



## *Social Narratives / Economic Realities*

# Federal Deficits, Tech Bubbles and the Economic Outlook

*Focus on the fastener biz!!*

## Christopher Thornberg, PhD

Founding Partner, Beacon Economics

March 2026



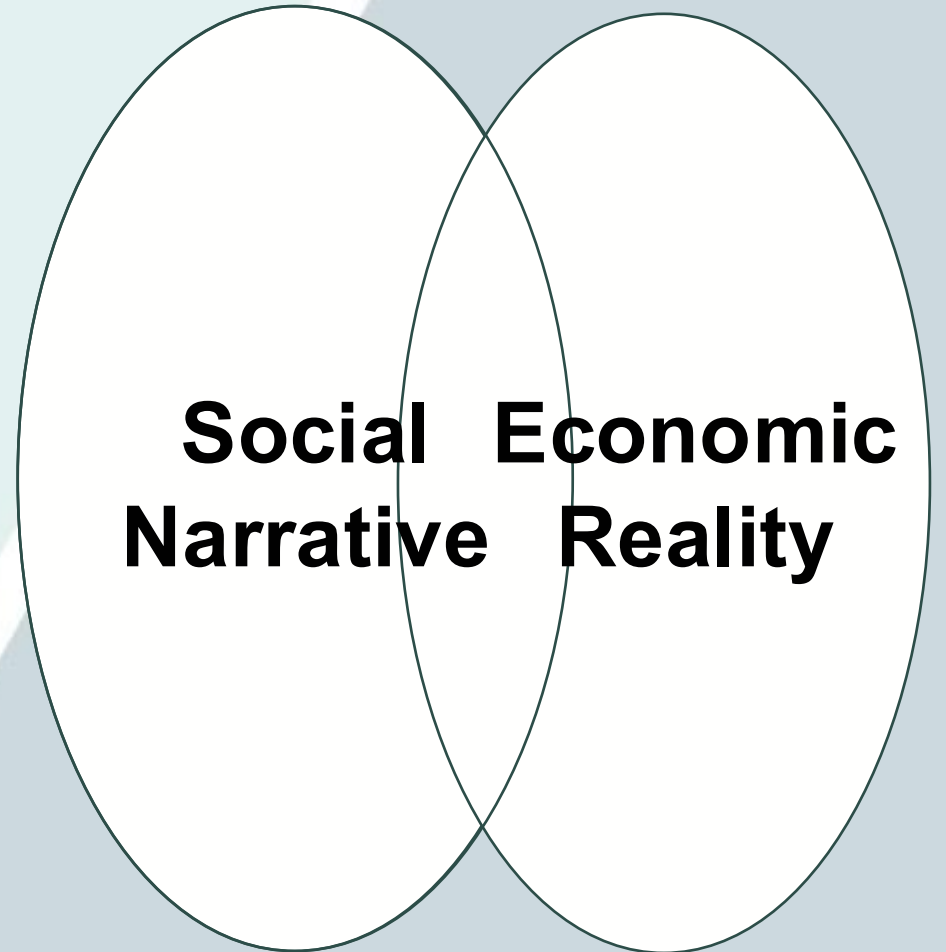
# Beacon Economics

- Economic research firm founded in 2006 with a commitment to letting the *data* determine the *answer*.
- Impact studies, Policy Analysis, Regional Development and Revenue Forecasts

## A Tale of Two Economies

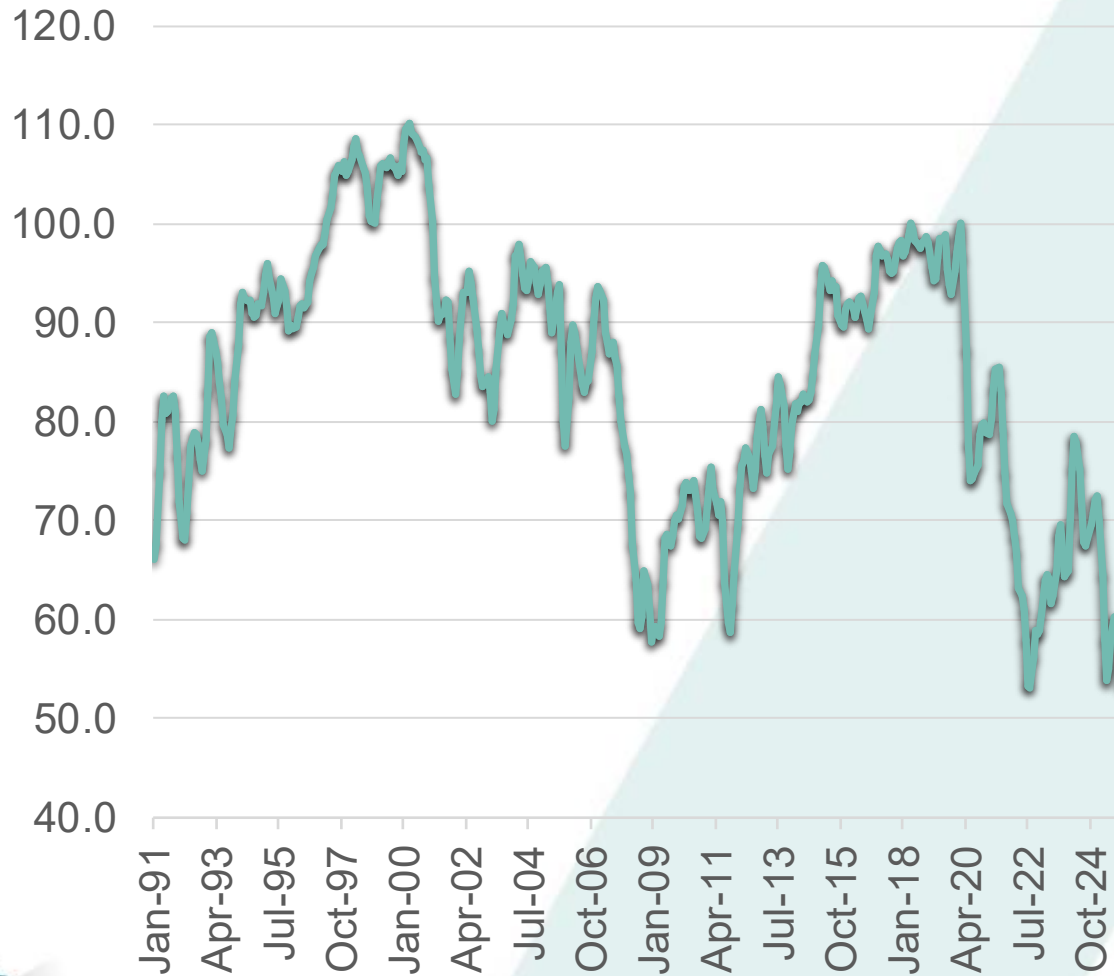
- What we *think* is happening in our economy (our social narrative or “lived experience”)
- What is *actually* happening in our economy (our objective statistical reality)

***Good choices and smart policies start with the correct narrative.***

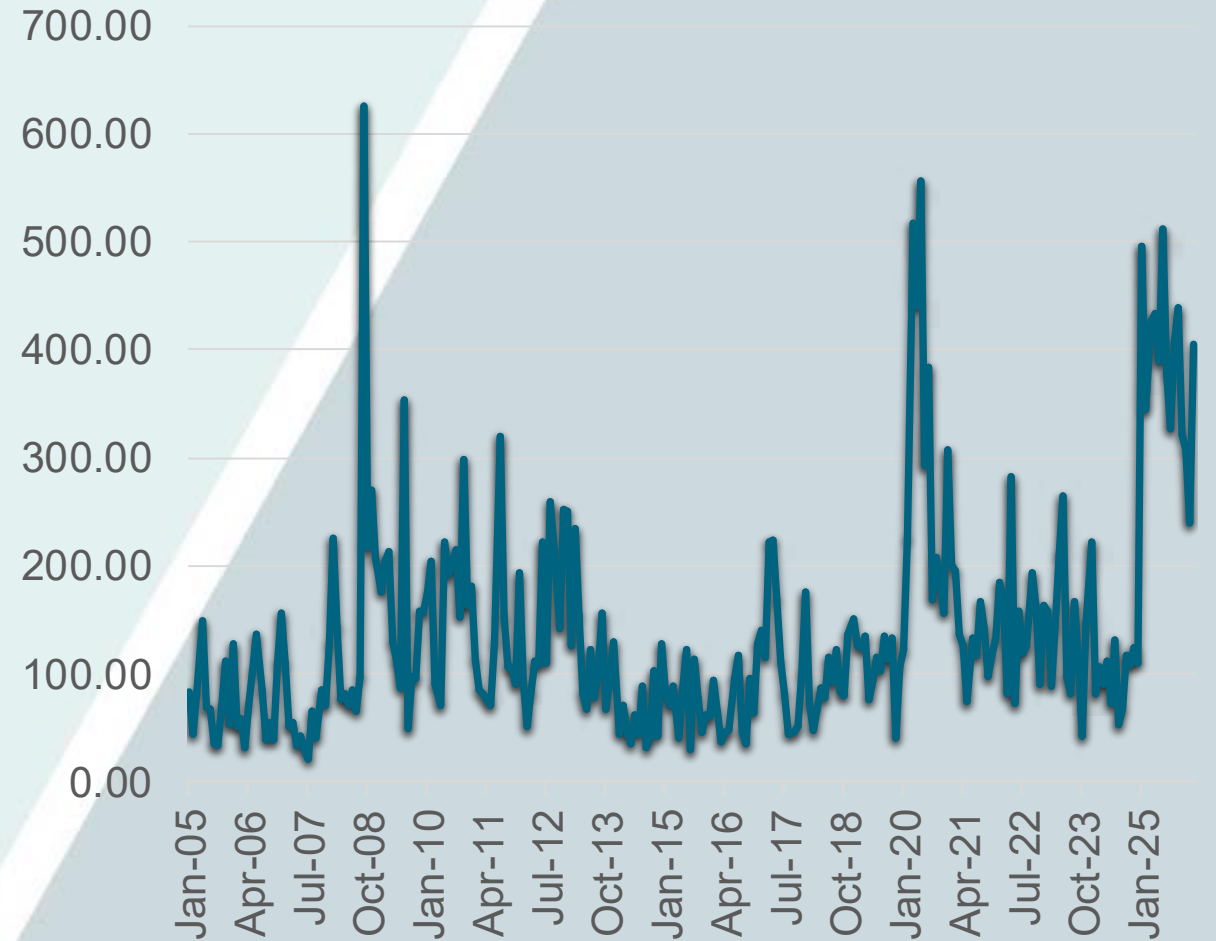


# The 2025 Narratives

## U Mich Consumer Sentiment Index



## Policy Uncertainty Index



# Forecast Accuracy?

**2019: The Real Estate Recession!**

**2020: The Pandemic Depression!**

**2023: The Yield Curve Recession!**

**2025: The Tariff Recession!**

Real Estate | Market Outlook

## Housing Market Crisis 2.0: The Jury Is In For 2018-2019

Coronavirus to cause worst economic downturn since Great Depression, IMF forecasts

She said the IMF would release an updated world economic forecast on Tuesday that would show just how quickly the coronavirus outbreak ...

7 hours ago

## Survey: The U.S. economy has a 64% chance of entering a recession this year



Written by [Sarah Foster](#), Edited by [Amy Sims](#)

Published on January 04, 2023 | 5 min read

CNBC

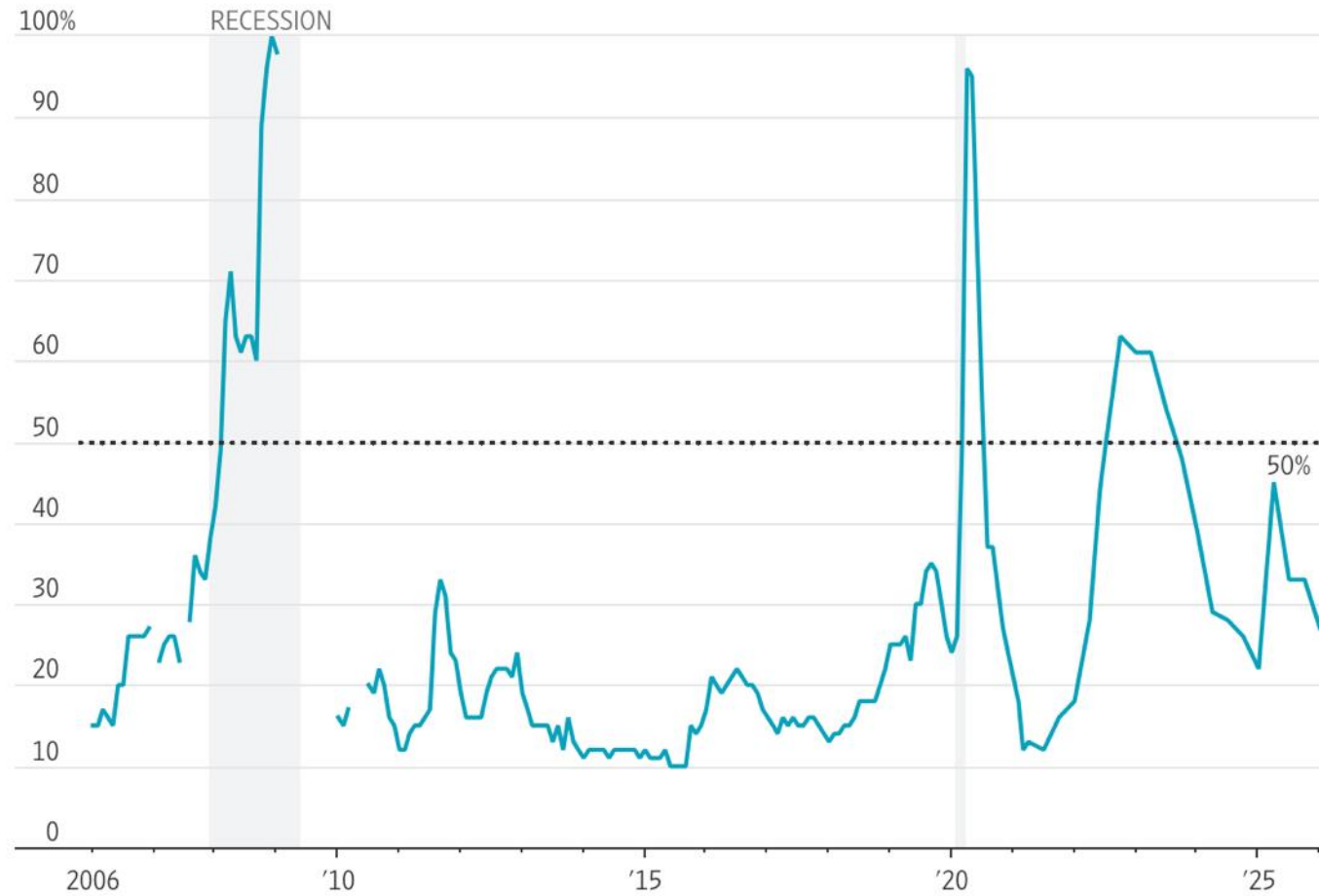
Jamie Dimon says a recession is 'likely outcome' from Trump's tariff turmoil

JPMorgan Chase CEO Jamie Dimon said Wednesday he sees the US economy likely headed to recession as President Donald Trump's tariffs roil financial markets.

Apr 9, 2025



### Probability the U.S. is in a recession in next 12 months including today

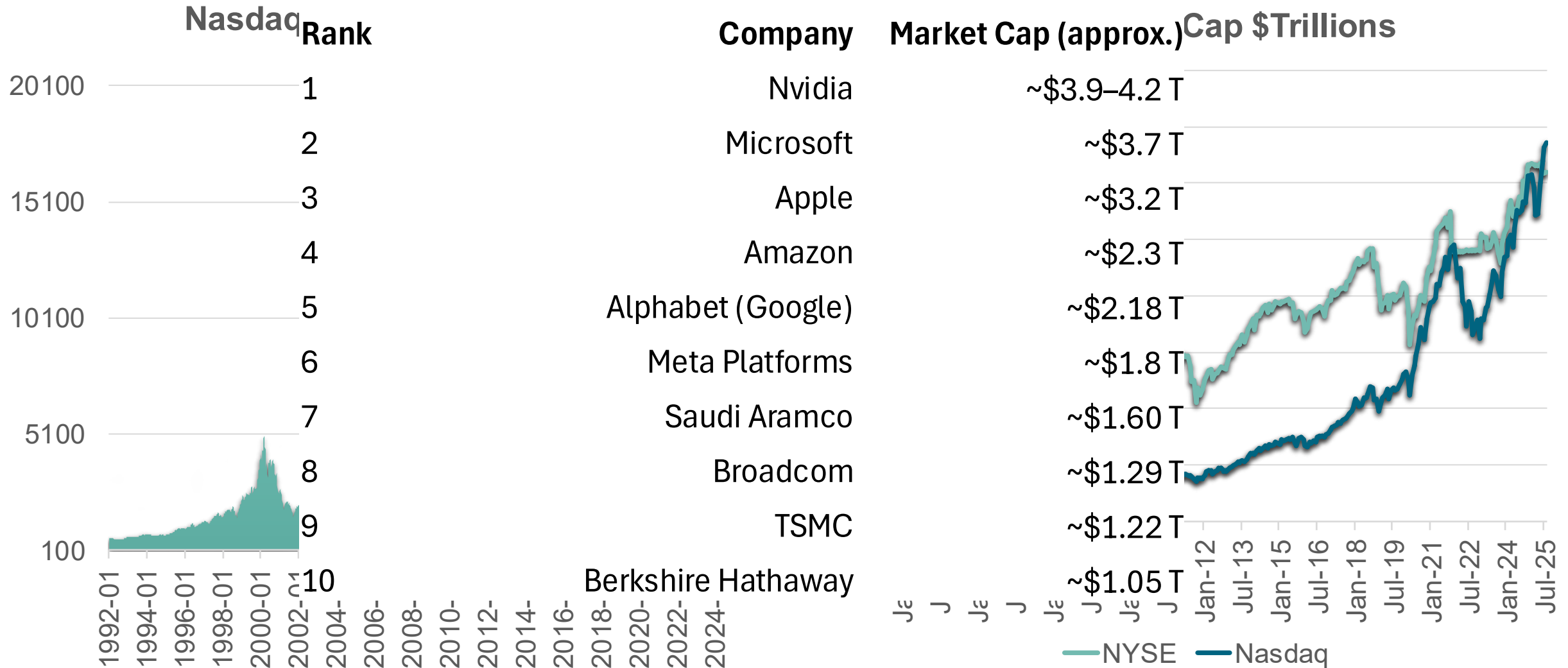


Note: Average of economists' answers. Gaps indicate question not asked or data unavailable.

Source: Wall Street Journal surveys of economists

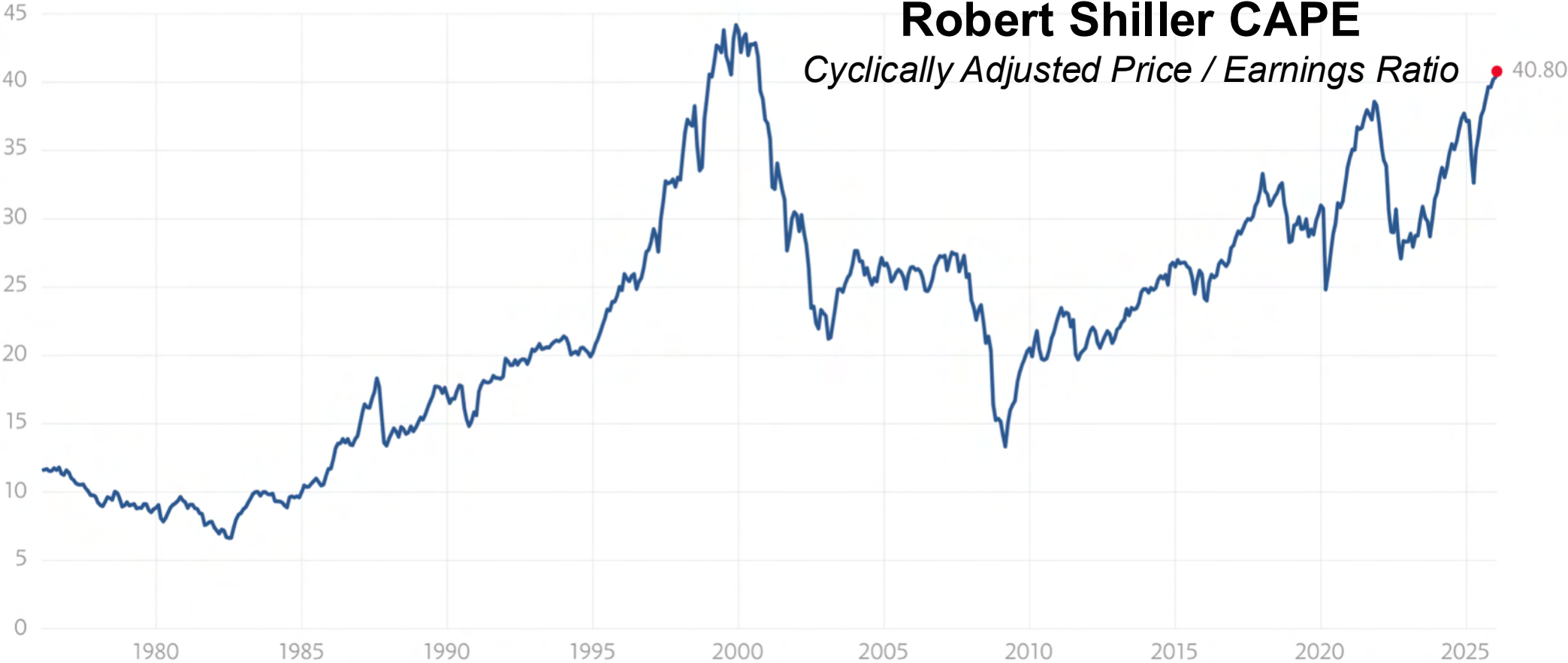


# That *Other* Economic Narrative





1Y 2Y 5Y 10Y 20Y 50Y All



# Beacon's Outlook 2026

## Economic Trends: pointing up, not down

- Consumer spending: picking up speed
- Debt markets: still clean, credit easier to get, interest rates down
- More fiscal and monetary stimulus being thrown at the economy

## Beware the Imbalances

- Strong finances a function of public deficits and financial asset bubbles
- Growing external imbalances are the weak link in the chain

## The Fastener Biz

- Solid growth on the *intensive* margin
- Greatest impediment is housing supply / labor supply

## Beware the Narrative

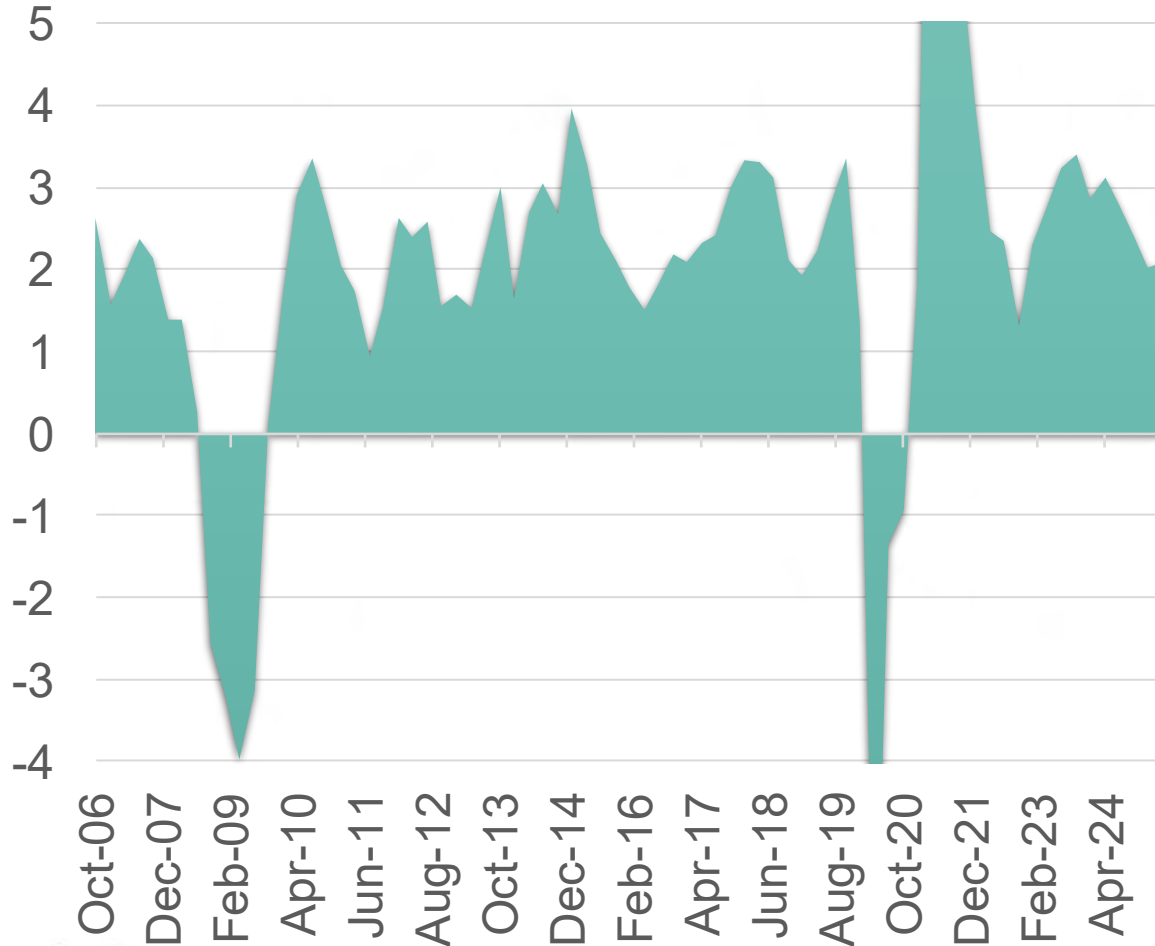
- Common sense policies are prevented by broken narratives
- The rise of populism in the age of abundance



# GDP Growth: Slower in '25



YoY Growth Real GDP

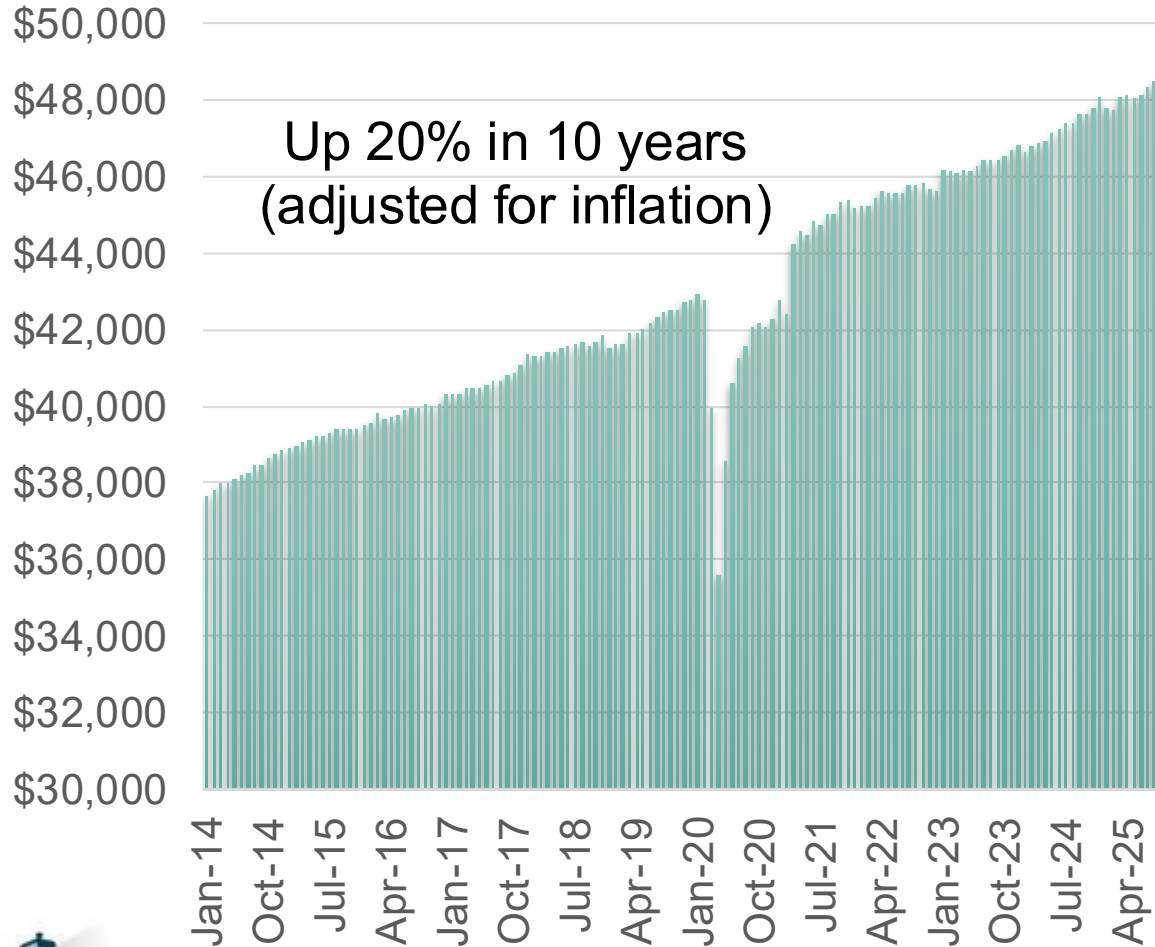


	2023	2024	2025
<b>Gross domestic product</b>	<b>2.9</b>	<b>2.8</b>	<b>2.2</b>
<b>Final Demand</b>	<b>2.9</b>	<b>3.2</b>	<b>2.5</b>
Personal consumption	1.7	2.0	1.8
Goods	0.4	0.6	0.7
Services	1.4	1.4	1.1
Fixed Investment	0.6	0.5	0.5
Structures	0.5	0.0	-0.2
Equipment	0.2	0.2	0.4
Intellectual property	0.3	0.2	0.3
Residential	-0.4	0.1	-0.1
Change inventories	-0.5	0.0	-0.1
Net exports	0.5	-0.4	-0.2
Exports	0.3	0.4	0.2
Imports	0.1	-0.8	-0.4
Government	0.6	0.7	0.2
Federal	0.2	0.2	-0.1
State and local	0.4	0.4	0.3



# Consumer Spending Trends

**Inflation Adjusted Per Capita Consumption**



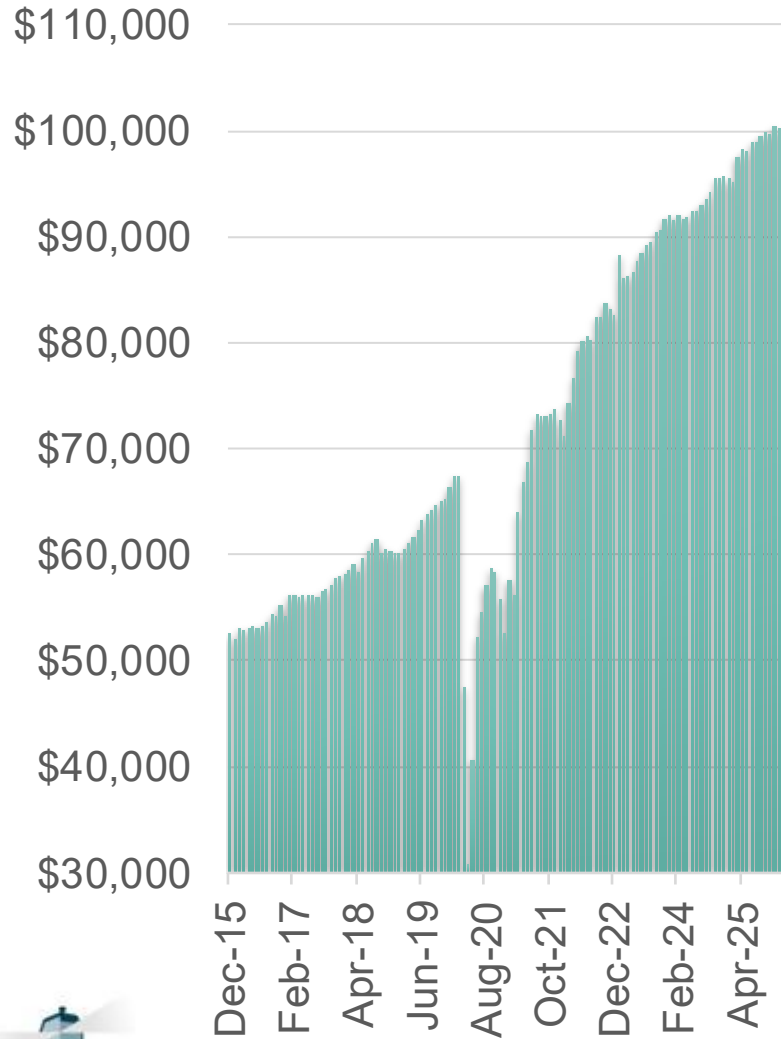
**Spending Growth over 2 Years  
(Nominal Dollars)**

	Share Level	Share Growth	Cont.
<b>Health care</b>	<b>16%</b>	<b>23%</b>	<b>7%</b>
<b>Financial / insurance</b>	<b>8%</b>	<b>14%</b>	<b>7%</b>
Other services	8%	9%	1%
Transportation serv	3%	4%	1%
Recreation services	4%	4%	0%
Clothing footwear	3%	3%	0%
Recreational	3%	3%	0%
Housing and utilities	18%	18%	0%
Furnishings	2%	2%	-1%
Food accommodation	7%	5%	-2%
Motor vehicles	4%	1%	-3%
Food off-premises	8%	4%	-3%
Energy	2%	-2%	-4%

