

NATIONAL, REGIONAL, & LONG BEACH

ECONOMIC OUTLOOK

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U.S. AND CALIFORNIA ECONOMIC OUTLOOK



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Outline

- Three main questions
 - What's happening now?
 - What's the bigger picture?
 - What's the outlook?
- Economy
 - Labor market
 - Other indicators
- Outlook
 - Reopening the economy...What letter?
 - Knowledge as X-factor

U.S. Economy



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What's Happening Now?

- Pulse = Labor Market
- Heartbeat = GDP
- Blood Pressure = Inflation
- Treatment = Fiscal and Monetary Policy



What's Happening Now?

IT'S DIFFERENT THIS TIME!

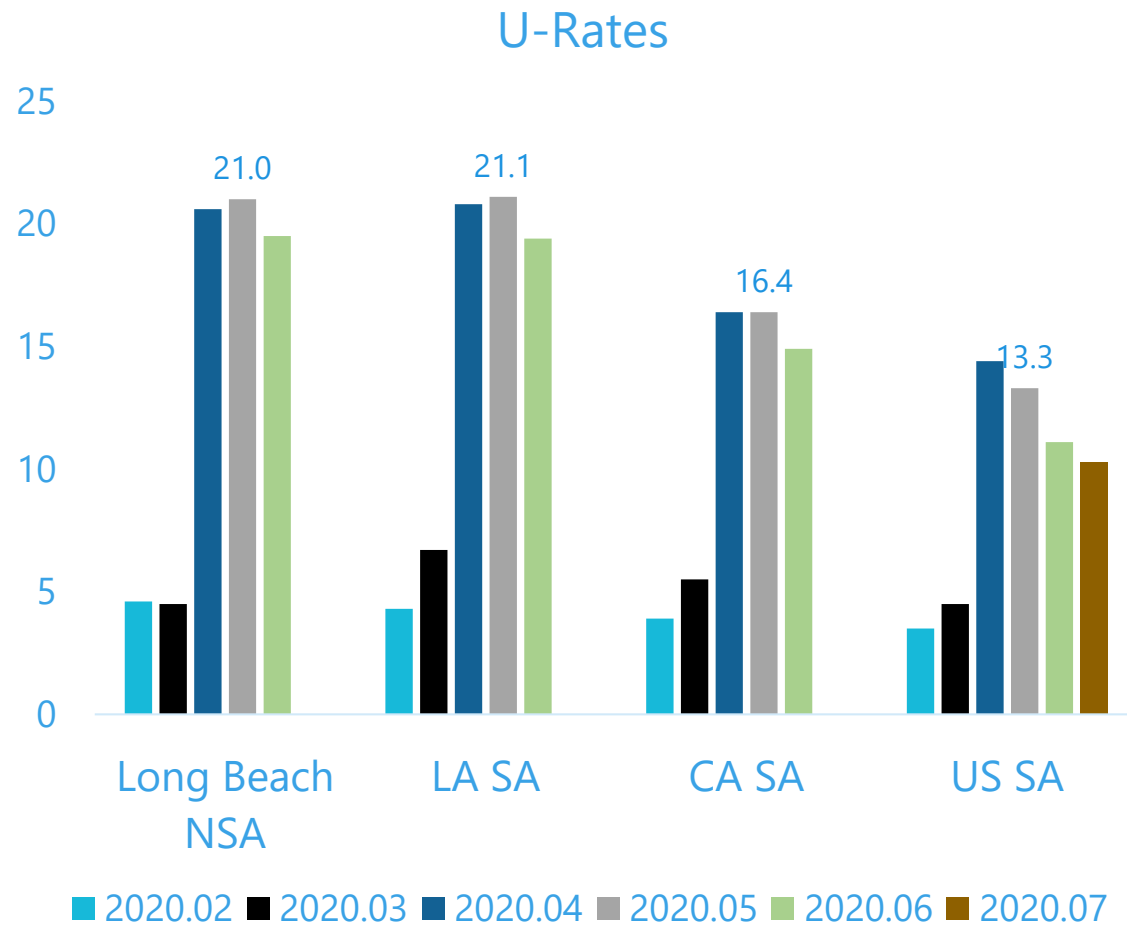
Jerome Powell, Chairman, Federal Reserve Bank:

“...an economic downturn without modern precedent.”

It's Different This Time

- This contraction is different...
 - Before downturn, record expansion
 - None of the typical problems that preceded past recessions:
 - Inflation or energy price spike
 - Spike in interest rates, market- or policy-driven
 - Excessive leverage in one or more sectors
 - Inventory imbalances
- Typical recession: demand side falls due to imbalances
- Pandemic shutdown: both demand and supply have been hit

Double-digit Unemployment Up from Record Lows



- Hardest hit: face-to-face
 - Leisure & Hospitality (restaurants, hotels, entertainment)
 - Retail (clothing stores)
 - Health Care and Social Assistance (MD/DDS offices, child day care, etc.)
 - Other Services (personal care salons, nonprofits)
- Workers and small businesses/self-employed
- Majority expect temporary layoffs!

U.S. Job Losses Vary Across Industries

	Feb-Apr 2020 Change	May-July 2020 Change
Nonfarm jobs (Feb 2020: 151 M)	-22.2 M (-14%)	+9.3 M (42% of loss)
Selected Major Industries		
Leisure and Hospitality	-8.3 M (-49%)	+4.0 M (48%)
Retail	-2.4 M (-15%)	+1.5 M (62%)
Health Care and Social Assistance	-2.3 M (-11%)	+1.0 M (45%)
Other Services	-1.4 M (-23%)	743 T (54%)
4 INDUSTRY TOTAL= 58 M (39% of all jobs, 65% of job losses)	-14.4 M	7.2 M
REMAINING INDUSTRIES =83 M (61% of all jobs, 35% of job losses)	-7.1 M	2.1 M

Individual Industries in ICU*: July 20 jobs as share of Feb 20

Industry	Now % of Feb
Motion picture and sound recording	47%
Scenic and sightseeing transportation	54%
Accommodation	62%
Arts, entertainment, and recreation	63%
Clothing and clothing accessories stores	72%
Leisure and hospitality	74%
Air transportation	77%
Food services and drinking places	79%
Personal and laundry services	79%
Child day care services	79%

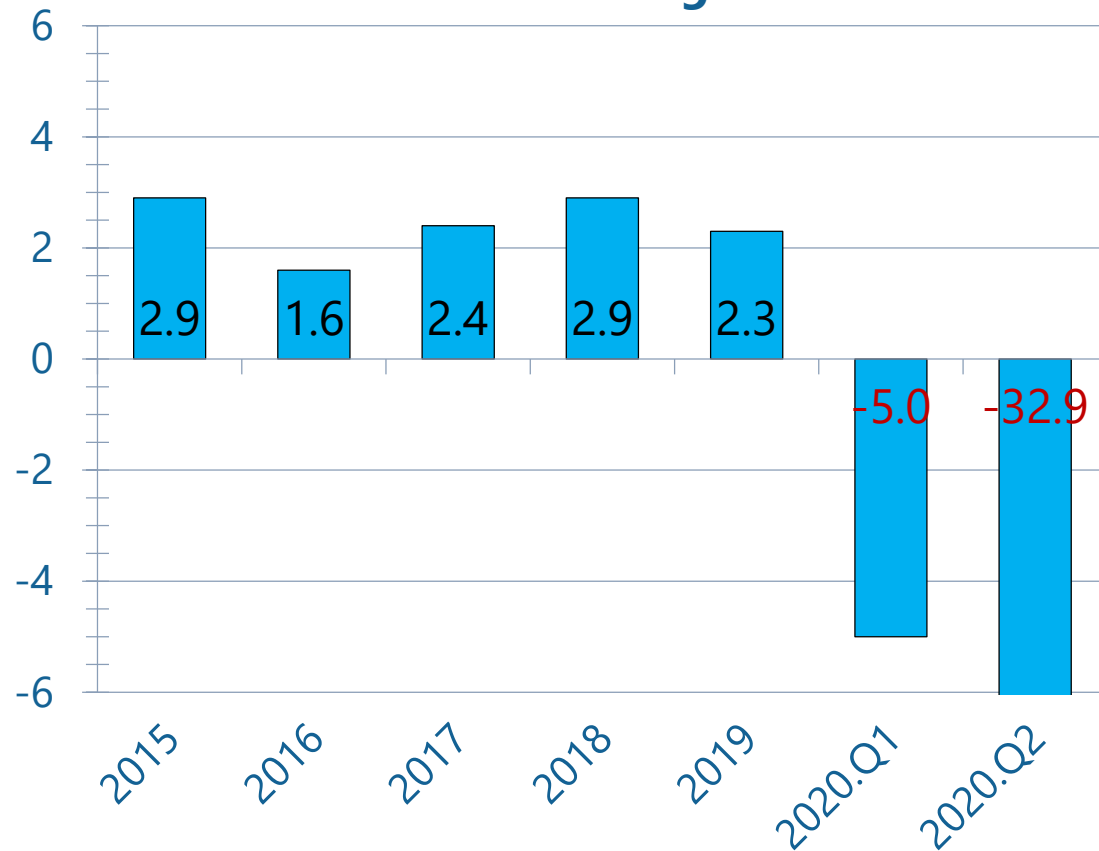
What do these industries have in common?

*Intensive Care Unit



GDP: 2020:1st Half: ↓ 2nd Half: ↑ (Q3 est: +26%)

Annual Gross Domestic Product
YTY % Change



Contributions to Change in GDP by Quarter

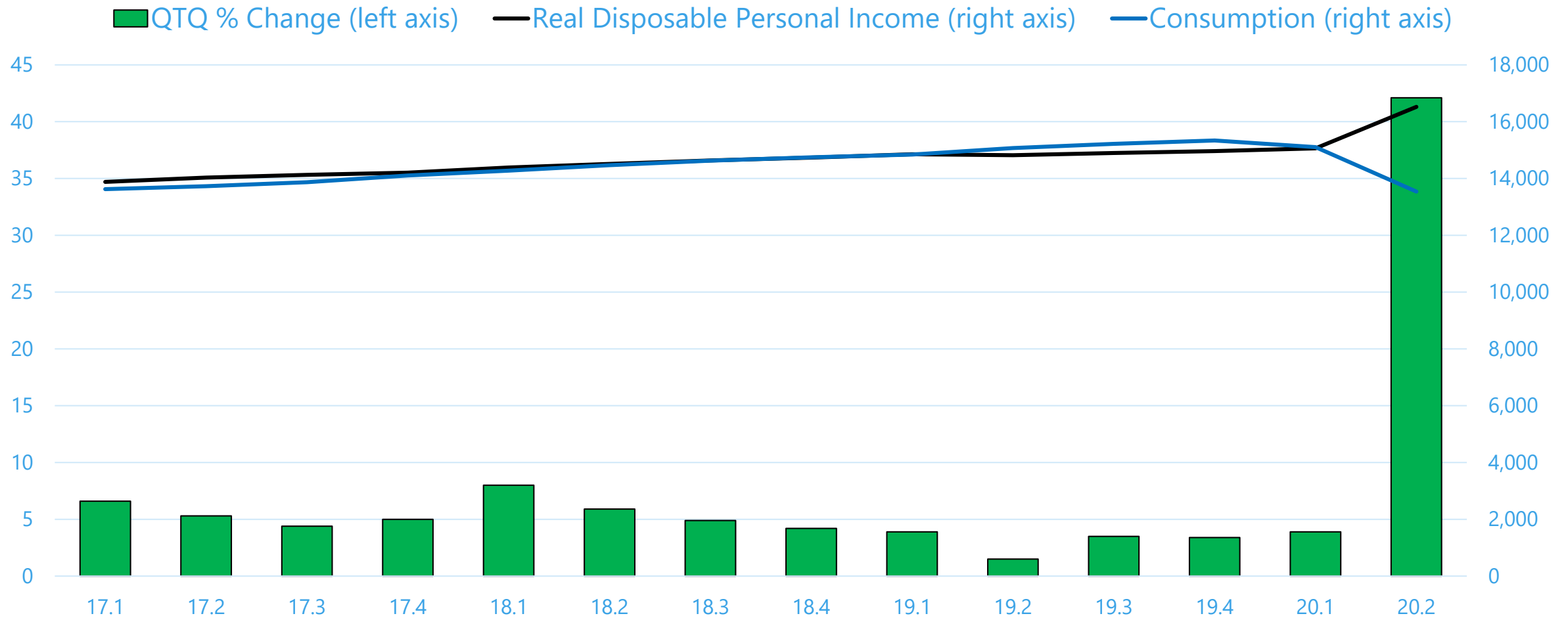
Sector	2019.Q4	2020.Q1	2020.Q2
Consumer	1.1	-4.8	-25.0
Investment	-0.6	-1.6	-9.4
Net exports	1.5	1.1	0.7
Government	0.4	0.2	0.8
Total GDP % Chg.	2.4	-5.0	-32.9

