



2015 Economic Forecast & Industry Outlook



Robert A. Kleinhenz, Ph.D.

Chief Economist, Kyser Center for Economic Research, LAEDC

October 8, 2014

Outline

- U.S. Economy
- California Economy
- Southern California Economy & Industries
- Five-Year Outlook
- Conclusion

Why Are You Here Today?



8-3

GO COMIC.COM/NOVSEAUTUR

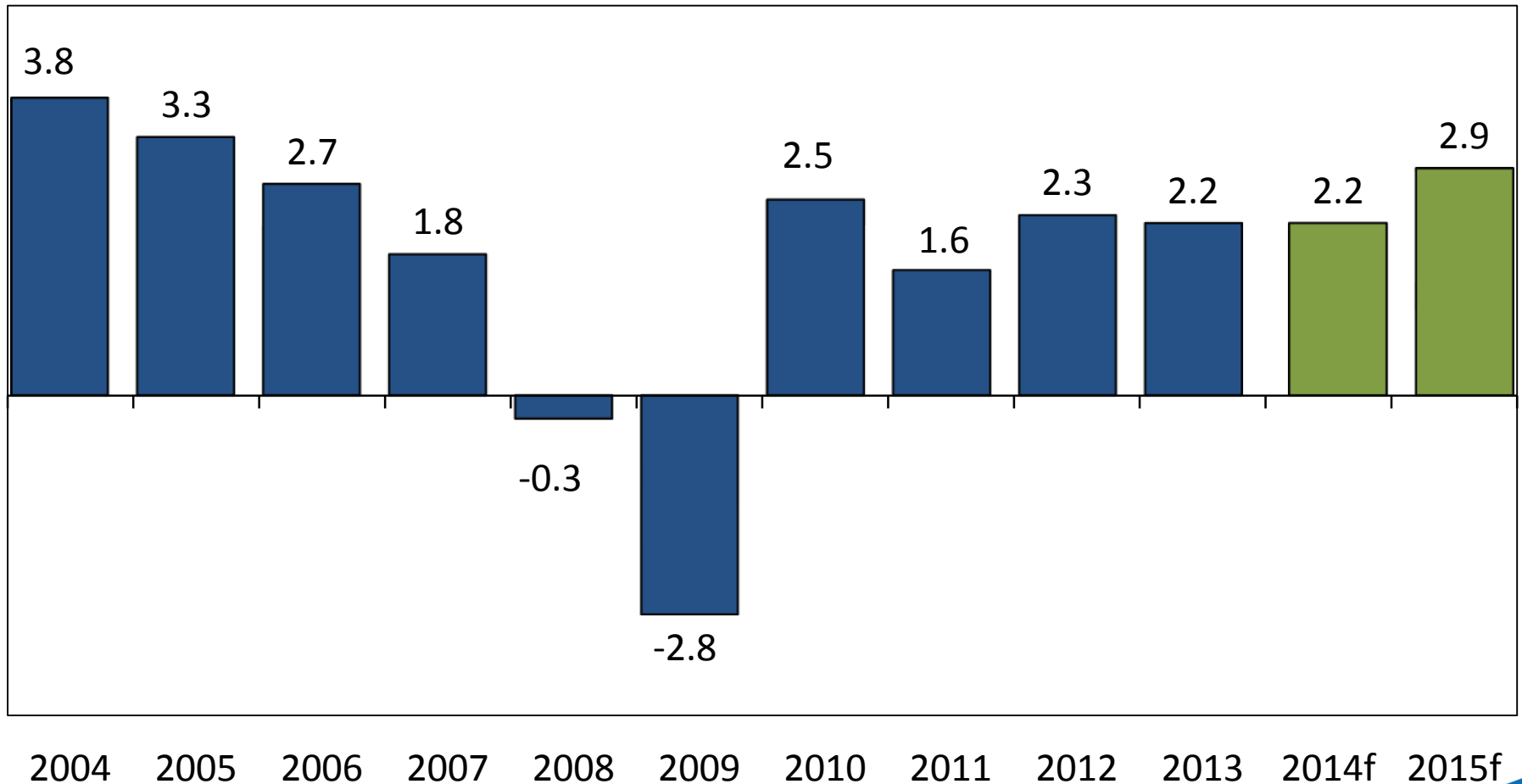
WILLYE EARTHLINE.NET



U.S. Economy

U.S. Economic Growth

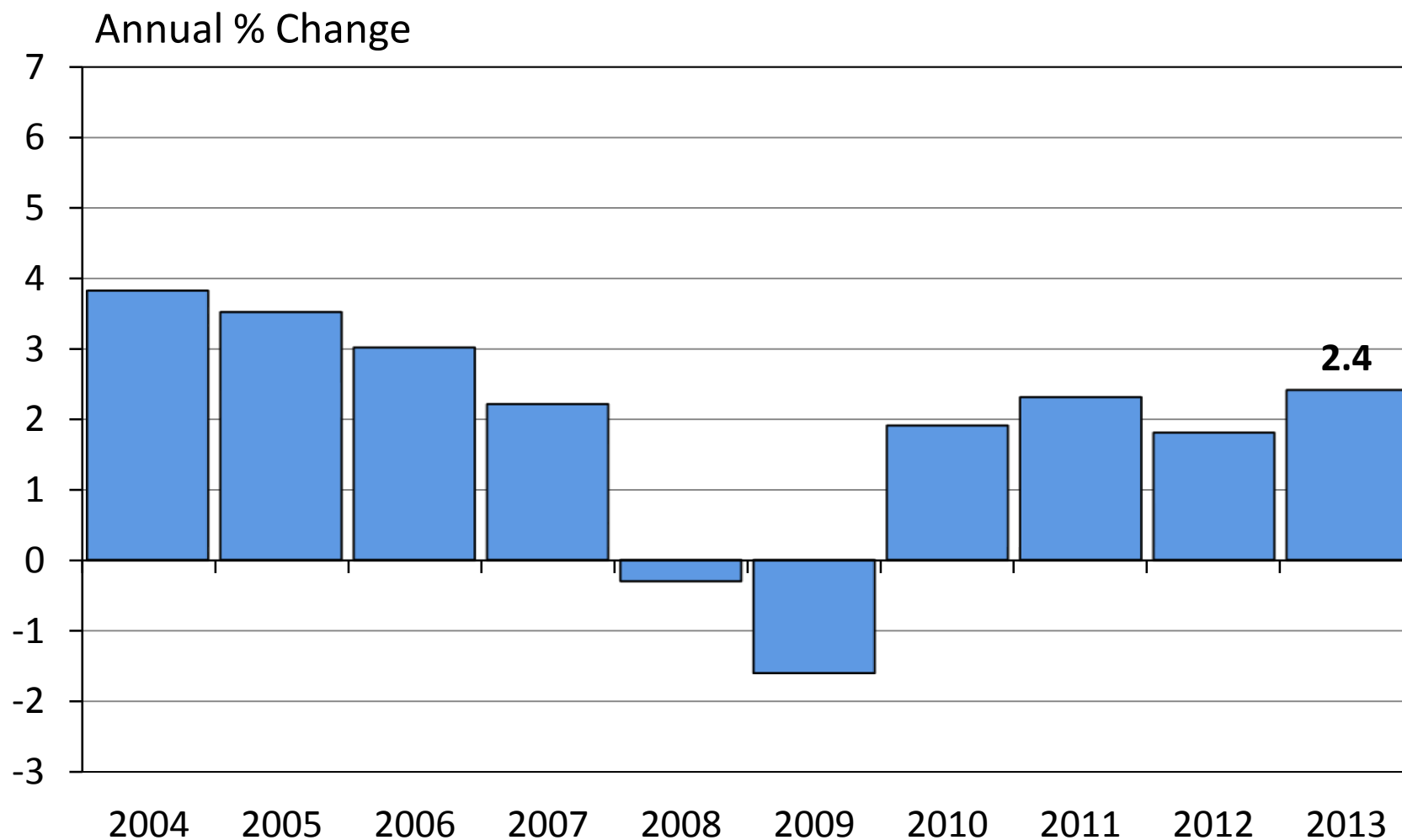
Annual % Change



Key Sectors of Macroeconomy

- Consumer Sector
- Business Sector
- Government
- International Trade
- Other Macro Indicators:
 - Labor Market
 - Inflation

