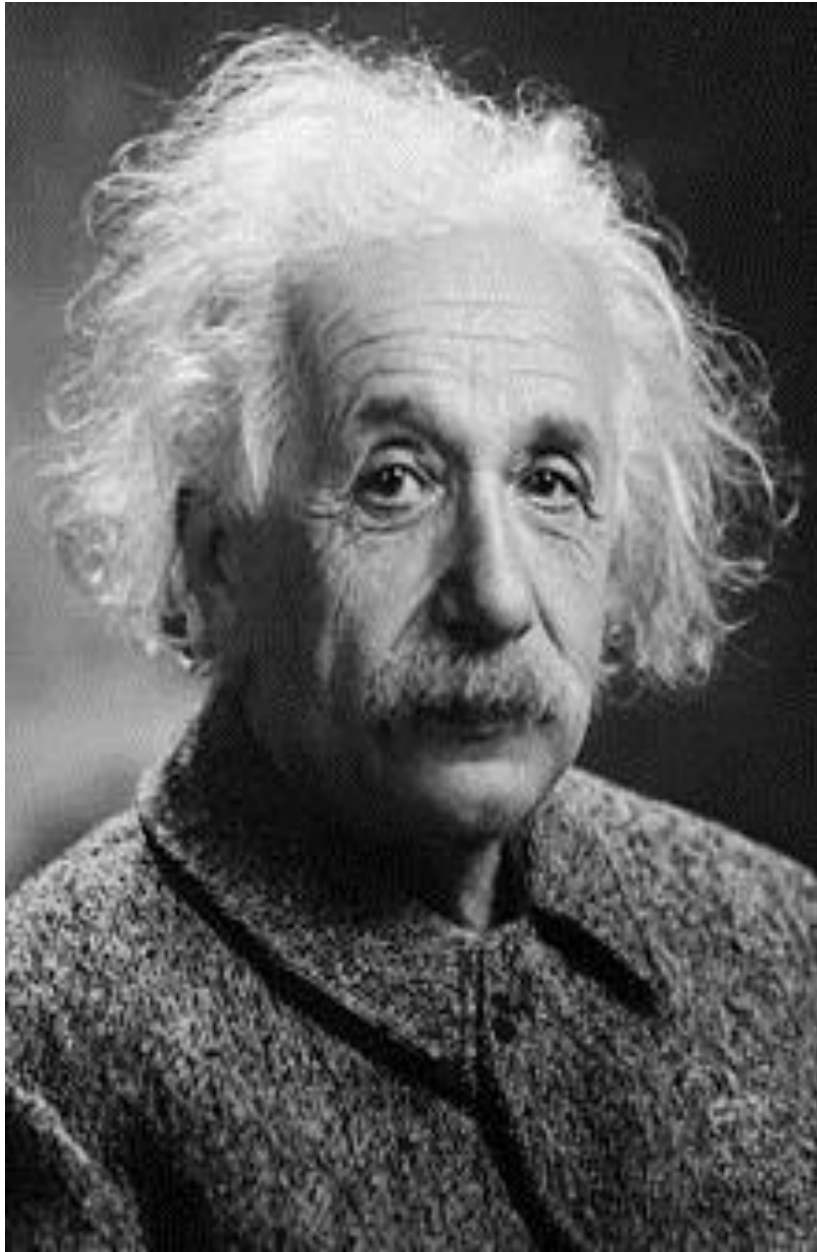


SAN GABRIEL VALLEY ECONOMIC FORECAST: 2019-2020

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DIRECTOR, INSTITUTE FOR APPLIED ECONOMICS
LOS ANGELES COUNTY ECONOMIC DEVELOPMENT CORPORATION

April 4, 2019

LAEDC



**“I NEVER
THINK OF
THE
FUTURE—IT
COMES
SOON
ENOUGH”
--Albert Einstein**

Today:

- **California**
- **Los Angeles County**
- **Housing Issues**
- **San Gabriel Valley**
- **Factors That Affect The Forecast**
- **Concluding Remarks**

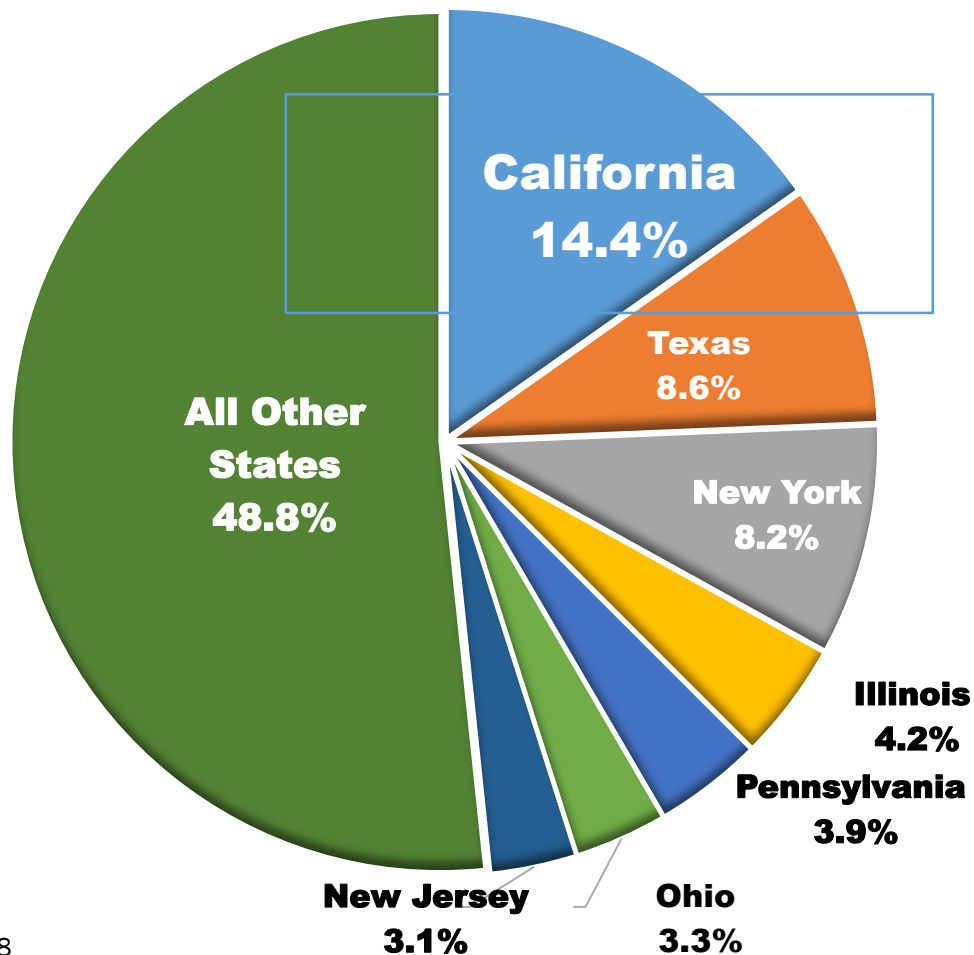




CALIFORNIA REPUBLIC

How Important is California?

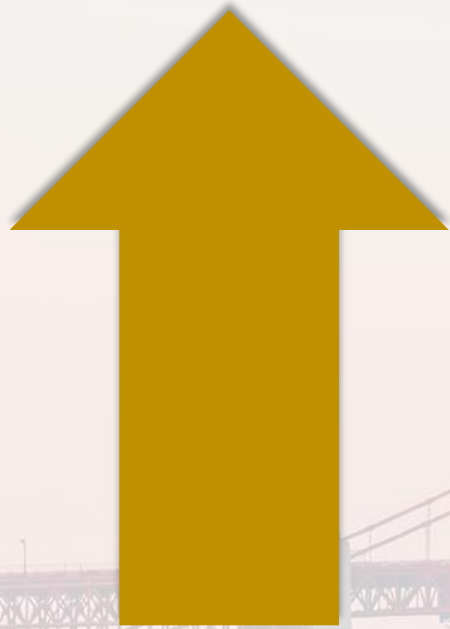
Contribution to US GDP



Bureau of Economic Analysis, 2018

California Indicators

GDP Growth

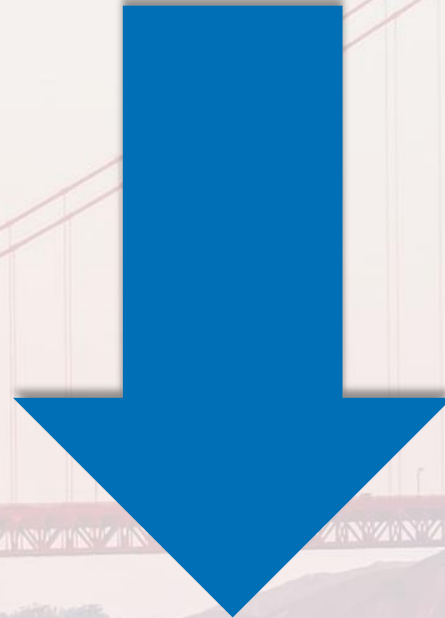


3.4%

2.9%



Unemployment



4.2%

3.9%

Looking Ahead To 2020

GSP Growth Unemployment

Personal
Income Growth



3.0%

GDP: 2.4%



3.4%

3.1%



2.8%

2.5%



New Governor Priorities



Housing



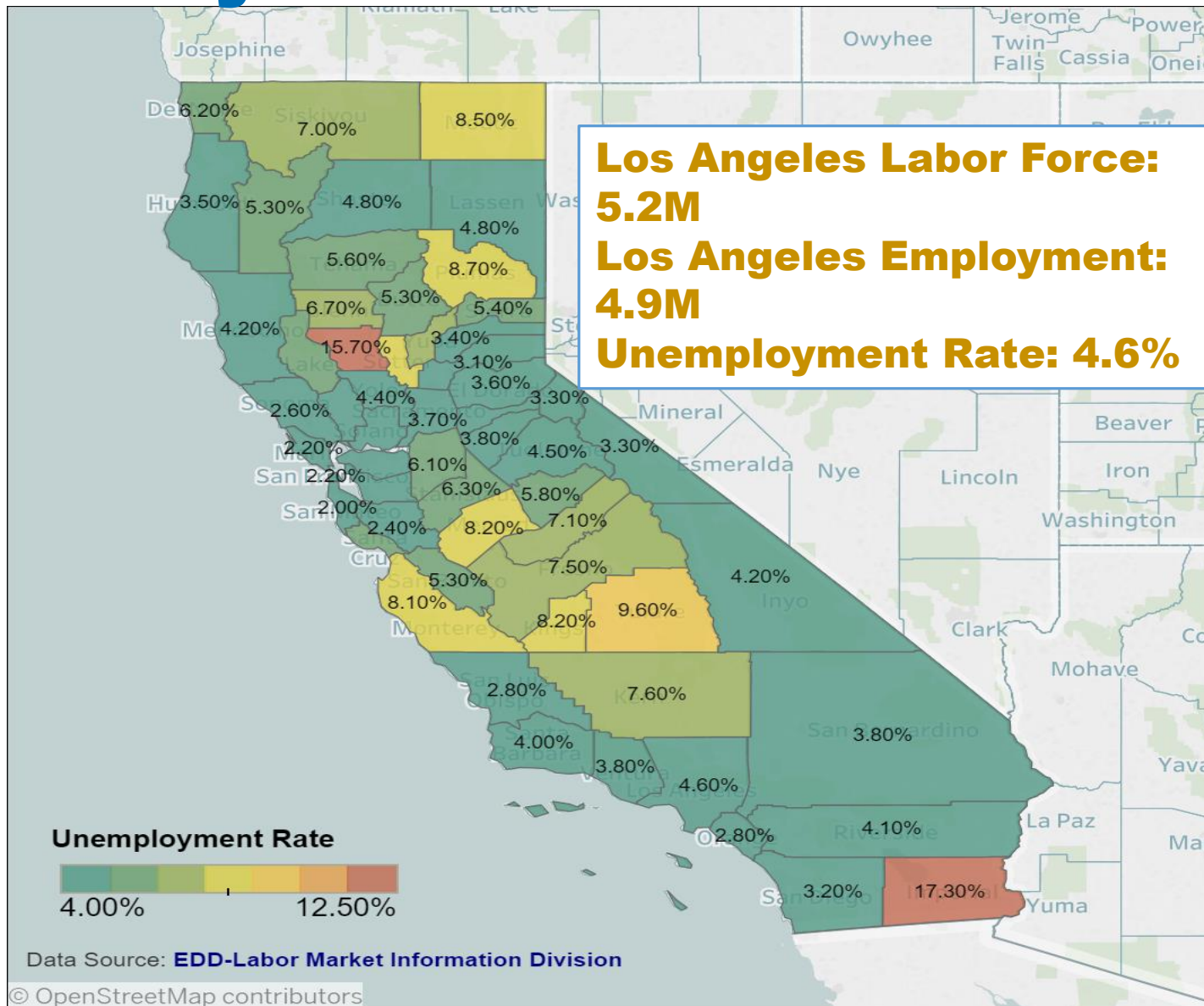
**Natural
Disasters**



So Things Look Good?



