

About Beacon Economics

Our accurate, insightful, and empirically-based analysis drives informed decisions about growth, investment, revenue, and policy. We deliver energetic and engaging forecasts that have drawn audiences for over a decade. Let us guide you into the future! We first built our reputation by being one of the few organizations to stand against the tide and correctly forecast the 'Great Recession'. We continue that commitment to accuracy and empirical excellence every day.

Leveraging unique proprietary models, vast databases, proven methodologies, and sophisticated data processing, we equip our clients with the intel needed to understand today's on-the-ground realities and to make the best business and policy decisions possible.

As part of our commitment to spread accurate, balanced information, Beacon publishes a series of free monthly and quarterly analyses that deliver the latest data and commentary on the direction of the economy, employment, income, real estate markets, consumer and business spending, and more.

Our Clients:



Sustainable Growth & Development

Beacon has deep in-house expertise conducting industry and policy analysis on vital sustainability topics including green innovation, technology and workforce development, long-term economic development, and industry sector strategies.

Housing, Land Use, & Real Estate Advisory

Beacon leverages long- and short-range economic models to identify growth and investment opportunities and advance solutions to housing and real estate challenges across urban, suburban, and rural landscapes.

Economic & Revenue Forecasting

Beacon is a recognized leader in delivering highly accurate economic, fiscal, and revenue outlooks that inform public and private sector decision making. Banks, governments, public utilities, and major industries rely on Beacon forecasts.

Litigation Support & Expert Testimony

Working for both plaintiffs and defendants, we bring our reputation for analytical excellence and objectivity to bear on every client's case.

Economic, Fiscal, & Social Impact Analysis

Beacon evaluates the economic impact and value of universities, events, public policies, and infrastructure/real estate development. Our analyses have provided support and justification for proposed legislation, construction projects, sustainable power projects, and large-scale events.

Regional & Sub-regional Analysis

Beacon conducts analysis at an international, national, state, county, and city level – even down to the zip code. We identify highly specific trends occurring within communities in Employment, Industry, Real Estate, and Consumption, and deliver actionable steps that capitalize on local strengths and address local challenges.

"The professional and technically skilled staff at Beacon Economics delivered an excellent product that has been key in our District's long term planning and fiscal health."
~ East Bay Regional Parks District





Changing Tides: Navigating CA's Economic and Public Policy Currents

September 20, 2023

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Overview

- Overall Economic Situation
 - What's up with the Recession?
 - Outlook for 2024
- Travel Industry Forecast
 - Future of Tourism Demand
 - What's going on with different sectors and regions
- Challenges in the Industry
 - Labor costs and issues
 - Local policy and politics



Raise Your Hand

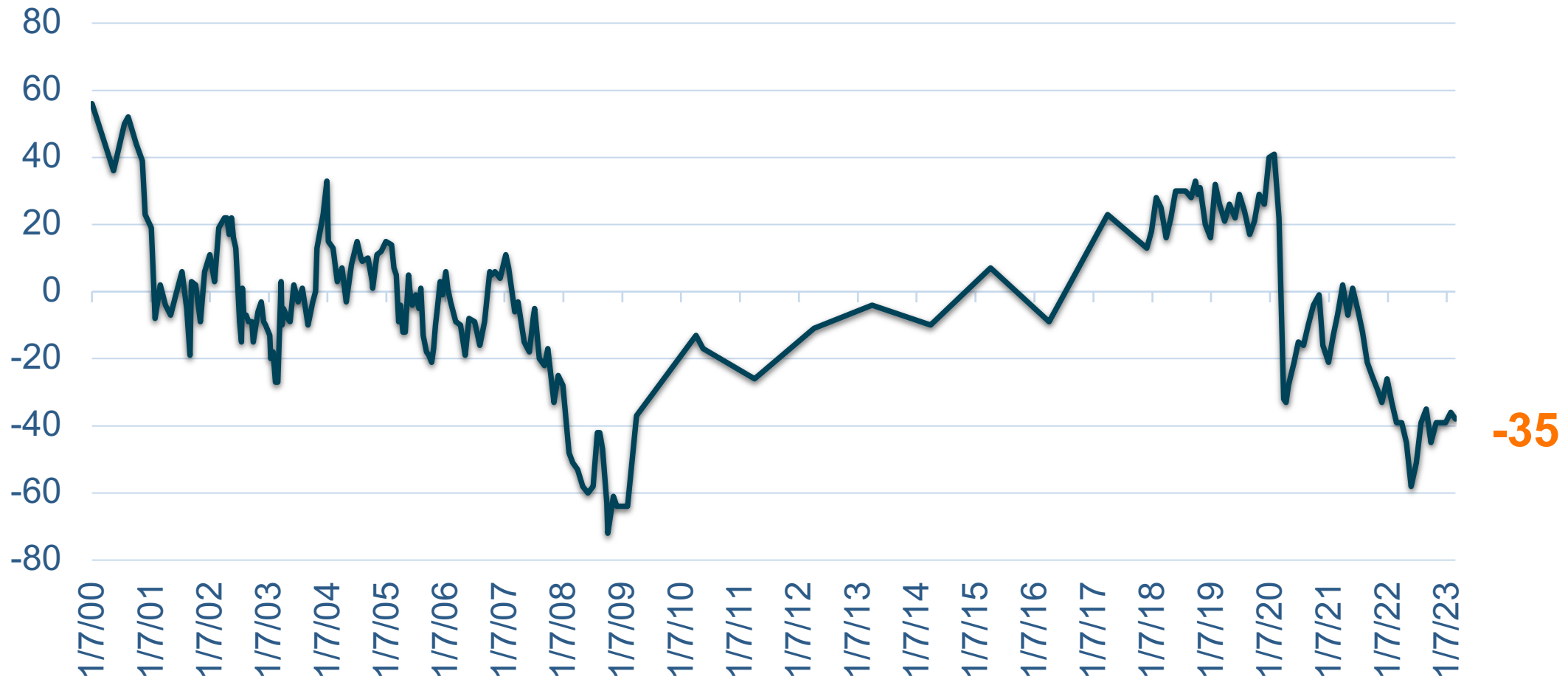
- Will we have a recession in the next 6 months?
 - Yes
 - No
 - Who knows!?!



Confidence is Down Nationally



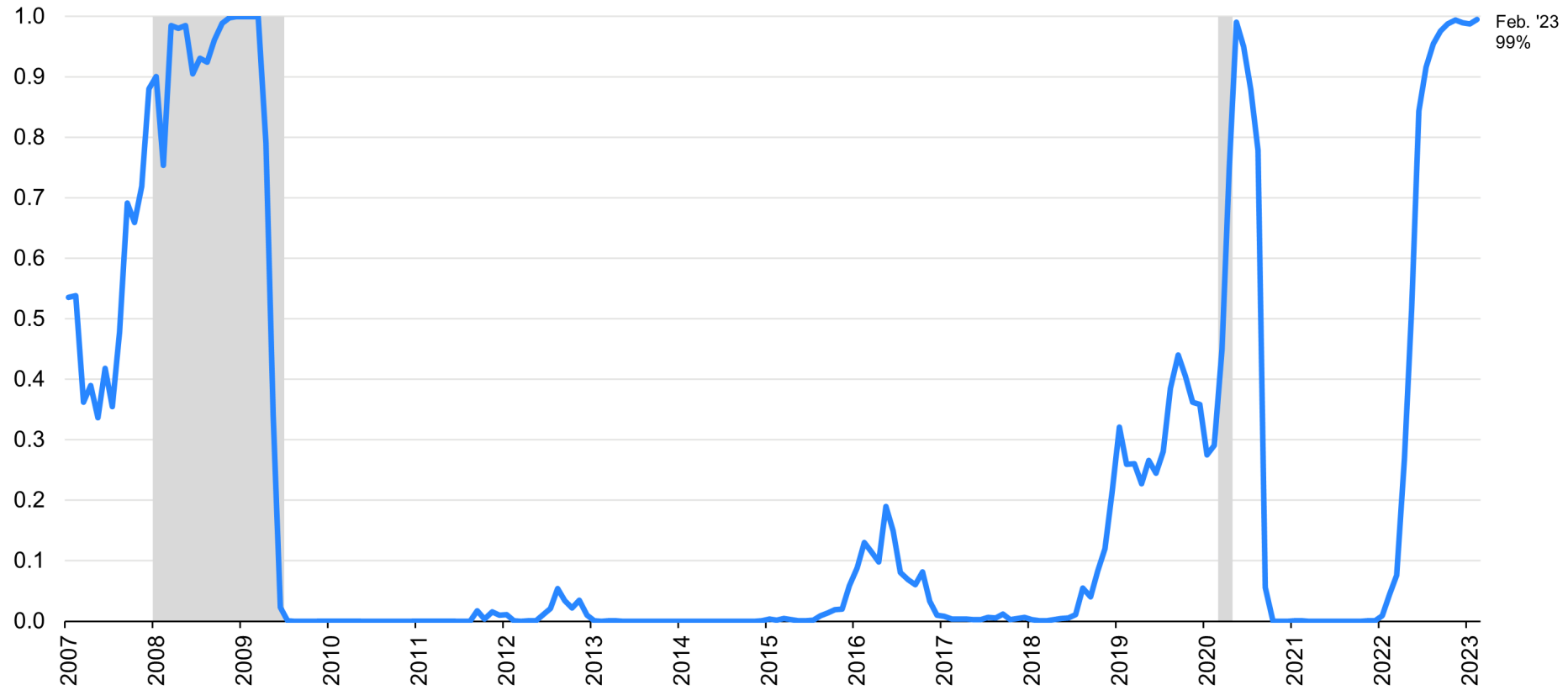
Economic Confidence Index



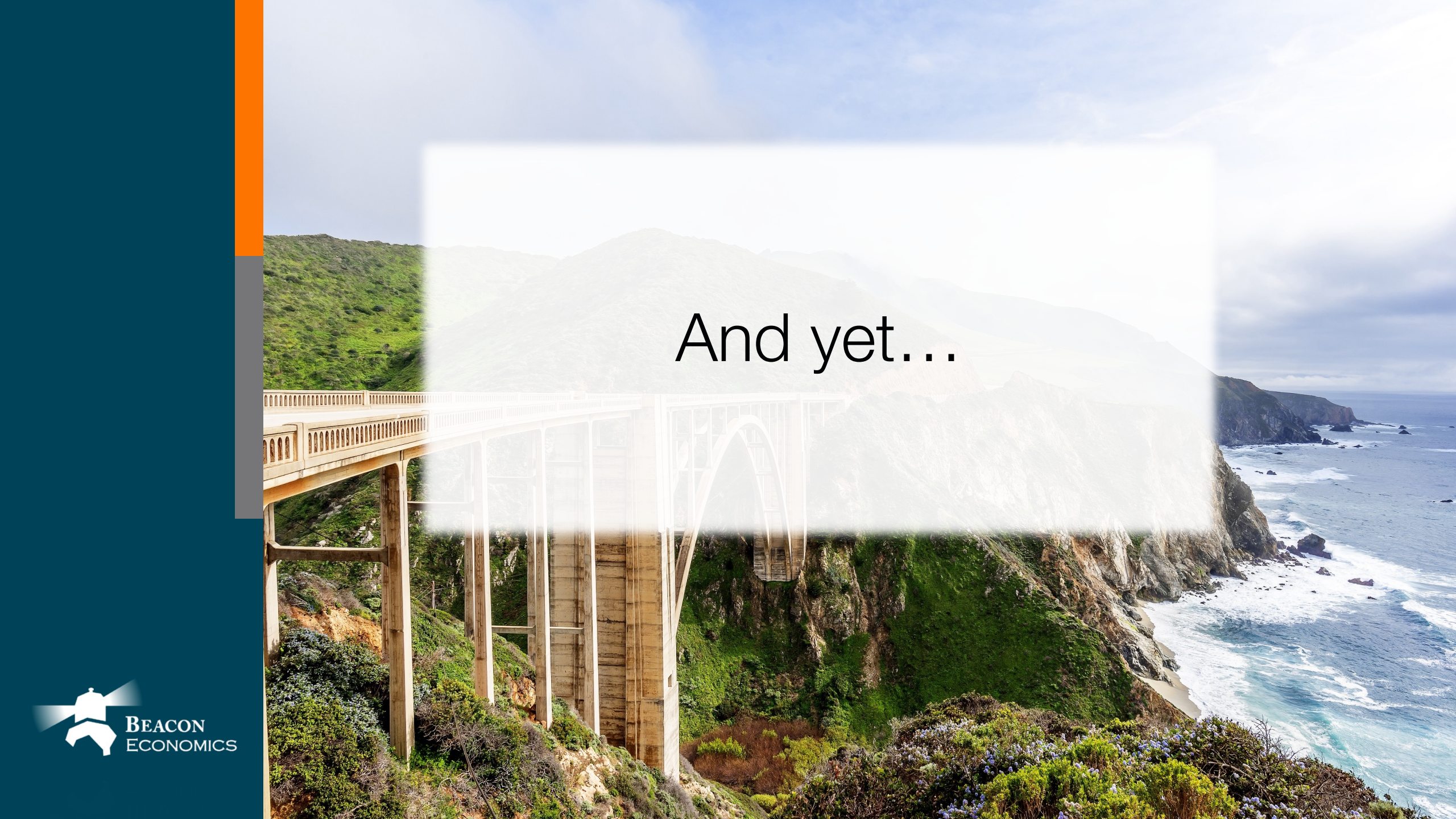
Experts Predict a Recession



US Recession Probability (0-1)