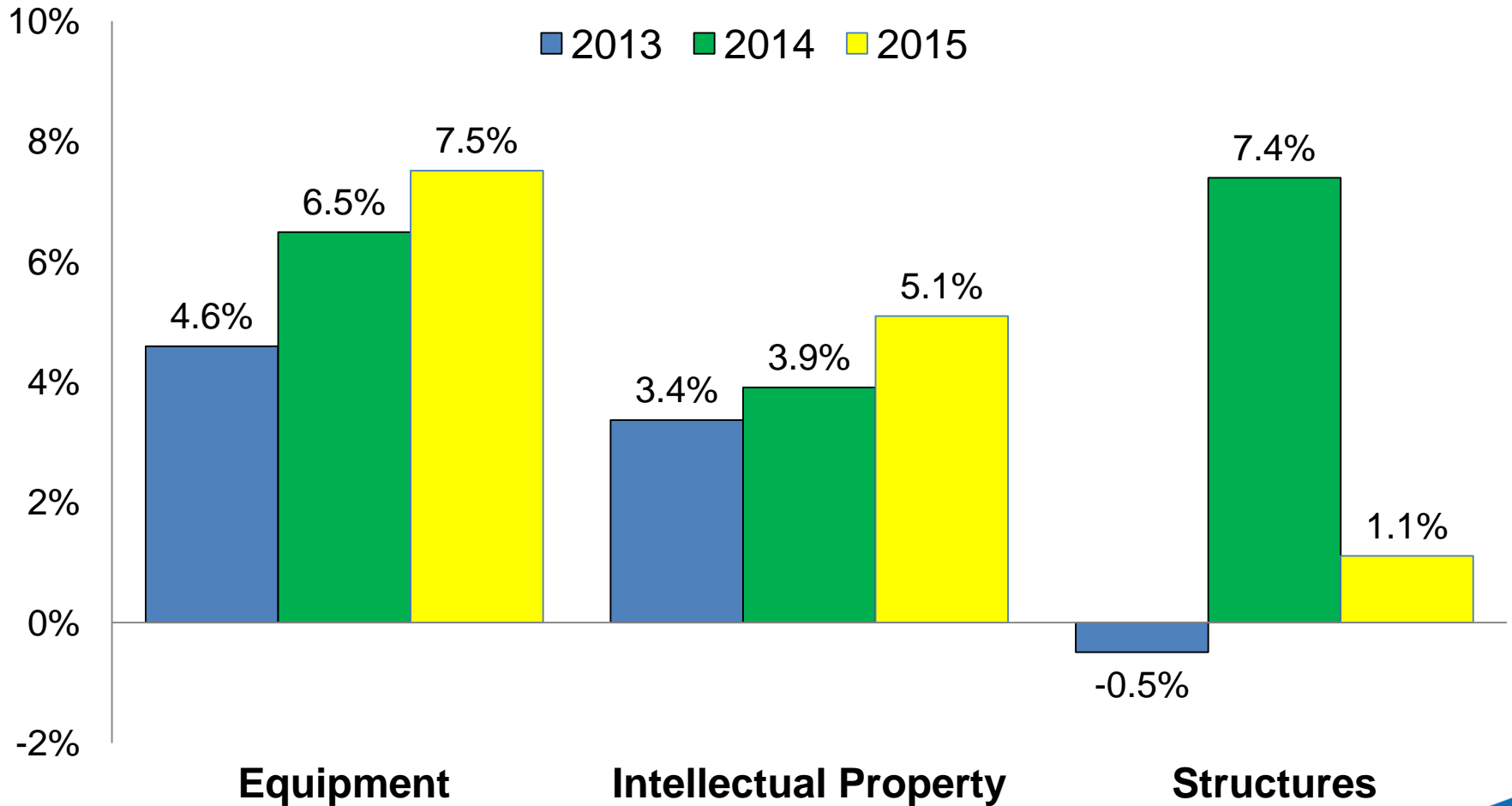
U.S. Personal Consumption



Source: Bureau of Economic Analysis

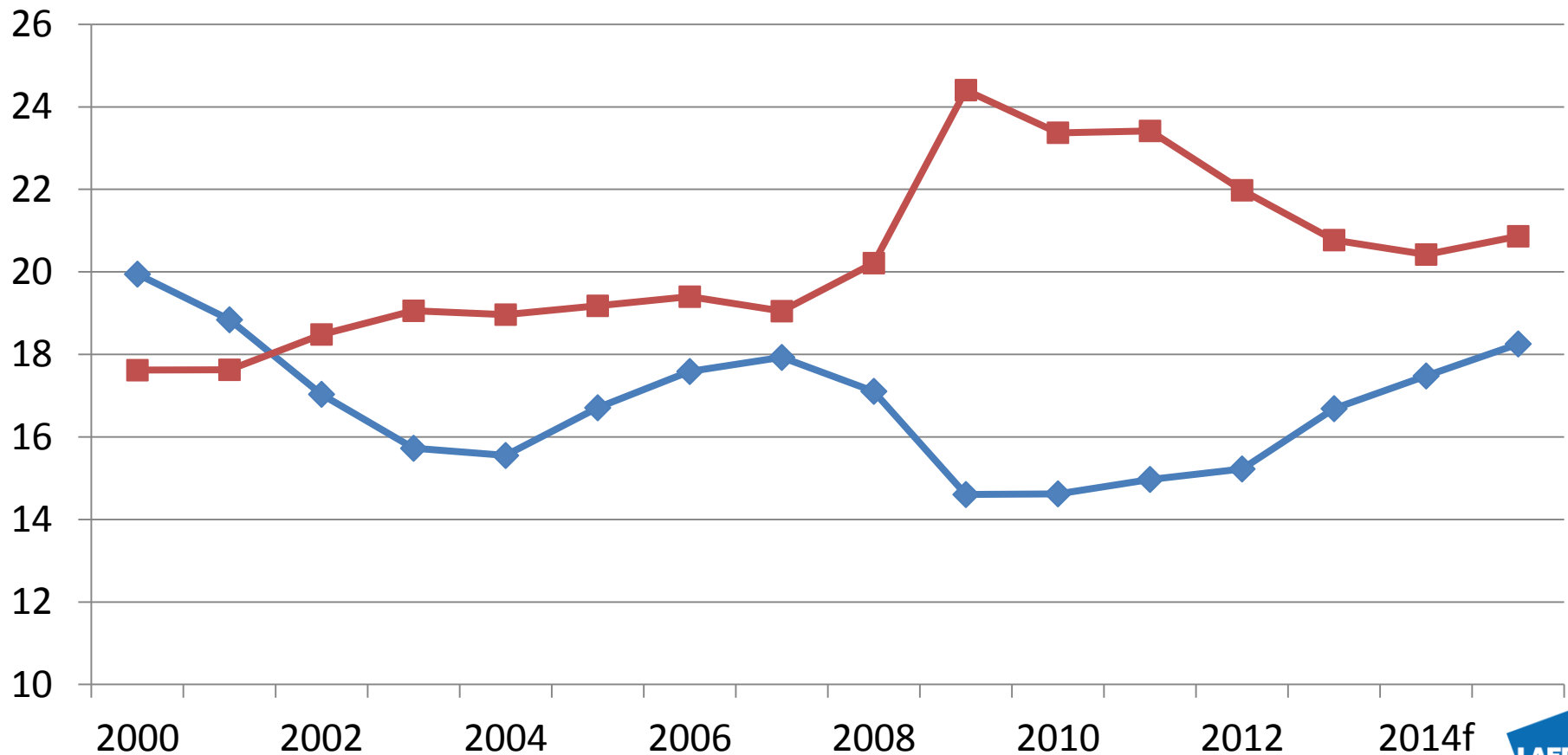
Business Investment Spending

Annual Percentage Change

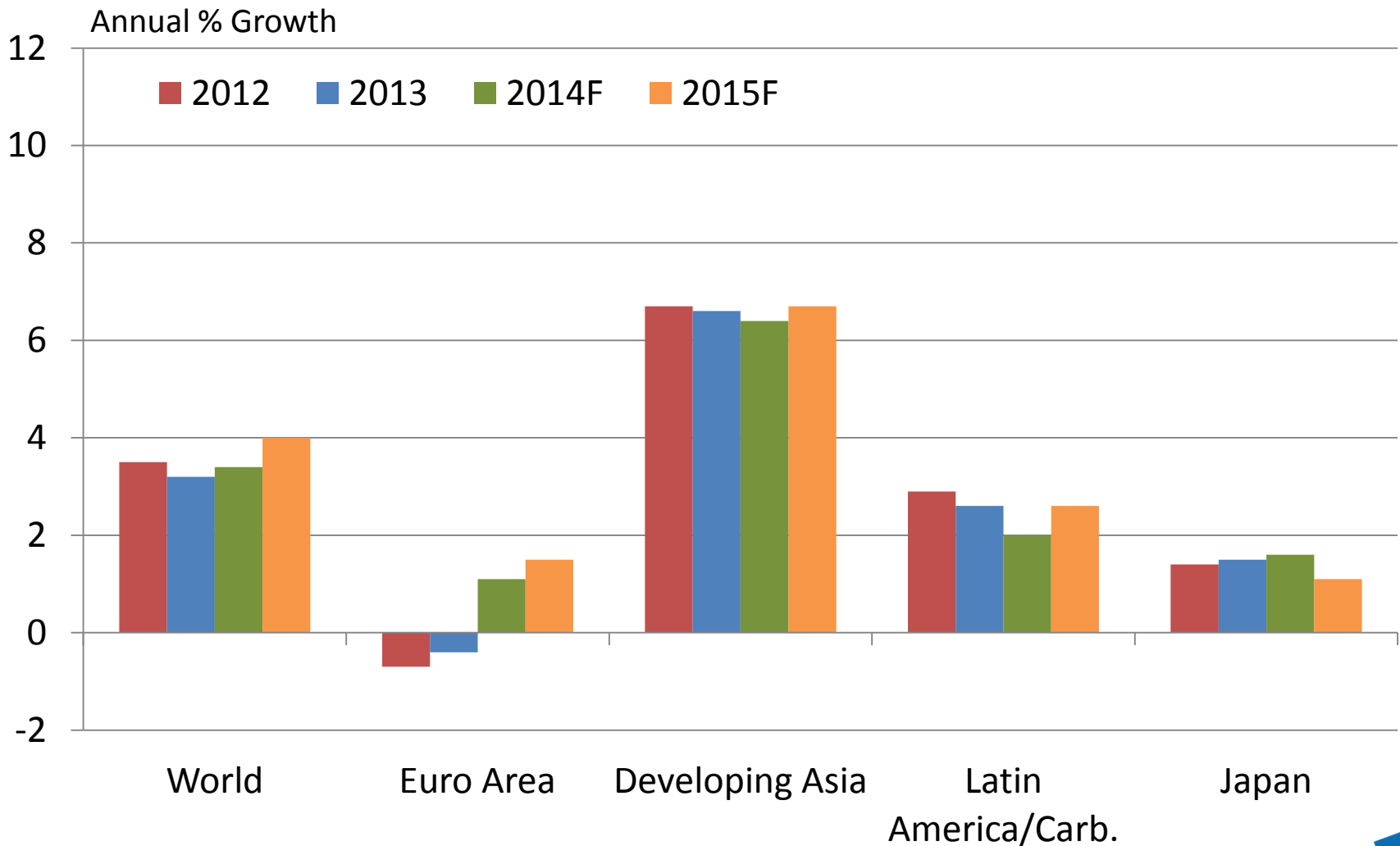


Federal Budget Receipts & Outlays as Percentage of GDP

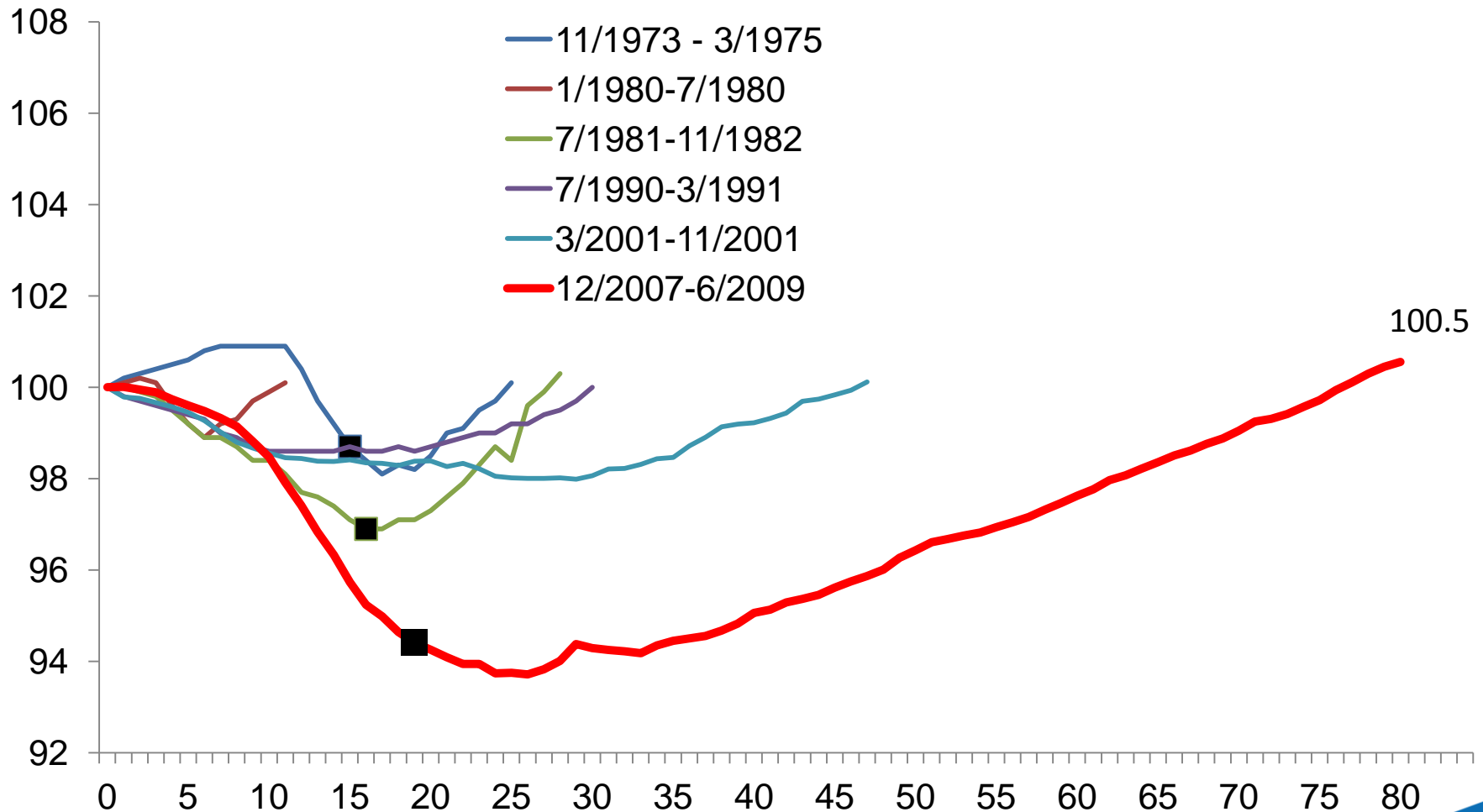
◆ Receipts ■ Outlays



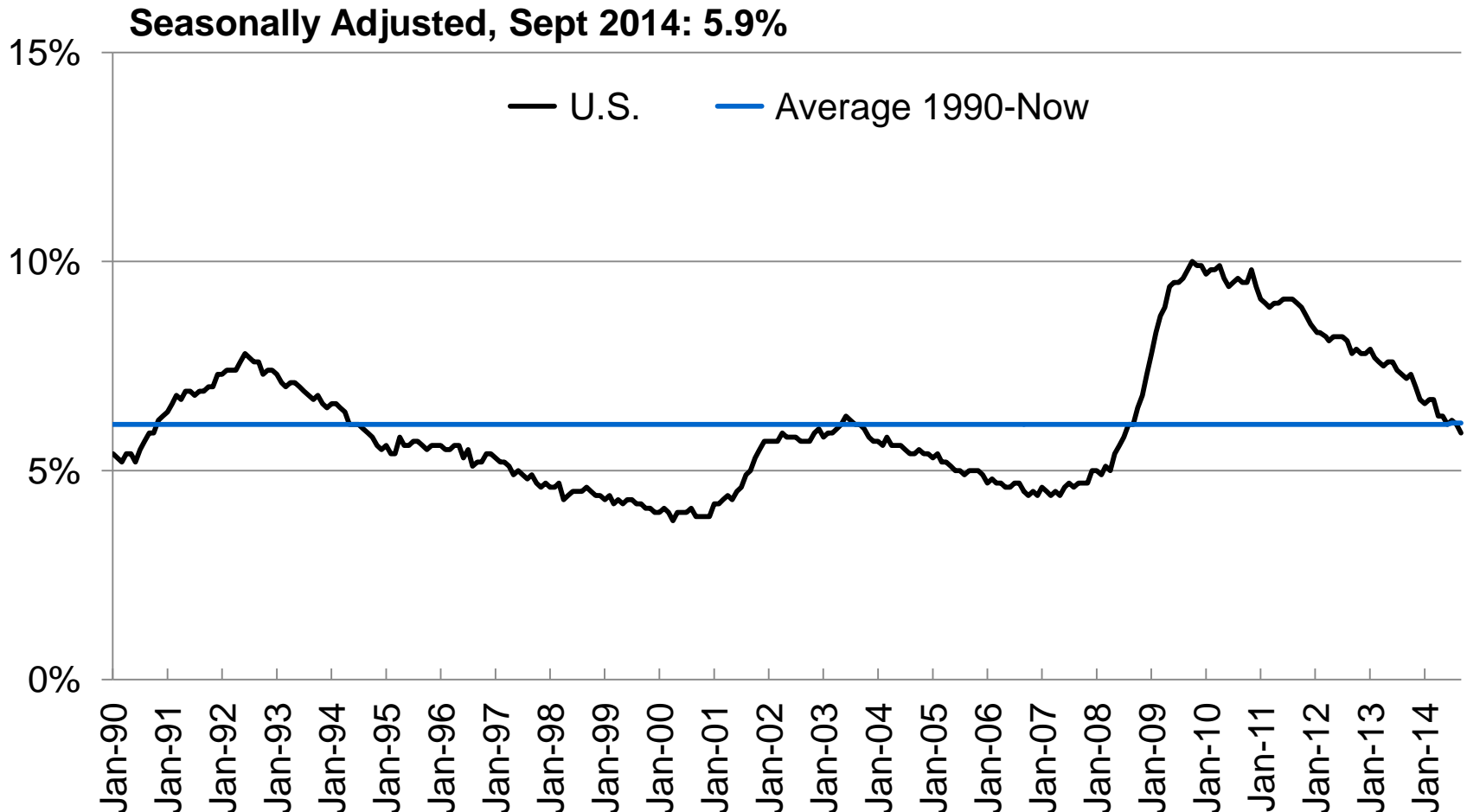
Global Economic Outlook



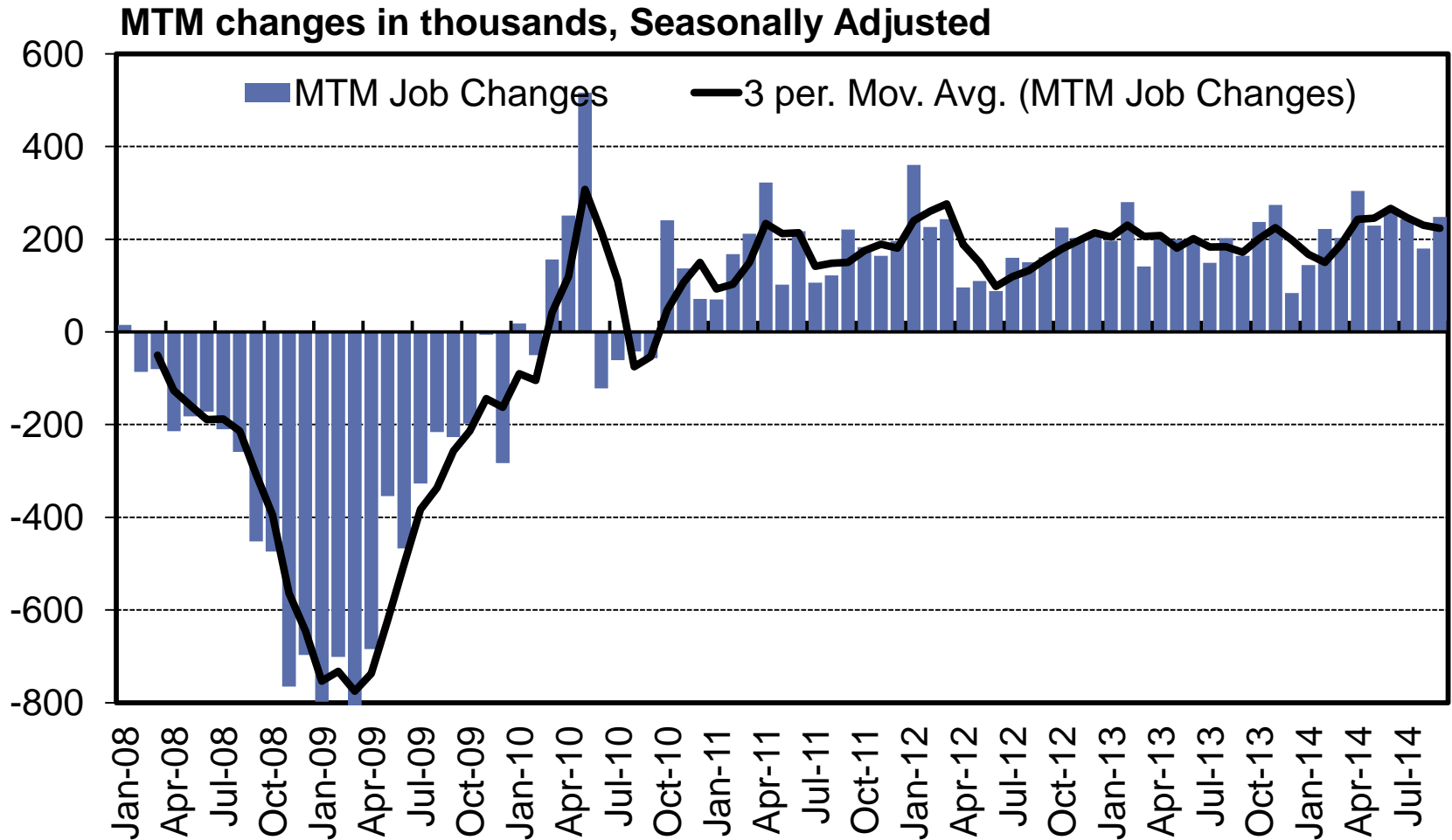
U.S. Labor Market in Expansion Phase



U-Rate Approaching Natural Rate (mid-5%)



U.S. Nonfarm Job Growth Steady

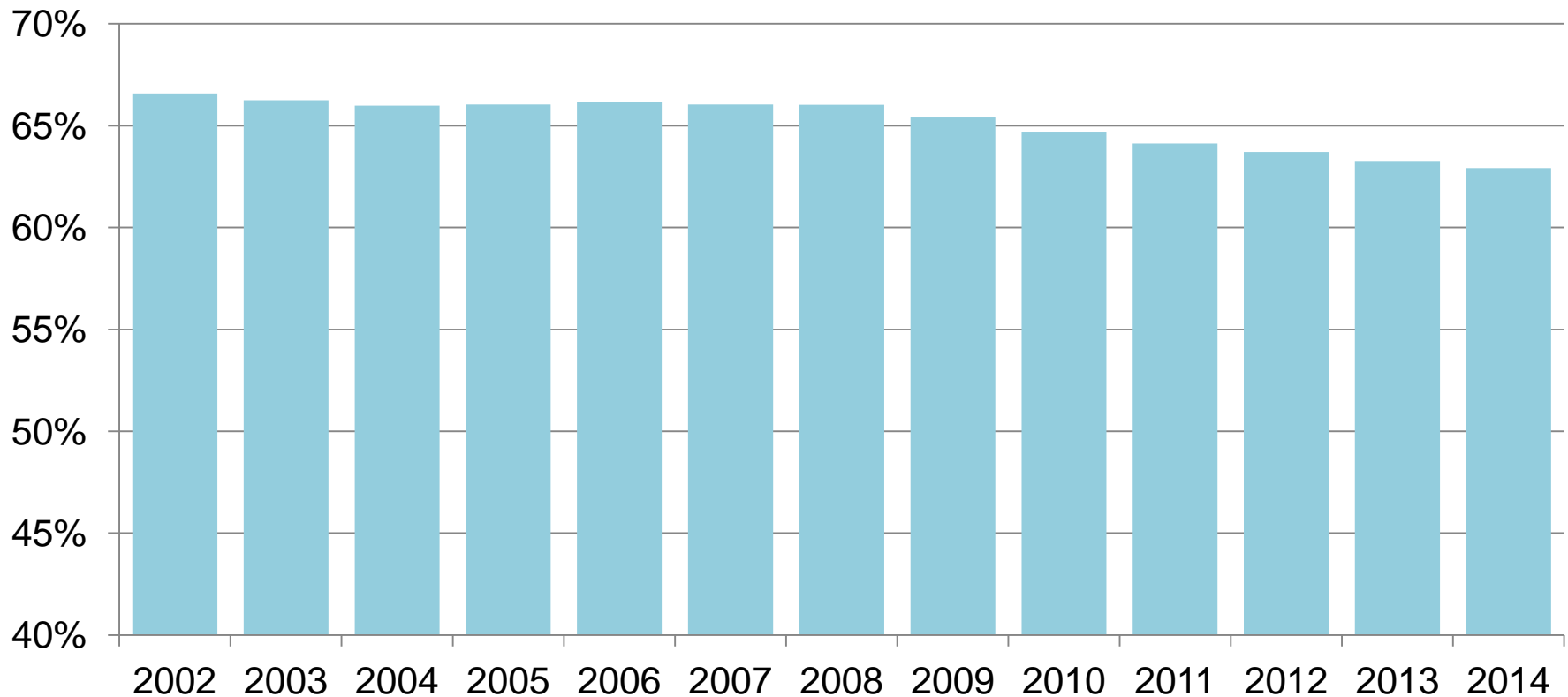


Q: When Will Fed Raise Rates?

