UCLA Anderson Forecast

THINK IN THE NEXT
a unique approach. critical answers. Accurate.
2022

Economic Outlook for California

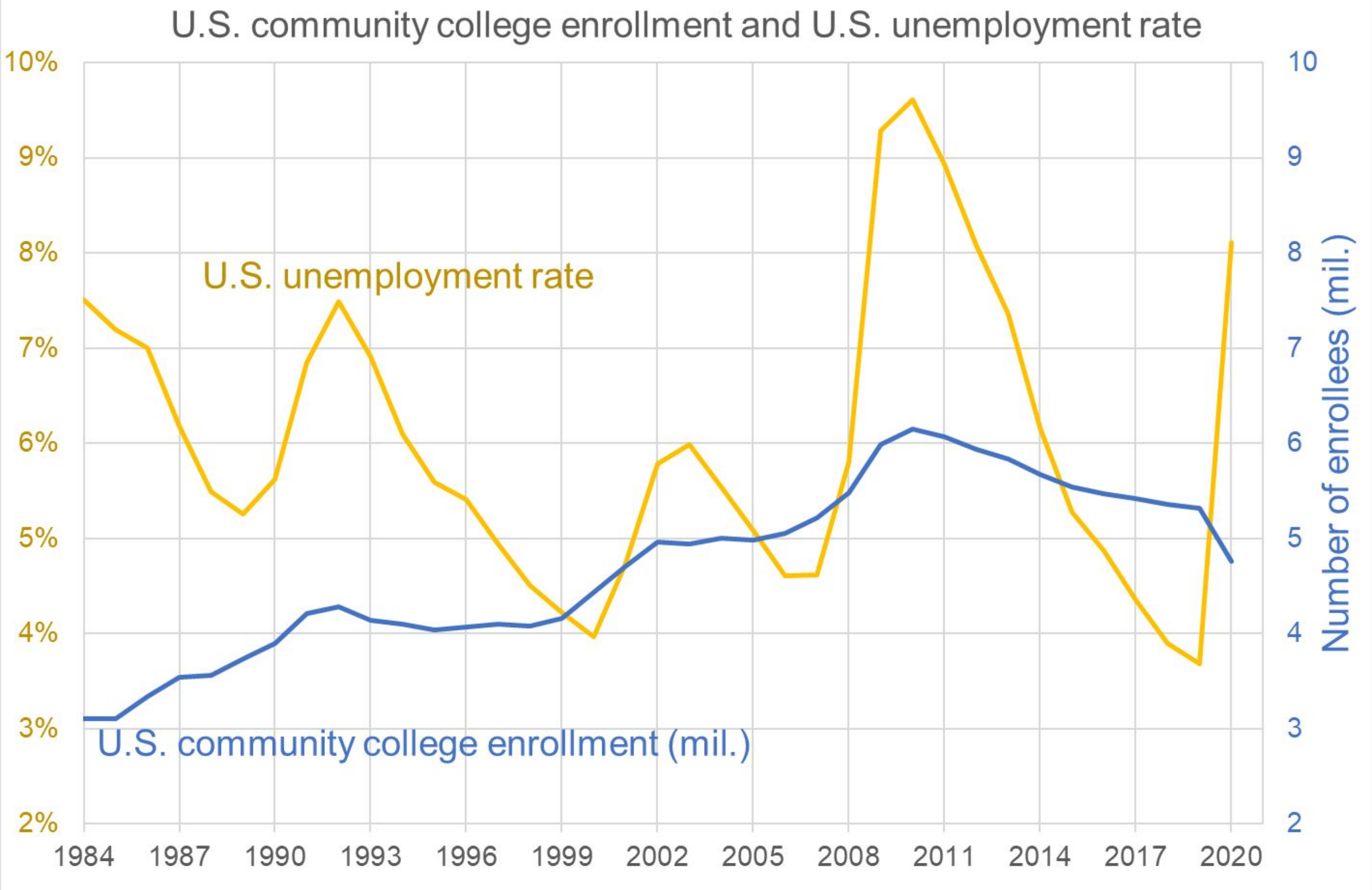
Annual ACCCA/ACBO Budget Workshop
January 19, 2022

Leila Bengali
Economist
UCLA Anderson Forecast

Overview

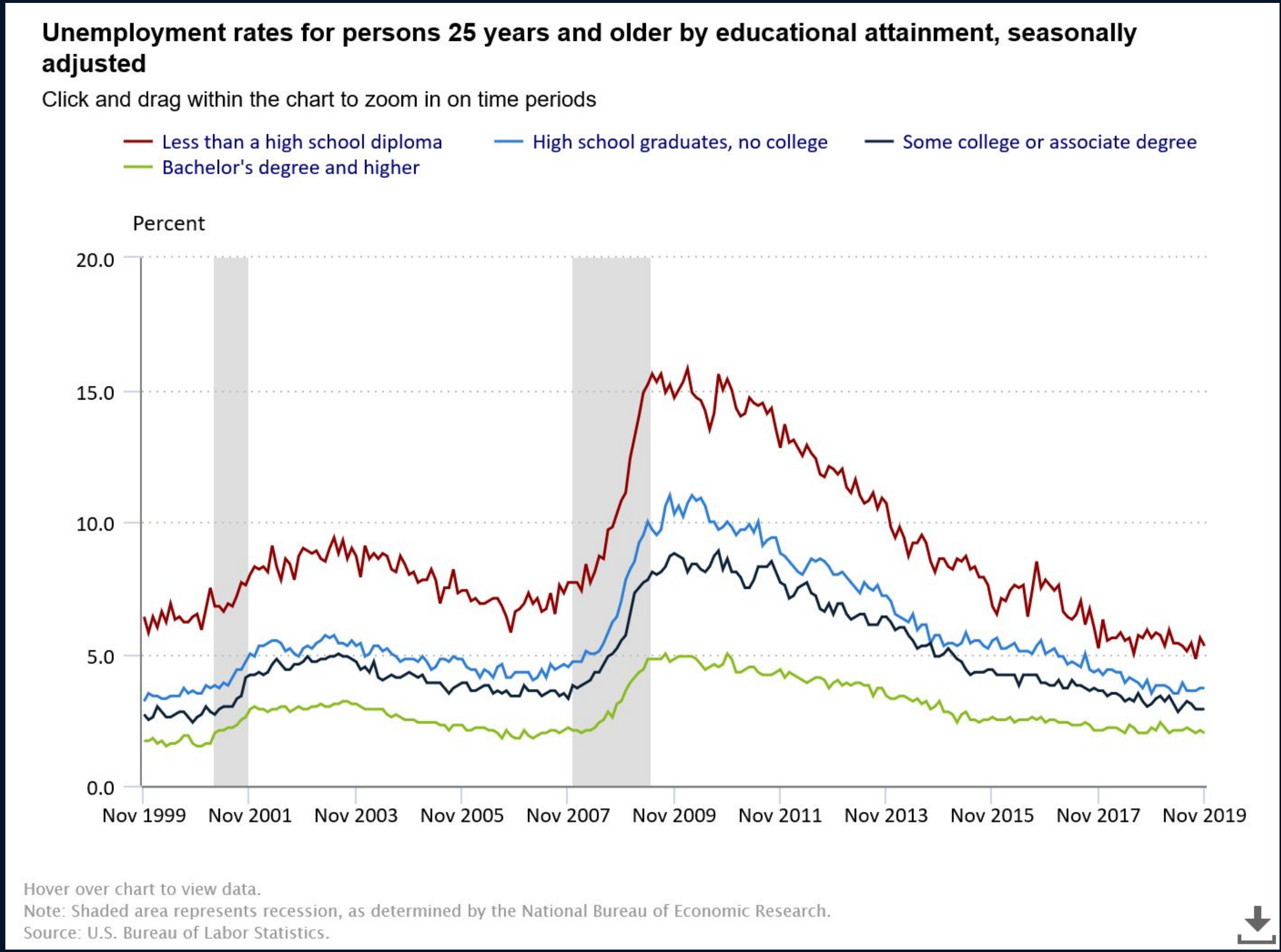
- The U.S. economy and forecast (brief)
- The California economy
  - Labor markets
  - Real estate
  - Income and spending
- Economic forecast for California

Economic activity and community colleges



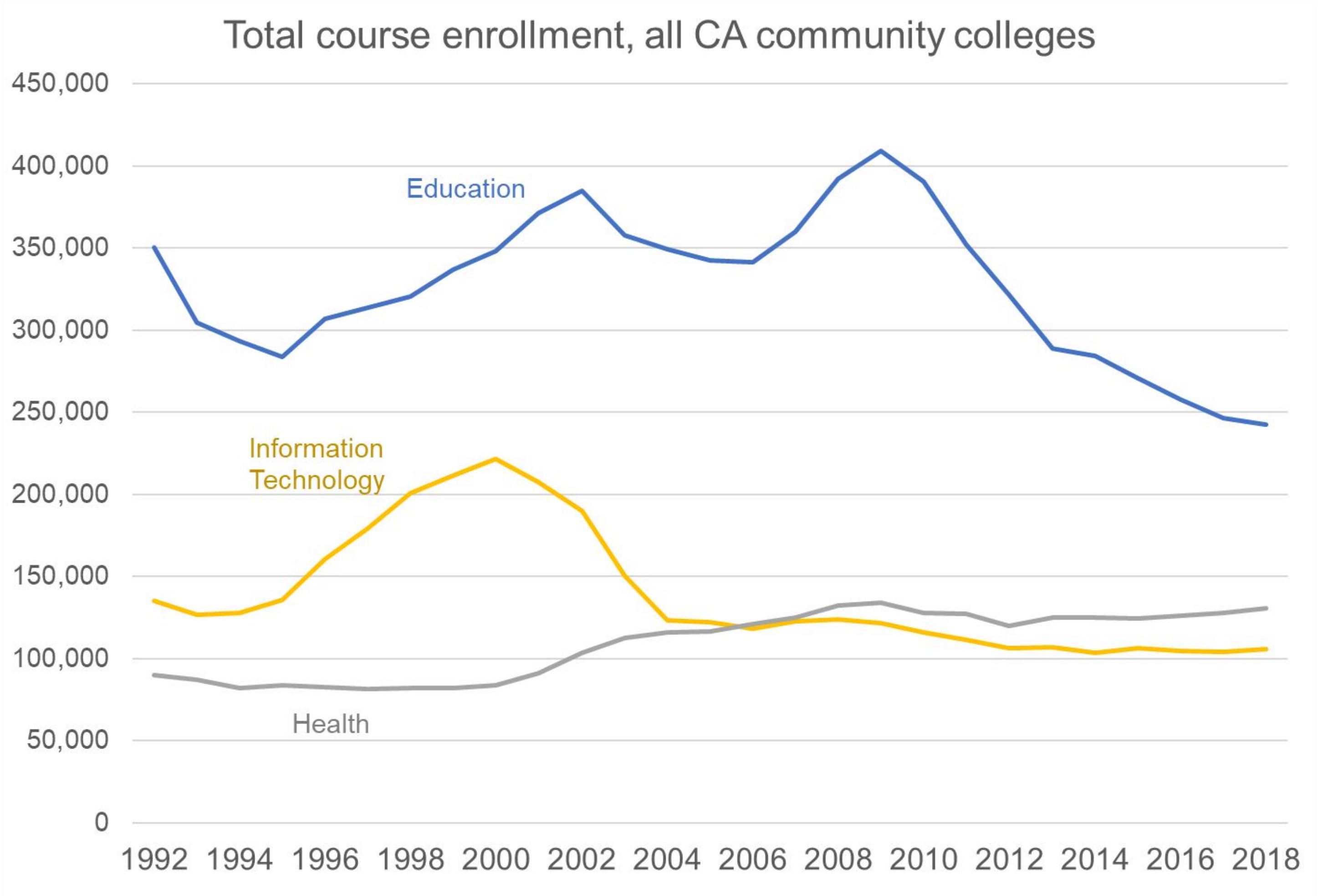
Source: National Center for Education Statistics (Integrated Postsecondary Education Data System) and Bureau of Labor Statistics.

Unemployment rate by educational attainment



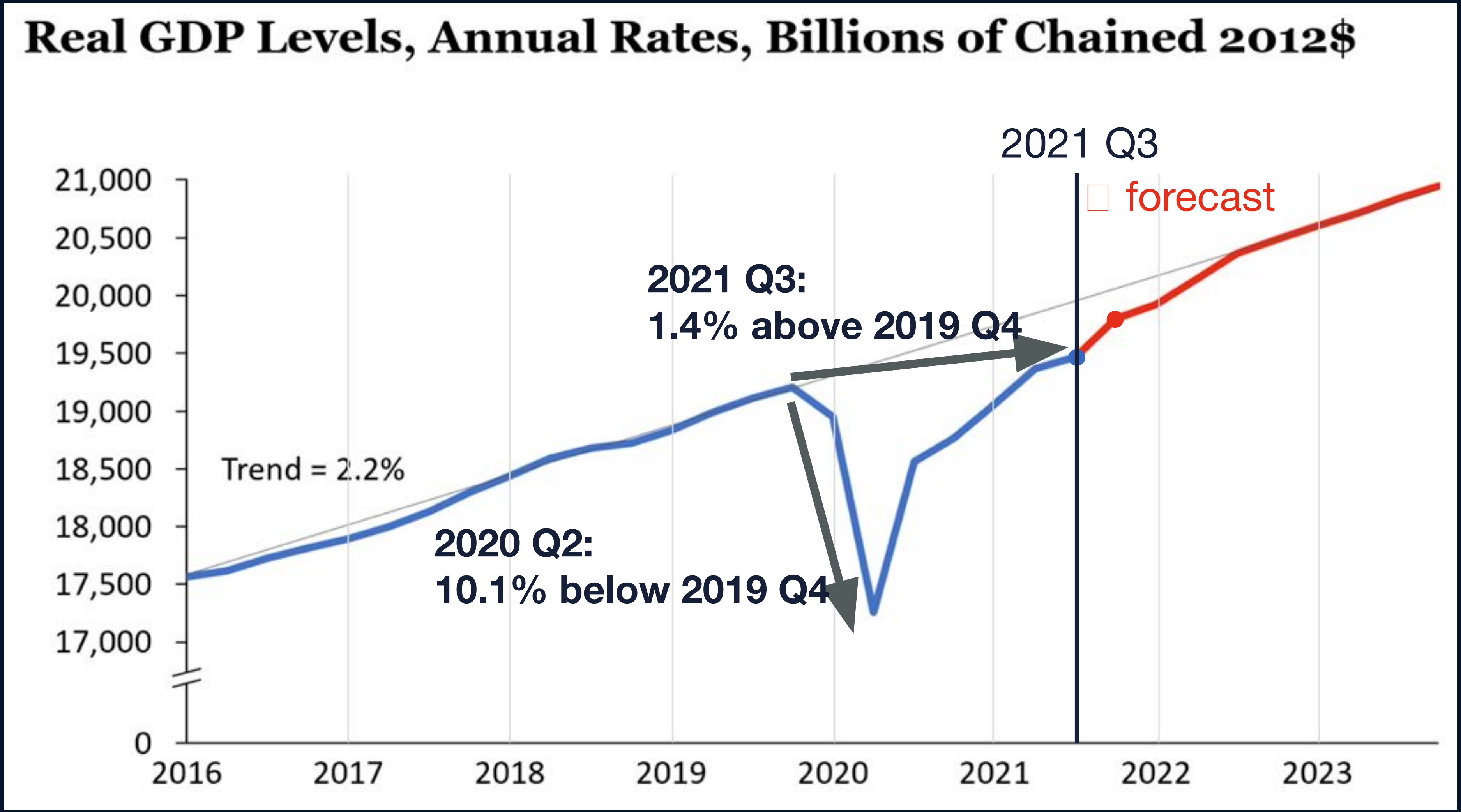
Source: "The Employment Situation" news release, BLS.

