



# ***Dealing with a Difficult Economy***

**CATTC**

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# *The “R” Word or Not?*



## ***LOTS OF HURDLES FOR THE U.S. ECONOMY***

- **Housing -- when will it recover?**
- **Credit problems seeping into other industries**
- **Financial markets have seized up**
- **Oil prices at record highs**
- **Auto industry in a slump**
- **The '08 presidential race**
  - **Immigration policy**



## ***Will They Help?***

- **Federal Reserve Monetary Policy:**
  - Rate cuts
  - Discount window actions
    - Accept wider collateral
    - Open to investment banks
  - Rescue of Bear Stearns
- **Federal government's stimulus package:**
  - Rebates
  - Business investment write-offs
  - Mortgage loan limits

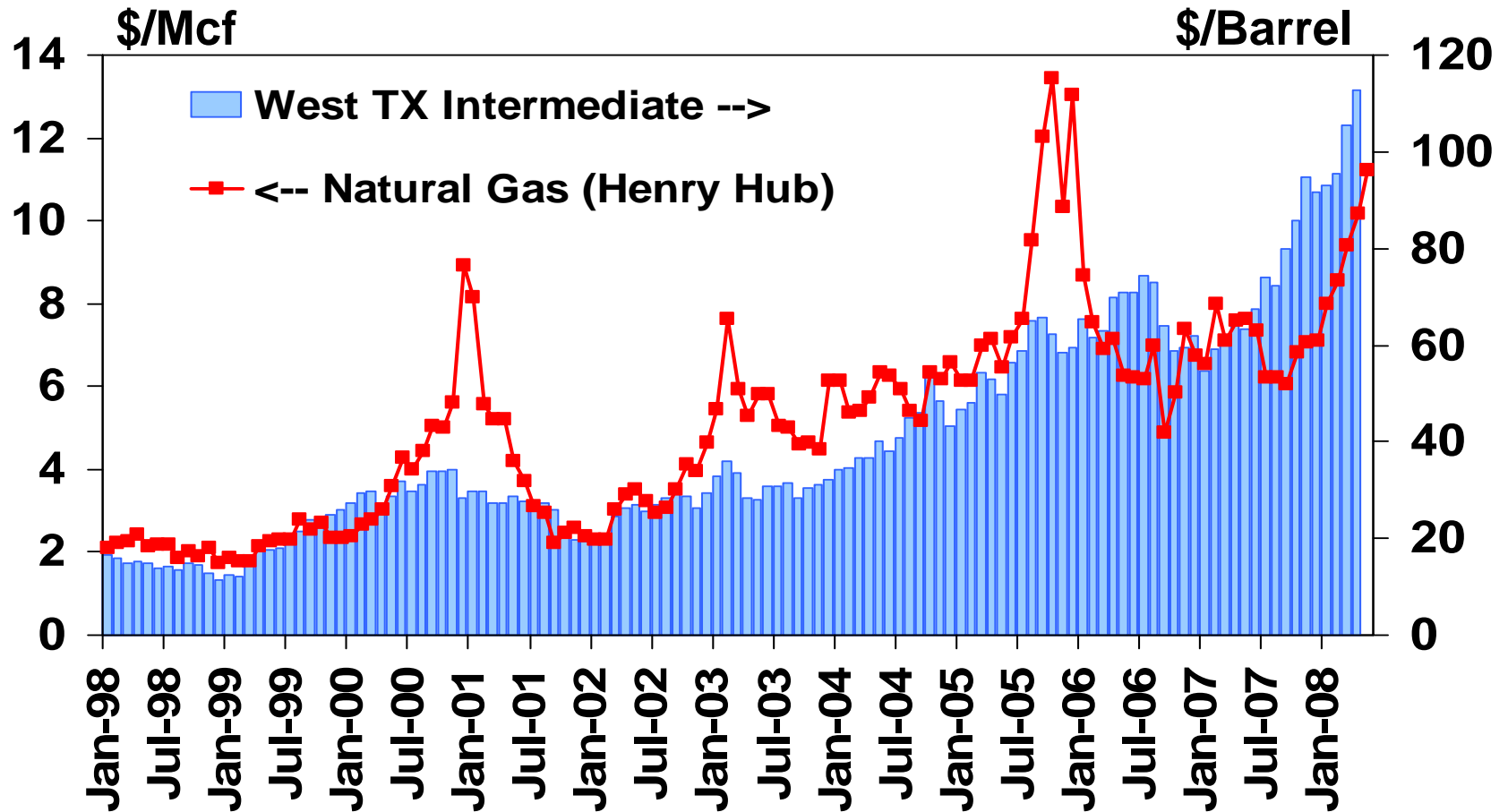
