

12TH ANNUAL

Southern California Economic Summit



*From Inclusive Recovery
to Inclusive Growth*

SCAG REGION ECONOMIC UPDATE



SCAG'S TEAM OF INDEPENDENT ECONOMISTS

IMPERIAL COUNTY

Michael Bracken, Managing Partner & Chief Economist, Development Management Group, Inc.

LOS ANGELES COUNTY

Shannon Sedgwick, Director, Institute for Applied Economics, Los Angeles County Economic Development Corporation

ORANGE COUNTY

Wallace Walrod, Ph.D., Chief Economic Advisor, Orange County Business Council; Chief Economic Advisor, SCAG

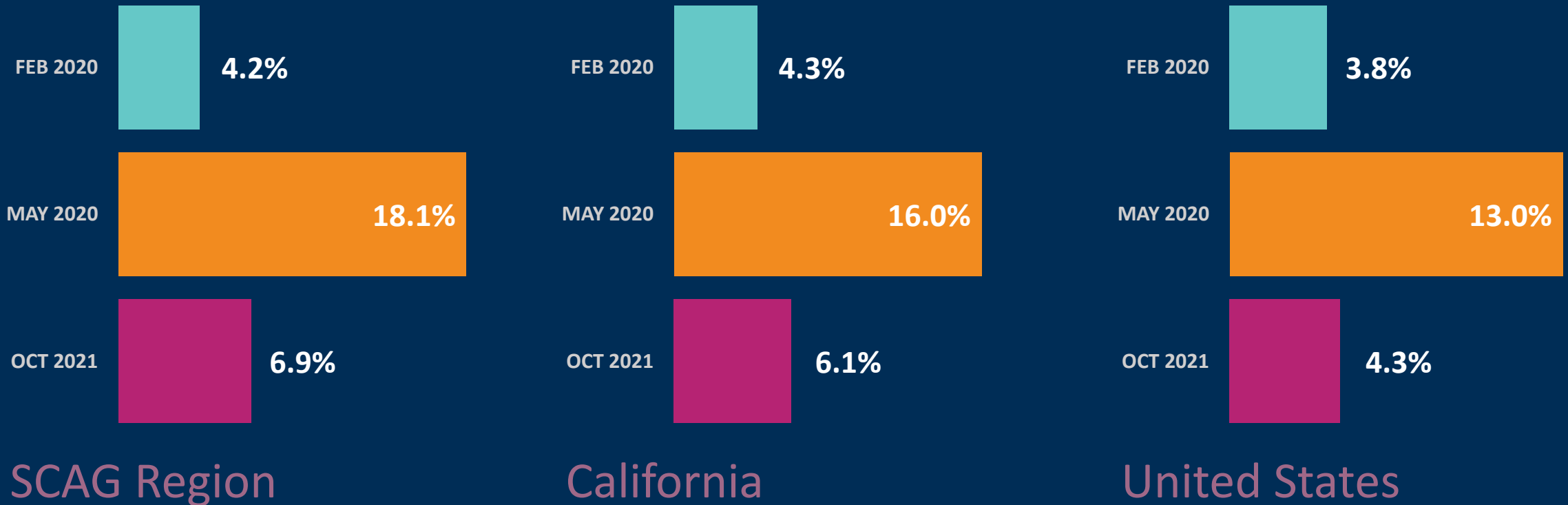
RIVERSIDE & SAN BERNARDINO COUNTIES

John Husing, Ph.D., Principal, Economics & Politics, Inc.

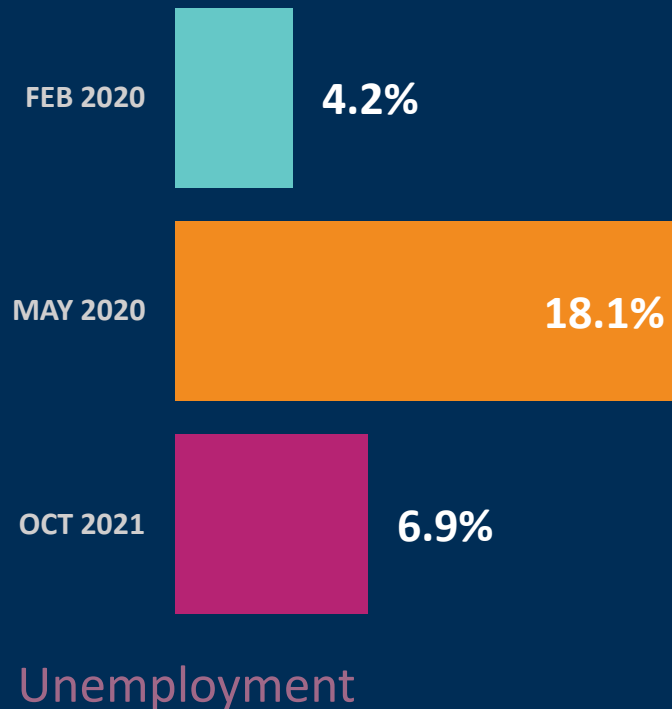
VENTURA COUNTY

Matthew Fienup, Ph.D., Executive Director, Center for Economic Research & Forecasting, California Lutheran University
Dan Hamilton, Ph.D., Director of Economics, Center for Economic Research & Forecasting, California Lutheran University

UNEMPLOYMENT AT-A-GLANCE



SCAG REGION OVERVIEW: Recovery Continues



Industries hit hardest by the COVID-19 recession:

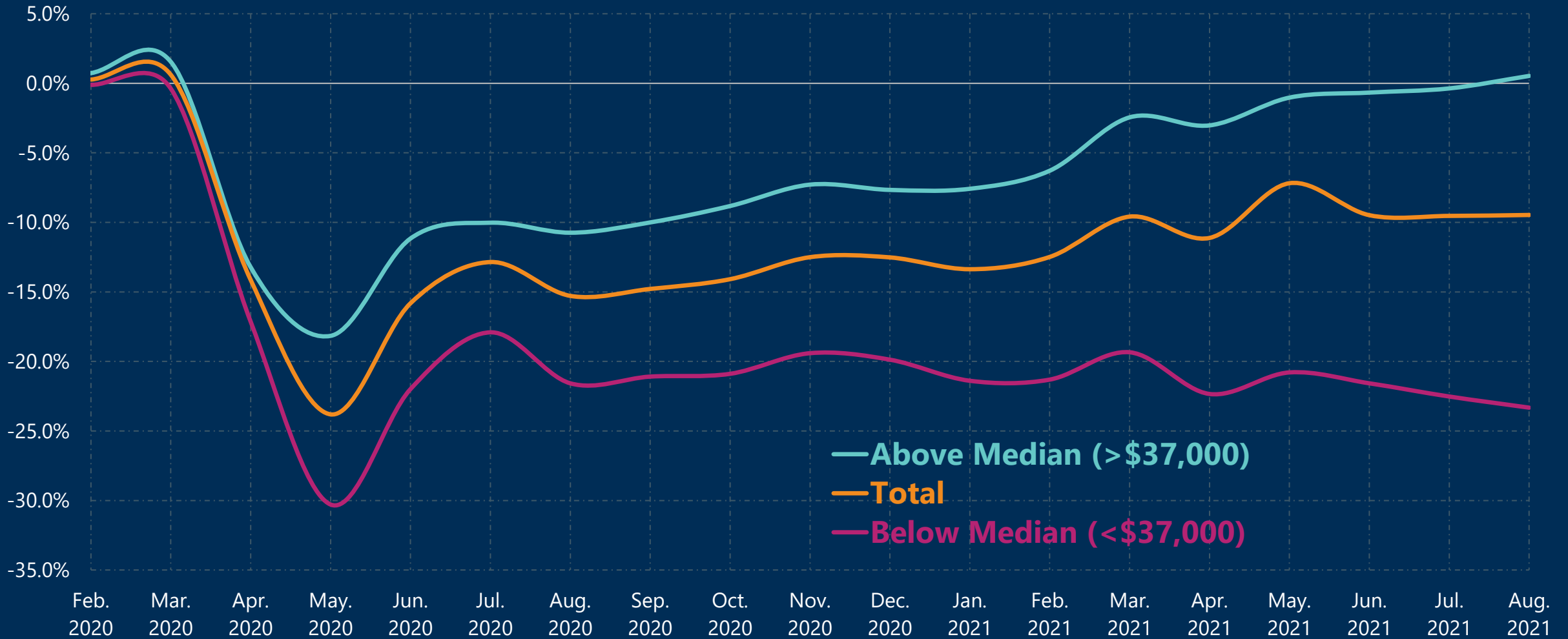
- Information: **-18.7%**
- Other Services: **-15.2%**
- Leisure & Hospitality: **-13.7%**

An Ongoing Recovery – Largest employment growth in:

- Leisure & Hospitality: **+23.9%**
- Other Services: **+11.8%**
- Transportation & Warehousing: **+7.6%**
- Information: **+7.1%**

SCAG EMPLOYMENT BY INCOME SEGMENT

(Relative to Pre-Pandemic Totals)



SCAG REGION EMPLOYMENT

(FEB 2020 - OCT 2021)

	FEB 2020	OCT 2021	Absolute Change	Percent Change
Mining & Logging	4,600	4,100	-500	-10.9%
Construction	388,100	382,700	-5,400	-1.4%
Manufacturing- Durable	402,500	376,400	-26,100	-6.5%
Manufacturing- Nondurable	222,300	206,600	-15,700	-7.1%
Wholesale Trade	380,000	360,300	-19,700	-5.2%
Retail Trade	783,700	760,100	-23,600	-3.0%
Transportation, Warehousing & Utilities	409,100	463,700	54,600	13.3%
Information	281,500	228,900	-52,600	-18.7%
Financial Activities	405,900	382,400	-23,500	-5.8%
Professional & Business Services	1,187,200	1,152,800	-34,400	-2.9%
Educational & Health Services	1,423,700	1,402,200	-21,500	-1.5%
Leisure & Hospitality	995,500	858,700	-136,800	-13.7%
Other Services	276,200	234,200	-42,000	-15.2%
Government	1,099,400	1,034,600	-64,800	-5.9%

RECOVERY: SCAG REGION EMPLOYMENT CHANGE

(OCT 2020 – OCT 2021)

	OCT 2020	OCT 2021	Absolute Change	Percent Change
Mining & Logging	4,100	4,100	0	0.0%
Construction	378,100	382,700	4,700	1.2%
Manufacturing- Durable	369,800	376,400	6,600	1.8%
Manufacturing- Nondurable	203,400	206,600	3,200	1.6%
Wholesale Trade	352,000	360,300	8,300	2.4%
Retail Trade	738,600	760,100	21,500	2.9%
Transportation, Warehousing & Utilities	431,100	463,700	32,600	7.6%
Information	213,800	228,900	15,100	7.1%
Financial Activities	382,900	382,400	-500	-0.1%
Professional & Business Services	1,097,00	1,152,800	55,800	5.1%
Educational & Health Services	1,357,800	1,402,200	44,400	3.3%
Leisure & Hospitality	693,300	858,700	165,400	23.9%
Other Services	209,400	234,200	24,800	11.8%
Government	1,016,000	1,034,600	18,600	1.8%

