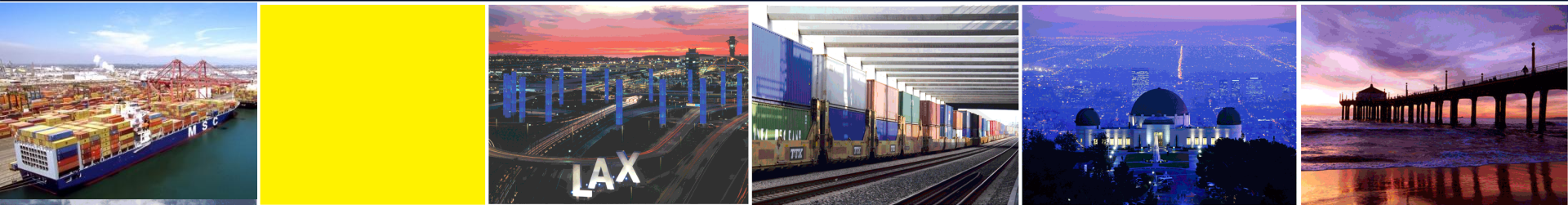




# LAEDC Economic Forecast & Industry Outlook 2015-2016



February 18, 2015

***Robert A. Kleinhenz, Ph.D.***

***Chief Economist, Kyser Center for Economic Research, LAEDC***

# Outline

- U.S. Economy
- California Economy
- Southern California Economy & Industries
- Southern California 2015-16 Forecast



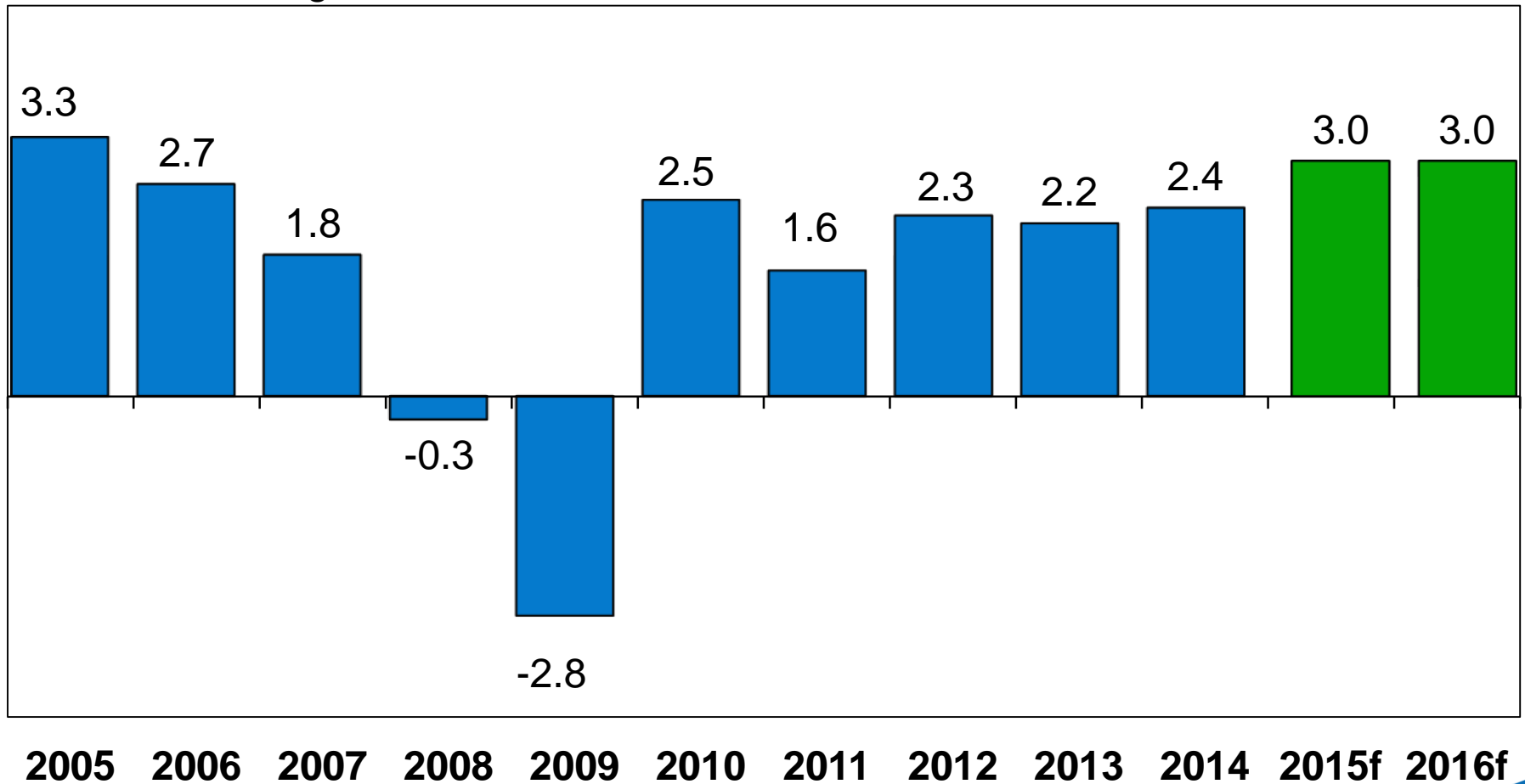
# U.S. Economy

# In Brief – U.S. Economy

- U.S. Economy – faster growth
- Labor Market – full employment, wage gains
- Oil Situation – tough on oil, good for economy
- World Economy – mixed bag for U.S.
- Federal Reserve – U.S. & global concerns

