



13TH ANNUAL SOUTHERN CALIFORNIA

ECONOMIC SUMMIT

RESOURCING THE REGION

PROGRAM

DECEMBER 1, 2022

SHERATON GRAND LOS ANGELES

DECEMBER 1, 2022 | SHERATON GRAND LOS ANGELES
RESOURCING THE REGION

8:00 a.m.

REGISTRATION & NETWORKING

9:30 a.m.

WELCOME & OPENING REMARKS

Hon. Jan Harnik, Mayor, City of Palm Desert & SCAG President

9:50 a.m.

SOUTHERN CALIFORNIA ECONOMIC UPDATE

This session will debut original research and analysis of the current state of the regional economy, offering insights on the changing landscape and highlighting opportunities for growth.

Gigi Moreno, Ph.D., Senior Economist, SCAG

10:15 a.m.

**MORNING PANEL:
RESOURCES THAT SET SOUTHERN CALIFORNIA APART**

Southern California is uniquely rich in both natural and economic resources. This panel will define strategies for best harnessing these resources, spotlighting key industries and opportunity areas.

Shane Blanchette, Vice President of Continuous Improvement, QCD, a Golden State Foods company

Michael Krouse, President/CEO, Greater Ontario Convention & Visitors Bureau

Rodney Smith, President, Stratecon, Inc.

Moderator:

Lucy Dunn, President & CEO Emeritus, Orange County Business Council (retired)

11:30 a.m.

LUNCH

12:15 p.m.

KEYNOTE ADDRESS

Calvin Gladney, *President & CEO, Smart Growth America*

12:45 p.m.

**AFTERNOON PANEL:
RESOURCES TO DRIVE ECONOMIC GROWTH**

In order to maintain Southern California's status as a national and international economic powerhouse, strong financial and human resources are essential. This panel will cover the major influx of federal and state funding for the region, as well as our workforce development needs.

María Cabildo, *Director of Housing and Economic Opportunity, California Community Foundation*

Carolyn Hull, *General Manager, Department of Economic & Workforce Development, City of Los Angeles*

Jackie Melendez, *Executive Director, Inland Economic Growth and Opportunity (IEGO)*

Leslie Pollner, *Co-Chair, Local Government Group, Holland & Knight*

Moderator:

Stephen Cheung, *Chief Operating Officer, Los Angeles Economic Development Corporation*

2:00 p.m.

ADJOURN

Kome Ajise, *Executive Director, SCAG*

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NETWORK:

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scag2022

THE REGION AT-A-GLANCE

ECONOMIC OUTLOOK

The Southern California Association of Governments (SCAG) leads a vision for improving the future of our region. By providing insights and resources, we empower jurisdictions to work toward regional solutions.

The annual Southern California Economic Summit provides up-to-date, region-wide and county-specific economic analyses to better inform a variety of stakeholders about Southern California's current and future economic landscape. Since 2010, SCAG's team of independent economists have tracked each county's outlook for economic growth and job creation, key industry sectors, education and workforce development trends, and key economic development issues, such as workforce housing and poverty.

SCAG's economic analysis this year comes in the context of growing uncertainty about the state of the global economy. As job market growth slows, inflation concerns have triggered interest rate hikes as governments try to rein in prices. However, Southern California's strengths as a global economic hub could help soften the blow of a potential recession, even in the face of difficult global headwinds due to inflation, high interest rates, and a potential decrease in consumer and business spending.

NEW!
SoCal Economic Trends Tool
scag.ca.gov/econtrends

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ECONOMIC OUTLOOK SCAG REGION

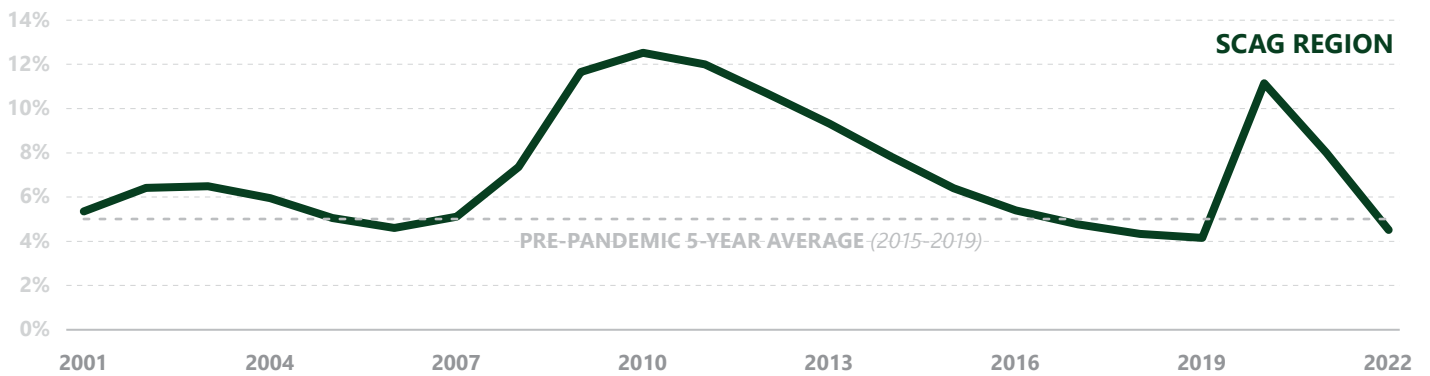
In terms of employment and economic output, measured as gross domestic product (GDP), the SCAG region has largely recovered from the impacts of the COVID-19 pandemic, as shown in **FIGURE 1** and **FIGURE 2**. Since 2019, the region’s population has decreased by more than 300,000 due to out-migration, increased mortality and a steep drop in foreign immigration. In 2020, the region lost 240,000 workers from the labor force and as of September 2022, the regional labor force has recovered 150,000 of these workers. The SCAG region’s unemployment rate is 4.5 percent, as of September 2022.

As shown in **FIGURE 3**, household income in the SCAG region remains flat in real terms, with average annual real income growth of 0.8 percent since 2005 and only 0.5 percent since 2019. This anemic growth in real household incomes and historic inflation contribute to the softening of consumer spending in the region and is expected to continue into 2023.

Global growth is slowing sharply, with further slowing likely as countries fall into recession. The U.S. and California economies are not in recession at the moment, and the SCAG region’s strengths can help it weather a potential recession.

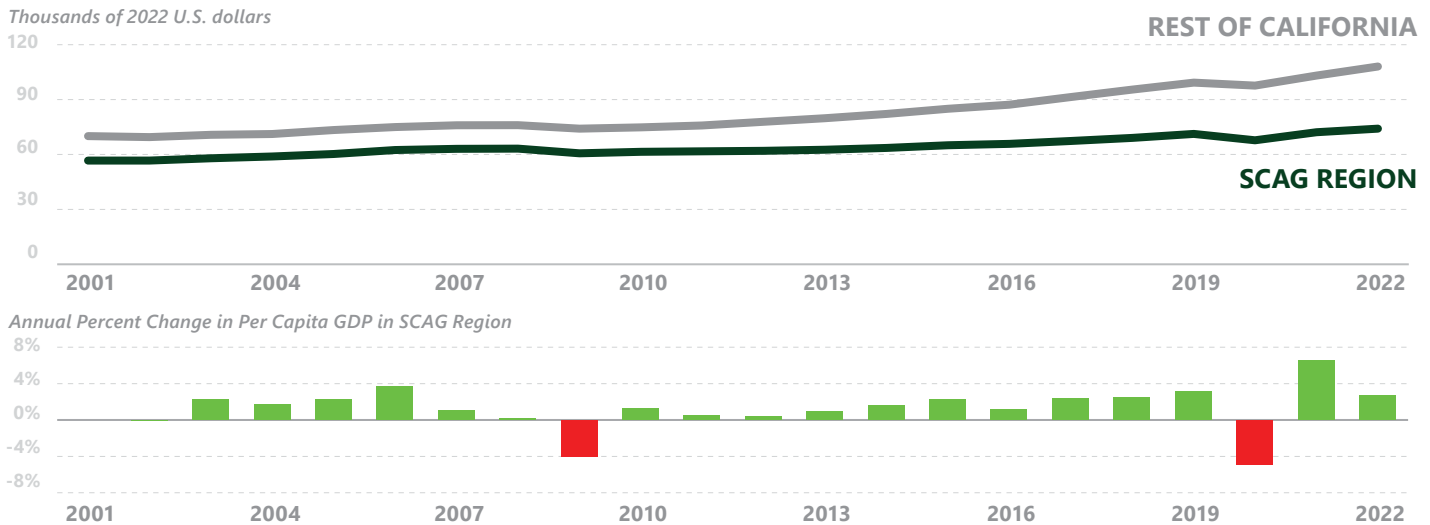
While stagnant residential investment since 2008 has slowed output growth, this year there has been an acceleration of housing production in the SCAG region. Combined with significant infrastructure improvements, this shift has led to the highest construction employment levels since the 2008 housing crash.

FIGURE 1 Unemployment Rate (%) in the SCAG Region, 2001-2022



Source: California Employment Development Department (EDD), Employment by Industry Data (monthly), September 2022.

FIGURE 2 Per Capita Gross Domestic Product (GDP) in SCAG Region, 2001-2022



Based on REMI Transight model. Data for 2001-2021 are actuals from the Bureau of Labor Statistics. GDP for 2021-2022 forecasted using REMI model.

Spending on non-residential construction has increased by 19.3 percent, in real terms, over the past year. This new development is expected to persist into next year and is expected to moderate the impacts of a possible recession.