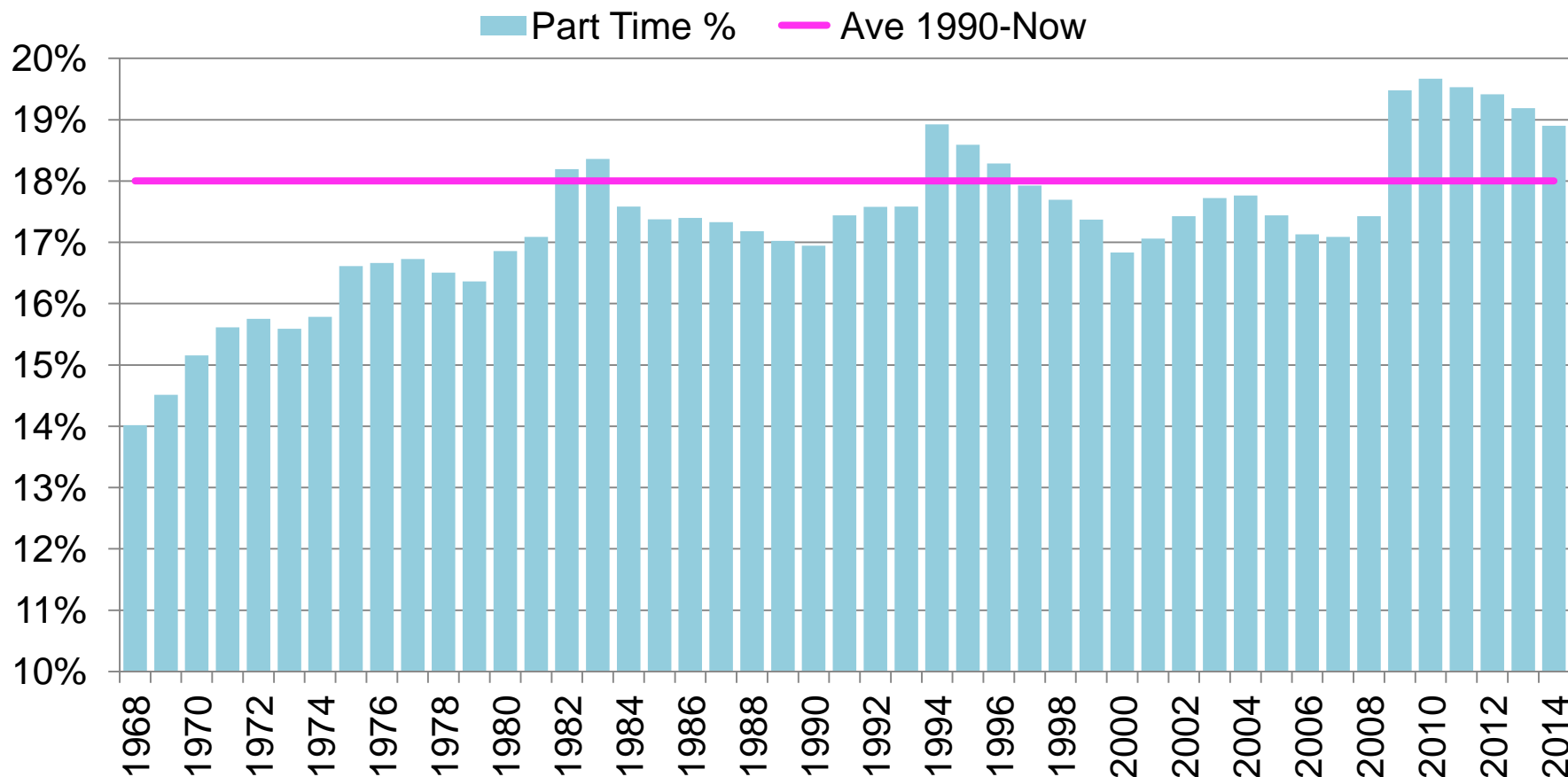
- Quantitative Easing (QE)
- Short Term Rates in second half of 2015

Declining Labor Force Participation Rate - - Structural or Cyclical?

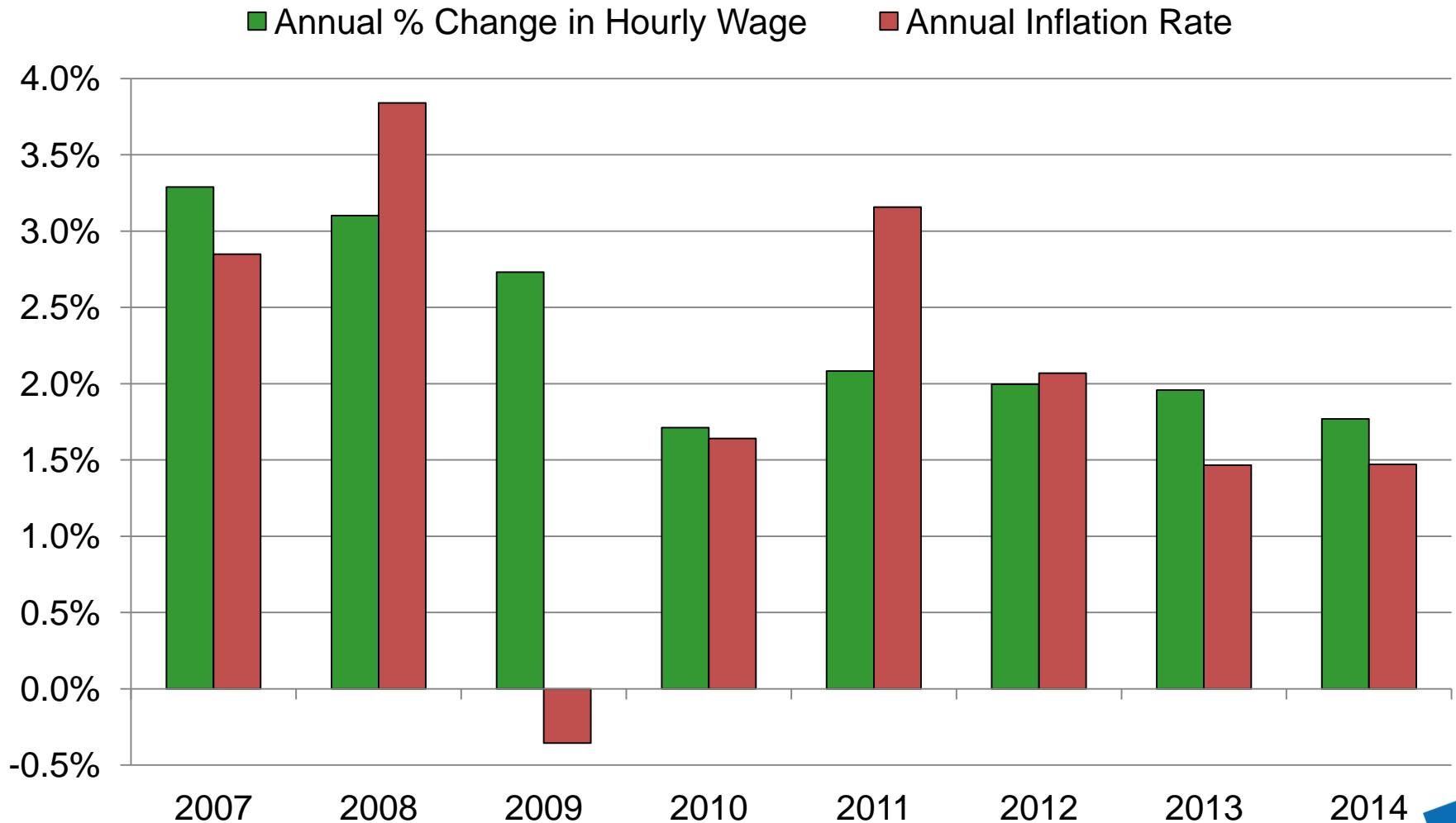
Earliest Boomers Hit 65 Yrs in 2011!



High % of Part-Time Employment - - Structural or Cyclical?



Wage Gains vs. Inflation



Q: When Will Fed Raise Rates?

- Fed to end Quantitative Easing (QE) soon
- Fed to raise short term rates in second half of 2015
- Concern about Fed getting 'ahead of the curve' and ability to react to future events

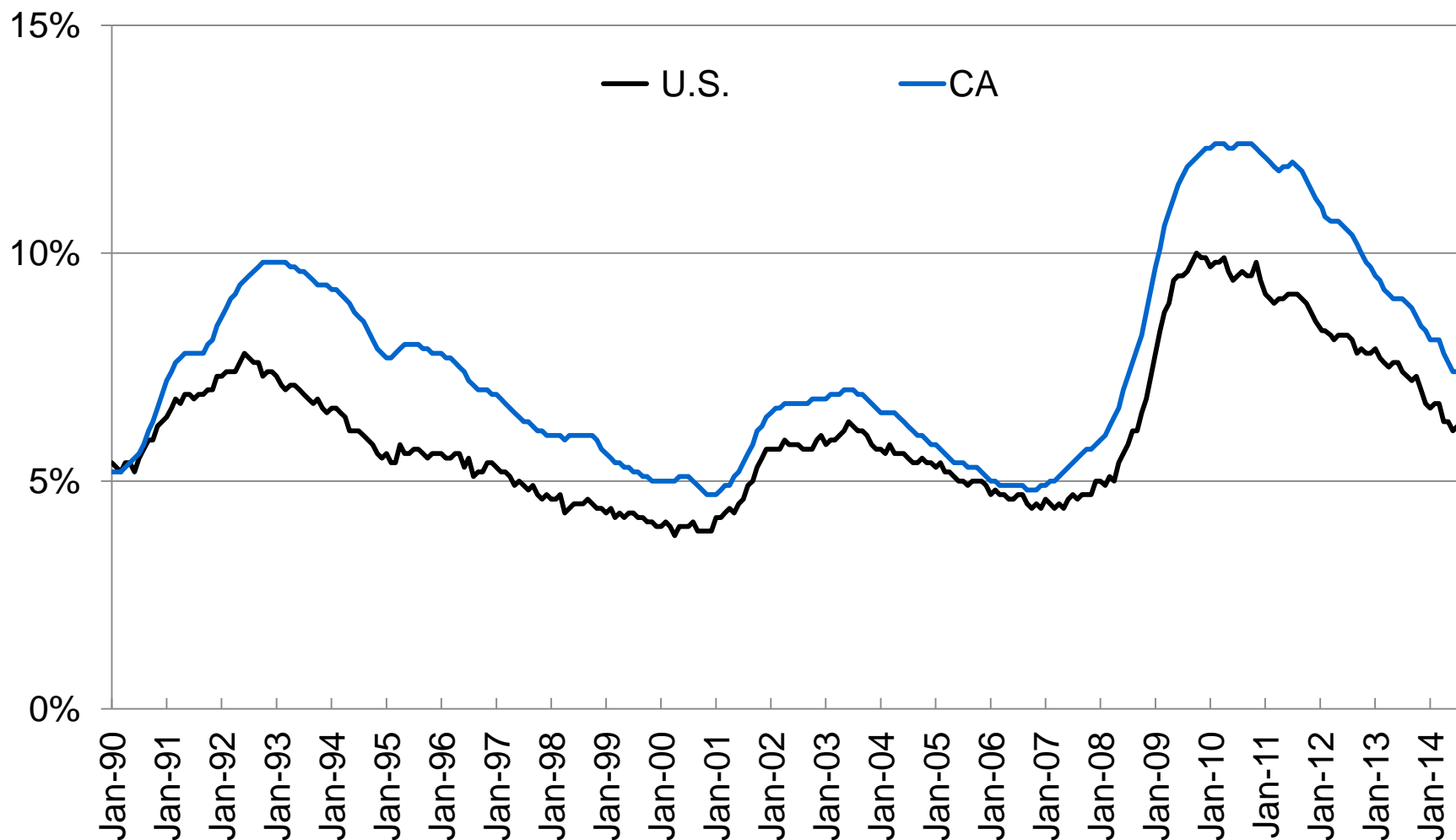
U.S. Economy to Accelerate in 2015

	2011	2012	2013	2014e	2015f
GDP - Annual % Chg.	1.6%	2.3%	2.2%	2.2%	2.9%
Nonfarm Jobs - Annual % Chg.	1.2%	1.7%	1.7%	1.8%	1.8%
Unemployment Rate	8.9%	8.1%	7.4%	6.3%	5.8%
Consumer Prices - Annual % Chg.	3.2%	2.1%	1.5%	1.9%	2.2%

The background of the slide features a low-angle shot of two flags flying against a clear blue sky. On the left is the United States flag, and on the right is the California state flag, which depicts a grizzly bear on a rock with the words 'CALIFORNIA REPUBLIC' below it. The title 'California Economy' is superimposed in the center in a large, bold, blue font with a slight drop shadow.

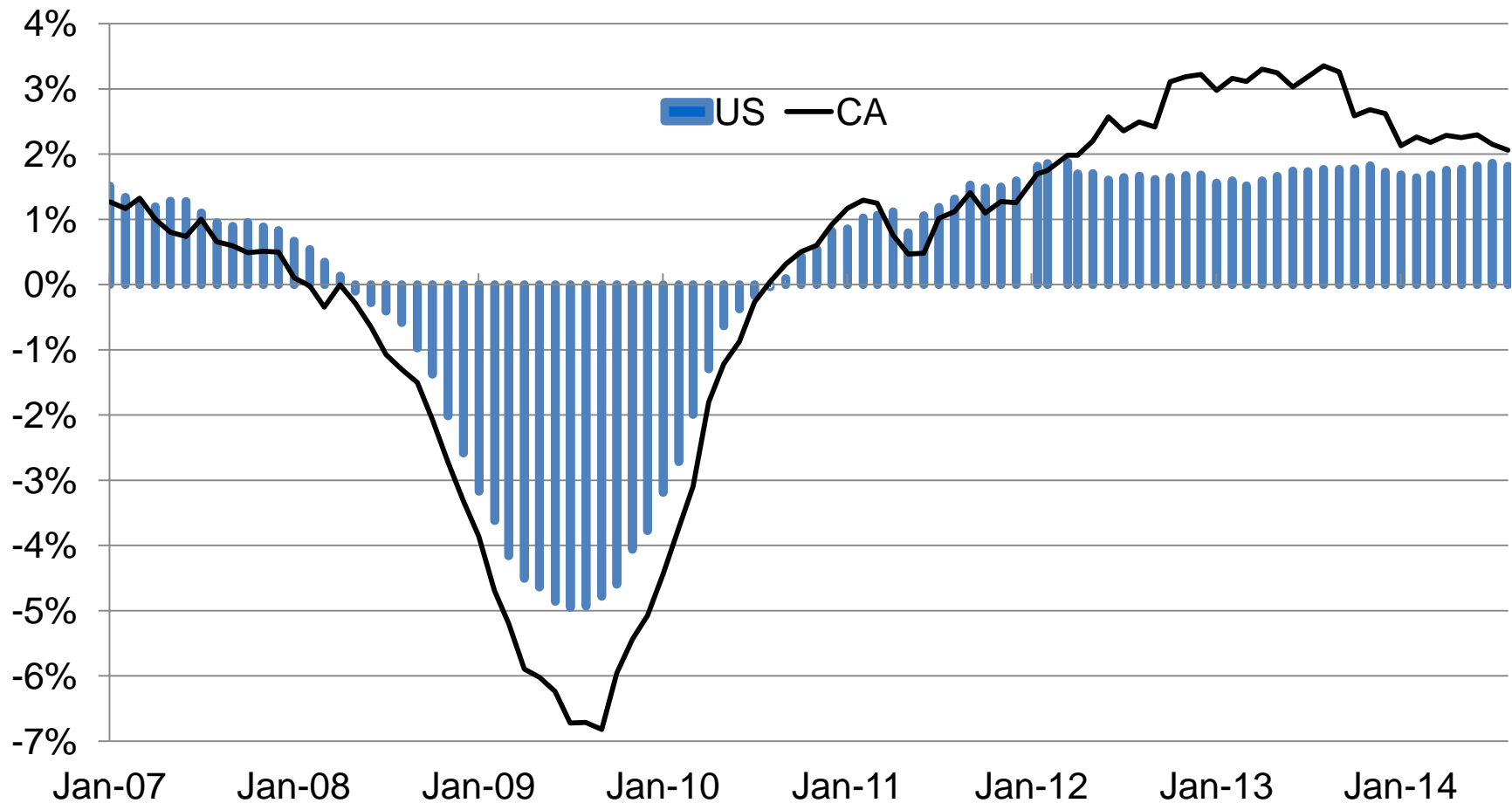
California Economy

California U-Rate Falling Quickly...



Source: US BLS, CA EDD

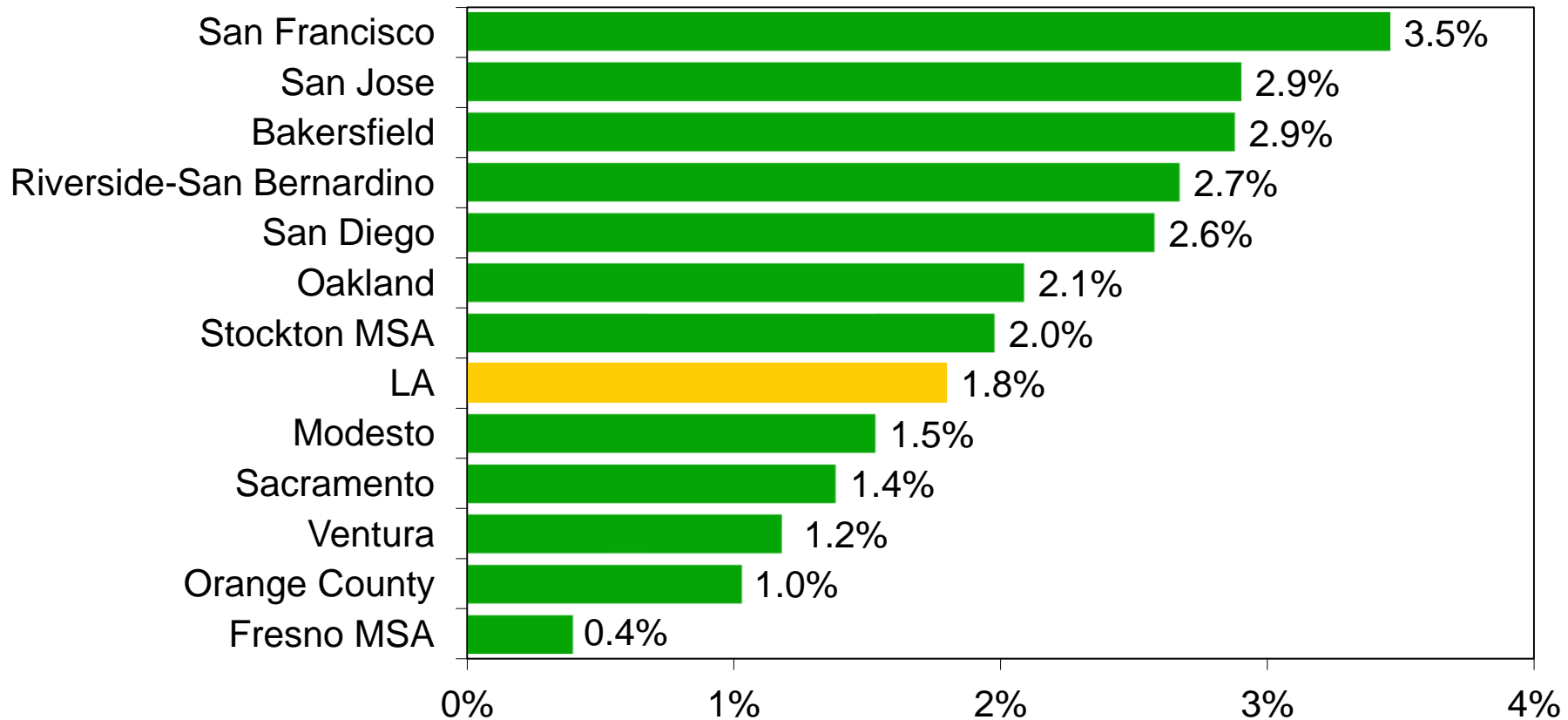
...and Adding Jobs Faster than U.S.