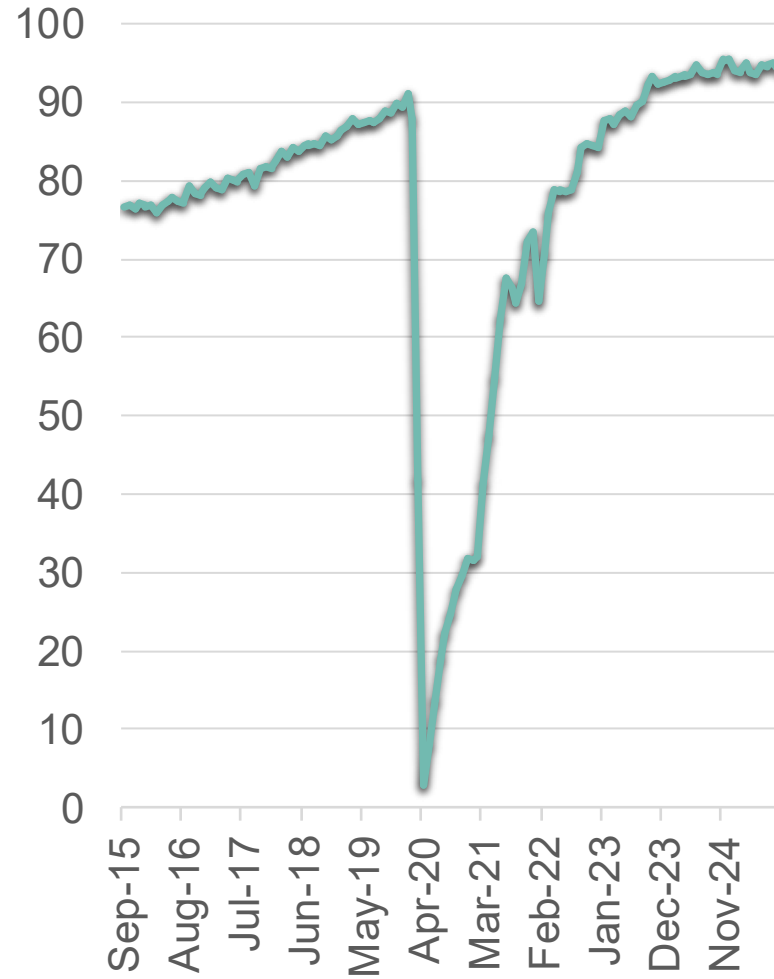


# Consumers: Still Having Fun!

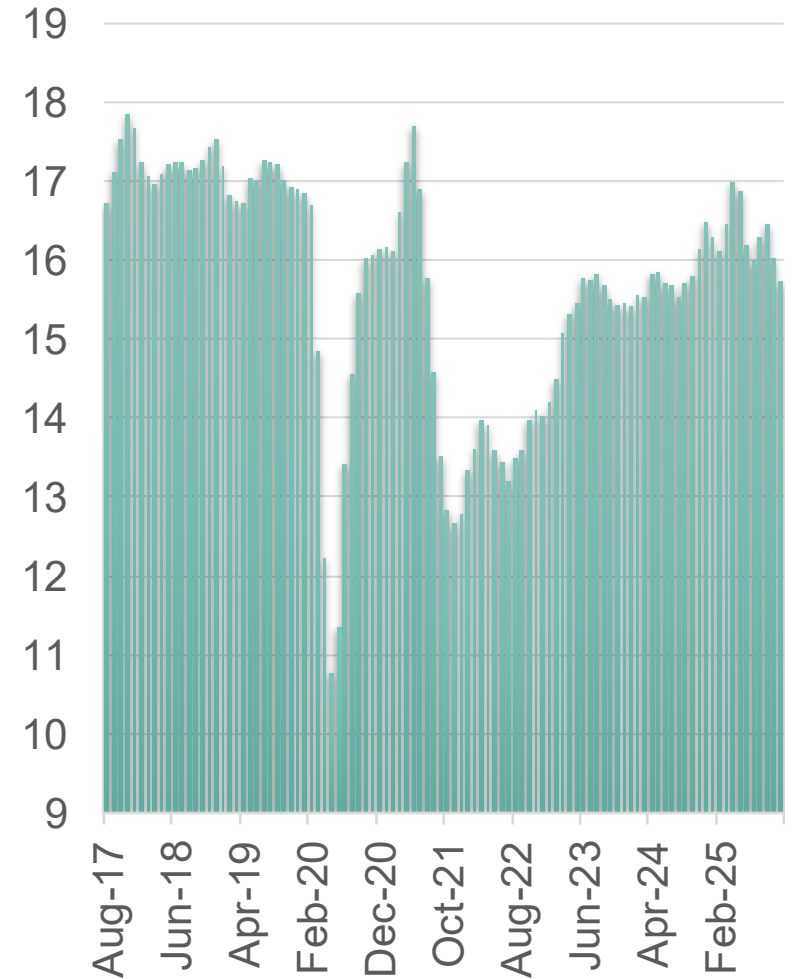
## Restaurant Retail Sales



## US Revenue Passenger Air Miles (SA, \$Bil)

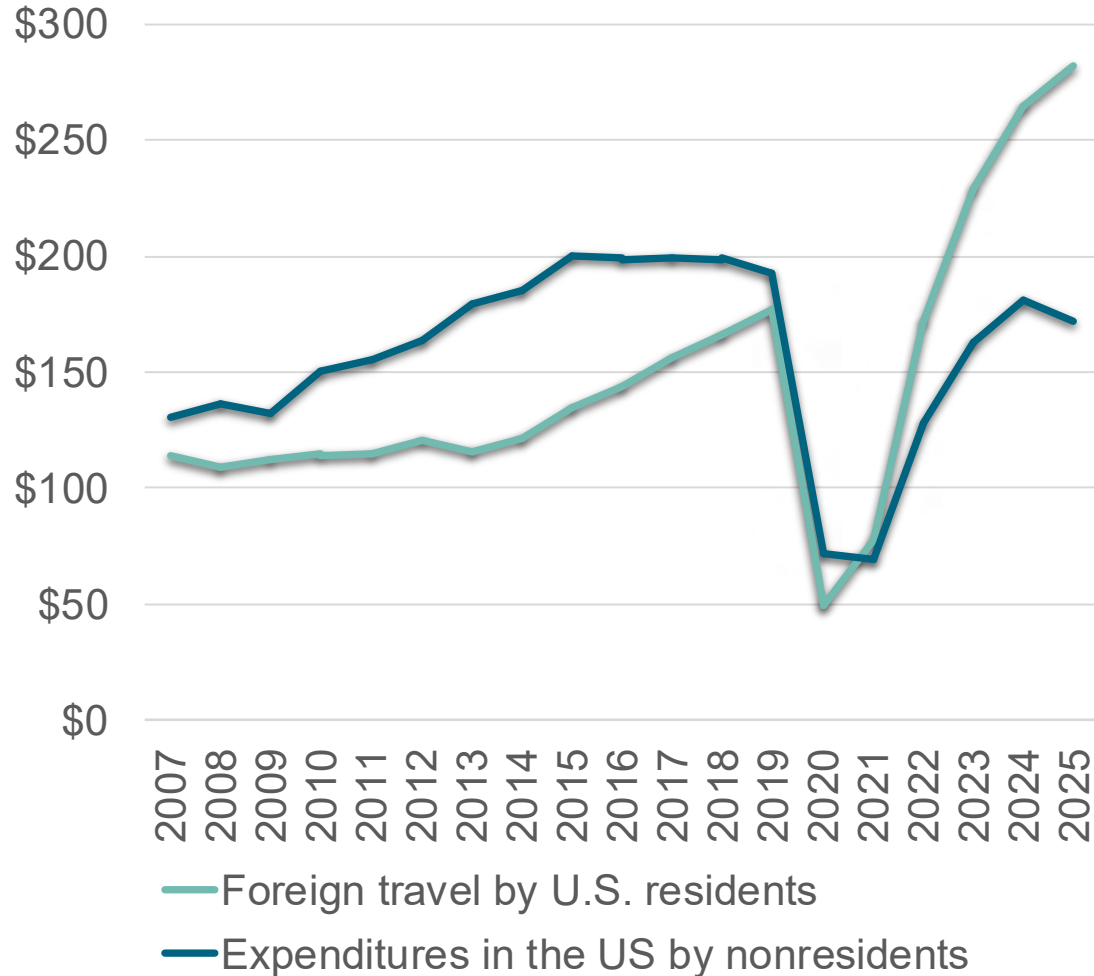


## Auto & Light Truck Sales SAAR Mil

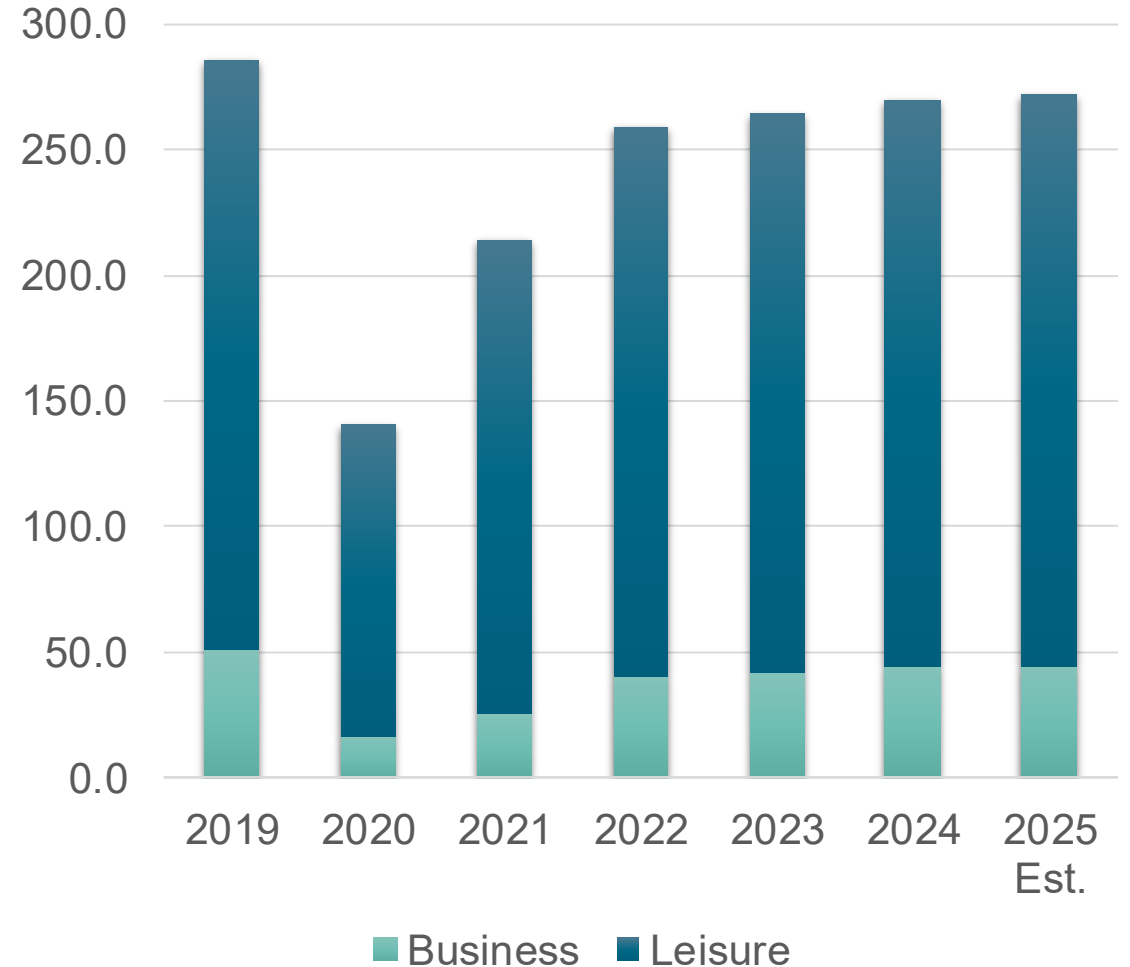


# Travel and Flights

## Real Spending on Travel

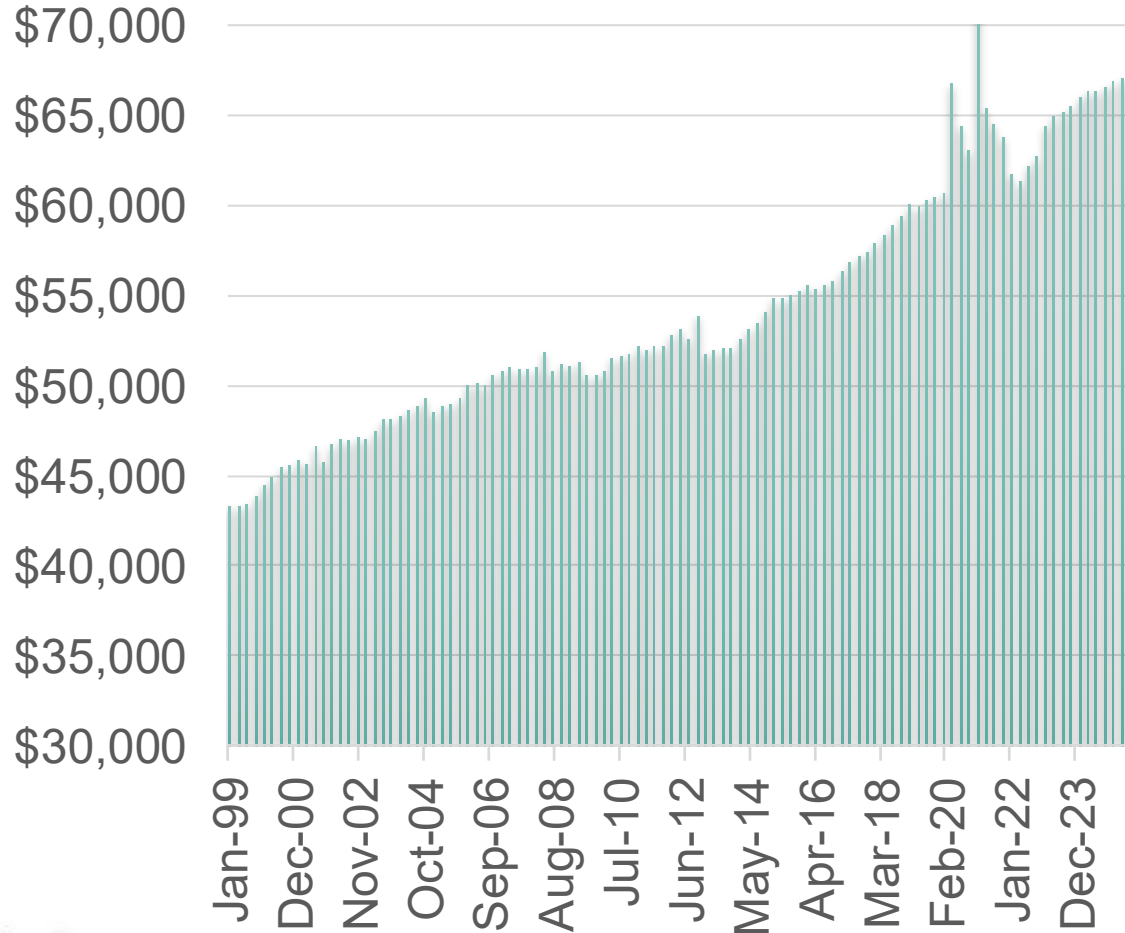


## California Total Visitor Counts

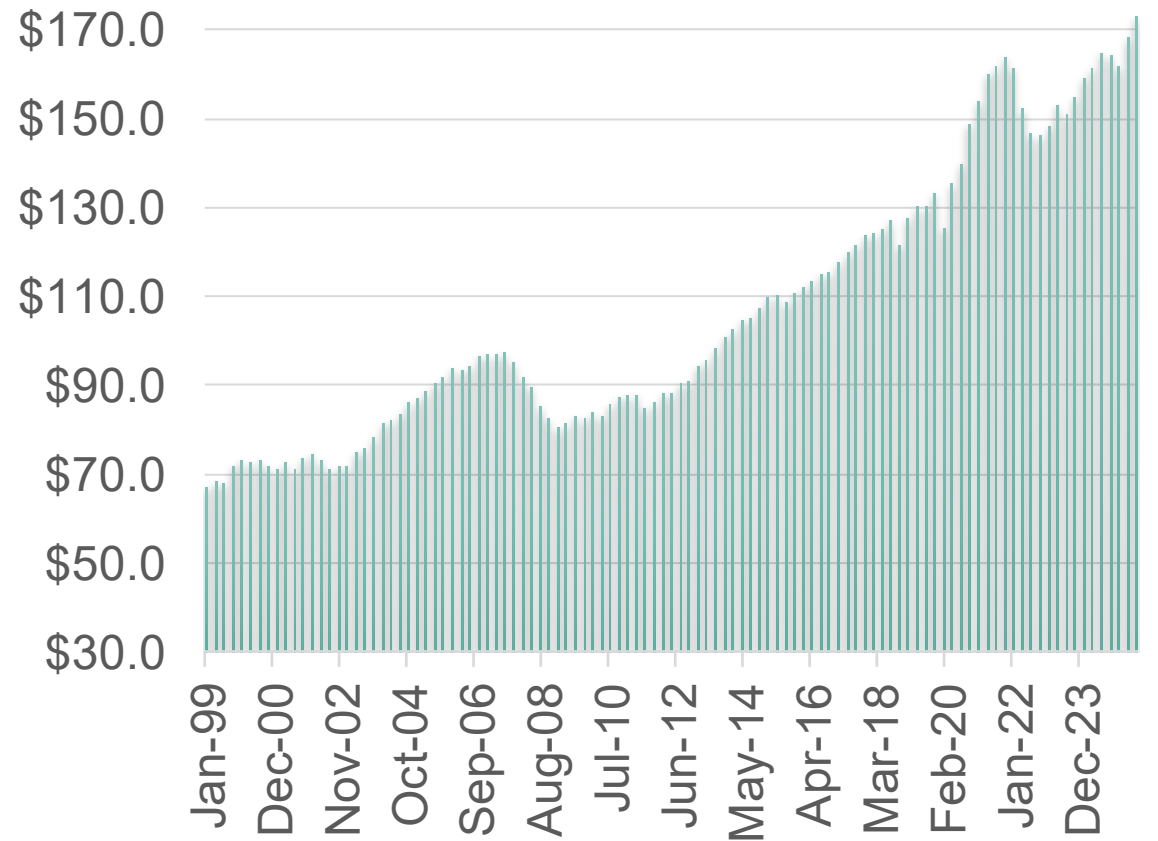


# Record HH Income and Net Worth

## Real Per Capita Disposable Income



## Real Household Net Worth (\$Trillions)

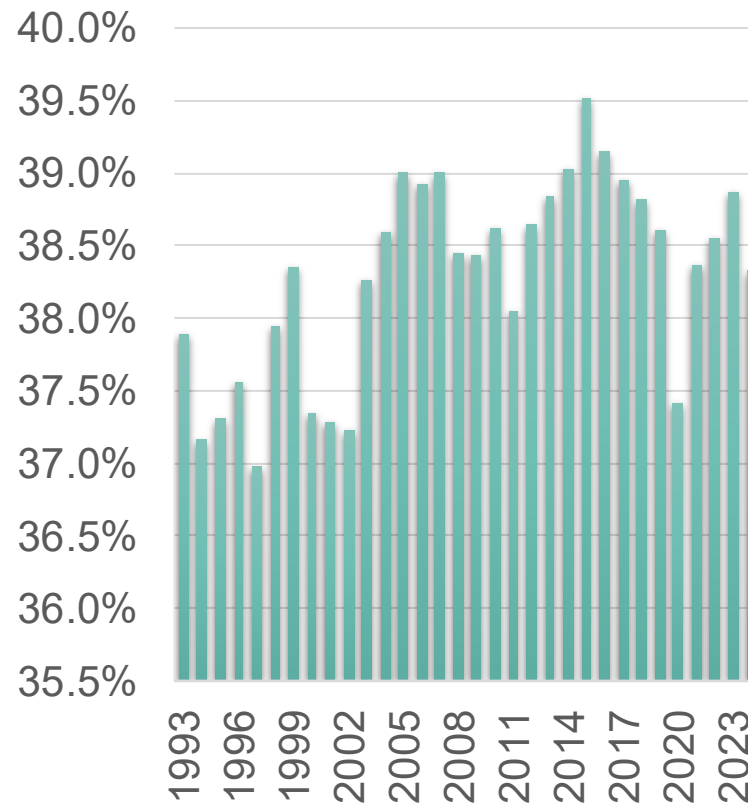


# Only gains for the top 10%?

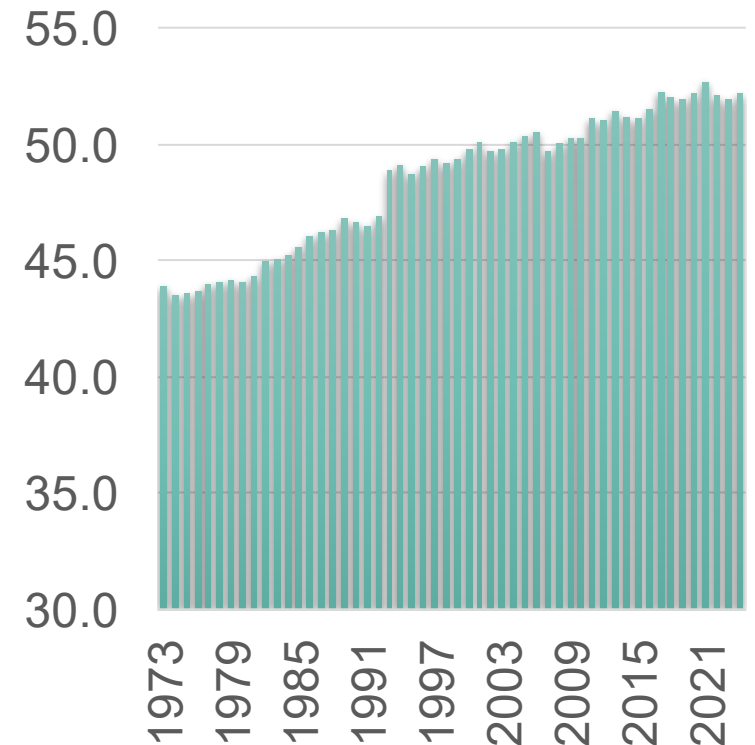
## Income and Spending by Household Income Quintile

	Avg HH Income 2024	Real Gr 14-24
Lowest	\$18,460	22.8%
Second	\$49,380	23.4%
Middle	\$84,390	21.3%
Fourth	\$136,800	21.1%
Highest	\$316,100	26.5%
Top 5%	\$560,000	30.9%

## Top Quintile Expenditure Share BLS CEX Data

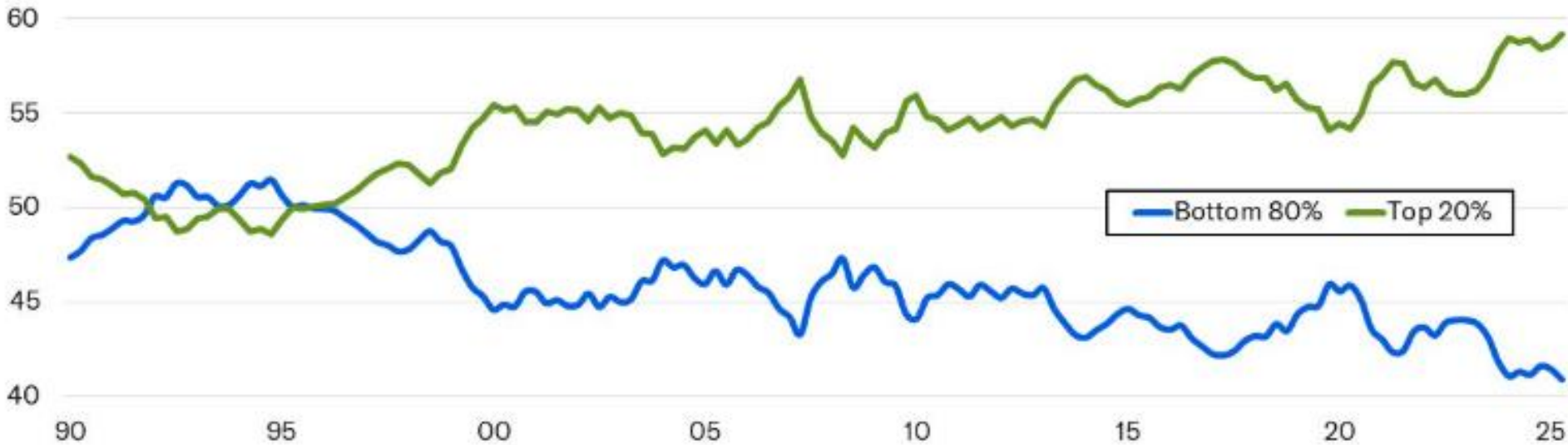


## Income Share of Top 20% of Households



# The Economy Is Increasingly K-Shaped

Share of personal outlays by income group, 4-quarter moving average, %

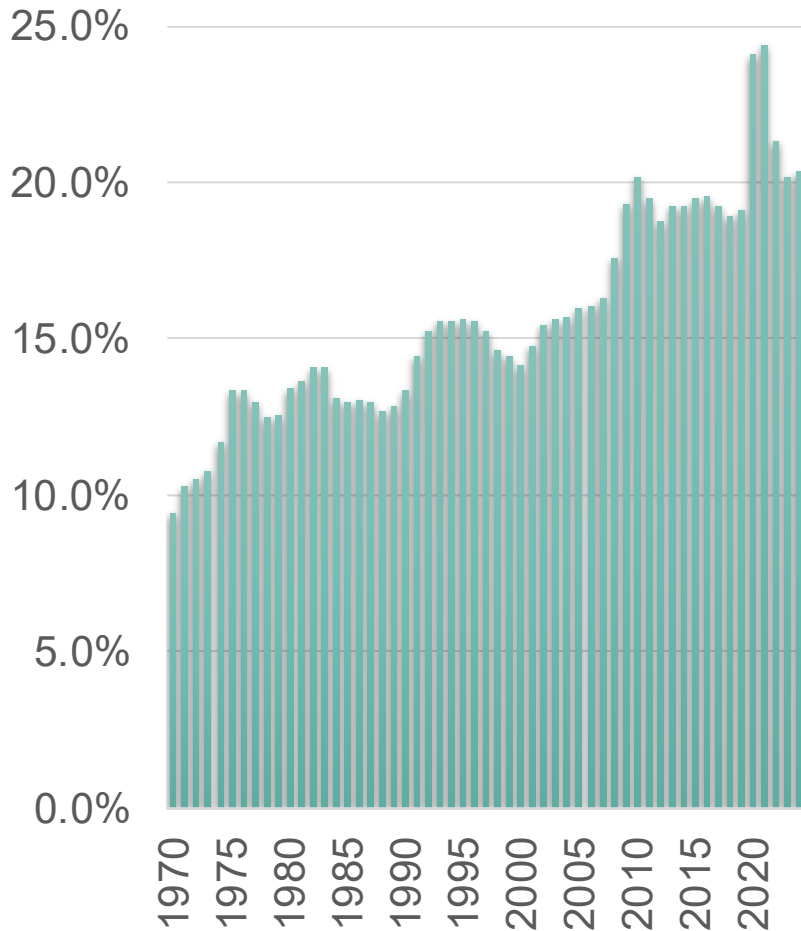


Sources: Federal Reserve, Moody's Analytic

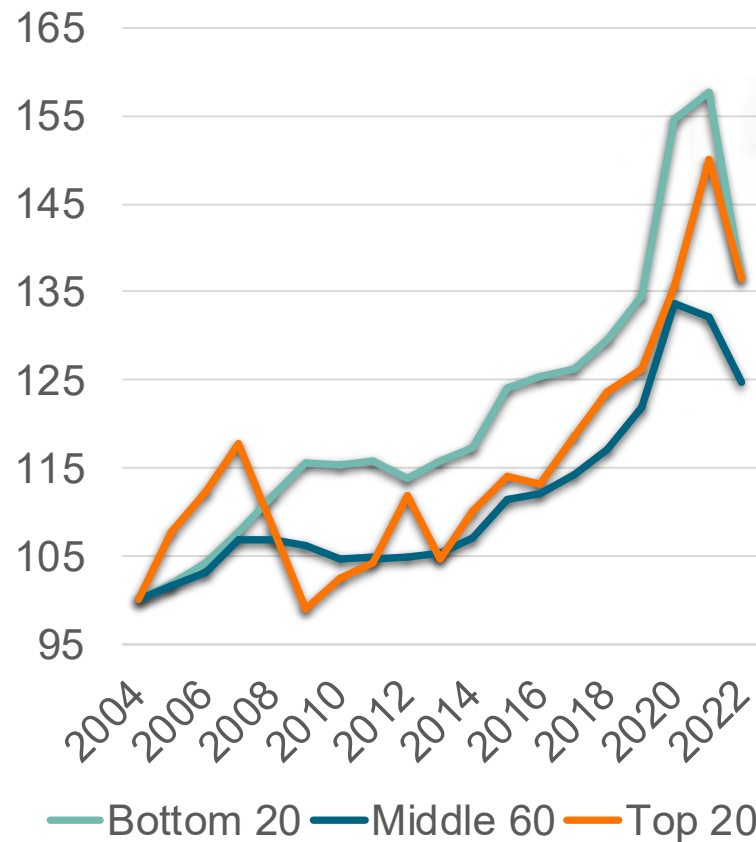


# Transfers and Taxes

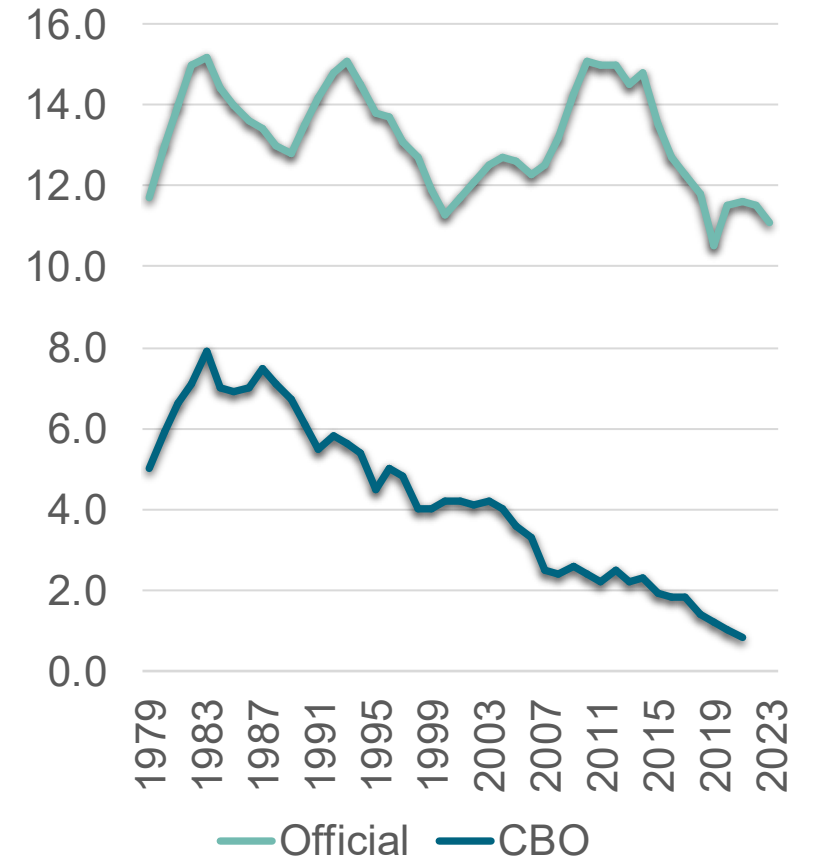
## Gov Transfers as % DPI



## Net Income After Transfers and Taxes by Quintile



## Estimates of the Share of US in Poverty



# Correlates with Poverty

	2024	2018
Less than high school graduate	24.0%	24.4%
High school graduate	14.3%	13.5%
Some college, associate's degree	9.7%	9.5%
Bachelor's degree or higher	4.6%	4.4%
Worked full-time, year-round	2.3%	2.5%
Worked part-time or part-year	14.9%	15.8%
Did not work	21.3%	21.3%
	<b>Married Couple</b>	<b>Single Parent</b>
Families	4.5%	22.3%
1 or 2 children	4.3%	26.8%
3 or 4 children	9.1%	49.2%
5 or more children	22.0%	67.8%



# Where is Inflation at?

YoY Growth Prices



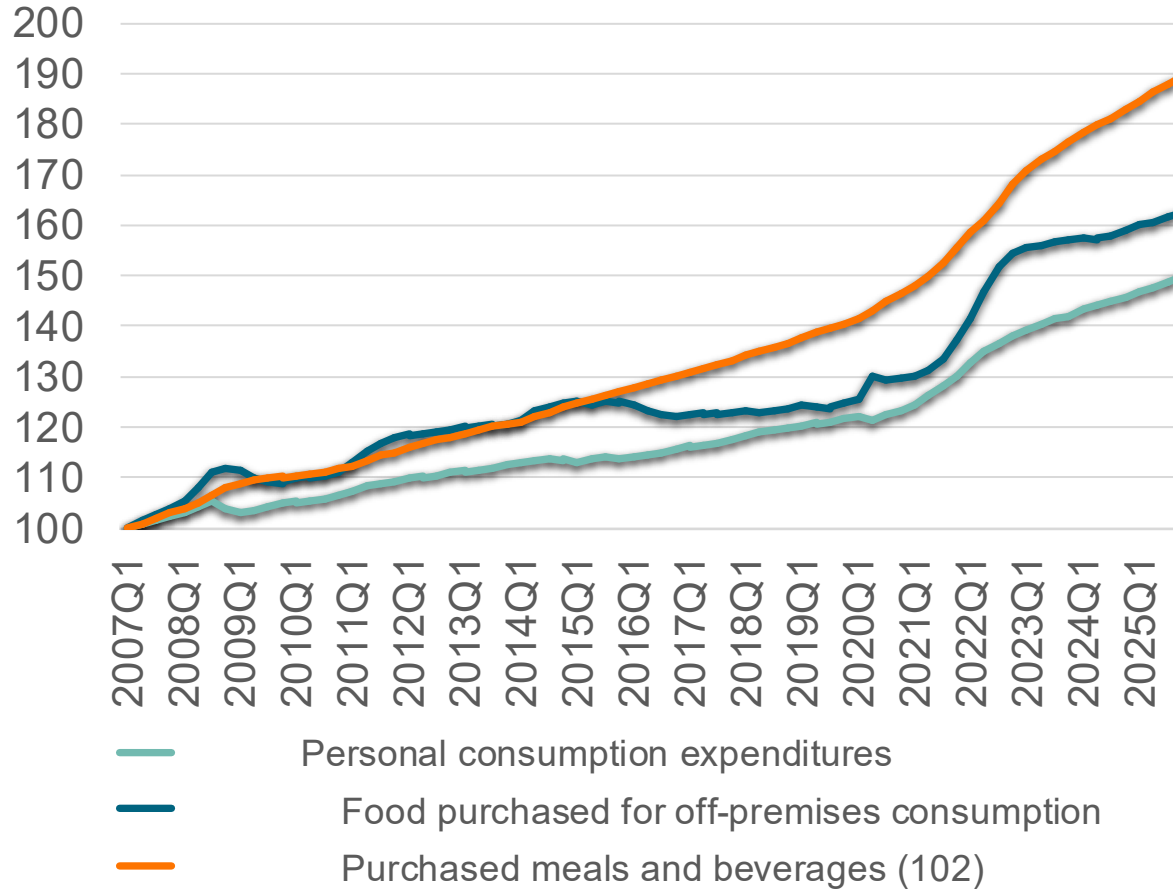
	Weight	Inflation
PCE Prices		2.9%
Finance & insurance	15.7%	6.4%
Recreation services	6.1%	4.6%
Furnishings, HH equipment	3.8%	4.0%
Housing and utilities	21.1%	3.7%
Food Lodging	7.4%	3.3%
Other services	8.3%	2.7%
Health care	16.0%	2.6%
Other nondurables	7.5%	2.4%
Transportation services	2.3%	2.1%
Food for off-premises	5.2%	2.1%
Other durable goods	1.2%	1.8%
Recreational goods	3.0%	1.8%
Motor vehicles and parts	1.5%	1.2%
Clothing and footwear	0.3%	0.3%
Gasoline, energy	-1.3%	-1.9%



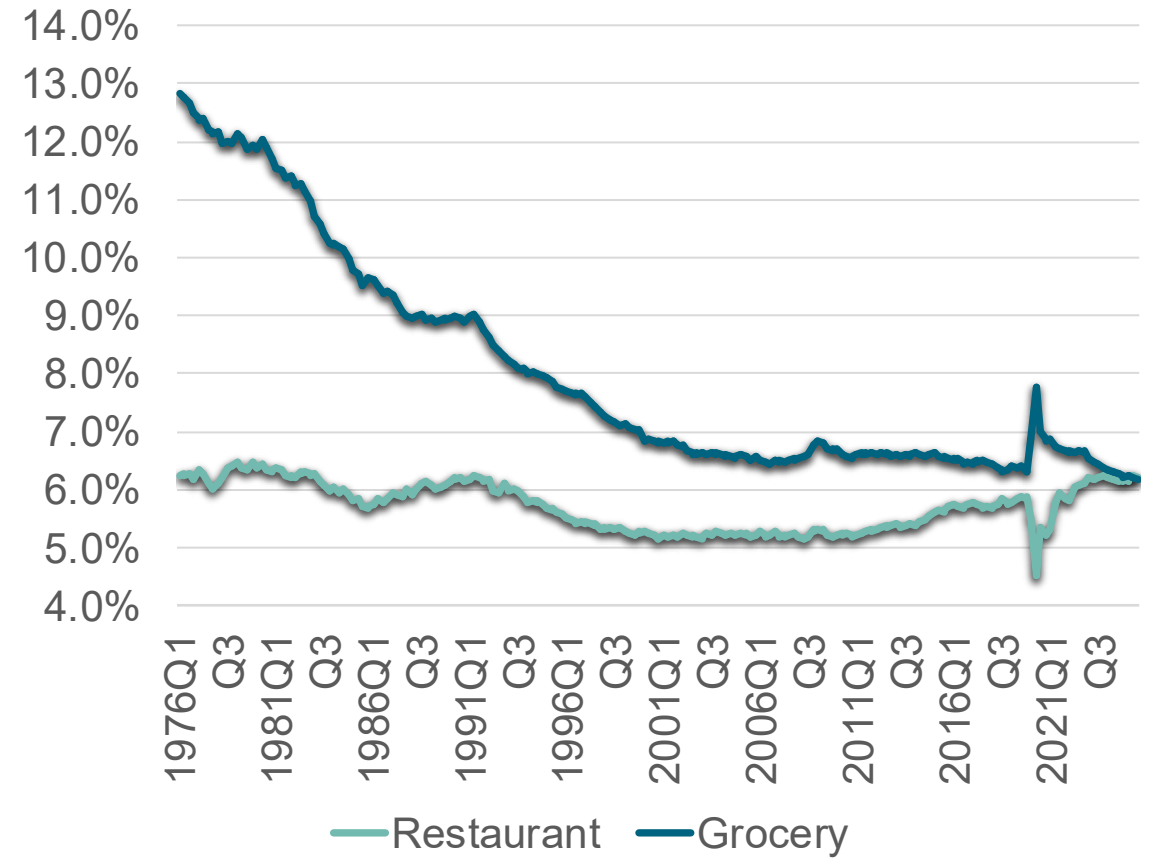
# What about the food price crisis?



## Price Growth since 2007



## Food Share of total Consumer Spending



# The Tariff Impact?

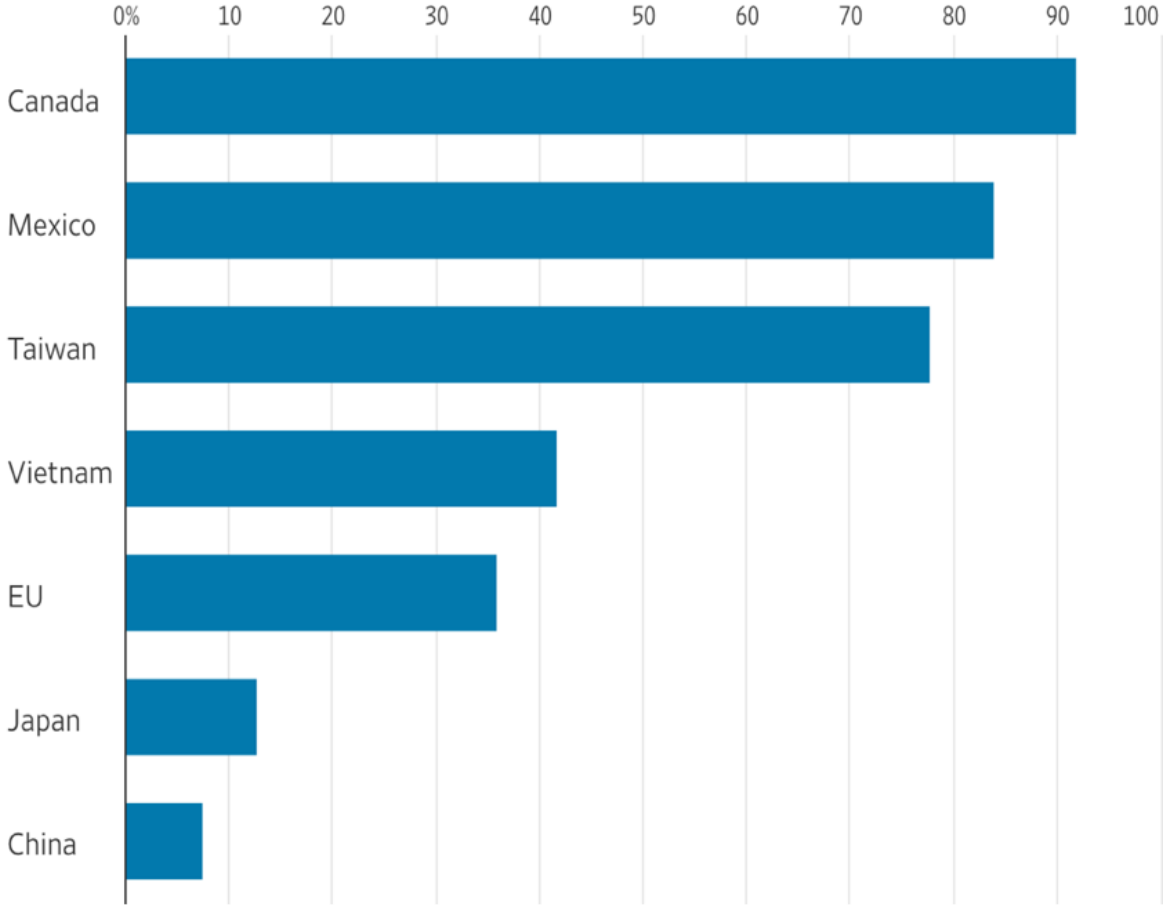
## The Tariff Tax: Context

	Billions	Share GDP
GDP	\$29,723	
Total Imports Goods	\$3,267	11.0%
~~New Tariffs	\$653	2.2%
Federal Deficit	-\$1,847	-6.2%
Personal Taxes to Feds	\$2,391	8.0%
Corp Taxes to Fed	\$490	1.6%

Country	Exports (% GDP)	Imports (% GDP)	Total (% GDP)
United States	11	15	26
Brazil	18	17	35
China	20	17	37
Japan	22	22	44
India	22	25	47
Russia	27	20	47
United Kingdom	31	33	64
France	31	34	65
Canada	33	34	67
Italy	35	33	68
South Korea	44	42	86
Germany	47	41	88
Switzerland	75	68	143
Belgium	85	82	167
Netherlands	93	83	176
Singapore	174	147	321



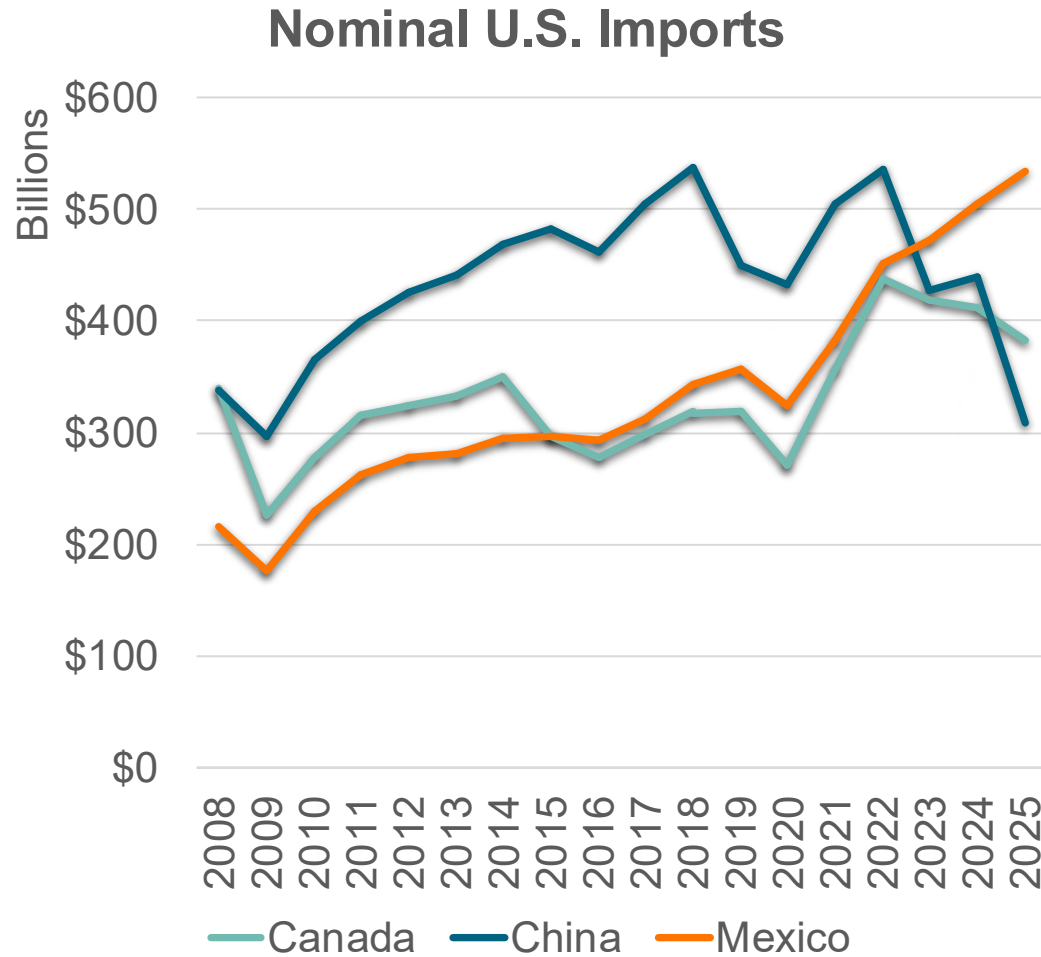
Share of June U.S. imports that were duty-free, by origin