SCAG REGION INDUSTRY CLUSTER SPECIALIZATIONS

IMPERIAL COUNTY

Agriculture Inputs & Services, Livestock Processing, Aerospace Vehicles & Defense

LOS ANGELES COUNTY

Video Production & Distribution, Apparel, Performing Arts

ORANGE COUNTY

Medical Devices, Biopharmaceuticals, Hospitality & Tourism

RIVERSIDE COUNTY

Recreational & Small Electric Goods, Medical Devices, Agriculture Inputs & Services

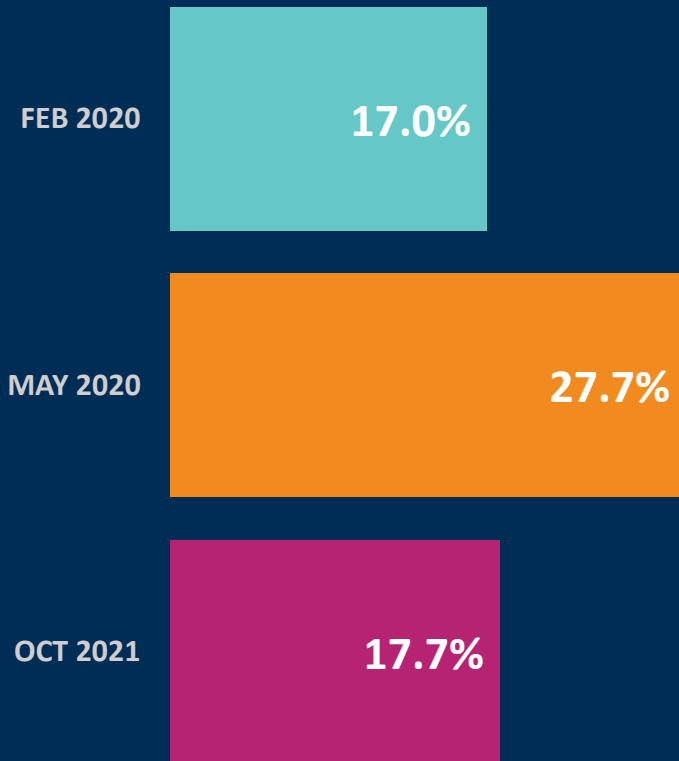
SAN BERNARDINO COUNTY

Furniture, Distribution & E-commerce, Upstream Metal Manufacturing

VENTURA COUNTY

Metalworking Technology, Information Technology and Analytical Instruments, Agriculture

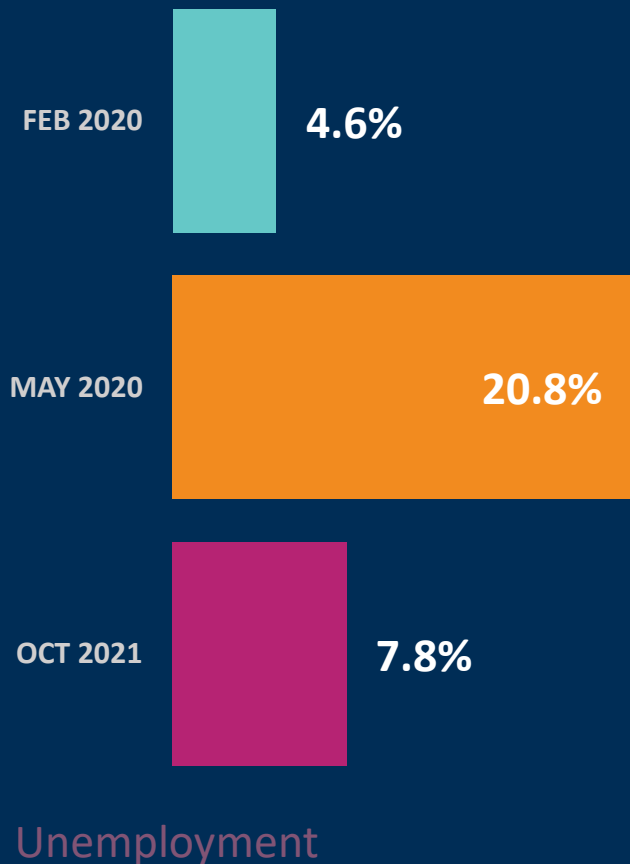
IMPERIAL COUNTY



Unemployment

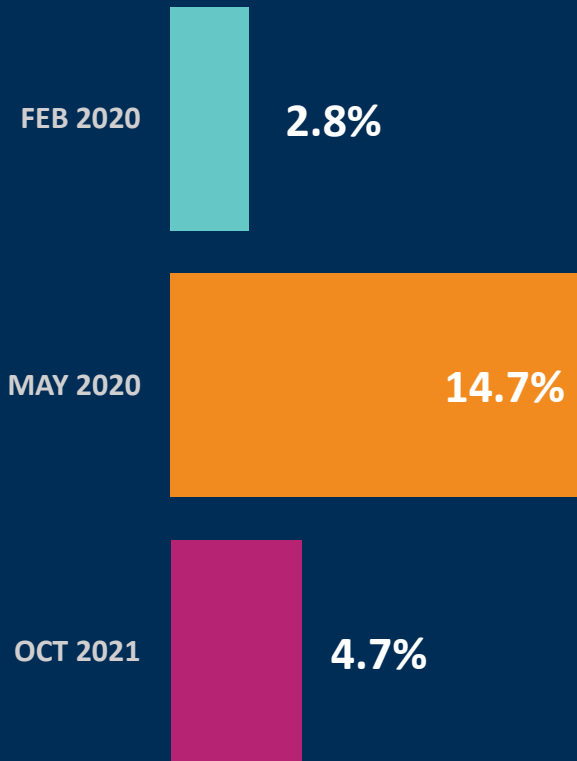
- **Gross Domestic Product (GDP): \$8.98B**
 - \$41,530 Per Capita (*similar to states of OK, ID, SC, KY*)
- **Median Household Income Record High: \$48,271**
- **Total Employment: 56,300**
Unemployment Rate: 17.7% (13,300 unemployed)
- **Agriculture Production 2020: \$2.026B**
- **Renewable Energy**
 - 3,400 MW production approved over 24,000+ acres
 - 960 MW/3,100 acres production in process
 - 3,000 MW battery storage in process
- **Median Home Price: \$281,000 – Most affordable in Southern California**

