



# 2016-17 Southern California Economic Forecast & Industry Outlook



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# Outline

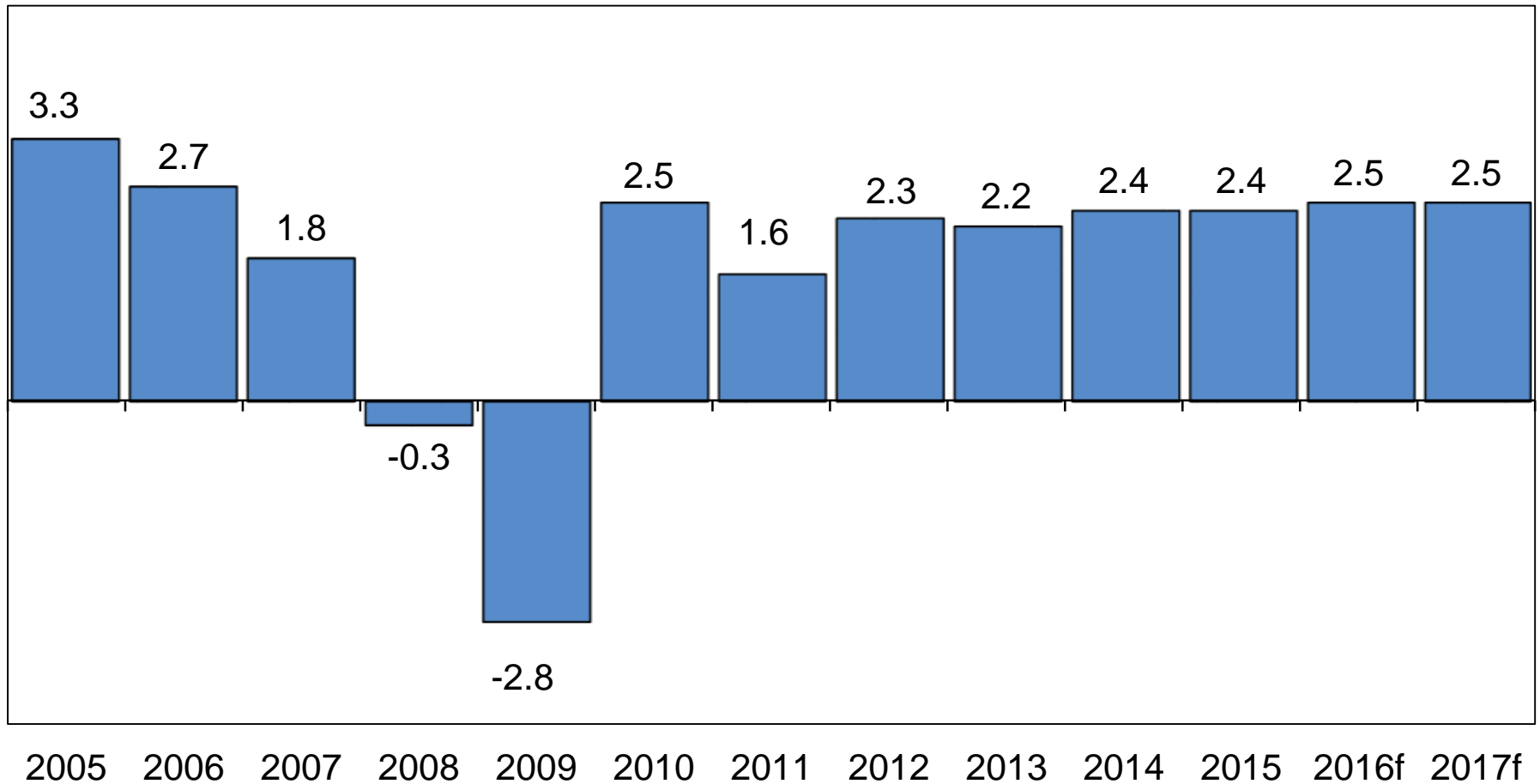
- U.S. Economy
- California Economy
- Southern California Economy & Industries
- Conclusion/2016-17 Forecast Summary



# U.S. Economy

# GDP – Low Steady Growth

Annual % Change



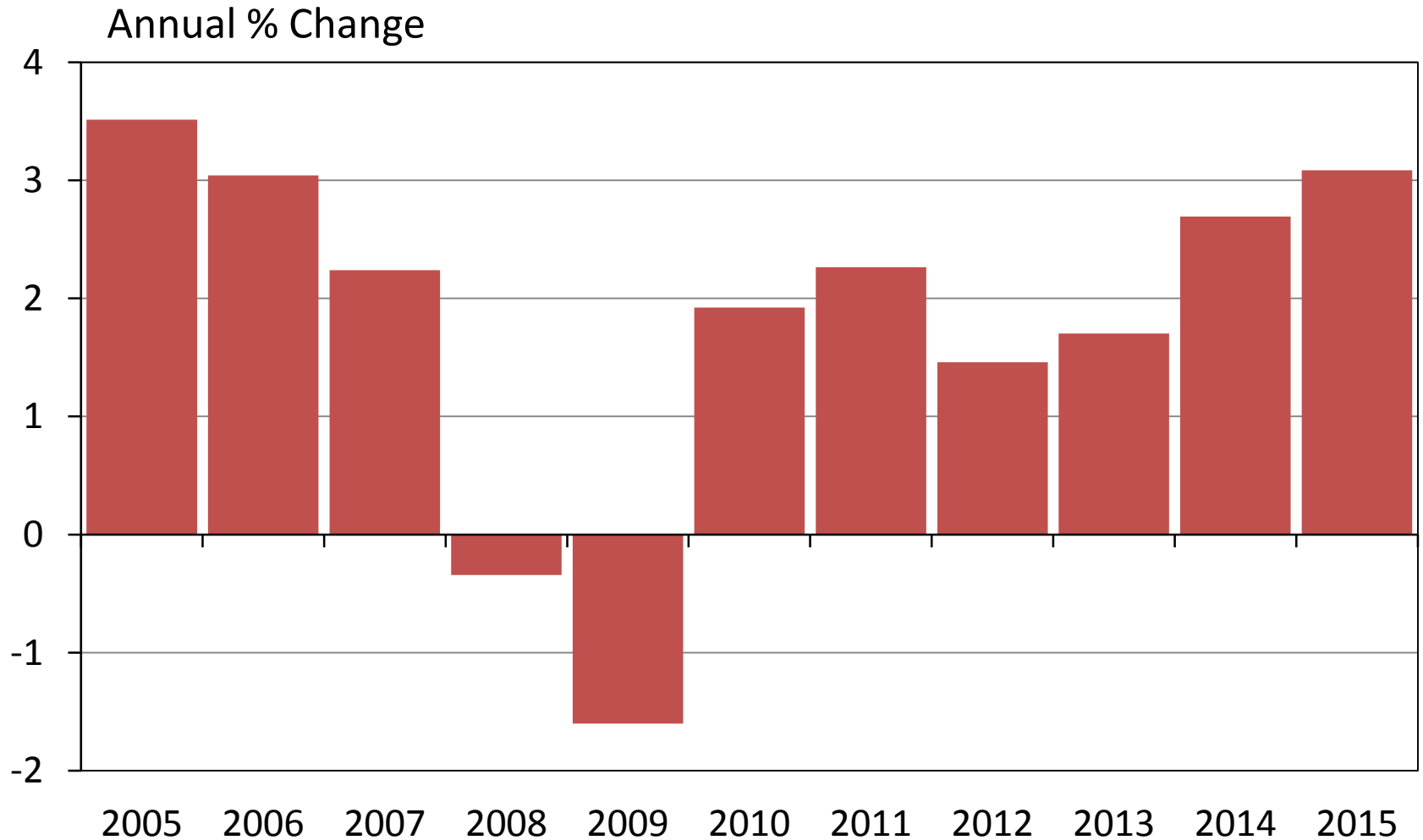
Sources: Bureau of Economic Analysis, forecasts by LAEDC



