

Economic Data

March 2017

(Data through March 13, 2017)

D.J.'s ECONOMIX

California CREDIT UNION LEAGUE NEVADA CREDIT UNION LEAGUE

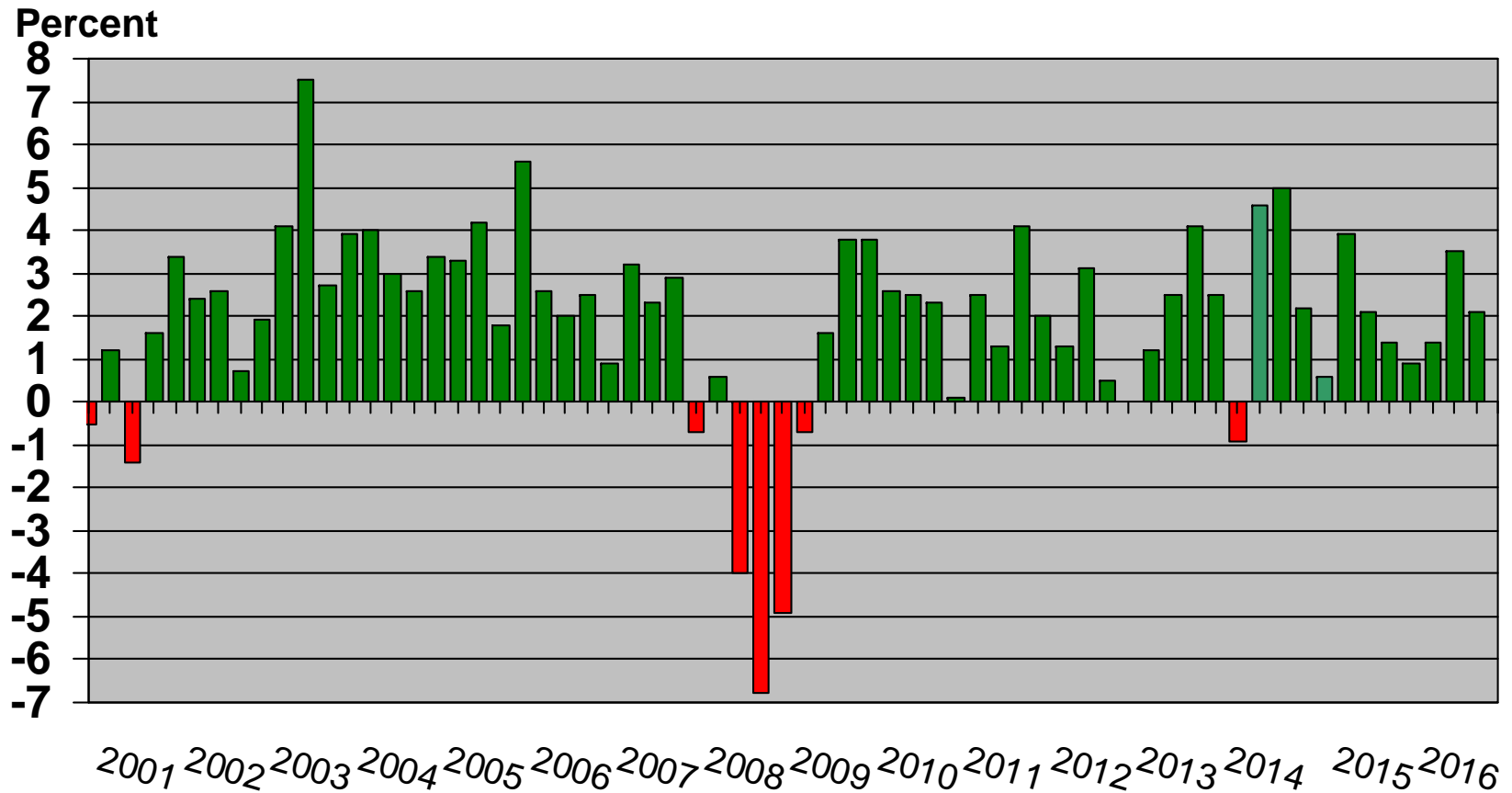


Monthly highlights

- Payroll growth continues to run “hot”
- Auto sales steady
- Year-over-year Retail Sales 5.6% higher
- Trump continues to impact the markets for better and worse
- FOMC almost certain to hike the funds rate on March 15