LOS ANGELES COUNTY



- **Los Angeles County dealt with extremely high unemployment rates** (reaching 18.8% in May 2020) and massive job losses in key industries like hospitality, information (which includes motion picture and television production) and retail trade due to the pandemic.
- **Payroll employment is projected to rise** above the pre-pandemic level by 2025, with growth in key sectors including transportation and warehousing and arts, entertainment and recreation.
- **The County has been improving in terms of median and per capita incomes and the household poverty rate**, but there are still major challenges including socioeconomic disparities by race/ethnicity and rapidly rising home prices leading to the lowest housing affordability in years.

ORANGE COUNTY



Unemployment

Economic Recovery Continues

- Unemployment rate decreased from a high of 14.9% in May 2020 to 4.7% currently.
- Leisure and Hospitality continues to recover – adding 56,300 jobs in the past year.
- Over half a million job postings made in Orange County in the past year with median salary of \$50,000.

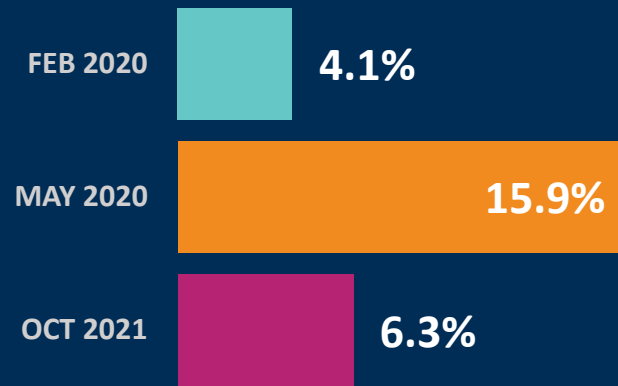
Wages Post Important Gains

- Industry wages increased by an average of \$8,269 or by 10.6% from 2019 to 2020.
- Median household income estimated to be \$97,969 in 2021.

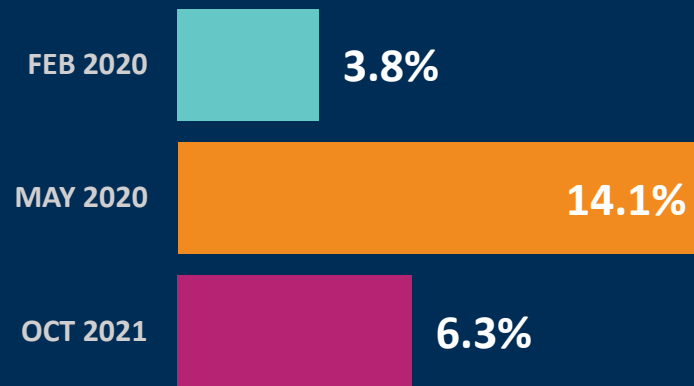
Affordability Concerns Remain

- Median housing price currently at \$1,120,000.
- Low supply and persistent high demand, buoyed by low interest rate environment keep prices high.

RIVERSIDE & SAN BERNARDINO COUNTIES



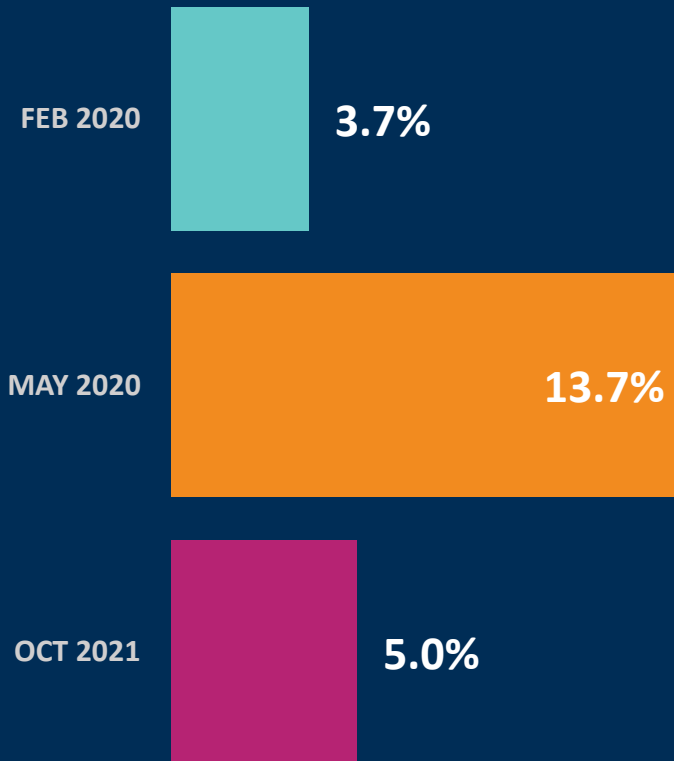
Unemployment – Riverside



Unemployment – San Bernardino

- **In 2022 area will exceed 2019 by 29,352**
2021 job growth 41,698 (2.8%); 2022 job growth 41,698 (3.5%)
- **6.3% Unemployment Rate in October 2021**
- **2021 Growth due to Competitive Advantages**
in Logistics +10.2%, Health +4.9% & Construction +4.0%
- **Retail Sales Helping City/County Budgets**
up 23.0% in 1st quarter 2021; 42.2% in 2nd quarter 2021
- **Ethnic Make-up 2020**
Hispanic 52%, White 29%, Asian 8%, Black 7%
- **Education a Key Issue**
Comparing populations with HS diploma or less: Hispanic 60%; Black 48% vs. White 31%; Asian 23%
- **Homeownership Issue**
Hispanic 58.9%; Black 45.5% vs. White 71.5%; Asian 71.3%

