

# US AND CALIFORNIA OUTLOOK

## Regional Economic Update

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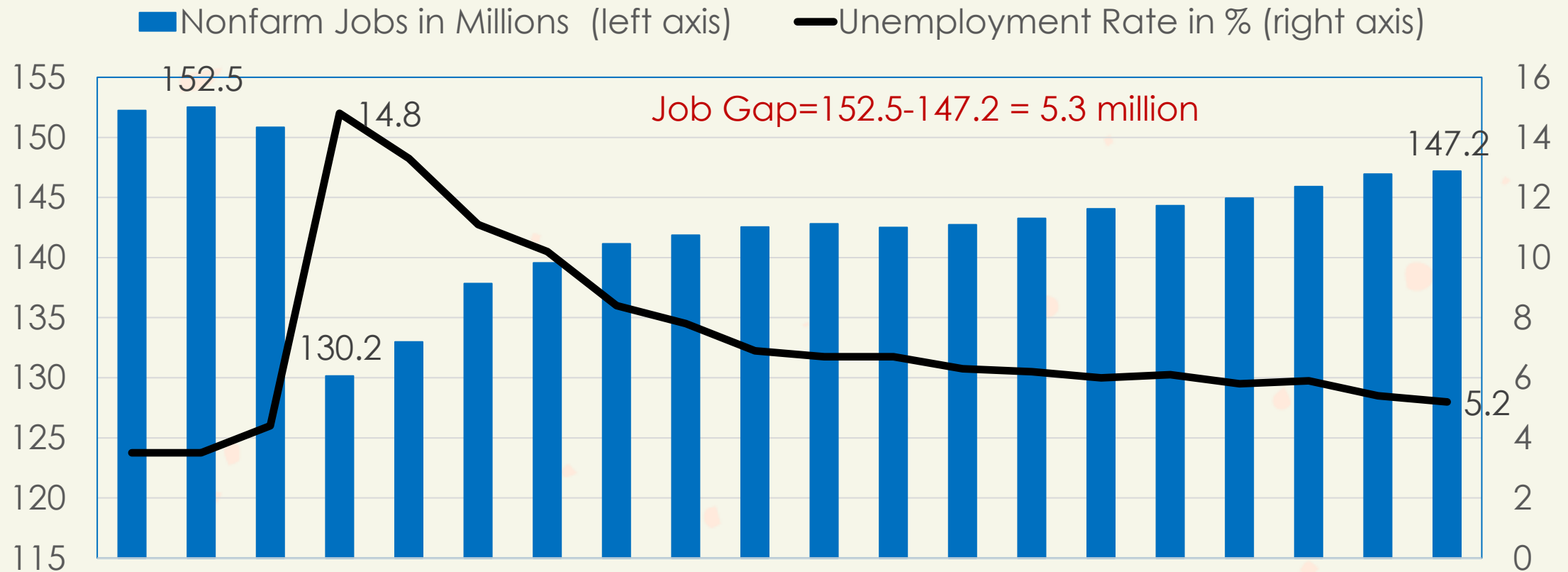
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CALIFORNIA STATE UNIVERSITY, LONG BEACH

# Outline

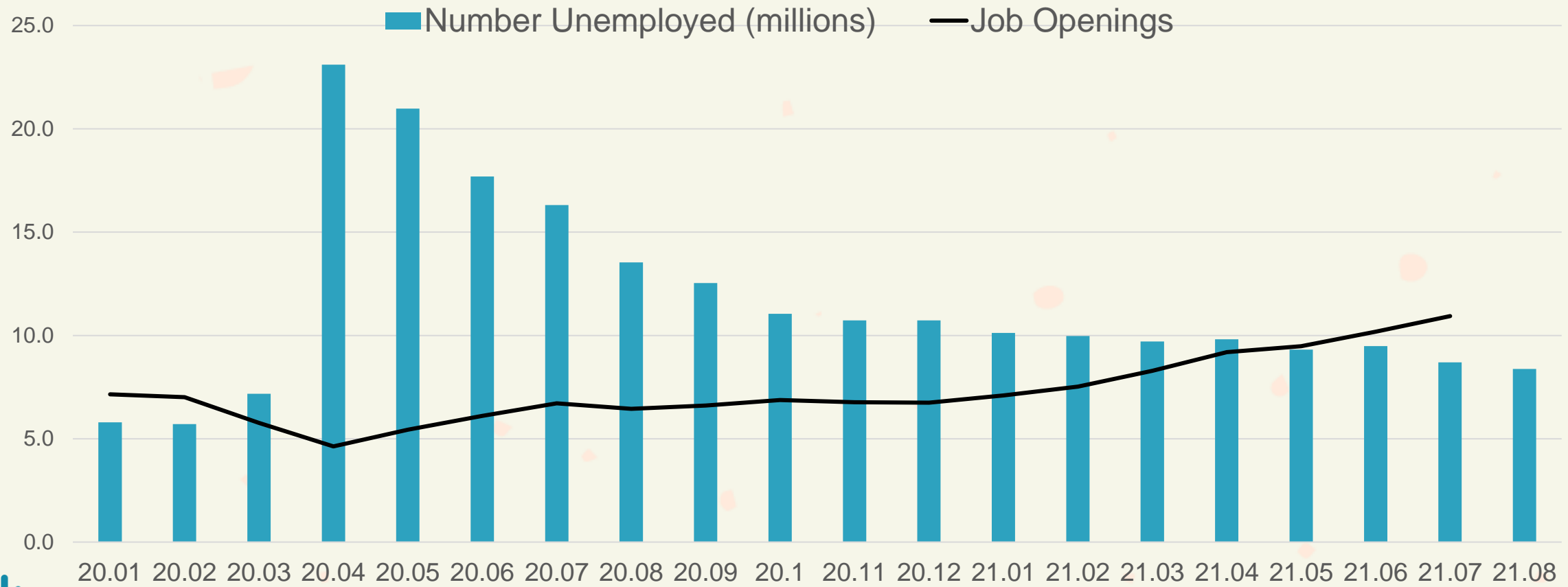
- US Economy
- California and its Regions
- Housing
- Conclusion/Outlook 2021-22