** Totals may not add up due to rounding

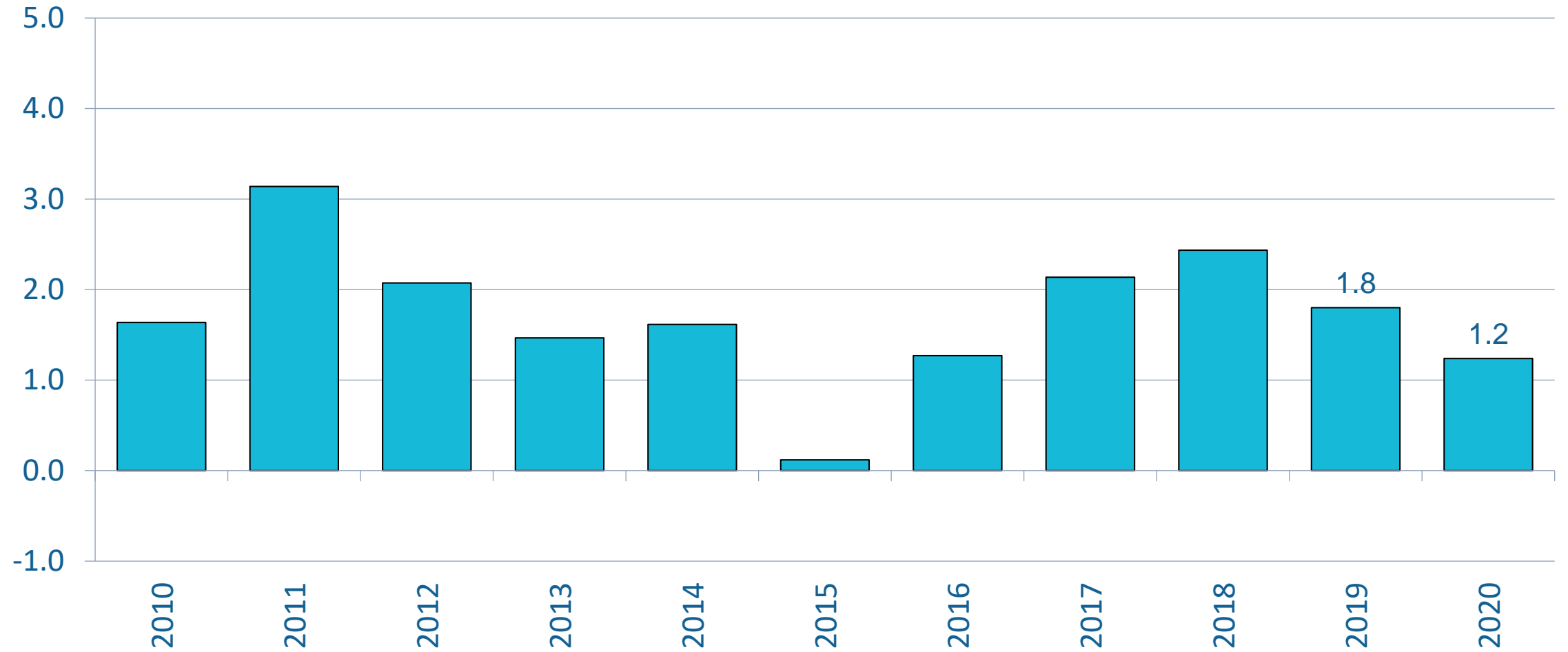
GDP By-the-Numbers

- Real GDP fell from \$19.2T in Q4-19 to \$17.2T in Q2-20
- Qtr-to-Qtr Change in GDP:
 - Q1-20: -\$240B (-5.0% annualized quarterly change)
 - Q2-20: -\$1.8T (-32.9%)
 - Q3-20: +\$1.3T (+26.0% current estimate)

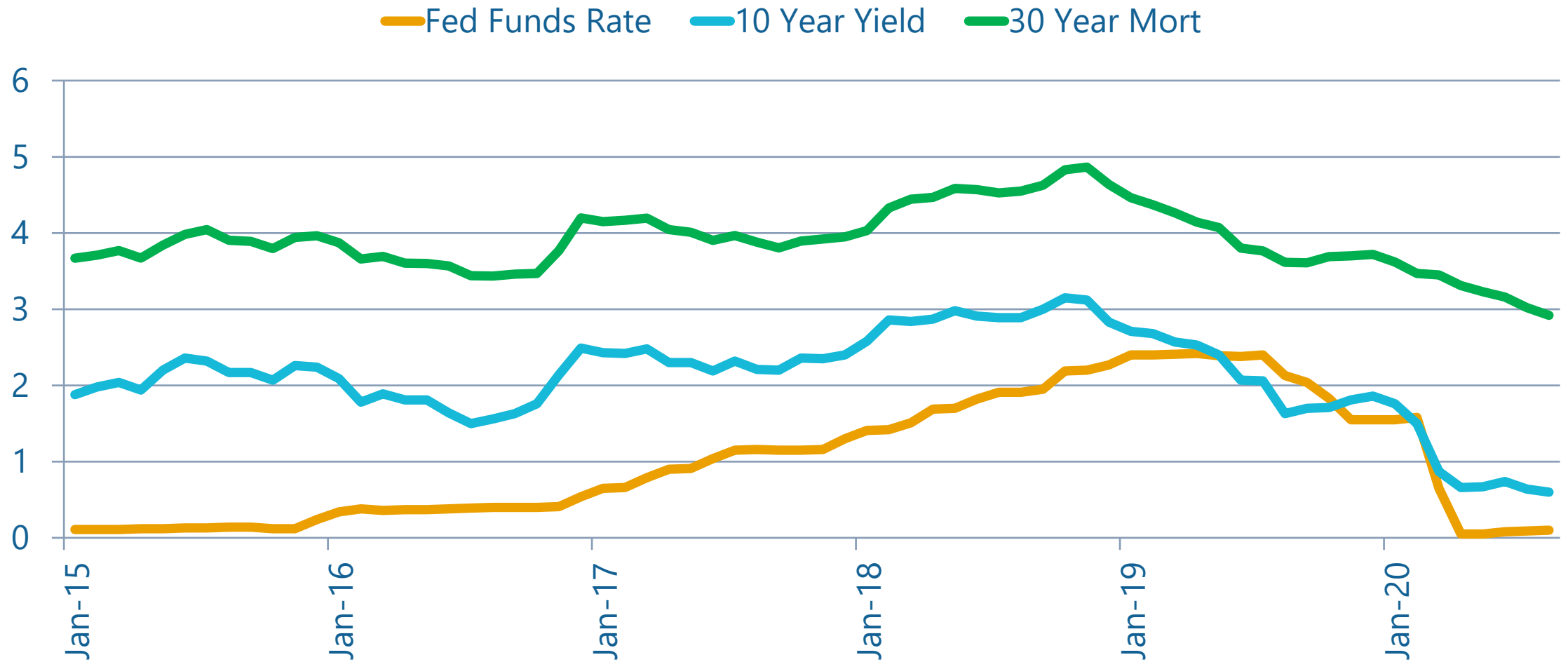
Real Disposable Personal Income & Consumer Outlays



Inflation Dropping



Financial Markets: Rates at Record Lows



Financial Markets

- S&P 500

- High: 3390 late February
- Low: 2200 late March
- Now: 3390 Aug 18 **RECORD** close

- Q: Why? A: Pandemic relief, Fed actions, Poor returns elsewhere, Success of industries and firms during pandemic, US as safe haven

- **NOTES:**

- The stock market is **NOT** the economy
- This contraction is different!

Policy Actions: Massive Pandemic Relief

• Small Business	\$800 Billion
• Households	\$784
• Big Corporations	\$532
• All Businesses	\$513
• Public Health	\$312
• State/Local	\$217
• Miscellaneous	\$126
• <u>Testing</u>	<u>\$ 26</u>
• TOTAL AS OF 5/15	\$3.3 Trillion

Pandemic relief a backstop to slide in purchasing power of households and small businesses:

- Spending in general
- Housing costs in particular

Additional relief:

- Mortgage forbearance
- Rent programs

Q: Why needed? A: 2018 survey of US households reported that 40% of households are unable to handle a \$400 emergency expense.

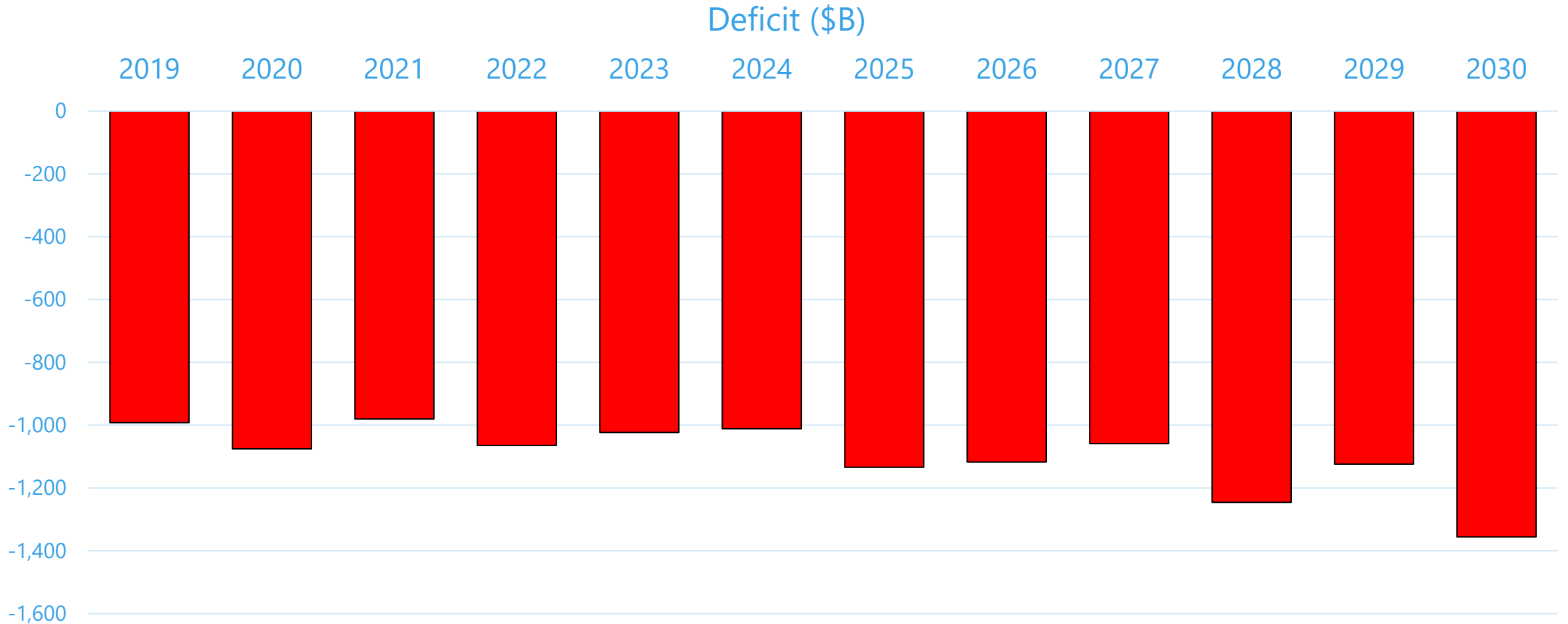


Policy Actions: Massive Pandemic Relief

- Fiscal Policy: \$3.3T in CARES
- Monetary Policy:
 - Fed slashed key rates, fed funds rate effectively zero
 - Authorized \$Ts in lending to HHs, businesses, financial institutions, and other industries
- Policy response makes \$800 billion Great Recession response look like chump change
- 2nd Fiscal Policy Action: pandemic *stimulus* (not relief) bill??

