

Economic Outlook 2011: Macro to Sonoma

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Agenda

- Global issues
 - What effects does the global economy have on North Bay?
- National issues
 - We are in recovery: for how long?
- State issues
 - California economy a driver of North Bay
- Local issues
 - Economic Development: in what industries?
 - The economic drivers in Sonoma County and North Bay

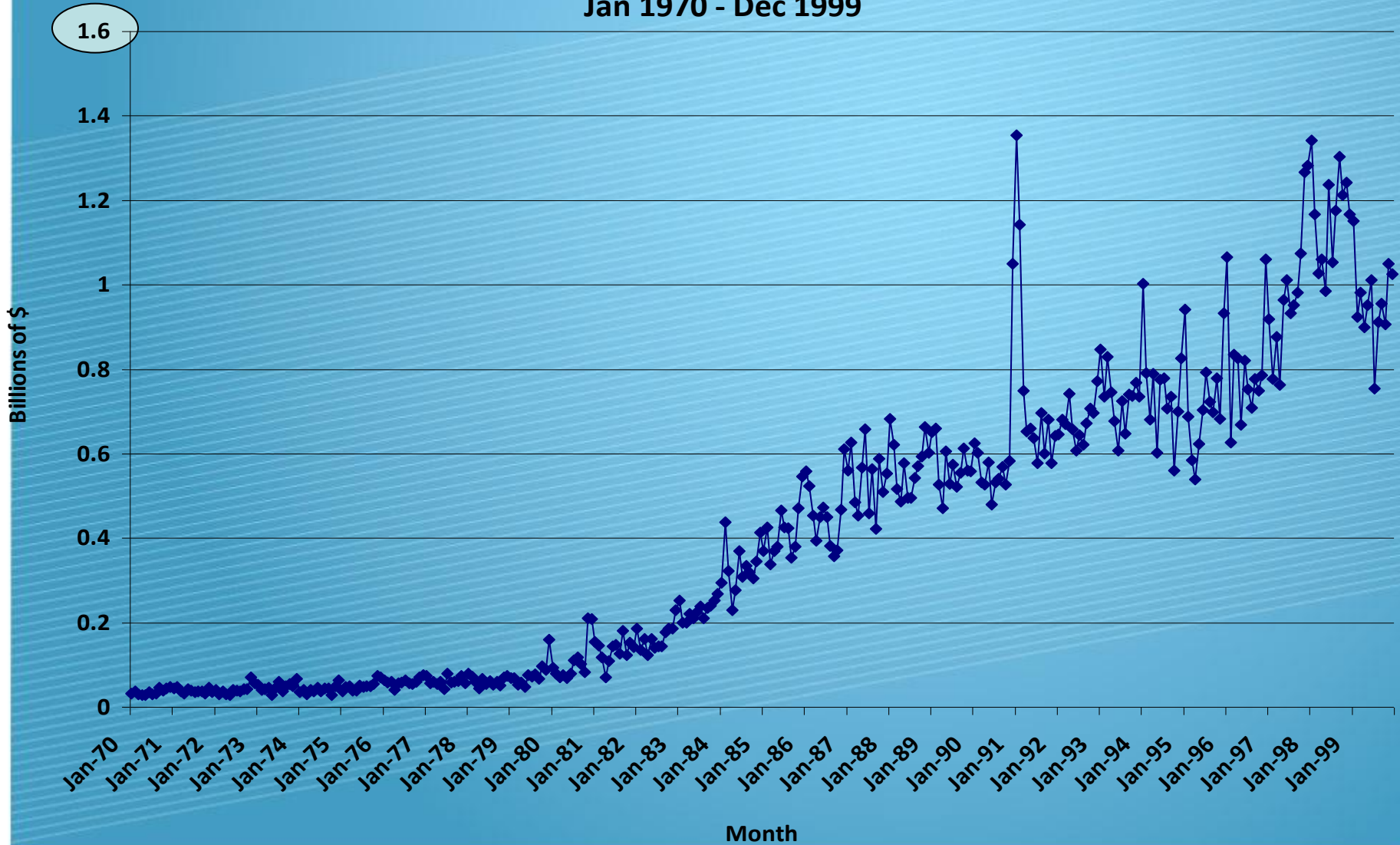
Current State of Affairs

- Tipping Point
 - Remember 1992-1993?
 - Remember 1981?
- International issues (Europe) may have hurt rebound
- National
 - Financial, labor, goods markets in sync
 - Losing momentum: exports and government spending slowly fading

