



# 2026 ECONOMIC FORECAST

*FROM DISRUPTION TO DIRECTION:  
LA'S ECONOMY AFTER A TURBULENT 2025*

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LAEDC

INSTITUTE FOR APPLIED ECONOMICS

# National Conditions are Cooling

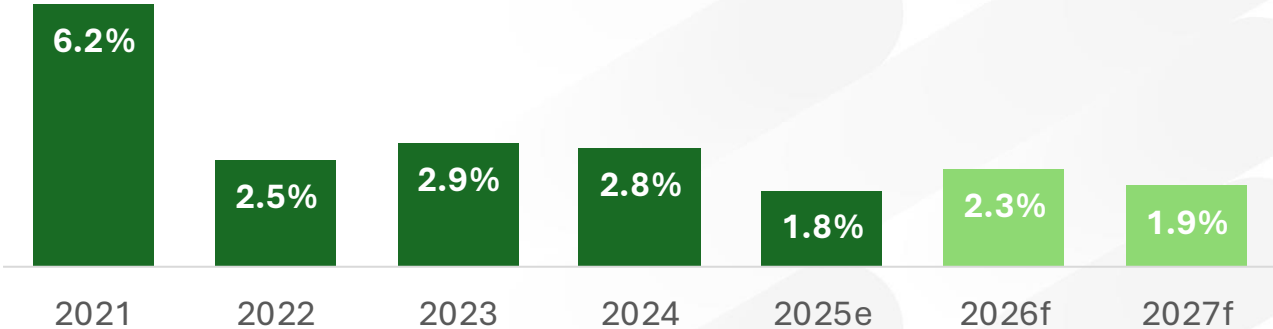
- U.S. GDP growth moderating
- Labor market cooling
- Consumer pressure elevated
- Policy uncertainty rising

## Debt Balances

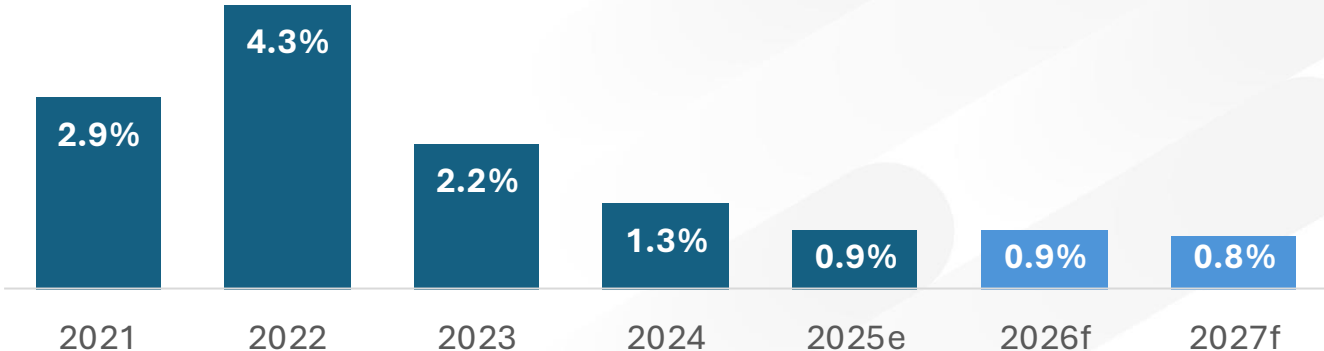
- Have increased by \$4.6 trillion—a 32% increase—since the end of 2019
- About 2.8% of total debt balance (58.3% of delinquent balances) was considered 120+ days late or severely derogatory

