



CALIFORNIA STATE UNIVERSITY
LONG BEACH

Department of Economics

Don't Panic Yet!

Economic Outlook

LBEP Accelerate Long Beach 2022-23

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Outline

U.S. Economy

California Economy

Long Beach and Southern California Economies

Housing

Conclusion

Main Takeaways

Mixed U.S. signals, recession unlikely in next 12 months

Fed *could* trigger recession if overtightens

Inflation likely will return to low single digits in 2023

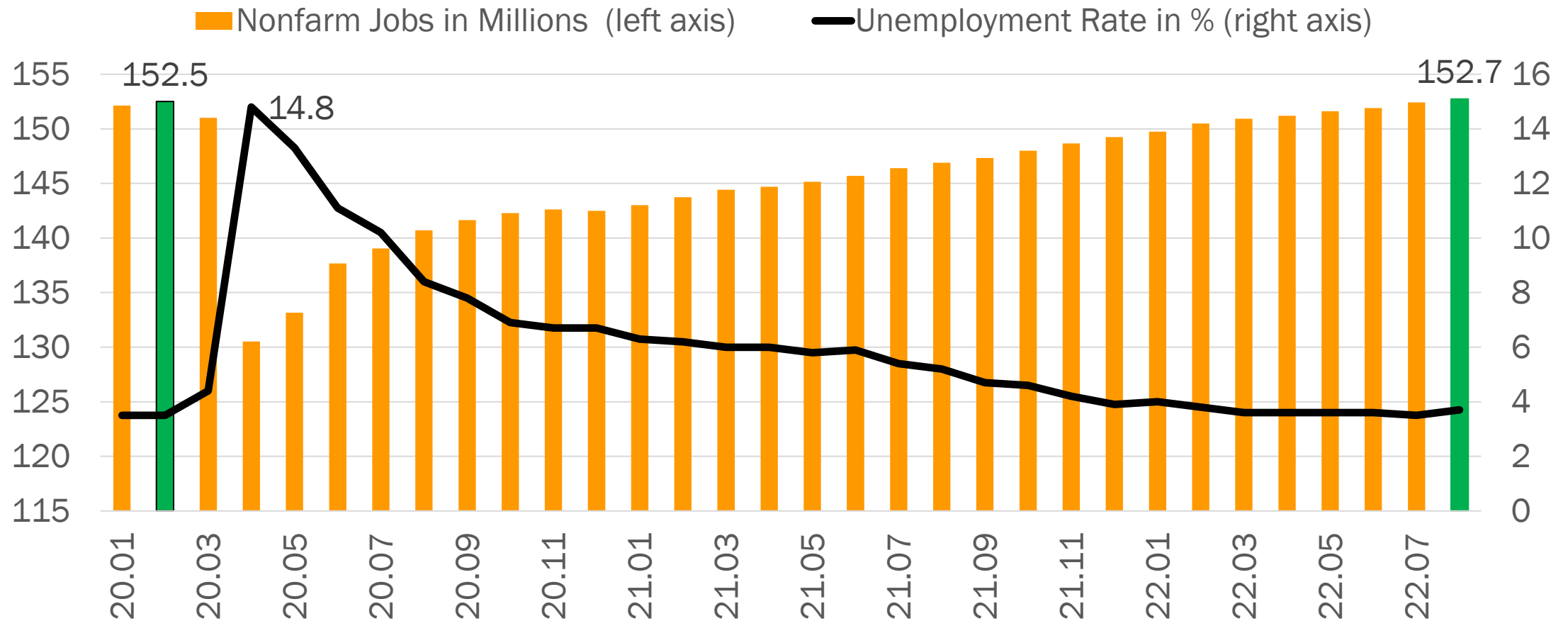
California has challenges but remains the national leader among states (5th largest global economy)

Long Beach capitalize on logistics, tourism, aerospace, and healthcare. Opportunities in prof, sci/tech, and financial services.

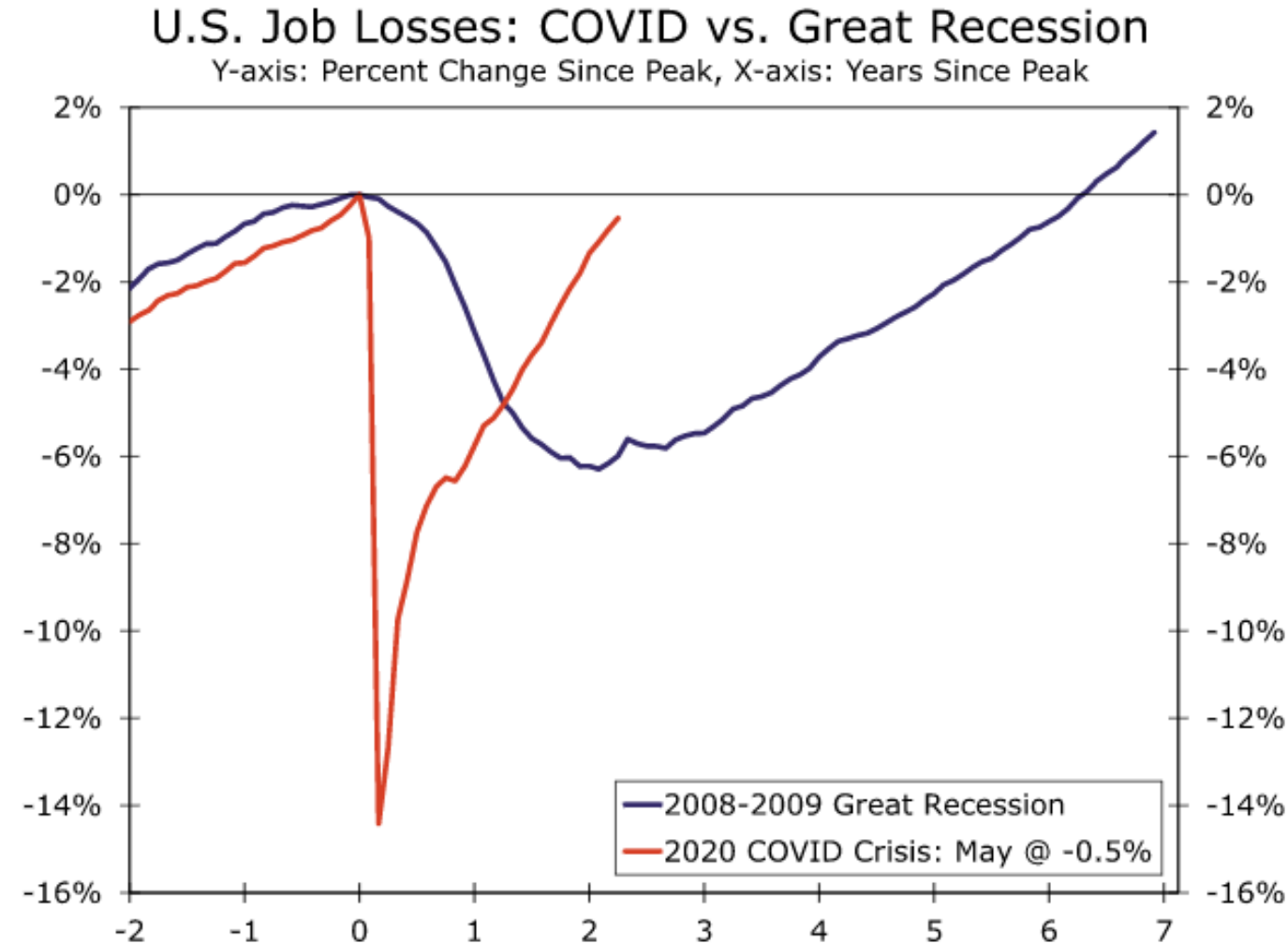
Take an international vacation while dollar is strong

U.S. Economy: From Recovery to Expansion to ???

Unemployment in Pre-Pandemic Range (3.7%), Pandemic Job Losses Recovered

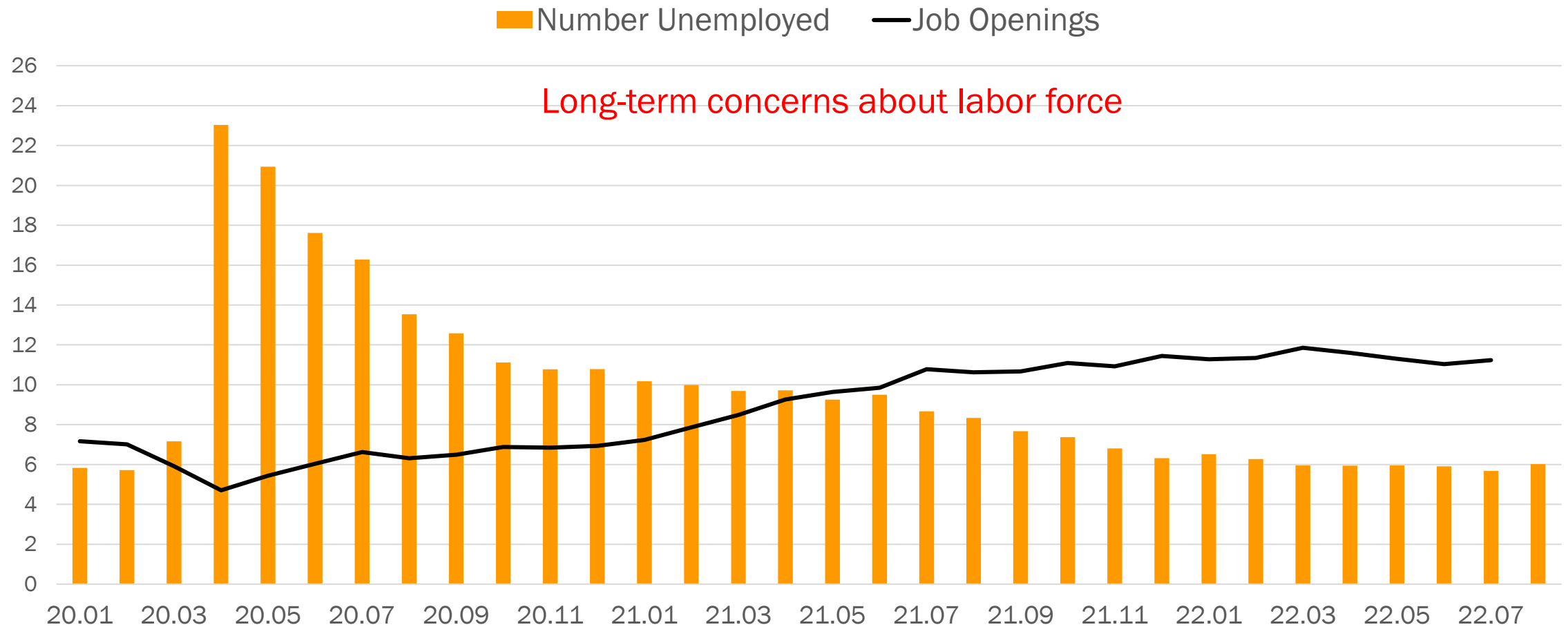


COVID Recovery Faster than Great Recession Recovery!

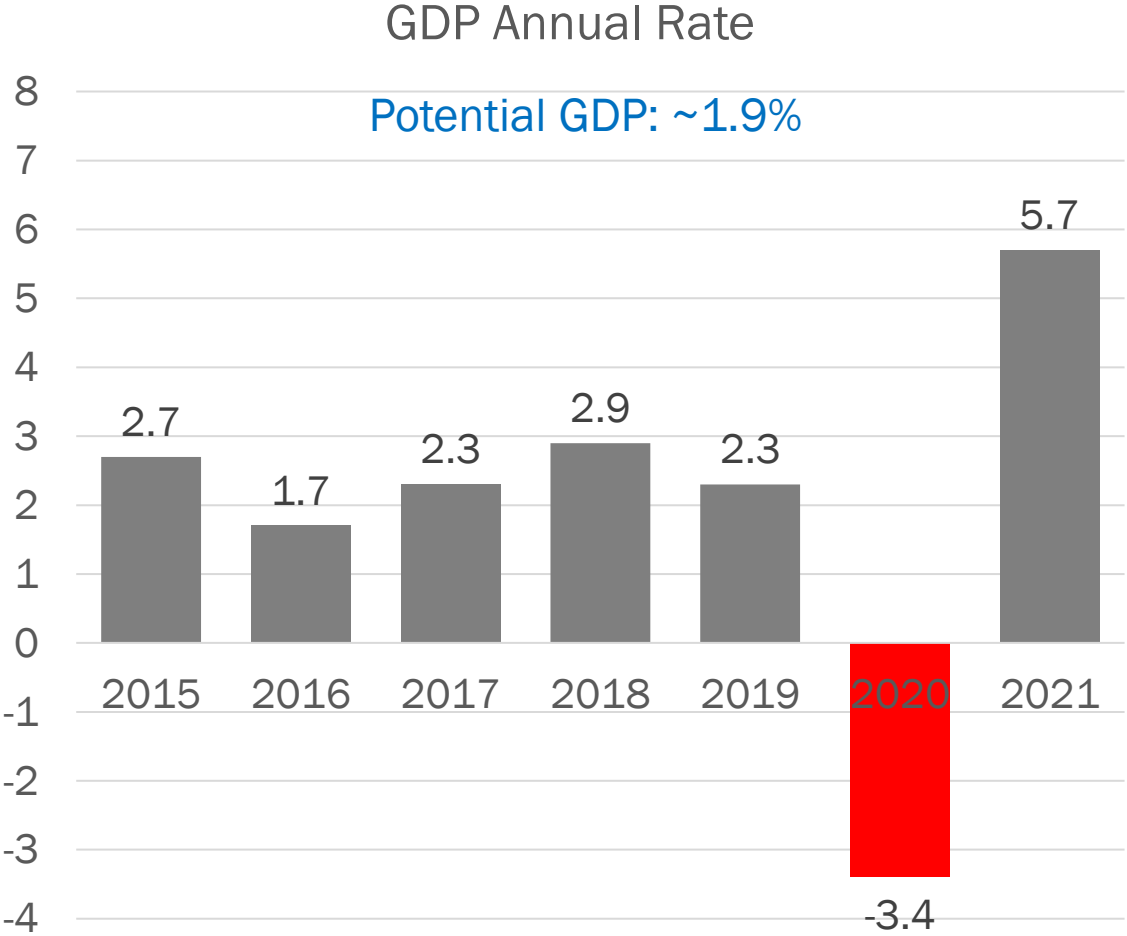
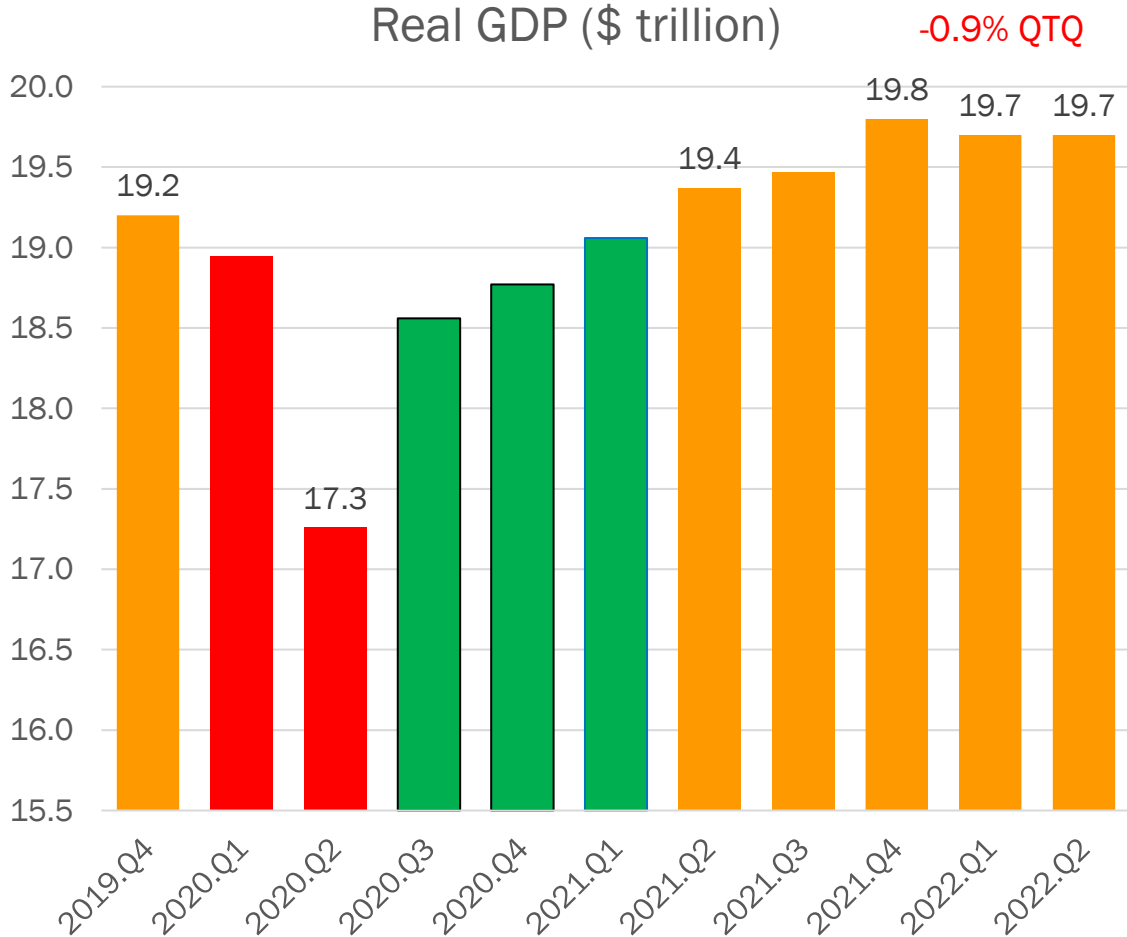


