BANK OF THE WEST
BNP PARIBAS

CALIFORNIA ECONOMIC OUTLOOK

September 2018

Bank of the West Economics

Executive Summary

- Job creation in California has outpaced that of the nation since March 2012. But California job growth peaked at 3.0% in 2015 and has been decelerating annually since then. This trend is expected to continue with growth forecast to slow from 1.8% this year to 1.2% in 2019 and just 0.5% in 2020 due to weaker global growth and tighter financial conditions.
- Among the four regions job growth in the Bay Area is expected to be the strongest this year at (2.0%) followed by the Central Valley (1.9%), the Central Coast (1.8%) and Southern California (1.4%).
- Job growth is expected to decelerate in all four regions of California in 2019 and 2020, while Bay Area is expected to become an under-performer in job creation as high costs of living and doing business weigh more heavily, net-migration turns negative and Silicon Valley faces new headwinds from trade protectionism and regulatory oversight.
- The California unemployment rate fell to an all-time low in April of this year and has remained there. As job growth slows in 2019 the unemployment rate is projected to rise from 4.2% in 2018 to 4.7% in 2020.
- The California housing market continues to cool off with sales of existing homes in California declining for three consecutive months. A lack of inventory until recently, however, is pushing prices higher with the July median home price just 0.5% below the May 2007 peak.
- More existing home inventory is now coming on the market with the number of statewide active listings rising for the fourth consecutive month after declining for 33 consecutive months. This along with rising mortgage rates will lead to a moderation in home price growth out to 2020.
- Net migration across all four regions and the state is projected to turn negative in 2019 and remain there in 2020 due to deterioration in the state's relative economic performance, the high cost of living, and congested freeways. This will weigh on housing demand, especially in Southern California.
- The Trump Administration's protectionist measures thus far have focused mainly on China, an important destination for California exports and driver of California port activity. This is an evolving downside risk to the California economy in 2019.
- An analysis by the Brookings Institution reveals that California employs 287,000 workers in those industries targeted by China's initial $50 billion in retaliatory tariffs.
- Brookings also determined that the counties in the state most impacted by the tariffs have higher-than-average unemployment rates. Therefore, the protectionist policies are more likely to result in increased economic insecurity for communities that are already struggling.

Solid Job Creation in California Continues

California's job creation continues to outpace that of the U.S., a trend that has been firmly in place since March of 2012. In July, California nonfarm payrolls were up 2.0% year-over-year compared to just 1.6% nationwide.

Job gains in California over the past 12 months were positive in all but one sector, led by construction (4.7%), leisure & hospitality (3.0%) and information (2.9%). Mining & logging was the lone sector to shed net jobs (-1.3%), although it's important to note that this sector accounted for just 0.13% of total nonfarm employment in California in July.

Construction Leads the Way

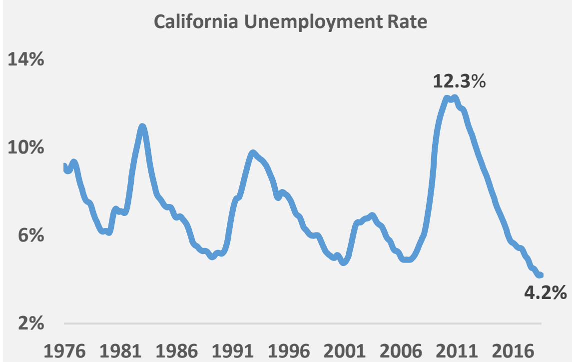
Source: U.S. Bureau of Labor Statistics

Although job growth has been positive on an annual basis since 2011, it peaked at a 3.0% pace in 2015 and has been slowing for two straight years now. The slowdown is projected to remain in place with job growth of 1.8% in 2018 – down from 2.1% last year – 1.2% in 2019 and just 0.5% in 2020. Reasons for the sharp slowdown through 2020 include the tight labor market, weaker global growth and tighter financial conditions as the Fed continues to raise interest rates. Protectionist trade polices at the national level creates additional downside risk to the California economic outlook.

Sectors with the sharpest deceleration in growth in 2019 are projected to be construction, manufacturing, education & health services and leisure & hospitality.

California's unemployment rate fell to an all-time low of 4.2% in April and has remained there for five consecutive months. The record-high was 12.3% in November 2010. The 4.2% is slightly above the U.S. rate of 3.9% but down five tenths from 4.7% in July 2017. The unemployment rate is expected to average 4.2% this year, rise to 4.4% next year and then rise to 4.7% in 2020 as job growth tumbles on weaker economic growth.

