



LOS ANGELES COUNTY
ECONOMIC DEVELOPMENT CORPORATION

Collaboratively Advancing Growth and Prosperity for All

2023

ECONOMIC FORECAST

February 23, 2023 at 8:30 AM | Sheraton Grand DTLA



Donaji Esparza

EMCEE | KLOVE 107.5FM Radio Host

LAEDC

Join the conversation!



@LAEDC





Steve Olson

Partner, O'Melveny
Board Chair, LAEDC



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LAEDC Mission

Reinvent our economy to collaboratively advance growth and prosperity for all.

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Ron Frierson

**Director, U.S. West Economic Development,
Amazon**



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Stephen Cheung

President & CEO, LAEDC

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Los Angeles County Supervisor
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2023

**ECONOMIC
FORECAST**

5 Pillar Strategy for Economic Development





Donaji Esparza

EMCEE | KLOVE 107.5FM Radio Host

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Shannon Sedgwick

**Director, Institute for Applied Economics,
LAEDC**



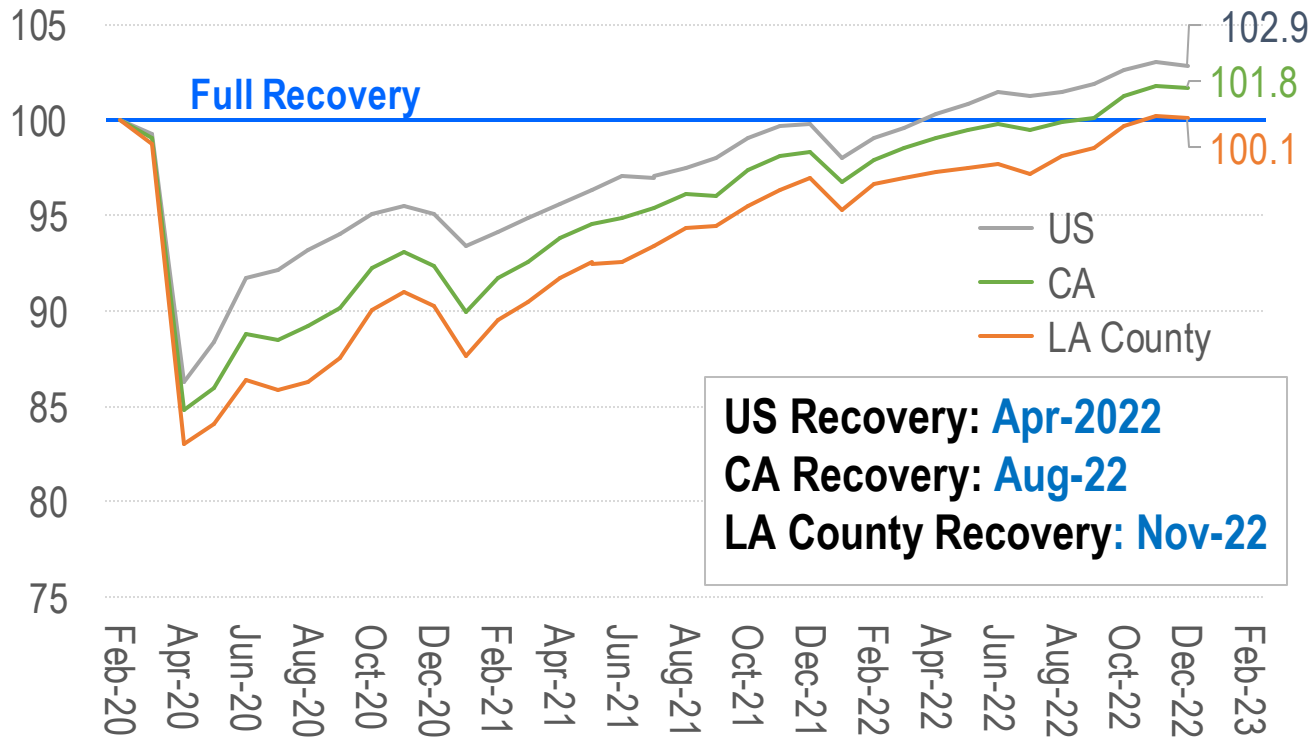
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Moving Beyond the Recovery

Nonfarm Employment Shows We've Fully Recovered

Nonfarm Employment

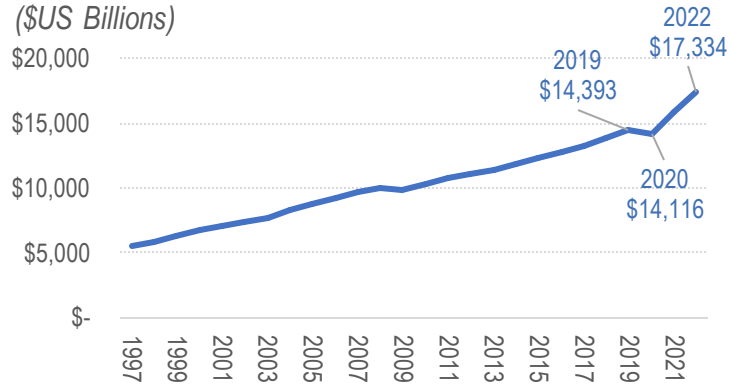
Indexed growth (February 2020=100)



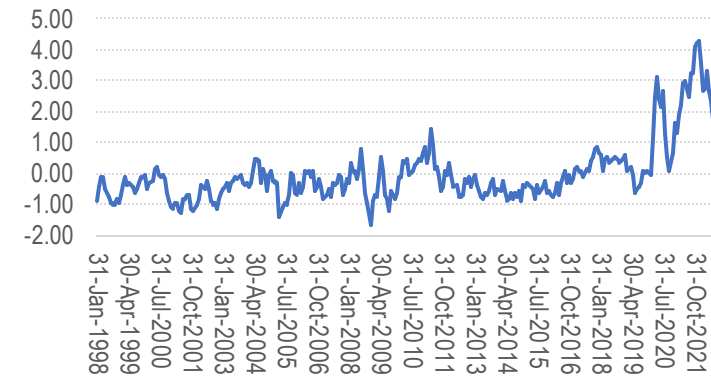
Total nonfarm employment has returned to its pre-pandemic levels in the U.S., California and Los Angeles County. However, beneath the surface, growth has been uneven across industries.