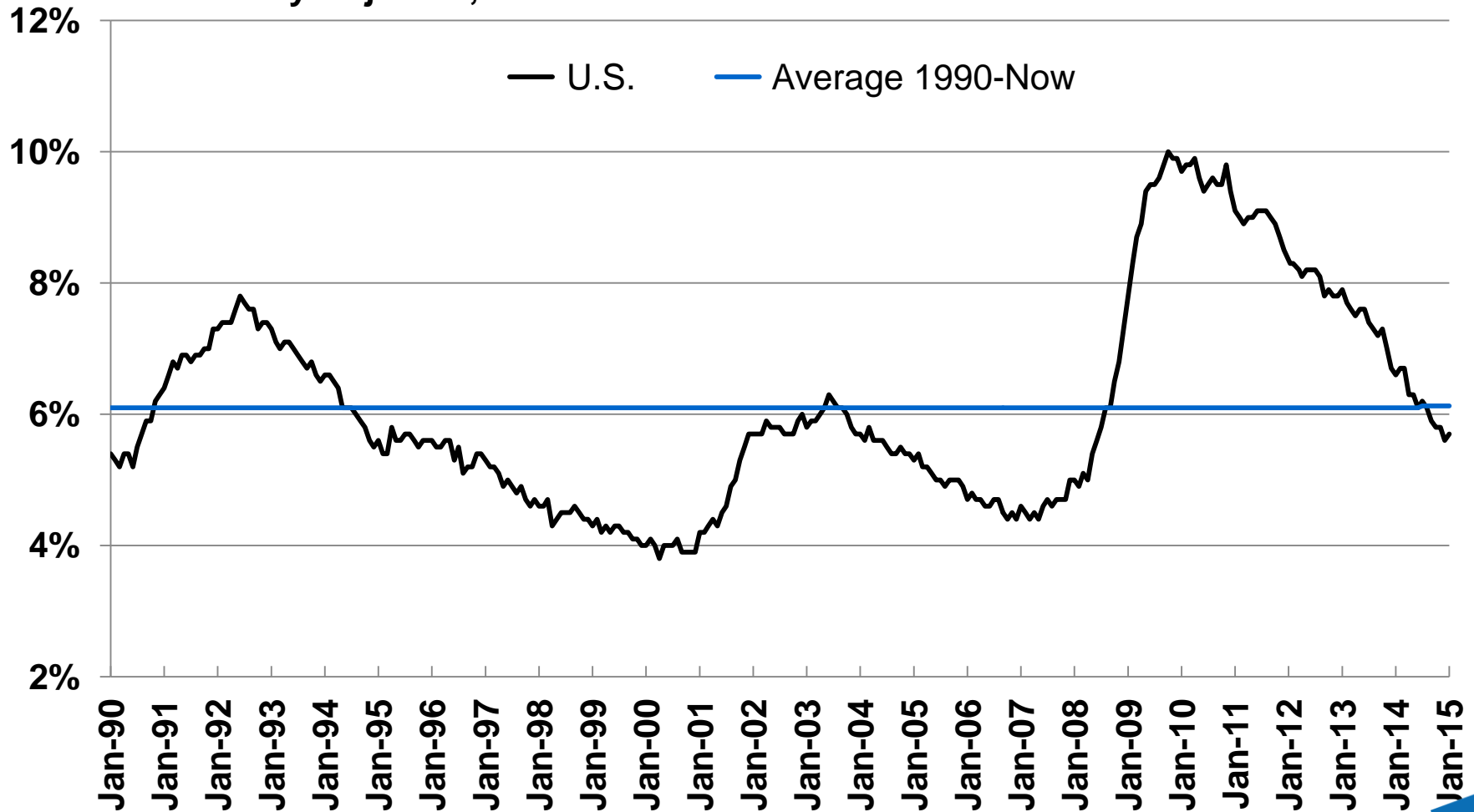
# U.S. Economic Growth

Annual % Change

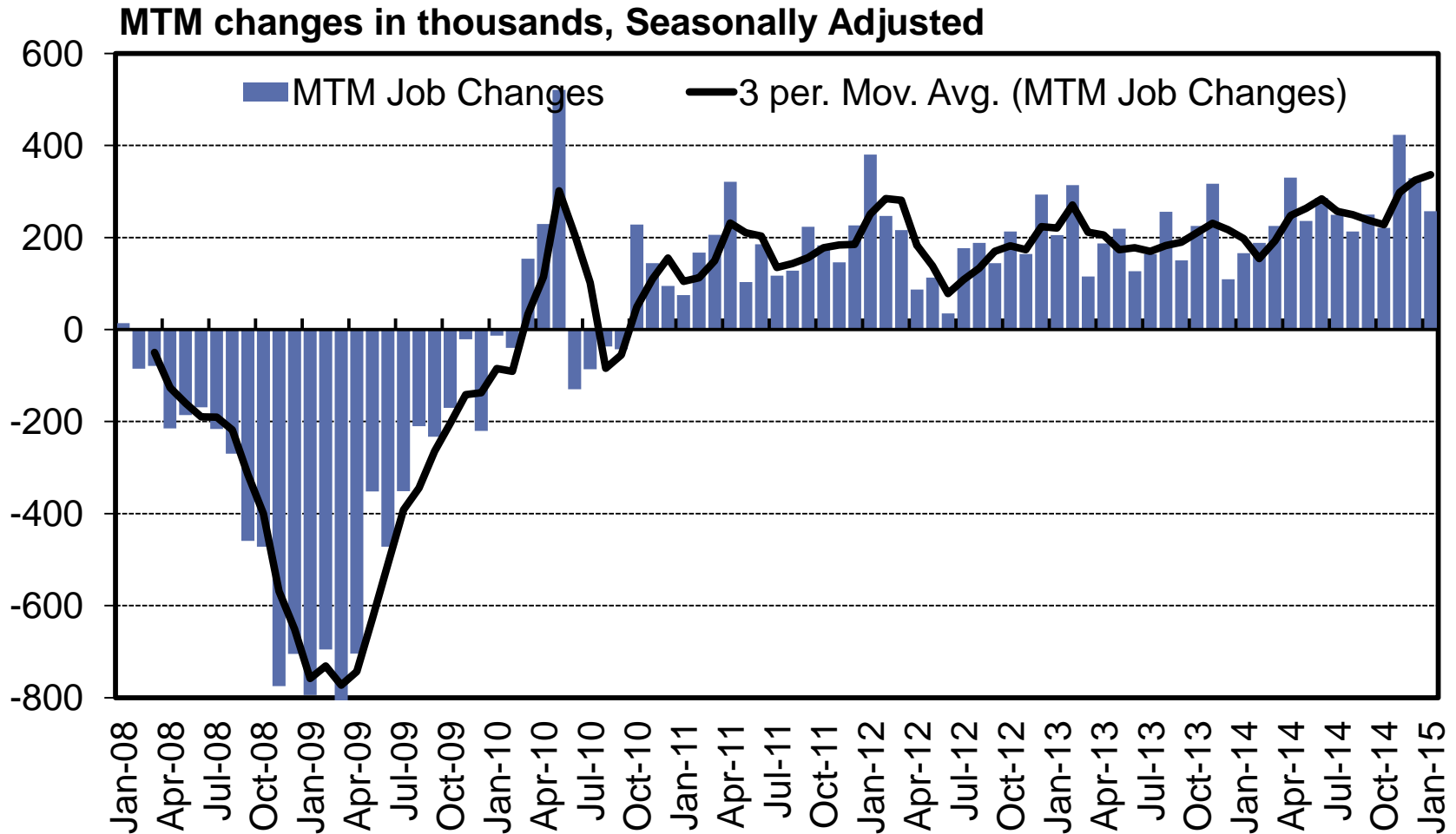


# U.S. Unemployment Rate

Seasonally Adjusted, Jan 2015: 5.7%





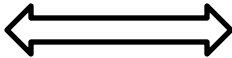


# U.S. Nonfarm Job Growth



Source: US Bureau of Labor Statistics

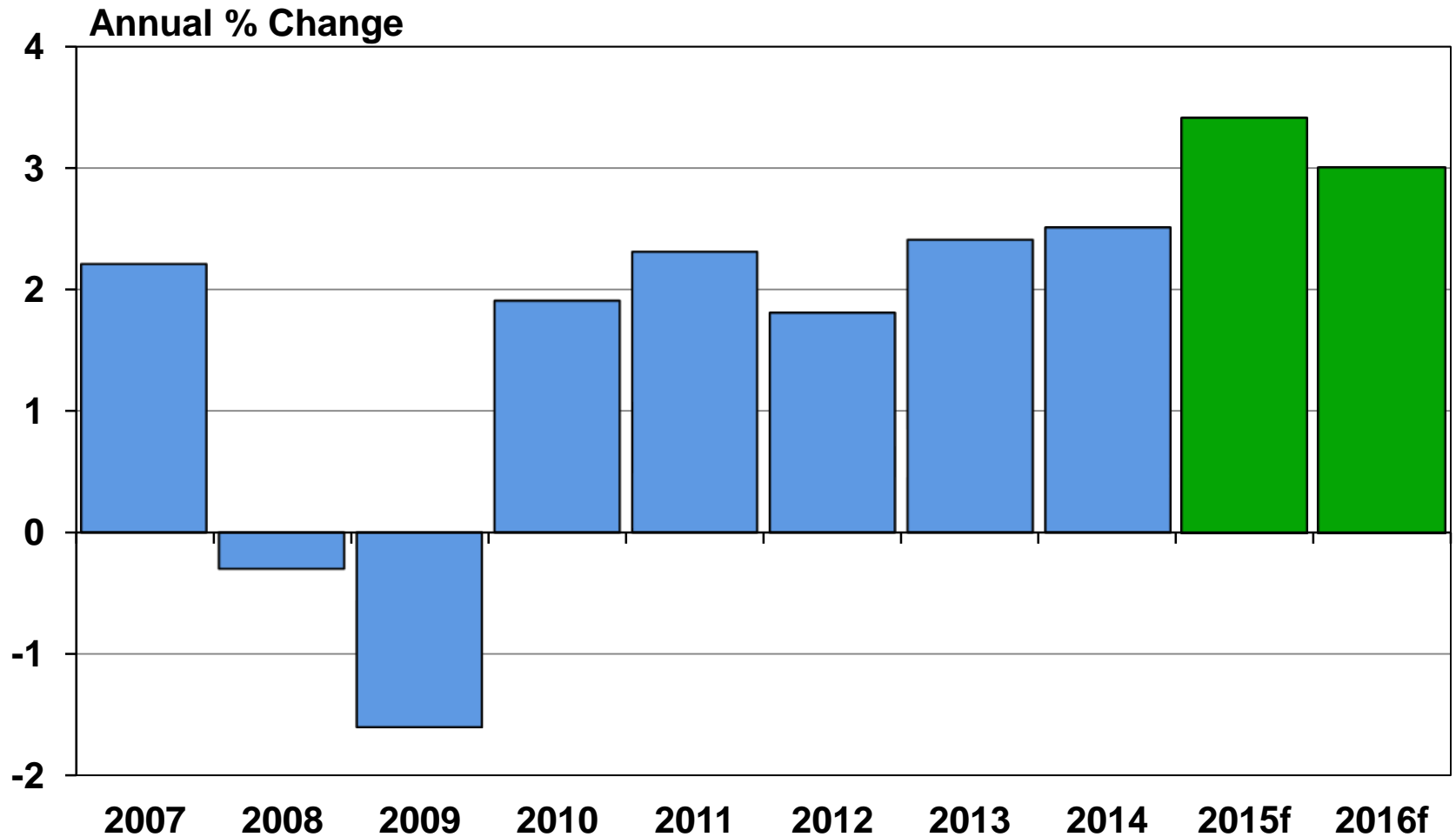


# Key Sectors of Macroeconomy

- Consumer Sector 
- Business Sector 
- Government 
- International Trade  



# U.S. Consumer Expenditures Up

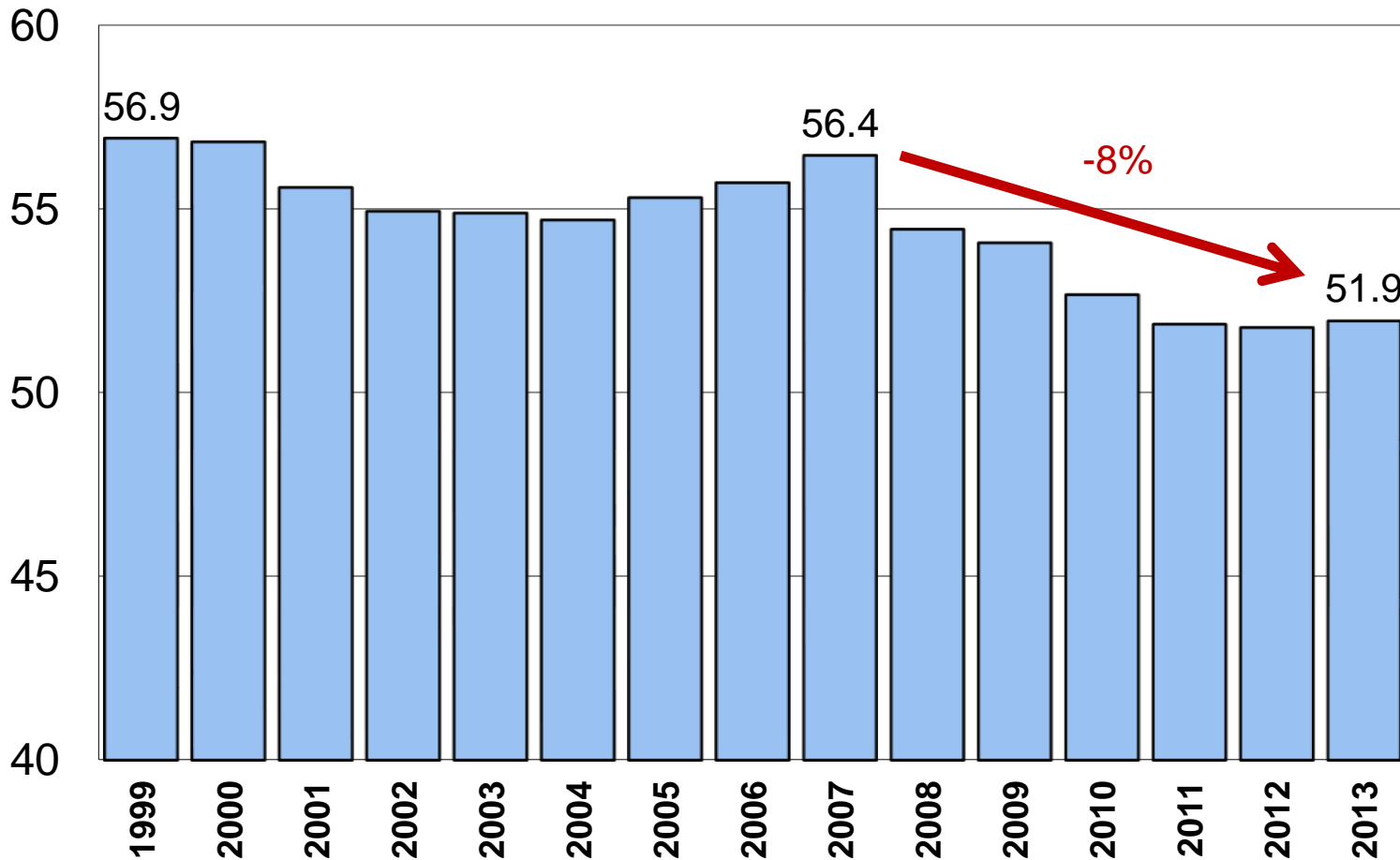


Source: Bureau of Economic Analysis, LAEDC forecasts



# Household Income Below Peak

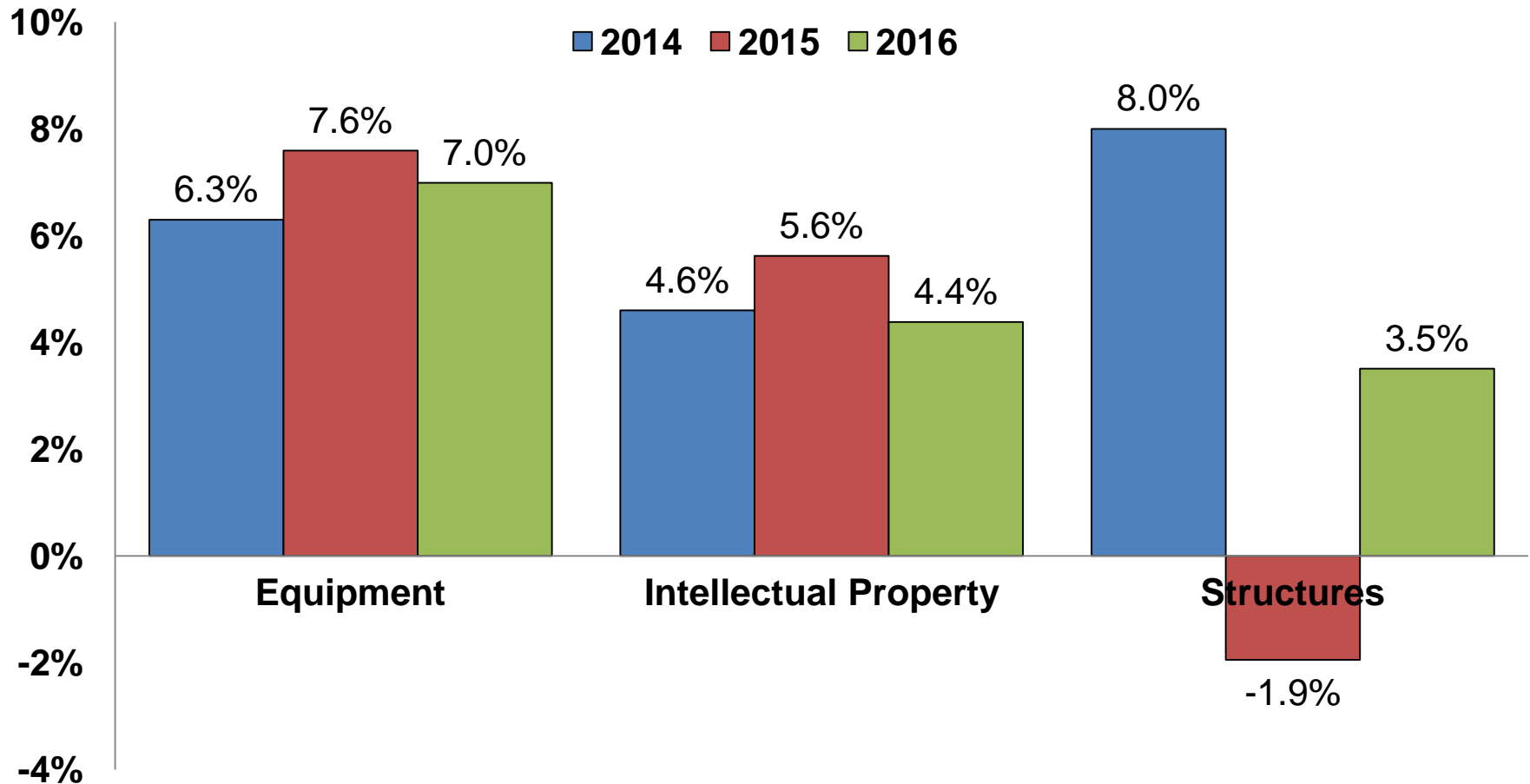
Median HH Income in Thousands of 2013 Dollars



Source: Census Bureau

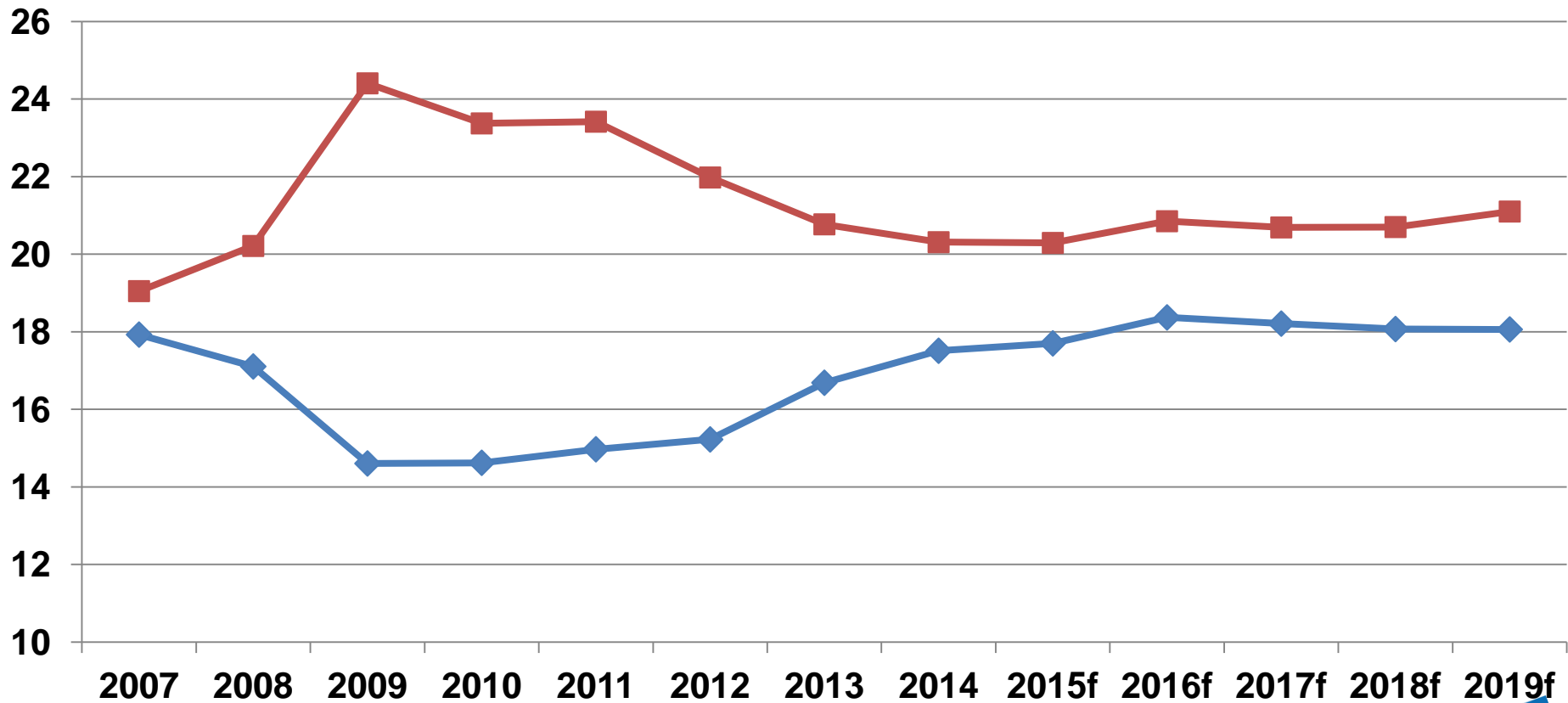
# Business Investment Spending Up

*Annual Percentage Change*



# Federal Budget Receipts & Outlays as Percentage of GDP

—◆— Receipts —■— Outlays

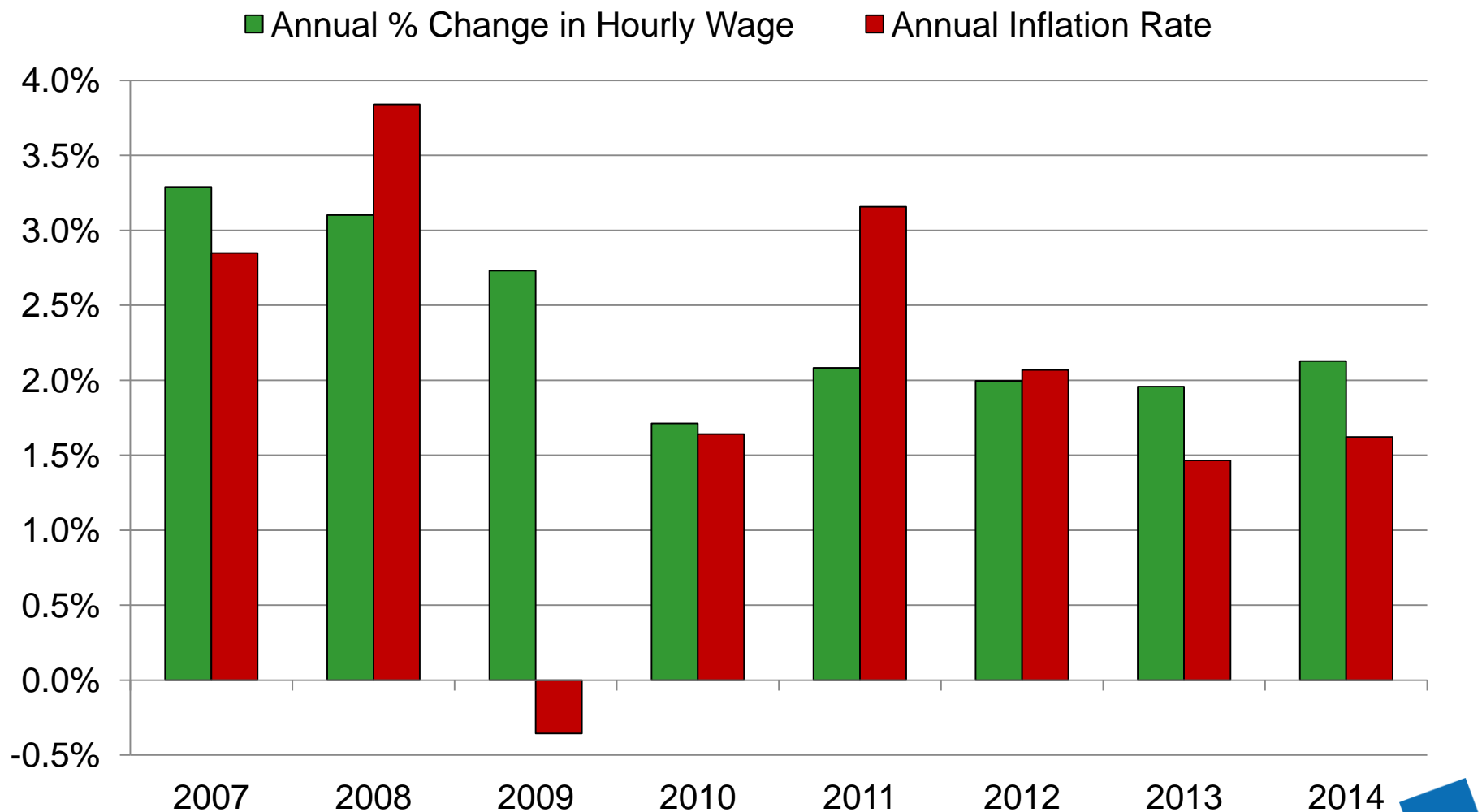


# FORECAST: U.S. Economy to Accelerate

	2012	2013	2014	2015f	2016f
Real GDP - Annual % Chg.	2.3%	2.2%	2.4%	3.0%	3.0%
Nonfarm Jobs - Annual % Chg.	1.7%	1.7%	1.9%	1.9%	1.8%
Unemployment Rate	8.1%	7.4%	6.2%	5.6%	5.4%
Consumer Prices - Annual % Chg.	2.1%	1.5%	1.6%	1.3%	2.3%

