

REGIONAL INTELLIGENCE REPORT



Prepared by Beacon Economics, LLC



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United States

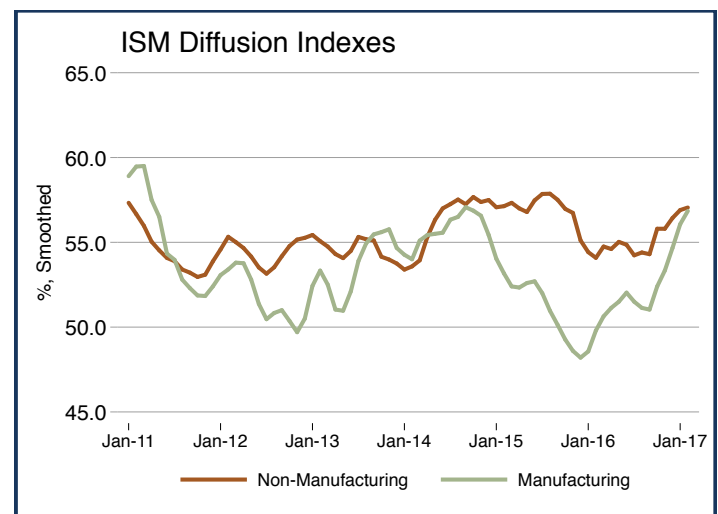
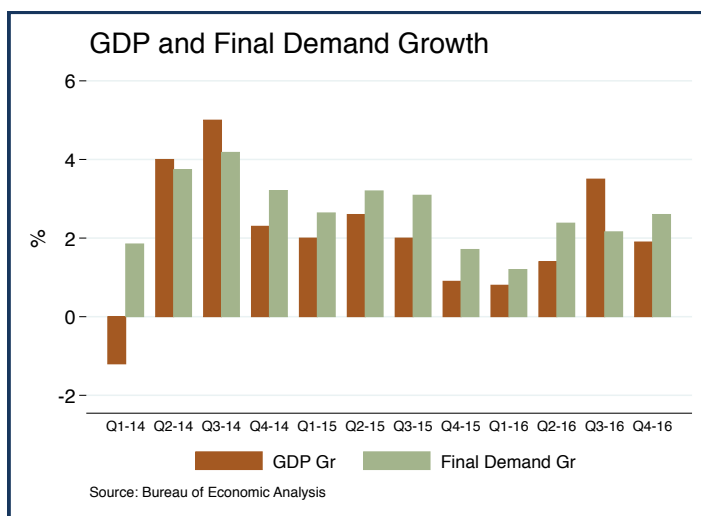
The Unknown Unknowns

As the first quarter of 2017 comes to a close, two distinctly opposing trends have formed in terms of the U.S. economy's outlook for the year. On one hand, the nation's economy is clearly picking up momentum after a year of slow growth in 2016. On the other hand, the policy uncertainties created by the surprise election of Donald Trump to the presidency have only become worse as his administration moves into its third month.

President Trump's first major agenda items—travel bans and health insurance reform—have become mired in political and legal battles. The net result is that while Beacon Economics' point estimate for growth in 2017 has increased marginally, to slightly less than 2.5% growth for the year, the range of variance around this estimate is also widening. In other words, uncertainty is the biggest issue the nation is dealing with.

first quarter of this year—perhaps as low as 1% given the current reading. But these top line numbers belie growing momentum in the economy. The fourth quarter growth rate was pushed down by a very large jump in the nation's trade deficit, yet in contrast, domestic demand (driven by increases in consumer, business, and government spending) grew at a 2.6% pace of growth—the best since the third quarter of 2015.

As for the weak first quarter of 2017, this is a data pattern that had been seen continuously since 2010, with first quarters averaging 1% growth, while the final three quarters of each year averaging 2.5%. Why the seasonal adjustment process has not ironed out this persistent pattern is difficult to say.



Taking a look at current economic trends, U.S. economic growth in the last quarter of 2016 came in at a weaker than expected 1.9% and may be even lower for the

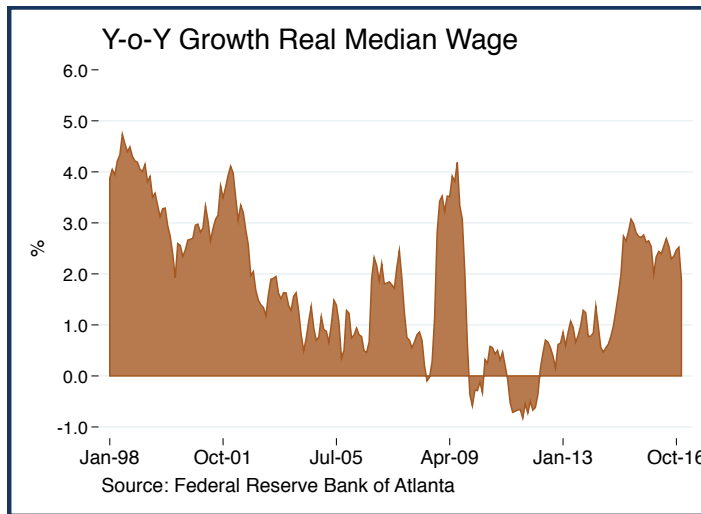
Beyond overall GDP growth, plenty of other economic indicators show that the U.S. economy is gathering momentum. Industrial production estimates from the Federal Reserve have been rising since last fall, while the ISM indexes for both manufacturing and services continue to rise.