Federal Policymakers are Dealing with Persistent, High Inflation

U.S. Personal Consumption Expenditures
(*\$US Billions*)

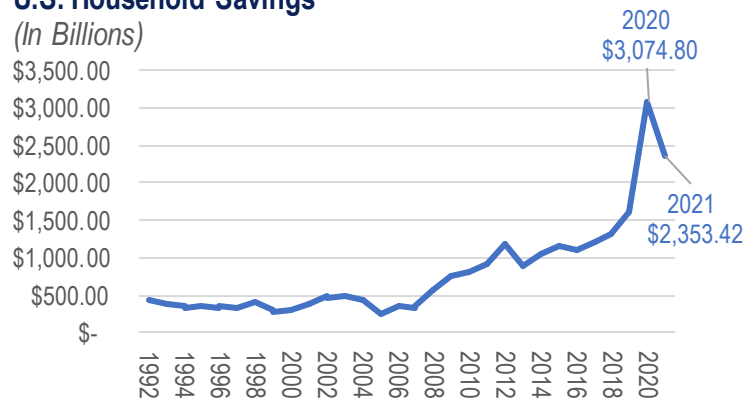


Global Supply Chain Pressure Index

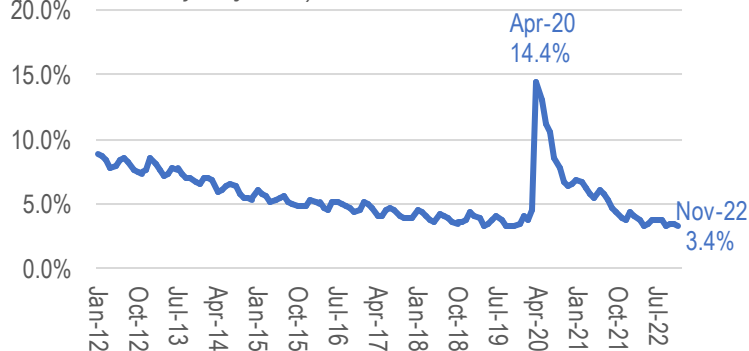


US consumer spending has been supporting GDP growth despite the dual headwinds of rising interest rates and high inflation.

U.S. Household Savings
(*In Billions*)



U.S. Unemployment Rate
(*Not Seasonally Adjusted*)

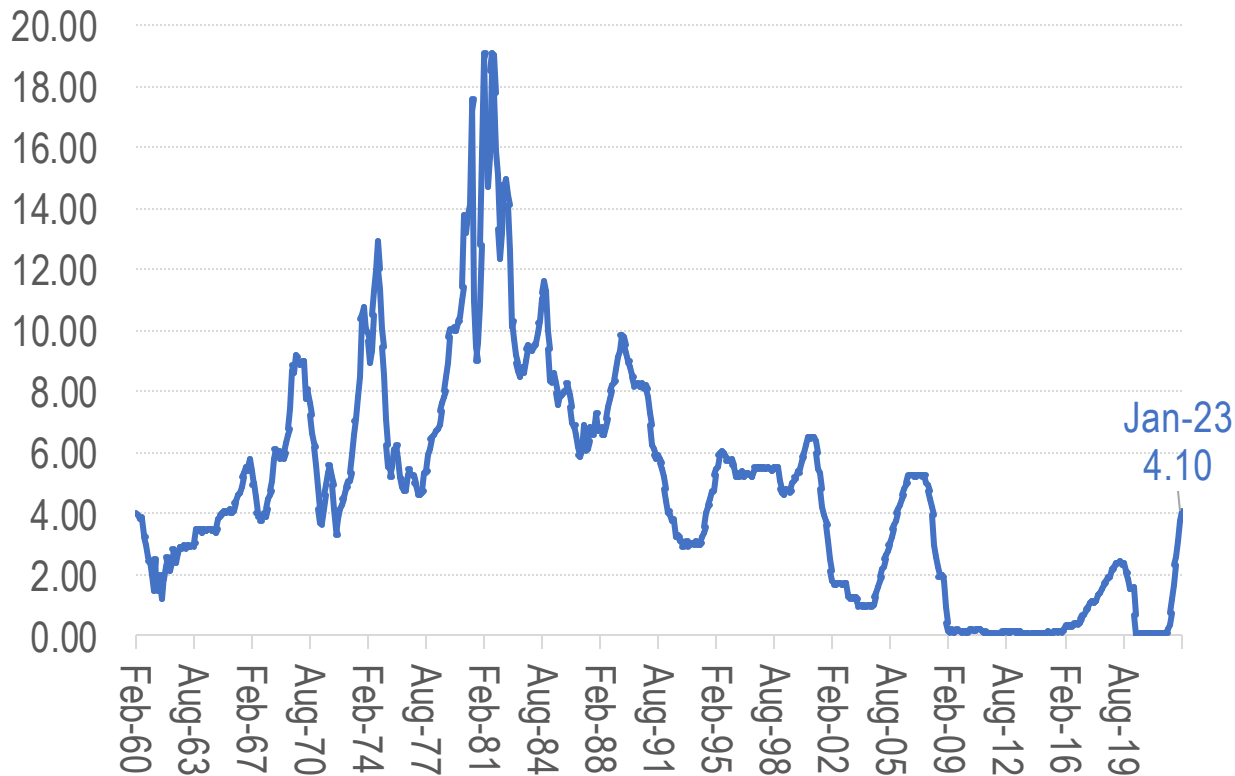


Another challenge for federal policymakers has been the continued strong labor market.

