

# FY 18/19 Economic Forecast

| May 11, 2017  
| City of San Jose

SAN JOSE



# Jobs and Revenues

A man in a dark jacket is pointing at a component on a workbench. Two women in blue uniforms are looking at the component. The background shows a factory setting with various equipment and materials.

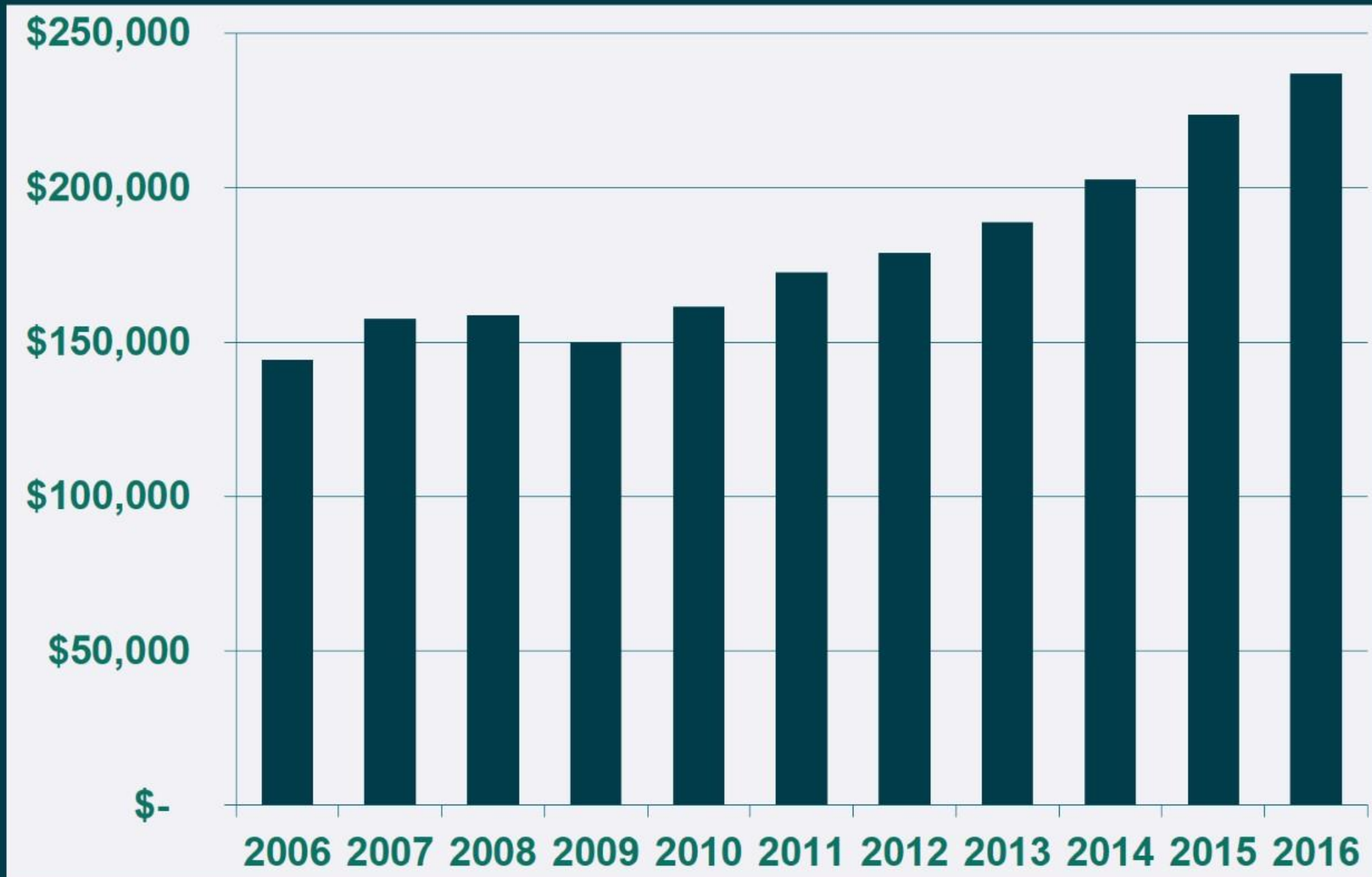
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# Job Growth Remains Strong into 2018

