

## California’s Economy to Grow Steadily in 2024

The Golden State economy rebounded sharply last year from a near stall in 2022 and is expected to grow at a similar pace this year. Positive spillovers from the highly productive tech sector, fueled by the accelerating adoption of artificial intelligence technologies, are anticipated to offset the effects of a cooling main street economy and headwinds from high interest rates and high inflation. Economic stagnation in China, a key source country for California’s critical tourist industry, is an additional headwind.

The state’s population will recover further in 2024 after losses in 2021 and 2022 as job opportunities out of state become less plentiful and high national housing costs make moving elsewhere less appealing. Payrolls are projected to grow by 1.3% in 2024 and 2025. The Golden State’s unemployment rate is expected to run slightly higher than the national average on the back of weakness in discretionary spending, such as on tourism. A cooler labor market will limit total personal income growth to modestly above the pace of inflation.

California’s housing market is expected to rebound next year from 2023’s sharp contraction, especially as limited supply spurs residential construction. Single-family construction is expected to lead residential construction in 2024. Multi-family housing starts are expected to pull back after strong growth in the prior three years, but the impact on housing supply will be limited as they are a smaller share of the overall market. House prices are forecast to increase as demand outstrips supply, but at a more moderate pace next year as higher homebuilding ameliorates the shortfall in housing.

<b>California Economic Outlook</b>											
	1Q'24p	2Q'24f	3Q'24f	4Q'24f	1Q'25f	2Q'25f	3Q'25f	4Q'25f	2023a	2024f	2025f
<b>State Output</b>											
Real GDP (Chained 2017 Billions \$)	3,290	3,299	3,308	3,321	3,336	3,351	3,367	3,383	3,233	3,304	3,359
<b>Percent Change Annualized</b>	<b>1.6</b>	<b>1.1</b>	<b>1.1</b>	<b>1.5</b>	<b>1.8</b>	<b>1.8</b>	<b>1.9</b>	<b>2.0</b>	<b>2.1</b>	<b>2.2</b>	<b>1.7</b>
<b>Labor and Demographics</b>											
Payroll Jobs (Millions)	18.0	18.0	18.1	18.2	18.2	18.3	18.3	18.4	17.8	18.1	18.3
<b>Percent Change Annualized</b>	<b>1.5</b>	<b>1.3</b>	<b>1.1</b>	<b>1.6</b>	<b>1.0</b>	<b>1.5</b>	<b>1.3</b>	<b>1.5</b>	<b>0.9</b>	<b>1.3</b>	<b>1.3</b>
Unemployment Rate (Percent)	5.3	5.4	5.5	5.7	5.8	5.7	5.7	5.5	4.7	5.5	5.7
Population (Millions)	39.6	39.6	39.7	39.8	39.9	40.0	40.1	40.2	39.3	39.7	40.0
<b>Percent Change Annualized</b>	<b>0.8</b>	<b>0.8</b>	<b>0.7</b>	<b>0.6</b>	<b>0.6</b>	<b>0.6</b>	<b>0.6</b>	<b>0.6</b>	<b>0.7</b>	<b>0.9</b>	<b>0.8</b>
<b>Personal Income</b>											
Total Personal Income (Nominal Billions \$)	3,204	3,228	3,246	3,282	3,284	3,304	3,326	3,363	3,134	3,240	3,319
<b>Percent Change Annualized</b>	<b>3.7</b>	<b>3.0</b>	<b>2.3</b>	<b>4.5</b>	<b>0.3</b>	<b>2.4</b>	<b>2.7</b>	<b>4.4</b>	<b>4.2</b>	<b>3.4</b>	<b>2.5</b>
<b>Housing</b>											
Housing Starts (Thousands, Annual Rate)	111.0	112.0	113.2	113.4	113.5	114.1	115.1	115.6	105.6	112.4	114.5
<b>Percent Change Annualized</b>	<b>-11.2</b>	<b>3.6</b>	<b>4.3</b>	<b>0.9</b>	<b>0.2</b>	<b>2.2</b>	<b>3.6</b>	<b>1.6</b>	<b>-4.5</b>	<b>6.5</b>	<b>1.9</b>
Single-Family Housing Starts (1,000s Units, Annual Rate)	71.0	72.0	72.9	73.4	73.5	73.9	74.5	74.7	62.0	72.3	74.1
Multi-Family Housing Starts (1,000s Units, Annual Rate)	40.0	39.9	40.2	40.1	40.0	40.1	40.6	40.9	43.6	40.1	40.4
House Price Index, FHFA (1991 Q1=100, SA)	417	428	431	434	430	440	440	442	408	427	438
<b>Year/Year Percent Change</b>	<b>5.0</b>	<b>6.1</b>	<b>4.5</b>	<b>3.9</b>	<b>3.3</b>	<b>2.7</b>	<b>2.1</b>	<b>1.9</b>	<b>0.7</b>	<b>4.9</b>	<b>2.5</b>

a = actual p=provisional f = forecast

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