The Federal Reserve Raised the U.S. Federal Funds Rate Rapidly in 2022

U.S. Federal Funds Rate

January 1960 to January 2023



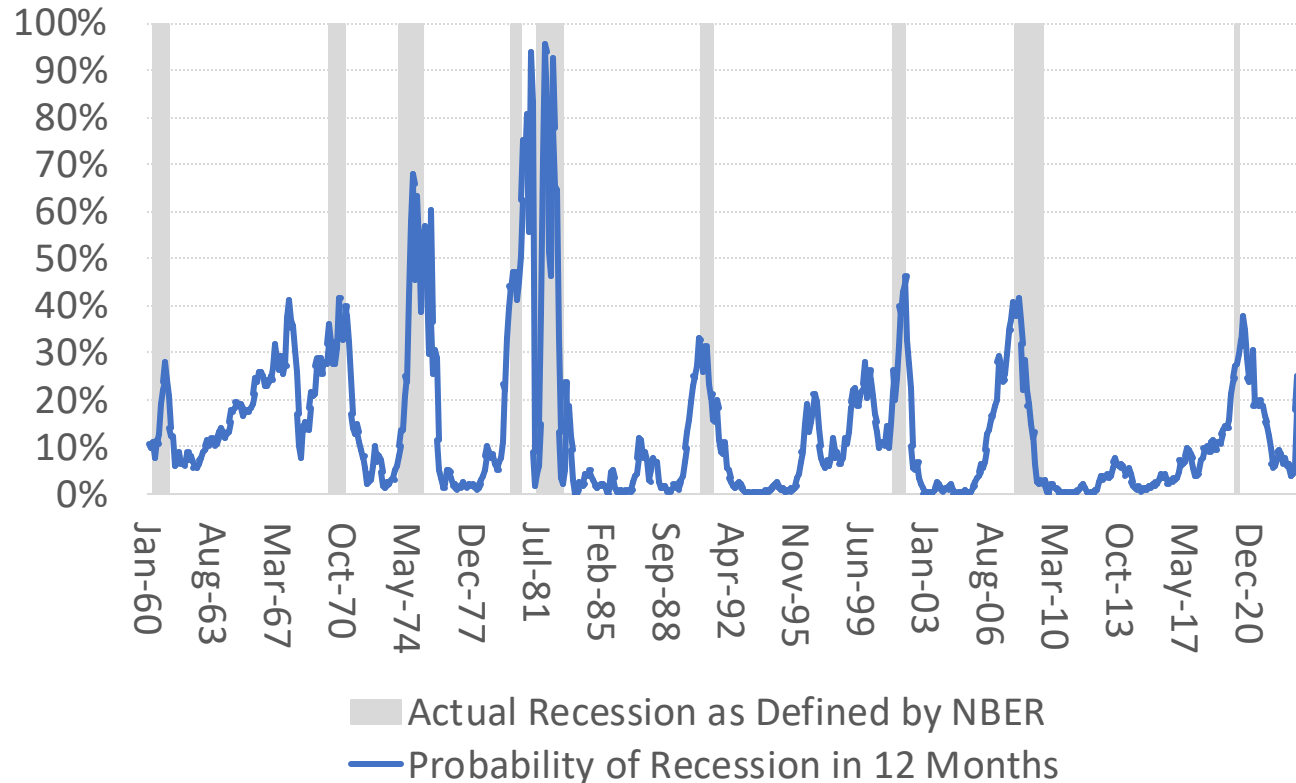
LAEDC Institute for Applied Economics

How the Federal Reserve conducts monetary policy in 2023 to combat inflation will be a significant determinant of U.S. economic performance this year and beyond.

The Federal Reserve rate raised the federal funds rate seven times in 2022, and again in 2023.

By Some Measures, the Probability of a U.S. Recession in 12 Months is Nearly 50-50

Probability of U.S. Recession 12-Months Ahead of Term Spread Readings.



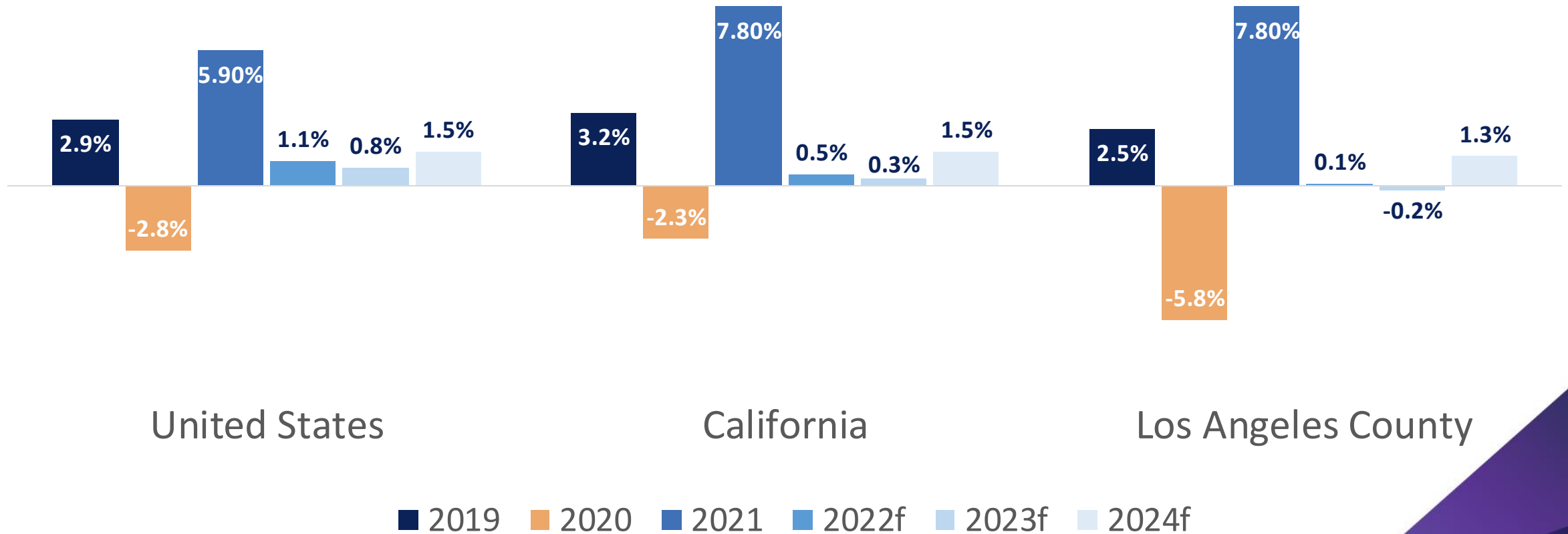
The nation is nearly at the point where having a recession is equally likely as not having one.

Note: The term spread is defined as the difference between 10-year and 3-month Treasury rates.

