

ECONOMIC FORECAST

Presented By

CALIFORNIA COMMUNITY COLLEGES

LAOC | **RC**

los angeles | orange county | regional consortium



A Tale of Two Recoveries

February 17, 2021



LOS ANGELES COUNTY
ECONOMIC DEVELOPMENT CORPORATION

Collaboratively Advancing Growth and Prosperity for All

Collaboratively advancing growth and prosperity for all L.A. County residents.

Economic Research | Business Assistance | Industry Cluster Development
Workforce Development | International Trade | Foreign Investment Attraction

LAEDC.ORG

PATHWAYS FOR ECONOMIC RESILIENCY:

Los Angeles County 2021 - 2026

Recommendations in Pathways for Economic Resiliency

Prioritize training to put displaced workers on career paths with strong hiring forecasts.

Encourage companies in high growth industries to equitably hire displaced workers.

Develop more employer-driven programs at training facilities and community colleges.

Invest in an online system to match displaced workers with training and job opportunities.

Invest in outreach programs with local partners to enroll displaced workers and potential employers.

PATHWAYS FOR ECONOMIC RESILIENCY:

Los Angeles County 2021 - 2026

Recommendations in Pathways for Economic Resiliency

Invest in small and minority-owned businesses.

Prioritize broadband internet for all.

Expand childcare access.

Expand “Safer at Work LA” practices to reduce risk for frontline workers and communities.

Help closed businesses to re-start with a variety of resources.

Shannon Sedgwick

Director

Institute for Applied Economics

LAEDC

LAEDC's 2021 Forecast: A Tale of Two Recoveries

Shannon M Sedgwick

Director, Institute for Applied
Economics

February 17, 2021



Overview

- A note on Forecasting During COVID-19
- Economic Outlook for California
- COVID-19's Disparate Impacts

Forecasting During a Pandemic

- Most forecast divergences in modern economic history
 - *No certainty regarding how the coming years will develop*
- Why?
 - *Government policy moving at (relative) lightspeed*
 - *Large data lags and reliability issues*
 - *Vaccine distribution still a major question mark*
- Assumptions in place for our forecast:
 - *Vaccine distribution continues at current pace*
 - *Interpersonal contact returns to normal for businesses Q3 2021*

An Economic Outlook for California

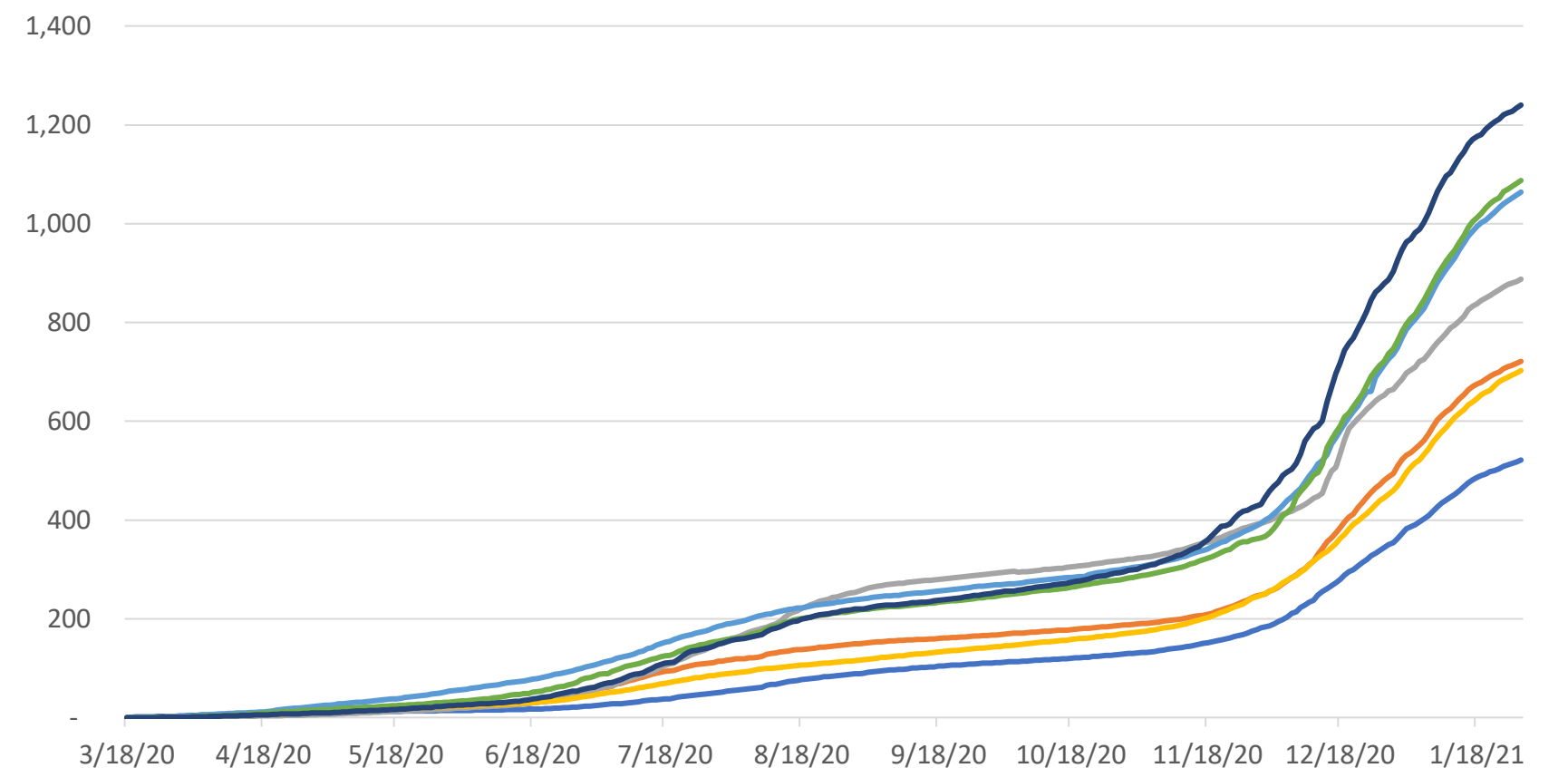
“The test of our progress is not whether we add more to the abundance of those who have much; it is whether we provide enough for those who have too little.”

–Franklin D. Roosevelt, Second Inaugural Address, 1937

COVID-19 in the Golden State

- California has the most COVID-19 cases in the Union
 - CA 25th in cases per capita
- Los Angeles the most infected county in the U.S.
- Fast spreading U.K strain prevalent in California
 - This new strain is up to 50% more transmittable than the conventional COVID-19 strains

COVID-19 Cases by Most Impacted California Counties (Per 10,000 Residents)



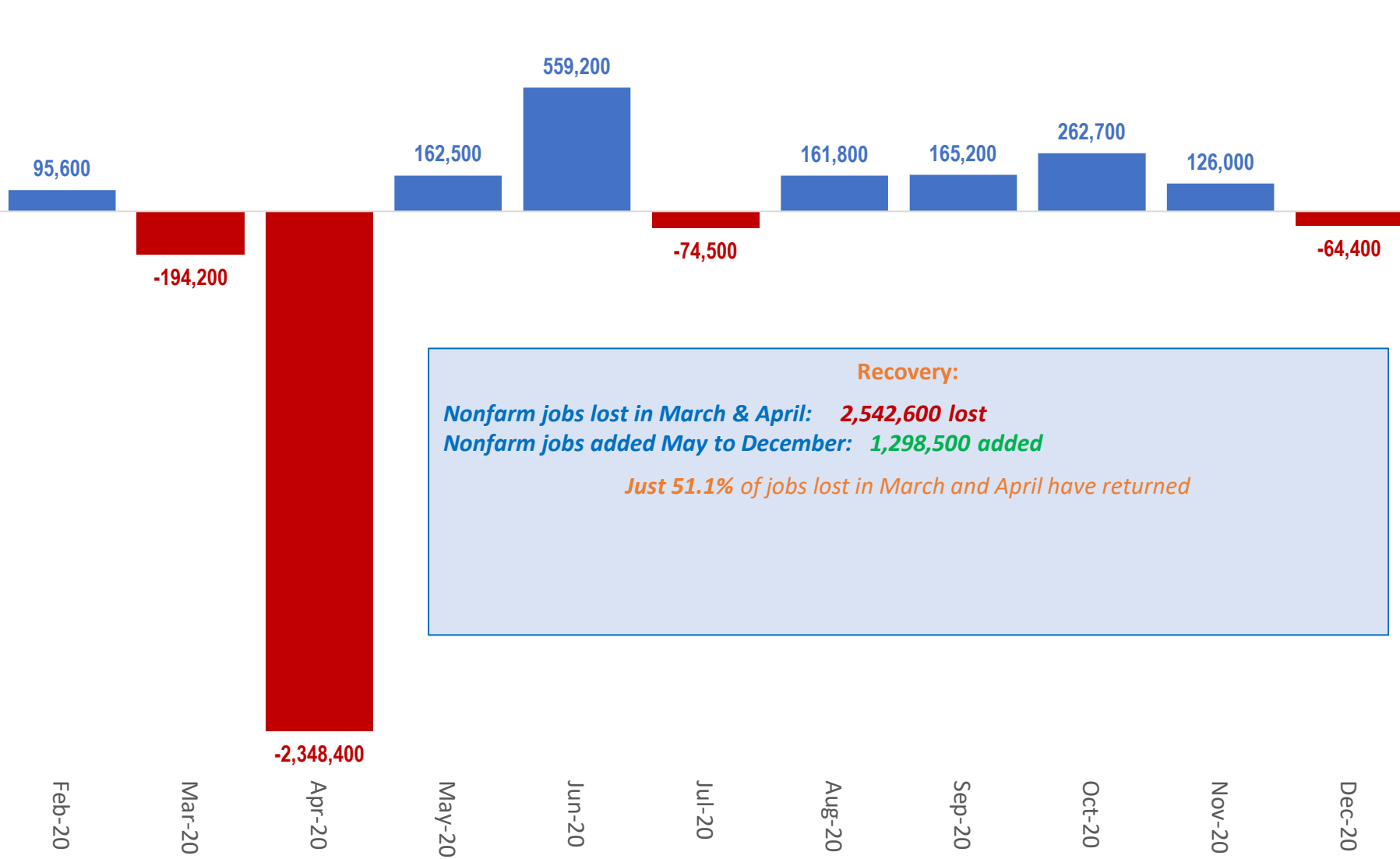
— Santa Clara — Orange — Fresno — San Diego — Los Angeles — Riverside — San Bern