CA Unemployment Rate at Record Low



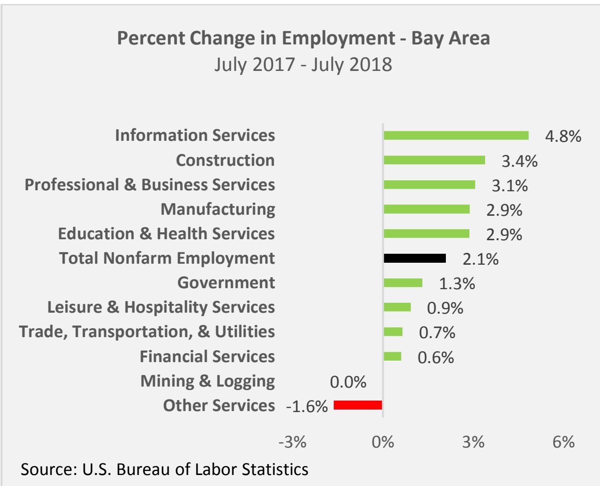
Source: U.S. Bureau of Labor Statistics

Of the four regions in California, job growth in July was strongest in the Bay Area (2.1%), while growth in the Southern California (1.5%), Central Coast (1.8%) and Central Valley (1.9%) regions were below the state-wide growth of 2.0%. The Bay Area's stronger growth in July is partially due to the 4.8% growth in information services, which includes software publishing and the development of web search portals.

Total nonfarm job growth in the **Bay Area** was 2.1% in July from a year ago, well above the national average and slightly above statewide growth. However, growth has slowed from 2.4% in April as the high cost of housing, congested freeways and full employment have resulted in a shortage of available workers.

Job gains through July were driven by information (+4.8%), construction (+3.4%) and professional and business services (+3.1%). Moreover, Silicon Valley continues to drive job growth in the Bay Area with total employment rising 3.2% from a year ago, while growth in the San Francisco Metro Division was just 1.8%.

Bay Area Job Growth Slows



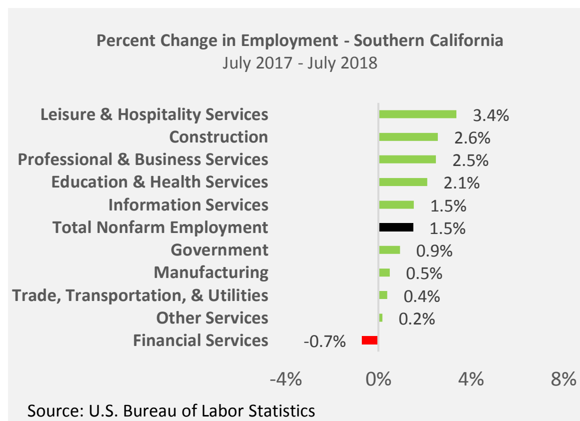
The Bay Area economy's biggest weakness is its own success. Demand for workers has been so strong that labor and real estate have become prohibitively expensive for businesses. As a result, some corporations have either relocated their headquarters or shifted hiring to less expensive parts of the U.S. This will contribute to a slowdown in Bay Area job growth from 2.0% in 2018 to 1.1% in 2019 and just 0.3% in 2020.

There is an additional downside risk to the Bay Area economy emanating from the ongoing U.S.-China trade dispute. If China runs out of U.S. goods and services to place tariffs on, they could decide to prevent more high-profile technology companies in the Bay Area from doing business in China. While this form of retaliation would have outsize impacts on Silicon Valley and San Francisco, it could also cause a slowdown in job growth for the entire Bay Area region and thus bears watching.

Furthermore, Beijing could use its dominance of rare earth minerals to cut off key parts of the global supply chain found in everyday products like smart phones, televisions and hair dryers, and electric and hybrid cars. The U.S. Geological Survey reports that America is now 100% import-dependent for all 17 minerals that constitute the rare-earth minerals group. And China, which controls more than 95% of global rare-earth minerals production, has a monopoly.

In contrast to the Bay Area – whose job growth exceeded that of the U.S. and the state – total nonfarm job growth in **Southern California** was just 1.5% year-over-year in July, a deceleration from 1.8% in April. The fastest growing job sectors were leisure & hospitality (3.4%), construction (2.6%) and professional & business services (2.5%).

