

# 2025 ECONOMIC FORECAST

**REBUILD. REVITALIZE.  
RESILIENCE.**

**FEBRUARY 26, 2025**



**LOS ANGELES COUNTY  
ECONOMIC DEVELOPMENT CORPORATION**

*Collaboratively Advancing Growth and Prosperity for All*



**WELCOME**

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LAEDC**



# Los Angeles County faces new challenges at the start of 2025...

- January Wildfires
- Inflation Hasn't Gone Away
- Implications of New Administration's Policies

# United States: Economic Overview

**Real GDP grew at an estimated 2.8 percent in 2024**

LAEDC FORECAST: 2.0% in 2025 and 1.8% in 2026

**Nonfarm payroll jobs grew by 2.1 million in 2024 (1.3% growth)**

LAEDC FORECAST: 1.2% in 2025 and 0.6% in 2026

**Real personal income grew by 2.9% in 2024**

LAEDC FORECAST: 2.4% in 2025 and 2.3% in 2026

**The unemployment rate reached 4.0% in 2024**

LAEDC FORECAST: 4.4% in 2025 and 4.6% in 2026

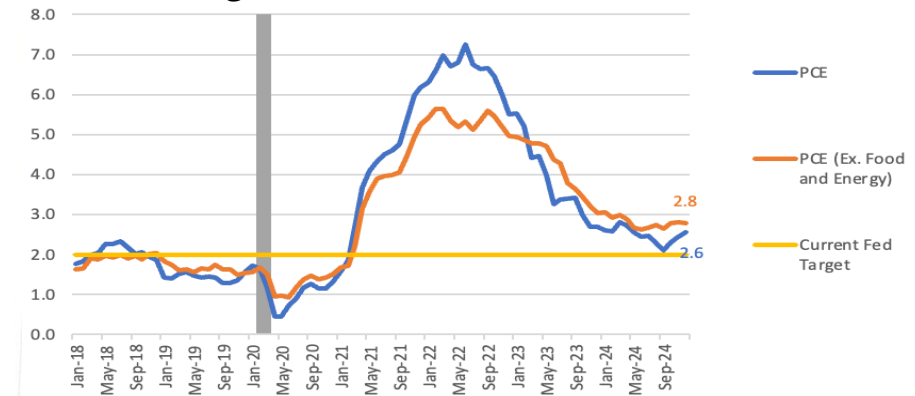




# Inflation Hasn't Gone Away

- Coming out of the COVID, nation's inflation levels unseen in 40 years
- PCE stood above the 2.0% target in December 2024
- Incomes have not been growing fast enough to keep up with inflation. Real disposable personal income per capita grew slower than inflation in 2024
- From January 2020 and December 2024, real disposable personal income per capita increased by 8.2 percent compared to the 15.0 percent growth in real PCE

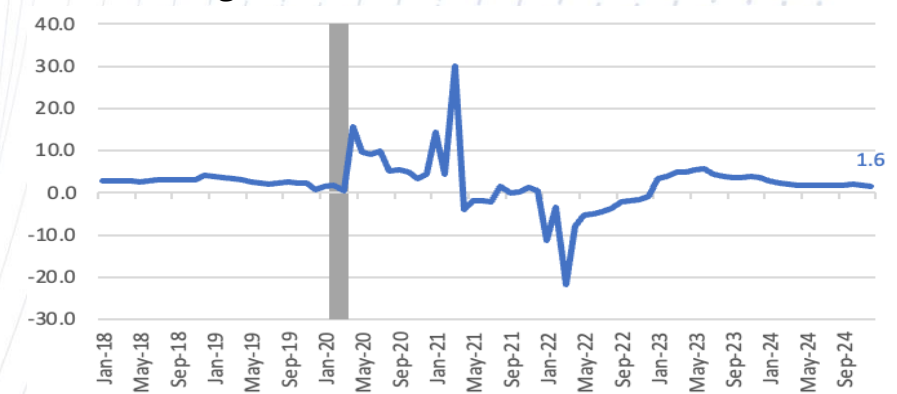
Personal Consumption Expenditures  
Y-Y % Change



Note: Grey area represents NBER defined recession.

Source: U.S. Bureau of Economic Analysis

Real Disposable Personal Income Per Capita  
Y-Y % Change



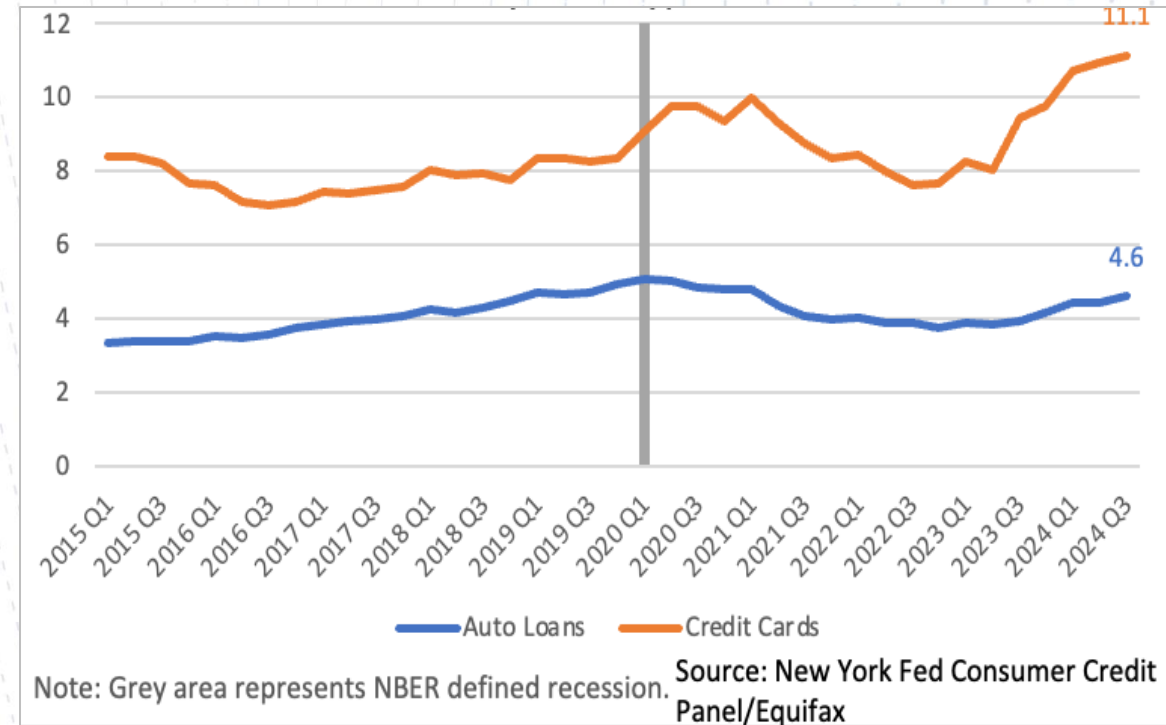
Note: Grey area represents NBER defined recession.

