

# *Economic Data*

April 2017

(Data through April 12, 2017)

D.J.'s ECONOMIX

 California  NEVADA  
CREDIT UNION LEAGUE CREDIT UNION LEAGUE

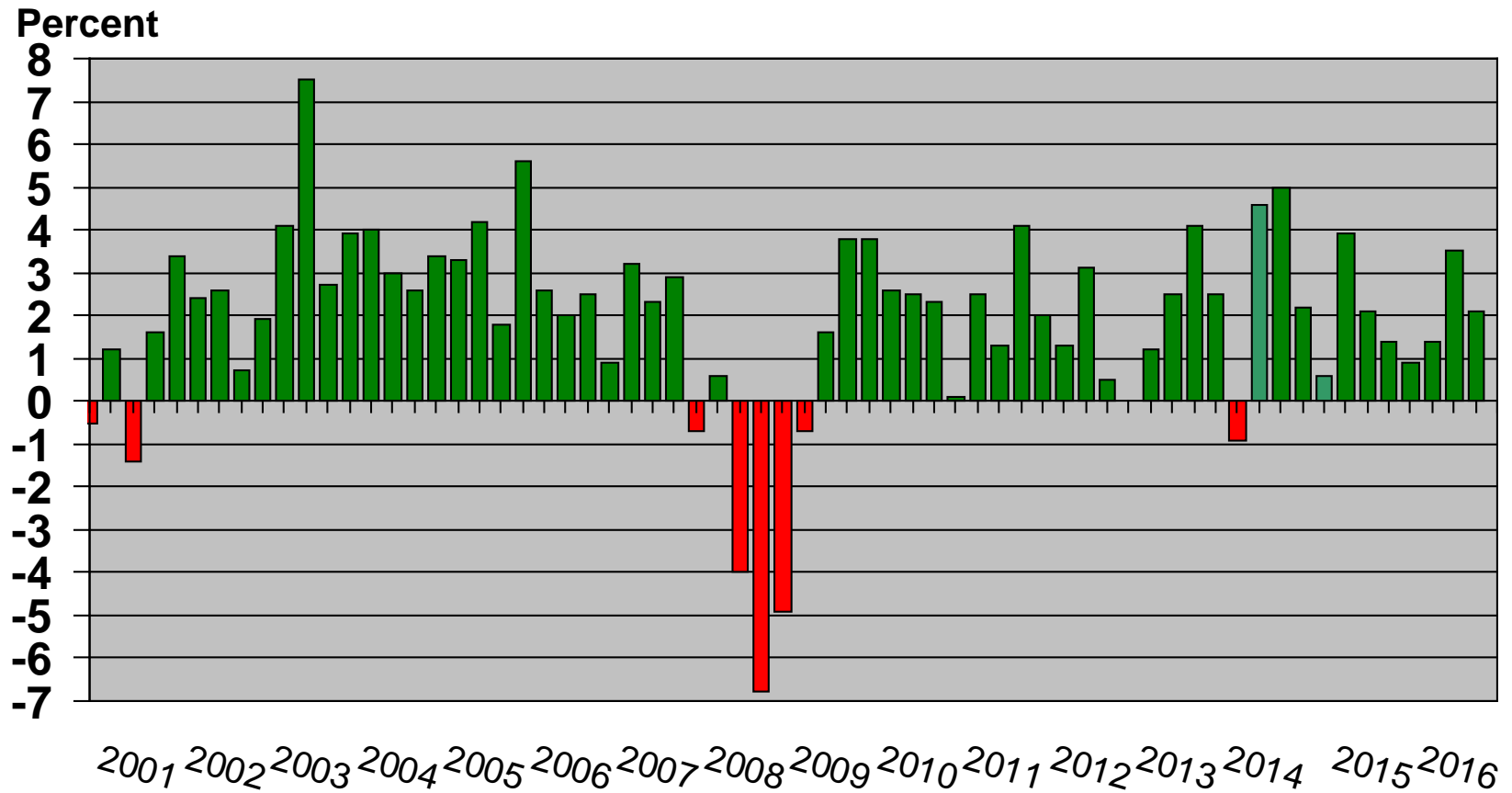


# Monthly highlights

- Payroll growth stumbles
- Auto sales take a step backward
- Year-over-year Retail Sales holding near multi-year highs
- Trump continues to impact the markets for better and worse
- FOMC raises rates and sets path to two or three more hikes — but markets and politics will determine actual path