Source: Barclays Research analysis of U.S. Census Bureau data



# U.S. Import Trade Partners

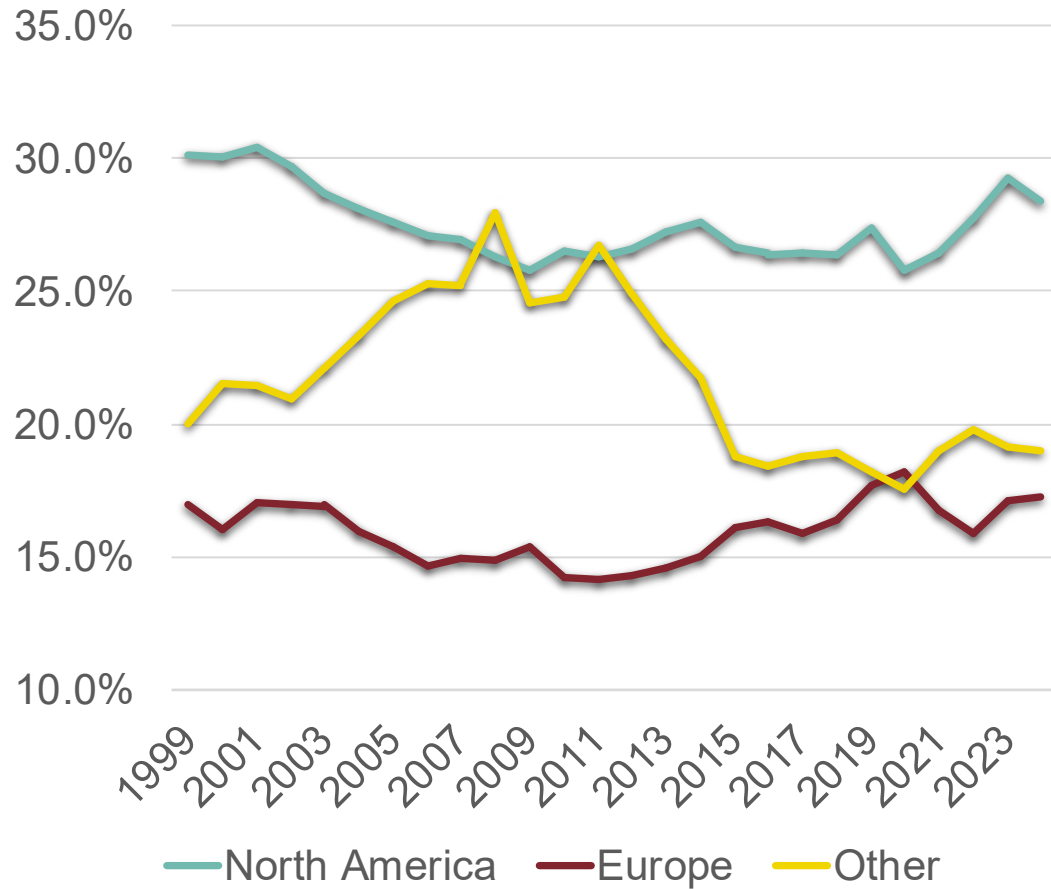


Country	Imports 2025 (\$ Bil.)	1-Year Chg. (%)	6-Year Chg. (%)	Share of Imports (%)
Total Imports	3,416	4.6	37.1	100.0
Mexico	535	5.8	50.2	15.7
Canada	383	-7.0	20.2	11.2
China	308	-29.7	-31.3	9.0
Taiwan	201	73.3	271.4	5.9
Vietnam	194	42.0	191.8	5.7
Germany	156	-2.7	22.5	4.6
Japan	146	-1.6	1.6	4.3
Ireland	134	29.3	115.8	3.9
Korea, Republic Of	125	-4.8	61.6	3.7
Switzerland	106	67.4	137.5	3.1

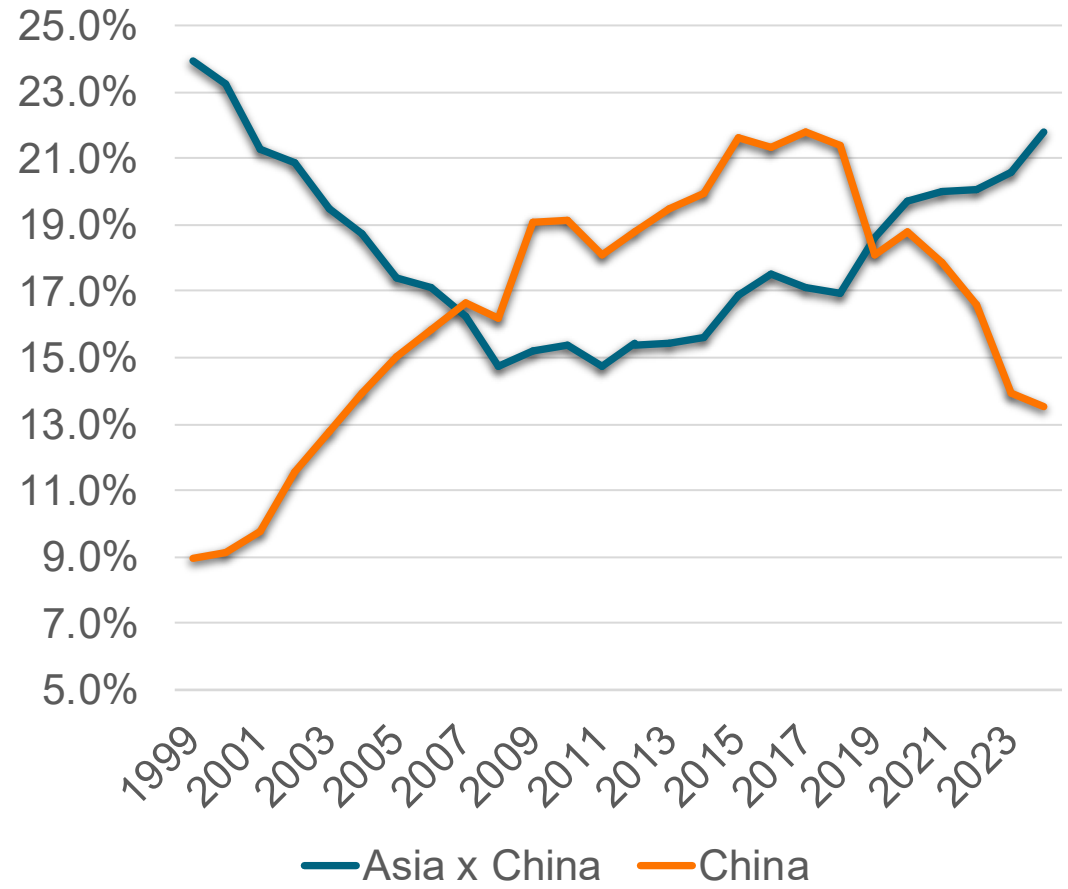


# Imports

## Imports by Region (Share value)

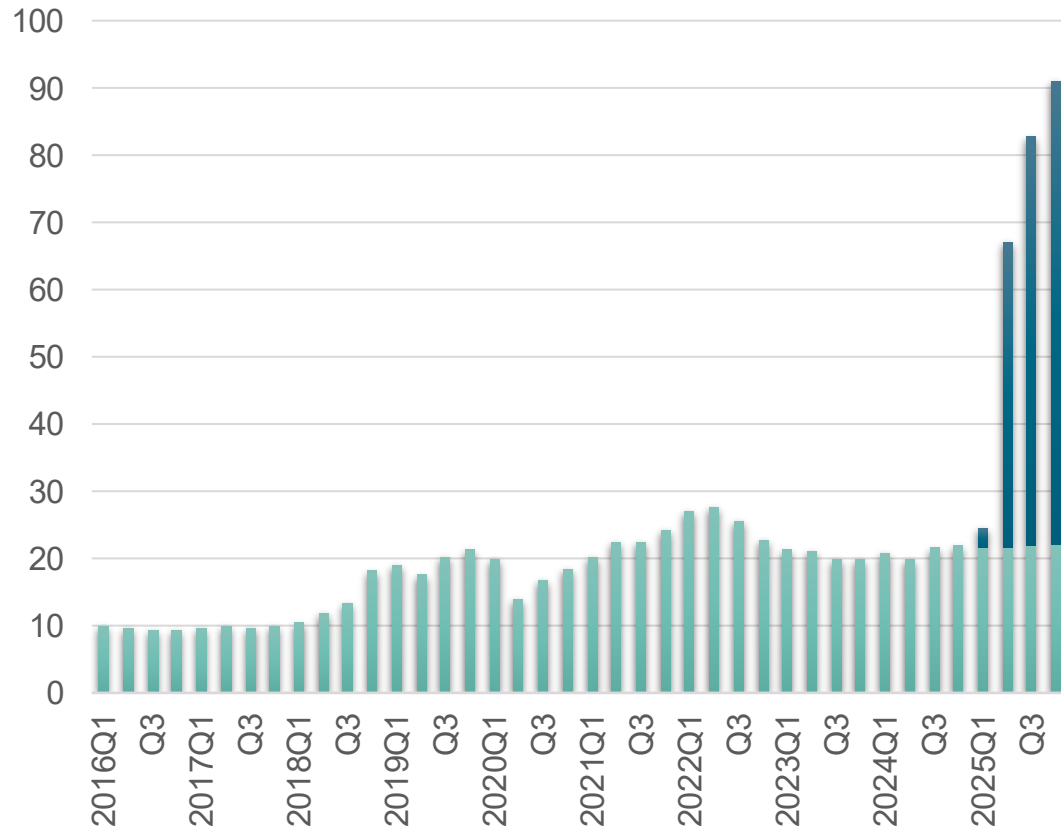


## Imports by Region (Share value)



# Tariff Impact

**US Tariff Revenue (\$Bil)**  
**Total New 2025: \$180B**



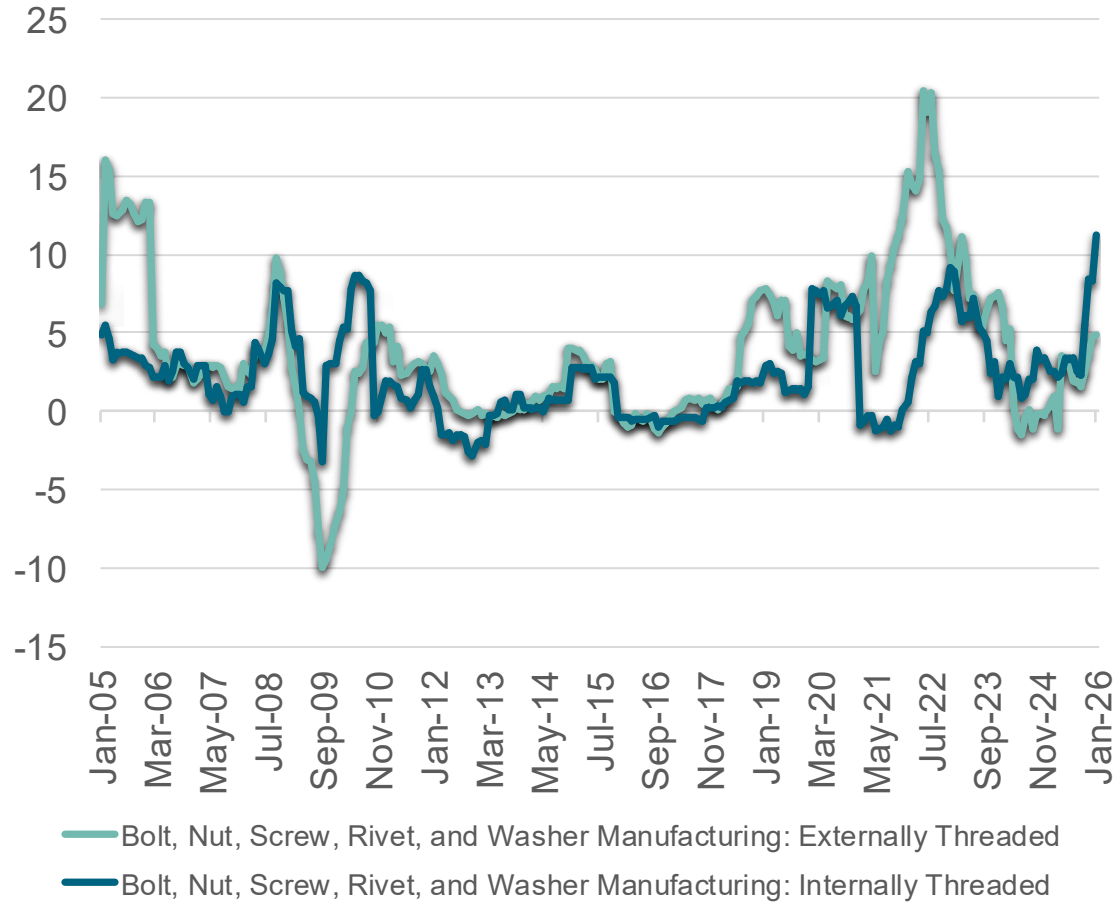
**Additional Consumer Spending  
 Driven by Tariffs**

Household supplies	\$7.5
Furniture and furnishings	\$4.3
Sports and recreational vehicles	\$3.2
Household appliances	\$3.1
Glassware	\$2.7
Personal care products	\$2.5
Jewelry and watches	\$2.1
Clothing and footwear	\$2.1
Motor vehicle parts	\$1.9
Tools and equipment	\$1.5
Food off-premises consumption	\$1.3
<b>Total 2025</b>	<b>\$36.4</b>

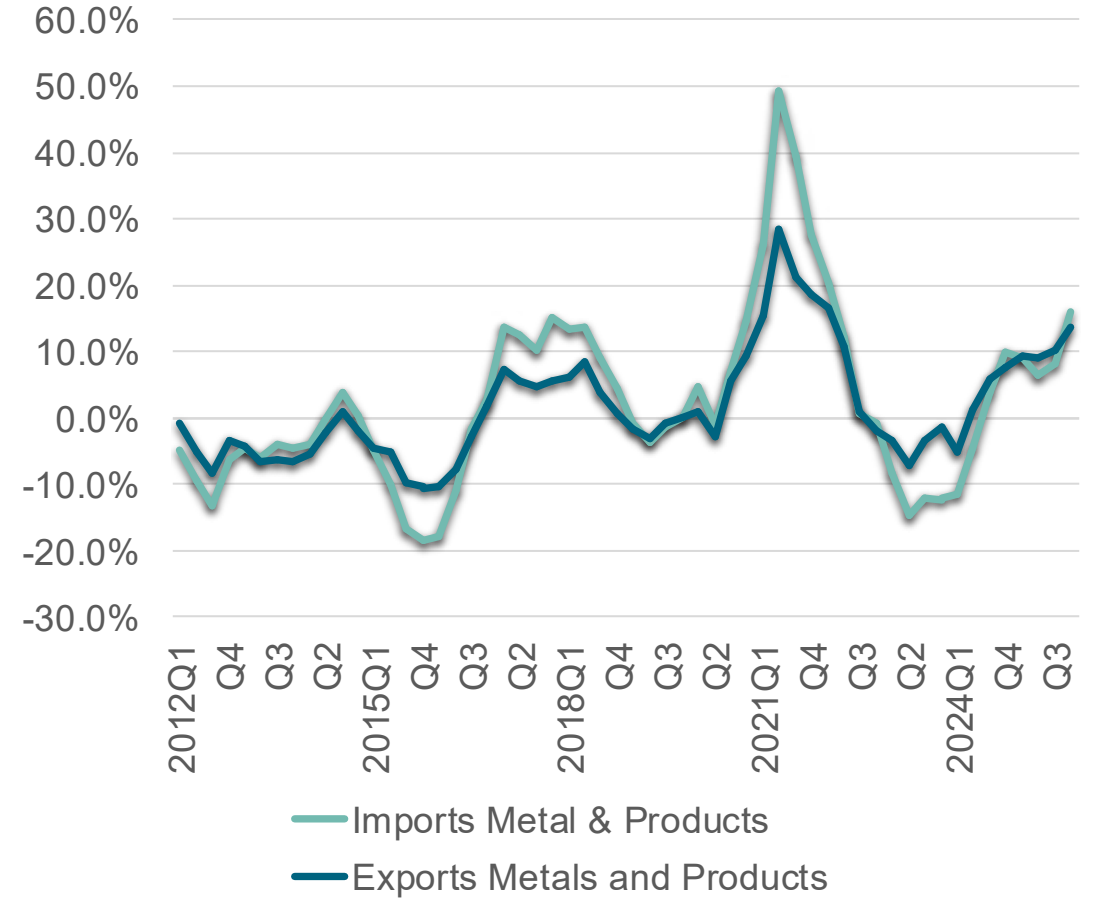


# Impact on Intermediate Goods

## US Producer Prices: Fasteners



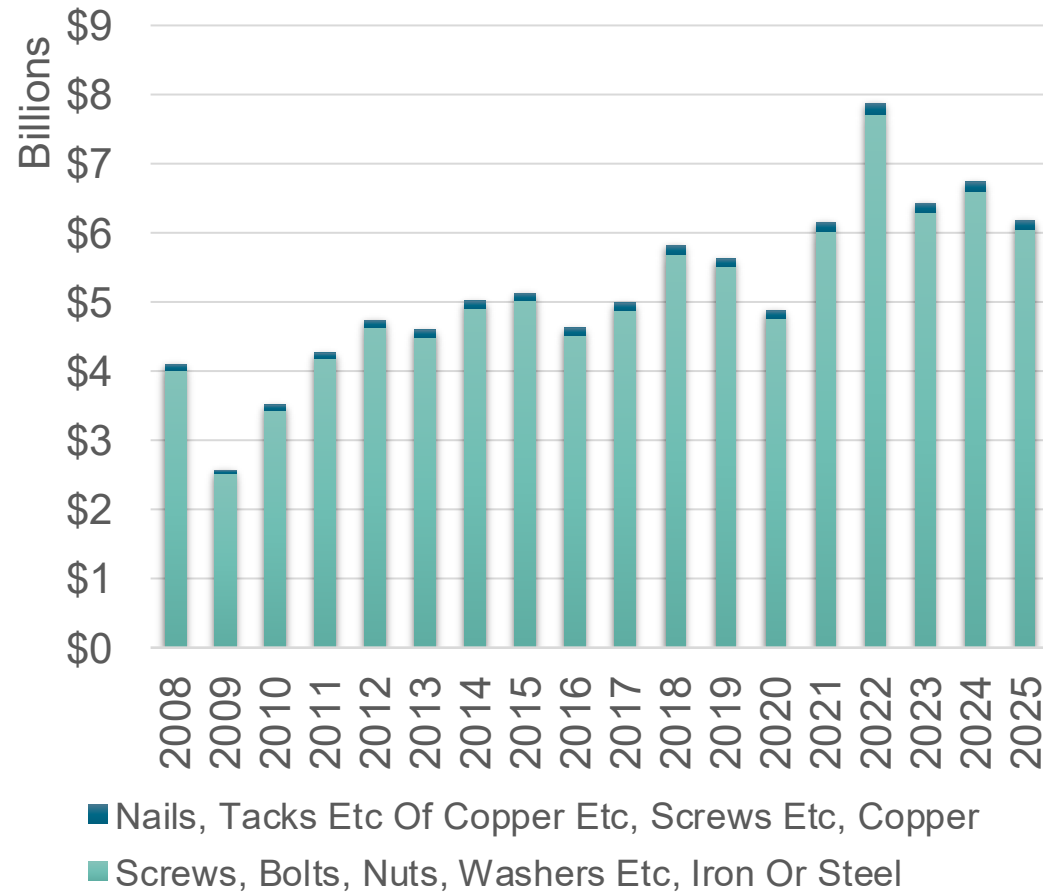
## Trade Prices (Metals and Products)



# Supply Chains and Trade



## Nominal Fastener Imports

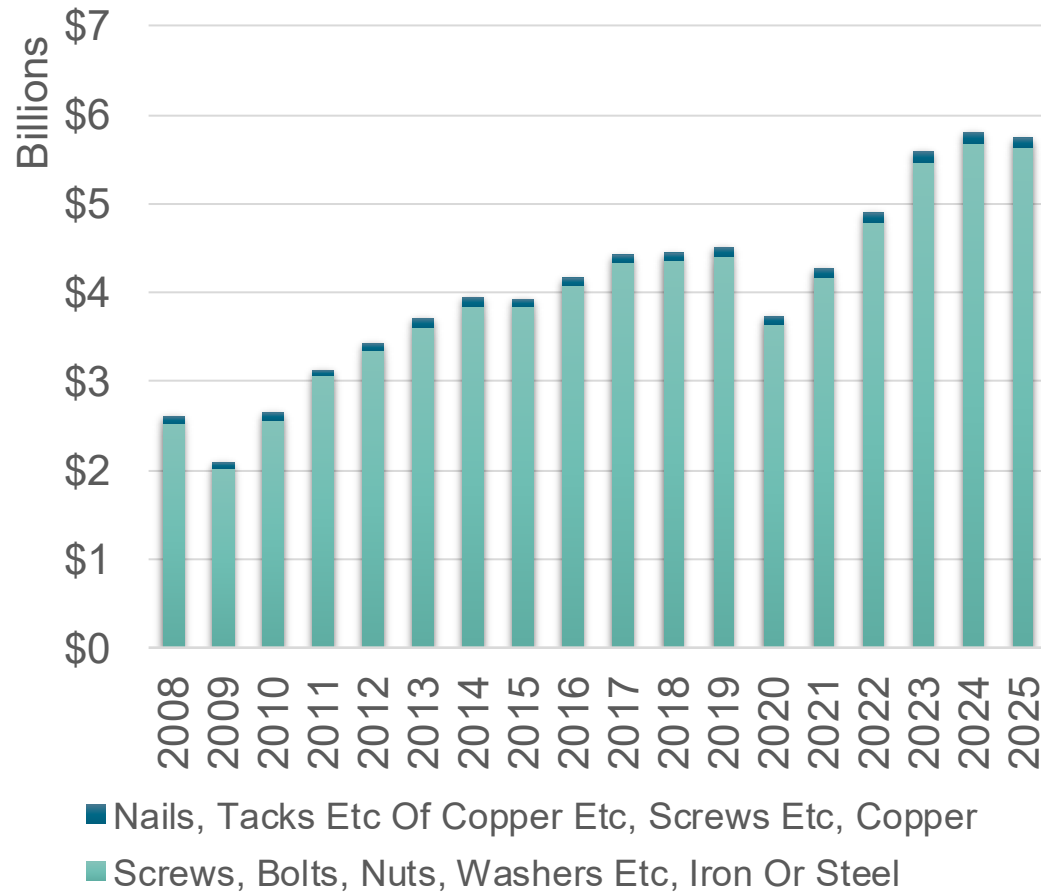


Imports by Country of Origin	2025 (\$ Mil.)	1-Year Change (%)	6-Year Change (%)
Total Fasteners (Iron/Steel)	6,037.5	-8.8	9.5
Taiwan	1,928.4	-11.2	1.6
China	1,042.3	-12.2	-5.5
Japan	573.6	-7.7	-8.1
Germany	322.2	-16.5	-11.8
Canada	321.1	-21.3	3.5
Korea, Republic Of	287.0	-4.1	52.6
Italy	281.3	8.8	95.6
India	270.0	14.0	85.7
Mexico	173.1	-12.3	33.3
France	113.8	-11.2	31.6



# Fastener Exports

## Nominal Fastener Exports



Exports by Destination Country	2025 (\$ Mil.)	1-Year Change (%)	6-Year Change (%)
Total Fasteners (Iron/Steel)	5,628.1	-0.9	27.9
Mexico	1,857.5	-6.9	21.7
Canada	1,274.7	-5.0	10.9
China	257.2	-2.9	40.4
United Kingdom	215.9	16.3	34.9
France	175.0	29.2	94.7
Germany	167.1	12.8	34.9
Brazil	157.0	19.7	43.2
Japan	134.0	5.3	35.9
Korea, Republic Of	120.6	2.1	36.4
Singapore	95.8	-18.4	-7.7



# Southern California Trade

Trade Flows through So-Cal



	Gr 19-25	2025 \$ Flows
<b>Imports</b>		
Los Angeles, Calif.	9.3%	268.5
L.A. Int. Airport, Calif.	69.5%	107.3
Long Beach, Calif.	35.4%	83.5
Otay Mesa Station	33.7%	42.5
Calexico-East, Ca.	13.0%	12.5
<b>Exports</b>		
L.A. Int. Airport, Calif.	35.3%	74.4
Los Angeles, Calif.	2.1%	32.6
Long Beach, Calif.	-26.9%	22.8
Otay Mesa Station	27.8%	21.5
Calexico-East, Ca.	24.7%	8.3



# Fastener Trade Changes

West Coast Share of Fastener Imports

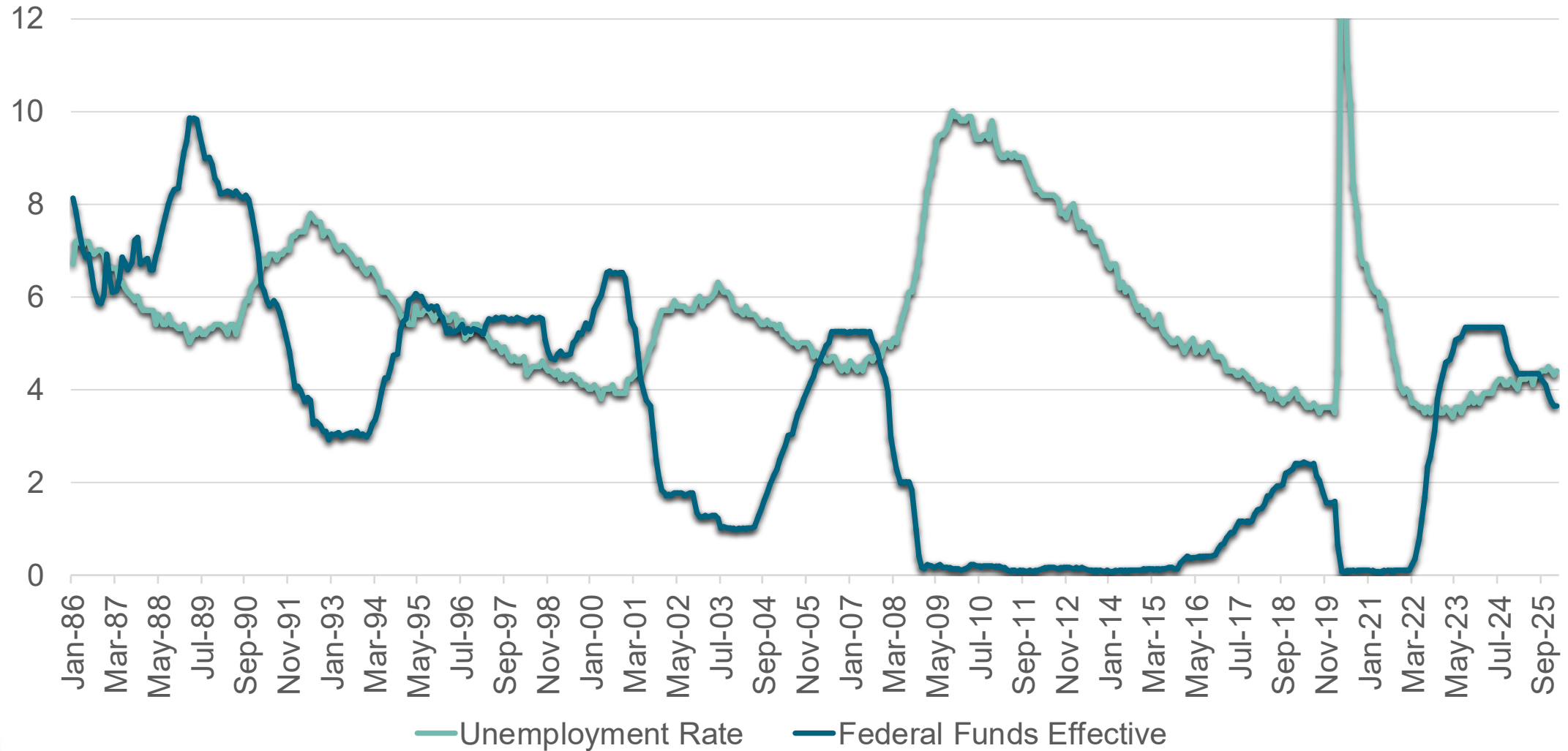


Imports by Destination State	2025 (\$ Mil.)	1-Year Change (%)	6-Year Change (%)
Total Fasteners (Iron/Steel)	6,037.5	-8.8	9.5
Texas	785.2	-6.9	51.1
California	735.1	-6.9	-3.1
Illinois	544.0	-13.5	-5.4
Ohio	394.4	-16.5	-7.1
Michigan	380.5	-8.8	9.5
Indiana	341.7	-5.7	18.2
Georgia	245.8	-5.5	26.3
New York	231.5	-4.4	-23.0
New Jersey	227.1	-12.9	9.8
Florida	226.7	-5.7	49.6



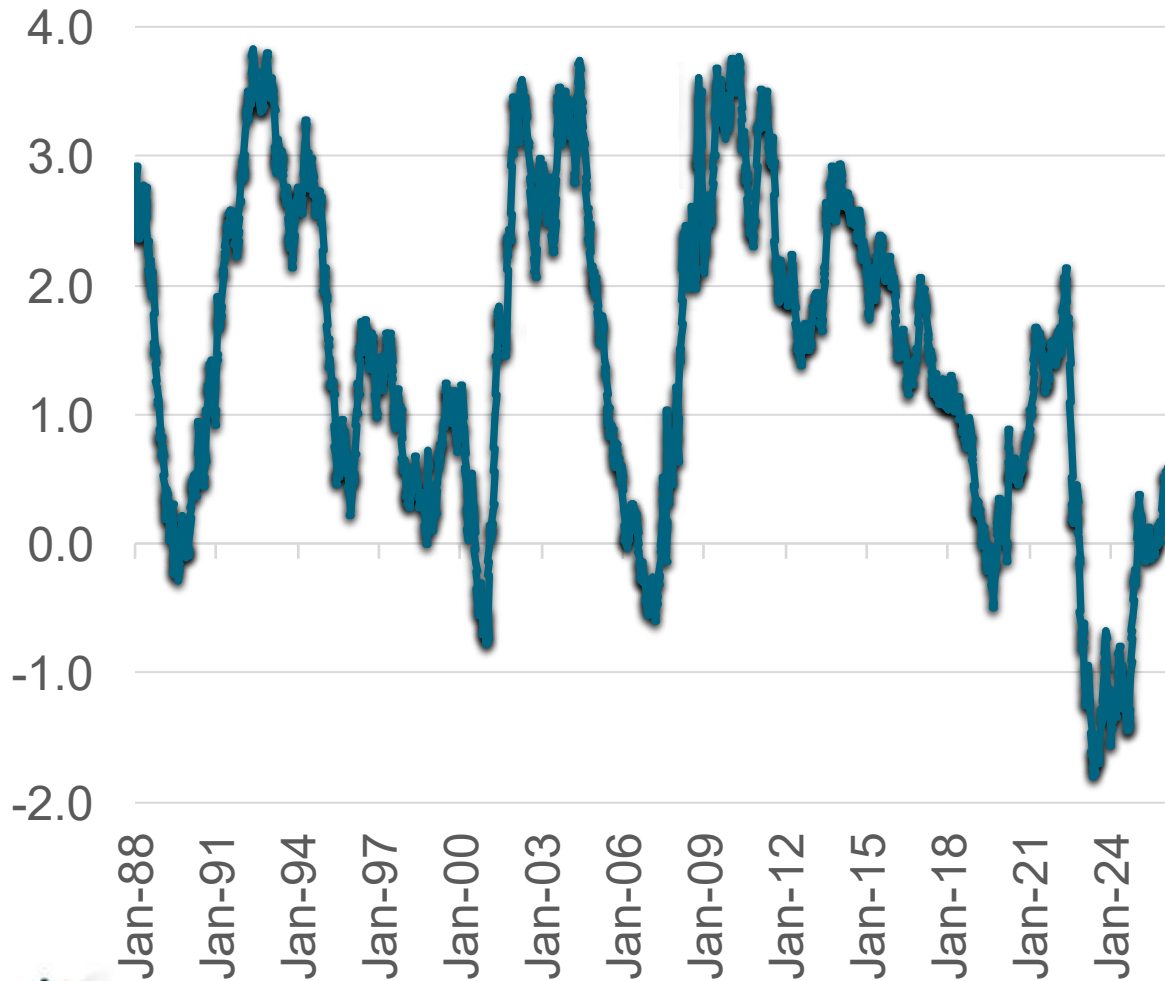
# The Fed's Directional Shift

## Federal Funds Rate and Unemployment

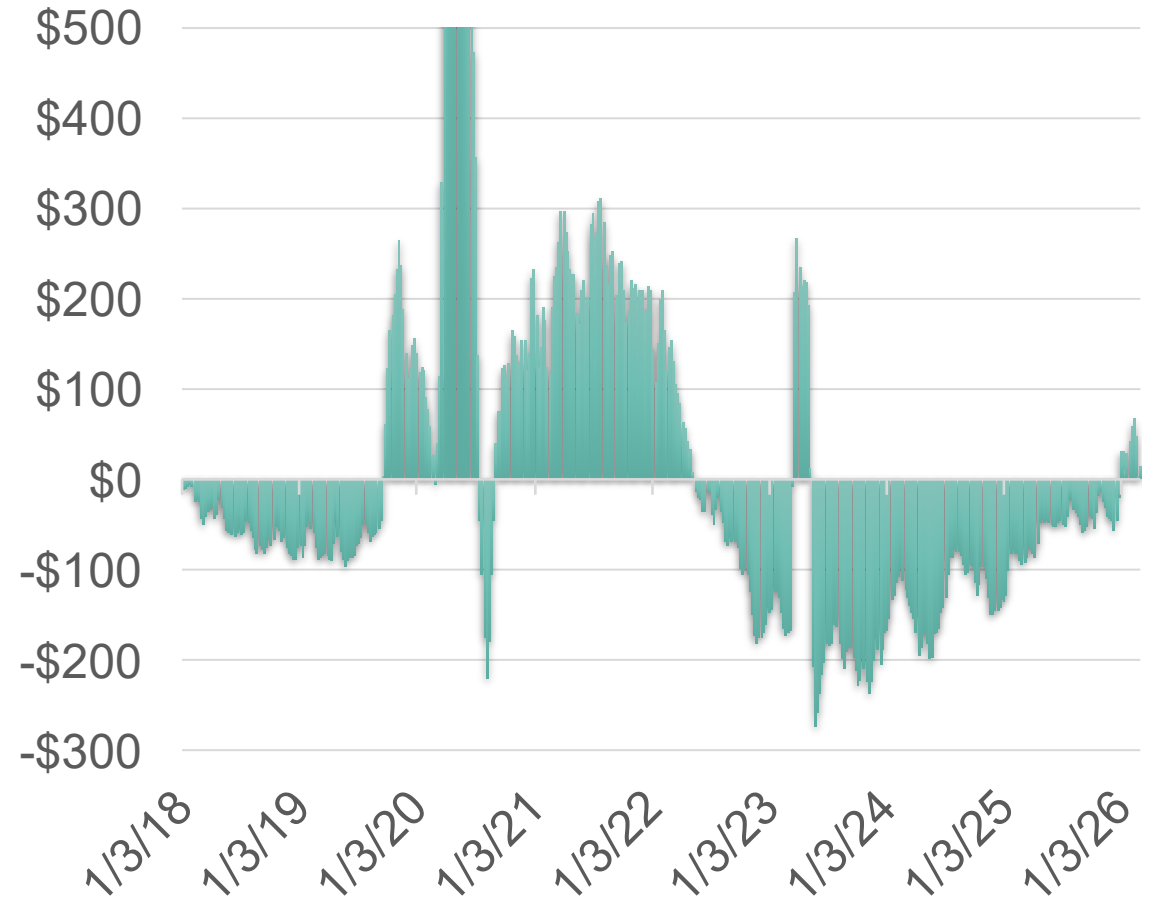


# 10 Year – 3 Month Yield Curve

## 10 Year – 3 Month Yield Curve (%)



## 8 Week Change Fed Balance Sheet (\$Bil)



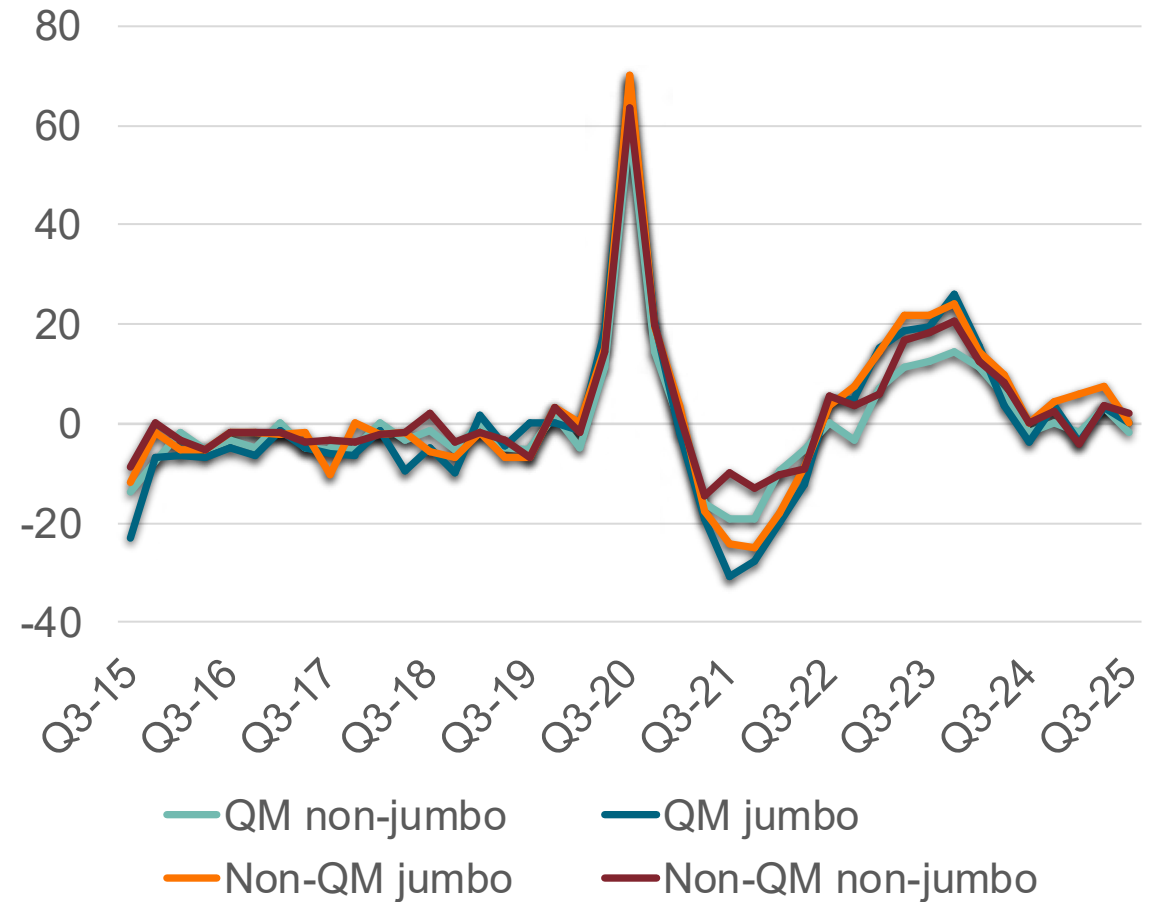
# Rates Dropped / Credit Easing



## Interest Rates



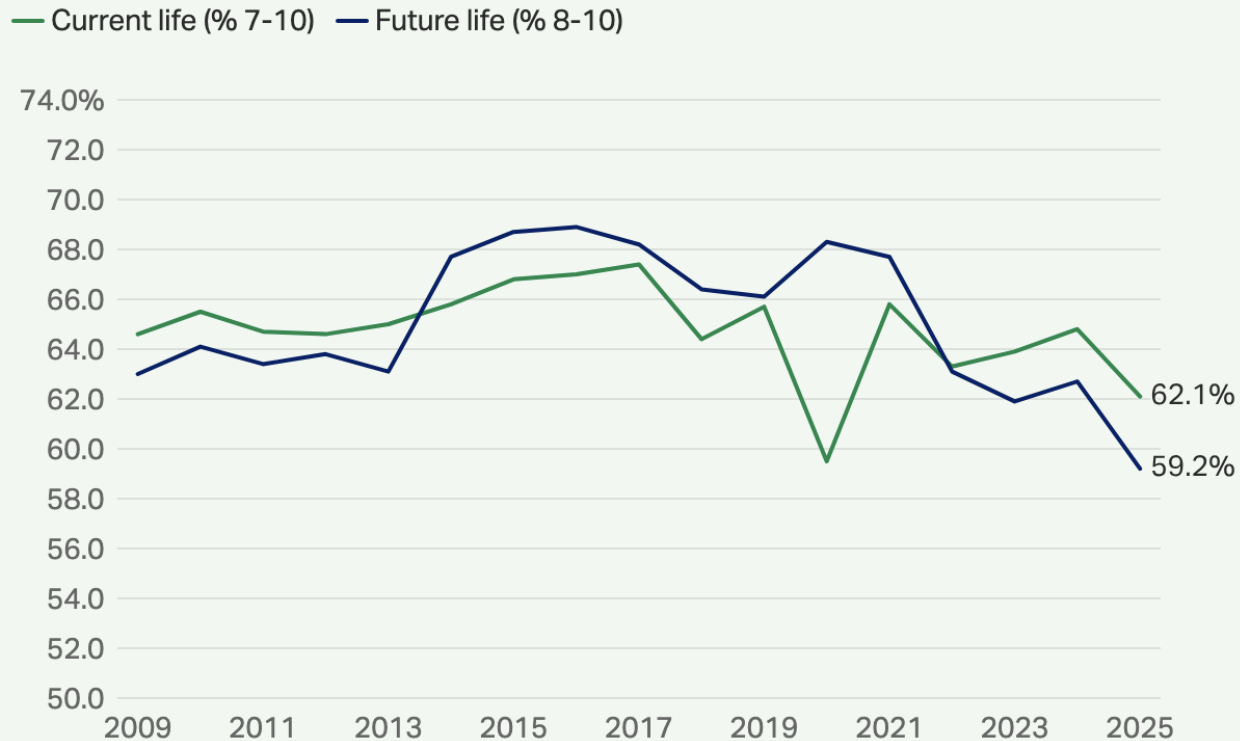
## Net % Tightening Standards for Mortgage Loans