# US...From Recovery to Expansion

# U-Rate at 5.2%, Jobs Gap Closing by Q2-22

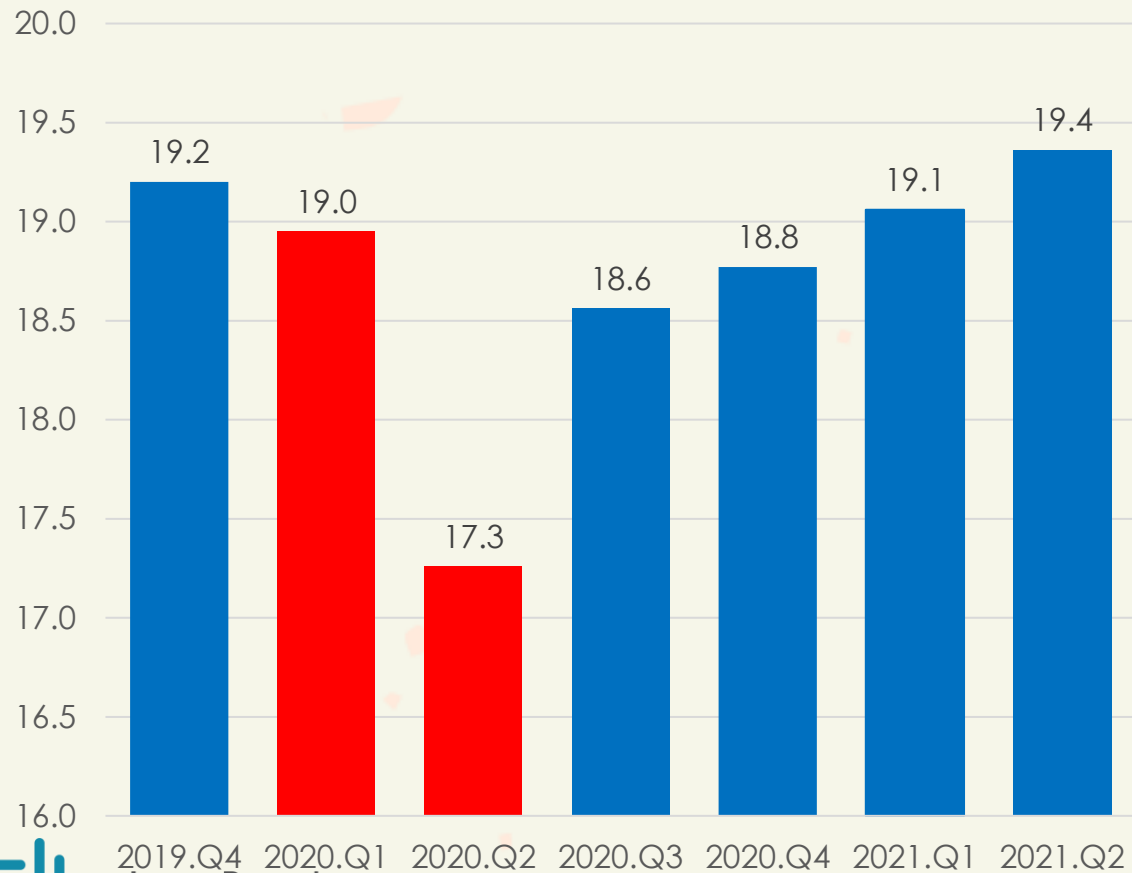


# Job Openings Exceed Number Unemployed

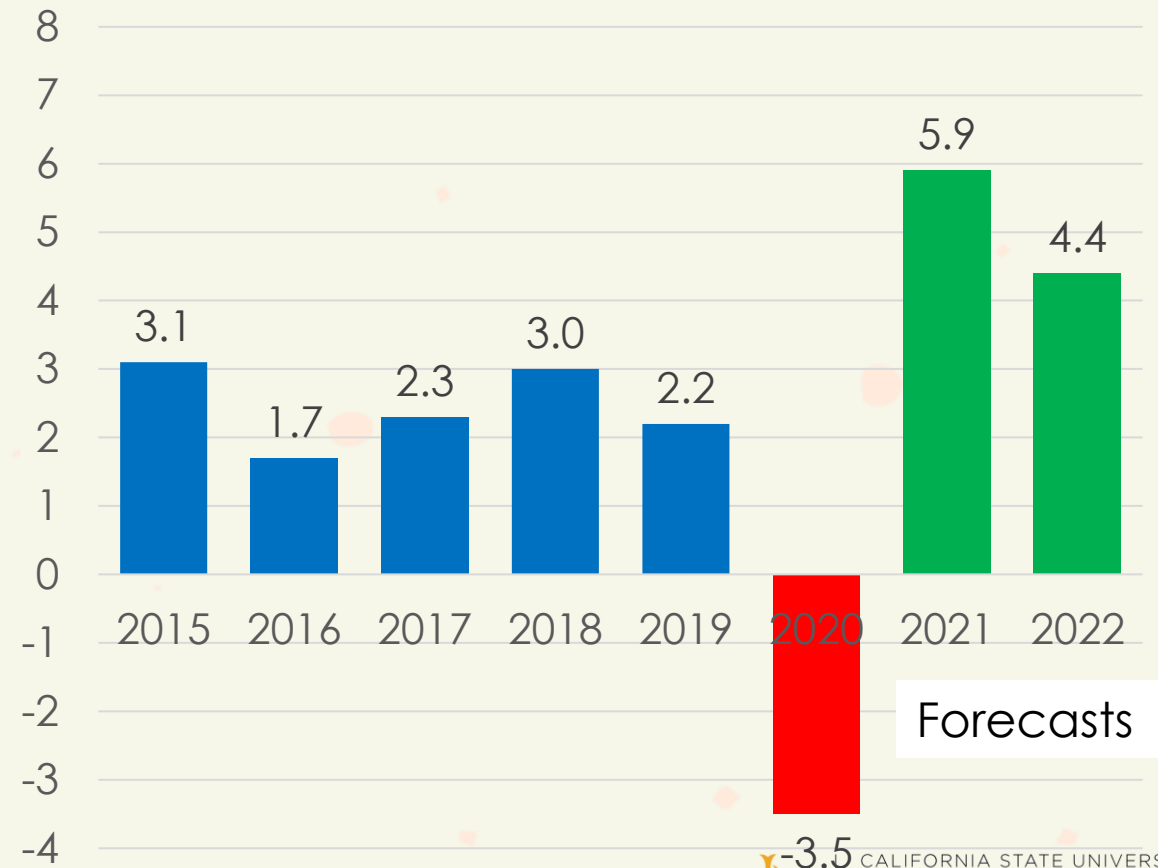


## GDP Recovered in Q2-21, Expansion into 2022!

Real GDP (\$ trillion)

