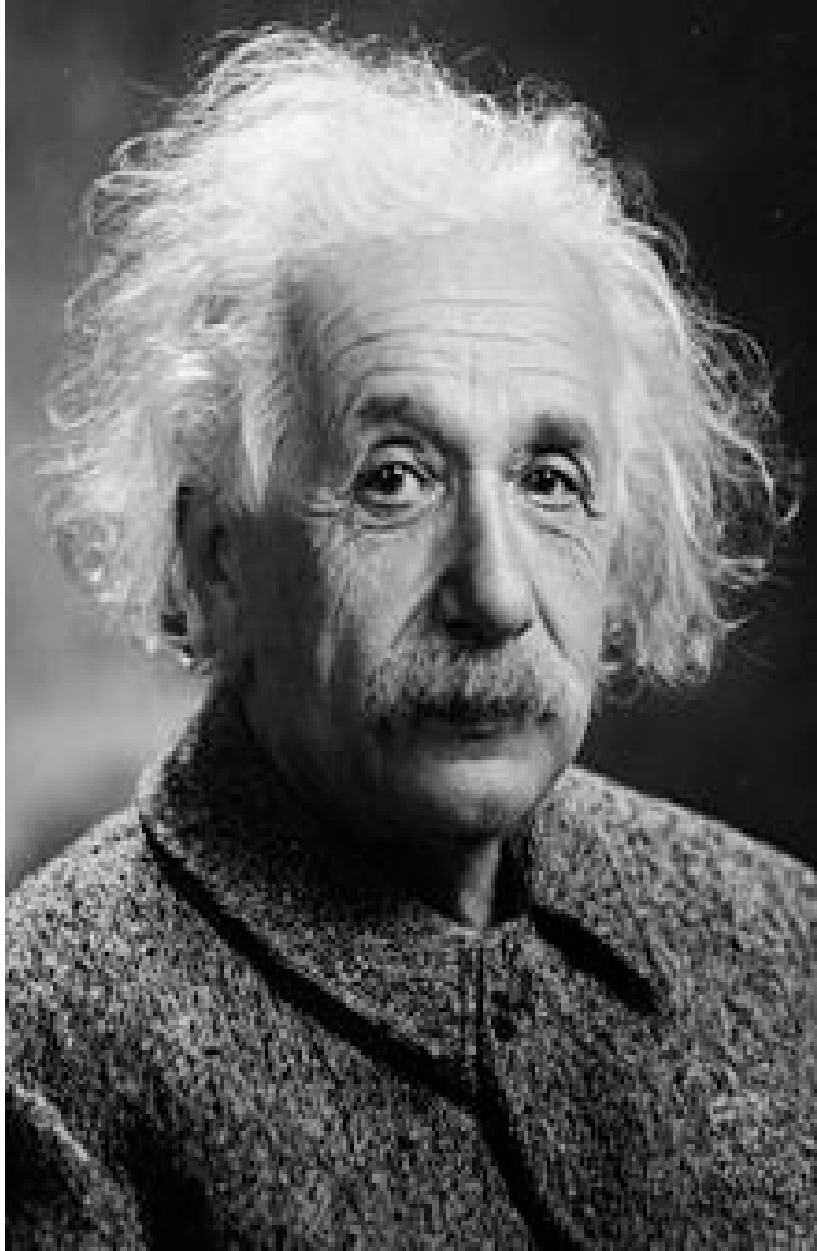


LAEDC ECONOMIC FORECAST: CALIFORNIA AND LOS ANGELES 2019-2020

SOMJITA MITRA, PH.D.
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LOS ANGELES COUNTY ECONOMIC DEVELOPMENT CORPORATION



"I NEVER
THINK OF
THE
FUTURE—IT
COMES
SOON
ENOUGH"

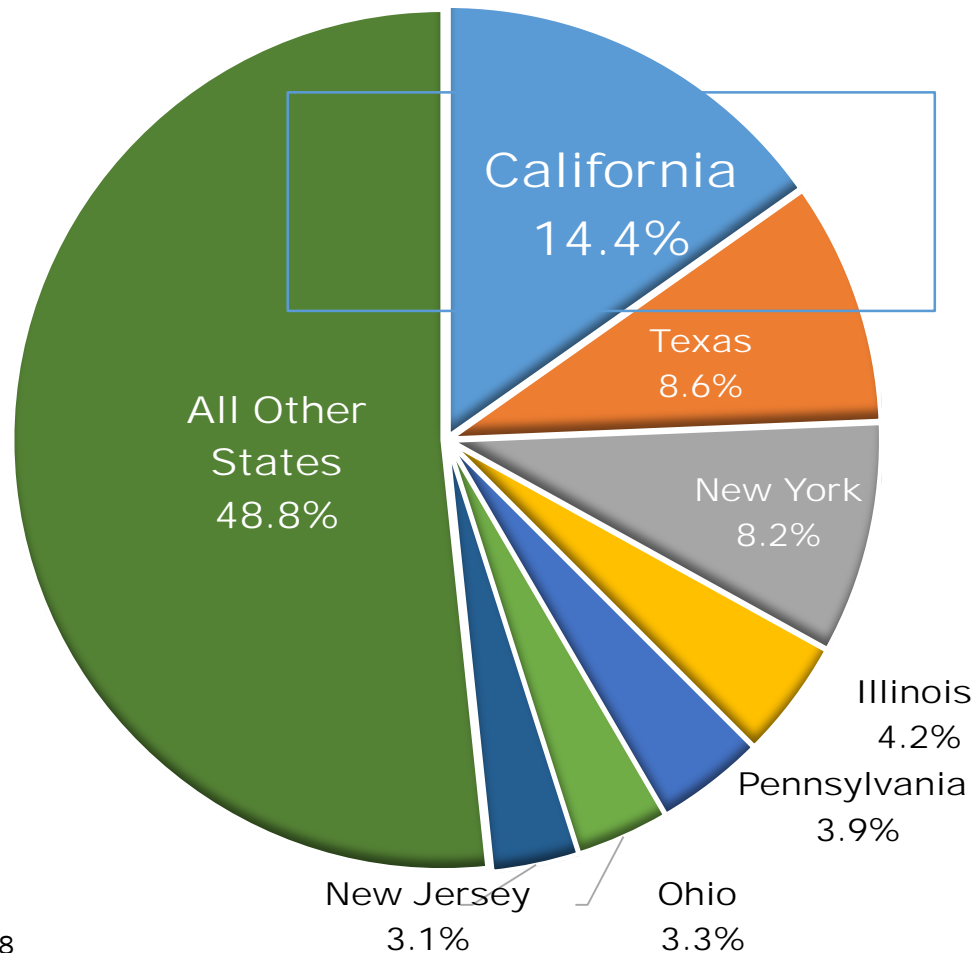
--Albert Einstein



CALIFORNIA REPUBLIC

How Important is California?

Contribution to US GDP



Bureau of Economic Analysis, 2018

California Indicators

GDP Growth

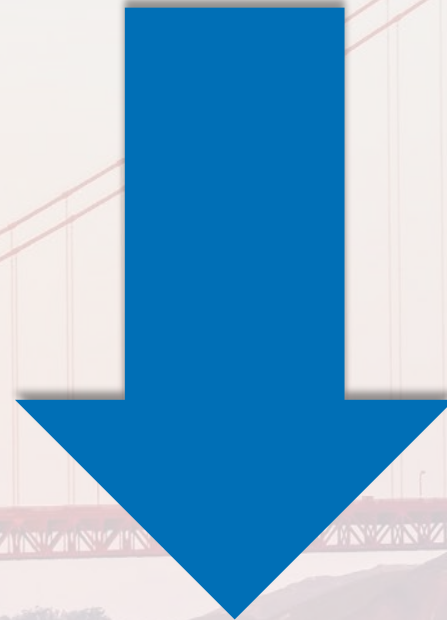


3.4%

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



Housing



Natural
Disasters



So Things Look Good?

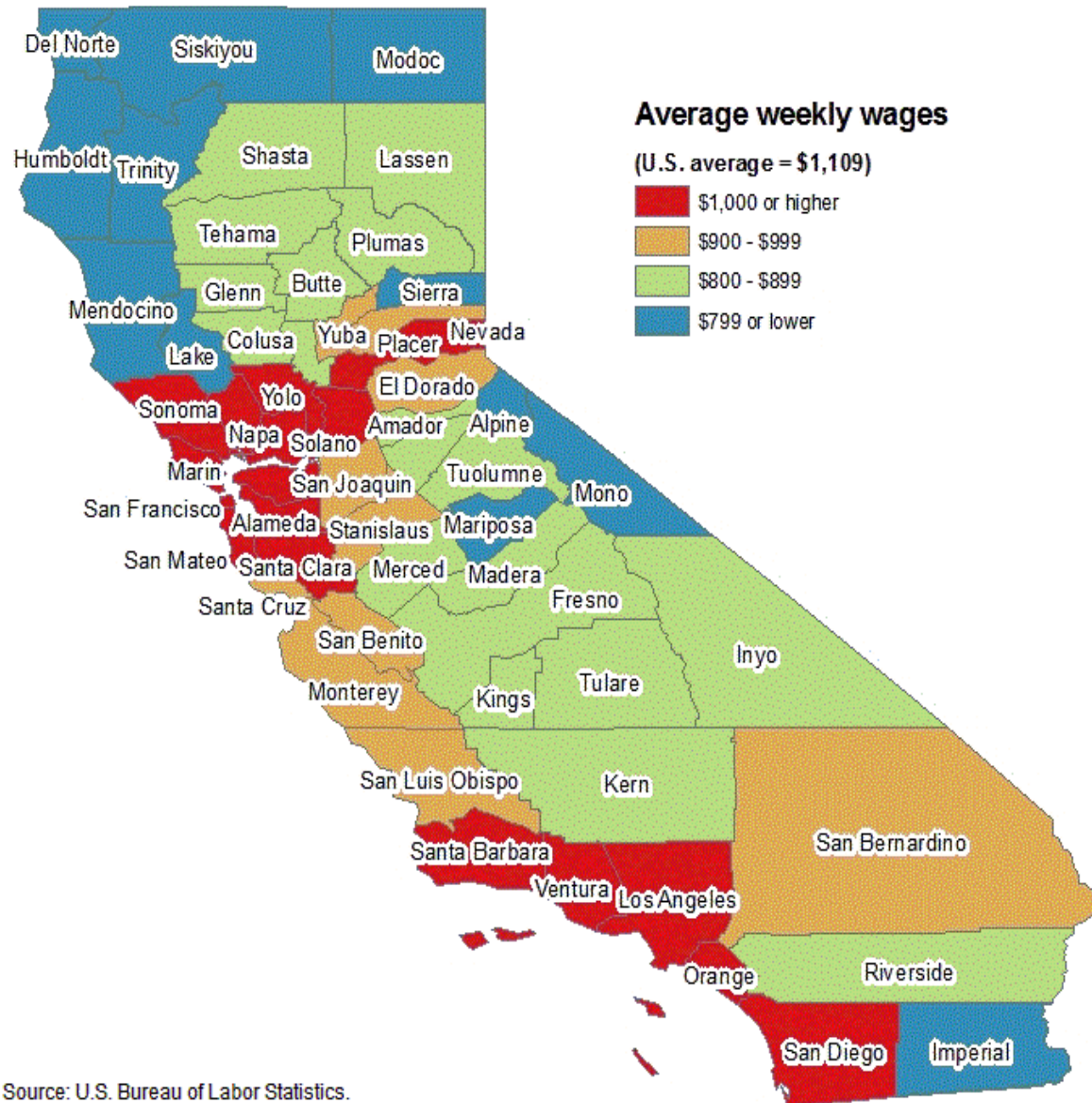


Unemployment Rates by County



Let's Talk About Wages

Wages by County



Source: U.S. Bureau of Labor Statistics.