## National Growth Trends

Year-over-year Real GDP Growth



Year-over-year Nonfarm Employment Growth



# Why National Shifts Hit Los Angeles Faster



**Global trade exposure**



**Large immigrant workforce**



**High-cost operating environment**



**Consumer-driven regional economy**



**Port and logistics concentration**



# Three Shocks Shaped the Local Economy

## Wildfires

- 50,000+ acres burned

## Immigration enforcement

- Enforcement activity increase

## Tariffs and trade policies

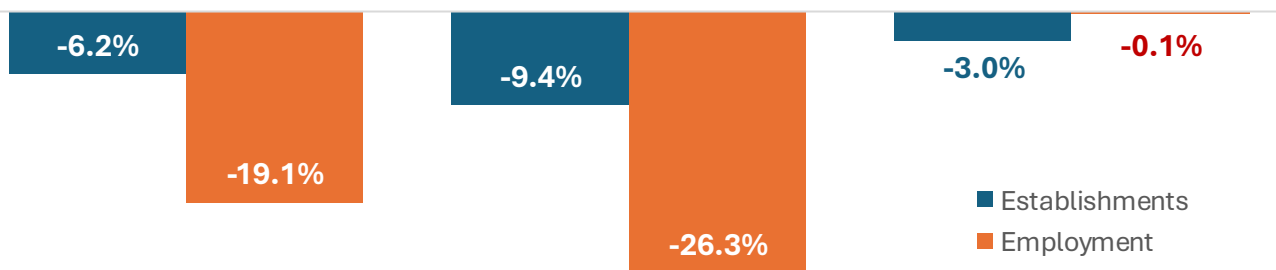
- Port volatility late 2025

# Total Economic Impact of Business Disruptions

## Range of Total Economic Impacts from Business Interruptions in LA County

- Total economic output impacts:
  - \$5.2 billion to \$10.1 billion
- Total employment impacts:
  - 28,000+ jobs to 55,000+ jobs
- Total labor income losses:
  - \$2.2 billion to \$4.2 billion
- Loss of federal, state, and local taxes:
  - \$0.85 billion to \$1.64 billion

