Social Narratives / Economic Realities

Policy Turbulence and the U.S. Outlook

Focus on Silicon Valley

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Founding Partner, Beacon Economics

June 2025

Beacon Economics

Economic research firm founded in 2006 with a commitment to letting the *data* determine the *answer*.

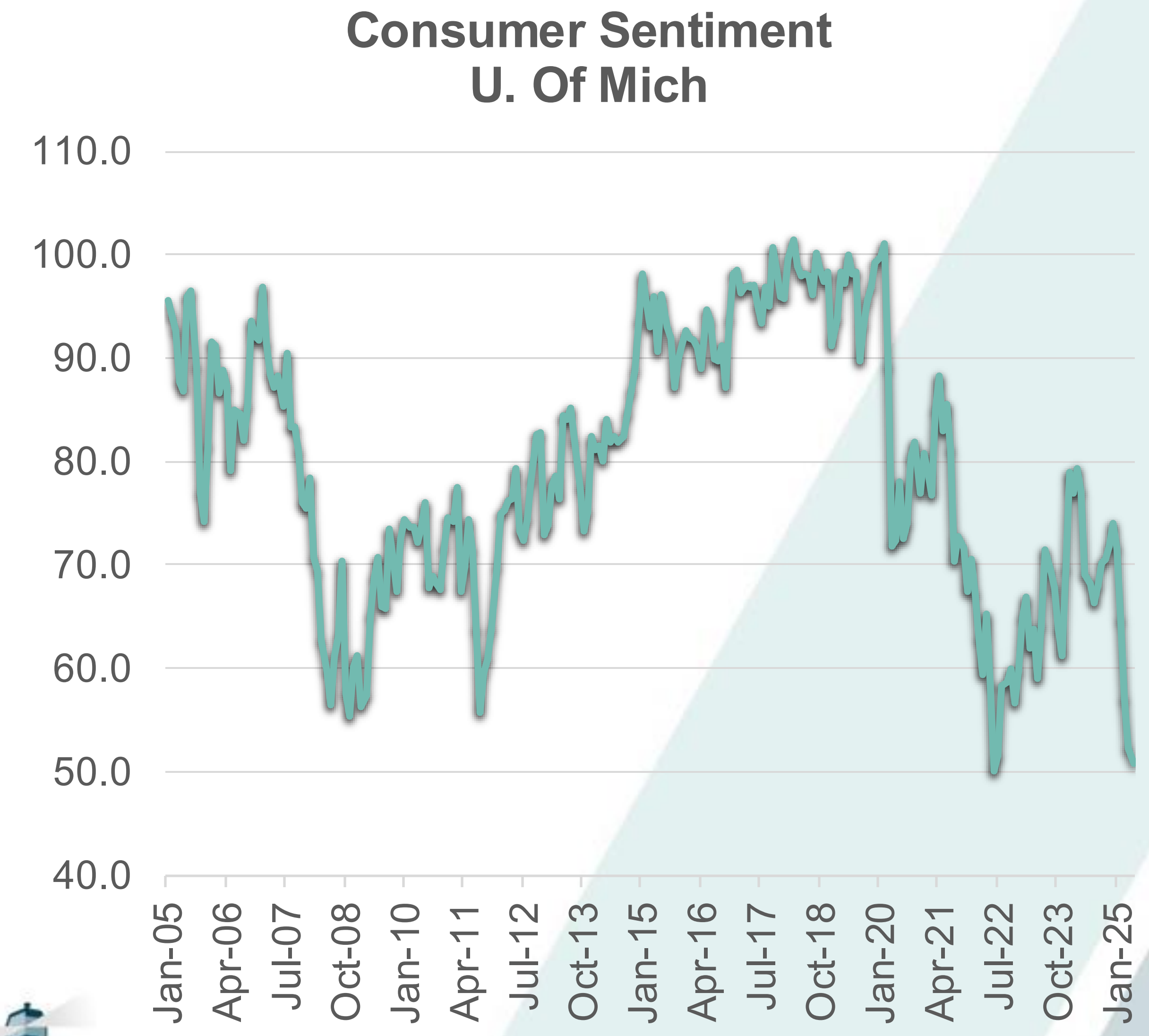
Today's Presentation

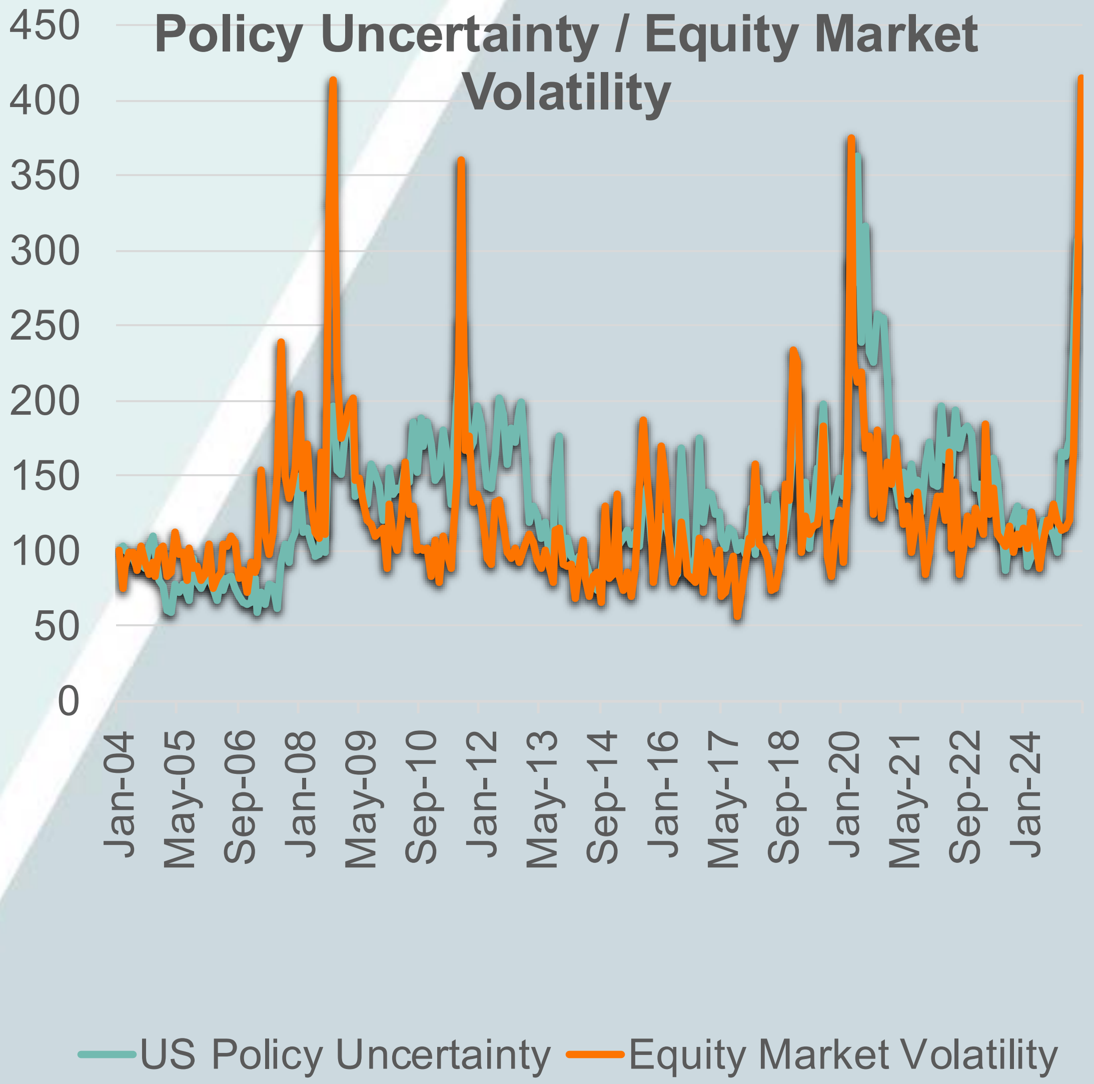
- What we *think* is happening in our economy (our social narrative or "lived experience")
- What is *actually* happening in our economy (our objective statistical reality)
- It is the combination of the two that drives the forecast: Narratives drive choices, while economics determines outcomes.

Good choices and smart policies start with the correct narrative.

Slides available by using QR code at end of presentation, or email Kristen@beaconecon.com

The Current Narrative





Recent Forecast Narratives

2019: The Real Estate Recession

Real Estate | Market Outlook

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

2020: The Pandemic Depression

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

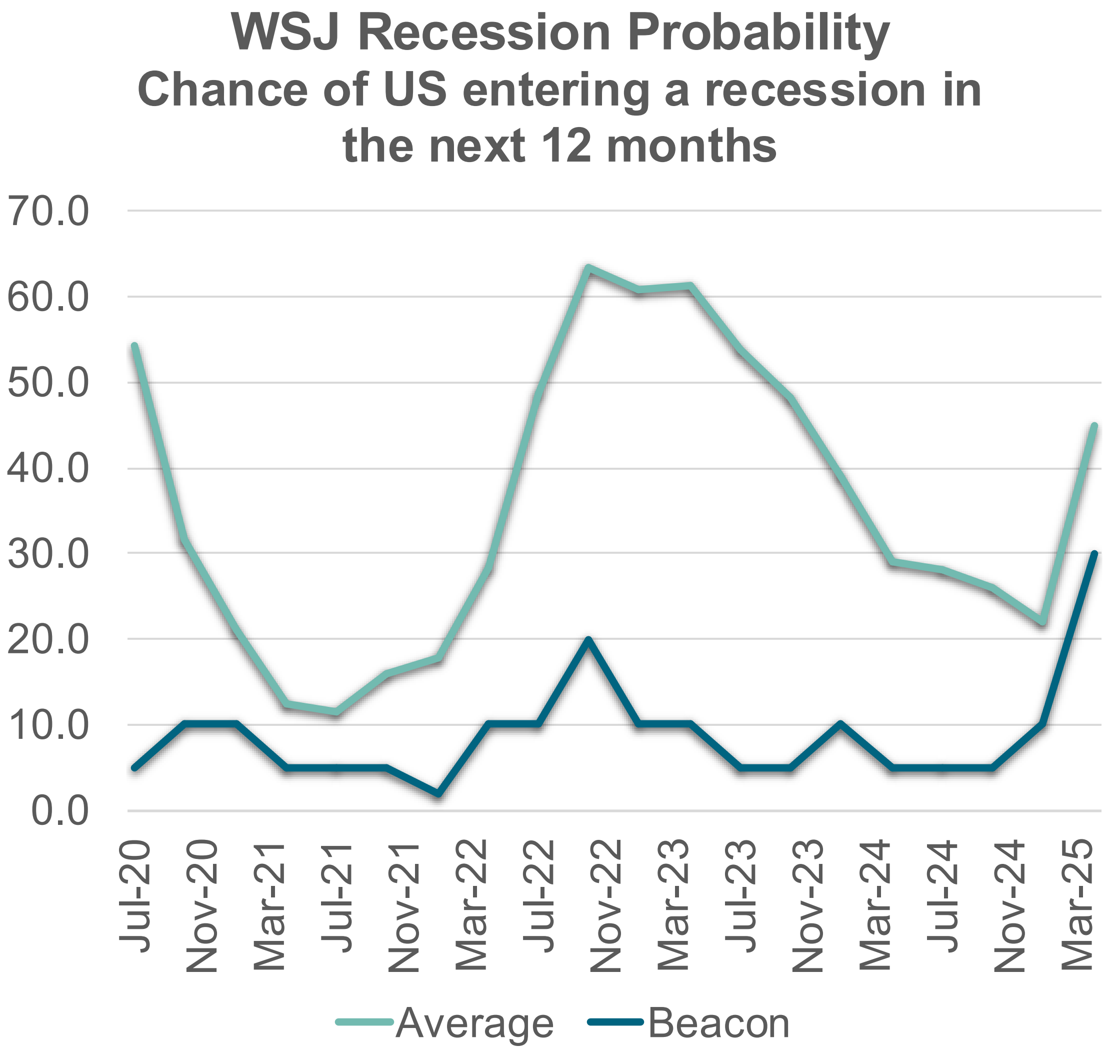
2023: The Yield Curve Recession

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

Risks are rising—but not for the reasons you may think…



Things aren't as bad as you think

- Household and business finances remain solid
- Most policy changes more smoke than fire
- Tariff impacts manageable at reasonable levels

Things are worse than you think

- US Economy is overheated, driven by government deficits and asset bubbles
- Reliant on global capital inflows to fund excess soending

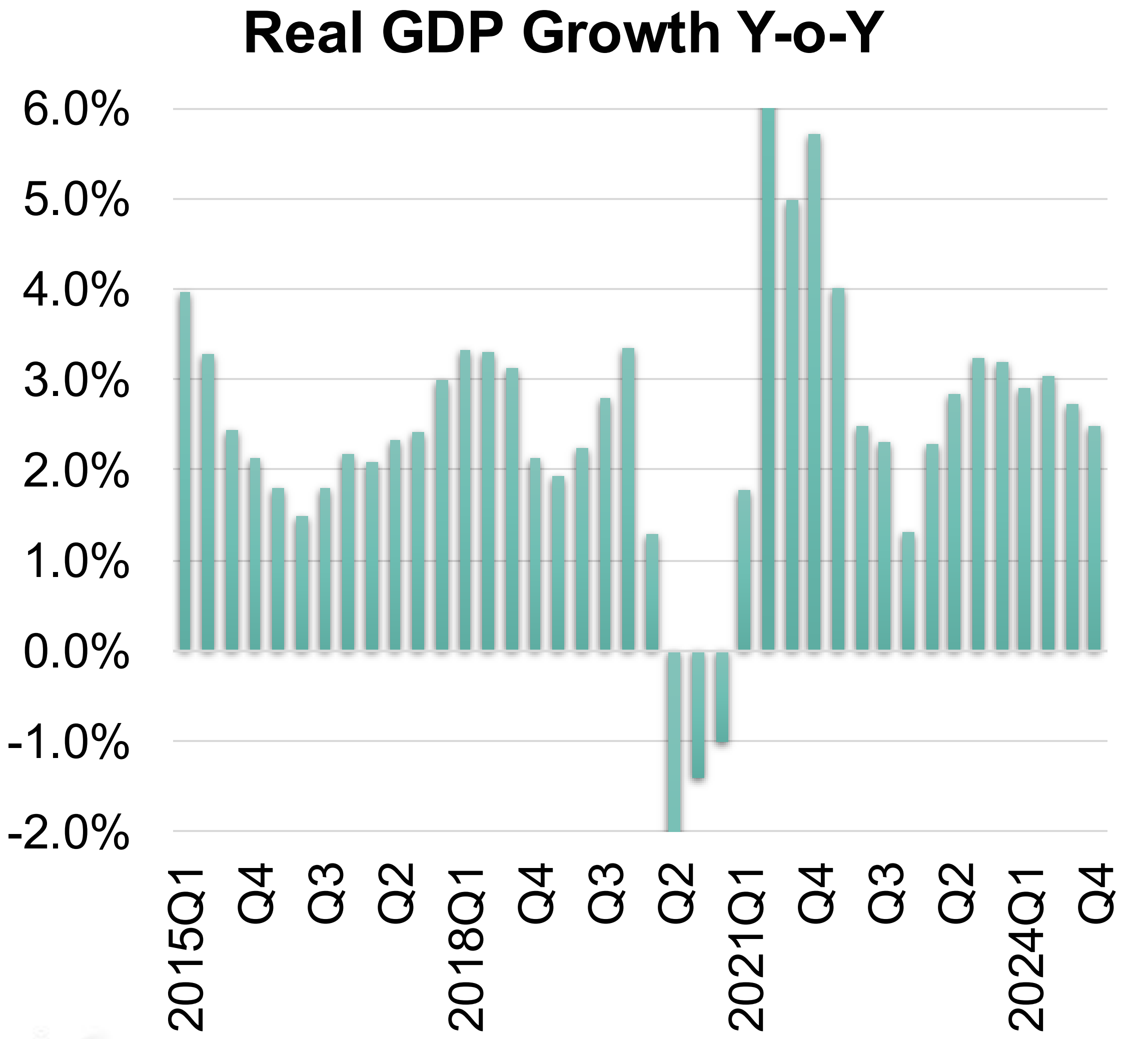
What could cause a recession?

- Standard Story: Policy turbulence is the final straw
- Our View: Policy turbulence could pop the bubble, but recession only comes when household finances hit

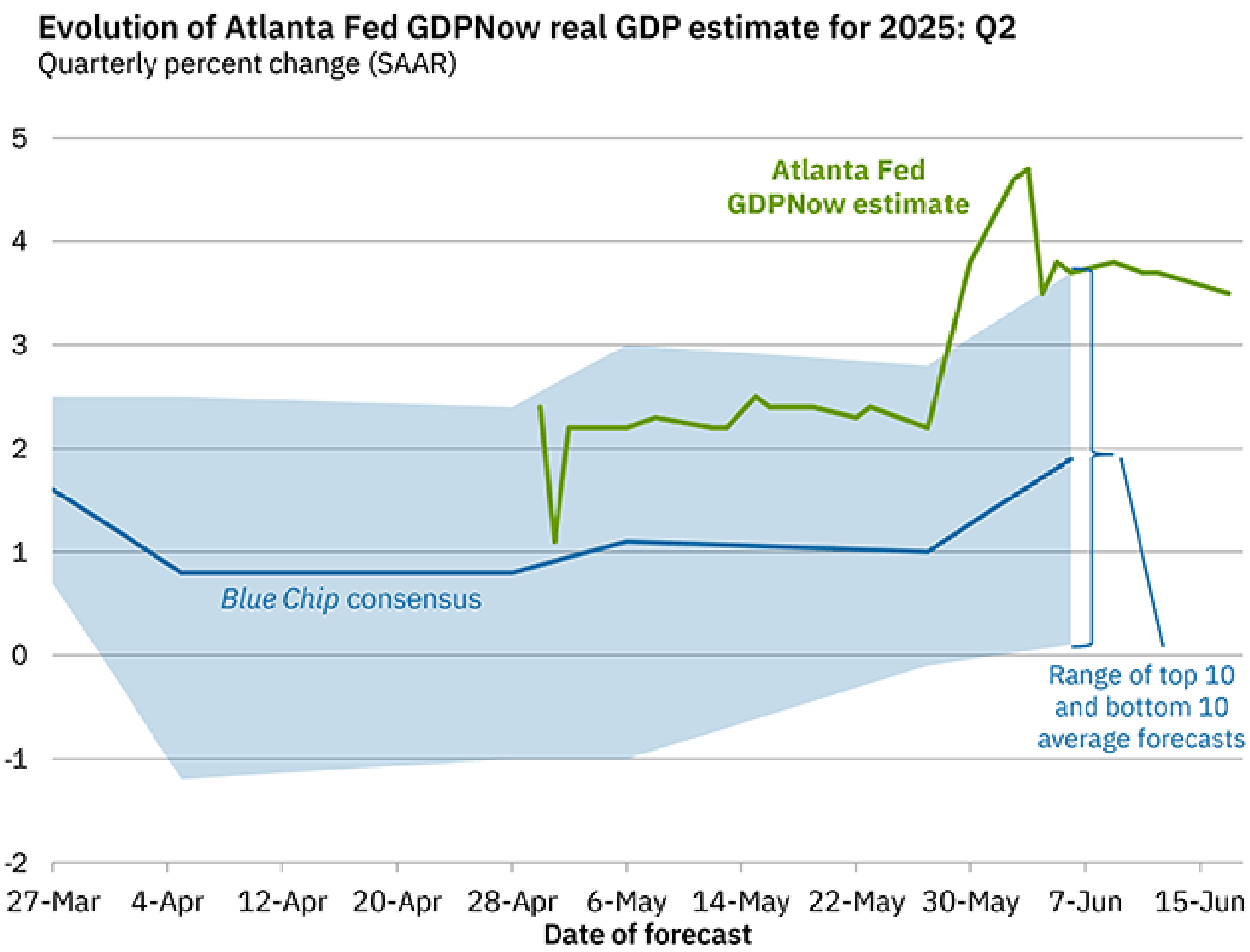
Where next? Inflate, Deflate or Pop?

- Current politics: throw more fuel on fire
- Fed between a rock and hard place of their own making

Growth Solid Coming Into 2025

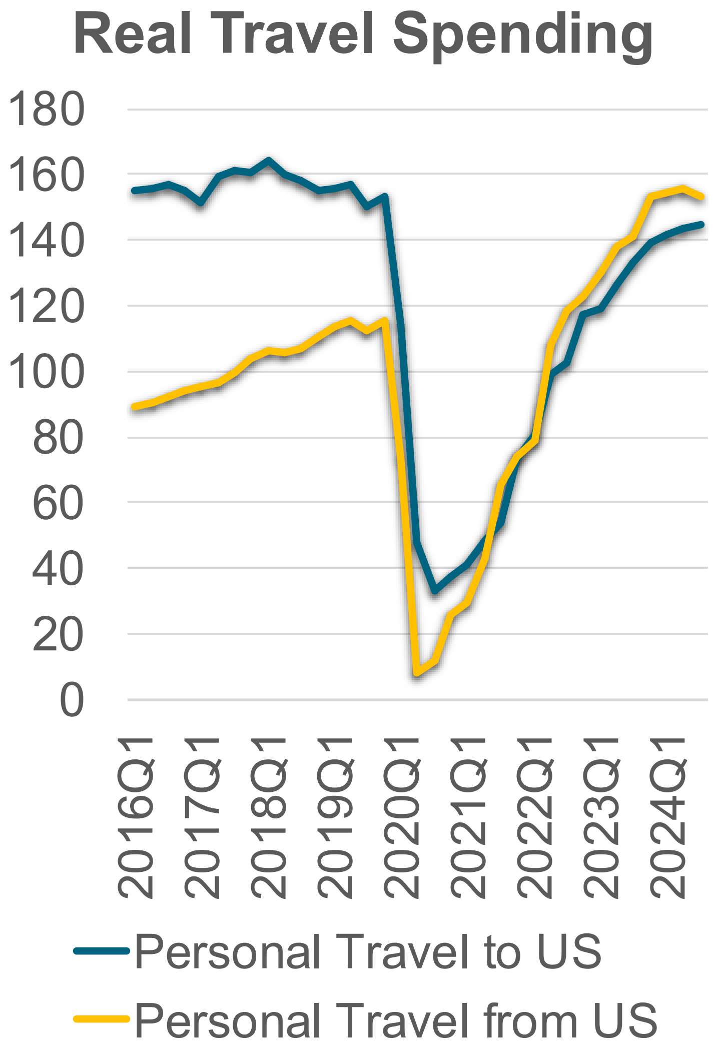


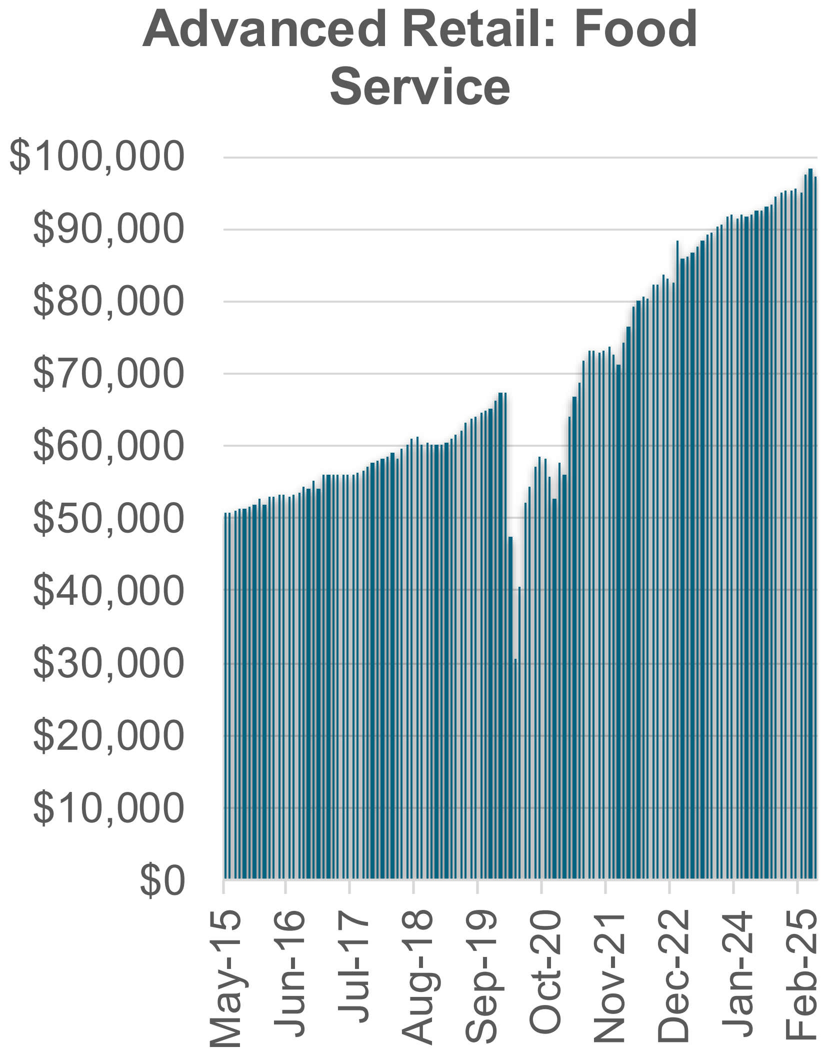
	2023	2024	2025
			Q1
Gross domestic product	2.90	2.80	-0.20
Final Demand	2.82	3.11	2.06
Personal consumption	1.72	1.87	0.80
Durable goods	0.31	0.25	-0.29
Nondurable goods	0.12	0.27	0.30
Services	1.30	1.35	0.79
Fixed investment	0.43	0.66	1.34
Structures	0.32	0.11	-0.04
Equipment	0.18	0.17	1.16
Intellectual property	0.31	0.21	0.25
Residential	**-0.37**	**0.17**	**-0.02**
Change inventories	-0.41	0.06	2.64
Net exports	0.49	-0.37	-4.90
Exports	0.31	0.36	0.26
Imports	0.17	-0.73	-5.16
Government	0.66	0.58	-0.12
Federal	0.19	0.16	-0.30
State and local	0.47	0.41	0.18

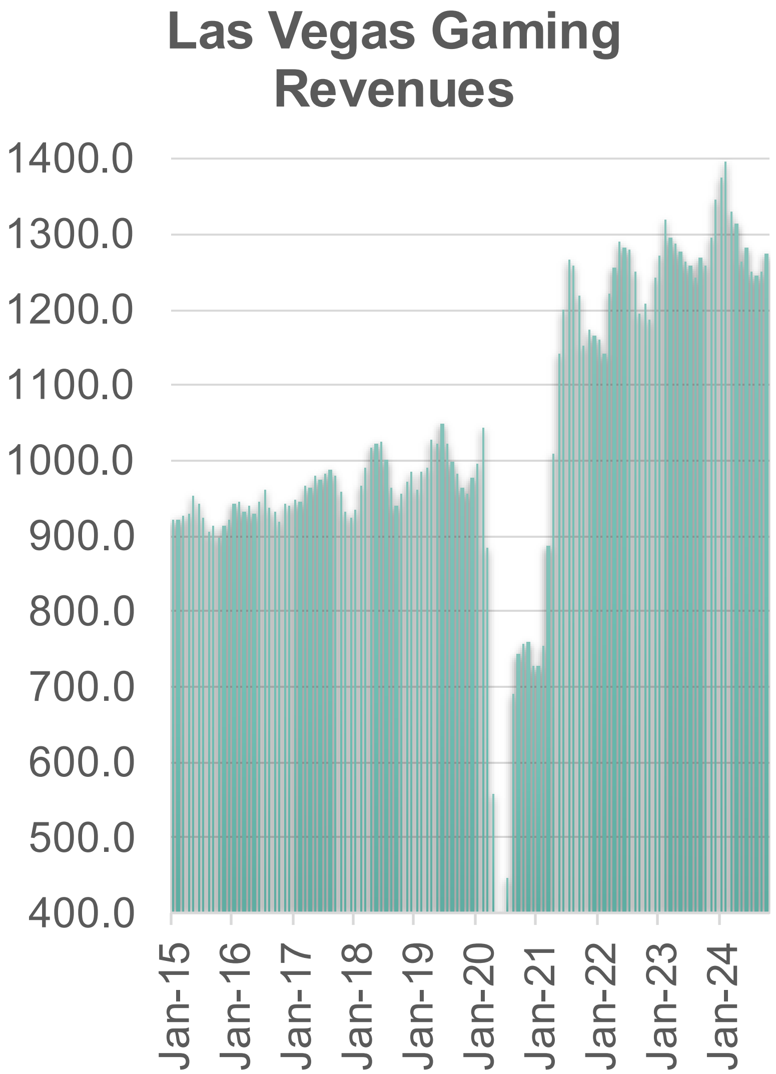


Evolution of Atlanta Fed GDPNow real GDP estimate for 2025: Q2
Quarterly percent change (SAAR)
5
4
3
2
1
0
-1
-2
Atlanta Fed
GDPNow estimate
Blue Chip consensus
Range of top 10
and bottom 10
average forecasts
27-Mar
4-Apr
12-Apr
20-Apr
28-Apr
6-May
14-May
22-May
30-May
7-Jun
15-Jun
Date of forecast

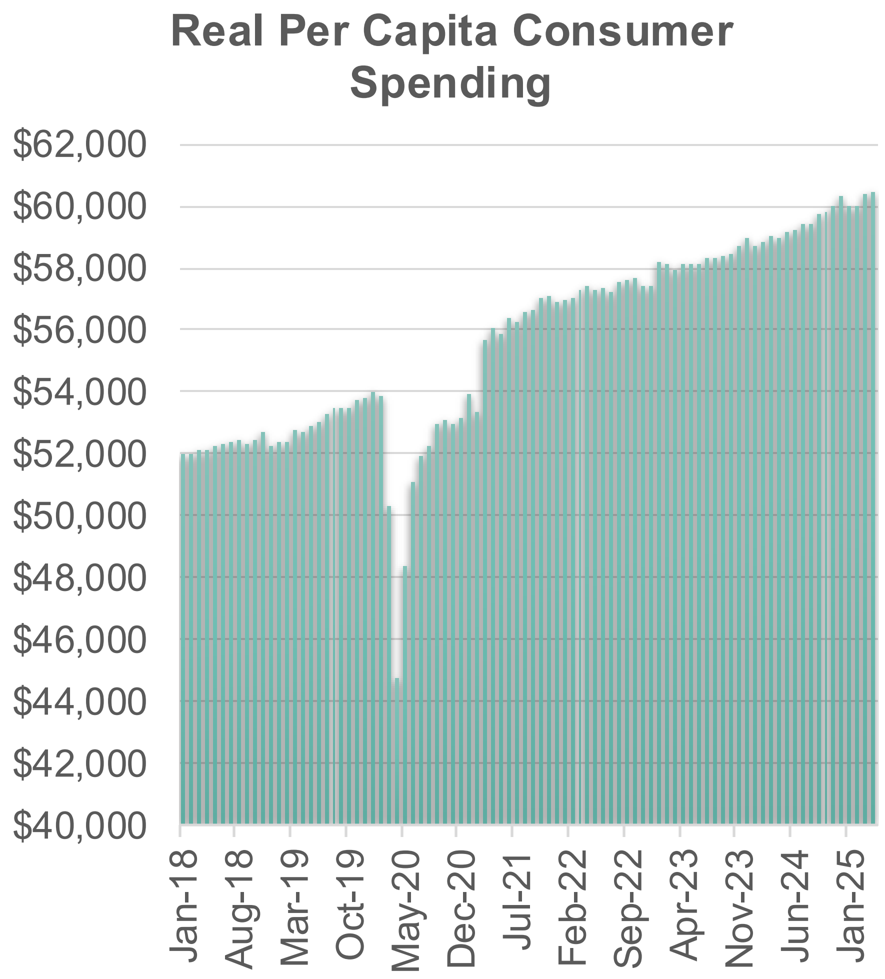
Consumers: Still Having Fun!







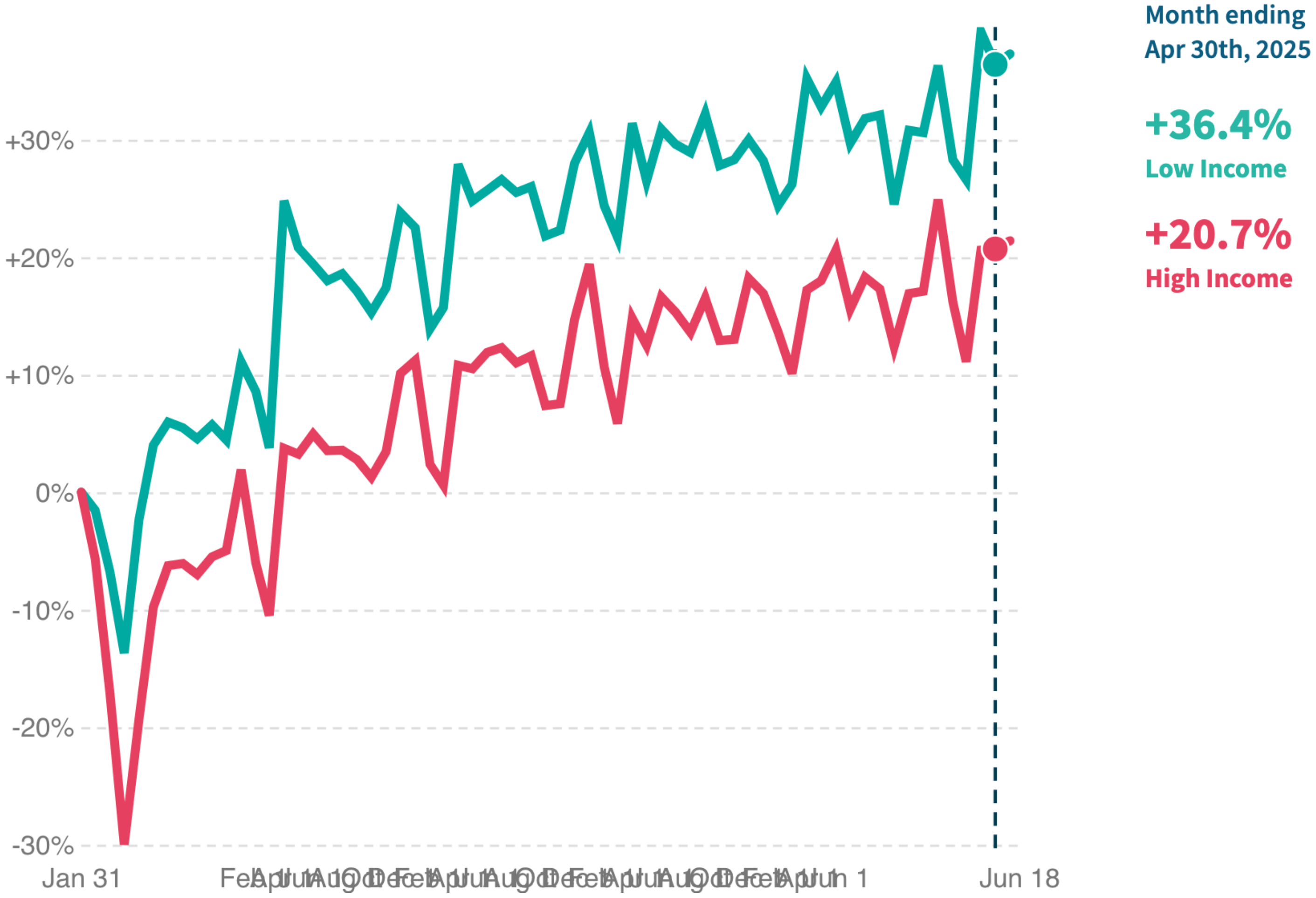
Record Spending Levels



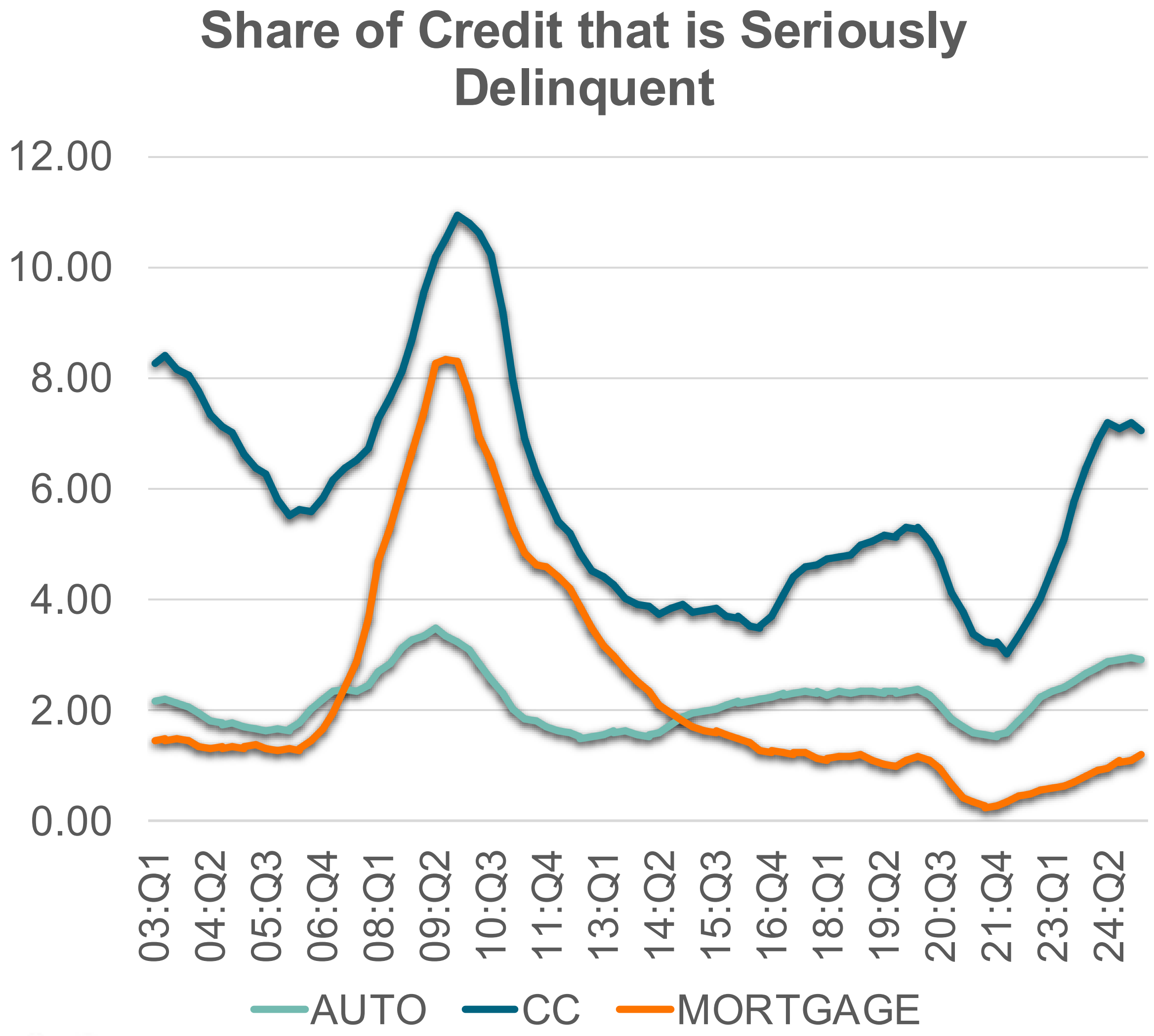
2 Year Growth Nominal Consumer Spending (to April 2025)					
High Growth		Medium Growth		Low Growth	
Spectator sports	23.1%	Personal care serv	14.2%	Non-prescript drugs	8.6%
Foreign travel	22.7%	Childcare	14.0%	Food for off-prem	6.6%
Live entertainment	19.7%	Dental services	13.6%	Furnishing	5.6%
Air transportation	19.4%	Purchased meals	13.4%	Alcoholic beverages	5.4%
Nursing homes	18.8%	Information pro eq	12.7%	Higher education	3.7%
Membership clubs	16.9%	Rental Housing	11.5%	Hotels and motels	1.5%
Prescription drugs	16.9%	Household utilities	10.7%	Motor vehicle fuels	-13.0%

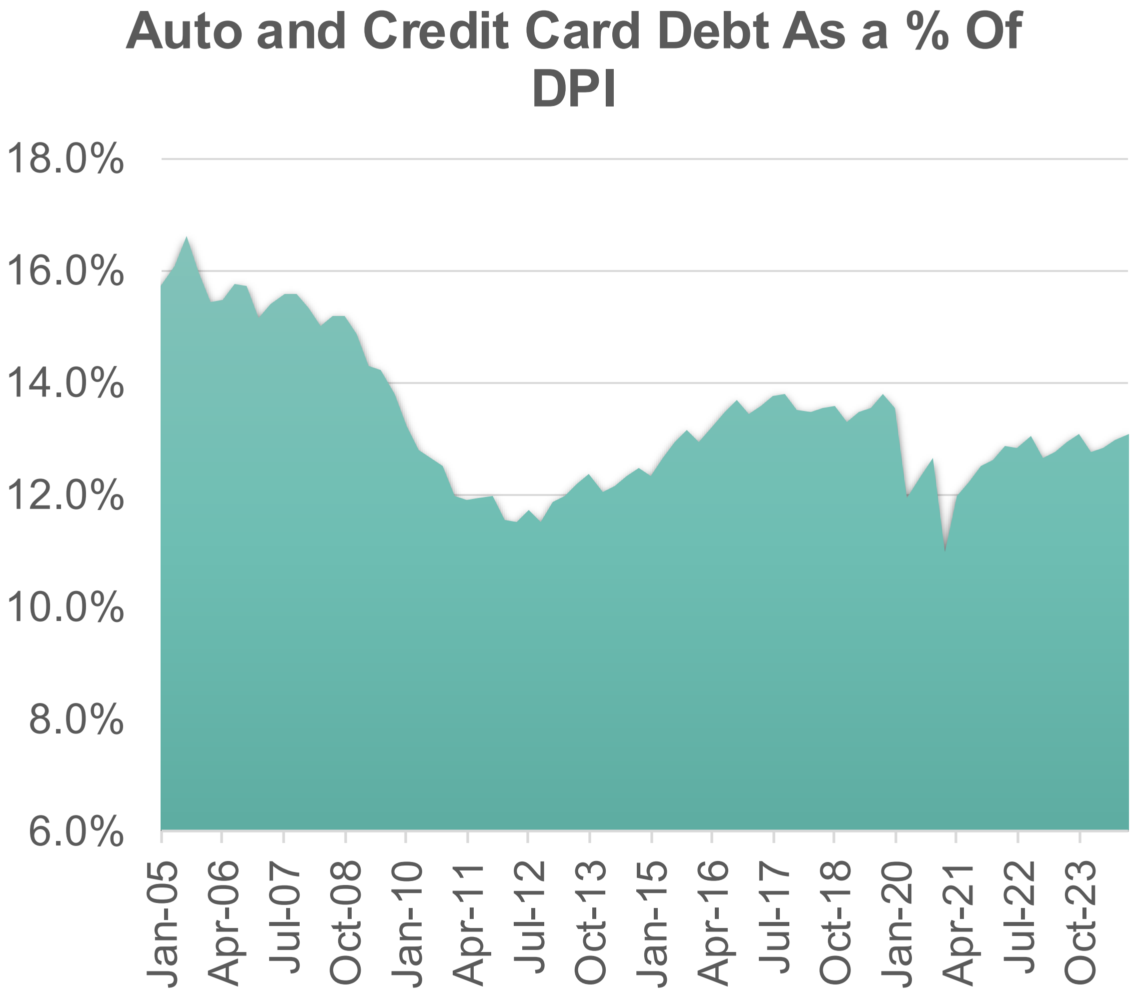
Percent Change in All Consumer Spending*

In **the United States**, as of **April 30 2025**, total spending by low-income consumers **increased** by **36.4%** compared to January 2020.

