

2024 ECONOMIC FORECAST



FEBRUARY 27, 2024 | 8:30 AM – 12:00 PM

INTERCONTINENTAL LOS ANGELES DOWNTOWN



Melissa Kham

Vice President,
Strategic Relations
LAEDC



2024 ECONOMIC FORECAST





Conan Nolan
Political Reporter,
KNBC-TV in LA



Follow us
on social
[@laedc](#)

2024 ECONOMIC FORECAST





Halé Behzadi
North America Head,
Citi Private Bank





OUR MISSION

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

2024 ECONOMIC FORECAST





Stephen Cheung

President & CEO,
LAEDC & WTCLA

Gold Sponsor



SOUTHERN CALIFORNIA
EDISON[®]

Energy for What's Ahead[®]

Silver Sponsors



Bronze Sponsors



2024 ECONOMIC FORECAST





Conan Nolan
Political Reporter,
KNBC-TV in LA



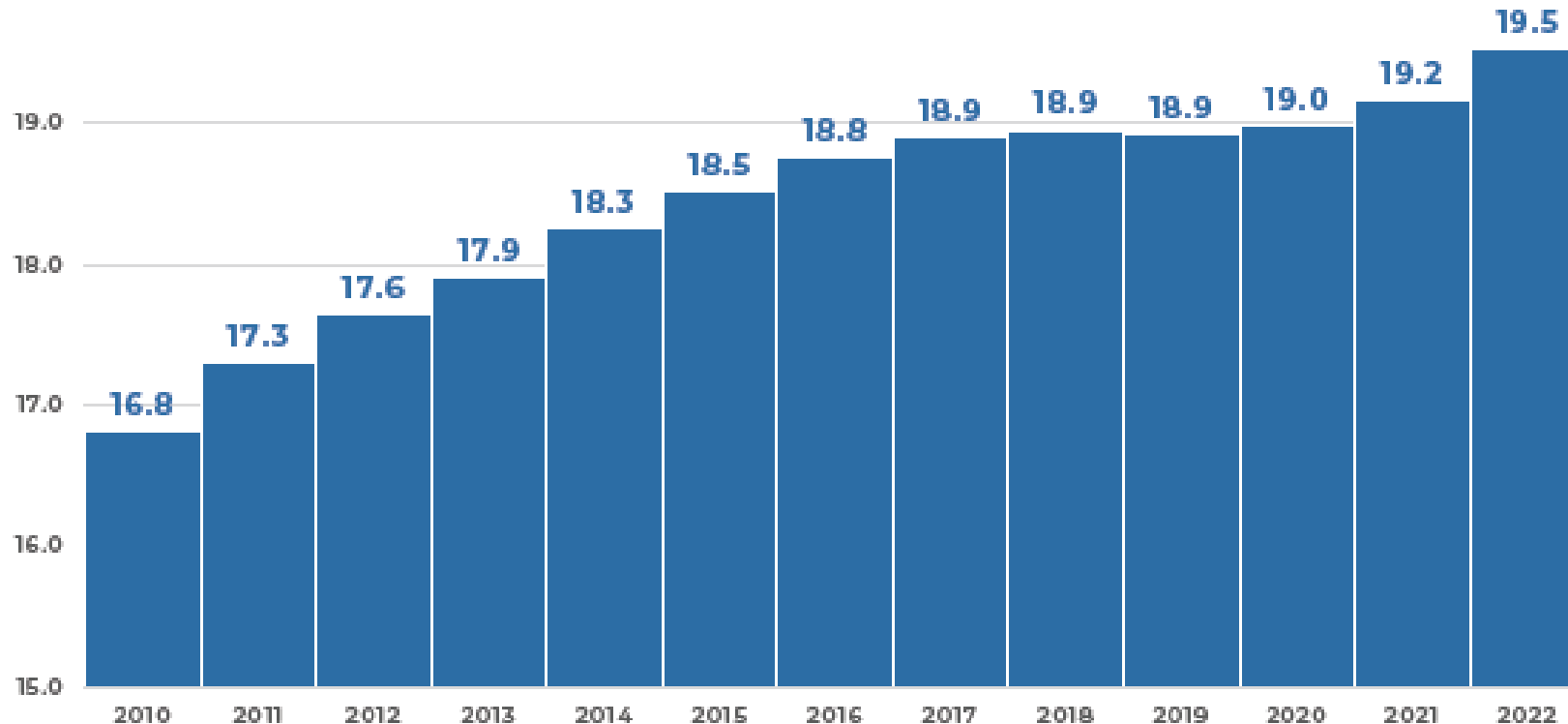
Shannon Sedgwick
Senior Director,
Institute for Applied Economics
LAEDC



Los Angeles County today finds that the past is prologue...

The large, systemic challenges the region faced prior to 2020 are reemerging to take center stage.

Income Inequality in LA County



Income inequality* continued to widen in Los Angeles County after seeing some positive progress prior to the pandemic.

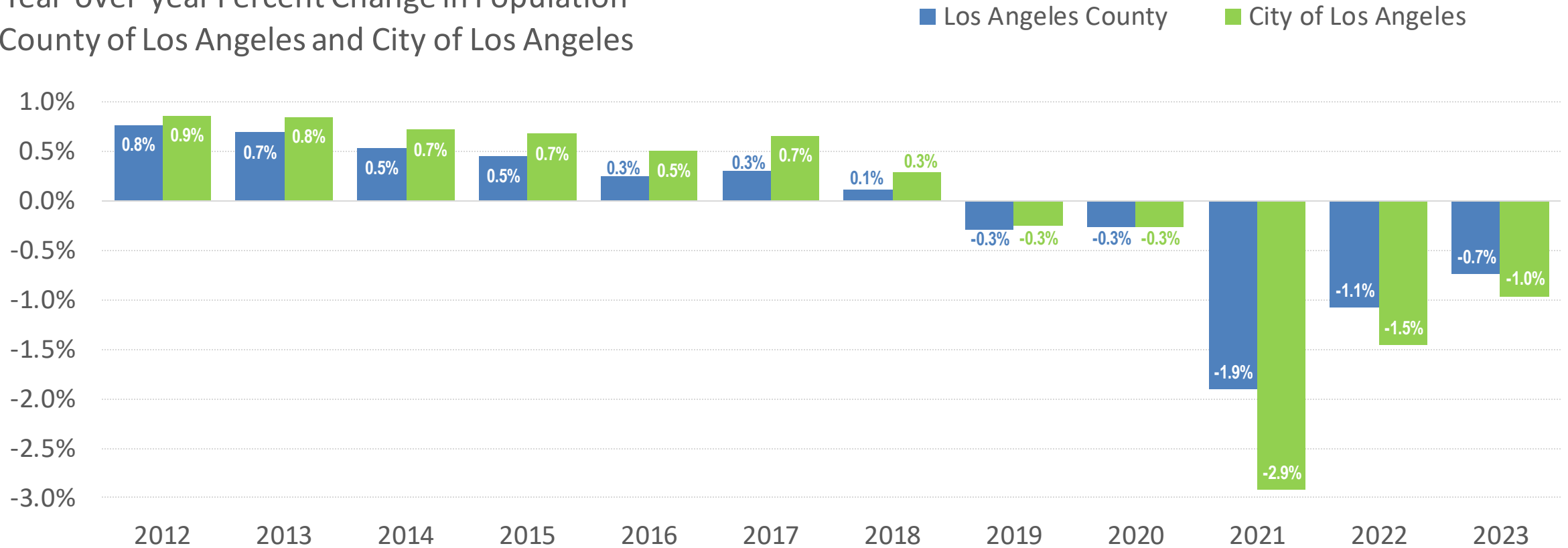
*Measured by the ratio of the mean income for the top 20 percent of earners over the mean income for the bottom 20 percent of earners

