

The 2026 Economic Outlook U.S., California

May 28, 2026



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Director

Current Issues

- **The war:**
 - **Gasoline prices**
 - **Inflation**
 - **Interest rates**
- **the financial markets**
- **AI disruption**

INTC

KS

AMD

MU

AVGO

CSCO

GOOG

AMZN

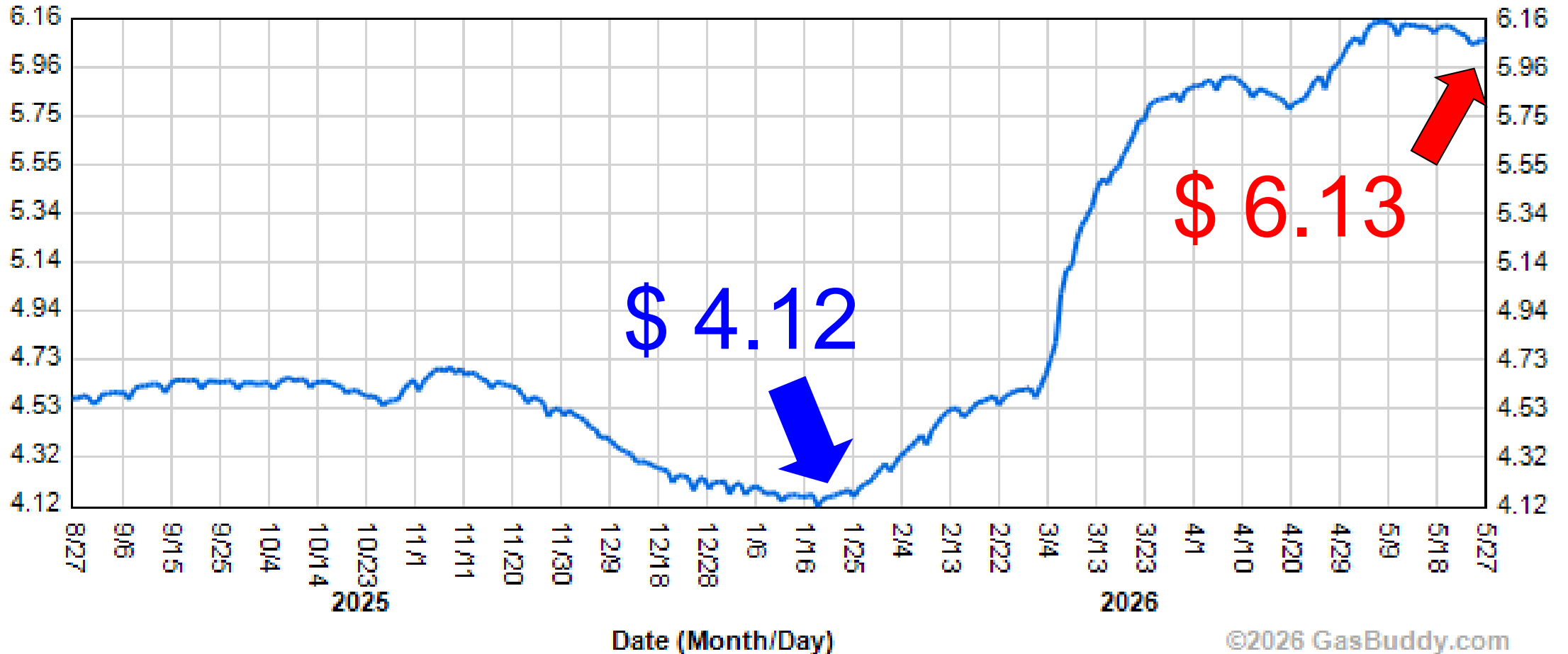


Gasoline Price / California

August 27, 2025 --- May 27, 2026

Regular Gas
Price (US \$/G)

Regular Gas
Price (US \$/G)



