2015 ECONOMIC FORECAST & INDUSTRY OUTLOOK

THE KYSER CENTER FOR ECONOMIC RESEARCH

LAEDC

LOS ANGELES COUNTY
ECONOMIC DEVELOPMENT CORPORATION

ABOUT LOS ANGELES COUNTY:

Los Angeles County is a nation-sized region that spans more than 4,000 square miles, has 10 million residents who speak more than 150 languages from around the world, and leads the nation as the #1 Entertainment Capital, the #1 Manufacturing Capital, and #1 International Trade Capital of America. L.A. County also has the nation's #1 and #2 ranked seaports, the busiest origin and destination airport (LAX) and three world-class research institutions plus 118 other colleges and universities, all of which contribute to the region's annual economic activity of $584 billion. By measure of GDP alone, L.A. County would be larger than Sweden, Norway, Poland and Belgium.

Los Angeles County is governed by five Supervisors, including Supervisor Gloria Molina (District 1), Supervisor Mark Ridley-Thomas (District 2), Supervisor Zev Yaroslavsky (District 3), Supervisor Don Knabe (District 4), and Supervisor Michael Antonovich (District 5). For more information about Los Angeles County, visit: **www.laedc.org**.

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California and Southern California

Including the National and International Setting

October 2014

Los Angeles County Economic Development Corporation
The Kyser Center for Economic Research
444 S. Flower St., 37th Floor, Los Angeles, CA 90071
Tel: 213-622-4300 | 888-4-LAEDC-1 | Fax: 213-622-7100
Web: http://laedc.org | E-mail: research@laedc.org

The LAEDC, the region's premier business leadership organization, is a private, non-profit 501(c)3 organization established in 1981.

As Southern California's premier business leadership organization, the mission of the LAEDC is to attract, retain, and grow businesses and jobs for the regions of Los Angeles County.

Since 1996, the LAEDC has helped retain or attract more than 190,000 jobs, providing approximately $12 billion in direct economic impact from salaries and over $850 million in property and sales tax revenues to the County of Los Angeles.

Regional Leadership
The members of the LAEDC are civic leaders and ranking executives of the region's leading public and private organizations. Through financial support and direct participation in the mission, programs, and public policy initiatives of the LAEDC, the members are committed to playing a decisive role in shaping the region's economic future.

Business Services
The LAEDC's Business Development and Assistance Program provides essential services to L.A. County businesses at no cost, including coordinating site searches, securing incentives and permits, and identifying traditional and nontraditional financing. The LAEDC also works with workforce training, transportation, and utility providers.

Economic Information
Through our public information and for-fee research, the LAEDC provides critical economic analysis to business decision makers, education, media, and government. We publish a wide variety of industry focused and regional analysis, and our Economic Forecast report, produced by the **Kyser Center for Economic Research**, has been ranked #1 by the Wall Street Journal.

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The LAEDC Economic and Policy Analysis Group offers thoughtful, highly regarded economic and policy expertise to private- and public-sector clients. The group focuses on economic impact studies, regional industry analyses and economic issue studies, particularly in water, transportation, infrastructure and workforce development policy.

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The LAEDC Center for Economic Development partners with the Southern California Leadership Council to help enable public sector officials, policy makers, and other civic leaders to address and solve public policy issues critical to the entire region's economic vitality and quality of life.

Global Connections
Our World Trade Center Los Angeles-Long Beach works to support the development of international trade and business opportunities for Southern California companies as the leading international trade association, trade service organization and trade resource in Los Angeles County. It also promotes the Los Angeles region as a prime destination for foreign investment. For more information, please visit *www.wtca-lalb.org*

444 S. Flower Street, 37th Floor., Los Angeles 90071
T: (213) 622-4300 | F: (213) 622-7100 | www.laedc.org

LOS ANGELES COUNTY
ECONOMIC DEVELOPMENT CORPORATION

Good morning, Ladies and Gentlemen, and welcome to the LAEDC's Long-Range Economic Forecast and Industry Outlook for 2015-2019.

The LAEDC's Economic Forecast is Southern California's premier source for in-depth economic information and analysis on our global, national, state and regional economies. Each forecast release is accompanied by a public event featuring the insights of influential economists and leaders from the public, private and education sectors. The forecast report is produced by the LAEDC's Kyser Center for Economic Research, led by its Chief Economist, **Dr. Robert Kleinhenz**.

Dr. Kleinhenz is joined today by the **Chancellor of the California State University (CSU) System, Dr. Timothy White**, who will share his insights into how our universities are adapting and innovating to deliver a workforce that is relevant and competitive, essential to regional prosperity. California's higher education institutions give our state a competitive advantage, and in particular, the CSU System prepares our workforce for the occupations and skills that the economy will need in the coming years.

Our panel of industry experts will discuss how innovation and technology are changing the workforce needs in their industries, including **Meagan Karagias of SpaceX**, **Jodie Lesh of Kaiser Permanente**, **Michael Bissonette of AeroVironment**, **and Dina Galeotafiore of NBC Universal**, moderated by **David Rattray of LA Area Chamber of Commerce.** Repeating his role as Master of Ceremonies, is **Frank Mottek** who reports on the regional business and economic news for KNX 1070 NewsRadio where he is host of the KNX Business Hour, the number one business radio show in Southern California.

This morning's event has been made possible by a number of generous sponsors, including our presenting sponsors, the five regional California State University campuses, which are collaborating and coordinating for a regional strategy as the CSU 5; **Cal Poly Pomona**, **Cal State Dominguez Hills**, **Cal State LA**, **Cal State Long Beach**, and **Cal State Northridge**. Our event sponsors are **ACT 1**, **City National Bank**, and **Tesoro**. Our media sponsors for this event are **KNX 1070 NewsRadio** and the **Los Angeles News Group** and its nine newspapers including the **LA Daily News**. Our sincere thanks go to all of them.

LAEDC is also proud to announce the inaugural Los Angeles Innovation Week is underway, and includes 30+ events throughout the County from October 6-12, celebrating the many companies and institutions that are the driving forces behind Los Angeles' innovation economy. Visit LosAngelesInnovationWeek.com

Thank you for your continued support of the LAEDC and our mission to attract, retain, and grow businesses and jobs for the residents of Los Angeles County.

Sincerely,

Bill Allen, President and CEO
Los Angeles County Economic Development Corporation

PREPARED AND RESEARCHED BY:

Robert A. Kleinhenz Ph.D
Chief Economist

Kimberly Ritter-Martinez
Economist

Ferdinando Guerra
International Economist

George Entis
Research Analyst

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	2013	2014F	2015F	2015-19F
Real GDP (% Change)	2.2%	2.2%	2.9%	2.8%
Nonfarm Jobs (% Change)	1.7%	1.8%	1.8%	1.3%
Unemployment Rate	7.4%	6.3%	5.8%	5.3%
Consumer Price Index (% Change)	1.5%	1.9%	2.2%	1.8%

The California Economy

- Private sector job gains, steady decline in unemployment rate
- Housing and construction up substantially; strong gains in leisure and hospitality; health services; construction; professional and business services
- Improved fiscal outlook; water issues loom large

	2013	2014F	2015F	2015-19F
Unemployment Rate	8.9%	7.5%	7.0%	6.6%
Nonfarm Jobs (% Change)	3.0%	2.2%	2.2%	1.6%
Population Growth (% Change)	0.9%	0.9%	0.9%	0.9%

The Southern California Economy

- Sustained employment gains more broad based than the region has experienced since the end of the recession
- Leading industries: construction; health care; professional, scientific and technical services; administrative and support services
- Lagging industries: other services, information

THE U.S. ECONOMY

With three-fourths of 2014 now in the rearview mirror, the year is shaping up to be one of steady progress. With above-trend growth in the last two quarters, one could almost forget the scare caused by the unexpected decline in gross domestic product (GDP) in the first quarter of this year. Fortunately, other first quarter indicators showed that the GDP reading was an aberration.

As 2014 draws to a close, economic growth for the year is expected to match last year's 2.2% rate. Next year should see an uptick to 2.9%, matching the growth trend of the last 30 years. Full-employment should be achieved next year as the unemployment rate falls to the mid-five percent range. Job gains in most industries will drive the unemployment rate down and generate income growth that will support increases in consumer spending and elsewhere in the economy.

KEY SECTORS

Consumers: Comprising 70% of total spending, a healthy trend in personal consumption expenditures benefits the entire economy. Since consumer spending depends on jobs and incomes, the declining jobless rate and related growth in income have supported increases in consumer spending over the last three years.

Consumer spending advanced modestly in 2014 in response to a similarly modest increase in personal income. Consumer expenditures on durable goods rose sharply in recent years as households replaced vehicles, household furnishings and other items. Following a 6.7% inflation-adjusted increase in 2013, purchases of durable goods rose by 6.5% in 2014, with impressive increases in spending on vehicles, household goods, and recreational items. Light vehicle sales were particularly strong, rising nearly 10% year-to-year in August to 17.9 million vehicles, the highest level since January 2006.

With improved incomes and higher consumer confidence, households have relied increasingly on credit to finance purchases. An 11% year-to-year increase in auto loans accompanied the surge in vehicle sales, student loan balances rose by more than 12% year-to-year, and other consumer credit rose by more than 9% over the same period.[1]

Increased household wealth has also supported higher levels of spending. Household net worth has climbed steadily since the end of the recession, initially as a result of higher returns in the financial markets, and more recently, with the increase in residential property values. Homeowner's equity increased by over a quarter in 2012 and 2013, and rose by one-fifth in the first half of 2014 compared with the first half of 2013. Despite

[1] Quarterly Report on Household Debt and Credit, Federal Reserve Bank of New York, August 2014

weaker home sales (down 4.3% year-to-year in July), the U.S. median home price rose by a respectable 4.9% year-to-year in July.

Another measure of the health of the consumer sector is the supply of housing at the national level. Having rebounded sharply from the recession in 2012 and 2013 with double digit percentage increases, residential investment (new home construction) slowed noticeably this year and is expected to rise by only four percent or so. This is a reflection of overall conditions in the housing market during 2014, which have been weaker than expected by just about all measures.

Consumer spending should experience near-trend growth of 2.7% in inflation-adjusted terms during 2015. Increases in durable goods spending will be led by higher expenditures on vehicles and other discretionary purchases, while purchases of both nondurable goods and services will remain on track with steady gains in the mid-two percent range.

Businesses: Investment spending has grown consistently over the past five years, driven largely by business spending on equipment, structures, and intellectual property. In 2013, investment in equipment grew by 4.6%, fueled by increases in spending on light vehicles, industrial equipment, and IT equipment. This pattern continued into 2014 with an anticipated 6.5% increase in business equipment. Investment in intellectual property, which accounts for just over one-fifth of total investment spending, grew by 3.4% last year and is expected to climb by 3.9% in 2014. Finally, following a flat performance in 2013, investment in structures should increase by over seven percent in 2014, with significant increases across all categories, led by power and communications, manufacturing facilities, petroleum and mining, and commercial/health care facilities.

Looking ahead to 2015, investment overall is expected to grow by 6.3% after a projected 5.8% gain this year. Business investment in equipment and intellectual property should show growth in the mid single-digit percentages next year, with IT equipment purchases accelerating. Business investment in structures will show marginal growth of about one percent, but commercial/health care and manufacturing facilities will continue on a solid growth path.

Government: Government purchases generally fell in the immediate wake of the recession as federal, state, and local government agencies coped with reduced revenues. By last year (2013), state and local spending had turned around with a modest 0.5% increase. State and local spending will accelerate somewhat this year and next with increases of 0.9% in 2014 and 1.2% next year although total state and local spending in current dollar terms will not surpass the previous peak for a couple more years.

At the federal level, decreases in purchases continued into 2014 as a result of budget cuts, with a 2.4% decrease anticipated for this year, considerably smaller than the 5.7% reduction last year. Both defense and nondefense spending received sizable cuts of 6.6% and 4.1% respectively in 2013. Defense spending is projected to fall by 3.0% this year, while nondefense programs will face a 1.5% decline. Spending cuts will be milder in 2015, coming in at roughly 0.5%.

Trade: In inflation-adjusted terms, exports have grown in each of the last five years. However, the growth trajectory has flattened in the last two years from 6.9% in 2011 to 3.0% last year, and an expected increase of 2.8% this year. This pattern owes in part to sub-par performances of many U.S. trading partners. A somewhat better global outlook in 2015 should trigger an uptick in U.S. exports, both in goods and services. On the import side, the improving financial state of U.S. households has driven imports to new record highs in each of the last three years, with the value of imports expected to surpass $2.5 trillion in 2014, a gain over three percent. Driven by continued strength in household and business finances, imports will grow by over four percent next year, with roughly similar percentage increases in both goods and services. With imports growing faster than exports, the nation’s trade gap will widen this year and next.

Labor: Job gains in most sectors of the economy contributed to a decline in the unemployment rate throughout the year. Nonfarm jobs increased at a rate of 1.8% annually over the first eight months of the year, marginally faster than the 1.7% gain of the past two years. This modest but consistent rate of job creation has driven the unemployment rate down from 8.1% two years ago (August 2012) to 6.1% in August 2014.

While these headline numbers suggest that the labor market is getting back to normal, other indicators imply there is still room for improvement. The share of part-time workers is coming down slowly but is high by historic standards (19% in 2014 compared to an average of 18% since 1990). Wages are still playing catch-up after lagging inflation in the immediate wake of the recession. Moreover, there is still a great deal of concern about the extent to which the drop in the labor force participation rate is due to cyclical forces as opposed to structural and demographic forces (retiring “Boomers”). Beyond-the-headline analysis such as this has prompted the Federal Reserve Bank (the Fed) to proceed at a much slower pace in withdrawing its monetary stimulus from the financial markets.

A somewhat faster pace of growth in the overall economy next year should support continued job gains, pushing the unemployment rate down to its natural rate of unemployment (full-employment) of roughly 5.5%. It should also be a year of stronger wage growth as the labor market tightens.

Inflation: Inflation has been tame over the past few years, a trend that is likely to continue going forward. A declining unemployment rate typically implies wage increases down the road. But in this cycle, firms have invested heavily in technologies that increase worker productivity, making wage-related price increases less of a foregone conclusion. Moreover, there is still slack elsewhere in the economy. Capacity utilization, which measures the share of the industrial production in use, came in at 77.8% in August, well under the 83% to 85% range that corresponds to full utilization of the nation’s productive capacity. If an inflation threat surfaces, it will most likely emanate from increases in commodities prices, which are determined globally. Overall, inflation based on the Consumer Price Index (CPI) is expected to be 1.9% this year and 2.2% next year, while other measures of inflation should also remain low.

ECONOMIC POLICY

Fiscal Policy: Fiscal policy is more-or-less on automatic pilot at this time. The Bipartisan Budget Act will rein in discretionary spending this year and next, but total Federal outlays will increase this year and next, mainly due to increases in mandatory spending (including Social Security and major health care programs) and interest. Federal government revenues are on the rise as incomes grow in an expanding economy.

According to the latest Congressional Budget Office (CBO) analysis, the budget deficit will decrease from over $680 billion in 2013 to a projected $506 billion this year, following deficits exceeding $1 trillion in the years 2009 through 2012. The deficit will improve to $469 billion in 2015 before increasing in subsequent years. The budget deficit as a percentage of GDP will drop below the 3.2% long run average this year and next before increasing later in the decade.

Monetary Policy: By law, the Fed's dual mandate is to keep inflation in check and achieve full-employment in the labor market. Full-employment is thought to occur when the unemployment rate is in the mid-five percent range. With inflation under control, the Fed has acted aggressively in recent years with a combination of conventional and unconventional monetary policies to spur economic activity and bring the unemployment rate down. Since late 2008, the Fed has kept short-term rates low by establishing a federal funds rate target of zero to 0.25%. It has also engaged in a succession of bond buying programs known as Quantitative Easing. The Fed has been winding down the third round of Quantitative Easing (QE III) during much of 2014 and is expected to complete this process in the near future. The effect should be upward pressure on long-term interest rates. As for short-term rates, the Fed's moves cannot be predicted with certainty, but it appears that the labor market will approach the Fed's full-employment target in mid- to late-2015, at which point short-term rates will be permitted to increase.

U.S. FORECAST AND RISKS

The U.S. economy should see continued forward progress in 2015 in both the public and private sectors. Even housing and construction, which has come in below expectations in 2014, should move to higher levels in 2015. GDP is projected to accelerate from an estimated 2.2% growth rate in 2014 to 2.9% in 2015. Job growth is expected across most sectors of the economy and the labor market should approach full employment.

Risks to the forecast primarily arise from elsewhere in the world. The nation's major trading partners across the Atlantic and the Pacific have struggled to ignite sustained growth within their economies. One could argue that policy missteps or omissions are to blame, but political developments in Ukraine, the Middle East, and elsewhere around the world have increased both political and economic uncertainty, never a friend of economic growth.

While the global economy always faces risks associated with disruptions to the supply of energy, these concerns pose less of a direct threat to the U.S. economy because of increases in domestic energy production. Even so, indirect threats do exist. Higher energy prices globally can exert a spillover effect and push up domestic energy prices. Increases in energy prices can also temper or derail the economic growth of major trading partners, including their demand for U.S. products and services.

Table 1: U.S. Economic Indicators

Annual % change except where noted	2008	2009	2010	2011	2012	2013	2014f	2015f
Real GDP	-0.3	-2.8	2.5	1.6	2.3	2.2	2.2	2.9
Nonfarm Employment	-0.6	-4.3	-0.7	1.2	1.7	1.7	1.8	1.8
Unemployment Rate (%)	5.8	9.3	9.6	8.9	8.1	7.4	6.3	5.8
Consumer Price Index	3.8	-0.4	1.6	3.2	2.1	1.5	1.9	2.2
Federal Budget Balance (FY, $billions)	-459	-1413	-1294	-1300	-1087	-680	-$506	-$469

Sources: BEA, BLS and CBO; forecasts by LAEDC

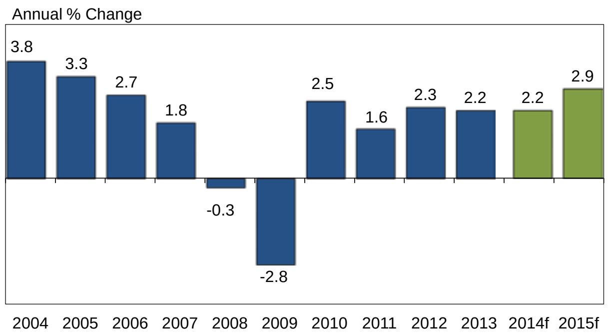
Table 2: U.S. Interest Rates

Annual Average, %	2008	2009	2010	2011	2012	2013	2014f	2015f
Fed Funds Rate	1.93	0.16	0.18	0.10	0.14	0.11	0.09	0.31
10-Yr Treasury Note	3.66	3.26	3.22	2.78	1.80	2.35	2.60	3.00
30-Year Fixed Mortgage	6.03	5.04	4.69	4.45	3.66	3.98	4.20	4.70

Sources: Federal Reserve Board; forecasts by LAEDC

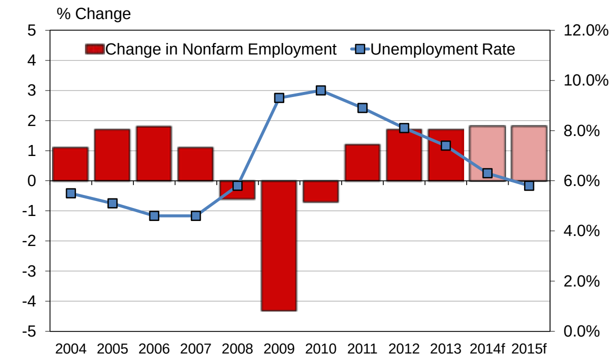
U.S. Economic Snapshot

U.S. Economic Growth



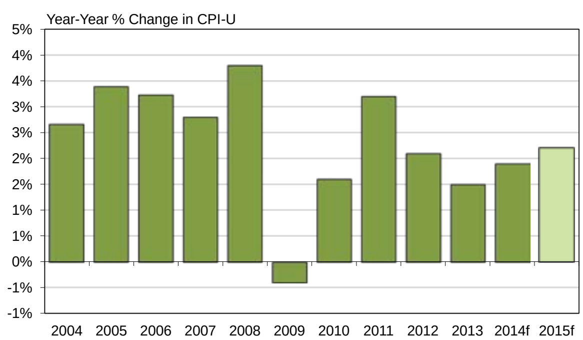
Sources: Bureau of Economic Analysis, forecasts by LAEDC

U.S. Labor Market



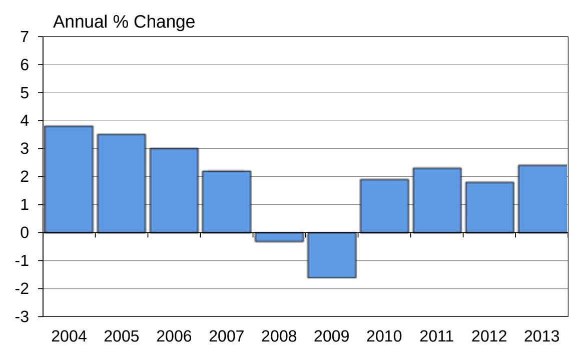
Sources: Bureau of Labor Statistics, forecasts by LAEDC

Consumer Inflation



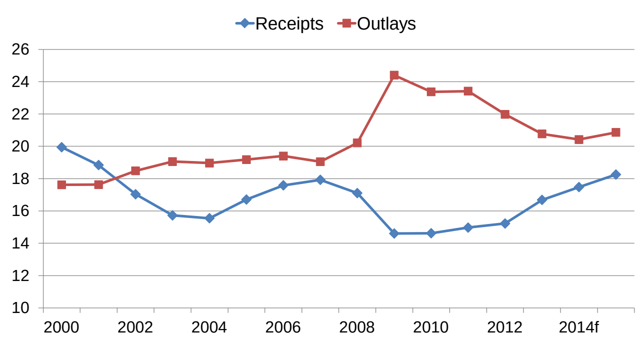
Source: Bureau of Labor Statistics; forecasts by LAEDC

U.S. Personal Consumption



Source: Bureau of Economic Analysis

Federal Budget Receipts & Outlays as Percentage of GDP



Source: Office of Management & Budget

THE INTERNATIONAL ECONOMY

The Southern California regional economy is linked to the international economy through international trade, foreign direct investment (FDI), tourism, entertainment, and education. The region's goods, services, academic institutions and human capital are in high demand the world over. One could credibly argue that no other region in the U.S. is more connected to the global economy, and that the ties between Southern California and its Asia-Pacific, Latin American and European partners will only strengthen in the coming decades. This makes it essential to monitor the international economy and most importantly, developments affecting the region's top trading partners (particularly export markets) and largest sources of FDI. [2]

RECENT DEVELOPMENTS

The key developments so far this year have been centered on the euro zone, Japan, China and other emerging markets. The euro zone economy has underperformed this year and may be headed toward another recession. Because the euro zone is the largest economy in the world, slower growth there has tempered trade flows and growth around the world.

By comparison, Japan has experienced a tale of two economies over the first half of 2014, driven by the before-and-after effects of an increase in the sales tax in April 2014. To some extent, "Abenomics" has yielded the desired results in the domestic economy of Japan and the value of the yen, but its long-term impact remains to be seen.

China continued to grow at an annual pace of roughly 7.5% over the first half of 2014, which is somewhat lower than in previous years. A similar performance is anticipated over the rest of 2014 and into 2015. Both manufacturing and services have expanded in recent months, particularly export orders. Continued growth in the services sector will be one manifestation of China's transition from export-led growth to an economy that is increasingly driven by internal growth.

Finally, other emerging economies such as Russia and Brazil have struggled over the first half of 2014. All signs point to even more difficulties ahead; particularly for Russia as it now deals with economic sanctions imposed by the U.S. and Europe.

OUTLOOK FOR 2014-2015

China, Japan, South Korea and Taiwan are the region's top four trading partners, representing more than 75% of total container volume through the ports of Los Angeles and Long Beach. China alone represents nearly 60% of two-way trade flows. Adding in the ASEAN-5 nations (Thailand, Vietnam, Indonesia, Malaysia and the Philippines), roughly 90% of all trade that takes place at the San Pedro Bay ports results from nine

[2] Please refer to the LAEDC's series of Growing Together country reports for further information: *http://laedc.org/economic-research-analysis/laedc-reports/*

countries. These nations are also among the Los Angeles Metropolitan Area's top export markets and the largest sources of FDI into Los Angeles County. Canada and Mexico are also closely connected to the Southern California economy. They are the region's top export markets and Canada ranks as the fifth leading source of FDI. Germany became the region's fifth largest trading partner in 2013 (predominantly imports of German automobiles) and is the highest ranking non-Asian country of the region's top trading partners. The United Kingdom ranked as the fourteenth largest trading partner in 2013, but is second as a source of FDI into Los Angeles County.

Following is the outlook for these 13 economies with special attention paid to China, Japan, Korea, Taiwan, Canada and Mexico because of their importance to the region as trading partners and providers of FDI.

China: China is the Los Angeles Customs District's (LACD) largest trading partner and the Los Angeles Metropolitan Area's third biggest export market. China is also one of the leading sources of FDI into Los Angeles County. Chinese investment has doubled over the past five years and shows no sign of slowing. On the export side, Chinese tourism has nearly quadrupled over the past four years making China the top overseas market for visitors to Los Angeles County. China's economic rise has been a boon for Southern California's exporters, while the inflow of billions of investment dollars has facilitated the creation of thousands of new jobs in the region.

The Chinese economy slowed again during the first quarter of 2014, growing by "just" 7.4%. There was a slight improvement in the second quarter of 2014 – the economy expanded by 7.5% and appears to have stabilized. Indexes of manufacturing, services, and exports all point to continued expansion. However, China continues to rely on mini-stimulus measures, raising concerns about the country's ability to sustain current growth rates going forward.

China's economic growth trajectory is a big concern for the global economy and will influence global economic growth and the performance of its many trading partners. However, as the Chinese government relies less on growth from fixed investments over the coming months the economy will continue to weaken. As a result, the Chinese economy will witness growth in the seven percent range in 2015.

Japan: Japan is Los Angeles County's leading source of foreign direct investment. It is also the LACD's second largest trading partner and the Los Angeles Metropolitan Area's fourth most important export market. The Japanese economy advanced during the first quarter of this year, mostly due to a spike in consumption that took place prior to the value-added (or sales tax) increase that went into effect in April. But GDP plunged in the second quarter by 7.1% (annualized), as consumption fell in response to the tax increase. This was the worst quarterly performance since the earthquake and tsunami in 2011.

The economic policies of Prime Minister Shinzo Abe (nicknamed "Abenomics") are based on three fundamental pillars. These three pillars include government spending, increasing the money supply (to combat deflation) and structural reforms. The first pillar proved to be effective in 2013, and the second pillar (increasing the money supply) has been effective in bringing inflation back to Japan. Expansionary monetary policy has also led to a substantial drop in the value of the yen, which has fallen by over 30% vis-à-vis the U.S. Dollar over the past two years prompting a resurgence of Japanese exports.

All of this should translate into Japan growing by roughly 1.5% this year, and slowing to about 1.0% in 2015 because of constraints on consumer spending imposed by the value-added tax increases. The Japanese economy faces significant challenges with respect to encouraging economic growth while also working to reduce the debt to GDP ratio.

South Korea: Korea's three main growth engines (exports, corporate investment, and domestic demand) all showed significant improvement last year. Over the first half of 2014, the economy grew by roughly four percent, exports continued to do well, and there were signs of improvement in domestic consumption.

Concerned about the sustainability of its economic growth, the South Korean government implemented fiscal and monetary stimulus measures. The stimulus should help the economy over the short term, mostly by increasing exports. Exports to the U.S. are expected to rise, but stimulating additional demand for South Korean exports in China and Europe is less certain.

The South Korean economic outlook for the rest of the year and into 2015 will largely depend upon the global economic environment, especially developments in China, the U.S. and Europe, all of which are significant destinations for Korean exports. Based on expectations of an improvement in export growth and short-term stimulus, the Korean economy is projected to expand by 3.5% in 2014 and approach something closer to 4.0% in 2015.

Canada**:** Canada is the Los Angeles Metropolitan Area's largest export market and Los Angeles County's fifth largest source of foreign direct investment (FDI). Canada's economy is heavily dependent upon exports. Roughly 75% to 80% of Canadian exports ship to the U.S., a large part of which is motor vehicle and related parts. As such, the Canadian economy benefitted from the acceleration of U.S. auto sales in recent years.

After edging up by just 0.9% in the first quarter of this year, Canadian GDP rebounded strongly in the second quarter expanding by 3.1% at an annualized rate. This was the strongest growth rate in almost three years. Exports and fixed capital investment have been the main drivers of growth so far this year. The weakening of the Canadian Dollar vis-à-vis the U.S. Dollar has also boosted exports this year.

A weaker Canadian Dollar, stronger U.S. GDP growth and a stronger global economy will help Canada the rest of this year and in 2015. The Canadian economy is expected to expand in the range of 2.0% to 2.5% in 2014, accelerating slightly in 2015 to 2.5%.

Mexico**:** Mexico is the Los Angeles Metropolitan Area's second largest export market and one of Los Angeles County's largest sources of FDI. Like Canada, Mexico depends heavily on U.S. demand -- nearly 80% of Mexican manufactured goods end up in the U.S. Thus, the strength of U.S. economy has a direct influence on Mexico's growth potential.

Over the past year, Mexico's economy has slowed, mainly due to a decline in construction spending and reduced investment. A slight slowdown in exports to the U.S. was also a contributing factor. The result was subpar growth over the first half of 2014.

More recently, exports to the U.S. have improved, a trend that should continue due to strong demand for automobiles in the U.S. The manufacturing sector in Mexico accounts for about 15% of economic output and a big part of that is automobile production.

The Mexican economy should grow by roughly 2.0% to 2.5% this year and by close to 3.5% in 2015 as the domestic environment for exports, government spending, and investment improves and as the U.S. economy strengthens. It is hoped the structural reforms instituted by the Nieto-led government (particularly in the areas of energy and fiscal policy) will help unlock the country's potential.

Taiwan**:** Taiwan is the LACD's fourth largest trading partner and one of Los Angeles County's top 10 sources of FDI. Similar to South Korea, Taiwan relies on external demand, with 70% to 75% of Taiwan's GDP tied to exports, mainly to China. Taiwan is more interconnected to the Chinese economy than any other nation in the world. The slowdown in China has dampened growth in Taiwan over the past two years. Growth has improved this year and GDP was up by 3.8% year-to-year in the second quarter. Stronger U.S. demand along with a weaker Taiwanese Dollar have helped the Taiwan economy. Taiwan's GDP should expand by nearly 4.0% this year and may exceed 4.0% in 2015, depending upon conditions in China and Europe.

Germany: Germany is now the LACD's fifth largest trading partner, having surpassed Thailand in 2013. As the largest economy in the euro zone, Germany has long been that region's economic driver. Germany posted small gains in GDP during 2012 and 2013, but results so far this year have been mixed. Strong growth in the first quarter was largely offset by nearly flat growth during the second quarter, primarily due to the overall slowdown in the euro zone and the impact of deteriorating economic ties with Russia. GDP growth in the 1.0% to 1.5% range is expected this year followed by stronger growth in 2015. However, the crisis between the Ukraine and Russia lends uncertainty to the outlook.

United Kingdom: The United Kingdom (U.K.) is Los Angeles County's second largest source of foreign direct investment. The U.K. significantly outperformed the euro zone over most of last year, and continued to do so through 2014. During the first two quarters of this year, the U.K. economy grew at its fastest pace in three years. The most significant contributor to this turnaround was a rise in personal consumption. The best performing sectors have all been related to the consumer sector, including retail trade, leisure and hospitality, and construction. Economic growth in the U.K. should be three percent or more this year, and between 2.5% and 3.0% in 2015, making it the fastest growing major economy in the Europe.

ASEAN-5: The Association of Southeast Asian Nations (ASEAN-5) is a group of five countries: Thailand, Vietnam, Indonesia, Malaysia, and the Philippines, all of which are among the top 15 trading partners of the LACD.

The strongest economies in 2014 have been the Philippines and Malaysia, both of which have expanded by over six percent. At the other extreme, Thailand has experienced the most disappointing performance so far this year. Consumption and investment were negatively impacted by the military coup that took place this past May. The second worst performer was Indonesia, which had been one of the stronger economies over the last few years. The main reasons for this can be attributed to a fall in commodity prices and exports, and an end to cheap money that was created by low interest rates in the U.S. and other advanced economies, and corruption. As a group, the ASEAN-5 are expected to experience 4.6% GDP growth this year and 5.6% in 2015 mainly led by the Philippines, Malaysia and Vietnam.