Source: U.S. Bureau of Economic Analysis

# Consumers Are Continuing To Get Squeezed

- Consumer Credit Panel report from Q3 of 2024 shows increasingly delinquent (90 days +) auto loan balances and credit card balances
- Delinquent balances expected to rise if inflation continue to outpace the growth in personal income

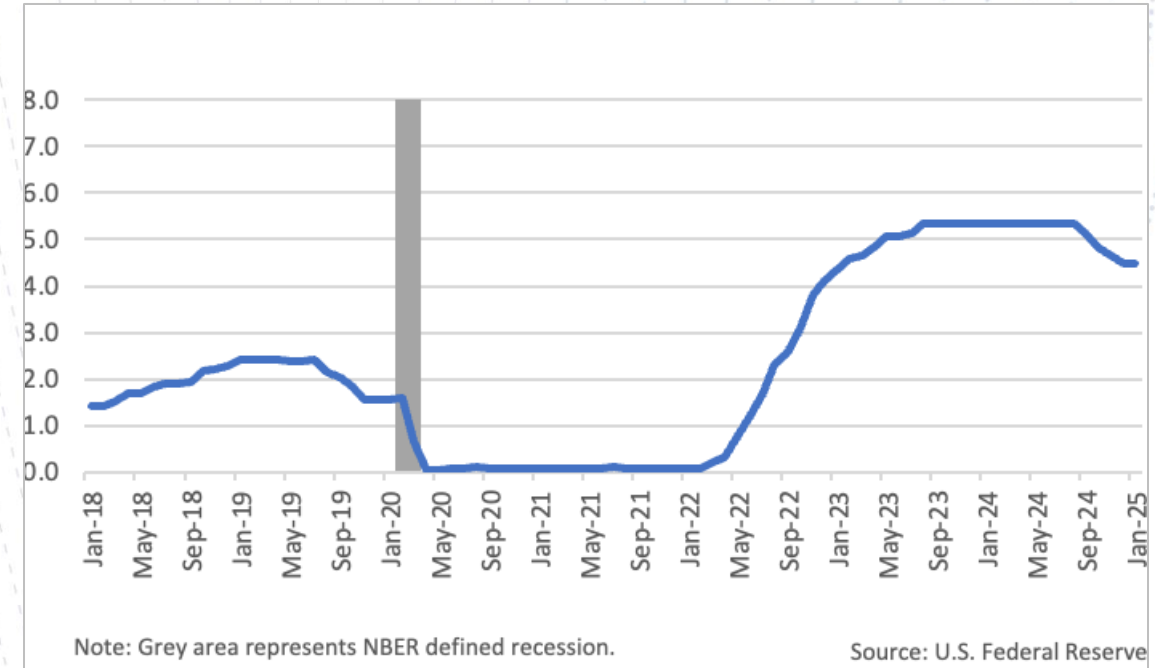
Percent of Balance 90+ Days Delinquent  
by Loan Type



# Continued High Interest Rates

- The Fed began raising interest rates in early 2022
- Between March 2022 and July 2023, the Federal Reserve raised the federal funds rate 11 times
- In September 2024, the Federal Reserve finally began reducing interest rates
- Lowering rates too much or too quickly risks accelerating the economy and re-igniting inflation

Federal Funds Effective Rate (Percent)





# Trump's Economic Policies

## Imposing Tariffs on Imported Goods and Services

- Could increase costs for businesses and consumers
- Lead to retaliatory tariffs that hurt U.S. exports.
- American consumers are expected to bear much of the burden.

## Restricting Immigration

Reduce workforce availability

Tangibly impact the labor force of the states and industries in which they are concentrated

## Freezing Government Grants and Assistance

Though rescinded, highlights the degree of fiscal influence on the everyday economy. could hurt national economic growth this year and into next if done all at once