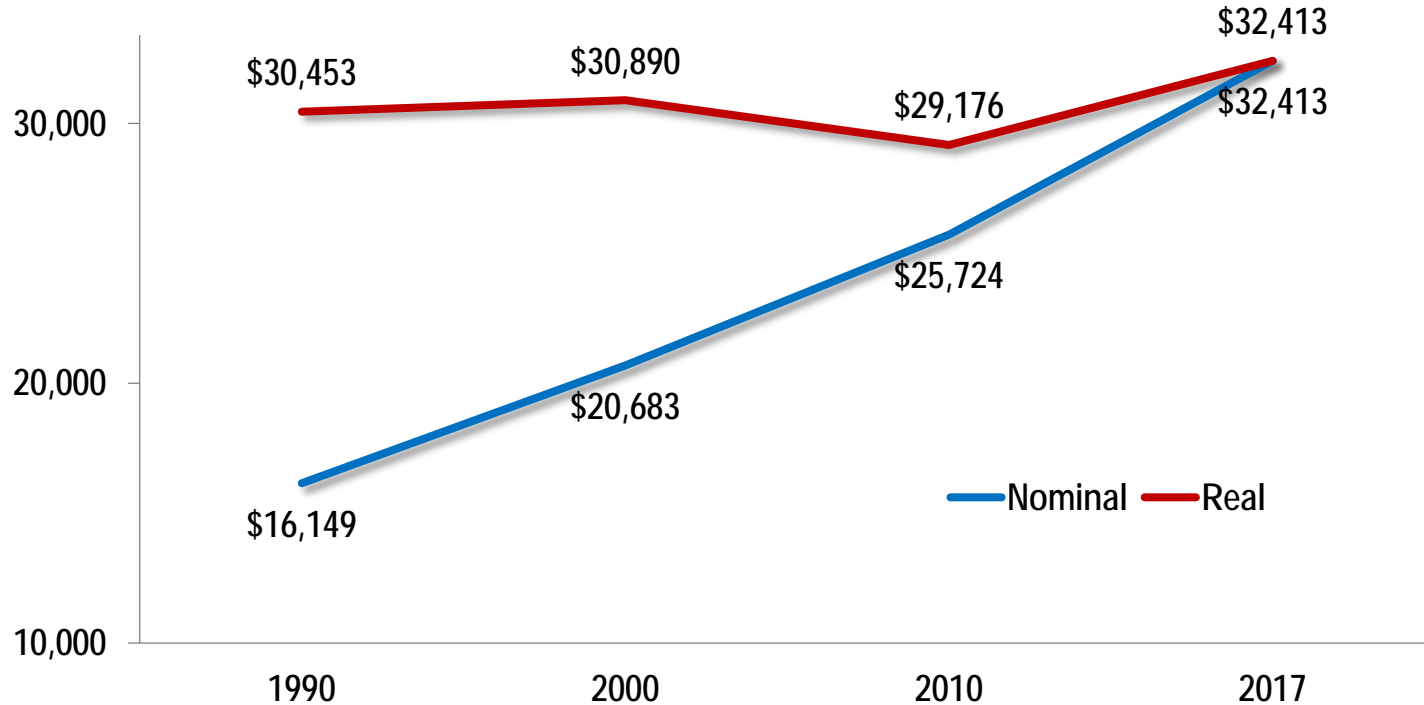
Wage Growth Lagging Behind



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

Wages Don't Go Far

Per Capita Income Nominal and \$2017

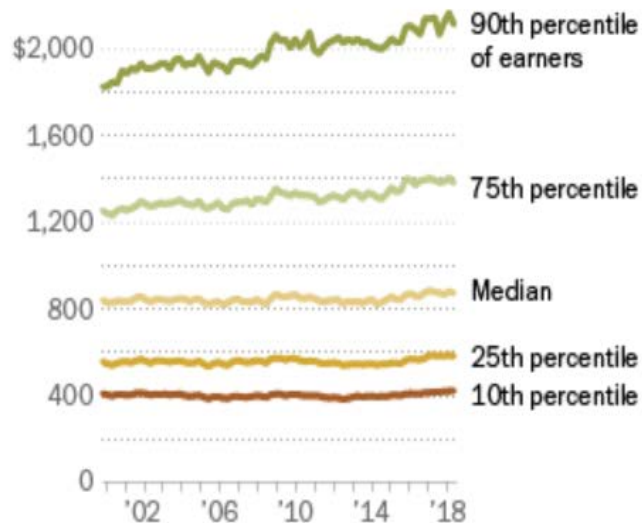


Source: ACS 2017 1-year estimates; BLS

Wage Growth Not Equal

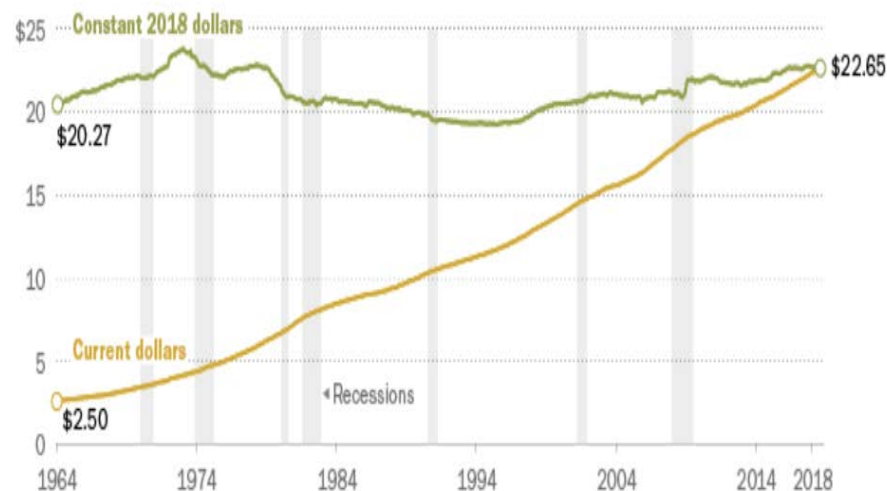
Wage increases in the U.S. rise to the top earners

Usual weekly earnings of employed, full-time wage and salary workers, not seasonally adjusted, in constant 2018 dollars

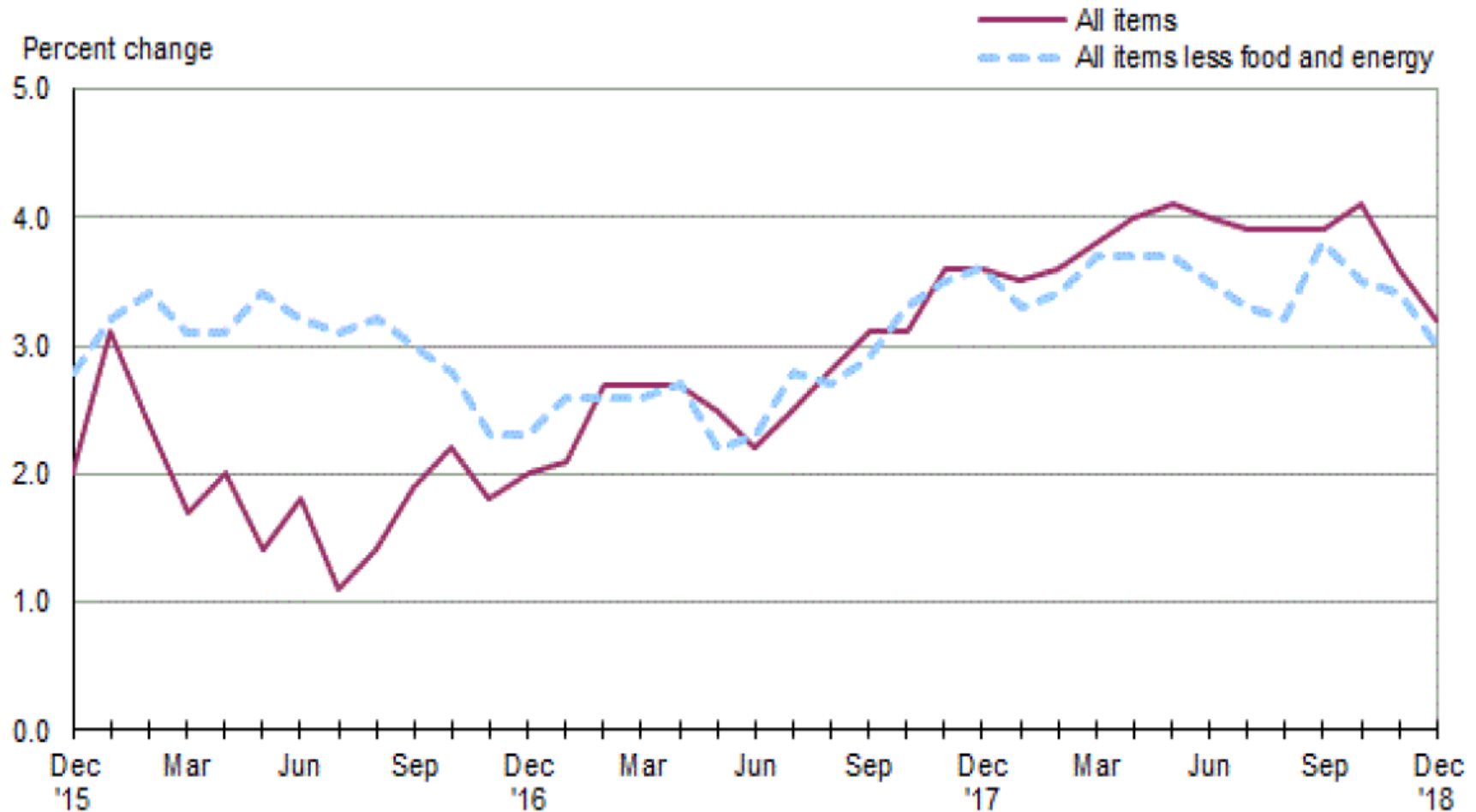


Americans' paychecks are bigger than 40 years ago, but their purchasing power has hardly budged

Average hourly wages in the U.S., seasonally adjusted



Consumer Price Index



Source: U.S. Bureau of Labor Statistics.