**When will they kick in?**



# ***The New Bogeyman***



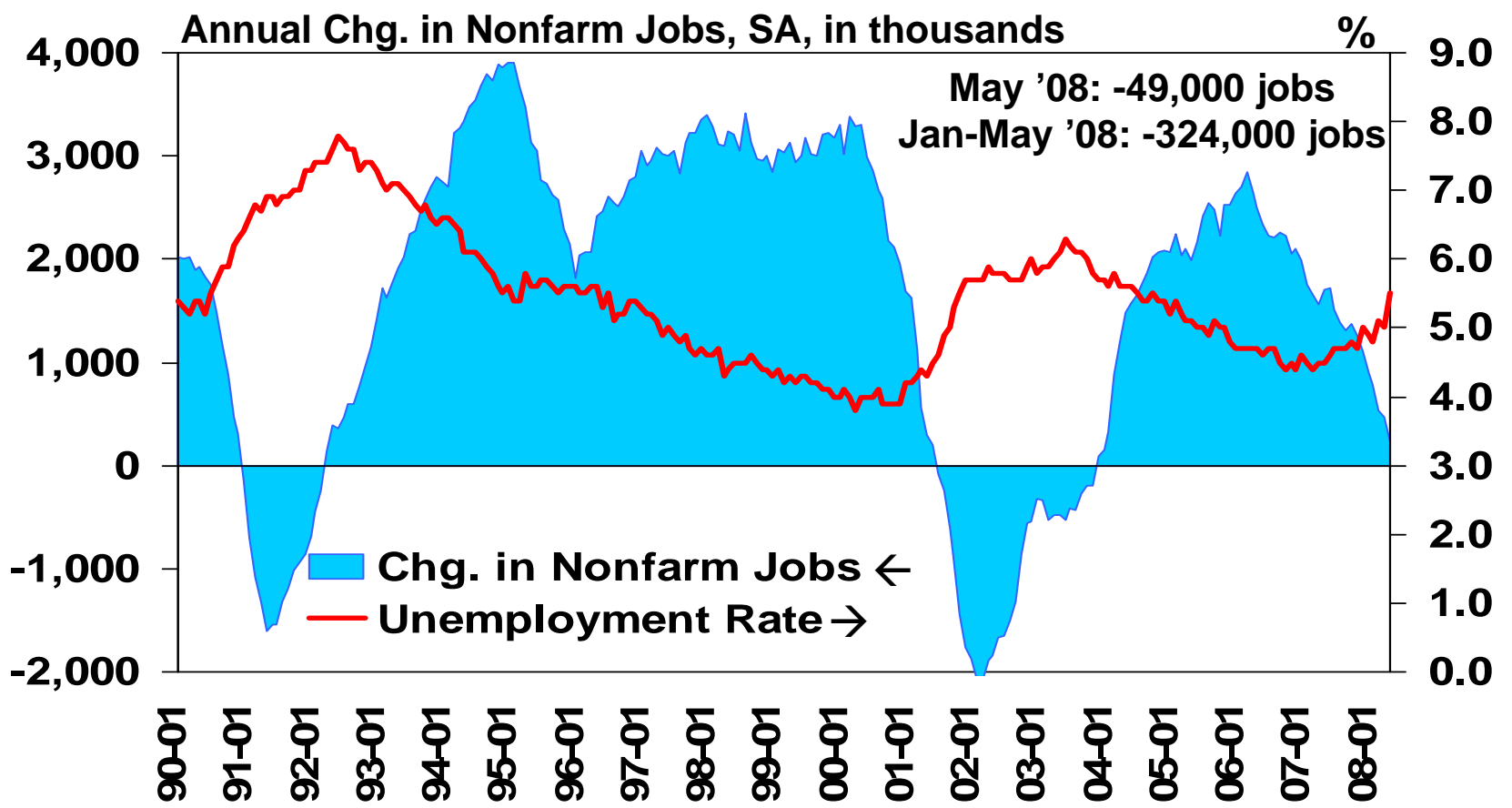
# SPOT ENERGY PRICES



Sources: EIA, Natural Gas Weekly



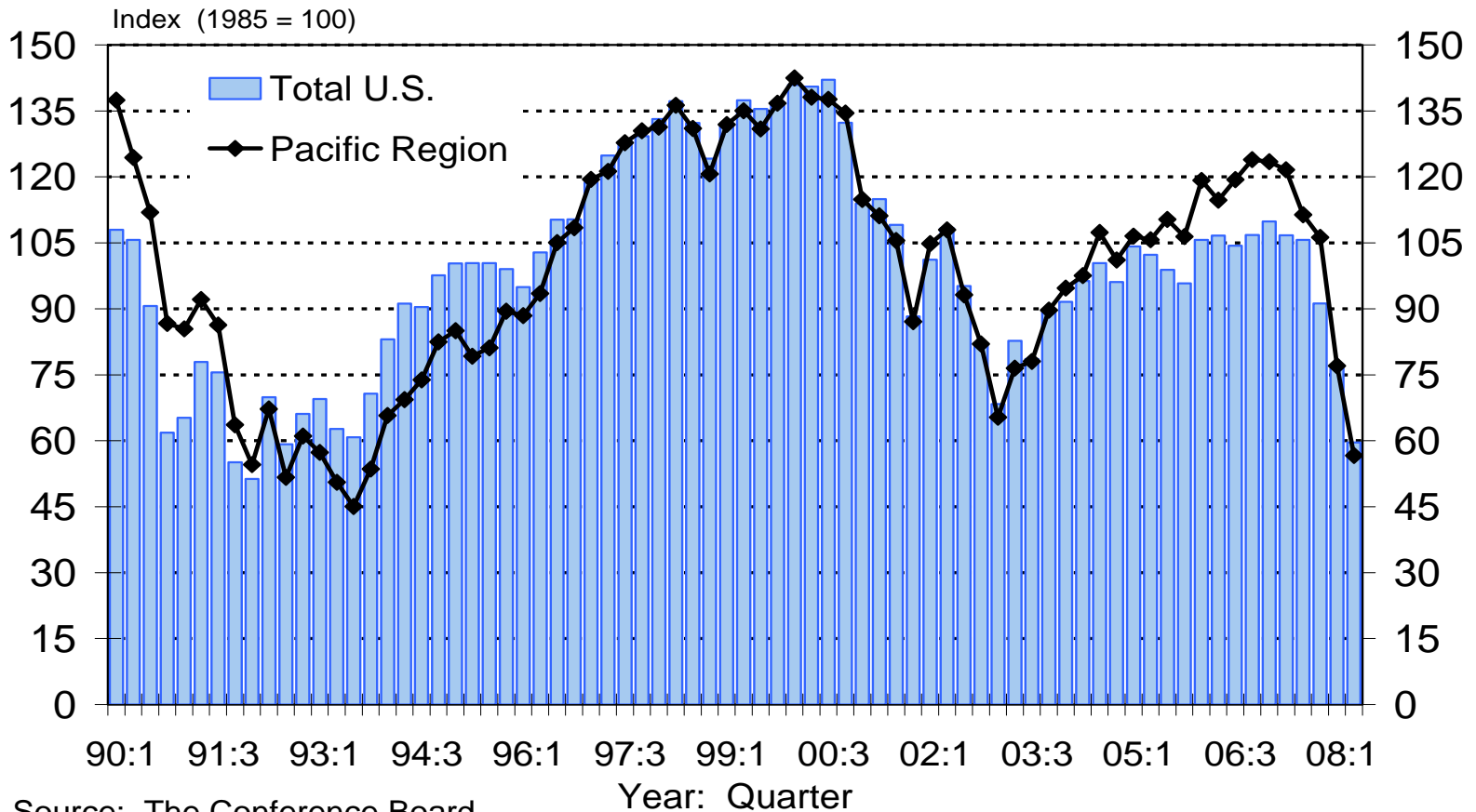
# U.S. NONFARM EMPLOYMENT GROWTH



Source: Bureau of Labor Statistics



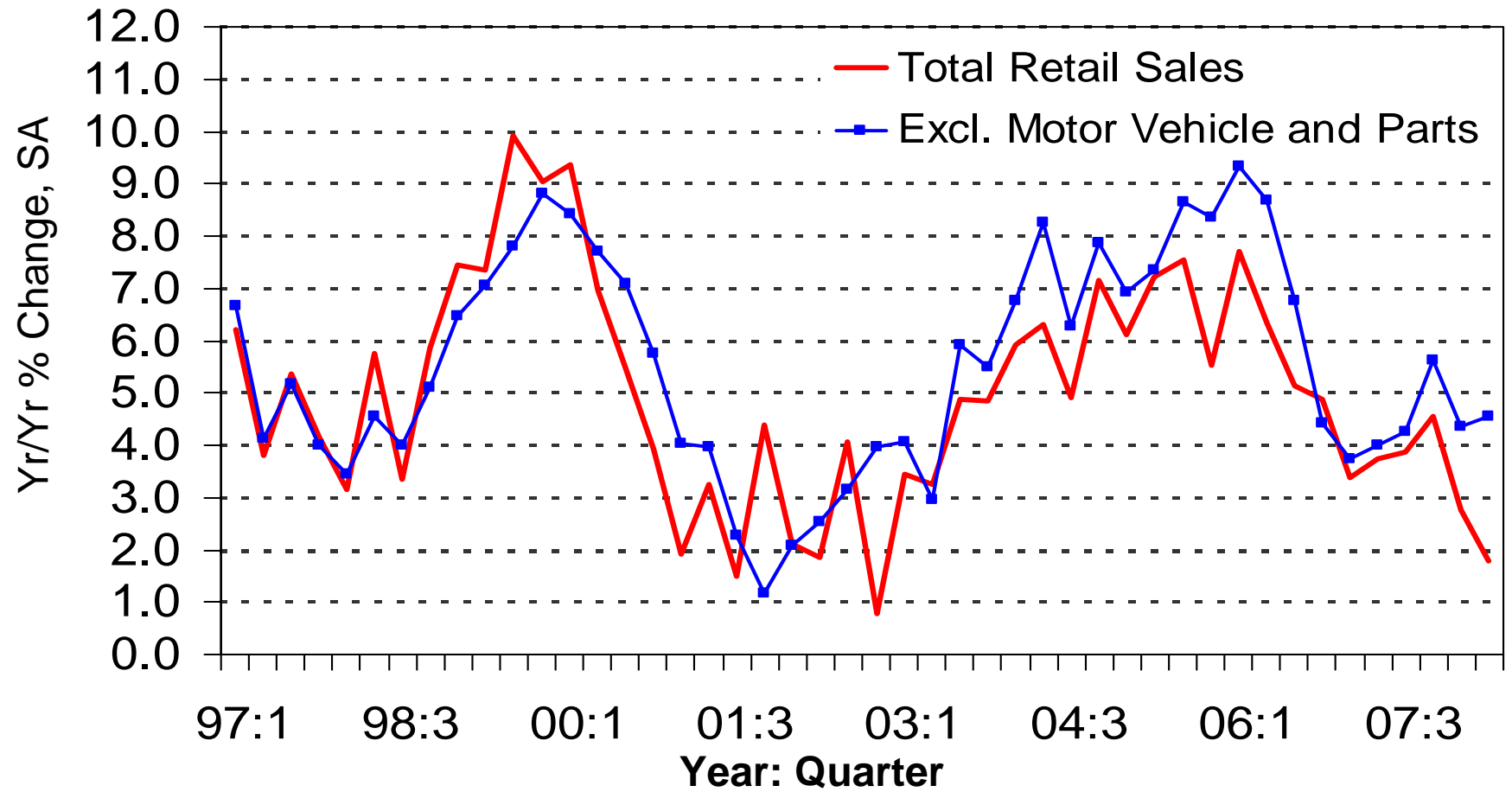
# CONSUMER CONFIDENCE



Source: The Conference Board



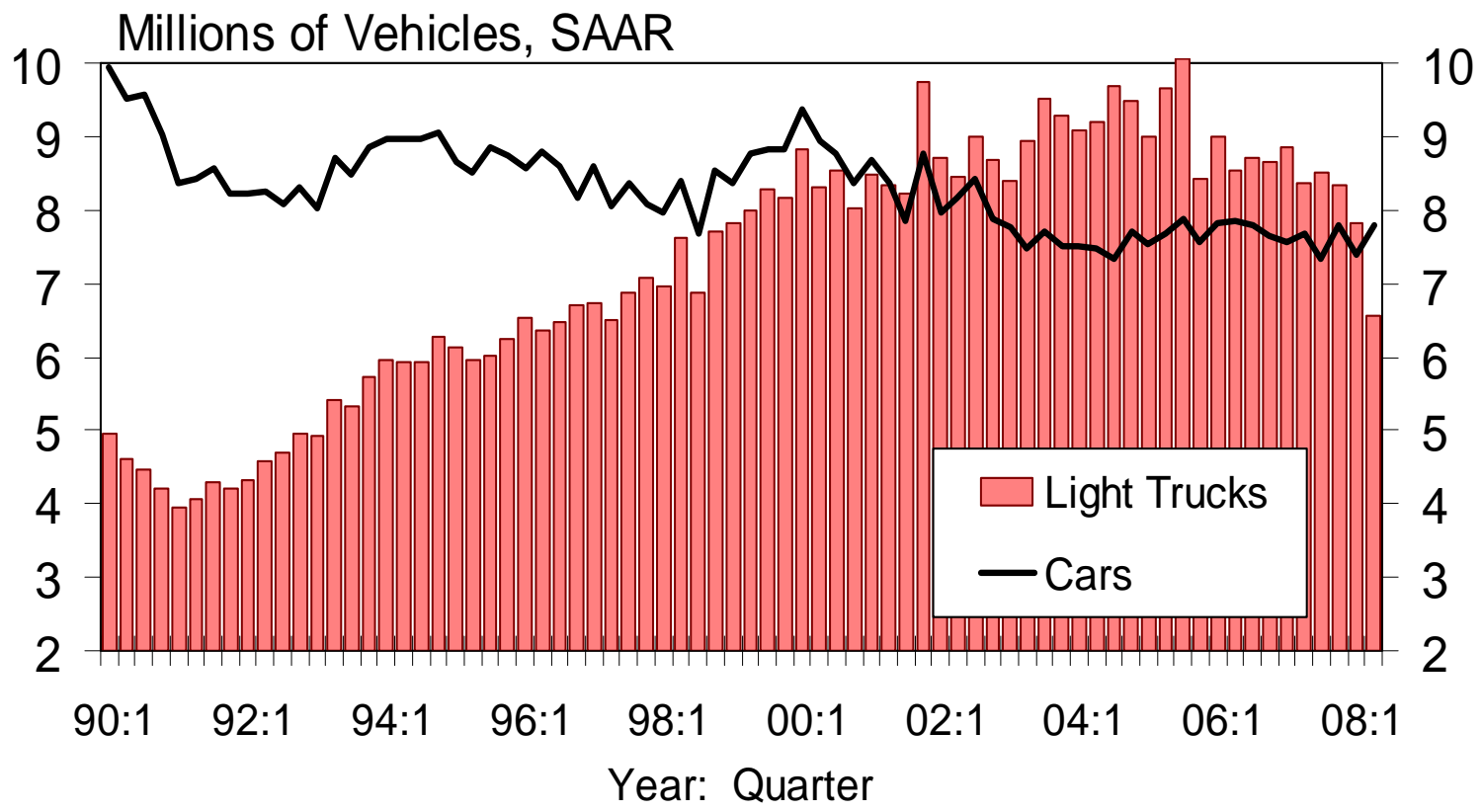
# U.S. RETAIL SALES



Source: U.S. Department of Commerce

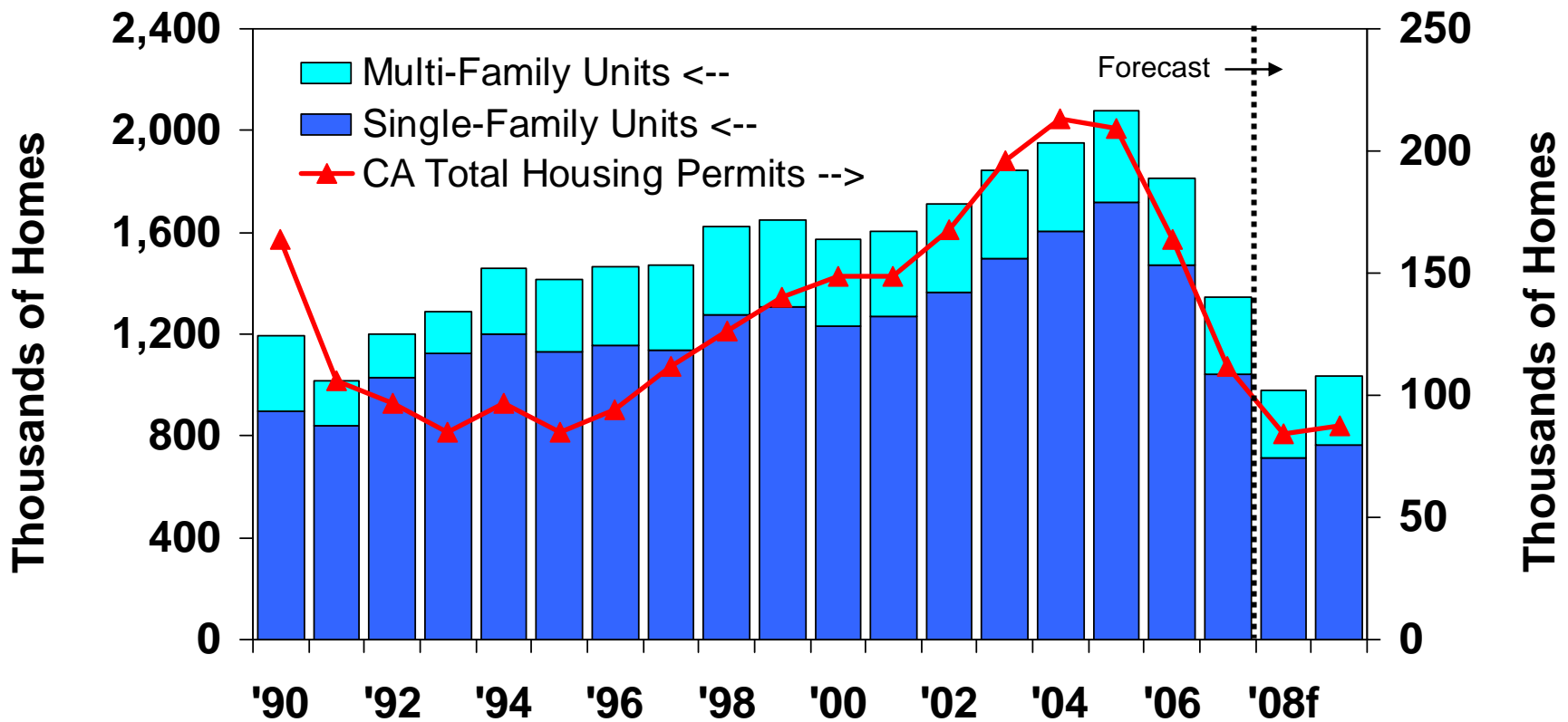


# ***LIGHT VEHICLE SALES***





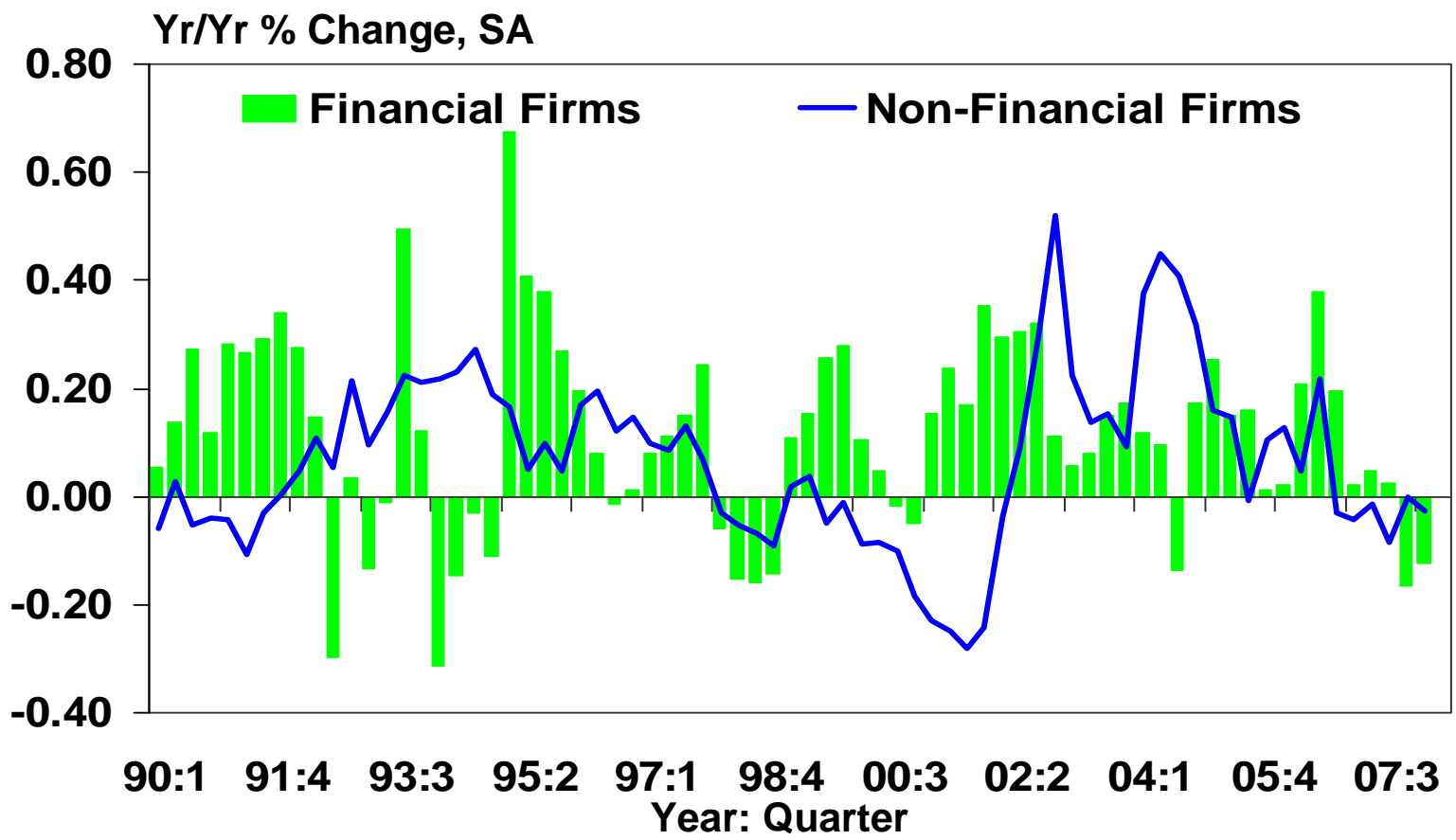
# HOUSING STARTS ARE DOWN



Sources: Bureau of the Census, CIRB, forecasts by LAEDC



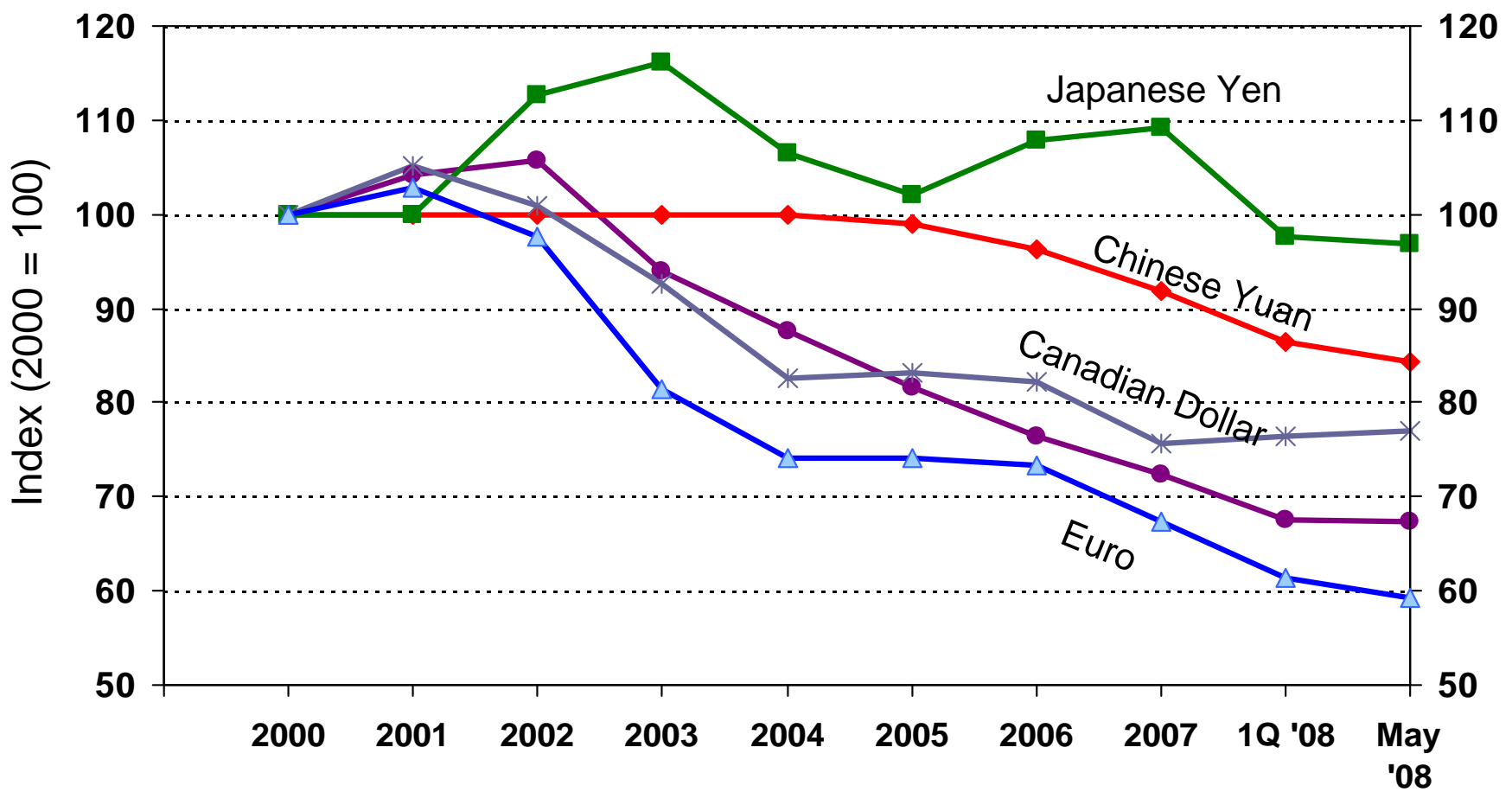
# ***CORPORATE PROFITS***



\*Corporate profits with inventory valuation and capital consumption adjustments  
Source: Bureau of Economic Analysis