These improved outcomes are being driven by an international economy that has returned to a growth track with better than expected numbers coming from many corners of the globe including Europe, China, and Japan, all which beat expectations for growth. U.S. exports have expanded accordingly, despite the rising value of the US dollar. The oil slump is also reversing itself. New well construction is rising again and oil production is back to over 9 million barrels per day.

These gains are reflected in increased business investment and rising corporate profits. And it isn't just business experiencing better times. Also significant is the nation's increasingly tight labor market. The headline U.S. unemployment rate is well below 5%, even as job openings remain close to an all-time high level. Consumer spending and credit expansion continues to move forward at a sustainable pace, helping to smooth out some of the bumps created by a volatile global economy. The net result has been an increase in wages as well as a sharp acceleration in labor force growth with workforce participation rates starting to climb again.



In other words, President Trump has had the good fortune of inheriting the strongest U.S. economy in the last decade. Unfortunately, Candidate Trump ran on a platform that did not emphasize the nation's economic strength, but its profound weakness. From trade to regulations to immigration to taxes, Trump created straw men to blame for problems that don't actually exist in the U.S. economy. He has proposed sweeping changes—most of which, by definition, cannot deliver the promised positive effects given the fact that the economy is not suffering in the way he has suggested.



The primary impacts from the Trump administration's proposed policy shifts will largely be confined to what economists refer to as the "law of unintended consequences." One example is the Federal budget. President Trump is proposing broad tax cuts for corporations and individuals, without any major cuts in revenues. Implicit in this proposal is the idea that a surge in economic growth combined with a reduction in wasteful spending and some tax deductions will make these actions largely revenue neutral.

Of course, the entire conversation has aggressively steered clear of the political minefield known as Federal entitlements, all of which are about to see a rapid acceleration in spending growth due to the Baby Boomer generation moving into retirement. By Beacon Economics' internal calculations, without making any change to tax policies, Medicare by itself will rise from 18% of current revenues to over 40% in 2035.

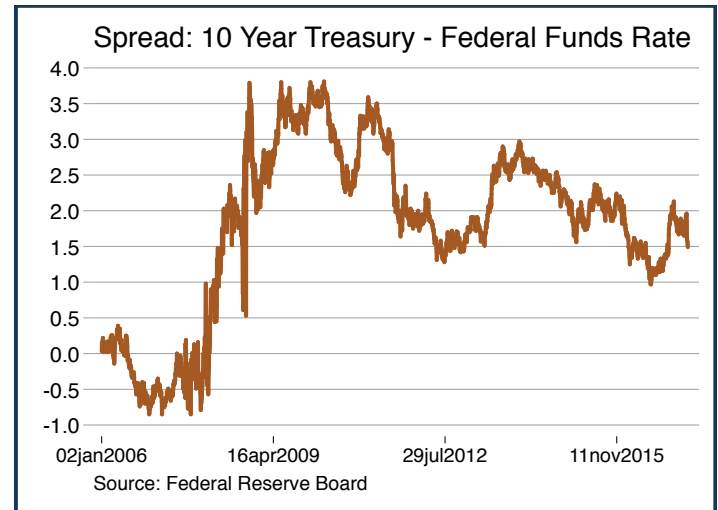
Realistically, the outlook for the U.S. deficit is grim regardless of any budget changes by the Trump administration unless the nation is willing to face these very real issues, something that is highly unlikely in today's political environment where even basic decisions such as raising the debt ceiling have become hyper-partisan. Similar arguments can be made around other hot policy items on the Presidential agenda, including trade and immigration.

If Beacon Economics believed President Trump would succeed in enacting his policy priorities, we might have better clarity on economic outcomes, for better or worse. But given that the administration's first three major policy initiatives on travel, health insurance, and the budget have all been stymied by the courts or infighting within the Republican party, it has become harder and harder to predict how policy in the United States will actually change – and what it may mean for economic growth.

Uncertainty about the direction of the nation seems to fly in the face of the stock market's ongoing rally. But then again, the stock market is strikingly incompetent in recognizing vague threats. Remember that it wasn't until the failure of Lehman Brothers—during the third quarter of the year-and-a-half-long 'Great Recession'—that the markets finally tanked. The market's focus is exclusively on profits and the potential for corporate tax cuts. Wall Street may only start to worry if Trump's tax cut proposals look less likely to succeed, a valid concern given the ongoing failures of his administration. Add to this clear signs of infighting among the President's team of advisors, deepening conflict of interest issues, and falling approval ratings, and it is little wonder that UK odds makers are now suggesting the chance of Trump making it through his first term is only slightly over 50%.

Then there is the Federal Reserve. The Fed has now raised rates three times in the last 6 months—a very sharp pace. The justification for the increases has been typical—that a full labor market implies a need to back off the stimulus before creating inflation. But such a concern is of limited value in today's economy. First, inflation is still low by historical standards and money supply growth is also constrained (hard to see any nascent issues here).

Second the Philips curve (the inverse relationship between inflation and unemployment) is hardly existent in a low inflation world. Lastly, the Fed typically chases a rise in the 10-year bond rate—responding to a steepening yield curve. The current move keeps the spread at well below 2 percentage points—very low from a long-term standpoint and even low relative to the spreads since seen the start of the Great Recession.