Los Angeles

Looking Ahead To 2020

GCP Growth Unemployment Personal
Income Growth



2.7%

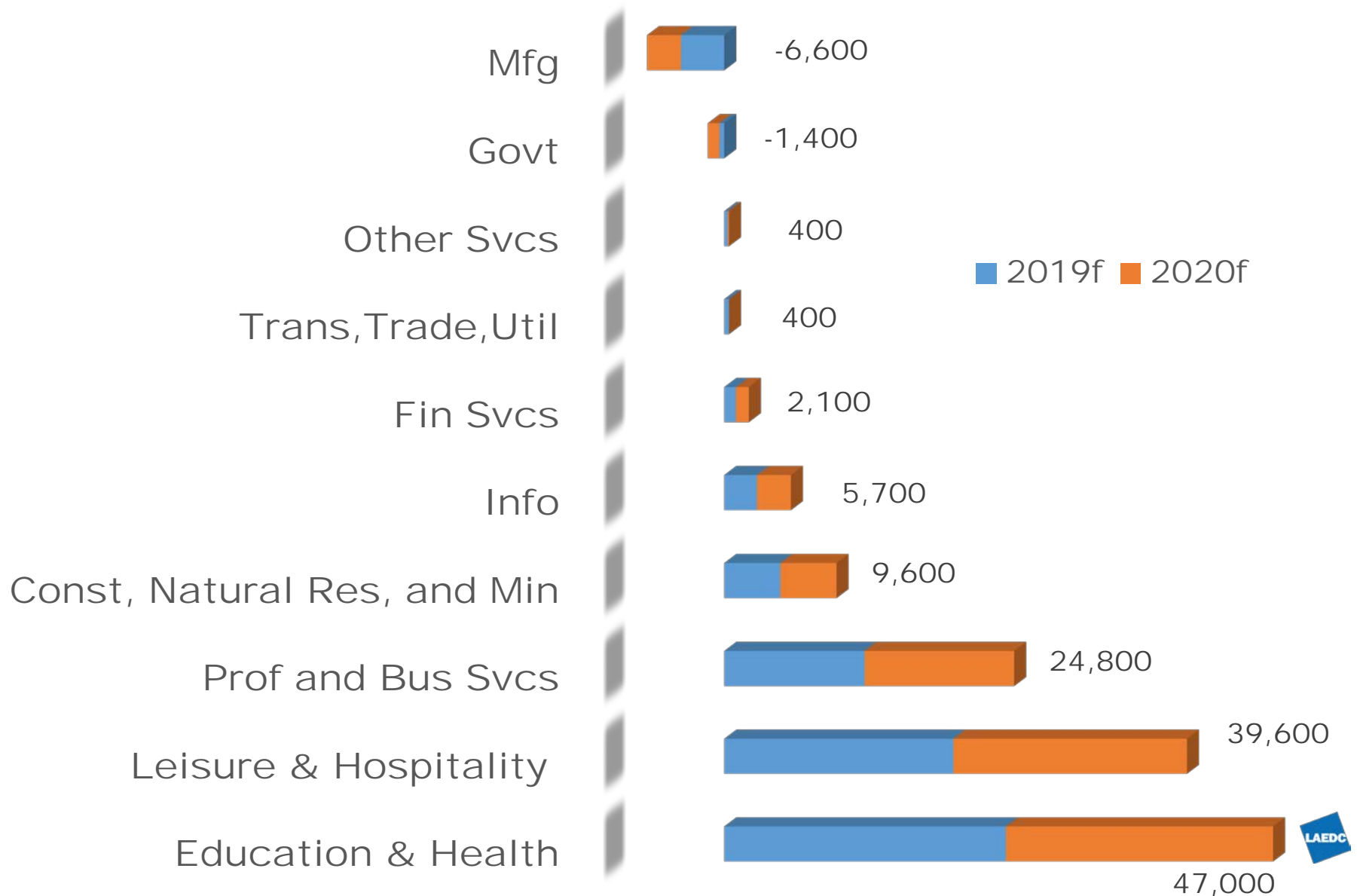


4.3%



2.1%

Jobs Forecast By Industry



A group of five diverse business professionals (three women and two men) are huddled together, looking down at the camera with bright, joyful smiles. They are dressed in professional business attire. The image is taken from a low angle, making them appear to be reaching towards the center. The background is bright and slightly overexposed, creating a positive and energetic atmosphere.

What Are The Jobs?

Top 10 Occupations

Total Jobs 2019-2020

Annual Wage

Combined Food Preparation and Serving
Workers, Including Fast Food

8,360

\$24,934

Cashiers

7,840

\$26,425

Personal Care Aides

18,040

\$28,585

LIVING WAGE

\$29,869

Stock Clerks and Order Fillers

4,000

\$29,950

Waiters and Waitresses

7,640

\$30,406

Retail Salespersons

8,160

\$30,950

Laborers and Freight, Stock, and
Material Movers, Hand

5,240

\$31,278

Office Clerks, General

4,240

\$35,447

Registered Nurses

4,560

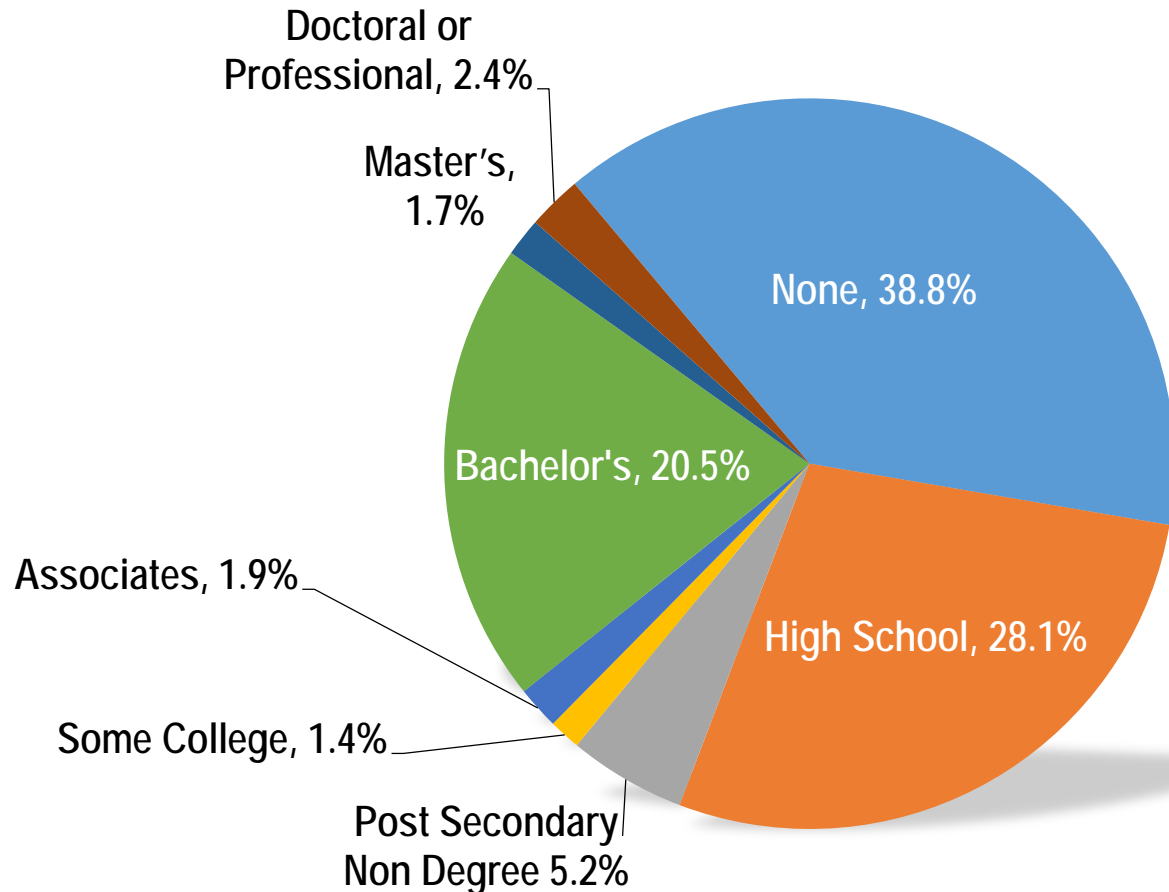
\$97,130

General and Operations Managers

4,120

\$141,661

Educational and Experience Requirements



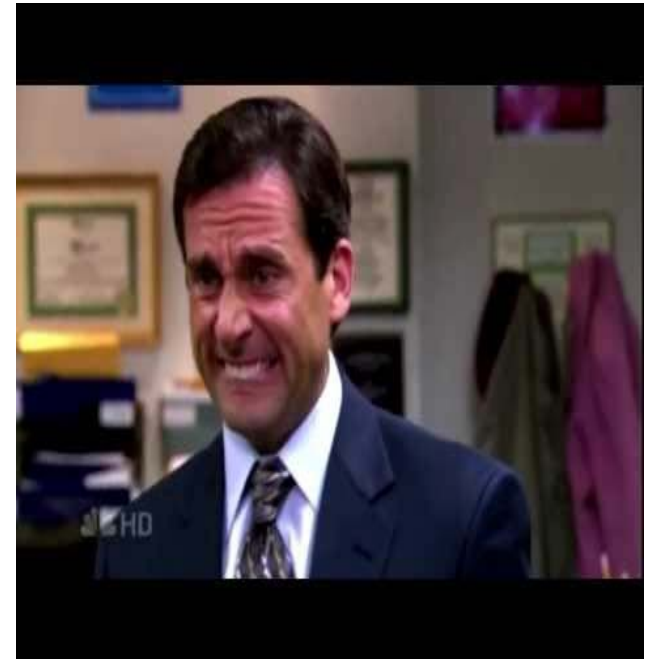
Source: Estimates by LAEDC



So What Does This Mean?

We're Working But...

