



Social Narratives, Economic Realities and the Outlook

Local Narratives and Reality



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Beacon Economics

Independent economic research firm founded in 2006 with a fundamental commitment to letting the *data* determine the *answers*.

Today's Presentation

- What we *think* is happening in our economy (our social narrative or “lived experience”)
- What is *actually* happening in our economy (our objective statistical reality)
- It is the combination of the two that drives the forecast: Narratives drive choices, while economics determines outcomes.

Smart choices and good policies start with the correct narrative.



For slides use the QR code at end of presentation or Email Kristen@beaconecon.com

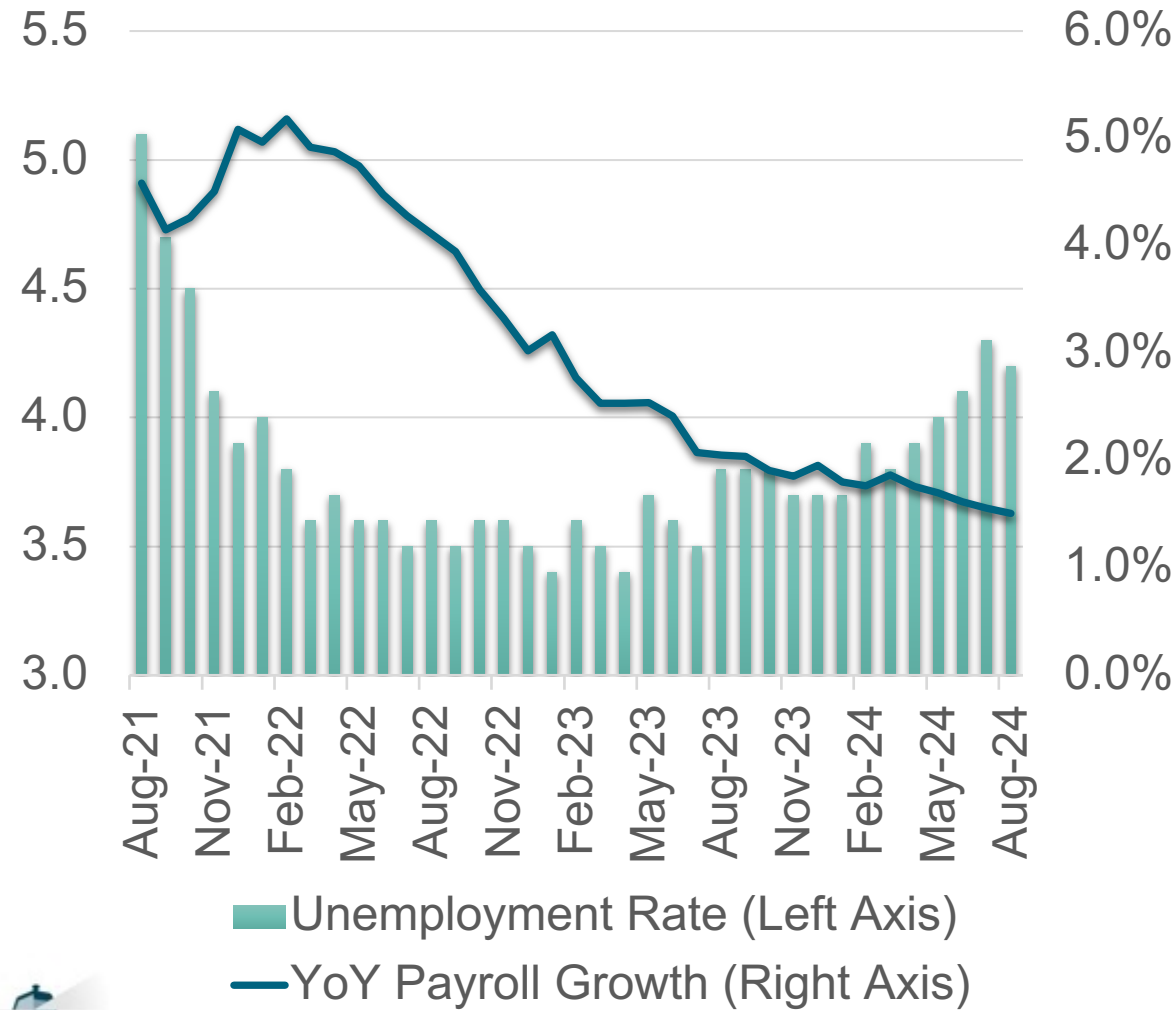
Recent American Narratives

The Age of Miserabilism

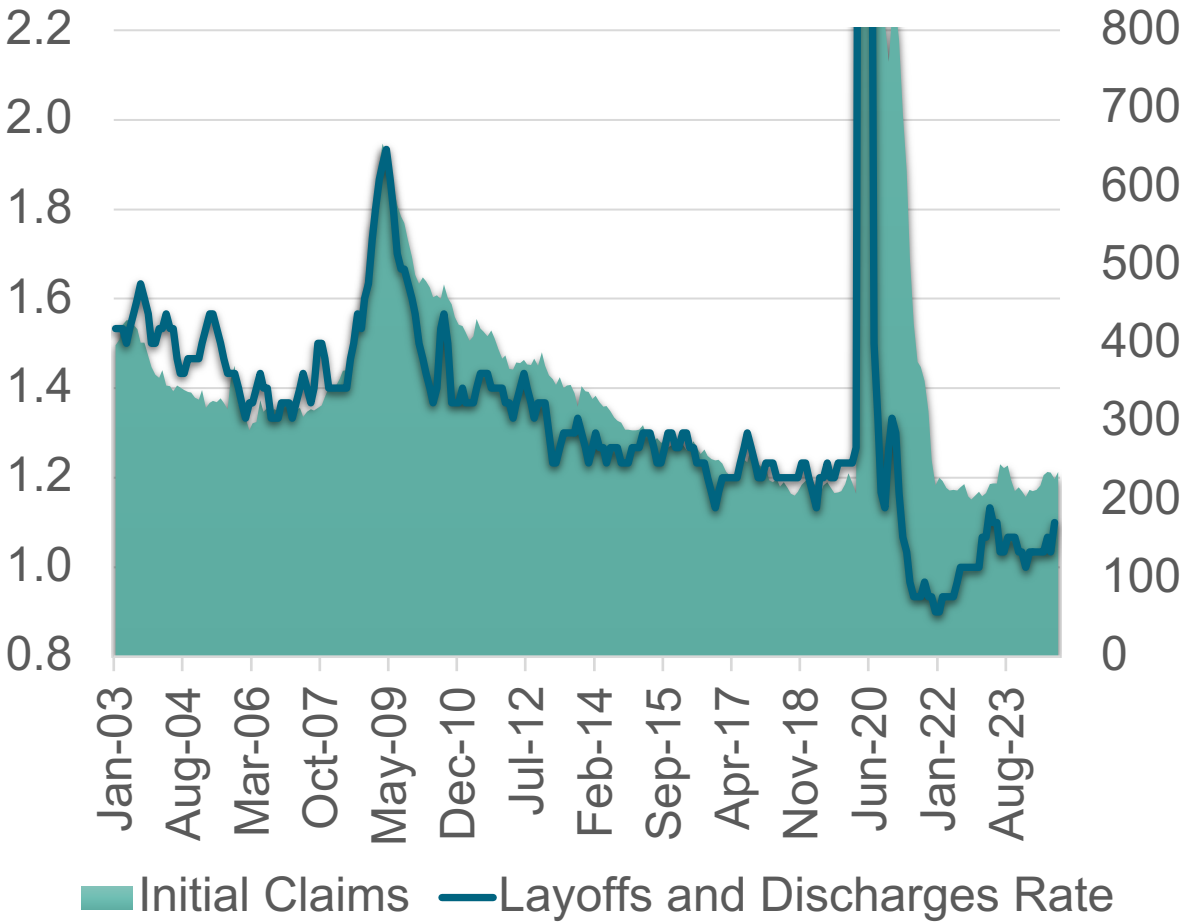


US Labor Markets: Still Tight

US Labor Markets



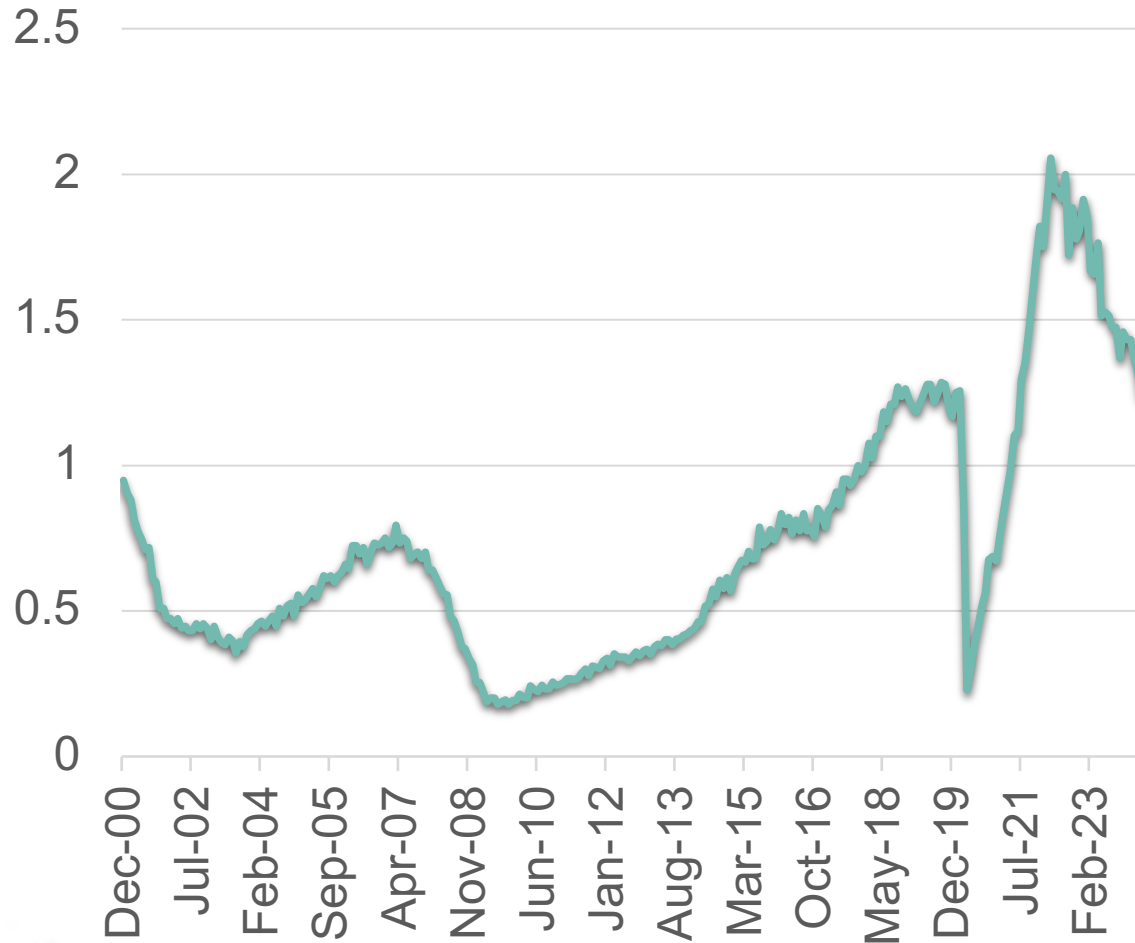
Layoff Rate (%) and Claims for UI (000s)



Tight Markets = Rising Wages



Job Openings / Unemployed



Hourly Wage Growth (YoY) *Inflation Adjusted*



What About Inequality?

YoY Growth Nominal Earnings



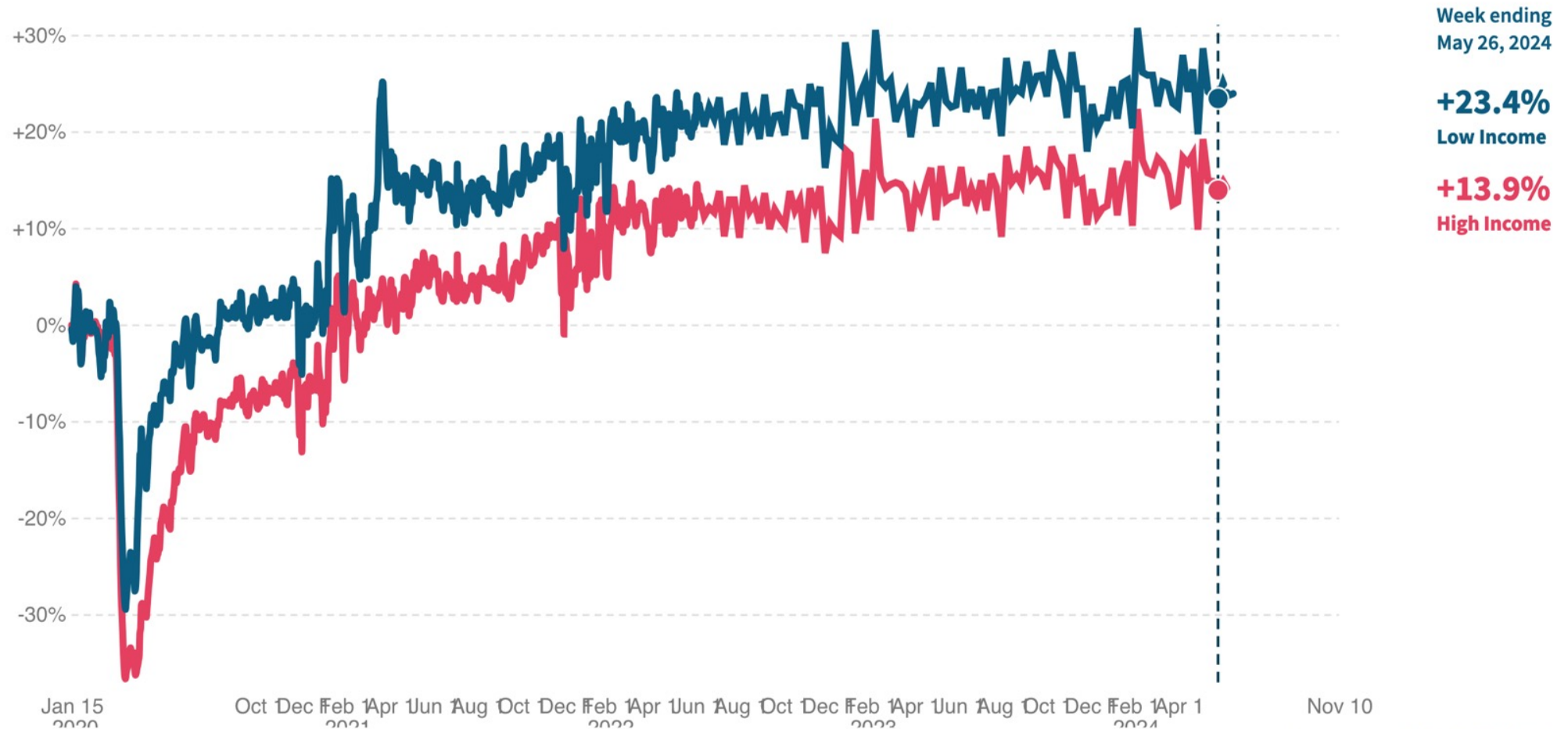
Real Median Net Worth for US Households in 2022 (\$thousands) and Growth Rate 2013-2022

<u>Percentile of net worth</u>		
All families	\$193	87%
Less 25	\$4	0%.
25–49.9	\$93	134%
50–74.9	\$356	67%
75–89.9	\$1036	61%
90–100	\$3795	59%



Percent Change in All Consumer Spending*

In **the United States**, as of **May 26 2024**, total spending by low-income consumers **increased** by **23.4%** compared to January 2020.



data source: **Affinity Solutions**



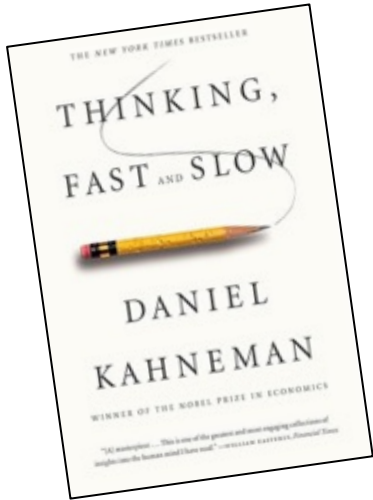
Production Labor Costs

	Q3 2024	2014 -2019	2019 -2024
	Hourly Earnings		
Restaurants	\$20.5	18.1%	35.6%
Hotels	\$23.5	10.5%	32.4%
Entertainment	\$23.1	15.4%	28.5%
Construction	\$41.3	13.0%	25.7%
Total	\$35.1	12.3%	25.3%
Retail	\$24.6	12.7%	23.9%
Trucking	\$31.4	13.7%	23.2%
Warehouse	\$24.7	12.2%	19.2%

Traveler Accommodation	Q1-24 Avg. Annual Wage (\$)	1-Year Chg. (%)	5-Year Chg. (%)
United States	45,010	3.5	24.5
South Carolina	37,136	4.1	34.0
Florida	48,005	3.0	29.3
Pennsylvania	37,450	3.4	27.4
Illinois	49,141	3.1	27.1
Arizona	46,172	1.7	26.7
Washington	42,698	4.2	25.2
Ohio	30,984	3.9	25.1
Texas	40,010	3.4	23.3
New York	64,879	2.7	20.2
California	50,547	1.8	18.1



How do narratives go astray?