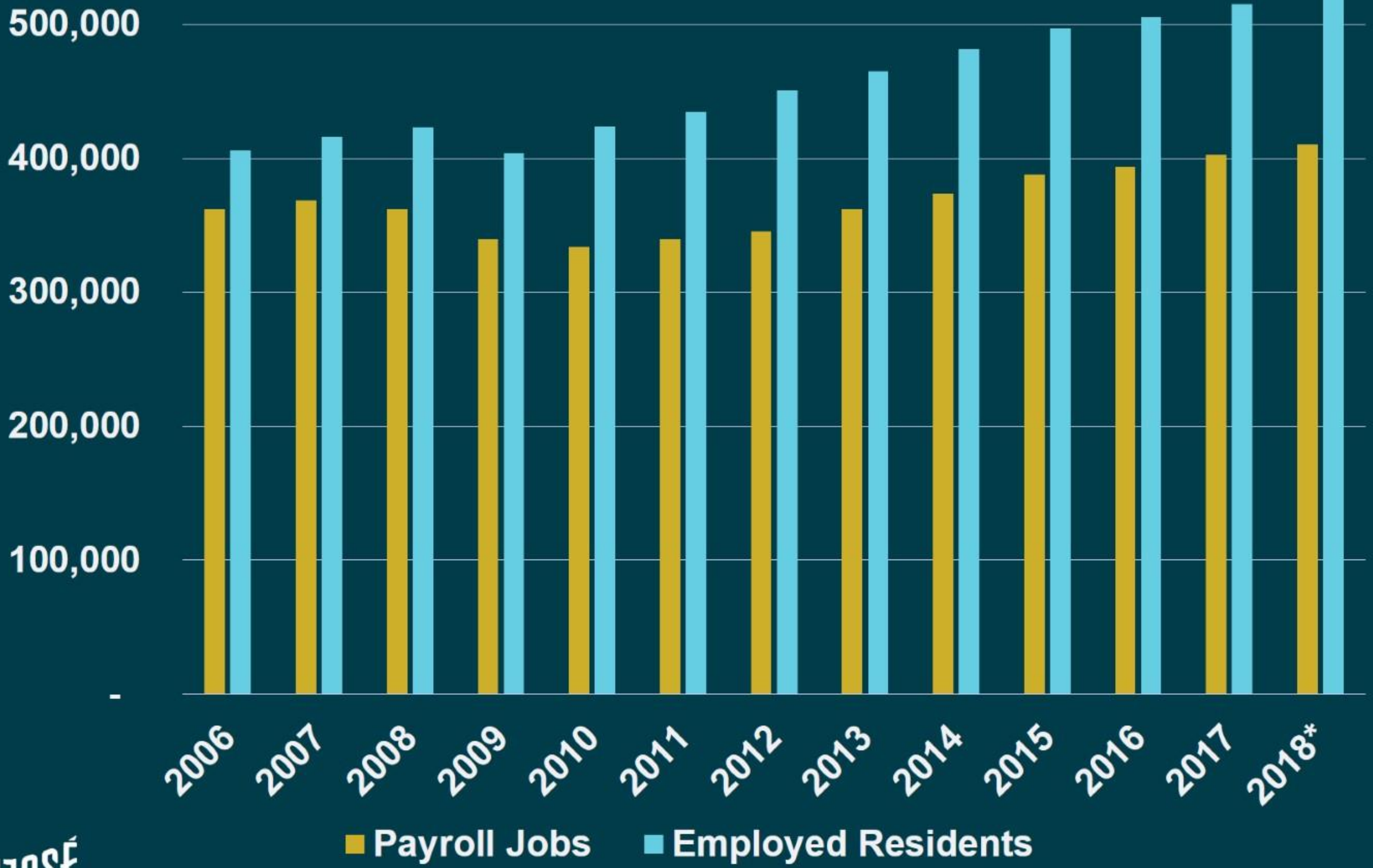


# Fastest GDP growth per Capita in US





# City Continues to Add Employed Residents at