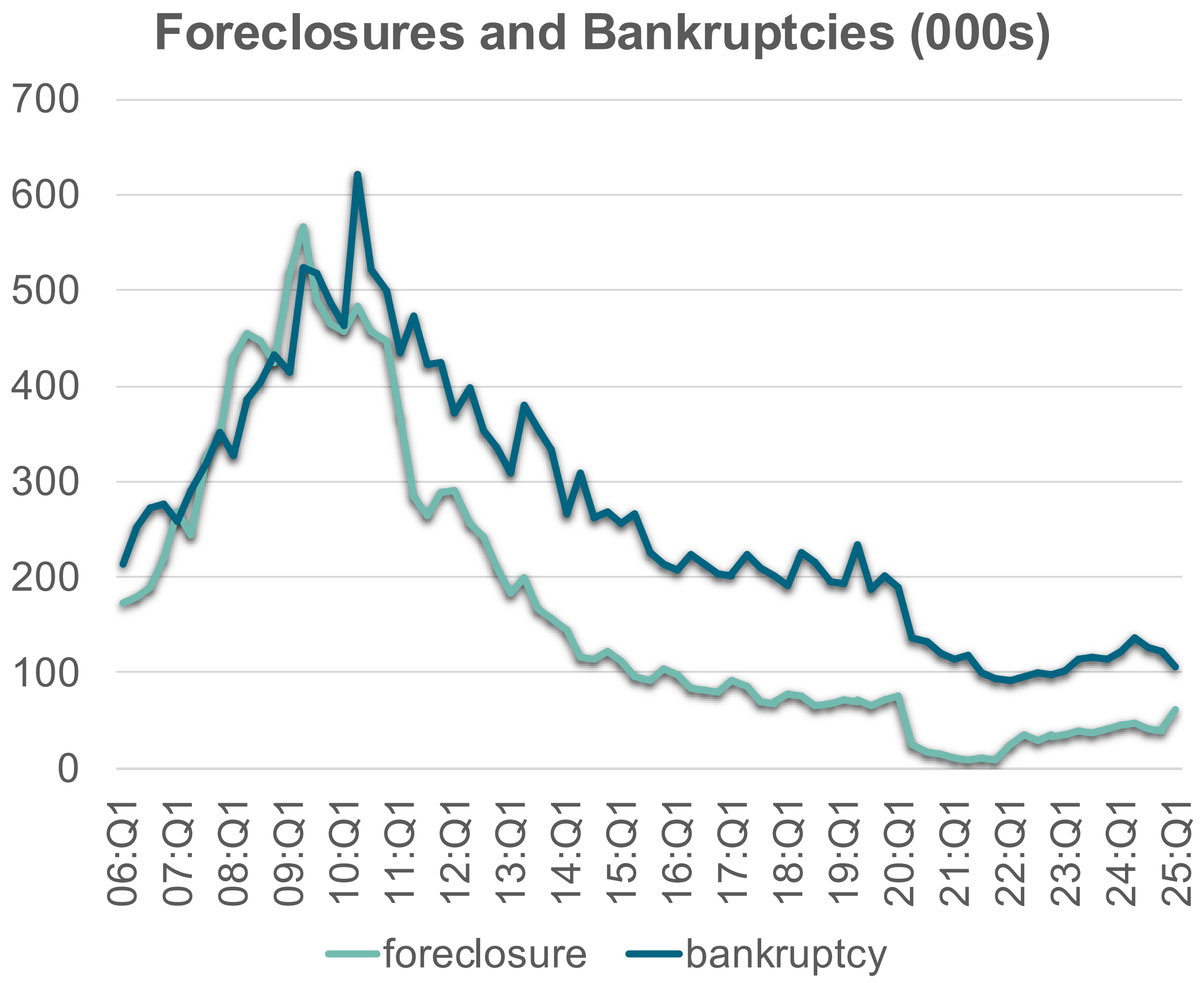


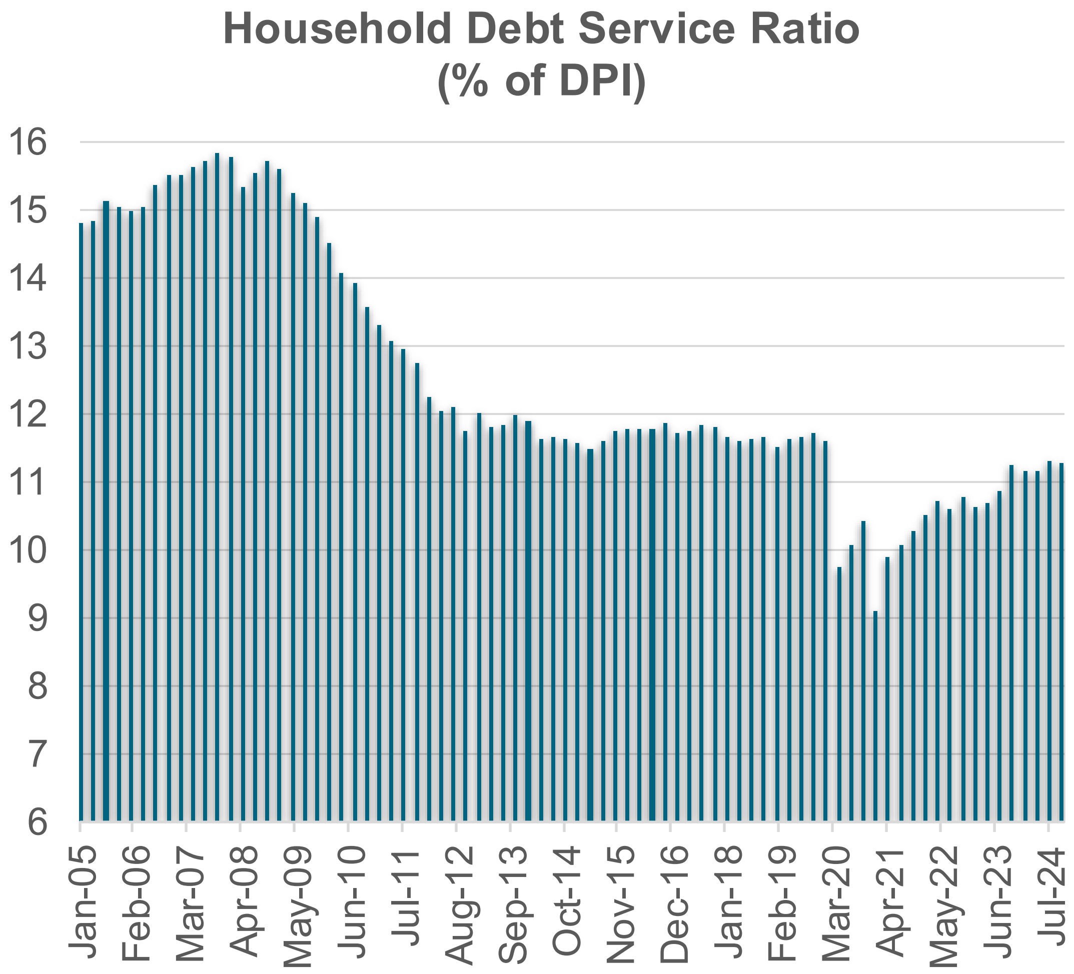
Credit Card / Auto Loan Issues Not Systemic



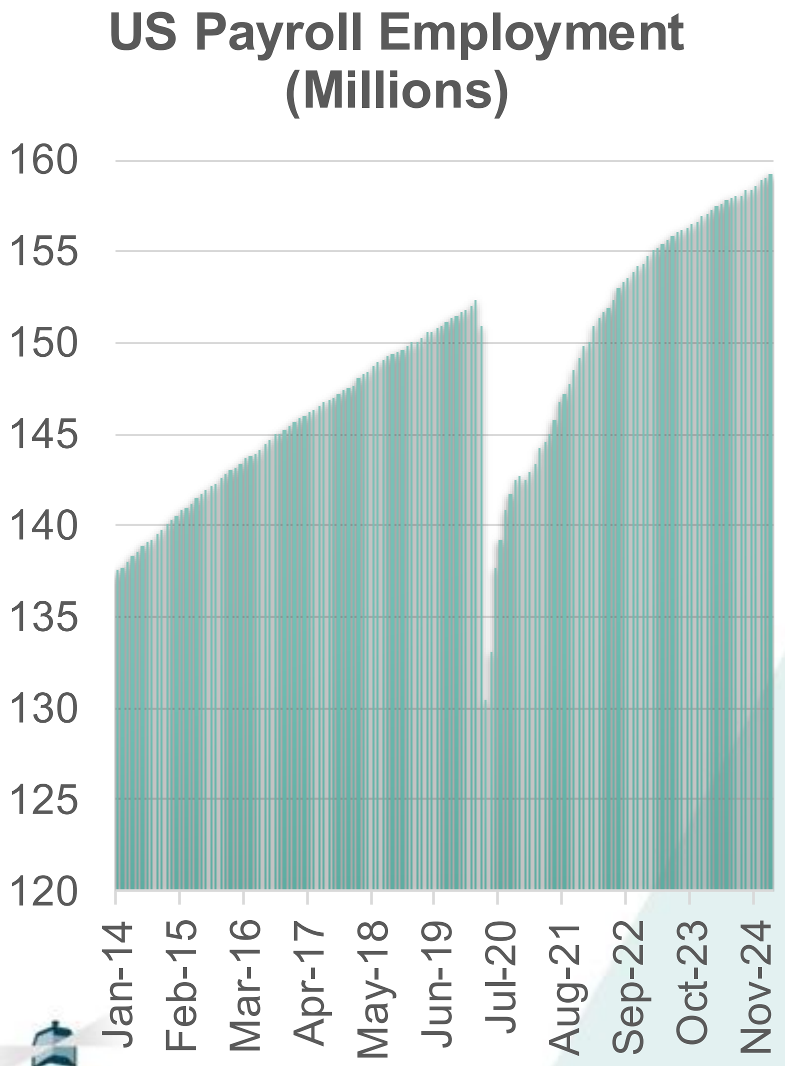


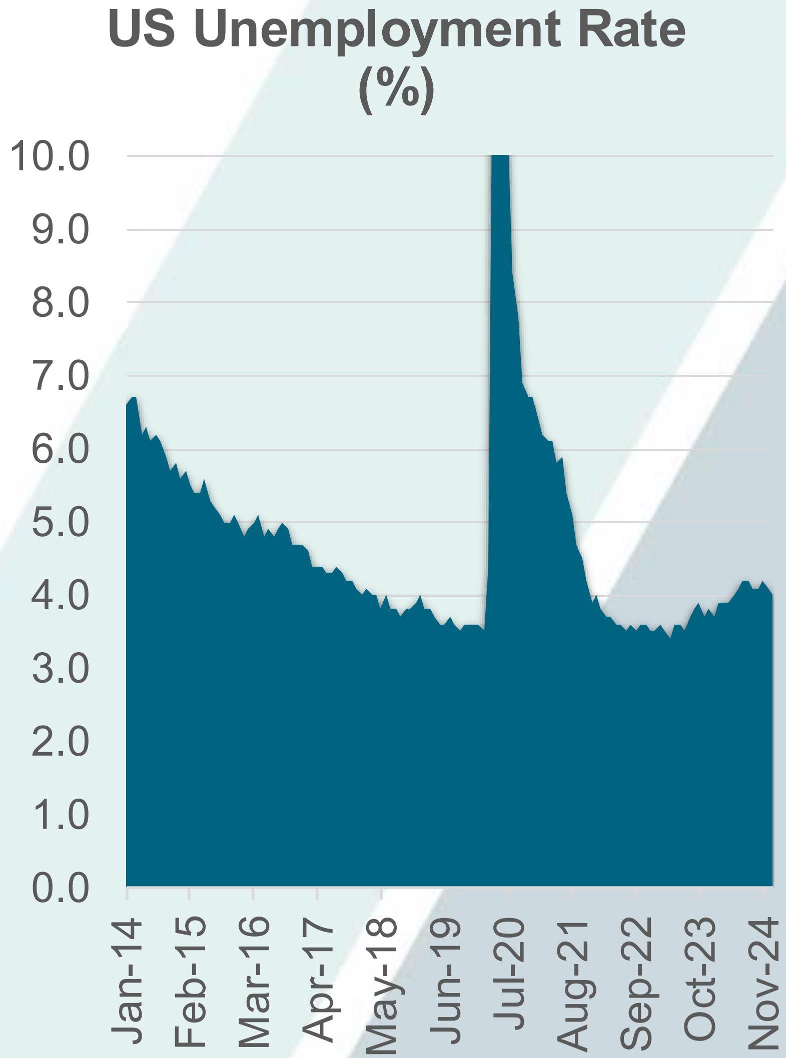
Little topline financial distress





US Labor Markets: Still Tight





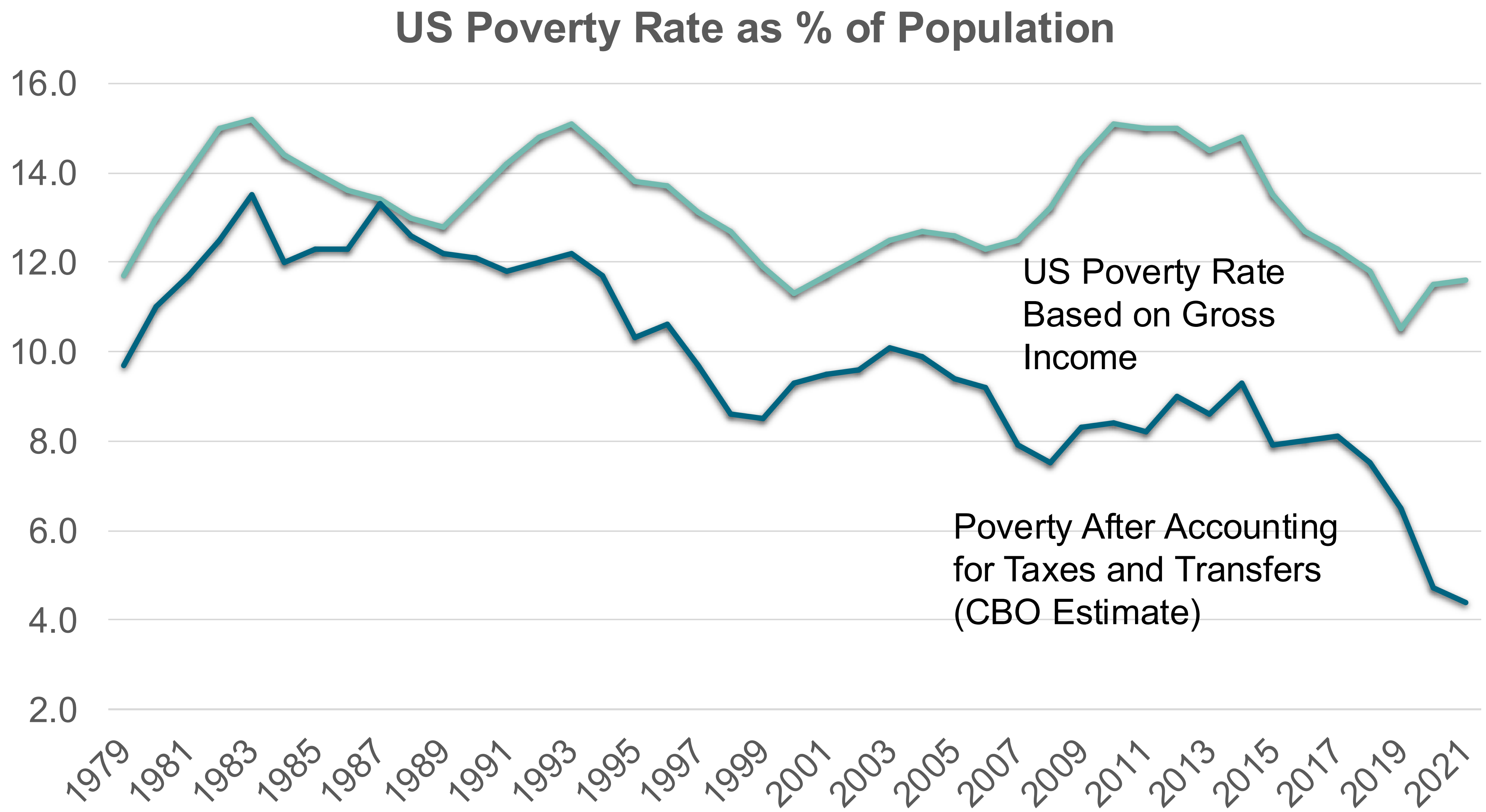
Real Wages Up

10 Year Real Growth	
Lower ½ of Workforce	17.17
Upper ½ of Workforce	10.65

Inflation Adjusted Earnings Growth 2018-2023

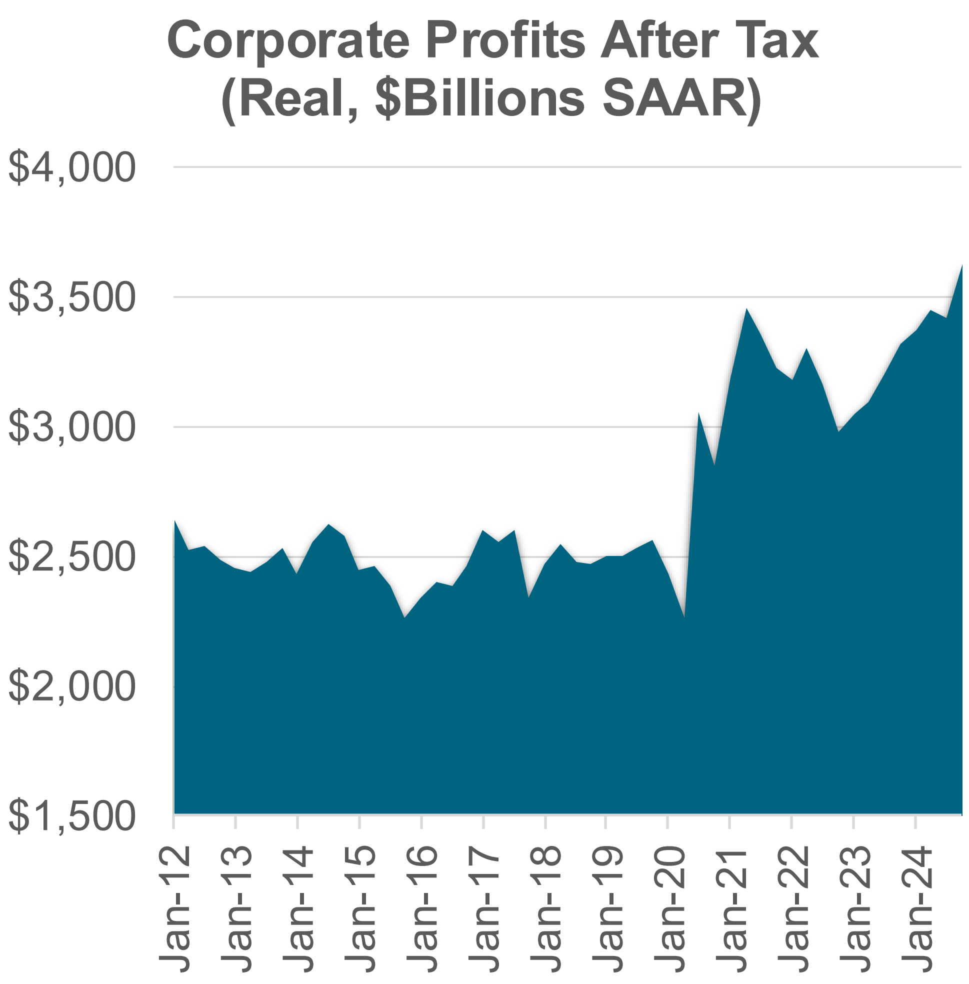
	Male	Female
Median earnings	$51,391	$38,649
	6.2%	9.3%
Median earnings full-time	$63,975	$52,370
	4.57%	5.39%
Median by Education (Age 25+)		
Less than high school	$36,740	$24,766
	6.70%	13.68%
High school grad	$45,709	$31,508
	5.08%	7.03%
Some college / associate	$54,496	$38,541
	2.36%	5.62%
Bachelor's degree	$81,218	$57,055
	3.49%	4.71%
Graduate / professional	$104,054	$74,815
	-3.04%	3.01%

Broad Based Gains

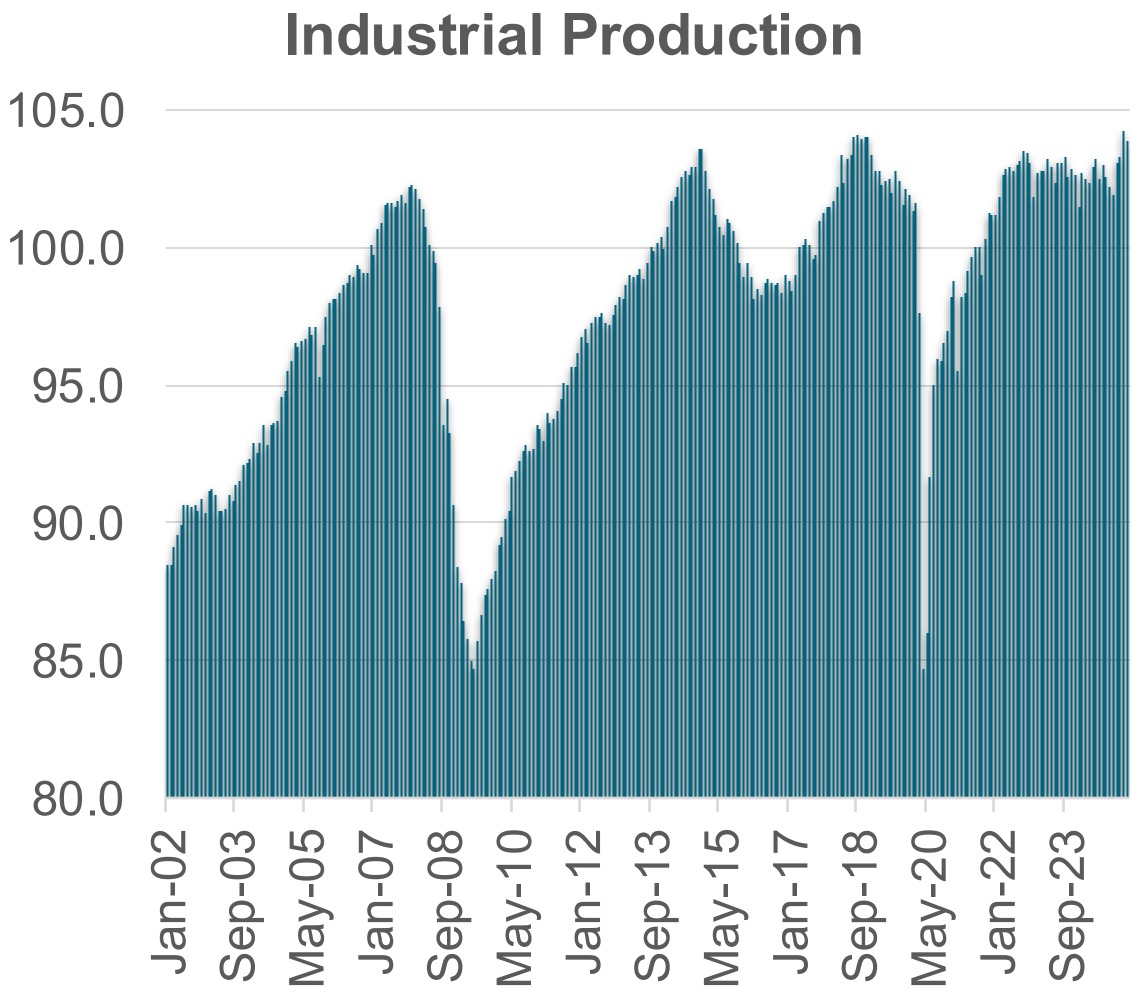


Business Investment

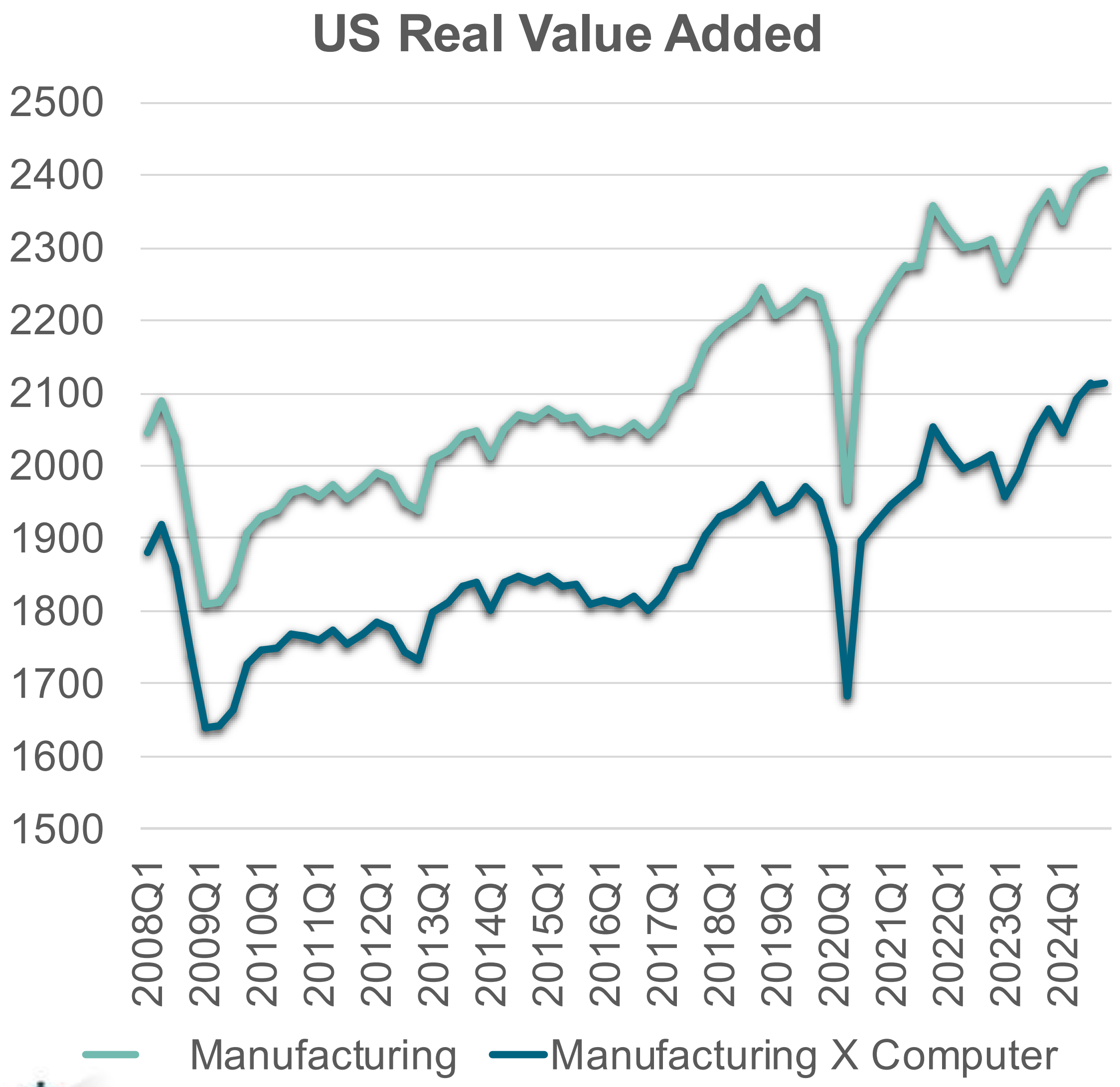
	2023 Q1	2025 Q1	Growth
Private fixed investment	**4018.8**	**4346.5**	**8.2%**
Structures	631.9	673.9	6.6%
Commercial and health care	179.6	167.8	-6.6%
Manufacturing	106.8	147.1	37.7%
Power and communication	116	129.7	11.8%
Mining exploration	119.1	107.1	-10.1%
Equipment	1258.2	1406	11.7%
Information processing eq	493.7	600.1	21.6%
Industrial equipment	256.1	264.2	3.2%
Transportation equipment	263.9	317	20.1%
Intellectual property products	1425.8	1524.2	6.9%
Software	706.5	804.3	13.8%
Research and development	639.4	655.1	2.5%
Entertainment	92.6	90.9	-1.8%
Residential	748.2	795.9	6.4%
Single family	251.7	279.3	11.0%
Multifamily	103.1	86.5	-16.1%

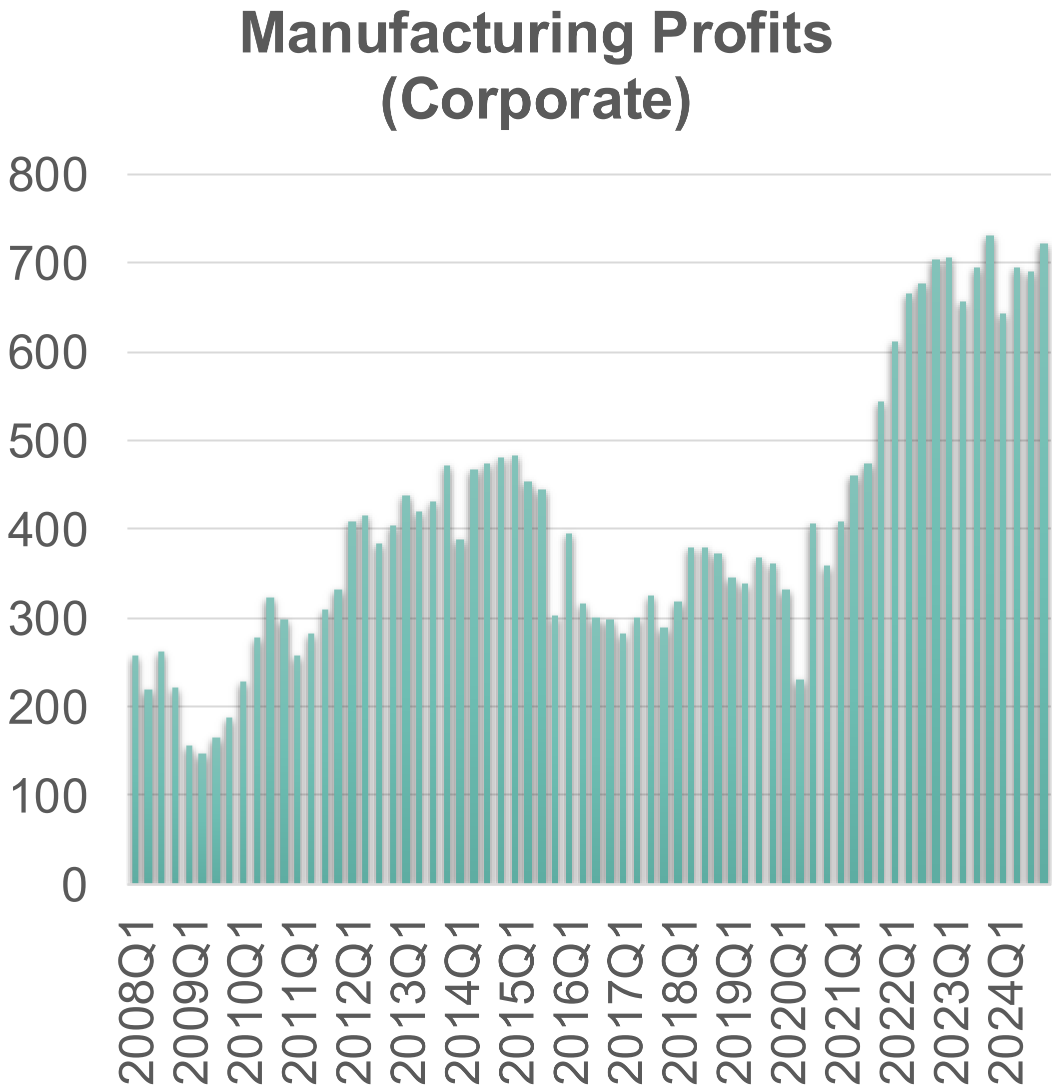


How About Manufacturing?

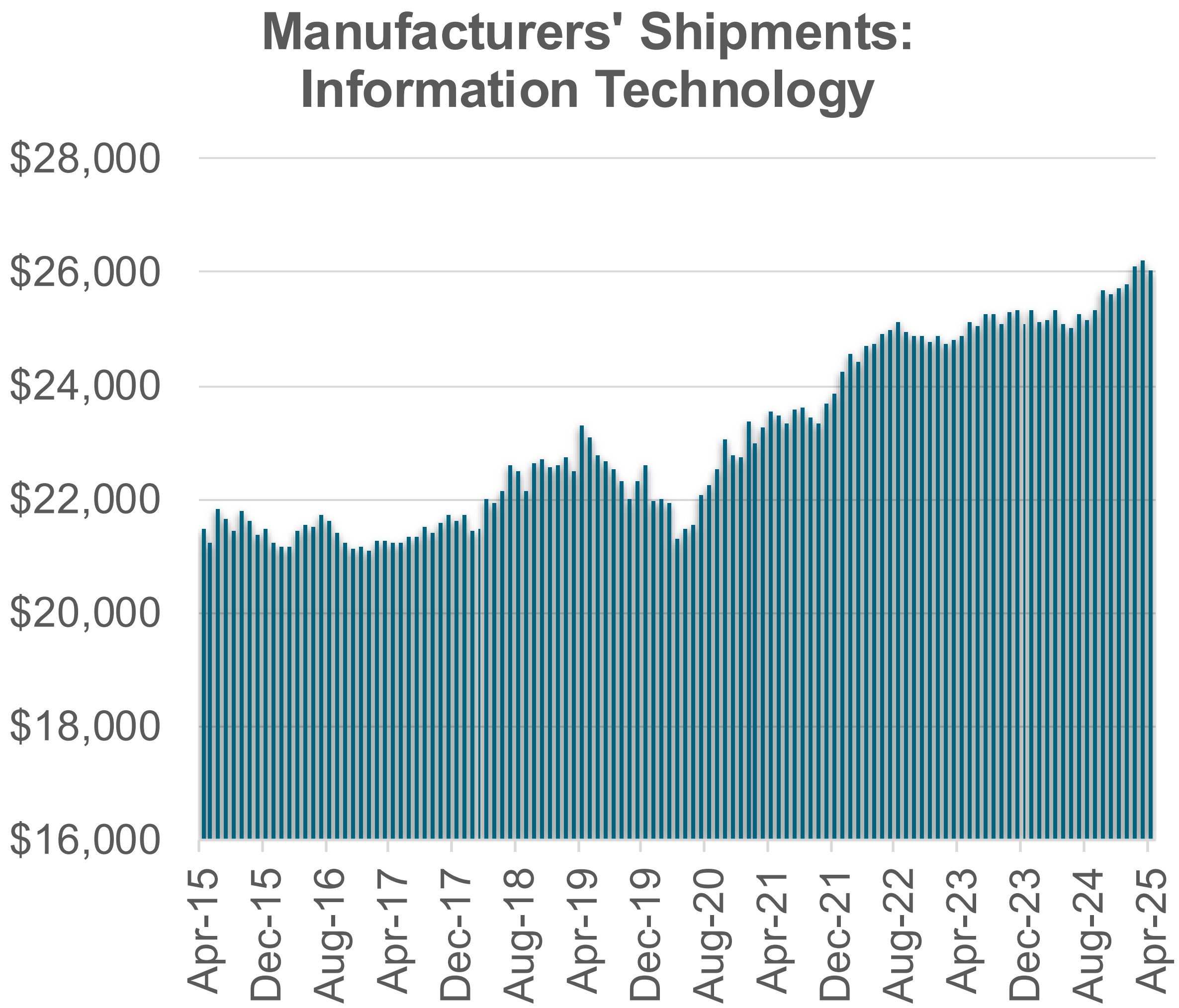


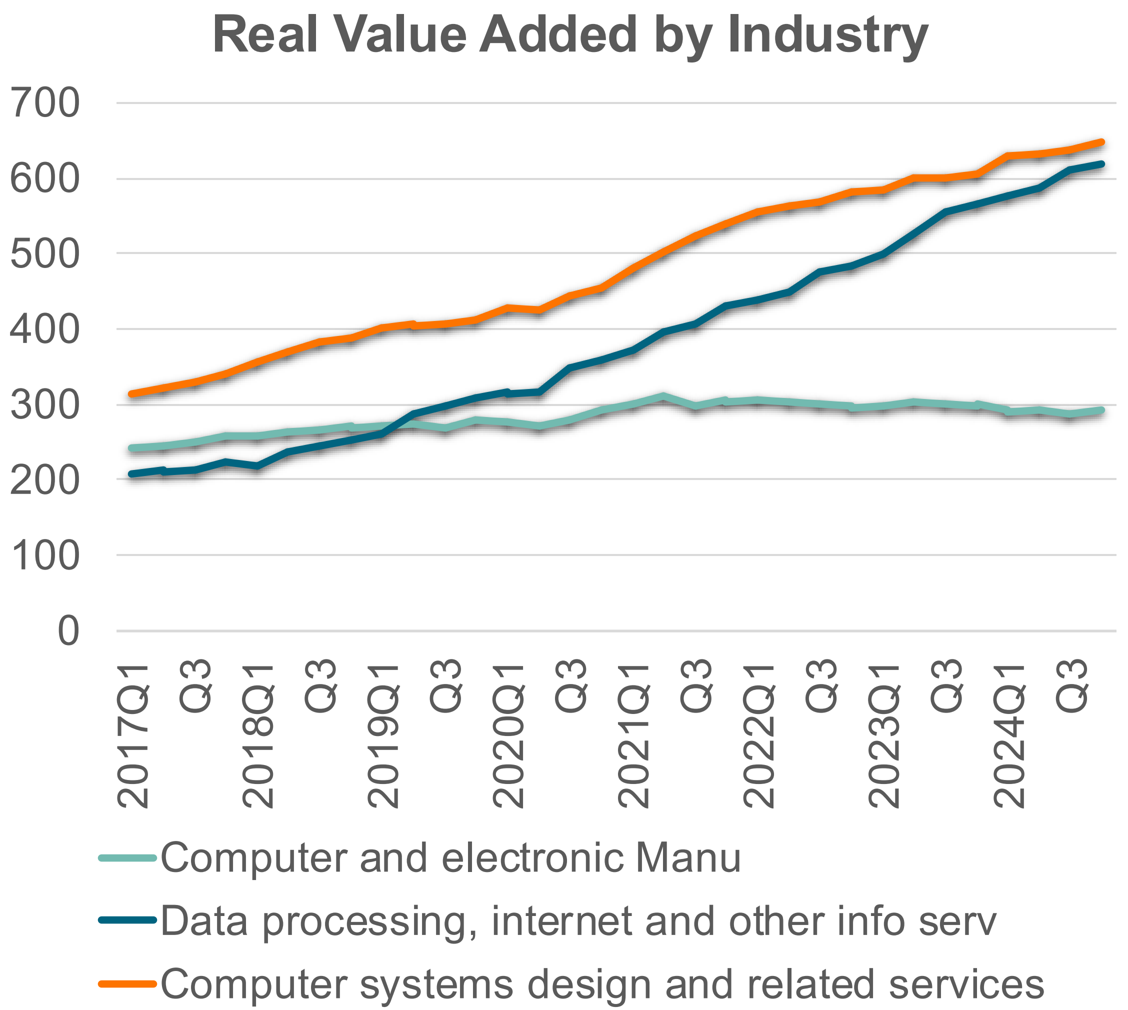
Growth on the Intensive Margin



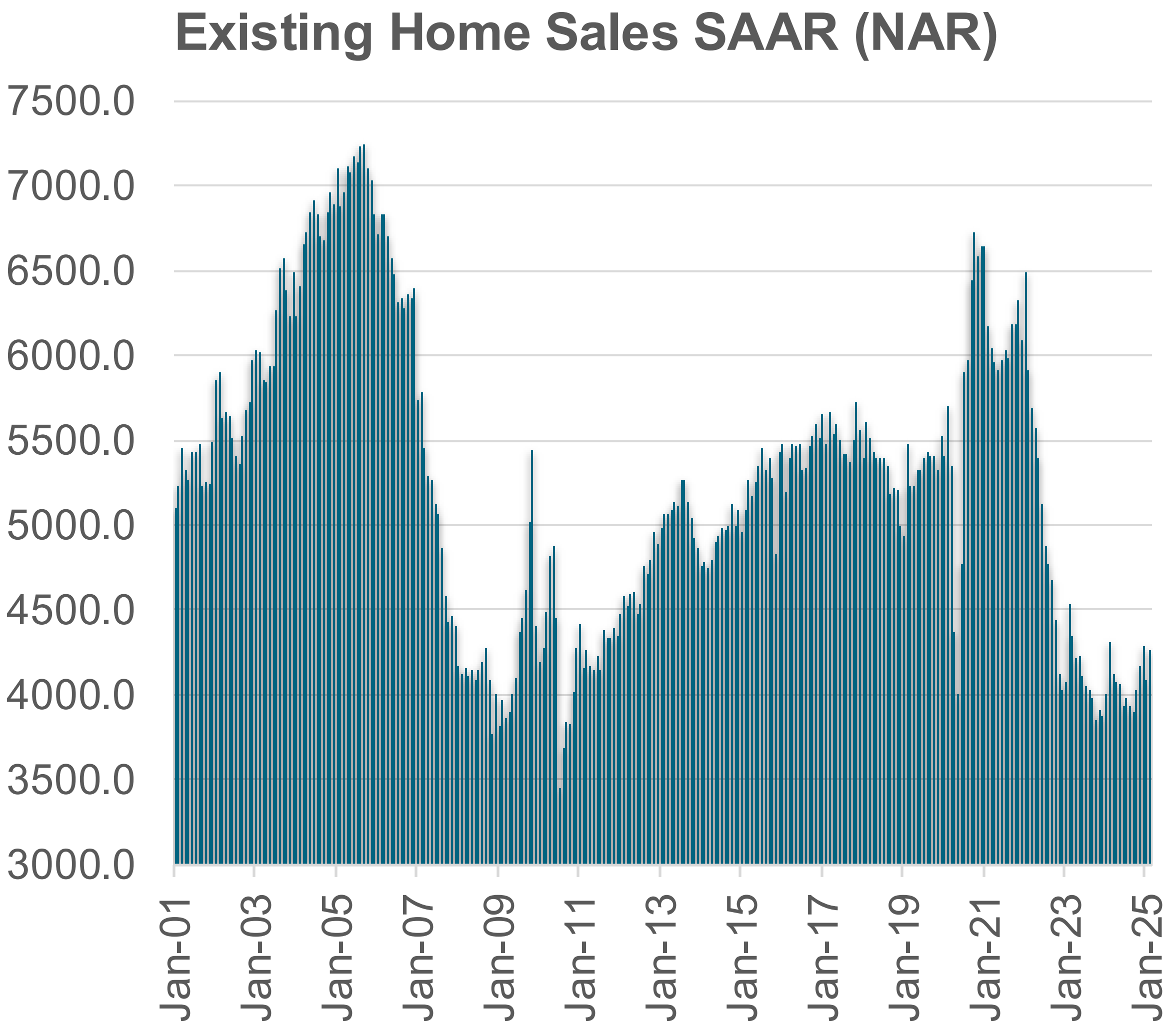


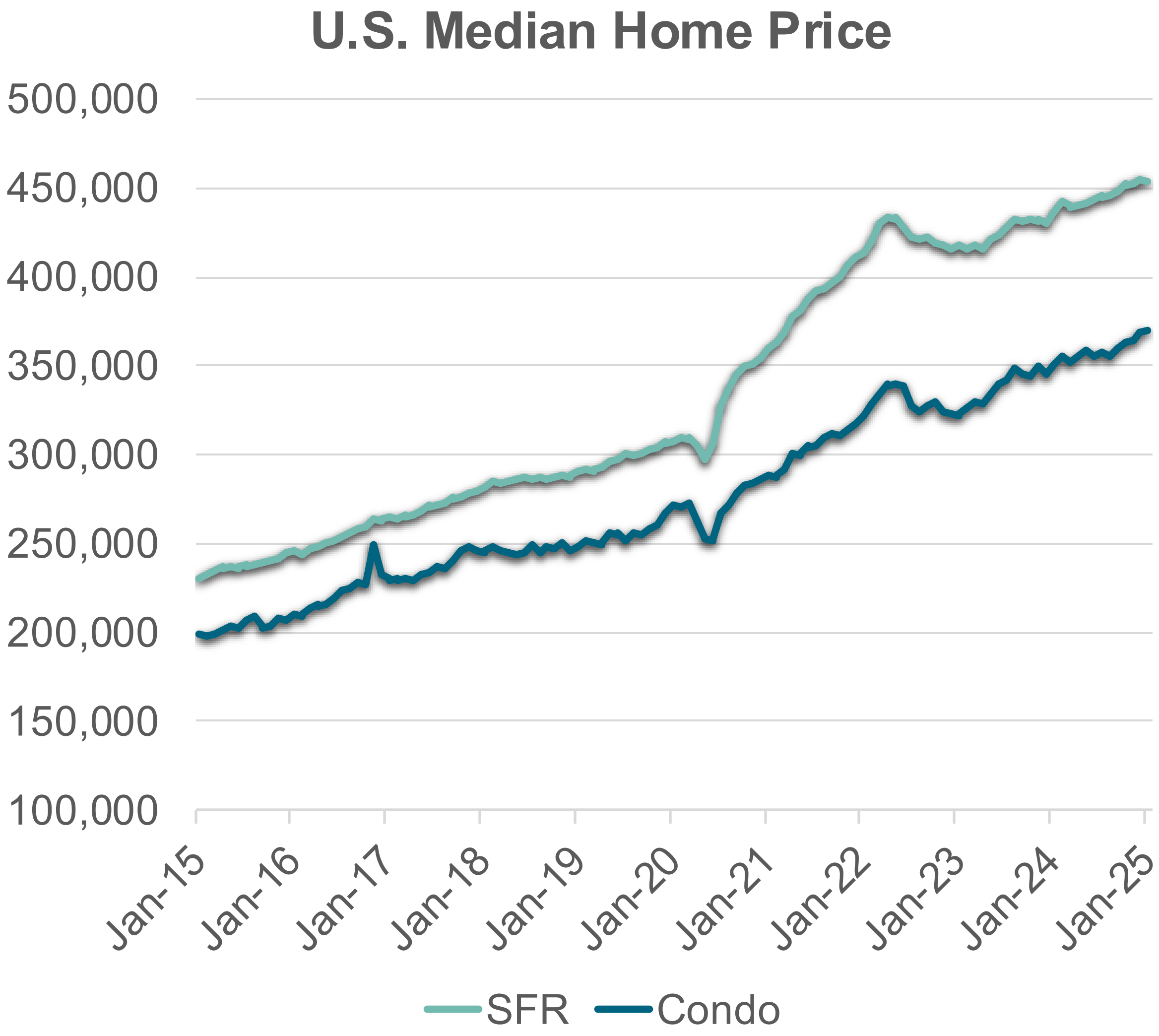
The Tech Space?