***OMB's brief federal spending freezes, created significant uncertainty.  
California is especially vulnerable***





# California: Economic Overview

**Real GSP grew at an estimated 3.6% in 2024**

LAEDC FORECAST: 1.9% in 2025 and 1.6% in 2026

**Nonfarm payroll jobs grew by 224,600 in 2024 (1.3% growth)**

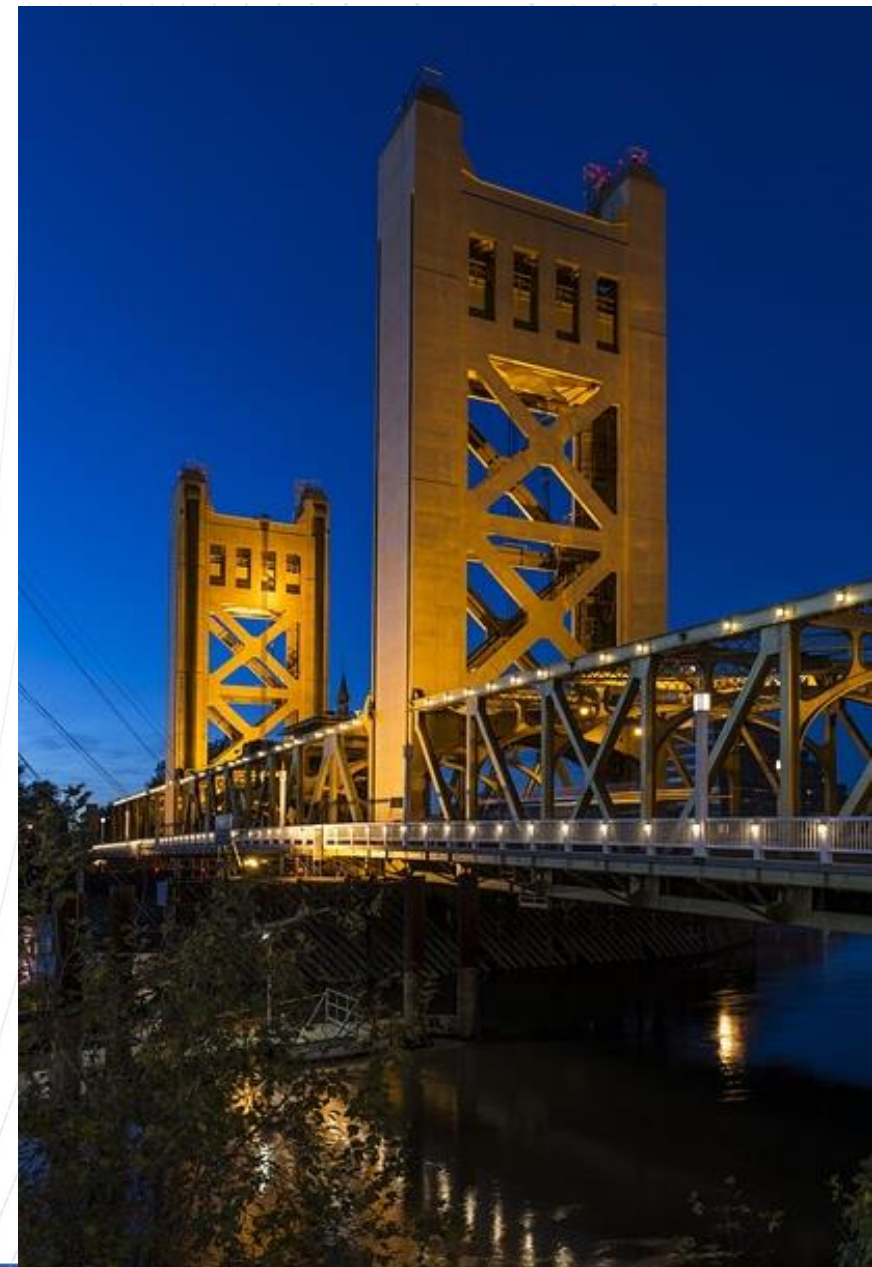
LAEDC FORECAST: 0.9% in 2025 and 0.7% in 2026

**Real personal income grew by 4.0% in 2024**

LAEDC FORECAST: 2.2% in 2025 and 2.1% in 2026

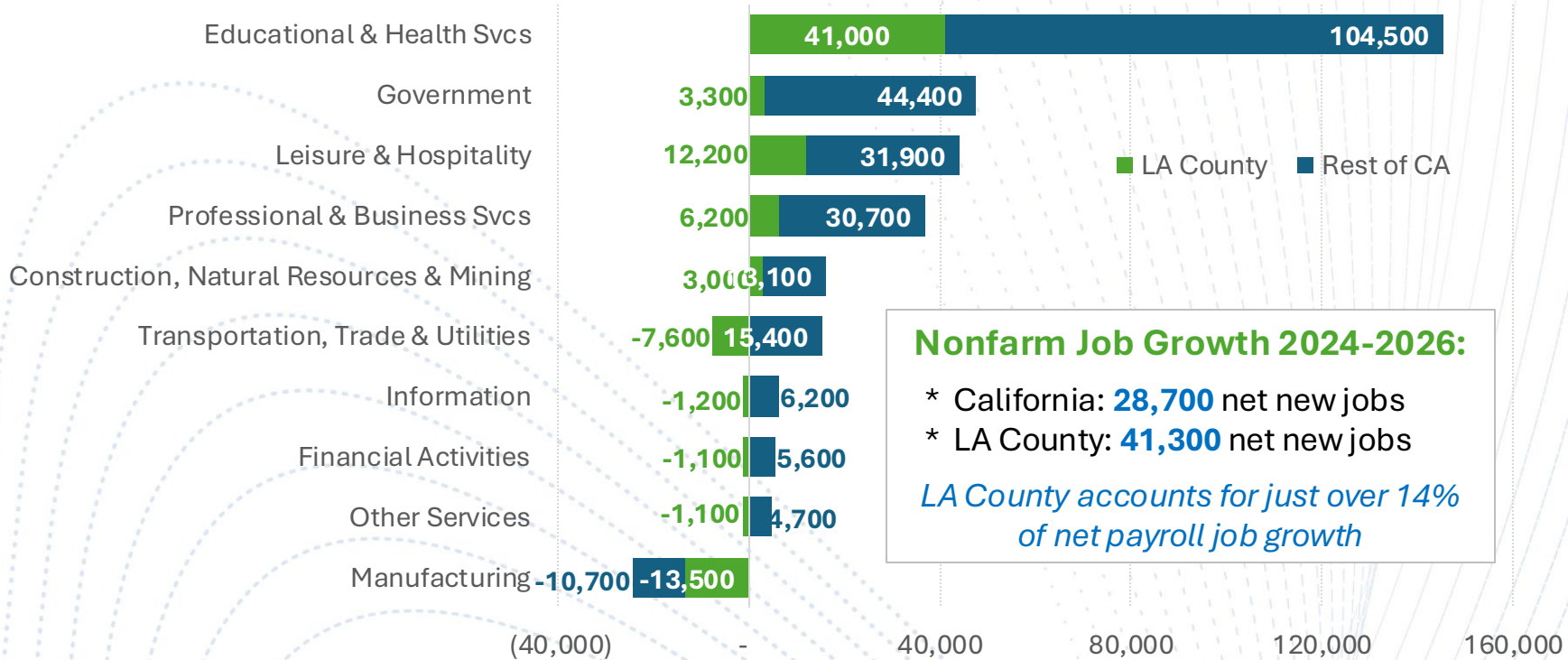
**The unemployment rate reached 5.3% in 2024**