Much Faster Rate than Jobs



■ Payroll Jobs    ■ Employed Residents

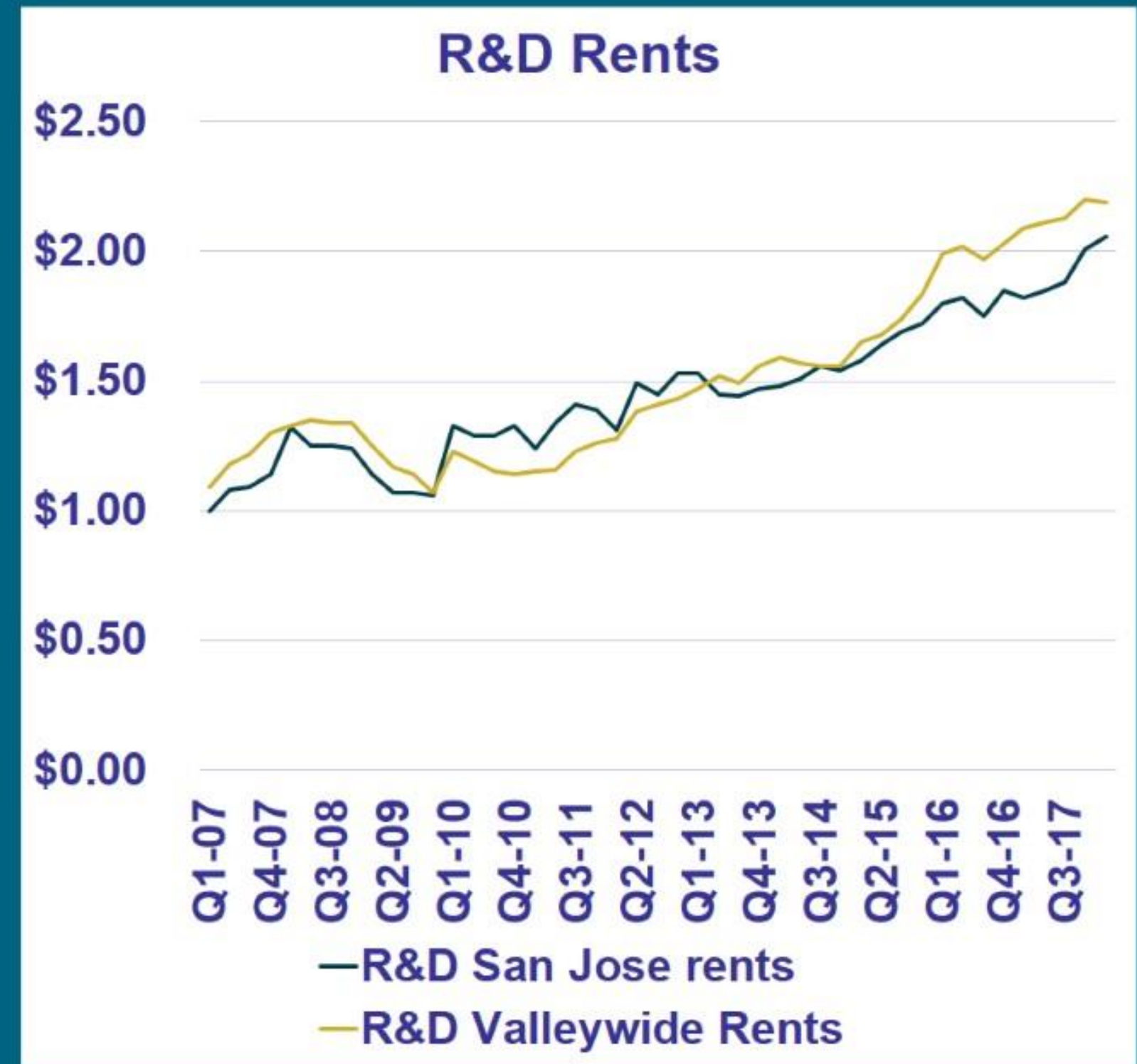


