

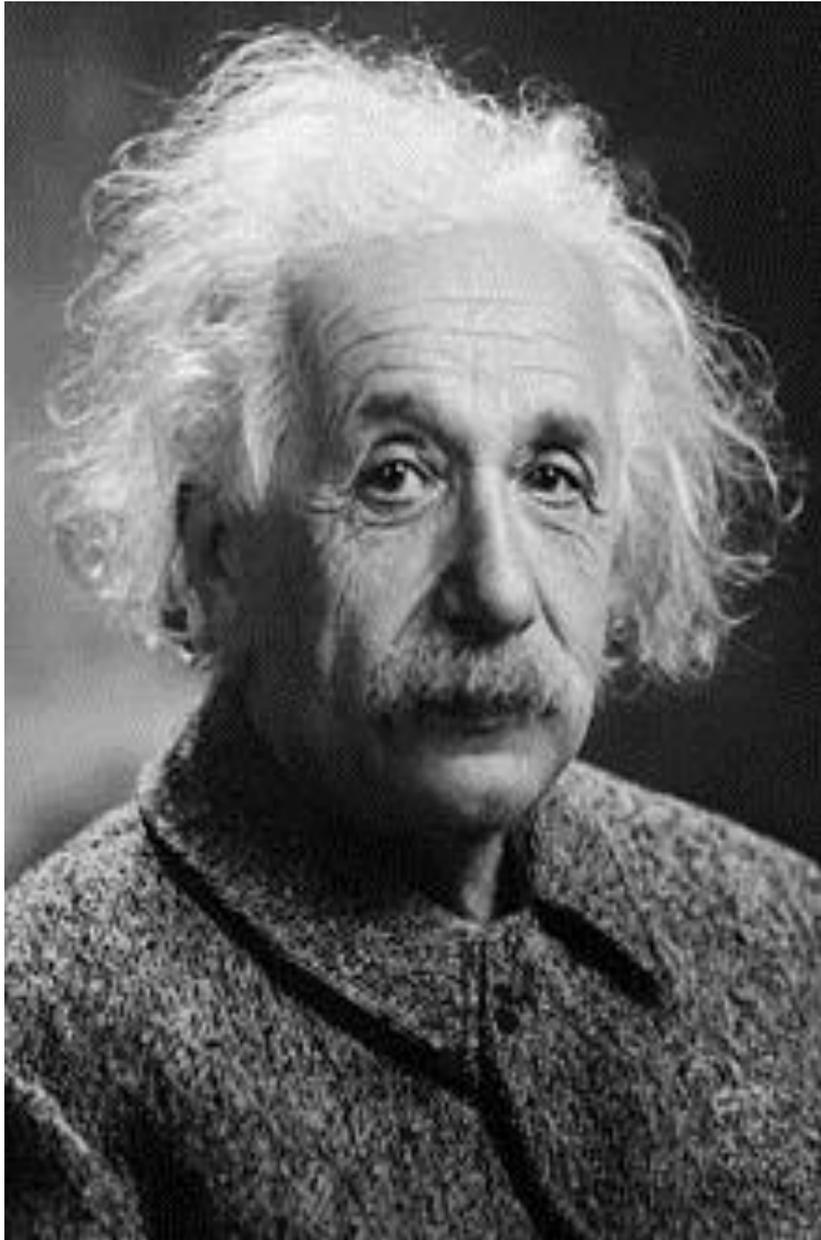
# SAN GABRIEL VALLEY ECONOMIC FORECAST: 2019-2020



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DIRECTOR, INSTITUTE FOR APPLIED ECONOMICS  
LOS ANGELES COUNTY ECONOMIC DEVELOPMENT CORPORATION

April 4, 2019

LAEDC



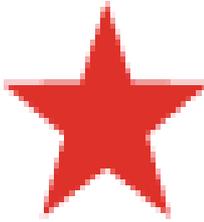
**“I NEVER  
THINK OF  
THE  
FUTURE—IT  
COMES  
SOON  
ENOUGH”**

**--Albert Einstein**

# ***Today:***

- **California**
- **Los Angeles County**
- **Housing Issues**
- **San Gabriel Valley**
- **Factors That Affect The Forecast**
- **Concluding Remarks**

