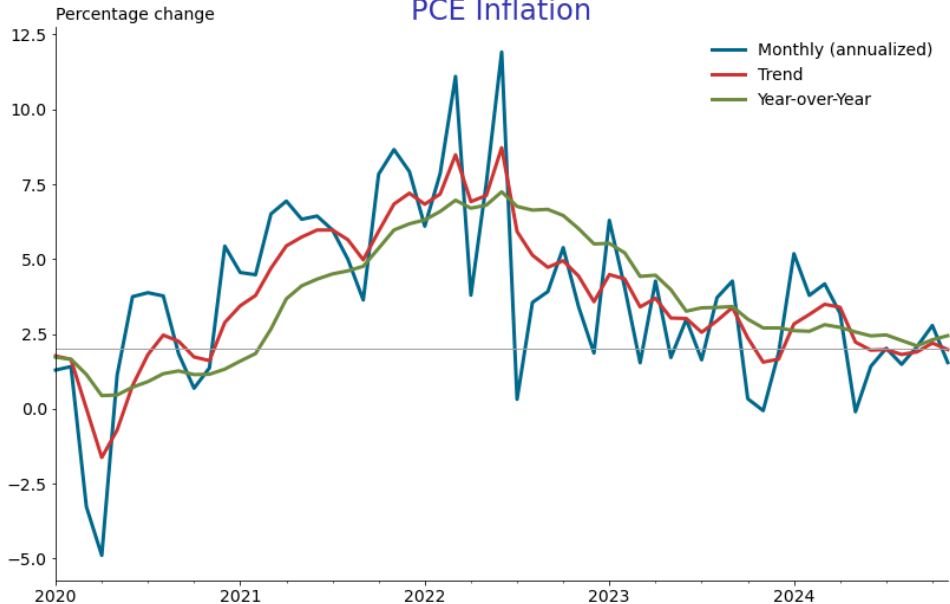


Source: BLS

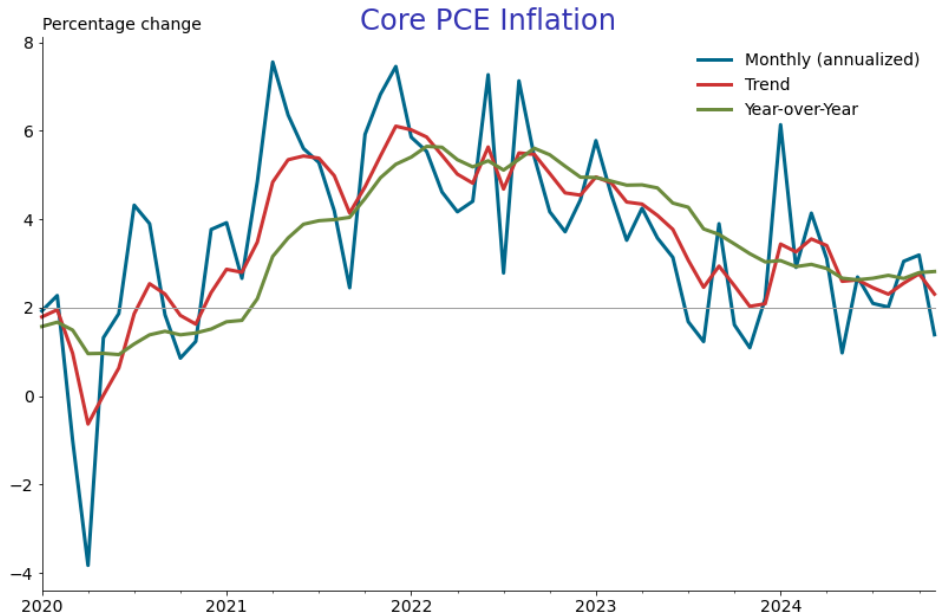


Source: BLS

PCE Inflation



Source: BLS



Source: BLS

FOMC statement: what changed

December 18, 2024

*In support of its goals, the Committee decided to lower the target range for the federal funds rate by 1/4 percentage point to 4-1/4 to 4-1/2 percent. **In considering the extent and timing of additional adjustments** to the target range for the federal funds rate, the Committee will carefully assess incoming data, the evolving outlook, and the balance of risks.*

why the change?