Leisure & Hospitality Leads in Southern CA



Job growth of 1.4% is expected this year in Southern California – 40 basis points below the state's estimated growth – and then growth is projected to remain slightly below the state at 0.9% and 0.2% respectively in 2019 and 2020. As a result of the anticipated slowdown in job growth beginning in 2019, the unemployment rate is forecast to rise from 4.1% in 2018 to 4.4% in 2019 and 4.9% in 2020.

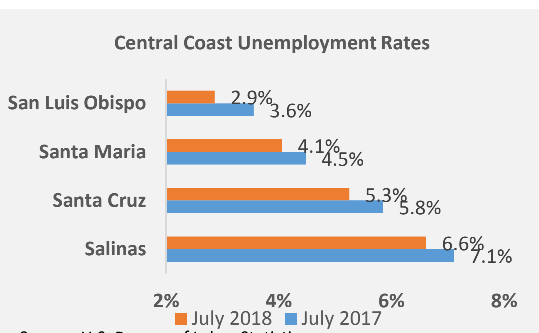
There is also a downside risk to the Southern California economy as a result of the Trump Administration's protectionist trade policies. Approximately 50% of U.S. trade with China goes through Los Angeles ports. If a full blown trade war develops and all imports from China are subject to new tariffs, the amount of goods flowing through Los Angeles ports would be substantially reduced. This could lead to slower job growth than currently anticipated. As of July 2018, there were 1.765 million jobs in the region in the trade, transportation and utilities sector.

Year-over-year total nonfarm job growth in the **Central Coast** was a middling 1.8% in July as growth in the Santa Barbara Metro – which represented about one-third of all jobs in the region in July – registered just 0.8%. Growth in Santa Barbara was weak because of information services (-1.9%), leisure & hospitality services (-1.7%) and trade, transportation & utilities (-0.2%).

Robust gains in other services (+7.7%) – which includes dry cleaning and equipment & machinery repair – and construction (+7.1%) supported overall job growth in the region.

The MSA with the lowest unemployment rate in the region is San Luis Obispo at 2.9%, while Salinas had the highest unemployment rate at 6.6%. All four major metros in the Central Coast region had a lower unemployment rate relative to a year ago.

San Luis Obispo Continues to Shine



Source: U.S. Bureau of Labor Statistics

Job growth in the Central Coast region of California is expected to be 1.8% this year – in-line with the California average. Growth is then expected to decelerate to 1.3% in 2019 and 0.6% in 2020 as net migration – which is projected to be flat this year – turns negative through 2020.

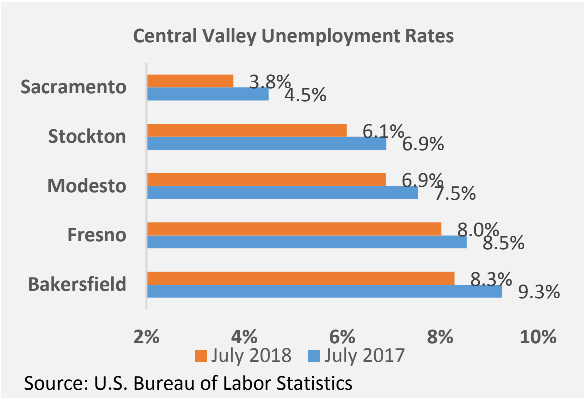
Sharp slowdowns are expected in construction (6.5% in 2018 to 3.5% in 2019 and 0.1% in 2020) and manufacturing (2.0% in 2018 to 0.2% in 2019 to -1.2% in 2020), driving nonfarm employment growth lower in the region. Consequently, the unemployment rate, which is forecast to hit a post-recession low of 4.8% this year, will rise to 5.2% in 2019 and 5.7% in 2020.

Total nonfarm employment in the **Central Valley** rose 1.9% in July compared to a year ago, roughly on par with the state and well above the U.S. growth rate over the same period. Nearly half of the job sectors had growth above 1.9%, led by professional & business services (+2.6%), education & health services (+2.5%) and construction (+2.5%). The only sector that lost jobs through July was information (-3.0%).