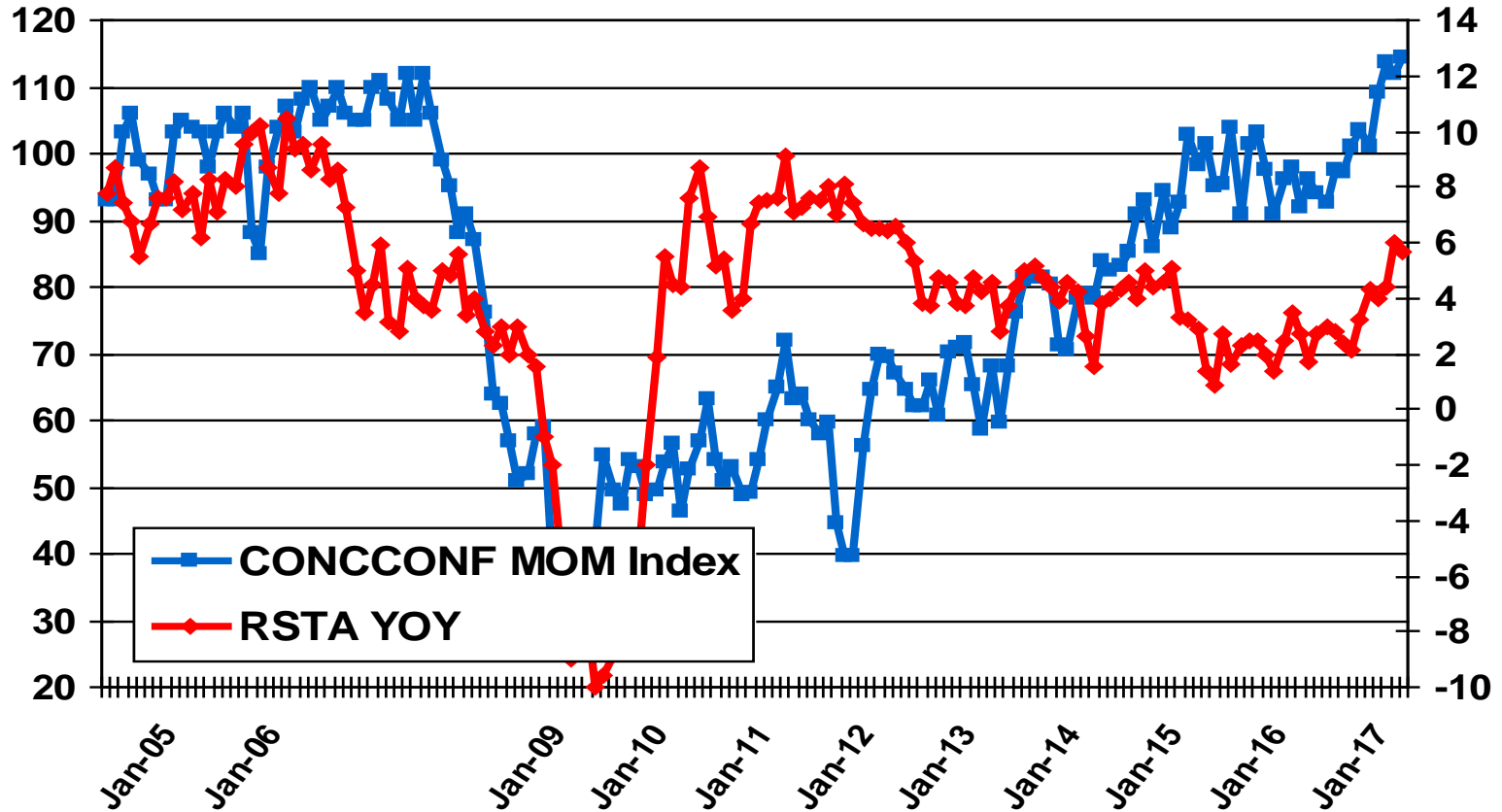
# Real GDP—

Another 2% year



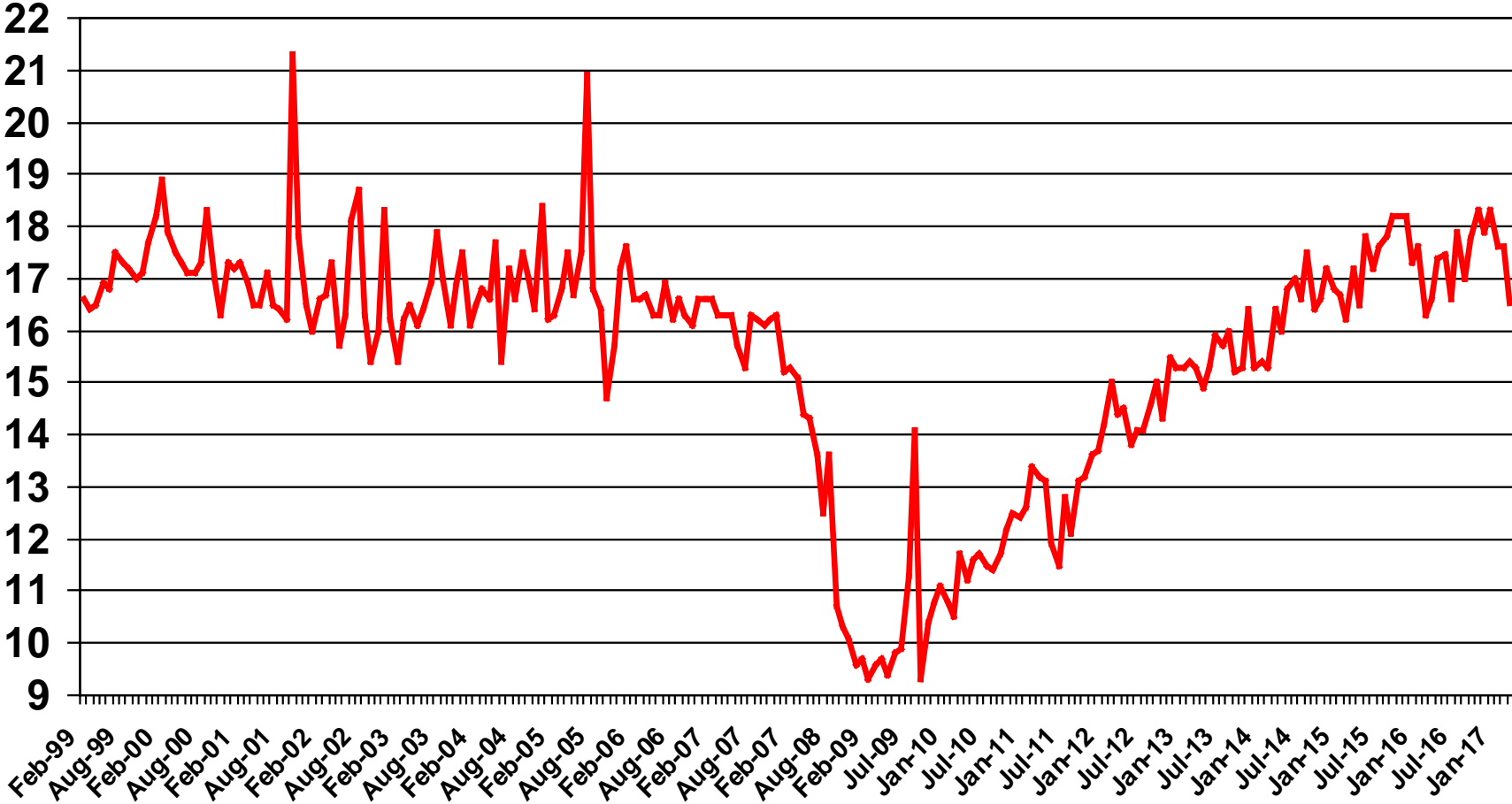
# Retail Sales & Confidence —

## Consumers still on a high



# Total Vehicle Sales

Peak autos?