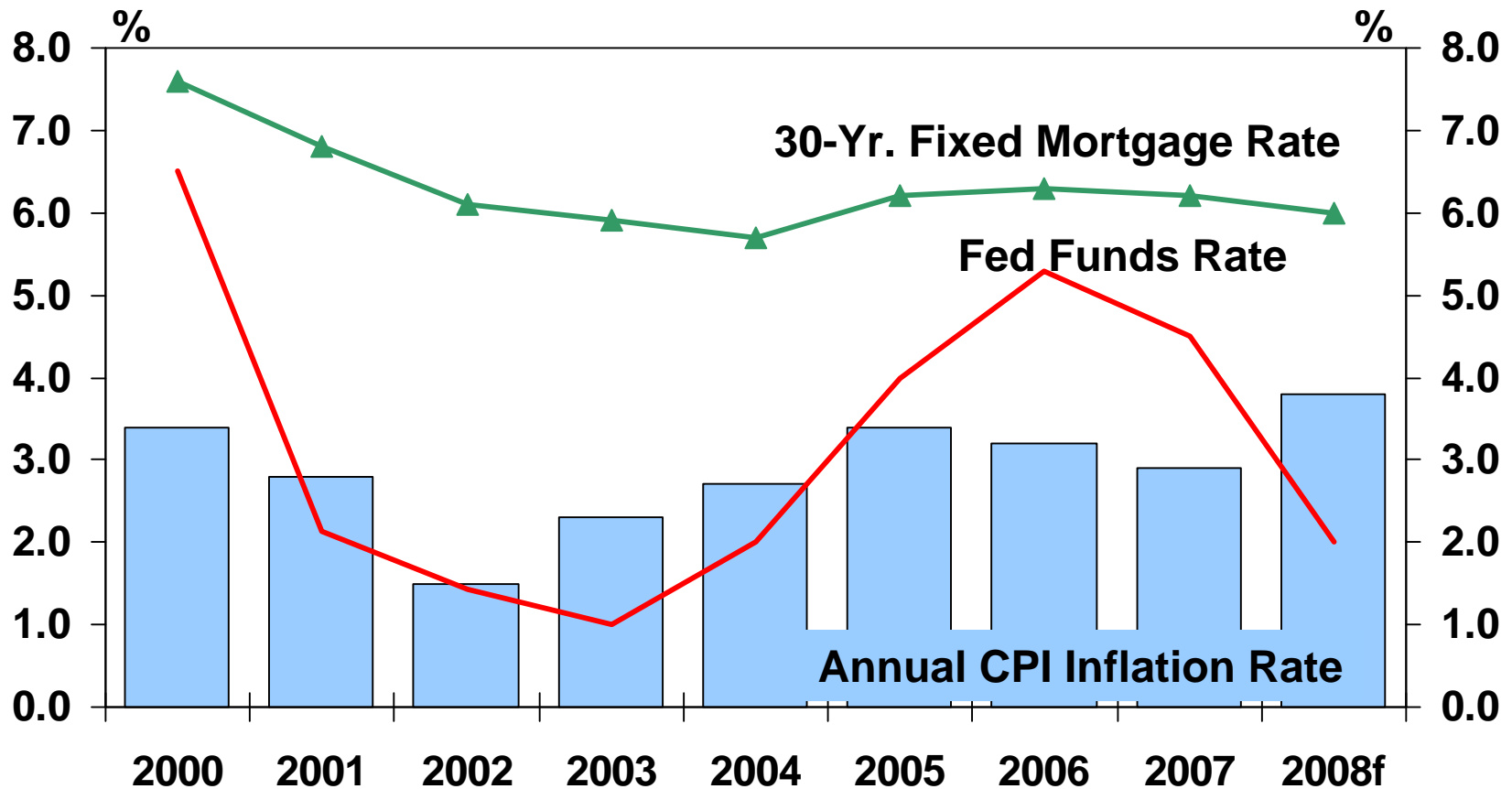
# Value of U.S. Dollar Since 2000



Source: Federal Reserve Board



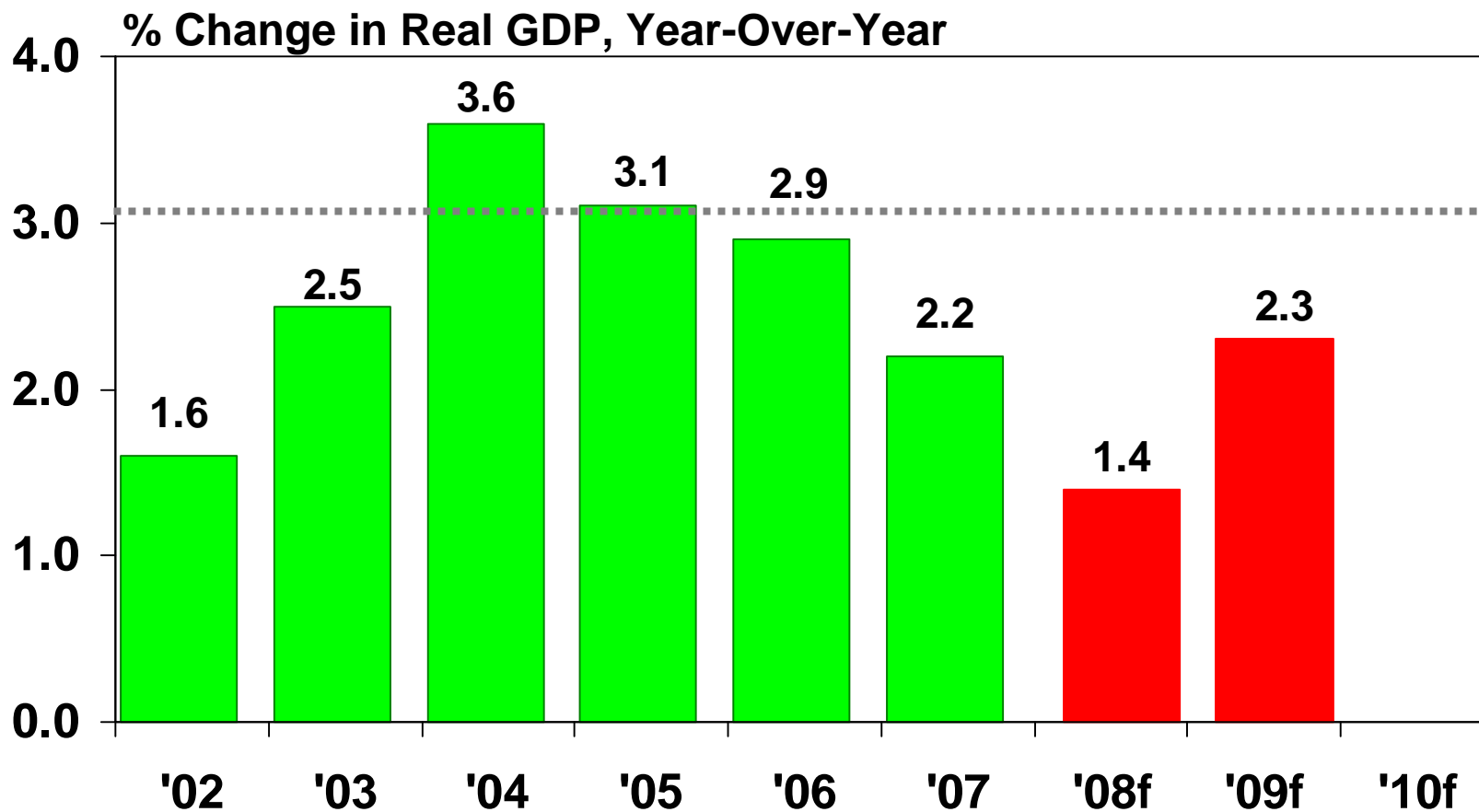
# ***INFLATION & INTEREST RATES***



Sources: Federal Reserve, BLS, forecasts by LAEDC.



# ***U.S. ECONOMIC GROWTH***



Sources: BEA, estimate and forecasts by LAEDC



# ***SORTING IT OUT***

- **Housing & related activities**
- **Auto industry/domestic**
- **Financial services**
- **Retail**
- **Other sectors**

**Depression**

**Recession**

**Major change in  
business environment**

**A stealth recession**

**Growing slowly**



# CALIFORNIA'S ECONOMIC ENVIRONMENT 2008-2009

## Positives

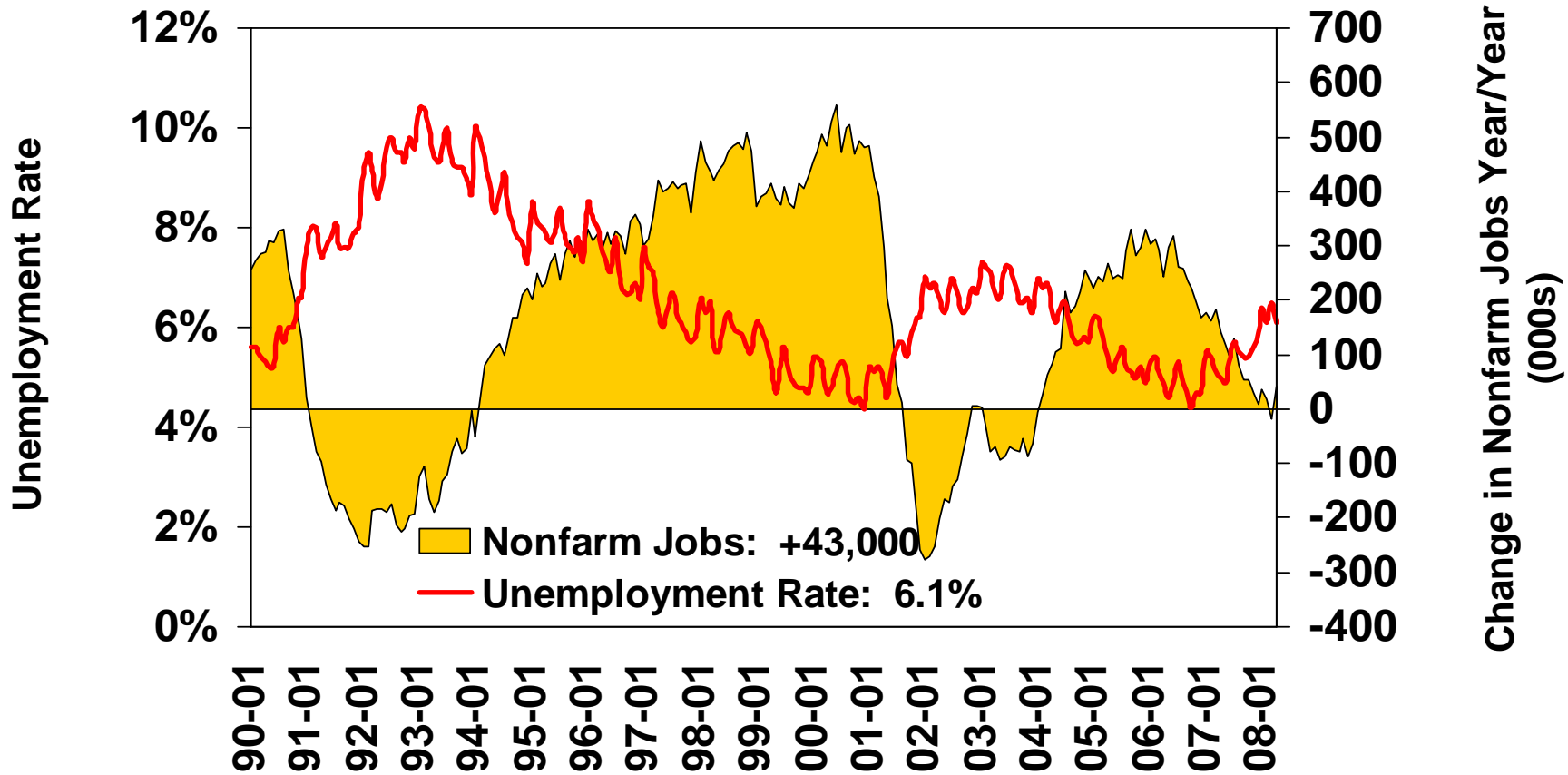
- Growth in Agriculture, Technology, & Tourism
- Some improvement in International Trade
- Support from Public sector & Nonresidential Construction

## Negatives

- Housing & related industries still struggling, especially in inland areas
- Credit squeeze
- State budget deficit
- Port labor contracts
- Water supply