Trillion Dollar Deficits (CBO March 6, 2020)

Deficit through July 20: \$2.8T



Alphabet Soup-Recovery will look like a...

- "V"? Wishful thinking. Won't recover as fast as we fell
- "W"? Possible if flareups occur
- "U"? If health restrictions complicate reopening
- ✓ ? NO...more like a Nike "swoosh" if flareups are limited

REMEMBER...this is downturn has both demand and supply dimensions

What's the Bigger Picture?

DO THE MATH...

- Peak to trough: -\$2.0T
- Q3: +\$1.3T
- Strongest qtr during recovery from Great Recession: +\$250B
- Surge-related shutdowns across country and 2nd wave will delay recovery

■ THEREFORE

- Progress in containing the virus will dictate recovery trajectory
- Without additional fiscal stimulus, lost output (GDP) likely will not be recovered until late 2021.
- Returning to previous growth trajectory will take longer
- Jobs recovery and fall in jobless numbers will lag, with “permanent” job cuts in some industries, but new opportunities in others.

California Economy



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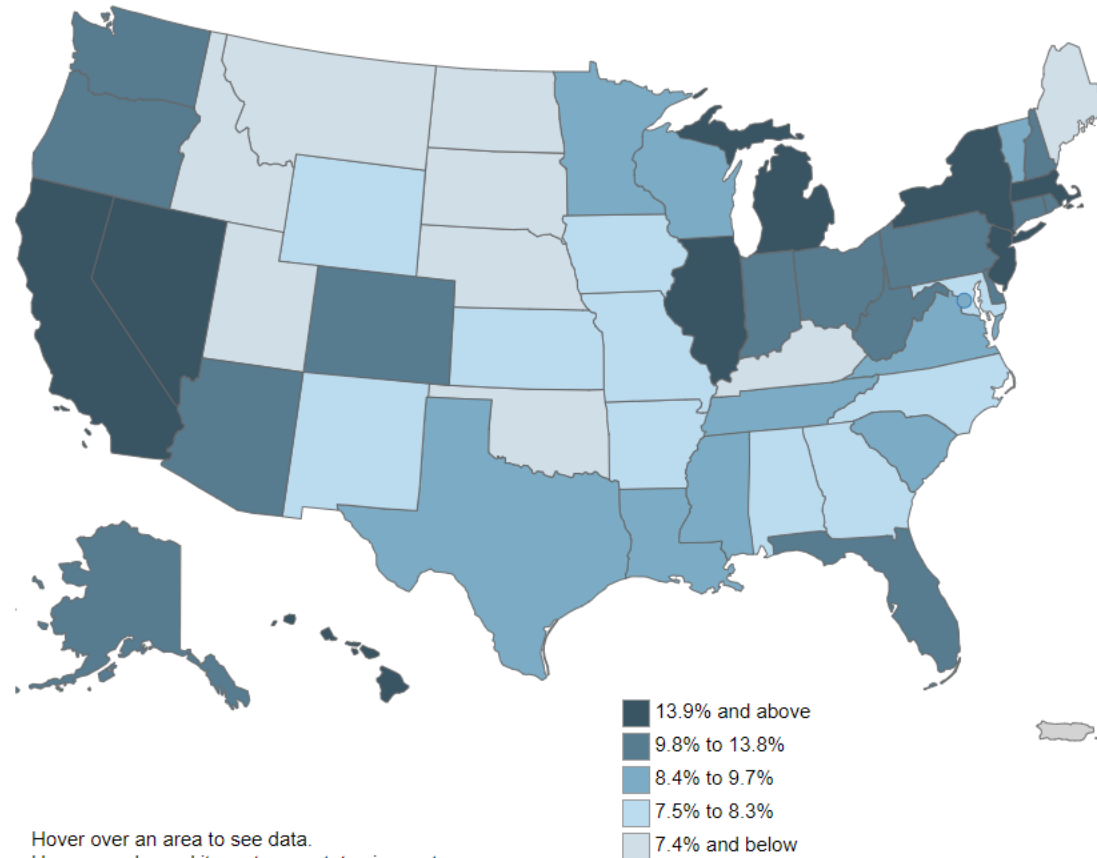


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Unemployment Rates by State (Jun. 20)



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

Nationwide
impact!

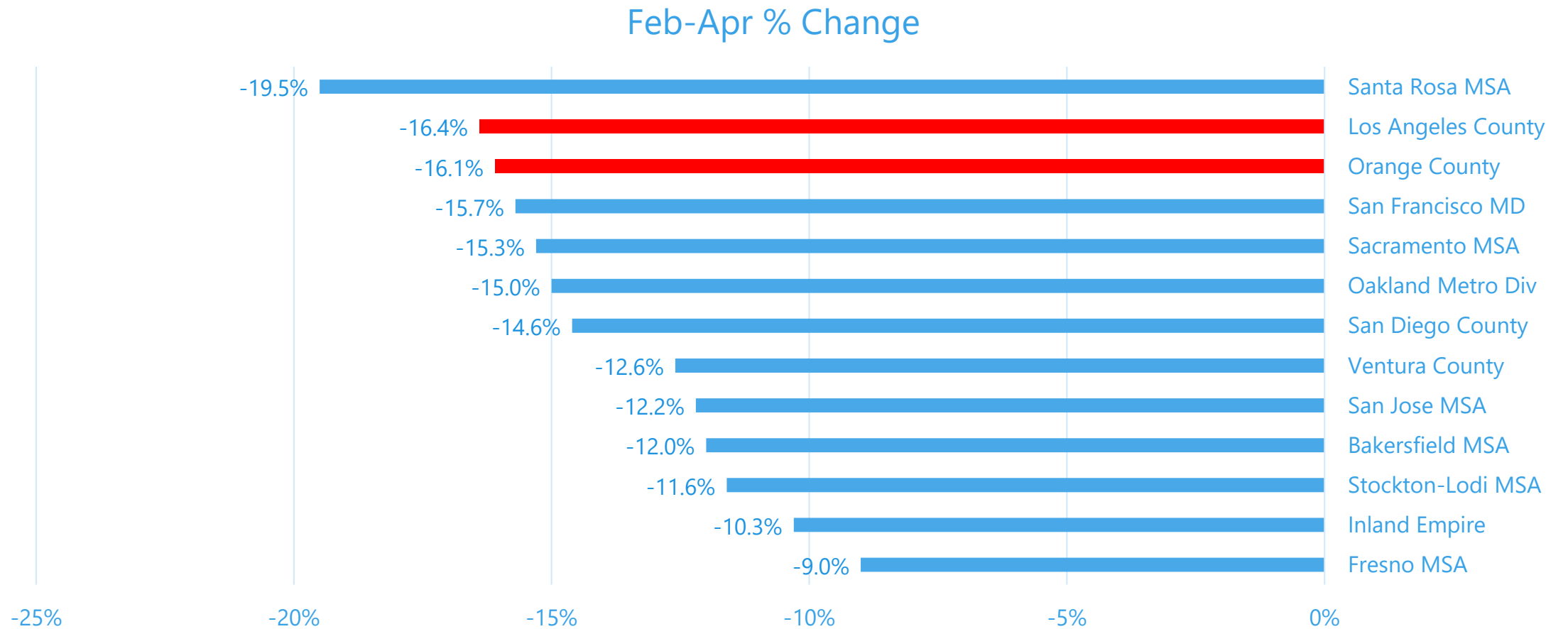
Bigger impact on
states with more
workers in face-to-
face industries

California Job Losses by Industry

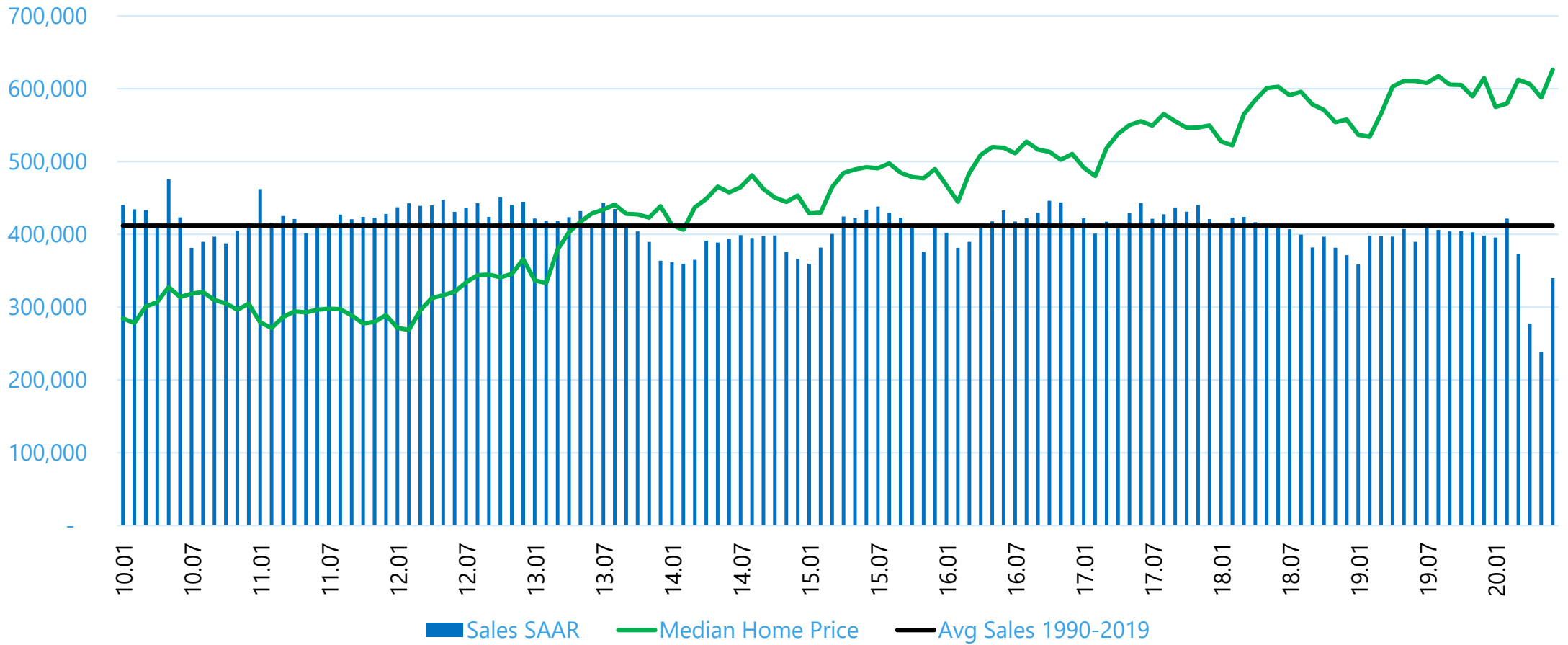
Industry	Feb-20	Feb - April	% Change	April - June	% of Losses Recovered
Total Nonfarm	17,604,500	-2,625,500	-14.9%	692,400	26.4%
Leisure & Hospitality	2,055,300	-982,400	-47.8%	350,200	35.6%
Health Care & Social Assistance	2,460,900	-285,700	-11.6%	122,500	42.9%
Retail Trade	1,654,900	-279,400	-16.9%	87,100	31.2%
Other Services	581,300	-172,700	-29.7%	32,600	18.9%
Construction	896,900	-150,000	-16.7%	102,000	68.0%
Manufacturing	1,315,700	-133,800	-10.2%	36,000	26.9%
Professional, Scientific & Technical Services	1,351,700	-84,400	-6.2%	19,400	23.0%
Wholesale Trade	690,800	-66,200	-9.6%	21,100	31.9%
Administrative & Support & Waste Services	1,138,400	-161,800	-14.2%	30,700	19.0%
Transportation, Warehousing & Utilities	718,200	-58,900	-8.2%	12,800	21.7%
Information	588,200	-78,700	-13.4%	2,800	3.6%
Educational Services	392,900	-42,200	-10.7%	5,400	12.8%
Management of Companies & Enterprises	253,100	-13,400	-5.3%	1,200	9.0%
Real Estate & Rental & Leasing	306,400	-23,400	-7.6%	2,800	12.0%
Finance & Insurance	545,300	-1,500	-0.3%	1,700	113.3%
Mining and Logging	22,700	-1,000	-4.4%	600	60.0%
Government	2,631,800	-90,000	-3.4%	-136,500	



Large CA Metros: Feb to Apr % Job Changes



What's the Story with Housing?