# U.S. Economy at a Glance

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

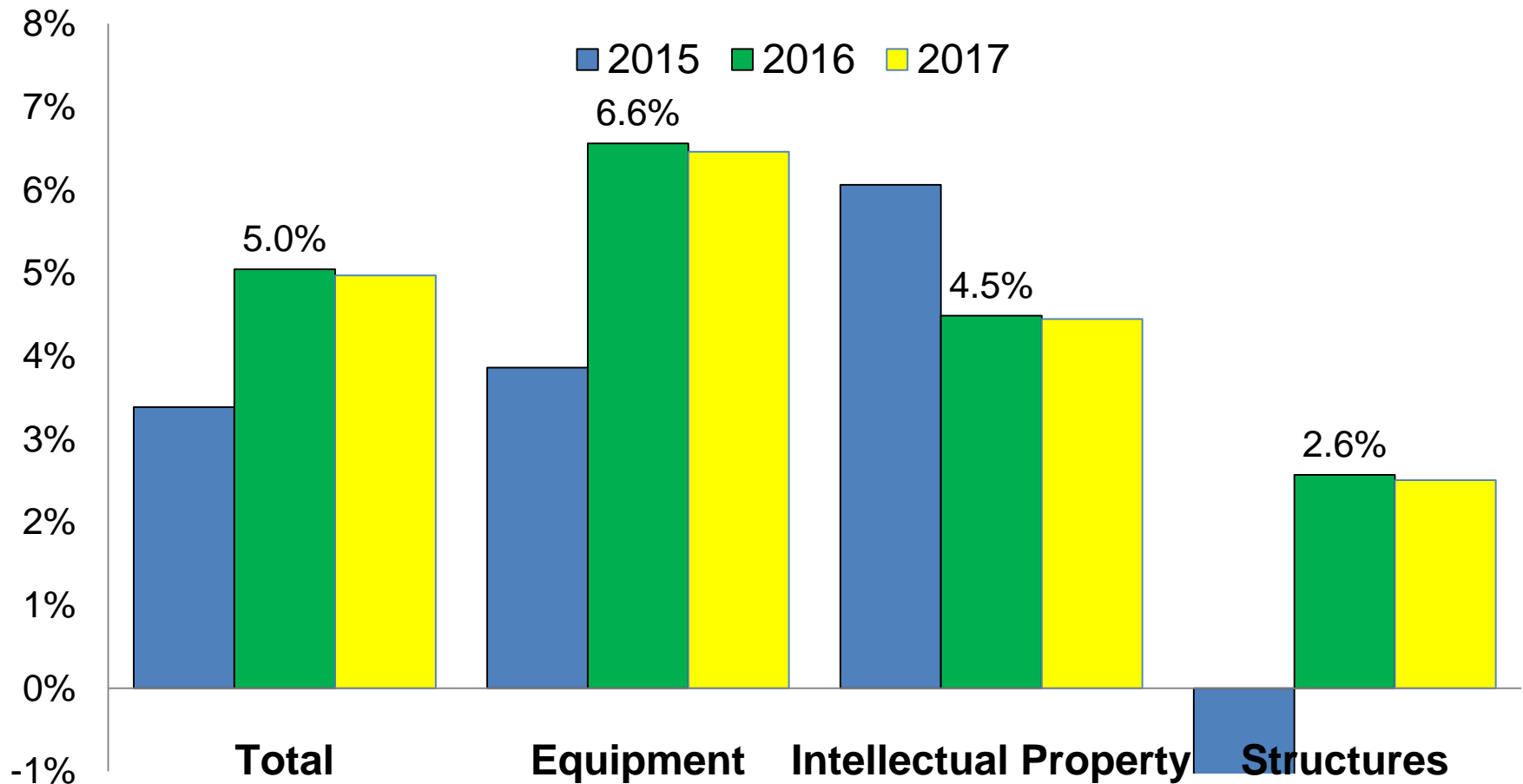
# Consumption Up With Income Growth



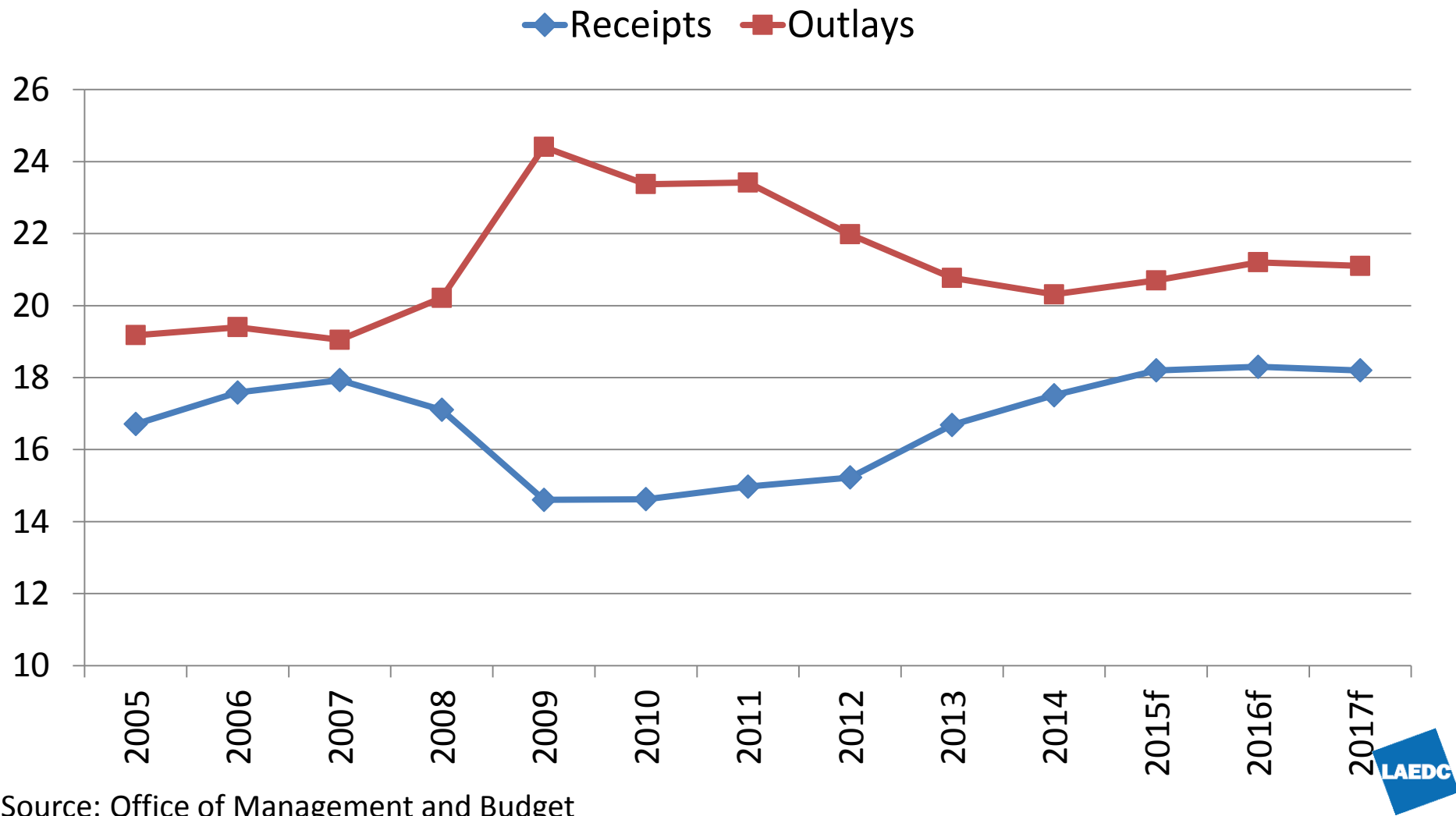
Sources: Bureau of Economic Analysis

# Business Investment Spending

*Annual Percentage Change*

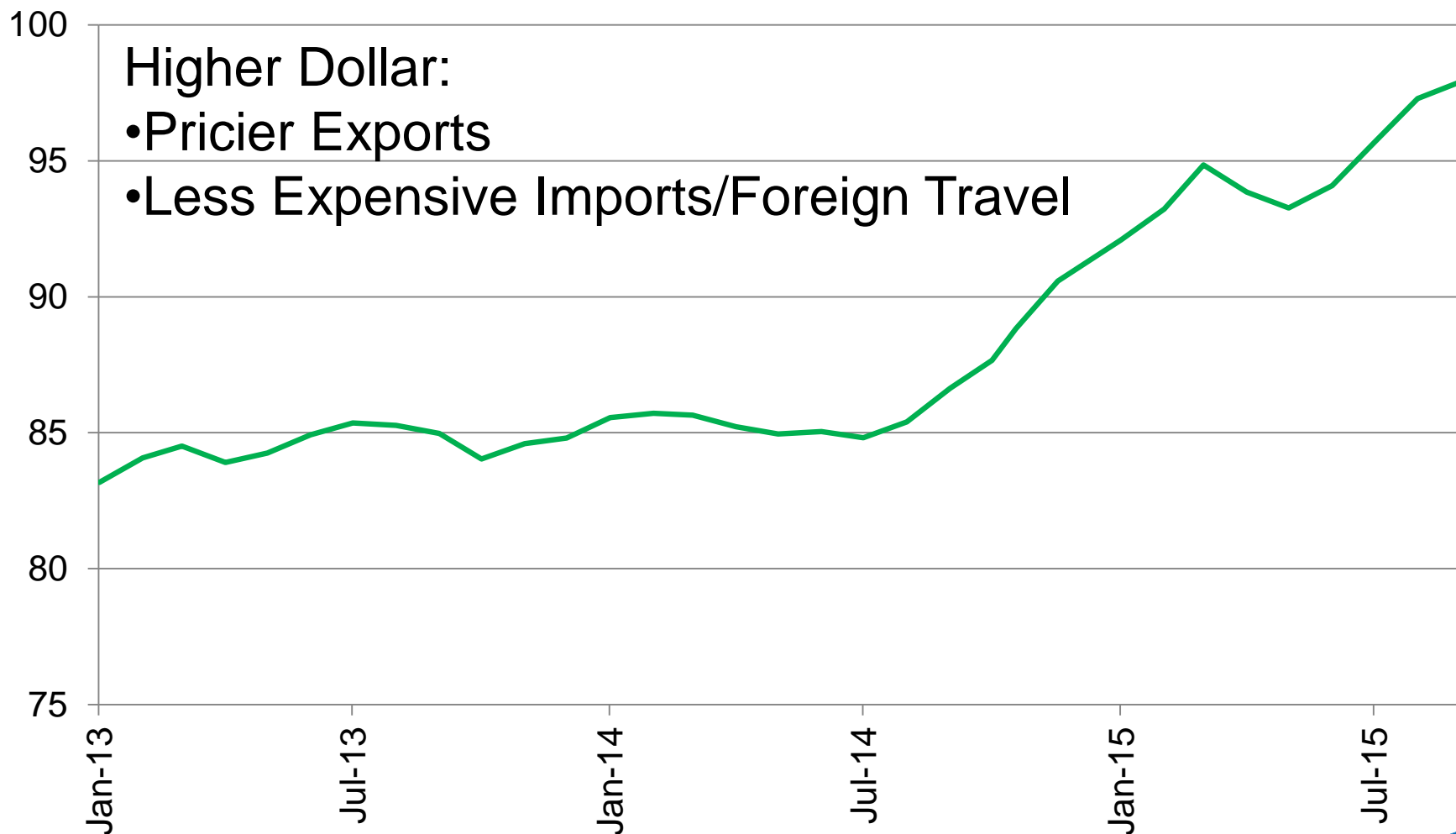


# Budget Deficit Stable, Rising in 2020+



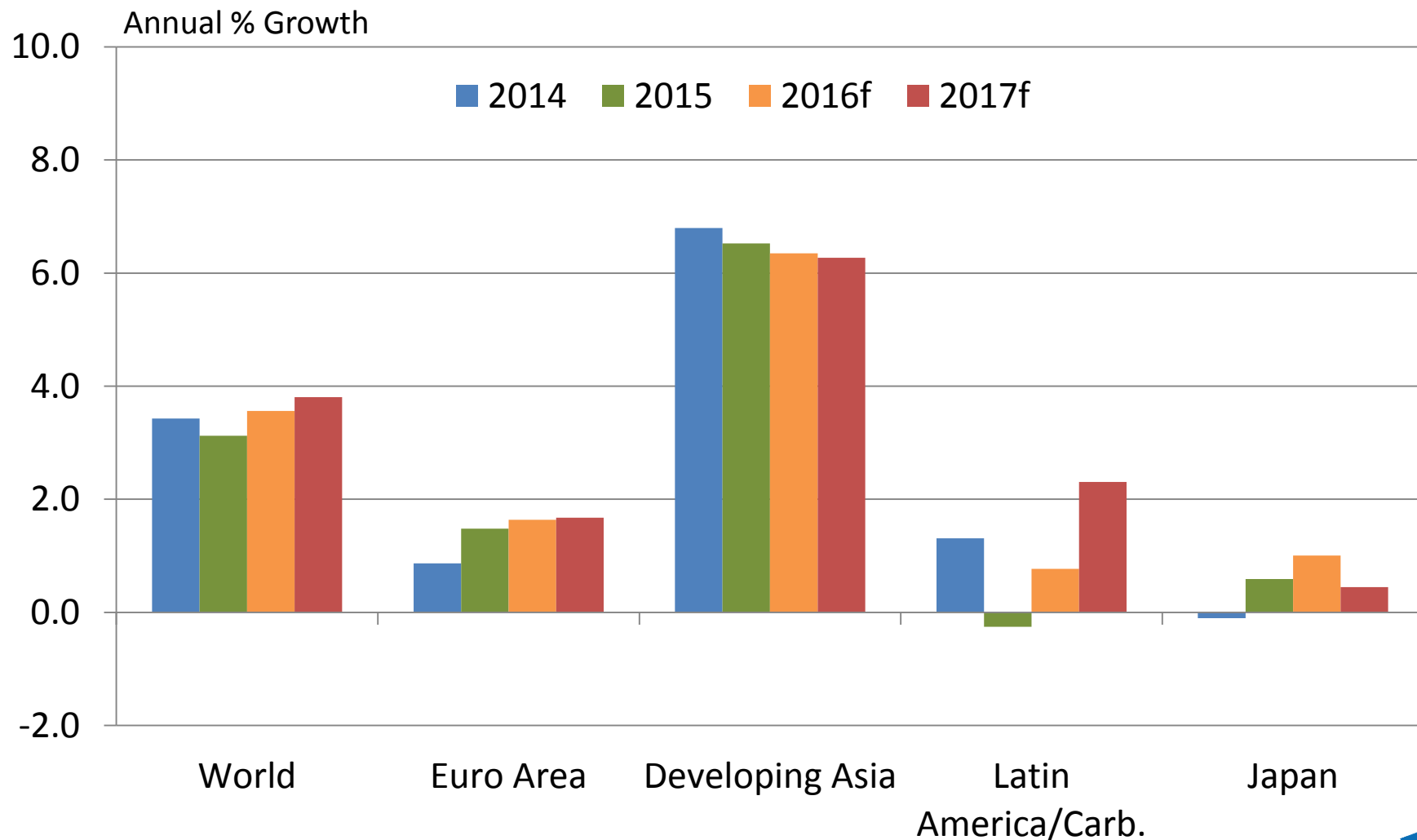


# Dollar: Index vs Basket of Currencies



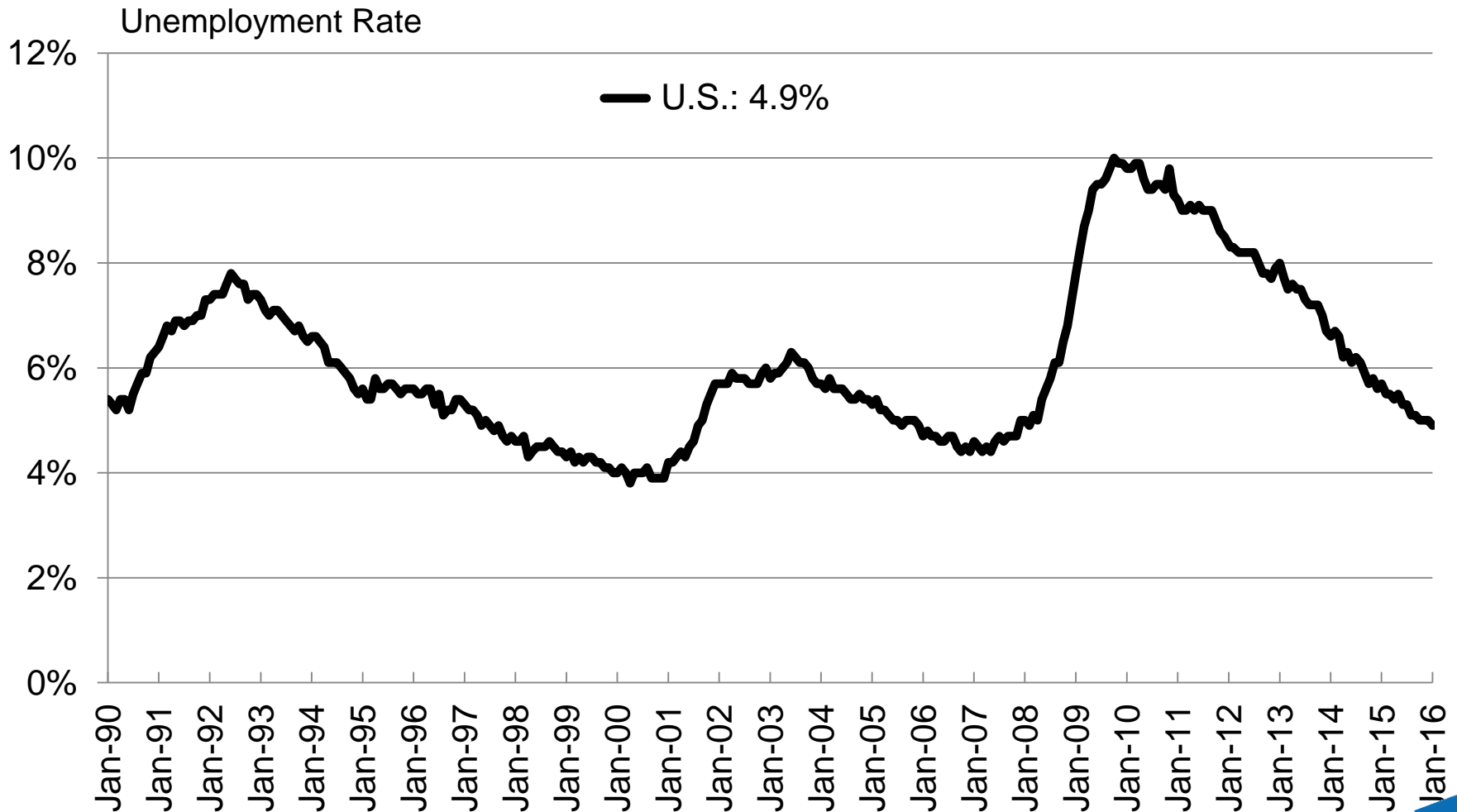
Source: Federal Reserve

# Global Economy Up Overall

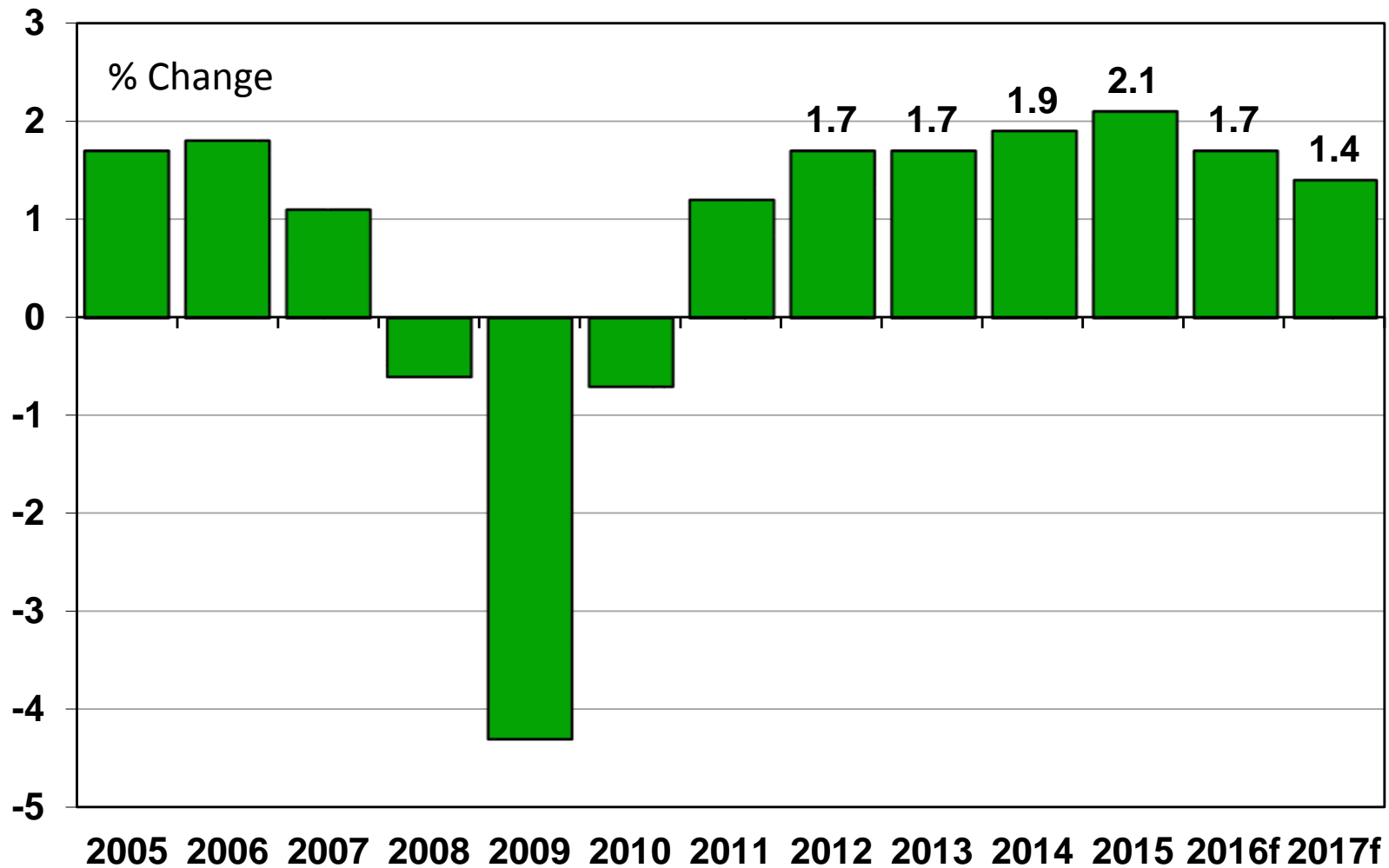


Source: IMF World Economic Outlook, January 2016 Update

# U.S. At Full Employment

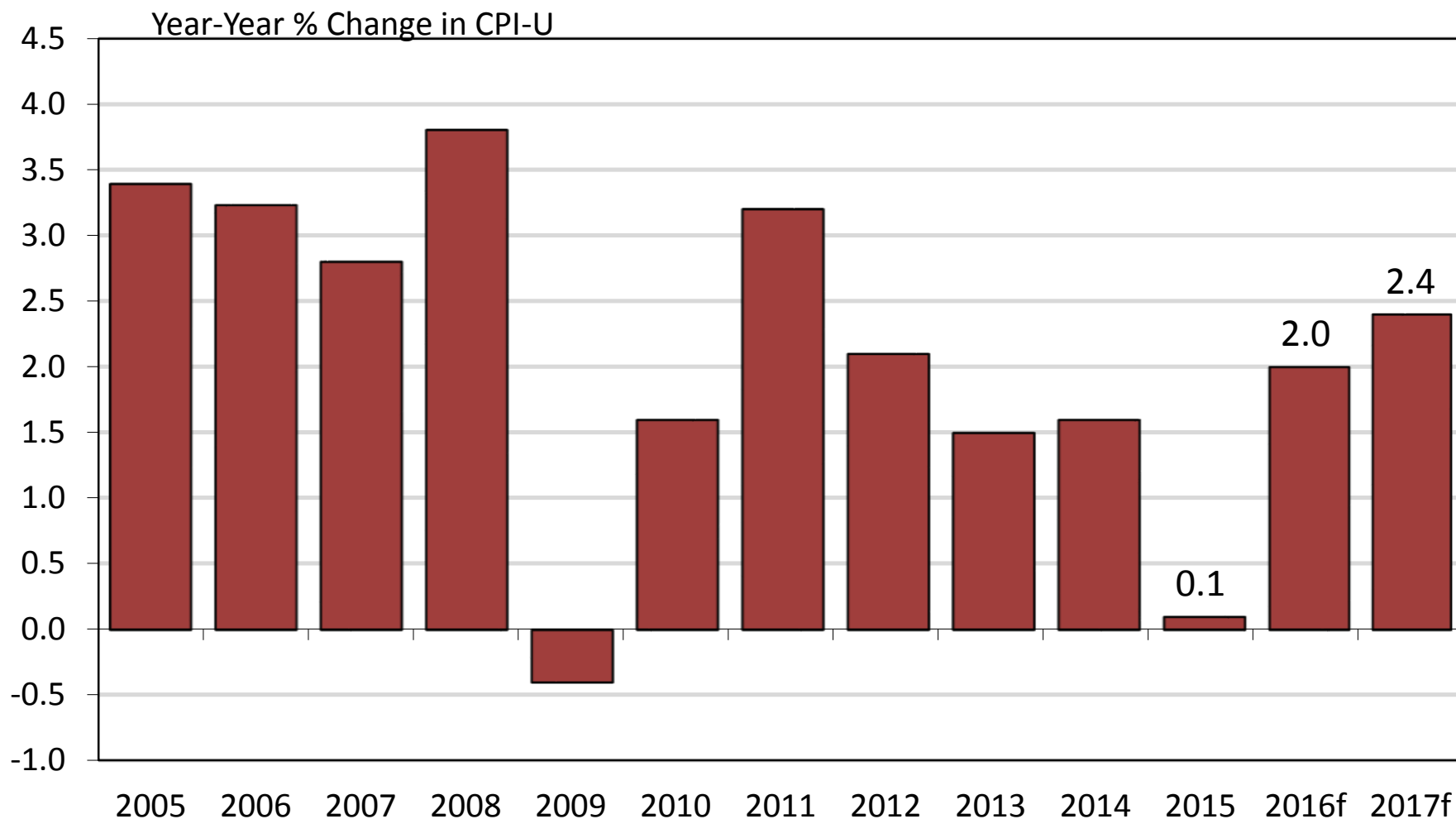


# Wage & Salary Jobs...Slower Growth



Sources: Bureau of Labor Statistics, forecasts by LAEDC

# U.S. Consumer Inflation Rising

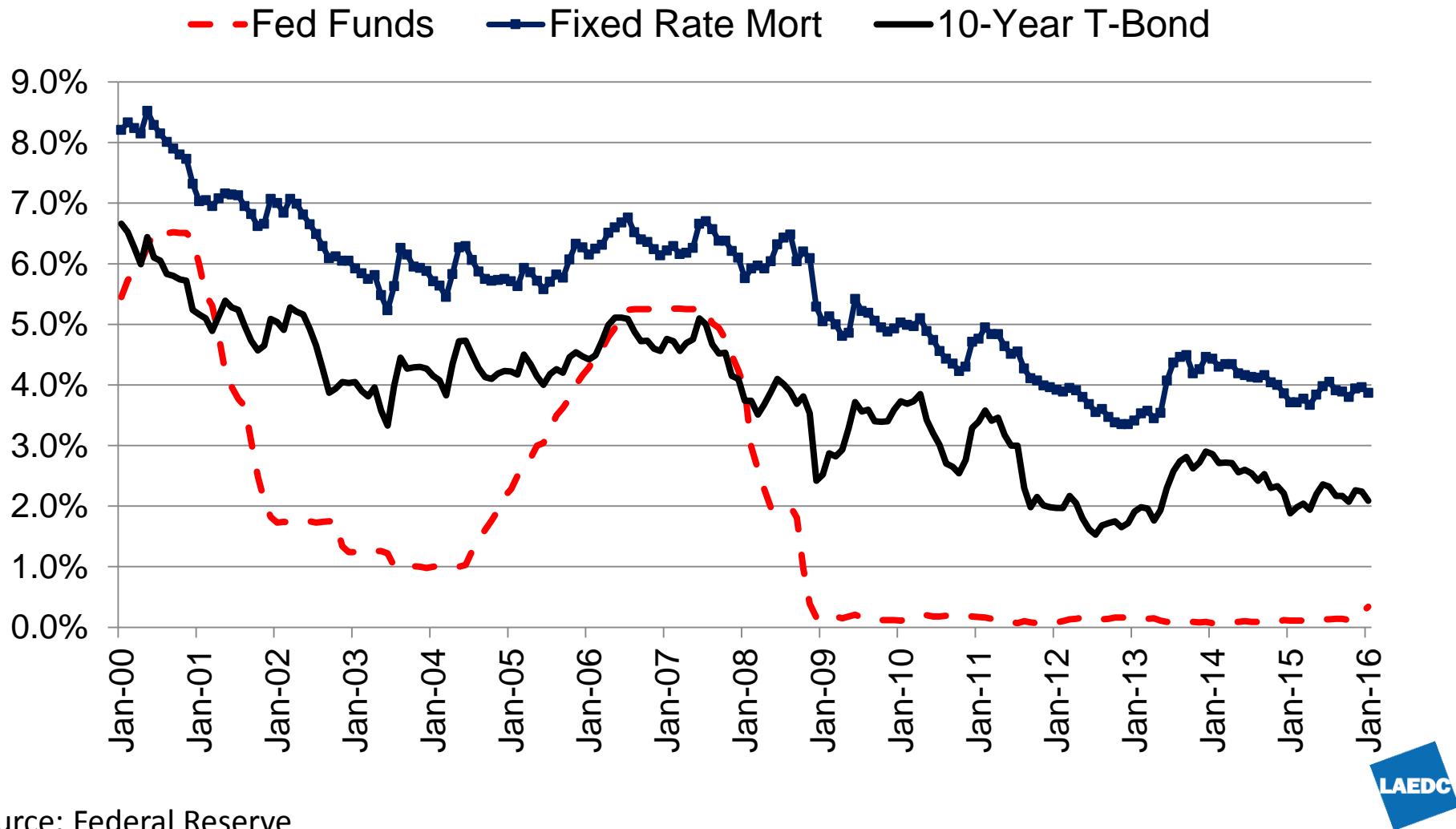


Source: Bureau of Labor Statistics; forecasts by LAEDC

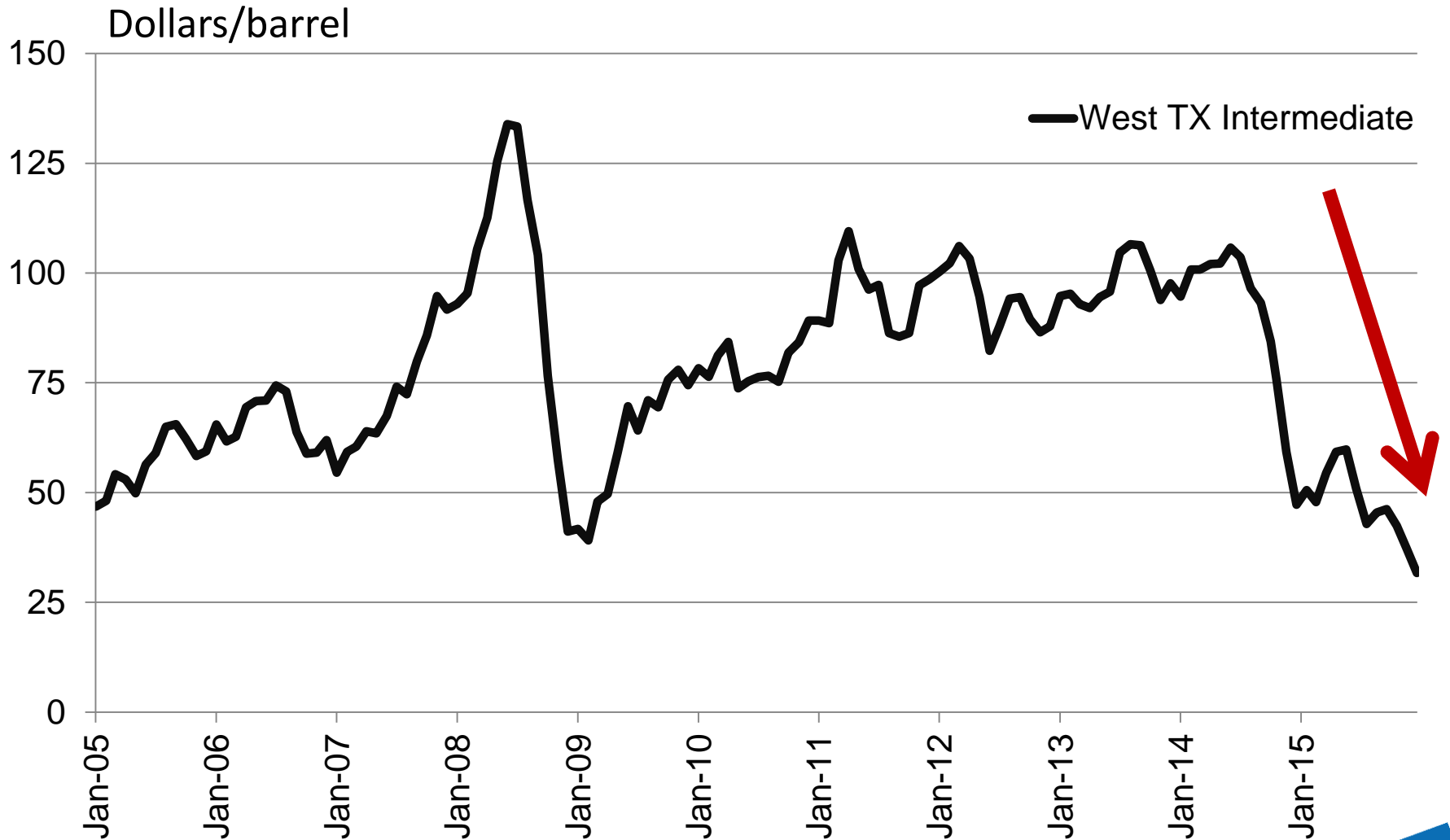


# **U.S. Forecast: What to Watch**

# Key Interest Rates

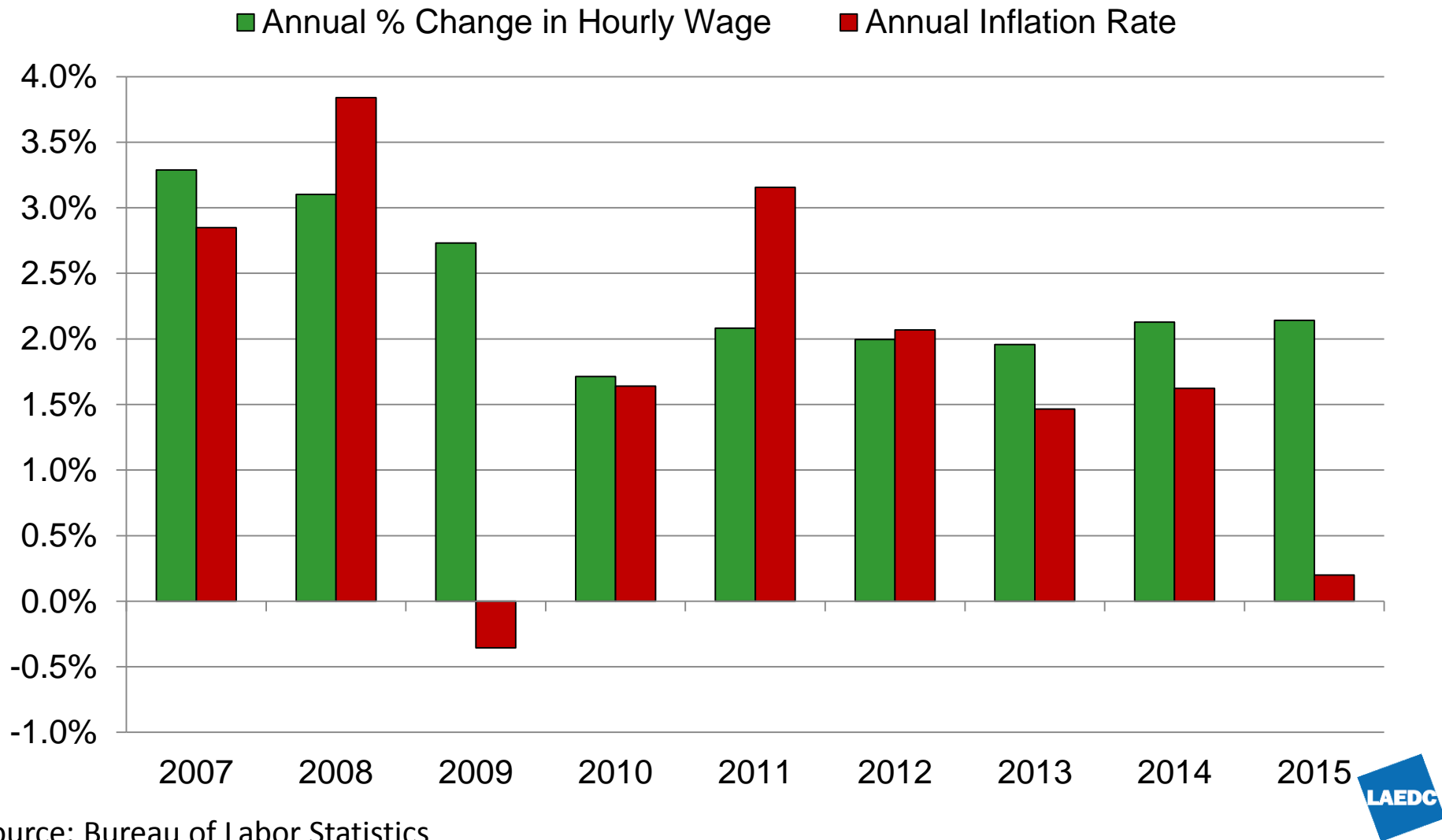