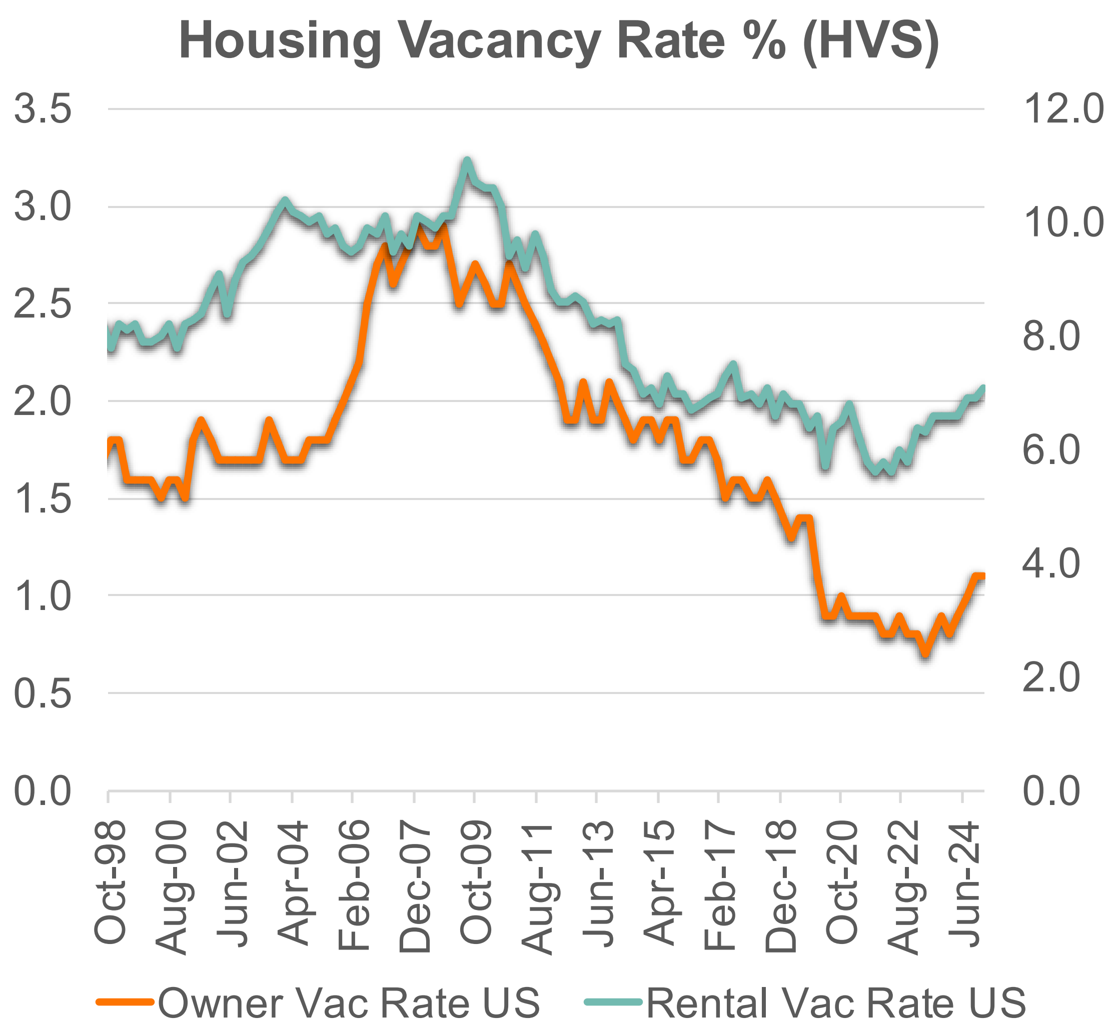


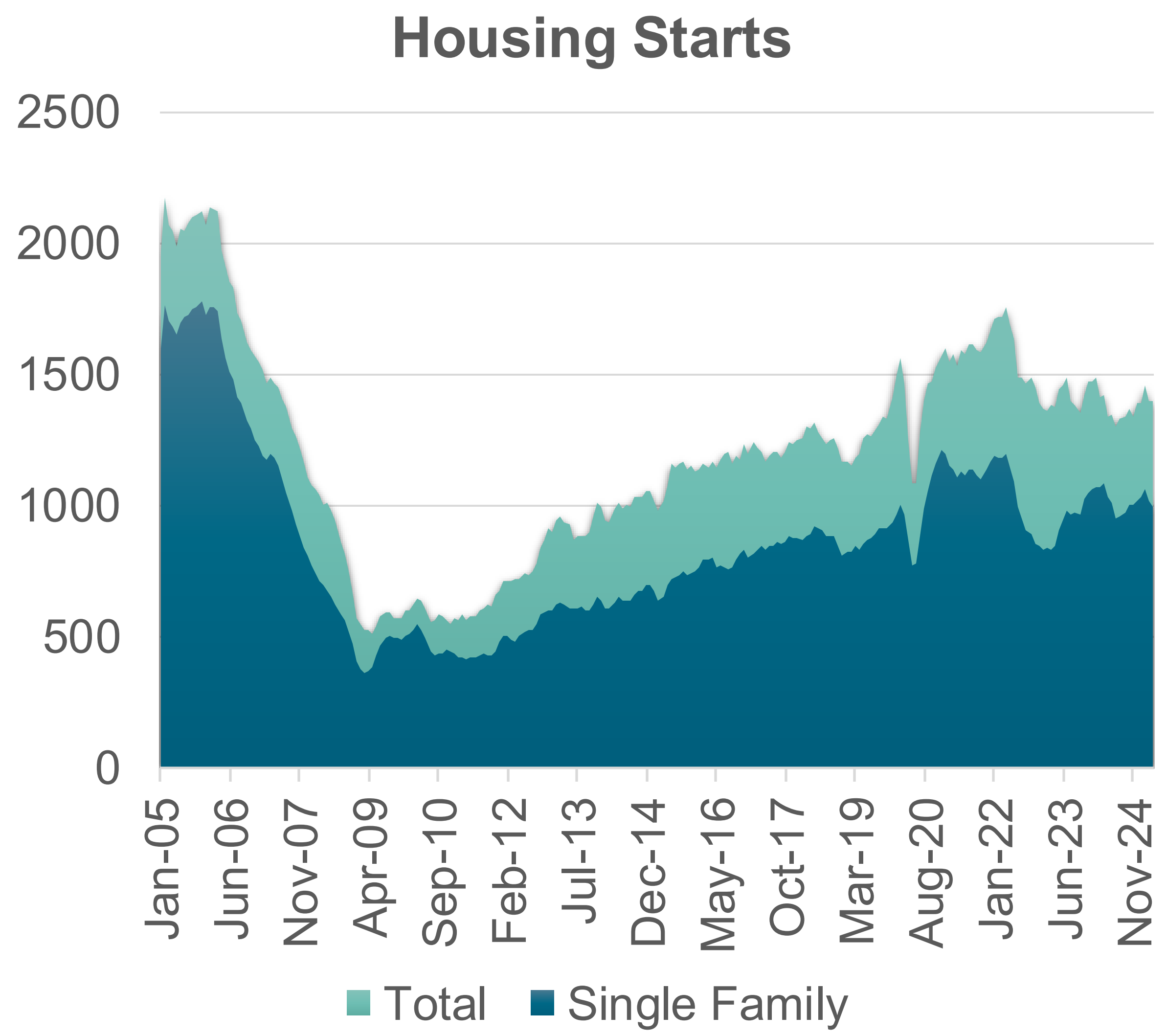
A rate shocked existing home market



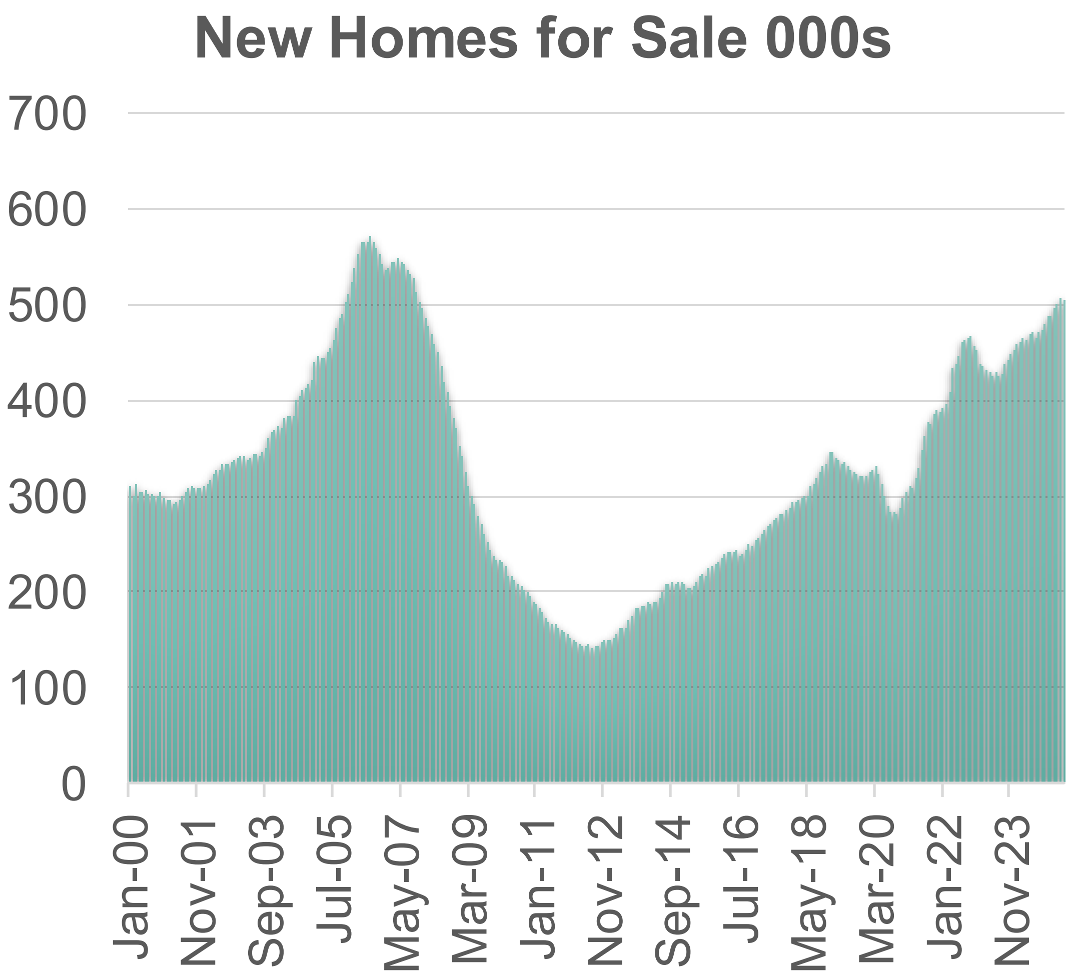


Supply, Supply, Supply…





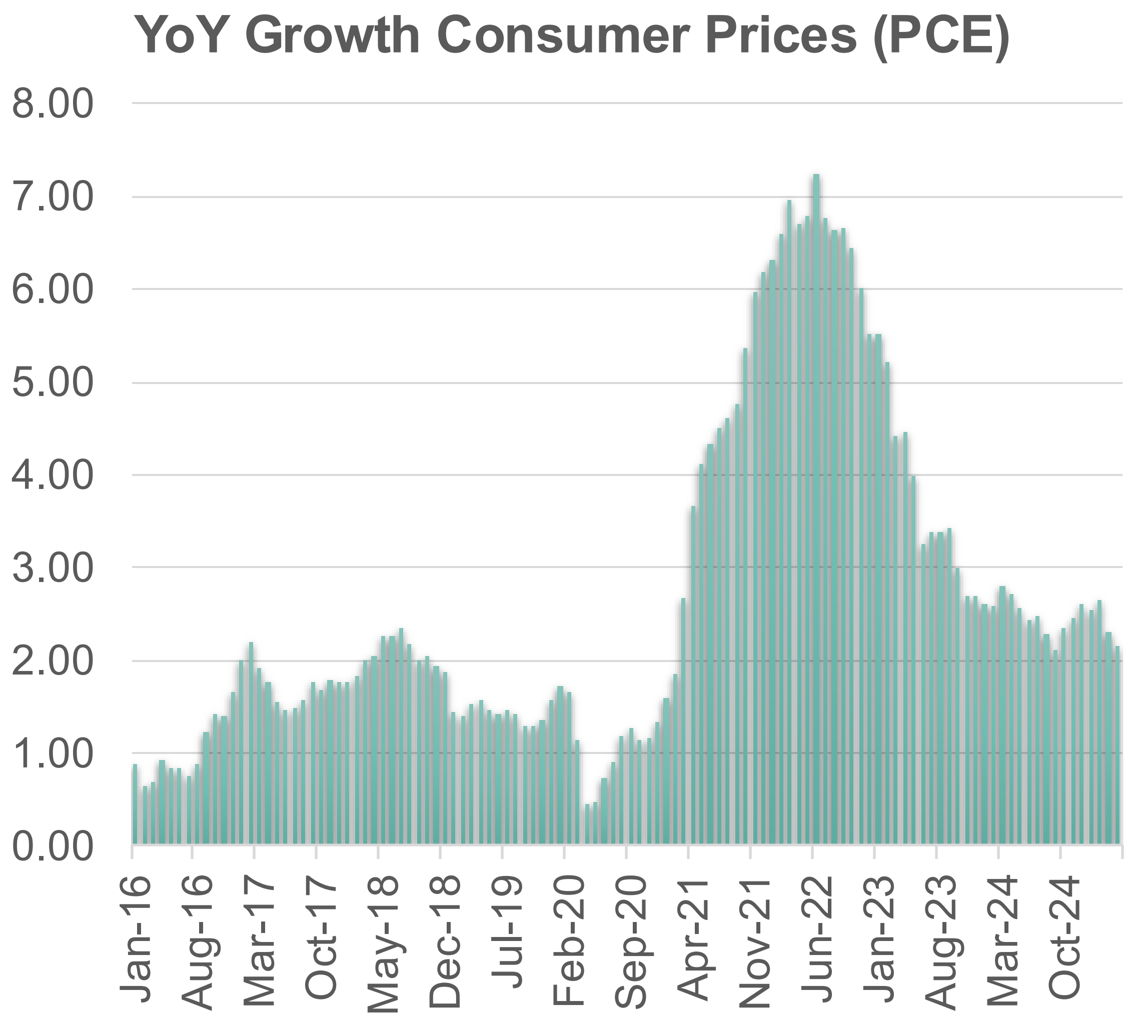
The Yin and Yang of New Home Markets

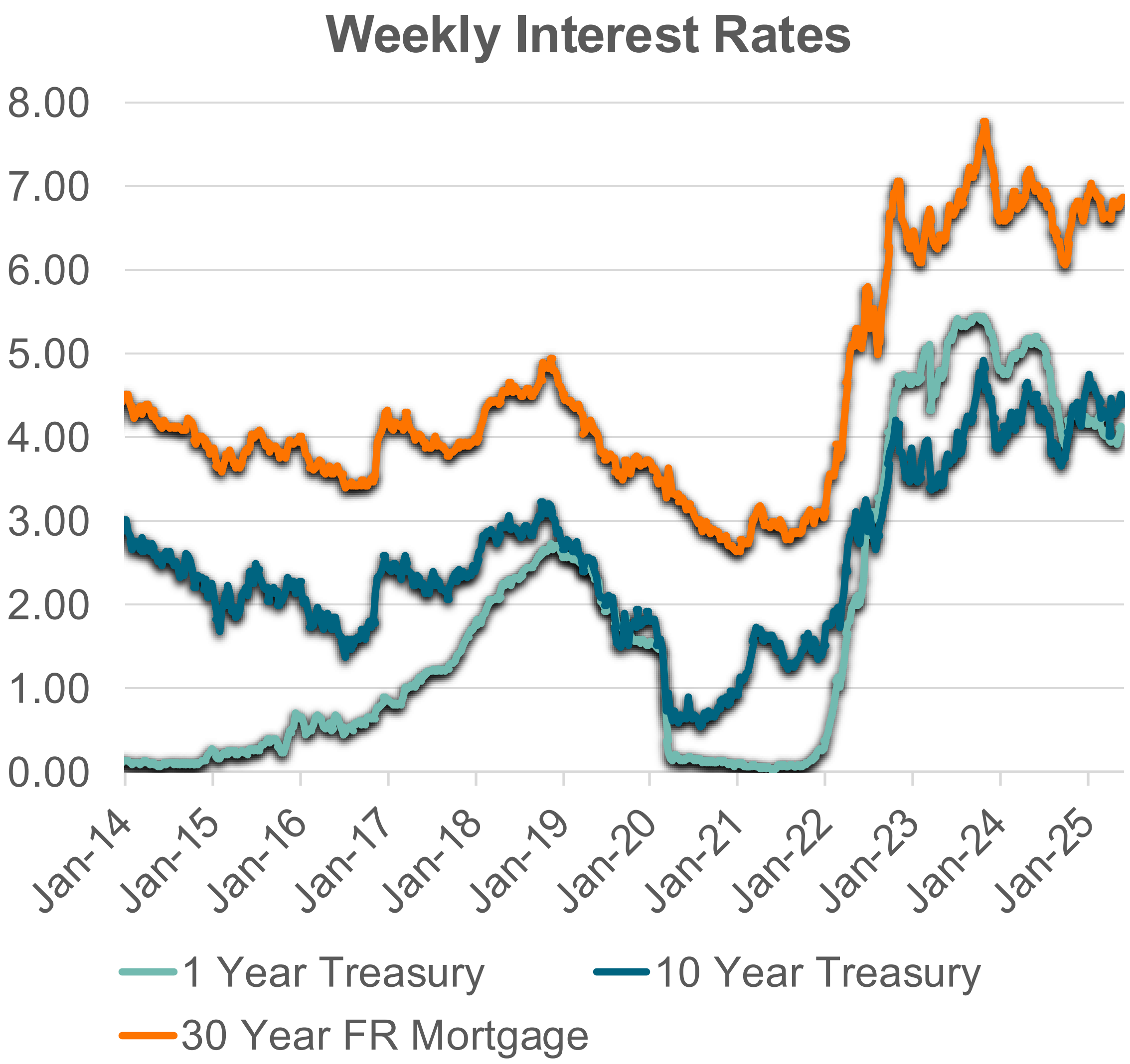


Liquidity Constrained Housing Market

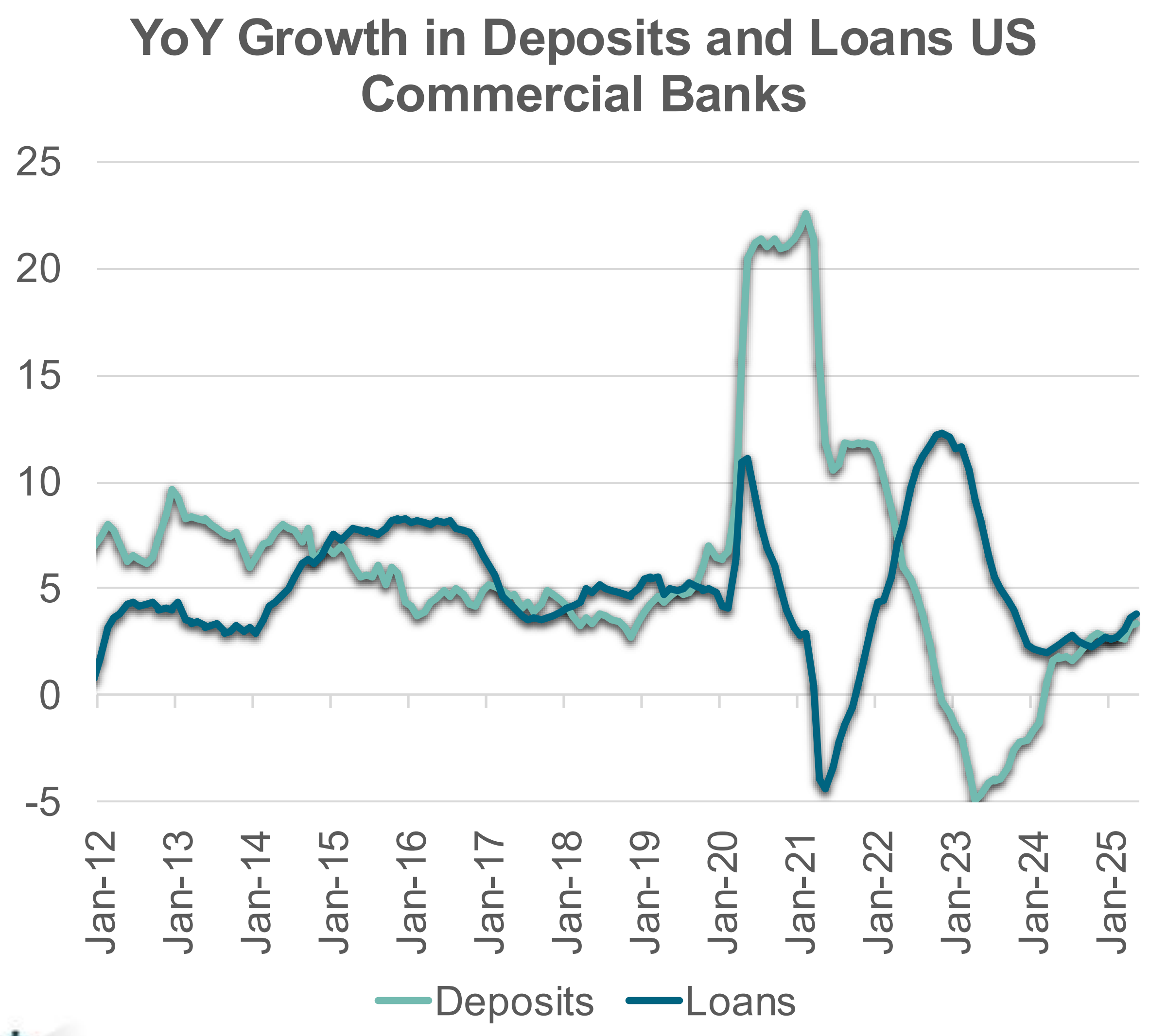
Normal Housing Market

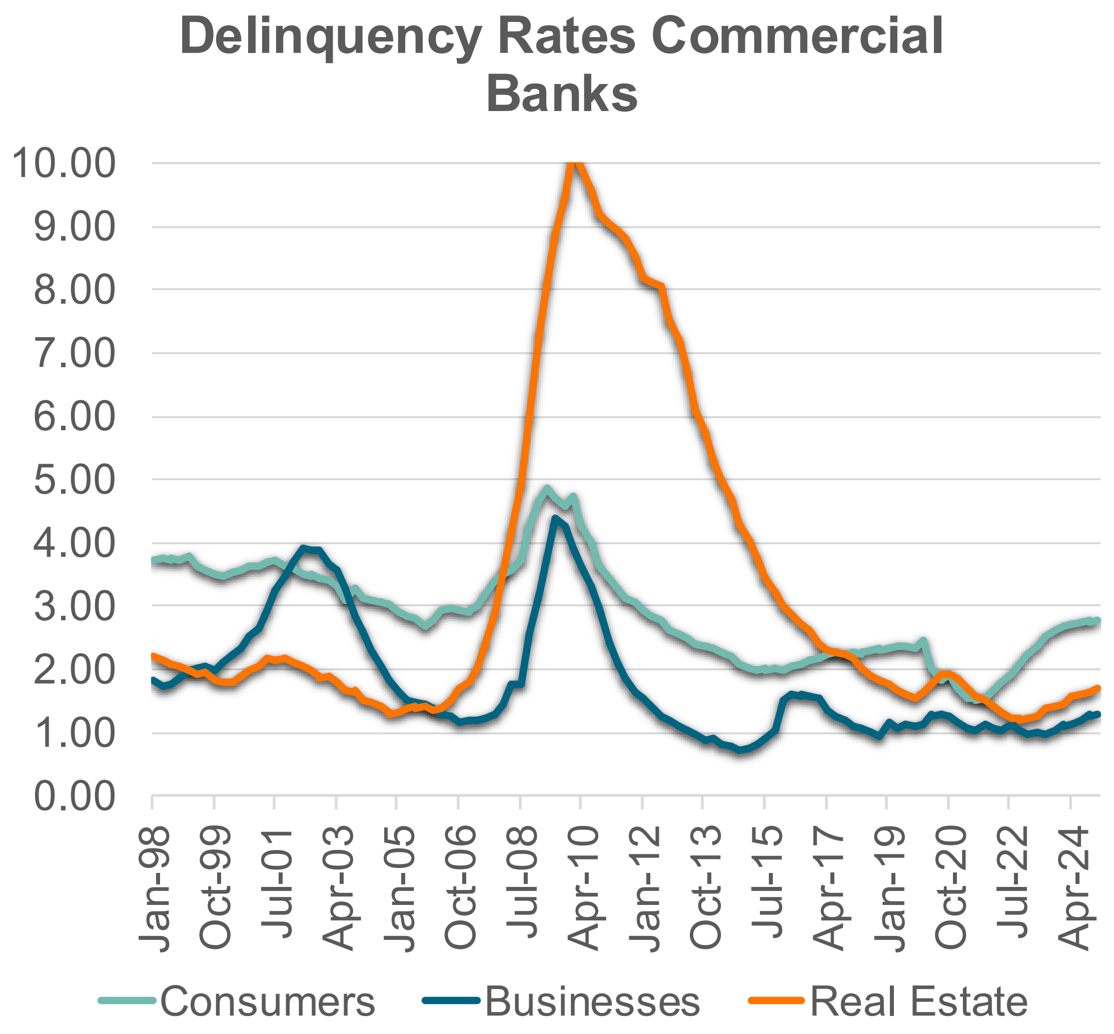
Inflation Subdued, Rates Steadied



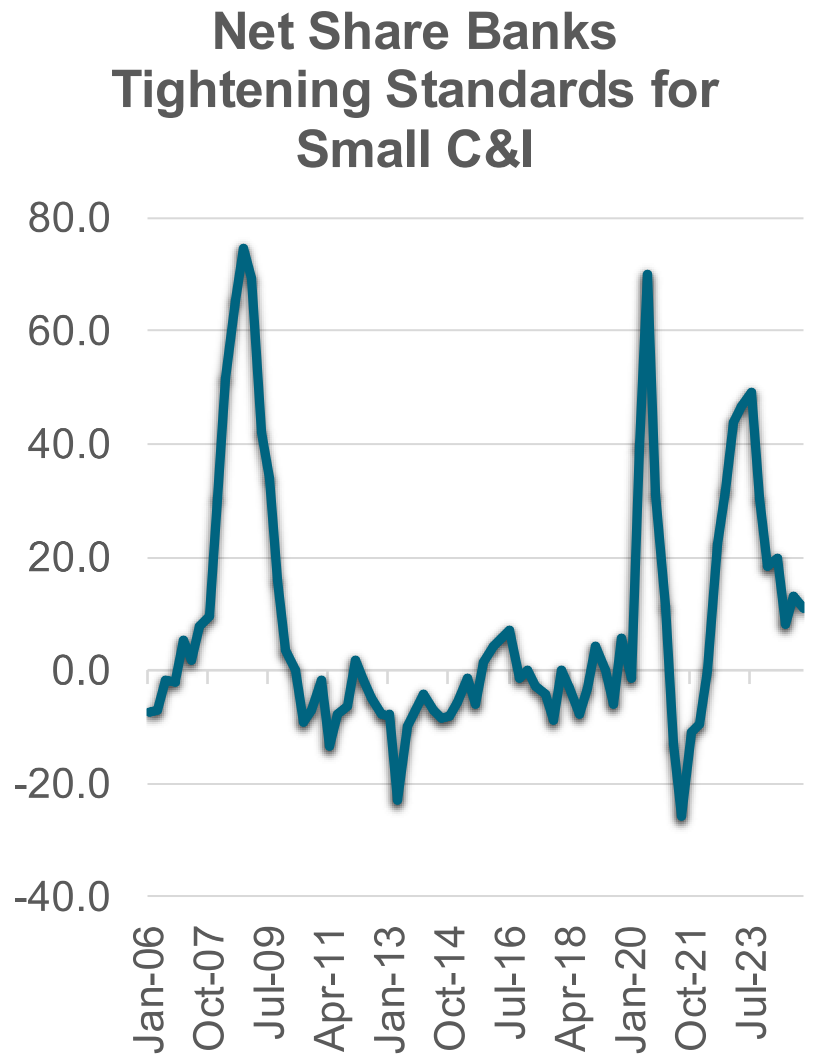


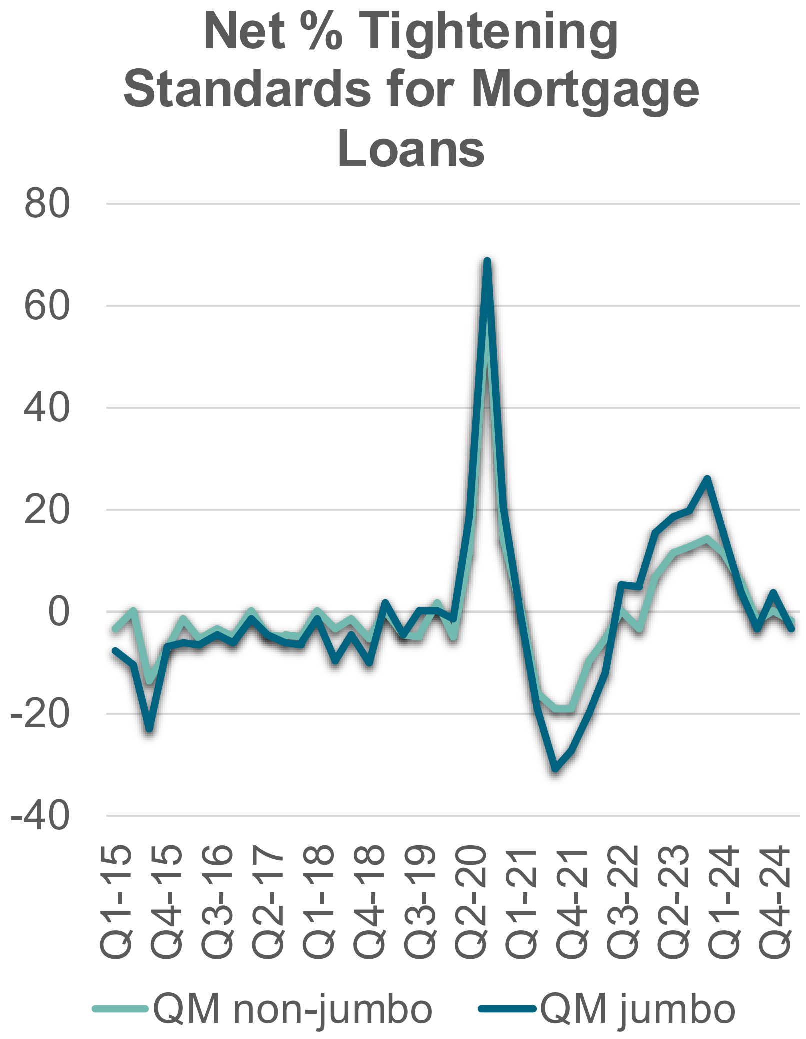
Banking: Moving to Normalcy

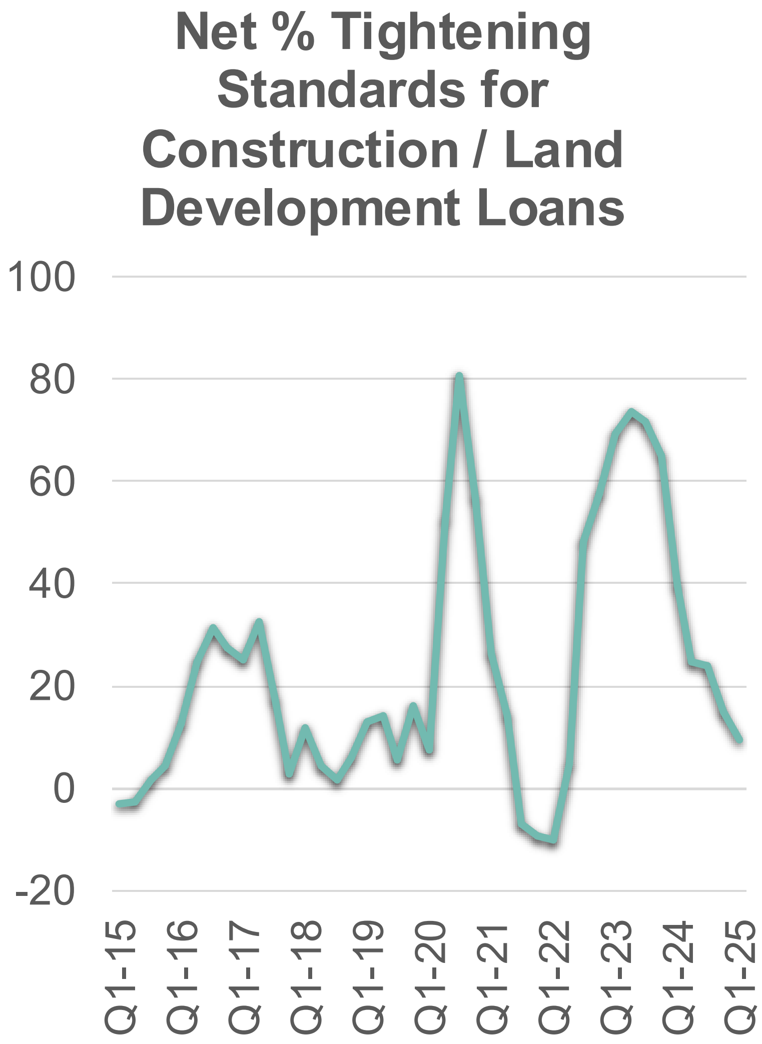




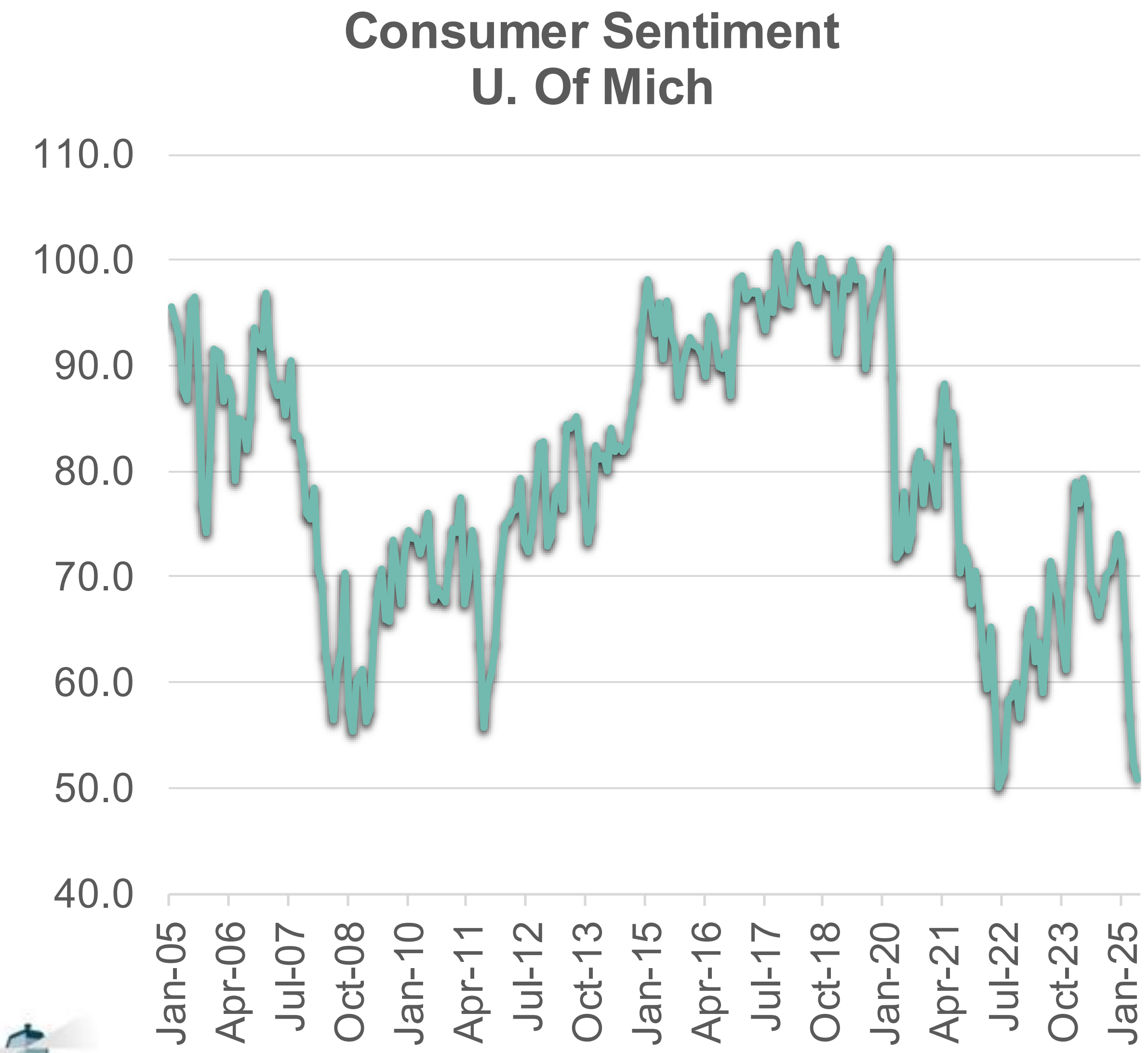
Senior Loan Officer Opinion Survey

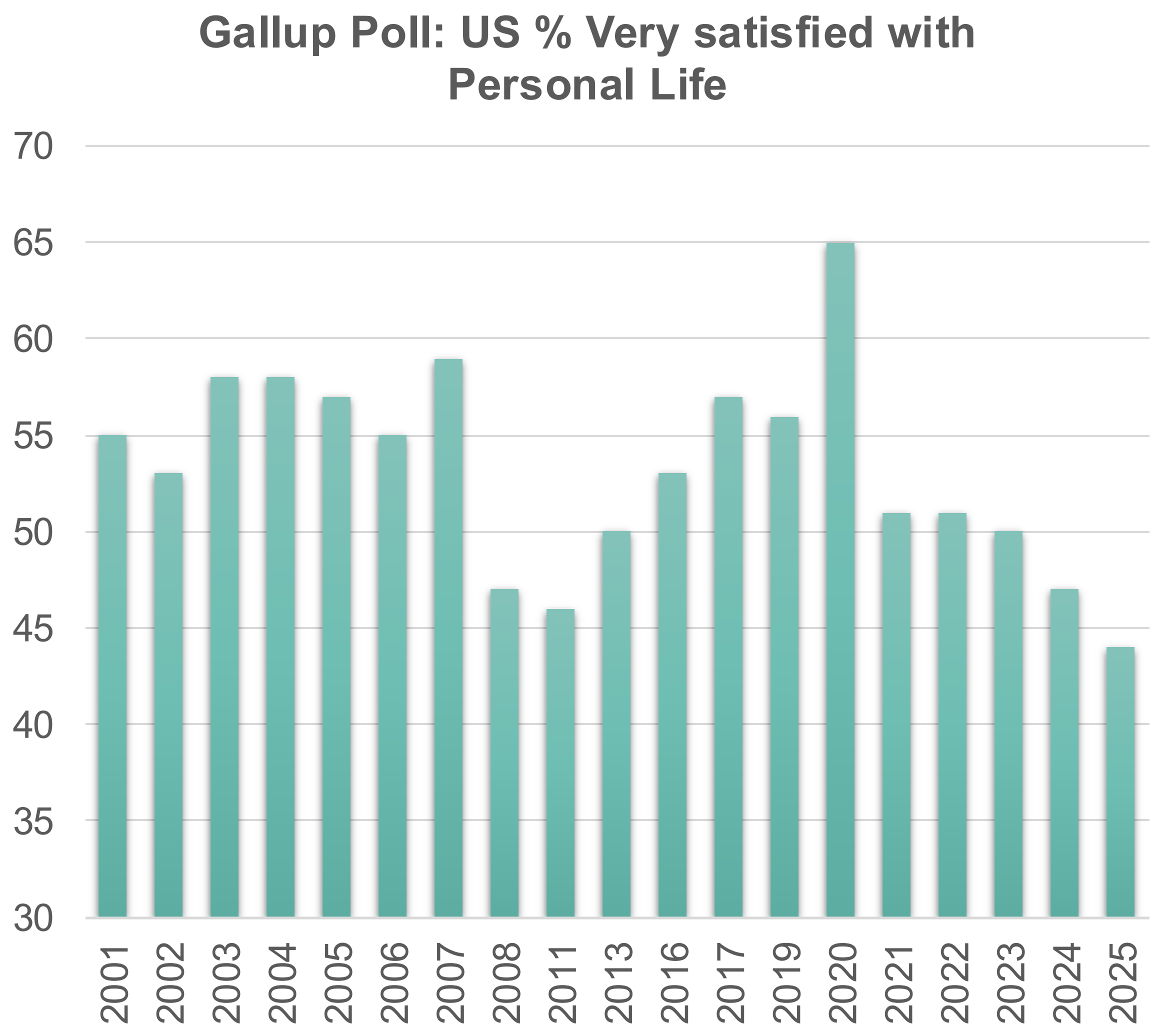




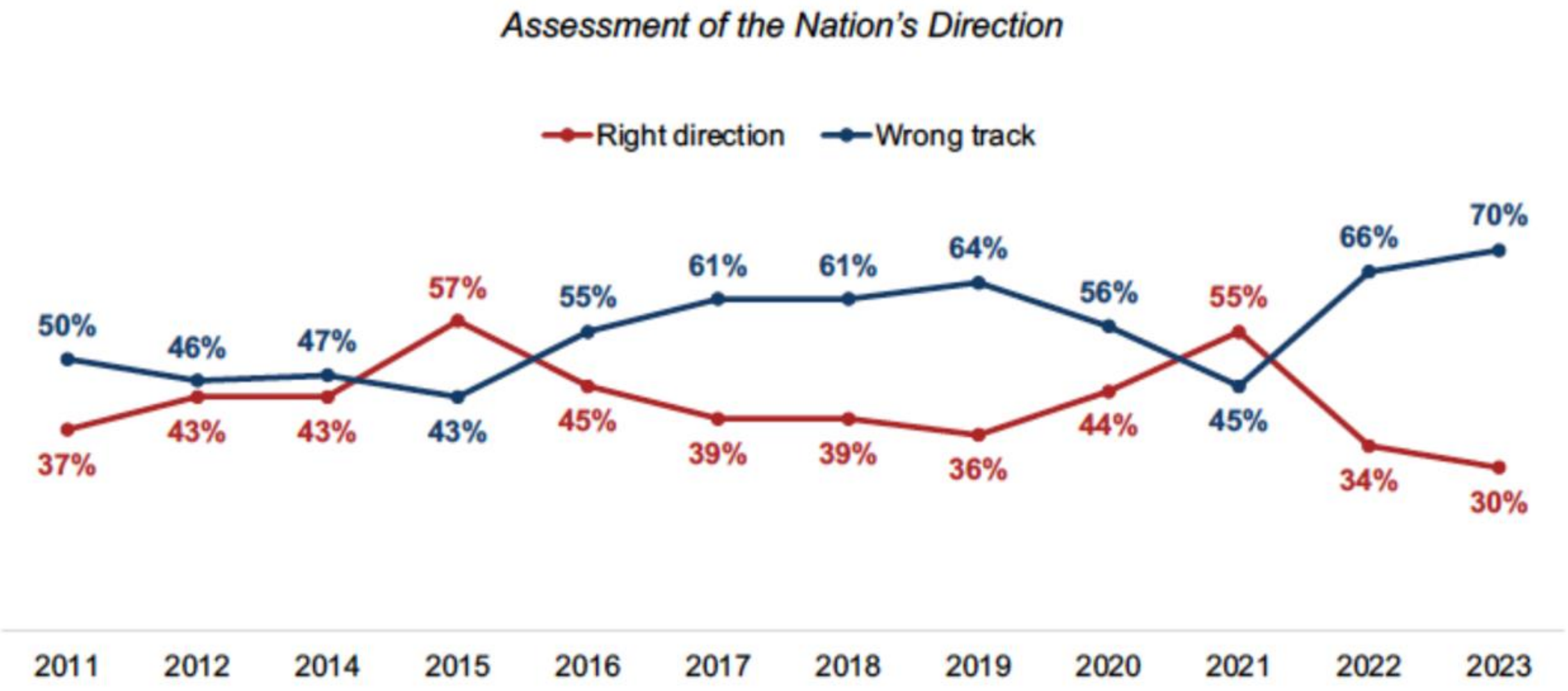


The national mood?