Trying to ascertain what is on the minds of people at the Federal Reserve Banks is impossible during the best of times. Are they really concerned about inflation? Or are they more concerned about the potential of a new Trump driven bubble? Or is there some other motivation—such as heading off an effort by Congress to take control of the Federal Reserve after years of complaints about the Fed's loose monetary policy (even though those complaints have no basis). We don't really know so it is difficult to say just how far the Fed will go in flattening the yield curve.

All this mystery only adds to the overall confusion about where the economy is headed next. If there were a well-defined policy direction from the Trump administration or the Federal Reserve, even if the policies were unwise, it would allow for some clarity on the direction of the economy. But the chaos within this administration leaves us, as forecasters, with little idea as to what might actually occur. As we move through the year, beware the unknown unknowns.

California

Slower Growth Ahead

California has good reason to be concerned about the disruptive political environment that has characterized President Donald Trump's first two months in office. With a large foreign-born population (foreign-born residents made up more than one-quarter of California's population in 2015, compared to 13% for the United States as a whole) and a significant amount of the nation's trade passing through its ports and over its borders, the state economy is hard-wired to the rest of the world. The Administration's desire to enact a travel ban along with its hardline positions on trade have significant implications for many parts of the California economy. So it's little surprise to see California government officials and business leaders challenging the Administration on these issues and other policy fronts such as environmental regulation and infrastructure investment. State leaders have their work cut out for them as they try to ensure decisions from Washington neither trip up the California economy, nor work against its businesses and residents.

The California economy generally tracked the national economy as it advanced throughout 2016. The state's unemployment rate fell to its lowest in 10 years at 5.1% in January 2017, marginally higher than the U.S. rate. California's real Gross Domestic Product in the third quarter of 2016 (latest available data) grew 3.3% over the prior quarter in annualized terms, approximately on par with the nation's 3.5% rate in that period. For all of 2016, the pace of economic growth in both California and the U.S. was slower than in 2015. Meanwhile, California continues to get significant contributions from the tech sector, which accounted for 30% of the state's economic growth in the third quarter. Two other sectors, Transportation and Logistics and Finance and Insurance each accounted for 14%, and Durable Goods Manufacturing accounted for 12%.

The state has continued to experience steady but somewhat slower job growth as it has entered 2017. Wage and salary jobs rose by 2.0% year-over-year in January 2017, considerably lower than the 3.2% growth rate a year earlier. In the private sector, Health Care made the largest contribution, followed by Leisure and Hospitality, Professional Services, and Information. The Government sector also saw a significant gain mostly due to hiring by local school districts. These five sectors accounted for two-thirds of the 330,500 jobs added during the period. Private Education, Information Health Care, and Logistics experienced the largest percentage gains, while job losses occurred in Manufacturing (4,800 jobs or 0.4%) and Administrative Support (400 jobs or less than 0.1%). Having finished 2016 with the highest annual employment on record despite the drought and the strong dollar, Agriculture posted an impressive 2.4% yearly job gain in January 2017.

Table 1 - Industry Employment for California (jobs in thousands)

Industry	Jan-16	Jan-17	Yr-to-Yr	YTY % Change
NR/Construction	787.9	800.4	12.5	1.6%
Manufacturing	1,309.3	1,304.5	-4.8	-0.4%
Wholesale Trade	719.4	732.2	12.8	1.8%
Retail Trade	1,671.1	1,680.1	9.0	0.5%
Logistics	572.1	589.7	17.6	3.1%
Information	511.8	531.7	19.9	3.9%
Financial Activities	814.6	833.2	18.6	2.3%
Prof Sci Tech	1,206.2	1,239.0	32.8	2.7%
Management	224.9	227.2	2.3	1.0%
Admin Support	1,089.7	1,089.3	-0.4	0.0%
Education	350.0	364.1	14.1	4.0%
Health Care	2,147.7	2,226.2	78.5	3.7%
Leisure and Hospitality	1,874.6	1,917.9	43.3	2.3%
Other Services	550.4	564.9	14.5	2.6%
Government	2,486.8	2,546.5	59.7	2.4%
Total Nonfarm	16,317.1	16,647.6	330.5	2.0%

Source: EDD Compiled by Beacon Economics

Regionally, virtually all the metro areas of the state saw yearly job gains in January 2017. Among the MSAs with more than 100,000 jobs, the Modesto MSA led the way with a 3.6% increase from January 2016 to January 2017, followed by the Inland Empire, the Fresno MSA, and the Oakland MSA. As usual, Los Angeles County led in terms of absolute job gains adding 84,500 jobs.

Housing Outlook Mixed

The picture for California housing continues to be mixed. In general, prices have advanced modestly despite hurdles that have limited sales activity. Outside of the San Francisco Bay Area, home prices have yet to surpass their pre-recession peaks. Demand for homes has been sustained by low interest rates but has also been impeded by limited inventories, high underwriting standards, and large down payment requirements. On the supply side, existing home sales have been well below their long run averages, while new home construction has been relatively weak since the recession. Meanwhile, with the homeownership rate at its lowest level in decades, high demand for rental units has driven rents up and rental vacancy rates down.