Source: U.S. Department of Labor and Wells Fargo Economics

Job Openings Exceed Unemployed, Now Down to Pre-Pandemic Level (millions)



GDP: 2021 Fastest Since 1984, Slower in 2022-23



Components of GDP

Consumer Spending

- 2/3 of economy
- HH finances look good

Business Investment Spending

- Increases in Equipment and Intellectual Property
- Nonresidential Structures flat

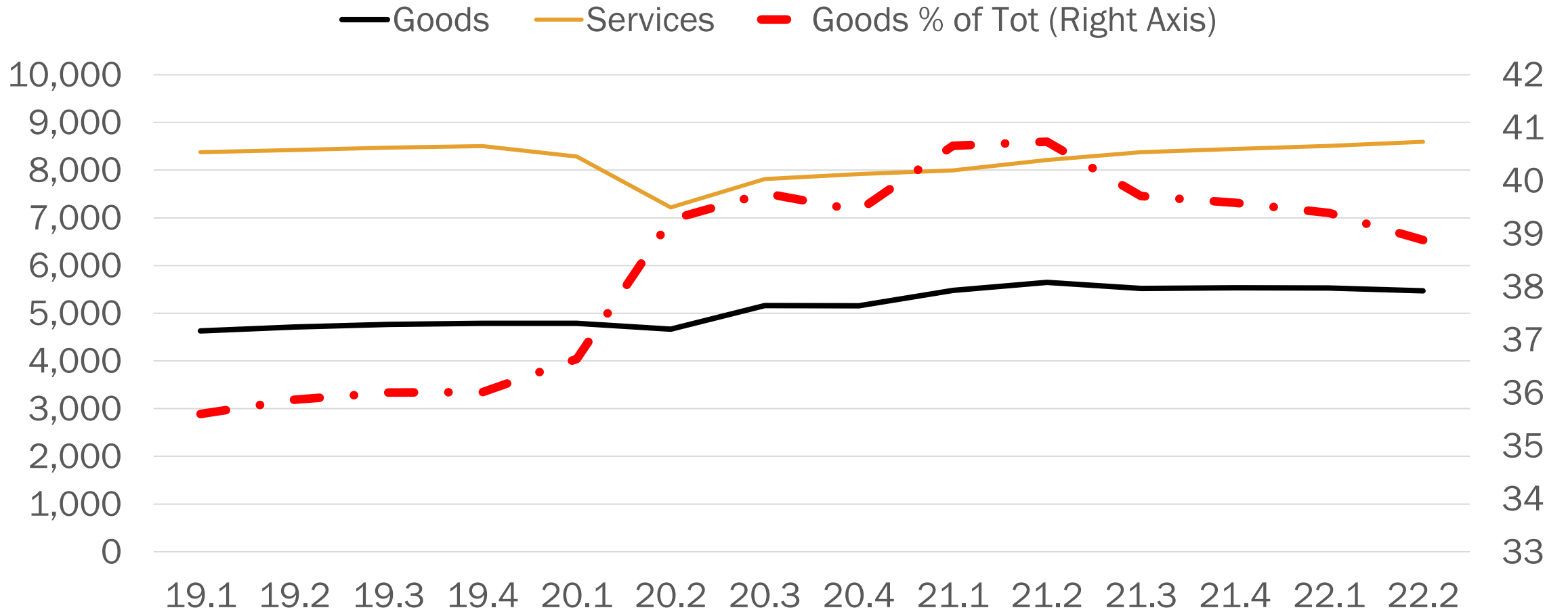
Government Spending

- Federal budget deficit improving
 - 2020-21: ~\$3T
 - 2022: ~\$1T (4% of GDP)
- State and local surpluses

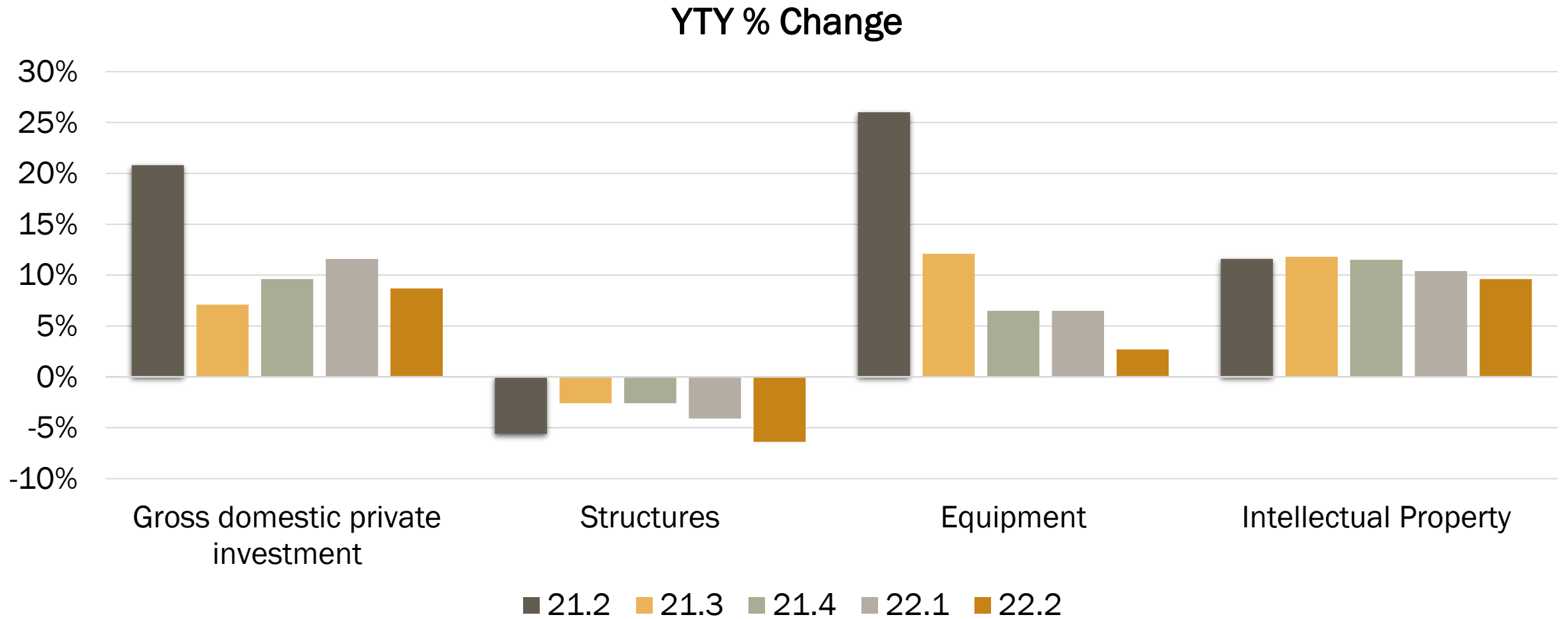
International Trade

- Typical pattern: imports recover before exports
- Exports slowed by strong dollar
- 3-to-2 ratio of imports to exports

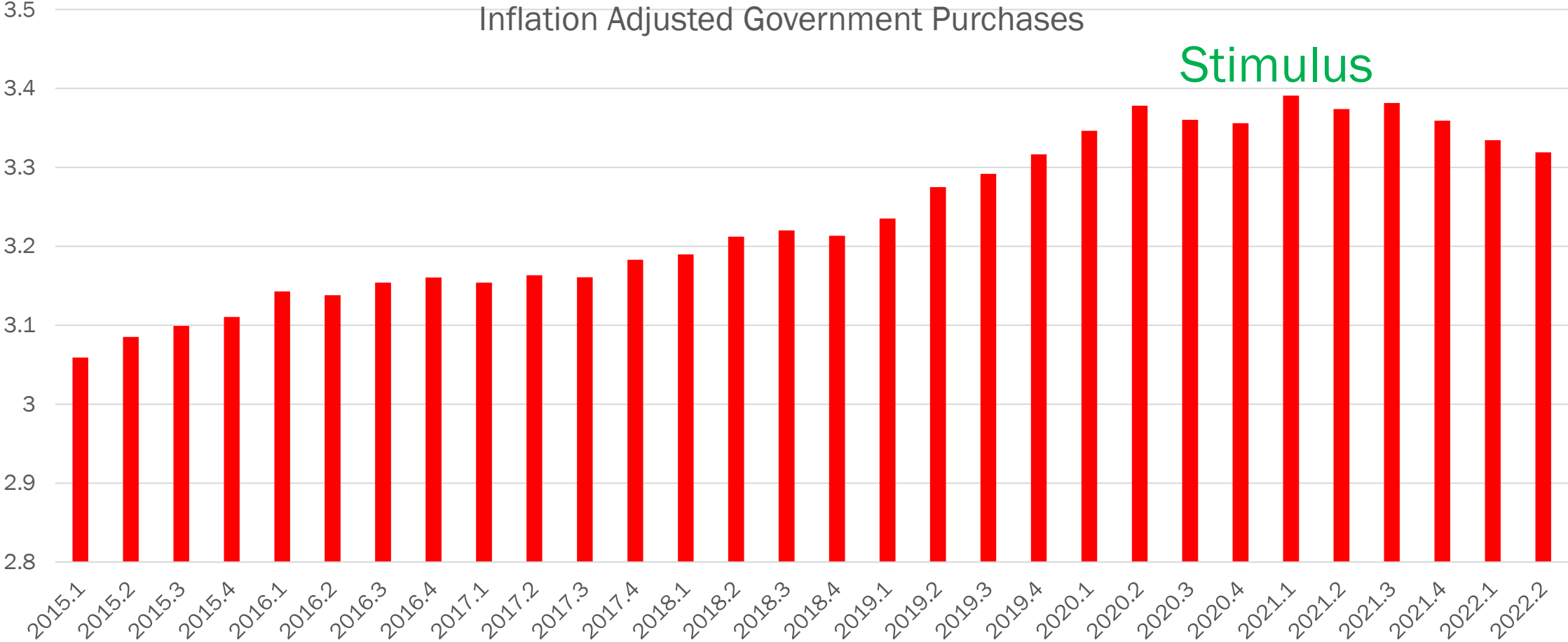
Real Consumer Spending – Changes in mix of goods and services (\$ in Billions)



