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We are pleased to release our third quarter 2018 California and United States economic forecasts.

While the national and California economies are in an expansion phase of the business cycle, the growth rate of these economies is slow relative to historical norms.

For the nation, the post-World War II average economic growth rate is 3.5 percent per year. The average rate following the Great Recession is just 2.1 percent. This anemic economic growth has been driven by a combination of extraordinary monetary policy experimentation, punishing regulation of the private economy, and government programs which dis-incentivize work. Following important reforms to the corporate tax system, the U.S. economy has entered a new phase of higher growth, but growth is still below historical norms. We are forecasting growth of just 2.9 percent for each of the next two years.

Despite the tailwind of accelerating economic growth for the Nation, economic growth across the Golden State has been slowing. After experiencing annual growth of greater than 3 percent from 2013 until mid-2016, statewide growth is now hovering near two percent.

Net domestic migration data captures the relative economic opportunity that a particular area offers. California currently exhibits a style of net domestic migration that would properly be characterized as *mass exodus*. Last year, more than 138,000 more people left California for another state than came to California from another state. The net outflow of productive, working-age adults is accelerating. There is simply more opportunity somewhere else. This important indicator of demographic change is a powerful signal of underlying economic weakness. We expect growth in California to be the same or even a little lower than that of the nation for each of the next eight quarters.