# Plunging Oil ... Good or Bad?



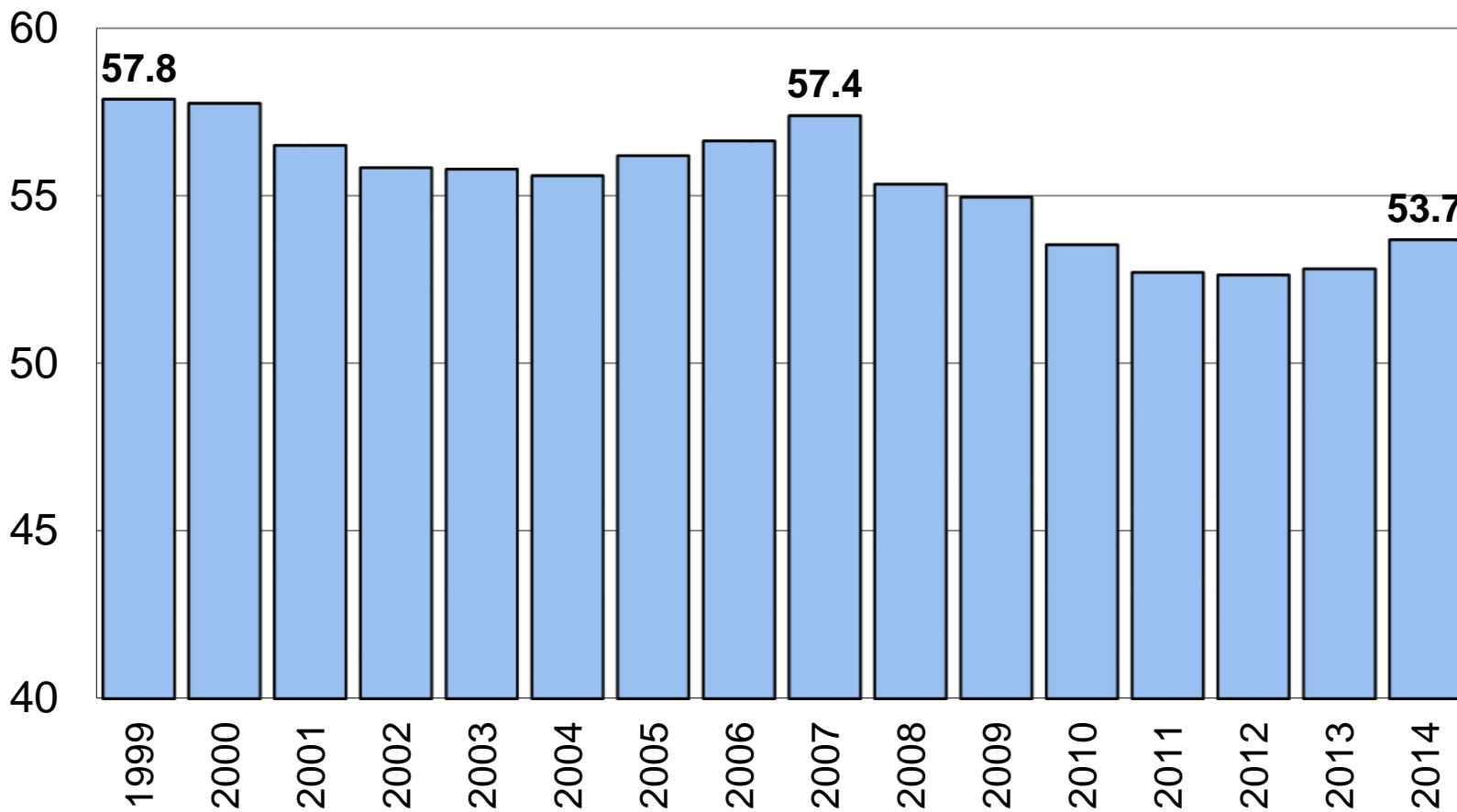


# First Significant Wage Gains in Years



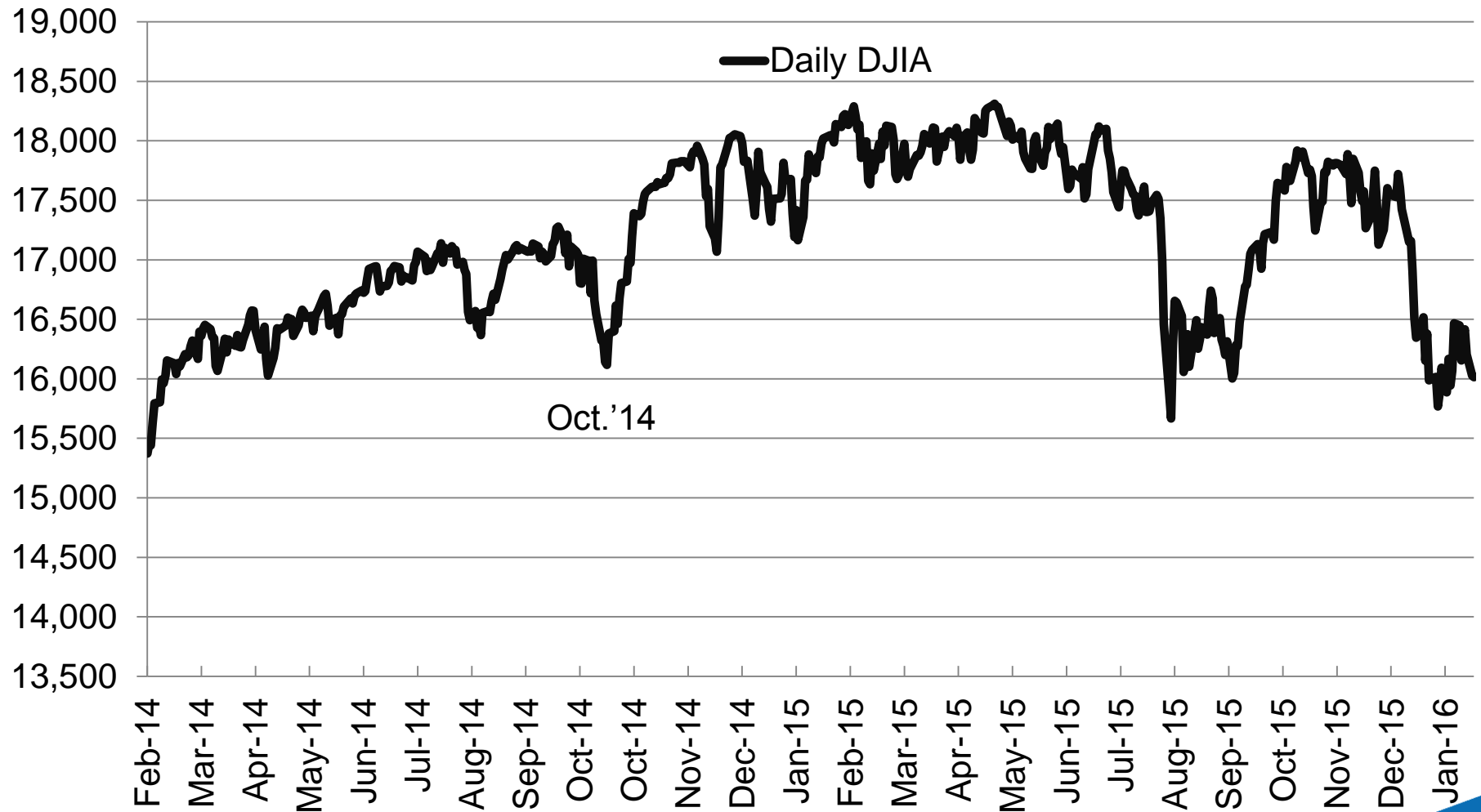
# Hot Button Issue: Household Income

Median HH Income in Thousands of 2014 Dollars



Source: Census Bureau

# Stock Market Volatility Up

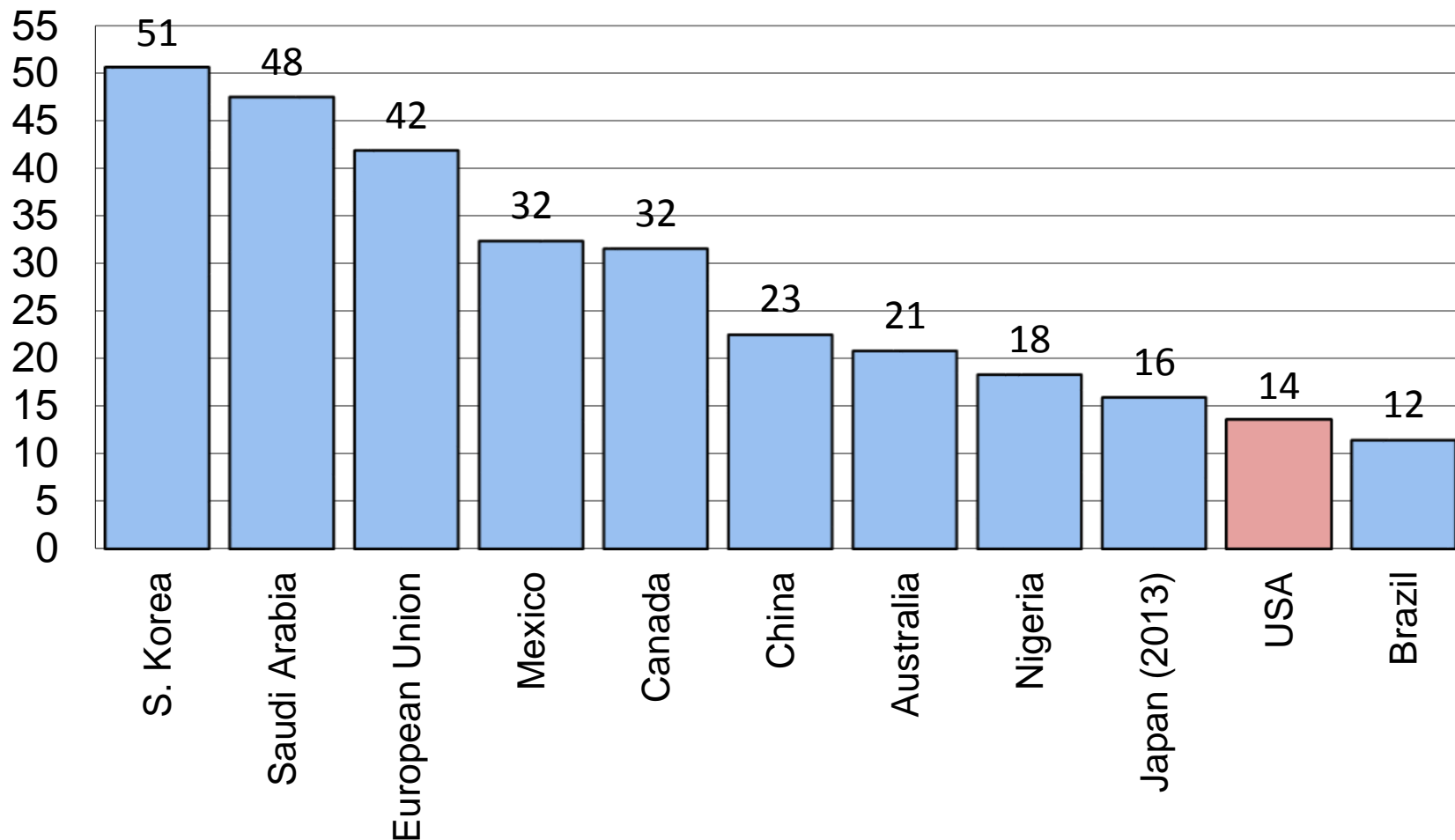


# China & U.S. Economy

- Exports to China as % of GDP:
  - US: 0.96%
  - CA: 1.10%
- Linkages & Ripple Effects
  - Financial system: global integration
  - Economic system:
    - U.S. linkages limited
  - Ripple effects

# Exports as % of GDP

Selected Countries (2014)



Source: World Bank



# U.S. Forecast

# U.S. FORECAST: Steady, Modest Growth

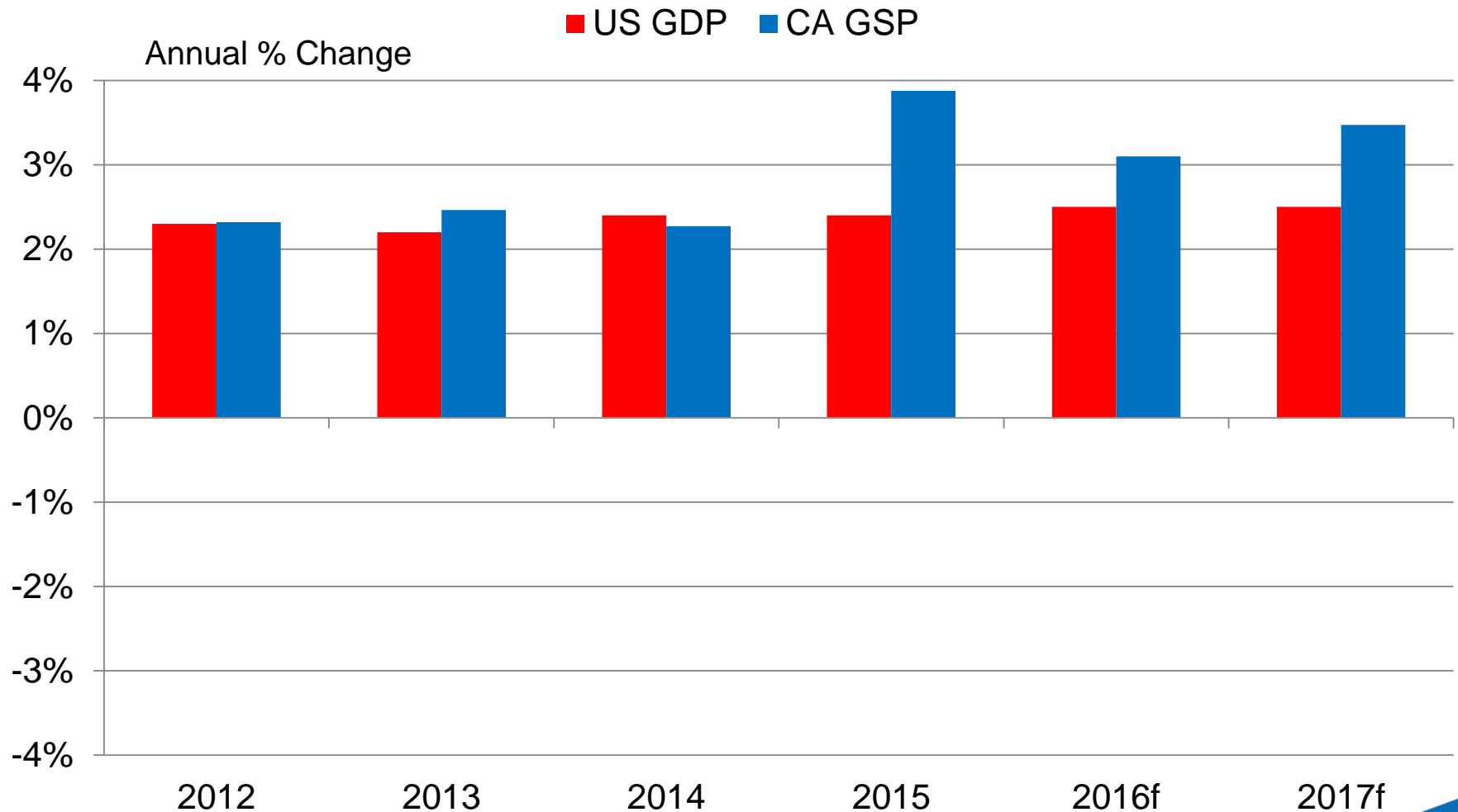
	2014	2015	2016f	2017f
Real GDP - Annual % Chg.	2.4%	2.4%	2.5%	2.5%
Nonfarm Jobs - Annual % Chg.	1.9%	2.1%	1.7%	1.4%
Unemployment Rate	6.2%	5.3%	4.9%	4.7%
Consumer Prices - Annual % Chg.	1.6%	0.1%	2.0%	2.4%

The background of the slide features a photograph 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' and 'REPUBLIC' visible. The title 'California Economy' is superimposed in large blue letters across the center of the image.