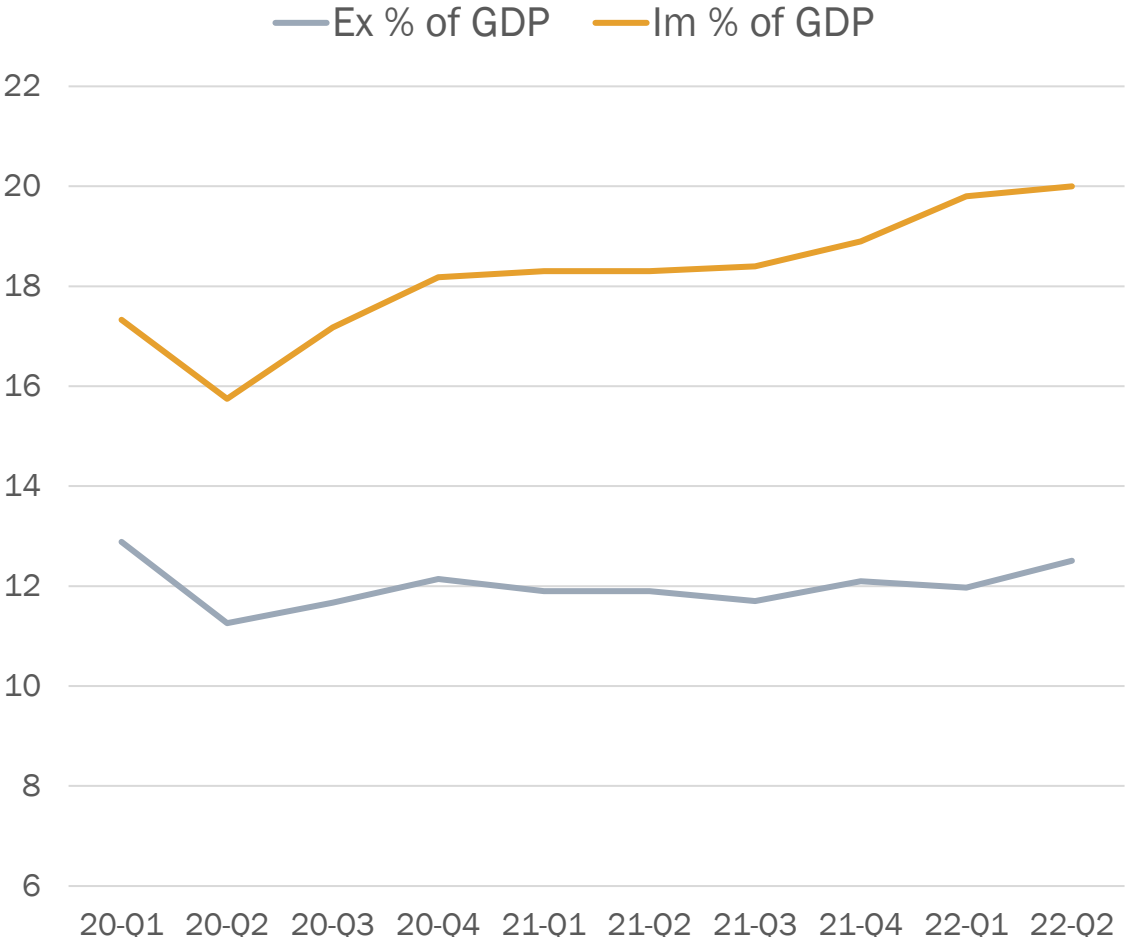
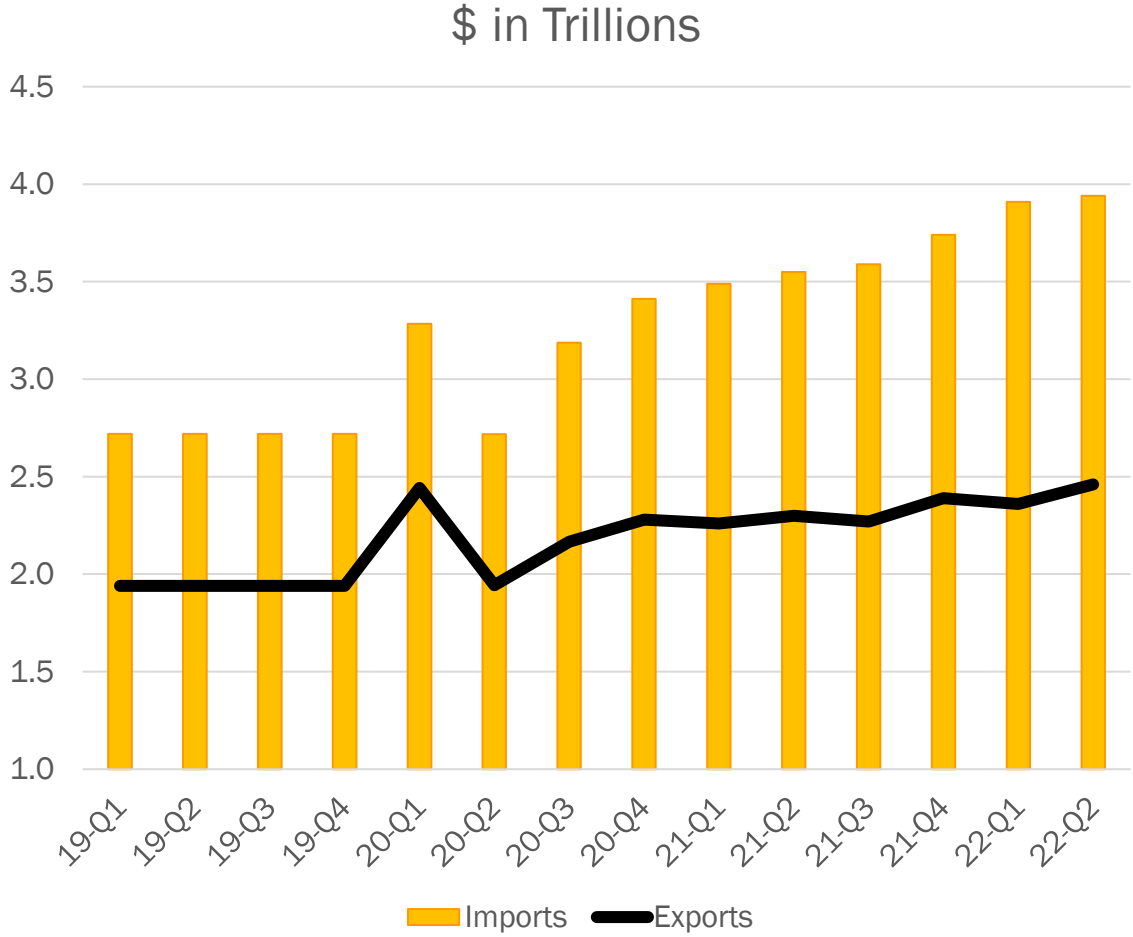
Business Spending: IP Strong, Equipment Modest



Government Purchases Falling Post-Stimulus



International Trade: Imports Strong, Exports Struggle



Drag on the Economy

Government Spending

- \$ 2.8 to \$3.3T budget deficits during pandemic
- Pull back to \$1T
- Contracting for a good reason

International Trade

- Rising US interest rates → stronger dollar
 - Imports cheaper
 - Exports pricier

GDP vs Gross Domestic Income (GDI)

GDP: Market value of goods and services produced in domestic economy over a given period of time.

GDI: Earnings generated in course of producing GDP

Two Sides of Same Coin

- GDI: +1.8% QTQ in Q1-22
- GDP: - 1.6% QTQ

Why different?

- International Trade: Exports add to GDP, Imports subtract from GDP
- Govt Spending: Contributing less to economy now compared to 2020-21

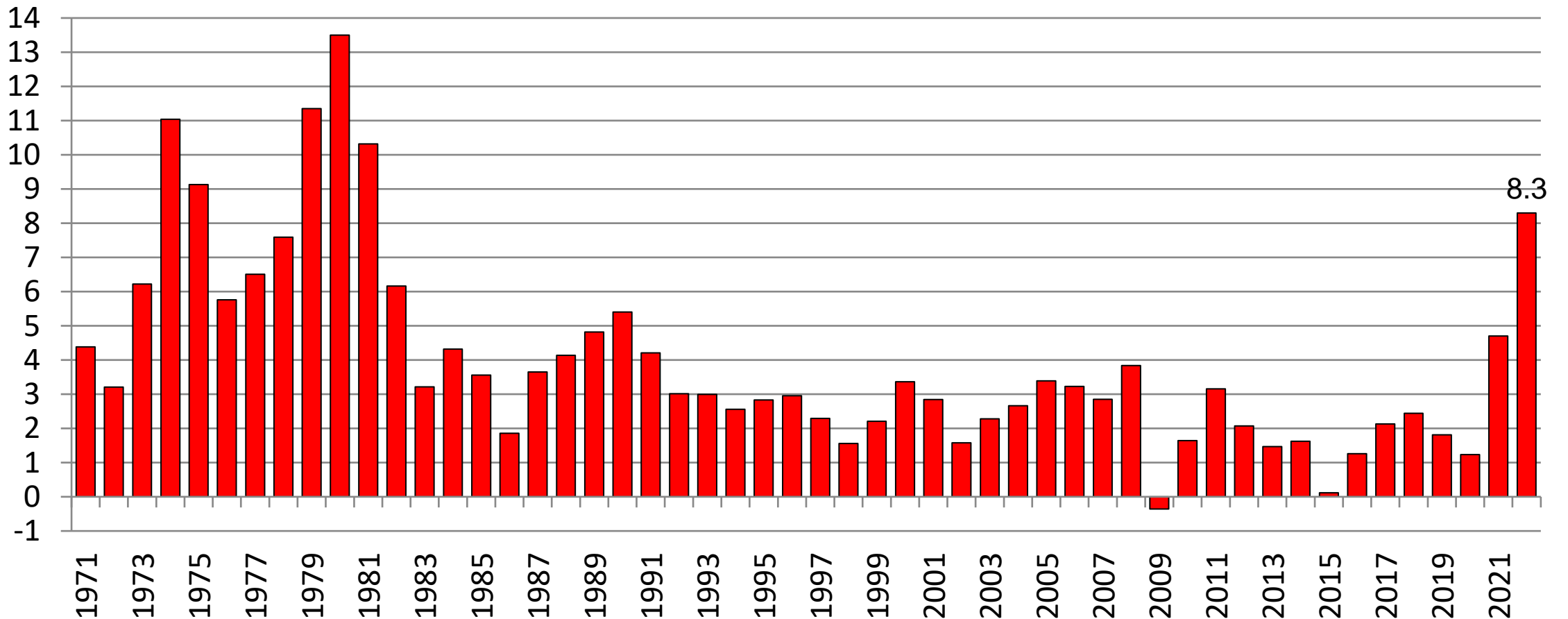
Recession Watch...The Economy's KPI

QUOTE: ... the National Bureau of Economic Research (NBER) ...looks beyond the growth rate of GDP when evaluating the economy. It defines a recession as a “significant decline in economic activity” based upon ...

Income	+
Employment	+
Industrial Production	+
Retail Sales	+
Consumer Sentiment	-
GDP	- to flat QTQ, up YTY

Keil and Kleinhenz (San Bernardino Sun, 8/8/22)

Inflation: 8.3% YTD 2022, Low to Middle Single Digits in 2023



What's Fueling Inflation Now?

Yearly Price Changes by Category

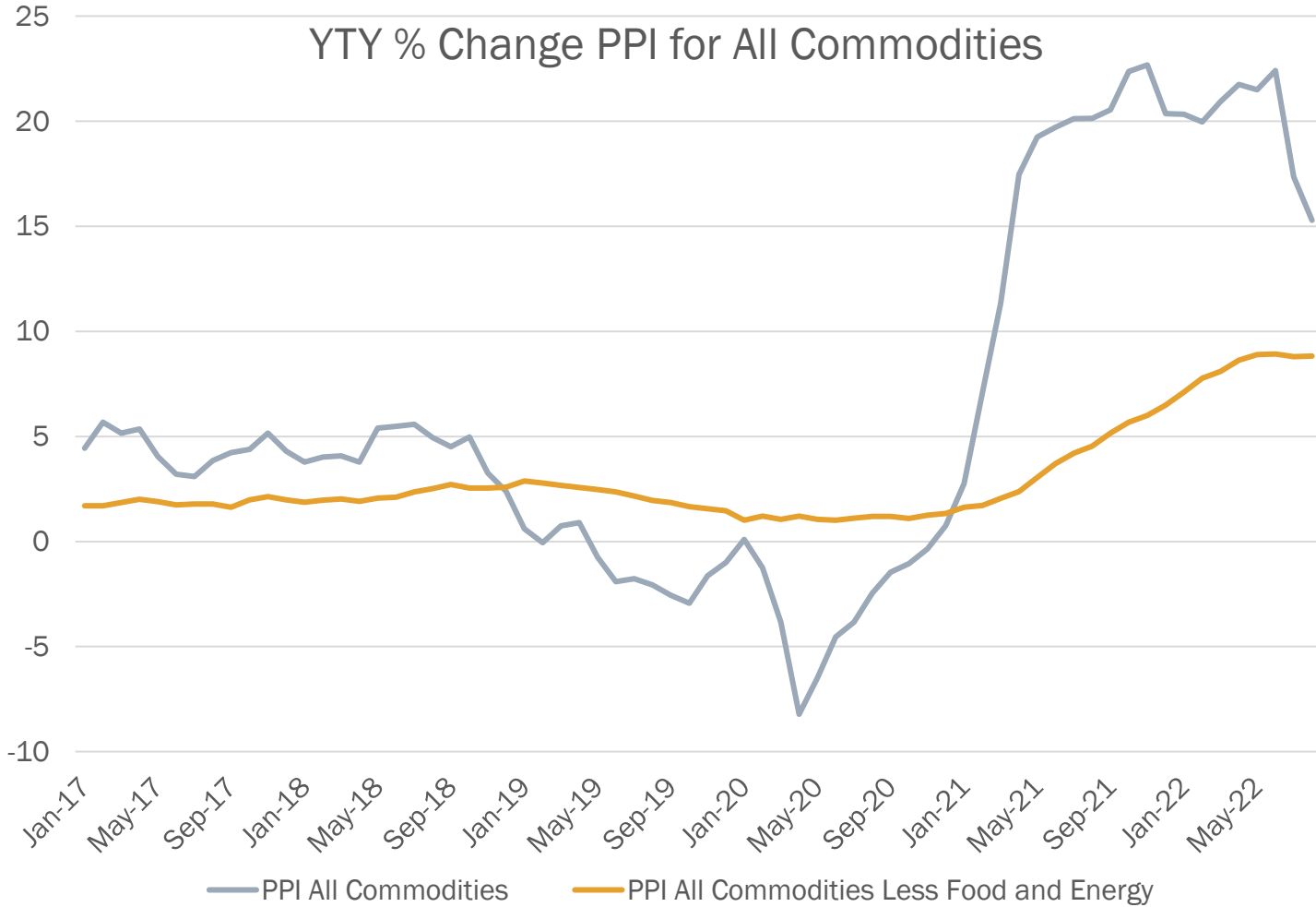
Category	YTY % Change, Aug. 22
All Items	8.3%
All Items Less Food & Energy	6.3%
Energy	23.8%
Food	11.4%
Transportation Services	11.3%
Airline Fare	33.4%
New Vehicles	10.1%

Category as Share of Total Spending in 2021

Category	% of 2021 Total	
Housing	22,624	34
Transportation	10,961	16
Food	8,289	12
Healthcare	5,452	8
Entertainment	3,568	5
Apparel	1,754	3
Other	14,280	21
Total Expenditures	66,928	100

Elevated Producer Prices Now, but Easing in Coming Months

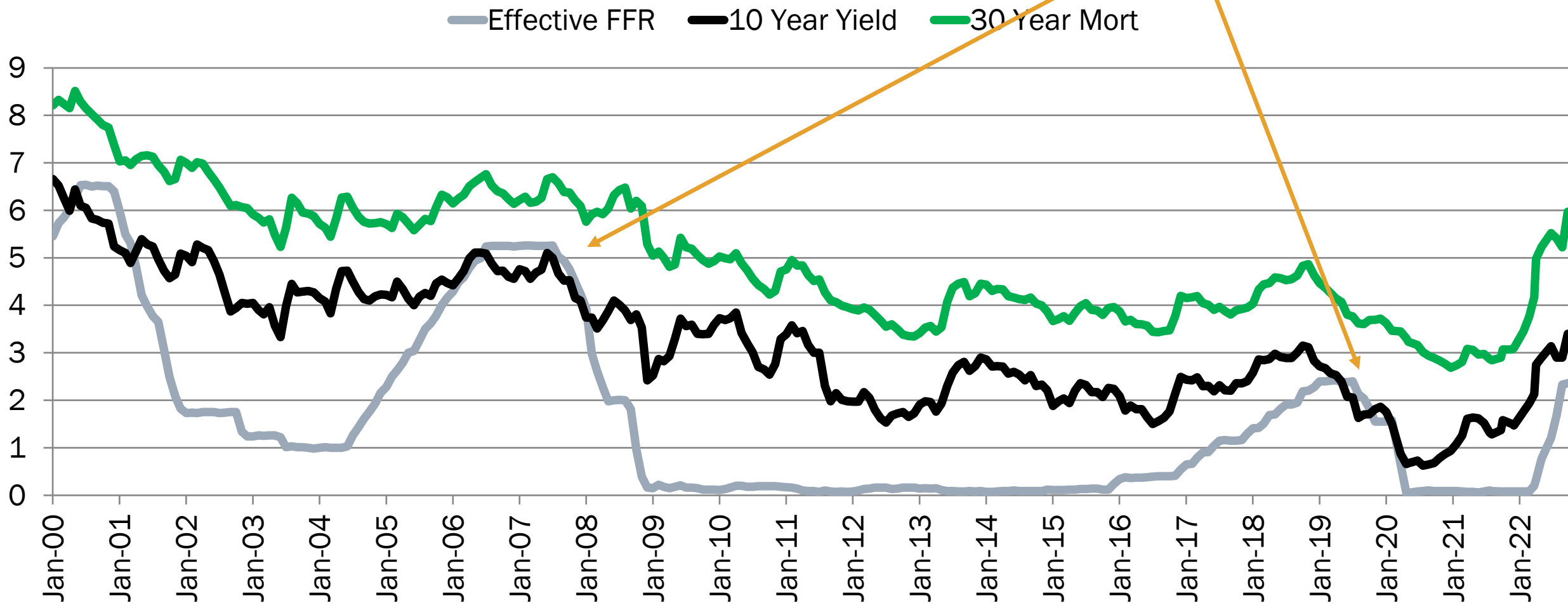
YTY % Change PPI for All Commodities



Higher Prices Caused by:

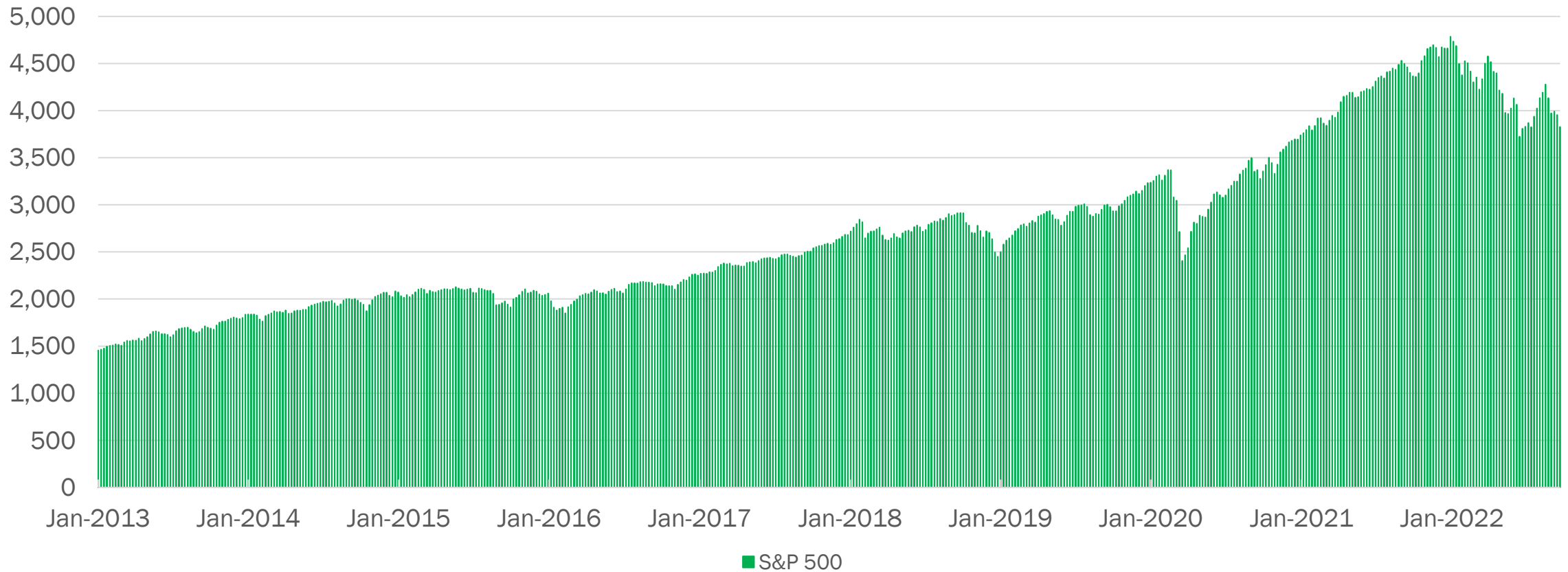
- Commodity constraints
- High energy prices
- Supply-chain problems
- Tight labor market

Financial Markets: Fed Overshoots at Times



Financial Markets Roller Coaster

S&P 500 Weekly Index Values



U.S. Outlook

Full Recession unlikely in next 12 months...

- 2-quarter decline in GDP not enough
- Labor market and other indicators suggest otherwise

Benchmarks

- Potential GDP: 1.9%
- Natural rate of unemployment: 4.4%

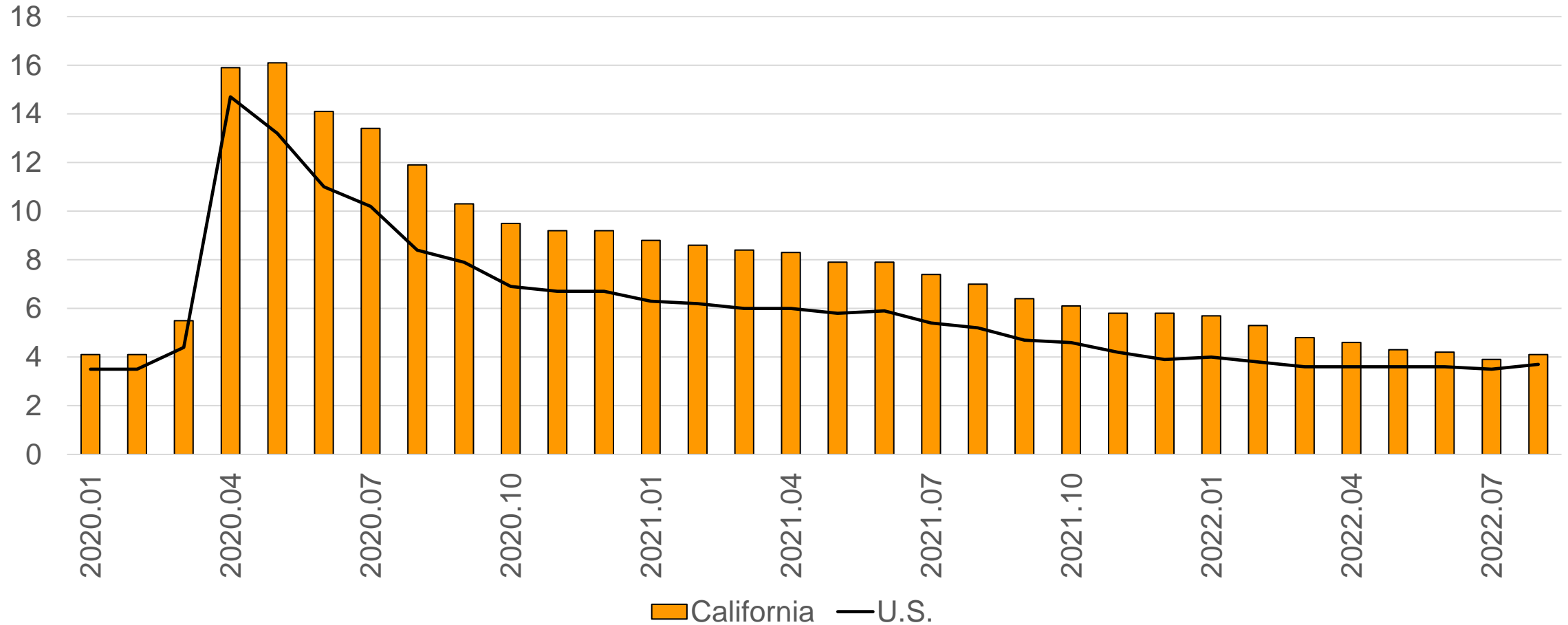
Inflation in low single digits by late next year

Fed CAN overreact, yield curve inversion

Long run challenge: tight labor market

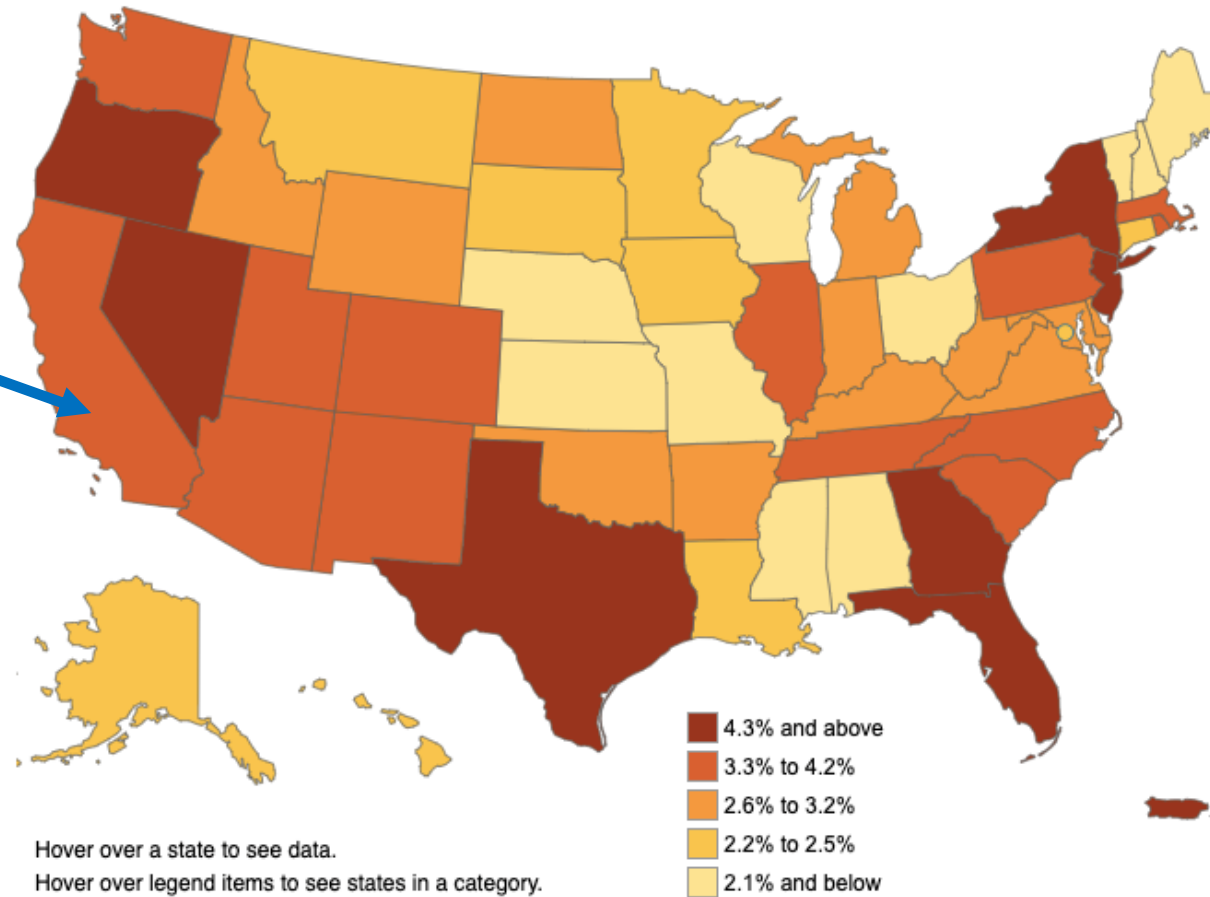
California Economy: On the Rebound

California Unemployment Rate Much Improved (4.1%)...



...Job Growth Among the Fastest Nationally

Change in nonfarm employment by state, August 2021 to August 2022, seasonally adjusted



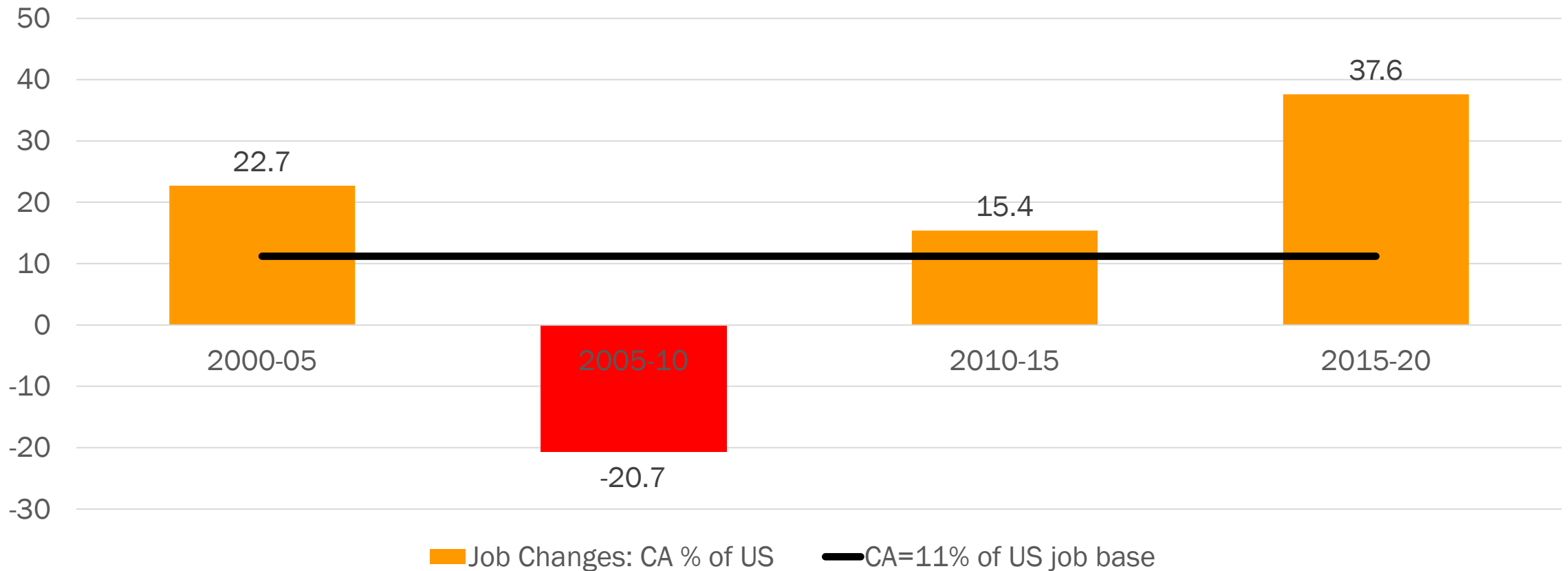
You are here
4.0%



Hover over a state to see data.
Hover over legend items to see states in a category.
Source: U.S. Bureau of Labor Statistics.

CA's Outsized Large Contribution to US Job Growth (CA = 11% of All US Jobs)

