

Tri-County Economic Forecast Conference: The Economy 2011

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Robert Eyler, Ph.D.

Chair, Economics Department

Director, Economic Development and Innovation Accelerator

Sonoma State University

eyler@sonoma.edu



School of Business
and Economics

Agenda

- Recovery under way
 - Need some industries to lead the recovery (innovation)
- Global and national issues
 - More competitive globally
 - California needs to seize opportunities while they exist
- California: Hot mess
 - Hot: still the center of world technological innovation
 - Mess: Will new businesses want to locate here in 5 years?
- North State economy: opportunities and challenges
 - Related to above, need to look at community development

Recovery Slow

- A function of:
 - Labor market tentativeness
 - Financial market uneasiness
 - Goods market slowly providing hope
 - Uncertainty that policies have worked
- Local and state governmental uncertainty
 - Prepare for services shift to non-profits and private sector
 - Structural problems exist
- Tri-Counties economy will lag due to ag/gov't focus
 - Budget news not good, will force some reality checks

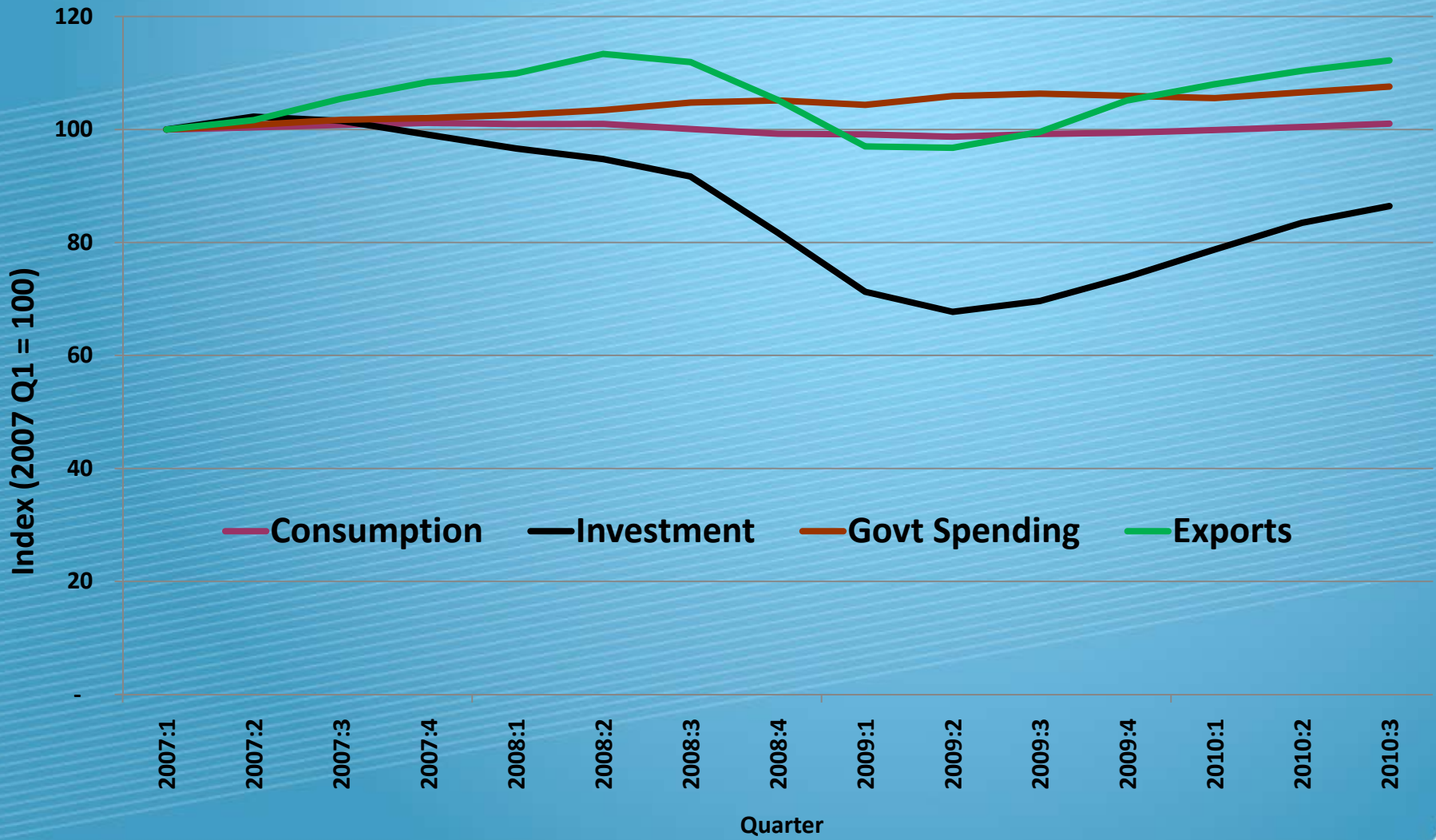
International

- The rise of BRIICs countries to continue
 - Indonesia now another “I” in BRIICs
 - Brazil may be slowing down from overheating
 - Competition for US goods and innovation: also new markets
- The Euro Area
 - Government issues unlikely to force the Euro’s end
 - May make the Euro area more competitive
- Implications
 - California now faces heightened competition
 - Tourism and technology
 - Commodity prices to rise worldwide: may help North State in terms of ag primary and secondary products

