Quarterly Economic Briefing

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Presentation Outline

National Economic Conditions
- U.S. Economic Projections
- Inflation
- Interest Rates
- Consumer Delinquencies
- Consumer Sentiment
- Business Sentiment
- California State Budget

Local Economic Conditions
- Nonfarm Employment
- Unemployment Rate
- Employment by Industry
- Pre-Pandemic Comparison
- Job Postings

Industry Clusters in LA County
- Defining Industry Clusters
- Key Elements
- Industry Cluster Reports
- Industry Clusters in LA County
- Location Quotients
- Trade Group
- Entertainment Group
Economic Conditions
May 2024:

United States
U.S. Economic Projections

- The Fed forecasts solid economic growth through 2026. Growth is slower than 2023 but better than year-ago projections.

- Unemployment is projected to be slightly below Dec. 2023 forecasts and significantly below year-ago projections.

### Median Economic Projections of Federal Reserve Board Members and Federal Reserve Bank Presidents (March 2024)

<table>
<thead>
<tr>
<th></th>
<th>2023 (Actual)</th>
<th>2024</th>
<th>2025</th>
<th>2026</th>
<th>Longer Run</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in Real GDP</td>
<td>2.5</td>
<td>2.1</td>
<td>2.0</td>
<td>2.0</td>
<td>1.8</td>
</tr>
<tr>
<td>December ’23 Projection</td>
<td>1.4</td>
<td>1.8</td>
<td>1.9</td>
<td>1.8</td>
<td>1.8</td>
</tr>
<tr>
<td>Unemployment Rate</td>
<td>3.6</td>
<td>4.0</td>
<td>4.1</td>
<td>4.0</td>
<td>4.1</td>
</tr>
<tr>
<td>December ’23 Projection</td>
<td>4.1</td>
<td>4.1</td>
<td>4.1</td>
<td>4.1</td>
<td>4.1</td>
</tr>
</tbody>
</table>
• Inflation as measured by the CPI has come down significantly from its June 2022 high of 9.1 percent

• The progress in reducing year-over-year inflation stalled around July 2023

• Inflation is now hovering around 3.4 percent
As inflation remains above the Federal Reserve’s target of 2.0 percent, interest rates have been kept high.

The effective Federal Funds rate has remained at 5.33 percent since August 2023.

The expectation of one or more rate cuts in 2024 is diminishing.
Consumer Delinquencies

• Delinquencies have been rising particularly quickly since the end of 2021
Consumer Sentiment

- Consumer sentiment retreated about 13 percent in May following three consecutive months of very little change.

- This 10 index-point decline is statistically significant and brings sentiment to its lowest reading in about six months.
Business Sentiment

• The S&P 500 is hitting all-time highs in May 2024

• The index reflects a much more optimistic business outlook overall compared to 2022
Economic Conditions
On the Horizon:

California State Budget
Local Area Employment Situation
April 2024:

Los Angeles County
Nonfarm Employment in LA County

• The labor market continues to be relatively strong, nonfarm employment experienced its third consecutive monthly increase in April 2024, reaching close to 4.6 million in Los Angeles County.

• Total nonfarm employment in Los Angeles County is up month over month and year over year, 18,100 and 32,600, respectively.

• As of April 2024, Nonfarm jobs in LA County have surpassed the pre-pandemic level (April 2019) by 34,800 payroll jobs.
Unemployment Rate in LA County

- The LA County unemployment rate declined in April to 4.5%, from 5.2% the prior month.

- The US unemployment rate has increased by 0.4 percentage points between March and April 2024. It was the second consecutive monthly decline, dropping from 4.2% in February to 3.5% in April.
LA County Employment by Industry

- Health care and social assistance continues to lead monthly growth adding 4,700 jobs over last month.

- Motion Picture & Sound Recording added 2,100 jobs; it’s the 1st month with 102,000+ workers since before the dual strikes.

- Industries losing jobs from March to April include Retail Trade, Professional and Business Services, Manufacturing, and Transportation, Warehousing and Utilities.
LA County Employment by Industry

- We are seeing more industries with lower employment levels compared to last year.

- Health Care & Social Assistance has the largest increase related to increased demand for services and the population continues to age.

- Government and Private Education Services have all added jobs over the year and Food Services & Drinking Places all had significant job gains.

- Information still down 14,500 payroll jobs from last year as production activity has been slow to resume after the dual WGA and SAG-AFTRA strikes.