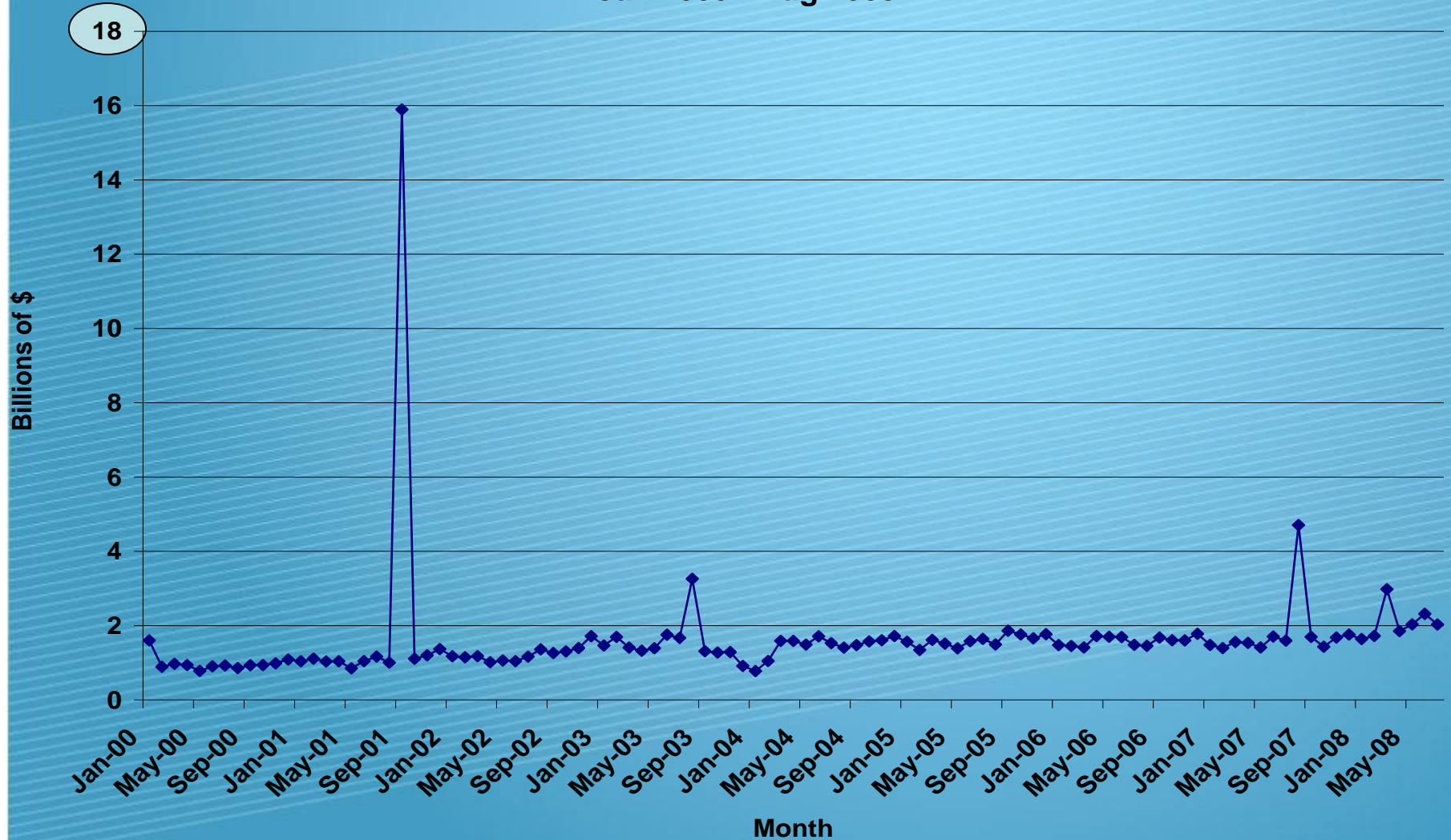
U.S. Economy

- Continued slow movement at national level
 - Where and what are the new industries?
- Recovery technically underway
 - Job creation through innovation needed ultimately
 - Need to be concerned with a double dip?
- Will another round of fiscal stimulus help?
 - Where will the stimulus go to truly “stimulate”?
- Is more monetary policy needed?