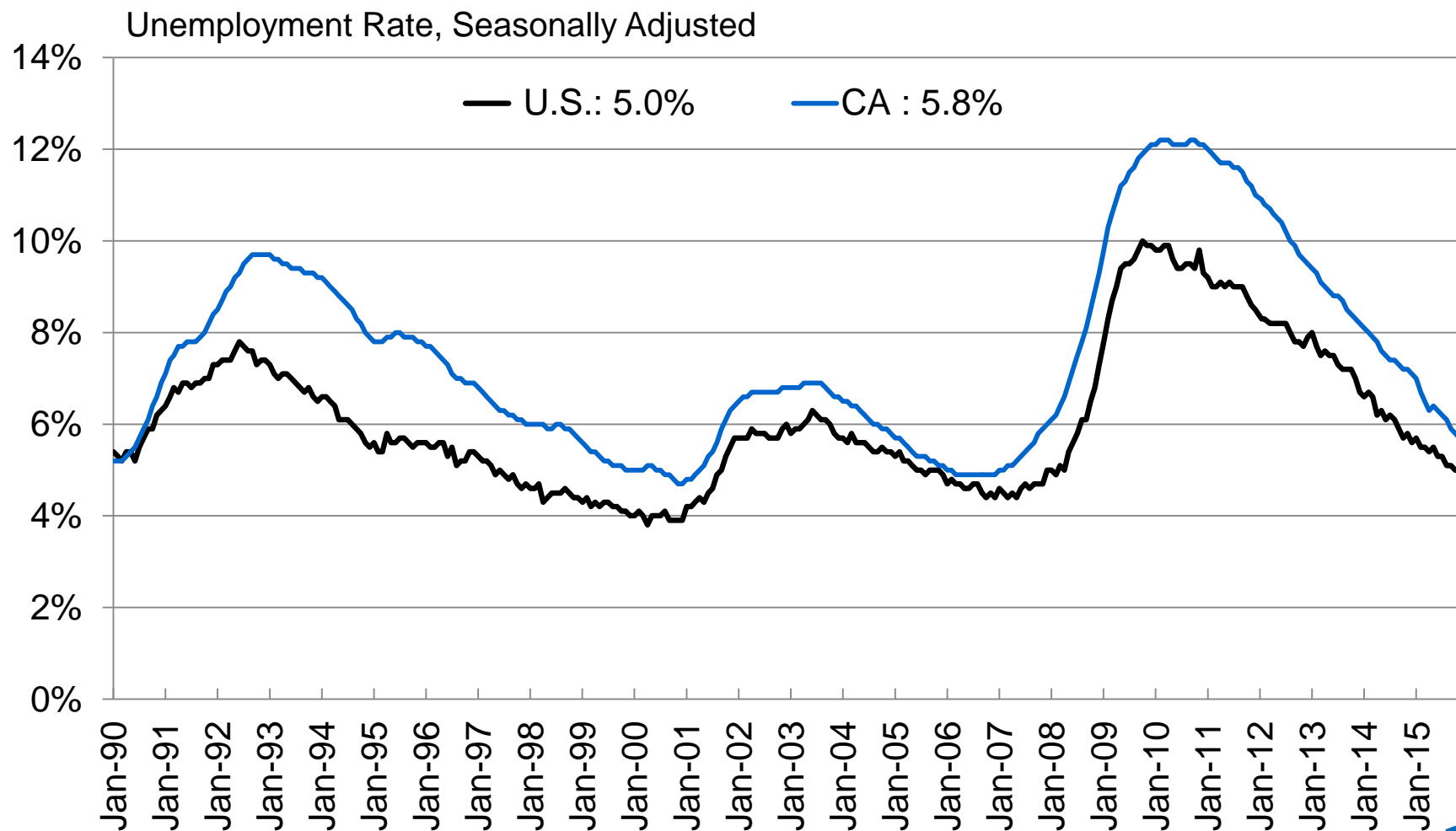
# California Economy



# California Growth Outpacing U.S.

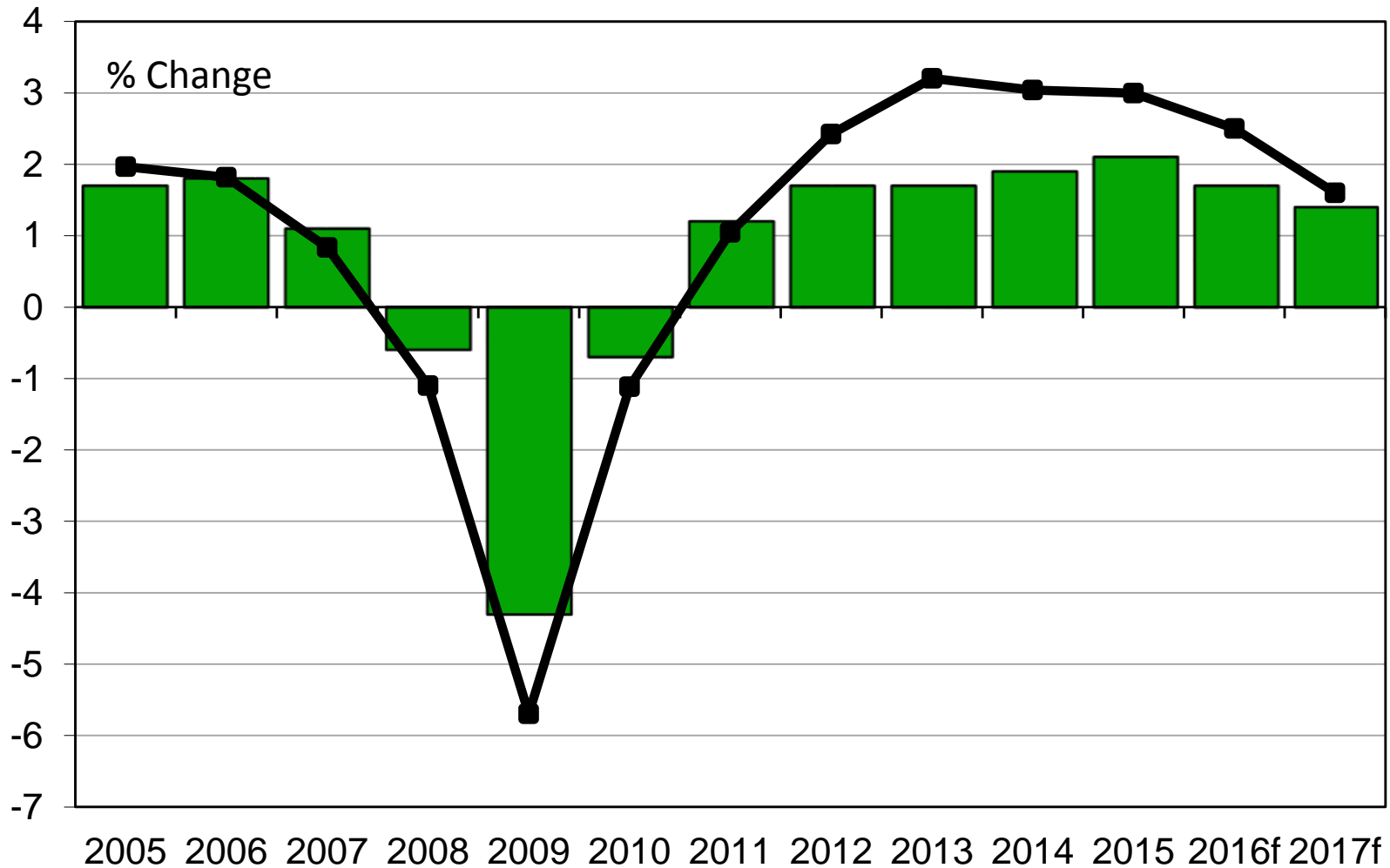


# CA Unemployment Rate Falling Quickly



Source: US BLS, CA EDD

# CA Job Gains Outpace U.S.

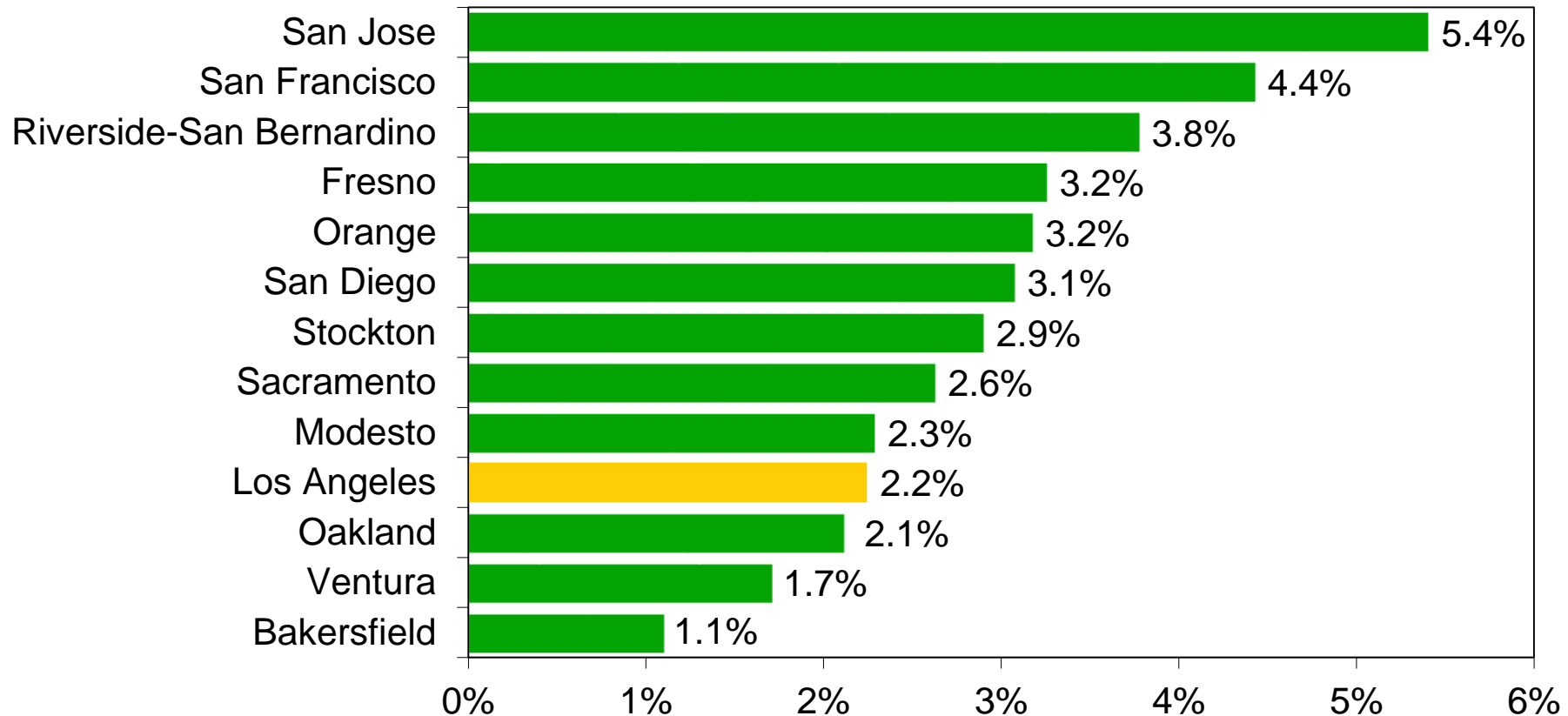


Sources: Bureau of Labor Statistics, forecasts by LAEDC

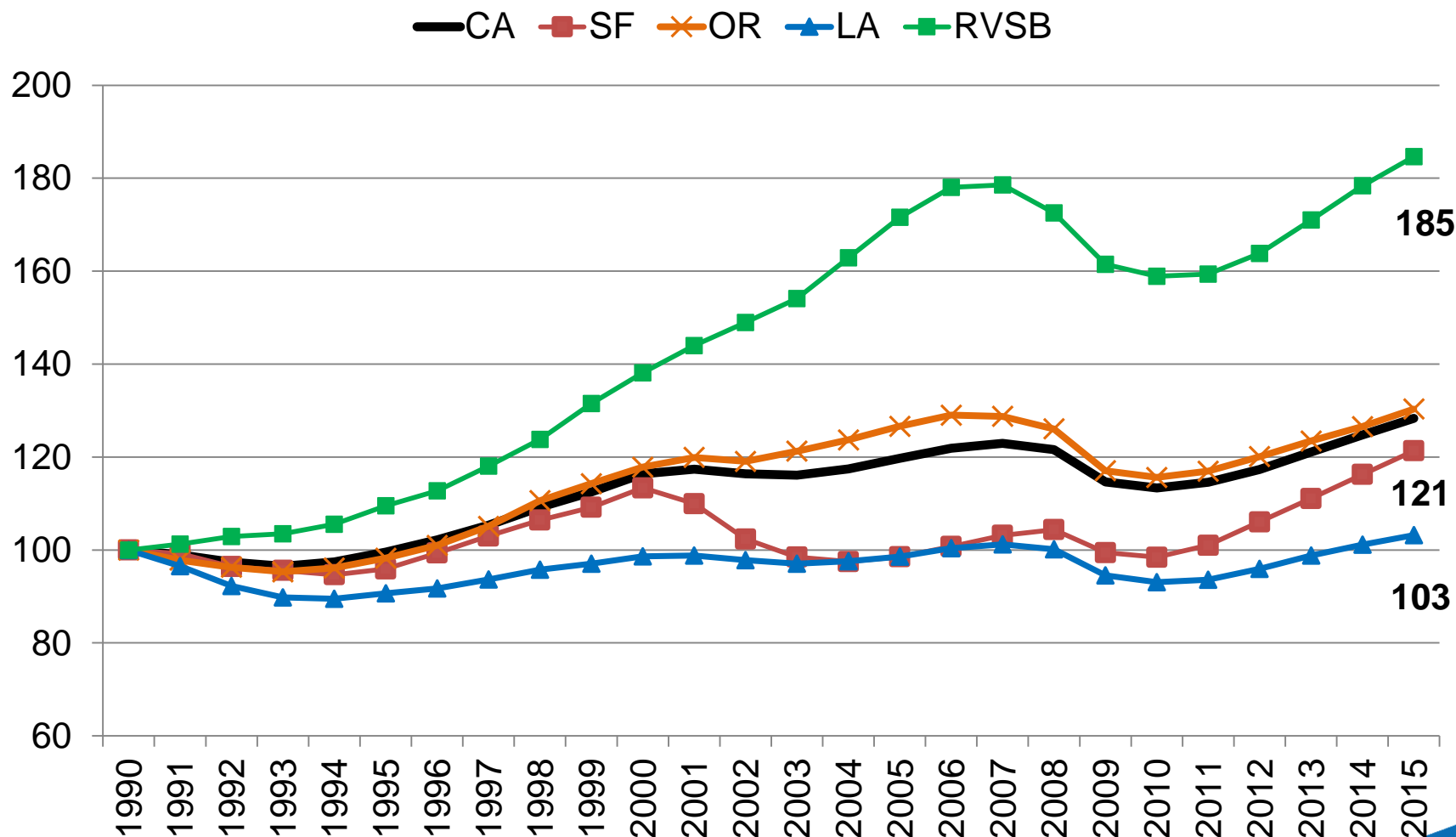
# Job Trends by California Metro Area

*Annual percent change in nonfarm jobs, seasonally adjusted*

**CALIFORNIA – 2015: +470,000 +3.0% YTY**



# Long Term Job Trajectories Vary



Source: EDD, Compiled by LAEDC



# California Economic Forecast

	2014	2015	2016f	2017f
Nonfarm Jobs - annual % chg.	3.0%	3.0%	2.5%	1.6%
Unemployment Rate	7.0%	6.2%	5.5%	5.3%
Personal Income - annual % chg.	4.7%	5.7%	4.7%	5.7%
Total Taxable Sales - % chg.	4.9%	3.4%	5.5%	7.0%
Housing Permits - thousands of units	85.8	96.5	110.0	128.8

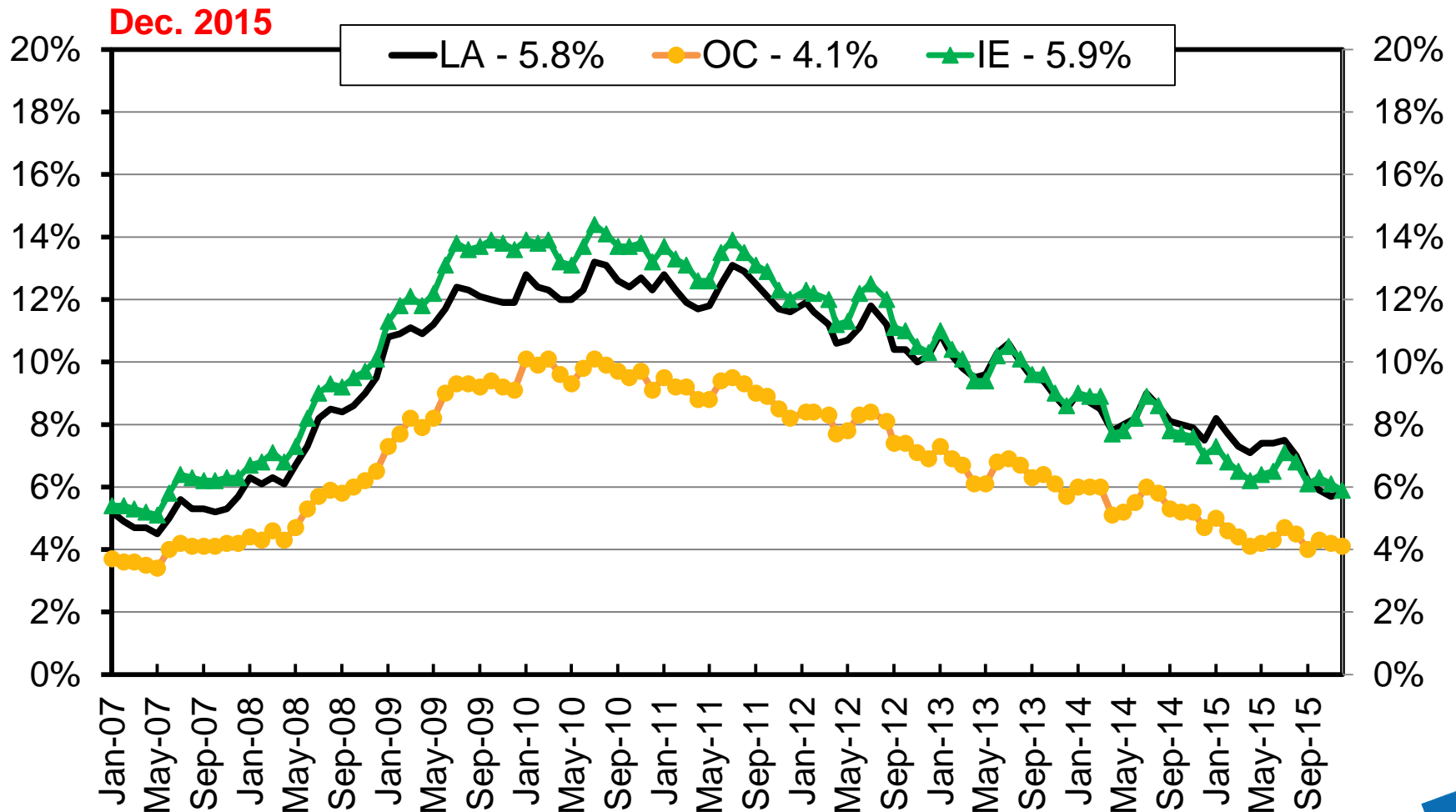


Forecast Source: LAEDC



# **Southern California Economy**

# Local Unemployment Rates



Source: CA EDD, Labor Market Information Division



# Major Industries in Southern California

## INCOME GENERATING

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

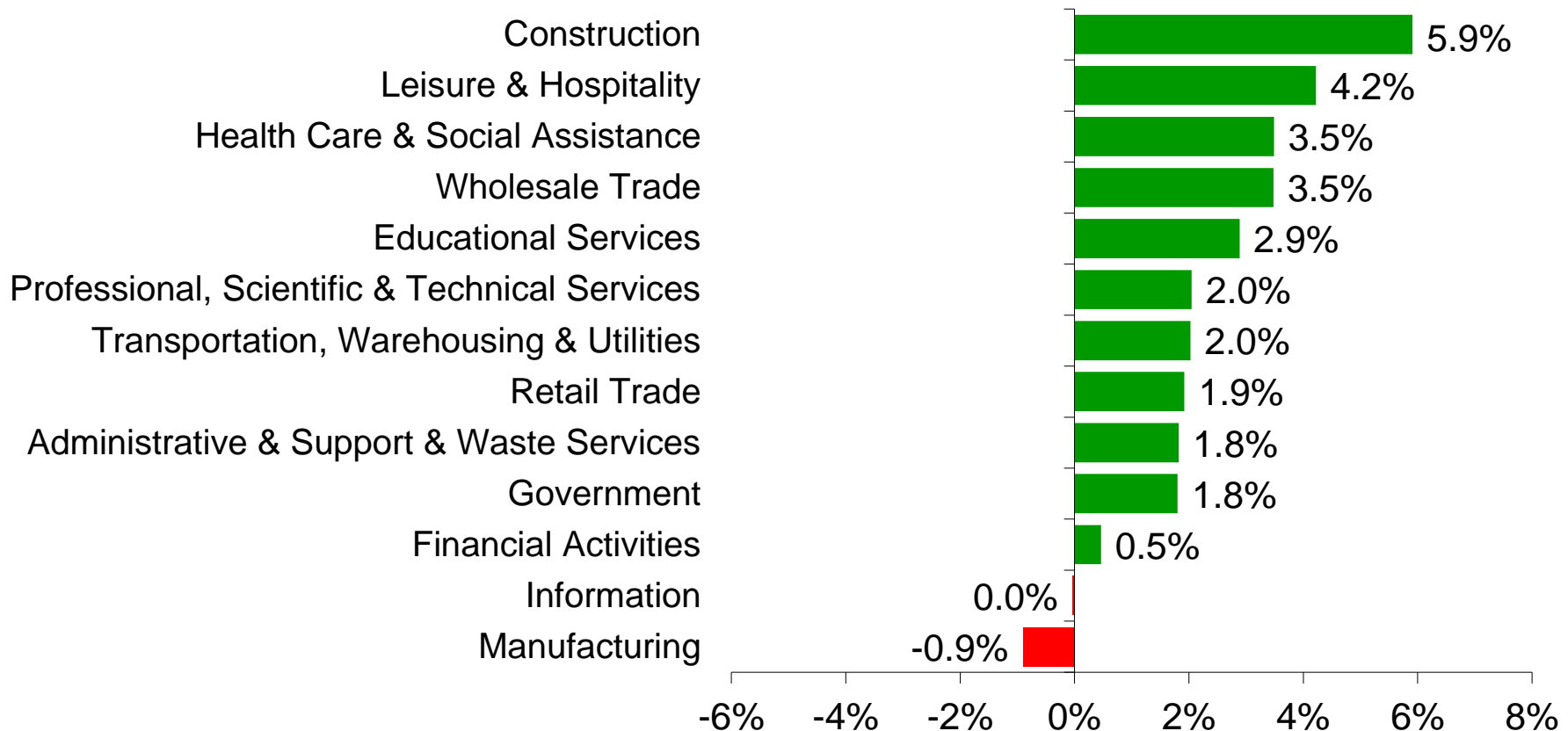
## INCOME CIRCULATING

- Retail Sales
- Leisure & Hospitality
- Health Care/Social Assistance
- Personal Services
- Nonprofit Sector