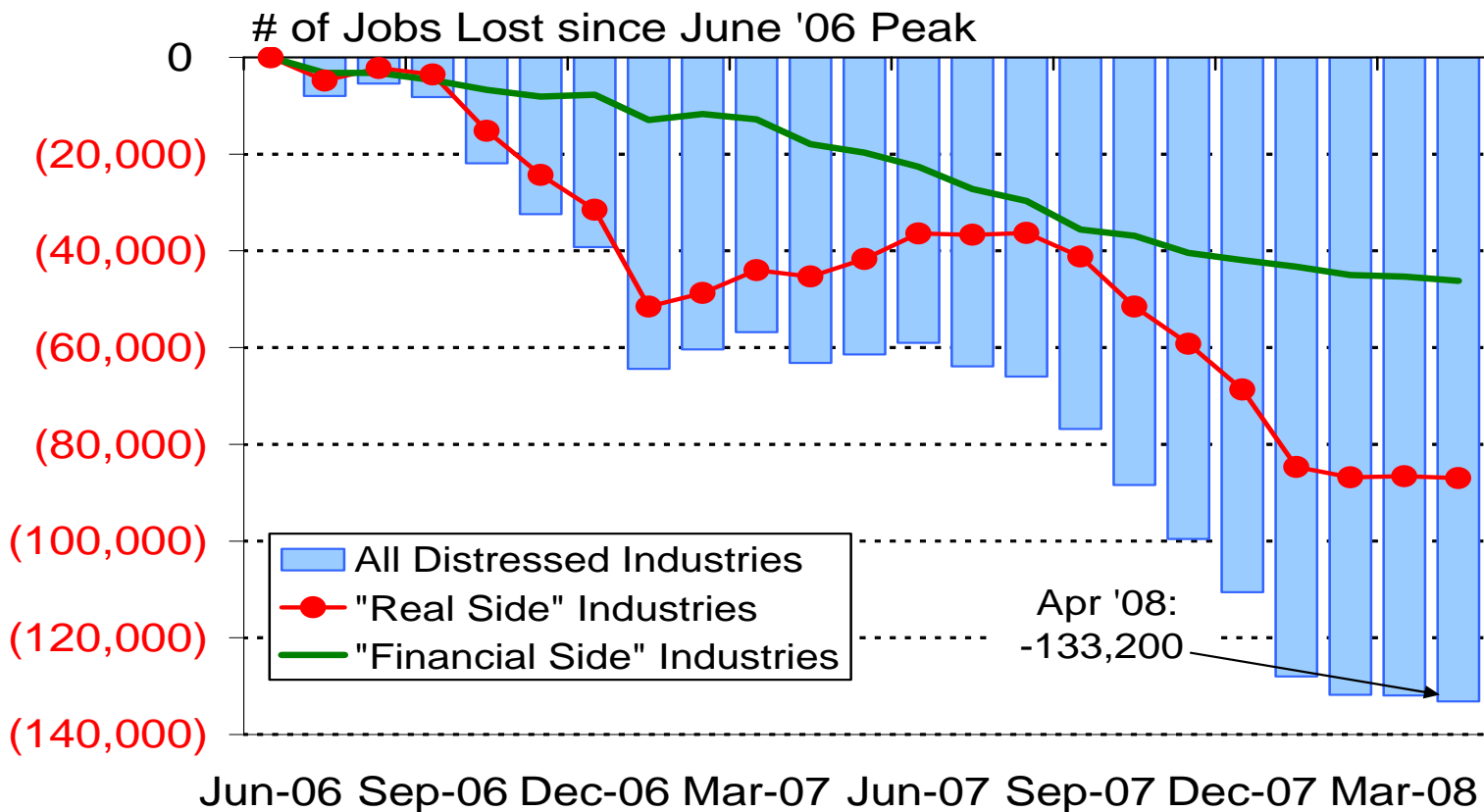
# CALIFORNIA FUNDAMENTALS



Source: California Employment Development Dept.