Three Primary Challenges

- Regional Population Decline
- Housing Affordability
- Cost of Doing Business

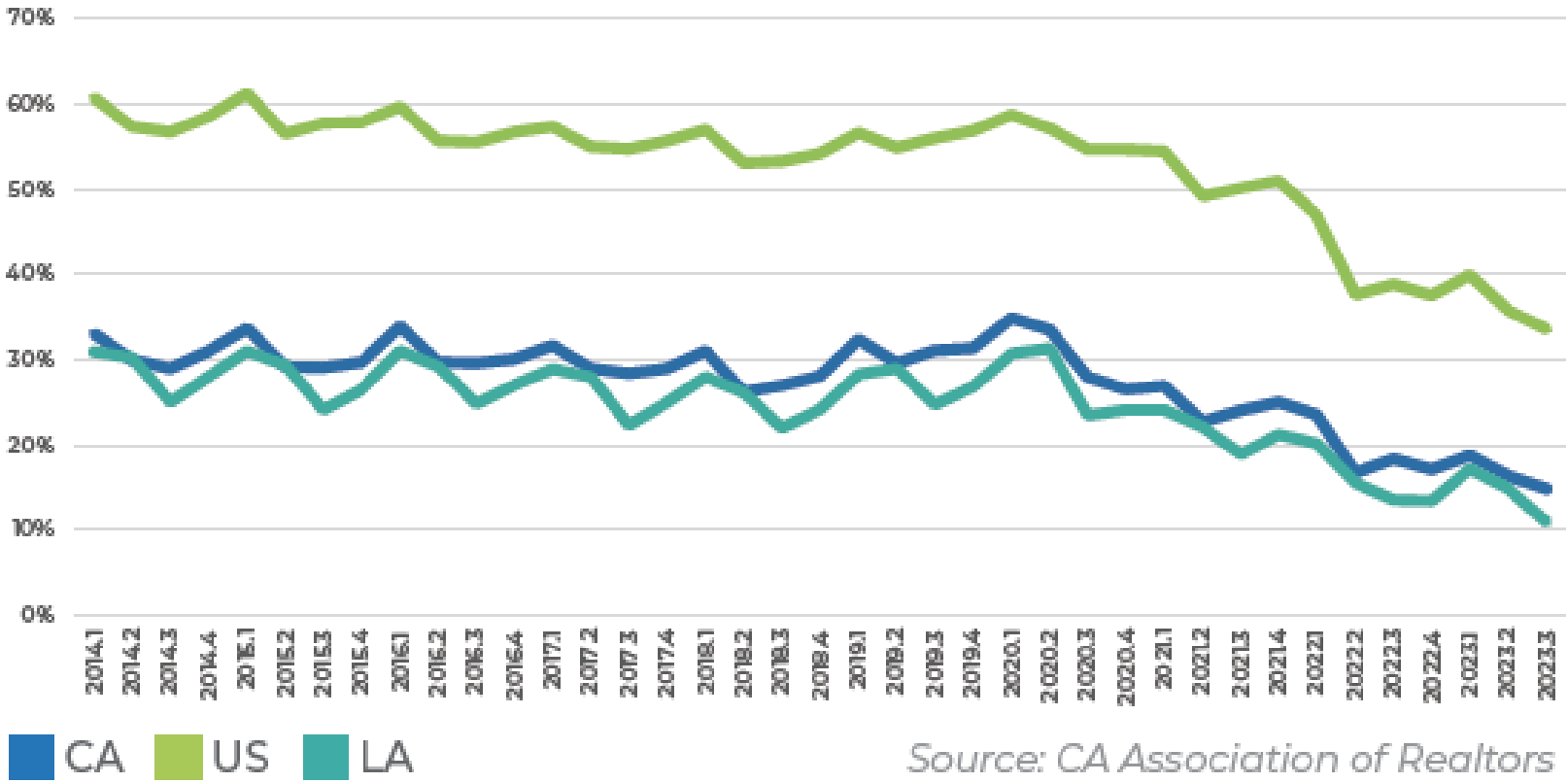
Regional Population Decline

Year-over-year Percent Change in Population
County of Los Angeles and City of Los Angeles



Source: CA Dept of Finance, Demographic Unit

Housing Affordability by Quarter

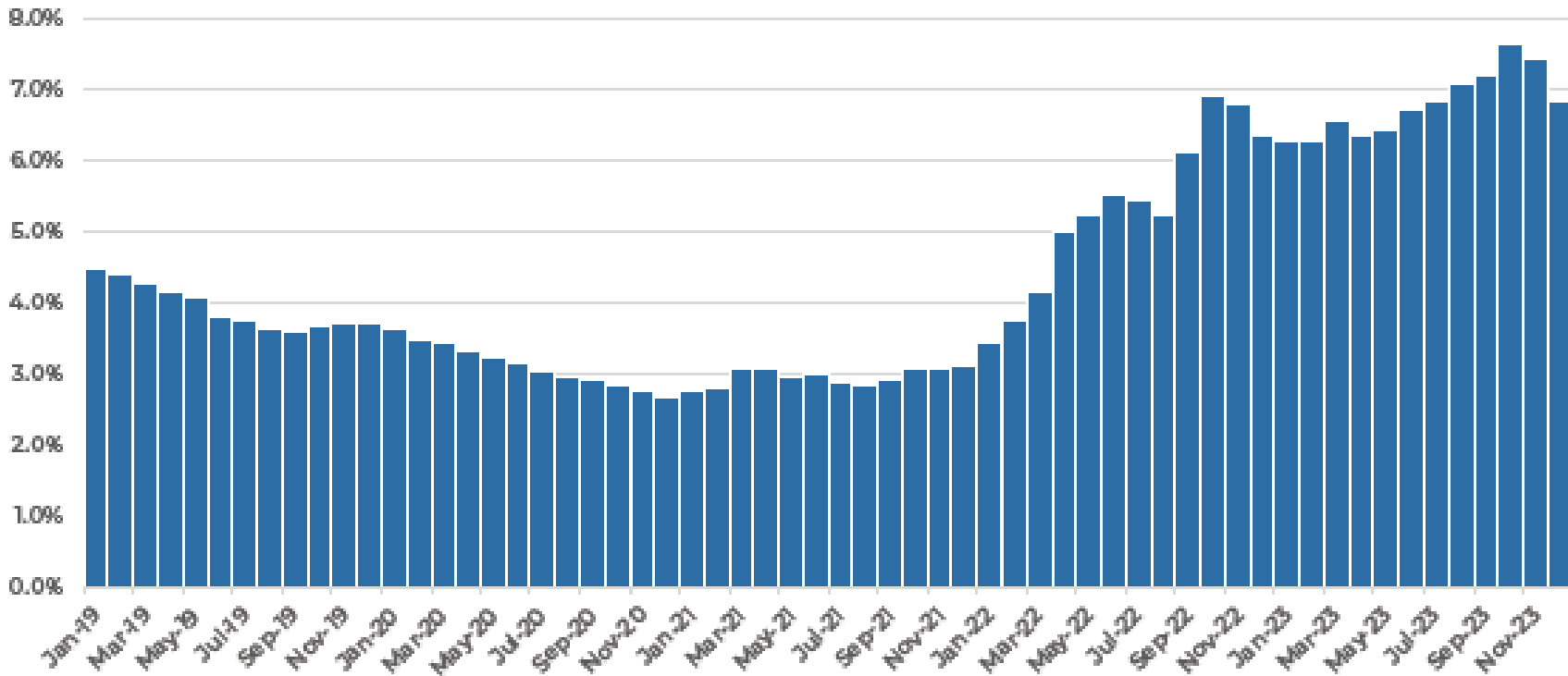


As of Q3 2023, only 11 percent of households in LA County can afford to purchase a median priced, single-family home.

This is down from 31 percent just 10 years earlier.