# Job Trends by Industry – Los Angeles

*YTY % change in nonfarm employment by industry, not seasonally adjusted*

**2015 YTY: +94,700 jobs, +2.2% YTY; u-rate: 6.9%**

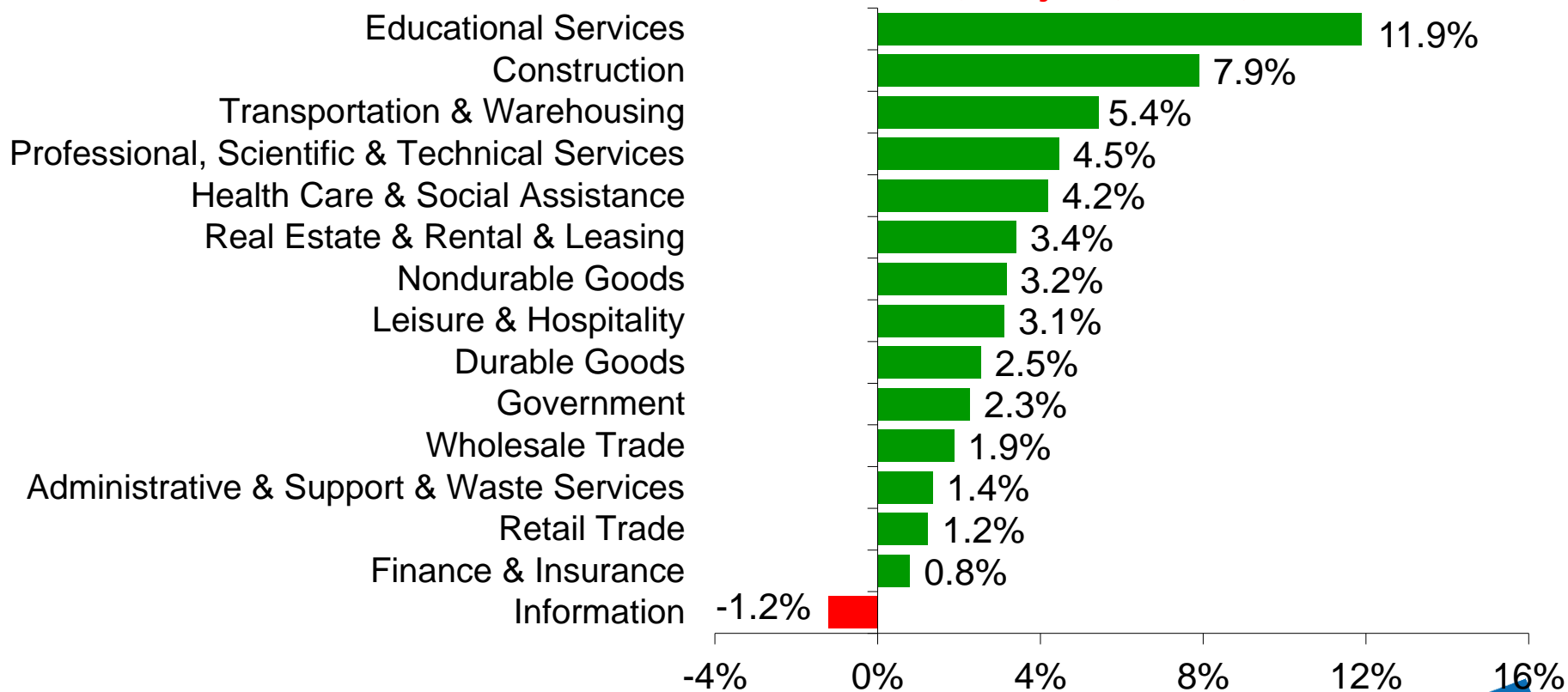


# Job Trends by Industry

## Orange County

*YTY percent change in nonfarm employment by industry*

**2015 YTY: +47,400 jobs, +3.2%; u-rate: 4.4%**

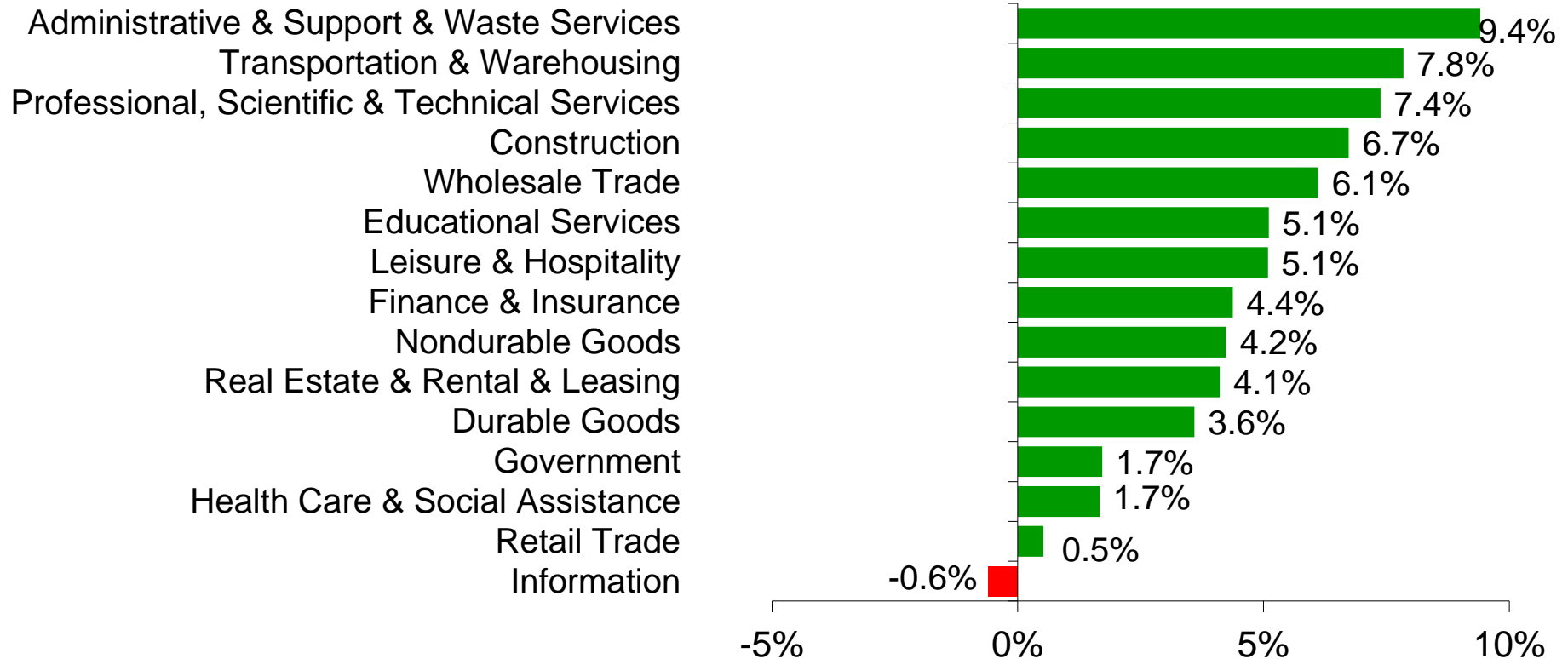


# Job Trends by Industry

## Riverside – San Bernardino

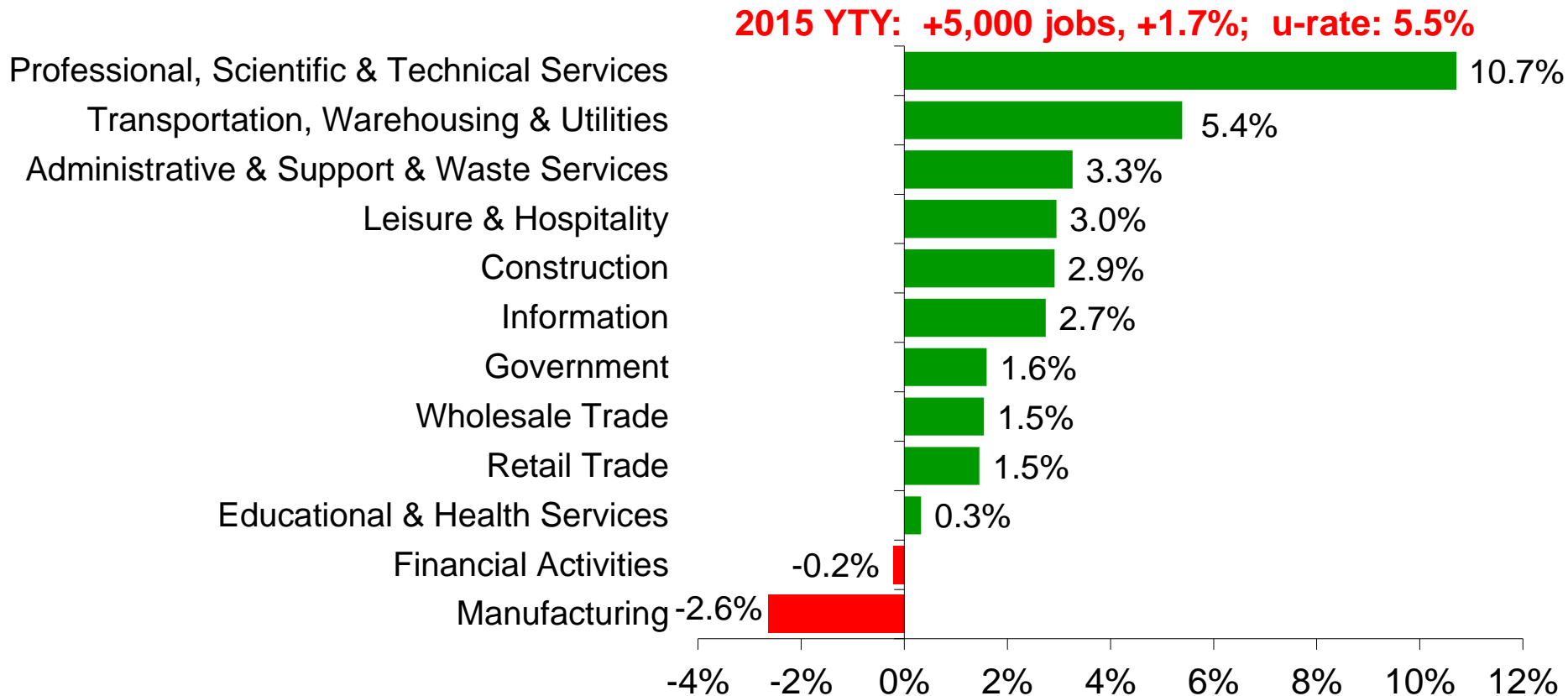
*YTY percent change in nonfarm employment by industry*

**2015 YTY: +48,400 jobs, +3.8%; u-rate: 6.5%**



# Job Trends by Industry Ventura County

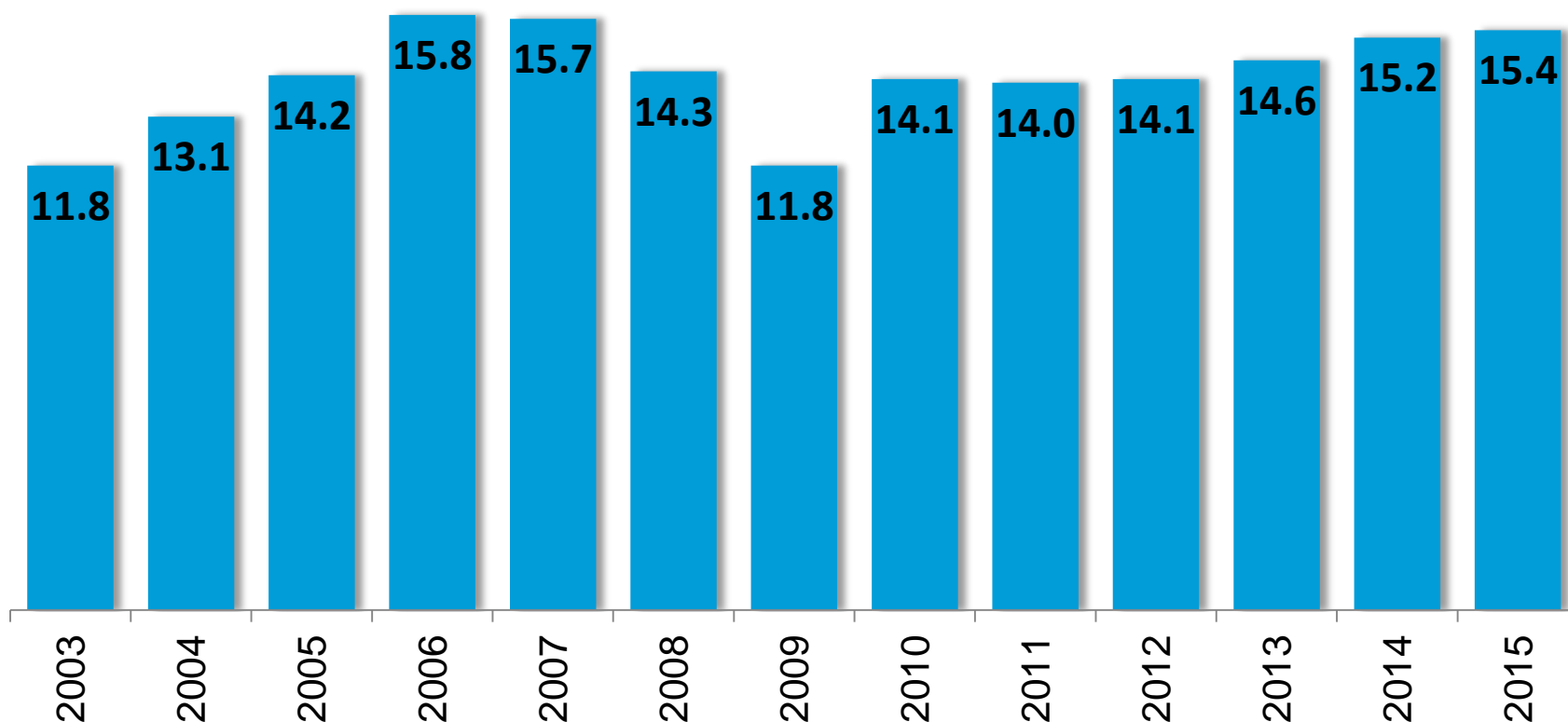
*YTY percent change in nonfarm employment by industry*



# Container Throughput San Pedro Bay Ports

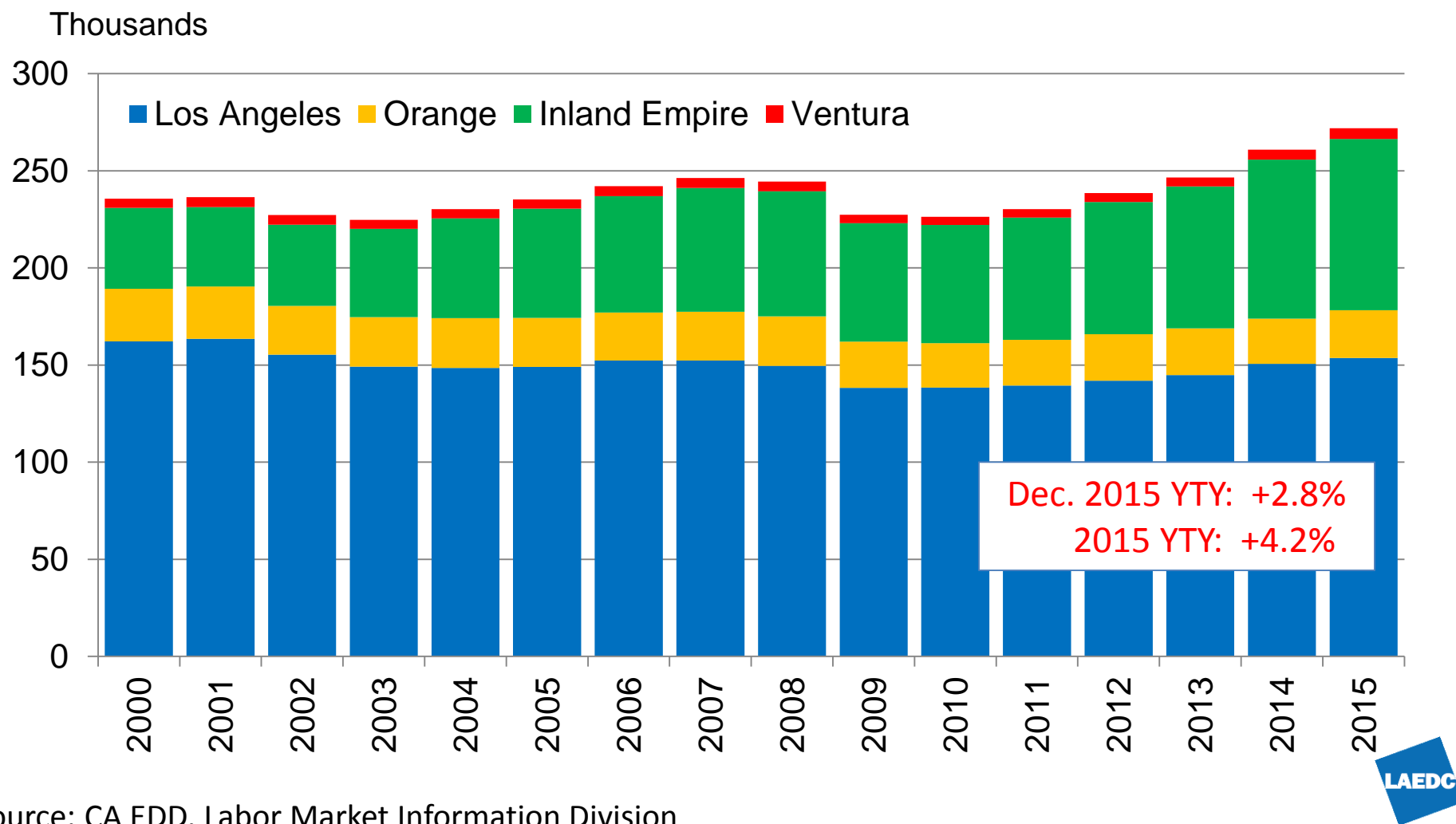
Millions of TEUs

2015 YTY: +1.3%



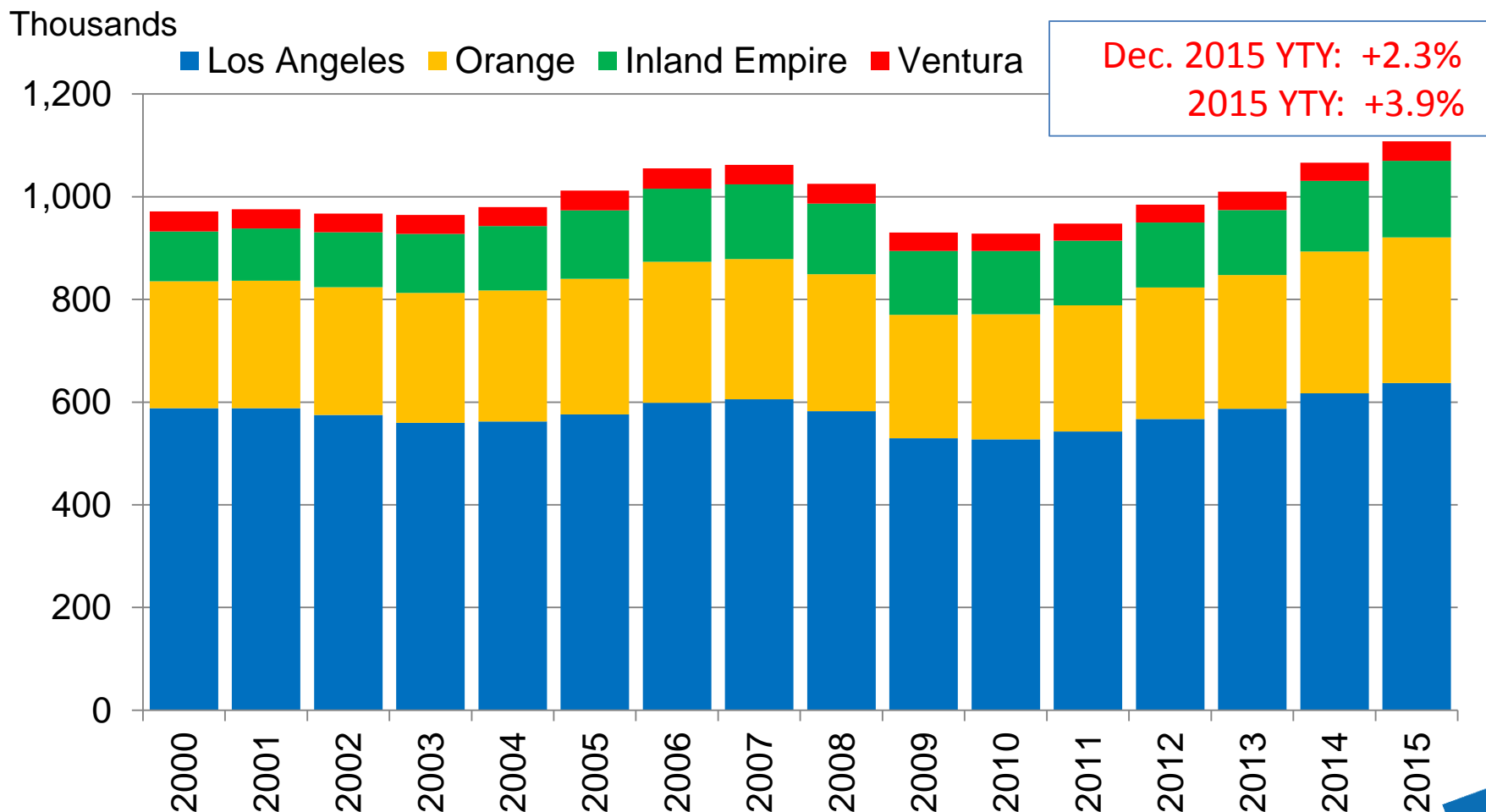
Sources: Ports of Los Angeles and Long Beach; forecast by LAEDC

# Southern California Transportation and Warehousing Employment



Source: CA EDD, Labor Market Information Division

# Southern California Professional & Business Services Employment



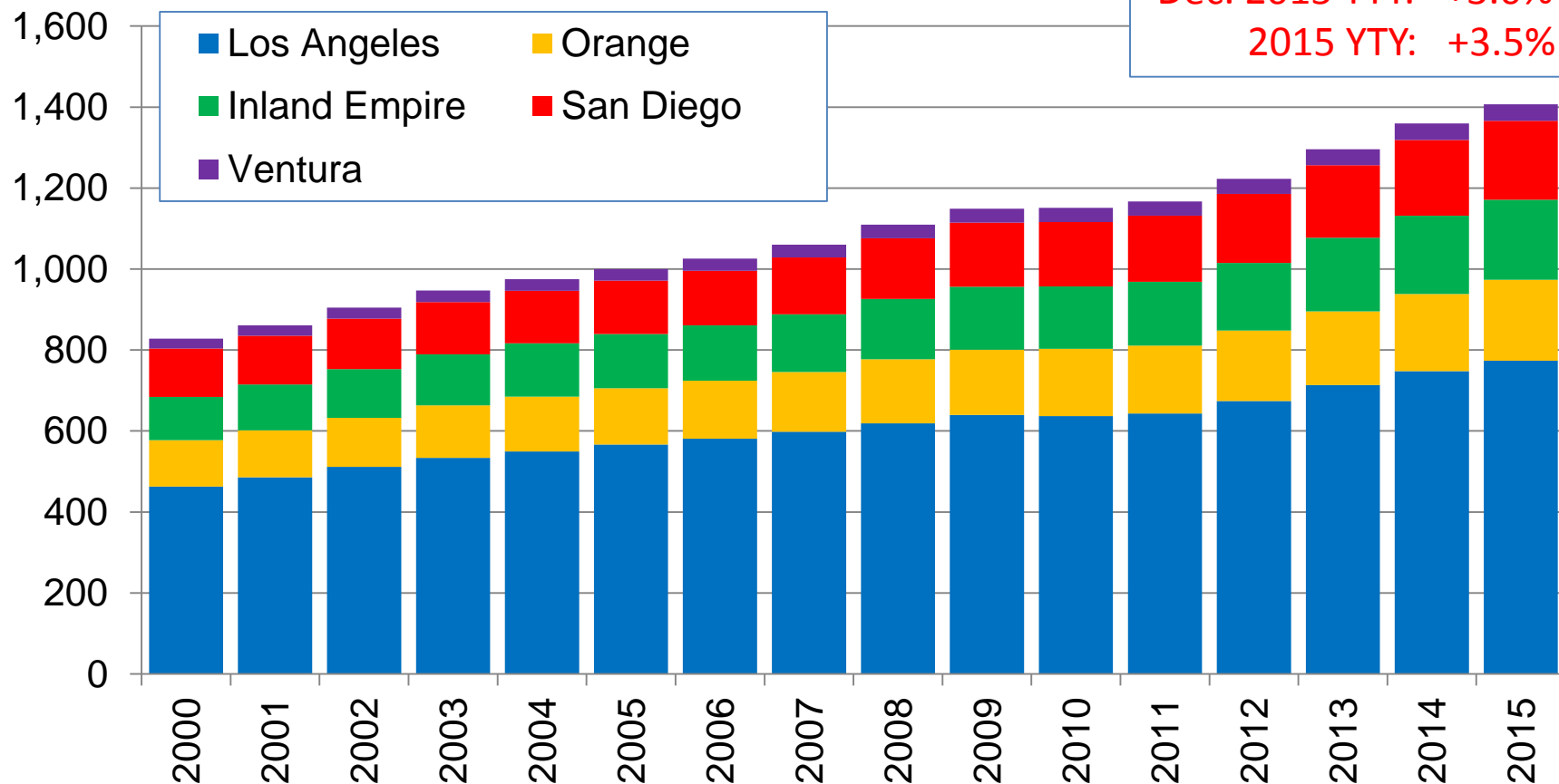
Source: CA EDD, Labor Market Information Division