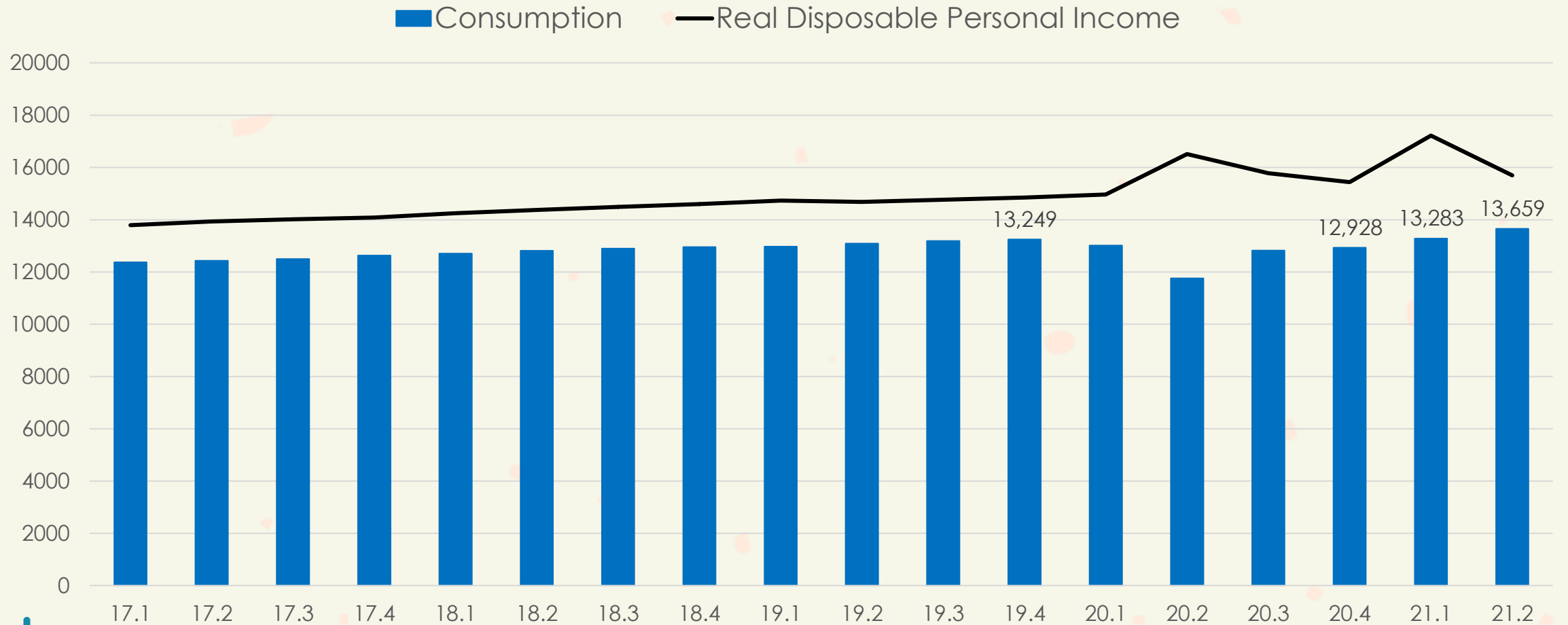


GDP Annual Rate

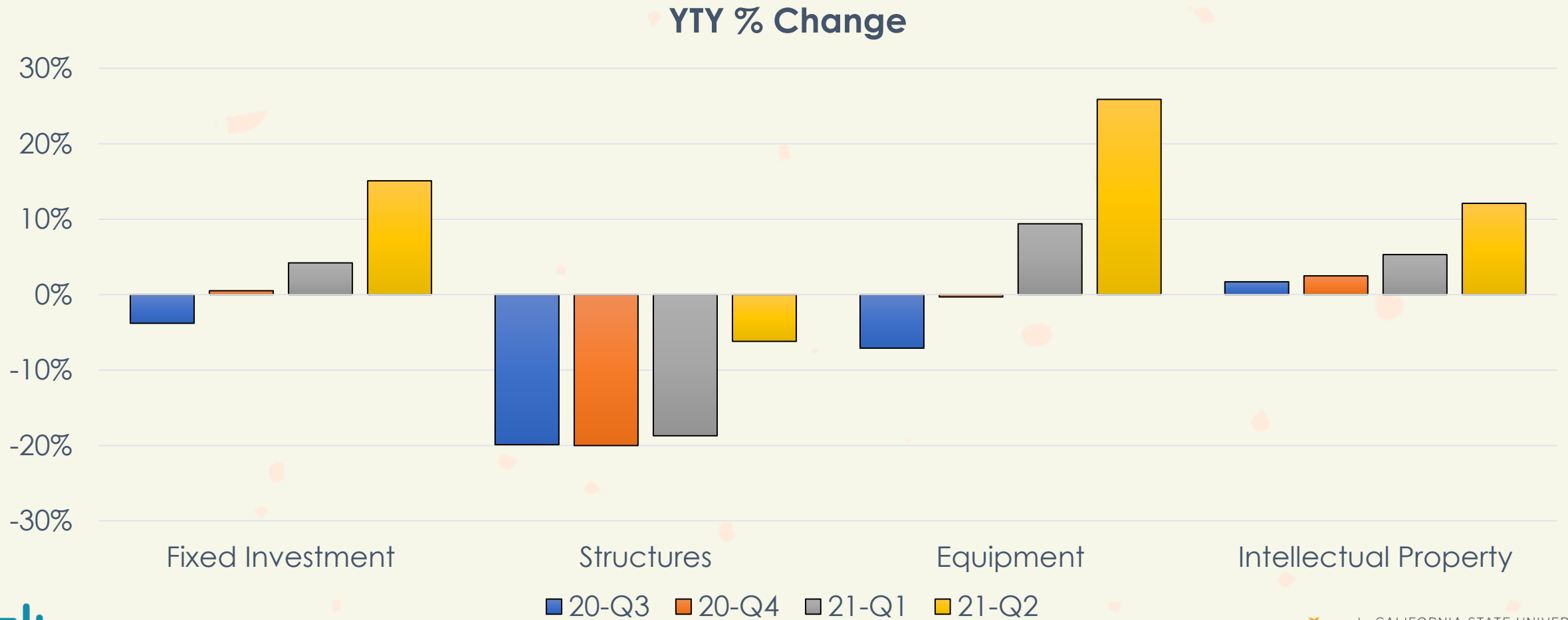


Forecasts

# Consumer Spending at New High