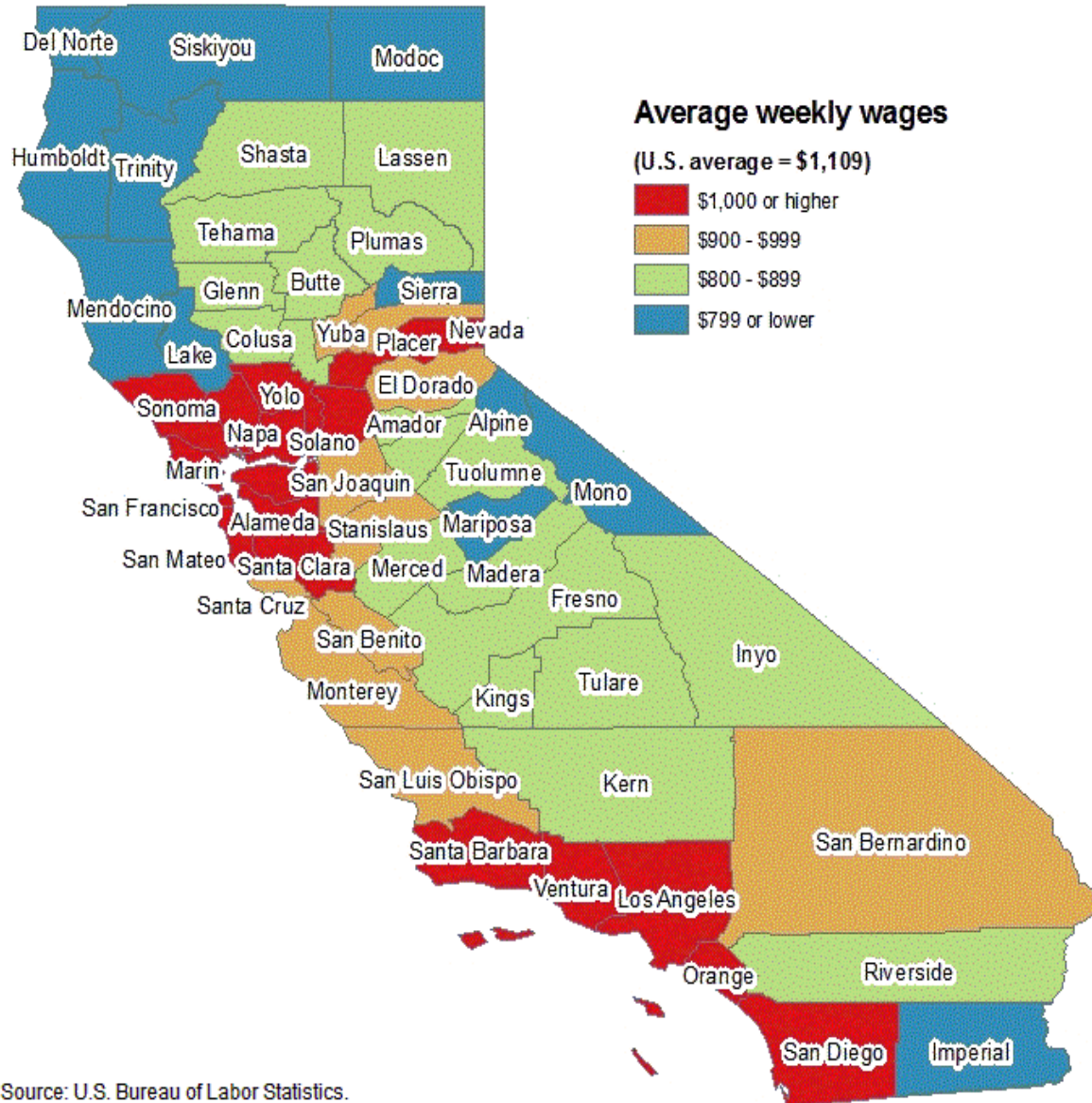
Unemployment Rates by County



The background of the slide features a close-up, slightly blurred view of US currency. In the upper left, there are stacks of coins. The rest of the image is dominated by several US dollar bills, including a \$100 bill and a \$20 bill, which are layered and slightly out of focus to create a sense of depth. The overall color palette is warm, with the yellow and green tones of the paper money.

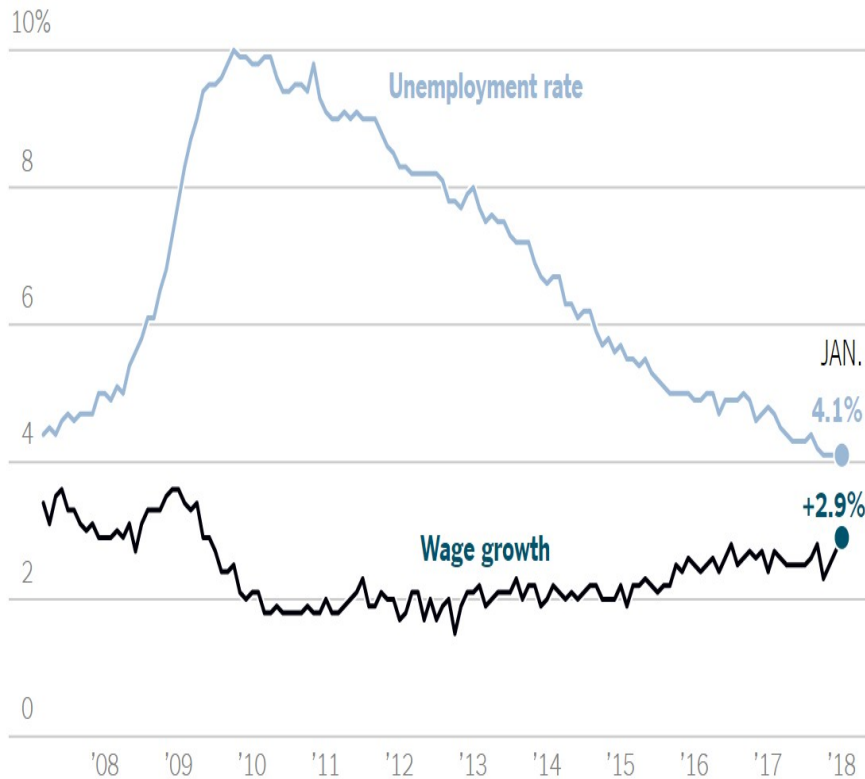
Let's Talk About Wages

Wages by County



Source: U.S. Bureau of Labor Statistics.

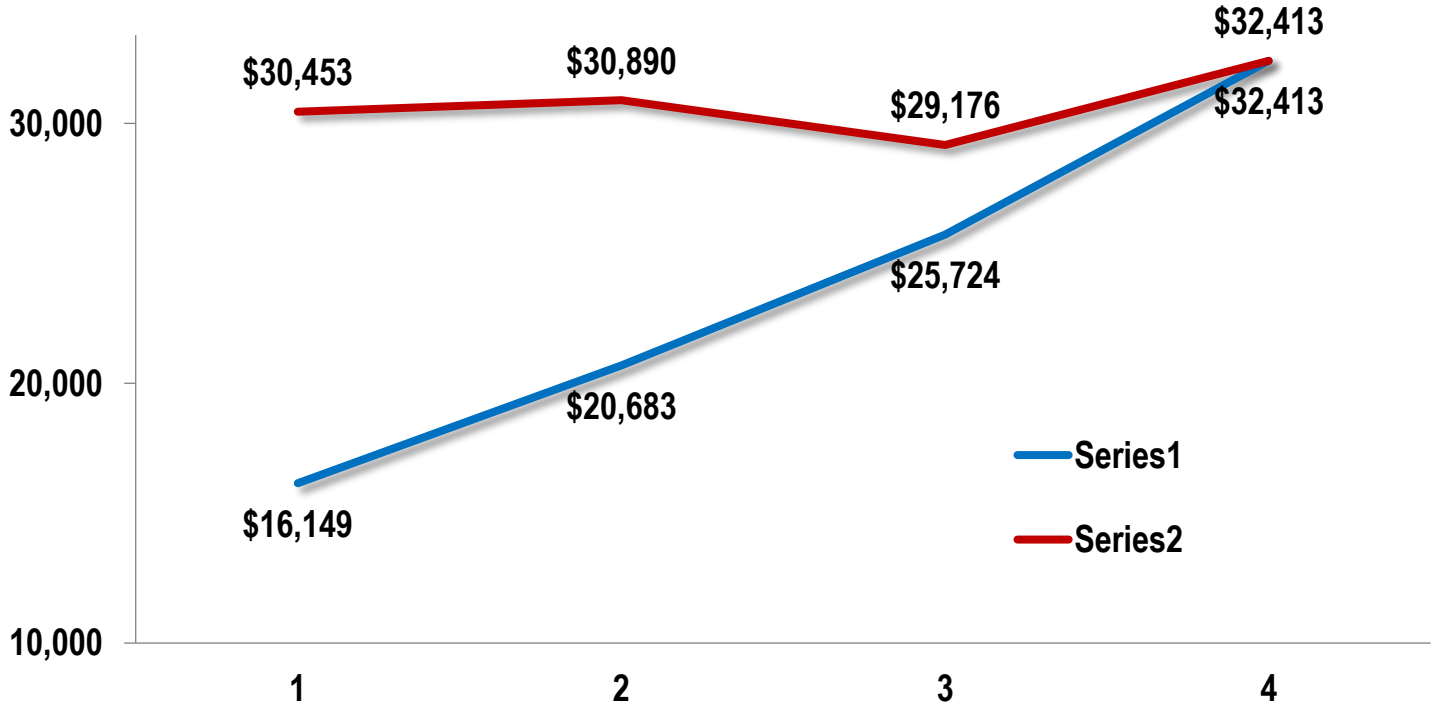
Wage Growth Lagging Behind



- Declining Unions
- Competition
- Restrains
- Lagging Minimum Wage
- Globalization
- Automation
- Anemic Productivity
- Outsourcing
- Contract Work
- Gig Work