Source: The Conference Board, 2023

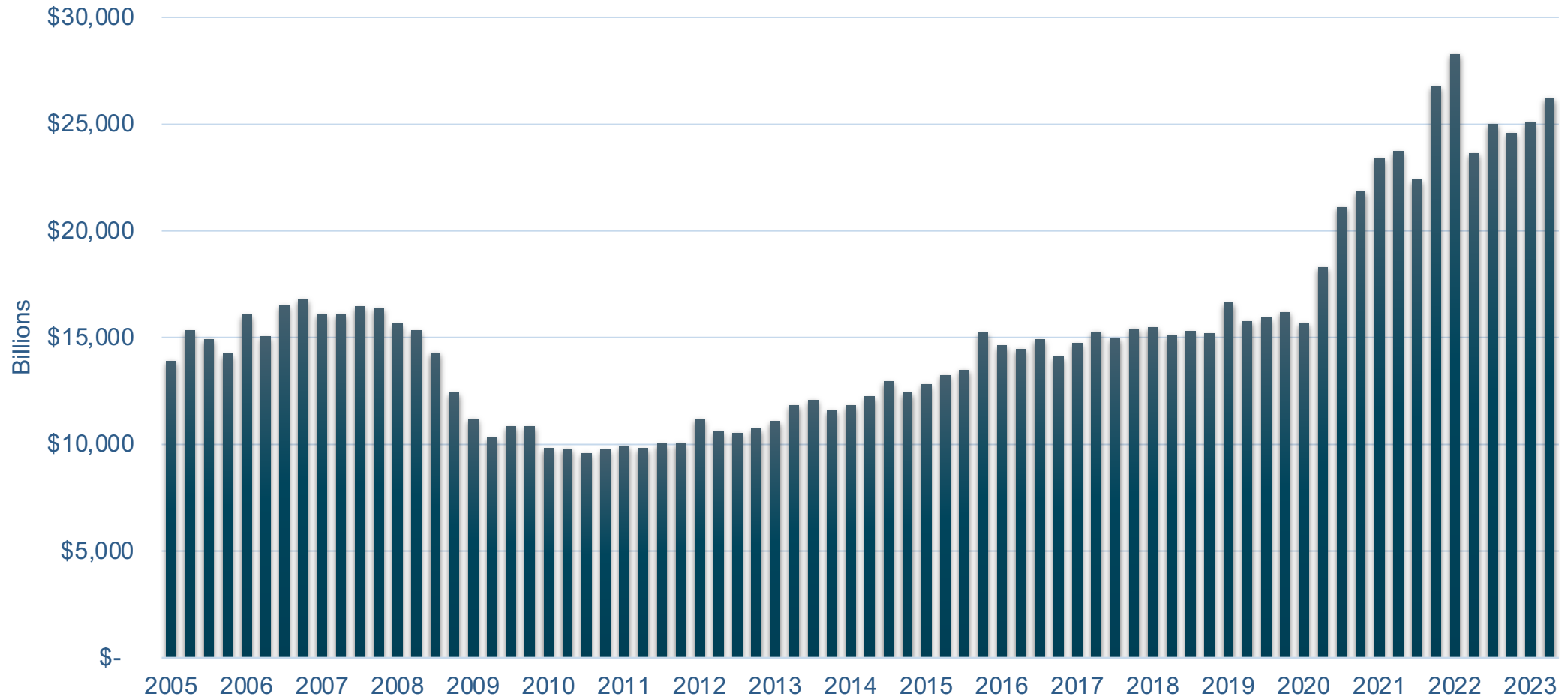


And yet...

Consumer Spending is Up



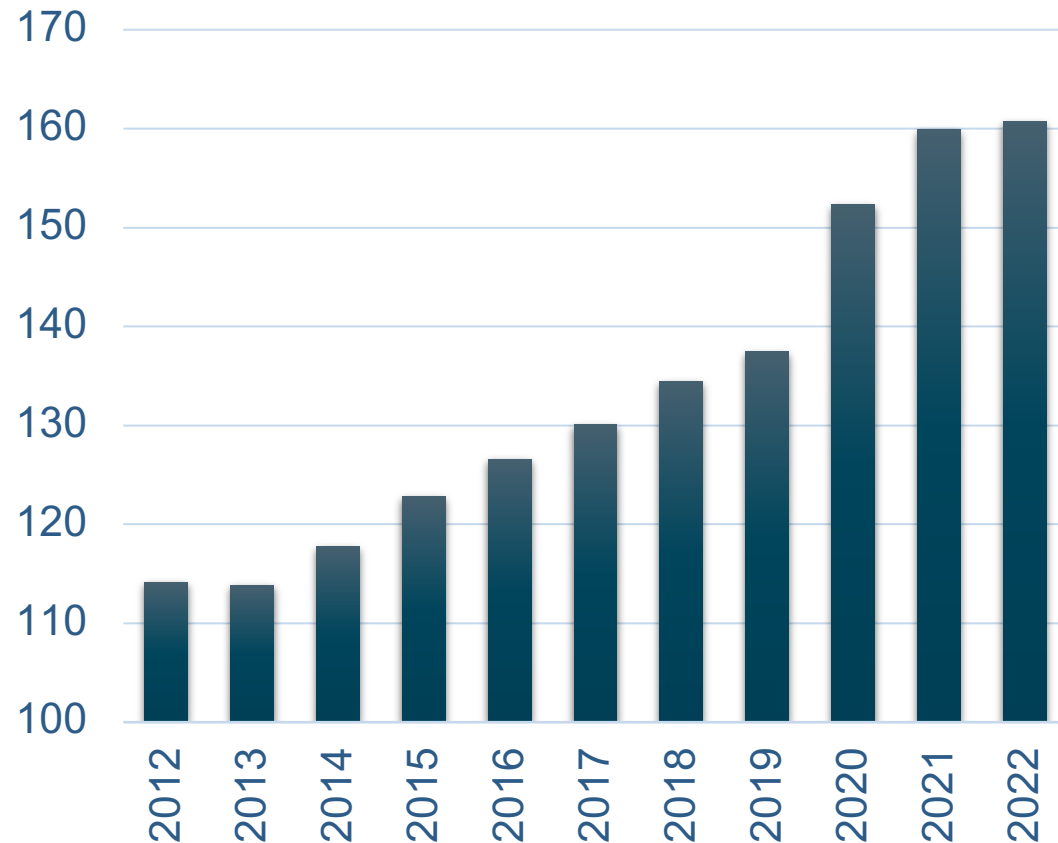
US Spending on Pleasure Boats (Real)



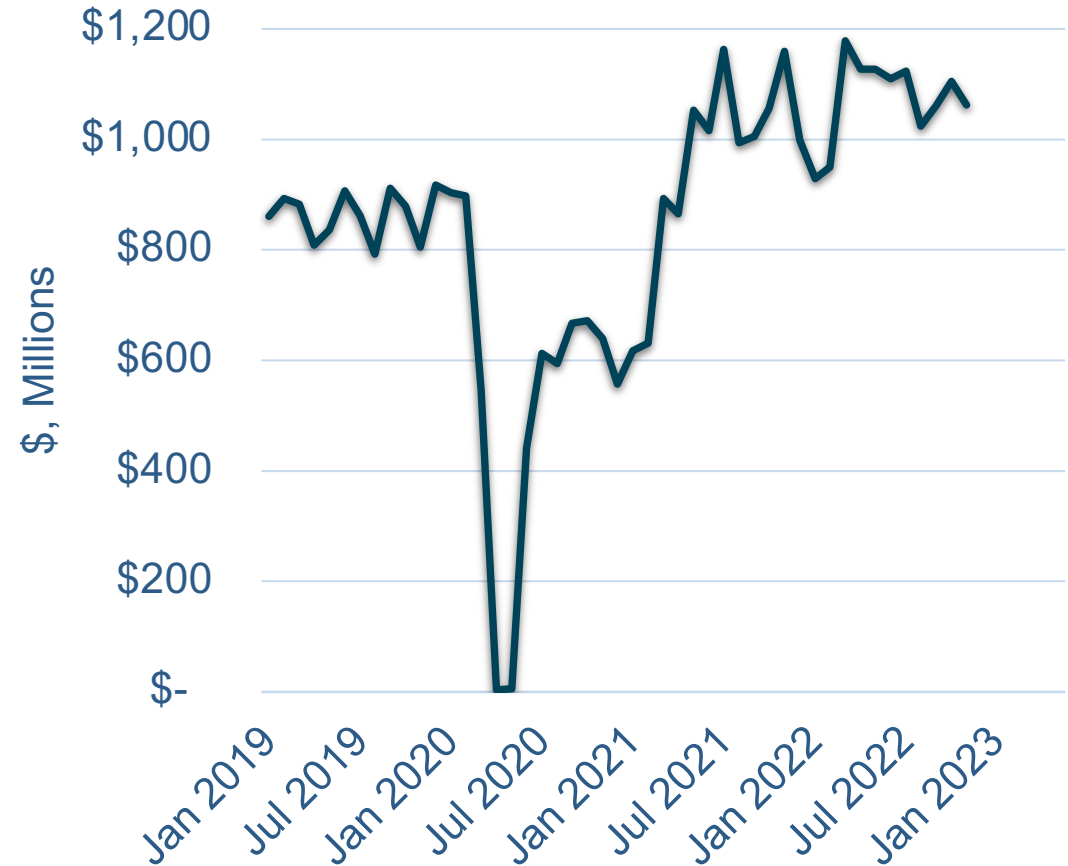
Consumer Spending is Up



Consumer Spending: Off-Site Alcohol (Real, \$Billions)