RISKS FOR 2014-2015 AND CONCLUSIONS

Europe, the U.S., China, and Japan (the four largest economies in the world) will largely determine the direction of the global economy through the rest of this year and into 2015. The good news is that the U.S. will perform more strongly and contribute more to global growth this year and into 2015. However, the bad news is that most advanced and emerging economies will struggle with subpar growth, much as they have in the years since the end of the Great Recession.

The major risks facing the global economy are geopolitical in nature. The ongoing Ukraine/Russia crisis could be the biggest threat to the global economy. Germany is closely linked to Russia through strong trade and investment ties, and can ill-afford the added stress as it copes with slower growth. Western Europe is very reliant upon Russian energy sources as a key input for production and heating in the winter. Any disruption of Russian energy imports could easily push the euro zone into another recession. Both the Ukrainian and Russian economies have been significantly affected as a direct result of the conflict, and Russia could very well fall into a recession in the near future.

Second, the situation related to the Islamic State (aka ISIS or ISIL) could greatly destabilize the entire Middle East leading to a spike in oil prices, a development that could stop global growth in its tracks or even tip much of the world into recession. Finally, there is a risk China might still suffer a hard landing in the near term.

Overall, the developing nations of Asia are expected to experience a higher rate of growth this year, provided China can maintain a growth rate of 7.5%. Demand from the advanced economies will also be stronger this year and next, especially in the U.S. The latest IMF World Economic Outlook update (July 2014), projects a 3.4% global growth rate this year and a 4.0% increase in 2015.

FOREIGN EXCHANGE RATES

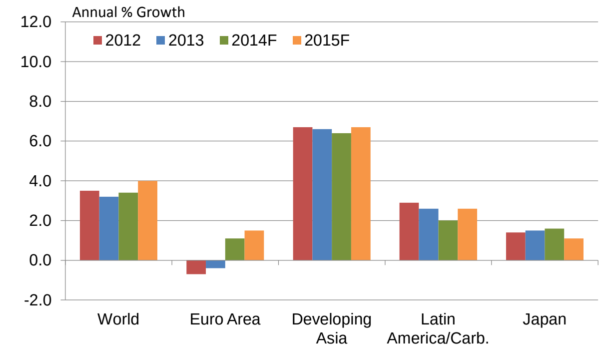
The biggest currency story in 2013 was related to the Japanese Yen, which fell as a result of expansionary policies that were introduced in late 2012. This trend has continued in 2014 with the U.S. Dollar reaching its highest level relative to the Japanese Yen since 2008.

More recently, the main currency story has been the growing strength of the U.S. Dollar, mainly due to the Fed's actual and anticipated policy moves that will eventually lead to higher U.S. interest rates. This has occurred as other central banks around the world have implemented expansionary monetary policy in order to stimulate low growth rates. The European Central Bank (ECB) just cut interest rates again and announced that it will begin its own quantitative easing (QE) process in the coming months. As a result, the euro has significantly weakened against the U.S. Dollar, a trend that should prevail in the short-term if the U.S. economy continues to improve ahead of the euro zone.

Thus far in 2014, the U.S. Dollar has appreciated vis-à-vis almost every major currency with the exception of the British Pound. The dollar has performed very well against the euro, the Japanese Yen and the Taiwanese Dollar. In addition, it has continued to gain value with respect to emerging market currencies. Declines in commodity prices, resulting from decreased demand from China and other emerging nations, have put additional upward pressure on the U.S. Dollar (most major commodities are priced in U.S. Dollars).

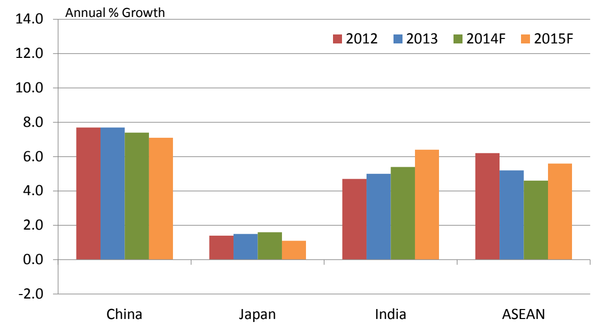
Global Economic Snapshot

Global Economic Outlook



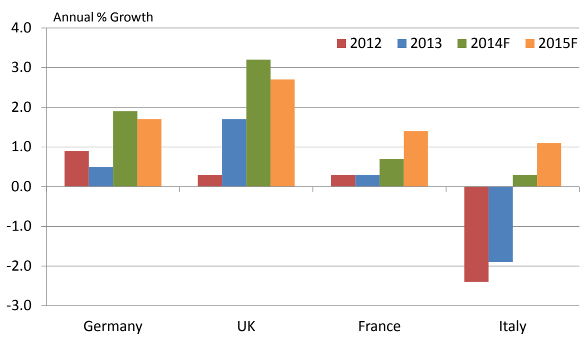
Source: IMF World Economic Outlook, July 2014 Update

Asian Economic Outlook



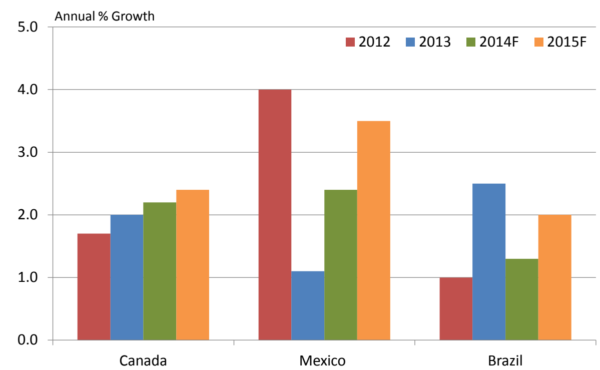
Source: IMF World Economic Outlook, July 2014 Update

European Economic Outlook



Source: IMF World Economic Outlook, July 2014 Update

Americas Economic Outlook



Source: IMF World Economic Outlook, July 2014 Update

Table 3: Foreign Exchange Rates of Major U.S. Trading Partners

Country (Currency)*	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	3q2014
Broad Currency Basket (index)	113.63	110.71	108.52	103.40	99.83	105.87	101.97	97.17	99.82	101.12	103.00
Canada (US$/C$)	1.302	1.212	1.134	1.073	1.066	1.141	1.030	0.989	0.999	1.030	1.094
China (US$/yuan)	8.28	8.19	7.97	7.61	6.95	6.83	6.77	6.46	6.31	6.15	6.17
Euro Zone (US$/₠)**	1.244	1.245	1.256	1.371	1.473	1.393	1.326	1.404	1.286	1.328	1.356
Japan (US$/¥)	108.2	110.1	116.3	117.8	103.7	93.7	87.8	79.7	79.8	97.6	102.9
Mexico (US$/peso)	11.29	10.89	10.91	10.93	11.14	13.50	12.62	12.43	13.15	12.76	13.11
South Korea (US$/₩)	1145	1024	954	929	1099	1275	1156	1107	1126	1095	1041
United Kingdom (US$/£)**	1.833	1.820	1.843	2.002	1.855	1.566	1.545	1.604	1.585	1.564	1.669

Percent Change***	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	3q2014
Broad currency basket (index)	-4.6%	-2.6%	-2.0%	-4.7%	-3.5%	6.1%	-3.7%	-4.7%	2.7%	1.3%	1.9%
Canada (C$)	-7.1%	-6.9%	-6.4%	-5.3%	-0.7%	7.0%	-9.7%	-4.0%	1.0%	3.1%	6.2%
China (yuan)	0.0%	-1.0%	-2.7%	-4.6%	-8.7%	-1.7%	-0.9%	-4.5%	-2.4%	-2.6%	0.3%
Euro Zone (₠)	-9.9%	-0.1%	-0.9%	-9.1%	-7.4%	5.4%	4.8%	-5.9%	8.4%	-3.3%	2.1%
Japan (¥)	-6.7%	1.8%	5.6%	1.2%	-11.9%	-9.6%	-6.3%	-9.2%	0.1%	22.3%	5.4%
Mexico (peso)	4.6%	-3.5%	0.1%	0.2%	2.0%	21.2%	-6.5%	-1.6%	5.8%	-3.0%	2.8%
South Korea (₩)	-3.9%	-10.6%	-6.8%	-2.7%	18.3%	16.0%	-9.4%	-4.2%	1.7%	-2.8%	-4.9%
United Kingdom (£)	-12.1%	0.7%	-1.3%	-8.6%	7.4%	15.6%	1.3%	-3.8%	1.2%	1.3%	6.7%

Source: Federal Reserve Statistical Release G.5A; Annual Averages

<u>Notes:</u>
**Foreign currency units per U.S. dollar*
***The value in U.S. dollars versus the foreign currency*
****Performance of U.S. dollar versus the foreign currency*

THE CALIFORNIA ECONOMY

INTRODUCTION

By a number of measures, California's economy has outperformed the national economy in the last few years, despite facing more adversity than other states during the recession. California's Gross State Product (GSP) grew more quickly than the nation in two of the last three years. In 2014, California's GSP grew by an estimated 3.1%, outpacing the national growth rate of 2.2%. The state added jobs at a faster rate than the U.S. in 2012 and 2013, and is on track to outpace the nation in 2014. By June of this year, California had recovered all the wage and salary jobs that were lost during the recession, just one month behind the nation as a whole. The state's unemployment rate is still higher than the nation's, but fell quickly over the past two years and is presently below its long run annual average rate.

In 2014, California outpaced the nation: gross state product grew at an estimated 3.1% vs. the national growth rate of 2.2%. California also added jobs at a faster rate than the nation as a whole.

The state's eight largest metro areas account for 12.2 million of the state's 14.8 million wage and salary jobs. Among the major metro areas, Los Angeles County added the largest number of jobs in absolute terms through the first seven months of 2014 (88,000 of the state's 335,000 new jobs). However, the Silicon Valley (San Jose MSA) generated jobs at the fastest pace (over 3.8%), followed by the San Francisco Bay Area (3.0%). Within Southern California, the Inland Empire (Riverside County-San Bernardino County) experienced the fastest rate of growth at 2.8%, with Los Angeles County and Orange County each growing at roughly two percent. San Diego added jobs at a 2.3% rate through the first seven months of the year. Despite the Inland Empire's recent performance, inland parts of the state have generally recovered from the recession more slowly than the coastal portions of the state.

Nearly every industry added jobs over the first seven months of 2014, but the gains were concentrated in just five industries. Over the past year, 70% percent of new jobs occurred in: health care; leisure and hospitality; administrative, support, and waste services; professional, scientific and technical services; and construction. In percentage terms, construction added jobs at the fastest rate while nondurable goods manufacturing and financial services both lost jobs. The government sector finally saw a modest addition to payrolls in 2014 following four consecutive years of losses.

TRENDS IN MAJOR INDUSTRIES

Aerospace and Technology: California's technology sector consists of a combination of manufacturing and service industries in aerospace, information technology and biomedical technology. Aerospace and technology industries are concentrated in Los Angeles and Orange counties, San Diego County and the Silicon Valley. Together, these industries make up the core of the state's information, technology, and innovation economy.

Technology employment exceeded one million workers in 2013 for the first time since 2001. However, the mix of jobs across industries has changed in the ensuing time period. Jobs in technology services grew by approximately one-third while manufacturing jobs fell by nearly the same margin. As a result, employment in technology services rose from 48% to 63% of all technology jobs. The decline in manufacturing employment was tempered in part by a 6,500 (16.5%) gain in pharmaceutical and medicine manufacturing.

Through the first seven months of this year, technology employment grew by 3.2% (32,500 jobs), slightly faster than the 3.0% increase from 2012 to 2013. Over half of the jobs came from management, scientific and technical consulting (18,500 jobs) with computer systems and design contributing 8,500 jobs. Smaller increases occurred elsewhere except for aerospace product and parts manufacturing which lost 1,600 jobs year-to-date through July. Similar trends are anticipated in the foreseeable future, with the largest gains occurring in technology services with technology manufacturing flat or down marginally.

Agriculture: Agricultural and related products are one of California's largest exports to the rest of the world. Industry employment over the first seven months of this year averaged 402,900 workers or 2.6% of total civilian employment in the state, virtually unchanged from 2013. Agriculture also accounted for about 1.4% of gross state product in 2014.

Cash receipts for all commodities grew by 3.2% from $43.3 billion in 2011 to a record high of $44.7 billion in 2012. Crop receipts rose by 5.2% to $32.6 billion, while livestock receipts fell by 1.7% to $12.2 billion. California ranked first among the 50 states in terms of net farm income at $16.0 billion, based on 2012 data (latest available).

Health Care: The health care and social assistance industry in California has registered job gains before, during, and since the recession. With just over two million workers, the industry accounts for slightly more than 13% of the state's wage and salary (nonfarm) jobs, the largest of all the major industries. During the first seven months of 2014, health care added over 67,000 jobs, growing at a 3.5% rate year-to-year.

Within the broadly defined industry, the largest job gains occurred in individual and family services with a gain of over 35,000 jobs over the first seven months of the year. Doctors' offices added 9,000 jobs (3.4%) and outpatient facilities contributed another 7,000 jobs (6.3%). Employment in hospitals was down marginally while nursing home employment rose slightly.

In the long-term, the health care industry must respond to the state's growing population, a larger share of older Californians, and increased longevity due to better diet and health care. As with the nation, the challenge for the state will be to manage the ongoing costs associated with these developments.

International Trade: The international trade sector is a significant part of California's economy and a vital link in the nation's international trade network. About forty percent of the nation's imported containers pass through California's ports. The state also ranks as the second largest goods exporting state in the country. Its largest exports are computer products, transportation equipment (mainly aerospace-related), machinery, chemicals (pharmaceuticals), and agriculture. Imports outweigh exports by a two-to-one margin.

Statewide two-way trade hit a record-high of $596.4 billion in 2013 and is on track to exceed $600 billion in 2014. If not for below-par growth in the U.S. and economic weakness elsewhere in the world, trade would have grown more quickly in the last few years. Two-way trade for 2014 is expected to grow by about 2.4%, with a 4.5% increase anticipated for 2015.

Tourism: The tourism and hospitality industry is a pillar of California's economy. Visitor counts are up compared to last year, with the state's domestic airport traffic rising by 4.1% in the first seven months of 2014 compared with the same period last year, and international travel was up by 8.7% over the same time period.[3] California's occupancy rates and average daily room rates hit new highs in 2013 and are up again this year in year-to-date terms.

Leisure and hospitality[4] jobs account for about 11% of all wage and salary jobs in the state. While a significant part of leisure and hospitality activity is associated with tourism, many of these jobs fundamentally serve the local population more so than the region's tourists. This sector grew by 2.6% through July of this year to over 1.7 million jobs, following a 4.5% gain last year. Payrolls grew the fastest at restaurants and bars, which make up over 70% of all leisure and hospitality employment.

As economic conditions improve across the nation, California should expect continued growth in both tourism and business travel. International tourism also holds great potential in the next year and beyond.

Construction: Construction activity and employment in 2013 both exhibited welcome increases after struggling in the years during and immediately after the recession. New office construction continues to lag because of high vacancy rates, but industrial construction has grown, especially in the goods movement and distribution, technology, and energy industries. Nonresidential construction permits are projected to increase by 67.3% this year and by 8.1% next year. New home permits, which increased sharply last year, are expected to show a modest single digit gain this year but accelerate next year with a 28% jump.

Construction employment has seen substantial gains thus far in 2014, growing at a 5.4% average yearly rate over the first seven months of the year and adding nearly 34,000

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[3] Visit California "Monthly Tracking Dashboard", August 2014

[4] Leisure and hospitality (NAICS 72) includes lodging, food services, the performing arts, museums, amusement parks and gambling establishments.

jobs, after adding jobs at a rate of nearly 8% last year. These gains have only begun to offset the loss of 373,900 jobs, or 40% of total construction employment, from a 2006 peak of 933,700 to a low of 559,800 in 2010. Construction employment is expected to grow by 5.7% for all of 2014 with an 8.2% increase anticipated in 2015.

LOOKING AHEAD

While progress in the national and state economies has boosted confidence, optimism on the part of both consumers and businesses has been tempered by caution. Following a 3.0% increase in 2013, nonfarm jobs are expected to increase by 2.2% in both 2014 and in 2015. The unemployment rate will fall from 8.9% in 2013 to 7.5% this year and 7.0% in 2015. With continued improvement in the labor market, both personal income and total taxable sales should increase by four to five percent in each of the next two years.

GROSS PRODUCT COMPARISONS

California has a diversified and innovative economy that ranks as one of the largest in the world. Southern California and Los Angeles County also have two of the biggest economies in the world. Based on IMF final 2013 figures and Bureau of Economic Analysis national and state gross product figures, California was the eighth largest economy in the world, just behind Brazil and ahead of Russia. The Los Angeles five-county region retained its sixteenth place position, ranking just behind South Korea, while Los Angeles County held on to twenty-first place. Los Angeles County is behind Saudi Arabia and Switzerland, and ahead of Sweden, Poland, Norway, Belgium and Taiwan (based on market exchange rates).

If one were to make a comparison of the growth rates of California and Southern California with other countries around the world, the appropriate reference would be to the industrialized nations. In 2013, the economies of California and the Los Angeles five-county region grew at a faster rate than most of the major countries of Europe and Japan. At 2.0%, California and the greater Los Angeles region matched Canada, but fell short of Australia (2.4%).

For the second consecutive year, India and Canada swapped rankings with India moving back into tenth place. Iran dropped out of the top 25 last year due to the crippling effects of economic sanctions and the weakening of its currency, with Sweden, Poland, Norway and Belgium all moved up one spot. Finally, Taiwan entered into the top 25 rankings for the first time.

By and large, the emerging economies have experienced stronger growth rates than the developed economies. For example, in China and Indonesia real GDP expanded by 7.6% and 5.8% respectively while the U.S. and Japanese economies expanded by about two percent. The weakest performing economies were in the euro zone, with Germany and France showing slight growth and the economies of Italy, Spain and the Netherlands contracting.

Table 4: Gross Product Comparisons, 2013
(Billions of $US)

Rank	Country/State/Region	Nominal GDP 2013	Nominal '12-'13 % Chg.	Real '12-'13 % Chg.
1	United States	$16,768.1	3.7%	2.2%
2	China	$9,181.4	11.6%	7.6%
3	Japan	$4,901.5	-17.5%	1.5%
4	Germany	$3,635.9	6.1%	0.5%
5	France	$2,737.4	4.8%	0.3%
6	United Kingdom	$2,535.8	2.1%	1.8%
7	Brazil	$2,242.9	-0.2%	2.3%
	California	**$2,202.7**	**3.6%**	**2.0%**
8	Russia	$2,118.0	5.7%	1.3%
9	Italy	$2,071.9	2.9%	-1.8%
10	India	$1,870.7	0.6%	4.4%
11	Canada	$1,825.1	0.2%	2.0%
12	Australia	$1,505.3	-3.2%	2.4%
13	Spain	$1,358.7	2.7%	-1.2%
14	Mexico	$1,258.5	6.3%	1.1%
15	South Korea	$1,221.8	8.2%	2.8%
	Los Angeles 5-Co. area	**$948.2**	**3.2%**	**2.0%**
16	Indonesia	$870.3	-0.9%	5.8%
17	Turkey	$827.2	5.0%	4.3%
18	Netherlands	$800.0	3.8%	-0.8%
19	Saudi Arabia	$745.3	1.6%	3.8%
20	Switzerland	$650.8	3.1%	2.0%
	Los Angeles County	**$583.1**	**3.3%**	**2.2%**
21	Sweden	$557.9	6.5%	1.5%
22	Poland	$516.1	5.4%	1.6%
23	Norway	$511.3	2.3%	0.8%
24	Belgium	$506.6	4.8%	0.2%
25	Taiwan	$489.2	2.9%	2.6%

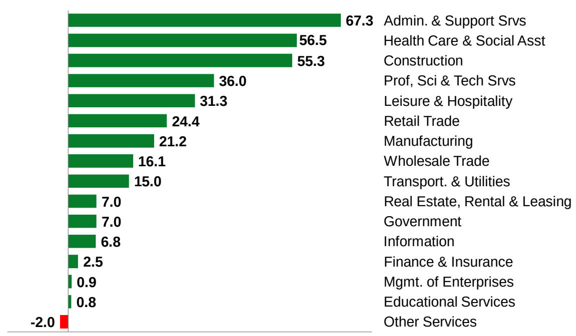
Note: Based on Market Exchange Rates and not on Purchasing Power Parity (PPP) Rates, Nominal GDP figures are not adjusted for inflation

Sources: IMF World Economic Outlook (WEO) -- July 2014 Update, Bureau of Economic Analysis (BEA), U.S. GDP and State Gross Product, and IHS Global Insight

California Snapshot

California Employment Growth, 2015

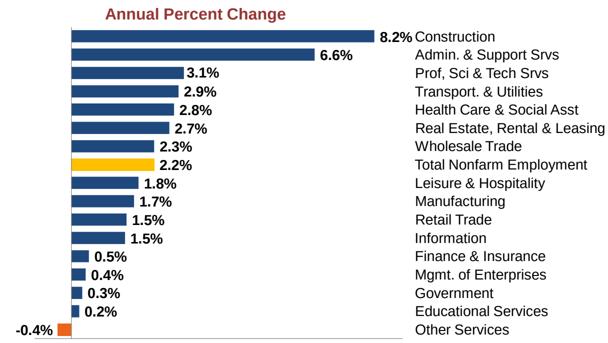
Total nonfarm job growth forecast for 2015 (thousands): +347.7 jobs



Source: CA EDD, Labor Market Information Division, forecast by LAEDC

California Employment Growth, 2015

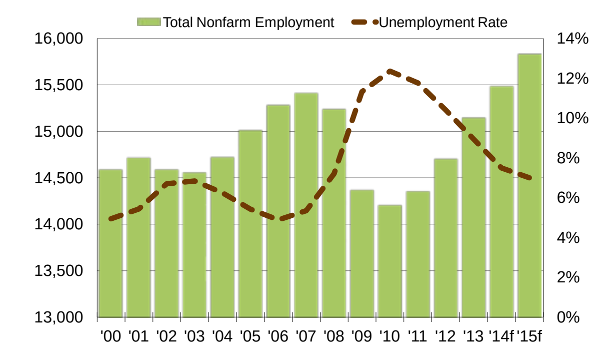
Total nonfarm job growth forecast for 2015, percent change: +2.2%



Source: CA EDD, Labor Market Information Division, forecast by LAEDC

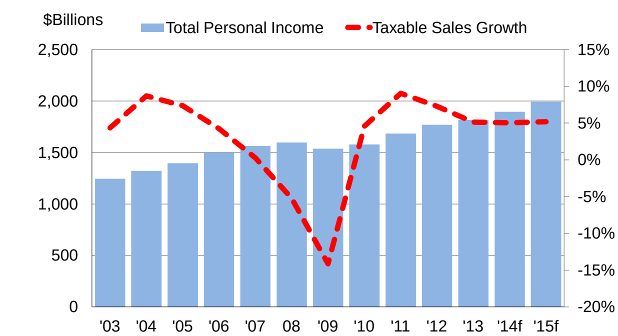
California Employment

Annual average in thousands, 2013 benchmark



Source: EDD Labor Market Information Division; forecast by LAEDC

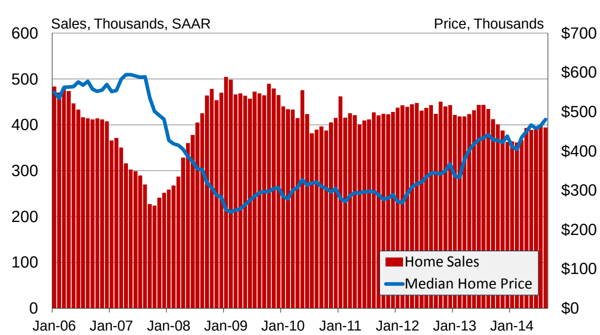
California Personal Income & Taxable Sales Growth



Source: California Board of Equalization, Dept. of Commerce; estimate & forecast by the LAEDC

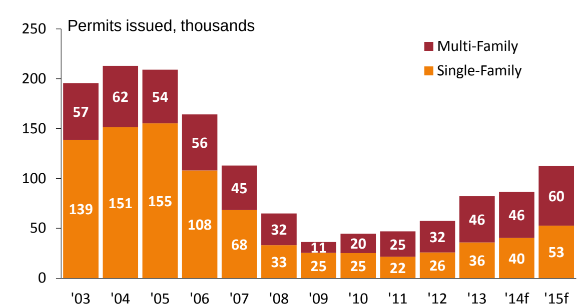
Home Sales & Median Prices California

Existing, single-family homes



Source: California Association of Realtors

Residential Building Permits Issued in California



Source: CIRB, California Home Building Foundation, forecast by LAEDC

Table 5: California Economic Indicators

Year	Population on July 1 (Thousands)	Nonfarm Employment (Ave., thousands)	Unemploy-ment Rate (ave., %)	Total Personal Income ($Billions)	Per Capita Personal Income ($)	Total TaxableSales ($Billions)	Value of Two-way Trade ($Billions)	Housing Unit Permits Issued	Nonresidential Buidling Permits ($Millions)
2003	35,388.9	14,558.0	6.8	1244.4	35,298	460.1	347.8	195,682	18,628
2004	35,752.8	14,723.6	6.2	1321.6	37,150	500.1	394.3	212,960	19,718
2005	35,985.6	15,012.1	5.4	1396.2	38,969	536.9	433.1	208,972	21,469
2006	36,246.8	15,284.3	4.9	1499.5	41,627	559.7	487.6	164,280	23,298
2007	36,552.5	15,410.8	5.4	1564.4	43,157	561.1	512.9	113,034	23,733
2008	36,856.2	15,240.5	7.2	1596.3	43,609	531.7	523.3	64,962	19,588
2009	37,077.2	14,371.5	11.3	1536.4	41,569	456.5	413.3	36,421	10,866
2010	37,309.4	14,210.3	12.4	1579.1	42,297	477.3	502.6	44,762	11,200
2011	37,570.1	14,358.1	11.8	1683.2	44,666	520.6	558.5	47,090	12,166
2012	37,872.4	14,706.3	10.4	1768.0	46,477	558.4	578.2	57,628	14,815
2013	38,204.6	15,147.4	8.9	1817.0	47,401	587.1	596.4	82,300	22,172
2014f	38,548.4	15,483.8	7.5	1896.2	49,037	616.7	610.4	86,400	37,088
2015f	38,895.4	15,831.4	7.0	1992.6	51,070	648.6	638.0	110,600	40,092

% Change									
03/02	1.3%	-0.2%		4.3%	3.1%	4.3%	6.1%	16.6%	-6.1%
04/03	1.0%	1.1%		6.2%	5.2%	8.7%	13.4%	8.8%	5.9%
05/04	0.7%	2.0%		5.6%	4.9%	7.4%	9.9%	-1.9%	8.9%
06/05	0.7%	1.8%		7.4%	6.8%	4.2%	12.6%	-21.4%	8.5%
07/06	0.8%	0.8%		4.3%	3.7%	0.2%	5.2%	-31.2%	1.9%
08/07	0.8%	-1.1%		2.0%	1.0%	-5.2%	2.0%	-42.5%	-17.5%
09/08	0.6%	-5.7%		-3.7%	-4.7%	-14.1%	-21.0%	-43.9%	-44.5%
10/09	0.6%	-1.1%		2.8%	1.8%	4.6%	21.6%	22.9%	3.1%
11/10	0.7%	1.0%		6.6%	5.6%	9.1%	11.1%	5.2%	8.6%
12/11	0.8%	2.4%		5.0%	4.1%	7.3%	3.5%	22.4%	21.8%
13/12	0.9%	3.0%		2.8%	2.0%	5.1%	3.1%	42.8%	49.7%
14/13	0.9%	2.2%		4.4%	3.5%	5.0%	2.4%	5.0%	67.3%
15/14	0.9%	2.2%		5.1%	4.1%	5.2%	4.5%	28.0%	8.1%

Sources: State of California: Dept. of Finance, Employment Development Department, Board of Equalization; U.S. Dept of Commerce, Construction Industry Research Board; California Homebuilding Foundation; estimates and forecasts by the LAEDC

Table 6: California Nonfarm Employment

Annual averages, Thousands, March 2013 benchmark

Year	Total Nonfarm Employment	Natural Resources	Construction	Manufacturing	*Mfg. -- Durable*	*Mfg .-- Nondurable*	Wholesale Trade	Retail Trade	Transport. & Utilities	Information
2003	14,558.0	22.2	796.8	1,544.5	978.5	566.0	647.4	1,588.4	480.6	476.1
2004	14,723.6	22.8	850.4	1,523.4	966.0	557.4	653.0	1,617.8	482.8	482.4
2005	15,012.1	23.6	905.3	1,504.7	959.0	545.7	673.6	1,659.3	487.1	473.6
2006	15,284.3	25.1	933.7	1,490.2	947.6	542.6	700.3	1,680.1	496.1	466.1
2007	15,410.8	26.7	892.6	1,464.3	927.9	536.4	715.3	1,689.9	507.7	471.1
2008	15,240.5	28.7	787.7	1,425.4	899.8	525.6	703.5	1,640.9	504.9	476.1
2009	14,371.5	26.1	623.1	1,281.9	798.9	483.0	645.4	1,522.5	474.5	441.3
2010	14,210.3	26.8	559.8	1,241.9	771.1	470.8	644.0	1,517.7	466.2	429.0
2011	14,358.1	28.8	561.3	1,247.8	778.7	469.1	657.9	1,546.6	474.3	430.6
2012	14,706.3	30.5	589.9	1,252.1	781.4	470.7	675.7	1,572.3	487.3	435.1
2013	15,147.4	30.6	636.2	1,250.8	780.8	470.0	697.4	1,601.4	503.7	450.4
2014f	15,483.8	31.1	672.3	1,249.5	787.2	462.3	713.3	1,625.9	516.7	468.1
2015f	15,831.4	32.6	727.6	1,270.7	807.4	463.4	729.4	1,650.3	531.7	474.9

Year	Finance & Insurance	Real Estate, Rental & Leasing	Prof, Sci & Tech Srvs	Mgmt. of Enterprises	Admin. & Support Srvs	Educational Services	Health Care & Social Asst	Leisure & Hospitality	Other Services	Government
2003	606.6	272.2	906.6	247.7	931.0	258.2	1,449.3	1,400.1	504.3	2,426.1
2004	618.8	276.4	918.9	231.3	947.8	262.9	1,494.2	1,439.4	503.9	2,397.7
2005	636.6	283.6	970.2	222.1	969.0	272.2	1,530.4	1,475.2	505.5	2,420.2
2006	639.3	288.5	1,026.4	212.6	1,004.4	277.6	1,565.7	1,519.0	507.1	2,452.3
2007	613.1	283.5	1,060.1	207.2	998.9	289.3	1,623.9	1,560.4	512.2	2,494.6
2008	566.0	275.9	1,079.1	207.2	952.5	300.6	1,689.3	1,572.6	511.3	2,518.9
2009	528.1	254.9	1,013.6	197.3	850.2	304.3	1,739.6	1,503.0	486.2	2,479.6
2010	511.9	248.3	1,015.3	195.4	863.0	309.7	1,746.2	1,501.5	484.9	2,448.5
2011	514.8	247.1	1,049.1	199.3	882.5	325.8	1,758.0	1,535.8	493.6	2,404.9
2012	522.7	250.8	1,100.5	205.2	932.6	336.2	1,835.9	1,598.7	504.7	2,376.3
2013	523.9	258.4	1,138.0	216.8	976.1	346.4	1,960.7	1,671.3	515.2	2,370.1
2014f	515.2	263.6	1,180.1	224.2	1,019.0	360.7	2,026.6	1,715.1	523.3	2,379.1
2015f	517.6	270.6	1,216.2	225.1	1,086.3	361.4	2,083.1	1,746.4	521.4	2,386.1

Sources: California Employment Development Department, LMID; estimates and forecasts by LAEDC