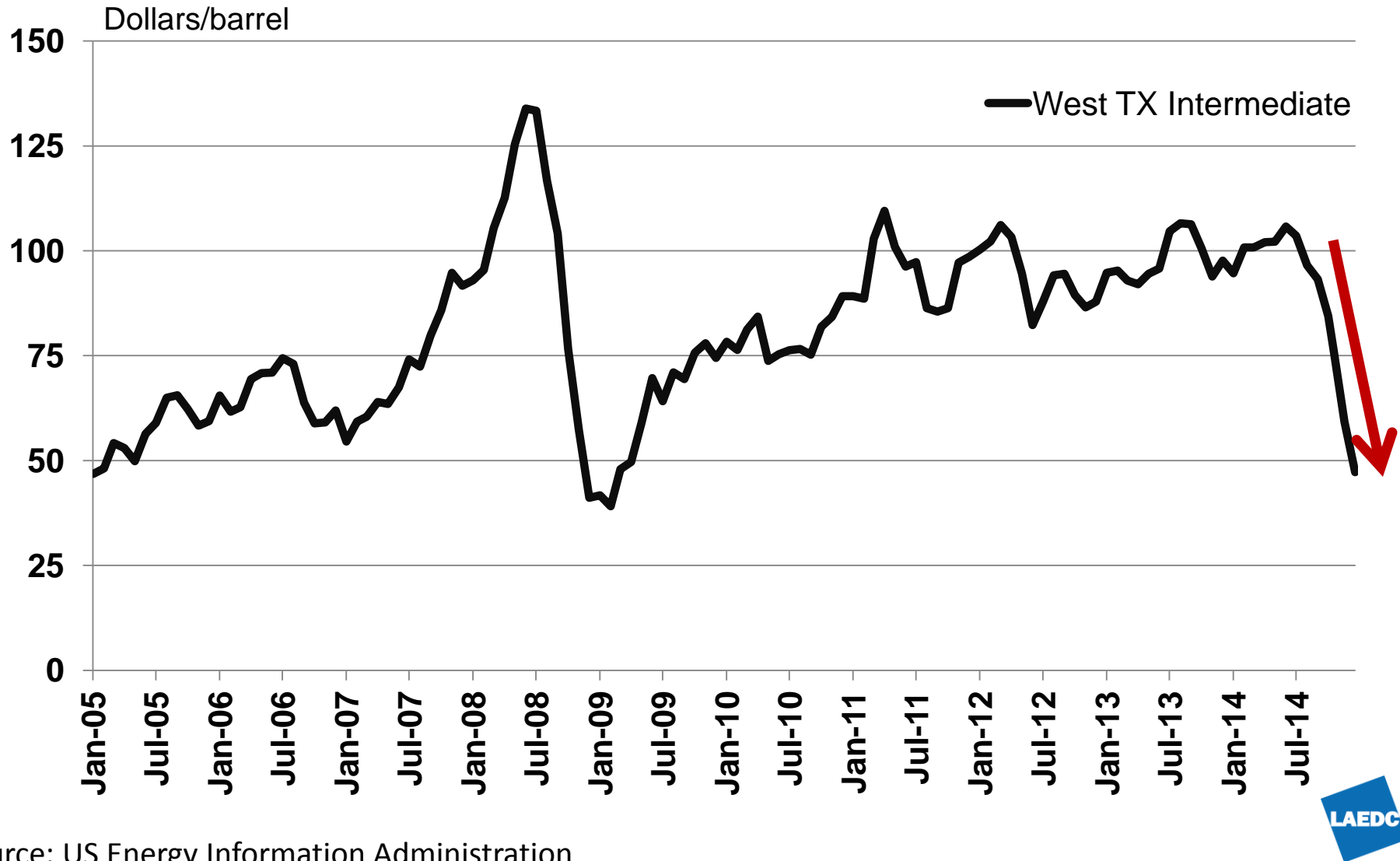
# **U.S. Forecast: What to Watch**

# Wage Gains vs. Inflation



Source: Bureau of Labor Statistics

# Crude Oil Prices 2005-Present



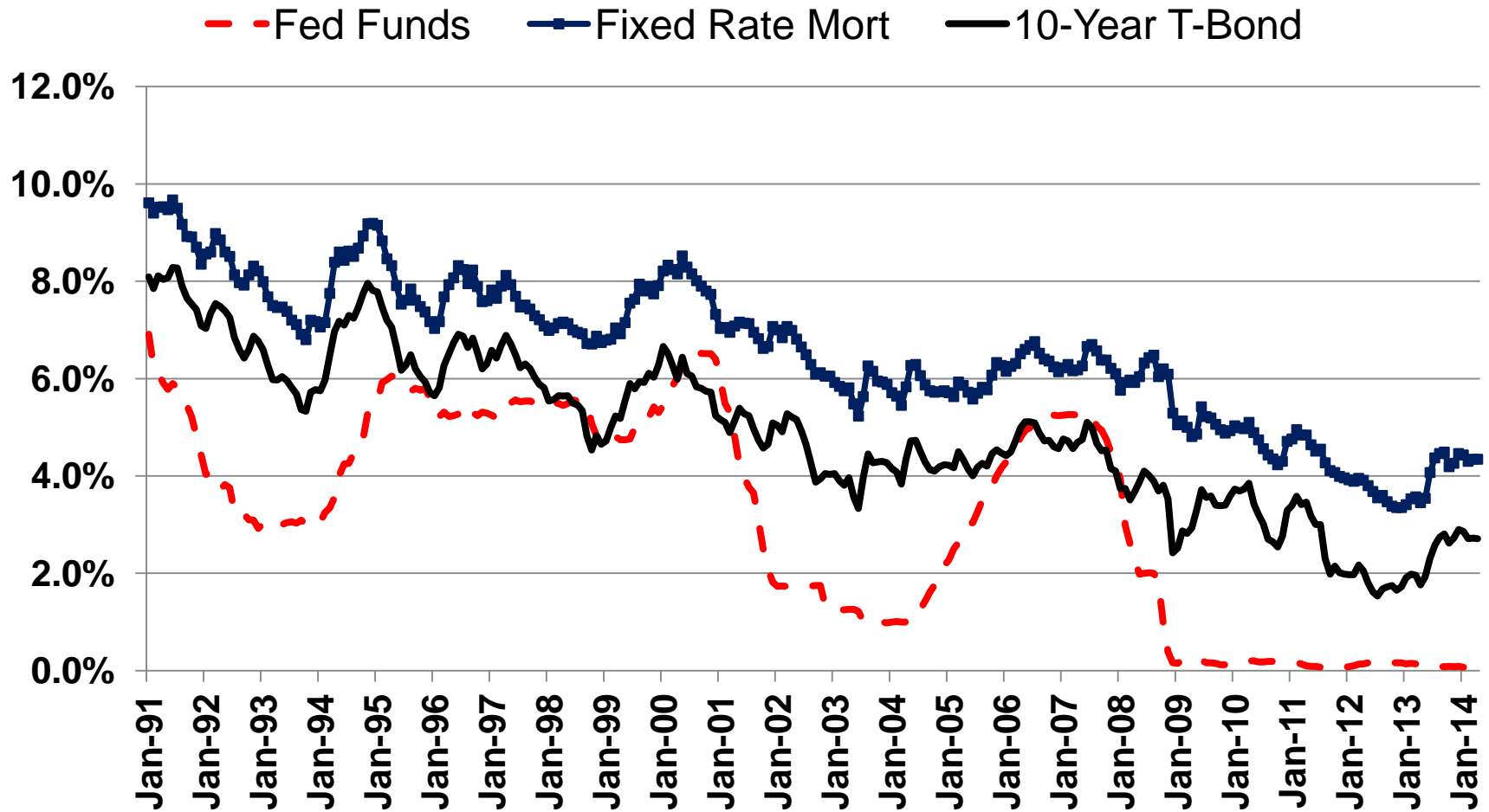
Source: US Energy Information Administration



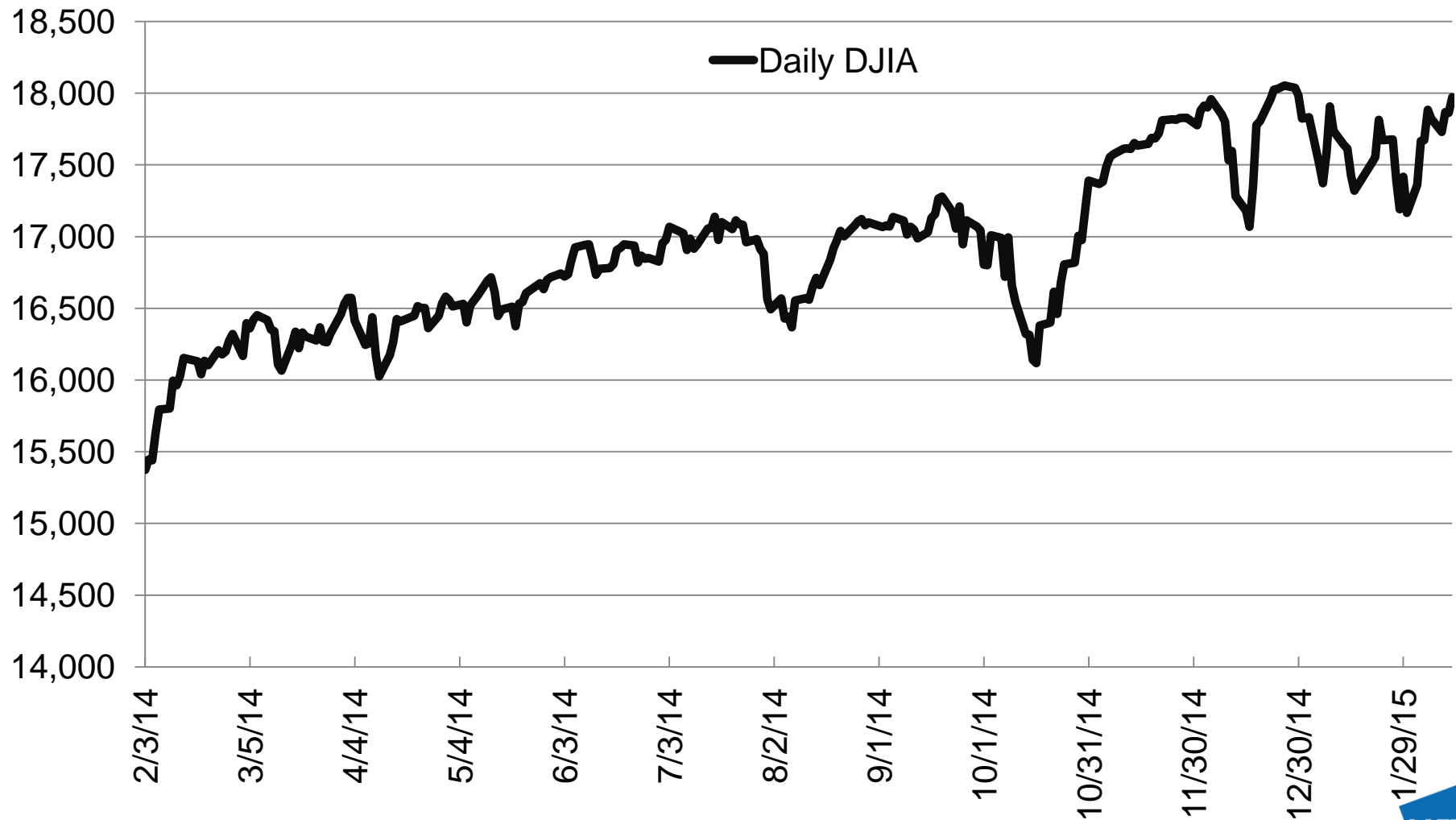
# Q: When Will Fed Raise Rates?

- Fed ended Quantitative Easing (QE) in October 2014
- Fed to raise short term rates in second half of 2015? *It depends...*
- Concern about Fed getting 'ahead of the curve' and ability to react to future events

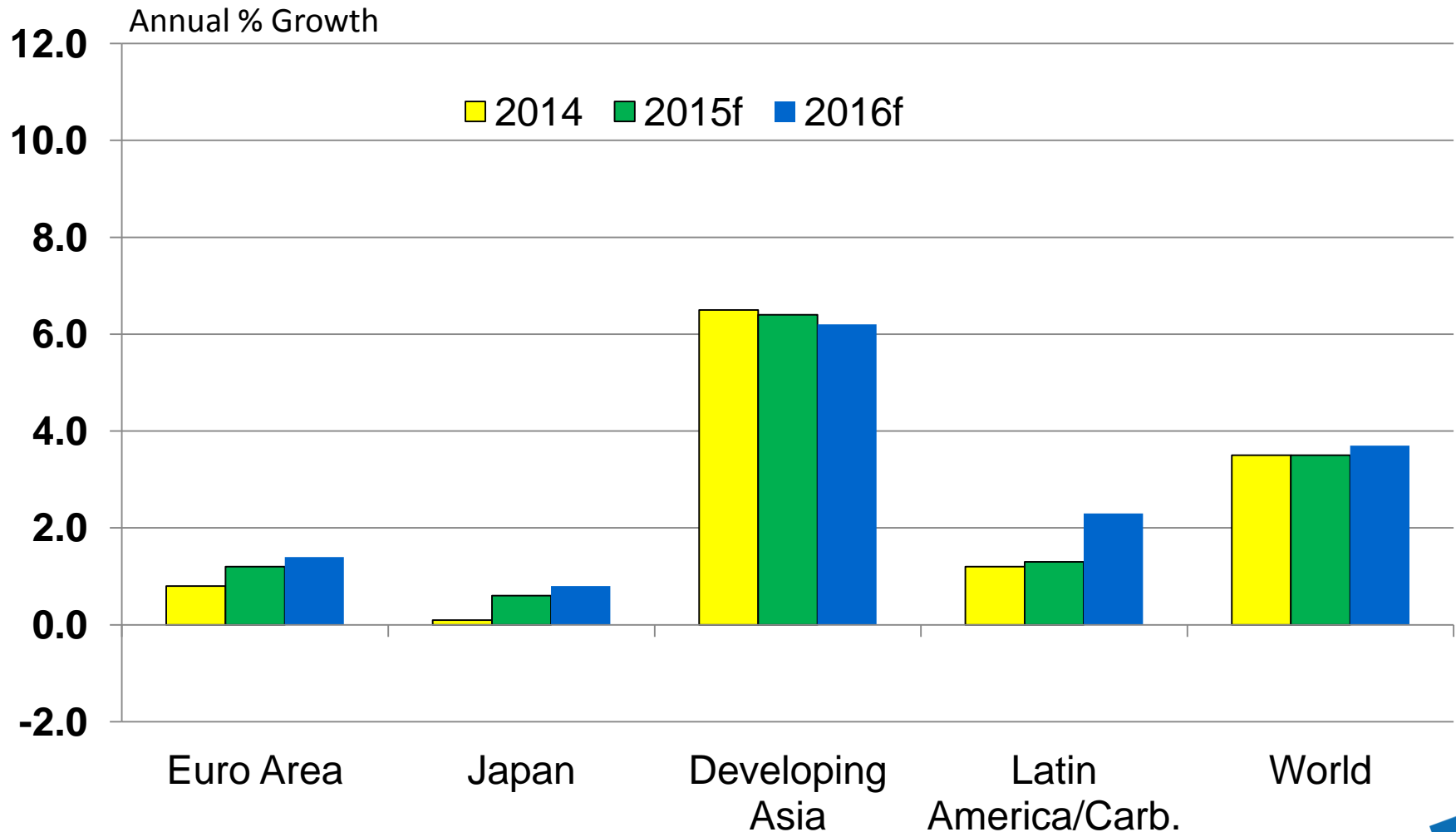
# Key Interest Rates



# Stock Market Volatility Up



# Mixed Global Outlook



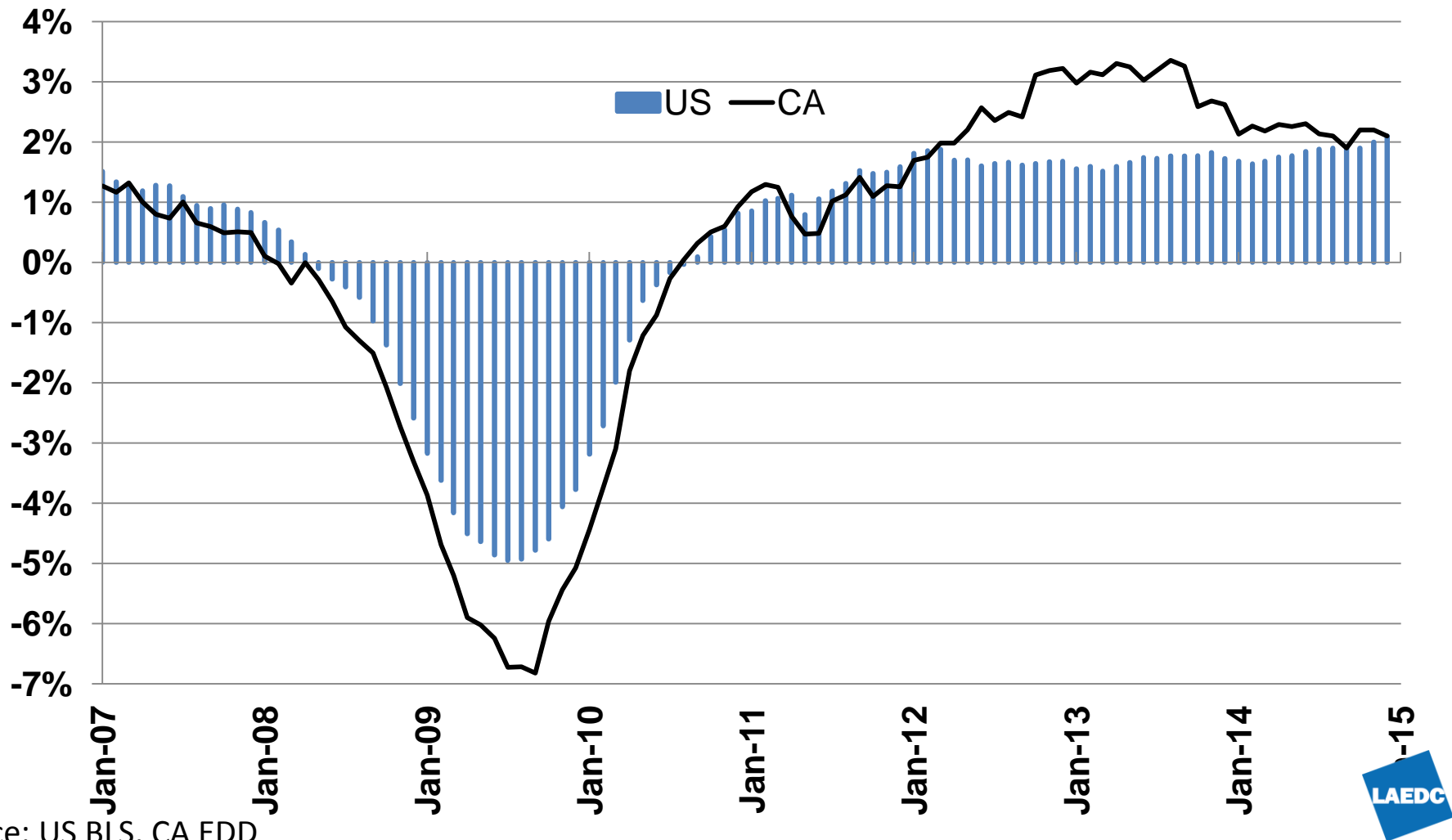
Source: IMF World Economic Outlook, January 2015 Update

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 'EUREKA' and 'CALIFORNIA REPUBLIC' visible. The title 'California Economy' is superimposed in the center in a large, bold, blue font with a slight drop shadow.