# The national mood?

## Among U.S. Adults, Anticipated Life in 5 Years Slumps to Record Low in 2025

Current life satisfaction is second lowest, trailing only 2020



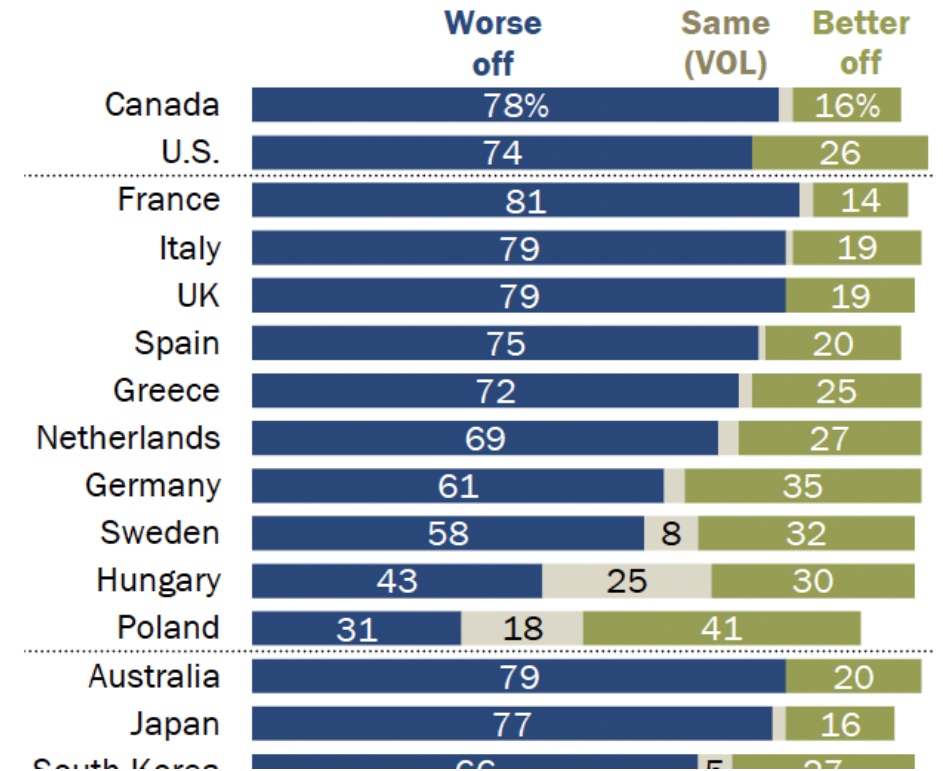
Based on respondents' ratings of their current life and their anticipated life in 5 years, on a 0-10 scale

[Get the data](#) • [Download image](#)

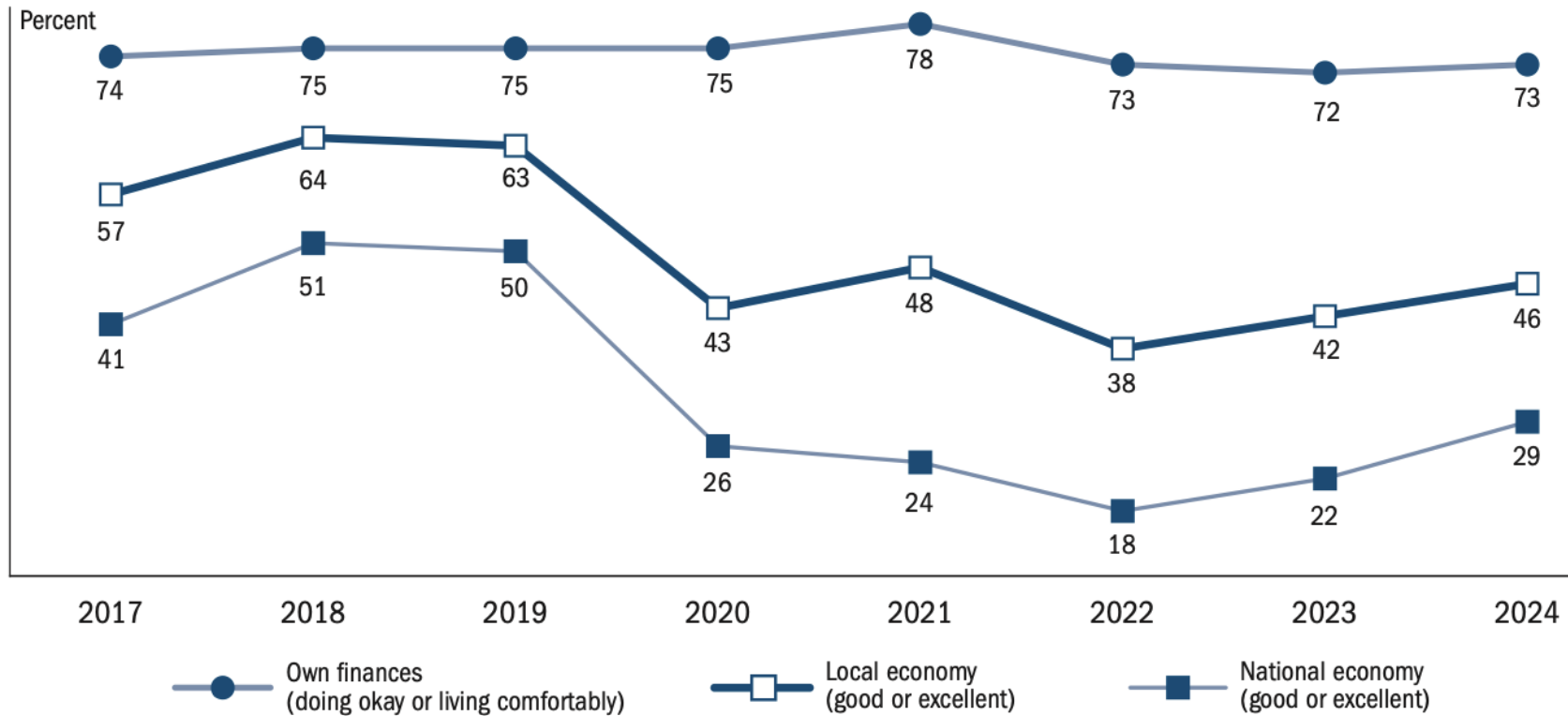
GALLUP

## Globally, most think children will be worse off financially than their parents

*% who say that when children in their country grow up, they will be \_\_\_ financially than their parents*



**Figure 7. Assessment of own financial well-being, local economy, and national economy (by year)**



Note: Among all adults. For each series, the responses presented represent the most favorable two outcomes on a four-point scale.

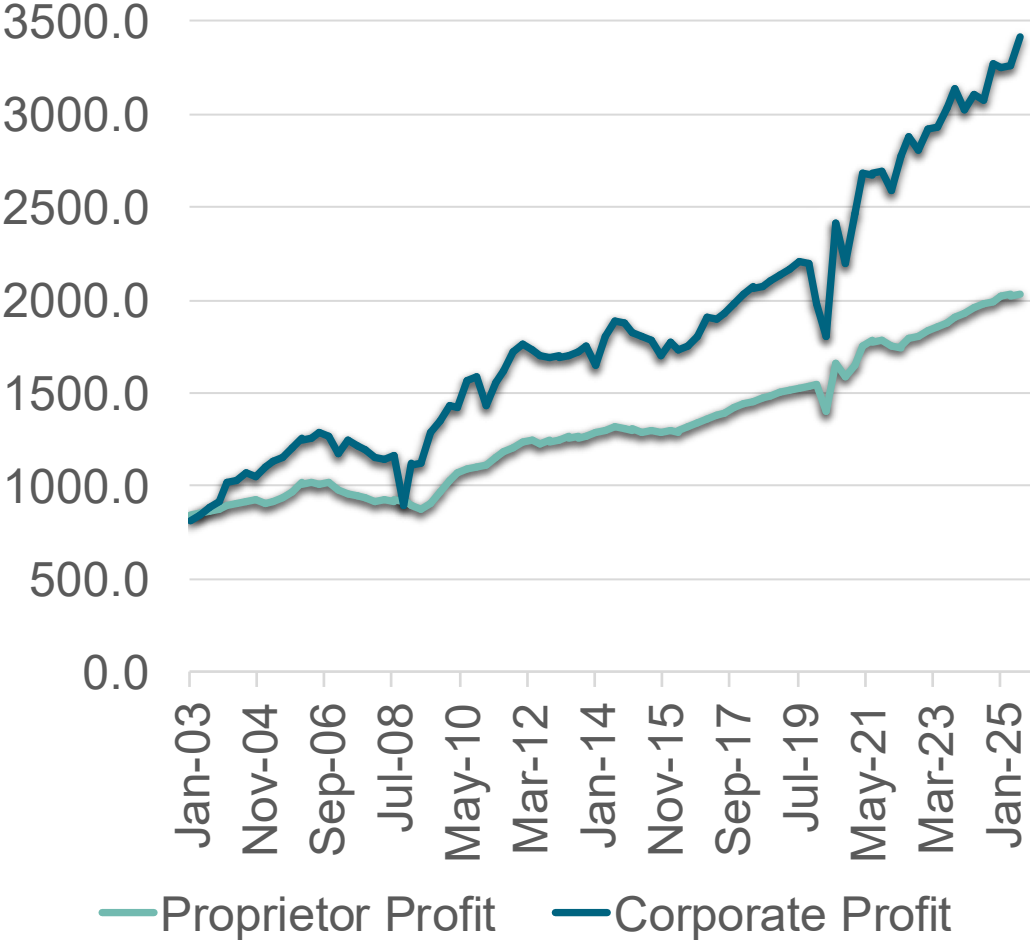


# Business Investment Profits

## Real Investment and Growth Rates

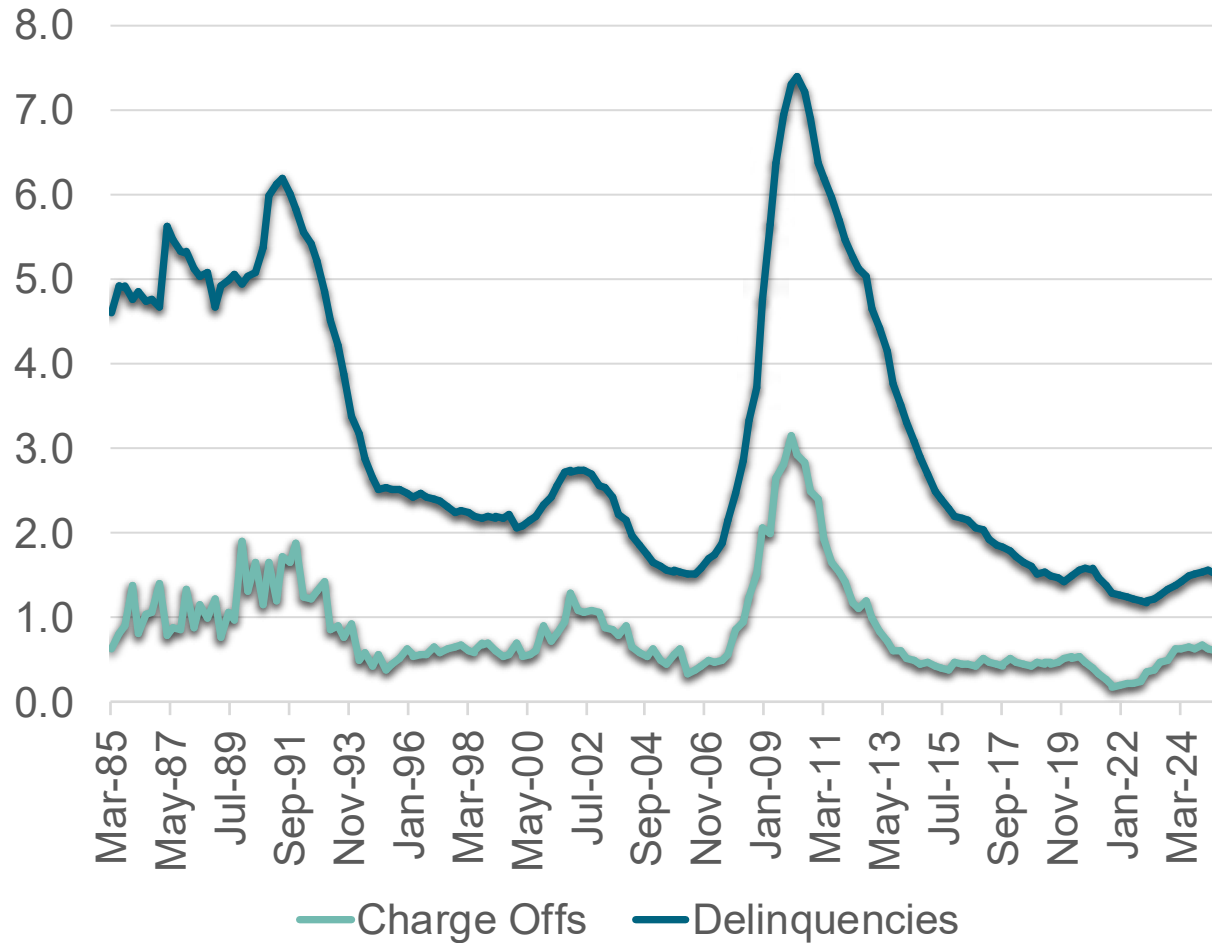
	2025	Real Growth	
		23-24	24-25
Private fixed investment	4380.1	3.0%	2.7%
<b>Structures</b>	<b>659.2</b>	<b>1.1%</b>	<b>-5.0%</b>
Commercial and health care	167.3	-6.4%	-6.0%
Manufacturing	139.7	16.6%	-6.4%
Power and communication	140.1	3.9%	2.6%
Mining exploration, shafts	94.5	-5.3%	-11.9%
<b>Equipment</b>	<b>1419.5</b>	<b>3.5%</b>	<b>8.2%</b>
Information processing	630.5	5.5%	21.9%
Industrial equipment	262.5	1.4%	3.0%
Transportation equipment	309.2	5.0%	3.4%
<b>Intellectual property</b>	<b>1598.3</b>	<b>3.5%</b>	<b>5.8%</b>
Software	859	6.7%	11.3%
Research and development	681.1	1.4%	2.3%
Entertainment, literary, artistic	90.1	-0.5%	-2.5%
<b>Residential</b>	<b>773.2</b>	<b>3.2%</b>	<b>-2.2%</b>
Permanent site	349.9	1.7%	-6.8%
Other structures <sup>8</sup>	405	4.5%	2.0%

## Business Profits

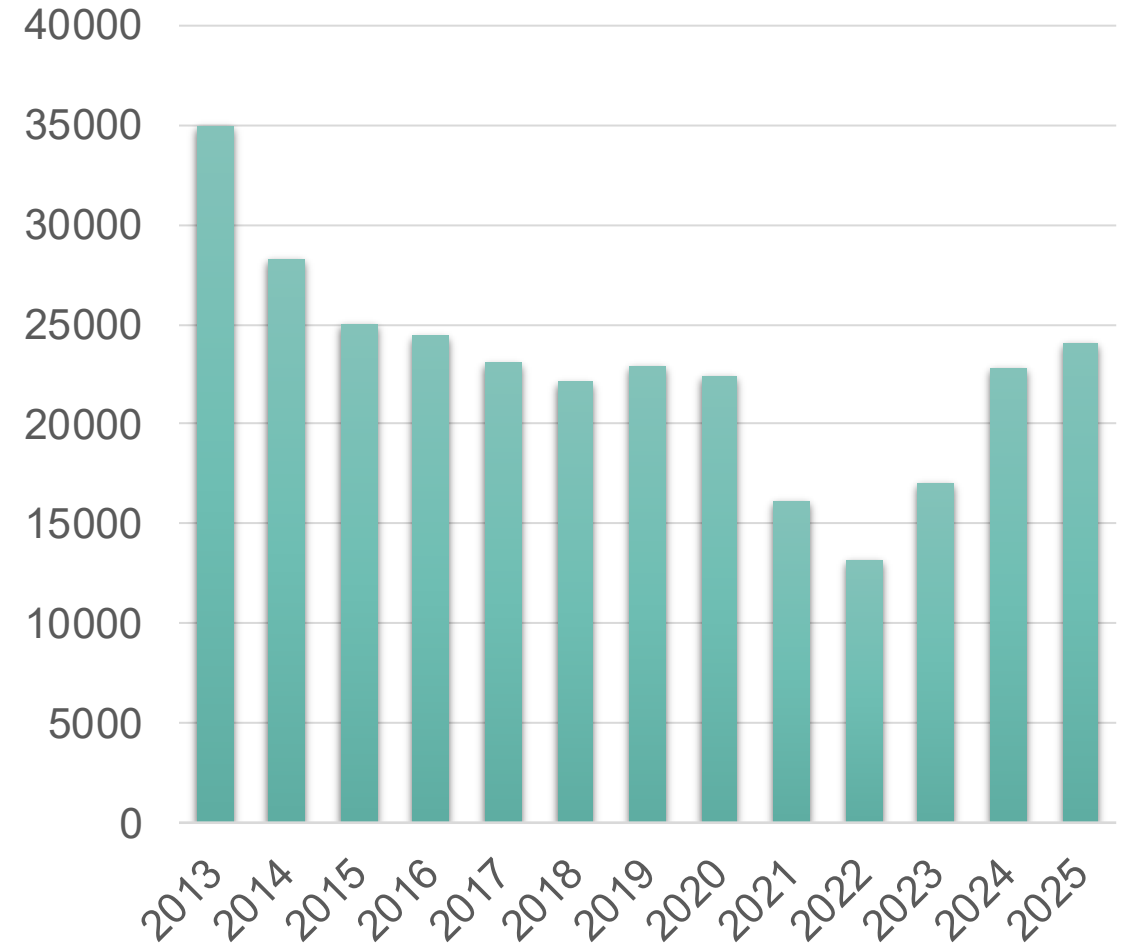


# Clean Business & Debt Markets

## Commercial Bank Loan Distress

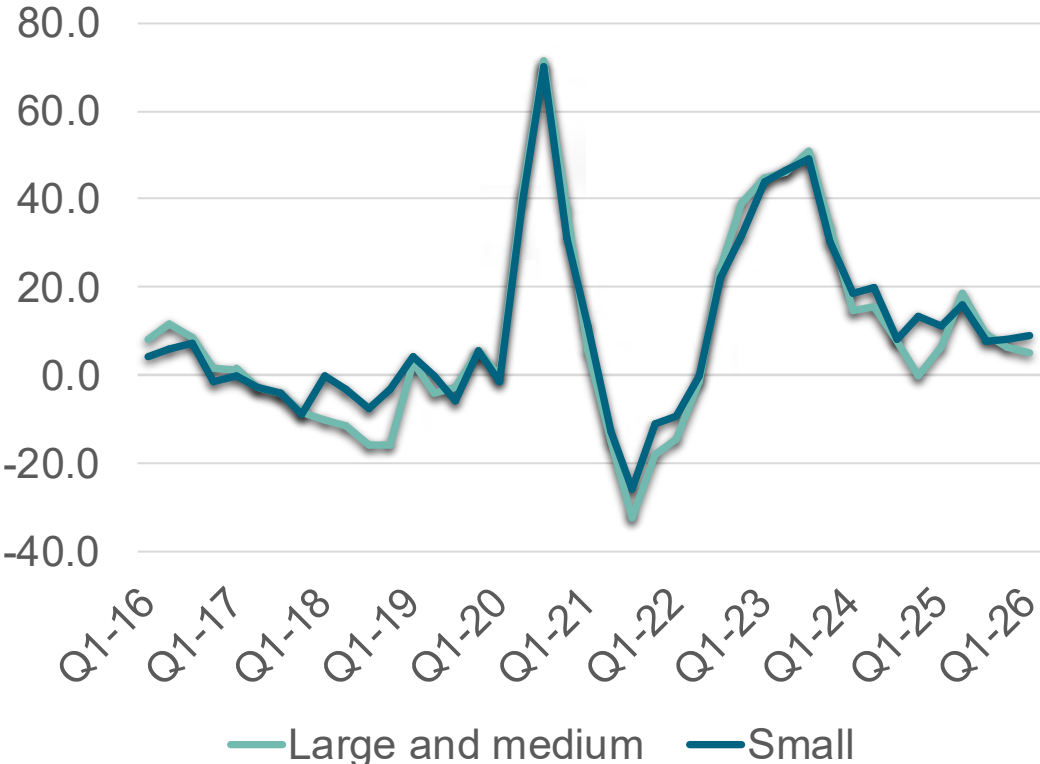


## U.S. Business Bankruptcy Filings

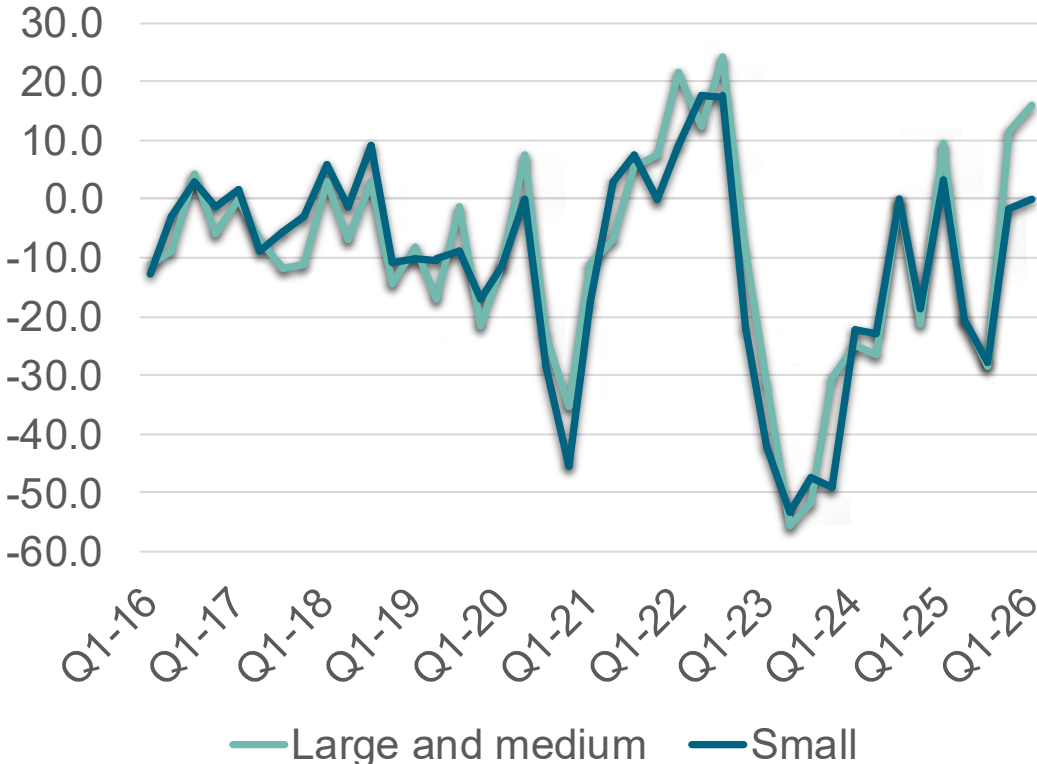


# C&I Loans

**Net % of Domestic Banks Tightening Standards for C & I Loans**

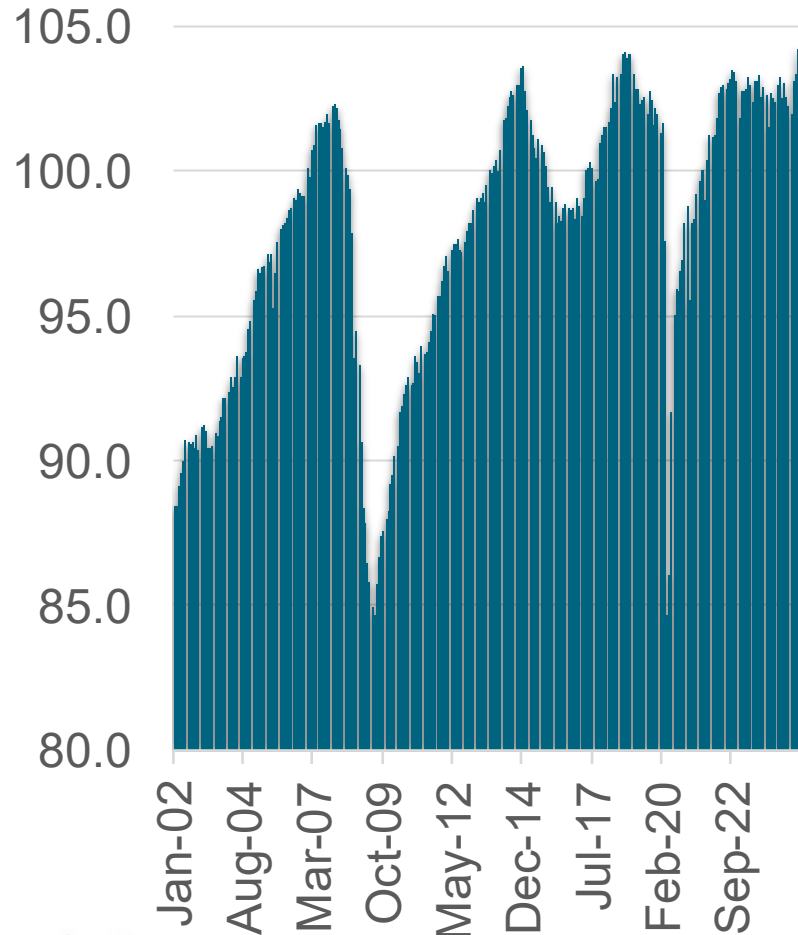


**Net % of Domestic Banks Reporting Stronger Demand for C & I Loans**

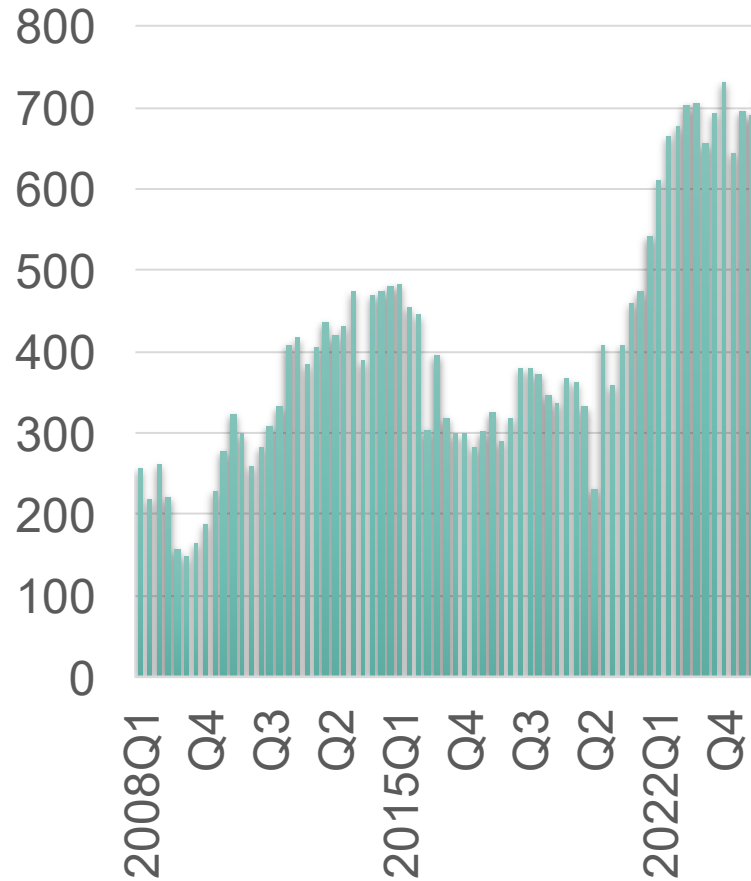


# How About Manufacturing?

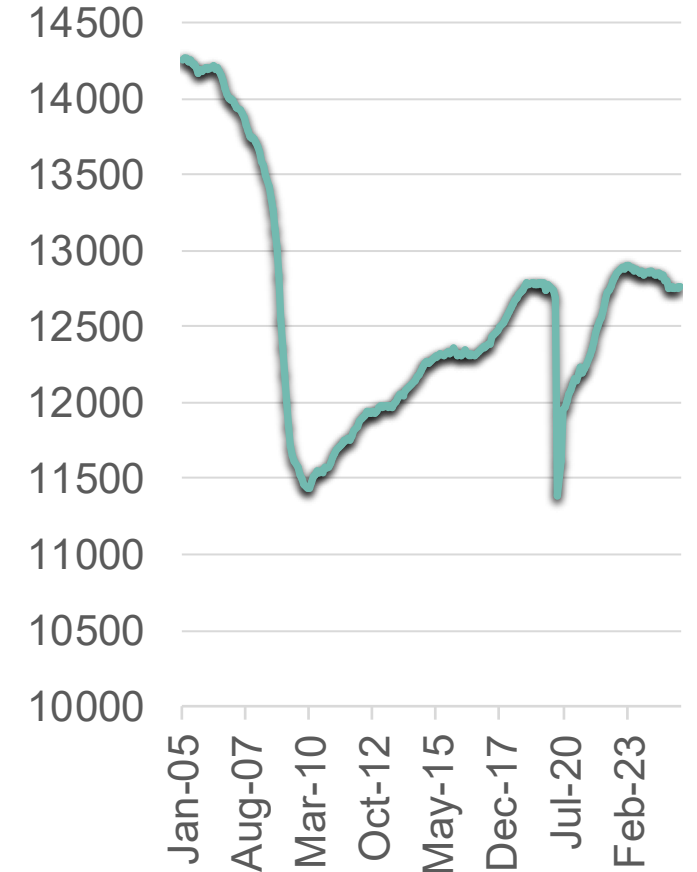
## Industrial Production



## Manufacturing Profits (Corporate)



## Manufacturing Employment



# Purchases of Inputs by Industry

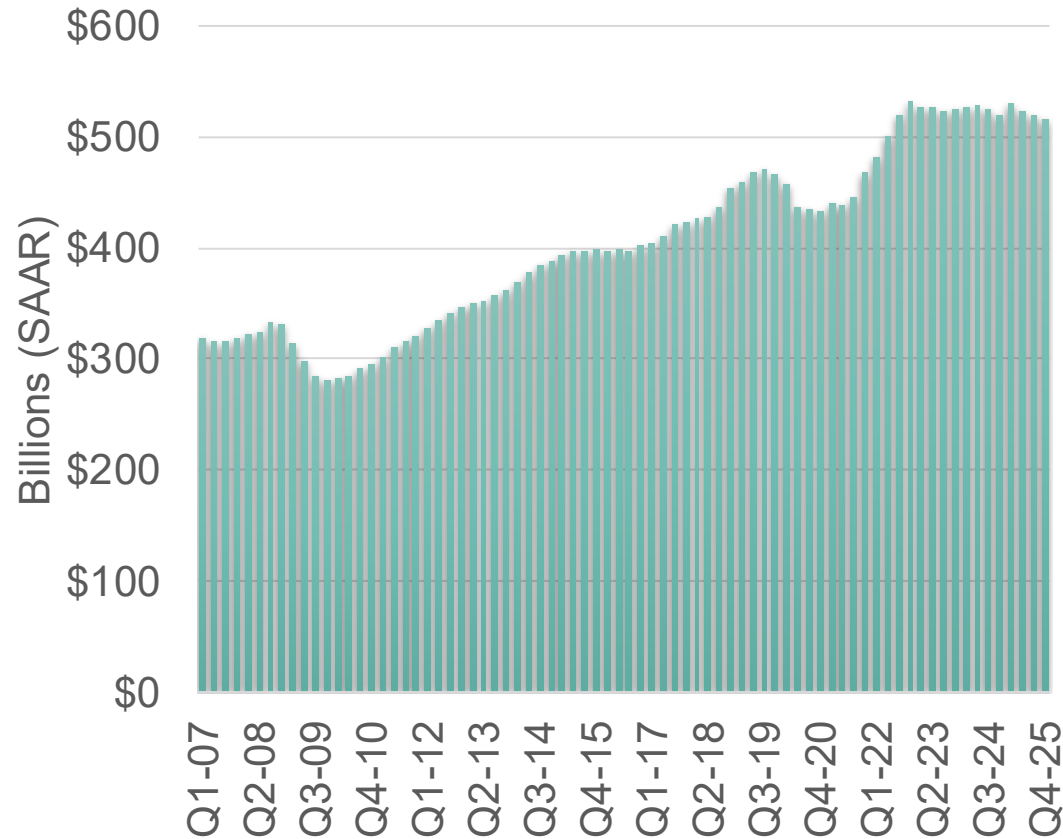
	2025		
	Q3	23-25	19-25
Electrical equipment	82.8	-3.4%	22.1%
Other transportation equipment	173.4	23.6%	19.3%
Wood products	88.3	-3.4%	19.0%
Nonmetallic mineral products	71.4	-4.3%	5.2%
Motor vehicles, bodies and trailers	462.8	-7.4%	-2.2%
Plastics and rubber products	153.8	1.1%	-2.4%
Primary metals	146.1	-6.9%	-4.7%
Food and beverage and tobacco products	655	-2.4%	-6.5%
Fabricated metal products	188.3	-3.8%	-8.2%
Furniture and related products	37.4	-2.9%	-8.6%
Apparel and leather and allied products	6.8	-1.4%	-9.3%
Printing and related support activities	33.7	1.8%	-11.5%
Paper products	107.1	-3.8%	-12.1%
Computer and electronic products	89.1	0.2%	-12.7%
Chemical products	342.2	-6.2%	-19.3%
Machinery	175.7	-5.6%	-19.3%
Petroleum and coal products	322.1	-3.9%	-22.4%
Textile mills and textile product mills	23.4	-3.3%	-26.4%

Industry	Intermediate Imports Share of Intermediate Outlays
Total	9.3%
Aircraft manufacturing	30.8%
Motor vehicle transmission & power train parts mfg	27.6%
<b>Fasteners, buttons, needles, and pins mfg</b>	<b>22.7%</b>
Automobile and light duty motor vehicle mfg	21.6%
Turned product and screw, nut, and bolt mfg	10.7%
Wholesale - Machinery, equipment, and supplies	7.8%
Machine shops	6.7%
Wholesale - Other durable goods merchant wholesalers	5.3%