* All COVID data as of 2/9/21

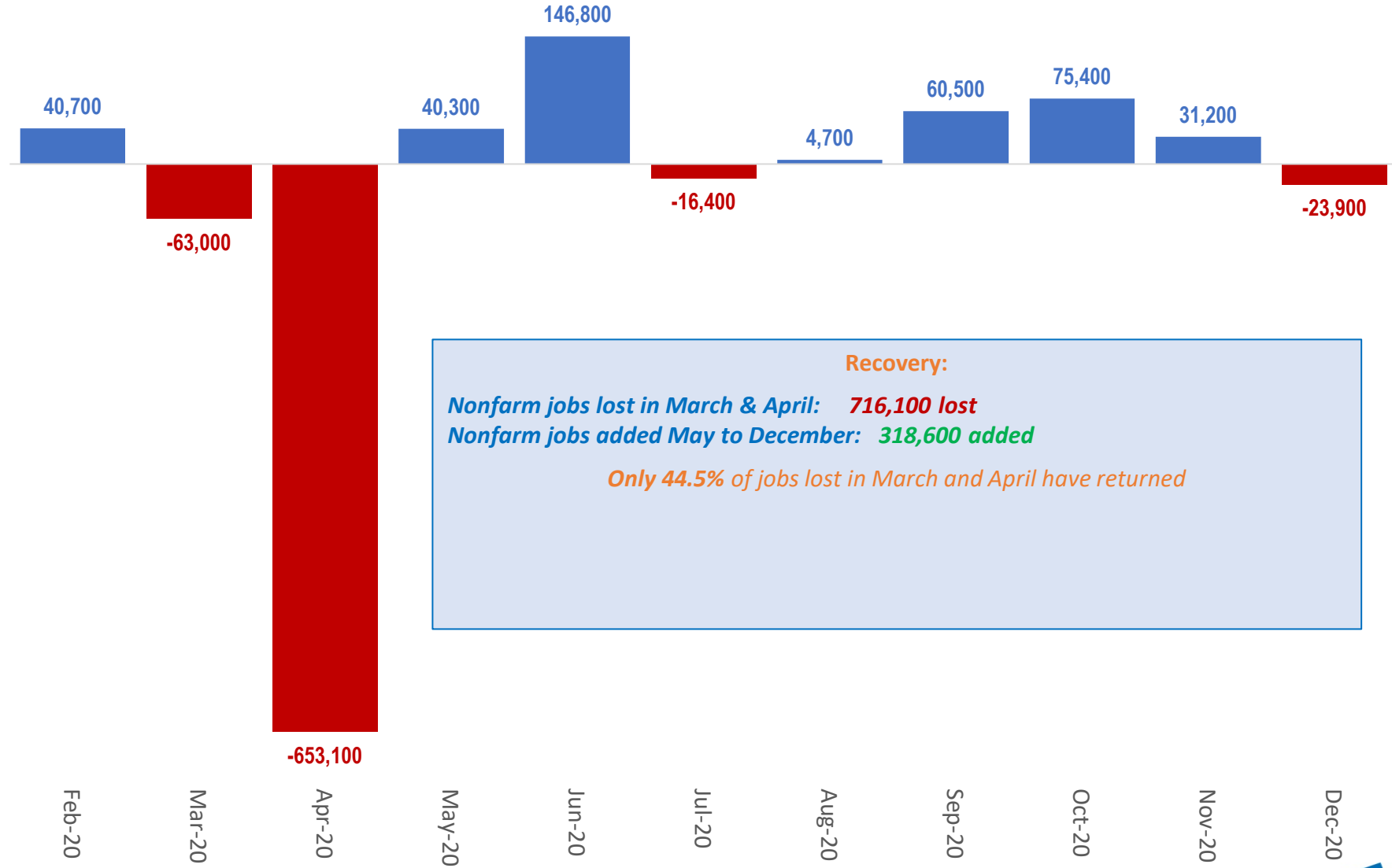
Nonfarm Employment

Monthly changes throughout the pandemic

California

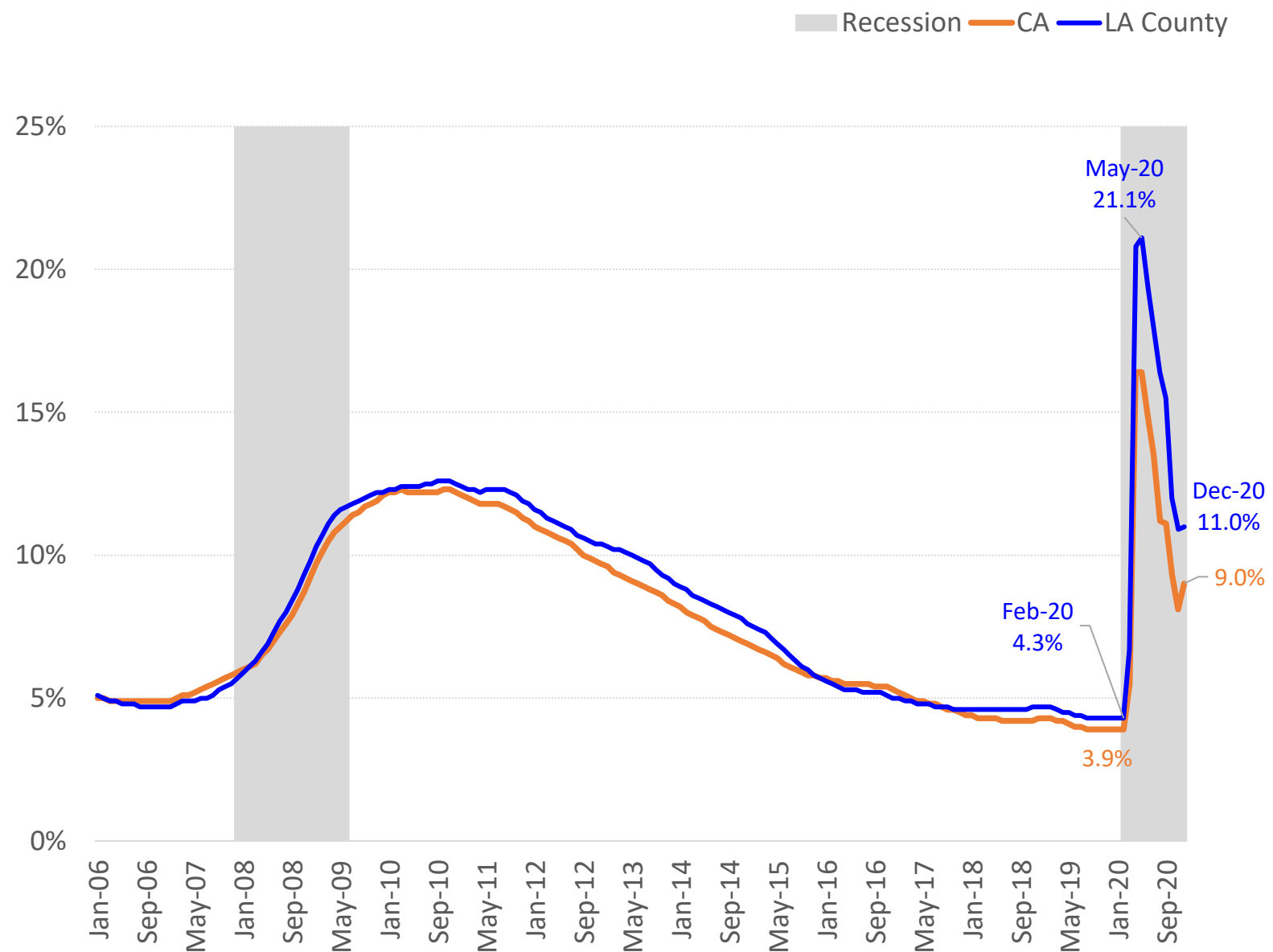


Los Angeles County



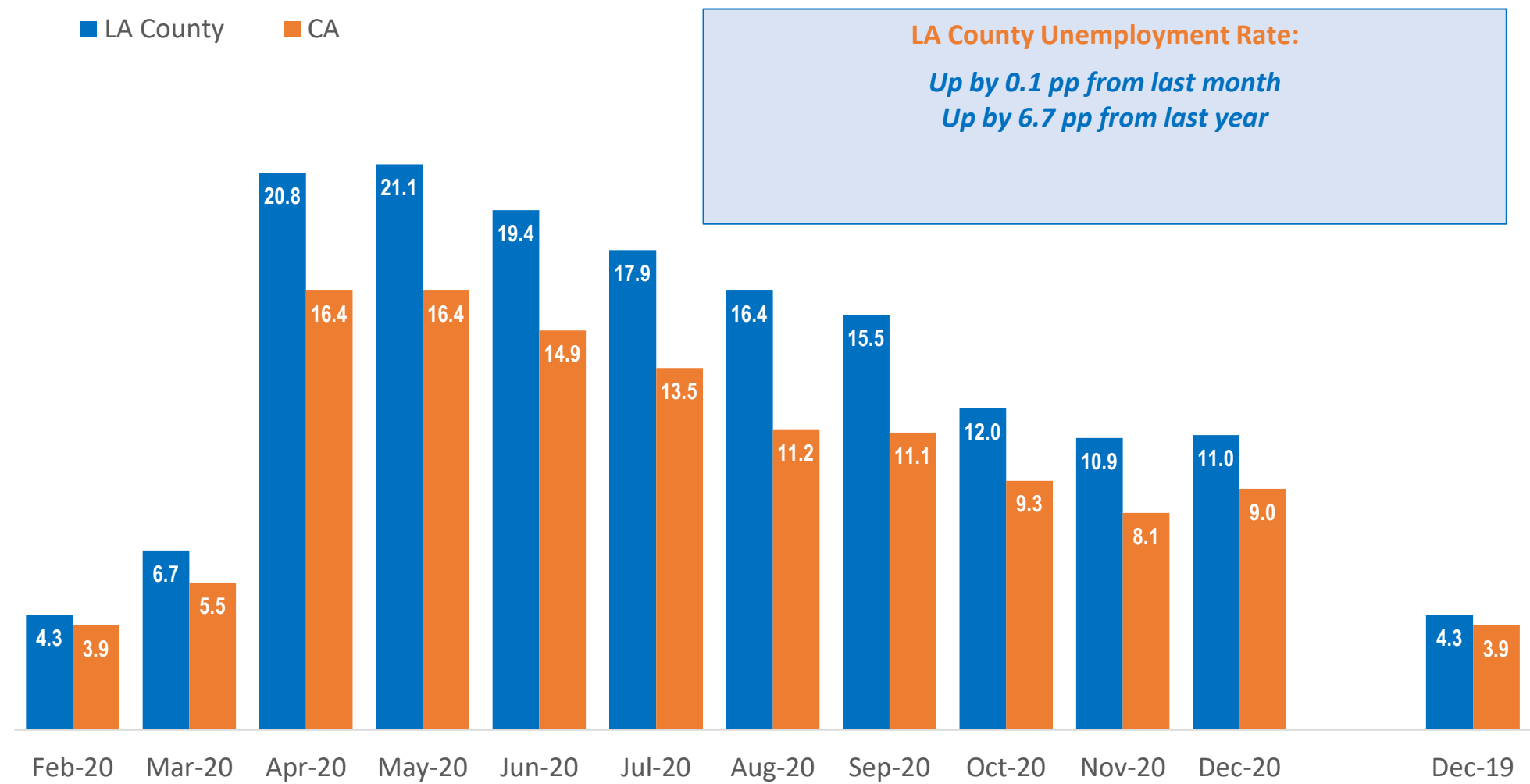
The Monthly Unemployment Rate

SA, Jan 2006 – December 2020



Source: BLS

Unemployment Rate (SA)

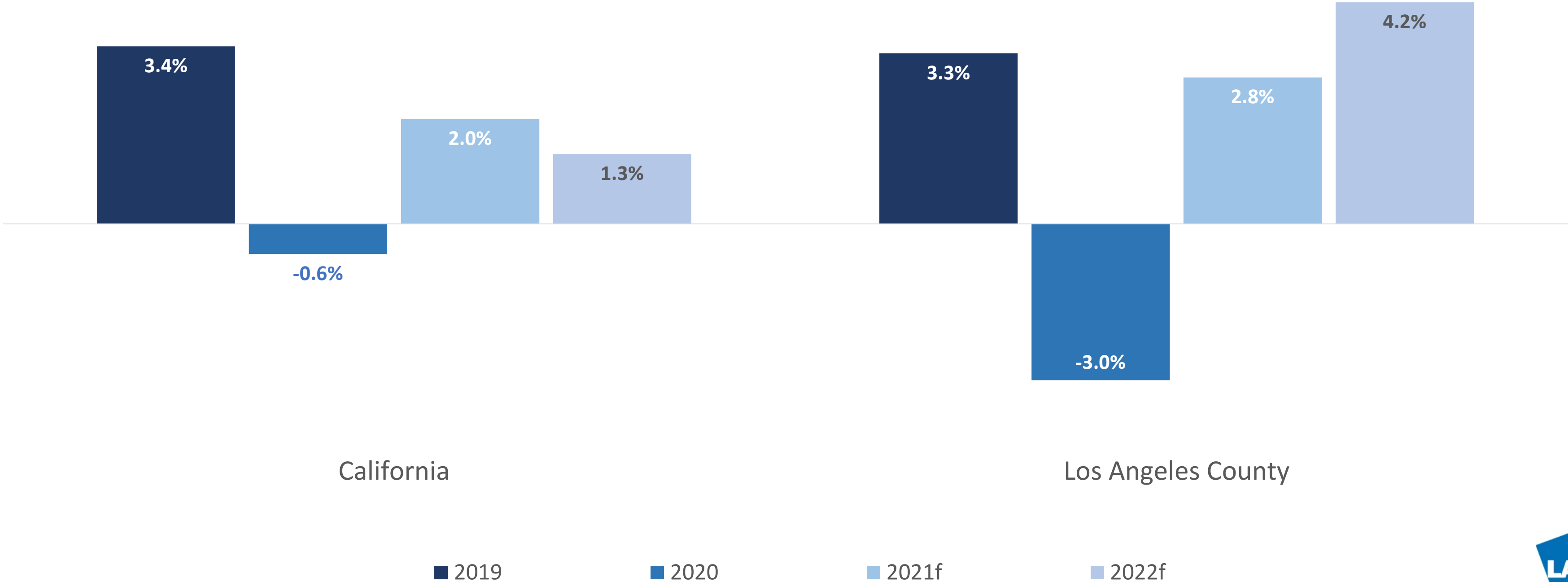


Source: CA EDD



Economic Growth in California: Expected to return this year...