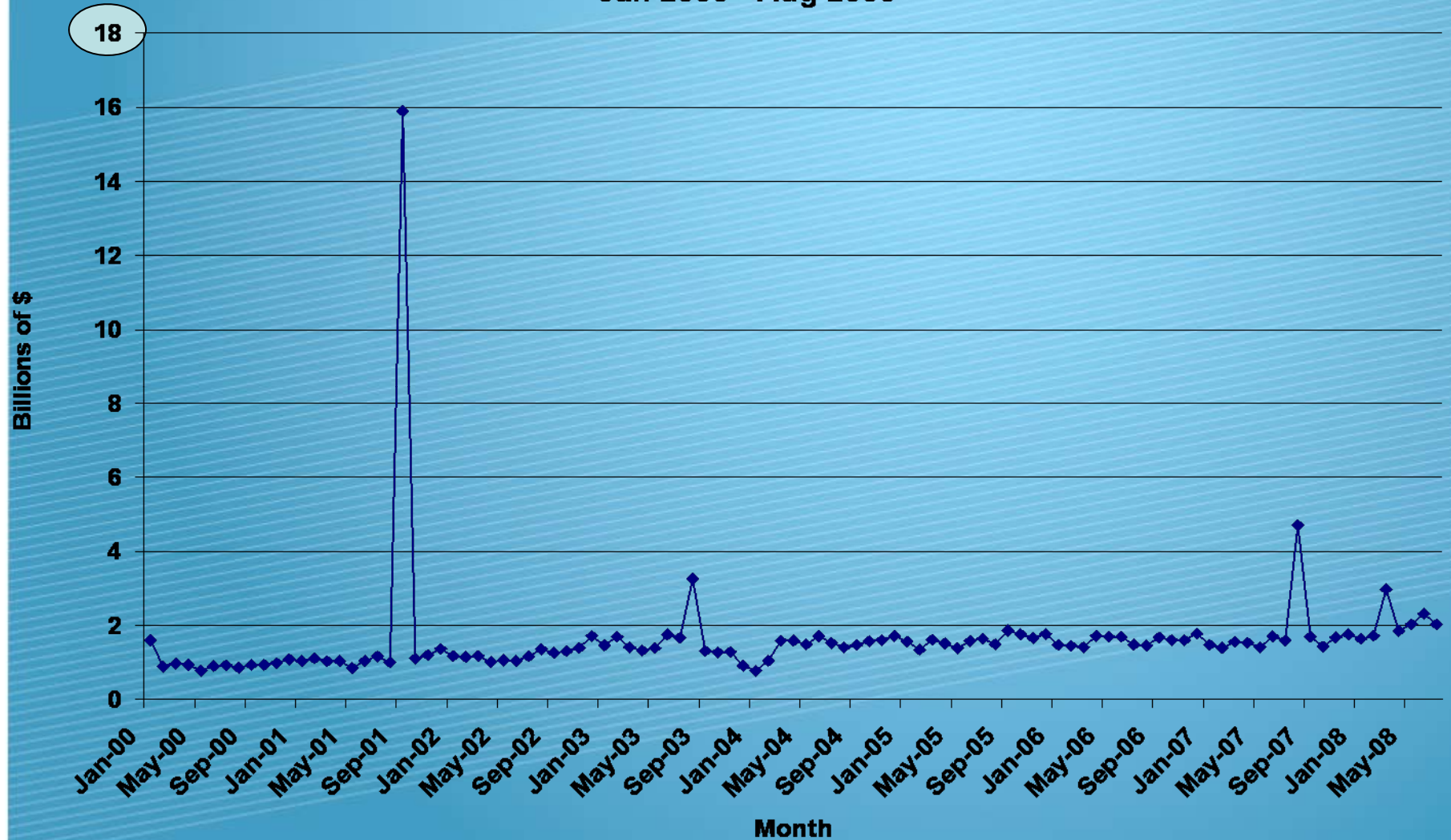
Domestic National Economy

- Continued slow movement at national level
 - Where and what are the new industries?
- Recovery underway and helped by
 - Fiscal stimulus and short-lived exports expansion
 - For permanence: job creation through innovation, not through consumption
 - **Implies the need for business investment**
- Lending markets: demand or supply?
 - Inflation in wait for these funds to flow

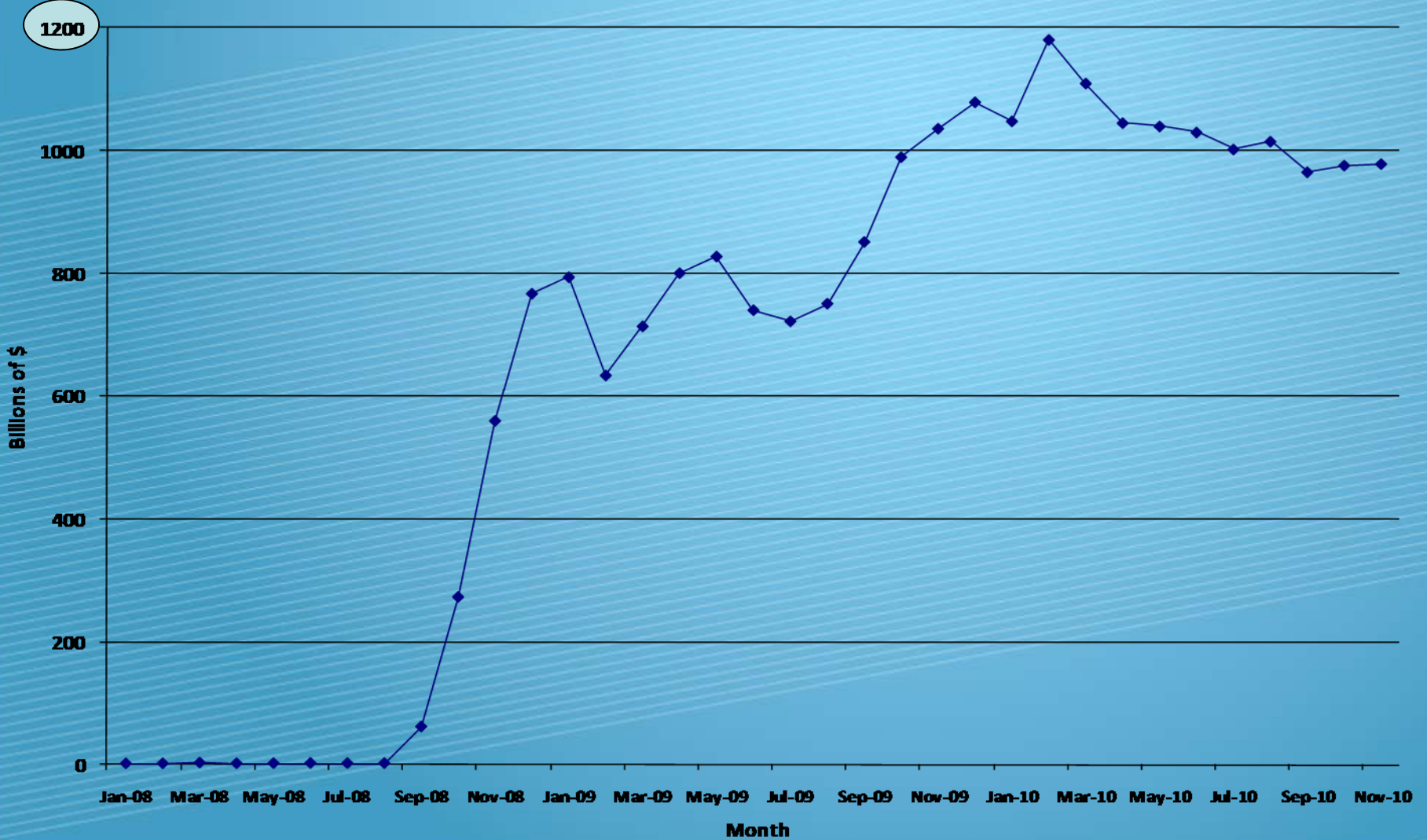
Comparison of GDP Components, US, 2005\$, 2007 - Present