Job Trends by California Metro Area

Annual percent change in nonfarm jobs

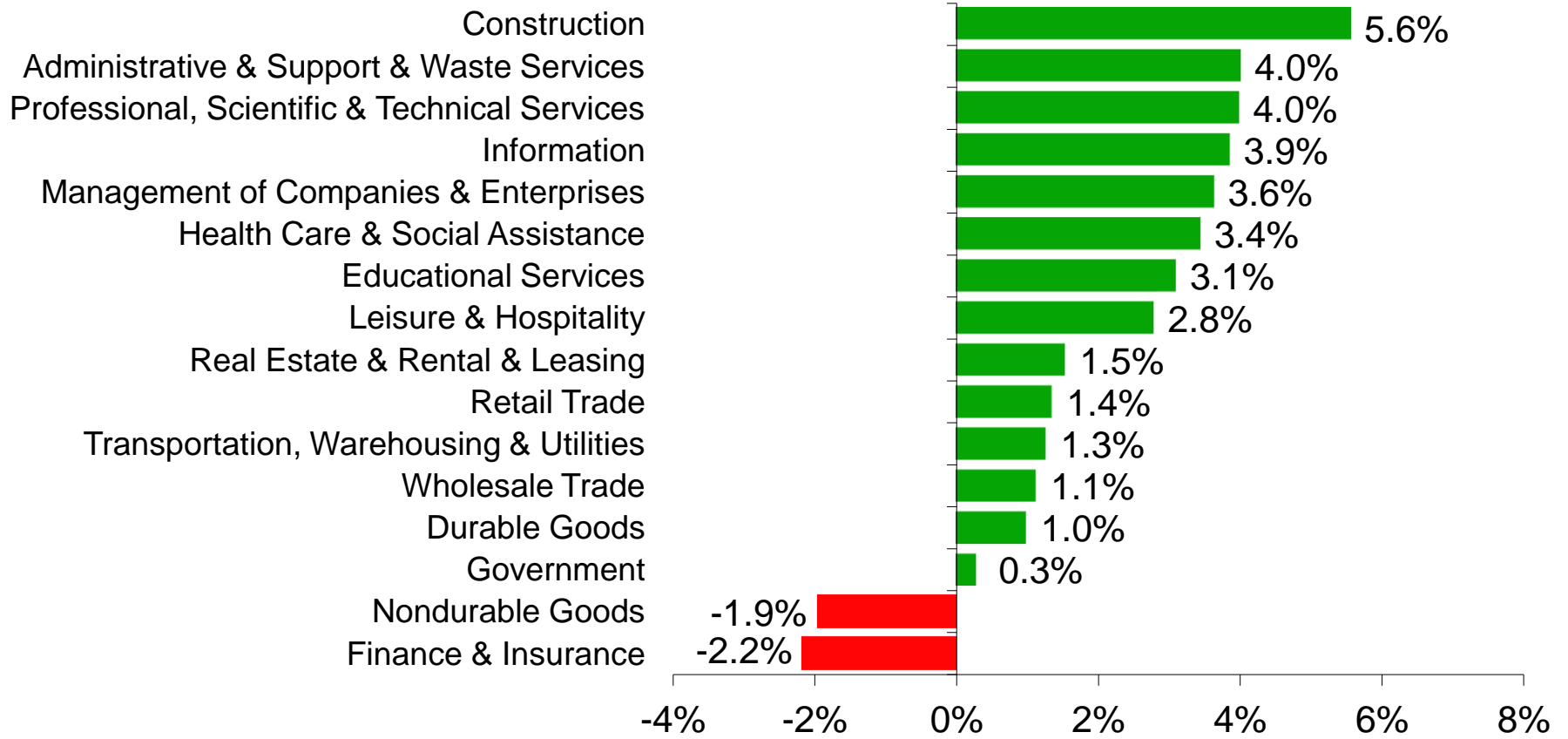
Aug 2014: +313,900, +2.1% YTY



Job Trends by Industry – CA

Annual percent change in nonfarm jobs

Aug 2014: +313,900, +2.1% YTY



California – Steady Progress

	2011	2012	2013	2014e	2015f
Nonfarm Jobs - annual % chg.	1.0%	2.4%	3.0%	2.2%	2.2%
Unemployment Rate	11.8%	10.4%	8.9%	7.5%	7.0%
Personal Income - annual % chg.	6.6%	5.0%	2.8%	4.4%	5.1%
Total Taxable Sales - % chg.	9.1%	7.3%	5.1%	5.0%	5.2%
Housing Permits - thousands of units	41.1	57.6	82.3	86.4	110.6