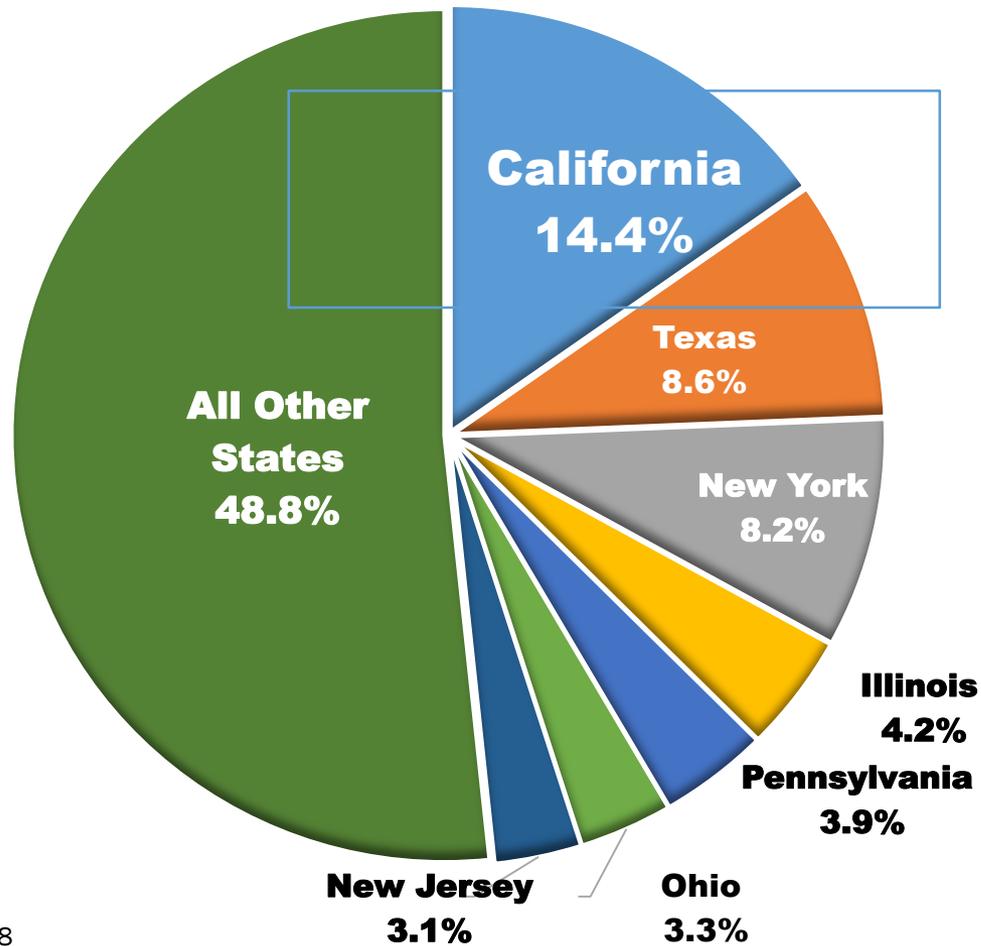




**CALIFORNIA REPUBLIC**

# How Important is California?

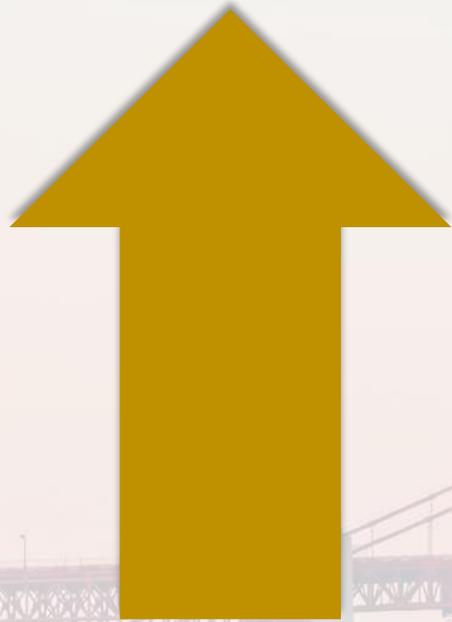
## Contribution to US GDP



Bureau of Economic Analysis, 2018

# California Indicators

GDP Growth

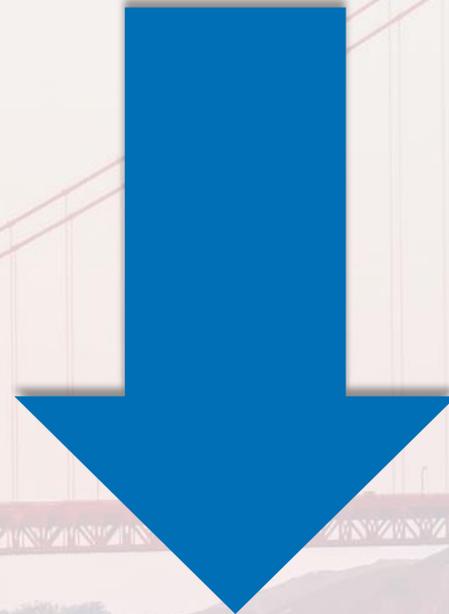


3.4%

2.9%



Unemployment



4.2%

3.9%

# Looking Ahead To 2020

GSP Growth Unemployment

Personal  
Income Growth



3.0%

GDP: 2.4%



3.4%

3.1%



2.8%

2.5%



# New Governor Priorities

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**Housing**



**Natural  
Disasters**

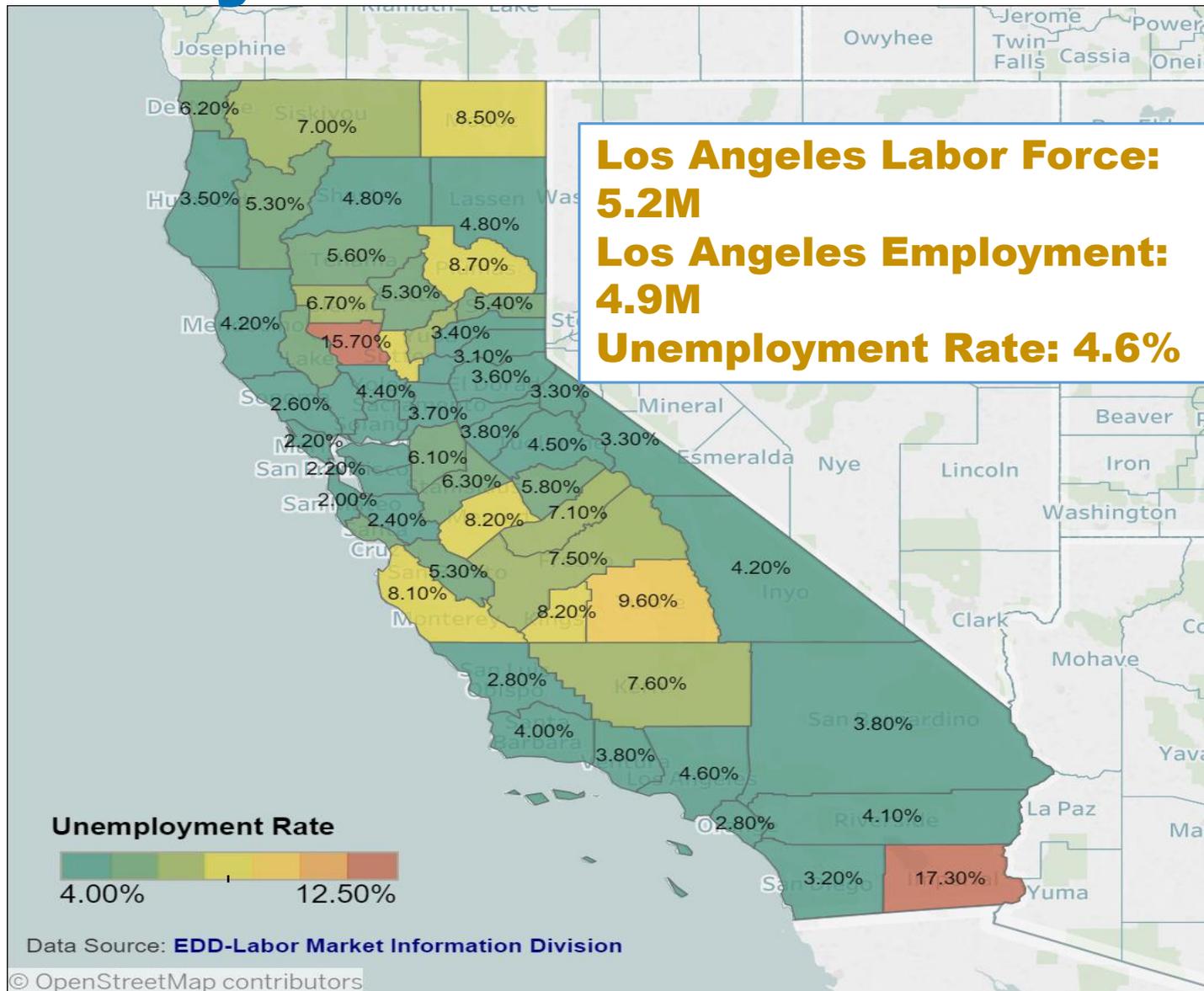


# So Things Look Good?

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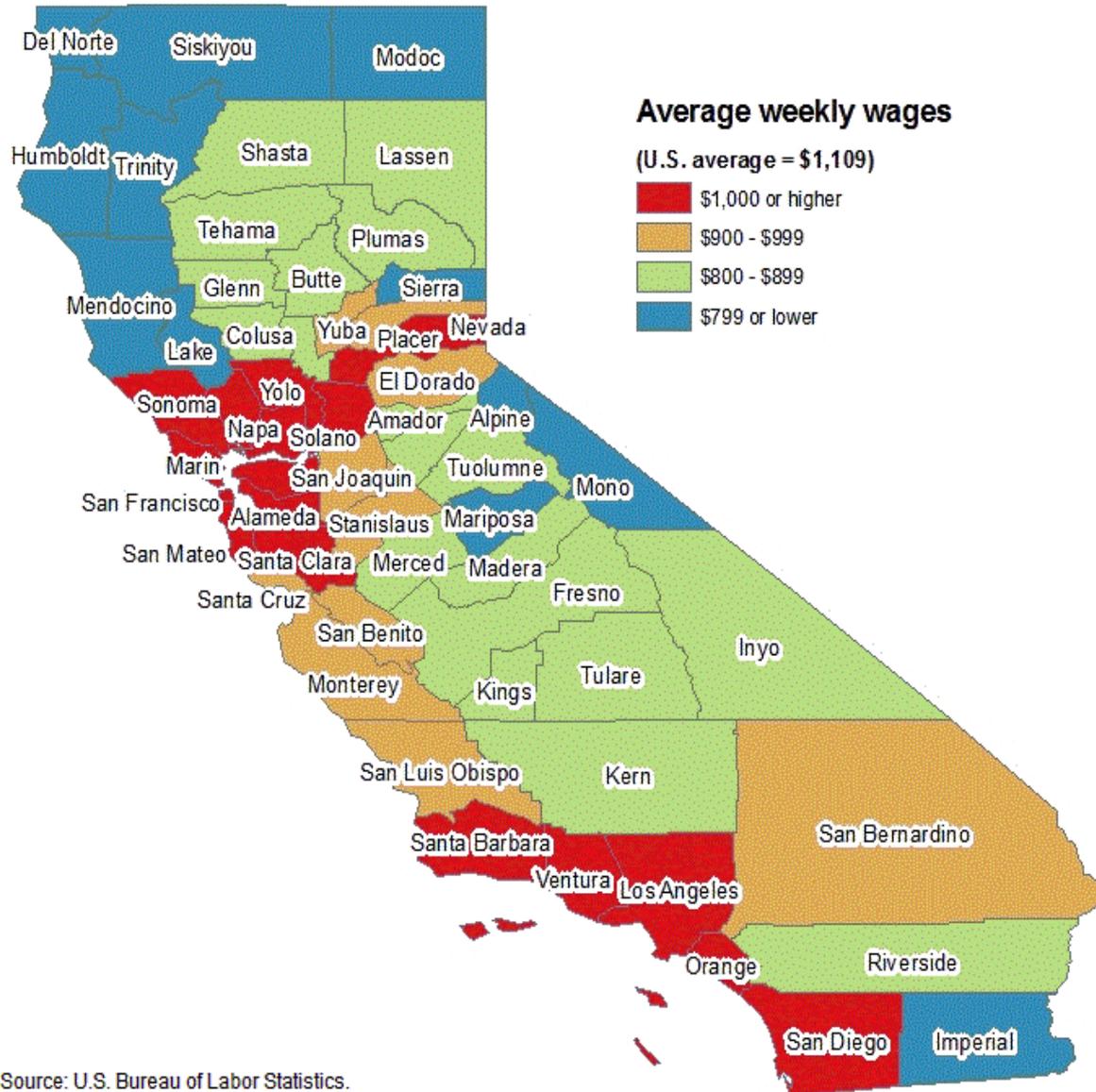
# Unemployment Rates by County



The background of the slide features a close-up, slightly blurred view of US currency. In the upper left, there is a stack of silver coins. The rest of the image is filled with several US dollar bills, including a \$100 bill and a \$50 bill, which are slightly out of focus to create a sense of depth. The overall color palette is warm, dominated by the yellow and green tones of the paper money.

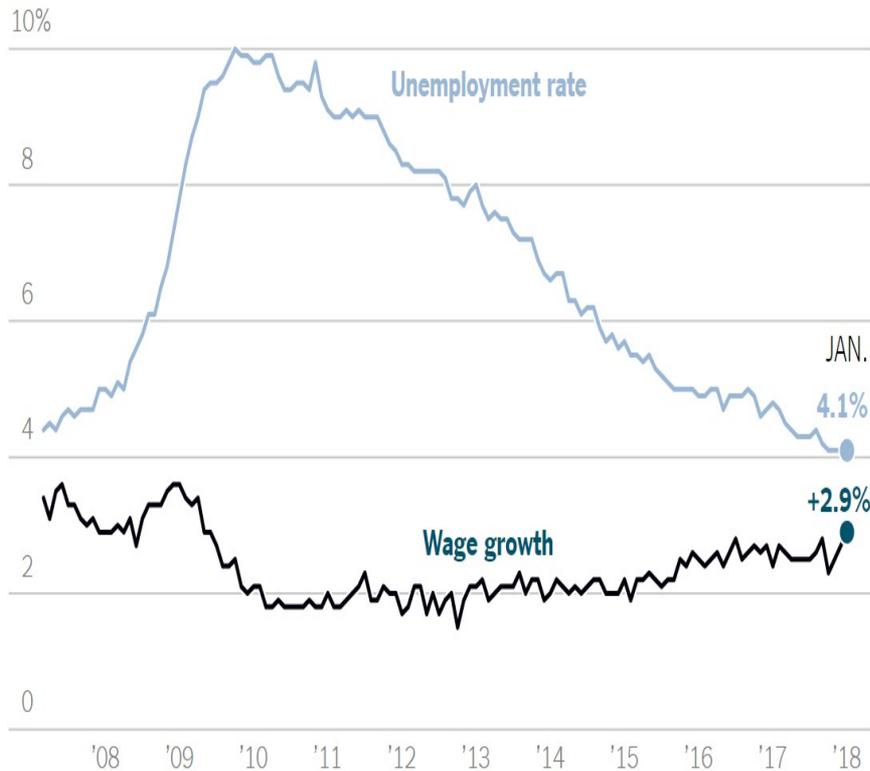
# Let's Talk About Wages

# Wages by County



Source: U.S. Bureau of Labor Statistics.

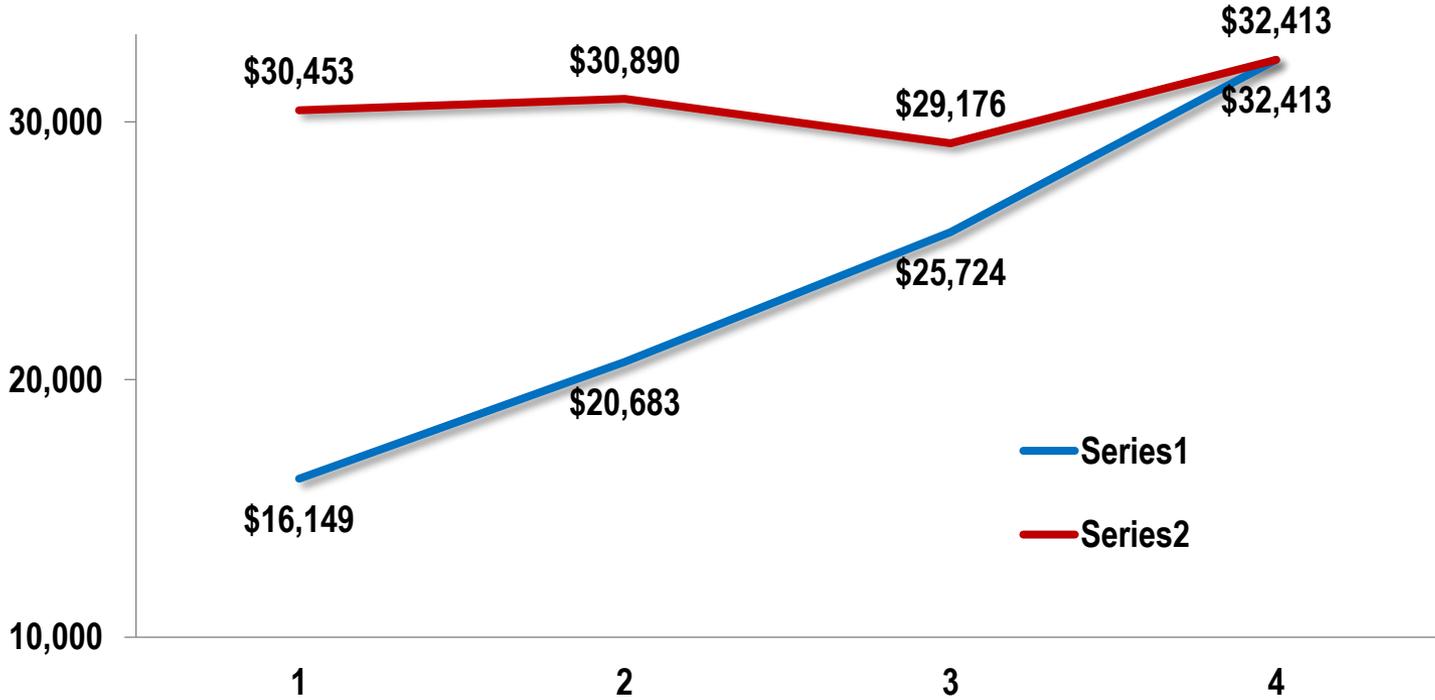
# Wage Growth Lagging Behind



- Declining Unions
- Competition
- Restrictions
- Lagging Minimum Wage
- Globalization
- Automation
- Anemic Productivity
- Outsourcing
- Contract Work
- Gig Work