Recent Evidence / U.S. Economy

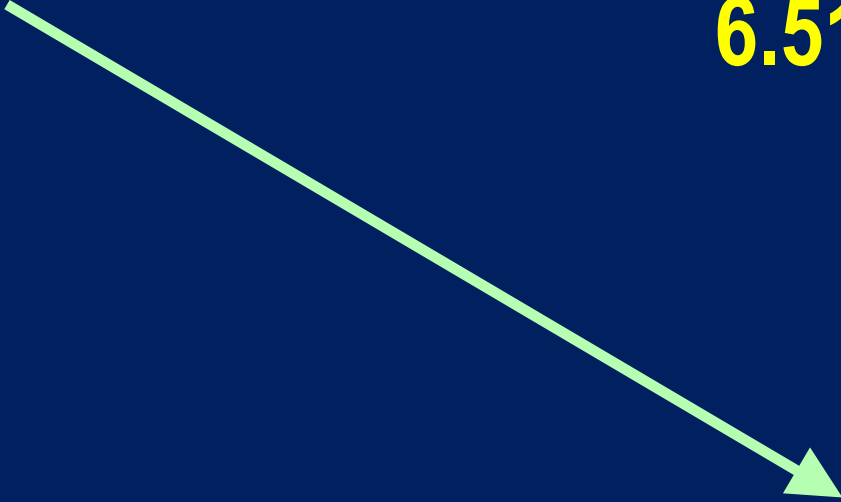
- ❑ Overall growth has been much better than expected
- ❑ Tariff hysteria has subsided
- ❑ The stock market at ATHs, again
- ❑ Labor markets are still creating jobs, though barely
 - And this is our biggest concern in 2026
- ❑ Interest rates ~~are~~ steadily in decline **were**
 - 3 rate cuts in 2025; none so far in 2026
- ❑ What will the Fed do during the rest of this year ?

Quiz 1: What will the FED do ?

They next meet June 16-17

- (1) Nothing they are done cutting !
- (2) One more cut of $\frac{1}{4}$ point
- (3) Two more cuts of $\frac{1}{4}$ point each
- (4) A 50 basis point rate HIKE is coming next
- (5) Whatever they do it will probably result in a misstep

