



Sales Tax Trends & Economic Drivers

California Forecast

Introductions



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3rd Quarter 2022 Statewide Results

Major Industry Group	3Q 2022
Autos & Transportation	+6%
Building & Construction	+8%
Business & Industry	+10%
Food & Drugs	+0.5%
Fuel & Service Stations	+22%
General Consumer Goods	+3%
Restaurants & Hotels	+10%
Pools	+7%
Total	+8%

Region	3Q 2022
Bay Area	+10%
Southern California	+8%
San Joaquin Valley	+6%
Sacramento Region	+7%
Central Coast	+7%
Sierras	0%
Far North	+1%

Forecast Considerations

Inflation &
Prices

Interest
Rates

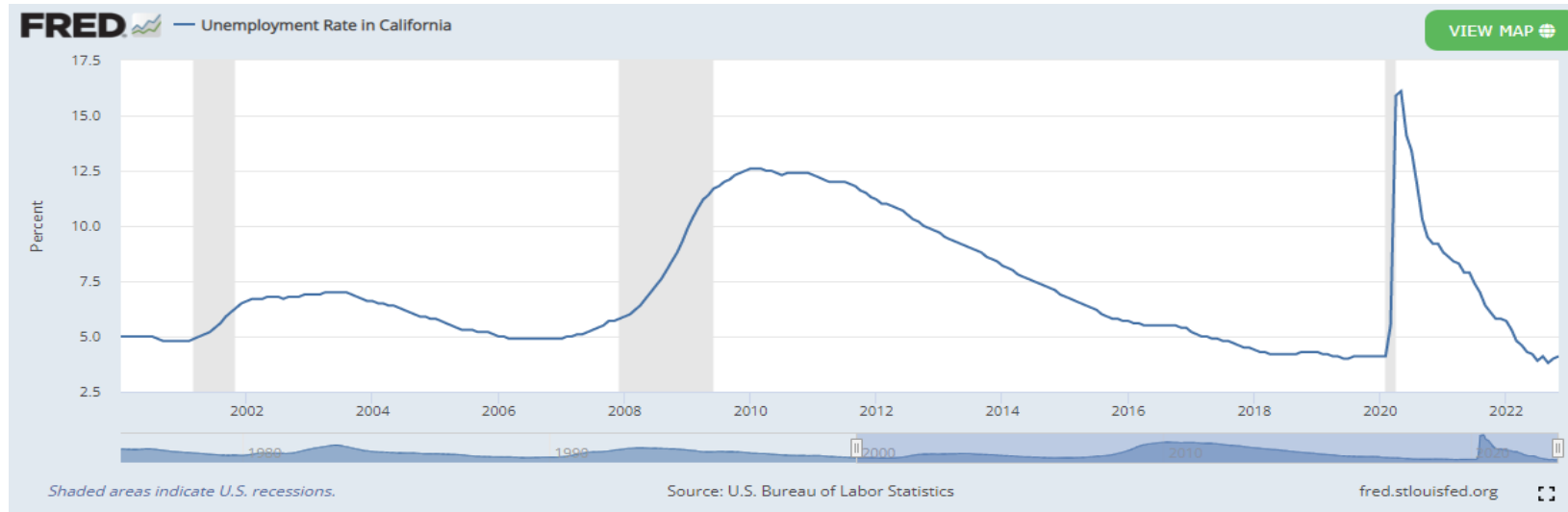
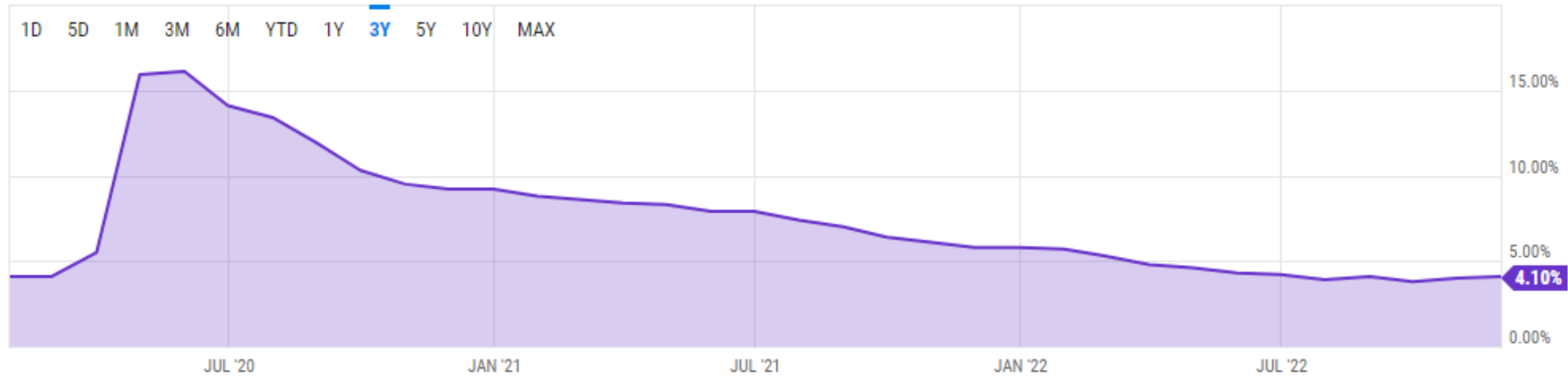
Employment

Debt &
Savings

Supply Chain

Consumer
Demand

CA Unemployment



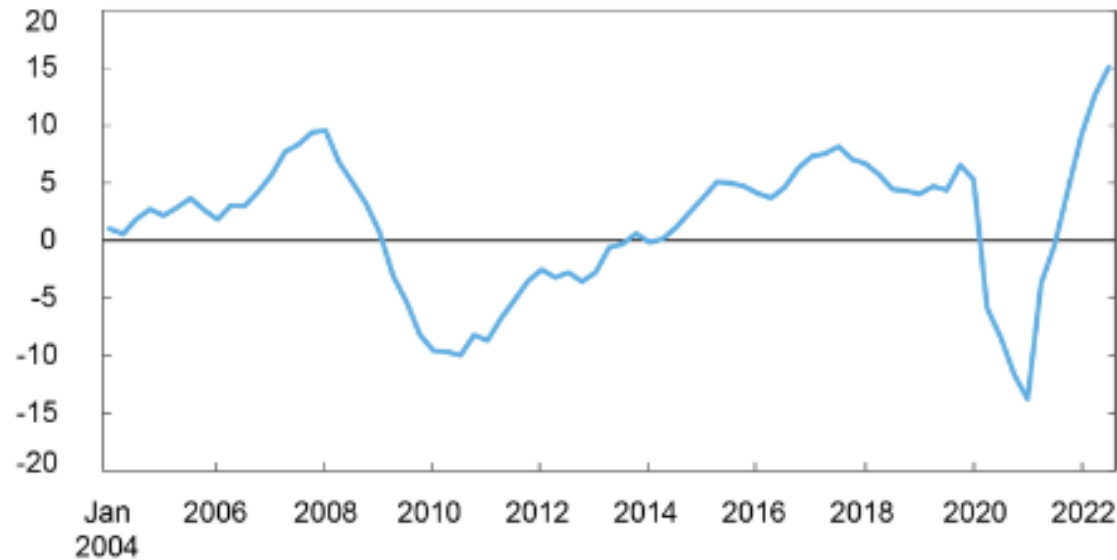
Savings & Disposable Income



Credit Card Spending

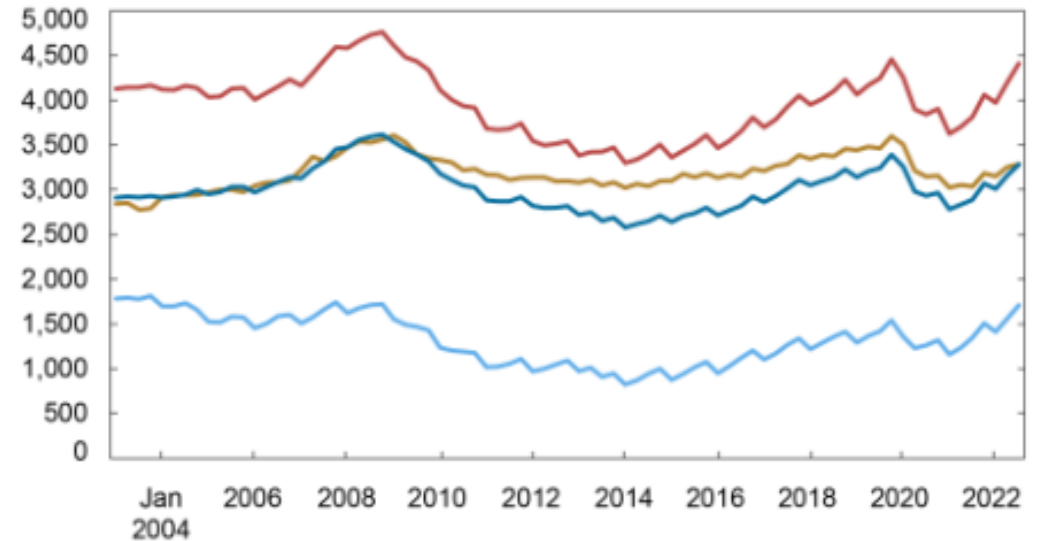
Credit Card Balances Are on the Upswing

Percent change year-over-year



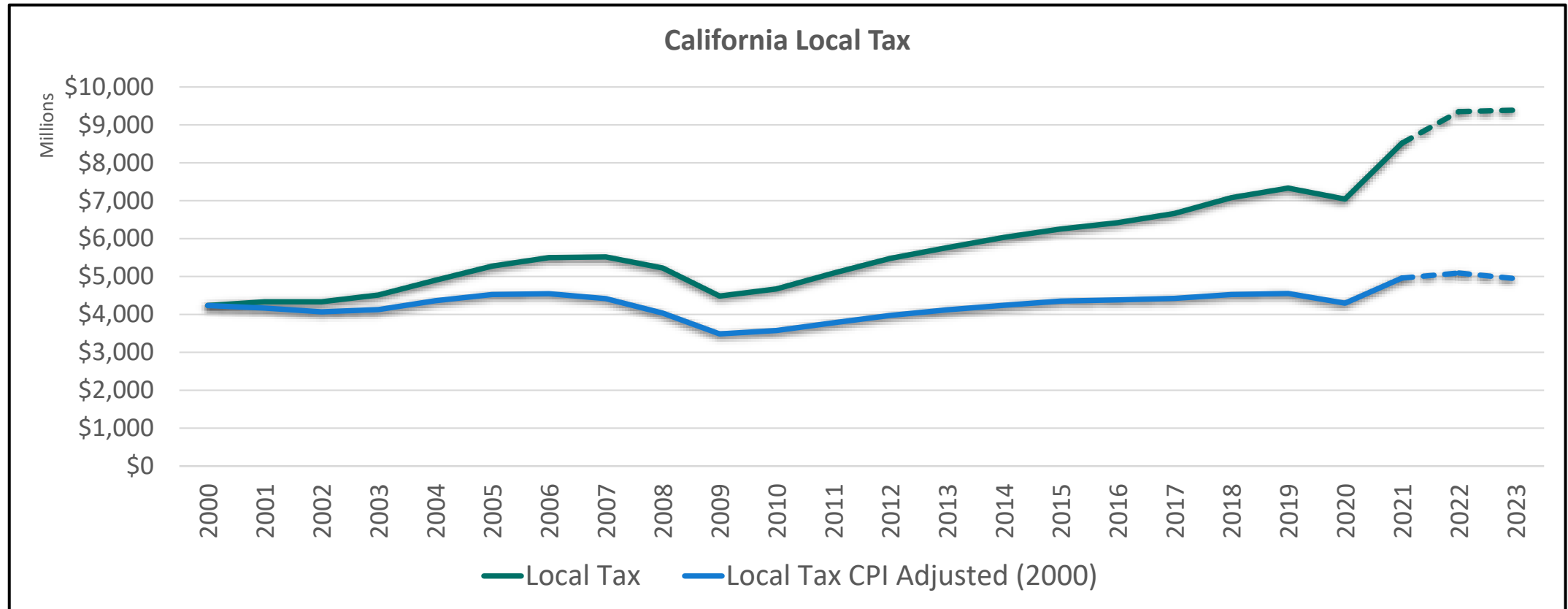
Source: New York Fed Consumer Credit Panel / Equifax.