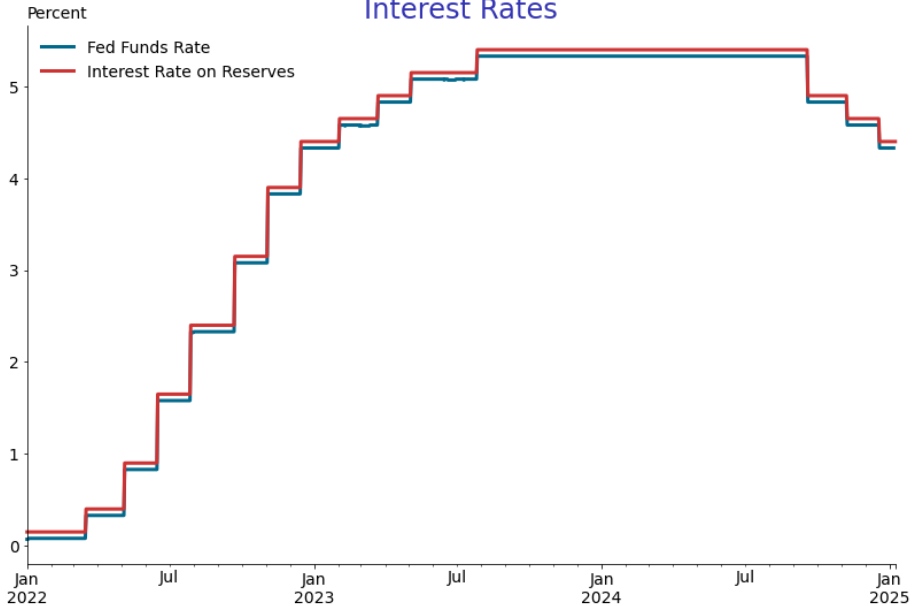
see output and inflation charts above!

they see inflation as higher for longer

economy stronger than they thought

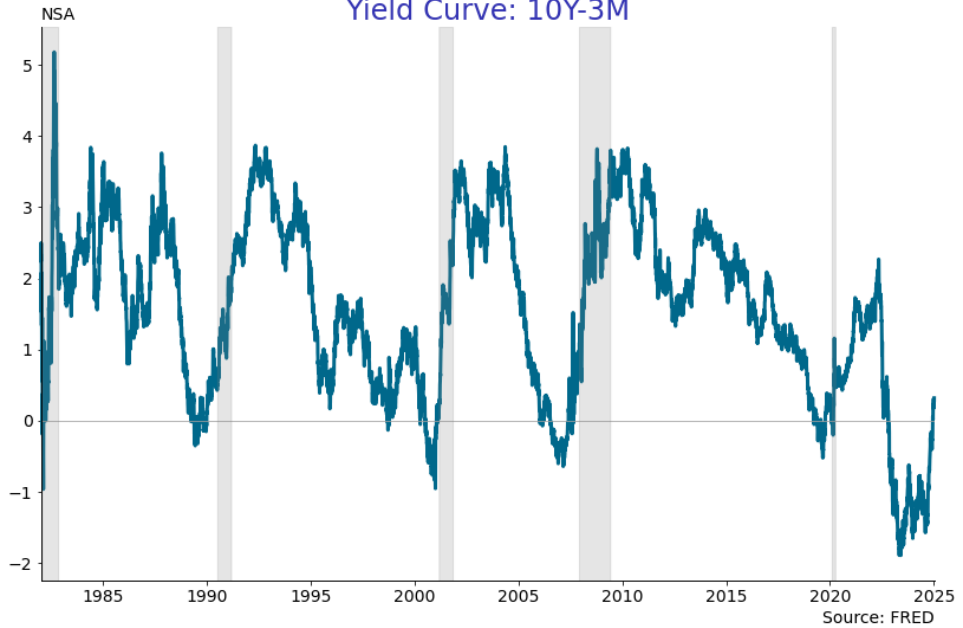
so, fed funds rate will be higher for longer