# Real Estate

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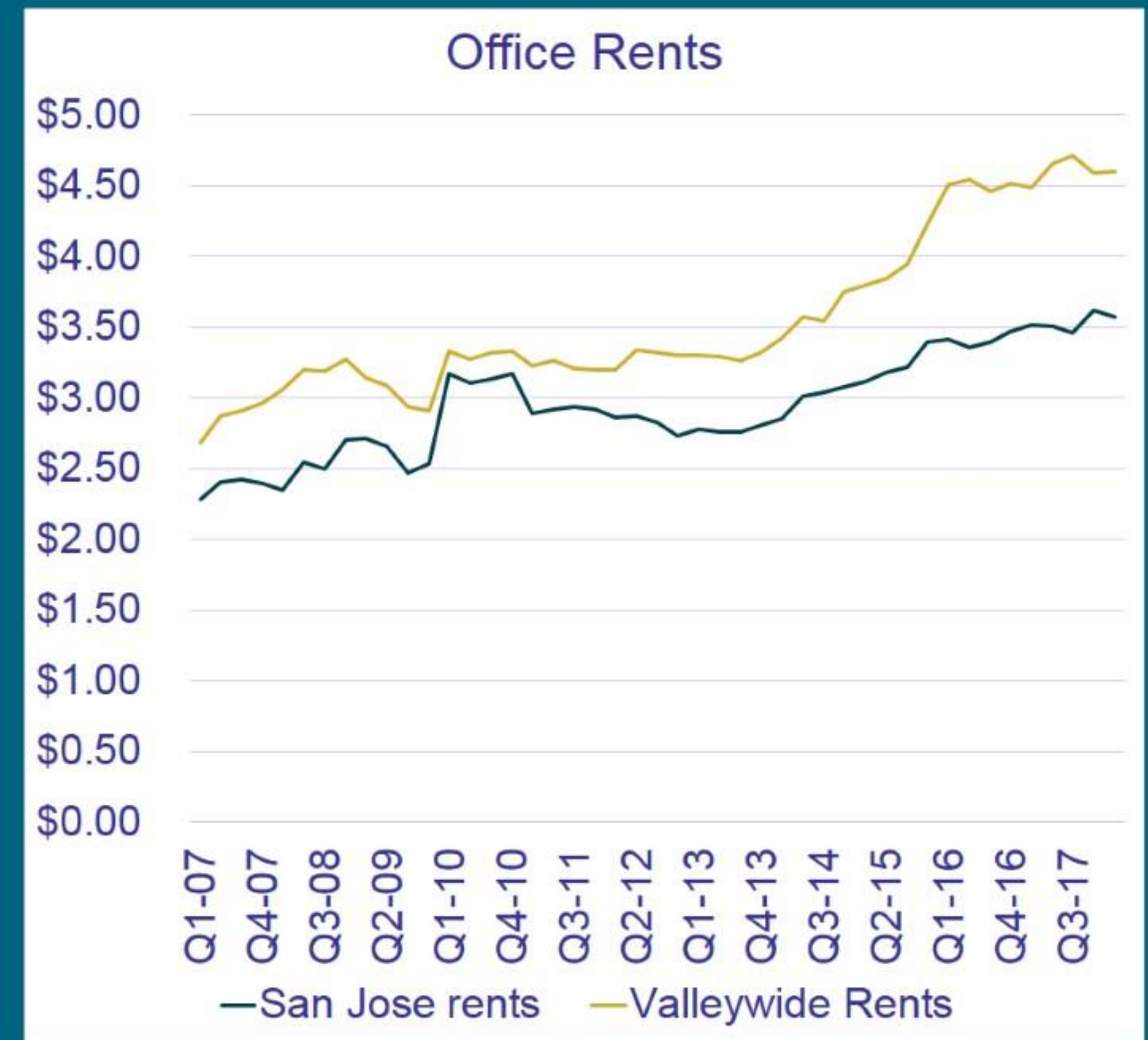
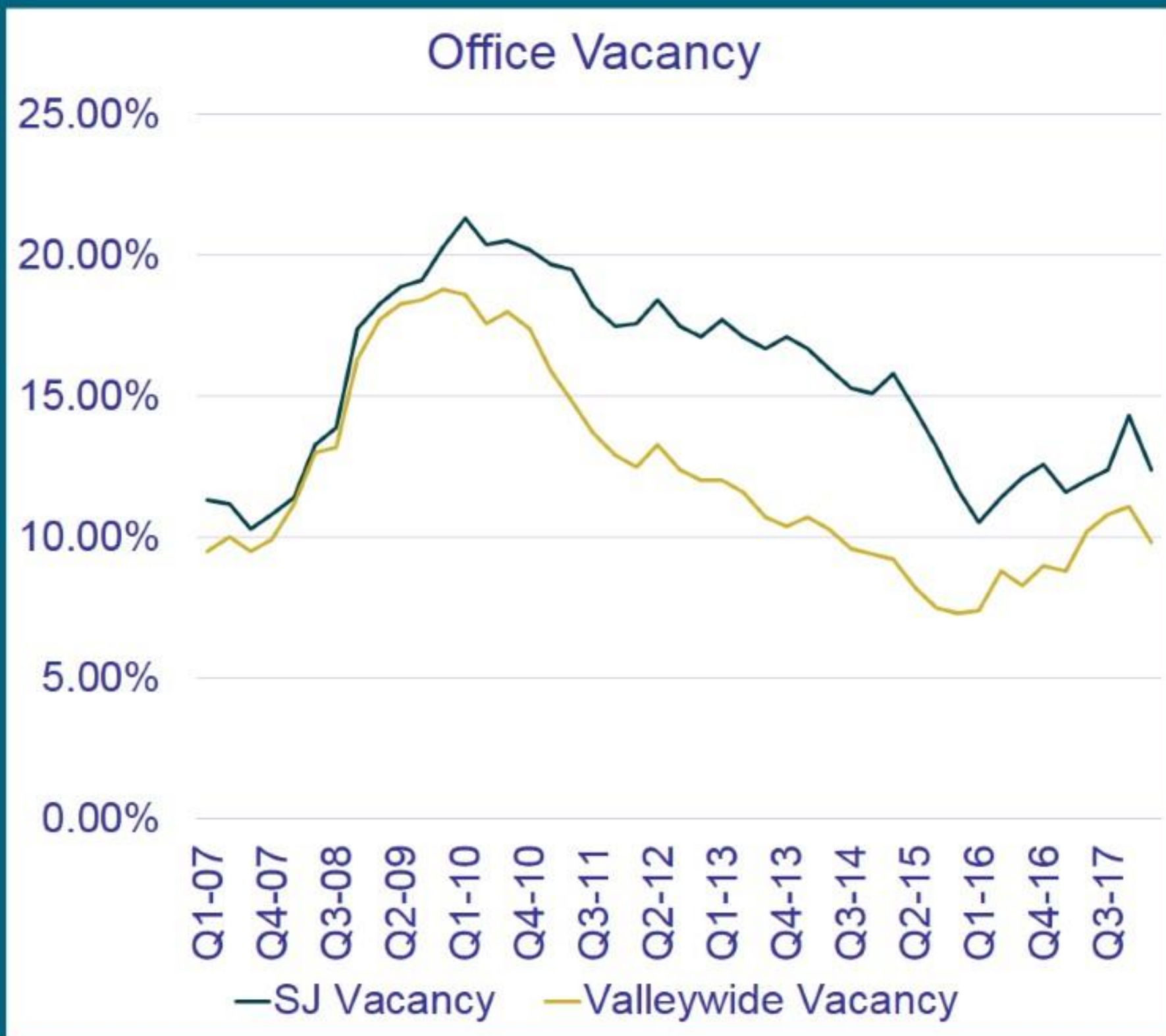