“System 1” is fast, instinctive and emotional; “System 2” is slower, more deliberative, and more logical.” *“System 1 is gullible and biased to believe, System 2 is in charge of doubting and unbelieving, but System 2 is sometimes busy, and often lazy”*

Some Examples of Cognitive Biases

- Anchoring bias
- Apophenia
- Availability heuristic
- Cognitive dissonance
- Confirmation bias
- Egocentric bias
- Extension neglect
- False priors
- Framing effect
- Logical fallacy
- Prospect theory
- Self-assessment
- Truth judgment

Are the horizontal lines parallel?



We don't think as much as
we think we think.



How About Gen-Z?

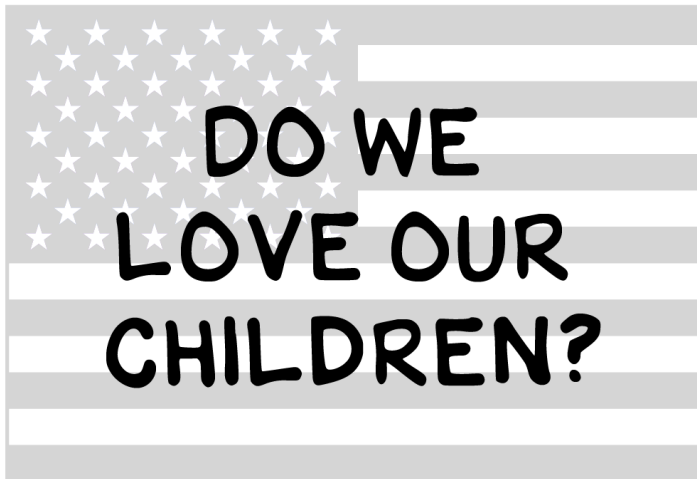
NO MERCY/NO MALICE

War on the Young



Scott Galloway @profgalloway

Published on April 19, 2024



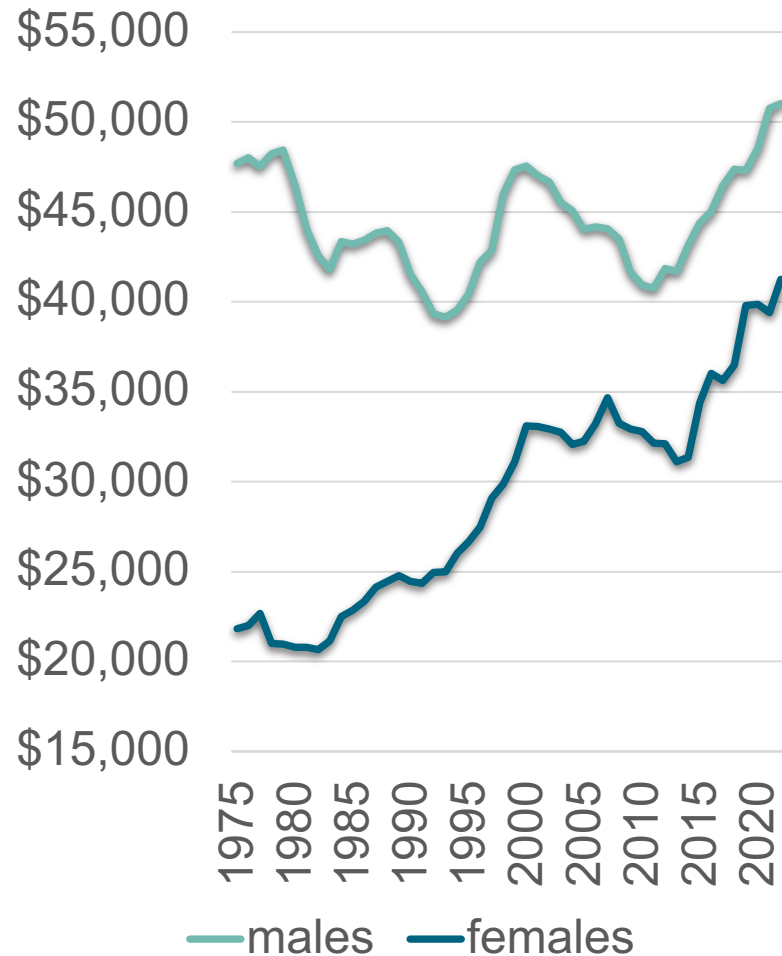
Why the “social contract” has been broken:

- Today’s 25-year-olds make less than their parents and grandparents did at the same age
- They carry student debt loads unimaginable to earlier generations
- Housing costs have outpaced them

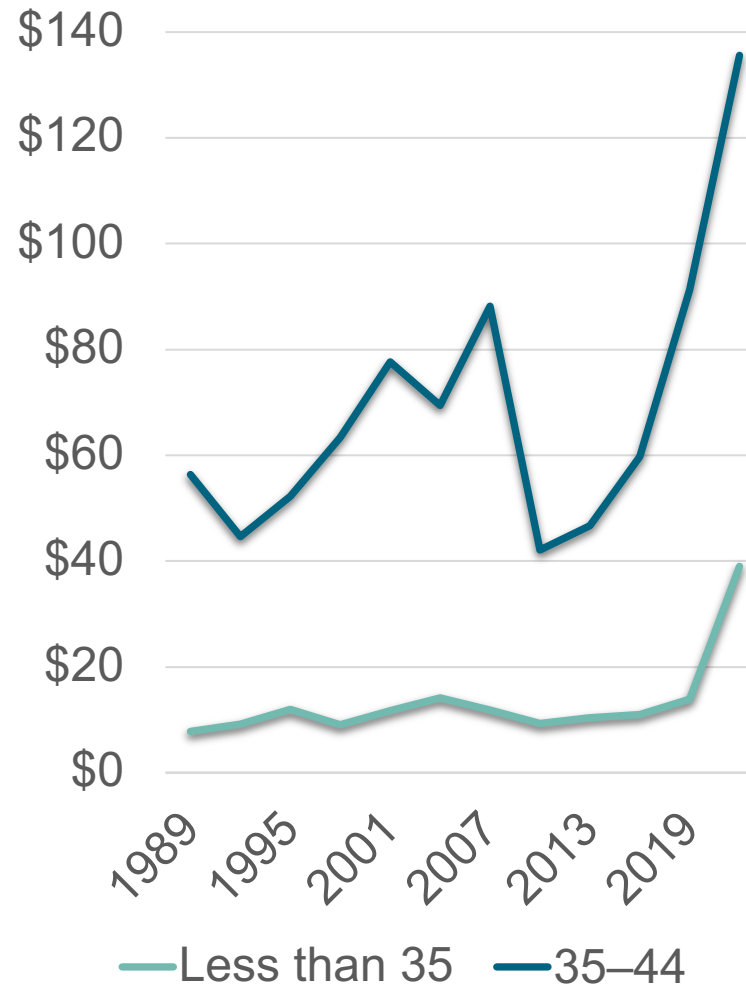


What about Gen Z's income & wealth?