# Southern California Education & Health Care Employment

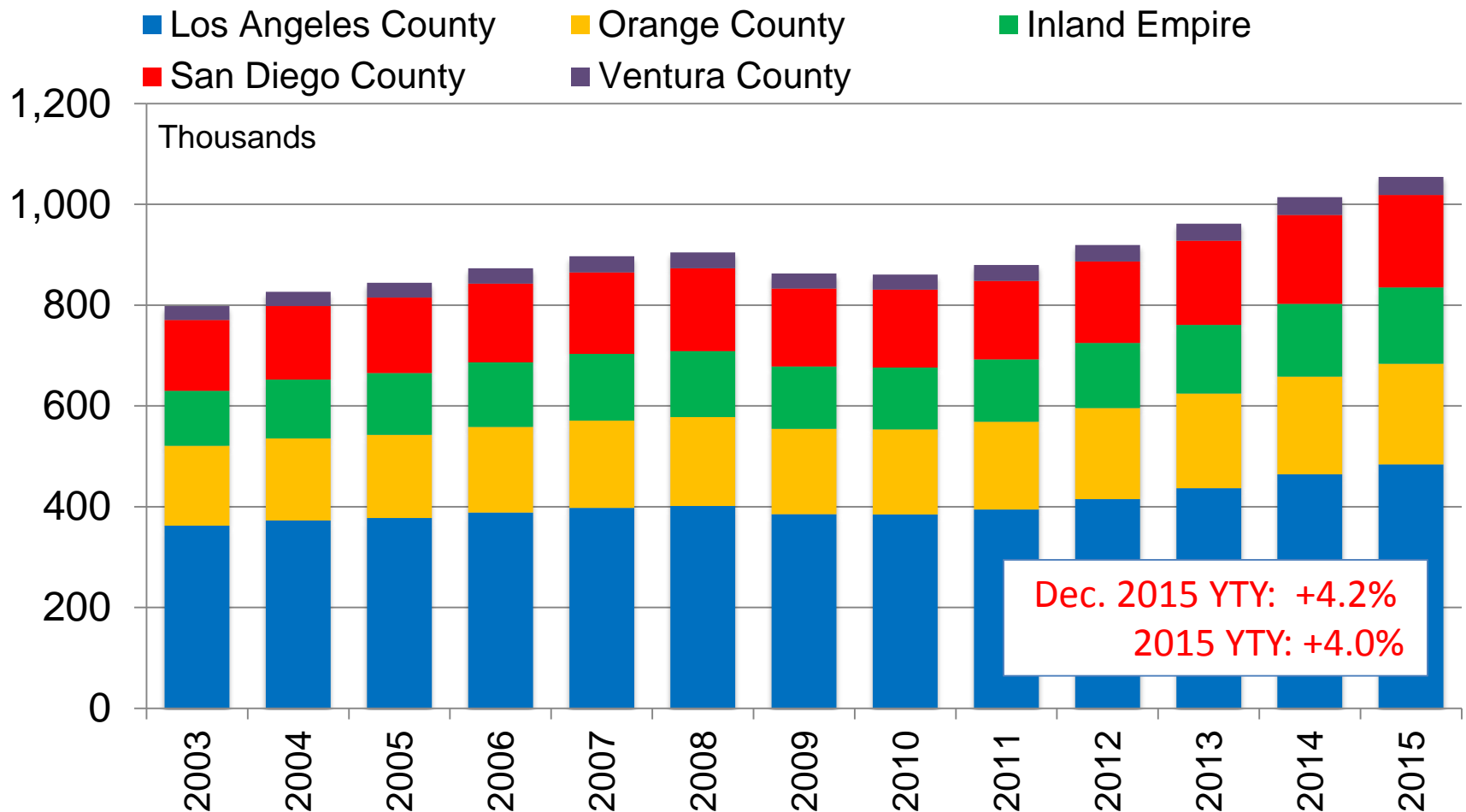
Thousands



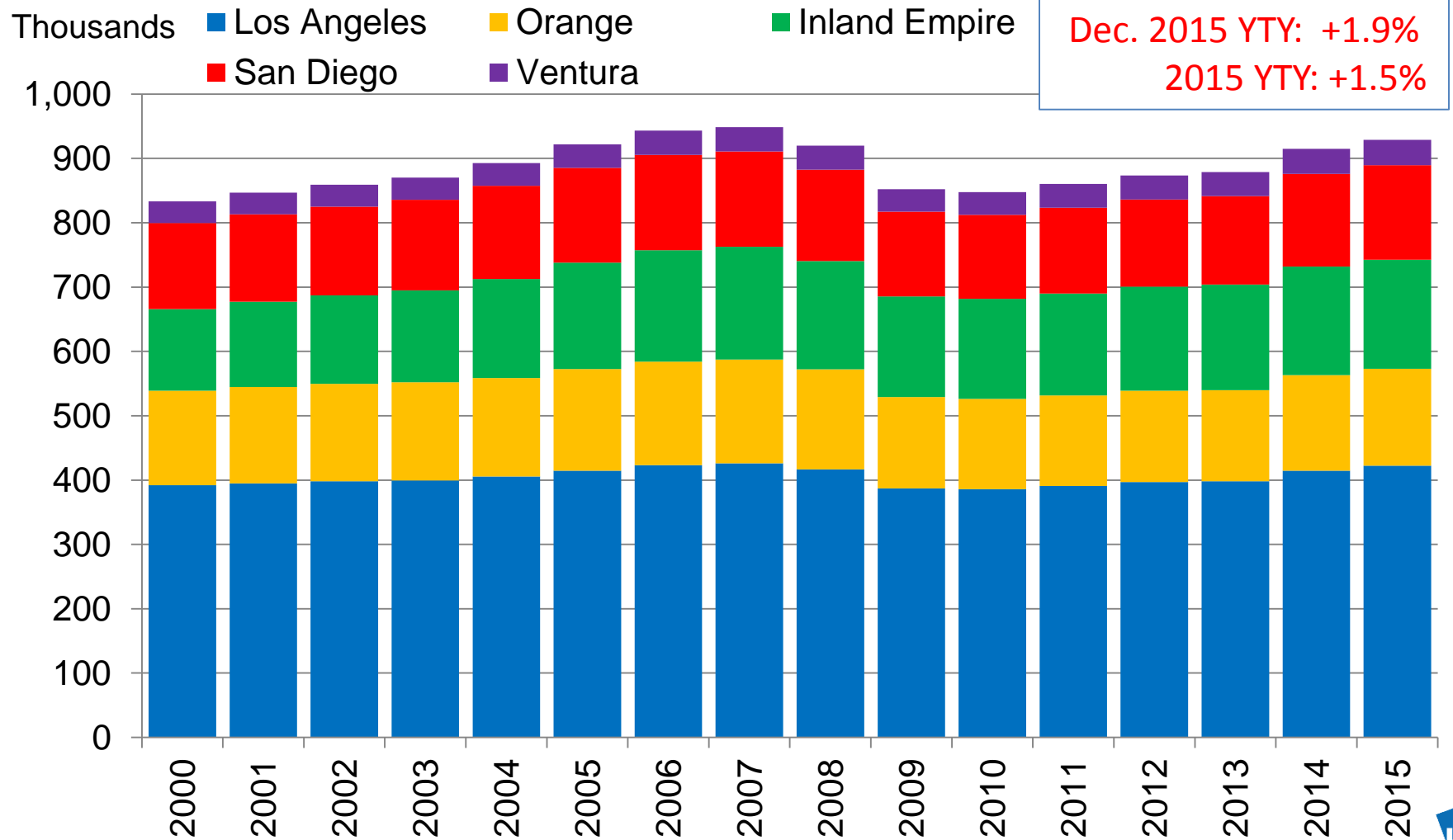
Source: CA EDD, Labor Market Information Division



# Southern California Leisure & Hospitality Employment



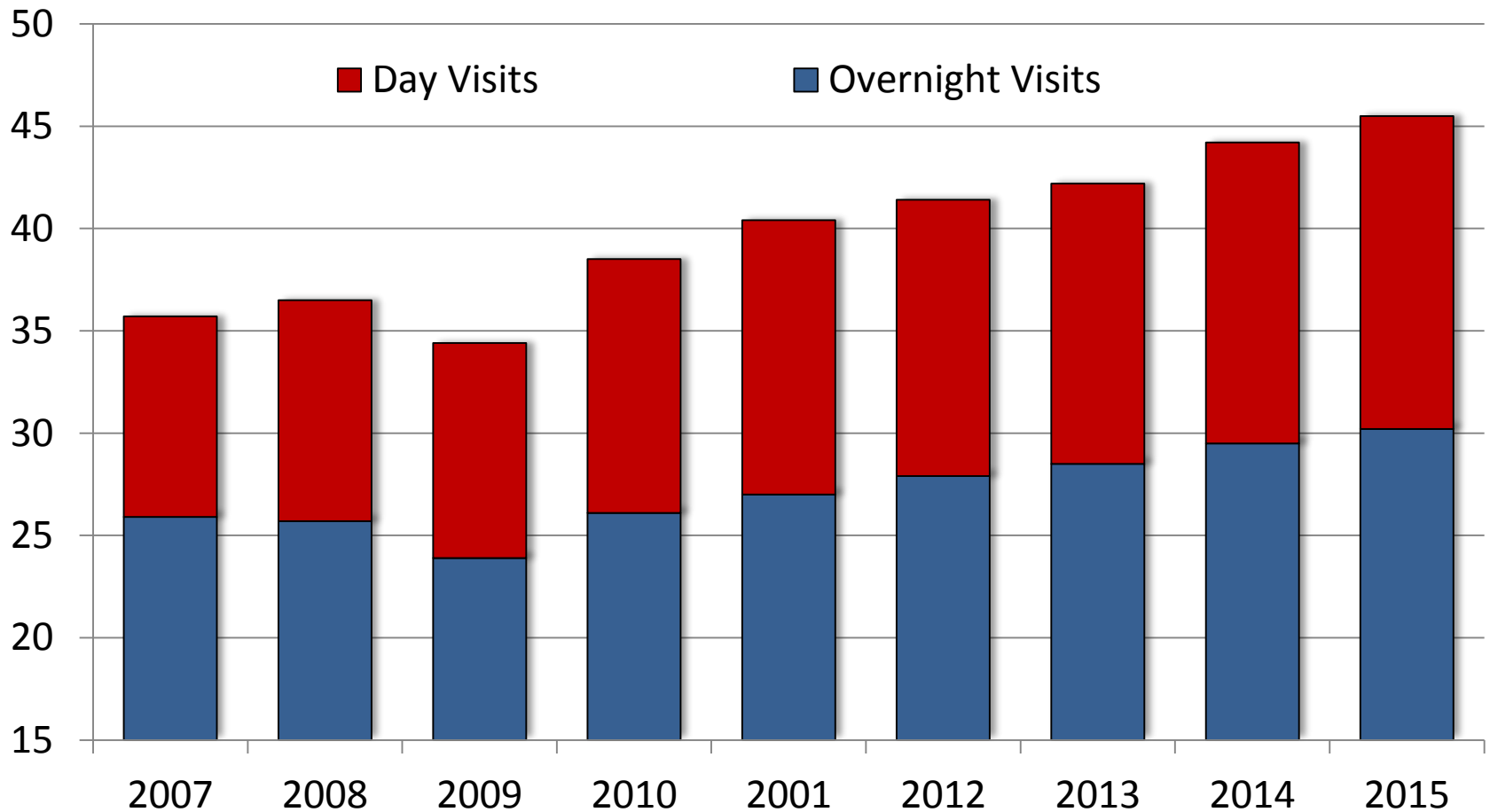
# Southern California Retail Employment



Source: CA EDD, Labor Market Information Division



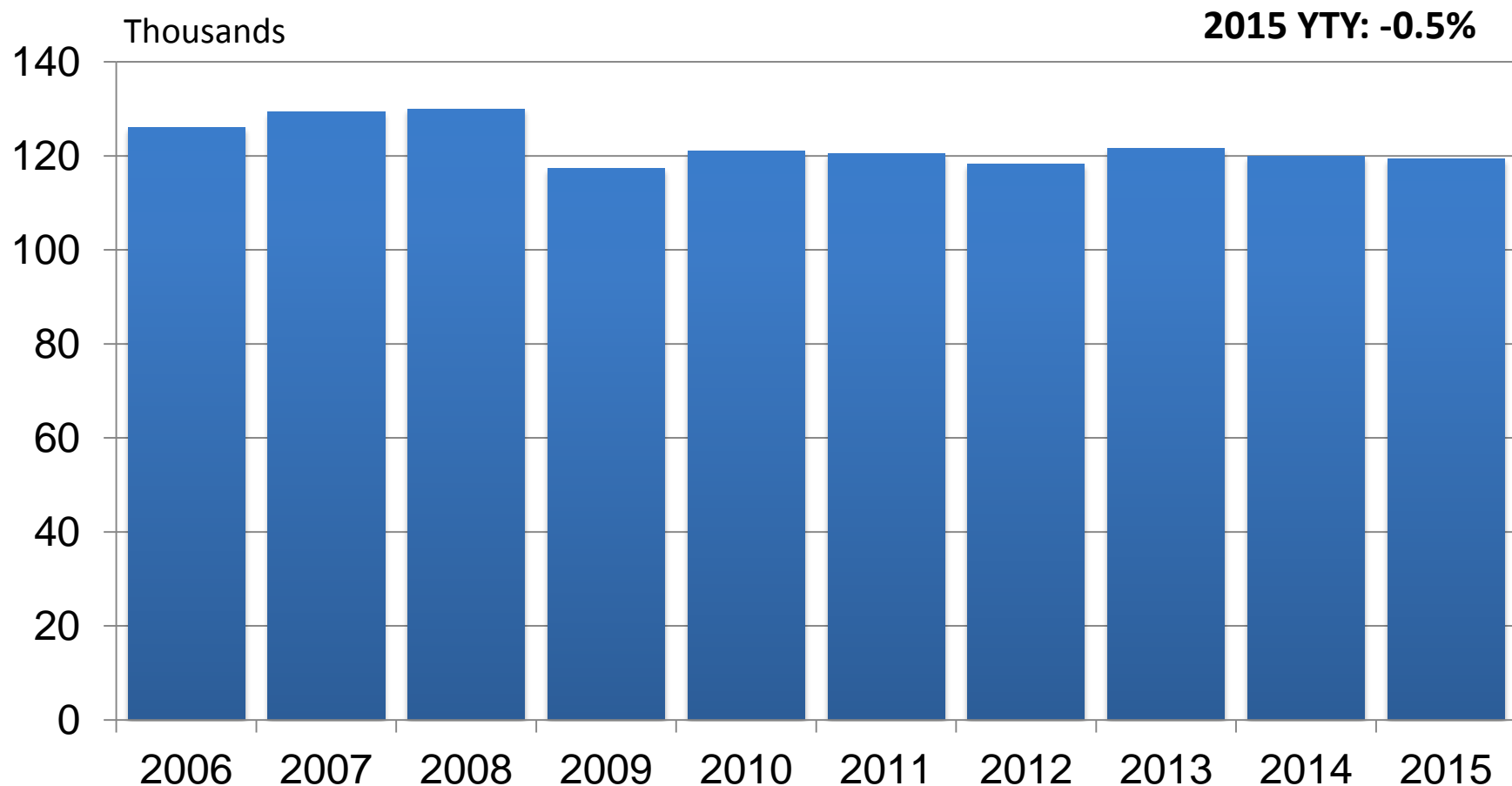
# Tourism: LA County Record High



Source: L.A. Tourism and Convention Board

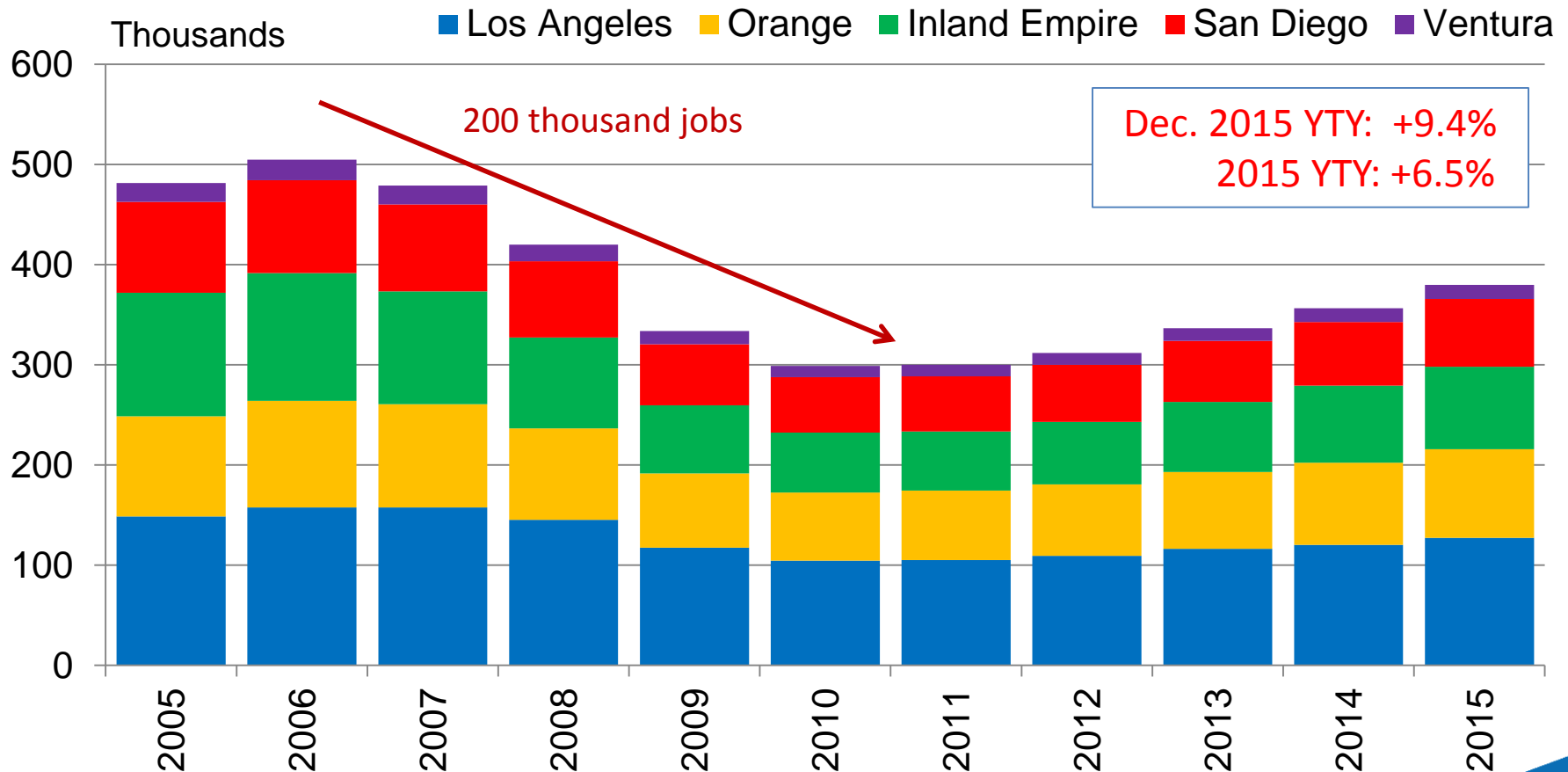


# Motion Picture & Sound Recording Employment in Los Angeles County

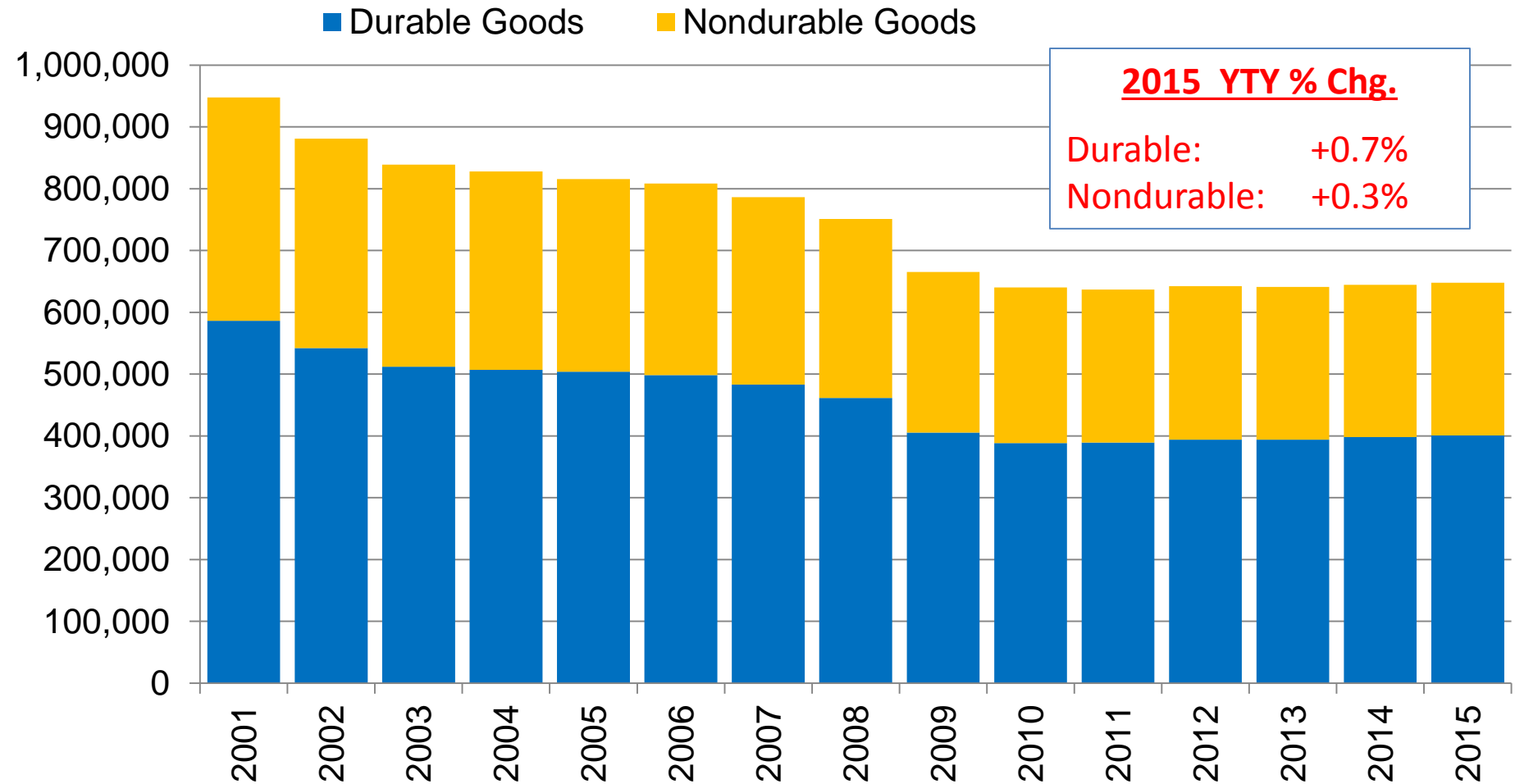


Sources: CA EDD. LMID

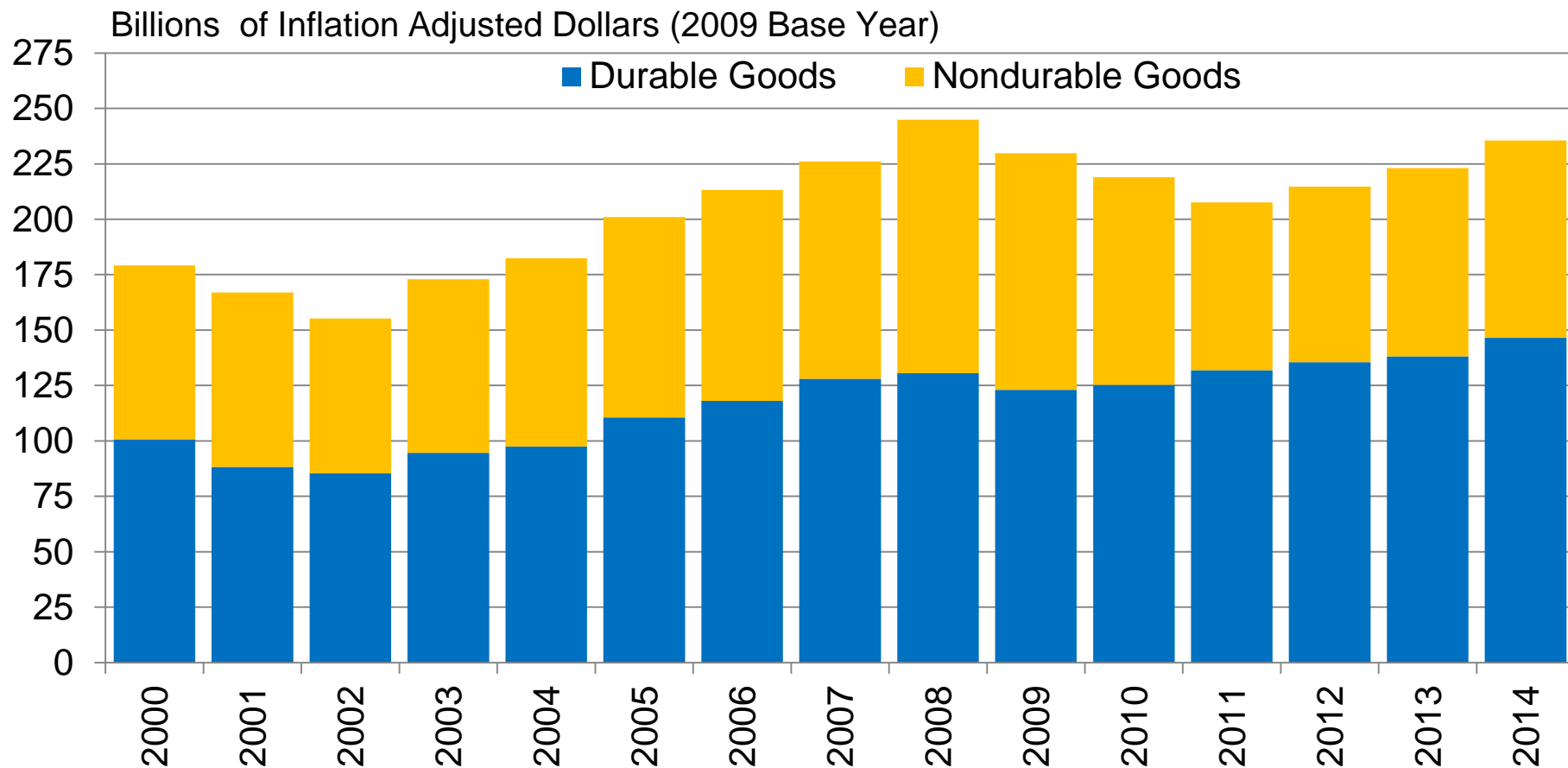
# Southern California Construction Employment