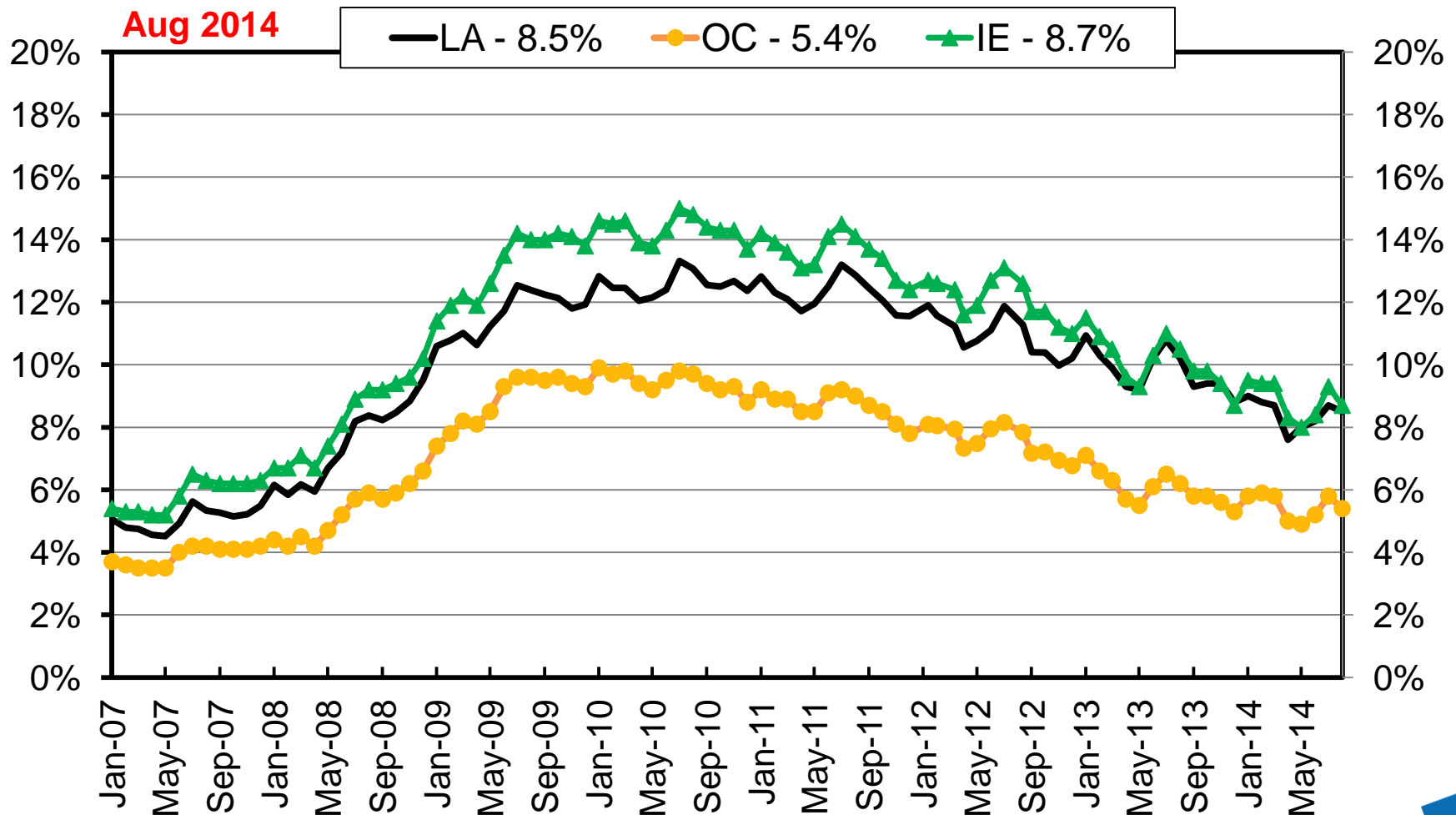


Forecast Source: LAEDC



Southern California Economy

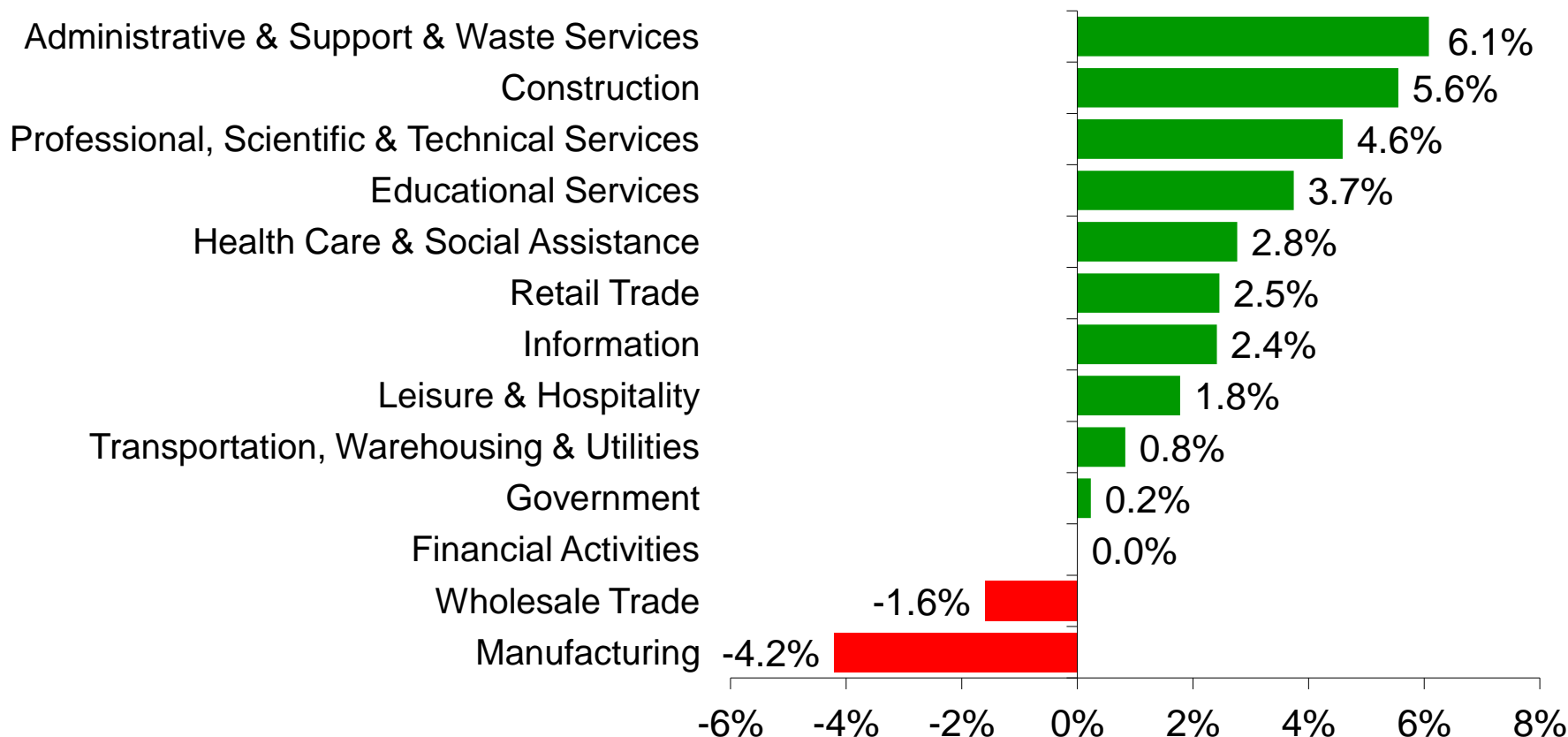
Local Unemployment Rates



Job Trends by Industry – Los Angeles

YTY % change in nonfarm employment

Aug 2014: +69,100 jobs, +1.7% YTY

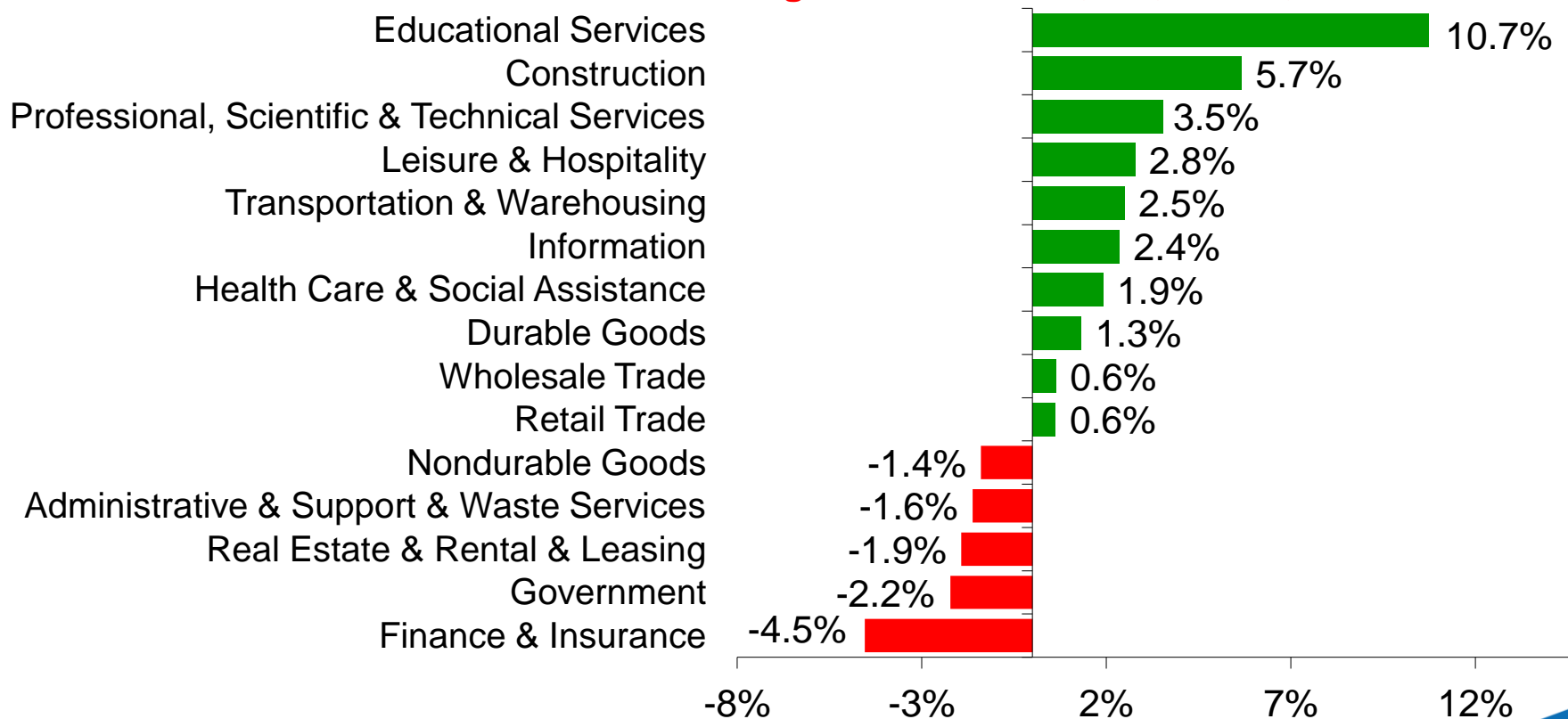


Job Trends by Industry

Orange County

YTY percent change in nonfarm employment by industry

Aug 2014 YTY: +17,900, +1.2%; u-rate: 5.4%



Job Trends by Industry

Riverside – San Bernardino

YTY percent change in nonfarm employment by industry

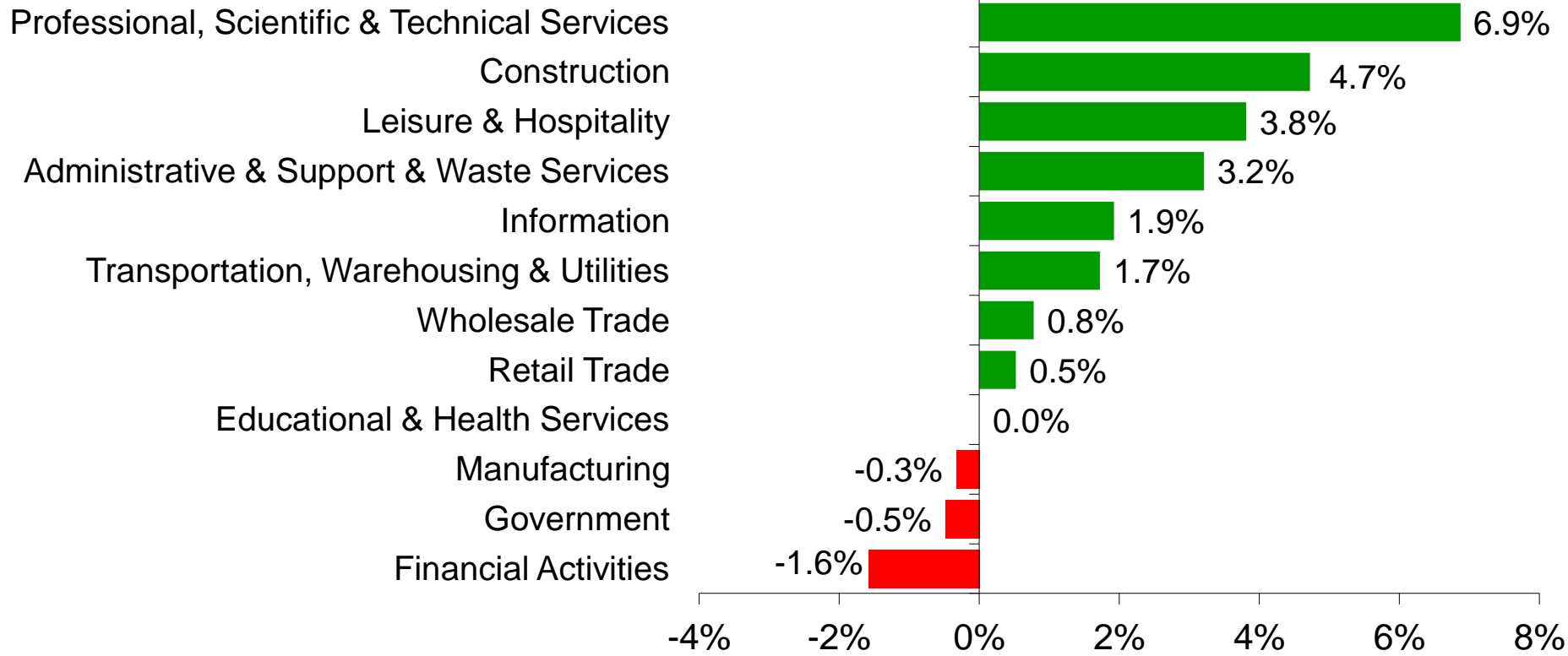
Aug 2014 YTY: +33,700, +2.8%; u-rate: 8.7%



Job Trends by Industry Ventura County

YTY percent change in nonfarm employment by industry

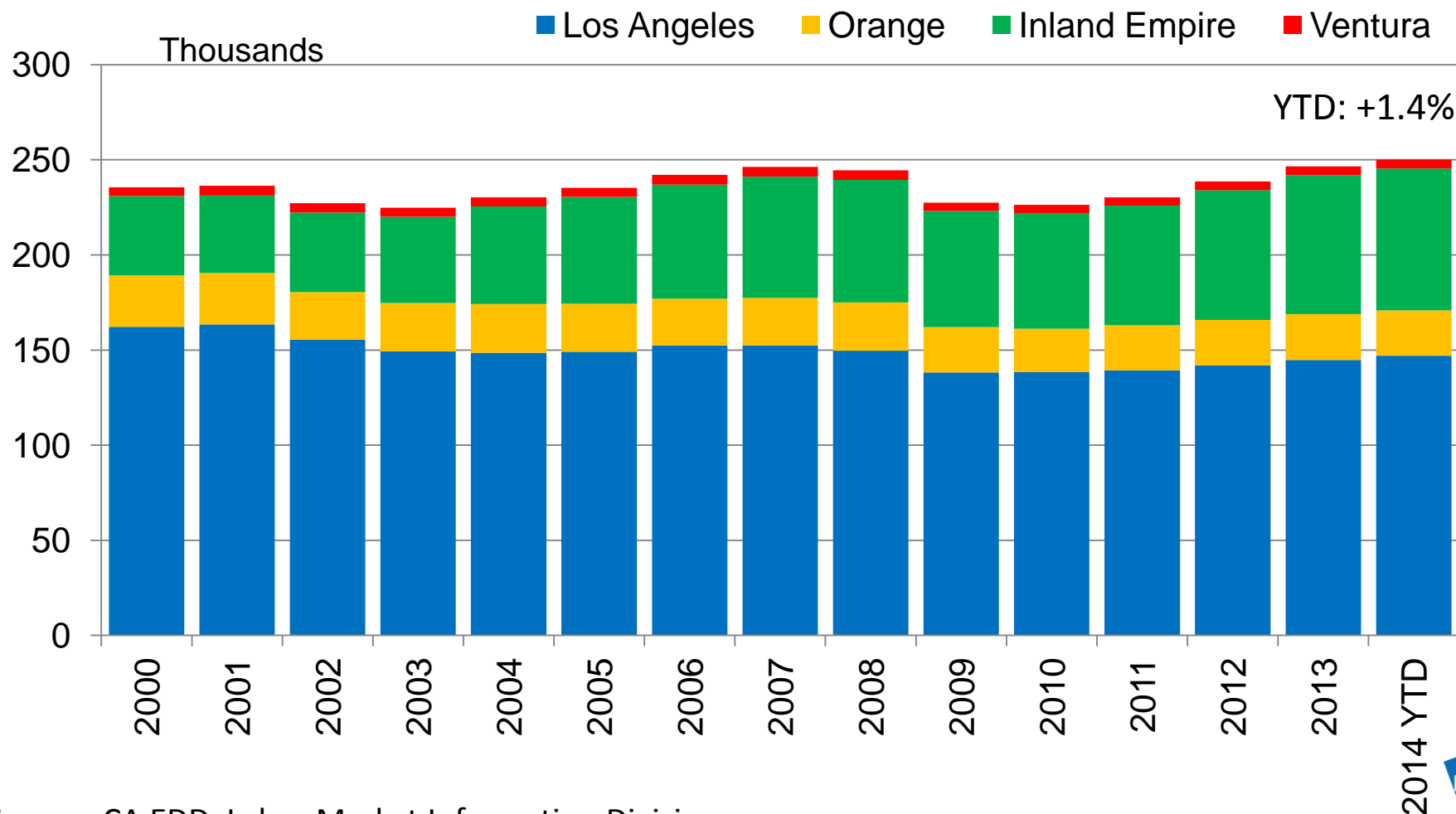
Aug 2014 Total: +3,700, +1.3%; u-rate: 6.8%



Major Industries in Southern California

- Trade
- Entertainment
- Business Services
- Private Education Institutions
- Aerospace & Analytical Instruments
- Fashion & Apparel Manufacturing
- Hospitality
- Local Serving: Retail, Medical

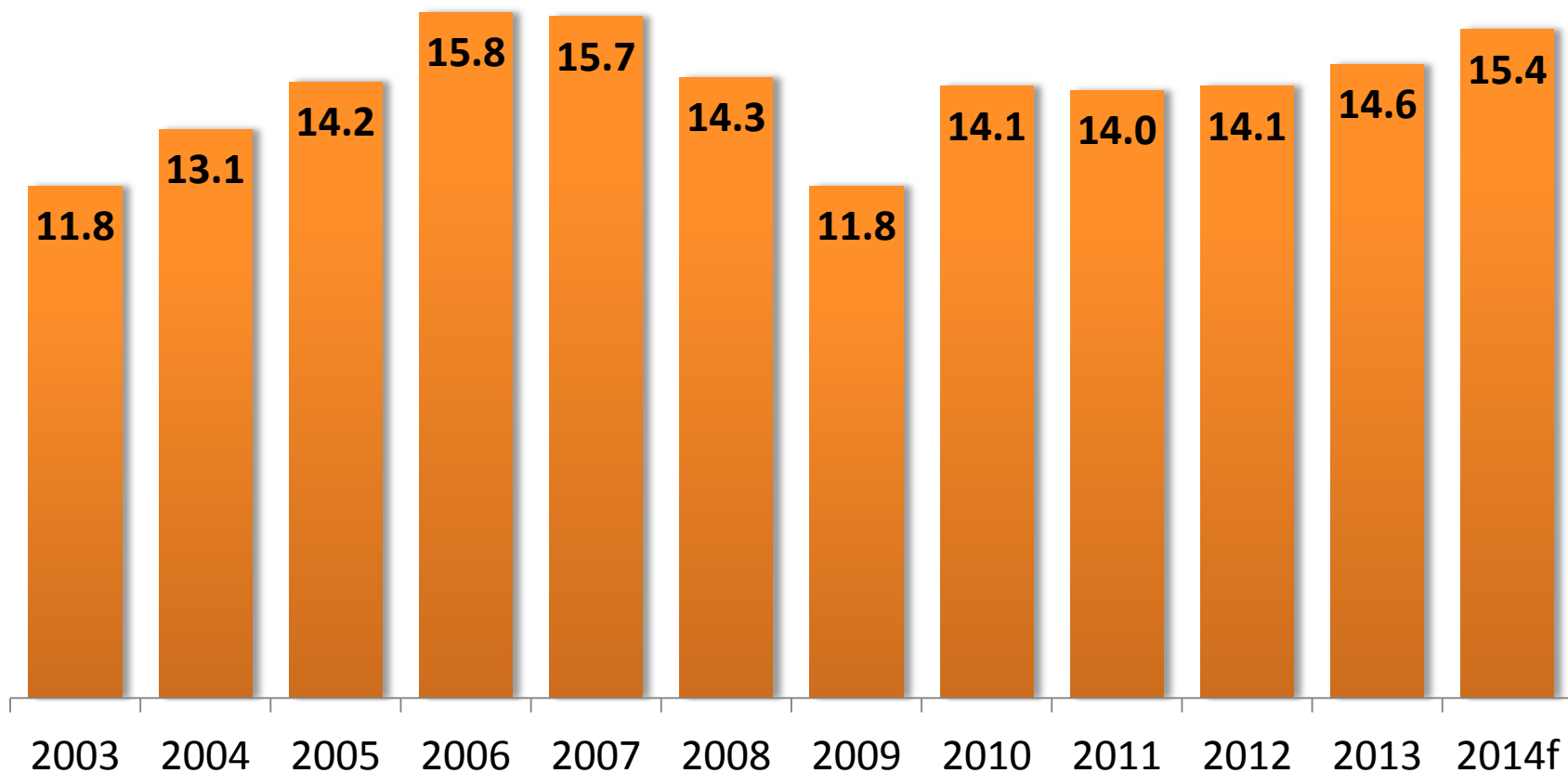
Southern California Transportation and Warehousing Employment



Source: CA EDD, Labor Market Information Division

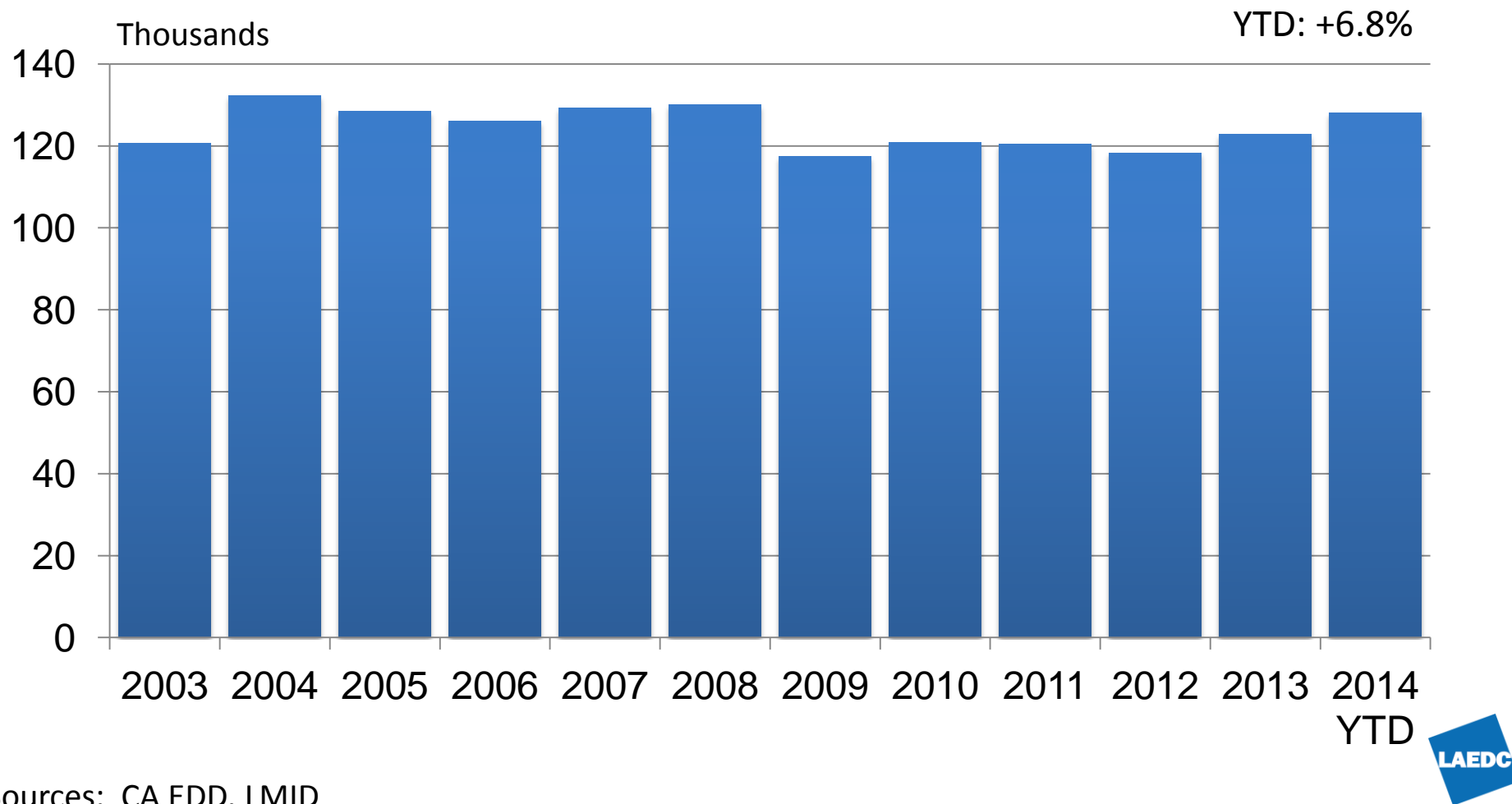
Container Throughput San Pedro Bay Ports

Millions of TEUs



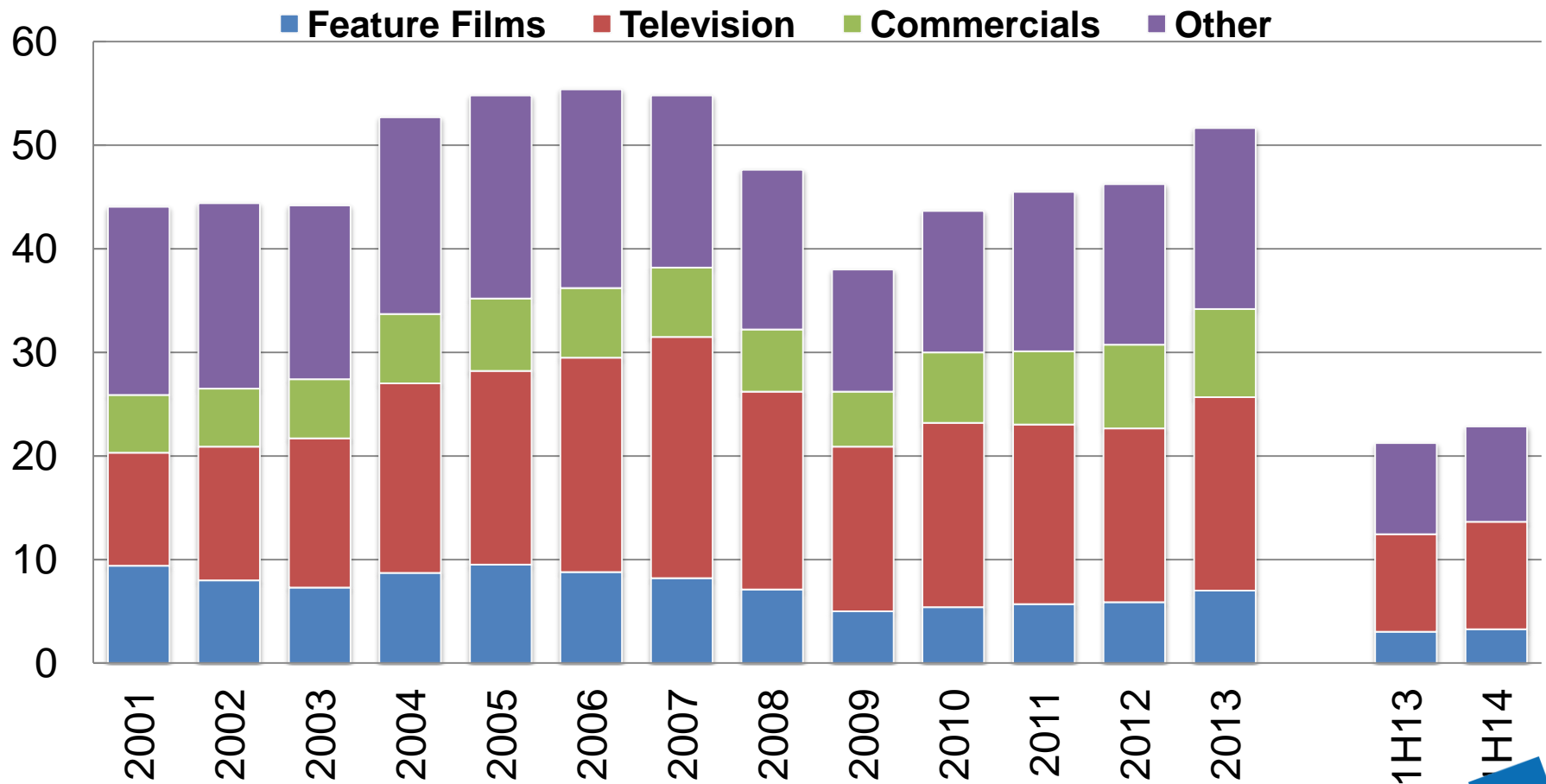
Sources: Ports of Los Angeles and Long Beach; forecast by LAEDC

