California economy is poised to grow in 2016 and 2017, report says

Los Angeles Times

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February 17, 2016

Employers in Los Angeles and the rest of California will keep hiring in the next two years but at a slightly slower pace than in 2015, a new report said.

The state is poised to add more than 650,000 jobs this year and next, pushing down the current 7% unemployment rate to about 5.9% by 2017, according to an annual forecast released Wednesday by the Los Angeles County Economic Development Corp.

After climbing 3% in 2015, nonfarm jobs are expected to rise 2.4% this year and 1.6% in 2017, the report said. The slower pace of growth will also be reflected in the United States overall, and is a natural slowdown more than six years after the Great Recession ended, said Robert Kleinhenz, the group’s chief economist.

“The California economy will continue to add jobs at a faster pace than the nation,” Kleinhenz said. “Both will see slower job growth in 2016 than they have seen in the last couple of years.”

The flip side of slower hiring is that workers will see their hours increase and more people will find full-time work instead of part-time jobs, Kleinhenz said. “That also translates into sort of less-outright job growth,” he added.

In 2015, Los Angeles County added 96,700 jobs, an annual growth rate of 2.2%. Its unemployment rate was 6.7%, lagging behind some other counties such as Orange County, which had a jobless rate of 4.4%, and San Diego County, which had a rate of 5.1%.

Now that Los Angeles County is back to a point that economists consider full employment, wage growth should follow, the report said. Per capita income is forecast to rise 3.9% this year and 4.9% in 2017, up from 3.6% in 2015.

The county’s major industries are expected to enjoy gains.

The healthcare sector is projected to add nearly 29,000 jobs in the next two years. Professional, scientific and technical services, which will benefit from a boom in areas such as Silicon Beach, are forecast to add 21,700 new positions.

The construction sector should also see jobs grow by 9,800, bolstered by the tight housing market and also expectations that interest rates will rise in the future.

Construction is “still well below the peak before the Great Recession,” Kleinhenz said, “but we are looking at real strength in the housing sector this year.”

A slowdown in China’s economy is having a mixed impact on California and the Southland.

Exports to China are dropping, but Chinese investors are sinking more money into the Golden State. Foreign direct investment to the United States jumped by more than 30% in 2015, with California getting over 20% of it, according to the report by the Rhodium Group.

At the ports of Los Angeles and Long Beach, imports were flat in 2015 compared with the previous year, Kleinhenz said. Goods on outbound containers were down 10% because of the strong dollar and economic weakness in U.S. international trade partners.

But even with the pressures, trade-related jobs increased last year and are expected to grow in the next two years, Kleinhenz said.

“We should see a good year for the local ports, but it will be one where things are a little bit out of the usual balance,” he said. “We will see strength in imports, but we won’t see the strength in exports that we have seen in the last couple of years.”

Southern California's tourism industry broke records in 2015, but the visitor pace and job growth are expected to slow somewhat because of the strong dollar, the report said.

Employment in L.A. County's signature motion picture and sound recording industry was essentially flat in 2015 but could benefit from a recent expansion of the California Film Tax Credit program, according to the report.

The construction industry is expected to post healthy job gains in the Southland and much of the state as builders try to meet demand from millennial generation house hunters who are being stymied by a record low supply of new single-family homes.