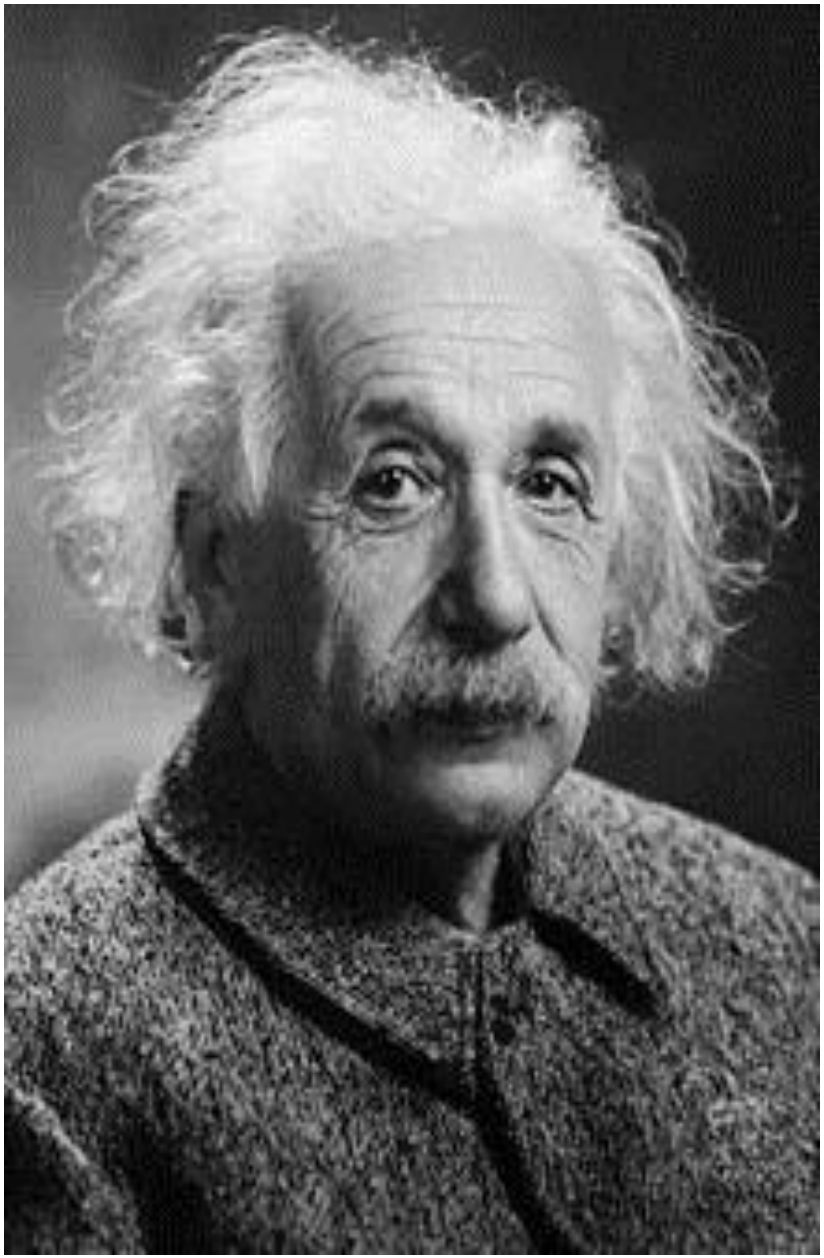
SAN GABRIEL VALLEY ECONOMIC FORECAST: 2019-2020

SOMJITA MITRA, PH.D.
DIRECTOR, INSTITUTE FOR APPLIED ECONOMICS
LOS ANGELES COUNTY ECONOMIC DEVELOPMENT CORPORATION

April 4, 2019

LAEDC



“I NEVER THINK OF THE FUTURE—IT COMES SOON ENOUGH”

--Albert Einstein

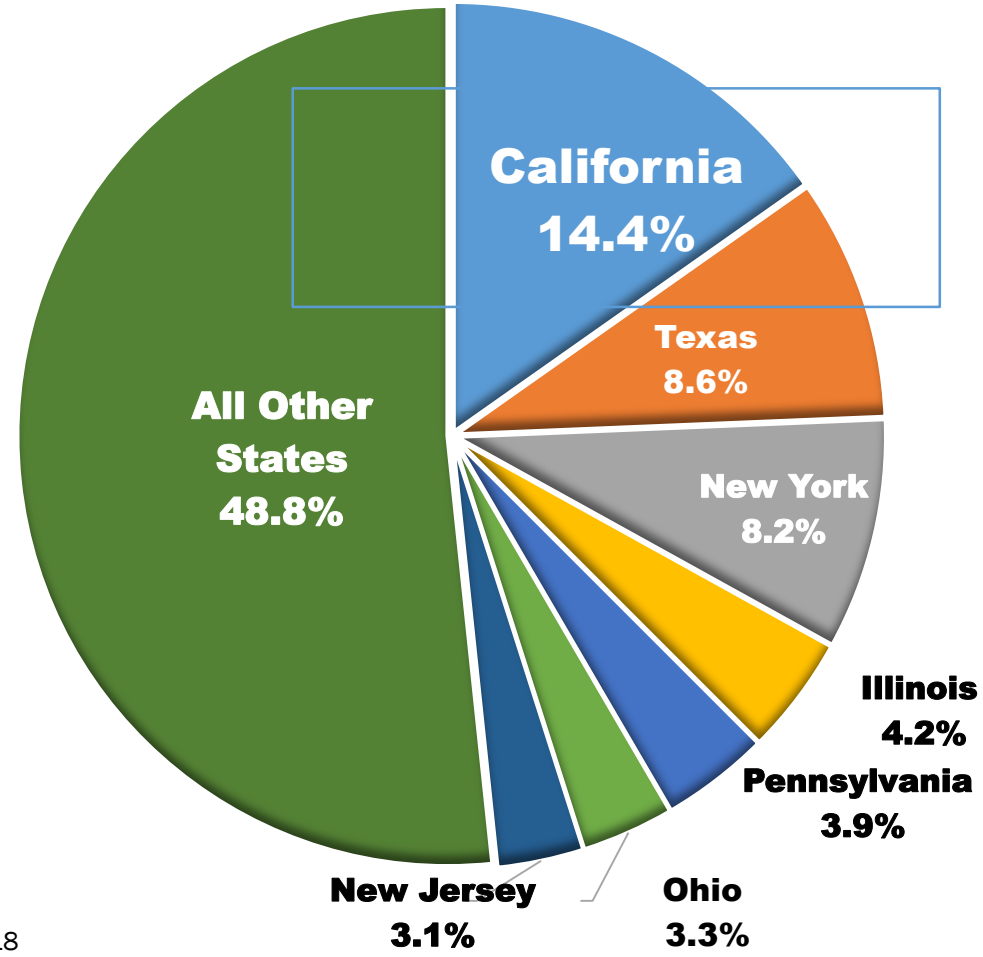
Today:

- California
- Los Angeles County
- Housing Issues
- San Gabriel Valley
- Factors That Affect The Forecast
- Concluding Remarks

CALIFORNIA REPUBLIC

How Important is California?