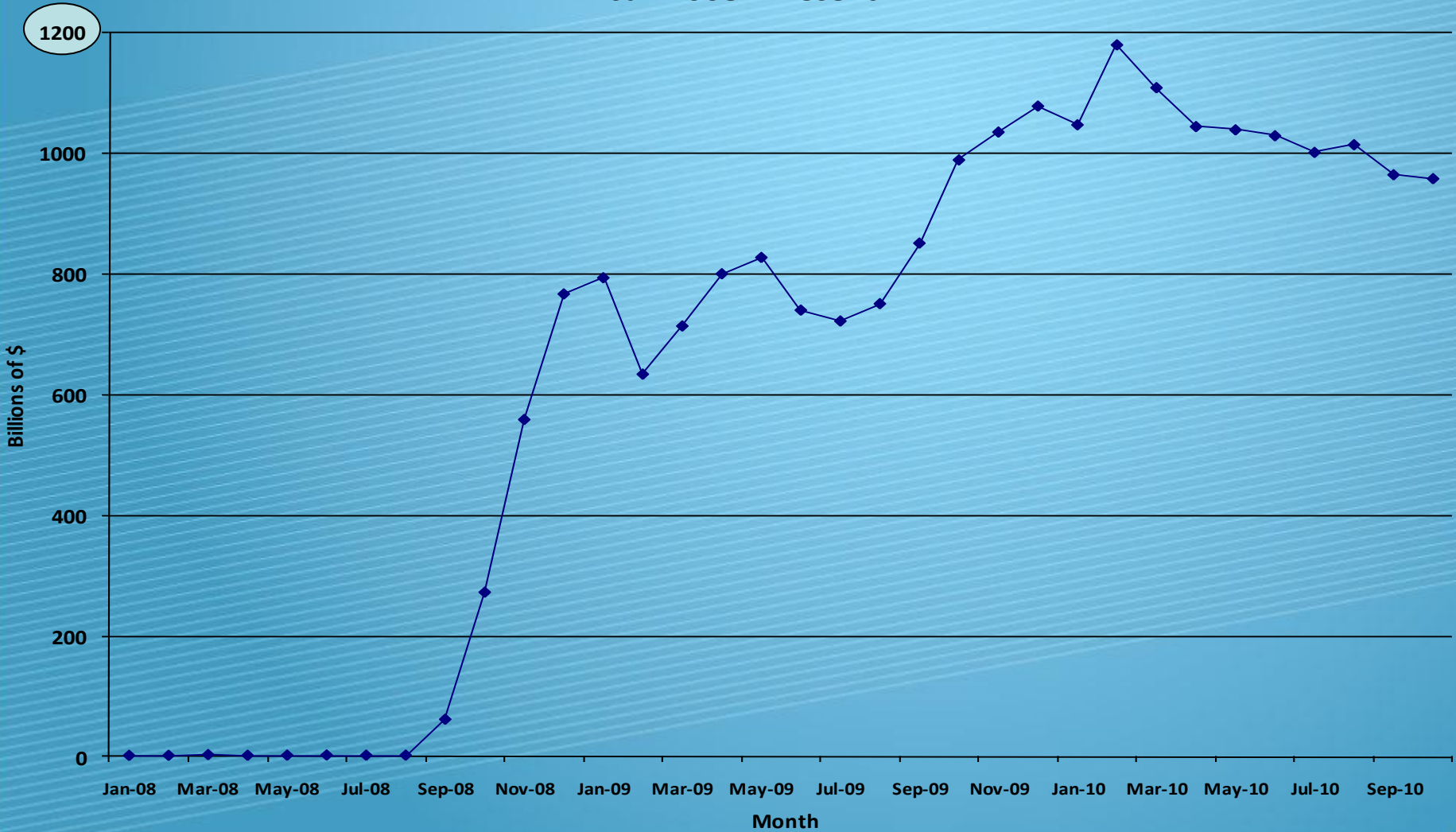
Excess Reserves at U.S. Banks (Loanable Funds Not Lent), 2008\$ Jan 1970 - Dec 1999