CA job changes as % of US job changes



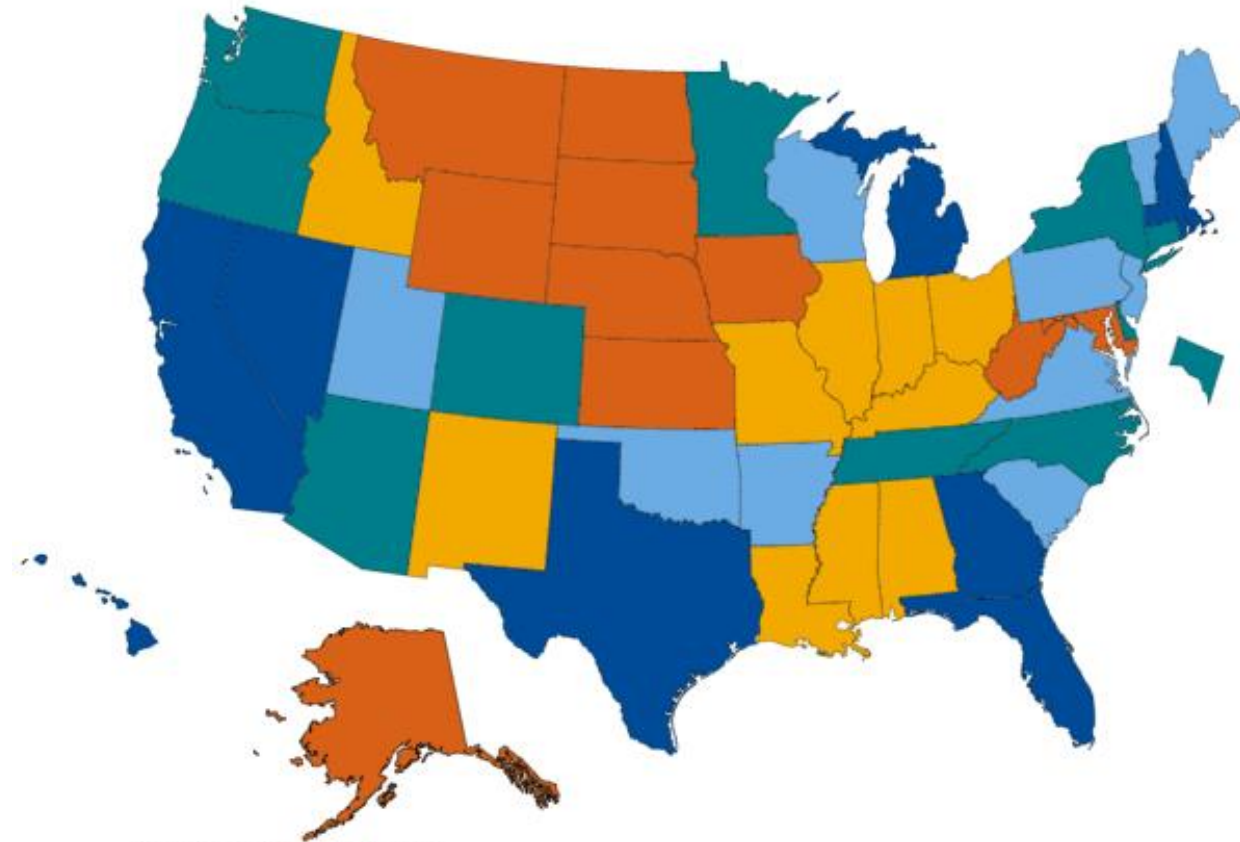
Unemployment Rates by County



CA State GDP Outpacing Most States

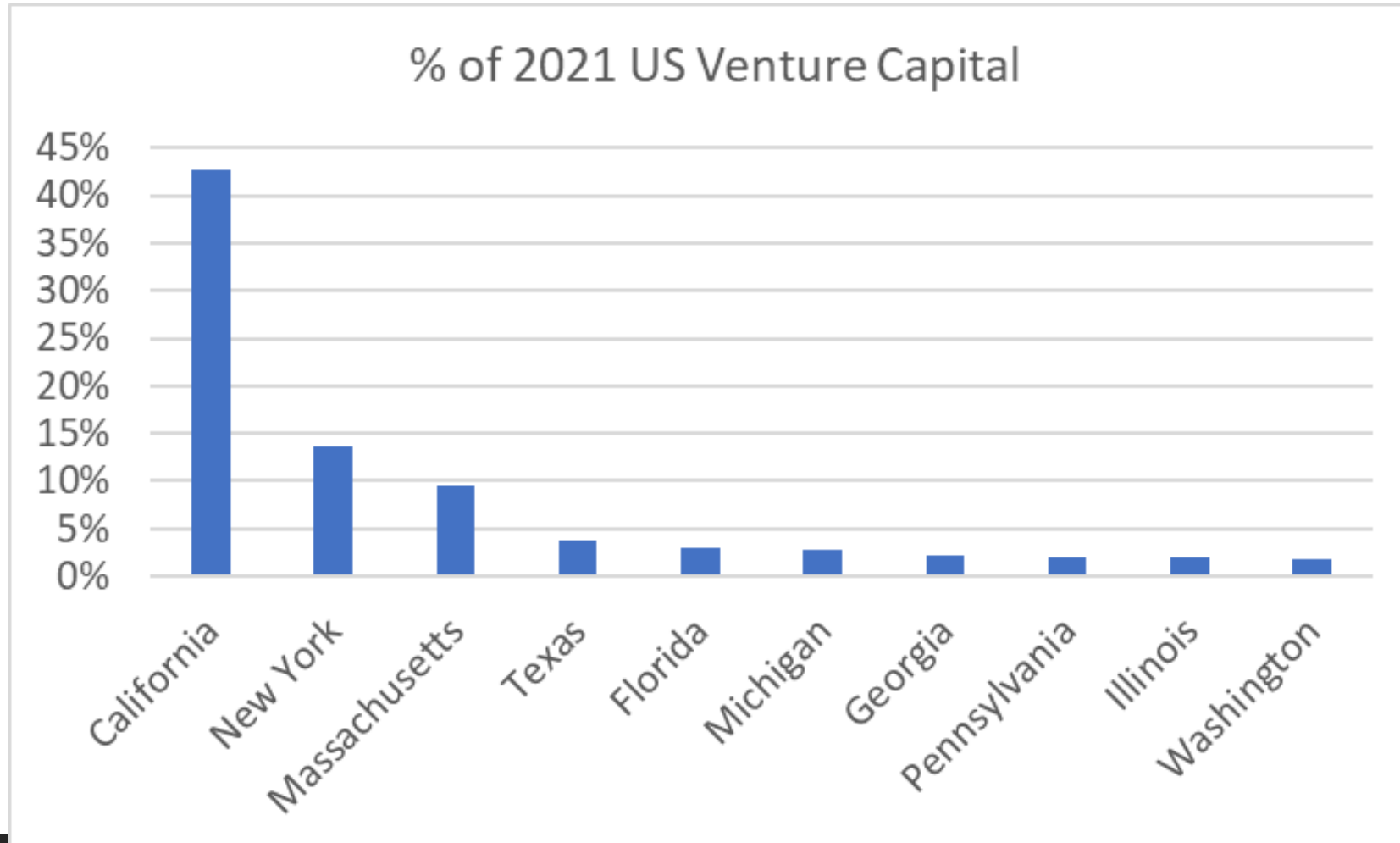
Year-to-year % change
from Q1-21 to Q1-22

CA: 5.0%
FL: 5.4%
TX: 4.7%
US: 3.5%



4.4 to 6.6 3.0 to 4.4 2.1 to 3.0 1.3 to 2.1 -1.7 to 1.3

CA is Largest Recipient of VC in U.S.



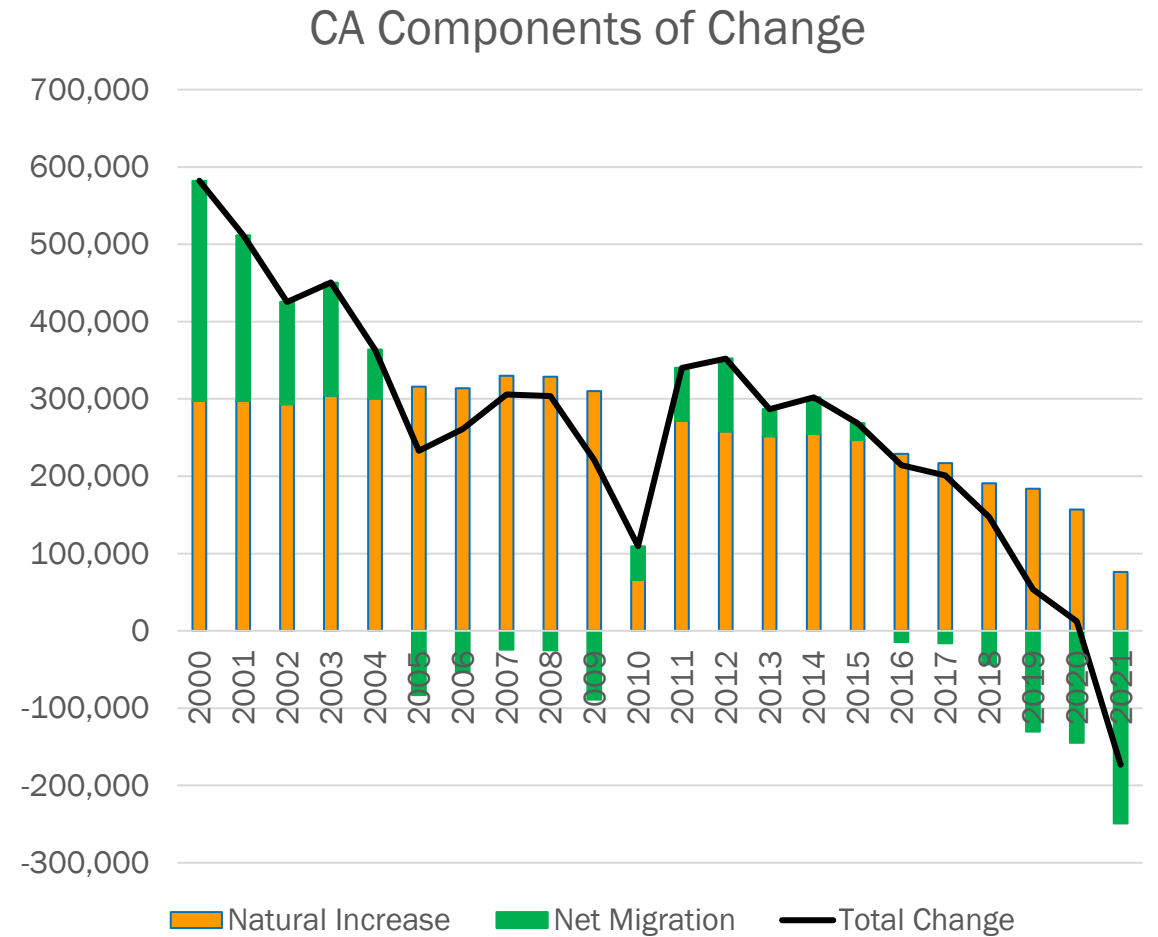
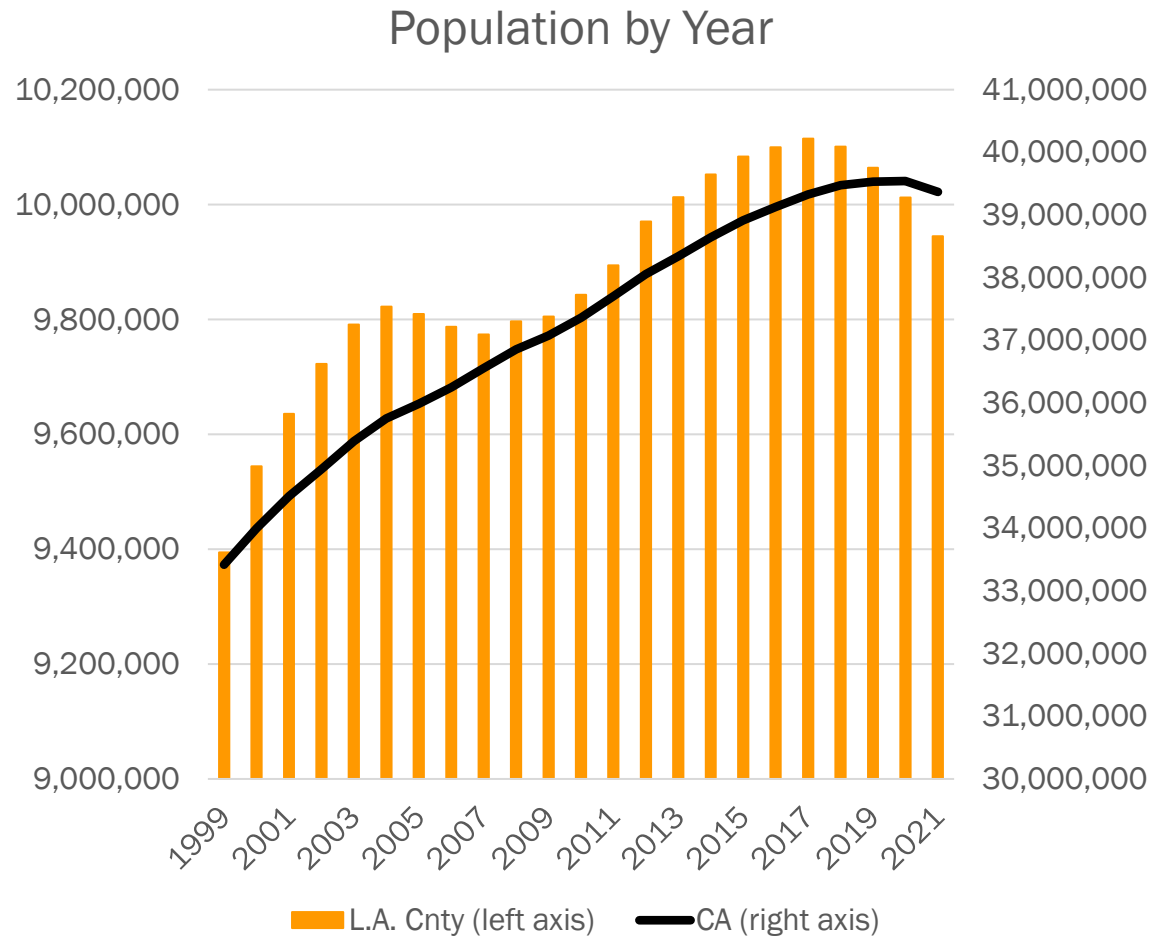
U.S. PATENTS 2020:
CA: 28% of States Total