Mixed Signals in Housing

- Record high delinquency rate, FHA: 15.7% nationally
 - Federal forbearance program in place
- Late rent, National Multifamily Housing Council
 - August 2020: 86.9% on time
 - July 2020: 87.6%
 - August 2019: 88.9%

IN SUM: great opportunity for buyers who have financial resources to capitalize on current low rates, but challenging times for owners/renters who have lost jobs or reduced hours



2020 Conclusion: What's the Outlook

- Recovery occurring even as we experience shutdowns
 - Uneven progress across industries
 - Face-to-face /health-and-well-being sectors slowest to recover
 - Industries capitalizing on current situation
 - Industries adapting more easily to remote work
- Possibility of surges and 2nd wave? YES...we are not back to biz as usual!!
- Knowledge is Power...You must know:
 - Current pandemic numbers in your market areas
 - How your specific industry is faring
 - Your numbers: sales, operating expenses, reserves
 - How to be nimble as you navigate through the next 12 to 18 months

LONG BEACH & REGIONAL ECONOMIC OUTLOOK

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Overview

- Brief Economic Profile of Long Beach before COVID
- Economic Impacts of COVID on Long Beach & LA County
 - Who has been hit the hardest?
 - Who is struggling the hardest to recover?
- So much to show you, but so little time
 - Presentation will be made available online at csulb.edu/ref



LONG BEACH Pre-COVID Economic Profile



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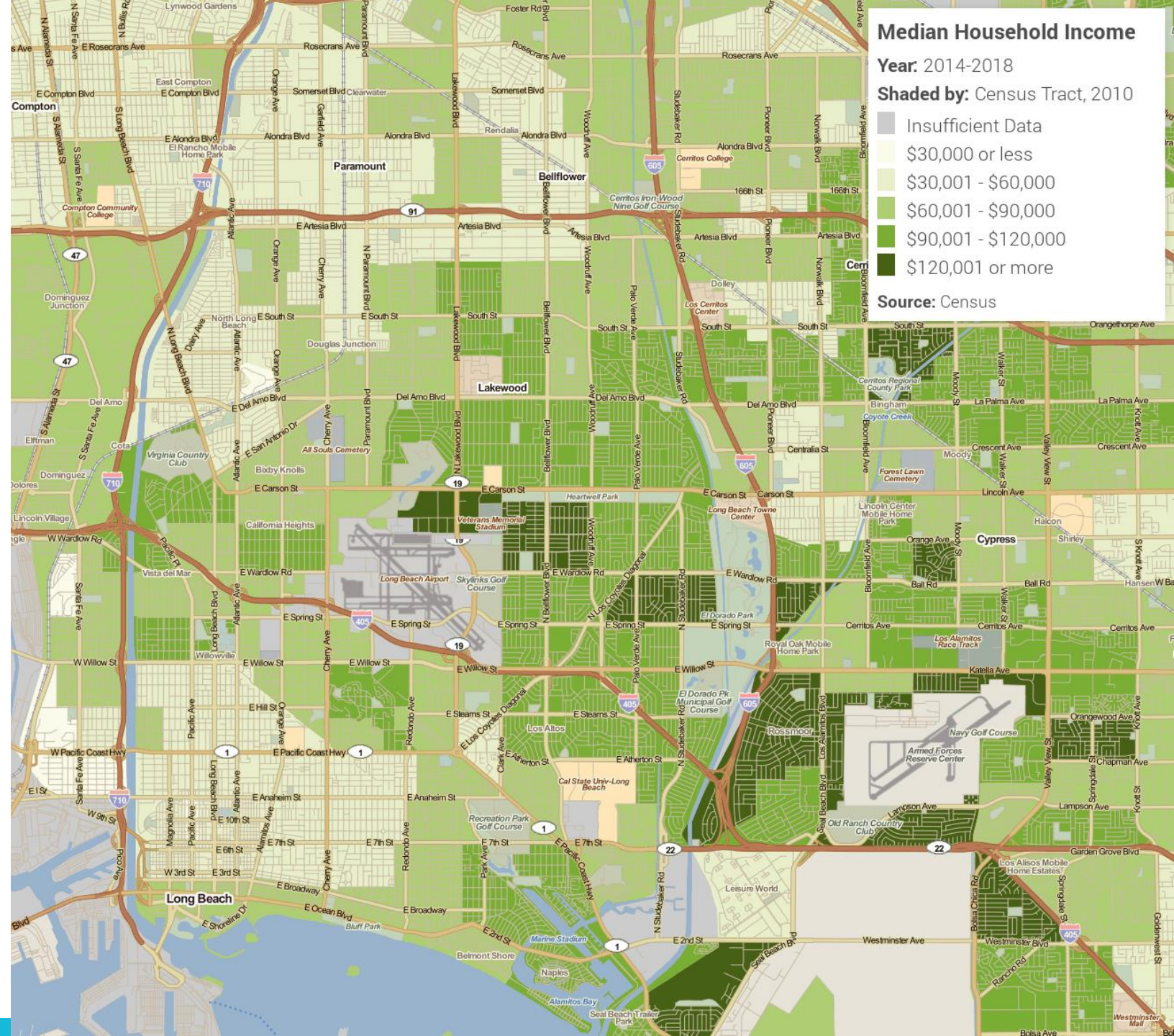


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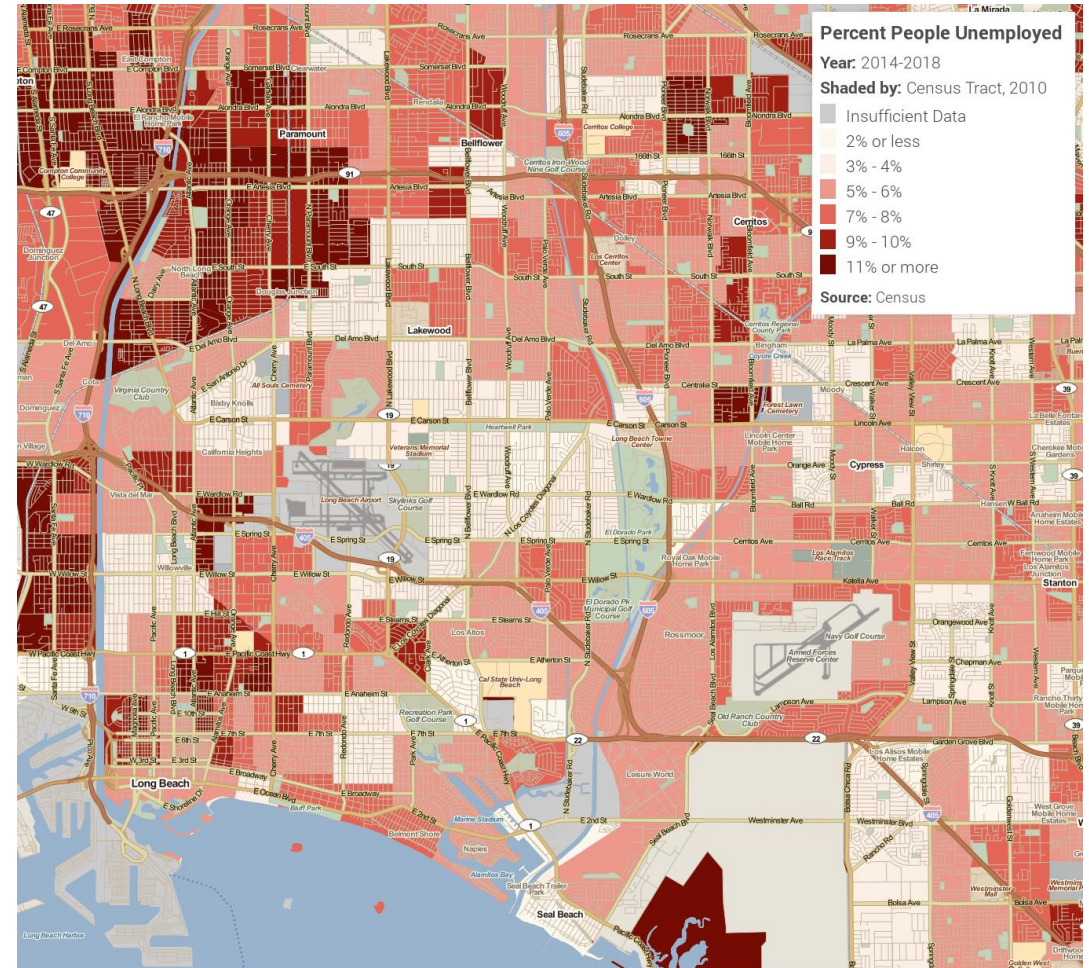
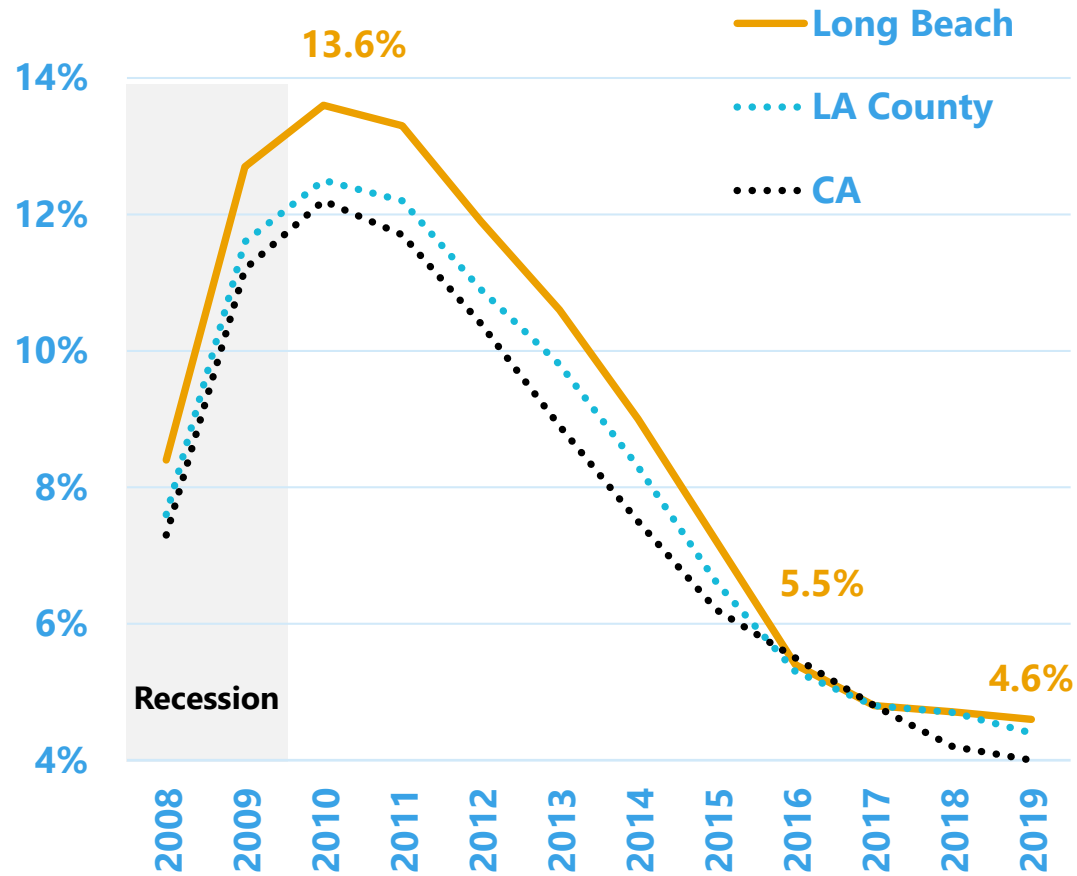
Household Income 2014-2018

- **166,460** households in Long Beach
- Median Household Income is **\$61,610**
 - \$68,093 in LA County
 - \$75,277 in California
- **55.4%** of households rent their homes

Source: US Census ACS



Unemployment Rates



Source: US Bureau of Labor Statistics; US Census ACS (2014-2018)