# Wages Don't Go Far

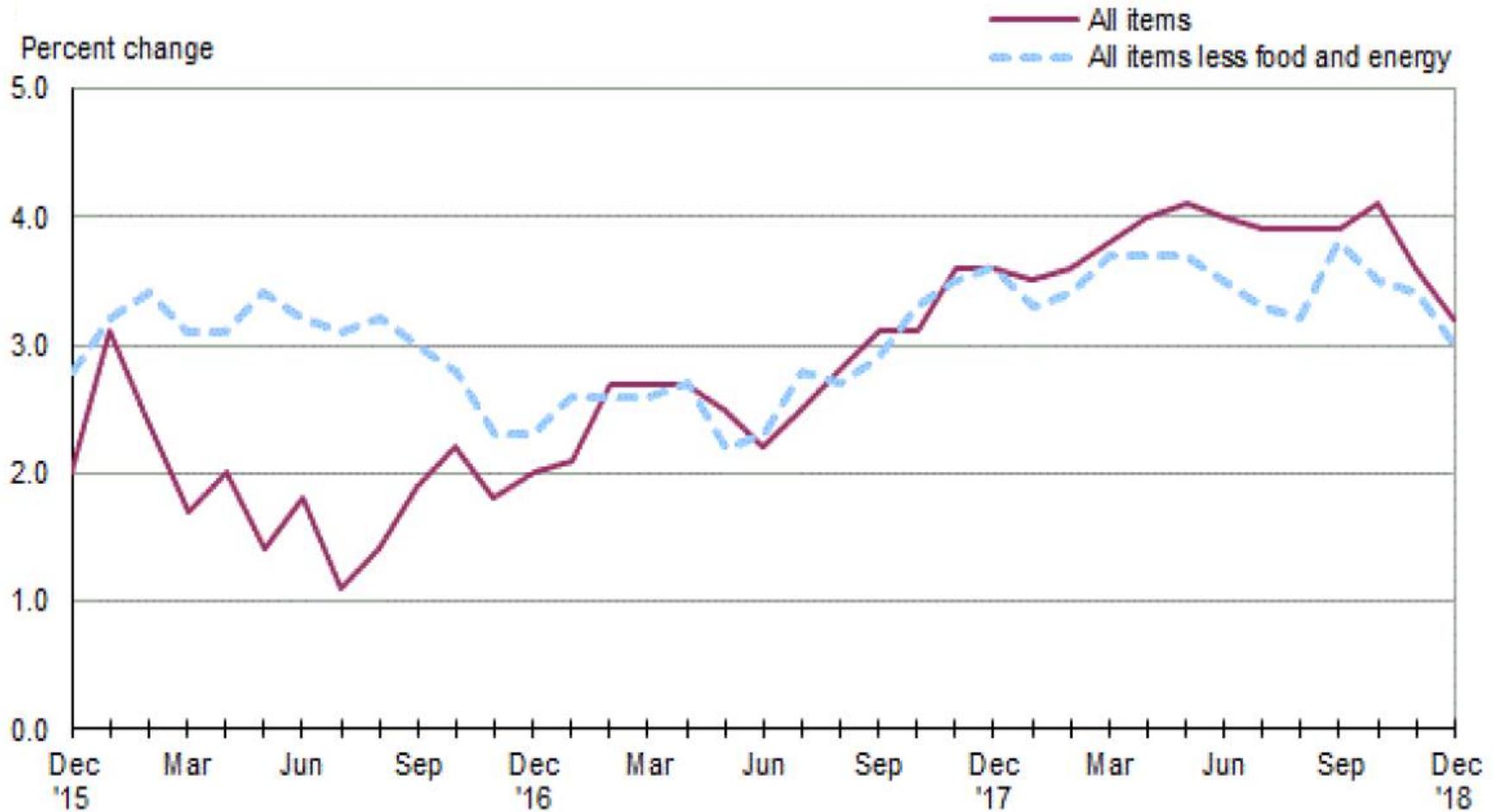
## Per Capita Income Nominal and \$2017



Source: ACS 2017 1-year estimates; BLS



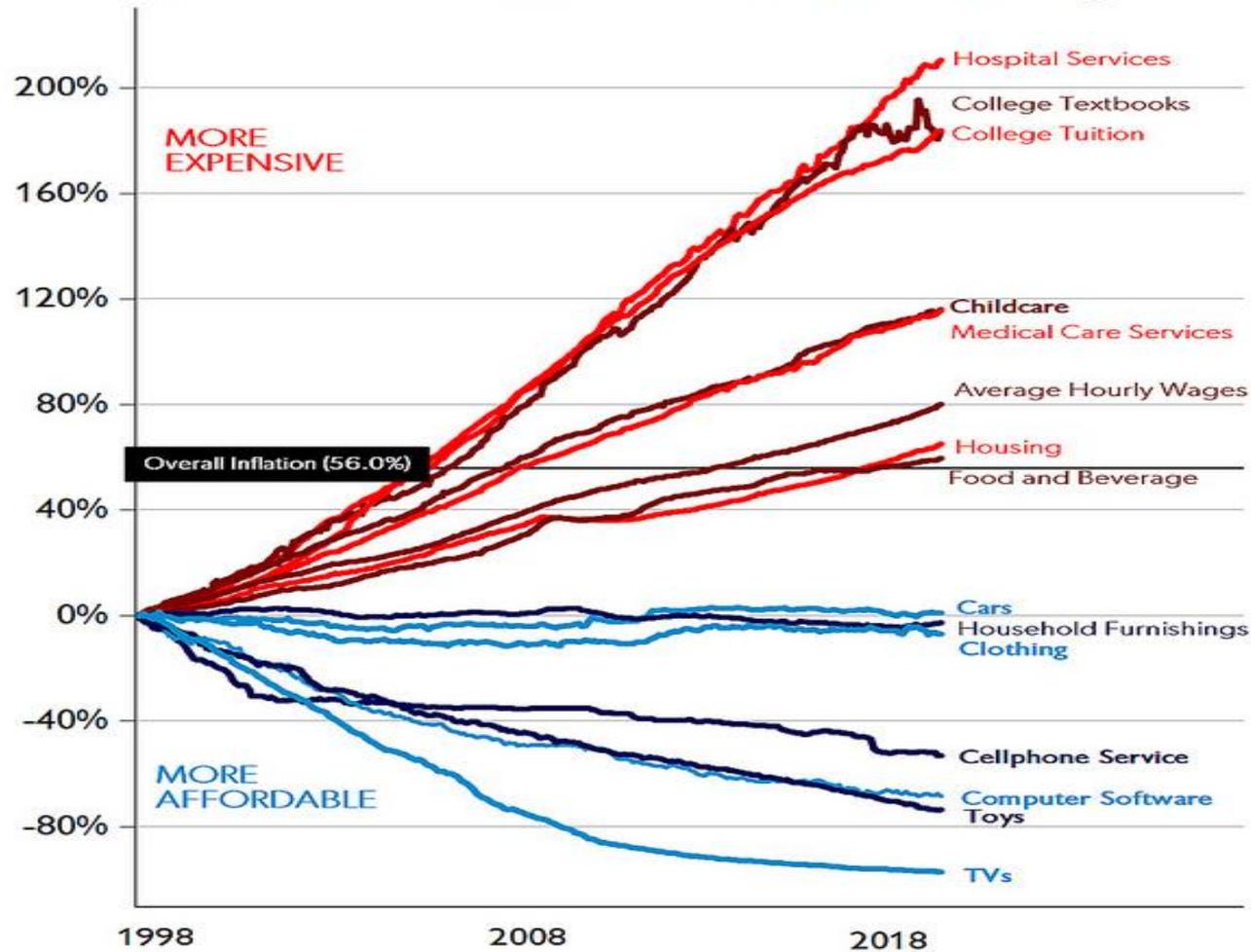
# Consumer Price Index



Source: U.S. Bureau of Labor Statistics.

# What's Happening With Prices?

Price Changes (January 1998 to December 2018)  
Selected US Consumer Goods and Services, Wages



Source: BLS

Carpe Diem **AEI**



# Los Angeles

# Looking Ahead To 2020

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GCP Growth Unemployment

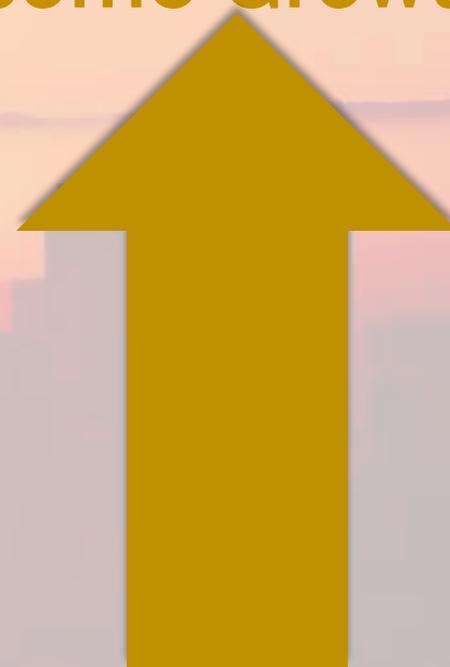
Personal  
Income Growth



2.7%

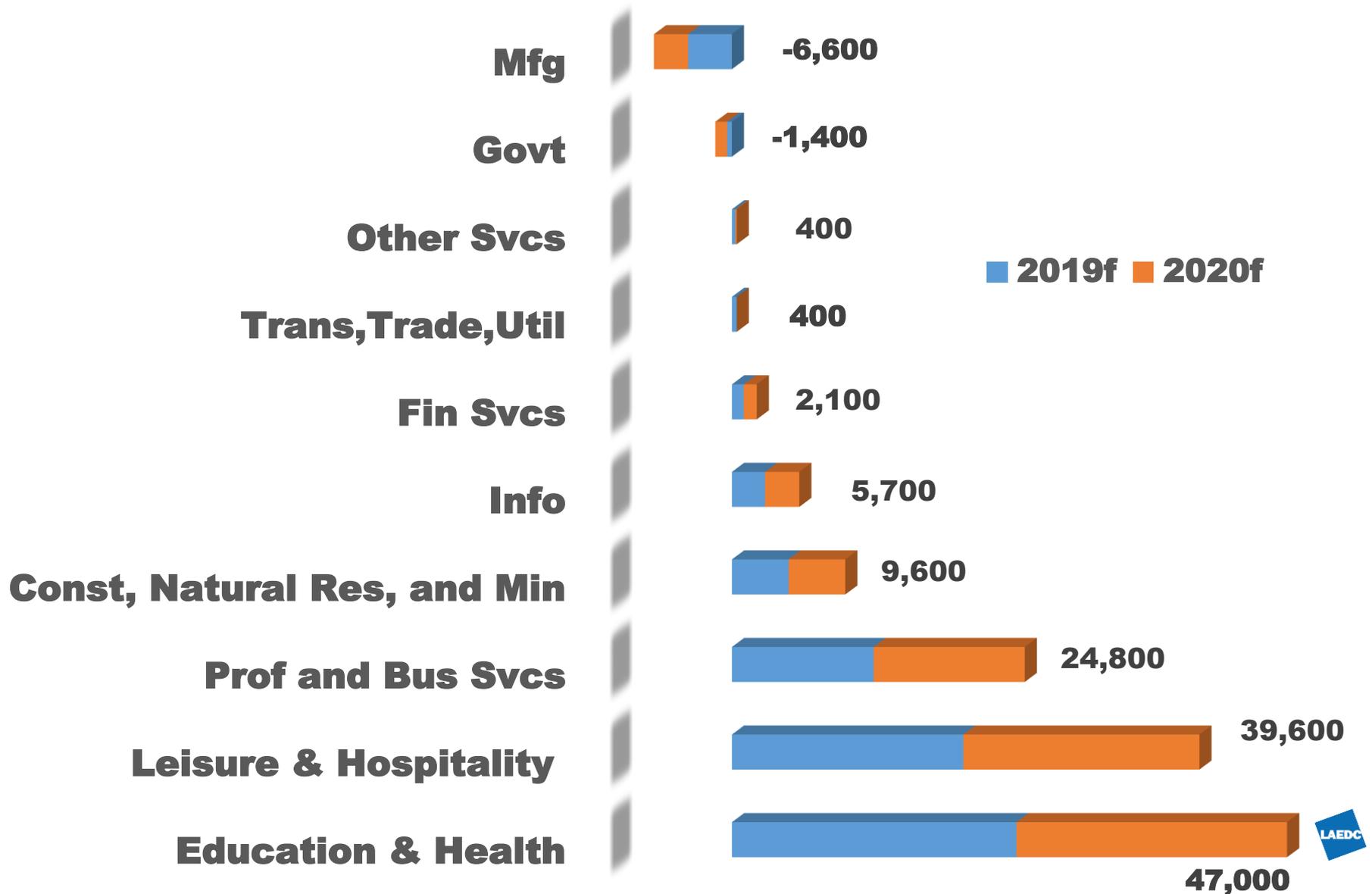


4.3%



2.1%

# Jobs Forecast By Industry

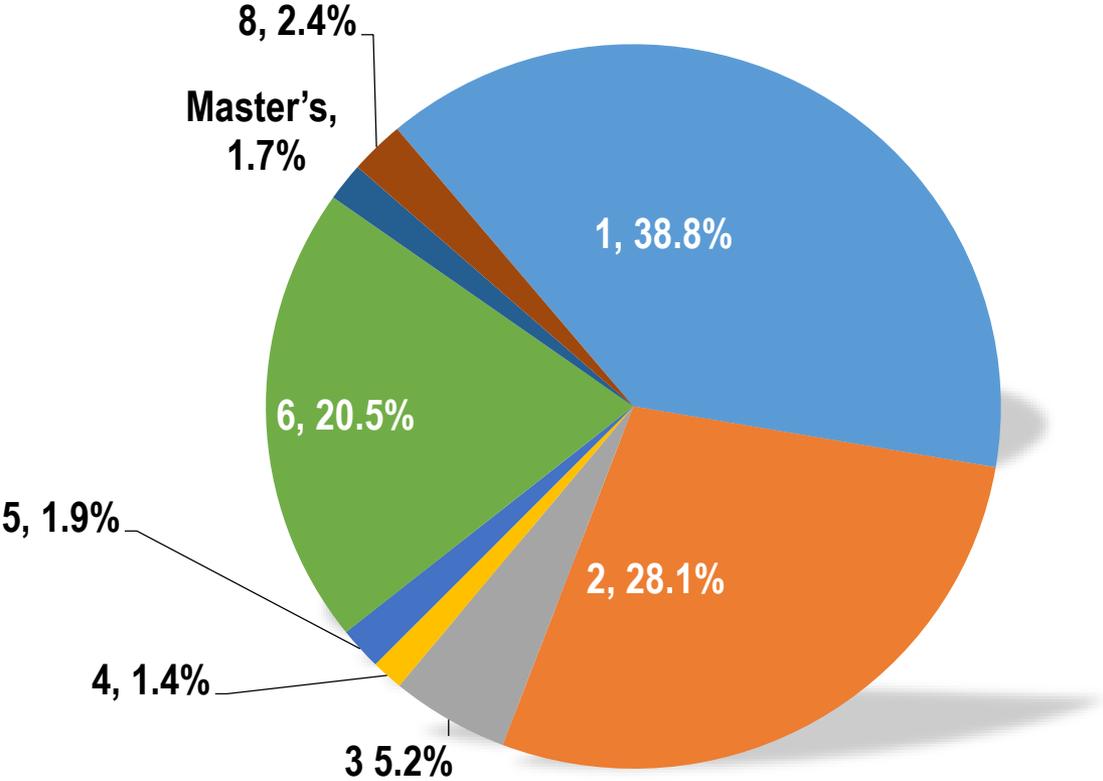




# What Are The Jobs?

<b>Top 10 Occupations</b>	<b>Total Jobs 2019-2020</b>	<b>Annual Wage</b>
<b>Combined Food Preparation and Serving Workers, Including Fast Food</b>	<b>8,360</b>	<b>\$24,934</b>
<b>Cashiers</b>	<b>7,840</b>	<b>\$26,425</b>
<b>Personal Care Aides</b>	<b>18,040</b>	<b>\$28,585</b>
<b>LIVING WAGE</b>		<b>\$29,869</b>
<b>Stock Clerks and Order Fillers</b>	<b>4,000</b>	<b>\$29,950</b>
<b>Waiters and Waitresses</b>	<b>7,640</b>	<b>\$30,406</b>
<b>Retail Salespersons</b>	<b>8,160</b>	<b>\$30,950</b>
<b>Laborers and Freight, Stock, and Material Movers, Hand</b>	<b>5,240</b>	<b>\$31,278</b>
<b>Office Clerks, General</b>	<b>4,240</b>	<b>\$35,447</b>
<b>Registered Nurses</b>	<b>4,560</b>	<b>\$97,130</b>
<b>General and Operations Managers</b>	<b>4,120</b>	<b>\$141,661</b>

# Educational and Experience Requirements



Source: Estimates by LAEDC



A woman with dark hair in a braid, wearing glasses and a white t-shirt, sits at a desk in a workshop. She has a thoughtful expression, resting her chin on her hand while looking at a laptop. The workshop is filled with various tools and materials, including a large white vase with brushes in the foreground and a green bag on the desk. The lighting is soft and focused on the woman.