VENTURA COUNTY



Unemployment

Prior to the pandemic, Ventura County was experiencing a prolonged period of economic weakness:

- From 2007-18, county GDP shrank 15.4%, equivalent to \$26,000 per worker
- Civilian labor force contracted every year from 2013 onward
- The County's population declined every year from 2016 onward (*DOF*)

Impacts of the COVID-19 pandemic are not evenly distributed:

- Jobs in retail, leisure & hospitality & personal services (*avg. salary \$31,000*) dropped by 30% and are still down 11% from the pre-pandemic high
- Construction, manufacturing & white collar jobs (*avg. salary \$80,000*) declined only 9.5% and are down only 1.5% from the pre-pandemic high

Because of the county's pre-existing weakness, we expect economic recovery to be slower than in neighboring counties.

STRONG DEMAND MEETS BIG CHALLENGES

Numerous Challenges Have Resulted in Disruptions at San Pedro Bay Ports



Increased Demand

COVID-19 reserved a long-term trend of increasing spending on services vs. products.



Supply Chain System Bottlenecks

Many shippers reduced capacity in response to falling demand early in the pandemic and the subsequent ramp-up has clogged ports.



Workforce Issues

Lack of trucking and railroad capacity is primarily brought on by labor shortages.

HELP IS ON THE WAY

Federal Infrastructure Bill Benefits the SCAG Region

Includes 5-year reauthorization (\$475 billion) of the core federal transportation program, a 56% increase over the current Fixing America's Surface Transportation (FAST) Act, as well as \$550 billion in new spending. Of the \$550 billion in new spending, California is expected to receive:

- **\$25.3 billion** in new funding for roads and bridges
- **\$9.5 billion** to improve public transportation
- **\$4.2 billion** for bridge repairs
- **\$3.5 billion** for water infrastructure
- **\$1.5 billion** for airport infrastructure
- **\$384 million** to build out EV charging stations
- **\$100 million** to provide broadband coverage
- **\$84 million** for wildfire risk reduction

KEY TAKEAWAYS

Southern California is Resilient

Economic Resilience

- Unemployment down to 6.9%, projected regional recovery in 2022.

An Uneven Recovery

- Some counties/sectors lagging – much slower for lower-income residents/communities.

Incomes & Home Prices Both Rising

Continuing Recovery, Continuing Challenges

- Potential new COVID-19 variants
- Inflation
- Supply Chain Disruptions
- Labor Shortages

Outlook

- Economic benefits of the 2021 holiday season will depend on resolution of supply chain disruptions.
- A lack of workforce housing could slow the region's recovery, as could inflation and labor shortages.
- The SCAG region's strong fundamentals will help its continued recovery.

INCORPORATING EQUITY IN SCAG'S LONG-TERM PLANNING



INEQUITY IS SOCIALLY AND ECONOMICALLY HARMFUL

Findings from Scholarship/Applied Research

- Reduced human capital investments (education).
- Reduced physical capital accumulation (housing, other assets).
- Adverse health outcomes, associated costs.
- Growing economic and political instability.
- Greater calls for protectionism.

SCAG'S WORKING DEFINITION OF RACIAL EQUITY

“As central to SCAG’s work, racial equity describes the **actions, policies, and practices that eliminate bias and barriers** that have historically and systemically marginalized communities of color, to ensure all people can be healthy, prosperous, and participate fully in civic life.”

– SCAG Racial Equity Early Action Plan (May 2021)

RELATED CONCEPTS: EQUITY, EQUALITY, INCLUSION

Equality

Uniformity of opportunities; often perpetuate unequal outcomes for communities historically marginalized.

Equity

Corrective actions that create a more level playing field.

Inclusion

Extent to which stakeholders are recognized, engaged, and granted influence. *Often required for enduring equity.*

DISPARITIES IN HEALTH, ECONOMIC IMPACTS OF PANDEMIC

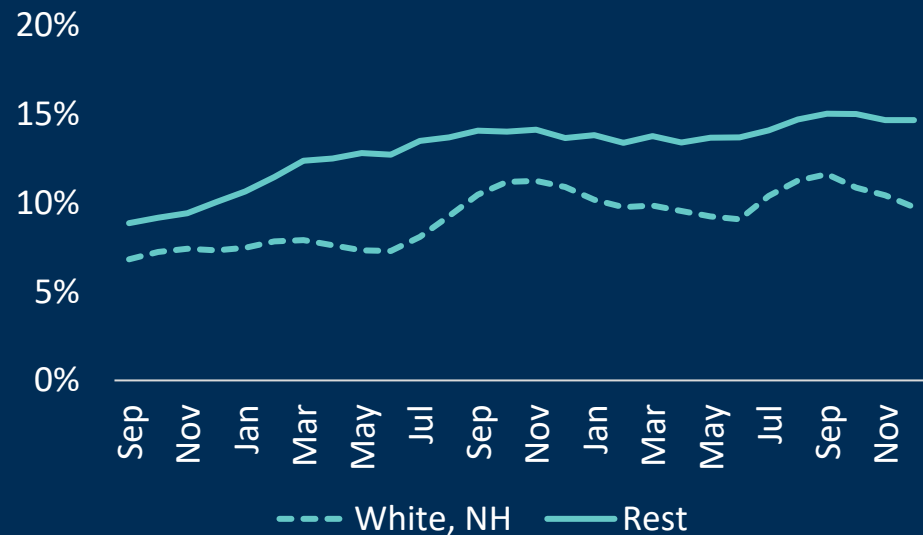
Worse Health Impacts among Communities of Color