Economic Overview of California

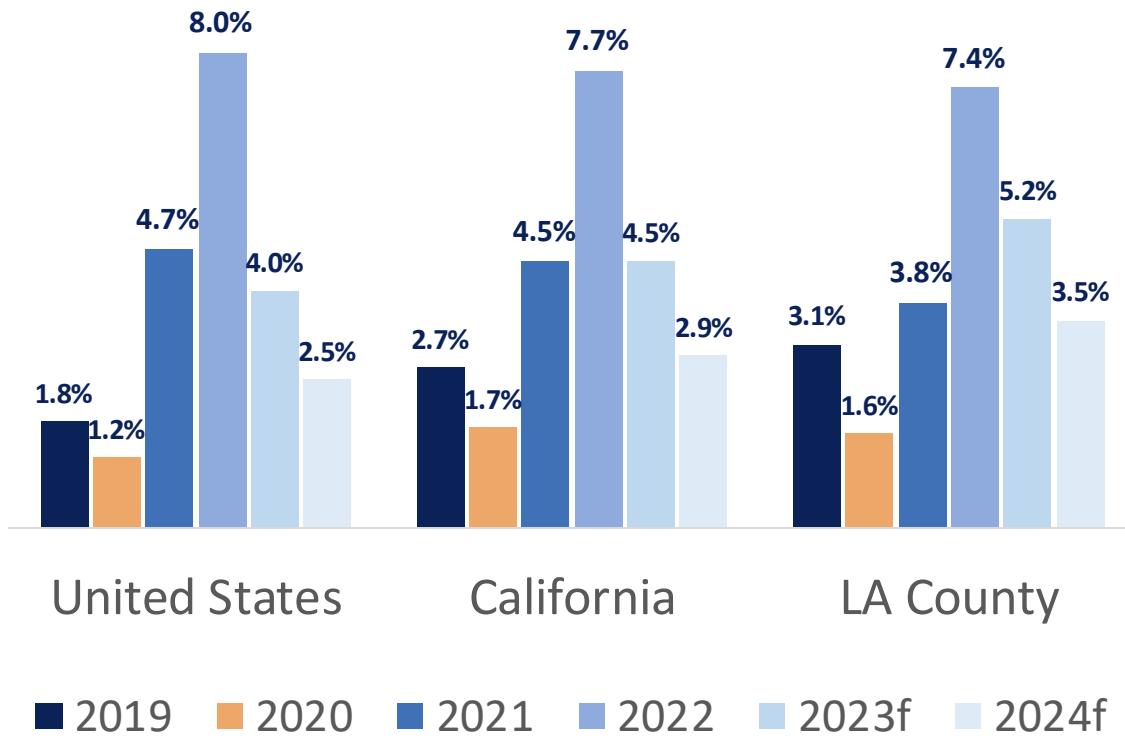
- State policymakers are shifting their focus from overcoming the economic impacts of the pandemic to address the effects of national monetary policy and global supply chain instability on the state
- National monetary policy and global supply chains cannot be influenced at the state level
- California's government can focus on planning for the impact as well as fostering equitable economic development and addressing the housing needs of communities