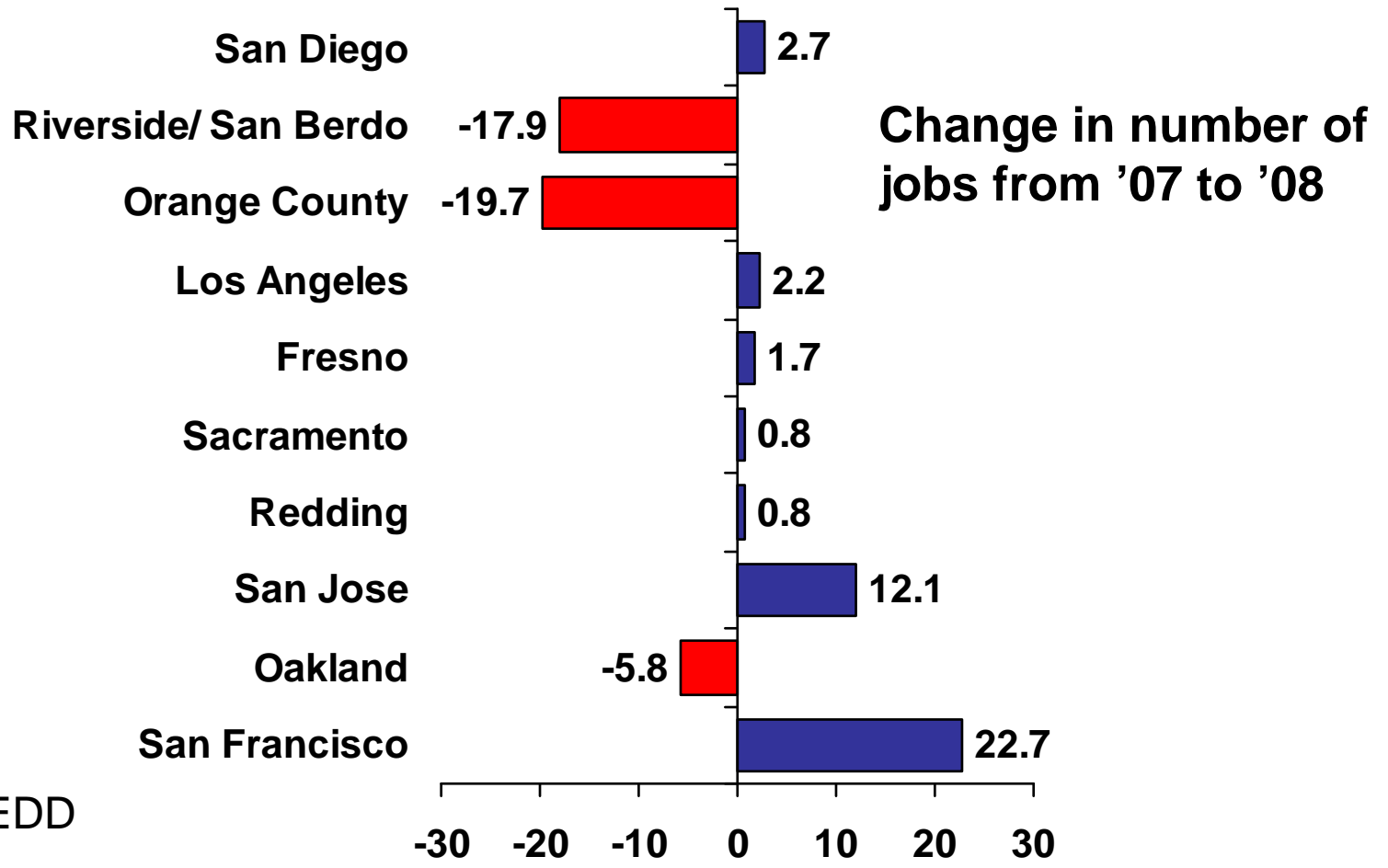


# HOUSING/MORTGAGE RELATED FALLOUT -- California





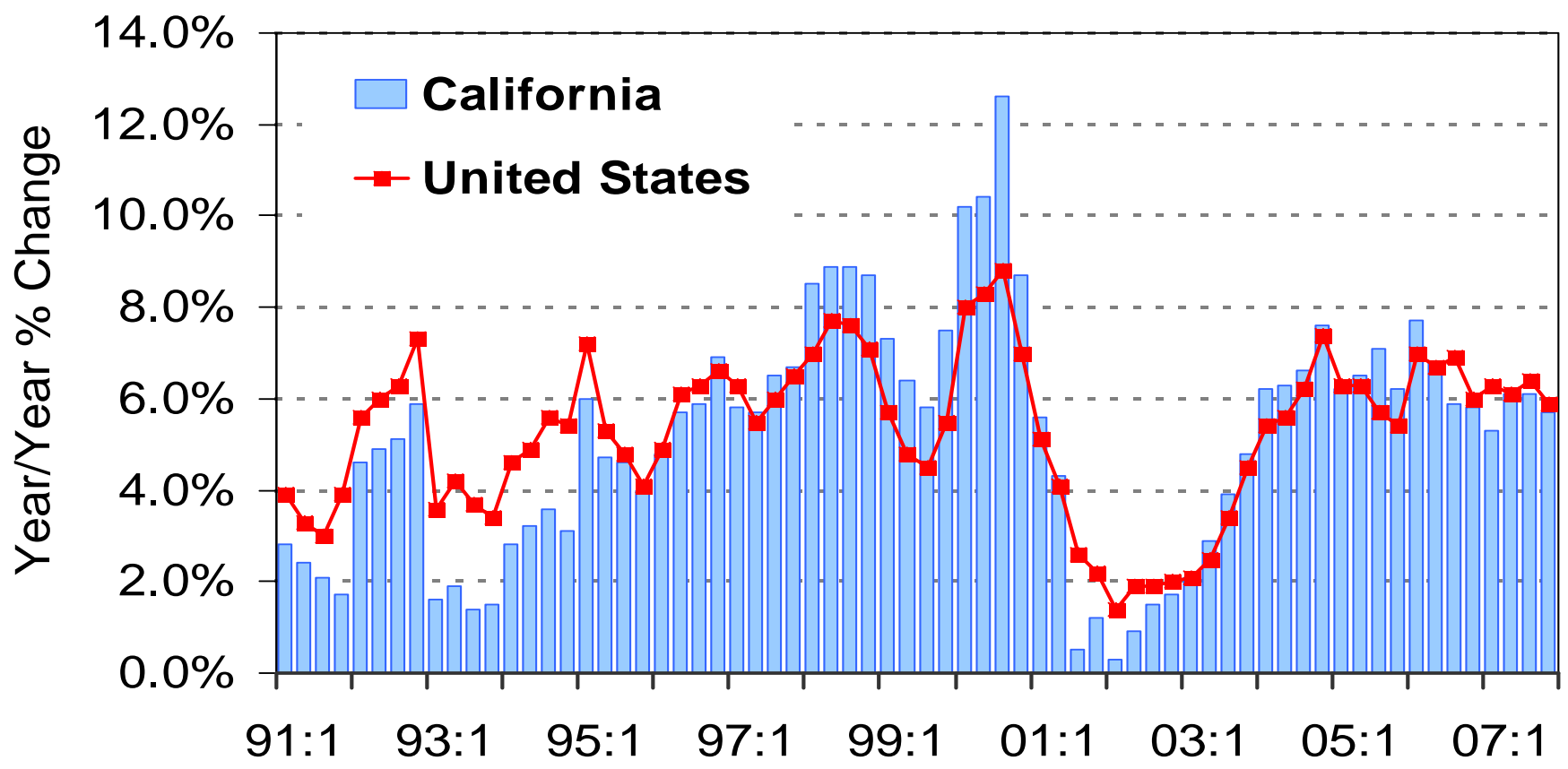
# A TALE OF TWO STATES



Source: CA EDD



# ***PERSONAL INCOME GROWTH***

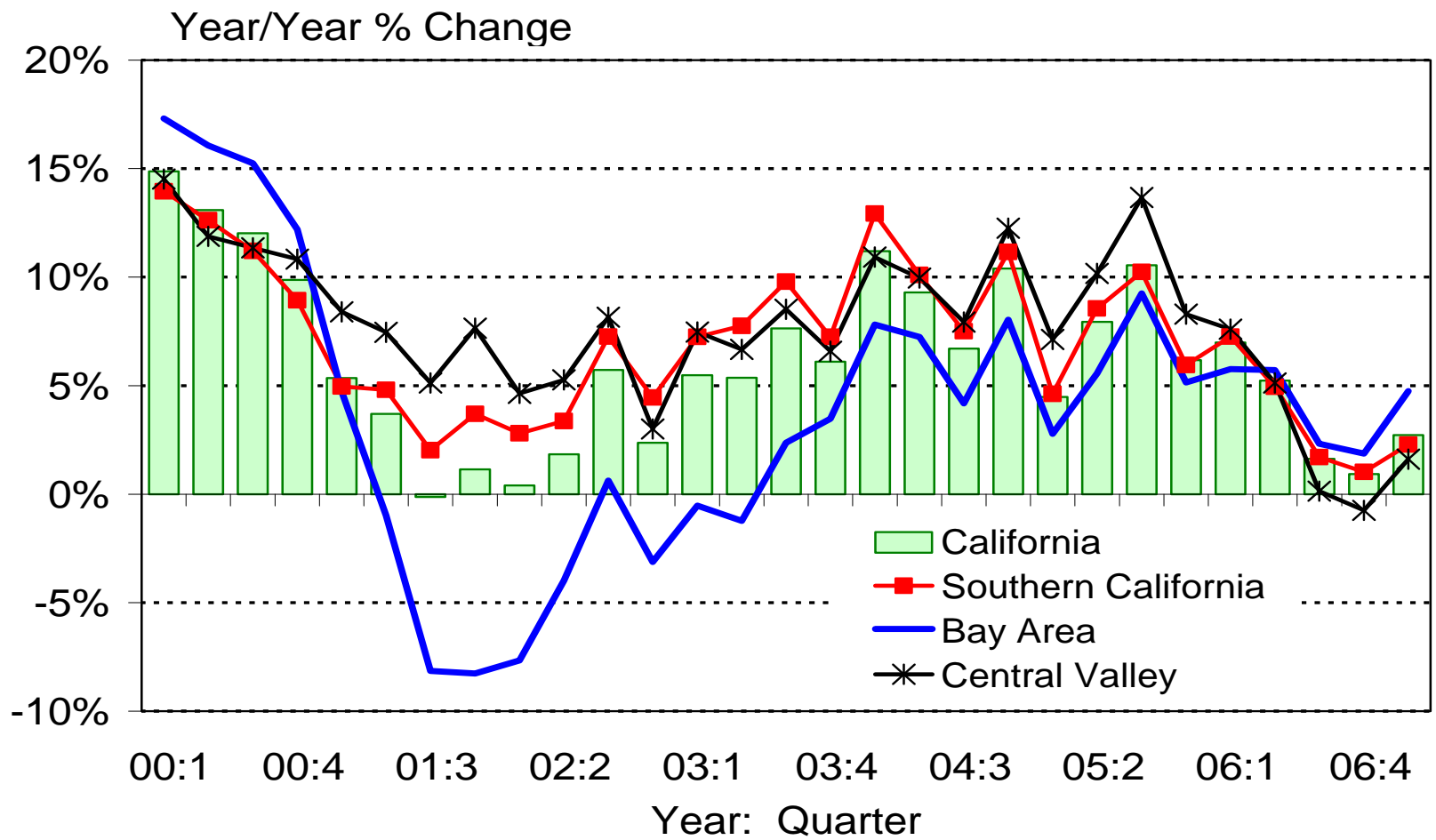


Sources: BEA, CA BOE

Year: Quarter



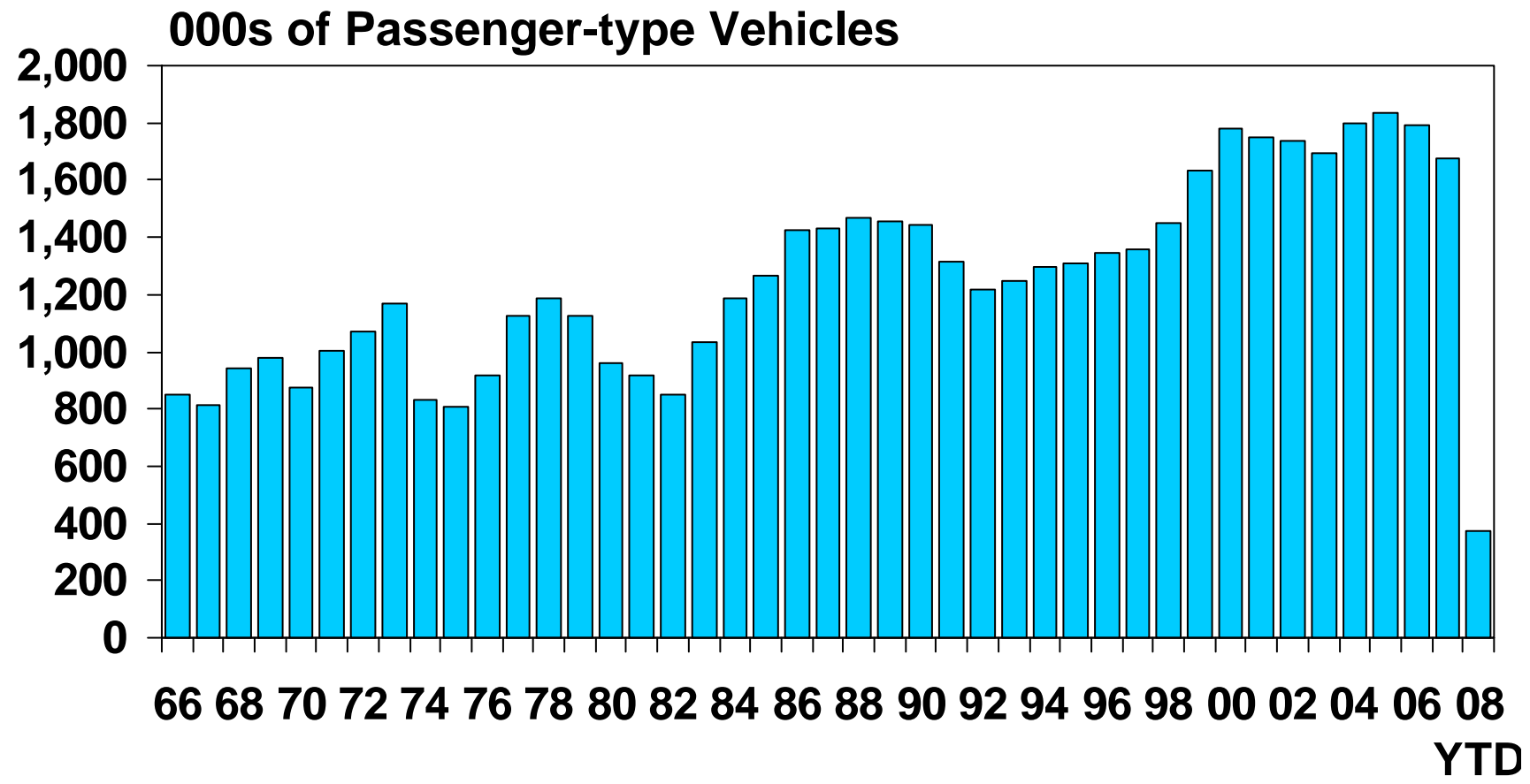
# TAXABLE RETAIL SALES BY REGION



Source: CA BOE



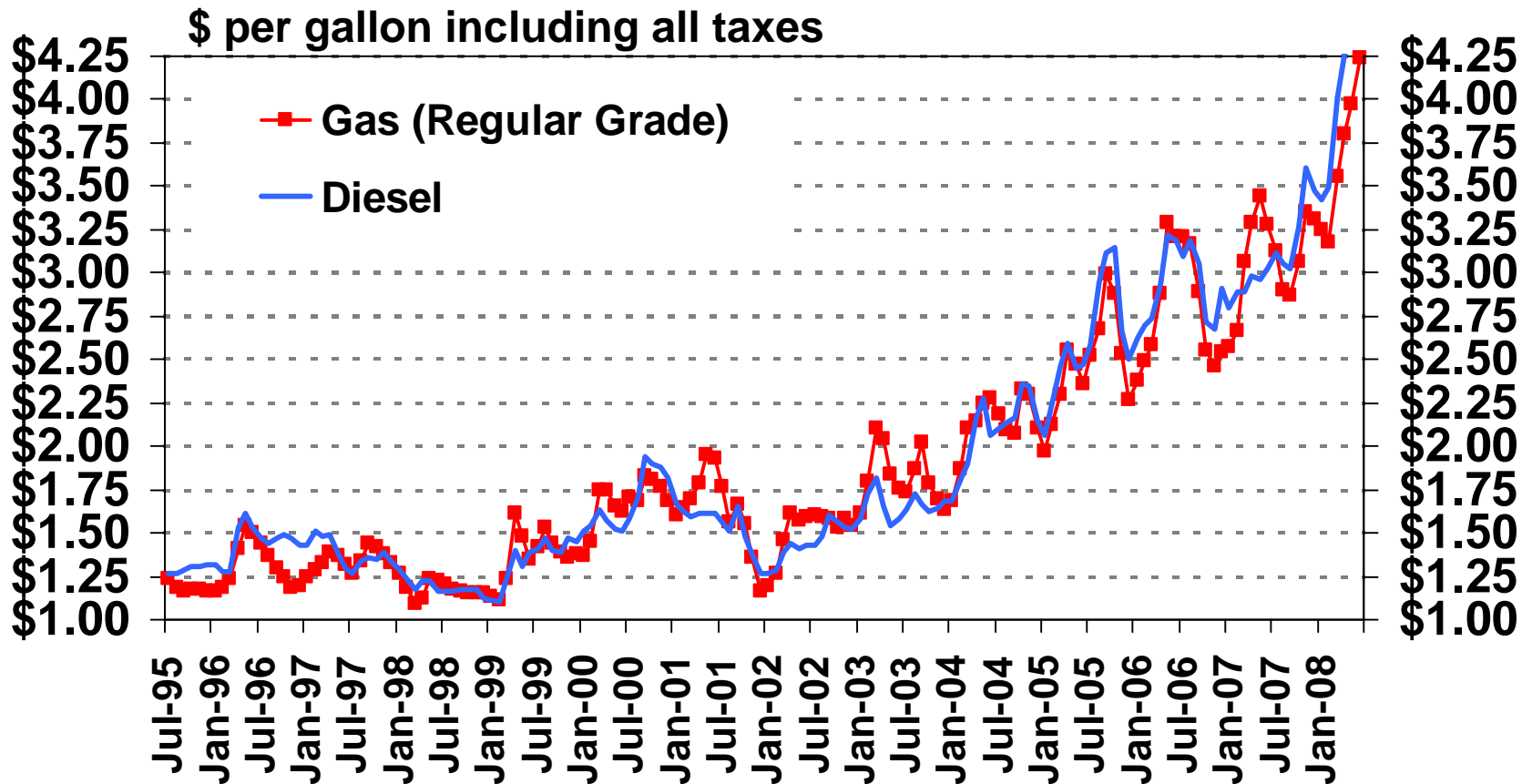
# CALIFORNIA VEHICLE REGISTRATIONS



Source: CA DOF