# California Economy

# California Adding Jobs Faster than U.S.

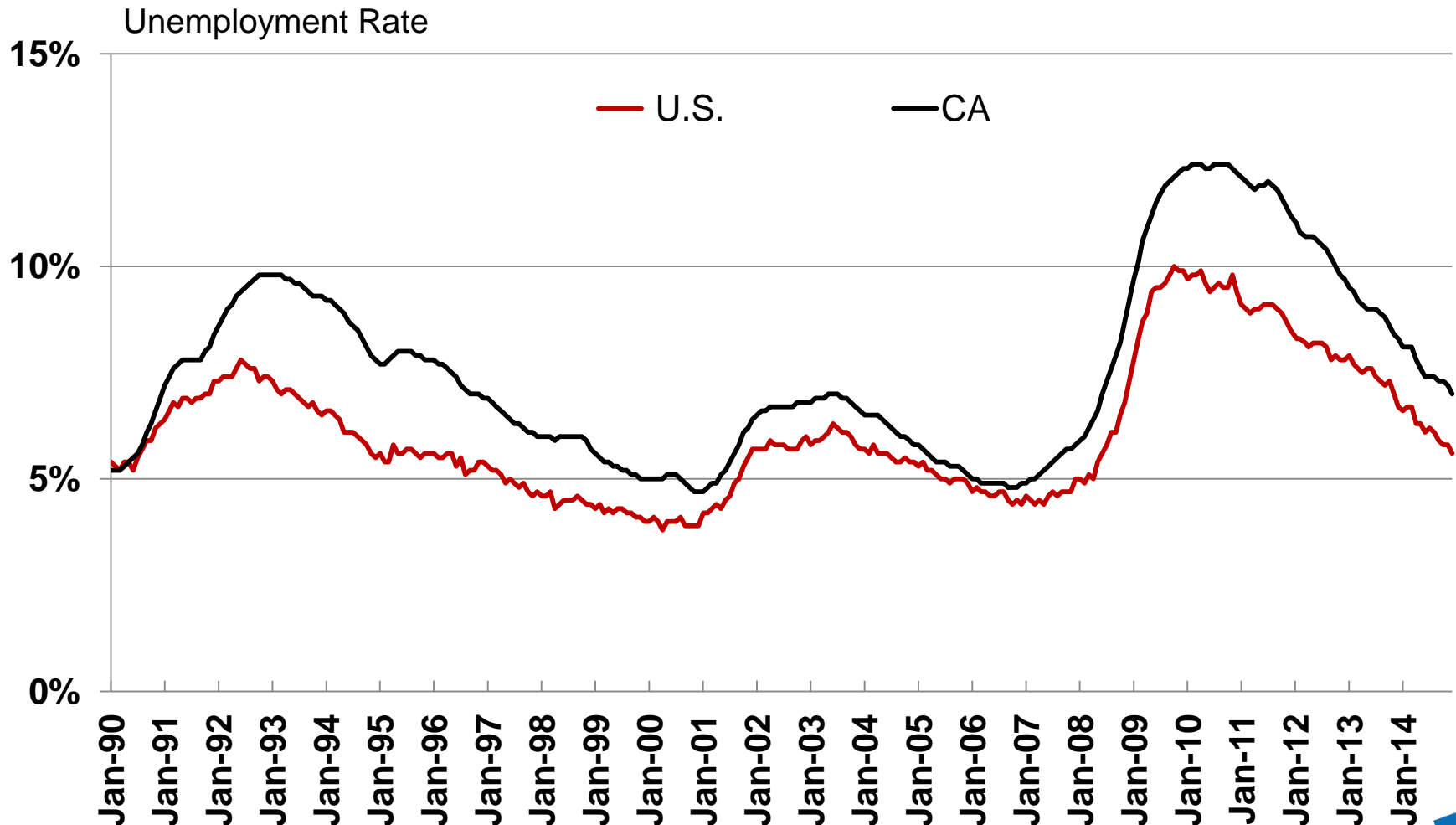
YTY % change in nonfarm jobs, seasonally adjusted



Source: US BLS, CA EDD



# CA Unemployment Rate Falling Quickly

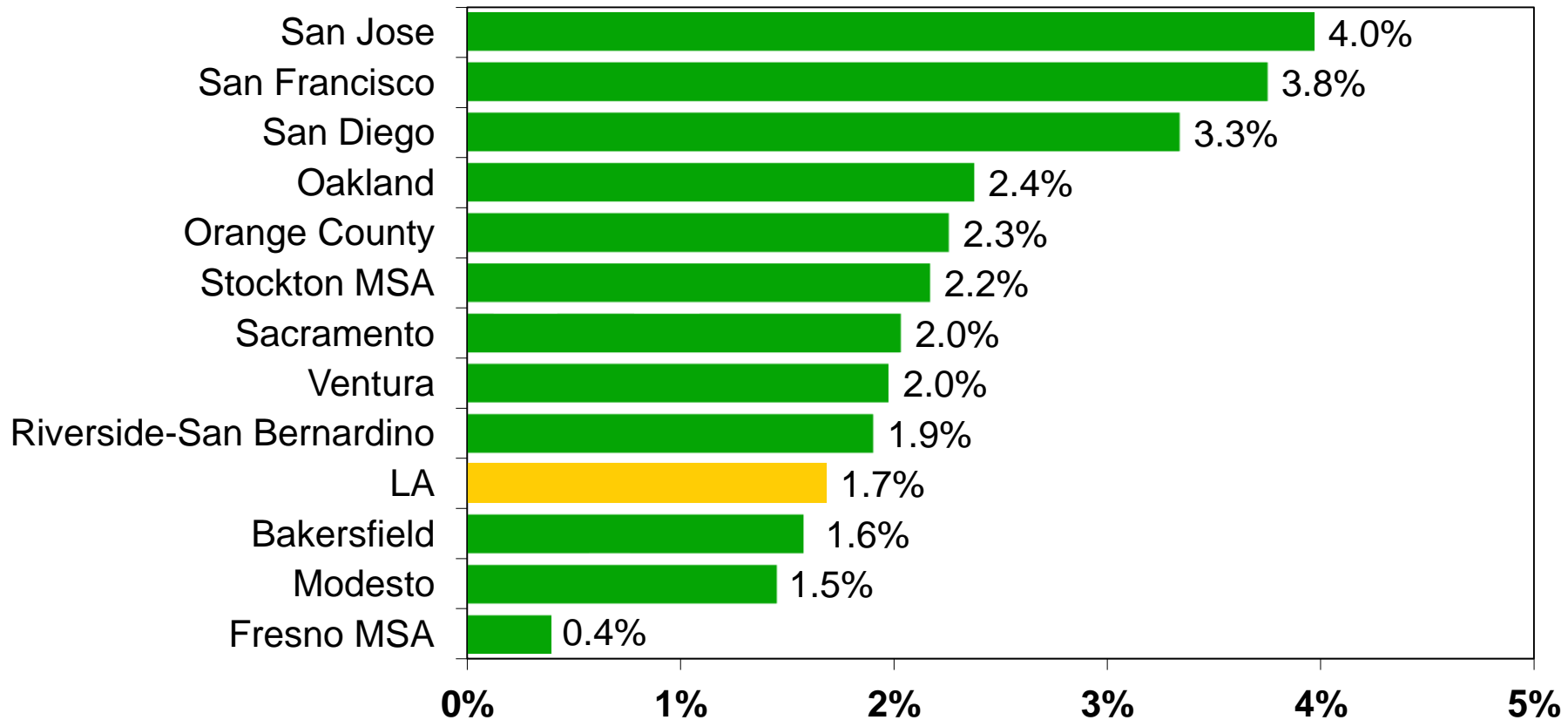


Source: US BLS, CA EDD

# Job Trends by California Metro Area

*Annual percent change in nonfarm jobs, seasonally adjusted*

**CALIFORNIA – Dec 2014: +320,300 +2.1% YTY**





# FORECAST: California Keeps Momentum

	2012	2013	2014	2015f	2016f
Nonfarm Jobs - annual % chg.	2.4%	3.0%	2.2%	2.2%	2.1%
Unemployment Rate	10.4%	8.9%	7.5%	6.7%	6.3%
Personal Income - annual % chg.	7.1%	2.8%	4.7%	4.4%	5.1%
Total Taxable Sales - % chg.	7.3%	5.8%	5.7%	4.2%	6.1%
Housing Permits - thousands of units	57.6	82.3	85.3	110.0	135.6



Forecast Source: LAEDC

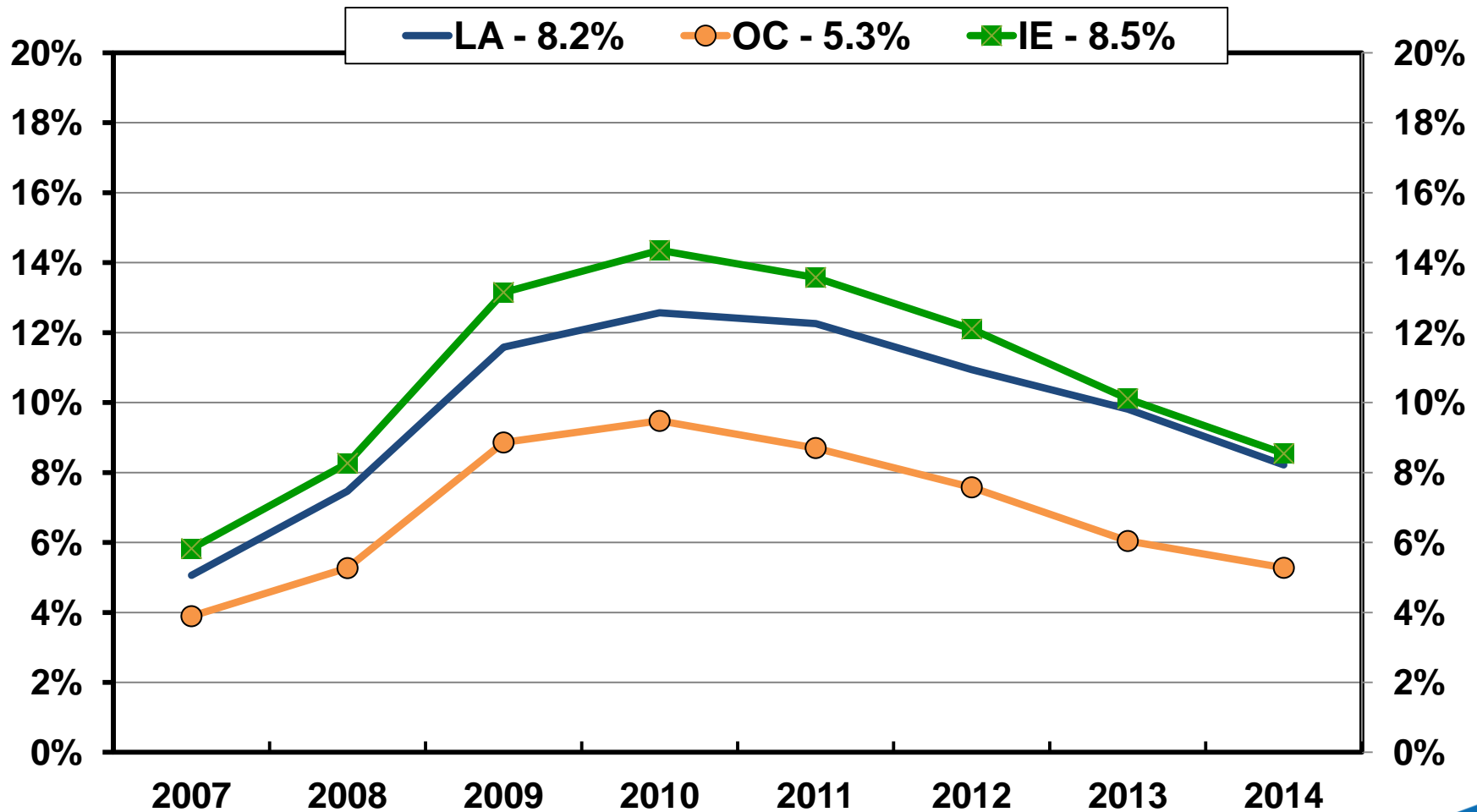
A photograph of the Los Angeles skyline, featuring several prominent skyscrapers. The Bank of America Tower is visible on the left. The sky is clear and blue. In the foreground, there are palm trees, a traffic light, and a road with a few cars. The title text is overlaid in the center.

# **Los Angeles County & Southern California**

# In Brief - Southern California

- Economic Activity – broad gains, new highs
- Port Activity – 3<sup>rd</sup> highest in 2014, 2015?
- Motion Picture & Sound Recording – stronger
- Housing – potential for growth

# Local Unemployment Rates



# # of Major Industries and Industries: 169

Total Nonfarm	Mining and Logging	Construction	Construction of Buildings	Transportation & Warehousing	Air Transportation	Truck Transportation
Residential Building Construction	Nonresidential Building Construction			Transit & Ground Passenger Transportation	Couriers & Messengers	Support Activities for
Heavy & Civil Engineering Construction	Specialty Trade Contractors			Information	Publishing Industries (except Internet)	Warehousing & Storage
Building Foundation & Exterior Contractors	Building Equipment Contractors			Book & Directory Publishers	Motion Picture & Sound Recording	Newspaper, Periodical,
Building Finishing Contractors	Other Specialty Trade Contractors			Broadcasting (except Internet)	Radio & Television Broadcasting	Cable &
Manufacturing	Durable Goods	Primary Metal Manufacturing		Other Subscription Programming	Telecommunications	Data Processing,
Fabricated Metal Product Manufacturing	Machinery Manufacturing			Hosting & Related Services	Finance & Insurance	Credit Intermediation &
Computer & Electronic Product Manufacturing	Electronic Instrument			Related Activities	Depository Credit Intermediation	Nondepository
Manufacturing	Electrical Equipment & Appliance Manufacturing			Credit Intermediation	Activities Related to Credit Intermediation	
Transportation Equipment Manufacturing	Aerospace Product & Parts			Securities, Commodity Contracts & Investments	Insurance Carriers & Related	
Manufacturing	Furniture & Related Product Manufacturing	Household &		Insurance Carriers	Agencies, Broker, & Other Insurance Related Act	Real
Institutional Furniture Mfg	Miscellaneous Durable Goods Manufacturing			Estate & Rental & Leasing	Real Estate	Lessors of Real Estate
Nondurable Goods	Food Manufacturing	Dairy Product Manufacturing		Offices of Real Estate Agents & Brokers	Activities Related to Real Estate	
Animal Slaughtering & Processing	Bakeries & Tortilla Manufacturing			Real Estate and Rental and Leasing - Residual	Professional, Scientific & Technical	
Beverage & Tobacco Product Mfg	Textile Mills	Apparel Manufacturing		Services	Legal Services	Accounting, Tax Preparation & Bookkeeping
Cut & Sew Apparel Manufacturing	Paper Manufacturing	Printing &		Services	Architectural, Engineering & Related Services	Computer Systems
Related Support Activities	Petroleum & Coal Products Manufacturing			Design & Related Services	Management, Scientific & Technical Consulting Serv	
Chemical Manufacturing	Pharmaceutical & Medicine Manufacturing			Scientific Research & Development Services	Advertising & Related Services	
Plastics & Rubber Products Manufacturing	Wholesale Trade	Merchant		Management of Companies & Enterprises	Administrative & Support & Waste	
Wholesalers, Durable Goods	Motor Vehicle & Motor Vehicle Parts Merchant			Services	Administrative & Support Services	Employment Services
Professional & Commercial Equipment Merchant	Electrical & Electronic Goods			Business Support Services	Travel Arrangement & Reservation Services	
Merch Wholesalers	Machinery, Equip & Supplies Merchant Wholesalers			Investigation & Security Services	Services to Buildings & Dwellings	
Miscellaneous Durable Goods Merchant Wholesalers	Merchant Wholesalers,			Educational Services	Elementary & Secondary Schools	Junior Colleges
Nondurable Goods	Apparel, Piece Goods & Notions Merch Wholesalers			Colleges, Universities & Professional Schools	Health Care & Social Assistance	
Grocery & Related Products Merchant Wholesalers	Misc Nondurable			Ambulatory Health Care Services	Offices of Physicians	Offices of
Merchant Wholesalers	Wholesale Electronic Markets & Agents & Broker			Dentists	Offices of Other Health Practitioners	Hospitals
Retail Trade	Motor Vehicle & Parts Dealer	Automobile Dealers		& Residential Care Facilities	Nursing Care Facilities	Social Assistance
Other Motor Vehicle Dealers	Automotive Parts, Accessories & Tire Stores			Individual & Family Services	Child Day Care Services	Leisure & Hospitality
Furniture & Home Furnishings Stores	Electronics & Appliance Stores			Arts, Entertainment & Recreation	Performing Arts, Spectator Sports	
Building Material & Garden Equipment Stores	Food & Beverage Stores			Independent Artists, Writers & Performers	Museums, Historical Sites & Similar	
Grocery Stores	Health & Personal Care Stores	Gasoline Stations		Institutions	Amusement, Gambling & Recreation	Gambling Industries
Clothing & Clothing Accessories Stores	Sporting Goods, Hobby, Book & Music			Other Amusement & Recreation	Accommodation & Food Services	
Stores	Sporting Goods, Hobby & Musical Instrument Store	Book,		Accommodation	Food Services & Drinking Places	Full-Service
Periodical & Music Stores	General Merchandise Stores	Department		Restaurants	Limited-Service Eating Places	Special Food Services
Stores	Other General Merchandise Stores	Miscellaneous Store Retailers		Other Services	Repair & Maintenance	Personal & Laundry Services
Nonstore Retailers	Transportation, Warehousing & Utilities	Utilities		Religious, Grants, Civic, Professional & Like Org	Government	Federal
				Government	Department of Defense	Federal Government excluding
				Department of Defense	State & Local Government	State Government
				State Government Education	State Government Excluding Education	Local
				Government	Local Government Education	Local Government Excluding
				Education	County	City
						Special Districts plus Indian Tribes