Year-over-year Changes in Establishments and Employment, 2025



Eaton Primary Fire Area

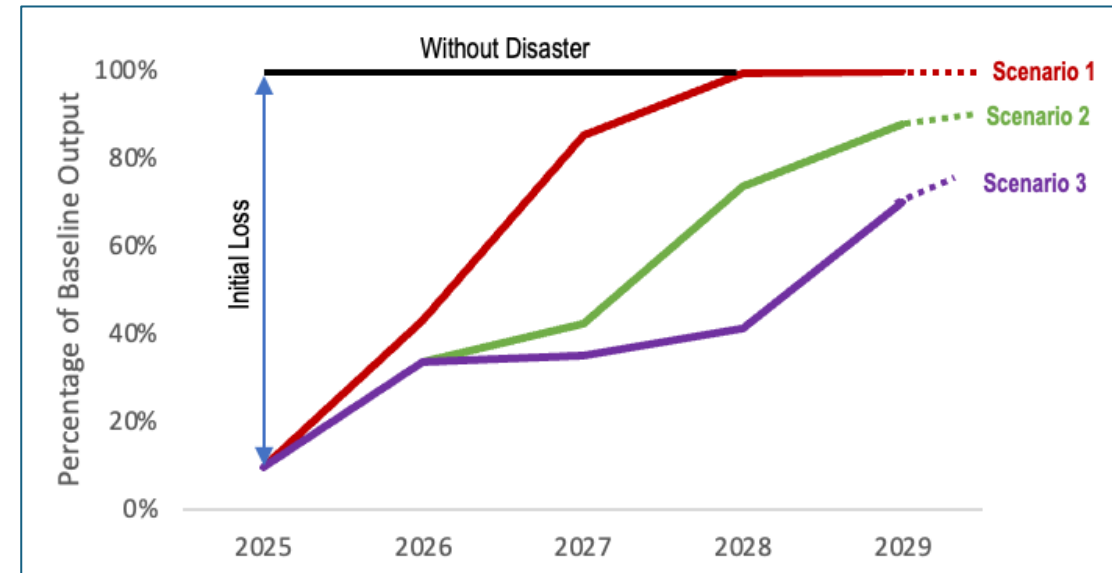
Palisades Primary Fire Area

Rest of Los Angeles County

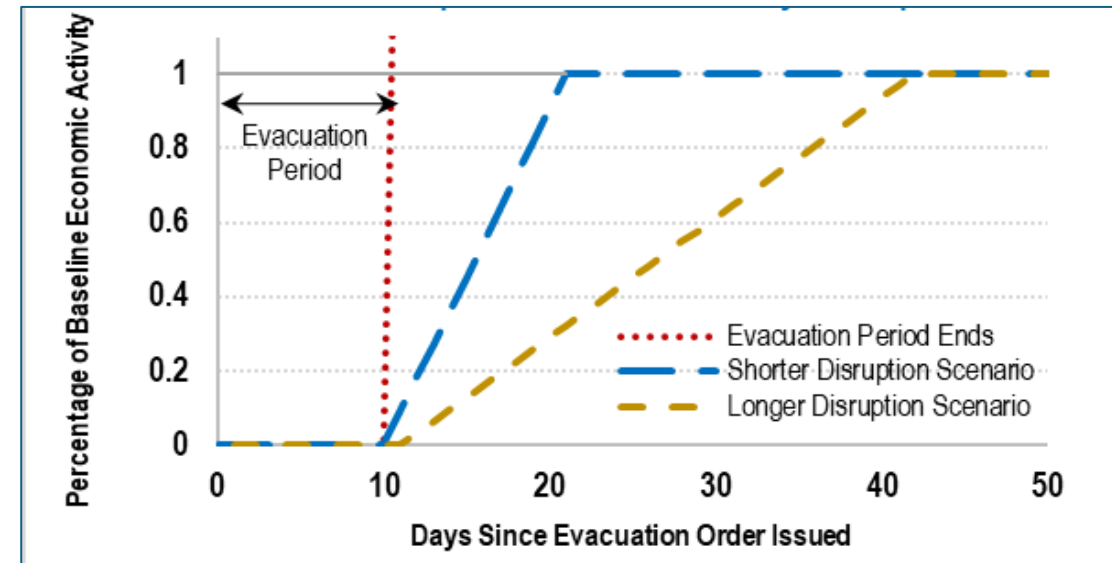
Sources: CA EDD, CDFW, LAEDC

## Recovery Trajectory of Economic Output

Three Alternative Burn Area Scenarios



Low/High Secondary Fire Area Scenarios



Sources: Data Axle, IMPLAN, FEMA, LAEDC

# Undocumented Workers: Core to the County Economy

Nearly 950,000 undocumented workers  
in key industries

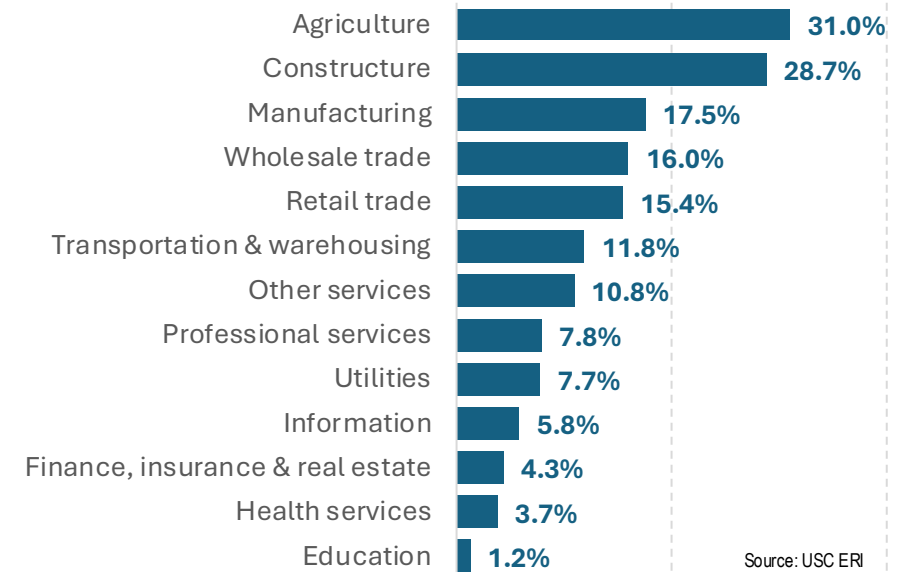
## Economic Contribution: Undocumented Workers in LA:

- **\$253.9B** in annual economic output (17% countywide total)
- **1.06M** jobs supported (direct + indirect) with **\$80.4B** in labor income
- **\$147.4B** (16%) of countywide GCP