Table 7: California Regional Nonfarm Employment

Annual averages for major metropolitan areas, thousands; March 2013 benchmark

\ MSA Year \	State of California	Oakland	San Francisco	San Jose	Bakersfield	Fresno	Modesto	Sacramento	Los Angeles	Orange	Riverside-San Bernardino	San Diego	Ventura
1990	12,538.8	882.8	949.5	824.9	171.4	226.9	117.9	620.9	4,148.4	1,173.7	715.7	969.8	230.5
1991	12,406.5	883.7	942.5	816.2	178.1	229.9	118.2	634.0	3,997.8	1,145.2	722.8	966.8	230.7
1992	12,208.8	874.7	918.1	802.7	174.3	233.3	120.5	626.8	3,822.1	1,127.7	733.9	952.5	227.0
1993	12,097.2	877.8	912.0	807.7	170.8	236.6	122.1	629.3	3,724.7	1,116.9	737.8	951.2	227.4
1994	12,215.2	882.0	907.5	811.2	171.9	240.1	122.8	647.7	3,721.2	1,128.3	755.5	959.2	233.8
1995	12,481.1	902.2	920.3	843.8	174.0	246.6	124.7	666.9	3,768.1	1,153.1	784.2	982.1	237.8
1996	12,810.0	921.8	952.4	892.9	176.2	250.3	128.6	686.0	3,814.1	1,185.6	807.8	1,009.6	238.4
1997	13,207.8	953.8	988.6	940.9	180.7	253.9	132.6	707.0	3,896.6	1,235.2	846.3	1,057.9	243.3
1998	13,695.2	981.9	1,023.0	971.1	186.0	258.7	138.5	737.4	3,985.3	1,300.7	888.2	1,109.8	253.0
1999	14,101.6	1,014.6	1,051.8	986.7	190.6	267.7	143.1	776.5	4,048.6	1,346.8	945.5	1,157.5	264.3
2000	14,590.4	1,050.0	1,089.8	1,045.6	195.7	275.5	145.3	801.9	4,116.5	1,390.2	993.7	1,197.6	275.6
2001	14,716.6	1,060.5	1,061.2	1,019.4	203.9	281.0	151.1	824.3	4,125.4	1,415.4	1,036.4	1,222.8	280.5
2002	14,591.0	1,046.3	995.2	919.4	207.0	287.8	152.2	839.1	4,086.1	1,406.1	1,072.5	1,235.7	282.5
2003	14,558.0	1,034.4	960.9	873.8	209.3	289.1	154.2	855.4	4,054.2	1,432.5	1,109.6	1,247.3	285.0
2004	14,723.6	1,033.6	951.6	867.6	214.1	294.5	156.8	870.0	4,077.3	1,461.3	1,173.0	1,268.6	287.0
2005	15,012.1	1,042.2	959.9	876.5	224.8	301.9	161.4	892.7	4,118.0	1,495.9	1,235.9	1,291.3	292.0
2006	15,284.3	1,055.6	980.2	898.2	236.2	310.1	162.3	911.7	4,192.9	1,524.3	1,282.1	1,311.6	298.8
2007	15,410.8	1,059.2	1,002.1	918.9	241.6	314.1	162.8	916.9	4,227.4	1,521.0	1,286.0	1,319.7	297.8
2008	15,240.5	1,044.6	1,013.6	925.2	241.6	311.3	159.6	897.6	4,183.9	1,489.4	1,242.8	1,311.5	292.4
2009	14,371.5	983.6	963.9	868.2	231.3	295.2	150.2	848.2	3,949.5	1,382.7	1,162.8	1,245.2	276.7
2010	14,210.3	962.9	954.9	865.6	229.3	288.1	149.7	825.5	3,888.4	1,366.0	1,144.2	1,236.4	274.6
2011	14,358.1	970.9	978.7	886.0	235.9	288.8	149.0	823.0	3,909.0	1,381.2	1,147.3	1,246.0	276.3
2012	14,706.3	999.9	1,024.8	921.1	245.1	292.6	152.0	841.8	4,006.9	1,418.1	1,179.2	1,279.2	281.3
2013	15,147.4	1,033.9	1,070.1	961.8	249.9	305.3	156.5	864.4	4,112.6	1,454.2	1,226.4	1,312.0	286.6
2014f	15,480.6	1,053.5	1,100.1	996.4	254.4	316.6	159.3	884.3	4,190.7	1,484.7	1,258.3	1,343.5	291.2
2015f	15,821.2	1,079.9	1,126.5	1,021.3	261.0	322.6	162.3	906.4	4,253.6	1,520.4	1,288.5	1,377.1	297.9

Sources: California EDD, Labor Market Division, Current Employment Series; forecasts by LAEDC

Table 8: Total Nonfarm Employment in Southern California

Year	Los Angeles County	Orange County	Inland Empire	Ventura County	L.A. 5-County Region	San Diego County	State of California
2005	4,118.0	1,495.9	1,235.9	292.0	7,141.8	1,291.3	15,012.1
2006	4,192.9	1,524.3	1,282.1	298.8	7,298.1	1,311.6	15,284.3
2007	4,227.4	1,521.0	1,286.0	297.8	7,332.2	1,319.7	15,410.8
2008	4,183.9	1,489.4	1,242.8	292.4	7,208.5	1,311.5	15,240.5
2009	3,949.5	1,382.7	1,162.8	276.7	6,771.7	1,245.2	14,371.5
2010	3,888.4	1,366.0	1,144.2	274.6	6,673.2	1,236.4	14,210.3
2011	3,909.0	1,381.2	1,147.3	276.3	6,713.8	1,246.0	14,358.1
2012	4,006.9	1,418.1	1,179.2	281.3	6,885.5	1,279.2	14,706.3
2013	4,112.6	1,454.2	1,226.4	286.6	7,079.8	1,312.0	15,147.4
2014f	4,190.7	1,484.7	1,258.3	291.2	7,224.9	1,343.5	15,480.6
2015f	4,253.6	1,520.4	1,288.5	297.9	7,360.3	1,377.1	15,821.2

Numerical Change from Prior Year (in thousands)

Year	Los Angeles County	Orange County	Inland Empire	Ventura County	L.A. 5-County Region	San Diego County	State of California
2006	74.9	28.4	46.2	6.8	156.3	20.3	272.2
2007	34.5	-3.3	3.9	-1.0	34.1	8.1	126.5
2008	-43.5	-31.6	-43.2	-5.4	-123.7	-8.2	-170.3
2009	-234.4	-106.7	-80.0	-15.7	-436.8	-66.3	-869.0
2010	-61.1	-16.7	-18.6	-2.1	-98.5	-8.8	-161.2
2011	20.6	15.2	3.1	1.7	40.6	9.6	147.8
2012	97.9	36.9	31.9	5.0	171.7	33.2	348.2
2013	105.7	36.1	47.2	5.3	194.3	32.8	441.1
2014f	78.1	30.5	31.9	4.6	145.1	31.5	333.2
2015f	62.9	35.6	30.2	6.7	135.4	33.6	340.6

% Change from Prior Year

Year	Los Angeles County	Orange County	Inland Empire	Ventura County	L.A. 5-County Region	San Diego County	State of California
2006	1.8%	1.9%	3.7%	2.3%	2.2%	1.6%	1.8%
2007	0.8%	-0.2%	0.3%	-0.3%	0.5%	0.6%	0.8%
2008	-1.0%	-2.1%	-3.4%	-1.8%	-1.7%	-0.6%	-1.1%
2009	-5.6%	-7.2%	-6.4%	-5.4%	-6.1%	-5.1%	-5.7%
2010	-1.5%	-1.2%	-1.6%	-0.8%	-1.5%	-0.7%	-1.1%
2011	0.5%	1.1%	0.3%	0.6%	0.6%	0.8%	1.0%
2012	2.5%	2.7%	2.8%	1.8%	2.6%	2.7%	2.4%
2013	2.6%	2.5%	4.0%	1.9%	2.8%	2.6%	3.0%
2014f	1.9%	2.1%	2.6%	1.6%	2.1%	2.4%	2.2%
2015f	1.5%	2.4%	2.4%	2.3%	1.9%	2.5%	2.2%

Sources: EDD, Labor Market Information Division; all estimates and forecasts by LAEDC

Table 9: California Technology Employment

Annual averages, thousands, March 2013 Benchmark, based on NAICS

		Manufacturing			Services				
Year	Total Technology Employment	Electronic Product Manufacturing	Aerospace Product & Parts Manufacturing	Pharmaceutical & Medicine Manufacturing	Software Publishers	ISPs, Web Portals, Data Processing	Computer Systems Design & Rel. Services	Management, Scientific & Technical Consulting	Scientific R&D Services
2001	1019.2	409.7	86.3	39.2	52.6	28.8	204.4	99.1	99.1
2002	922.0	353.7	79.6	39.5	48.8	20.7	177.1	102.1	100.5
2003	876.7	320.9	73.6	39.1	44.7	18.7	168.8	109.7	101.2
2004	877.1	313.4	73.7	40.6	42.6	18.5	168.5	119.0	100.8
2005	902.6	310.8	73.4	42.0	41.6	19.6	175.6	135.4	104.2
2006	932.1	308.2	73.0	44.0	41.3	20.9	187.2	151.3	106.2
2007	950.3	304.1	72.8	44.2	43.0	20.7	198.9	159.0	107.6
2008	970.7	300.0	73.7	43.6	44.9	20.4	205.2	166.8	116.1
2009	924.4	278.6	72.4	43.5	45.0	19.3	194.6	156.1	114.9
2010	930.4	271.8	73.1	43.4	45.0	18.6	199.7	160.5	118.3
2011	960.1	275.2	71.5	43.3	48.3	18.8	212.6	169.7	120.7
2012	999.9	270.0	71.1	44.6	51.9	21.0	228.2	187.5	125.6
2013	1029.5	263.0	71.9	45.7	53.5	23.6	241.8	201.7	128.3

Sources: California EDD, LMID

Table 10: Population Trends in California and the Los Angeles 5-County Area

Population Estimates as of July 1 each year

Year	Los Angeles County		Orange County		Riverside & San Bernardino		Ventura County		Total of L.A. 5-Co. Area		State of California	
	Data	% Δ	Data	% Δ	Data	% Δ	Data	% Δ	Data	% Δ	Data	% Δ
1990	8,860.3	---	2,412.0	---	2,620.4	---	669.1	---	14,561.8	---	29,828.5	---
1991	8,955.3	1.1%	2,458.8	1.9%	2,751.3	5.0%	676.9	1.2%	14,842.4	1.9%	30,548.6	2.4%
1992	9,060.2	1.2%	2,511.8	2.2%	2,832.9	3.0%	686.3	1.4%	15,091.2	1.7%	30,987.4	1.4%
1993	9,083.7	0.3%	2,550.4	1.5%	2,885.0	1.8%	693.8	1.1%	15,212.9	0.8%	31,314.2	1.1%
1994	9,106.5	0.3%	2,575.7	1.0%	2,919.9	1.2%	700.6	1.0%	15,302.7	0.6%	31,523.7	0.7%
1995	9,101.1	-0.1%	2,604.5	1.1%	2,959.6	1.4%	705.1	0.6%	15,370.3	0.4%	31,711.8	0.6%
1996	9,108.1	0.1%	2,646.1	1.6%	3,006.6	1.6%	710.5	0.8%	15,471.2	0.7%	31,962.9	0.8%
1997	9,185.6	0.9%	2,699.6	2.0%	3,062.6	1.9%	721.7	1.6%	15,669.4	1.3%	32,452.8	1.5%
1998	9,265.8	0.9%	2,749.6	1.9%	3,117.1	1.8%	729.1	1.0%	15,861.6	1.2%	32,863.0	1.3%
1999	9,394.3	1.4%	2,802.8	1.9%	3,198.4	2.6%	742.8	1.9%	16,138.4	1.7%	33,418.6	1.7%
2000	9,544.0	1.6%	2,853.9	1.8%	3,276.5	2.4%	756.9	1.9%	16,431.3	1.8%	34,000.8	1.7%
2001	9,635.8	1.0%	2,889.9	1.3%	3,386.2	3.3%	769.0	1.6%	16,680.9	1.5%	34,512.7	1.5%
2002	9,722.4	0.9%	2,914.4	0.8%	3,489.2	3.0%	779.9	1.4%	16,906.0	1.3%	34,938.3	1.2%
2003	9,791.0	0.7%	2,939.7	0.9%	3,622.5	3.8%	789.4	1.2%	17,142.6	1.4%	35,388.9	1.3%
2004	9,822.5	0.3%	2,956.5	0.6%	3,757.1	3.7%	795.0	0.7%	17,331.1	1.1%	35,752.8	1.0%
2005	9,809.6	-0.1%	2,957.2	0.0%	3,877.5	3.2%	796.9	0.2%	17,441.1	0.6%	35,985.6	0.7%
2006	9,787.3	-0.2%	2,955.4	-0.1%	3,994.1	3.0%	801.2	0.5%	17,538.1	0.6%	36,246.8	0.7%
2007	9,773.9	-0.1%	2,965.8	0.4%	4,085.3	2.3%	805.9	0.6%	17,630.9	0.5%	36,552.5	0.8%
2008	9,796.8	0.2%	2,982.8	0.6%	4,139.4	1.3%	812.0	0.8%	17,731.0	0.6%	36,856.2	0.8%
2009	9,805.2	0.1%	2,998.8	0.5%	4,180.7	1.0%	818.5	0.8%	17,803.3	0.4%	37,077.2	0.6%
2010	9,825.1	0.2%	3,017.3	0.6%	4,230.5	1.2%	825.1	0.8%	17,897.9	0.5%	37,309.4	0.6%
2011	9,860.9	0.4%	3,046.8	1.0%	4,273.5	1.0%	830.2	0.6%	18,011.4	0.6%	37,570.1	0.7%
2012	9,945.0	0.9%	3,074.5	0.9%	4,313.9	0.9%	833.4	0.4%	18,166.8	0.9%	37,872.4	0.8%
2013	10,019.4	0.7%	3,104.7	1.0%	4,344.2	0.7%	840.3	0.8%	18,308.5	0.8%	38,204.6	0.9%
2014f	10,079.5	0.6%	3,138.8	1.1%	4,387.6	1.0%	846.2	0.7%	18,452.1	0.8%	38,548.4	0.9%
2015f	10,129.9	0.5%	3,170.2	1.0%	4,440.3	1.2%	852.1	0.7%	18,592.5	0.8%	38,895.4	0.9%

Source: California Dept. of Finance, Demographic Research Unit, E2; forecasts by LAEDC

Table 11: Components of Population Change in California and Southern California Counties

Figures in thousands, July 1 data compared with July 1 data the previous year

	Pop. Chg.	Births	Deaths	Natural Increase (Birth-Death)	Net Total Migration	Net Int'l Migration	Net Domestic Migration
Los Angeles County							
2009	8.4	143.9	56.8	87.1	-78.7	46.6	-125.3
2010	21.8	135.6	56.8	78.8	-57.0	34.9	-91.9
2011	38.8	132.6	58.0	74.6	-38.8	21.1	-59.9
2012	84.1	130.6	57.9	72.7	11.5	37.6	-26.1
2013	74.3	132.4	58.5	73.9	0.4	55.9	-55.5
Orange County							
2009	16.0	41.1	16.6	24.5	-8.4	14.2	-22.6
2010	18.3	39.3	16.7	22.6	-4.3	11.7	-16.0
2011	29.5	38.2	17.6	20.6	8.9	5.9	3.0
2012	27.8	38.3	17.8	20.5	7.3	10.5	-3.2
2013	30.1	38.4	17.9	20.5	9.6	15.6	-6.0
Riverside County							
2009	35.5	32.0	13.6	18.4	17.0	6.5	10.6
2010	33.4	31.0	13.6	17.4	16.0	4.6	11.4
2011	28.5	31.0	14.4	16.6	11.9	2.3	9.6
2012	29.4	30.4	14.6	15.8	13.5	4.3	9.3
2013	18.0	30.5	14.8	15.7	2.3	6.1	-3.9
San Bernardino County							
2009	5.8	32.7	11.4	21.3	-15.5	5.8	-21.3
2010	16.5	31.4	11.4	20.0	-3.6	4.2	-7.8
2011	14.6	31.4	12.2	19.2	-4.6	2.2	-6.9
2012	11.0	30.5	12.1	18.4	-7.4	4.1	-11.5
2013	12.3	30.9	12.3	18.5	-6.3	6.0	-12.3
San Diego County							
2009	26.4	45.9	19.0	26.9	-0.5	13.6	-14.1
2010	26.9	44.5	19.0	25.5	1.5	10.1	-8.6
2011	23.0	44.7	19.6	25.0	-2.1	6.4	-8.5
2012	28.1	44.3	19.9	24.5	3.6	10.5	-6.8
2013	28.2	44.7	20.0	24.6	3.6	15.9	-12.4
Ventura County							
2009	6.5	11.8	4.9	6.9	-0.4	2.8	-3.2
2010	6.8	11.2	4.9	6.2	0.6	2.0	-1.4
2011	5.1	11.0	5.1	5.9	-0.8	0.9	-1.8
2012	3.2	10.6	5.0	5.6	-2.4	1.6	-4.0
2013	7.0	10.7	5.1	5.6	1.4	2.4	-1.0
State of California							
2009	221.0	538.0	227.9	310.1	-89.1	160.5	-249.7
2010	241.3	515.7	228.1	287.6	-46.3	123.0	-169.3
2011	260.7	509.5	237.5	272.0	-11.3	64.9	-76.2
2012	302.3	502.9	239.3	263.6	38.7	113.7	-75.0
2013	332.2	506.7	240.8	265.9	66.3	169.3	-103.0

Source: California Department of Finance, Demographic Research Unit

LOS ANGELES COUNTY

INTRODUCTION

Los Angeles County covers 4,084 square miles and includes 88 cities, the largest of which is the City of Los Angeles. The population in 2013 was over 10.0 million, making it the most populous county in California. The economy of Los Angeles County is enormous and complex. If it were a nation, it would be the twenty-first largest economy in the world. In addition to its well-known entertainment and tourism industries, Los Angeles is also an important hub of manufacturing, international trade and innovation.

After peaking at 12.6% in 2010, the unemployment rate in Los Angeles County was down to 8.1% in July 2014, falling well below the year ago rate of 10.0%. The LAEDC forecasts the unemployment rate in Los Angeles County will average 8.2% in 2014, declining to 7.7% in 2015.

In 2015, the LAEDC projects nonfarm employment will expand by 1.5%, bringing the total number of nonfarm jobs up to 4.25 million and finally surpassing the prerecession peak reached in 2007 by 26,300 jobs.

The number of nonfarm jobs in Los Angeles County should reach nearly 4.2 million in 2014, an increase of 1.9% compared with 2013. In 2015, employment will expand by 1.5% to 4.25 million nonfarm jobs, finally surpassing the prerecession peak reached in 2007. Growth this year has been broad-based with nearly every private sector industry, creating jobs across a wide range of skill and income levels. The fastest growing sectors were construction (8.5%); professional, scientific and technical services (4.8%); and administrative, support and waste services (4.8%). The sectors that added the largest *number* of jobs were health care (14,700 jobs) and professional, scientific and technical services (13,200).

Manufacturing is the only sector that is expected to post a decline in employment this year– 2.0% or a loss of 7,300 jobs. The news is not all bad, however. A handful of manufacturing sectors posted small increases in employment over the first half of the year: machinery, electrical equipment and appliances, furniture, and miscellaneous durable goods, a category that includes medical instruments.

Along with a stronger employment outlook, total personal income and per capita income are expected to post stronger gains this year and next. Consumer spending as measured by total taxable sales is also on the rise. This means local governments will see an increase in sales and use tax revenues.

Population growth is expected to slow this year and next. Most of the recent population growth in Los Angeles County has been the result of natural increase (births outnumbering deaths). Net migration in 2013 was nearly flat. A lack of affordable housing units for low and middle-income households is one factor holding population growth in check.

Although still not fully recovered, the housing market in Los Angeles has improved – median prices have risen on a year-over-year basis since the third quarter of 2012 and new home construction has picked up, most notably in the multi-family and rental sector. As with the rest of Southern California, the return to "normal" for the region's housing market will take a number of years. *For a more detail discussion of the region's housing market, see the* *Real Estate and Construction section of this report.*

TRENDS IN MAJOR INDUSTRIES

Entertainment: The entertainment industry is a cornerstone of the Los Angeles economy. At its core is motion picture and video production. The ripple effects of activity in the entertainment sector are wide ranging. When a movie is filmed, actors, costume designers and special effects creators are employed, but so are persons working in industries as dissimilar as catering, security and transportation. The entertainment industry also has strong linkages to other local industries. Examples include licensing agreements with local toy companies and video game developers; the showcasing of L.A.'s fashion designers at Hollywood red carpet events; and collaboration with the region's technology innovators – most famously JPL, the originator of computer generated imagery (CGI).

During the first seven months of 2014, employment in the motion picture and sound recording industry (the largest component of the entertainment sector) averaged 128,000 workers, which was up by 7.2% (nearly 8,600 jobs) over the same period last year, bucking the national trend of job losses. More substantial jobs gains over the coming years may be realized from the expansion of the California Film Tax Credit. There has been a steady rise in local production since the end of the recession. In 2013, total production days (including film, TV, commercials and other categories of video) increased by 11.7% to 51,670 days. Over the first half of 2014, permitted production days were up by 7.5% compared with the same period in 2013.[5]

California Film Tax Credit

In late August, the Governor signed a bill that will triple the California Film Tax Credit to $330 million. This bill is aimed at reversing runaway film production by offering incentives to studios to keep production in California. The increase in filming locally will result in the creation of thousands of new jobs in the region and strengthen one of L.A.'s signature industries.

[5] Data provided by FilmL.A. Figures for 2014 do not include commercial permits. FilmL.A. has suspended reporting permitted production days for commercials pending completion of a review of alternative methodologies for measuring commercial production.

International Trade: As America's gateway to Asia, international trade plays an important role in the Los Angeles economy. Thousands of jobs in the region depend on the flow of goods in and out of the San Pedro Bay ports. Two-way trade through the Los Angeles Customs District hit a record-setting volume of $414.5 billion in 2013, and is forecast to reach $423.4 billion this year and $442.2 billion in 2015. The increase in two-way trade will bring additional jobs in logistics, goods movement, wholesaling and distribution. The long-term prospects for international trade are promising. The region's major trading partners are growing and domestic demand is on the rise; public and private entities are investing heavily in trade-related infrastructure and important new trade agreements in place or currently being negotiated, have the potential to increase employment in the region and generate new wealth.

Professional Services and Technology: In terms of employment, the professional services super-sector is the second largest in Los Angeles County with over 590,000 workers in 2013. It is also one of the fastest growing, offering jobs across a wide range of skill and income levels. There are three major subsectors in this group: professional, scientific and technical services; management of enterprises; and administrative, support and waste services. All three have posted significant year-to-date (through July) employment gains.

Professional, scientific and technical services includes legal, accounting, architecture, computer systems design, consulting, research and advertising. Over the first seven months of this year, employment averaged 282,200 workers, an increase of 3.3% over the same period a year ago. Management of enterprises, which encompasses corporate headquarters, experienced a 3.8% jump in employment (to 59,600 workers) over the same period.

The largest increase in job counts was in the administrative, support and waste services sector. Average monthly employment during the first seven months of 2014 was 265,700 workers, an increase of 6.0% compared with the same period in 2013. Most of the growth in this subsector was attributable to a 7.5% increase in jobs at employment services firms (temporary agencies), which accounts for nearly 40% of total job counts in administrative, support and waste services. The continuing growth of temporary jobs is an indication that some employers are still reluctant to take on full time employees. In other cases, employers have found that for certain positions, there is more flexibility and lower costs associated with taking on a "temp".

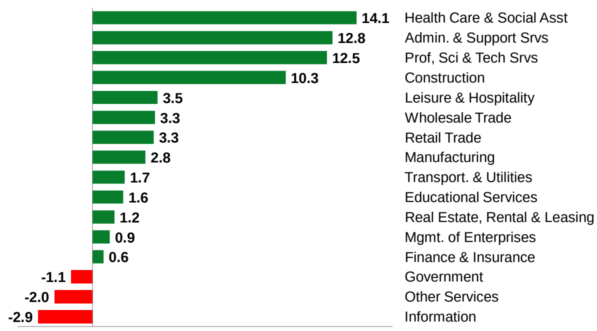
LOOKING AHEAD

After several difficult years of recession and recovery, a sense of optimism and newfound energy has returned to Los Angeles County. Tourism is booming as record numbers of visitors fill hotels and restaurants across the region. The region's health care sector is also thriving and employment is expanding rapidly. Los Angeles County is home to a number of widely respected medical research and treatment facilities that drive innovation and bring money into the region. Los Angeles has also developed a promising array of tech start-ups that are attracting increasing amounts of venture capital. While still facing a number of challenges common to most large American metro regions, Los Angeles County is slowly shaking off the effects of the recession and setting its sights on the future.

Los Angeles County Snapshot

L.A. County Employment Growth, 2015

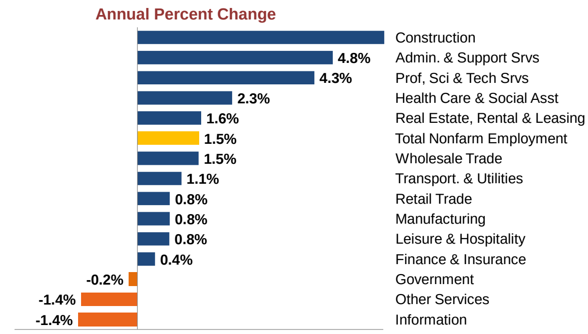
Total nonfarm job growth forecast for 2015 (thousands): +62.9 jobs



Source: CA EDD, Labor Market Information Division, forecast by LAEDC

L.A. County Employment Growth, 2015

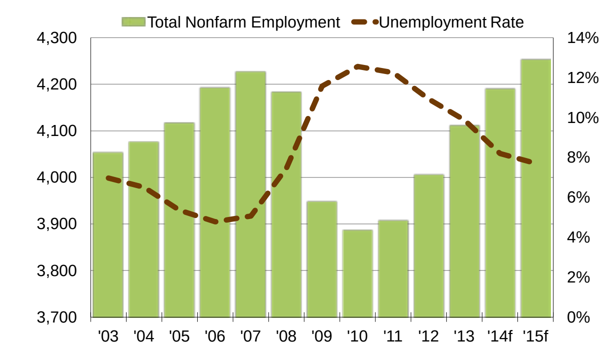
Total nonfarm job growth forecast for 2015, percent change: +1.5%



Source: CA EDD, Labor Market Information Division, forecast by LAEDC

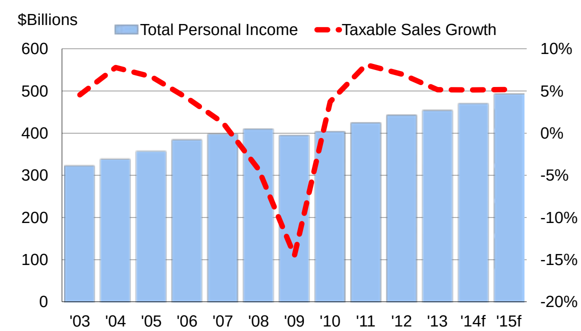
Los Angeles County Employment

Annual average in thousands, 2013 benchmark



Source: EDD Labor Market Information Division; forecast by LAEDC

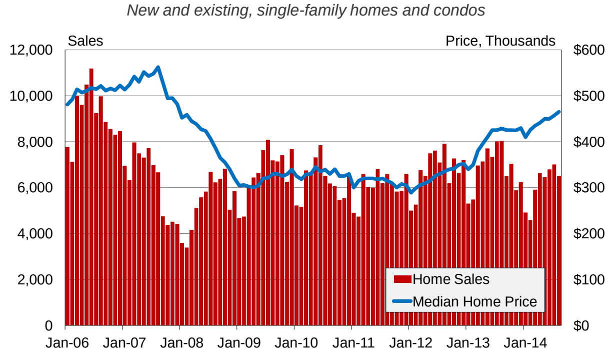
Los Angeles County Personal Income & Taxable Sales Growth



Source: California Board of Equalization, Dept. of Commerce; estimate & forecast by the LAEDC

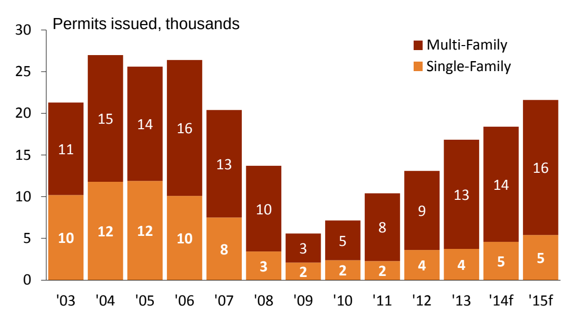
Home Sales & Median Prices Los Angeles County

New and existing, single-family homes and condos



Source: California Real Estate Research Council; DataQuick

Residential Building Permits Issued in Los Angeles County



Source: CIRB, California Home Building Foundation, forecast by LAEDC

Table 12: Los Angeles County Economic Indicators

Year	Population on July 1 (Thousands)	Nonfarm Employment (Ave., thousands)	Unemploy-ment Rate (Ave., %)	Total Personal Income ($Billions)	Per Capita Personal Income ($)	Total TaxableSales ($Billions)	Value of Two-way Trade ($Billions)	Total Overnight & Day Visitors (Millions)	Housing Unit Permits Issued	Nonresidential Building Permits ($Millions)	Chg. in CPI (%)
2003	9,791.0	4,054.2	7.0	323.3	33,101	113.7	232.9	---	21,313	2,932	2.6%
2004	9,822.5	4,077.3	6.5	338.7	34,584	122.5	261.7	---	26,935	3,174	3.3%
2005	9,809.6	4,118.0	5.4	357.3	36,513	130.7	291.6	---	25,647	3,824	4.5%
2006	9,787.3	4,192.9	4.8	384.4	39,471	136.2	326.4	---	26,348	3,896	4.3%
2007	9,773.9	4,227.4	5.1	397.9	41,016	137.8	347.3	35.7	20,363	4,739	3.3%
2008	9,796.8	4,183.9	7.5	410.0	42,114	131.9	355.8	36.5	13,704	4,491	3.5%
2009	9,805.2	3,949.5	11.6	394.9	40,351	112.7	282.9	34.4	5,653	2,674	-0.8%
2010	9,825.1	3,888.4	12.6	404.0	41,113	116.9	346.8	38.5	7,468	2,677	1.2%
2011	9,860.9	3,909.0	12.3	424.8	42,953	126.4	386.7	40.4	10,403	3,129	2.7%
2012	9,945.0	4,006.9	10.9	443.1	44,474	135.3	403.5	41.4	10,709	1,836	2.0%
2013	10,019.4	4,112.6	9.9	454.3	45,310	142.3	414.5	42.2	16,850	4,280	1.1%
2014f	10,079.5	4,190.7	8.2	470.2	46,633	149.6	423.4	43.2	18,400	6,850	1.6%
2015f	10,129.9	4,253.6	7.7	493.0	48,656	157.3	442.2	44.1	21,600	7,700	1.8%

% Change										
03/02	0.7%	-0.8%		3.8%	3.2%	4.5%	9.5%	---	10.1%	0.4%
04/03	0.3%	0.6%		4.8%	4.5%	7.8%	12.4%	---	26.4%	8.3%
05/04	-0.1%	1.0%		5.5%	5.6%	6.7%	11.4%	---	-4.8%	20.5%
06/05	-0.2%	1.8%		7.6%	8.1%	4.2%	11.9%	---	2.7%	1.9%
07/06	-0.1%	0.8%		3.5%	3.9%	1.2%	6.4%	---	-22.7%	21.6%
08/07	0.2%	-1.0%		3.0%	2.7%	-4.3%	2.5%	2.2%	-32.7%	-5.2%
09/08	0.1%	-5.6%		-3.7%	-4.2%	-14.5%	-20.5%	-5.8%	-58.7%	-40.5%
10/09	0.2%	-1.5%		2.3%	1.9%	3.7%	22.6%	11.9%	32.1%	0.1%
11/10	0.4%	0.5%		5.1%	4.5%	8.1%	11.5%	4.9%	39.3%	16.9%
12/11	0.9%	2.5%		4.3%	3.5%	7.0%	4.3%	2.5%	2.9%	-41.3%
13/12	0.7%	2.6%		2.5%	1.9%	5.1%	2.7%	1.9%	57.3%	133.1%
14/13	0.6%	1.9%		3.5%	2.9%	5.1%	2.2%	2.4%	9.2%	60.1%
15/14	0.5%	1.5%		4.8%	4.3%	5.2%	4.4%	2.1%	17.4%	12.4%

Sources: State of California: Dept. of Finance, Employment Development Department, Board of Equalization; U.S. Dept of Commerce, Los Angeles Tourism and Convention Board, Construction Industry Research Board, California Homebuilding Foundation; estimates and forecasts by the LAEDC

Table 13: Los Angeles County Nonfarm Employment

Annual averages, Thousands, March 2013 benchmark

Year	Total Nonfarm Employment	Natural Resources	Construction	Manufacturing	*Mfg. -- Durable*	*Mfg .-- Nondurable*	Wholesale Trade	Retail Trade	Transport. & Utilities	Information
2003	4,054.2	3.8	134.6	502.0	278.3	223.8	212.0	399.3	161.5	202.3
2004	4,077.3	3.8	140.2	485.7	207.0	215.8	213.0	405.4	161.1	211.9
2005	4,118.0	3.7	148.7	473.8	265.6	208.3	217.1	414.4	161.7	207.6
2006	4,192.9	4.0	157.5	463.9	259.5	204.4	223.5	423.3	165.2	205.6
2007	4,227.4	4.4	157.6	449.2	250.9	198.3	227.0	426.0	165.6	209.8
2008	4,183.9	4.4	145.2	434.5	243.2	191.2	223.7	416.5	163.1	210.3
2009	3,949.5	4.1	117.3	389.2	217.6	171.6	204.5	387.0	151.2	191.2
2010	3,888.4	4.1	104.5	373.2	207.0	166.2	203.0	386.4	150.5	191.5
2011	3,909.0	4.0	105.0	366.8	204.1	162.7	205.2	392.9	151.8	191.9
2012	4,006.9	4.3	109.1	367.2	204.2	163.0	211.3	400.9	154.4	191.4
2013	4,112.6	4.6	116.5	366.5	203.9	162.7	217.8	405.9	156.9	197.3
2014f	4,190.7	4.7	126.4	359.2	200.0	159.2	223.2	413.2	160.3	200.9
2015f	4,253.6	5.0	136.7	362.0	201.6	160.4	226.5	416.5	162.0	198.0

Year	Finance & Insurance	Real Estate, Rental & Leasing	Prof, Sci & Tech Srvs	Mgmt. of Enterprises	Admin. & Support Srvs	Educational Services	Health Care & Social Asst	Leisure & Hospitality	Other Services	Government
2003	163.1	74.8	233.5	77.4	249.1	94.8	438.8	362.6	145.5	599.3
2004	163.0	76.7	237.7	71.2	253.6	95.4	454.3	372.8	144.7	587.1
2005	164.3	77.8	250.9	67.6	257.7	97.4	469.6	377.8	144.3	583.7
2006	166.9	79.8	264.0	63.0	271.9	99.4	481.7	388.6	145.2	589.4
2007	163.6	80.3	273.9	58.8	272.7	102.9	495.0	397.9	147.1	595.7
2008	153.9	79.4	269.6	56.7	256.4	105.1	513.9	401.6	146.1	603.7
2009	142.3	73.8	250.2	54.4	225.3	110.1	529.8	385.5	137.9	595.9
2010	137.8	71.7	245.6	53.2	228.7	111.1	526.1	384.8	136.7	579.6
2011	136.8	71.6	255.3	55.3	232.4	114.2	528.8	394.6	136.9	565.5
2012	138.6	72.1	268.2	56.7	245.1	115.7	558.4	415.3	141.6	556.8
2013	137.1	74.7	276.3	57.7	256.3	119.2	594.2	436.7	145.5	549.2
2014f	137.7	75.4	289.5	59.2	268.5	121.4	608.9	445.1	147.9	549.2
2015f	138.3	76.6	302.0	60.1	281.3	123.0	623.0	448.6	145.9	548.1

Sources: California Employment Development Department, LMID; estimates and forecasts by LAEDC.