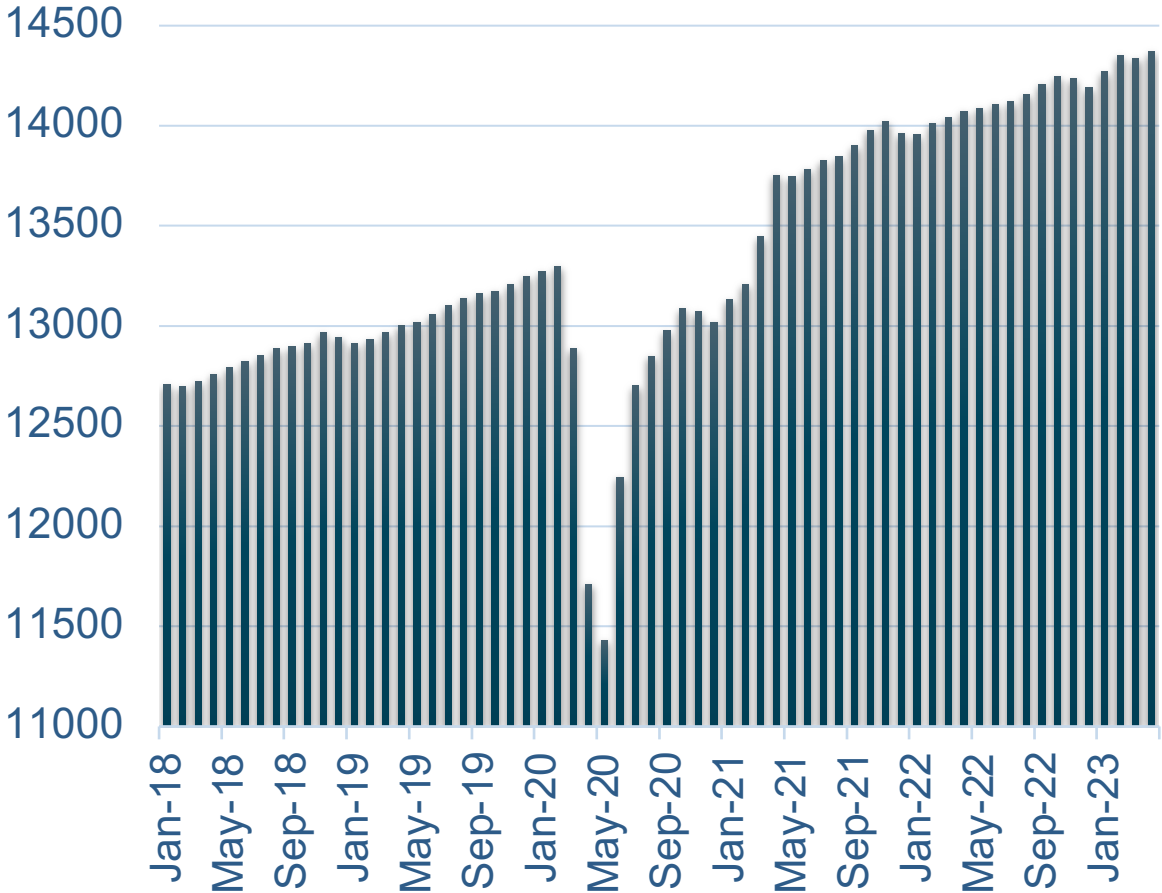
Las Vegas Gaming Revenue



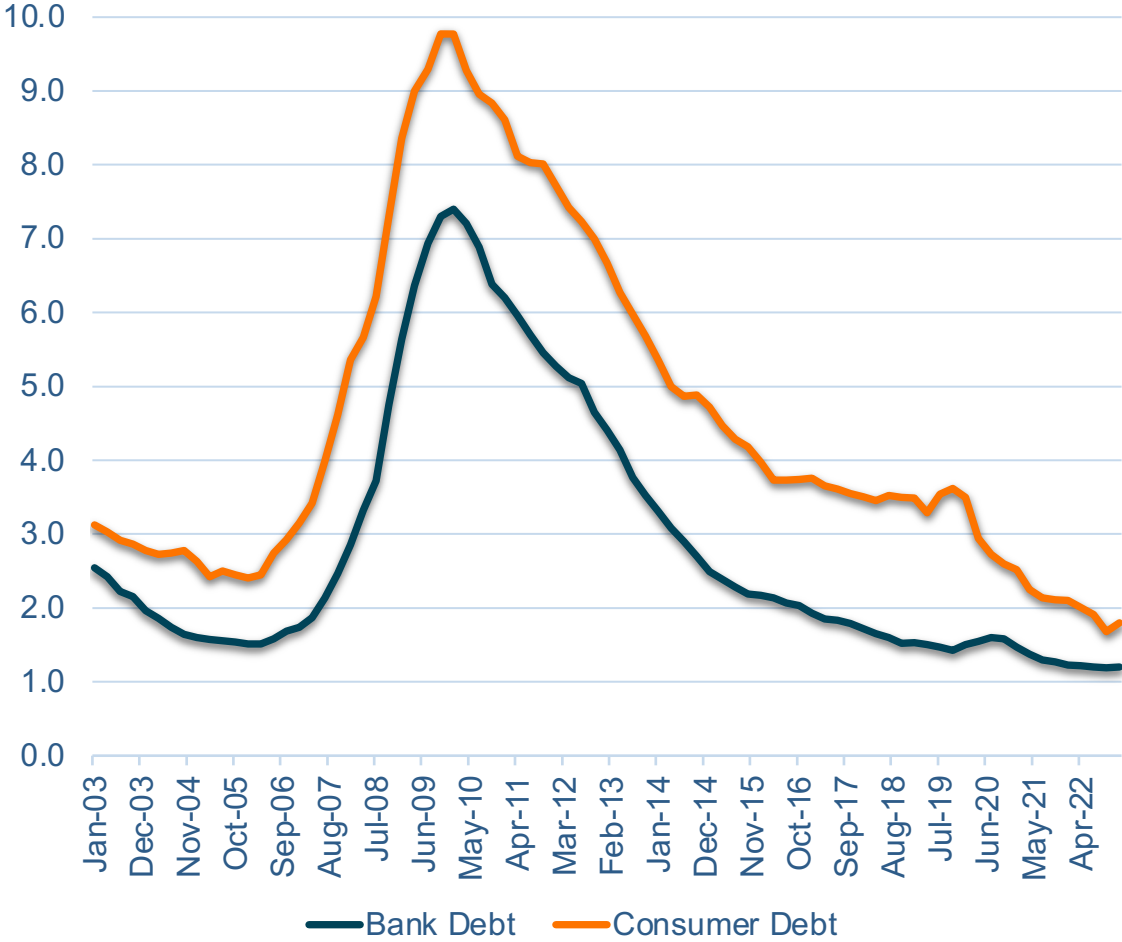
Consumers Spending is Up



Real consumer spending keeps growing



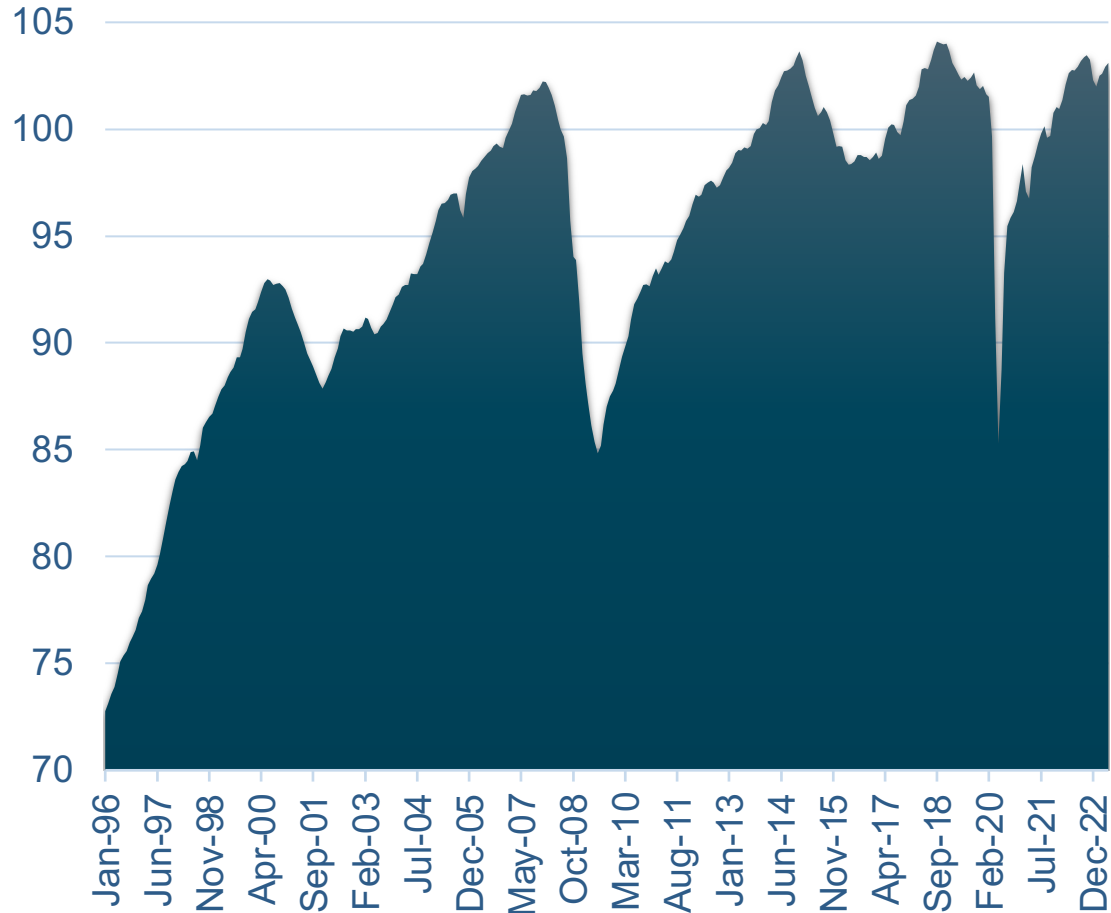
Debt Delinquencies (Rate)