We Expect a Small Bump in 2024 Real GDP After a Year of Slow or Flat Growth

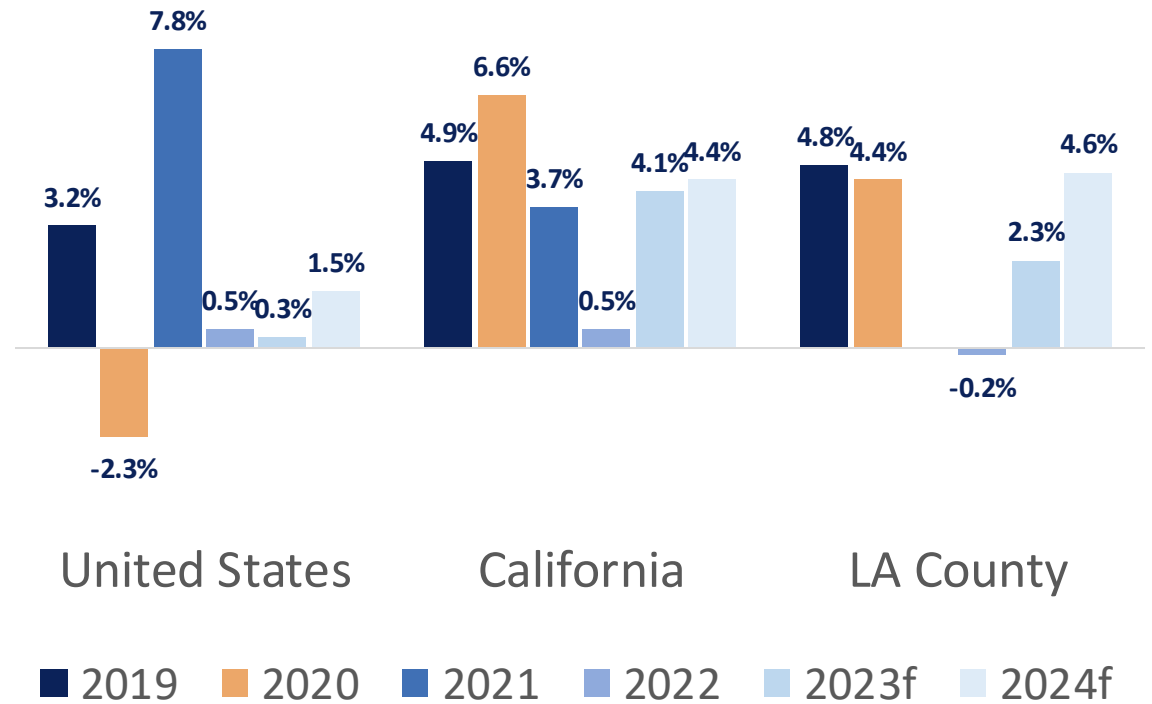


We Expect Inflation to Remain Elevated Through 2024 and Incomes to Lose Ground

Inflation: CPI-U

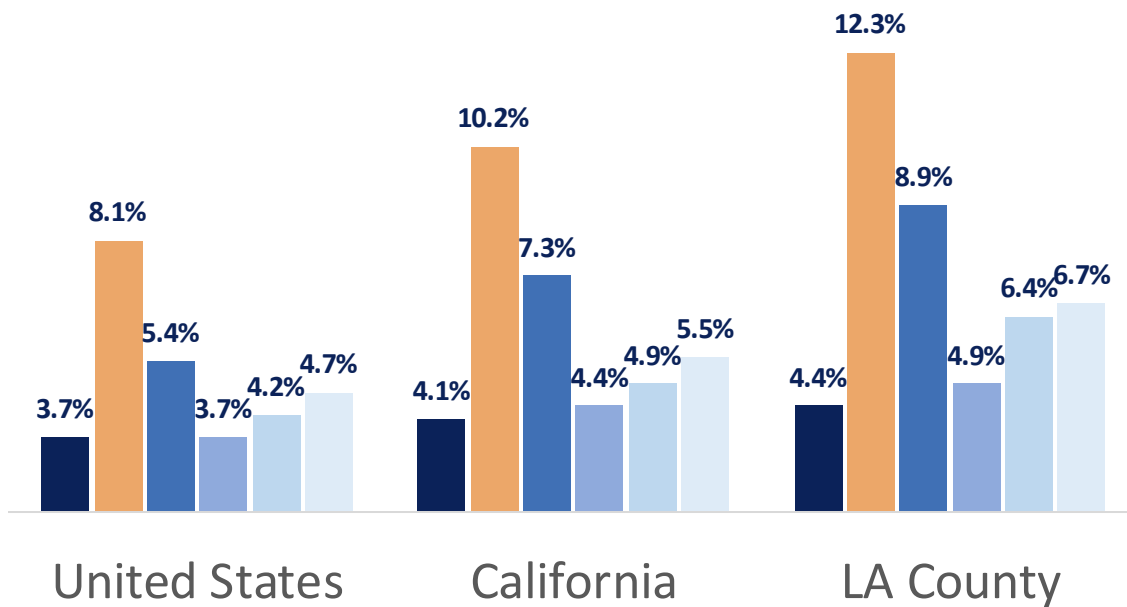


Real Personal Income Growth

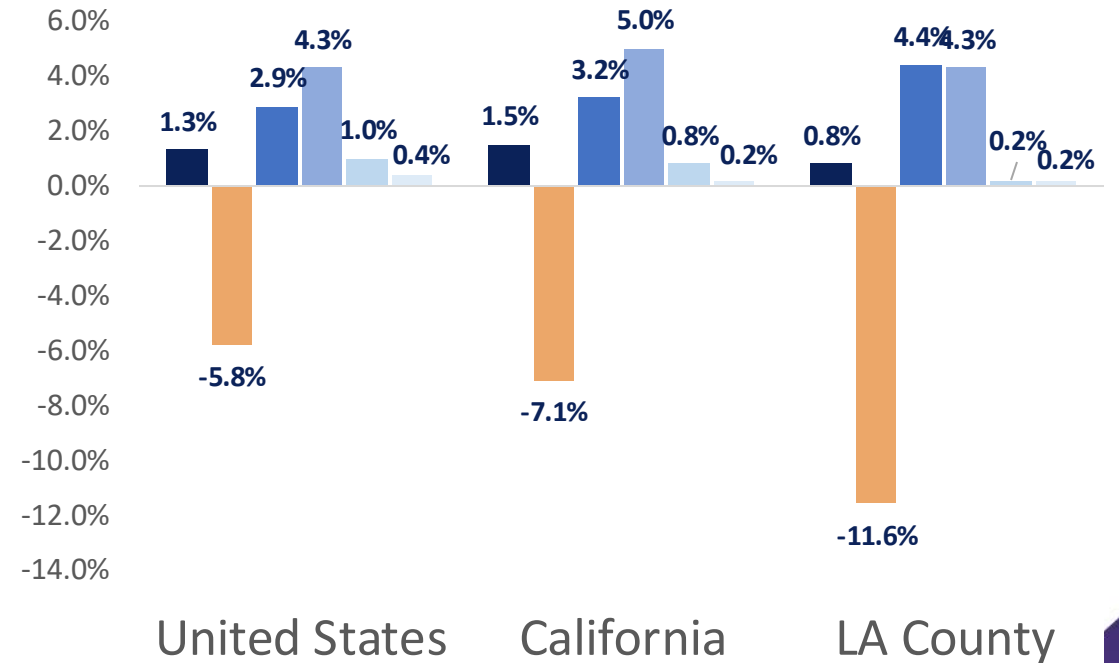


We Expect Unemployment to Inch Higher as the Economy Cools in 2023

Unemployment Rate



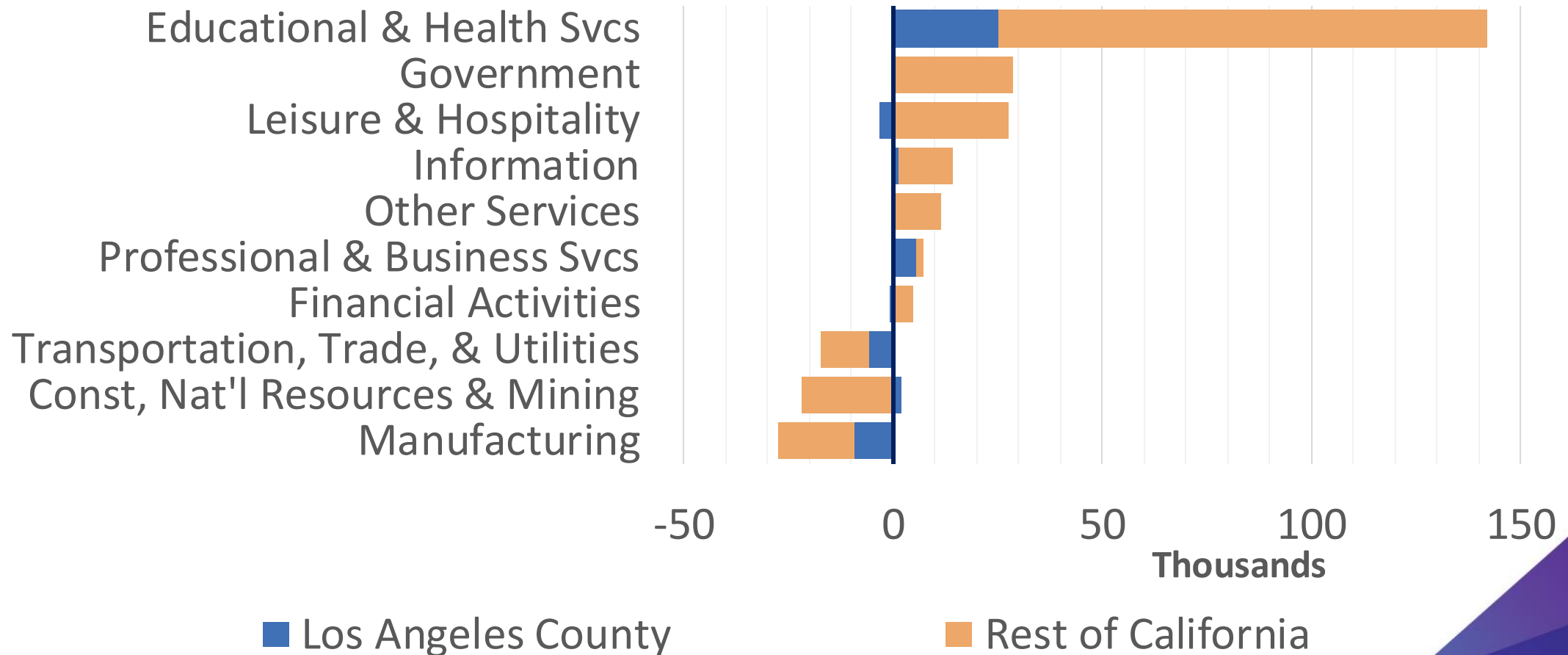
Nonfarm Employment



■ 2019 ■ 2020 ■ 2021 ■ 2022 ■ 2023f ■ 2024f

■ 2019 ■ 2020 ■ 2021 ■ 2022 ■ 2023f ■ 2024f

We Expect Educational and Health Services to Dominate Employment Growth in California Through 2024