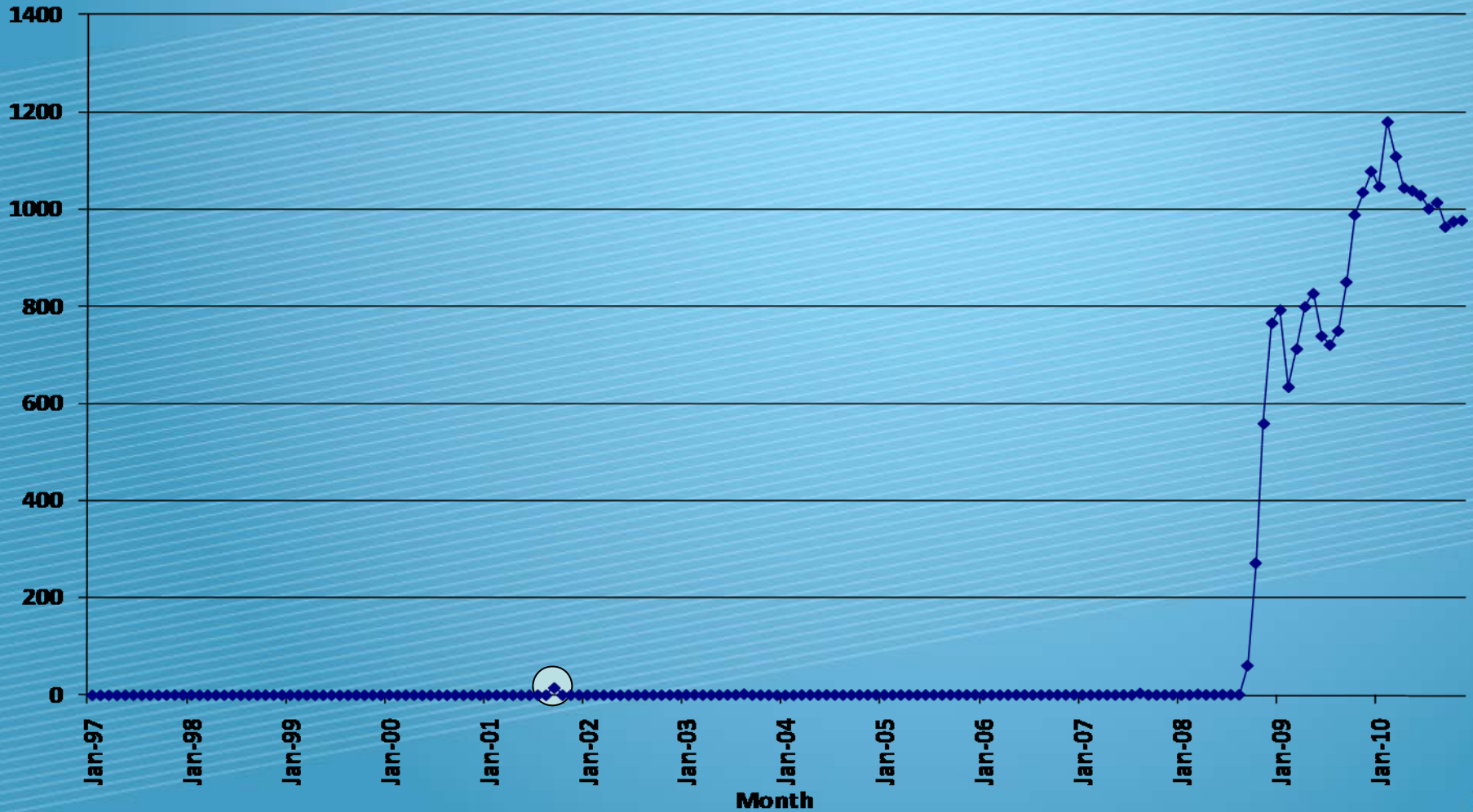
Excess Reserves at U.S. Banks (Loanable Funds Not Lent), 2008\$ Jan 2000 - Aug 2008