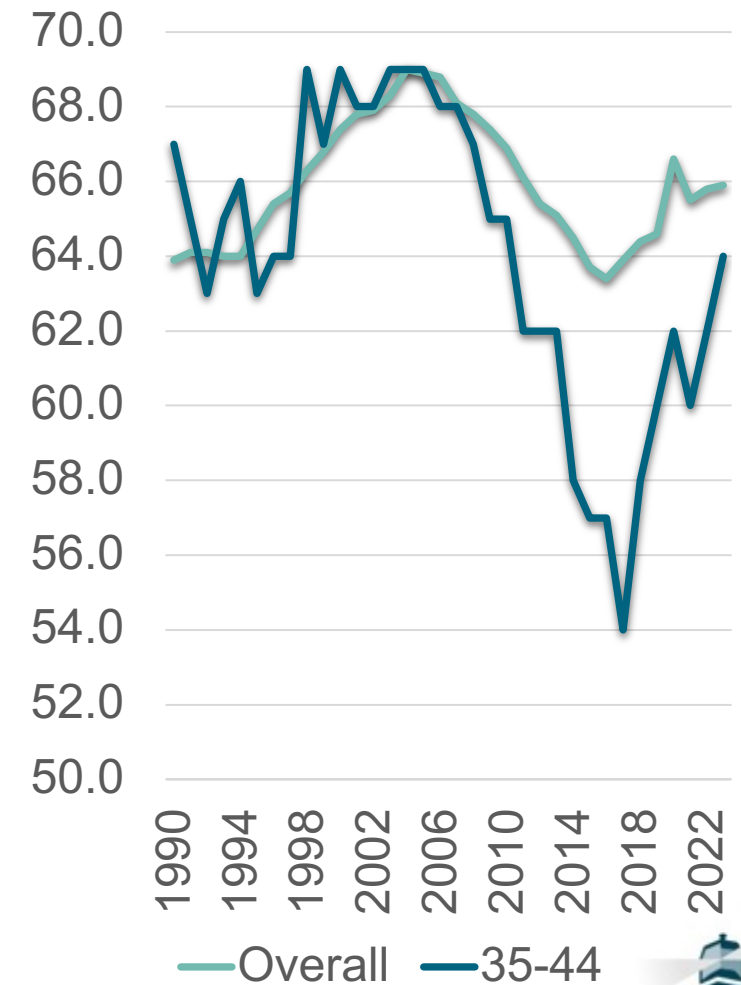
Real Median Income 25-34 Years



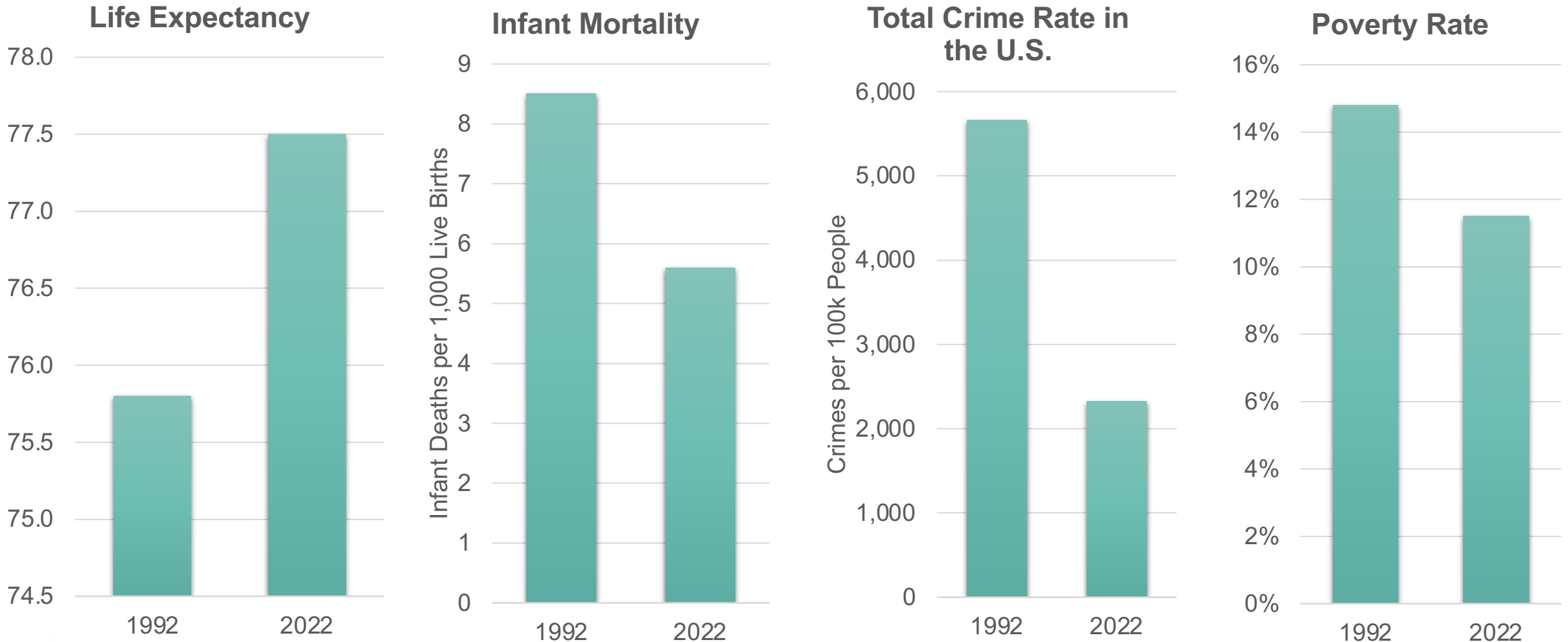
Real Median Net Worth \$000's

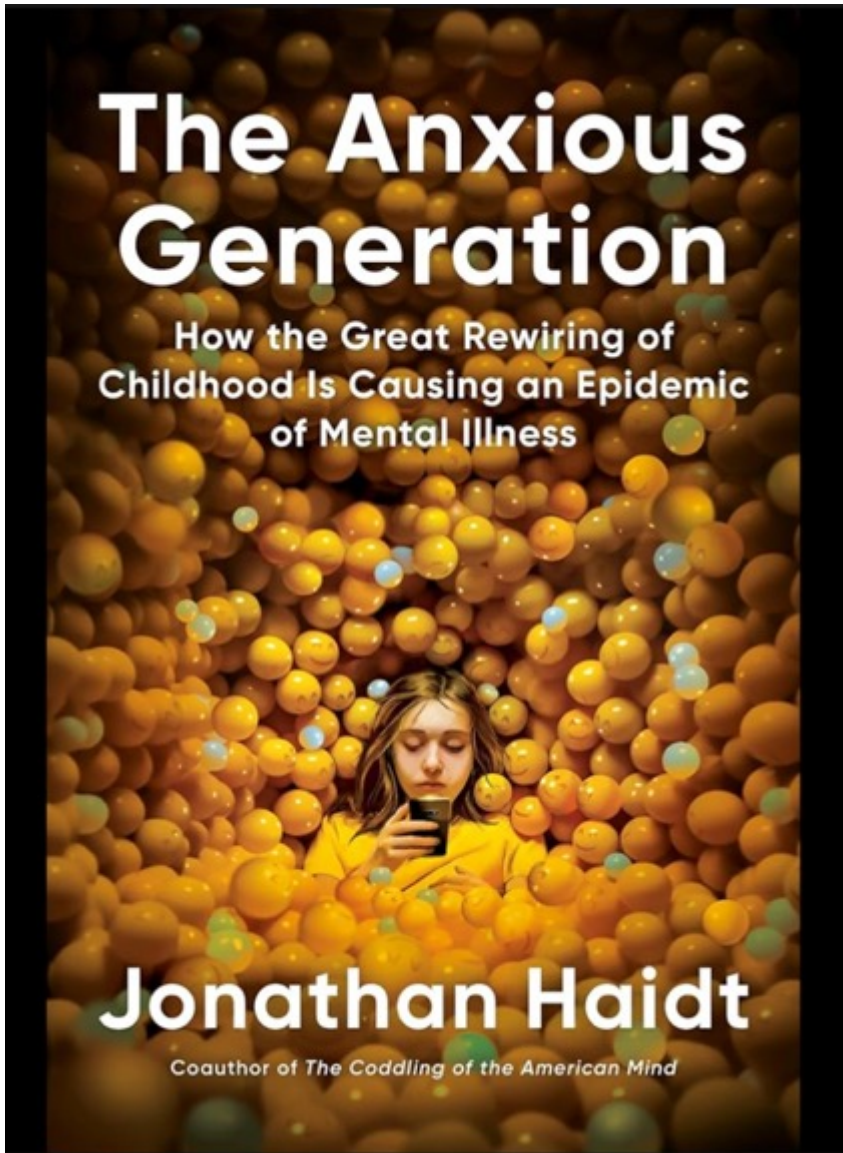


Home Ownership Rates

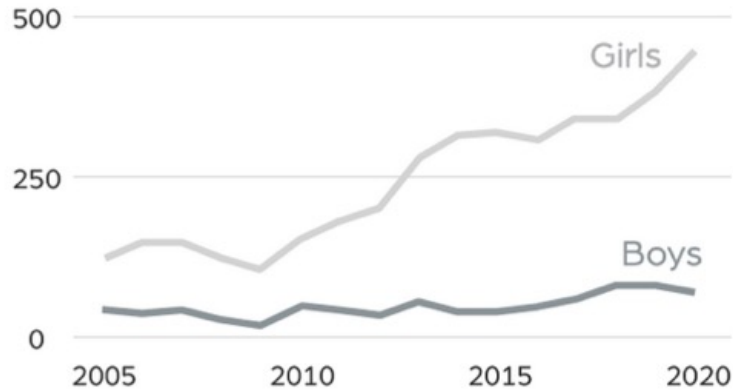


Other Quality of Life Metrics

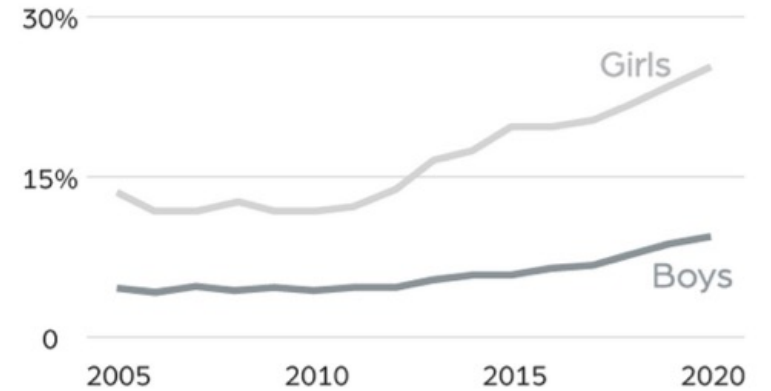




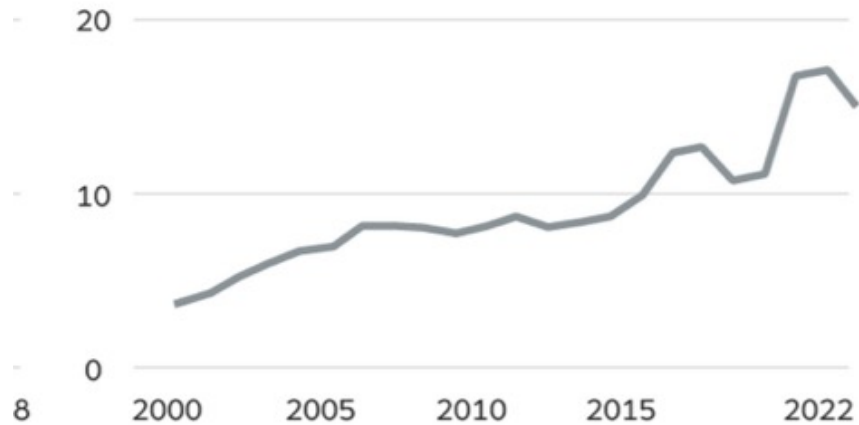
Self-Harm Rates
Ages 10-14, Per 100K population



