Regional Economic Outlook
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The “Tight” Labor Market & Slower Growth
Unemployment Rates:

Source: BLS

[Graph showing the U3 Unemployment rates for Los Angeles, California, United States, and San Gabriel from 2008 to 2019.]

Source: BLS
Unemployment Rates:

U6 Unemployment,
4-Quarter Moving Average

Source: BLS
Prime Age Employment:

Prime-Age Employment Rate, United States

Source: BLS
Prime Age Employment Drives Wage Growth:

ECI Growth (y/y) vs Prime Age Employment
Q1 2002 - Q3 2019

R² = 0.8171

Source: BLS
Wage Growth:

US Wage Growth by Wage Quartile

Source: Atlanta Fed
California Historical Employment Growth:

Sources: IHS

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<tr>
<th>Sector</th>
<th>Los Angeles</th>
<th>Other Southern CA</th>
<th>Rest of California</th>
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San Gabriel Valley Historical Employment:

10-Year Employment Change

- Health Services: 25,000
- Leisure & Hospitality: 22,000
- Wholesale Trade: 10,000
- Construction: 6,000
- Other Services: 5,000
- Transportation & Utilities: 3,000
- Retail Trade: -1,000
- Professional & Business Services: -2,000
- Information: -3,000
- Natural Resources & Mining: -4,000
- Education: -5,000
- Financial Activities: -6,000
- Public Administration (Non HC/Edu): -7,000
- Manufacturing: -8,000

Sources: CA EDD, LAEDC Analysis
California Employment Forecast:

2 Year Employment Forecast

- Educational & Health Svcs
- Professional & Business Svcs
- Leisure & Hospitality
- Government
- Construction & Natural Resources
- Transp., Trade, & Utilities
- Manufacturing
- Information
- Other Services
- Financial Activities

Sources: IHS, Forecast by LAEDC
San Gabriel Valley Employment Forecast:

2 Year Employment Forecast

Health Services
Construction
Professional & Business Services
Leisure & Hospitality
Education
Transportation & Utilities
Retail Trade
Wholesale Trade
Other Services*
Information
Financial Activities
Public Administration (Non HC/Edu)
Natural Resources & Mining
Manufacturing

Sources: LAEDC
California Economic Growth:

Real GDP Growth Forecast

Sources: IHS, Forecast by LAEDC
Demographic Headwinds
Population Trends:

Year-over-Year % Change In Population

Source: CA DoF
Low Fertility:

Total Fertility Rate

- United States
- California

Source: CDC
Outmigration:

California Domestic Migration

Thousands

Coming, Going, Net

Low Labor Force Productivity:

Labor Force Productivity % Growth (Year-Over-Year)

Source: BLS
Housing Crisis
Housing Undersupply

Housing Permits Issued

SCAG Region RHNA Target: 1.3 million over 8 years

Source: US Census Bureau
Home Prices vs Household Incomes:

Median Home Price to Median Household Income Ratio

- Los Angeles
- California
- United States

Source: US Census ACS
Home Prices vs Household Incomes:

Median Home Price to Median Household Income

Source: US Census ACS
Home Affordability

Housing Affordability, Traditional

Minimum Qualifying Income
LA County
Q3 2019:
$127,200

Source: C.A.R.
SoCal Apartment Rents

Estimated Annual Rent in L.A. County (2018): ~$31,000

Median HH Income in Los Angeles County (2018): $68,093

Source: Zillow; American Community Survey
SGV Median Apartment Rents

Source: Zillow
Economic Upside Potential
California Venture Capital Investment

Source: PwC
Streaming Content Investment

Content Investment ($billions)

- Amazon (2019): 6
- Apple (2019): 6
- AT&T (including HBO) (2018): 14.3
- HBO (2017): 2.5
- Disney (Non-Sports) (2019): 23.8
- Disney+ (2019): 1
- Hulu (2018): 2.5
- Netflix (2019): 15
Regional Transit Expansion:

LA Metro Budget

Source: LA Metro
Conclusions:

- Still more slack in the labor market, particularly in Los Angeles County
- Low to moderate but sustained economic growth in the near term
- Employment expansion, particularly in health care

Barriers To Growth:
- Demographic Headwinds
- Housing Crisis

Potential for Greater Growth:
- Business investment, particularly in the digital and traditional media ecosystem
- Transit expansion, both direct fiscal stimulus and helping to connect labor market
- Wage growth for the bottom quartile
Risks:

Supply Side
- Supply chain disruption: primary and intermediate goods halted
- Labor Supply: dramatic reduction in labor supply

Demand Side
- Quarantine directly reduces consumption of goods and services
- Part time and contingent workers: Don’t work = don’t get paid

Local
- High trade exposure through the ports: preliminary numbers suggest container traffic down around 25% y/y
Trade Exposure:

Los Angeles Customs District Trade Value 2019

Exports to China: $2.7 billion
Imports from China $132.7 billion

Source: US Census
Trade Exposure:

• Employment in Trade, Transportation & Utilities:
  
  Los Angeles County: 850,000  
  San Gabriel Valley: 151,000  

• Retail Sales Down around 80-90% y/y in parts of China

• Supply shortage means retail consumption down locally

• So trade getting hit from supply shock and demand shock
Leisure & Hospitality Exposure:

**Tourism**

- Employment in Leisure & Hospitality:

  - Los Angeles County: 545,000
  - San Gabriel Valley: 84,000

- LAX sees over 50 million visitors a year

- Nearly 8 million international visitors, Over 1 million from China

**Local Consumption**

- Establishment closures due to lack of workers (restaurants, bars, theaters etc.)

- Lack of demand as consumer confidence falls
Manufacturing Exposure:

NBS (China) Manufacturing PMI

Source: National Bureau of Statistics of China

Employment in Manufacturing:

LA County: 343,000
SGV: 54,000

Source: National Bureau of Statistics of China
Los Angeles Potential GDP Impacts:

Los Angeles County 2020 Real GDP Growth
(Preliminary Estimates)

Baseline GDP Growth: 1.8
1-Month Disruption: 1.5
3-Month Disruption: 0.3
6-Month Disruption: -3.1

Source: LAEDC Forecast
Thank you!

For Further Insight into the Local Economy Visit:

LAEDC Research & Data:

http://laedc.org/research-data/