Motion Picture & Sound Recording Employment in Los Angeles County

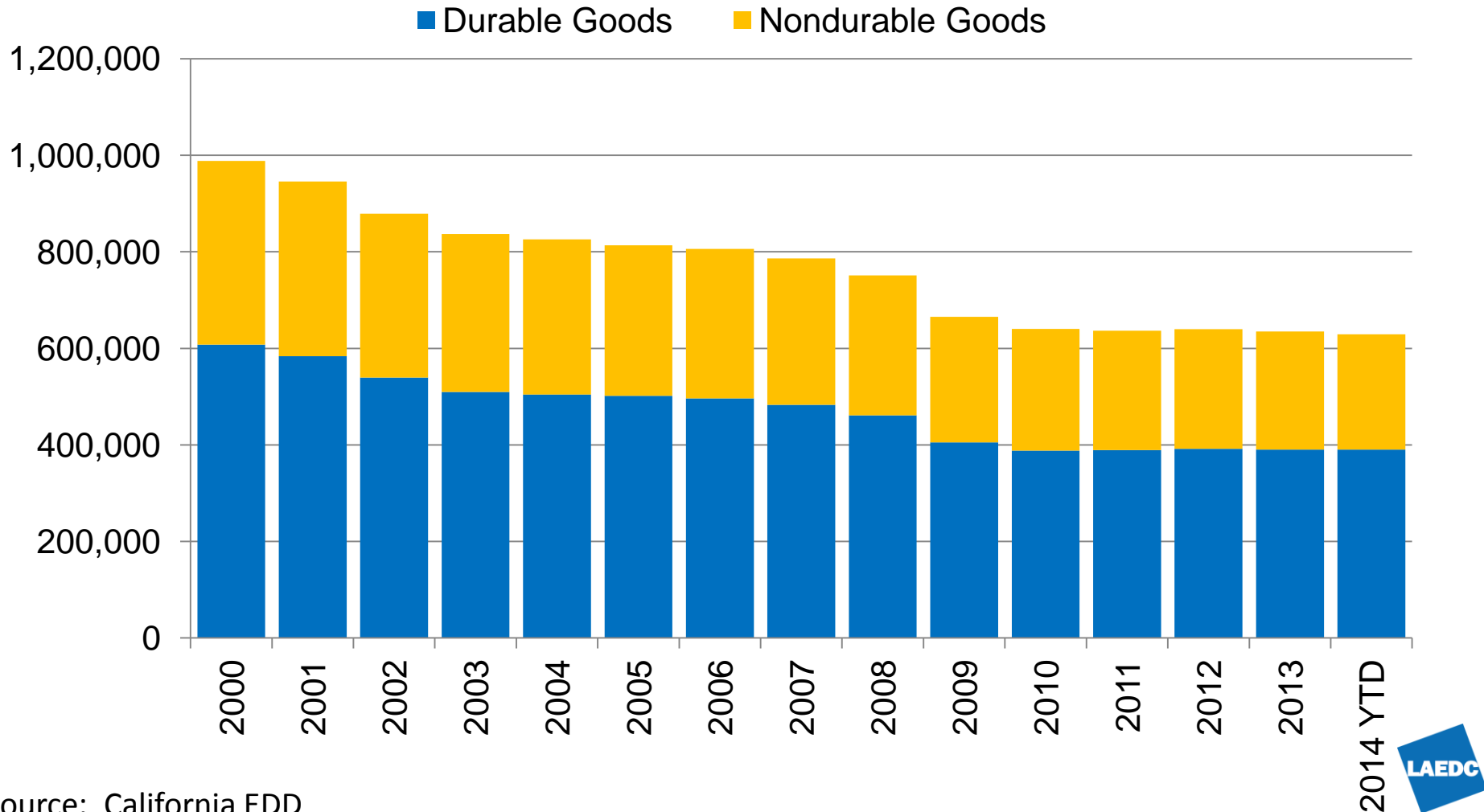


On-Location Film Production Days by Type

Thousands



Southern California Manufacturing Employment



Manufacturing Trends

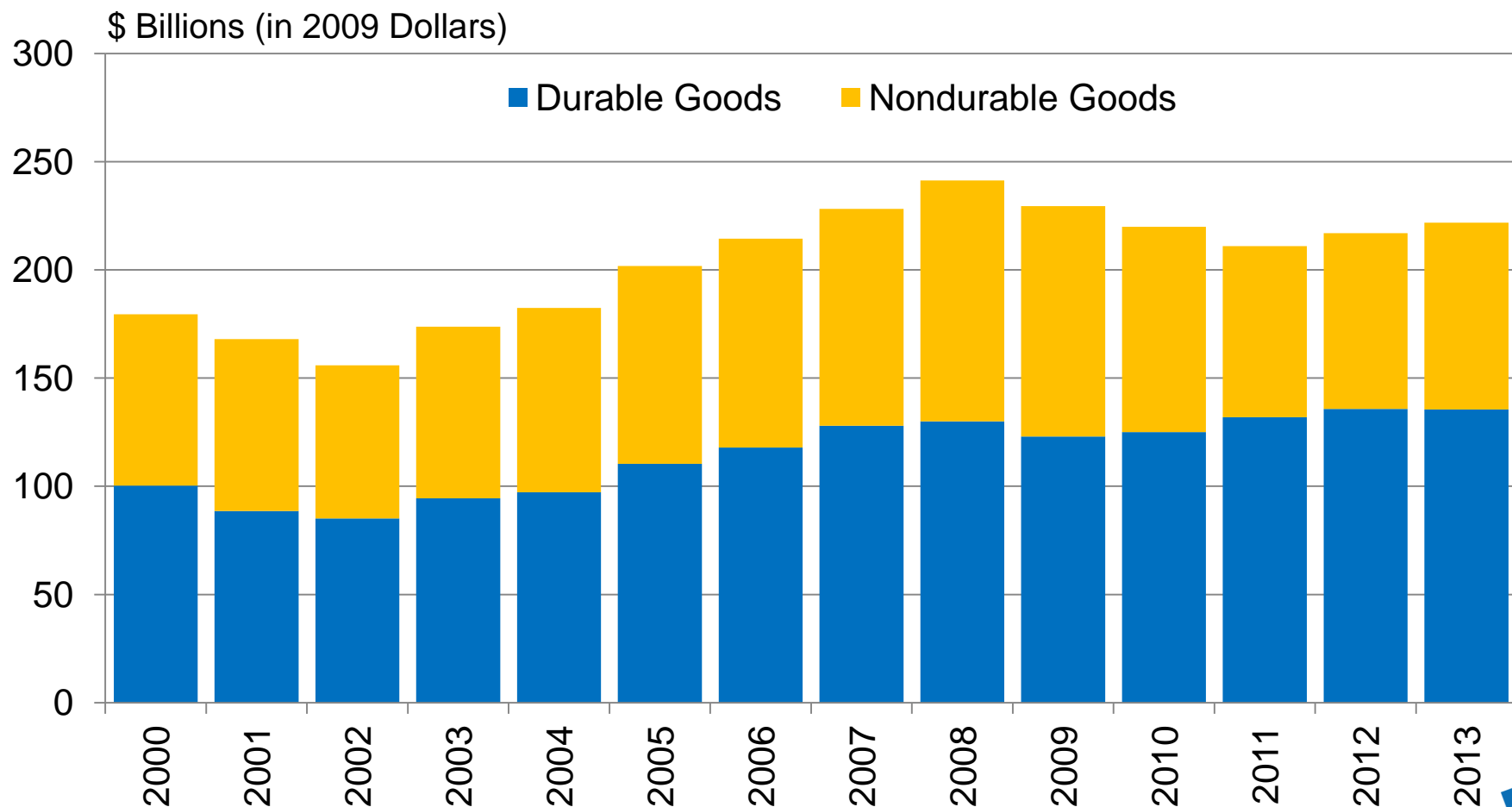
Adding Jobs:

- Machinery Mfg
- Furniture
- Miscellaneous
Durable Goods

Losing Jobs:

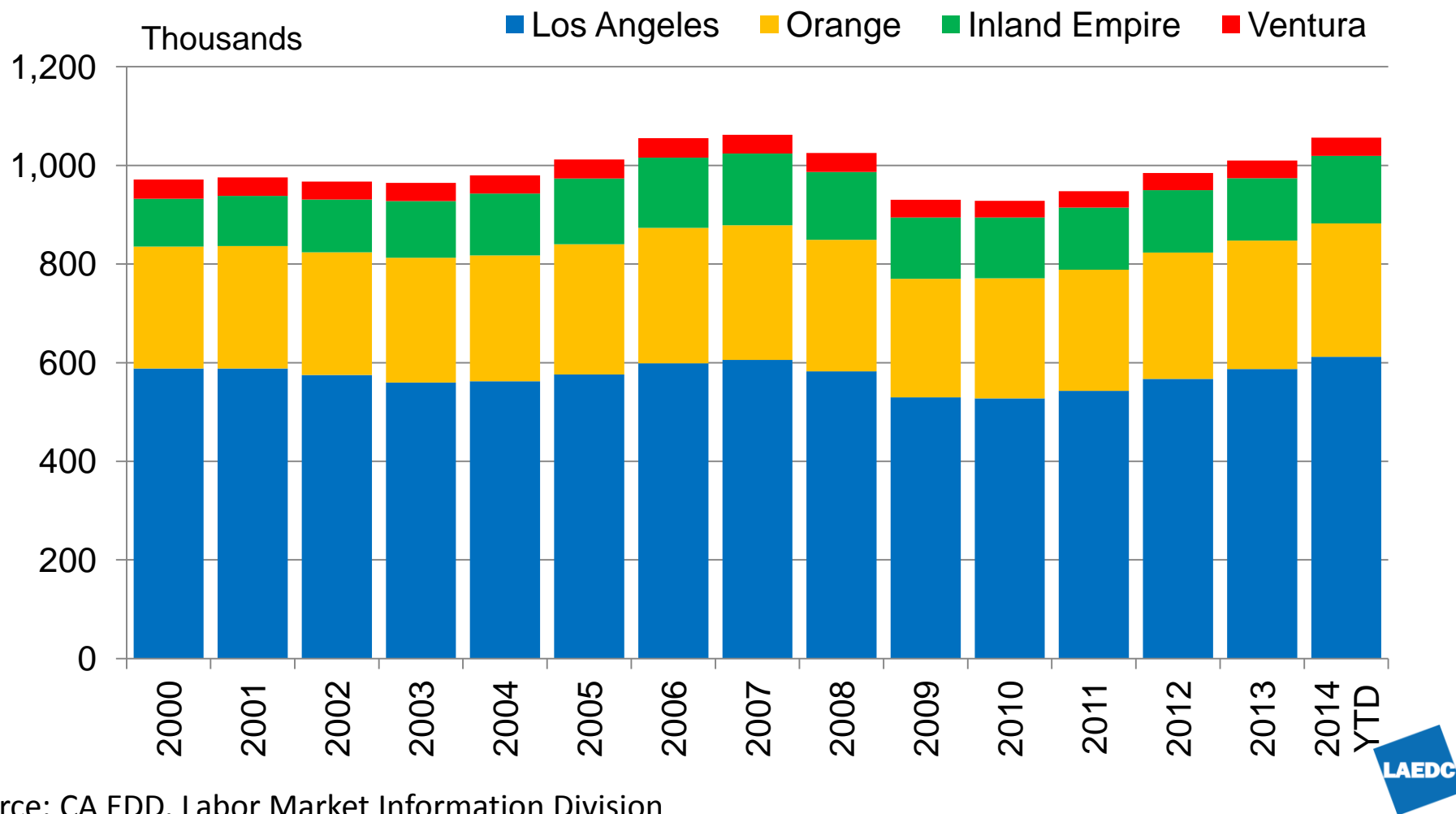
- Petro-Chemical
- Food
- Aerospace
- Electronics
- Apparel/Textiles

Value of Manufacturing Output, California



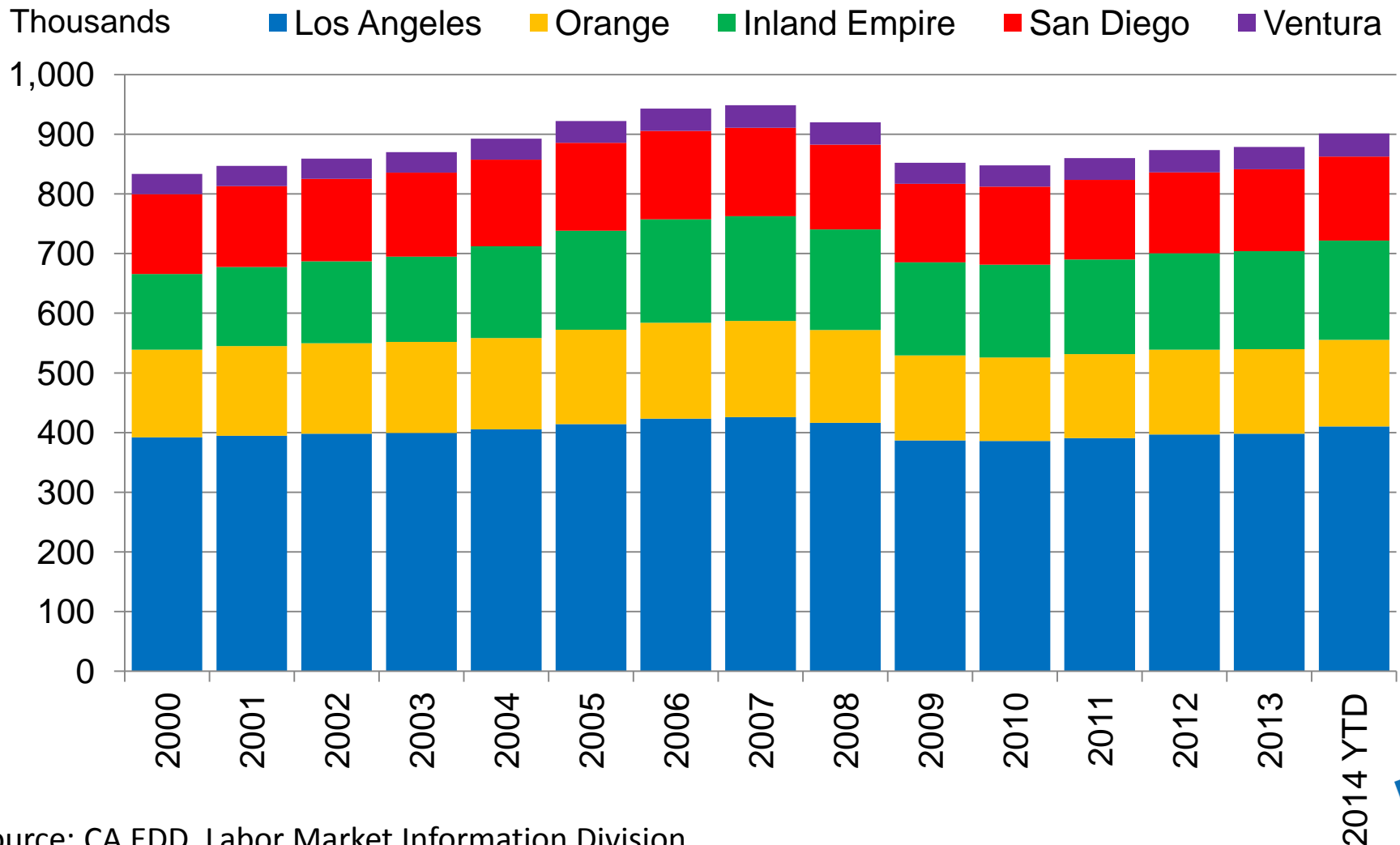
Source: US Bureau of Economic Analysis; IHS