Economy Operating at Full Speed



Industrial Production Index



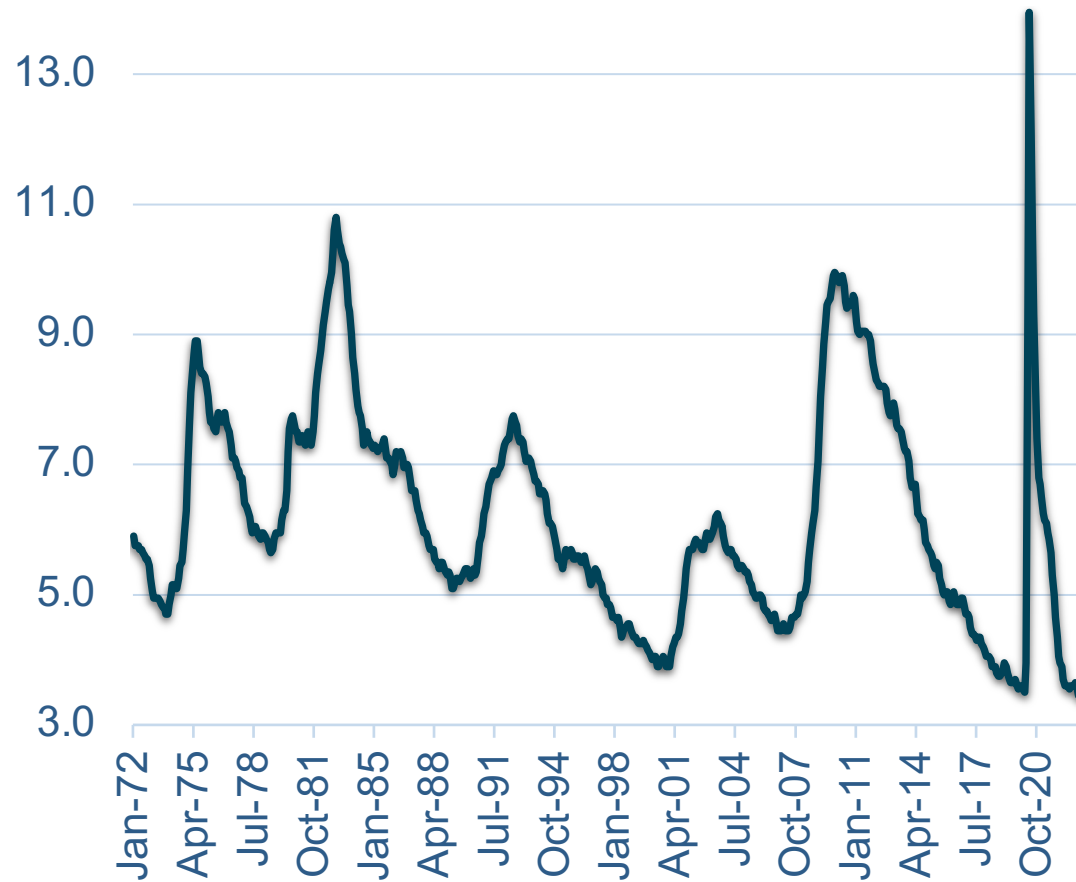
Autos Inventory / Sales Ratios



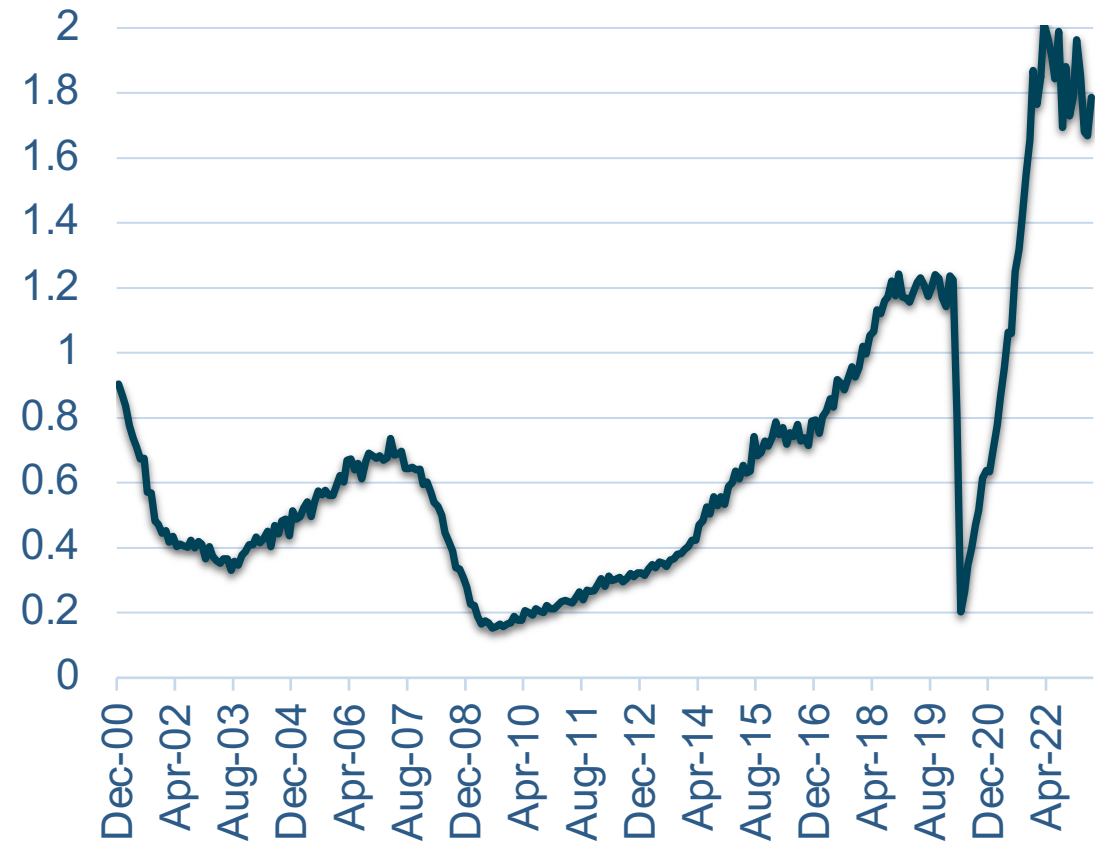
Recent Labor Market Evidence



US Unemployment Rate



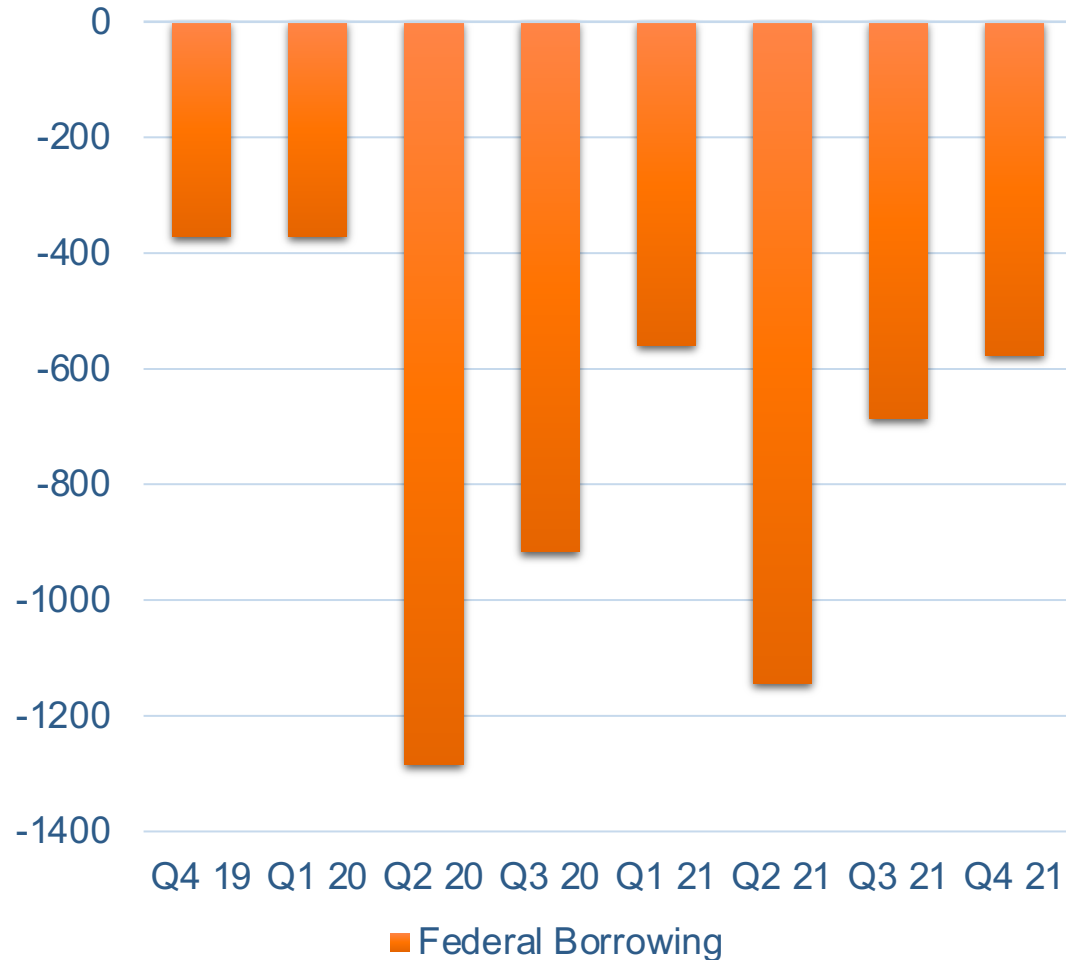
Job Openings / Unemployed Workers



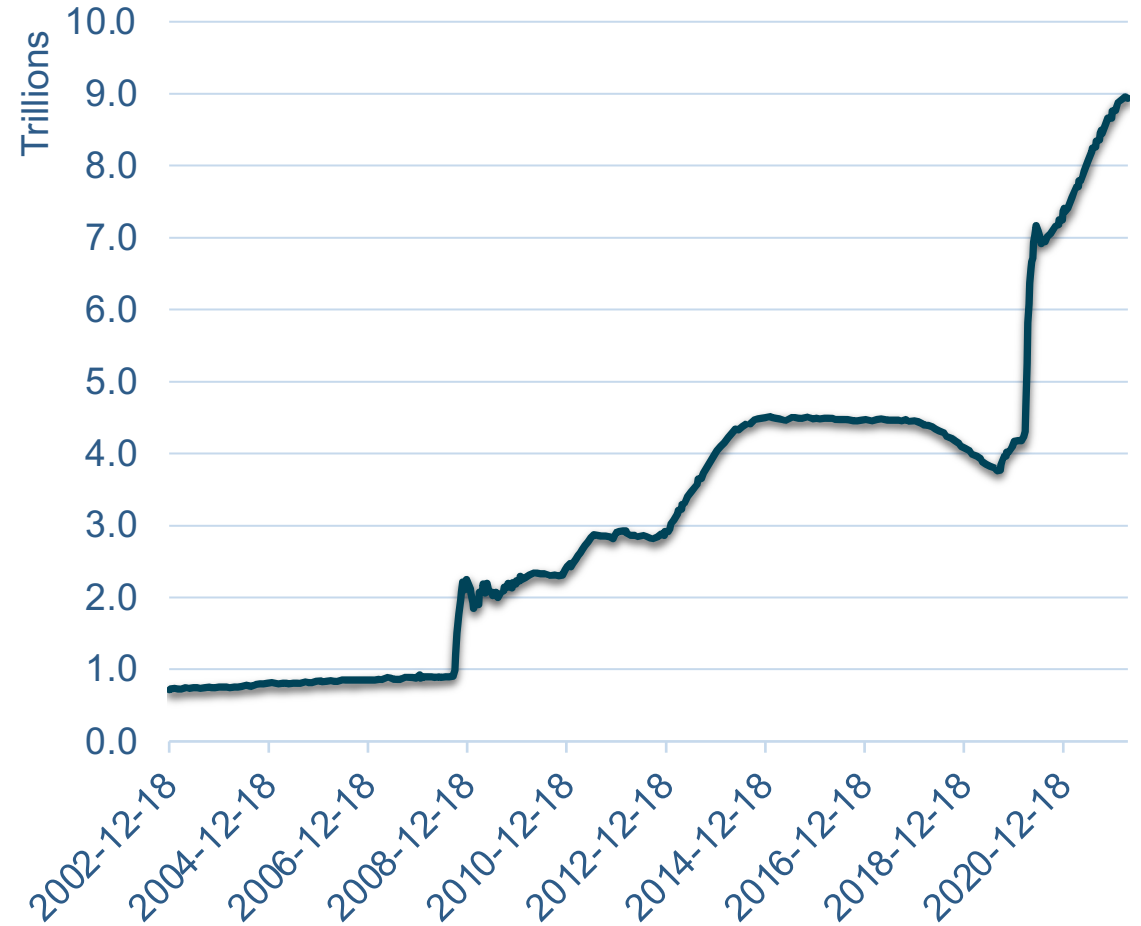
The Pandemic Over-reaction



Fiscal Stimulus \$Bil



Federal Reserve Balance Sheet Assets