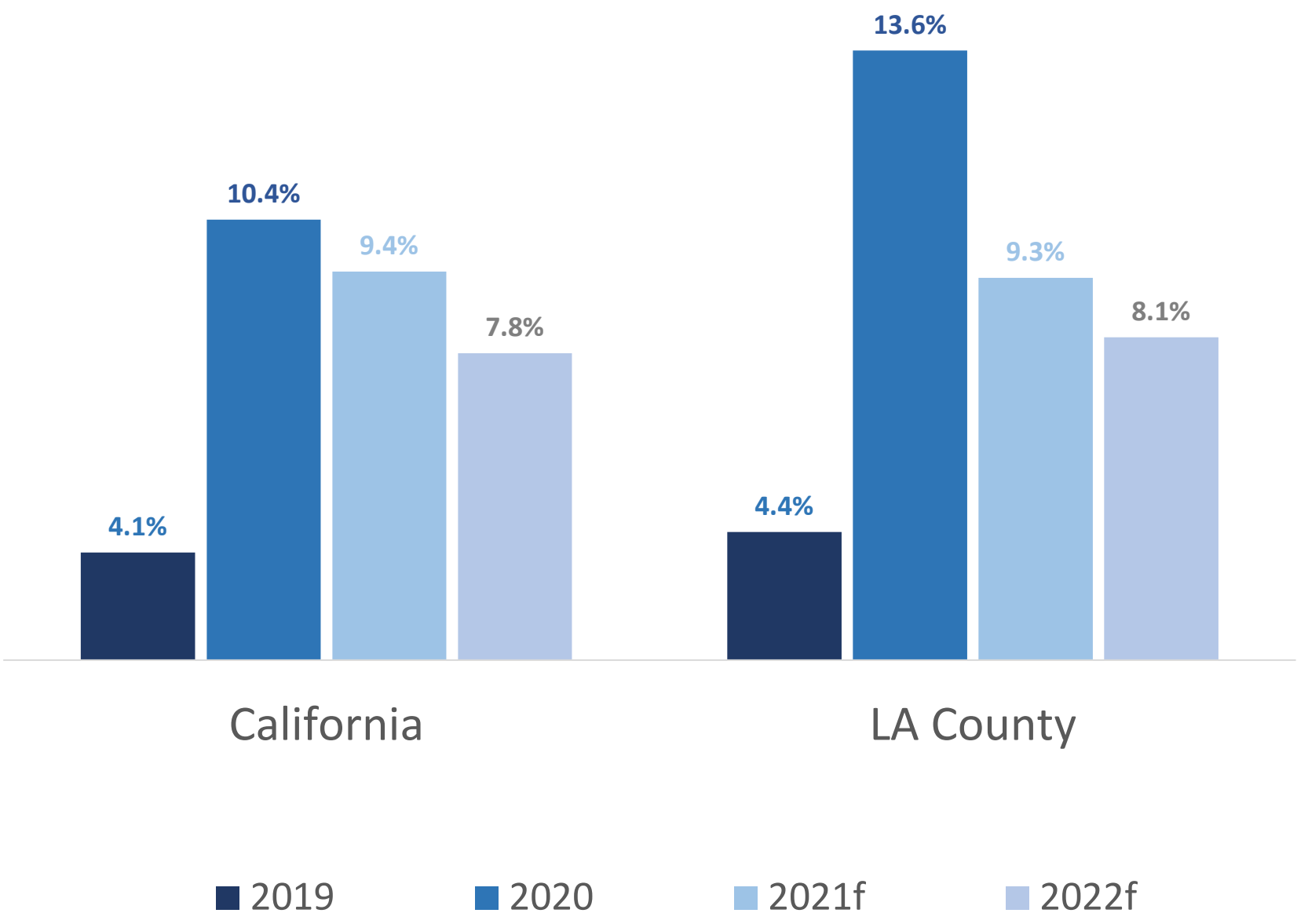
Real GDP Growth Forecast



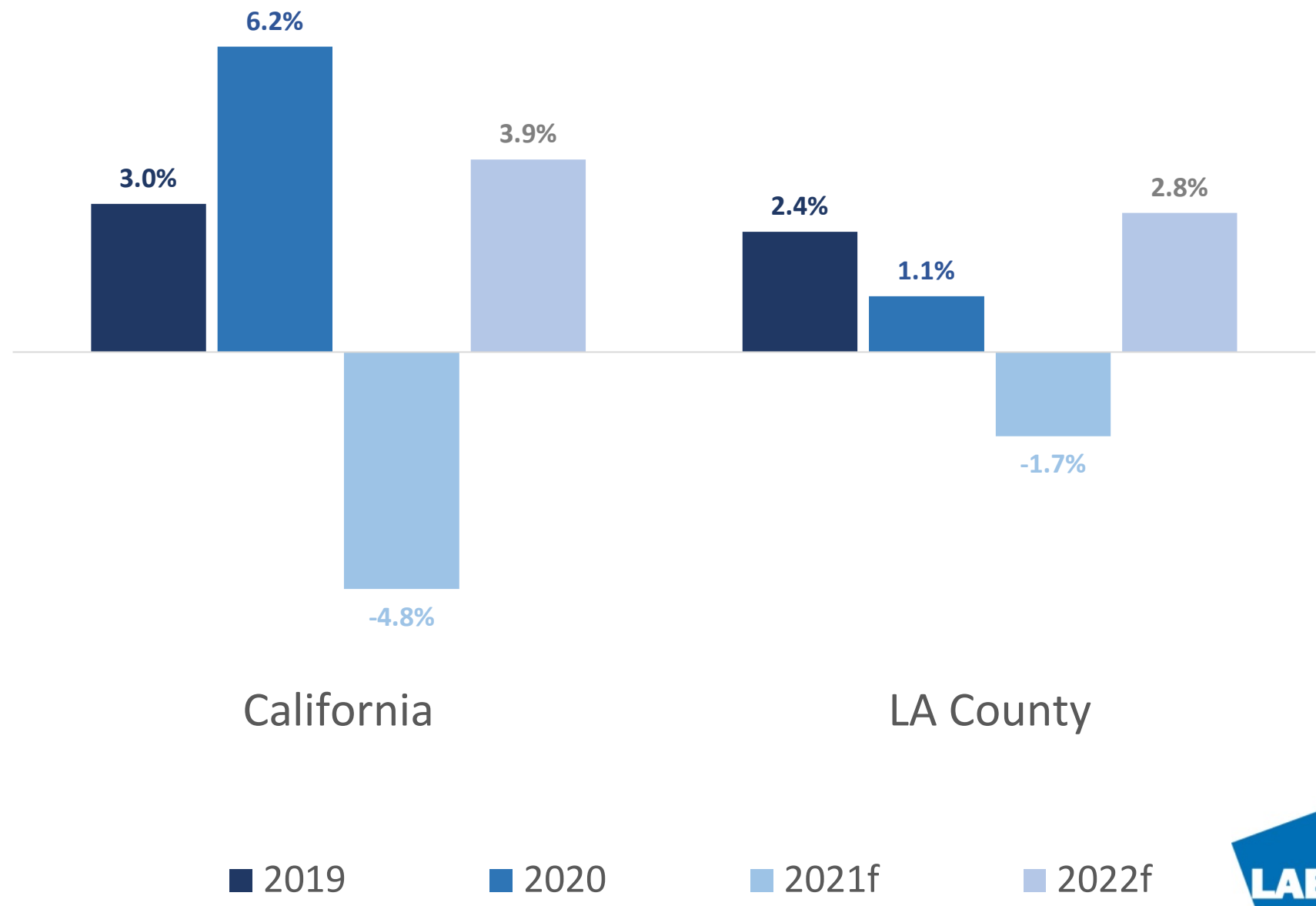
Sources: IHS, Forecast by LAEDC

The Labor Market Will Take More Time to Recover...

Unemployment Rate



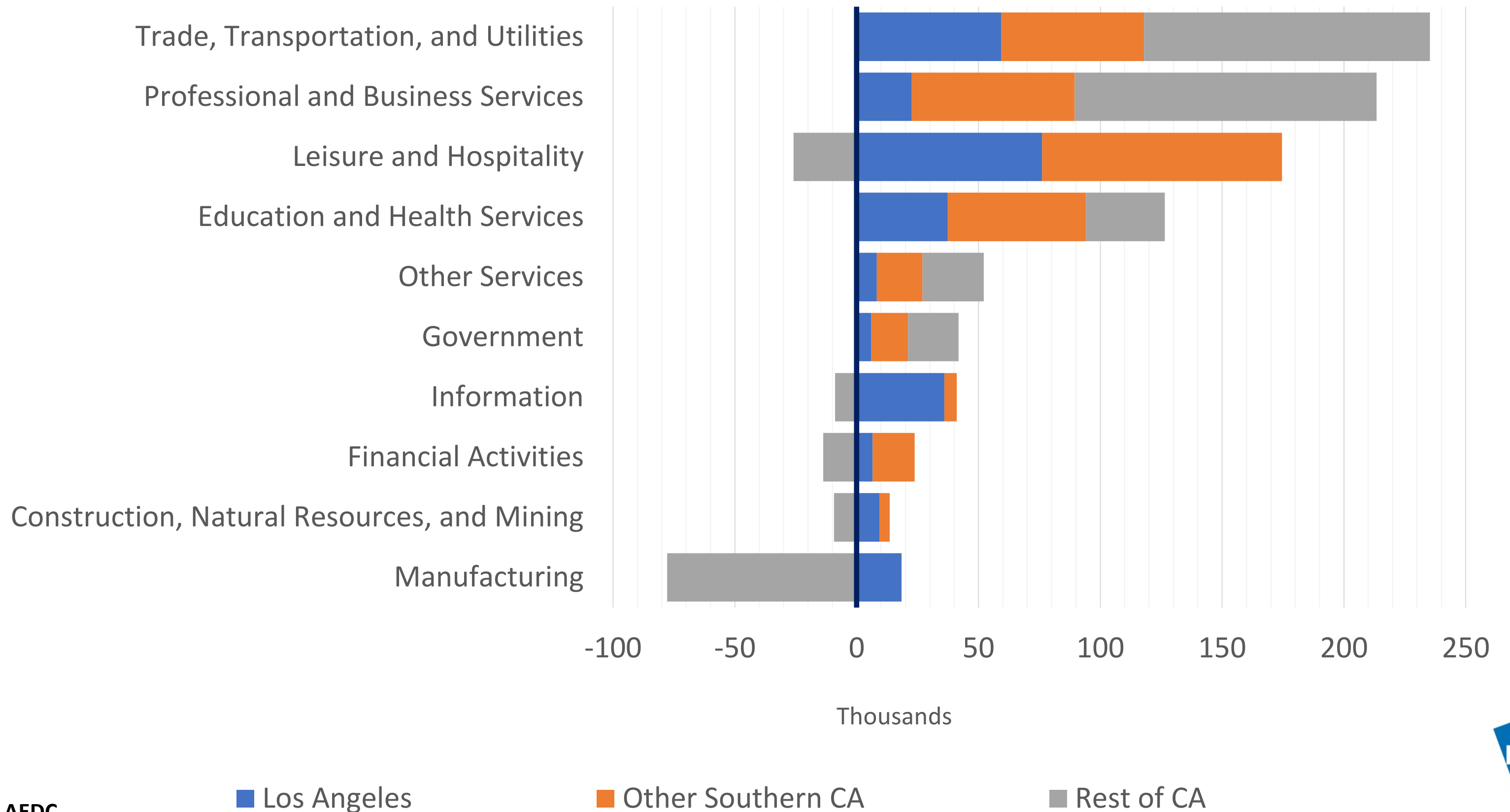
Real Personal Income Growth



Sources: BLS, BEA, Forecast by LAEDC

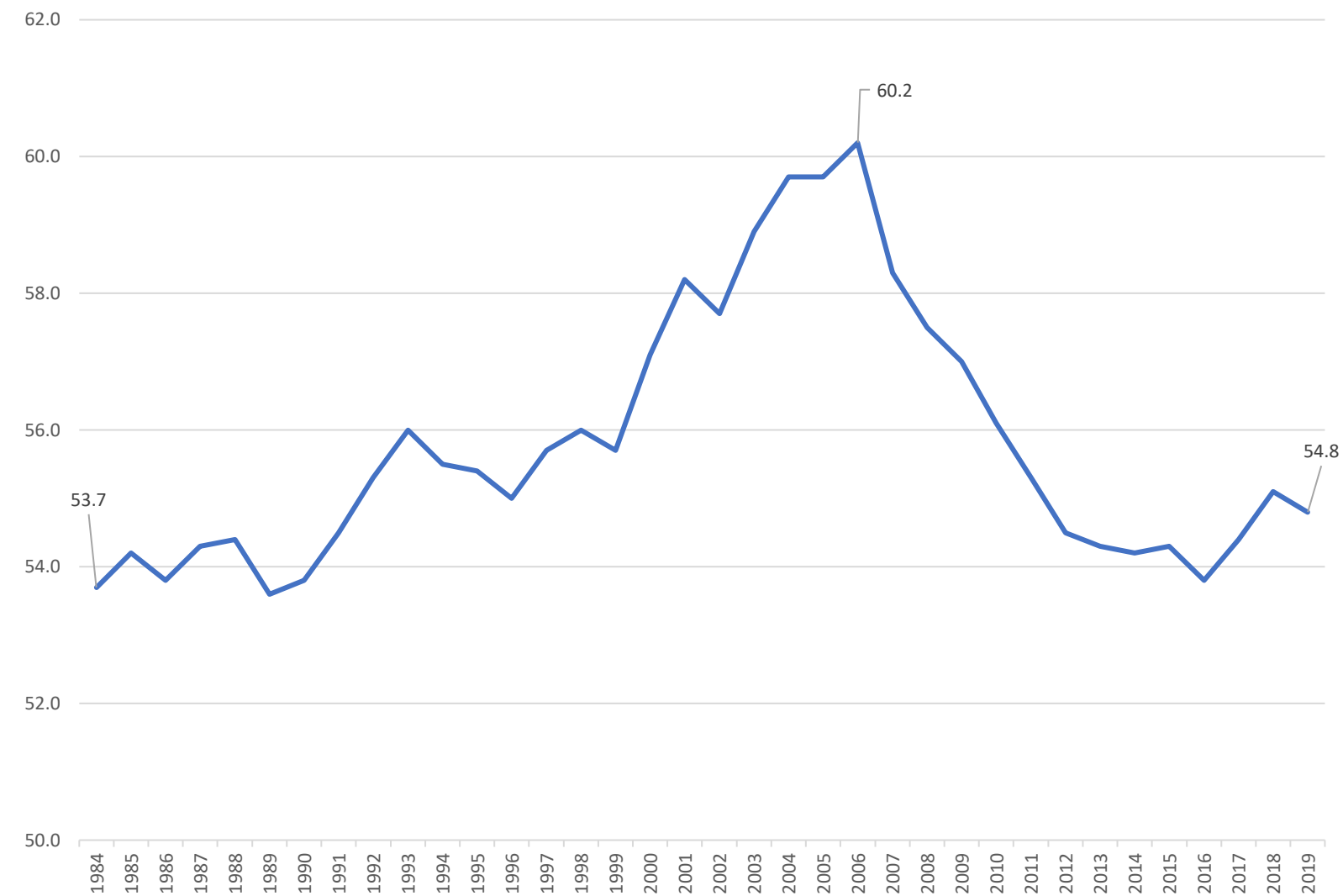
California Employment Forecast:

2 Year Employment Forecast



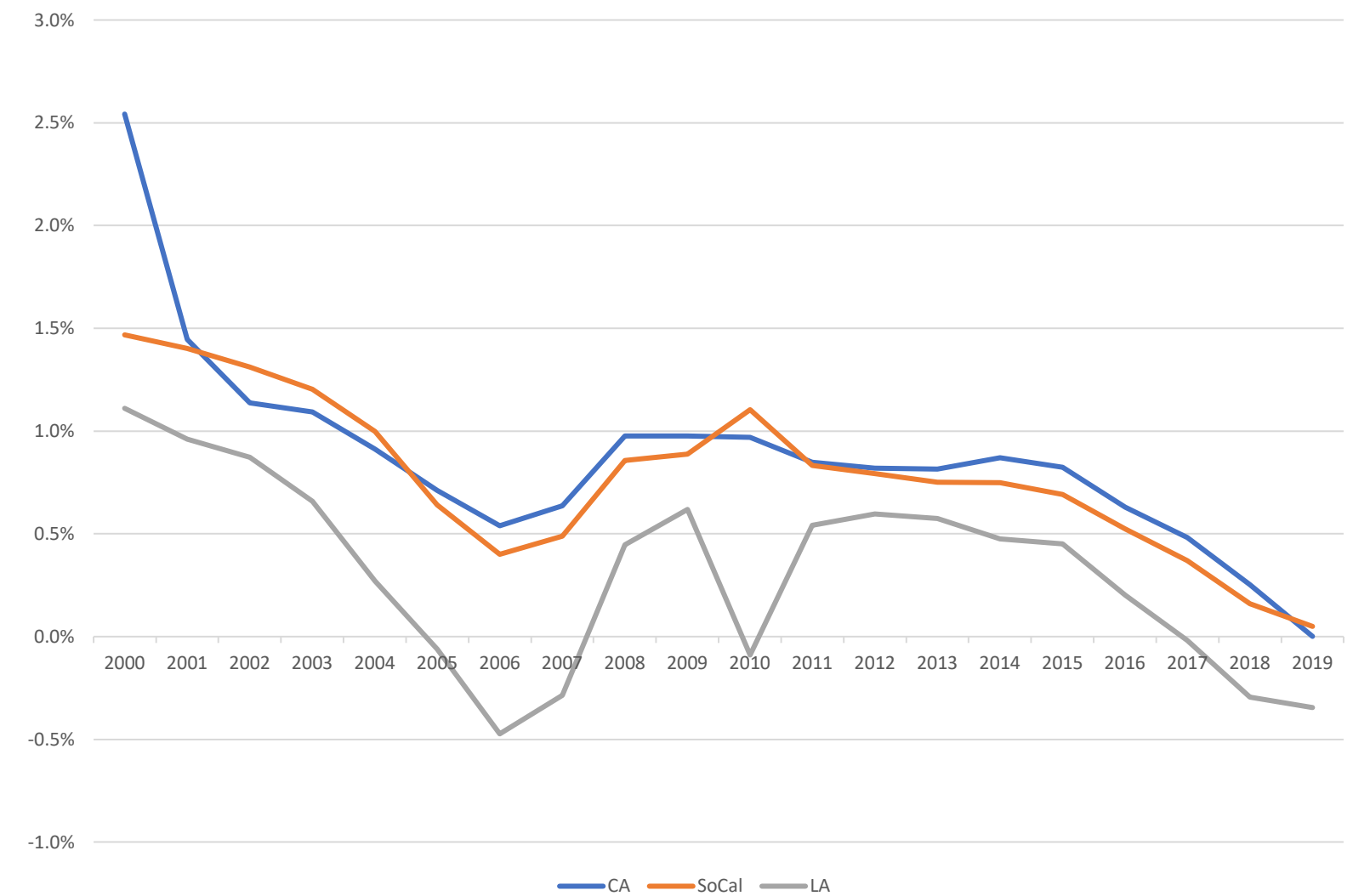
Housing & Migration

California Homeownership Rates by Year (%)



Source: FRED

Year-over-year Percent Change in Population



Source: FRED



Rent Burden

Share of Rent Burdened Households

	2009	2019	% change over last decade
United States	47.7%	45.1%	(5.4)%
California	52.8%	50.7%	(3.9)%

- Rent burdened households are defined as those that spend over 30% of gross income on living expenses
- Rent burden has decreased from 2009-2019*
- Rent Burden intuitively differs by income in California*
 - 91% of households making less than \$20k
 - 87% of households making less than \$50k
 - 78% of households making less than 75k
 - 50.7% of households statewide

*Source ACS 2019 5-year Estimates (Latest year of data)



A Tale of Two Recoveries: The Disparate Effects of COVID-19

An imbalance between rich and poor is the oldest and most fatal ailment of all republics.

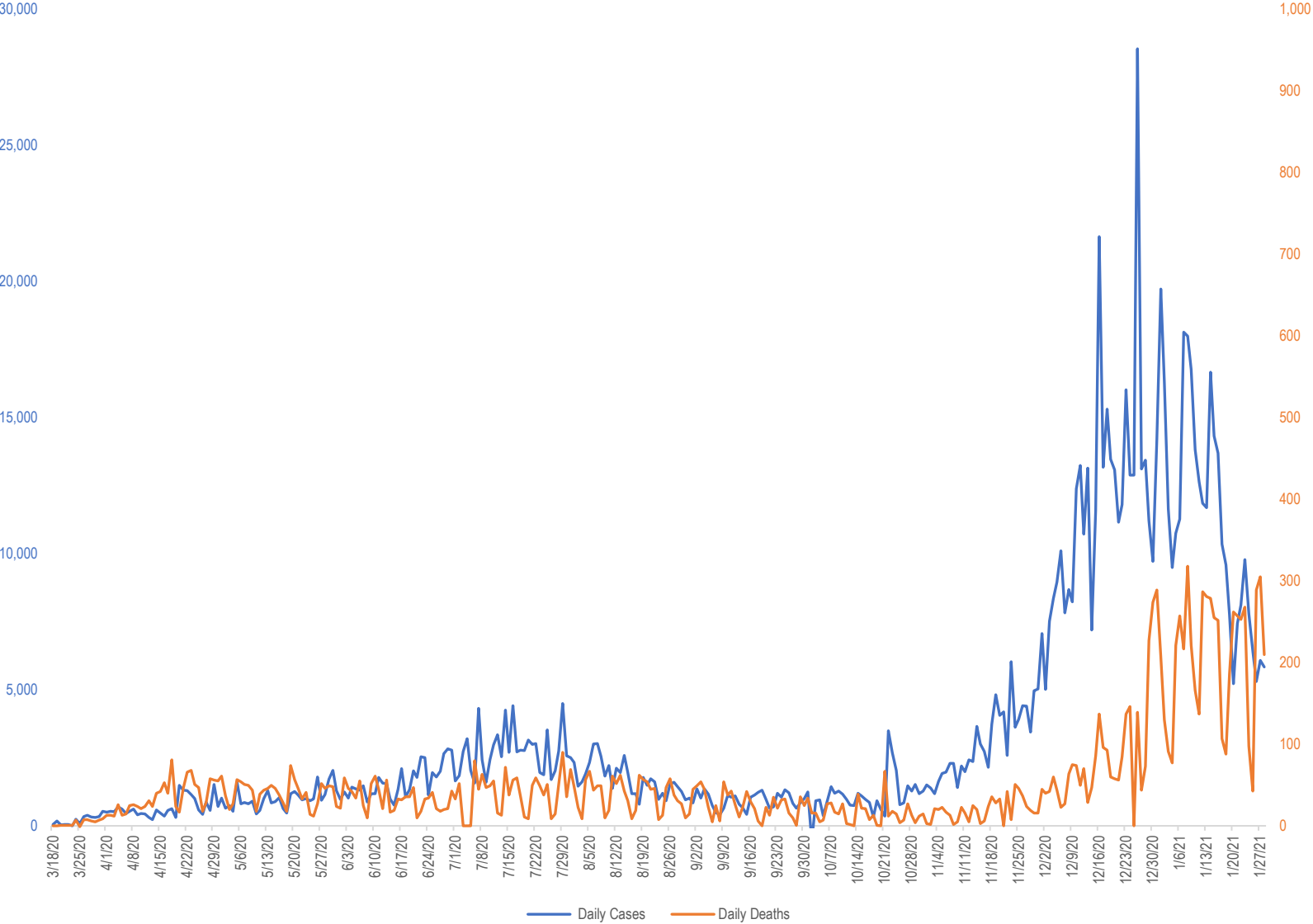
–Plutarch, Greek historian, first century AD

The Disparate Impacts of COVID-19

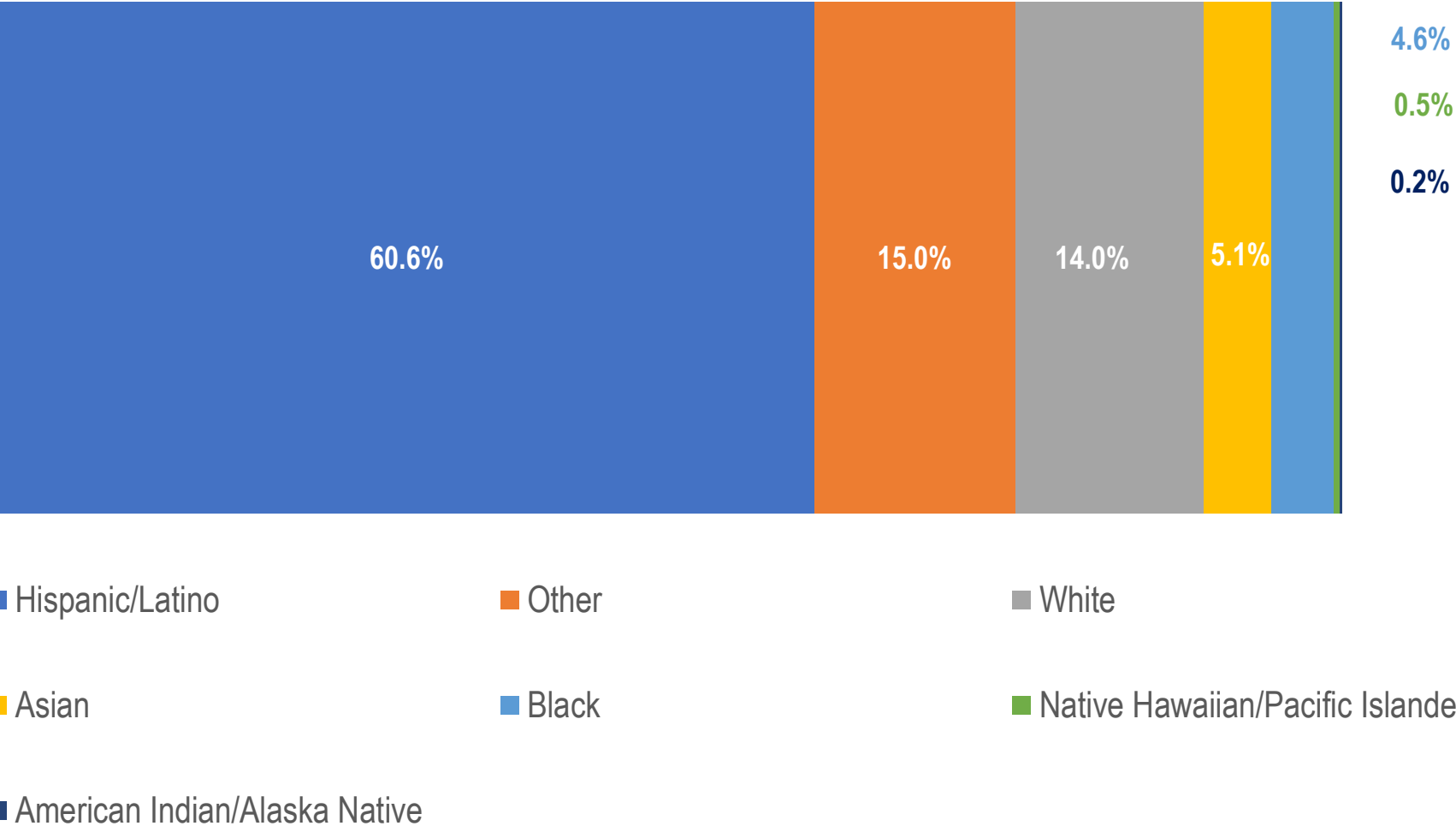
- **Cases**
 - *Hispanic*
- **Unemployment**
 - *High School Education*
 - *Generation Z (ages 16 to 23 years)*
 - *Identify as Black/Asian*
- **Low-Income Households**
- **Unemployment Benefits**
- **Remote Work**
- **The Digital Divide**
- **Small and Micro-Businesses**
- **Women**
- **Industry**
 - *Hospitality*
 - *Arts, Entertainment and Leisure*
 - *Nonessential Retail*
 - *Personal Care Services*