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



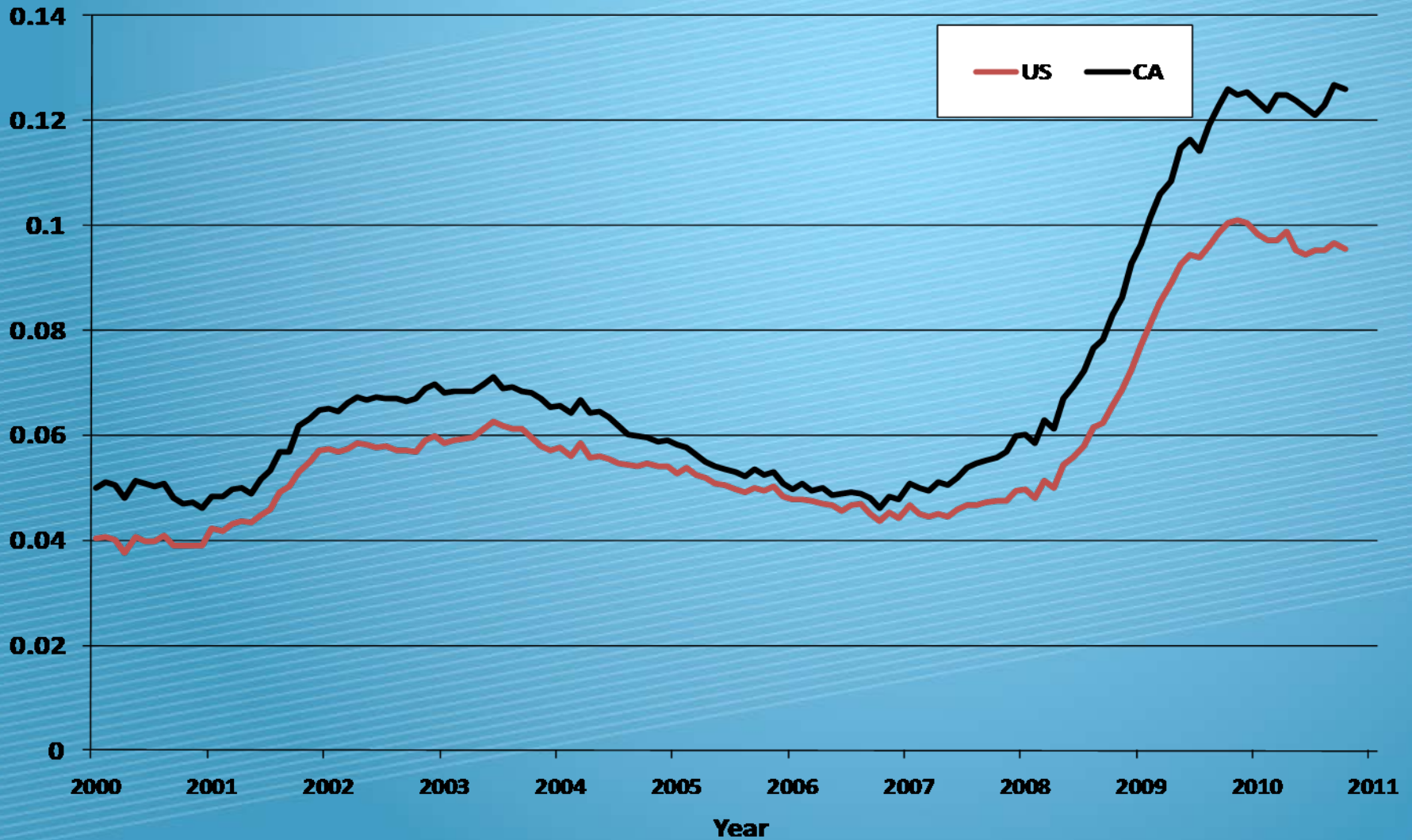
Excess Reserves at U.S. Banks (Loanable Funds Not Lent), Bil 2008\$ Jan 1997 - Present