The economy affects what students study



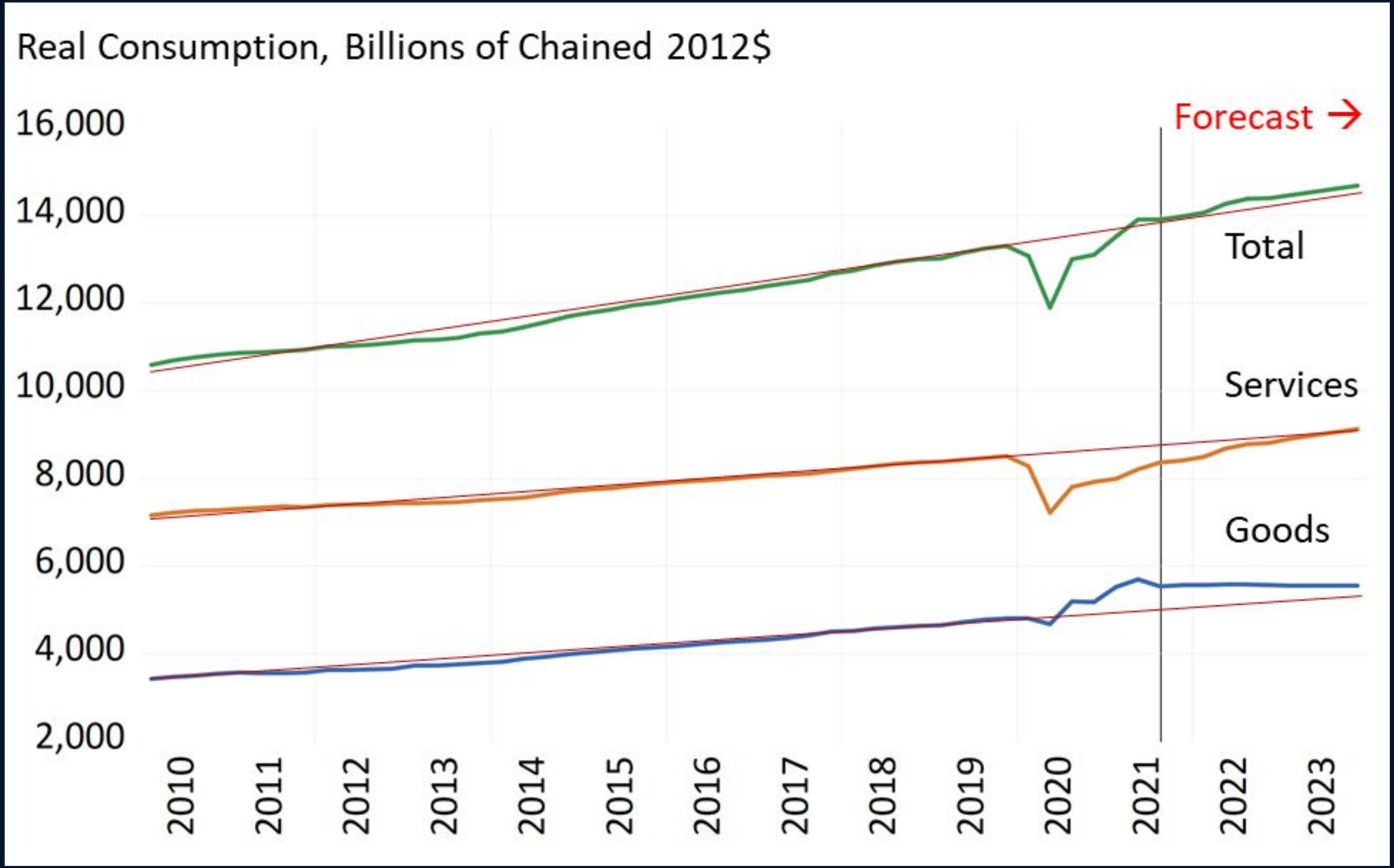
Source: California Community College Data Mart.

U.S. real GDP is back above pre-pandemic levels



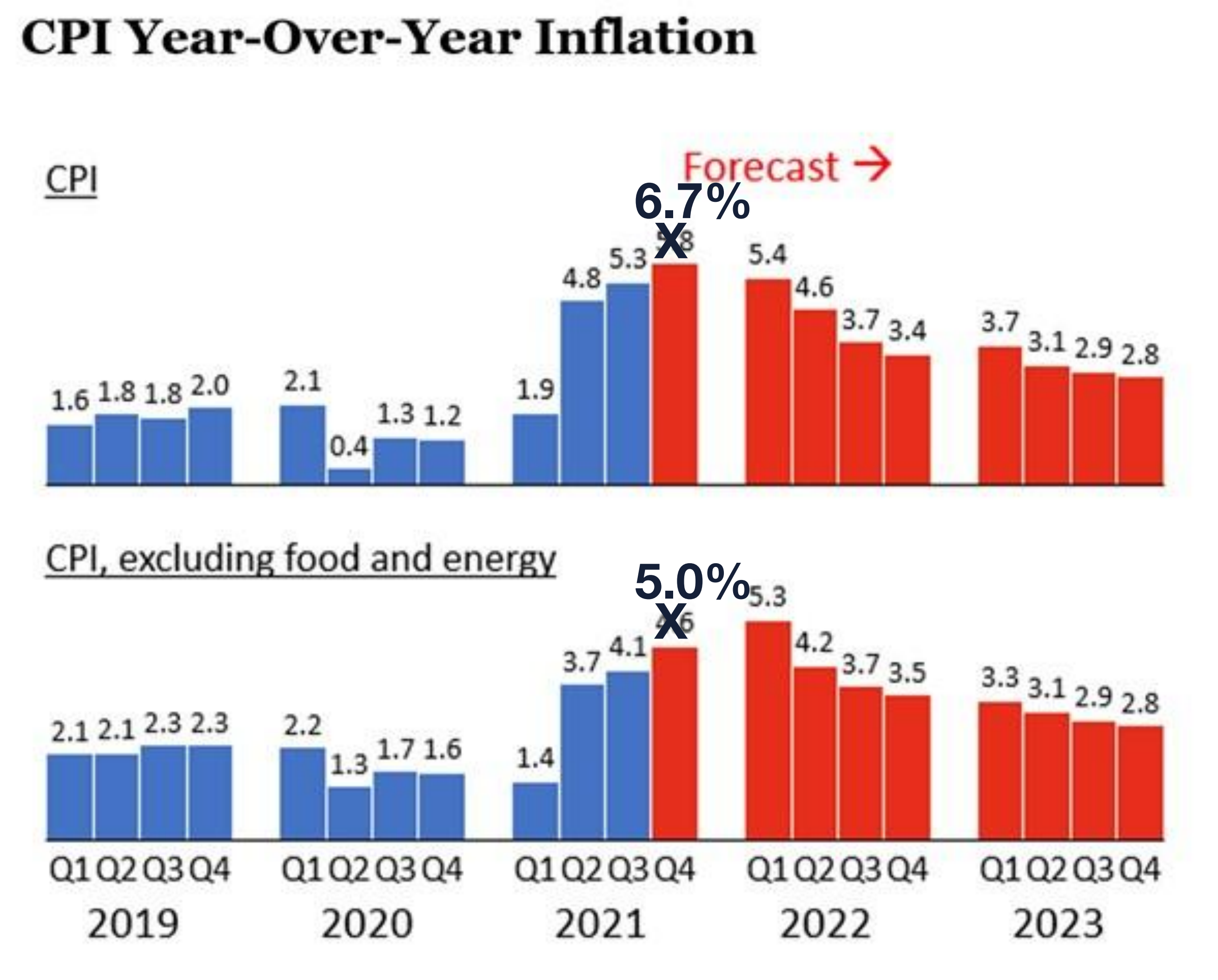
Source: U.S. Bureau of Economic Analysis and UCLA Anderson Forecast

Goods vs services: changes in consumption patterns



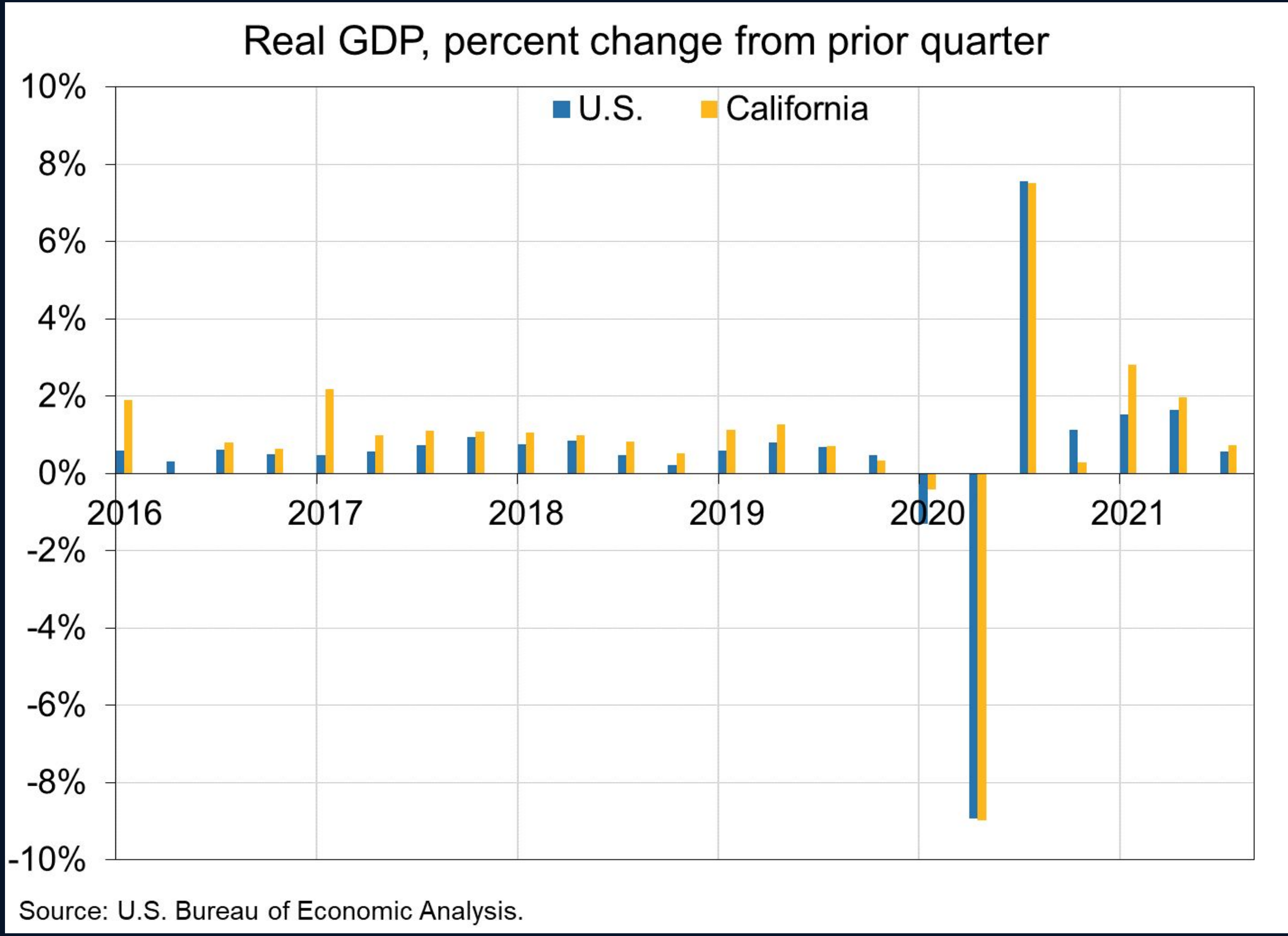
Source: U.S. Bureau of Economic Analysis and UCLA Anderson Forecast

Inflation remains elevated



Source: U.S. Bureau of Labor Statistics

U.S. vs California GDP

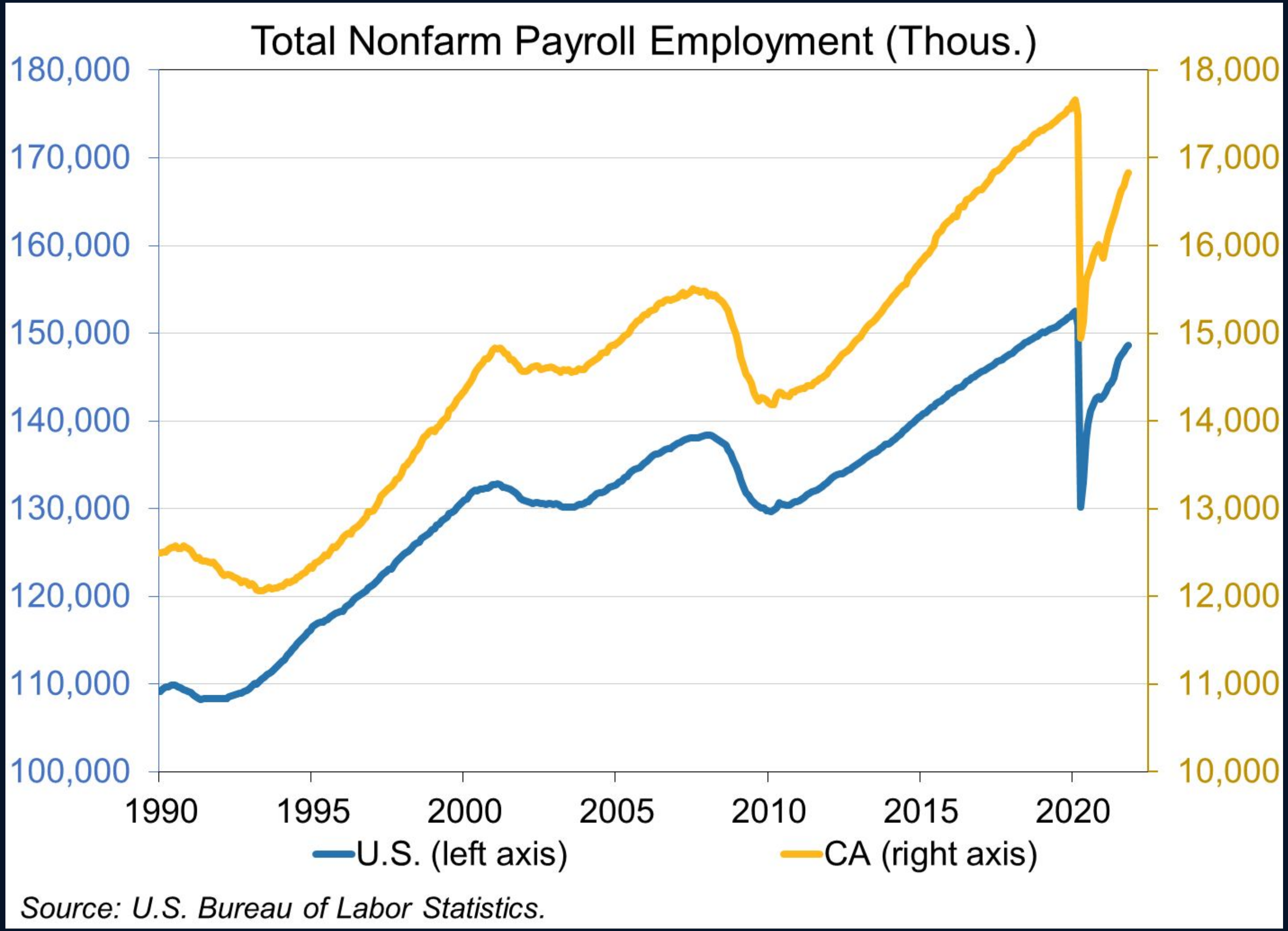


As of 2021 Q3:

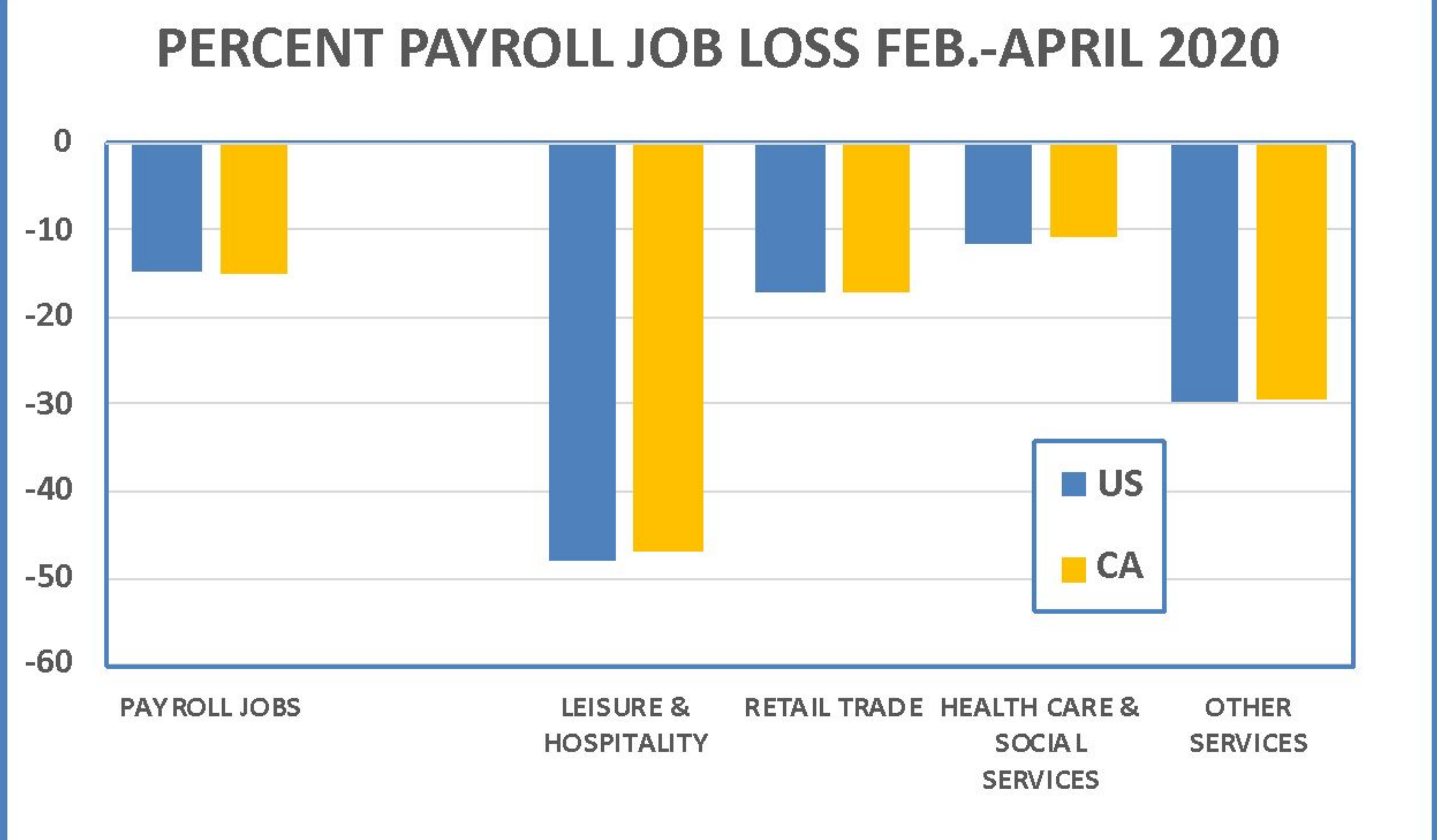
U.S. real GDP 1.4% above 2019 Q4 level

CA real GDP 3.2% above 2019 Q4 level

California labor markets move with U.S. labor markets

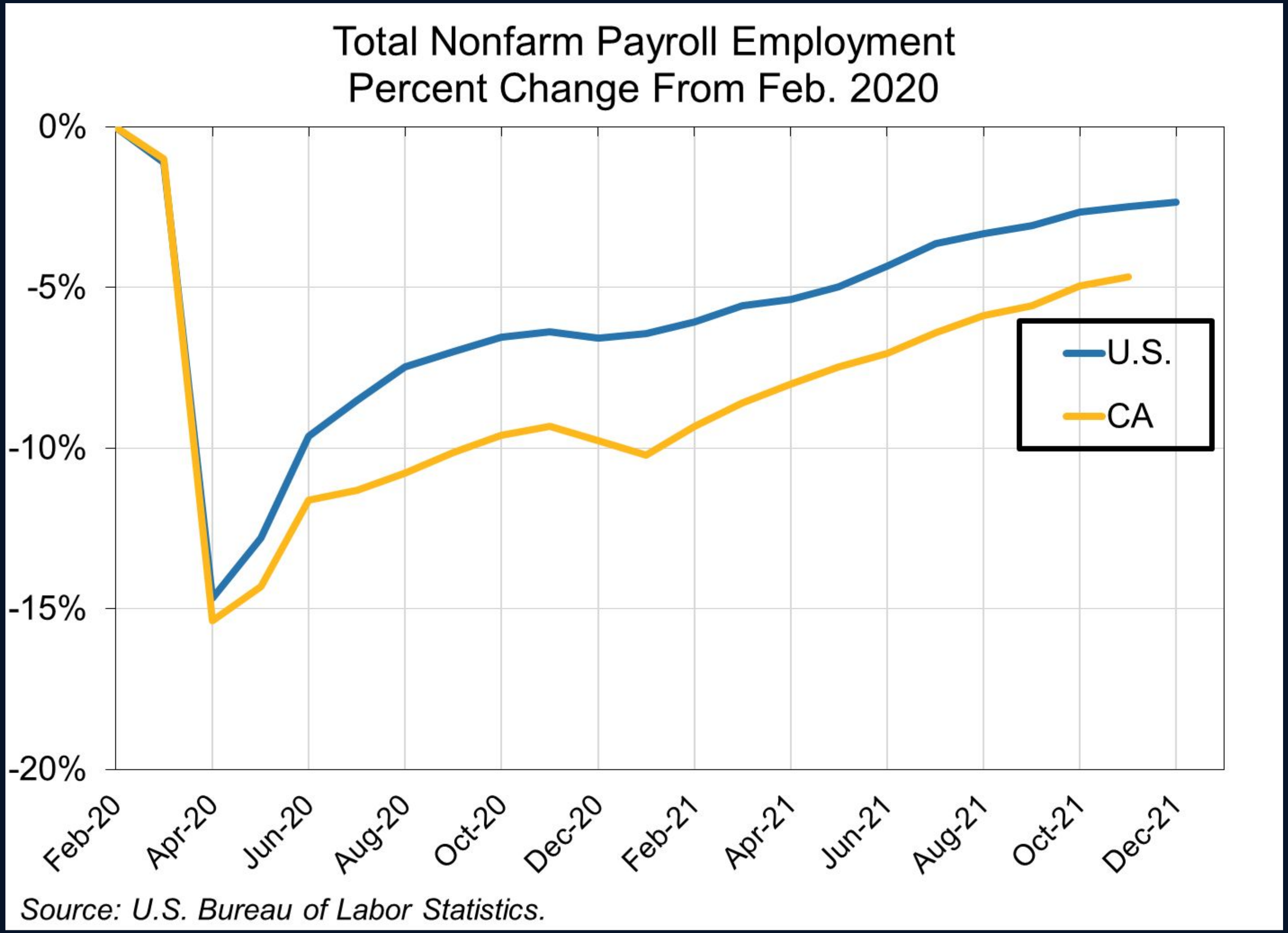


Similar losses in the 2020 recession …



Sources: California Employment Development Department & U.S. Bureau Of Labor Statistics

… but a slower initial recovery

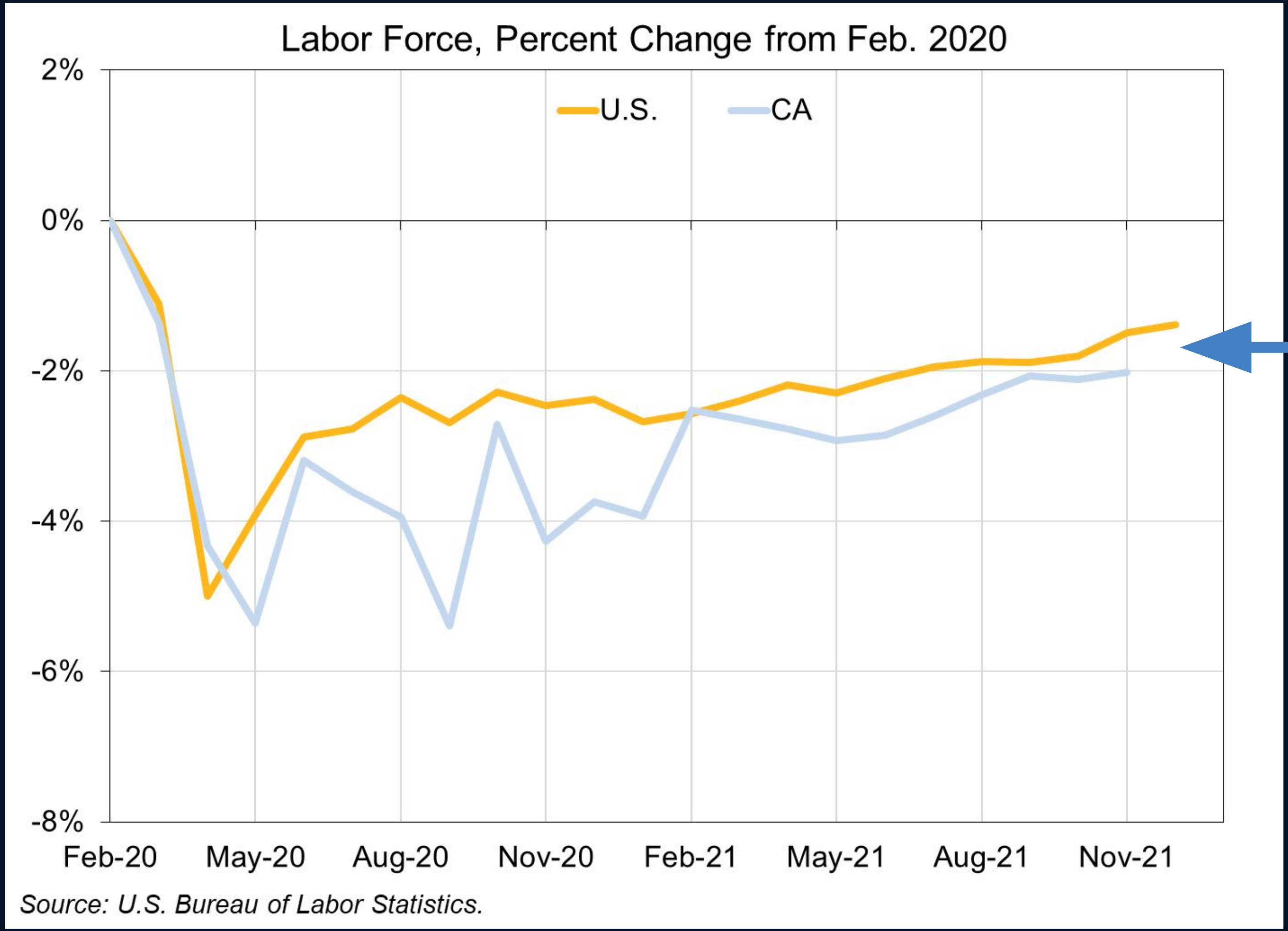


Forecast:

Payroll jobs return to Feb. 2020 levels

early 2023 (U.S.)
Mid/late 2023 (CA)

Some explanations: 1) smaller labor force

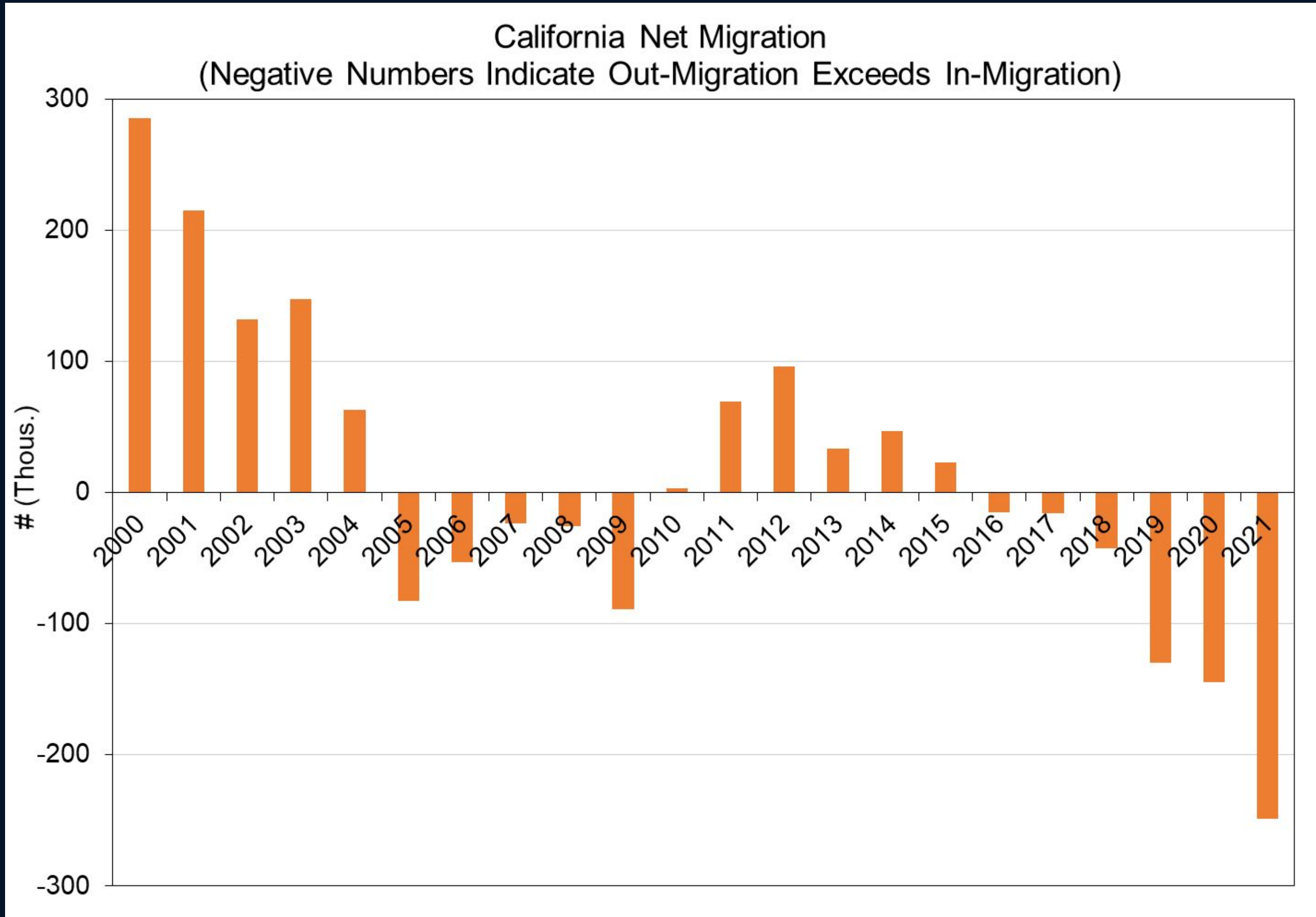


(Feb. 2020 vs Nov. 2021):