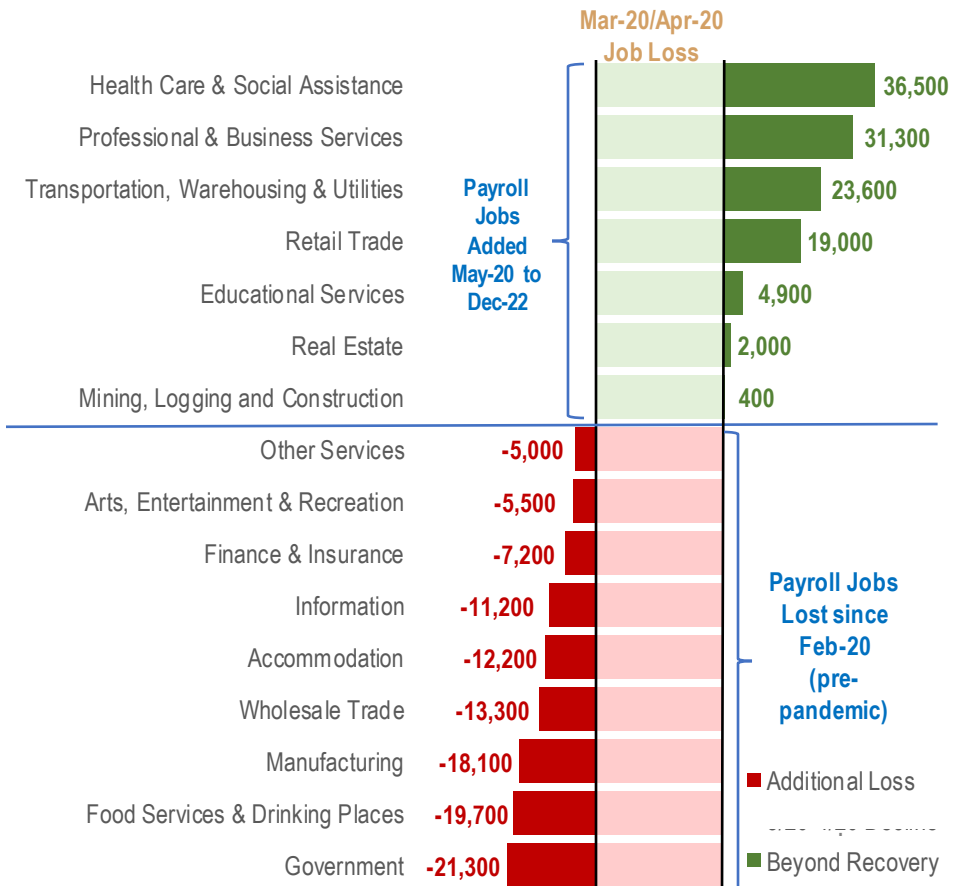
Other Key Findings

Changes spurred by the COVID-19 pandemic:

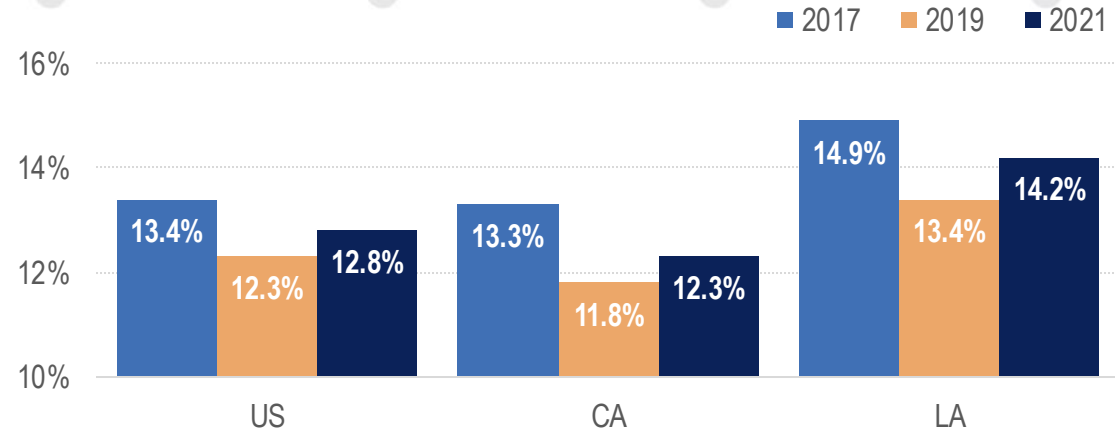
- Shifts in industrial employment distribution
- The changing face of commercial real estate
- Continued vulnerability of small businesses
- Labor force exodus for those with less educational attainment
- Population declines in California, Los Angeles County, and the City of Los Angeles
- Unemployment has become more equally distributed across racial/ethnicity in California

Below the Surface of Recovery in LA County Winners and Losers are Becoming More Clear.

The Change in Payroll Jobs by Industry, Feb-20 to Dec-22

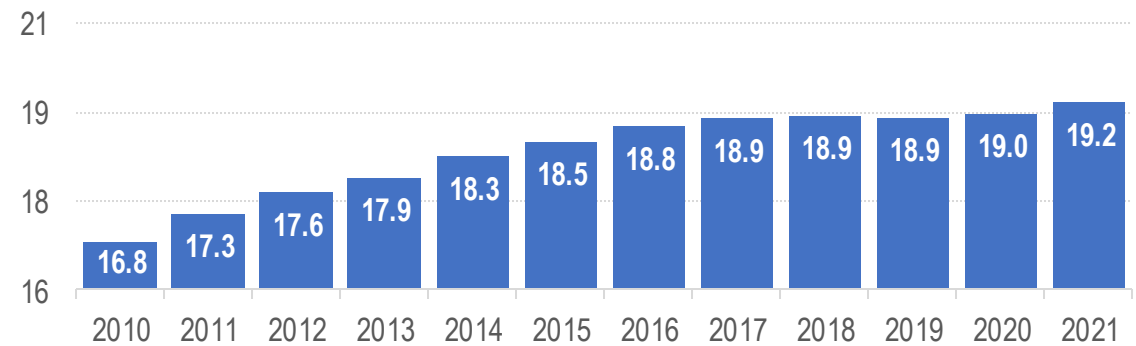


Poverty in the United States, California, and Los Angeles County



Income Inequality Index

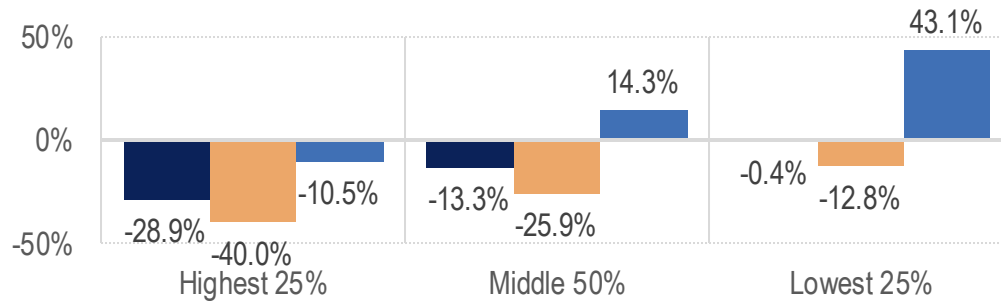
Los Angeles County



Commercial Real Estate in Los Angeles is Grappling with Fewer Companies and Workers