18-29 years old 30-59 60-79 overall
Average credit card balances by age group in U.S. dollars



Source: New York Fed Consumer Credit Panel / Equifax; balances are not adjusted for inflation.

Inflation Adjusted



Interest Rates

2022 Fed Rate Hikes: Taming Inflation

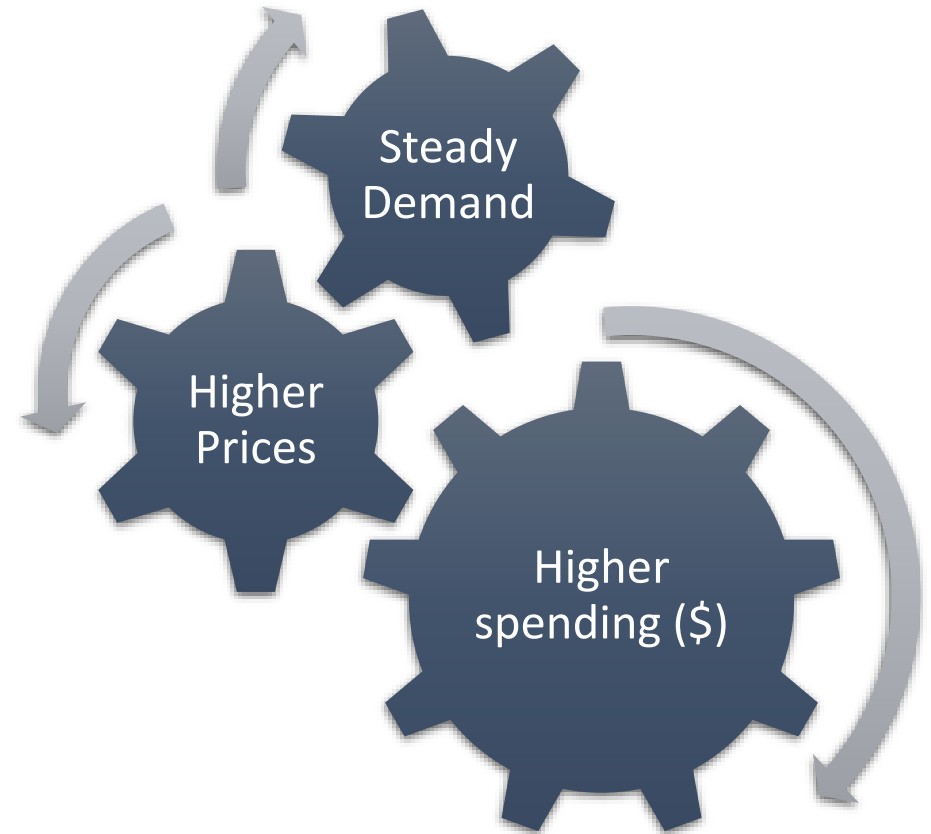
FOMC Meeting Date	Rate Change (bps)	Federal Funds Rate
Dec 14, 2022	+50	4.25% to 4.50%
Nov 2, 2022	+75	3.75% to 4.00%
Sept 21, 2022	+75	3.00% to 3.25%
July 27, 2022	+75	2.25% to 2.5%
June 16, 2022	+75	1.5% to 1.75%
May 5, 2022	+50	0.75% to 1.00%
March 17, 2022	+25	0.25% to 0.50%

+425 bps

Inflation & Sales Tax

Current Conditions

- Steady demand for consumer goods → upward pressure on **prices** → upward pressure on **spending & sales tax**
- Supply chain bottlenecks and labor shortages → downward pressure on **supply** → upward pressure on **prices** → upward pressure on **spending & sales tax**

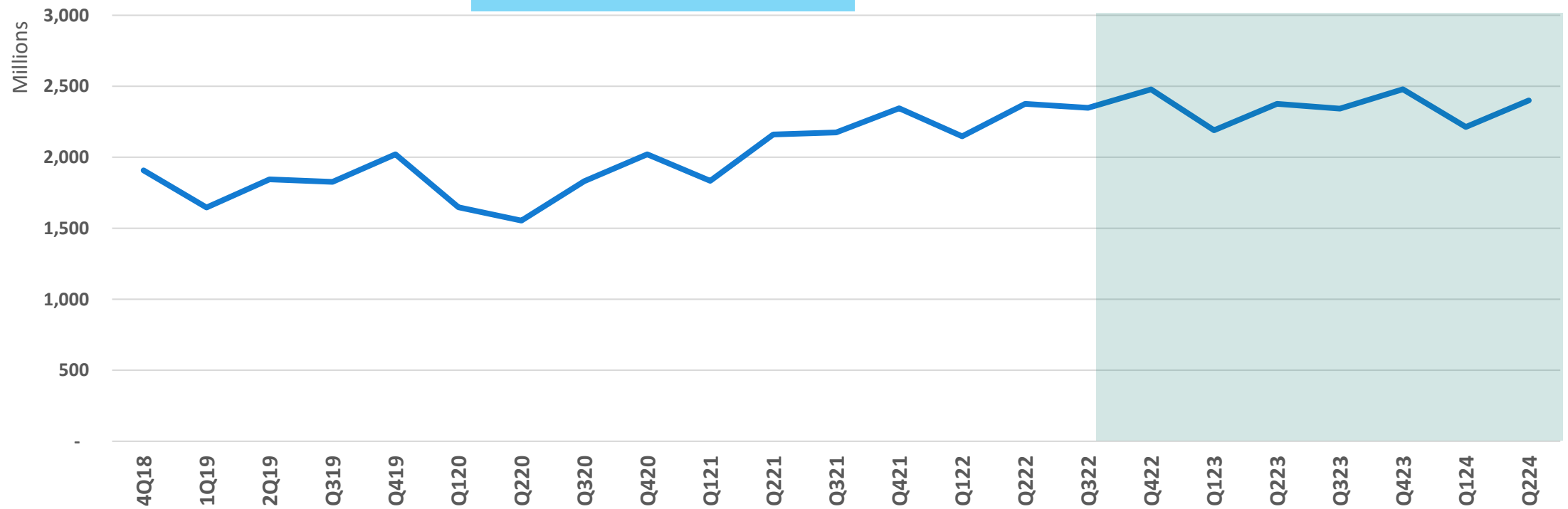


HdL Statewide Trend Quarterly Outlook

% Change YoY	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24
	11.3%	39.0%	18.8%	16.1%	17.1%	10.0%	8.0%	5.6%	2.0%	0.0%	-0.3%	0.1%	1.1%	1.0%

Previous Forecast = 8.3%

Forecasted Periods



Restaurants: Industry Trends



Cost for groceries continue to push consumers to restaurants (more for your buck)



Leisure & entertainment (experiences) are in demand



Wine tasting fees more than doubled over the last 6 years



Hotels: Occupancy expected to reach close to recovery in 2023

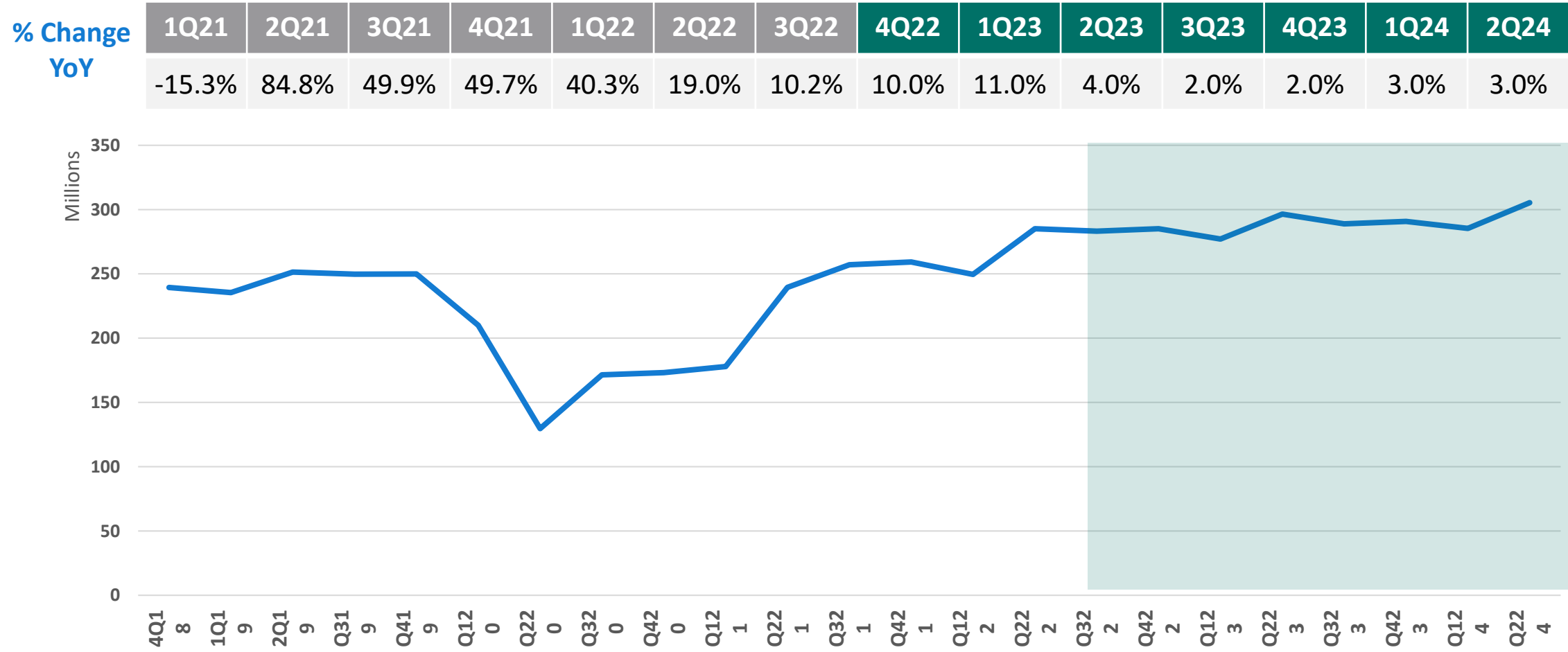
Higher ADR boosting sector, but business still