- 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





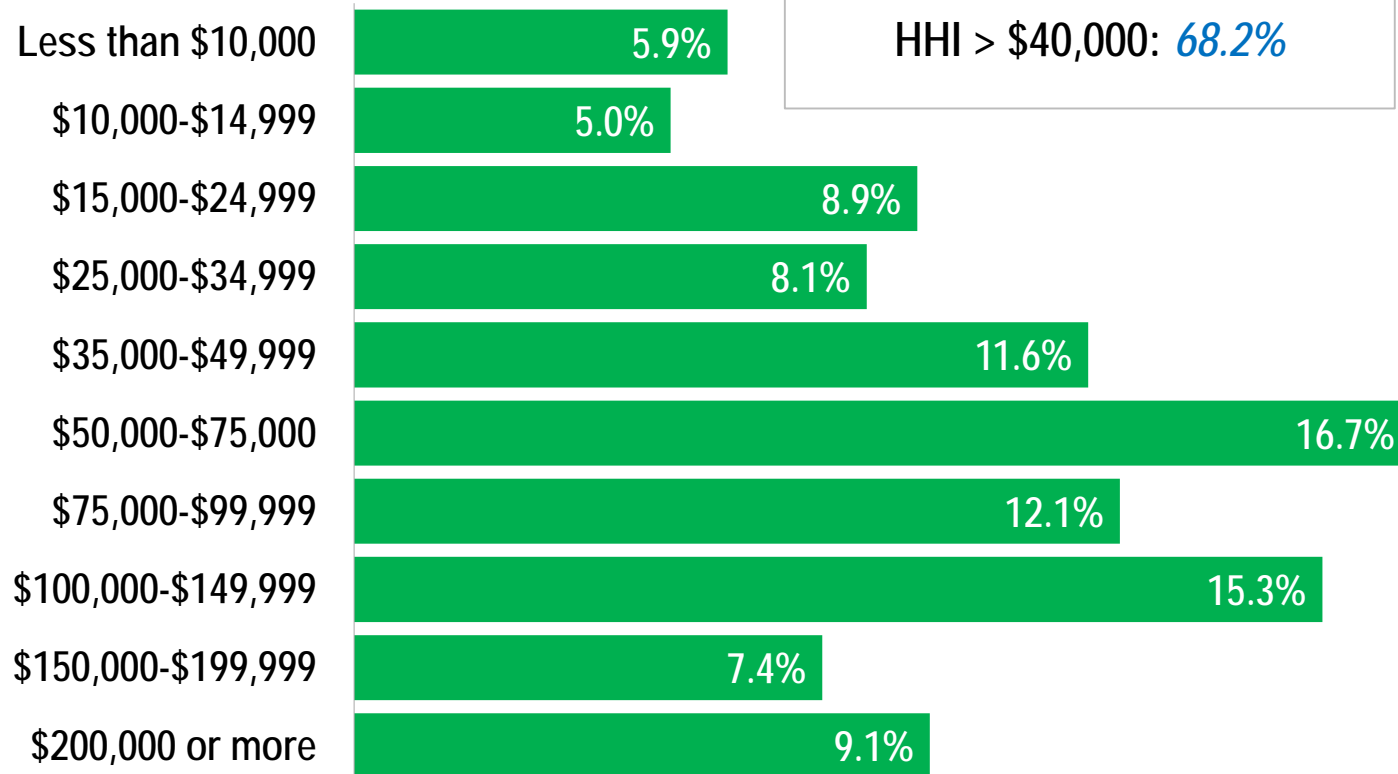
HOUSING!

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
Los Angeles Metro Area	\$510,000	\$110,570	30
Inland Empire	\$360,000	\$78,050	40
U.S.	\$257,600	\$55,850	54

Households by Income

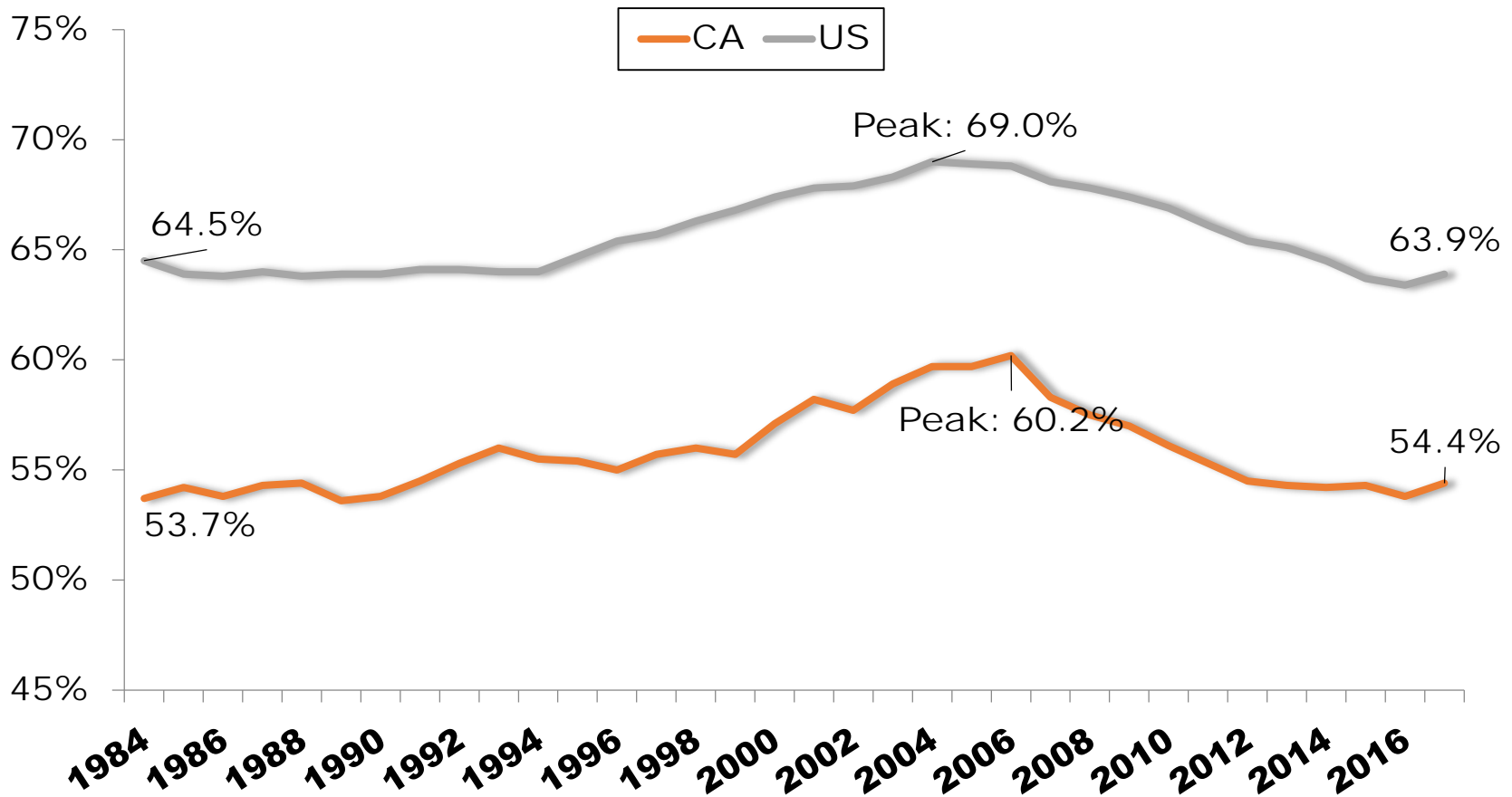
Households by Income Los Angeles County 2017