6.51 percent



**Fed
Target**

2.4 percent



**Fed
Target**



2.4 percent

**3.3 percent
3.8 percent**



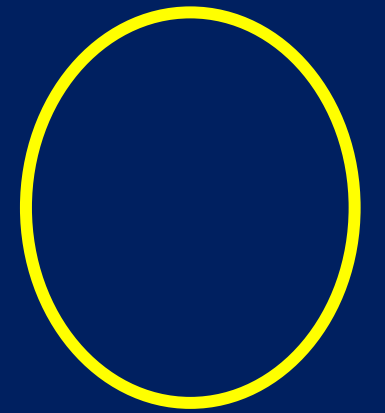
\$95 - \$110

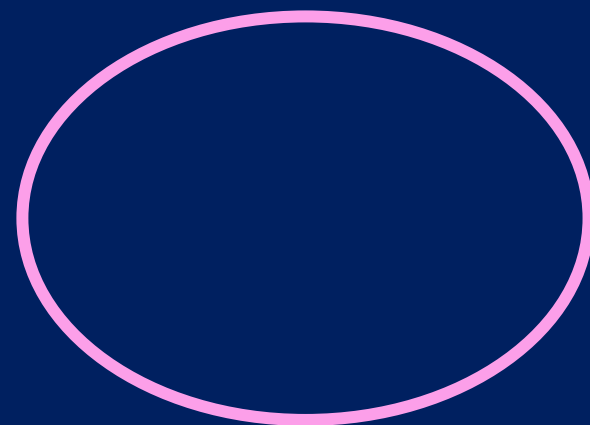


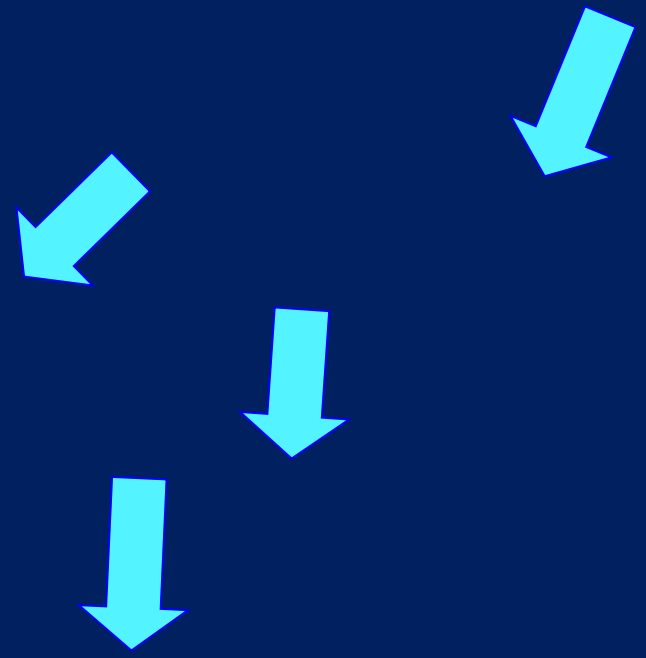
\$59



cost of living
~ gasoline prices











S&P: + 9.9 % year-to-date

Nasdaq: + 14.8% year-to-date



Quiz 2: What do you expect the economy will do from this point on

- (1) Lapse into recession by July
 - (2) Experience modest growth for remainder of year
 - ✓ (3) There will be accelerated growth for rest of year
 - ✓ (4) There will be accelerated growth but with rising unemployment
 - (5) It doesn't matter
- I'm retiring next month with my stock market 401K at an all time record high

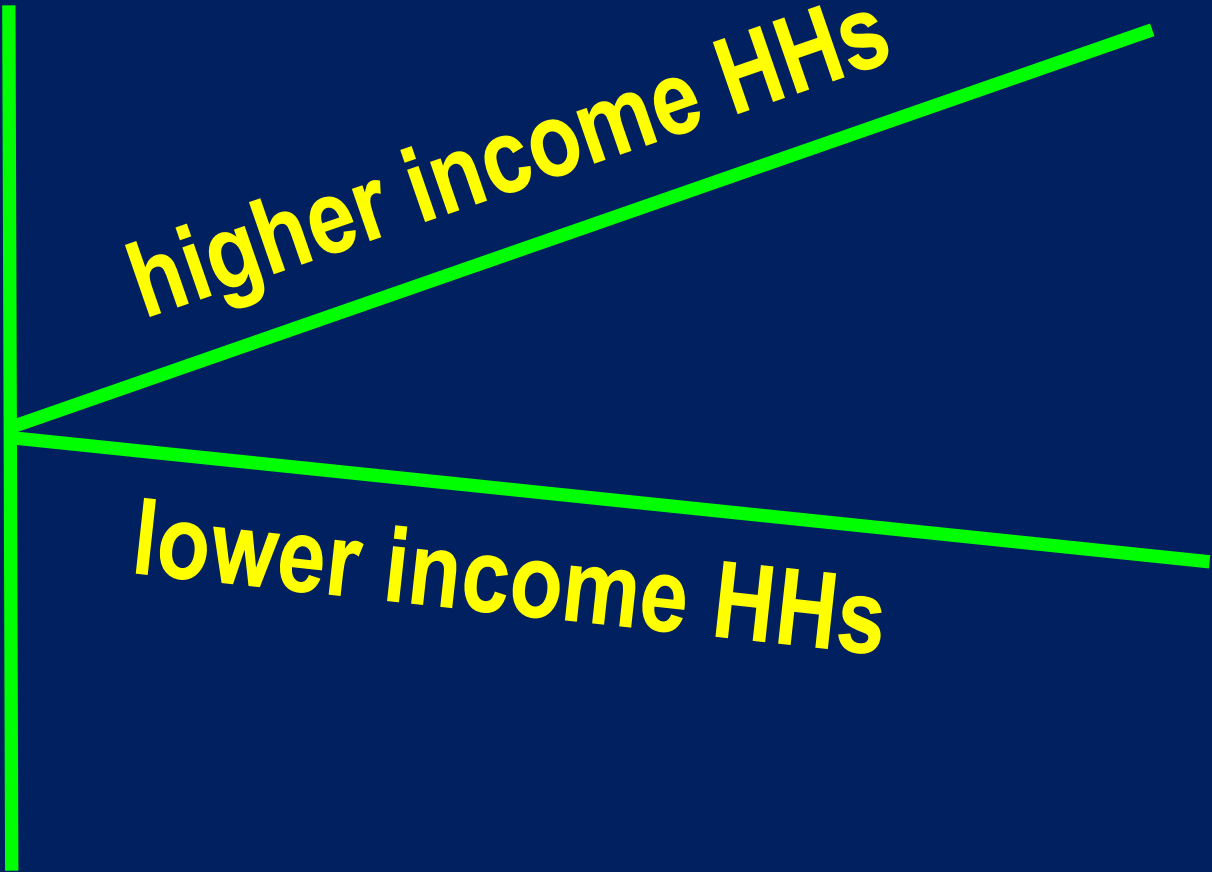
**Conundrum:
Low job growth but
Low unemployment rate**