Global Ranking

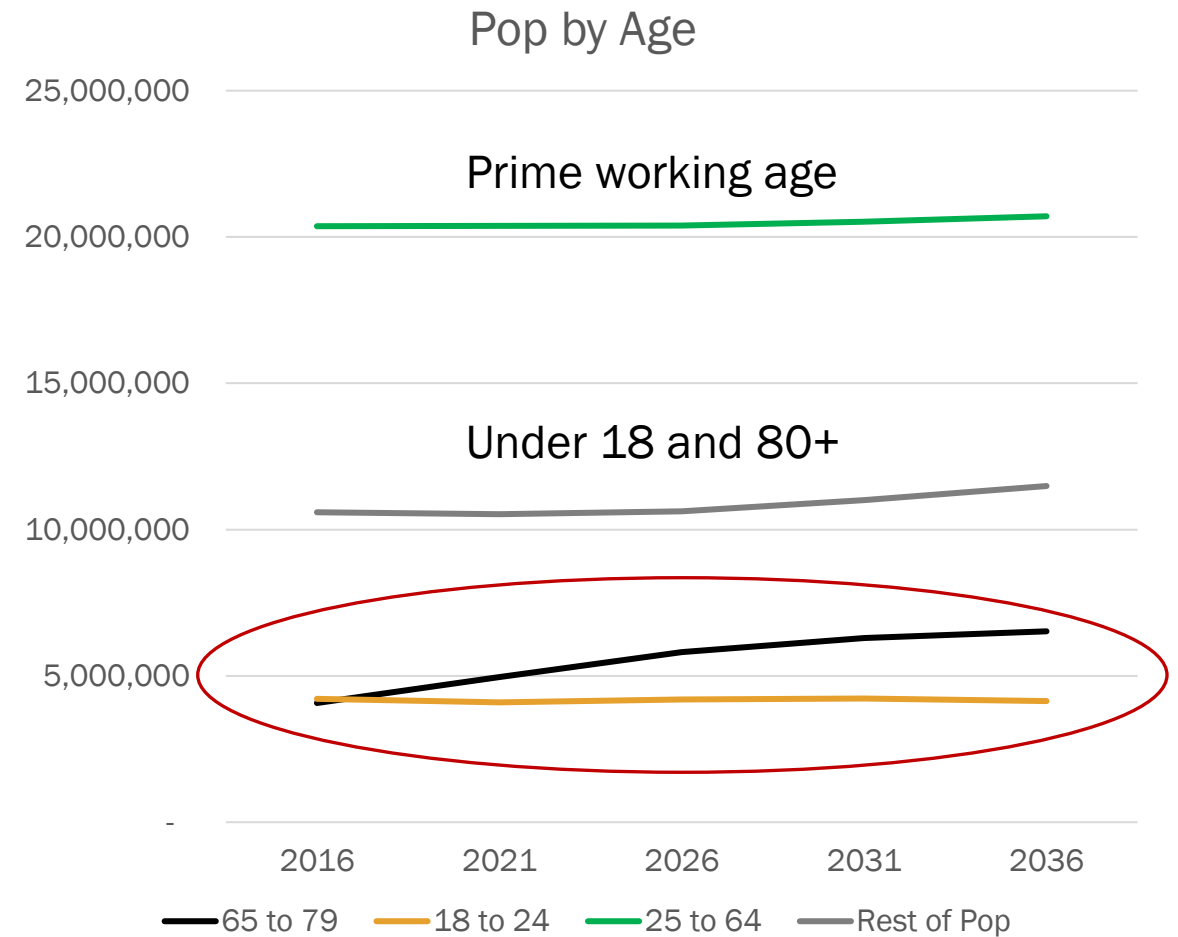
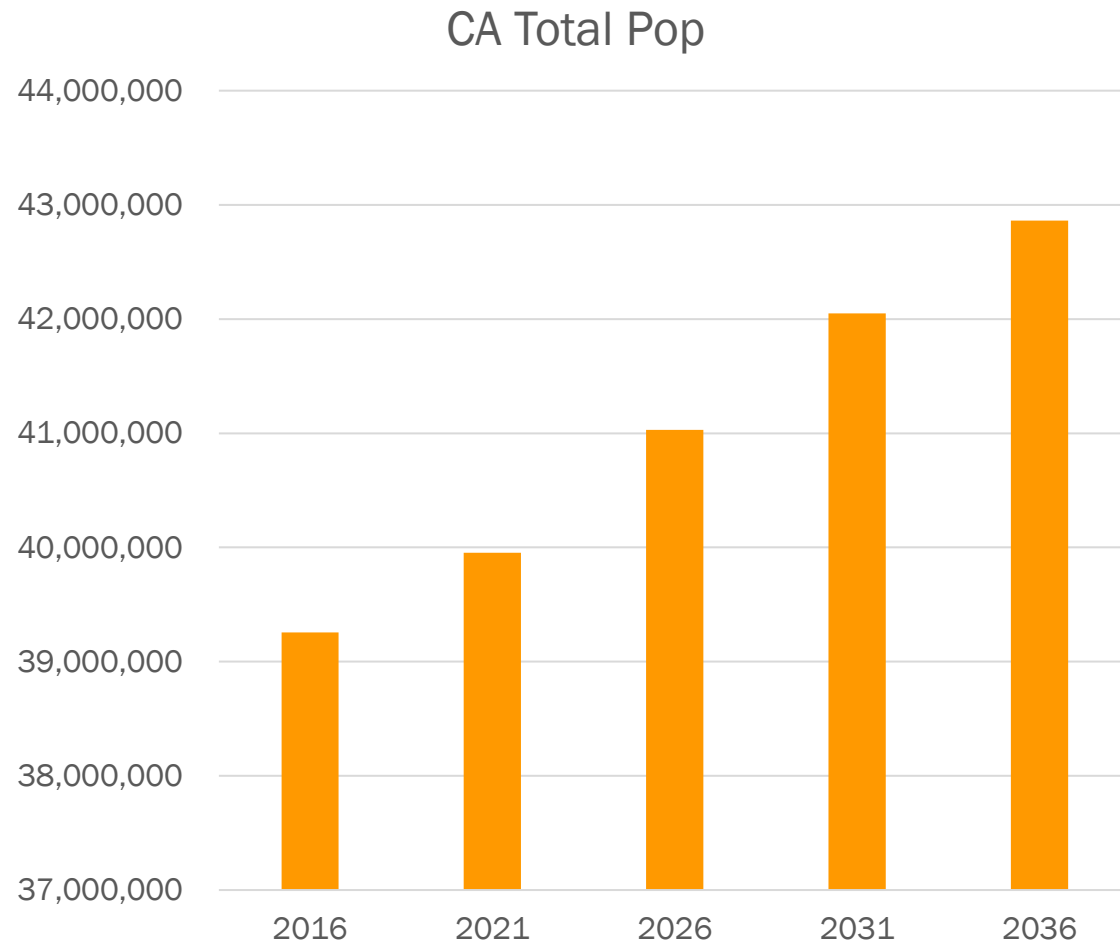
- #1 Japan 54,000
- #2 California 50,000

4 CA metros in top 7

Population: California and L.A. County



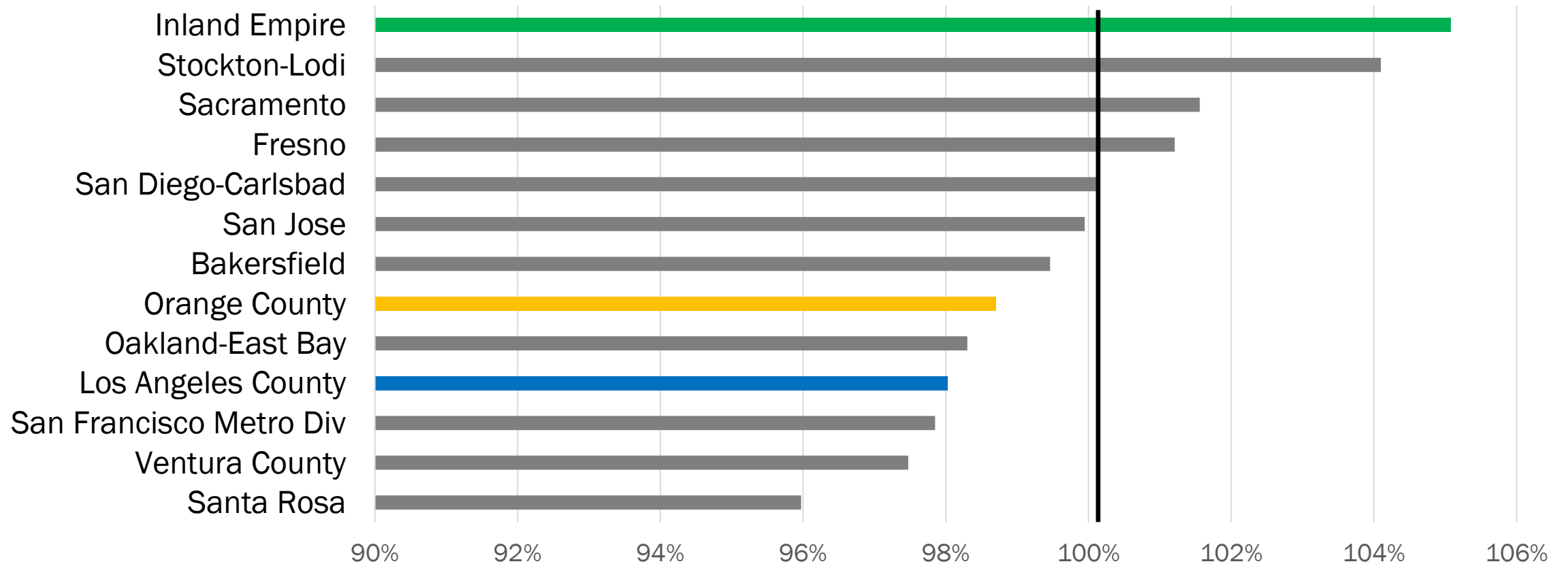
Population Grows but What about Labor Force?



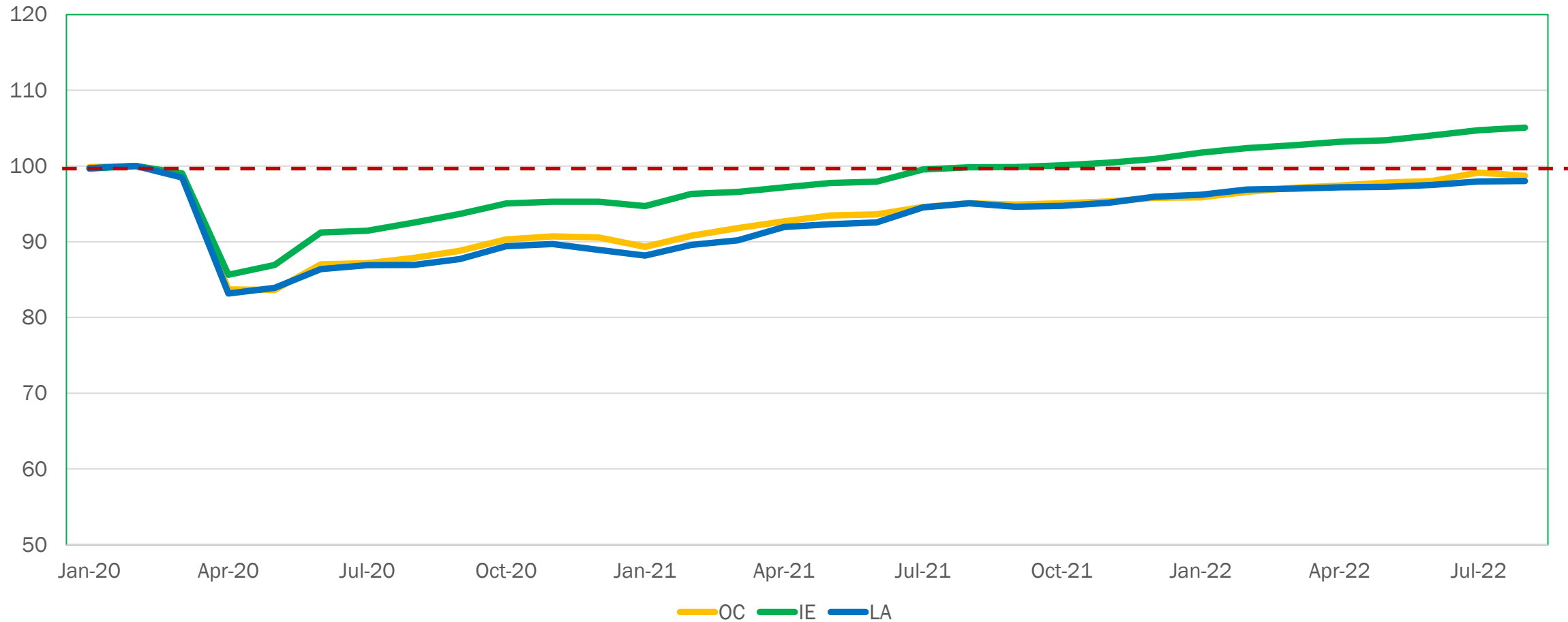
Southern California

Jobs Gap Closing Across California Metro Areas

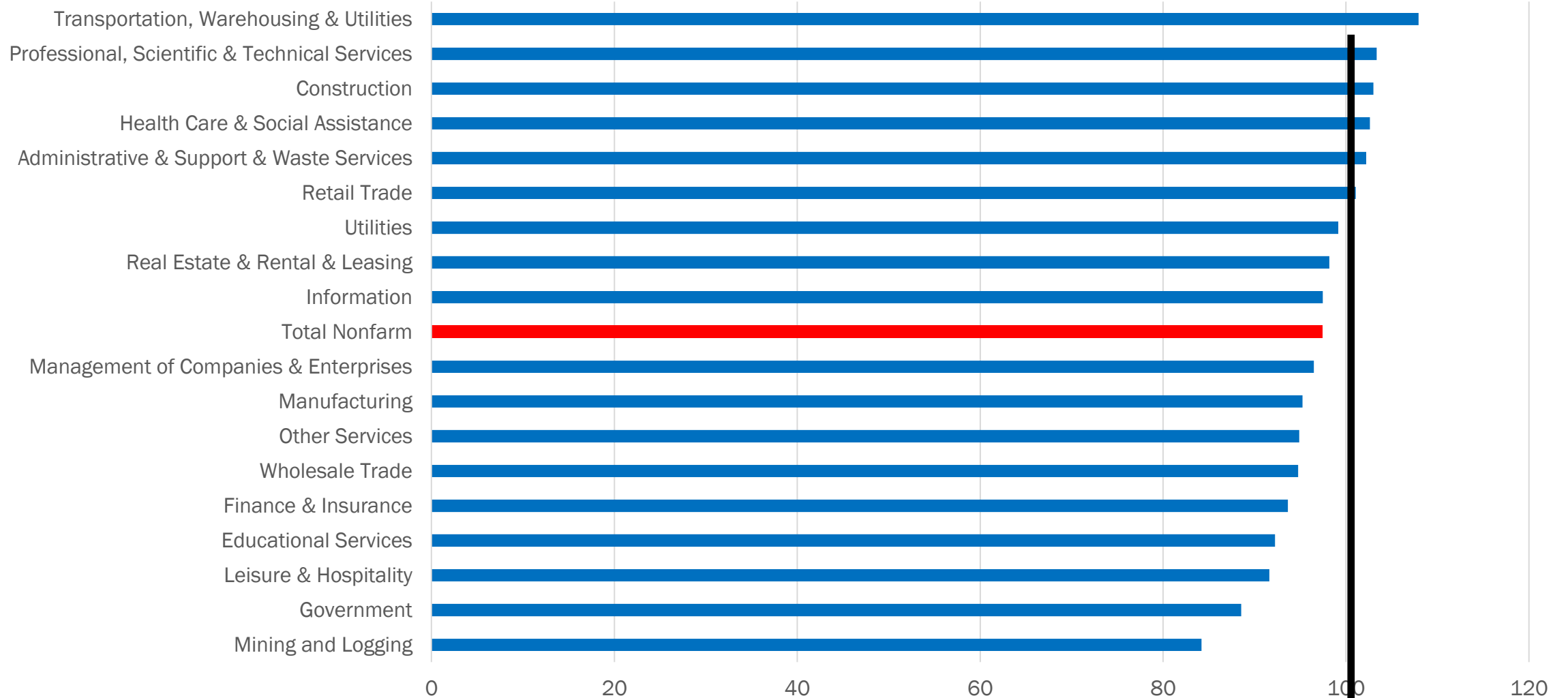
Jobs Now as % of Feb '20



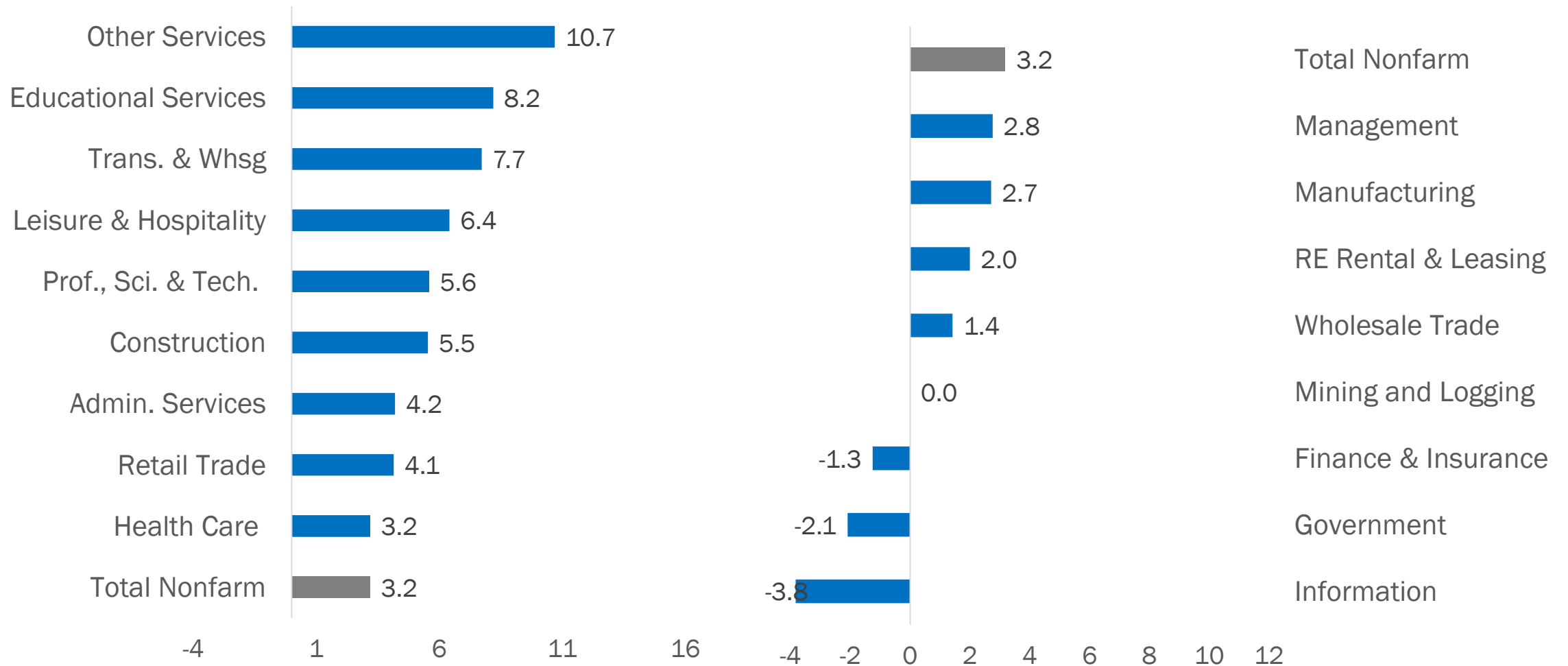
IE Alone Has Exceeded Pre-Pandemic Job Count