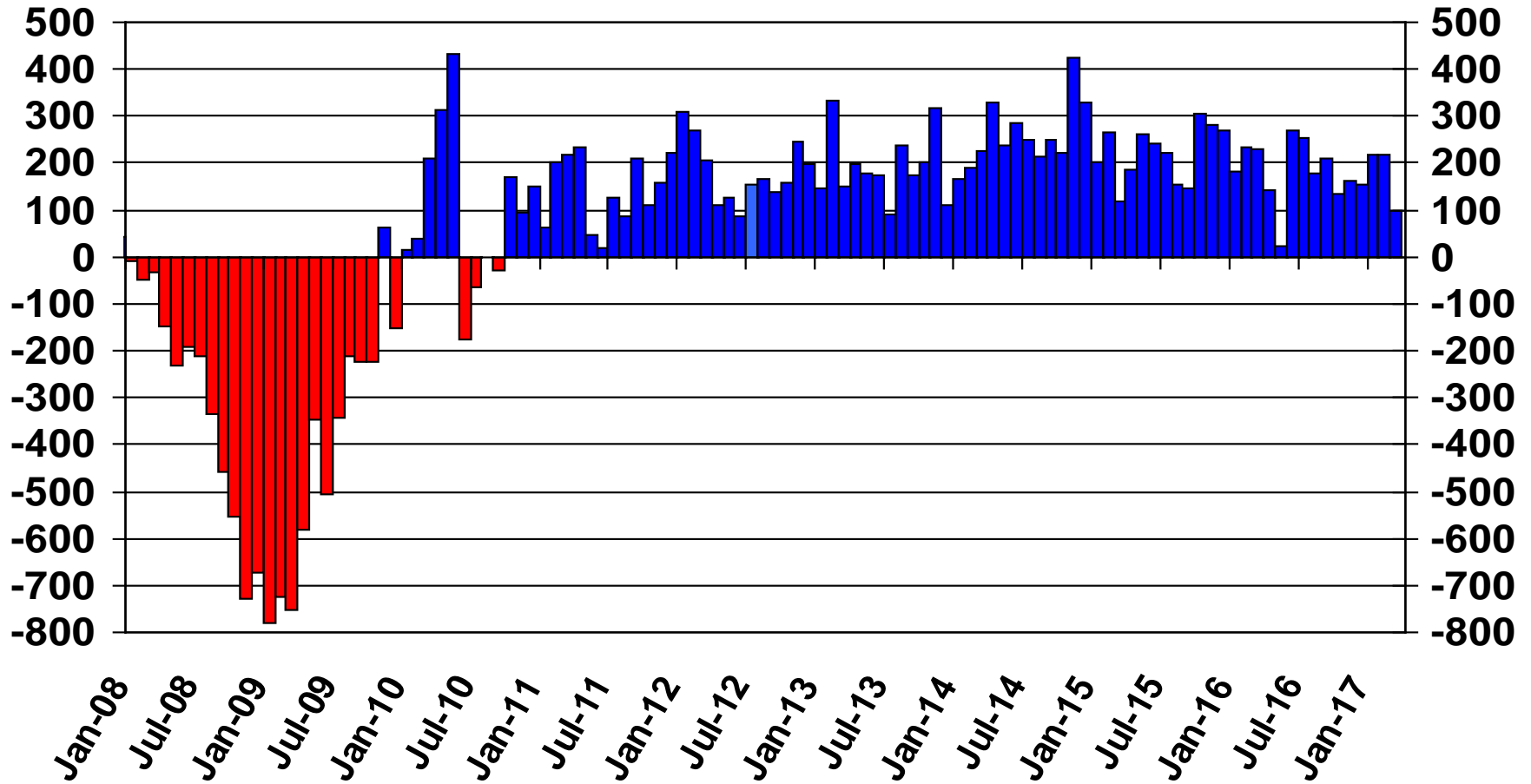


Units in millions annualized

# Auto sales aside, signs still pointing up

- Year-over-year Retail Sales surge to 5.6% as Consumer Confidence best since 2001
- Auto sales dip in March — could be one-month aberration but bears watching
- Glut of used cars and declining prices could be causing consumers to switch — good for c.u.'s
- Jobs and confidence should continue to support growth in the consumer sector

# Nonfarm Payrolls



# Payroll Growth

## Payroll gain disappoints

- Nonfarm Payroll gain of 98k likely an aberration due to seasonal adjustment factors
- Three month average of 178k is still good considering labor market tightness
- Business/Professional sector leads
- Weakness in retail sector is secular and not aberration
- UR rate of 4.5% lowest since May 2007
- Year-over-year wage gain up to 2.7%.
- 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



# Hiring picks up but pace still modest in California

	Pre-recession High (2006)	Low (2009- 2011)	Current
<b>NFP Payrolls</b>	15,440	13,845	<b>16,676</b>
<b>Construction</b>	945	545	783
<b>Manufacturing</b>	1495	1230	130
<b>Trade/Transp.</b>	2920	2600	3021
<b>Bus. &amp; Prof</b>	2270	2030	2561
<b>Government</b>	2525	2360	2593
<b>Leisure/Hosp</b>	1580	1484	1920
<b>Educ/Health</b>	1992	2050	2538