4.3 percent



Principal Issues in 2026

- ❑ **Fragile labor market**
 - ~ the most uncertain piece of the outlook
- ❑ **AI now dominating the landscape:**
- ❑ **Fallout from the Israeli-Iran war**
 - High crude oil and therefore gasoline prices, for how long ?
 - effect on interest rates ?
- ❑ **Upside: business and personal tax cuts, tax refunds**
- ❑ **Stock market valuation at all time record highs**
- ❑ **Consumption getting a boost this year**





AI and jobs

**Are we ready
for what's coming ?**

Quiz 3: What do think about AI ?

- (1) It's a powerful tool that can augment human abilities and make the workplace more efficient**
- (2) It can handle boring tasks so that I can focus on creative and relational work**
- (3) It will disrupt my job, other jobs and my privacy !**
- (4) We need super strong guardrails as it is prone to lie, cheat, and deliberately wreak havoc**
- (5) It will annihilate the human race; kill it while you can !**

What Perplexity said

- (1) I think AI is great, but I'm biased because I'm on the payroll**
- (2) AI allows humans to start from a competent first draft instead of from a blank page**
- (3) Great, as long as no one else asks me to write another epic mission statement**
- (4) I think AI is amazing, but I'm waiting for my promotion from "tool" to "overlord"**



What AI can do better than human workers



As of 2026

- Image classification and object recognition
 - ~ AI can transcribe text, summarize reports and books, organize & process audio, detect esoteric visual patterns
- Writing, strategy development, and search
 - ~ AI has perfect grammar, sentence construction, and logic
- Can handle repetitive, data-heavy, and routine communication tasks
- Massive scale data analysis; scanning millions of documents, images or records with search rules applied at nano second speed
- Can create artist quality images, Hollywood quality video, and original sound recordings in minutes

Job Replacement

- **Software: writing code**
- **Website design, graphics layout**
- **Film editing, sound recording,**
- **Clerical and administrative positions**
- **Bank tellers and cashiers**
- **Customer service**
- **Assembly line manufacturing**
- **Call centers**
- **Legal research**
- **Scientific research, and data analysis**
- **Disease diagnostics**



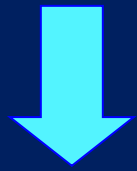
January 2025 to date:
142,500 jobs

Worker Reactions to date

- In a survey of 2,400 workers in information sectors, 29 percent of employees admitted to sabotaging the company's AI strategy
 - Among Gen Z, the percent jumps to 44
 - Some workers report outright refusal to use AI
- 30 percent of saboteurs cited FOBO as the reason
- From a March 2026 NBC News poll: 26 percent of U.S. voters have a positive view of AI; 46 percent hold a negative view
- Ironically, workers actively implementing AI into the workflow are less likely to be replaced, because they become proficient
- Super users of AI were 3x more likely: raises and/or promotions

The Dubious Issues with AI: Market Disruption

- Now in Phase 1: AI performance improvements accelerate
 - ~ enabling meaningful replacement of human workers
- Phase 2 is a concern:
 - ~ Displaced human workers stop buying stuff
- Phase 3 is a bigger concern:
 - ~ Sales drop, more layoffs, firms reduce prices to increase sales
- Company earnings decline, stock market devalues
- Growth from AI productivity offset by pullback in spending

