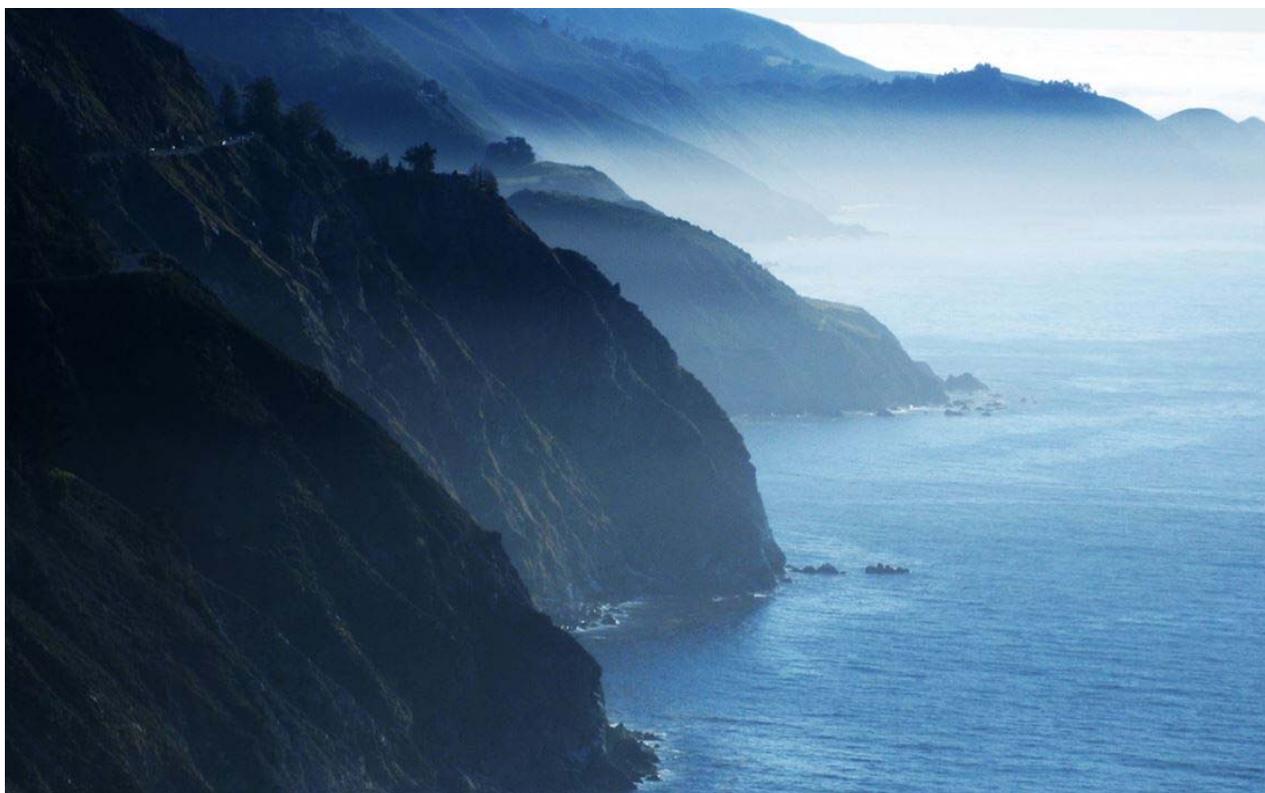




BANK OF THE WEST
BNP PARIBAS

CALIFORNIA ECONOMIC OUTLOOK



December 2018

Bank of the West Economics

Executive Summary

- Job growth in California has exceeded national job growth for the past 80 months through October, a testament to the continued strength of the state's labor market.
- California's unemployment rate fell to an all-time low of 4.1% in September and was unchanged in October. This is slightly above the U.S. rate of 3.7% in October.
- However, annual job growth peaked at 3.0% in 2015 and has decelerated each year since. California job growth is forecast to average 1.9% this year, and will slow to 1.2% in 2019 and just 0.5% in 2020. Higher interest rates, tighter financial conditions, a slowing global economy, high costs of living and doing business compared to surrounding states, net outmigration, and technology industry headwinds are all factors underpinning the slowdown forecast. The slowdown in job growth will drive the California unemployment rate up from 4.2% this year to 4.3% in 2019 and 4.6% in 2020.
- The California housing market cooled off for the sixth consecutive month in October, with existing home sales down 7.9% from a year ago. Affordability continues to depress housing activity with only 27% of California households able to qualify for the median-price home in the third quarter, down from 56% in the first quarter of 2012. Housing starts are forecast to decline 4.0% in 2019 and 4.5% in 2020, after rising 12.5% this year.
- Existing home prices were up 4.7% from a year ago in October, according to the California Association of Realtors. Higher mortgage rates, deteriorating affordability, and additional existing home inventory will keep home price gains in the 3.5% range over the next two years.
- Net migration is forecast to turn negative in 2019 as more California residents leave the state due to the high cost of living – especially housing. This will persist through 2020 and weigh on growth.
- The state of California over-relies on capital gains taxes to fund its government spending, leading to large budget deficits during downturns that end up exacerbating and prolonging the downturns as the state tries to close the gap between spending and tax revenues. The next downturn will be no different.
- However, the state is projecting an almost \$9 billion budget surplus in FY 2018/2019 and is increasing its rainy day fund to \$16 billion. This money can be spent during severe revenue shortfalls and could help limit the impact of a capital gains tax shortfall in the next recession.