# Supply Chains and Inventory

## Real Private Inventories: Wholesale Trade Durable Goods

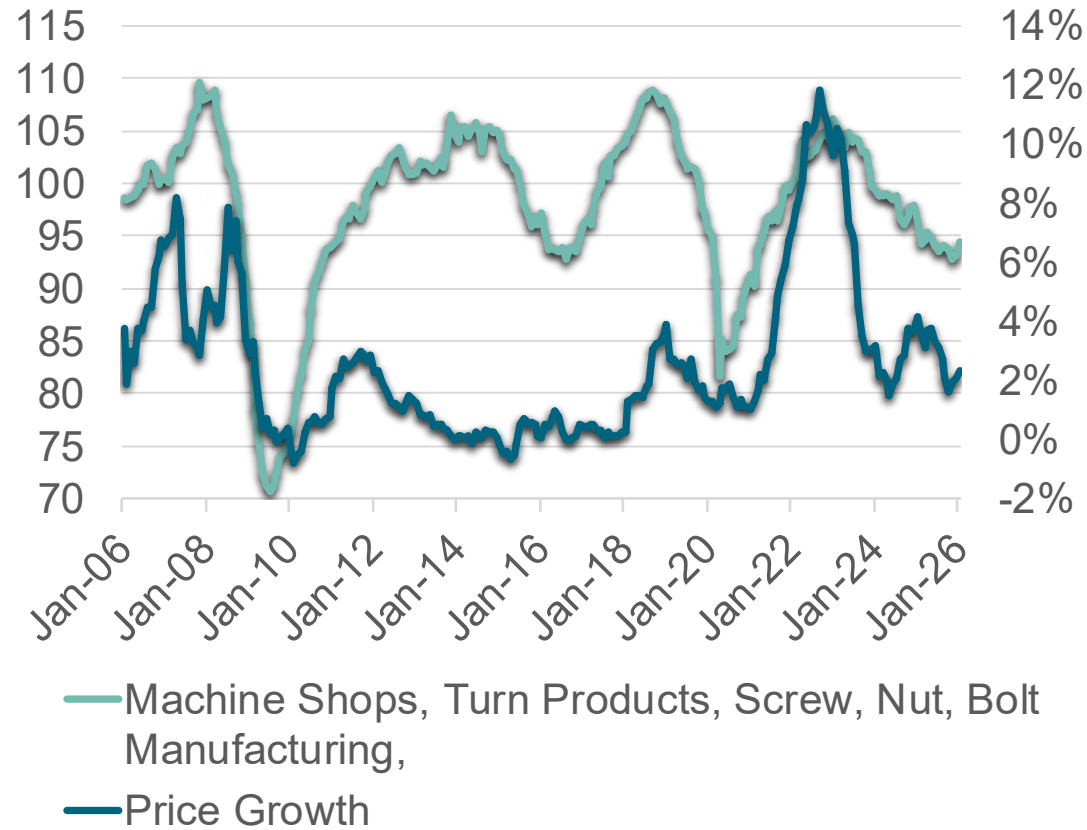


## Inventory to Sales Ratio

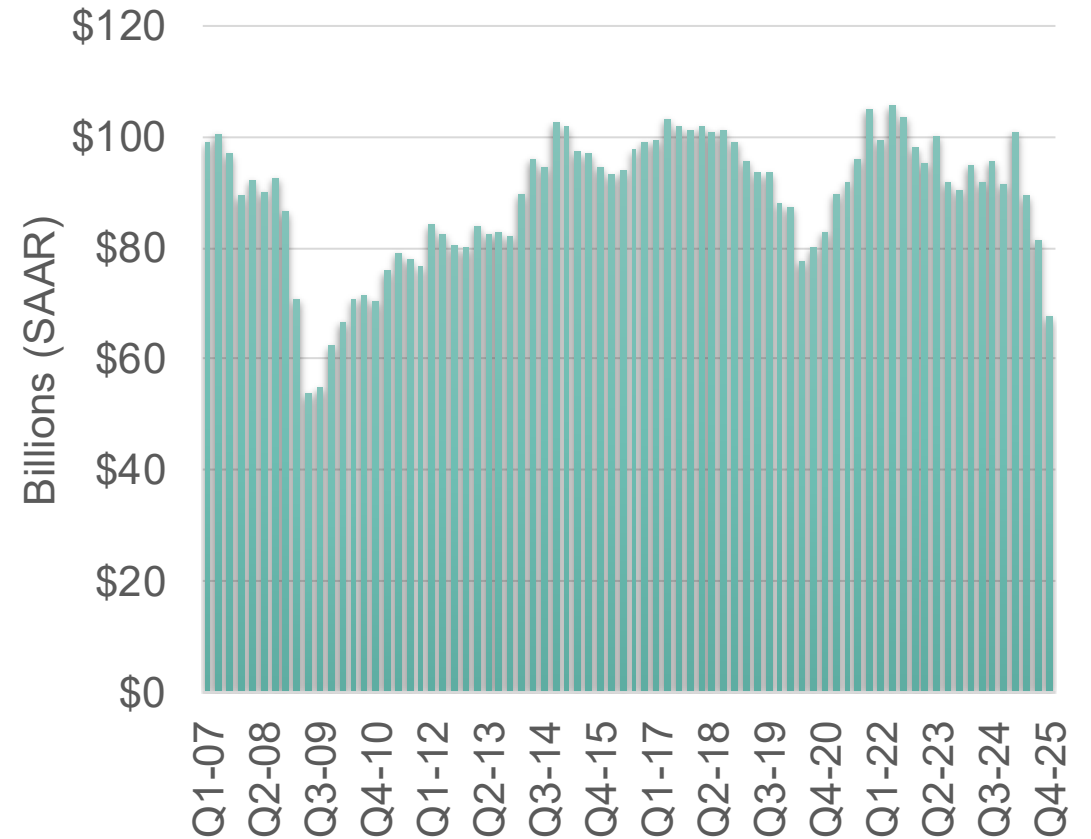


# Input Needs

## US Production Metal Products, inc Fasteners

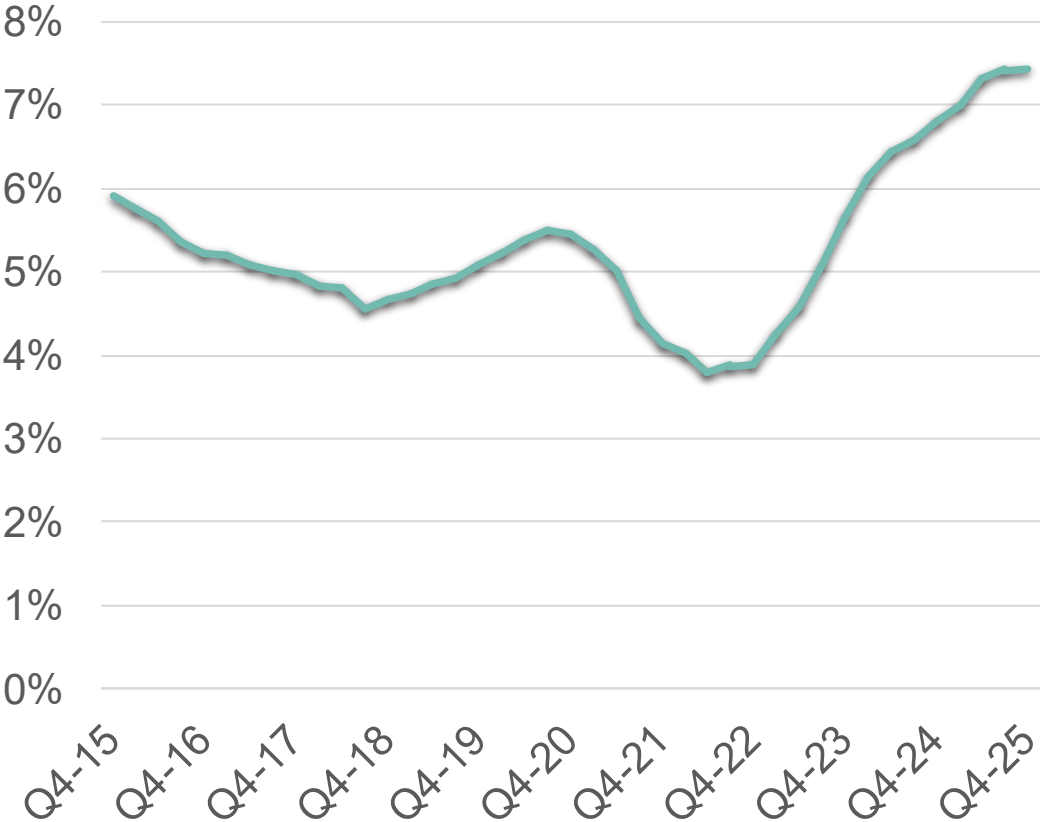


## Real Imports of Metals and Products

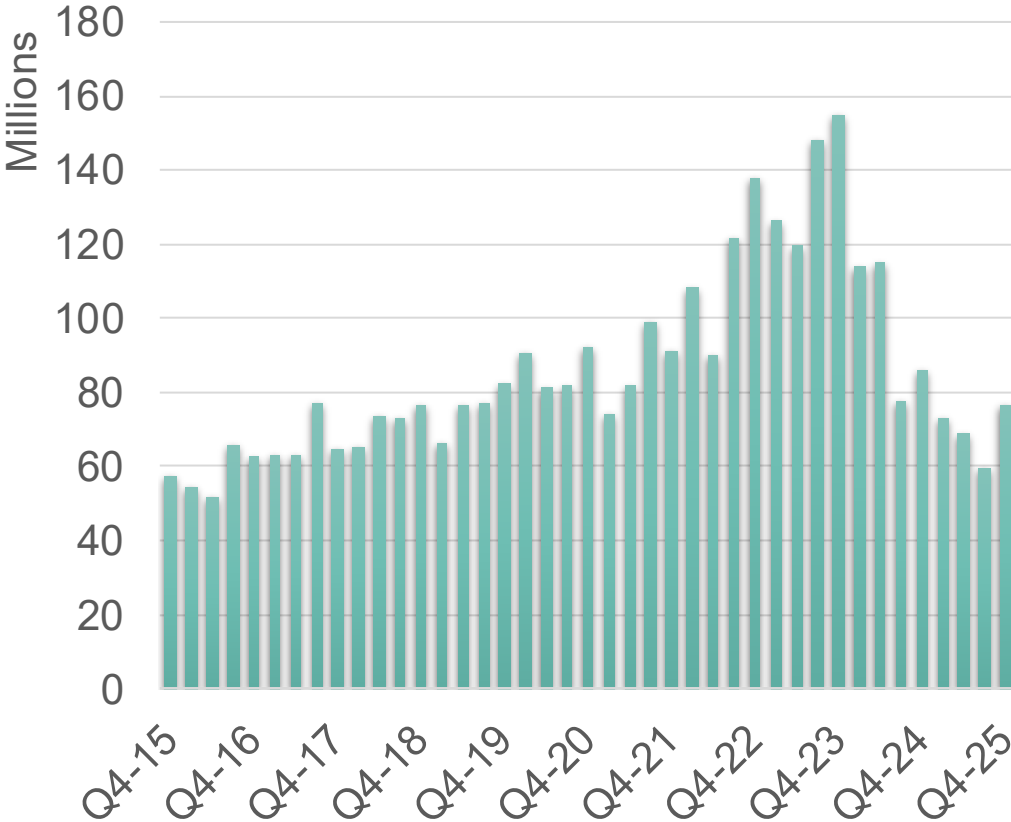


# Industrial Vacancy Rate

## United States Industrial Vacancy Rate

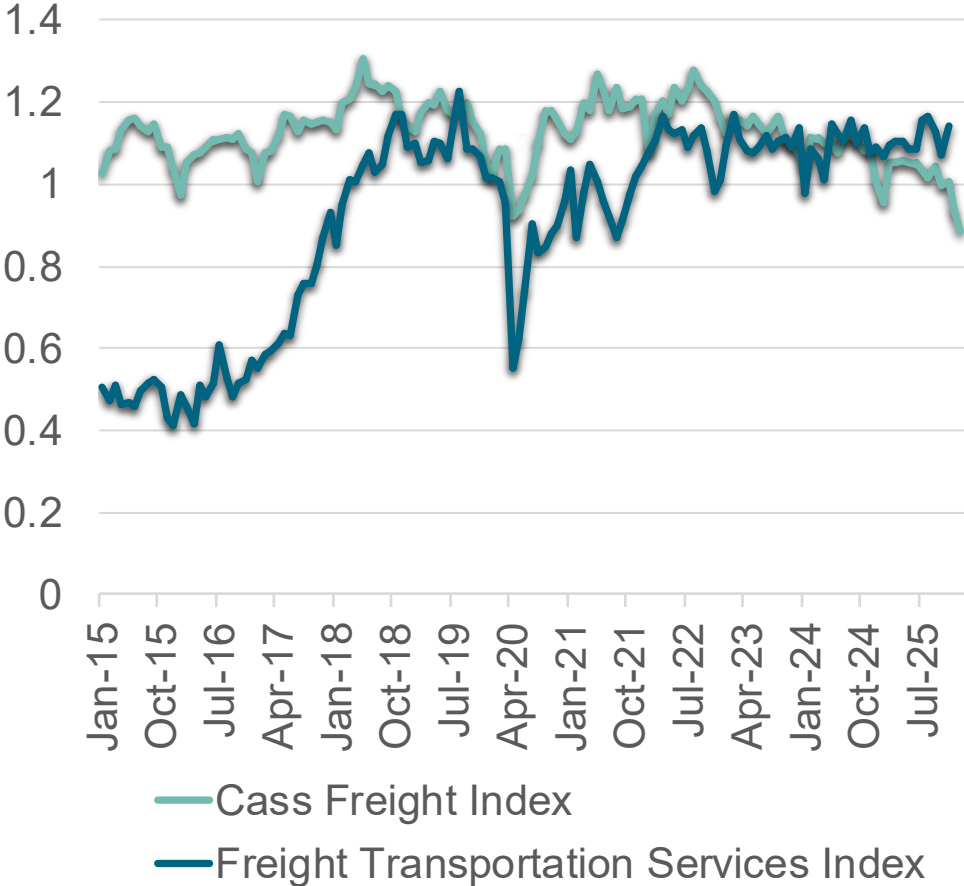


## U.S. Industrial Space Delivered (Sq. Ft.)



# National Logistics Trends

### Freight Indexes

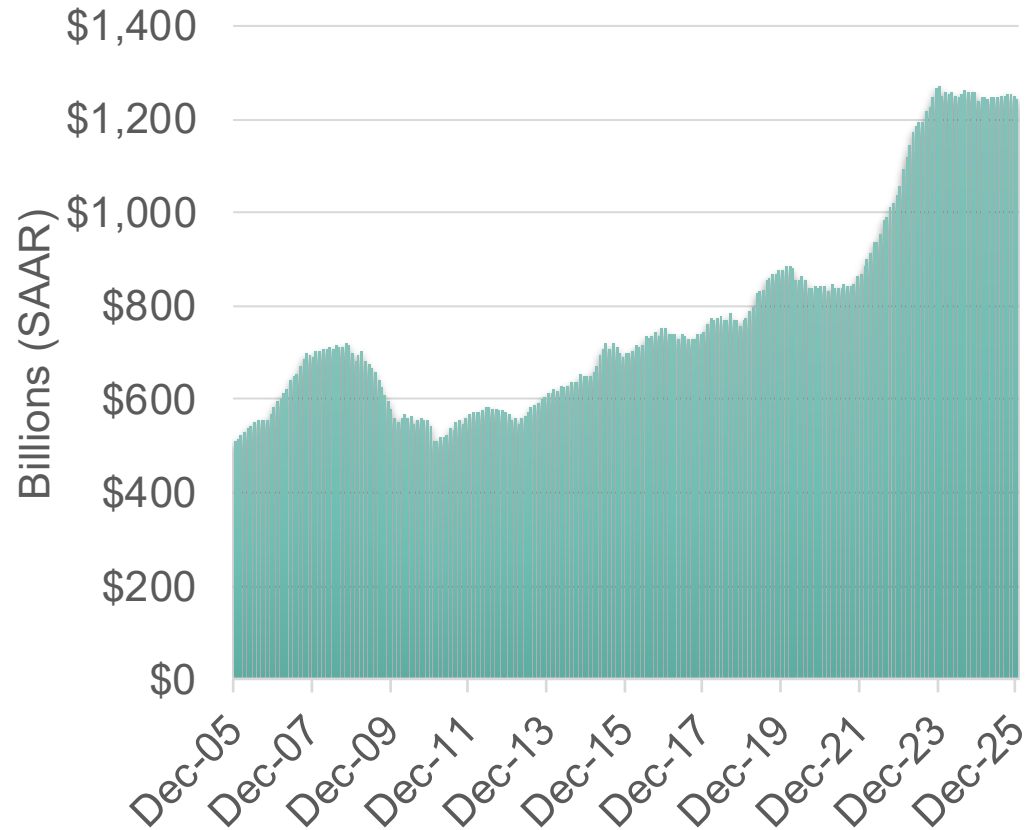


### Truck Tonnage Index



# Non-Residential Construction

U.S. Non-Residential Construction Spending



Type	Dec-25 (\$ Bil.)	1-Year Chg. (%)	5-Year Chg. (%)
Nonresidential	1,240.3	0.3	41.8
Manufacturing	202.4	-11.4	149.6
Power	162.4	5.8	17.8
Highway and Street	142.2	0.6	49.6
Educational	140.2	-0.2	27.5
Commercial	121.9	0.7	37.7
Office	107.6	2.4	16.6
Transportation	68.9	5.3	16.8
Health Care	68.7	-1.4	39.5
Sewage and Waste Disposal	54.0	13.6	99.4
Amusement and Recreation	44.4	6.1	41.2
Water Supply	36.0	8.1	102.9
Communication	29.6	-0.5	28.4
Lodging	24.8	2.0	-27.0



# Construction Lending

Net % Tightening Standards for Construction and Land Development Loans

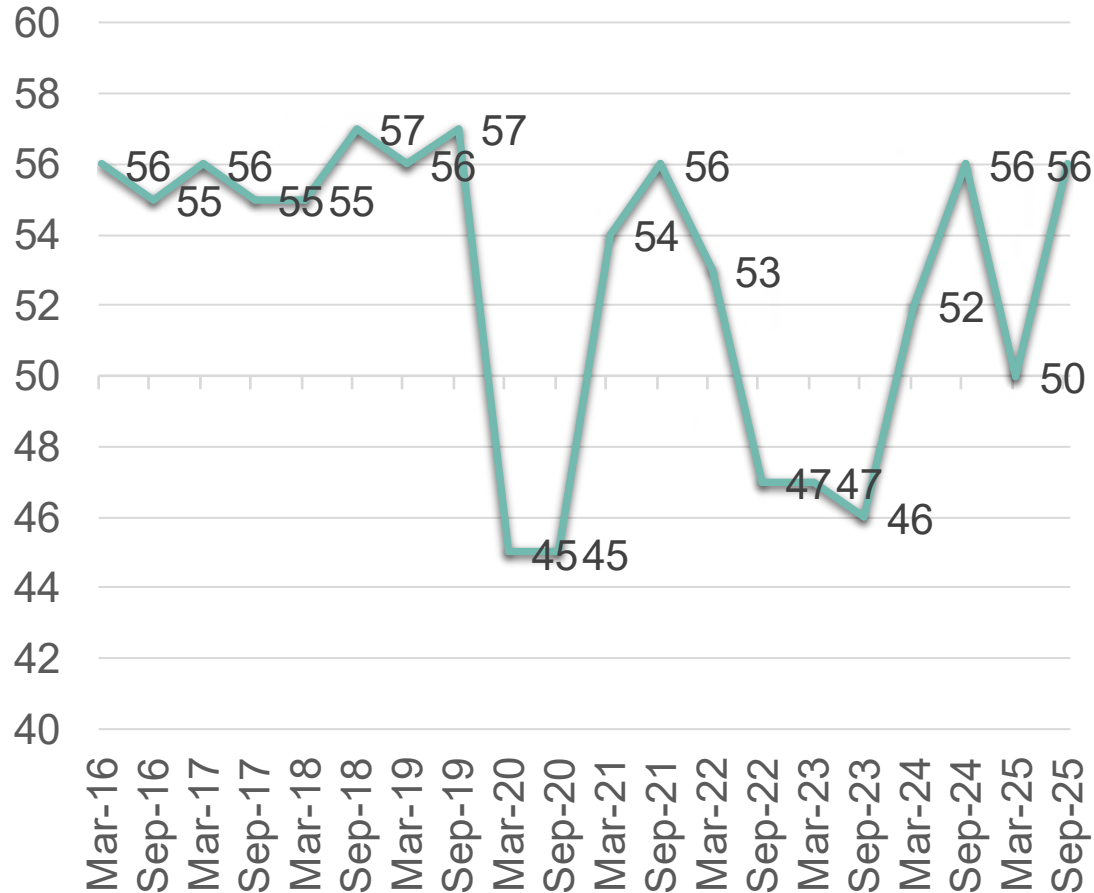


Net % Reporting Stronger Demand for Construction and Land Development Loans



# CRE Transactions

## NAIOP CRE Sentiment Index

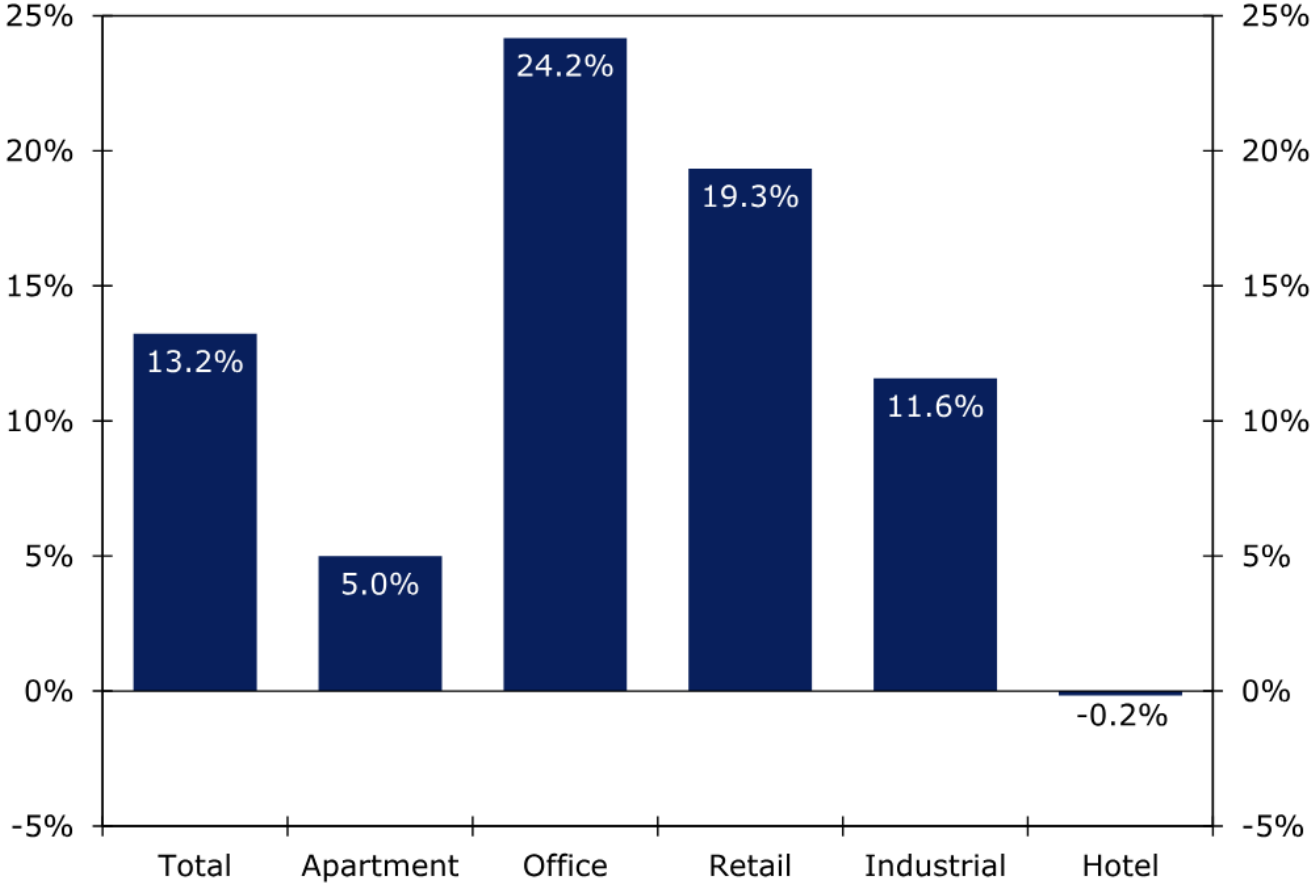


CRE Transactions	Last 12-Months (\$ Mil.)	1-Year Change (%)
United States	341,262	14.4
Los Angeles	21,843	20.4
Phoenix	14,026	12.7
San Diego	7,494	2.3
San Francisco	6,782	51.8
Orange County	6,705	16.6
Inland Empire	6,121	0.7
East Bay	5,911	32.1
Las Vegas	4,326	-5.8
Fresno	927	81.5



# CRE Transaction Volume by Property Type

Year-to-Date Percent Change, Ordered by Volume, October 2025

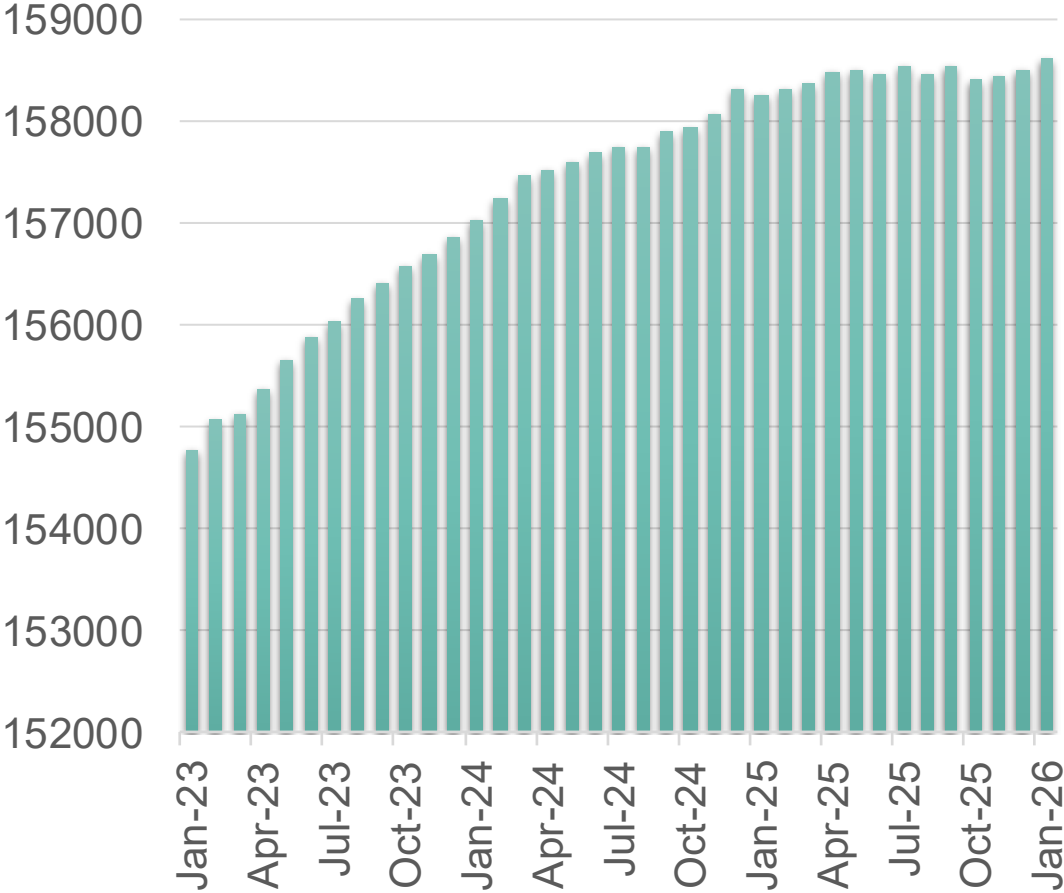


Source: MSCI Real Capital Analytics and Wells Fargo Economics



# Labor Markets: Cool, Not Collapsing

US Non-Farm Payrolls

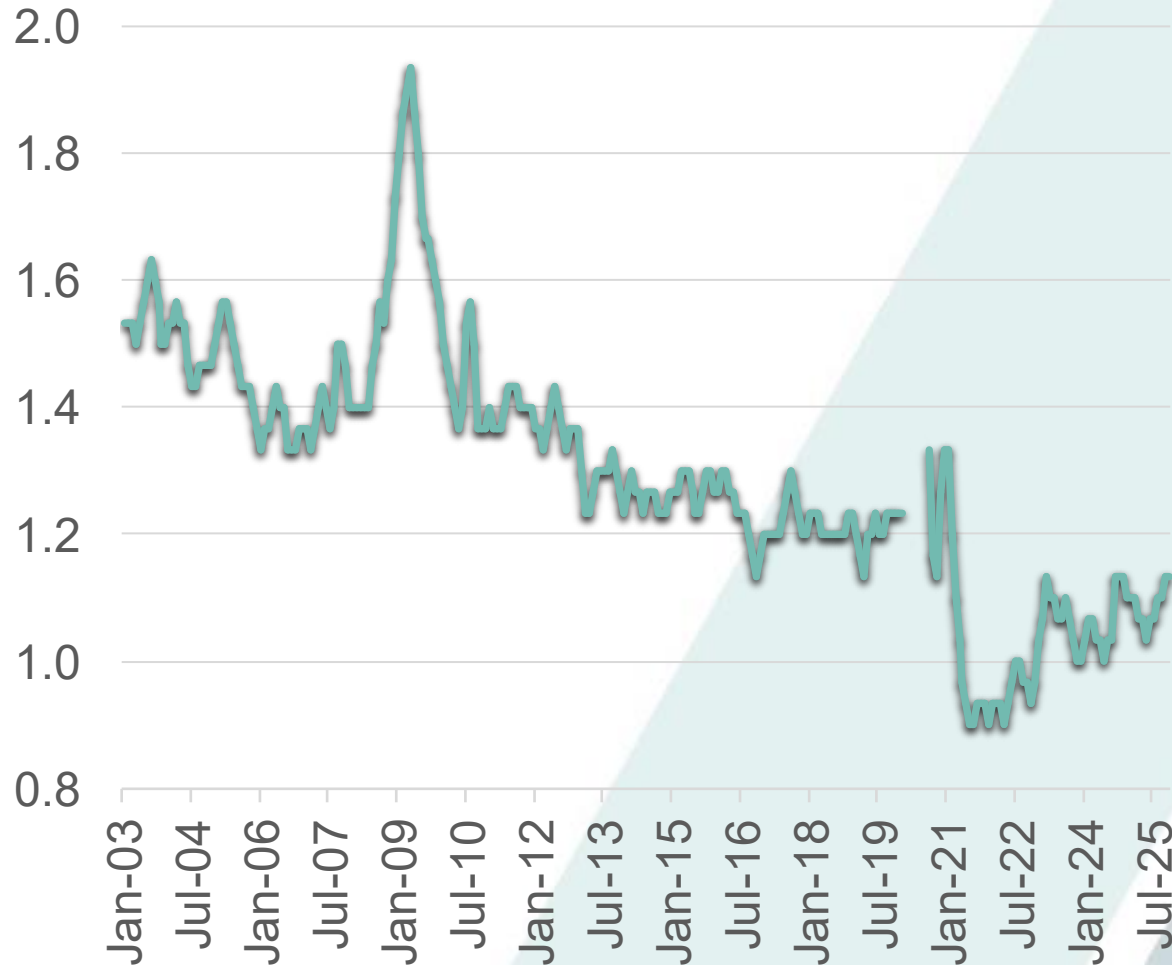


	Emp (Mil)	YoY 000s	% Ch
Total Nonfarm	158.6	270	0.2%
Health Care	18.4	437	2.4%
Local Government	15.2	144	1.0%
Other Services	6.0	51	0.9%
Leisure Hospitality	17.0	135	0.8%
Construction	8.3	22	0.3%
Private Education	4.1	9	0.2%
Financial Activities	9.2	-10	-0.1%
Professional	22.4	-83	-0.4%
Retail Trade	15.4	-57	-0.4%
Wholesale Trade	6.0	-40	-0.7%
Manufacturing	12.6	-96	-0.8%
State Government	5.5	-58	-1.1%
Information	2.8	-46	-1.6%
Logistics	6.5	-110	-1.7%
Federal	2.7	-307	-10.2%

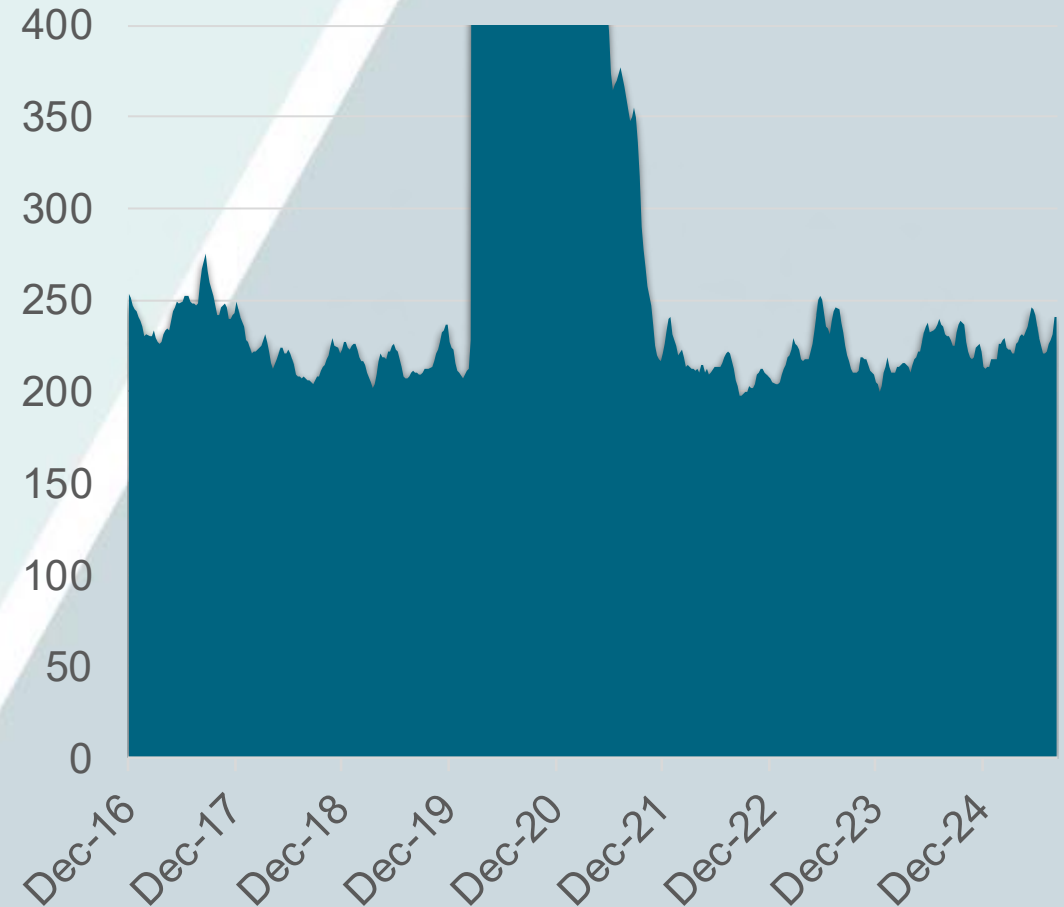


# Cool, not collapsing...

## Job Layoffs Rate



## Initial Claims for Unemployment Ins. 000s



# Job Openings

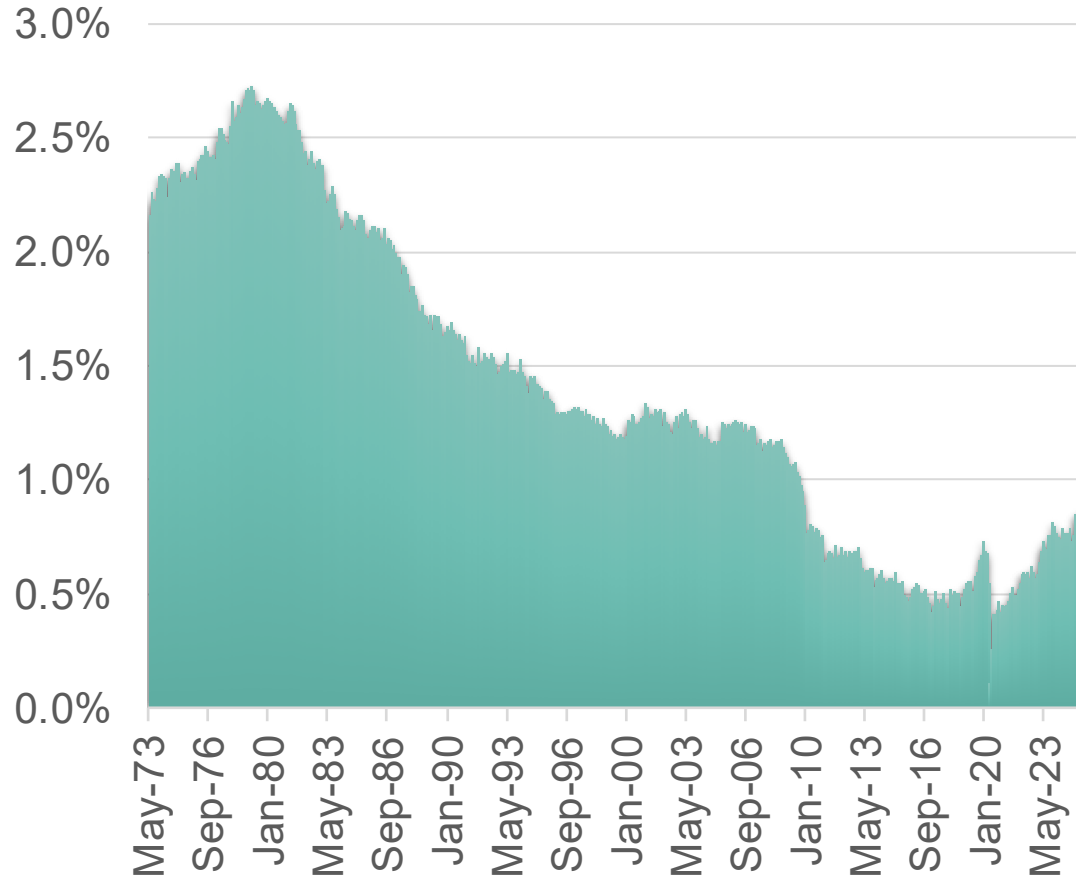


Industry	Aug-25 Job Openings (000s)	1-Year Chg. (%)	6-Year Chg. (%)
Total Nonfarm	7,218	-2.7	1.4
Health Care	1,338	-7.2	14.7
Professional/Business	1,255	-6.1	-0.3
Leisure and Hospitality	1,044	8.6	6.3
Government	789	-15.3	10.7
Retail Trade	576	11.6	-26.9
Manufacturing	424	-11.5	-4.8
Financial Activities	397	-1.8	4.7
Transport, Warehouse	354	15.1	13.8
Other Services	274	-9.0	4.9
Construction	246	-6.1	-25.1
Wholesale Trade	193	11.9	5.2
Information	176	42.3	15.5