U.S.: 2.5 million fewer people in the labor force

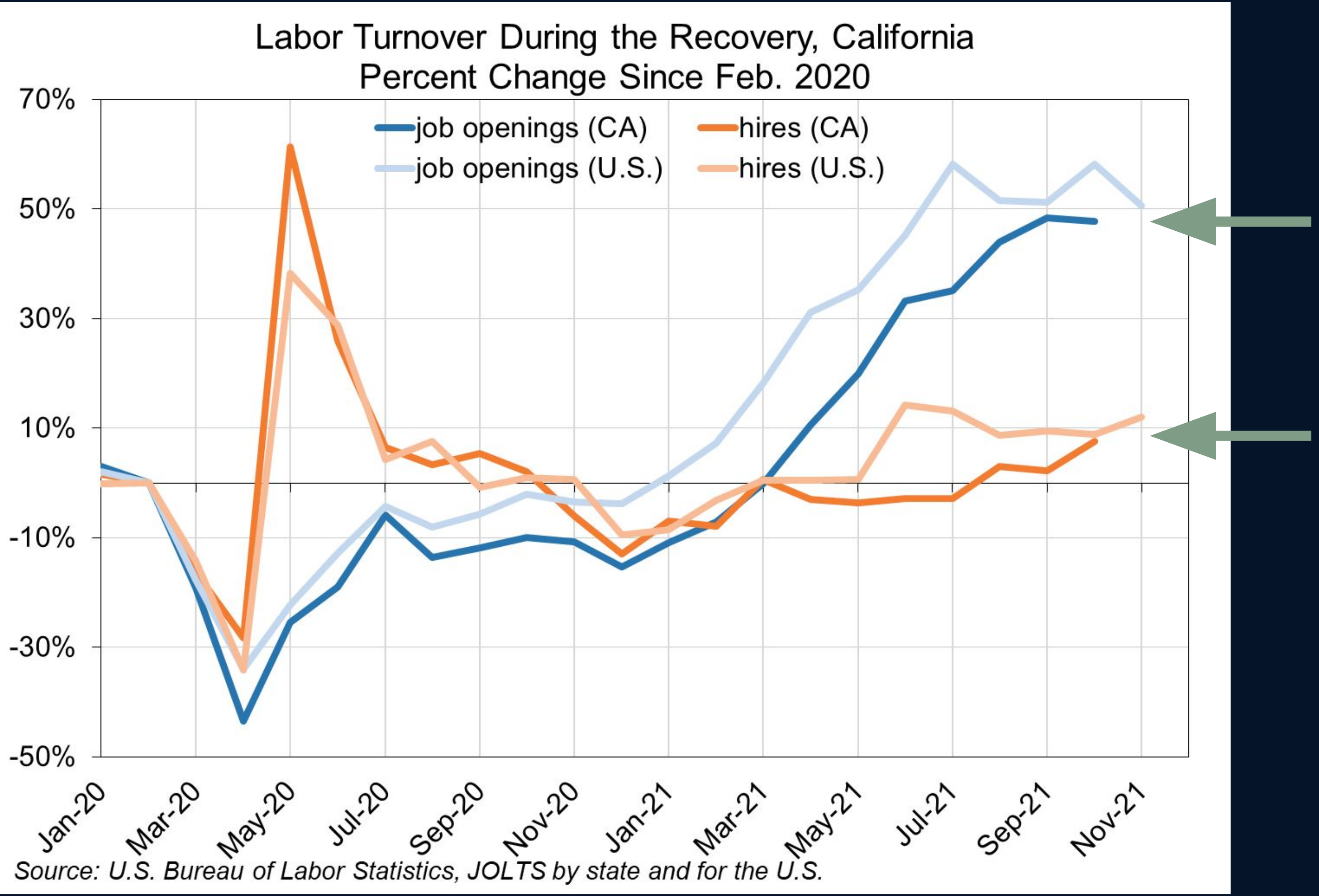
CA: 329K fewer people in the labor force

2) fewer people

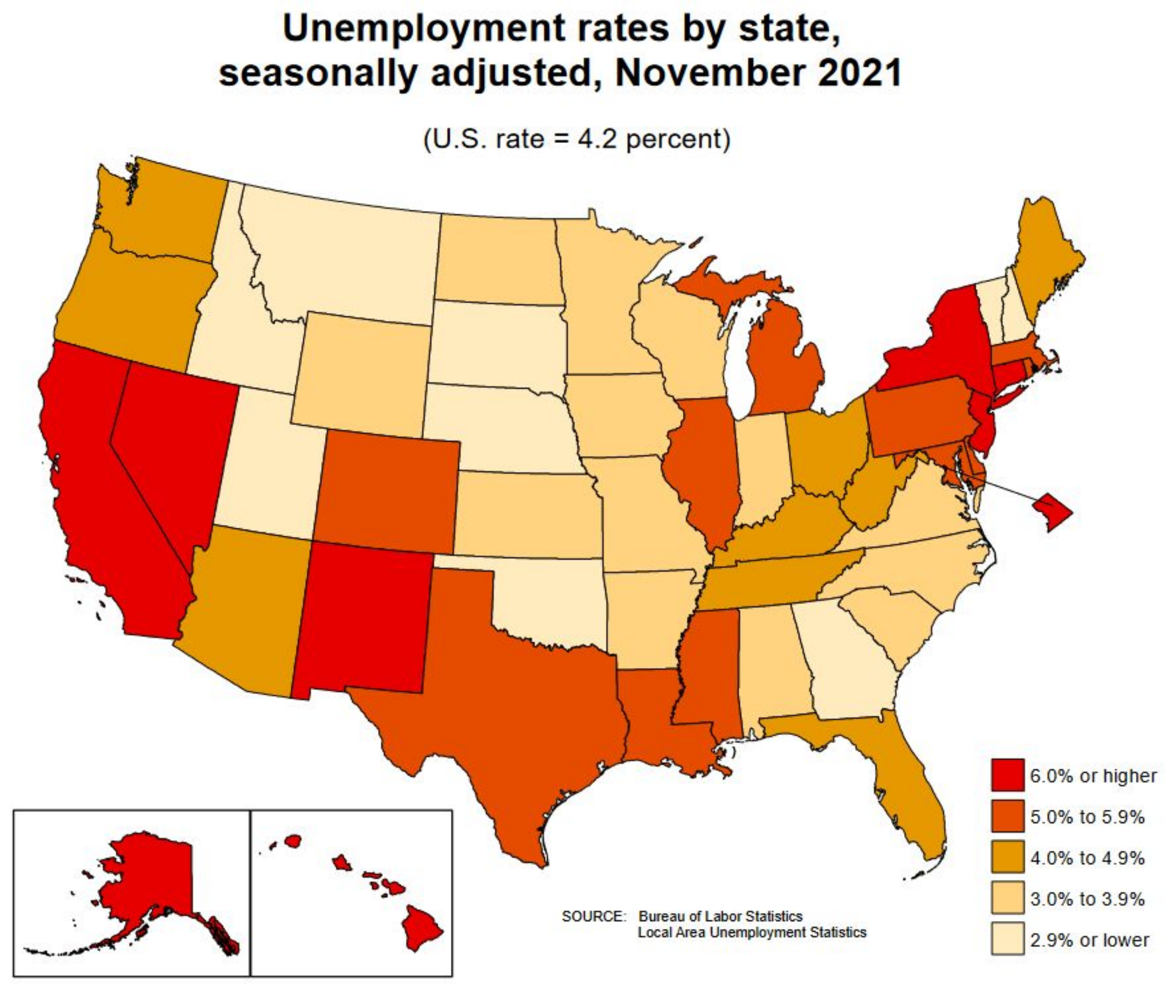


Source: California Department of Finance.

3) supply and demand mismatch



California unemployment rate higher than others



Source: U.S. Bureau of Labor Statistics (https://www.bls.gov/web/laus/mstrtcr2.pdf)

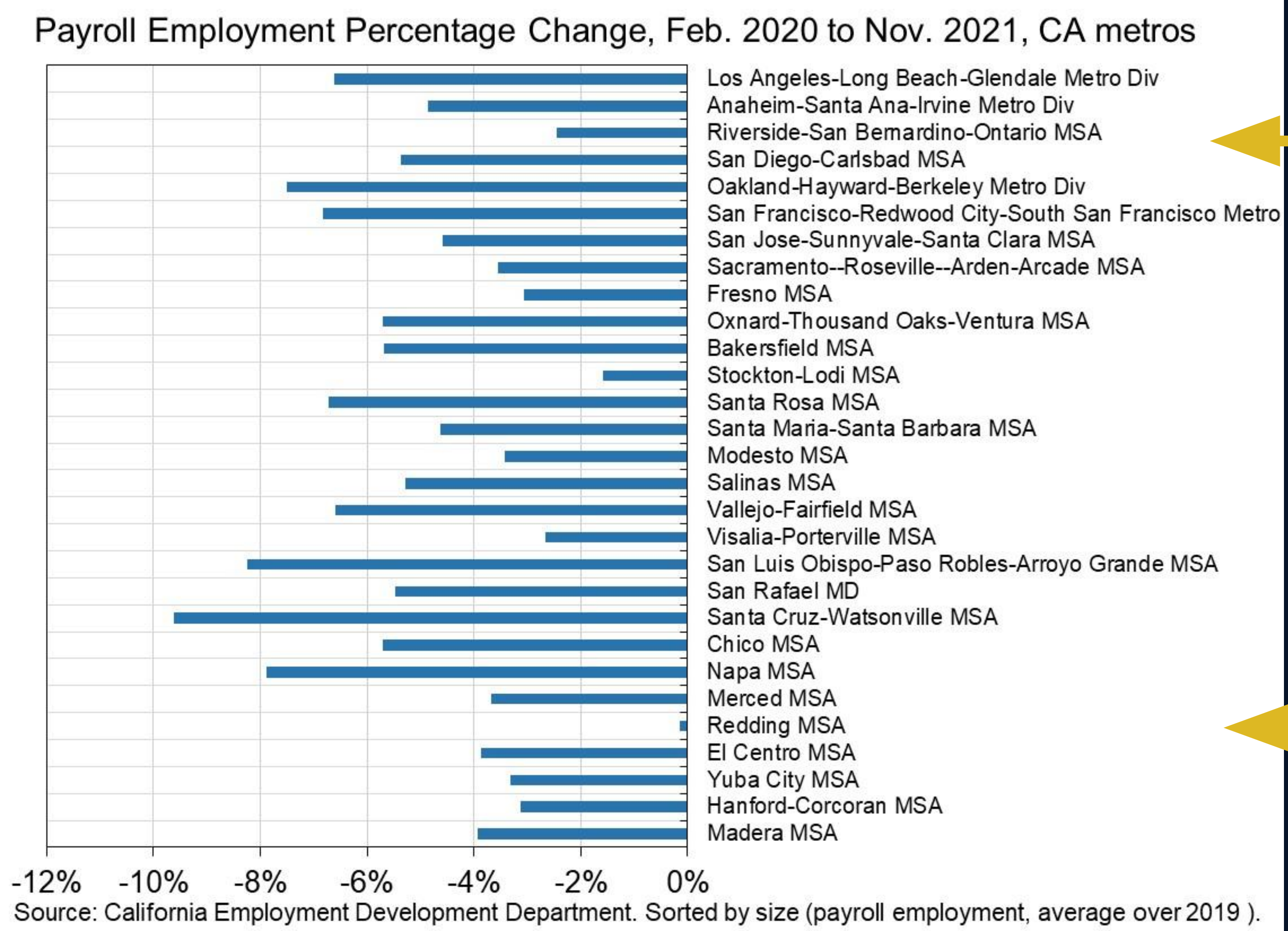
Unemployment rates by county

Nov. 2020

Nov. 2021

Source: California Employment Development Department. Data not seasonally adjusted

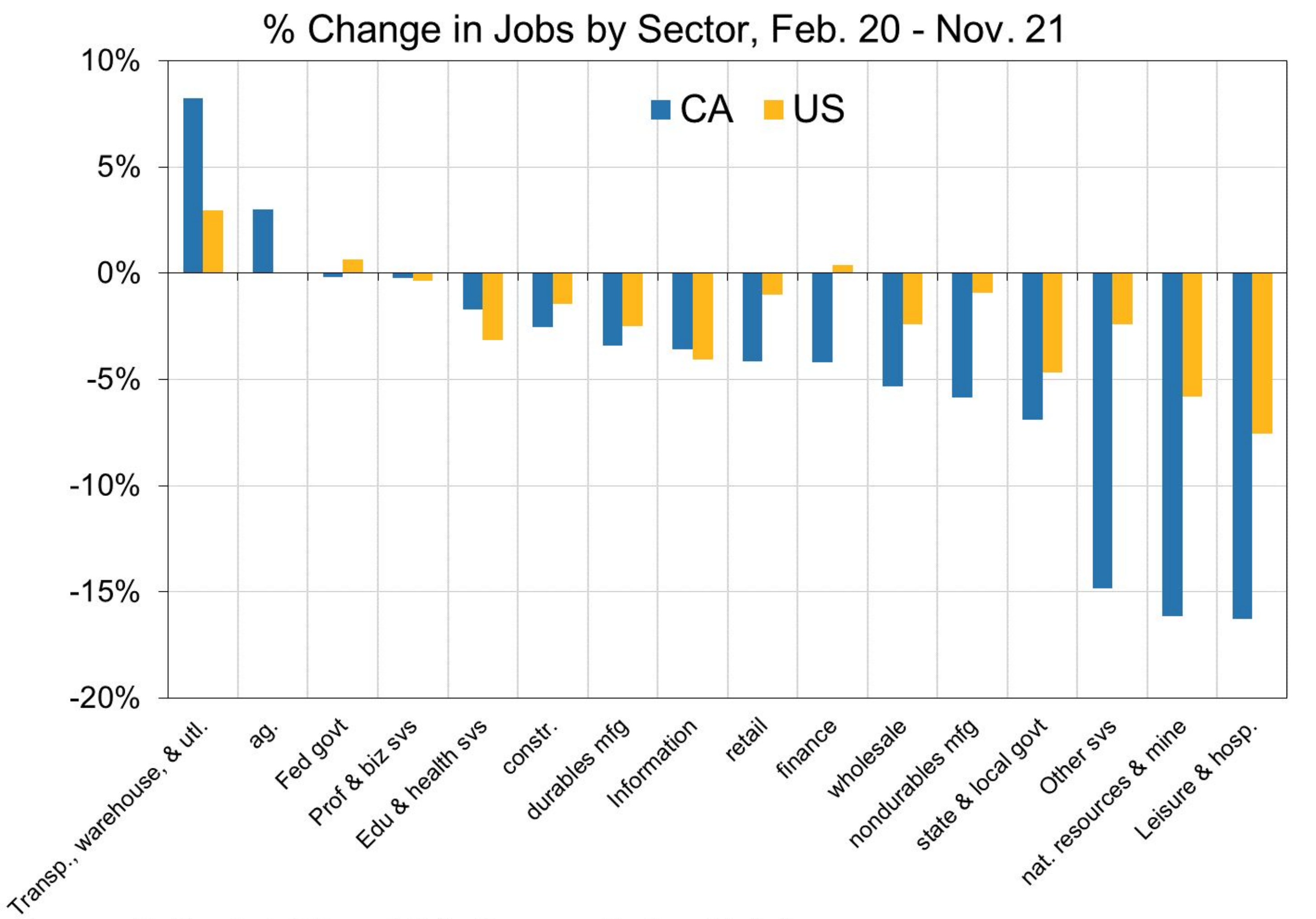
Nonfarm payroll employment (jobs) recovery by metro



Largest metros (by employment numbers)