COVID-19: Los Angeles County

Daily Cases and Deaths



Total Confirmed Cases by Race and Ethnicity



Source: L ANPH



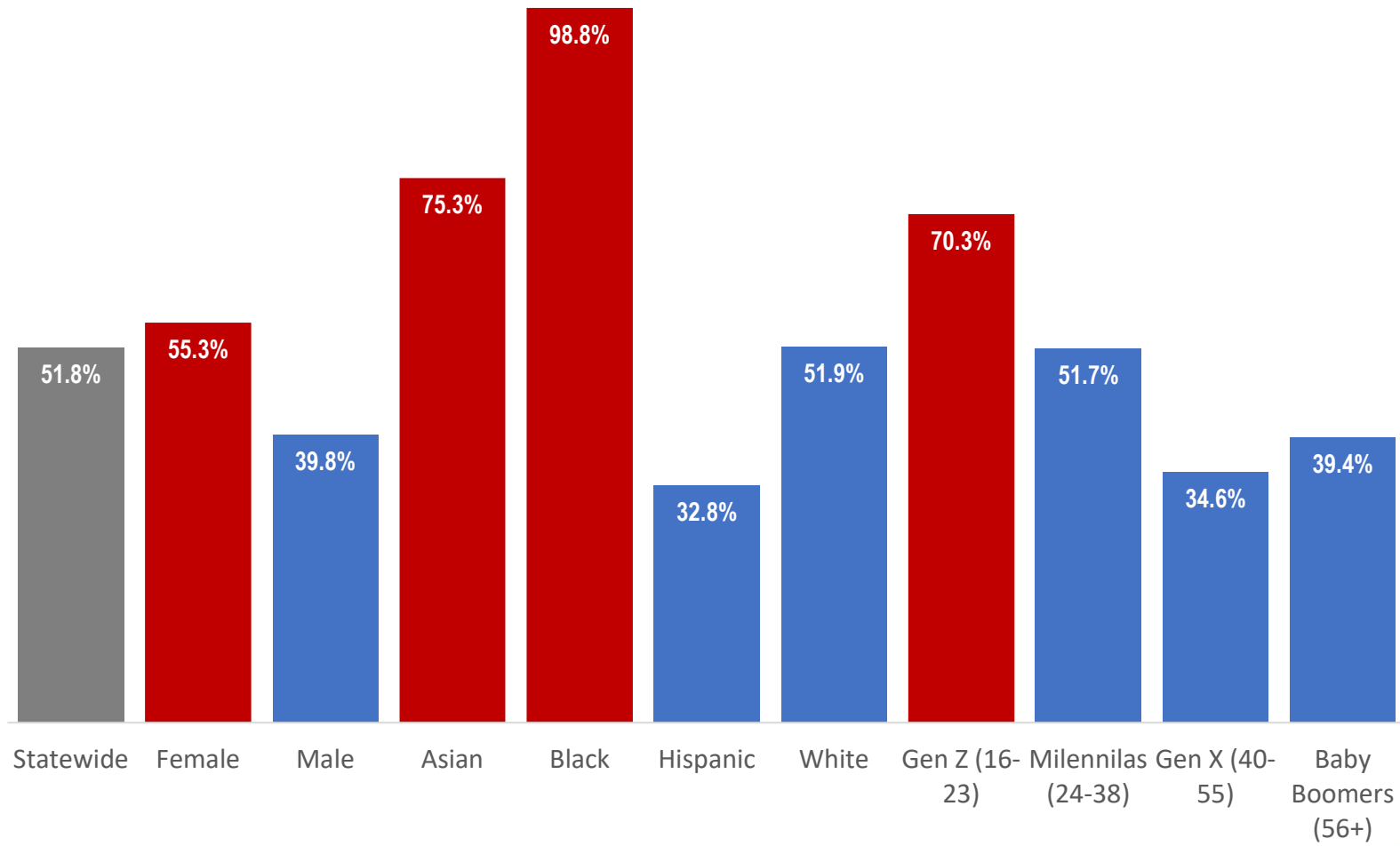
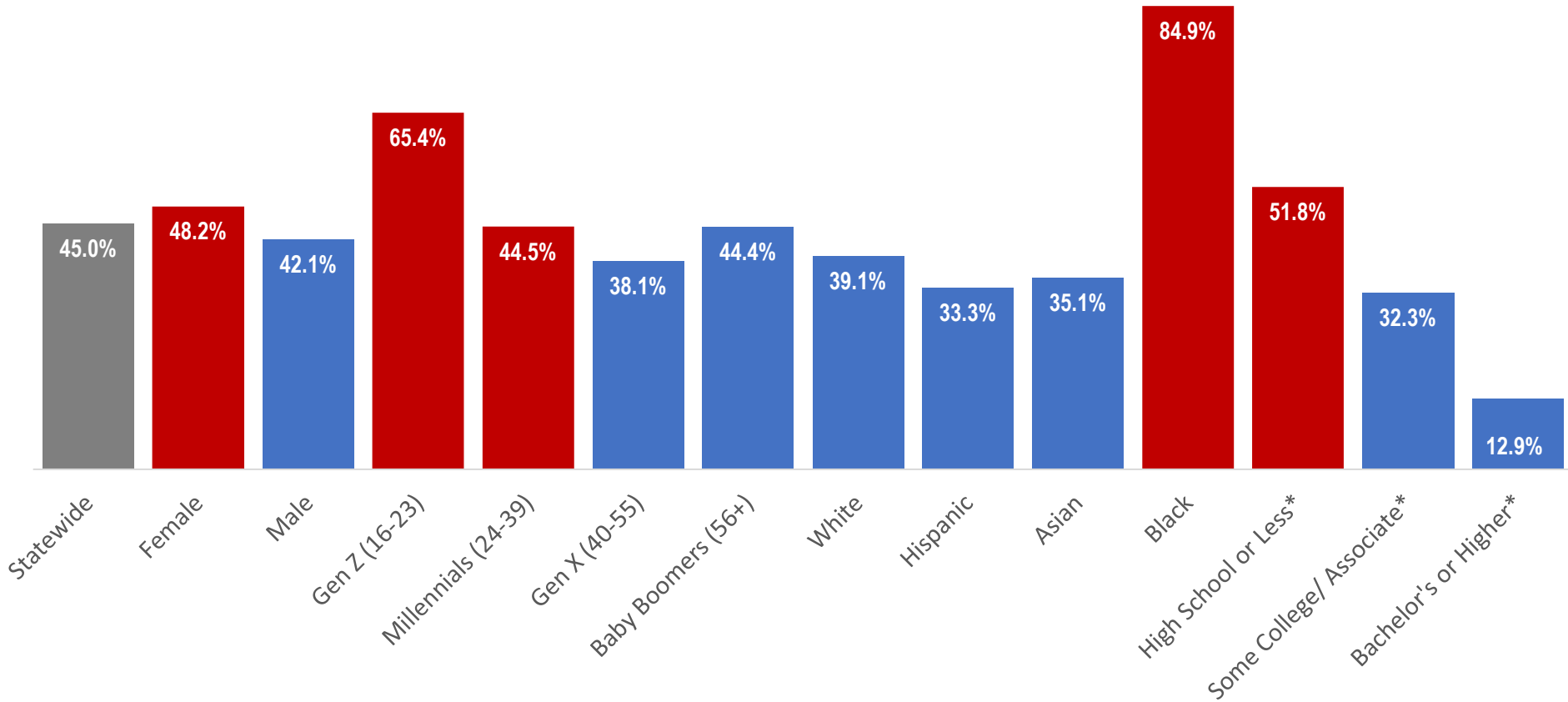
Unique Unemployment Insurance Claimants in CA As a Share of Labor Force (3/15/20 to 11/28/20)

Total UI, Regular and PUA Claimants

Regular UI, High School Education or Less*

45% and above

55% and above



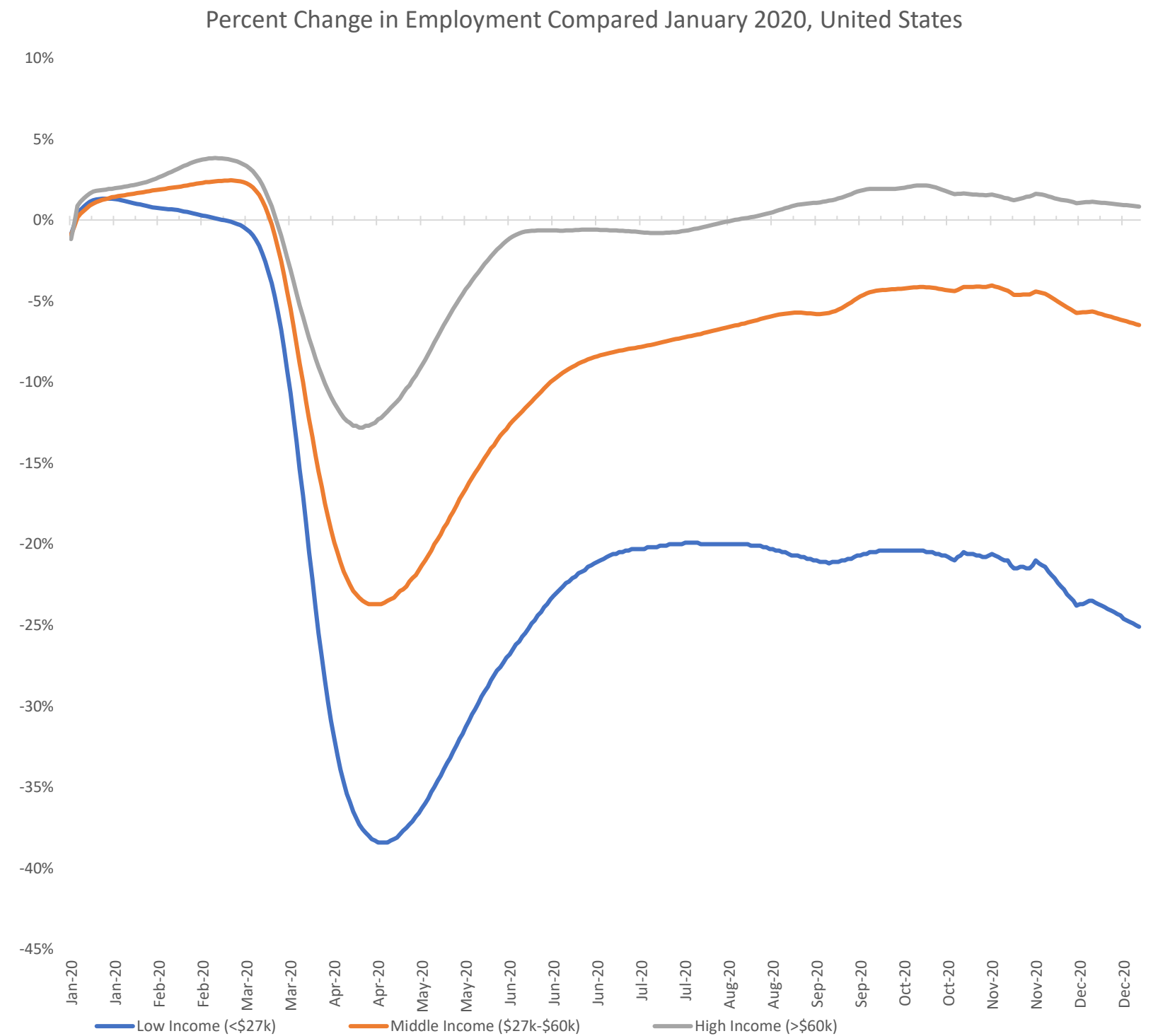
*Excludes PUA claims

Source: CA Policy Lab



Unequal Effects of COVID-19: Workforce

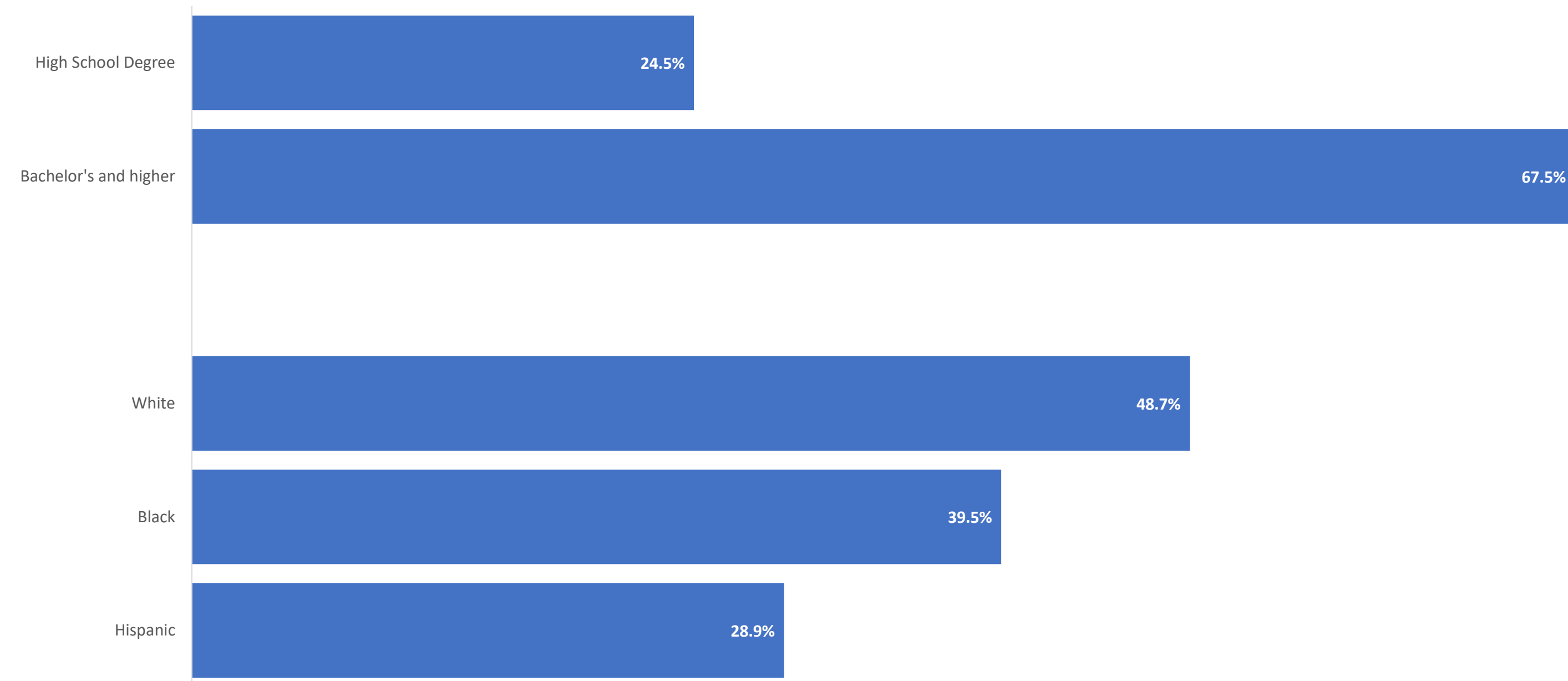
- Employment Impacts Vary Drastically
 - *Low- and middle-income workers far likelier to lose job, remain out of work*
 - *Dichotomy of those who can/cannot work from home*
- A disproportional amount of these low-income workers are persons of color and younger individuals