Teens with Depression

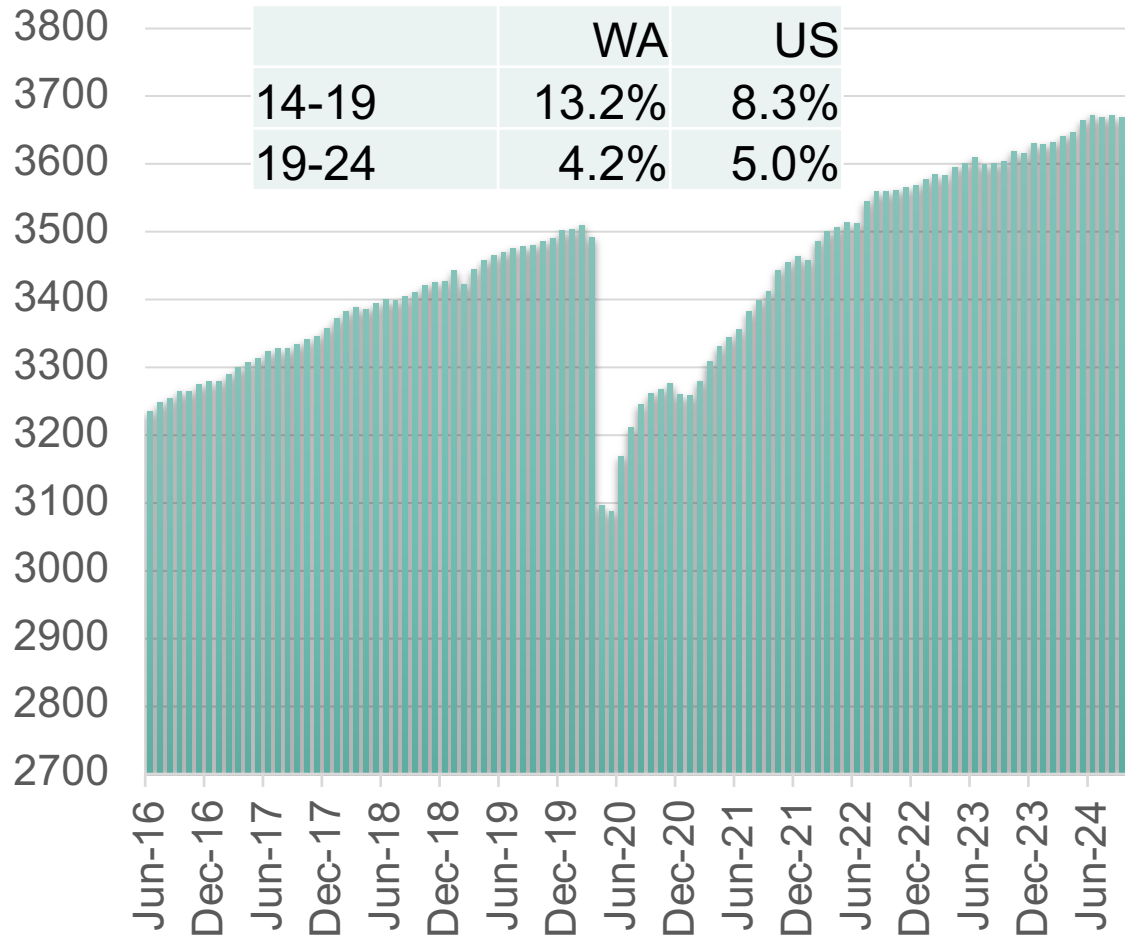


Overdose Deaths
Ages 15-24, Per 100K population

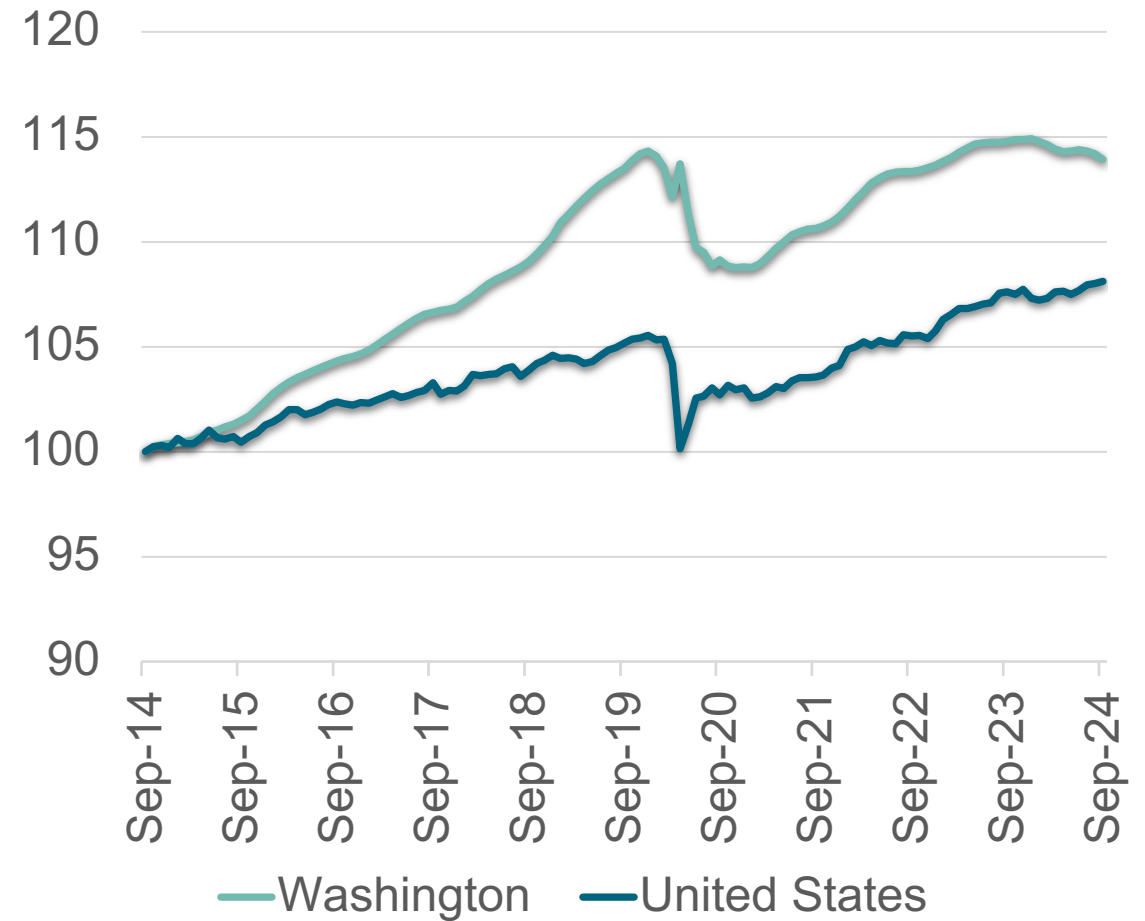


State Employment Trends

Washington Payrolls

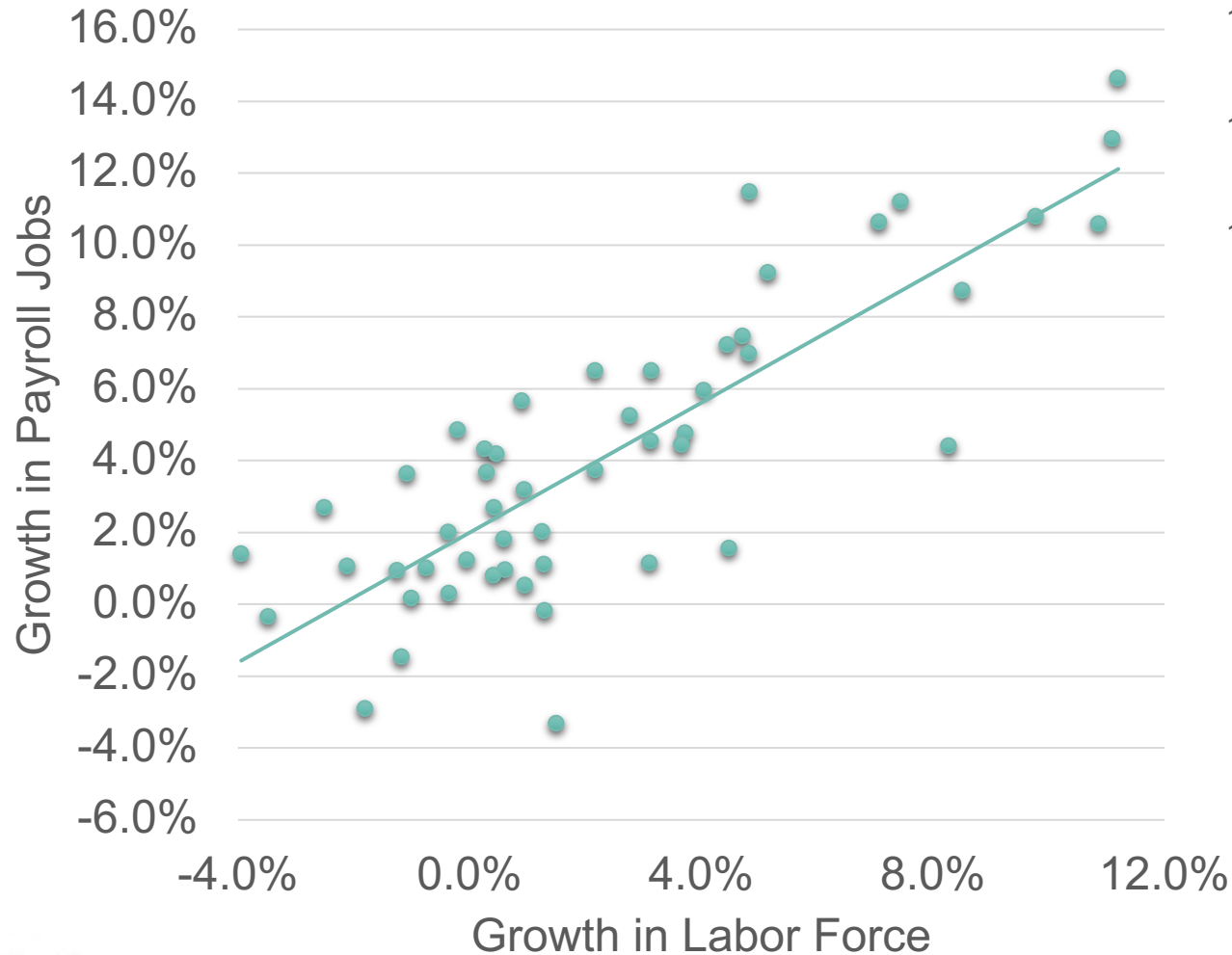


Indexed Labor Force

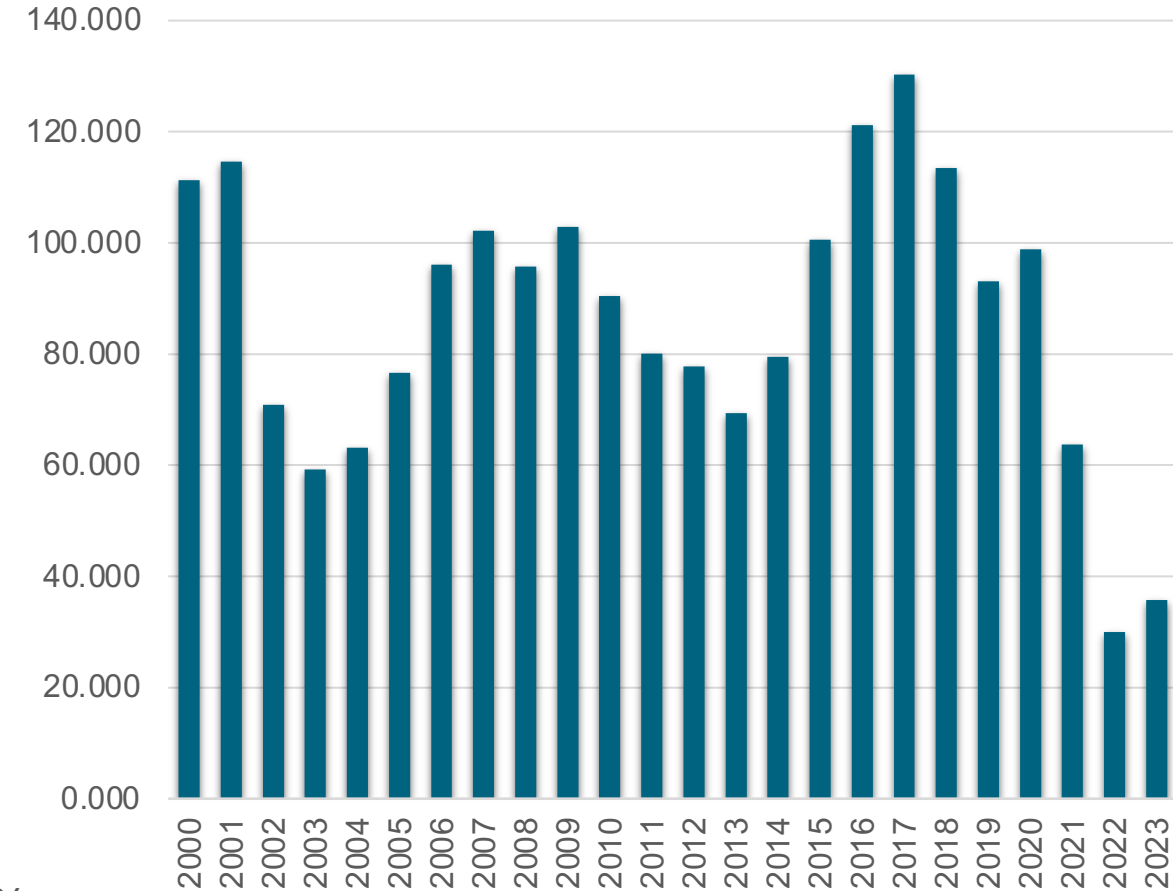


Regional Differences?

Labor Supply = Job Growth



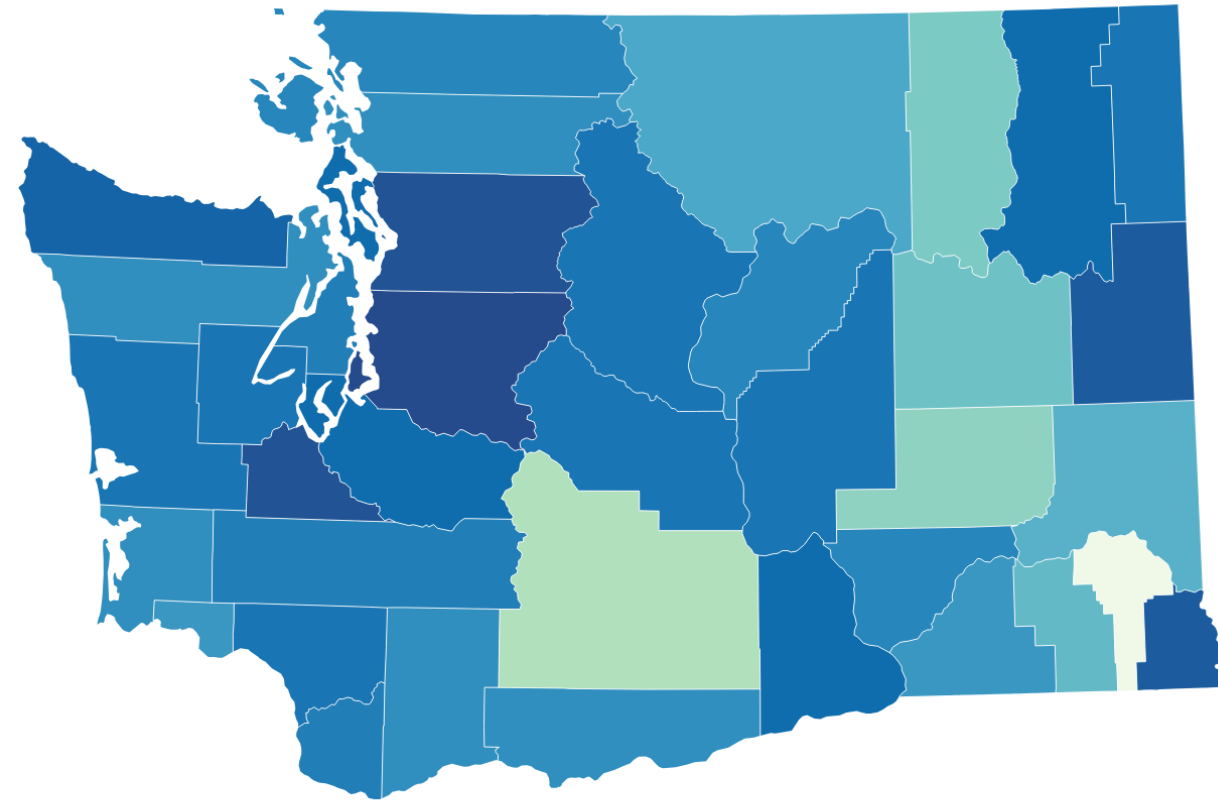
Change in WA State Population



Regional LF Constraints

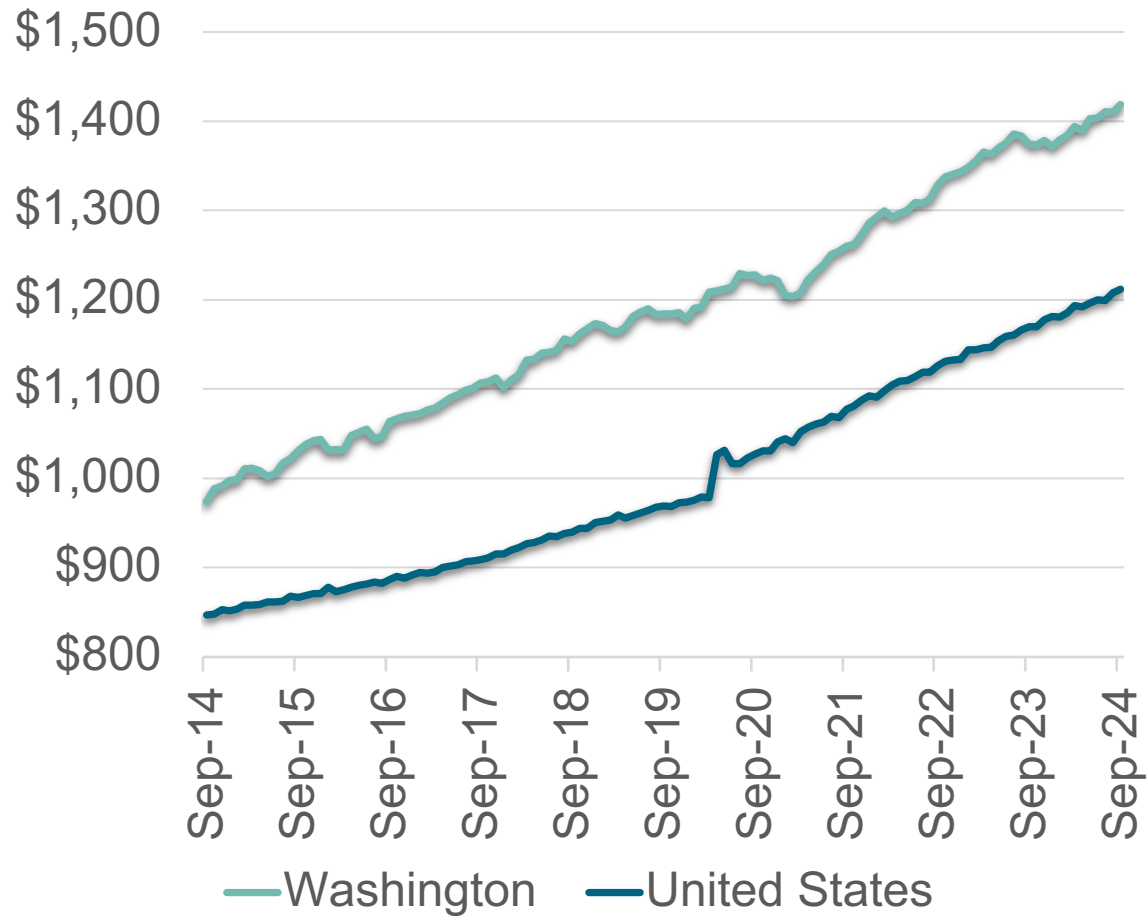
	Jun 2024	5 Year	1 Year
Snohomish	303,698	3.3%	2.9%
Yakima	124,161	-2.3%	2.2%
Thurston	130,330	9.7%	2.0%
Clark	184,970	11.3%	1.8%
Pierce	338,052	6.2%	1.1%
Spokane	247,429	6.9%	1.0%
Kitsap	94,979	2.5%	0.7%
Benton	102,152	5.3%	0.5%
Whatcom	95,304	2.1%	0.5%
King	1,471,807	1.9%	-0.1%

Labor Force Growth 5-YR (%)



Washington Worker Earnings

Average Weekly Wage

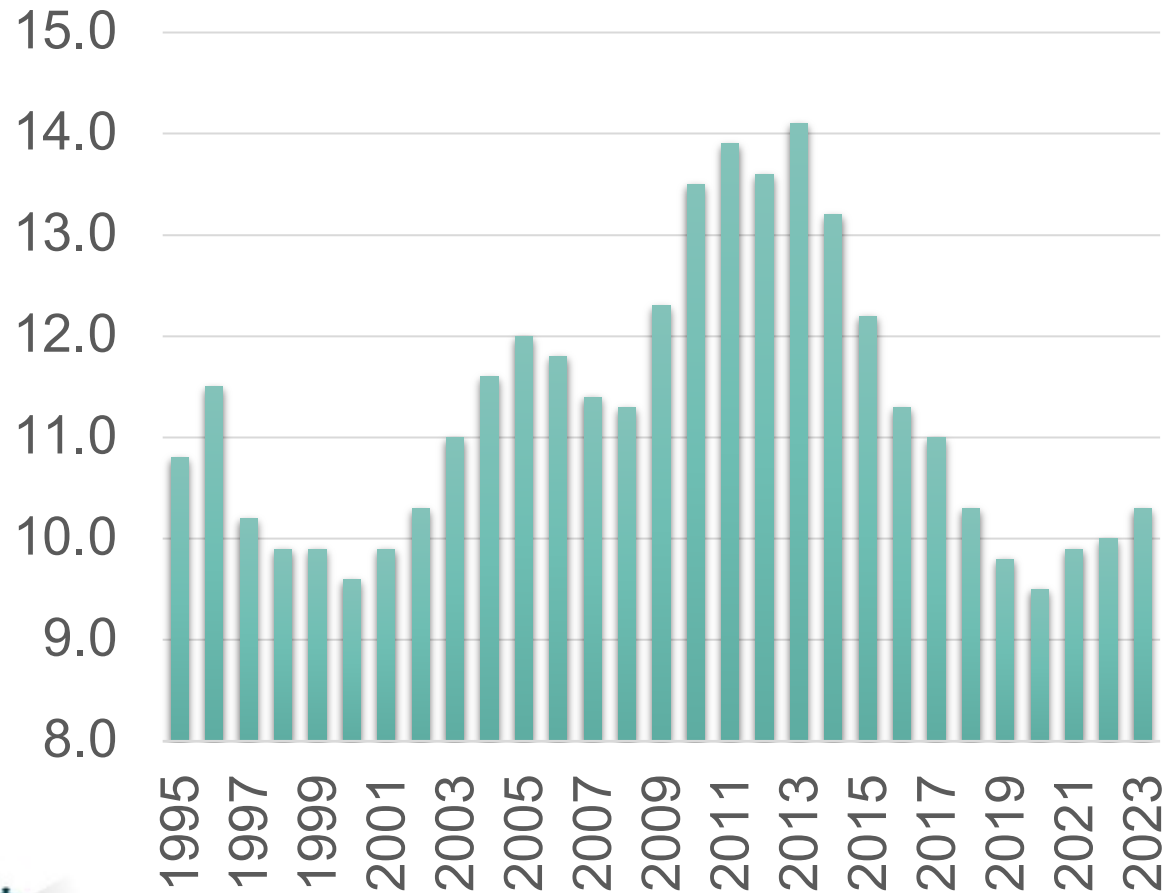


	United States		Washington	
Median all	\$45,105	27.8%	\$52,533	30.4%
Median FT	\$60,070	24.3%	\$71,874	28.9%
< High school	\$31,660	29.1%	\$36,828	28.7%
High school	\$39,428	26.1%	\$44,866	25.1%
Some college	\$45,924	24.6%	\$52,013	27.6%
Bachelor's	\$67,256	23.1%	\$78,485	28.4%
Graduate	\$86,524	19.4%	\$102,656	27.5%