# # of Detailed Industries: 2,059

Oil and Gas Extraction Oil and Gas Extraction Oil and Gas Extraction Crude Petroleum & Natural Gas Extraction Natural Gas Liquid Extraction Mining (except Oil and Gas) Nonmetallic Mineral Mining and Quarrying Stone Mining and Quarrying Dimension Stone Mining and Quarrying Other Crushed Stone Mining and Quarrying Sand, Clay, & Refractory Mineral Mining Construction Sand and Gravel Mining Other Nonmetallic Mineral Mining Potash, Soda, and Borate Mineral Mining All Other Nonmetallic Mineral Mining Support Activities for Mining Support Activities for Mining Support Activities for Mining Drilling Oil and Gas Wells Support Activities, Oil/Gas Operations Support Activities for Coal Mining Support Activities for Metal Mining Construction Construction of Buildings Residential Building Construction Residential Building Construction New Single-Family Housing Construction (except For-Sale Builders) New Multifamily Housing Construction (except For-Sale Builders) New Housing For-Sale Builders Residential Remodelers Nonresidential Building Construction Industrial Building Construction Industrial Building Construction Commercial Building Construction Commercial Building Construction Heavy and Civil Engineering Construction Utility System Construction Water and Sewer System Construction Water and Sewer System Construction Oil and Gas Pipeline Construction Oil and Gas Pipeline Construction Power/Communication System Construction Power/Communication System Construction Land Subdivision Land Subdivision Highway, Street, and Bridge Construction Highway, Street, and Bridge Construction Heavy Construction Other Heavy Construction Other Heavy Construction Specialty Trade Contractors Building Foundation/Exterior Contractors Poured Concrete Structure Contractors Residential Poured Foundation Contractor Nonresidential Poured Foundation Contrs Steel and Precast Concrete Contractors Residential Structural Steel Contractors Nonresidential Structural Steel Contrs Framing Contractors Residential Framing Contractors Nonresidential Framing Contractors Masonry Contractors Residential Masonry Contractors Nonresidential Masonry Contractors Glass and Glazing Contractors Residential Glass/Glazing Contractors Nonresidential Glass/Glazing Contractors Roofing Contractors Residential Roofing Contractors Nonresidential Roofing Contractors Siding Contractors Residential Siding Contractors Nonresidential Siding Contractors Other Building Exterior Contractors Other Residential Exterior Contractors Other Nonresidential Exterior Contrs Building Equipment Contractors Electrical Contractors Residential Electrical Contractors Nonresidential Electrical Contractors Plumbing and HVAC Contractors Residential Plumbing/HVAC Contractors Nonresidential Plumbing/HVAC Contractors Other Building Equipment Contractors Other Residential Equipment Contractors Other Nonresidential Equipment Contrs Building Finishing Contractors Drywall and Insulation Contractors Residential Drywall Contractors Nonresidential Drywall

Contractors Painting and Wall Covering Contractors Residential Painting Contractors Nonresidential Painting Contractors Flooring Contractors Residential Flooring Contractors Nonresidential Flooring Contractors Tile and Terrazzo Contractors Residential Tile/Terrazzo Contractors Nonresidential Tile/Terrazzo Contractors Finish Carpentry Contractors Residential Finish Carpentry Contractors Nonresidential Finish Carpentry Contrs Other Building Finishing Contractors Other Residential Finishing Contractors Other Nonresidential Finishing Contrs Other Specialty Trade Contractors Site Preparation Contractors Residential Site Preparation Contractors Nonresidential Site Preparation Contrs All Other Specialty Trade Contractors All Other Residential Trade Contractors All Other Nonresidential Trade Contrs Manufacturing Food Manufacturing Animal Food Manufacturing Animal Food Manufacturing Dog and Cat Food Manufacturing Other Animal Food Manufacturing Grain and Oilseed Milling Flour Milling and Malt Manufacturing Flour Milling Rice Milling Starch and Vegetable Oil Manufacturing Soybean and Other Oilseed Processing Fats and Oils Refining and Blending Breakfast Cereal Manufacturing Breakfast Cereal Manufacturing Sugar/Confectionery Product Manufacture Nonchocolate Confectionery Manufacturing Nonchocolate Confectionery Manufacturing Chocolate and Confectionery Manufacturing from Cacao Beans Confectionery Manufacturing from Purchased Chocolate Fruit, Vegetable, & Specialty Foods Mfg Frozen Food Manufacturing Frozen Fruit and Vegetable Manufacturing Frozen Specialty Food Manufacturing Fruit and Vegetable Canning Fruit and Vegetable Canning Specialty Canning Dried and Dehydrated Food Manufacturing Dairy Product Manufacturing Dairy Product (ex. Frozen) Manufacturing Fluid Milk Manufacturing Creamery Butter Manufacturing Cheese Manufacturing Dry, Condensed, Evaporated Dairy Product Ice Cream & Frozen Dessert Manufacturing Ice Cream & Frozen Dessert Manufacturing Animal Slaughtering and Processing Animal Slaughtering and Processing Animal (except Poultry) Slaughtering Meat Processed from Carcasses Rendering and Meat Byproduct Processing Poultry Processing Seafood Product Preparation & Packaging Seafood Product Preparation & Packaging Seafood Product Preparation and Packaging Bakeries and Tortilla Manufacturing Bread and Bakery Product Manufacturing Retail Bakeries Commercial Bakeries Frozen Pastry Manufacturing Cookie, Cracker, and Pasta Manufacturing Cookie and Cracker Manufacturing Dry Pasta, Dough, and Flour Mixes Manufacturing from Purchased Flour Tortilla Manufacturing Tortilla Manufacturing Other Food Manufacturing Snack Food Manufacturing Roasted Nuts and Peanut Butter Mfg Other Snack Food Manufacturing Coffee and Tea Manufacturing Coffee and Tea Manufacturing Flavoring Syrup and Concentrate Mfg Flavoring Syrup and Concentrate Mfg Seasoning and Dressing Manufacturing Mayonnaise, Dressing, and Sauce Mfg Spice and Extract Manufacturing All Other Food Manufacturing Perishable Prepared Food Manufacturing All Other Miscellaneous Food Mfg Beverage & Tobacco Product Manufacturing Beverage Manufacturing Soft Drink and Ice Manufacturing Soft Drink Manufacturing Bottled Water Manufacturing Ice Manufacturing Breweries Breweries Wineries Wineries Distilleries Distilleries Tobacco Manufacturing Tobacco Manufacturing Textile Mills Fiber, Yarn, and Thread Mills Fiber, Yarn, and Thread Mills

# Major Industries in Southern California

## TRADED INDUSTRIES

(Generate New Income)

- International Trade
- Entertainment
- Business Services
- Aerospace
- Fashion & Apparel
- Tourism
- Knowledge Creation

## LOCAL INDUSTRIES

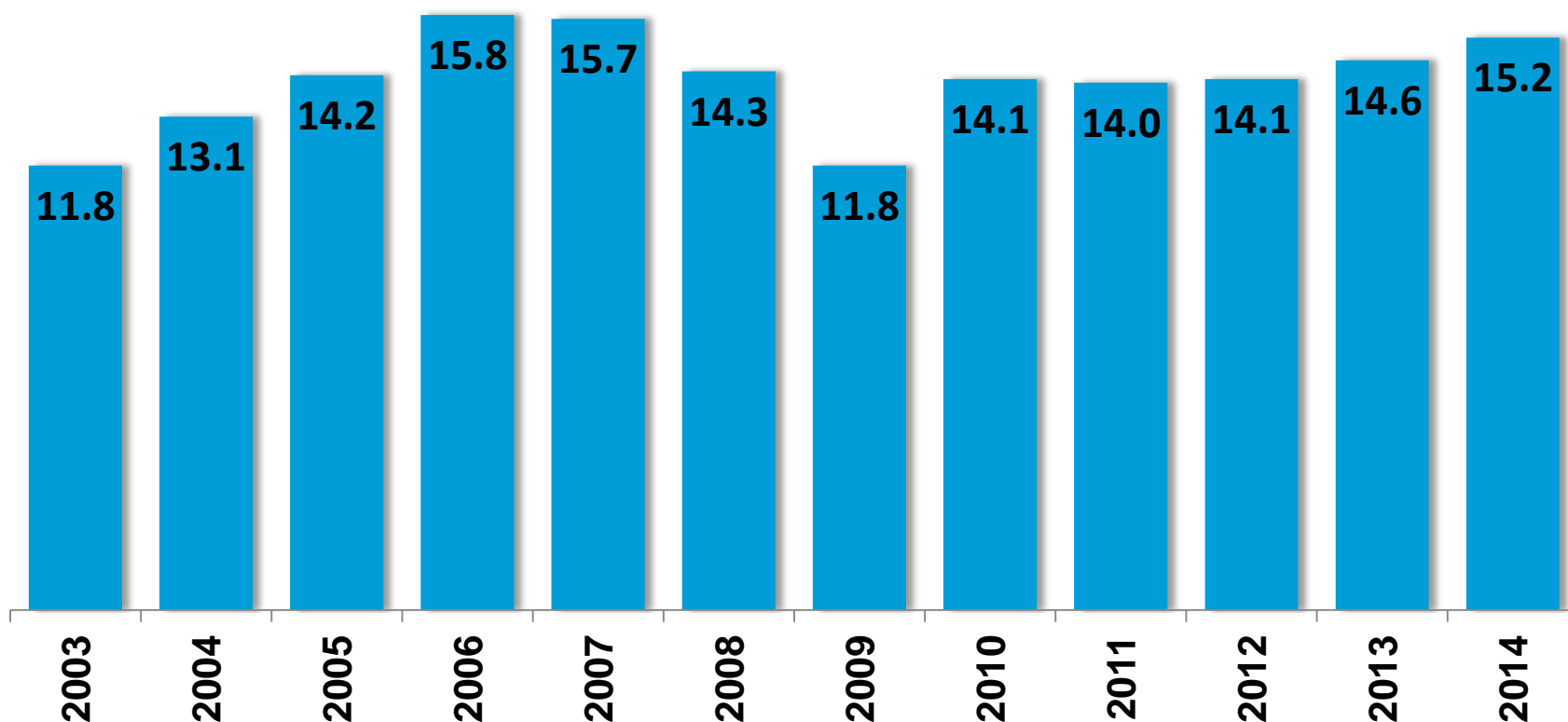
(Circulate Income)

- Retail Sales
- Leisure & Hospitality
- Health Care/Social Assistance

# Container Throughput San Pedro Bay Ports

Millions of TEUs

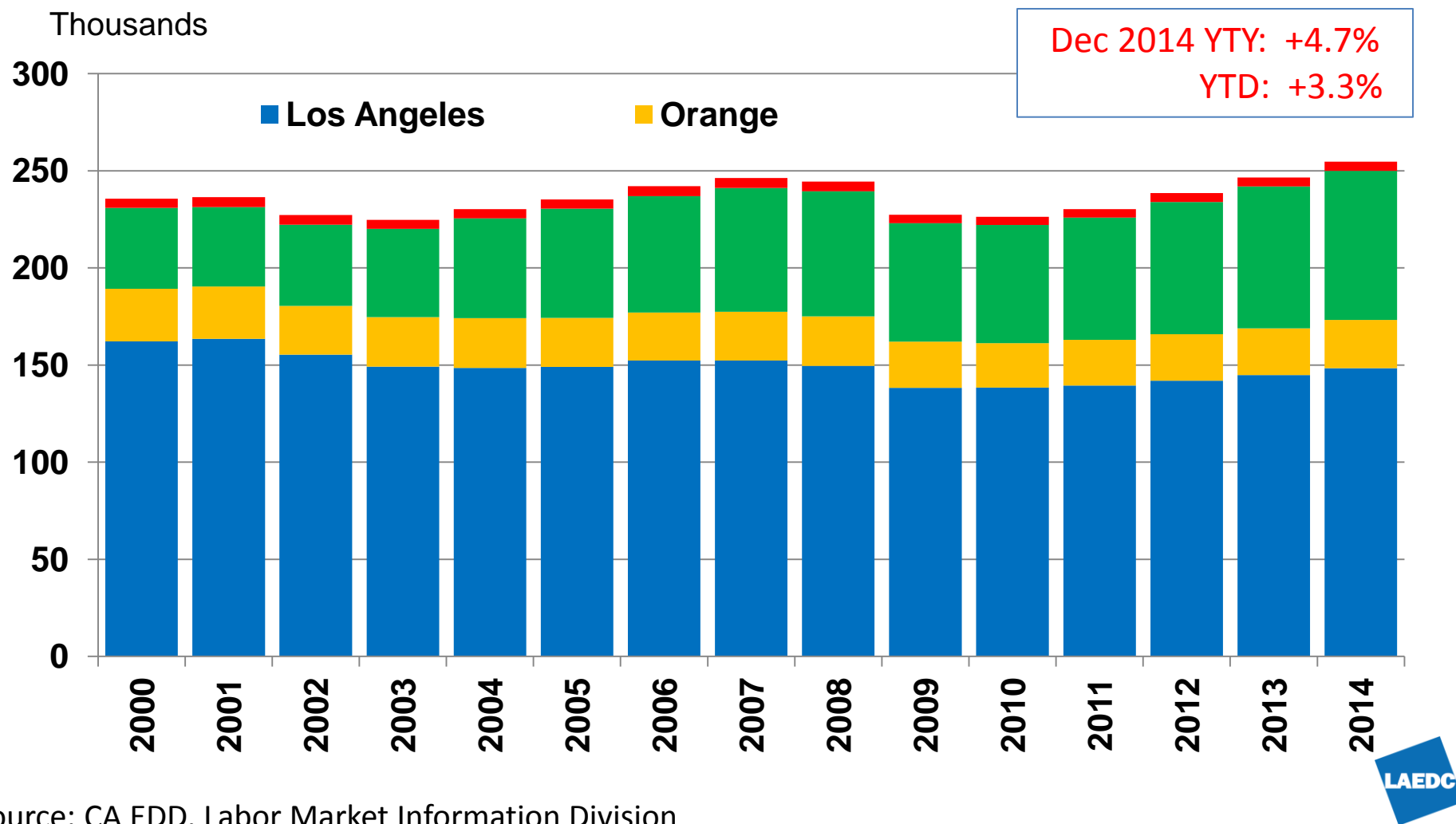
Dec 2014 YTD: +3.8%



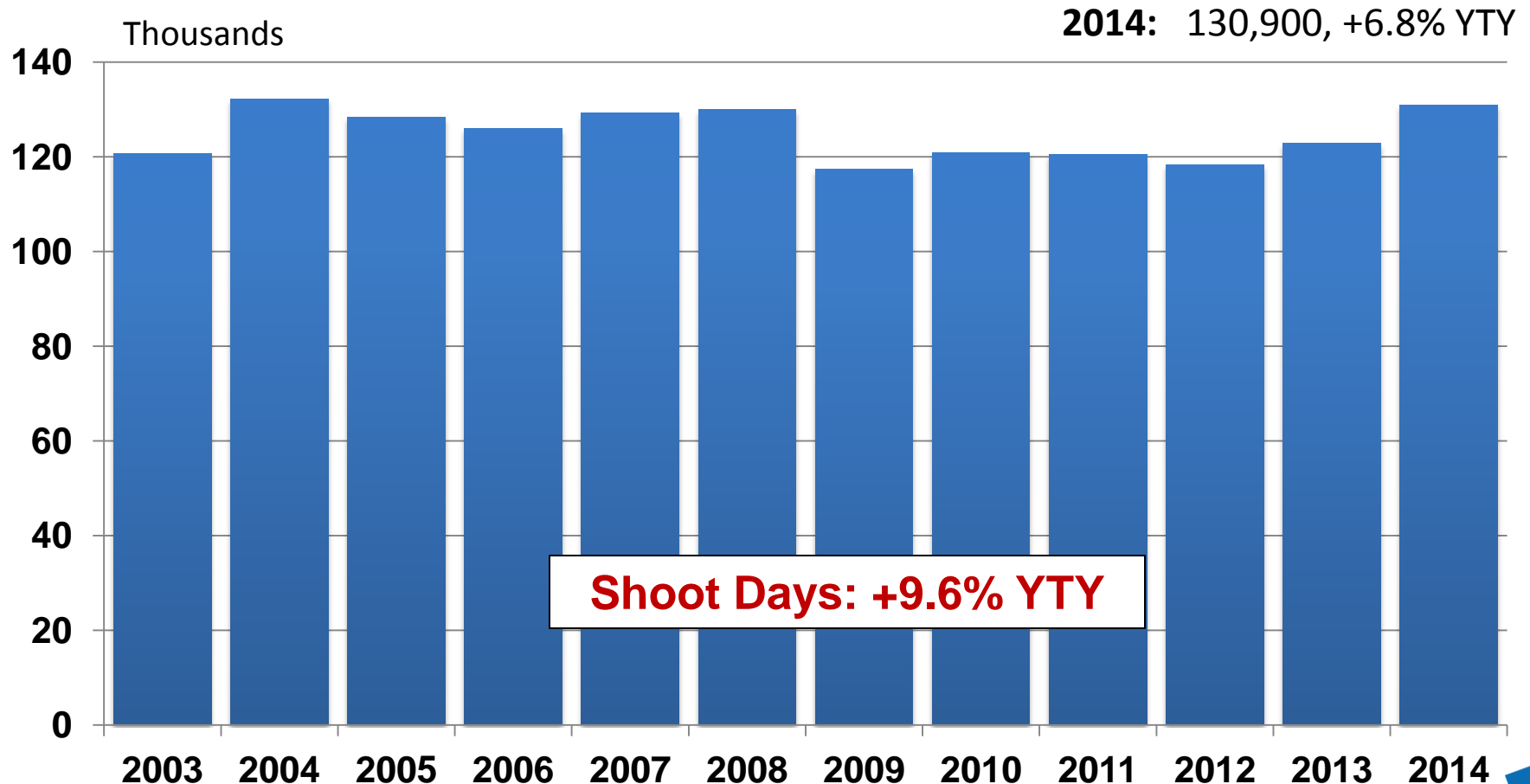
Sources: Ports of Los Angeles and Long Beach; forecast by LAEDC