LOS ANGELES COUNTY SUB-REGIONS

The LAEDC frequently receives requests for information about sub-regions in Los Angeles County. A special feature of the October Forecast is a review of nine Los Angeles County sub-regions, which are delineated by city limits, freeways and geographic features.

The most complete data available for these regions is employment. In this report, the primary economic indicator used is average annual private sector "core" employment. These data were obtained from the California Employment Development Department's Quarterly Census of Employment and Wages (QCEW) and summarized by the LAEDC. Data is current through the fourth quarter of 2013. Where possible, additional data regarding industry (travel and tourism, real estate, etc.) activity is also provided.

North County: North County is composed of two distinct regions, Santa Clarita/Valencia in the south and the Antelope Valley (Palmdale/Lancaster) in the north. Total core employment in the region was up by 7.5% or 9,000 jobs over the year in 2013. A significant amount of hiring occurred in education and health services (7,000 jobs),[6] construction (900 jobs), and leisure and hospitality (700 jobs). Financial activities was the only sector to experience a decline in jobs (-500 jobs).

Hotel occupancy rates in Santa Clarita rose to 76.9% in May 2014 year-to-date from 75.2% a year ago, but average daily rates jumped 7.4% over the year to $116.21.

Hollywood/Mid-cities/Crenshaw: Total core employment in the region increased by 7.8% or 16,000 jobs over the year in 2013. Education and health services (15,600 jobs), and leisure and hospitality (1,600) posted the largest employment gains; jobs in professional and business services declined by 2,200 jobs.

Activity in the region's travel and tourism industry continues to improve. Overall, hotel occupancy rates were up, although in Hollywood occupancy rates edged down slightly to 79.8% in May 2014 year-to-date compared with 80.7% a year ago – still a good number since 75% is generally considered to be "full occupancy" for most hotels.

Central/Downtown: Total core employment for the downtown region increased by 6.5% or 12,100 jobs in 2013. Hiring in the region picked up with gains in education and health services (6,100 jobs), professional and business services (2,000 jobs), and leisure and hospitality (1,900 jobs). The transportation, trade and utilities industry alone record a job loss in 2013 (-400 jobs).

[6] The exceptionally large increases in education and health care services jobs in 2013 was in part attributable to a reclassification of in-home health care jobs from "other" services to health services in the official employment statistics.

Office vacancy rates in the central/downtown region increased during the second quarter of 2014. Industrial vacancy remained largely unchanged, but downtown already has one of the lowest industrial vacancy rates in the county. Businesses in the downtown area benefit from locally created networks and distribution centers, such as the flower, fashion, jewelry, and toy districts.

Improvements in public transportation such as the Metro Expo Line and new apartment/condo developments are helping to reduce congestion, a major cost for businesses operating in the area. There has been a boom in the construction of multi-family housing downtown that is attracting high-wage earners such as those working in professional and business services.

Downtown Los Angeles hotel occupancy rates for hotels exceeding an average daily rate of $110, were 76.9% in May 2014 year-to-date, up from 74.0% a year ago. Hotel occupancy rates for the remaining hotels in the Central City region were 76.0% in May 2014 year-to-date, up from 73.4% a year ago.

San Gabriel Valley/East Los Angeles: Total core employment in the San Gabriel Valley/East Los Angeles region increased by 10.8% or 61,700 jobs in 2013. Employment in the San Gabriel Valley expanded by 10.6% (53,000 jobs), while employment in East Los Angeles/Eagle Rock increased by 12.5% (8,500 jobs). Employment in education and health services posted the largest gain (37,000 jobs, or 30.7%), but the region saw solid broad-based growth. Professional and business services added 5,900 new jobs, followed by leisure and hospitality (5,700 jobs), manufacturing (4,300 jobs), and retail trade (4,000 jobs). Manufacturing employment grew at its fastest pace since before the recession -- increasing by 6.4% over the year in 2013 compared with a loss of -1.4% 2012.

Hotels in the region attract both business and leisure travelers. Pasadena hotel occupancy rates improved to 84.1% in May 2014 year-to-date, from 83.0% a year ago. Hotel occupancy rates in the remaining areas of the San Gabriel Valley declined on a year-to-date basis from an average 73.1% in May 2013 to 70.7% in May 2014.

Both office and industrial vacancy rates improved during the second quarter of 2014 and the wholesale, distribution and logistics industries are seeing increased activity.

Gateway: The Gateway region encompasses two distinct areas. The south includes harbor communities such as Long Beach and San Pedro, while the north includes highly industrialized areas like Downey and Norwalk.

Total core employment in the Gateway region grew by 4.5% or 25,200 jobs. Job gains occurred in education and health services (21,000 jobs), professional and business services (5,800 jobs), construction (1,900 jobs), and leisure and hospitality (1,100 jobs). Some of those gains were partially offset by losses in manufacturing (-3,400 jobs) and retail trade (-2,800 jobs).

Activity at the Ports of Los Angeles and Long Beach increased during the first half of 2014 compared to last year as the overall economy improved, providing new opportunities for the region’s many logistics and trade related firms. The number of TEUs handled increased significantly at the Port of Los Angeles while trade grew more slowly at the Port of Long Beach compared with the prior year. Overall growth in container counts at the two ports was up by 4.6% through August 2014 year-to-date.

More containers moving through the ports are a boon to the many wholesale, warehousing, and logistics firms located in the Gateway region. Travel and tourism in the region is also on the rise. Hotel occupancy rates were 76.2% in May 2014 year-to-date, up from 73.9% a year ago.

San Fernando Valley: The San Fernando Valley includes Glendale and Burbank in the east and extends as far north and west as Sylmar and Woodland Hills.

In 2013, total core employment in the region grew by 9.1% or 57,400 jobs. In addition to gains in education and health services (45,100 jobs), professional and business services added 7,500 jobs, followed by leisure and hospitality with a gain of 4,500 jobs. Both the financial activities and information sectors lost 1,100 jobs.

Hotel occupancy rates were 78.1% in May 2014 year-to-date, up from 73.2% a year ago. The number of passengers flying through Bob Hope Airport in Burbank declined by 1.1% year-to-date through July compared with the same period last year.

South Bay/LAX: In 2013, total core employment in the region grew by 0.6% or 2,300 jobs. Over the year, education and health services payrolls were up by 7,900 jobs, followed by leisure and hospitality (1,300 jobs) and financial activities (1,300 jobs). Unfortunately, most of those gains were offset by a loss of 10,300 jobs in transportation, trade and utilities.

LAX passenger traffic increased noticeably in the first eight months of 2014, rising by 6.5% from a year ago. Domestic passenger travel increased by 5.8%, while international passenger travel increased by 8.2%. Hotel occupancy rates near the airport increased to 89.5% in May 2014 compared with 85.9% a year ago.

South Los Angeles: Although the recession hit South Los Angeles particularly hard, core employment is returning to pre-recession levels, having increased by 23.7% or 16,900 jobs in 2013. Again, education and health services saw large gains (16,100 jobs) in part due to a reclassification of industries. The remainder of growth was spread across a number of different sectors with retail trade leading the way (700 jobs), followed by information (200 jobs), and leisure and hospitality (100 jobs).

Westside: Total core employment in the region rose by 6.3% or 22,100 jobs in 2013. The professional and business services sector, which added 5,400 jobs, led employment growth, followed by leisure and hospitality (4,000 jobs), and information (2,500 jobs).

As for travel and tourism, Santa Monica hotel occupancy rates edged up to 85.9% in May 2014 year-to-date from 85.3% a year ago. Daily room rates continued to grow, increasing by 4.1% in May 2014. Hotel occupancy in Marina Del Rey however dipped to 78.7% in May 2014 year-to-date, from 79.0%. Office vacancy rates improved in the second quarter of 2014 to the lowest rate in five years.

Table 14: North County Core Employment

Annual average, thousands

Year	Total Core Employment	Natural Resources	Construction	Manufacturing	Wholesale Trade	Retail Trade	Transport. & Utilities	Information	Financial Activities	Professional & Business Services	Education & Health Services	Leisure & Hospitality
2008	125.3	0.5	10.2	18.8	4.7	23.6	4.1	2.2	7.5	18.1	16.3	19.1
2009	116.4	0.5	7.6	17.9	4.4	21.5	5.4	2.2	7.5	14.3	16.6	18.4
2010	114.3	0.6	7.0	17.4	4.5	21.1	5.2	2.0	7.4	13.2	17.3	18.7
2011	114.7	0.4	6.7	17.5	4.8	21.5	5.1	2.0	7.3	12.9	17.7	18.8
2012	119.5	0.3	7.0	18.0	4.6	21.9	5.5	2.0	7.3	13.8	19.2	20.0
2013	128.5	0.3	7.9	18.0	4.7	22.3	5.6	1.9	6.8	14.2	26.2	20.6

Source: California EDD, QCEW series

Table 15: Hollywood/Mid-Cities/Crenshaw Core Employment

Annual average, thousands

Year	Total Core Employment	Natural Resources	Construction	Manufacturing	Wholesale Trade	Retail Trade	Transport. & Utilities	Information	Financial Activities	Professional & Business Services	Education & Health Services	Leisure & Hospitality
2008	210.6	0.0	4.1	7.5	5.2	25.6	2.4	20.9	16.0	46.2	47.9	34.7
2009	195.9	0.0	3.5	6.3	4.7	24.5	2.1	17.9	15.1	40.1	47.7	33.8
2010	193.0	0.1	3.0	6.1	4.5	24.4	1.9	16.3	14.6	39.5	48.9	33.8
2011	204.1	0.1	3.1	6.3	4.7	25.2	1.9	17.0	18.6	41.1	50.1	36.0
2012	206.3	0.0	3.2	6.3	5.1	25.7	2.0	16.8	14.3	41.7	51.7	39.6
2013	222.4	0.0	3.4	6.1	5.1	26.0	2.2	17.2	14.4	39.5	67.3	41.2

Source: California EDD, QCEW series

Table 16: Central/Downtown Core Employment

Annual average, thousands

Year	Total Core Employment	Natural Resources	Construction	Manufacturing	Wholesale Trade	Retail Trade	Transport. & Utilities	Information	Financial Activities	Professional & Business Services	Education & Health Services	Leisure & Hospitality
2008	200.2	0.3	1.7	20.0	22.4	15.4	5.7	4.6	26.3	46.7	37.0	20.1
2009	189.1	0.3	1.6	17.7	21.1	14.3	5.3	4.0	24.0	42.8	37.4	20.5
2010	185.6	0.2	1.4	17.8	21.1	14.0	5.6	4.1	22.2	41.8	37.8	19.6
2011	182.6	0.2	1.5	13.6	21.1	14.2	5.9	4.2	21.2	45.6	34.7	20.4
2012	187.3	0.3	1.5	11.9	21.8	14.2	5.6	4.3	21.1	49.3	34.9	22.3
2013	199.4	0.3	1.7	12.2	22.6	14.8	5.2	4.5	21.5	51.3	41.0	24.3

Source: California EDD, QCEW series

Table 17: San Gabriel Valley/East Los Angeles Core Employment

Annual average, thousands

Year	Total Core Employment	Natural Resources	Construction	Manufacturing	Wholesale Trade	Retail Trade	Transport. & Utilities	Information	Financial Activities	Professional & Business Services	Education & Health Services	Leisure & Hospitality
2008	611.1	2.3	31.6	83.7	48.1	86.6	29.4	12.8	44.2	93.2	111.1	68.2
2009	570.3	1.8	25.9	73.8	43.6	79.2	27.9	11.4	40.7	86.2	114.5	65.4
2010	558.3	1.8	22.9	68.7	43.9	78.2	25.3	10.7	38.2	86.8	118.2	63.7
2011	564.1	1.8	23.8	69.0	45.1	77.4	25.8	10.8	37.6	86.4	121.7	64.9
2012	570.5	1.9	23.4	68.1	46.1	78.5	25.9	10.9	38.5	87.7	121.7	67.8
2013	632.3	1.7	24.2	72.4	48.8	82.5	26.0	11.5	38.9	93.7	159.1	73.5

Source: California EDD, QCEW series

Table 18: Gateway Core Employment

Annual average, thousands

Year	Total Core Employment	Natural Resources	Construction	Manufacturing	Wholesale Trade	Retail Trade	Transport. & Utilities	Information	Financial Activities	Professional & Business Services	Education & Health Services	Leisure & Hospitality
2008	588.1	1.9	28.4	116.9	66.1	76.6	40.6	7.2	23.9	89.1	74.2	63.0
2009	546.0	1.7	22.6	104.9	60.1	71.1	40.1	6.7	22.8	81.7	74.3	59.9
2010	540.7	1.8	21.0	99.2	59.7	72.2	40.8	6.9	21.3	83.7	74.5	59.5
2011	546.5	1.8	21.2	101.5	61.1	72.8	41.2	6.4	22.0	83.0	75.8	59.6
2012	562.0	2.1	23.0	102.6	62.3	73.6	41.9	6.9	22.9	87.3	78.5	61.0
2013	587.3	3.0	24.9	99.2	63.1	70.8	42.8	6.6	22.2	93.1	99.4	62.1

Source: California EDD, QCEW series

Table 19: San Fernando Valley Core Employment

Annual average, thousands

Year	Total Core Employment	Natural Resources	Construction	Manufacturing	Wholesale Trade	Retail Trade	Transport. & Utilities	Information	Financial Activities	Professional & Business Services	Education & Health Services	Leisure & Hospitality
2008	669.2	1.5	35.9	71.9	30.1	84.0	13.3	108.3	55.1	105.9	95.9	67.3
2009	622.8	1.3	29.4	66.4	27.5	77.9	12.3	96.9	51.7	98.3	96.7	64.3
2010	615.7	1.3	25.6	63.2	26.3	76.8	11.6	99.2	49.2	100.9	98.0	63.7
2011	622.5	1.3	25.7	62.7	26.9	78.6	11.7	98.7	48.8	102.8	100.2	65.1
2012	630.8	1.2	25.8	63.6	26.5	79.7	11.4	95.3	47.8	107.7	104.5	67.2
2013	688.1	0.8	27.5	63.2	26.7	80.9	11.7	94.2	46.7	115.2	149.5	71.7

Source: California EDD, QCEW series

Table 20: South Bay/LAX Core Employment

Annual average, thousands

Year	Total Core Employment	Natural Resources	Construction	Manufacturing	Wholesale Trade	Retail Trade	Transport. & Utilities	Information	Financial Activities	Professional & Business Services	Education & Health Services	Leisure & Hospitality
2008	419.8	2.1	18.6	80.2	25.8	47.9	44.4	10.5	21.8	74.4	43.9	50.2
2009	394.0	2.0	14.6	74.2	24.0	45.4	41.4	8.9	20.4	69.9	45.5	47.7
2010	388.0	2.0	12.3	72.1	23.8	43.5	41.1	10.9	19.5	68.5	46.2	48.1
2011	393.9	2.0	12.6	69.3	23.1	44.6	41.7	11.8	19.8	72.4	47.8	48.9
2012	402.8	2.0	14.0	68.9	23.5	45.1	42.8	10.6	20.6	75.6	49.2	50.6
2013	405.1	1.5	14.4	69.4	23.4	45.7	32.6	10.9	21.9	76.5	57.0	51.9

Source: California EDD, QCEW series

Table 21: South Los Angeles Employment

Annual average, thousands

Year	Total Core Employment	Natural Resources	Construction	Manufacturing	Wholesale Trade	Retail Trade	Transport. & Utilities	Information	Financial Activities	Professional & Business Services	Education & Health Services	Leisure & Hospitality
2008	75.0	0.1	1.7	20.6	7.3	10.9	2.7	1.6	2.9	6.0	13.3	7.9
2009	68.9	0.1	1.6	17.8	6.7	10.2	2.5	1.0	2.9	5.2	13.5	7.4
2010	68.2	0.1	1.5	16.8	6.5	10.3	2.5	1.2	3.2	5.4	13.1	7.5
2011	67.7	0.1	1.4	15.8	6.5	10.5	2.4	1.0	3.0	5.4	13.7	7.9
2012	71.1	0.1	1.3	15.7	6.4	11.0	2.6	0.8	2.6	6.9	15.1	8.6
2013	88.0	0.1	1.3	15.5	6.4	11.7	2.7	1.1	2.4	7.0	31.2	8.7

Source: California EDD, QCEW series

Table 22: Westside Core Employment

Annual average, thousands

Year	Total Core Employment	Natural Resources	Construction	Manufacturing	Wholesale Trade	Retail Trade	Transport. & Utilities	Information	Financial Activities	Professional & Business Services	Education & Health Services	Leisure & Hospitality
2008	356.0	2.0	10.3	9.2	10.7	43.8	4.3	40.1	35.0	91.9	44.1	64.7
2009	331.7	2.0	8.7	7.6	9.8	38.9	3.6	39.0	32.8	82.5	43.8	63.1
2010	324.6	2.2	7.6	7.4	9.8	38.5	3.5	38.3	31.5	79.2	43.9	62.6
2011	336.1	2.1	7.3	7.3	10.3	39.6	3.6	38.9	31.8	83.6	46.1	65.4
2012	349.3	2.0	7.4	7.2	10.7	41.2	3.8	41.6	31.9	86.7	48.1	68.6
2013	371.4	2.0	7.9	7.1	11.5	42.1	4.4	44.1	32.9	92.0	54.6	72.6

Source: California EDD, QCEW series

ORANGE COUNTY

INTRODUCTION

In the 1950's Orange County began the process of transforming its economy from one based on orange groves and oil to an economy characterized by the aerospace, life sciences, financial services, and tourism industries. Facilitating this transformation was Orange County's success in attracting a highly skilled workforce. Nearly 90% of the adult population in Orange County has a high school diploma and roughly 35% has a bachelor's degree or higher. Quality of life is another attribute in which Orange County ranks high among regions of the U.S.

The unemployment rate in Orange County peaked at 9.5% in 2010, but fell to an average annual rate of 6.0% in 2013. By July 2014, the unemployment rate in Orange County stood at 5.7%, the lowest in Southern California (fifth lowest in the state) and one of the lowest in the nation. The LAEDC forecasts the unemployment rate will average 5.2% in 2014 and 4.8% in 2015.

By July 2014, the unemployment rate in Orange County stood at 5.7%, the lowest in Southern California (fifth lowest in the state) and one of the lowest in the nation.

At its lowest point, Orange County total nonfarm employment fell 6.2% below the peak reached in 2006. In 2014, employment is projected to improve but will still fall 2.2% short of where it was 2006. The LAEDC forecasts Orange County payrolls will increase by roughly 30,500 jobs (2.1%) this year. The largest gains are expected to be in construction (7,700 jobs), professional, scientific and technical services (5,200 jobs), healthcare and social assistance (4,600 jobs), leisure and hospitality (4,100 jobs), and manufacturing (3,100 jobs). In 2015, total nonfarm employment is expected to reach 1.52 million, finally exceeding 2006 levels.

TRENDS IN MAJOR INDUSTRIES

Real Estate and Construction: Orange County's residential real estate market continues to improve, but it will be some time before a full recovery can be declared. Sales of existing homes have declined on year-over-year basis in each month of 2014. Median prices on the other hand, have risen year-over-year for 28 consecutive months (through August 2014). According to the California Association of Realtors the median price of an existing single-family home in Orange County was $699,430 in August 2014, up by 5.2% compared with the median price a year ago. New home building slowed this year. Permits issued for new home construction are expected to be down by 12.0%

compared with 2013, but stronger economic growth and demographic pressures should push permits up by 15.2% in 2015.

Local commercial real estate has also improved. Office and industrial vacancy rates are declining and lease rates have stabilized. The office vacancy rate fell to 14.8% in the second quarter of 2014 and net absorption was 405,572 square feet. The industrial vacancy rate dropped to 3.7% in the second quarter of 2014. This is the lowest vacancy rate recorded since the third quarter of 2008 when it was 3.5%. Net absorption in the second quarter was 110,923 square feet.

Non-residential building permits were up by 41.6% (projected), but are coming off of very low levels of new construction. Leasing fundamentals should continue to strengthen the rest of this year, paving the way for additional gains in new non-residential construction next year.

In August 2014, the median price of an existing single-family home in Orange County reached $699,430, an increase of 5.2% over the year.

Leisure and Hospitality: Tourism is one of Orange County's most important industries. The Orange County Visitor and Convention Bureau reported that over 44 million people (including 3.7 million international travelers) visited Orange County and spent in excess of $9.5 billion in 2013. Attractions like Disneyland and South Coast Plaza help to draw increasing numbers of international visitors, particularly Chinese tourists. In the lodging sector, occupancy rates are down and average daily room rates are up.

After achieving record high employment levels in 2013, leisure and hospitality jobs in Orange County continued to increase through July of this year. Employment in 2014 is projected to reach 191,900 workers, increasing again in 2015 to 194,500 workers.

Manufacturing and Exports: Orange County has a strong high tech manufacturing sector that includes computer and related electronic products, aerospace parts and products, and medical device manufacturers. These sectors rely on Orange County's highly skilled workforce. Manufacturing employment accounts for about 11% of total nonfarm jobs in Orange County with 73% of the total concentrated in durable goods (e.g. computers, machinery, and transportation equipment). The balance of manufacturing workers produces nondurable goods such as apparel and food. In 2014, manufacturing jobs in Orange County are expected to increase by 2.0% to 161,000 workers, and to 163,000 in 2014.

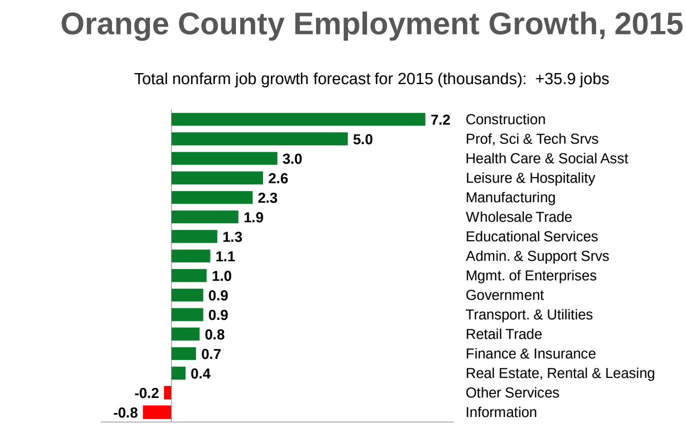
Orange County's manufacturing firms also generate significant export revenues. In 2013, export revenues totaled approximately $25 billion, or 26% of the total for the Los Angeles MSA.

LOOKING AHEAD

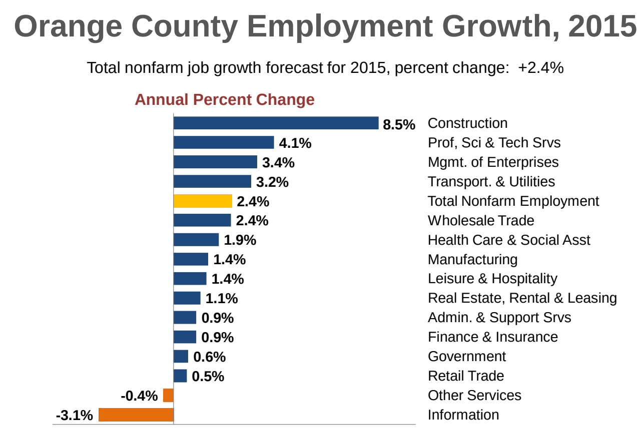
Orange County's economy continued to expand this year with additional gains expected in 2015. Initially lagging behind the national recovery, Orange County quickly gathered strength. Population growth is expected to accelerate in the near-term, while gains in both employment and personal income, along with improvements in the housing market all point to stronger consumer spending this year and next.

The opportunities afforded by Orange County's thriving high tech industries, quality of life and congenial climate are magnets for attracting and retaining a talented and highly skilled workforce, which in turn, enhances the vitality of the regional economy.

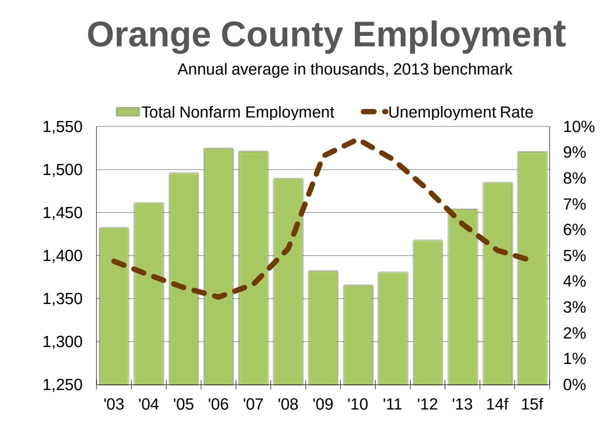
Orange County Snapshot



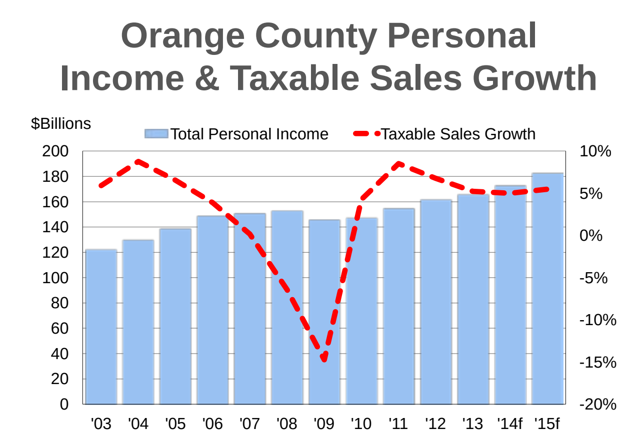
Source: CA EDD, Labor Market Information Division, forecast by LAEDC



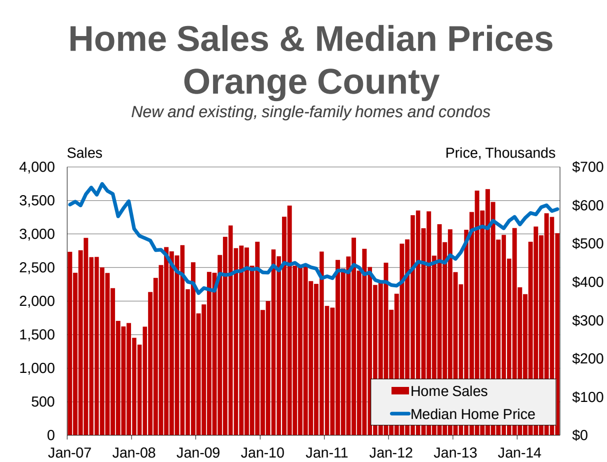
Source: CA EDD, Labor Market Information Division, forecast by LAEDC



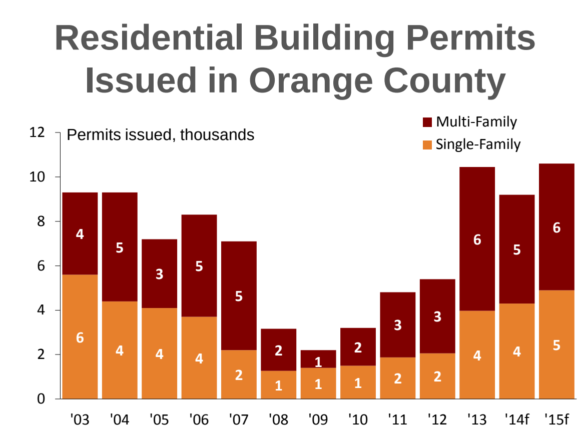
Source: EDD Labor Market Information Division; forecast by LAEDC



Source: California Board of Equalization, Dept. of Commerce; estimate & forecast by the LAEDC



Source: California Real Estate Research Council; DataQuick



Source: CIRB, California Home Building Foundation, forecast by LAEDC

Table 23: Orange County Economic Indicators

Year	Population on July 1 (Thousands)	Nonfarm Employment (Ave., Thousands)	Unemploy-ment Rate (Ave., %)	Total Personal Income ($Billions)	Per Capita Personal Income ($)	Total Taxable Sales ($Billions)	Total Overnight & Day Visitors (Millions)	Housing Unit Permits Issued	Nonresidential Building Permits ($Millions)
2003	2,939.7	1,432.5	4.8	122.5	41,805	47.5	42.7	9,311	1,006
2004	2,956.5	1,461.3	4.3	129.9	44,169	51.7	43.5	9,322	1,133
2005	2,957.2	1,495.9	3.8	138.7	47,172	55.1	44.7	7,206	1,495
2006	2,955.4	1,524.3	3.4	148.9	50,775	57.2	44.9	8,371	2,401
2007	2,965.8	1,521.0	3.9	151.0	51,492	57.3	44.3	7,072	2,005
2008	2,982.8	1,489.4	5.3	152.9	51,688	53.6	43.1	3,159	1,439
2009	2,998.8	1,382.7	8.9	145.9	48,841	45.7	42.7	2,200	952
2010	3,017.3	1,366.0	9.5	147.2	48,769	47.7	42.7	3,091	1,152
2011	3,046.8	1,381.2	8.7	154.8	50,642	51.7	42.9	4,807	1,299
2012	3,074.5	1,418.1	7.6	161.7	52,342	55.2	43.8	6,862	1,263
2013	3,104.7	1,454.2	6.2	165.7	53,097	58.1	44.4	10,453	1,554
2014f	3,138.8	1,484.7	5.2	172.8	54,810	61.0	45.9	9,200	2,200
2015f	3,170.2	1,520.4	4.8	182.5	57,291	64.4	46.6	10,600	2,650