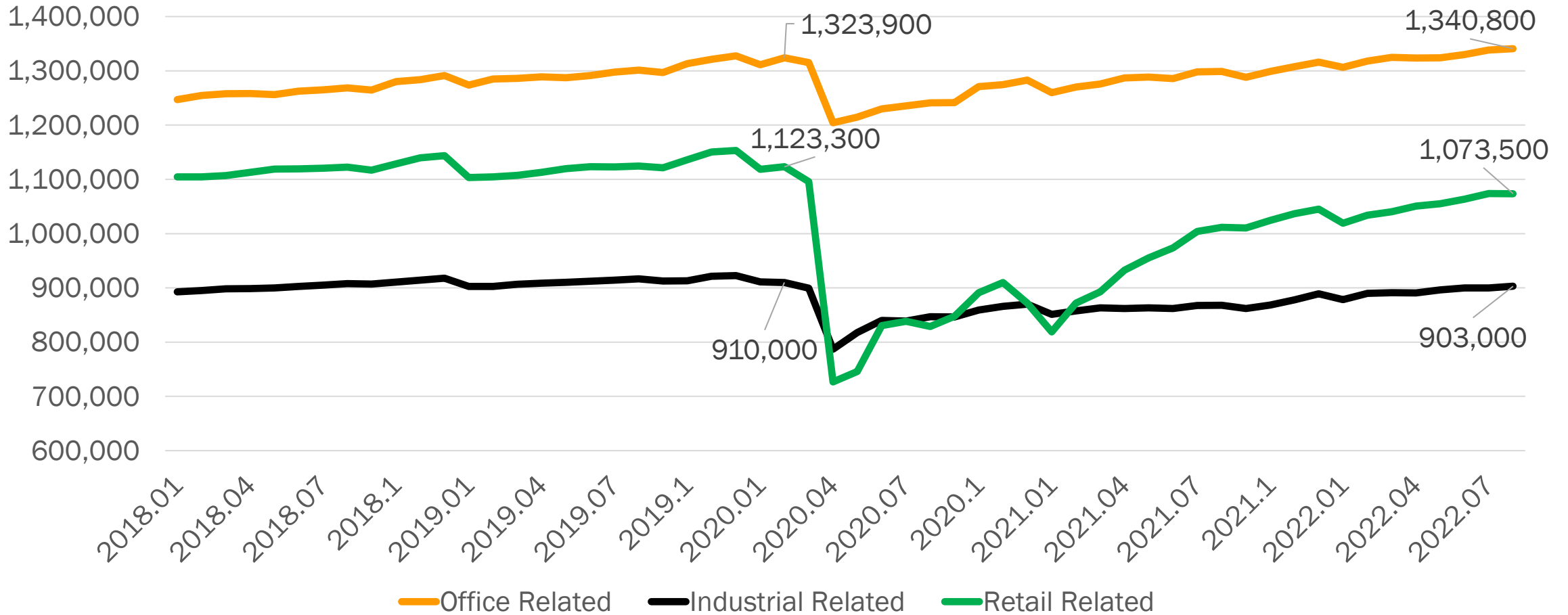
L.A. County Pandemic Recovery: Latest Monthly Job Count as % of Feb'20



LA County-Most Industries Adding Jobs Year-over-Year (YTY % Change)

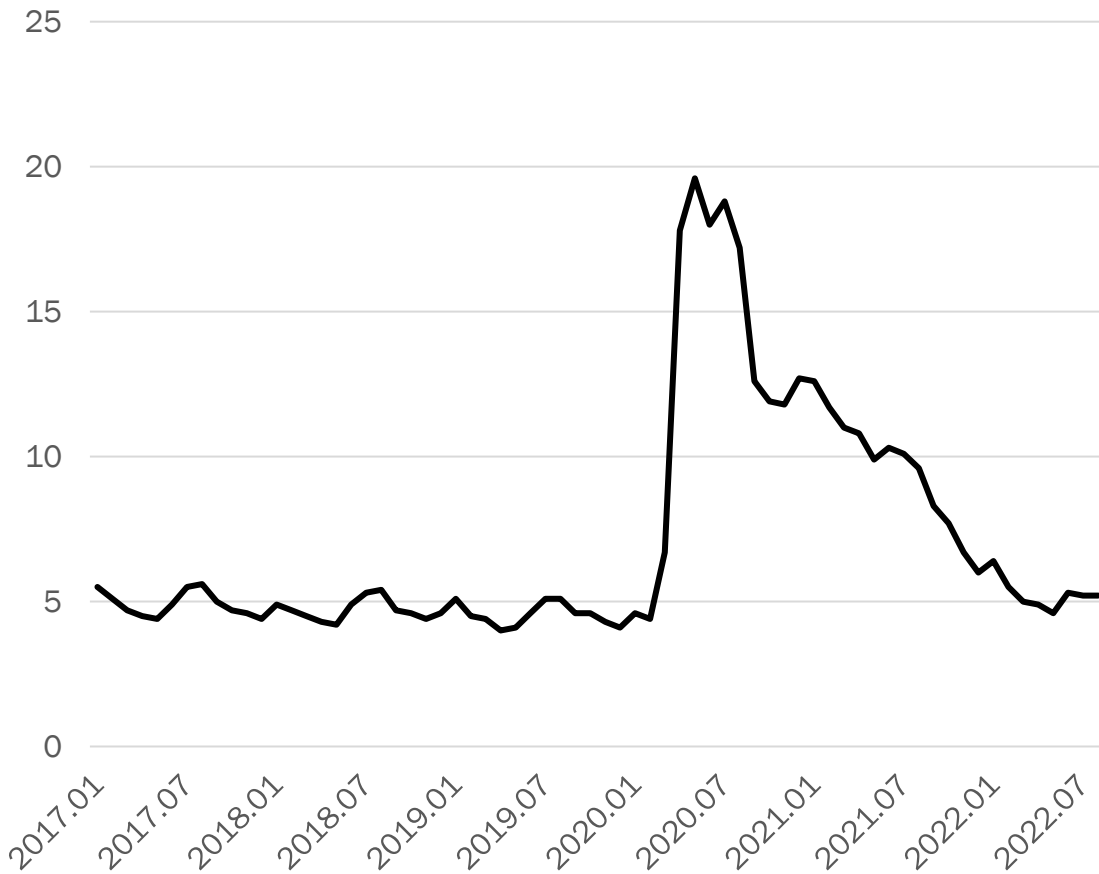


Employment by Commercial Property Type

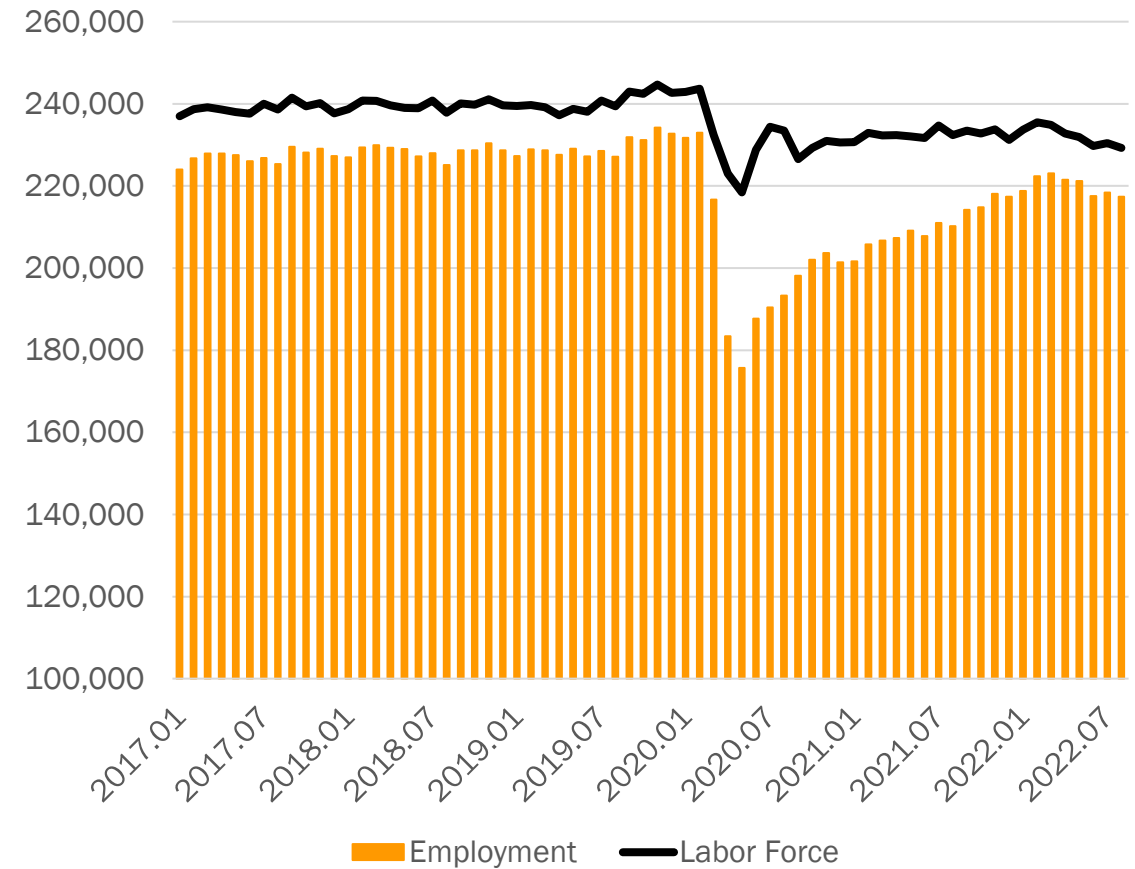


Long Beach U-rate, Labor Force, Employment Down

Unemployment Rate



Labor Force and Employment



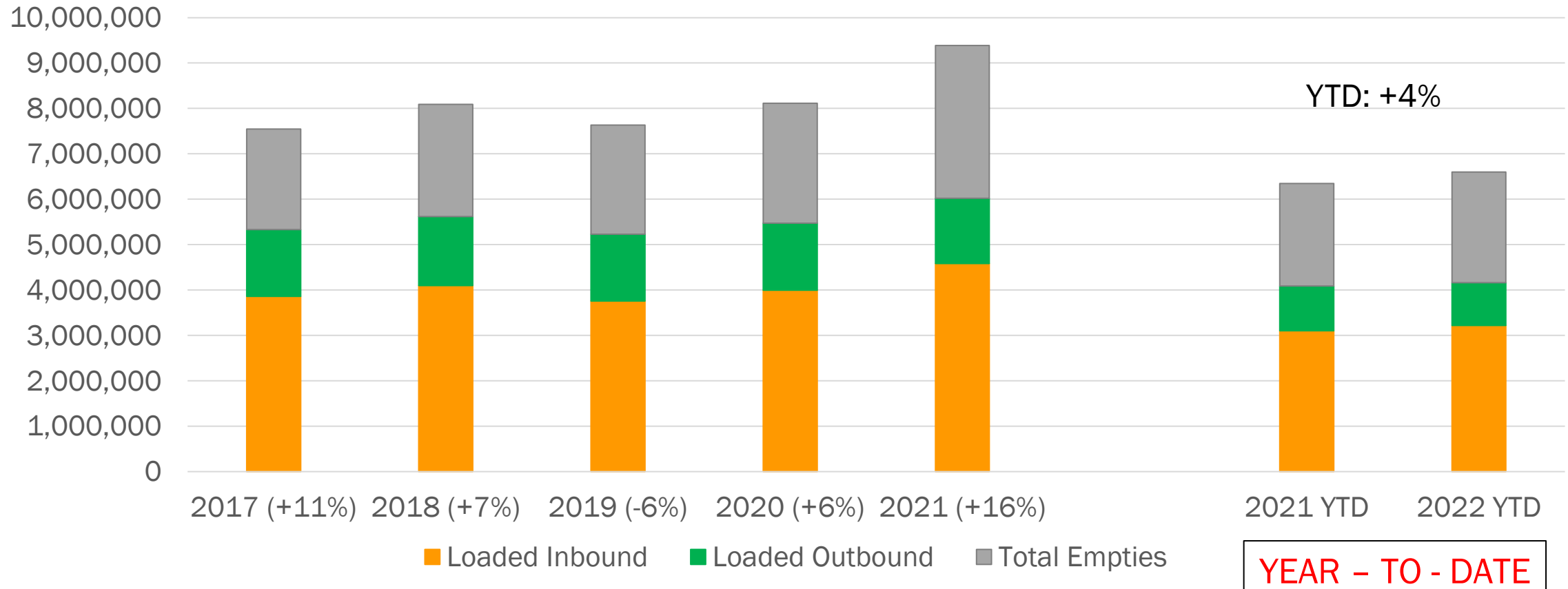
Long Beach Industry Employment Mixed

Industry	2022 Jobs	2021 - 2022 Change	2021 - 2022 % Change
Health Care	32,484	1,041	3.3
Transportation and Warehousing	12,872	270	2.1
Educational Services	9,263	213	2.4
Administrative Services	7,560	68	0.9
Construction	4,441	48	1.1
RE, Rental and Leasing	3,670	1	0.0
Management	1,150	0	0.0
Government	33,552	-1	0.0
Utilities	286	-7	-2.3
Mining	137	-9	-6.1
Prof., Sci., and Tech. Services	12,545	-23	-0.2
Information	2,088	-25	-1.2
Arts, Entertainment, and Recreation	2,131	-49	-2.3
Finance and Insurance	6,679	-72	-1.1
Wholesale Trade	5,669	-134	-2.3
Other Services	12,008	-168	-1.4
Retail Trade	15,587	-219	-1.4
Manufacturing	9,412	-268	-2.8
Accommodation and Food Services	14,778	-364	-2.4
TOTAL	186,443	301	0.2