California Job Growth a Touch Slower

A testament to the strength of the California expansion, statewide job growth has exceeded the nation’s over the past 80 months through October. Although year-over-year job growth in California fell to 1.8% in October – the weakest since June 2018 – average monthly growth year-to-date is 2.0%. This is down slightly from the 2017 average of 2.1% but is still very impressive growth with the U.S. economic expansion now nine plus years old.

California job gains over the past year were positive in all but one sector, led by professional & business services (3.9%), construction (3.6%) and education & health services (2.6%). Other services (-0.8%) was the only sector to lose jobs, but it’s important to note that this sector represented just 3.3% of total employment in California in October 2018.

Professional/Business Services Grows Rapidly



Still, California job growth likely peaked at 3.0% in 2015. Job growth slowed to 2.7% in 2016 and 2.1% in 2017, and the deceleration is projected to remain in place with job growth of 1.9% in 2018. Looking ahead we forecast California job growth of only 1.2% in 2019 and 0.5% in 2020. A weaker global economy, tighter financial conditions as the Fed continues to raise interest rates in 2019, high costs of living and doing business, poor housing affordability, net out-

migration, and technology industry headwinds all will weigh on California’s job growth engine in the years to come.

Protectionist trade policies by the Trump Administration create further downside risk to the California economic outlook, but there is hope that the U.S. and China will be able to resolve their differences on trade after agreeing to a three-month ceasefire in the trade dispute at the G20 meeting in Argentina earlier this month.

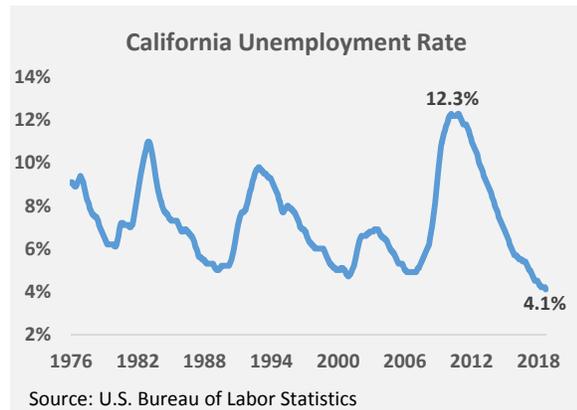
As part of the deal, the U.S. has agreed to postpone the planned increase in the tariff rate to 25% on \$200 billion of Chinese exports that was scheduled to go into effect on January 1. The current rate is 10%. For its part, China has agreed to resume buying some U.S. farm, energy, and industrial commodities. The ceasefire will last until March 1, 2019 as trade negotiations continue covering broader topics including technology transfer, cyber theft and intellectual property.

Sectors with the sharpest slowdown in growth in 2019 are forecasted to be construction, education & health services, manufacturing and leisure & hospitality.

California’s unemployment rate fell to a record low going back to 1976 of 4.1% in September – after holding steady at 4.2% for five straight months since April – and remained there in October. This is 0.4 percentage points higher than the current U.S. rate of 3.7%, but down 0.4 percentage points from October 2017.

Although the unemployment rate has been declining since peaking at 12.3% in late 2010, California had the 33rd highest unemployment rate of all states in October. The unemployment rate is expected to average 4.2% this year and then rise to 4.3% next year and 4.6% in 2020 on weaker job growth.