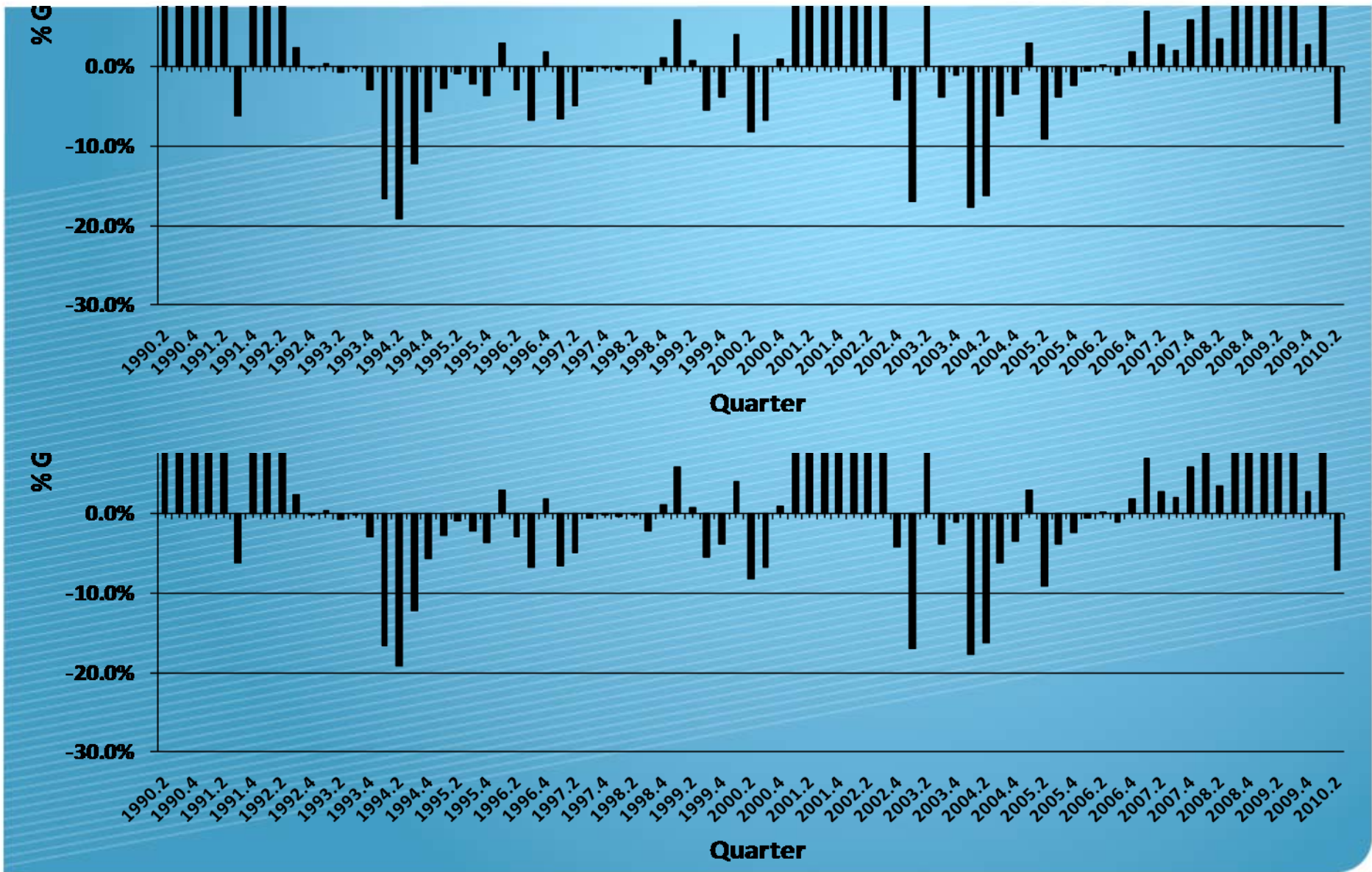


California

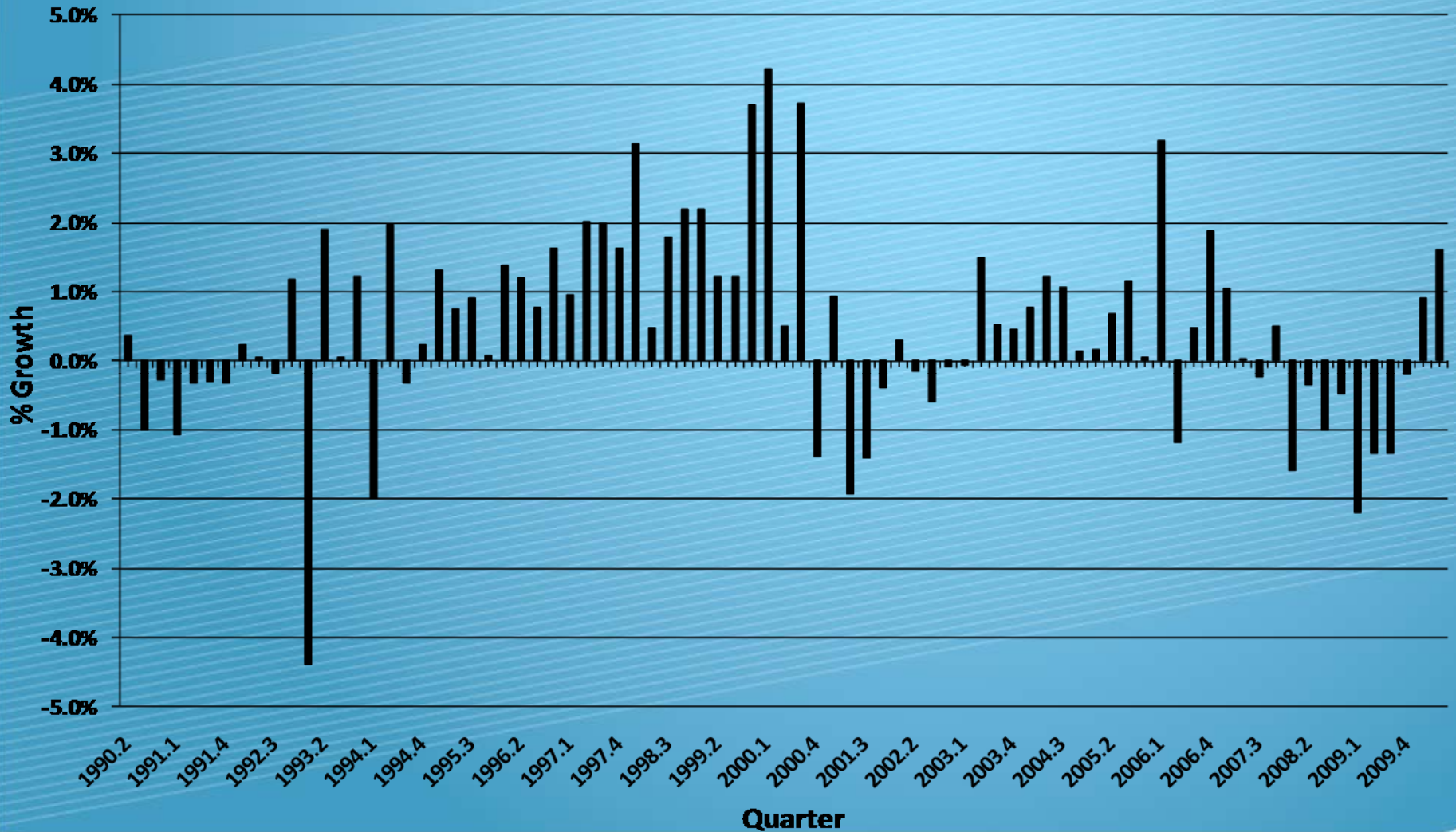
- Labor Markets
 - California continues to lag national employment
 - Hiring a function of business demand and new industries
 - Where are the new industries?
- Cannot rely on current budget model in Sacramento
 - CalPers liability awaits!
 - Do not expect it, but we need reform
 - Mix of higher taxes, less spending coming
- Need business investment, specifically small business
 - State and local government needs to partner here