Source: Opportunity Insights Economic Tracker

The Switch to Remote Work

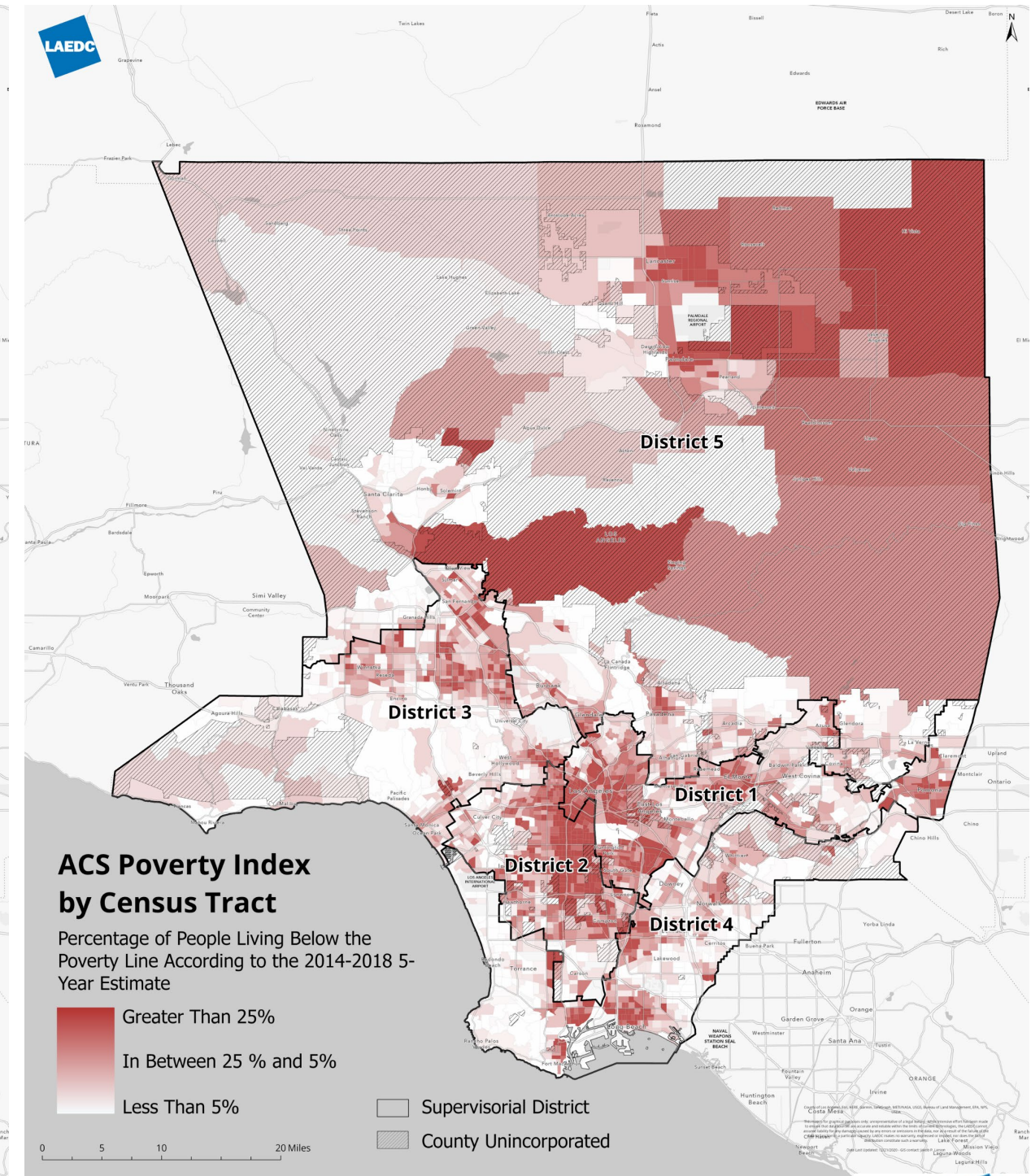
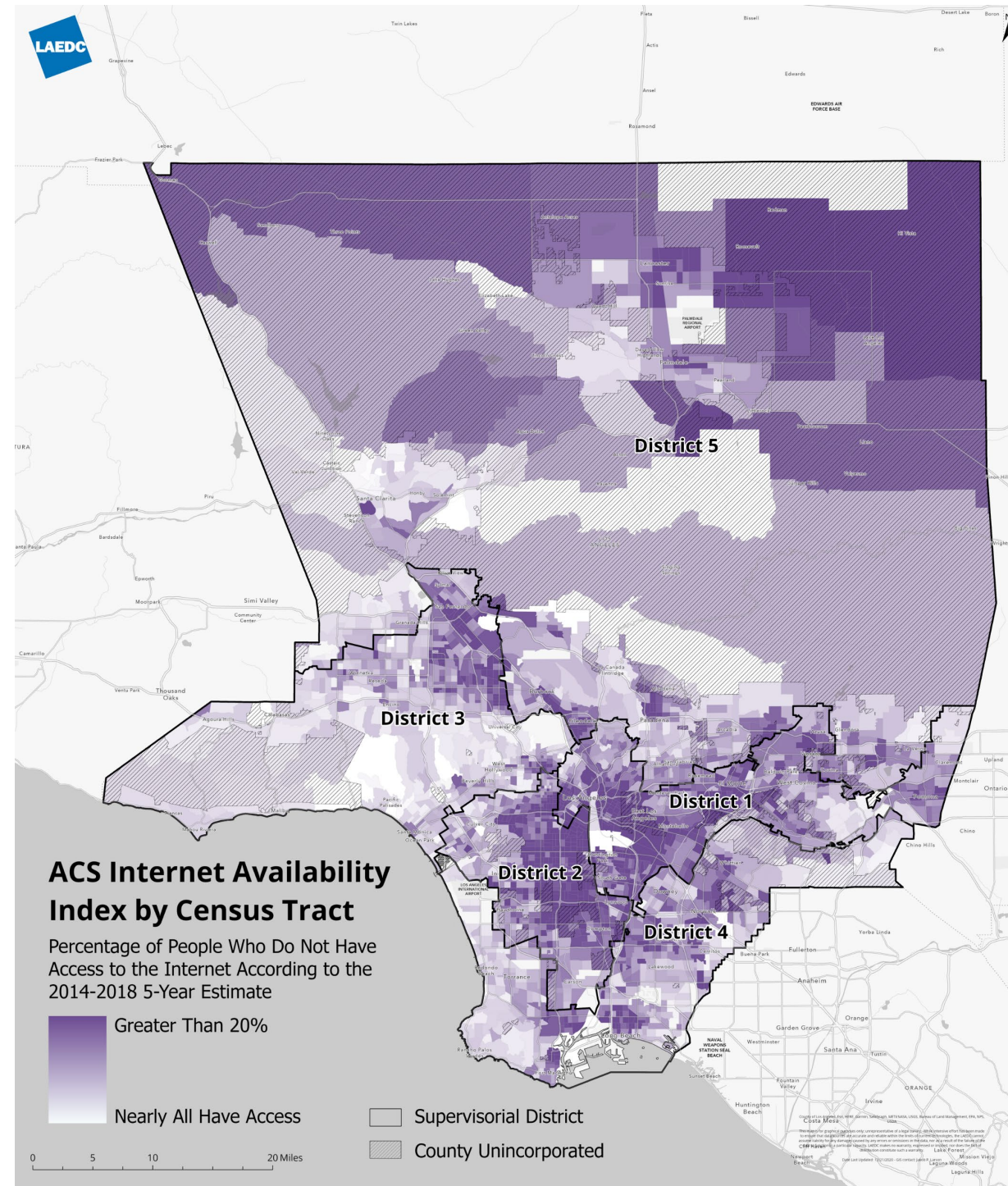
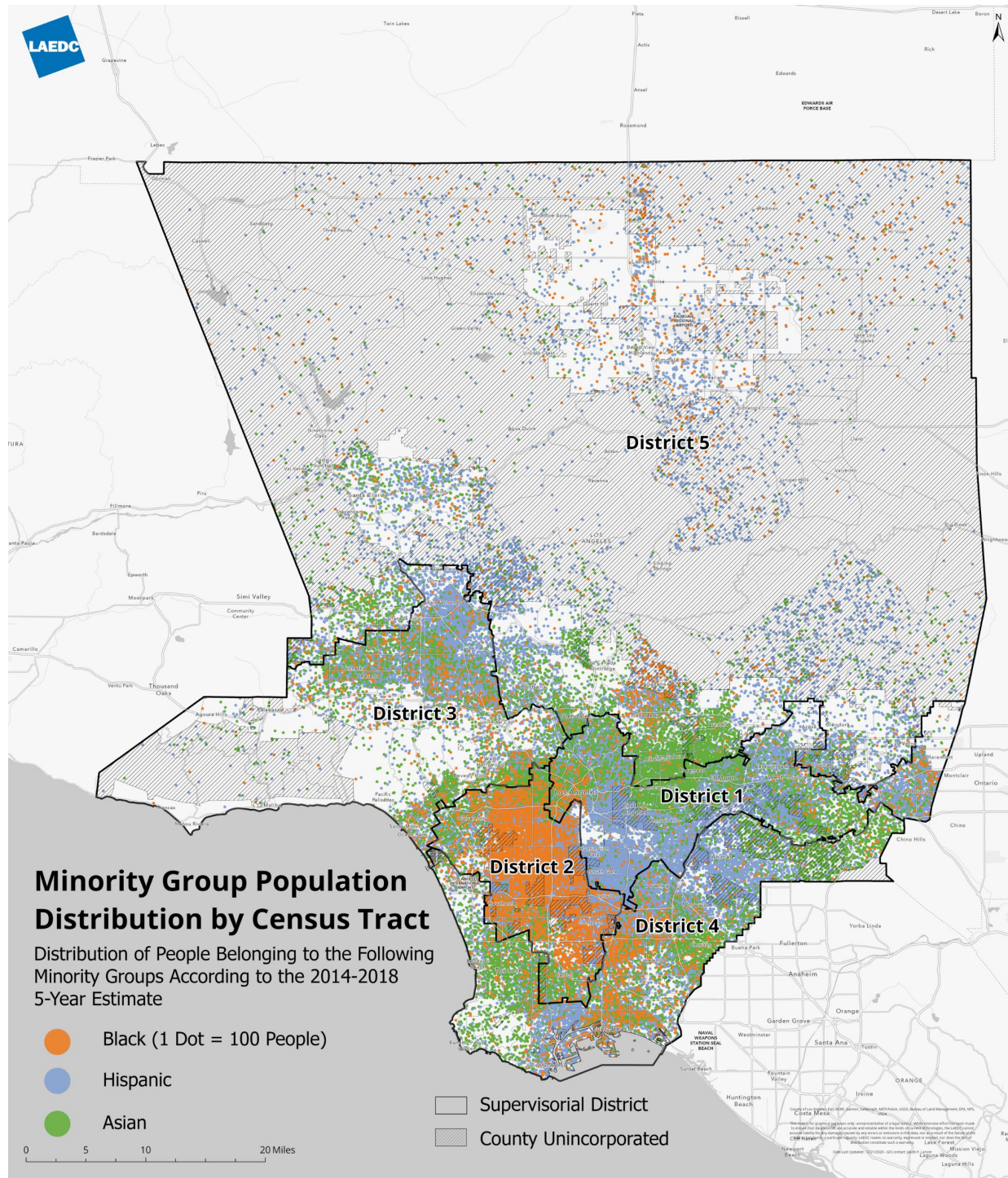
Share of cohort able to work from home across the U.S.