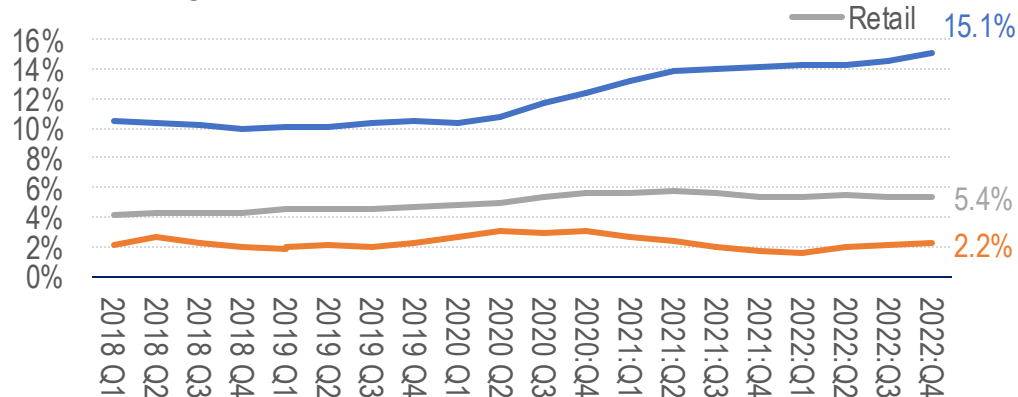
Change in Primary Daytime Visits by Density Quartile

% change from January 2020 visits (2020=100)



Vacancy Rates in Los Angeles County

Q1:2018 through Q4:2022



Source: NAI Capital

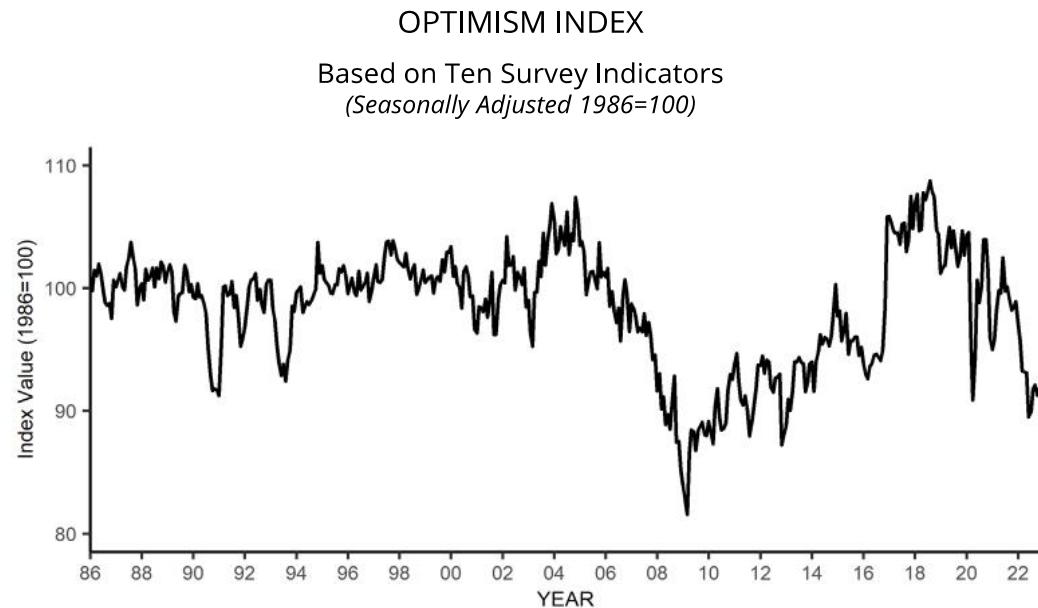
The drop in primary daytime occupancy was starkest among the areas once filled with workers, such as central business districts. These changes have implications for real estate demand, prices, and future supply.

Vacancy Rates in Los Angeles County by Location and Class Type

	Class A	Class B	Class C
Central Business District	20.6%	26.4%	44.2%
Urban Areas	25.3%	18.9%	-
Suburban Areas	21.4%	17.7%	-

Source: Jones Lang Lasalle

Inflation and the Threat of a Recession in 2023 are Creating Headwinds that will Threaten Further Economic Gains for Small Businesses.