LAEDC FORECAST: 5.5% in 2025 and 5.5% in 2026



# Education & Health Services, Government and Leisure & Hospitality Will Lead Job Growth Through 2026

## 2024 to 2026 Net Payroll Employment Growth by Industry

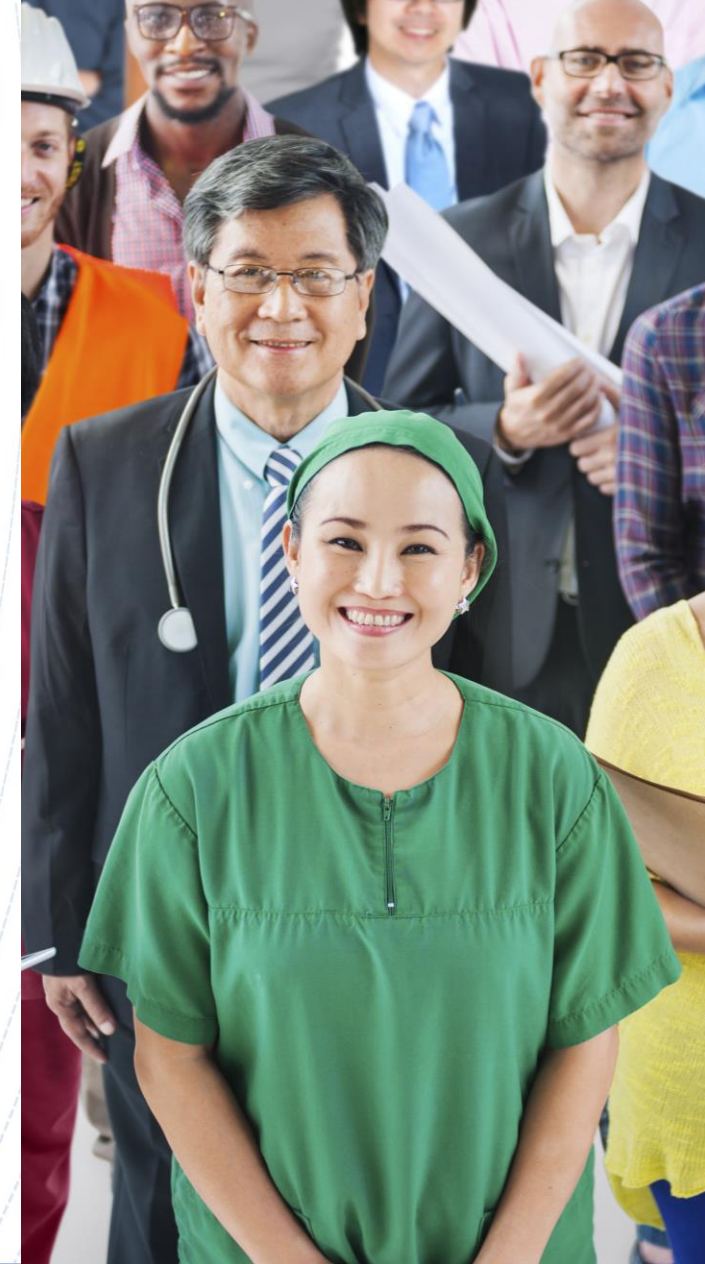


### Nonfarm Job Growth 2024-2026:

\* California: **28,700** net new jobs

\* LA County: **41,300** net new jobs

*LA County accounts for just over 14% of net payroll job growth*





# California: Is a New Budget Crisis in the Works?

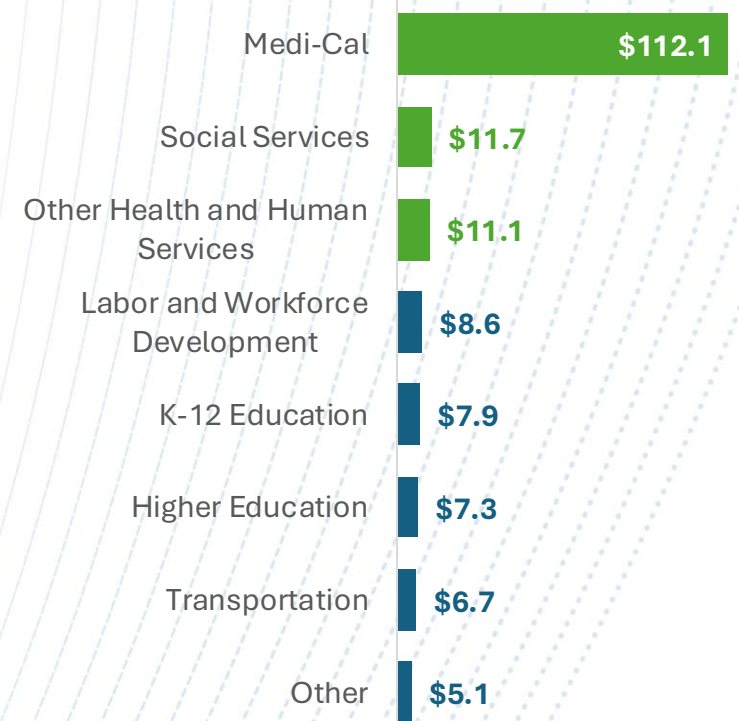
Stronger economic performance in 2024, coupled with budget actions taken last year, have improved the budget outlook for 2025-26, but uncertainties and challenges exist.

- Recent LA wildfires led to an initial \$2.5 billion in emergency appropriations but full cost could be significantly higher
- Federal policies could pose risks to economy and revenue outlook
- Potential freeze on federal spending and cuts to programs created uncertainty

***The Governor's proposed state budget for 2025-26 includes more than \$170 billion in federal funds, or over one-third (34.6 percent) of the total state budget***

## Federal Funds Estimated in Proposed 2025-2026 Budget

(\$ billions)