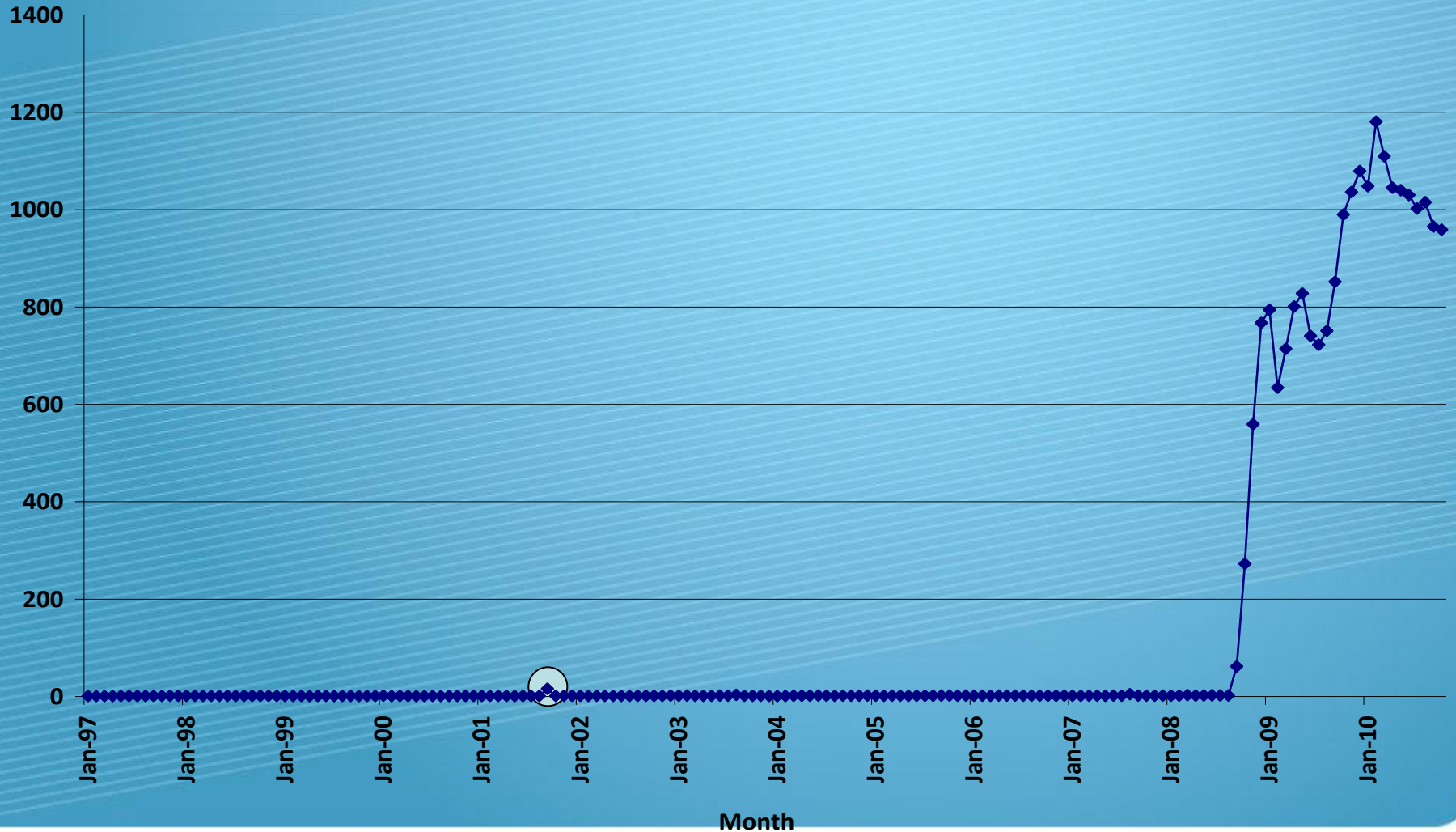
Excess Reserves at U.S. Banks (Loanable Funds Not Lent), 2008\$ Jan 2000 - Aug 2008



Excess Reserves at U.S. Banks (Loanable Funds Not Lent), 2008\$ Jan 2008 - Present