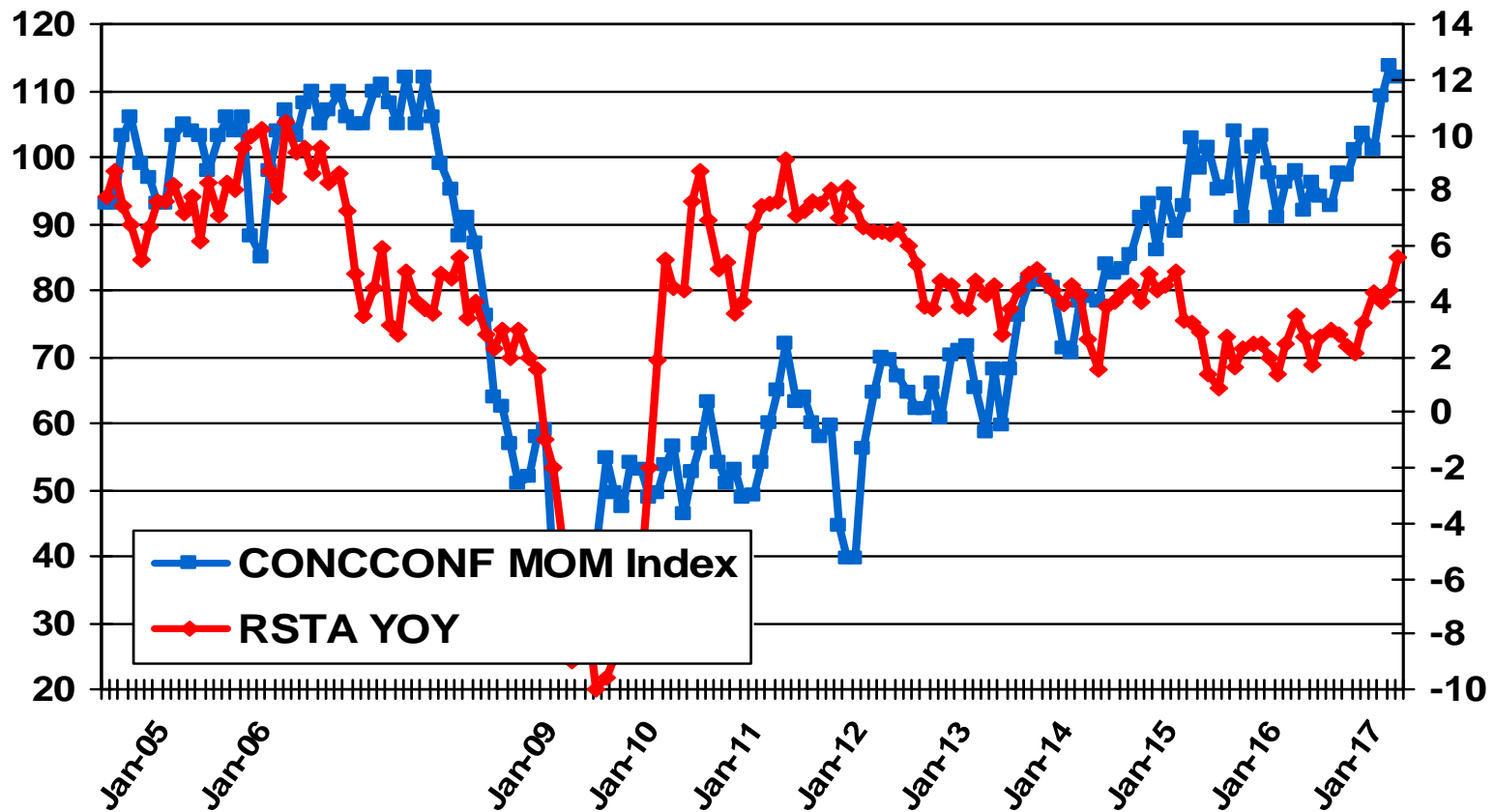
Real GDP—

Another 2% year



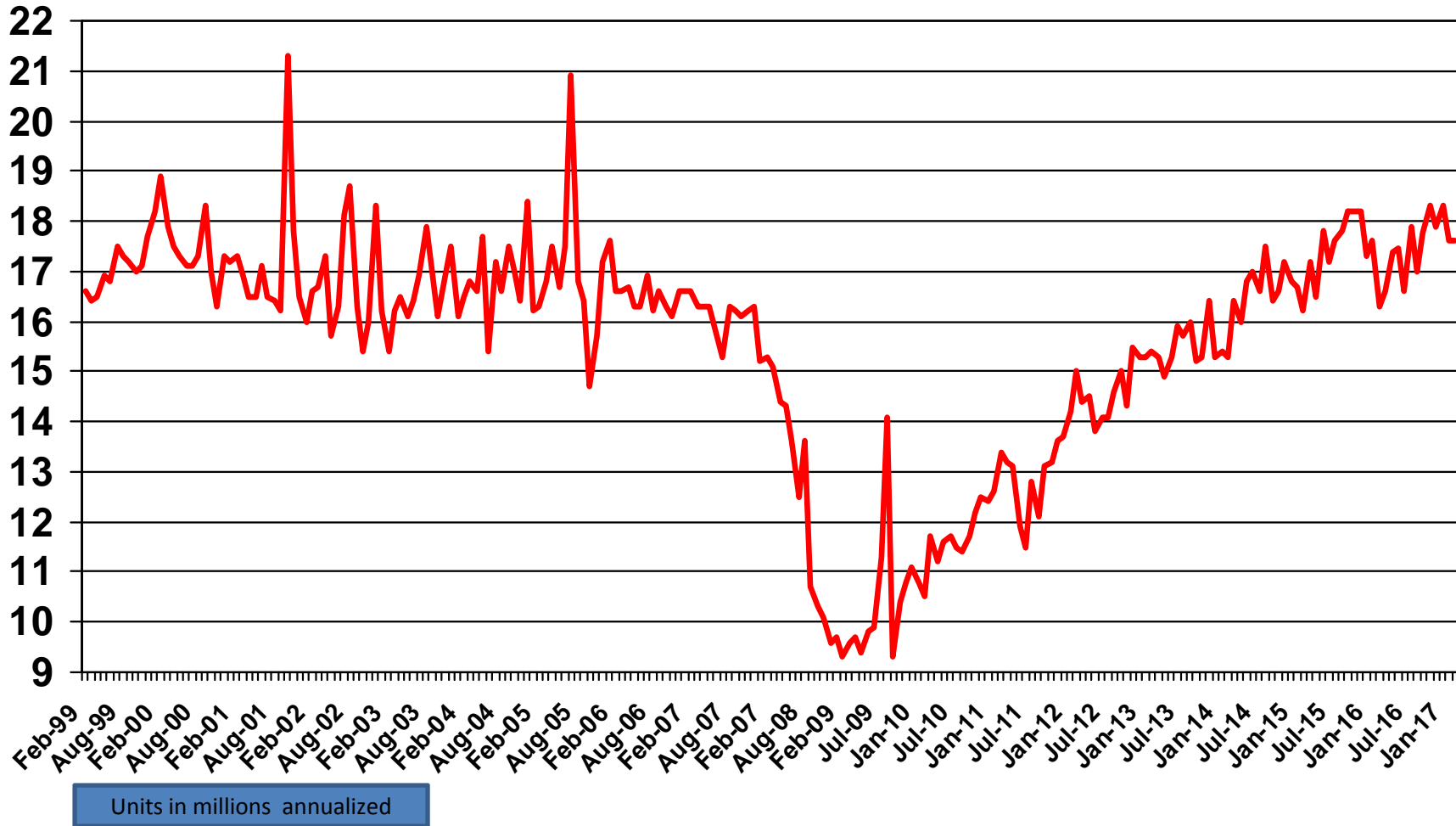
Retail Sales & Confidence —

Consumers still on a high



Total Vehicle Sales

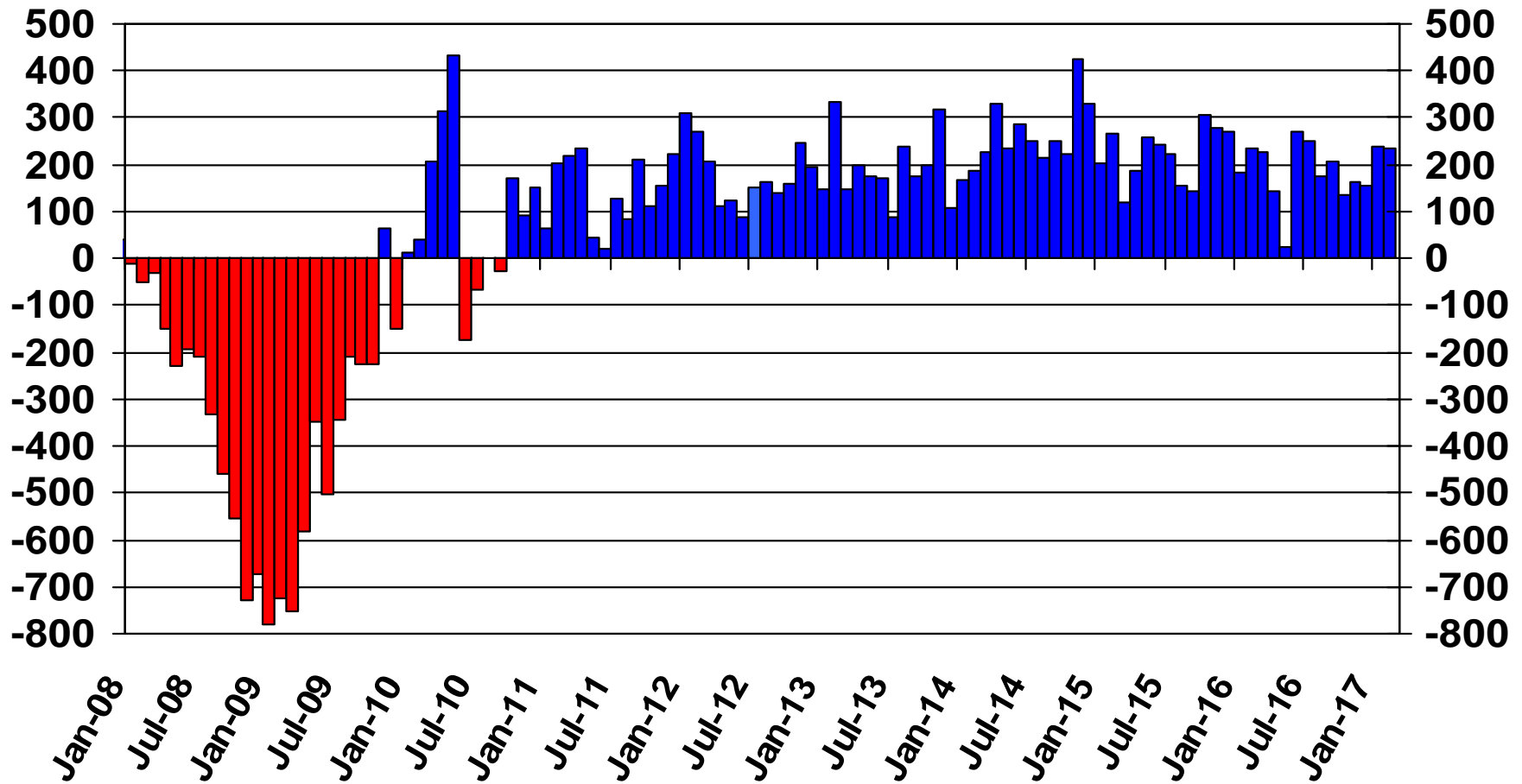
Auto sales confirm plateau



Signs still pointing up

- Year-over-year Retail Sales surge to 5.6% as Consumer Confidence remains above historical norms
- Auto sales hold steady at strong levels for early in the year
- ISM manufacturing and Non-manufacturing ISM post much better than expected gains

Nonfarm Payrolls



Payroll Growth

Job market remains healthy

- Another very good report with a gain of 235 in NFP—average for past twelve months 200k
- Biggest jump in ten years in construction jobs—58k
- All but retail sector report good gains
- U-6 rate (Discouraged and marginally attached) falls to 9.2%.
- Year-over-year wage gain up to 2.8%.
- Jobs outlook still positive for 2017—I expect average monthly gains of 125-150k by end of year on tight labor market; wages will move higher

A pause in the California job market

	Pre-recession High (2006)	Low (2009- 2011)	Current
NFP Payrolls	15,440	13,845	16,647
Construction	945	545	777
Manufacturing	1495	1230	1304
Trade/Transp.	2920	2600	3002
Bus. & Prof	2270	2030	2556
Government	2525	2360	2590
Leisure/Hosp	1580	1484	1918
Educ/Health	1992	2050	2546