Source BLS – February

# Job Highlights for California

- Nonfarm payrolls perk up after weakness for two months — still running below average for last three years
- Unemployment rate drops to 5.0%; lowest California UR ever was 4.7% in 2000
- Construction and 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
<b>Nonfarm Payrolls</b>	1,300	1,110	<b>1,325*</b>
<b>Construction</b>	146	47	81
<b>Travel/leisure</b>	340	302	352*
<b>Trade/Transp.</b>	233	204	242*
<b>Bus. &amp; Professional</b>	162	133	181*
<b>Government</b>	162	146	158

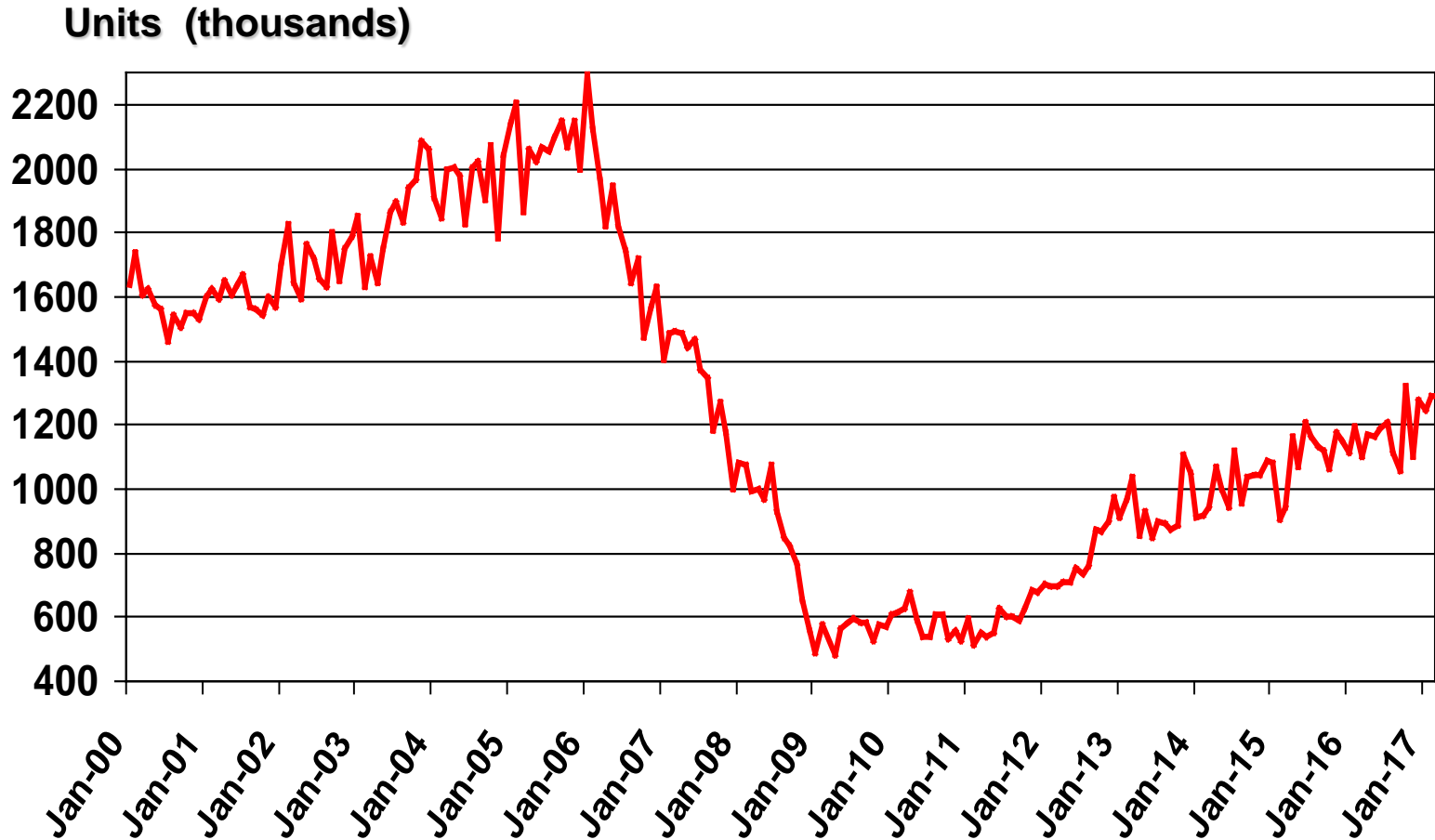
\* New highs

Source BLS – February data

# Nevada slow and steady

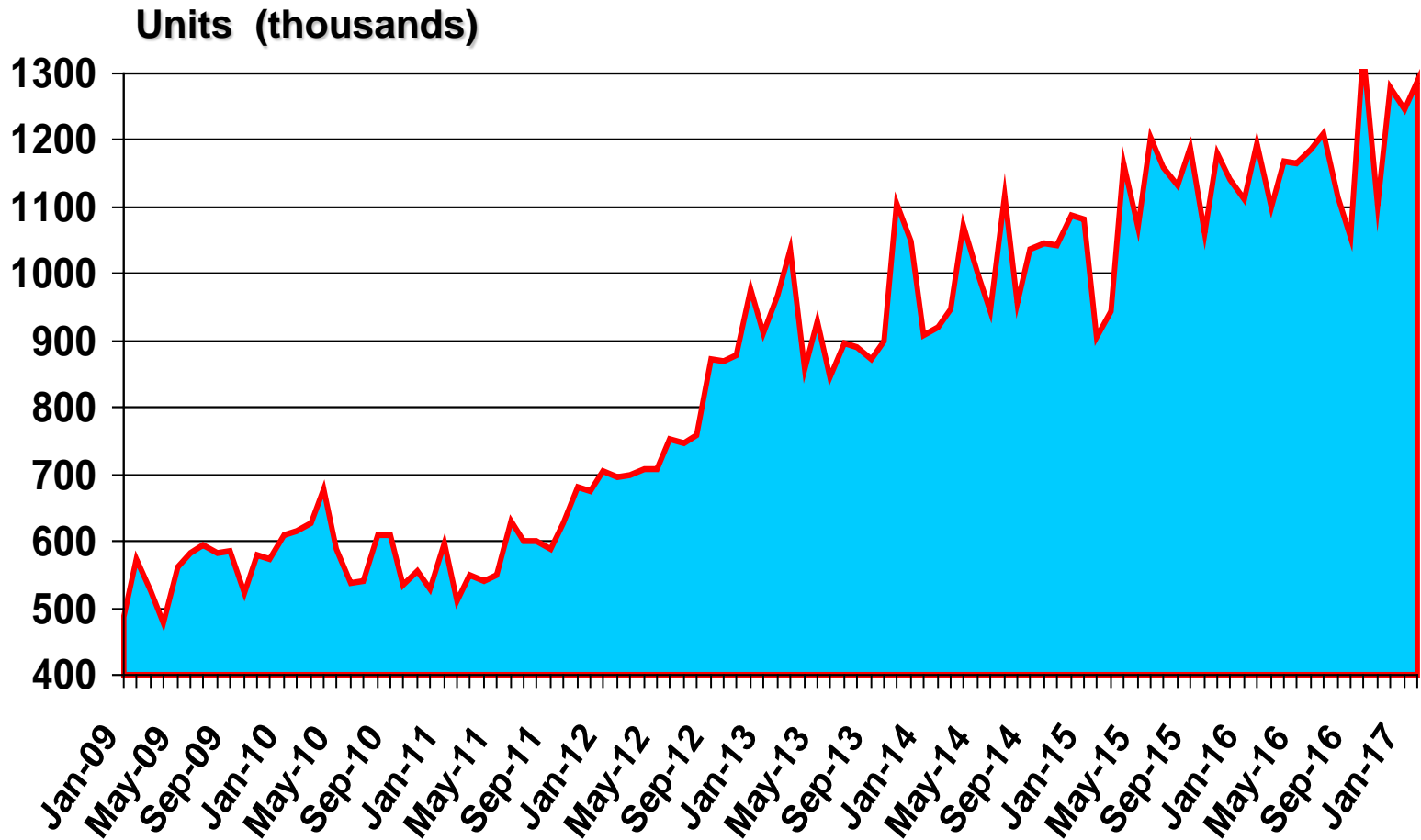
- Nonfarm Payrolls inching higher
- Although slow gains in payrolls, Nevada among tops in percentage gains over the last year
- Unemployment Rate drops to 4.9%, lowest level since March 2007
- Outlook still positive for slow and steady growth
- Biggest risk — Trump on trade and foreign travel

# Housing Starts — (February)



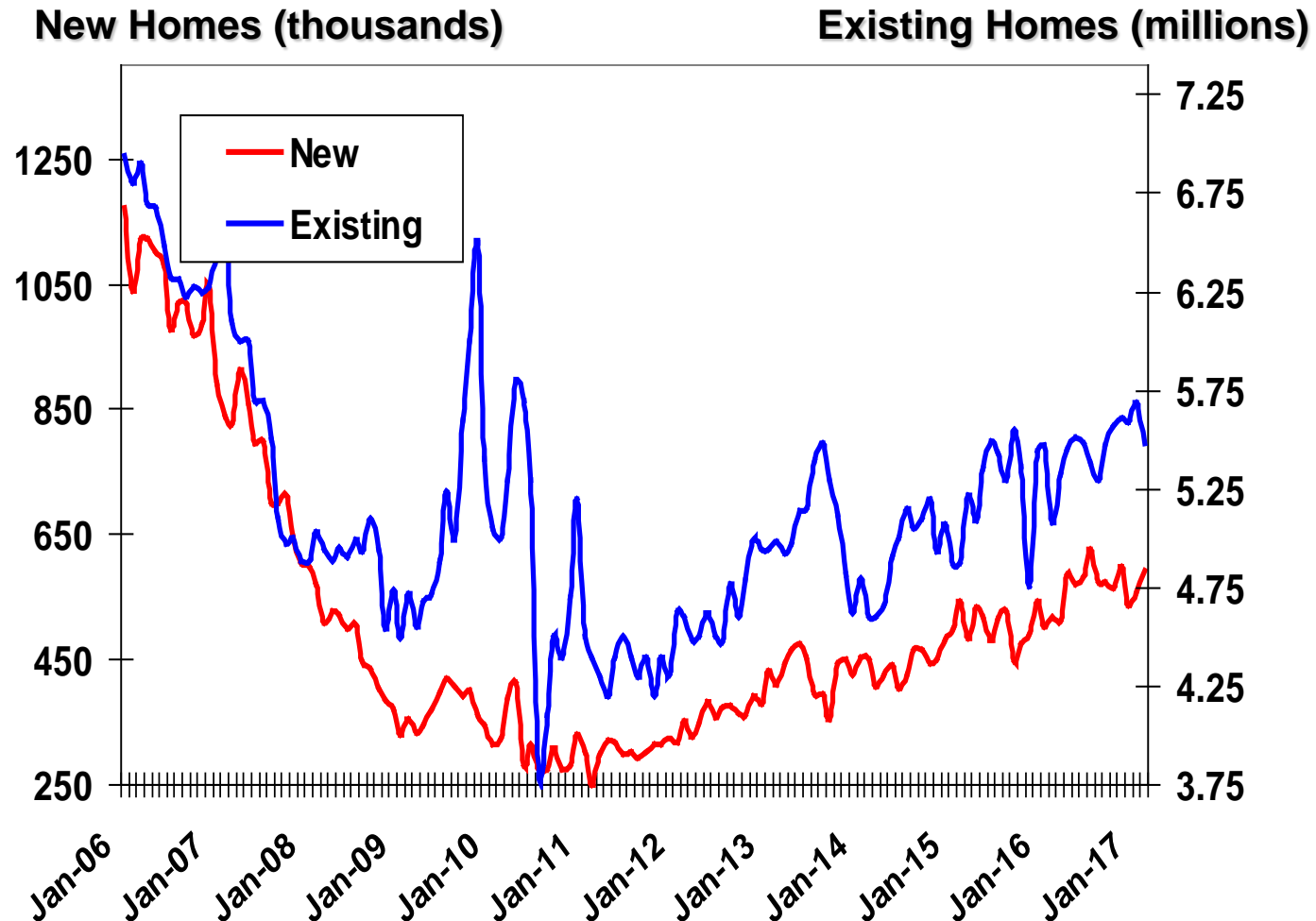
# Housing Starts — (February)