While aggregate employment in the region fell by 1.4 percent between 2019 and 2022, several industries have shown increased demand for workers since the employment trough in 2020. **FIGURE 4** reports employment in the sectors with the largest job growth in the SCAG region in 2022: Information; Transportation and Warehousing; and the Arts, Entertainment and Recreation sectors. The smaller labor force and low unemployment rates resulting from the pandemic constrain employers from meeting demand for workers and continuing to grow.

The continued prevalence of remote work has enabled families to travel more during non-holiday or traditional vacation periods, increasing the demand for tourism during slower seasons. In response, the SCAG region saw soaring job gains in leisure and hospitality, the sub-industry focusing directly on lodging and restaurants, which make up 9.2 percent of the SCAG region employment.

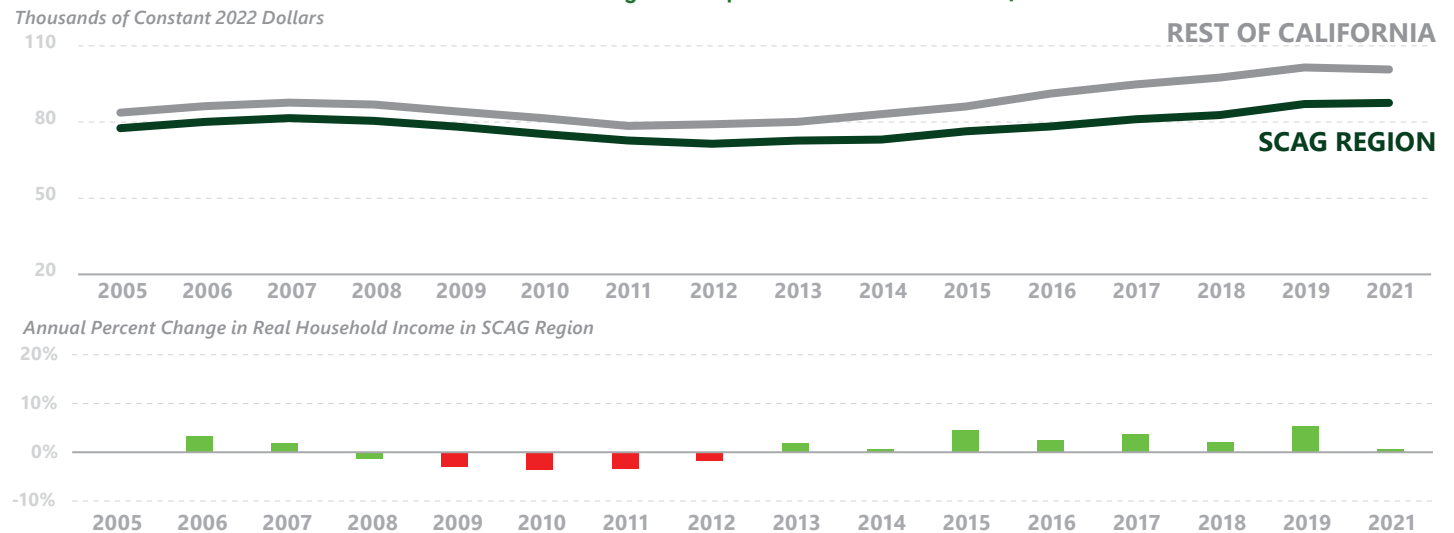
In contrast, lodging and restaurants make up 7.7 percent of employment nationwide. This sector is expected to fully recover from the 2020 crash by early 2023 if labor force constraints ease.

The SCAG region’s risks of recession will be driven by:

- a meaningful slowdown in consumer and business spending in the region,
- a collapse of interest rate-sensitive sectors, such as new and existing housing,
- rising unemployment leading to increased out-migration from the region or inability to service mortgage payments and other debt that would raise the probability of asset devaluation.

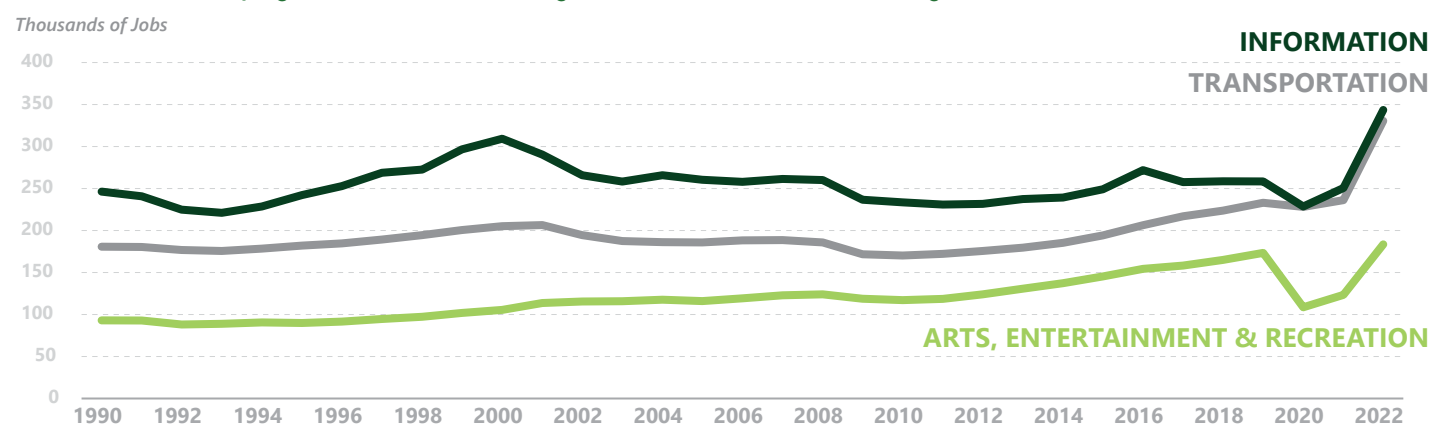
SCAG’s economic experts do not expect a recession would meaningfully impact household debt levels or real estate valuations, but the risk of unanticipated events is rising. Therefore, policymakers should remain attentive to the trajectory of their local labor markets for early clues about a broader economic weakening.

FIGURE 3 Real Median Household Income in SCAG Region Compared to Rest of California, 2005-2021



Source: Bureau of the Census, American Community Survey 1-Year Samples for 2005-2019 and 2021.

FIGURE 4 Total Employment in Sectors with Largest 2022 Growth in the SCAG Region, 1990-2022

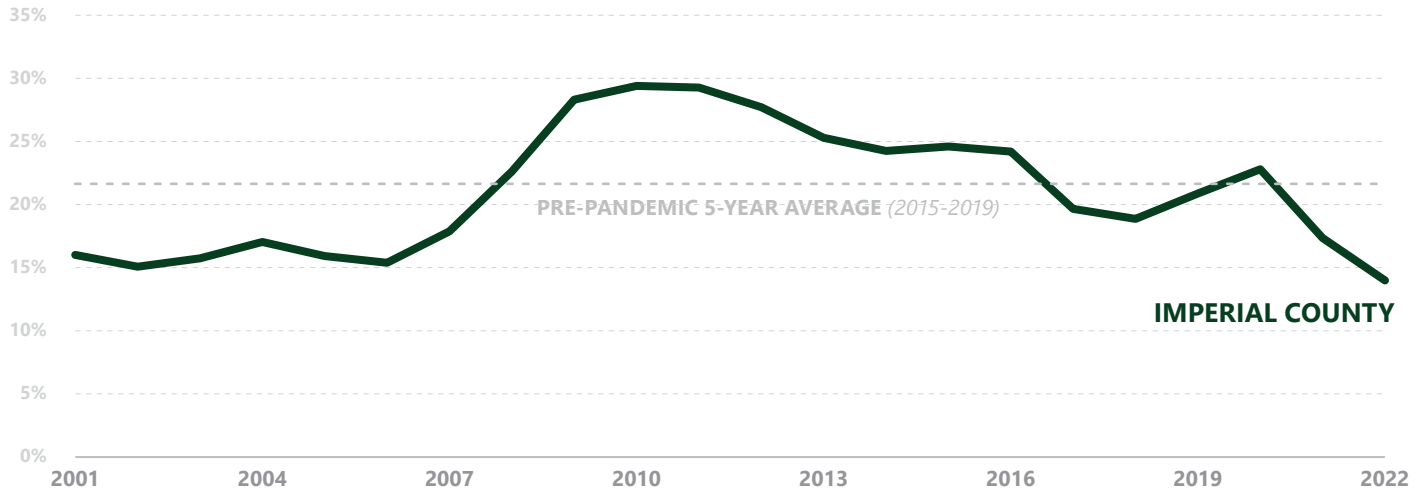


Source: California Employment Development Department (EDD), Employment by Industry Data (annual), 2022 annualized based on previous 12 months.