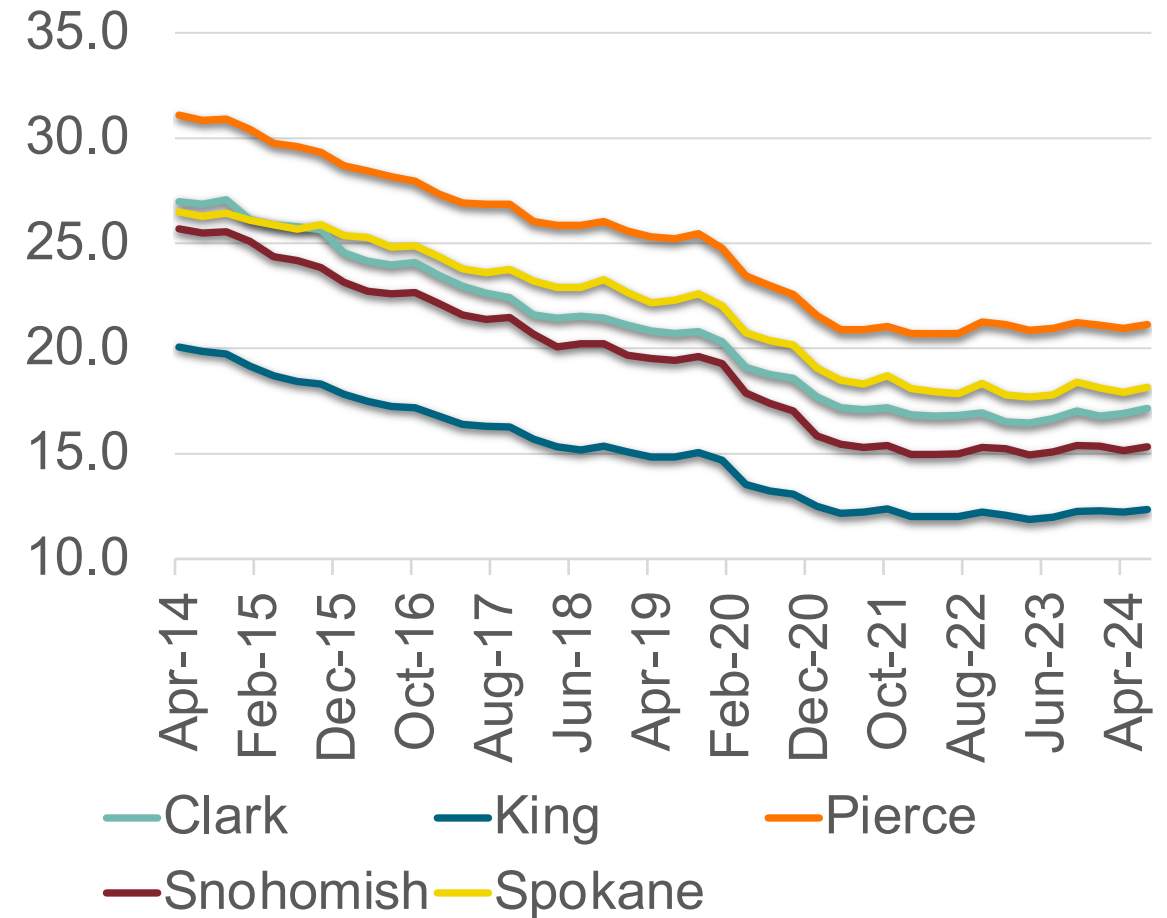


And state inequality?

Poverty Rate Washington State (%)



Share of Population with Sub-Prime Credit Score

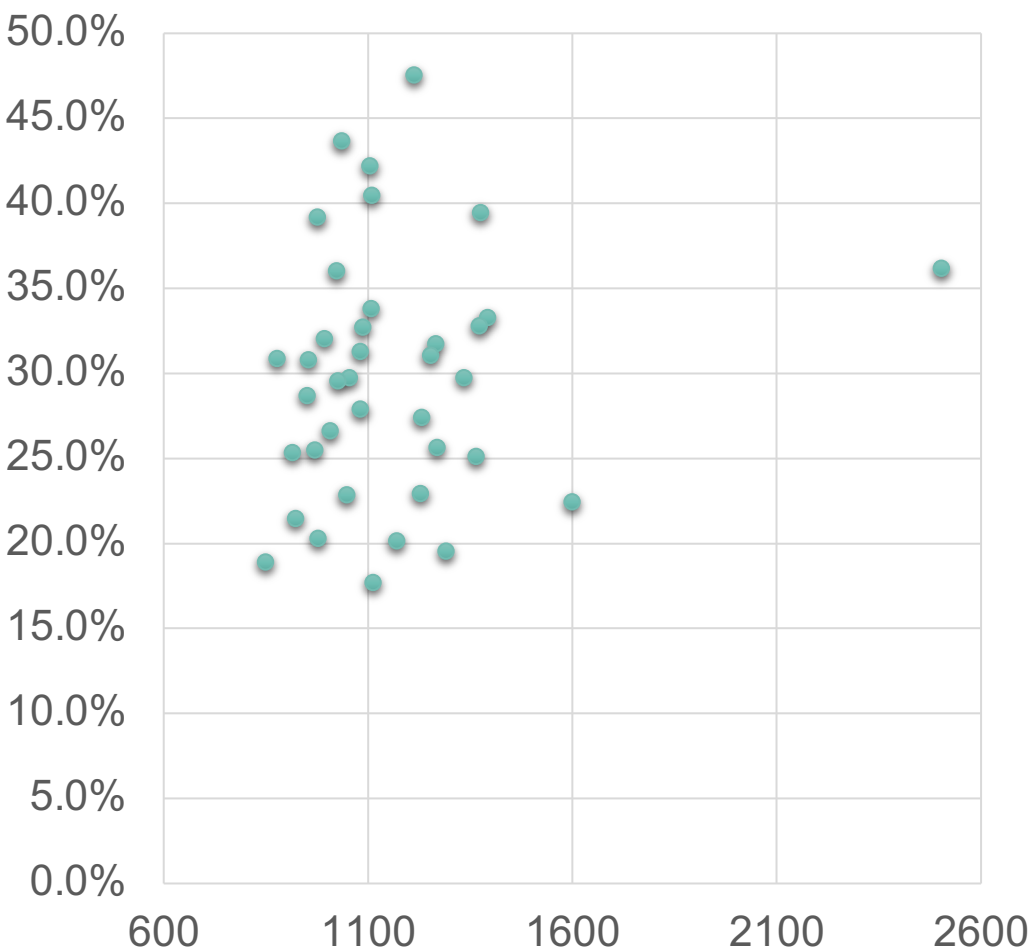


Regional Differences

Earnings by Education

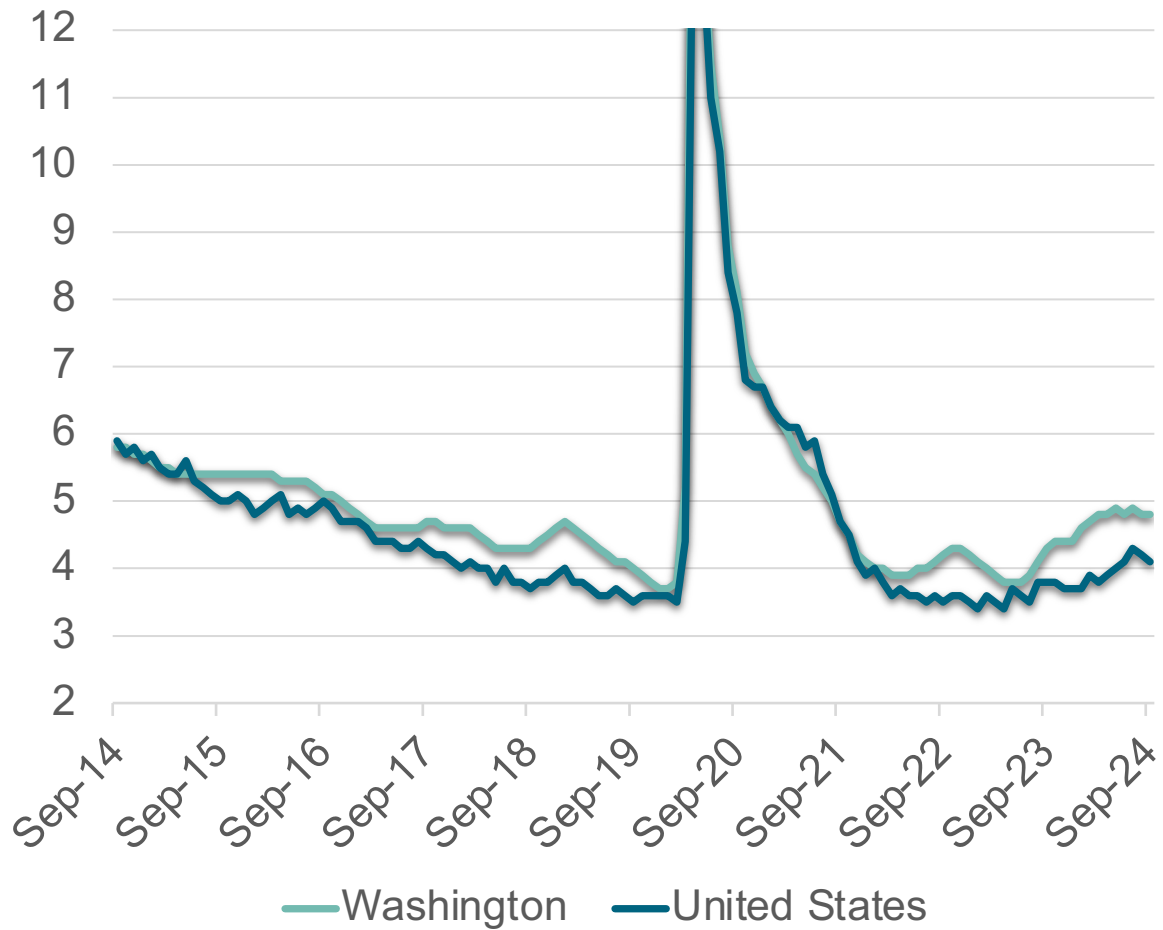
	< HS	HS	SC	Bach	Grad
Clark	\$36,178	\$46,119	\$52,641	\$75,657	\$88,467
	18%	26%	24%	41%	27%
King	\$41,117	\$44,384	\$56,797	\$92,187	\$124,112
	35%	22%	34%	30%	33%
Pierce	\$44,023	\$51,603	\$54,395	\$72,011	\$92,329
	41%	33%	28%	19%	26%
Snoho	\$45,599	\$46,569	\$57,402	\$82,994	\$107,168
	46%	13%	21%	27%	31%
Spokane	\$33,204	\$40,210	\$46,874	\$60,591	\$81,683
	46%	33%	39%	25%	18%
Yakima	\$32,622	\$37,036	\$46,422	\$72,662	\$91,111
	22%	30%	32%	57%	48%

Weekly Earnings and Growth by Washington County 2019-2024

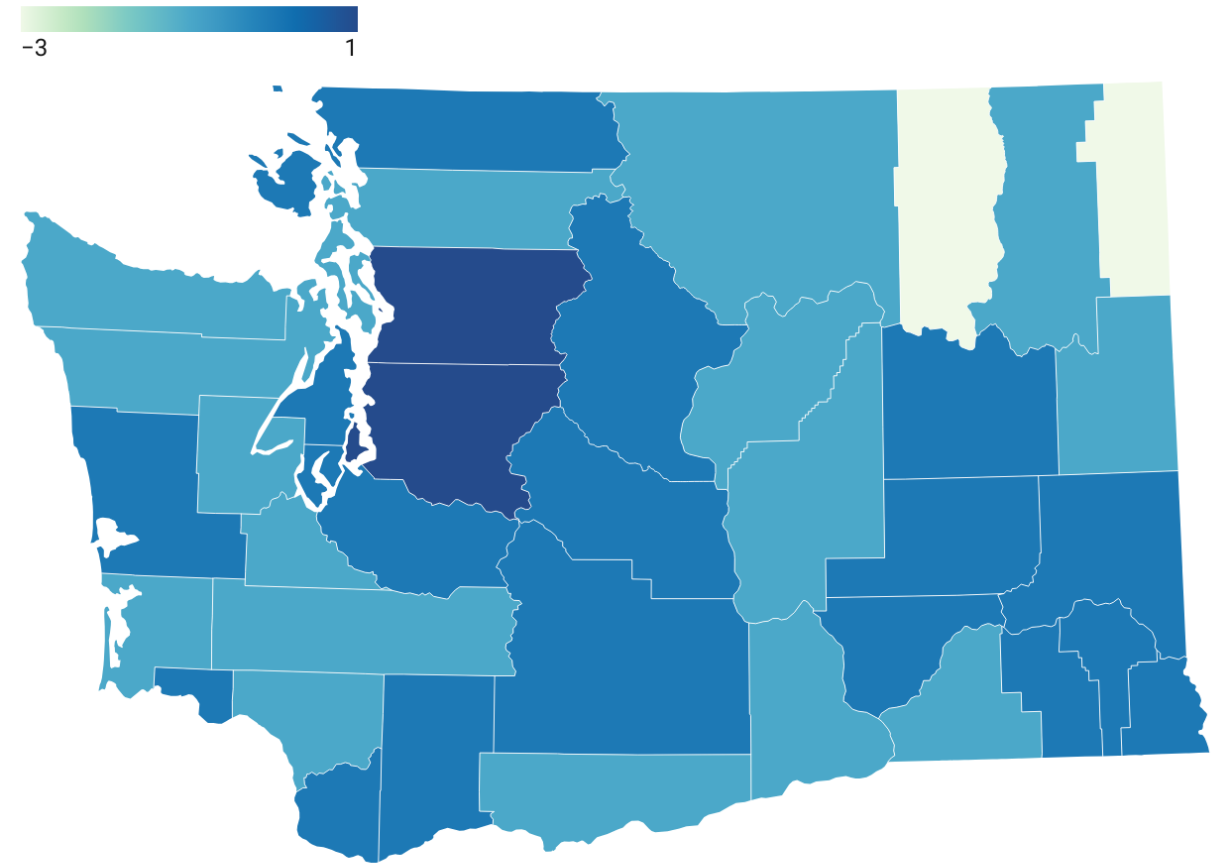


Unemployment?