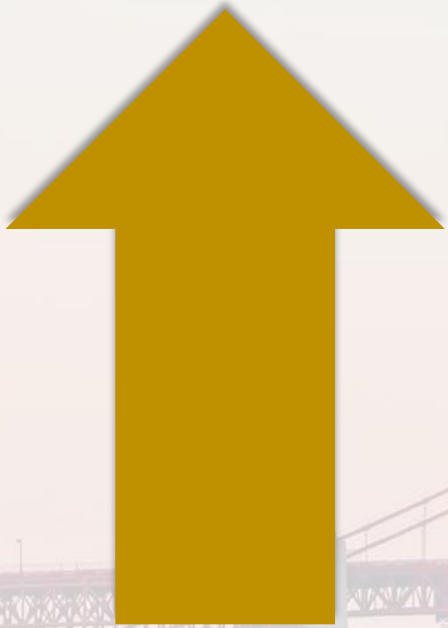
Contribution to US GDP



Bureau of Economic Analysis, 2018

California Indicators

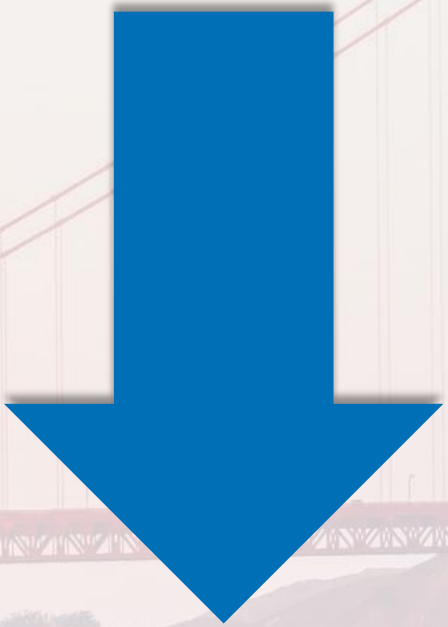
GDP Growth



3.4%

2.9%

Unemployment



4.2%

3.9%

Looking Ahead To 2020

GSP Growth

3.0%

GDP: 2.4%

Unemployment

3.4%

3.1%

Personal Income Growth

2.8%

2.5%

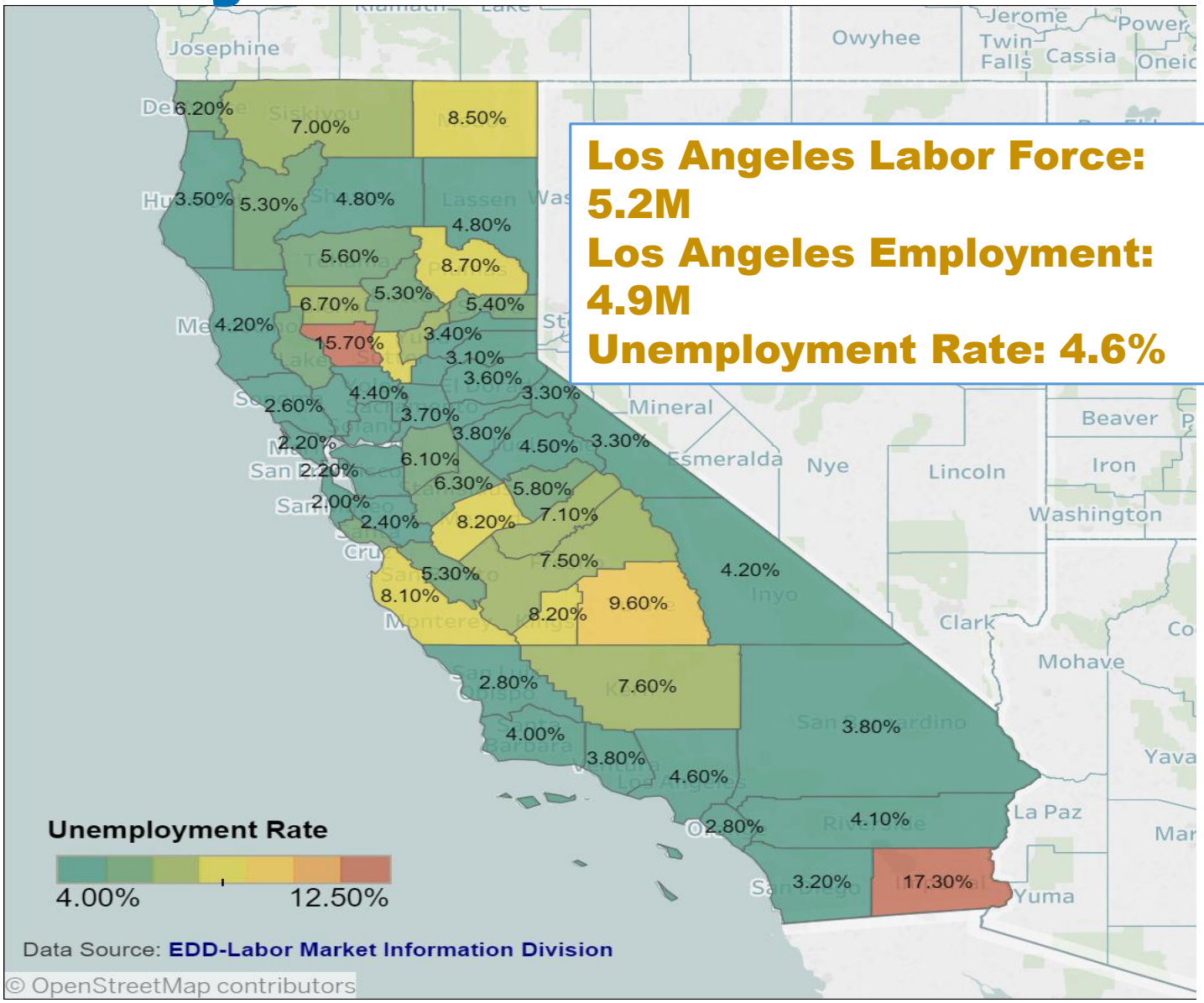
New Governor Priorities

Housing

Natural Disasters

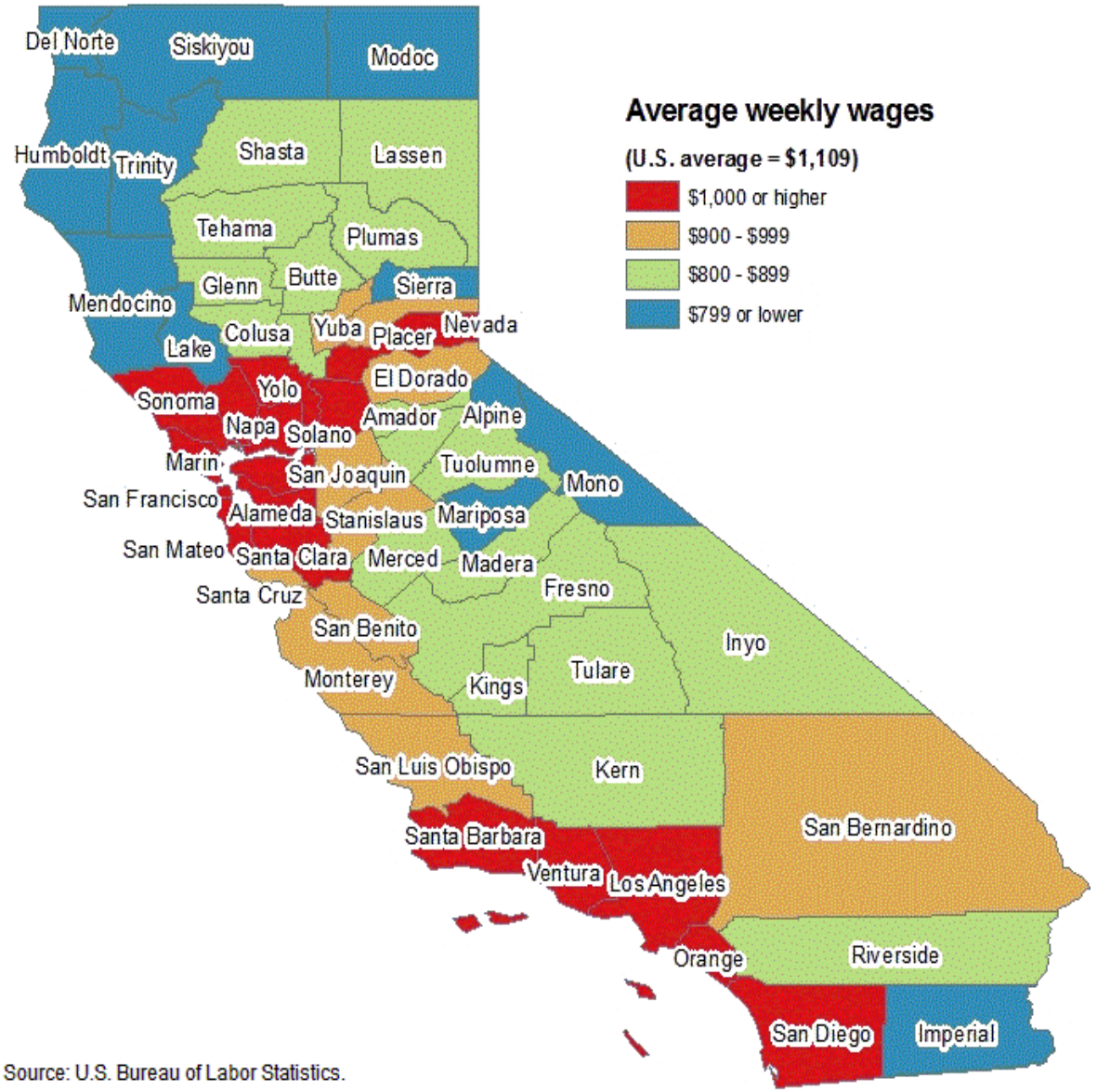
So Things Look Good?

Unemployment Rates by County



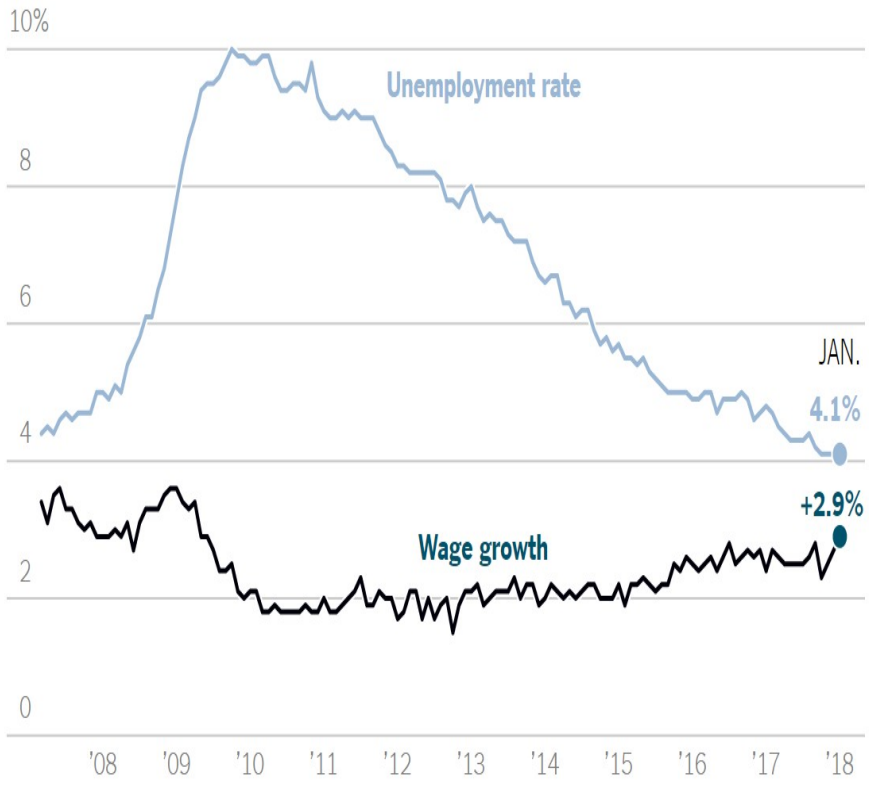
Let's Talk About Wages

Wages by County



Source: U.S. Bureau of Labor Statistics.

Wage Growth Lagging Behind

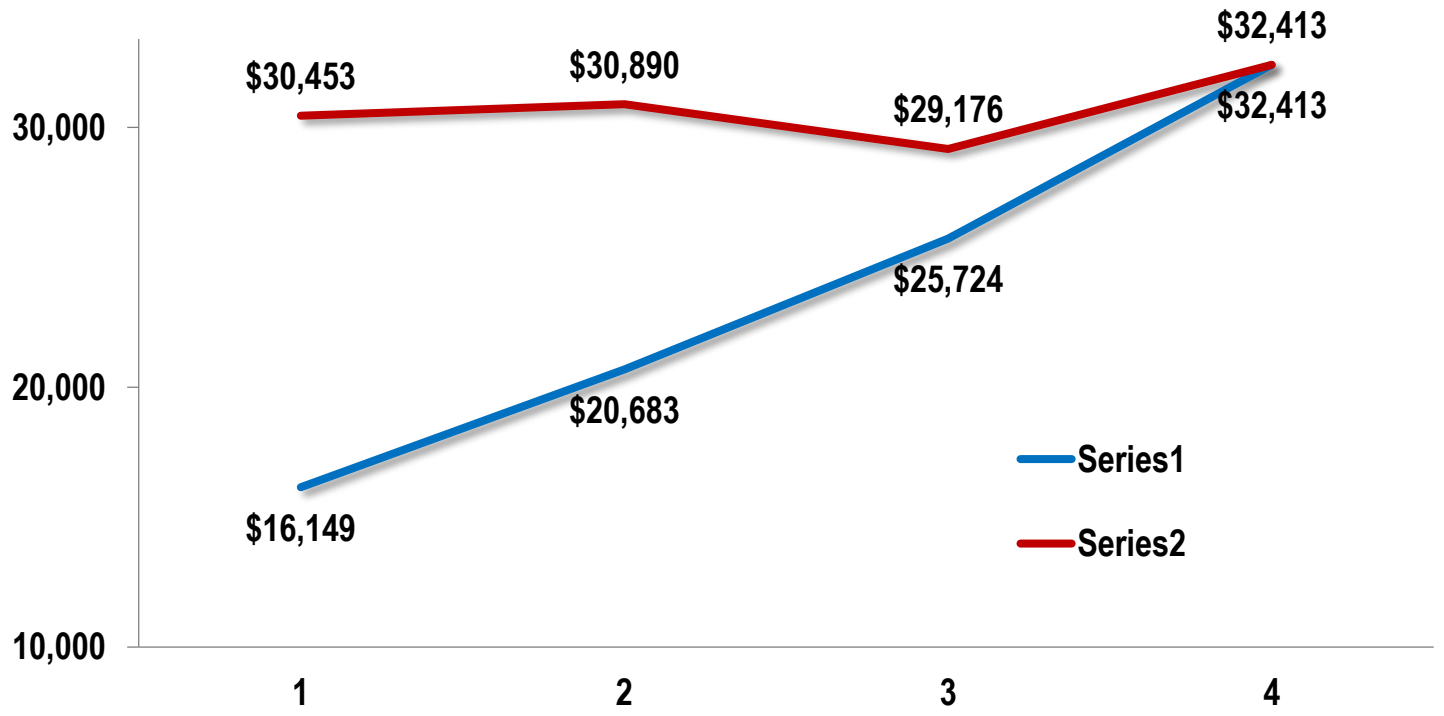


-Declining Unions
-Competition Restraints
-Lagging Minimum Wage
-Globalization
-Automation
-Anemic Productivity
-Outsourcing
-Contract Work
-Gig Work