ECONOMIC OUTLOOK IMPERIAL COUNTY

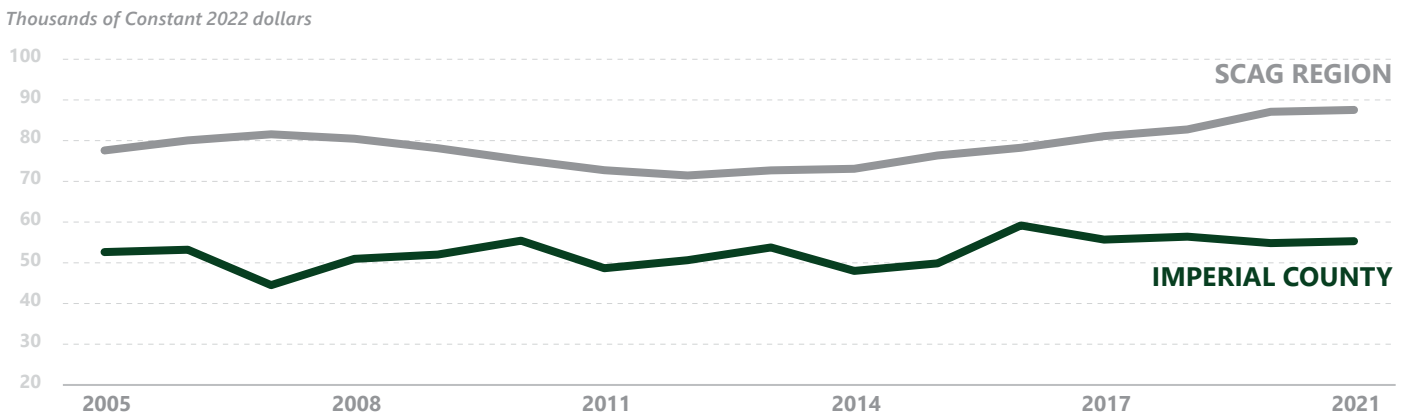
Imperial County's economy is stable with upside opportunities. Currently, the unemployment rate is 13.9 percent, significantly below the county's 10-year average unemployment rate (FIGURE 1). Imperial County's population in 2022 was 179,329, a 2.8 percent increase since 2010. The labor force has approximately 69,000 participants, 10,000 fewer than at the peak of 80,000 in 2011. The real median household income in 2021 was \$55,300, which has remained flat since 2016 (FIGURE 2). Median home prices hit a record high of \$335,000 in 2022.

FIGURE 1 Unemployment Rate (%) in Imperial County, 2001-2022

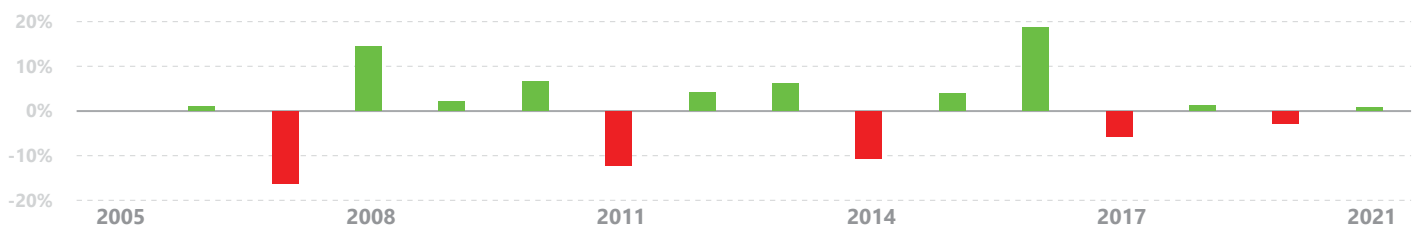


Source: California Employment Development Department (EDD), Employment by Industry Data (monthly), September 2022.

FIGURE 2 Real Median Household Income in Imperial County Compared to the SCAG Region, 2005-2021

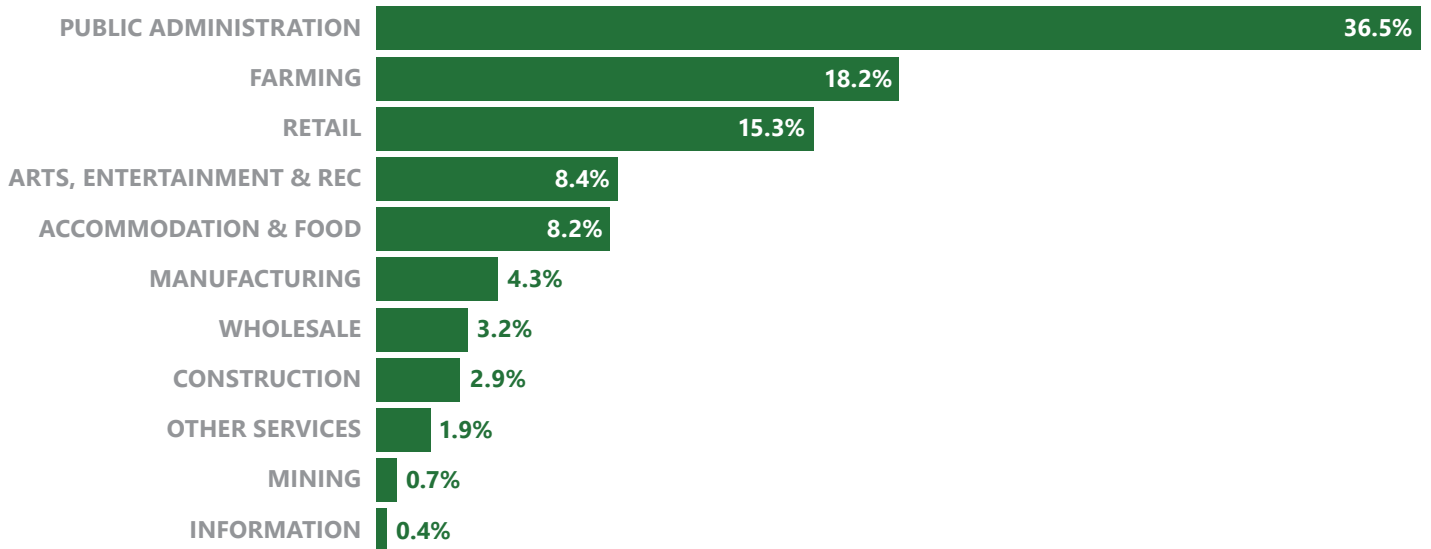


Annual Percent Change in Real Household Income in Imperial County



Source: Bureau of the Census, American Community Survey 1-Year Samples for 2005-2019 and 2021.

FIGURE 3 Percent of Total Employment by Sector in Imperial County in 2022



Source: California Employment Development Department (EDD), Employment by Industry Data (annual), retrieved from <https://labormarketinfo.edd.ca.gov/data/employment-by-industry.html>; 2022 annualized based on previous 12 months.

The top employment sectors in Imperial County are Public Administration, Farming and Retail (**FIGURE 3**). Agricultural production reached \$2.287 billion in 2021, the highest on record. Vegetables/melons accounted for \$1.04 billion, while livestock (mostly cattle) totaled \$527.5 million.

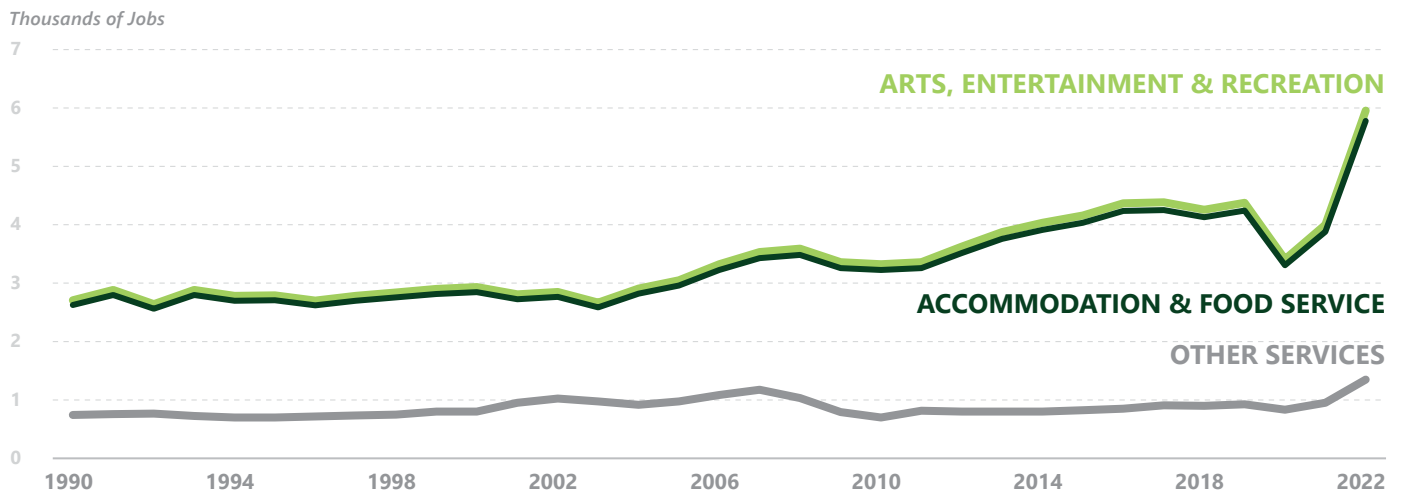
Several sectors saw growth in employment in 2022 in Imperial County (**FIGURE 4**). Arts, Entertainment and Recreation; Accommodation and Food Service; and Other Services had the largest growth in employment in 2022. The county continues to see investment in solar production and battery storage. More than 3,400 megawatts of electricity generation is operating (power for 1.1 million homes), with another 1,200 megawatts of solar production and 1,500 megawatts of battery storage in the permitting process.

The county could see billions of dollars of investment in new geothermal and rare-mineral (lithium) extraction, which has the potential to create thousands of new jobs and significantly increase the county's tax base.