# LA County: Economic Overview

**Real GCP grew at an estimated 3.4 percent in 2024**

LAEDC FORECAST: 2.1% in 2025 and 1.3% in 2026

**Nonfarm payroll jobs grew by 41,900 in 2024 (0.9% growth)**

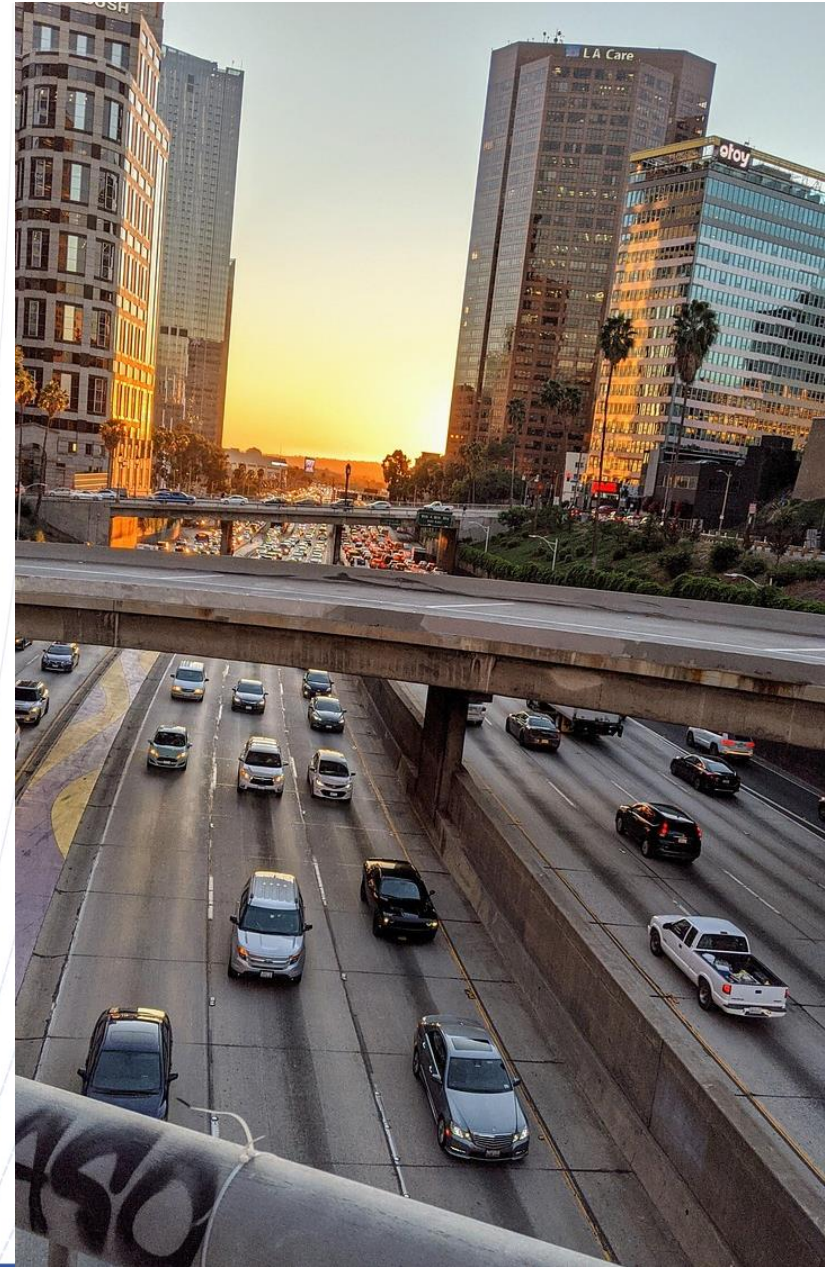
LAEDC FORECAST: 0.7% in 2025 and 0.2% in 2026

**Real personal income grew by 3.8% in 2024**

LAEDC FORECAST: 3.1% in 2025 and 2.0% in 2026

**The unemployment rate reached 5.7% in 2024**

LAEDC FORECAST: 6.1% in 2025 and 6.4% in 2026





# LA's New Regional Challenge: *Recovery from devastating wildfires*

- **Rebuilding:**

The magnitude of what was lost

- **Rebounding:**

The path of economic activity that could be expected

- **Resilience:**

How increasing resiliency can assist the region's revitalization

***Nine wildfires during the month of January  
consumed more than 50,000 acres\****

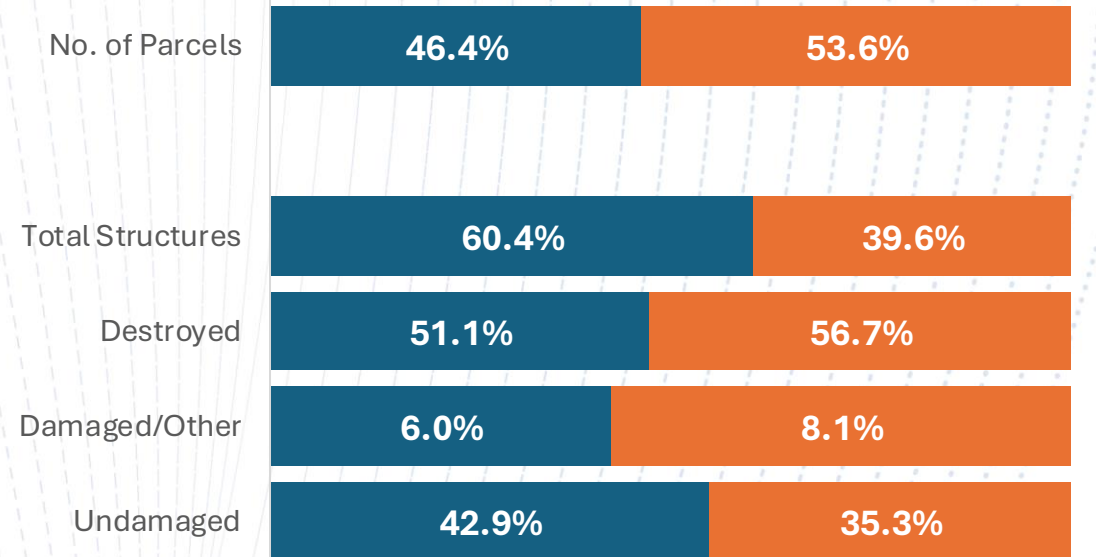
\*As of January 14, 2025



# Rebuilding: Real Estate Losses

- **19,884** parcels in the Palisades and Eaton burn areas
- **30,487** structures in burn areas
- Property valuations between
  - **\$28.0 billion** (assessed value)
  - **\$53.8 billion** (estimated market value)

Palisades and Eaton Properties  
in Burn Areas



Source: U.S. Census Bureau

*Cal Fire's Damage Inspection Program (DINS) revealed that more than half (53.3 percent) of the 30,487 structures in the vicinity of the Palisades and Eaton Fires were destroyed.*