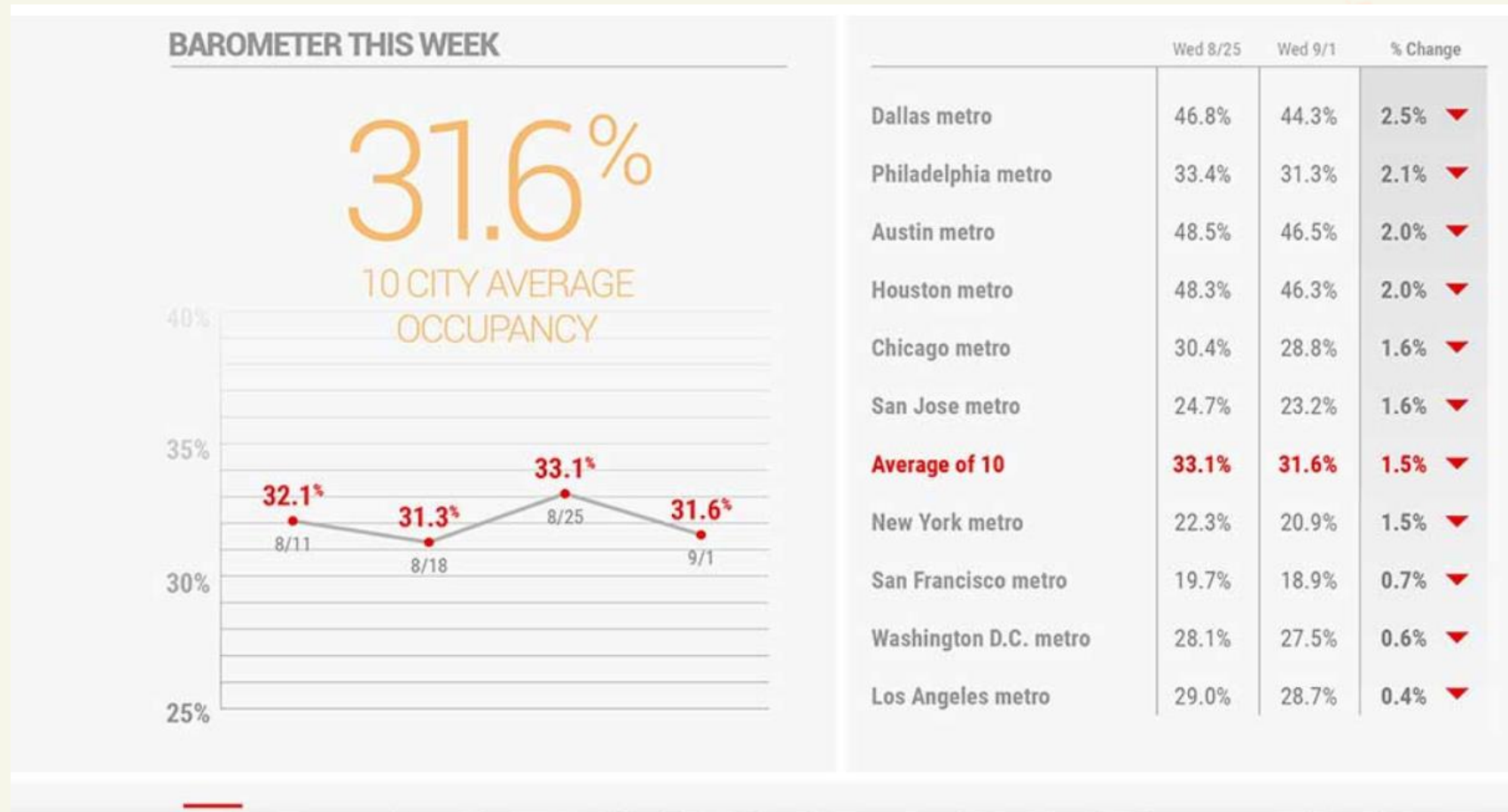


# Business Spending Mixed



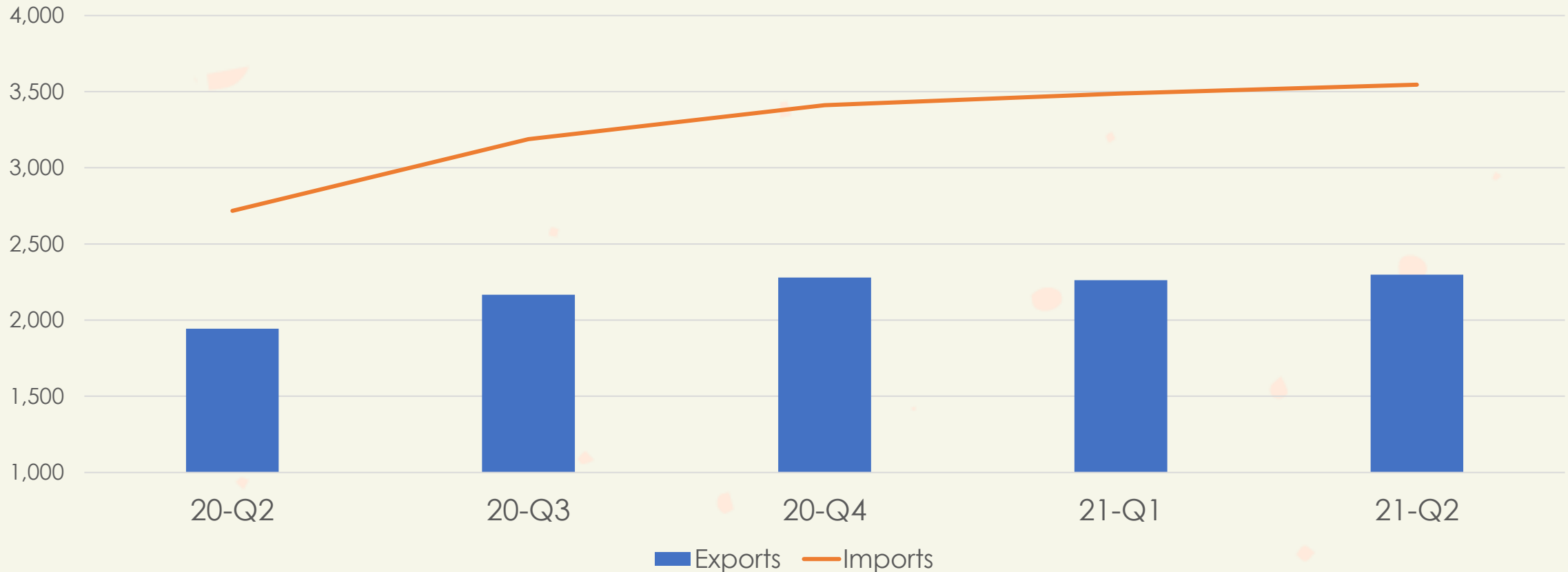


# Kastle Office Barometer

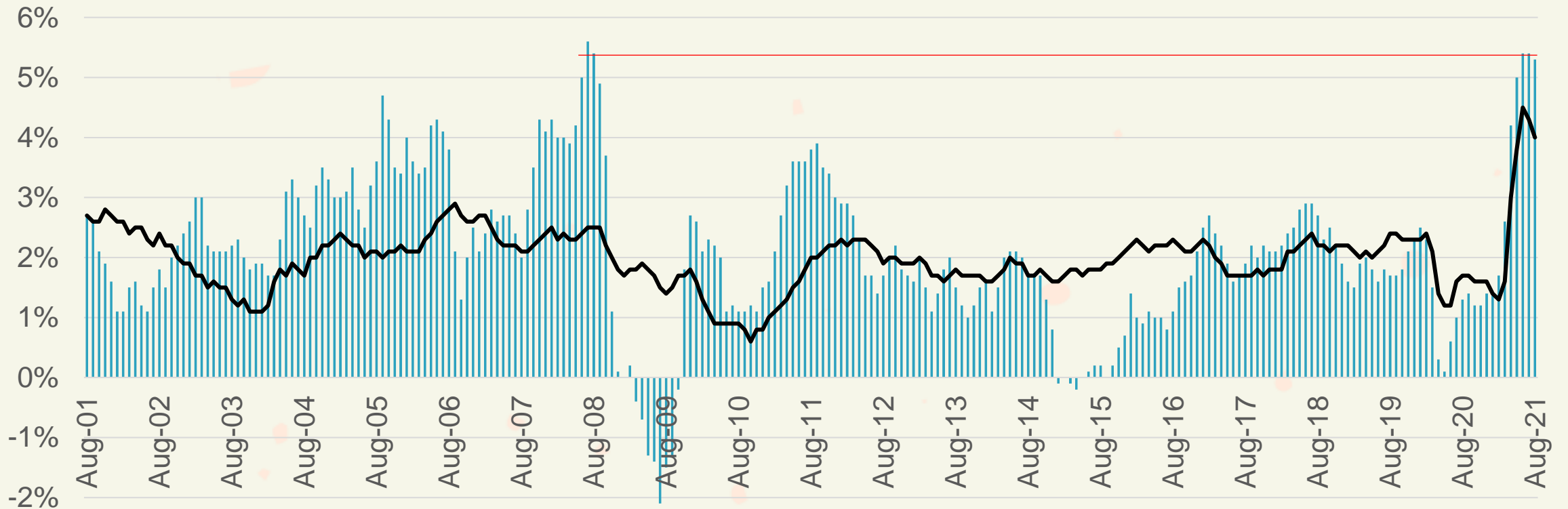