Headwinds relative to inflation, rising interest rates and availability of labor may have adverse short-term impacts on the county's economy. Finally, severe drought conditions may result in reduced water deliveries to the region from the Colorado River. Such reductions could negatively impact agricultural and fresh food production.

Imperial County's economy is stable with upside opportunities.

FIGURE 4 Total Employment in Sectors with Largest 2022 Growth in Imperial County, 1990-2022



Source: California Employment Development Department (EDD), Employment by Industry Data (annual), 2022 annualized based on previous 12 months.

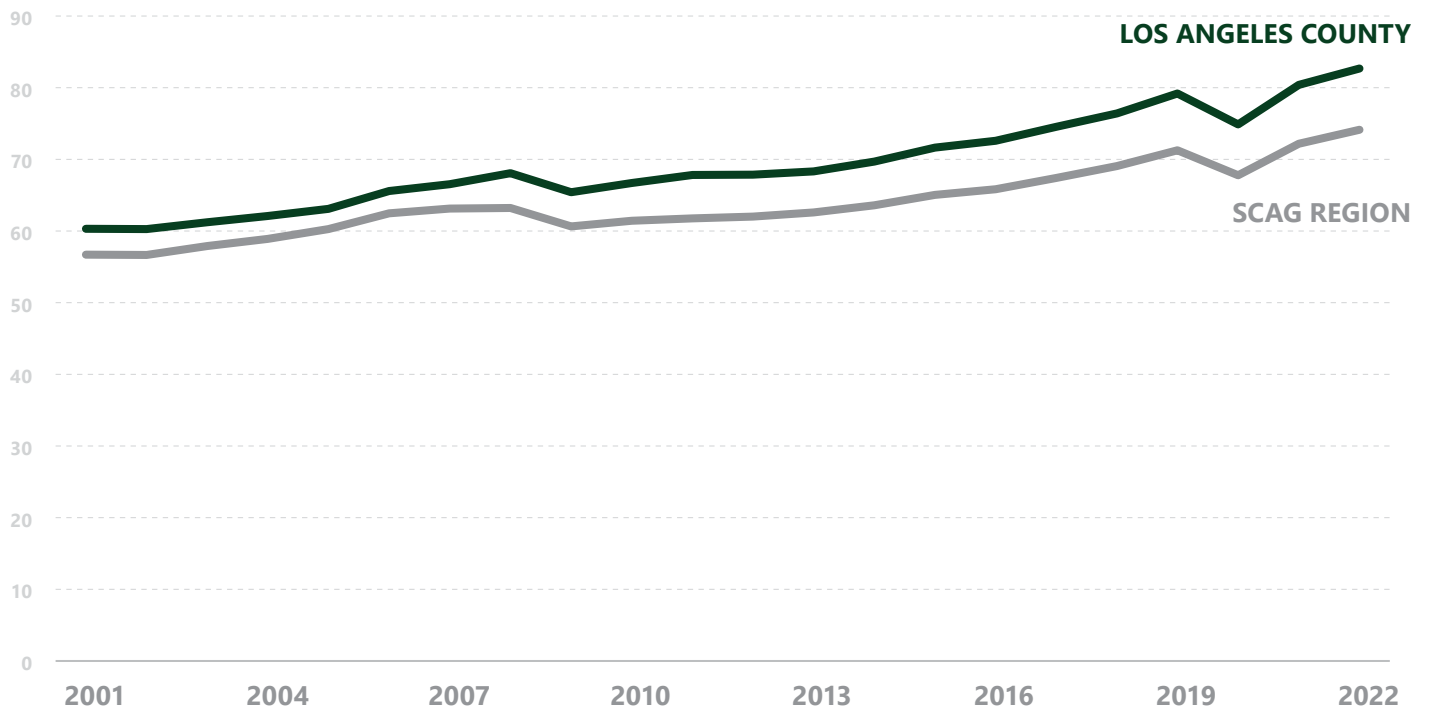
ECONOMIC OUTLOOK

LOS ANGELES COUNTY

Los Angeles County’s strong post-COVID recovery is at risk of a slowdown over the next five years. Moving into the third quarter of 2022, roughly 91 percent of the 784,800 non-farm jobs lost over March and April of 2020 have been added back to payrolls. However, national economic developments will significantly influence the county’s economic performance, specifically the direct effects of inflation and the Federal Reserve’s attempts to combat it. If a national recession occurs, it will slow Los Angeles County’s local economy. Real GDP growth in the county is expected to slow to 2.9 percent in 2022 and 1.3 percent next year. Per capita GDP in the county is above the per capita in the SCAG region, as a whole (FIGURE 1).

FIGURE 1 Per Capita Gross Domestic Product (GDP) in Los Angeles County, 2001-2022

Thousands of 2022 U.S. dollars



Annual Percent Change in Per Capita GDP in Los Angeles County



Based on REMI Transight model. Data for 2001-2021 are actuals from the Bureau of Economic Analysis. GDP for 2021- 2022 forecasted using REMI model.

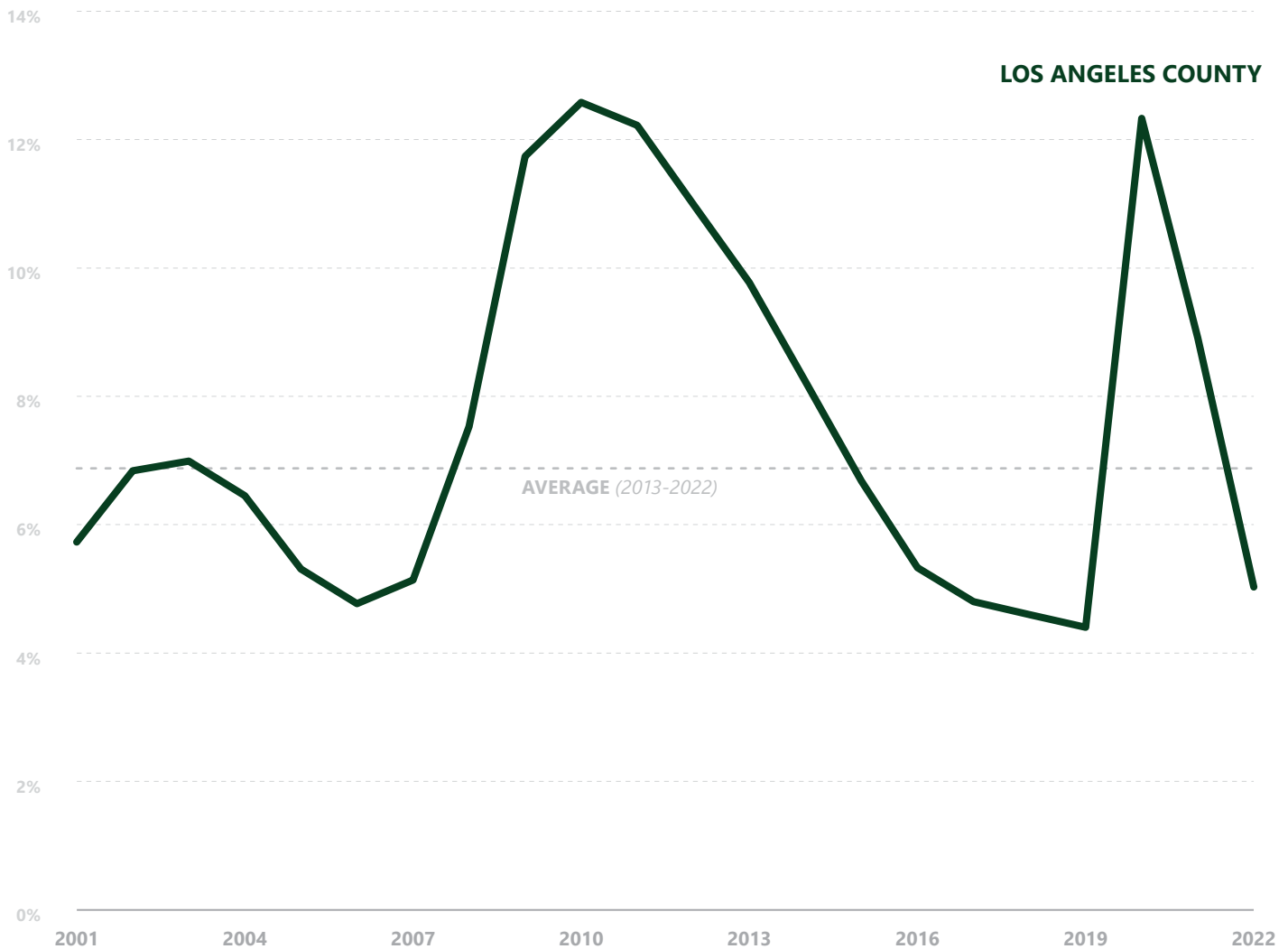
The unemployment rate is at 5.1 percent, almost returning to the pre-pandemic low (FIGURE 2). The population of Los Angeles County declined by 68,000 between 2020 and 2021, while the labor force returned to pre-pandemic levels. County non-farm employment is projected to grow by 331,000 jobs from 2021 to 2026 with Leisure and Hospitality, Education and Health Services, and Professional and Business Services leading job growth.

The COVID-19 pandemic in Los Angeles County spotlighted deep socio-economic inequities, which remain and are now seen in the form of inflation burden disproportionately falling on lower-income households. The county's individual poverty rate increased to 14.2 percent in 2021, and the 18.5 percent poverty rate for residents under 18 is the worst in the SCAG region. Median home prices remain high amidst interest rate increases, as do rents. Ongoing housing affordability and supply issues will continue to pose future challenges for Los Angeles County.