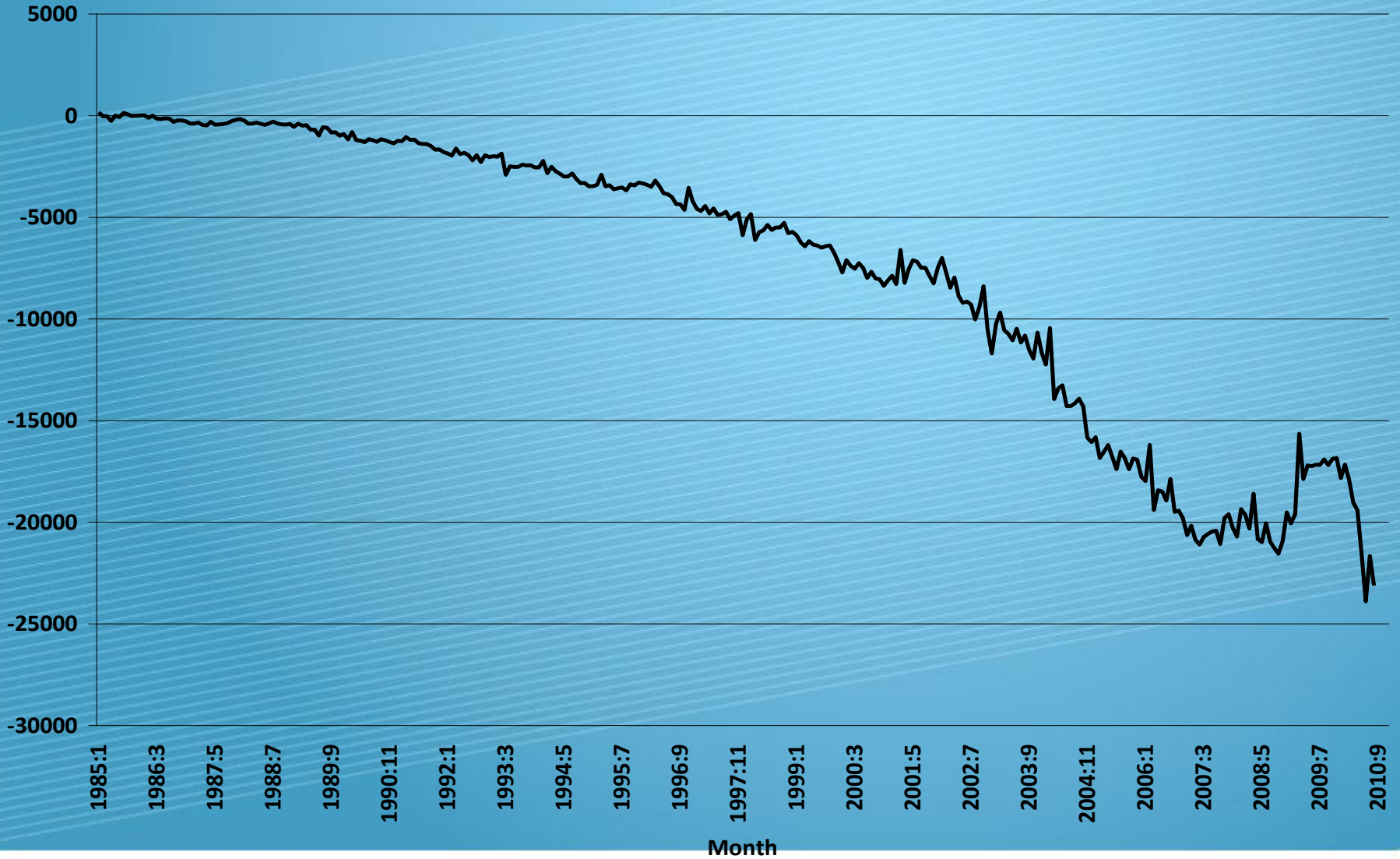


Excess Reserves at U.S. Banks (Loanable Funds Not Lent), Bil 2008\$ Jan 1997 - Present