Source: American Time Use Survey

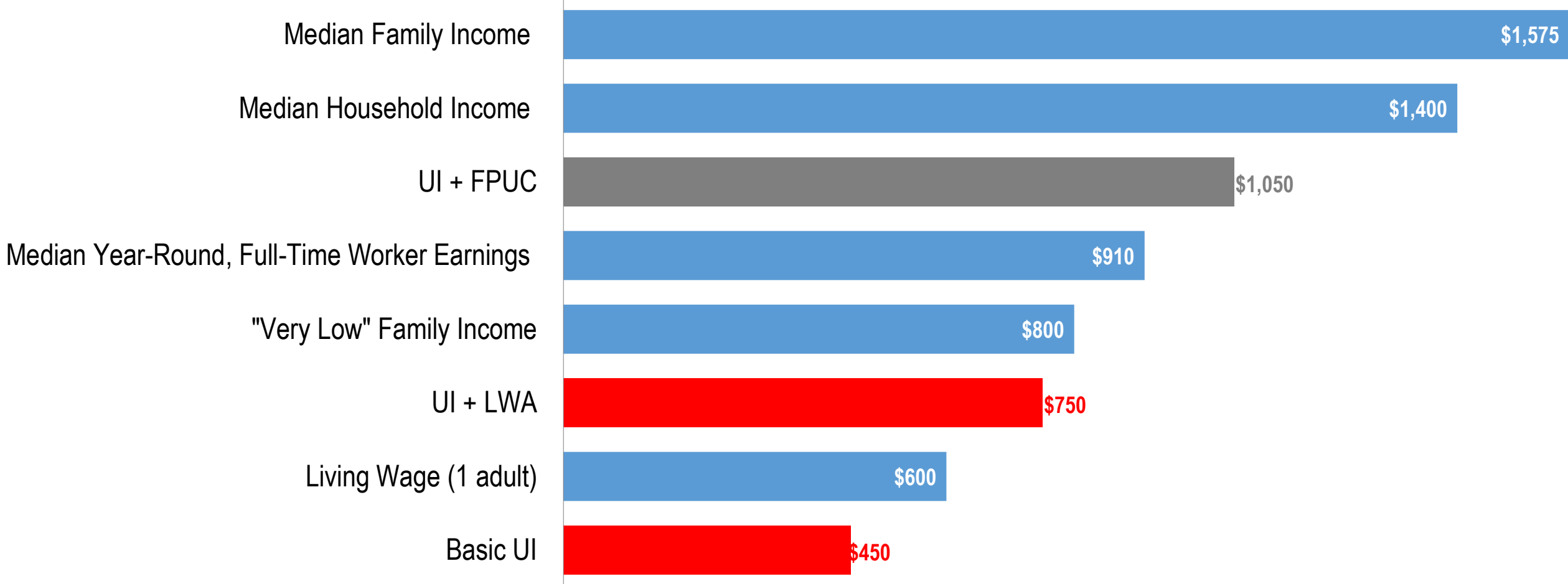


The Digital Divide



Unemployment Benefits in Context

Weekly Unemployment Benefits Compared to Weekly Wages in Los Angeles County

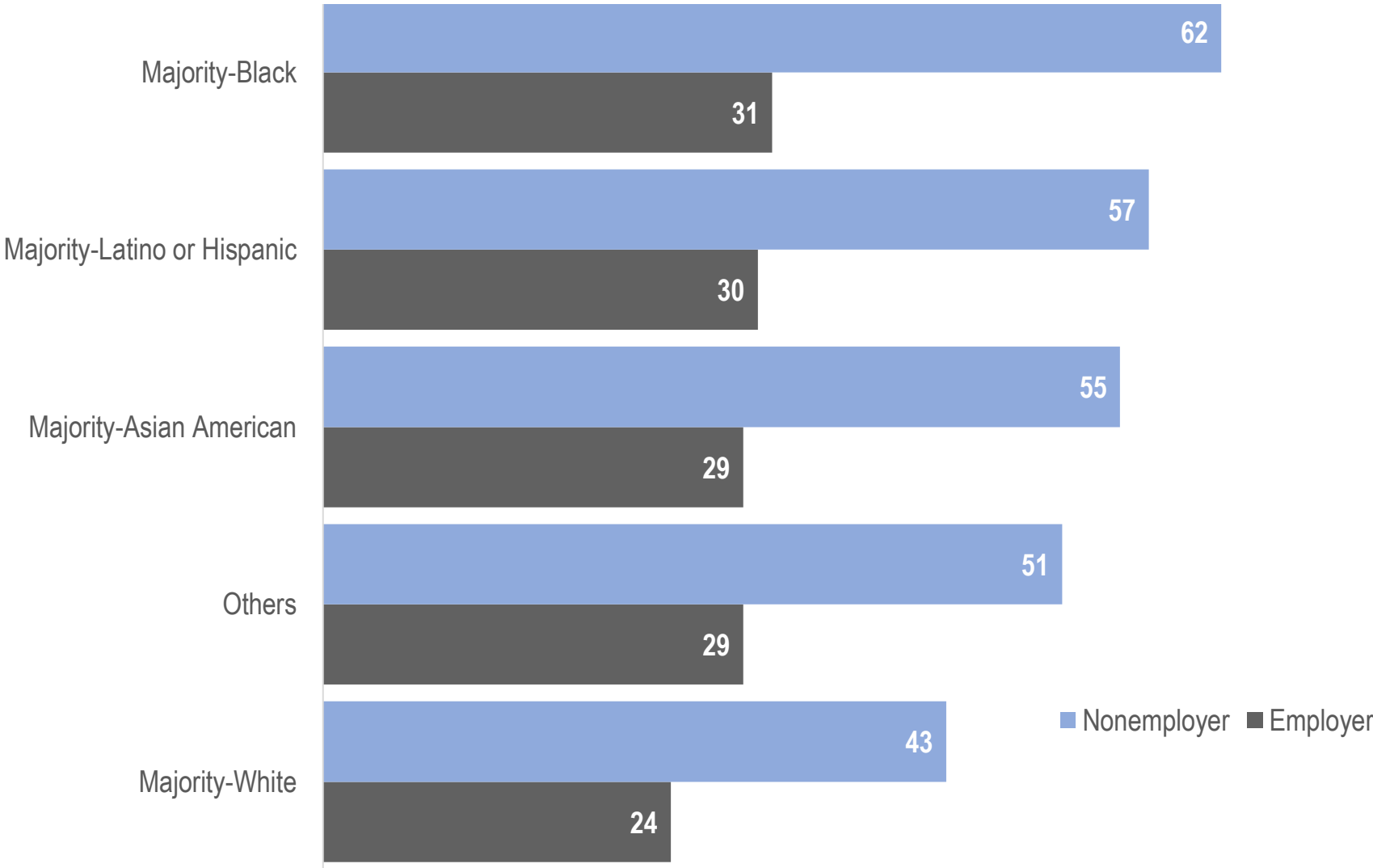


Source: ACS 2019 1-year estimate

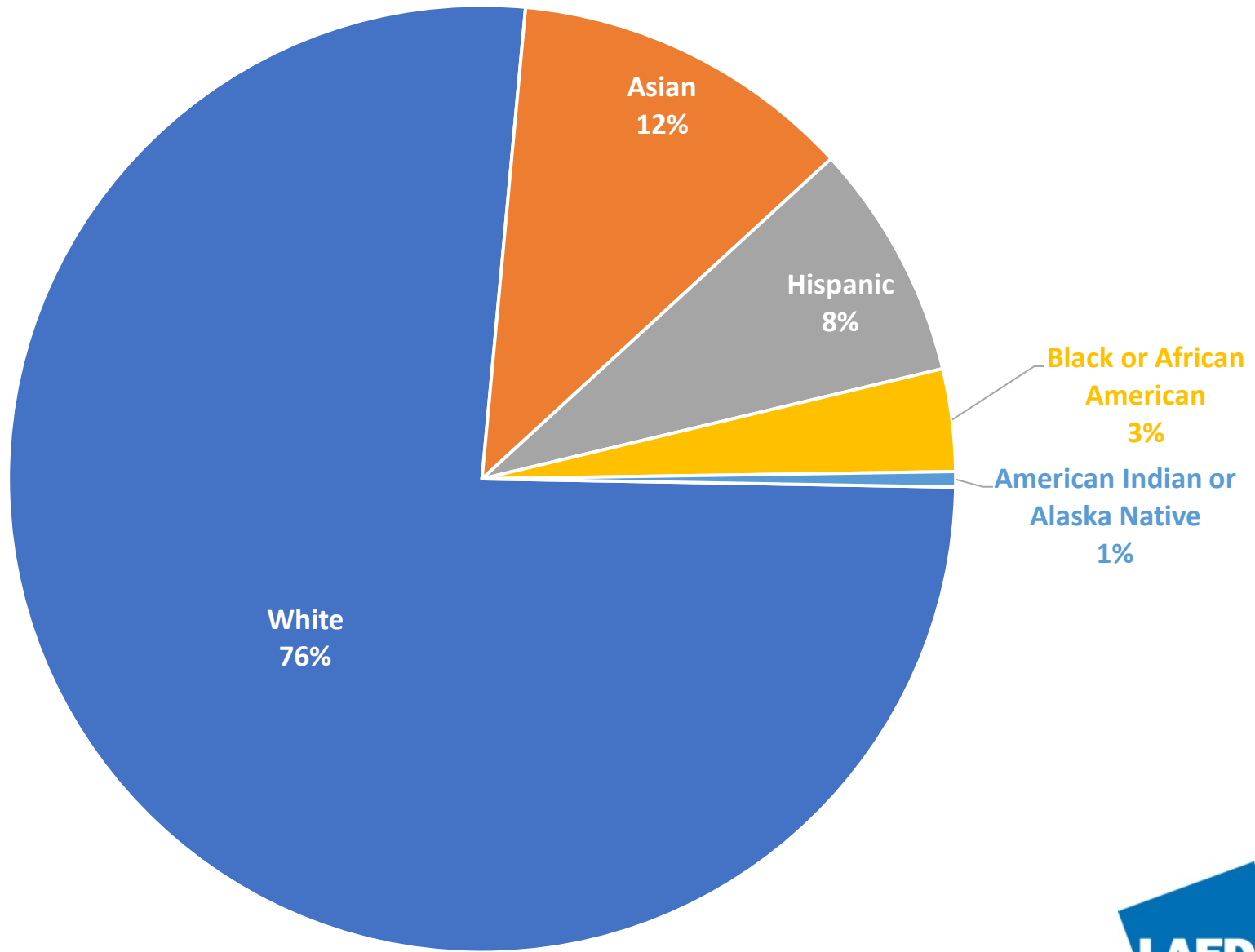


Minority-Owned Businesses and PPP

Average Days Since PPP Application Started to Loan Approval (First Round)



Racial Breakdown of PPP Recipients

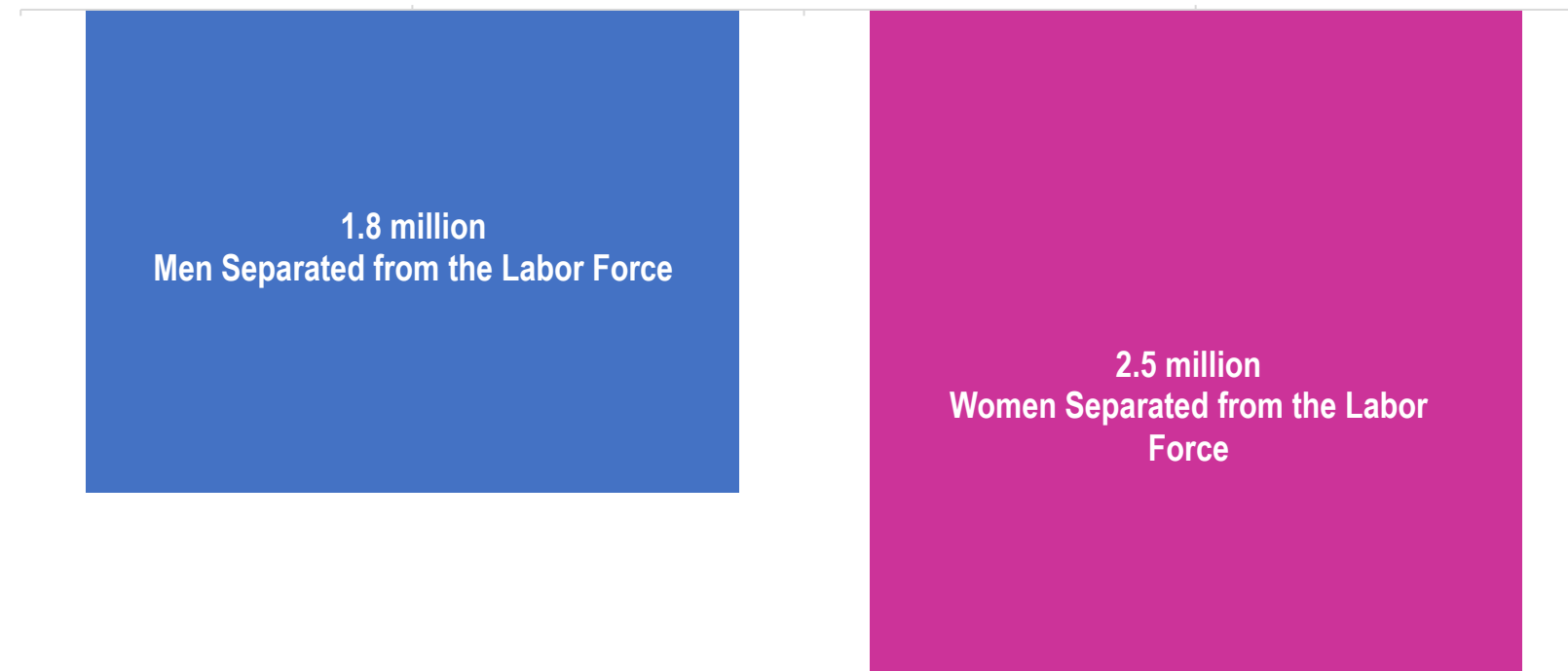


Source: Brookings Institute



More Women are Leaving the Labor Force

Change in U.S. Labor Force by Gender
January 2020 to January 2021



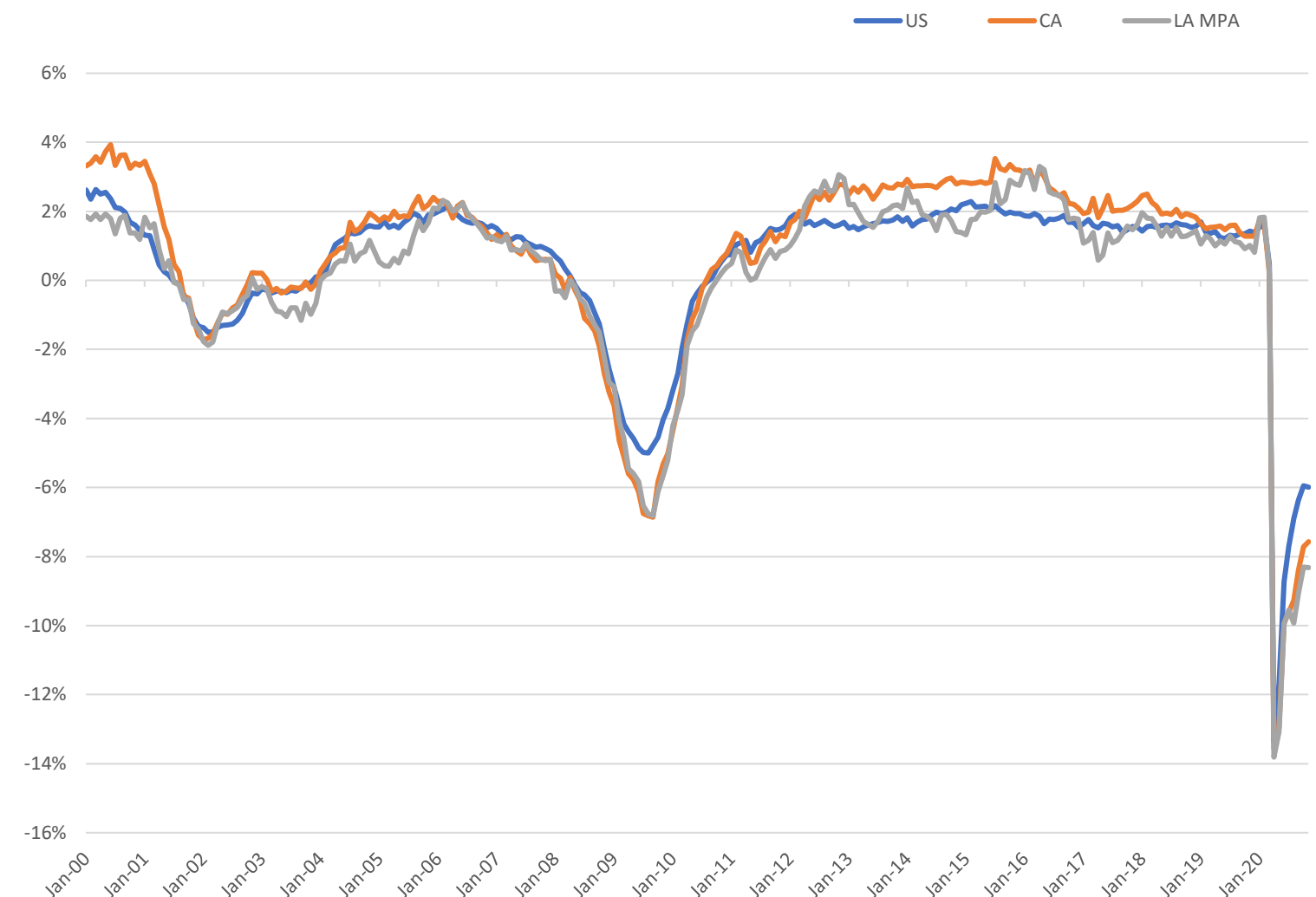
58 percent of the 4.3 million people who separated from the labor force between Jan 2020 and Jan 2021 were women