Source BLS – January

Job Highlights for California

- Nonfarm payrolls up only slightly for second month in a row—too early to worry but time to pay attention
- Unemployment rate drops to 5.1%; lowest California UR ever was 4.7% in 2000
- Business/Professional and Trade sectors lead
- Trump trade policies are major threats to California trade, agriculture, and leisure sectors

Nevada — Large sectors

	High (2006)	Low (2009-2011)	Current
Nonfarm Payrolls	1,300	1,110	1,322*
Construction	146	47	82
Travel/leisure	340	302	351*
Trade/Transp.	233	204	244*
Bus. & Professional	162	133	179*
Government	162	146	159

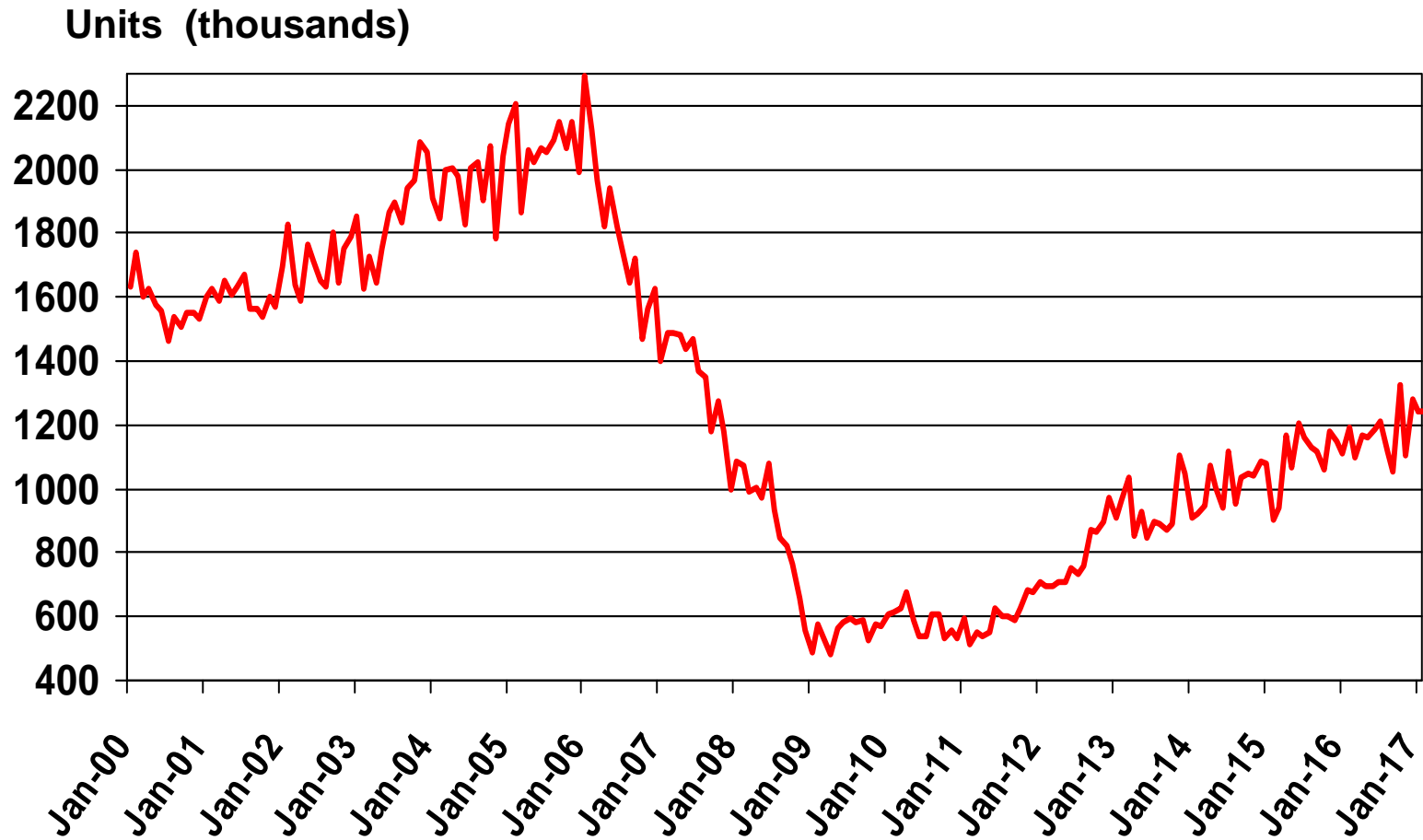
* New highs

Source BLS – January data

Nevada slow and steady

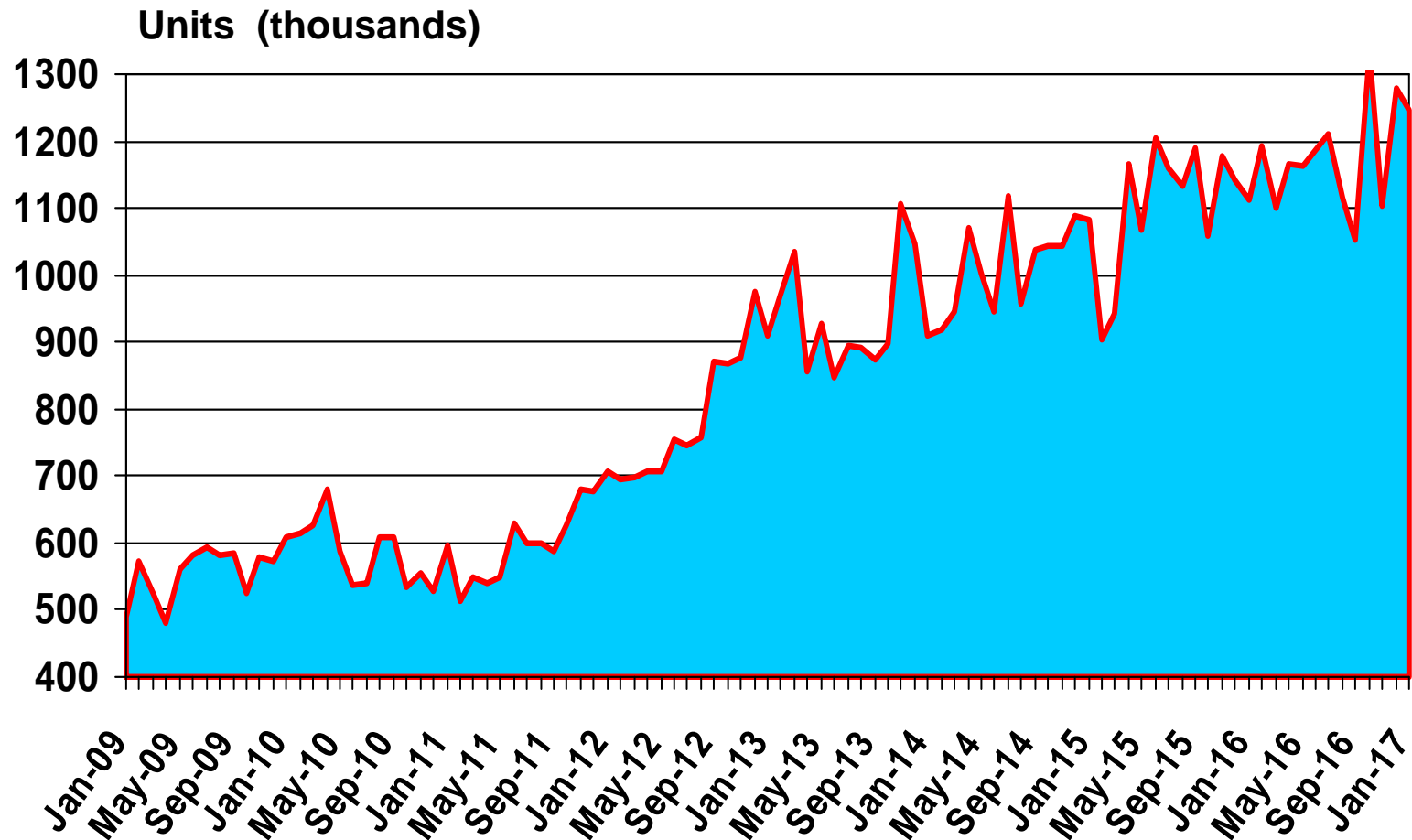
- Nonfarm Payrolls inching higher
- Unemployment Rate drops to 5.1%, lowest level since December 2007
- Outlook still positive for slow and steady growth
- Biggest risk — Trump on trade and foreign travel

Housing Starts — (January)



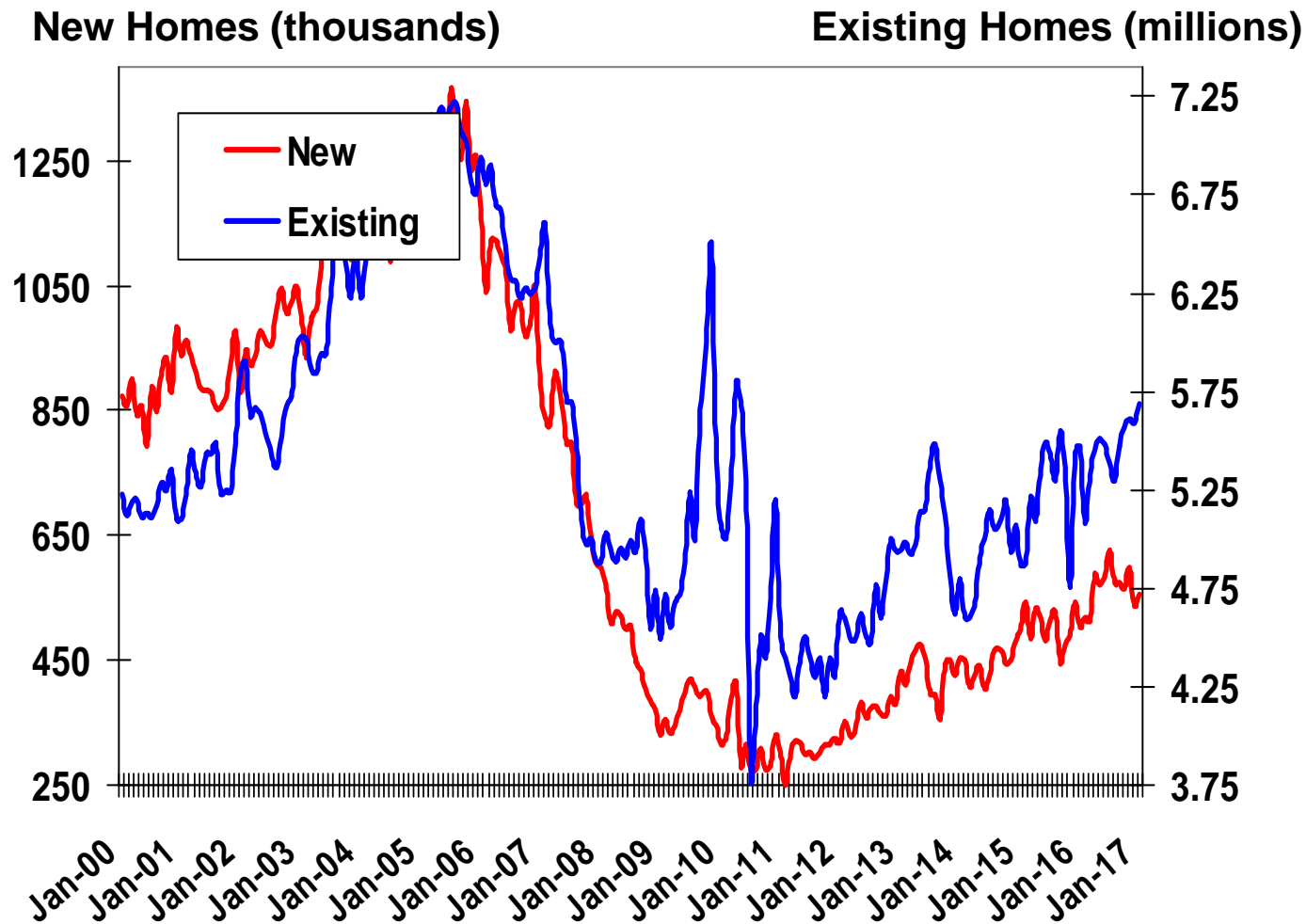
Housing Starts — (January)