**3.5M immigrants**  
in LA County  
(35% of population)

**Undocumented workers in LA  
County account for 60% of  
GSP related to undocumented  
labor statewide (\$278B\*)**

## Industry Workforce Dependence on Undocumented Labor



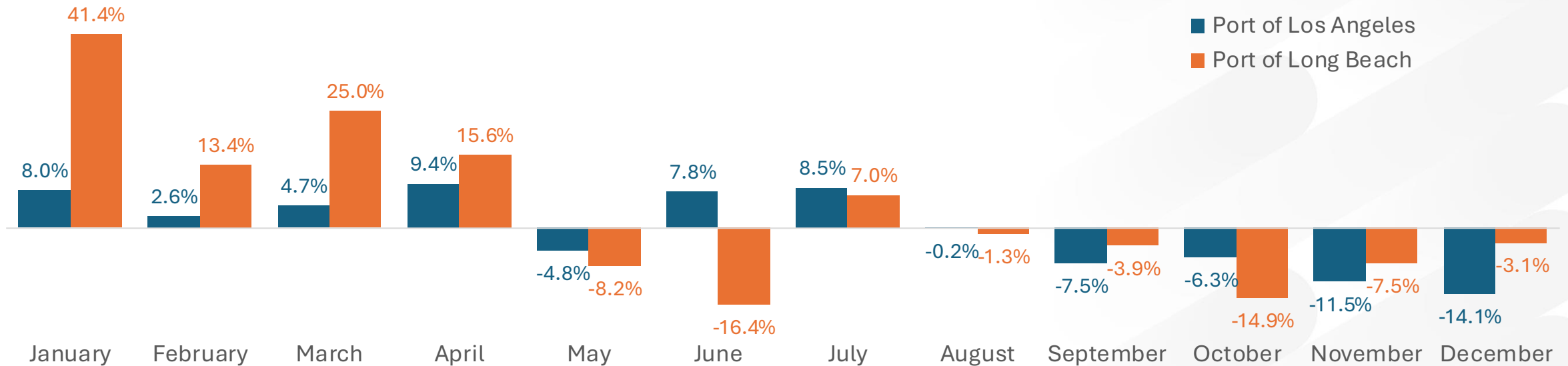
## Estimated Economic Contribution of Undocumented Workers in LA County (2023)

<b>Output</b> (\$ millions)	<b>\$253,879</b>
<i>Direct</i>	\$158,805
<b>Employment</b> (jobs)	<b>1,062,550</b>
<i>Direct</i>	630,120
<b>Labor income</b> (\$ millions)	<b>\$80,444</b>
<i>Direct</i>	\$47,699
<b>Value added</b> (\$ millions)	<b>\$147,361</b>
<i>Direct</i>	\$88,389

Source: IMPLAN; estimates by LAEDC

# San Pedro Bay Port Volatility in 2025

Year-over-year Percentage Change in Container Throughput in 2025



- Record-breaking activity in the first half of the year as importers rushed to bring in goods ahead of tariff deadlines
- Second half of 2025 provided ominous signs for what to expect in the year to come

# The LA Economy: Growth Held, Momentum Softened

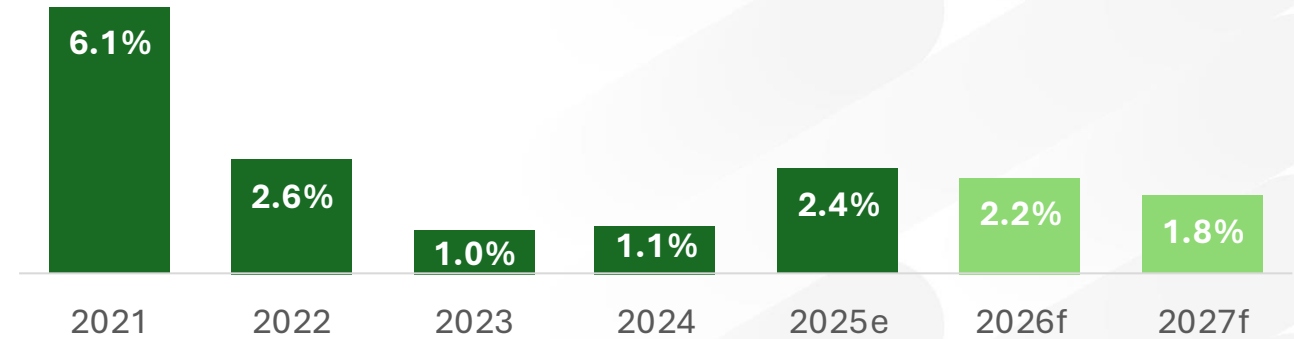
- Real GCP growth ~2.4%
- Job growth near flat
- Unemployment elevated vs pre-pandemic