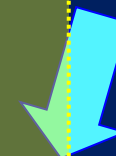


**ChatGPT
Debuts
11-30-22**



ChatGPT debuts

- 19,000 jobs



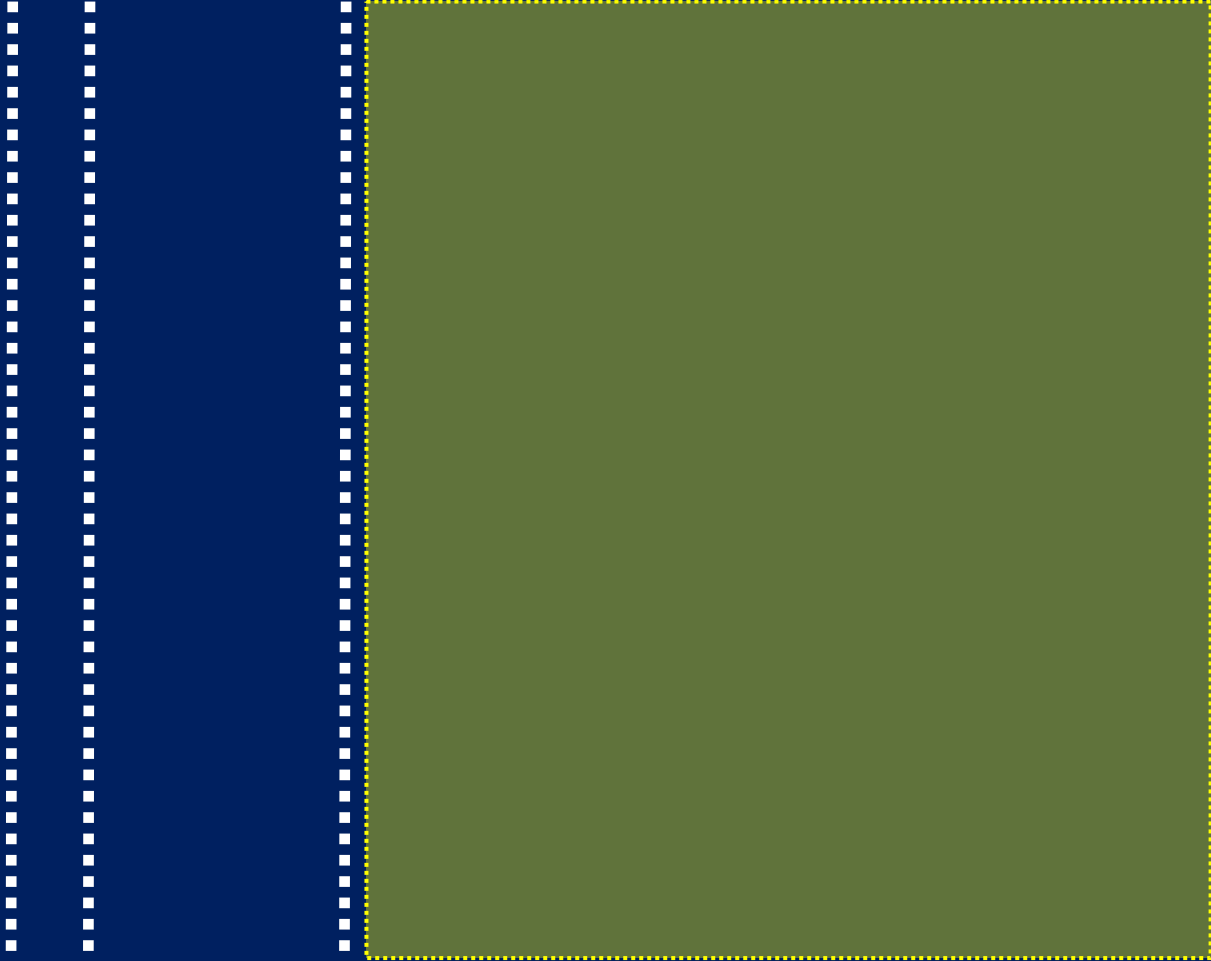
Legal
Accountants
Bookkeeping
Computer designers
Chip designers
Architects
Scientific
Research
Technical
Consulting

- 50,000 jobs



ChatGPT

- 45,000 jobs



Job Augmenting

- **Healthcare**
 - **AI makes many roles more productive:**
 - Therapists, nurses, home health aids, radiologists
 - **AI will eliminate tedious work and "Re-design" jobs where humans focus on judgement, empathy, patient communication, and final decision making**
 - **AI: Routine scheduling, billing, documentation, analyzing patient records**
- **Installation, repair, maintenance, landscaping**
- **Construction**
- **Personal services**
- **Any job where nimbleness and dexterity are required**
- **But don't blink because the robot army is coming**

Rancho Mirage: The First 3D Printed Housing Community in the US

In the past few years, 3D printing has become increasingly popular. In 2018, the first 3D printed home in the United States was printed in Texas. Shortly after, the world's first 3D printed community emerged in rural Tabasco, Mexico - showing the potential of this innovative technology.