(Apartment starts cause volatility)



# Home Sales — (February)

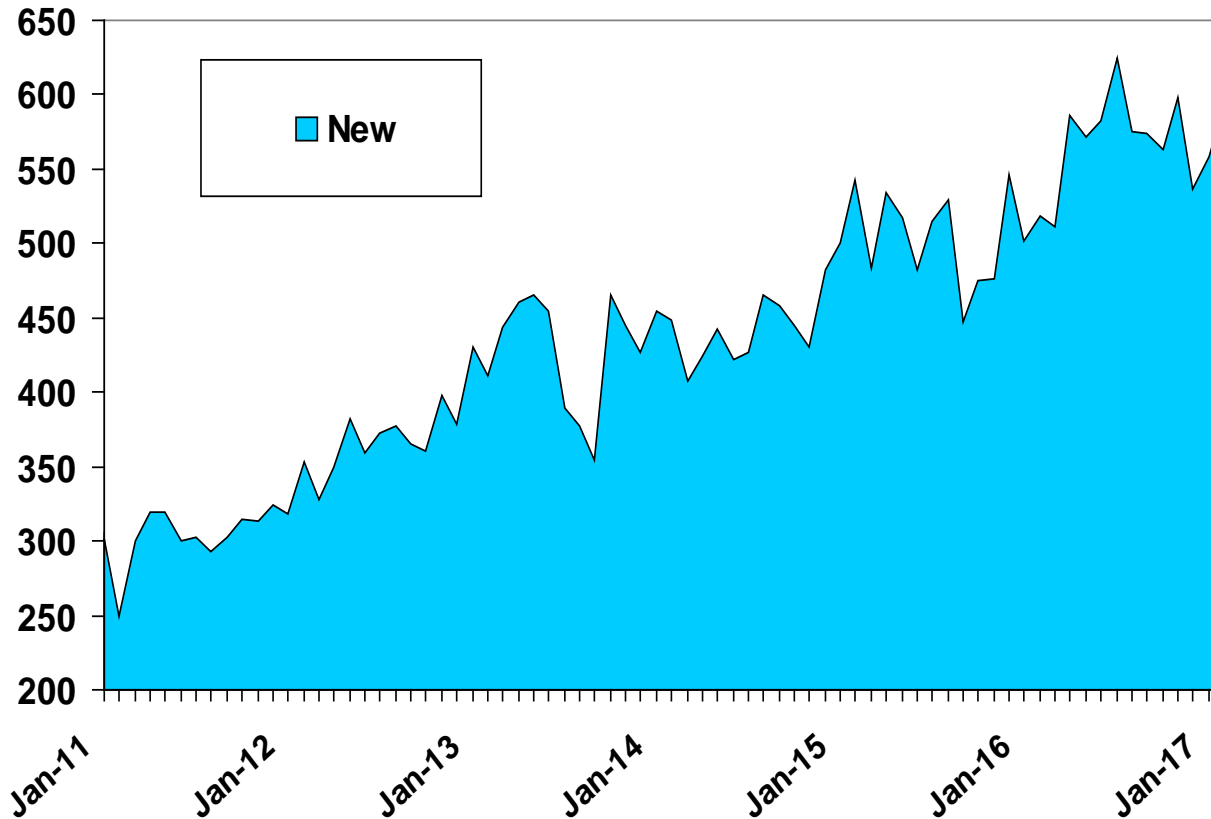
Home sales off to good start



# New Home Sales — (February)

Volatile but trending higher

New Homes (thousands)