<table>
<thead>
<tr>
<th>Industry</th>
<th>Year-Over-Year Change in Jobs by Industry, April 2024 (NSA)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health Care &amp; Social Assistance</td>
<td>35,600</td>
</tr>
<tr>
<td>Government</td>
<td>12,600</td>
</tr>
<tr>
<td>Private Educational Services</td>
<td>11,300</td>
</tr>
<tr>
<td>Food Services &amp; Drinking Places</td>
<td>10,200</td>
</tr>
<tr>
<td>Other Services</td>
<td>4,100</td>
</tr>
<tr>
<td>Transp/ Warehousing/ Utilities</td>
<td>1,700</td>
</tr>
<tr>
<td>Accommodation</td>
<td>1,300</td>
</tr>
<tr>
<td>Retail Trade</td>
<td>-100</td>
</tr>
<tr>
<td>Mining, Logging &amp; Construction</td>
<td>-1,600</td>
</tr>
<tr>
<td>Financial Activities</td>
<td>-2,000</td>
</tr>
<tr>
<td>Wholesale Trade</td>
<td>-2,300</td>
</tr>
<tr>
<td>Arts, Entertainment &amp; Recreation</td>
<td>-2,600</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>-4,000</td>
</tr>
<tr>
<td>Motion Picture/ Sound Recording</td>
<td>-13,400</td>
</tr>
<tr>
<td>Information (excludes motion pic)</td>
<td>-14,500</td>
</tr>
<tr>
<td>Professional &amp; Business Services</td>
<td>-17,100</td>
</tr>
</tbody>
</table>
Pre-Pandemic Comparison by Industry

- More industries are reporting payroll jobs below their pre-pandemic levels again.
- Heath Care and Social Assistance has consistently driven job growth throughout the pandemic and beyond, with just shy of 36,000 jobs more than the same period in 2019.
- The Information sector had a post-COVID rebound, but the dual WGA and SAG-AFTRA strikes continued to have a negative effect on payroll jobs as activity has been slow to return.
- Professional Business Services and Manufacturing had the largest losses besides Information.
Monthly job postings in LA County fell to 75,299 in April 2024, -47.8% from April 2022 when the economy was moving forward with recovery.

Companies with the most unique job postings from Jan-Apr 2024:
- University of CA (3,194)
- Kaiser Permanente (2,772)
- Robert Half (2,071)
- Alta Hospitals SYS (1,700)
- USC (1,535)
- Cedars-Sinai (1,534)
Industry Clusters in Los Angeles County

In 2022
What is an Industry Cluster?

“A cluster is a geographic concentration of related companies, organizations, and institutions in a particular field that can be present in a region, state, or nation. Clusters arise because they raise a company's productivity, which is influenced by local assets and the presence of like firms, institutions, and infrastructure that surround it.”

—Institute for Strategy and Competitiveness (ISC), Harvard Business School (HBR)

1 https://www.isc.hbs.edu/competitiveness-economic-development/frameworks-and-key-concepts/Pages/clusters.aspx
Key Elements of Industry Clusters

- Clusters are defined as groups of industries related by skill, technology, supply, demand, and/or other linkages\(^1\)
  - Mapped at 6-digit NAICS code\(^2\) level
  - “Traded” vs. “Local” clusters\(^3\)
    - Traded—Goods and services sold across regions and countries; employment more geographically concentrated
    - Local—Serve primarily local markets (e.g., retail); employment is proportional to regional population
- The Institute for Strategy and Competitiveness (ISC) at HBR has mapped 67 clusters to-date:
  - 51 traded clusters
  - 16 local clusters

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3. “Defining Clusters of Related Industries”, page 8
Report: Industry Clusters in L.A. County

- Data through 2022
- Updates previous clusters report (2019 data)
- Includes private sector industries (companies & non-profits)
- Focuses on key subset of clusters comprising the majority of employment
- Includes a cluster-by-cluster COVID-19 pandemic impact analysis
Industry Clusters in L.A. County

• From the years 2010 to 2019, employment across all sectors in L.A. County grew an average of 2% annually.

• With the onset of the COVID-19 pandemic, almost 382,000 jobs were lost—a decline of 9.7%.