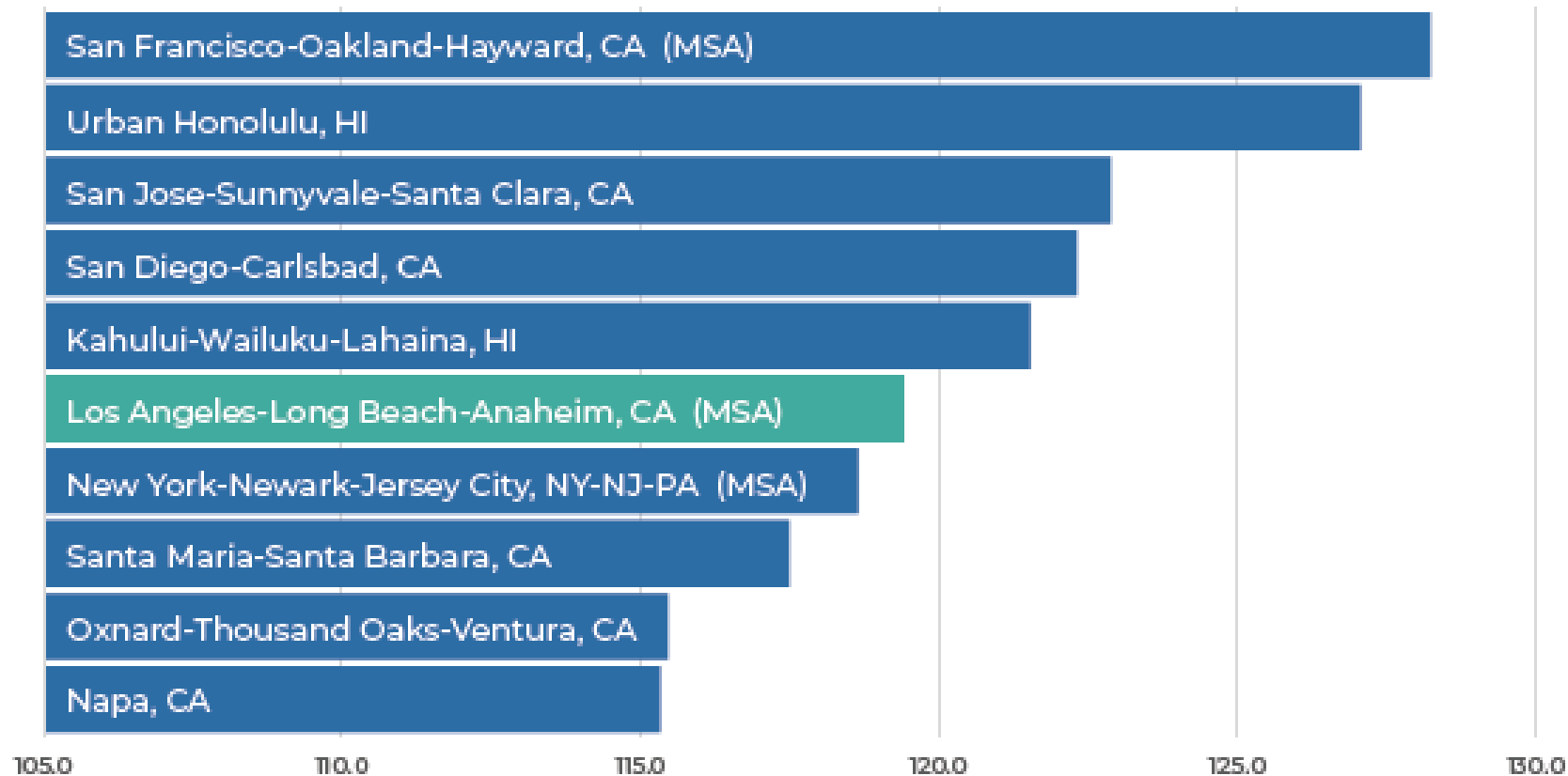
Source: CA Association of Realtors

U.S. 30-Year Average Fixed Rate Mortgage



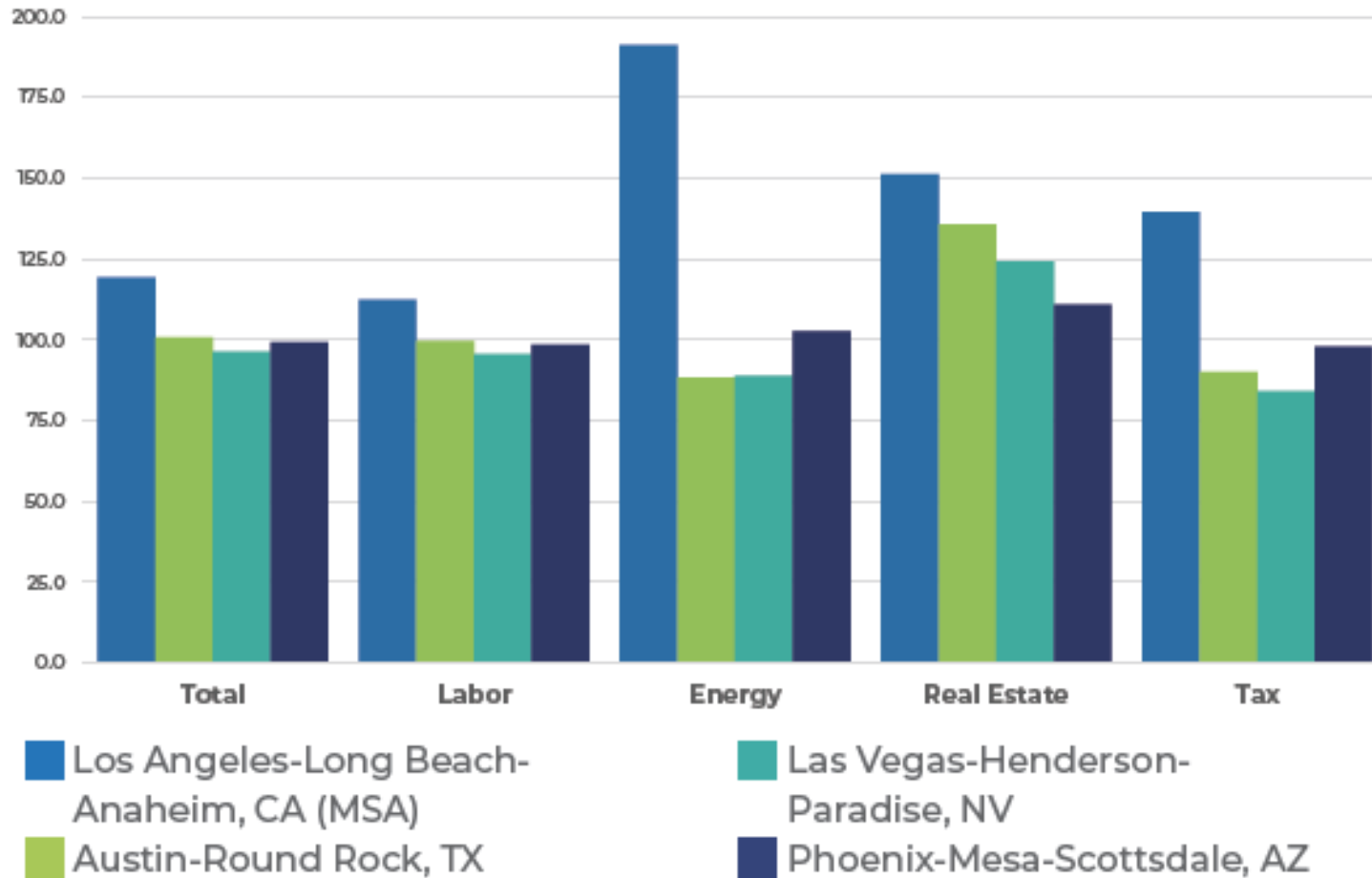
Nationally, a 30-year fixed mortgage rose from a monthly average of 2.7 percent in December 2020 to 7.6 percent by October 2023

Ten Most Expensive Metros for Business



Los Angeles's business costs are **almost 20 percent higher** than the national average.

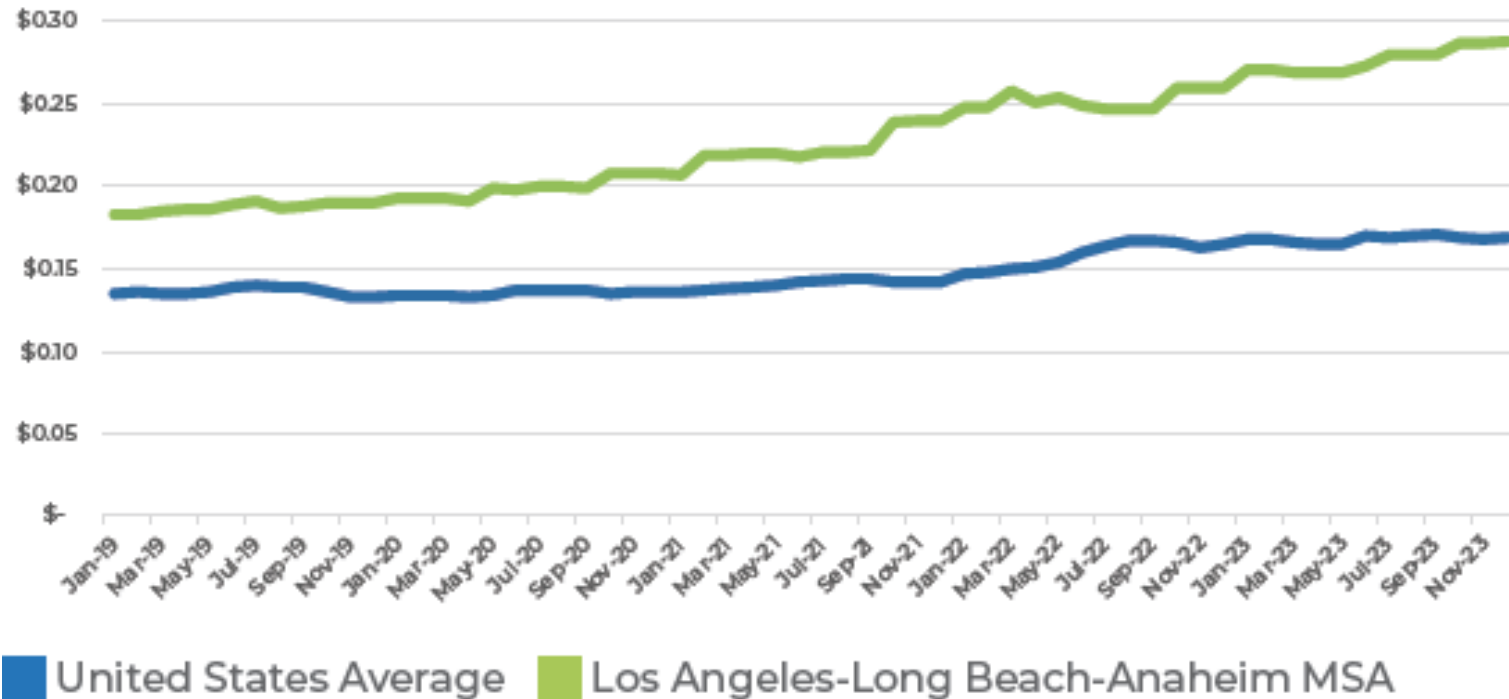
2023 Business Cost Index for Selected Regions