- More crowded, precarious housing.
- More likely to be essential workers.
- Greater food insecurity.
- More likely to be targets hate, excessive force.

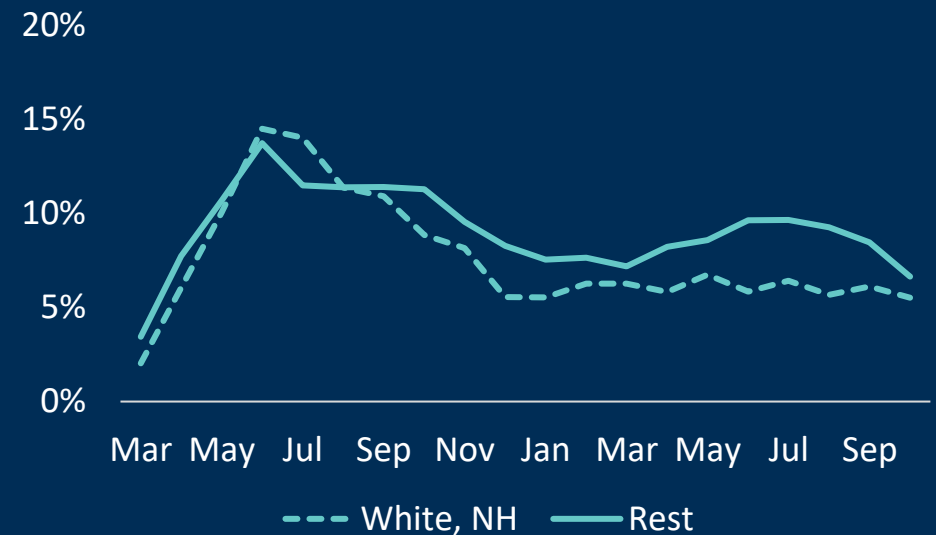
RECESSION EFFECTS ON UNEMPLOYMENT VARY BY RACE

Unemployment by Race, SCAG Region (3-month moving average)

Great Recession (2008-10)



COVID Recession (2020-21)