% Change									
03/02	0.9%	1.9%		5.5%	4.8%	5.9%	2.4%	-22.5%	-16.8%
04/03	0.6%	2.0%		6.1%	5.7%	8.8%	1.7%	0.1%	12.6%
05/04	0.0%	2.4%		6.7%	6.8%	6.5%	2.8%	-22.7%	32.0%
06/05	-0.1%	1.9%		7.4%	7.6%	3.9%	0.4%	16.2%	60.6%
07/06	0.4%	-0.2%		1.4%	1.4%	0.2%	-1.3%	-15.5%	-16.5%
08/07	0.6%	-2.1%		1.3%	0.4%	-6.4%	-2.7%	-55.3%	-28.2%
09/08	0.5%	-7.2%		-4.6%	-5.5%	-14.7%	-1.0%	-30.4%	-33.8%
10/09	0.6%	-1.2%		0.9%	-0.1%	4.3%	0.1%	40.5%	21.0%
11/10	1.0%	1.1%		5.1%	3.8%	8.5%	0.5%	55.5%	12.8%
12/11	0.9%	2.7%		4.5%	3.4%	6.8%	2.1%	42.8%	-2.8%
13/12	1.0%	2.5%		2.4%	1.4%	5.2%	1.4%	52.3%	23.1%
14/13	1.1%	2.1%		4.3%	3.2%	5.0%	3.4%	-12.0%	41.5%
15/14	1.0%	2.4%		5.6%	4.5%	5.5%	1.5%	15.2%	20.5%

Sources: State of California: Dept. of Finance, Employment Development Department, Board of Equalization; U.S. Dept of Commerce, CIC Research, Inc., Construction Industry Research Board; California Homebuilding Foundation; estimates and forecasts by the LAEDC

Table 24: Orange County Nonfarm Employment

Annual averages, Thousands, March 2013 Benchmark

Year	Total Nonfarm Employment	Natural Resources	Construction	Manufacturing	*Mfg. -- Durable*	*Mfg .-- Nondurable*	Wholesale Trade	Retail Trade	Transport. & Utilities	Information
2003	1,432.5	0.5	83.7	183.9	*127.2*	*56.7*	83.2	152.8	29.0	35.2
2004	1,461.3	0.6	92.2	183.5	*127.1*	*56.4*	82.4	153.2	29.2	33.8
2005	1,495.9	0.7	99.9	182.9	*128.3*	*54.6*	83.0	158.1	28.7	32.8
2006	1,524.3	0.6	106.6	182.7	*128.0*	*54.7*	83.7	160.8	28.2	31.9
2007	1,521.0	0.6	103.1	180.4	*126.2*	*54.2*	86.9	161.2	28.9	31.2
2008	1,489.4	0.6	91.2	174.0	*122.5*	*51.5*	86.7	155.9	29.3	30.1
2009	1,382.7	0.5	74.2	154.8	*109.1*	*45.7*	79.4	143.0	27.8	27.3
2010	1,366.0	0.5	68.0	150.4	*106.5*	*43.9*	77.6	141.3	26.7	24.8
2011	1,381.2	0.5	69.2	154.2	*110.7*	*43.5*	77.0	142.5	27.5	23.8
2012	1,418.1	0.5	71.4	158.3	*114.4*	*43.9*	76.9	143.9	28.0	24.3
2013	1,454.2	0.5	77.3	157.9	*114.8*	*43.1*	79.2	145.7	27.9	25.4
2014f	1,484.7	0.5	85.0	161.0	*118.5*	*42.5*	80.2	147.2	28.1	25.8
2015f	1,520.4	0.5	92.2	163.3	*120.2*	*43.1*	82.1	148.0	29.0	25.0

Year	Finance & Insurance	Real Estate, Rental & Leasing	Prof, Sci & Tech Srvs	Mgmt. of Enterprises	Admin. & Support Srvs	Educational Services	Health Care & Social Asst	Leisure & Hospitality	Other Services	Government
2003	88.0	34.2	96.4	32.9	123.3	18.9	111.0	158.6	46.7	154.2
2004	96.0	36.3	97.6	30.6	126.7	19.2	116.3	162.9	47.4	153.4
2005	100.9	37.5	103.2	30.0	131.1	19.8	118.7	165.0	48.4	155.3
2006	99.0	39.1	109.3	28.9	136.4	20.8	122.3	169.6	47.7	156.7
2007	89.1	38.6	113.5	27.9	132.0	21.6	126.6	172.9	47.4	159.4
2008	76.1	37.0	116.1	26.3	124.5	23.6	134.3	176.4	46.5	160.8
2009	70.6	34.5	107.3	25.0	108.7	23.4	138.0	169.1	42.6	156.6
2010	69.4	34.1	106.1	23.9	114.6	23.6	141.9	168.6	42.2	152.3
2011	71.1	33.6	108.6	24.7	114.1	24.3	143.7	174.0	43.2	149.3
2012	73.7	34.5	113.0	26.4	120.5	24.7	149.1	180.6	44.6	147.9
2013	76.6	35.9	115.4	27.8	121.2	25.5	156.4	187.8	45.5	148.3
2014f	74.7	36.1	120.6	29.0	117.3	27.0	161.0	191.9	47.2	149.0
2015f	75.4	36.5	125.6	30.0	118.4	28.3	164.0	194.5	47.0	149.9

Sources: California Employment Development Department, LMID; estimates and forecasts by LAEDC

RIVERSIDE AND SAN BERNARDINO COUNTIES

INTRODUCTION

Job growth in the Inland Empire, as the combined Riverside County-San Bernardino County region is known, outpaced the state and the rest of Southern California for the third year in a row in 2014. This has been a welcome development, as the Inland Empire suffered a more severe blow during the Great Recession and took longer to turn around. Job gains have brought the unemployment rate down and contributed to rising personal income, which has supported growth in a number of consumer-driven industries.

Wage and salary (nonfarm) jobs in the Inland Empire grew at a 2.8% yearly rate during the first seven months of 2014, better than the state's 2.2% growth rate over the same period. With a monthly average of 1.25 million jobs over the first seven months of this year, the region is still shy of the prerecession annual peak of 1.29 million jobs from 2007. It should surpass that threshold in 2015, more than five years after the technical end of the recession.

In 2014, job growth in the Inland Empire outpaced the state and the rest of Southern California for the third year in a row.

The monthly unemployment rate fell through 2014, with the July rate at 9.2%, down from 10.9% a year earlier. The unemployment rate has averaged 8.9% through the first seven months of the year, down significantly from the recession-era peak of 14.3% in 2010. Job creation accounted for most of the decline in the unemployment rate although the labor force fell marginally (-0.1%) over the first part of this year.

Most of the job gains in the Inland Empire this year came from a handful of industries, led by leisure and hospitality, health care and social assistance, administrative support and waste services, retail trade, and transportation, warehousing and utilities. Noteworthy increases also occurred in construction and government, the latter finally recovering from the job cuts that were exacted in the wake of the recession when government coffers were severely depleted. While consumer-serving industries such as leisure and hospitality, and retail trade have seen large gains in absolute terms, other business-serving industries (transportation and warehousing, wholesale trade, professional and business services) have also added jobs. Meanwhile, nondurable goods manufacturing, financial services, and other (personal) services lost jobs during the course of the year, not unlike many other parts of Southern California.

TRENDS IN MAJOR INDUSTRIES

Goods Movement: The goods movement industry includes transportation and warehousing along with wholesaling. The industry employed just over 132,000 workers in the Inland Empire during the first part of 2014, which accounted for just over 10% of total nonfarm employment. Transportation and warehousing employment rose to nearly 75,000 jobs in the first seven months of 2014, having added 3,500 jobs compared to the previous year (4.9% yearly gain). Wholesale trade added nearly 2,000 jobs (4.1% yearly gain) over the same period, with employment averaging over 58,000 jobs during the first seven months of 2014.

The region's goods movement industry has benefited from improvement in activity at the Ports of Los Angeles and Long Beach in the last two years as the national economy has moved forward. The number of containers passing through the twin ports was stuck at roughly 14 million from 2010 through 2012, but jumped by 3.5% to 14.6 million in 2013. The outlook for 2014 is a substantial 5.5% increase to 15.4 million containers, with container counts expected to exceed 16 million next year, achieving a new record high. Accordingly, transportation and warehousing along with wholesaling should hit new record highs for employment in 2014 and add to that in 2015.

Real Estate: Like so much of the nation, housing in the Inland Empire turned in an uneven performance in 2014. The median price of a home in Riverside County returned to levels that were last seen in early 2008, with an August median of $300,000. San Bernardino's median price has also been on the rise, spending most of the summer in the neighborhood of $240,000, roughly on a par with home prices during the first half of 2008. Yearly percentage price gains in the two counties have consistently been in the double digits even as the rest of Southern California has seen price appreciation fall below the ten percent mark.

Price increases have been partly due to limited supplies of homes for sale, also a big reason behind the 20% year-to-year decline in sales. The unsold inventory (supply) of existing homes in Riverside County was just 4.8 months in August while the figure for San Bernardino was 4.9 months. Although both readings are about a month higher than a year ago, inventory levels continue to be somewhat below long-run average levels. On the supply side, low inventories have constrained sales, while demand has been hindered by declining affordability and tighter-than-normal underwriting standards.

New home construction responded to tight market conditions and higher home prices last year with a 57% increase in housing permits. This trend was expected to continue through 2014 and into 2015, but uncertainty about the future direction of the market cooled homebuilding activity this year. Permits in the Inland Empire were essentially flat during the first half of this year, and are expected to rise by a meager 6.8% for all of 2014. With pent-up demand expected to speed up the housing market next year, permits should advance more quickly, with an increase of 28.7% expected in 2015. Permit levels will still fall well below peak levels of the last decade. About three out of four homes built in 2014 were single-family homes, a pattern that should continue into 2015.

The Inland Empire housing market will continue to register gains in 2015. The supply of new and existing homes for sale should increase in response to stronger demand as population grows and as the financial condition of households in the region improves. In turn, both higher prices and sales are expected.

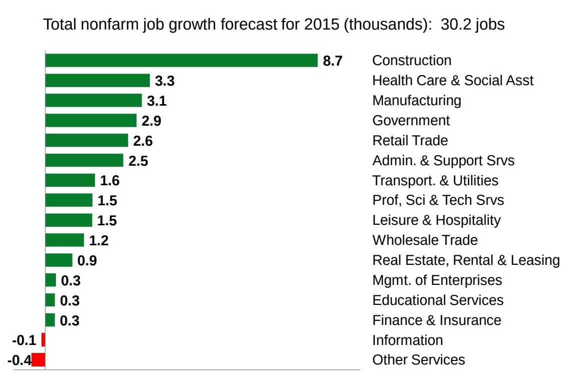
LOOKING AHEAD

While job growth for all of 2014 will not match the 4.0% growth rate of the previous year, the anticipated 2.6% increase will be among the fastest in the state. Jobs should grow by an additional 2.4% next year, with annual wage and salary employment expected to hit a new high. Nearly all industries will add jobs, with the largest increases occurring in leisure and hospitality, health care, administrative support and waste services, and retail trade. Transportation, warehousing and utilities will continue to grow, while construction jobs will accelerate in response to a much anticipated uptick in construction activity across the region. Job losses will continue in nondurable goods manufacturing and financial services.

As the region's industries grow over this year and next, the unemployment rate will fall from 10.2% last year (2013) to 8.5% this year and 7.9% in 2015, below the 8.3% average since 2000. As the economy moves forward and population growth accelerates, personal income will grow and give rise to further gains in taxable sales and continued job growth in population-serving industries.

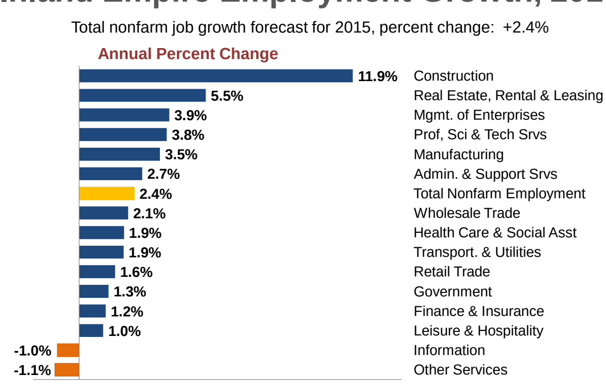
Inland Empire Snapshot

Inland Empire Employment Growth, 2015



Source: CA EDD, Labor Market Information Division, forecast by LAEDC

Inland Empire Employment Growth, 2015

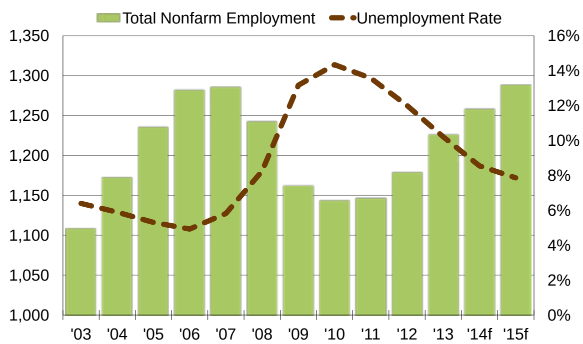


Source: CA EDD, Labor Market Information Division, forecast by LAEDC

Inland Empire Snapshot

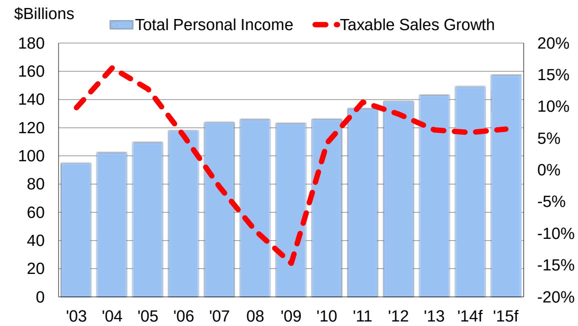
Inland Empire Employment

Annual average in thousands, 2013 benchmark



Source: EDD Labor Market Information Division; forecast by LAEDC

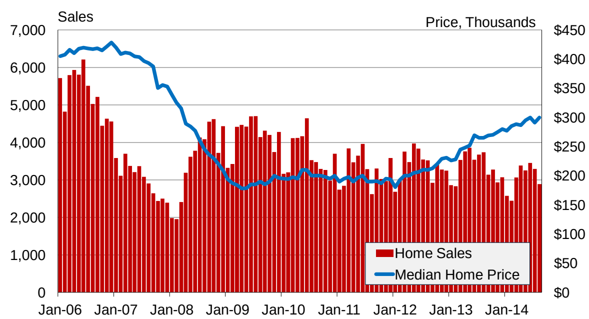
Inland Empire Personal Income & Taxable Sales Growth



Source: California Board of Equalization, Dept. of Commerce; estimate & forecast by the LAEDC

Home Sales & Median Prices Riverside County

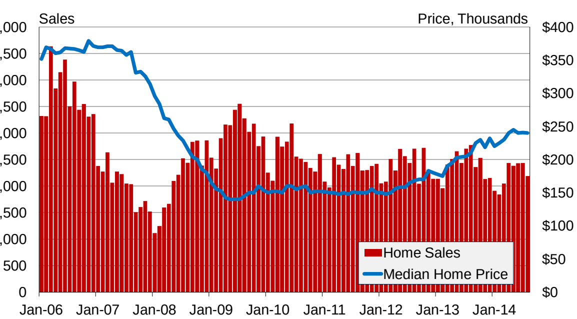
New and existing, single-family homes and condos



Source: California Real Estate Research Council; DataQuick

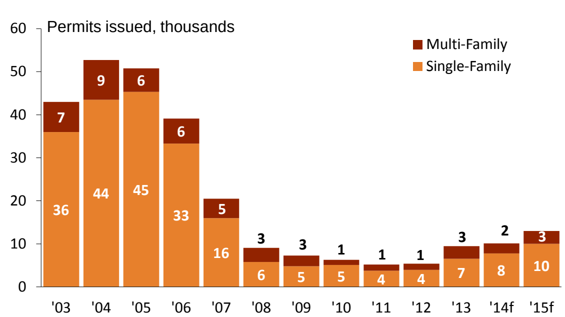
Home Sales & Median Prices San Bernardino County

New and existing, single-family homes and condos



Source: California Real Estate Research Council; DataQuick

Residential Building Permits Issued in the Inland Empire



Source: CIRB, California Home Building Foundation, forecast by LAEDC

Table 25: Inland Empire Economic Indicators

Year	Population on July 1 (Thousands)	Nonfarm Employment (Ave., thousands)	Unemploy-ment Rate (Ave., %)	Total Personal Income ($Billons)	Per Capita Personal Income ($)	Total Taxable Sales ($Billions)	Housing Unit Permits Issued	Nonresidential Building Permits ($Millions)
2003	3,622.5	1,109.6	6.4	94.9	26,245	44.3	43,001	1,720
2004	3,757.1	1,173.0	5.9	102.6	27,309	51.4	52,696	2,485
2005	3,877.5	1,235.9	5.3	109.8	28,338	58.0	50,818	2,394
2006	3,994.1	1,282.1	4.9	118.1	29,637	61.1	39,083	2,852
2007	4,085.3	1,286.0	5.8	123.9	30,464	59.5	20,457	2,824
2008	4,139.4	1,242.8	8.3	126.2	30,669	53.8	9,101	1,781
2009	4,180.7	1,162.8	13.2	123.2	29,605	45.9	6,685	710
2010	4,230.5	1,144.2	14.3	126.3	29,749	47.8	6,269	792
2011	4,273.5	1,147.3	13.6	133.8	31,096	53.0	5,214	921
2012	4,313.9	1,179.2	12.0	138.8	31,900	57.6	6,034	1,074
2013	4,344.2	1,226.4	10.2	143.3	32,619	61.3	9,456	1,555
2014f	4,387.6	1,258.3	8.5	149.3	33,672	64.9	10,100	1,750
2015f	4,440.3	1,288.5	7.9	157.5	35,109	69.1	13,000	2,475
% Change								
03/02	3.8%	3.5%		7.6%	3.7%	9.8%	29.2%	16.8%
04/03	3.7%	5.7%		8.0%	4.1%	16.1%	22.5%	44.5%
05/04	3.2%	5.4%		7.1%	3.8%	12.7%	-3.6%	-3.7%
06/05	3.0%	3.7%		7.6%	4.6%	5.4%	-23.1%	19.1%
07/06	2.3%	0.3%		4.9%	2.8%	-2.7%	-47.7%	-1.0%
08/07	1.3%	-3.4%		1.8%	0.7%	-9.6%	-55.5%	-37.0%
09/08	1.0%	-6.4%		-2.4%	-3.5%	-14.7%	-26.5%	-60.1%
10/09	1.2%	-1.6%		2.5%	0.5%	4.3%	-6.2%	11.5%
11/10	1.0%	0.3%		6.0%	4.5%	10.7%	-16.8%	16.3%
12/11	0.9%	2.8%		3.7%	2.6%	8.8%	15.7%	16.7%
13/12	0.7%	4.0%		3.2%	2.3%	6.3%	56.7%	44.7%
14/13	1.0%	2.6%		4.2%	3.2%	5.9%	6.8%	12.5%
15/14	1.2%	2.4%		5.5%	4.3%	6.5%	28.7%	41.4%

Sources: State of California: Dept. of Finance, Employment Development Department, Board of Equalization; U.S. Dept of Commerce Construction Industry Research Board; estimates and forecasts by the LAEDC

Table 26: Inland Empire Nonfarm Employment

Annual averages, Thousands, March 2013 benchmark

Year	Total Nonfarm Employment	Natural Resources	Construction	Manufacturing	*Mfg. -- Durable*	*Mfg .-- Nondurable*	Wholesale Trade	Retail Trade	Transport. & Utilities	Information
2003	1,109.6	1.2	99.0	116.1	82.4	33.7	43.5	142.6	50.4	13.9
2004	1,173.0	1.2	111.8	120.1	85.5	34.6	45.6	153.6	56.3	14.0
2005	1,235.9	1.4	123.3	121.1	86.1	35.0	49.9	165.3	61.6	14.5
2006	1,282.1	1.4	127.5	123.4	86.9	36.5	54.2	172.5	65.7	15.3
2007	1,286.0	1.3	112.5	118.6	82.1	36.5	56.8	175.6	69.5	15.4
2008	1,242.8	1.2	90.7	106.8	72.5	34.3	54.1	168.6	70.2	14.8
2009	1,162.8	1.1	67.9	88.7	58.1	30.6	48.9	156.2	66.8	14.1
2010	1,144.2	1.0	59.7	85.1	55.3	29.8	48.6	155.5	66.6	14.0
2011	1,147.3	1.0	59.1	85.1	55.8	29.3	49.0	158.5	68.8	12.1
2012	1,179.2	1.2	62.6	86.7	56.9	29.8	52.1	162.3	73.8	11.5
2013	1,226.4	1.2	69.3	86.8	57.0	29.8	56.0	164.8	78.6	11.3
2014f	1,258.3	1.2	72.8	87.5	57.7	29.7	57.9	168.6	81.7	11.4
2015f	1,288.5	1.3	81.5	90.6	60.0	30.6	59.1	171.2	83.3	11.2

Year	Finance & Insurance	Real Estate, Rental & Leasing	Prof, Sci & Tech Srvs	Mgmt. of Enterprises	Admin. & Support Srvs	Educational Services	Health Care & Social Asst	Leisure & Hospitality	Other Services	Government
2003	25.7	16.9	28.7	11.0	75.7	13.2	113.1	109.0	38.2	211.6
2004	28.0	17.7	31.0	11.6	82.9	13.4	118.0	116.7	38.8	212.5
2005	30.1	18.9	35.0	12.0	86.2	13.6	120.2	122.6	39.9	220.4
2006	31.6	19.9	39.9	10.8	91.7	14.1	122.5	128.1	41.2	222.5
2007	30.3	19.5	40.5	9.8	95.1	15.0	127.2	132.6	41.2	225.3
2008	27.4	18.7	40.5	9.7	88.0	15.7	133.6	131.0	40.8	231.0
2009	26.0	16.6	37.8	8.9	78.5	16.3	138.7	123.8	37.3	235.2
2010	25.5	15.5	34.9	8.5	80.0	15.6	138.5	122.8	38.2	234.3
2011	25.3	14.6	35.6	8.6	81.6	15.8	141.8	124.0	39.1	227.5
2012	26.0	14.8	36.7	8.5	82.0	16.3	150.9	129.3	40.1	224.6
2013	26.4	15.6	37.6	8.8	86.1	17.1	164.9	136.2	40.8	225.0
2014f	26.4	15.6	39.4	8.7	90.6	17.5	170.5	142.6	39.1	226.8
2015f	26.7	16.5	40.9	9.0	93.1	17.8	173.8	144.1	38.7	229.7

Sources: California Employment Development Department, LMID; forecasts by LAEDC

SAN DIEGO COUNTY

INTRODUCTION

San Diego County covers 4,526 square miles and includes 18 cities, the largest of which is the City of San Diego. The population in 2013 was 3.2 million people making San Diego the second most populous county in the state behind Los Angeles. The quality of life in San Diego is among the best in the nation and the region's population has higher levels of educational attainment relative to the state overall. About 85.4% of the adult population has a high school diploma or more, while 34.4% has a bachelor's degree or higher.

After peaking at 10.6% in 2010, the unemployment rate in San Diego County was 6.6% in July 2014, down from the year ago rate of 8.0%. The LAEDC forecasts the unemployment rate will average 6.2% in 2014 and decline to 5.7% in 2015, well below the long-run average unemployment rate (since 1990) for San Diego of 6.0%.

The number of nonfarm jobs in San Diego County should exceed 1.3 million in 2014, surpassing the prerecession peak by 23,800 jobs.

The number of nonfarm jobs in San Diego County should exceed 1.3 million in 2014, surpassing the prerecession peak by 23,800 jobs. After increasing by 2.4% this year, nonfarm job growth will accelerate in 2015, increasing by 2.5% to nearly 1.4 million jobs. Growth has been broad-based with nearly every private sector except finance and insurance adding jobs in 2014. The fastest growing sectors in percentage terms in 2014 (projected) are construction (6.9%), and professional scientific and technical services (4.2%). The fastest growing in terms of job counts (projected) are leisure and hospitality (5,300 jobs), and professional, technical and scientific services (5,200 jobs).

As employment prospects improve, population growth will accelerate, increasing by 1.2% both this year and next. Most of the recent population growth in San Diego County has been the result of natural increase (births outnumbering deaths) as opposed to migration. Along with job growth and higher incomes, consumer spending as measured by total taxable sales is also on the rise.

Although still not fully recovered, San Diego's housing market has improved – median prices have risen on a year-over-year basis since the second quarter of 2012 and new home construction has picked up. Like the rest of Southern California, the return to "normal" for the region's housing market is likely to take a number of years. *For a more detailed discussion of the region's housing market, see the Real Estate and Construction section of this report.*

TRENDS IN MAJOR INDUSTRIES

Aerospace and Defense: The aerospace and defense sector in San Diego County is an integral part of the region's economy. Military spending will be flat or down slightly this year, but the industry is preparing for uncertain and possibly severe cuts to the Pentagon's budget in the years ahead. Although defense-related firms are concerned about Pentagon budget cuts, a significant amount of the work being done by local contractors is related to the development of systems that are likely to continue growing even as defense budgets are cut: cyber security, intelligence surveillance, defense-related electronics and software, and unmanned aerial systems.

Agriculture: San Diego's agricultural industry is the nineteenth largest in the U.S. and has a higher dollar-value per acre ($479,000) than any other county in California. Between January and July of this year, farm employment was up by 2.1% to 9,940 workers compared with same period in 2013. The largest commercial crops were nursery plants and avocados. San Diego growers do face some considerable challenges, the foremost being high land costs, and the uncertain supply and increasing cost of water.

Biotechnology and Health Care: During the first half of 2014, San Diego County ranked ninth in the nation (the "Southeast" was eighth) in the total amount of venture capital invested – much of it going to the biotechnology sector. Along with the Greater Boston and San Francisco Bay areas, San Diego leads the country's life sciences sector in terms of venture capital and employment. San Diego's life sciences sector benefits from its close ties to the area's research institutions and from local efforts to nurture and grow the industry.

The health care sector is also expanding. Employment during the first seven months of 2014 was up by nearly 3,900 jobs (2.6%). Several new hospital facilities opened in 2013 and more are on the way. These include the newly completed $456 million naval hospital at Camp Pendleton and the Scripps Proton Therapy Center, which is expected to attract patients from around the world. With its advanced treatment and diagnostic facilities, San Diego also has the potential to become a hub for medical tourism.

Tourism and Hospitality: San Diego's travel and tourism industry is growing. With demand for hotel rooms outpacing new supply, fundamentals in the lodging sector continue to improve. San Diego hotels command a premium relative to the rest of California and the U.S. New hotel construction is still at very low levels, but financing for hospitality projects is finally beginning to thaw. In the meantime, hotels are undergoing extensive renovations, including the three largest by room count, clustered around the convention center.

The number of San Diego visitors (day and overnight) rose by 2.6% in 2013 to 33.1 million. Visitor expenditures were nearly $8.4 billion last year. Visitor counts are projected to increase by 2.4% to 33.9 million in 2014 and total expenditures by 6.1% to $8.9 billion. Employment in San Diego's leisure and hospitality sector expanded by 3.3% or nearly 5,500 jobs from January to July this year compared with the same period in 2013.

LOOKING AHEAD

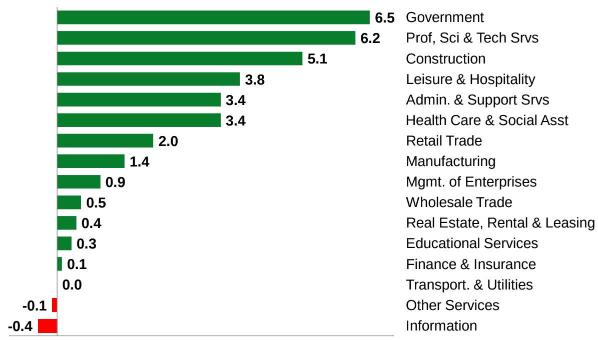
San Diego's economy is moving in the right direction. The region is an established innovation hub for telecommunications, medical devices, life sciences, and has a significant high-tech manufacturing sector. San Diego is also investing in infrastructure that will improve long-term growth prospects, including upgrades to Lindberg Field and a project to expand the border crossing at San Ysidro.

San Diego has the benefit of a near perfect climate and is home to a large number of cultural attractions, attributes that attract educated and talented workers and a steady influx of well-off retirees. San Diego is a popular travel destination and the presence of the U.S. Navy and Marine Corps also makes a significant contribution to the region's economy.