Unemployment Rates: US & CA, Seasonally Adjusted



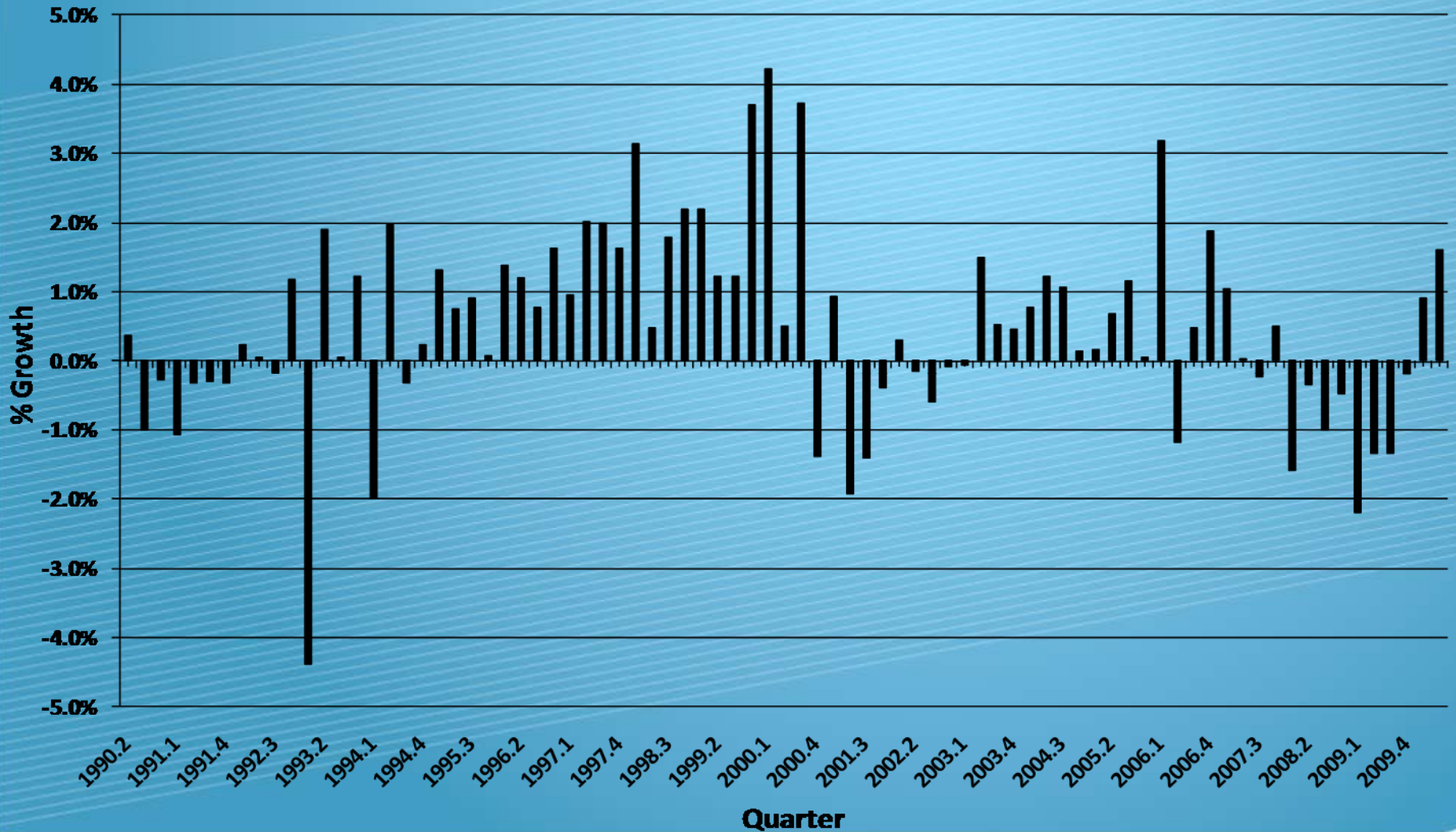


CA Wage and Salary Growth, 2003\$, 1990-2010



Source: BEA (www.bea.gov)

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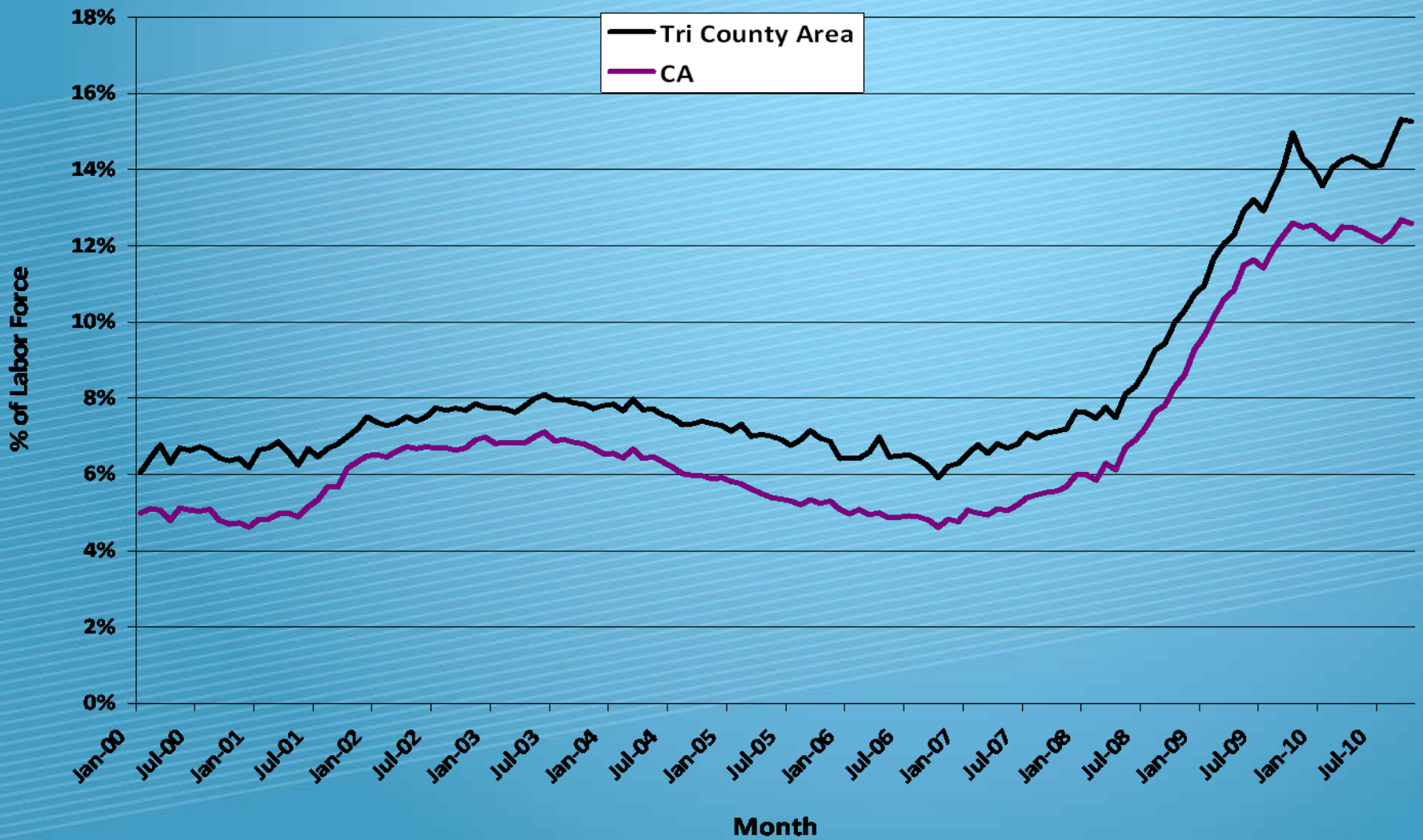