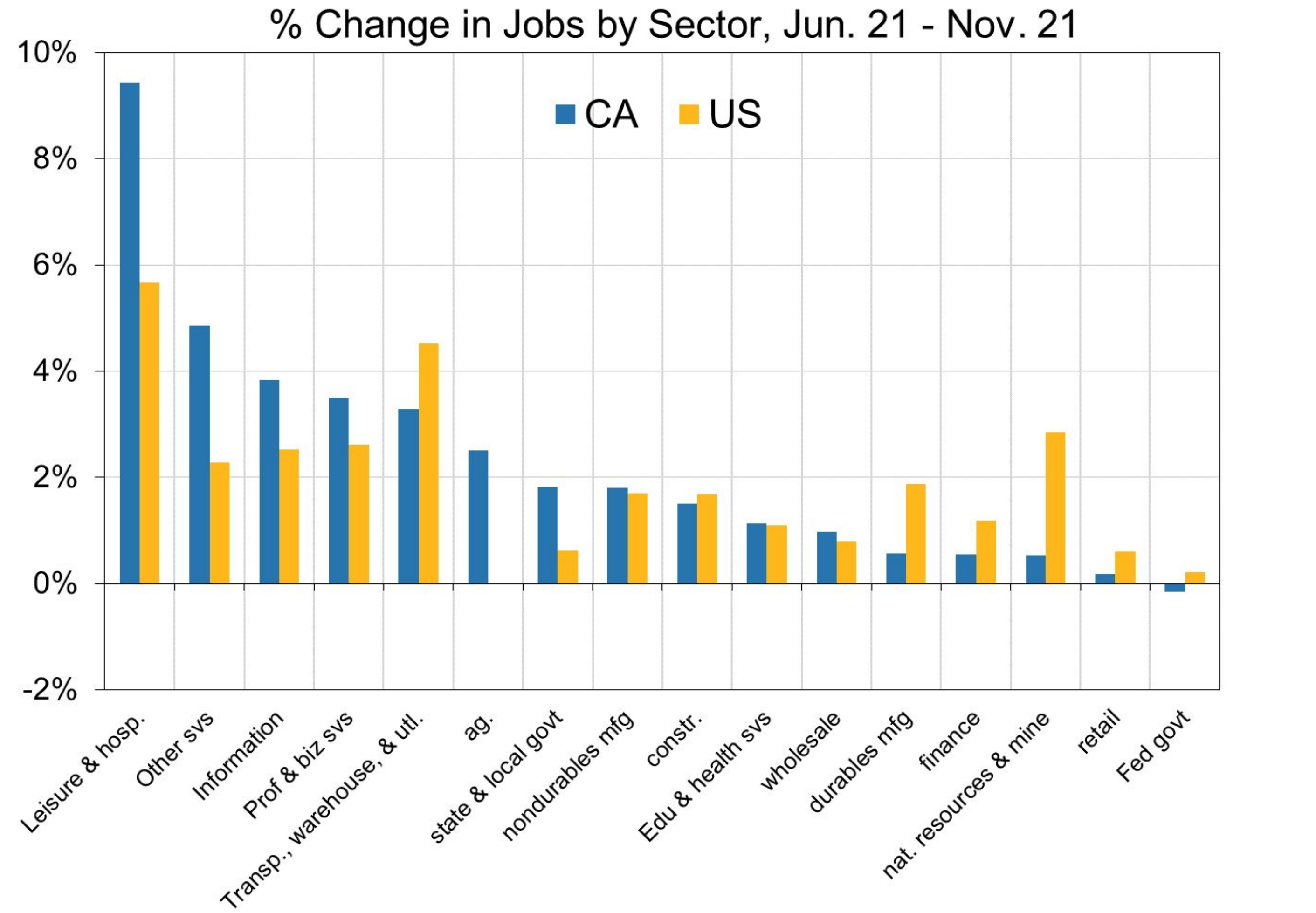
Smallest metros (by employment numbers)

Job losses concentrated in a few sectors



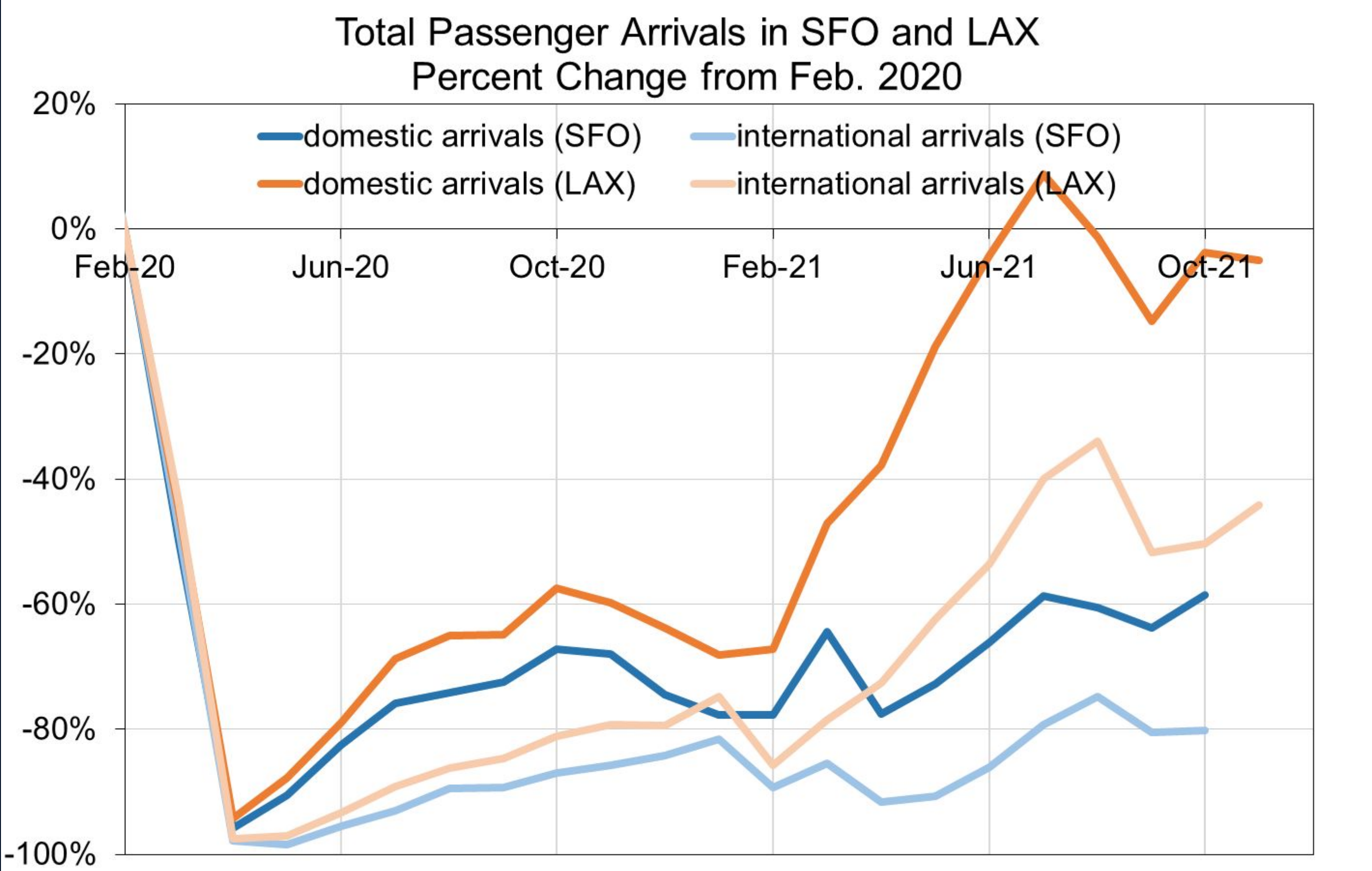
Source: California EDD and U.S. Bureau of Labor Statistics.

Recent job gains concentrated in hardest hit sectors



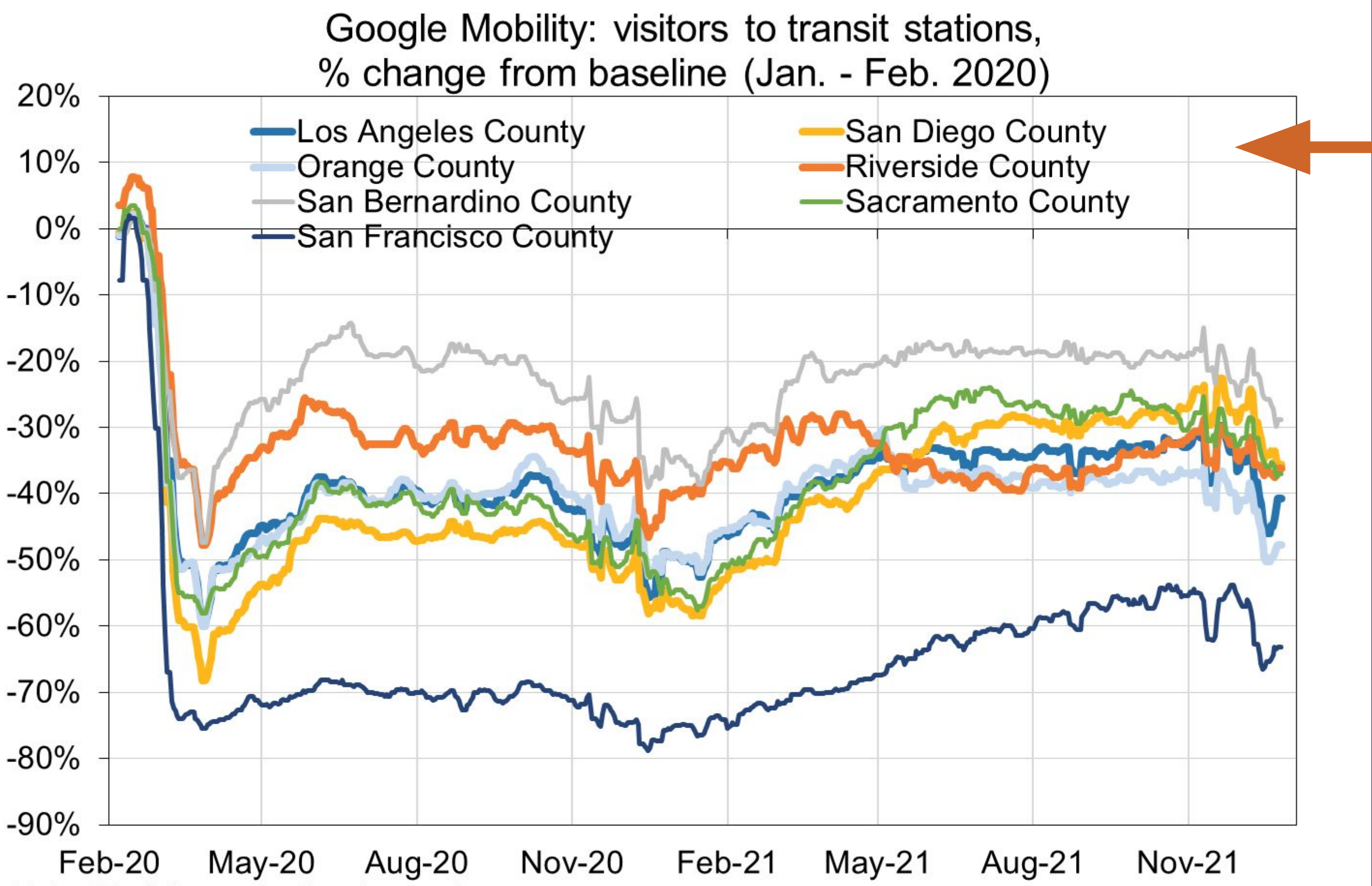
Source: California EDD and U.S. Bureau of Labor Statistics.

Air passenger arrivals indicate tourism still lags



Note: Data are not seasonally adjusted.
Source: Air Traffic Passenger Statistics for SFO from the San Francisco Open Data Portal (DataSF) and Los Angeles International Airport - Passenger Traffic By Terminal from LAWA OpenData.

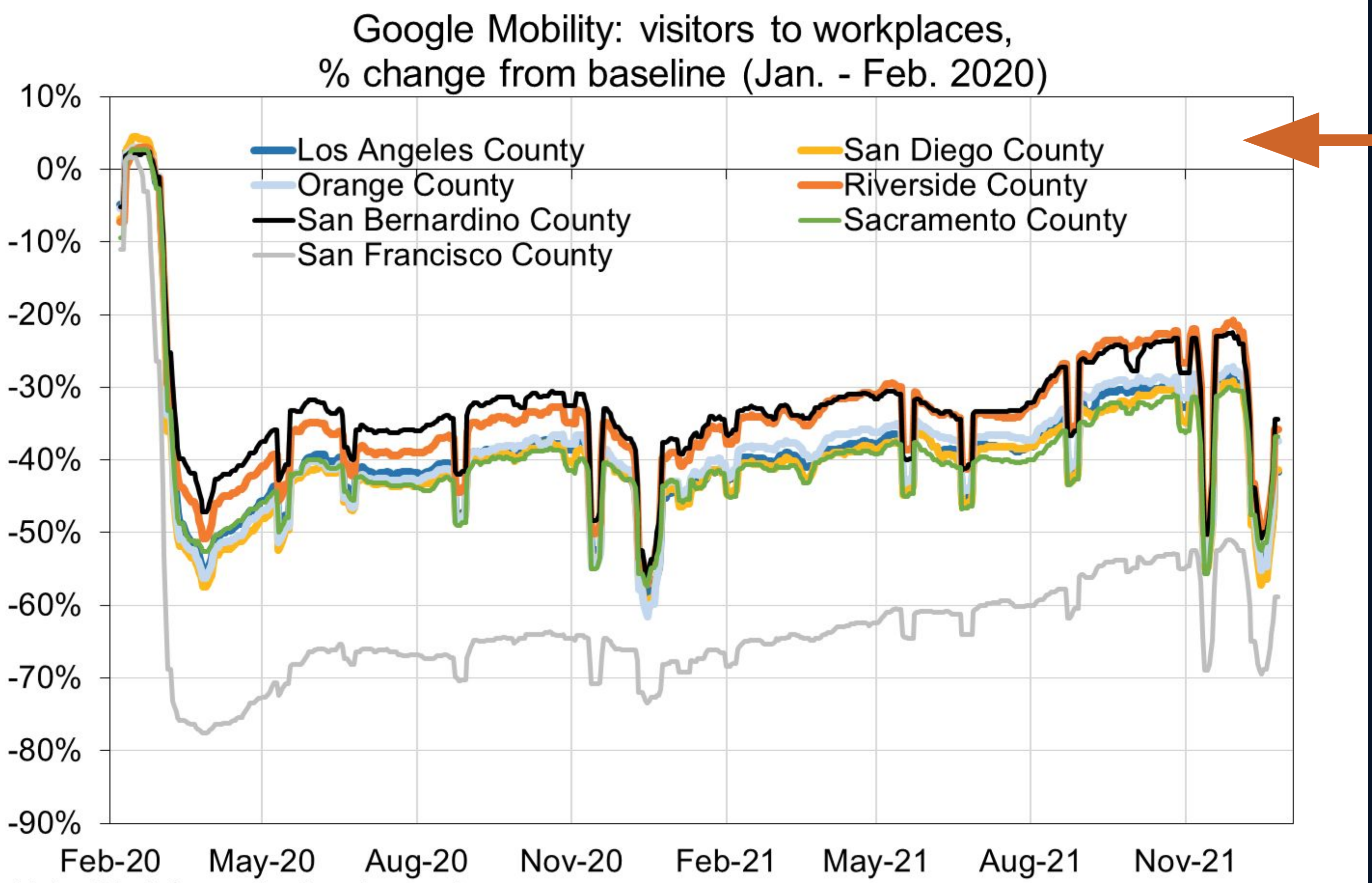
Normal commute patterns have not returned



Note: Weekdays only, five-day moving average.
Source: Google LLC "Google COVID-19 Community Mobility Reports". https://www.google.com/covid19/mobility/ Accessed: 1/10/2022.