- Women comprised 47% of Labor Force before COVID-19 (Jan 2020)
- Women accounted for 58% of those who dropped out (by Jan 2021)
- Contributing Factors:
 - *Lack of childcare with closures*
 - *Supervising online schooling for children at home*
 - *High share worked in service sectors most impacted*

Inequity in Employment Impacts

- Year over year employment fell nearly 2x more than 2008/2009
 - Just as with '09, Los Angeles and other major cities fared worse than U.S. as a whole
- Workers hardest hit in:
 - Travel & Accommodation Services
 - Food & Drinking Places (aside from fast food)
 - Personal Care Services

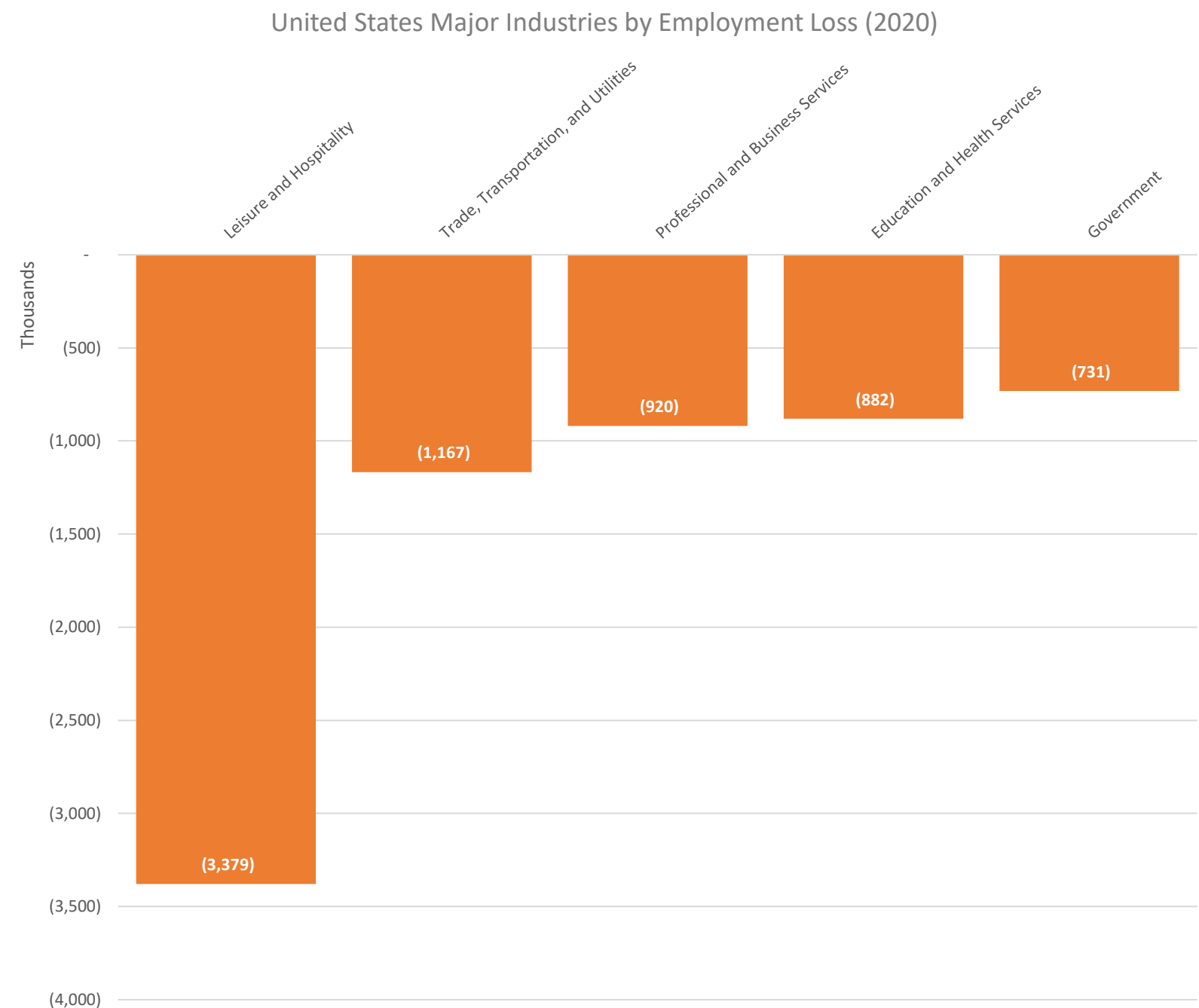
Year-over-year Percent Change in Nonfarm Employment



Source: FRED

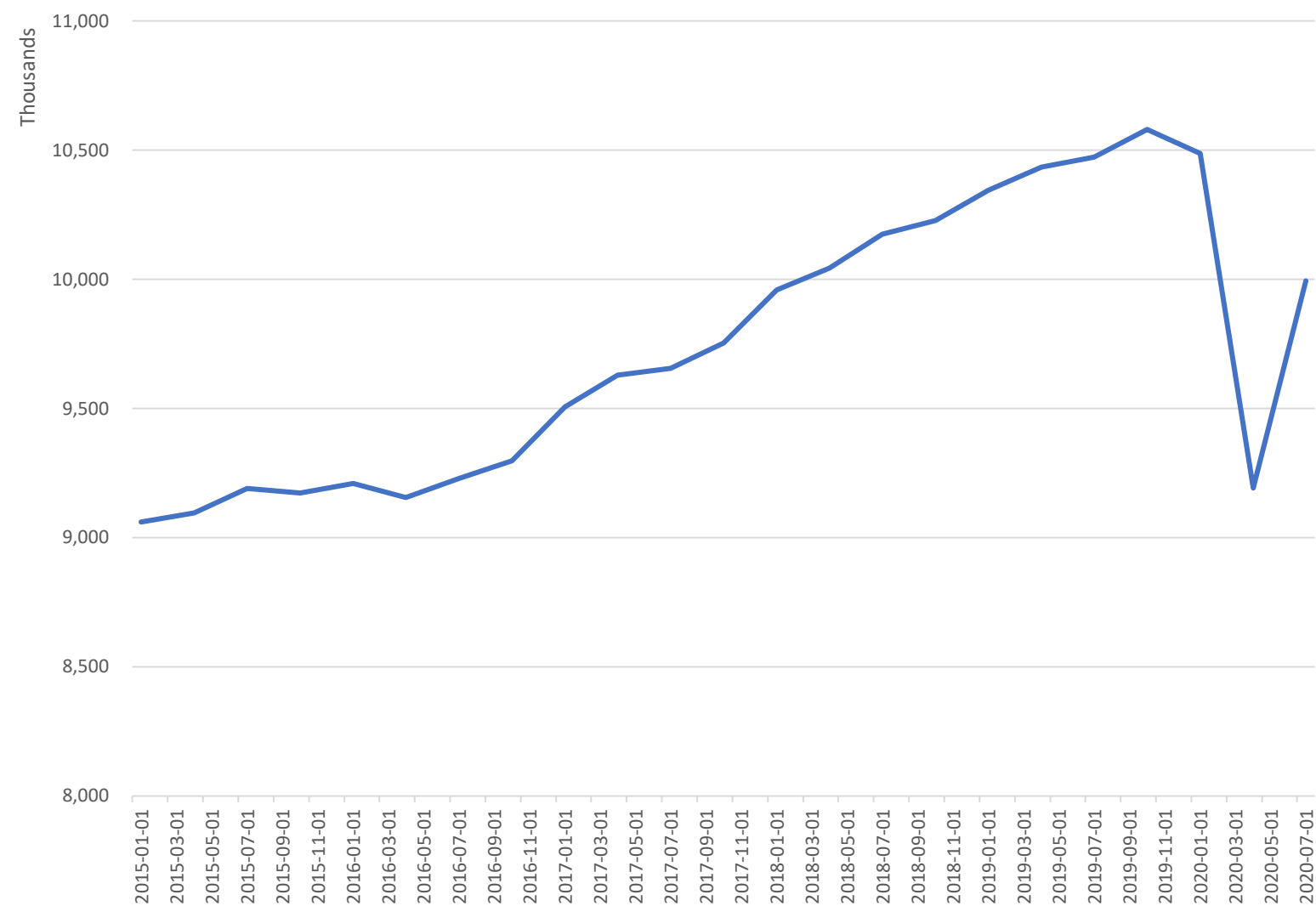
Unequal Effects of COVID-19: Industry

- Industries centered around personal contact & travel decimated
 - Lack of travelers: Revenue passenger miles down 73%
 - Personal services subject to closures by state/local governments
- Many industries awaiting vaccination
 - Delta Air Lines chief executive Ed Bastian: “Hopefully by the end of (20)21 we’ll be in a much more normal state”



Dichotomy between Wall St. & Main St.

Nonfinancial Corporate Business; Revenue from Sales of Goods and Services



Source: FRED

Dow Jones Industrial Average (2015-2021)

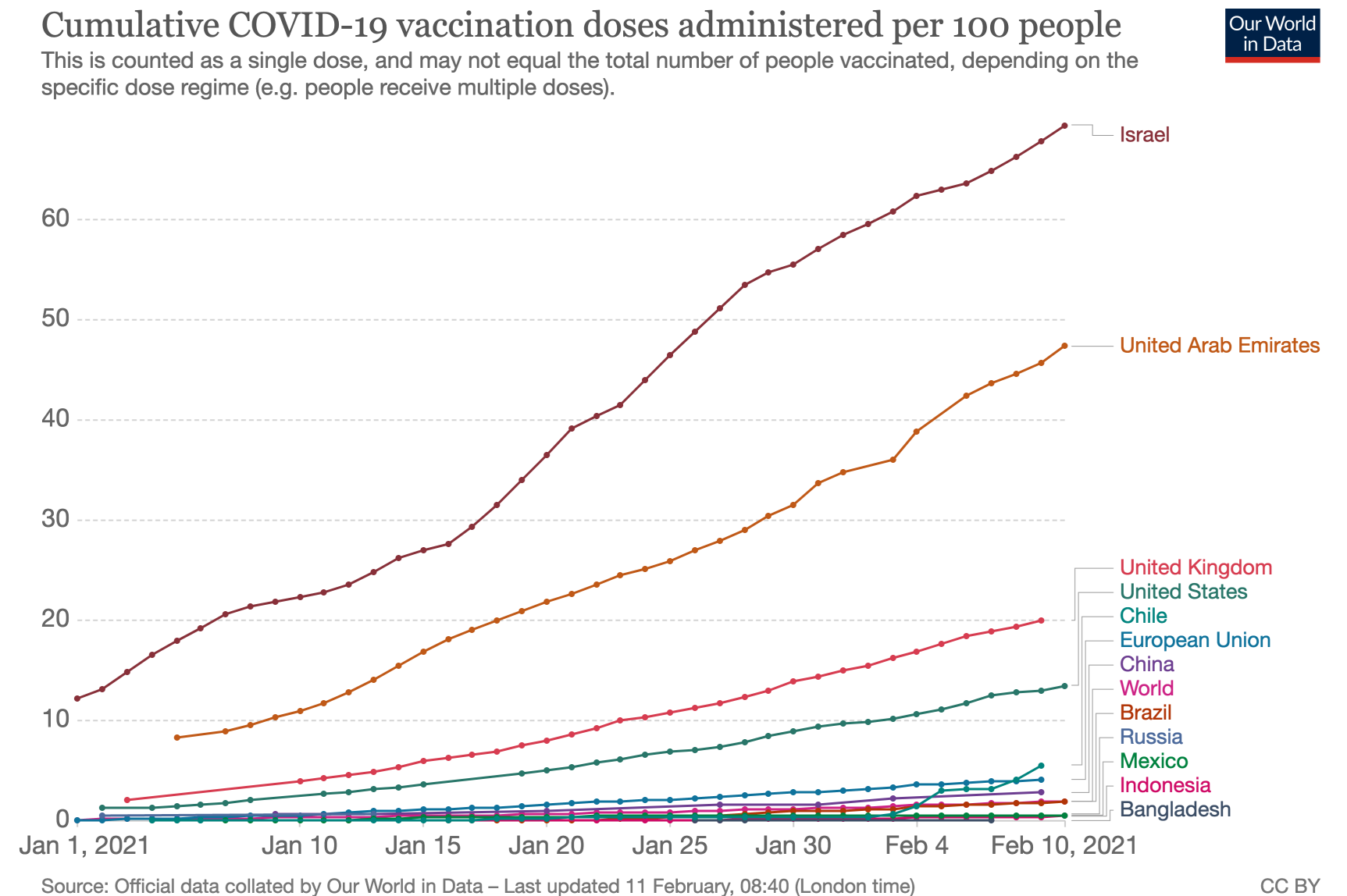


Source: FRED



COVID-19 Vaccines*

- About 45 million doses distributed in the U.S.
 - 150 million worldwide
- About 5 million doses administered in CA
 - 20% (1 million) in Los Angeles
- Inequity in Distribution



* As of February 11th

Conclusions

As long as poverty, injustice and gross inequality persist in our world, none of us can truly rest.

–Nelson Mandela



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Thank you!