**The Los Angeles County economy has continued to demonstrate remarkable resilience...**

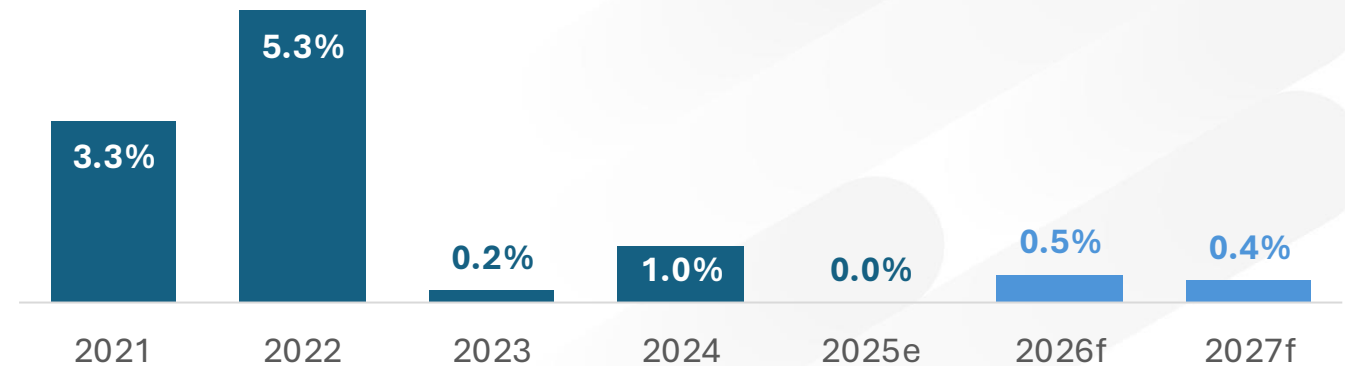
*Despite devastating wildfires, aggressive federal immigration enforcement, and trade barriers*