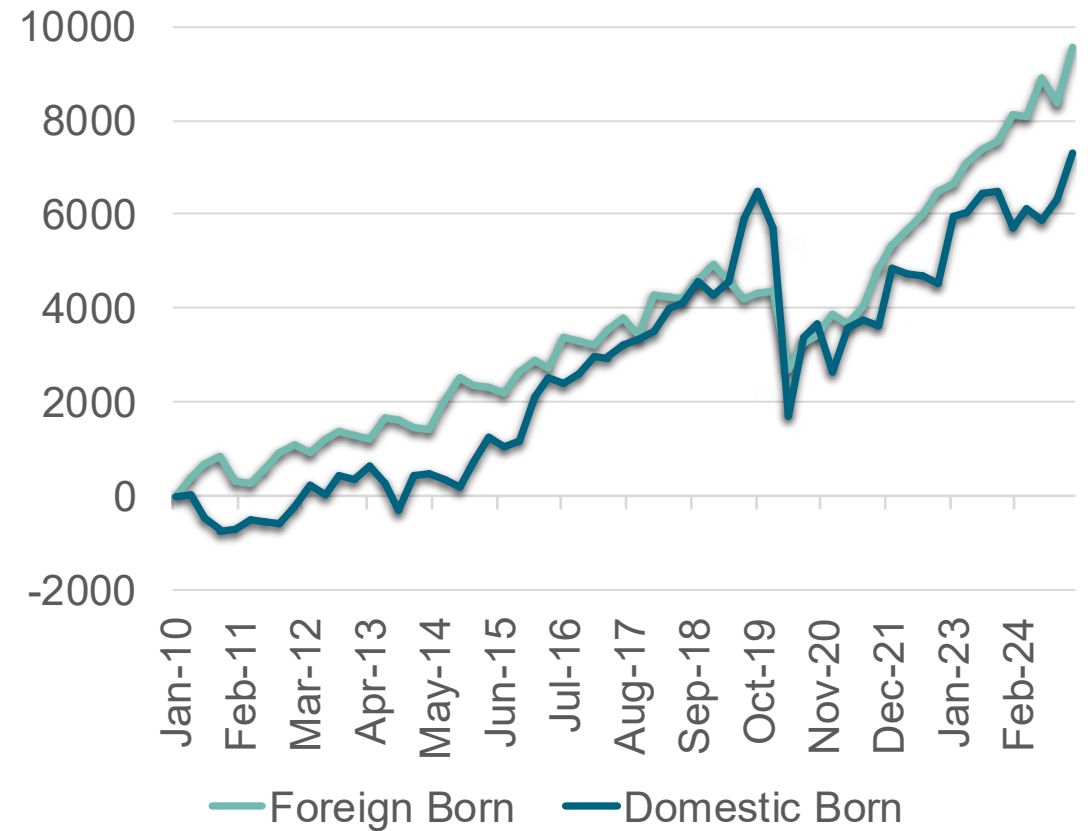


# Labor Demand or Labor Supply?

## US Long Run Labor Force Growth (10 Year)



## US Labor Force Growth by Nativity (000s)



# What about AI?

## Long Run (10 Yr) Worker Productivity Growth

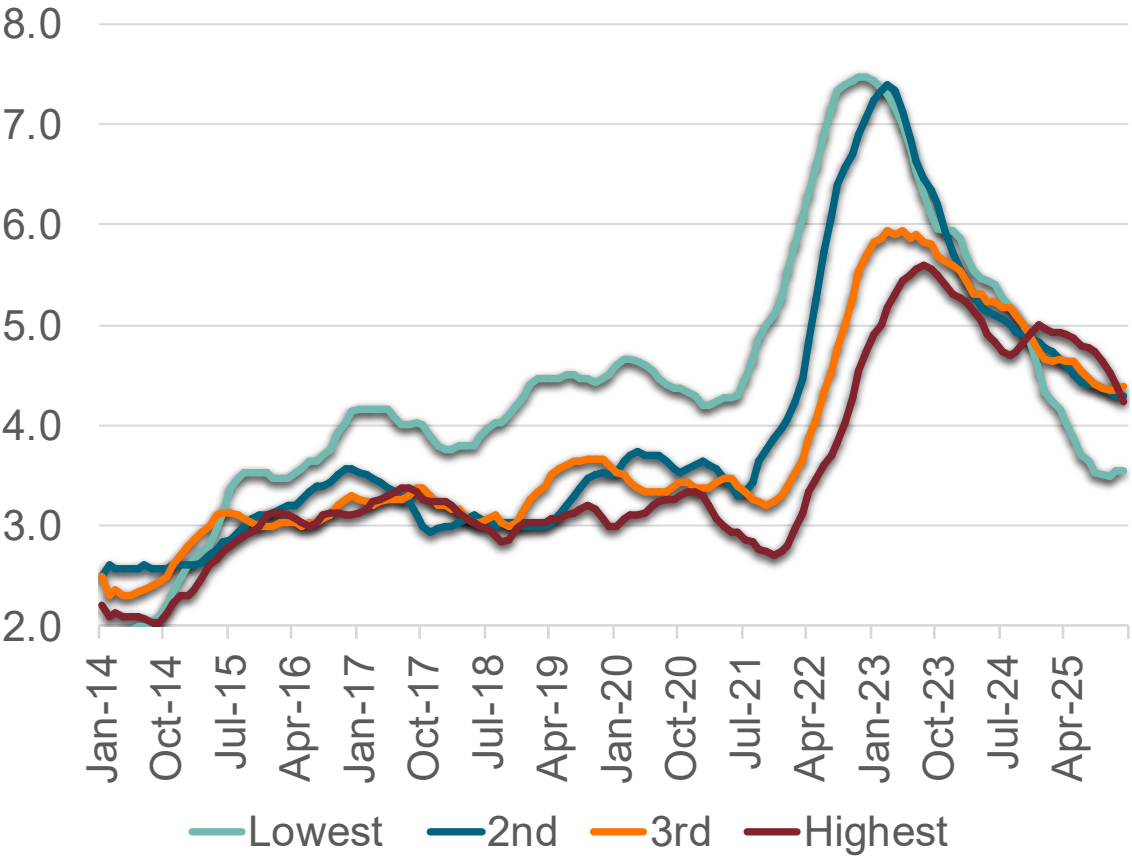


- **“March of the Machine Makes Idle Hands” — The New York Times (1928)**
- **“The Automation Jobless” — Time Magazine (1961)**
- **“Automation Forces Nation to Rethink Employment” — The New York Times (1964)**
- **“The Robots Are Coming—and So Are the Layoffs” — The Washington Post (1983)**
- **“The New Jobless Future” — Newsweek (1984)**
- **“The End of Work?” — The Economist (2003)**
- **“47% of U.S. Jobs at Risk of Automation” — widely reported after Oxford study (2013)**
- **“AI Could Replace Millions of Jobs” — The Washington Post (2023)**



# Labor Market Earnings Trends

YoY Growth in Earnings by Earnings Quartile

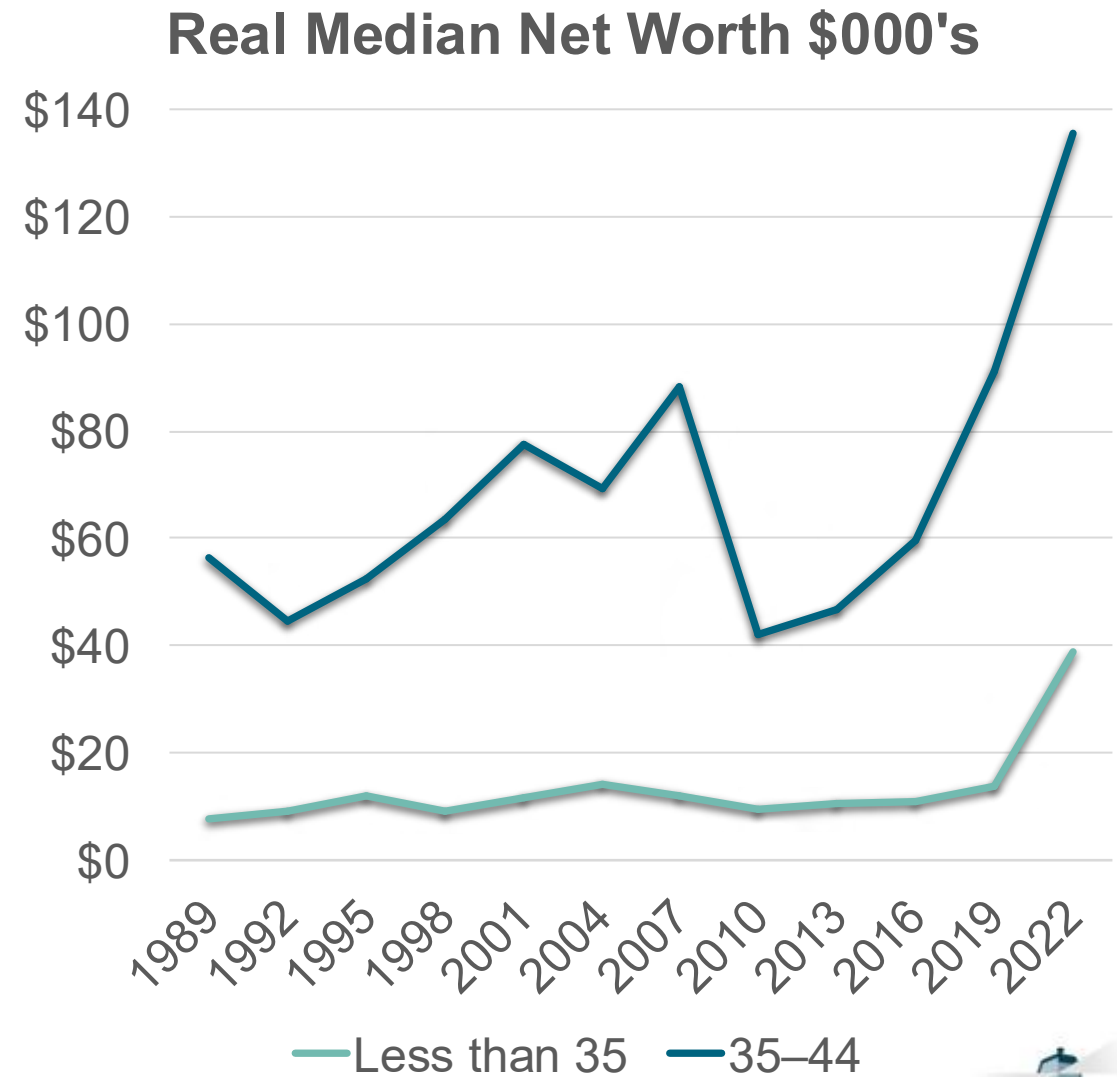
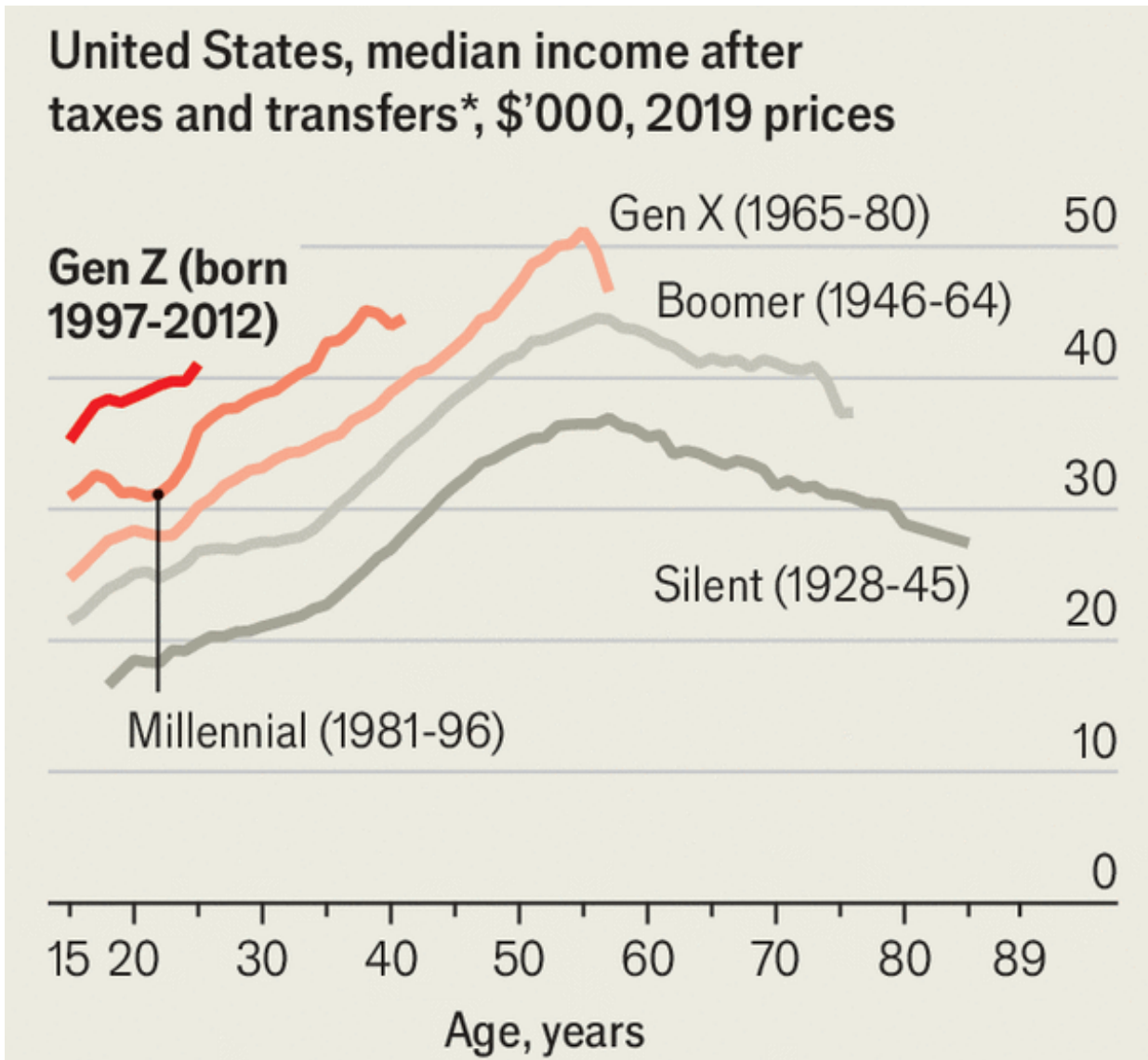


Earnings by Gender / Education

	Males		Females	
	2024 Earnings	Gr 19-24	2024 Earnings	Gr 19-24
< High School	\$37,779	23.0%	\$25,898	29.2%
High School	\$47,079	21.0%	\$32,318	25.1%
Some College	\$57,313	23.0%	\$40,492	28.0%
Bachelor's	\$82,617	19.4%	\$60,287	25.9%
Graduate	\$107,498	14.4%	\$77,319	21.0%

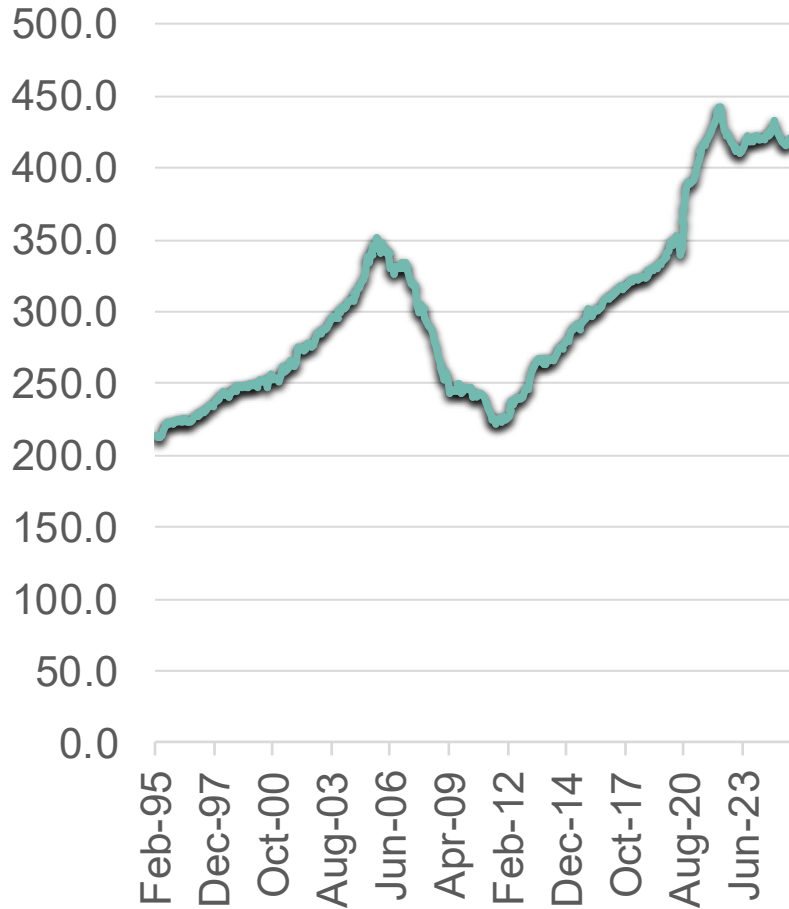


# And Gen Z?

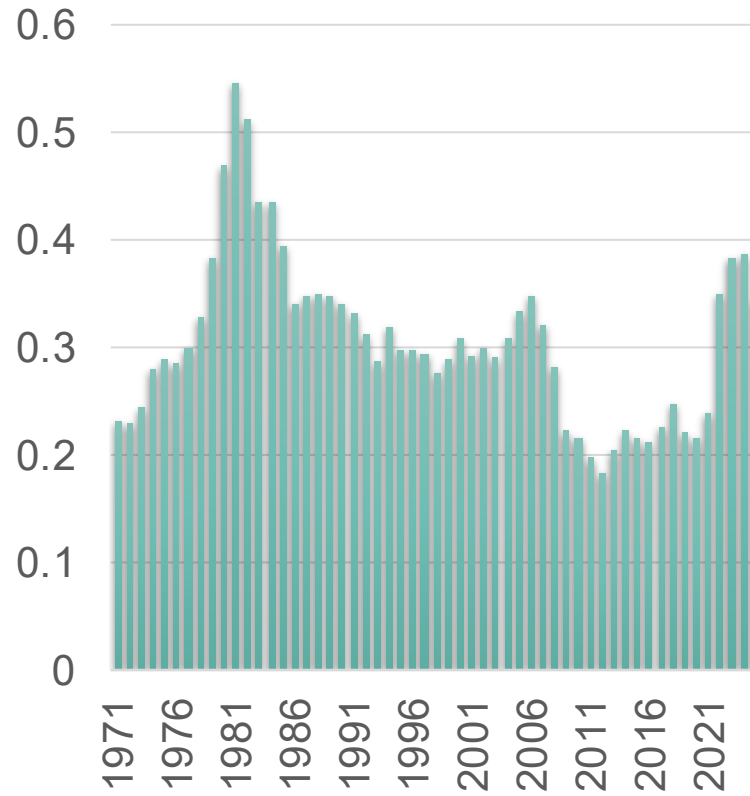


# An Affordability Problem?

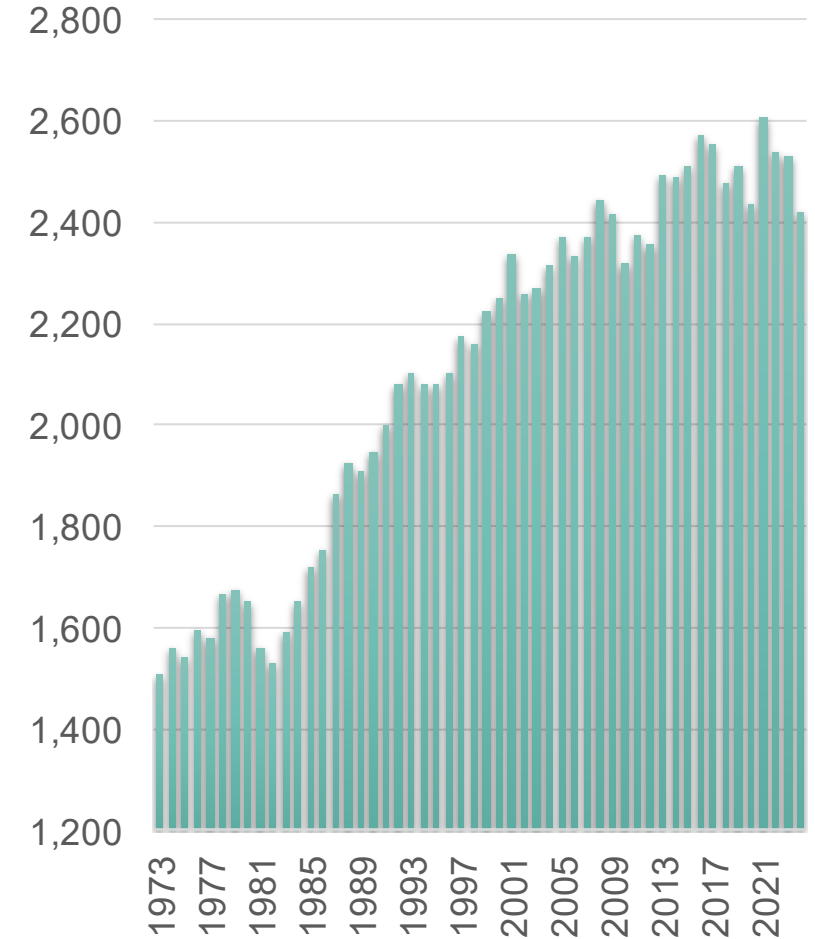
## US Median Home Prices (Inflation Adjusted)



## National Housing Affordability (Based on 80% LTV)

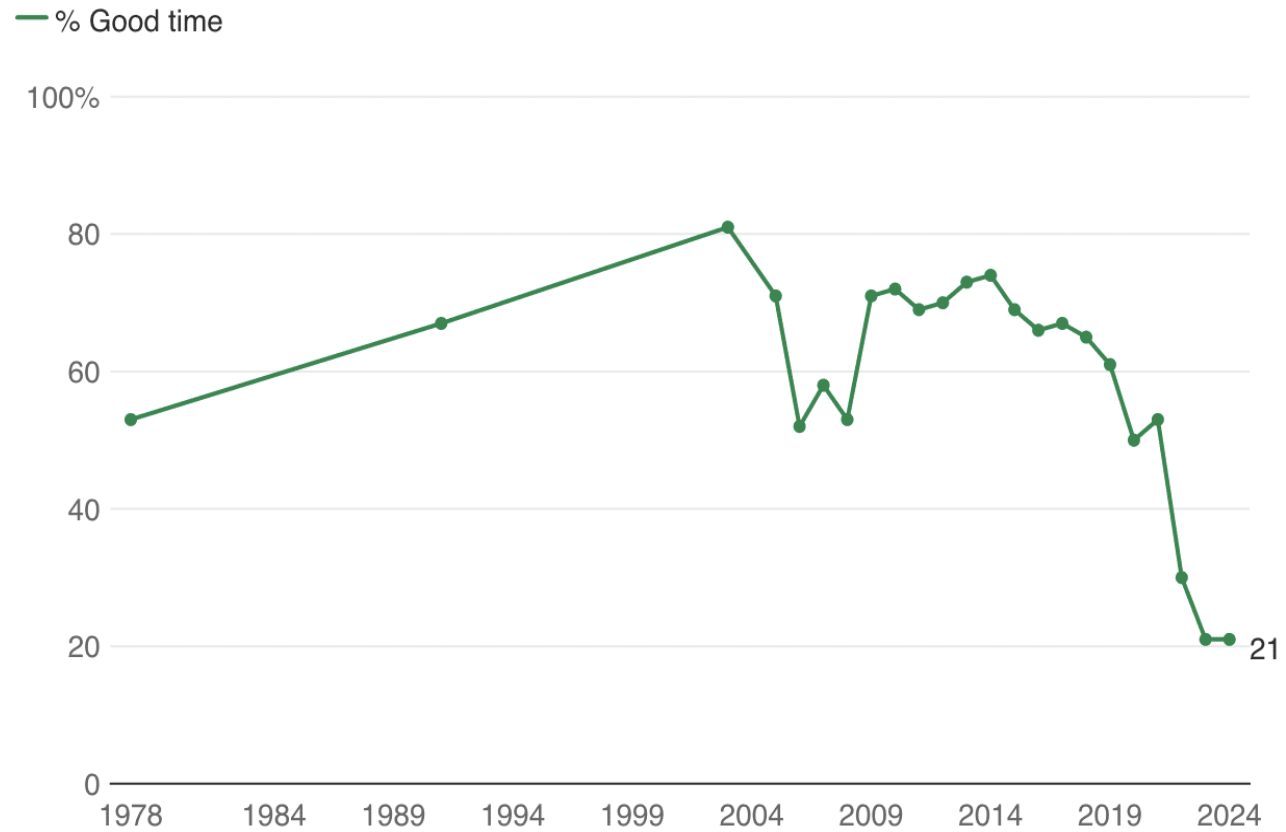


## Median SF of a New Home



## Americans' Positive View of U.S. Housing Market Remains at Record Low

*For people in general, do you think that now is a GOOD time or a BAD time to buy a house?*

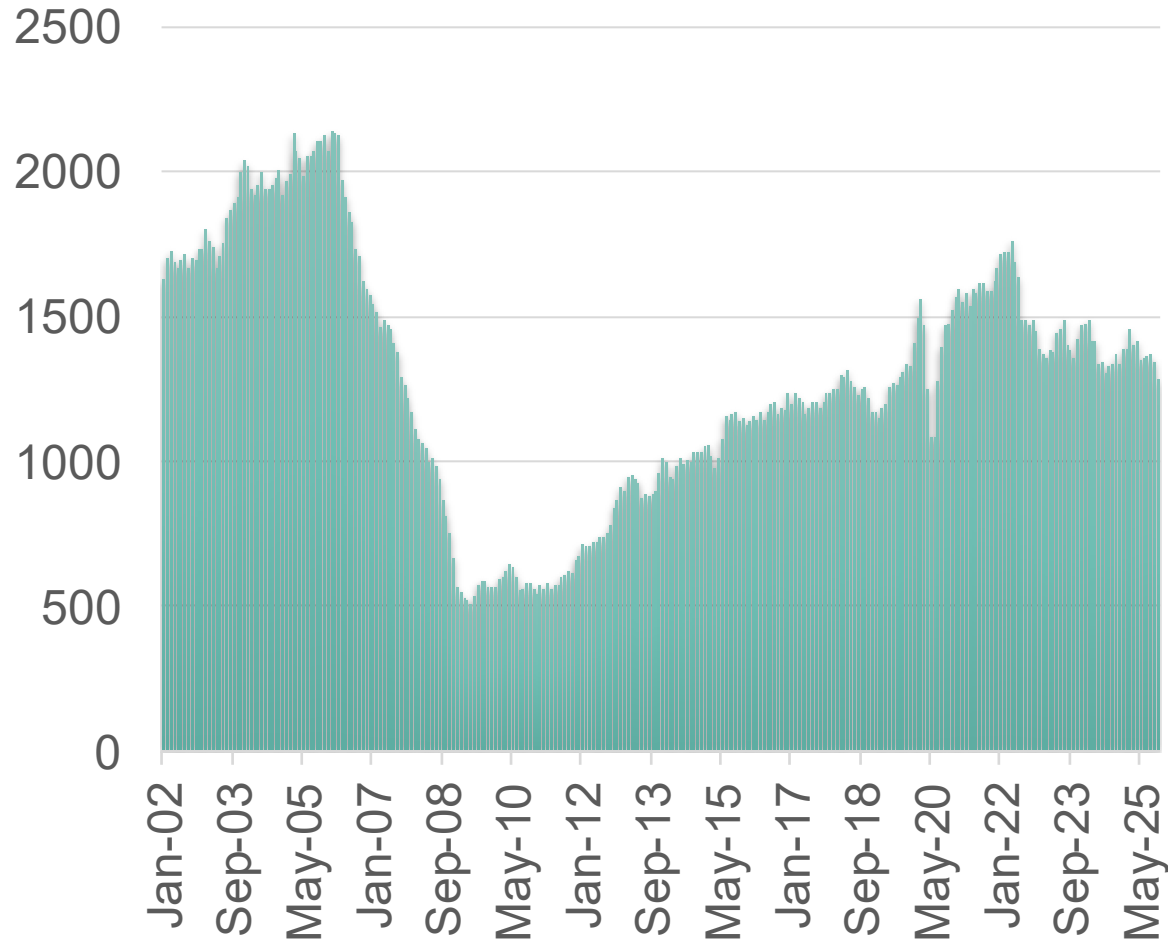


GALLUP

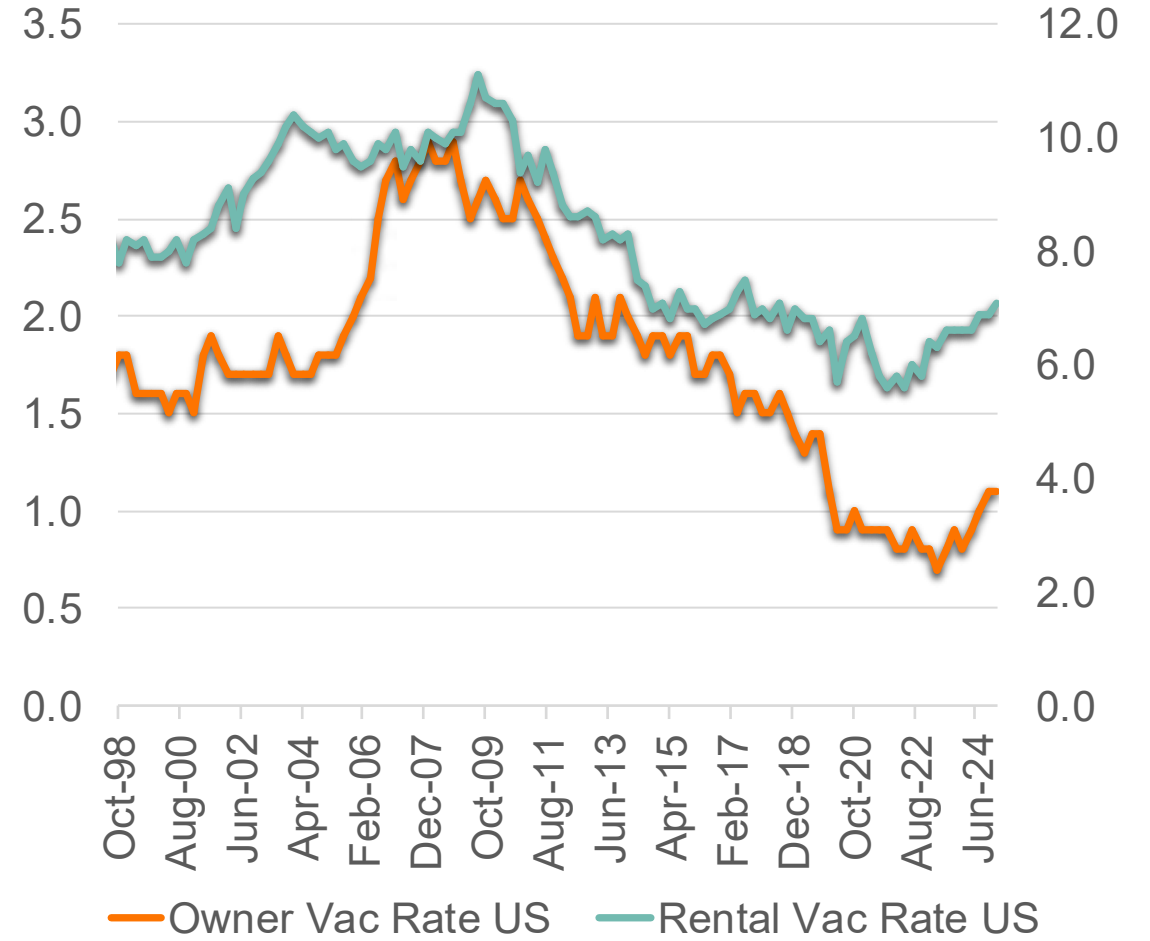


# A Short Run Supply Problem

## US Housing Starts (000s, SAAR)



## Housing Vacancy Rate % (HVS)



# The Yin and Yang of New Home Markets

## Regional Breakdown

Sales	2019	2025	Ch
Northeast	3	3	0.0%
Midwest	6	7	8.0%
South	34	38	12.7%
West	17	14	-18.8%
Units for Sale			
	2019	2025	Ch
Northeast	28	31	11.9%
Midwest	39	48	22.9%
South	181	301	66.0%
West	85	117	37.1%

Liquidity  
Constrained  
Housing  
Market

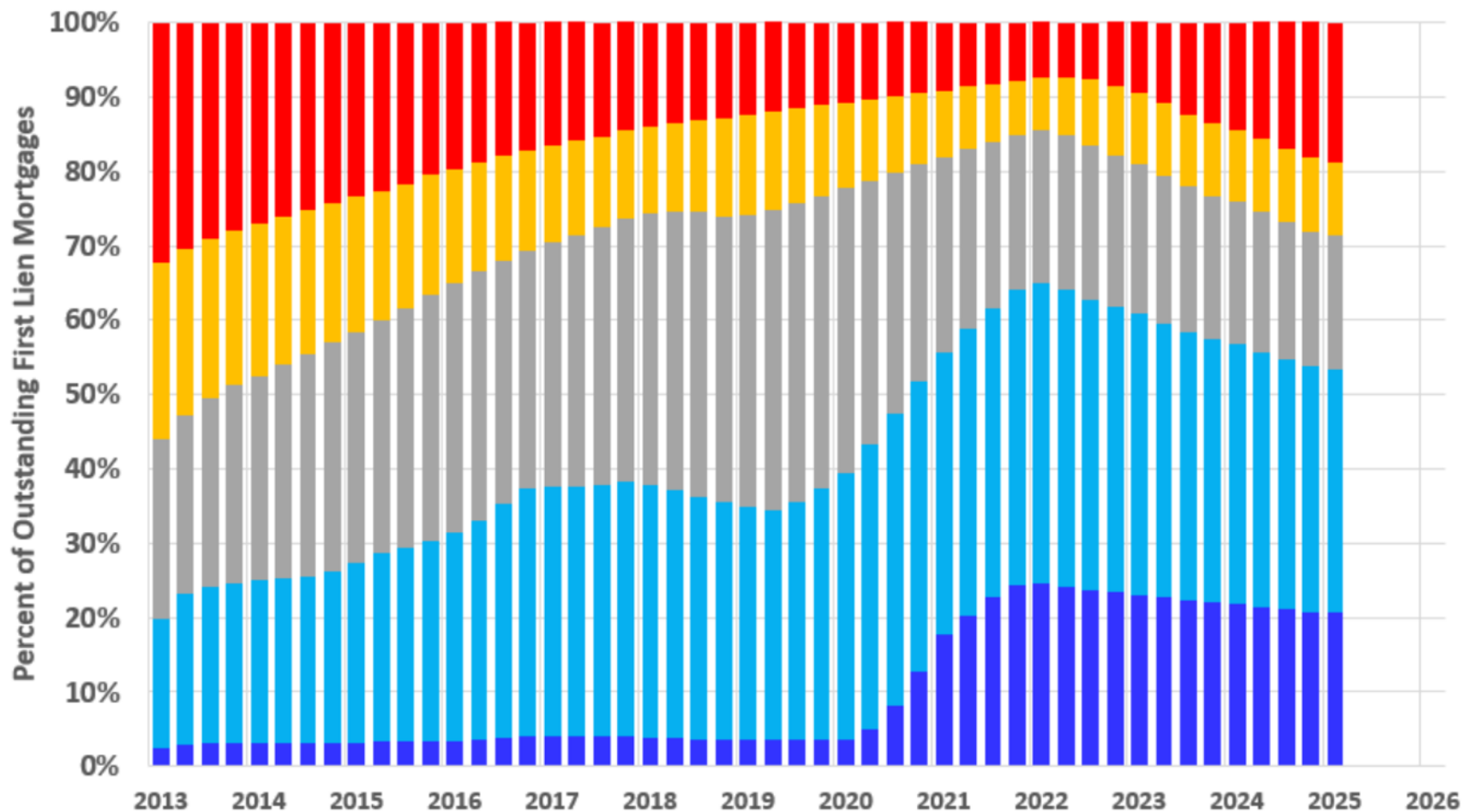


Normal  
Housing  
Market



## Percent of Closed-End, First-Lien Mortgages Outstanding by Interest Rate

■ <3%   ■ 3% to <4%   ■ 4% to 5%   ■ 5% to 6%   ■ >6%



www.calculatedriskblog.com Source: FHFA



# And How About California?



## California has highest poverty rate in the nation, tied with Louisiana

By Sharon Song | Published September 30, 2025 1:52pm PDT | California | KTVU FOX 2 | [➔](#)



**PPIC**

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## Californians' Economic Outlook? Gloomy



California

## New numbers show California's affordability crisis is getting worse

By Steve Large, Richard Ramos

May 6, 2025 / 6:58 PM PDT / CBS Sacramento

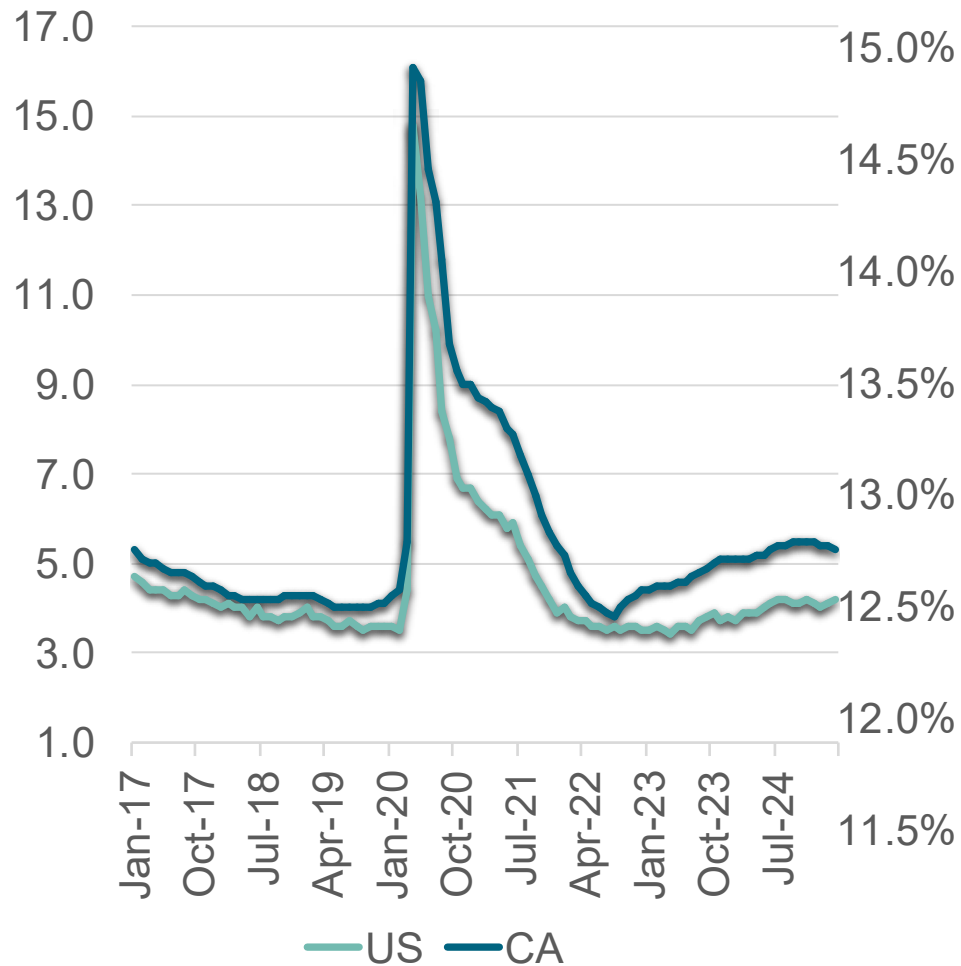
 KCRA

## California's Legislative Analyst says Gov. Newsom's budget could leave state in 'alarming' situation

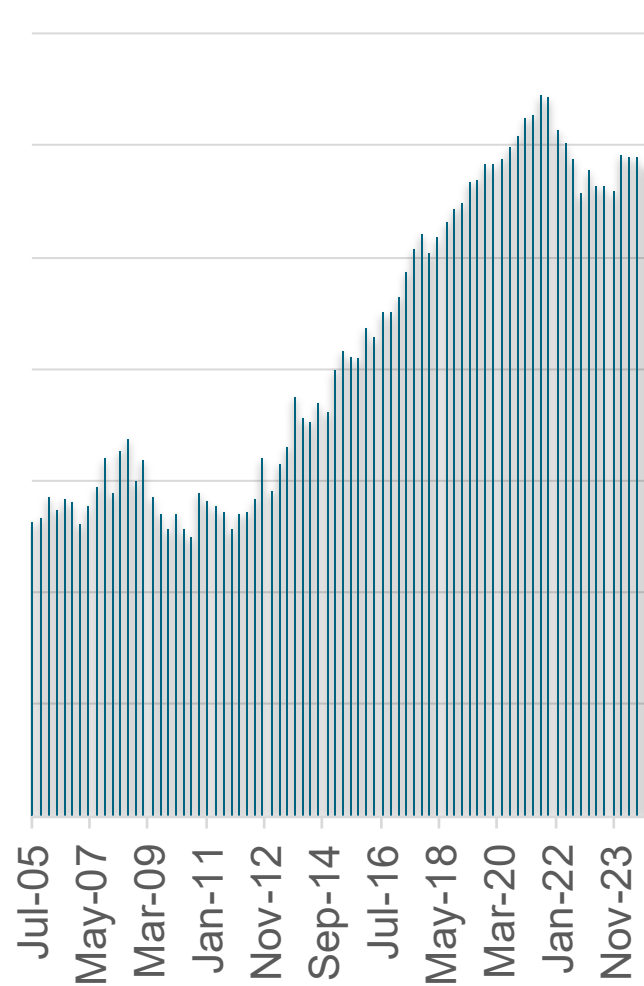
Days after Gov. Gavin Newsom presented his proposed spending plan for California's 2026-2027 budget, the Legislative Analyst's Office (LAO)...