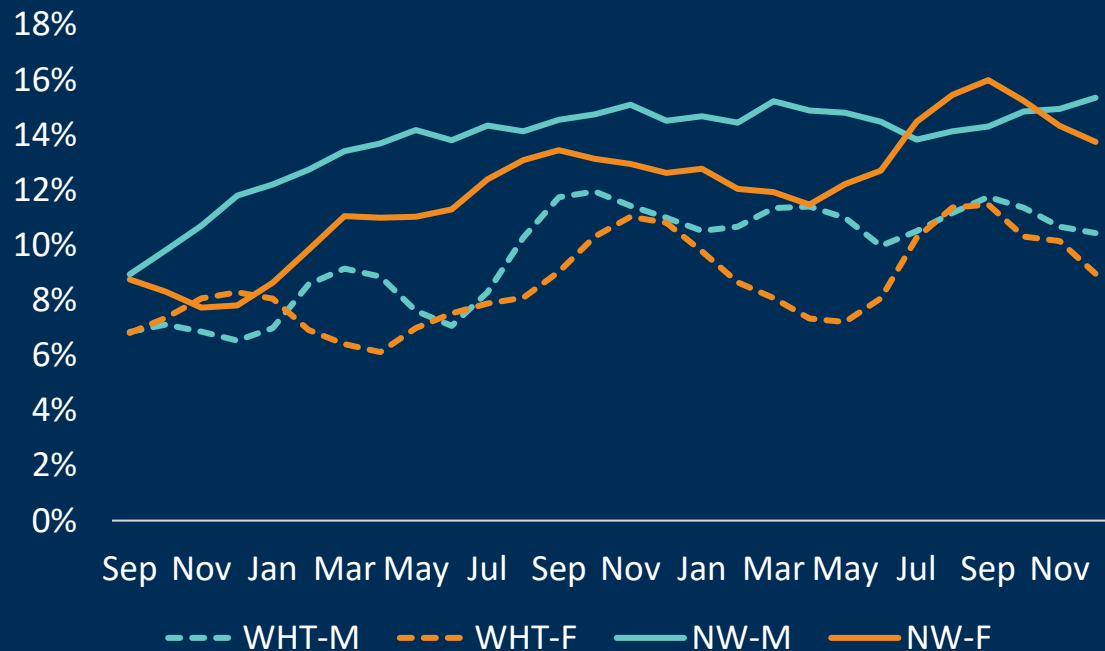


Source: CPS via iPUMS

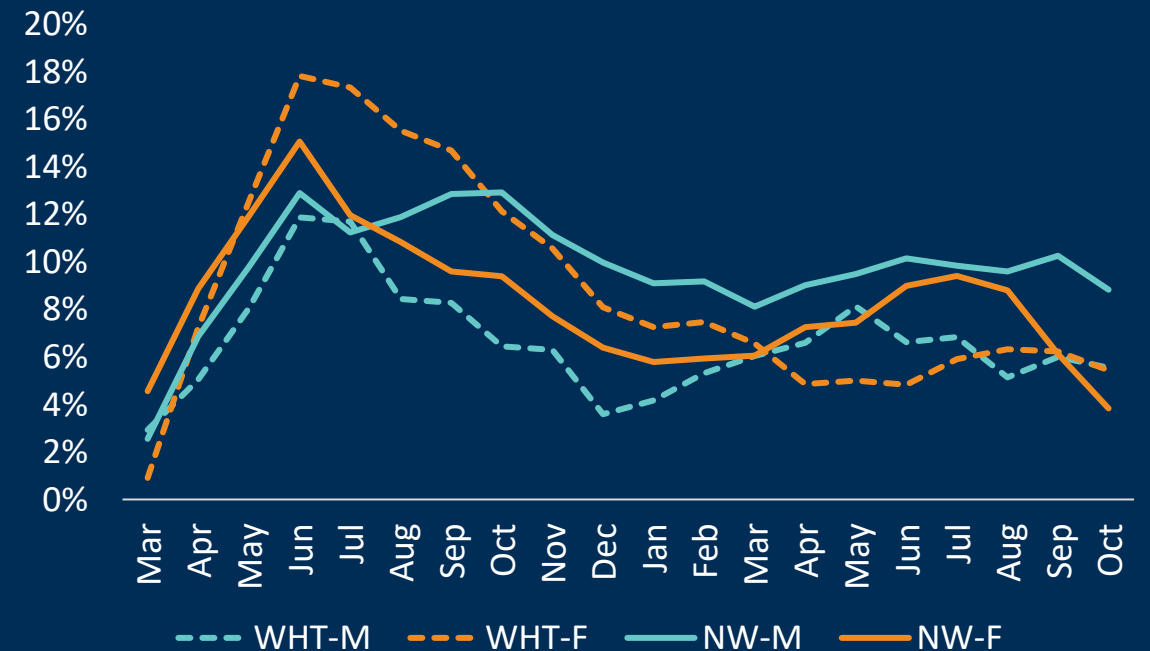
INTERSECTION OF RACE X GENDER VARIES OVER TIME

Unemployment by Race and Gender, SCAG Region (3-month moving average)

Great Recession (2008-10)



COVID Recession (2020-21)



Source: CPS via iPUMS

STEPS TO IMPROVE RACIAL EQUITY

Implement the DNA Framework to Make the Case More

- *Credible* (**Data**)
- *Meaningful and memorable* (**Narrative**)
- *Impactful* through collective, strategic work (**Action**)



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DATA RECOMMENDATIONS – PART 1

Disaggregate by Race and Gender Whenever Possible

Overcome data limitations through *spatial disparity analysis*, plus collecting *supplementary data* (quantitative and qualitative, survey and administrative).

Present County-Level Data Whenever Possible

Better understand intersection of regional equity, racial equity.

Disaggregate by Ethnicity for Asian Americans and Pacific Islanders

Tailor solutions to tremendous variation across groups.

DATA RECOMMENDATIONS – PART 2

Visualization is Key

Index measures of disparity can help.

Homeownership rates by race and county, SCAG Region

Group	Imperial	Los Angeles	Orange	Riverside	San Bernardino	Ventura	SCAG Region
White	74%	57%	66%	73%	66%	71%	63%
Black	19%	37%	35%	49%	36%	52%	39%
Native Am	40%	45%	52%	56%	49%	53%	49%
Asian Am	61%	57%	64%	74%	71%	76%	61%
Pacific Islander	27%	39%	42%	69%	36%	52%	44%
Other	39%	50%	61%	61%	51%	60%	54%
Latino	55%	41%	39%	60%	55%	48%	46%
OVERALL	56%	47%	56%	65%	58%	61%	53%

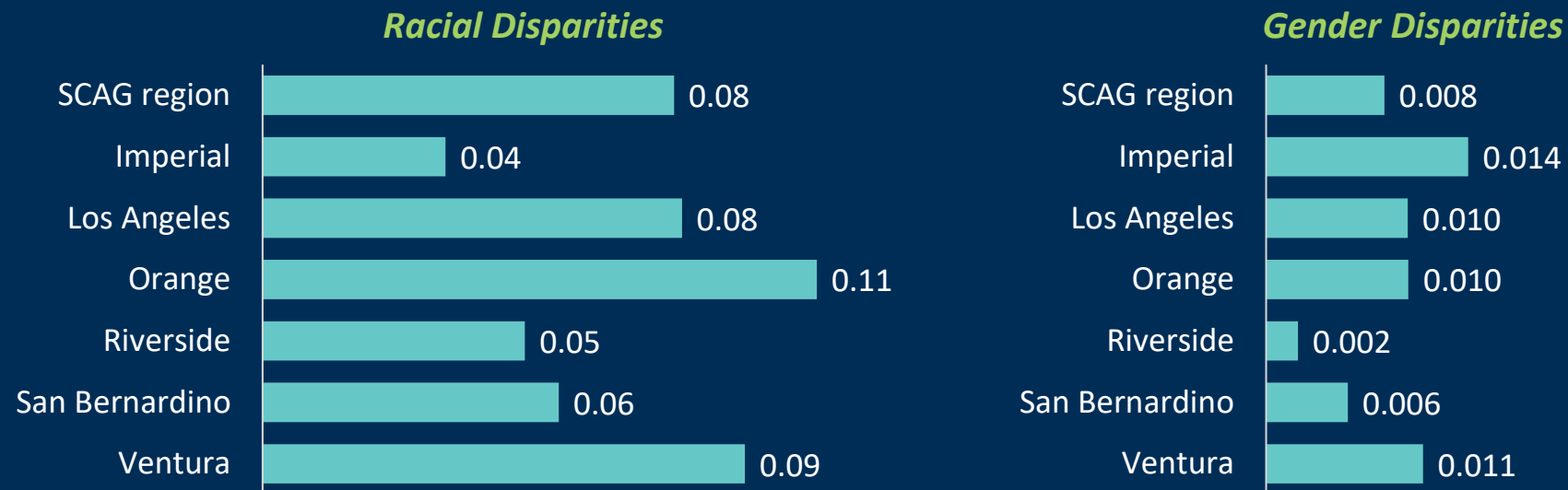
Source: ACS via iPUMS

DATA RECOMMENDATIONS – PART 2

Visualization is Key

Hoover index measure of disparity.