For the Los Angeles area:

- *Labor costs are 13 percent higher than the national average;*
- *Energy costs are 91 percent higher;*
- *Real estate costs are 51 percent higher; and*
- *Taxes are 40 percent higher*

Average Price of Electricity per Kilowatt Hour

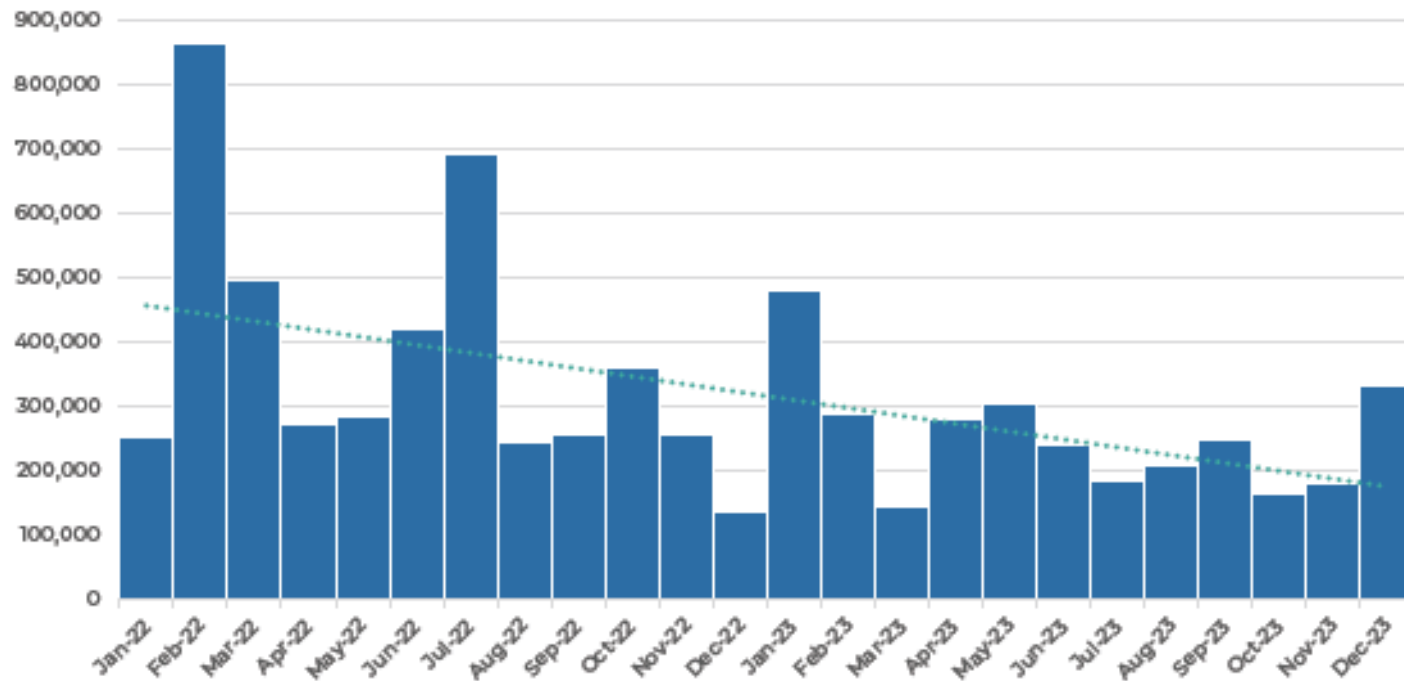


By the end of 2023, electricity costs in the Los Angeles area were **70 percent higher** than national averages.

The U.S. Economy

Increases in CPI, Jan 2020 to Dec 2023

Monthly Change in Total Nonfarm Payroll

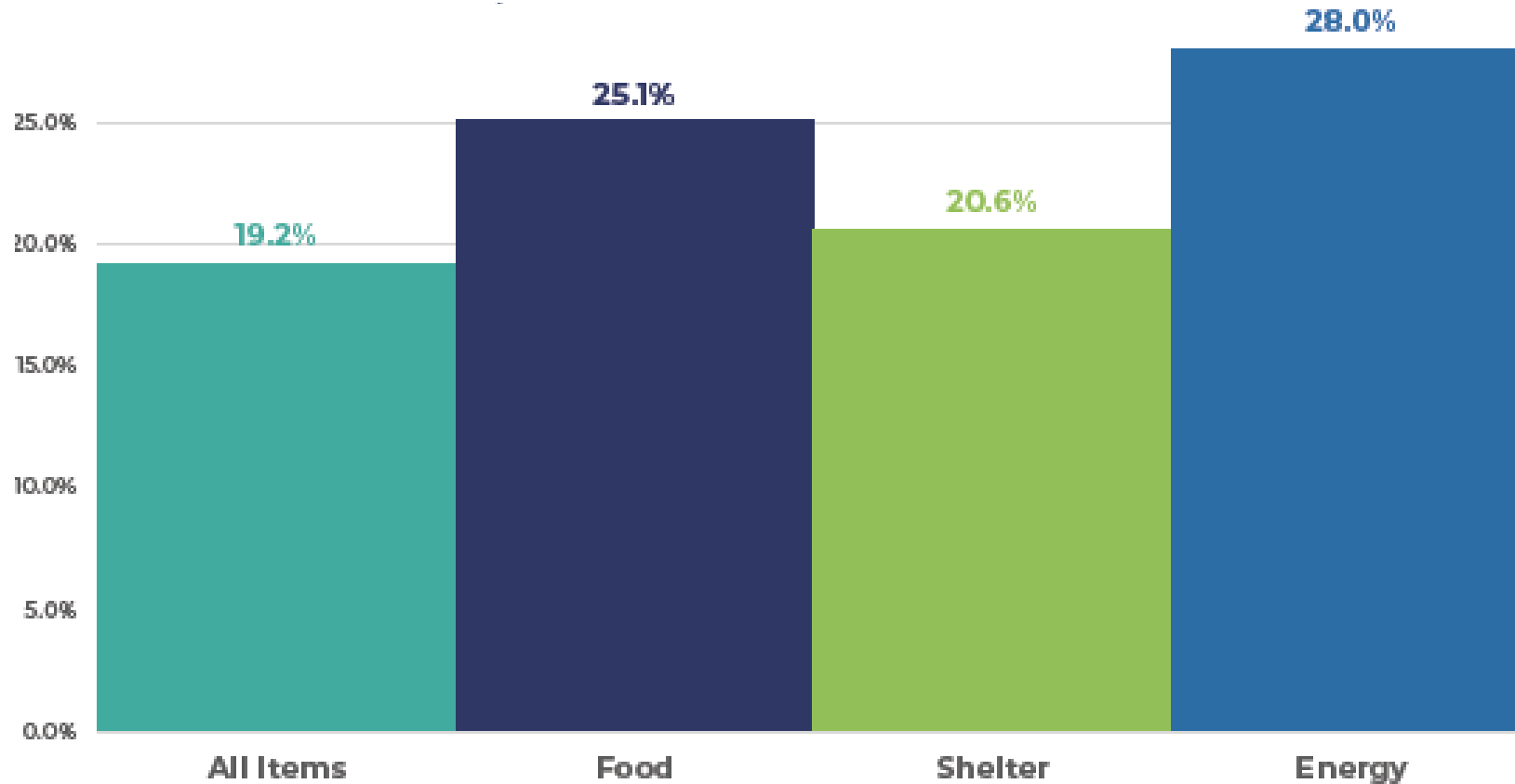


Source: U.S. Bureau of Labor Statistics

High-interest rates have impacted the economy, the monthly change in seasonally adjusted nonfarm payroll employees has declined since early 2022, when the Federal Reserve began its rate hikes.