Restaurants - CDTFA Cash Receipts

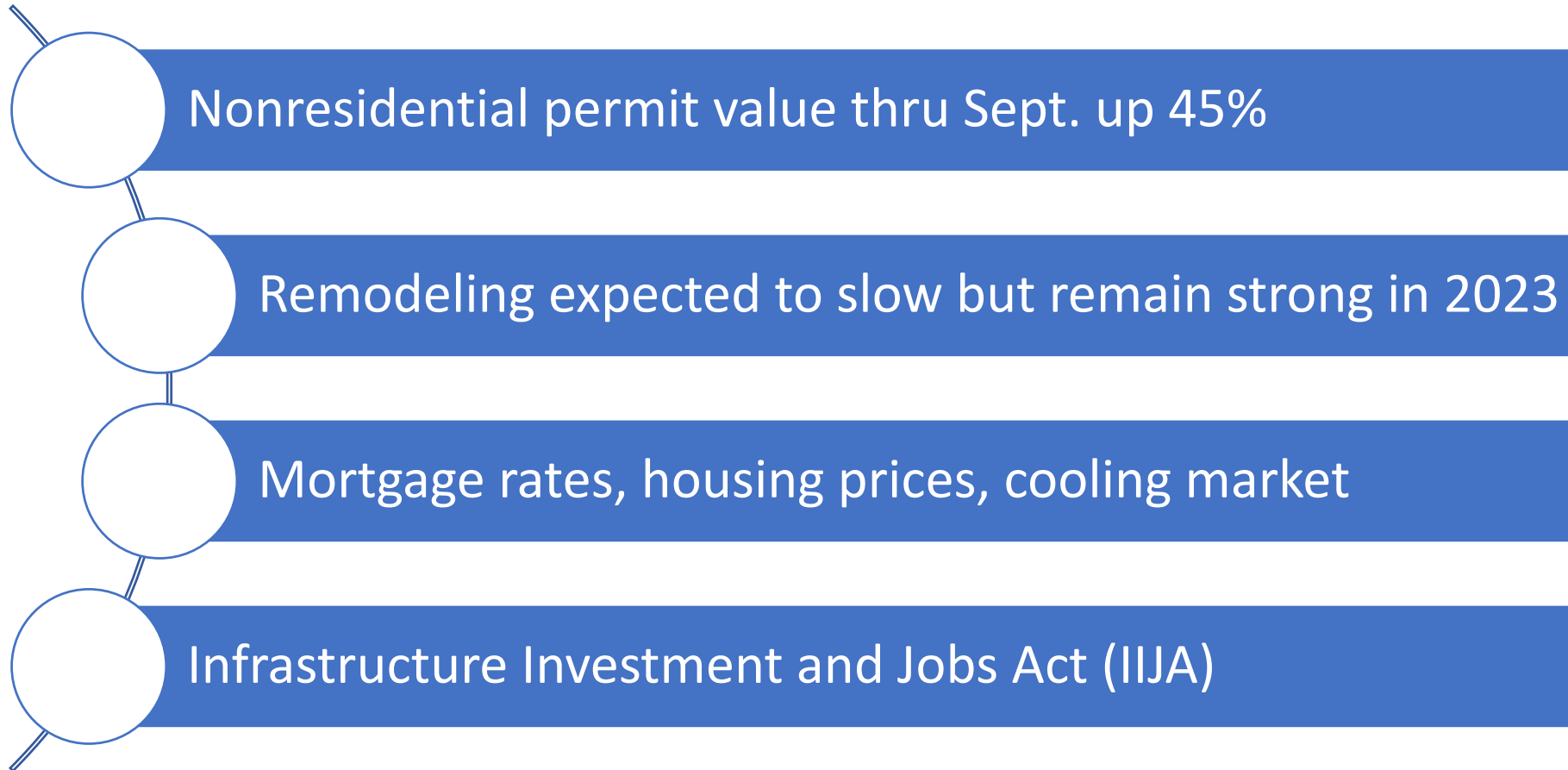
Calendar Year ↓	Month	Business Type Category	Percent Change From Year to Year (Unadjusted)
2022	10	Food services and drinking places	9.33 %
2022	11	Food services and drinking places	8.35 %

Source: CDFTA; Sales and Use Tax Monthly Reported Payments by Industry

Restaurants & Hotels Forecast

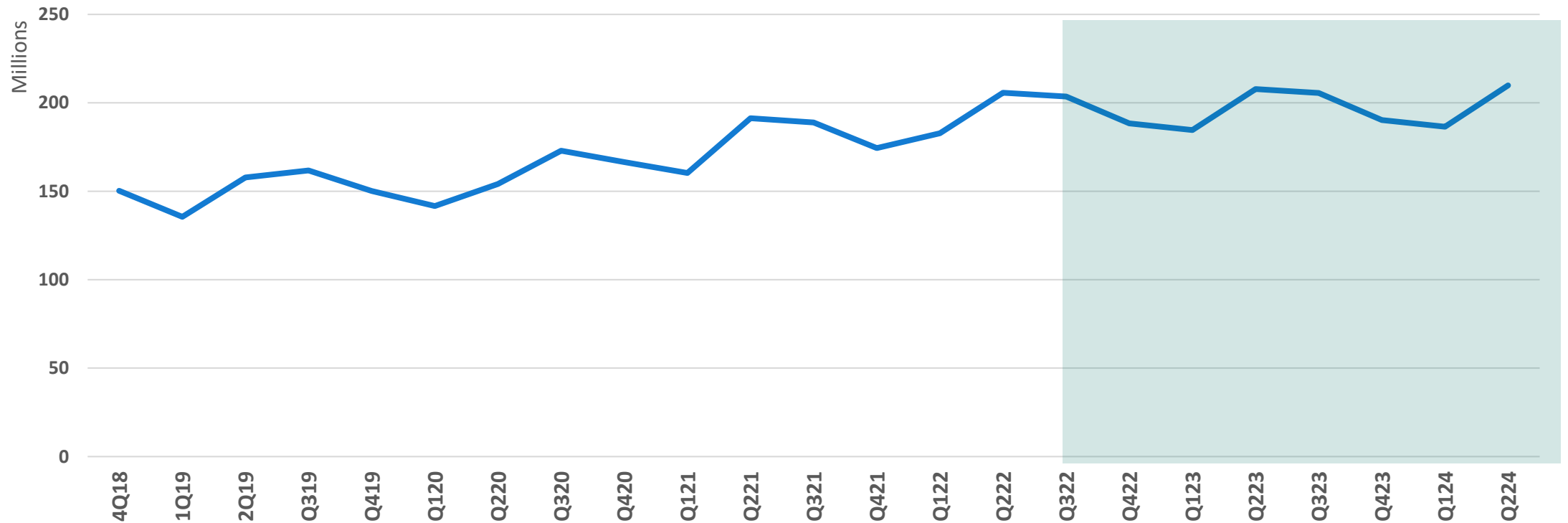


Construction Factors



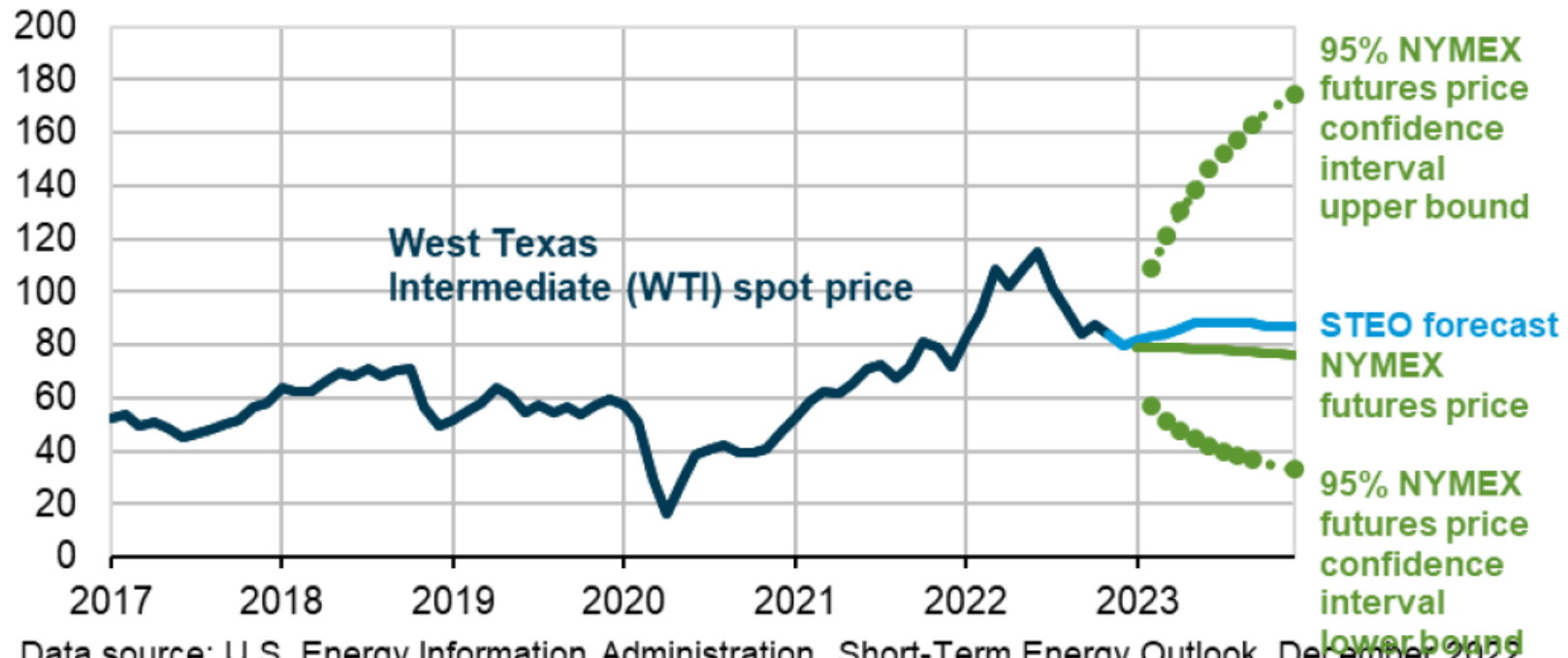
Building & Construction Forecast

% Change YoY	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24
	13.2%	24.1%	9.2%	4.7%	14.0%	7.6%	7.8%	8.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%