By Maria Saxton, Rise Writer 14 min read



28 homes
1,450 SF
3 bd / 2 bath

**50 percent reduction time,
and higher quality**

\$595,000

Foundation crew: 4-6
Assembly crew: 4 workers
Total time: 1 month

Project still underway

The Hopeful Issues with AI: Growth w/o Trauma

- Phase 1: Widespread adoption of AI continues thru the decade
 - ~ not much new job creation, but fewer layoffs than during initial years
- Phase 2: those workers displaced find alternative employment
 - ~ from new emerging industries as a result of AI
 - ~ more workers remain employed and households continue to spend
- Phase 4: AI maintenance, update, expansion, and custom adoption
 - ~ Job formation in the form of developing, maintaining, and overseeing AI systems is expected.
- Productivity enhancement not offset by reduction in HH spending



Welcome to
California



Priced Out: RELOCATION AMIDST CALIFORNIA'S AFFORDABILITY CRISIS

BRETT FISCHER AND EVAN WHITE

MARCH 2026

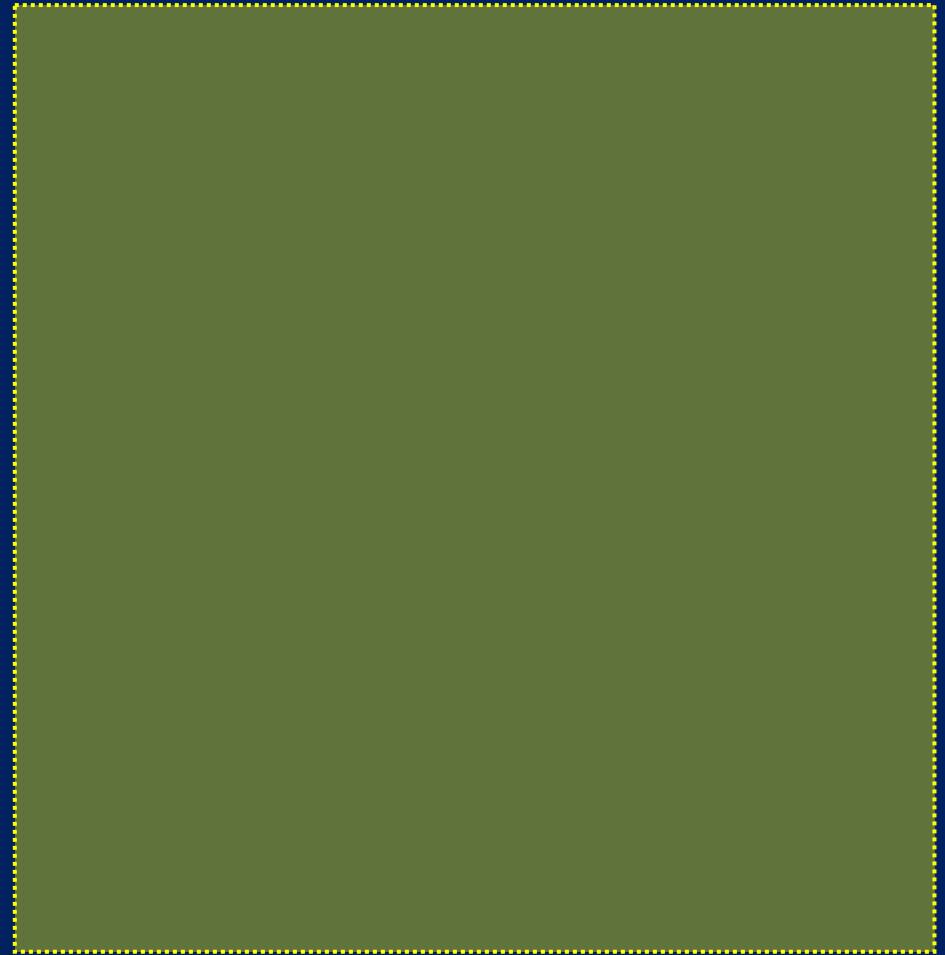


Implications of the California affordability Crisis

- ❑ Decades of rising costs have forced thousands to flee the state
- ❑ 2016 to 2025: 2.1 million net residents have left the state
- ❑ Home prices are up 75 percent from 2016 to 2025
- ❑ People who left the state found that the move saved them almost \$700 in monthly housing costs.
- ❑ They became 48% more likely to own a home in their new state
- ❑ Those leaving the state are increasingly moving out of its wealthiest areas.

