2024 Economic Forecast

February 27, 2024 | 8:30 AM – 12:00 PM
InterContinental Los Angeles Downtown
Melissa Kham
Vice President, Strategic Relations
LAEDC
Conan Nolan
Political Reporter, KNBC-TV in LA
Halé Behzadi
North America Head, Citi Private Bank
OUR MISSION

Reinventing our economy to collaboratively advance growth and prosperity for all.
2024 Economic Forecast
Stephen Cheung
President & CEO,
LAEDC & WTCLA
Gold Sponsor

Energy for What’s Ahead®
Bronze Sponsors
2024 Economic Forecast
Conan Nolan
Political Reporter, KNBC-TV in LA
Los Angeles County today finds that the past is prologue...

The large, systemic challenges the region faced prior to 2020 are reemerging to take center stage.
Income Inequality in LA County

Income inequality* continued to widen in Los Angeles County after seeing some positive progress prior to the pandemic.

*Measured by the ratio of the mean income for the top 20 percent of earners over the mean income for the bottom 20 percent of earners

Source: U.S. Census Bureau
Three Primary Challenges

• Regional Population Decline
• Housing Affordability
• Cost of Doing Business

Source: CA Dept of Finance, Demographic Unit
Regional Population Decline

Year-over-year Percent Change in Population
County of Los Angeles and City of Los Angeles

Source: CA Dept of Finance, Demographic Unit
As of Q3 2023, only 11 percent of households in LA County can afford to purchase a median priced, single-family home.

This is down from 31 percent just 10 years earlier.
Nationally, a 30-year fixed mortgage rose from a monthly average of 2.7 percent in December 2020 to 7.6 percent by October 2023.
Ten Most Expensive Metros for Business

Los Angeles’s business costs are almost 20 percent higher than the national average.

Source: CA Dept of Finance, Demographic Unit
For the Los Angeles area:

- Labor costs are 13 percent higher than the national average;
- Energy costs are 91 percent higher;
- Real estate costs are 51 percent higher; and
- Taxes are 40 percent higher

Source: S&P Global Market Intelligence
By the end of 2023, electricity costs in the Los Angeles area were **70 percent higher** than national averages.

Source: CA Dept of Finance, Demographic Unit
The U.S. Economy
High-interest rates have impacted the economy, the monthly change in seasonally adjusted nonfarm payroll employees has declined since early 2022, when the Federal Reserve began its rate hikes. If present trends continue, far fewer jobs will be added monthly over the next two years.
Increases in CPI, Jan 2020 to Dec 2023

Compared to pre-pandemic levels, all goods and services are now more than 19 percent higher.
Strong consumer spending has been a major factor behind the robust economic performance of late, but the current pace of consumer spending is likely to diminish over the next few years.
The limits of consumer spending are also suggested by a drop in the personal saving rate and an increase in credit card balances. Consumers now appear to be more financially stretched than just a few years ago.

Source: BEA
Soft Landing vs. Recession

• Taken together, the signs point to a slowing national economy in 2024 and 2025.

• Can we say for certain that the Federal Reserve has successfully engineered a “soft landing” of the economy such that we slow growth while avoiding a recession?

• While we are not expecting a recession in the next two years, at this moment, we cannot rule it out.

Source: CA Dept of Finance, Demographic Unit
Economic Overview of California
We are Entering a Period of Slow Growth

Real GDP Growth

United States
- 2019: 2.5%
- 2020: -2.2%
- 2021: 5.8%
- 2022f: 1.9%
- 2023f: 2.4%
- 2024f: 1.7%
- 2025f: 1.4%

California
- 2019: 3.2%
- 2020: -2.3%
- 2021: 7.8%
- 2022f: 0.4%
- 2023f: 1.9%
- 2024f: 1.7%
- 2025f: 1.6%

Los Angeles County
- 2019: 3.6%
- 2020: -5.0%
- 2021: 6.2%
- 2022f: 2.1%
- 2023f: 2.1%
- 2024f: 1.4%
- 2025f: 1.5%

Source: BEA; forecast by LAEDC
Inflation to Move Closer to the Fed’s Target

Inflation: CPI-U

United States
- 2019: 1.8%
- 2020: 1.3%
- 2021: 2.7%
- 2022: 4.3%
- 2023: 2.2%
- 2024f: 3.1%
- 2025f: 3.5%

California
- 2019: 4.7%
- 2020: 4.1%
- 2021: 3.0%
- 2022: 7.4%
- 2023: 2.9%
- 2024f: 3.8%
- 2025f: 2.5%

LA County
- 2019: 8.0%
- 2020: 2.0%
- 2021: 1.7%
- 2022: 4.0%
- 2023: 2.2%
- 2024f: 1.6%
- 2025f: 2.3%

Source: BLS; forecast by LAEDC
Unemployment to Inch Higher as the Economy Continues to Cool

Unemployment Rate

United States | California | LA County
---|---|---
2019 | 3.7% | 8.1% | 10.1%
2020 | 3.6% | 5.4% | 7.3%
2021 | 3.9% | 4.3% | 4.6%
2022 | 4.1% | 4.0% | 5.0%
2023 | 4.5% | 4.9% | 5.1%
2024f | 5.1% | 5.4% | 5.6%
2025f | 5.6% | 5.4% | 5.5%