**So What Does This Mean?**

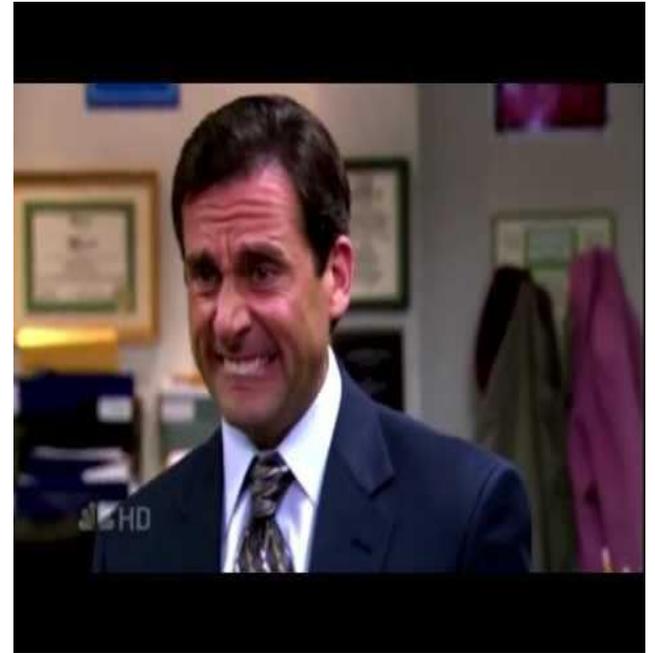
# We're Working But...

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**-A Record 7 Million Americans Are 90 Days Behind on Their Auto Loan Payments**

**-A Growing Number of Americans Have More Credit-Card Debt than Savings**

**-The Government Shutdown Spotlights a Bigger Issue: 78% of US Workers Live Paycheck to Paycheck**



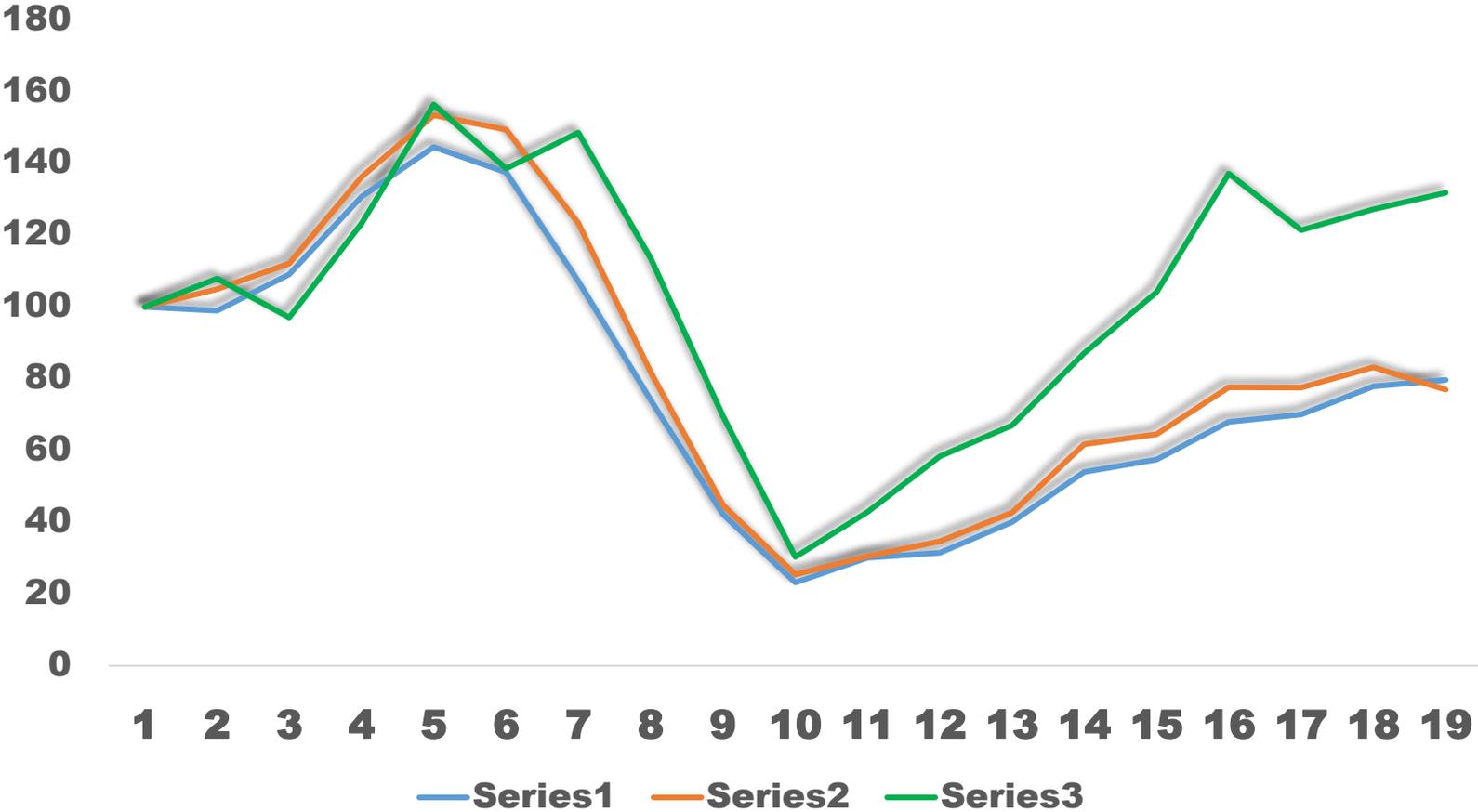
# HOUSING!

# Home Affordability

	Median Home Price	Minimum Qualifying Income	Housing Affordability Index
California Single-Family Home	\$564,270	\$122,340	28
Bay Area	\$910,000	\$197,290	22
<b>Los Angeles Metro Area</b>	<b>\$510,000</b>	<b>\$110,570</b>	<b>30</b>
Inland Empire	\$360,000	\$78,050	40
U.S.	\$257,600	\$55,850	54

# Housing Permits

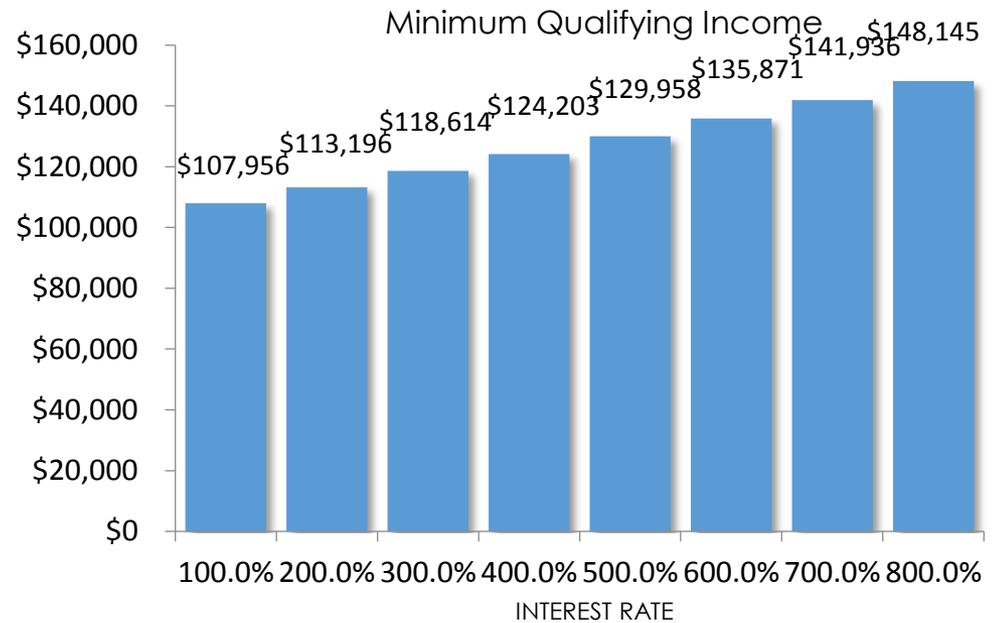
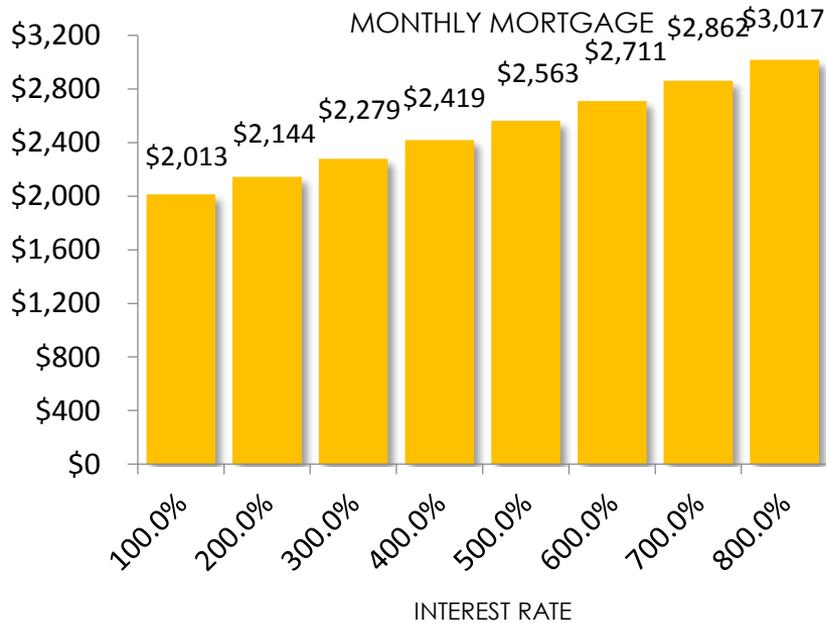
Annual Housing Permits (2000 Baseline)