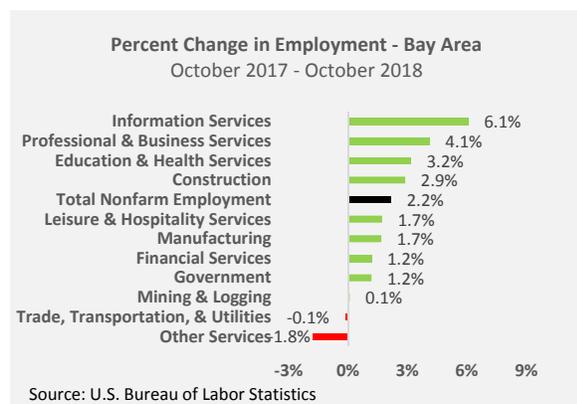
CA Unemployment Rate at Record Low



Of the four regions in California, year-ago job growth decelerated in October from September in the Bay Area (2.2% from 2.4%) and the Central Coast (1.0% from 2.0%). Growth was unchanged at 1.5% in Southern California and 1.7% in the Central Valley.

Total nonfarm job growth in the **Bay Area** was a sturdy 2.2% in October from a year ago, well above the U.S. average of 1.7% and comfortably above statewide growth of 1.8%. Gains were broad-based with positive growth in nine of the 11 major industry groups, led by information services (+6.1%), professional and business services (+4.1%), and education & health services (+3.2%).

Bay Area Job Growth Accelerates



Silicon Valley continues to drive job growth in the Bay Area with total employment rising 3.2%

from a year ago, and growth in the Santa Rosa metro a close second at 3.1%.

Bay Area job growth in 2018 is expected to be on par with the 2.3% last year, but then decelerate to 1.1% in 2019 and just 0.3% in 2020. The sharp slowdown in Bay Area job growth is expected to be driven in part by a change of fortune for Silicon Valley information technology companies. The Valley is facing greater headwinds from trade protectionism, regulatory oversight, social media policing, and net neutrality and privacy concerns. A slowing global economy and high cost of living will weigh more heavily on job creation in the years ahead.

The ongoing U.S.-China trade dispute presents a growing downside risk to the Bay Area economy. China has thus far imposed tariffs on \$110 billion of U.S. exports to China in retaliation to U.S. tariffs on approximately \$250 billion of China's exports to the U.S. The \$110 billion represents about 85% of the \$130 billion of total U.S. exports to China last year. But the real fight with China is dominance of the future of information technology, placing the Bay Area economy and technology sector squarely at the center of this fight.

Total nonfarm job growth in **Southern California** was 1.5% year-over-year in October, unchanged from September. The fastest growing job sectors were professional & business services (+4.1%), mining & logging (+3.9% – but this industry only represented 0.06% of total employment in October), and education and health services (+3.2%). In contrast, the one sector with negative year-ago growth was information services (-1.3%). Job growth in the Southern California region has recently slowed to a much greater extent than it has in the other three regions of California.

Professional & Business Services Now Leads



Job growth of 1.7% is projected this year in Southern California – a sharp percentage point drop from just two years ago. Southern California growth is forecast to remain below the state average at 1.0% and 0.2%, respectively, in 2019 and 2020. As job growth continues to decelerate from the 2.9% peak in 2015, the unemployment rate is forecast to rise from 4.0% in 2018 to 4.2% in 2019 and 4.7% in 2020.

There is further downside risk to the Southern California economy as a result of the Trump Administration’s trade dispute with China. Approximately 50% of U.S. trade with China goes through Los Angeles ports. If the trade war escalates and all imports from China are subject to new tariffs, traffic flowing through the Los Angeles ports could be substantially reduced and lead to slower job growth than the 1.0% and 0.2% currently anticipated in 2019 and 2020.

The hard data – at least through October of this year – shows just the opposite is occurring so far. The Port of Los Angeles handled the most cargo in October in the port’s 111-year history, eclipsing the previous record-high set in November 2017. Imports increased 26.7% year-over-year, while exports rose 20.5%. Higher U.S. import volumes suggest importers are rushing shipments to get ahead of escalating tariffs. We expect two-way traffic will slow materially once

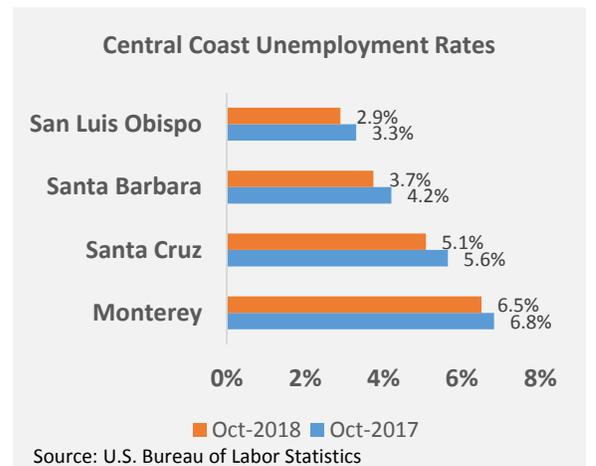
we’re past the initial surge in imports and exports.