WTI Crude Oil Price

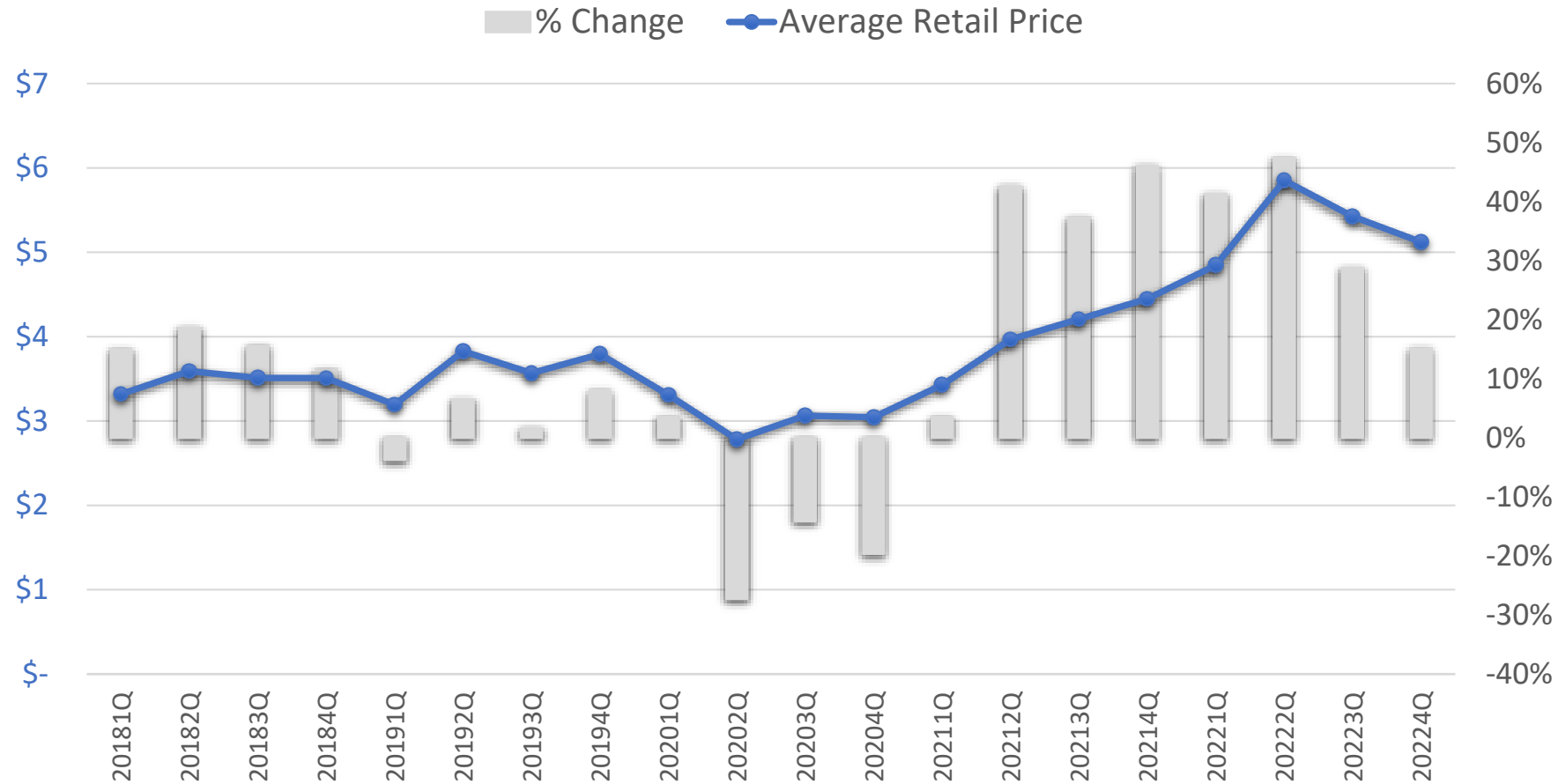
West Texas Intermediate (WTI) crude oil price and NYMEX confidence intervals
dollars per barrel



Data source: U.S. Energy Information Administration, Short-Term Energy Outlook, December 2022, CME Group, Bloomberg, L.P., and Refinitiv an LSEG Business

Note: Confidence interval derived from options market information for the five trading days ending December 1, 2022. Intervals not calculated for months with sparse trading in near-the-money options contracts.

CA Retail Gas Price Per Gallon – Quarterly Average

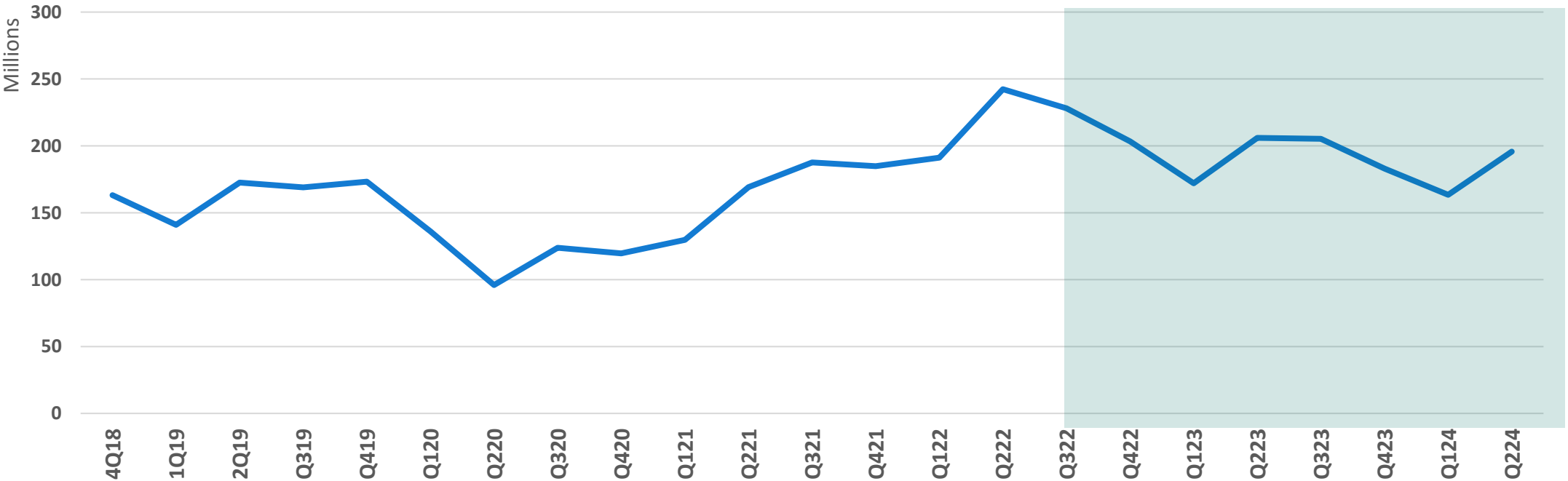


Source: U.S. Energy Information Administration (EIA)

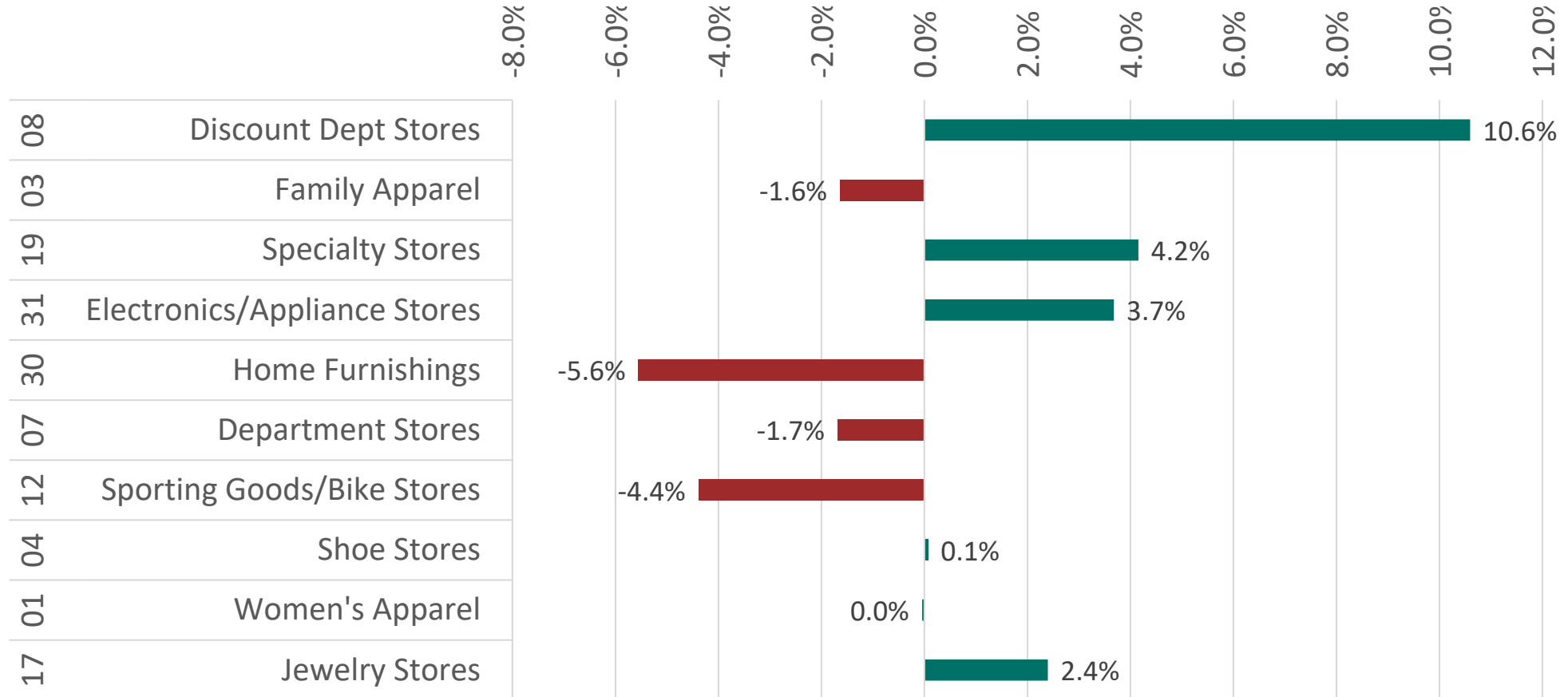
Fuel & Service Stations Forecast

% Change
YoY

1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24
-4.7%	76.3%	51.5%	54.5%	47.3%	43.3%	21.6%	10.0%	-10.0%	-15.0%	-10.0%	-10.0%	-5.0%	-5.0%



General Consumer Goods (GCG)



Preliminary Holiday Results

Mastercard Spending Pulse reports...