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August 20, 2020

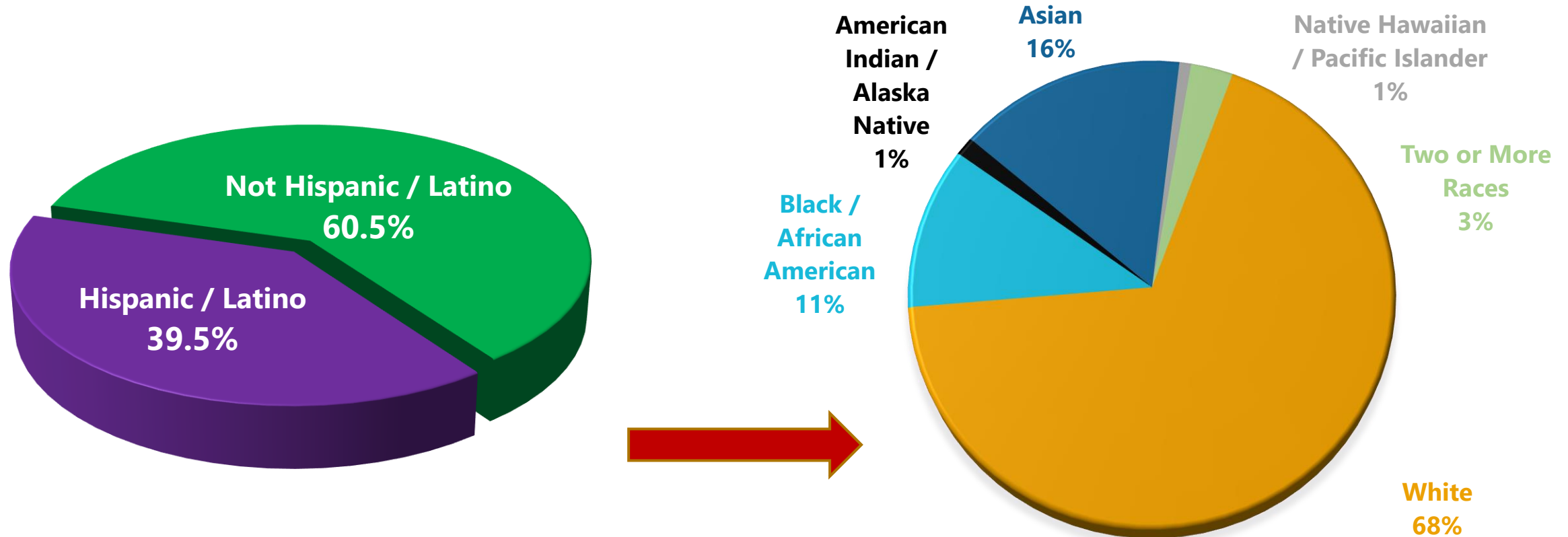
Employment, Output, & Gross Regional Product

- Long Beach has **263,618** employees and business owners
 - **200,408** Wage & Salary Employees
 - **63,210** Business Owners
- Total Annual Output (Sales) in Long Beach is **\$48.7 billion**
- Long Beach's Annual Gross Regional Product is **\$29.4 billion**
 - **4%** of Los Angeles County's Gross Regional Product



Source: IMPLAN 2018

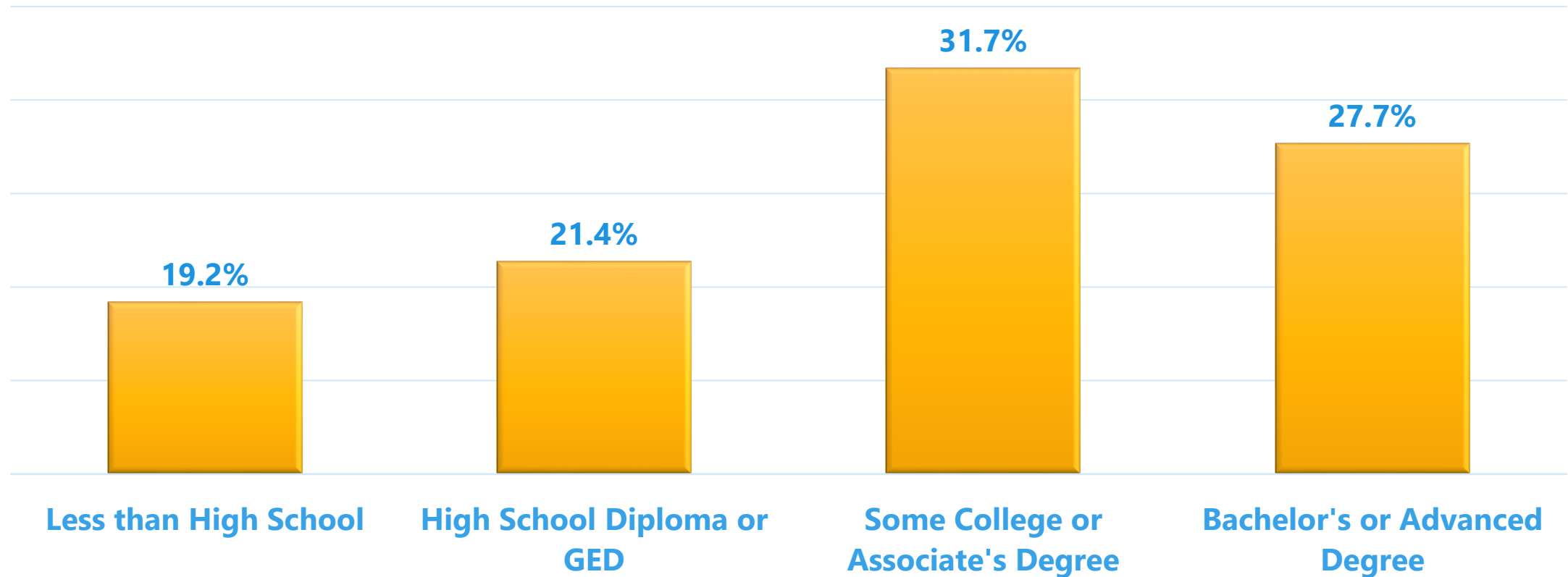
Employment by Ethnicity & Race



Source: US Census Current Employment Survey (2017)

Employment by Educational Attainment

Employment in Long Beach by Highest Education (Age 30+)



Source: US Census Current Employment Survey (2017)

Employment and Business Ownership by Industry

Industry in Long Beach	Wage Employees	% of Wage Employment	Business Owners	% of Business Owners	% of GRP
Construction	7,039	3.5%	3,840	6.1%	3.2%
Manufacturing	10,992	5.5%	706	1.1%	6.7%
Wholesale Trade	7,897	3.9%	323	0.5%	4.8%
Retail Trade	15,162	7.6%	4,010	6.3%	4.5%
Transportation and Warehousing	13,612	6.8%	8,468	13.4%	7.5%
Information	2,231	1.1%	843	1.3%	3.1%
Finance & Insurance	6,846	3.4%	3,511	5.6%	5.7%
Real Estate & Rental & Leasing	3,540	1.8%	10,540	16.7%	17.9%
Professional, Scientific, & Technical Services	11,475	5.7%	5,906	9.3%	7.5%
Management of Companies & Enterprises	1,445	0.7%	328	0.5%	0.8%
Administration & Support, Waste Management	14,539	7.3%	5,596	8.9%	4.0%
Educational Services	14,730	7.4%	-	-	-
Health Care & Social Assistance	34,752	17.3%	4,567	7.2%	8.2%
Arts, Entertainment, & Recreation	1,950	1.0%	1,321	2.1%	0.8%
Accommodation & Food Services	23,193	11.6%	1,467	2.3%	4.4%
Other Services	15,128	7.6%	7,898	12.5%	4.0%
Government (including Military)	14,238	7.1%	-	-	-

Source: US Census; IMPLAN 2018

LONG BEACH & LOS ANGELES COUNTY COVID Economic Impact & Recovery



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Long Beach Unemployment



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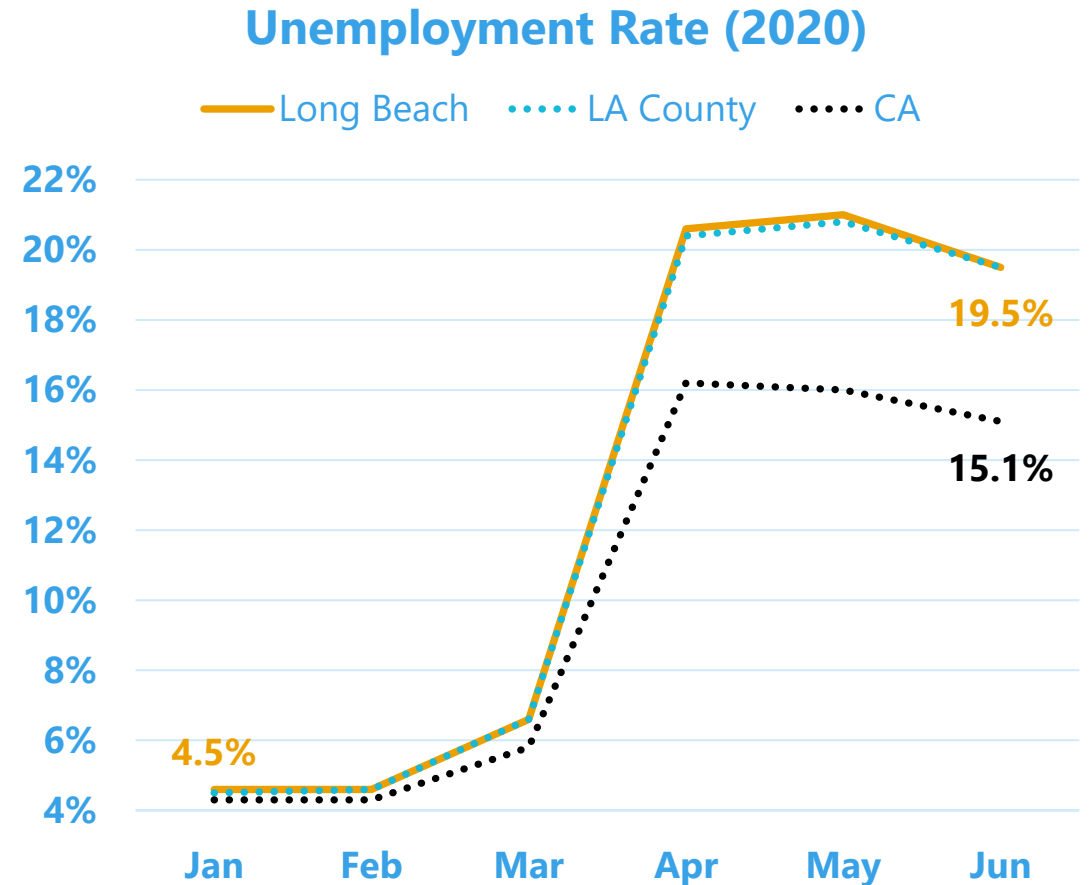
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Unemployment