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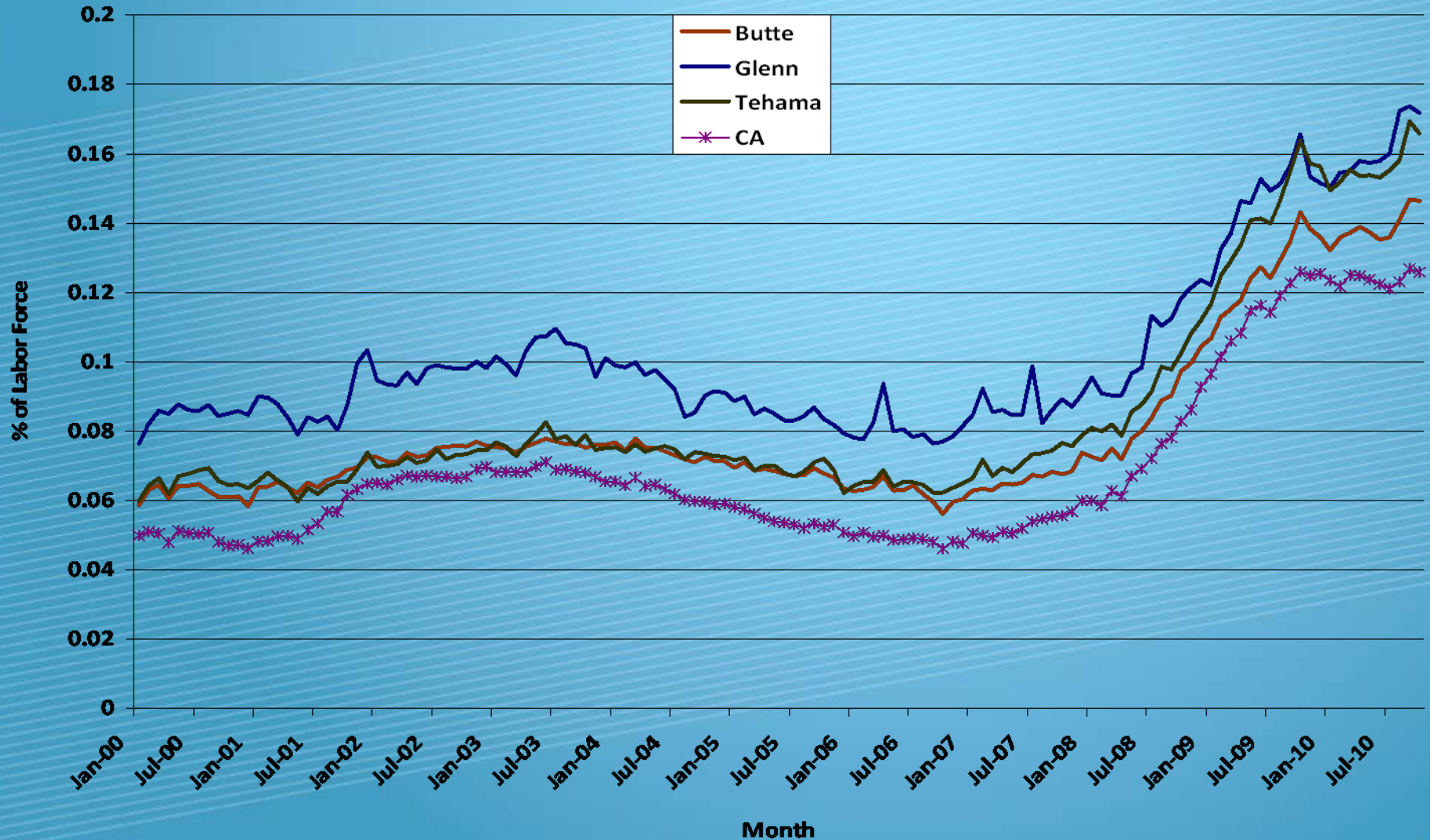
The Tri-Counties Region

- Mainly services and government
 - Agriculture a “basic” industry, provides stability
 - Government jobs mainly local (city and county)
 - CSU Chico a hub employer: state budget may affect this
- Compared to California
 - Higher unemployment than CA on average
 - Can the North State keep local businesses?
 - Real estate market: opportunities here?
- Demography needs to be engaged and stimulated