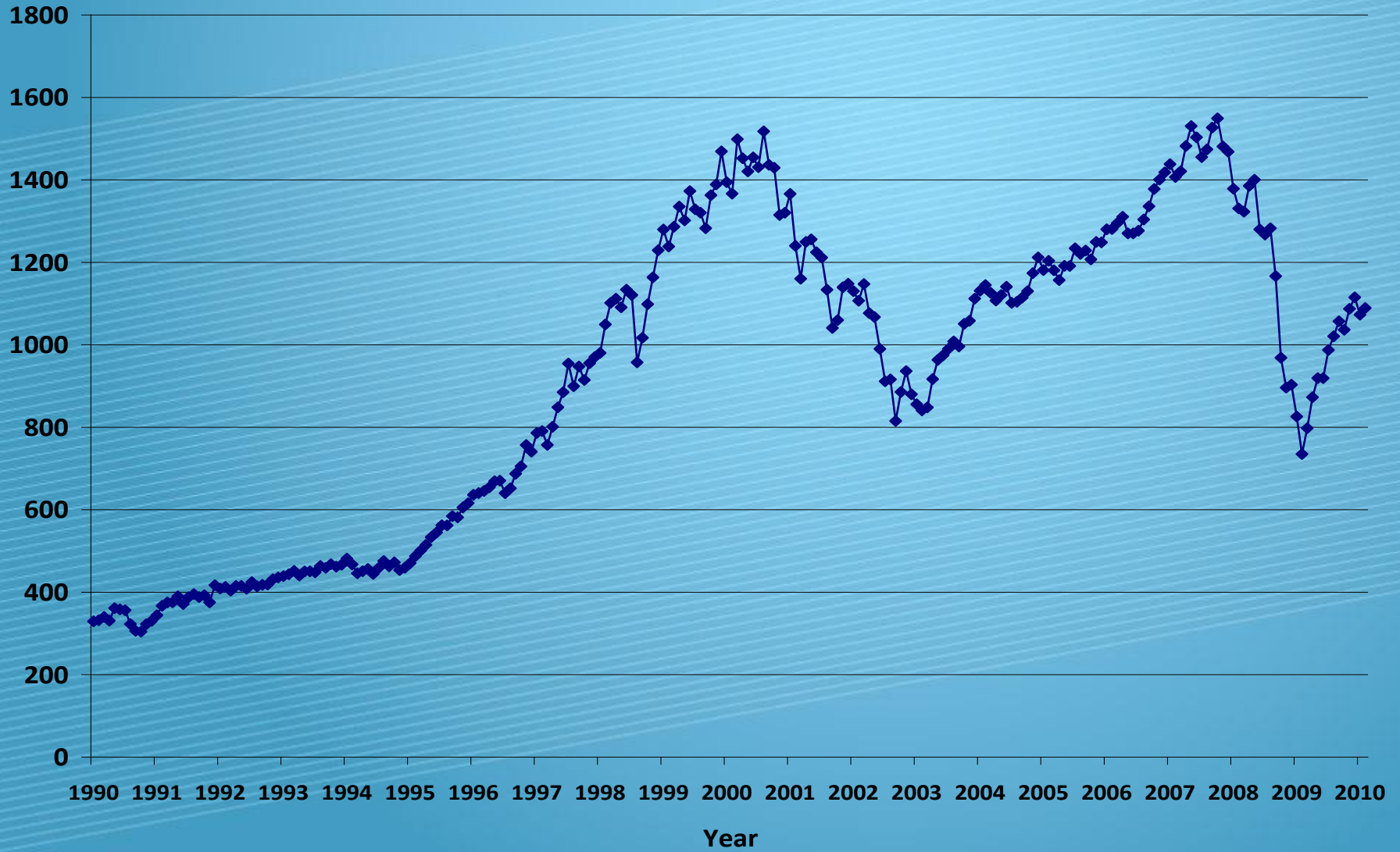


Other Macro Stats to Watch

Trade Balance, US with China, 1985 – Present, Millions 2005\$



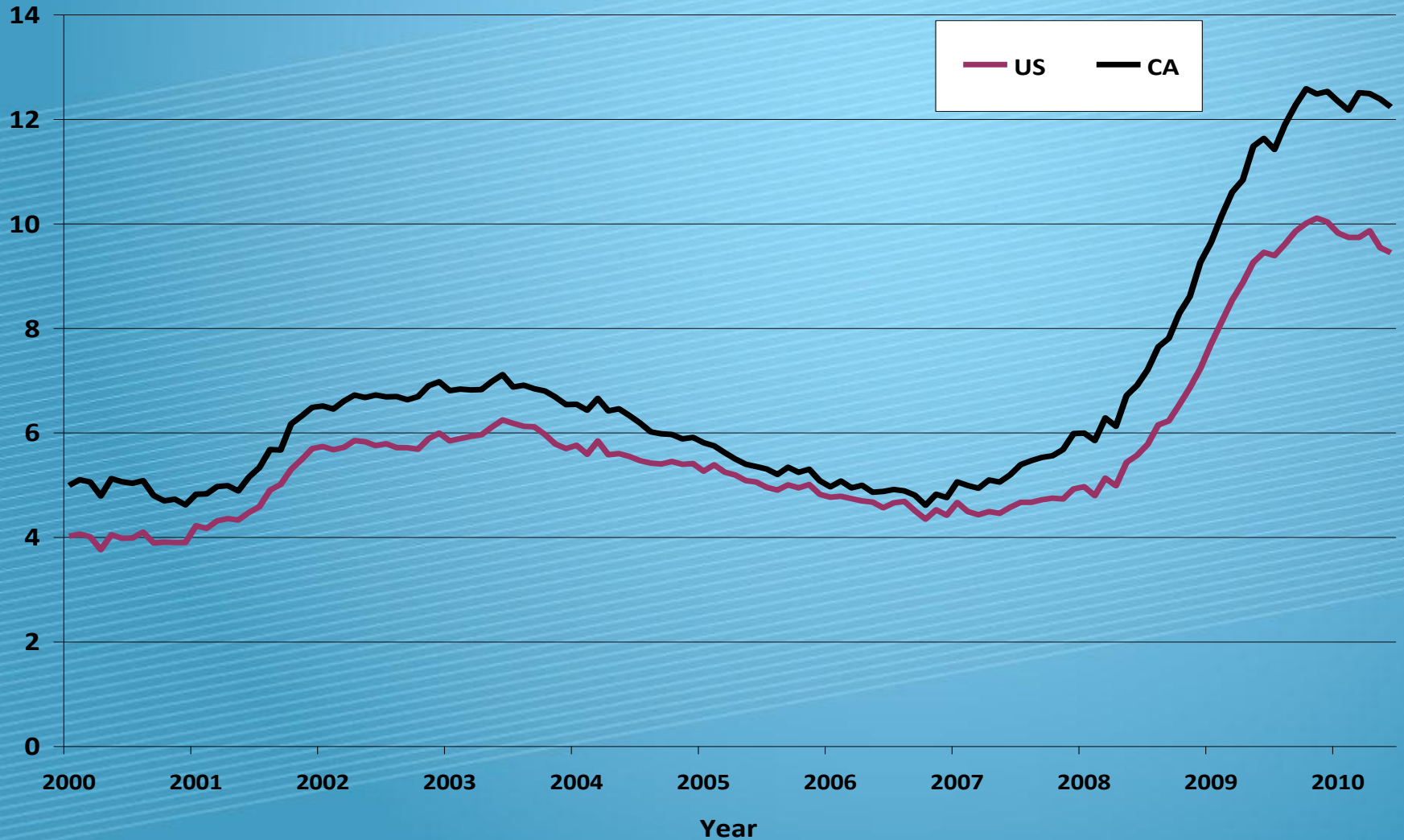
S&P 500 Index, 1990 - Present



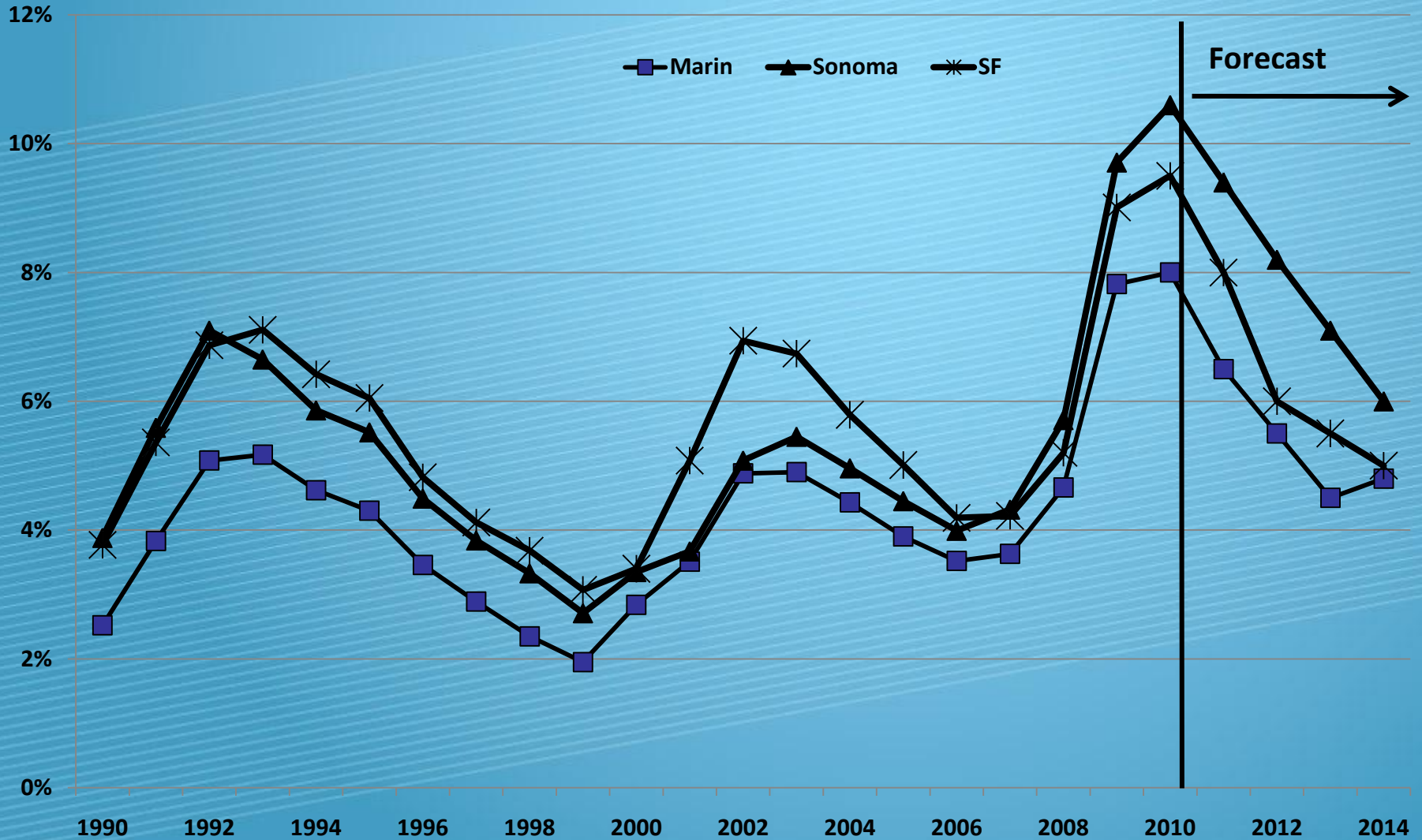
California, Elections and Reality

- Elections will do little to change the basics
 - Prisons, education, social services the foci
- Cannot rely on current model
 - Still overexposed to economic booms in general fund
 - CalPers awaits!
- Use of AB 811 to reduce energy/water use
 - Prop 23 may be a monkey wrench in this
- Do not expect it, but we need reform

Unemployment Rates (%): US & CA, Seasonally Adjusted, 2000 - Present



SA Unemployment Rate Forecast, 1990 – 2014: SF, Sonoma and Marin



Sonoma County and North Bay

- Slowly emerging into recovery
 - Jobs slowly coming back