# ***GAS AND DIESEL PRICES IN CALIFORNIA***

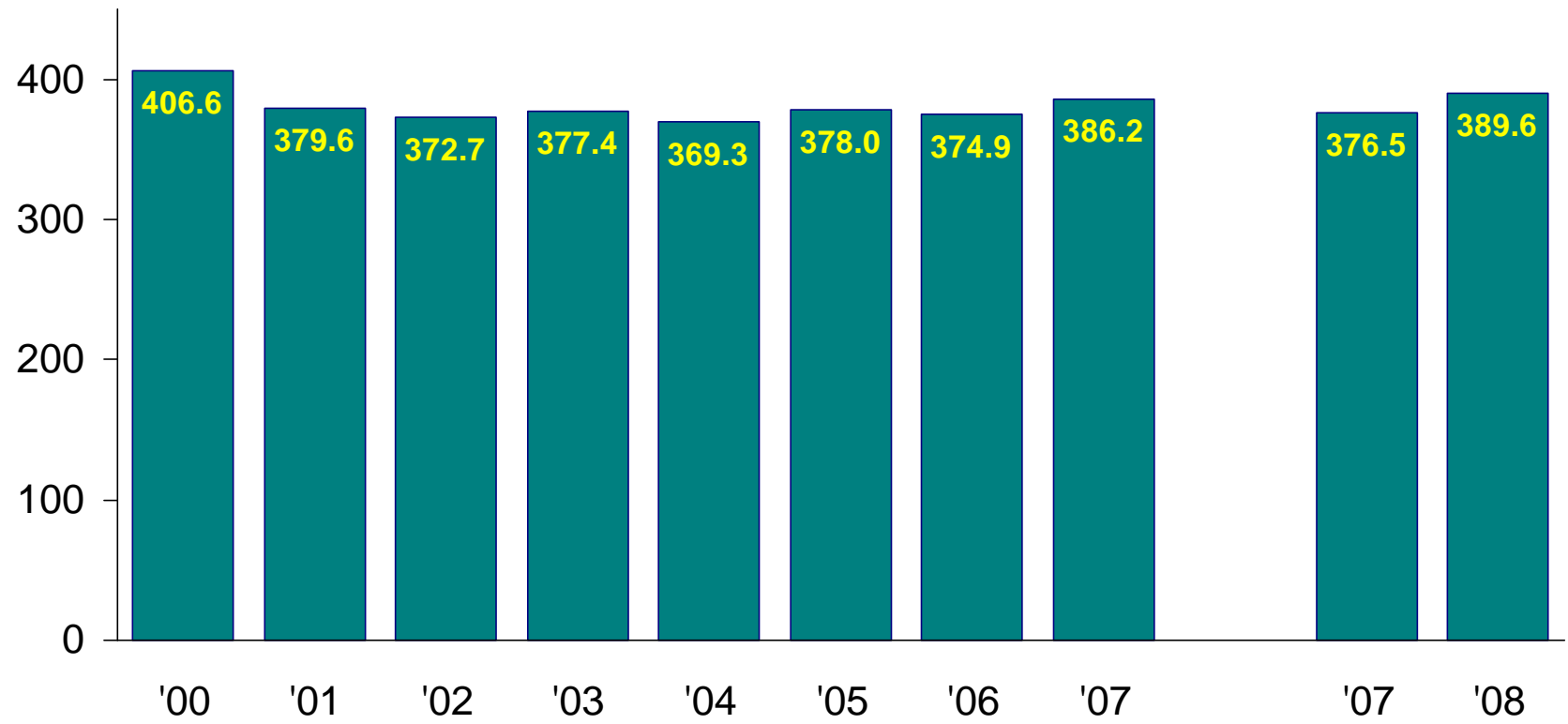


Source: Energy Information Administration



# ***AGRICULTURAL EMPLOYMENT IN CALIFORNIA***

Employment in Thousands

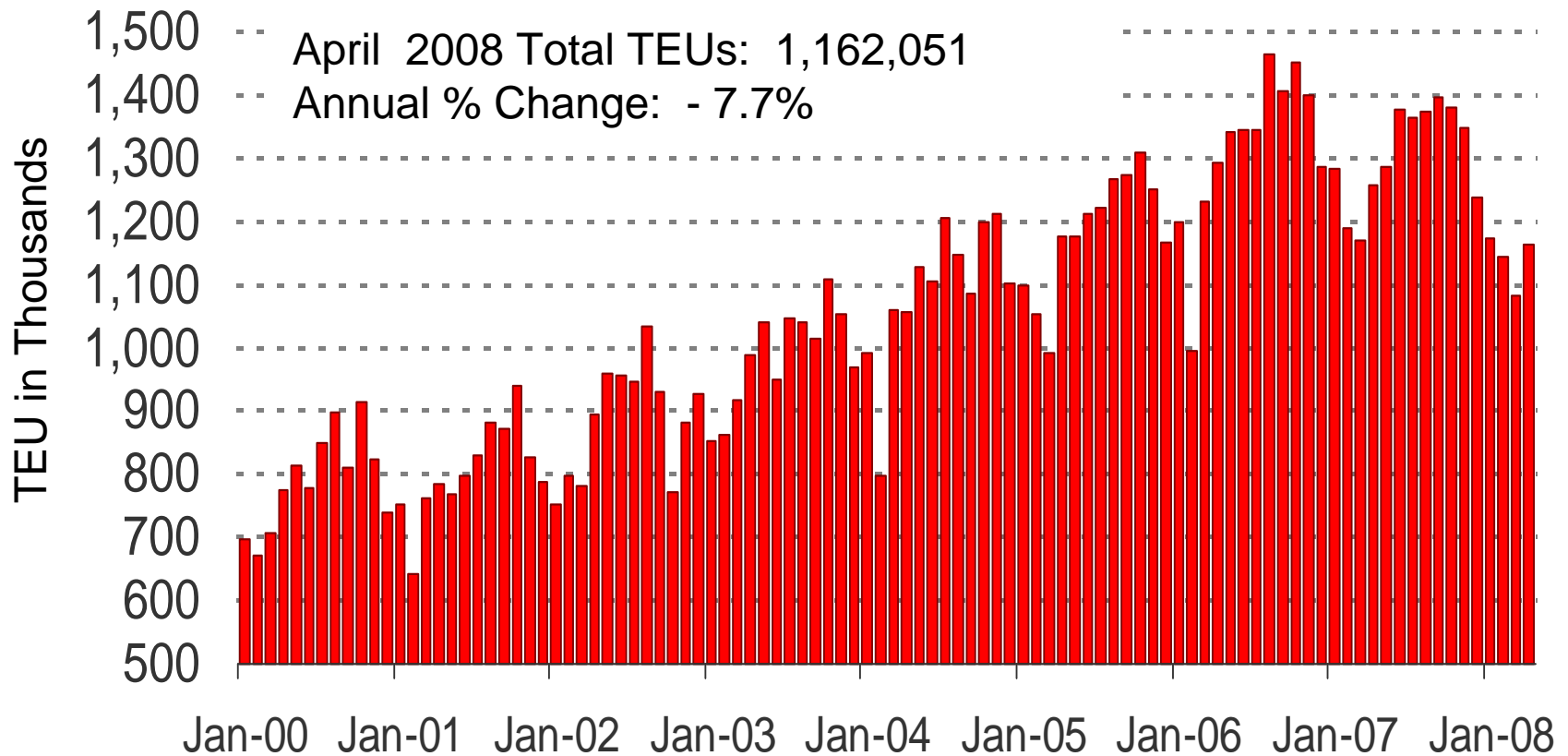


4 Month Total

Source: CA EDD



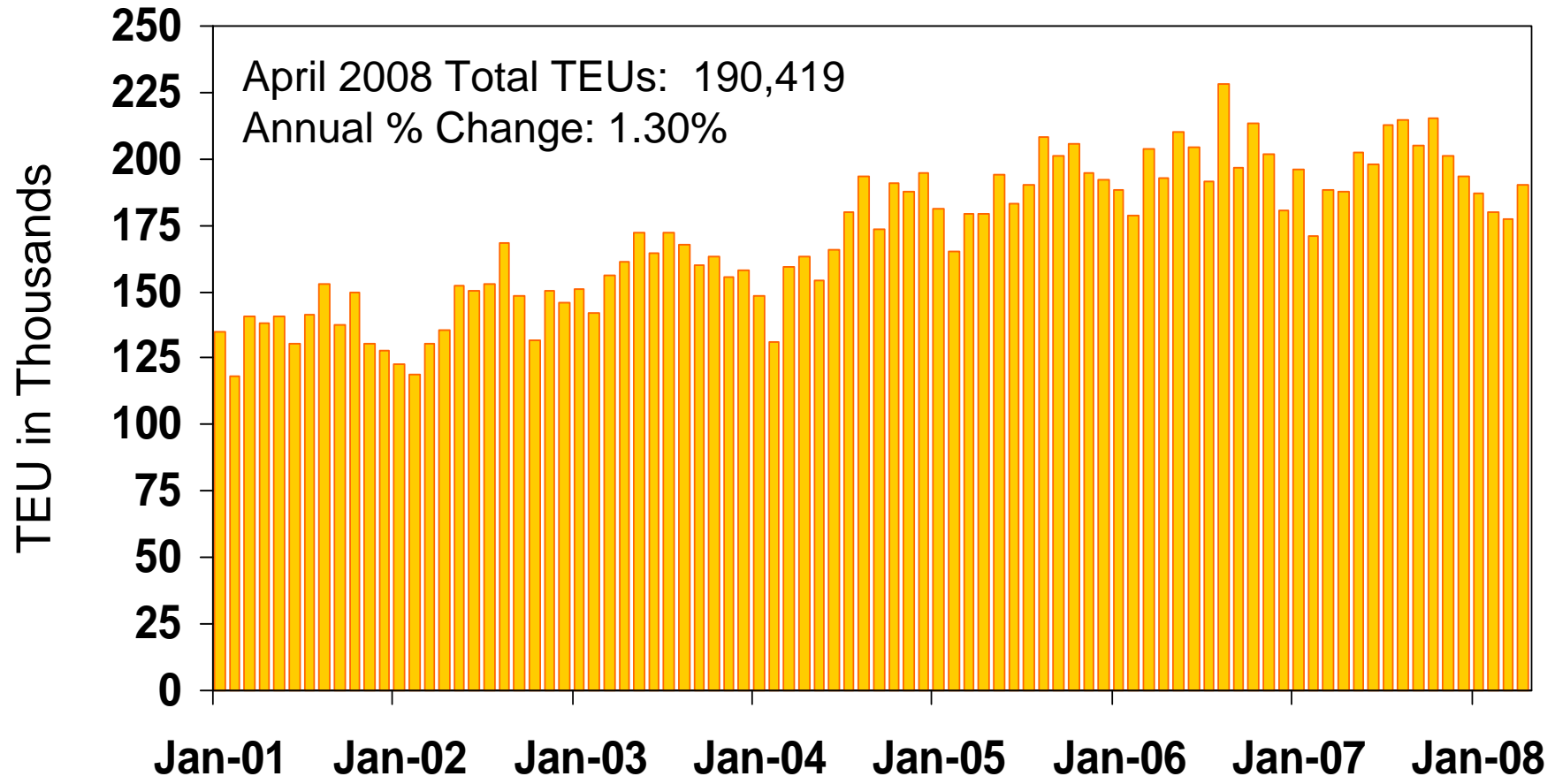
# TOTAL CARGO HANDLED AT LA/LB PORTS



Sources: Ports of Los Angeles & Long Beach



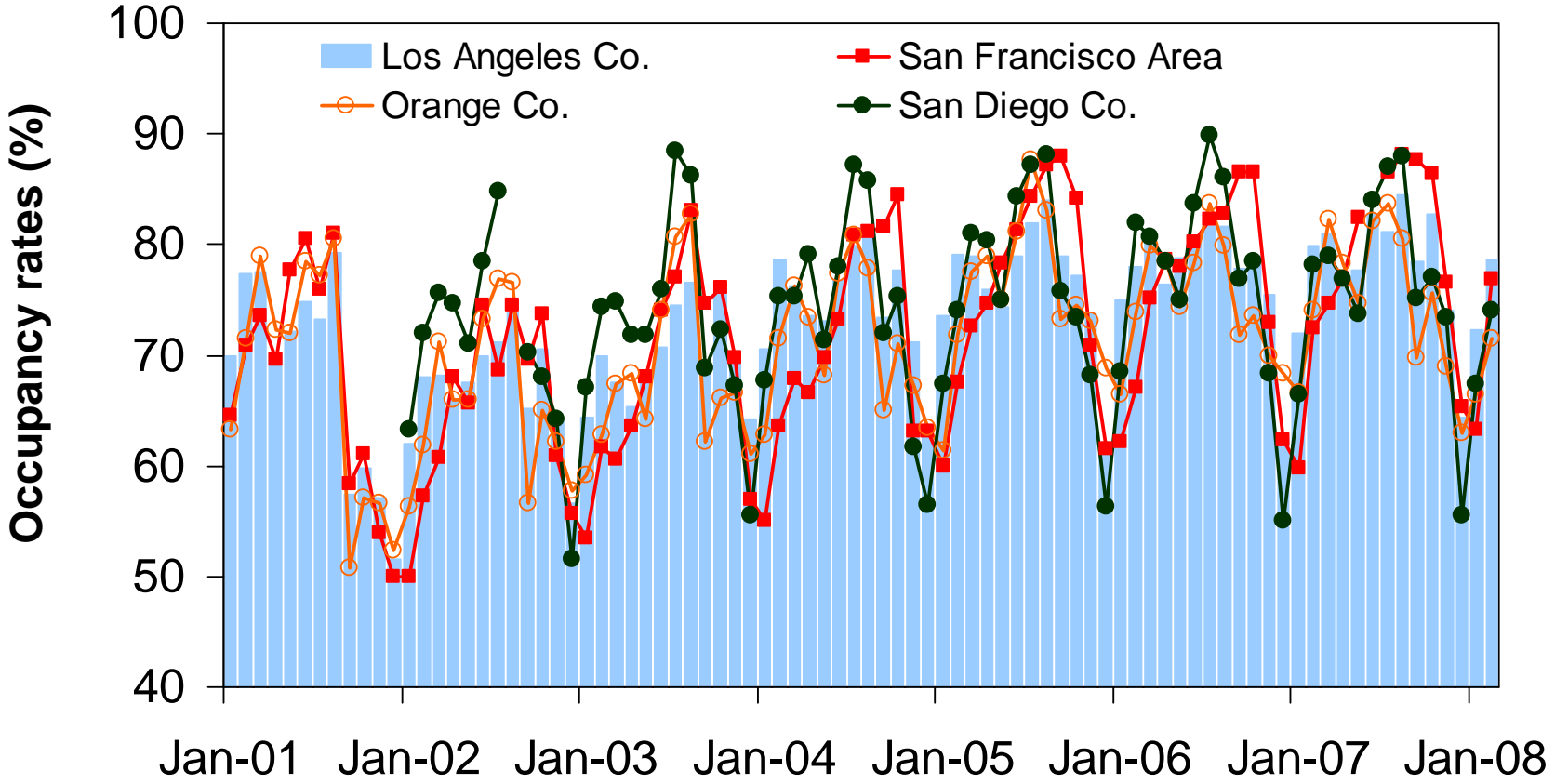
# TOTAL CARGO HANDLED AT PORT OF OAKLAND