\*As of January 14, 2025

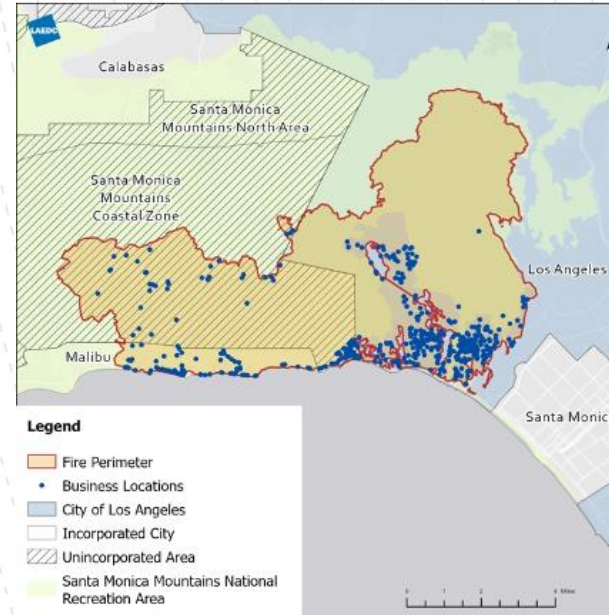


# Rebuilding: Business Disruptions

- **1,863** individual businesses were located in the Palisades and Eaton burn areas
- Employed an estimated **9,610** people
- Altogether, these businesses realize an estimated **\$1.4 billion** in sales a year

*Many of the businesses are involved in consumer facing industries*

\*As of January 14, 2025

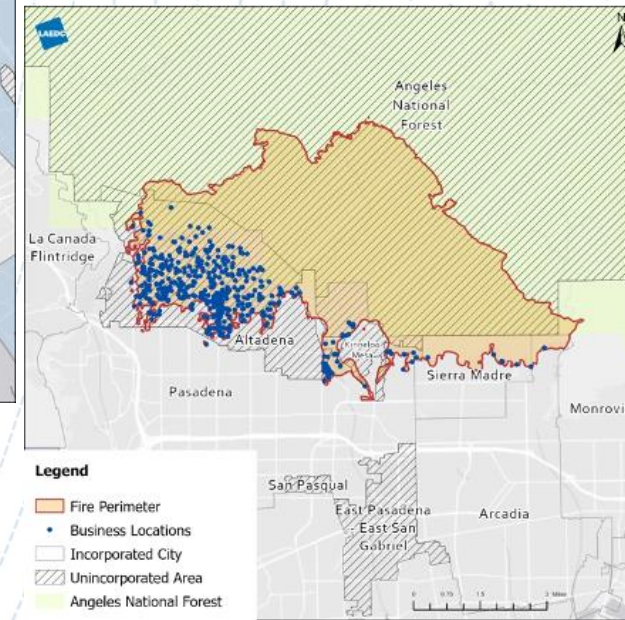


## Palisades Fire Burn Area

- 60% of businesses
- 62% of employees
- 71% of revenue

## Eaton Fire Burn Area

- 40% of businesses
- 38% of employees
- 29% of employees





# Rebounding: Will take many years

- “Recovery” Timeline is Uncertain:
  - Delays in spending or insurance payouts could slow rebuilding process
  - Increased construction could result in scarcities and higher prices
  - The longer it takes, the greater the negative impact to the region’s economy



Photo credit: [www.latimes.com](http://www.latimes.com)

***In terms of the number of structures impacted, the Eaton Fire now ranks as California’s second-most destructive wildfire\* and the Palisades Fire ranks third.***



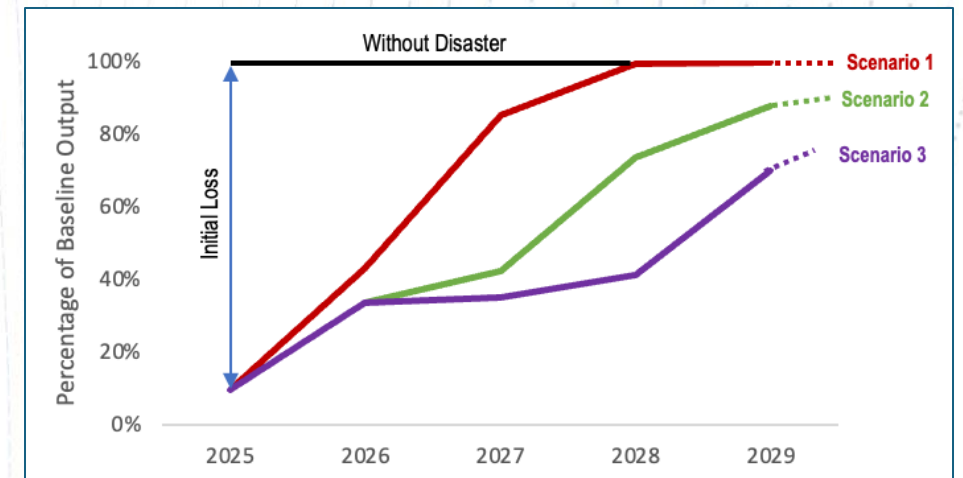
# Rebounding: Returning to Baseline

LAEDC created three scenarios with alternative recovery timelines:

- Across all three, estimated initial direct economic loss in 2025:
  - \$1.26 billion of sales revenue (or 90% of baseline)
  - 8,200 jobs (or 85% of baseline)
- Estimated return to baseline economic activity related to business disruptions:
  - Scenario 1: in 2028
  - Scenario 2: in 2032
  - Scenario 3: in 2034

*Disruptions to businesses within the burn areas could result in \$4.6 billion to \$8.9 billion in lost economic output in Los Angeles County over five years, depending on the scenario.*

Recovery Trajectory of Economic Output  
*Three Alternative Scenarios*



Sources: Data Axle, IMPLAN, FEMA, LAEDC

# Resilience: It's Even More Important

Wildfires compounded existing challenges in the LA region:

- Population decline,
- Housing affordability, and
- Cost of doing business.