Actual Lost GDP: \$1.2 Trillion

Fiscal Stimulus: \$6 Trillion

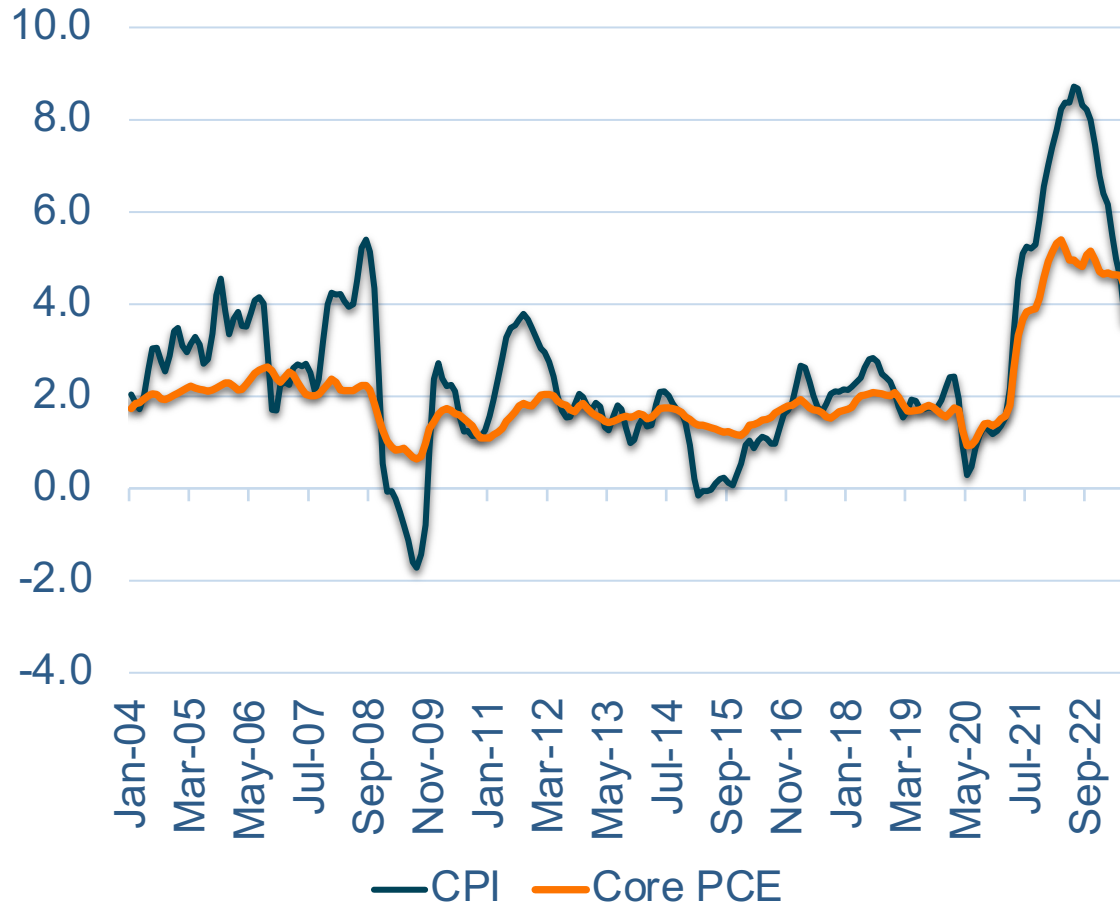
5 to 1 stimulus to loss ratio

\$16,000 net stimulus per capita

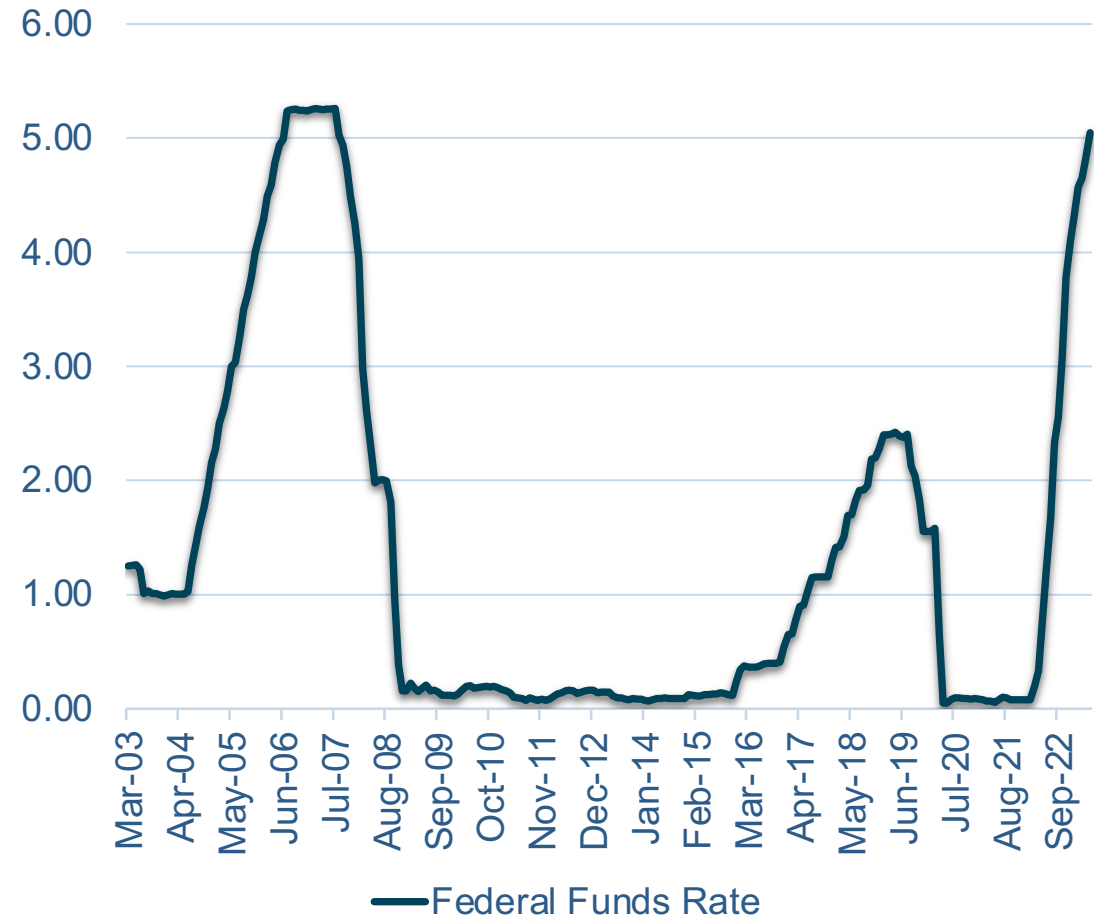
More Demand = Higher Prices and Rates



Consumer Price Inflation



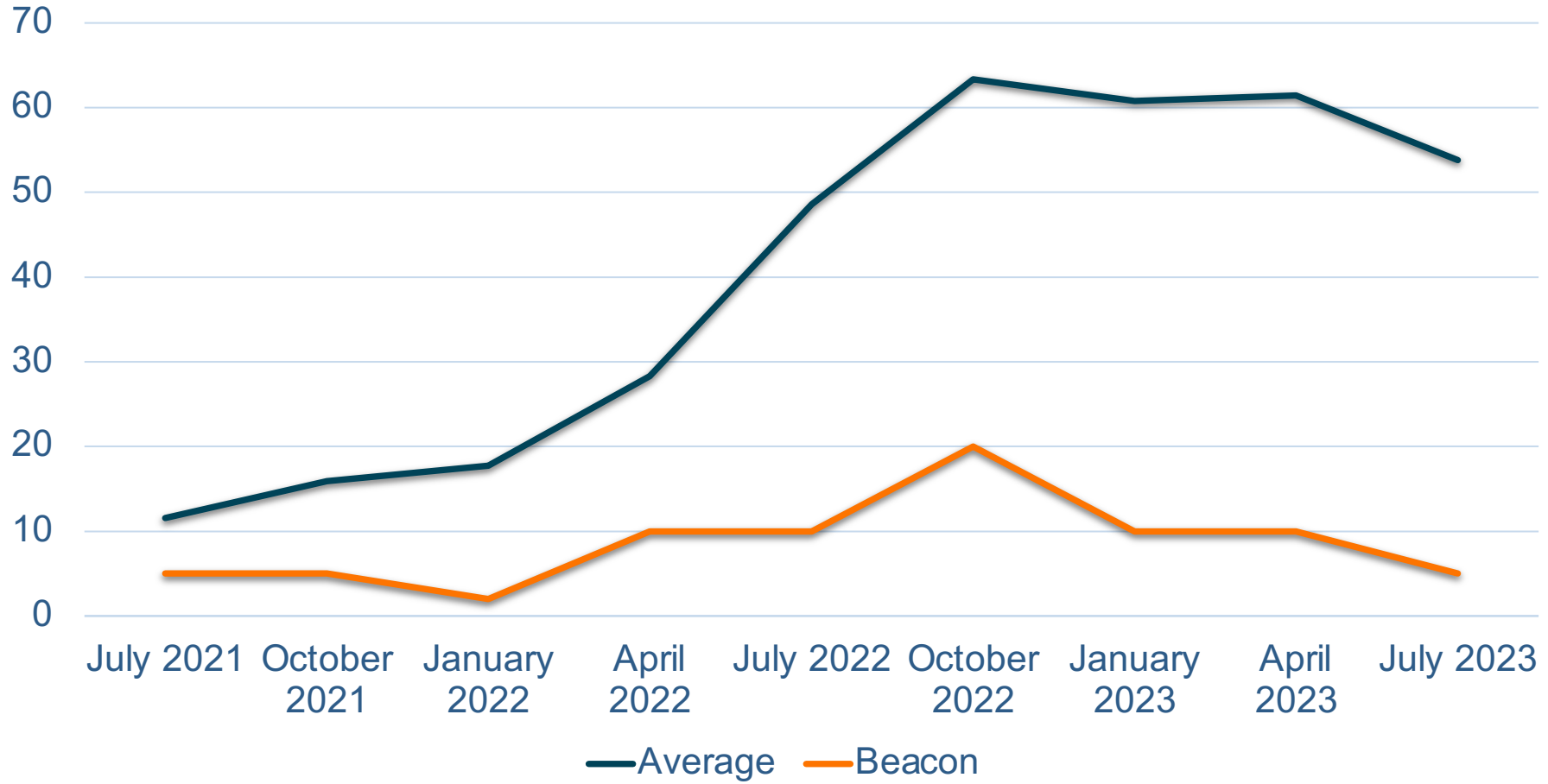
Interest Rates



Economy Operating at Full Speed



WSJ Economic Survey Recession Probability
Chance of US entering a recession in the next 12 months