Racial and gender disparities in homeownership, SCAG region



Source: Calculations based on ACS via iPUMS

NARRATIVE AND ACTION RECOMMENDATIONS

Need regional and county narratives that are

- **More accurate** – Updated with new economic, demographic realities.
- **More inclusive** – Whose stories are elevated?
- **More aspirational** – Themes of resilience, sustainability, equity.

Need intentional, strategic, and enduring actions for

- Equitable education and workforce training.
- Equitable access to healthy communities (housing, air quality).
- Equitable access to lending, entrepreneurship support.

CSI'S "READY TO RISE" FRAMEWORK, INDICATORS CAN HELP

Concept	Definition	Indicators
Readiness	Measurement of a community's workforce and infrastructural readiness, with respect to receiving new investments and completing projects in a timely manner.	Capacity and availability of workforce and supportive infrastructure
Resilience	The interconnected nature of system assets and processes, and how they can absorb, recover from, and continue, after some sort of a shock.	Flexibility, adaptability, agility, self-sufficiency, agency
Inclusion	The extent that communities are recognized and meaningfully included in decisions, plans, programs, and projects.	Breadth, depth, and stage of inclusion
Sustainability	The conditions that promote individual and community health and well-being, through improvements in environment, quality of life, and economic stability.	Improvements in environment (natural and built), quality of life, wages and benefits, consistency and diversity of funding
Equity	Extent to which investments, policies, and practices intentionally focus on improving outcomes among historically marginalized populations, and whether outcomes actually improve for those populations.	Inclusion of the following categories in the design/intentional action as well as measurable outcomes: geography, race, gender, sexual orientation, immigrant status, disability status, youth status, and other social categories meaningful to the project or program context

Source: "Our Salton Sea" report, Center for Social Innovation, UCR

SCAG REGIONAL BRIEFING BOOK



 @SCAGmpo

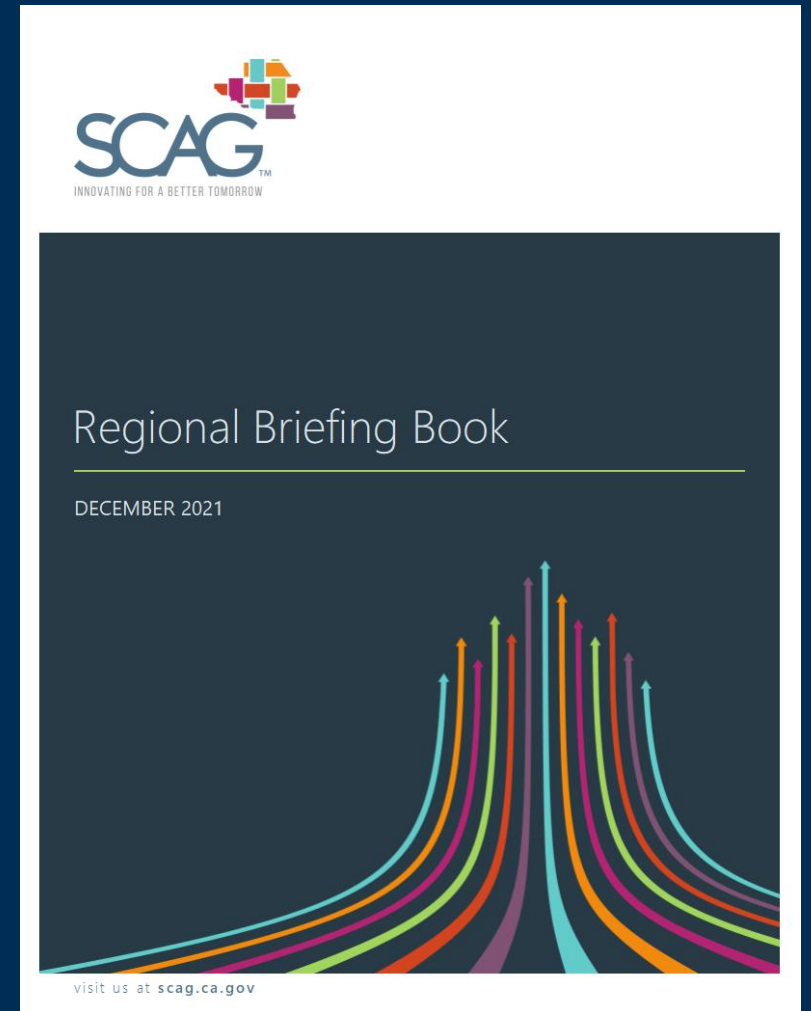
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REGIONAL BRIEFING BOOK (2021)

- Available from the SCAG website at: scag.ca.gov/economicsummit.
- Provides an overview of regional and county economies.
- Recommendations for equity in Connect SoCal.
- Research on what drives “good” jobs?



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Thank you!

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