Table 2-High Rents Across California's Metro Areas

Location	Annual Wages (\$)	Monthly Rents	Rent as % of Wage/Mo
Santa Cruz	49,364	1,954	47
Sonoma	51,878	1,598	37
San Joaquin	45,401	1,084	29
Orange	62,666	1,799	34
Monterey	47,141	1,418	36
Tulare	39,552	878	27
Santa Barbara	53,240	1,511	34
San Bernardino	46,874	1,262	32
Riverside	45,622	1,262	33
Contra Costa	67,516	2,112	38
San Diego	61,233	1,669	33
San Francisco	106,151	2,932	33
Alameda	73,889	2,112	34
Fresno	42,616	915	26
Kern	45,901	957	25
Sacramento	58,979	1,178	24
Santa Clara	120,947	2,468	24

Source: QCEW, REIS, Compiled by Beacon Economics

The outlook for housing in 2017 is mixed. With growing incomes, more households will seemingly be in a position to become homeowners. However, interest rates are expected to rise, as will prices, and it appears that lenders are ratcheting up their lending requirements.

A just released Federal Reserve Bank Senior Loan Officer Survey suggests that already tight consumer credit standards have become more stringent as the economy's expansion has lengthened and raised concern in the lending community about a forthcoming slowdown. Meanwhile, the rental market will offer little relief as renters face yet another year of rent hikes, prompting concern about affordability in many communities around the state.

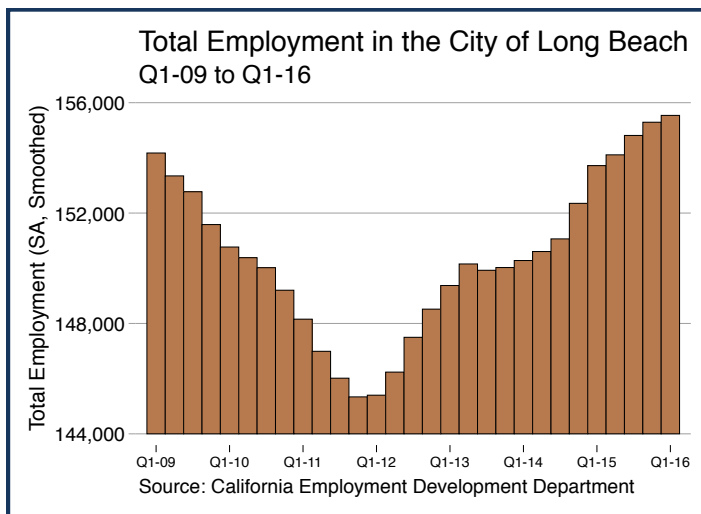
Conclusion and Statewide Policy Issues

It will take time for policy changes in D.C. to work their way through the political process. As such, California and its regions should experience continued growth in economic activity and jobs throughout 2017, with the largest contributions to employment coming from Health Care, Leisure and Hospitality, and Professional Services. Meanwhile, California must deal with its own homegrown issues. In addition to housing affordability concerns, the state must face up to long-run water problems, even though the precipitation of recent months has alleviated severe years-long drought conditions across most of the state. And as the situation at Lake Oroville has demonstrated, decades of neglected maintenance and repairs have contributed to a significant infrastructure investment deficit. The state and its regions must do more to ensure that the all-important statewide water system, which ties north to south and inland California to coastal California, will be up to the task in the future. More generally, California must find ways to address and finance its infrastructure needs in transportation and other systems to support a growing state economy in the decades ahead.

City of Long Beach

Employment

Coinciding with many other positive economic indicators in the City of Long Beach, employment continues to advance at a steady pace. From the first quarter of 2015 to the first quarter of 2016, total nonfarm employment grew by 1.2%, reaching a record high of more than 155,500 jobs. The fastest growing industries across this period were Natural Resources and Construction (5.5%), Transportation and Warehousing (3.8%), Wholesale Trade (3.6%), and Retail Trade (3.4%), which together added more than 1,300 new jobs.



Another major source of jobs for the City is the Leisure and Hospitality industry, which makes up more than 13% of total employment. From the first quarter of 2015 to the first quarter of 2016, employment in that industry increased by 2% (about 400 jobs). Better economic conditions among the City’s residents have supported increases in retail activity and dining out, each of which also received a boost from tourist and convention business.

Private sector Education and Health Care, the city’s largest industry, grew by a lean 0.4% (111 jobs) from the first quarter of 2015 to the first quarter of 2016. Although growing at a slower pace than other industries, Education and Health Care is an extremely robust part of the Long Beach economy. Most of the jobs in this industry are focused in health care, and employment should continue to increase steadily as the local and regional population ages and requires these services.

However, important changes lie ahead for the health care industry as Congress moves to alter or possibly repeal the Affordable Care Act (Obamacare). More can be said on the matter as further details are released by Washington.

The Professional, Scientific and Technical Services and Management industry, another important jobs provider in Long Beach, grew at about the same pace (1.9%) as Leisure and Hospitality, adding more than 250 jobs. These positions are often highly compensated, and firms in this industry serve to attract highly skilled workers to the city. Long Beach is trying to be a more startup-friendly city, encouraging novel business ideas like the soon-to-launch parking space rental app Pied Parker. Jobs in this sector should increase as more entrepreneurs migrate to Long Beach for its improving business-friendly environment.