Source: New York Times

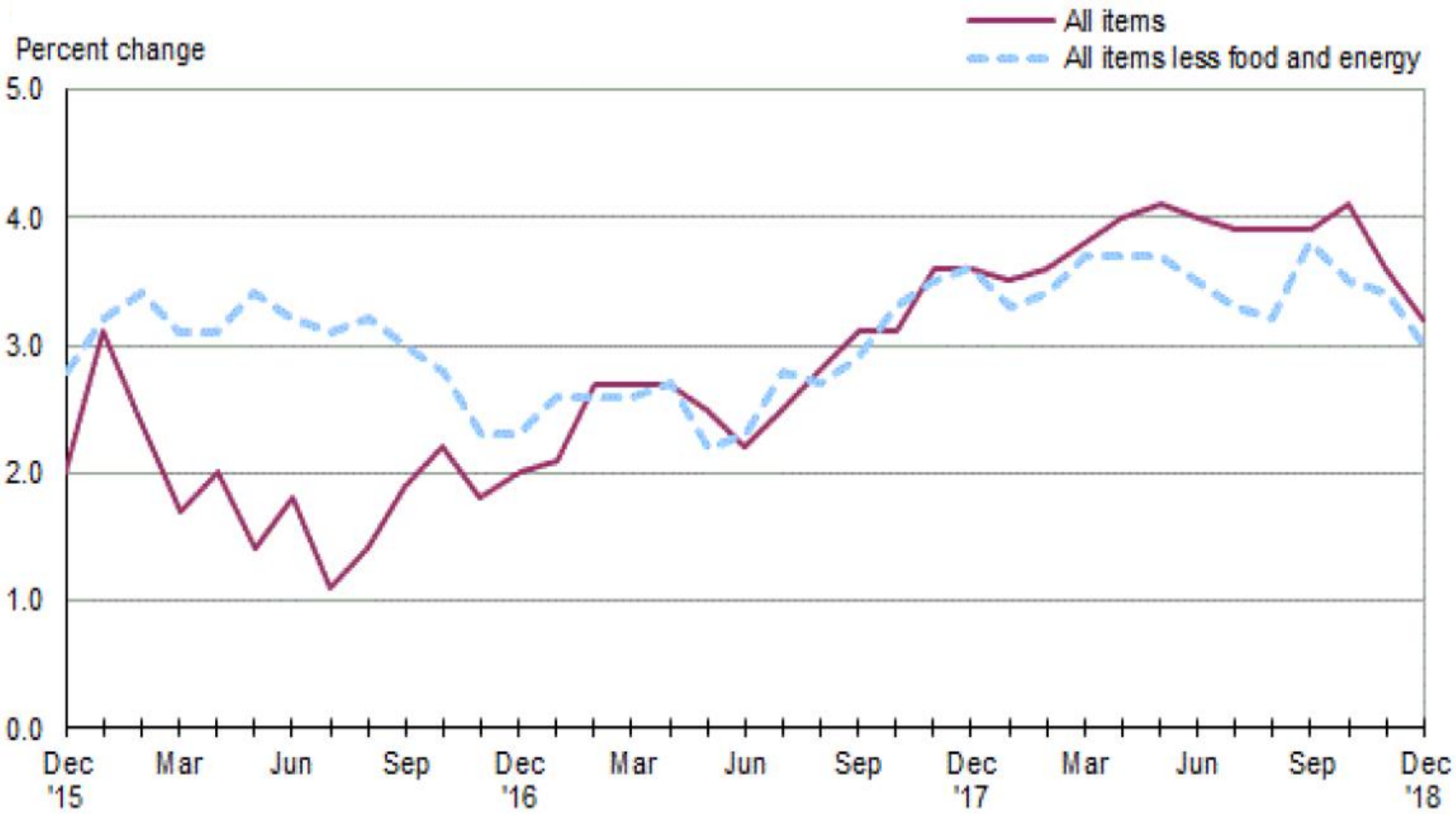
Wages Don’t Go Far

Per Capita Income
Nominal and $2017



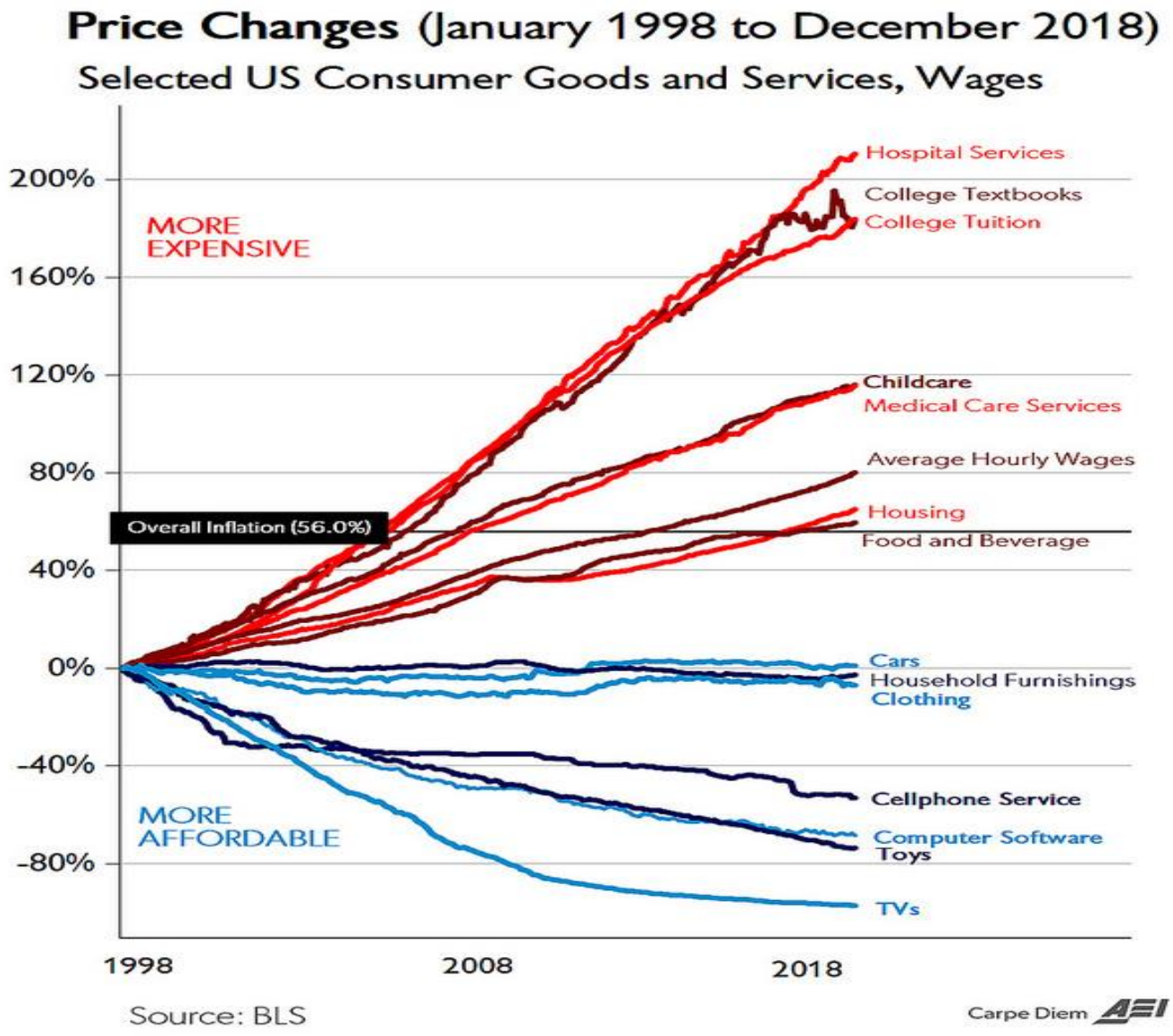
Source: ACS 2017 1-year estimates; BLS

Consumer Price Index



Source: U.S. Bureau of Labor Statistics.

What's Happening With Prices?



Los Angeles
LAEDC

Looking Ahead To 2020

GCP Growth

Unemployment

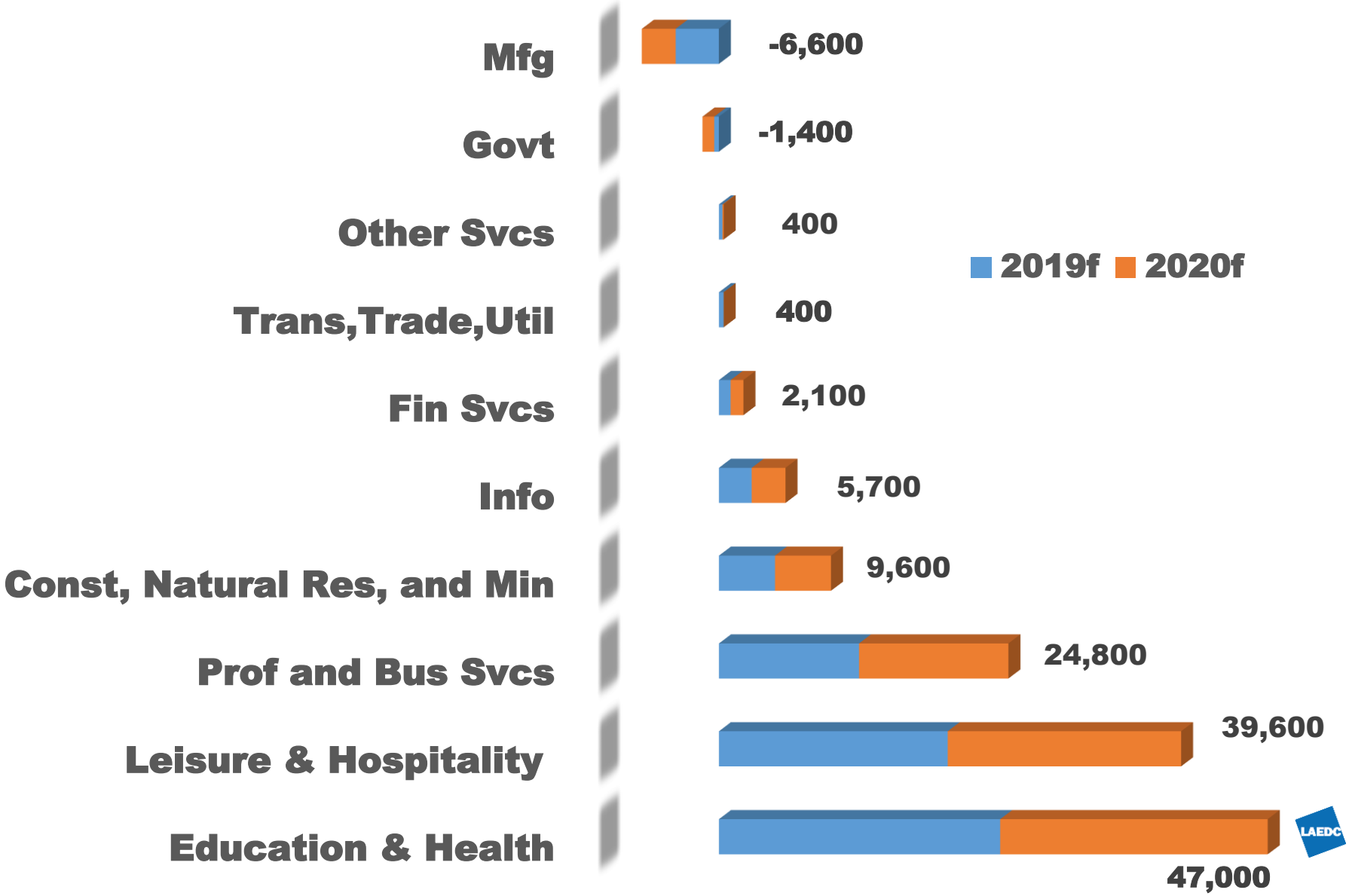
Personal Income Growth

2.7%

4.3%

2.1%

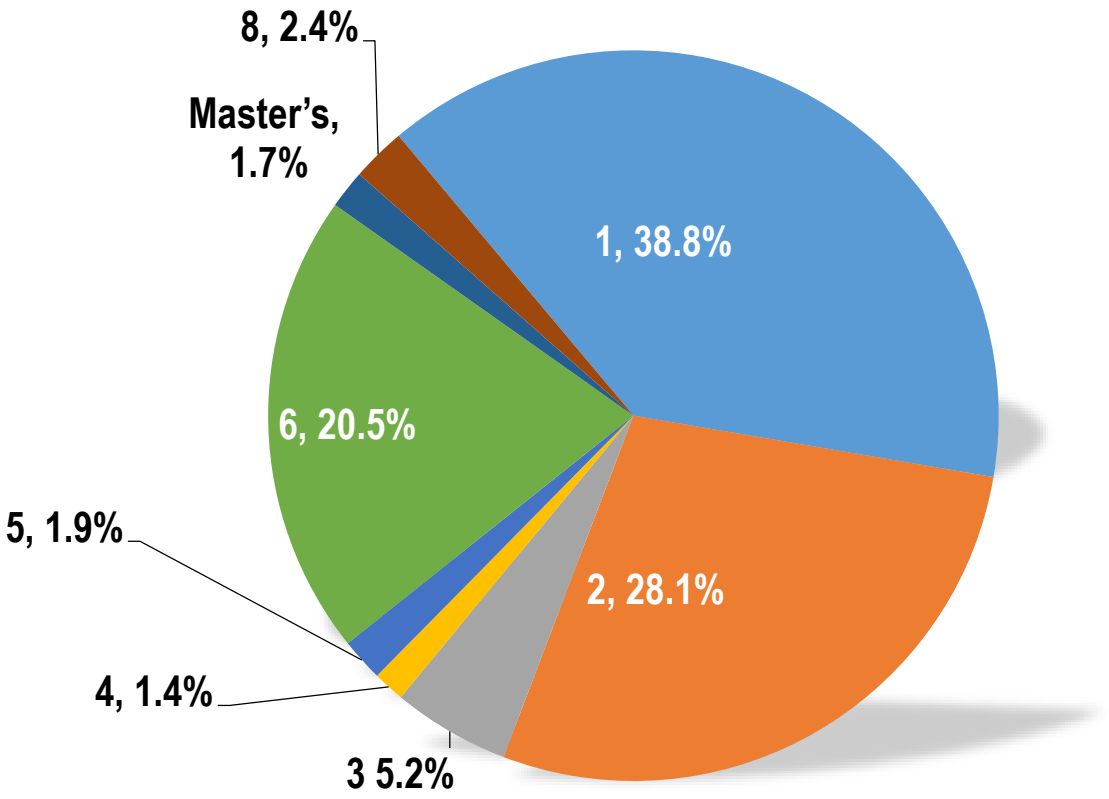
Jobs Forecast By Industry



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!