San Diego County Snapshot

San Diego County Employment Growth, 2015

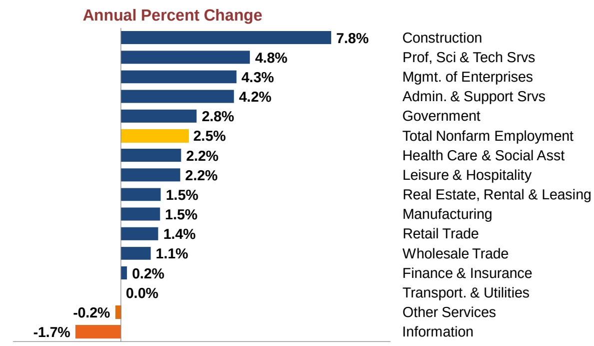
Total nonfarm job growth forecast for 2015 (thousands): +33.6 jobs



Source: CA EDD, Labor Market Information Division; forecast by LAEDC

San Diego County Employment Growth, 2015

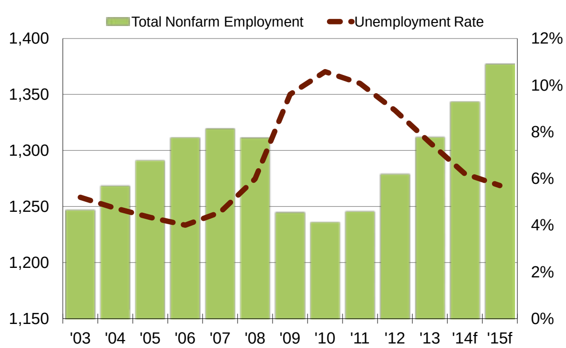
Total nonfarm job growth forecast for 2015, percent change: +2.5%



Source: CA EDD, Labor Market Information Division, forecast by LAEDC

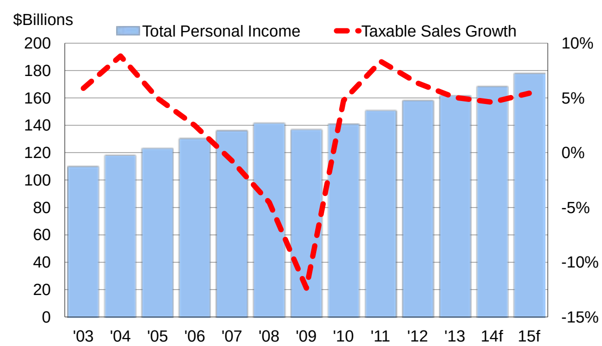
San Diego County Employment

Annual average in thousands, 2013 benchmark



Source: EDD Labor Market Information Division; forecast by LAEDC

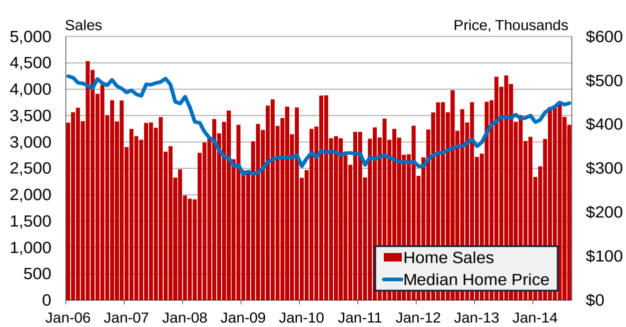
San Diego County Personal Income & Taxable Sales Growth



Source: California Board of Equalization, Dept. of Commerce; estimate & forecast by the LAEDC

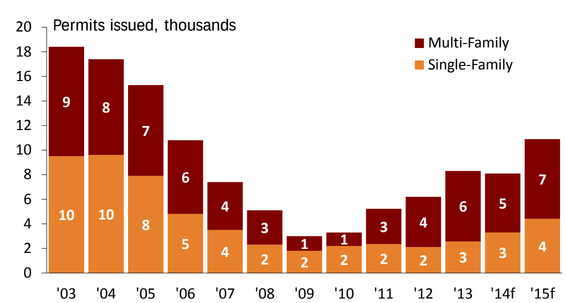
Home Sales & Median Prices San Diego County

New and existing, single-family homes and condos



Source: California Real Estate Research Council; DataQuick

Residential Building Permits Issued in San Diego County



Source: CIRB, California Home Building Foundation, forecast by LAEDC

Table 27: San Diego County Economic Indicators

Year	Population on July 1 (Thousands)	Nonfarm Employment (Ave., Thousands)	Unemploy-ment Rate (Ave., %)	Total Personal Income ($Billions)	Per Capita Personal Income ($)	Total Taxable Sales ($Billions)	Value of Two-way Trade ($Billions)	Total Overnight & Day Visitors (Millions)	Housing Unit Permits Issued	Nonresidential Building Permits ($Millions)	Chg. In CPI (%)
2003	2,944.0	1,247.3	5.2	110.2	37,796	40.9	35.6	32.1	18,314	1,169	3.7
2004	2,963.4	1,268.6	4.7	118.2	40,345	44.5	39.4	31.8	17,306	1,288	3.7
2005	2,970.1	1,291.3	4.3	123.4	42,012	46.7	43.2	31.8	15,258	1,382	3.7
2006	2,982.8	1,311.6	4.0	130.5	44,266	47.8	50.5	32.2	10,777	1,622	3.4
2007	3,014.2	1,319.7	4.6	136.1	45,742	47.5	53.9	31.6	7,445	1,417	2.3
2008	3,051.3	1,311.5	6.0	141.6	46,851	45.3	53.4	31.1	5,154	1,062	3.9
2009	3,077.6	1,245.2	9.6	137.0	44,797	39.7	43.9	29.6	2,990	584	0.0
2010	3,102.9	1,236.4	10.6	141.0	45,431	41.6	48.4	29.9	3,346	659	1.3
2011	3,125.8	1,246.0	10.1	150.8	48,066	45.1	52.6	31.1	5,220	1,072	3.0
2012	3,153.9	1,279.2	8.9	158.0	49,719	47.9	56.4	32.3	6,193	1,089	1.6
2013	3,182.1	1,312.0	7.5	161.6	50,288	50.4	58.8	33.1	8,342	1,418	1.3
2014f	3,220.3	1,343.5	6.2	168.4	51,821	52.7	62.9	33.9	8,100	2,150	2.2
2015f	3,258.9	1,377.1	5.7	177.8	54,068	55.5	65.2	34.6	10,900	2,575	1.5

% Change										
03/02	1.2%	0.9%		4.9%	4.4%	5.9%	-0.5%	-0.3%	16.4%	0.0%
04/03	0.7%	1.7%		7.3%	6.7%	8.8%	10.7%	-0.8%	-5.5%	10.2%
05/04	0.2%	1.8%		4.4%	4.1%	5.0%	9.6%	-0.2%	-11.8%	7.3%
06/05	0.4%	1.6%		5.7%	5.4%	2.5%	17.0%	1.3%	-29.4%	17.4%
07/06	1.1%	0.6%		4.3%	3.3%	-0.7%	6.6%	-2.0%	-30.9%	-12.6%
08/07	1.2%	-0.6%		4.0%	2.4%	-4.5%	-0.8%	-1.5%	-30.8%	-25.1%
09/08	0.9%	-5.1%		-3.2%	-4.4%	-12.4%	-17.8%	-4.8%	-42.0%	-45.0%
10/09	0.8%	-0.7%		2.9%	1.4%	4.8%	10.2%	0.9%	11.9%	12.8%
11/10	0.7%	0.8%		7.0%	5.8%	8.3%	8.6%	4.3%	56.0%	62.7%
12/11	0.9%	2.7%		4.7%	3.4%	6.3%	7.3%	3.7%	18.6%	1.6%
13/12	0.9%	2.6%		2.3%	1.1%	5.0%	4.2%	2.5%	34.7%	30.2%
14/13	1.2%	2.4%		4.2%	3.0%	4.6%	7.0%	2.4%	-2.9%	51.6%
15/13	1.2%	2.5%		5.6%	4.3%	5.4%	3.6%	2.1%	34.6%	19.8%

Sources: State of California: Dept. of Finance, Employment Development Department, Board of Equalization; U.S. Dept of Commerce, CIC Research, Inc., Construction Industry Research Board; California Homebuilding Foundation; estimates and forecasts by the LAEDC

Table 28: San Diego County Nonfarm Employment

Annual averages in thousands, March 2013 Benchmark

Year	Total Nonfarm Employment	Natural Resources	Construction	Manufacturing	*Mfg. -- Durable*	*Mfg .-- Nondurable*	Wholesale Trade	Retail Trade	Transport. & Utilities	Information
2003	1,247.3	0.3	80.2	105.3	*78.8*	*26.5*	41.6	140.8	27.3	33.4
2004	1,268.6	0.4	87.7	104.3	*78.1*	*26.2*	41.9	144.9	28.4	32.5
2005	1,291.3	0.4	90.8	104.5	*79.1*	*25.4*	43.6	147.4	28.4	32.6
2006	1,311.6	0.5	92.7	103.9	*78.4*	*25.5*	45.1	148.3	28.7	31.7
2007	1,319.7	0.4	87.0	102.5	*77.3*	*25.2*	45.5	148.1	28.8	31.3
2008	1,311.5	0.4	76.1	102.8	*78.1*	*24.7*	44.9	142.0	29.0	31.4
2009	1,245.2	0.4	61.1	95.3	*73.1*	*22.2*	40.6	131.6	27.3	28.2
2010	1,236.4	0.4	55.3	92.9	*71.0*	*21.9*	40.1	130.7	36.5	25.1
2011	1,246.0	0.4	55.2	93.1	*70.9*	*22.2*	41.3	133.4	26.1	24.2
2012	1,279.2	0.4	56.9	94.3	*71.3*	*23.1*	43.3	137.2	27.3	24.5
2013	1,312.0	0.4	61.2	94.6	*70.8*	*23.8*	44.3	140.8	27.2	24.1
2014f	1,343.5	0.4	65.4	96.4	*71.9*	*24.5*	45.2	144.4	27.3	23.9
2015f	1,377.1	0.4	70.5	97.8	*72.8*	*25.0*	45.7	146.4	27.3	23.5

Year	Finance & Insurance	Real Estate, Rental & Leasing	Prof, Sci & Tech Srvs	Mgmt. of Enterprises	Admin. & Support Srvs	Educational Services	Health Care & Social Asst	Leisure & Hospitality	Other Services	Government
2003	51.2	28.8	105.1	19.1	80.5	18.8	110.2	140.7	46.8	217.3
2004	52.8	29.1	103.9	18.2	86.6	20.1	109.8	145.7	47.9	214.3
2005	53.5	29.7	110.8	17.4	87.2	21.1	110.7	149.6	48.8	215.1
2006	53.2	30.5	115.3	16.9	87.1	21.3	113.8	156.5	48.4	217.9
2007	50.2	30.1	118.6	16.1	88.4	22.0	118.5	161.8	48.3	222.4
2008	46.1	29.2	120.4	15.9	85.9	24.4	125.6	164.0	48.4	225.1
2009	43.3	26.5	116.7	16.0	74.1	26.7	131.5	154.8	46.8	224.5
2010	41.3	25.9	117.5	17.1	73.2	25.4	134.1	154.5	46.1	230.4
2011	41.9	25.6	118.6	17.5	73.7	27.1	135.7	155.6	47.6	229.0
2012	44.0	26.1	120.7	19.0	76.5	29.0	141.4	161.7	49.1	227.8
2013	44.6	26.8	124.3	20.2	78.2	30.0	149.3	167.5	49.2	229.5
2014f	44.4	27.0	129.5	21.0	81.1	30.5	152.3	172.8	50.9	231.1
2015f	44.5	27.4	135.7	21.9	84.5	30.8	155.7	176.6	50.8	237.6

Sources: California Employment Development Department, LMID; estimates and forecasts by LAEDC

VENTURA COUNTY

INTRODUCTION

Ventura County is the smallest of the counties in the Los Angeles five-county area based on population, but it is home to a broad array of industries including agriculture, professional business services, technology, and tourism. Proximity to one of the world's leading wine growing regions and 43 miles of coastline attracts large numbers of visitors, many of whom make the quick trip up from Southern California for a weekend getaway.

Ventura County is not only a port of call for travelers but also a shipping hub for automobiles and agricultural goods. Port Hueneme serves as a distribution hub for automobile manufacturers, and is a collection point for many agricultural goods that are shipped throughout the nation. Port Hueneme handled 4.9 million tons of cargo in 2013, up by 8.7% from 2012. In 2013, two-way trade was valued at $8.3 billion, an increase of 12.8% from a year earlier.

The Unemployment Rate in Ventura County should drop to 6.6% in 2014 while nonfarm employment increases by 1.6%.

On an annual basis, Ventura County's unemployment rate dropped from 9.1% in 2012 to 7.8% in 2013. However, within the Tri-Counties area, Ventura lags behind both San Luis Obispo County (6.7%) and Santa Barbara County (6.8%). While 7.8% is a significant improvement, the unemployment rate remains high compared with prerecession levels. The LAEDC expects the unemployment rate will drop over a full percentage point to 6.6% in 2014 and to 6.3% in 2015.

Last year nonfarm employment grew by 1.9%, averaging 286,600 nonfarm jobs during 2013. Despite three years of mostly consistent job growth, nonfarm employment in 2013 was still 12,200 jobs below the peak of 2006, and was closer to levels last seen in the early part of the last decade. Ventura's best performing sectors were health care (accounting for nearly two-thirds of total nonfarm job gains in the county), retail trade, leisure and hospitality, and construction. Administrative and support services also improved through the year, largely because of increases in temporary employment. The LAEDC forecasts nonfarm employment will grow at a modest pace of 1.6% in 2014 but will accelerate to 2.3% in 2015.

TRENDS IN MAJOR INDUSTRIES

Tourism: Ventura is an ideal destination for tourists looking for an alternative the higher priced Santa Barbara area. Benefits include the short distance from Los Angeles County and more affordable lodging. Hotel supply has remained largely unchanged since 2011, while demand has been growing. Occupancy rates reached 68.3% in 2013 compared with 66.9% a year earlier. Average daily room rates have also edged up, rising to $103.20

in 2013 from $100.47 in 2012. Occupancy rates are expected to reach 69.2% this year with average daily room rates rising by 3.0%.

Housing and Consumer Spending: Although Ventura County's housing market continues to improve, problems persist. Sales of existing homes have declined on a year-over year basis in each month of 2014. Median prices on the other hand, have risen on a year-over-year basis for 27 consecutive months (through August 2014). According to the California Association of Realtors, the median price of an existing single-family home in Ventura County was $602,060 in August 2014, up by 8.4% compared with the median price a year ago. New home building also slowed this year. Permits issued for new home construction are projected to be 4.6% below 2013 levels, but with steady gains in the housing market expected next year, new home construction should rebound with a 30.0% increase in permits.

The LAEDC forecasts total personal income will increase by 3.7% this year and by 5.1% in 2015. As long as job growth continues at its current pace, per capita income will rise by 3.1% this year and by 4.4% in 2015. Consumer spending is also expected to see strong growth this year and next.

The population of Ventura County is made up of 840,320 individuals that are 47.5% white non-Hispanic, 41.2% Hispanic, 6.8% is Asian-Pacific Islander, and 4.5% black or other races. The LAEDC expects the population to increase at a moderate pace for the next two years, growing to 846,200 and 852,100 individuals in 2014 and 2015 respectively.

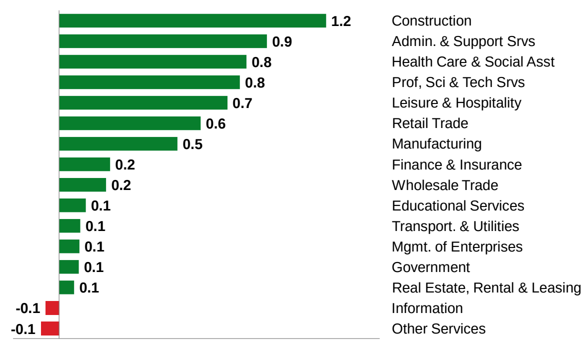
LOOKING AHEAD

The Ventura County economy will advance broadly over the next two years. The LAEDC forecasts expansion in all private industry sectors in 2014 with similar gains in 2015. Health care, retail trade, and leisure and hospitality will lead the way in 2014, with a noticeable gain in the construction sector (3.2% in 2014 and 9.1% in 2015). Health care will account for nearly one out of every five jobs created in 2014, while about one quarter of job gains over the next two years will be in professional and business services.

Ventura County Snapshot

Ventura County Employment Growth, 2015

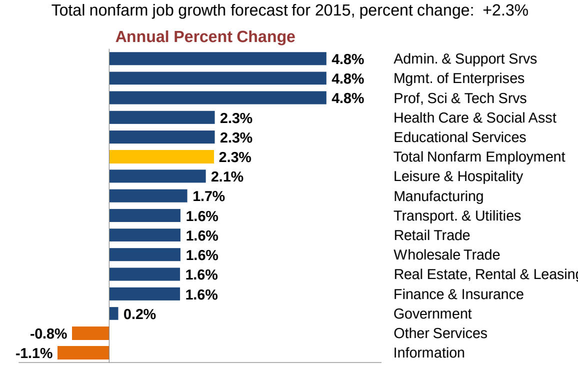
Total nonfarm job growth forecast for 2015 (thousands): +6.7 jobs



Source: CA EDD, Labor Market Information Division, forecast by LAEDC

Ventura County Employment Growth, 2015

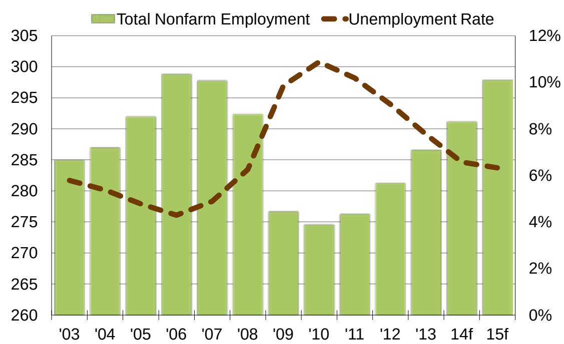
Total nonfarm job growth forecast for 2015, percent change: +2.3%



Source: CA EDD, Labor Market Information Division, forecast by LAEDC

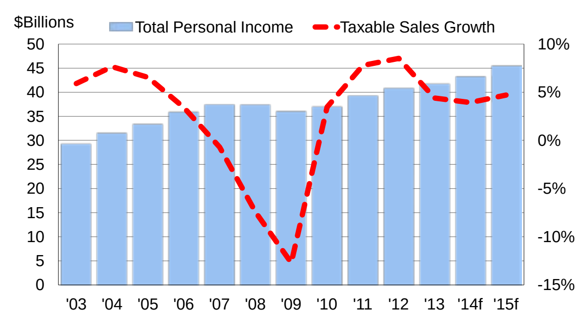
Ventura County Employment

Annual average in thousands, 2013 benchmark



Source: EDD Labor Market Information Division; forecast by LAEDC

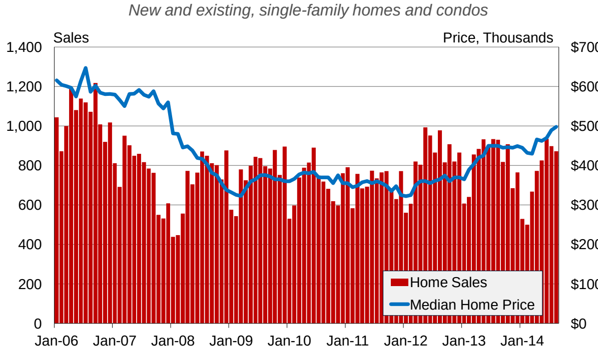
Ventura County Personal Income & Taxable Sales Growth



Source: California Board of Equalization, Dept. of Commerce; estimate & forecast by the LAEDC

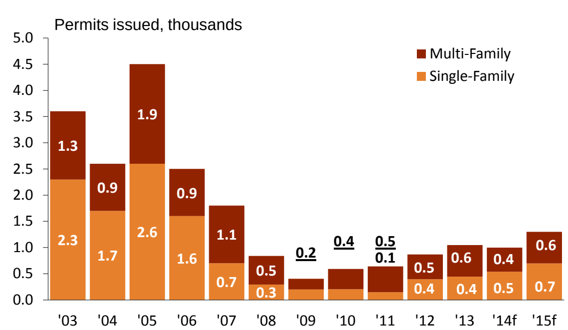
Home Sales & Median Prices Ventura County

New and existing, single-family homes and condos



Source: California Real Estate Research Council; DataQuick

Residential Building Permits Issued in Ventura County



Source: Construction Industry Research Board, forecast by LAEDC

Table 29: Ventura County Economic Indicators

Year	Population on July 1 (Thousands)	Nonfarm Employment (Ave., Thousands)	Unemploy-ment Rate (Ave., %)	Total Personal Income ($Billions)	Per Capita Personal Income ($)	Total Taxable Sales ($Billions)	Housing Unit Permits Issued	Nonresidential Building Permits ($Millions)
2003	789.4	285.0	5.8	29.3	37,154	10.4	3,635	379
2004	795.0	287.0	5.4	31.6	39,744	11.2	2,603	353
2005	796.9	292.0	4.8	33.4	42,079	11.9	4,516	372
2006	801.2	298.8	4.3	35.9	45,022	12.3	2,461	326
2007	805.9	297.8	4.9	37.5	46,813	12.2	1,847	346
2008	812.0	292.4	6.3	37.4	46,348	11.3	842	345
2009	818.5	276.7	9.9	36.0	44,220	9.9	404	153
2010	825.1	274.6	10.9	37.0	44,842	10.2	590	160
2011	830.2	276.3	10.2	39.3	47,279	11.0	640	147
2012	833.4	281.3	9.1	40.8	48,837	12.0	410	127
2013	840.3	286.6	7.8	41.7	49,597	12.5	1,048	143
2014f	846.2	291.2	6.6	43.3	51,113	13.0	1,000	210
2015f	852.1	297.9	6.3	45.5	53,375	13.6	1,300	300
% Change								
03/02	1.2%	0.9%		6.6%	5.4%	5.9%	45.0%	31.1%
04/03	0.7%	0.7%		7.8%	7.0%	7.7%	-28.4%	-6.9%
05/04	0.2%	1.7%		5.9%	5.9%	6.6%	73.5%	5.4%
06/05	0.5%	2.3%		7.5%	7.0%	3.4%	-45.5%	-12.4%
07/06	0.6%	-0.3%		4.2%	4.0%	-0.7%	-24.9%	6.1%
08/07	0.8%	-1.8%		-0.2%	-1.0%	-7.4%	-54.4%	-0.3%
09/08	0.8%	-5.4%		-3.6%	-4.6%	-12.7%	-52.0%	-55.7%
10/09	0.8%	-0.8%		2.7%	1.4%	3.5%	46.0%	4.6%
11/10	0.6%	0.6%		6.2%	5.4%	7.8%	8.5%	-8.1%
12/11	0.4%	1.8%		3.9%	3.3%	8.5%	-35.9%	-13.9%
13/12	0.8%	1.9%		2.2%	1.6%	4.4%	155.6%	13.2%
14/13	0.7%	1.6%		3.7%	3.1%	3.9%	-4.6%	46.7%
15/14	0.7%	2.3%		5.1%	4.4%	4.7%	30.0%	42.9%

Sources: State of California: Dept. of Finance, Employment Development Department, Board of Equalization; U.S. Dept of Commerce Construction Industry Research Board; estimates and forecasts by the LAEDC

Table 30: Ventura County Nonfarm Employment

Annual averages in thousands, March 2013 Benchmark

Year	Total Nonfarm Employment	Natural Resources	Construction	Manufacturing	Mfg. -- Durable	Mfg. -- Nondurable	Wholesale Trade	Retail Trade	Transport. & Utilities	Information
2003	285.0	0.6	16.6	37.0	*24.0*	*13.0*	11.8	34.5	5.6	7.2
2004	287.0	0.7	16.9	38.3	*24.2*	*14.1*	12.2	35.3	5.7	6.8
2005	292.0	0.8	18.8	37.8	*23.9*	*13.9*	12.5	36.5	5.8	6.2
2006	298.8	1.1	20.5	38.4	*24.1*	*14.3*	12.6	37.6	6.1	6.0
2007	297.8	1.1	18.8	38.0	*23.9*	*14.1*	13.0	37.6	6.1	5.8
2008	292.4	1.2	16.7	35.9	*23.2*	*12.7*	12.8	37.3	6.0	5.6
2009	276.7	1.2	13.2	32.6	*20.4*	*12.2*	12.0	35.1	5.4	5.3
2010	274.6	1.2	11.3	31.5	*19.5*	*12.0*	12.3	35.5	5.3	5.1
2011	276.3	1.3	11.3	30.6	*18.8*	*11.8*	12.4	36.3	5.5	4.9
2012	281.3	1.3	11.8	29.9	*18.2*	*11.7*	12.6	37.3	5.7	5.1
2013	286.6	1.2	12.4	29.8	*18.1*	*11.7*	12.8	38.5	5.8	5.1
2014f	291.2	1.2	12.8	30.1	*18.3*	*11.8*	13.1	39.4	5.9	5.2
2015f	297.9	1.4	14.0	30.6	*18.6*	*12.0*	13.3	40.0	6.0	5.1

Year	Finance & Insurance	Real Estate, Rental & Leasing	Prof, Sci & Tech Srvs	Mgmt. of Enterprises	Admin. & Support Srvs	Educational Services	Health Care & Social Asst	Leisure & Hospitality	Other Services	Government
2003	19.2	4.3	13.6	3.9	19.4	3.4	25.0	27.6	10.4	44.8
2004	19.8	4.4	14.2	3.6	19.5	3.6	24.7	28.5	10.3	42.5
2005	20.0	4.4	15.1	3.5	19.8	3.7	25.5	29.2	10.4	42.2
2006	19.6	4.5	16.0	3.3	20.1	3.7	26.3	30.5	10.2	42.5
2007	17.9	4.8	16.2	3.2	18.8	4.1	27.5	32.0	9.9	43.0
2008	16.4	4.7	16.7	3.1	18.0	4.6	28.8	31.5	10.0	43.1
2009	16.1	4.4	16.2	2.9	16.1	4.7	29.6	29.8	9.3	42.9
2010	16.0	4.3	15.3	2.6	15.8	4.7	30.0	30.3	9.2	44.2
2011	16.2	4.2	15.0	2.1	16.0	4.7	30.8	31.4	9.2	44.4
2012	15.4	4.2	15.7	1.9	17.2	5.3	32.2	32.7	9.4	43.6
2013	14.5	4.3	16.0	1.8	18.4	4.9	34.1	33.7	9.6	43.6
2014f	14.3	4.2	16.5	1.9	19.0	5.0	35.2	34.6	9.7	43.5
2015f	14.5	4.3	17.3	1.9	19.9	5.1	36.0	35.3	9.7	43.6

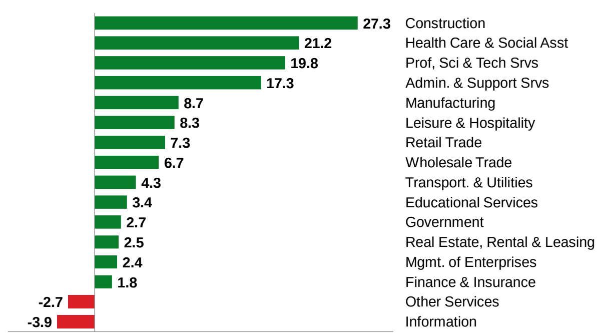
Sources: California Employment Development Department, LMID; estimates and forecasts by LAEDC

MAJOR INDUSTRIES OF THE SOUTHERN CALIFORNIA ECONOMY

Employment gains in the major industries of Southern California in 2014 were stronger and more broad-based than the region has experienced since the end of the recession, a trend that should prevail again in 2015. Continued improvement depends on the trajectory of the national and international economies as well as improvements in the economic and financial well-being of local households and businesses.

L.A. 5-County Employment Growth, 2015

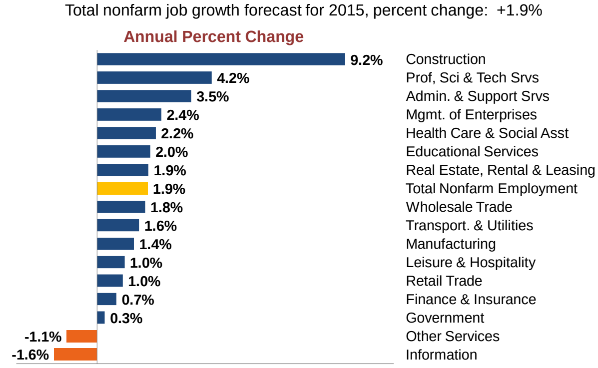
Total nonfarm job growth forecast for 2015 (thousands): +135.4 jobs



Source: CA EDD, Labor Market Information Division, forecast by LAEDC

L.A. 5-County Employment Growth, 2015

Total nonfarm job growth forecast for 2015, percent change: +1.9%



Source: CA EDD, Labor Market Information Division, forecast by LAEDC

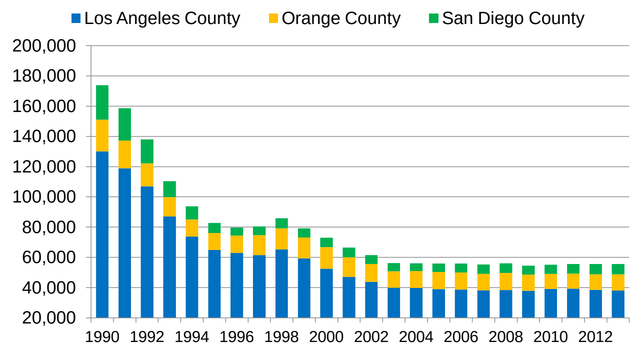
AEROSPACE AND DEFENSE

The aerospace and defense industry was instrumental in shaping the landscape, culture and economy of Southern California during the 20th Century. The end of the Cold War, and more recently the budget cuts known as sequestration, have reduced the footprint of aerospace on the region's economy, but it has by no means disappeared. Although subject to wrenching boom and bust cycles, Southern California has remained a center of aerospace activity.

Southern California's aerospace firms employ a significant number of highly skilled and well-paid workers. New technologies developed by aerospace firms have spilled over into the wider economy, providing platforms for advances in a number of other industries and scientific disciplines. The export of aerospace products also makes a positive contribution to the nation's trade balance.

In 2013, the aerospace products and parts manufacturing sector employed approximately 85,600 workers across Southern California, down slightly (0.8%) compared with 2012. California still has the largest number of aerospace workers in the nation, but the dispersion of firms and manufacturing activities to other states continues to reduce employment in the region. Technological innovation has also played a role in this transition. Capital is increasingly replacing labor, while labor itself has become more productive. The result is that even as employment levels have fallen, the value of aerospace products manufactured in the region has increased.

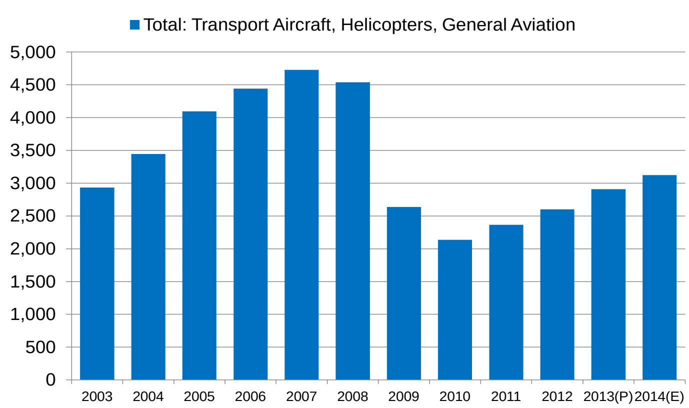
SoCal Aerospace Products Manufacturing Employment



Source: California EDD

Civil Aviation: According to the Aerospace Industries Association, at the close of 2013, the backlog of U.S. civil transport aircraft was 4,787 airplanes valued at $344 billion. That is the equivalent of 7.5 years of production at current rates. While commercial jetliners are no longer manufactured in Southern California, the projected growth of civil aircraft is a lifeline for the large number of subcontractors in the region who produce parts for Boeing and Airbus. Boeing alone has 3,300 suppliers in California, many of which are located in Southern California.

U.S. Civil Aircraft Shipments



Source: Aerospace Industries Association

Defense: Federal budget cuts pose a huge challenge to Southern California's aerospace and defense firms. On the other hand, federal spending on defense-related R&D is projected to rise in 2015 for the first time since 2009. Additionally, demand for cyber security, intelligence, surveillance, and defense electronics are expected to remain strong. Already a leader in the development and manufacture of unmanned aircraft systems (UAS), the region's aerospace industry will greatly benefit from robust and growing demand for UAS for military and civilian uses in the years ahead.

Looking Ahead: Commercial satellites manufactured in Southern California orbit the earth, providing GPS, cell phone, and radio/television communications. More recently, "alternative-space" (private companies engaged in activities that were once the sole domain of NASA) has set down roots in Southern California with the arrival of companies like SpaceX, Scaled Composites and Virgin Galactic.

Southern California has several advantages as an aerospace center, including a deep well of skilled labor, an extensive infrastructure of test fields, universities and other educational and research centers, and the existence of a strong electronics industry. Southern California has long been a leader in aerospace innovation, but that role has not gone unchallenged. The region's aerospace firms need to work with educational institutions and policy makers to ensure an adequate supply of skilled workers. It is also imperative that the flow of federal research and development dollars continues.

Aerospace may be an industry in transition, but new market opportunities are enhancing the region's ability to compete in the commercial space sector, civil aviation and commercial applications of defense technologies.

Investing in Manufacturing Communities Partnership

Earlier this year, Southern California was one of 12 regions in the U.S. to be designated as an IMCP Manufacturing Community. The purpose of this initiative is to spur communities to develop integrated, long-term economic development strategies that strengthen their competitive edge in attracting global manufacturers to their local communities, increasing investment and creating jobs. IMCP specifically brings together the resources of multiple federal departments and agencies to support strong local economic development plans.

This federal designation secures preferential access to $1.3 billion in federal funding for Southern California's aerospace industry to be awarded in grants or contracts including but not limited to workforce development, economic development and infrastructure projects.

APPAREL DESIGN AND MANUFACTURING

Apparel design, manufacturing and wholesaling make a significant contribution to the Southern California economy, particularly in Los Angeles County. The fashion industry in Orange County is smaller, but has crafted its own identity separate from Los Angeles. Los Angeles has made a name in premium denim and casual cool, while Orange County is best known for fashions inspired by the surf and skate culture of the region. In addition to apparel, Southern California's fashion industry also includes textiles and jewelry manufacturing and design, as well as footwear, handbag and cosmetics production and wholesaling activities.

Together, Los Angeles and Orange counties employ the largest number of apparel workers in the United States and are one of the few places in the U.S. where apparel continues to be manufactured on a large scale. Although production of most apparel items has largely shifted to lower wage countries in Latin America and Asia, high-end apparel that requires strict quality control and specialized skills or processing is often manufactured locally.

Design-related activity also contributes to maintaining the apparel industry's presence in Southern California. One of the great strengths of the local fashion industry are the designers responsible for the global appeal of the "Made in L.A." label. The local industry is likewise a leader in "fast-fashion" apparel production – a term used to describe the production of clothing that reflects current fashion trends that go from the runway to store shelves in a little as four weeks. The many apparel design and merchandizing schools that are located in the region attract talented students from all over the world. Fashion also works hand-in-hand with the entertainment industry and the region's energetic art scene.

Much of the apparel manufacturing and wholesaling workforce in Southern California is located in Los Angeles County, although a smaller but significant number of workers may be found in Orange County. During the first seven months of 2014, apparel manufacturing employment in Los Angeles County averaged 43,900 workers, while wholesaling employed 24,300 for total industry employment of 68,200 workers. Compared with the same period in 2013, this represented a decline of 1,900 workers due to the loss of nearly 2,400 (-5.1%) manufacturing jobs. In contrast, apparel wholesaling added 470 jobs.

The apparel industry also employs a large number of independent contractors, significantly boosting total employment numbers. In 2012 (latest data available), there were nearly 8,100 independent contractors working in Los Angeles and Orange counties manufacturing and wholesaling textiles, apparel, footwear, leather goods and jewelry. In contrast to wage and salary employment, the number of independent contractors is trending up. Having increased by 2.4% or 200 jobs in 2012, it is likely growth continued in 2013 and 2014.

Apparel manufacturing remains one of the most-labor intensive industries in the world, which gives countries with lower wages and a lower cost of living a competitive edge.