The COVID-19 pandemic in Los Angeles County spotlighted deep socio-economic inequities, which remain and are now seen in the form of inflation burden disproportionately falling on lower-income households.

FIGURE 2 Unemployment Rate (%) in Los Angeles County, 2001-2022



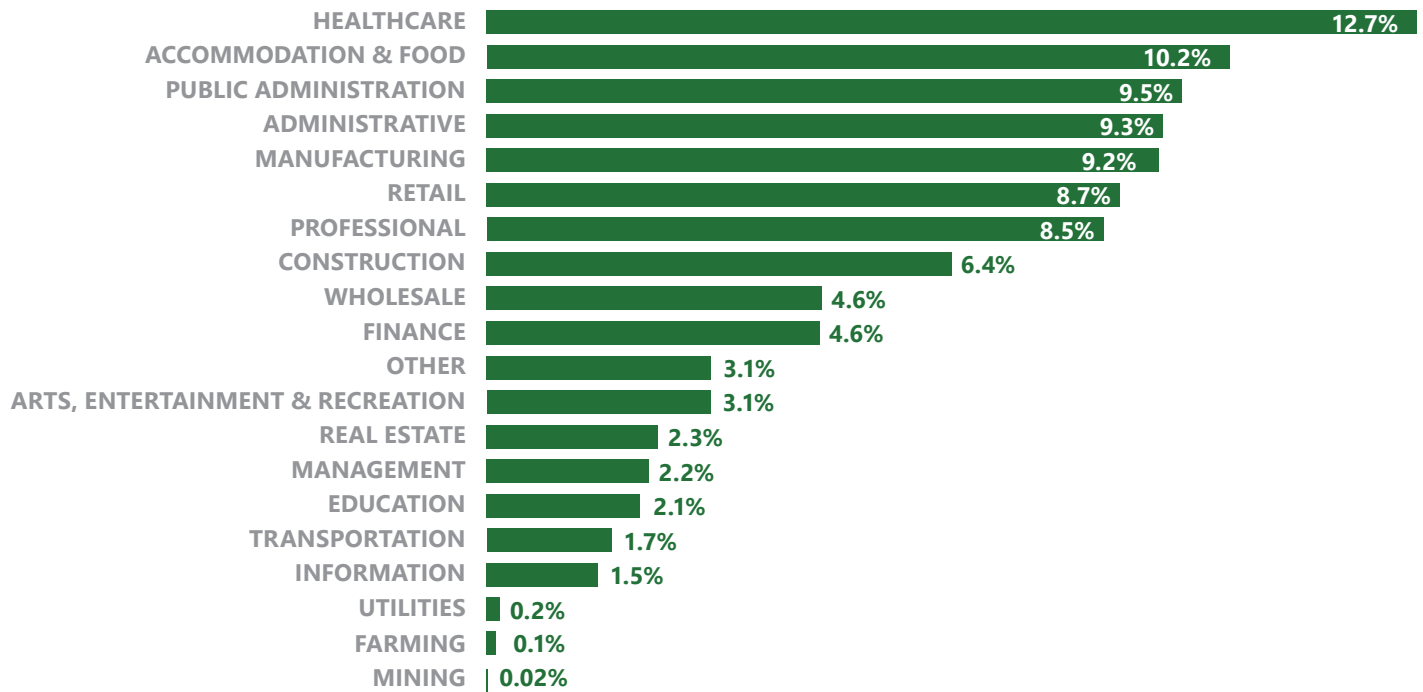
Source: California Employment Development Department (EDD), Employment by Industry Data (monthly), September 2022.

ECONOMIC OUTLOOK ORANGE COUNTY

Orange County has mostly recovered from the COVID-19 pandemic, largely due to its diverse industry base and highly educated workforce (FIGURE 1). Unemployment is below the 10-year average and at the pre-pandemic level (FIGURE 2).

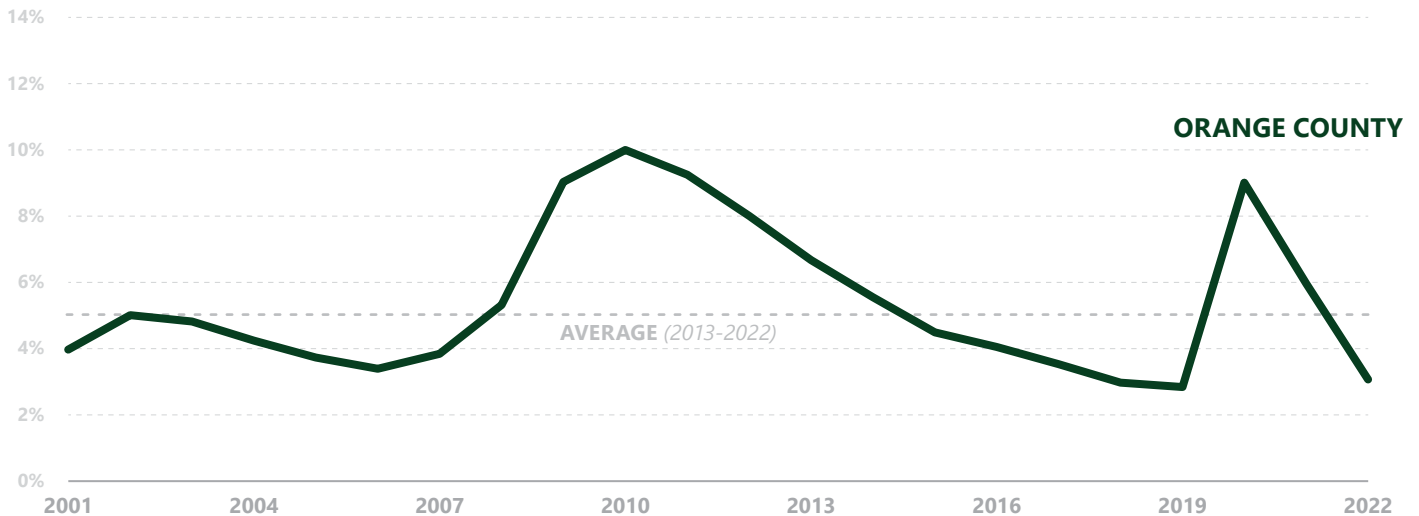
Orange County continues to lead the SCAG region in a variety of metrics: highest median real household income (\$107,335), highest educational attainment and labor force participation, lowest poverty rate (10 percent), lowest unemployment rate (2.7 percent) and highest per capita GDP productivity (see economic outlook for the SCAG region).

FIGURE 1 Percent of Total Employment by Sector in Orange County in 2022



Source: California Employment Development Department (EDD), Employment by Industry Data (annual), retrieved from <https://labormarketinfo.edd.ca.gov/data/employment-by-industry.html>; 2022 annualized based on previous 12 months.

FIGURE 2 Unemployment Rate (%) in Orange County, 2001-2022



Source: California Employment Development Department (EDD), Employment by Industry Data (monthly), September 2022.

Most Orange County industries have grown jobs over the past year, led by Accommodation and Food Service; Arts, Entertainment and Recreation; Education (FIGURE 3). In addition, Orange County has numerous emerging industry clusters, such as Medical Device, Biotech, IT and Advanced Transportation (EVs and hydrogen). Major new developments, such as DisneylandForward and OCVibe promise vibrant future economic growth in Orange County.

However, it also has the region's highest home prices, with a current median sales price of \$1.2 million. Moreover, only 24 percent of first-time home buyers can afford an entry-level single-family home. Rent prices are also highest (FIGURE 4) in the region.

As Orange County's high housing costs continue to price out younger residents and their families, the county is getting older, and has lost population in the last two years while also becoming more diverse. The fastest growing groups are Asian/Pacific Islanders and people who identify as two or more races (FIGURE 5).

Orange County continues to lead the SCAG region in a variety of metrics.

FIGURE 3 Total Employment in Sectors with Largest 2022 Growth in Orange County, 1990-2022

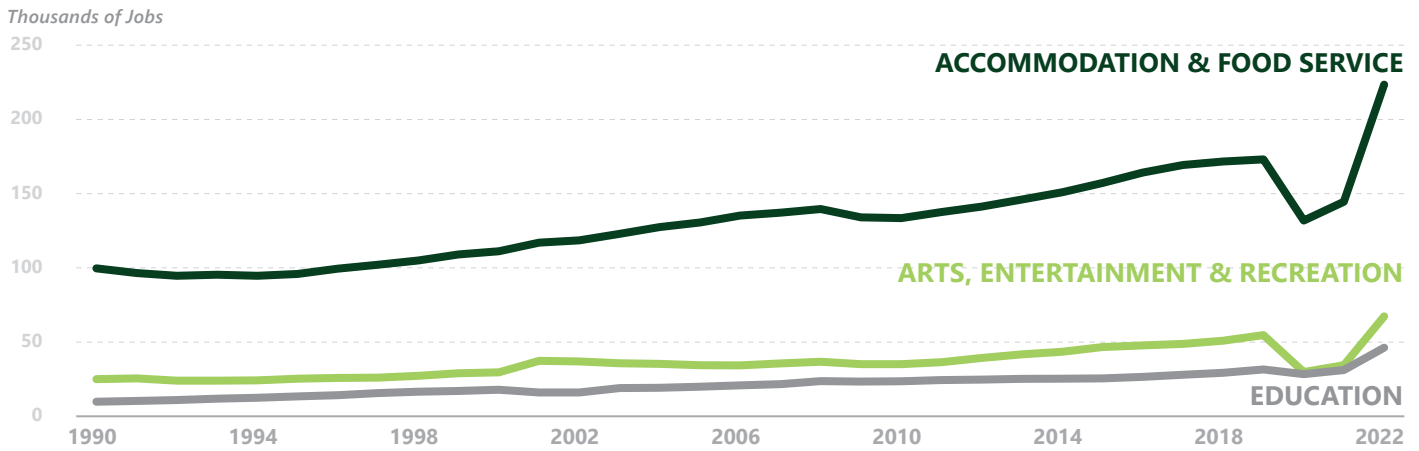


FIGURE 4 Projected Median Monthly Rent in Orange County and SCAG Region (Federal FY2023)