Wages Don't Go Far

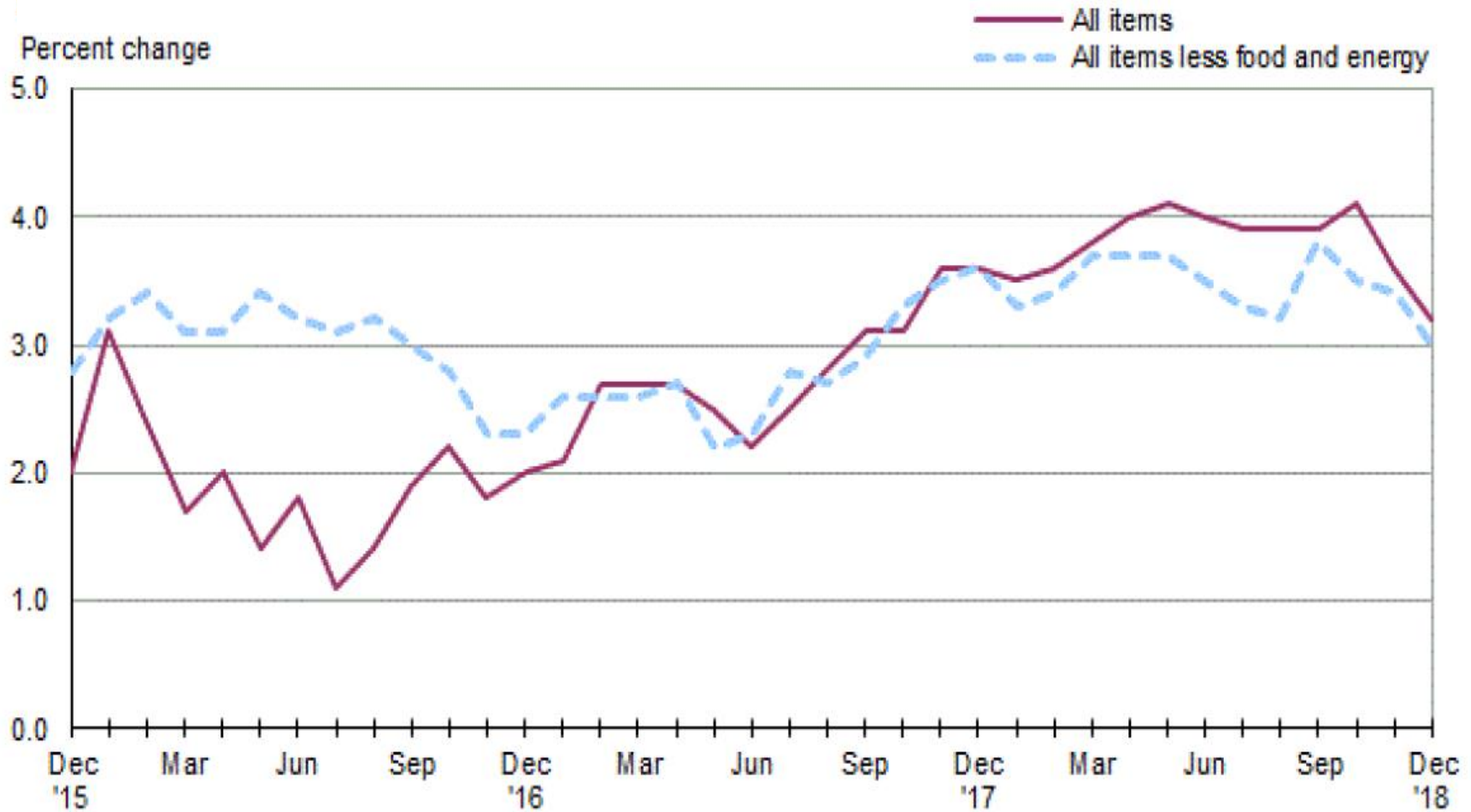
Per Capita Income Nominal and \$2017



Source: ACS 2017 1-year estimates; BLS



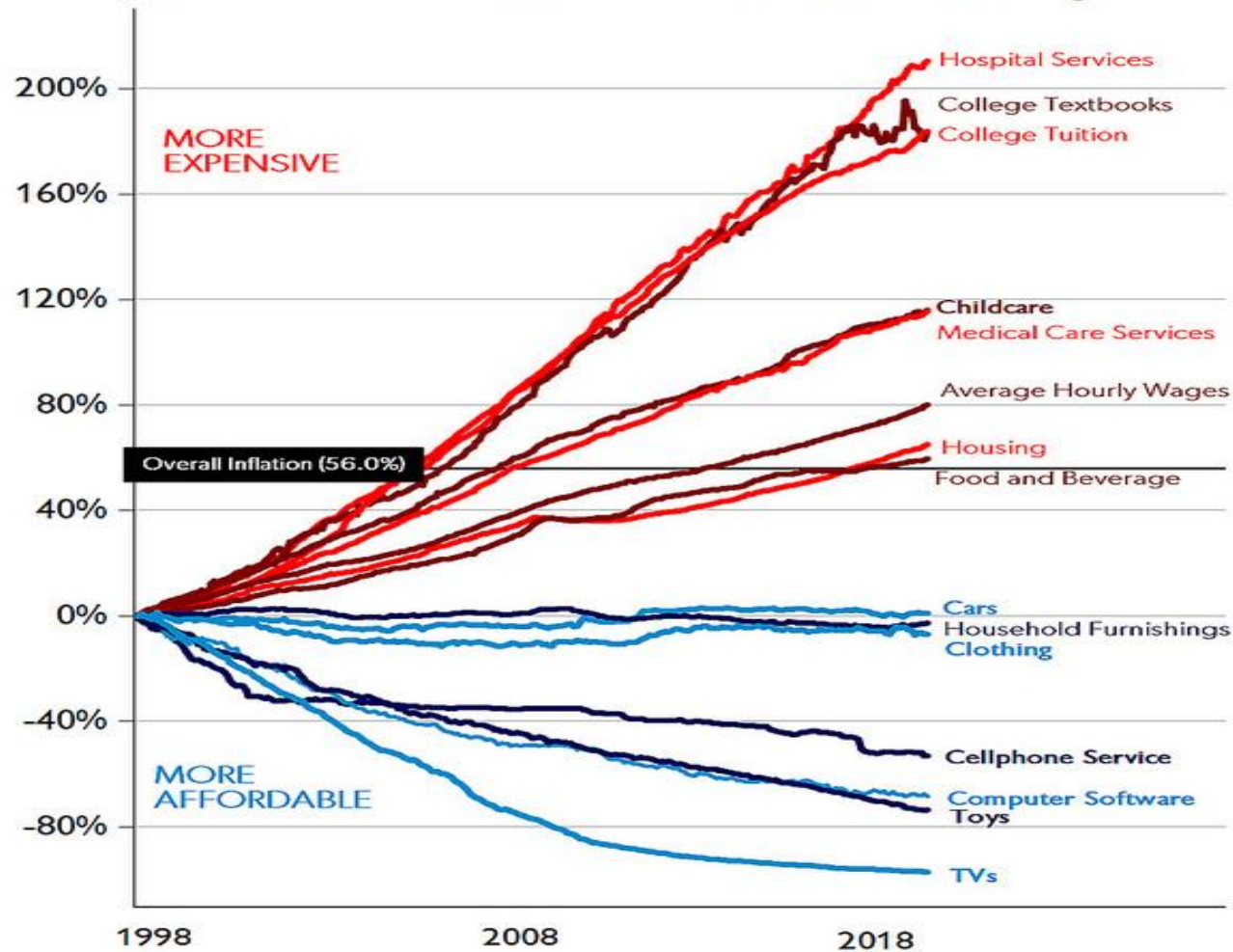
Consumer Price Index



Source: U.S. Bureau of Labor Statistics.

What's Happening With Prices?

Price Changes (January 1998 to December 2018)
Selected US Consumer Goods and Services, Wages



Source: BLS

Carpe Diem **AEI**



Los Angeles

Looking Ahead To 2020

GCP Growth Unemployment

Personal
Income Growth



2.7%

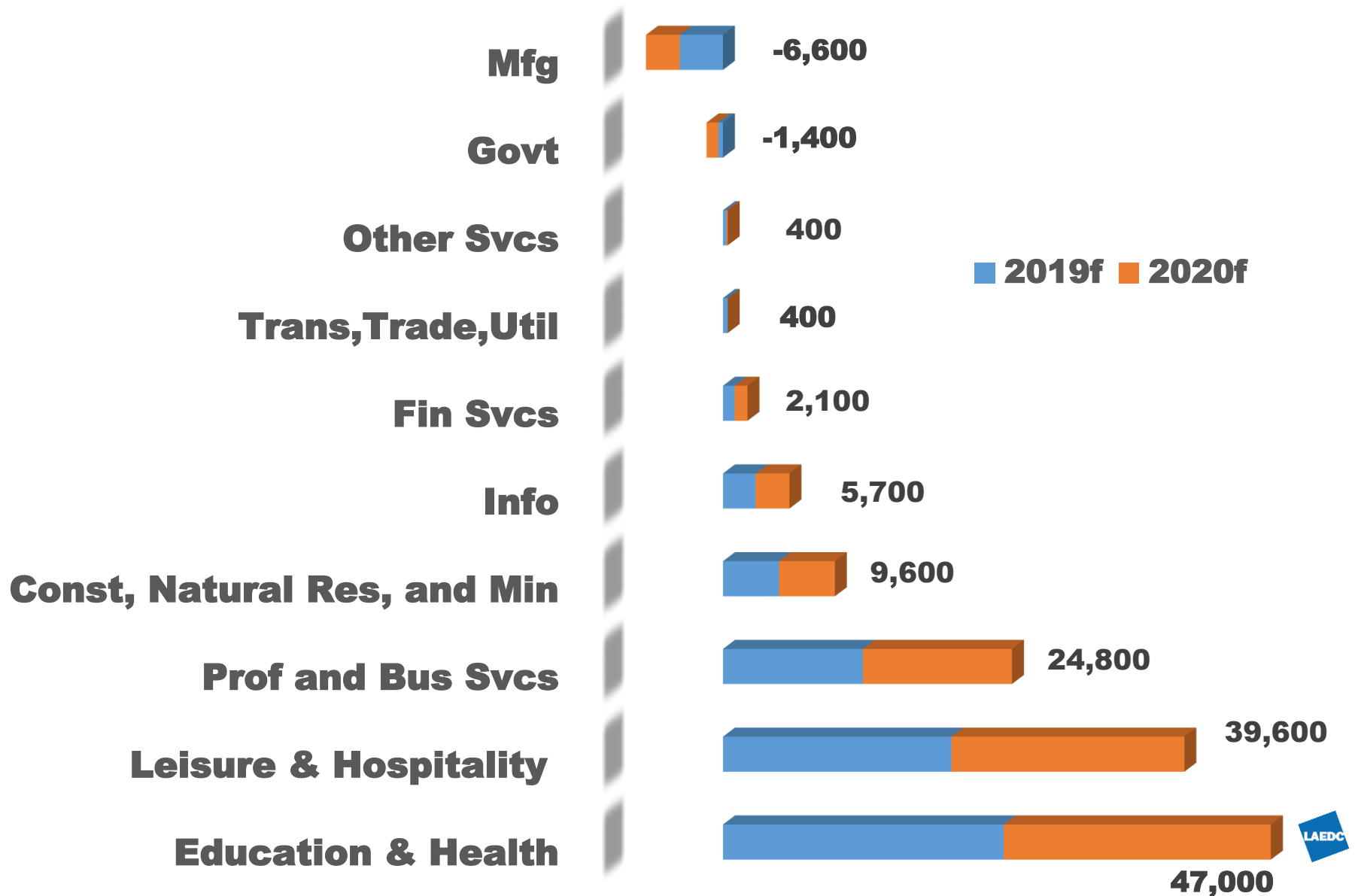


4.3%



2.1%

Jobs Forecast By Industry

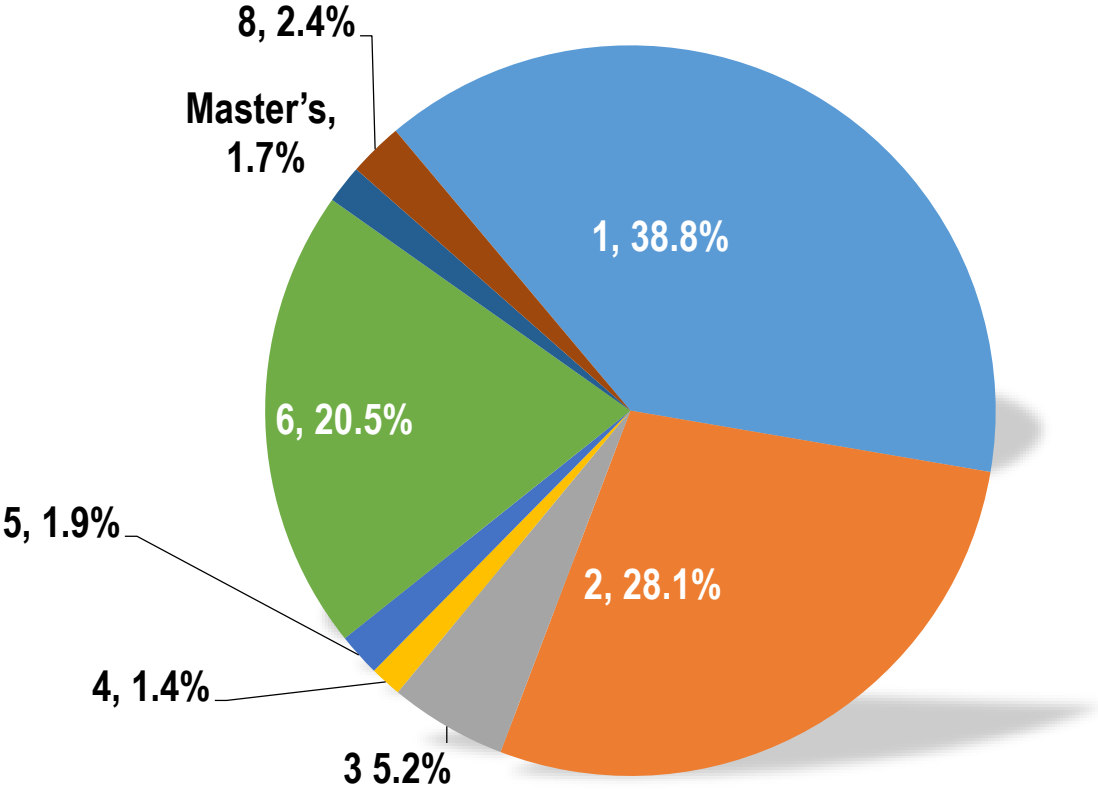




What Are The Jobs?