Source: Port of Oakland



# ***HOTEL OCCUPANCY RATES***



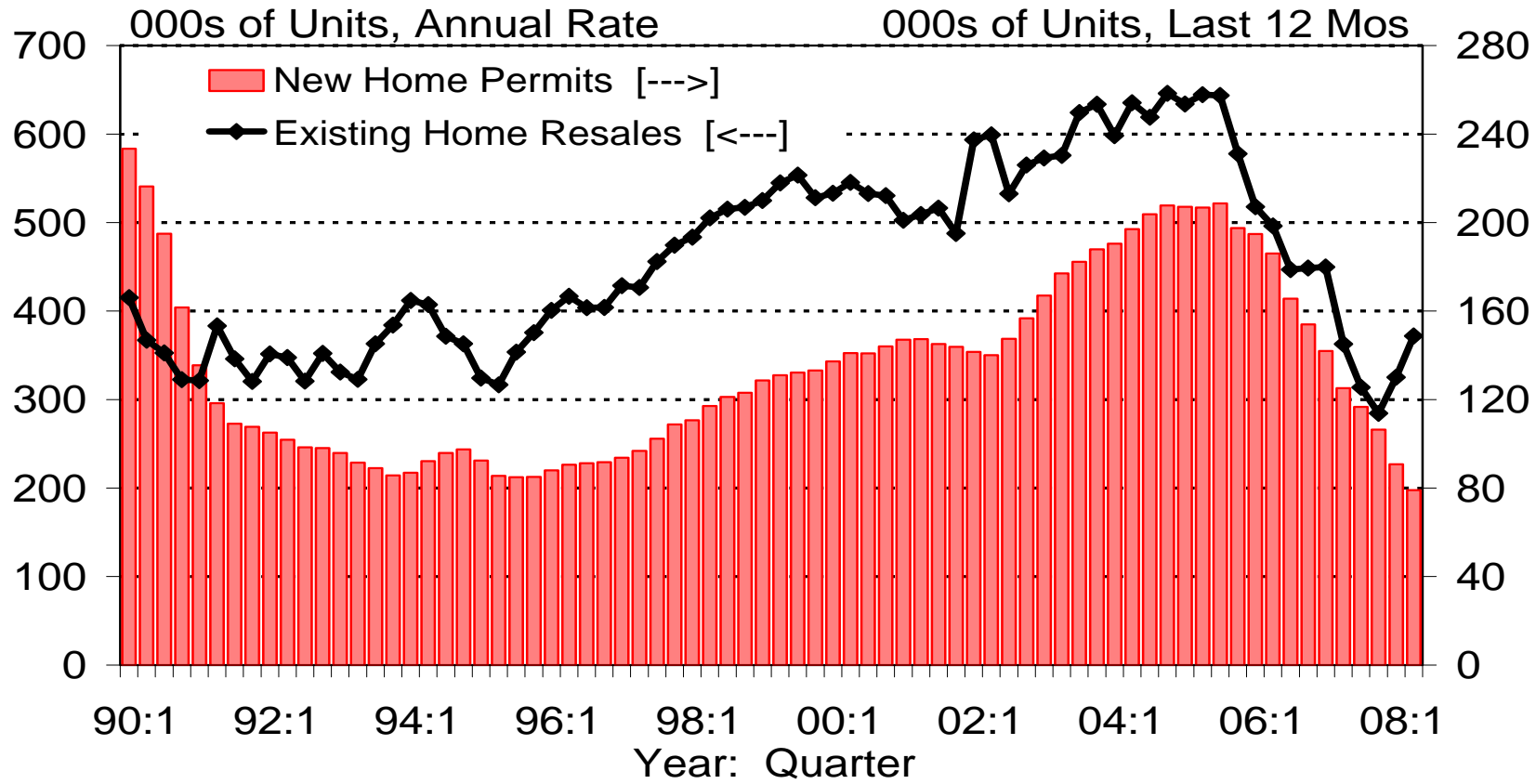
Source: PKF Consulting



# ***The Real Estate Situation***



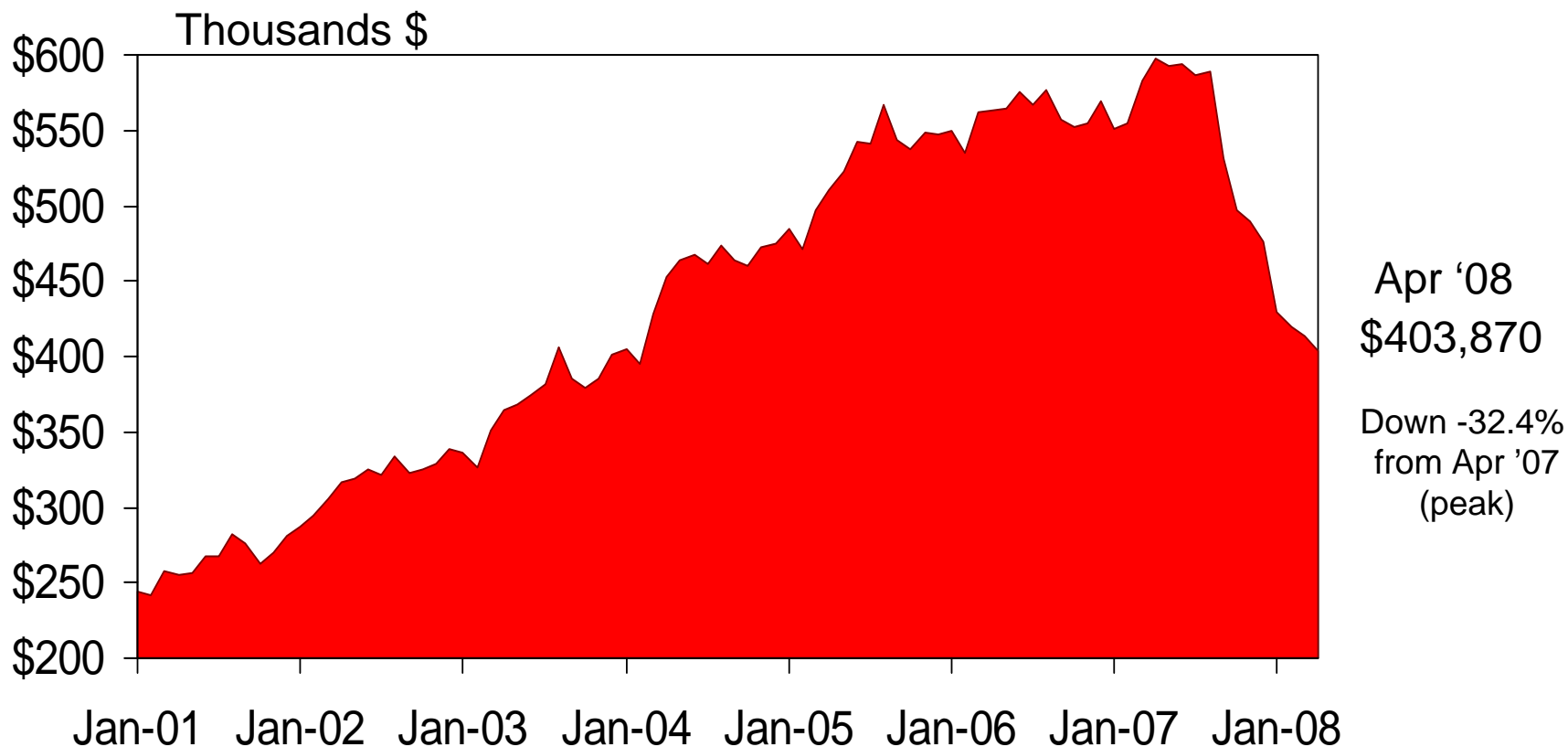
# CALIFORNIA HOUSING MARKET



Sources: U.S. Census Bureau, California Association of Realtors



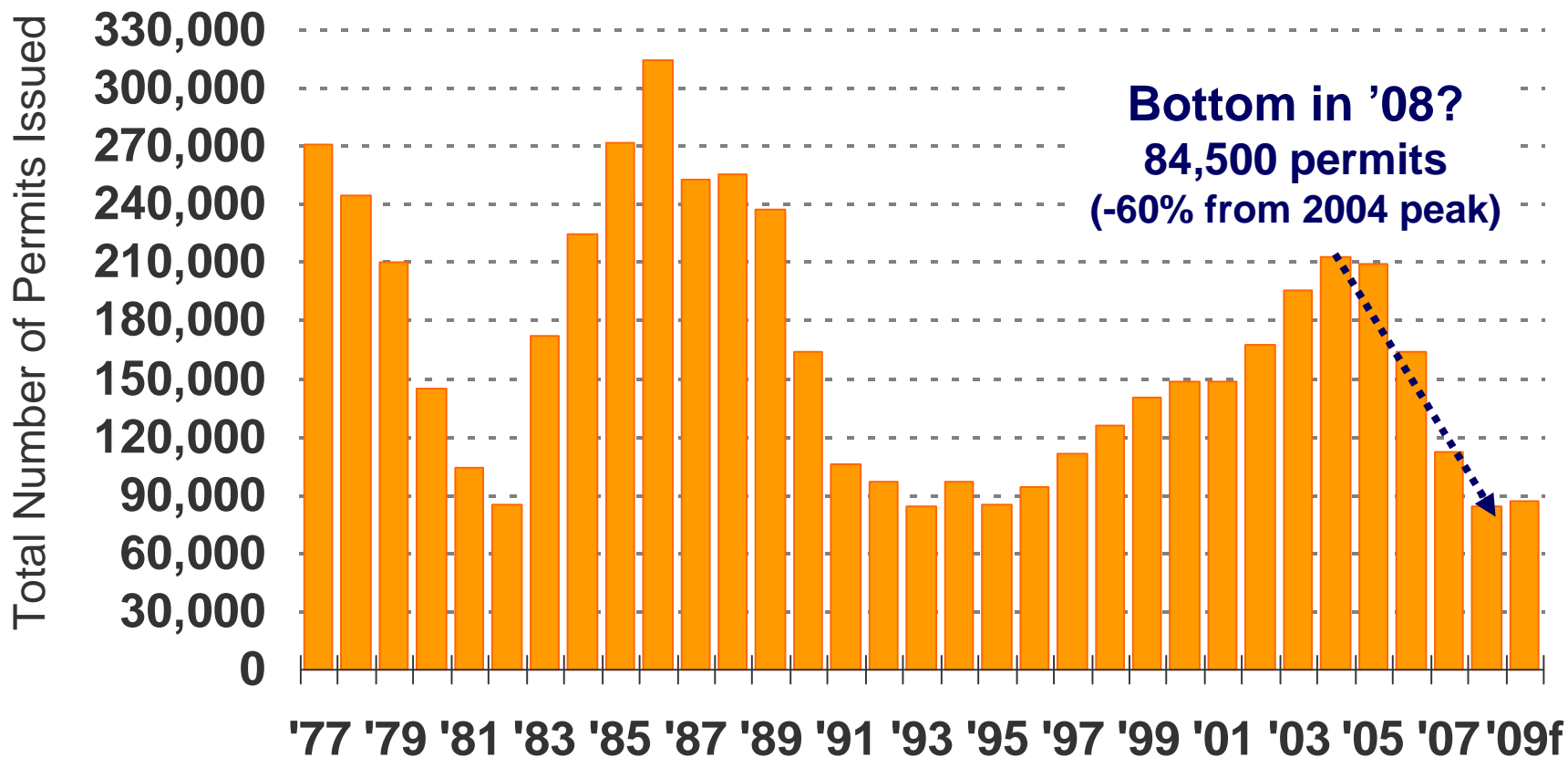
# ***MEDIAN HOME PRICE IN CALIFORNIA***



Source: California Association of REALTORS®



# CALIFORNIA TOTAL HOUSING PERMITS

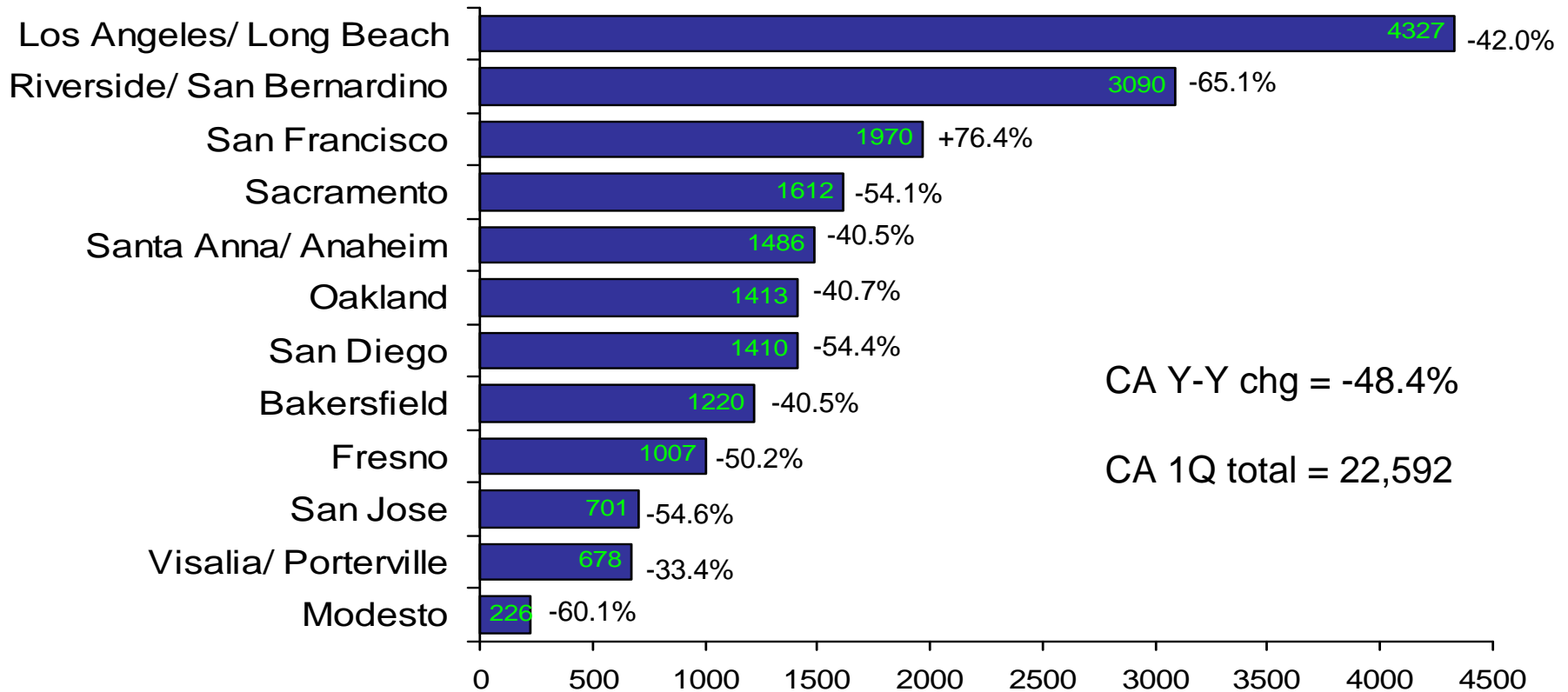


Sources: Construction Industry Research Board, forecasts by LAEDC



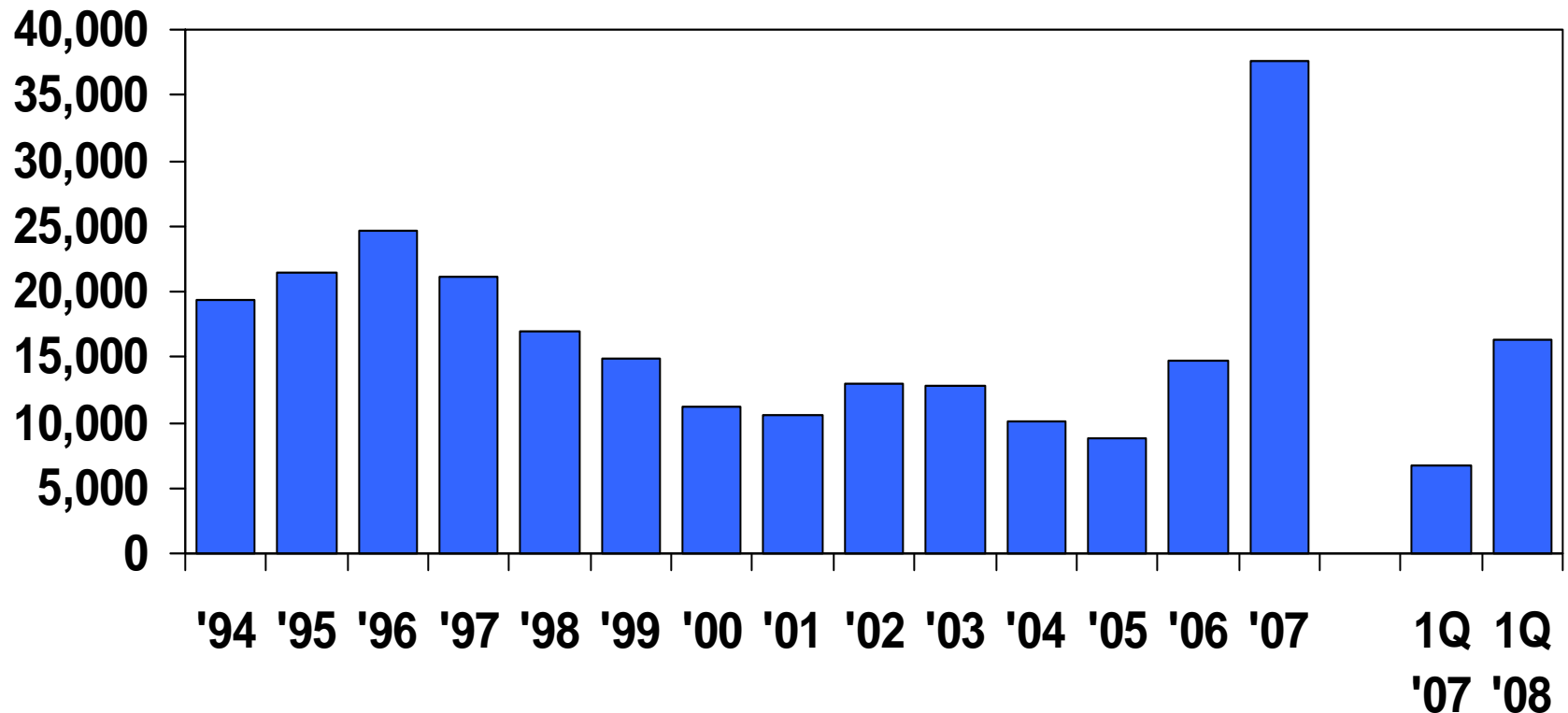
# Where's the Housing Permit Pain?