# R&D Market shows modest growth





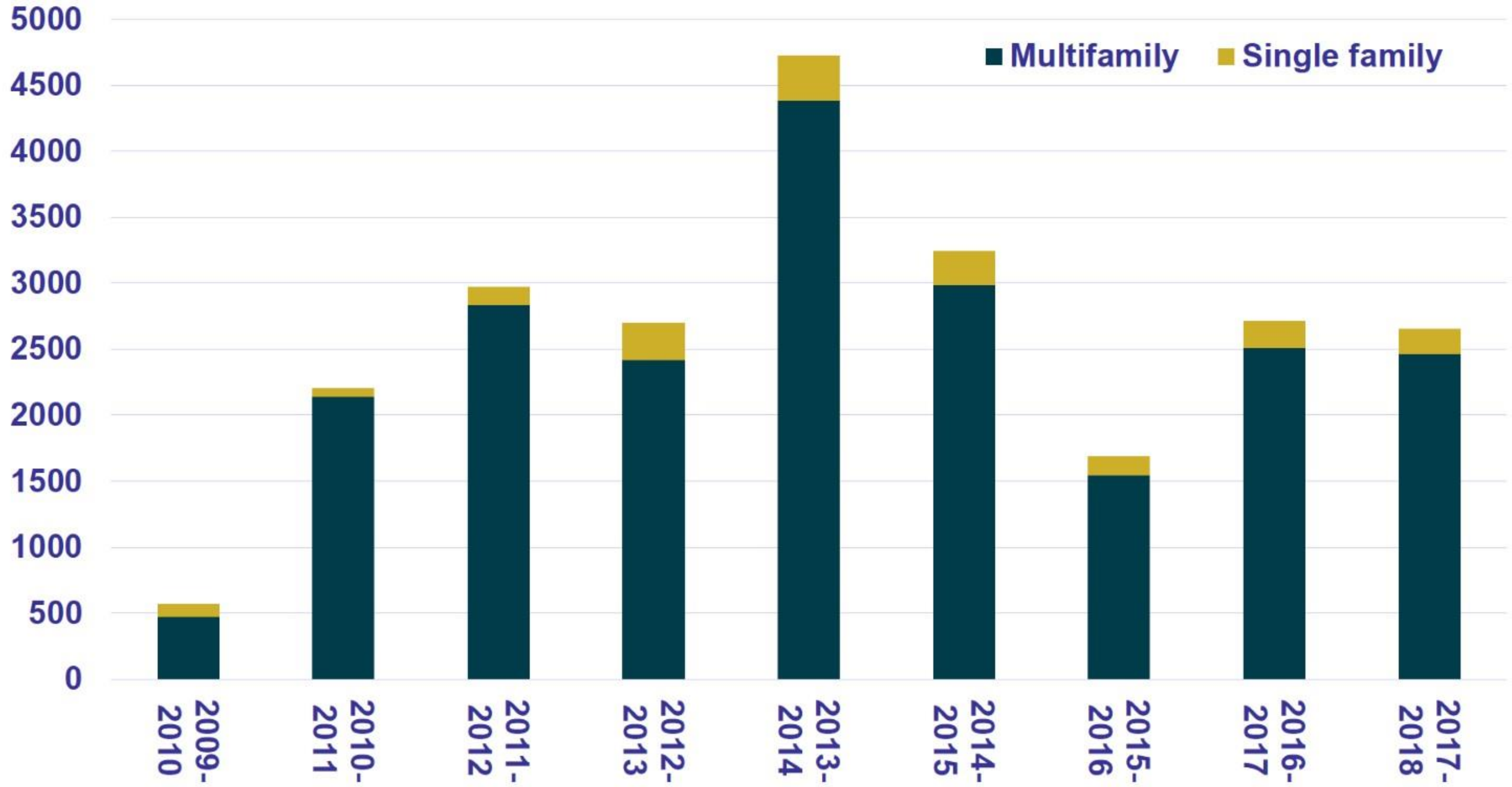
# Office Market: Slow and Steady





# Housing Production Constraints Visible

## Residential Permits Issued





# Sales Tax

AMAZING PHONES FREE  
metroPCS  
NEXT TO ROUND ONE

STARBUCKS COFFEE

Macy's

lyft

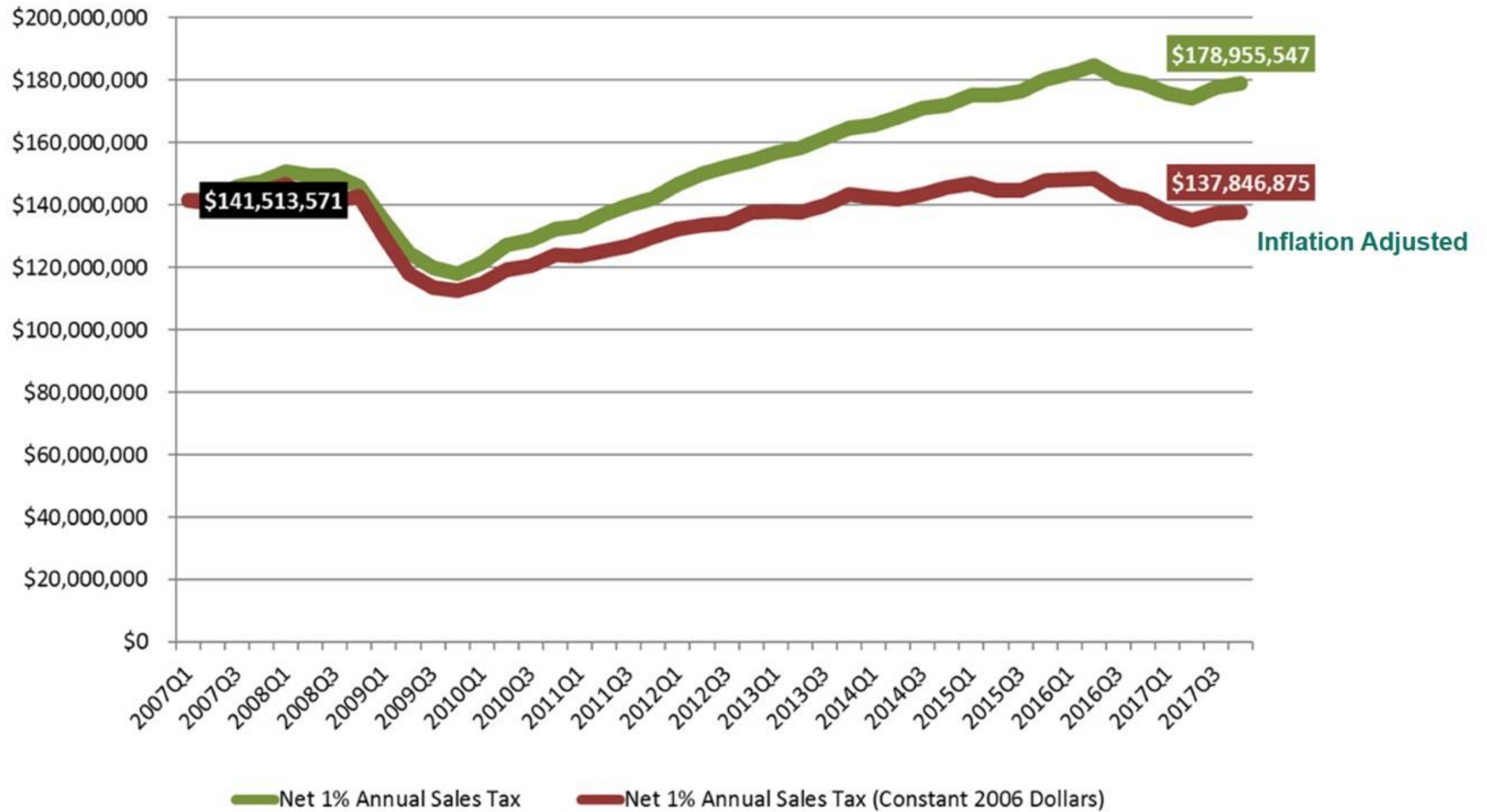
CHOOSE YOUR OWN HOUR



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# Net 1% Annual Sales Tax, San Jose