Top 10 Occupations	Total Jobs 2019-2020	Annual Wage
Combined Food Preparation and Serving Workers, Including Fast Food	8,360	\$24,934
Cashiers	7,840	\$26,425
Personal Care Aides	18,040	\$28,585
LIVING WAGE		\$29,869
Stock Clerks and Order Fillers	4,000	\$29,950
Waiters and Waitresses	7,640	\$30,406
Retail Salespersons	8,160	\$30,950
Laborers and Freight, Stock, and Material Movers, Hand	5,240	\$31,278
Office Clerks, General	4,240	\$35,447
Registered Nurses	4,560	\$97,130
General and Operations Managers	4,120	\$141,661

Educational and Experience Requirements



Source: Estimates by LAEDC



A woman with dark hair in a braid and glasses is sitting at a desk in a workshop, looking at a laptop with a thoughtful expression. Her hand is resting on her chin. The workshop is filled with various tools and equipment, including a large white vase with brushes in the foreground. The lighting is soft and focused on the woman.

So What Does This Mean?

We're Working But...

-A Record 7 Million Americans Are 90 Days Behind on Their Auto Loan Payments

-A Growing Number of Americans Have More Credit-Card Debt than Savings

-The Government Shutdown Spotlights a Bigger Issue: 78% of US Workers Live Paycheck to Paycheck



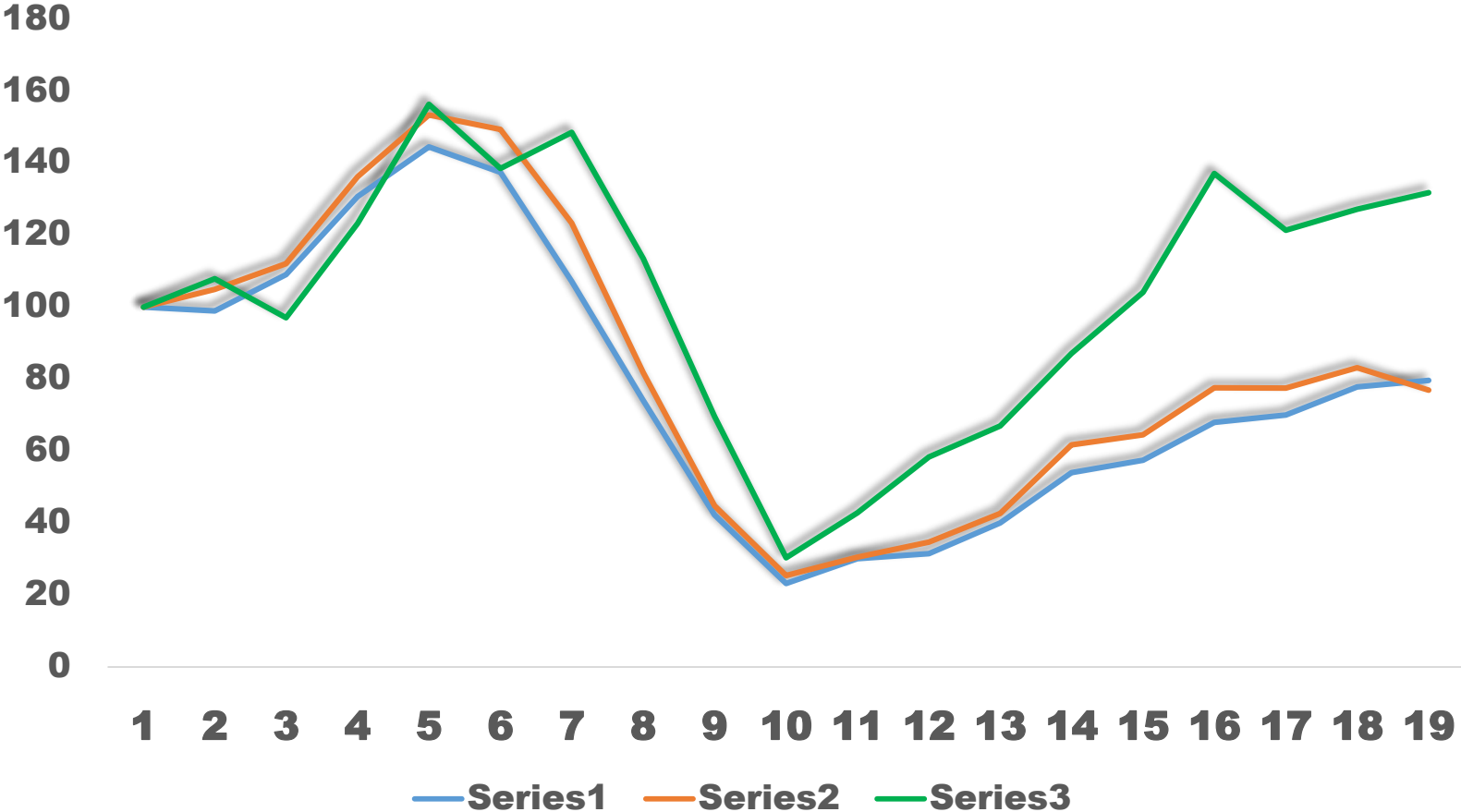
HOUSING!

Home Affordability

	Median Home Price	Minimum Qualifying Income	Housing Affordability Index
California Single-Family Home	\$564,270	\$122,340	28
Bay Area	\$910,000	\$197,290	22
Los Angeles Metro Area	\$510,000	\$110,570	30
Inland Empire	\$360,000	\$78,050	40
U.S.	\$257,600	\$55,850	54

Housing Permits

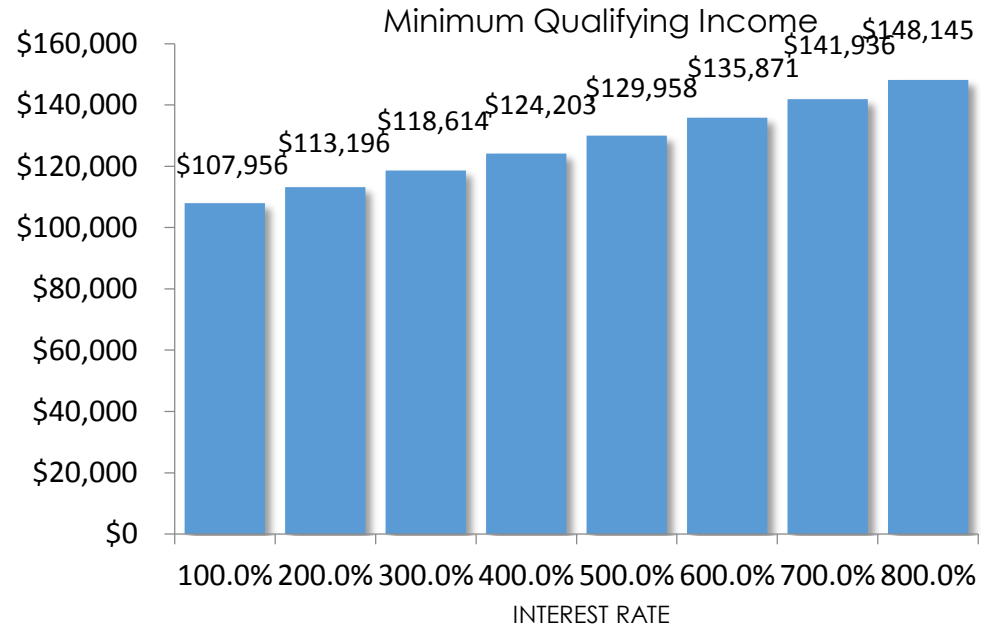
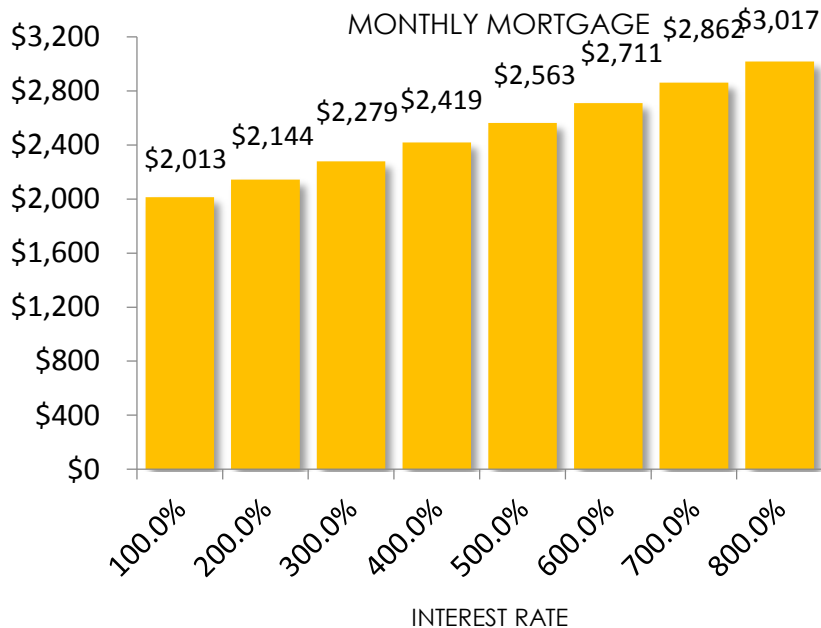
Annual Housing Permits (2000 Baseline)



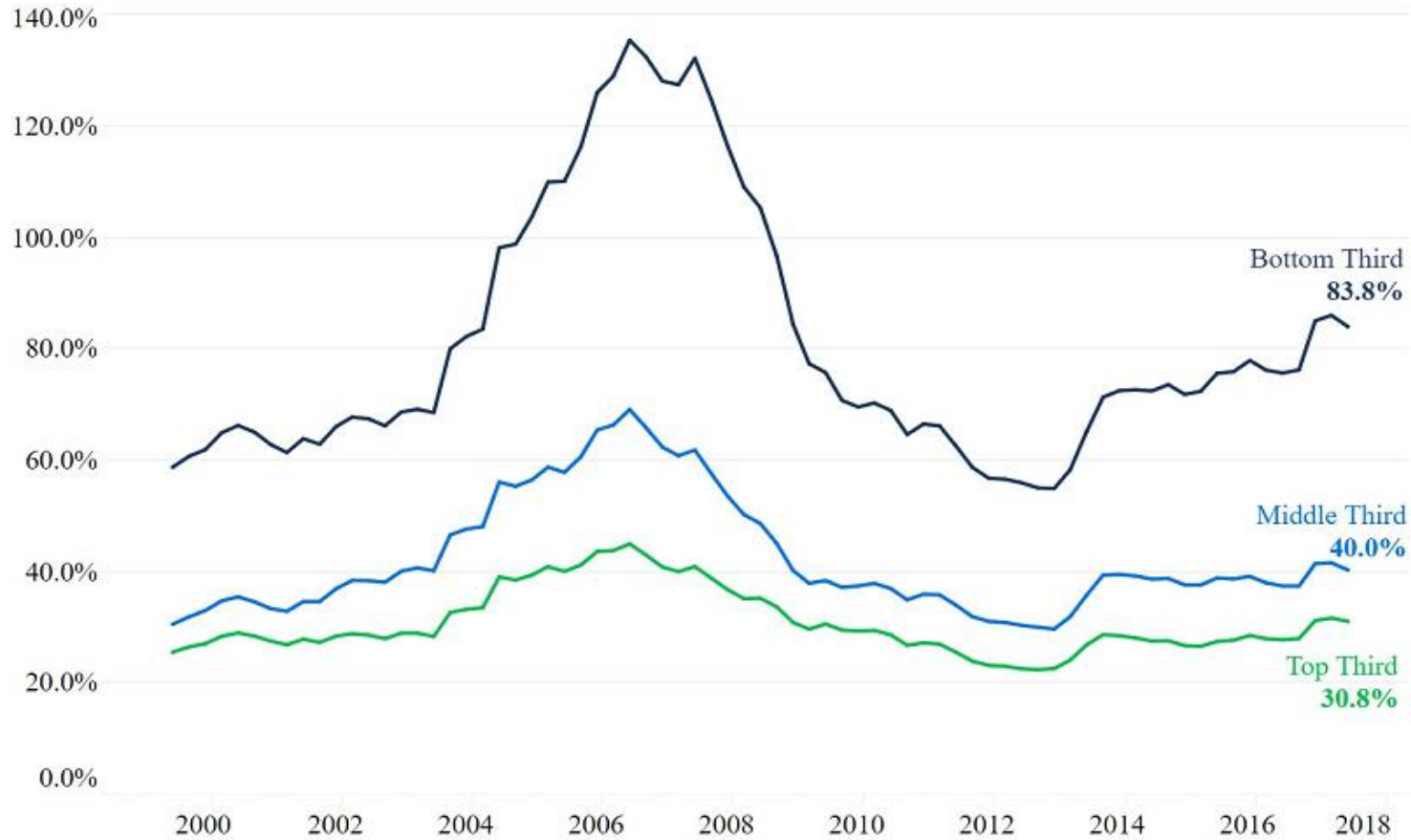
Higher Rates Hurt

Q2-2018 Median Price \$596,730

20% Down-payment \$119,346



Can You Ever Afford To Buy?