City of Long Beach Industry Employment

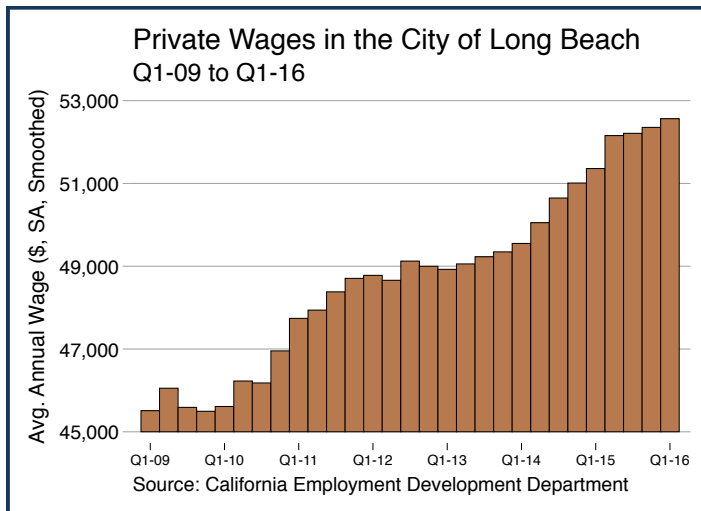
Industry	Q1-16	Level Change	YoY % Change
Retail Trade	13,873	460	3.4
Transport/Warehouse	11,317	413	3.8
Leisure & Hospitality	20,538	399	2.0
NR/Construction	5,121	266	5.5
Prof, Sci, Tech & Mgmt	13,913	259	1.9
Wholesale Trade	4,904	170	3.6
Other Services	6,749	115	1.7
Education/Health	31,870	111	0.4
Finance & Insurance	3,242	86	2.7
Real Estate	3,274	59	1.8
Information	1,502	-83	-5.2
Admin Support	8,664	-339	-3.8
Manufacturing	8,273	-1,023	-11.0
Government	21,813	662	3.1
Total	155,539	1,820	1.2

Source: California Employment Development Department

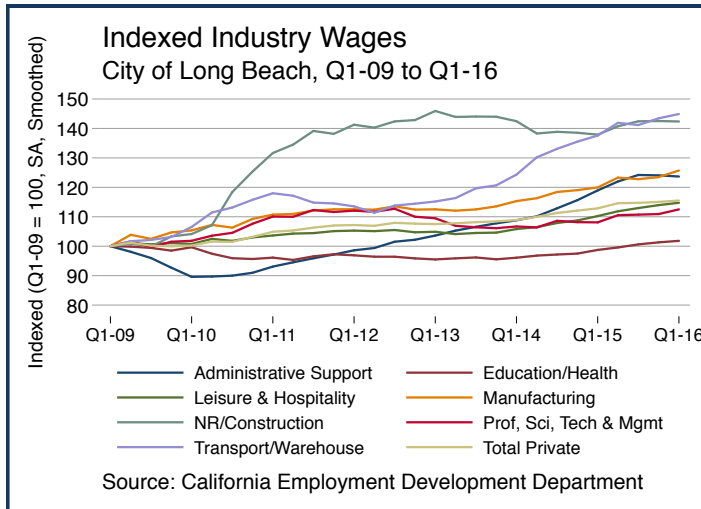
Major job losses came from the Information and Administrative Support industries, which fell 5.2% and 3.8%, respectively. Together, these losses amounted to 422 jobs from the first quarter of 2015 to the first quarter of 2016. The most significant blow to the Long Beach labor market, however, occurred in the Manufacturing industry, which lost 1,023 jobs, an 11% slide. Much of this can be traced to the remaining layoffs from Boeing’s

C-17 program, which shut down near the end of 2015 and affected some 2,200 workers.² While aerospace is the largest subsector, it is not exclusively responsible for the loss of manufacturing jobs in Long Beach. Further pressures from increased automation and international competition contributed to the industry's continuing drop in job counts.

companies nearby, the Los Angeles aerospace sector appears to be evolving into a space industry hub. With its abundance of engineering talent, Long Beach is poised to benefit greatly from this transformation.



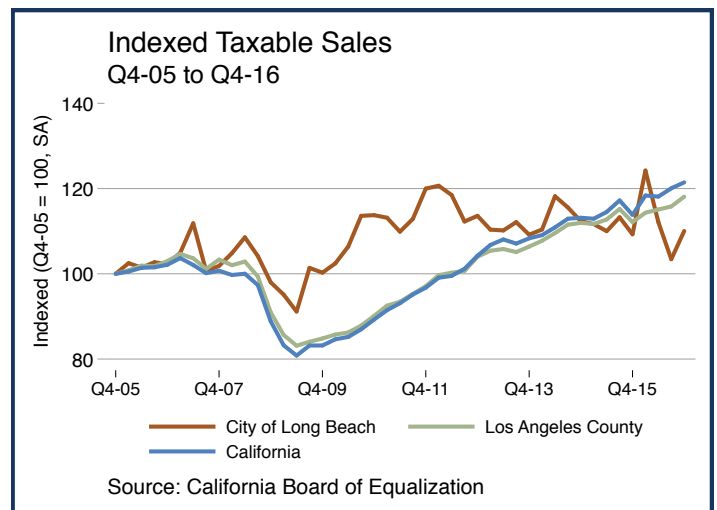
Job losses aside, wages are trending up along with the gains in the City's overall employment. From the first quarter of 2015 to the first quarter of 2016, wages in Long Beach increased 2.3%, from an average of about \$51,400 per year to nearly \$52,600 per year for private occupations. With few exceptions, wages have increased each quarter since the trough of the recession, a sign of the ongoing vigor of the local economy. Major wage gains came in the Transportation and Warehousing industry, which grew 5.3% from the first quarter of 2015 to the first quarter of 2016, to roughly \$93,600. During the same period, Administrative Support (\$38,900) and Leisure and Hospitality (\$24,600) each posted about 4% wage growth. The only industries to see wages decline across this period were Government (\$62,400) and Real Estate (\$57,200), falling 1.3% and 7.4%, respectively.