## LA County Growth Trends

Year-over-year Real GDP Growth in LA County

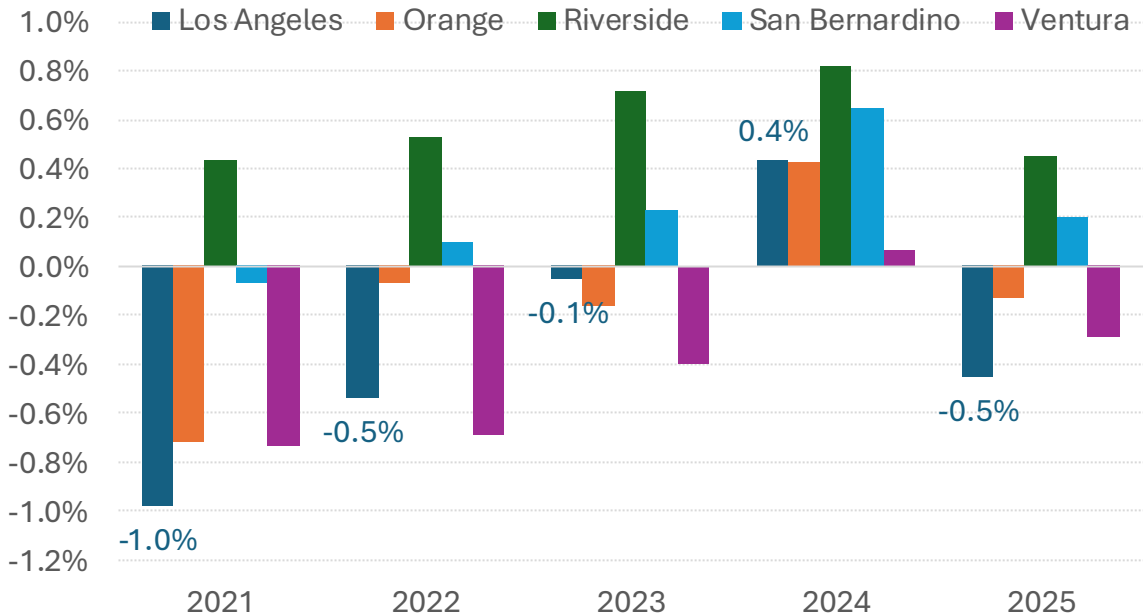


Year-over-year Nonfarm Employment Growth



# Long-Standing Constraints Are Intensifying

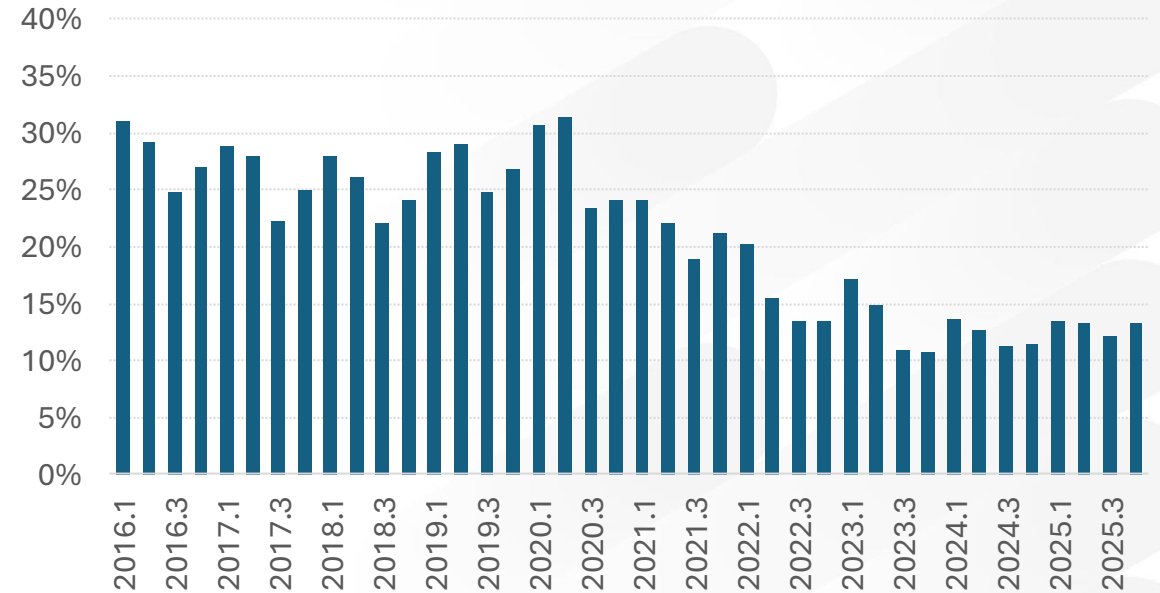
Annual Percentage Change in Population by County