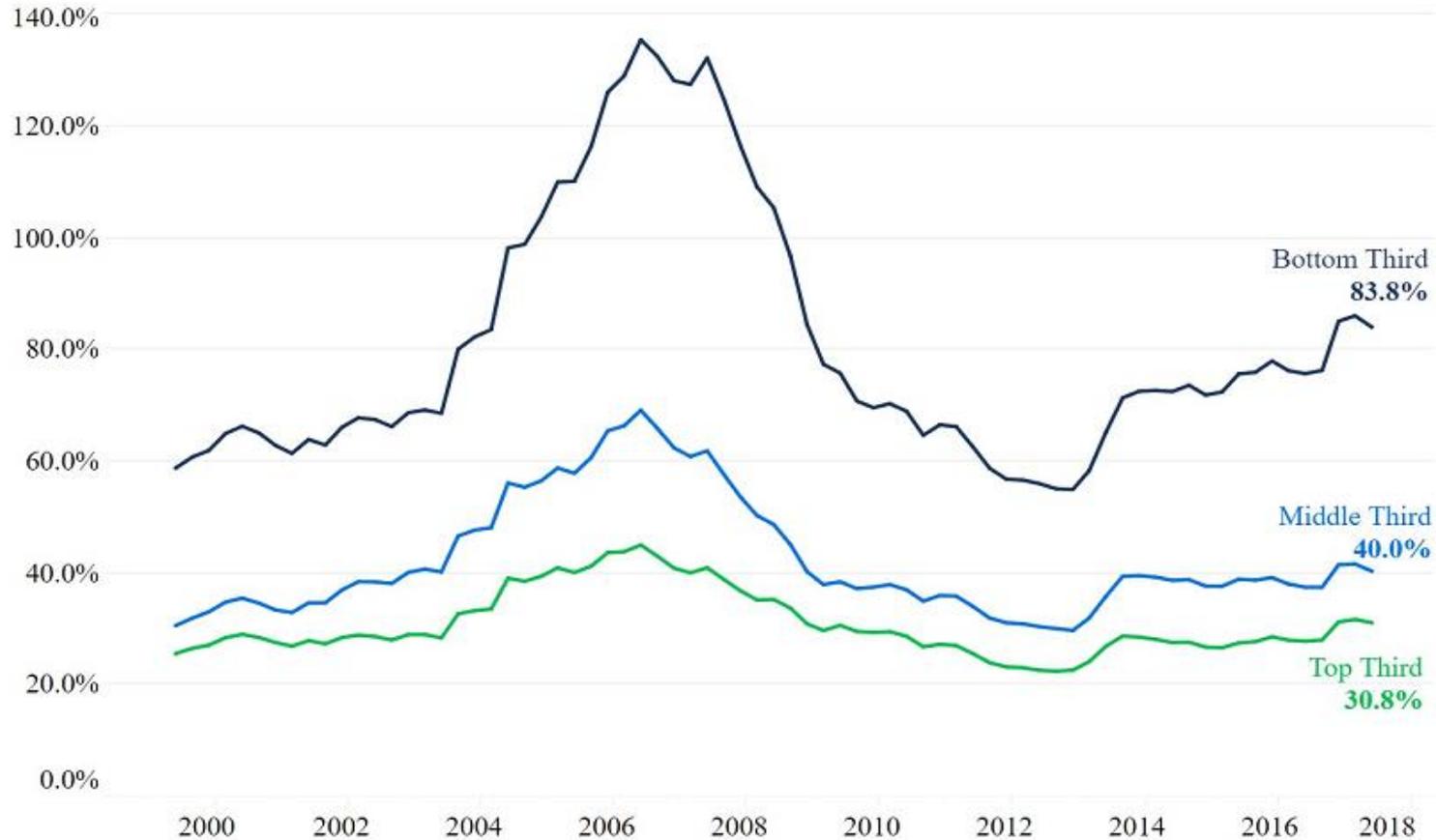
# Higher Rates Hurt

**Q2-2018 Median Price \$596,730**

**20% Down-payment \$119,346**



# Can You Ever Afford To Buy?



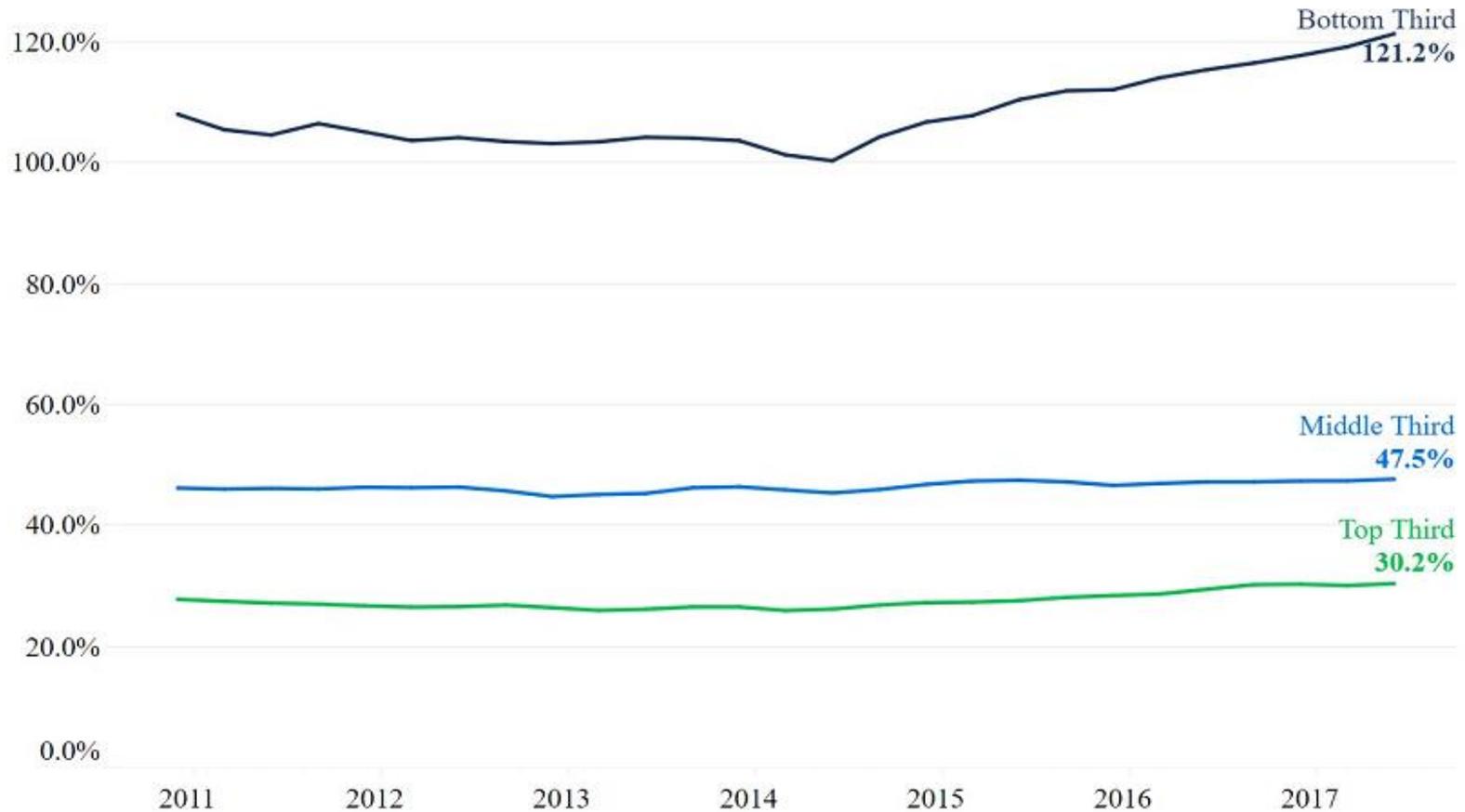
# **If People Can't Buy-- They Rent**

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**Median income earners in LA  
need to spend 47 percent of  
income on rental housing**

**Average rent is \$33,400/year**

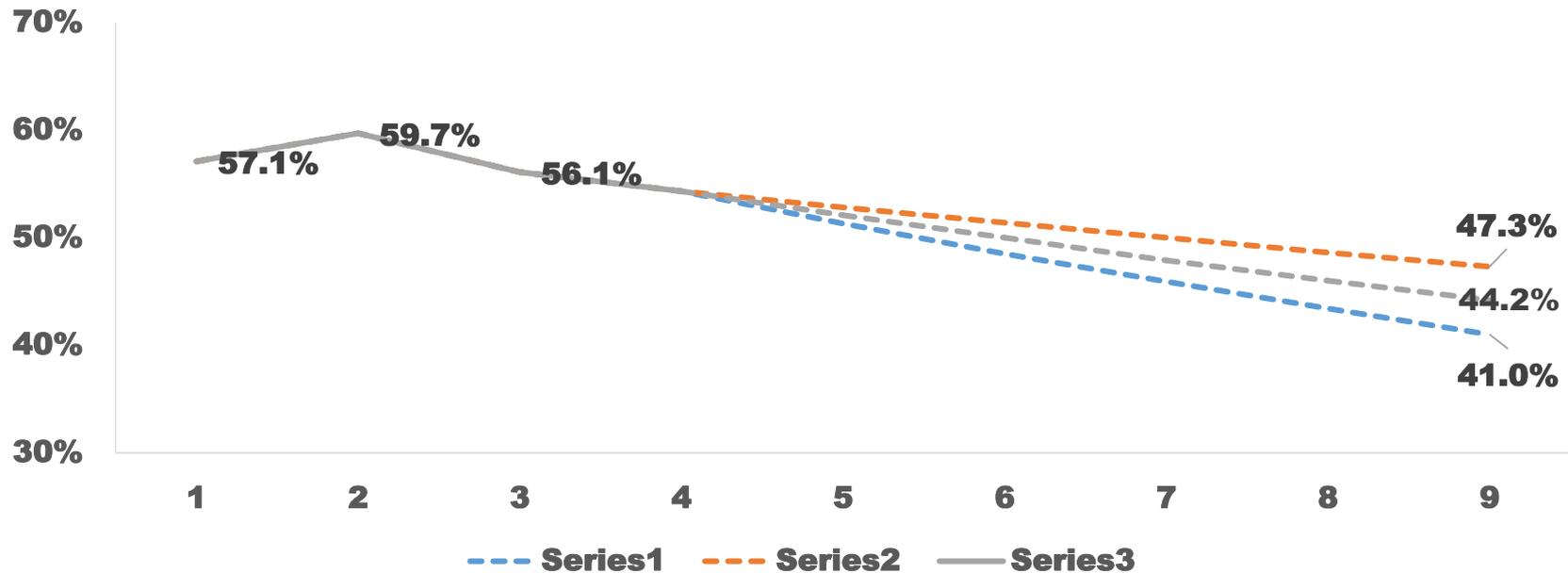
# Lower Income Earners Suffer Even More



Source: Zillow

# Majority Renter State by 2025

## California Homeownership Rate



# Housing Issues

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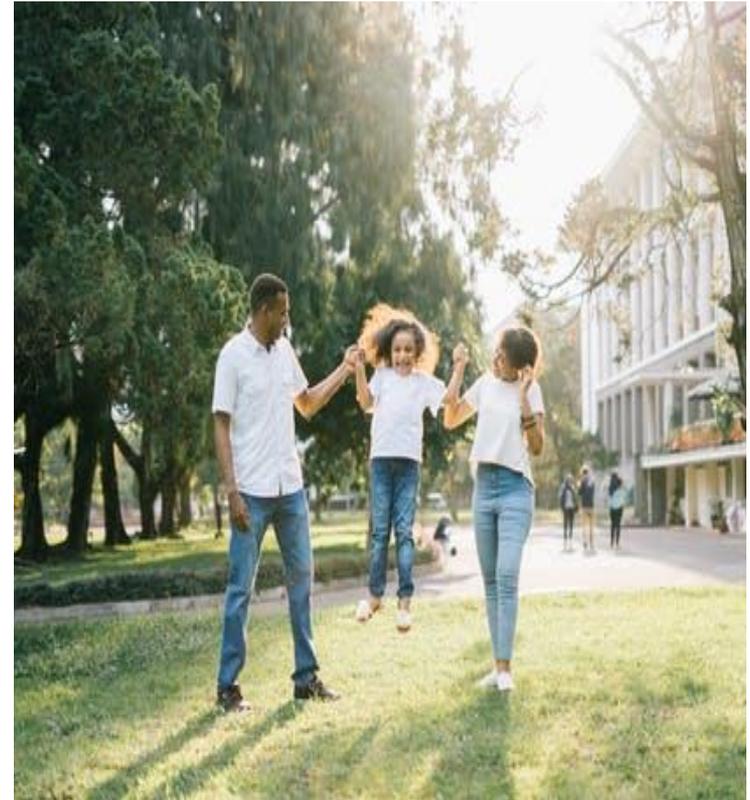
**Homeownership Largest Source of Wealth for Middle-Class**

**Business Location Decisions Affected**

**Quality of Life Issues**

**People Moving Out of Los Angeles and even out of California**

**Constraint on Economic Growth**





2019 SAN GABRIEL VALLEY

# ECONOMIC FORECAST SUMMIT

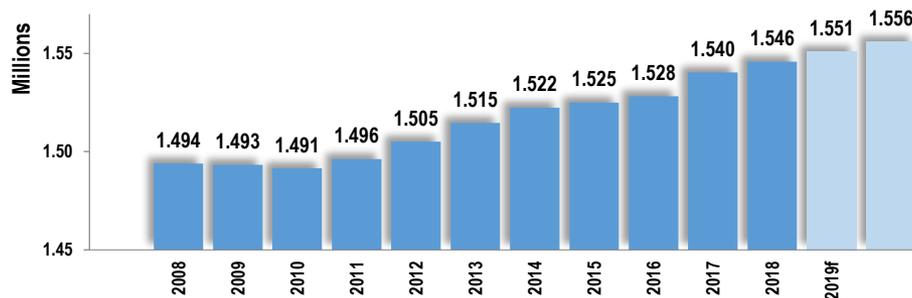
SAN GABRIEL VALLEY:  
SOCAL'S GLOBAL FORCE  
THURSDAY, APRIL 4, 2019

# San Gabriel Valley



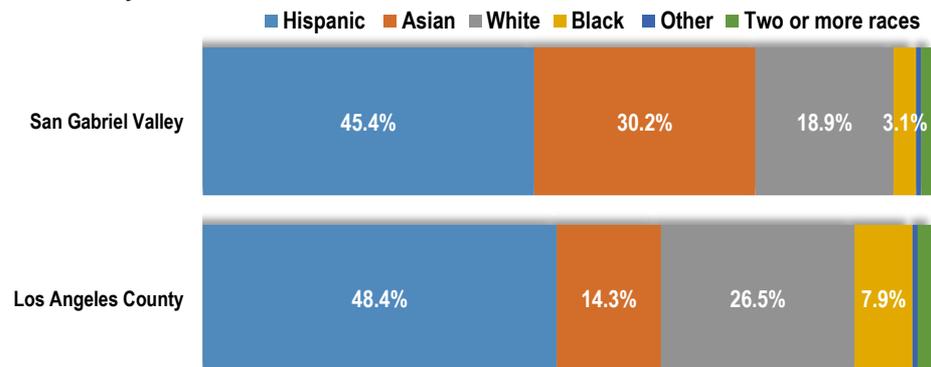
# San Gabriel Valley Demographics

Population  
(millions)