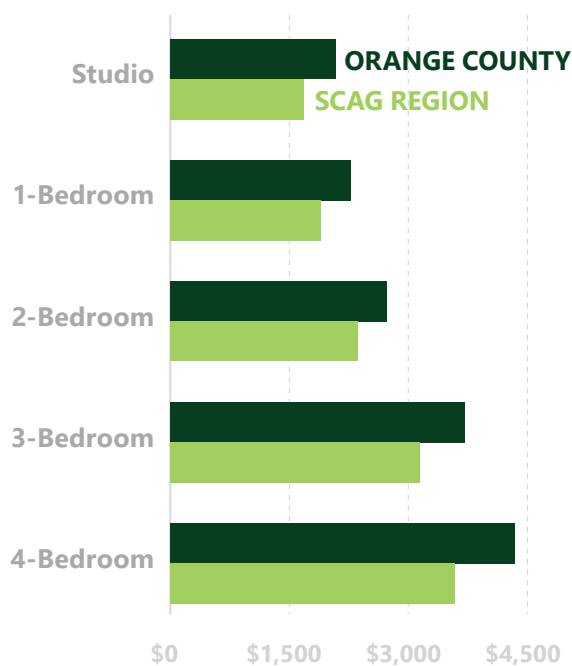
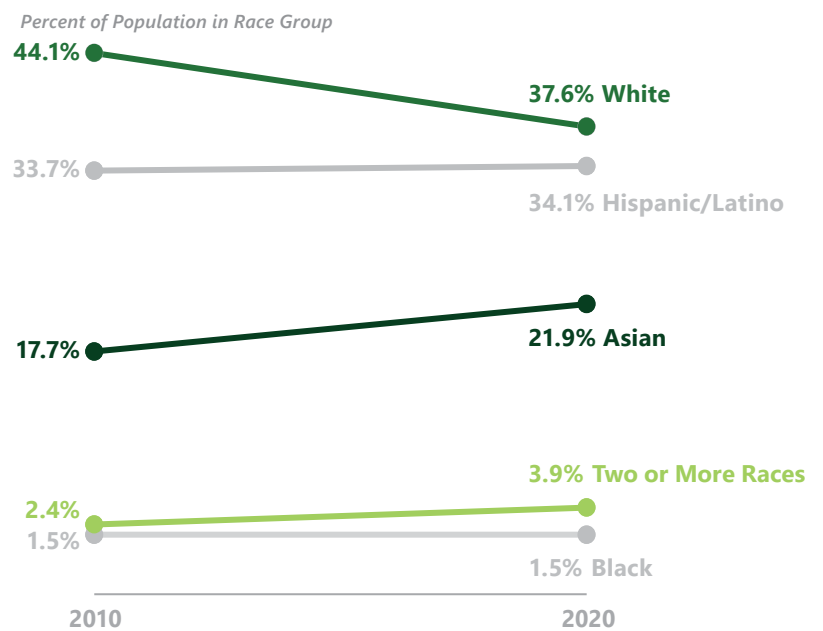


FIGURE 5 Change in Racial Make-up of Population in Orange County between 2010 and 2020



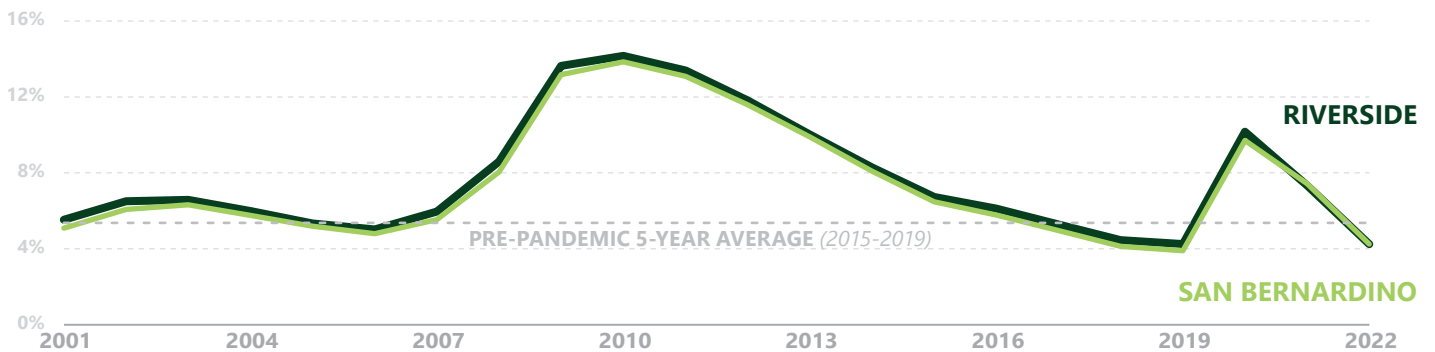
ECONOMIC OUTLOOK

RIVERSIDE & SAN BERNARDINO COUNTIES

The Riverside and San Bernardino Counties' (the Inland Empire) labor markets have fully recovered from the pandemic. In both counties, the unemployment rate is 4.3 percent. This is substantially lower than a year ago and well below its pandemic peak (**FIGURE 1**).

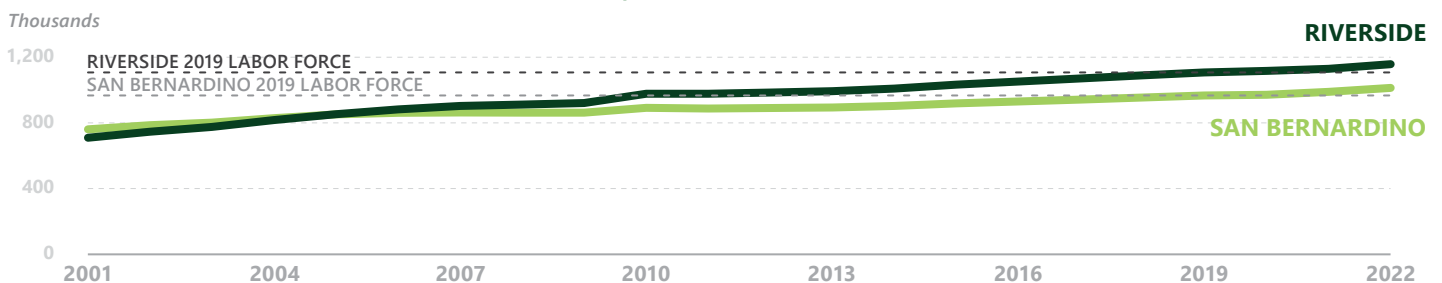
The Inland Empire's labor force (**FIGURE 2**) surpassed its pre-pandemic level (i.e., February 2020) in October 2021 and is now three percent above this level. Riverside and San Bernardino are the only counties in the SCAG region that have reached

FIGURE 1 Unemployment Rate (%) in Riverside and San Bernardino Counties, 2001-2022



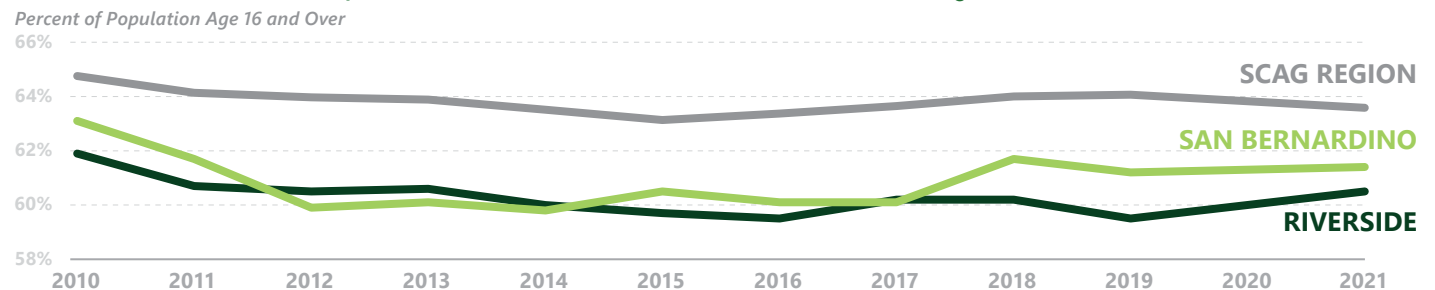
Source: California Employment Development Department (EDD), Employment by Industry Data (monthly), September 2022.