Local Spending Activity

As it does for the county and nation in general, consumer spending drives the economy of the City of Long Beach. Although spending appears to have slowed in recent quarters (taxable sales grew by just 0.7% from the fourth quarter of 2015 to the fourth quarter of 2016), the reality is that consumption remains strong in Long Beach. Smaller regions, like cities, typically have more erratic spending patterns than counties or states.

There is, however, a silver lining for the Long Beach Manufacturing industry. Virgin Galactic, which has been operating a design and manufacturing facility near the Long Beach Airport since early 2015, recently spun off its satellite launcher program, dubbed Virgin Orbit, which operates in Long Beach with 200 employees.³ With SpaceX and other space technology



²<http://www.presstelegram.com/business/20151128/last-vestige-of-boeing-workforce-signs-off-on-final-c-17-made-in-long-beach>
³<http://www.presstelegram.com/business/20170302/virgin-galactic-launches-new-company-at-its-long-beach-plant>

What’s more fundamental is the direction in which Long Beach’s spending is trending in the long run—and this is certainly positive. Although the estimates are subject to revision because of reporting lags, taxable sales for all of 2016 totaled nearly \$5.1 billion, representing a 1.3% increase from 2015.

Tax Receipts by Category, Los Angeles County

Industry	Q3-16 (\$ Millions)	YoY Chg (%) Q3-15 to Q3-16	
		Los Angeles County	CA
Restaurants and Hotels	59.8	6.8	5.3
Autos and Transportation	63.7	3.6	5.3
Building and Construction	26.4	1.9	2.8
General Consumer Goods	90.7	1.3	0.6
Food and Drugs	21.2	0.6	0.7
Business and Industry	45.8	-8.0	-2.0
Fuel and Service Stations	28.3	-17.1	-15.0
Total	385.2	0.7	1.8

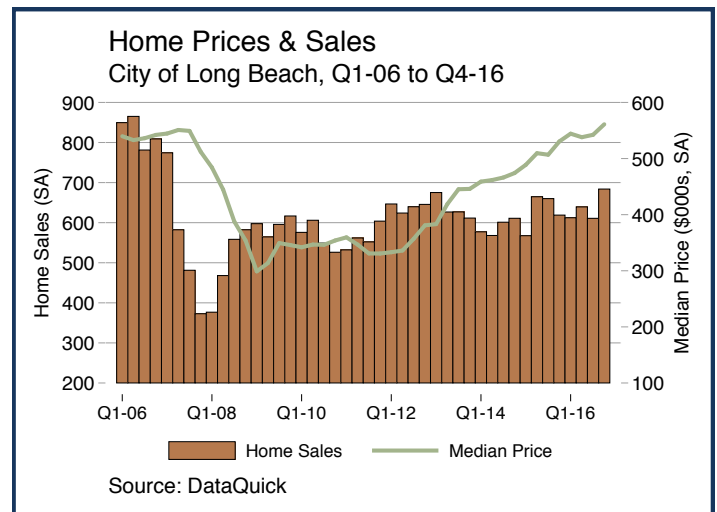
With wages going up and more people entering the labor market in Long Beach, consumers and businesses are spending more. This falls in line with trends throughout the county and state. Looking at the various spending categories for tax receipts in Los Angeles County, it is clear that consumers spent more on leisurely activities and durable goods—signs of increased confidence in the economy. From the third quarter of 2015 to the third quarter of 2016, tax receipts in the Restaurants and Hotels category increased 6.8%, while tax receipts in the Autos and Transportation category increased by 3.6%. Although gas prices have been creeping up recently, they were quite low during this period and allowed people to spend less at the pump (Fuel and Service Stations plummeted 17.1%) and more on other things. While tax receipts for businesses posted an 8% decline across this period, increased spending in the Building and Construction category (1.9%) reflected an interest in continued expansion among Long Beach businesses.

In June 2016, voters in the City of Long Beach passed Measure A, which increases the local sales tax by 1% for the next six years and 0.5% for the next four years after that.⁴ The revenue raised from this initiative

will be used to fund various infrastructure projects in Long Beach. As a result, construction employment and permitting activity in Long Beach should increase over the next few quarters. In Los Angeles County, the recently passed Measure H will increase the sales tax rate by 0.25% to help provide services for the homeless. Measure H will not affect Long Beach taxpayers, however, as legal taxation limits exempt the city until the sixth year of implementation.⁵ In any case, these tax increases are unlikely to diminish consumer spending levels in the city, so we should see sales and receipts continue their upward trajectories.