Reality vs Narrative



Proactively Control Your Narrative

Reality

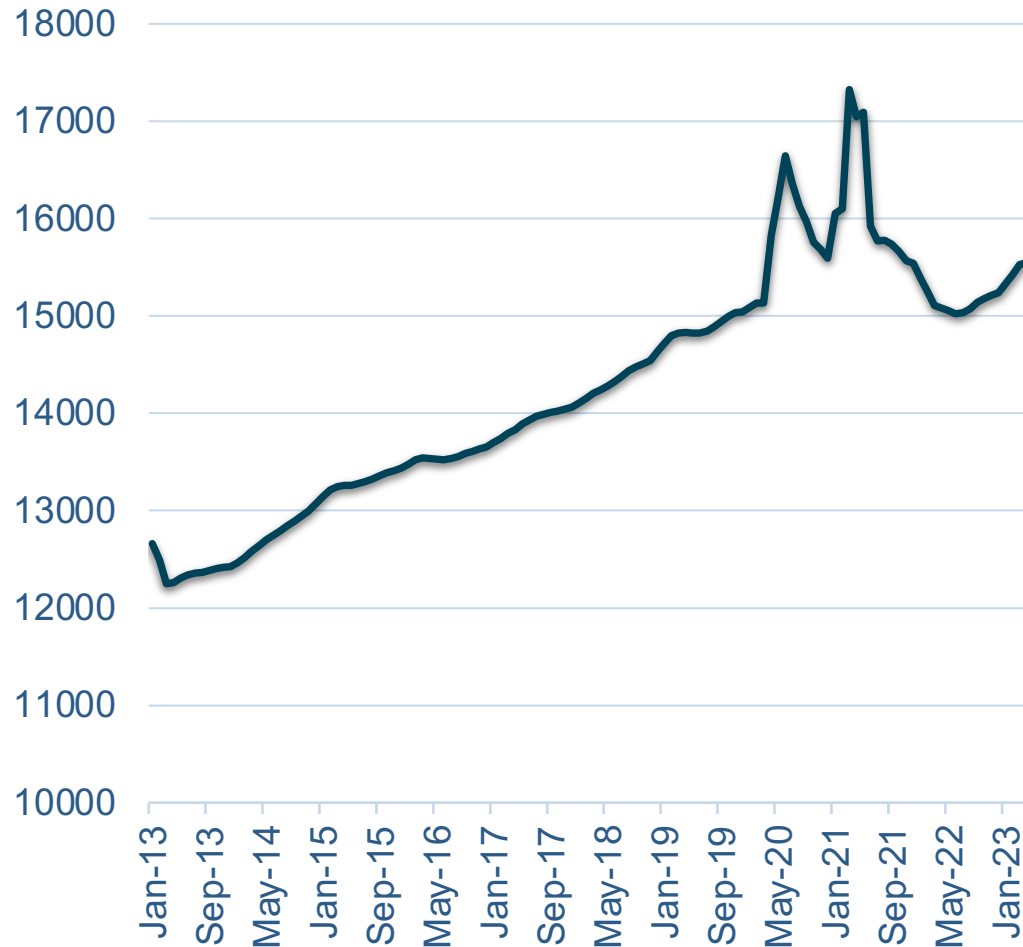
Narrative

Perceptions > Beliefs > Policy

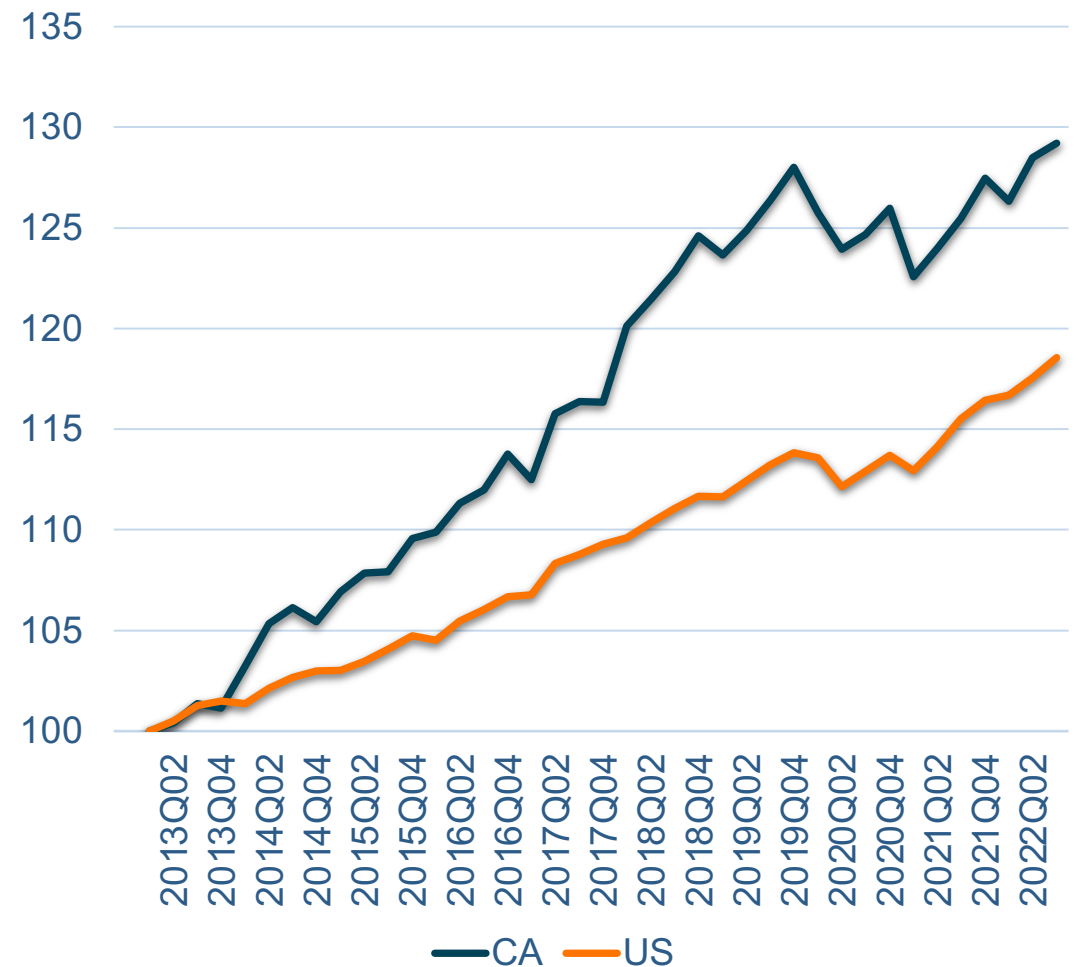
Strong Tourism Demand in 2024



Real Disposable Income



Index of Restaurant Establishments



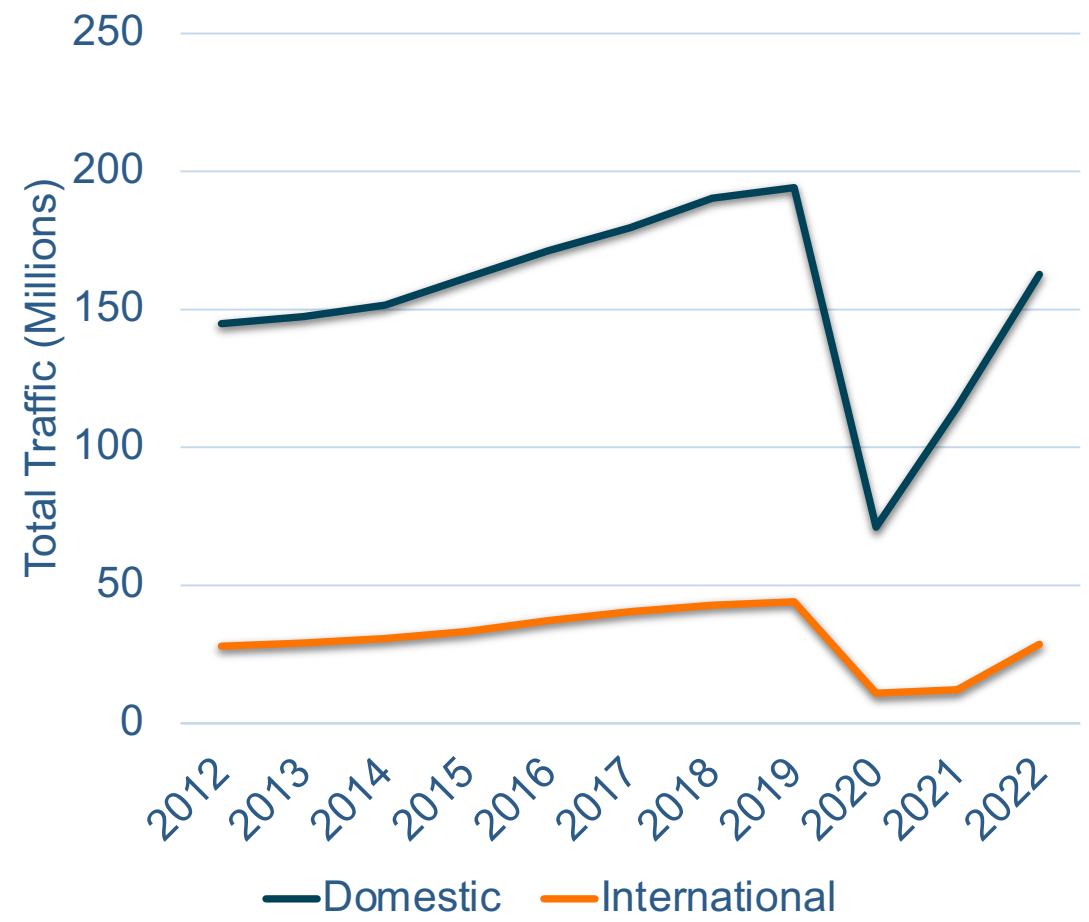
Regional Differences



Hotel Rev-Par

	Q1-19	Q1-21	Q1-23	2019 to 2023
United States	\$ 83	\$ 52	\$ 94	13%
Phoenix	\$ 91	\$ 92	\$ 129	42%
San Diego	\$ 113	\$ 58	\$ 145	29%
Tucson	\$ 72	\$ 74	\$ 91	27%
Orange County	\$ 107	\$ 41	\$ 132	23%
Inland Empire	\$ 76	\$ 75	\$ 93	23%
Sacramento	\$ 99	\$ 63	\$ 114	14%
Reno	\$ 77	\$ 54	\$ 86	12%
Los Angeles (MD)	\$ 126	\$ 62	\$ 136	8%
Seattle	\$ 110	\$ 34	\$ 114	3%
Portland	\$ 96	\$ 40	\$ 91	-6%
San Francisco	\$ 179	\$ 33	\$ 148	-17%
Oakland (MD)	\$ 118	\$ 53	\$ 97	-18%
San Jose	\$ 145	\$ 39	\$ 106	-27%