# Southern California Transportation and Warehousing Employment



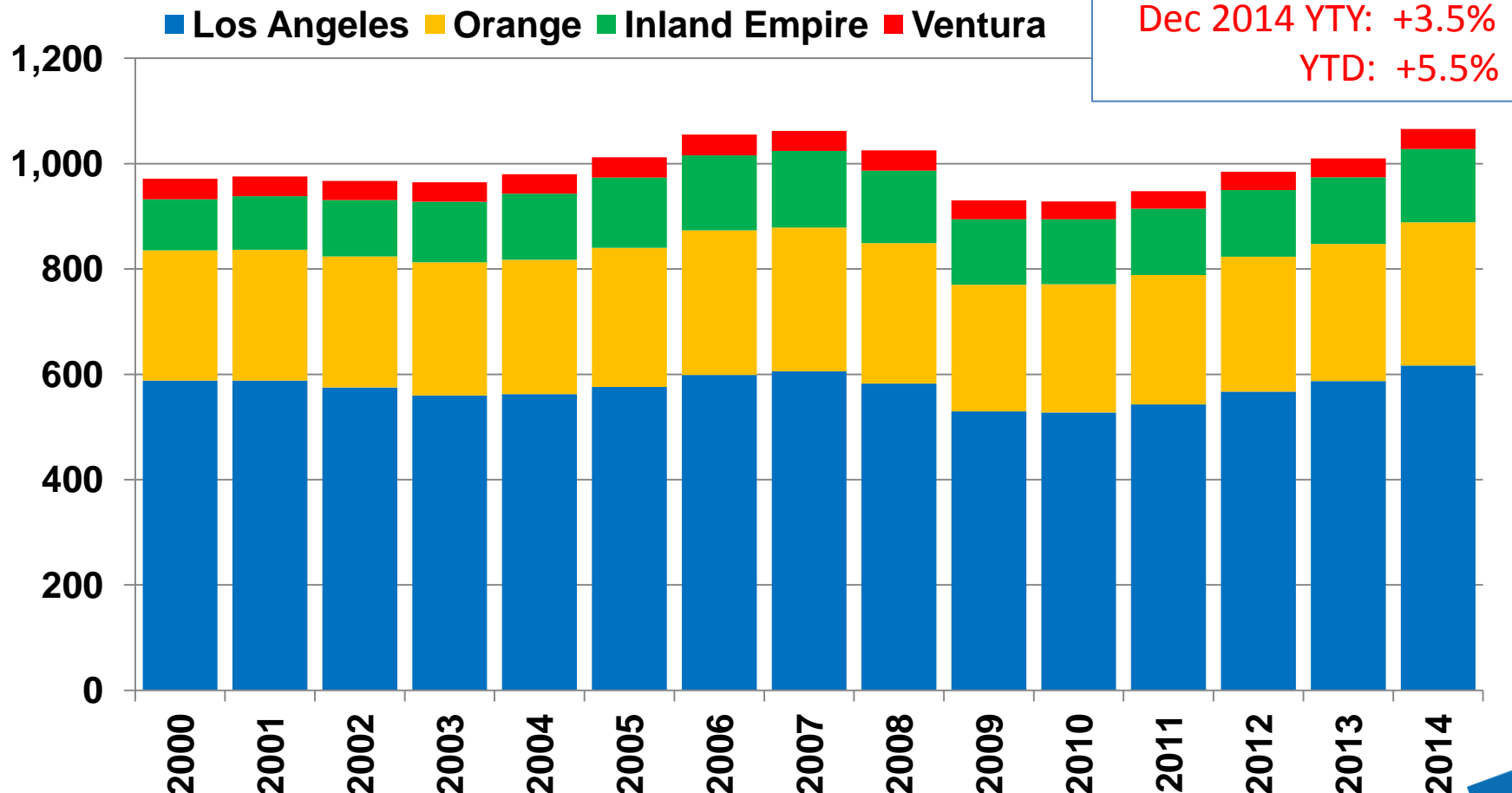
# Motion Picture & Sound Recording Employment in Los Angeles County



Sources: CA EDD. LMID

# Southern California Professional & Business Services Employment

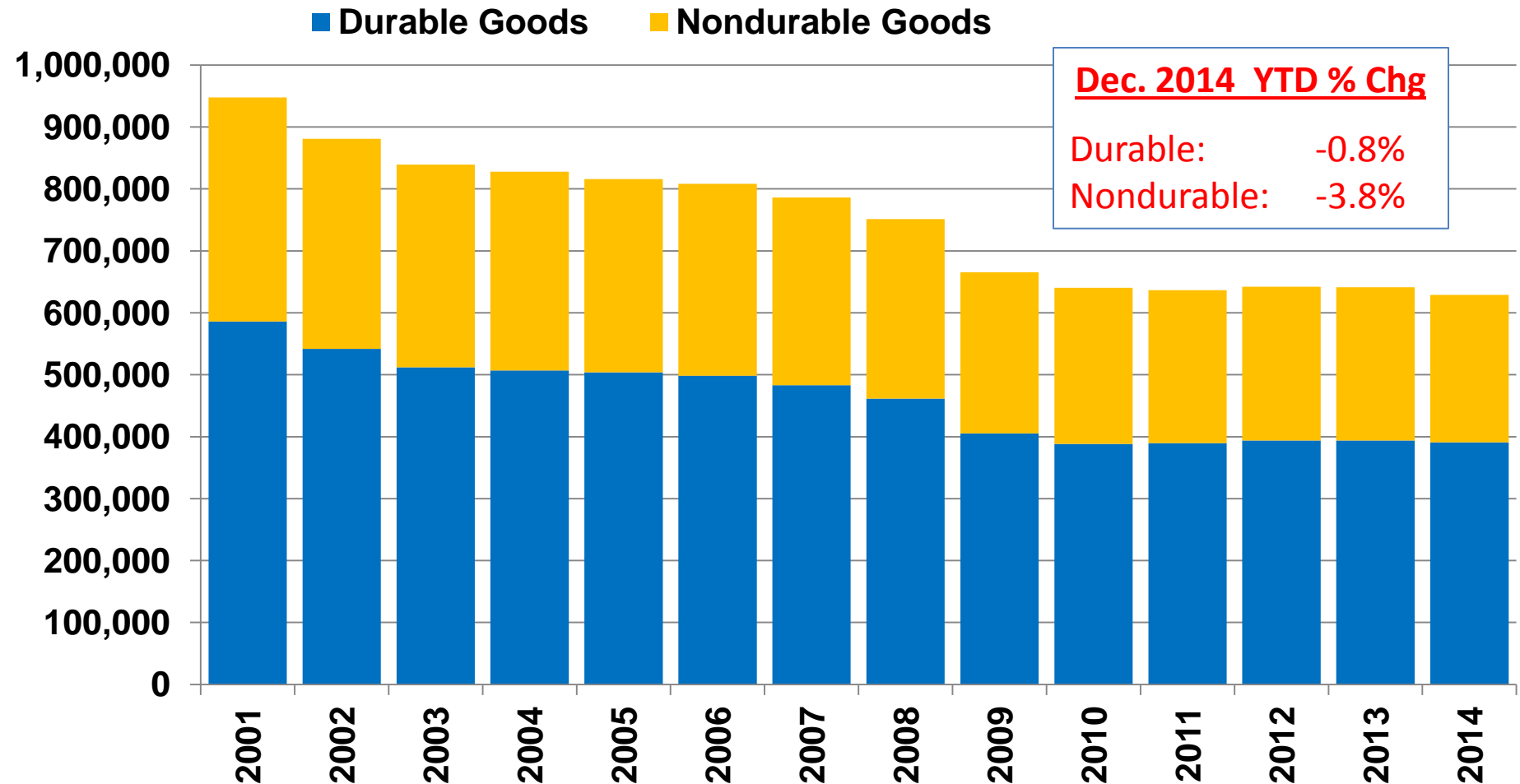
Thousands



Source: CA EDD, Labor Market Information Division



# SoCal Manufacturing Employment



# Manufacturing Trends

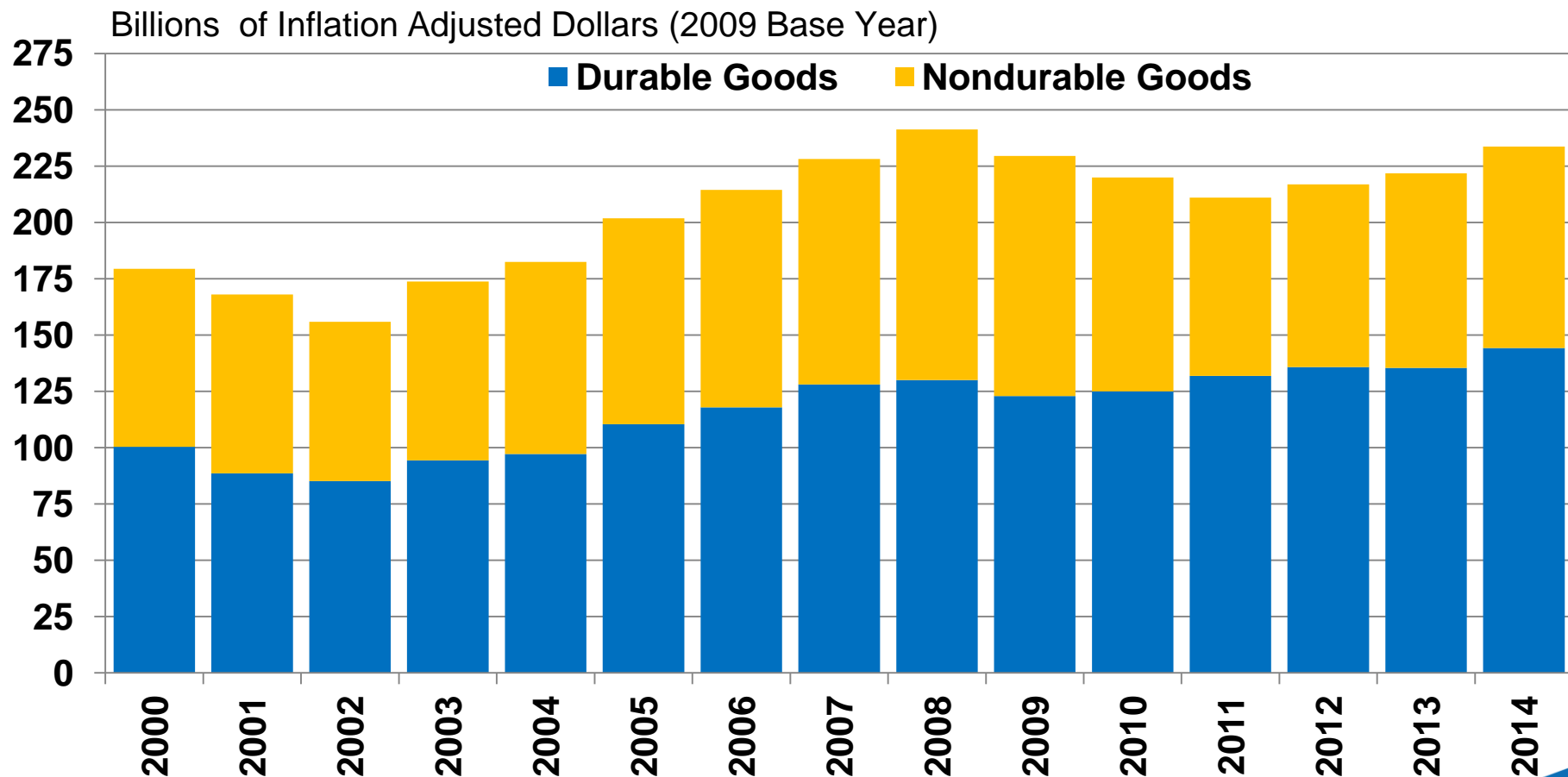
## Adding Jobs:

- Machinery Mfg
- Furniture
- Miscellaneous  
Durable Goods

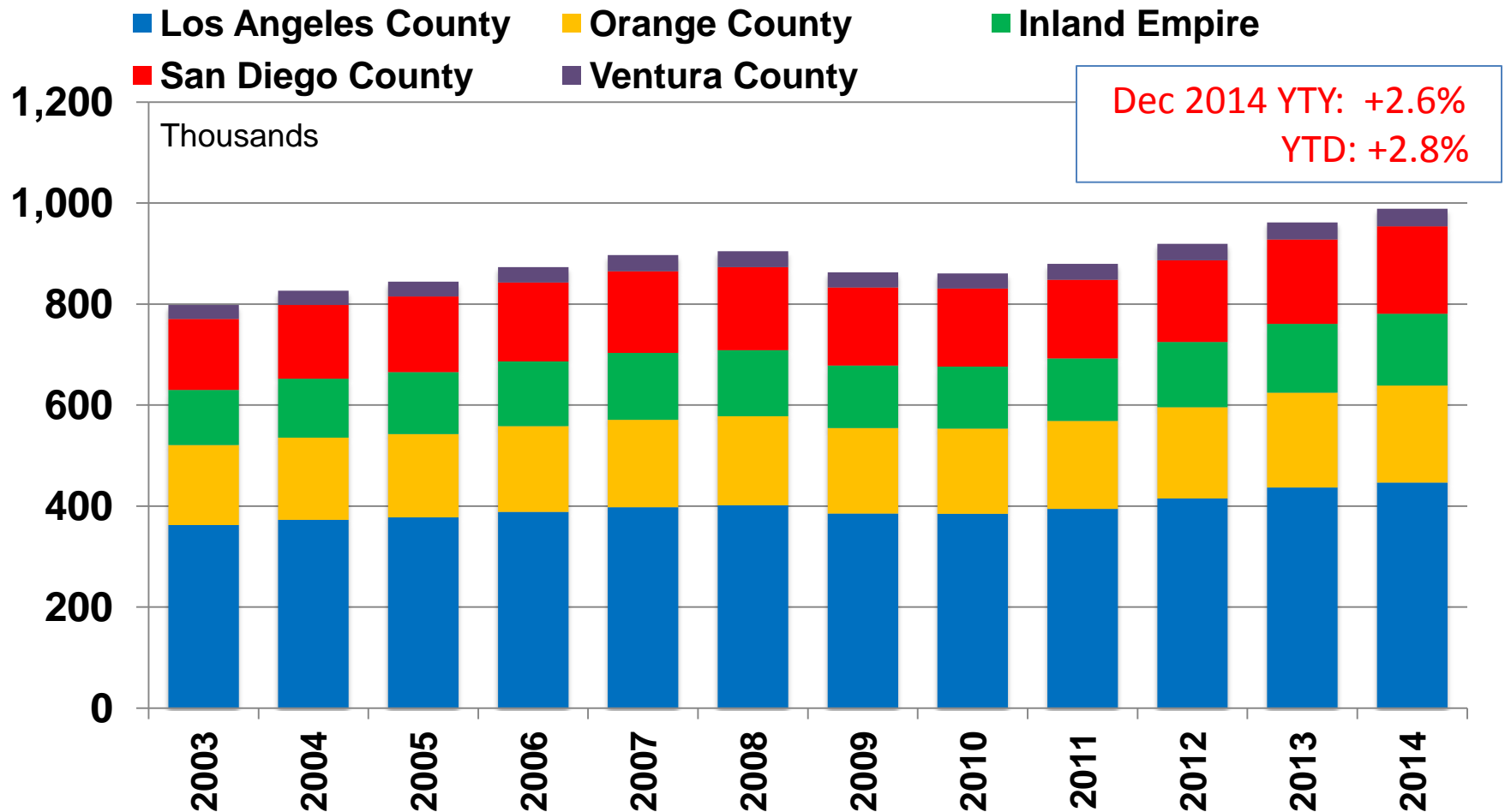
## Losing Jobs:

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

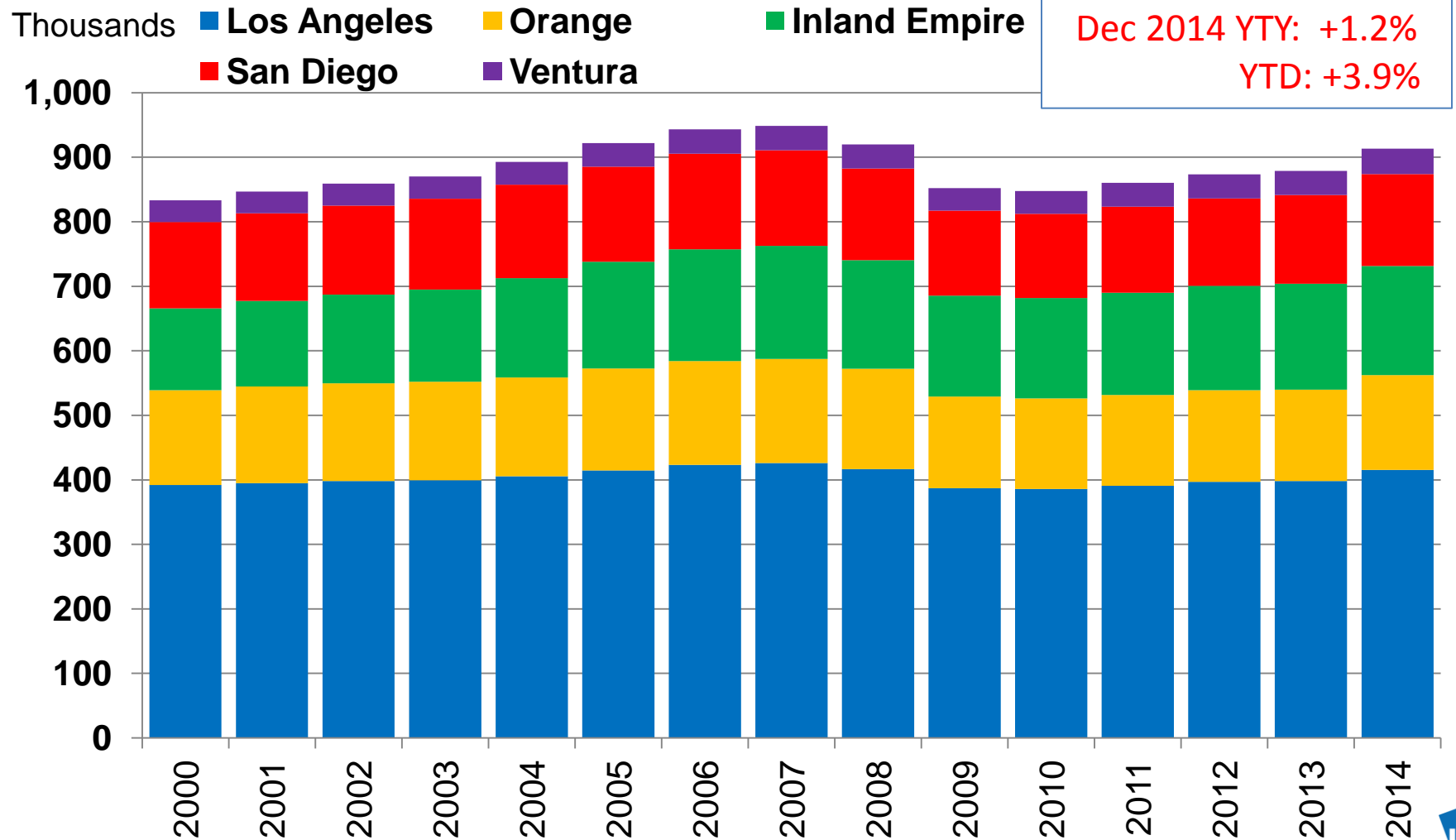
# Value of Manufacturing Output – California



# Southern California Leisure & Hospitality Employment



# Southern California Retail Employment



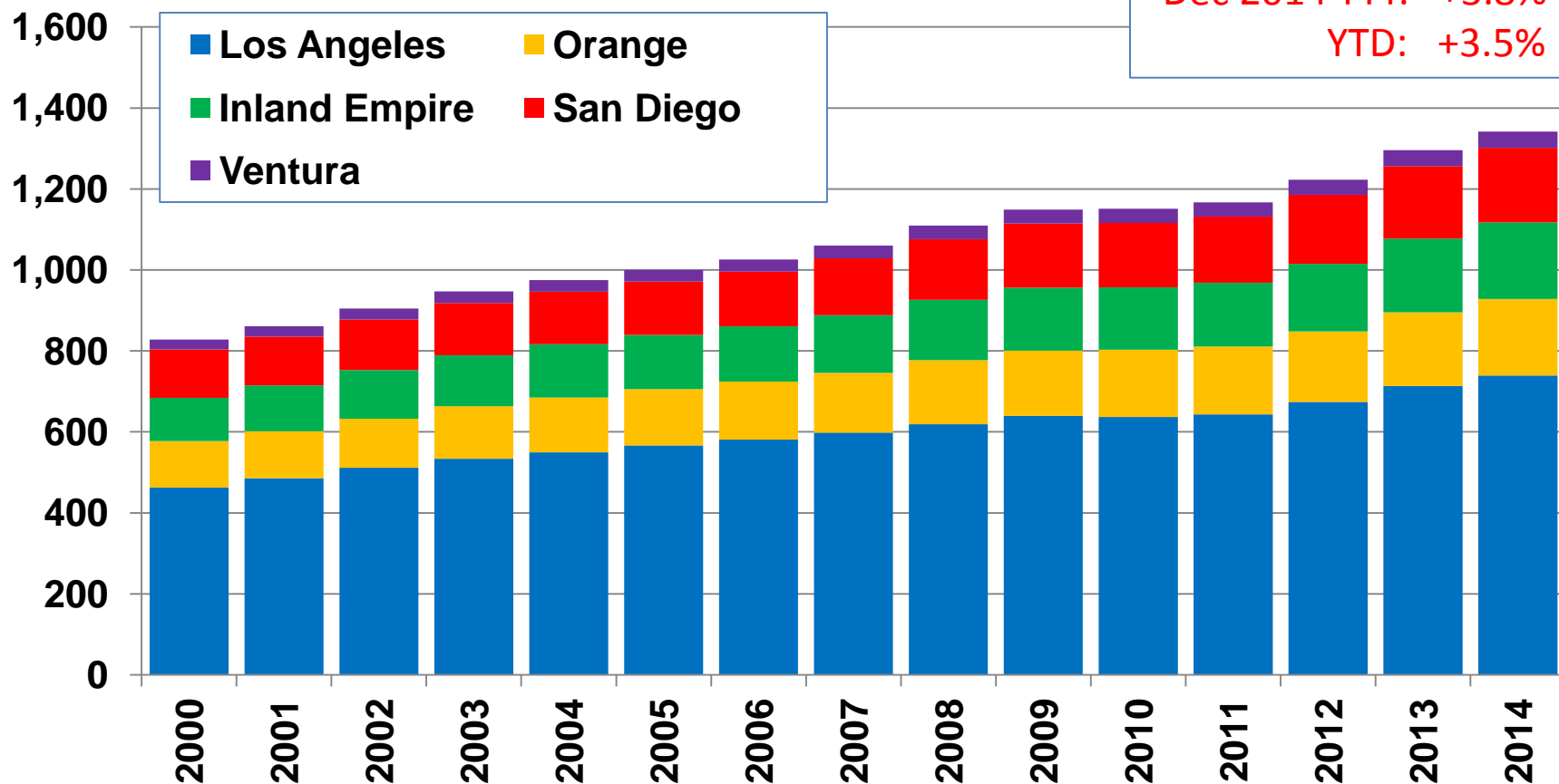
Source: CA EDD, Labor Market Information Division





# Southern California Education & Health Care Employment

Thousands



Source: CA EDD, Labor Market Information Division



# **Southern California Real Estate**



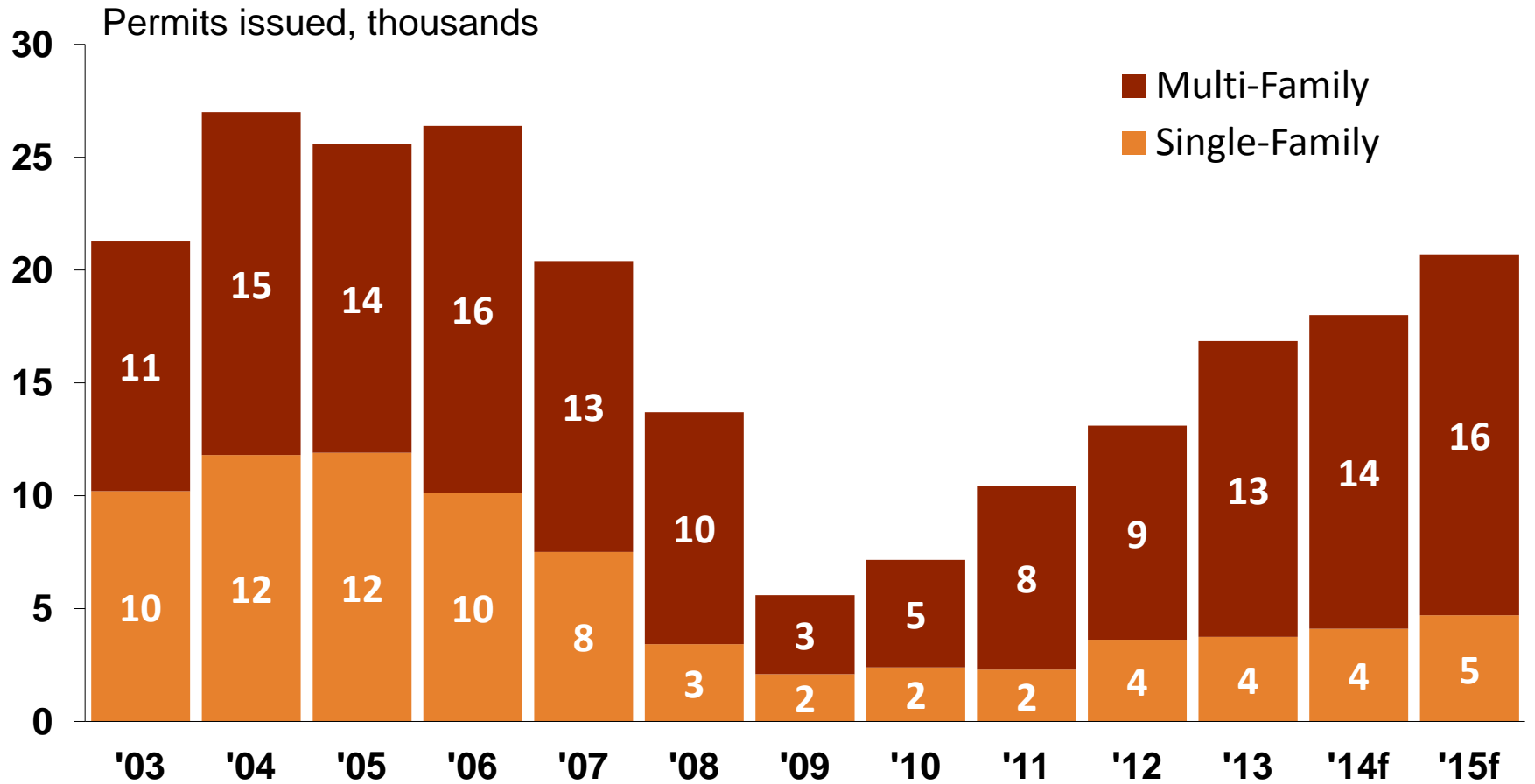
# Median Home Prices

County	Dec-13	Dec-14	YTY % Change
Los Angeles	\$430,000	\$460,000	7.0%
Orange County	\$570,000	\$591,000	3.7%
San Bernardino	\$280,000	\$300,000	7.1%
Riverside County	\$232,000	\$255,000	9.9%
Ventura	\$449,500	\$477,250	6.2%
San Diego	\$420,000	\$440,000	4.8%