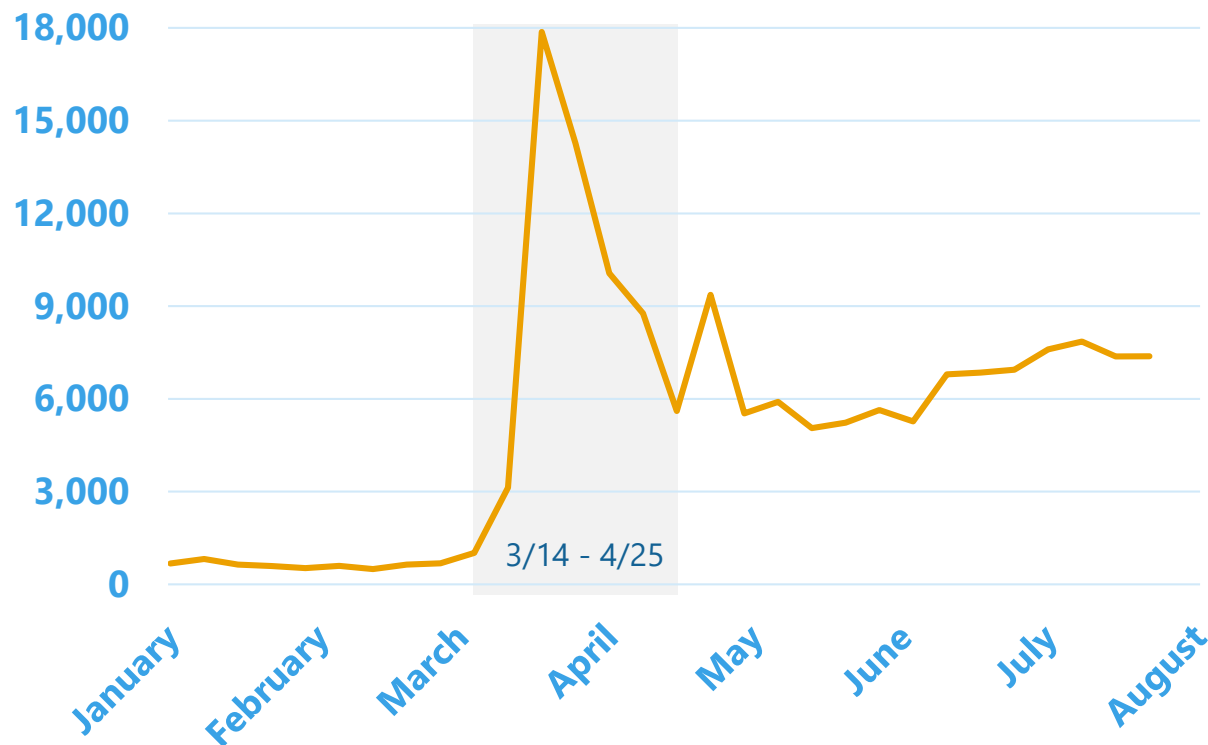
- **19.5%** current Unemployment Rate among Long Beach residents
- Labor Force Participation has fallen by **5.4%** since January
 - **13,079** Long Beach residents have stopped looking for work



Source: US Bureau of Labor Statistics

Weekly New Unemployment Insurance Claims Long Beach

Long Beach Weekly New UI Claims



- March 14 – April 25:
 - **60,711** total new claims
- May 2 – August 1:
 - **92,767** total new claims
- In 2020 thus far:
 - **159,131** total new claims

Source: CA EDD (Confidential Data); CSULB Econometric Analysis

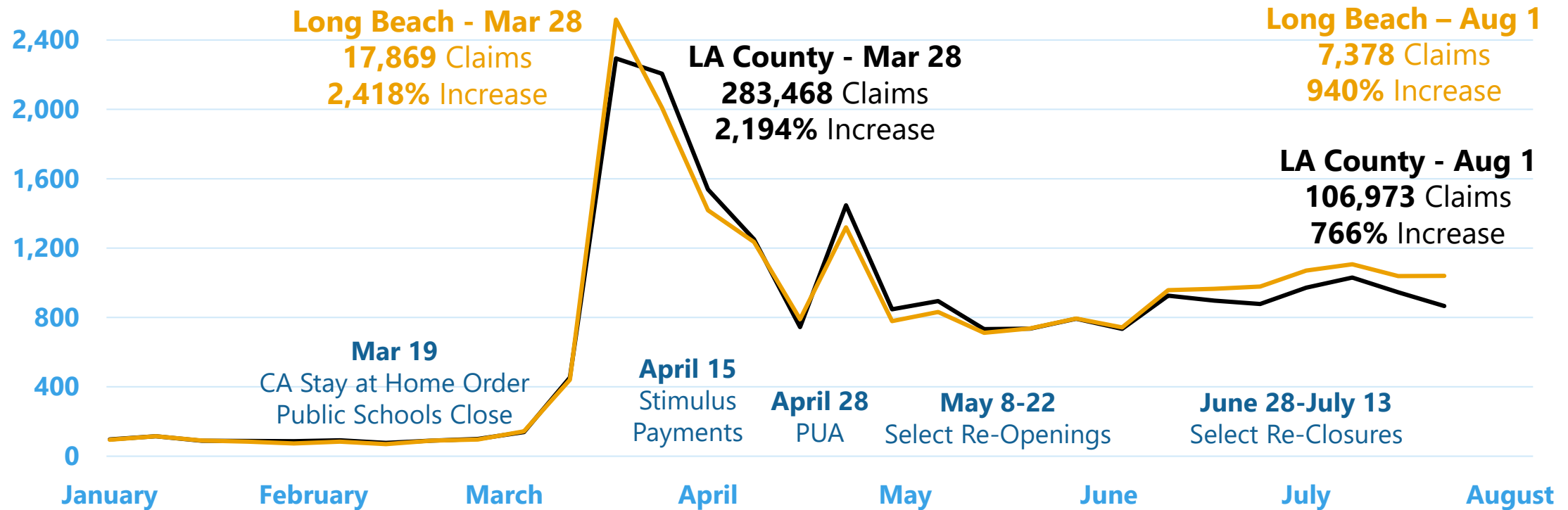
Weekly New Unemployment Insurance Claims Long Beach vs. Los Angeles County

Index of Weekly New Unemployment Claims

(Jan 2020 = 100)

— LA County

— Long Beach



Source: CA EDD (Confidential Data); CSULB Econometric Analysis

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New Unemployment Insurance Claims

Long Beach by Race/Ethnicity (Jan 11 - Aug 1)

Race/Ethnicity (14% Not Reported)	Total Claims Excluding PUA ¹	% Total Claims Excluding PUA	Total PUA Claims ²	Total PUA Claims	Total Claims	% Total Claims
Asian	22,071	18.2%	2,623	14.5%	24,694	17.7%
Black / African American	19,957	16.4%	5,398	29.8%	25,355	18.2%
Hispanic	49,226	40.6%	4,157	23.0%	53,383	38.3%
Native American/Alaskan	710	0.6%	71	0.4%	781	0.6%
White	29,413	24.2%	5,844	32.3%	35,257	25.3%

1. Initial Unemployment Insurance Claims, excluding Pandemic Unemployment Assistance Claims
2. Initial Pandemic Unemployment Assistance Claims

Source: CA EDD (Confidential Data); US Census Current Employment Survey (2017)



New Unemployment Insurance Claims

Long Beach by Educational Attainment (Jan 11 - Aug 1)

Educational Attainment (22% Not Reported)	Total Claims	% Total Claims
Less than High School	11,692	9.0%
High School Diploma or GED	57,913	44.4%
Some College or Vocational	31,324	24.0%
Associate's Degree	7,437	5.7%
Bachelor's Degree	17,799	13.7%
Master's Degree or PhD	4,176	3.2%

Source: CA Employment Development Department (Confidential Data)



Long Beach UI Claims by Industry (Jan 11 - Aug 1)

Industry in Long Beach	Total Claims	% Total Claims
Construction	4,922	4.4%
Manufacturing	7,856	7.0%
Wholesale Trade	4,428	3.9%
Retail Trade	14,632	13.0%
Transportation and Warehousing	7,281	6.5%
Information	2,833	2.5%
Finance & Insurance	1,082	1.0%
Real Estate & Rental & Leasing	2098	1.9%
Professional, Scientific, & Technical Services	5,346	4.8%
Management of Companies & Enterprises	643	0.6%
Administration & Support, Waste Management	11,503	10.2%
Educational Services	5,258	4.7%
Health Care & Social Assistance	13,956	12.4%
Arts, Entertainment, & Recreation	5,434	4.8%
Accommodation & Food Services	19,469	17.3%
Other Services	4,509	4.0%
Government (including Military)	940	0.8%

Source: CA Employment Development Department (Confidential Data)



LA County Employment Losses & Recovery



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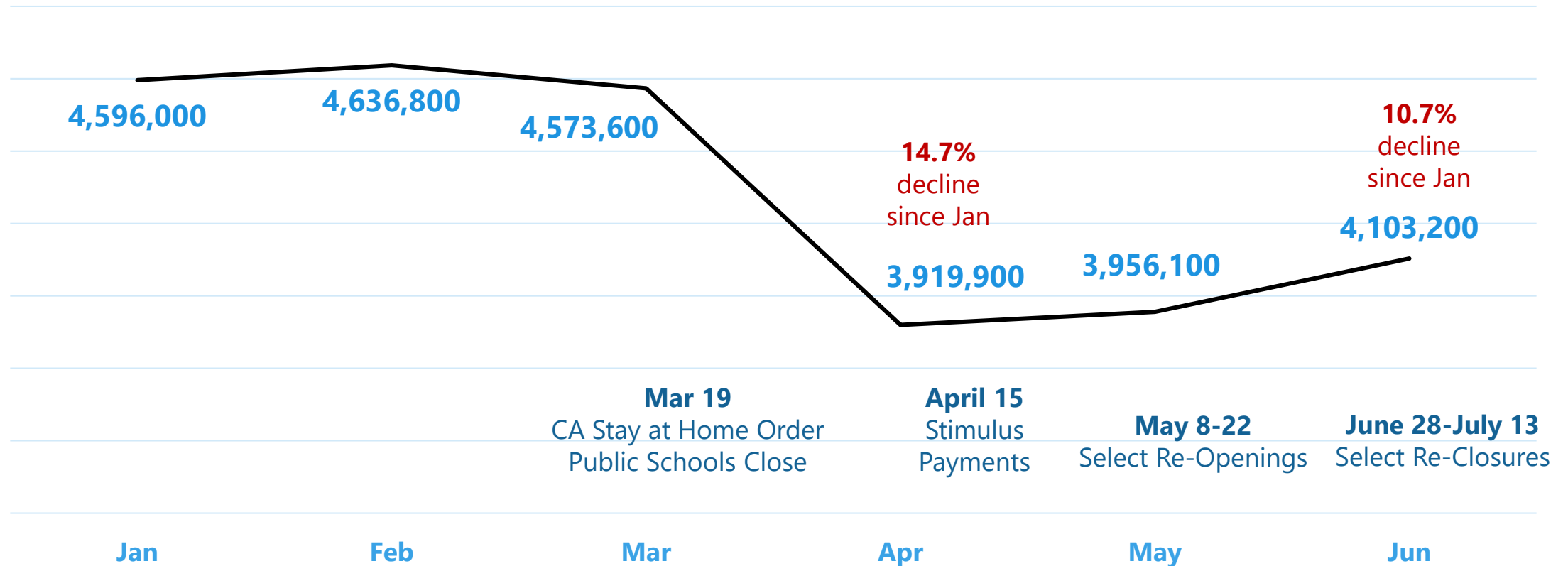
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Total Employment Los Angeles County

LA County Total Wage & Salary Employment (2020)

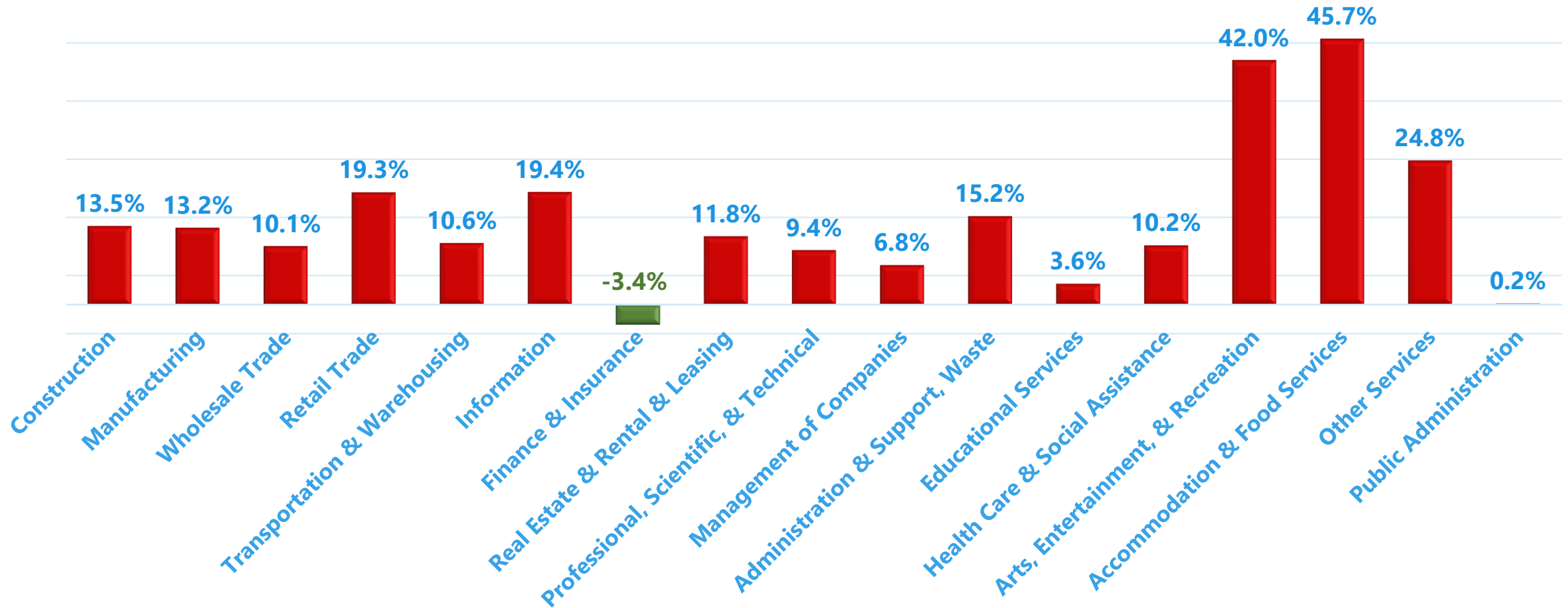


Source: CA Employment Development Department; US Bureau of Labor Statistics

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Shutdown Employment Losses by Industry