Selected large counties in CA

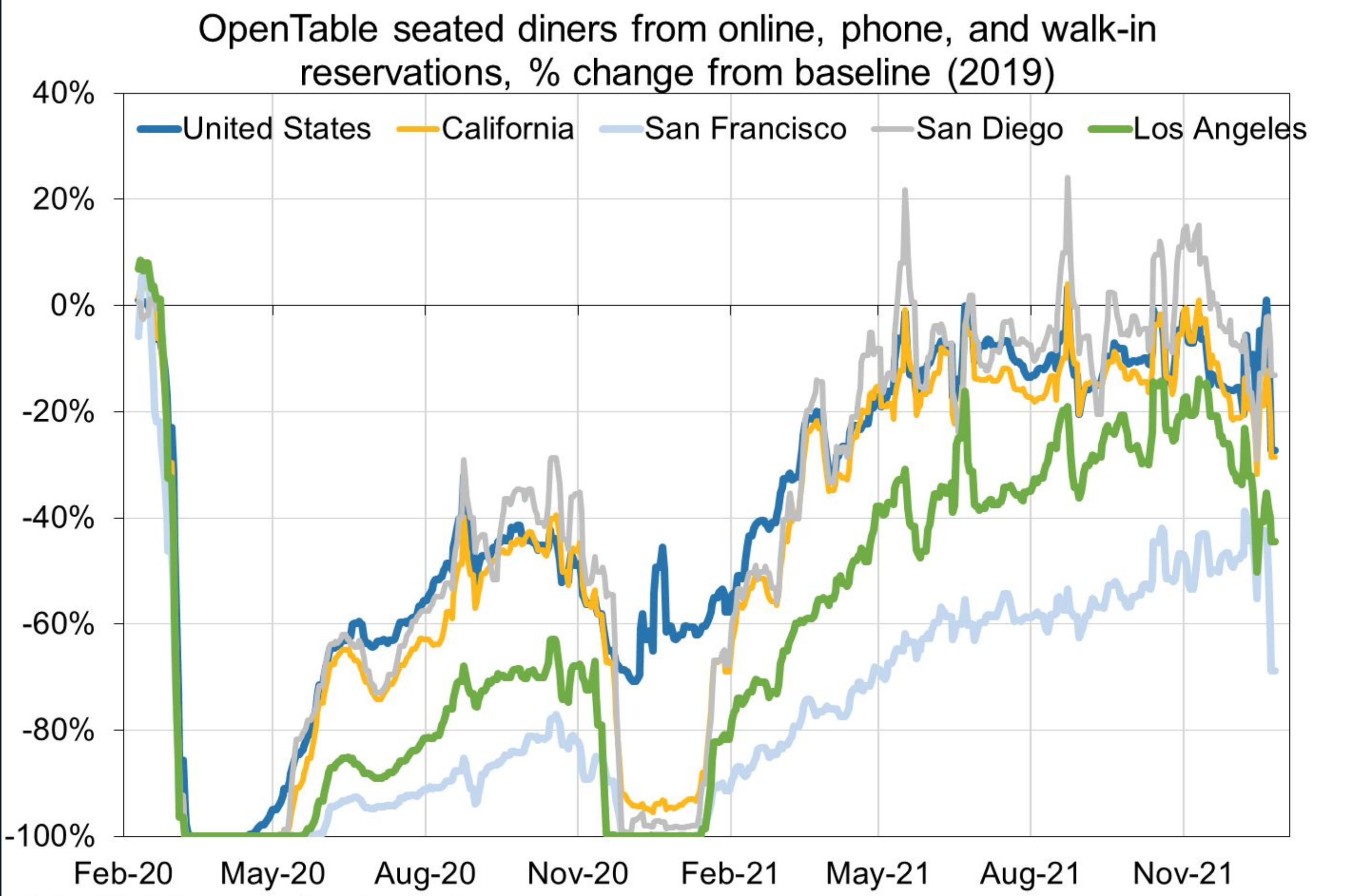
Fewer workers are going to their offices



Note: Weekdays only, five-day moving average.
Source: Google LLC "Google COVID-19 Community Mobility Reports". https://www.google.com/covid19/mobility/ Accessed: 1/10/2022.

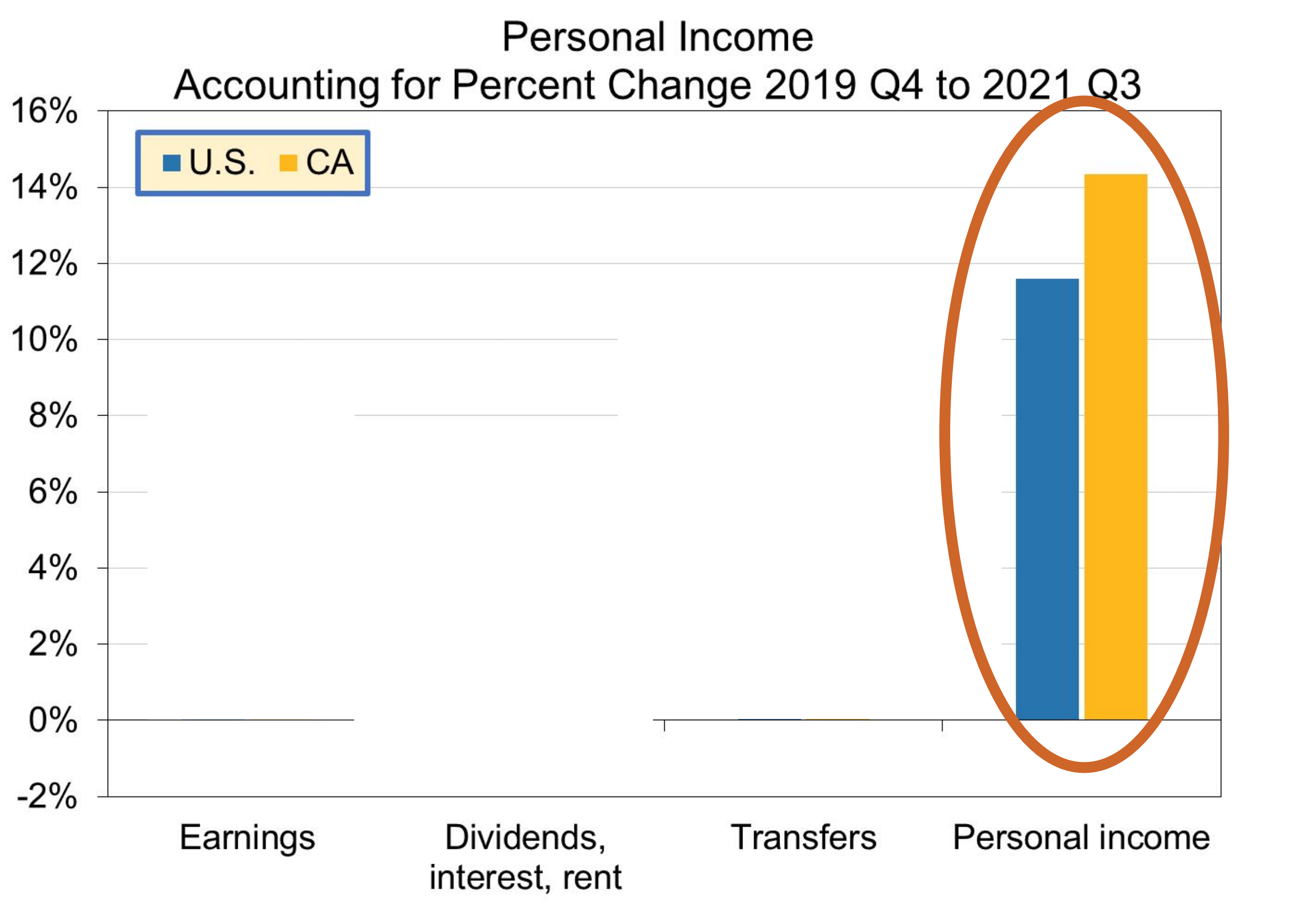
Selected large counties in CA

Fewer people are dining out



Note: Weekdays only, five-day moving average.
Source: OpenTable (https://www.opentable.com/state-of-industry).

Gains in personal income



Source: U.S. Bureau of Economic Analysis.

Taxable sales: decline and rebound

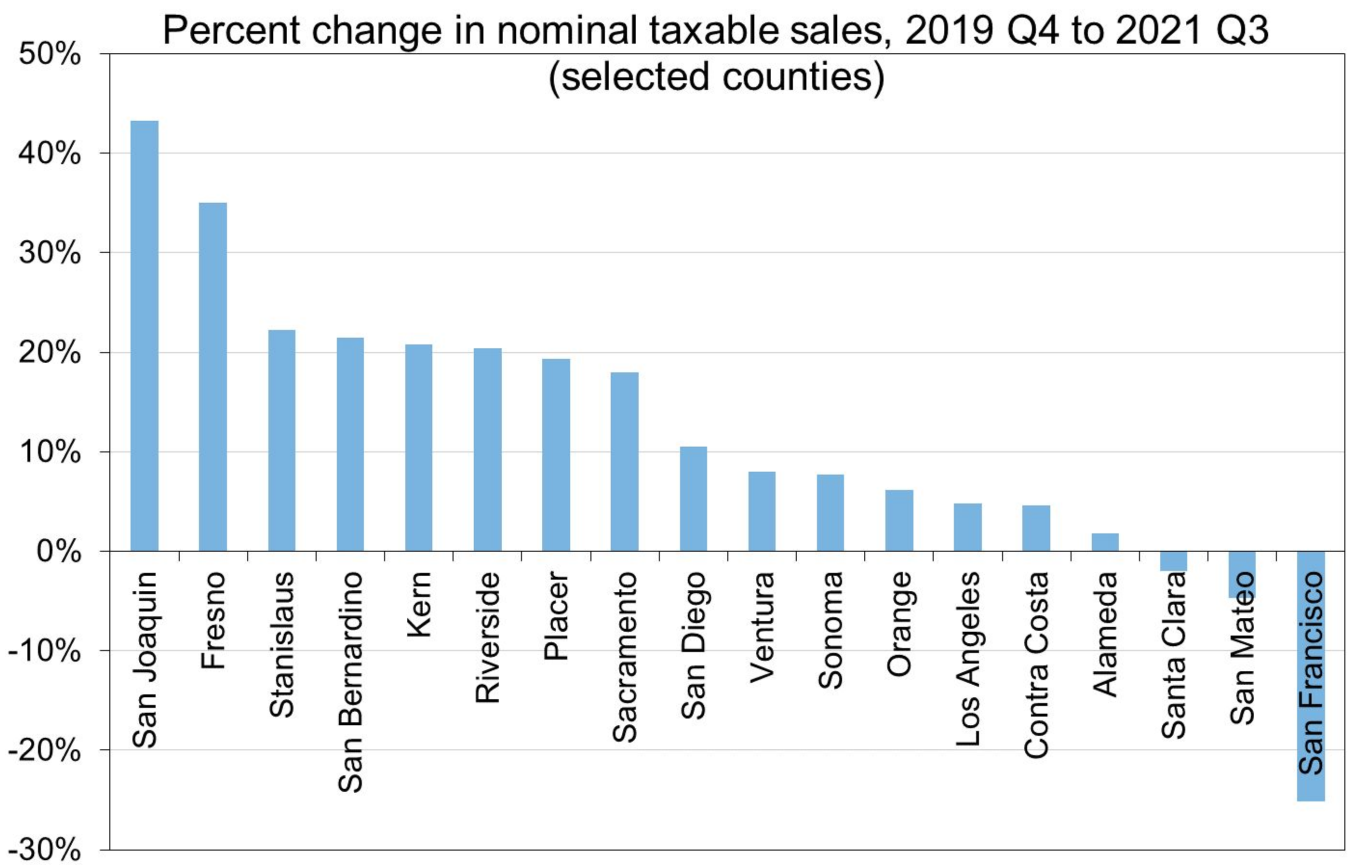
% Change in Taxable Sales, 2019 Q4 to … (selected counties)

Largest declines (2019 Q4 to 2020 Q2)

Largest increases (2019 Q4 to 2020 Q2)

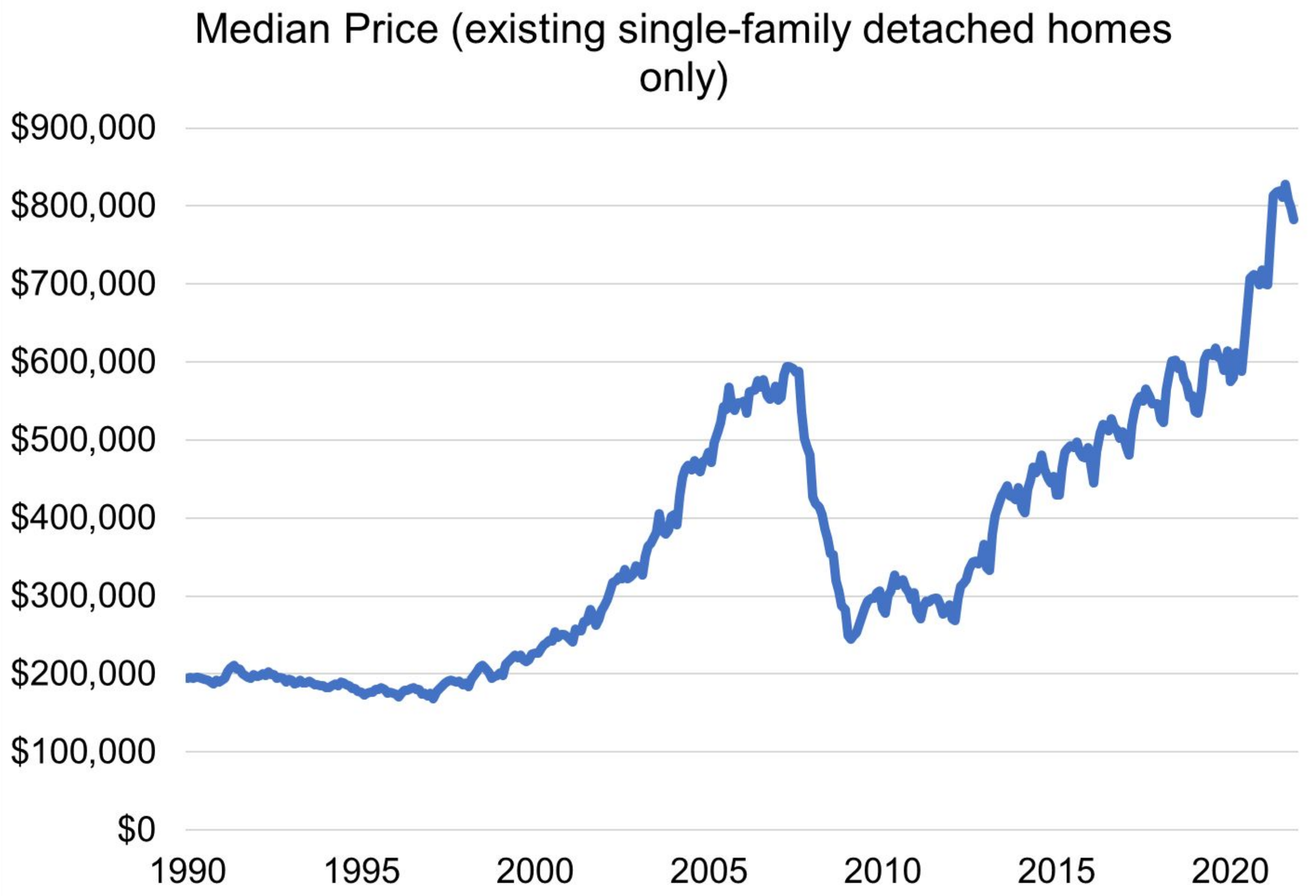
	2020 Q2	2021 Q3
Alpine	-53.1%	4.4%
San Francisco	-51.8%	-25.1%
San Mateo	-37.0%	-4.7%
…	…	
Colusa	21.5%	27.5%
Modoc	27.0%	46.3%
Trinity	35.7%	33.5%