Year-over-year total nonfarm job growth in the **Central Coast** region dropped sharply to 1.0% in October, down from 2.0% in September. Growth in Santa Cruz (+1.8%), Monterey (1.4%), and San Luis Obispo (+1.2%) led the way, with Santa Barbara (+0.1%) growing at a much slower pace and weighing on regional growth. One-third of Central Coast non-farm employment in October 2018 was in Santa Barbara.

Regional job gains were fairly broad-based, with eight of the 11 sectors increasing over the year, led by mining & logging (+9.4%), construction (+4.0%), manufacturing (+3.0), and education & health services (+1.8%). The two sectors that contracted were trade, transportation & utilities (-0.9%) and government (-0.5%).

The MSA with the lowest unemployment rate in the region is once again San Luis Obispo at 2.9%, while Monterey had the highest rate at 6.5%. All four major metros in the Central Coast region had a lower unemployment rate relative to a year ago, with two of the four – Santa Barbara and Santa Cruz – falling by a sharp half a percentage point over the year.

San Luis Obispo Unemployment Rate Below 3%



Job growth in the Central Coast region of California is projected to be 1.9% this year – spot

on with the California average. Job growth is then forecast to decelerate to 1.3% in 2019 and 0.6% in 2020 as net migration – which was positive and supported economic growth from 2008 through 2016 – turns consistently negative through 2020 and hinders economic activity.

Sharp slowdowns are expected in construction activity and government in particular, weighing on employment growth in the region. Accordingly, the unemployment rate, which is projected to hit a post-recession low of 4.8% this year, is forecast to rise to 5.2% in 2019 and 5.7% in 2020.

Total nonfarm employment in the **Central Valley** rose 1.7% in October from to a year ago, just below the state average but equal to the U.S. average over the same period. Five of the major industry sectors had growth exceeding 1.7%, led by manufacturing (+3.2%), education & health services (+2.3%), and leisure & hospitality (2.3%). The only sectors that contracted over the year were information services (-1.1%) and other services (-1.0%).

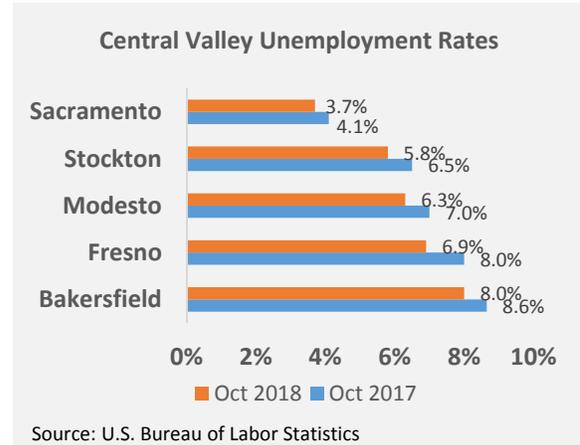
Job growth is forecast to dip to 1.2% in 2019 and 0.3% in 2020 as population growth slows, net migration turn negative, and residential construction downshifts. Steep slowdowns over the next two years in some of the fastest-growing categories this year – construction, mining and education & health services – will lead total nonfarm job growth in the Central Valley lower.

The recent sharp declines in oil prices – down around 30% since peaking in October at \$76.40 per barrel – are expected to lead to a pullback in investment spending on oil wells and production growth, and rising mortgage rates will erode housing affordability and weigh on residential construction and home price growth.

Unemployment rates continued their descent across most metros in the Central Valley, as the

labor market remains looser than other regions of California, except for Sacramento, where the rate was just 3.7% in October.

Sacramento Labor Market the Top Performer

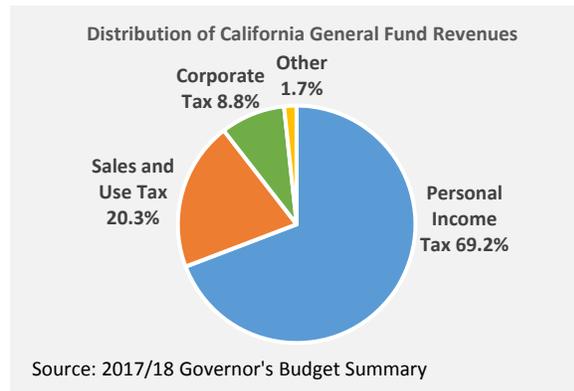


The Central Valley unemployment rate is expected to fall to 5.8% this year, the eighth straight annual decline since peaking at 14.6% in 2010. However, the unemployment rate in the region is projected to climb to 6.2% next year and 6.9% in 2020 as job growth slows.