 - Tourism not as big a problem as expected
 - Wine hurt but not completely stagnant
- High tech the big question mark
 - Will current demography remain?
 - Will talent pool be filled long-term in North Bay?
 - Where are the new companies?

Commercial Real Estate Issues

- Unemployment puts both supply and demand pressures on market
- Who will demand real estate here through 2015?
 - Type of commercial available also an issue
 - Incubation in Windsor?
- Commercial new construction likely to be project-specific rather than anticipatory
- Wave of commercial real estate problems an issue for two main reasons
 - Pressure on banks to be further risk averse
 - Excess capacity tends to have a domino effect

Economic Development and Innovation Accelerator at SSU

- Accelerate job and business creation, attraction and retention
 - Partner with chambers, ED and other orgs as support with a regional view
 - Use university resources (students, faculty, connections to community)
- Educate and Inform from regional viewpoint
 - Want to be a partner, not duplicative
 - Become a resource to answer or ask questions

The Accelerator

Ideation &
innovation

Education &
Mentoring

Access to
Capital

Business
Intelligence

**Jobs &
Businesses
for the
North Bay**

Where are we headed?

- Recession into 2011 concerning labor markets
 - Need to attack in tech and foreign markets before they converge
 - Other indicators showing recovery: good thing!
- State economy will lag
 - Elections will not change the fundamental issues
 - State economy affects Sonoma County and North Bay
- Recognize regional connections and economies
 - Economic development a need now and into the future