# SoCal Manufacturing Employment



# Value of Manufacturing Output – California

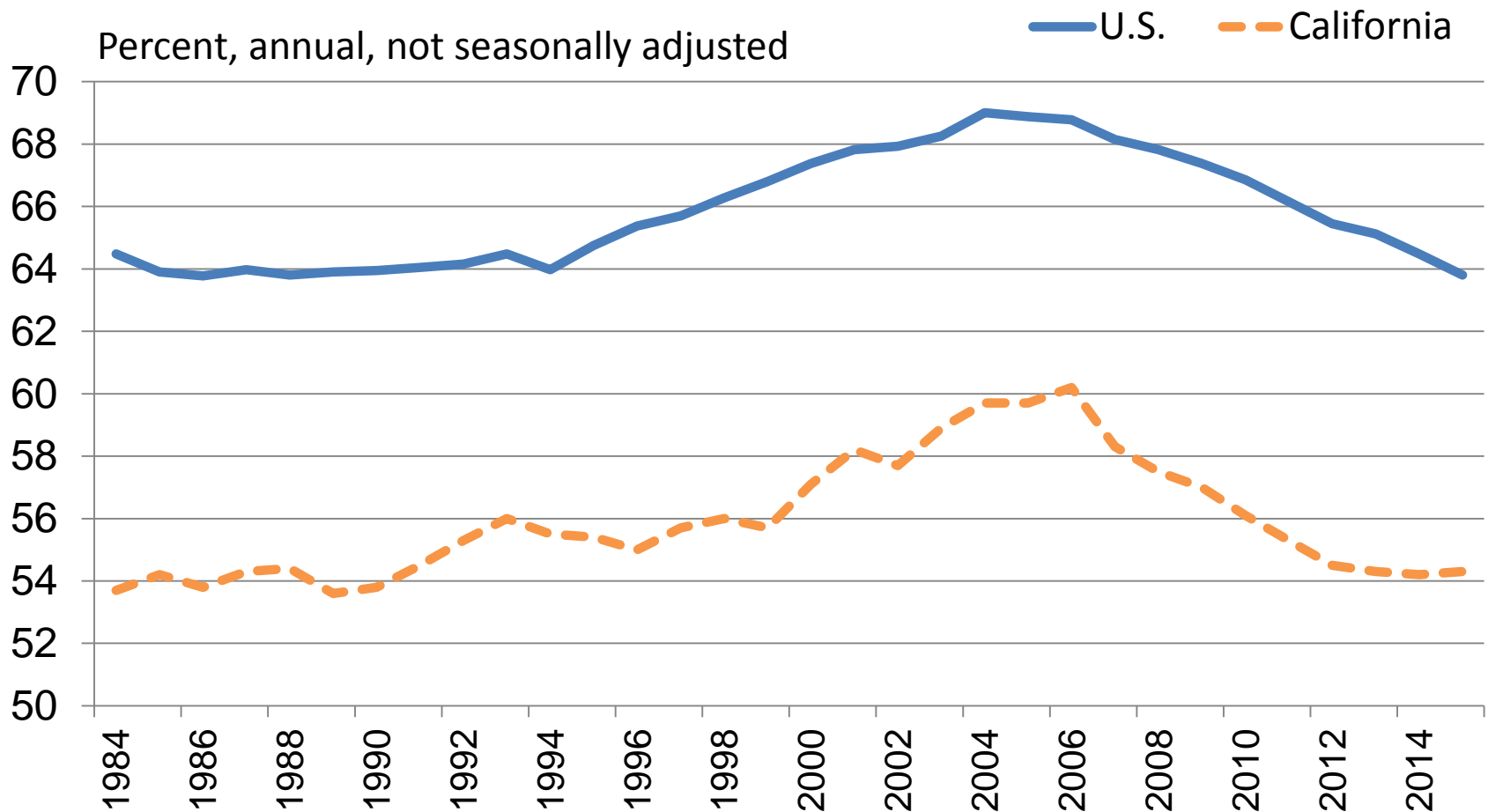




# **Southern California Real Estate**



# Homeownership Stabilizing in CA



Source: Federal Reserve Bank of St. Louis

# Median Prices

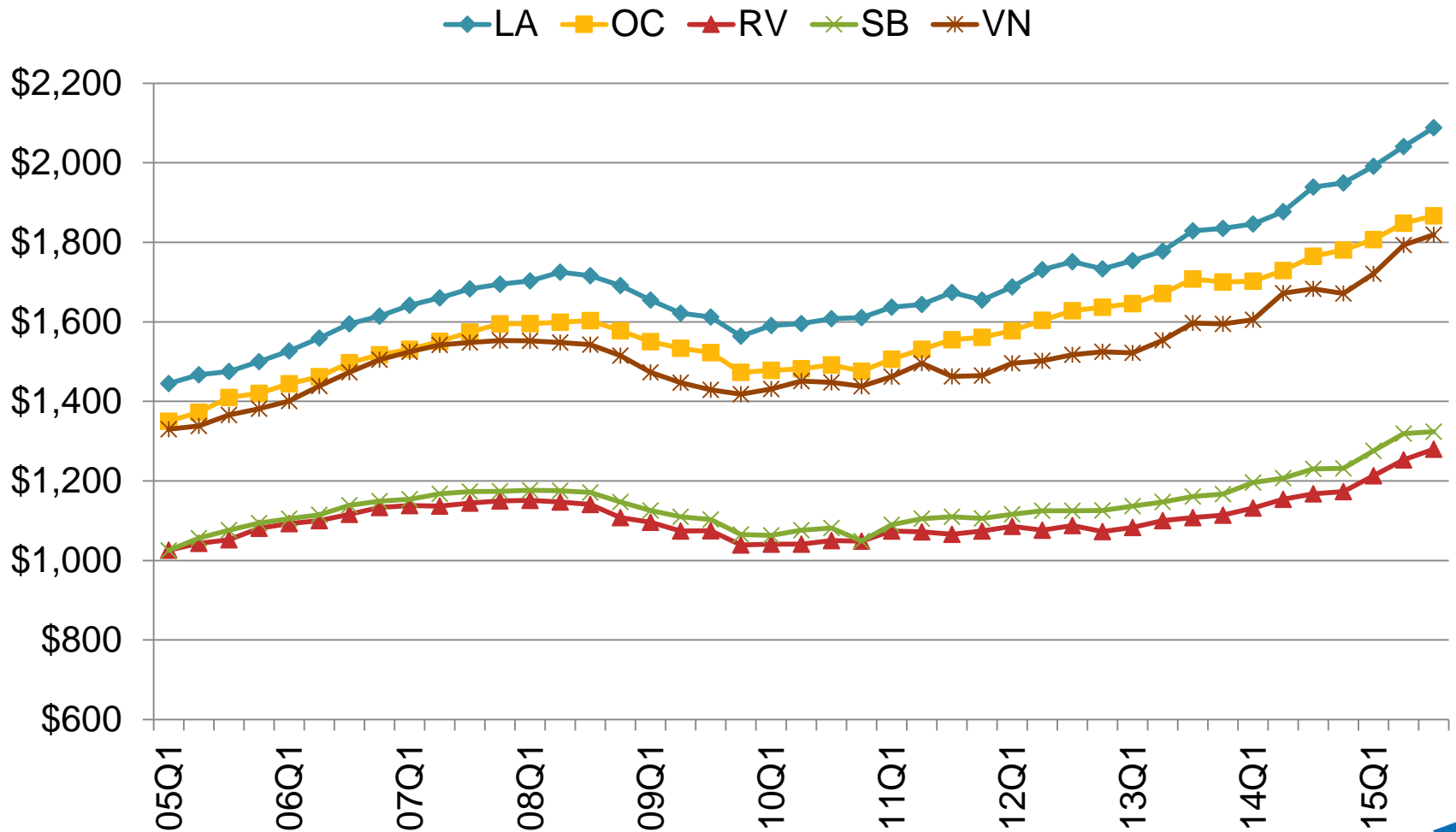
## Existing Single-Family Homes

County	Dec-14	Dec-15	YTY % Change
Los Angeles	\$464,650	\$502,750	8.2%
Orange County	\$683,490	\$710,940	4.0%
San Bernardino	\$216,020	\$234,080	8.4%
Riverside County	\$322,020	\$348,020	8.1%
Ventura	\$569,600	\$601,910	5.7%
San Diego	\$494,500	\$548,080	10.8%
<b>California</b>	<b>\$453,270</b>	<b>\$489,310</b>	<b>8.0%</b>



Source: California Association of REALTORS

# Apartment Rents – Southern California

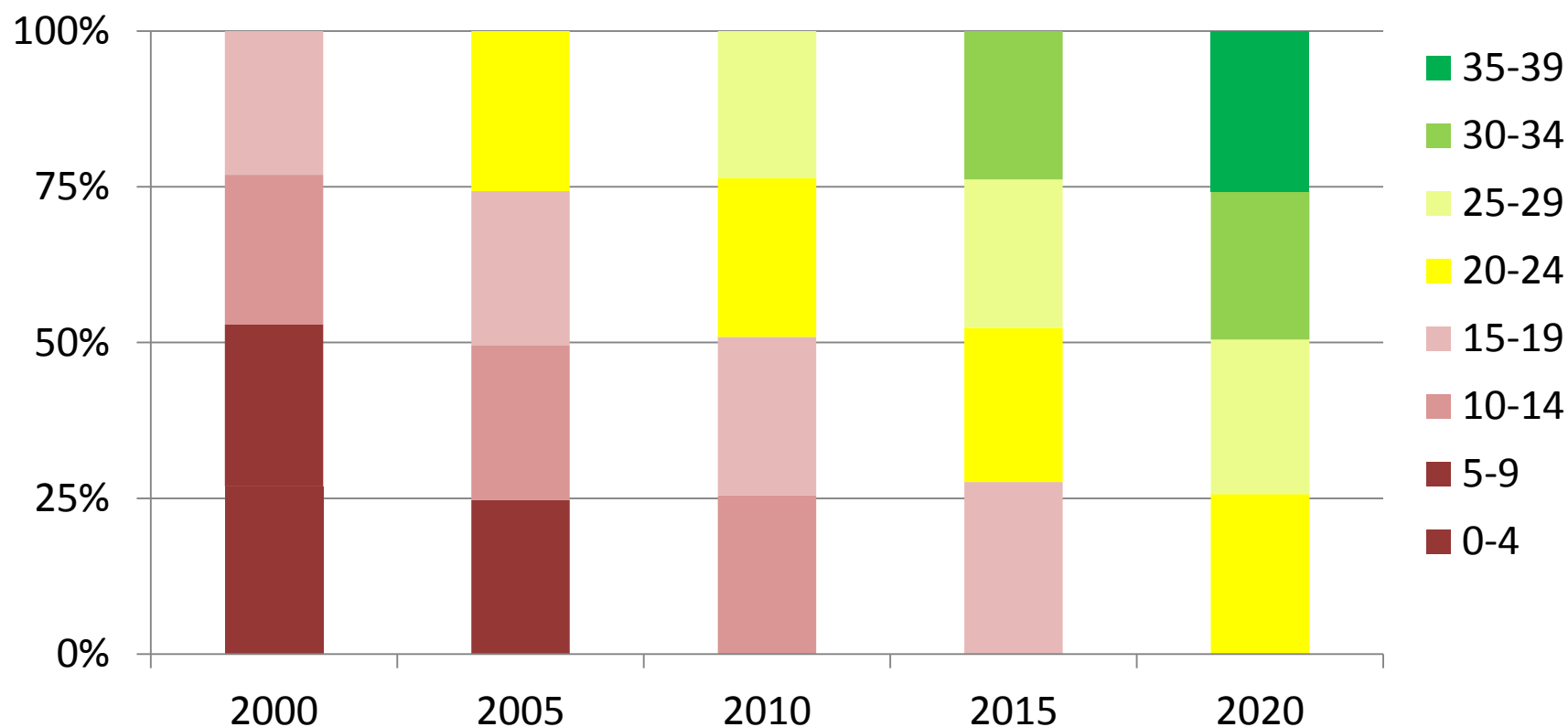


# Housing Demand Depends On:

- Drivers:
  - Job and income growth
  - Net increases in wealth
  - Demographics
  - Expected increases in mortgage rates
- Constraints
  - Down payment sources
  - Rising mortgage rates
  - Strict underwriting requirements

# Millennial Population by Age

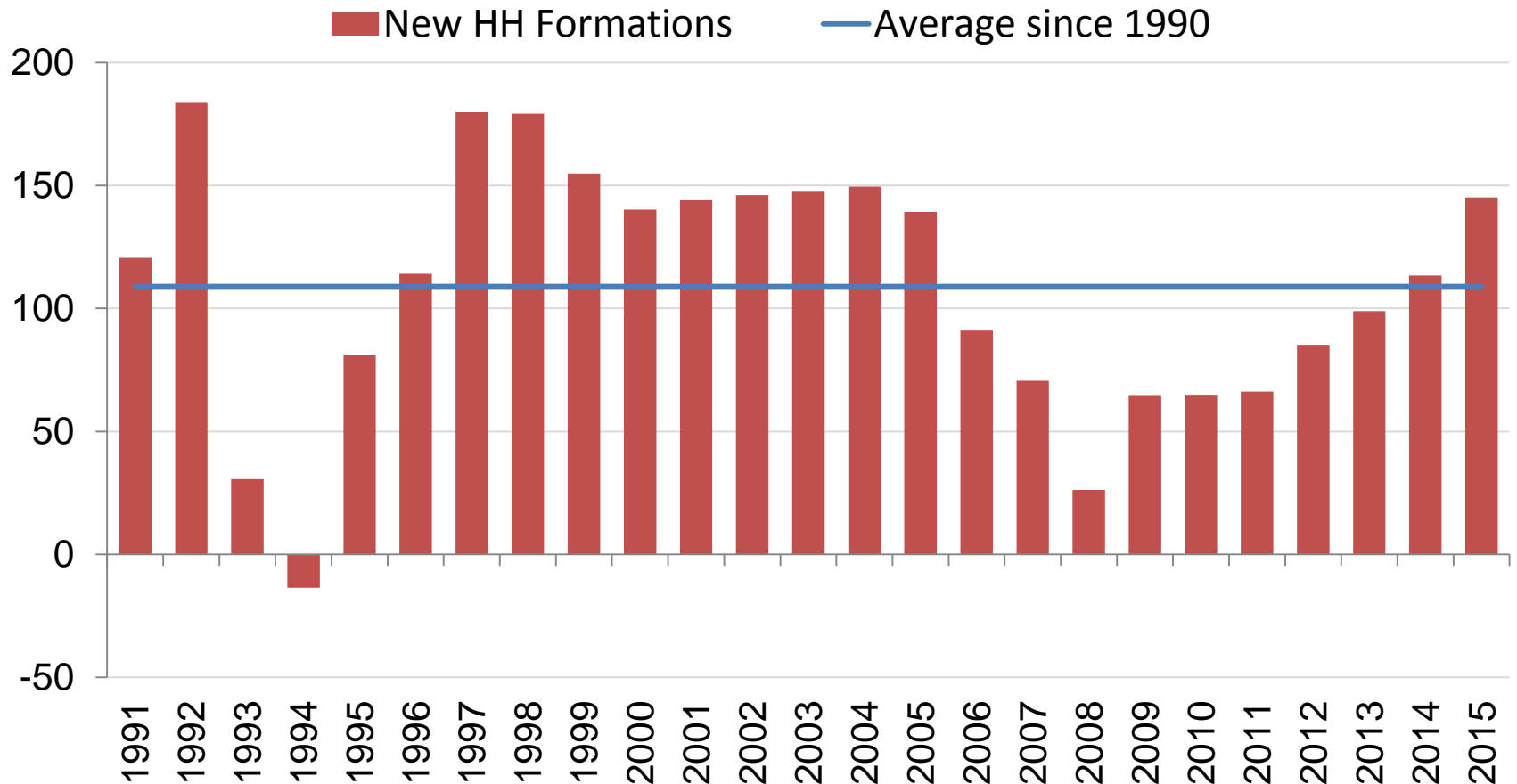
~11 Million Millennials in State of California



Source: CA Department of Finance

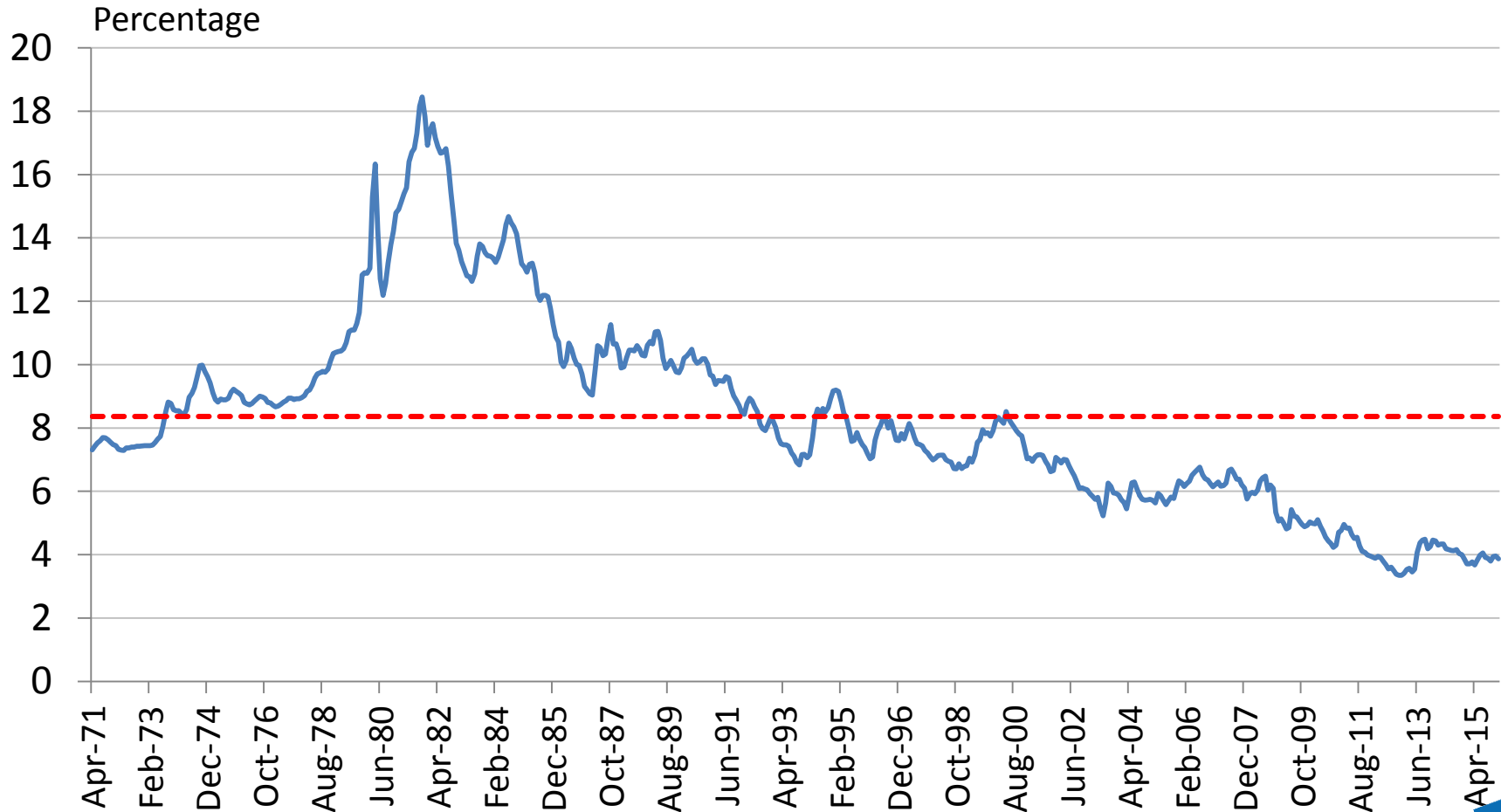
# California Household Formation

Annual change number of households, thousands



# Mortgage Interest Rates

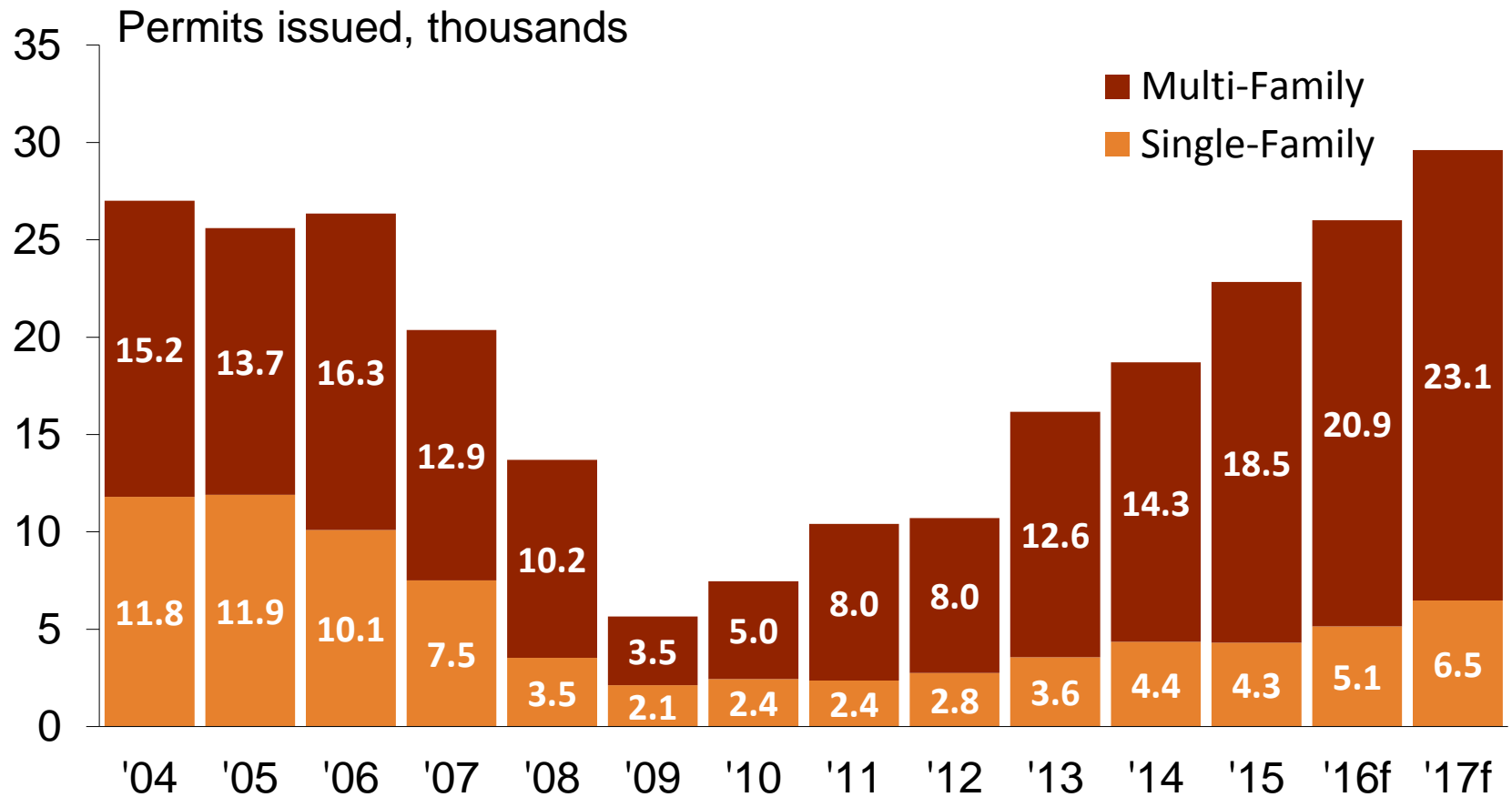
## 30-year Fixed Rate, Conventional Mortgage