Unemployment Rate



Unemployment Rate 5-YR pp

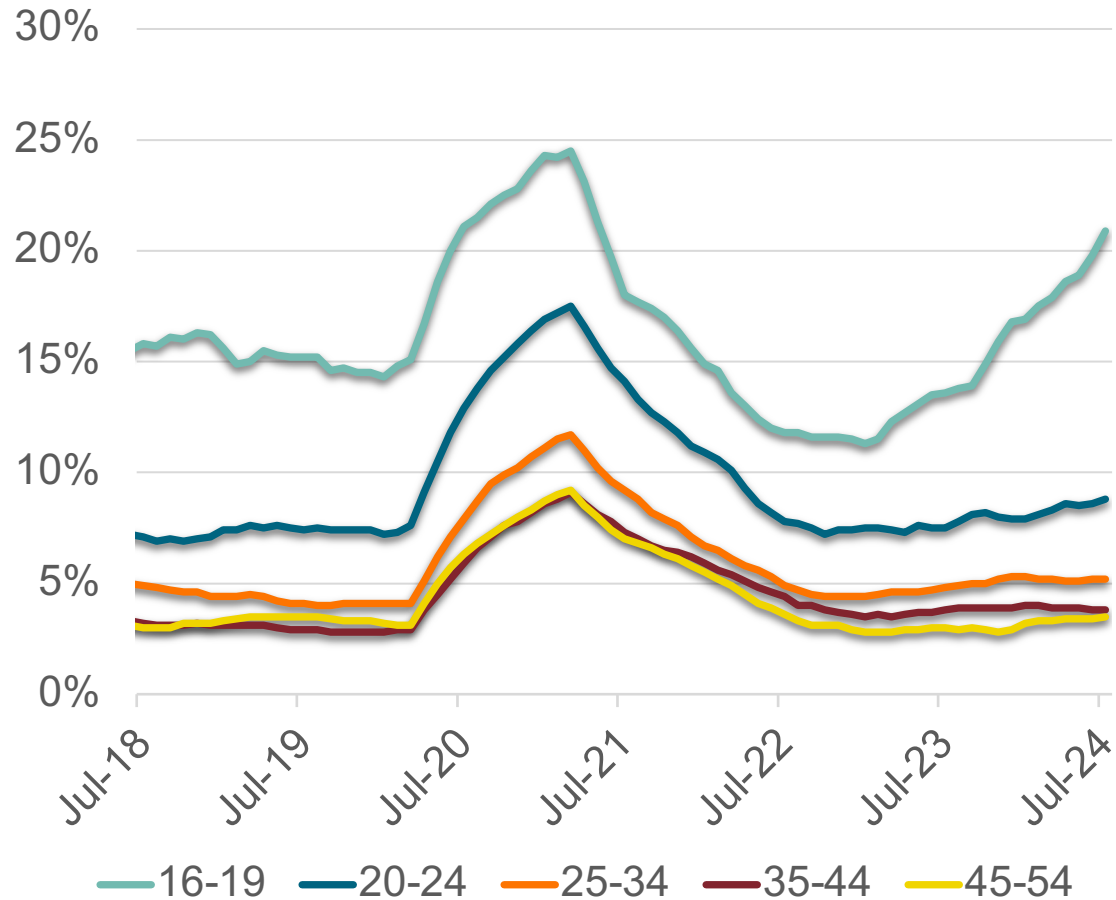


Created with Datawrapper



State Unemployment

Washington Unemployment Rate by Age



Minimum wages in Seattle area among highest in nation

Washington has the highest state minimum wage in the nation. But Seattle, Tukwila and SeaTac take it a step further, with workers making at minimum around \$20.

Washington state	\$16.20/hr
City of Seattle large employers**	\$19.97/hr
City of Seattle small employers**	\$17.25/hr
City of Tukwila large employers***	\$20.25/hr
City of Tukwila mid-size employers***	\$18.25/hr
City of SeaTac hospitality and food/beverage	\$19.71/hr

**Seattle: Large employers have more than 500 employees; small employers have 500 or fewer. If a small business employer makes at least \$27.25/hr in tips or in medical benefits paid by the employer, then the minimum wage is \$17.25/hr.

***Tukwila: Large employers have more than 500 employees; mid-size employers have 10 to 500 employees with fewer than 25 employees are subject to the state minimum wage.

Sources: Washington Department of Labor & Industries, City of Seattle, City of Tukwila, City of SeaTac.

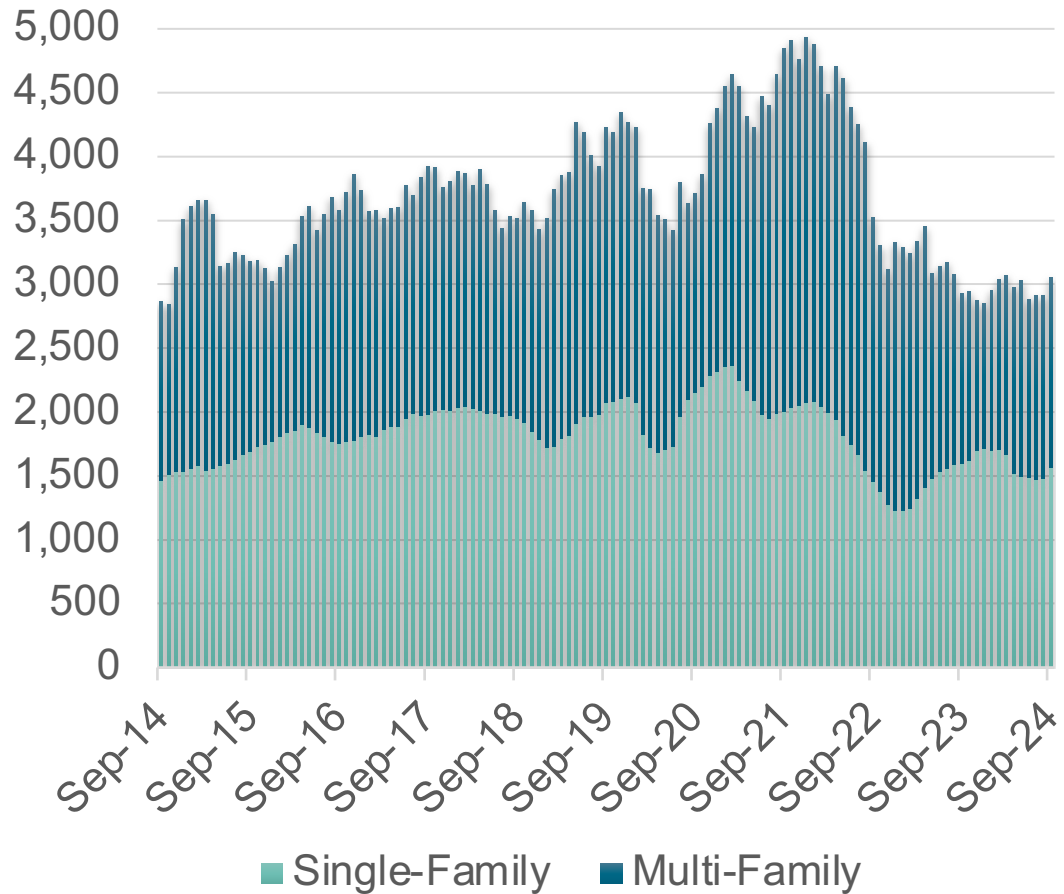


FRANK WERTON, BRIAN HOWLER / THE SEATTLE TIMES

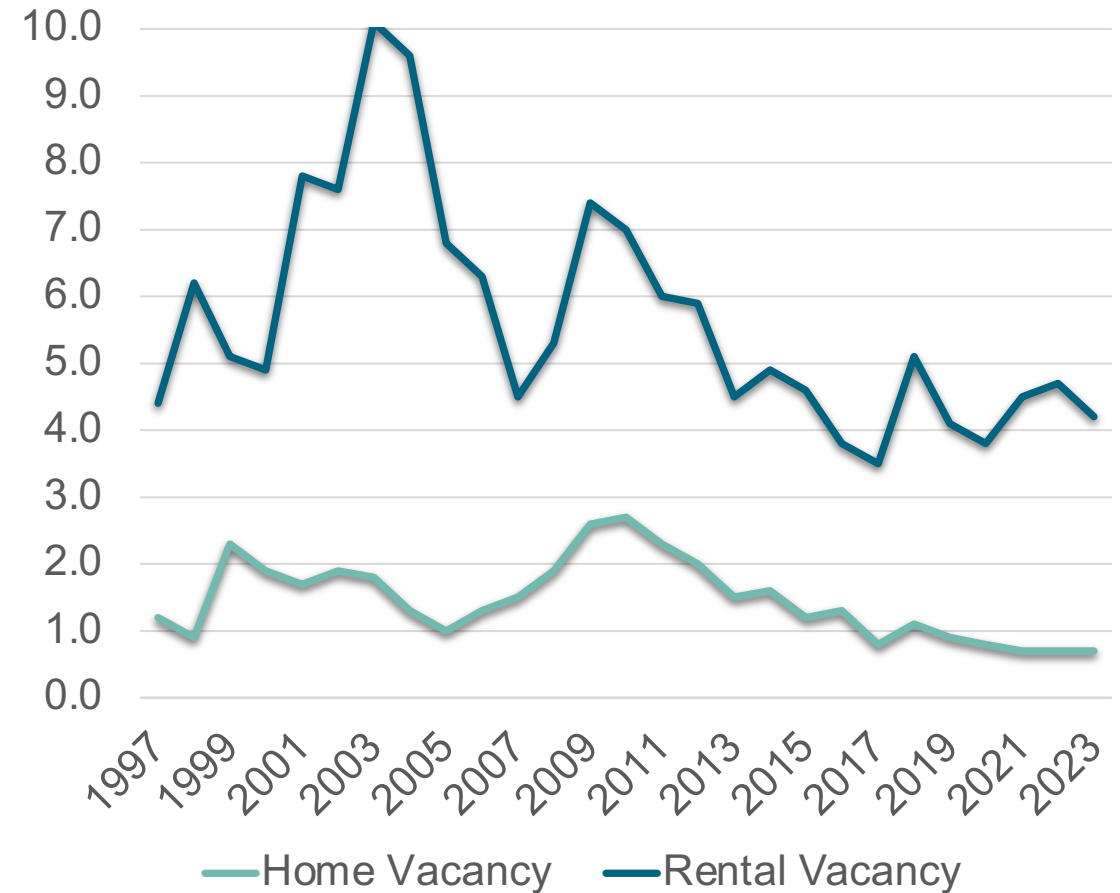


Residential Permits

Washington State Residential Permits



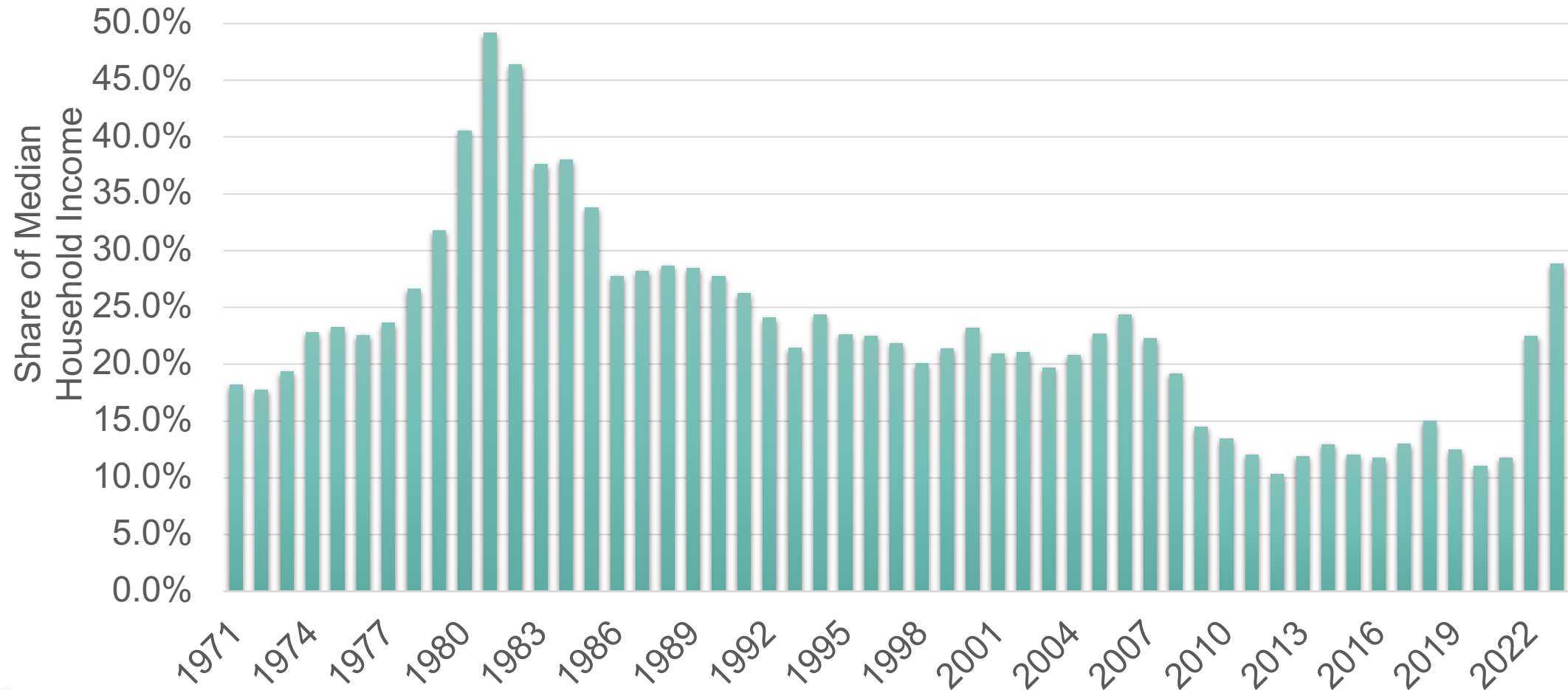
Washington State Housing Vacancy Rate



But we can NEVER afford a house...

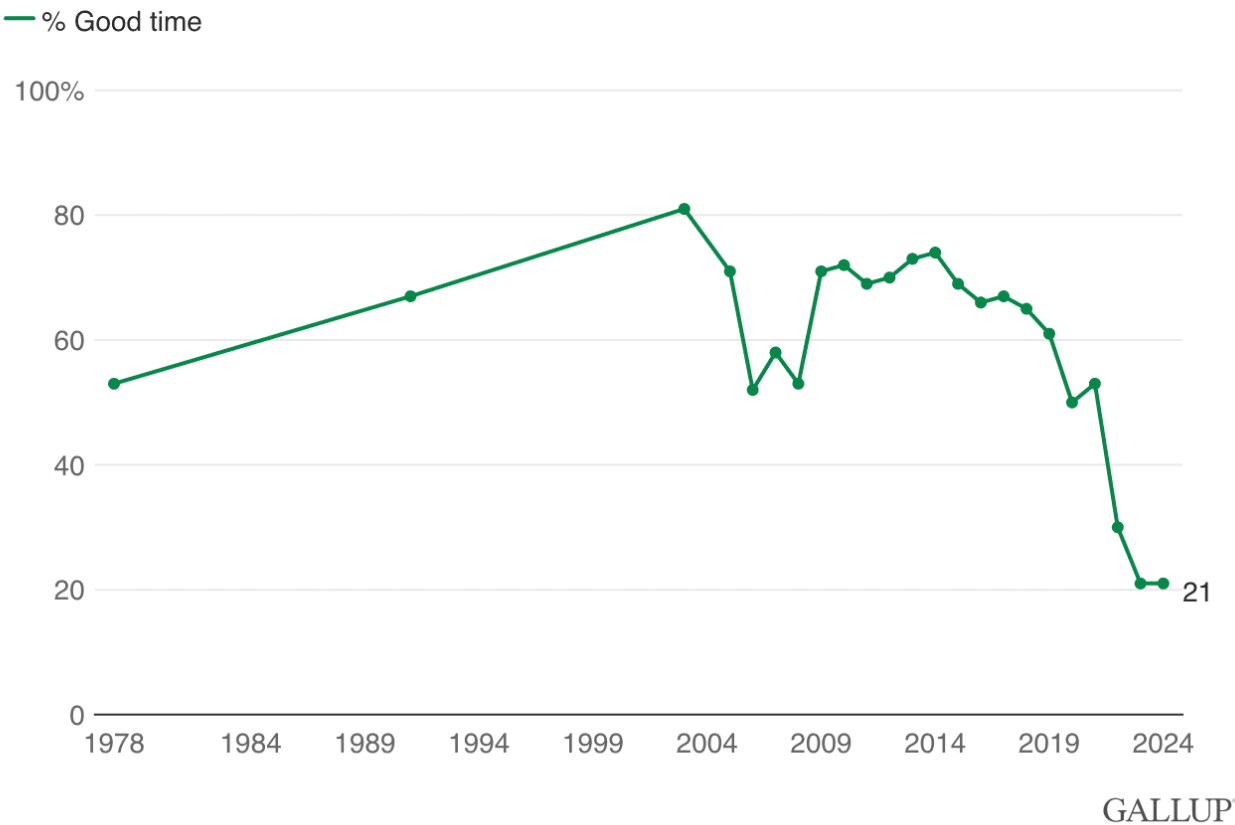
Existing Home Affordability

Interest Payment on Median Priced Home at Current Mortgage Rates



Americans' Positive View of U.S. Housing Market Remains at Record Low

For people in general, do you think that now is a GOOD time or a BAD time to buy a house?