Nonfarm Employment

United States | California | LA County
---|---|---
2019 | -10.0% | 1.3% | 1.0%
2020 | -8.0% | 2.9% | 1.5%
2021 | -6.0% | 4.3% | 3.5%
2022 | -4.0% | 2.3% | 3.6%
2023 | -2.0% | 0.8% | 5.6%
2024f | 0.0% | 1.2% | 5.4%
2025f | 2.0% | 0.7% | 5.2%

Source: BLS; forecast by LAEDC
Educational & Health Services to Lead Employment Growth in California Through 2025

2023 to 2025 Net Payroll Employment Growth by Industry

<table>
<thead>
<tr>
<th>Industry</th>
<th>LA County</th>
<th>California</th>
</tr>
</thead>
<tbody>
<tr>
<td>Educational &amp; Health Svcs</td>
<td>43,000</td>
<td>126,300</td>
</tr>
<tr>
<td>Leisure &amp; Hospitality</td>
<td>16,300</td>
<td>69,100</td>
</tr>
<tr>
<td>Professional &amp; Business Svcs</td>
<td>11,900</td>
<td>55,800</td>
</tr>
<tr>
<td>Government</td>
<td>4,700</td>
<td>40,400</td>
</tr>
<tr>
<td>Construction, Natural Resources &amp; Mining</td>
<td>5,700</td>
<td>29,500</td>
</tr>
<tr>
<td>Information</td>
<td>4,300</td>
<td>17,000</td>
</tr>
<tr>
<td>Financial Activities</td>
<td>3,500</td>
<td>14,200</td>
</tr>
<tr>
<td>Other Services</td>
<td>-200</td>
<td>11,600</td>
</tr>
<tr>
<td>Transportation, Trade &amp; Utilities</td>
<td>-6,900</td>
<td>-5,500</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>-22,400</td>
<td>-17,100</td>
</tr>
</tbody>
</table>

Nonfarm Job Growth 2023-2025:
* California: **334,700** net new jobs
* LA County: **66,900** net new jobs

LA County accounts for 20% of net payroll job growth

Source: forecast by LAEDC
California Budget Issues
Share of Capital Gains in Total Personal Income

(California)

Source: CA Dept of Finance, Demographic Unit
Continued Impact of the Hollywood Strikes: Year-Over-Year Changes in Payroll Employment Film & TV Industry in LA County: Dec 2023

Jobs Lost in the Motion Pic & Sound Industry

COVID-19 Nadir: -45,000 in June 2020
Dual Strike Nadir: -32,400 in August 2023

Source: BLS, CES
The Struggling Office Market: Office Market Vacancy Rates in LA County, 2017-2023

Source: CA Dept of Finance, Demographic Unit
1. Entering a period of slow economic growth

2. Three primary challenges have reemerged as a threat to future growth:
   - Regional population decline
   - Housing affordability
   - Cost of doing business

3. Beyond FY 2024-25, California will likely face continued budget challenges

4. LA County is vulnerable to the office market crisis and future labor negotiations with film & TV production
Karim Webb
Entrepreneurial Activist
Principal,
Webb Investments
THE L.A. STORY
Parity (noun)
par·i·ty

: achieving economic benefit in proportion to percentage of population
SIGNIFICANT CAPITAL INVESTMENTS

- LAWA
- Port of Los Angeles
- Port of Long Beach
- DWP
- LA County Sanitation Districts
- Metro
- City Spending
- County Spending
- Big Events:
  - Olympics, World Cup, NBA All Star, etc
ACCESS TO CAPITAL

CalPERS  CalSTRS
$1.2 TRILLION
LESS THAN $10B

Being managed by funds with Minority Managing Partners.
Q & A
Breakout sessions begin promptly at 9:45 AM
Breakout sessions

**Building Solutions:**
Tackling Los Angeles’ Housing Crisis Through Innovative Development

**Empowering All Voices:**
Regional Synergy for Economic Growth in LA

**Navigating The Shift:**
Economic Strategies for Clean Energy Adoption

*Wilshire One*  
*Main Ballroom*  
*Wilshire Three*
Empowering All Voices: Regional Synergy for Economic Growth in LA
Empowering All Voices: Regional Synergy for Economic Growth in LA

Moderator

Kelly LoBianco
Director, Los Angeles County Department of Economic Opportunity

Sonya Kay Blake
President & CEO, The Valley Economic Alliance

Leah Goold-Haws
President & CEO, Long Beach Economic Partnership

Luis Portillo
President & CEO, San Gabriel Valley Economic Partnership

Quentin Strode
President & CEO, Vermont Slauson EDC

Jey Wagner
President & CEO, Santa Clarita Valley EDC
Empowering All Voices: Regional Synergy for Economic Growth in LA
Conan Nolan
Political Reporter,
KNBC-TV in LA
Closing Plenary

Dee Dee Myers
Director, Governor’s Office of Business and Economic Development

Stephen Cheung
President & CEO, LAEDC & WTCLA
Visit www.laedc.org to read full Economic Forecast report
2024 Economic Forecast