Source: CA Dept. of Finance

Traditional Housing Affordability Index

for LA County, Q1:2016 to Q4:2025



Source: California Association of Realtors

- County lost ~45,000 residents
- Only ~13% can afford median home

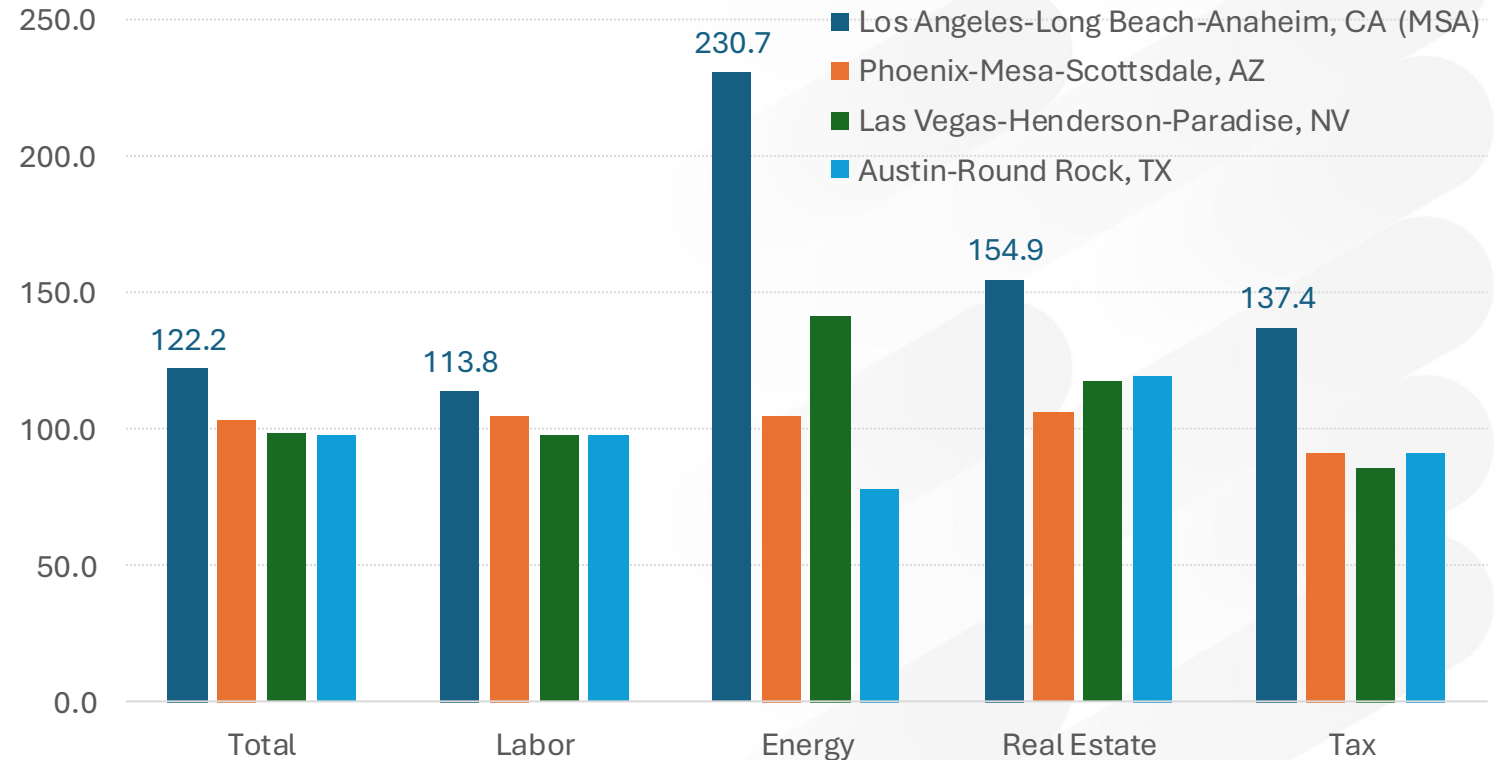
- ~57.5% renters cost-burdened
- Production gap vs RHNA need

# LA Remains a High-Cost Operating Environment

- Energy cost differential
  - 130.7% higher (more than double)
- Higher real estate costs
  - 54.9% higher
- Tax premium
  - 37.4% higher

Competing metros like Austin (98.0), Las Vegas (98.8), and Phoenix (103.5) operate at roughly the national average