This is why newly industrializing nations nearly always begin with the manufacture of apparel and textiles. However, when strict quality control or fast turnaround times are required, apparel manufacturers in Southern California have shown they can be competitive. Nevertheless, over the near to mid-term, local apparel manufacturing employment is likely to continue the downward trend that began in the late 1990s, while creative design work will continue to flourish.

COMPUTER AND ELECTRONIC PRODUCT MANUFACTURING

The computer and electronic product manufacturing industry is one of the largest manufacturing industries in Los Angeles County, surpassed only by apparel manufacturing and aerospace, and roughly the same size as food manufacturing. The industry employed 37,000 workers in Los Angeles County as of July, with another 32,300 in Orange County, and 5,100 in Ventura County. San Diego County also had 24,600 workers in this industry.

As with so many manufacturing industries, computer and electronic product manufacturing has experienced a long-term decline in employment dating back over twenty years. This trend has continued into 2014, with a 5.2% decline year-to-date through July in Los Angeles County, and smaller percentage decreases occurring elsewhere in Southern California. By contrast, employment in San Diego County increased by a marginal 0.2%.

Despite declining job counts, the industry remains an important part of the region's manufacturing base, and more broadly, its economic base. It employs a large number of skilled workers in both professional and production occupations, drawing from the deep pool of skilled labor in the region. Occupations within this industry generally earn wages that are substantially higher than the average for the region.

PROFESSIONAL AND BUSINESS SERVICES

The professional and business services super-sector includes three major subsectors: professional, scientific and technical services; management of companies and enterprises; and administrative, support, and waste services. Collectively, these industries employ over one million workers in the Southern California region, with 600,000 workers in Los Angeles County alone, over 270,000 in Orange County, more than 130,000 in the Inland Empire, and just over 37,000 in Ventura County. San Diego County employs nearly 230,000 individuals in professional and business services.

Many occupations in these industries are high paying, and require advanced education or training. These occupations include architects, engineers, IT consultants and other business consultants, accountants, and lawyers. Professional and business services employment has experienced substantial gains throughout the region, achieving a new peak in Los Angeles County in 2014, and fast approaching pre-recession peaks elsewhere in the region.

By subsector, regional employment in professional, scientific and technical services increased by 3.9% (22,200 jobs) during the first seven months of 2014 compared with the same period last year. Jobs in management of companies and enterprises were up by 3.5% (4,000 jobs) during the same period, while administrative, support and waste services jobs expanded by 4.0% (22,200 jobs).

FINANCIAL SERVICES

The financial activities industry experienced two consecutive years of growth in 2012 and 2013 after suffering deep cuts during the Great Recession and accompanying financial crisis. From the peak in 2006 through 2010 the industry lost nearly 103,000 jobs throughout Southern California, mostly in the finance and insurance sub-sector.

Financial activities employment growth resurfaced throughout Southern California with the exception of Ventura County over the past two years. Both Orange County and the Inland Empire have seen the most significant growth on a percentage basis. Orange County added the largest number of jobs in 2013, with 4,300 jobs mainly in finance and insurance. The Inland Empire gained 1,200 jobs in 2013, stemming instead from real estate and rental leasing. The rest of Southern California witnessed slight increases with the exception of Ventura County which lost a total of 800 jobs in 2013.

Within financial activities, the real estate and rental leasing sub-sector performed strongly across Southern California with gains of 3.7%, or 4,900 jobs. However most of the financial activities jobs were concentrated in finance and insurance, which showed mixed results across the region. While Orange County fared well with an increase of 3.9%, or 2,900 jobs, Los Angeles and Ventura counties had noticeable job losses.

Overall, the Southern California area added 15,600 financial services jobs over the last two years, but is still nowhere near the 2006 peak total of 524,400. Growth in financial activities is expected to be sluggish due to national economic factors. Interest rates will rise as the Fed ends its “quantitative easing” program which will negatively impact housing demand. Furthermore, continued consolidation of the banking industry will slow employment in financial services. This will be reflected in Southern California in the form of job losses of -0.4% this year and gains of just 1.2% in 2015.

HEALTH CARE SERVICES AND BIOMEDICAL

Together, the Los Angeles five-county region and San Diego County have a population of 21.5 million people, over 10 million of whom live in Los Angeles County. With such a large population, Southern California is able to support a number of important and influential medical centers and a thriving life sciences industry. The health care sector is also one of the largest employers in Southern California. In addition to serving the local population, there are a number of medical centers in the region that are attracting growing numbers of foreign patients as well.

During the first seven months of 2014, the health care industry employed over 1.1 million workers in Southern California. Los Angeles County alone was home to 612,700 of those health care jobs, and accounted for 54% of total industry employment in the region. Over the past several years, health care employment has shown steady growth. Between January and July of this year, total employment increased by nearly 41,100 jobs (3.8%) compared with the same period in 2013. In Los Angeles County, health care jobs grew at an even faster pace (4.4%) adding 25,700 jobs.

Across the region, the subsector ambulatory health care services (offices of physicians and dentists) added 11,600 jobs (6.1%), while employment at hospitals was flat. The health care services industry also includes social assistance (individual and family services and child day care services). Employment in this subsector jumped by 7.9% or 22,600 jobs during the first seven months of this year.

Health care is a large industry in the U.S. In 2012, national health care expenditures increased by 3.7% to $8,915 per person ($2.8 trillion in total) and accounted for 17.2% of GDP. Between 2012 and 2022, health care expenditures are projected to grow at an average rate of 5.8% per year.[7] Efforts to contain costs are colliding with increased demand for health care services and more transparent pricing. Fiscal pressures, sweeping regulatory changes under the Affordable Care Act and more empowered consumers are creating a new health care economy.

In addition to providing health care services, biomedical research is a thriving industry in Southern California. Across the region, life sciences firms engaged in research and development of medical devices and pharmaceuticals employed approximately 56,700 workers in 2013, up by 0.4% (or 250 workers) compared with 2012. Orange County employed the largest number of medical device and pharmaceuticals manufacturing workers at 22,650 (up by 1.1% from 2012). In Los Angeles County, employment increased by 3.3% or 16,200 workers and in San Diego, there were 11,900 jobs in these two sectors in 2013 (up by 2.0% over the year). Both life sciences research and the manufacture of medical instruments and pharmaceuticals are an important source of high paying jobs and economic growth in Southern California.

INTERNATIONAL TRADE/GOODS MOVEMENT

International trade is a vital part of the Southern California economy. In 2012, the LAEDC estimates that there were 163,601 trade-related jobs in Los Angeles County alone (most recent data available).

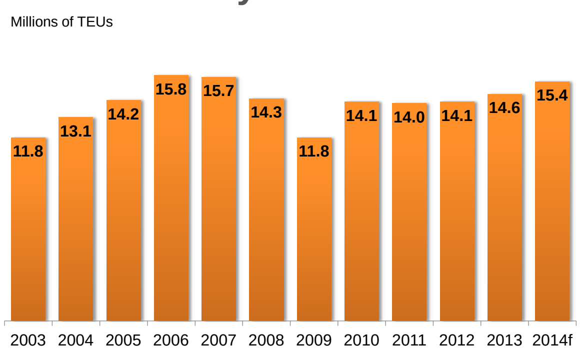
The international trade sector includes transportation, logistics, and distribution services. The largest concentration of jobs is in transportation and warehousing. Southern

[7] Centers of Medicare and Medicaid Services; NHE Fact Sheet, CMS.gov

California transportation and warehousing jobs increased by 3.3% year-to-date through July 2014. Nearly 9,000 jobs were added during the first seven months of this year compared with the same period in 2013. Looking at the individual counties, Los Angeles experienced the largest increase, particularly in support activities for transportation and trucking. In the Inland Empire (an important warehousing and distribution hub), transportation and warehousing employment was up by nearly 3,500 jobs year-to-date (or 5.0%). Orange, Ventura and San Diego counties also saw job gains in this sector.

About forty percent of the nation's imported containers enter the United States through the San Pedro Bay ports. Los Angeles and Long Beach rank number one and two respectively in total container volumes handled of any port in the U.S. In 2013, the Ports of Los Angeles and Long Beach handled a total of 14.6 million containers, an increase of 3.4% compared with 2012. The increasing trend has continued so far this year. Year-to-date through August the combined total loaded cargo for both ports was up by 4.6% after growing by 3.4% in 2013. On an individual port basis, total loaded cargo volume at the Port of Los Angeles was up by 7.6%, while total loaded volume at the Port of Long Beach was up by 0.3% year-to-date.

TEU Throughput
San Pedro Bay Ports



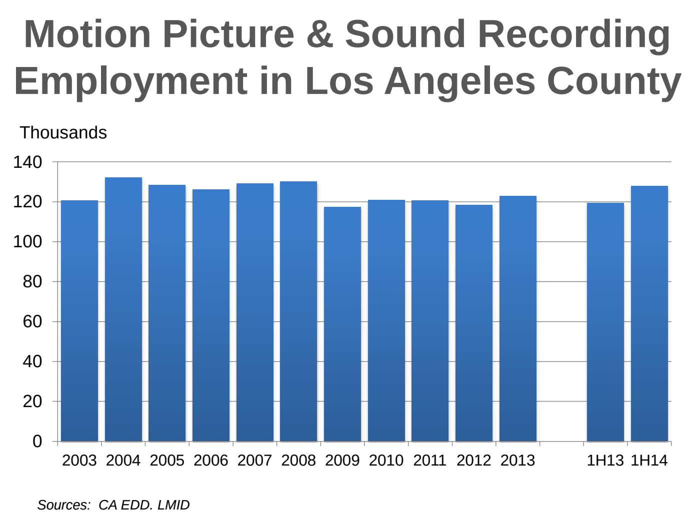
Sources: Ports of Los Angeles and Long Beach; forecast by LAEDC

Total container traffic at the Port of Los Angeles and the Port of Long Beach is projected to expand in 2014 to 15.4 million TEUs, an increase of 5.5%, with at least a five percent gain expected in 2015. The Los Angeles Customs District (LACD) also maintained its top position in the U.S. in 2013. The value of two-way trade climbed to $414.5 billion, an increase of 2.7% over the year. Both imports and exports should improve this year with imports outperforming exports. The anticipated improvement in trade will result in employment gains throughout the international trade sector. International airport cargo, which generally consists of small, lightweight, high-value products that require quick delivery, pass through both LAX and Ontario International Airport. Freight tonnage transiting through LAX increased slightly (1.3%) on a year-to-date basis through July 2014, while at Ontario, freight tonnage increased by 3.3% over the same period.

Alameda Corridor: The 20-mile rail cargo line that connects both ports to the main railroad yards near downtown Los Angeles is an integral part of the entire goods movement system. The number of trains running on the Alameda Corridor has increased steadily since 2010. In 2013, the number of trains rose by 8.2% over the year, while the average number of trains per day was up from 42 in 2012 to 45 in 2013. This was the highest train per day figure since 2007 -- 2013 peak season train levels were similar to the 2007 figures.

MOTION PICTURE AND VIDEO PRODUCTION

The entertainment industry is a cornerstone of the Los Angeles County economy. Activity related to the motion picture and sound-recording industry generates huge economic benefits for the region both directly and indirectly. Filming on sound stages and on-location employs actors, camera operators and directors, but as the final credits that roll at the end of a movie show, production activity also employs technicians, equipment truck drivers, security guards and caterers. Behind the scenes, the entertainment industry provides jobs for accountants, lawyers and insurance firms. Film studios and related activities are also users of large amounts of office and industrial real estate. In addition, the entertainment industry is a major source of export revenues for the region because of the royalties earned overseas by locally produced films and TV shows.

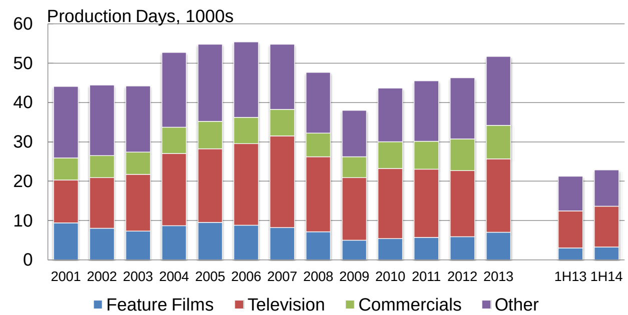


During first seven months of 2014 there were 127,600 wage and salary jobs in the motion picture and sound recording industry in Los Angeles County. This represented an increase of 7.2% compared with the same period in 2013. While this was a post-recession high, employment is still below levels reached as recently as 2008 (130,000) and the prerecession peak of 132,200. Within the motion picture and sound recording industry, employment is concentrated in the subsector motion picture and video production. Other important subsectors include motion picture distribution, post production services and sound recording.

There is also a large number of self-employed individuals working in the entertainment industry, adding significantly to total job counts. The number of independent contractors topped 82,600 in 2008, but fell during the recession to 81,400. Since then, that figure has increased steadily, reaching 92,700 in 2012 (latest data available).

Another indicator of industry activity is the number of permitted on-location film days. During 2013, on-location activity fell short of prerecession peak levels of roughly 55,000 days that prevailed from 2005 through 2007, but it was the fourth consecutive annual increase since bottoming out in 2009. On-location film activity increased by 7.5% compared with the first half of 2013. By category, feature films rose by 7.1%, during the first two quarters of 2014, television increased by 10.5% and "other" (student and industrial films; music videos, etc.) was up by 4.6%.[8]

On-Location Film Production Days by Type



Source: Film LA

Box office receipts totaled $35.9 billion in 2013, up by 3.5% compared with 2012. International receipts accounted for $25.0 billion (or 70%) of the total. International receipts also grew at a faster pace last year (4.6%) compared with domestic box office (0.9%). Ticket prices were up by two percent in 2013, compared with 2012, largely in line with inflation as measured by the consumer price index. Admissions fell by 20 million or about one percent over the year, consistent with recent trends. [9]

In 2013, total at-home entertainment spending was essentially flat at $18.2 billion. Revenue growth occurred in electronic sell-through (consumers pay a one-time fee to download a media file), video on demand and subscription streaming, while rentals (excluding video on demand) declined.[10]

The way in which the public consumes entertainment content has shaken the industry in profound ways. Fewer people are attending traditional movie theaters, opting instead to

[8] Data provided by FilmL.A. Figures for 2014 do not include permitted production days for commercials pending completion of a review of alternative methodologies for measuring commercial production.

[9] Motion Picture Association of America, Theatrical Market Statistics, 2013

[10] The Digital Entertainment Group, 2013 Annual Home Entertainment Report

watch movies and TV shows on whatever screen is at hand. Increasing numbers of people are abandoning cable TV in favor of subscription services like Netflix or Amazon, both of which are also producing TV shows. According to FilmLA, web-based TV production in Los Angeles has increased by 353% from 2008 to 2013. With the proliferation of personal electronic devices and content providers, people now expect entertainment to be at their fingertips anytime, anywhere.

In 2009, the California legislature enacted a film tax credit program that allocated $100 million annually in tax credits to film and TV productions for qualified production expenses. While the initial provision of California's film tax credit slowed runaway production and boosted local activity, more generous programs in other states continued to lure film activity out of the region. Recognizing the importance of the film industry to the region and state, the governor signed a bill in August 2014 that will triple the California Film Tax Credit to $330 million. This bill is aimed at reversing runaway film production by offering more incentives to studios to keep production in California. The increase in filming locally is expected to result in the creation of thousands of new jobs in the region and strengthen one of Los Angeles' signature industries.

REAL ESTATE AND CONSTRUCTION

Residential Real Estate

Southern California's housing market is continuing to chip away at the many challenges hanging over the industry. Housing market indicators that are showing improvement include:

- Stronger job growth has increased the number of potential qualified buyers
- Inventories are gradually improving
- The foreclosure resale rate is currently the lowest since 2007
- Mortgage interest rates are near historic lows
- Mortgage lending standards are starting to ease

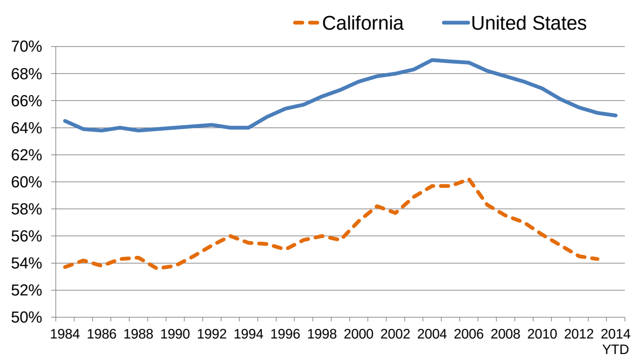
What factors are slowing the recovery? Southern California home sales in August declined by 18.5% compared with the same period last year. As of August, sales throughout the six-county region had fallen on a year-over-year basis for 11 consecutive months. As of early September, mortgage applications, a leading indicator of future home sales, were at their lowest level in 14 years. While mortgage lending standards have eased, only a relatively small group of potential buyers with strong credit scores and big down payments are able to get financing.

The rebound in prices has outpaced improvements in the labor market, particularly wage growth. Affordability is still good compared with historic norms, but many potential buyers have already been priced out of the market. New and young households cannot afford to buy or qualify for a mortgage even with today's exceptionally low rates.

At the same time, rents are soaring even faster than home prices in many parts of the country. In the Los Angeles Metro area, the share of income needed to afford a median priced home was 42.6% (in July 2014), while the share of income needed to afford median rent was 47.9%, the highest of any large metro area in the country.[11] With more household income needed for rent, many households cannot save for a down payment on a home. Additionally, since households spend the largest share of their average annual expenditures on housing, increases in housing expenditures can have a detrimental effect on other types of consumer spending like clothing, entertainment or food.

A sustained housing market recovery also requires rising rates of household formation and homeownership. In the United States, homeownership peaked at 69% in 2004 and has been declining ever since – falling to 64.9% during the first half of 2014. In California, homeownership peaked later, in 2006 at 60.2% and has also been on a trend decline. In 2013, the homeownership rate in California dropped to 53.3%, the lowest rate since 1987. One reason for the decline is the slow pace of wage and salary growth since the end of the recession – homeownership tends to rise with income.

Homeownership rates are declining in the U.S. and California



Source: US Census Bureau

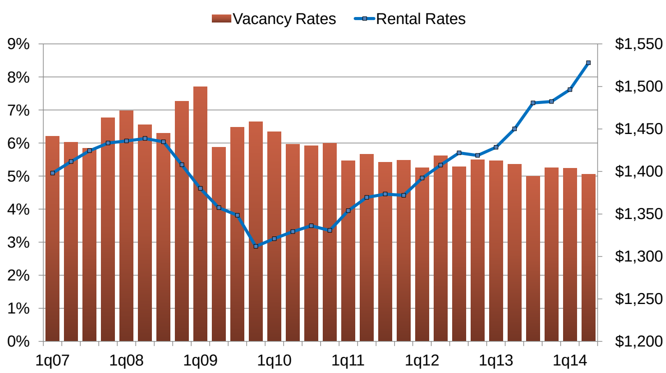
Attitudes towards home ownership are plainly less favorable than they have been in the past, especially among younger households. On the other hand, the perception that there has been a permanent shift in preference to rent versus owning a home is probably premature. Because of the challenging job market and high levels of student debt, many young families are likely to remain renters for longer than in the past, but a number of surveys have shown most young families still aspire to own a home.

[11] Zillow Inc., Press Release (August 21, 2014): *Only a Dozen Large Metro Housing markets Feature Both Affordable For-Sale Housing and Affordable Rental Housing*

***Apartments*:** Demand for rental units will continue to be strong through the remainder of this year and next. Vacancy rates are low and rental rates are rising.

There are a number of economic and demographic factors driving demand for apartment rentals. Stronger job growth has enabled more young people to form separate households and many are choosing to rent. In some cases, the decision to rent is due to preference, but other factors such as student loan debt may also influence this decision. The difficulty in qualifying for a mortgage loan or coming up with a down payment have also pushed many would-be buyers to the rental market. Additionally, as enrollment at the nation's colleges and universities has increased, so has demand for student housing.

Apartment rents soar as vacancy rates decline in Southern California



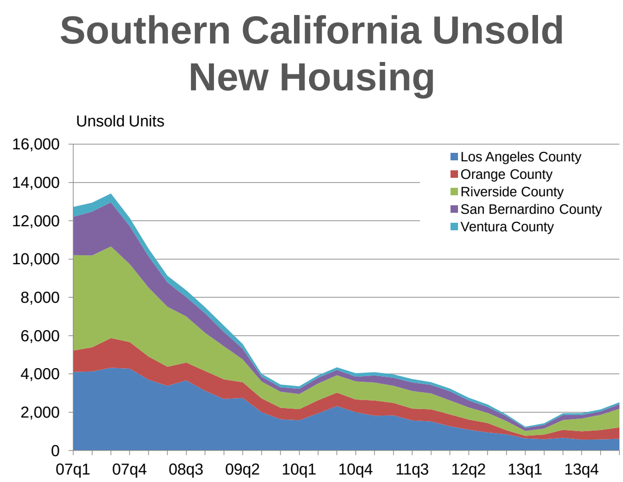
Note: For apartments with more than 100 units
Source: Real Facts/California Real Estate Research Council

At the other end of age spectrum, longer life expectancy and better health are swelling demand for senior housing, but it is not yet clear how many aging baby-boomers will opt to remain in the family home versus downsizing to a condo or apartment. Multi-family has been the most active area of new residential construction and is poised to increase at an even faster rate in the coming years. So far, improvement in underlying fundamentals (employment and income growth, household formation) suggest that current demand can absorb supply. Looking ahead, however, as more apartment units become available, the added supply will to push vacancy rates higher and check the rate at which rental rates have been rising.

Unsold Inventories of Homes: Inventories of homes for sale have improved but remain extremely tight. According to the California Association of Realtors, the unsold inventory of existing single-family homes in California represented a four-month supply in August. This was up from a 3.6-month supply in August 2013. In a balanced market, a seven-month supply is the norm for California. Locally, inventories ranged from a low of four months in Los Angeles and Orange counties to a high of 4.9 months in San Bernardino County.

Inventories of unsold new homes are also lean, but have risen steadily over the year. In Los Angeles County, the inventory of new unsold homes increased by 3.7% to 609 units during the second quarter of 2014 compared with the same period in 2013. In Orange County, inventories were up by 146.7% (597 units). In the Inland Empire, unsold inventories in Riverside County rose by 208.3% (971 units) and in San Bernardino County, the inventory of unsold homes increased by 29.8% (248 units). In Ventura County, the unsold new home inventory increased by 10.6% (94 units).

Why are inventories so low? On the existing home side, the foreclosure pipeline has slowed to a trickle, investors are holding rather than flipping, and many would-be owner-occupant sellers may have insufficient equity to move. On the new home side, there has been little new construction for the last five years. While these conditions have limited supply in recent years, the situation is likely to improve as uncertainty about the future direction of the market lessens.



Source: California Real Estate Research Council

New Home Construction: New home construction is improving, but the pace has been disappointing. Part of the problem has been a lack of construction and development lending. The lending environment is improving, but the time it takes to develop new residential land is lengthy and the supply of available land is limited throughout much of Southern California.

Permits for new home construction in Southern California picked up speed in 2013, rising by 57.4% to 37,807 units. Since bottoming out in 2009 at 14,942 total units permitted, housing permits have rebounded by 153%. Even so, permit levels remain a fraction of the peak of 91,556 units reached in 2004.

Based on activity during the first seven months of this year, the LAEDC is scaling back its forecasts for 2014 and 2015. The LAEDC forecasts that homebuilders will pull permits for 38,700 new units in the Los Angeles five-county region this year, an increase of only 2.4% compared with 2013. New home construction is expected to gain some additional momentum 2015, jumping 20.2% to 46,500 new units permitted. In addition to rising home prices, employment and income growth will drive new home construction. Rising incomes should eventually increase household formation and thus demand for new homes. Unfortunately, this is likely to be a slow process.

Conclusion: Southern California's housing market is on the mend. Although the pace so far has been too slow to provide much of a boost to sales or new home construction, conditions will gradually improve over the remainder of this year and show more pronounced gains in 2015.

Increases in median home prices are moderating – a sign that the housing market is normalizing. While support for existing homes sales and new home construction has shifted away from investor purchases and back to traditional buyers, stronger job and wage growth is needed to support housing demand and prices. Most of the affordable housing stock was bought up by investors and new homes priced for first time buyers are not being built. The decline in sales over the course of the last 12 months may be a reflection of the market adjusting to this shift.

Further improvement this year and next will depend in large part on progress in the rest of the economy, including a better functioning housing credit market. As prices continue to moderate, Southern California's housing market will rely more on job and income growth to support housing demand and prices.

Table 31: Median Existing Single-Family Home Prices

Year	L.A. County	Orange County	Inland Empire	Ventura County
2003	348,409	488,439	217,953	462,521
2004	435,954	642,577	295,173	599,282
2005	517,853	706,555	364,407	668,138
2006	577,147	732,517	383,580	685,957
2007	589,166	727,570	367,248	673,940
2008	382,714	540,650	230,710	463,560
2009	299,268	505,589	161,114	416,770
2010	323,290	546,385	179,268	442,820
2011	307,660	512,500	172,280	418,270
2012	327,470	542,700	189,300	427,000
2013	405,580	651,650	241,620	516,470

Annual % Change

Year	L.A. County	Orange County	Inland Empire	Ventura County
2003	21.3%	19.5%	29.9%	24.2%
2004	25.1%	31.6%	35.4%	29.6%
2005	18.8%	10.0%	23.5%	11.5%
2006	11.4%	3.7%	5.3%	2.7%
2007	2.1%	-0.7%	-4.3%	-1.8%
2008	-35.0%	-25.7%	-37.2%	-31.2%
2009	-21.8%	-6.5%	-30.2%	-10.1%
2010	8.0%	8.1%	11.3%	6.3%
2011	-4.8%	-6.2%	-3.9%	-5.5%
2012	6.4%	5.9%	9.9%	2.1%
2013	23.9%	20.1%	27.6%	21.0%

Source: California Association of Realtors

Table 32: Total Housing Permits

Year	L.A. County	Orange County	Inland Empire	Ventura County	LA-5
2003	21,313	9,311	43,001	3,635	77,260
2004	26,935	9,322	52,696	2,603	91,556
2005	25,647	7,206	50,818	4,516	88,187
2006	26,348	8,371	39,083	2,461	76,263
2007	20,363	7,072	20,457	1,847	49,739
2008	13,704	3,159	9,101	842	26,806
2009	5,653	2,200	6,685	404	14,942
2010	7,468	3,091	6,269	590	17,418
2011	10,403	4,807	5,214	640	21,064
2012	10,709	6,862	6,034	410	24,015
2013	16,850	10,453	9,456	1,048	37,807
2014f	18,400	9,200	10,100	1,000	38,700
2015f	21,600	10,600	13,000	1,300	46,500

Year	L.A. County	Orange County	Inland Empire	Ventura County	LA-5
2003	10.1%	-22.5%	29.2%	45.0%	15.0%
2004	26.4%	0.1%	22.5%	-28.4%	18.5%
2005	-4.8%	-22.7%	-3.6%	73.5%	-3.7%
2006	2.7%	16.2%	-23.1%	-45.5%	-13.5%
2007	-22.7%	-15.5%	-47.7%	-24.9%	-34.8%
2008	-32.7%	-55.3%	-55.5%	-54.4%	-46.1%
2009	-58.7%	-30.4%	-26.5%	-52.0%	-44.3%
2010	32.1%	40.5%	-6.2%	46.0%	16.6%
2011	39.3%	55.5%	-16.8%	8.5%	20.9%
2012	2.9%	42.8%	15.7%	-35.9%	14.0%
2013	57.3%	52.3%	56.7%	155.6%	57.4%
2014f	9.2%	-12.0%	6.8%	-4.6%	2.4%
2015f	17.4%	15.2%	28.7%	30.0%	20.2%

Sources: Construction Industry Research Board, California Homebuilding Foundation; forecasts by LAEDC

Nonresidential Real Estate[12]

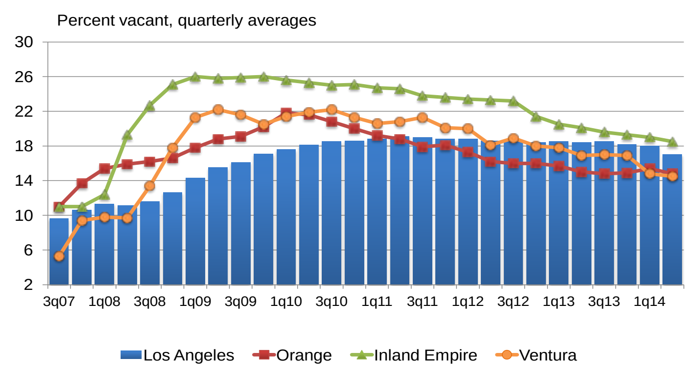
Commercial real estate has been much slower to recover in the aftermath of the Great Recession compared with previous downturns, but is finally responding to the pull of a stronger economy. At the national level, a number of forward-looking indicators suggest nonresidential construction is gaining traction. As economic growth gains momentum and labor market conditions firm, increased spending on nonresidential construction will follow.

Office Space

The modest pace of economic growth over the past five years has led to slow improvements in both operating fundamentals and new construction for the region's commercial real estate sector, especially office properties. Office-using employment growth has outpaced total employment with much of the gain concentrated in professional and business services. However, changes in technology and workplace organization have reduced the amount of office space utilized per worker. Firms have realized dramatic cost savings by reducing their real estate footprint – real estate is usually the second highest corporate cost after employment. Much stronger employment growth is needed to offset these trends.

Southern California's office market is stabilizing but conditions vary by county and submarket. The sectors that are driving demand for office space include energy, technology, health care, biomedical research and to a lesser extent education and financial services. Leasing activity is generally on the rise but the impact on rental rates has been minimal. It will take several more quarters of improvement before recovery in the region's office market becomes firmly entrenched.

Office vacancy rates are slowly declining across the region



Source: Cushman and Wakefield

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[12] The LAEDC thanks Cushman and Wakefield for providing office and industrial vacancy rates, rental rates and the figures for leasing activity and are cited in this section.

Los Angeles County: Although the Los Angeles County office market lags behind other major cities, it is improving. Fundamentals are strengthening and in the second quarter of 2014, new leasing activity outpaced large renewals. This is an indication that companies are growing more comfortable with the cost of relocating to a more desirable space. New construction is limited, but enthusiasm for conversions is growing. Former warehouses and old downtown buildings are being made over into “creative” office space.

During the second quarter, the overall office vacancy rate in Los Angeles County was 17.7%, down from 18.4% during the same period in 2013 and was the lowest since it was 17.6% during the first quarter of 2010. New absorption year-to-date was just over one million square feet. During the second quarter there was nearly 376,000 square feet of new office construction in the pipeline and 274,000 square feet of new completions. The average asking rent for Class A space was $2.62 per square foot during the second quarter of this year. This represents an increase of 2.3% compared with the same period last year.

The vacancy rate in the central business district submarket was 22.0% during the second quarter, up by 1.4 percentage points from last year. Significant losses continue as major downtown firms “right-size”. Although occupancy losses outpaced gains during the second quarter, leasing activity was up by 33.0% compared with a year ago. The South Bay had the highest office vacancy rate in Los Angeles County (23.2%), but asking rents increased by 4.0% (to $2.08 per square foot) compared with a year ago. Most of the leasing activity that is occurring in the South Bay is concentrated in El Segundo. Rents there have increased by 7.5% over the year to $2.59 per square foot. Media and technology firms are converging in the El Segundo submarket, and in many cases are converting traditional office space into more creative work environments.

What is creative office space?

It’s not just entertainment, media and technology companies that are dumping traditional offices for “creative” space. Law firms, real estate and finance companies are also climbing on board. Creative space can mean just about anything but is generally characterized by open floor plans that enable employees to communicate with each other more easily. Natural lighting, brighter colors and murals that make employees feel more comfortable in the work environment are also a part of the creative workspace. The goal is to encourage innovation and productivity by tearing down barriers. In addition to chucking cubicles, creative offices enhance employee interaction with conference rooms that look like living rooms or amenities like ping pong tables and video games.

Orange County: Office market fundamentals continue to improve in Orange County. During the second quarter of this year, occupancy gains totaled 842,333 square feet - the largest gain since the first quarter of 2006. Demand was strongest in the greater airport area with both PIMCO and Google expanding their occupied space by a combined 488,696 square feet in newly constructed properties.

In Orange County, the average office vacancy rate declined in the second quarter of 2014 to 14.8% from 15.0% during the same period last year. Net absorption year-to-date was 405,572 square feet. There was 331,000 square feet of new office space under construction while nearly 489,000 square feet of new office space was completed. The average Class A asking rent in Orange County increased by 3.8% over the year to $1.92 per square foot during the second quarter.