California’s Unstable Tax Revenues

The state of California has historically relied on the personal income tax (PIT) as its principal source of revenue. For the 2017/18 fiscal year, the PIT contributed over two-thirds of general revenue funds, according to the Governor’s Budget Summary. This fund supports schools, universities, prisons, major health and social services programs, and other state-funded programs. According to the California Legislative Analyst’s Office, general fund revenues are forecast to rise 5.0% in fiscal year 2018/19 and 5.5% in fiscal year 2019/20, with much of the increase driven by 4.2% and 3.1% increases in the PIT, respectively.

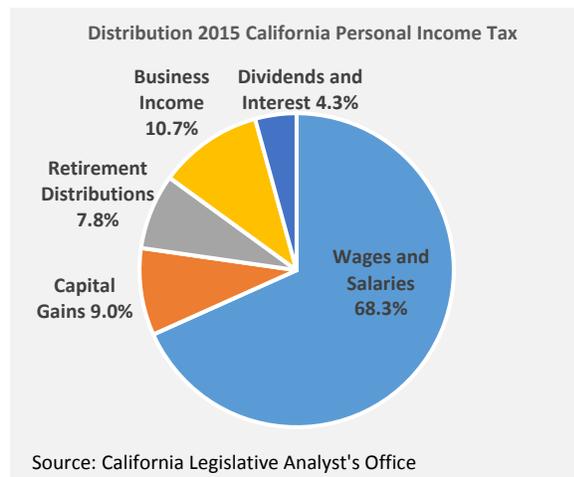
Personal Income Tax Drives Revenue Growth



What Makes the PIT So Volatile?

The tax base used by California for its personal income tax is similar to the federal government's, but it includes two categories that the U.S. Bureau of Economic Analysis does not include in its definition: retirement distributions and capital gains. Combined, they represented 16.8% of California's personal income taxes in 2015, with capital gains responsible for 9%.

Capital Gains 9% of 2015 Personal Income Tax



An analysis of California personal income tax data from 1990 to 2014 by the California Legislative Analyst's Office revealed that the average annual deviation of retirement distributions and capital gains was 3.7 and 35.3 percentage points, respectively. This makes capital gains 10 times as volatile as the wages

and salaries component of personal income, which had an average annual deviation of just 3.4 percentage points. Moreover, the combined average deviation of capital gains and retirement distributions was 18.5 over the same time period.

The inclusion of retirement distributions and capital gains in the income tax base – while effectively broadening the tax base – increases volatility and makes it more difficult for the state to maintain funding in-line with outlays, especially during time of equity market or economic dislocation.

Implications of Overreliance on Income Tax

It's historically been the case that the California economy is more prone to booms and busts compared to the overall U.S. economy. In other words, the California economy tends to outperform the U.S. economy during economic expansions and underperform during economic contractions. The state's overreliance on tax revenues from capital gains also leads to outsized budget deficits and surpluses during those boom and bust periods, which exacerbates the business cycles in the state.

While the U.S. economy is expected to perform relatively well through 2019 with real GDP growth of 2.9% this year and 2.4% in 2019, the U.S. economy is vulnerable to a recession in 2020 due to rising interest rates, financial tightening, and a slower global economy. If that's the case, there could be a significant decline in equity markets to boot, putting pressure on retirement savings and capital gains. This would ultimately mean a significant loss of tax revenue to the state because almost 17% of the personal income tax is derived from these two sources.

Moreover, despite the recent sharp declines, equity markets are still overvalued by historical measures. The Cyclically Adjusted P/E Ratio was

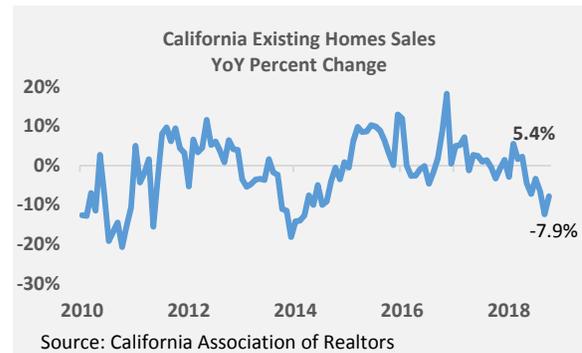
29.62 on December 13. While down from the high of 32.86 in September, the ratio is well above the long-run average of 16.9. Therefore, the equity market will adjust at some point and revert to its long-run average. If an economic downturn does occur in 2020, the contraction in California could end up being more severe as tax revenue dries up quickly and government budgets have to keep outlays in line with revenue.