Unemployment Rates, Tri-Counties and CA, SA, 2000 - Present



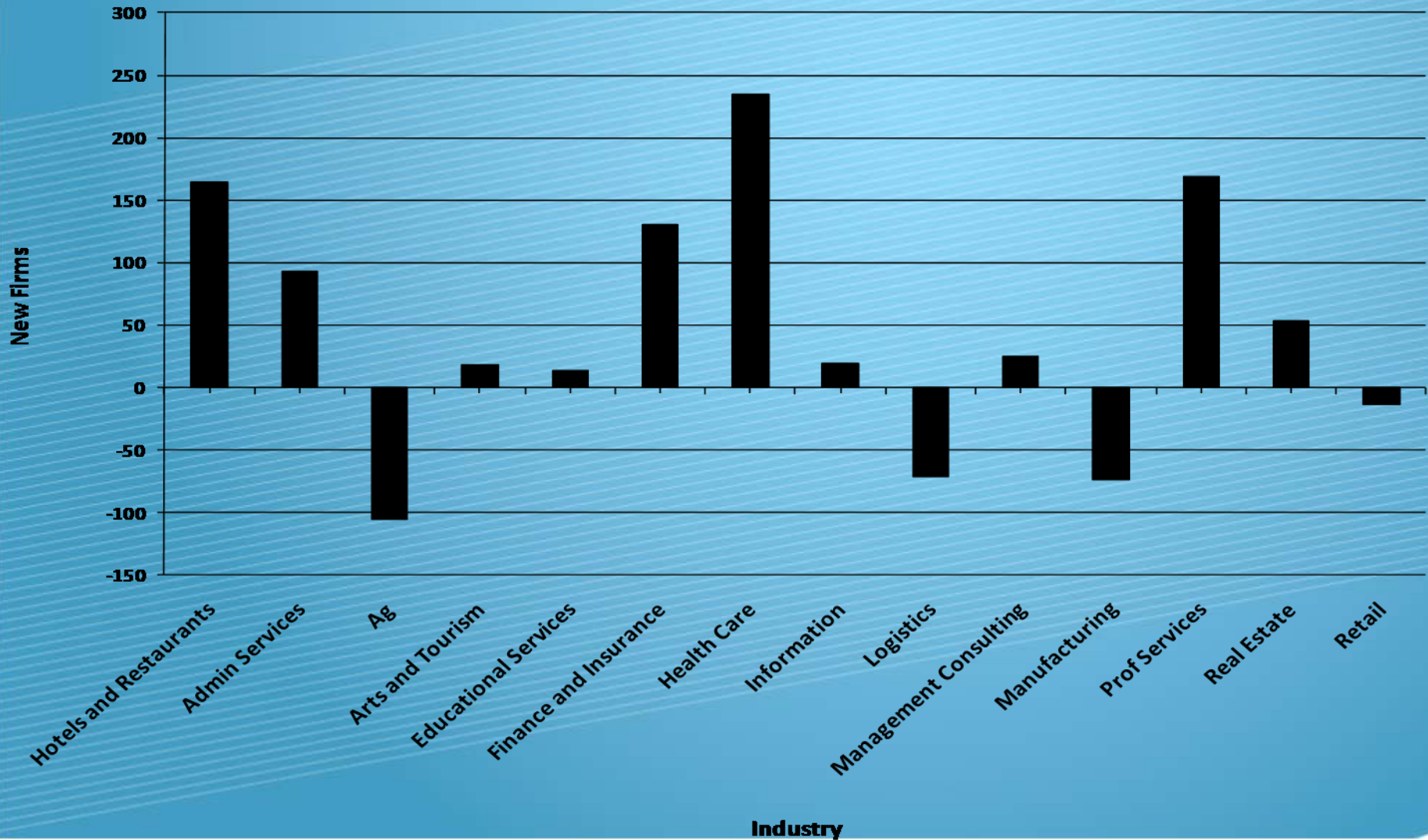
Unemployment Rates, Butte, Tehama, Glenn: SA, 2000 - Present



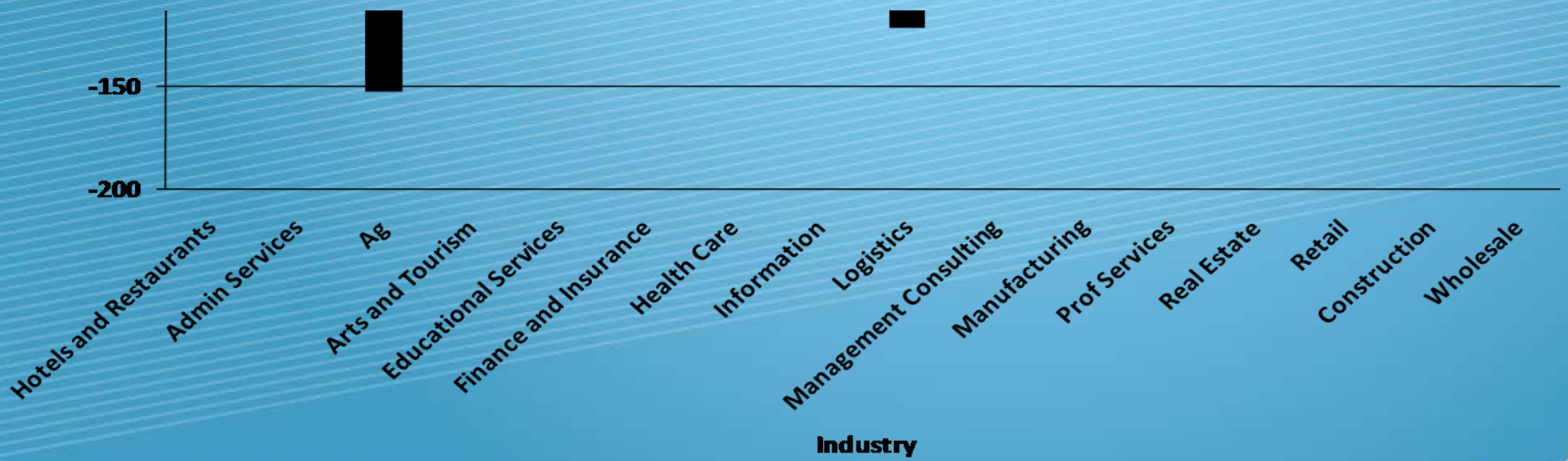
Community vs. Economic Development

- Attracting and retaining new and growing companies
 - Would a large company relocate in the Tri-County area?
 - If not, need to look at small businesses growing and maturing here
- Use of Chico State and Butte College to provide labor force, training and products
 - Commercializing ideas and products for export the key
 - Having a university here a great draw
- Will the labor force stay?
 - Community development roots people to the area

New Firms, 1990 – 2009, Tri-Counties



New Firms, 2002 – 2009, Tri-Counties



Community Development Criteria

- Three “E’s” the current mantra
 - Economic Vitality
 - Social Equity
 - Environmental Balance
- Four keys to community development
 - Celebrate businesses more often
 - Provide giving and PR opportunities if you are a non-profit
 - Specifically to local businesses
 - Government to be a partner for local businesses
 - Reduce costs/time to business while shaping growth
 - Utilize local science, education resources when available

Tri-County Economic Outlook

- Recession through mid-2011 in terms of labor
 - Need to think about innovation
 - Need to engage labor force that comes from Chico State every May
- Recovery underway, permanence the issue
 - Will national policy stimulate local jobs?
 - Will California issues slow down recovery?
 - Can the North State focus on specific sectors and find niche?
- Recognize regional connections
 - All counties are going to scramble for firms
 - Economic development a need now and into the future