Although job growth is forecast to decelerate for the third straight year in 2018, the Central Valley should maintain respectable job growth of 1.9%. Growth will then drop to 1.2% in 2019 and 0.3% in 2020 as demographic trends, which had been supporting growth, turn negative and become a weight on growth. Furthermore, sharp slowdowns over the next two years in the fastest-growing categories this year – like mining and construction – will lead job growth lower. Lower oil prices next year will lead to a pullback in investment spending on oil wells and rising interest rates will dent housing affordability weighing on residential and commercial construction and home price growth.

Unemployment rates continue to decline but most remain much higher compared to other major metro areas in California, except for Sacramento where the rate was a low 3.8% in July. At the other end of spectrum, the other four metros in the region had unemployment rates in excess of 6%, led by Bakersfield (8.3%), Fresno (8.0%), Modesto (6.9%) and Stockton (6.1%).

Sacramento Labor Market Performing Well



The unemployment rate – which is projected to decline for the eighth consecutive year in 2018 since peaking at 14.6% in 2010 – is forecast to jump from 5.9% this year to 6.3% in 2019 and to 7.0% in 2020 as job growth slows, particularly in the construction, mining, manufacturing and trade, transportation & utilities sectors.

A sharp slowdown this year in net migration, partly due to higher home prices and tighter immigration laws, will also weigh on the region's job growth. Furthermore, net migration is forecast to be slightly negative over the next two years.

There is also a chance that job growth in the Central Valley will be slower than projected if U.S. trade tensions with China escalate. The extent to which it will impact the Central Valley depends on which U.S. exports China includes as part of the $60 billion in retaliatory tariffs they have threatened to institute in response to the additional $200 billion in U.S. tariffs on Chinese exports. If it includes crops that are grown in the region – such as cotton, grapes, olives or potatoes – job growth could possibly slow and the unemployment rate could rise even higher than currently projected.

California Housing Continues To Cool

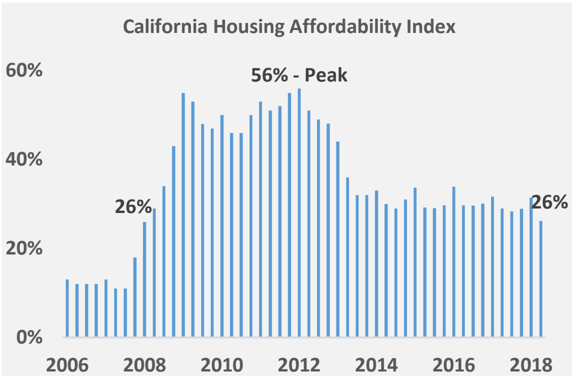
The **California** housing market retreated for the third consecutive month in July. Existing single-family home sales were 406,920 units at a seasonally adjusted annual rate, down 0.9% from the prior month and 3.4% below a year-ago, according to the California Association of Realtors (C.A.R.).

Moreover, year-over-year growth in statewide housing starts decelerated sharply from 44.3% in the first quarter to just 8.7% in the second quarter. A shortage of labor, rising construction costs and lack of available land are all weighing on the supply of homes for sale and pushing prices higher. California home prices rose 7.6% year-over-year in July. Although this was the slowest pace since January 2018, statewide home prices are now just 0.5% below the May 2007 peak, according to C.A.R.

The number of statewide active listings rose for the fourth consecutive month in July after 33 straight months of declines, increasing 11.9% from a year earlier. The increase was the largest in more than three years and the number of active listings represents the greatest supply of homes on the market in nearly two years. Much of the increase was in lower-priced properties which could put downward pressure on home prices if the mix of home sales shifts away from higher-priced homes to more affordable homes.

Robust home price growth of 115% since the U.S. recession ended in June 2009 and rising interest rates have combined to drive California housing affordability to the lowest level in 10 years, thereby stifling demand. In the second quarter of 2018, just 26% of California households could afford to buy the median-priced home, down from 31% in the first quarter and 29% a year ago. The California Association of Realtors Housing Affordability Index measures the percent of all California households that would qualify for a mortgage for a median-priced, single-family home assuming monthly payments do not exceed 30% of their household income.

