PRESENTATION AGENDA

- Overview and Recent Developments
- Inflation and Monetary Policy
- Risks and Recession Worries
DECLINING CALIFORNIA POPULATION

The graph illustrates the components of change in California's population from 1991 to 2021. It shows the trends in net migration, births, deaths, and the net effect on population over the years. The net effect indicates a decline in population from the mid-2000s onwards, with significant decreases in net migration and births, and increases in deaths, leading to a net decline.
MIXED ECONOMIC SIGNALS

California recovers pandemic job losses amid economic woes

By ADAM BEAM
November 18, 2022

Recent tech layoffs: The great reset after a pandemic boom

California About to Become the World’s 4th-Largest Economy

Published 4 weeks ago on October 24, 2022
By gwvea

Winter looms in Ukraine as Russian invasion enters 10th month

The Fed makes history with a fourth straight three-quarter-point rate hike

by Nicole Crescinti, CNN Business
Updated 4:07 PM EST, Wed November 2, 2022
GDP recovered in 2021 Q1, after dropping 30% in 2020 Q2

- Record-low unemployment rate (3.8% in September 2022)

- Recovered 2.7M+ jobs lost in March and April 2020

↑ 30,800 more jobs as of October 2022
## STRONG LABOR MARKET RECOVERY

<table>
<thead>
<tr>
<th></th>
<th>Unemployment Rate</th>
<th>California</th>
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<tbody>
<tr>
<td><strong>U.S.</strong></td>
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<tr>
<td>3.5% (Jul-22, Sep-22)</td>
<td>Record-low</td>
<td>3.8% (Sep-22)</td>
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<tr>
<td>3.7% (Oct-22)</td>
<td>Latest</td>
<td>4.0% (Oct-22)</td>
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### Nonfarm Employment

<table>
<thead>
<tr>
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<th>Relative to Feb-20</th>
<th>Full recovery month</th>
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<tbody>
<tr>
<td>100.5%</td>
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<tr>
<td>August 2022</td>
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Since April 2020:
- Gained jobs in all but 3 months (Dec-20, Jan-21, Sep-21)
- Added nearly 1 out of every 8 new U.S. jobs
INFLATION CONTINUES TO BE BROAD-BASED

The Components of CPI

Source: U.S. Bureau of Labor Statistics
FEDERAL RESERVE ACTIONS TO COMBAT INFLATION
U.S. REAL GDP CONTRACTS IN FIRST HALF OF 2022

Contributors to U.S. Real GDP Growth

- **Consumption**
- **Government**
- **Investment**
- **Net Exports**

**2022:1**
- 1.6% decrease

**2022:2**
- 0.6% decrease

**2022:3**
- 2.6% increase

**2022:4**
- 7.9% increase to match the long-run average of 2%
- 0.3% decrease to break even

Source: U.S. Bureau of Economic Analysis; CA Department of Finance, May Revision Forecast
LOOKING AHEAD …
WORRIES OF RECESSION
CALIFORNIA EXPECTED TO FACE BUDGET DEFICIT

California likely to have $25 billion budget deficit: report

California Heads for a Budget Crunch
The state that relies on the rich for revenue now faces a $25 billion shortfall.

Opinion: California’s Big Budget Surplus Evaporates as Income Tax Revenues Fall

California faces budget deficit despite nearly $100 billion surplus last fiscal year

Triple threat to California’s budget
FY 2020-21 BUDGET OVERVIEW

May Revision 2020-21 Projected Deficit

$54.3B

Governor’s Budget 2020-21 Actual Surplus

$75.7B
RISKS TO CALIFORNIA ECONOMY
California's economy is poised to overtake Germany after showing steady growth.