Rupert Report

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EFP Midyear Update
Alisal Ranch
January 12, 2017
roadmap for today

- http://www.efp.ucsb.edu/talk
- was there an election recently?
- more on equality and wages
- employment
- housing
economics and the election
what to expect

- uncertainty
what to expect

- uncertainty
- immigration
what to expect

- uncertainty
- immigration
- international trade
what to expect

- uncertainty
- immigration
- international trade
- taxes and spending
what to expect

- uncertainty
- immigration
- international trade
- taxes and spending
- Obamacare
what to expect

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- immigration
- international trade
- taxes and spending
- Obamacare
- oil/energy
what to expect

- uncertainty
- immigration
- international trade
- taxes and spending
- Obamacare
- oil/energy
- ugh, I need a lot more slides! but...
Real GDP
Logged Billions of 2009$, Seasonally Adjusted

Linear Trend
so far...

- some positive signs
- stock market
- gdp
- fed a bit more upbeat
Dow Jones Industrial Index (000’s)
Dow Jones Industrial Index (000’s)

Election

Jan 01 2016
Mar 01 2016
May 02 2016
Jul 01 2016
Sep 01 2016
Nov 01 2016
Jan 02 2017
Dow Jones Industrial Index (000’s)
Real GDP

Percent

−2
0
2
4
6
2.8%
0.8%
3.1%
4%
−1.2%
4%
5%
2.3%
2%
2.6%
2%
0.9% 0.8%
1.4%
3.5%
2013 2014 2015 2016

Econsnapshot.com Source: BEA

Real GDP quarterly change at an annual rate

year−over−year change
Figure 1. Medians, central tendencies, and ranges of economic projections, 2016–19 and over the longer run

Change in real GDP
- Median of projections
- Central tendency of projections
- Range of projections
Figure 2. FOMC participants’ assessments of appropriate monetary policy: Midpoint of target range or target level for the federal funds rate
more on unequality
unequality

noun | un·equal·i·ty | \ə-ni-ˈkwä-lə-tē\

1 : the quality of being unequal or uneven

2 : the condition of being variable

3 : the result of being affected differently by things
housing markets
housing inequality

- housing values are very local
Zillow Home Value Index (ZHVI)
Index (100 = Pre-Recession Maximum Value)
Zillow Home Value Index
Index (100 = Pre–Recession Max Value)
labor markets
continued strength across the region

- employment continues to expand

- unemployment low in most areas
Total Nonfarm Payrolls, Seasonally Adjusted

Index (Dec 2007 = 100)

Notes: December 2007 level in brackets.

Source: BLS & CA EDD
Total Civilian Employment, Seasonally Adjusted
Index (Jan 2010 = 100)

Note: Current level in brackets.
www.efp.ucsb.edu
Source: BLS & CA EDD
Unemployment Rate, Seasonally Adjusted

Percent (%)

Note: Most recent rate in brackets.
www.efp.ucsb.edu

Source: BLS & CA EDD
wage growth finally apparent

- average wages in US have been mostly flat
- lots of variation across CA
Inflation and Average Hourly Earnings
Percent change from a year ago, all private workers

CPI
AHE

−2 0 2 4
## Real Mean Wage Growth, 2016

<table>
<thead>
<tr>
<th></th>
<th>Emp. Wage Growth Share</th>
<th>Five Year</th>
<th>One Year</th>
<th>Share Below Min. Wage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total all occ.</td>
<td></td>
<td>2.8%</td>
<td>1.2%</td>
<td>15.0%</td>
</tr>
<tr>
<td>Comp. and Math.</td>
<td>3.5%</td>
<td>9.8%</td>
<td>2.4%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Health Pract.</td>
<td>4.8%</td>
<td>4.2%</td>
<td>1.6%</td>
<td>0.4%</td>
</tr>
<tr>
<td>Health Support</td>
<td>2.3%</td>
<td>10.0%</td>
<td>2.2%</td>
<td>4.4%</td>
</tr>
<tr>
<td>Food Prep./servers</td>
<td>9.4%</td>
<td>8.9%</td>
<td>6.7%</td>
<td>45.6%</td>
</tr>
<tr>
<td>Farm, Fish, For.</td>
<td>1.3%</td>
<td>2.5%</td>
<td>6.4%</td>
<td>61.7%</td>
</tr>
<tr>
<td>Constr. and Extr.</td>
<td>3.6%</td>
<td>0.5%</td>
<td>1.1%</td>
<td>0.5%</td>
</tr>
</tbody>
</table>
local wages

- wages are also very different across the county
<table>
<thead>
<tr>
<th>Payroll per Employee, 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Agriculture</td>
</tr>
<tr>
<td>Government</td>
</tr>
<tr>
<td>Ed. &amp; Health</td>
</tr>
<tr>
<td>Retail Trade</td>
</tr>
<tr>
<td>Leisure/hosp.</td>
</tr>
<tr>
<td>Prof. &amp; Bus.</td>
</tr>
</tbody>
</table>

*Source: CA EDD, (QCEW)*
## Payroll per Employee, 2015

<table>
<thead>
<tr>
<th>Industry</th>
<th>Emp. Shares North</th>
<th>Emp. Shares South</th>
<th>Earnings North</th>
<th>Earnings South</th>
<th>Pct Diff</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction</td>
<td>3.4%</td>
<td>4.3%</td>
<td>$49,373</td>
<td>$53,803</td>
<td>-8.2%</td>
</tr>
<tr>
<td>Financial</td>
<td>2.3%</td>
<td>4.0%</td>
<td>$44,104</td>
<td>$71,910</td>
<td>-38.7%</td>
</tr>
<tr>
<td>Information</td>
<td>0.7%</td>
<td>3.9%</td>
<td>$37,301</td>
<td>$95,846</td>
<td>-61.1%</td>
</tr>
<tr>
<td>Mining</td>
<td>1.2%</td>
<td>0.1%</td>
<td>$107,419</td>
<td>$120,668</td>
<td>-11.0%</td>
</tr>
<tr>
<td>Trans. &amp; Ware.</td>
<td>2.5%</td>
<td>1.1%</td>
<td>$45,202</td>
<td>$36,024</td>
<td>25.5%</td>
</tr>
<tr>
<td>Utilities</td>
<td>0.2%</td>
<td>0.1%</td>
<td>$51,577</td>
<td>$50,995</td>
<td>1.1%</td>
</tr>
<tr>
<td>Whlse. Trade</td>
<td>2.2%</td>
<td>2.6%</td>
<td>$60,763</td>
<td>$68,962</td>
<td>-11.9%</td>
</tr>
<tr>
<td><strong>Weighted Average</strong></td>
<td>$36,603</td>
<td>$55,985</td>
<td></td>
<td></td>
<td>-34.6%</td>
</tr>
<tr>
<td>w/ South Employment Shares</td>
<td>$38,543</td>
<td>$48,518</td>
<td>-31.2%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>w/ South Payroll per Employee</td>
<td>$38,543</td>
<td>$48,518</td>
<td>-13.3%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Source: CA EDD, (QCEW)*
income, math and computers

- as the table showed, info tech jobs are well paid

- where are the hot and growing areas?
Share of Employment in Computer and Mathematical Occupations, 2016

Source: CA EDD

Source: CA EDD
where does that leave us?
well, lots of uncertainty

- but the market seems to be more bull than bear
- employment and wages are up
- Fed sees maybe 3 increases in 2017
thanks!