CA Home Affordability Slips to 2008 Levels

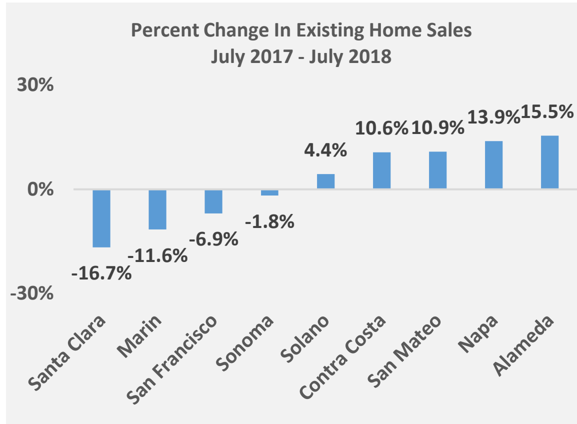


Source: California Association of Realtors

As the California economic expansion ages, job growth is forecast to slow with the labor market at full employment and fewer qualified workers in the ranks of the unemployed to hire. Slower job growth, a deceleration in global economic growth and tighter financial conditions will inevitably weigh on the housing market as the demand for homes declines. As a result, annual home price growth is projected to moderate from the current pace of close to 8% to more sustainable rates of just-below 5% over the next two years. Moreover, weaker population growth due to negative net migration will also contribute to the housing market slowdown via a reduction in external demand.

The erosion in housing affordability in the **Bay Area** is changing the dynamics of the housing market. Existing home sales in the Bay Area fell 7.1% month-over-month in July and rose just 2.0% from a year ago. However, home sales are shifting to the more affordable counties in the East Bay with sales in Alameda, Contra Costa and Napa up double-digits while Solano – the most affordable market in the Bay Area – saw a 4% increase. Conversely, sales in the relatively more expensive counties – Sonoma, San Francisco, Marin and Santa Clara – dropped 1.8%, 6.9%, 11.6% and 16.7% respectively. The one outlier was San Mateo, where sales rose almost 11%.

Home Sales Declining In Expensive Markets



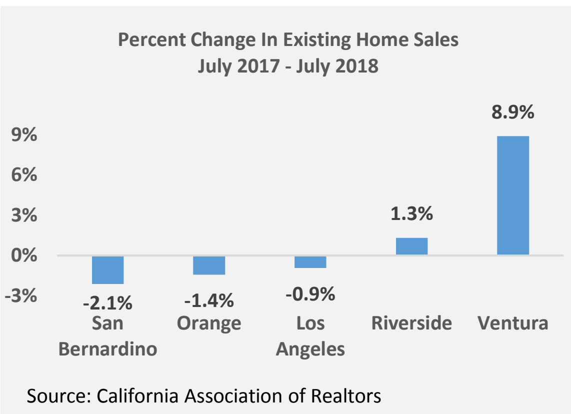
Source: California Association of Realtors

Home price growth in the Bay Area moderated to 9.0% year-over-year in July after posting solid double-digit gains through the first six months of the year and hitting a record-high of almost $1.1 million in May. Home price growth was strongest in Santa Clara (+16.0%), San Francisco (+15.5%), Napa (+12.0%) and Alameda Counties (+10.8%), while the only County that experienced negative growth was Solano (-1.0%).

The Bay Area housing market should remain strong for the balance of this year because of above average job growth relative to the state and the other regions in California. Beyond 2018, rising mortgage rates, eroding affordability and the lagged impact of the 2017 tax reform, with limits on the deductibility of mortgage interest and state and local taxes, will weigh on the Bay Area housing market. Housing starts in the Bay Area are forecast to fall 2.0% in 2019 and home price appreciation will slow to a more sustainable 5.6% a year, down sharply from the 9% projected for this year.

Home sales in the **Southern California** region were essentially flat in July compared to last year with growth of just 0.1%. The increase was primarily driven by a rise of 8.9% in Ventura although sales in Riverside ticked up 1.3%. The rest of the counties in the region – Los Angeles, Orange and San Bernardino – saw modest sales declines on the year.