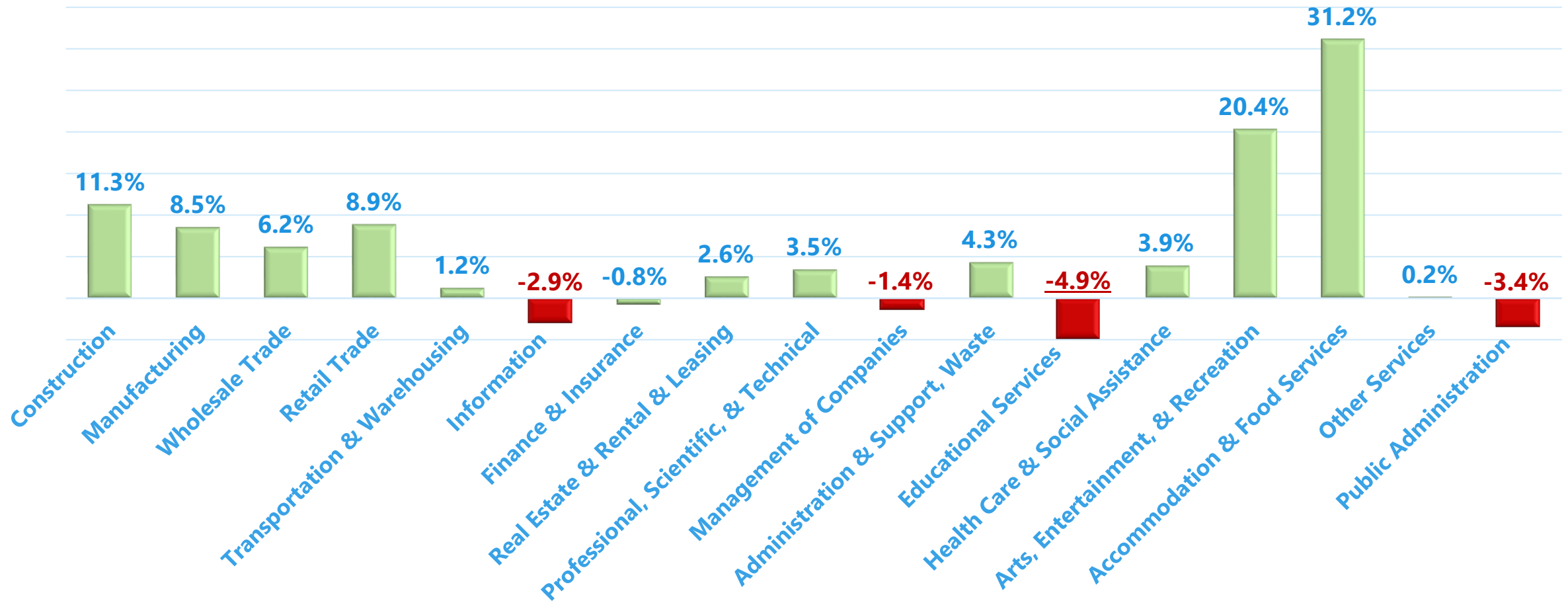
% Losses between January and April (LA County)



Source: CA Employment Development Department; US Bureau of Labor Statistics

Employment Gains After Shutdown

% Gains between April and June (LA County)



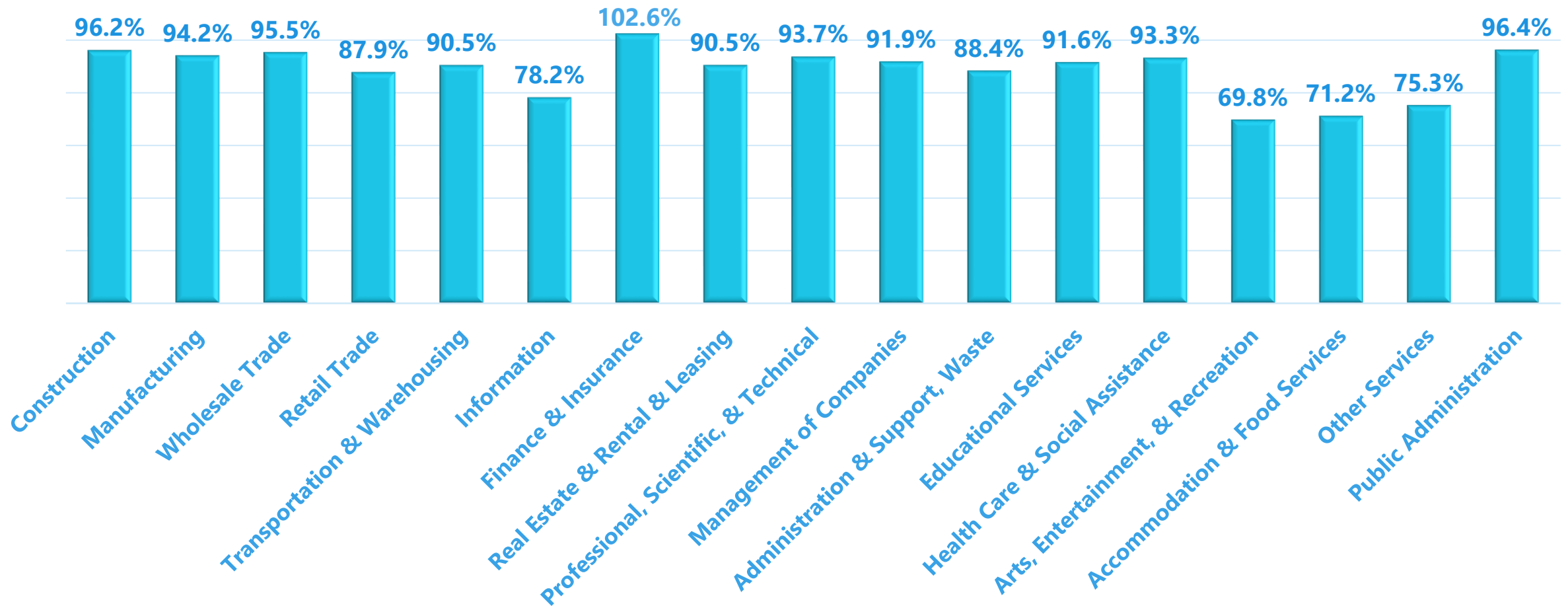
Source: CA Employment Development Department; US Bureau of Labor Statistics

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Current Employment Recovery Levels

June Employment as Percentage of January Employment (LA County)



Source: CA Employment Development Department; US Bureau of Labor Statistics

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Consumer Spending and Small Business Revenues



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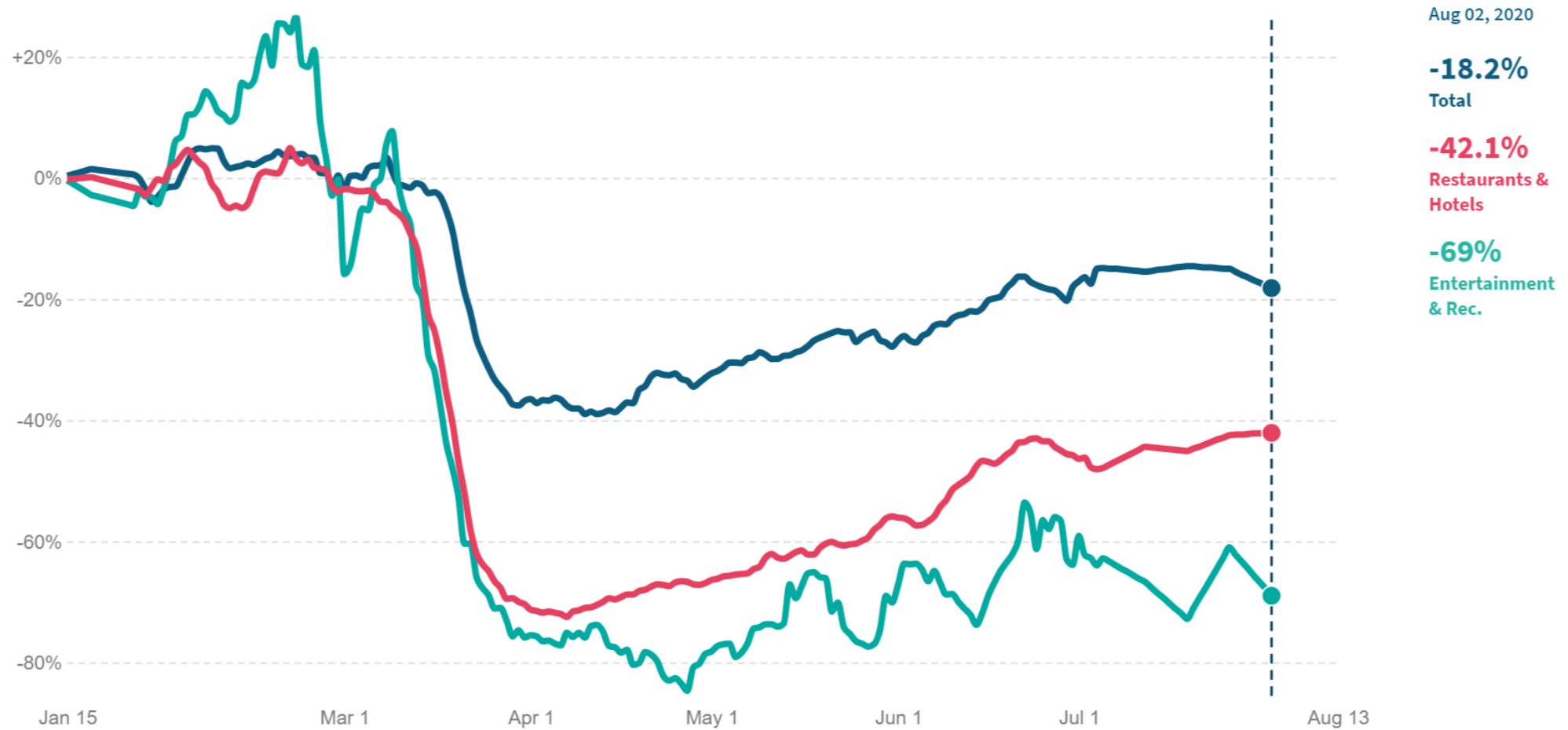