If present trends continue, far fewer jobs will be added monthly over the next two years.

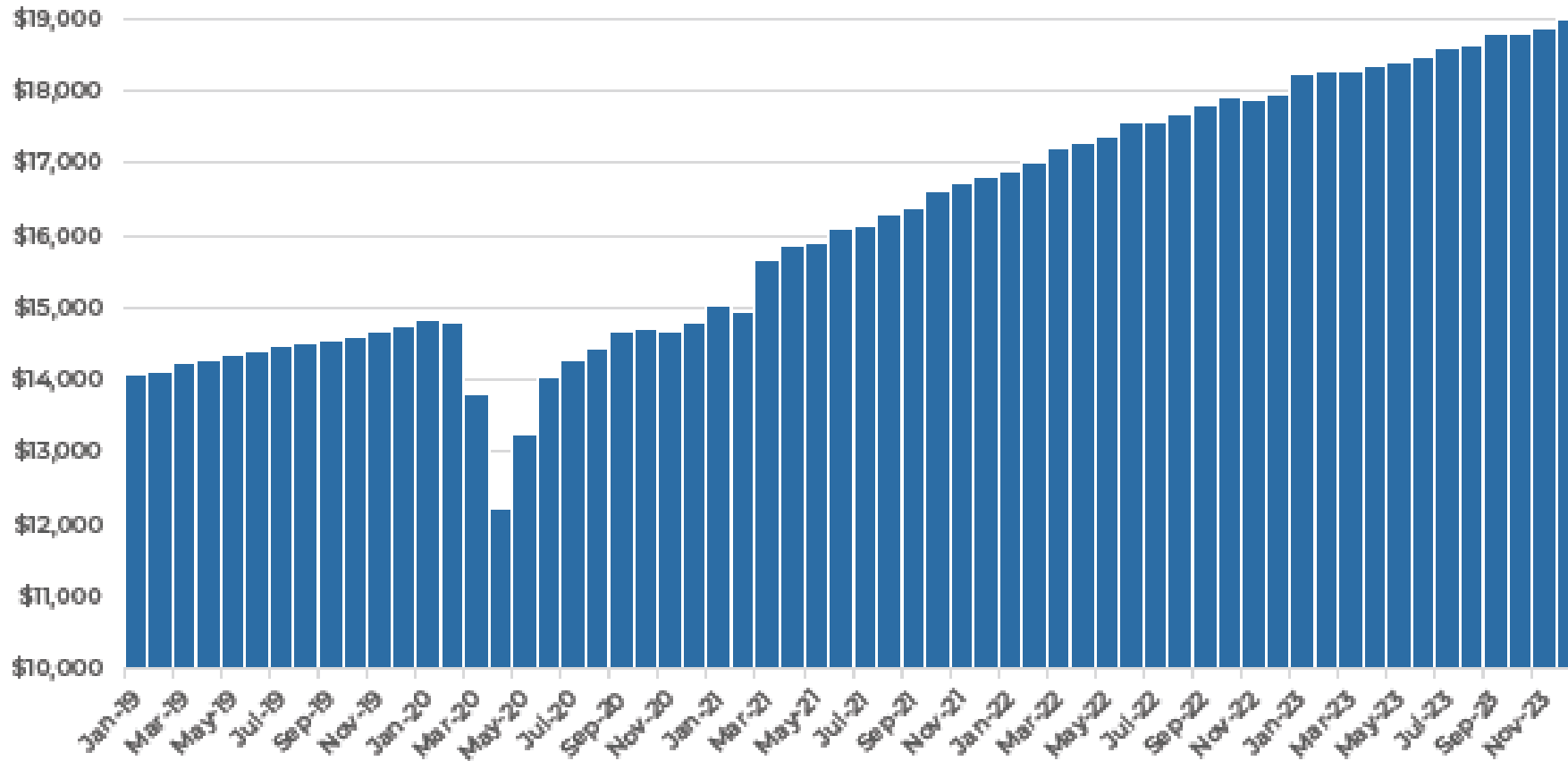
Increases in CPI, Jan 2020 to Dec 2023



Compared to pre-pandemic levels, all goods and services are now more than 19 percent higher

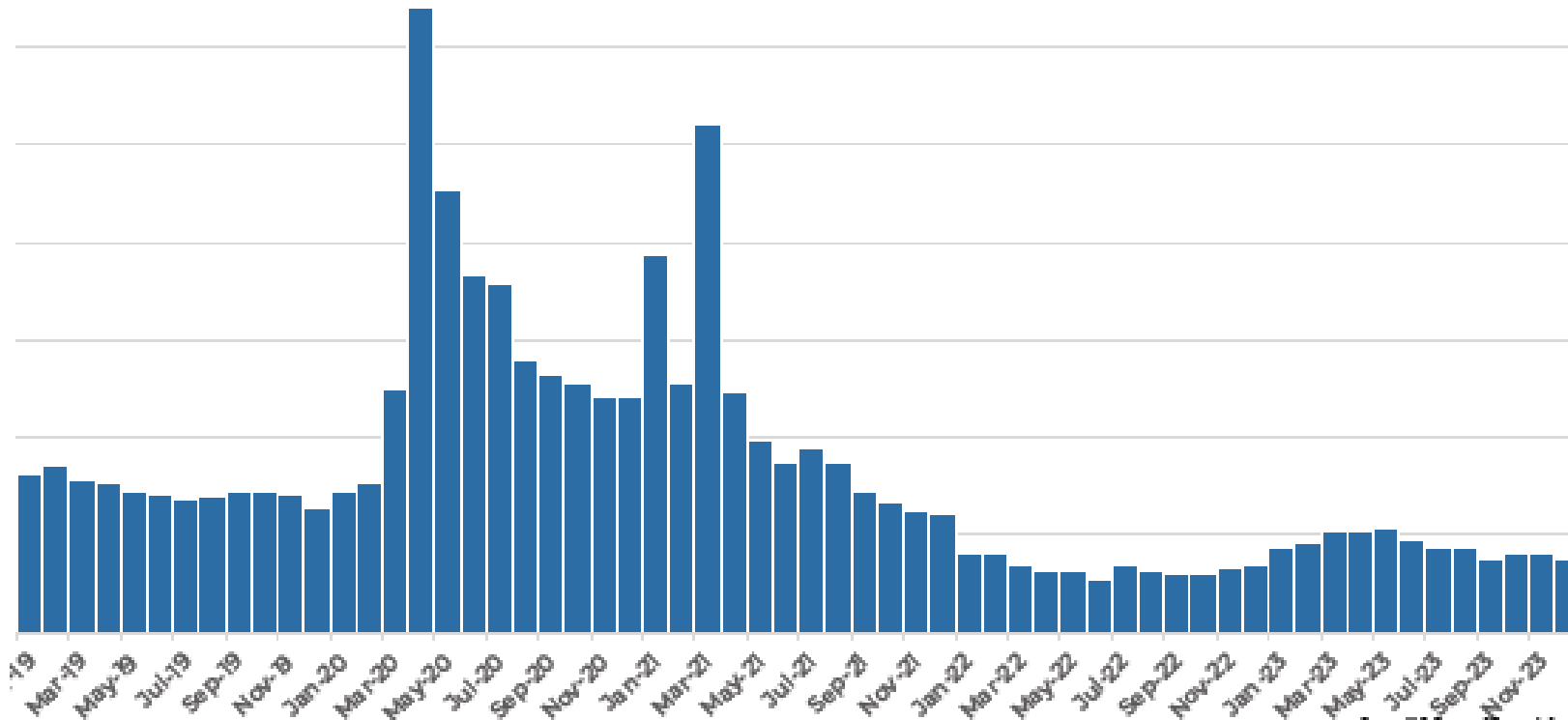
Personal Consumption Expenditures

(in Billions)



Strong consumer spending has been a major factor behind the robust economic performance of late, but the current pace of consumer spending is likely to diminish over the next few years

Personal Saving Rate



The limits of consumer spending are also suggested by a drop in the personal saving rate and an increase in credit card balances.

Consumers now appear to be more financially stretched than just a few years ago.