Source: EMSI, CSULB

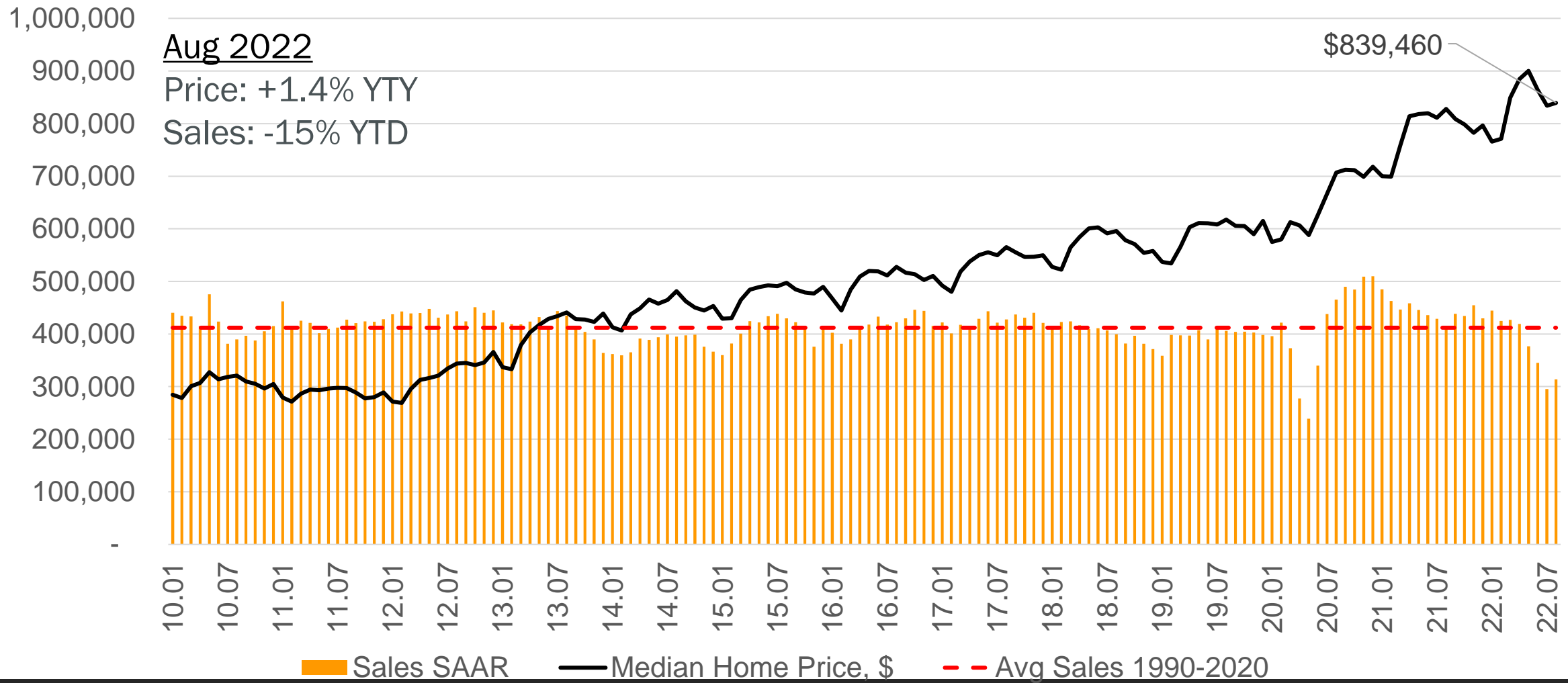
POLB: Record Container Activity

Twenty-Foot Equivalent Units (TEUS)



Housing

California Housing: Price Peaked at \$900K, Sales Down as Affordability Falls



So Cal Prices Rising, Sales Faltering

Southern California	21.08	22.07	22.08	Price MTM% Chg	Price YTY% Chg	Sales YTY% Chg
Los Angeles	\$830,070	\$846,320	\$854,960	1%	3%	-29%
Orange	\$1,100,000	\$1,231,000	\$1,200,000	-3%	9%	-30%
Riverside	\$570,000	\$625,000	\$620,000	-1%	9%	-27%
San Bernardino	\$435,000	\$490,000	\$472,750	-4%	9%	-33%
San Diego	\$835,000	\$930,000	\$885,000	-5%	6%	-28%
Ventura	\$853,000	\$920,000	\$884,000	-4%	4%	-24%

Source: California Association of Realtors, KE

Supply of Existing Homes: Low Inventory and Demographics Drive Price Increases

Unsold Inventory Index (Months)			
Region	21.08	22.07	22.08
Los Angeles	2.0	3.3	3.1
Orange	1.6	3.0	2.5
Riverside	2.0	3.4	3.2
San Bernardino	2.4	4.0	3.7
San Diego	1.7	3.1	2.5
Ventura	1.9	2.8	2.3

Source: California Association of Realtors, KE

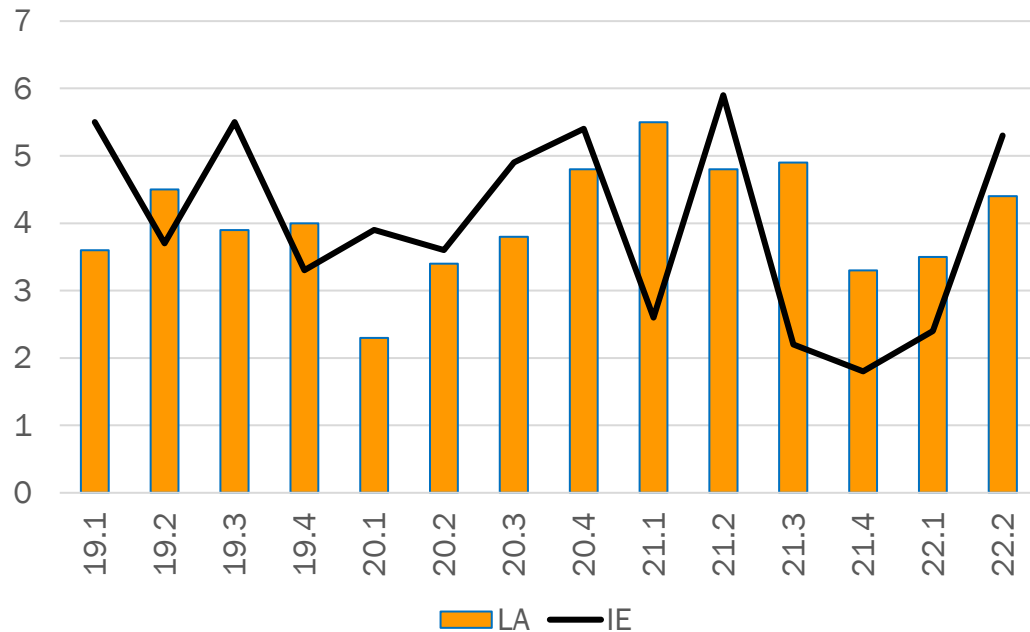
California Housing Affordability Well Below U.S.

Percentage of Households that can Afford to Buy Median Priced Home

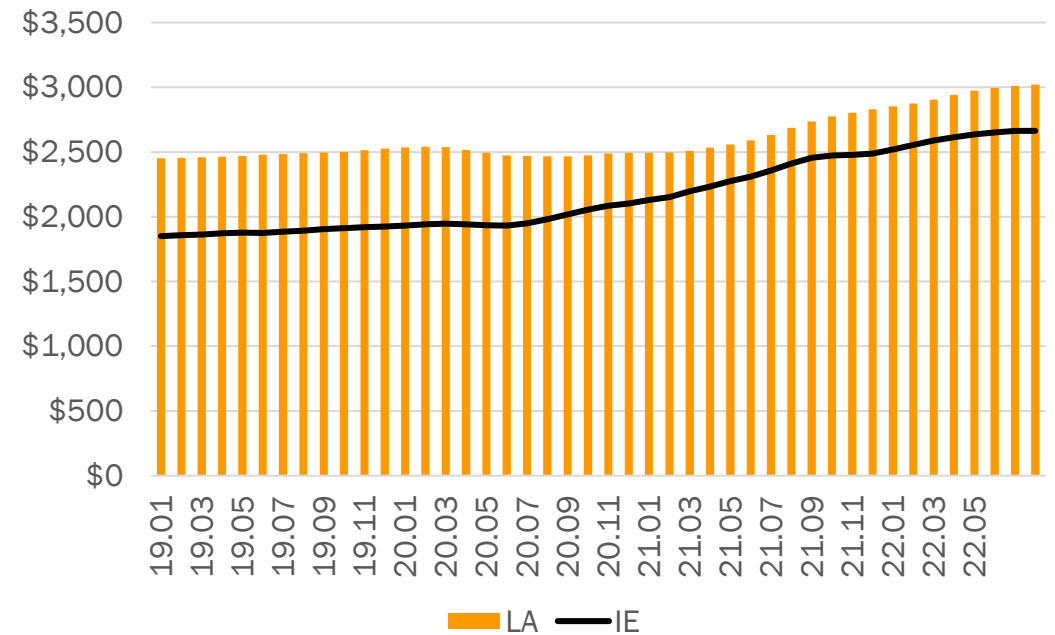
Region	2021.2	2022.1	2022.2	Median Home Price	Monthly Payment Including Taxes & Insurance	Minimum Qualifying Income
Los Angeles	22	20	16	\$825,650	\$4,650	\$186,000
Orange	17	13	12	\$1,300,000	\$7,330	\$293,200
Riverside	33	28	21	\$640,000	\$3,610	\$144,400
San Bernardino	43	39	30	\$493,000	\$2,780	\$111,200
San Diego	22	19	14	\$965,870	\$5,450	\$218,000
Ventura	23	21	15	\$939,000	\$5,290	\$211,600
CA SFH (SAAR)	23	24	16	\$883,370	\$4,980	\$199,200
US	49	47	38	\$413,500	\$2,330	\$93,200

Rental Market Continues to be Tight

VACANCY RATES: LA MSA AND IE



MONTHLY RENT: LA MSA AND IE



CA Underbuilds Compared to Other States

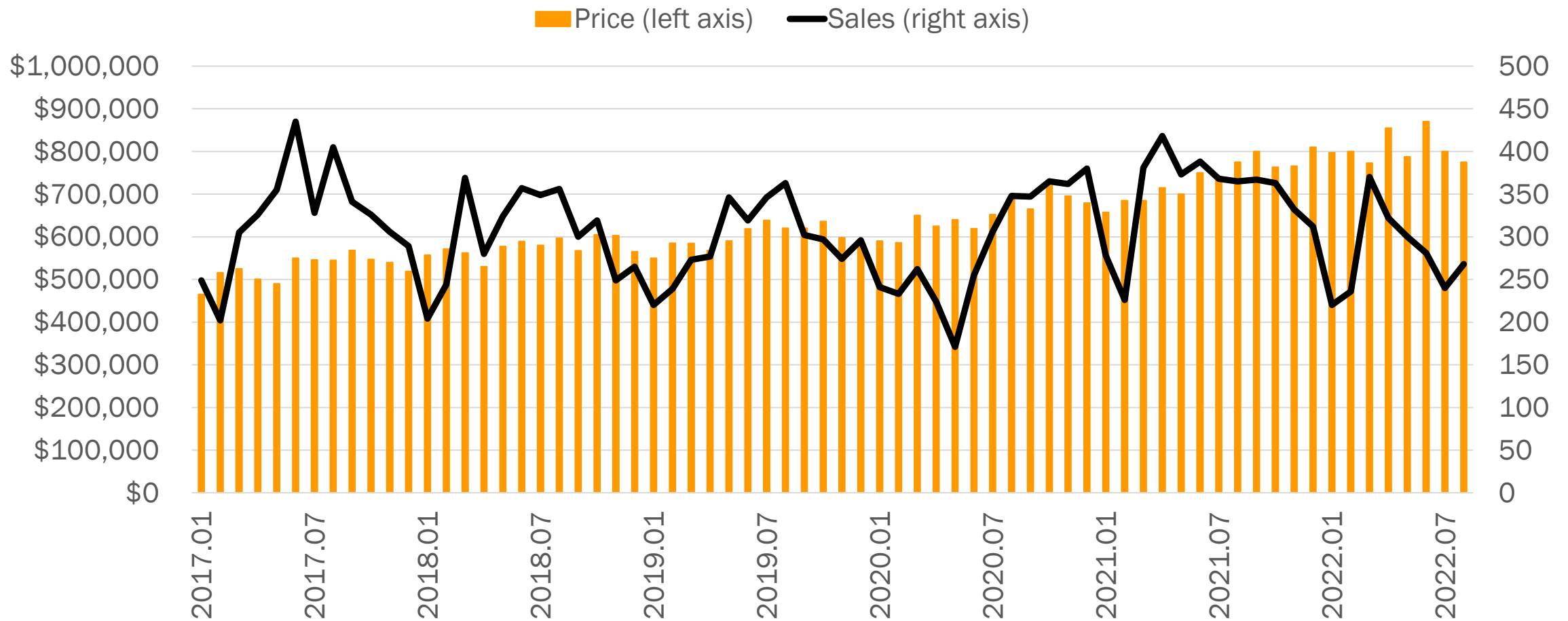
Number of Permitted Housing Units by Region through June 2022 YTD

Rank	Name	Units	Rank	Name	Units
1	Dallas-Fort Worth-Arlington, TX	42,127	21	Riverside-San Bernardino-Ontario, CA	9,145
2	Houston-The Woodlands-Sugar Land, TX	40,886	22	Las Vegas-Henderson-Paradise, NV	8,748
3	New York-Newark-Jersey City, NY-NJ-PA	33,567	23	Chicago-Naperville-Elgin, IL-IN-WI	8,272
4	Austin-Round Rock-Georgetown, TX	26,623	24	Indianapolis-Carmel-Anderson, IN	8,115
5	Phoenix-Mesa-Chandler, AZ	26,161	25	Boston-Cambridge-Newton, MA-NH	7,916
6	Atlanta-Sandy Springs-Alpharetta, GA	22,506	26	Cape Coral-Fort Myers, FL	7,263
7	Orlando-Kissimmee-Sanford, FL	16,554	27	Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	7,152
8	Charlotte-Concord-Gastonia, NC-SC	16,461	28	Lakeland-Winter Haven, FL	6,967
9	Los Angeles-Long Beach-Anaheim, CA	16,052	29	Boise City, ID	6,844
10	Washington-Arlington-Alexandria, DC-VA-MD-WV	15,153	30	Myrtle Beach-Conway-North Myrtle Beach, SC-NC	6,500
11	Seattle-Tacoma-Bellevue, WA	15,066	31	Sacramento-Roseville-Folsom, CA	6,431
12	Minneapolis-St. Paul-Bloomington, MN-WI	14,416	32	Kansas City, MO-KS	6,139
13	Denver-Aurora-Lakewood, CO	13,708	33	Salt Lake City, UT	6,009
14	Jacksonville, FL	13,659	34	Portland-Vancouver-Hillsboro, OR-WA	5,966
15	San Antonio-New Braunfels, TX	12,517	35	San Diego-Chula Vista-Carlsbad, CA	5,773
16	Tampa-St. Petersburg-Clearwater, FL	12,096	36	Colorado Springs, CO	5,721
17	Nashville-Davidson--Murfreesboro--Franklin, TN	11,633	37	Provo-Orem, UT	5,455
18	Miami-Fort Lauderdale-Pompano Beach, FL	11,053	38	Richmond, VA	5,308
19	Raleigh-Cary, NC	10,959	39	Columbus, OH	5,231
20	North Port-Sarasota-Bradenton, FL	9,408	40	San Francisco-Oakland-Berkeley, CA	5,120

Source: Census, KE

Long Beach: Price up 300K in 5 Years. Why?

Demand exceeds Supply



Long Beach Housing Needs

Recent Population and Housing Trends

Year	Population	Housing Units
2020	464,176	179,530
2021	459,757	180,062
2022	460,682	181,426

Source: DOF

Regional Housing Needs Assessment (RHNA) – Timeframe: 2021 – 2029

Income Level	Units	Relative to Median HH Income
Very Low Income	7,141	less than 50%
Low Income	4,047	50 to 80%
Moderate Income	4,158	80 to 120%
Above Moderate Income	11,156	more than 120%
Total	26,502	

Source: SCAG

Conclusion: Observations and Outlook

Economic Outlook

Outlook

- Recession low probability, mild if at all. Inflation coming down in 2023
- Twin Challenges in California: tight labor market and high housing costs
- Demographics drive demand for housing (Millennial generation)
- Long Beach: aerospace, tourism, health care, logistics, prof services

Wild Cards

- Pandemic
- Fed action
- Russia-Ukraine war
- Labor force dynamics

Thank You!