Taxable sales in most counties above 2019 Q4 levels



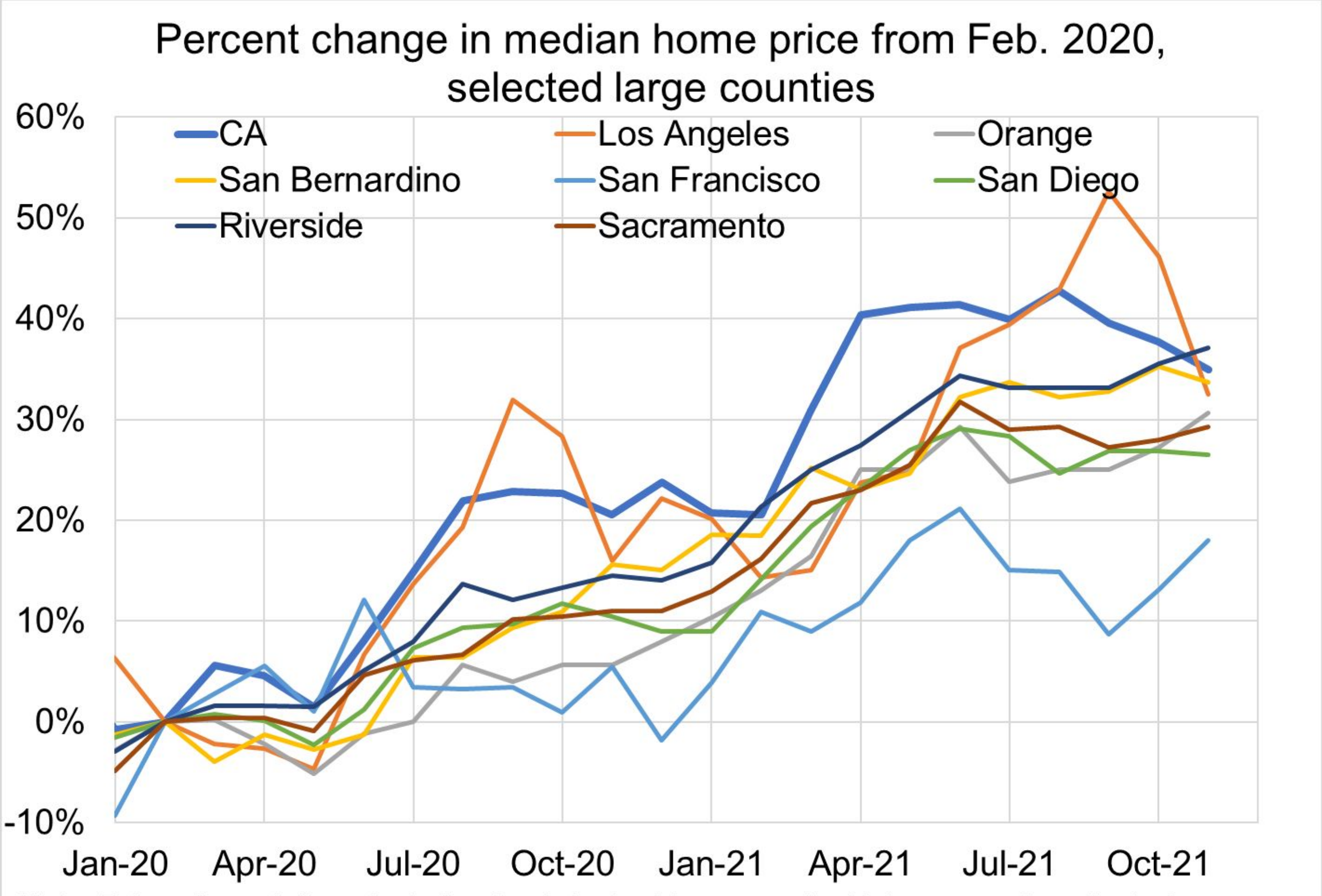
Note: Chart shows 18 largest CA counties (measured by 2019 average total taxable sales). Data not seasonally adjusted.
Source: California Department of Tax and Fee Administration.

Residential real estate: prices up sharply since 2020



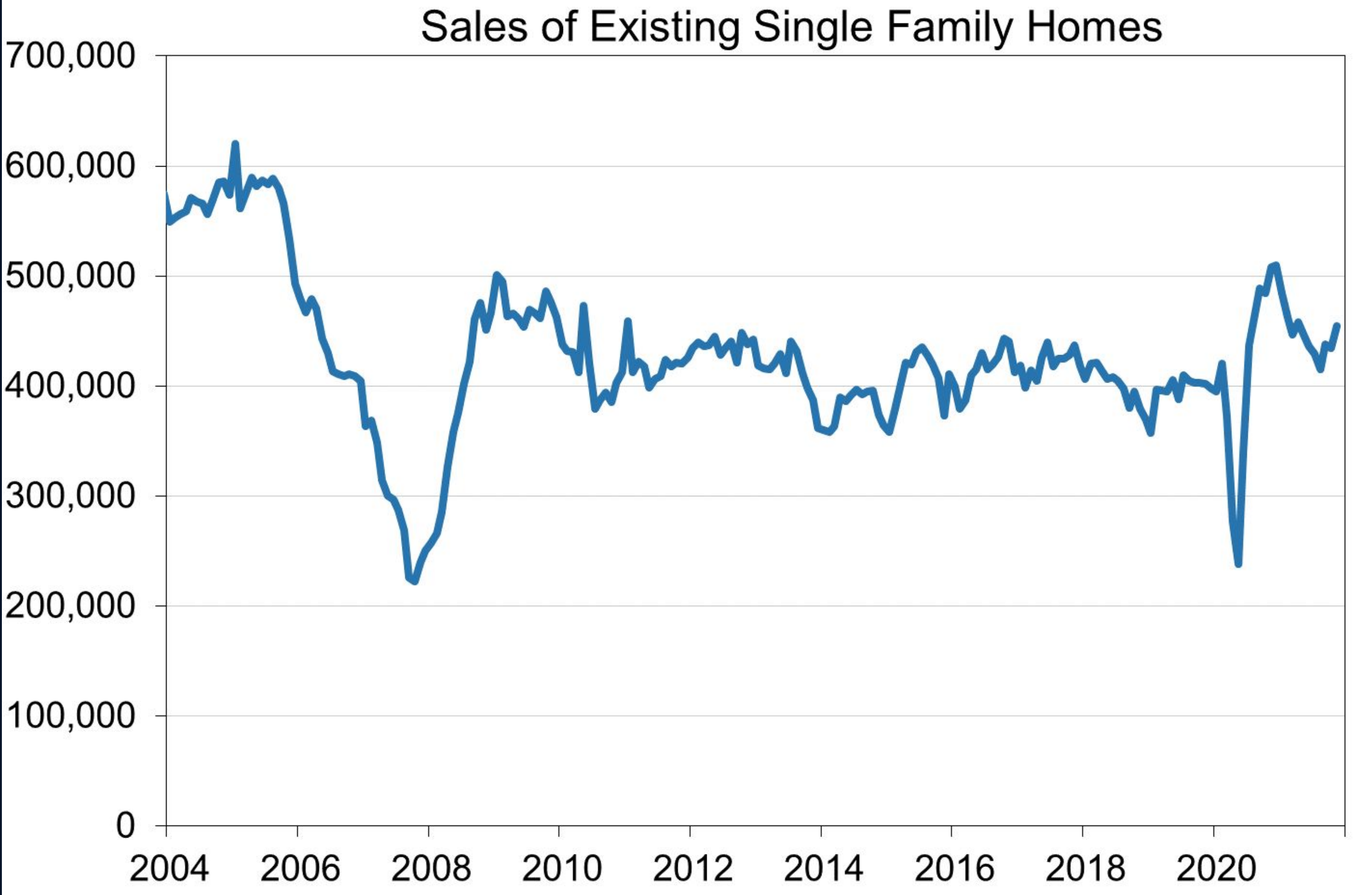
Source: California Association of Realtors.

Higher prices across the state



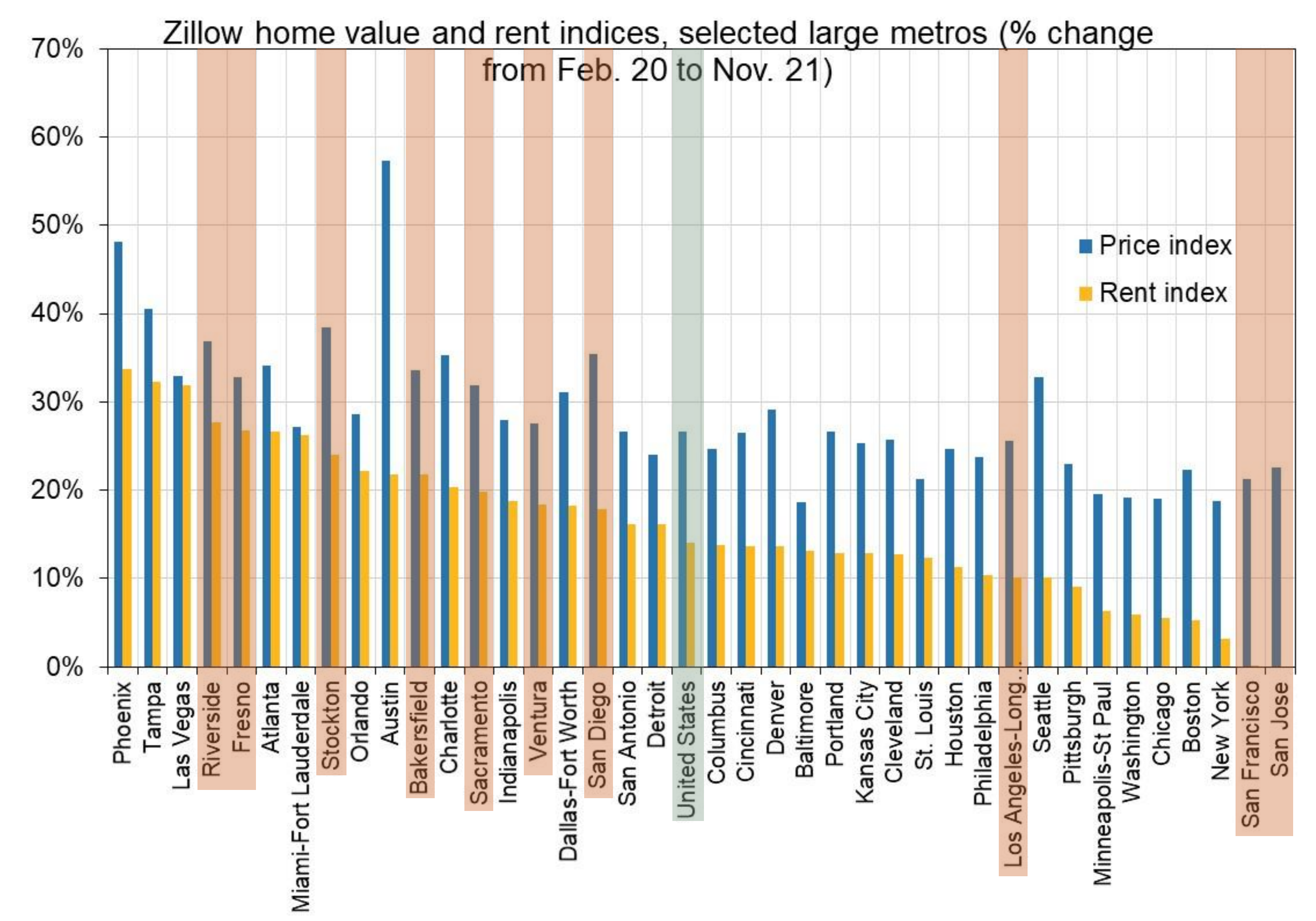
Note: Prices for existing single-family detached homes only. Not seasonally adjusted.
Source: California Association of Realtors.

More sales across the state



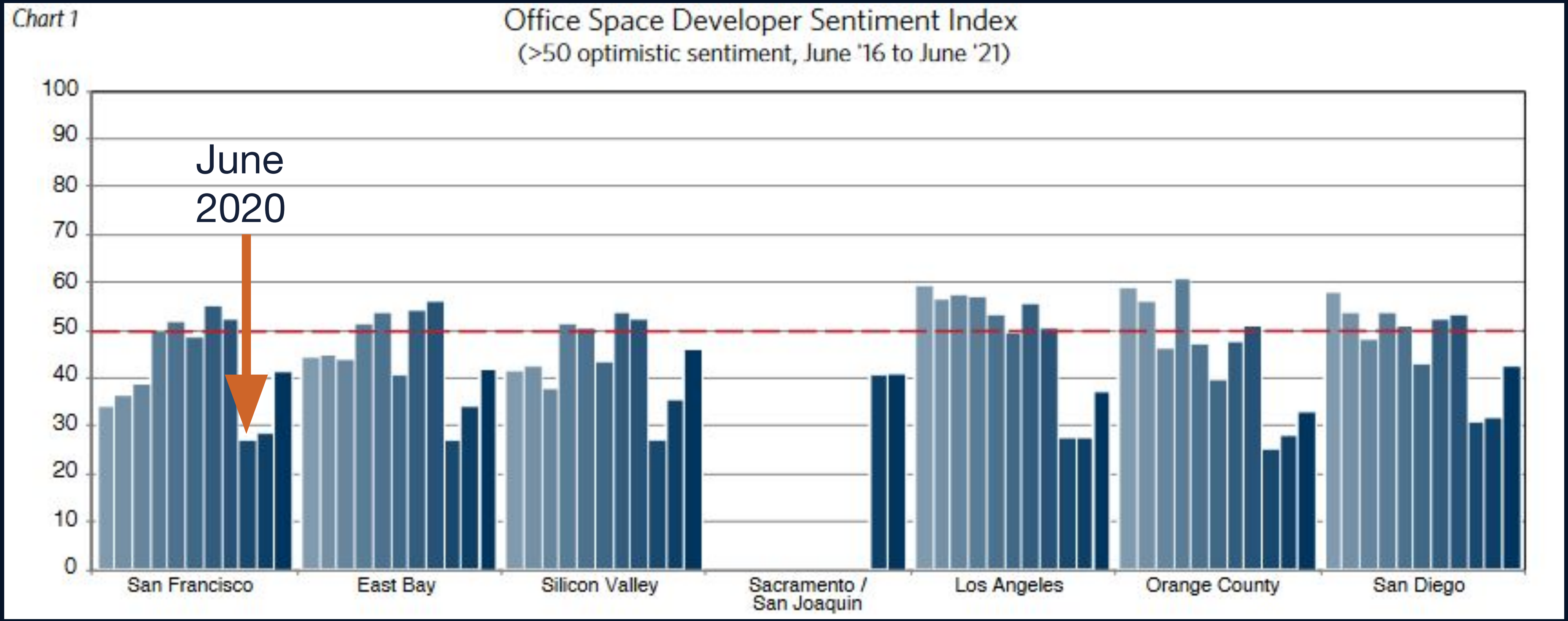
Note: Data are seasonally adjusted and annualized.
Source: California Association of Realtors.

Rents generally up, less so in some larger metros



Source: Zillow Research (home value index: ZHVI, rent index: ZORI).