Interest Rates



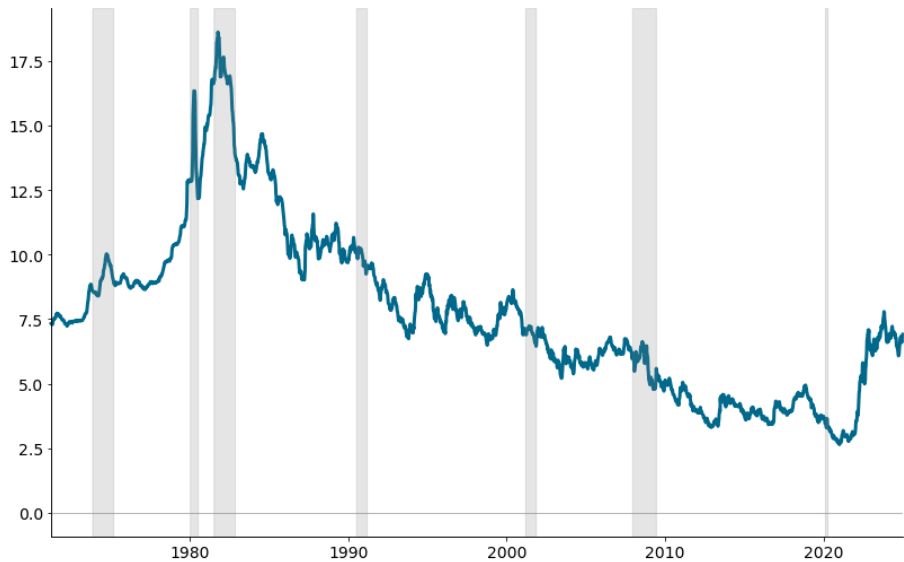
Source: Board of Governors

Yield Curve: 10Y-3M



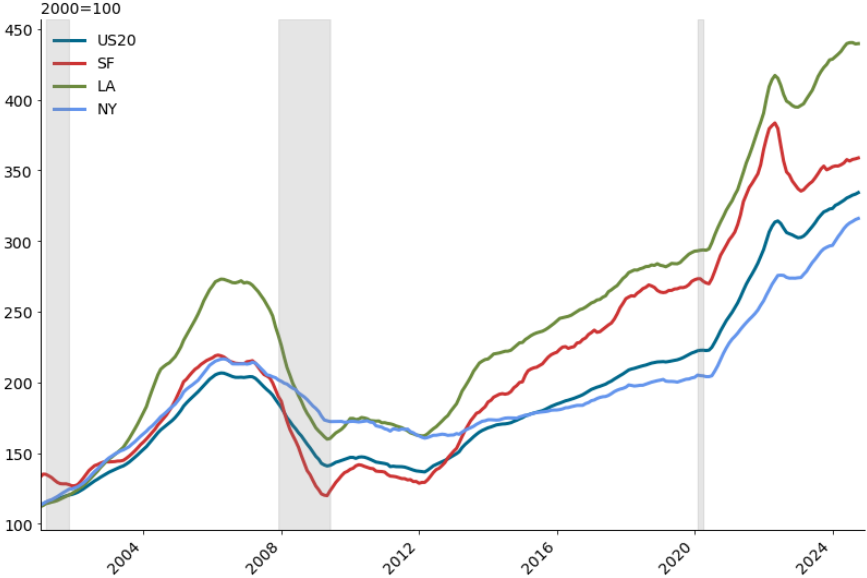
Source: FRED

30 Year Fixed Rate Mortgage



Source: Freddie Mac

Case Shiller Home Price Index



Source: Dow Jones

the shape of things to come

financial regulatory stuff

FDIC insures about 4,500 institutions (Canada has 85)

30 years ago only 5 banks over \$100 bn

now there are 32...and getting bigger

so the focus will be more on g-sib's

more consolidation for smaller banks?

record credit union purchases: \$7 bn in assets as of June, 2024

increased credit union scrutiny?

crypto?

the shape of things to come

tariffs

a **tax** on imports

physically paid by the purchaser

what is the “burden” of a tax?