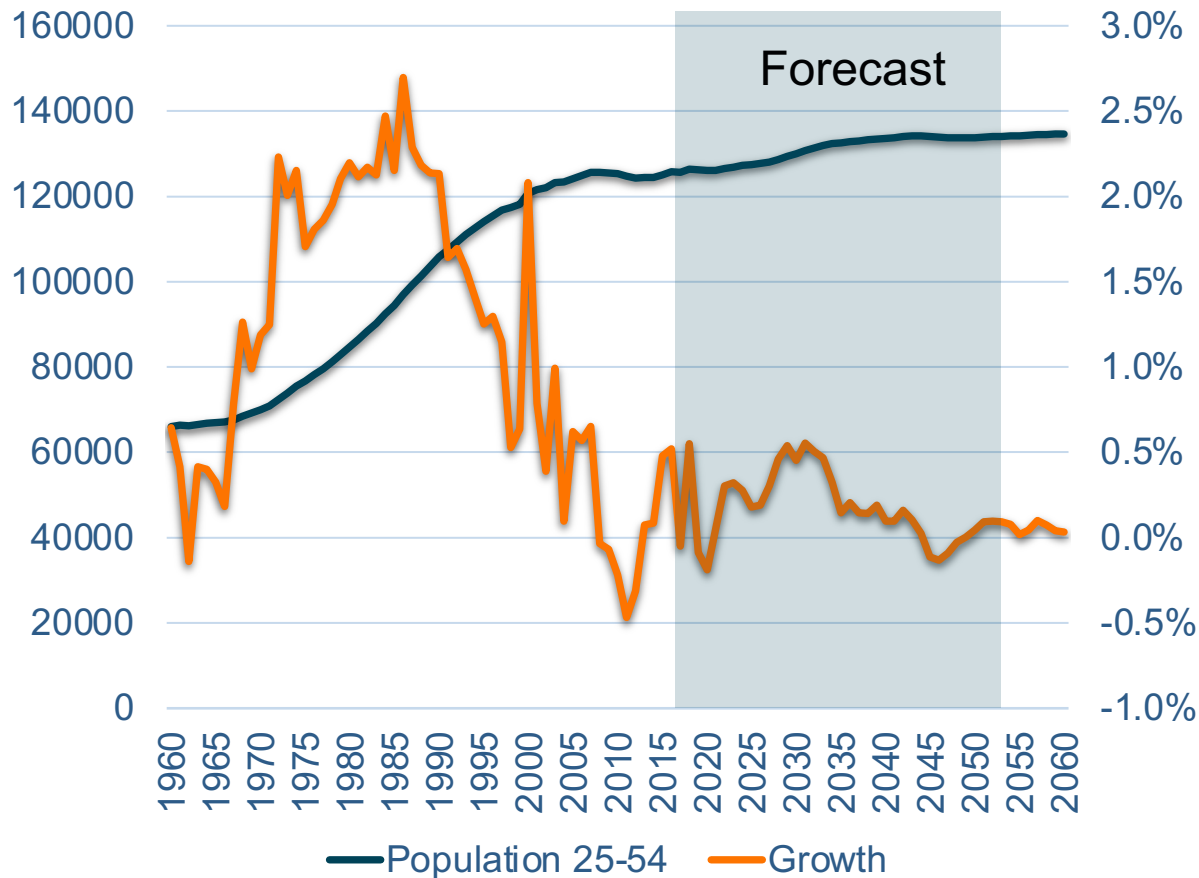
Total Airport Traffic – California



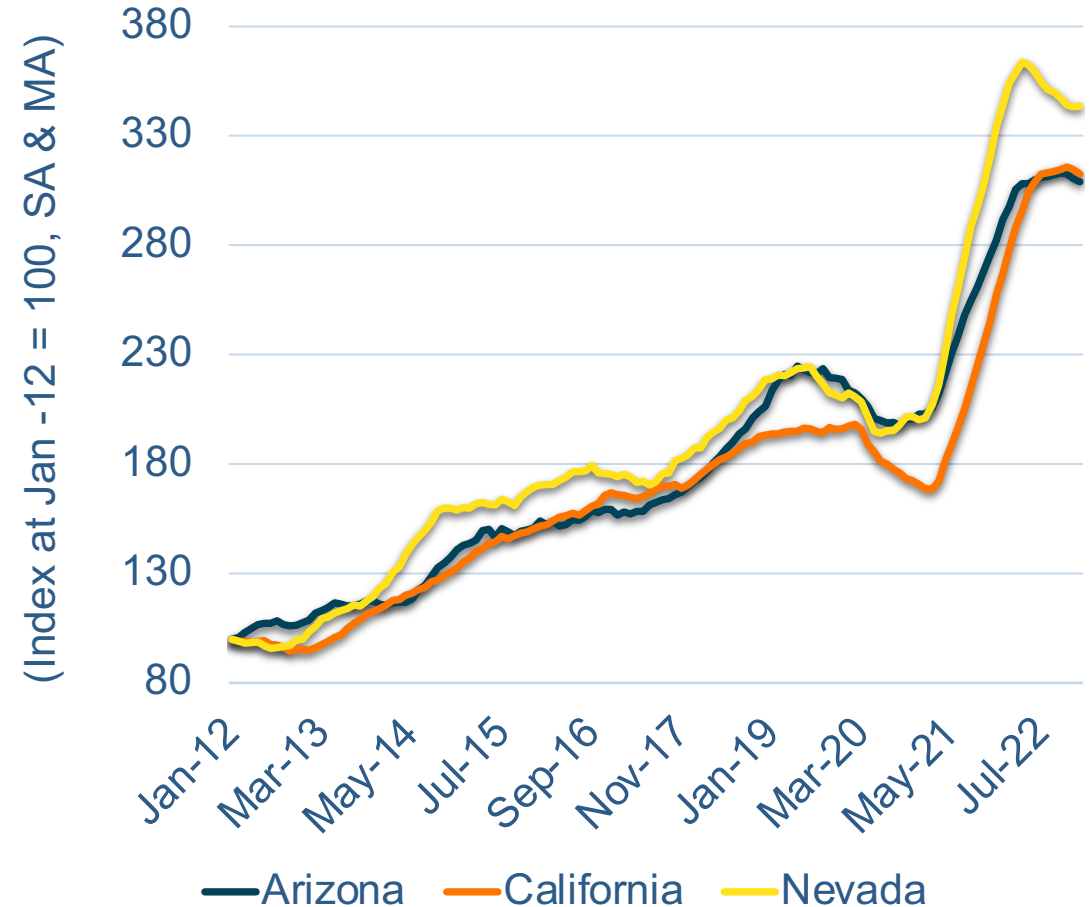
Chronic Labor Shortage



**Prime Working Years Population Growth
(Census Forecasts)**



Job Openings



The Impact of Labor Shortages



Worker Real Earnings Growth



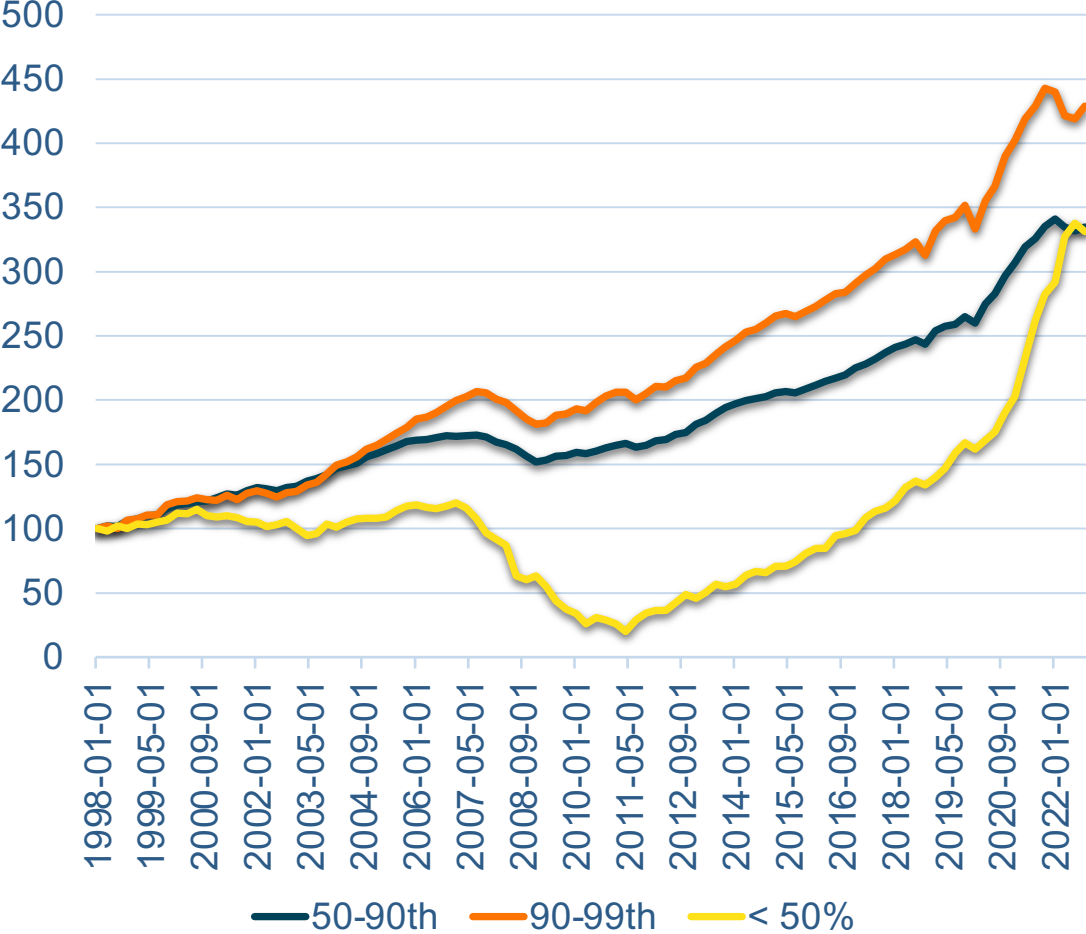
Weekly Earnings for Non-Supervisory Employees

	Q1 23	Gr 17-20	Gr 20-23
Accommodation	\$603.5	6.5%	33.8%
Childcare	\$561.8	11.6%	28.7%
Food and Drink	\$418.6	10.6%	26.2%
Nursing Homes	\$704.4	12.6%	23.5%
Truck Transport	\$1,200.4	13.3%	20.1%
Total Private	\$964.8	10.0%	19.6%
Retail	\$620.0	14.6%	19.0%
Warehouses	\$857.2	10.0%	14.2%

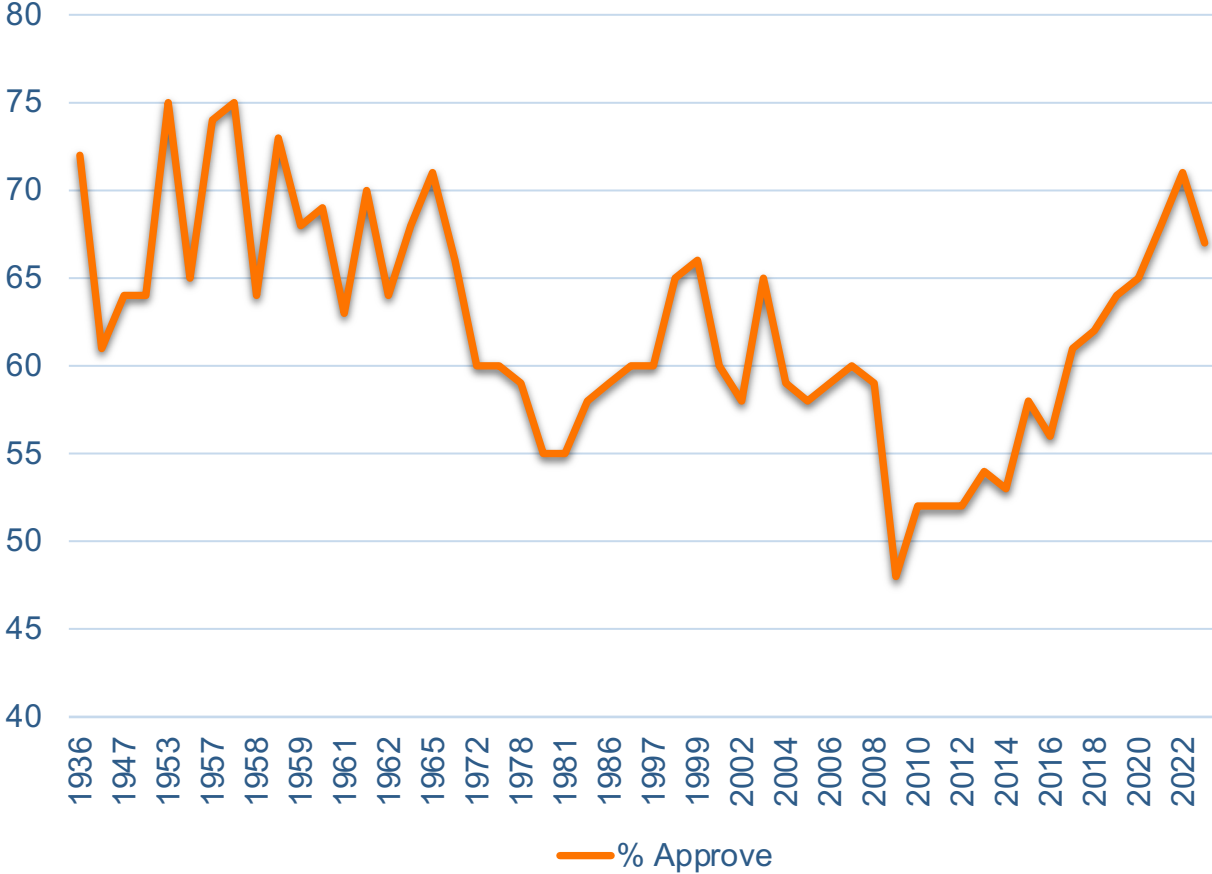


Strong Labor Movement

Net Worth by Wealth Group



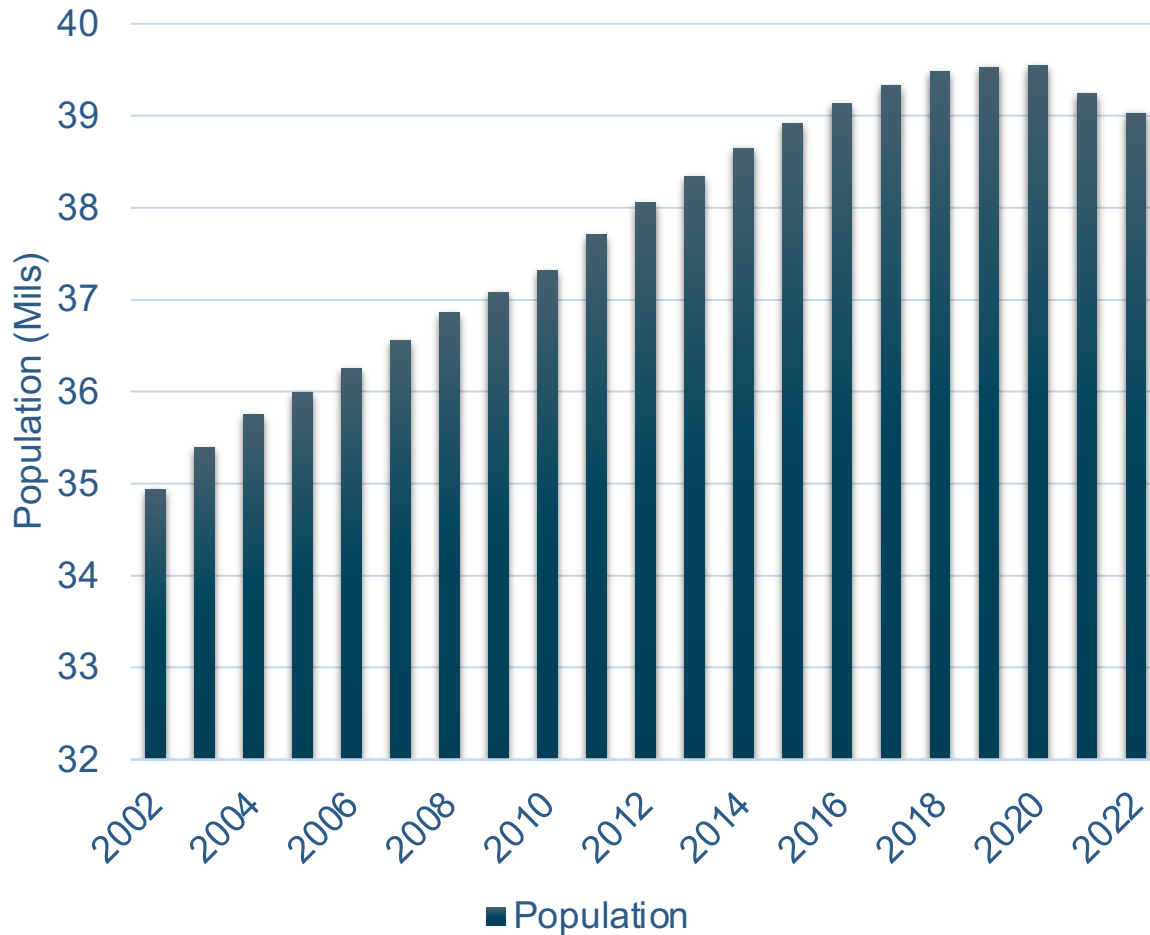
% of America Public Who Approve of Labor Unions