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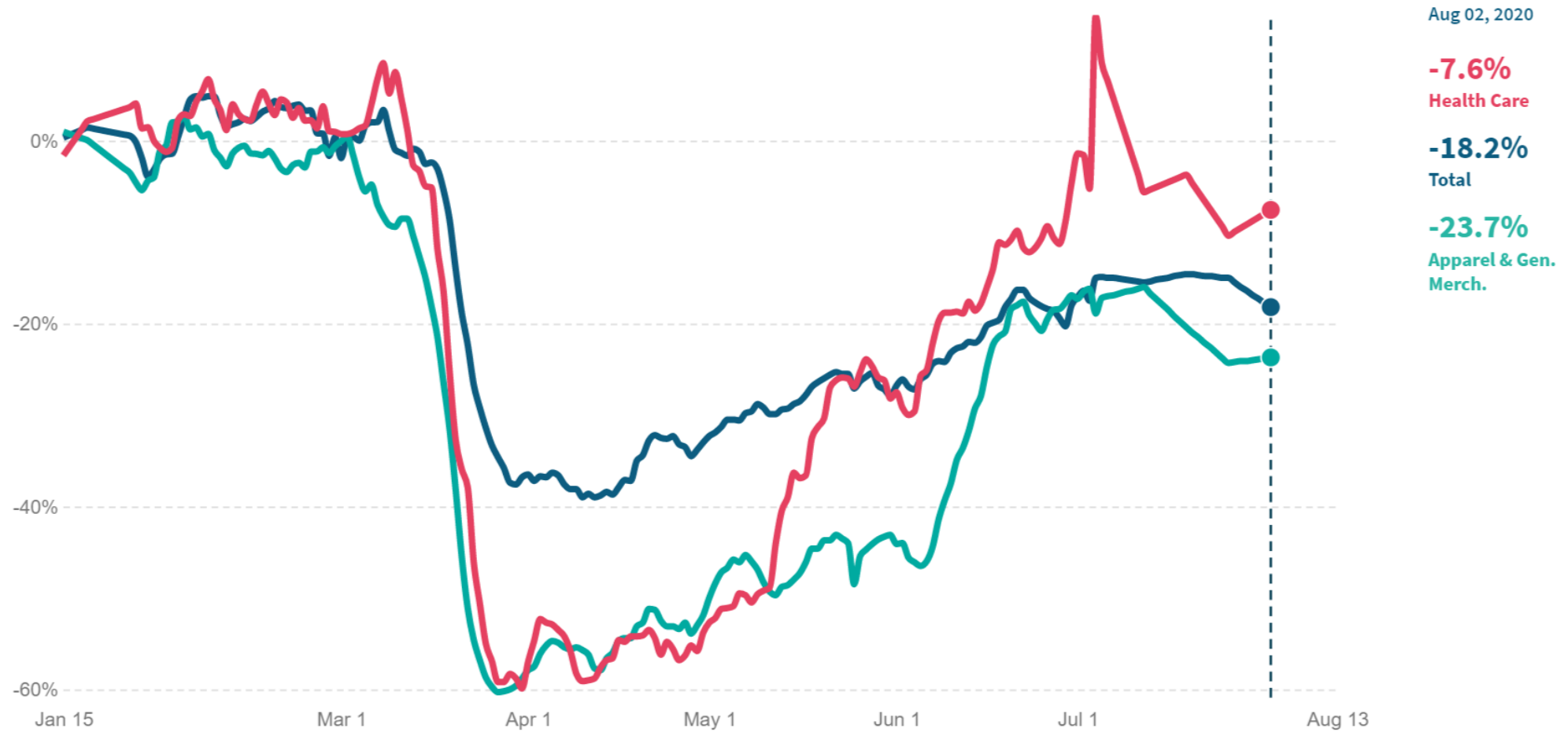
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Consumer Spending in LA County



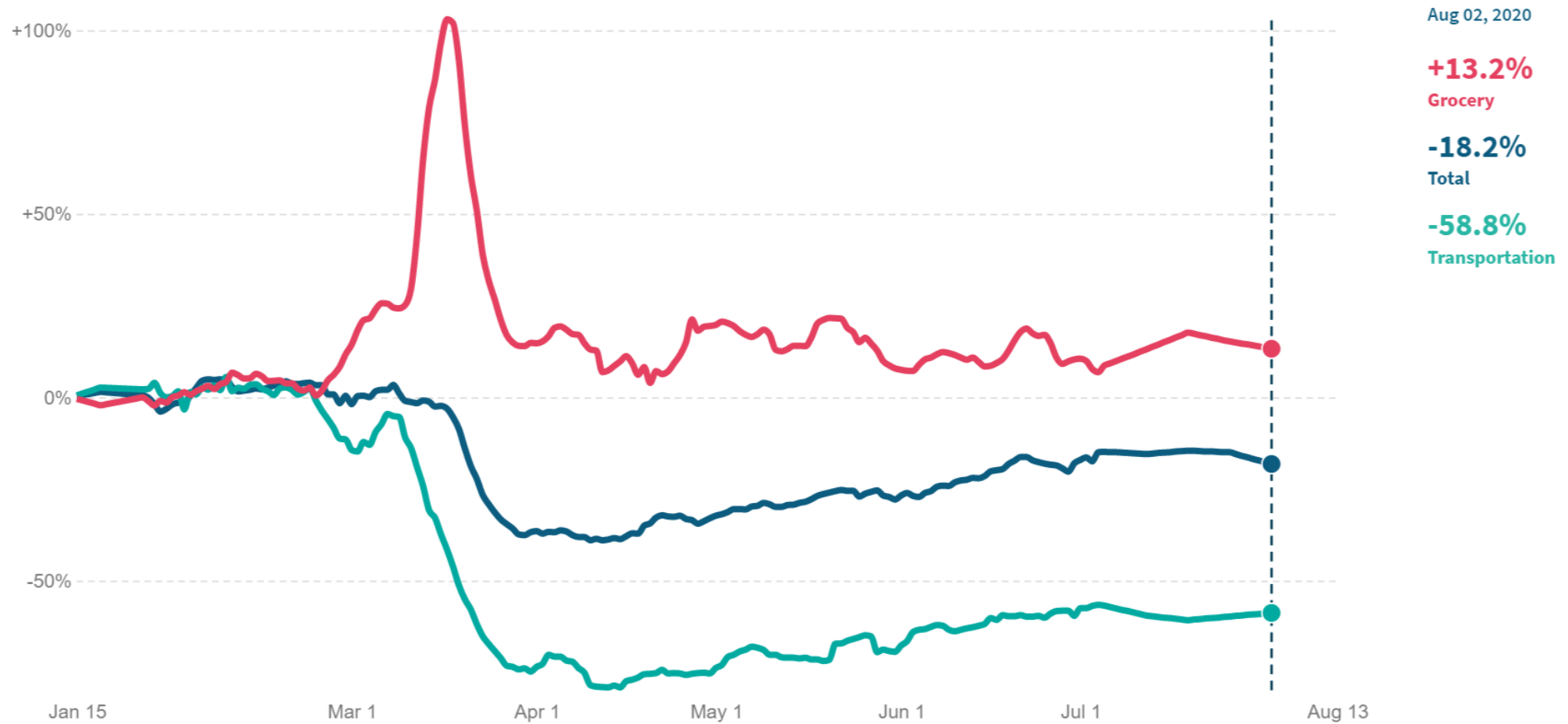
Source: Chetty et al. (2020); tracktherecovery.org

Consumer Spending in LA County



Source: Chetty et al. (2020); tracktherecovery.org

Consumer Spending in LA County

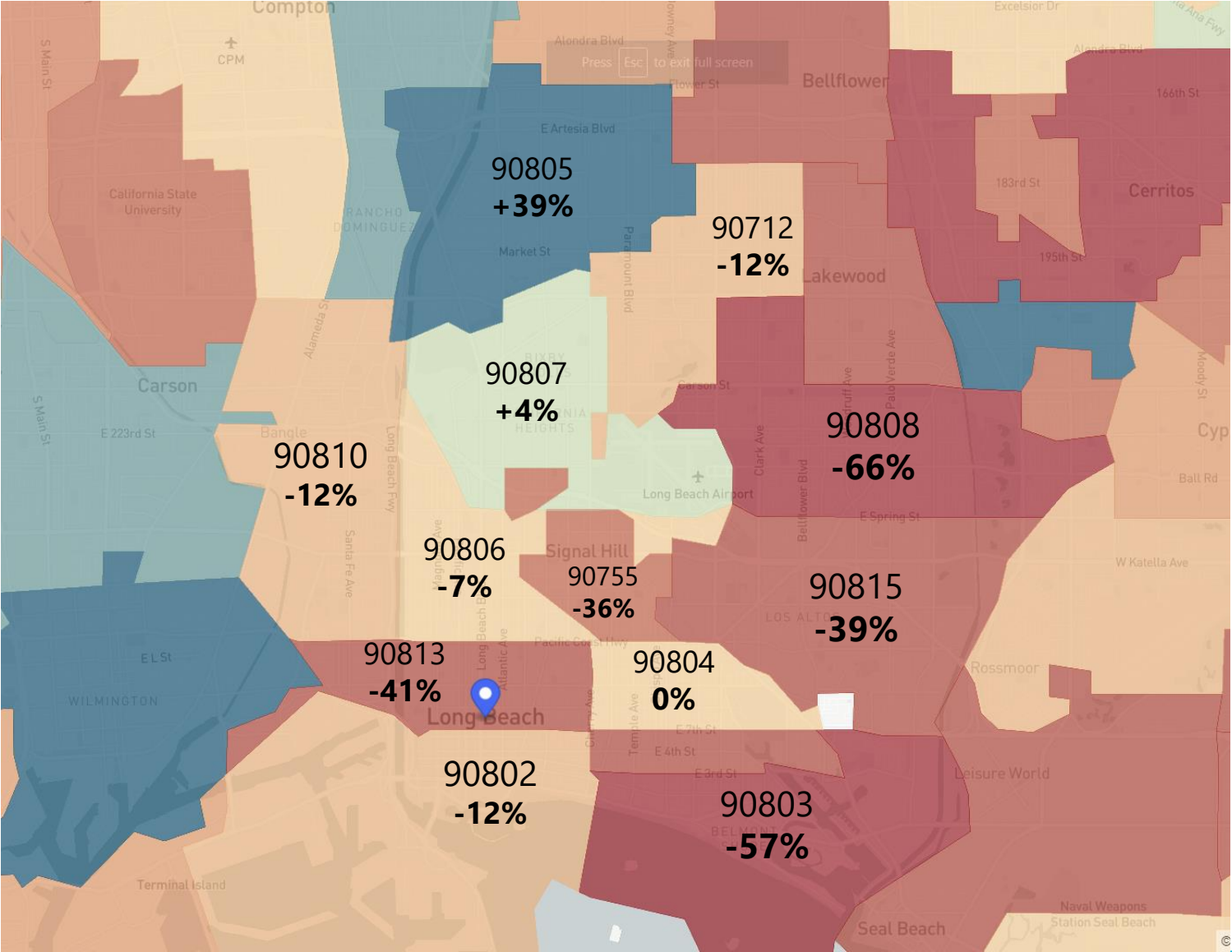


Source: Chetty et al. (2020); tracktherecovery.org

Shutdown Impact on Long Beach Small Business Revenues

Change Post-COVID

- -49% or lower
- -49% to -37%
- -37% to -29%
- -29% to -22%
- -22% to -15%
- -15% to -8%
- -8% to 0%
- 0% to +11%
- +11% to +31%
- +31% or higher



Small Business Revenues During Shutdown

Average Revenues from March 25 to May 26, as compared to January, by Zip Code

Source: Chetty et al. (2020); tracktherecovery.org



Takeaway Points



Takeaways Points

- New Unemployment Insurance Claims rates in Long Beach have been about nine times higher than normal in recent months
 - We shouldn't expect unemployment rates to fall until claims rates fall
- **83%** of Long Beach residents who filed new unemployment claims this year have less than a college education
- **53%** of Long Beach's claims have been filed by those working in:
 - Accommodation & Food Services
 - Health Care & Social Assistance
 - Retail Trade
 - Administration & Support



Takeaways Points

- Los Angeles County industries that have recovered less than **90%** of employment are:
 - Accommodation & Food Services
 - Arts, Entertainment, & Recreation
 - Retail Trade
 - Information
 - Administration & Support
 - Other Services
- Consumer Spending in LA County has fallen **18.2%** since January
 - **42.1%** decline in spending on Restaurants & Hotels
 - **58.8%** decline in spending on Transportation
 - **69%** decline in spending on Entertainment & Recreation



Takeaways Points

- The impact of the shutdown on Long Beach Small Business Revenues has ranged from:
 - **66% decline** in the area around the Long Beach Towne Center (90808)
 - **39% increase** in the City's northwest region (90805)
 - Possibly due to increased consumer spending on groceries
- "You can't broad-brush Long Beach" - *John Keisler*
 - Deeper dives into each of Long Beach's industries are required to better understand their recovery trajectories



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