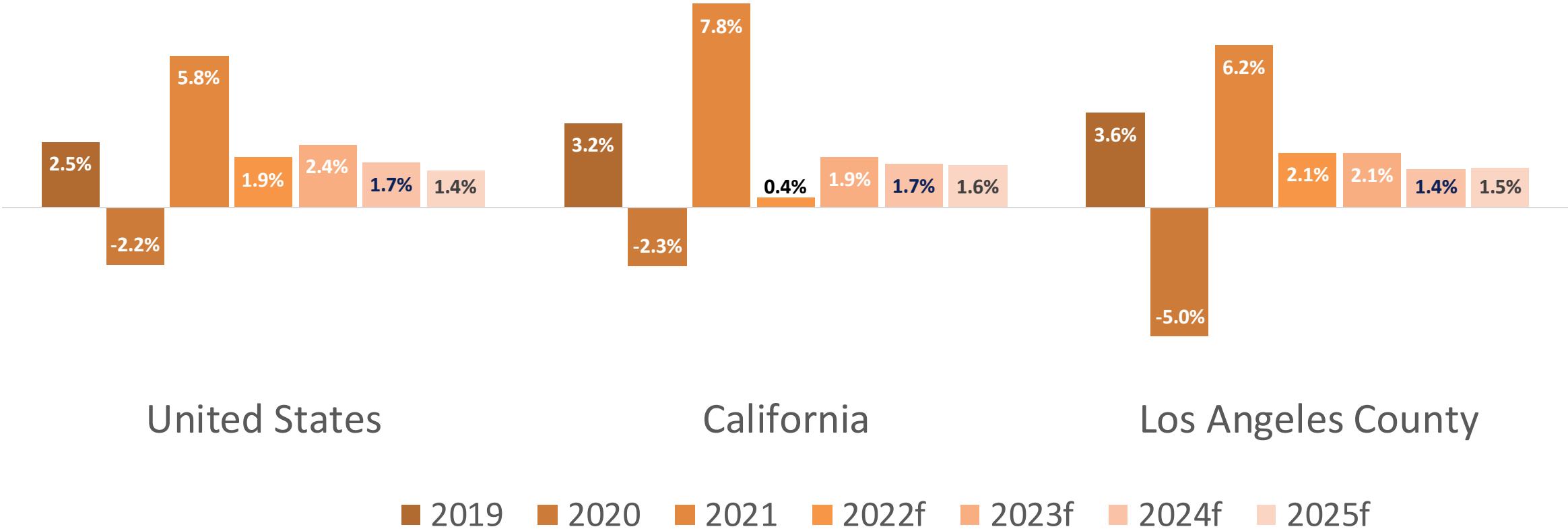
Soft Landing vs. Recession

- Taken together, the signs point to a slowing national economy in 2024 and 2025.
- Can we say for certain that the Federal Reserve has successfully engineered a “soft landing” of the economy such that we slow growth while avoiding a recession?
- While we are not expecting a recession in the next two years, at this moment, we cannot rule it out.