importer reduces prices by the amount of the tax

exporter reduces sales price by the amount of the tax

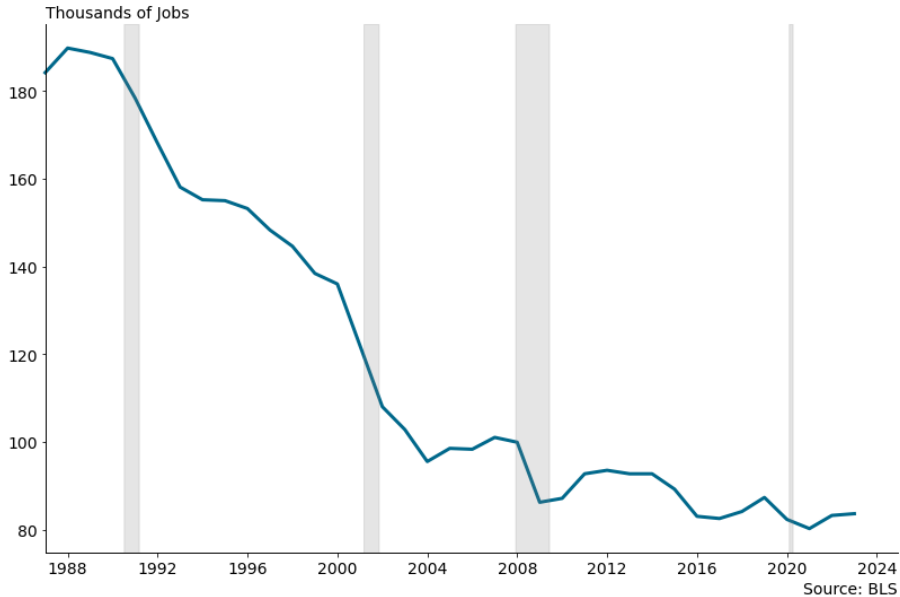
importer pays higher prices, exporter receives less

there is tariff revenue to the government

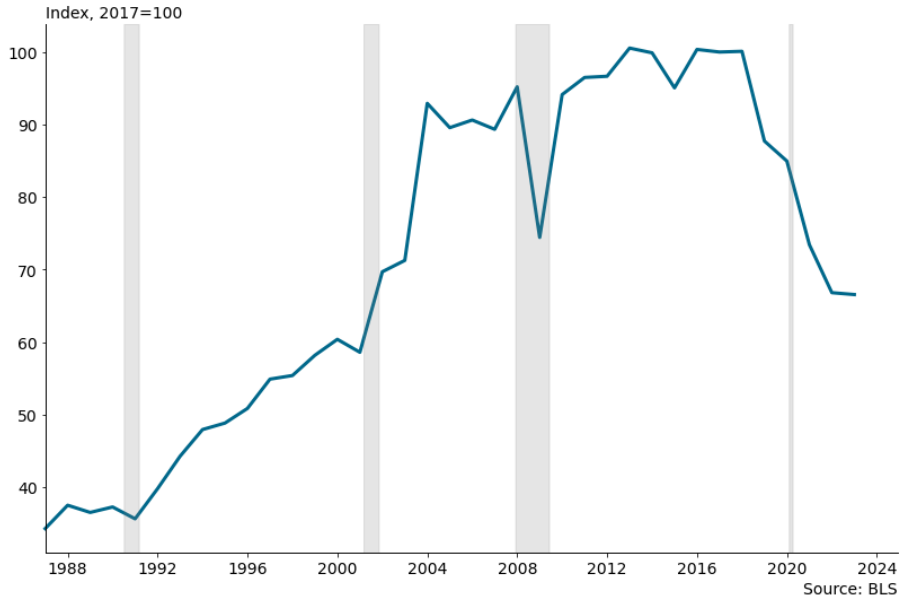
in 2018 Trump imposed about \$80 billion tax increase

increased average tax per household of \$625

Employment, Iron and Steel



Output Per Worker, Iron and Steel



won't get fooled again

or will we?

tax foundation

if 25% tariff on Mexico and Canada and 10% on China

\$1.2 trillion in tax revenue...but

will reduce GDP by 0.4%

reduce employment by 345,000 jobs

middle income family income would fall by \$1,700

in 2018 Trump imposed 25% tariff on steel to protect jobs

note: steel is an intermediate input

wrap up

economy is strong

inflation remains an issue for the Fed

uncertainty concerning financial regulations

uncertainty over trade wars

sorry for the not-so-good news

thank you!