Southern California Regional Economic Forecast

Joseph P. Magaddino, Ph.D.
July 2, 2008
## National Outlook

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP Growth</td>
<td>2.2%</td>
<td>1.1%</td>
<td>1.6%</td>
</tr>
<tr>
<td>Inflation [CPI]</td>
<td>2.9%</td>
<td>3.4%</td>
<td>1.7%</td>
</tr>
<tr>
<td>Unemployment</td>
<td>4.6%</td>
<td>5.2%</td>
<td>5.6%</td>
</tr>
<tr>
<td>Federal Funds Rate</td>
<td>5.0%</td>
<td>2.0%</td>
<td>2.2%</td>
</tr>
</tbody>
</table>

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The Region’s Economy

- 2000: 3.0%
- 2001: 2.5%
- 2002: 1.5%
- 2003: 1.0%
- 2004: 2.0%
- 2005: 2.0%
- 2006: 2.5%
- 2007: 1.0%

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All areas slowed in 2007

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## Number of Jobs Added in 2006-07

<table>
<thead>
<tr>
<th>County</th>
<th>2006</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Los Angeles</td>
<td>68,366</td>
<td>23,283</td>
</tr>
<tr>
<td>Riverside/San Bernardino</td>
<td>49,234</td>
<td>1,067</td>
</tr>
<tr>
<td>Orange</td>
<td>29,135</td>
<td>-5,976</td>
</tr>
<tr>
<td>Ventura</td>
<td>6,767</td>
<td>-1,925</td>
</tr>
<tr>
<td><strong>REGION</strong></td>
<td>153,502</td>
<td>16,449</td>
</tr>
</tbody>
</table>
Reasons for the shifting distribution of growth

- In recent years, sectors dependent on housing market were unusually strong.
- With rising interest rates and a cooling housing market, these sectors are slowing.
- This has disproportionately affected Orange, Riverside/San Bernardino, and Ventura.
- Los Angeles has slowed but still added jobs last year.
Total Nonfarm Employment Growth

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Finance Employment Growth

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Construction and Mining Employment Growth

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Retail Employment Growth

- 2000: 3%
- 2001: 1%
- 2002: 2%
- 2003: 1%
- 2004: 2%
- 2005: 4%
- 2006: 3%
- 2007: 1%
- 2008: -2%
- 2009: 1%
- 2010: -1%

Forecast: 0%
Regional Professional & Business Services Employment Growth

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Growth in Employment Services

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Health Services Employment Growth

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Regional Transportation, Warehousing & Utilities

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Durable Manufacturing Employment Growth

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California Taxable Sales

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Regional Economy: Summary

- Region’s economy will contract this year
- Slowdown mainly due to trends in housing market and national economy
- Region will see a recovery by 2009
- LA County will have the best economy in the region during this cycle
Economic Outlook
Los Angeles County
Total Nonfarm Employment
Los Angeles County

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Los Angeles County
Number of Jobs Added

<table>
<thead>
<tr>
<th>Year</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jobs</td>
<td>-46,800</td>
<td>-43,900</td>
<td>13,600</td>
<td>20,100</td>
<td>68,366</td>
<td></td>
<td>23,283</td>
</tr>
<tr>
<td>Change</td>
<td>1,500</td>
<td></td>
<td></td>
<td></td>
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# 2007 Job Growth in Housing-Related Sectors

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<tr>
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<th>Finance</th>
<th>Construction</th>
</tr>
</thead>
<tbody>
<tr>
<td>LA</td>
<td>-1.5%</td>
<td>0.1%</td>
</tr>
<tr>
<td>OC</td>
<td>-7.0%</td>
<td>-2.7%</td>
</tr>
<tr>
<td>RSB</td>
<td>-3.1%</td>
<td>-11.4%</td>
</tr>
<tr>
<td>V</td>
<td>-5.4%</td>
<td>-8.6%</td>
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Los Angeles County

Total Nonfarm Employment Growth

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Economic Outlook
Orange County
Orange County

Total Nonfarm Employment Growth

California State University, Long Beach
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## Orange County: 2006 Average Pay in Financial Sectors

<table>
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<tr>
<th>Finance</th>
<th>Mortgage and Non-mortgage Loan Brokers</th>
<th>County Average pay</th>
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<tbody>
<tr>
<td>$77,119</td>
<td>$73,374</td>
<td>$48,901</td>
</tr>
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Source: Quarterly Census of Employment and Wages

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Orange County

- The county has lost a large number of professional jobs in the financial sector
- This has reinforced problems in the housing market by reducing county personal income
- But this sector will bottom out this year.
- The County will see positive employment growth in 2009
Economic Outlook
Riverside/San Bernardino

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Riverside/San Bernardino Recession Proof?

- Apparently not – we predict job losses for the county this year.
- This will mark the first decline since 1982
- This area hit very hard by sub-prime crisis

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Source: Federal Reserve Bank of San Francisco
Riverside/San Bernardino
Total Nonfarm Employment Growth

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Ventura County
Ventura County
Total Nonfarm Employment Growth

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Thank You!