Commercial real estate: sentiments differ by sector

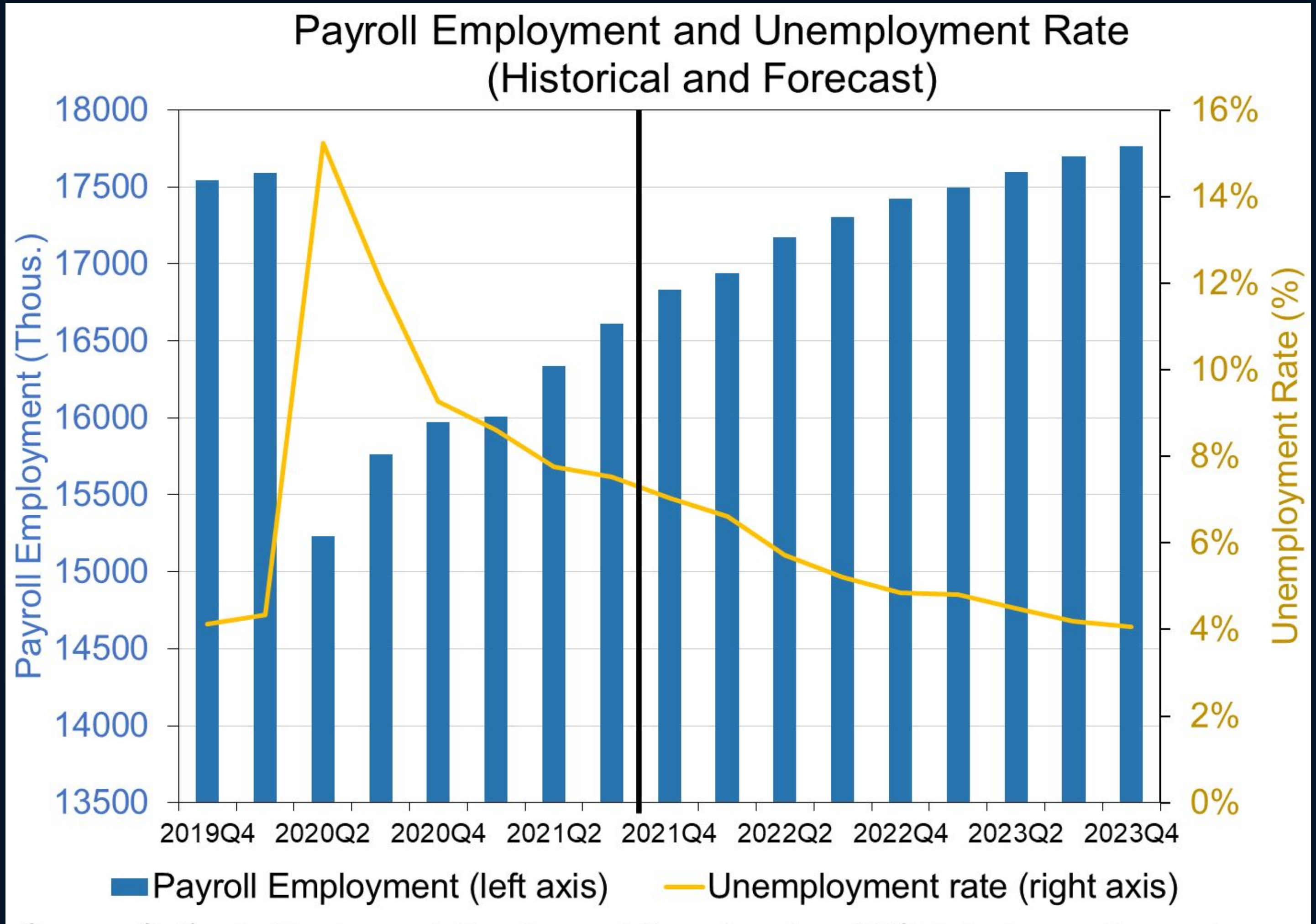


Source: June 2021 Allen Matkins / UCLA Anderson Forecast Commercial Real Estate Survey.

California forecast key indicators (Dec. 2021)

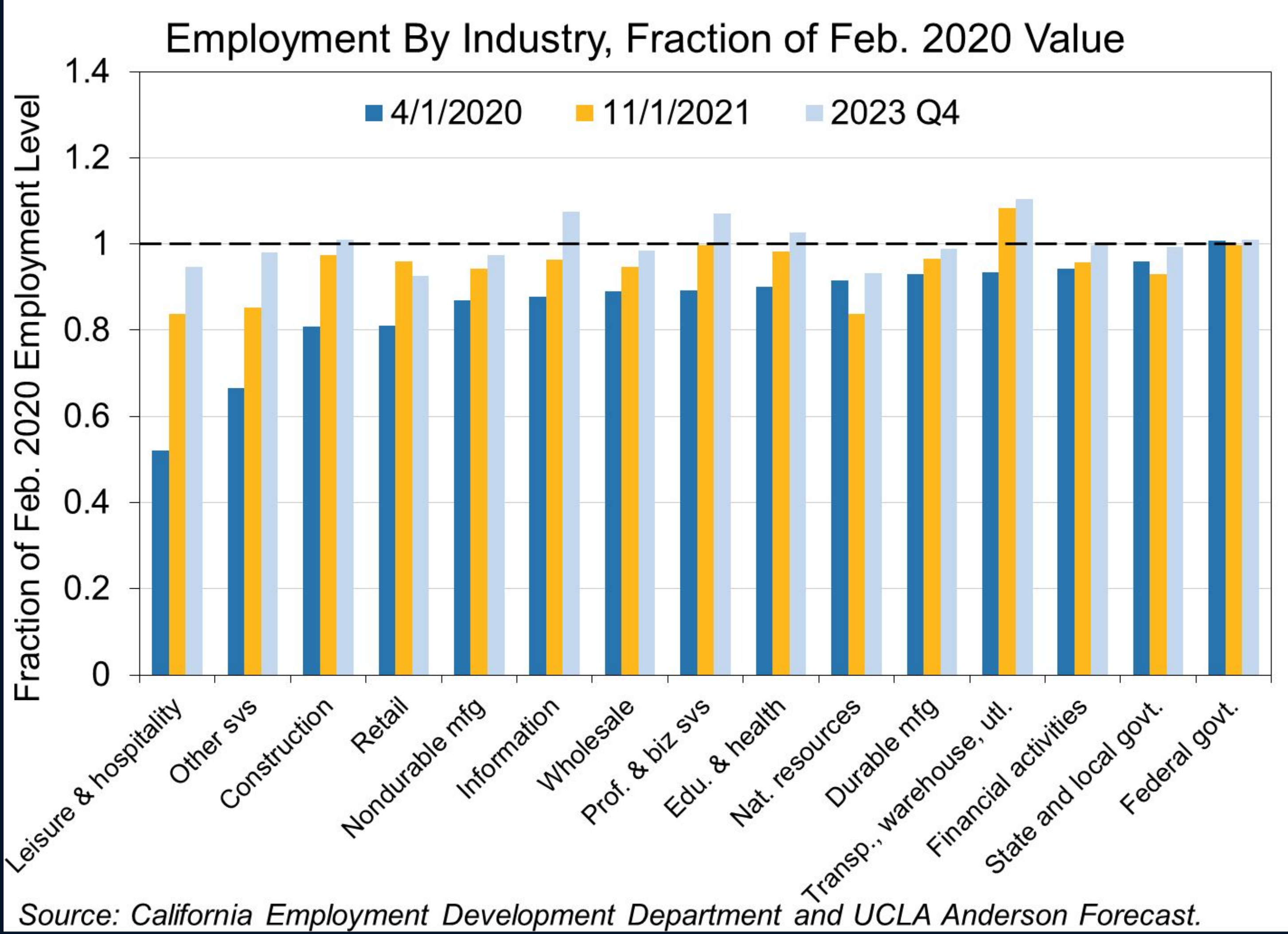
	2021	2022	2023
Payroll jobs (ann. % chg.)	1.9%	4.7%	2.5%
Unemployment rate (ann. avg.)	7.7%	5.6%	4.4%
Personal income (ann. % chg.)	6.7%	1.9%	5.8 %
CPI inflation (ann. % chg.)	4.0%	4.1%	2.9 %

California forecast key indicators

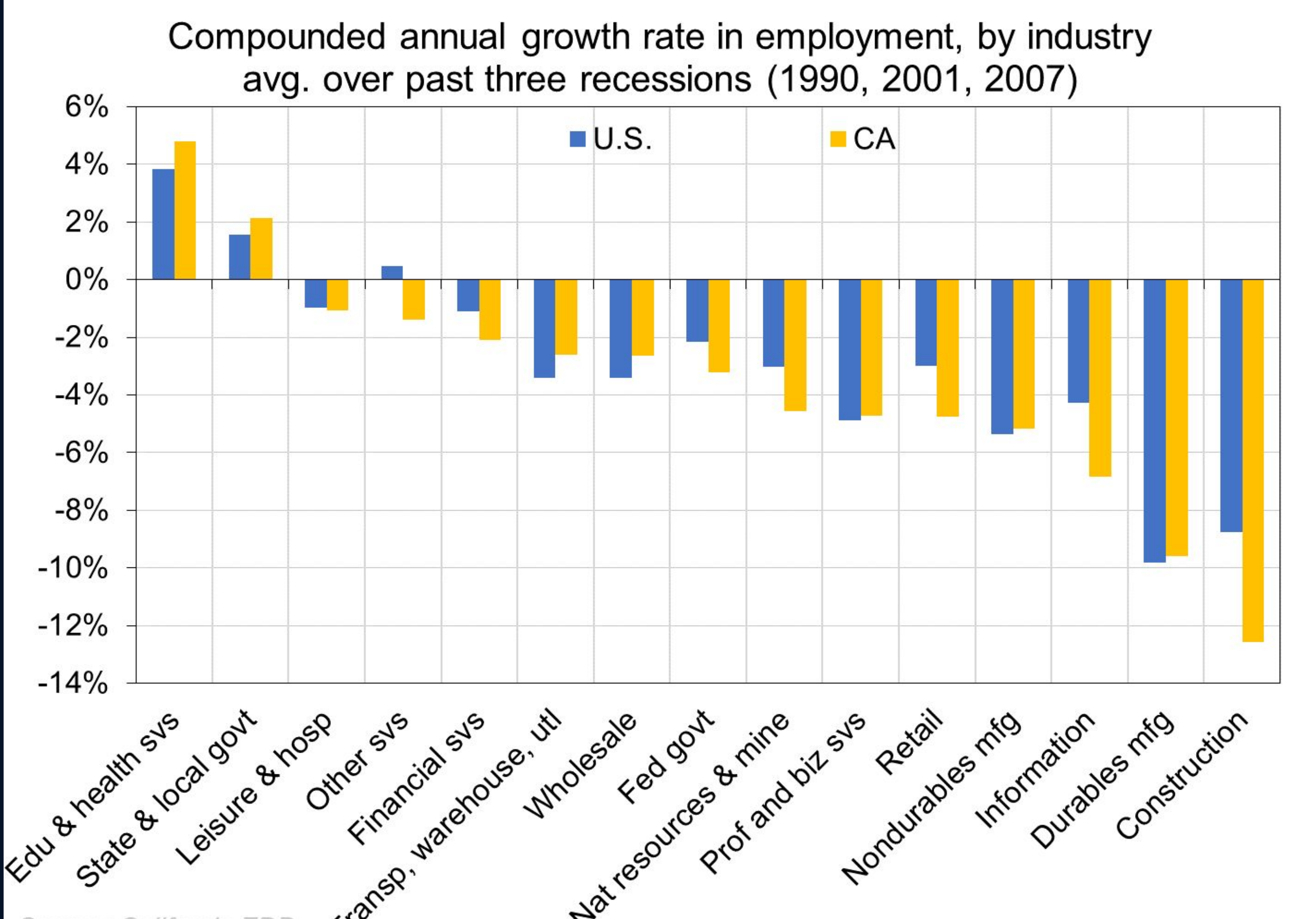


Source: California Employment Development Department and UCLA Anderson Forecast.

California forecast key indicators: sector employment

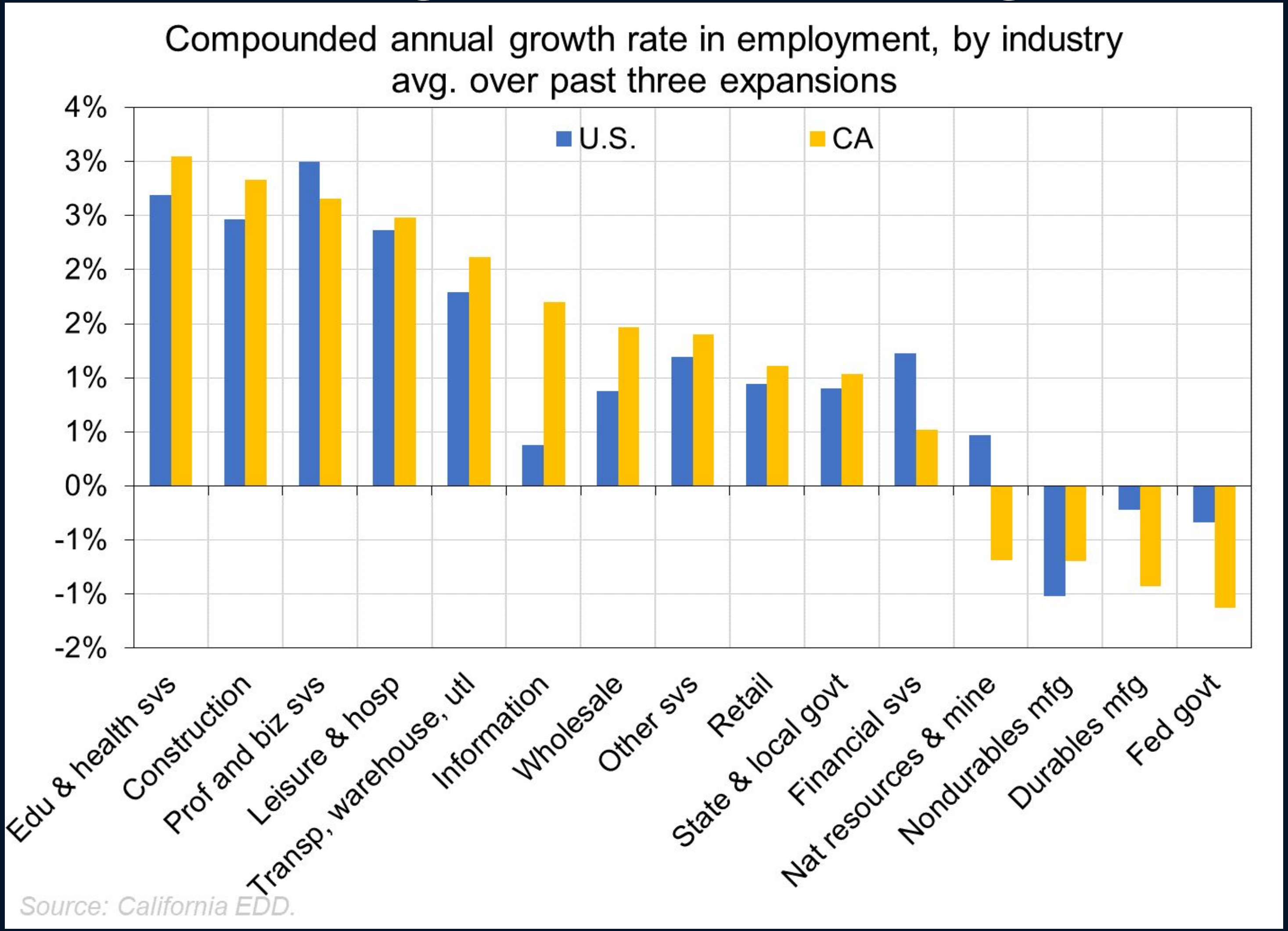


Which industries contract least during recessions?



Source: California EDD.

Which industries grow most during expansions?



Summary

- The California economic recovery continues
- Areas of economic strength support government revenue:
  - Personal income
  - Taxable sales
  - Residential real estate
- Issues to watch:
  - Labor supply (labor force exits, migration)
  - Inflation

Thank you!