(Apartment starts cause volatility)



Home Sales — (January)

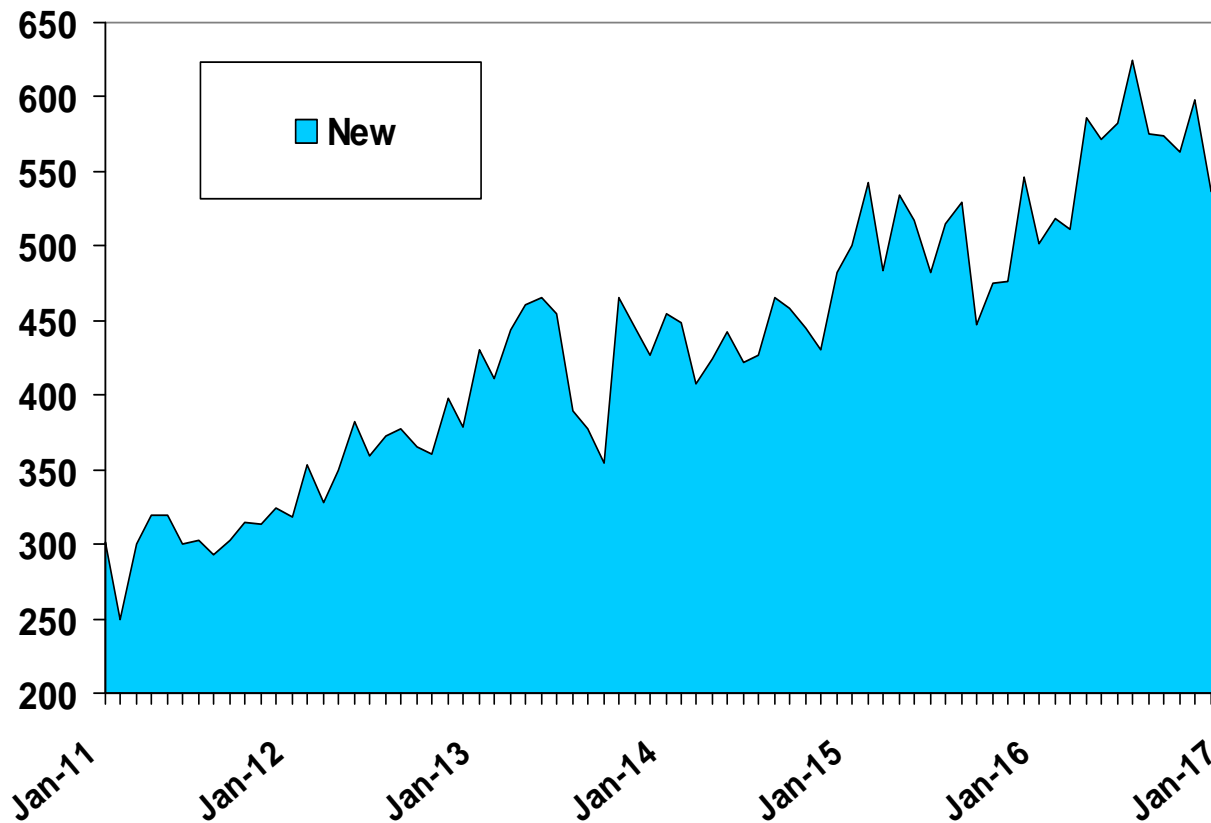
Home sales off to good start



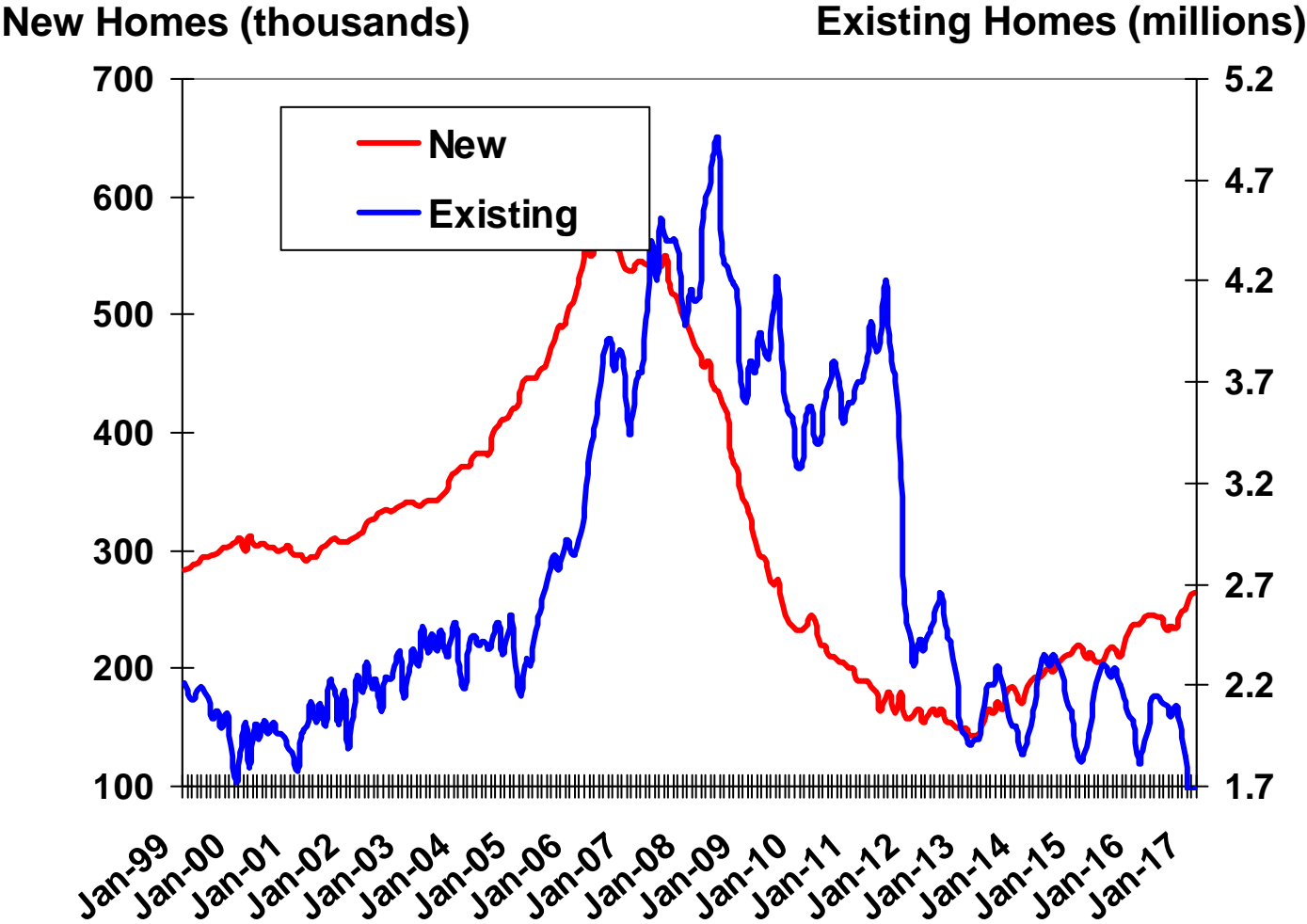
New Home Sales — (January)

Volatile but trending higher

New Homes (thousands)



Home Inventories — Single Family



California/Nevada y-o-y median home price

	January 2016	January 2017	% gain
LA County	\$490,000	\$525,000	7.1%
San Diego Co	\$463,000	\$495,000	6.9%
Orange	\$617,000	\$635,000	2.9%
River.	\$310,000	\$330,000	6.5%
Bay Area	\$628,500	\$630,000	1.6%
Sacramento	\$270,000	\$295,000	9.4%
Fresno	\$225,000	\$230,000	2.2%
Las Vegas	\$216,000	\$235,000	8.7%