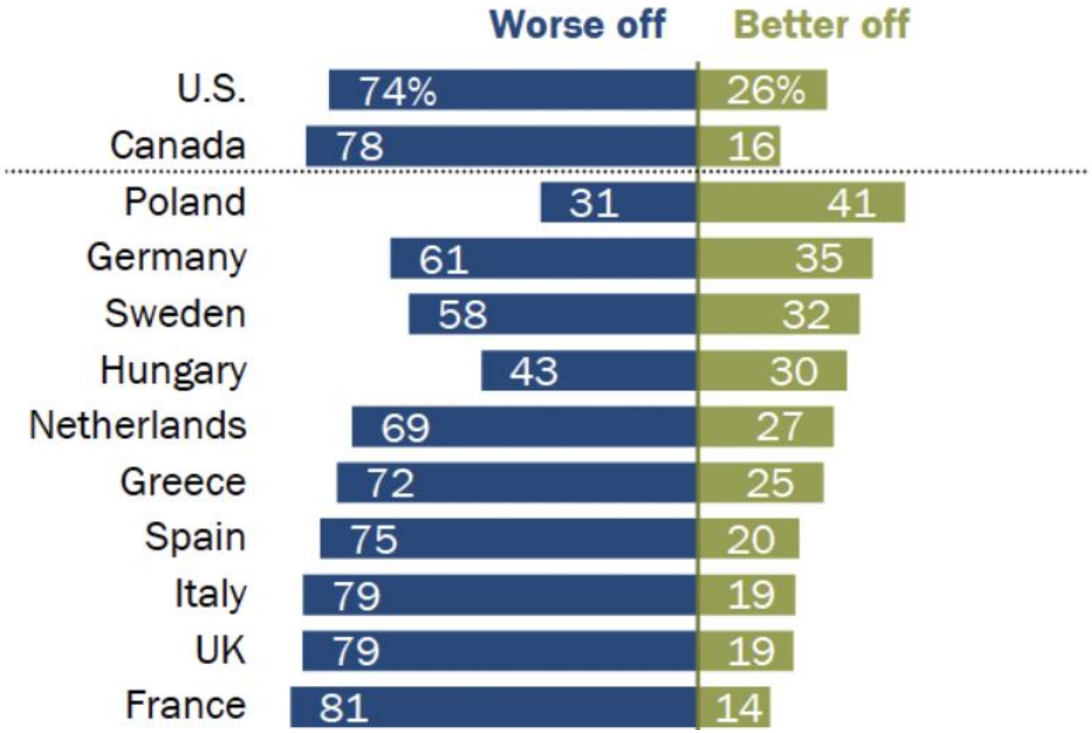


Seven in ten college students say the country is headed off on the wrong track, a record low.



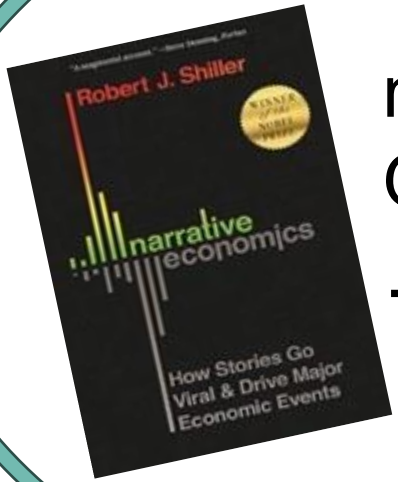
Globally, most think children will be worse off financially than their parents

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



Beware the Narrative

Social Narratives Economic Reality



"We need to incorporate the contagion of narratives into economic theory. Otherwise, we remain blind to a very real … mechanism for economic change.."

—R. Shiller, *Narrative Economics*

And How About California?

California's Poverty Rate Soars to Alarmingly High Levels in 2023

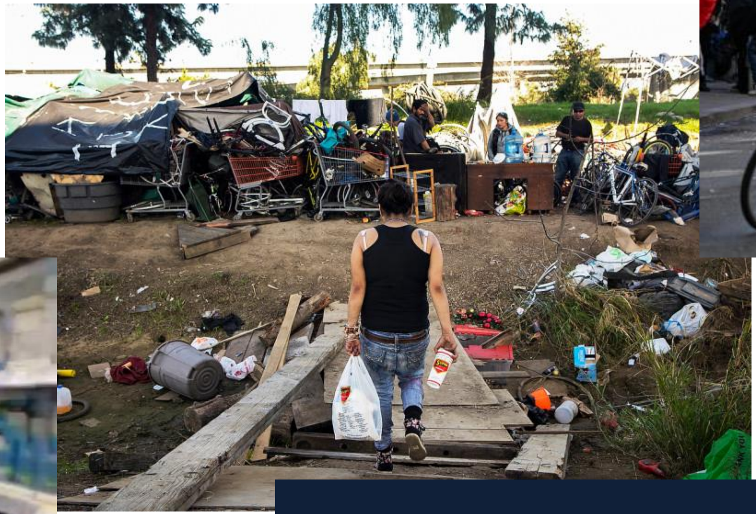
New Census Data Show Disproportionate Hardship for Black and Latinx Californians, as the End of Pandemic-Era Policies Reverses Progress

The Bay Area Narrative

TECH

Elon Musk called downtown San Francisco — where Twitter is headquartered — a 'derelict zombie apocalypse' amid its huge homelessness and drug issues

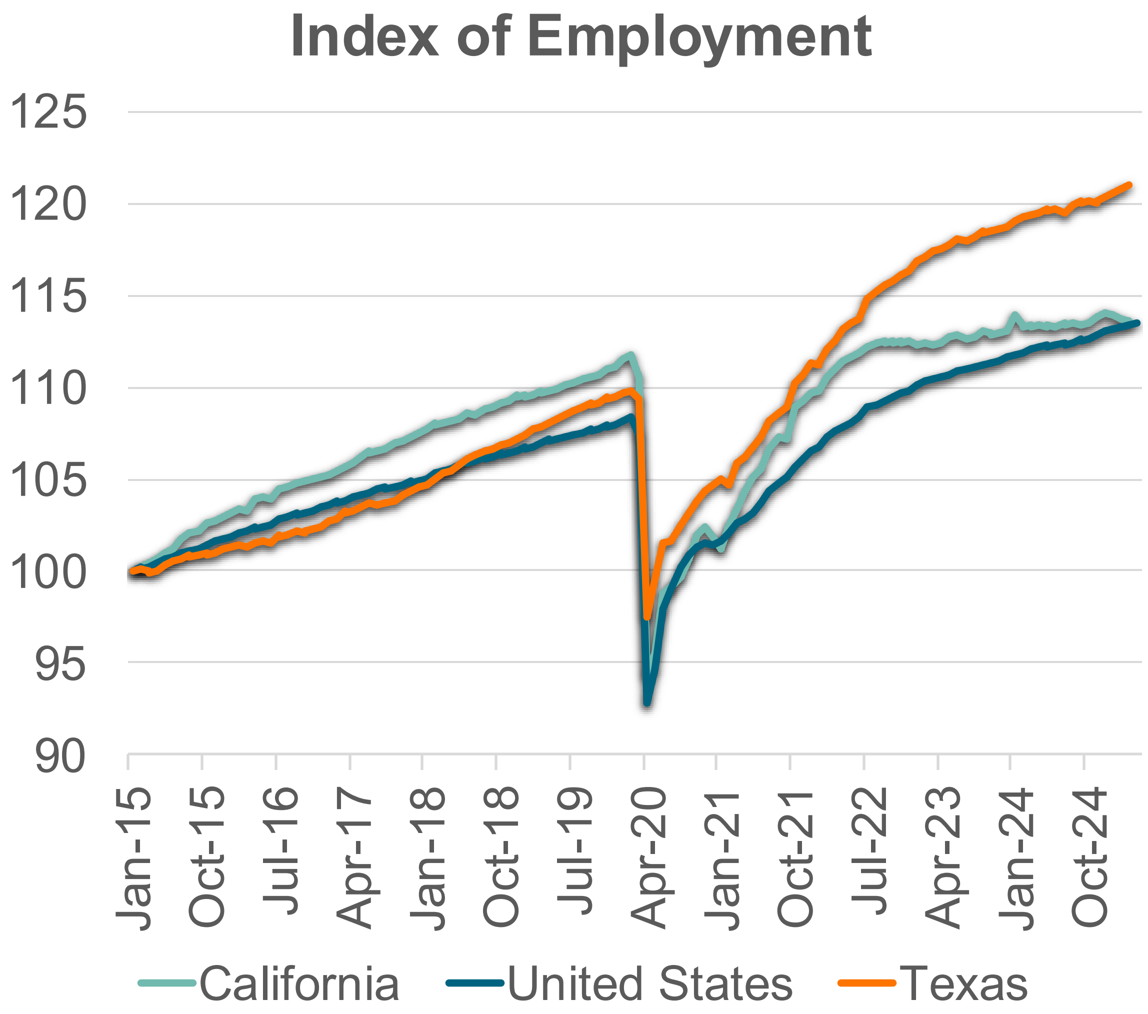
By Sawdah Bhaimiya

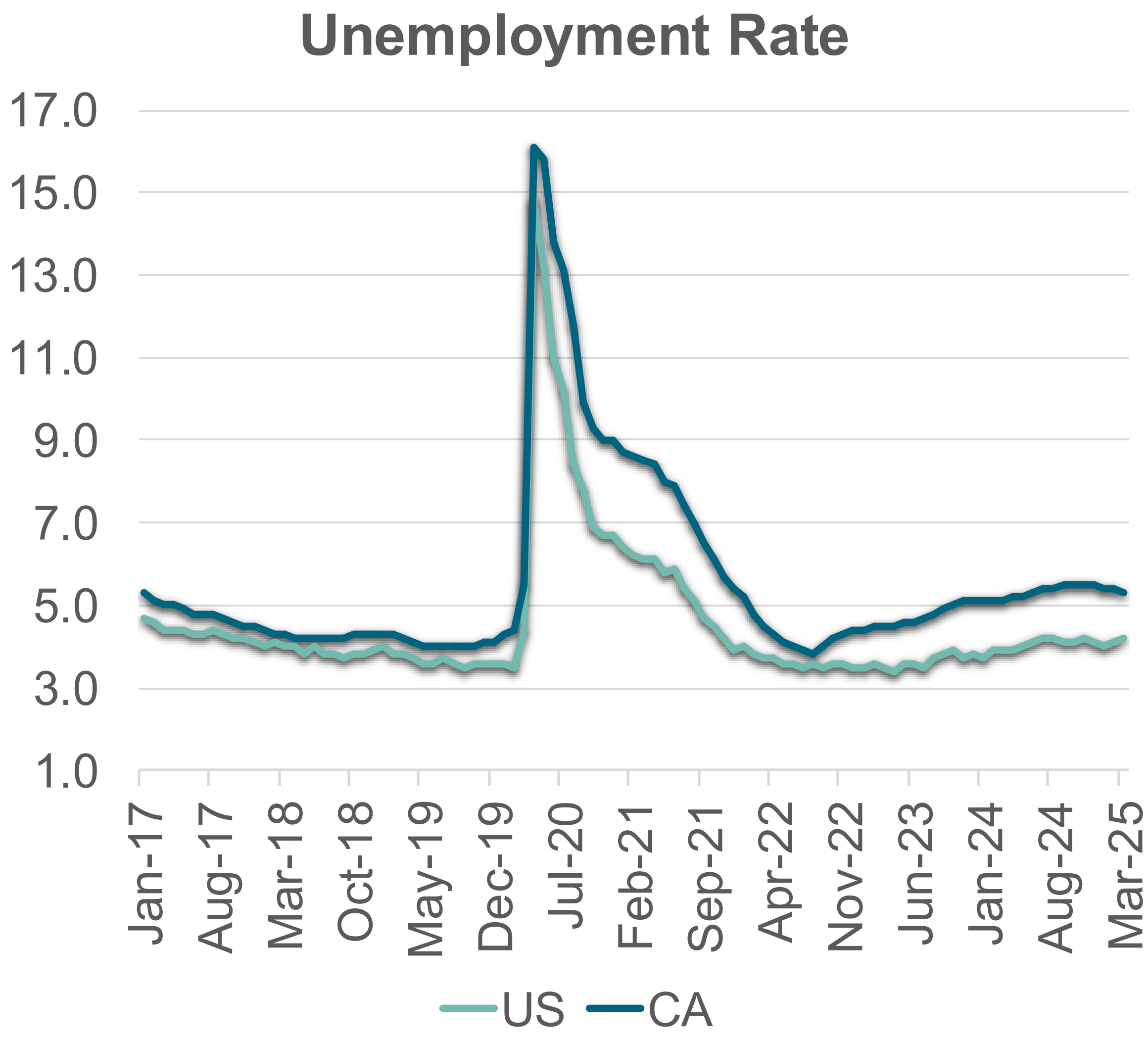


Another tech bubble bursts: 2022 has been brutal for Silicon Valley workers

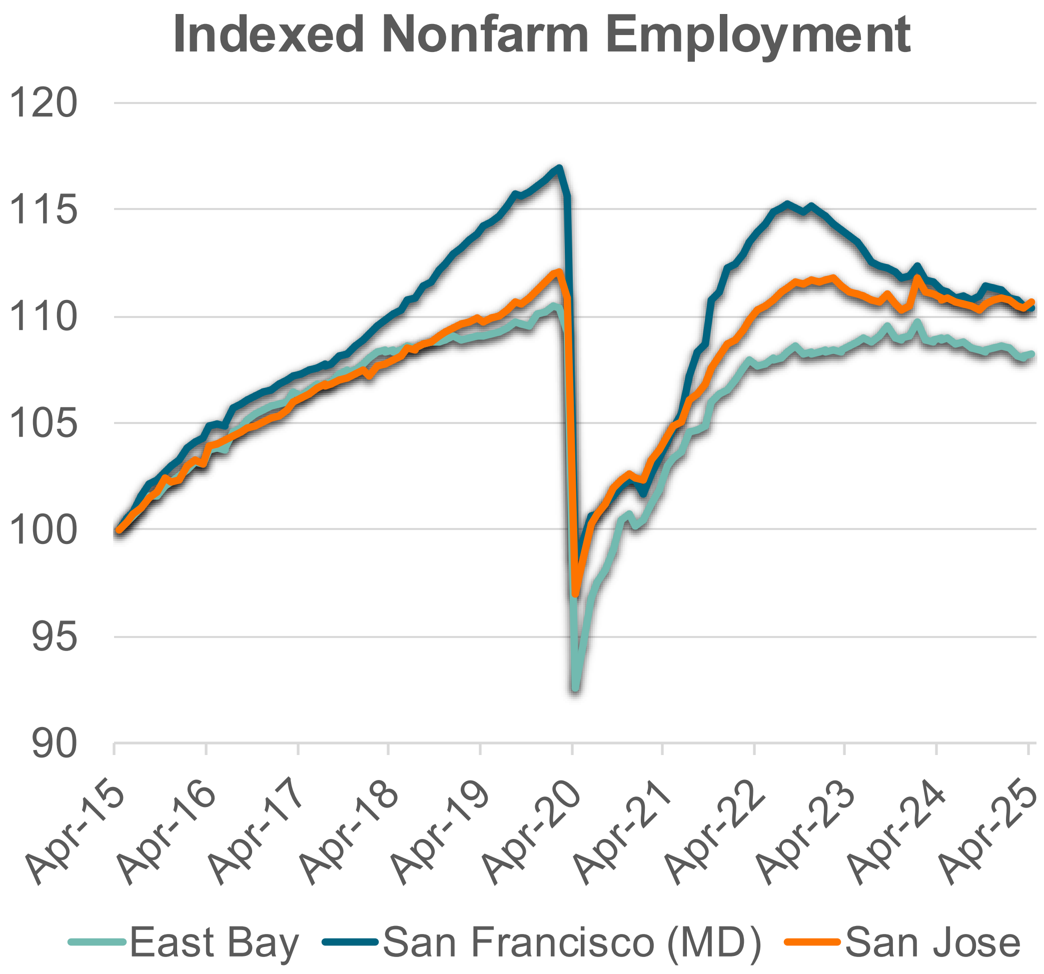
The breadth of the layoffs this year is breathtaking, affecting every part of the tech sector from farming robots and cryptocurrency to social media and semi-autonomous vehicles.

California Employment



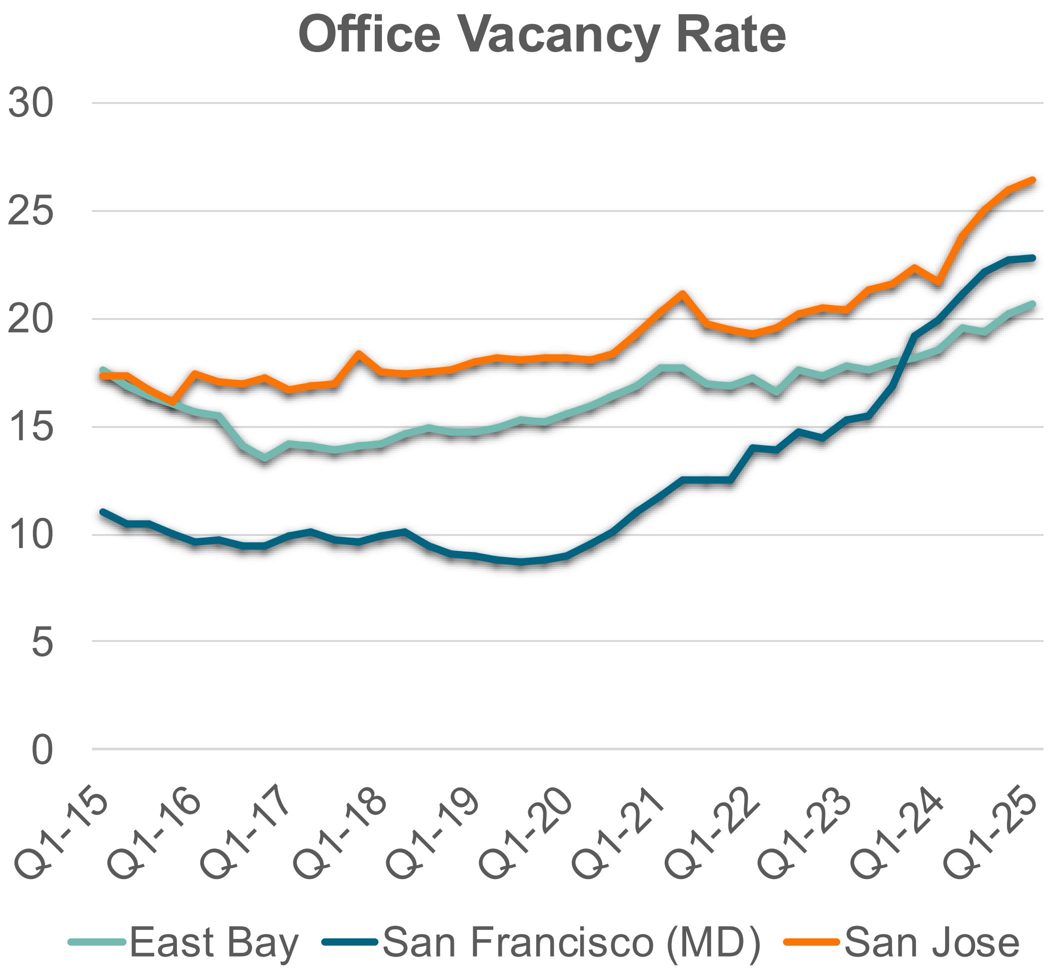


Bay Area Nonfarm Employment



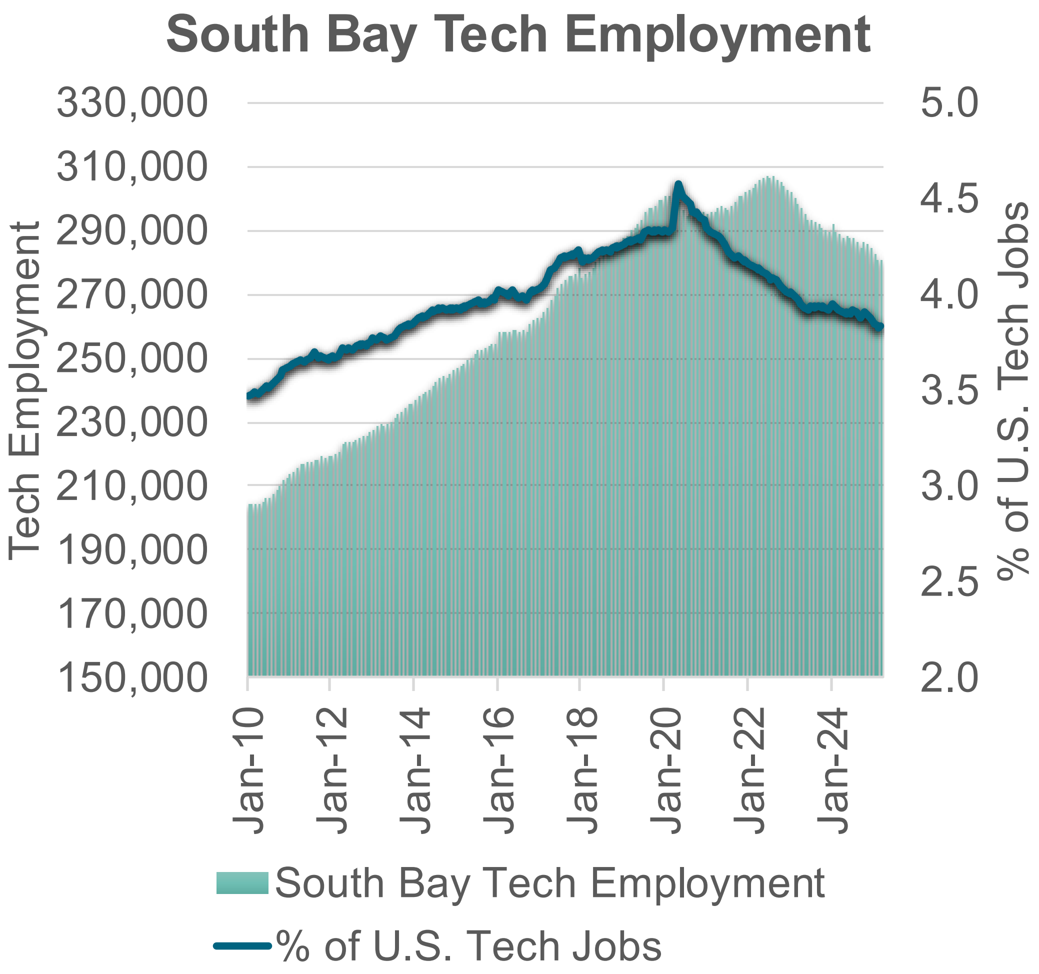
Location	Apr-25 Emplt (000s)	1-Year Chg. (%)	Chg. Feb-20 (%)
Austin	1,372.7	1.3	16.8
Dallas	4,303.4	1.2	11.2
Phoenix	2,460.7	0.5	9.9
Napa	77.2	3.3	2.7
Seattle	2,151.0	0.6	1.5
Vallejo	143.9	-0.6	0.3
Boston	2,760.7	0.0	-0.8
Los Angeles (MD)	4,590.1	0.1	-1.0
San Jose	**1,150.3**	**-0.2**	**-1.3**
Oakland (MD)	**1,176.2**	**-0.7**	**-2.1**
Santa Rosa	204.4	0.4	-3.7
San Rafael (MD)	112.7	1.2	-3.9
San Francisco (MD)	**1,139.5**	**-0.6**	**-5.8**

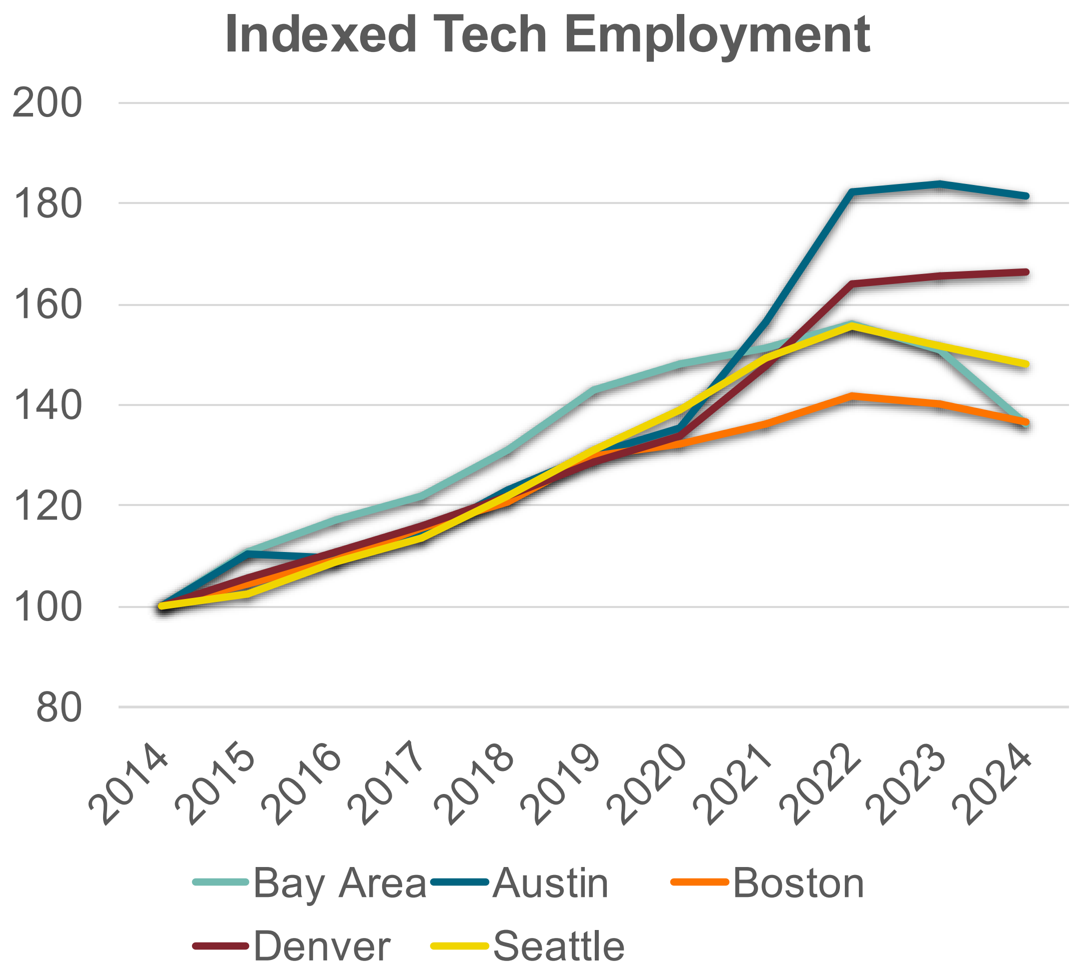
Office Market



Office Submarkets	Occ. Stock Q1-25 (sq. ft.)	1-Yr Change (%)	Change since Q4-19 (%)
Total	55,682,000	-4.6	-3.4
Santa Clara/Sunnyvale	26,276,000	-4.1	3.0
Airport/Milpitas	9,132,000	-4.4	-11.0
Cupertino/Campbell/Los Gatos	7,027,000	-1.3	-3.0
Palo Alto/Mountain View/Los Altos	6,809,000	-7.9	-12.6
San Jose Submarket	6,438,000	-6.4	-5.5

San Jose Tech Employment

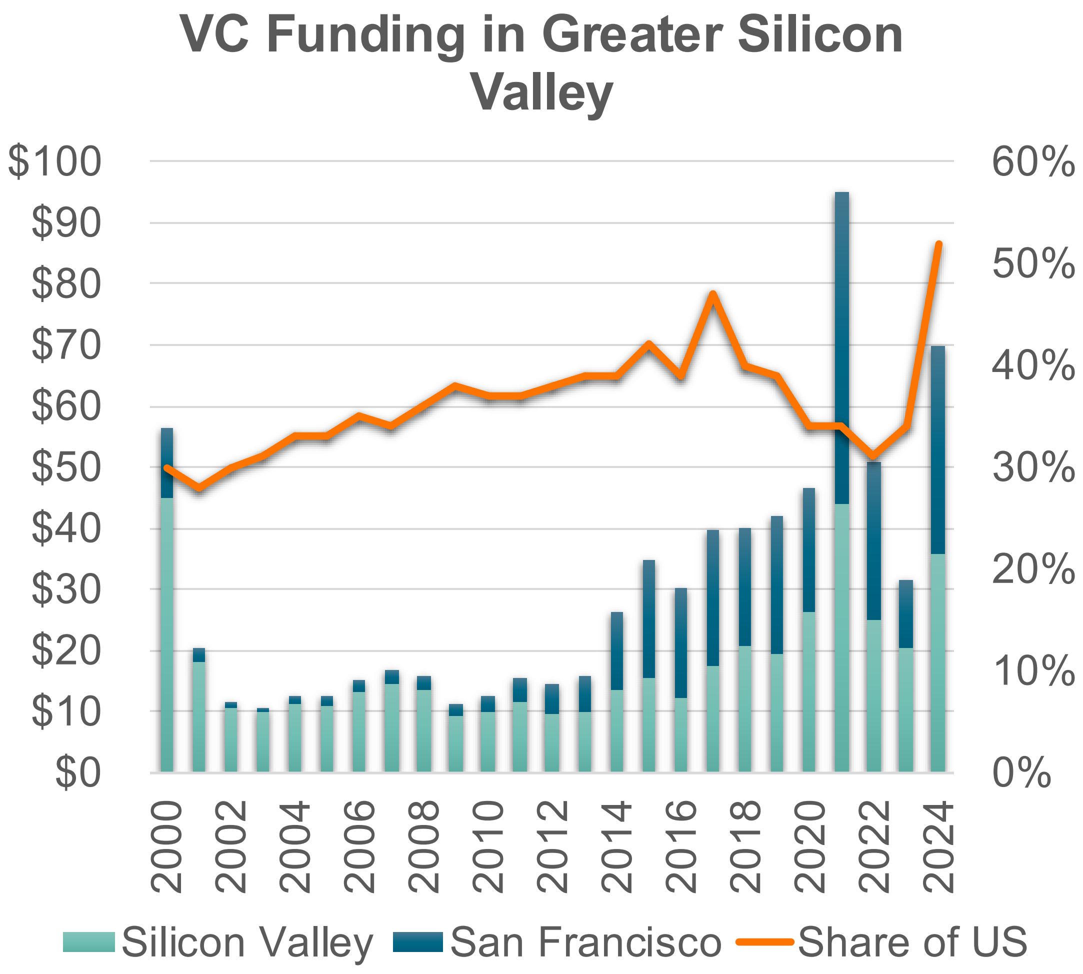


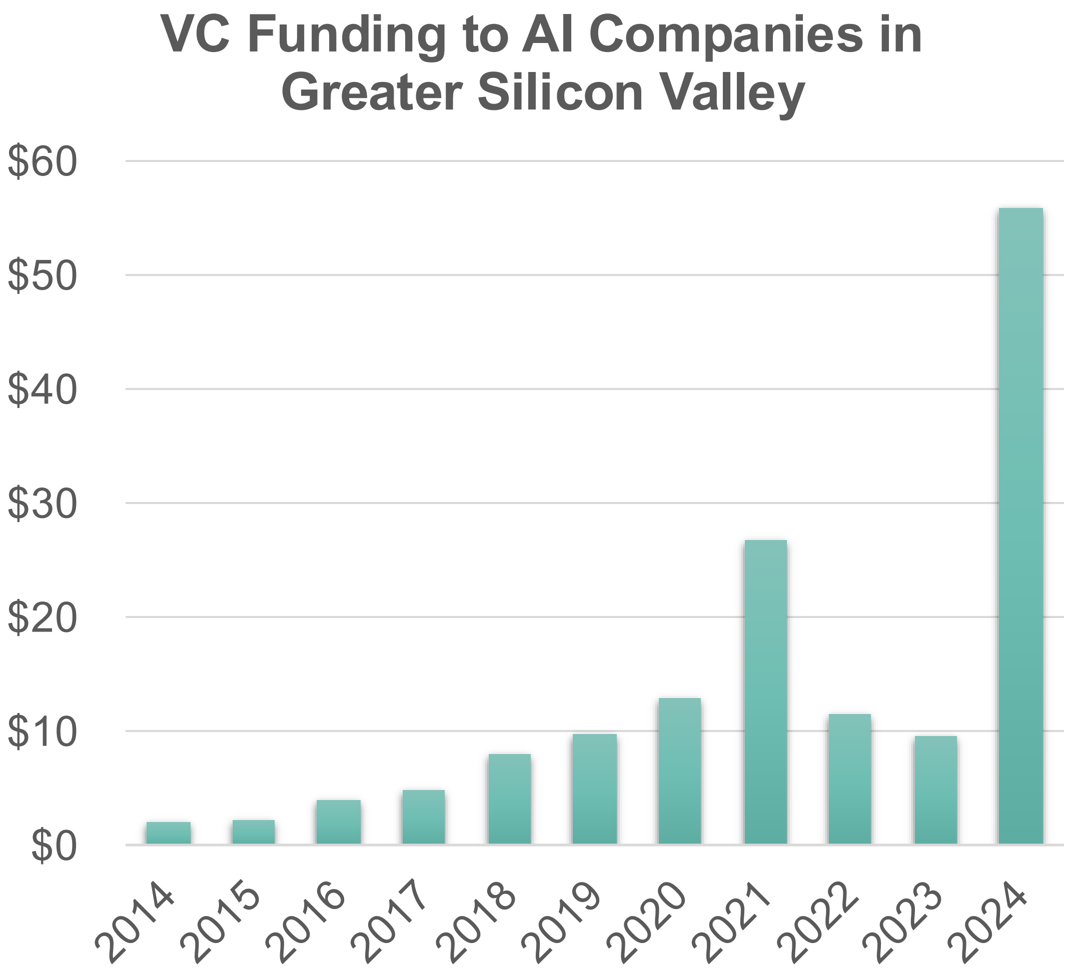


Tech Subsector Employment

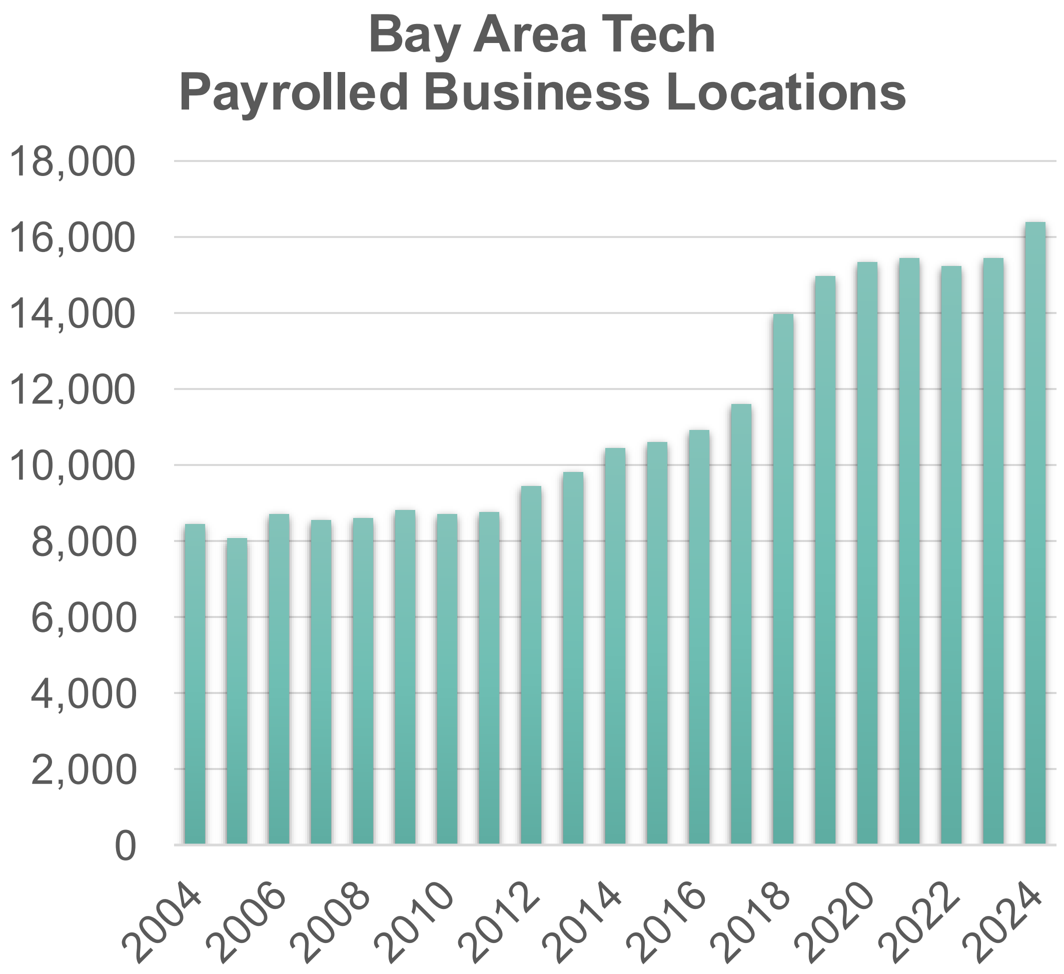
Sector	Bay Area			US		
	Emplt. 2024	1-Year Chg. (%)	5-Year Chg. (%)	Emplt. 2024	1-Year Chg. (%)	5-Year Chg. (%)
Total Tech	469,458	-9.6	-4.7	4,554,694	-1.7	14.7
Computer Systems Design and Related Services	189,309	-1.0	-2.4	2,459,728	-1.1	10.8
Scientific Research and Development Services	97,314	-0.8	29.7	930,201	4.5	34.1
Software Publishers	65,449	-7.9	3.5	638,886	0.8	56.3
Web Search Portals and Other Information Services	53,076	2.0	-2.4	182,107	-0.7	15.3
Media Streaming Distribution Services and Other Content Providers	34,036	-9.3	-18.9	223,752	-7.5	-3.9
Computer and Peripheral Equipment Manufacturing	30,274	-56.5	-52.8	120,020	-26.0	-25.4