FIGURE 2 Labor Force in Riverside and San Bernardino, 2001-2022



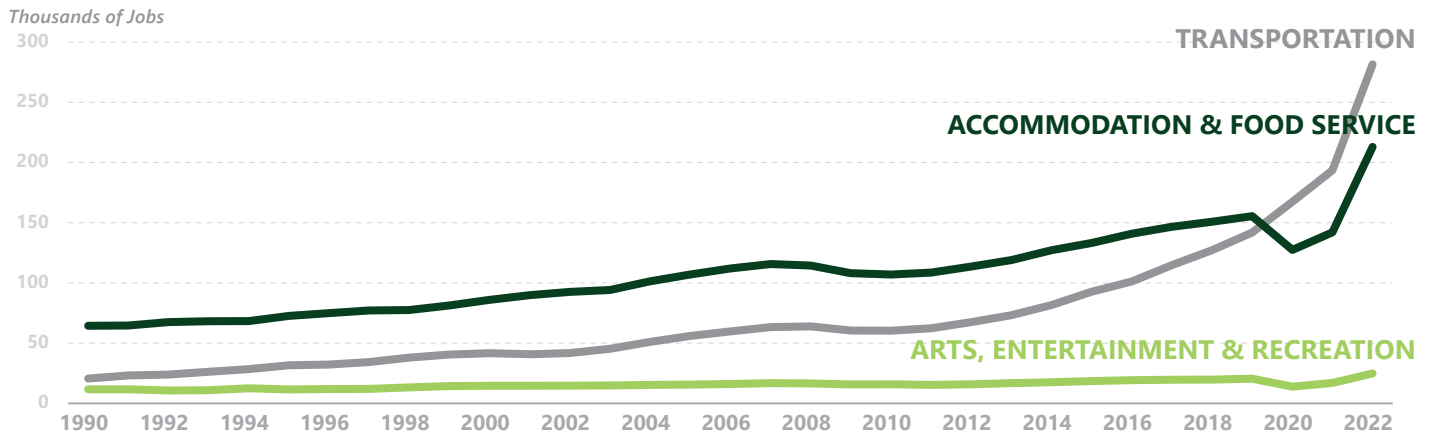
Source: California Employment Development Department (EDD), Employment by Industry Data (annual), September 2022. Count for 2022 estimated based on data through September 2022.

FIGURE 3 Labor Force Participation Rate in Riverside and San Bernardino, Workers Age 16 and Over



Source: U.S. Census Bureau. (2022). 2012, 2019, and 2021 American Community Survey 1-year Samples, Table S2301.

FIGURE 4 Total Employment in Sectors with Largest 2022 Growth in the Inland Empire, 1990-2022



Source: California Employment Development Department (EDD), Employment by Industry Data (annual), 2022 annualized based on previous 12 months.

pre-pandemic levels of the labor force. The labor force participation rate in Riverside and San Bernardino Counties has recovered, and reverted to the historic trend, which has been two to three percentage points below the other SCAG region counties (FIGURE 3).

Spurred by the surge in online commerce during the pandemic, the logistics industry (Transportation, Warehouse, Wholesale Trade) added 63,700 positions, a 28 percent increase since February 2020 (FIGURE 4). Transportation and Warehousing alone added 22,000 jobs year-over-year in September 2022, an 11.4 percent increase. Leisure and Hospitality had the second largest increase in jobs on a year-over-year basis, adding 17,600 jobs, and has fully recovered from pandemic job losses. Overall, every sector grew in 2022 except Management of Companies and Enterprises. The Government sector added 9,400 jobs year-over-year as of September 2022.

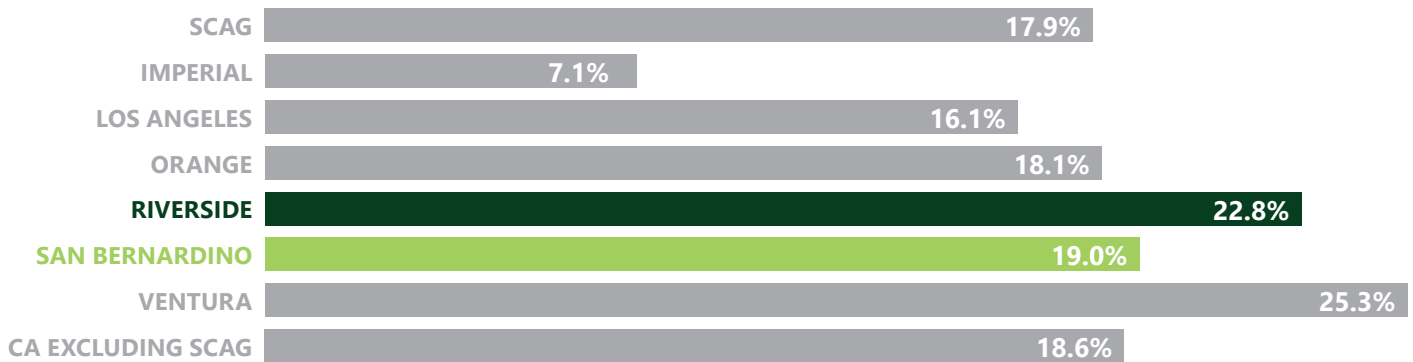
Rising interest rates have already had a pronounced effect on the Inland Empire housing market. Home sales have fallen for 15 consecutive months, and price appreciation has slowed by half from a year ago to eight percent in September 2022, matching the average since 2000. As prices and interest rates have increased, affordability has fallen by one-third. As for

new construction, permits were 19 percent higher this year-to-date through September, but growth has slowed in the last several weeks.

Barring a recession, the Inland Empire labor markets will continue to perform well. However, while the Inland Empire remains an attractive migration destination for those in expensive coastal counties, those who leave the Inland Empire are especially likely to leave California entirely. As shown in FIGURE 5, 19 percent of San Bernardino and 22.8 percent of Riverside movers relocated out of state—a higher rate of “CalExit” than in Imperial, Los Angeles and Orange Counties.

Riverside and San Bernardino are the only counties in the SCAG region that have reached pre-pandemic levels of the labor force.

FIGURE 5 Percentage of Mover Households Moving Out of California, 2021



Notes: Chart report data from American Community Survey 1-year samples for 2012, 2019, and 2021, Table B07403. Data for 2006 is from the 2006-2010 5-year sample.

ECONOMIC OUTLOOK

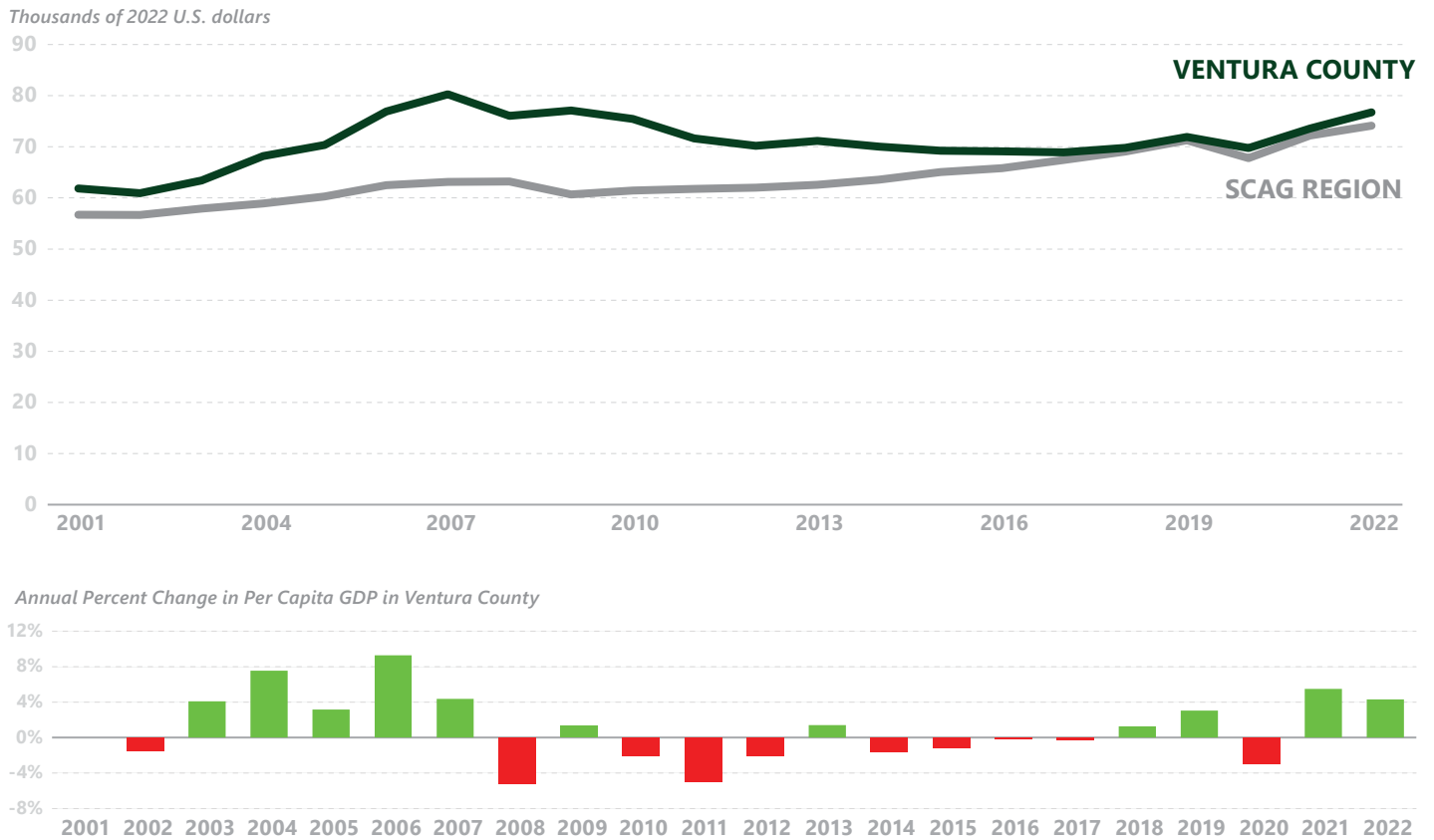
VENTURA COUNTY

Ventura County's GDP per capita had been in decline since 2007, and has seen some growth in 2021 and 2022 (FIGURE 1). However, the economy of Ventura County is the most sluggish in the SCAG region in terms of job growth, new housing, and consumer spending on retail goods and services. Therefore, the county lacks the momentum to overcome the potential drag from declining global demand, a global recession, persistent inflation, continued drought in California or an inability to replenish a shrinking labor force (FIGURE 2).

