



**LOS ANGELES COUNTY ECONOMIC DEVELOPMENT CORPORATION**

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## News Release

**FOR IMMEDIATE RELEASE**

### **LAEDC Sees Continued Recovery But Also Distinct Challenges Ahead For Los Angeles County**

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*High tech, international trade, entertainment and tourism lead the economic recovery. Housing weakness and government budgetary constraints continue to slow progress in Los Angeles County.*

**LOS ANGELES** — A key report released Wednesday, July 20<sup>th</sup> by the Kyser Center for Economic Research at the Los Angeles County Economic Development Corporation (LAEDC) found Southern California in the midst of a moderate economic recovery. While Los Angeles County took positive steps forward, the report, entitled *2011-2012 Economic Forecast and Industry Outlook: Mid-Year Update*, also identified lingering problems in government spending, housing, and construction sectors.

"Southern California is in the midst of a real growth period led by industries such as high tech, international trade, tourism and entertainment," said Chief Economist Dr. Nancy D. Sidhu. "Though constraints are still influencing some sectors, Los Angeles County's economy is seeing modest improvement in 2011 and should do even better in 2012. The path to recovery seems to be paved in front of us."

"There are plenty of headwinds and uncertainty in the markets right now," said Perry Wong, senior economist for Los Angeles-based City National Bank, the largest bank based in Southern California. "The government must minimize the political risk of a dragged-on debt ceiling debate because it has the potential of derailing any current economic recovery."

"Even with a "grand bargain" on the U.S. debt ceiling, there remains much work to do with respect to reforming the nation's entitlement programs, which account for about 60 percent of all U.S. spending," said Tony Crescenzi, Executive Vice President, Market Strategist and Portfolio Manager for PIMCO. "There are enormous political challenges that will make these reforms very difficult to achieve over the medium- to long-term."

Some of the key findings from the Mid-Year Economic Forecast include:

- At mid-2011, California's economy appears to be on the rise. In many areas, employment has stabilized and begun to grow again. A few are still losing jobs, however, and unemployment remains

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## LAEDC Sees Recovery And Challenges Ahead For LA County In Mid-Year Economic Forecast, cont.

extremely high. Still, the economic news in California should get better as we move through the rest of 2011 and 2012.

- California's General Fund expenditures will be cut by \$5.5 billion compared with fiscal year 2010-2011 to reflect the coming reduction in resources. The biggest spending cuts will be made in health & human services, followed by K-12 education and higher education. Also, a large overhang of debts incurred to finance deficits in previous years—estimated at \$35 billion—remains to be resolved. We agree with the Governor's statement: "We are not yet done."
- Los Angeles County's unemployment rate averaged 12.6 percent during 2010. In 2011, the jobless rate is expected to edge down to an average of 12.2 percent. In 2012, the unemployment rate will fall to 11.5 percent. Business firms will be cautious in rehiring until they believe the recovery in their own sales and profits is well established.
- The value of two-way international trade flowing through the Los Angeles Customs District surged by 22.6 percent during 2010. Increases of 6.7 percent and 4.6 percent will arrive in 2011 and 2012.
- The entertainment industry has rebounded and is leading in job creation in Los Angeles County. More filming is taking place in the county, aided by growth in advertising, original cable television programming, and the state's film tax credit.

Dr. Sidhu noted that while Los Angeles County was past the very bottom of the recession, the recovery outlook still posed uncertainty in some areas through 2012:

"Local government financing and the real estate sector are two areas we are watching closely. The state's chronic budget crises continue to severely hamper local government funding and projects. Meanwhile, home values are down and vacancies in the nonresidential sector remain high."

### **ABOUT THE LAEDC**

The LAEDC, the region's premier economic development leadership organization, is a private, non-profit organization established in 1981 under section 501(c)(3). Its mission is to attract, retain, and grow business and jobs for the regions of Los Angeles County. Since 1996, the LAEDC has helped retain or attract more than 171,300 jobs while providing \$8.4 billion in direct economic impact from salaries and more than \$144 million in annual tax revenue benefit to local governments and education in Los Angeles County.

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