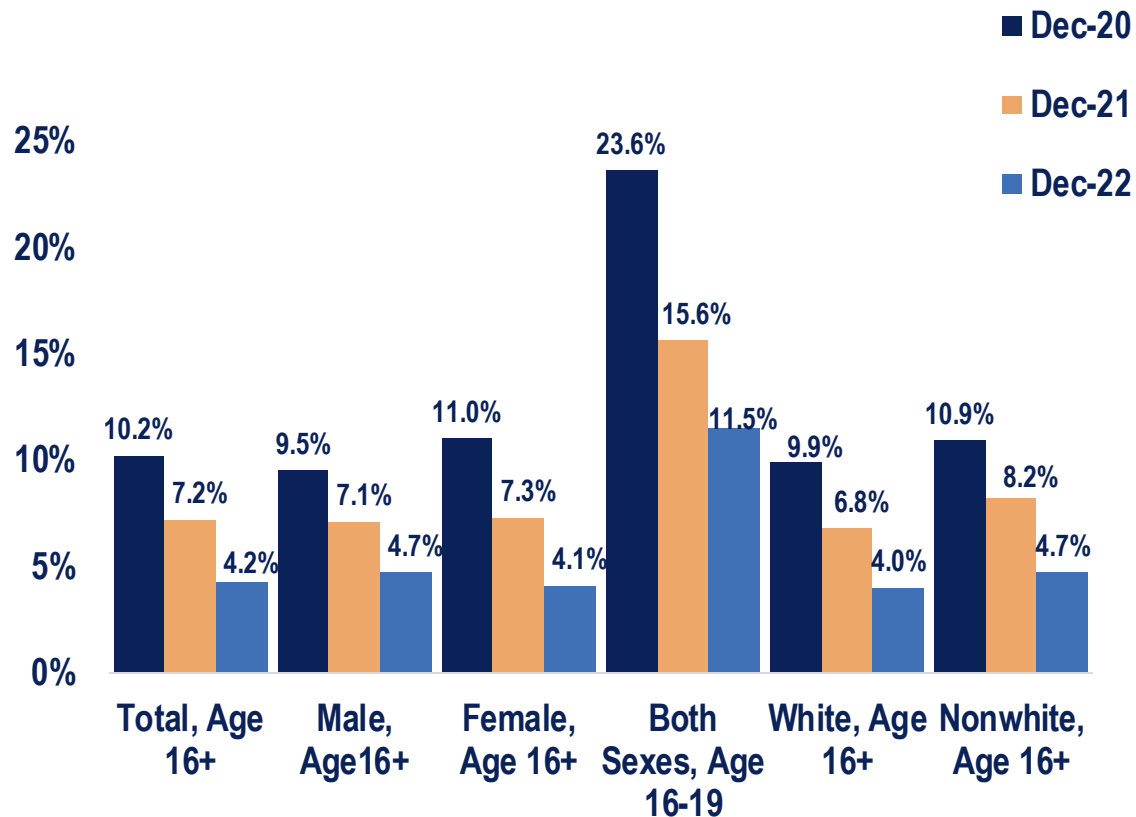
Net Percent Change by Firm Size

Employment Size	Establishment	Employment
1-4	5.2	13.5
5-9	1.1	0.2
10-19	0.3	-3.8
20-49	0.1	-6.9
50-99	0.1	-7.8
100-499	-0.1	-7.6
500+	-0.9	-4.8
All	2.2	-4.4

Note: Color formatting scaled to maximum absolute value in the table (-13.5 is orange and 13.5 is blue). Source: BED.

Over the Last Three Years, Unemployment Has Become More Equally Distributed in California

Unemployment Rate by Demographic Group
California



Unemployment rates ranged from 9.5% to 23.6% across the different demographic groups in December of 2020 (a 14.1 percentage point spread). In December of 2022, rates ranged from 4.0% to 4.7% (a 0.7 percentage point spread).

Looking Ahead: Planned Federal and State Investment Provide Optimism

- California will receive infrastructure investments from the Bipartisan Infrastructure Deal
 - It is estimated that over five years, California will receive \$41.9 billion in formula funding alone
- Across all American Rescue Plan programs, California was awarded nearly \$195 million
- California has a series of large-scale investment programs funding projects statewide including:
 - The Road Repair and Accountability Act of 2017 (SB-1) and the Community Economic Resilience Fund (CERF) program



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Dr. Darrick Hamilton

**Henry Cohen Professor of Economics and
Urban Policy, The New School**

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Keynote Address

Q & A



Breakout Sessions

9:45 AM – 10:45 AM

Transition of Key Industries - Main Ballroom
Small Business Recovery - The Los Angeles Theater
Commercial Real Estate - The Palace

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Melissa Kham

VP Strategic Relations, LAEDC



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Breakout Session:
Transition of Key Industries



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Infrastructure Resiliency

Closing Plenary

LAEDC



Mayor Antonio Villaraigosa
Infrastructure Advisor
State of California



Stephen Cheung
President & CEO
LAEDC



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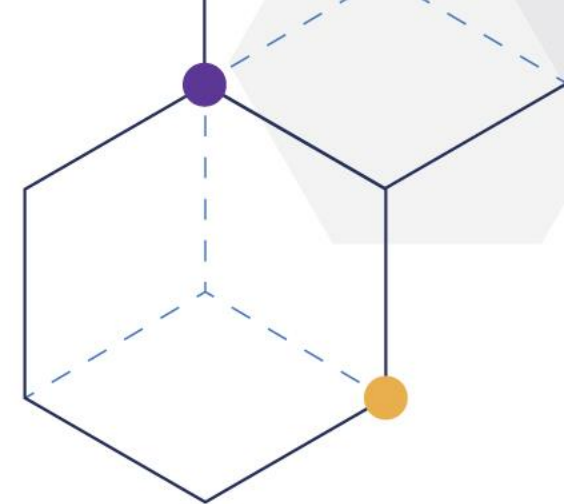
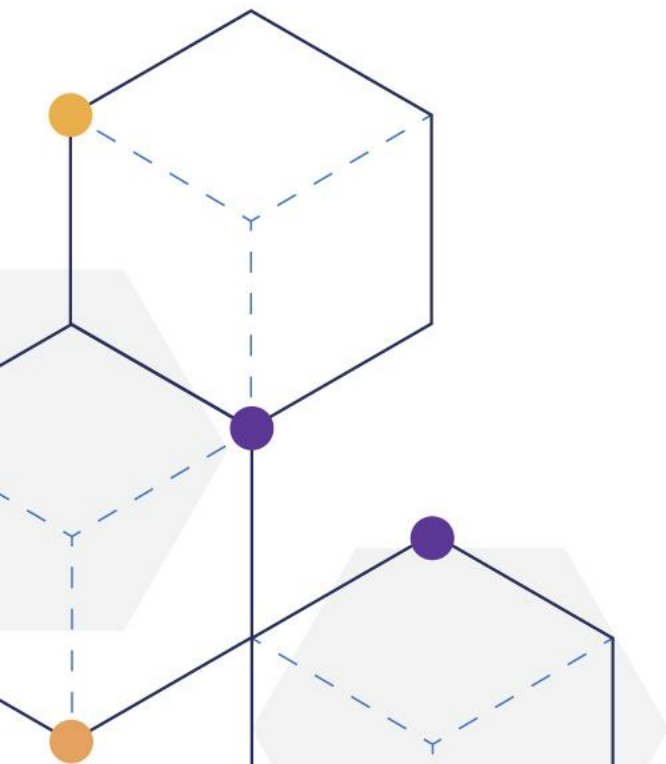
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Q & A

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Upcoming Events!

Future Forum: A Just Transition to a Green Economy

Thursday, March 23rd – 3:00 – 5:30 PM

Los Angeles Public Library

Select LA Investment Summit

Thursday, April 27th - 8:00 AM – 3:30 PM

Hilton Pasadena

88 Cities Summit

Tuesday, May 23rd - 9:00AM – 3:00 PM

Hotel Indigo DTLA



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