The county has struggled this year to attract the workforce lost during the pandemic recession. Despite a historically low unemployment rate of 3.2 percent (FIGURE 3), the county has thousands of unfilled positions.

This is due to a pronounced contraction of the labor force. There are still 13,000 fewer workers than before the pandemic (February 2020). The large out-migration from Ventura County over the last few years appears to be a principal explanation for the shrinking

FIGURE 1 Per Capita Gross Domestic Product (GDP) in Ventura County, 2001-2021



Based on REMI Transight model. Data for 2001-2021 are actuals from the Bureau of Economic Analysis. GDP for 2021-2022 forecasted using REMI model.

“The large out-migration from Ventura County over the last few years appears to be a principal explanation for the shrinking labor force and lack of traction in restoring the labor market.”

labor force and lack of traction in restoring the labor market. Among Ventura County residents who moved in 2021, 25 percent relocated out-of-state (FIGURE 4). More out-migration from the county is likely over the next year, a trend firmly in place since 2014. Some labor force expansion is forecast as two-worker household participation expands and record numbers of college graduates enter the workforce.

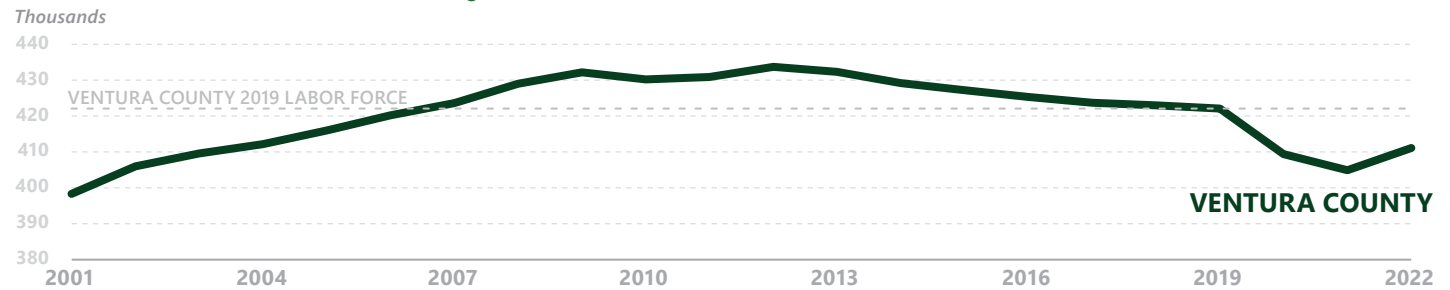
A recession will impact the labor market in 2023, but the magnitude of the impact is uncertain until more data become available. The real estate and retail sectors will be vulnerable to downsizing resulting from a recession.

Because residential development has been sluggish and not rising in tandem with the state’s surge in housing demand,

the lack of new home building has exacerbated the housing availability and affordability problem in the county. The median home price in September 2022 was \$850,000 and the median rental rate for apartments was \$3,200 per month. Rental vacancy is a scant three percent.

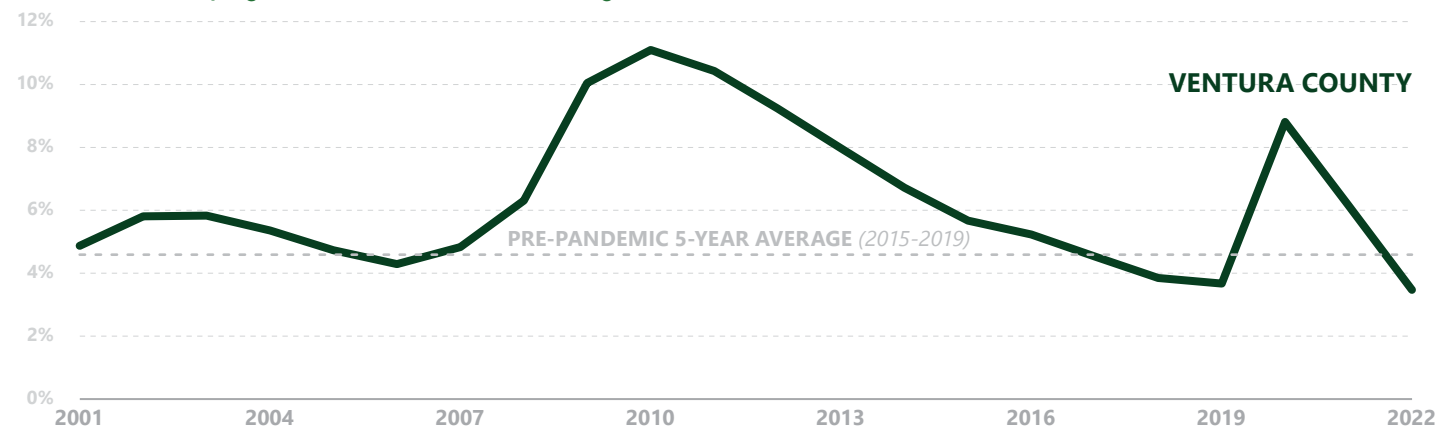
These conditions are unlikely to change much over the next year. While a meaningful pull-back in home buying is evident now, the forces responsible for the softening of the housing market will continue through next year, and a decline in selling values may result. However, rental rate inflation is unlikely to moderate much, because shifting demand for homes to apartments will maintain pressure on rents.

FIGURE 2 Labor Force in Ventura County, 2001-2022



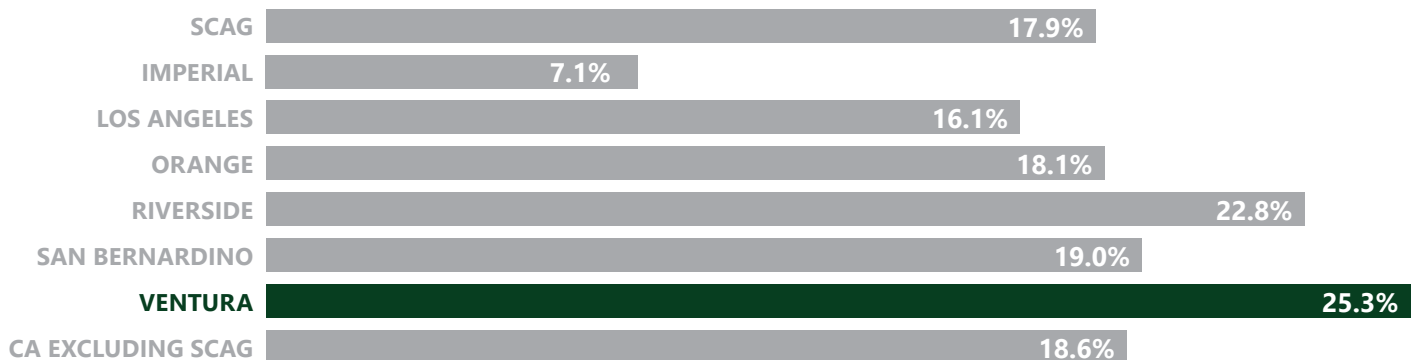
Source: California Employment Development Department (EDD), Employment by Industry Data (annual), September 2022. Count for 2022 estimated based on data through September 2022.

FIGURE 3 Unemployment Rate (%) in Ventura County, 2001-2022



Source: California Employment Development Department (EDD), Employment by Industry Data (monthly), September 2022.

FIGURE 4 Percentage of Mover Households Moving Out of California, 2021



Notes: Chart report data from American Community Survey 1-year samples for 2012, 2019, and 2021, Table B07403. Data for 2006 is from the 2006-2010 5-year sample.

NOTES



2023 REGIONAL CONFERENCE & GENERAL ASSEMBLY

MAY 4-5

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RESORT & SPA

scag.ca.gov/ga2023



It was a great conference
– excellent networking
opportunities, important
issues and inspiring speakers.



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THIS IS OUR GENERAL ASSEMBLY

SCAG is the nation's largest metropolitan planning organization, representing six counties, 191 cities and more than 19 million residents. SCAG undertakes a variety of planning and policy initiatives, including the development of Connect SoCal — the Regional Transportation Plan/ Sustainable Communities Strategy to promote a livable and sustainable Southern California now and in the future.

800+
ATTENDEES

191
CITIES REPRESENTED

120+
CITY MANAGERS,
CITY PLANNING STAFF &
COUNTY STAFF
IN ATTENDANCE

250+
ELECTED OFFICIALS



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Riverside, CA 92501
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Phone: (213) 236-1925

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Camarillo, CA 93012
Phone: (213) 236-1960