# Sales Tax by Category



**General Retail**



**Transportation**



**Business to  
Business**



**Food Products**



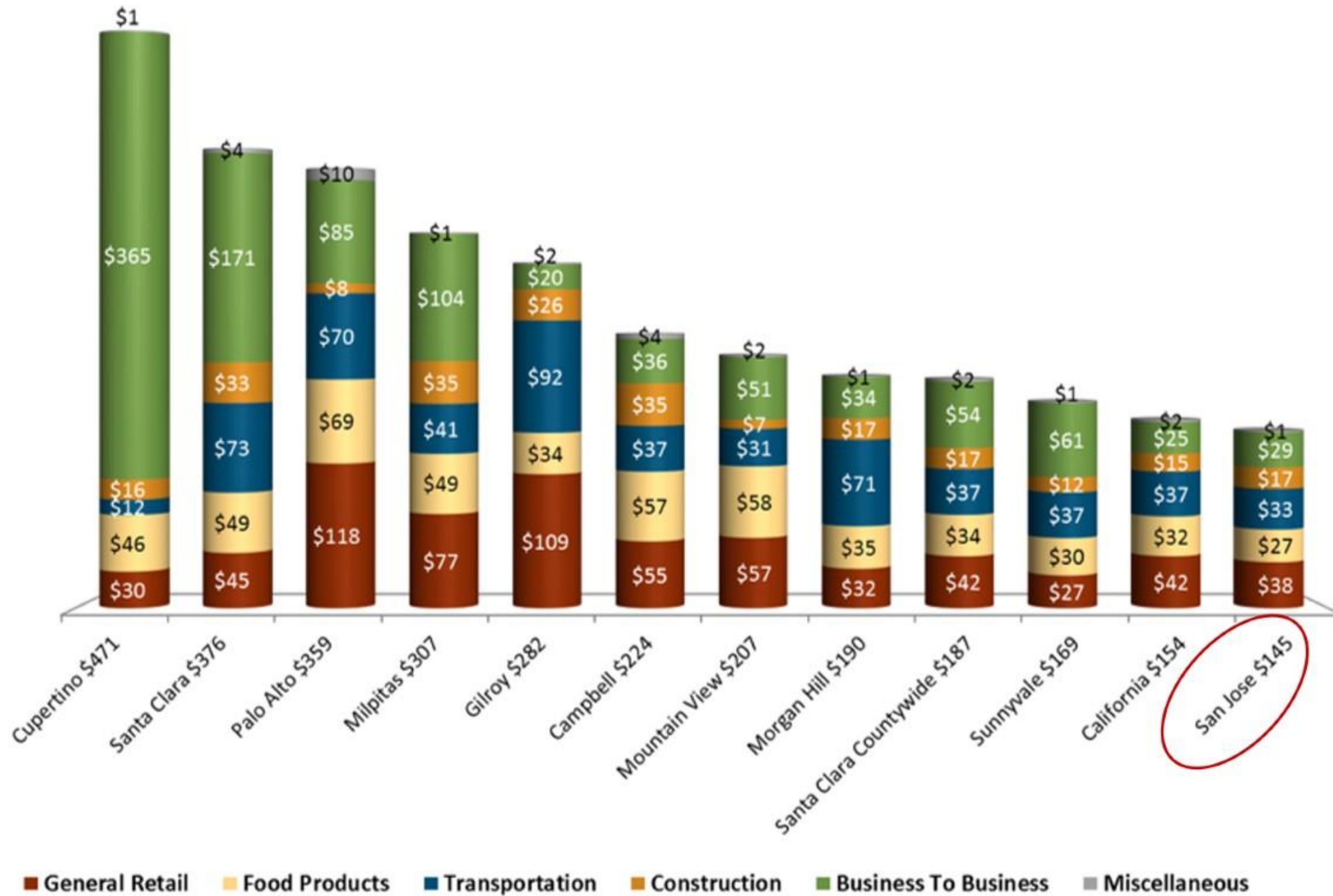
**Pools**



**Construction**



# Sales Tax per Capita by City





# Growing Divide

The Flying  
**MARTINI BROS**  
Bar & Bistro

*71 Saint Peter*  
Mediterranean Grill

69

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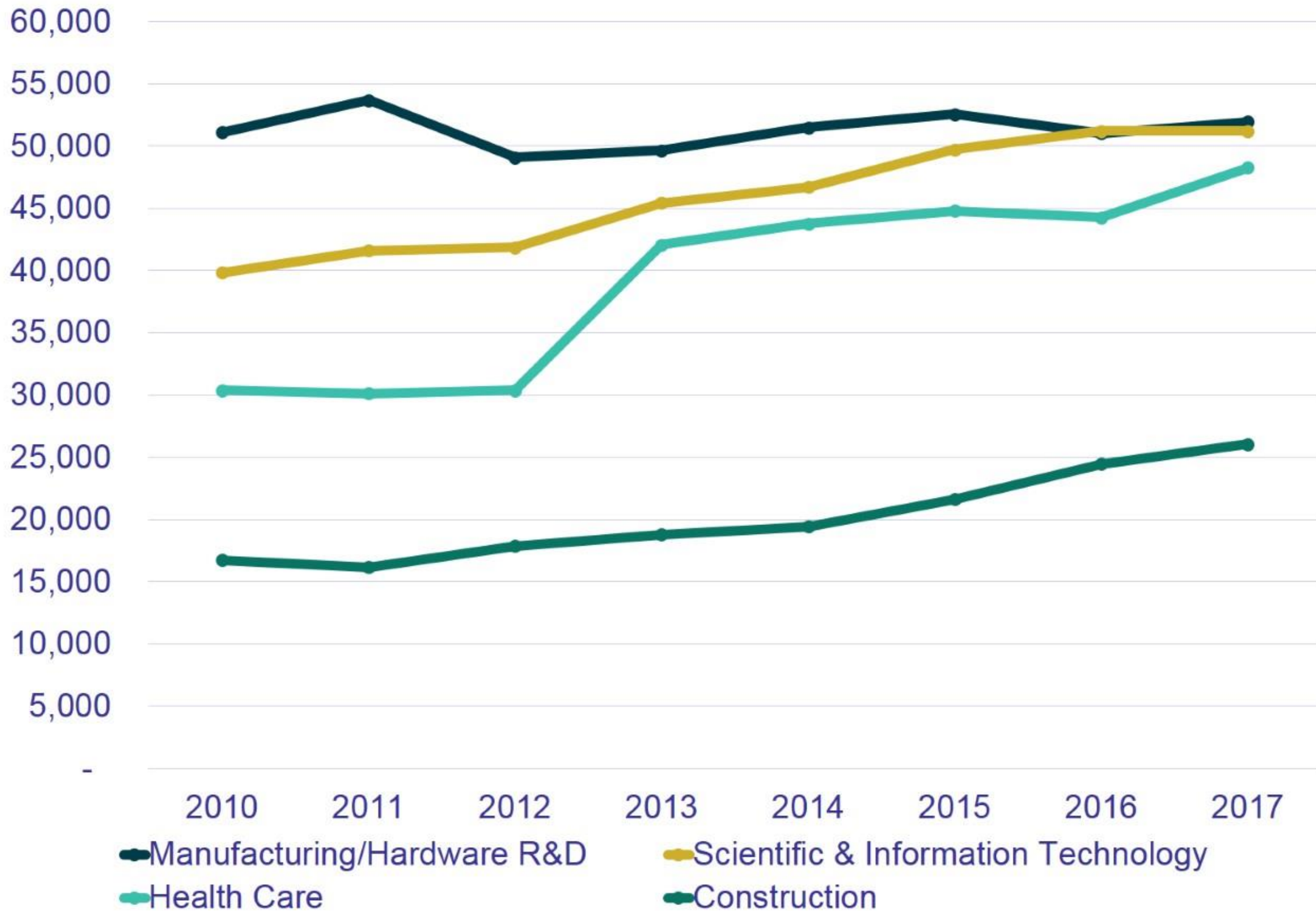


## Economic Distress

- **3 in 10 households are living in poverty or below the self sufficiency standard**
- **1 in 10 households are one \$400 expense away from similar circumstances**



# Driving Industries: Transition to the service economy, middle skill job base growing





# Driving Industries: Mean Hourly Wages

**Manufacturing (Production Only): \$21.02**

**Construction (All Occupations): \$31.72**

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**Healthcare (All Occupations): \$55.42**

**Information/Tech (All Occupations): \$59.09**

**Can be Learned  
on the Job**

**Typically  
Require College**



# Looking Forward

SAN JOSÉ

A crowd of people is silhouetted against a bright, colorful light display at night. The light display consists of vertical beams of light in shades of blue, green, and yellow, creating a vibrant, abstract pattern. The people are looking upwards, and the overall atmosphere is one of anticipation and wonder. The background is dark, making the light display stand out prominently.