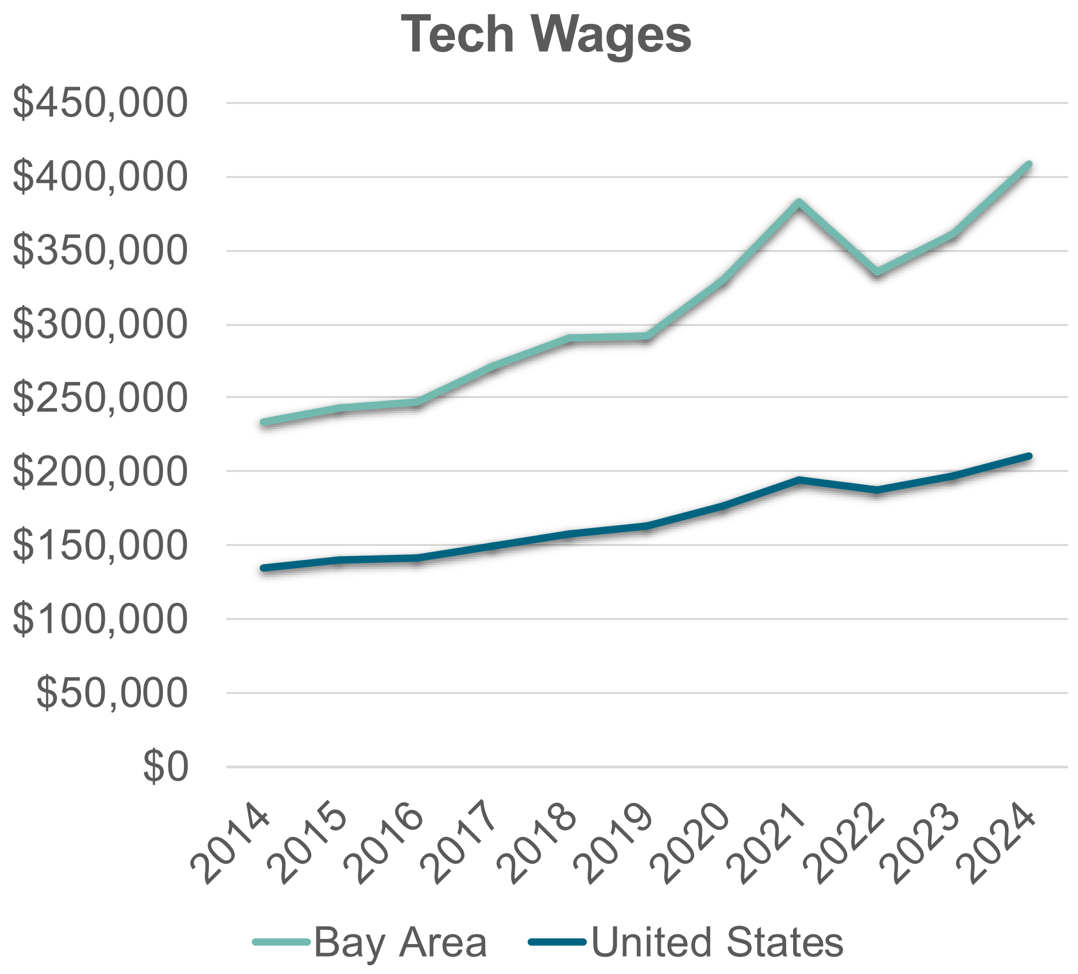
Venture Capital Investment



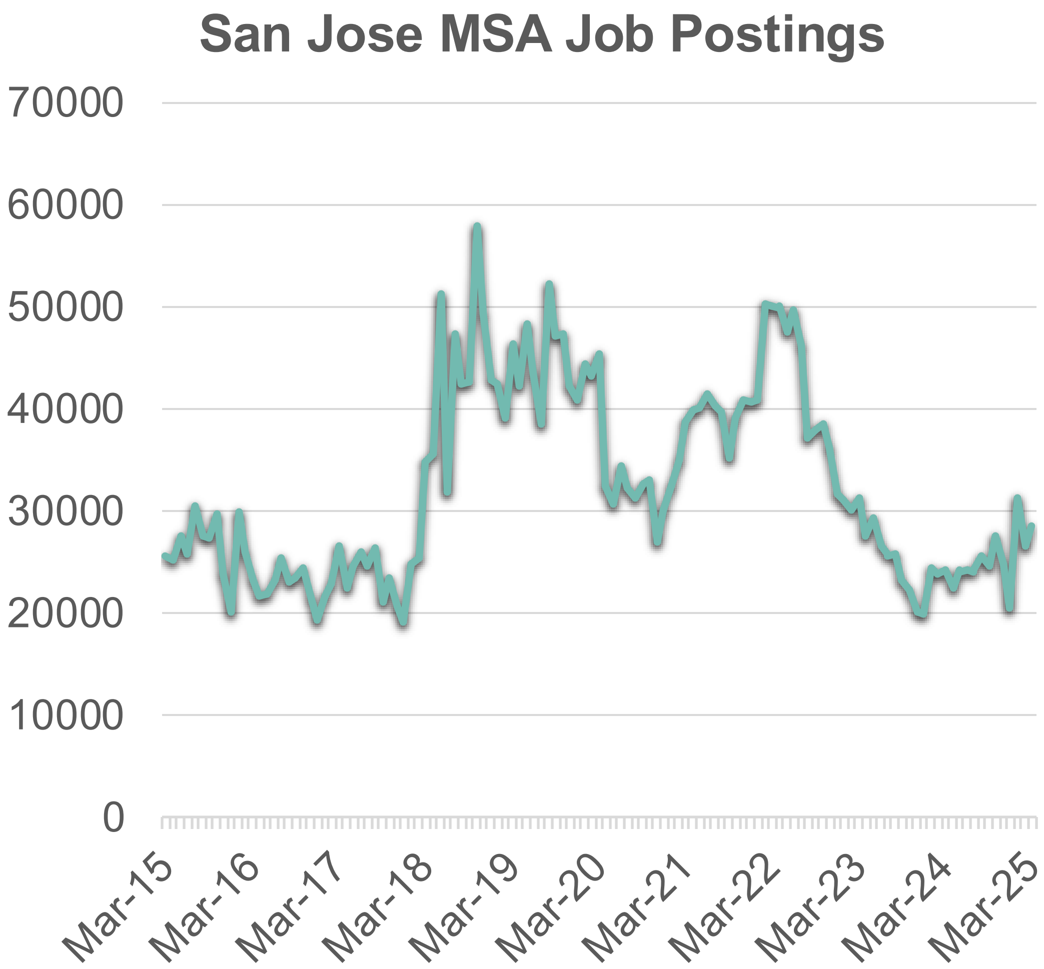


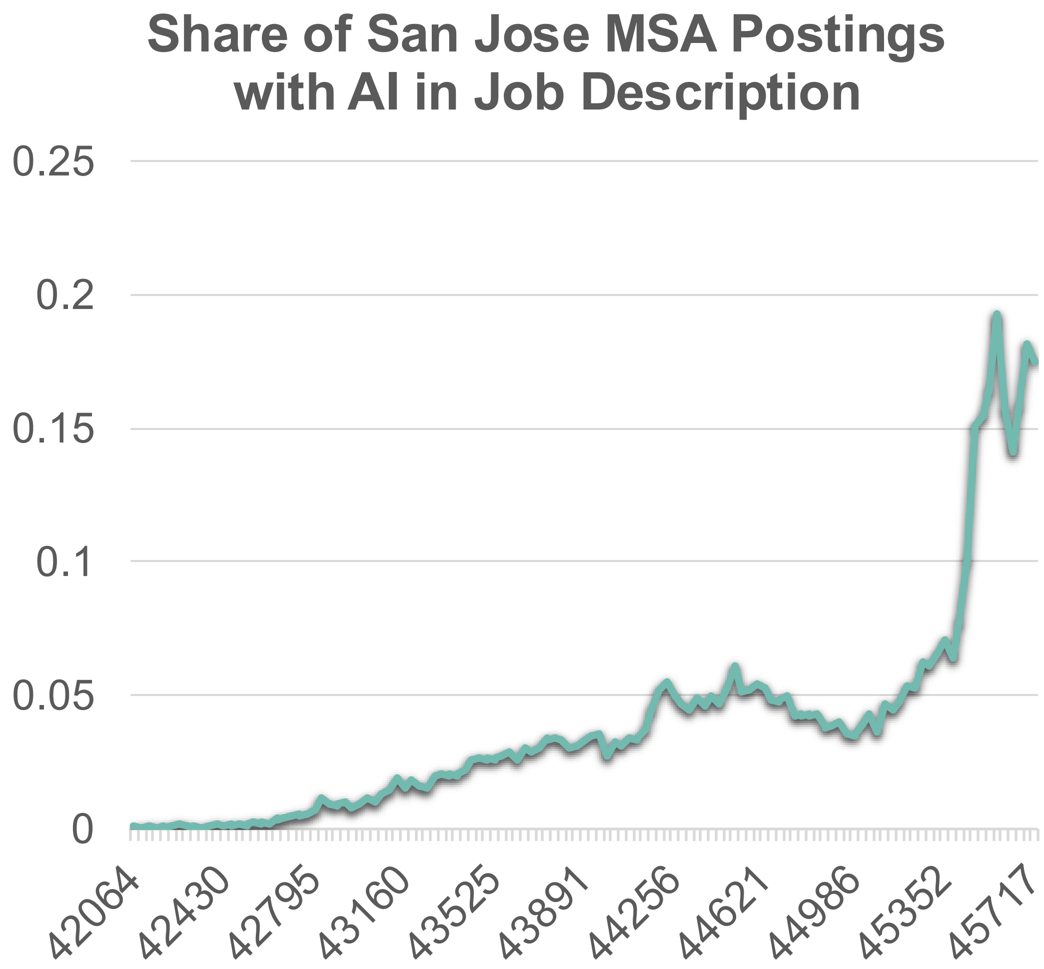
Bay Area Tech



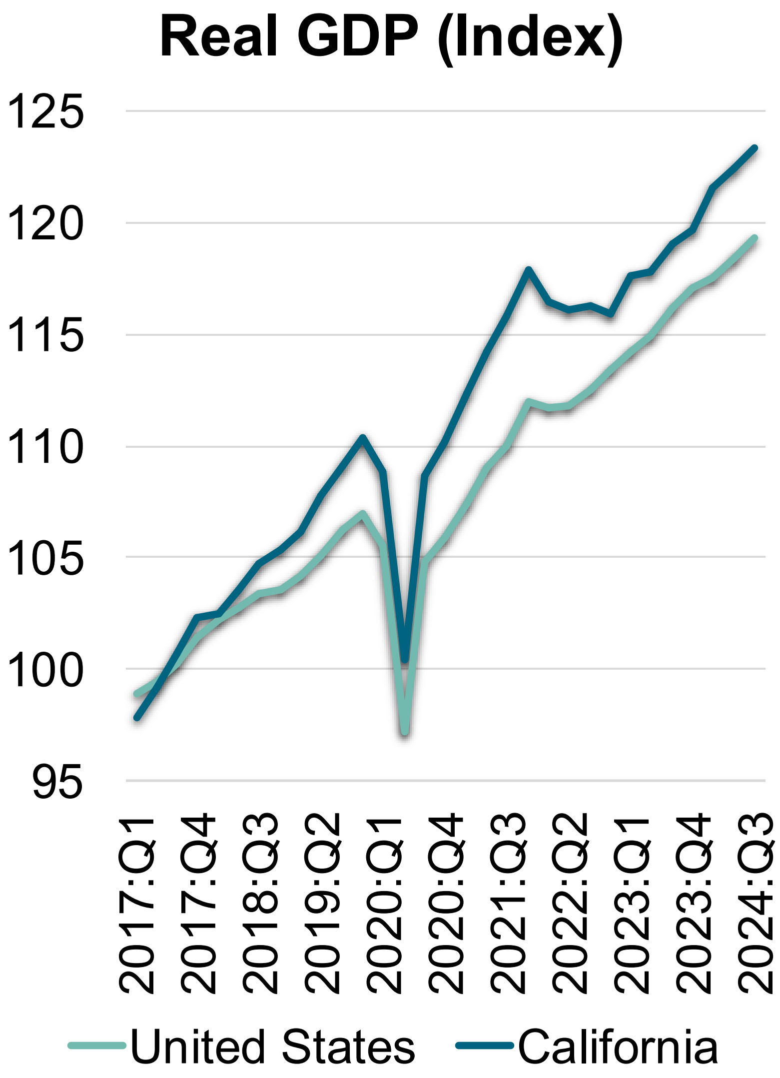


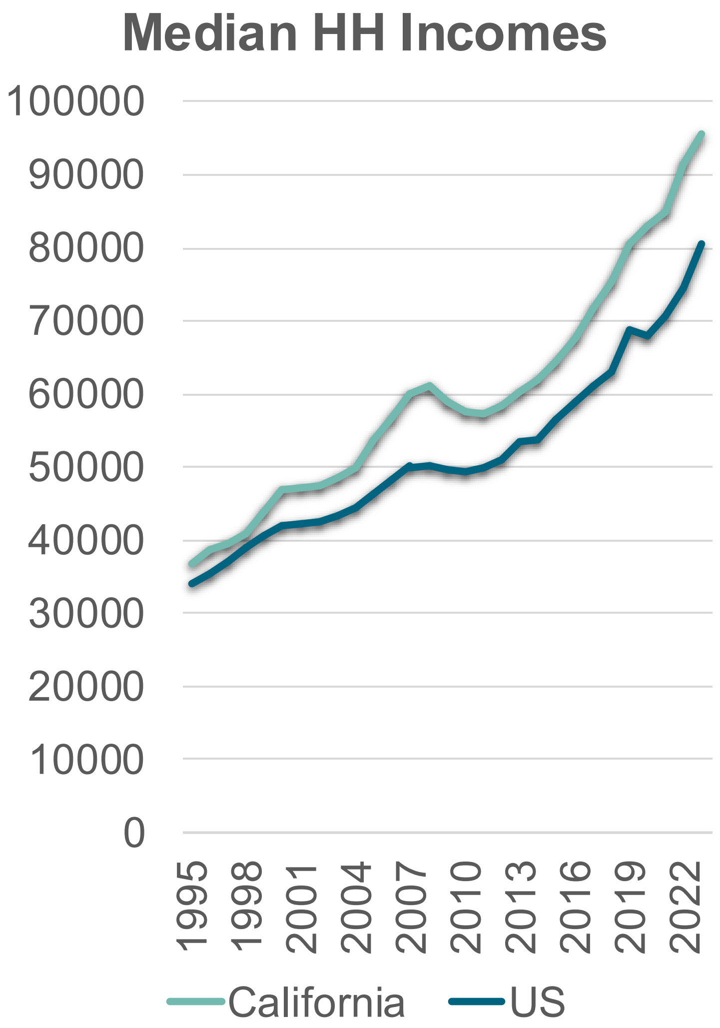
San Jose Job Postings





Growth on the Intensive Margin

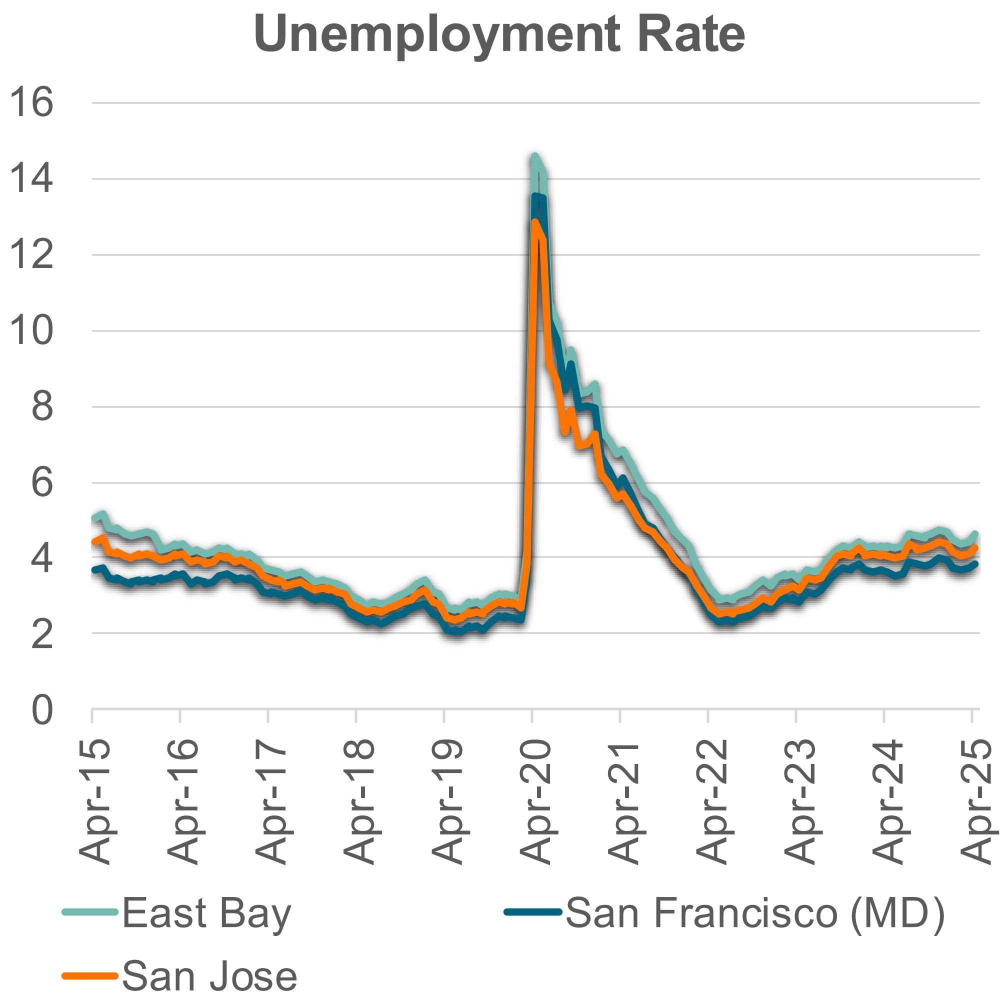




Ranked Median Household Income by County

Rank out of 3,200		2023 Med HH Inc
2	Santa Clara	$154,954
3	San Mateo	$151,485
10	Marin	$139,644
18	San Francisco	$126,730
25	Contra Costa	$122,794
30	Alameda	$119,931
52	Orange	$110,042
54	Placer	$109,713
56	El Dorado	$108,594
59	Ventura	$107,667
61	San Benito	$107,324
70	Santa Cruz	$105,631
77	Napa	$104,686
82	San Diego	$103,674

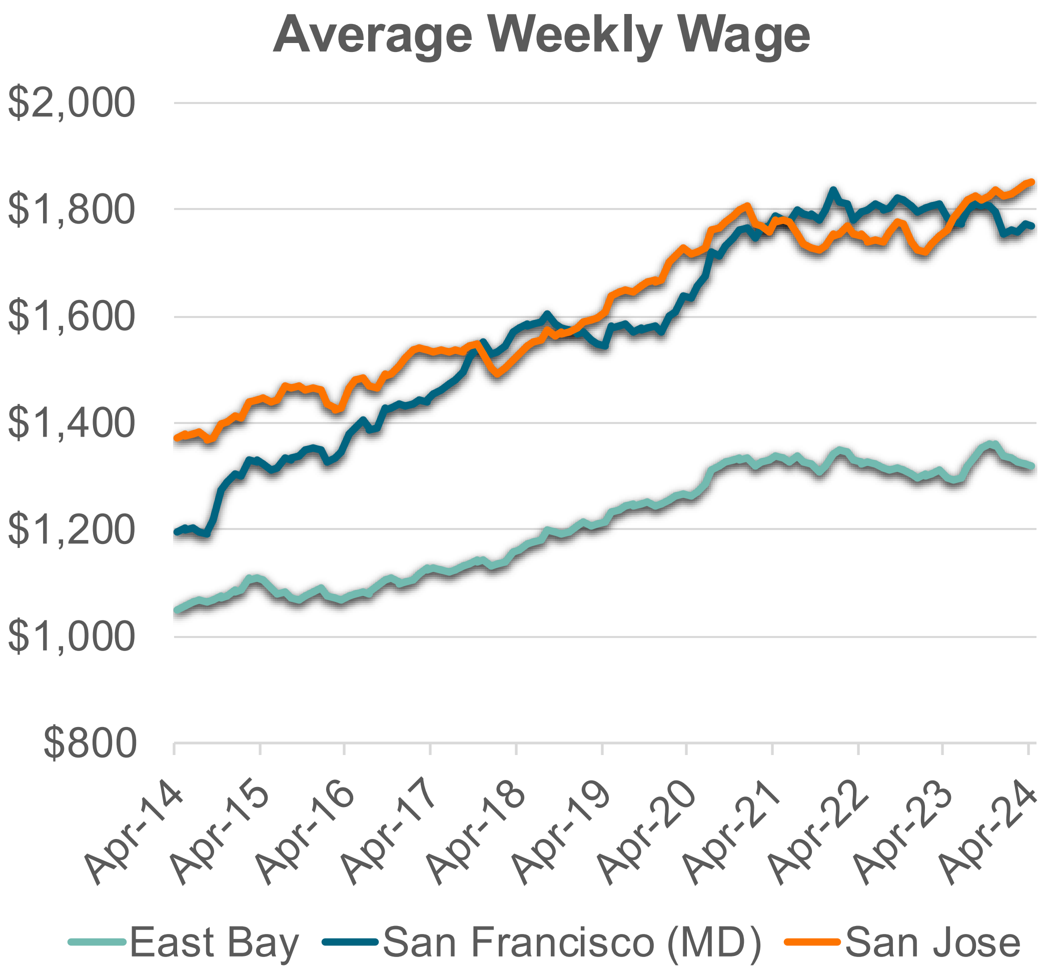
Unemployment and Employment



San Jose Payroll Employment

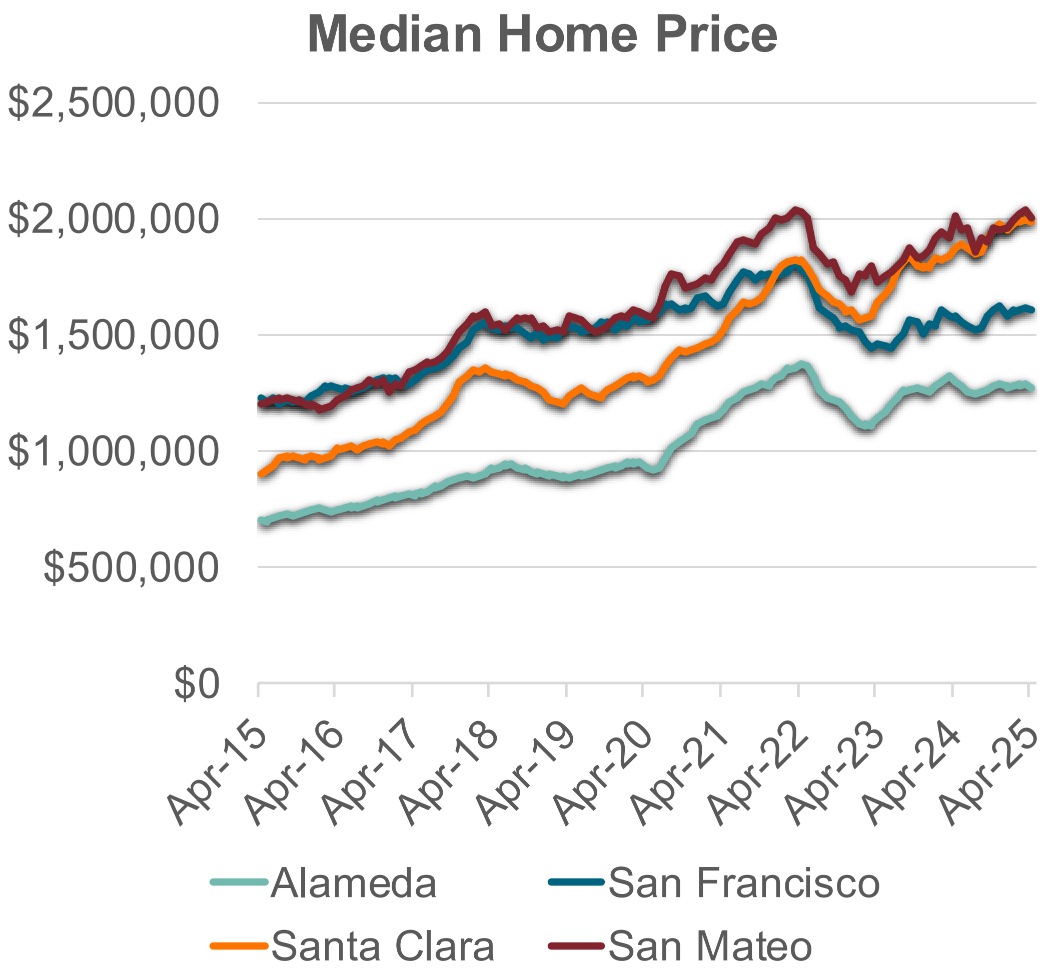
Industry	Feb-25	2 Yr Ch
Total Nonfarm	**1150.5**	**-11.8**
Health Care	161.9	17.7
Education	53.1	4.6
Government	101.2	4.0
Other Services	27.3	1.0
Logistics	16.9	0.4
Leisure and Hospitality	102.2	0.2
Wholesale Trade	28.6	-0.7
Management	60.2	-1.0
Retail Trade	72.8	-1.2
Financial Activities	35.7	-2.1
NR/Construction	52.0	-2.8
Admin Support	59.3	-4.8
Information	92.5	-8.1
Manufacturing	124.0	-9.3
Prof Sci Tech	162.7	-9.7

Average Weekly Wages



Location	Apr-25 Avg Weekly Wage ($)	1-Year Chg. (%)	Chg. since Feb-20 (%)
Dallas	1,323	8.3	21.9
Santa Rosa	1,218	9.7	21.0
Napa	1,323	-3.2	20.1
Phoenix	1,271	5.7	18.3
Austin	1,293	8.0	15.9
Los Angeles (MD)	1,333	2.4	14.3
Seattle	1,567	9.5	13.8
Boston	1,492	2.5	13.1
East Bay	1,452	10.1	13.0
Vallejo	1,136	5.3	9.8
San Francisco (MD)	1,807	1.5	8.7
San Rafael (MD)	1,274	-5.8	8.6
San Jose	1,891	1.6	7.9

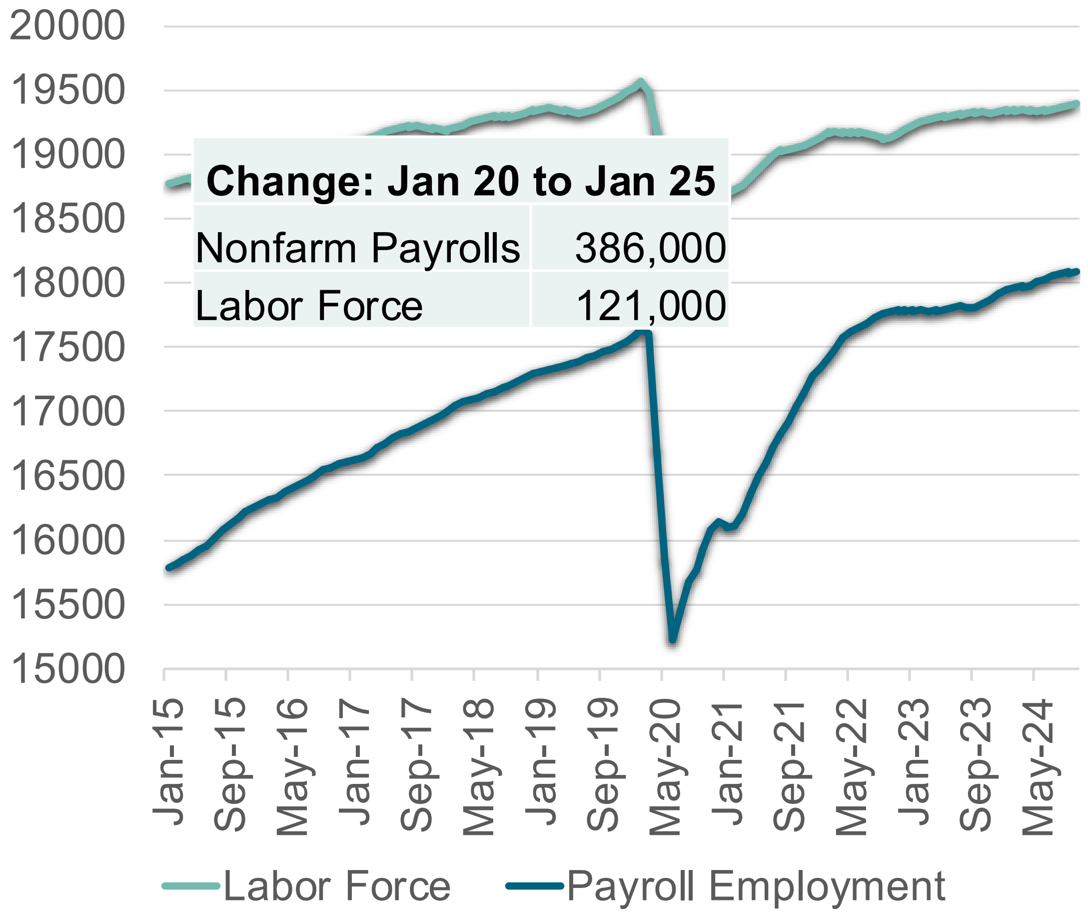
Local Home Prices



MSA	Apr-25 Median Home Price ($000s)	1-Year Chg. (%)	Chg. since Feb-20 (%)
Phoenix MSA	478.0	0.1	51.3
Santa Clara County	1,988.0	6.1	50.3
Seattle MSA	932.2	4.4	48.8
Boston MSA	779.1	4.2	45.7
Dallas MSA	420.2	-1.1	38.8
Napa County	972.3	2.9	37.3
Alameda County	1,274.8	-2.0	33.9
Austin MSA	439.6	-1.9	32.4
Sonoma County	839.7	-0.5	29.2
Solano County	588.1	-0.7	25.9
Marin County	1,686.7	-3.6	25.9
Contra Costa County	851.7	-2.1	24.9
San Mateo County	2,005.8	-0.6	24.5
San Francisco County	1,608.2	1.7	2.0

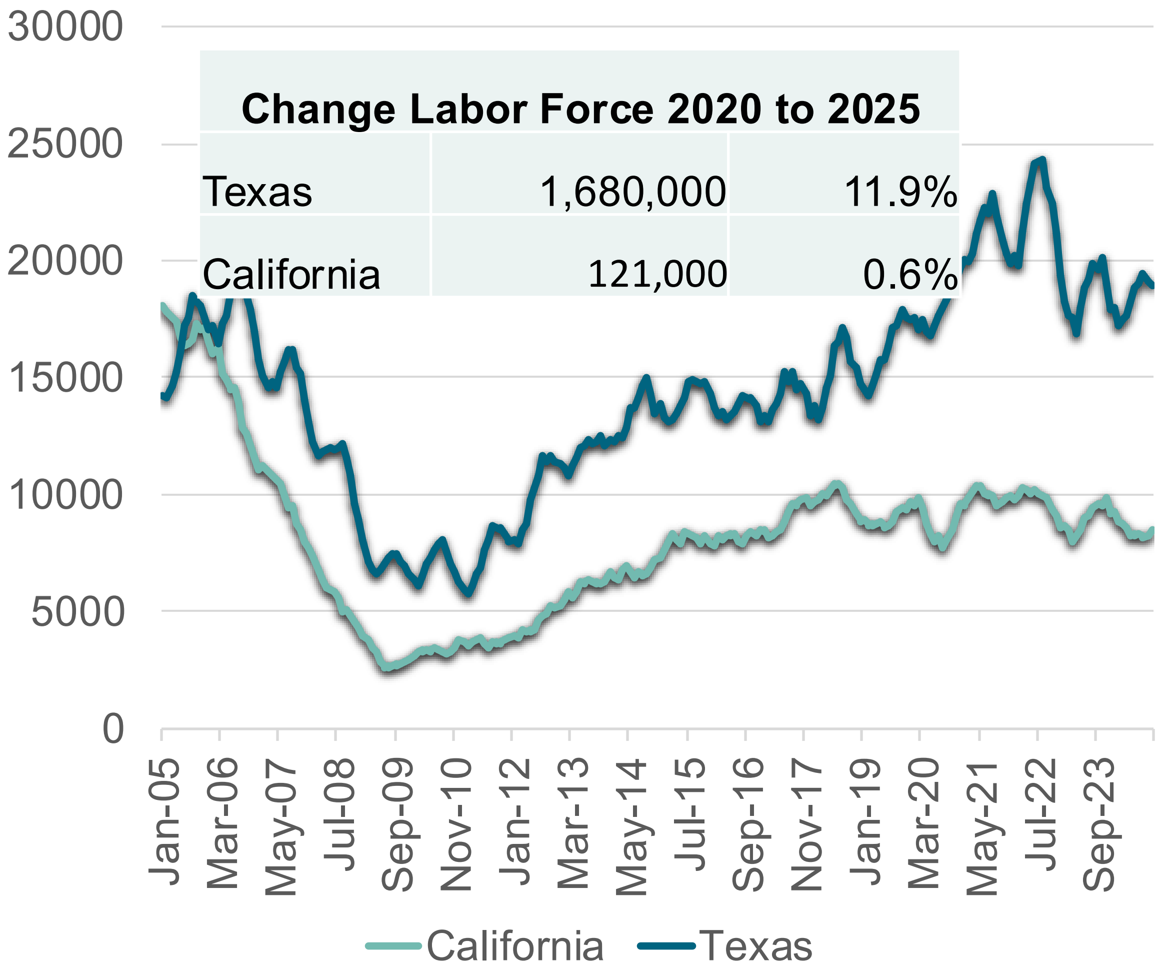
Regional Growth Differences?

California Employment and Labor Force



Change: Jan 20 to Jan 25	
Nonfarm Payrolls	386,000
Labor Force	121,000

Housing Permits by State

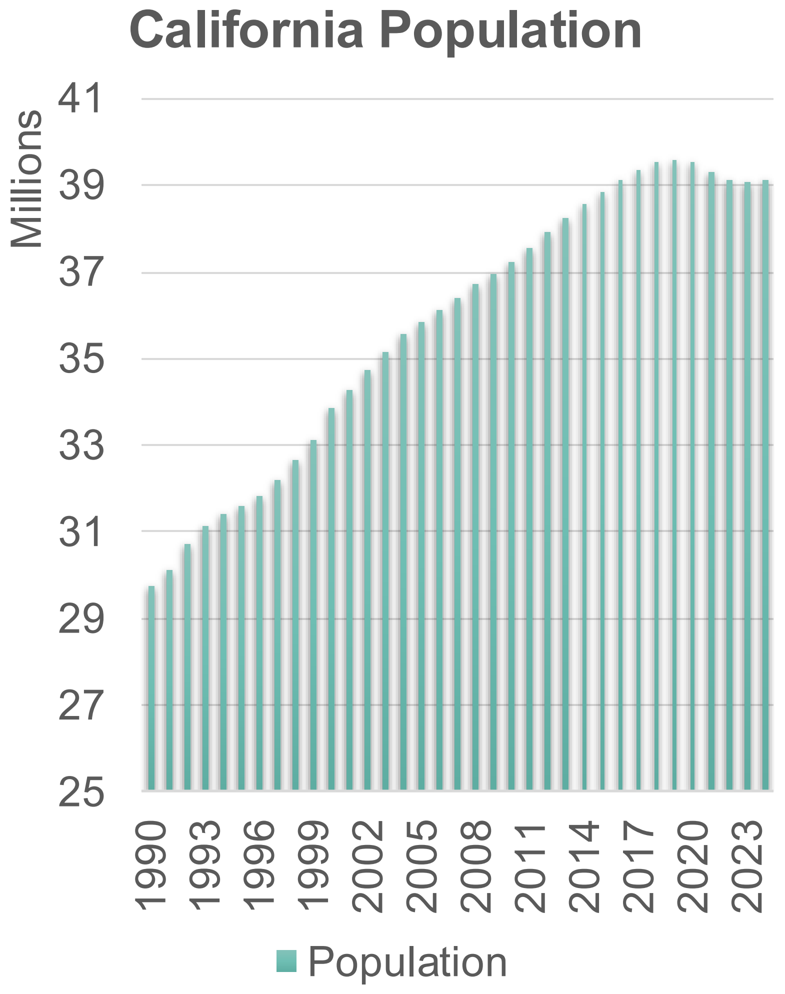


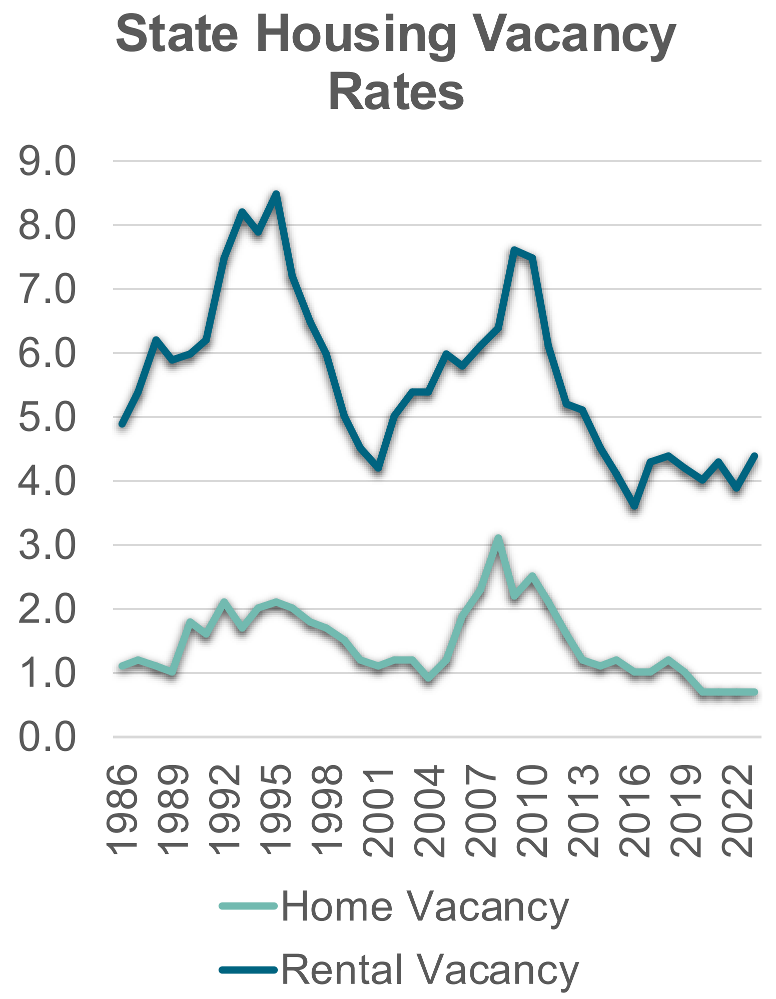
Change Labor Force 2020 to 2025		
Texas	1,680,000	11.9%
California	121,000	0.6%

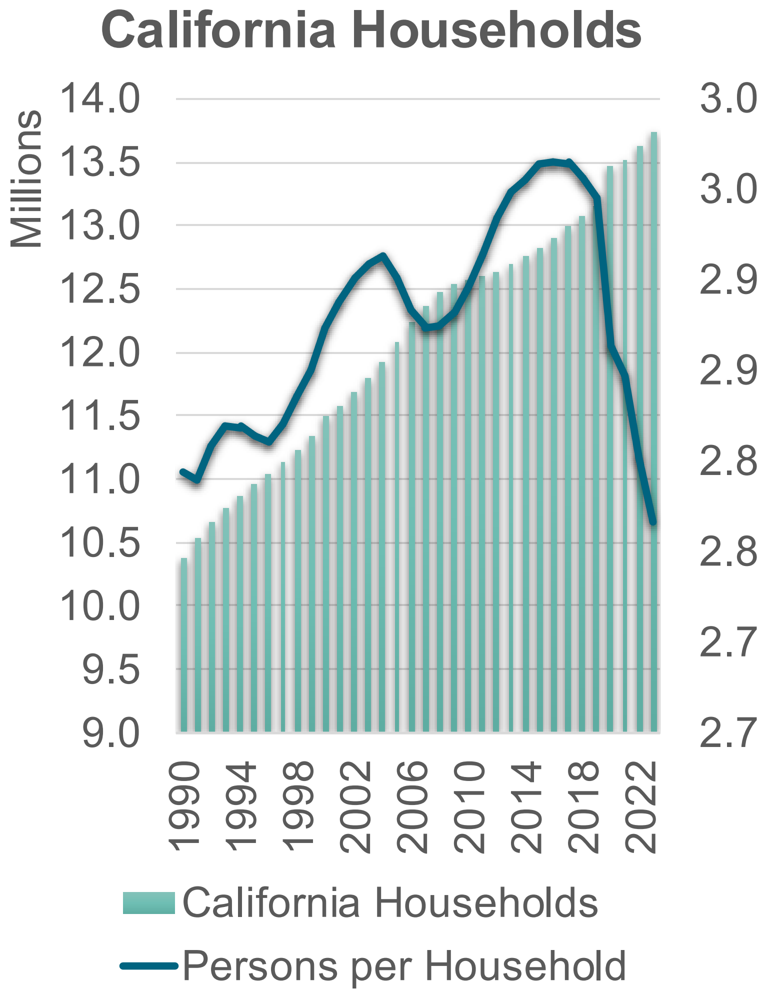
Employment and Labor Force

	Payroll Employment				Labor Force	
Total Nonfarm	Feb-25	5 Yr Ch	Share		Feb-25	5 Yr Ch
California	18004	340			19707	79
Inland Empire	1705	117	34.3%		2216	138
Central Valley	1483	110	32.5%		1997	114
Greater Sacramento	1145	59	17.3%		1274	64
San Diego	1564	41	12.2%		1665	47
Central Coast	557	-9	-2.5%		724	0
Orange County (MD)	1692	1	0.3%		1631	-3
San Jose	1151	-15	-4.4%		1058	-9
Oakland (MD)	1178	-22	-6.5%		1449	-28
San Francisco (MD)	1142	-64	-18.8%		928	-47
Los Angeles (MD)	4601	-33	-9.8%		5038	-220

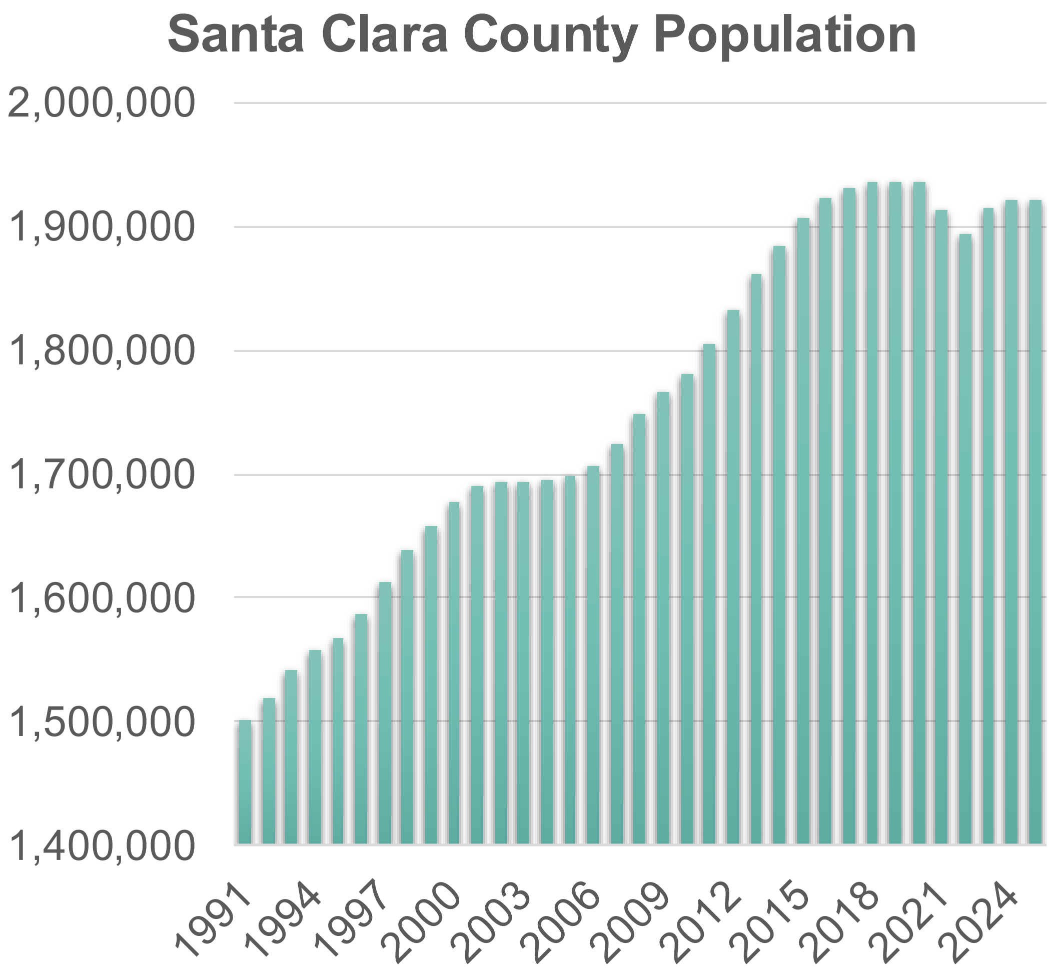
California's "Fleeing" Population?