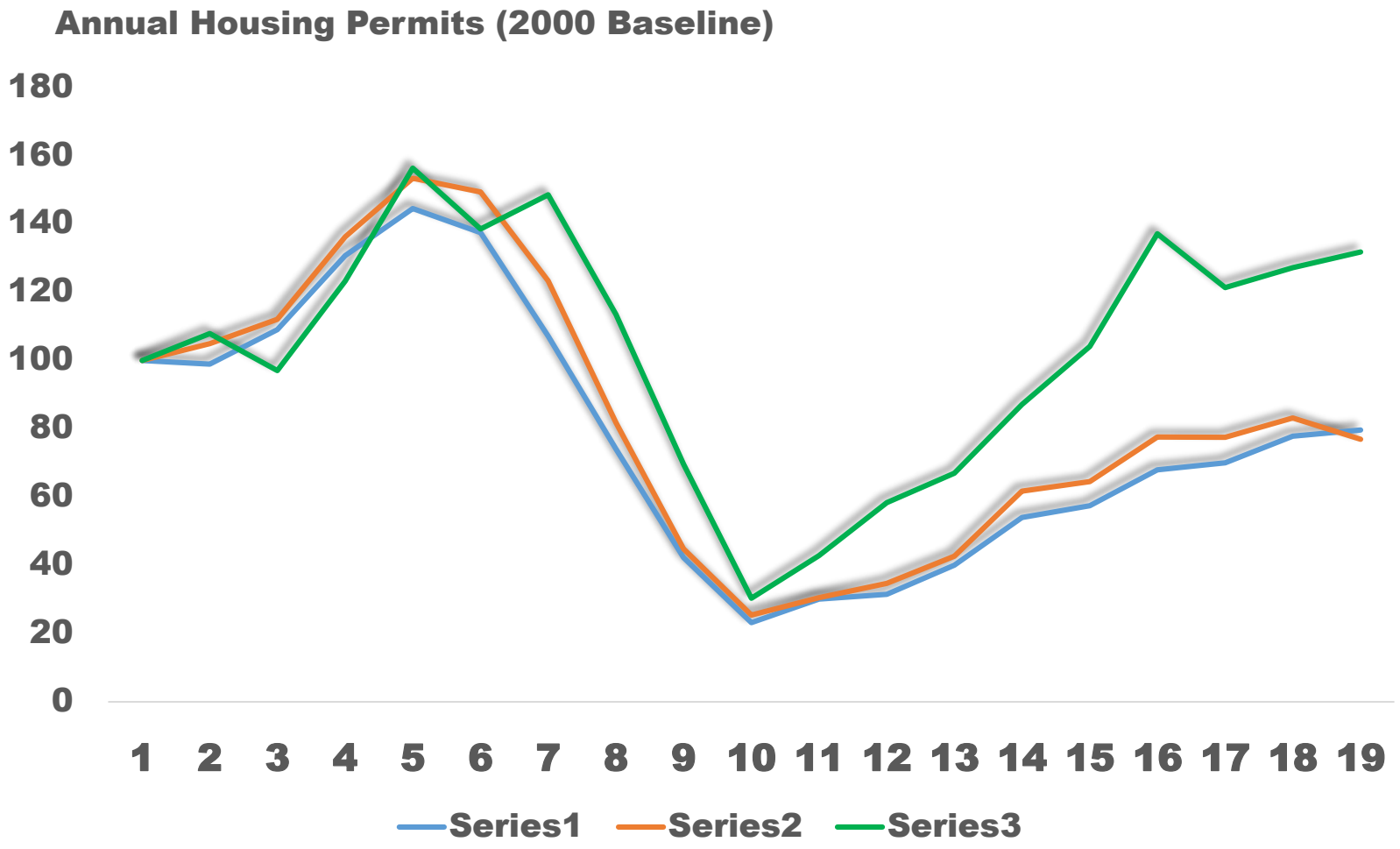
Home Affordability

	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

Source: California Association of Realtors

LAEDC

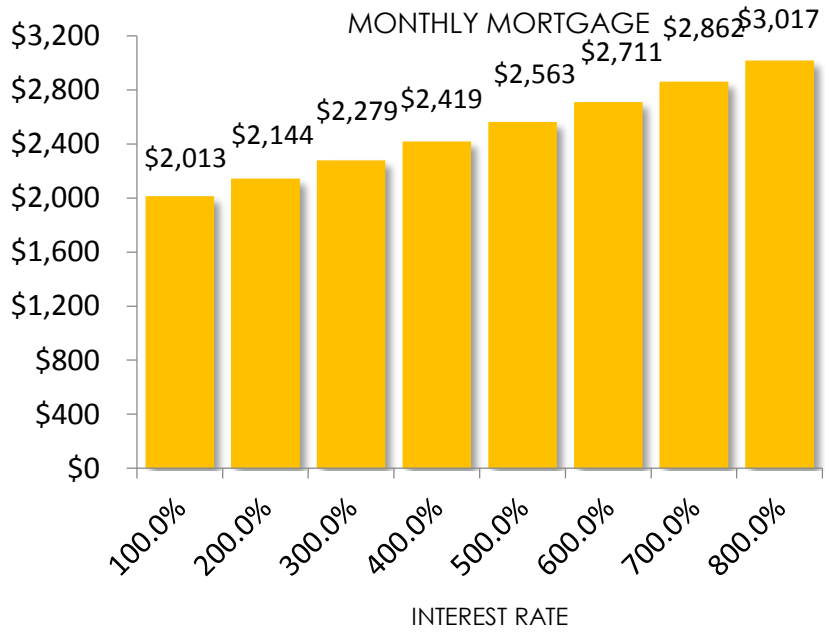
Housing Permits

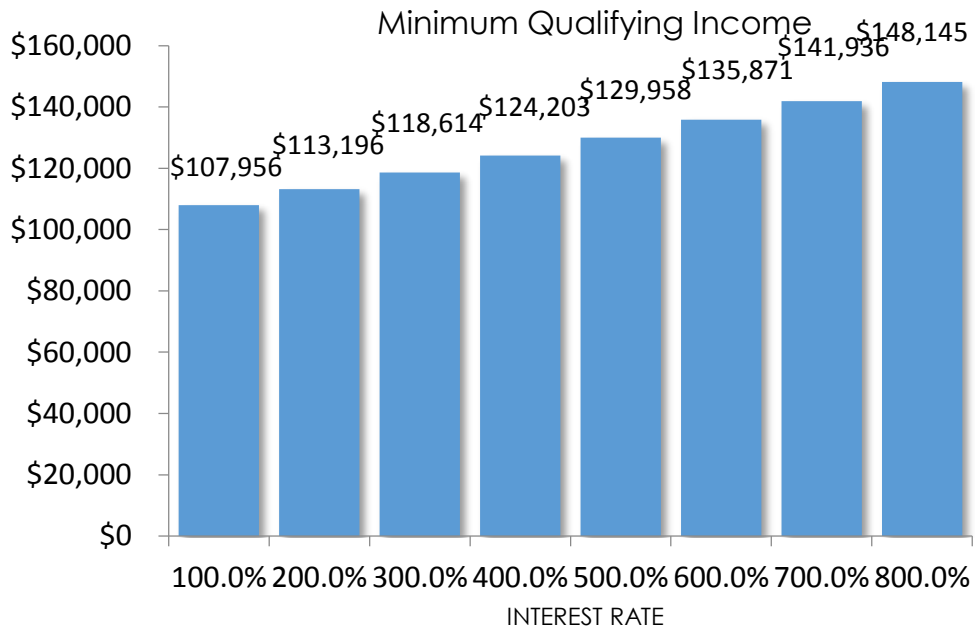


Higher Rates Hurt

Q2-2018 Median Price $596,730

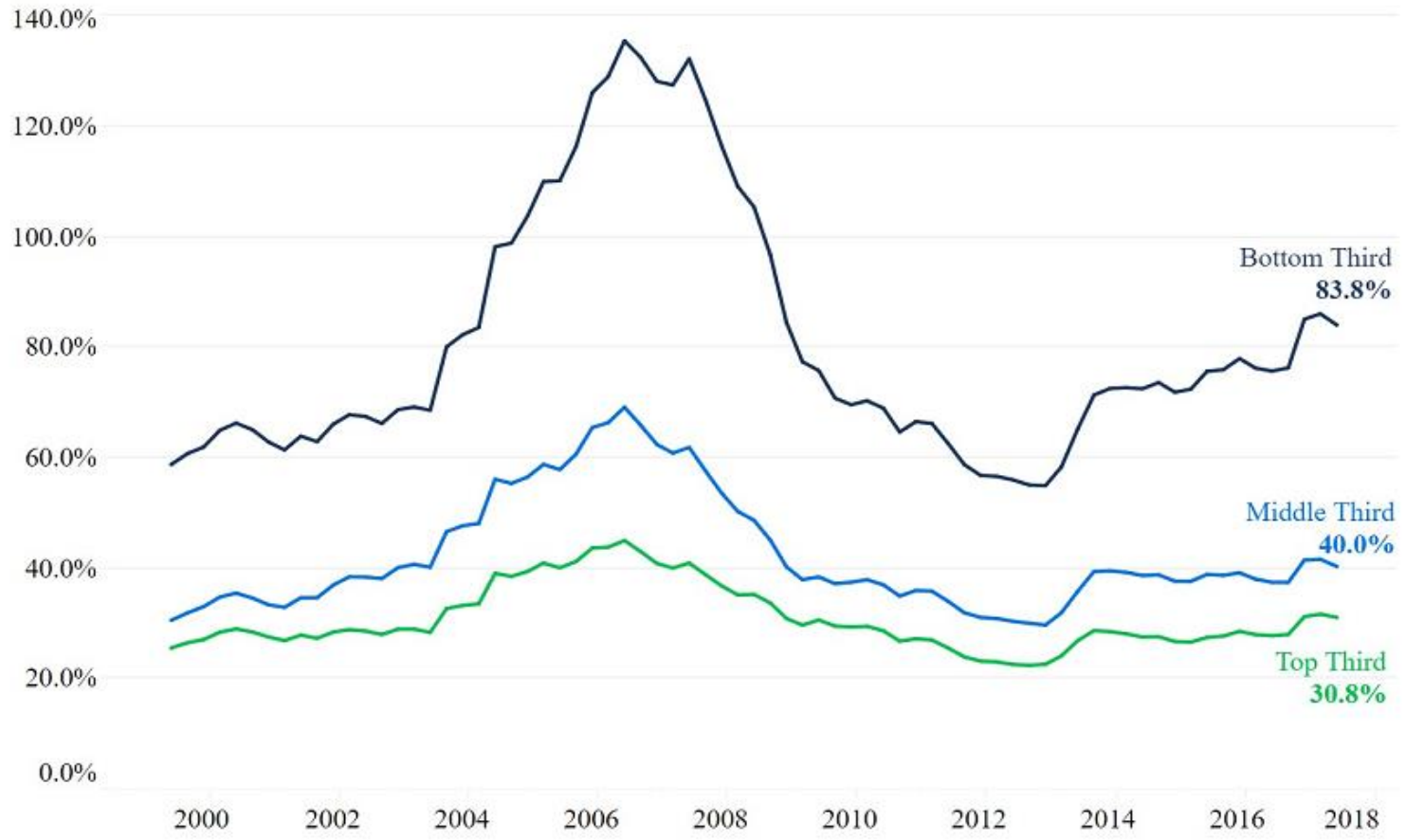
20% Down-payment $119,346





Source: California Association of Realtors

Can You Ever Afford To Buy?