• Employment rebounded significantly in 2021 & 2022, with approximately 373,000 jobs added back.
Industry Cluster Location Quotients

- L.A. County hosts 11 industry clusters that are more concentrated than they are in the U.S. as a whole
- Competitive advantages in entertainment, textiles, apparel, water transportation, communications equipment, marketing/design/publishing, and education/knowledge creation industries

Top Industry Clusters by Location Quotient (LQ≤3.0), 2022

- Video Production and Distribution: 12.3
- Music and Sound Recording: 7.0
- Apparel: 6.5
- Performing Arts: 3.9
- Aerospace Vehicles and Defense: 3.0

Industry Clusters with LQs between 1.0 and 2.9, 2022

- Water Transportation: 1.85
- Marketing, Design, and Publishing: 1.59
- Transportation and Logistics: 1.43
- Communications Equipment and Services: 1.29
- Textile Manufacturing: 1.21
- Education and Knowledge Creation: 1.14

Location Quotient (LQ)
Industry Cluster Aggregation: Trade Group

- The Trade Group represents 89 industries across three industry clusters: Distribution & Ecommerce, Transportation & Logistics, and Water Transportation.
- Employment in the group dropped 10.5% (32,455 jobs) in 2020 from 2019’s multi-year high of 307,733.
- The group added back over 7,424 jobs in 2021 but then lost nearly 5,925 jobs in 2022 (mostly in the Distribution & Ecommerce cluster).
- Total employment in 2022 was 276,777:
  - Distribution & Ecommerce: 179,359 jobs
  - Transportation & Logistics: 79,852 jobs
  - Water Transportation: 17,573 jobs
Average annual earnings in the Trade Group were $87,138 in 2022, 15% higher than the county average of $76,840.

Average wages by industry cluster:
- Distribution & Ecommerce: $80,994
- Transportation & Logistics: $89,466
- Water Transportation: $139,266

Huge variation across industries:
- Lowest: $39,111/yr Coastal Passenger Transportation (NAICS 483114)
- Highest: $257,000/yr Other Nonscheduled Air Transportation (NAICS 481219)
Industry Cluster Aggregation: Entertainment Group

- The Entertainment Group represents 18 industries across four industry clusters: Music & Sound Recording, Performing Arts, and Video Production & Distribution.
- Employment in the group dropped 16.5% (25,000 jobs) in 2020, with losses concentrated in Performing Arts (~9,000 jobs) and Video Production & Distribution (~16,700).
- The group added over 65,000 jobs in 2021 & 2022:
  - Performing Arts: 10,700 jobs (34%) added
  - Video Production & Distribution: 54,000 jobs (57.8%) added
  - Music & Sound Recording: 752 jobs (21%) added
- Total employment in 2022 was 196,594—an increase of over 40,000 jobs from 2019.
Average Annual Wages: Entertainment Group

- Average annual earnings in the Entertainment Group in 2022 were $149,539/yr, 95% higher than the county average of $76,840.

- The industry with the highest average annual wage ($359,486/yr) in 2022 was Independent Artists, Writers, and Performers (NAICS 711510).

- The industry with the lowest average annual wage ($30,673/yr) was Drive-In Motion Picture Theaters (NAICS 512132), followed by Dance Companies (NAICS 711120) at $44,625/yr.

<table>
<thead>
<tr>
<th>Industry</th>
<th>Average Annual Wage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independent Artists, Writers, and Performers</td>
<td>$359,486</td>
</tr>
<tr>
<td>Musical Groups and Artists</td>
<td>$253,117</td>
</tr>
<tr>
<td>Motion Picture and Video Distribution</td>
<td>$209,869</td>
</tr>
<tr>
<td>Other Performing Arts Companies</td>
<td>$183,189</td>
</tr>
<tr>
<td>Media Networks and Content Providers</td>
<td>$166,295</td>
</tr>
<tr>
<td>Record Production and Distribution</td>
<td>$164,120</td>
</tr>
<tr>
<td>Other Sound Recording Industries</td>
<td>$159,623</td>
</tr>
<tr>
<td>Agents &amp; Mngrs for Artists, Athletes, Entertainers, Public Figures</td>
<td>$155,257</td>
</tr>
<tr>
<td>Entertainment Group Average</td>
<td>$149,539</td>
</tr>
<tr>
<td>Other Motion Picture and Video Industries</td>
<td>$144,361</td>
</tr>
<tr>
<td>Motion Picture and Video Production</td>
<td>$123,605</td>
</tr>
<tr>
<td>Teleproduction and Other Postproduction Services</td>
<td>$116,874</td>
</tr>
<tr>
<td>L.A. County Average</td>
<td>$76,840</td>
</tr>
</tbody>
</table>
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Questions?
Select LA Investment Summit 2024

The premier international trade event that brings together global investors with business and government leaders from around Southern California.

June 20th @ 8:00 am - 4:00 pm
Hyatt Regency Long Beach
200 S Pine Ave, Long Beach, CA, United States

www.laedc.org/events

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