Home Sales Robust in Ventura County

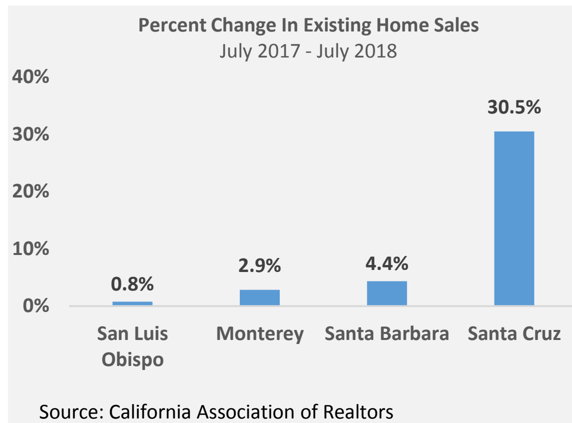


Southern California home price growth from a year ago moderated to 5.1% in July, the second straight monthly deceleration. Average annual growth through the first six months of the year was 8.6%. All five counties in the region showed positive growth, led by San Bernardino (+9.7%) and Riverside Counties (5.8%). Conversely, home price growth in Ventura County was just 2.1%.

Southern California home price growth is forecast to weaken from about 7.2% this year to an average of 3.6% in 2019 and 3.5% in 2020. In addition to the same reasons other high-priced housing markets are expected to moderate – rising mortgage rates and the negative impact of tax reform on expensive housing markets – out-migration in Southern California is expected to be more pronounced than in the Bay Area because of the escalating cost of living and Southern California's mix of industries. This will limit the demand for housing and home price growth.

Existing home sales in the **Central Coast** region rose by a vigorous 8.1% year-over-year in July. Gains were driven almost entirely by a strong 30.5% increase in Santa Cruz although small advances in Santa Barbara (+4.4%), Monterey (+2.9%) and San Luis Obispo (+0.8%) also made positive contributions.

Existing Home Sales Soar in Santa Cruz

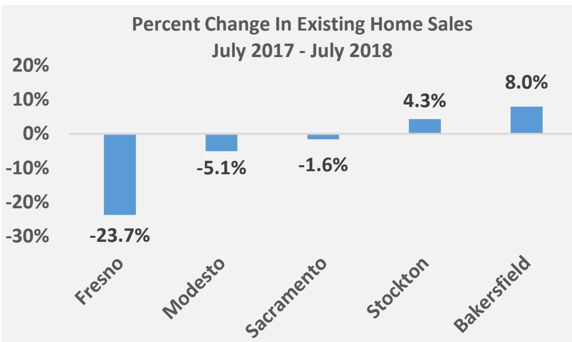


Home prices in the Central Coast increased by a modest 3.7% in July from a year-ago, weighed down by a 10% decline in Santa Barbara. Santa Cruz and San Luis Obispo each recorded double-digit price gains (10.2%) while Monterey home prices rose at a more moderate clip (+4.2%).

The Central Coast housing market should remain strong for the balance of this year with housing starts expected to rise by an impressive 29.4%. However, homebuilding will weaken dramatically in 2019 and 2020 as job growth slows to 1.3% in 2019 and just 0.6% in 2020 and net migration – which is projected to be flat this year – turns negative. Consequently, starts are forecast to decline at a double-digit pace in 2019 and home price appreciation is forecast to slow.

The **Central Valley** region was an outlier in July with existing home sales falling 1.8% compared to a year ago. The region's exposure to the trade war – more specifically tariffs on its agricultural products – could be weighing on home sales with Fresno, Modesto and Sacramento declining by 23.7%, 5.1% and 1.6% respectively. The only counties in the region with positive growth were Bakersfield (+8.0%) and Stockton (+4.3%).

Home Sales Plummeted in Fresno in July



Source: California Association of Realtors

Despite declining home sales, home prices rose by almost 6% year-over-year in July. Price gains were pervasive across counties but increased the most in Modesto (9.4%), Fresno (8.5%) and Bakersfield (6.4%). The supply of homes for sale continues to be tight in the Central Valley, supporting home price gains.

Notwithstanding the recent weakness in home sales, solid job and income growth in the Central Valley will keep the housing market relatively strong in 2018. Housing starts are forecast to grow at respectable rates of 6.2% in 2019 and 5.8% in 2020, alleviating the inventory shortfall and leading to more moderate gains in home prices.

Impact on California of First $50B in Tariffs

With California's large and diverse economy, metro areas within the state are generally not as export-dependent as metro areas in the South or Midwest, according to a Brookings Institution analysis. However, the Trump Administration's protectionist measures so far have largely been focused on China, an important destination for California exports of computer and electronic equipment and agricultural products. And of course, California is an important port of entry for Chinese exports destined for other parts of the country. California's tourism industry and housing market is also being turbo-charged by Chinese arrivals and residential home purchases. Therefore, the retaliation by China to the initial $50 billion in tariffs placed on Chinese exports by the U.S. presents an important downside risk to the California economy in 2019.