Business Cost Index for Selected Regions



Source: S&P Global Market Intelligence

# Growth Is Becoming More Uneven

## Growth:

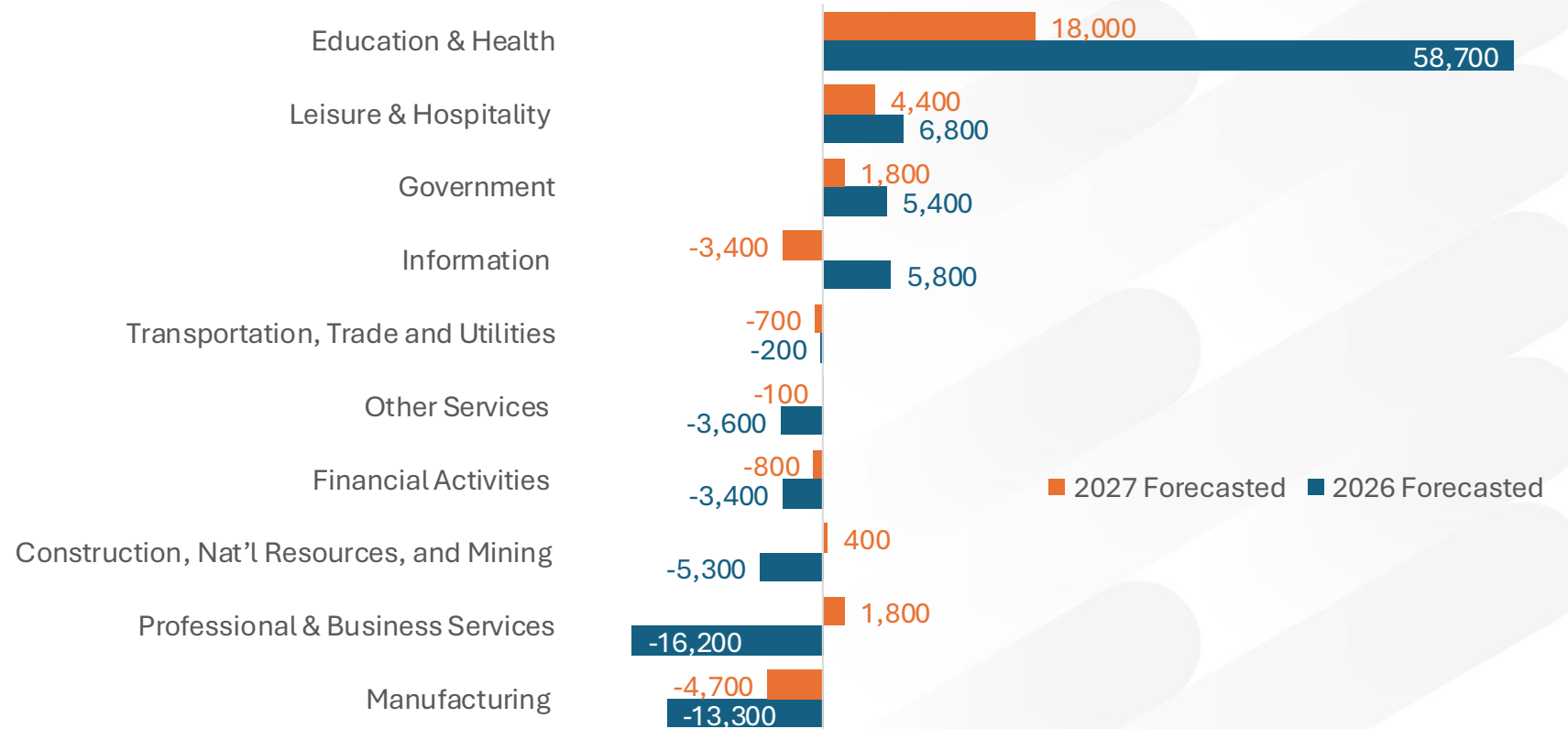
- Education & Health
- Government

## Losses:

- Manufacturing
- Trade & Logistics
- Information

**Expected job growth in Education & Health is primarily in Social Assistance**

LA County Employment Forecast: Growth by Industry, 2025 to 2027



# Federal Policy Is Now a Local Economic Driver

Trade policy

Immigration enforcement

Healthcare coverage changes



# Where These Pressures Are Showing Up



## Healthcare

*The Healthcare Squeeze:  
Coverage Loss and Rising  
Costs in LA*



## Manufacturing & Distribution

*Holding Ground in a High-  
Cost Environment*



## Tourism

*Systems Behind the Stay:  
Visitors, Mobility, and  
Venues*



## Construction

*Building Under Pressure:  
Costs, Capacity, and  
Demand*

**Each sector reflects the intersection of cost pressure, workforce constraints, and policy uncertainty.**

# A Narrow but Navigable Path Forward

- Moderate growth expected
- Labor market to remain tight
- Cost pressures persist
- Policy uncertainty elevated
- Sector performance will diverge

**Industry adaptation is underway**

*Strategic choices in the next 24 months matter*



# From Disruption to Direction: Key Findings

1. The U.S. economy continues to expand, but growth is moderating and becoming more uneven.
2. Policy uncertainty—particularly around trade, immigration, and healthcare—is rising and increasingly shaping local conditions.
3. Los Angeles County demonstrated resilience in 2025, but job growth has softened and momentum has slowed.
4. Persistent structural pressures—including population loss, housing affordability, and high operating costs—continue to weigh on the region's trajectory.
5. Sector performance is diverging, with healthcare remaining a key source of growth while goods-producing and trade-related industries face headwinds.
6. Federal policy changes are transmitting more directly into the Los Angeles economy through workforce, cost, and demand channels.
7. The near-term outlook calls for continued but moderate growth, with a narrower margin for error and increased variability across industries.

# THANK YOU

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in @ LAEDC



**LOS ANGELES COUNTY**  
ECONOMIC DEVELOPMENT CORPORATION

*Coalition of One - Economy for All*