# The California Slowdown

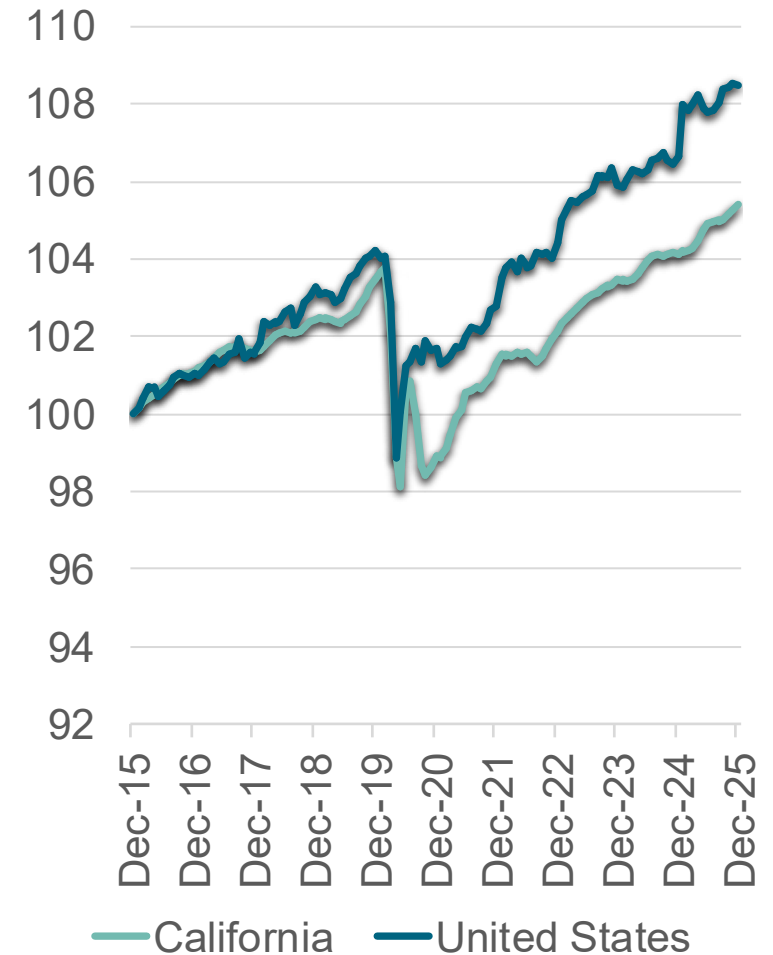
## Unemployment Rate



## CA Share US GDP

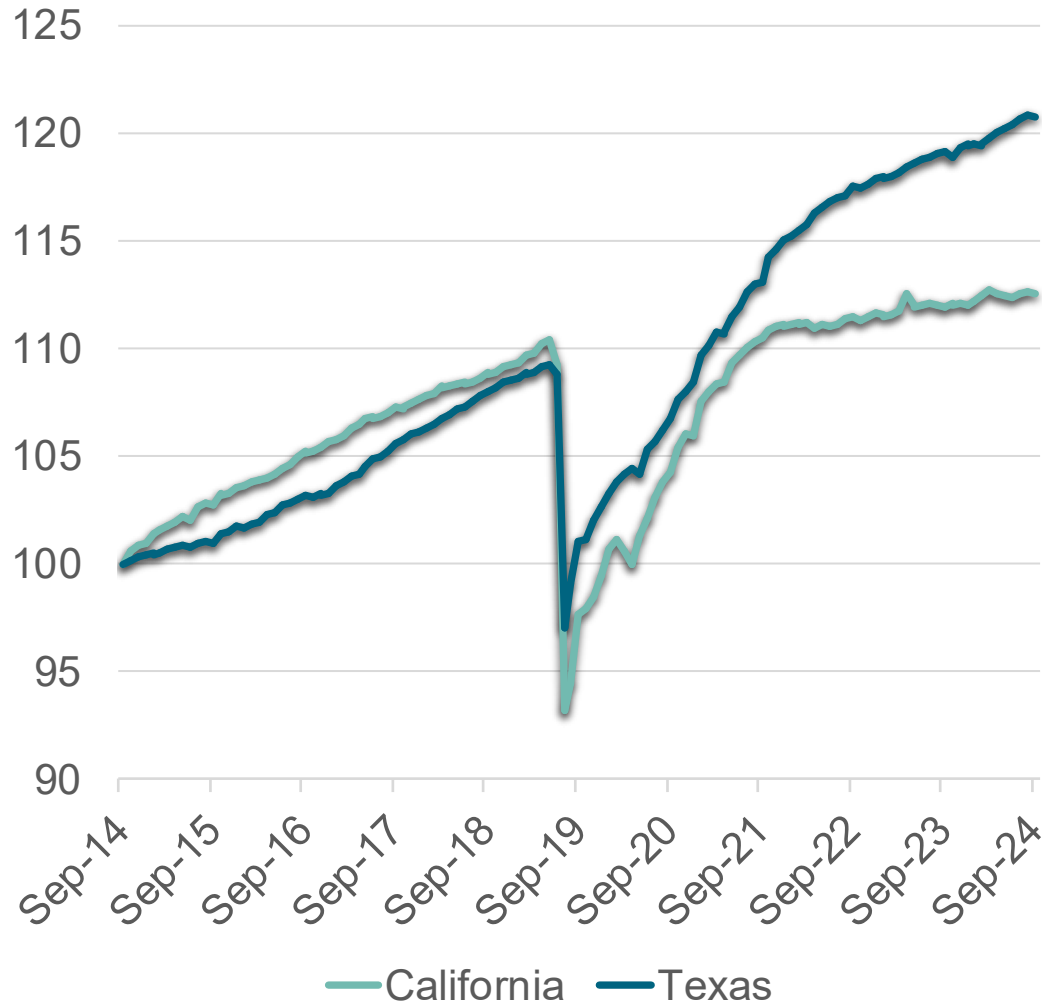


## Indexed Labor Force



# California Nonfarm Employment

Indexed Nonfarm Employment

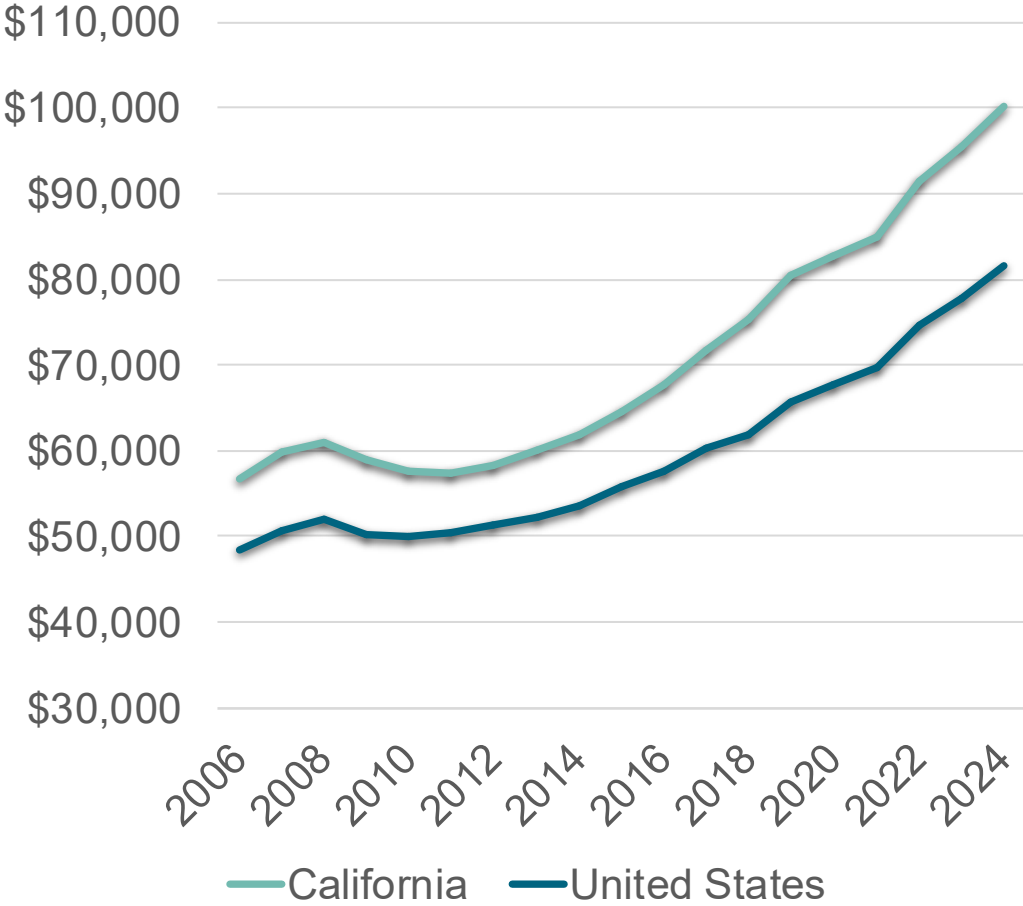


	Annual Growth Rates			
	Nov-25	23-25	19-23	15-19
<b>Total, All Industries</b>	<b>18605.3</b>	<b>0.5%</b>	<b>0.4%</b>	<b>2.0%</b>
Health Care	3088.1	5.5%	3.0%	3.5%
Educational Serv	438.3	2.5%	1.0%	2.4%
Government	2740.9	1.4%	0.2%	1.2%
Other Services	600.3	0.6%	0.5%	1.4%
Logistics	873.6	0.5%	3.5%	6.6%
Leisure and Hospitality	2021.3	0.1%	-0.3%	2.6%
Retail Trade	1621.1	-0.8%	-0.9%	-0.3%
Wholesale Trade	650.9	-1.0%	-1.0%	-0.2%
Financial Activities	788.4	-1.3%	-1.2%	1.1%
Administrative	1088	-1.4%	-1.2%	1.3%
<b>Information</b>	<b>524.9</b>	<b>-1.8%</b>	<b>-1.7%</b>	<b>3.4%</b>
<b>Professional</b>	<b>1364.2</b>	<b>-1.9%</b>	<b>1.1%</b>	<b>2.9%</b>
<b>Manufacturing</b>	<b>1204.8</b>	<b>-2.5%</b>	<b>-0.4%</b>	<b>0.2%</b>



# State Incomes

Median Household Income



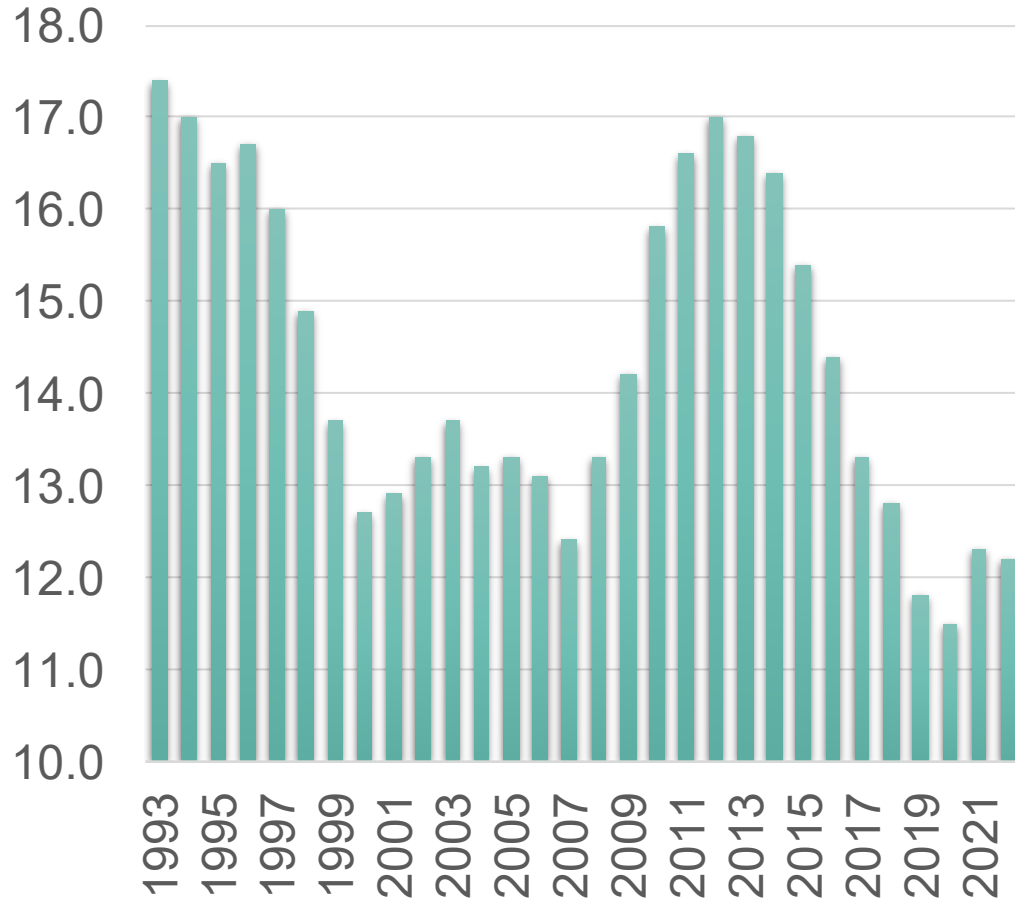
Ranked Median Household Income by County

County	2024	Rank
Santa Clara	\$168,154	2
San Mateo	\$160,733	3
Marin	\$147,017	8
San Francisco	\$139,801	12
Alameda	\$129,130	24
Contra Costa	\$127,221	28
Napa	\$122,754	36
Placer	\$115,442	57
Orange	\$115,229	58
Ventura	\$114,238	61
San Benito	\$114,011	62
El Dorado	\$109,552	80
San Diego	\$109,132	82
Santa Cruz	\$107,893	86
Sonoma	\$107,274	91



# State Inequality?

## California Poverty Rate



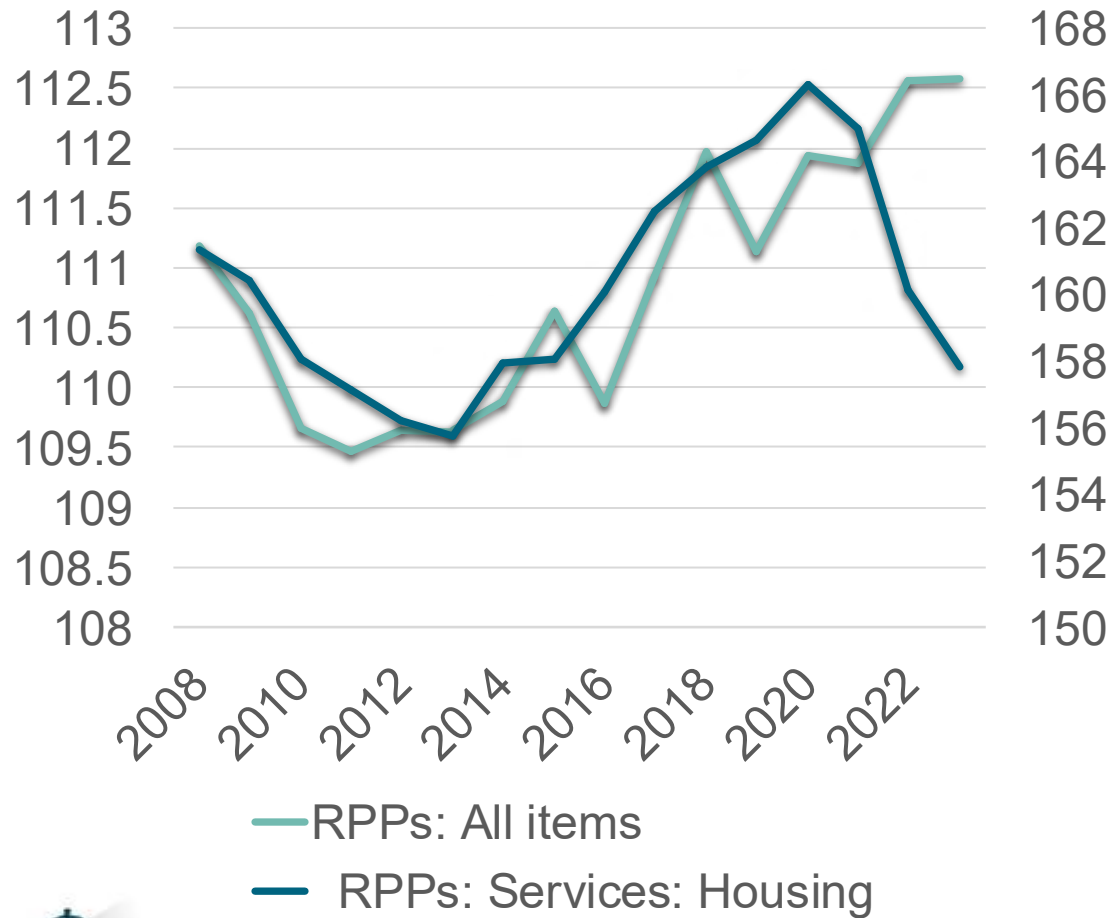
## California Incomes by Race / Age 2019-24

	California Incomes by Race / Age 2019-24			
<u>By Race</u>	<u>HHs</u>		<u>Income</u>	
Households	13,798	4.9%	\$100,149	24.5%
American Indian	175	66.6%	\$85,434	48.3%
Hispanic	4,405	12.5%	\$83,179	30.7%
Black	817	-0.5%	\$71,211	29.1%
Asian	2,200	16.4%	\$130,548	25.4%
White	5,730	-6.7%	\$110,258	19.6%
<u>By Income</u>				
15 to 24 years	393	8.0%	\$53,512	21.0%
25 to 44 years	4,725	6.3%	\$110,732	28.5%
45 to 64 years	4,967	-1.3%	\$115,871	22.8%
65 years +	3,713	11.9%	\$71,673	22.8%



# The Affordability Crisis?

## California Regional Price Parities



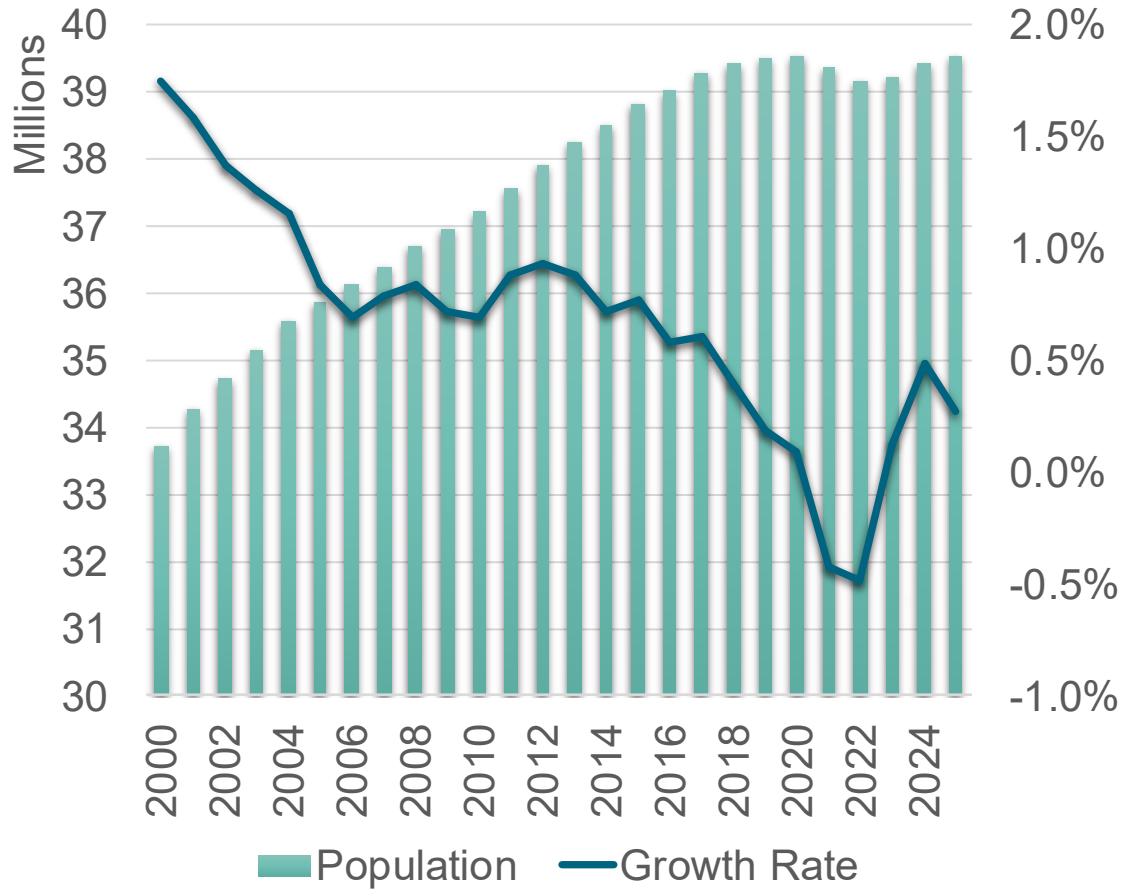
## CA Median Income Gap with RPP Control

	2018	2024
Santa Clara	66.5%	82.6%
Marin	54.2%	48.7%
San Francisco	49.4%	44.9%
Alameda	35.7%	33.8%
Contra Costa	35.1%	31.9%
San Diego	13.8%	20.0%
Sacramento	8.9%	5.9%
<b>Riverside</b>	<b>5.3%</b>	<b>5.8%</b>
Los Angeles	-0.2%	-3.6%
Fresno	-13.5%	-10.9%
Kern	-15.4%	-14.2%



# California's Labor Force Problem

## California Population



Location	Jun-25 LF (000s)	1-Year Chg. (%)	Chg. since Feb-20 (%)	Nbr. since Feb-20 (%)
US	170,380	1.4	3.5	5,963
<b>Texas</b>	<b>15,850</b>	<b>1.5</b>	<b>11.5</b>	<b>1,823</b>
Utah	1,846	0.6	11.4	210
Arizona	3,794	1.4	8.4	319
Nevada	1,682	2.0	7.0	118
Oregon	2,212	0.7	5.7	126
Colorado	3,283	0.4	4.7	154
Washington	4,034	-0.8	1.4	56
<b>California</b>	<b>19,841</b>	<b>0.9</b>	<b>1.1</b>	<b>218</b>



# Employment and Labor Force

## Changes 2019-2025

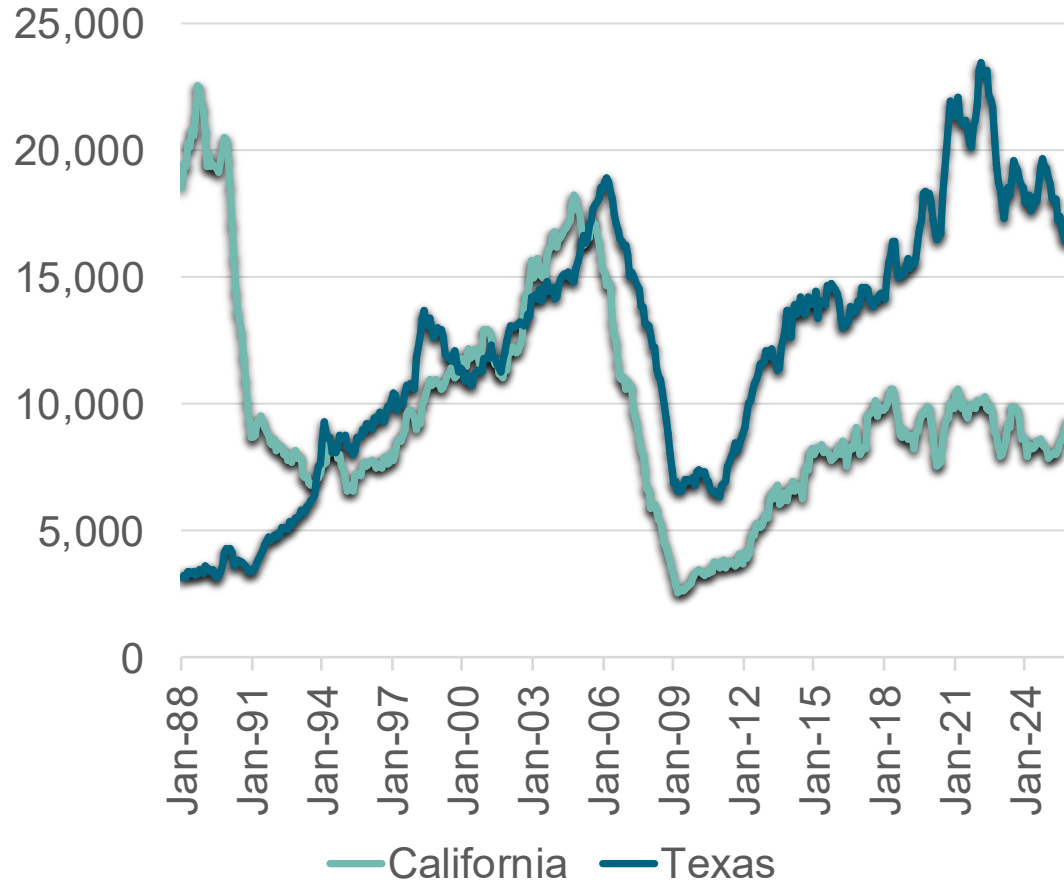
	Non-Farm Payrolls				Labor Force			
	Jul-25	Gr	Ch	State Sh	Jul-25	Gr	Ch	State Sh
California	18022.7	3.2%	559		19851.7	2.3%	438	
Southern California	9955	2.9%	283	51%	11134.8	1.6%	177	40%
Central Valley	1487	10.3%	139	25%	2011.5	8.0%	149	34%
Bay Area	4001.5	-1.9%	-79	-14%	4113.2	-1.8%	-75	-17%
Inland Empire	1713.7	9.9%	154	28%	2250.6	9.7%	199	45%
Sacramento	1092.8	6.5%	67	12%	1196.7	6.2%	70	16%
San Diego	1567	4.1%	61	11%	1669.9	3.5%	56	13%
Fresno	446.1	10.5%	42	8%	552.8	8.6%	44	10%
Orange County (MD)	1695	0.9%	16	3%	1641	0.6%	10	2%
San Jose	1150.8	0.0%	0	0%	1064.2	0.4%	4	1%
Oakland (MD)	1173.9	-1.6%	-19	-3%	1451.4	-1.7%	-26	-6%
San Francisco (MD)	1138.5	-4.6%	-55	-10%	929.8	-4.4%	-43	-10%



# Residential Construction



## Housing Permits



Location	2025 Units	1-Year Chg. (%)	6-Year Chg. (%)
United States	1,415,651	-3.4	4.7
Texas	208,359	-7.4	4.4
Florida	174,133	-0.2	13.8
California	102,163	1.8	-7.0
Arizona	51,312	-12.0	12.3
New York	38,266	-15.9	-12.7
Washington	34,320	-7.1	-29.3
Utah	26,230	7.9	-5.5
Nevada	17,790	-4.1	1.3
Oregon	14,960	6.9	-28.2



# Our Own Worst Enemy

## Why can't we build housing?

- Zoning restrictions
- Permitting fees / taxes
- Slow / confused permitting process
- Excessive Litigation / CEQA
- Excessive local regulations
- Unmandated expenses
- Construction labor laws
- Regulatory uncertainty
- Politically active planning boards

## AB 130: Streamlining Housing Development

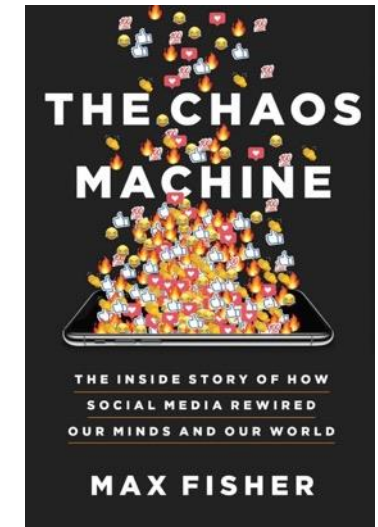
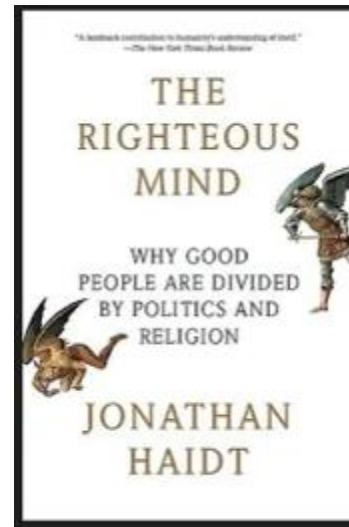
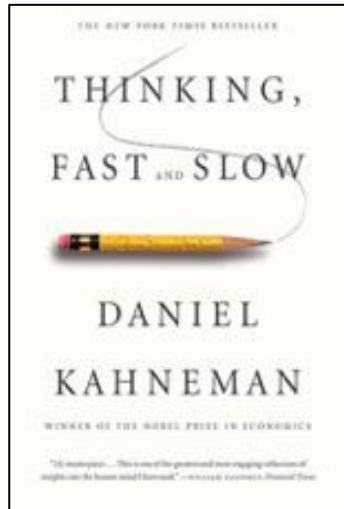
- Streamlined Environmental Review
- Limitation on Legal Challenges
- Priority for Affordable Housing.
- Promotion of Infill Housing

## What Else?

- Limited to structures < 80 feet
- Ensures affordable housing is most expensive to build
- Doesn't apply to greenfield investments
- Doesn't apply to infrastructure investments
- Adds new taxes, messes with foreclosures

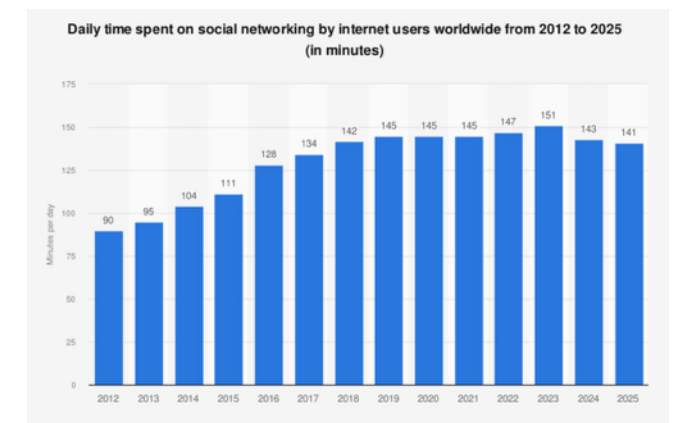
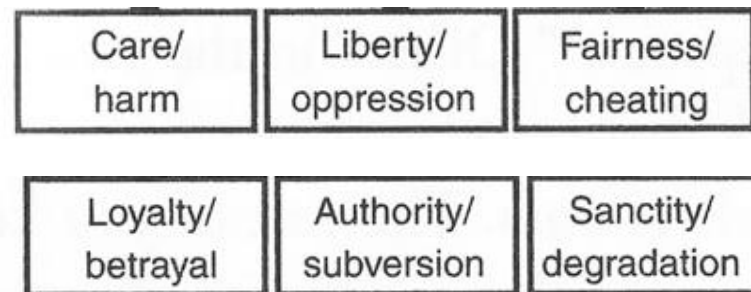


# How do narratives go astray?



*Moral Nodes: Social issues that blind us emotionally*

Type	1	2
<u>Style</u>	Emotional	Deliberative
<u>Rules</u>	Heuristics	Deduction
<u>Speed</u>	Fast	Slow
<u>Energy</u>	Low	High



# The Dangers of False Narratives

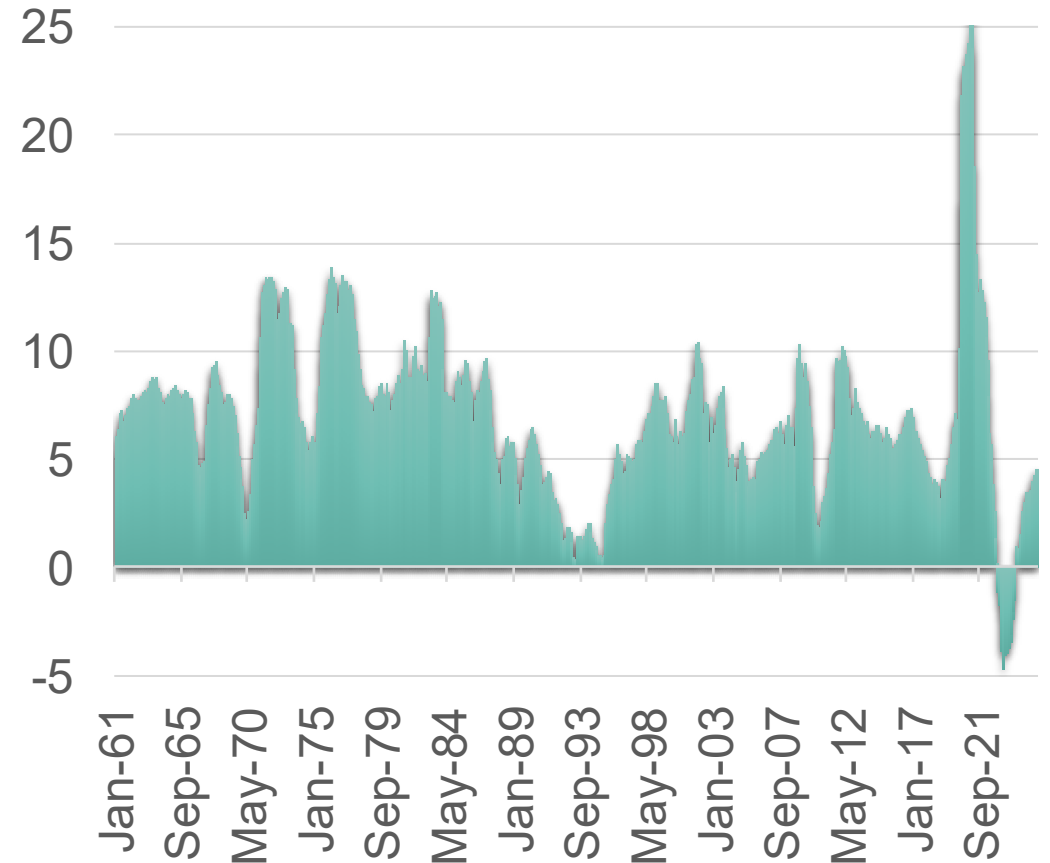
## Pandemics don't cause depressions.

- Lost Output during Pandemic: \$850 Billion
- Stimulus: \$6 trillion, with \$5 trillion in QE

## The Money Multiplier

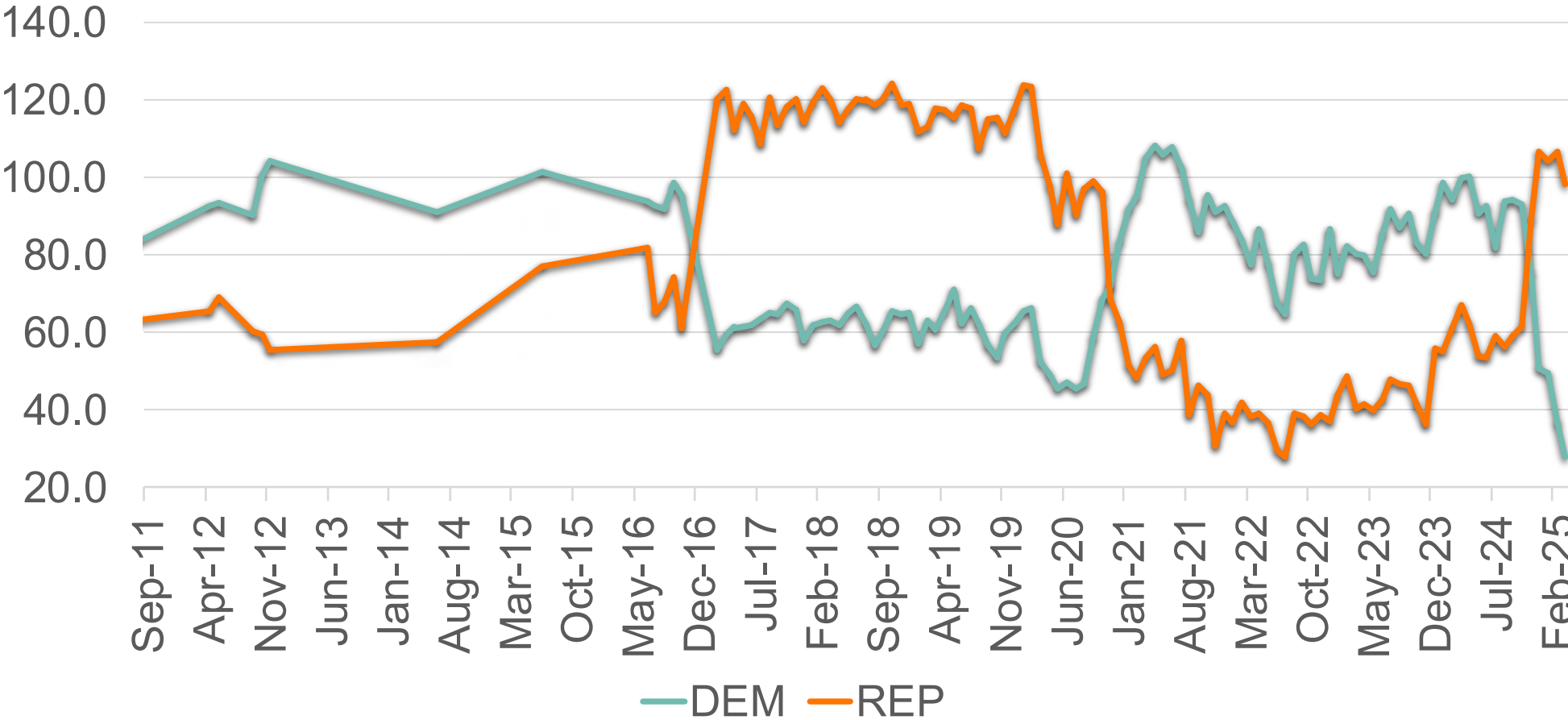
- Initial stimulus \$50k per household
- Asset prices: \$200K more in net worth
- 26% increase in average HH net worth

M2 Growth (YoY)



# Who should Trump thank for his big election sweep?

Shifting Narratives in Consumer Sentiment!