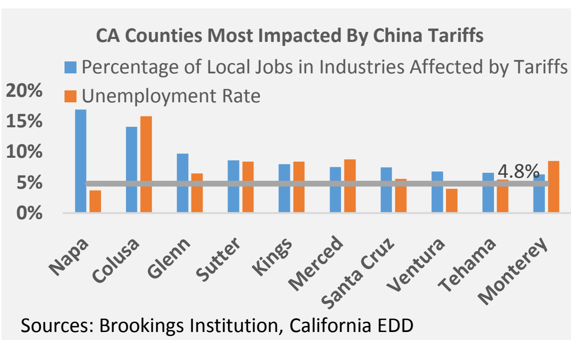
More than $16 billion in exports to China in 2017 were originated in California, making China the third biggest export destination after Mexico and Canada. Furthermore, agriculture is an area that is specifically targeted by the retaliatory tariffs instituted by China, and California farmers exported more than $2.0 billion in agricultural products to China in 2016, making it the third largest market for the state's agricultural exports.

Eventually, as China's retaliatory tariffs raise prices and reduce the demand for targeted U.S. products, the impact is borne by those firms who produce the products and their employees. Researchers at Brookings calculated the number and percentage of jobs in industries that produce the items targeted by China's retaliatory tariffs based on employment data in 2016. Their analysis shows that California employs 287,000 workers in industries targeted by China, more than any other state. Texas and Washington were second and third with 156,000 and 154,000 jobs respectively.

While it's important to quantify the total number of jobs potentially affected by the tariffs, it's critical to understand how much of the local economy is dependent on those jobs. This was determined by calculating the percentage of jobs in each county in the targeted industries to the total number of jobs. Not surprisingly, the data shows that the California counties where agriculture is an important sector to the local economy have the largest shares of jobs in those industries targeted by the retaliatory tariffs.

Moreover, many of these counties impacted by the trade war are burdened by higher-than-average unemployment rates. For example, Colusa County has the second highest share of local jobs affected by the tariffs at 14.1% – trailing only Napa County – and had a 14.3% unemployment rate in 2017, almost three times the 4.8% statewide average. In fact, eight of the top 10 counties with the highest concentration of local jobs impacted by the tariffs had unemployment rates above the state average.

Unemployment Rates Mostly Exceeds Average



The Trump Administration has repeatedly said the goal of the tariffs is to reduce the massive trade deficit with China and stop Beijing's theft of intellectual property, which they maintain costs the U.S. billions of dollars each year. So far, however, the protectionist policies seem more likely to result in increased economic insecurity in California communities that are struggling economically, at least in the short-run.

Furthermore, the $50 billion in tariffs instituted on each side thus far is just the opening act in the escalating trade dispute between the world's two largest economies. The administration has slapped tariffs on another $200 billion in Chinese exports to the U.S., and the Chinese have said they would respond with tariffs on an additional $60 billion of U.S. exports. As a result, the impact on local California economies could be even greater. Even Silicon Valley and the California technology industry will not be immune from the negative impacts of this escalating trade war.

Economics Forecast for California and Its Regions

CALIFORNIA	2016	2017	2018[e]	2019[f]	2020[f]
LABOR MARKET					
Employment Growth	2.7%	2.1%	1.8%	1.2%	0.5%
Unemployment Rate	5.5%	4.8%	4.2%	4.4%	4.7%
INCOME AND SPENDING TRENDS					
Personal Income Growth	3.7%	4.3%	4.7%	4.5%	3.5%
Median HH Income ($)	$67,739	$70,396	$72,612	$75,306	$78,025
Retail Sales Growth	3.5%	5.4%	5.1%	3.6%	1.0%
HOUSING MARKET					
Total Housing Starts Growth	4.4%	8.2%	12.3%	2.0%	0.0%
Med. Existing 1-Unit Home Price	5.2%	8.3%	7.5%	4.7%	4.5%
DEMOGRAPHICS					
Population Growth	0.7%	0.6%	0.6%	0.5%	0.5%
Net Migration (000's)	46.2	26.7	7.9	-21.2	-25.2