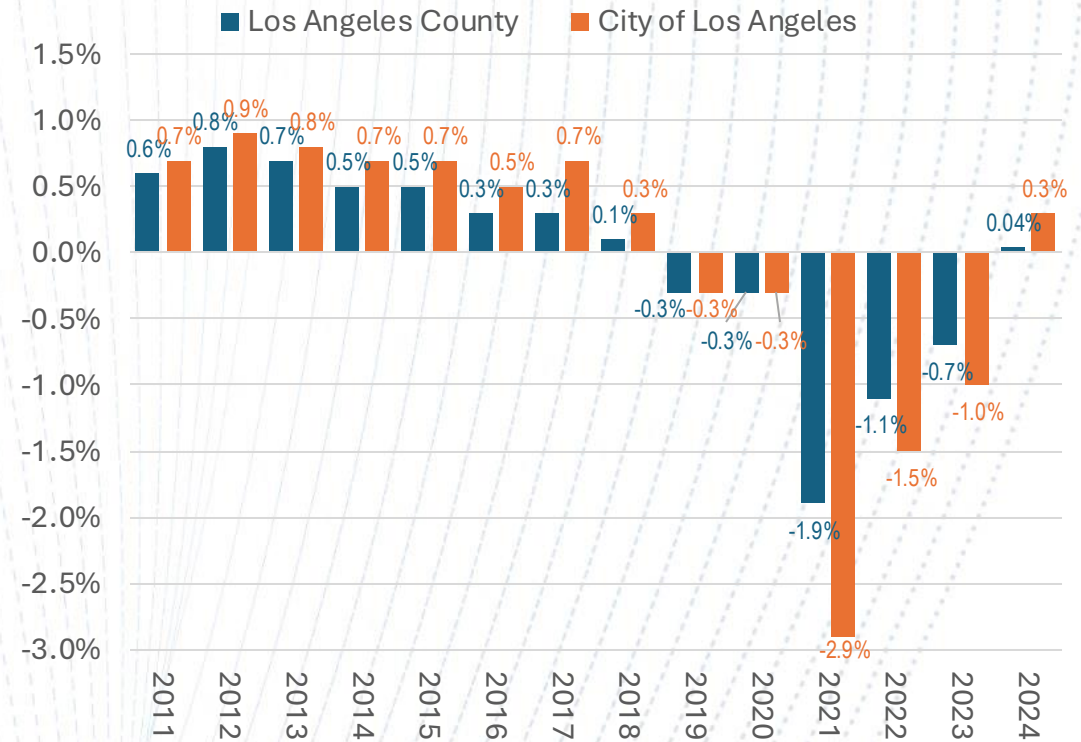


# Resilience: Regional Population Decline

In 2024, LA County had an increase of **4,800 people** (0.05%) and the City of LA added almost **9,900 people** (0.3%)

- Broke the 5-year trend of declines
- May be short-lived, due to federal policies aiming to decrease immigration
- Wildfire displacement is a real concern

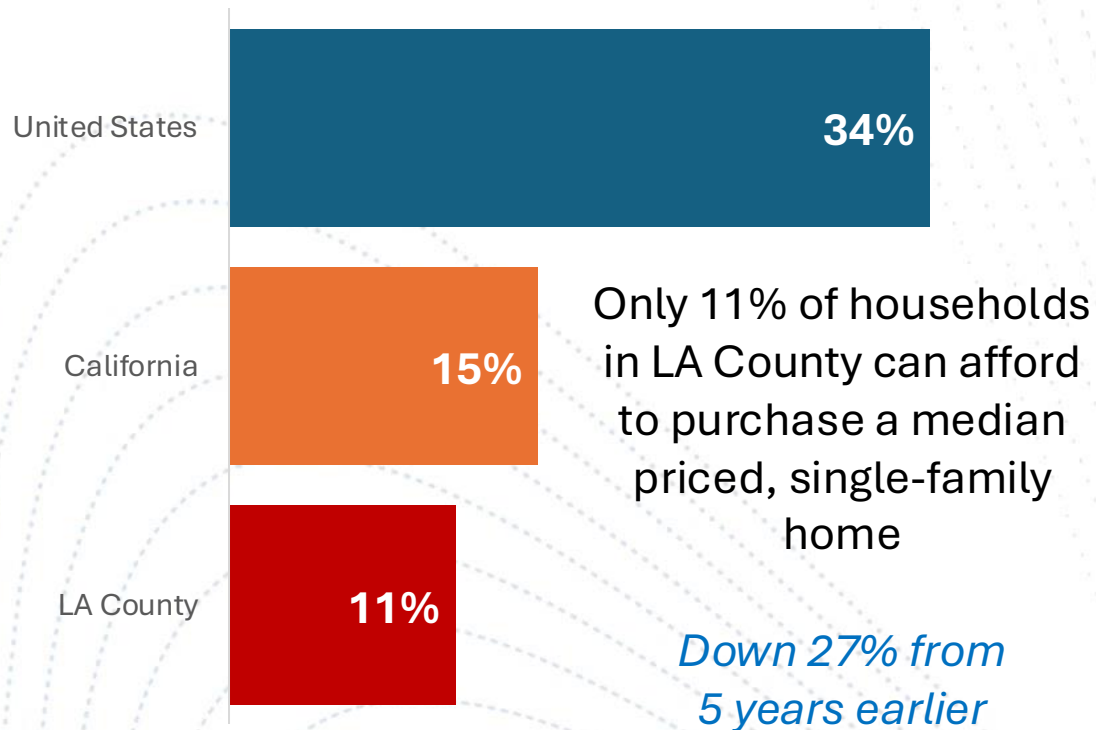
## Year-over-year Percent Change in Population