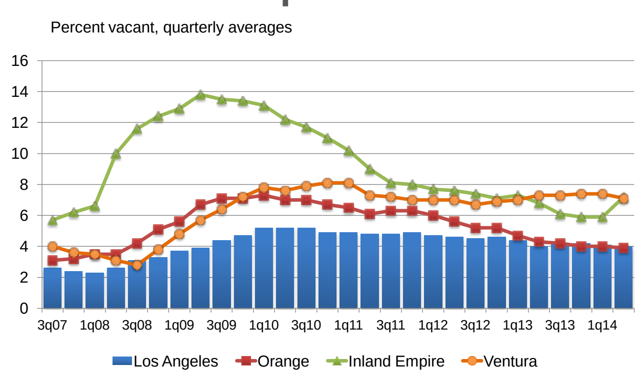
Inland Empire: The Inland Empire office market is slowly making its way back. Office-using job sectors (professional business services, financial services, education and health care) have posted significant gains over the year. Vacancy rates are falling and rents are edging up, but leasing activity lags behind other counties in Southern California.

In the Inland Empire, the office vacancy rate was 18.5% during the second quarter of 2014, down from 20.1% during the same period in 2013. Rental rates were up slightly – rising by 1.2% over the year to $1.70 per square foot. Net absorption was 139,494 square feet, year-to-date. There was also 58,000 square feet of new space under construction, but no new completions have come to market this year.

Industrial Space

As a major gateway market for consumer goods, Southern California's industrial real estate markets have seen steady improvement since the end of the recession. The region is a hub for manufacturing, international trade and logistics, and entertainment, all of which are users of industrial space. Los Angeles County is the nation's largest manufacturing center and is home to its biggest port complex. An adequate supply of industrial land with ready access to the region's transportation infrastructure facilitates trade and enhances the competiveness of the region.

Industrial vacancy rates continue to improve



Source: Cushman and Wakefield

Los Angeles County: Demand for industrial space in Los Angeles County continues to increase. Vacancy rates are falling and lease rates are on the rise. Although the supply of land for development is tight, there was 2.8 million square feet of new industrial space (mainly warehouse and distribution) in the pipeline during the second quarter with an additional 780,000 square feet completed year to date.

During the second quarter of 2014, the overall industrial vacancy rate in Los Angeles County was 4.0%, down from 4.4% during the same period last year. Over the year, the average asking rent for industrial space increased from $0.56 per square foot to $0.58 (3.6%). Year-to-date leasing activity was 19.3 million square feet compared with 18.2 million square feet during the first two quarters of 2013, while net absorption was 3.5 million square feet.

Orange County: Like Los Angeles County, Orange County has one of the tightest industrial real estate markets in the country. Continued declines in vacancy rates are expected through the rest of 2014, which will increase upward pressure on rents.

The overall vacancy rate was 3.9% in the second quarter, down by 0.5 percentage points compared with the year ago vacancy rate. Asking rents increased by 4.2% over the year to $0.74 per square foot. There was 962,000 square feet of new industrial space under construction in the second quarter, but only 13,500 square feet had been completed by the end of the second quarter.

During the second quarter leasing activity dropped by 25.9% to 5.3 million square feet compared with the same period a year ago. A lack of supply of space for lease was the primary reason for the slow down. Net absorption also dropped off significantly, falling to 110,923 square feet (YTD) versus 961,166 square feet during the same period in 2013. On the other hand, while leasing has activity declined, low vacancy rates and rising rental rates have led to increased investor activity.

Inland Empire: Increases in port activity and the growing importance of e-commerce are driving the improvement in fundamentals for the Inland Empire's industrial real estate market. Although there was a rise in the overall vacancy rate in the second quarter of 2014, it will be temporary. Over five million square feet of leased space will be occupied in the third quarter and new industrial construction has slowed down.

The vacancy rate during the second quarter edged up to 7.2% - a year ago it was 6.8%. Nonetheless, asking rates jumped by 7.7% to $0.42 per square foot. Leasing activity was up by 1.8% (16.1 million square feet) and net absorption was 7.5 million square feet. There was 13.4 million square feet of new industrial space under construction, with an additional 13.2 million square feet of new product delivered so far this year.

FORECAST FOR PRIVATE NONRESIDENTIAL CONSTRUCTION

New office space development will proceed at a cautious rate in all five counties of the Southern California region. Office vacancy rates will continue to decline through the end of 2014, and into 2015, but how fast will depend on the pace of job growth. Average rents may continue to be soft in some areas, but for the most part, appear to be stabilizing or increasing in several of the more desirable submarkets. Although changes in work force organization will present a challenge going forward, the lack of new construction and stronger employment growth this year and next will help drive the region's office market recovery.

The outlook for industrial space development is somewhat more positive, especially for warehouse and distribution facilities, data centers, and to a lesser extent, manufacturing and R&D centers. Improvements in vacancy rates and rents will depend largely on increases in international trade, industrial production and e-commerce. Expected bumps along the road to recovery in the near term include rising construction costs and shortages of skilled construction workers.

The value of total nonresidential construction in the five-county region is expected to reach $11.0 billion in 2014, up by 46% compared with 2013. In 2015, as economic growth accelerates and the labor markets post stronger gains, the LAEDC forecasts nonresidential construction in the region will increase 19.2% to $13.1 billion.

Table 33: Private Nonresidential Construction Permits

(By valuation, $millions)

Year	L.A. County	Orange County	Inland Empire	Ventura County	L.A. 5-County
2003	2,932	1,006	1,720	379	6,037
2004	3,174	1,133	2,485	353	7,145
2005	3,824	1,495	2,394	372	8,085
2006	3,896	2,401	2,852	326	9,475
2007	4,739	2,005	2,824	346	9,915
2008	4,491	1,439	1,781	345	8,055
2009	2,674	952	710	153	4,489
2010	2,677	1,152	792	160	4,782
2011	3,129	1,299	921	147	5,496
2012	1,836	1,263	1,074	127	4,300
2013	4,280	1,554	1,555	143	7,532
2014f	6,850	2,200	1,750	210	11,010
2015f	7,700	2,650	2,478	300	13,128

Annual % Change

Year	L.A. County	Orange County	Inland Empire	Ventura County	L.A. 5-County
2003	0.4%	-16.8%	16.8%	31.1%	2.5%
2004	8.3%	12.6%	44.5%	-6.9%	18.4%
2005	20.5%	32.0%	-3.7%	5.4%	13.2%
2006	1.9%	60.6%	19.1%	-12.4%	17.2%
2007	21.6%	-16.5%	-1.0%	6.1%	4.6%
2008	-5.2%	-28.2%	-37.0%	-0.4%	-18.8%
2009	-40.5%	-33.8%	-60.1%	-55.5%	-44.3%
2010	0.1%	20.9%	11.7%	4.7%	6.5%
2011	16.9%	12.8%	16.2%	-8.4%	14.9%
2012	-41.3%	-2.8%	16.6%	-13.6%	-21.8%
2013	133.1%	23.0%	44.8%	12.6%	75.2%
2014f	60.0%	41.6%	12.5%	46.9%	46.2%
2015f	12.4%	20.5%	41.6%	42.9%	19.2%

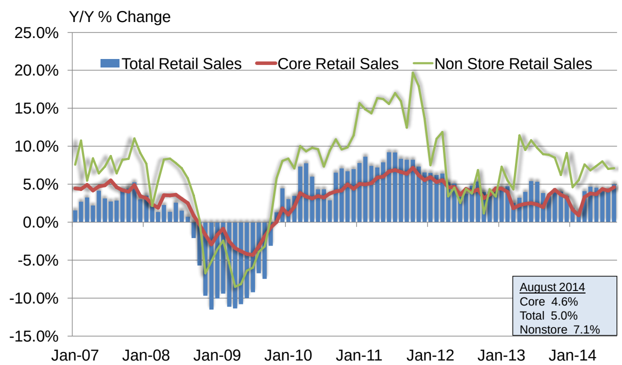
Sources: Construction Industry Research Board, California Homebuilding Foundation; forecasts by LAEDC

RETAIL TRADE

The retail sector occupies a prominent place in the economy at both the national and local levels. Because such a large portion of U.S. economic activity depends on consumer spending, sales of retail goods and services is an important economic indicator. Retailers also provide an enormous number of jobs that encompass a wide range of skill and income levels. Through the first seven months of 2014, 760,000 people were employed in the retail sector in the Los Angeles five-county area. Add in San Diego, and the total job count increases to over 900,000. That equates to 10.6% of all nonfarm payroll jobs in Southern California. Compared with the same period last year, retail employment in the Los Angeles five-county region was up by 2.2% (or 16,500 jobs).

The U.S. retail sector continues to improve. In August, total retail sales were $444 billion (a new peak) and were up by 5.0% on a year-to-year basis. Core retail sales increased by 4.6% over the 12 months ending in August.[13] The best performing retail sectors were motor vehicles and parts (up by 8.9%) and health and personal care stores (8.1%). Non-store retailers along with sales at restaurants and bars were up by 7.1% over the year.

U.S. Retail Sales



Source: US Census Bureau

One of the more significant trends taking place in retail sales has been the sizable growth in non-store (specifically on-line) sales. Non-store retailers include vending machines, catalog and online sales. Over the past decade there has been a clear shift from brick and mortar retail to e-commerce. Not only are consumers changing the way they shop, but this shift is affecting the composition of retail employment and commercial real estate – fewer sales people and smaller retail footprints are giving way to more warehouse workers and distribution centers.

[13] Note: Core retail sales strip out automobiles, gasoline, and building material and garden supply stores, and are used to estimate consumer spending in GDP calculations.

Other new technologies are also changing the face of retail. A number of larger retailers are experimenting with computer-simulated 3-D environments to improve store layouts and in-store navigation. Clothing retailers are testing virtual dressing rooms and shopping apps are proliferating.

On the demand side, retailers have cause to feel more optimistic. Consumers remain cautious about spending, but confidence is rising and households are feeling more positive about their current and future circumstances. The labor markets have been showing steady improvement and the unemployment rate has fallen to a five-year low. Weak growth in personal income remains a challenge, with growth in wages and salaries barely keeping pace with inflation.

A healthier housing market should help fuel increases in retail spending over the next two years. Buying a home generally entails a bout of retail spending and as home prices rise, people who own a home tend to feel a bit wealthier and spend more freely. Household net worth (primarily housing and equities) reached a record high of $81.8 trillion during the first quarter of 2014. Although consumers have been using credit cards sparingly, low interest rates have made it more affordable for American shoppers to finance the purchase of automobiles and big ticket household goods.

Cautious consumers mean most retailers have to work harder for every sale (although luxury retailers are less affected by this dynamic). Retailers also have had to adjust to rapidly evolving changes in consumer buying habits. People are spending more on services like travel, movie downloads, concerts and sporting events, and less on goods like clothing. Consumers have also become better informed, more discerning and more interactive. Retailers are collecting and using large amounts of data in order to provide a more personal shopping experience for their customers. The use of tablets and smart phones to enhance and expand the shopping experience has become standard for comparing prices, finding coupons and making purchases.

Looking ahead, total U.S. personal consumption expenditures, a large part of which are retail sales, are expected to increase by 2.2% this year, somewhat slower than the gain of 2.4% posted in 2013. The sharp decline in economic activity during the first quarter of this year is responsible for the lower forecast. In 2015, however, consumer spending is expected to bounce back, expanding by 2.5%. Southern California retail sales closely track national economic trends. The LAEDC is forecasting moderate increases in total taxable sales, of which retail sales make up about two-thirds, for 2014 that will range from 5.9% in the Inland Empire to 3.9% in Ventura County. Los Angeles, Orange and San Diego counties should see increases in taxable sales of 5.1%, 5.0% and 4.6% respectively

TRAVEL AND TOURISM

Hospitality and tourism is one of Southern California's largest and most visible industry sectors, employing hundreds of thousands of people and generating billions of dollars in economic activity. In 2013, Los Angeles County hosted a record 42.2 million visitors (day and overnight), an increase of 2.0% over the previous year. This was the third straight year that Los Angeles County achieved record breaking visitor counts. Tourists and business travelers spent $18.4 billion in 2013, an increase of 5.5% over 2012.

According to the L.A. Tourism and Convention Board, the total number of overnight and day visitors is expected to exceed 43 million this year. Meanwhile, both the number of overnight visitors to Los Angeles County and the total amount of overnight spending are forecast to reach new record highs this year. The number of overnight visitors should exceed 29 million this year and total spending should reach $18.5 billion.

Source: L.A. Tourism and Convention Board

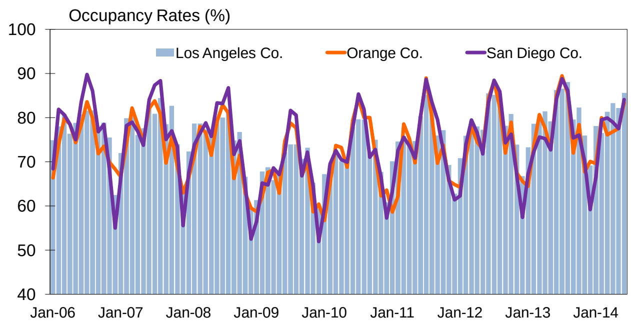
In 2013, 6.2 million international visitors arrived in Los Angeles, an increase of nearly 3.0% compared with 2012. While Mexico and Canada sent the largest number of *international* visitors to Los Angeles County, China was Los Angeles County's number one *overseas* market. China (excluding Hong Kong) sent 570,000 visitors to Los Angeles County in 2013, a jump of over 21% compared with the previous year.

A recent analysis by *CLSA Asia-Pacific Markets* predicts that the number of Chinese visitors to the U.S. will more than triple from 1.5 million in 2012 to 5.7 million by 2020. Nearly half of all Chinese traveling to the U.S. visit California and over 72% (based on 2013 figures) of those visiting California come to Los Angeles County. This means Los Angeles County could see anywhere from 1.5 to 2.0 million Chinese visitors by 2020. Other important overseas markets are Australia, the U.K., Japan, France, South Korea, Germany and Brazil.

Hotel demand in Los Angeles County remains strong. On a year-to-date basis (through June), the occupancy rate in Los Angeles County was 81.5%, which was 2.9% higher than the same period in 2013. Average daily room rates (ADR) are improving as well.

The ADR in Los Angeles County was $175.48 year-to-date through June, a jump of 5.6% compared with last year. Through the remaining months of 2014 and into 2015, the lodging sector will continue to benefit from stronger corporate spending, personal income growth and international visitation. Transient-occupancy taxes, a significant revenue source for local governments, should also register increases.[14]

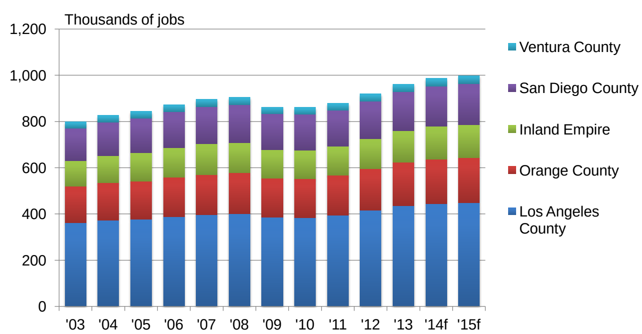
Hotel Occupancy Rates



Source: PKF Consulting

While a significant part of leisure and hospitality[15] activity is associated with tourism, many of these jobs fundamentally serve the local population more so than the region's tourists. Restaurants and bars employ about 70% of all workers in the leisure and hospitality sector. In 2014, leisure and hospitality jobs in the Los Angeles five-county region are expected to increase by 19,800 jobs. In 2015, stronger economic growth both at home and abroad will increase employment by an additional 8,300 jobs.

Leisure & hospitality employment exceeds prerecession job counts



Source: California EDD

[14] Note: This section was largely based on figures from the *Los Angeles Tourism and Convention Board* as well as *PKF Consulting*.

[15] Leisure and hospitality (NAICS 72) includes lodging, food services, the performing arts, museums, amusement parks and gambling establishments.

After several years of almost no new hotel construction, there are multiple hotel projects under construction in Southern California with more projects planned for the next two years. A number of prominent hotel properties have also undergone extensive renovations in an effort to keep guests coming back and to attract new customers. Projects to maintain Southern California's position as a premier travel destination include a multi-billion dollar investment program to upgrade passenger terminals at LAX, the centerpiece of which was the modernization of the Tom Bradley International Terminal. San Diego International and Orange County's John Wayne Airport have also undergone major upgrades.

EXTENDED OUTLOOK: FIVE YEAR REGIONAL FORECAST

Businesses, government agencies, and other organizations commonly face more than one time horizon as they go through planning and budgeting. Budgeting, the execution of an organization's marketing plan, and other activities are frequently based on a one- to two-year time horizon. Most of this report aligns with that time frame by providing estimates for the current year and 2015 forecasts for the nation, California, and the Southern California regions, including detailed forecasts of major industries.

Other planning efforts involve more than a one- to two-year time frame. Strategic plans may look out anywhere from three to ten years. Capital investment activities for businesses, government agencies, and education institutions may extend to twenty years or more. In the extreme, utilities and similar entities must anticipate infrastructure needs for future generations. Of course, the LAEDC's core mission of economic development is another example of an activity that is inherently long term.

The section takes a modest step in this direction by providing a five-year outlook from 2014 to the year 2019.

U.S. AND CALIFORNIA

The last five years (2010-2014) have been marked by recovery from the Great Recession. Because of subpar real GDP growth averaging 2.2%, the labor market recovered more slowly than in past cycles, and inflation remained in check. Nevertheless, from 2010 to 2014, the unemployment rate fell from nearly 10% to just over 6%.

The second half of this decade should be marked by faster growth, driven in part by a long overdue acceleration in construction and housing. The unemployment rate will hit its long run "natural rate" in the mid-five percent range by 2015 and drop below that level later in the decade. Inflation will be subdued.

U.S. Five-Year Forecast

	2005-09	2010-14	2015-19
GDP - Annual % Chg.	0.9%	2.2%	2.8%
Nonfarm Jobs - Annual % Chg.	-0.1%	1.1%	1.3%
Unemployment Rate	5.9%	8.0%	5.3%
Consumer Prices - Annual % Chg.	2.6%	2.0%	1.8%

Forecast Source: IHS, LAEDC

Federal Reserve Bank (Fed) policies since 2008 have resulted in rock-bottom short-term rates and historically low long-term rates, all in an effort to propel the economy out of its fragile state. The Fed's QE III program will end this fall and the Fed is expected to raise key short-term rates sometime in 2015. Over the forecast period, key rates are expected to return to long-run average levels.

The price of oil, which fell during the recession years and generally remained soft because of global economic weakness, will edge up from an average of just over $103 per barrel over the past five years to $107 per barrel over the forecast period.

Rates Return to Long-Run Normal

	2005-09	2010-14	2015-19
3-Month Treasury	2.8%	0.08%	2.6%
10-Year Treasury	4.1%	2.6%	3.9%
30-Year Fixed Rate Mortgage	5.9%	4.2%	5.8%
Oil Price/Barrel	$70.40	$103.50	$107.20

Forecast Source: IHS, LAEDC

California matched or exceeded the nation in terms of economic growth during much of the period 2010-14, enabling it to add jobs at a faster pace and recover from a more severe hit during the Great Recession.

With gains across much of the state, California will outpace the nation's growth over the forecast period, both in terms of real gross product and nonfarm jobs. This will drive the unemployment rate down to long-run normal levels. Personal income, which improved during the last five years, will grow more quickly over the forecast period.

California Five-Year Forecast

	2005-09	2010-14	2015-19
GSP - Annual % Chg.	0.9%	2.1%	3.1%
Nonfarm Jobs - Annual % Chg.	-0.4%	1.5%	1.6%
Unemployment Rate	6.9%	10.2%	6.6%
Personal Income - Annual % Chg.	3.1%	4.3%	5.5%

Forecast Source: IHS, LAEDC

Weaker than expected new home construction is one reason why GDP growth in the last two years has been disappointing. Home building hit its lowest levels in fifty years in the years following the recession.

Demographics and better economic fundamentals should trigger more new household formation and a long overdue increase in housing demand over the next few years. This will materialize in the form of higher home prices and home building will return to or surpass long-run average levels, resulting in a significant multiplier effect and faster growth.

New Home Construction to Drive Growth

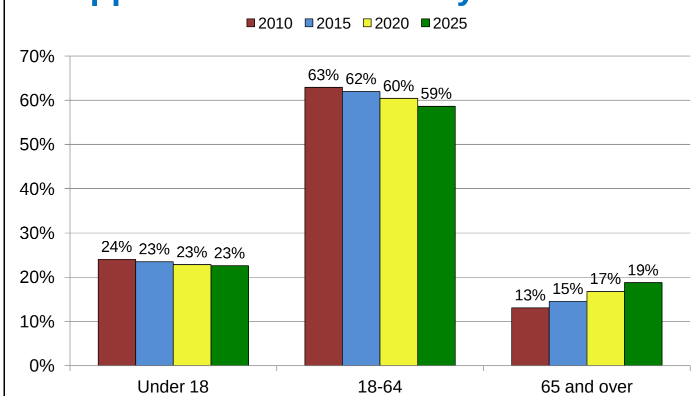
	Annual Average		
	2005-09	2010-14	2015-19
U.S. Housing Starts (Millions)	1,336	787	1,494
California Housing Permits (Thousands)	117.5	63.6	142.5

Forecast Source: LAEDC

Population trends change slowly, but can have a profound effect on the economy. One such development is the tsunami of retirements by Boomers in the next several years. The oldest Boomers turned 65 in 2011 and the youngest Boomers will cross that threshold 18 years later, prompting a longer view from 2015 to 2025.

Over that period, the under-18 age group will increase by 3.7 million and the working age population (18-64 yrs) will add over four million to its ranks, but the over-65 age group will swell by 17.4 million, a trend that creates public policy concerns (working age share of population declines as the retiree share increase), but also creates new market opportunities in many industries.

Changing Demographics in U.S.: Opportunities and Policy Concerns



Source: Census Bureau

SOUTHERN CALIFORNIA

Los Angeles County's population growth rate slowed in the wake of the Great Recession, but accelerated by 2014 to a 0.9% annual growth rate. Growing at 0.4% over the forecast period, the county will add nearly 190,000 residents from 2014 to 2019, surpassed only by the Inland Empire (Riverside and San Bernardino counties) which will add nearly 390,000 to its population, outpacing growth elsewhere in Southern California.

Modest population gains are expected in Orange County (160,000 or 1.0%) and in Ventura County (30,000 or 0.7%) through 2019. By 2019, population in the 5-County Los Angeles/Southern California region will hit 19.2 million up from 18.5 million in 2014.

Population Grows in Southern California

	Pop in Millions			09-14	14-19
	2009	2014	2019	%/Yr	%/Yr
Los Angeles	9.81	10.08	10.27	0.6%	0.4%
Orange	3.00	3.14	3.30	0.9%	1.0%
Riverside-San Bernardino	4.18	4.39	4.78	1.0%	1.7%
Ventura	0.82	0.85	0.88	0.7%	0.7%

Forecast Source: LAEDC

Los Angeles County should recover all of its recession-induced job losses sometime next year, with the other Southern California counties passing that threshold in 2015 or 2016, making for an exceptionally long recovery period.

Job gains are projected to continue through 2019, with the region adding nearly 600,000 jobs. Despite its slower growth rate, Los Angeles County's contribution will be the largest (257,000), followed by the fast-growing Inland Empire (175,000), and Orange County (142,000). Much smaller Ventura County will add 26,000 jobs, equivalent to a 1.7% annual growth rate.

Job Gains Continue

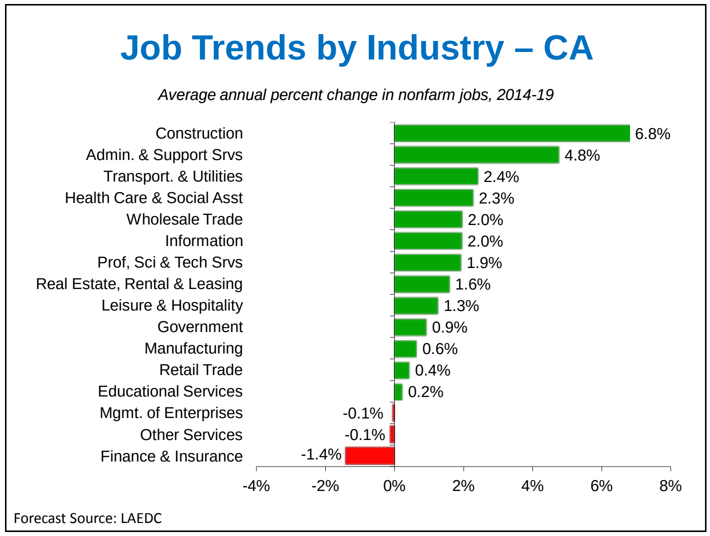
	Nonfarm Jobs in Millions			09-14	14-19
	2009	2014	2019	%/Yr	%/Yr
Los Angeles	3.95	4.19	4.45	1.2%	1.2%
Orange	1.38	1.48	1.63	1.4%	1.8%
Riverside-San Bernardino	1.16	1.26	1.43	1.6%	2.6%
Ventura	0.28	0.29	0.32	1.0%	1.7%

Forecast Source: LAEDC

INDUSTRY OUTLOOK FOR CALIFORNIA AND SOUTHERN CALIFORNIA REGIONS

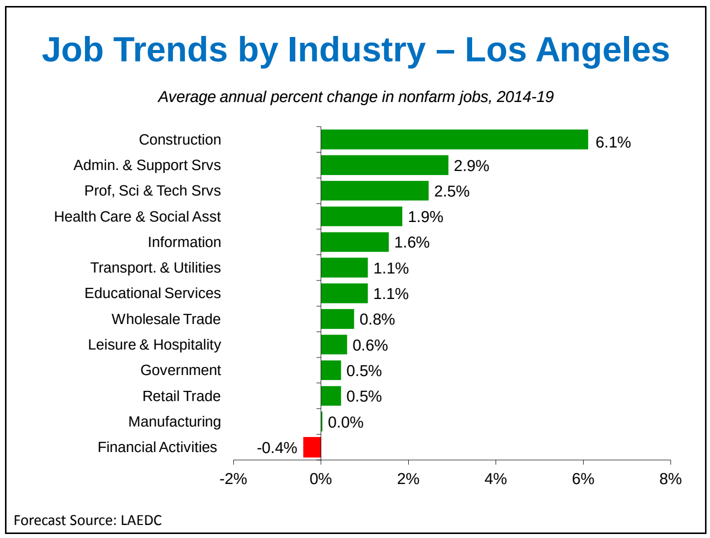
California will add nearly 1.4 million jobs over the next five years, with increases in nearly every major industry. Construction will lead the way in percentage terms with an average annual increase of 6.8%. Its 260,000 additional jobs will be surpassed only by administrative and support services, which is projected to add 266,000 jobs.

Noteworthy percentage increases will occur in transportation and utilities, health care, wholesale trade and professional, scientific, and technical services. Even manufacturing will register a slight gain. The largest job losses will occur in finance and insurance.



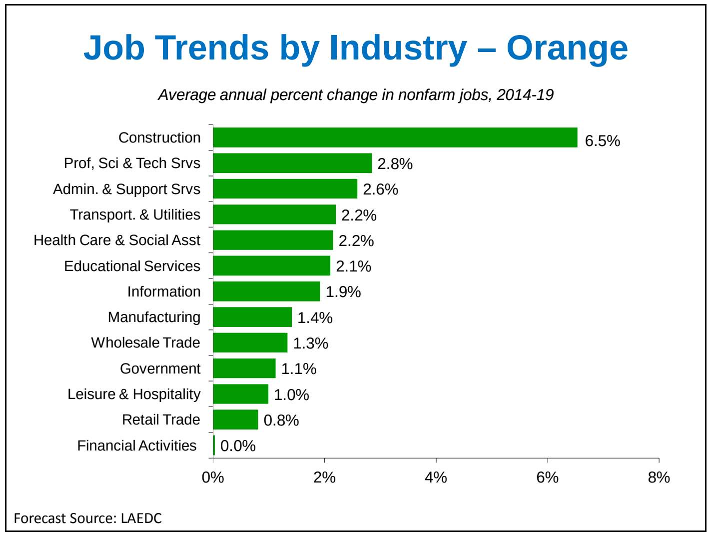
From 2014 through 2019, Los Angeles County will experience job gains averaging 1.2% annually. Of the 257,000 added jobs, nearly a quarter (60,000) will be in health care. Like the state and the rest of the region, construction will experience the largest percentage gain (6.5% annually) and will have the second largest number of new jobs at 43,000. Close behind are administrative and support services and professional, scientific, and technical services at 42,000 and 38,000 respectively.

Manufacturing jobs will be approximately flat while financial activities will lose nearly 5,000 jobs over the forecast period.



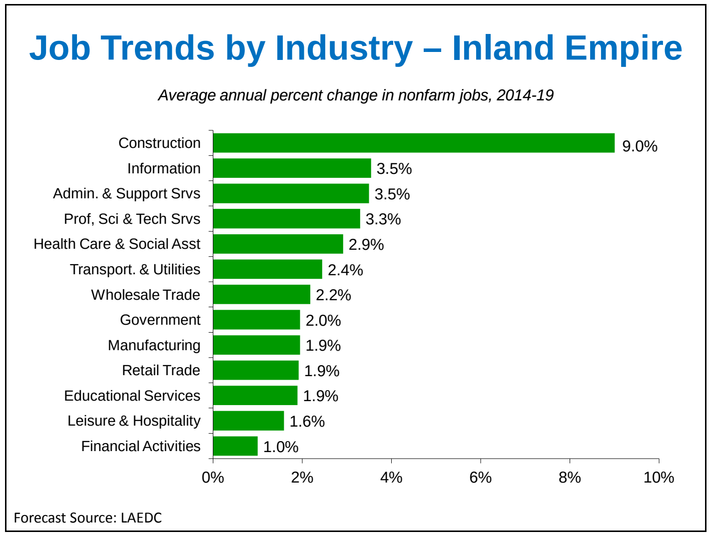
By comparison, jobs in Orange County's manufacturing sector will register a respectable 1.4% annual increase (12,000 jobs) through 2019, as county-wide nonfarm employment increases by 142,000. Construction will lead the county's industries in both percentage and absolute terms with 31,000 jobs. Professional, scientific, and technical services will add 25,000 jobs, followed closely by administrative and support services job gains at 22,500.

With the exception of flat employment in financial activities, the remaining industries in Orange County will see slight to modest job growth.



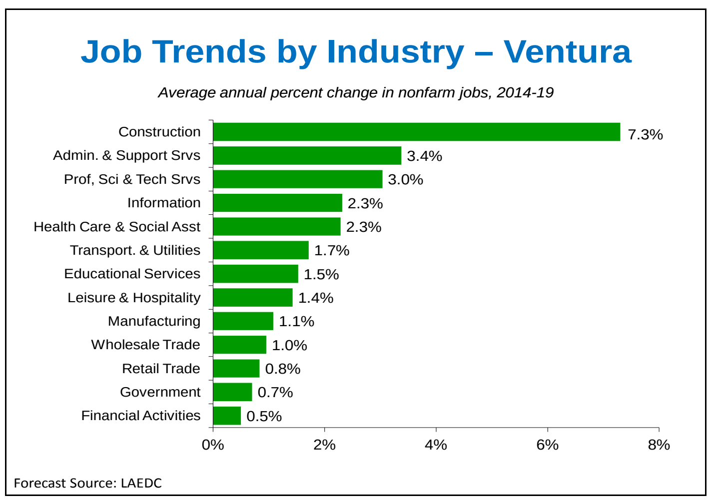
Returning to its pre-recession role, the Inland Empire will be the fastest-growing part of Southern California, with a 2.6% annual increase from 2014 through 2019 and 175,000 jobs added. The construction sector will see a 9.0% annual increase and contribute the largest absolute gain at 39,000 jobs. Smaller increases will occur in health care, administrative and support services, and retail trade. Much of this growth will be in population-serving industries and occupations as the region adds nearly 400,000 new residents.

All private sector industries will add jobs over the forecast period, while government sector jobs will also increase by 23,000 (2.0%).



Over a fifth of the jobs added to the Ventura County economy during the next five years will be in construction. This sector will add 5,300 jobs and grow at more than twice the rate of administrative and support services, the industry that will see the next largest rate of increase.

Every private sector industry in the county will grow over the next five years, with gains occurring in the government sector as well. Ventura County's growth dynamic is somewhat slower but typically steadier than other parts of Southern California.



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