The state of California’s 2018/2019 budget is projected to run a surplus of almost \$9 billion. Moreover, a rainy day fund was approved by voters in 2014 that allows for 10% of general fund revenues to be set aside for emergencies, like a natural disaster or if revenue plummets in a recession. The 2018/2019 budget fills the rainy day fund to the maximum allowed and leaves the state with reserves approaching \$16 billion. This could be used to keep state government spending stable for a while and help reduce the impact of an economic downturn on California residents.

California Housing Continues To Cool

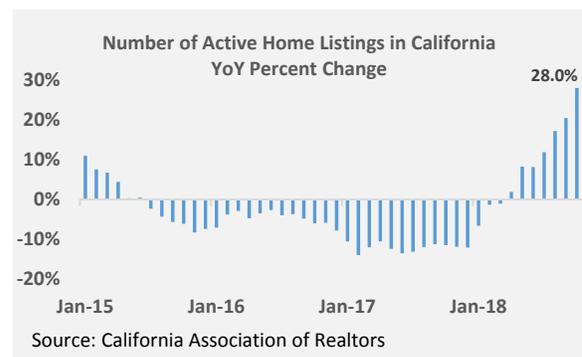
The **California** housing market cooled off for the sixth straight month in October. Existing single-family home sales totaled 397,060 units at a seasonally adjusted annual rate, up 3.8% from the prior month but down 7.9% from a year ago, according to the California Association of Realtors (C.A.R.). October is the third successive month with sales below 400,000 units, which has not occurred since February 2015.

CA Home Sales Growth Negative Since May



A lack of inventory from mid-2015 until recently weighed on the California housing market and helped push home prices higher. The number of statewide active listings, however, increased on a year-over-year basis for the seventh straight month in October. Moreover, the active listing growth rate has accelerated for the past four months and reached 28% in October. More California homeowners are sensing that the housing market has already peaked for this cycle and are more eager to sell.

CA Active Listings Growth Surged in October



The additional supply of existing homes for sale in California and higher mortgage rates are leading to a more balanced market and slower home price gains. The statewide median home price was \$572,000 in October, down 1.2% month-on-month and up 4.7% from a year ago. Annual home price growth has been generally decelerating since reaching 9.2% in May.

CA Home Price Growth Has Visibly Slowed



Despite the recent slowdown in home price gains and robust increases in the number of active homes for sale, housing affordability is still an issue in California, with higher mortgage rates beginning to bite. In the third quarter of 2018, just 27% of California households could afford to buy the median-priced home. Affordability is well below the peak of 56% in the first quarter of 2012.

CA Home Affordability Well Below 2012 Peak



A sharp deceleration in job growth and tighter financial conditions will inevitably weigh on the California housing market as the demand for homes weakens. Accordingly, annual home price growth is projected to moderate to a more sustainable annual rate of 3.5% over the next two years. Moreover, with mortgage rates at seven-year highs and home prices continuing to moderate, potential home buyers could choose

to sit on the sideline, hoping for prices to adjust further and mortgage rates to stabilize.

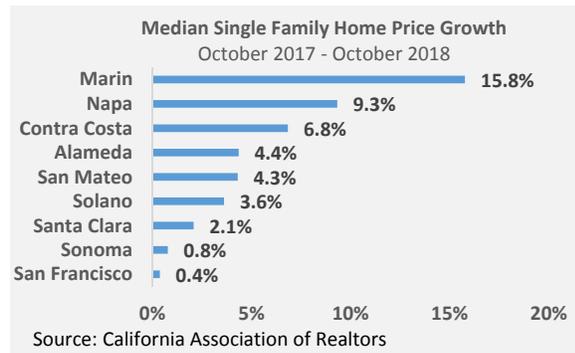
The continued erosion in housing affordability in the **Bay Area** is finally cooling off the housing market in Northern California. Existing home sales in the Bay Area rose 20.0% month-over-month in October but fell 3.0% from a year ago. Home sales have now declined from a year ago in four of the past five months. Growth was the strongest in Napa (+30.0%) and Sonoma (+19.2%) counties, but that was primarily due to sales falling significantly after the October 2017 wildfires in those areas. Marin (+18.8%), San Mateo (+13.5%) and San Francisco (+5.2) also recorded sales increases, while sales declined in Solano (-21.5%), Contra Costa (-10.0%), Alameda (-8.6%) and Santa Clara (-5.8%).

A Mixed Performance for Bay Area Home Sales



Home price growth in the Bay Area moderated to 7.4% year-over-year in October – after posting average annual growth of almost 15% for the first six months of the year. The median price of \$958,800 in October is now 12% below the record-high of almost \$1.1 million set in May of this year. Home price growth was strongest in Marin (+15.8%), Napa (+9.3%) and Contra Costa (+6.8%), while Sonoma (0.8%) and San Francisco (+0.4%) had the weakest growth.

