



Inland Empire Economic Forecast Conference November 6, 2019

U.S., California & Inland Empire Forecast Highlights

The Inland Empire (Riverside and San Bernardino Counties), California’s third largest metropolitan area in terms of population, has been a staple of growth for employment and industries in Southern California since the ‘Great Recession’. Between August 2018 and August 2019, the Inland Empire’s total nonfarm employment grew by 2.1%, outpacing both California (1.8%) and the United States (1.4%).

With the effects of the recession faded into the past, today’s Inland Empire is pushing forward as one of California’s fastest growing economies. The region’s unemployment rate has hovered around 4.0% throughout 2019, thanks to the 31,000 jobs added between August 2018 and August 2019.

The Inland Empire also has plenty to look forward to in the future. The region has emerged as a central hub for key industries such as Trade, Transportation and Warehousing. With the Fed cutting interest rates twice in the same quarter during 2019, housing sales are expected to pick up as affordability issues are slightly alleviated. Nonetheless, a higher rate of home supply is needed in order to truly accommodate the Inland Empire’s ever-growing population and workforce.

The Inland Empire’s economy has changed significantly since the Great Recession – for the better.

- While the rate has slowed compared to 2018, job growth in the Inland Empire has continued to outpace California and the United States.
- Job additions pushed the Inland Empire’s unemployment rate down to 4.0% in August 2019, 0.1 percentage point lower than one year prior and below the statewide unemployment rate.
- Increased wages have helped drive consumer spending, which is reflected by growth in business activity.
- The Inland Empire’s population reached 4.6 million in 2019 – growing by 1.0% in year-over-year terms.

Annual Growth Rates, Inland Empire

Metric	2017	2018	2019
Total Nonfarm Jobs*	3.8	3.3	2.1
Unemployment Rate*	5.1	4.1	3.9
Taxable Sales**	1.9	7.2	8.2
Population	1.2	1.0	1.1

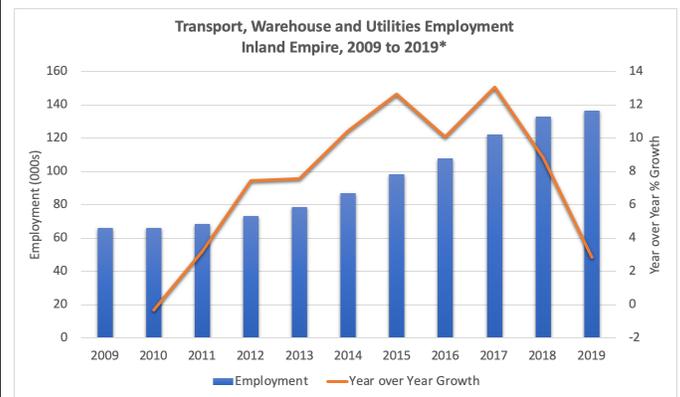
Sources: CA Employment Development Department, CA Department of Tax and Fee Administration, CA Department of Finance

*Based on year-to-date average through August 2019

**Based on Q1 data

While the Inland Empire has shined as one of the leading regions in Southern California for growth in the Logistics sector, the pace of growth has recently slowed.

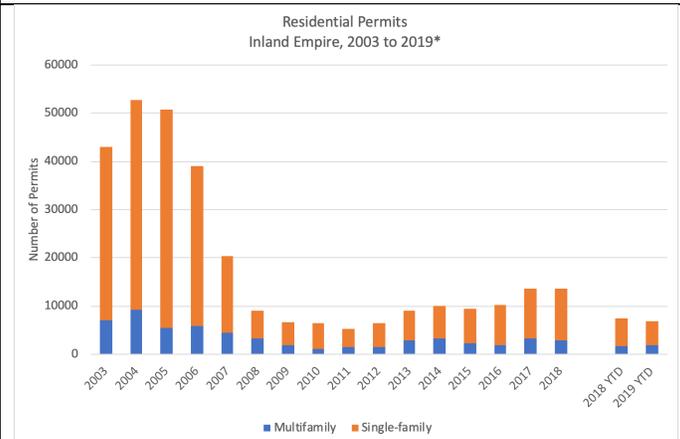
- Cargo activity and shipping has been boosted throughout the Inland Empire – with notable assistance from Ontario International Airport.
- Growth in the IE’s Transport/Warehousing/Utilities sector between August 2018 and August 2019 outpaced Los Angeles, Orange County and San Diego.
- Demand for industrial space in the Inland Empire has given a huge boost to commercial properties – with continuously lower vacancy rates.



Source: California Employment Development Department
*2019 shows average employment from Jan-Aug

Similar to most metropolitan areas in California, the Inland Empire needs to increase its housing supply.

- Between Q2-2018 and Q2-2019, the Inland Empire saw the largest existing single-family home price growth, at 3.9%, among all of Southern California’s major metros.
- Existing single-family home sales have dropped by 7.0% between the first half of 2018 and the first half of 2019.
- Compared to before the recession, new construction is significantly lagging.
- Recent interest rate cuts by the Fed could prompt more home sales as a result of increased affordability among potential homeowners.



Source: CIRB
*2019 is year-to-date (second quarter)

Despite persisting concern over a coming recession, California’s economy continues to perform solidly.

- Throughout 2019 (Jan-Aug), the state’s unemployment rate has averaged 4.2% – slightly above the record low.
- Statewide, except for Retail Trade, Wholesale Trade, Finance/Insurance, and Mining, most industries expanded their workforce.
- Wage increases across the state have boosted increases in business activity and taxable sales.
- California faces a severe housing shortage as the demand for homes grows and supply lags. This is evidenced by the lack of housing permit issuances.

Despite trade disputes and political uncertainty, the national economy has performed well. Employment growth is strong and GDP increases have been solid.

- U.S. GDP growth in 2019 has averaged 2.55%, outpacing 2018 (2.5%) and only slightly behind 2017 (2.8%).
- While U.S. job growth has slowed to roughly 180,000 jobs added per month, it’s unsurprising given tight labor market conditions and the nation’s low unemployment rate.

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