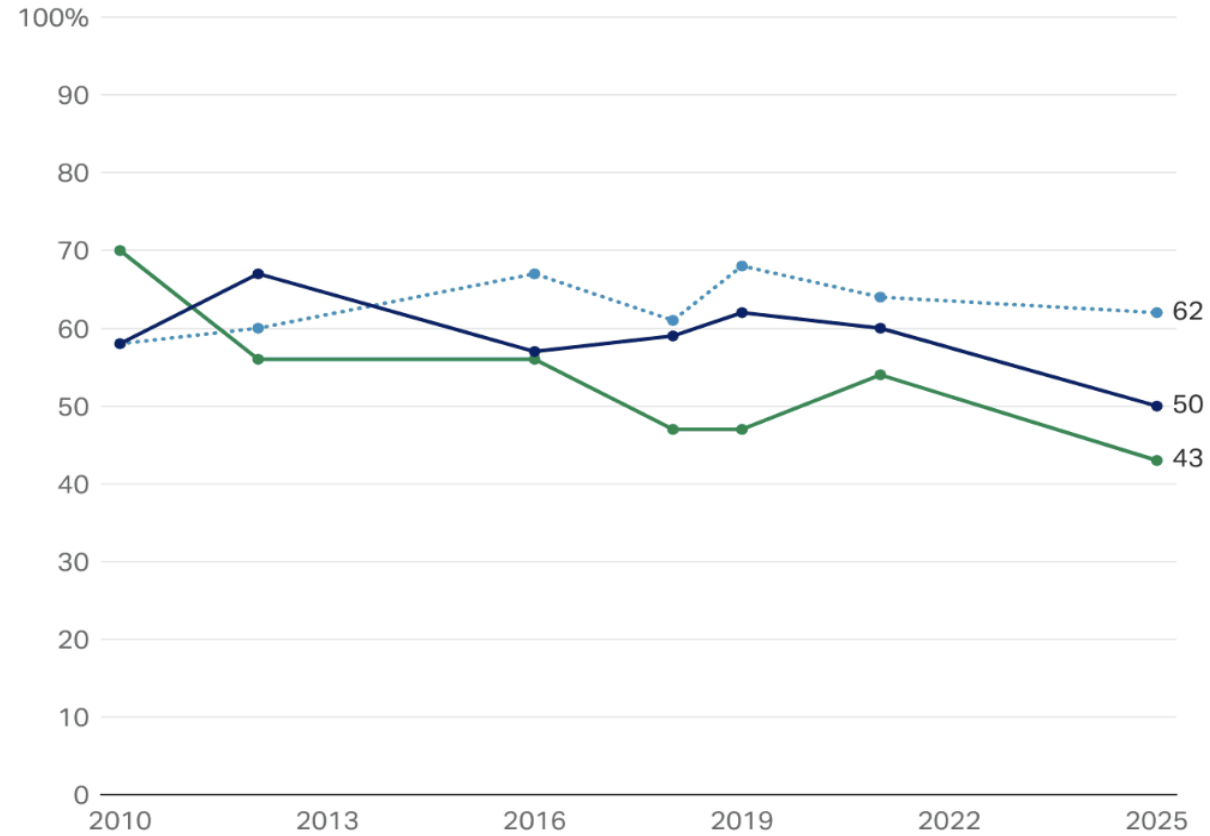


# 1. Capitalism Stumbles With Young Adults

Just off the top of your head, would you say you have a positive or negative image of each of the following? Capitalism

## % Positive

— 18 to 34 — 35 to 54 - - - 55 and older

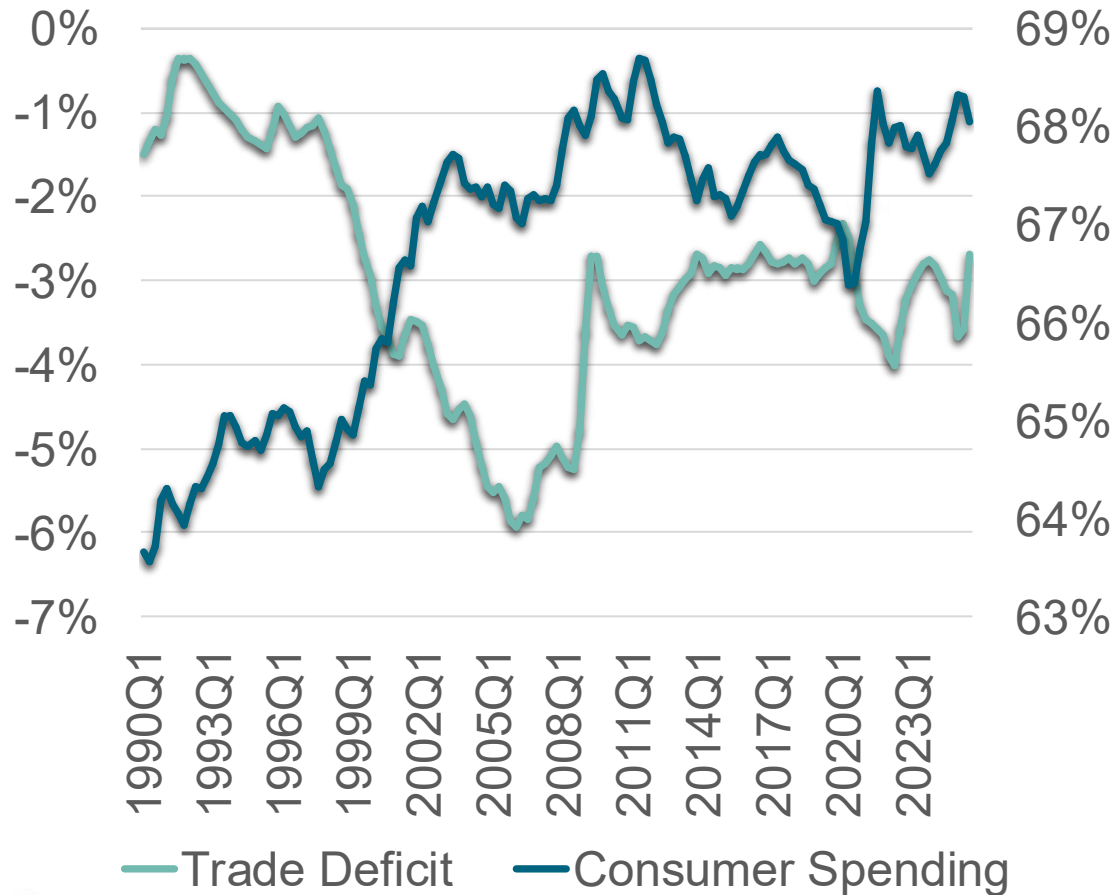


GALLUP

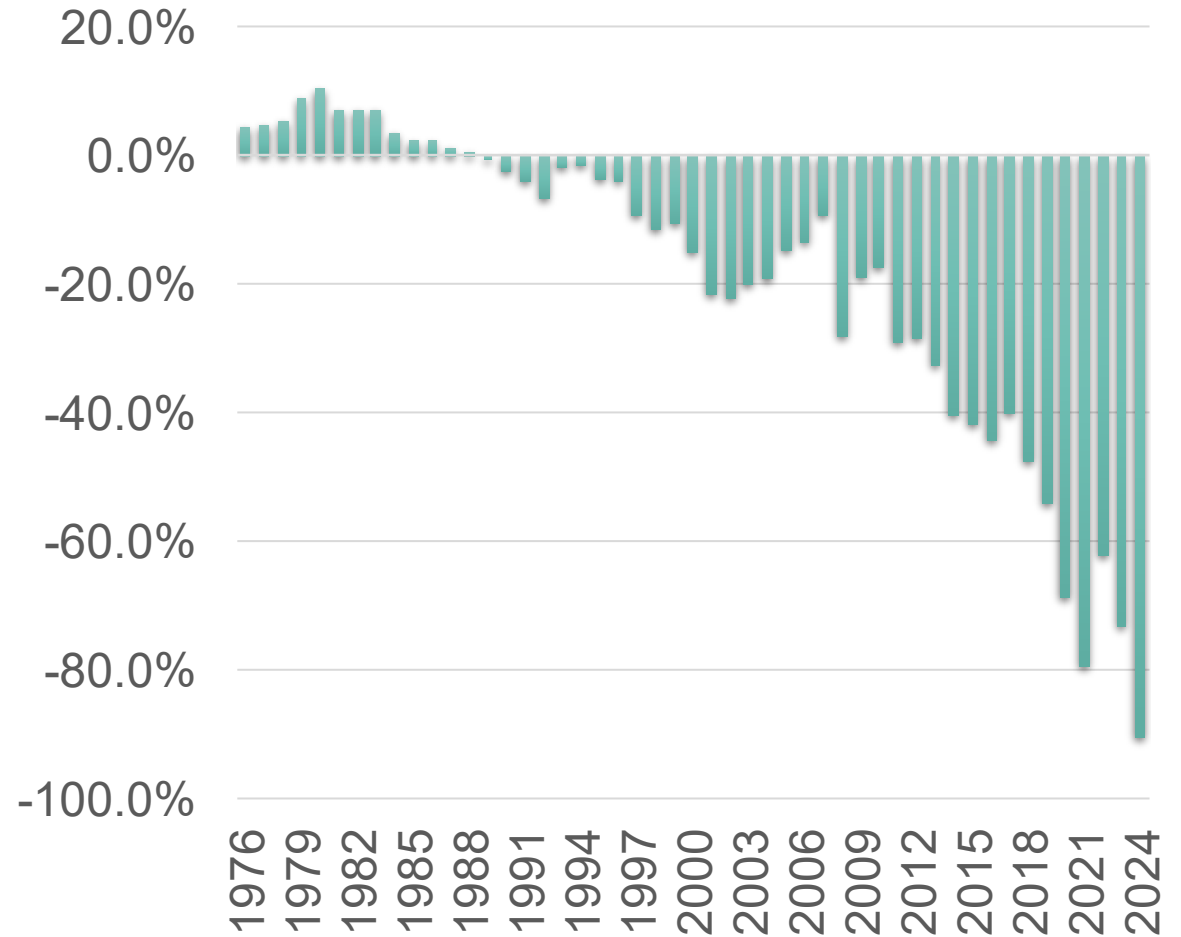


# An Over-Consumption Problem...

## Trade and Consumption as % of GDP

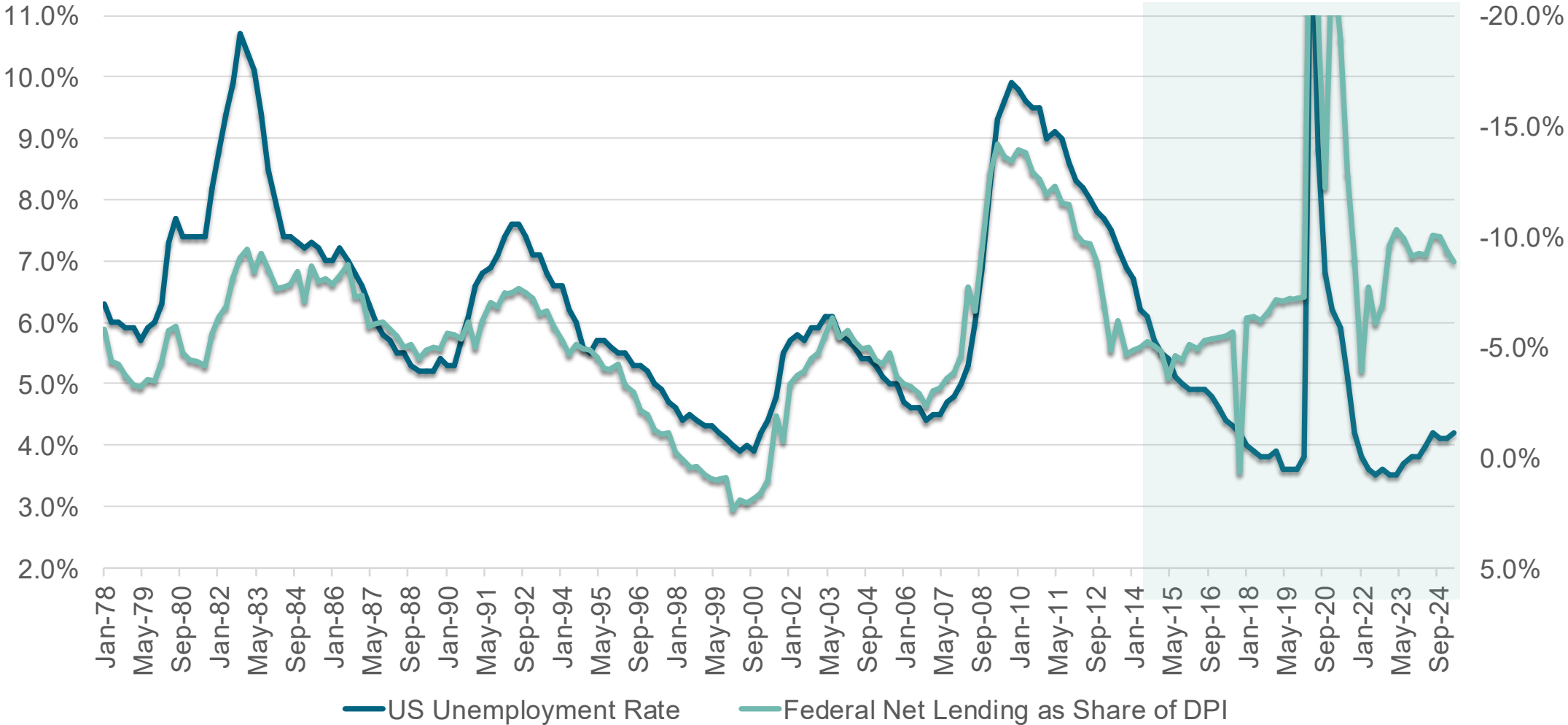


## US Net Int Inv Position % GDP



# Keynesianism Breaks Down...

## Deficits and Unemployment



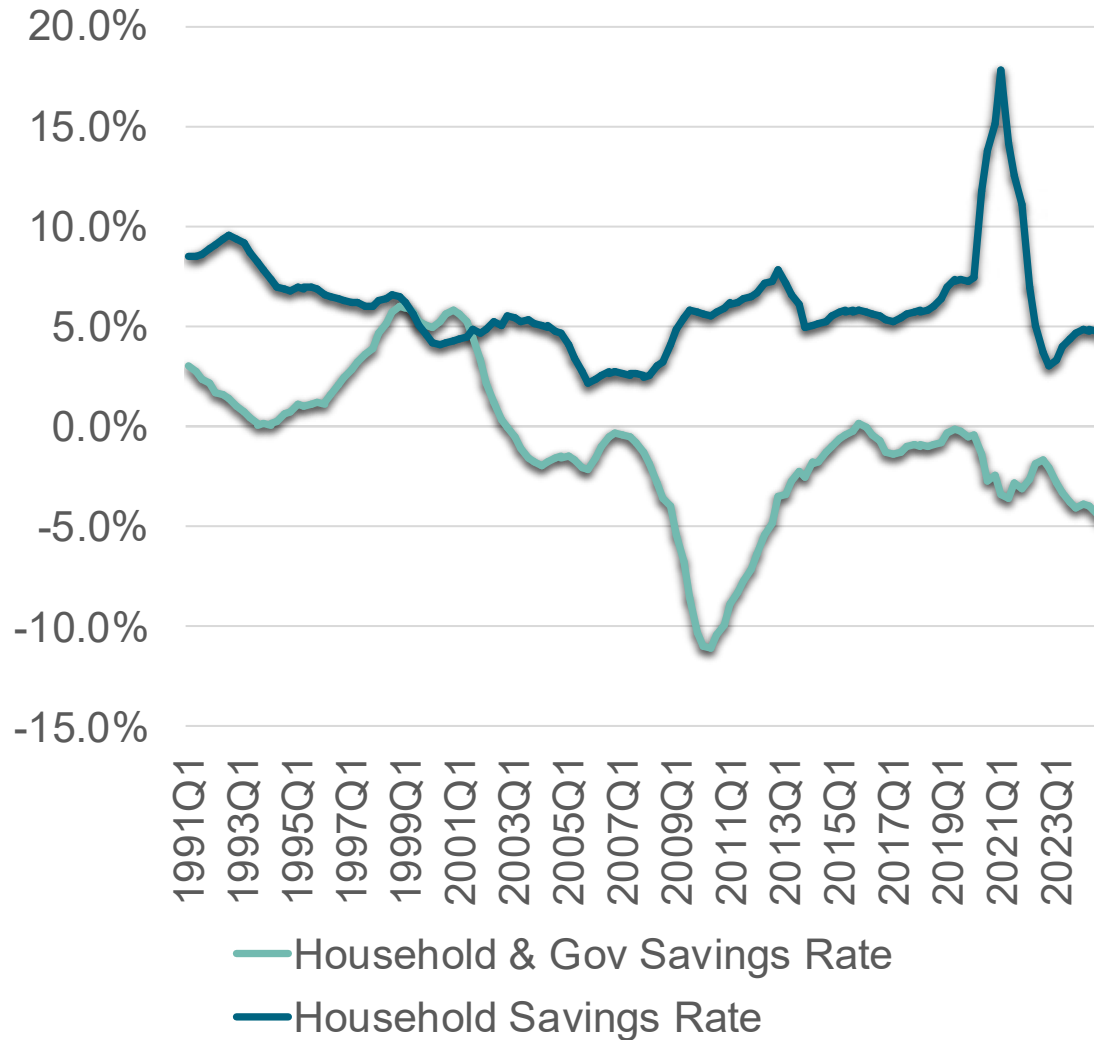
## Deficit Closing?

- \$15,500 per household per year
- Higher Taxes: 9% of Household Disposable Household Income
- Reduced Spending: 25% of total current Fed expenditures



# The Wealth / Income Mirage

## Household Savings as % of DPI



## Household Debt as % of GDP

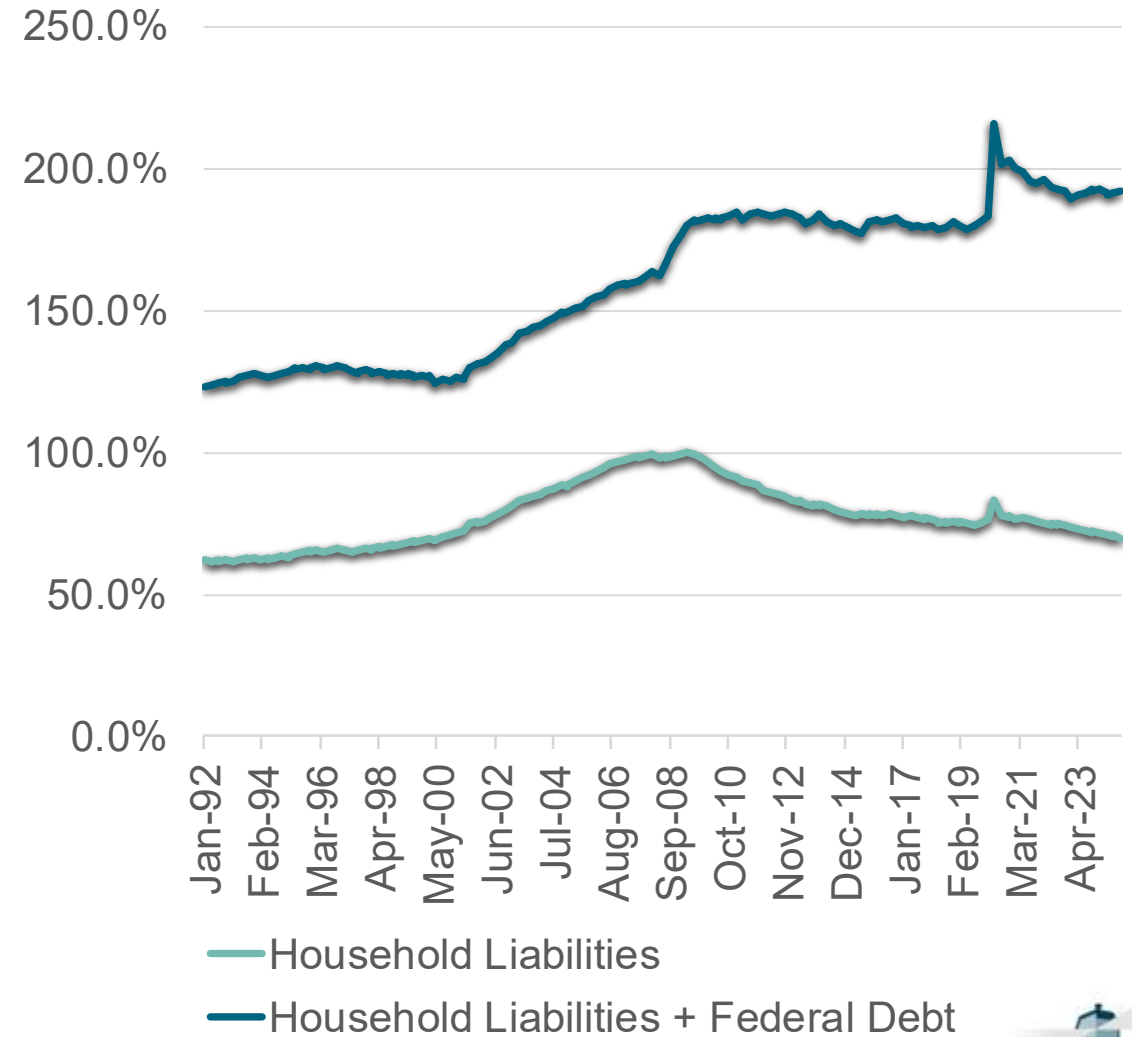
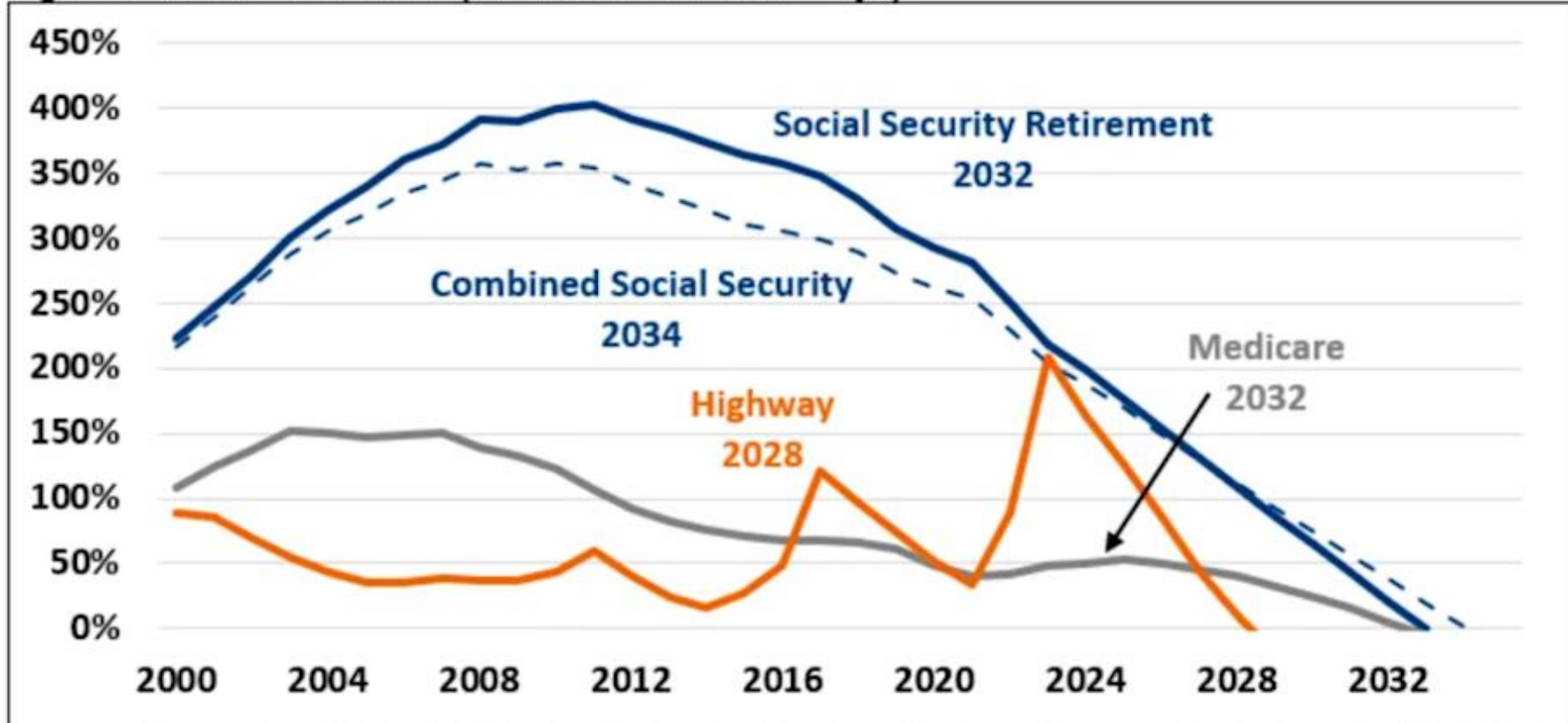


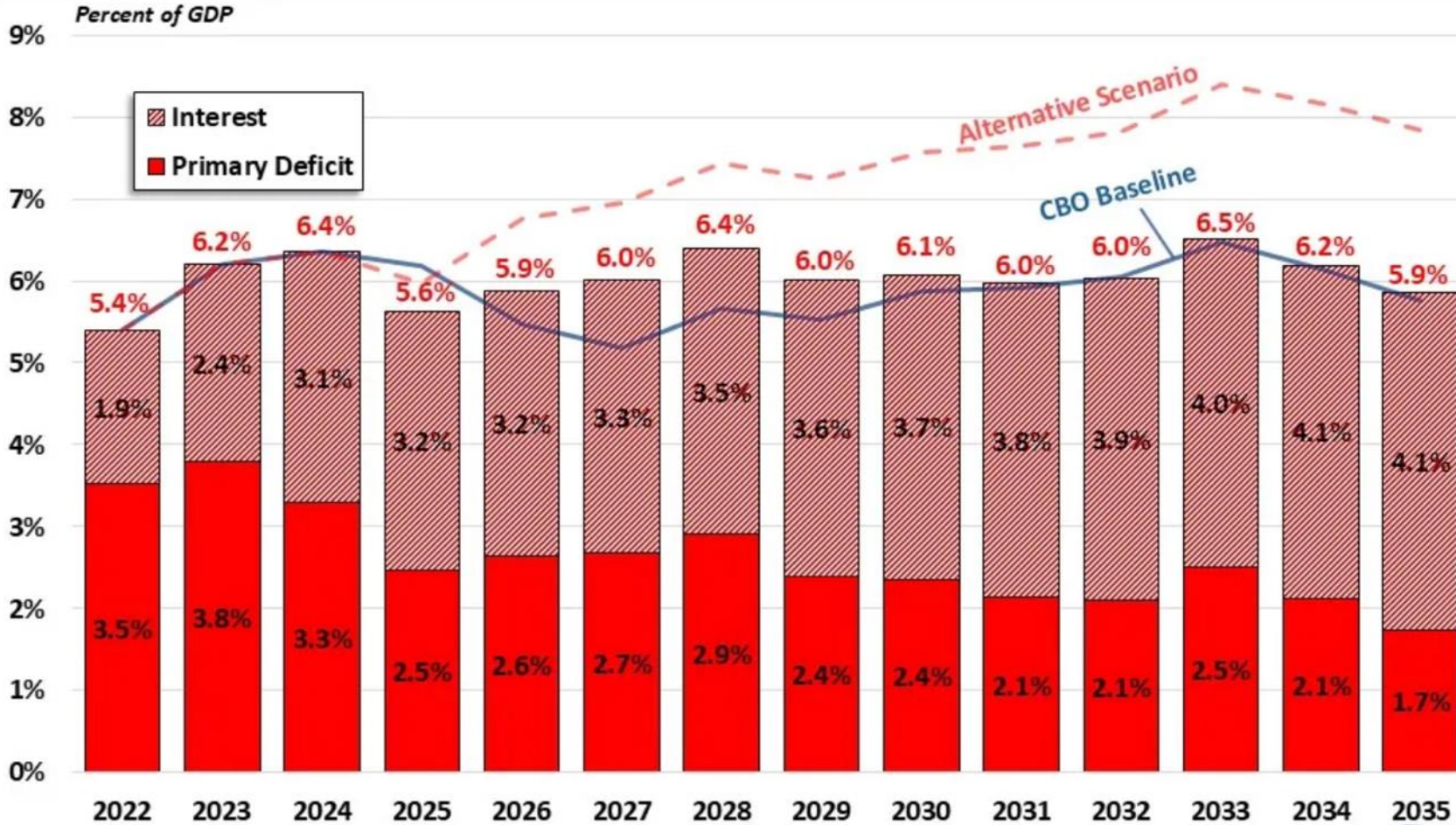
Fig. 1: Trust Fund Balances (Percent of Annual Outlays)



Sources: Congressional Budget Office, Social Security Trustees, Medicare Trustees, Social Security Administration Office of the Chief Actuary, Committee for a Responsible Federal Budget.



# Deficits Total 6.1 Percent of GDP Over Next Decade



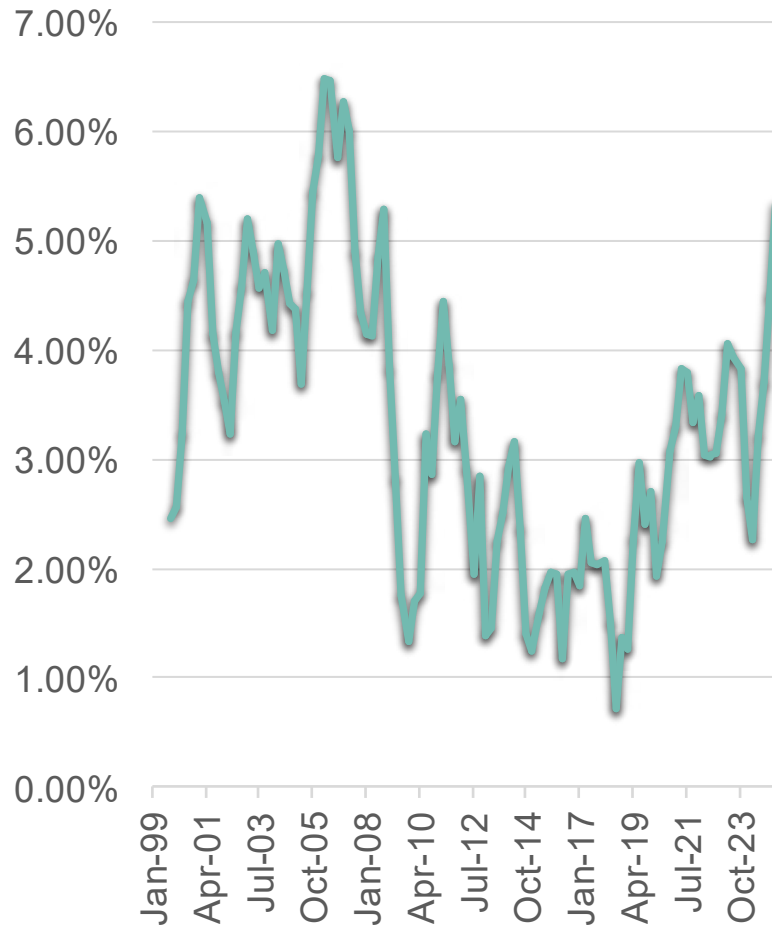
Source: CRFB estimates based on data from CBO, U.S. Census Bureau, and Centers for Medicare & Medicaid Services.

Note: Numbers may not sum due to rounding.

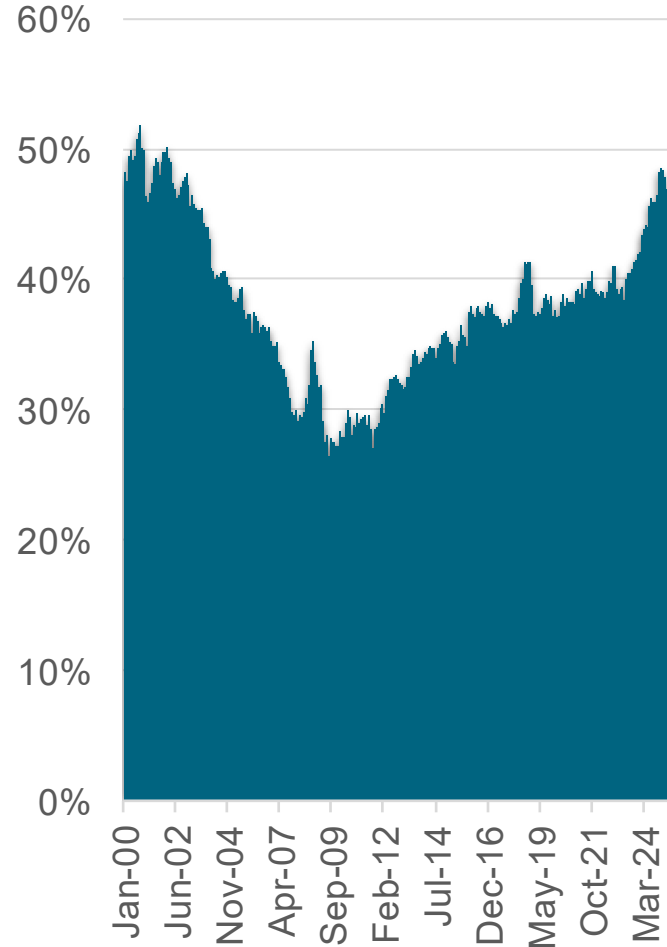


# Who is Paying the Bills?

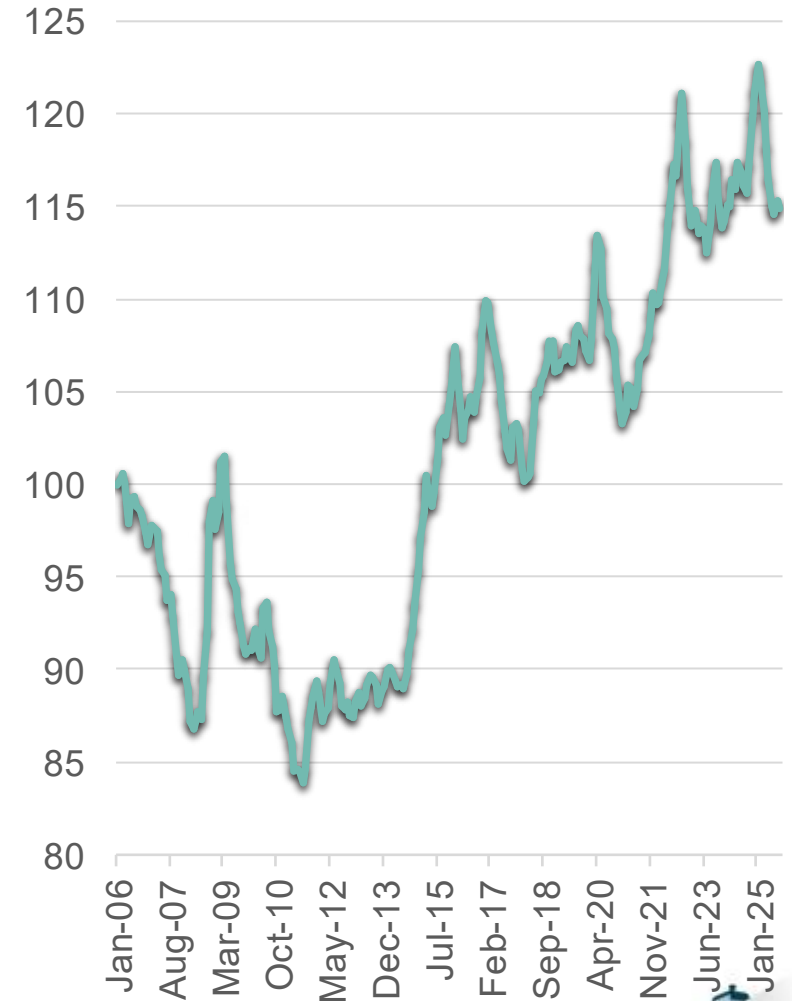
Financial Inflows - Financial Outflows as % GDP (4 Quarter MA)



US Share Global Equity Market Capitalization

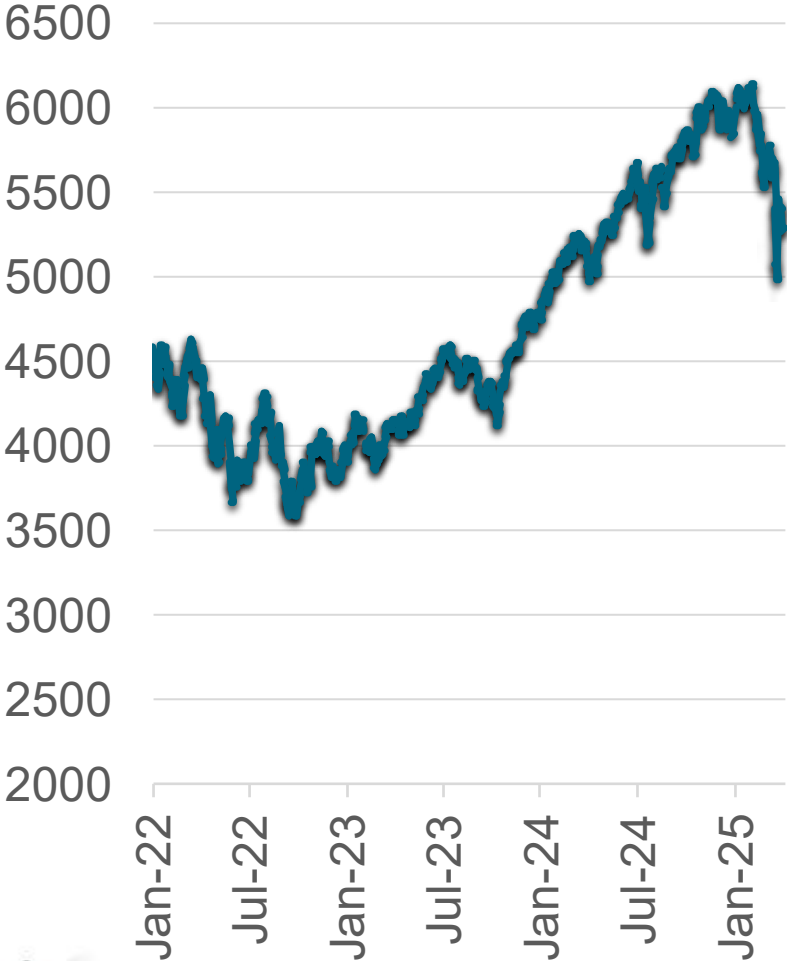


Real Value \$US (Index)



# Last Year's Reaction to Turbulence

### S&P 500 Daily Close



### 10 Year Treasury Rate (%)



### Dollar Index



# As for the Middle East?

10:27 am CDT 11/03/2026

Technicals

WTI Crude

(April Contract)

86.57 +3.67%



1D | 1WK | 1M | 1YR | Max

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6,770.23

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+2,826.89 (71.69%) ↑ past 5 years

Mar 11, 11:28 AM EDT · [Disclaimer](#)

1D | 5D | 1M | 6M | YTD | 1Y | 5Y | Max



☀️ OPEN

Last Updated: Mar 11, 2026 at 11:20 a.m. EDT - Delayed quote

# 99.18

▲ 0.36 0.36%

PREVIOUS CLOSE

98.83

< Advanced Charting 3Y ▼ \$ %



Yield | 12:55 PM EDT

**4.281%** ▲ +0.008

1D 5D 1M 3M 6M YTD **1Y** 5Y ALL



+ Comparison

1D



+fx



# Growing Risks

## Economic Trends: Picking Up

- Drags: reduced labor supply, political and economic uncertainty
- Strengths: Household & business finances, inflation / rates down
- More fiscal and monetary stimulus being thrown at the economy

## California & SB County

- Economy growing on the intensive margin: Incomes at record high
- Lack of housing causing labor force contraction
- Focus on inequality leading to bad policy choices

## Beware the Imbalances

- Strong private finances from public deficits and asset bubbles
- Growing external imbalances are the weak link in the chain
- The biggest imbalance is the gap between narratives and reality

For a copy of slides,  
please use the QR Code



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