**NUMBER OF PERMITS ISSUED Q1 '08  
& % CHG FROM '07 PERIOD**





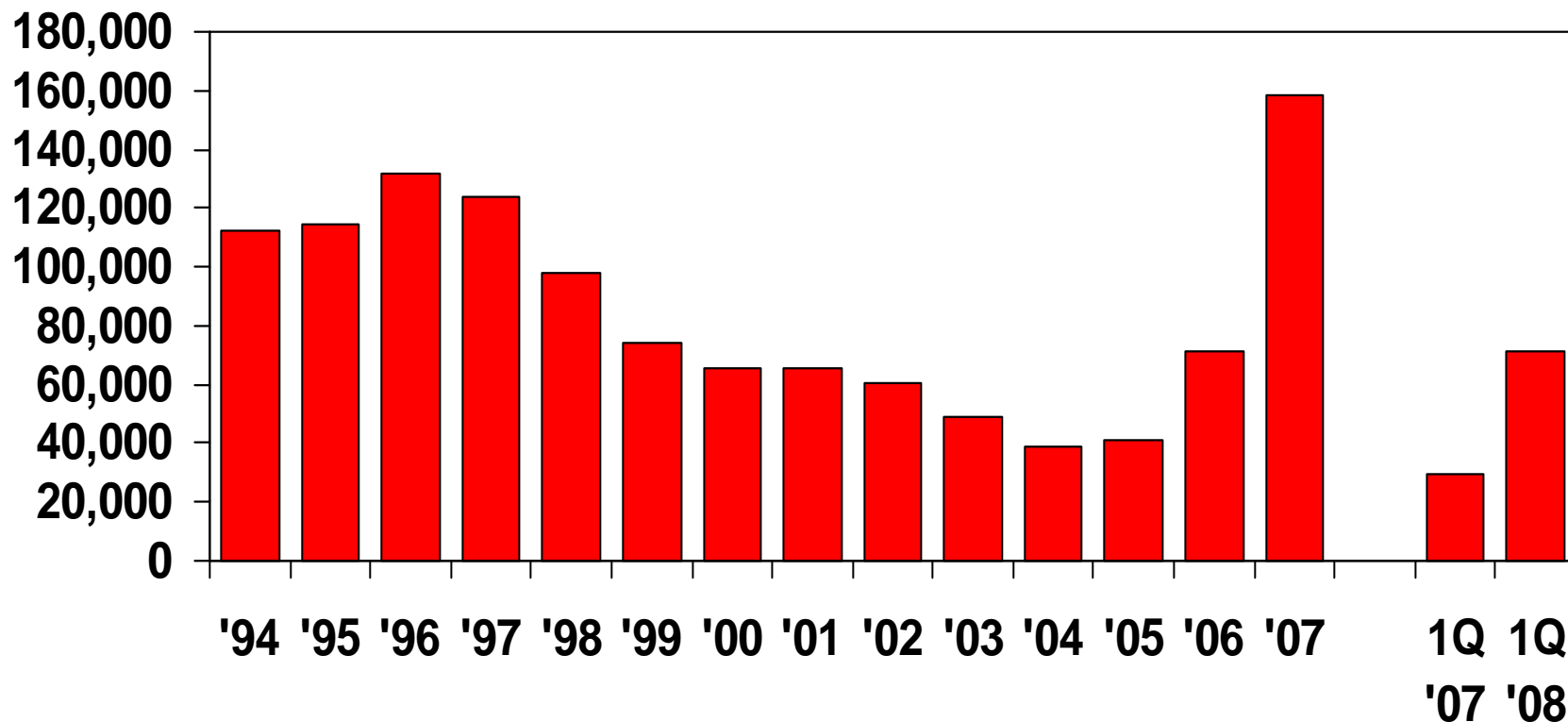
# ***NOTICES OF DEFAULT IN THE BAY AREA***



Sources: Real Estate Research Council, County Records



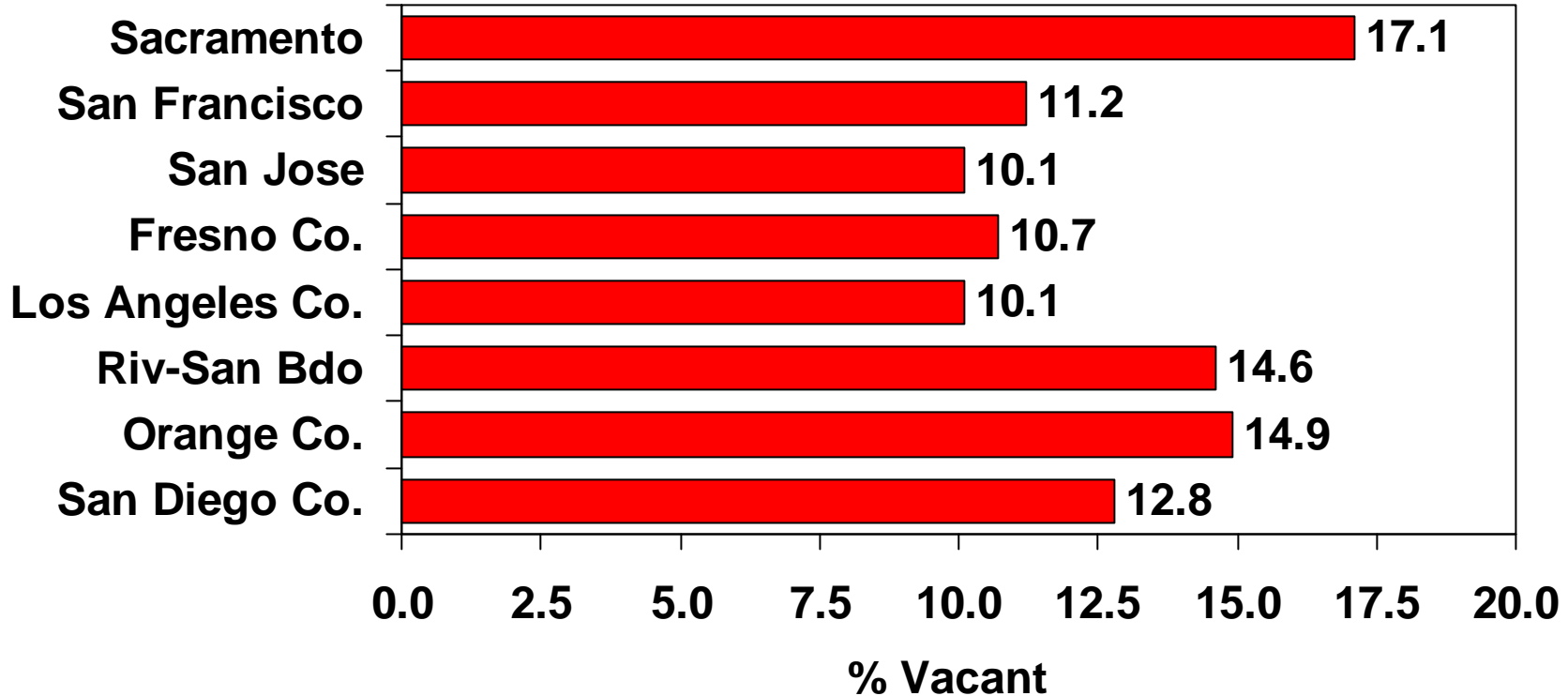
# ***NOTICES OF DEFAULT IN SOUTHERN CALIFORNIA***



Sources: Real Estate Research Council, County Records



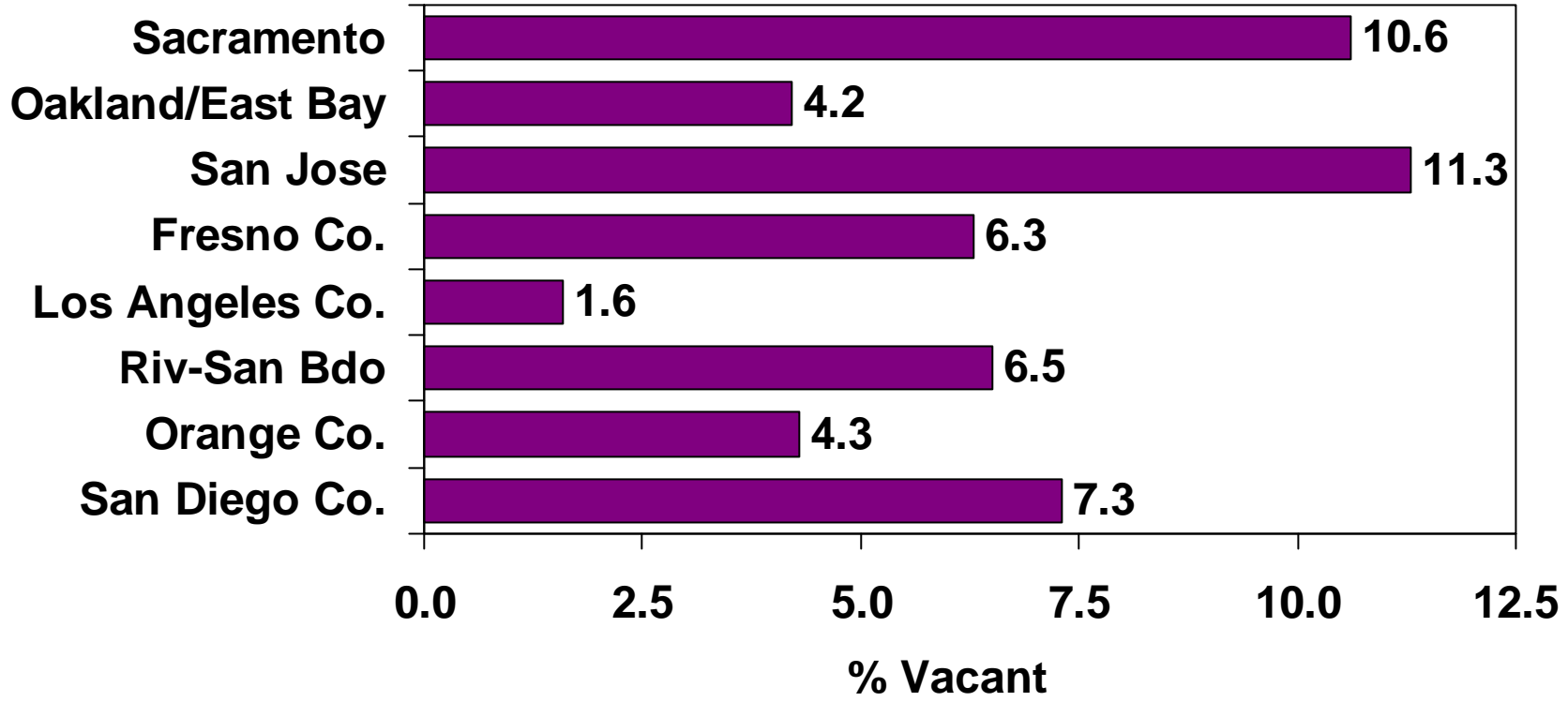
# ***OFFICE VACANCY RATES AROUND CALIFORNIA -- 1Q 2008***



Source: Grubb & Ellis Research Services



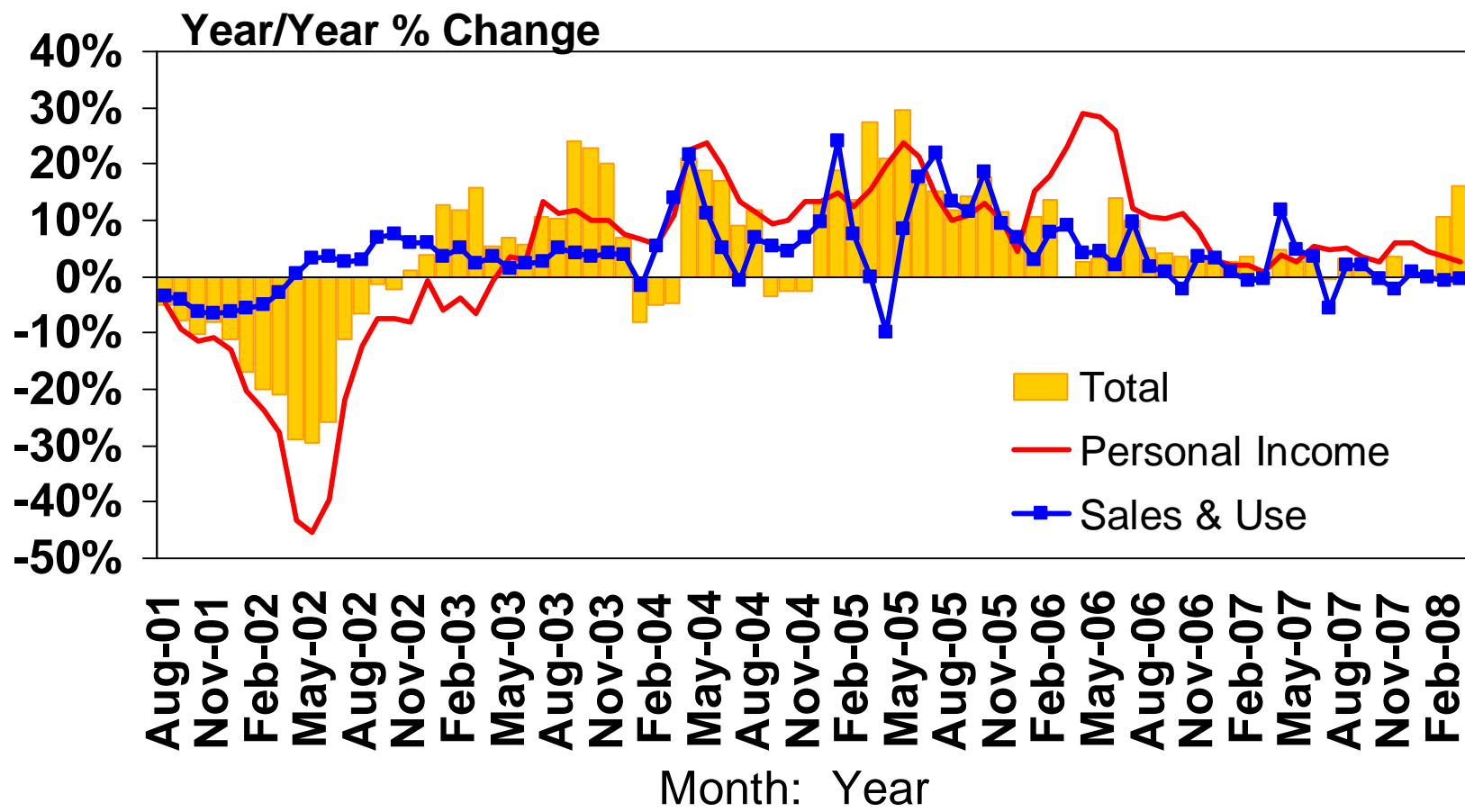
# ***INDUSTRIAL VACANCY RATES AROUND CALIFORNIA -- 1Q 2008***



Source: Grubb & Ellis Research Services



# CALIFORNIA TAX REVENUES



Source: CA Department of Finance



# ***CALIFORNIA ECONOMIC FORECAST***

	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008f</b>
<b>Nonfarm Jobs</b>	1.8	1.7	0.7	-0.2
<b>Unemployment Rate</b>	5.4	4.9	5.3	6.0
<b>Total Personal Income</b>	6.5	6.5	5.9	4.9
<b>Taxable Retail Sales</b>	7.3	3.5	-0.5	-1.6
<b>Housing Unit Permits</b>	208,972	164,280	112,300	84,500

Annual % change except housing permits, which are in units.

Forecast Source: LAEDC



## ***A WRAP-UP...***

- **Housing recovery around state will be uneven**
- **Watch retail sector – too much capacity**
- **Business environment in California challenging**
- **Are you business friendly?**

# THANK YOU and STAY INFORMED

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Los Angeles County Economic Development Corporation  
Jack Kyser Center for Economic Research


## e-EDGE

The Economic Data Global Express

v.12 n.01 January 7, 2008

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[County & State Unemployment Rates Rise in November](#)

[October Hotel Numbers Good](#)

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## November Jobs Report Not Encouraging

The November report from the California Employment Development Department continued to point to a slowing economy. Just 900 jobs were created from October to November (seasonally adjusted). The September-to-October decline was revised down to 13,500 jobs.

>> [full article](#)

## County & State Unemployment Rates Rise in November

The California Employment Development Department (EDD) released November unemployment estimates last week. Seasonally adjusted, the Los Angeles County unemployment rate was 5.3%, up from 5.1% in both October and September, and up from 4.4% a year earlier. November was the sixth consecutive month that the County's unemployment rate increased over the year. >> [full article](#)

## October Hotel Numbers Good

The October data from PKF Consulting revealed a still healthy hotel sector in Southern California. In Los Angeles County, the occupancy rate was 82.7% compared with 78.9% last year. Better yet, the average daily room rate (ADR) rose by 11.7% to \$163.05.

>> [full article](#)