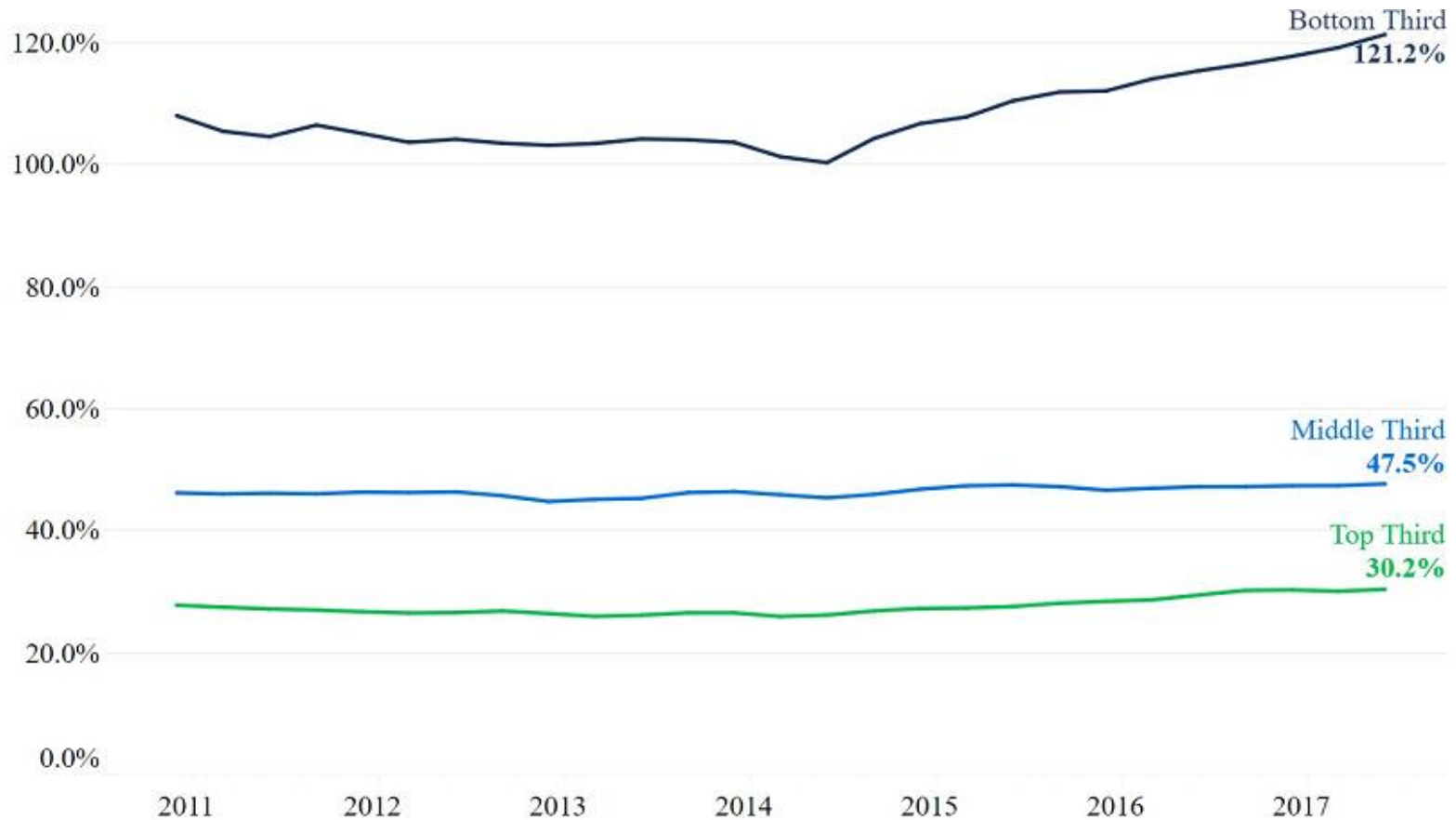


If People Can't Buy-- They Rent

**Median income earners in LA
need to spend 47 percent of
income on rental housing**

Average rent is \$33,400/year

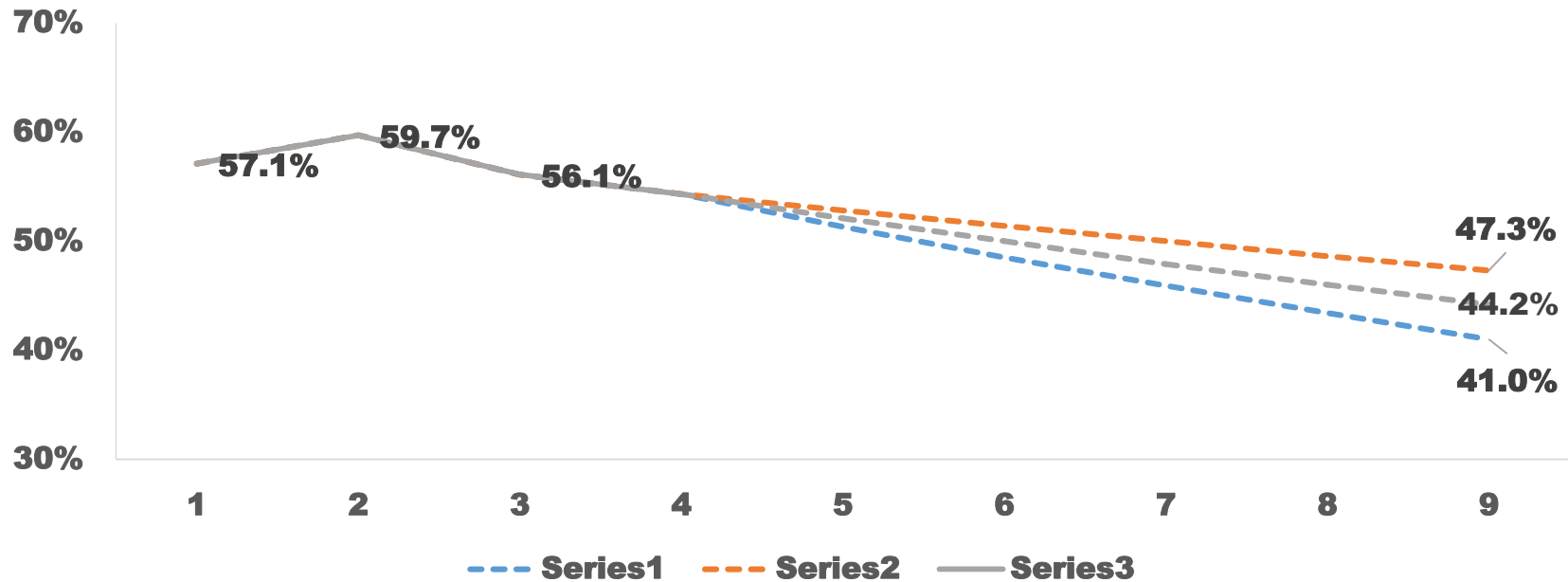
Lower Income Earners Suffer Even More



Source: Zillow

Majority Renter State by 2025

California Homeownership Rate



Housing Issues

Homeownership Largest Source of Wealth for Middle-Class

Business Location Decisions Affected

Quality of Life Issues

People Moving Out of Los Angeles and even out of California

Constraint on Economic Growth





2019 SAN GABRIEL VALLEY

ECONOMIC FORECAST SUMMIT

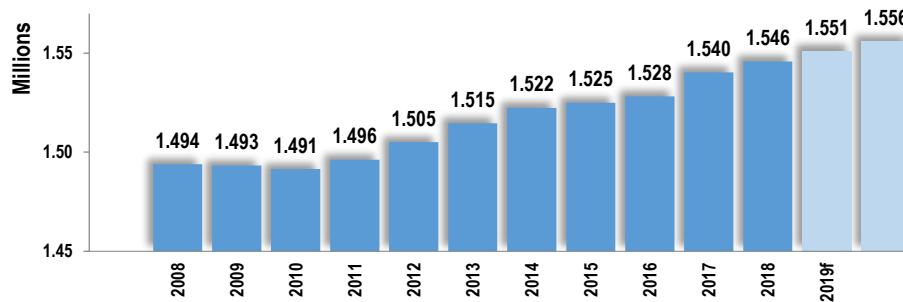
SAN GABRIEL VALLEY:
SOCAL'S GLOBAL FORCE
THURSDAY, APRIL 4, 2019

San Gabriel Valley



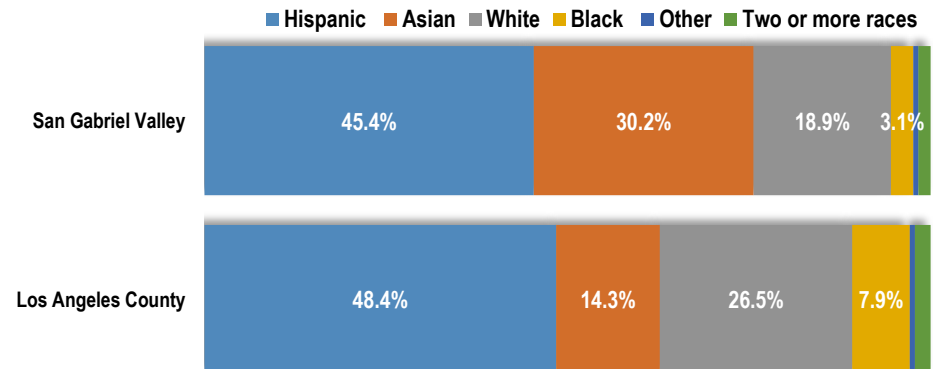
San Gabriel Valley Demographics

Population
(millions)



Source: California Department of Finance

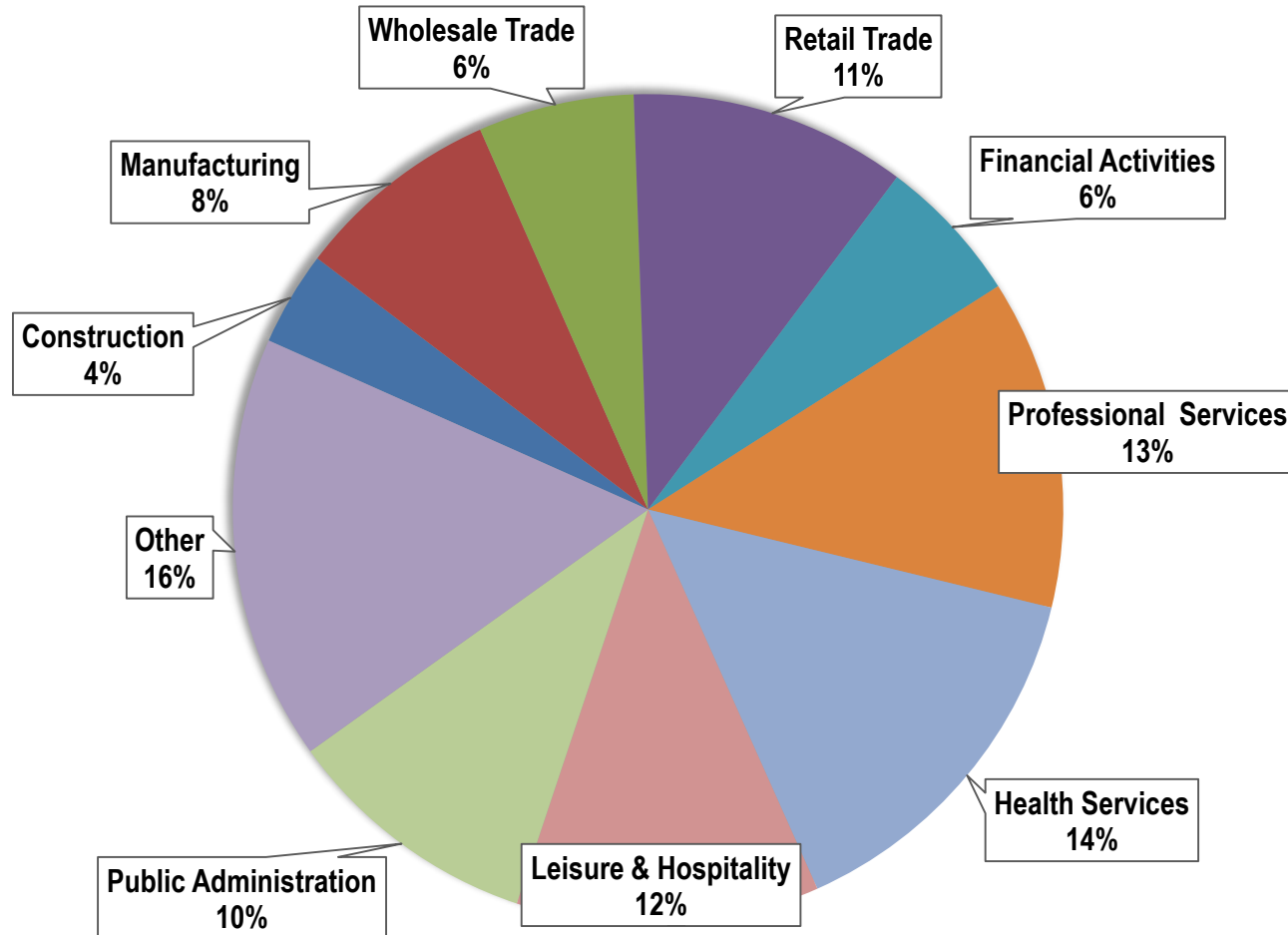
Race and Ethnicity



NOTE: Other Race includes American Indian and Alaskan Native, Native Hawaiian or Pacific Islander and Some Other Race