Source: Zillow

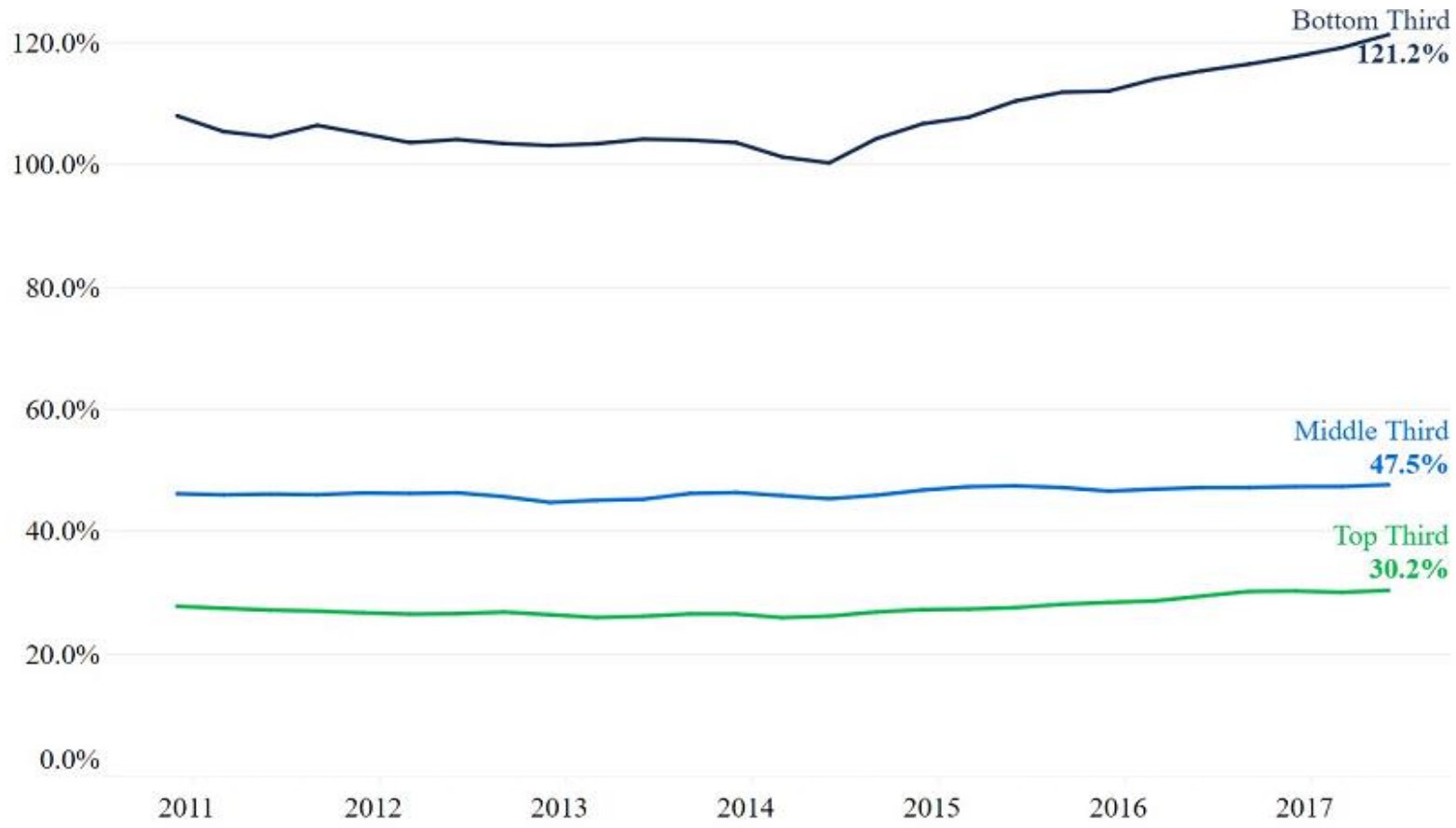
If People Can't Buy-- They Rent

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

Average rent is $33,400/year

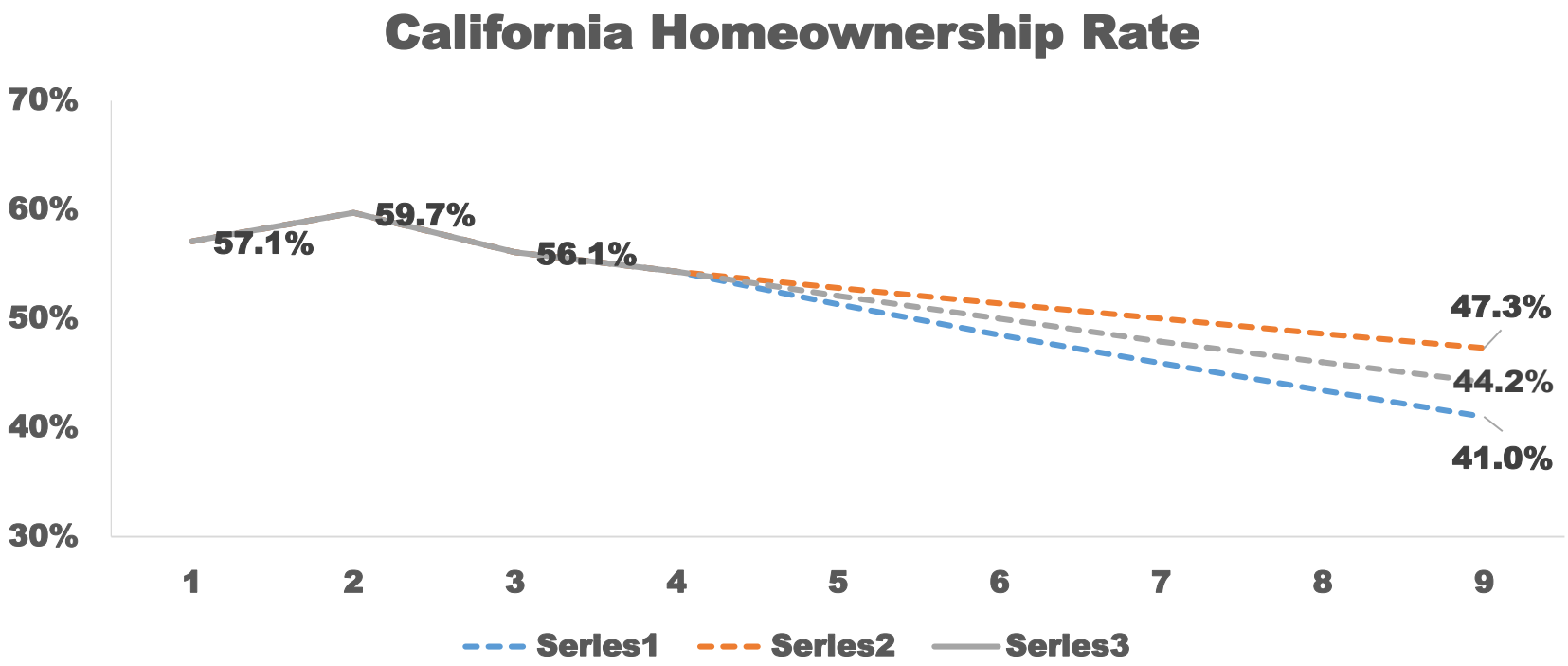
Source: Zillow

Lower Income Earners Suffer Even More



Source: Zillow

Majority Renter State by 2025



Source: California Realtor Association

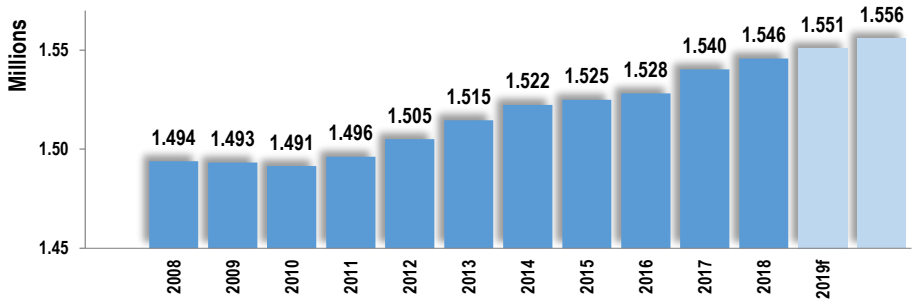
Housing Issues

- 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

San Gabriel Valley

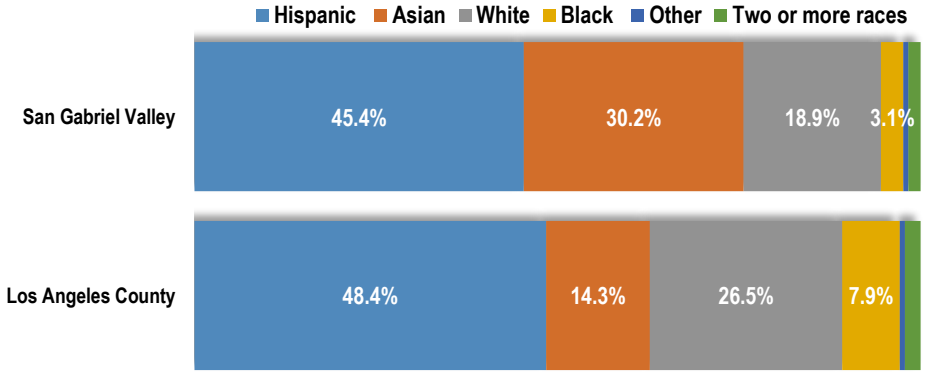
San Gabriel Valley Demographics

Population
(millions)



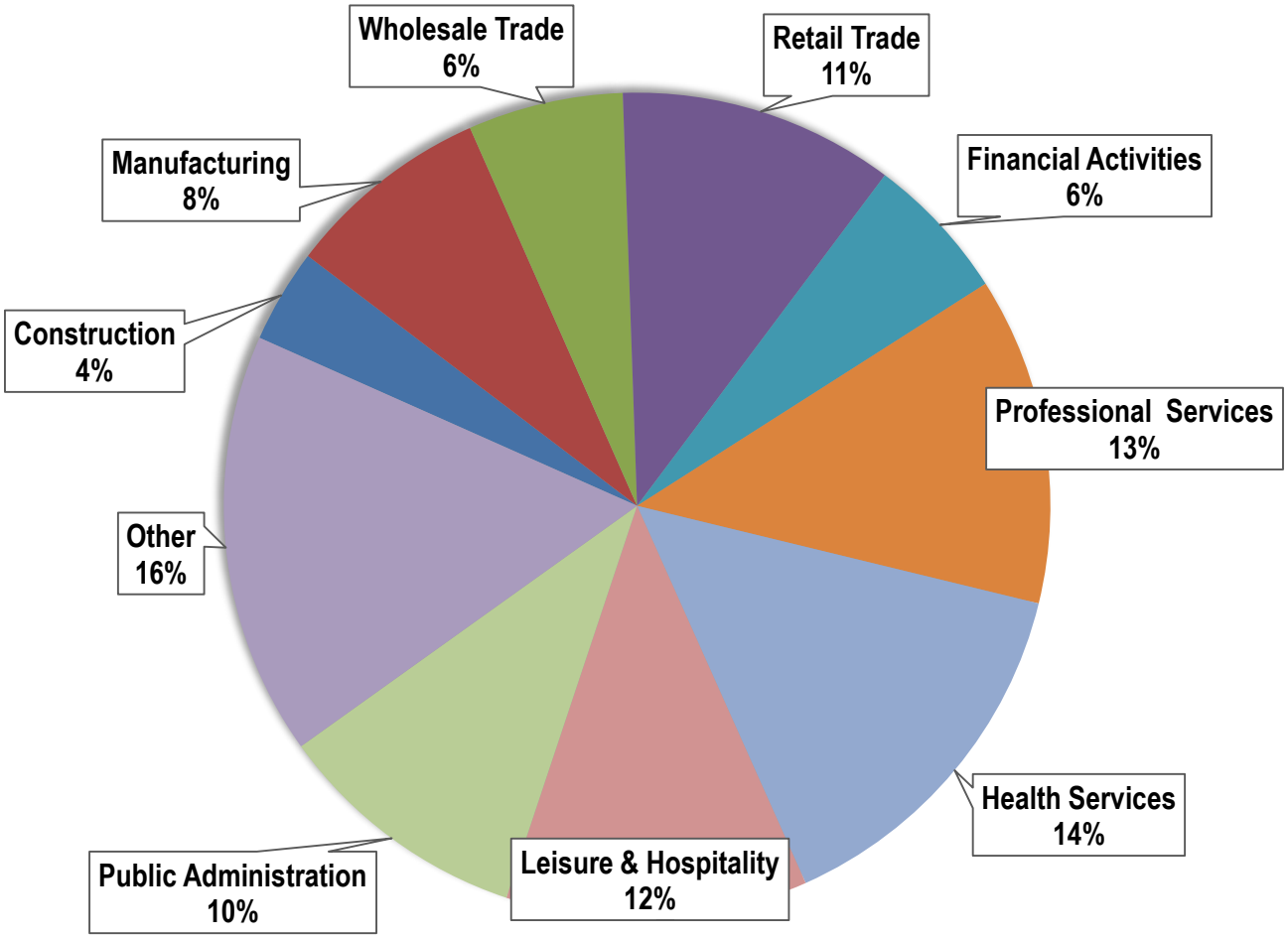
Source: California Department of Finance