Source: 2017 ACS 1-yr estimates

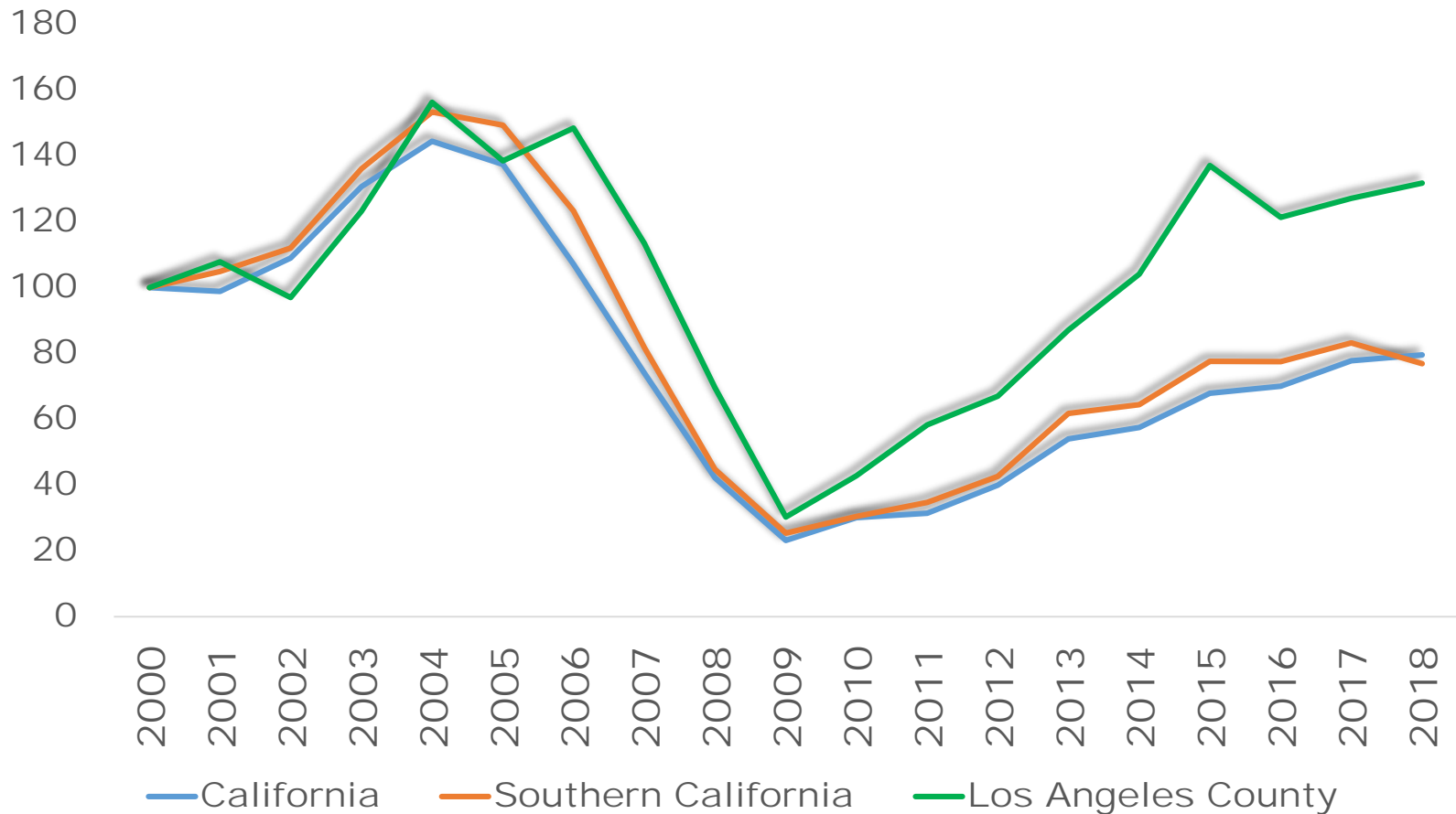
Homeownership Rates

California vs. U.S. – 9.5% gap in 2017



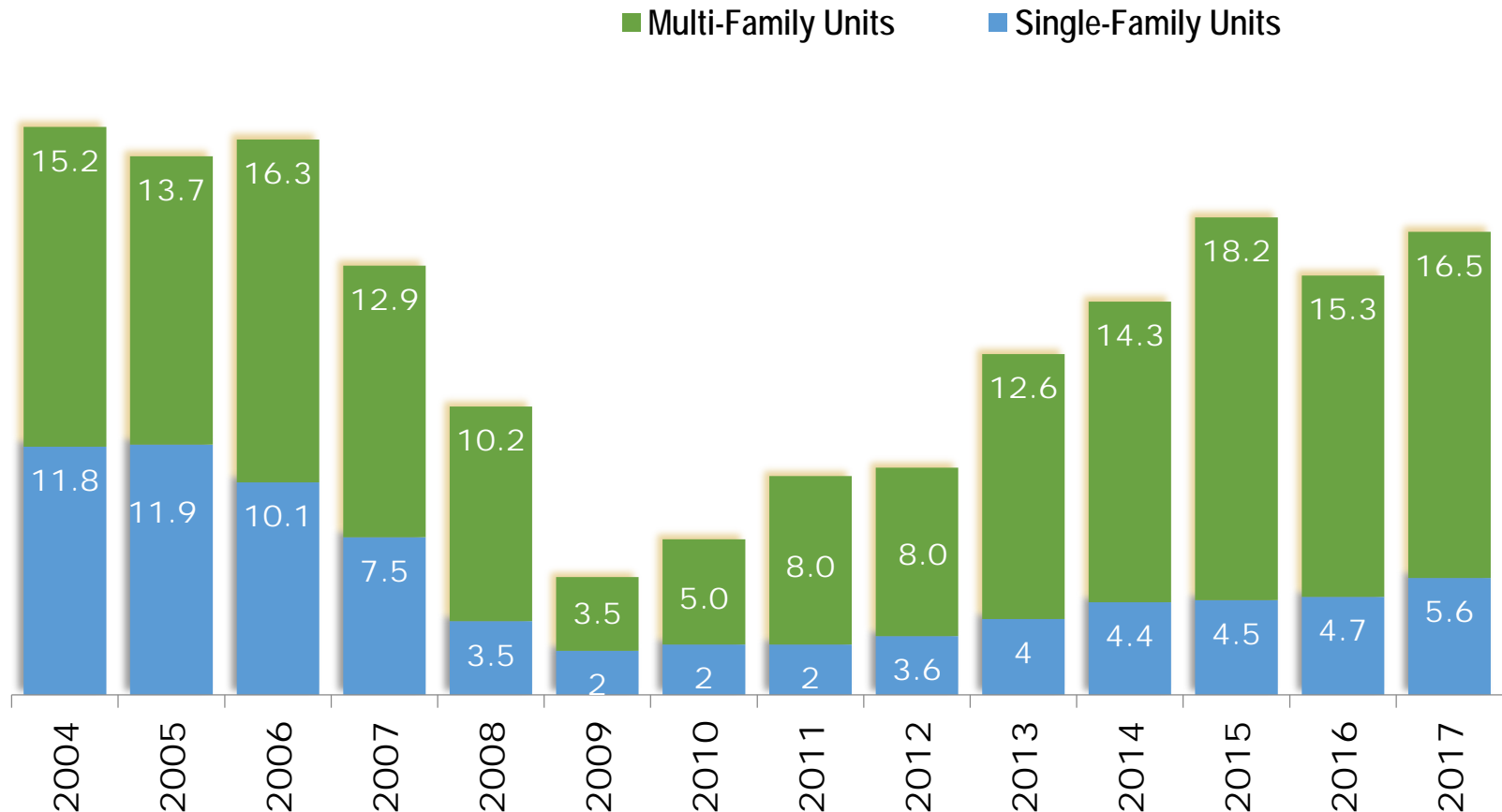
Housing Permits

Annual Housing Permits (2000 Baseline)