Mastercard SpendingPulse™
U.S. Retail Sales
November 1-December 24

2022 vs. 2021	
Total Retail (ex. auto)	7.6%
In-Store	6.8%
Online	10.6%
Apparel	4.4%
Department Store	1.0%
Electronics	-5.3%
Jewelry	-5.4%
Restaurants	15.1%

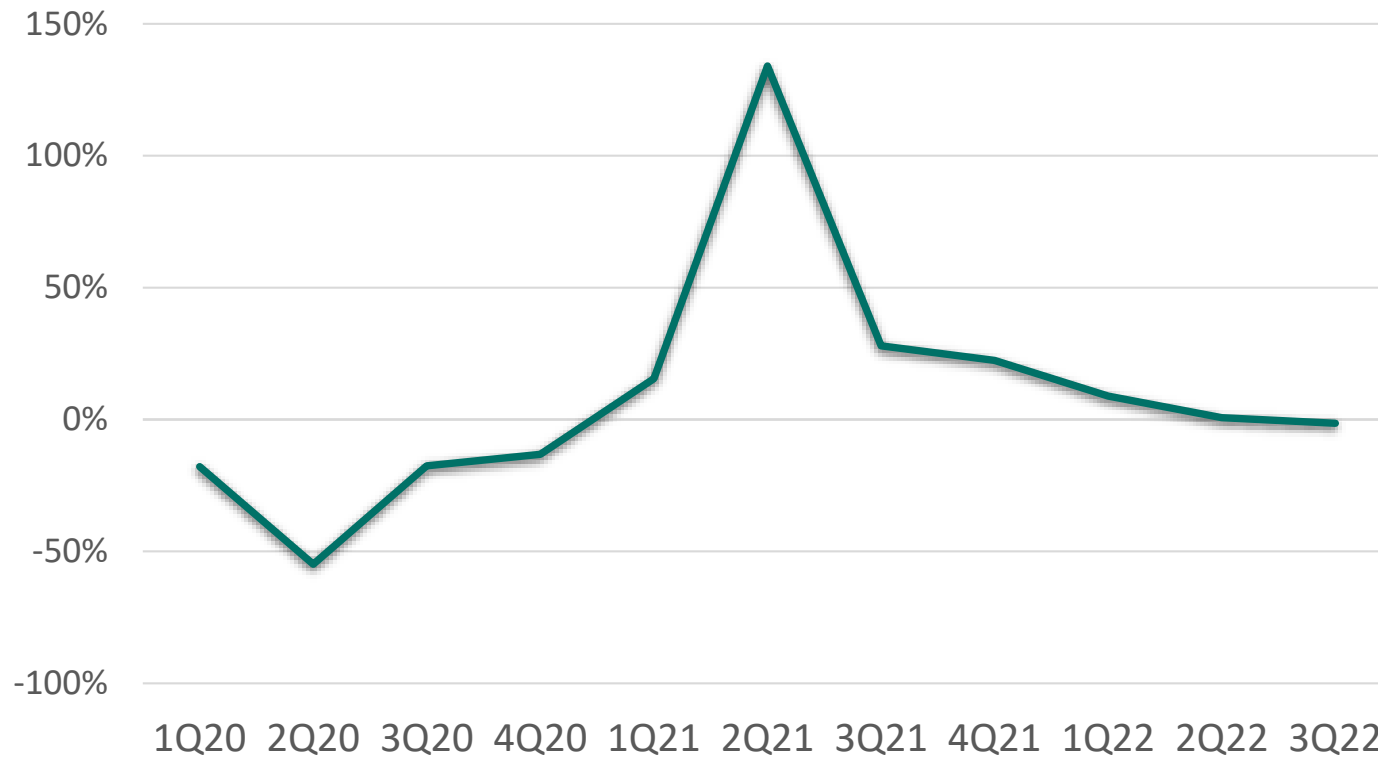
 Source: Mastercard SpendingPulse, which measures in-store and online retail sales across all forms of payment and is not adjusted for inflation.

“Retailers discounted heavily but consumers diversified their holiday spending to accommodate rising prices and an appetite for experiences and festive gatherings post-pandemic.” - *Steve Sadove, senior advisor for Mastercard and former CEO and Chairman of Saks Incorporated*

“Consumers and retailers navigated the season well, displaying resilience amid increasing economic pressures.” – *Michelle Meyer, North America Chief Economist, Mastercard Economics Institute*

GCG: Growth Trends

High impact categories have slowed throughout 2022 and even contracted in the third quarter



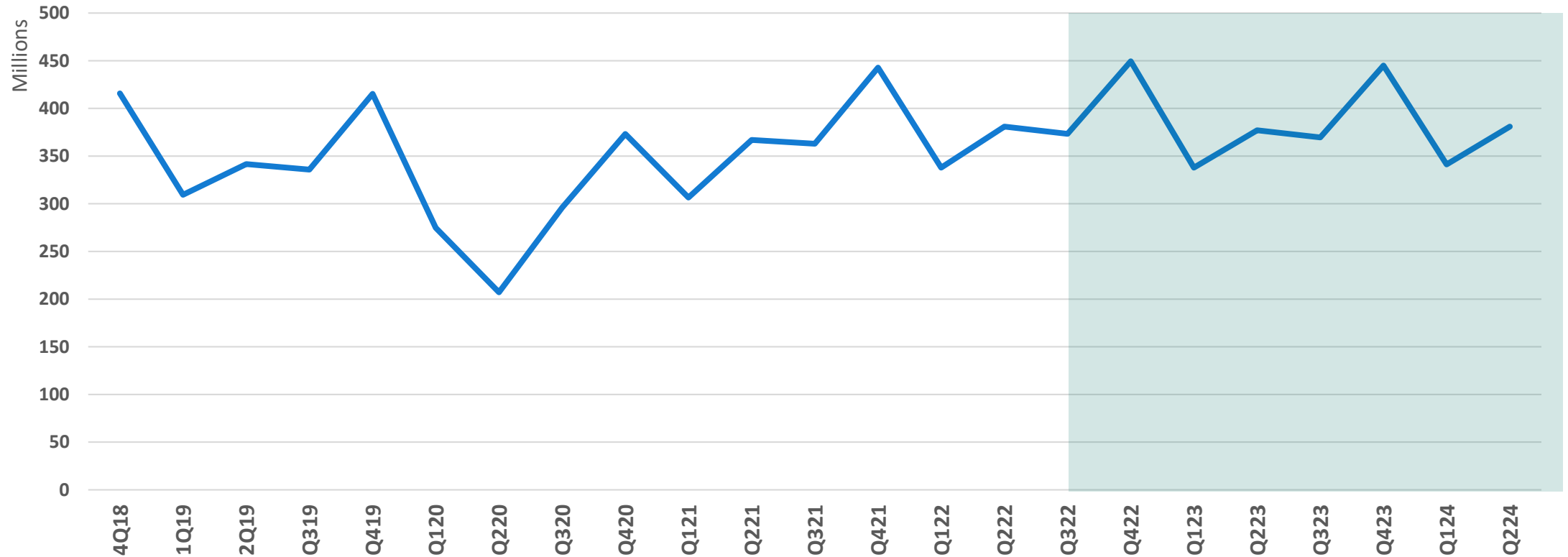
Includes:

- Department Stores
- Family Apparel
- Home Furnishings
- Specialty Stores
- Sporting Goods
- Women's Apparel

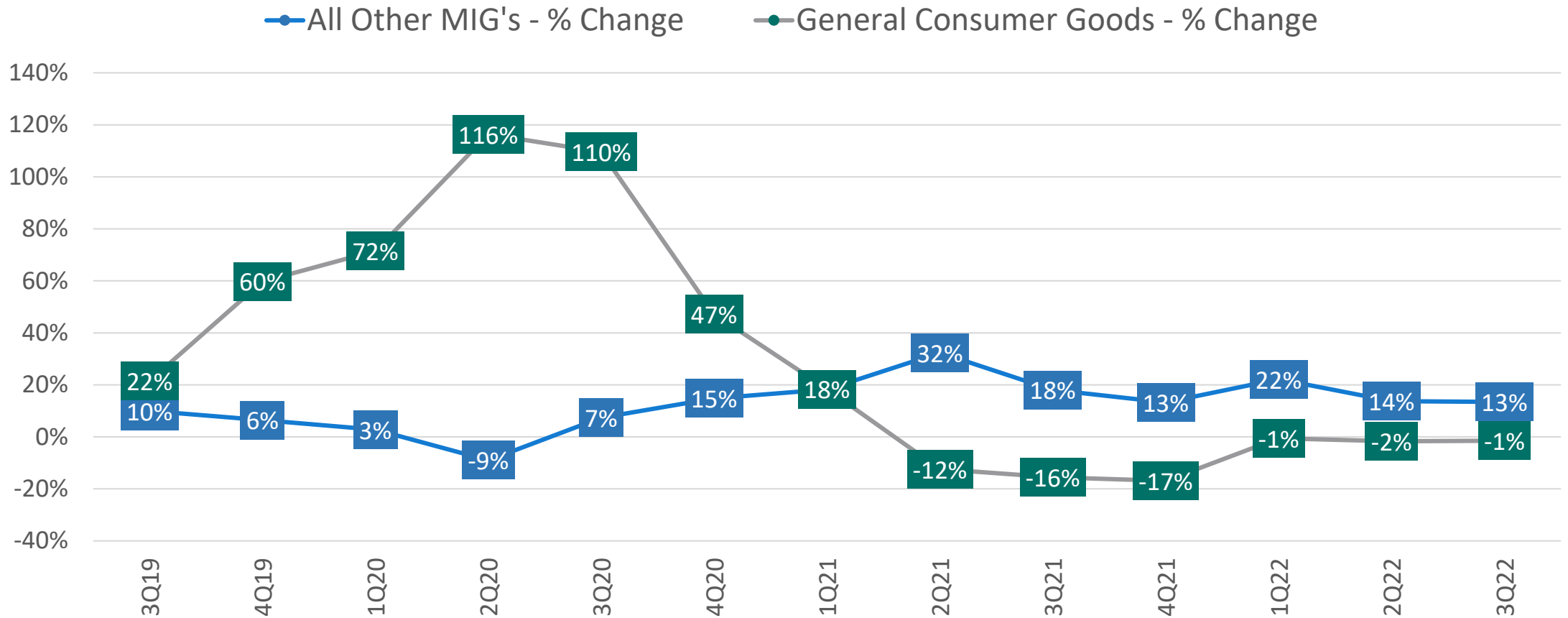
General Consumer Goods Forecast

% Change
YoY

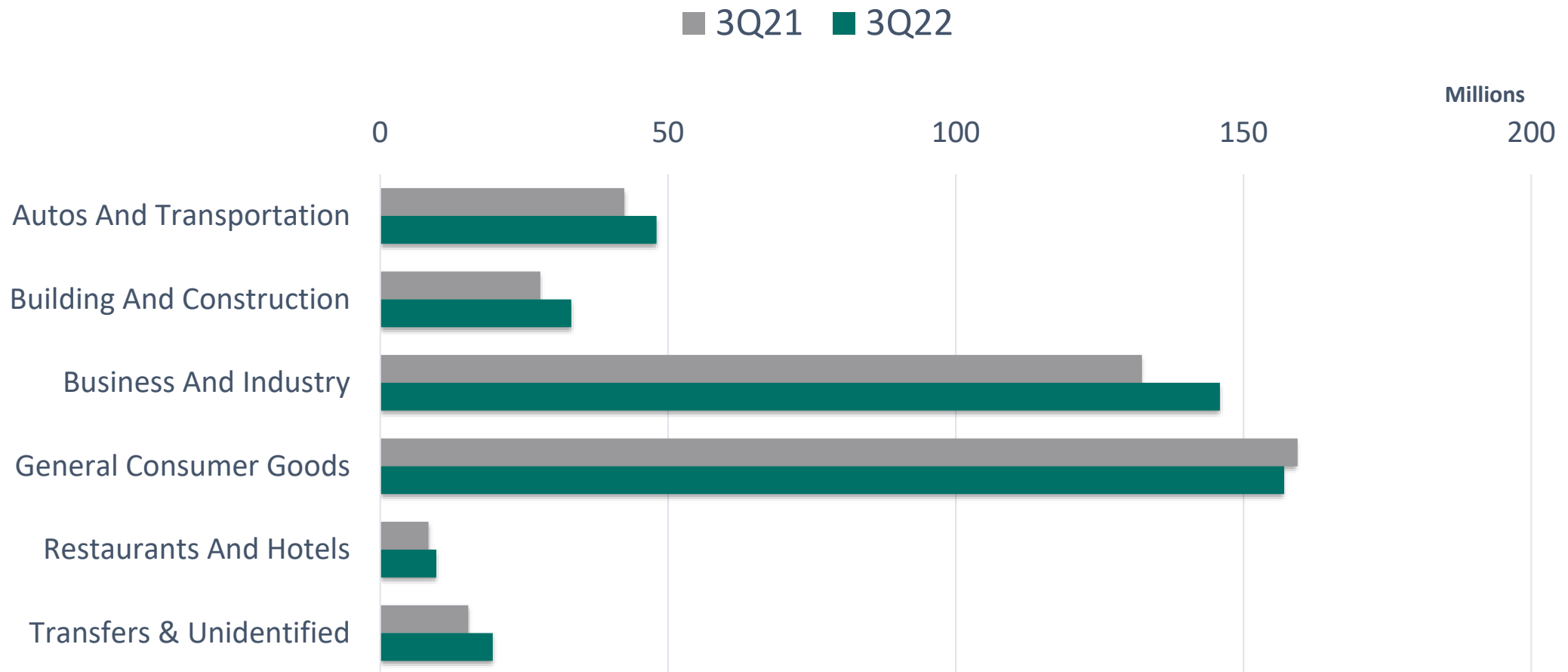
1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24
11.5%	77.2%	22.7%	18.6%	10.2%	3.8%	2.9%	1.5%	0.0%	-1.0%	-1.0%	-1.0%	1.0%	1.0%