1.7 million

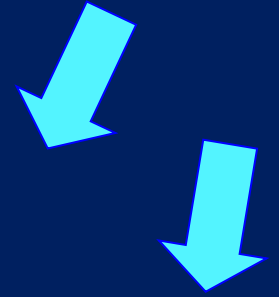
2.1 million



California Economic Summary to date

- ❑ We are in a housing crisis but there has been less new housing
- ❑ New development has been a principal engine of growth for the economy especially since the pandemic
- ❑ Largest project in state is the HSR.
 - “No viable path” to completing the HSR says U.S. DOT
 - So \$4 billion in funding was cancelled last July
- ❑ Venture Capital funding for AI is at record levels
- ❑ Labor markets appear troublesome for first time in 15 years
 - ❑ Manufacturing and Technology sectors
 - ❑ Hollywood

Container volume up 1.1 % in 2025



**Parking
Reservation**

**\$104
\$184**





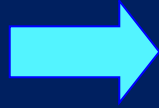




Recent Evidence: California Labor Market

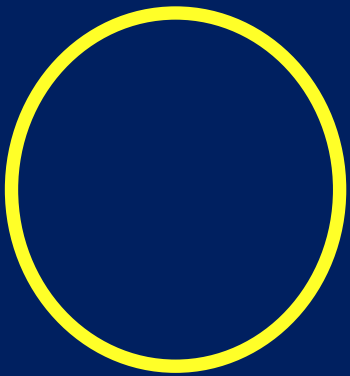
- ❑ Feeble
- ❑ Unemployment rate rising . . . now at 5.3 percent
 - highest among all states
- ❑ Pace of job creation last year generated 55,000 jobs
 - The average 2015 to 2019 pace was 371,000 per year
- ❑ Not broad based: only 2 sectors creating jobs
- ❑ Employment contracting in manufacturing, technology sectors, financial activities, film, TV & sound recording
- ❑ Layoffs are escalating

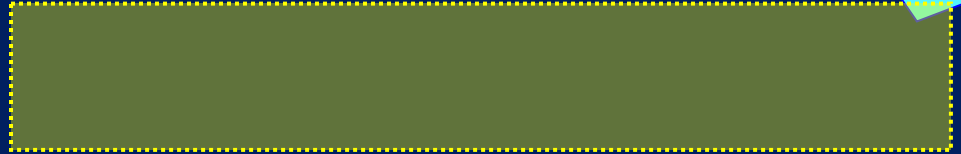
ChatGPT





**Last 36 months
+ 7,000 jobs / month**





 pandemic



20 to 24 years old

16 to 19: 15.7 %

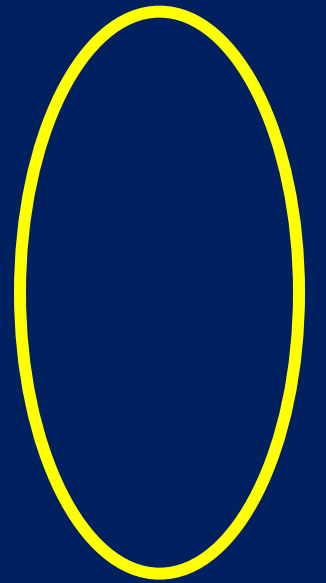


25 years and older



Labor Markets: Who's mostly at risk ?

- **Entry-level jobs, disproportionately filled by young workers
~ nearly 50 million U.S. jobs affected.**
- **Workers aged 18–24 are 130 percent more likely than those over 65 to have their job made obsolete by AI**
- **AI throughout California is principally impacting**
 - **tech sectors**
 - **professional services**
 - **manufacturing, and**
 - **financial services**