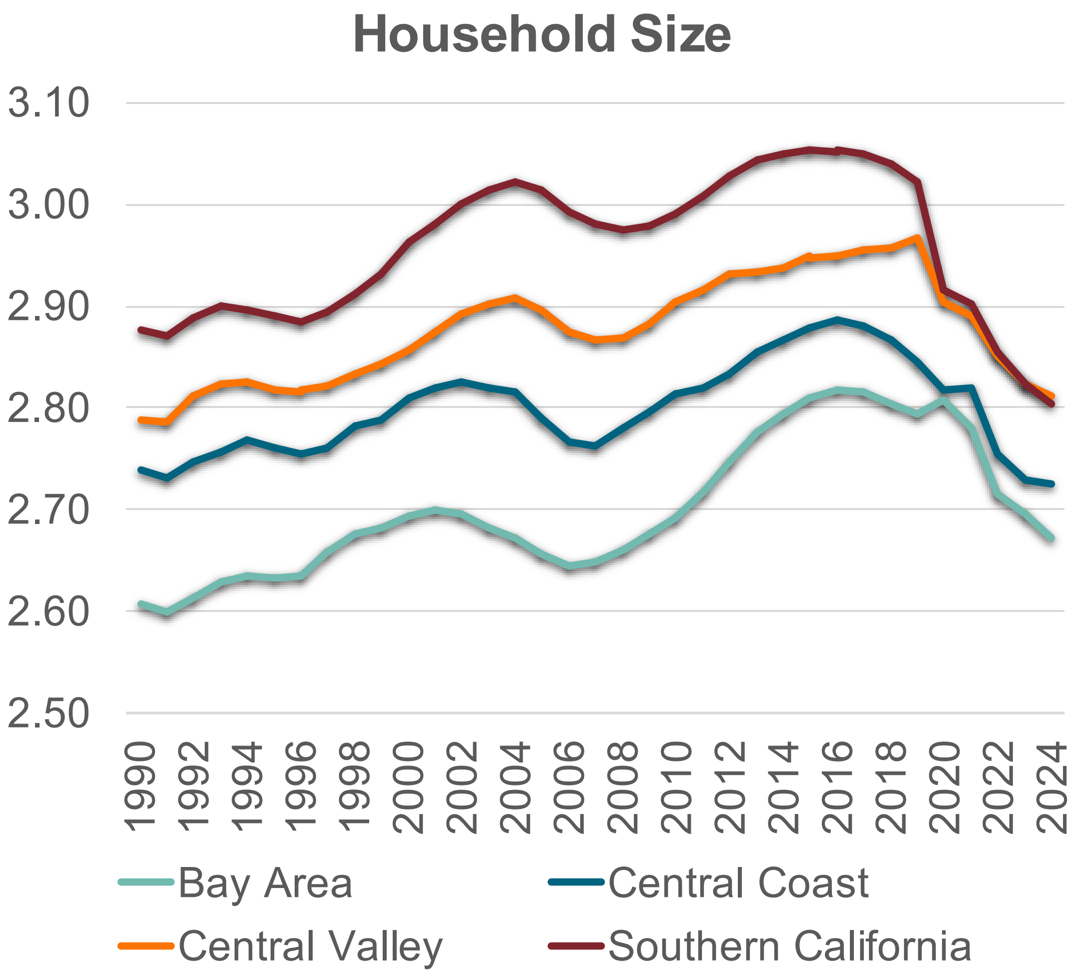


Local Population



County	Total Population	5-Year Chg. (#)	10-Year Chg. (#)
Alameda	1,662,482	-19,871	40,277
Contra Costa	1,158,225	-7,702	37,695
Marin	254,550	-7,771	-9,338
Napa	136,124	-1,895	-4,530
San Francisco	842,027	-31,938	-13,462
San Mateo	748,337	-16,105	-10,336
Santa Clara	1,922,259	-14,000	14,879
Solano	449,839	-3,652	16,294
Sonoma	482,848	-6,015	-17,115

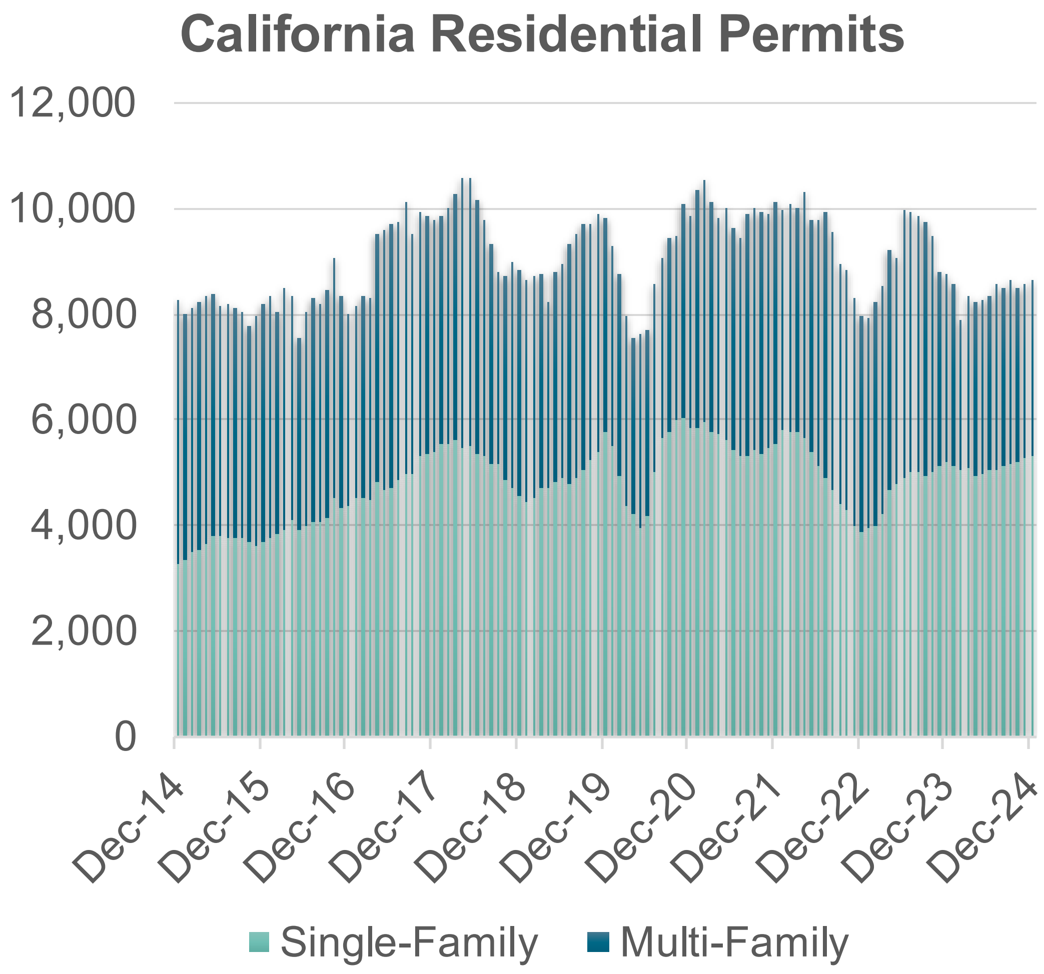
Household Size



New Housing Supply

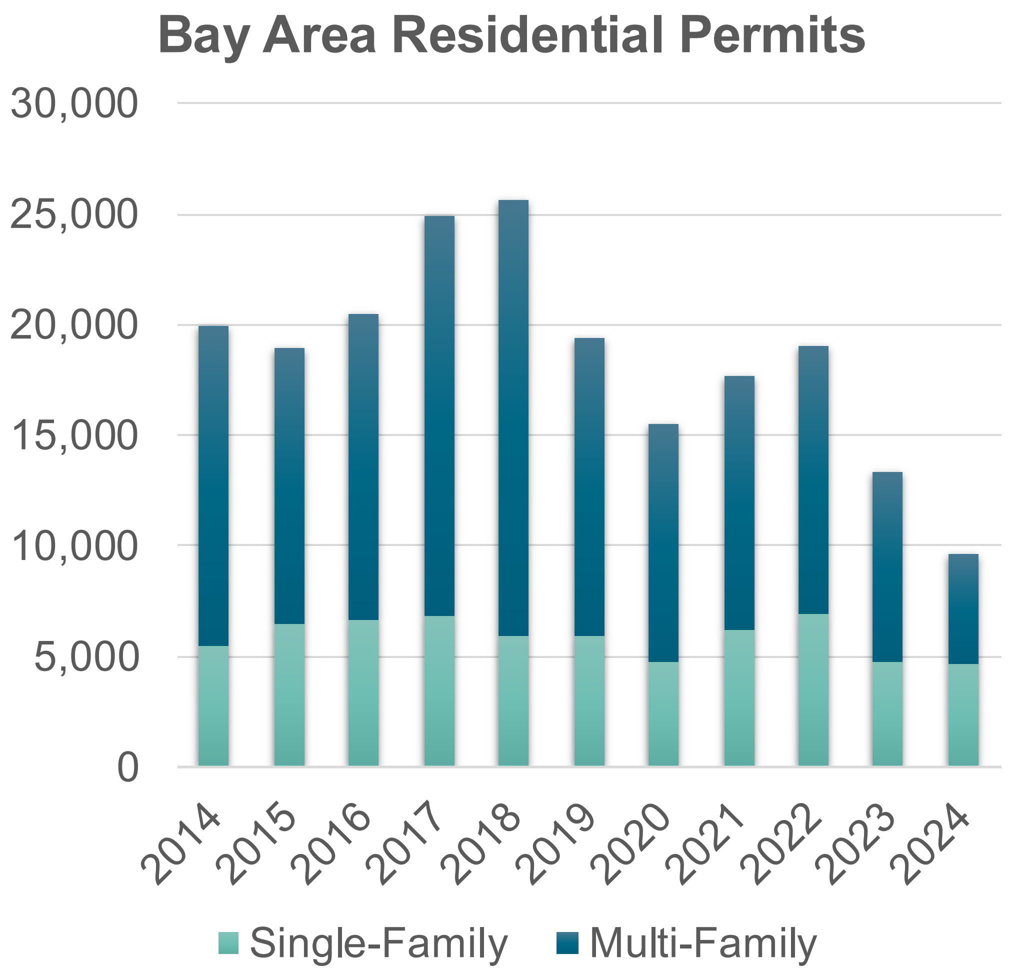
County	Housing Units	10-Year Chg. (#)	Post Local Demand
Alameda	652,678	57,172	13,919
Contra Costa	435,790	25,999	10,399
Santa Clara	709,914	51,847	6,653
Solano	167,815	11,660	4,633
Napa	56,839	1,497	-2,011
Marin	113,062	1,766	-3,525
San Mateo	292,078	16,116	-3,588
San Francisco	422,007	36,195	-4,202
Sonoma	212,457	6,320	-7,604

Residential Permits



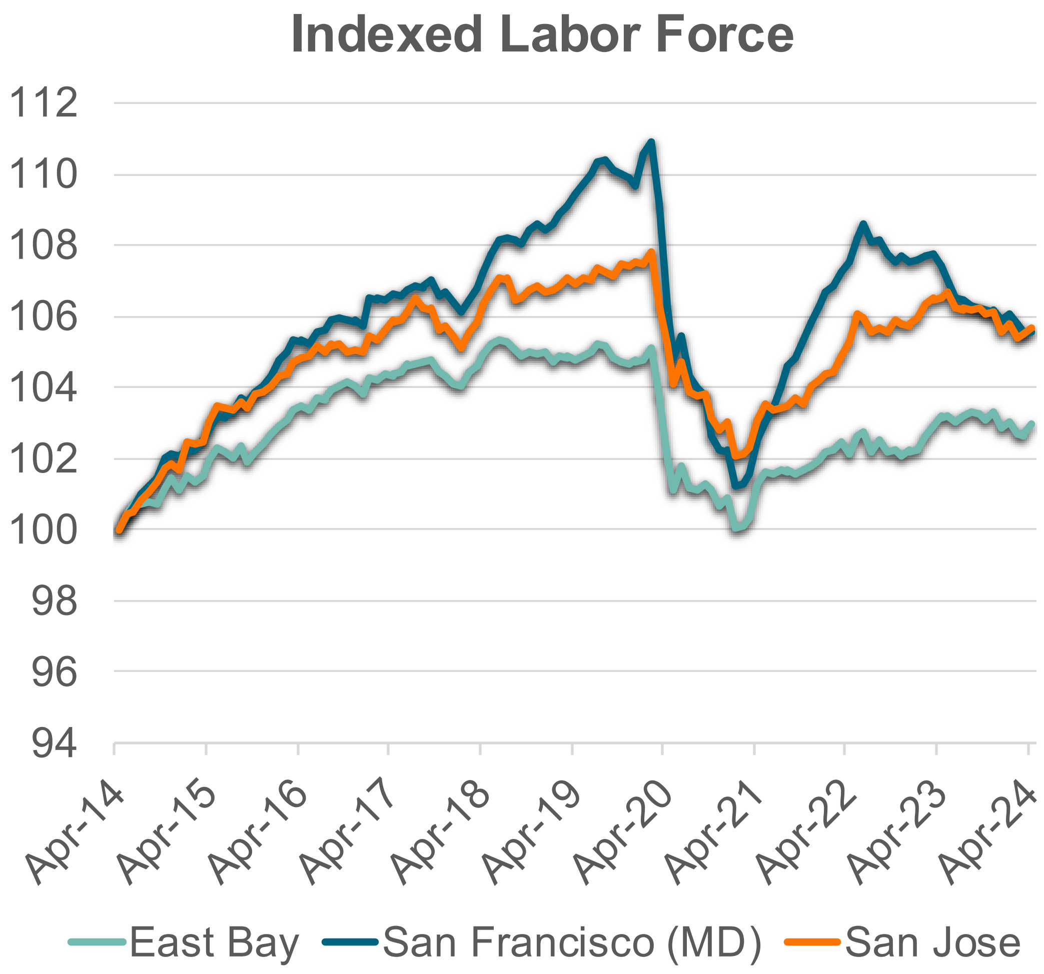
MSA	2024 Res Permits (Units)	1-Year Chg. (%)	5-Year Chg. (%)
Houston	67,376	-10.7	18.0
Dallas	62,552	-18.5	1.1
Phoenix	44,702	-4.8	40.9
Los Angeles	28,969	-7.3	-6.6
Orlando	25,538	-9.1	-11.3
Miami	21,957	6.3	4.8
Denver	21,447	-9.0	-4.7
Inland Empire	18,449	18.5	35.7
Las Vegas	13,078	0.0	11.1
Sacramento	11,679	10.3	50.0
San Diego	10,944	16.3	18.3
San Francisco	8,132	-29.2	-51.5

Supply, Not Affordability



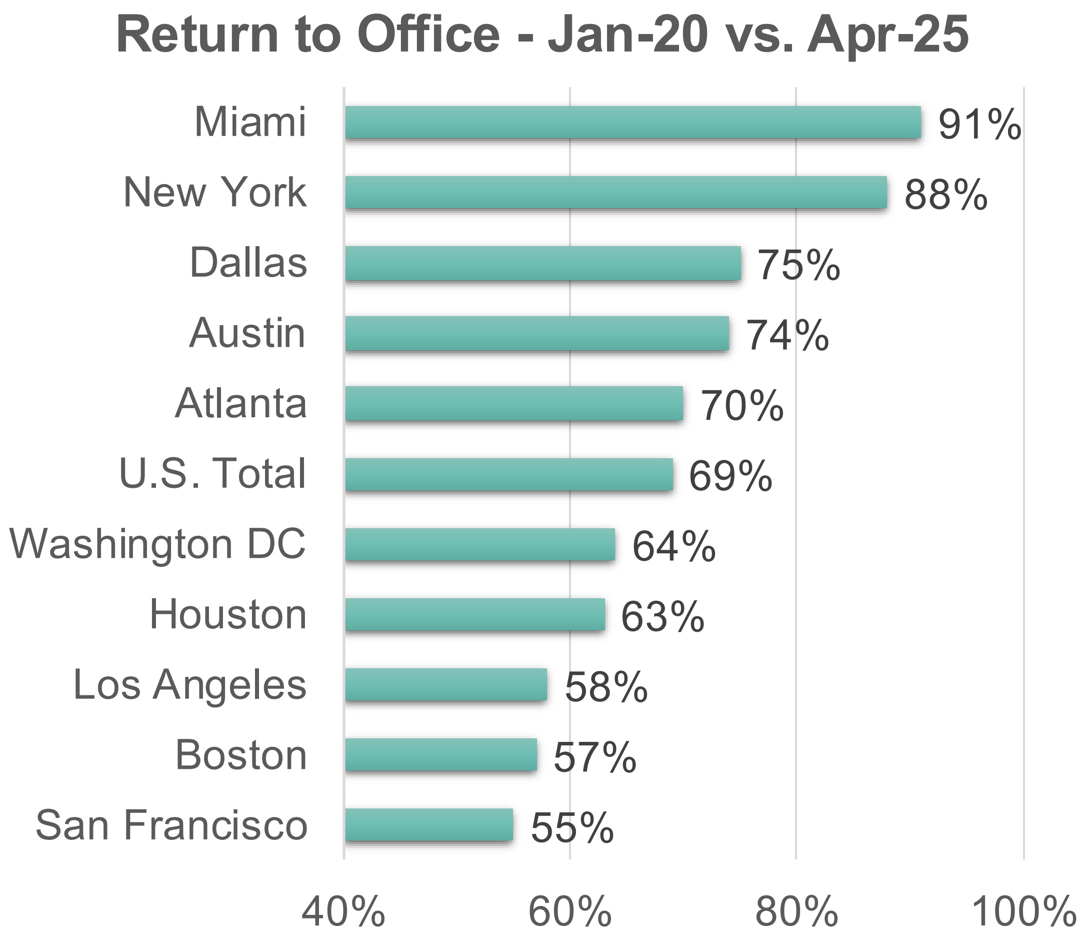
Owner Occupied				**Tenant Occupied**		
	35.0 percent or more				35.0 percent or more	
	2018	2023			2018	2023
Los Angeles	34%	35%		Florida	47%	52%
Orange	30%	31%		Fresno	47%	49%
San Francisco	**30%**	**31%**		Orange	47%	49%
California	29%	31%		Los Angeles	48%	48%
Kern	26%	30%		Contra Costa	44%	47%
Florida	26%	29%		California	45%	47%
Alameda	24%	28%		Sacramento	46%	46%
San Mateo	29%	28%		Arizona	38%	45%
Sacramento	24%	25%		Texas	40%	43%
Santa Clara	26%	24%		San Mateo	40%	39%
Texas	21%	23%		Santa Clara	36%	37%
Arizona	20%	22%		**San Francisco**	**28%**	**32%**

Local Labor Force



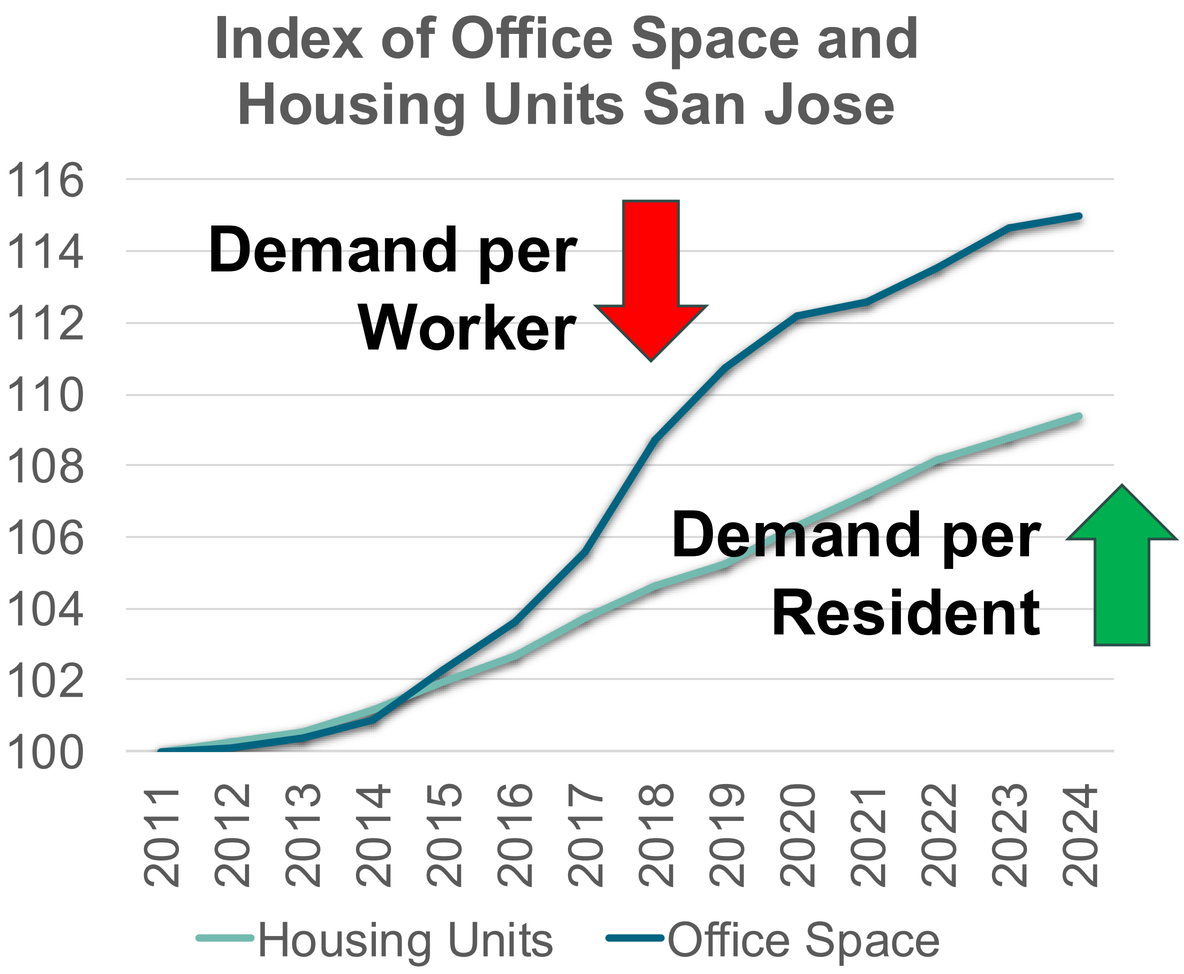
Santa Clara County	2023	SC 5-Year Chg. (%)	US 5-Year Chg. (%)
Labor Force by Age	1,057,969	0.1	4.2
24 and Under	119,813	7.0	3.5
25 to 44	502,630	-1.0	5.5
45 to 64	372,812	-3.3	0.7
65 and Over	62,624	23.3	20.4
Labor Force by Edu	875,444	-2.0	3.2
Less than HS	66,485	-6.1	-5.3
High School	101,595	-6.6	-1.9
Some College	150,597	-18.1	-4.4
Bachelor's plus	556,407	5.0	14.6

Return to Office



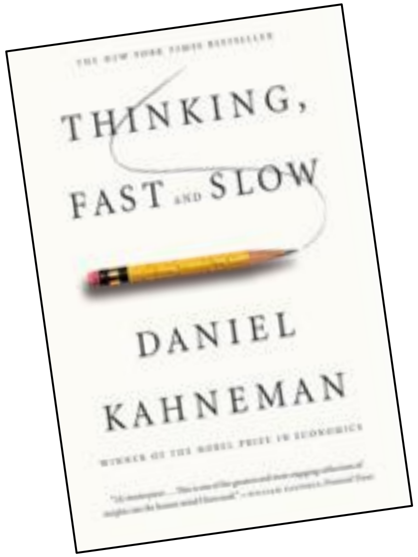
Hours Worked at Home as a % of Hours Worked	Dec-22	Dec-23	Dec-24
Total Nonfarm	14.7	15.8	16.1
Mining	8.7	10.9	6.0
Construction	3.8	4.2	5.6
Manufacturing	12.2	12.3	12.6
Wholesale and Retail Trade	9.9	10.2	9.8
Transportation and Utilities	5.6	7.6	6.8
Information	39.7	39.8	41.2
Financial Activities	35.6	40.0	39.6
Professional/Business	32.6	34.2	34.5
Education/Health	8.9	10.8	11.3
Leisure and Hospitality	5.0	5.0	5.4
Other Services	8.7	10.2	11.6
Public Administration	16.3	17.6	16.3

Long Run: Rebalancing Land Use



Location	Q1-25 (000s sq. ft.)	Chg. Since Q4-19 (000s sq. ft.)	Empty Sq. Ft. per Office Using Emp.
Denver	25,258	9,067	52.1
San Francisco	24,151	15,234	51.2
San Jose	19,989	7,187	48.7
Oakland	11,445	3,105	44.9
Los Angeles	40,307	11,402	38.8
Austin	16,018	9,324	38.2
Boston	26,140	8,807	33.7
Phoenix	20,440	2,937	32.3
Seattle	18,390	8,537	29.3

How do narratives go astray?



	Style	Rules
Type 1	Fast, Emotional	Heuristics
Type 2	Slow, deliberative	Deduction

Care/ harm	Liberty/ oppression	Fairness/ cheating
Loyalty/ betrayal	Authority/ subversion	Sanctity/ degradation

Moral Nodes: Social issues that blind us emotionally

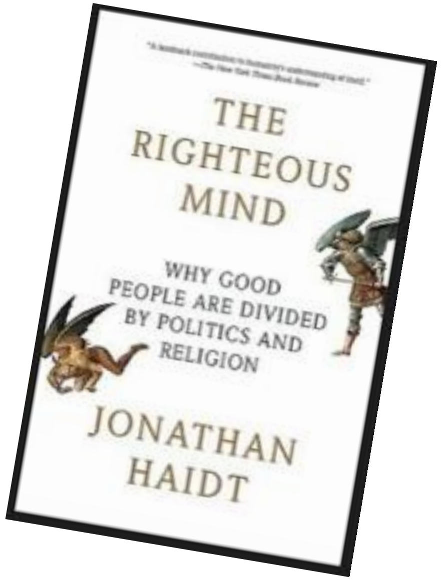
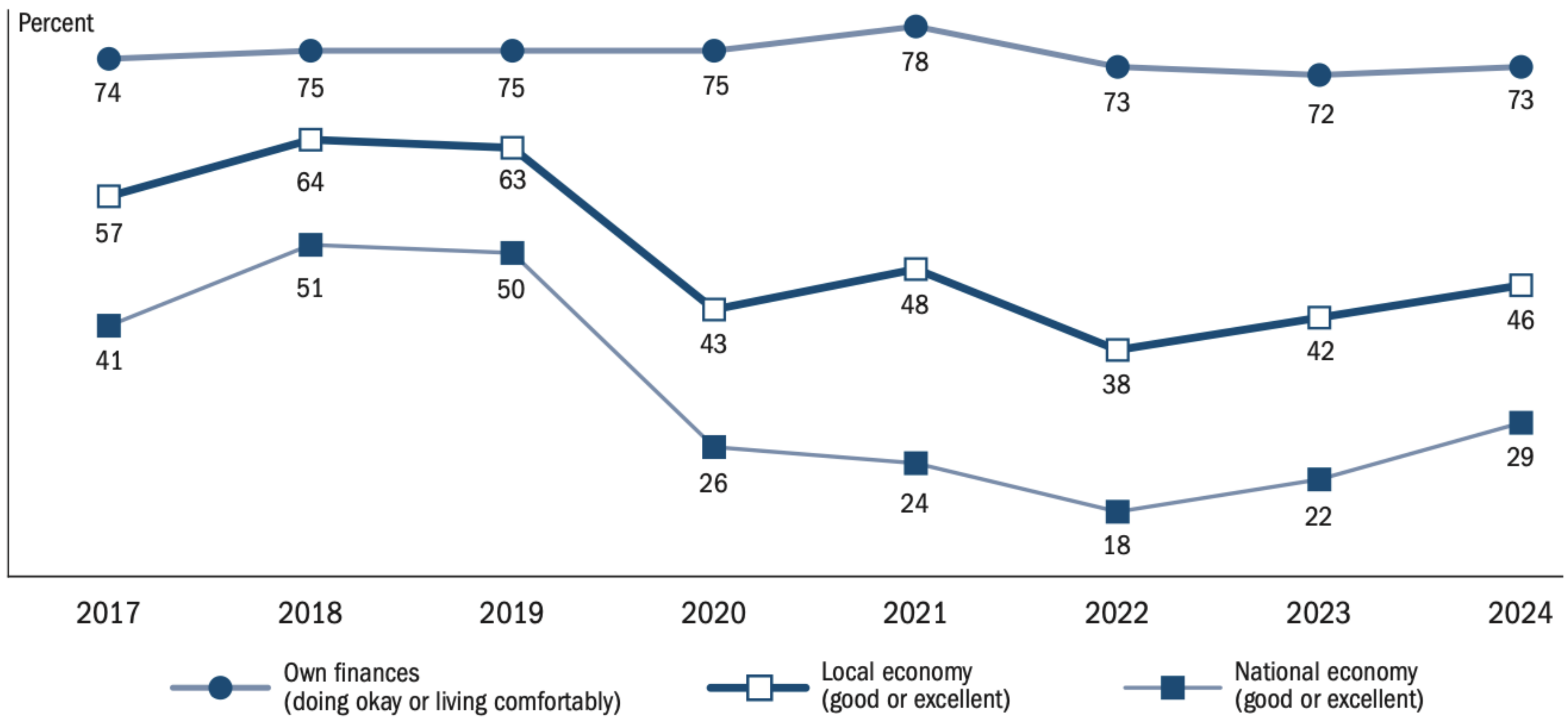


Figure 7. Assessment of own financial well-being, local economy, and national economy (by year)



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

The Pandemic "Depression"?

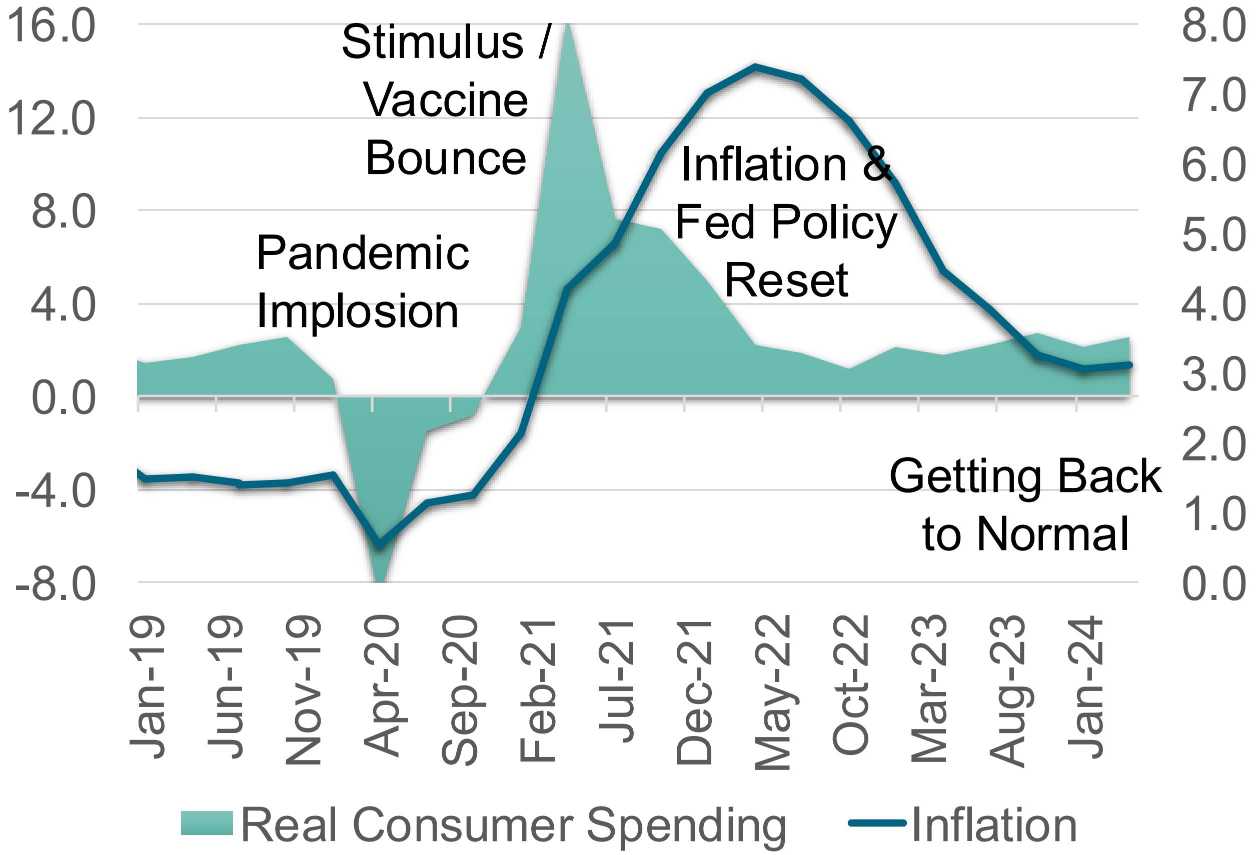
Pandemics do not cause depressions.

- Lost Output during Pandemic: $850 Billion
- Stimulus deployed: $6 trillion
- Efforts supported by $5 trillion in QE

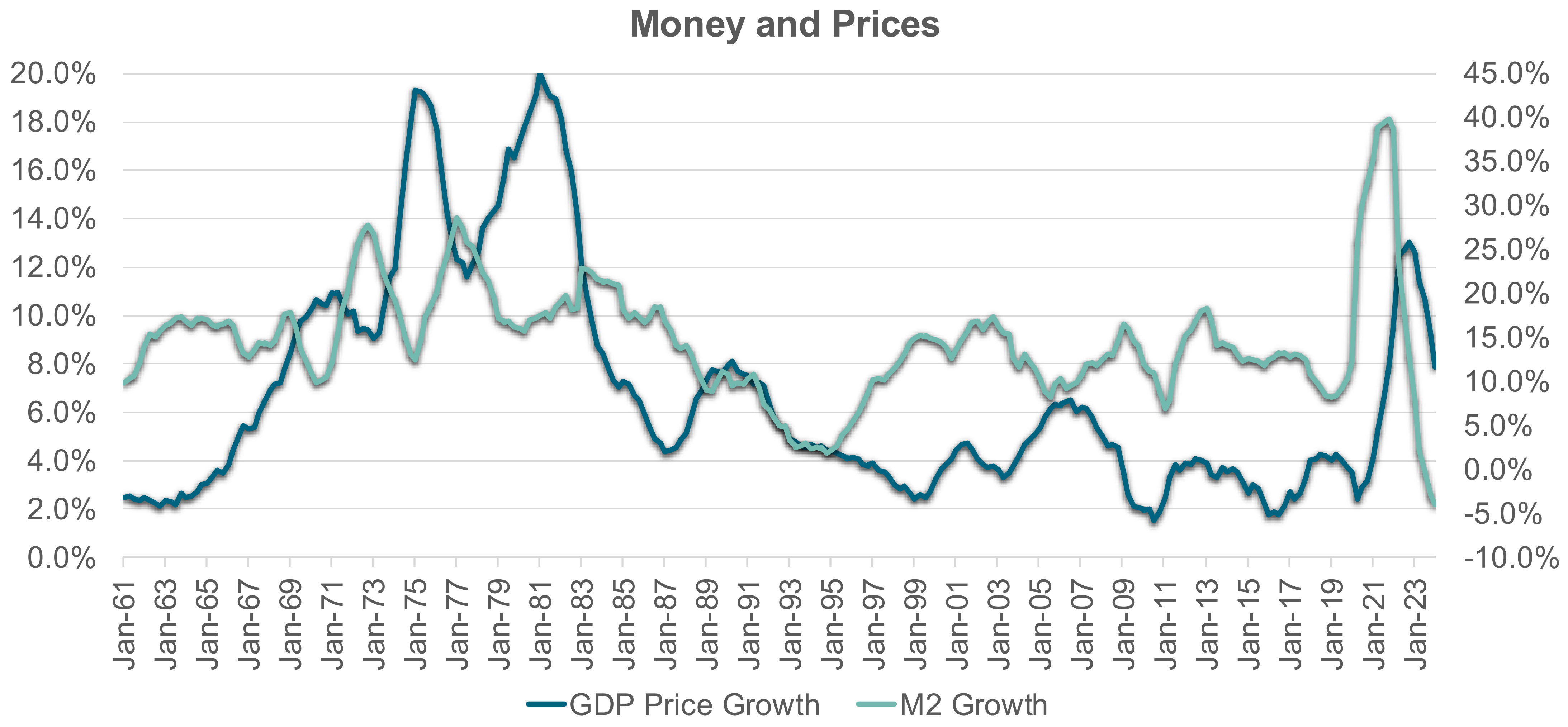
The Stimulus Multiplier

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

YOY Changes in Real Consumer Spending and Price Changes (%)



Excess Money + Demand = Inflation

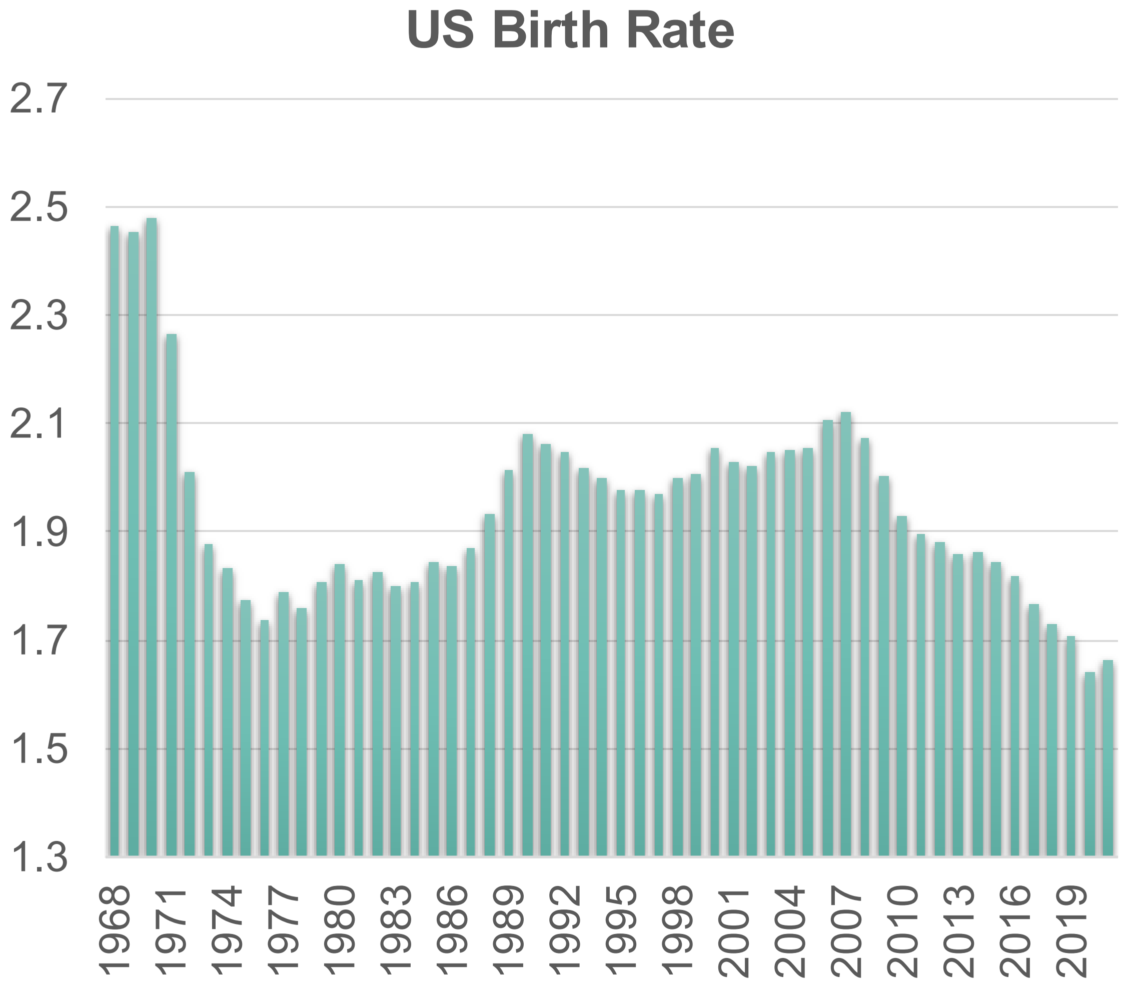


Who should Trump thank for his big election sweep?