Economic Overview of California

We are Entering a Period of Slow Growth

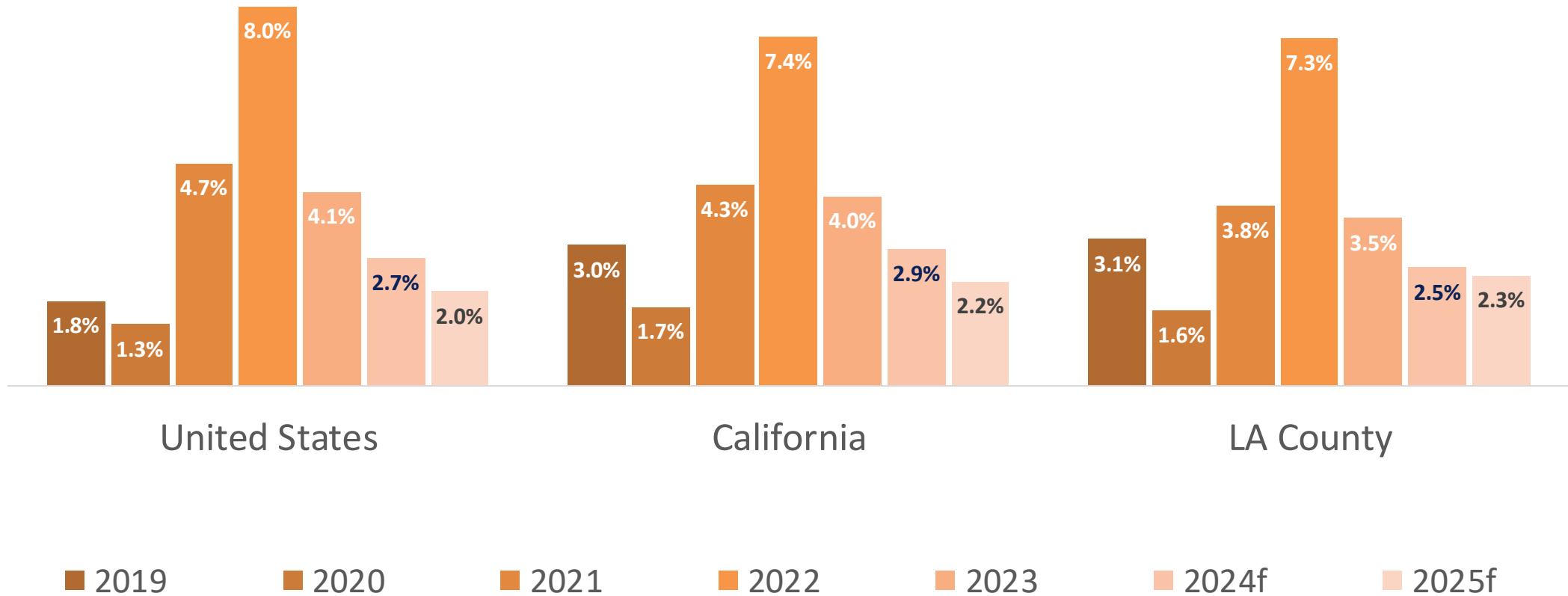
Real GDP Growth



Source: BEA; forecast by LAEDC

Inflation to Move Closer to the Fed's Target

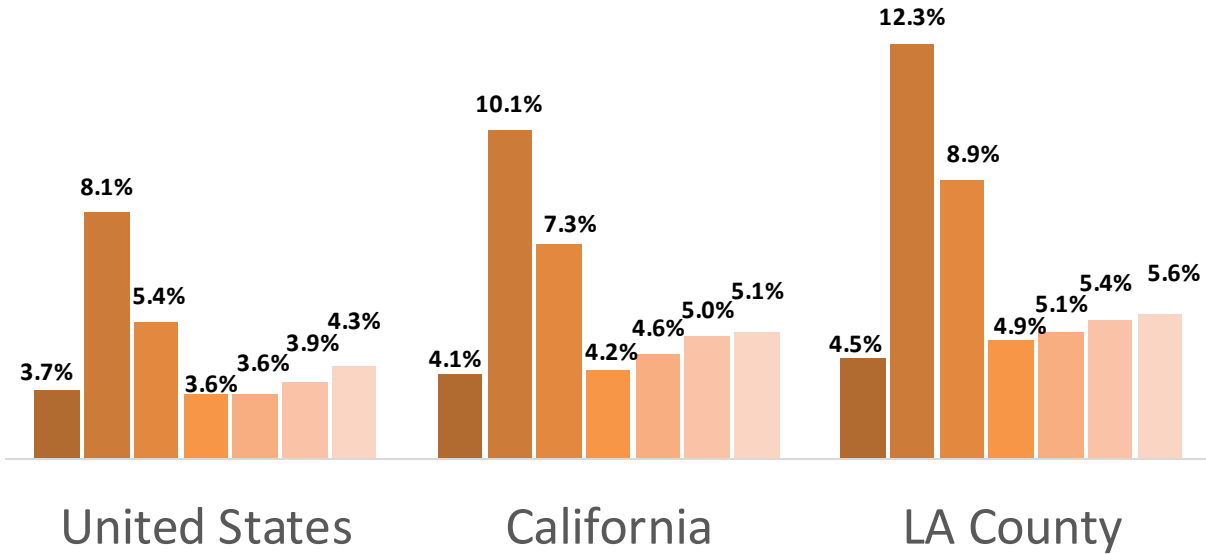
Inflation: CPI-U



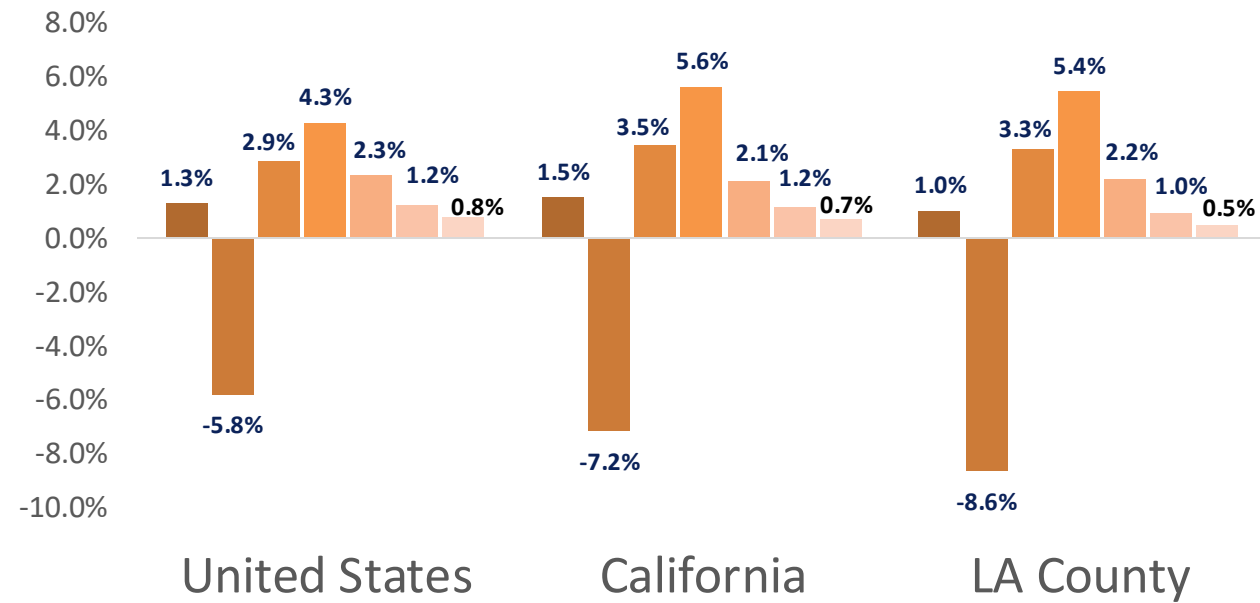
Source: BLS; forecast by LAEDC

Unemployment to Inch Higher as the Economy Continues to Cool

Unemployment Rate



Nonfarm Employment



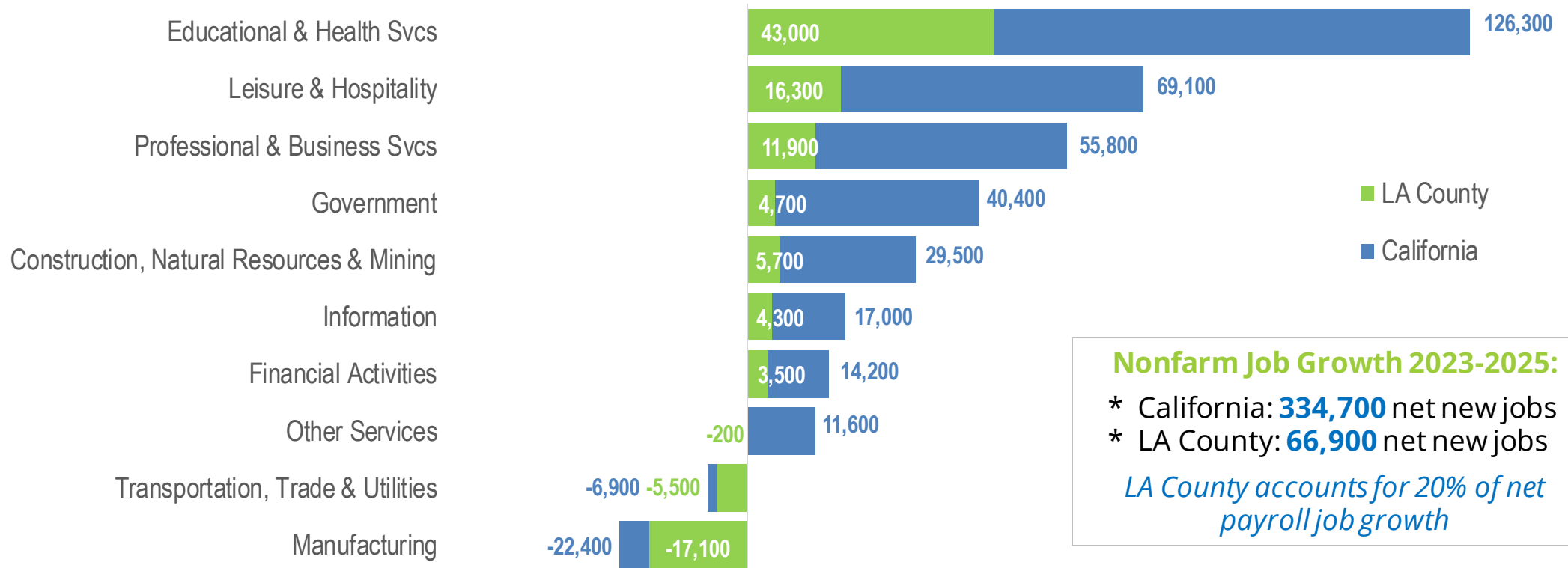
■ 2019 ■ 2020 ■ 2021 ■ 2022 ■ 2023 ■ 2024f ■ 2025f

■ 2019 ■ 2020 ■ 2021 ■ 2022 ■ 2023 ■ 2024f ■ 2025f

Source: BLS; forecast by LAEDC

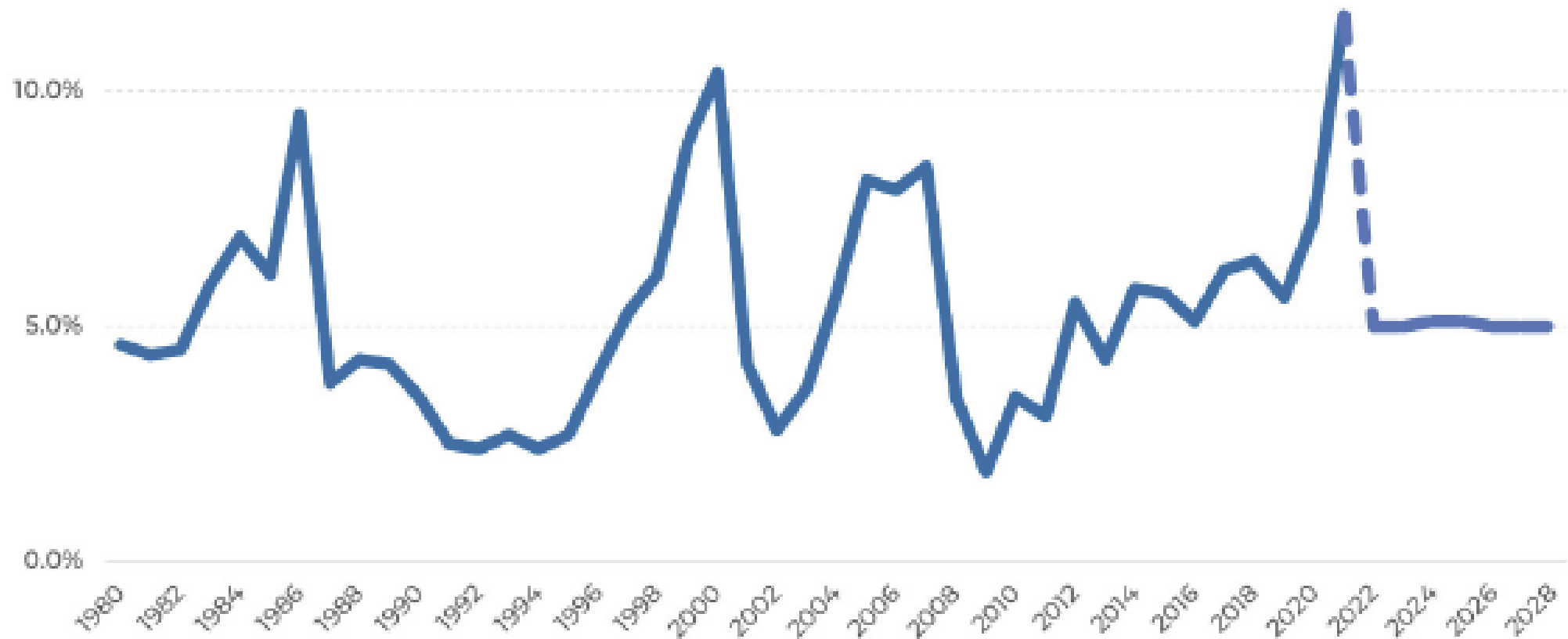
Educational & Health Services to Lead Employment Growth in California Through 2025