County Pools: Trends



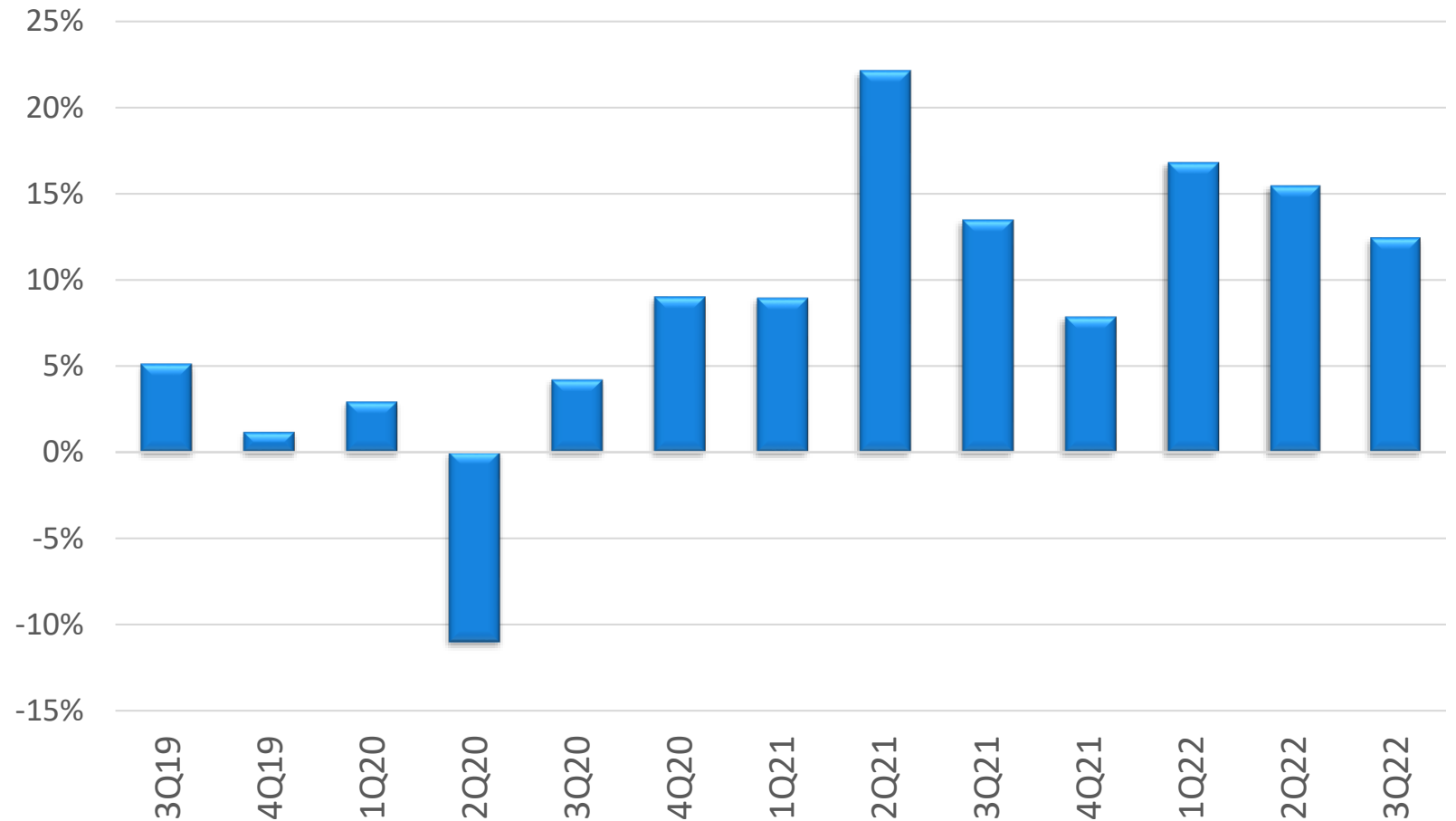
County Pools: B&I leads the way



County Pools: B&I Major Categories

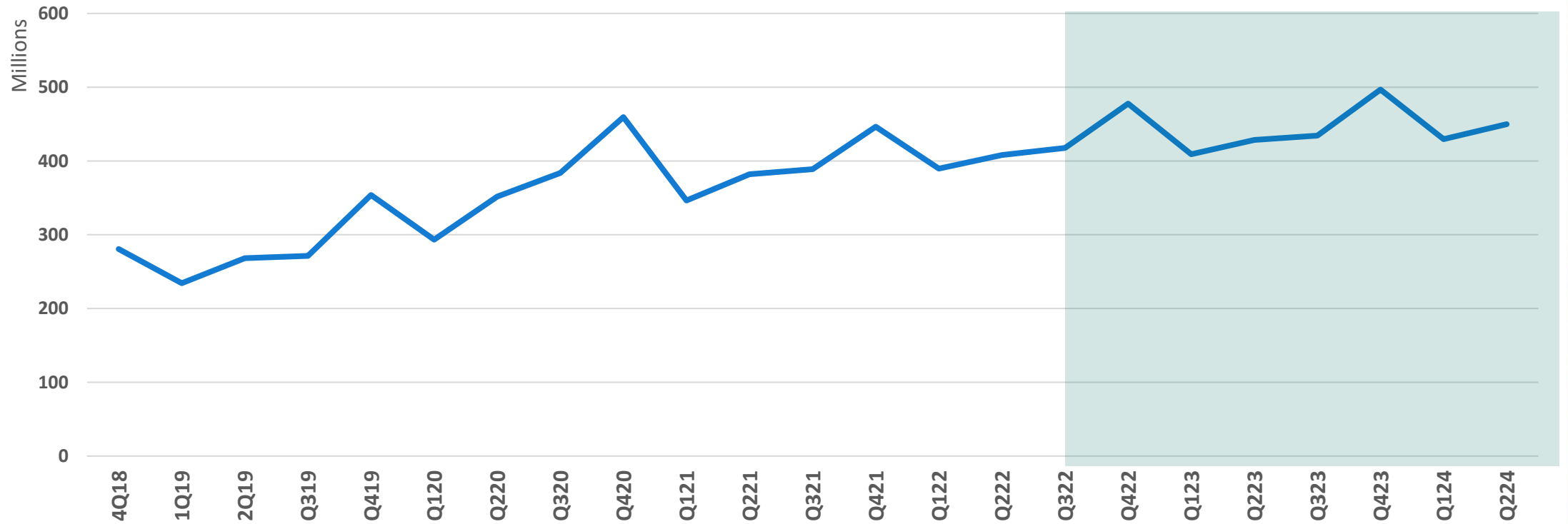
Major Categories

- Medical/Biotech
- Light Industrial
- Business Services
- Office Equipment
- Heavy Industrial
- Electrical Equipment

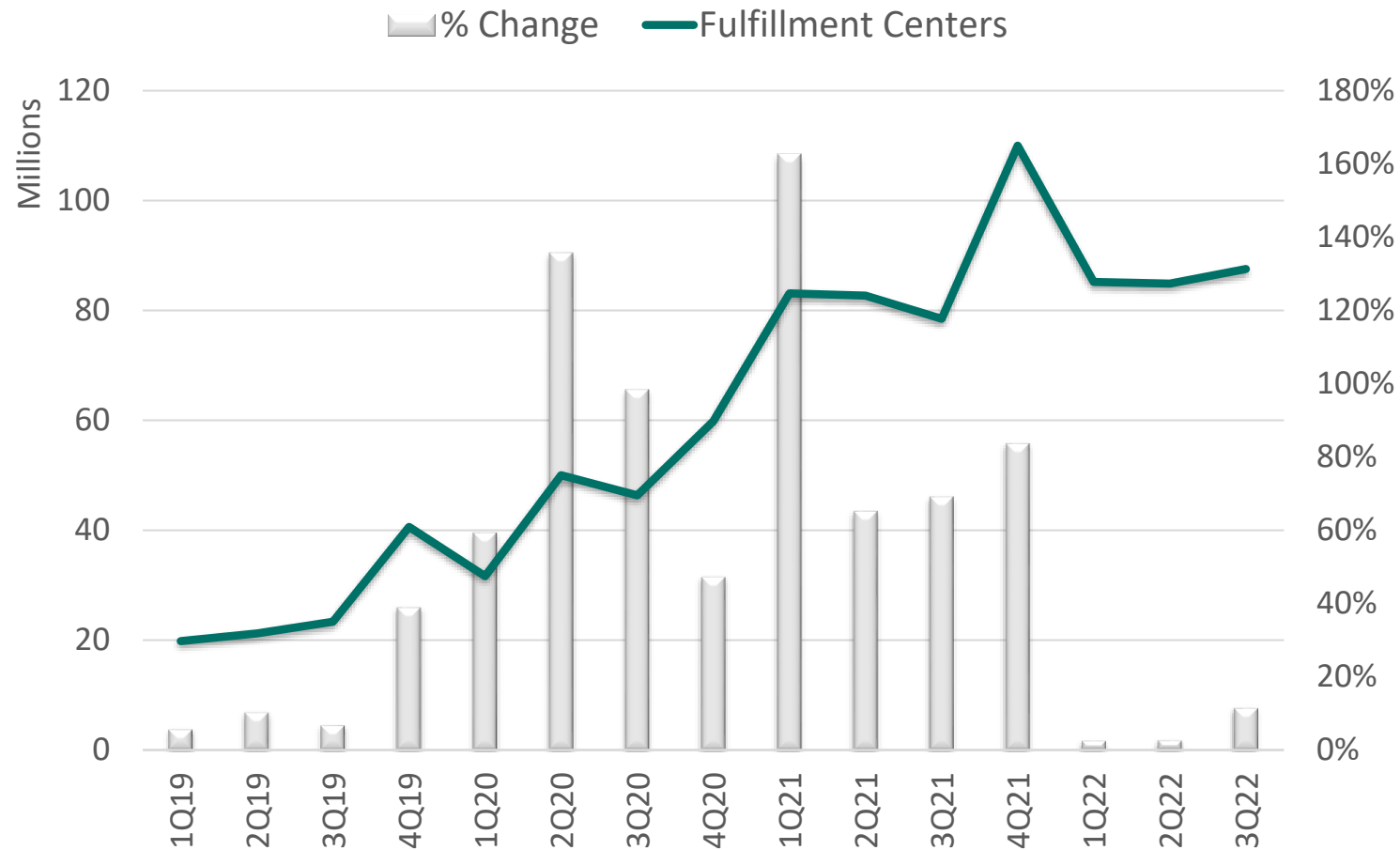


County Pools Forecast

% Change YoY	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24
	18.1%	8.7%	1.3%	-2.8%	12.5%	6.8%	7.4%	7.0%	5.0%	5.0%	4.0%	4.0%	5.0%	5.0%