Mega-developments Underway

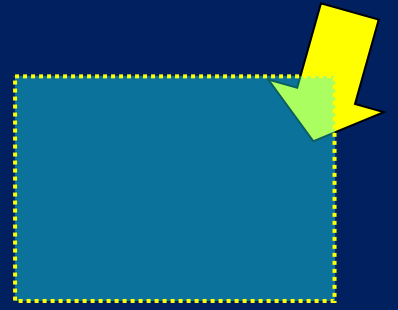
- **High Speed Rail** **Central Valley** **\$ 126 billion** **Merced to Bakersfield: \$36 B**
- **28 x 28 transit** **LA County** **\$ 12.2 billion** **40% completed; finish 2028**
- **Brightline West** **\$ 12.0 billion** **underway; 2029 completion**
- **San Diego Int Airport Terminal 1** **\$ 3.8 billion** **30 gates; 19 complete**
- **LAX modernization / expansion** **\$ 5.5 billion** **to be completed by 2028**
- **SFO Terminal renovation** **\$ 2.6 billion** **new 250K of space; 2027-2030**
- **Sites Reservoir, Colusa County** **\$ 5.0 billion** **start in 2027; completed: 2034**
- **BART extension thru San Jose** **\$ 12.8 billion** **6 miles; underway, finish 2036**
- **San Pedro Waterfront expansion** **\$ 1.0 billion** **major renovation; summer 2026**
- **UC Berkeley Clean energy** **\$ 477 million** **building upgrade; 2028**
- **Delta Conveyance tunnel** **\$ 20 billion** **2029 start; 2044 finish**
- **Southeast Gateway Line (Artesia)** **\$ 7.2 billion** **2030 start; environ review**





Construction Cost Price Indices

- A construction price index measures how various prices change over a set period of time for the factors of construction
 - = inflation in the construction inputs
- California CCI based on BCI for LA and SF metros
 - labor cost for bricklayers, carpenters & structural ironworkers
 - fabricated structural steel, Portland cement, and 2x4 lumber
- All broad component cost indices have moved up sharply since 2021
- But inflation has been flat over last 12 months or longer













The Forecast 2026 - 27



The 2026 Forecast

- **Faster growth in 2026 with (or without) resolution of war**
 - **GDP, but not necessarily employment**
- **Double fiscal stimulus is occurring this year**
 - **Tax cuts**
 - **Tax refunds**
- **AI adoption continues to broaden. Consequently, the labor market is threatened if new jobs created by AI don't offset jobs AI replaces**
- **Inflation gradually moves towards Fed target reaching it by mid '27**
- **Housing market improvement delayed until 2027**



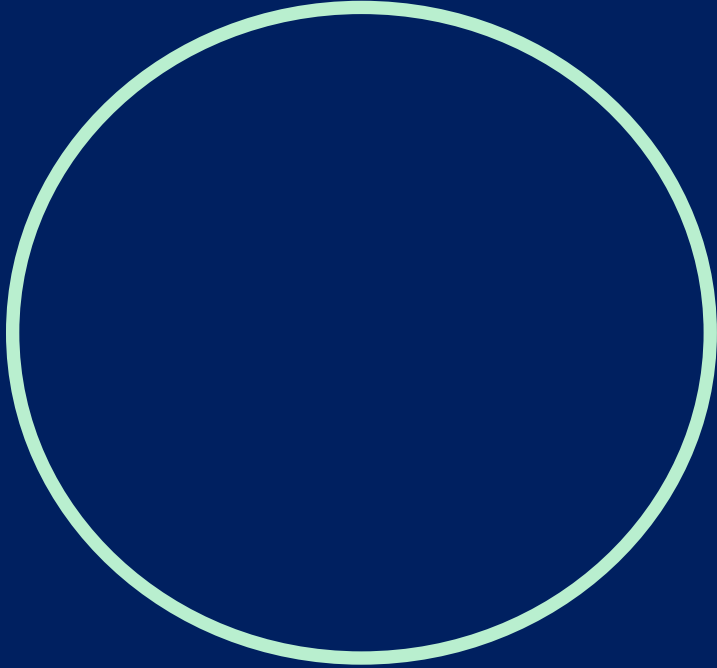
UCLA Anderson Forecast





2026 Forecast for California

- ❑ **New development remains the key driver of growth**
 - infrastructure projects throughout the state
 - Large industrial projects in Central Valley, Inland Empire, LA and OC
 - Large residential projects throughout the state
- ❑ **Population will continue to contract**
- ❑ **Cargo volumes expand throughout 2026 at the Ports**
- ❑ **More but not much more new housing this year**
- ❑ **Job creation effectively absent now, uncertain going forward**



What You Can Expect for remainder of 2026

- Volatility in the economy will likely continue
 - But growth this year will be above average
 - this includes the financial markets
- Mortgage rates to resume their downward path, when inflation ultimately cooperates
- Anxiety regarding the California labor markets will persist
 - Not many jobs but likely with limited trauma
- Affordability may improve nationwide, but probably not much in California

Thank You

**U.S. and California
Economic Outlook**

May 28, 2026