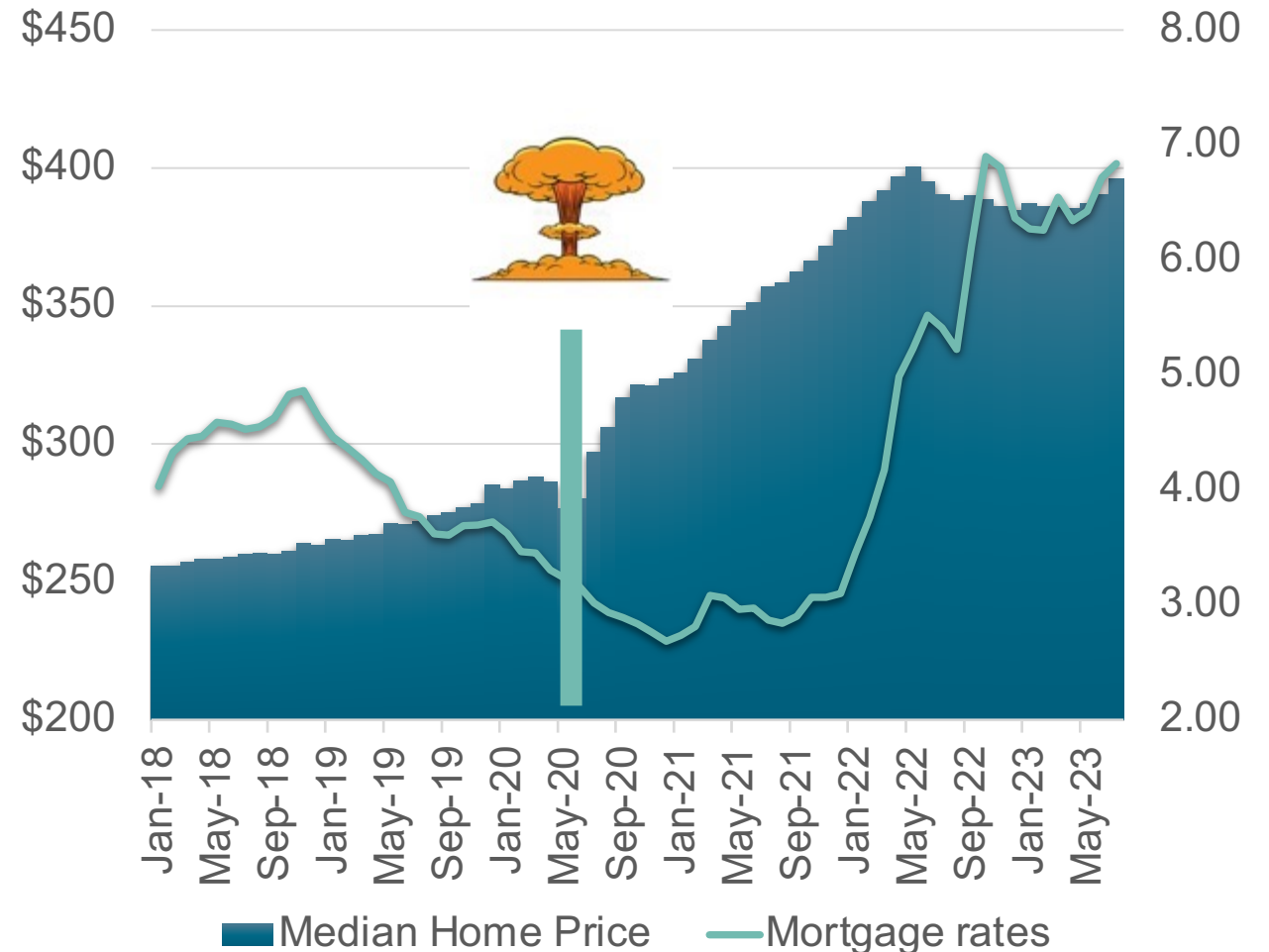


Housing: A Rate Whiplash

Case Shiller Home Price Appreciation
July 20 – July 22

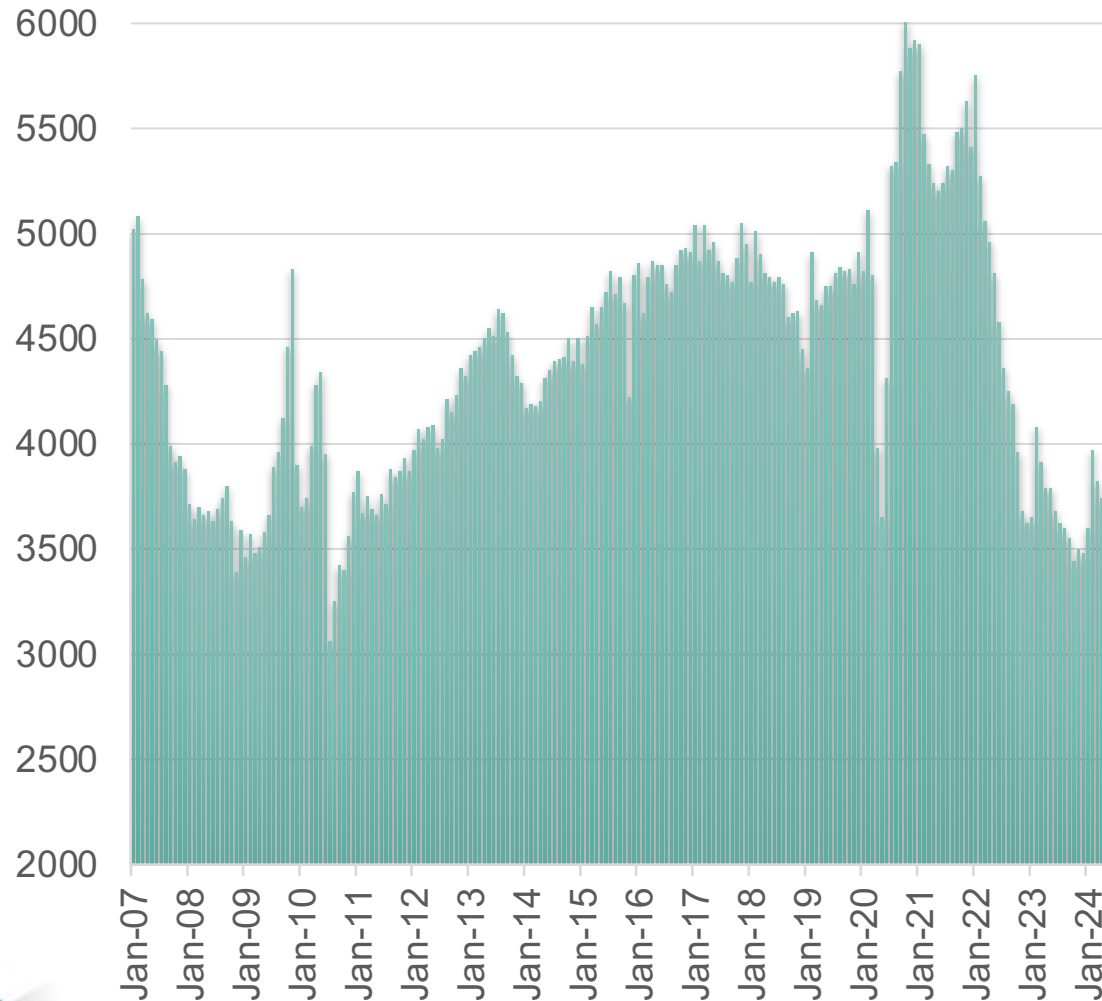
Tampa	64.0%	Los Angeles	37.9%
Phoenix	62.0%	SF	35.1%
Miami	61.4%	New York	34.9%
Dallas	54.2%	Boston	34.6%
Charlotte	49.5%	Portland	33.6%
LV	49.2%	Cleveland	30.9%
SD	49.1%	Detroit	29.4%
Atlanta	45.8%	Chicago	27.4%
Seattle	43.9%	DC	26.0%
Denver	40.3%	Minneapolis	24.6%

Existing Home Market



A rate shocked existing home market

Existing Home Sales SAAR



30 Year FR Mortgage Rate (%)



A frozen housing market, and yet...

Case-Shiller HPI
(YoY % Ch)



State	Sep-24 Median Home Price (\$000s)	1-Year Chg. (%)	Chg. since Feb-20 (%)
Washington	666.5	6.0	45.5
Nevada	494.7	5.2	47.8
California	842.3	3.4	42.5
South Carolina	395.1	3.1	47.6
North Carolina	389.0	2.9	49.2
Idaho	478.4	1.0	56.3
Arizona	456.4	0.5	49.1
Florida	430.5	-0.7	49.7
Texas	348.5	-0.8	36.3
Colorado	643.0	-1.1	44.2



New Home Markets

New SF Home Sales and Starts

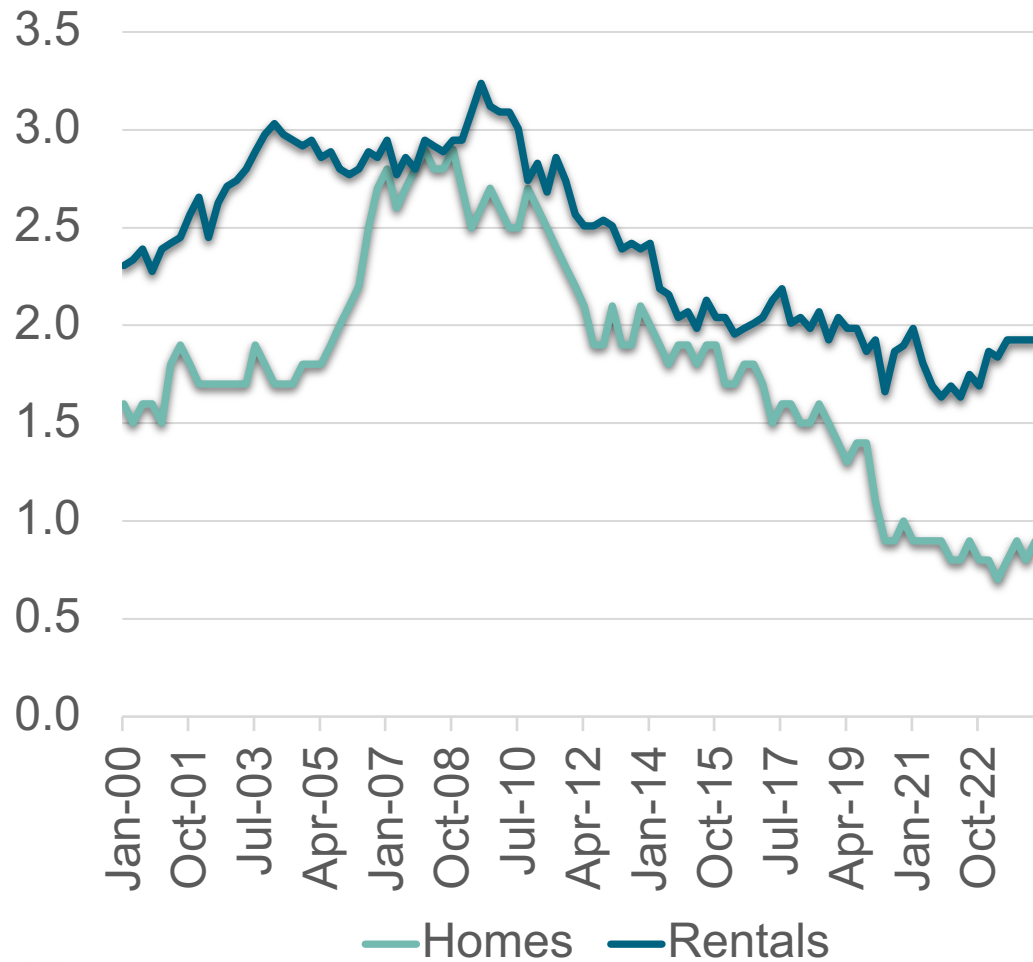


Single Family Permits	Sep-24 (Units)	1-Year Chg. (%)	Chg. since Feb-20 (%)
United States	81,409	1.2	10.7
Idaho	1,242	13.6	22.7
California	5,114	4.2	3.4
South Carolina	3,210	3.2	18.6
Nevada	1,175	2.9	12.6
North Carolina	5,854	2.2	34.6
Texas	13,099	1.8	16.2
Arizona	3,474	1.2	17.6
Washington	1,564	-2.2	-14.3
Florida	10,117	-9.8	13.1
Colorado	1,505	-13.2	-36.0



The Yin and Yang of New Home Markets

US Housing Vacancy Rates (%)



Months Supply of Units for Sale



A rate clog in the home-filtering process.