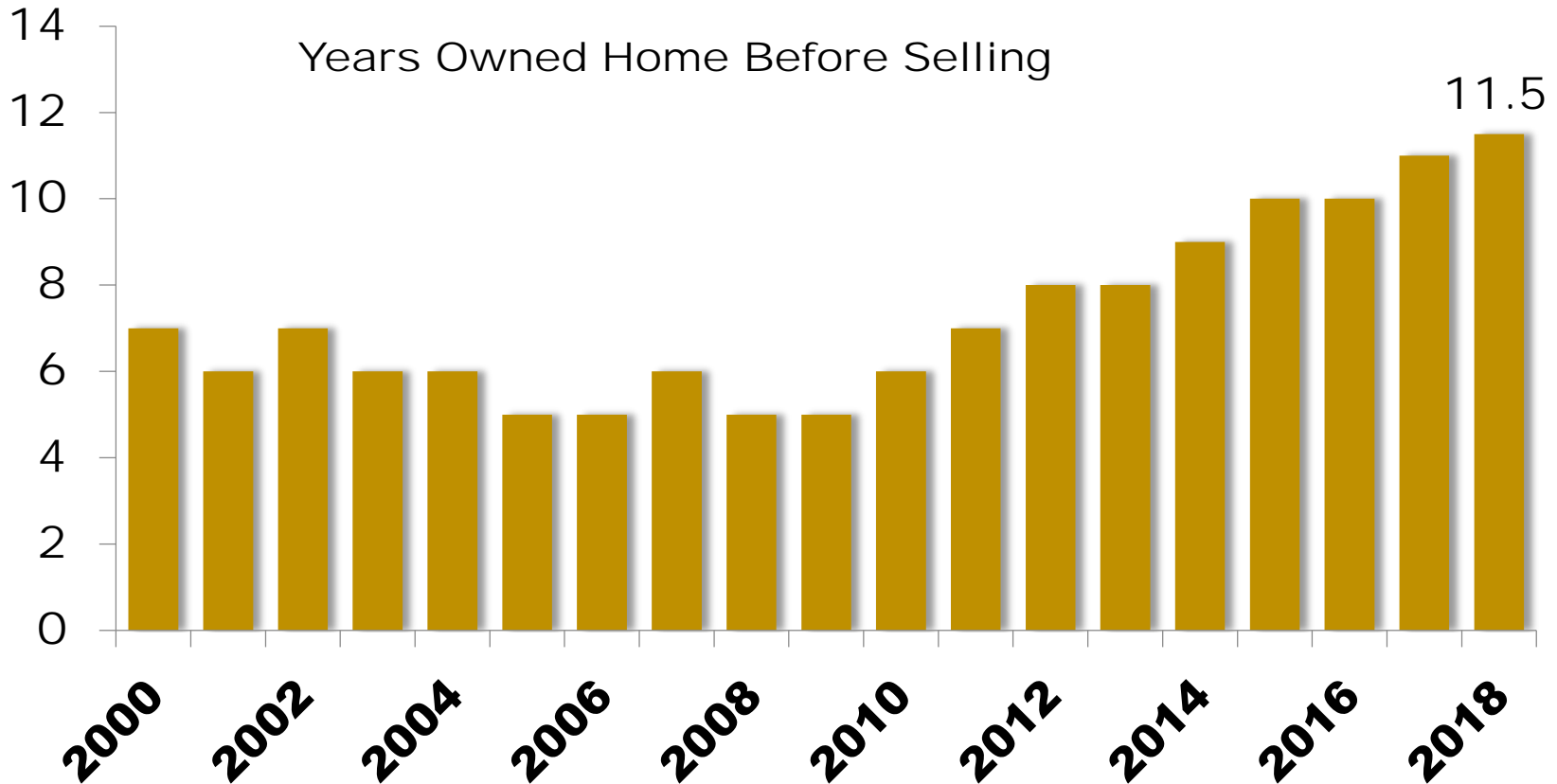


We're Not Building Enough

Housing Permits in Los Angeles County, Thousands



Existing Sellers Not Moving

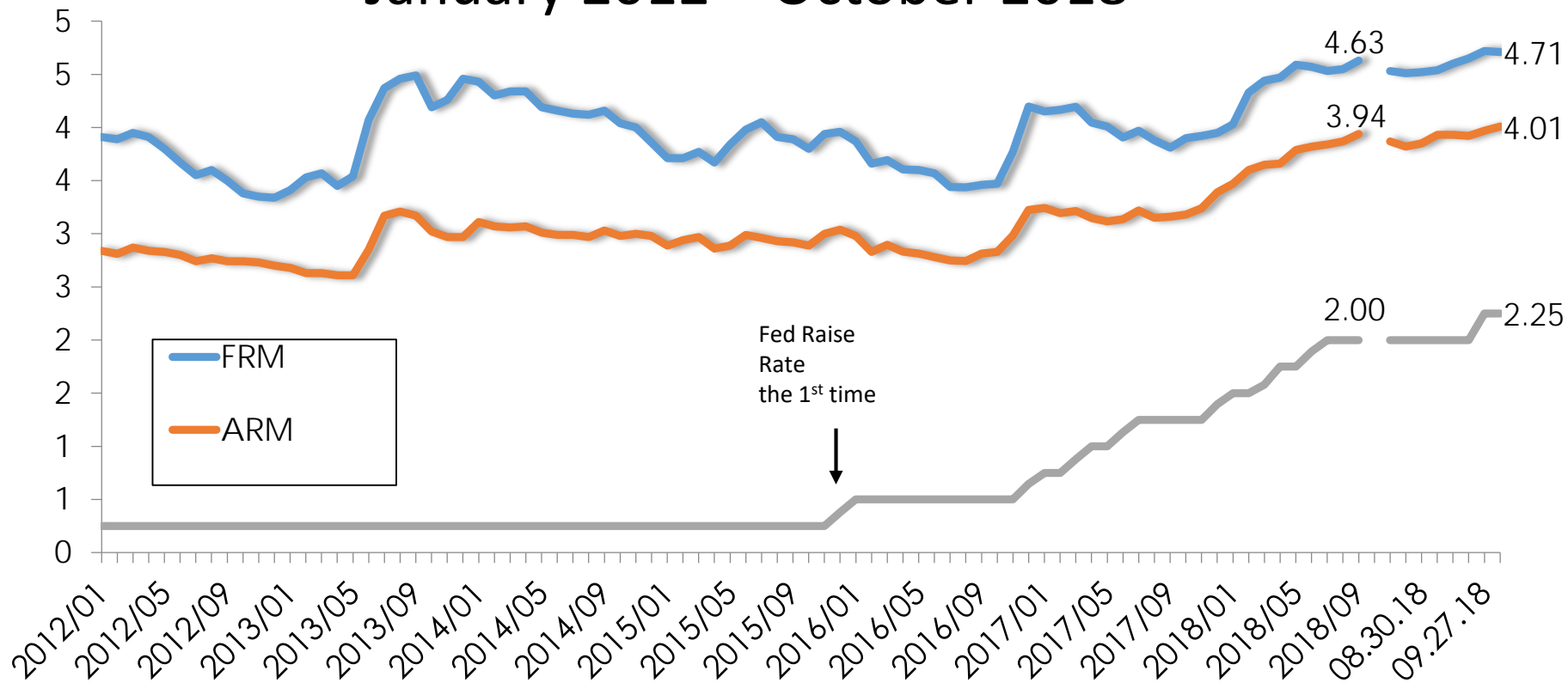


FRM Hit 5 Percent



Fed Raised Rates 8 Times Since 2015

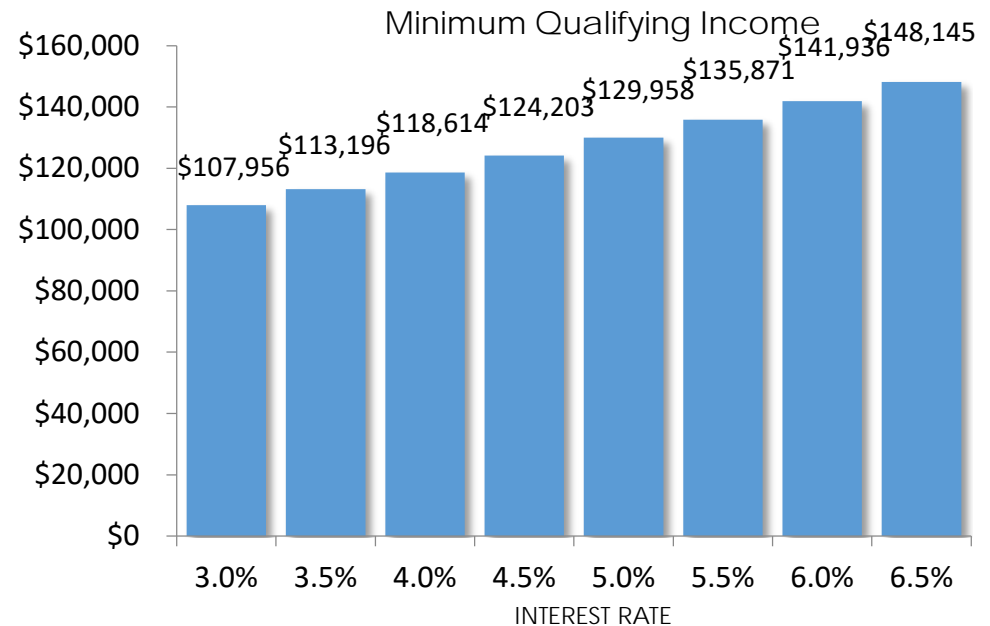
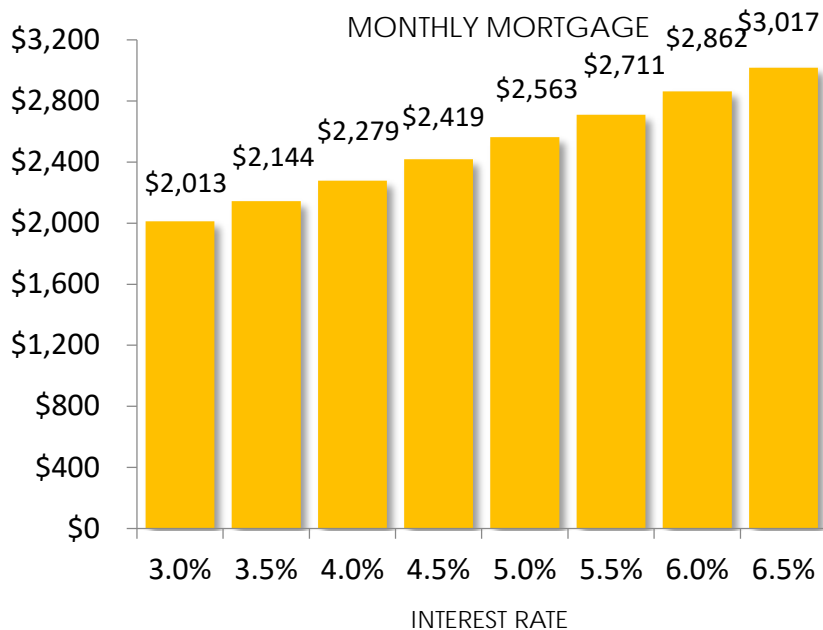
January 2012 – October 2018



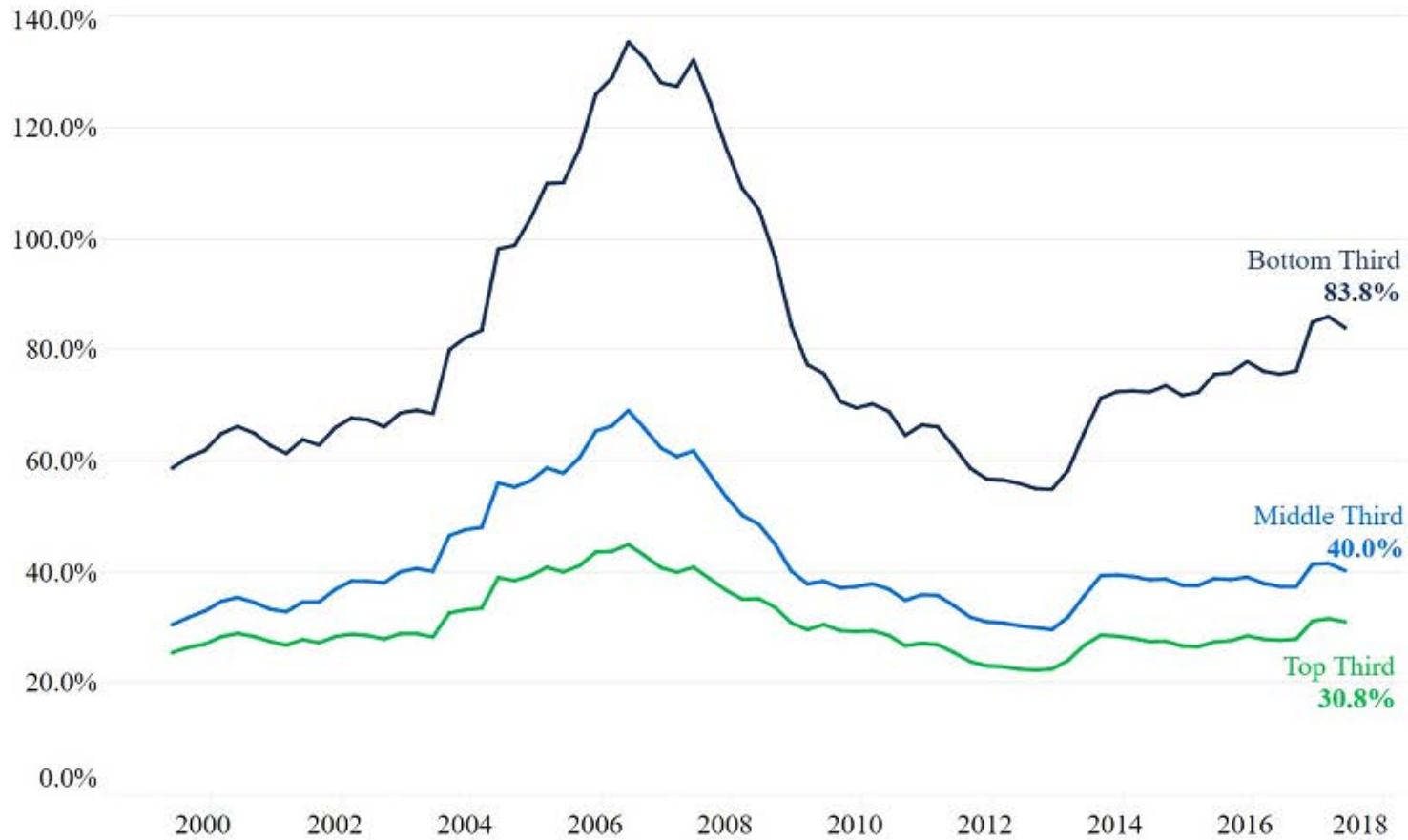
Higher Rates Hurt

Q2-2018 Median Price \$596,730

20% Down-payment



Can You Ever Afford To Buy?