Race and Ethnicity



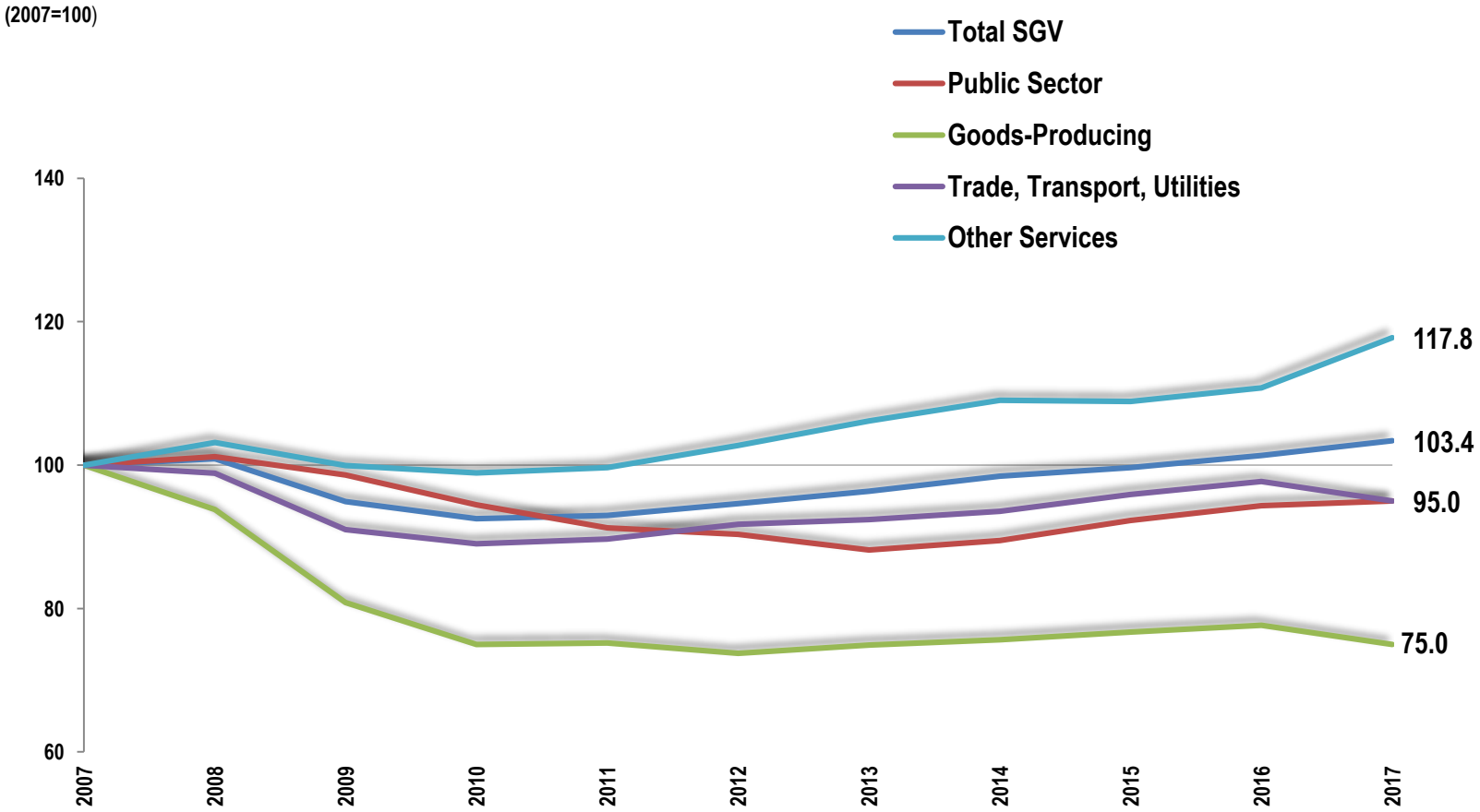
NOTE: Other Race includes American Indian and Alaskan Native, Native Hawaiian or Pacific Islander and Some Other Race
Source: U.S. Census Bureau, 2017 ACS 5-year estimates

San Gabriel Valley Employment



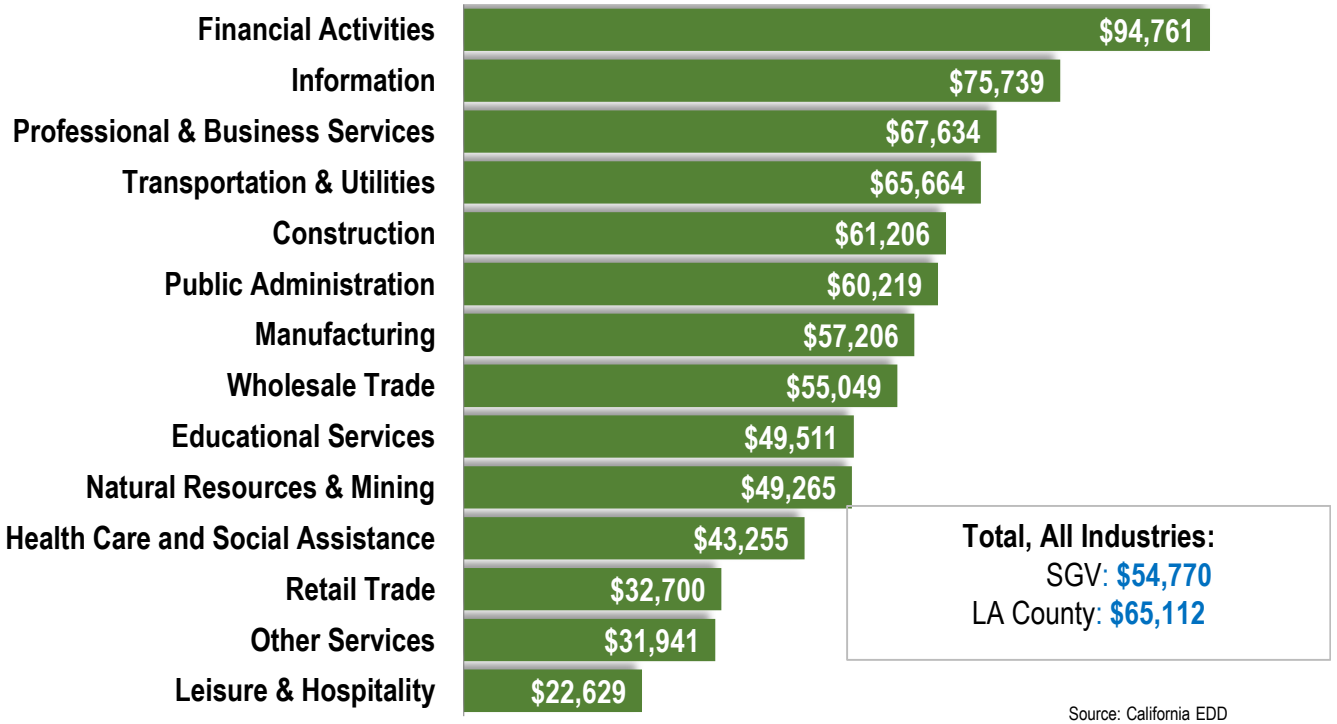
Source: California EDD

San Gabriel Valley Employment Trends



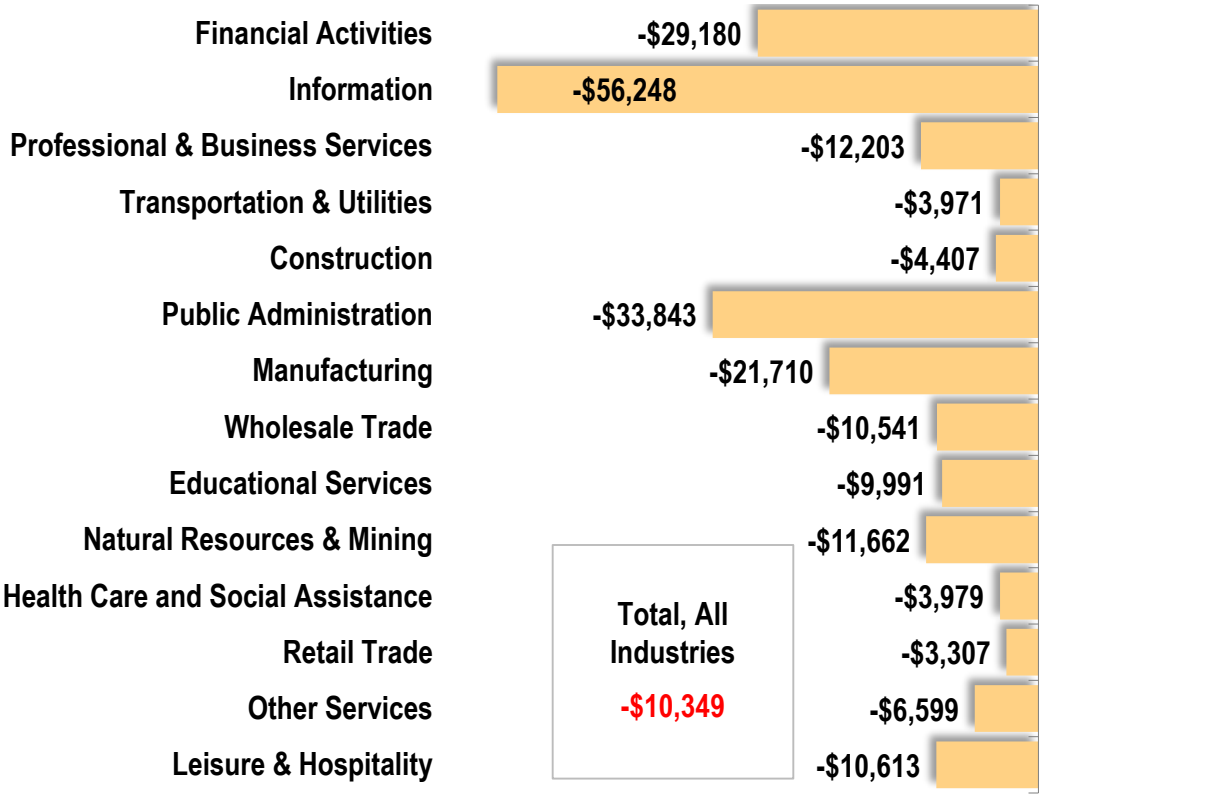
Source: California EDD; forecasts by LAEDC