Source: California Department of Finance

Race and Ethnicity

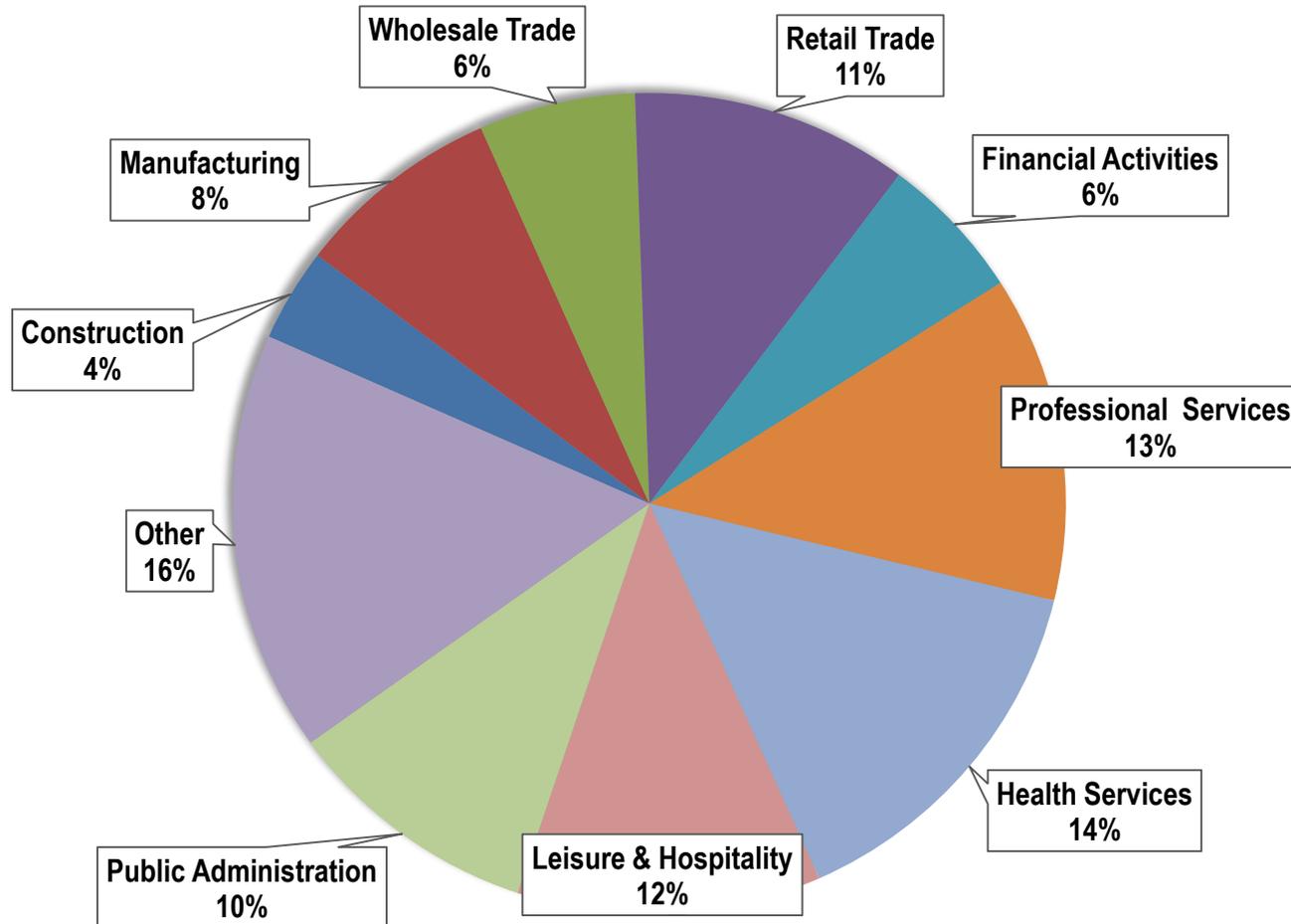


NOTE: Other Race includes American Indian and Alaskan Native, Native Hawaiian or Pacific Islander and Some Other Race

Source: U.S. Census Bureau, 2017 ACS 5-year estimates



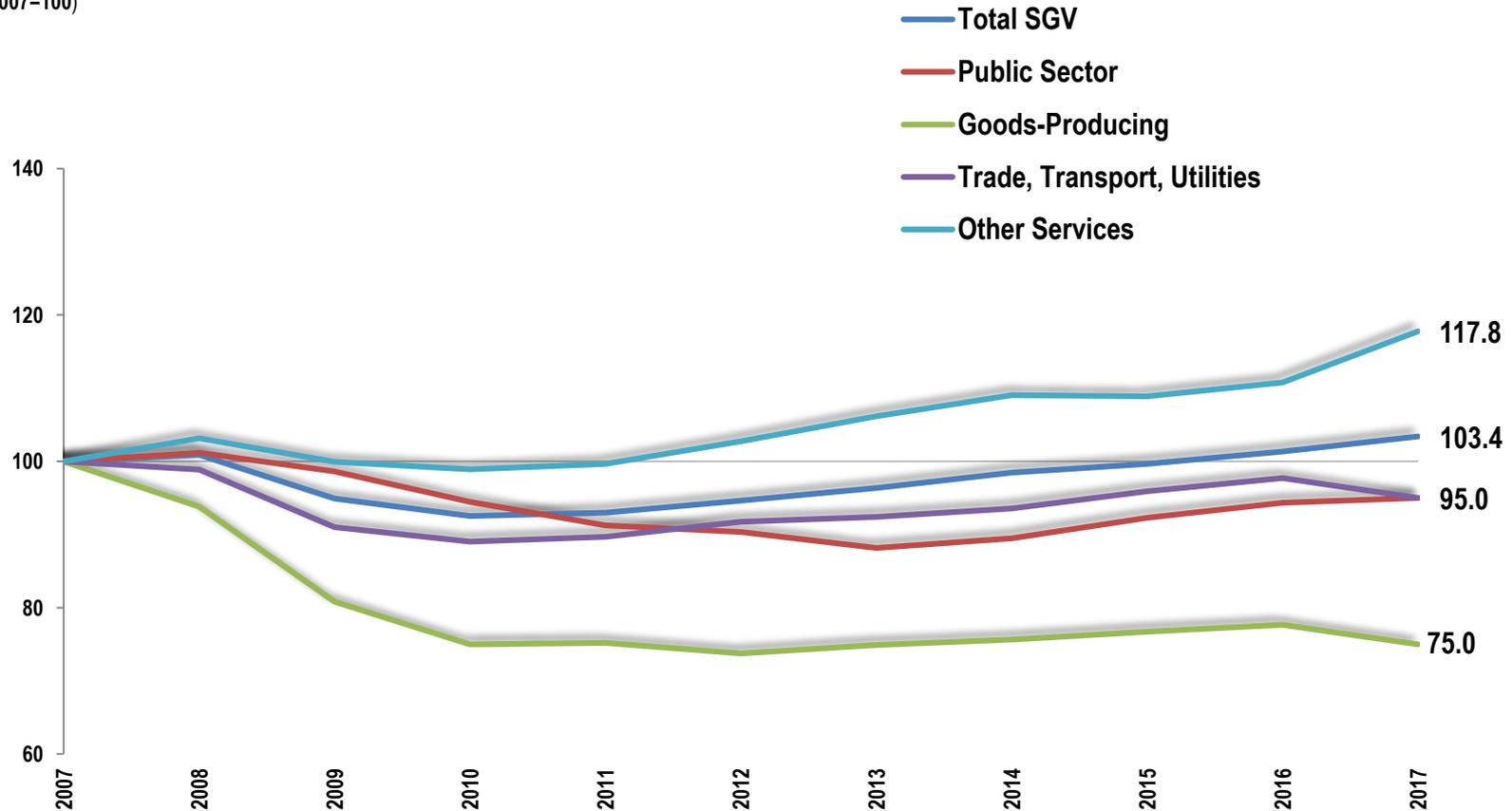
# San Gabriel Valley Employment



Source: California EDD

# San Gabriel Valley Employment Trends

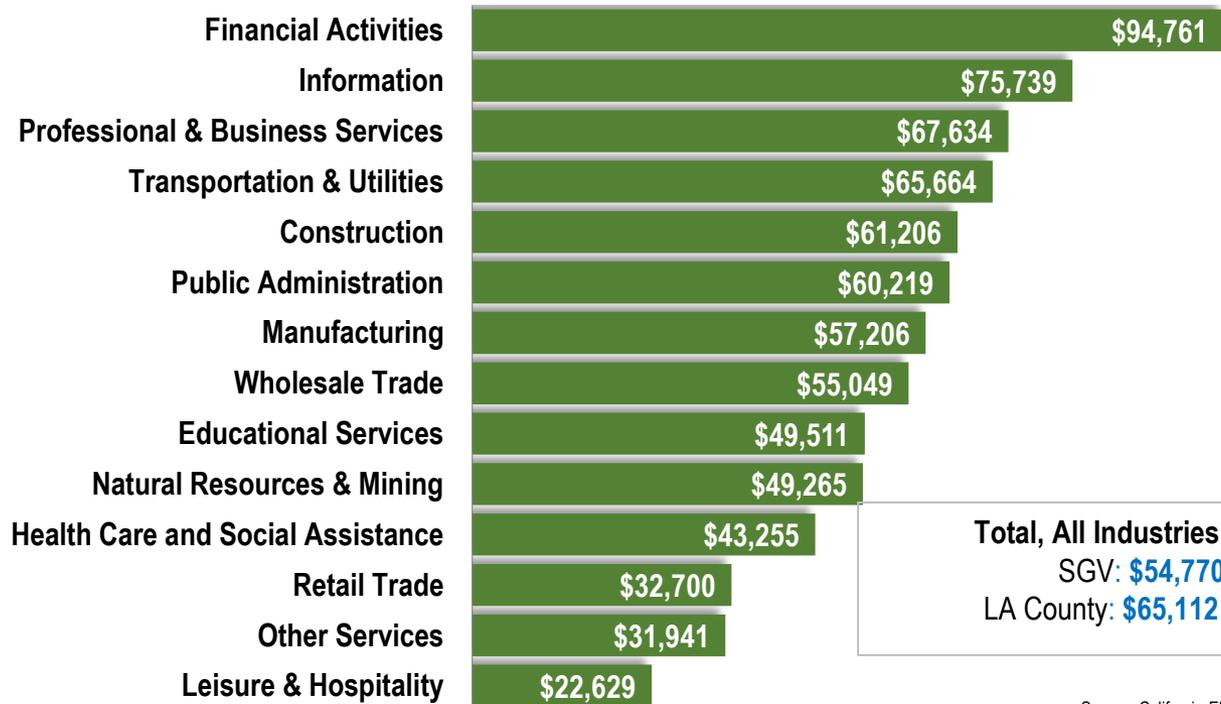
(2007=100)