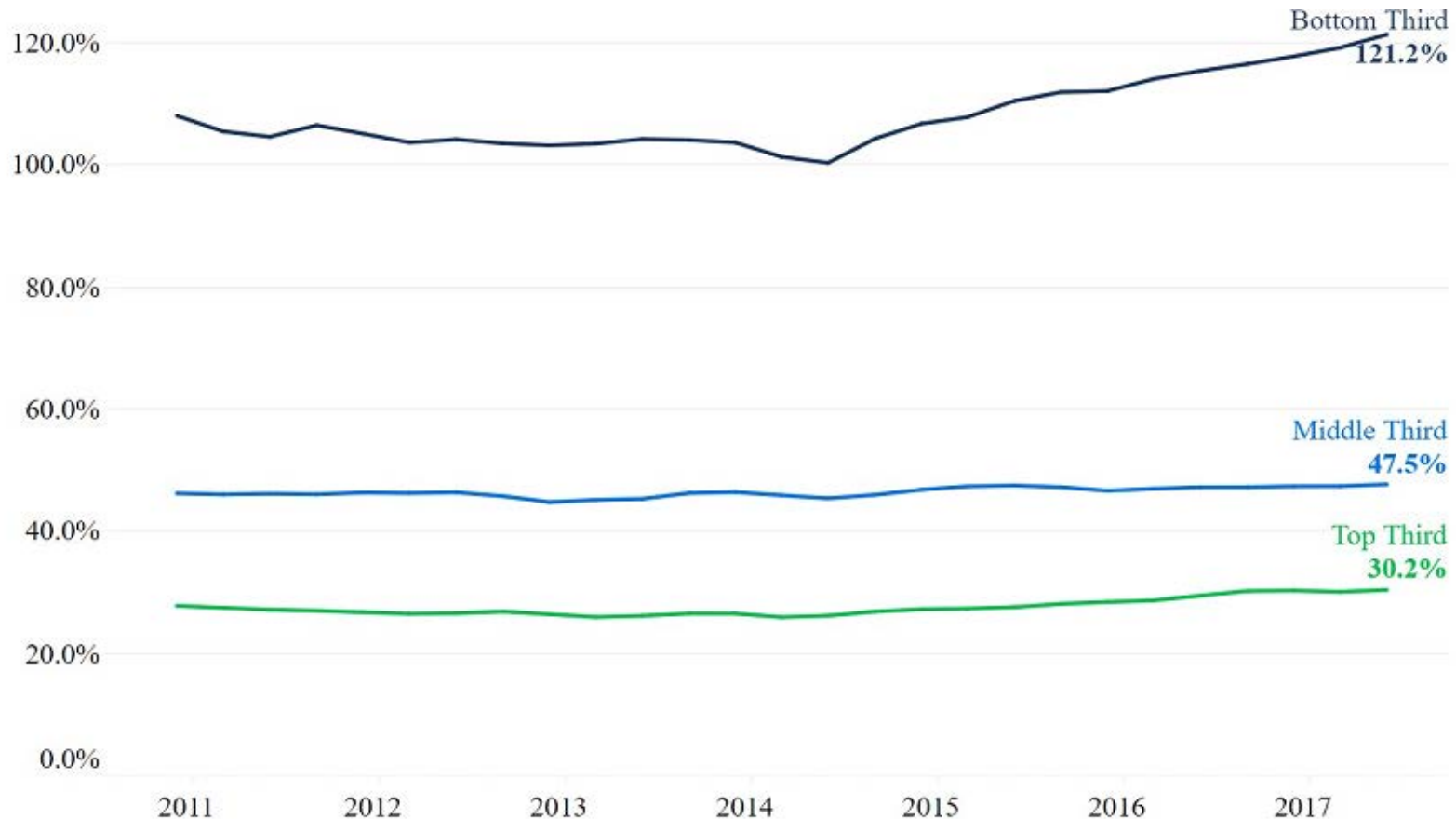


If People Can't Buy-- They Rent

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

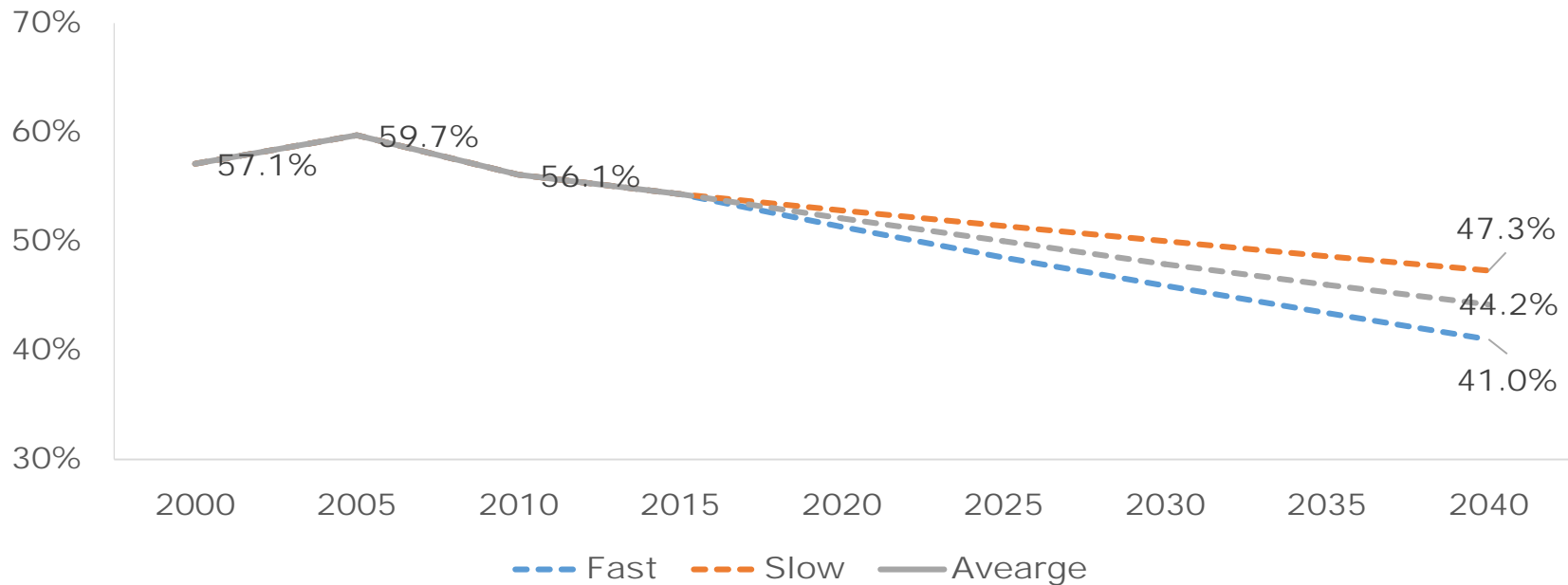
Average rent is \$33,400/year

Lower Income Earners Suffer Even More



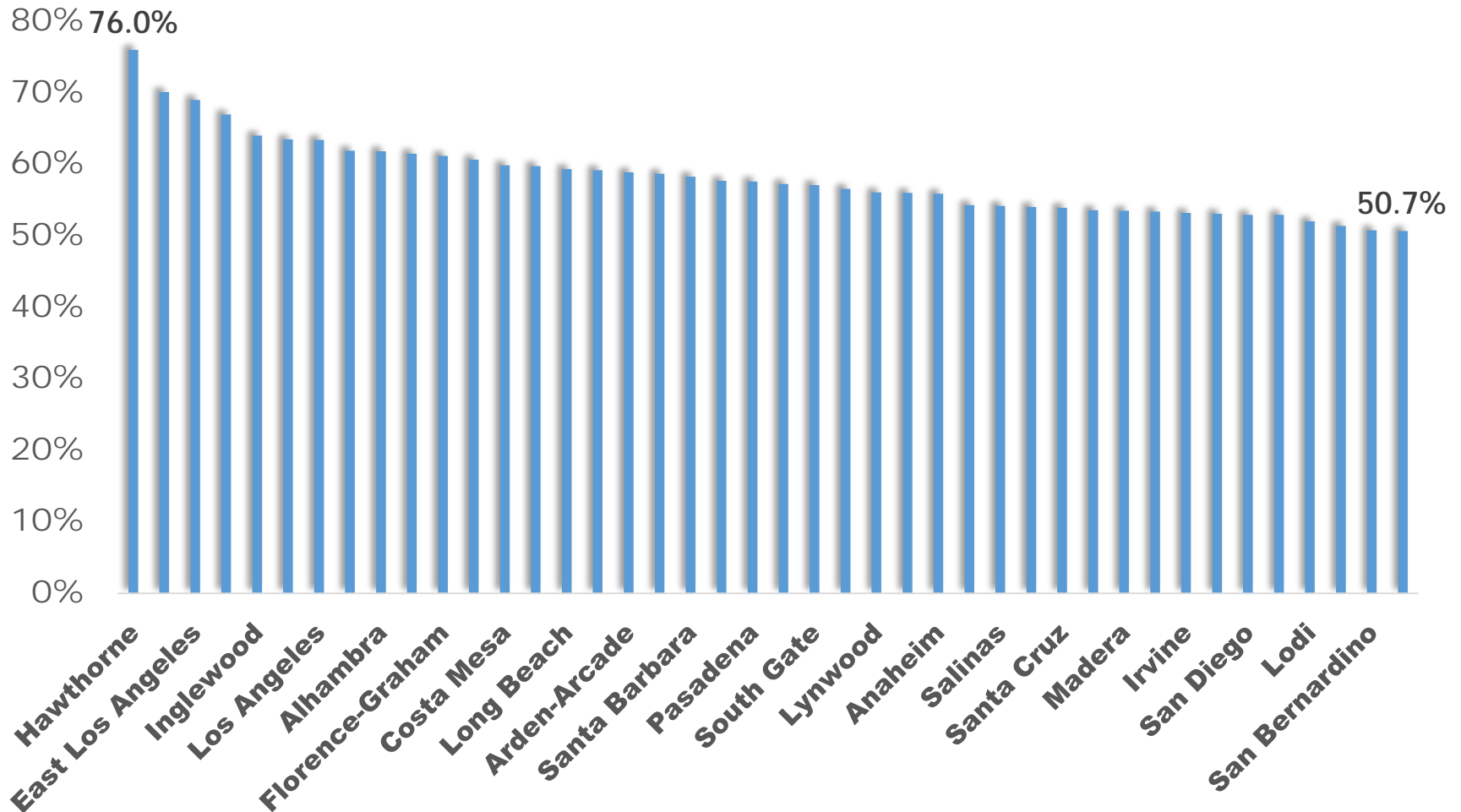
Majority Renter State by 2025

California Homeownership Rate



Majority Renter Cities

2017 California Renter Rate by City



Source: California Realtor Association

Housing Issues

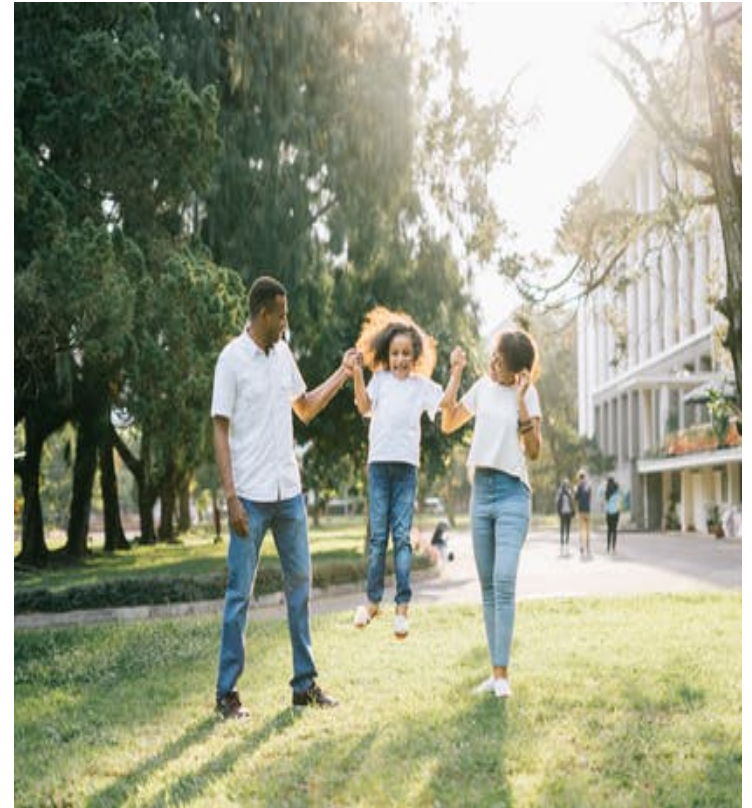
Homeownership Largest
Source of Wealth for Middle-
Class

Business Location Decisions
Affected

Quality of Life Issues

People Moving Out of Los
Angeles and even out of
California

Constraint on Economic
Growth





"THE only
function of
economic
forecasting
is to make
astrology
look
respectable,"