San Gabriel Valley Average Annual Wages



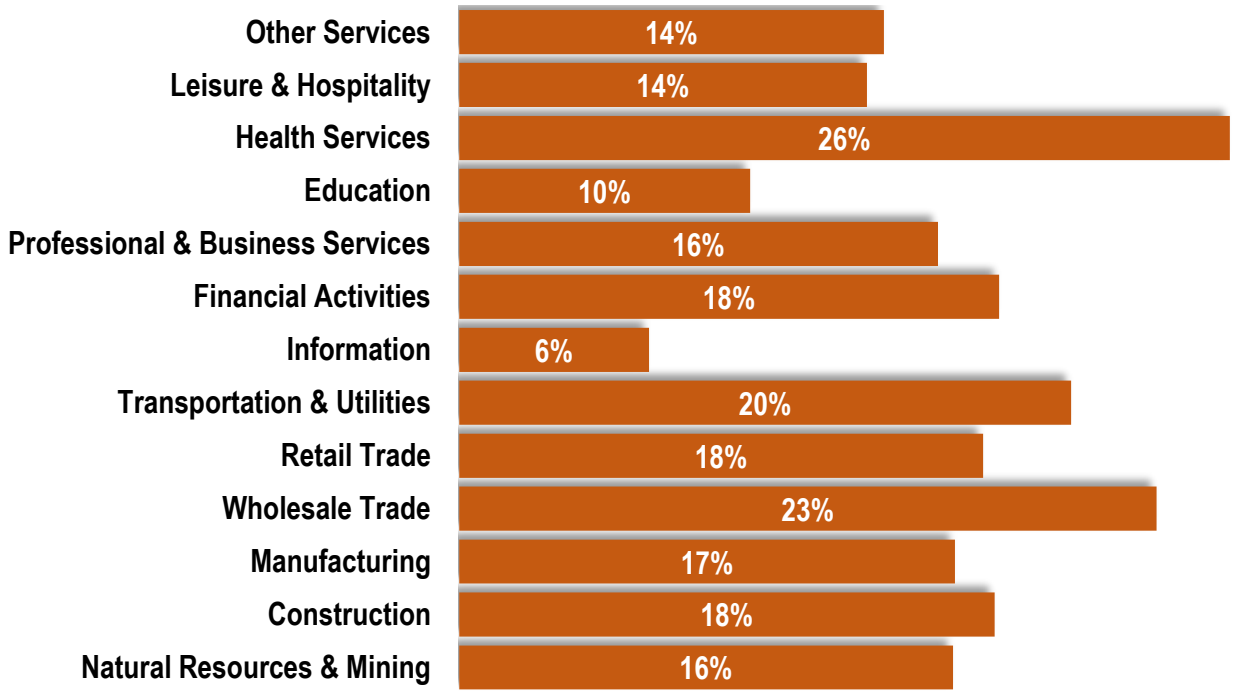
Source: California EDD

San Gabriel Valley Wage Differentials



Source: California EDD

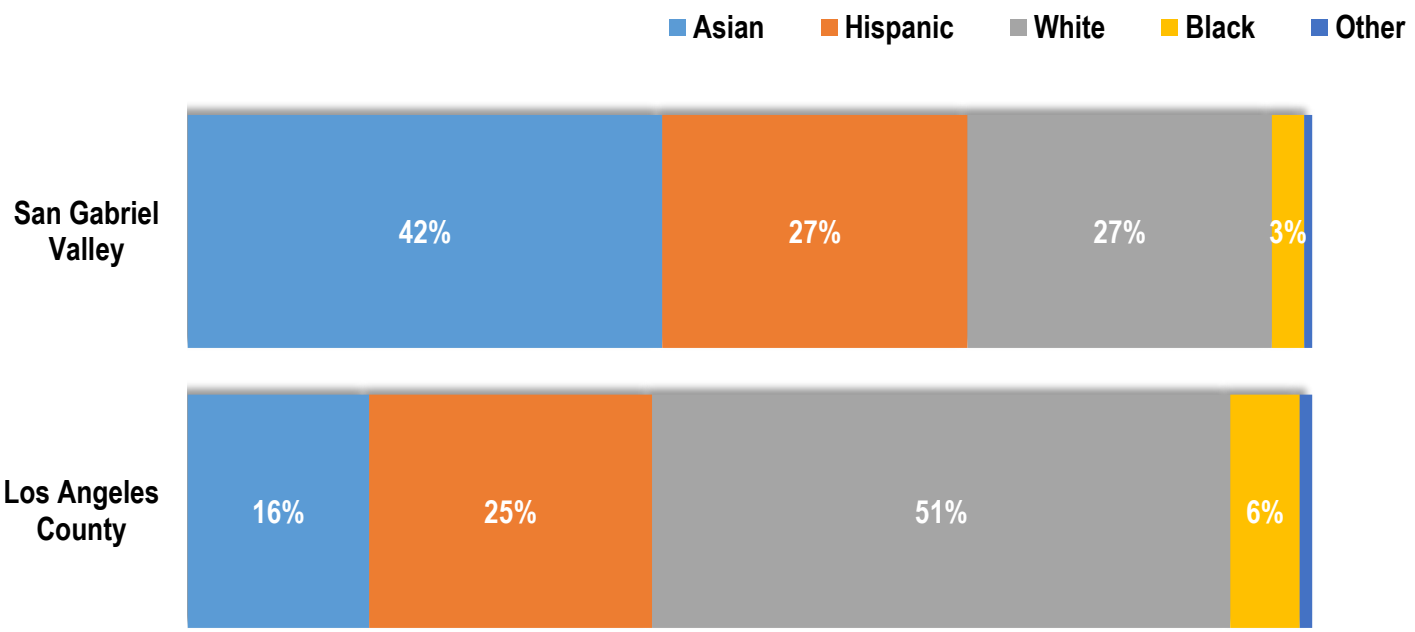
San Gabriel Valley Share of LA County Businesses



Sources: CA EDD

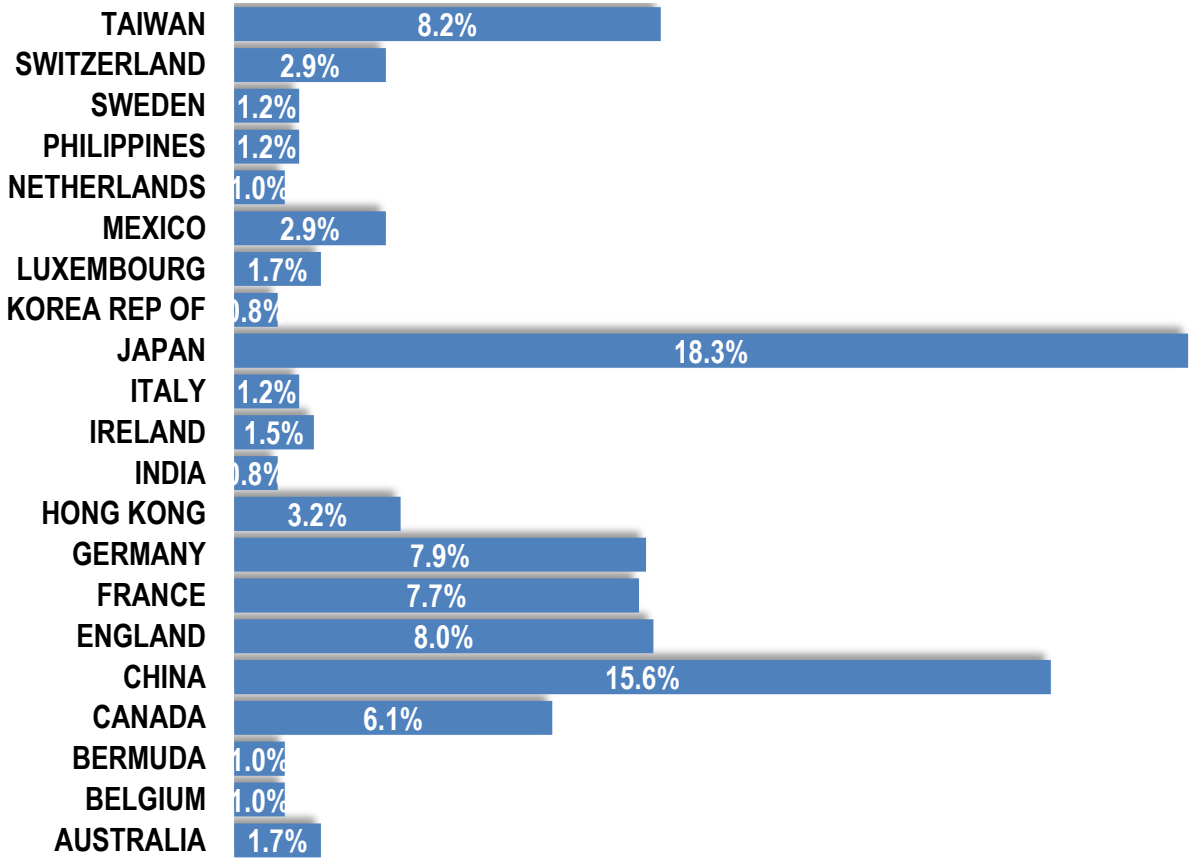
LAEDC

San Gabriel Valley Business Ownership by Race

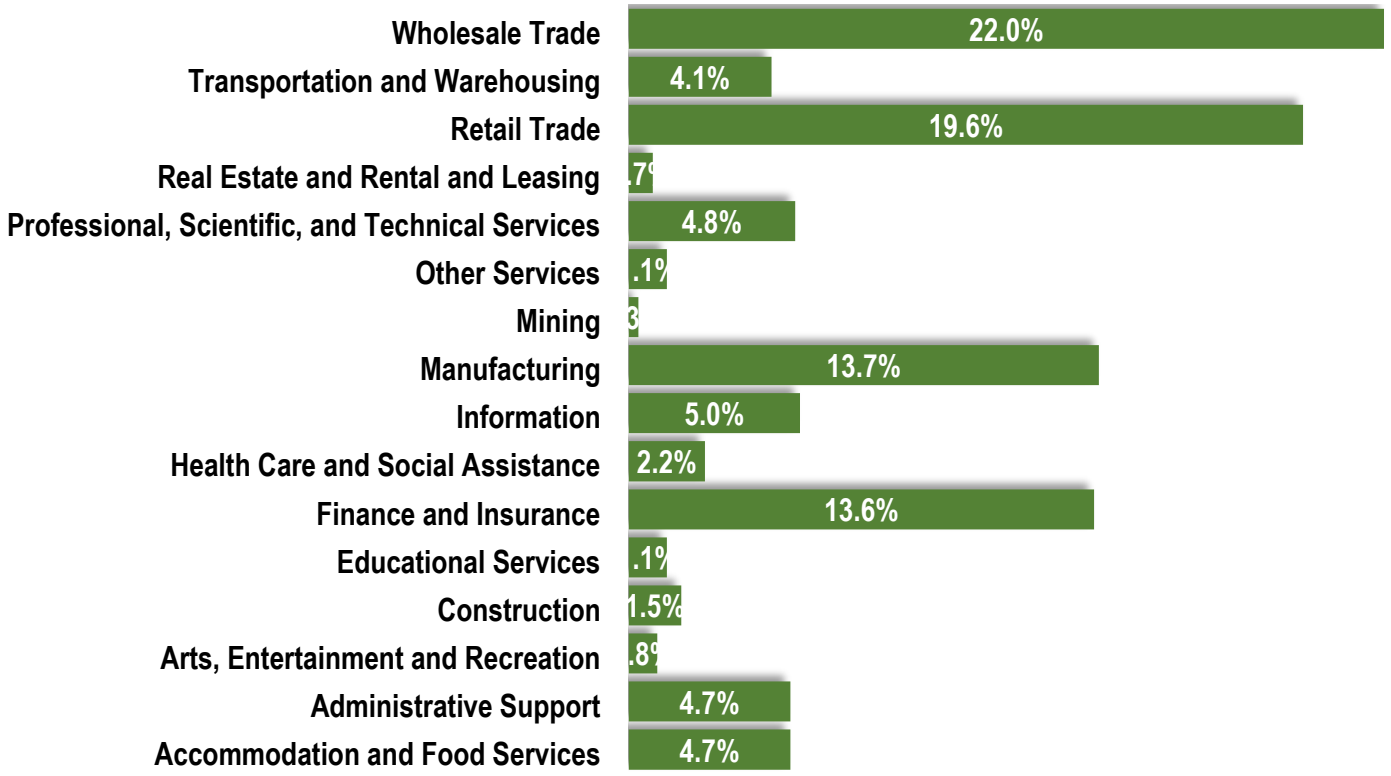


Source: U.S. Census Bureau, 2012 Survey of Business Owners

San Gabriel Valley Share of FDI Establishments by Country



Share of FDI Establishments by Industry in San Gabriel Valley



Looking Ahead Through 2020

Key Economic Indicators -- Population

2018e	1,545,781
2019f	1,551,074
2020f	1,555,919

10,138

Key Economic Indicators – Total Employment

2018e	696,068
2019f	698,491
2020f	700,224

4,156

Key Economic Indicators – Payroll of Workers ($M)

2018e	$36,124M
2019f	$37,438M
2020f	$38,687M

$2.56B

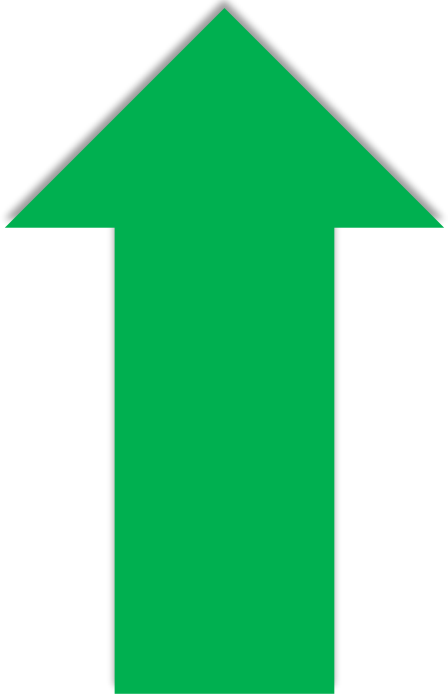
Key Economic Indicators – Housing Permits