Source: California EDD; forecasts by LAEDC

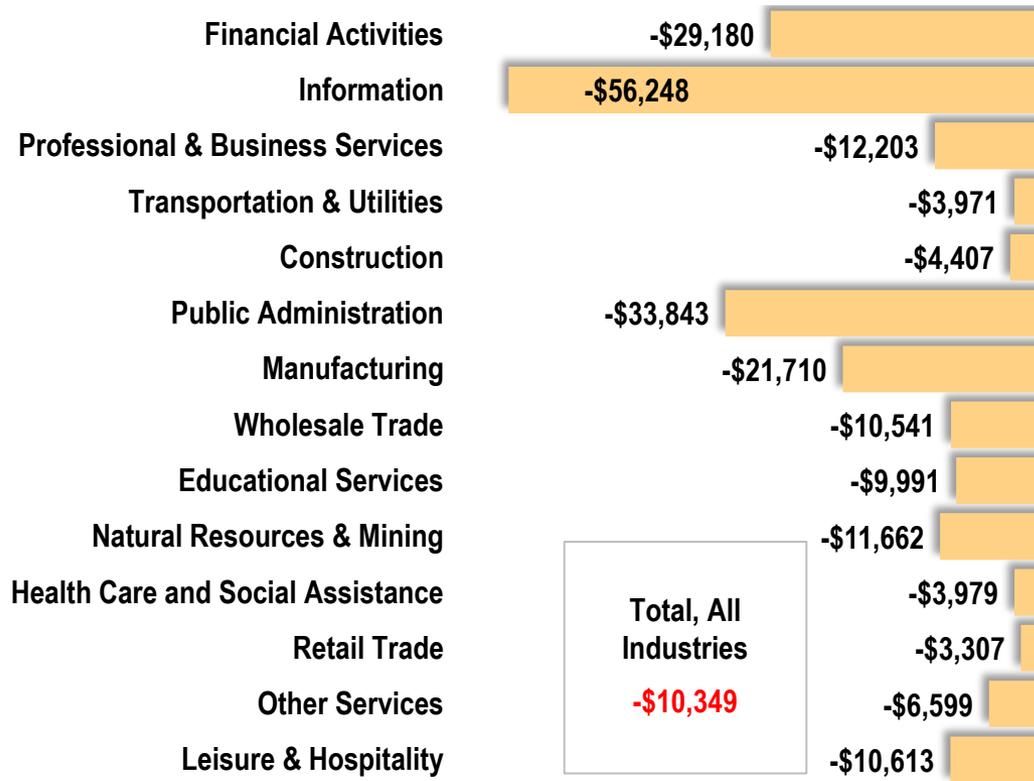


# San Gabriel Valley Average Annual Wages



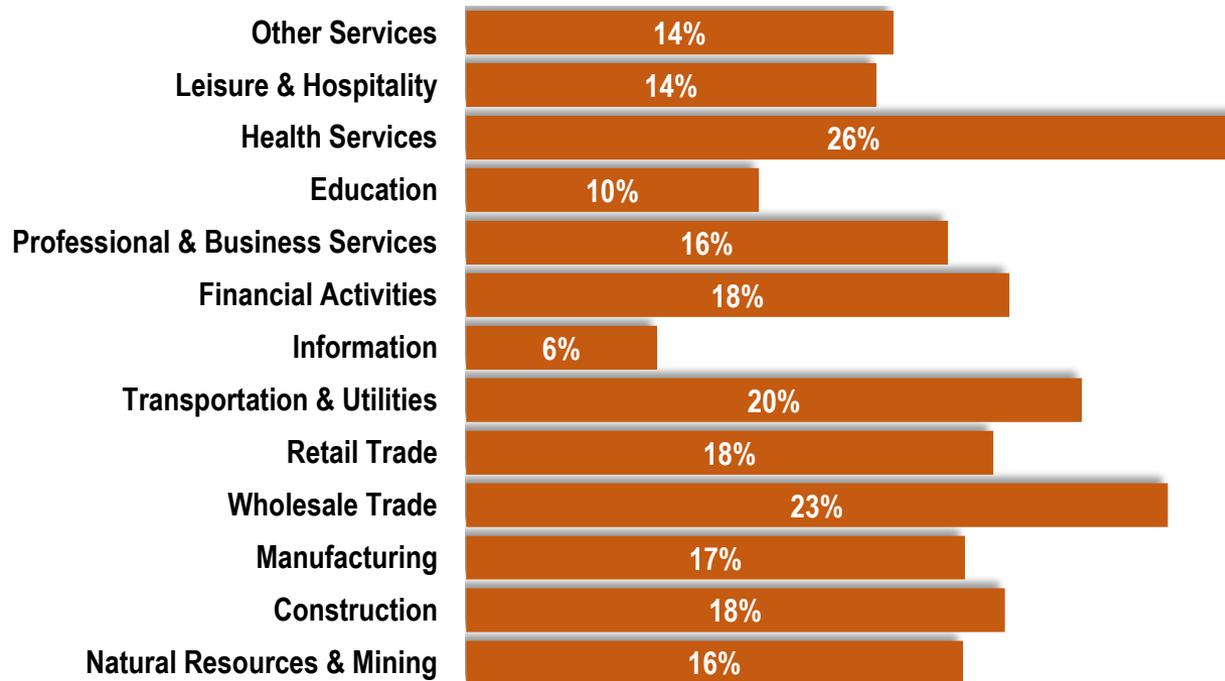
Source: California EDD

# San Gabriel Valley Wage Differentials



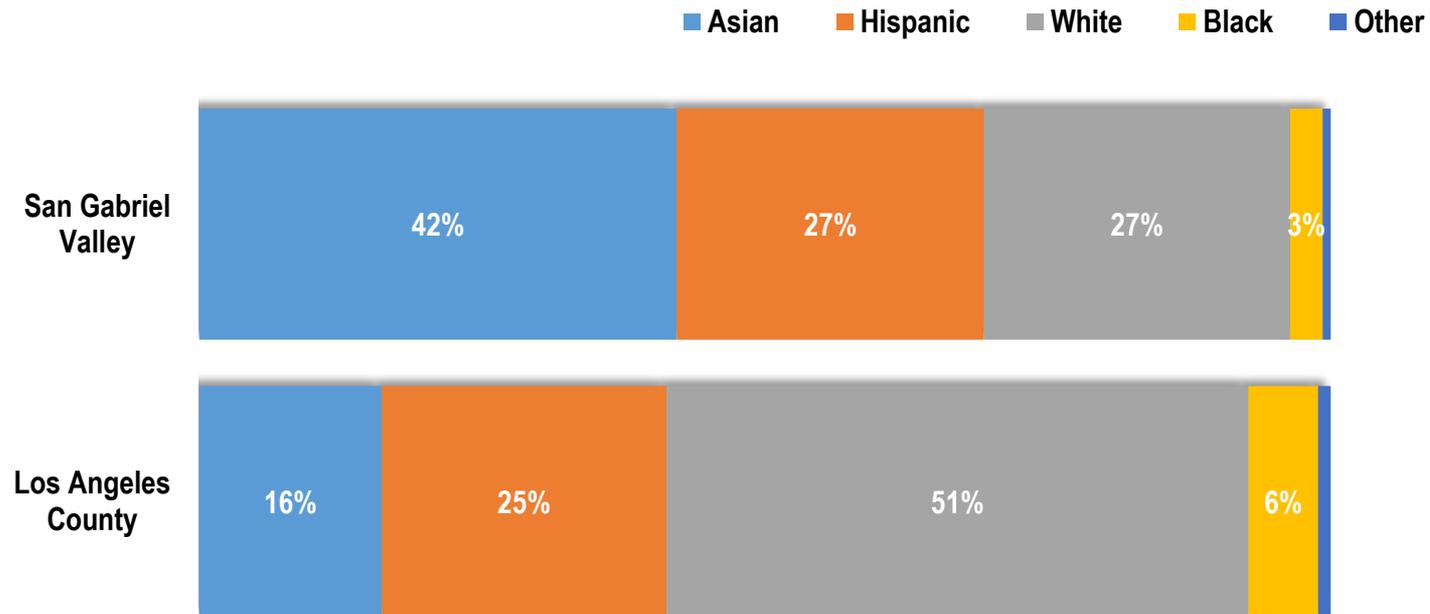
Source: California EDD

# San Gabriel Valley Share of LA County Businesses



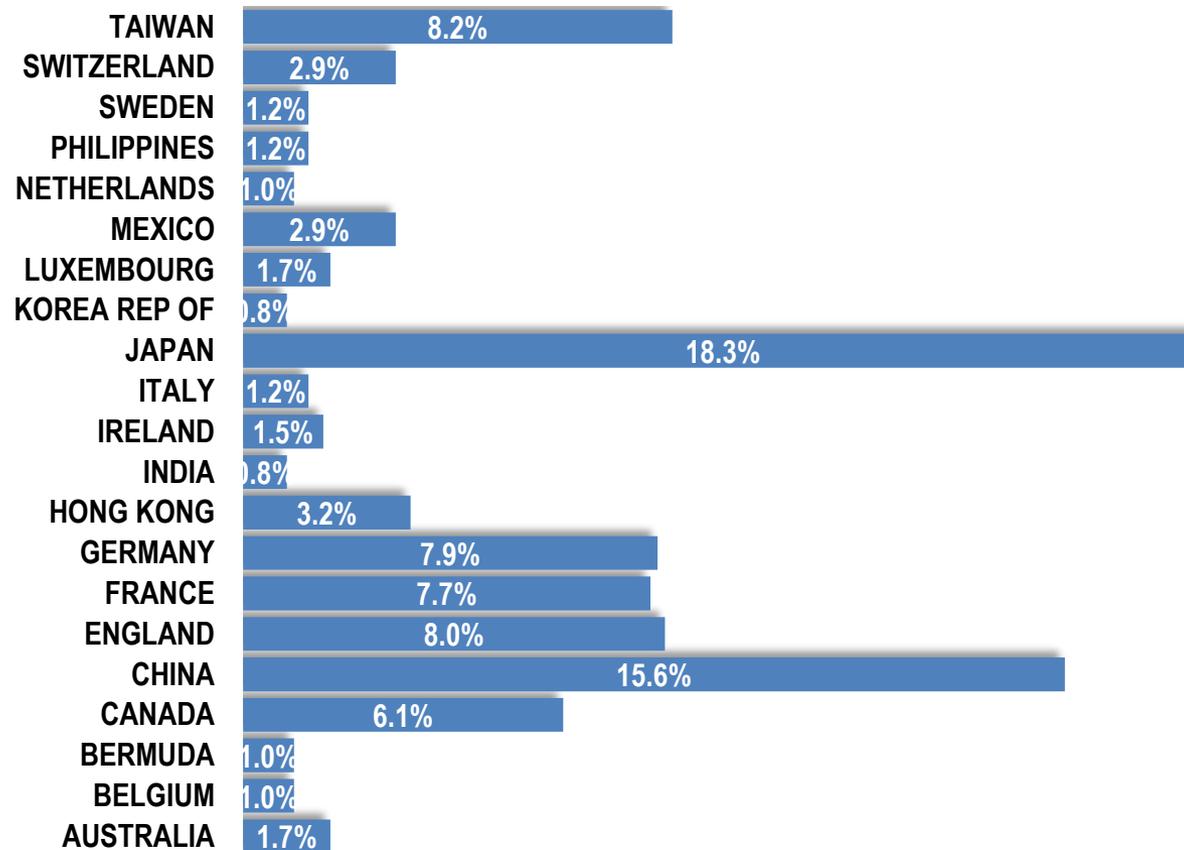
Sources: CA EDD

# San Gabriel Valley Business Ownership by Race

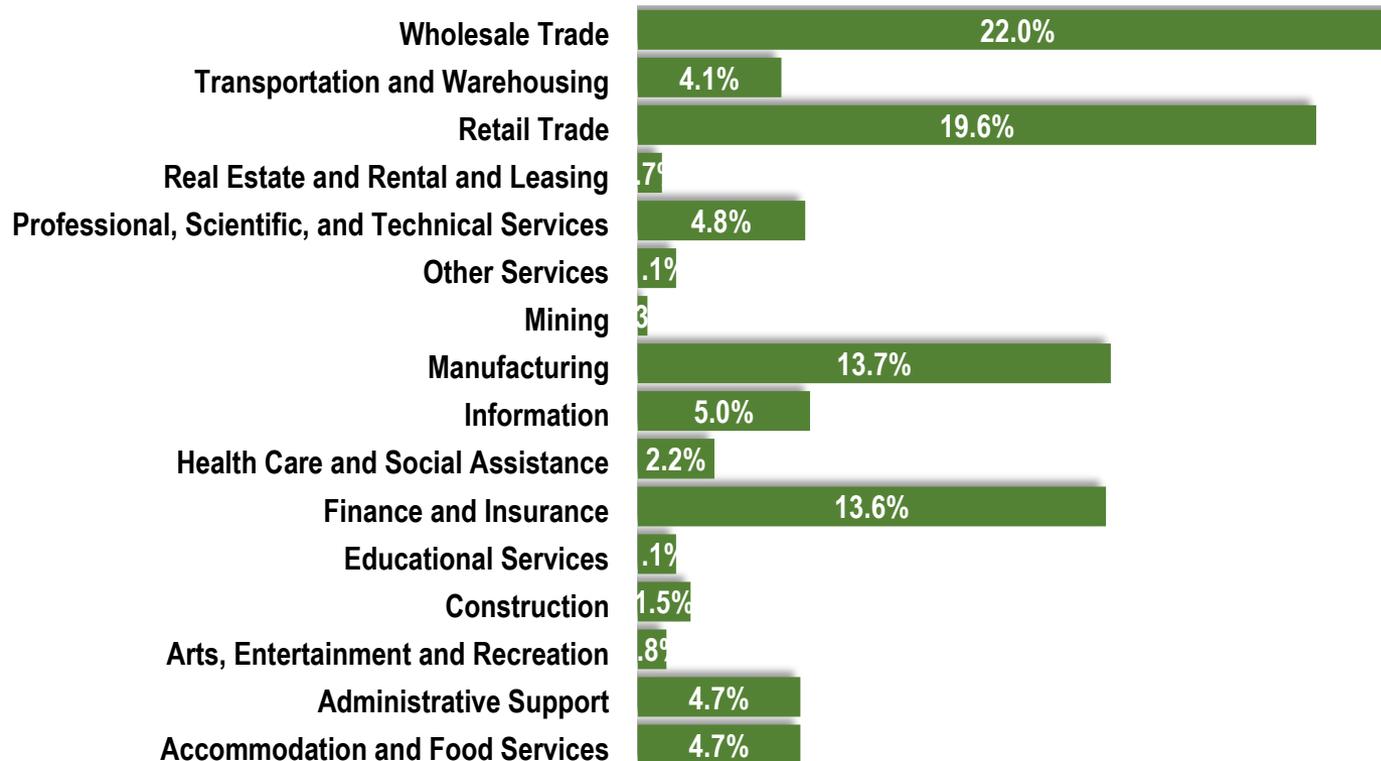


Source: U.S. Census Bureau, 2012 Survey of Business Owners

# San Gabriel Valley Share of FDI Establishments by Country



# Share of FDI Establishments by Industry in San Gabriel Valley



# Looking Ahead Through 2020

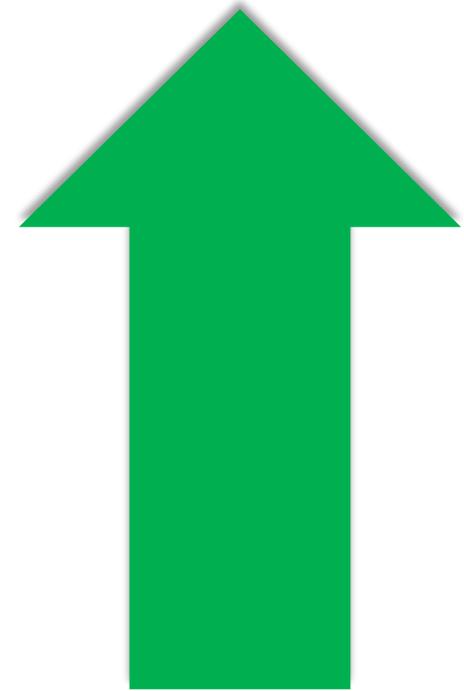
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# Key Economic Indicators -- Population

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<b>2018e</b>	<b>1,545,781</b>
<b>2019f</b>	<b>1,551,074</b>
<b>2020f</b>	<b>1,555,919</b>