# International Trade: Imports Up, Exports Sluggish

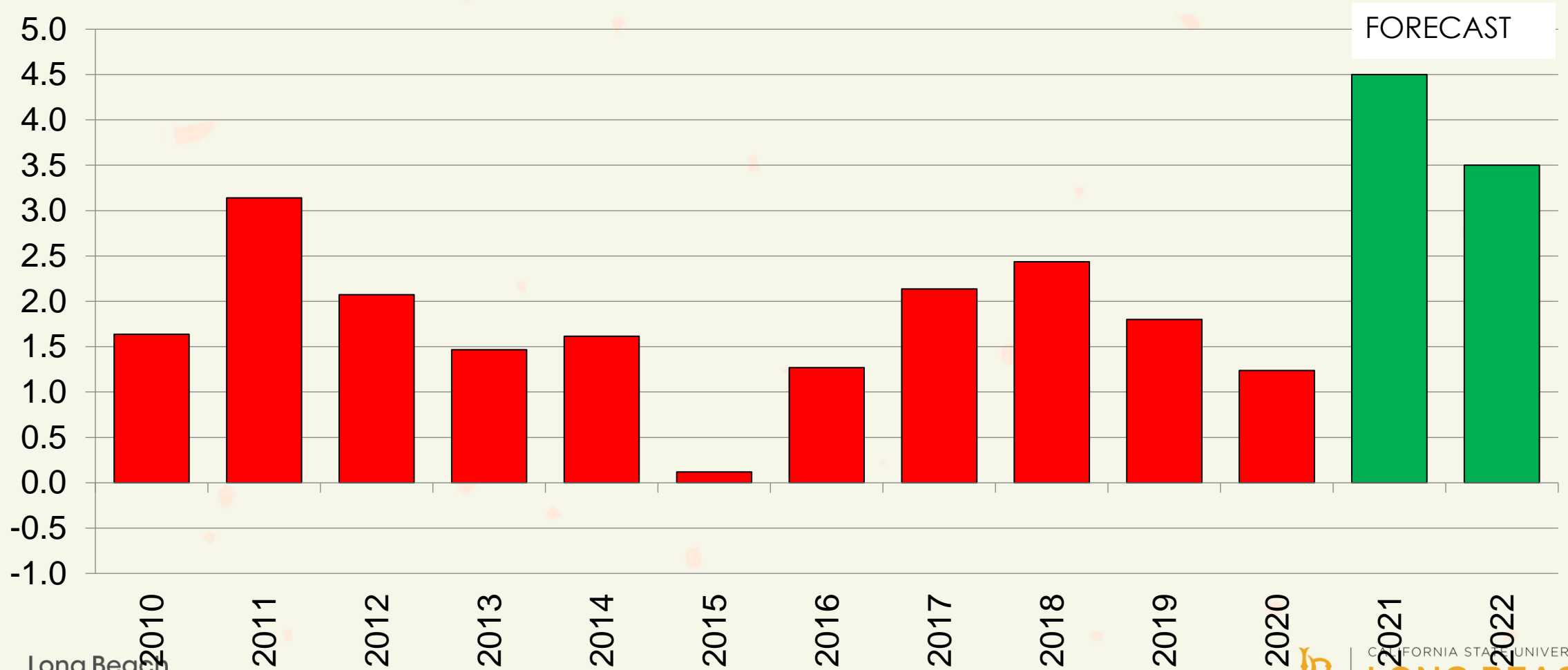
International Trade, US (\$Billions)