BAY AREA	2016	2017	2018e	2019f	2020f
LABOR MARKET					
Employment Growth	3.4%	2.3%	2.0%	1.1%	0.3%
Unemployment Rate	4.0%	3.4%	3.0%	3.2%	3.7%
INCOME AND SPENDING TRENDS					
Personal Income Growth	5.0%	4.7%	4.7%	4.5%	4.0%
Median HH Income ($)	$88,211	$91,296	$94,128	$97,936	$101,888
Retail Sales Growth	3.6%	5.5%	5.5%	4.7%	2.0%
HOUSING MARKET					
Total Housing Starts Growth	6.7%	13.1%	9.6%	-2.0%	-3.7%
Med. Existing 1-Unit Home Price	6.3%	12.3%	9.0%	5.6%	5.1%
DEMOGRAPHICS					
Population Growth	0.8%	0.5%	0.5%	0.5%	0.4%
Net Migration (000's)	26.6	7.0	5.8	-4.0	-6.0

[1]The Bay Area includes Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano and Sonoma counties.

SOUTHERN CALIFORNIA	2016	2017	2018e	2019f	2020f
LABOR MARKET					
Employment Growth	2.7%	1.9%	1.4%	0.9%	0.2%
Unemployment Rate	5.1%	4.5%	4.1%	4.4%	4.9%
INCOME AND SPENDING TRENDS					
Personal Income Growth	3.3%	4.3%	4.5%	4.3%	3.5%
Median HH Income ($)	$70,474	$72,037	$73,950	$76,396	$79,068
Retail Sales Growth	3.3%	5.3%	4.8%	3.5%	0.9%
HOUSING MARKET					
Total Housing Starts Growth	1.4%	2.2%	13.6%	-3.3%	-4.0%
Med. Existing 1-Unit Home Price	4.8%	7.5%	7.2%	3.6%	3.5%
DEMOGRAPHICS					
Population Growth	0.6%	0.5%	0.4%	0.4%	0.4%
Net Migration (000's)	-4.3	-19.6	-28.2	-39.6	-44.1

[2]The combined Southern California region includes Los Angeles, Orange, San Bernardino, San Diego, Riverside, and Ventura counties that is home to nearly two-thirds of Californians.

CENTRAL COAST	2016	2017	2018[e]	2019[f]	2020[f]
LABOR MARKET					
Employment Growth	1.8%	1.7%	1.8%	1.3%	0.6%
Unemployment Rate	6.1%	5.4%	4.8%	5.2%	5.7%
INCOME AND SPENDING TRENDS					
Personal Income Growth	2.1%	3.2%	4.2%	4.2%	3.8%
Median HH Income ($)	$69,872	$72,049	$74,028	$76,642	$79,510
Retail Sales Growth	2.7%	4.0%	4.5%	3.7%	1.3%
HOUSING MARKET					
Total Housing Starts Growth	-1.7%	21.3%	29.4%	-16.9%	-1.4%
Med. Existing 1-Unit Home Price	5.9%	7.1%	6.6%	4.6%	4.0%
DEMOGRAPHICS					
Population Growth	0.6%	0.4%	0.5%	0.5%	0.5%
Net Migration (000's)	1.2	-2.1	0.0	-1.0	-1.1

[3]The Central Coast region is comprised of Santa Barbara, Monterey, San Luis Obispo, and Santa Cruz counties.

CENTRAL VALLEY	2016	2017	2018[e]	2019[f]	2020[f]
LABOR MARKET					
Employment Growth	2.8%	2.2%	1.9%	1.2%	0.3%
Unemployment Rate	7.6%	6.6%	5.9%	6.3%	7.0%
INCOME AND SPENDING TRENDS					
Personal Income Growth	3.4%	4.0%	4.1%	3.7%	3.0%
Median HH Income ($)	$55,299	$56,558	$57,932	$59,689	$61,643
Retail Sales Growth	4.1%	5.5%	5.1%	3.5%	1.0%
HOUSING MARKET					
Total Housing Starts Growth	10.9%	20.9%	8.0%	6.2%	5.8%
Med. Existing 1-Unit Home Price	9.1%	9.2%	7.6%	4.8%	3.9%
DEMOGRAPHICS					
Population Growth	1.1%	1.2%	0.7%	0.6%	0.6%
Net Migration (000's)	24.8	32.1	5.2	-0.2	-0.8

[4]The Central Valley region is comprised of San Joaquin, Fresno, Madera, Sacramento, Placer, El Dorado, Yolo, Stanislaus, and Kern counties.