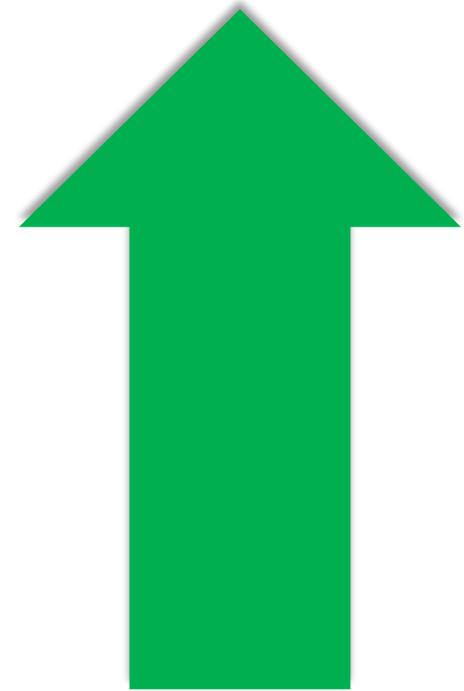


**10,138**

# Key Economic Indicators – Total Employment

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<b>2018e</b>	<b>696,068</b>
<b>2019f</b>	<b>698,491</b>
<b>2020f</b>	<b>700,224</b>



**4,156**



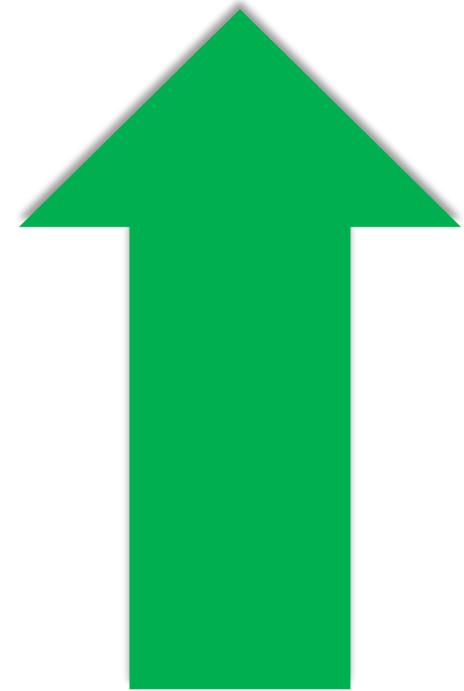
# Key Economic Indicators – Payroll of Workers (\$M)

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**2018e**                      **\$36,124M**

**2019f**                      **\$37,438M**

**2020f**                      **\$38,687M**



**\$2.56B**



# Key Economic Indicators – Taxable Sales (\$M)

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**2018e**

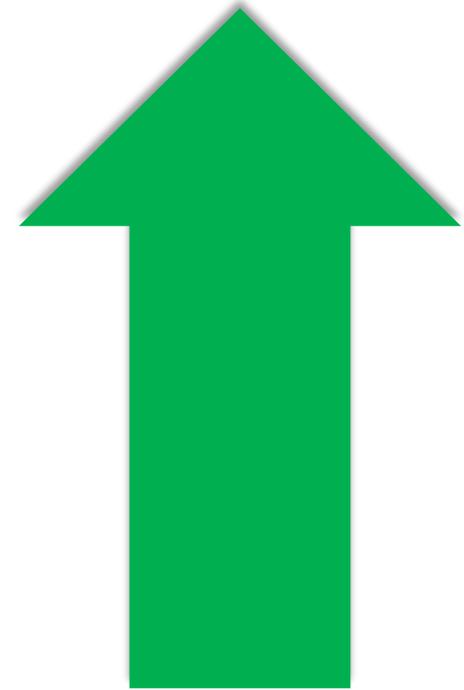
**\$23,304M**

**2019f**

**\$23,875M**

**2020f**

**\$24,412M**



**\$1.1B**



**“THE only  
function of  
economic  
forecasting  
is to make  
astrology  
look  
respectable,”**

**--John Kenneth  
Galbraith**



# What Can Affect Our Forecast?

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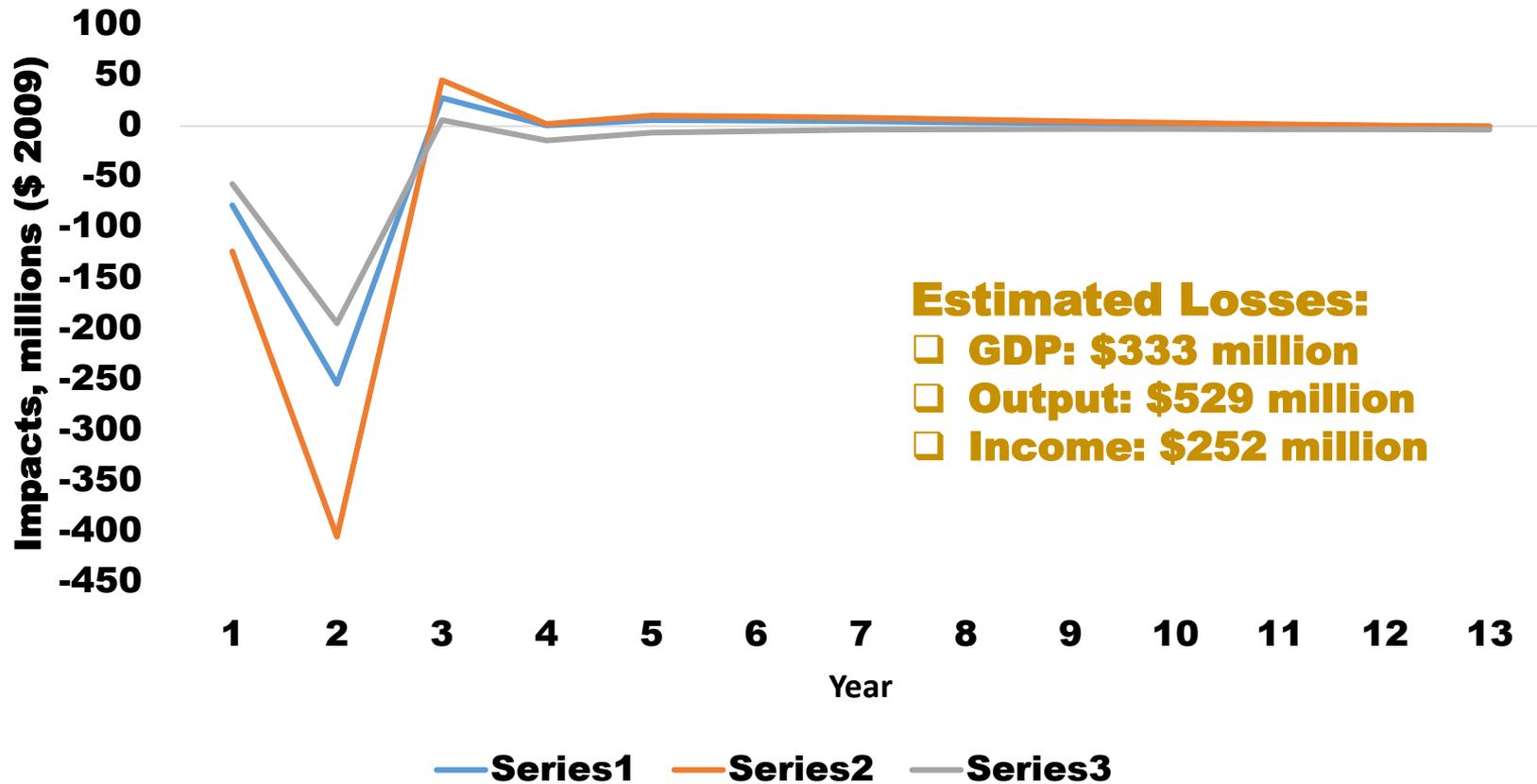


# The 2018 to 2019 Partial Shutdown

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- Lasted from December 22<sup>nd</sup>, 2018 to January 25, 2019 (35 days)
- 800,000 government employees (including our fellow Californians) went without pay
- The Congressional Budget Office estimates 0.1 loss to real GDP in Q4 2018 and 0.2 loss to real GDP in Q1 2019; though much of the loss will be recovered in following quarters, \$3 billion will be permanently lost
- Departments affected: Agriculture, Commerce, Interior, Transportation, State, Justice, Homeland Security, Treasury, Housing and Urban Development (HUD)
- Over \$65 billion in federal spending in LA County last year, providing for 48,000 direct jobs
- REMI impact resiliency study takes into account forgone output in 2018 and 2019

# Estimated Impacts of the 2018-19 Shutdown



# The 2019 LAUSD/United Teachers Strike

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- **Lasted from January 14<sup>th</sup> to January 22<sup>nd</sup>, 2019 (8 days)**
- **United Teachers LA estimated 30,000 of their members went on strike, though LAPD estimated an average of 21,000 strikers per day**
- **At its lowest point, recorded attendance was at only 15 percent of recorded total enrollment for K through 12 grades**
- **LAUSD estimates over \$125 million in costs to the district; costs likely higher due to costs to families requiring childcare and making other arrangements for children not attending schools during the strike**
- **The LAEDC estimated impacts based on estimated forgone output from the public local education sector**

# Estimated Impacts of LAUSD/UTLA Teachers' Strike

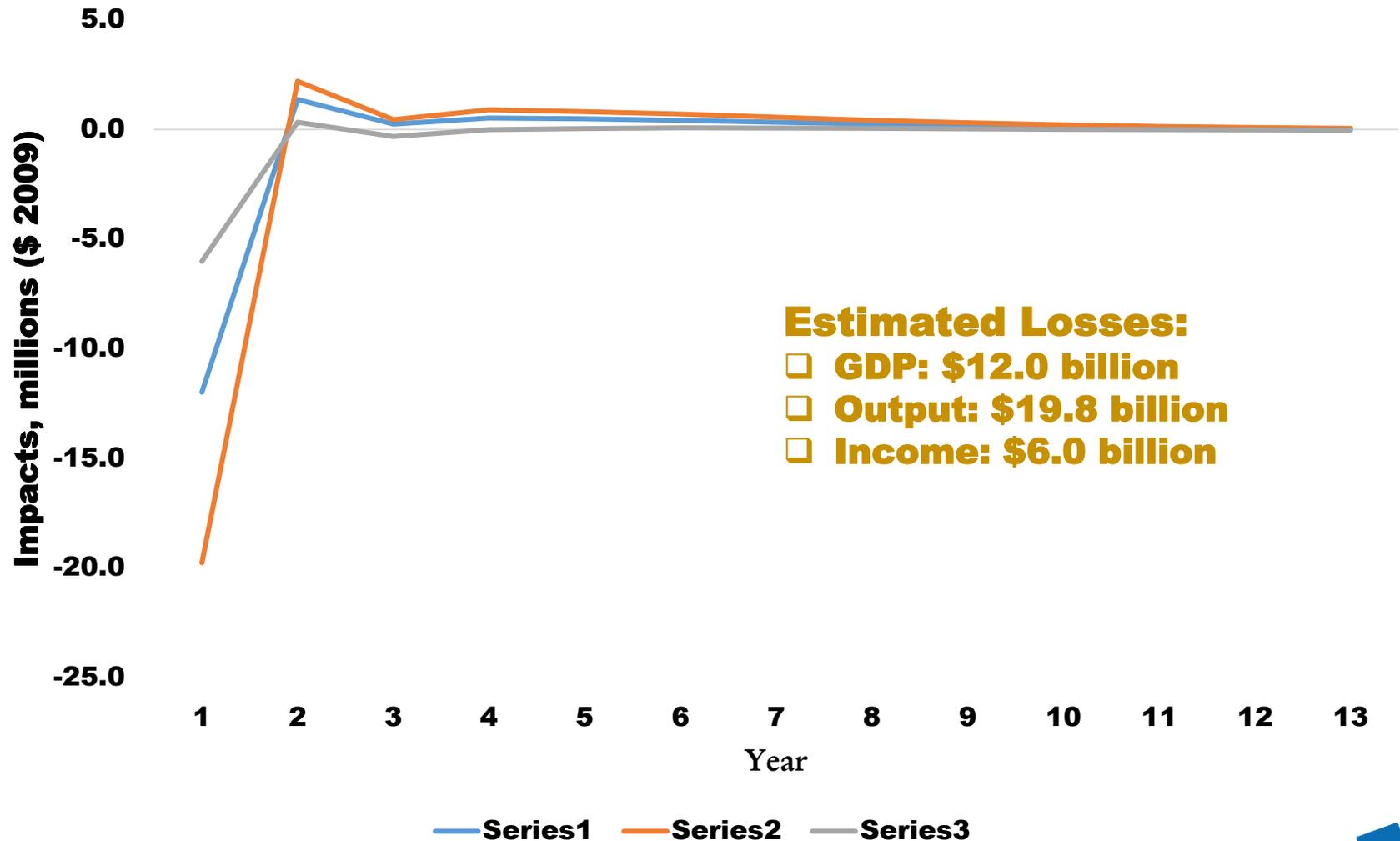


# The Woolsey Fire in Los Angeles County

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- Burned almost 97,000 acres from November 8<sup>th</sup> to 21<sup>st</sup>, 2018
- An estimated 1,643 structures destroyed with another 364 structures damaged across both Los Angeles and Ventura counties
- Estimated between \$4 and \$6 billion in total losses, accounting for fire and smoke damage, demand surge for certain goods and services, and debris removal
- 1 of 7 fires greater than 50,000 acres in 2018
- The LAEDC's estimates are based upon residential structure losses as a proportion of total capital stock and estimated foregone county output.

# Economic Impacts of the Woolsey Fire



# Conclusion

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Economic growth will continue  
Jobs being added  
Unemployment will continue to fall  
Personal income will rise

## *Caution!*



Critical housing shortage  
Economic prosperity not benefitting all  
Extreme weather/climate issues  
Political gridlock

**FULL  
REPORT  
AVAILABLE  
ONLINE  
TODAY!**

**SGVEP.ORG**



*Thank You!*



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