Marin and Napa Lead the Way in Price Gains



The Bay Area housing market will continue to cool off in 2019 and 2020 because of poor affordability, and rising inventory and mortgage rates, and a material slowdown in job growth. Housing starts in the Bay Area are forecast to fall almost 8.0% in 2019 after rising by 15.9% this year, and home price growth will slow to a more sustainable rate of around 4.5%, down significantly from the over 13.0% estimated for this year and in-line with income growth of about 4.5%.

Home sales in the **Southern California** region fell 6.7% in October compared to last year. The decline was predominantly driven by double-digit sales declines in San Bernardino (-11.4%) and Orange (-11.3%), although home sales in Los Angeles (-5.9%) and Riverside (-2.9%) also decreased. The only county that experienced an increase in home sales in October was Ventura, and that was a modest rise of 1.1% from a year ago.

Home Sales Declined In Four of Five Counties



Despite persistent declines in home sales this year, home prices in Southern California have held up fairly well. Home price growth from a year ago moderated to 5.3% in October. Average annual price growth through the first 10 months of the year is 7.3%. All five counties in the region showed positive year-over-year home price growth, led by Los Angeles (5.9%), San Bernardino (+5.3%), and Riverside counties (4.6%). In contrast, home price growth in Ventura County was the weakest, at just 2.4%.

Home price growth in Southern California is forecast to weaken from about 7.0% this year to about 2.4% in 2019 and 2.2% in 2020. A sharp slowdown in job growth, rising mortgage rates and the negative impact of tax reform on expensive housing markets all weigh on the home price forecast for Southern California. Moreover, out-migration in Southern California is projected to be more much pronounced than in the other regions because of the rising cost of living and frustratingly long commutes due to traffic congestion. This will limit the demand for housing and weigh further on future home price growth.

Existing home sales in the **Central Coast** region fell 5.1% year-over-year in October. Declines were widespread, with three of the four metros declining, led by Monterey (-11.3%) and San Luis Obispo (-7.3%). The only metro area to show an increase over the year was Santa Barbara (+0.4%).

Home Sales Declined In Nearly Every Region



Home prices in the Central Coast increased a moderate 3.8% in October from a year ago, suppressed by a slight increase of 0.9% in Santa Barbara. Monterey led the way with home price growth of 7.8%, followed by San Luis Obispo (+4.6%) and Santa Cruz (+2.1%).

Central Coast homebuilding is expected to weaken considerably in 2019 and 2020 as job growth slows. Starts are forecast to decline by over 23% next year, and home price appreciation is projected to slow to 3.0-3.5% over the next two years, below the California average.

The **Central Valley** region experienced negative home sales growth of 2.0% in October, but the region held up better than the other four regions that experienced steeper declines. Four of the five metros that comprise the region saw home sales fall, led by Fresno (-6.5%), Stockton (-5.7%), and Modesto (-5.1%). The only county with positive existing home sales growth was Bakersfield (+8.5%). The Central Valley’s exposure to the trade war – more specifically tariffs on its agricultural products – could further negatively impact home sales.

Home Sales Declined In Most Metros



Despite the modest decline in home sales, home prices rose by almost 5% year-over-year in October. Price gains were universal across all counties, but increased the most in Stockton (+8.6%), Modesto (8.1%), and Fresno (6.7%). The weakest home price growth was in Sacramento (+2.9%), where eroding affordability continues

to price some would-be home buyers out of the market.

Better housing affordability and stronger population growth than other California regions will keep the housing market relatively strong in 2019 and 2020. Housing starts – which rose an average of almost 20.0% per year from 2015 to 2017 – are forecast to grow 2.6% this year and 3.0% in 2019, leading to more modest gains in home prices of about 3.5% each year.

Economics Forecast for California and Its Regions

CALIFORNIA	2016	2017	2018^e	2019^f	2020^f
LABOR MARKET					
Employment Growth	2.7%	2.1%	1.9%	1.2%	0.5%
Unemployment Rate	5.5%	4.8%	4.2%	4.3%	4.6%
INCOME AND SPENDING TRENDS					
Personal Income Growth	4.0%	4.6%	4.6%	4.5%	3.5%
Median HH Income (\$)	67,739	70,407	72,548	75,297	78,146
Retail Sales Growth	3.5%	5.4%	5.0%	3.6%	1.0%
HOUSING MARKET					
Total Housing Starts Growth	4.4%	8.2%	12.5%	-4.0%	-4.5%
Med. Existing 1-Unit Home Price	5.2%	8.3%	8.2%	3.8%	3.5%
DEMOGRAPHICS					
Population Growth	0.7%	0.6%	0.5%	0.5%	0.5%
Net Migration (000's)	46.2	26.7	0.6	-28.5	-33.1