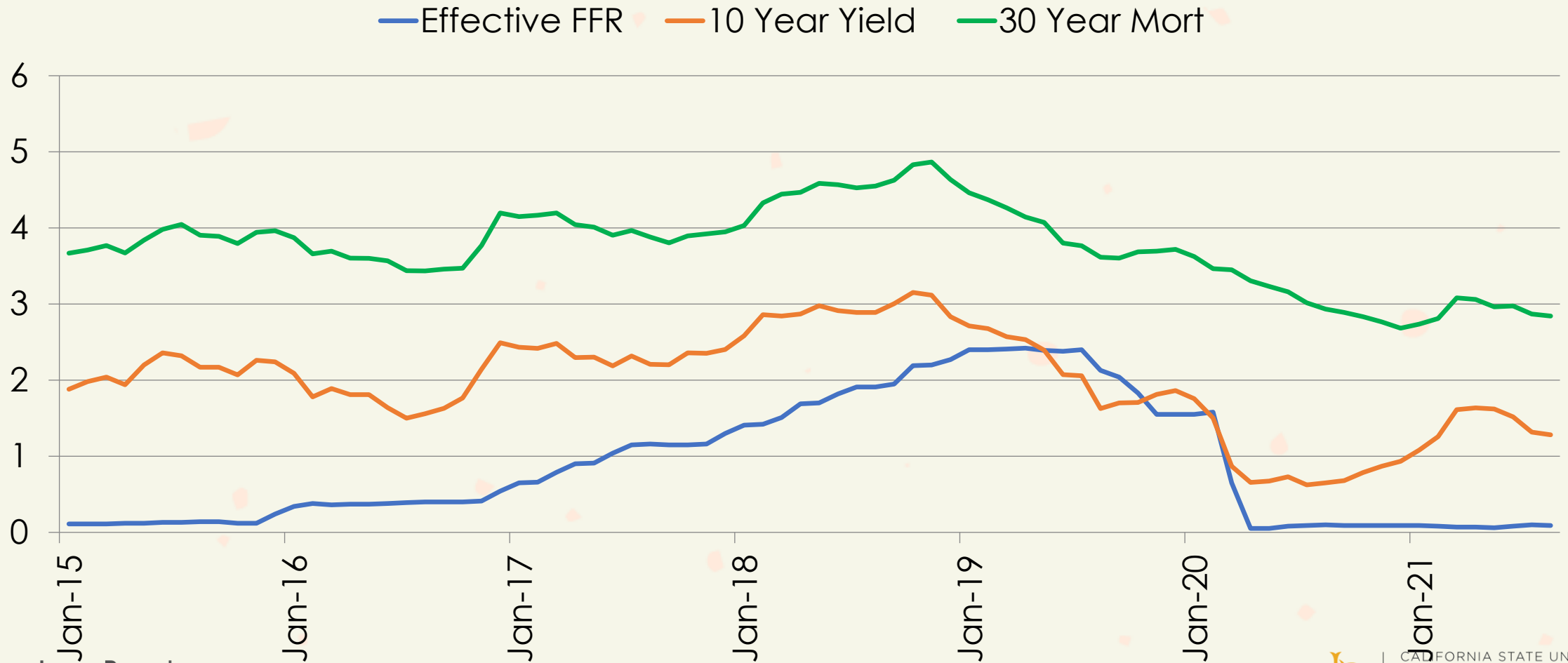
# Elevated Inflation Subsides Later in Recovery



# Inflation Up But Transitory



# Financial Markets: Rates Low For Now



## Stock Market Doing Well...



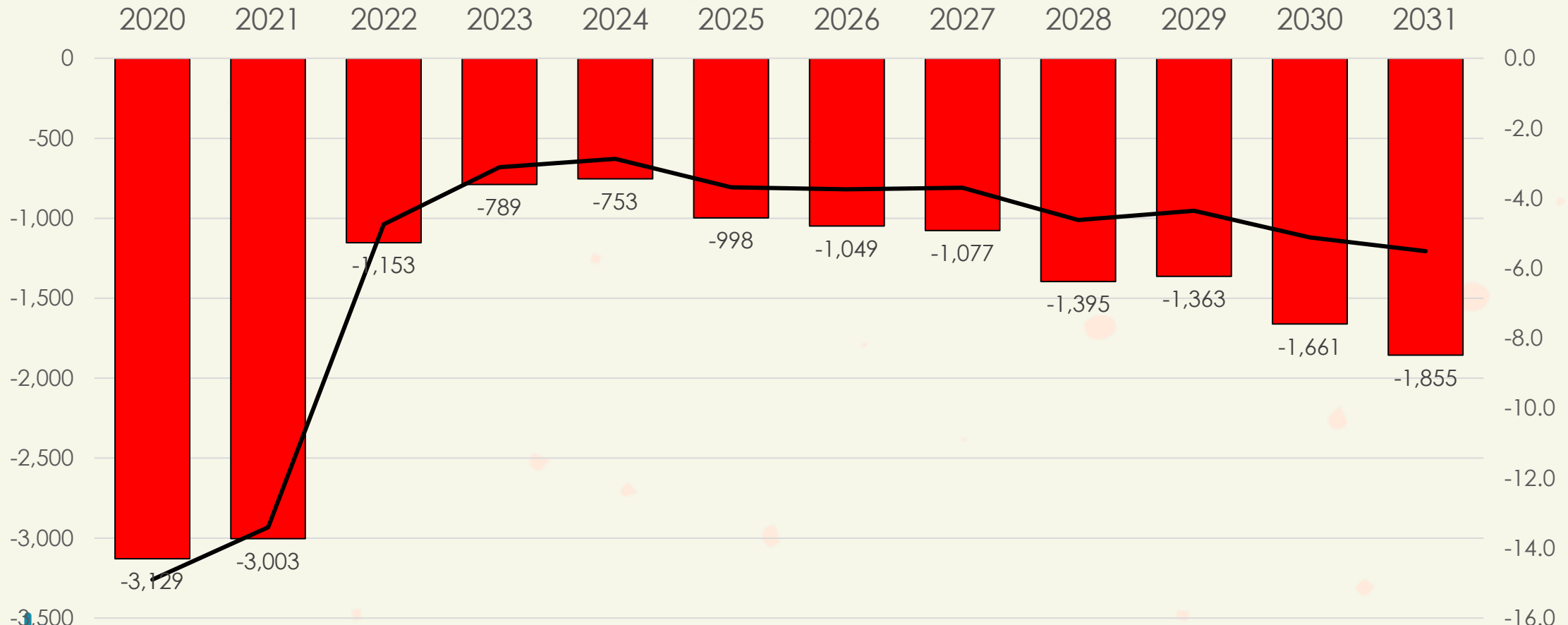
...because of

- Low interest rate environment
- Global liquidity seeking yield

But as rates increase, stock market volatility will return.