Source: CA Dept of Finance, Demographic Unit

# Resilience: Lack of Housing Affordability Driven by Insufficient Supply

## CAR Affordability Index: 2024:Q4



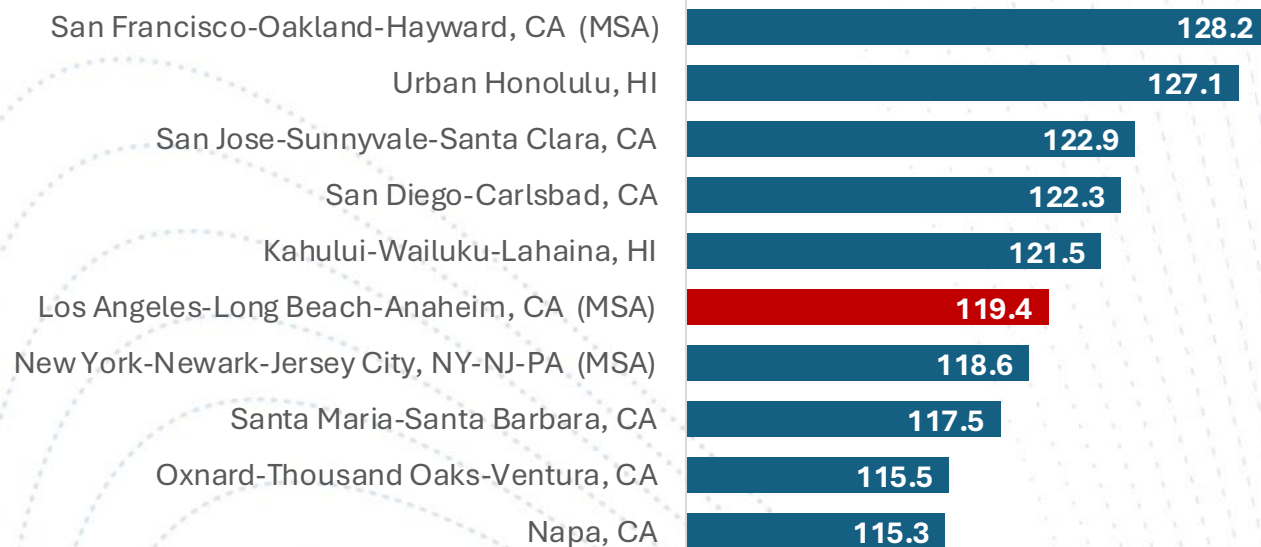
- Residential permits have fallen 12.7% over last 5 years
- Los Angeles County's median home price was \$939,690 (2024:Q4) requires:
  - Monthly payment (including taxes and insurance) of \$5,960
  - Minimum qualifying income of \$238,400

***The wildfires destroyed thousands of housing units and will put additional pressure on the residential market***



# Resilience: Cost of Doing Business Remains One of the Highest in the Nation

## Ten Most Expensive Metros for Business



Source: S&P

## For the Los Angeles area:

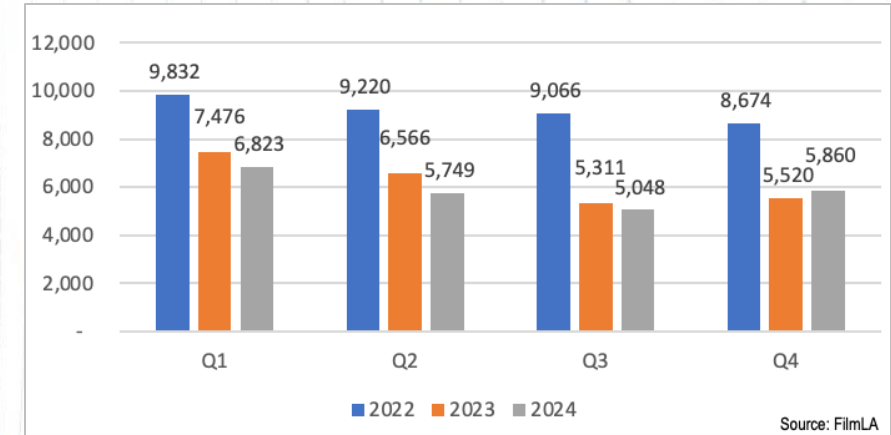
- Labor costs are 13% higher than the national average;
- Energy costs are 91% higher;
- Real estate costs are 51% higher
- Taxes are 40% higher

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

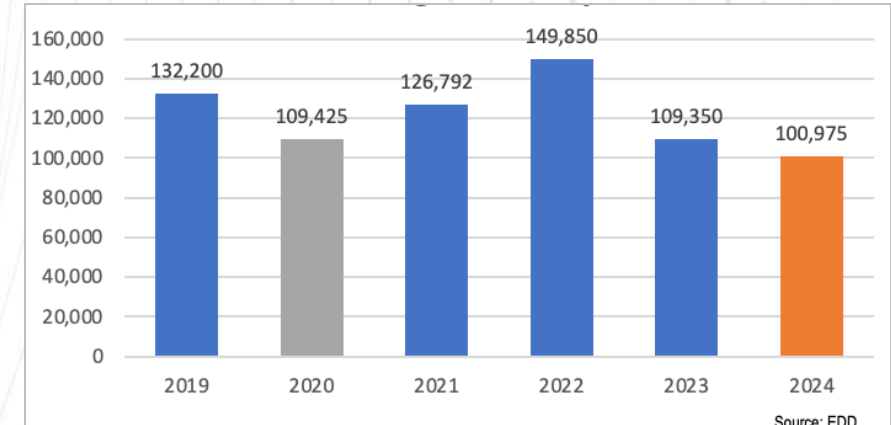
# Key Industry: Film & TV Production

- Production restarted very slowly fall of 2023 after dual strikes
- Employment in 2024 lower than in 2020 during the depths of the COVID-19 pandemic
- Filming activity in 2024 off by 5.6% relative to 2023 and 36.2% relative to 2022
- 2025-26 CA state budget a proposal to expand California's Film & TV Tax Credit Program to stimulate additional activity

Shoot Days in LA County 2022 to 2024



Average Film and Television Payroll Employment





# Key Industry: Professional and Collegiate Sports

The 12 professional sporting teams and 8 Division 1 schools have been generating increasing amounts of economic activity the last few years

- Professional sports in 2023:
  - **\$9.9 billion of total economic output**
  - **nearly 71,000 total jobs**
- Collegiate sports in 2023:
  - **\$1.8 billion of total economic output**
  - **almost 13,000 jobs**
- Substantial infrastructure investments made over the past few years



## Upcoming Sporting Events in LA County

- **FIFA World Cup (2026)**
- **NBA All-Star Game (2026)**
- **US Women's Open Championship for golf (2026)**
- **Super Bowl LXI (2027)**
- **Summer Olympics and Paralympics (2028)**

# Key Findings

1. **U.S. economy grew in 2024, but projected to slow to in 2025 and 2026**
2. **Inflation remains a challenge**
3. **New administration's policies have growth implications**
4. **Persistent issues in the region impact economic trajectory**
5. **Recent wildfires are LA County's new economic challenge**
6. **Severe wildfire damage will have marginal impact overall**
7. **LA can mitigate the impacts of the wildfires by increasing productivity.**
8. **If temporary measures can be justified are current regulations onerous?**



# THANK YOU

THE FULL 2025 FORECAST IS AVAILABLE  
AT THE LAEDC WEBSITE AT: [WWW.LAEDC.ORG](http://WWW.LAEDC.ORG)

OR UPON REQUEST

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in @LAEDC



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