Californians Being Forced To Leave



California- Population Change



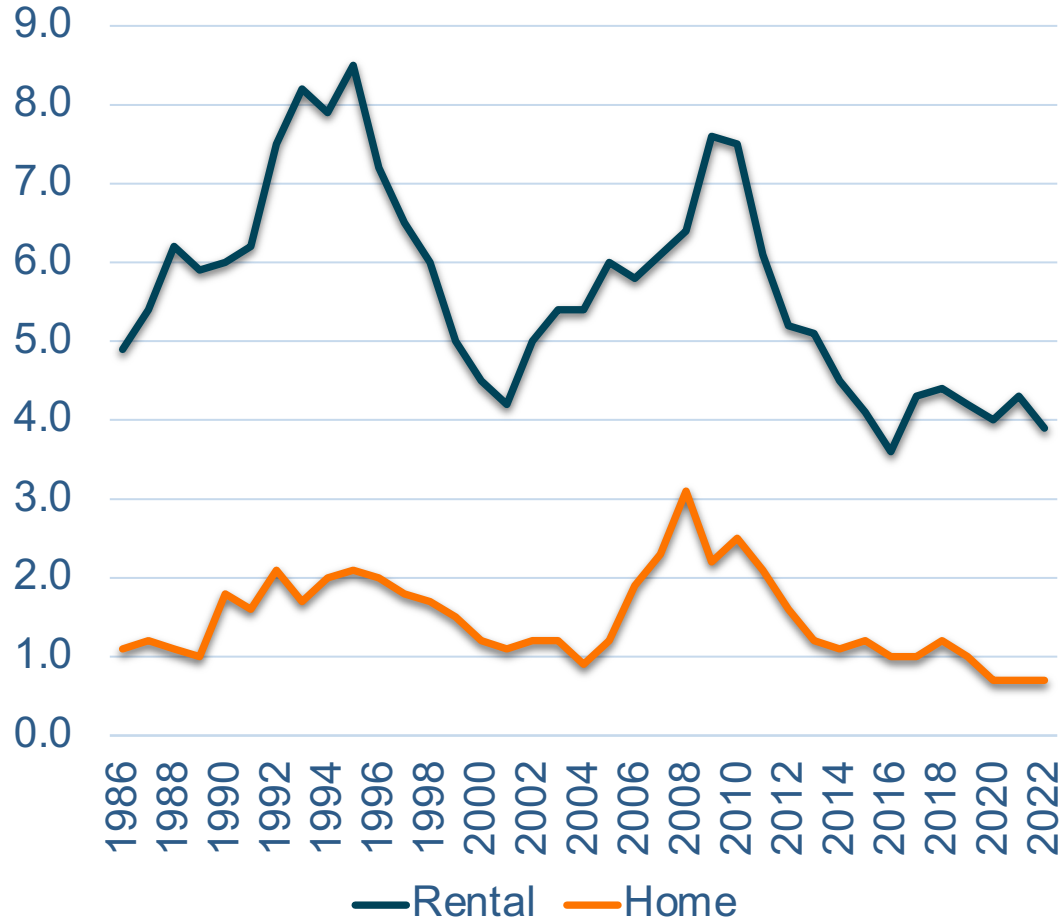
Net Migration by Educational Attainment, Population over 25 (Total from 2012-2017)

Education	CA	NV	AZ
Net Migration	-285,240	117,472	262,788
Less Than HS	-58,169	15,202	6,605
HS Grad	-134,048	33,371	64,261
Some College	-181,809	40,466	94,125
BA	19,318	21,011	70,607
Grad	69,468	7,422	27,190

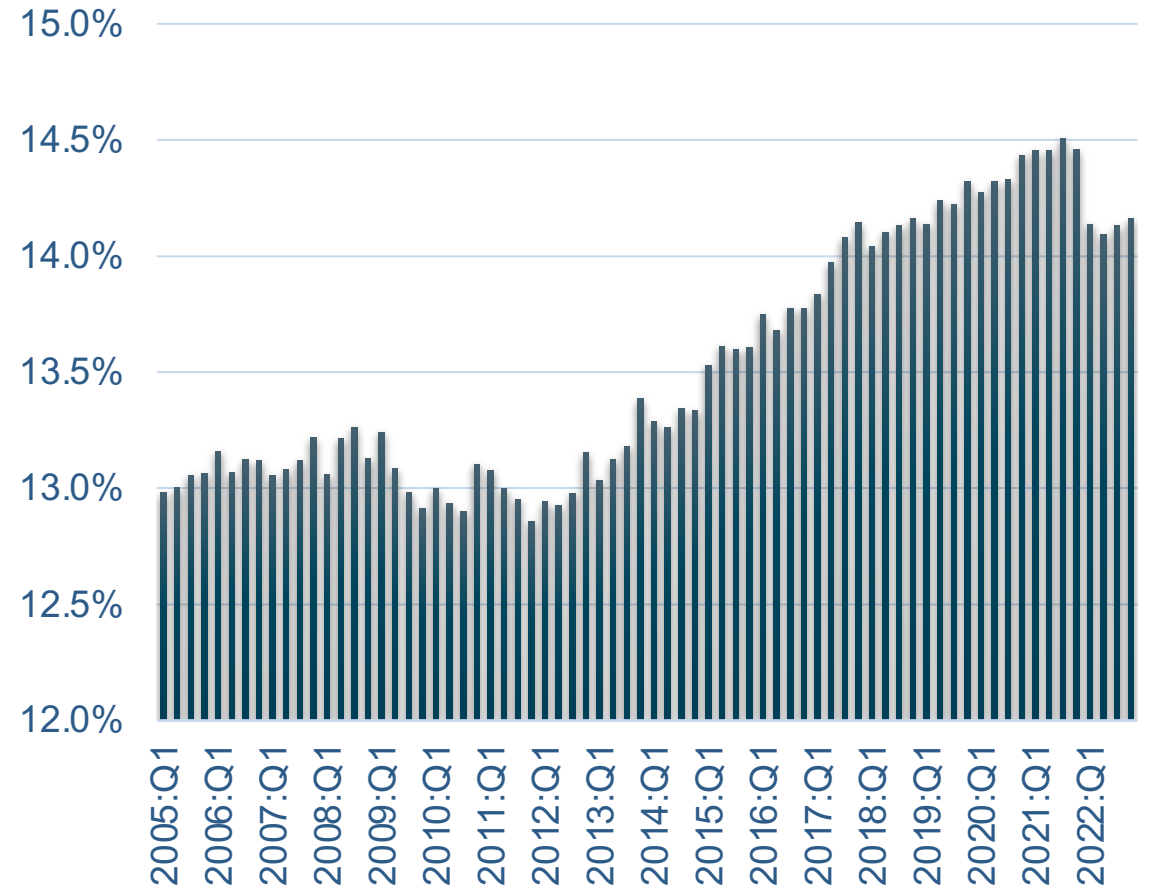
Housing, Housing, Housing



CA Housing Vacancy Rates (HVS)



California Share National GDP

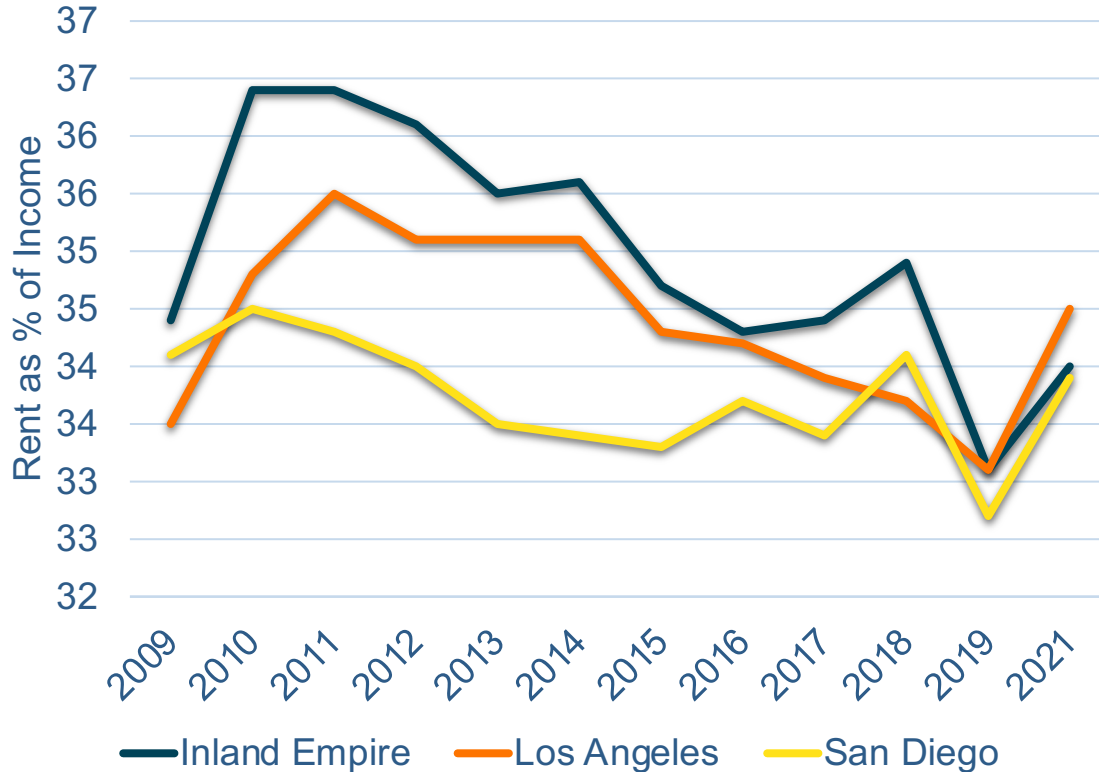


Supply, not demand...



Share > 30% Cost / Income

Median Rent as % of Income



	Own		Rent	
	2016	2021	2016	2021
Alameda	34.0%	34.4%	49.6%	51.0%
Fresno	32.9%	32.8%	60.5%	53.0%
Kern	34.4%	32.2%	54.4%	56.8%
Los Angeles	43.8%	43.6%	58.3%	58.8%
Orange	40.7%	37.1%	56.6%	56.1%
Riverside	40.7%	38.7%	58.0%	59.8%
Sacramento	32.9%	32.1%	54.6%	54.7%
San Diego	40.0%	39.4%	57.1%	57.6%
Santa Clara	34.7%	32.4%	48.1%	44.9%

Renters are not falling behind, rather they can't get ahead.
Supply shortages can never be fixed by increasing demand

California Needs a Healthy Travel Industry



- Roughly **4%** of California GDP
- **\$12B** in State and Local Tax Revenue
 - Especially Local Tax
 - State Budget Deficit
- **1.1M** Jobs
 - many entry level jobs don't require high education levels. These are increasingly scarce.



In Summary...



Future Conditions...

- The Economy will be fine in 2024
- Travel Demand will be steady in 2024

Future Challenges

- Endemic Labor Shortages
 - plan for high labor costs
- Ongoing gap between reality and narrative

Future Actions...

- Engage in Policy
 - reach out to local/state officials
 - Tell your story with meaningful Economic and Social Impact Reports
 - Authentic Community Communication





Thank You

- Economic Outlooks
- Revenue Forecasts
- Cost Projections
- Regional Development
- Housing Studies



- Impact Reports
- CEDS Analysis
- Policy Studies
- Industry Studies
- Labor Markets

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