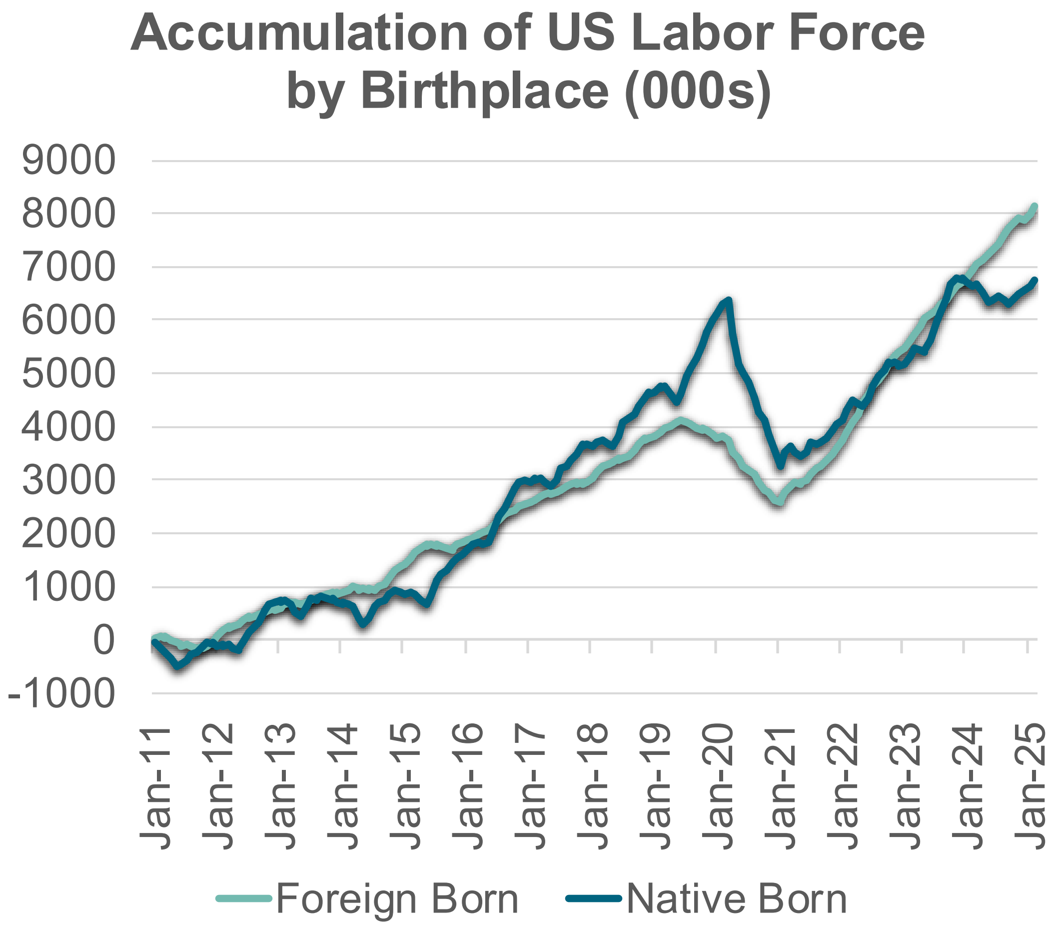
Get the data • Download image

GALLUP

Labor Supply Issues

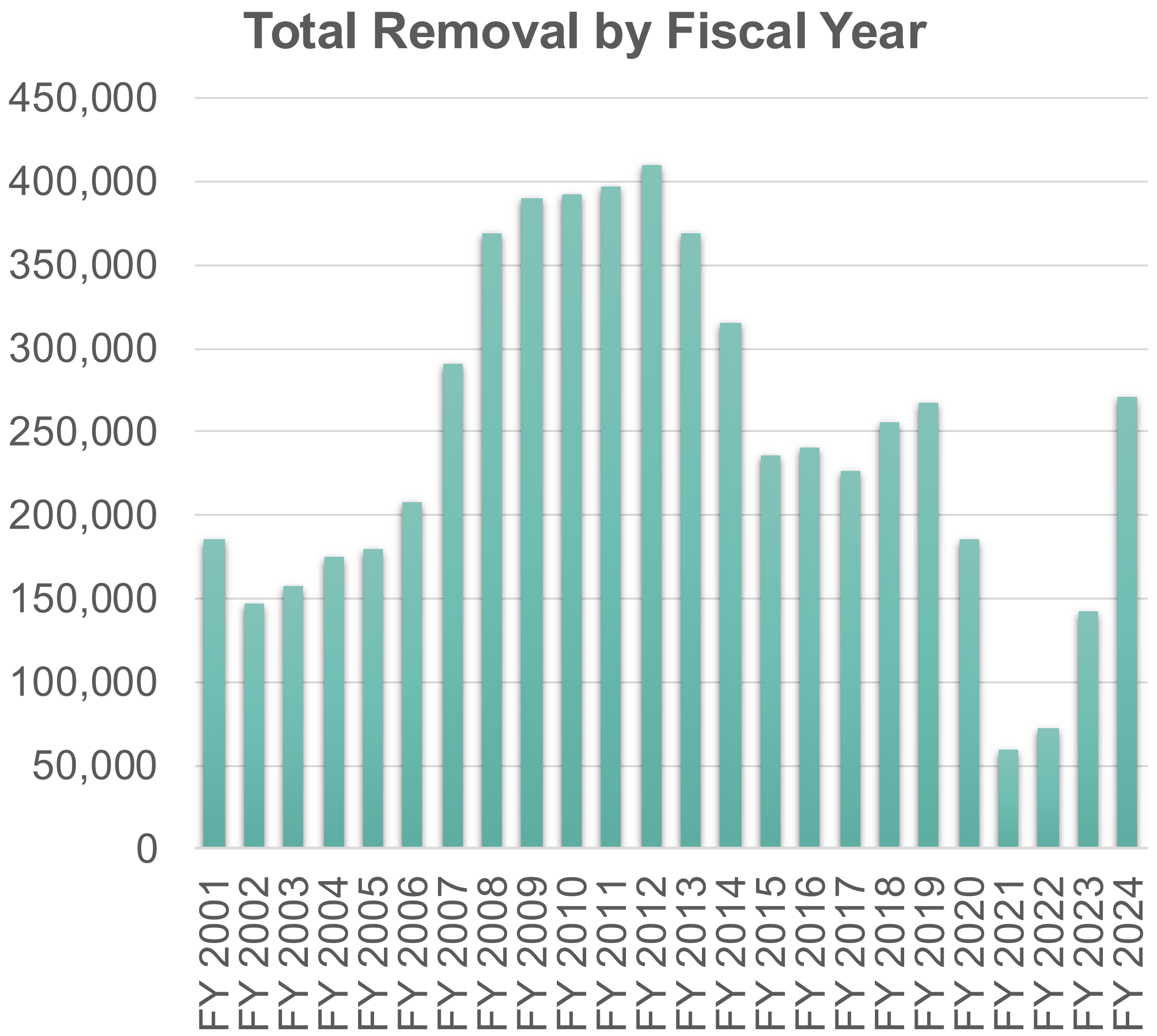


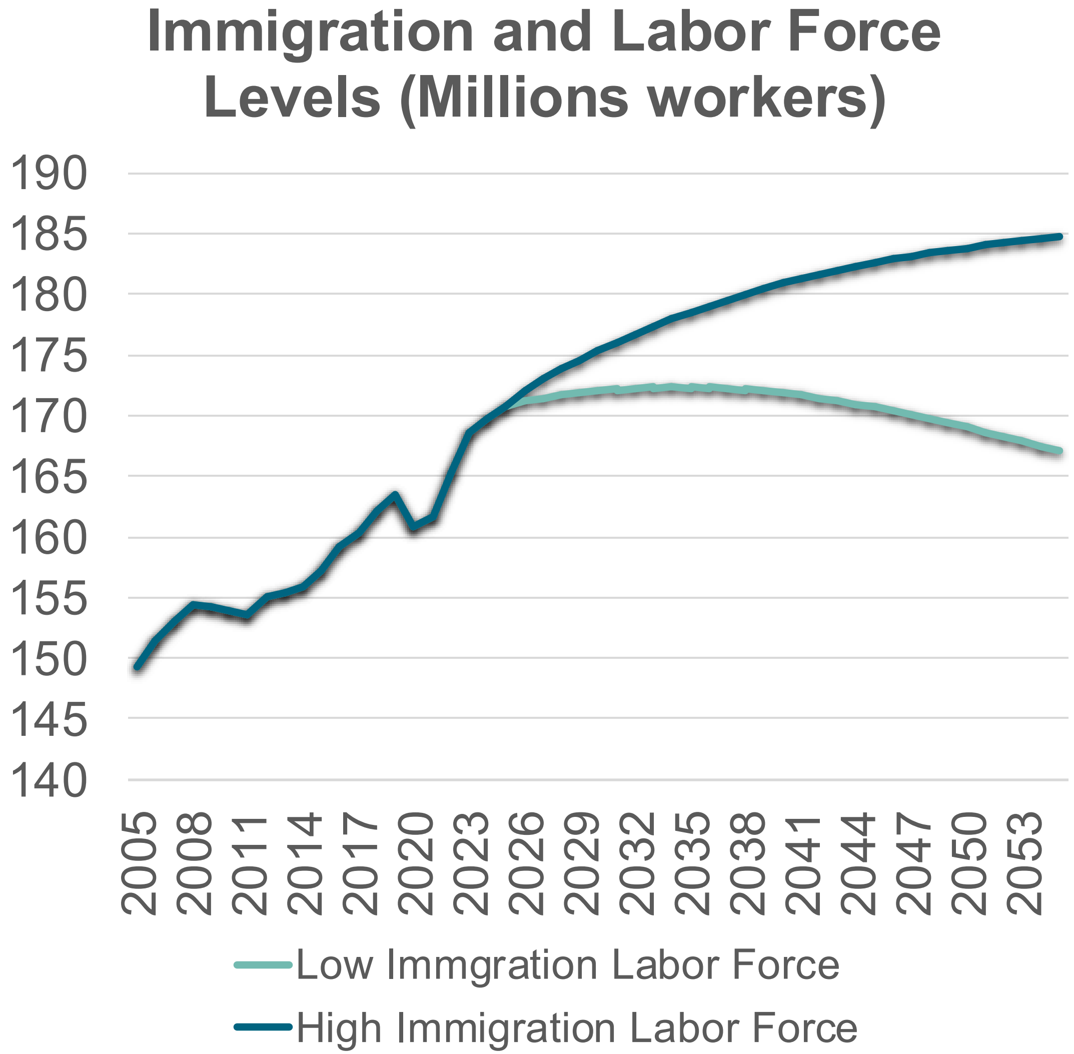
Migration and the US Labor Force



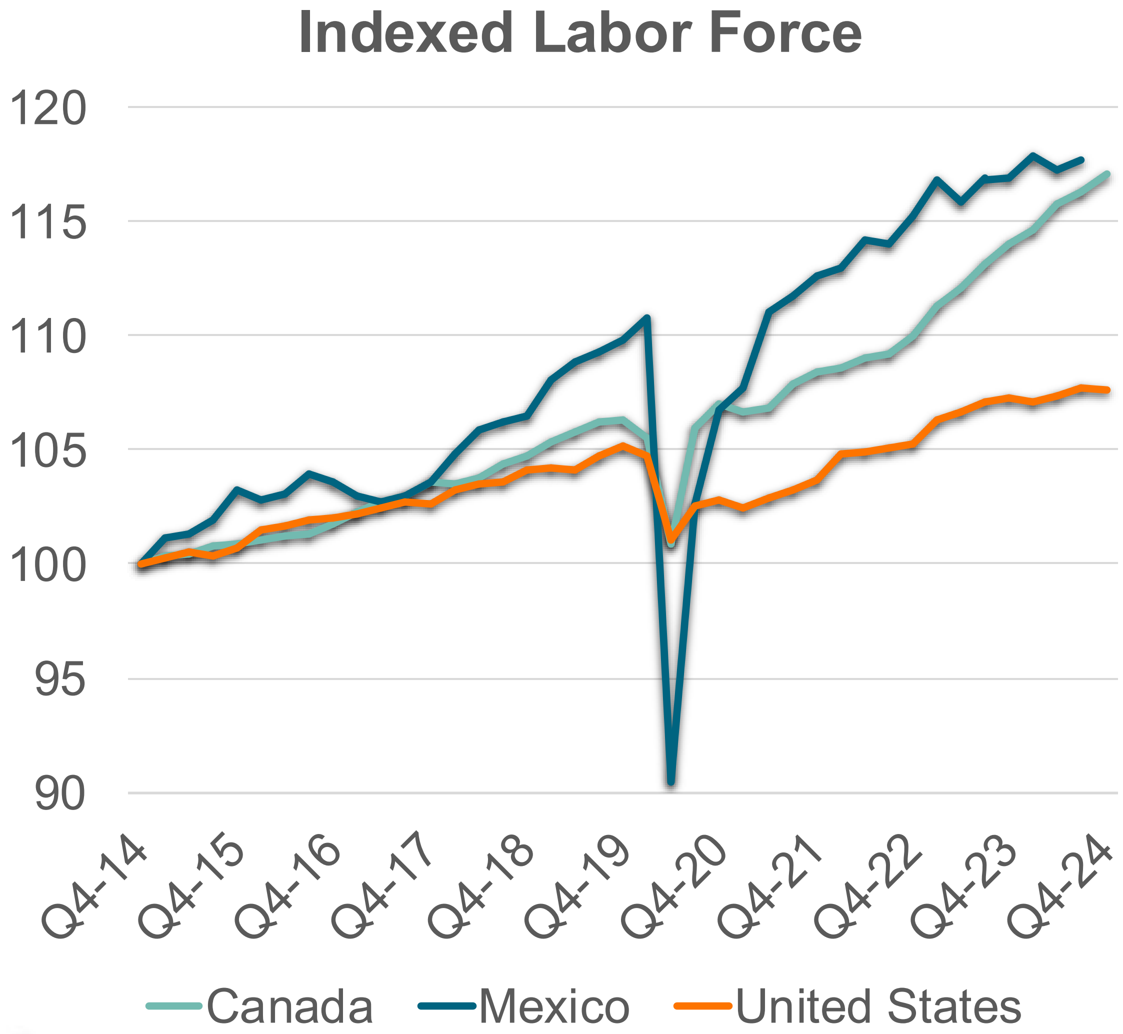
State	2023 Foreign Born % of LF	State	2023 Foreign Born % of LF
California	33.3	Connecticut	19.5
New Jersey	30.2	Illinois	18.7
New York	27.9	Virginia	17.3
Florida	27.7	Wash DC	16.7
Nevada	23.7	Rhode Island	16.5
Hawaii	23.7	Arizona	16.3
Texas	22.6	Georgia	15.5
Maryland	21.9	United States	8.4
Massachusetts	21.9	Delaware	15.2
Washington	20.1	New Mexico	13.1

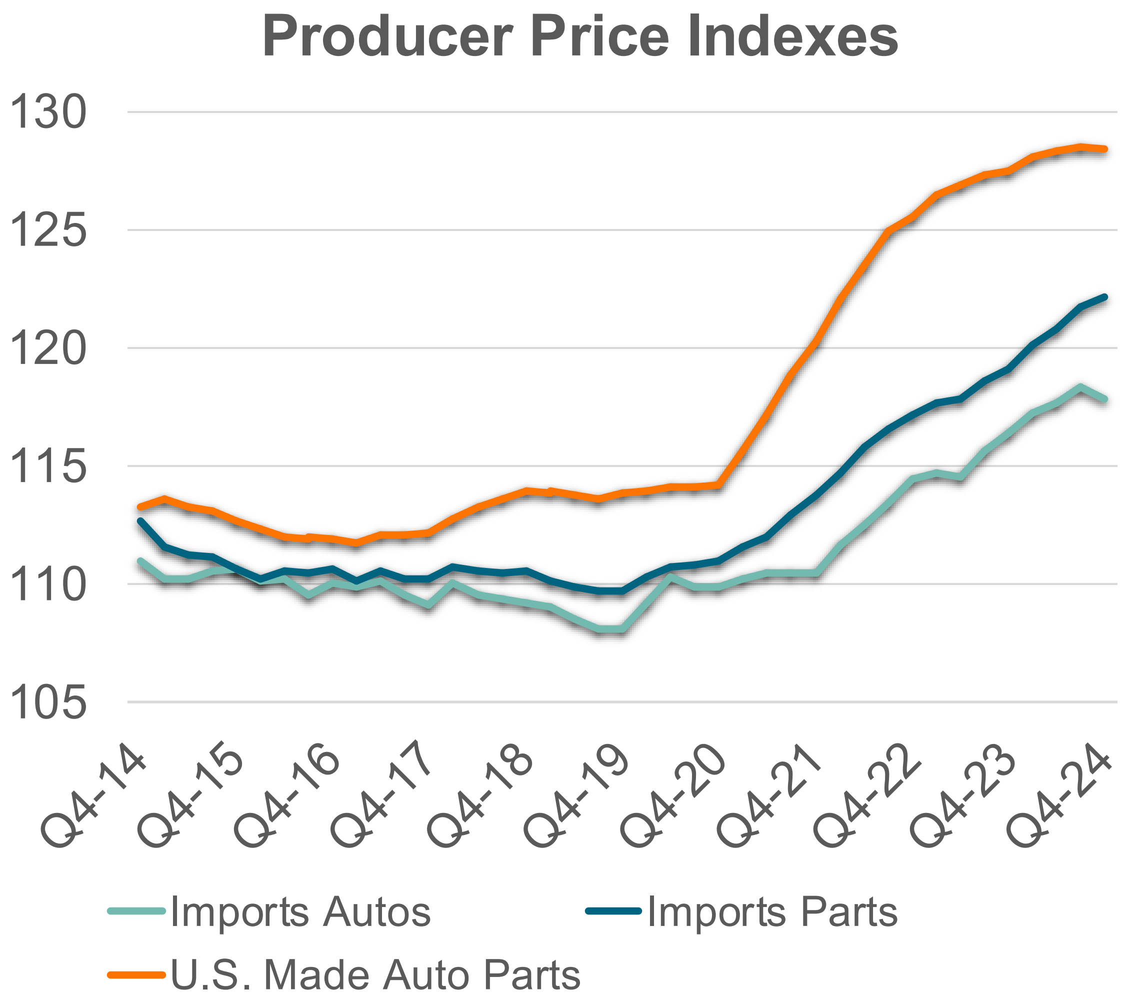
Which is the bigger issue?





North American Labor Force Trends





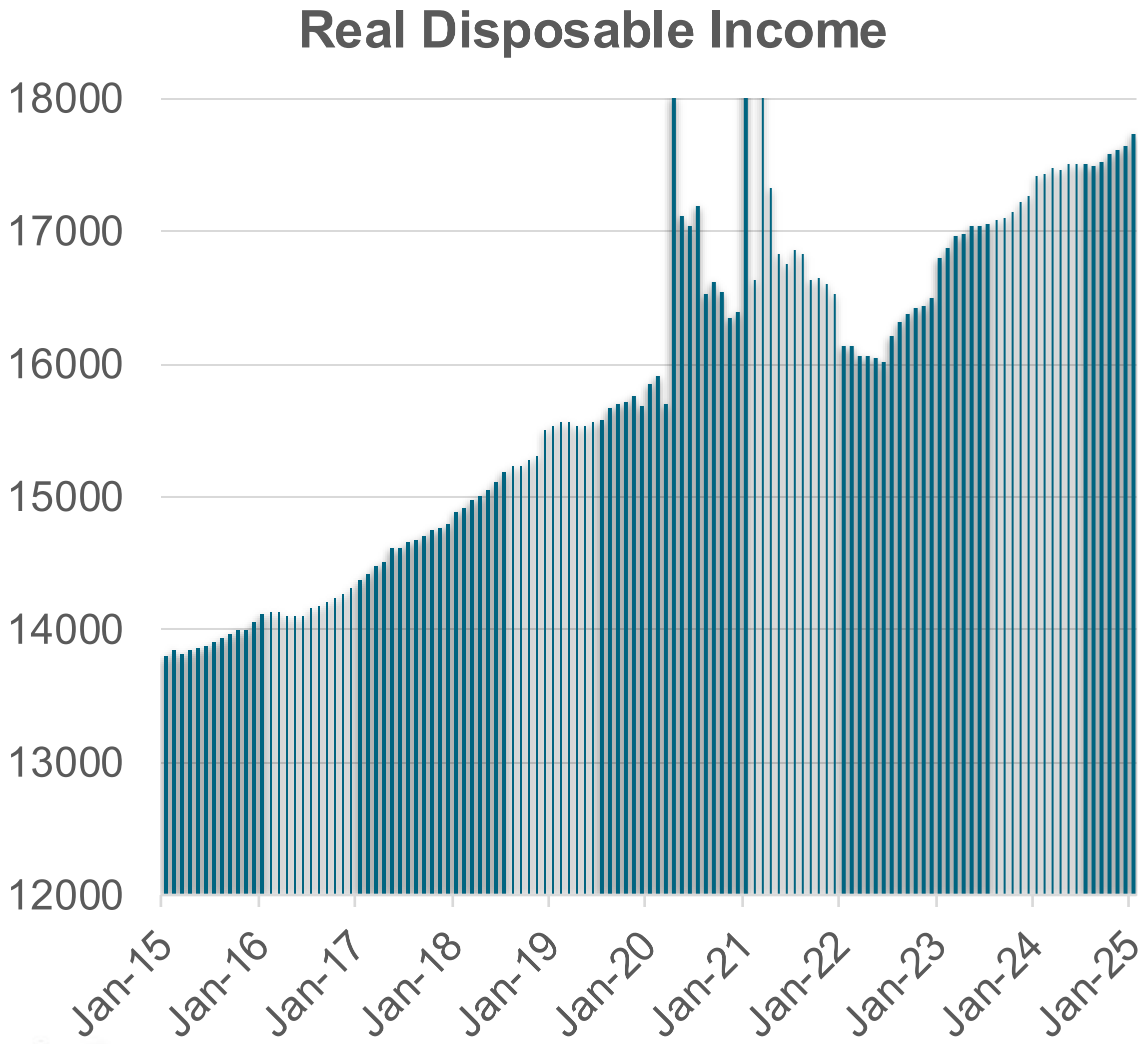
The Potential Trade Impact

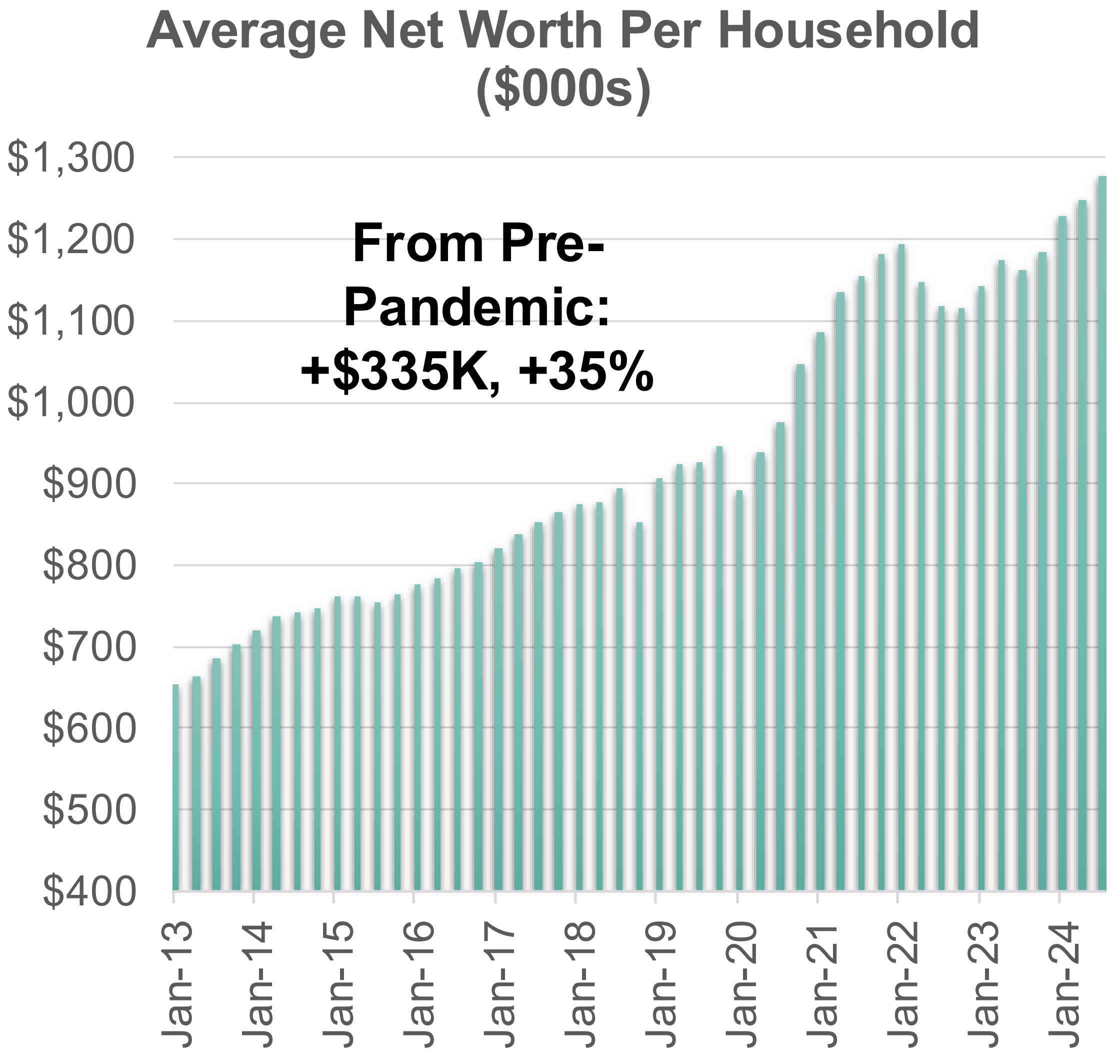
The Tariff Tax: Context

	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%

Imports of goods 2024 $Billions	**3261**	
Industrial equipment	295.6	9.1%
Petroleum and products	251.9	7.7%
Engines, parts, bodies	196.6	6.0%
Metals and products	137.5	4.2%
Electrical equipment	102.6	3.1%
Telecommunications eq	84.3	2.6%
Semiconductors and related	82.1	2.5%
Chemicals	73.2	2.2%
Civilian aircraft, engines parts	62.7	1.9%
Scientific, hospital, and medical	62.5	1.9%
Building materials	45.7	1.4%
Mining, and construction eq	27.3	0.8%
Consumer goods	803.5	24.6%
Automotive vehicles	278.8	8.5%
Computers, peripherals, and parts	216	6.6%

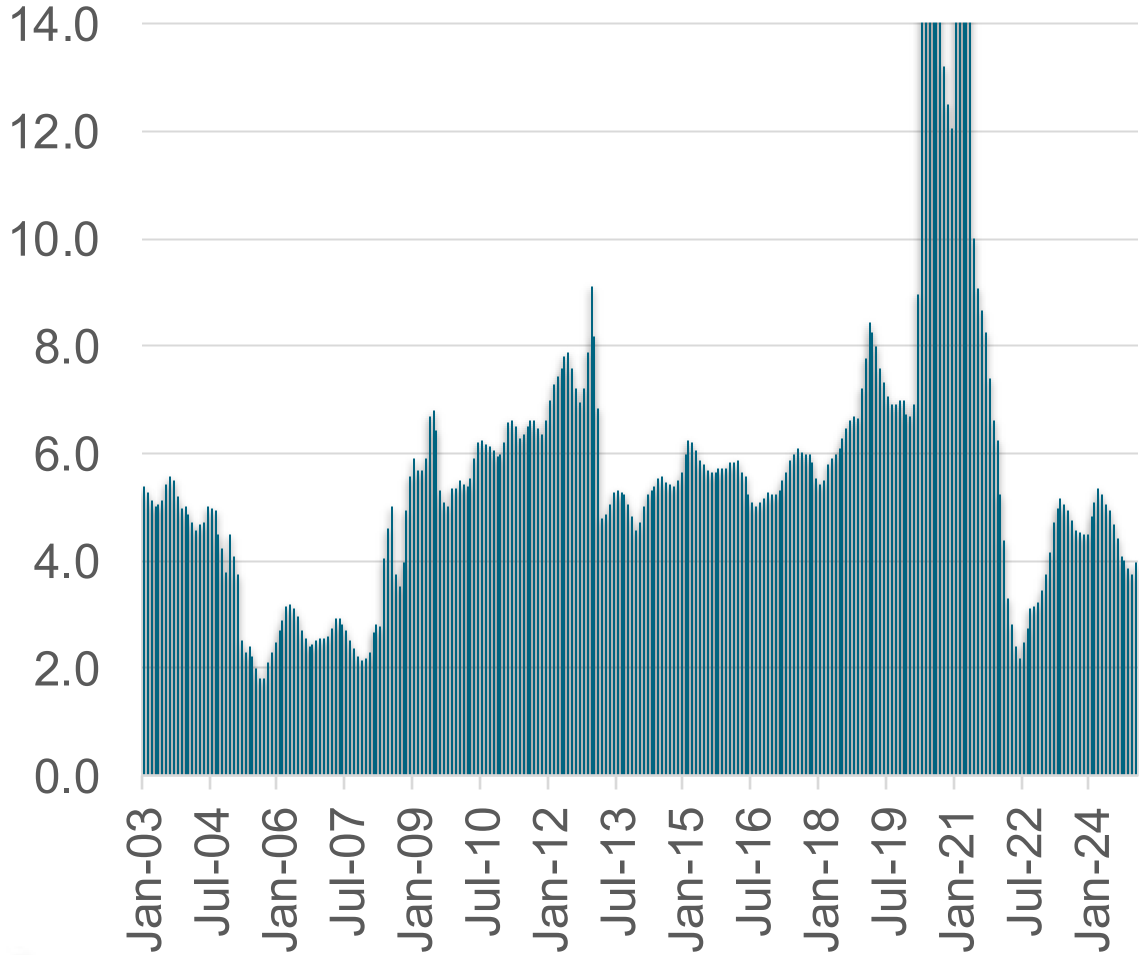
Household Finance: Record Strong



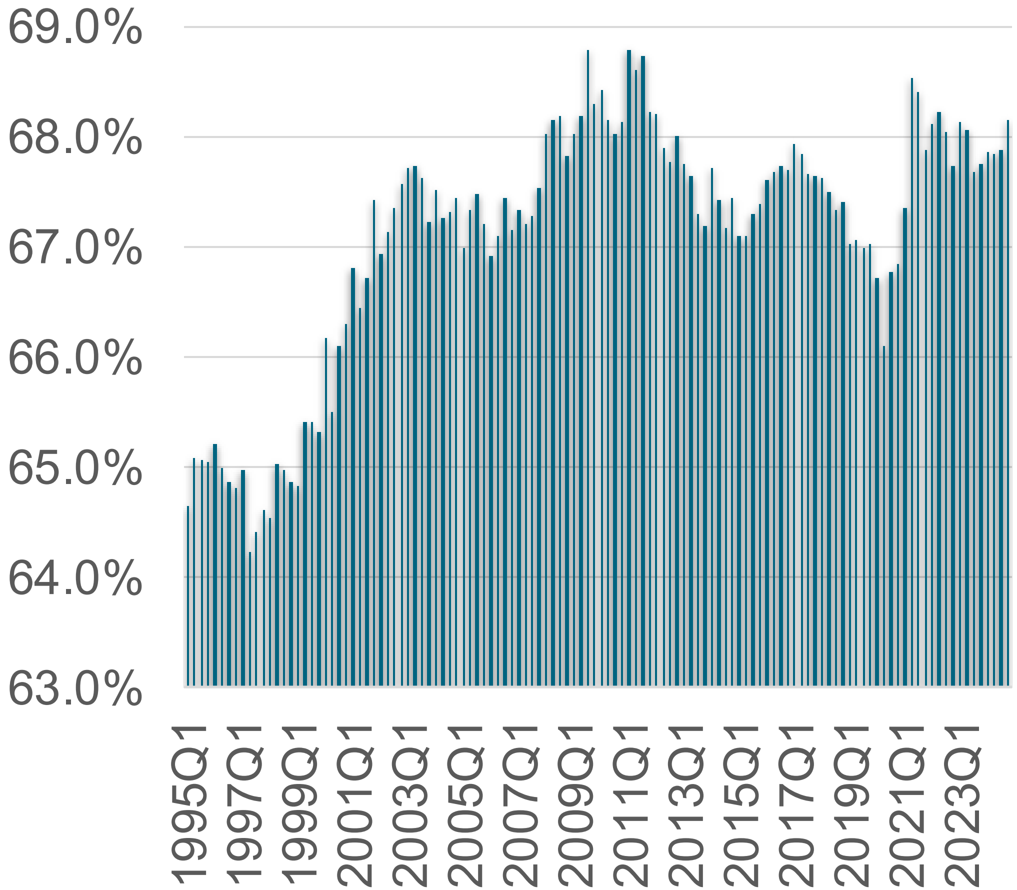


Too Strong?

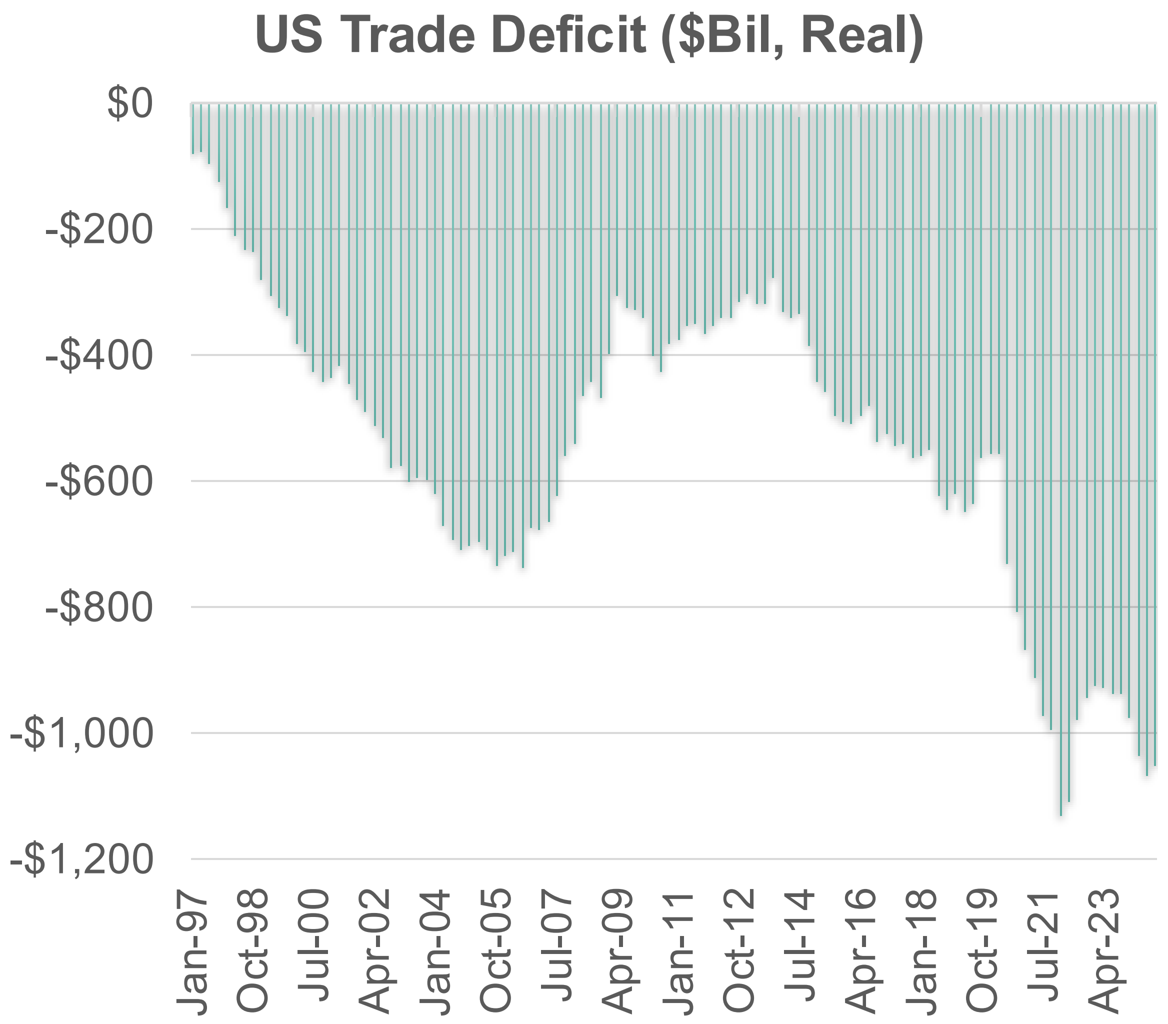
Household Savings Rate (% DPI)