Source: U.S. Census Bureau, 2017 ACS 5-year estimates

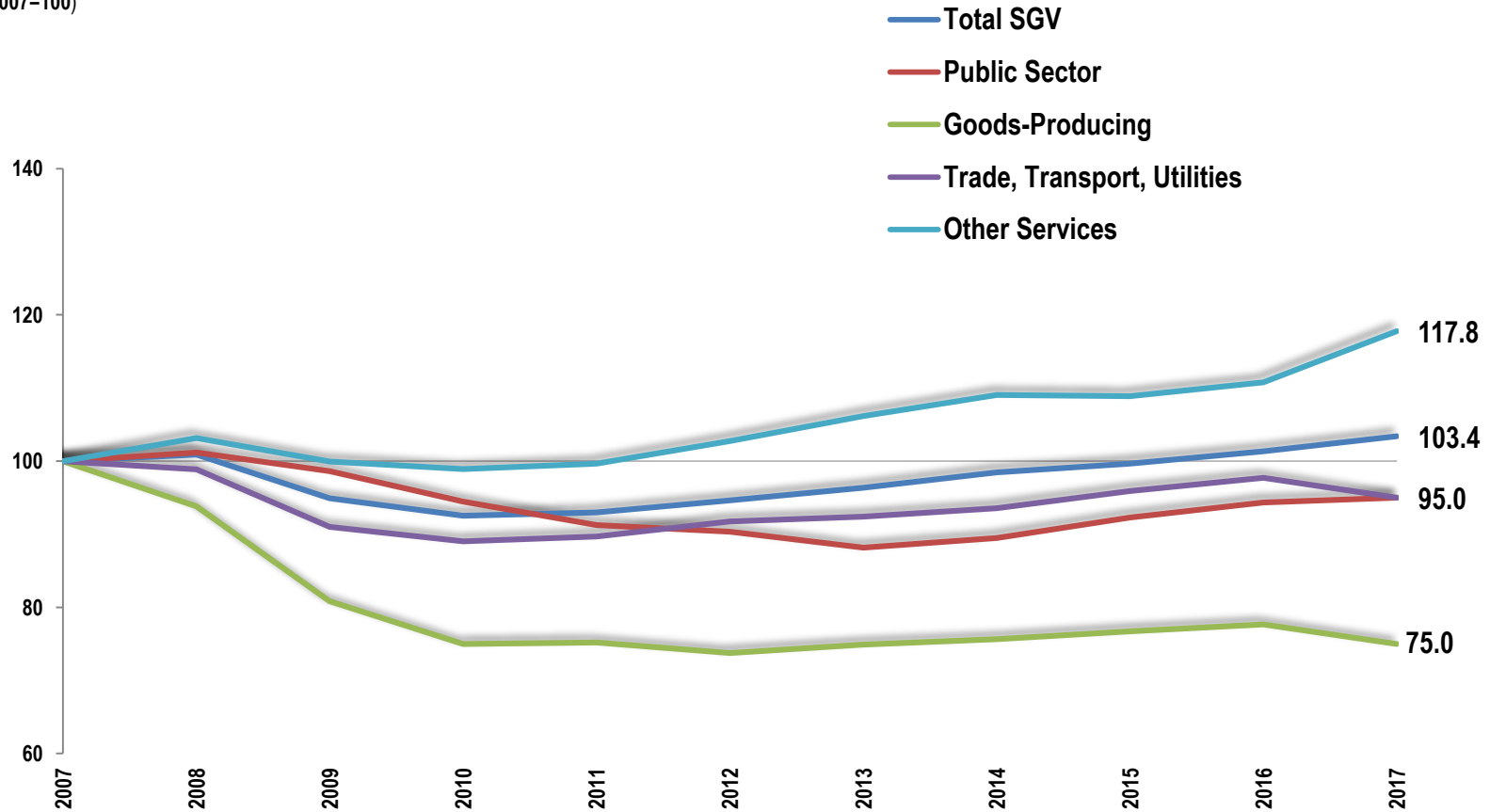
San Gabriel Valley Employment



Source: California EDD

San Gabriel Valley Employment Trends

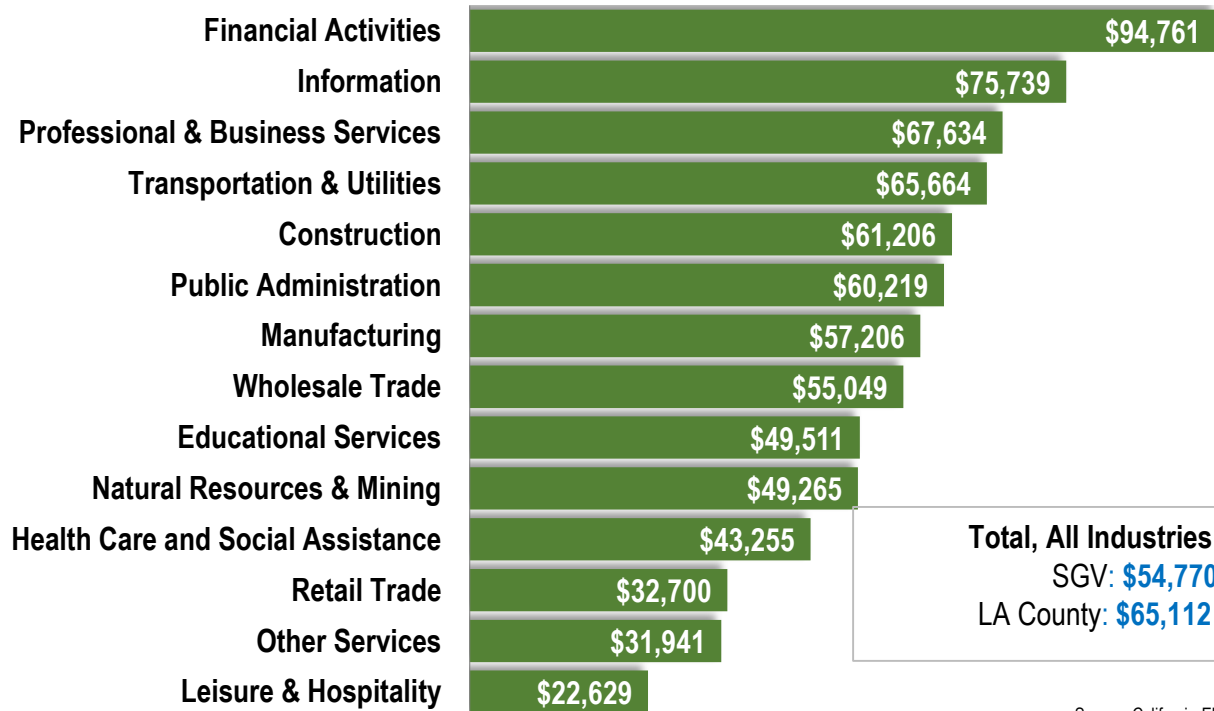
(2007=100)