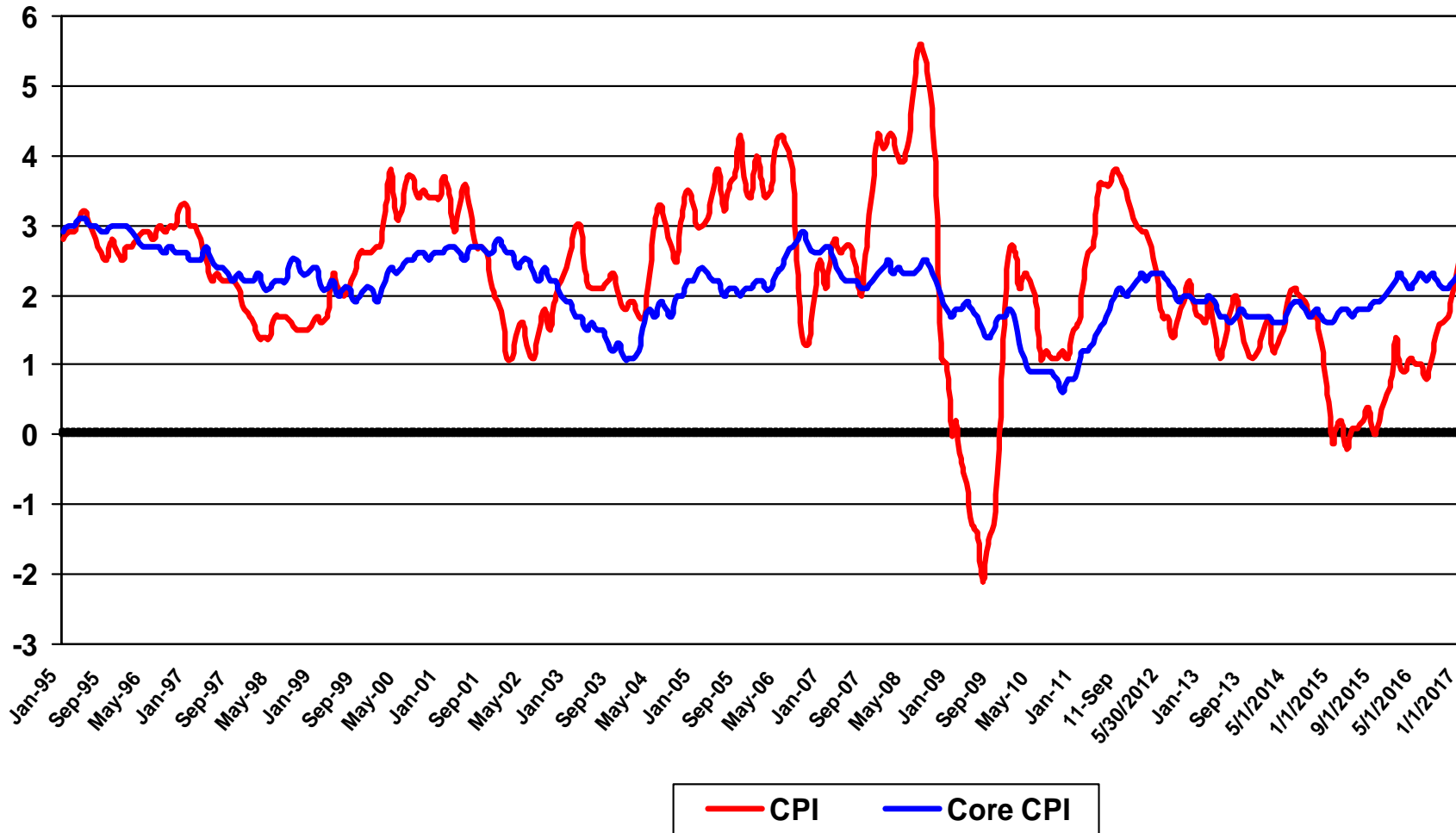
Sources: CoreLogic and GLVBR

Housing — current state

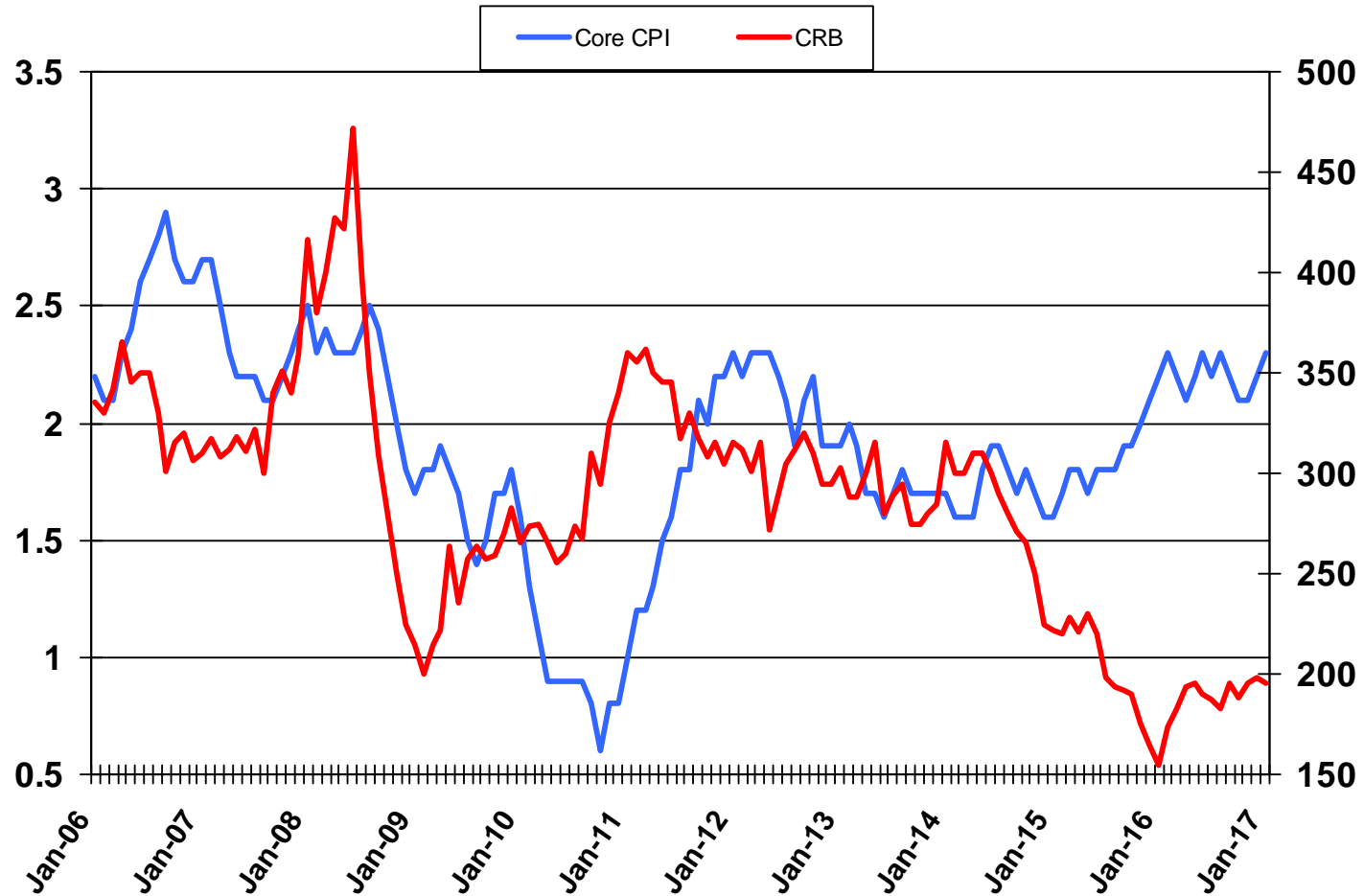
- *Beware median home prices*—Almost all areas are up on year-over-year basis but at or below 2016 high
- Seasonal weakness in sales volume
- Lack of supply still a major factor in most markets
- Biggest risk is rising rates in higher priced areas
- Not a bubble, but home price inflation coming to an end
- Housing looks solid longer-term with big rental pool

CPI & Core CPI Year-over-year

Headline CPI exceeds core rate



Inflation in service prices keeps the core rate higher



General outlook improves into 2017 but risks loom

- Job growth should remain steady
- Wage gains likely to become a big story in 2017
- Trump corporate tax cuts could boost business spending—but delays could drain optimism
- Some regulatory relief also possible
- Europe represents biggest non-Trump risk but conditions are improving