Southern California Professional & Business Services Employment



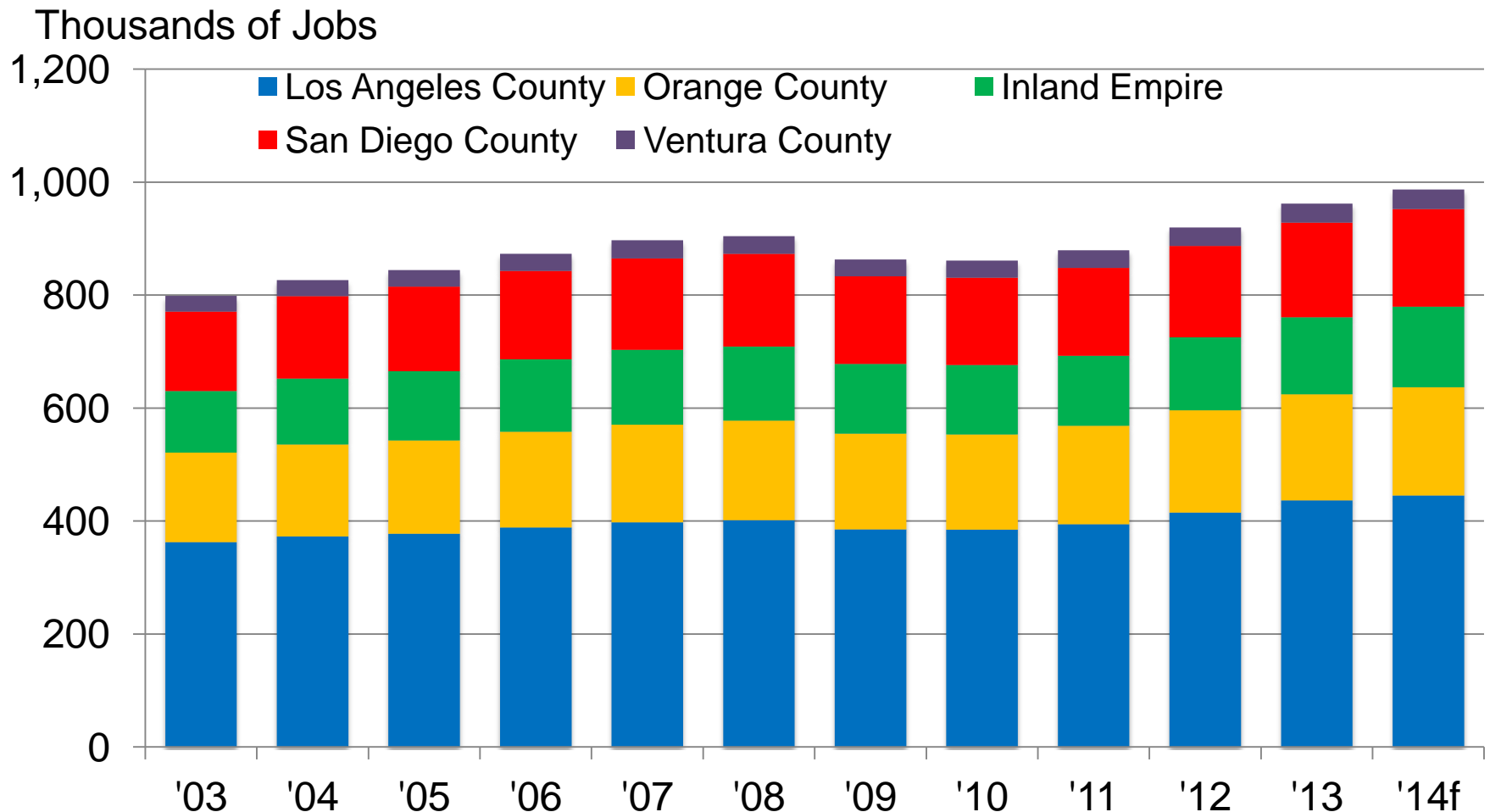
Source: CA EDD, Labor Market Information Division

Southern California Retail Employment



Source: CA EDD, Labor Market Information Division

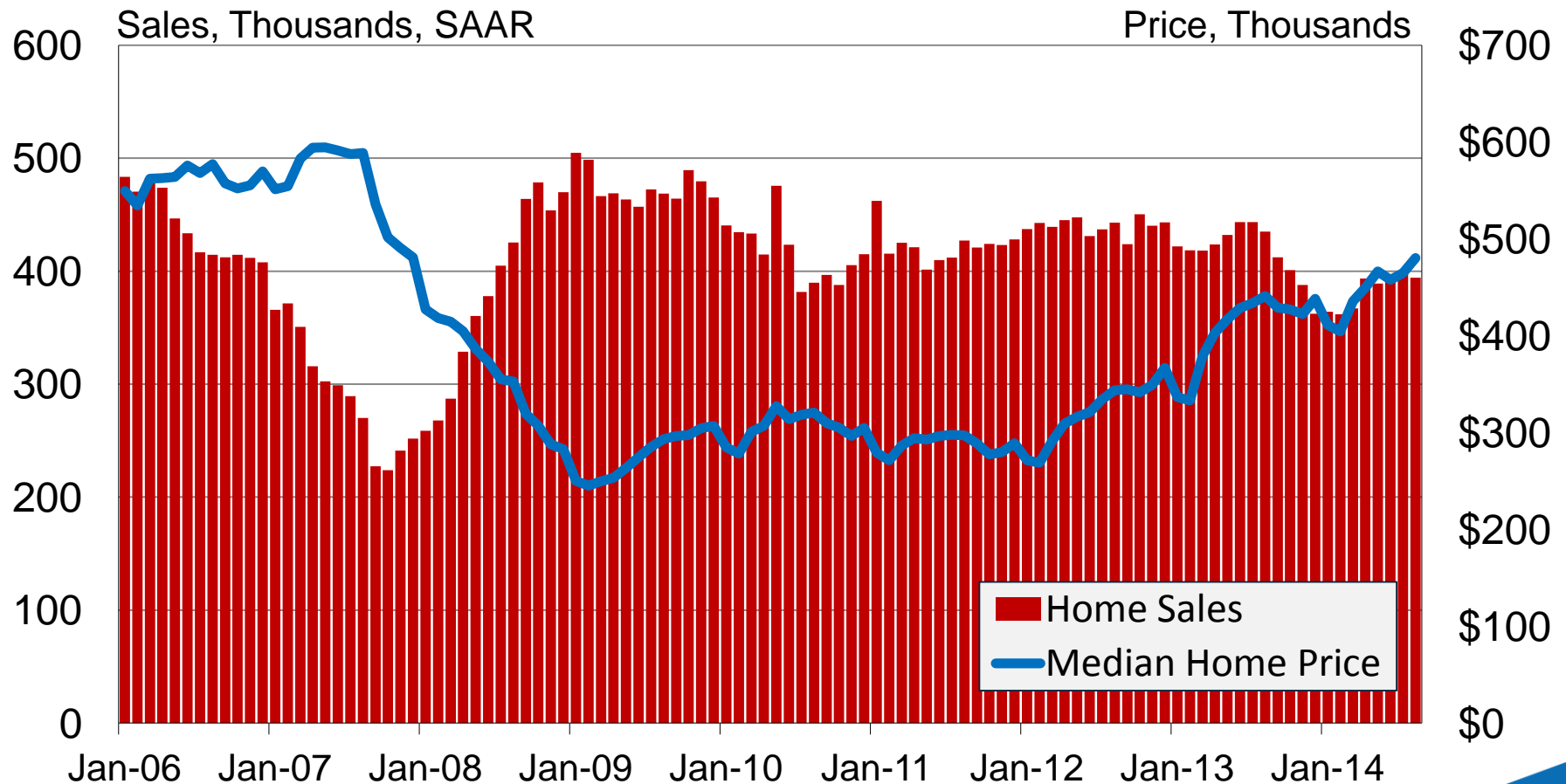
Southern California Leisure & Hospitality Employment



Source: California EDD

Home Sales & Median Prices California

Existing, single-family homes



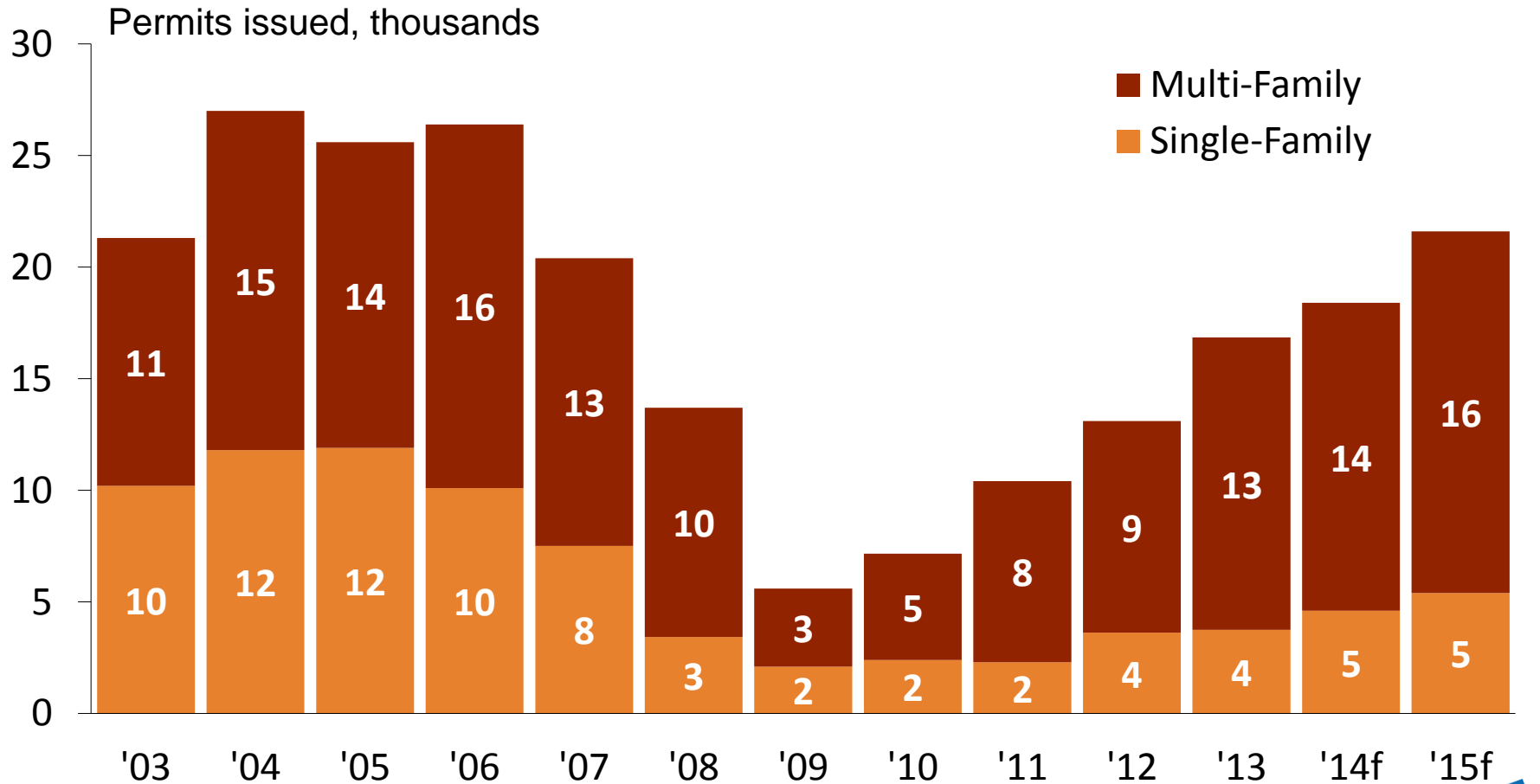
Source: California Association of Realtors

Median Prices

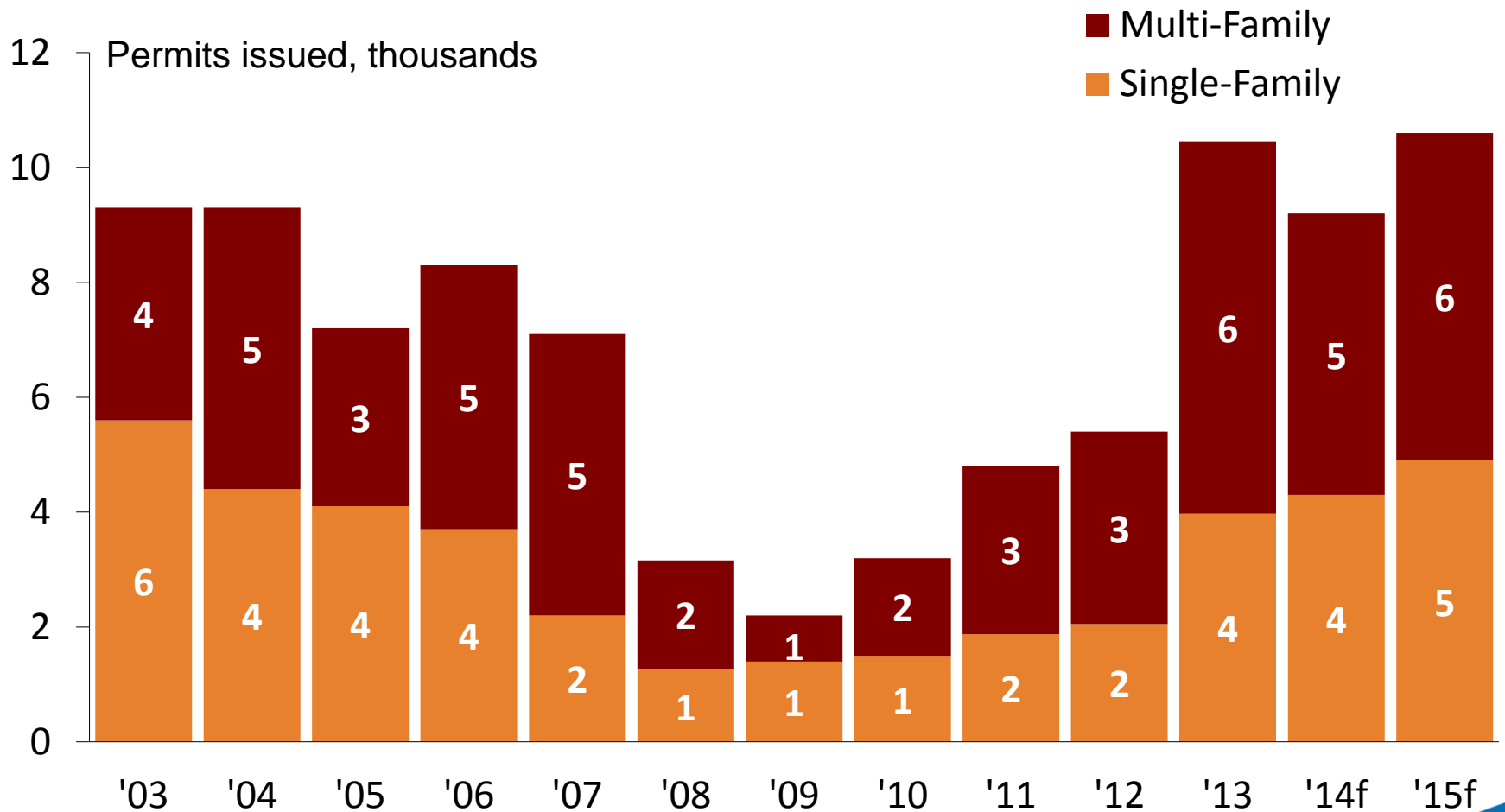
Existing Single-Family Homes

County	Aug-13	Aug-14	YTY % Change
Los Angeles	\$444,950	\$474,640	6.7%
Orange County	\$664,580	\$699,430	5.2%
San Bernardino	\$183,240	\$209,200	14.2%
Riverside County	\$290,030	\$318,640	9.9%
Ventura	\$555,560	\$602,060	8.4%
San Diego	\$482,470	\$510,860	5.9%

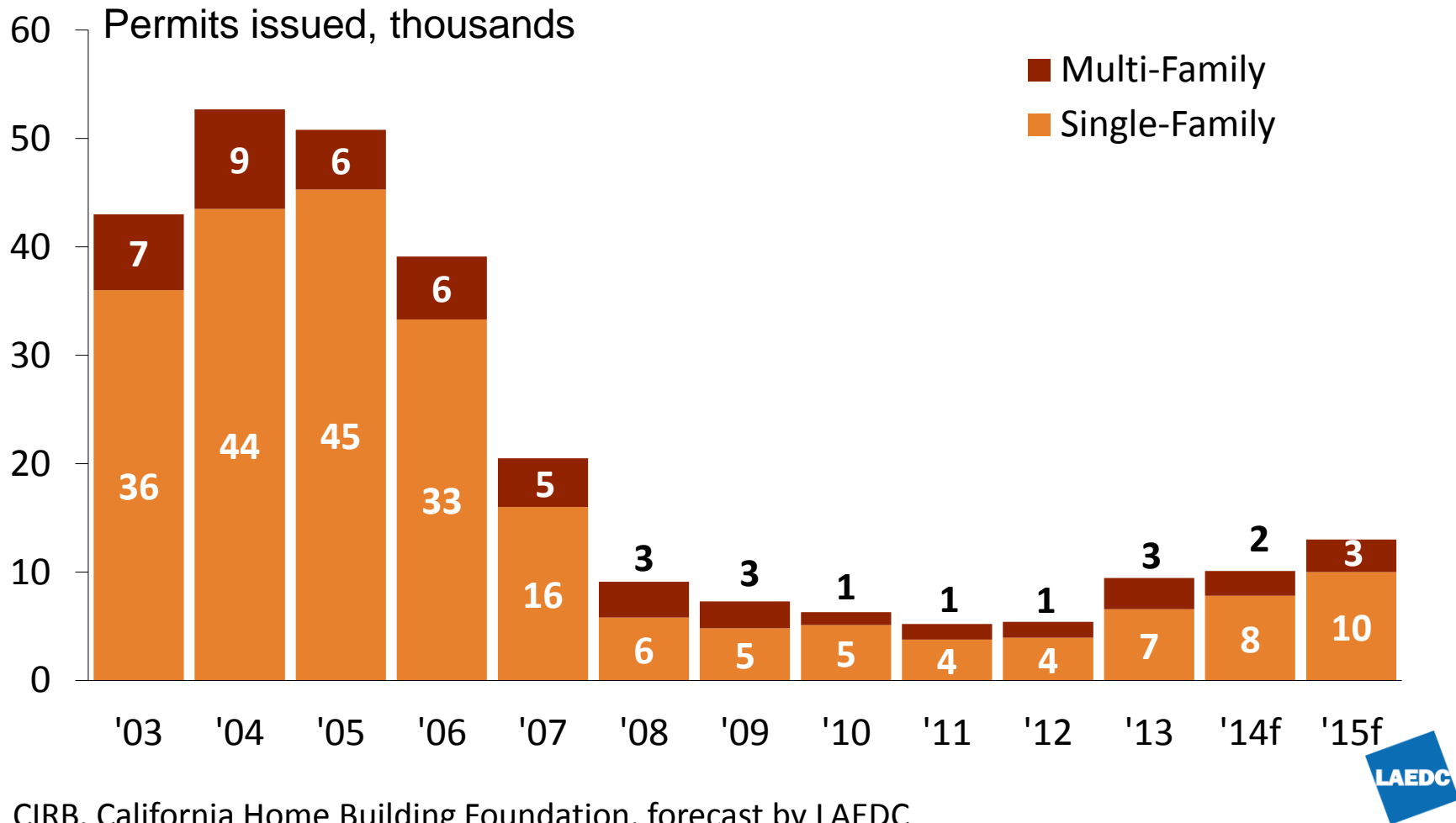
Residential Building Permits Issued in Los Angeles County