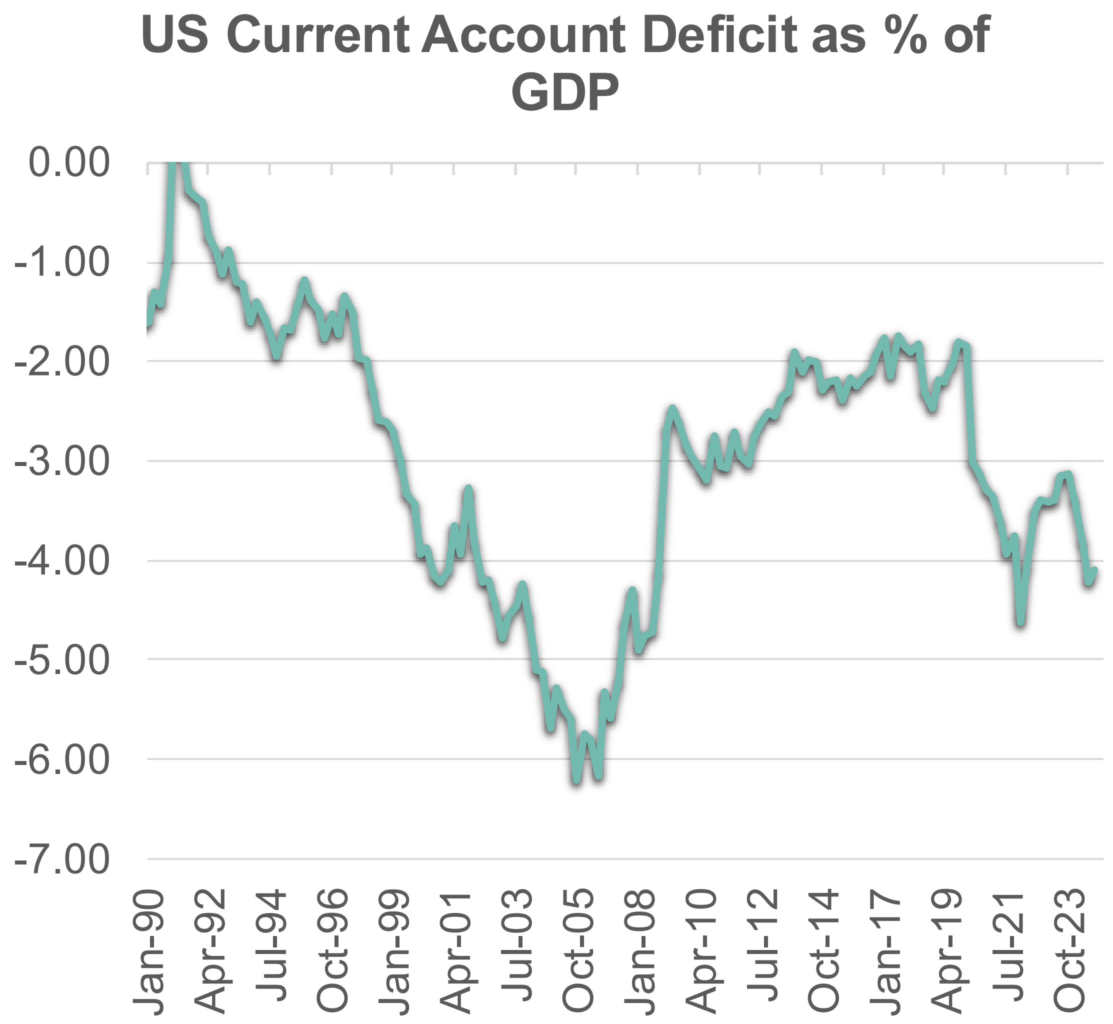


Consumer Spending Share GDP

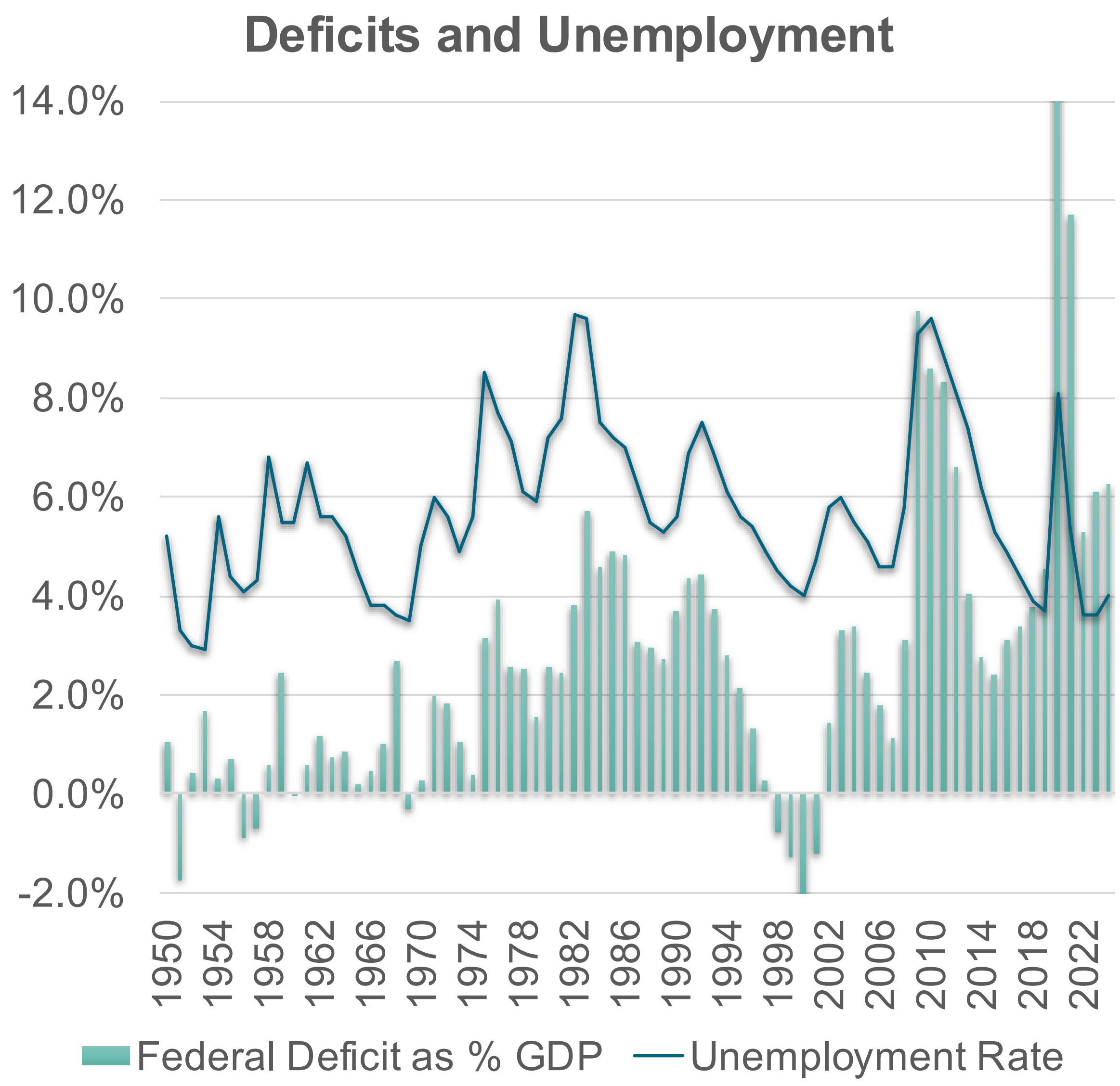


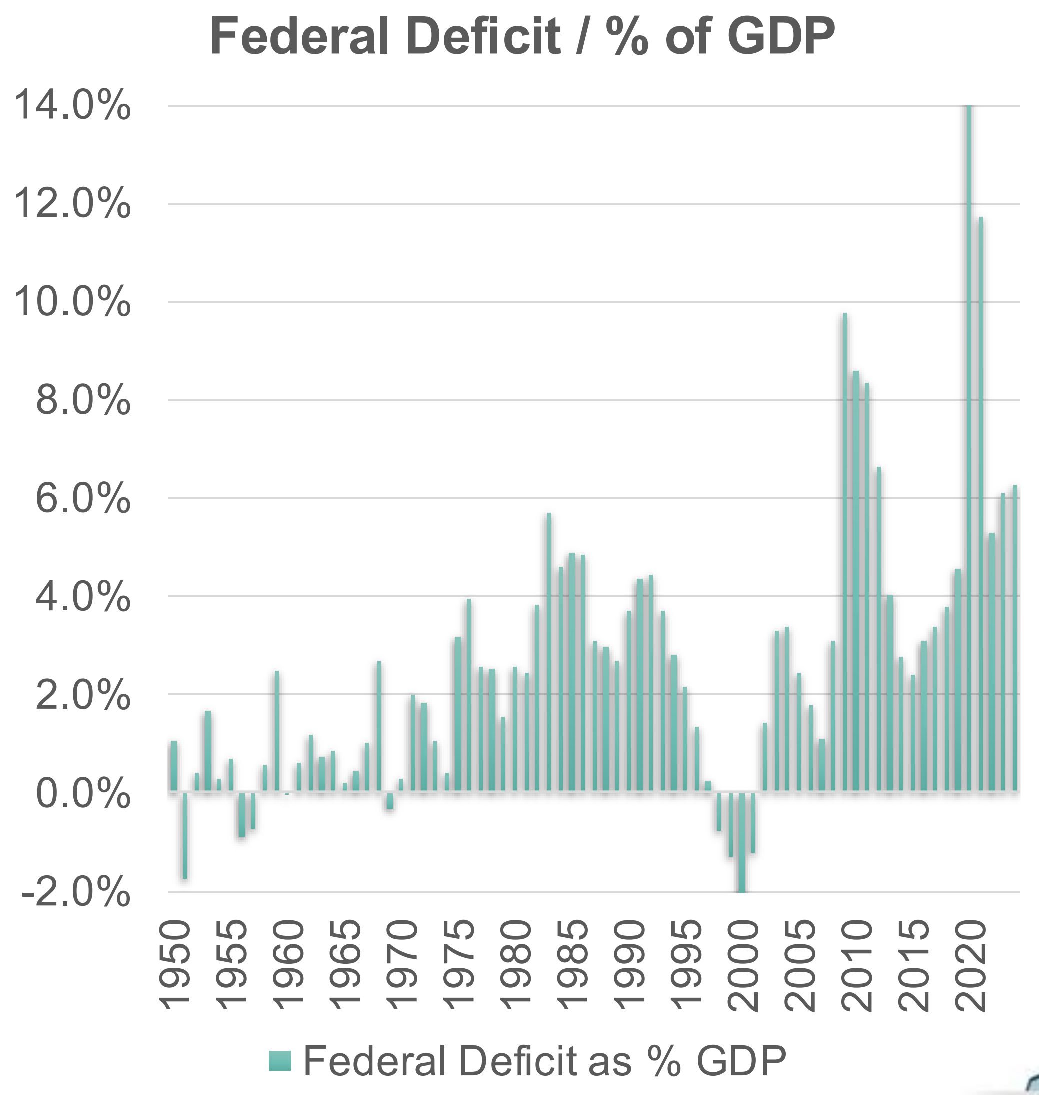
An Over-Consumption Problem…





The Federal Deficit



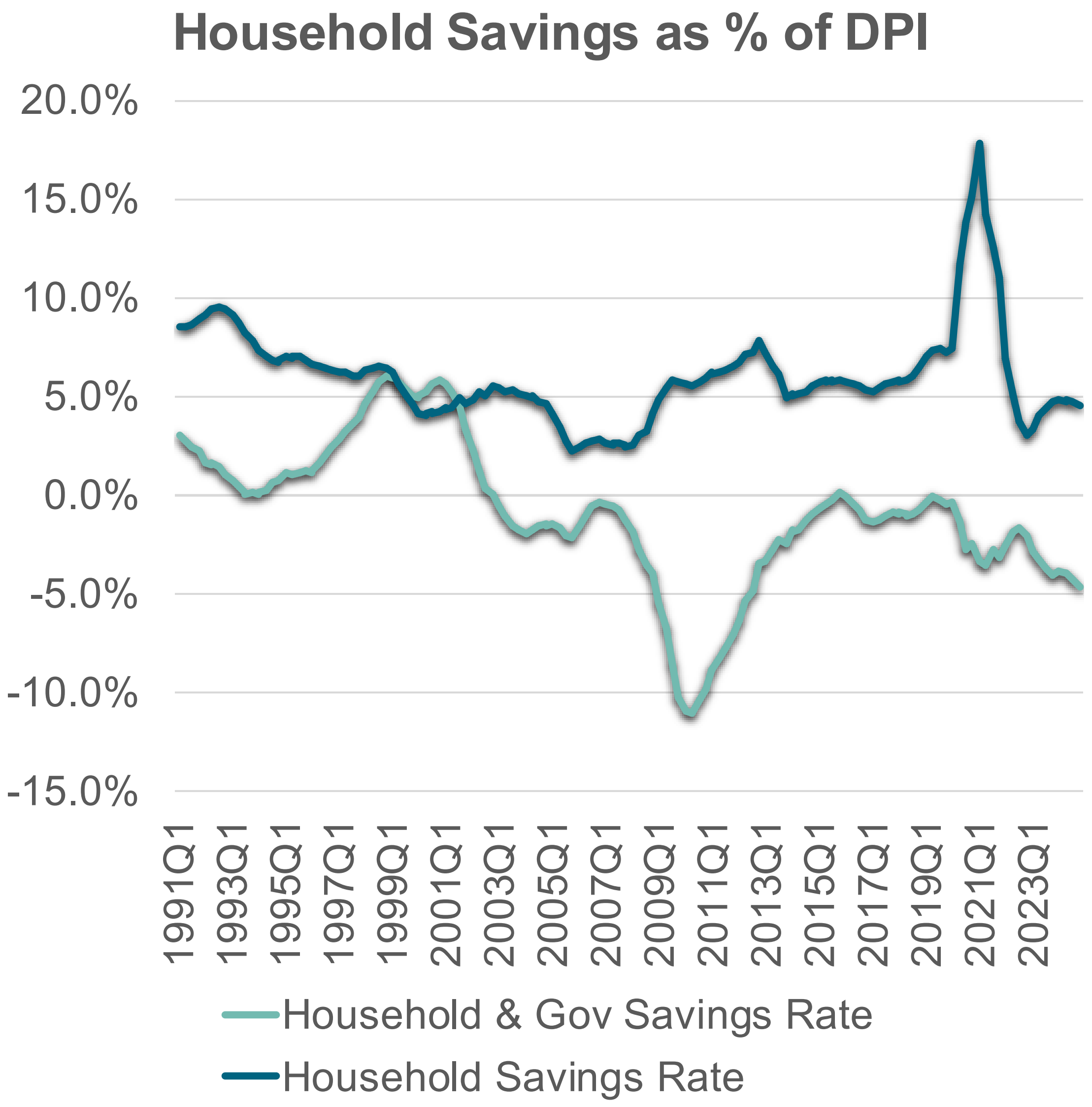


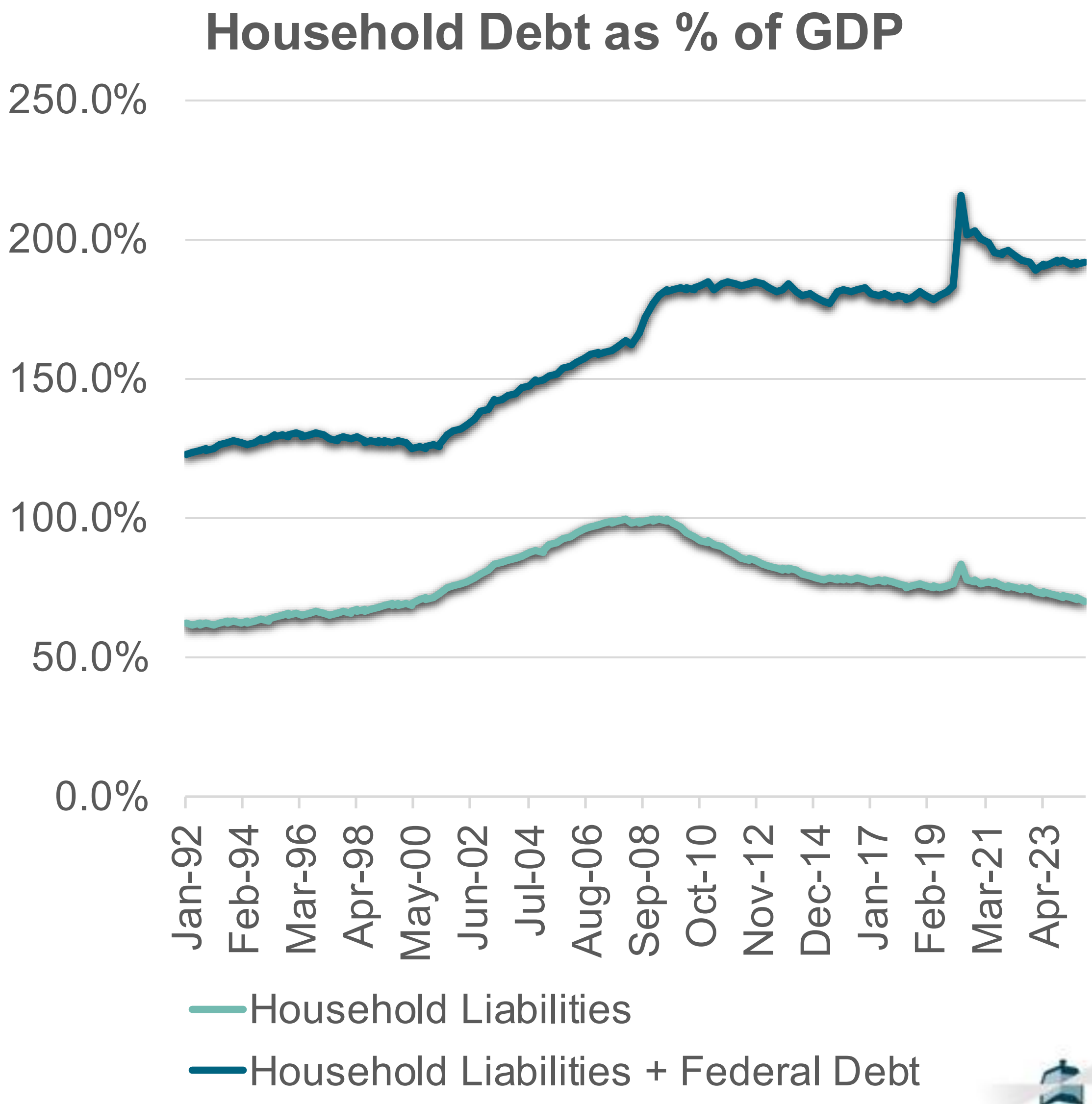
Deficit Closing?

$15,500 per household per year

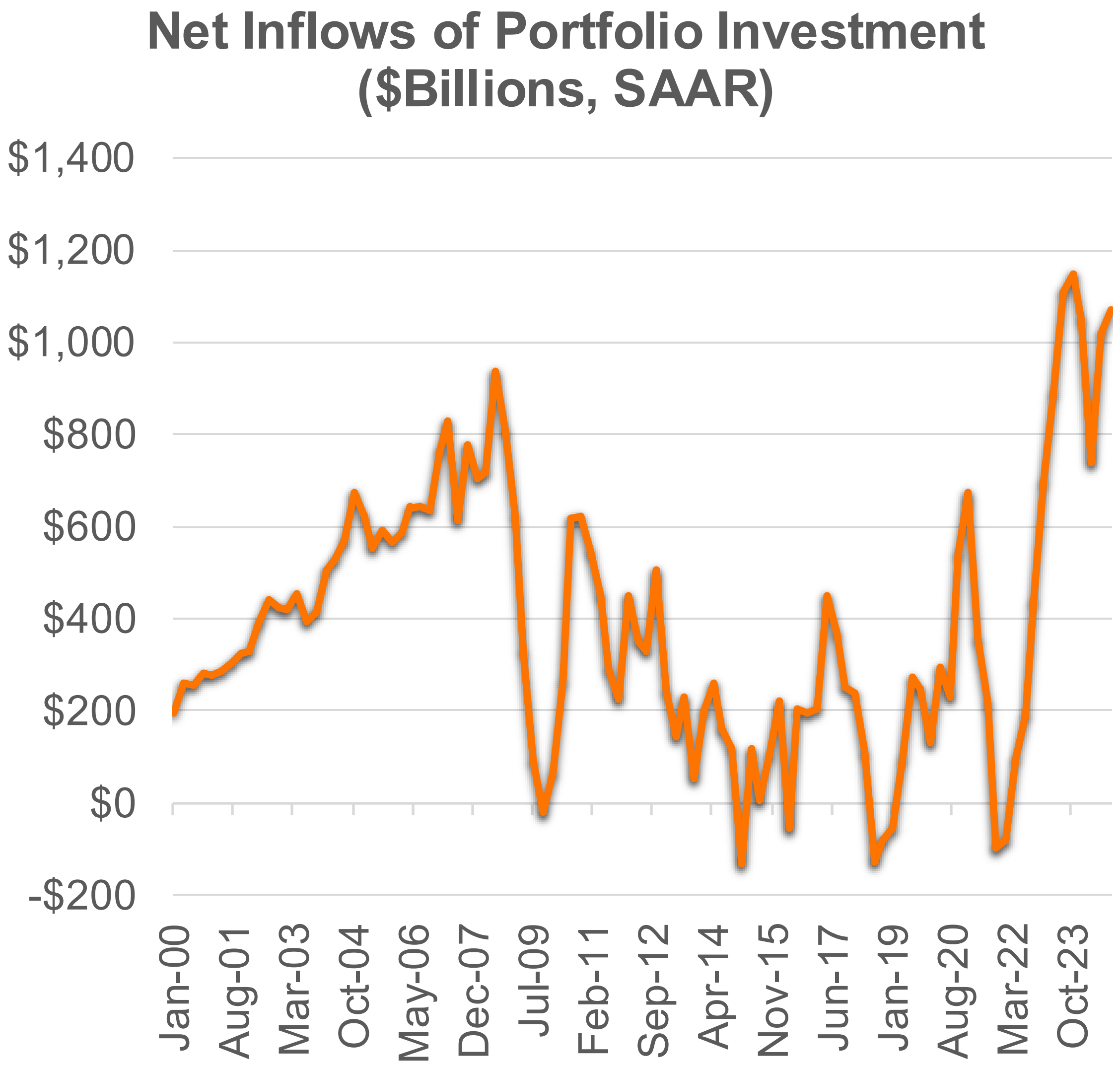
- Higher Taxes: 8% of Household Disposable Household Income
- Reduced Spending: 25% of total current Fed expenditures

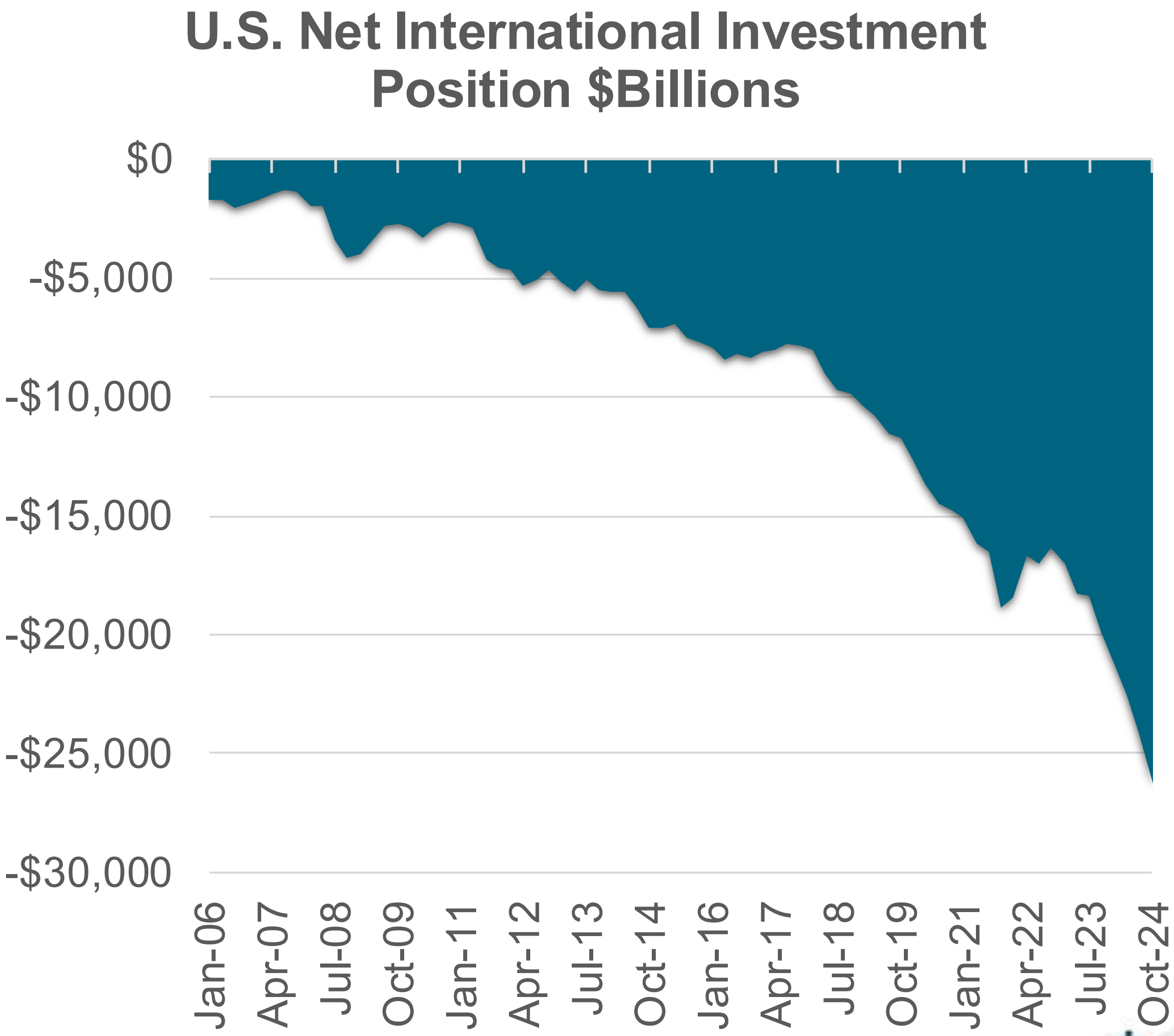
The Wealth / Income Mirage



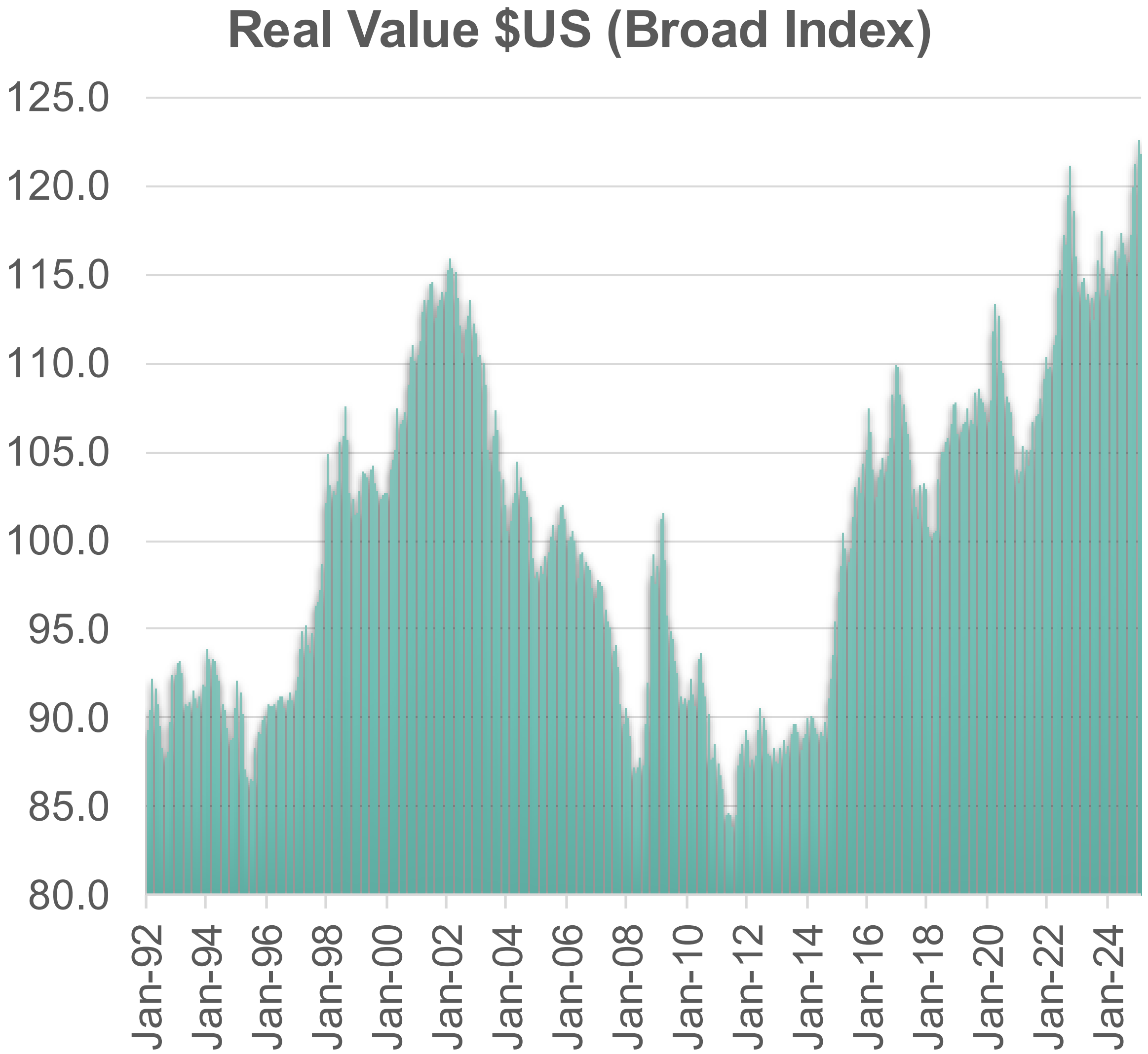


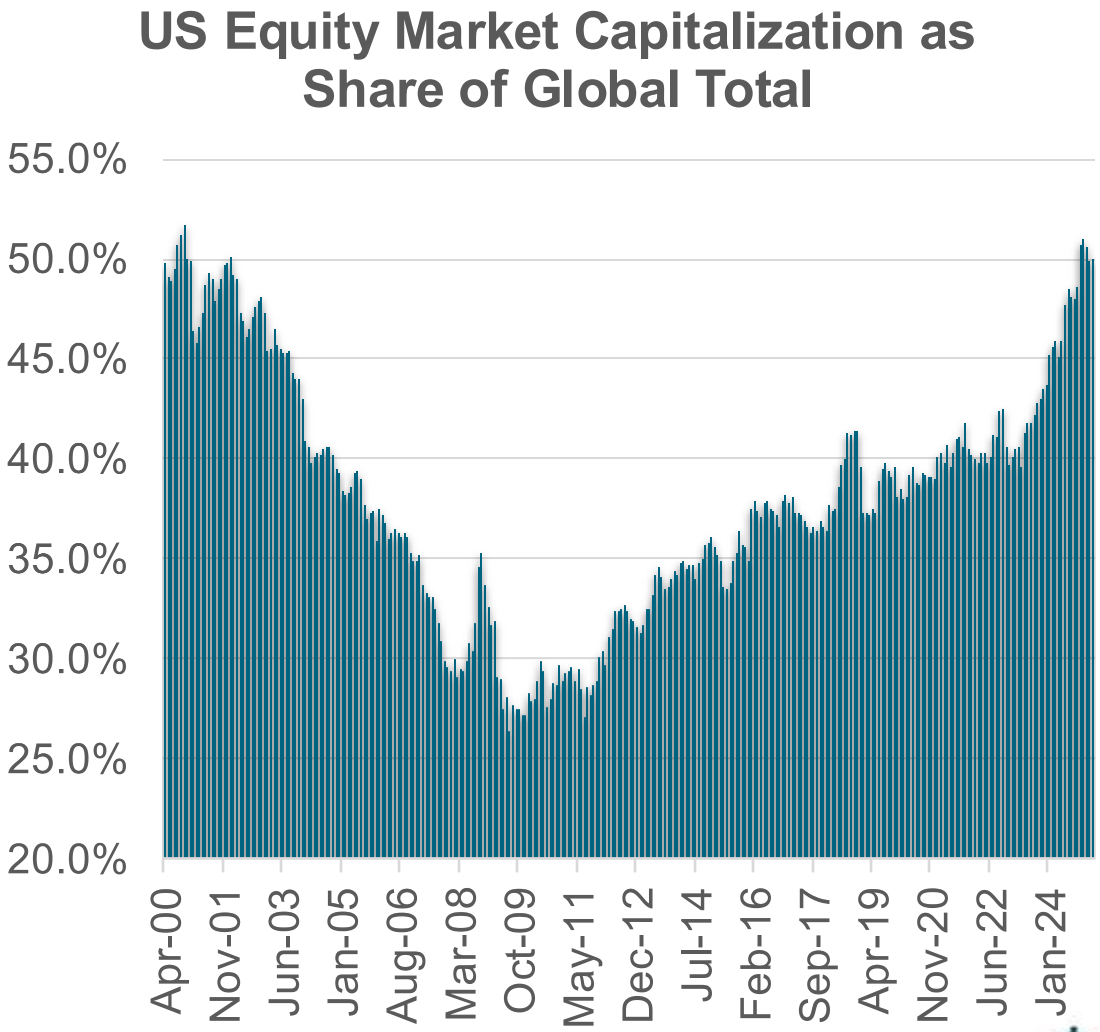
Who is Paying the Bills?





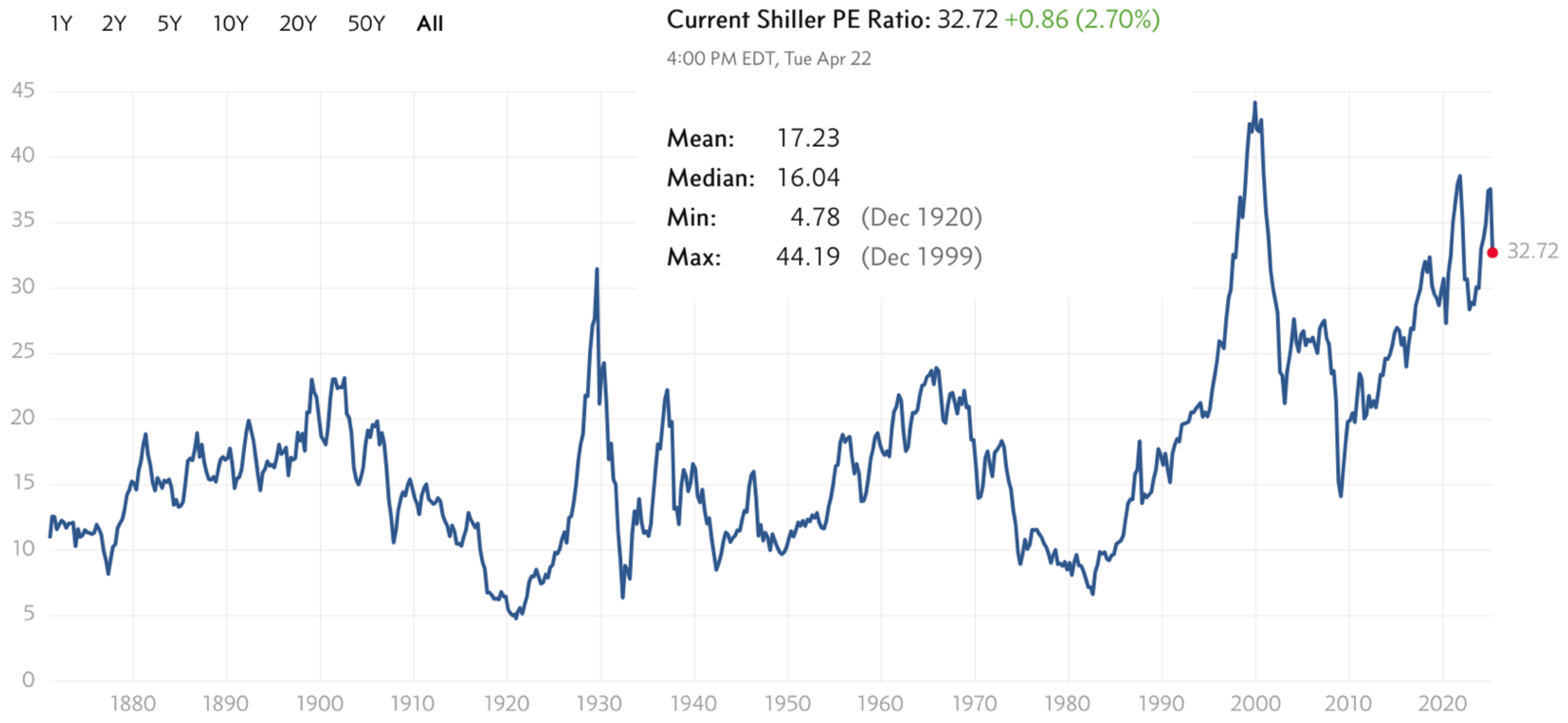
Chasing Yield, Not Value



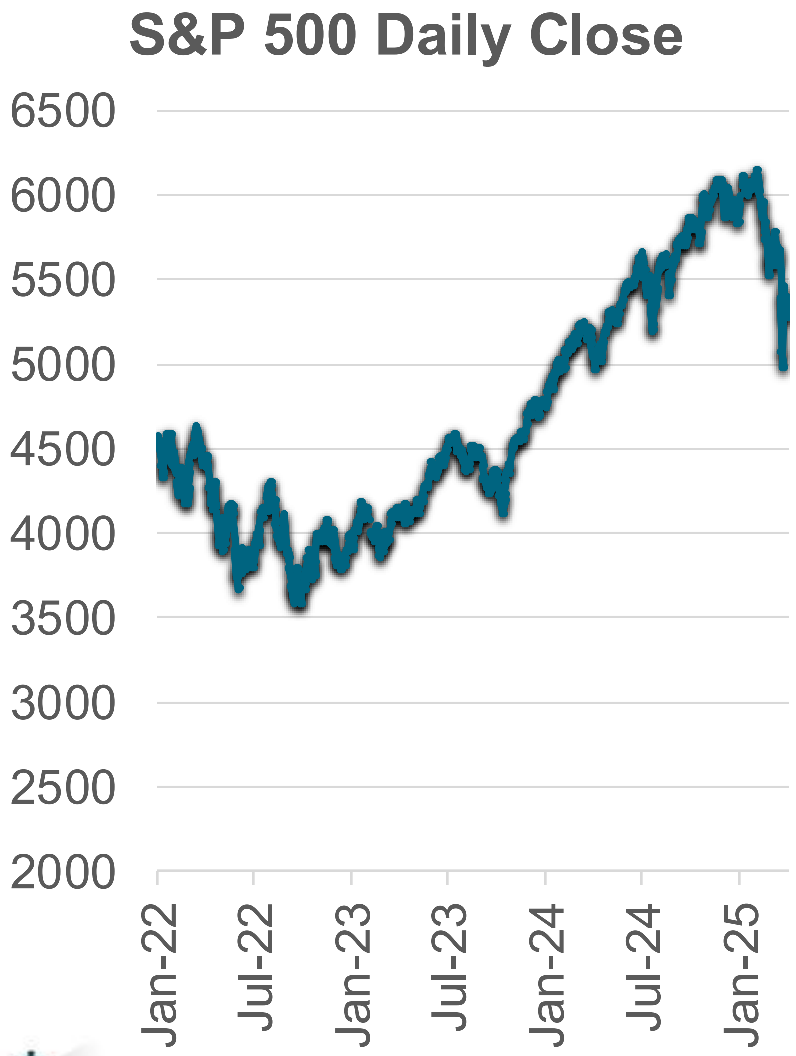


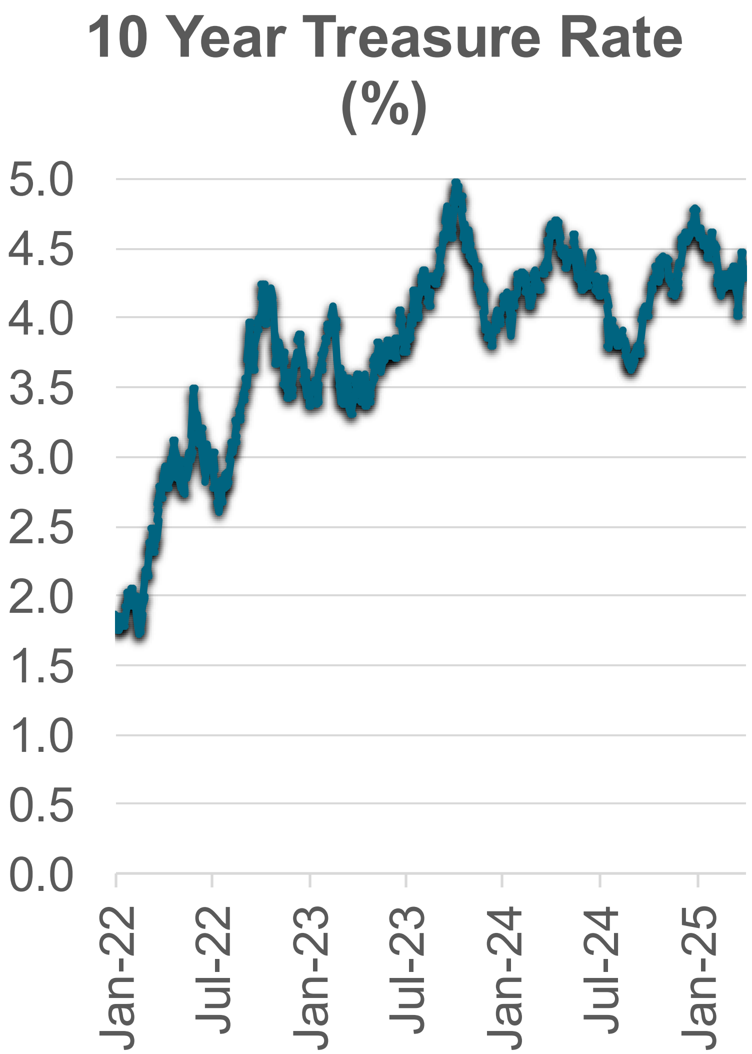
Powell's Other Legacy; Asset Bubbles

Shiller Stock Market Price Earnings Ratio



The Recent Reactions to Turbulence

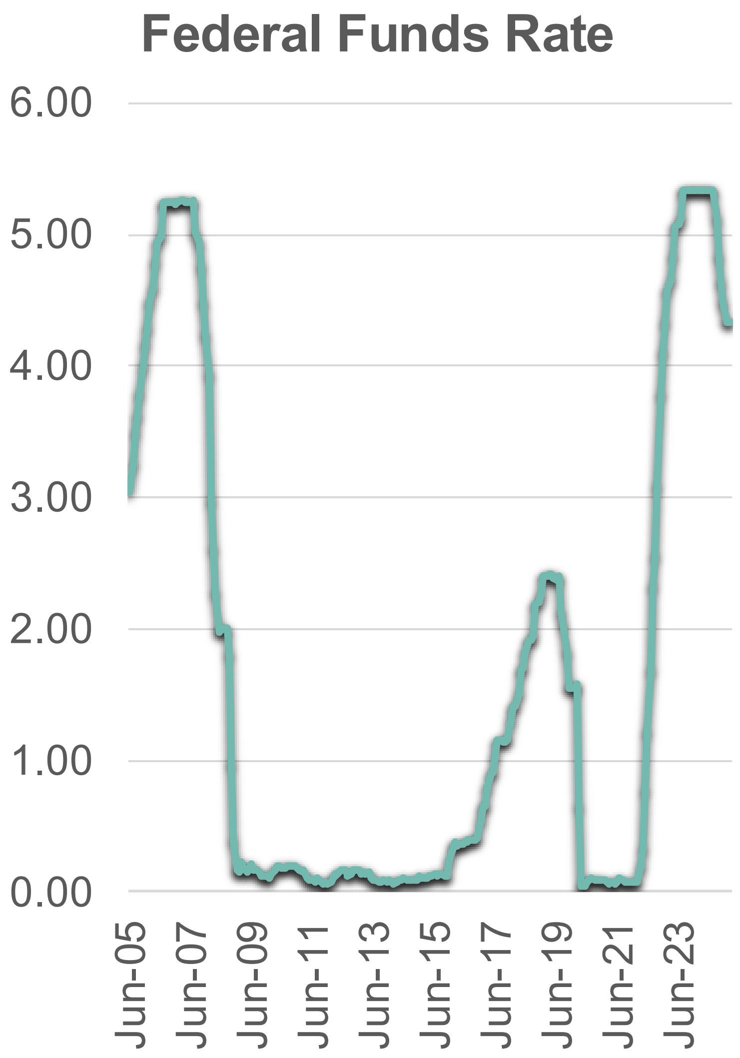


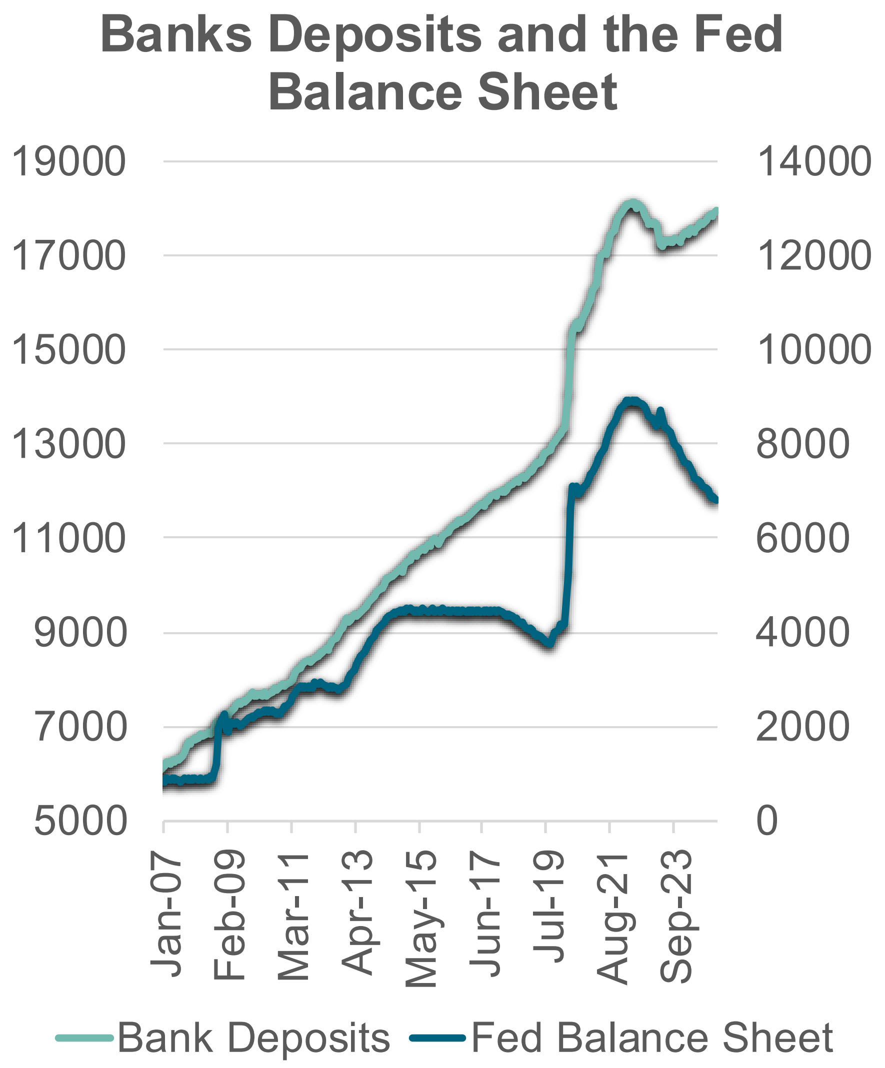


Where is the Fed?

The Federal Reserve's False Narrative

- US inflation due to some exogenous shock
- Inflation is now being driven by inflation expectations
- Inflation is causing substantial harm to American households
- The Fed must fight inflation and it is worth the loss of some jobs / higher unemployment





The Narrative / Reality Gap

	Q4 12	Q4 16	Q4 20	Q4 24
	Obama	Trump	Biden	Trump
Real GDP Growth YoY Gr	1.6%	2.2%	-1.0%	2.5%
Unemployment Rate	7.8%	4.8%	6.8%	4.1%
Real Per Capita DPI	$42,342	$43,846	$49,476	$51,637
Household Debt (% GDP)	84.5%	77.9%	77.5%	70.0%
Household Net Worth (% GDP)	413.9%	469.3%	562.3%	539.5%
UM: Consumer Sentiment	79.4	93.1	79.8	72.1
Federal Deficit % GDP	-6.5%	-3.1%	-16.2%	-6.9%
Federal Debt: % GDP	100.1%	104.6%	125.7%	121.9%
Current Account (% GDP)	-2.3%	-2.0%	-3.3%	-4.0%
Net Int Investment (% GDP)	-27.8%	-43.3%	-66.7%	-88.3%
$Dollar (Broad Real)	87.9	108.0	105.7	119.5
Shiller P/E Ratio	21.24	27.08	32.51	37.22

Growing Risks

Economic Momentum to Slow

- Policy turbulence slowing decision making
- Tariff hit on some sectors

Turbulence threatening capital inflows

- Important #s: The $US, asset prices, 10 Year Bond
- Recession starts when / if rate hikes hit household finances

California: Focused on the wrong issues

- Housing supply, not affordability
- Labor supply, not income inequality

The Bay Area?

- Tech suffering from its own success
- Housing supply can fix office / downtowns

The real issue? The Narrative

- Politics aim to intensify imbalances rather than reduce them
- How will American's react when they are forced to confront reality?

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