Fulfillment Centers



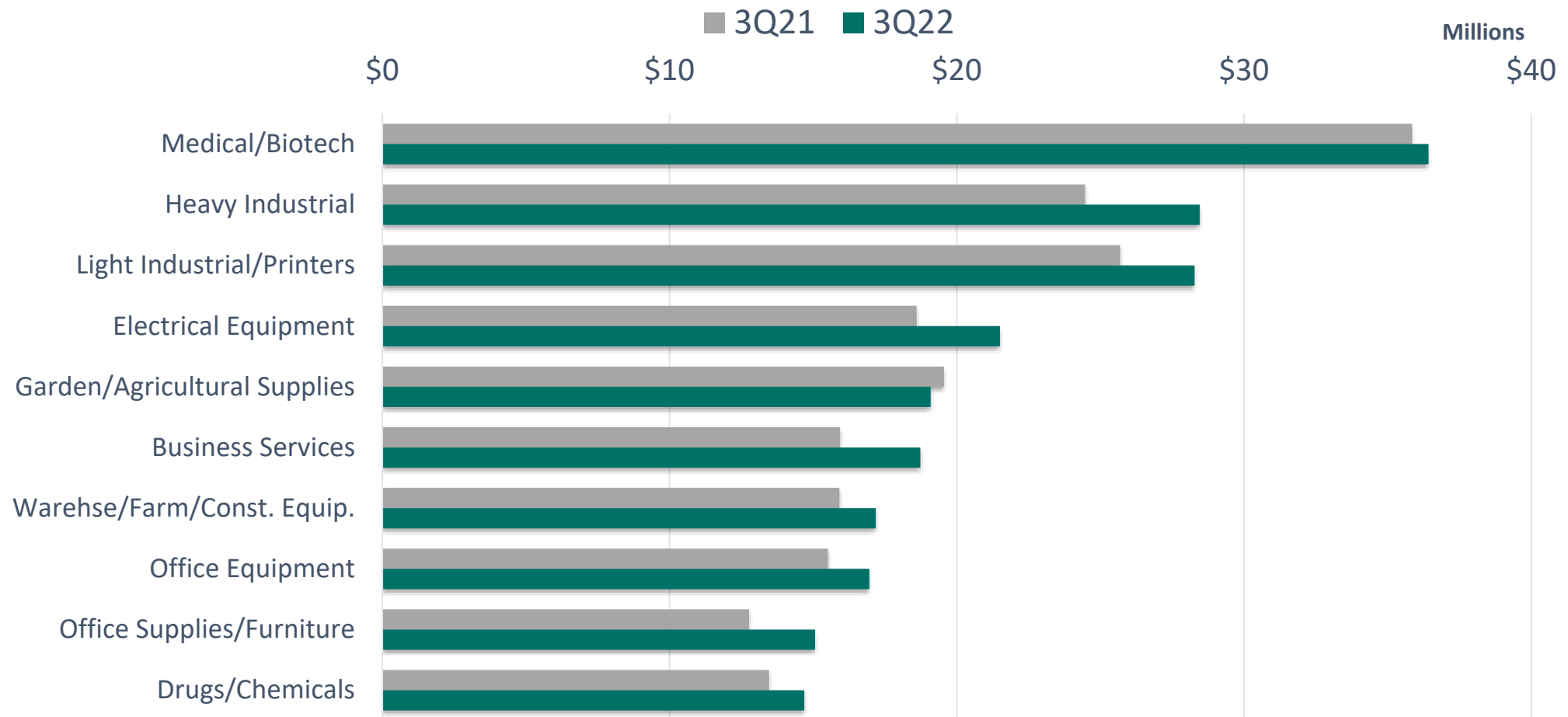
Place-of-Sale direct allocations to local agencies

4Q19 – 3Q20: Growth from AB147, Marketplace Facilitators, pandemic behavior shifts

4Q20: Continued pandemic behavior shifts to online shopping

1Q21 - 4Q21: Shifts of some local tax reporting due to business structure changes from indirect to direct reporting

Business & Industry: Top BT's



B&I - Industry Trends



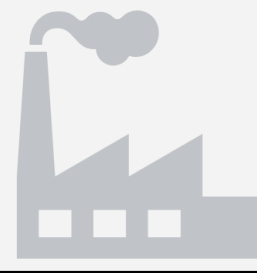
CA fulfillment centers filling more and more online and remote seller orders, boosting direct allocations



Farm and construction equipment in demand; AG supplies down



Pharmaceutical & Biotech going strong lifted by COVID and crop research

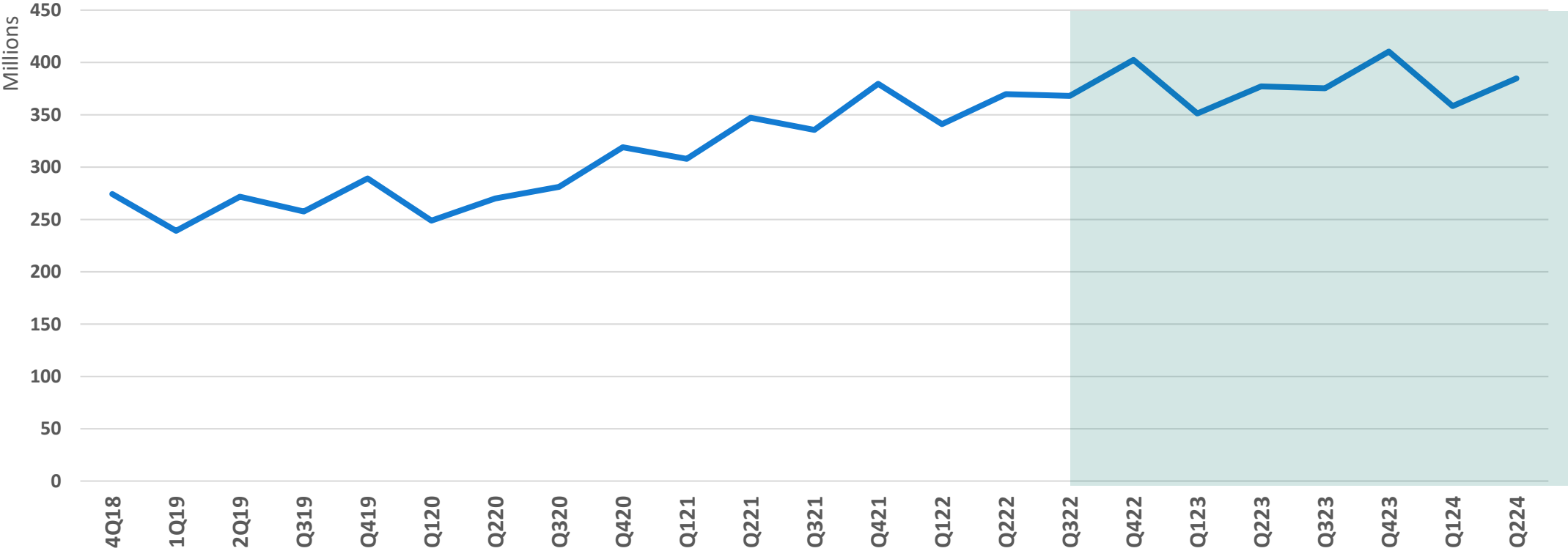


Industry: ISM Manufacturing Index contracted for the first time in 29 months.

Reporting softening demand and caution due to Interest rates

Business & Industry Forecast

% Change YoY	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24
	23.7%	28.6%	19.3%	19.0%	10.8%	6.5%	9.7%	6.0%	3.0%	2.0%	2.0%	2.0%	2.0%	2.0%



Autos Prices

Year-over-Year percentage change

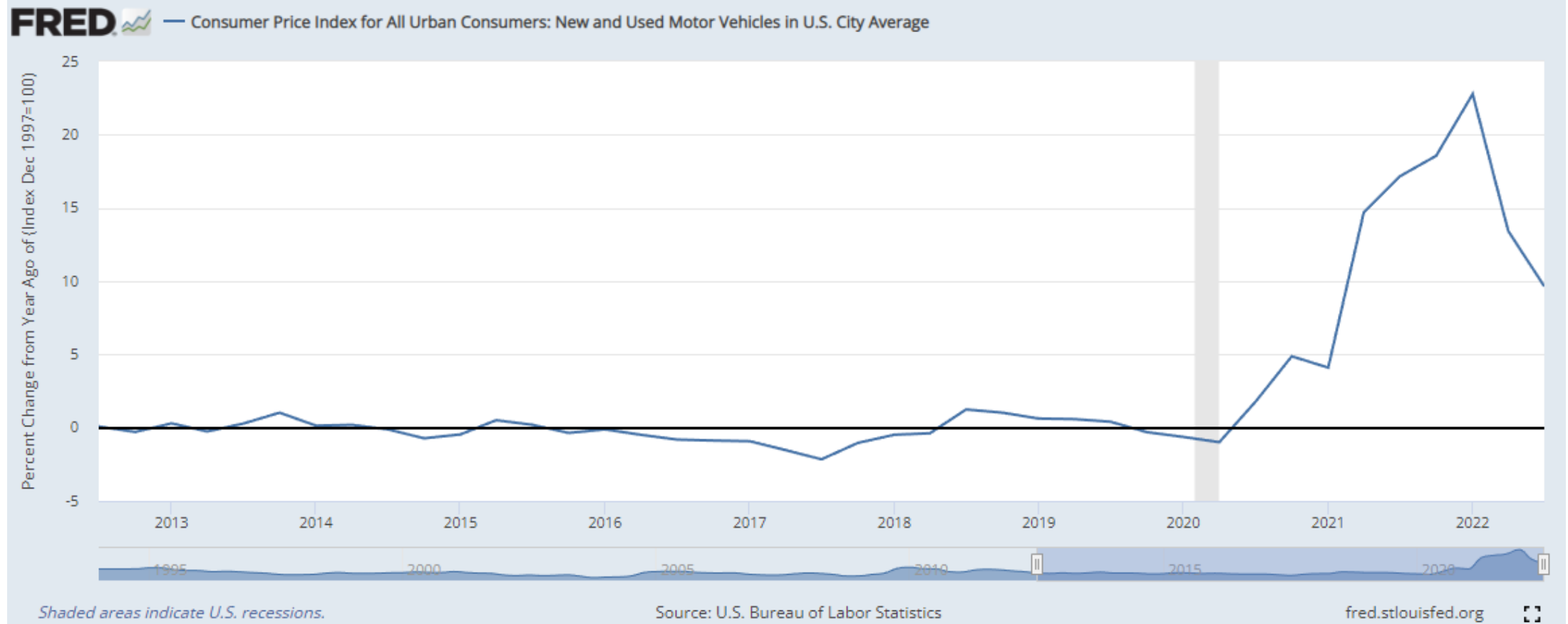
1Y | 5Y | 10Y | Max

2012-07-01

to

2022-07-01

EDIT GRAPH 



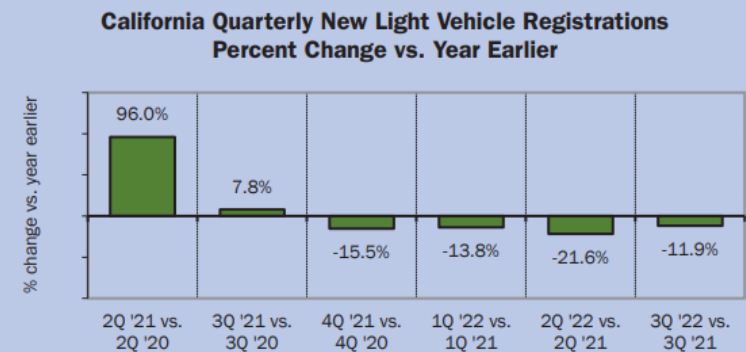
Autos: 3Q-2022 Trends

Demand beginning to soften, but pent-up demand still a positive factor. Auto outlook expects a 5.4% increase in registrations in 2023.