2018e	2,082
2019f	2,145
2020f	2,310

228 units

Key Economic Indicators – Taxable Sales ($M)

2018e	$23,304M
2019f	$23,875M
2020f	$24,412M



$1.1B

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

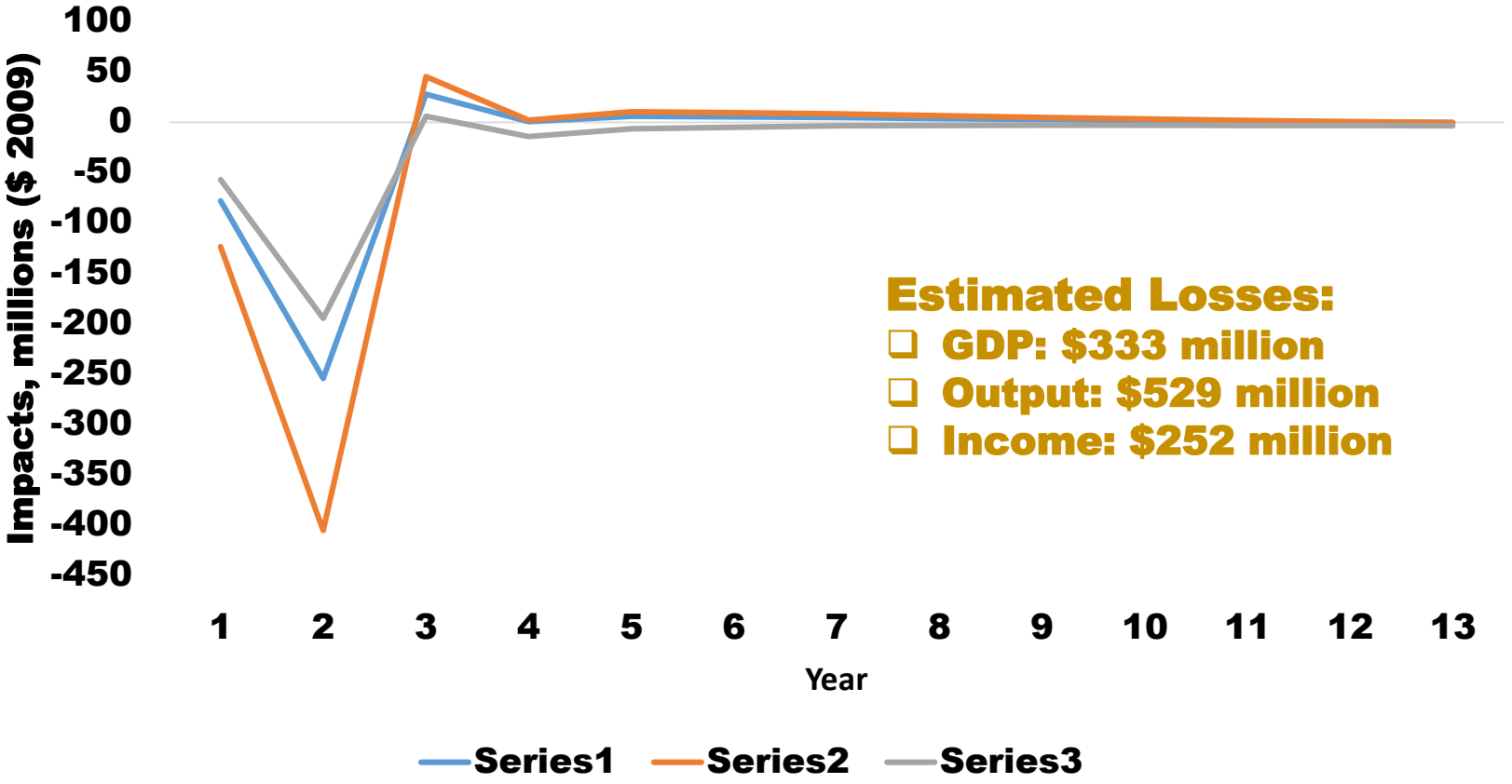
--John Kenneth Galbraith

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



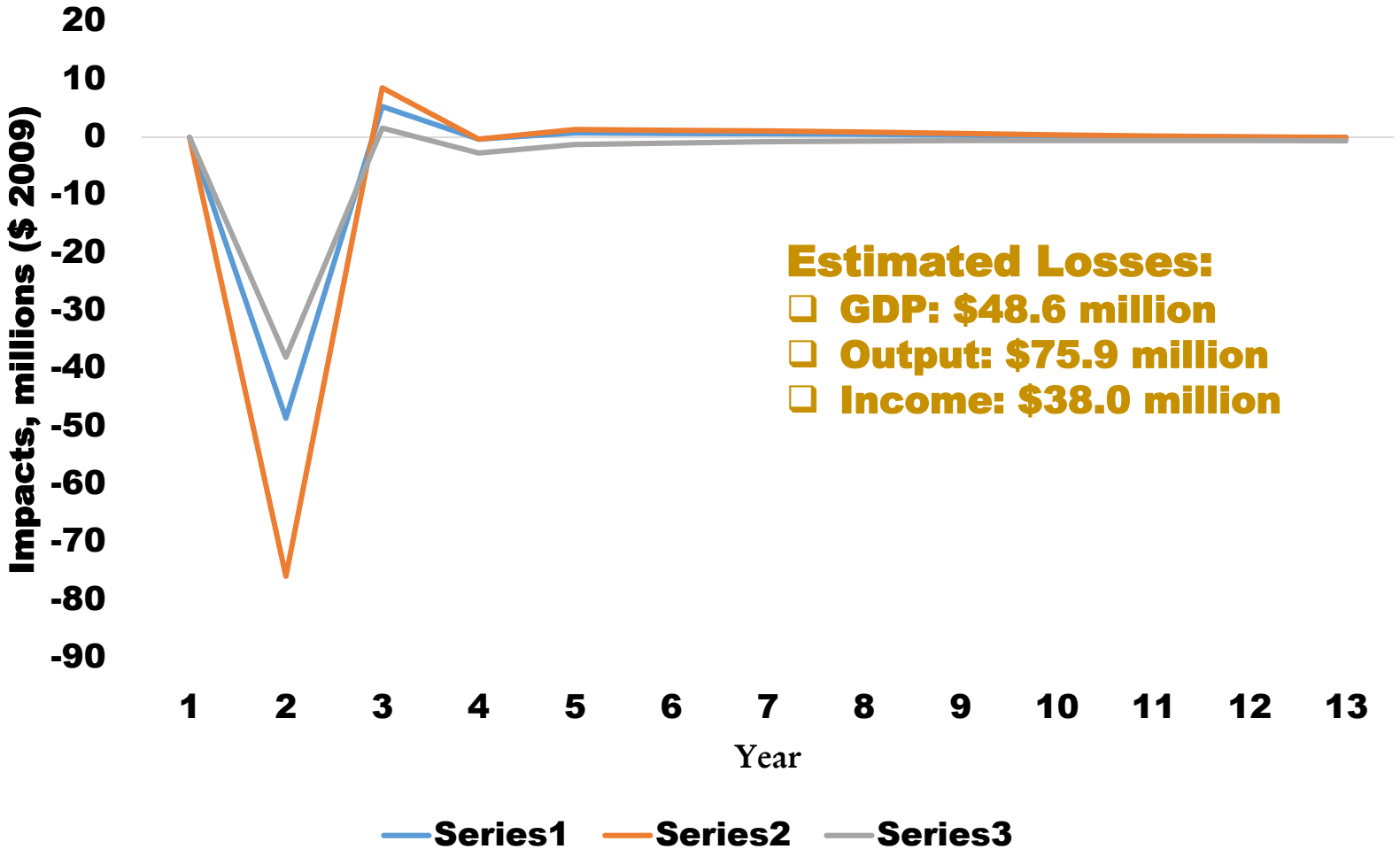
Estimated Losses:

- ❑ **GDP: $333 million**
- ❑ **Output: $529 million**
- ❑ **Income: $252 million**

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

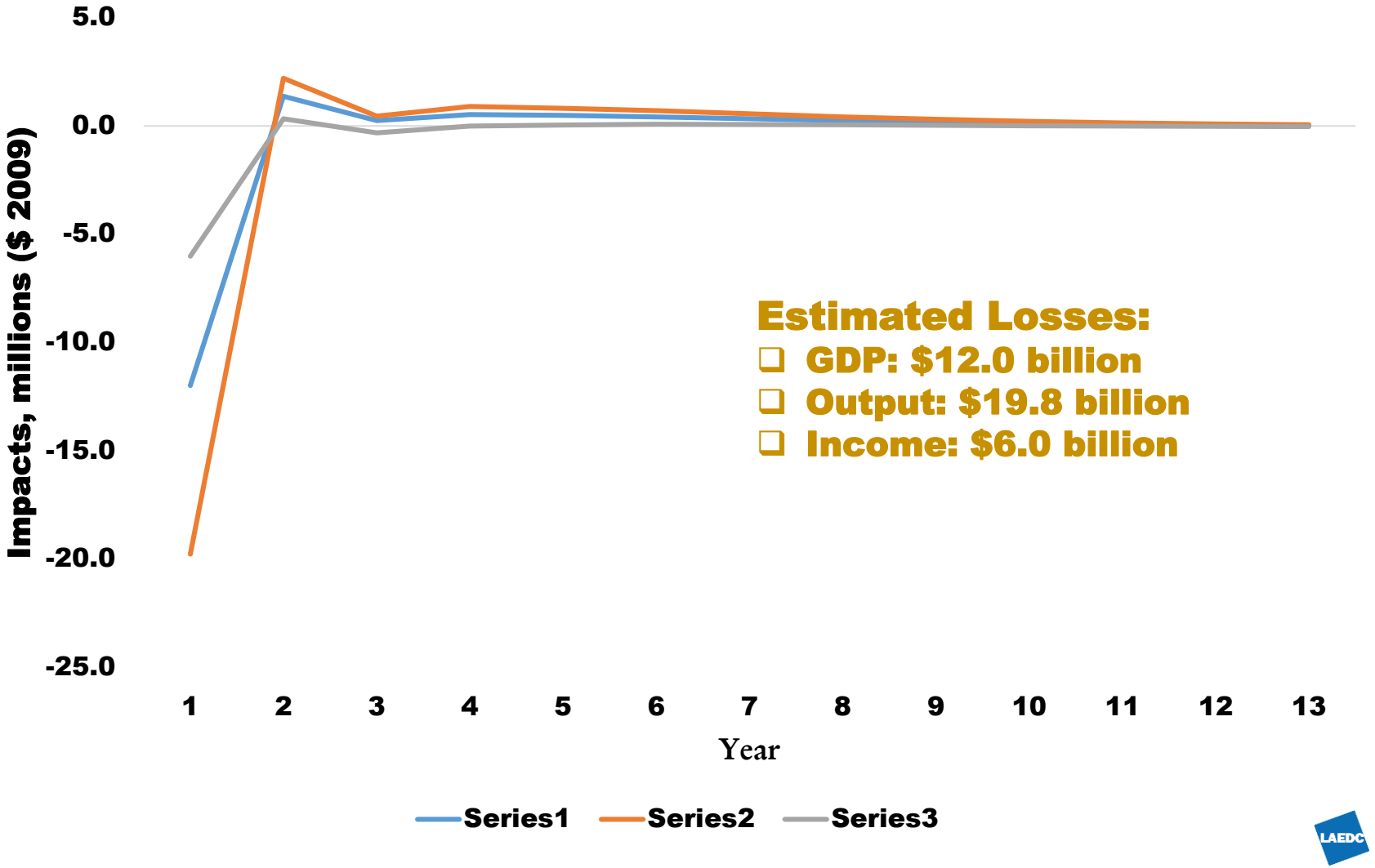
Estimated Impacts of LAUSD/UTLA Teachers' Strike



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



Estimated Losses:

- ❑ **GDP: $12.0 billion**
- ❑ **Output: $19.8 billion**
- ❑ **Income: $6.0 billion**

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!

SGVEP.ORG

Thank You!
SOMJITA.MITRA@LAEDC.ORG
(213) 236-4881
LAEDC