BAY AREA	2016	2017	2018 ^e	2019 ^f	2020 ^f
LABOR MARKET					
Employment Growth	3.4%	2.3%	2.3%	1.1%	0.3%
Unemployment Rate	4.0%	3.4%	2.9%	3.1%	3.6%
INCOME AND SPENDING TRENDS					
Personal Income Growth	5.3%	5.5%	5.1%	4.5%	4.0%
Median HH Income (\$)	\$88,211	\$91,295	\$93,675	\$97,357	\$101,337
Retail Sales Growth	3.6%	5.5%	5.4%	4.7%	1.8%
HOUSING MARKET					
Total Housing Starts Growth	6.7%	13.1%	15.9%	-7.6%	-3.7%
Med. Existing 1-Unit Home Price	6.3%	12.3%	13.4%	4.7%	4.5%
DEMOGRAPHICS					
Population Growth	0.8%	0.5%	0.5%	0.5%	0.4%
Net Migration (000's)	26.6	7.0	4.8	-4.0	-6.0

¹The Bay Area includes Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano and Sonoma counties.

SOUTHERN CALIFORNIA	2016	2017	2018 ^e	2019 ^f	2020 ^f
LABOR MARKET					
Employment Growth	2.7%	1.9%	1.7%	1.0%	0.2%
Unemployment Rate	5.1%	4.5%	4.0%	4.2%	4.7%
INCOME AND SPENDING TRENDS					
Personal Income Growth	3.5%	4.5%	4.5%	4.3%	3.4%
Median HH Income (\$)	70,474	72,037	73,629	76,015	78,692
Retail Sales Growth	3.3%	5.3%	4.9%	3.5%	0.7%
HOUSING MARKET					
Total Housing Starts Growth	1.4%	2.2%	5.3%	-3.3%	-4.0%
Med. Existing 1-Unit Home Price	4.8%	7.5%	6.7%	2.4%	2.2%
DEMOGRAPHICS					
Population Growth	0.6%	0.5%	0.4%	0.4%	0.4%
Net Migration (000's)	-4.3	-19.6	-32.8	-44.2	-49.0

²The combined Southern California region includes Los Angeles, Orange, San Bernardino, San Diego, Riverside, and Ventura counties that is home to nearly two-thirds of Californians.

CENTRAL COAST	2016	2017	2018 ^e	2019 ^f	2020 ^f
LABOR MARKET					
Employment Growth	1.8%	1.7%	1.9%	1.3%	0.6%
Unemployment Rate	6.1%	5.4%	4.8%	5.2%	5.7%
INCOME AND SPENDING TRENDS					
Personal Income Growth	2.5%	4.2%	3.7%	3.8%	3.5%
Median HH Income (\$)	69,872	72,049	73,665	76,110	78,821
Retail Sales Growth	2.7%	4.0%	4.8%	3.7%	0.9%
HOUSING MARKET					
Total Housing Starts Growth	-1.7%	21.3%	31.5%	-23.1%	-2.4%
Med. Existing 1-Unit Home Price	5.9%	7.1%	5.7%	3.4%	3.2%
DEMOGRAPHICS					
Population Growth	0.6%	0.4%	0.5%	0.4%	0.4%
Net Migration (000's)	1.2	-2.1	-0.2	-1.2	-1.4

³The Central Coast region is comprised of Santa Barbara, Monterey, San Luis Obispo, and Santa Cruz counties.

CENTRAL VALLEY	2016	2017	2018 ^e	2019 ^f	2020 ^f
LABOR MARKET					
Employment Growth	2.8%	2.2%	2.2%	1.2%	0.3%
Unemployment Rate	7.6%	6.6%	5.8%	6.2%	6.9%
INCOME AND SPENDING TRENDS					
Personal Income Growth	3.6%	4.2%	3.9%	3.7%	3.0%
Median HH Income (\$)	55,299	56,559	57,681	59,375	61,282
Retail Sales Growth	4.1%	5.5%	5.2%	3.5%	0.7%
HOUSING MARKET					
Total Housing Starts Growth	10.9%	20.9%	2.6%	3.0%	-5.0%
Med. Existing 1-Unit Home Price	9.1%	9.2%	8.4%	3.6%	3.5%
DEMOGRAPHICS					
Population Growth	1.1%	1.2%	0.7%	0.6%	0.6%
Net Migration (000's)	24.8	32.1	3.8	-1.7	-2.3

⁴The Central Valley region is comprised of San Joaquin, Fresno, Madera, Sacramento, Placer, El Dorado, Yolo, Stanislaus, and Kern counties.

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