Source: California EDD; forecasts by LAEDC

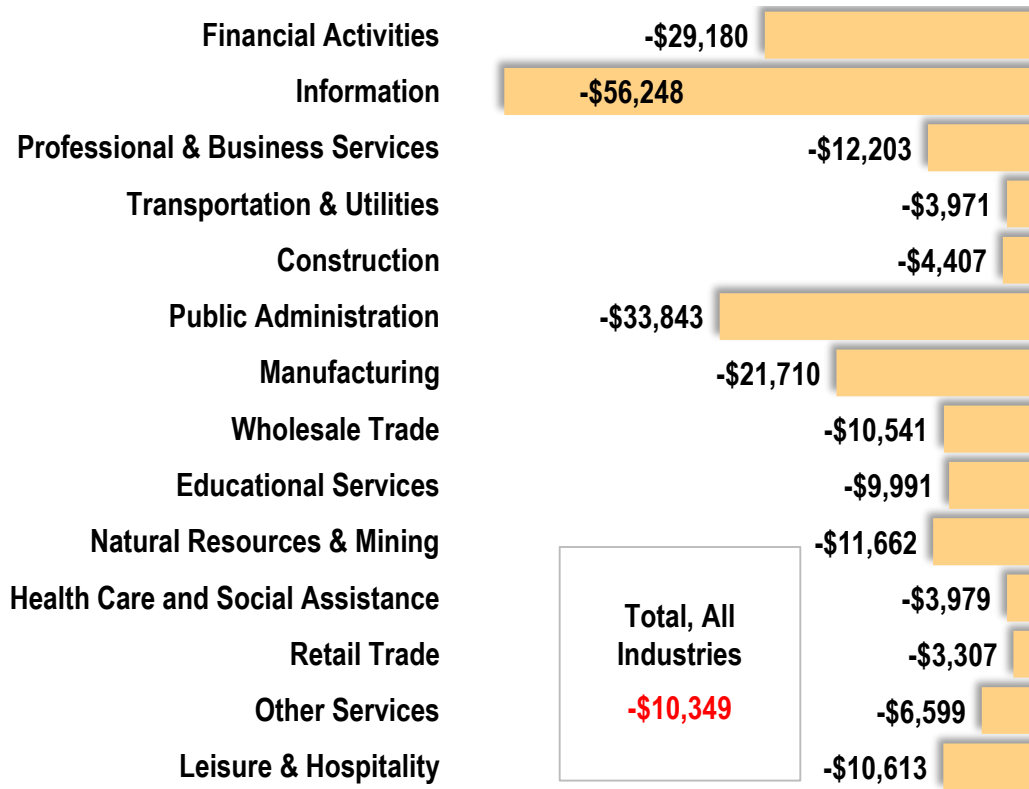


San Gabriel Valley Average Annual Wages



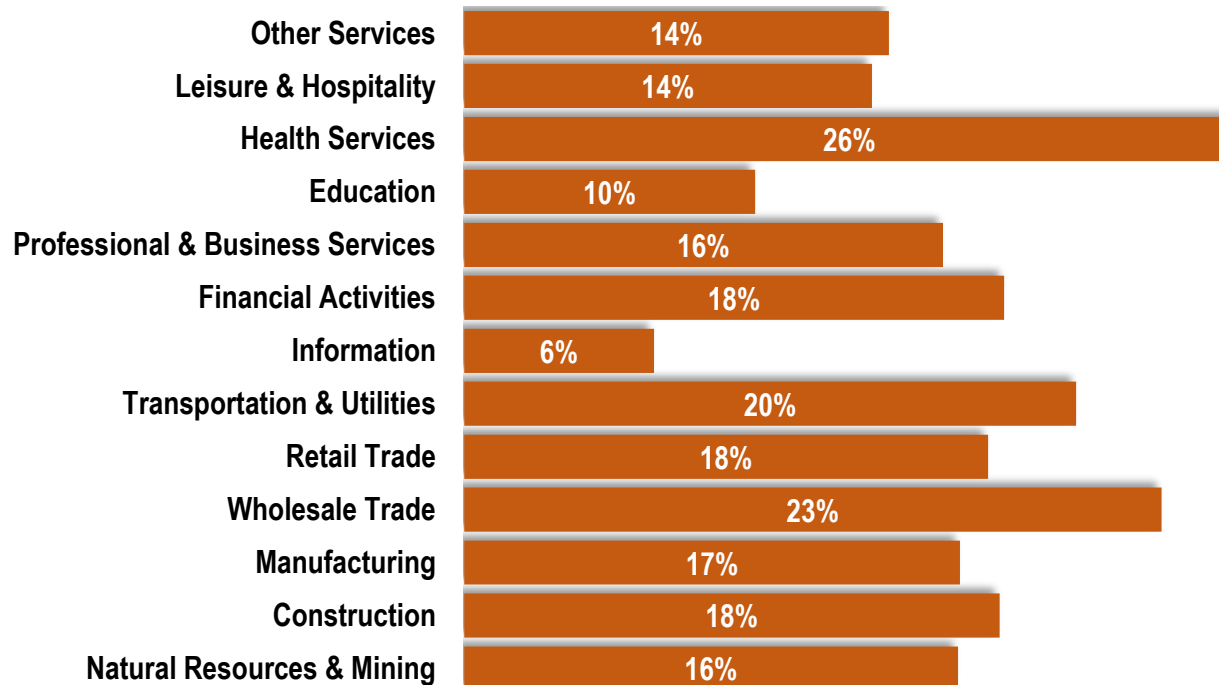
Source: California EDD

San Gabriel Valley Wage Differentials



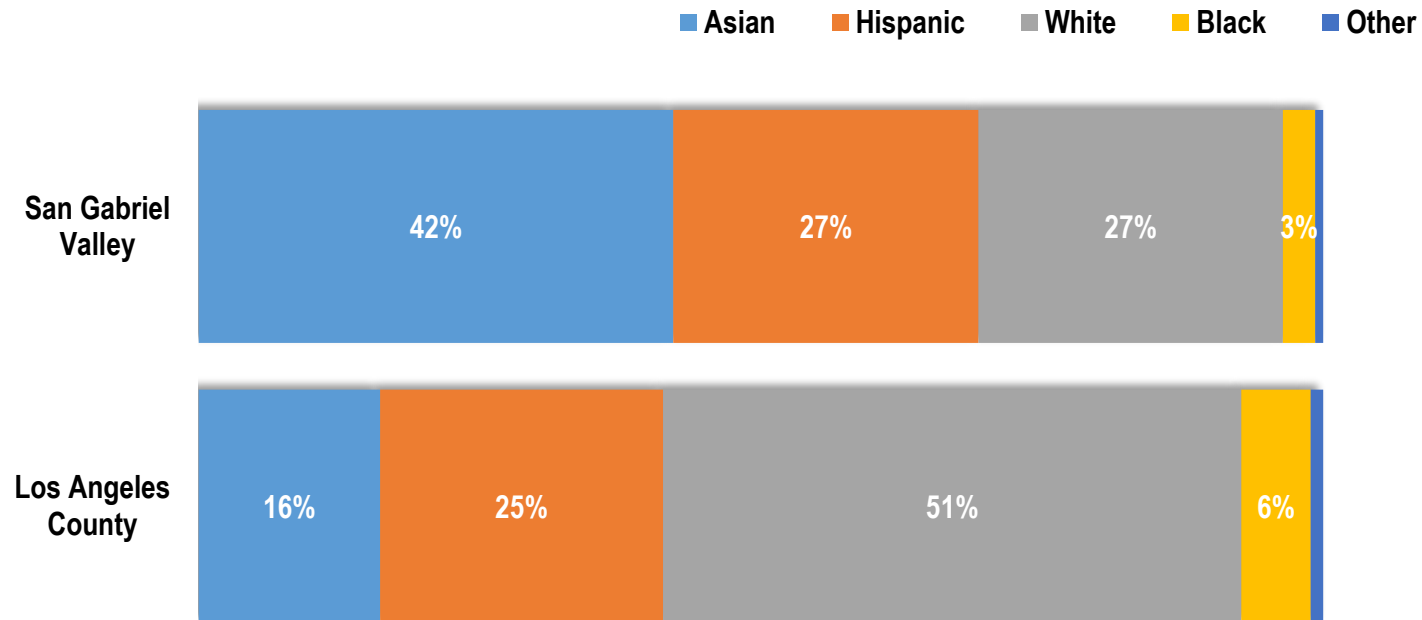
Source: California EDD

San Gabriel Valley Share of LA County Businesses



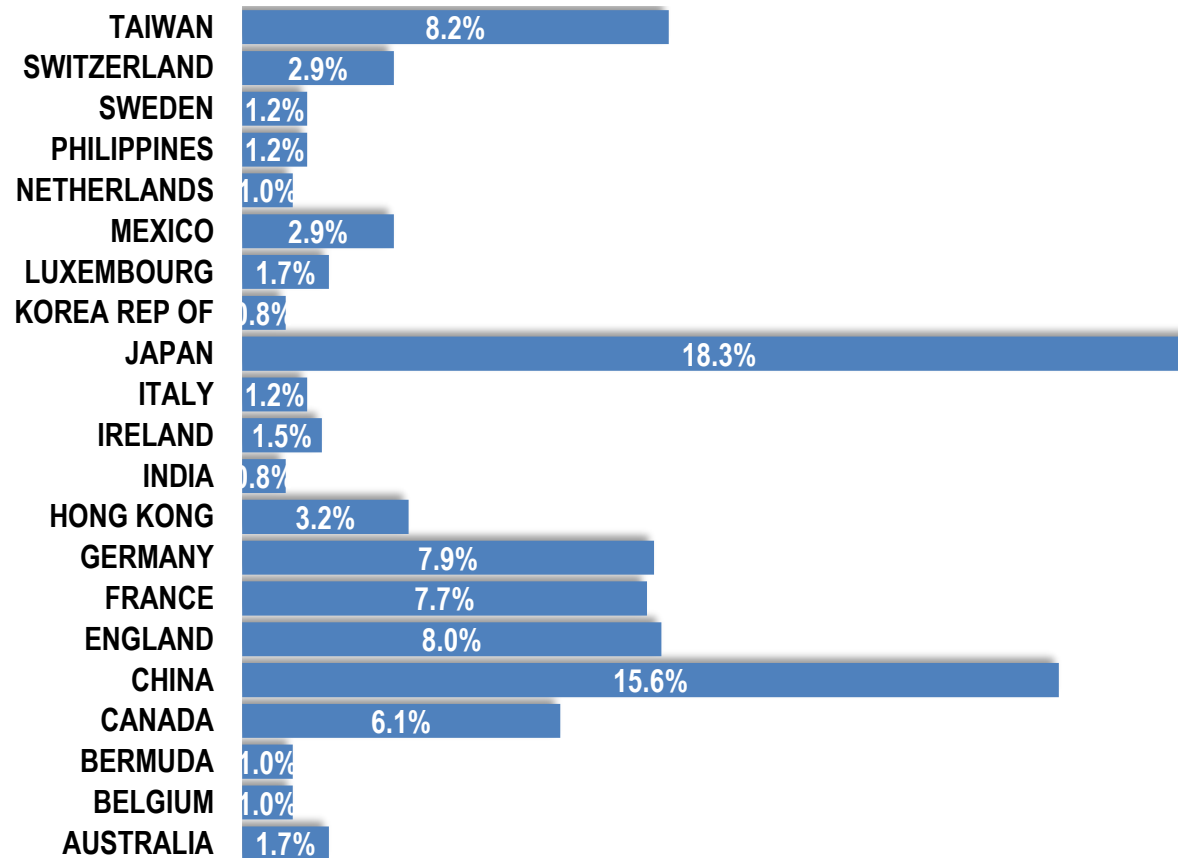
Sources: CA EDD

San Gabriel Valley Business Ownership by Race



Source: U.S. Census Bureau, 2012 Survey of Business Owners

San Gabriel Valley Share of FDI Establishments by Country



Share of FDI Establishments by Industry in San Gabriel Valley

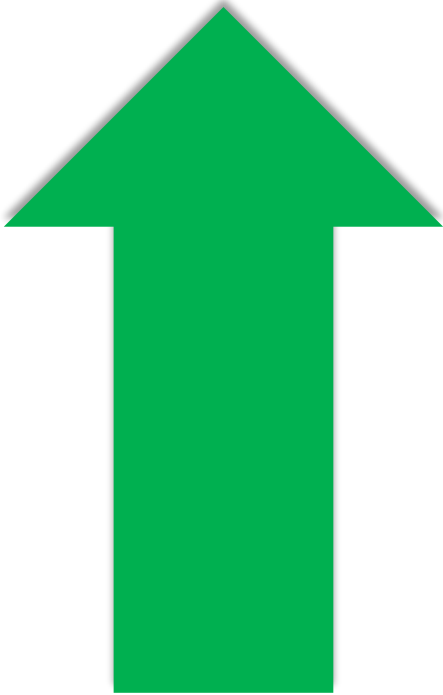


Looking Ahead Through 2020



Key Economic Indicators -- Population

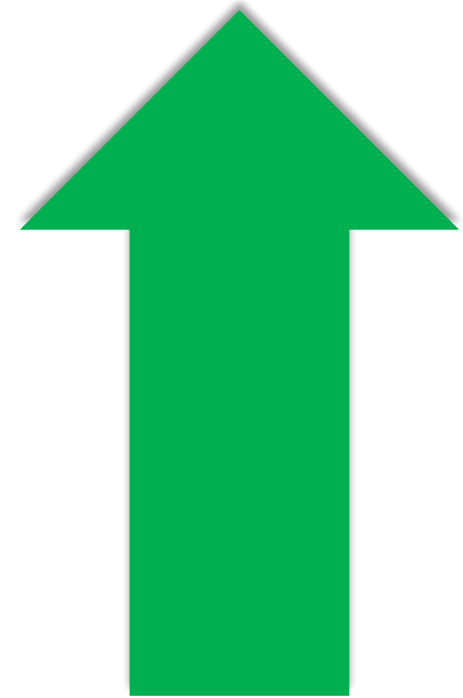
2018e	1,545,781
2019f	1,551,074
2020f	1,555,919



10,138

Key Economic Indicators – Total Employment

2018e	696,068
2019f	698,491
2020f	700,224



4,156

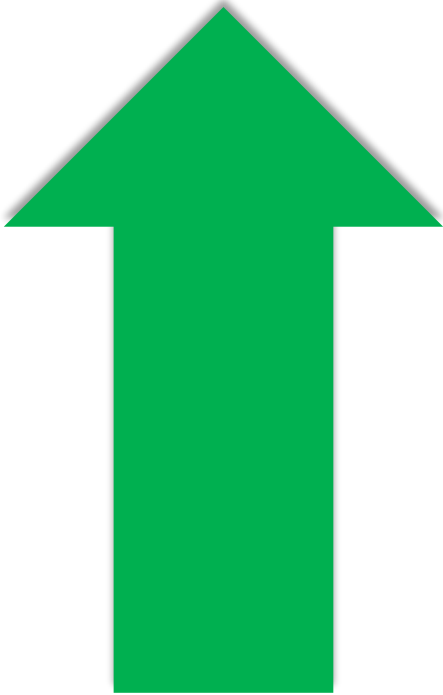


Key Economic Indicators – Payroll of Workers (\$M)

2018e **\$36,124M**

2019f **\$37,438M**

2020f **\$38,687M**



\$2.56B



Key Economic Indicators – Taxable Sales (\$M)