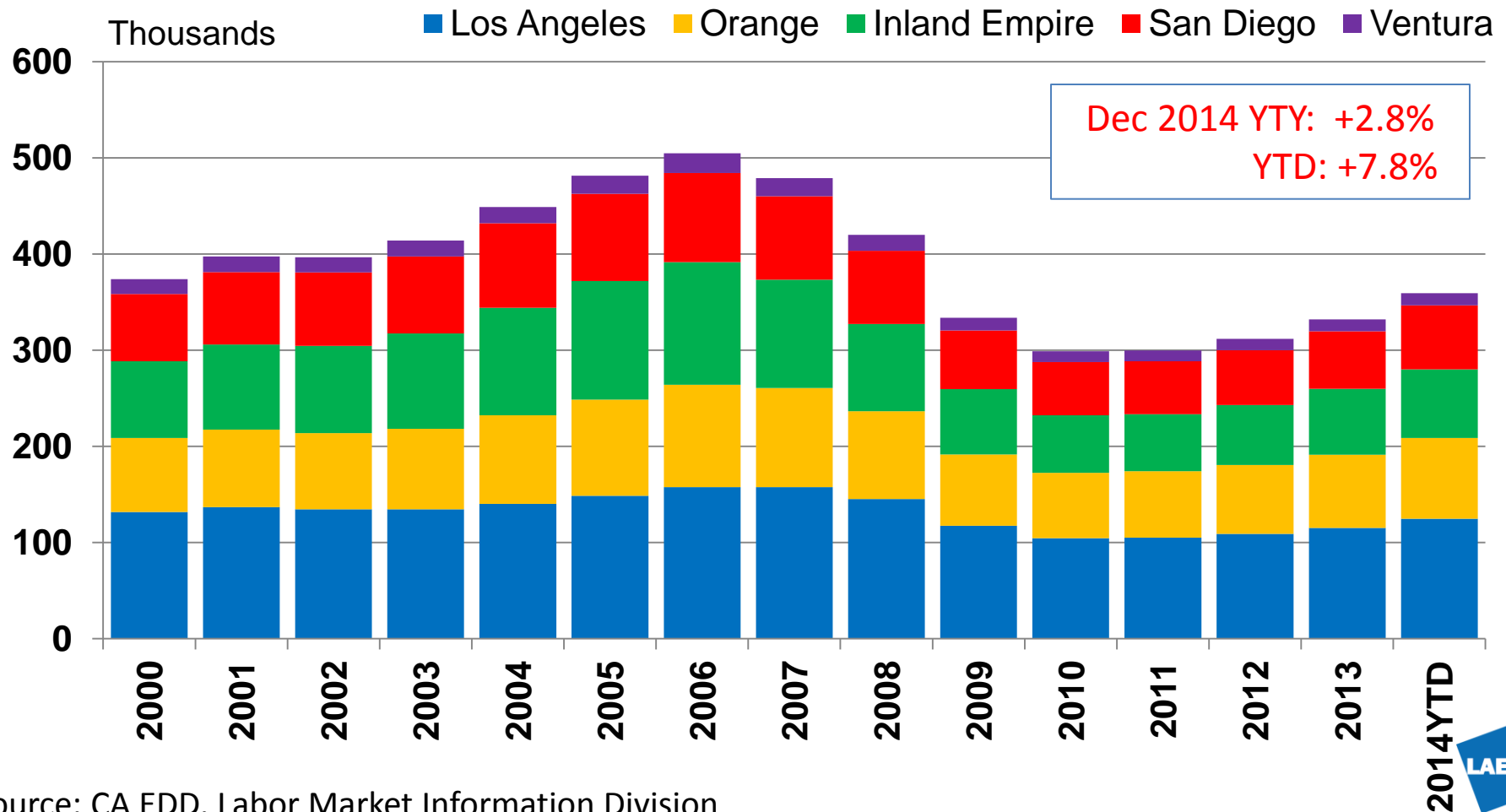


Source: Dataquick/DQ News

# Residential Building Permits Issued in Los Angeles County

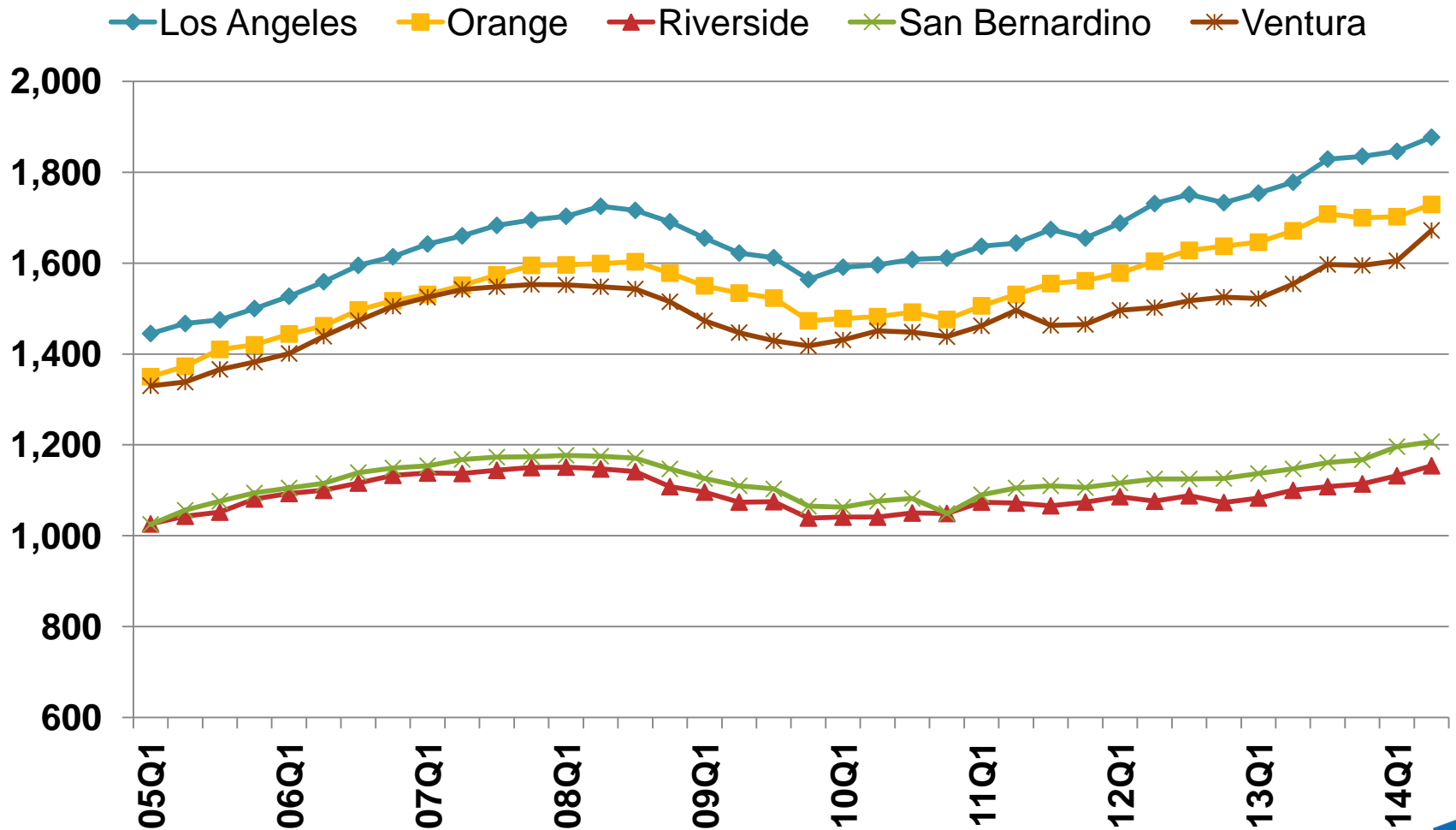


# Southern California Construction Employment

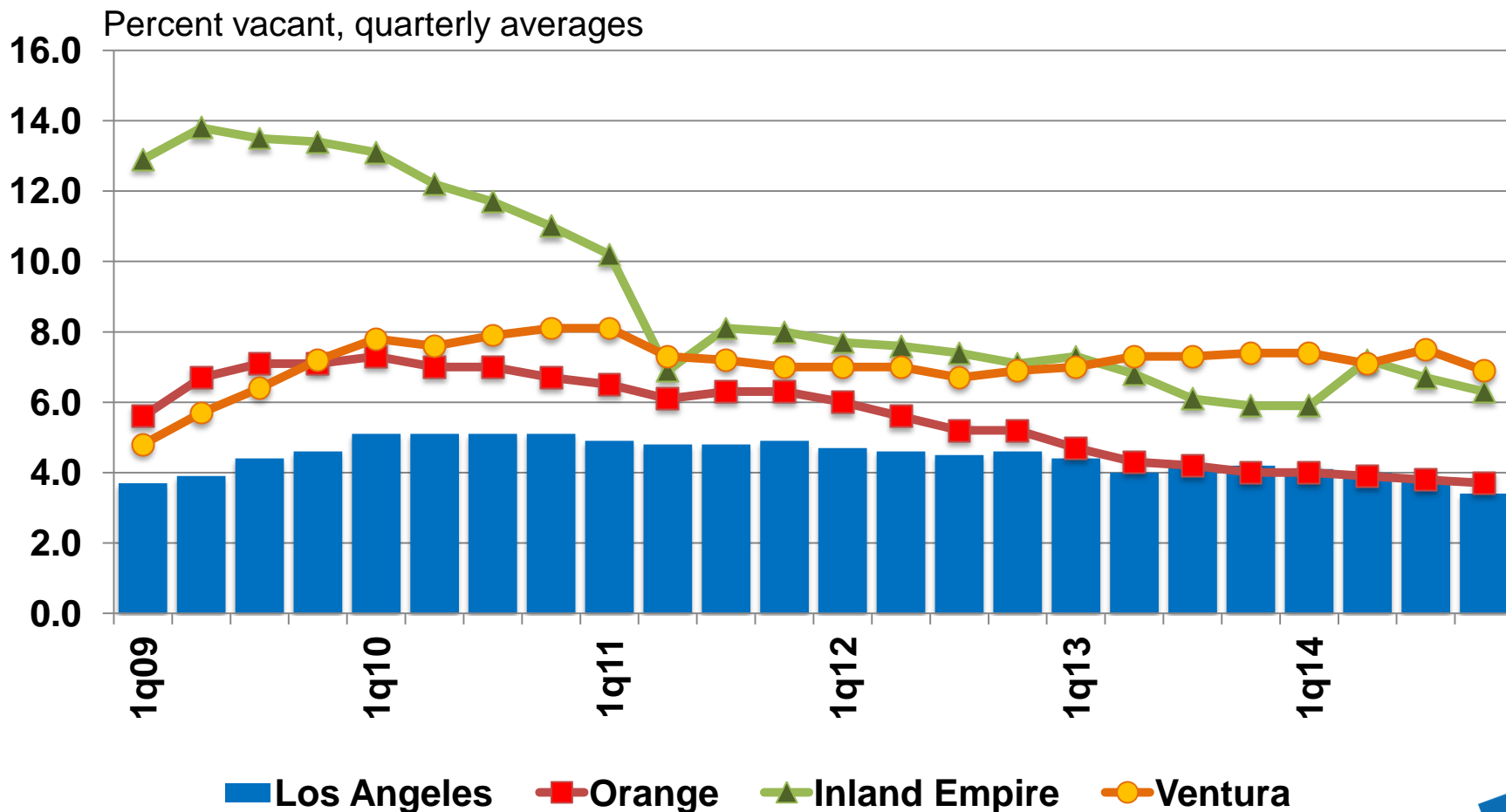


Source: CA EDD, Labor Market Information Division

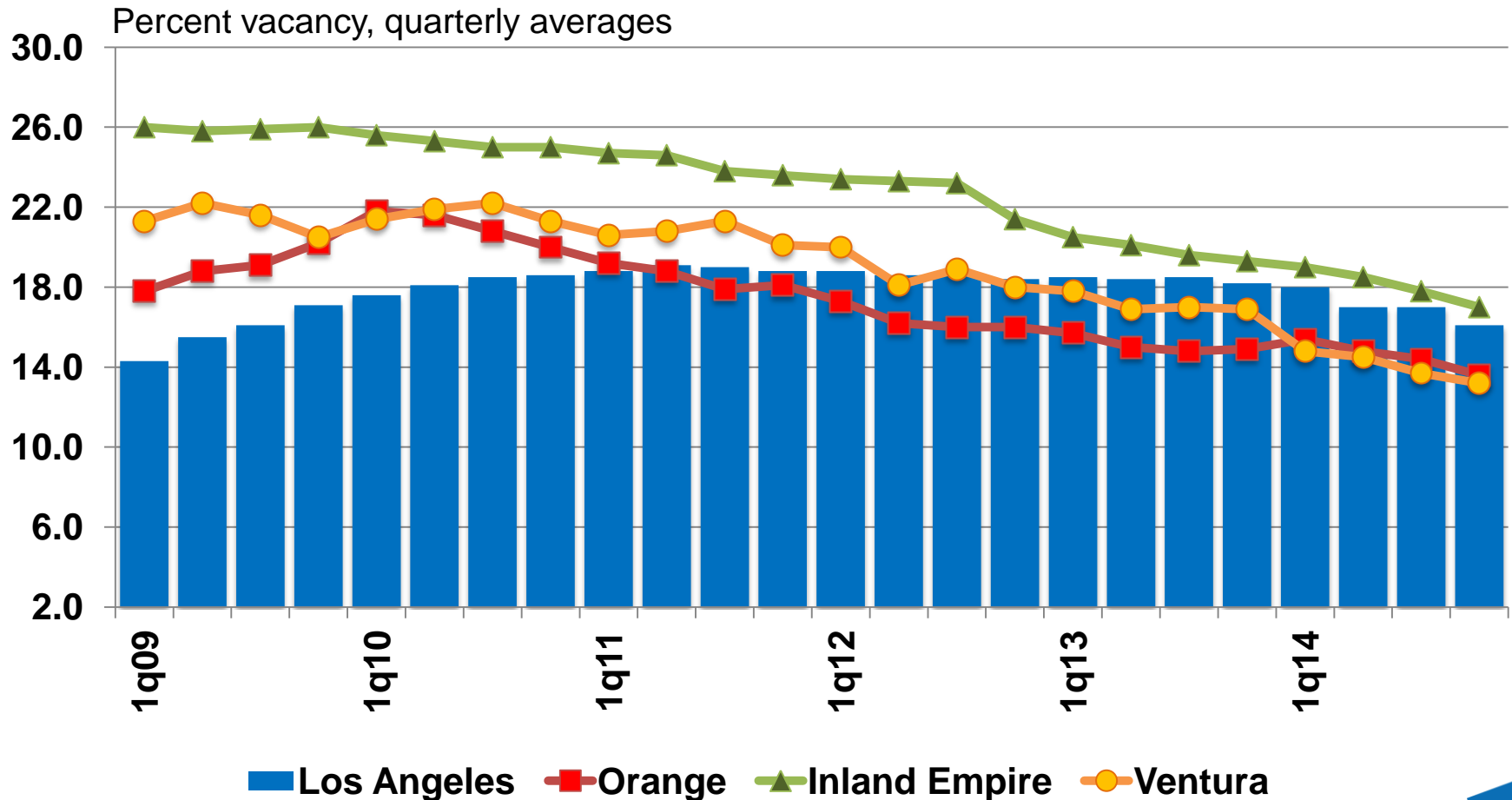
# Apartment Rents – Southern California




# Industrial Vacancy Rates – Southern California



# Office Vacancy Rates – Southern California





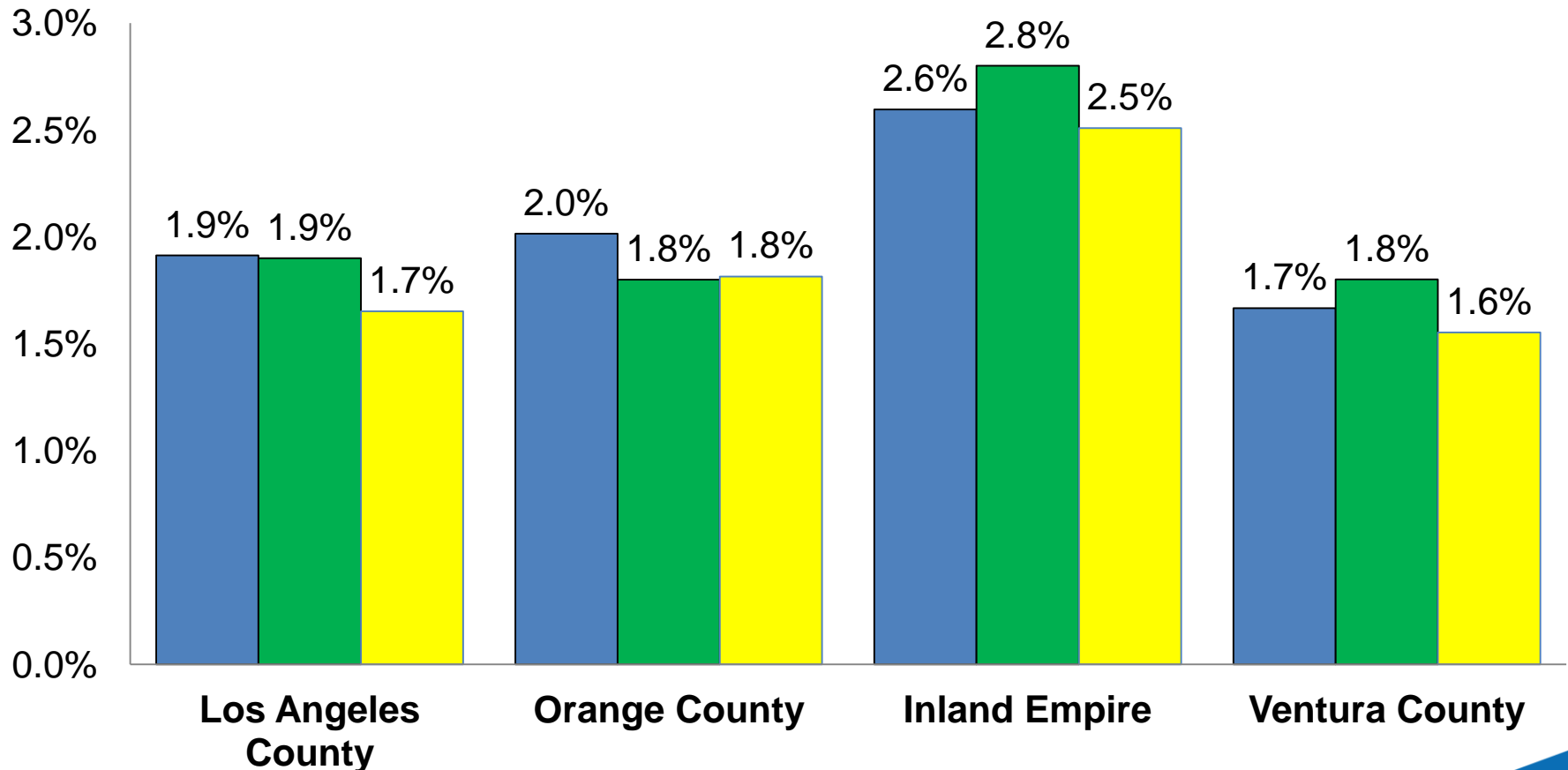


# **2015-2016 Southern California Forecast**

# Southern California Outlook - Jobs

*Annual percent change in nonfarm jobs*

■ 2014 ■ 2015 ■ 2016



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

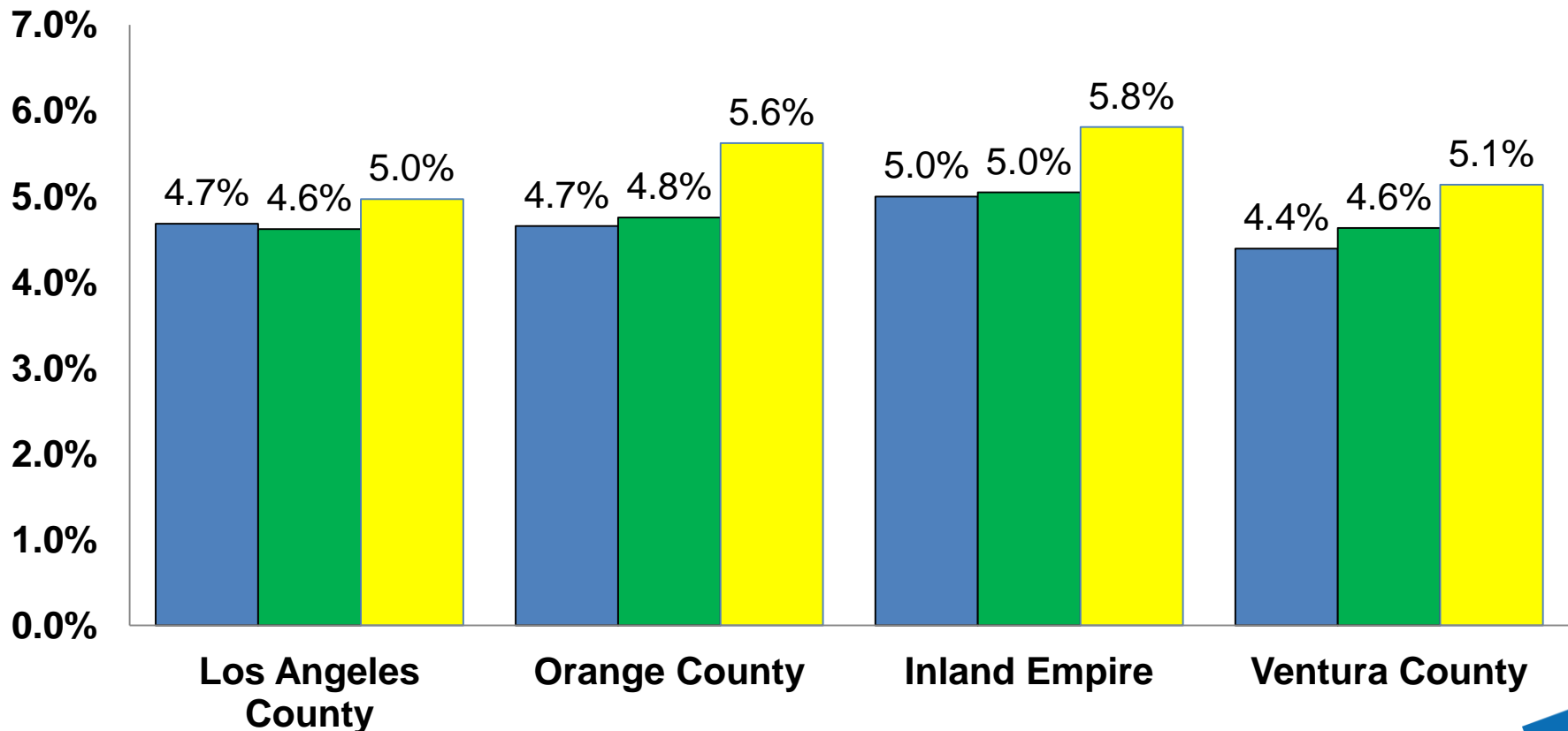
# 2015 Top Five Industries by Percentage Gains in Employment

Rank	Los Angeles	Orange	Inland Empire	Ventura
1	Construction	Construction	Construction	Construction
2	Mgmt of Ent'ps	Information	Information	Prof, Sci, Tech
3	Admin Support	Prof, Sci, Tech	Health Care	Admin Support
4	Prof, Sci, Tech	Health Care	Education	Mgmt of Ent'ps
5	Education	Mgmt of Ent'ps	Prof, Sci, Tech	Information

# Southern California Outlook – Personal Income

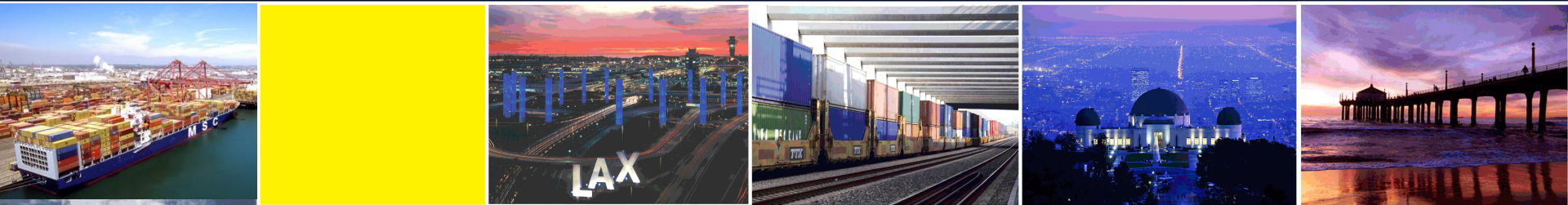
*Annual Percent Change*

■ 2014 ■ 2015 ■ 2016





# LAEDC Economic Forecast & Industry Outlook 2015-2016



**THANK YOU!**