--John Kenneth
Galbraith



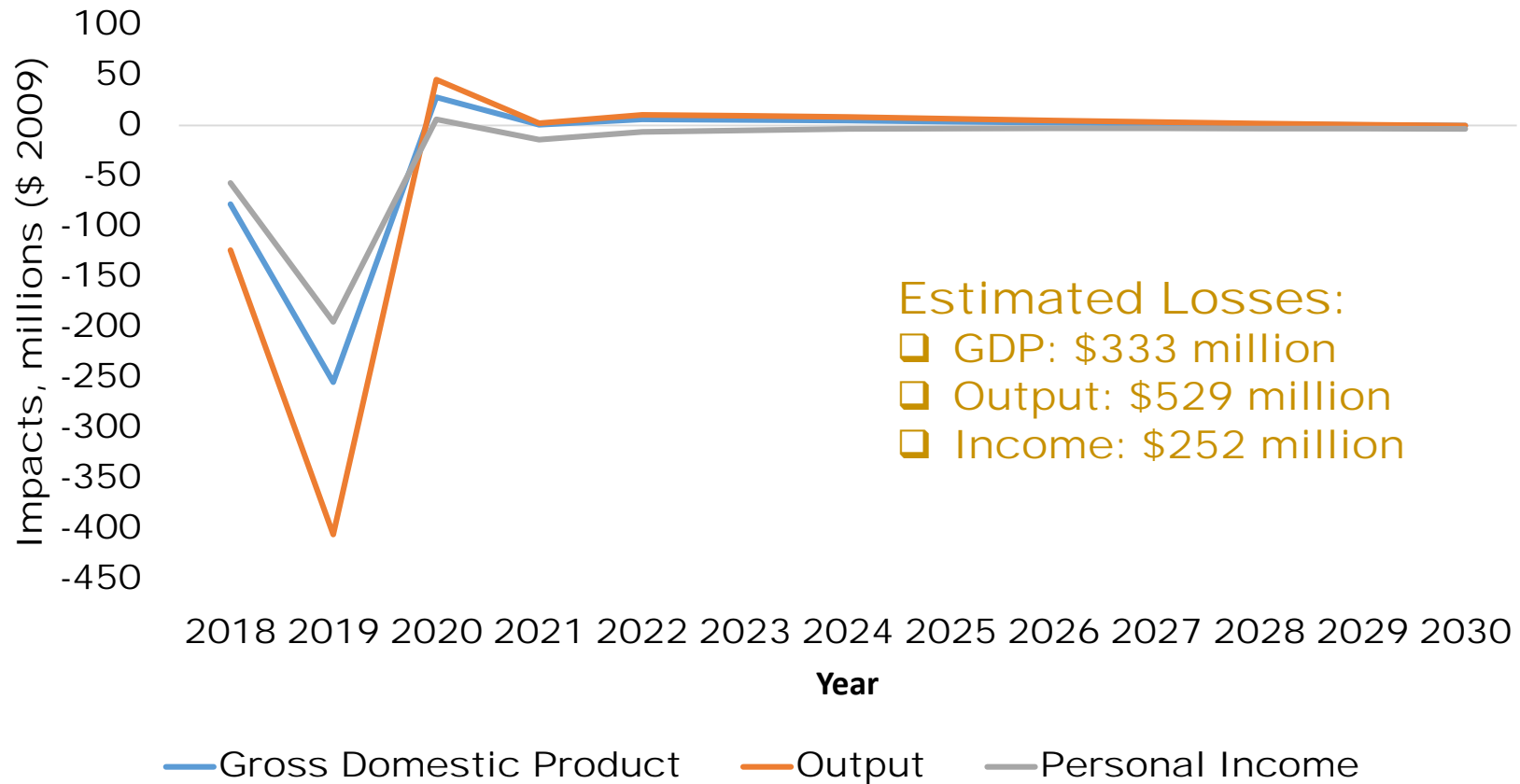
What Can Affect Our Forecast?



The 2018 to 2019 Partial Shutdown

- Lasted from December 22nd, 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

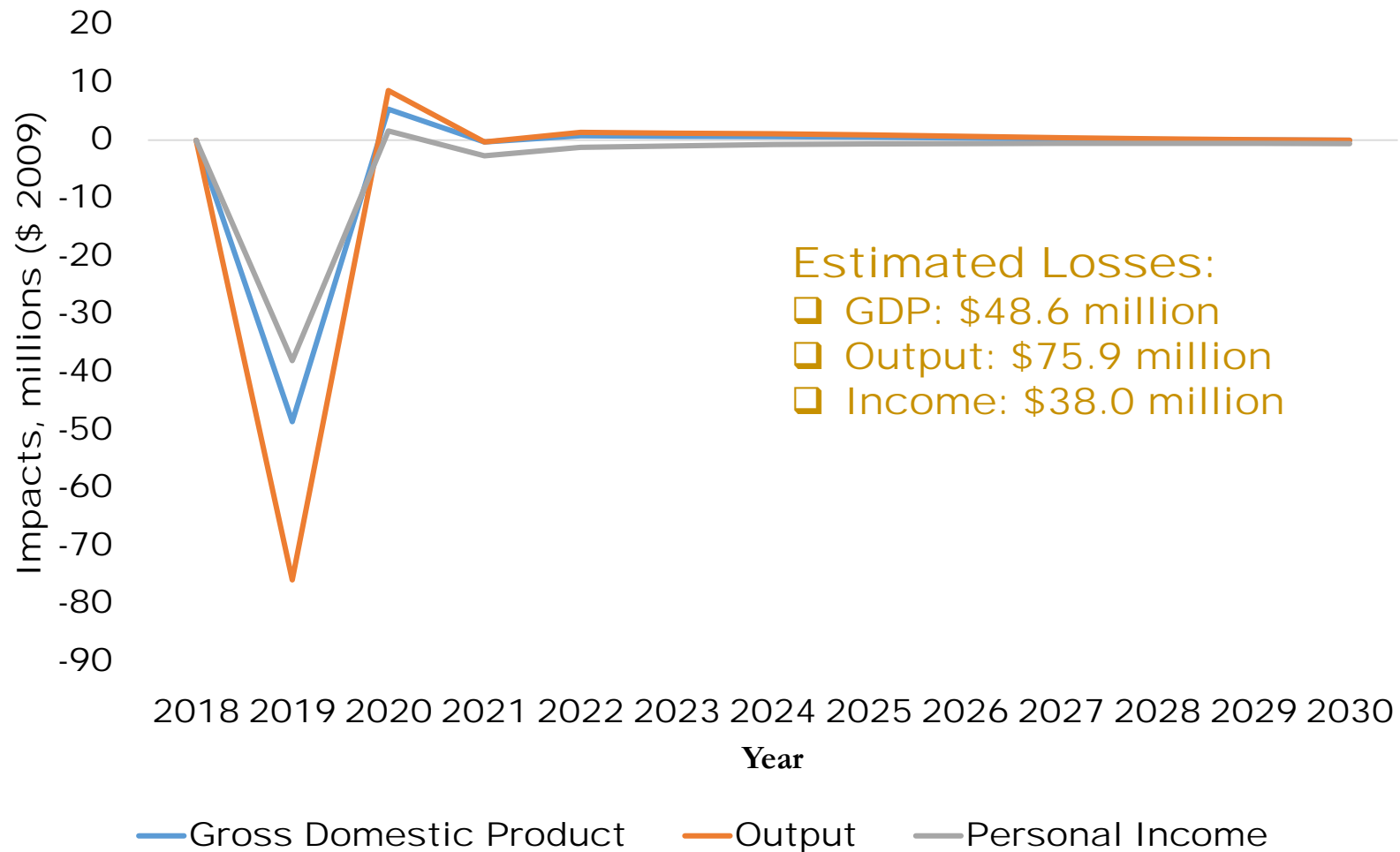
Estimated Impacts of the 2018-19 Shutdown



The 2019 LAUSD/United Teachers Strike

- Lasted from January 14th to January 22nd, 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

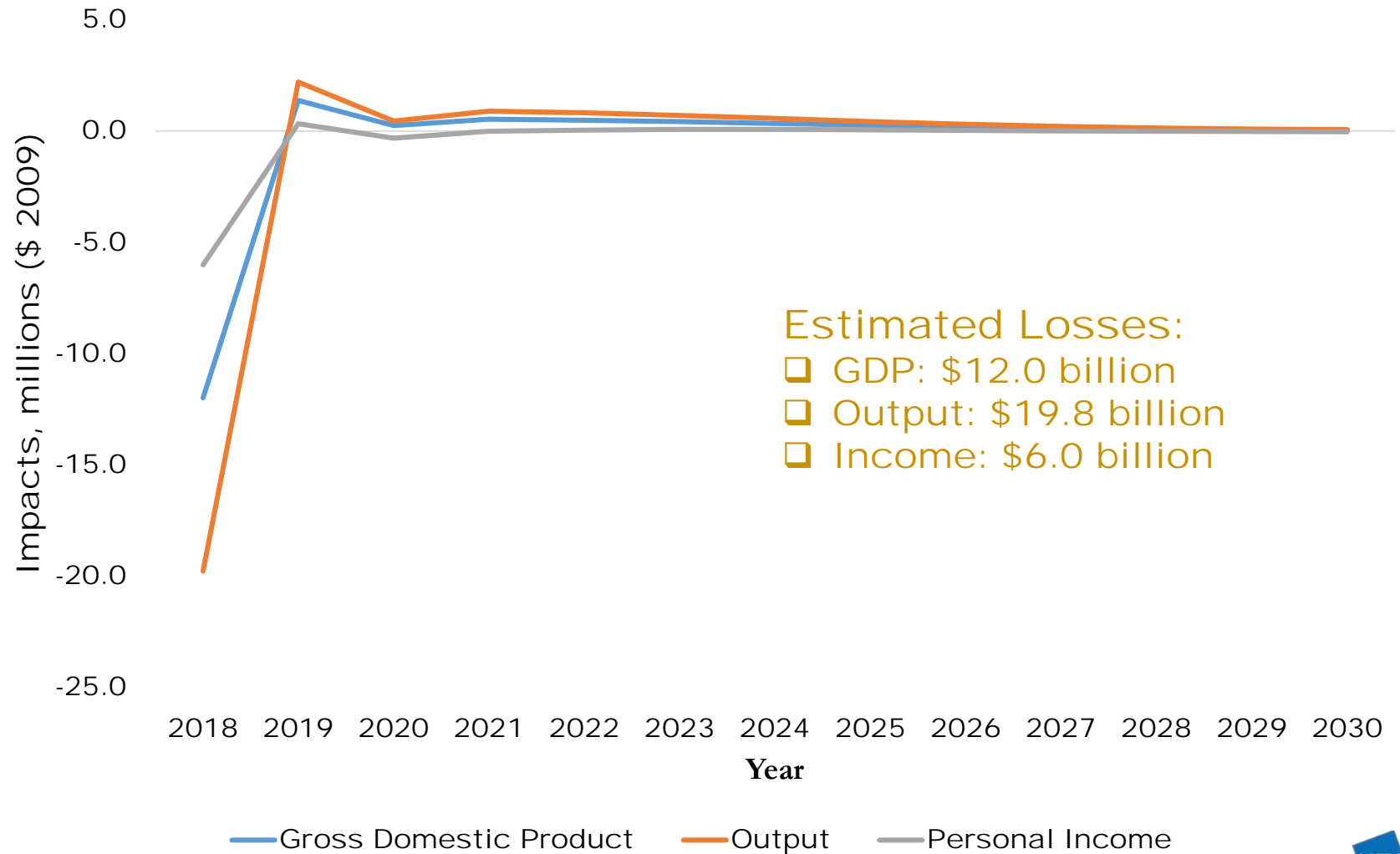
Estimated Impacts of LAUSD/UTLA Teachers' Strike




The Woolsey Fire in Los Angeles County

- Burned almost 97,000 acres from November 8th to 21st, 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



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!

LAEDC.org



LOS ANGELES COUNTY ECONOMIC DEVELOPMENT CORPORATION

A vibrant, wide-angle photograph of a busy Hollywood Boulevard street scene during the "golden hour" of sunset. The sky is a warm, hazy orange, and the sun is low on the horizon, creating a soft glow over the entire scene. Tall palm trees line both sides of the street, their fronds silhouetted against the bright sky. The street is filled with a variety of vehicles, including cars, vans, and a prominent red Starline tour bus. Pedestrians are seen walking across the street and along the sidewalks. On the left, a tall, vertical neon sign for "HOLLYWOOD" is partially visible, along with several smaller signs for "JOURNEY TO SPACE" and "NEBULA SPACE". On the right, more signs are visible, including one for "TALL CHINESE THEATRES". The overall atmosphere is one of a bustling, iconic urban environment.

Thank You!

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