2018e

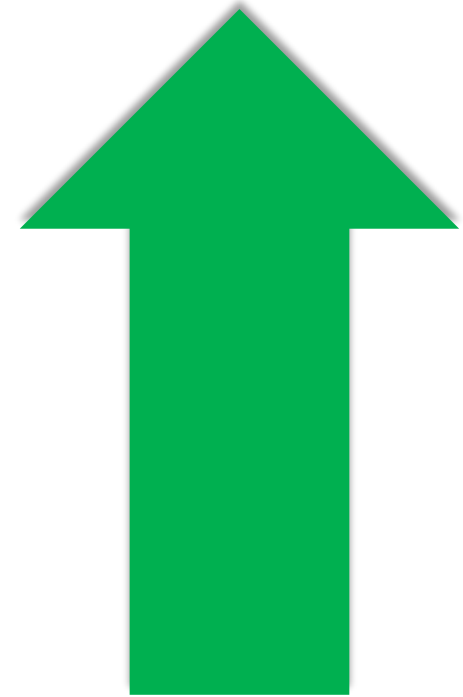
\$23,304M

2019f

\$23,875M

2020f

\$24,412M



\$1.1B



**“THE only
function of
economic
forecasting
is to make
astrology
look
respectable,”**

**--John Kenneth
Galbraith**



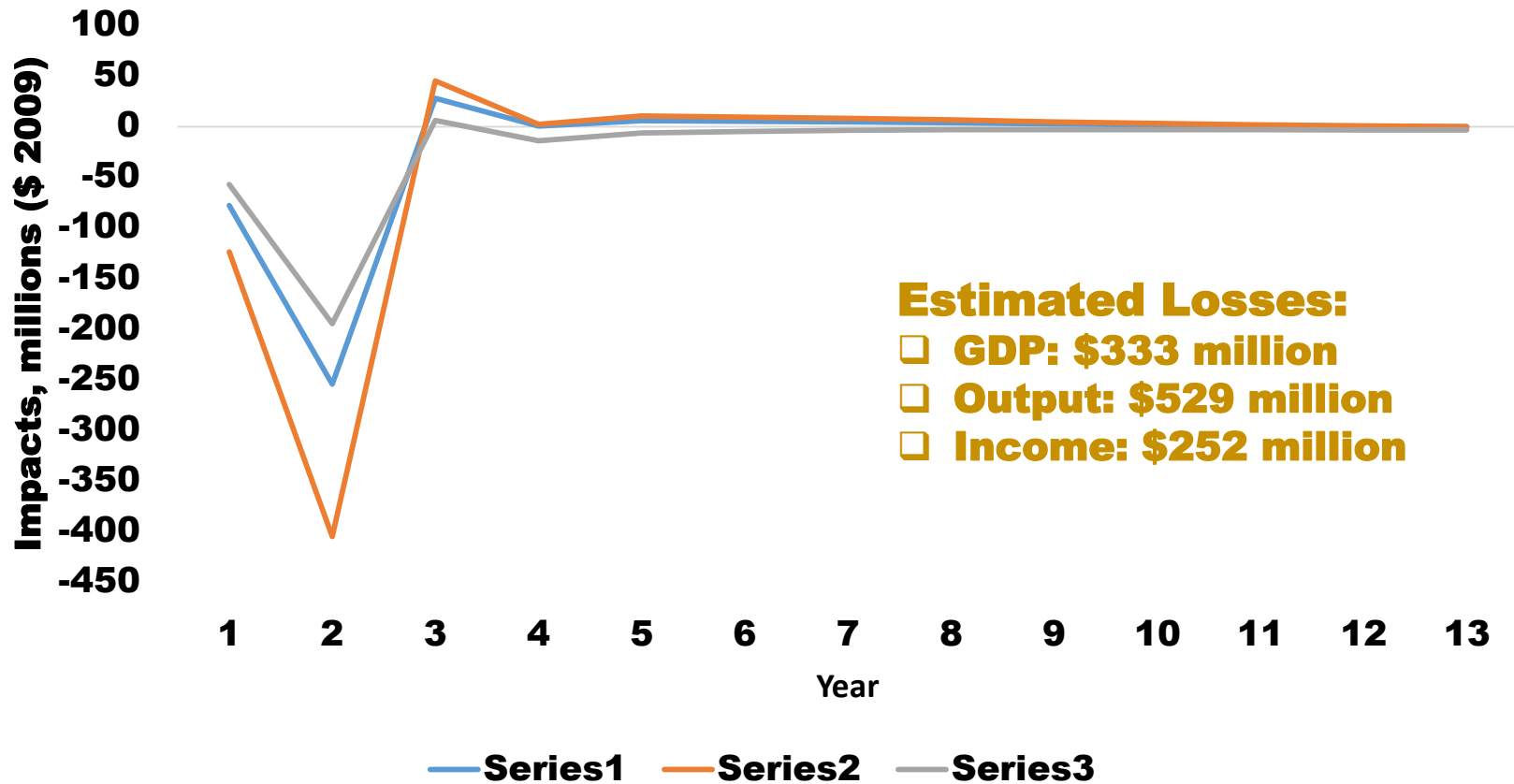
What Can Affect Our Forecast?



The 2018 to 2019 Partial Shutdown

- Lasted from December 22nd, 2018 to January 25, 2019 (35 days)
- 800,000 government employees (including our fellow Californians) went without pay
- The Congressional Budget Office estimates 0.1 loss to real GDP in Q4 2018 and 0.2 loss to real GDP in Q1 2019; though much of the loss will be recovered in following quarters, \$3 billion will be permanently lost
- Departments affected: Agriculture, Commerce, Interior, Transportation, State, Justice, Homeland Security, Treasury, Housing and Urban Development (HUD)
- Over \$65 billion in federal spending in LA County last year, providing for 48,000 direct jobs
- REMI impact resiliency study takes into account forgone output in 2018 and 2019

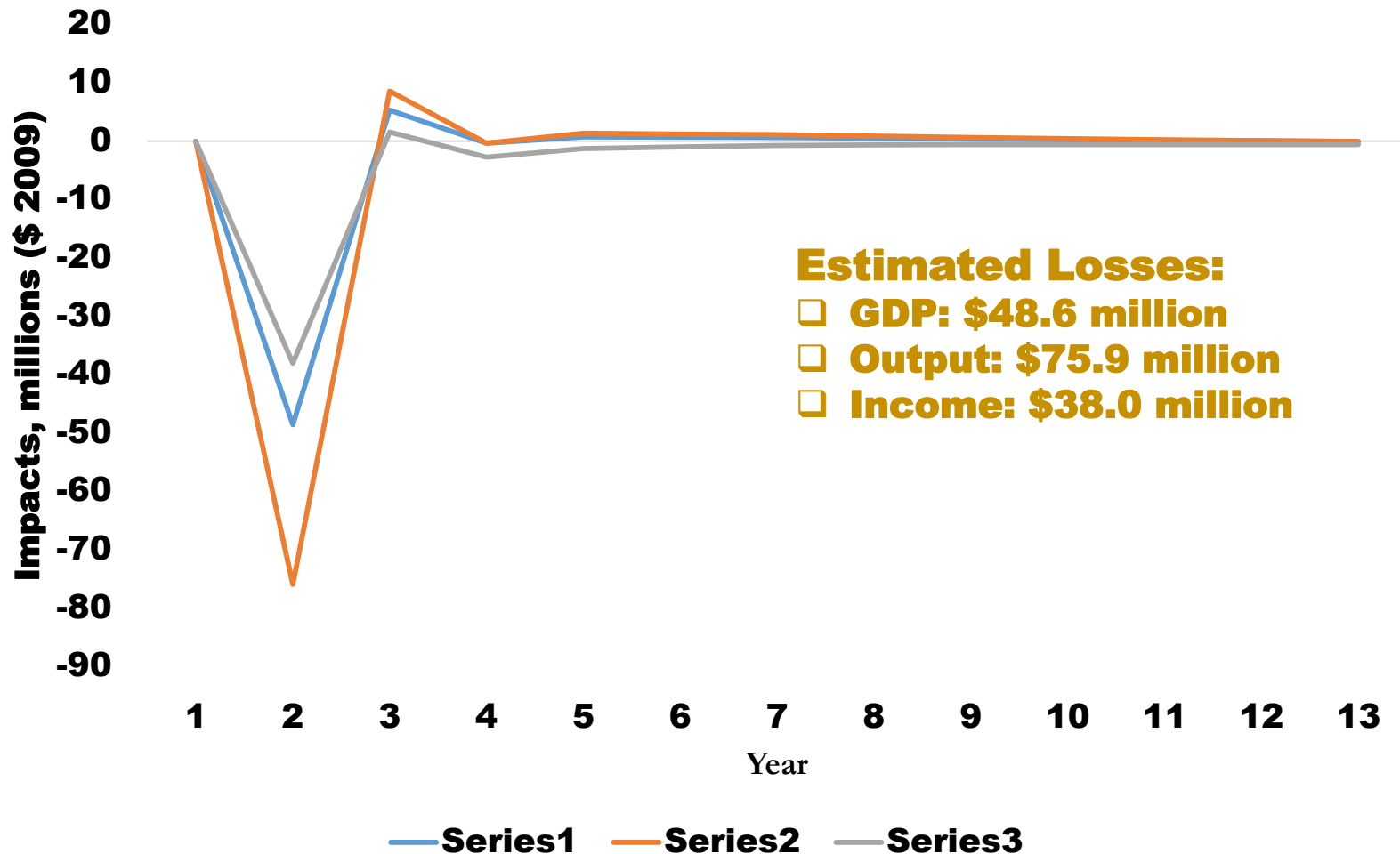
Estimated Impacts of the 2018-19 Shutdown



The 2019 LAUSD/United Teachers Strike

- **Lasted from January 14th to January 22nd, 2019 (8 days)**
- **United Teachers LA estimated 30,000 of their members went on strike, though LAPD estimated an average of 21,000 strikers per day**
- **At its lowest point, recorded attendance was at only 15 percent of recorded total enrollment for K through 12 grades**
- **LAUSD estimates over \$125 million in costs to the district; costs likely higher due to costs to families requiring childcare and making other arrangements for children not attending schools during the strike**
- **The LAEDC estimated impacts based on estimated forgone output from the public local education sector**

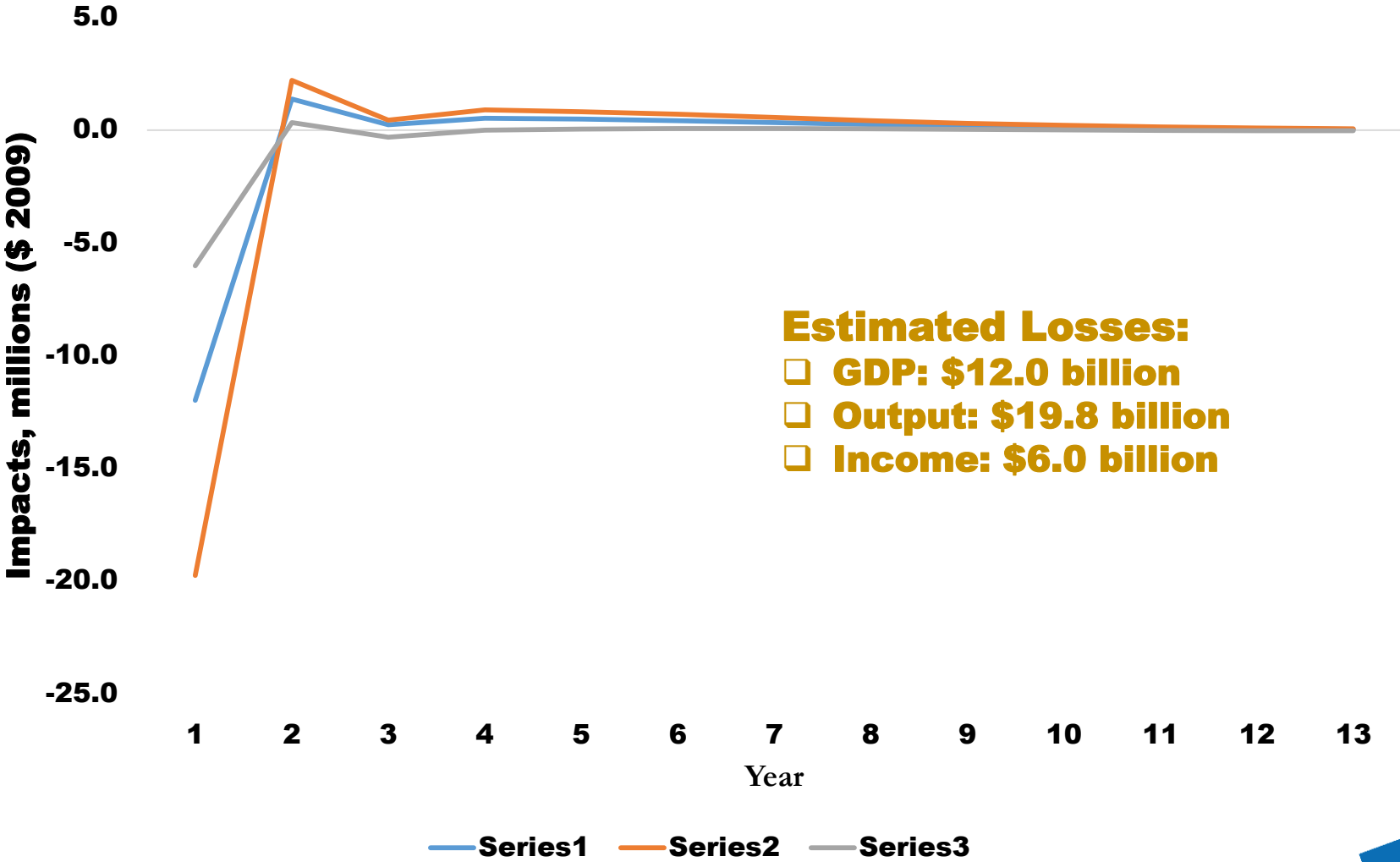
Estimated Impacts of LAUSD/UTLA Teachers' Strike




The Woolsey Fire in Los Angeles County

- Burned almost 97,000 acres from November 8th to 21st, 2018
- An estimated 1,643 structures destroyed with another 364 structures damaged across both Los Angeles and Ventura counties
- Estimated between \$4 and \$6 billion in total losses, accounting for fire and smoke damage, demand surge for certain goods and services, and debris removal
- 1 of 7 fires greater than 50,000 acres in 2018
- The LAEDC's estimates are based upon residential structure losses as a proportion of total capital stock and estimated foregone county output.

Economic Impacts of the Woolsey Fire



Conclusion



Economic growth will continue
Jobs being added
Unemployment will continue to fall
Personal income will rise

Caution!



Critical housing shortage
Economic prosperity not benefitting all
Extreme weather/climate issues
Political gridlock

**FULL
REPORT
AVAILABLE
ONLINE
TODAY!**

SGVEP.ORG



Thank You!



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