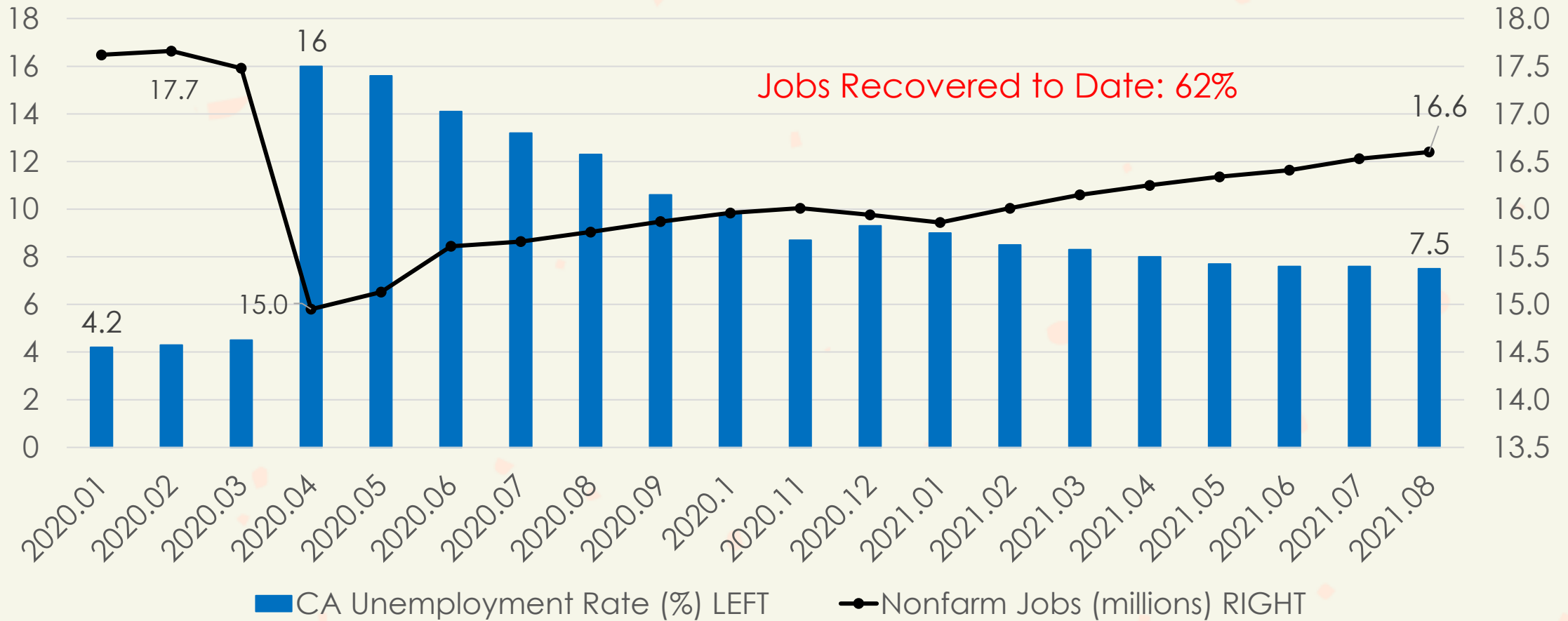
# Deficits High Now, Retreat to Normal



# California/Regions: Gaining Ground



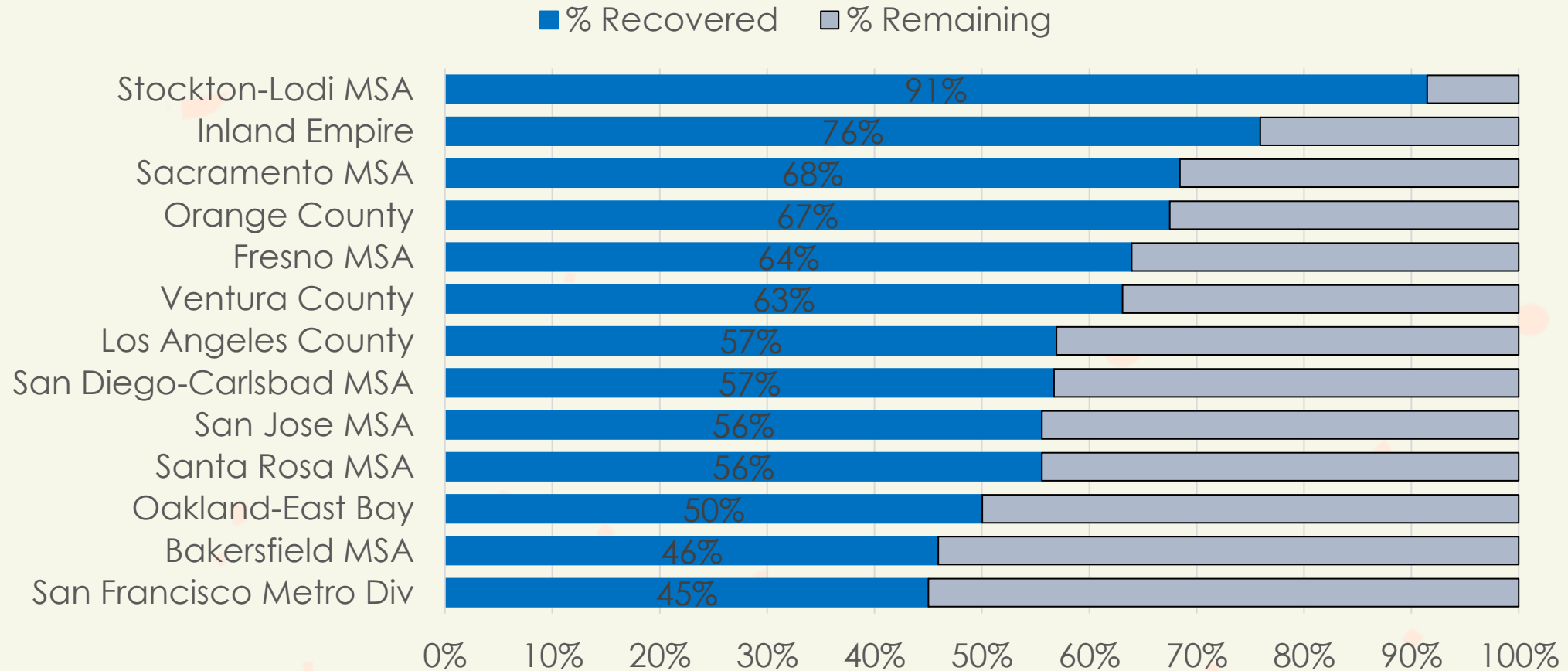
## CA U-rate Cut in Half, Jobs Recovery Ongoing