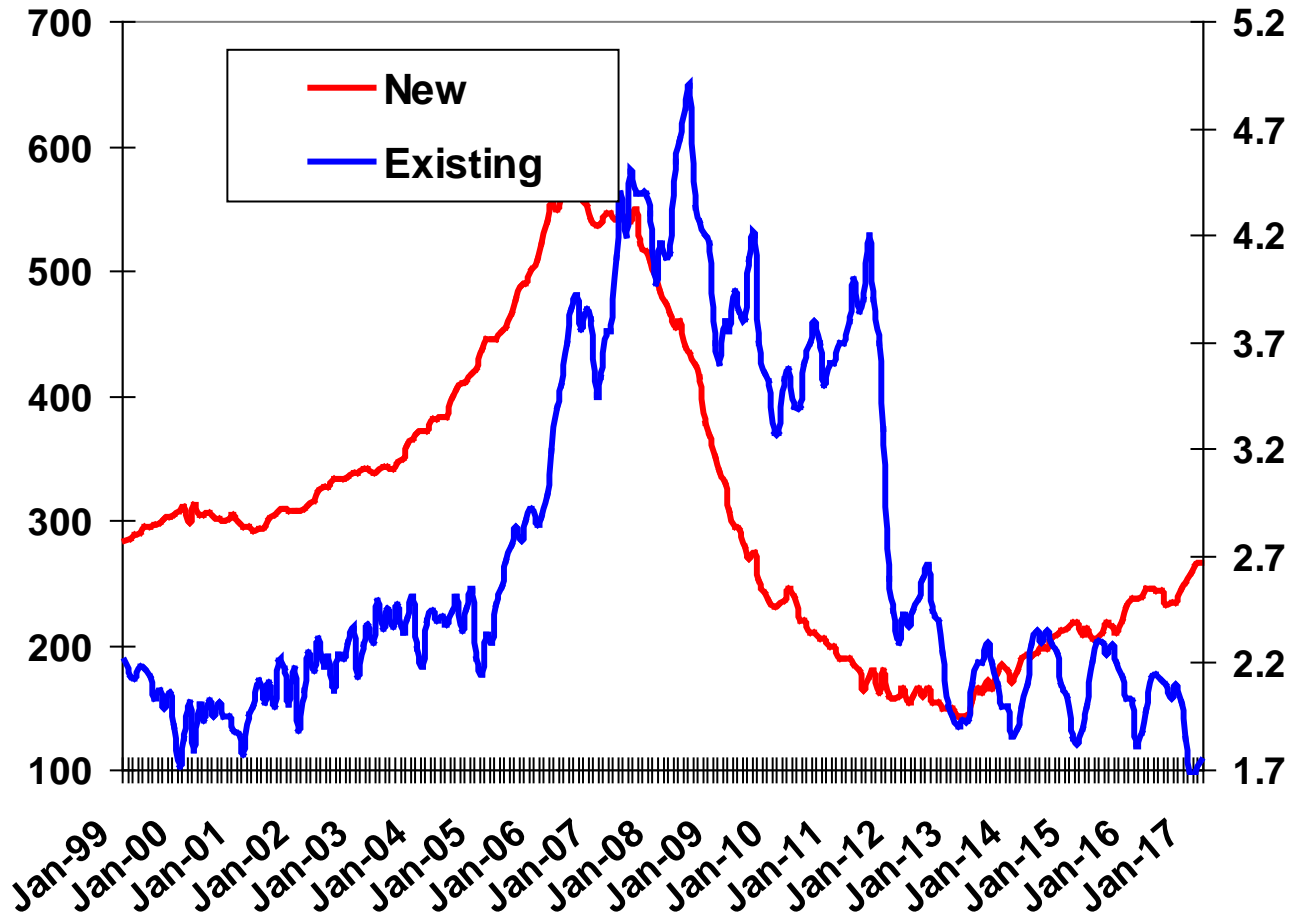




# Home Inventories — Single Family

New Homes (thousands)

Existing Homes (millions)



# *California/Nevada y-o-y median home price*

	February 2016	February 2017	% gain
LA County	\$488,000	\$525,000	7.5%
San Diego Co	\$455,000	\$492,000	8.1%
Orange	\$610,000	\$645,000	5.7%
River.	\$315,000	\$346,000	10.0%
Bay Area	\$608,000	\$675,000	11.4%
Sacramento	\$285,000	\$306,000	7.4%
Fresno	\$215,000	\$230,000	7.0%
Las Vegas	\$222,000	\$240,000	8.1%