Normal Housing Market

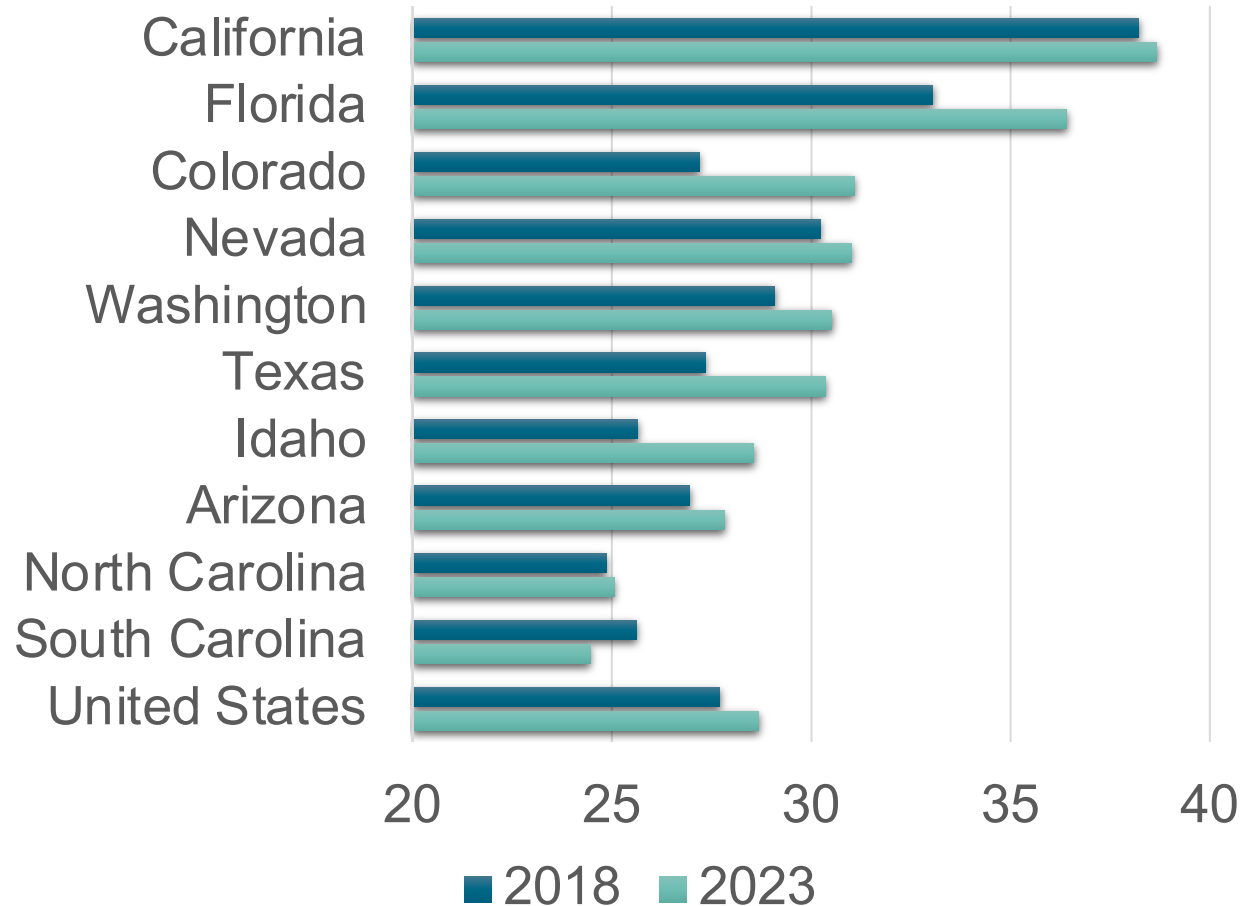


Liquidity Constrained
Housing Market



Owner Affordability

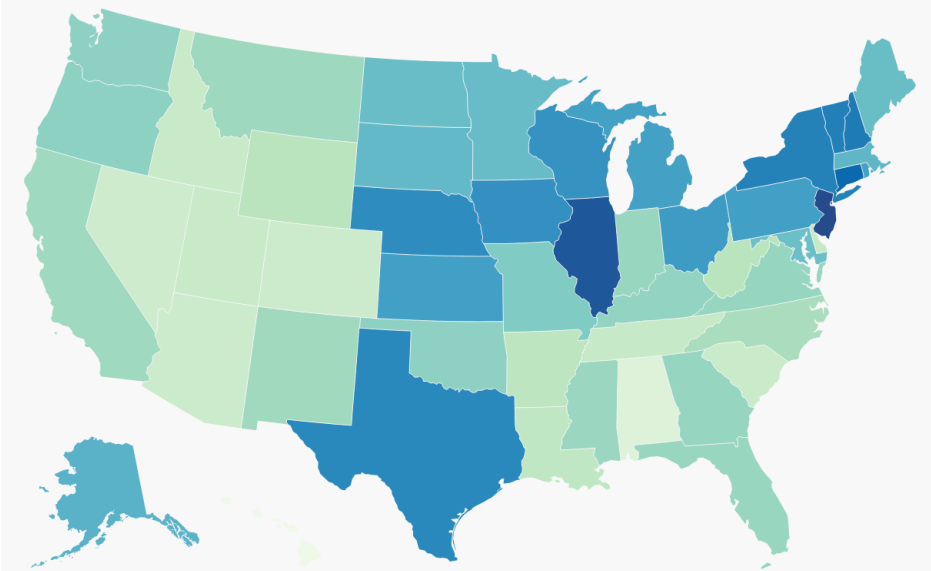
Cost Burdened Homeowners



How High Are Property Taxes in Your State?

Property Taxes Paid as a Percentage of Owner-Occupied Housing Value, 2022

0.26% 2.08%



Note: The figures in this table are mean effective property tax rates on owner-occupied housing (total real taxes paid/total home value). As a result, the data exclude property taxes paid by businesses, renters, and others. DC's rank does not affect states' ranks, but the figure in parentheses indicates where it would rank if included.

Source: US Census Bureau, 2022 American Community Survey; Tax Foundation calculations.



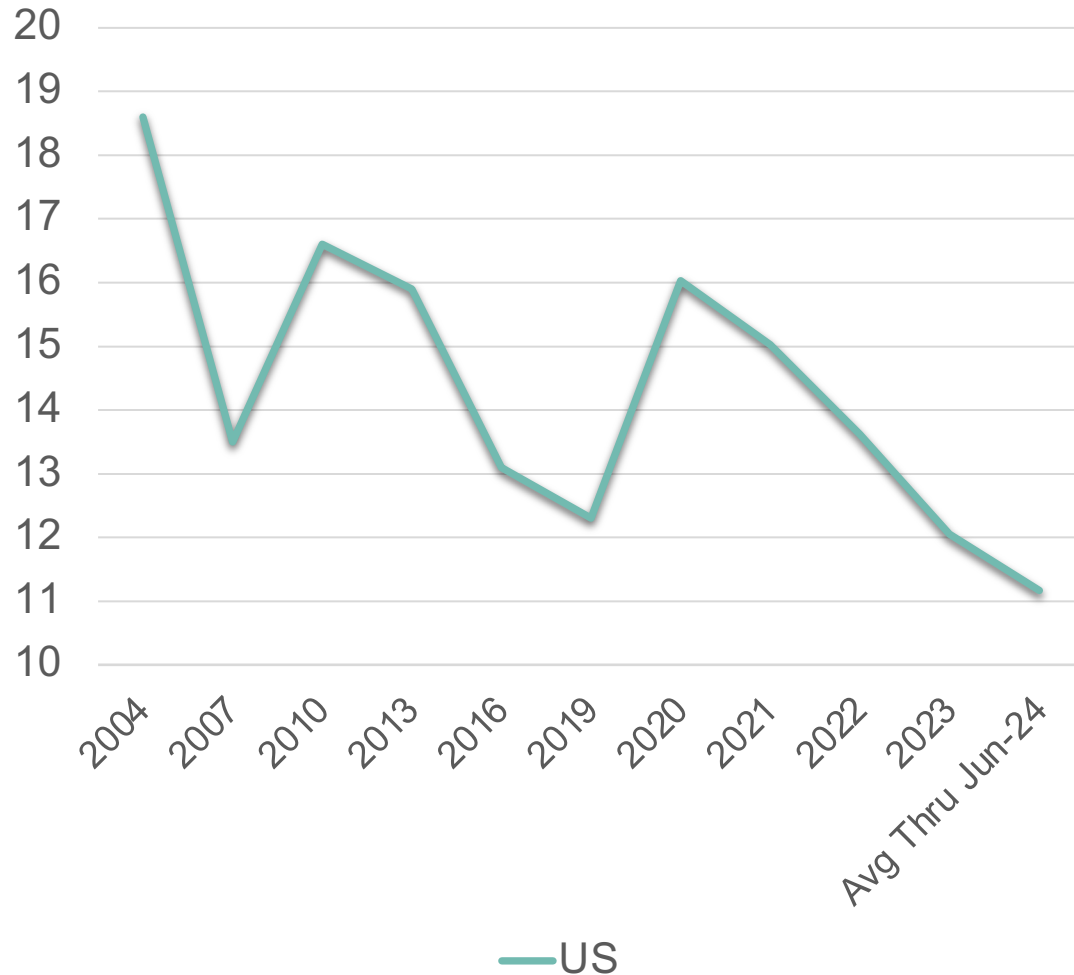
Apartment Market

Metro	Cost of Rent		
	Q3-24 (\$)	1-Yr Change (%)	Change since Q4-19 (%)
United States	1,844	-0.3	20.5
Spokane	1,411	6.8	65.6
Olympia	1,546	4.0	31.4
Tacoma	1,536	-1.8	31.3
Kennewick-Richland-Pasco	1,250	3.0	29.5
Bellingham	1,278	1.2	25.9
Bremerton-Silverdale	1,550	-0.9	21.6
Seattle	2,223	-0.8	19.3

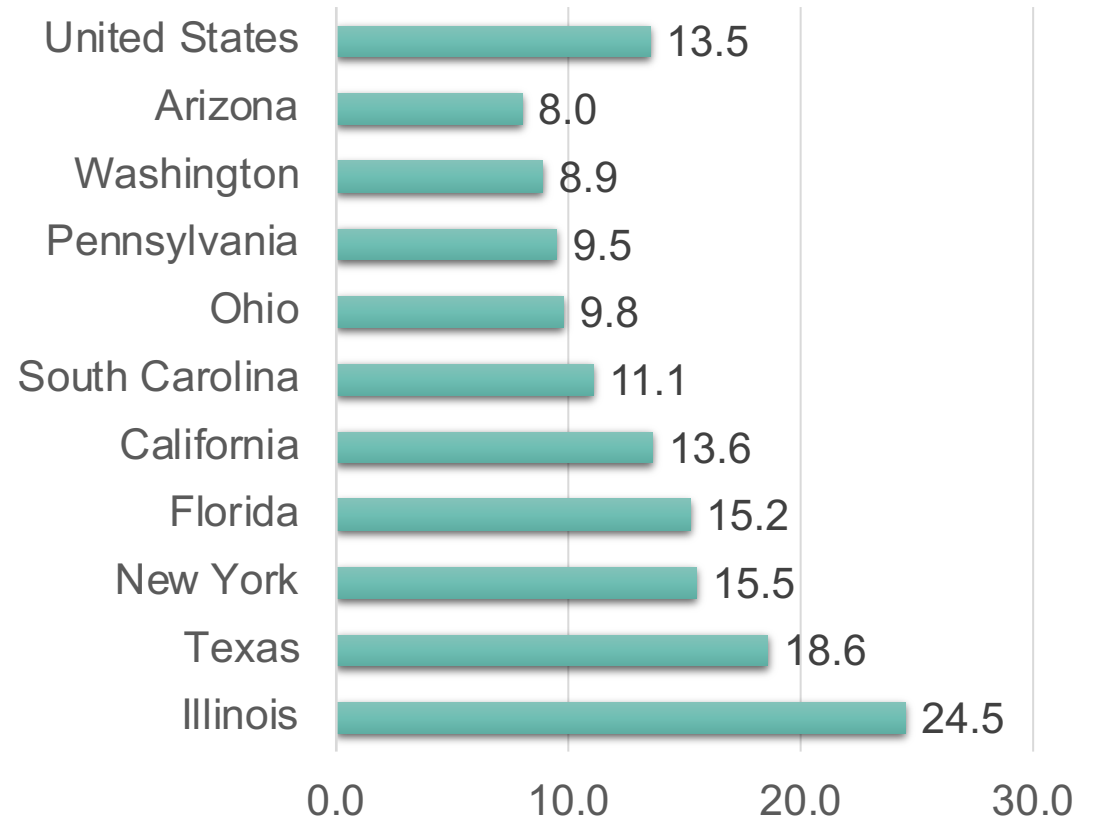


State of Renters

Share of Renters Late on Rent

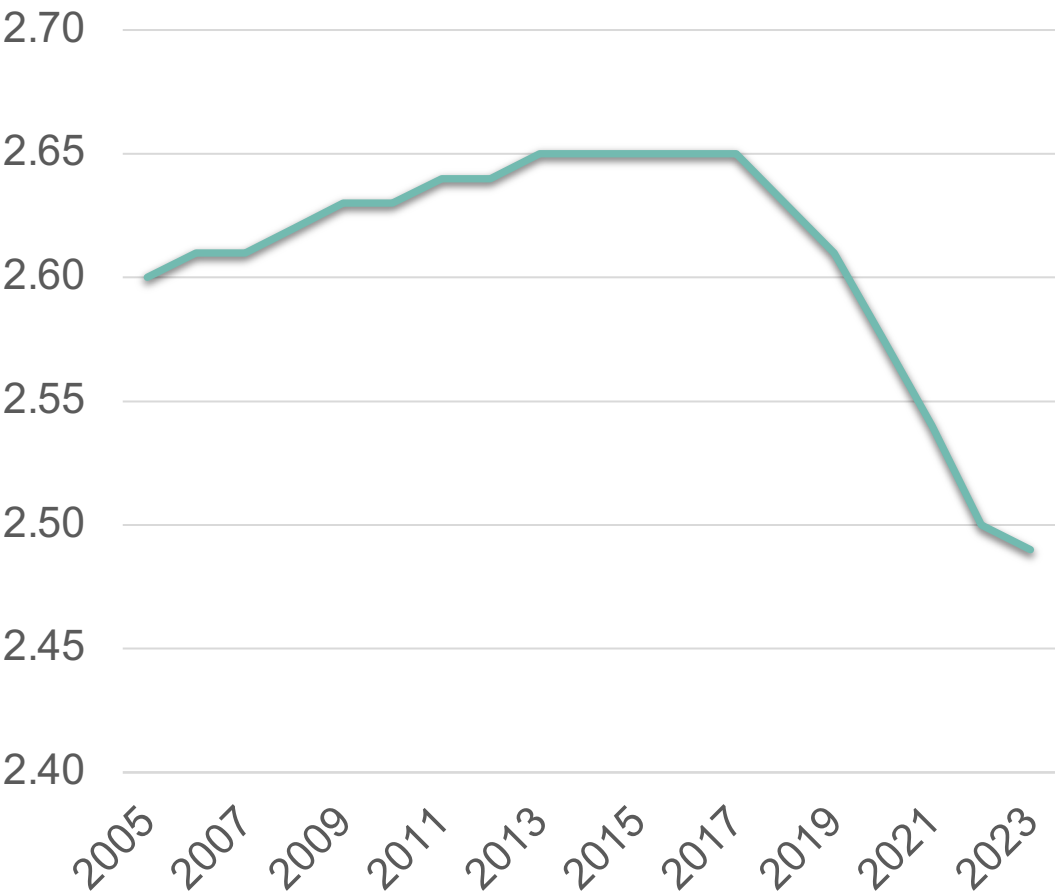


U.S. Households Behind on Rent (%)



Housing is a Luxury Good

U.S. Average Household Size



Housing is a Luxury Good

	United States		
	Median Rent to Income	Real Rent	Real Post-Rent Income
1980	25.0%	\$624	\$1,873
1990	26.4%	\$748	\$2,085
2023	31.0%	\$1,168	\$2,600



A Call to Action

The Economy is fine

- It's the narrative that's broken
- Policy will continue to stray far from fundamentals
- Its hard to ask for good policy in a world of shrieking crises

The Narrative moves faster and faster

- Social media, ubiquitous data, the meme generation
- Traditional responses to public opinion shifts are too slow
- Chambers need to proactively tell the true narrative to be able to influence policy

Controlling your narrative...

- Informal polling, headline searches, political connections to select the issues
- Invest in data, info-metrics, dashboards to tell the right story
- Regular output, always redefining the story rather than reacting to it



Thank You!



- Macro and Regional Economic Projections
- Revenue and Market Forecasts
- Economic Development and SWOT Analysis
- Residential and Commercial Real Estate Market Trend Studies
- Economic Impact Reports
- Regional CEDS Reports
- Policy Impact Estimates
- Industry and Labor Market Studies
- Litigation Support and Damage Estimates

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