2022 unit volume declined; continued impact from limited inventories that are showing signs of improving.

With supply chain issues easing and higher interest rates pricing should moderate throughout 2023.

QUARTERLY RESULTS



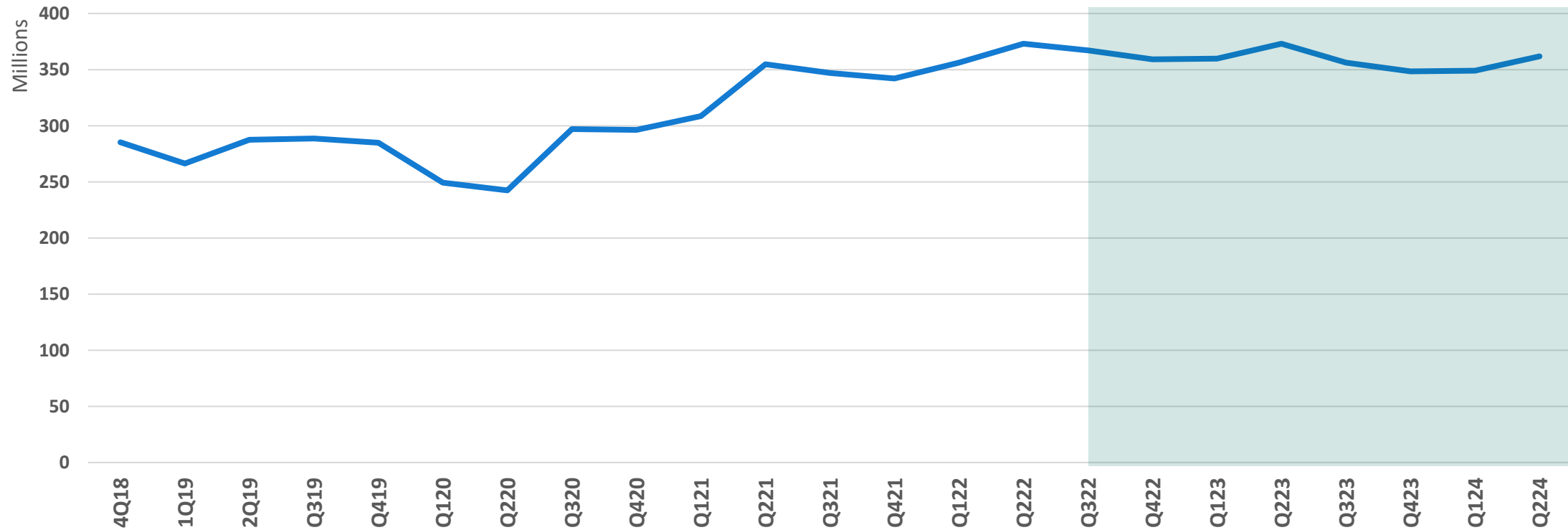
Data source: AutoCount data from Experian.

Sources: California Auto Outlook, AutoCount data from Experian, HdL

Autos & Transportation Forecast

% Change
YoY

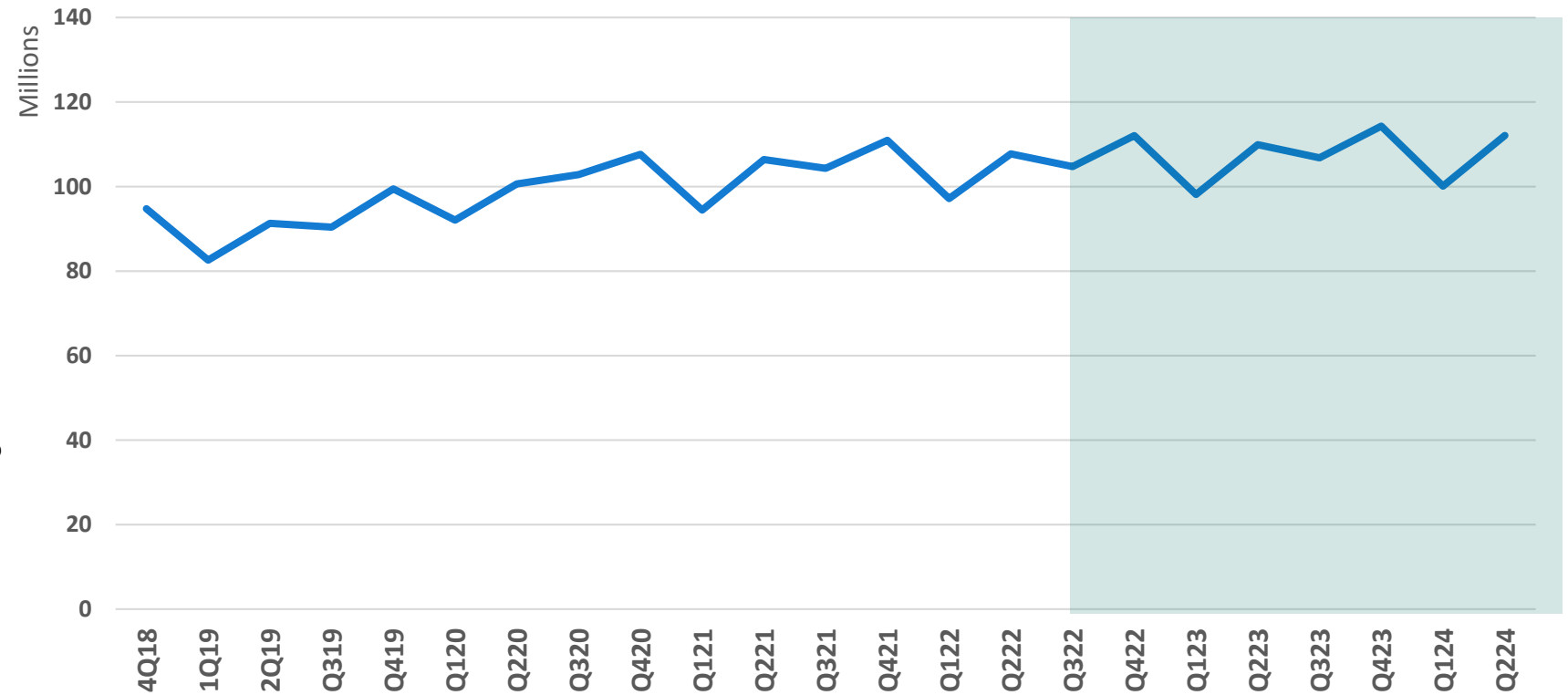
1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24
23.8%	46.3%	16.8%	15.4%	15.4%	5.2%	5.8%	5.0%	1.0%	0.0%	-3.0%	-3.0%	-3.0%	-3.0%



Food & Drugs Forecast

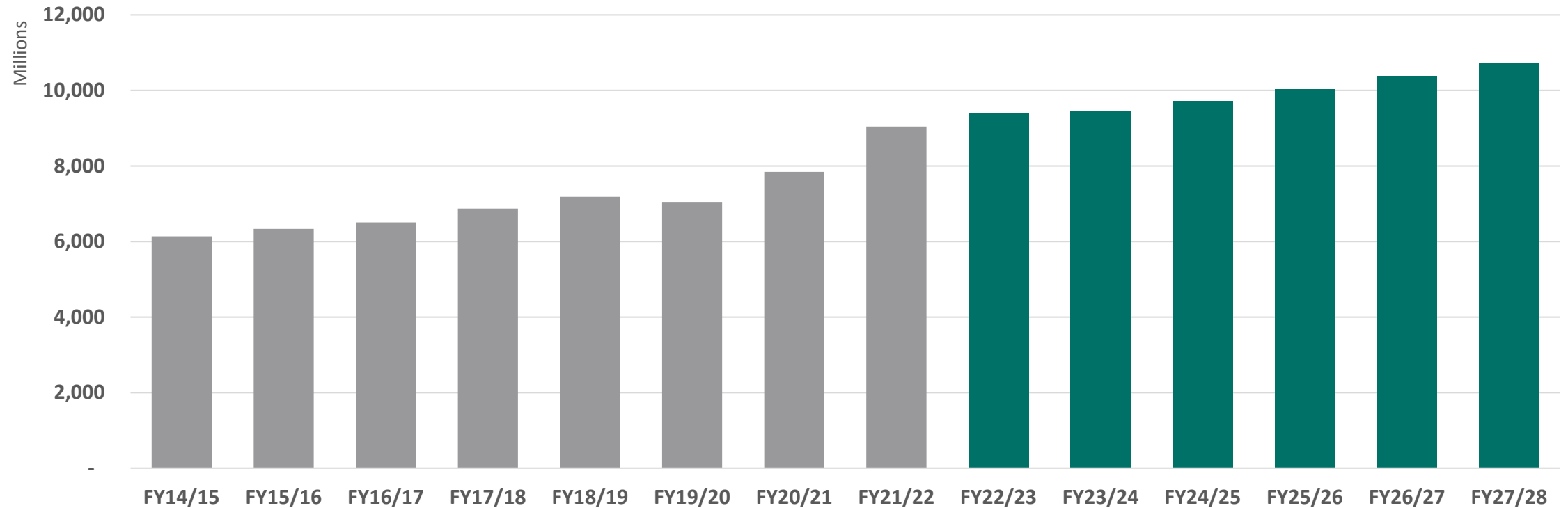
% Change YoY	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24
	2.6%	5.7%	1.4%	3.1%	2.9%	1.3%	0.4%	1.0%	1.0%	2.0%	2.0%	2.0%	2.0%	2.0%

- CPI: Food at Home up 13.2% in 3rd quarter
- Grocery Stores up 3.2%
- Convenience Stores up 2.5%
- Cannabis declined 12.1%



HdL Statewide Trend – Annual Outlook (FY)

% Change YoY	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28
	3.2%	2.7%	5.6%	4.6%	-1.9%	11.3%	15.3%	3.9%	0.5%	2.9%	3.4%	3.4%	3.4%



Sales Tax Trends & Economic Drivers

California Forecast

Q & A

Thank you!

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