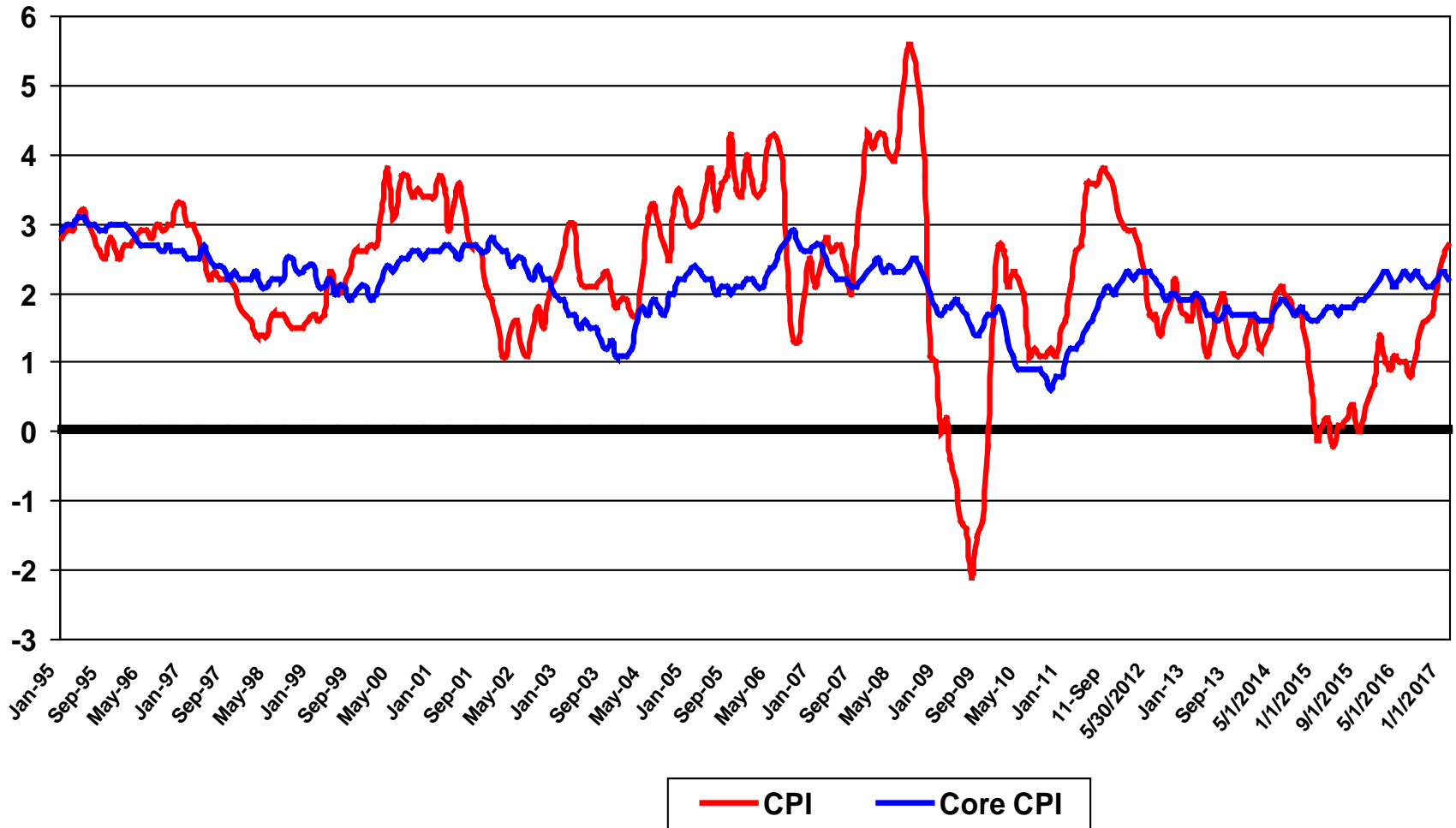
Sources: CoreLogic and GLVBR

# Housing — current state

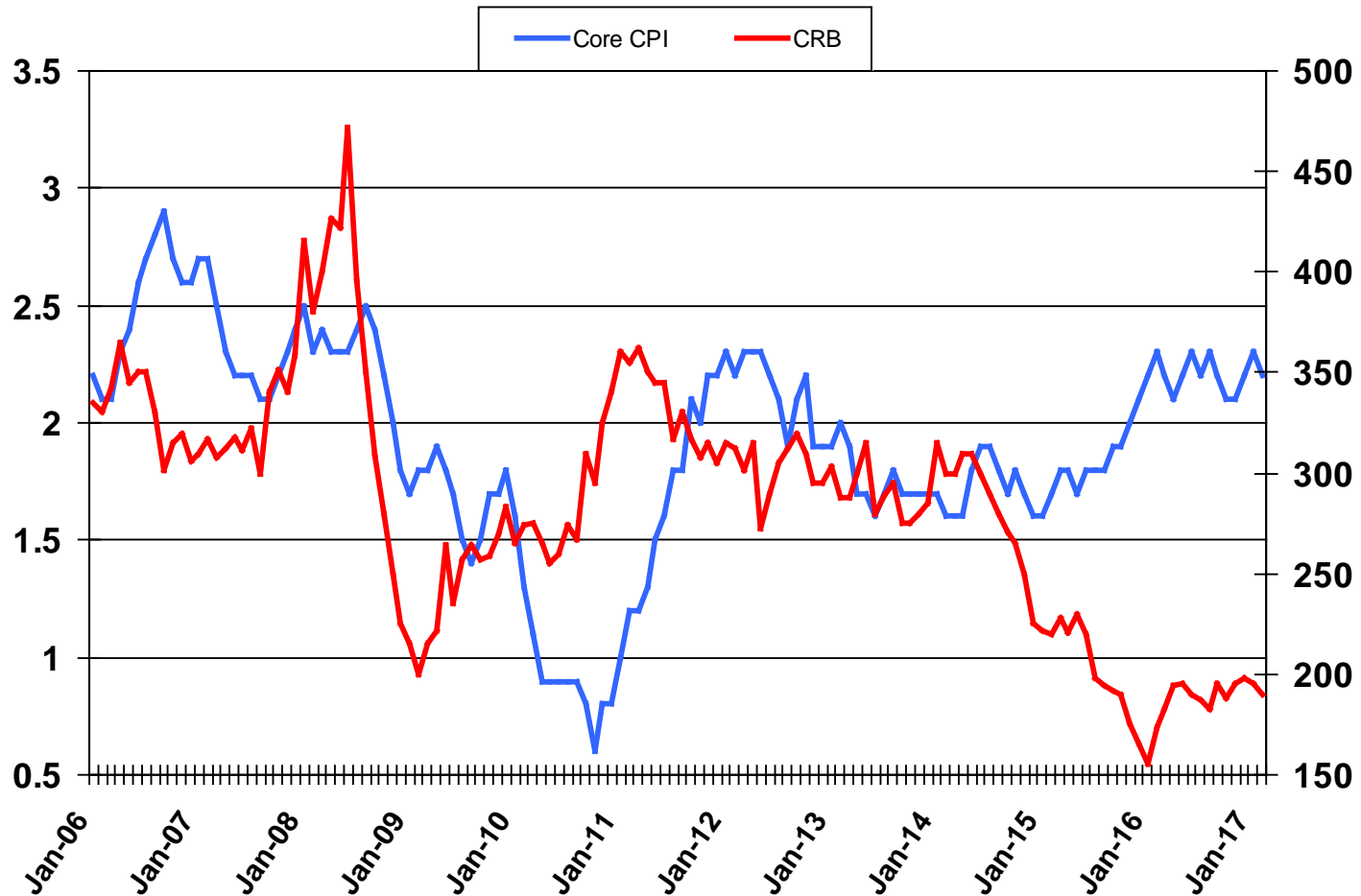
- *Beware year-over-year median home prices* — Many areas are up on y-o-y basis but at or below 2016 high — LA down 5% from June 2016
- Scramble for few homes in lower end of the market
- Some weakness in uber-high end
- Biggest risk is rising rates in higher priced areas
- Not a bubble, but home price 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

- Do not be surprised if more data cools from hot early pace — focus on longer-term averages
- Job growth should remain steady but monthly average should decline
- Wage gains likely to become a big story in 2017
- Trump corporate tax cuts could boost business spending — but delays could drain optimism
- Europe represents biggest non-Trump risk but conditions are improving