Source: Federal Reserve

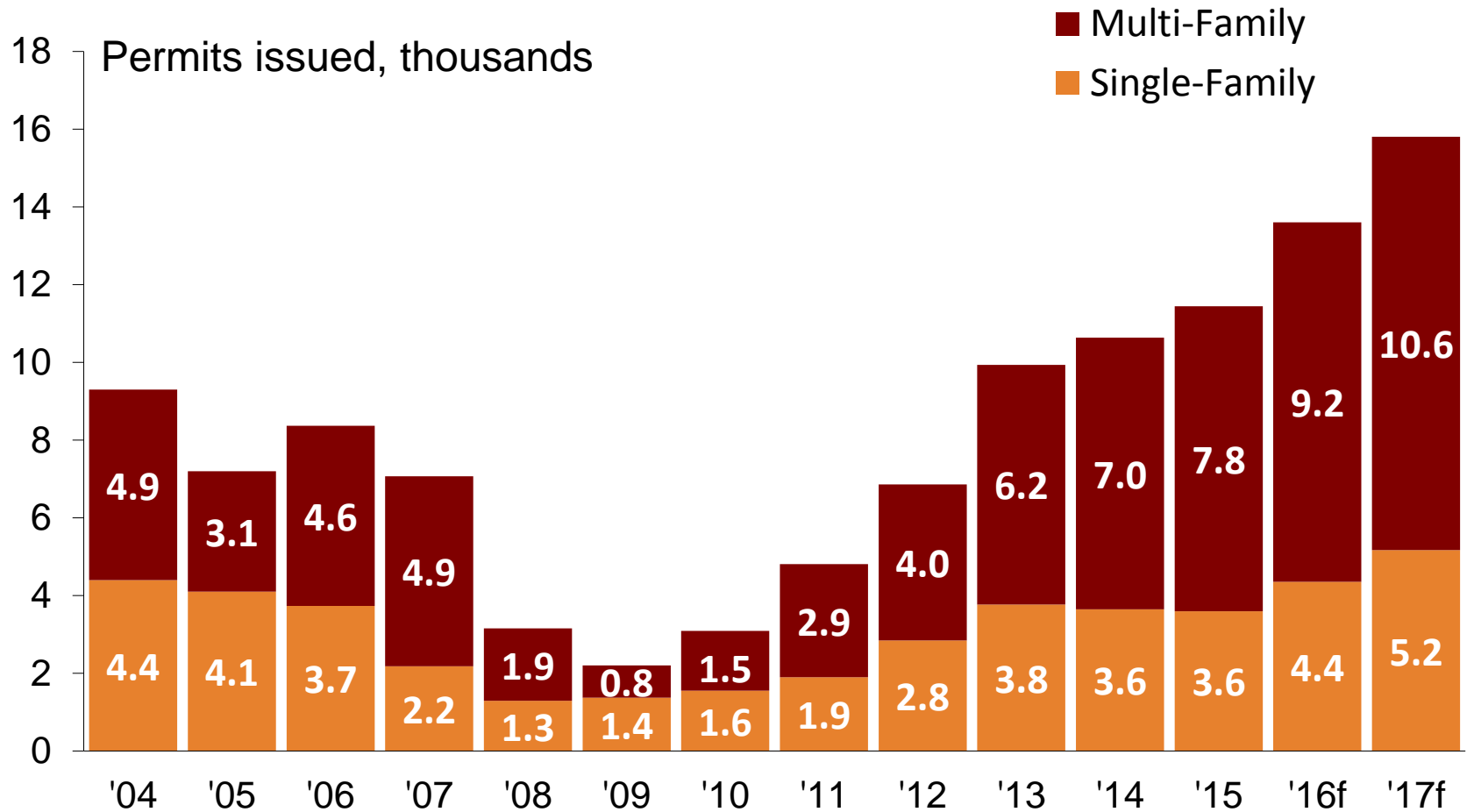


# Residential Building Permits Issued in Los Angeles County

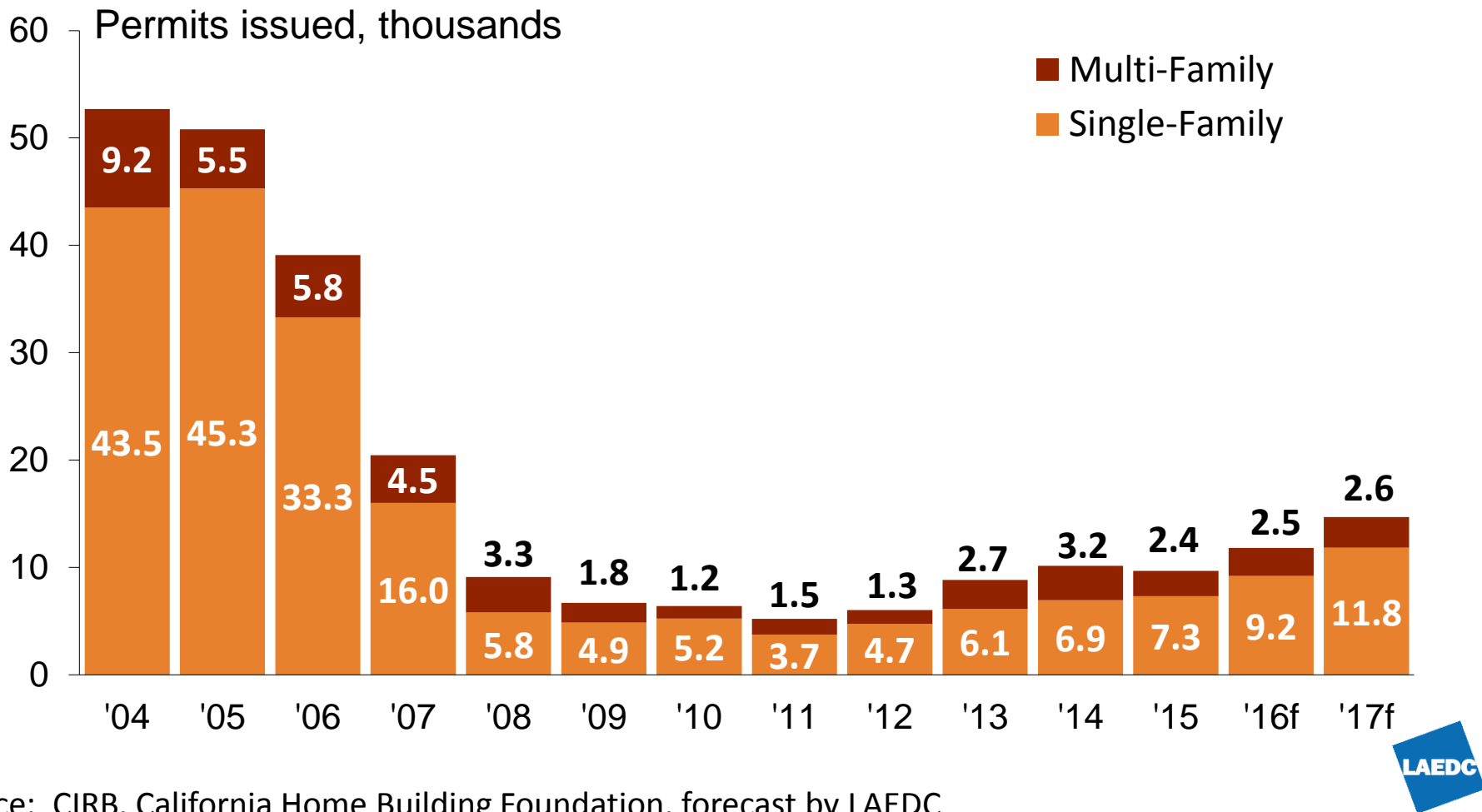


Source: CIRB, California Home Building Foundation, forecast by LAEDC

# Residential Building Permits Issued in Orange County

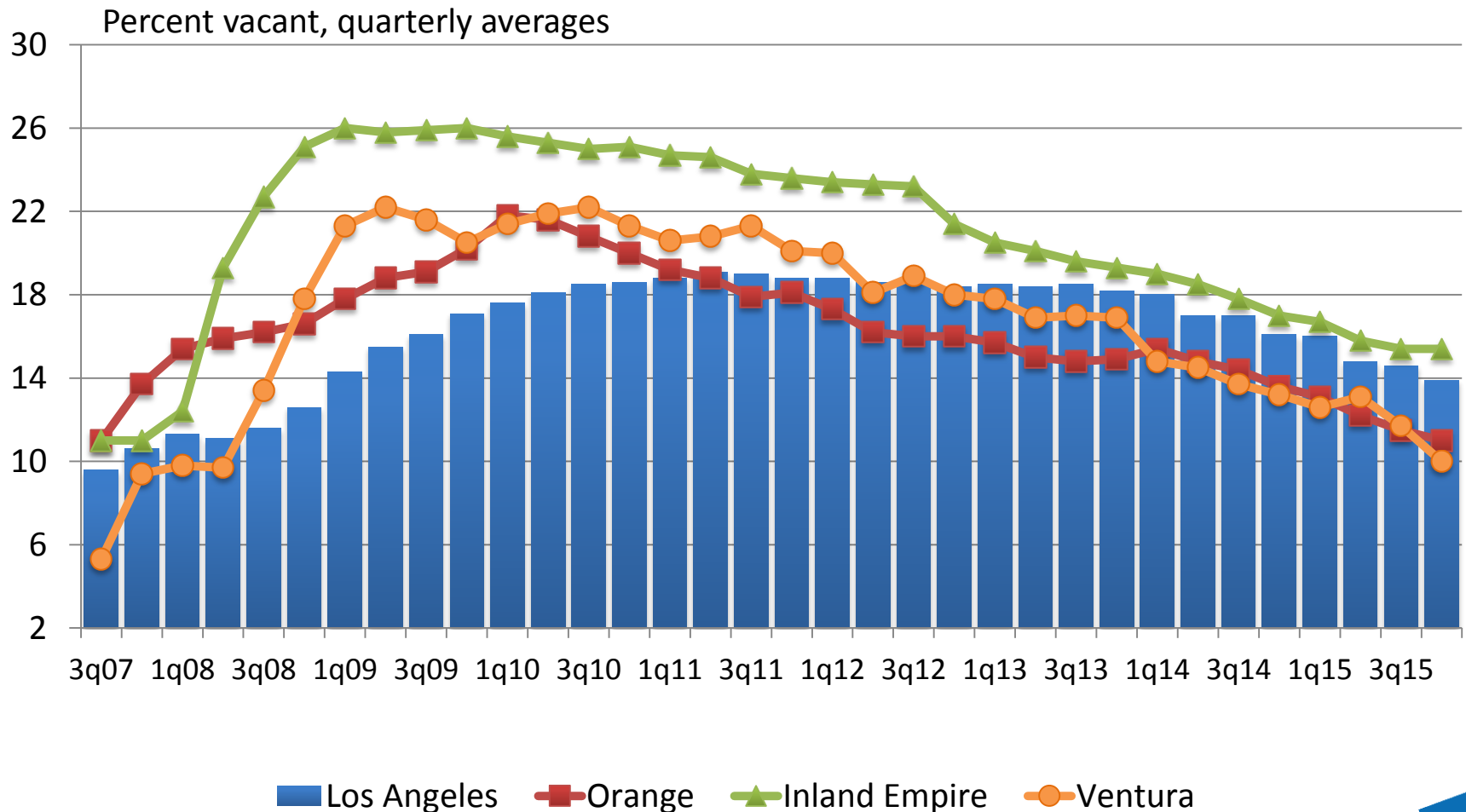


# Residential Building Permits Issued in the Inland Empire



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

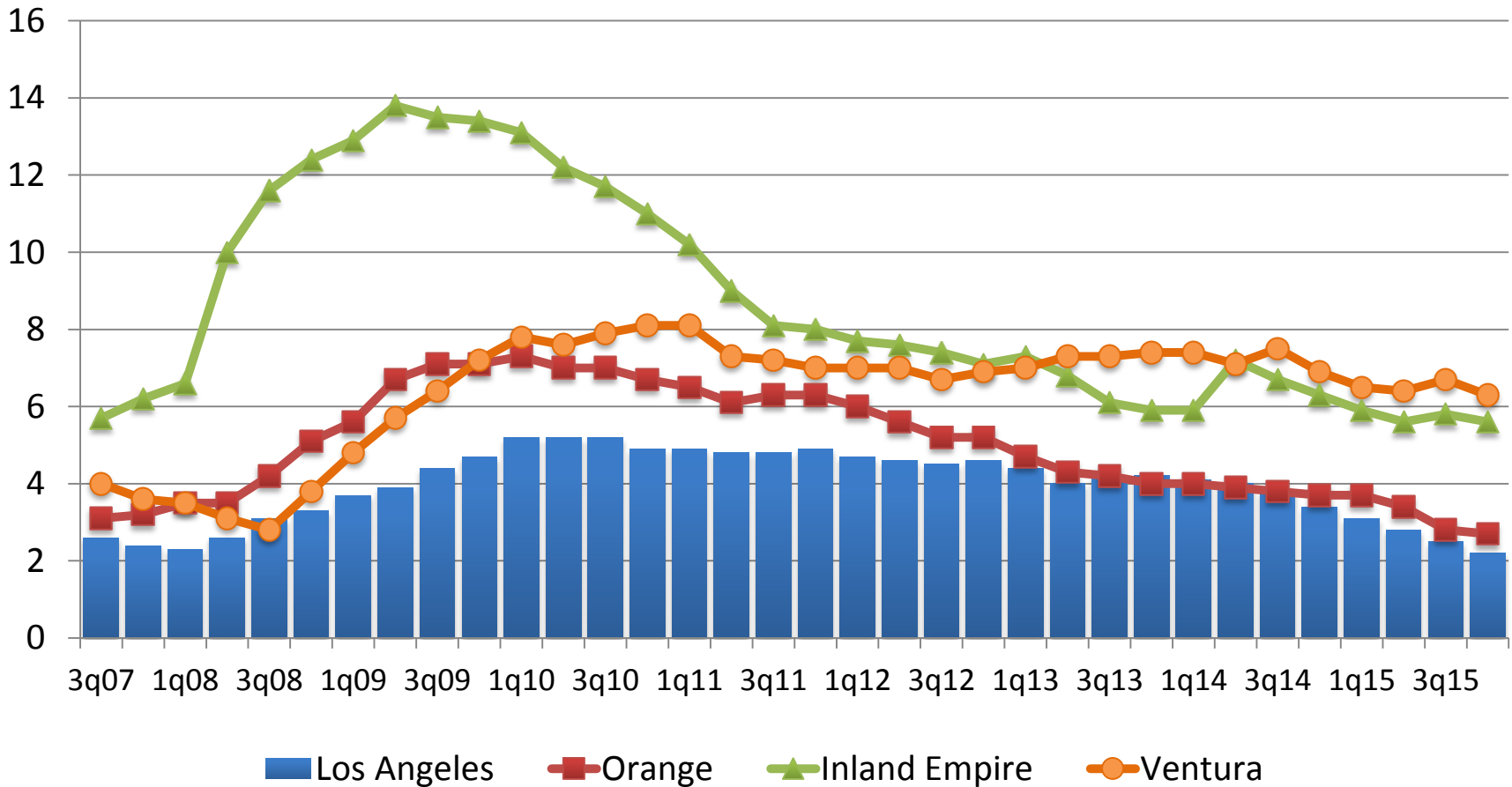
# Office Vacancy Rates Declining



Source: Cushman and Wakefield

# Industrial Vacancy Rates Very Low

Percent vacant, quarterly averages



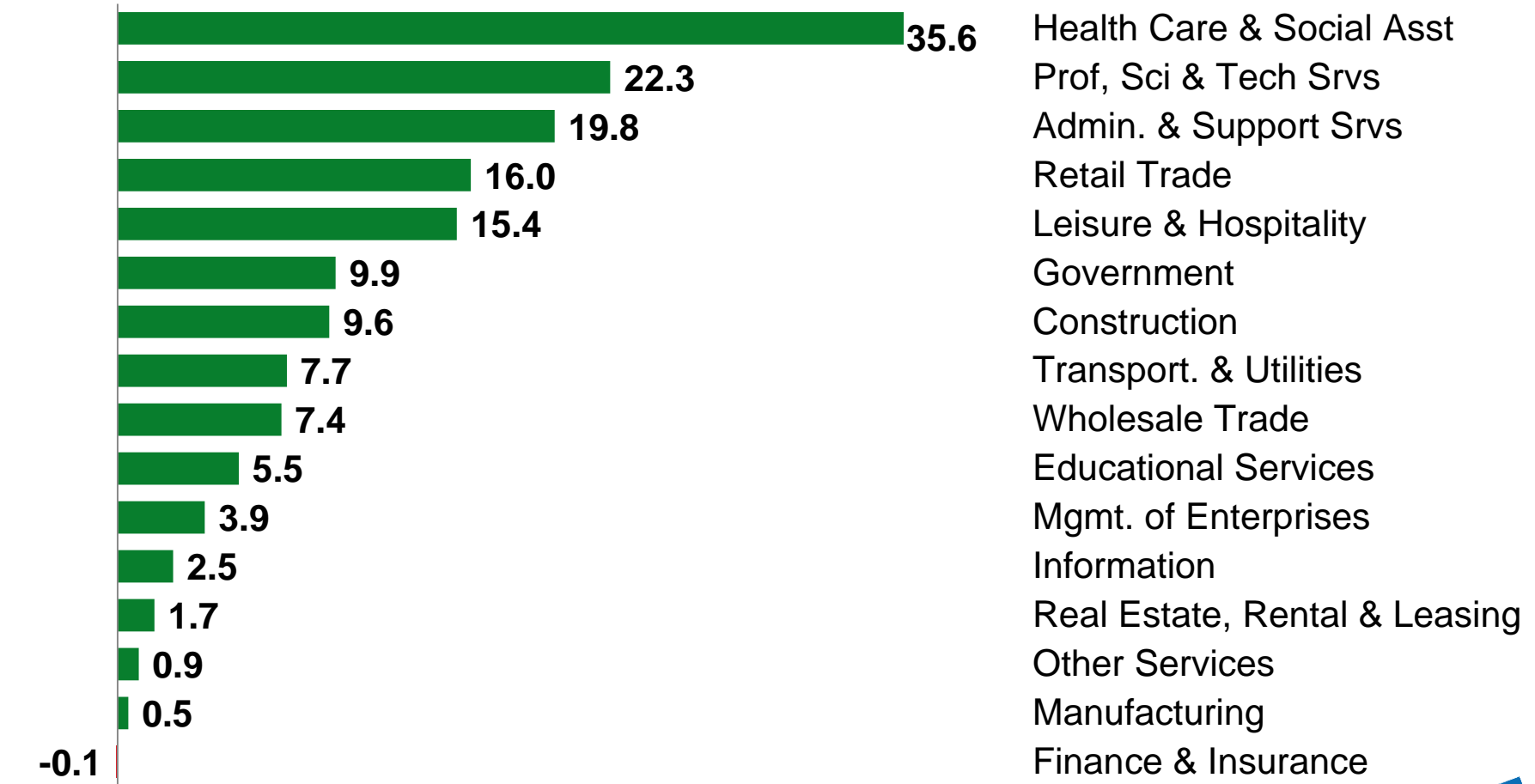
Source: Cushman and Wakefield



# 2016 Southern California Forecast

# L.A. 5-County Employment Growth, 2016

Total nonfarm job growth forecast for 2016 (thousands): +158.2 jobs



# 2016 Top Five Industries by Percentage Gains in Employment

Rank	Los Angeles	Orange	Inland Empire	Ventura
1	Prof, Sci, Tech	Prof, Sci, Tech	Prof, Sci, Tech	Admin & Supp
2	Admin & Supp	Education	Admin & Supp	Health Care
3	Health Care	Health Care	Construction	Prof, Sci, Tech
4	Education	Admin & Supp	Mgmt. of Co's	Education
5	Construction	Construction	Trans & Utilities	Real Estate



# Conclusion

- Cruise Speed Growth: US, CA, & So Cal
- Income Gains and Growth in Spending
- California Outpacing US
- Real Estate/Construction Outlook Good
- Job Gains in Most Local Industries



# 2016-17 Southern California Economic Forecast & Industry Outlook



## Thank You!

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