# Industry Employment Mixed but Improving

Employment (000s)								
Industry	20.08	21.06	21.07	21.08	MTM	MTM %	YTY	YTY %
Nonfarm Employment	15,757.8	16,414.6	16,527.8	16,632.1	104,300	0.6%	874,300	5.5%
Govt	2,478.0	2,412.9	2,439.4	2,486.3	46,900	1.9%	8,300	0.3%
Leisure Hospitality	1,300.3	1,574.6	1,627.4	1,660.5	33,100	2.0%	360,200	27.7%
Pro Bus Svc	2,536.3	2,672.2	2,680.6	2,694.6	14,000	0.5%	158,300	6.2%
Financial Activities	804.2	808.8	806.6	809.8	3,200	0.4%	5,600	0.7%
Mfg	1,245.3	1,258.3	1,255.7	1,258.6	2,900	0.2%	13,300	1.1%
Construction	842.5	877.1	877.8	878.4	600	0.1%	35,900	4.3%
Trade Trans Util	2,882.4	2,988.4	2,991.3	2,990.5	-800	0.0%	108,100	3.8%
Educ Health	2,715.5	2,782.1	2,793.3	2,787.0	-6,300	-0.2%	71,500	2.6%

# LA County Recovery Taking Time, But Accelerating



LA County: Up from 48% in July

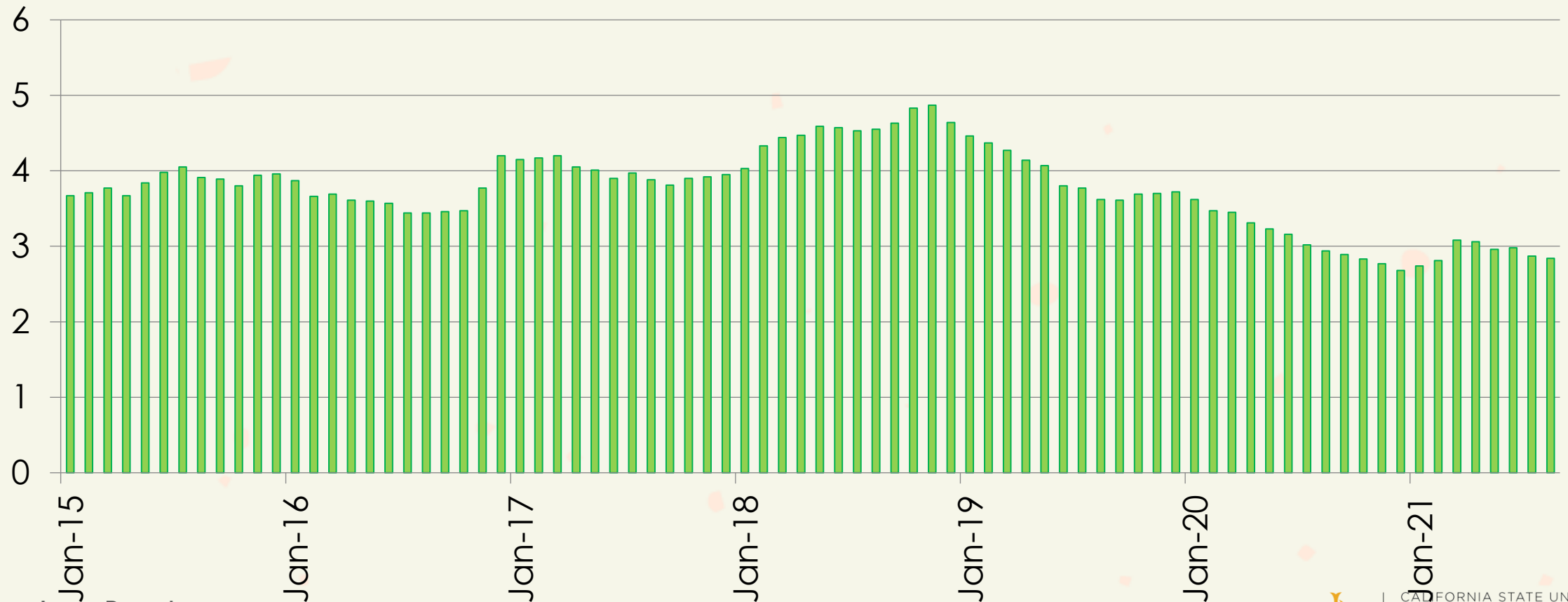
# Real Estate: Eroding Affordability

# LA County: Record Price, So Cal Sales: +23% YTD

Southern California	2020.08	2021.07	2021.08	Price MTM% Chg	Price YTY% Chg	Sales YTY% Chg
Los Angeles	\$692,630	\$809,750	\$830,070	3%	20%	7%
Orange	\$930,000	\$1,090,000	\$1,100,000	1%	18%	-6%
Riverside	\$486,500	\$570,000	\$570,000	0%	17%	-14%
San Bernardino	\$350,000	\$440,000	\$435,000	-1%	24%	-16%
San Diego	\$732,560	\$860,000	\$835,000	-3%	14%	-2%
Ventura	\$741,500	\$825,000	\$853,000	3%	15%	-3%

# Mort Rates Remain Low → Fuel Demand

## 30 Year Mort



# Inventory of Homes for Sale Very Low

<b>Unsold Inventory Index (Months)</b>			
<b>Region</b>	<b>2020.08</b>	<b>2021.07</b>	<b>2021.08</b>
Los Angeles	2.3	2.0	2.0
Orange	2.4	1.7	1.6
Riverside	2.2	1.8	2.0
San Bernardino	2.0	2.2	2.4
San Diego	1.9	1.7	1.7
Ventura	2.2	1.9	1.9

# Affordability Declining Despite Low Rates

Region	2020.2	2021.1	2021.2	Median Home Price	Monthly Payment Including Taxes & Insurance	Minimum Qualifying Income
Los Angeles	31	24	22	\$756,020	\$3,480	\$139,200
Orange	25	20	17	\$1,109,500	\$5,110	\$204,400
Riverside	43	36	33	\$560,000	\$2,580	\$103,200
San Bernardino	54	45	43	\$420,000	\$1,940	\$77,600
San Diego	30	25	22	\$850,000	\$3,920	\$156,800
Ventura	31	27	23	\$840,000	\$3,870	\$154,800
CA SFH (SAAR)	33	27	23	\$817,950	\$3,770	\$150,800
US	57	54	50	\$357,900	\$1,650	\$66,000

Source: C.A.R., KE



# Conclusion

# US Outlook

- GDP - expansion
- Unemployment rate – 5.2% now, full employment at 4.5%
- Remarkable job gains → recover all lost jobs in H1-22
  - Don't get caught up in the 1 million jobs/month hype
- Industry performance varies
- Inflation transitory → don't fixate on volatile food/energy
- Stock market variability tied to rising interest rate environment

# California Outlook

- Gaining momentum
- Key industries doing well: Logistics, Tech, Health Care
- Welcome gains: Restaurants, Hotels, Retail
- Unemployment rate cut in half
  - Long run goal ~ 4.5 to 5%
- Accounted for 43% of total US job gains in August
- Recover all lost jobs in H1-22

# ACCELERATE LONG BEACH

// Healthcare & Wellness

## THANK YOU