Residential Real Estate

The housing market in Long Beach continues to advance in terms of both prices and sales. From the fourth quarter of 2015 to the fourth quarter of 2016, the median home price in Long Beach increased by a solid 5.7%. This put prices at a record \$561,000 per home, finally surpassing their \$551,000 pre-recession high. Moreover, this nudged Long Beach slightly above the county, which had a median home price of \$559,000 during the same period. While high prices reflect the desirability of living in Long Beach, they also add to the affordability problem that many residents in the area face. Indeed, according to the California Association of Realtors, only 28% of households in Los Angeles County (compared to 22% in Orange County, and 31% in California overall) could afford to buy a home at the median price during the fourth quarter of 2016⁶.



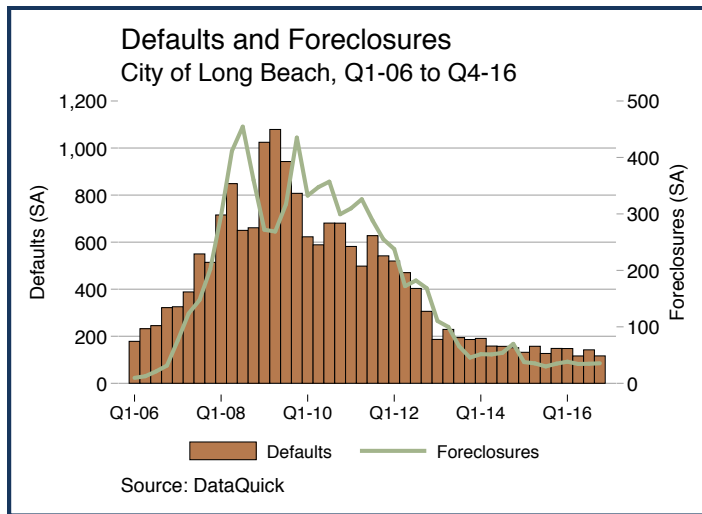
⁴<http://www.presstelegram.com/business/20170302/long-beach-kicks-off-work-on-roads-other-projects-thanks-to-new-sales-tax>

⁵<http://lbpost.com/news/politics/2000010534-sales-tax-to-fund-homeless-programs-scores-narrow-victory-on-election-night>

⁶<http://www.car.org/marketdata/data/haitraditional/?highlight=affordability>

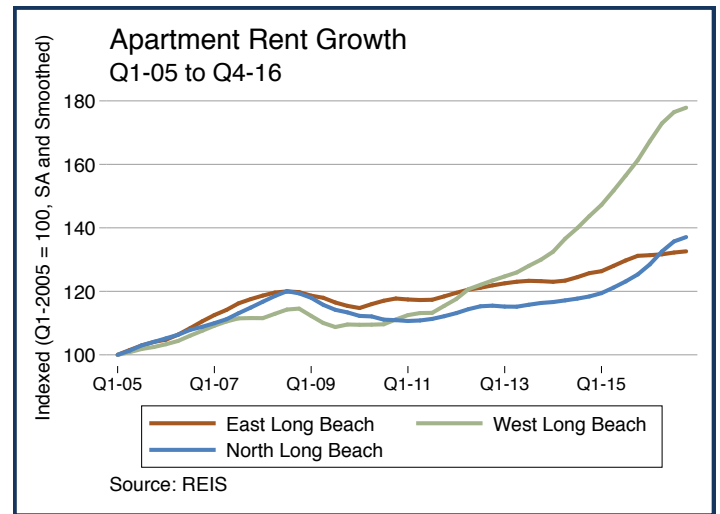
Rising prices are largely driven by a low supply of housing—an issue that has permeated the county and state in general. Reflecting this problem is the sluggish growth in sales activity. For all of 2016, annual sales of existing homes in Long Beach reached 2,550, representing a 1.4% increase from 2015. More housing units must be built in order to reign in prices and increase sales, yet permitting activity remains low. About 100 new permits were issued for single-family homes in Long Beach during 2016, which is an almost 26% decrease from 2015. This marks a third straight year of decline in single-family permitting activity for the city. The pace of permitting multi-family units, on the other hand, remained unchanged with 20 new permits issued.

Home defaults in Long Beach declined by 7.5% from 2015 to 2016, falling from a total of 564 to 522. On the other hand, foreclosures increased by 2.9% across the same period, totaling 142 for the city. The number of foreclosures in Long Beach remains about twice as high as pre-recession levels. Still, defaults and foreclosures have appeared to level off since the Great Recession, reflecting the overall health of the market.

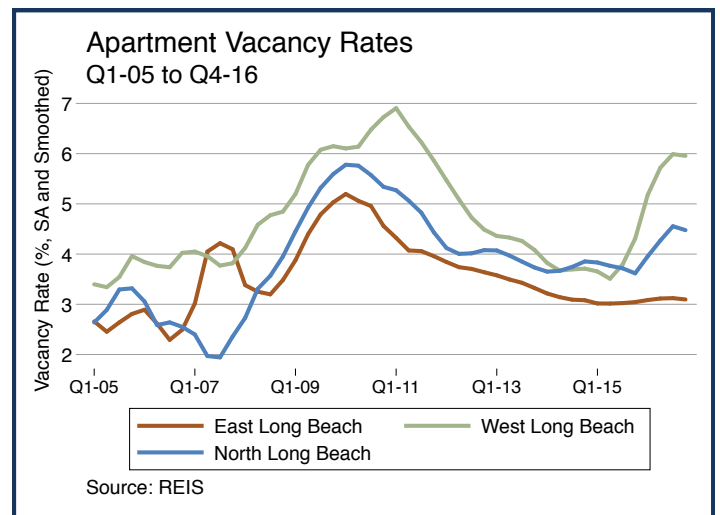


Although interest rates remain historically low, the combination of high home prices, low supply, and tough down payment and lending standards has driven many residents into the rental market. As a result, apartment rents continue to grow in all parts of the city. From the fourth quarter of 2015 to that of 2016, rents increased by 10.3% and 11% in North Long Beach (about \$1,400) and West Long Beach (about \$2,000), respectively. In

East Long Beach, rents inched up to about \$1,580 for a 0.7% annual increase.