Residential Building Permits Issued in Orange County

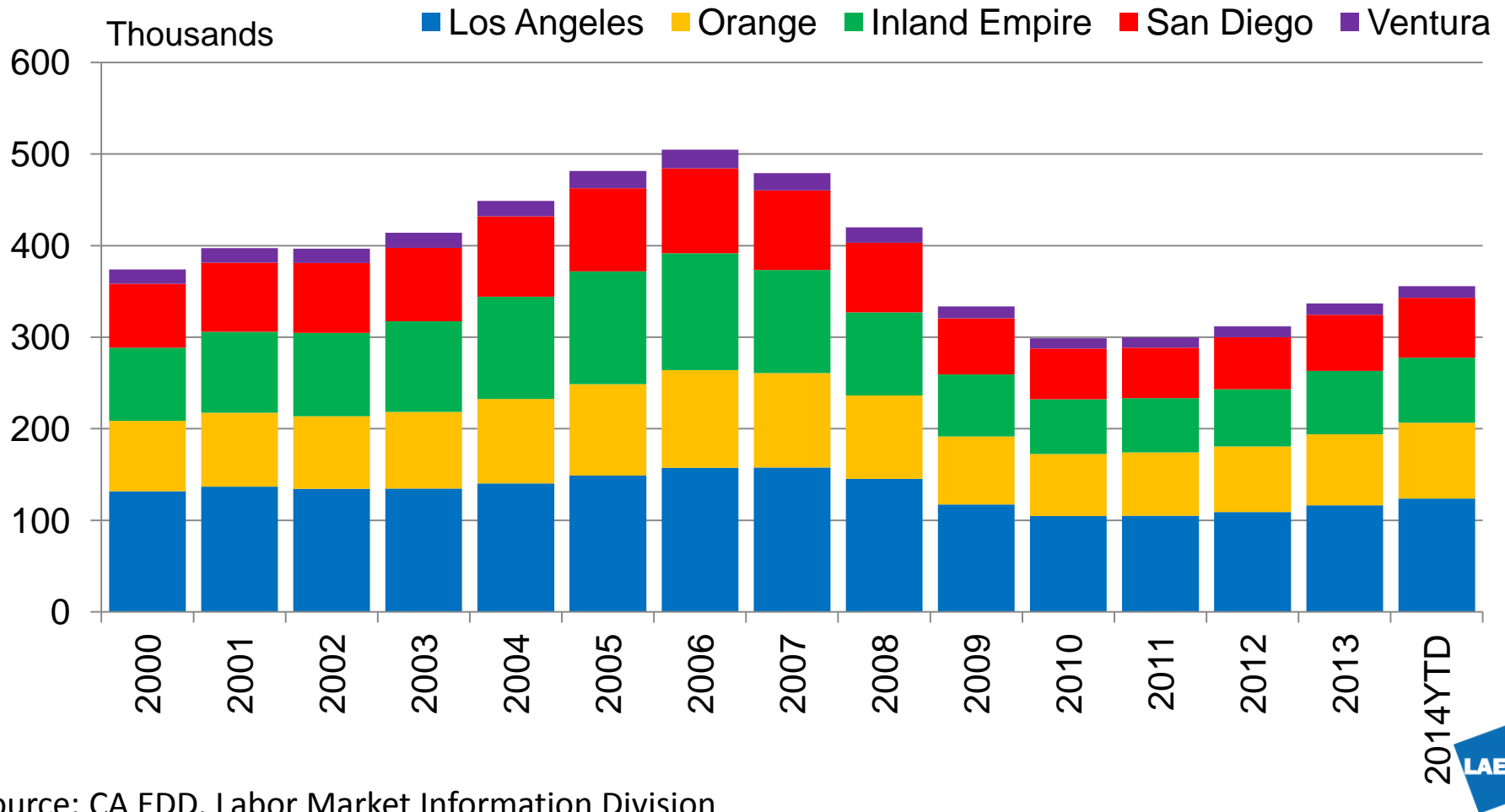


Residential Building Permits Issued in the Inland Empire



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

Southern California Construction Employment



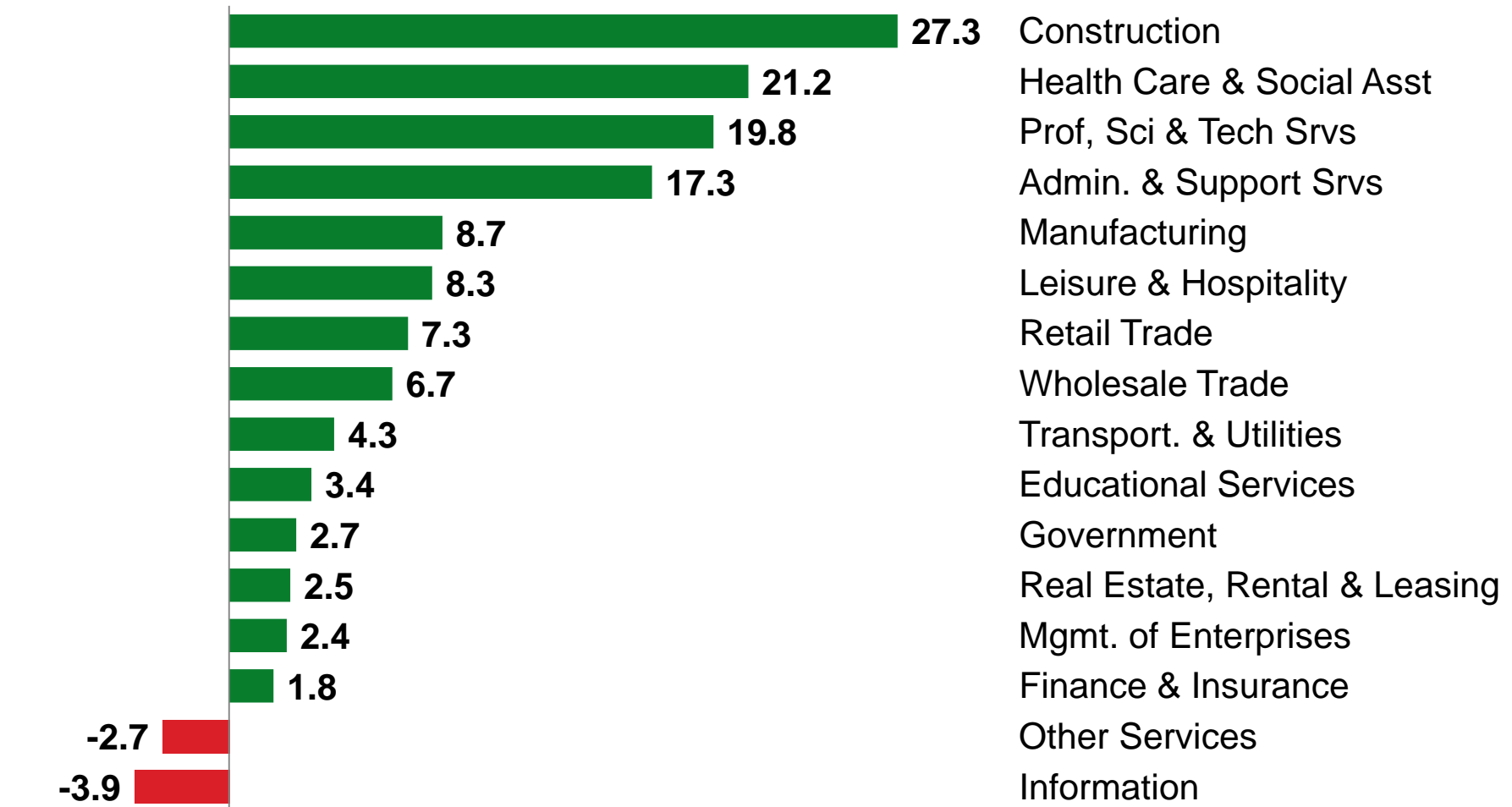
Source: CA EDD, Labor Market Information Division

2015 Top Five Industries by Percentage Gains in Employment

Rank	Los Angeles	Orange	Inland Empire	Ventura
1	Construction	Construction	Construction	Admin & Supp
2	Admin & Supp	Prof, Sci, Tech	Real Estate	Mgmt of Ent'ps
3	Prof, Sci, Tech	Mgmt of Ent'ps	Mgmt of Ent'ps	Prof, Sci, Tech
4	Health Care	Trans & Utilities	Prof, Sci, Tech	Health Care
5	Real Estate	Wholesale Trade	Manufacturing	Education

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



Five Year Outlook

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

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

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

Population Grows in Southern California

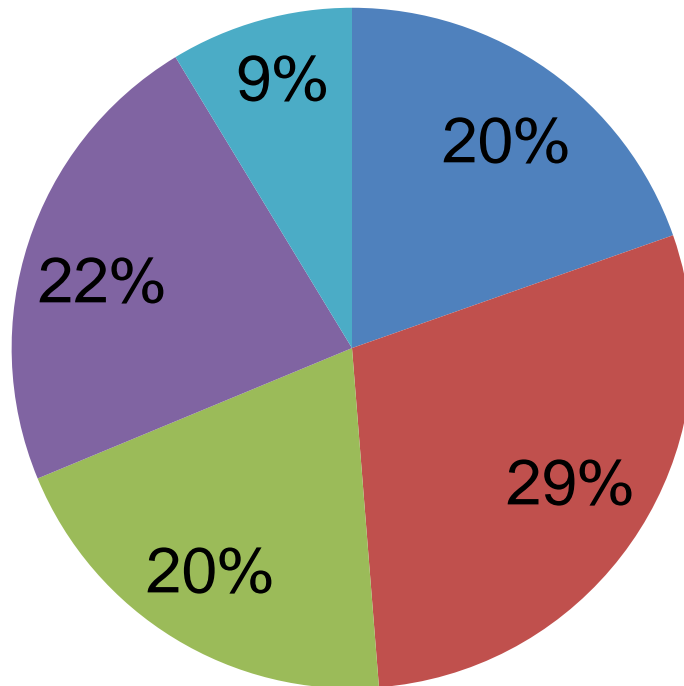
	Pop in Millions			09-14	14-19
	2009	2014	2019	%/Yr	%/Yr
Los Angeles	9.81	10.08	10.27	0.6%	0.4%
Orange	3.00	3.14	3.30	0.9%	1.0%
Riverside-San Bernardino	4.18	4.39	4.78	1.0%	1.7%
Ventura	0.82	0.85	0.88	0.7%	0.7%

Forecast Source: LAEDC



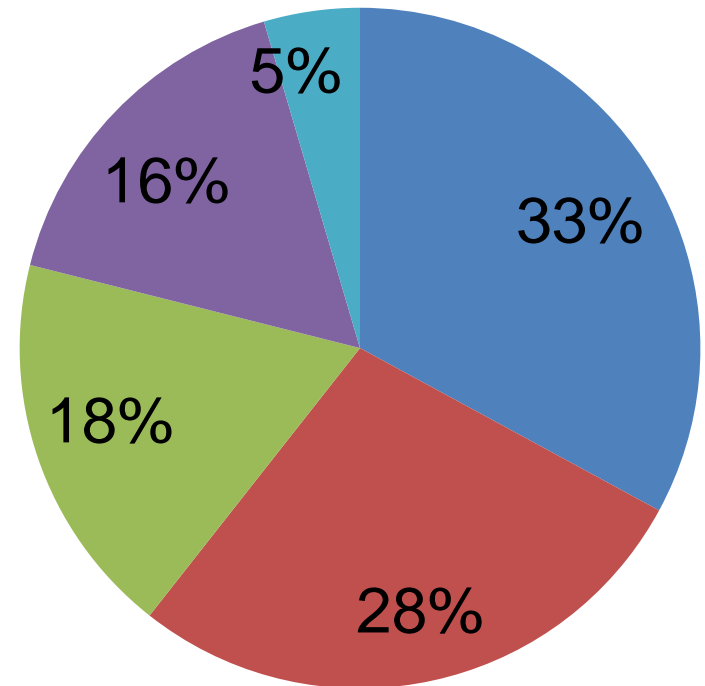
CA Population Changes 2014-24

■ Post-Millennial ■ Millenials
■ Gen X ■ Boomers
■ Pre-Boomer



2014

■ Post-Millennial ■ Millenials
■ Gen X ■ Boomers
■ Pre-Boomer



2024

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%

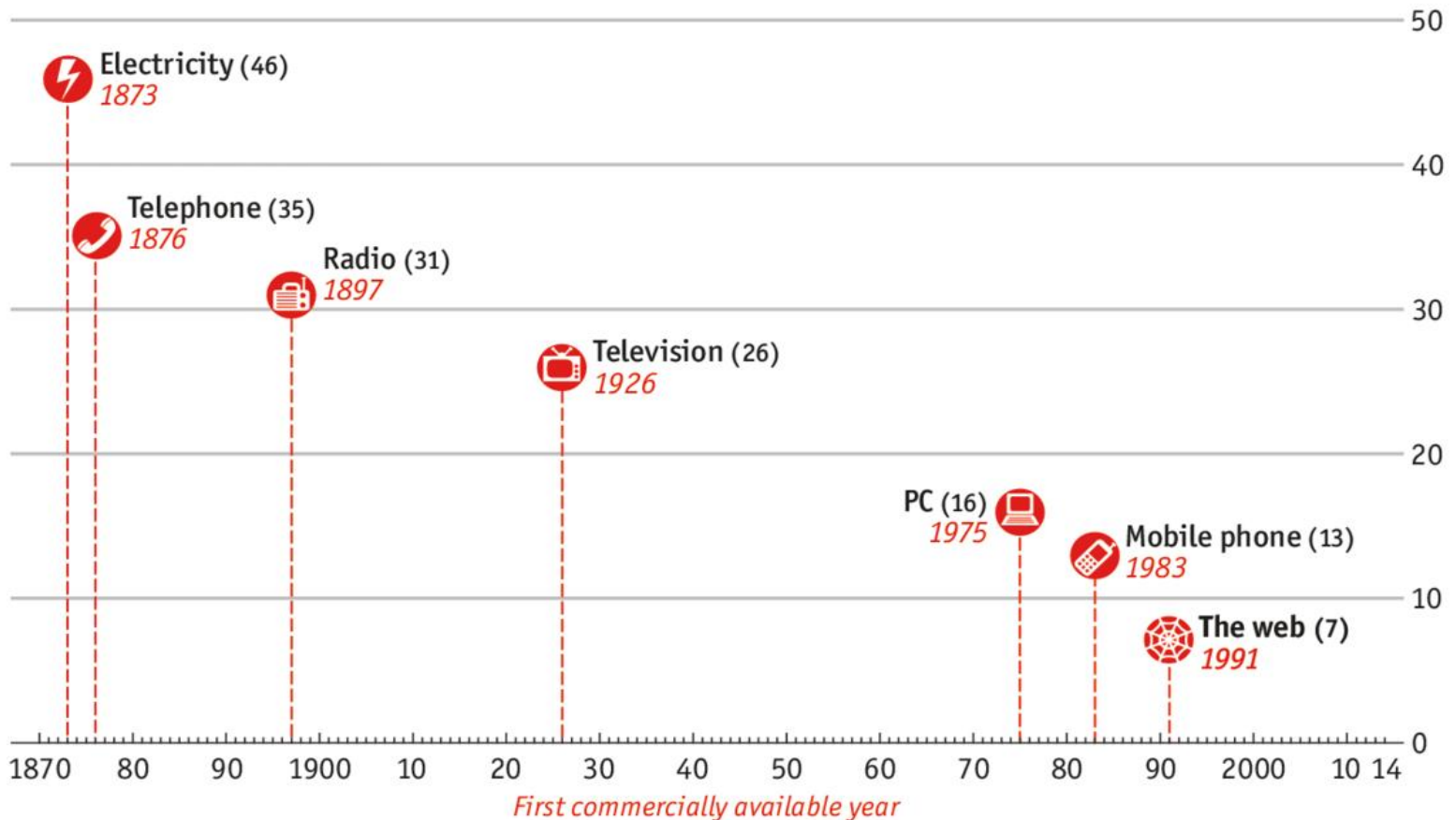
2015-19 Top Five Industries by Percentage Gains in Employment

Rank	Los Angeles	Orange	Inland Empire	Ventura
1	Construction	Construction	Construction	Construction
2	Admin & Supp	Prof, Sci, Tech	Information	Admin & Supp
3	Prof, Sci, Tech	Admin & Supp	Admin & Supp	Prof, Sci, Tech
4	Health Care	Trans/Ware/Util	Prof, Sci, Tech	Information
5	Information	Health Care	Health Care	Health Care

Technology Adoption

Technology adoption

Years until used by one-quarter of American population



Source: Singularity.com

nomist.com/graphicdetail

Implications For...

- Entitlement Programs
- Employment/Workforce Needs
- Housing Market
- Market Opportunities



2015 Economic Forecast & Industry Outlook



THANK YOU!