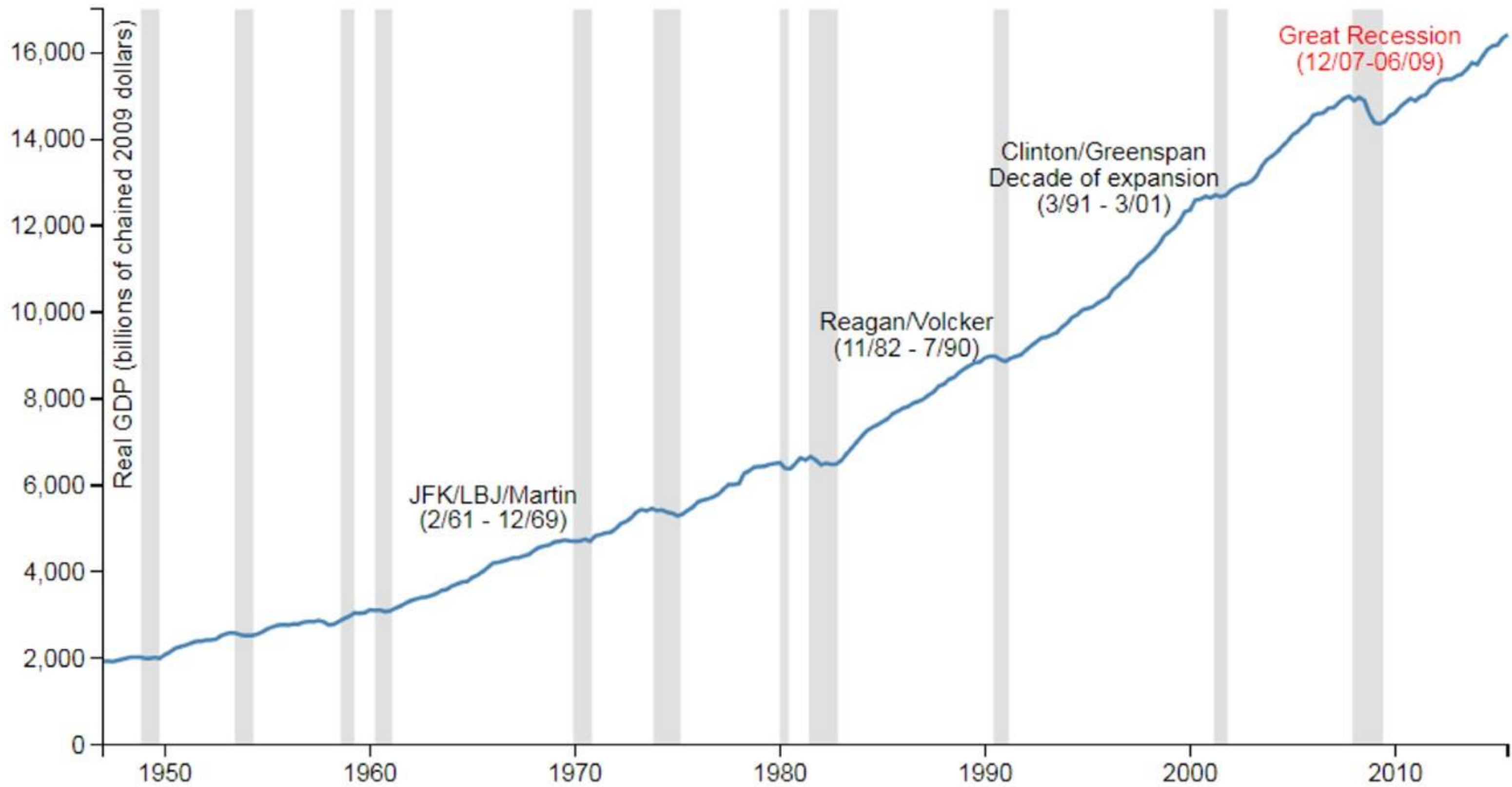


# Economic Reset?





# Historic Cycle Lengths: Second Longest Cycle Since WWII



**BEA** U.S. Bureau of Economic Analysis, "Table 1.17.6. Real Gross Domestic Product, Chained Dollars [Billions of chained (2009) dollars]"

Prepared by UNM Bureau of Business and Economic Research



# Three possible scenarios for the economy before the end of the decade:

01

**Keeps Growing:** Job growth slows but continues, construction stalls due to high costs but available real estate absorbs demand

02

**Stagnates:** Job growth stalls as employers find it harder fill vacant position, GDP and investment slows.

03

**Resets:** Rising unemployment as high costs impact driving industries, lower consumer spending, further impacting small and medium sized business



# FY18/19 Economic Forecast: Things to watch in the year ahead



**Jobs and Unemployment**



**GDP and Consumer Spending**



**Inflation and Interest Rates**



**Major Events**



**M&A Activity and Impact on Jobs**



## **FY18/19 Economic Forecast: What we're hearing**

- ✓ Employer demand for space remains strong**
- ✓ ...But, some companies face hiring challenges**
- ✓ Major new projects will add to retail base**
- ✓ ...But consumers spending less \$ on taxable goods**



# Questions?

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