From the fourth quarter of 2015 to the fourth quarter of 2016, apartment vacancy rates remained unchanged in East Long Beach at a low 3.0%. Vacancy rates increased, however, in both the North and West—reaching 4.3% in the former (a 0.6 percentage point increase) and 5.9% in the latter (a 1.4 percentage point increase).



In October 2016, the City of Long Beach approved a new multi-family development that will be the tallest building in downtown Long Beach, with 315 apartment units.⁷ Additionally, a 136-unit downtown residential development has been approved for construction. Although these new developments will have a

⁷<http://www.presstelegram.com/government-and-politics/20161021/long-beach-commission-approves-two-new-residential-developments-downtown>

significant positive impact on the city’s rental market, more units are needed to meet long-term demand.

Commercial Real Estate

The market for retail space in the City of Long Beach continued to improve from the fourth quarter of 2015 to the fourth quarter of 2016. During this period, retail rents increased by 1.7%, going from \$30.50 per square foot to \$31.10 per square foot. This was on par with rents in the county, which increased by 1.8% across the same period, with an average rent of \$32.00 per square foot. On the other hand, retail vacancy rates in Long Beach increased by 0.3 percentage points, reaching 6.2% in the fourth quarter of 2016, matching that of the county.



The office vacancy rate was 12.6% in the fourth quarter of 2016, a 2.3 percentage point drop from a year prior. This was the first time in three years that the office vacancy rate in Long Beach fell below the county average, which was at 13.4% during this period. Office rents increased in Long Beach by 2.1% for an average of \$29.20 per square foot. By comparison, office rents countywide averaged \$36.70 per square foot, representing a 3.4% increase from a year ago. Long Beach industrial rents, on the other hand, remained largely unchanged at \$6.80 per square foot.

New commercial construction permits in Long Beach experienced a hefty 45.7% increase from 2015 to 2016, for a total value of \$190.4 million. More than one-third of this increase came from new office and industrial

permits, which together were worth more than \$65 million. Commercial permit values should continue to increase as many new construction projects are planned for the city in the near future, including the beachfront concession stand makeover in 2018.⁸ As mentioned earlier in this report, new construction activity funded by Measure A should boost construction employment and permitting activity over the next few years.⁹

Commercial Permit Values, YTD through Q4-16

Permit Type	2016 (\$000)	Annual Change (%)
New Commercial	47,600	117.5
Office	23,400	356.9
Retail	800	-95.2
Industrial	41,900	315.7
Other Commercial	5,200	227.0
Alts/Ads	95,800	-1.5
Total Commercial	190,400	45.7

Port Activity

For 2016, imports at the Port of Long Beach totaled about \$55.6 billion in value, representing a 6% decrease from 2015, when imports were valued at \$59.1 billion, according to data from WISERTrade. On the other hand, exports grew at a solid 5.5% from 2015 to 2016, valued at \$32.5 billion. For both imports and exports, China remained the top trading partner by a wide margin, with \$36.1 billion in imports and \$9 billion in exports. Other top export partners included Australia (\$4.3 billion) and Korea (\$3.1 billion). Aside from China, other top import partners were Japan (\$3.3 billion), Korea (\$2.6 billion), and Vietnam (\$2.9 billion).

For a total trade value of \$3.9 billion, Industrial Machinery and Computers remained the top export, though this represents an 11.3% decrease in value from 2015. Other top exports were Vehicles valued at \$3.7 billion (31.7% increase), Plastics valued at \$2.3 billion (21.3% increase) and Electric Machinery

⁸<http://lbpost.com/business/development/2000010467-latest-designs-for-long-beach-waterfront-concessions-project-reveals-state-of-the-art-amenities>

⁹<http://www.longbeach.gov/citymanager/measure-a/>

valued at \$1.5 billion (2.9% decrease). Top imports were Industrial Machinery and Computers, decreasing 11.4% for a total value of \$11 billion, Electric Machinery (3.8% decrease, or \$10.4 billion), and Furniture (9% decrease, or \$3.6 billion).

The latest data available from the Port of Long Beach show a decrease of 15.6% in loaded inbound 20-foot equivalent units (TEUs) from February 2016 to February 2017 and a 2.6% decline in loaded outbound containers.¹⁰ Most of the decrease was related to the Lunar New Year, a Chinese holiday that prompts many businesses to shut down for the week.¹¹ As a result, trade typically slows between the U.S. and China around this time of year.

As the U.S. economy continues to expand, imports should, too. American consumers have more disposable income than in recent years, and demand for more merchandise from abroad will increase in the coming months and years. As a result, retail sales should go up along with hiring in the sectors that are tied to trade, namely Warehousing and Logistics.

¹⁰http://polb.com/economics/stats/latest_teus.asp

¹¹<https://www.ajot.com/news/port-of-long-beach-cargo-declines-during-lunar-new-year>



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