2023 to 2025 Net Payroll Employment Growth by Industry



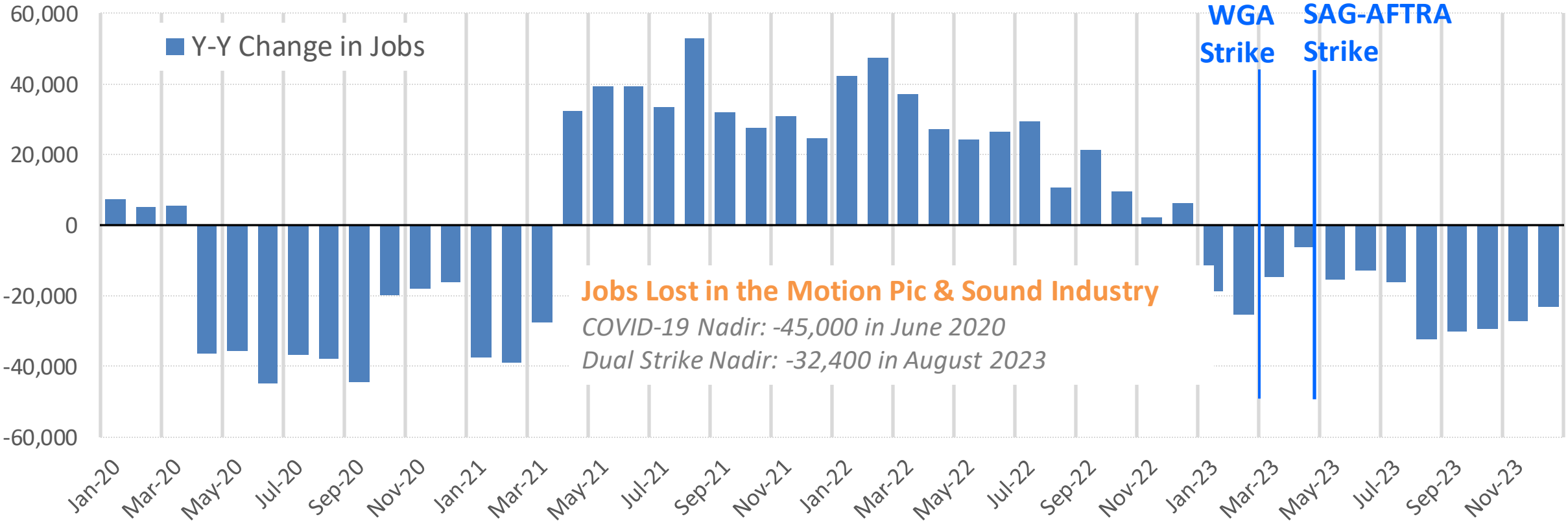
California Budget Issues

Share of Capital Gains in Total Personal Income (California)



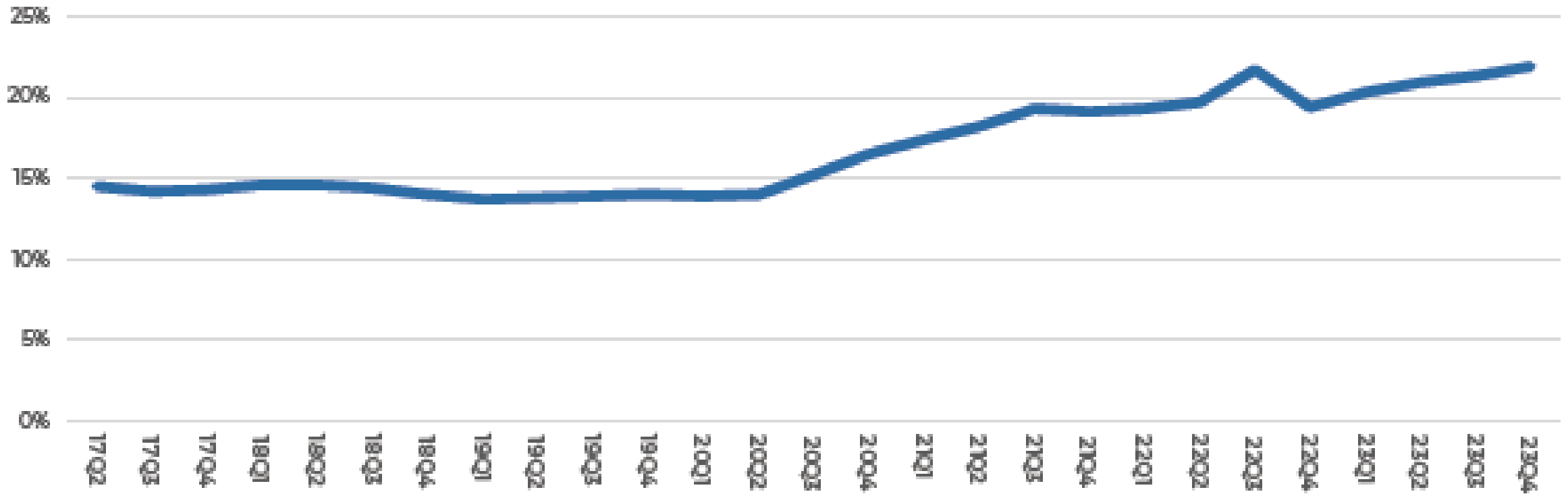
Source: CA Dept of Finance, Demographic Unit

Continued Impact of the Hollywood Strikes: Year-Over-Year Changes in Payroll Employment Film & TV Industry in LA County: Dec 2023



Source: BLS, CES

The Struggling Office Market: Office Market Vacancy Rates in LA County, 2017-2023



Source: CA Dept of Finance, Demographic Unit

Key Findings



1. Entering a period of slow economic growth
2. Three primary challenges have reemerged as a threat to future growth:
 - Regional population decline
 - Housing affordability
 - Cost of doing business
3. Beyond FY 2024-25, California will likely face continued budget challenges
4. LA County is vulnerable to the office market crisis and future labor negotiations with film & TV production

2024 ECONOMIC FORECAST





Karim Webb
Entrepreneurial Activist

Principal,
Webb Investments

THE L.A. STORY

THE FOUNDING OF LOS ANGELES * * 1781



Painting by Millard Sheets

MY L.A. STORY



PARITY IN PUBLIC SPENDING



Parity (noun)
par·i·ty

: achieving economic benefit
in proportion to percentage
of population

SIGNIFICANT CAPITAL INVESTMENTS



LAWA

Port of Los Angeles

Port of Long Beach

DWP

LA County Sanitation Districts

Metro

City Spending

County Spending

Big Events:

Olympics, World Cup, NBA All Star, etc

ACCESS TO CAPITAL



CalPERS — CalSTRS

\$1.2 TRILLION

LESS THAN \$10B

Being managed by
funds with
Minority Managing Partners.

FOCUS



**SCALING
VS
REMEDICATION**

Q & A

2024 ECONOMIC FORECAST



**Breakout sessions begin
promptly at 9:45 AM**

Breakout sessions

Building Solutions:
Tackling Los Angeles'
Housing Crisis Through
Innovative Development

Wilshire One

Empowering All Voices:
Regional Synergy for
Economic Growth in LA

Main Ballroom

Navigating The Shift:
Economic Strategies for
Clean Energy Adoption

Wilshire Three

Breakout Session



Empowering All Voices:
Regional Synergy for Economic Growth in LA

Empowering All Voices:

Regional Synergy for Economic Growth in LA



Moderator



Kelly LoBianco

Director, Los Angeles County
Department of Economic
Opportunity



Sonya Kay Blake

President & CEO,
The Valley Economic Alliance



Leah Goold-Haws

President & CEO,
Long Beach Economic
Partnership



Luis Portillo

President & CEO,
San Gabriel Valley Economic
Partnership



Quentin Strode

President & CEO,
Vermont Slauson EDC



Jey Wagner

President & CEO,
Santa Clarita Valley EDC

Breakout Session



Empowering All Voices:
Regional Synergy for Economic Growth in LA

2024 ECONOMIC FORECAST





Conan Nolan
Political Reporter,
KNBC-TV in LA

Closing Plenary



Dee Dee Myers

Director, Governor's Office of Business
and Economic Development



Stephen Cheung

President & CEO,
LAEDC & WTCLA

2024 ECONOMIC FORECAST



Q & A

2024 ECONOMIC FORECAST





Visit www.laedc.org to read full
Economic Forecast report

2024 ECONOMIC FORECAST

