

## 2001 Press Releases

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### **LAEDC RELEASES ANALYSIS OF MANUFACTURING IN SOUTHERN CALIFORNIA -- DESPITE A SLOWING ECONOMY AND THE CALIFORNIA ENERGY CRISIS, MANUFACTURING IS STILL A POWERFUL FACTOR IN THE REGION'S ECONOMY**

**LOS ANGELES** - What's the major industry in Los Angeles? The standard cliché is that it's the movie industry. But manufacturing outweighs it with a 2000 average of 629,400 jobs in Los Angeles County, 2.5 times the movie industry's average of 255,300. Adding in the three surrounding metropolitan areas pushes the Southern California area's manufacturing base to 1,025,300 jobs. If the five-county area were a separate state, this manufacturing employment total would rank it fourth in the nation in this measure, according to "Manufacturing in the Los Angeles Five-County Area," just published by the Los Angeles County Economic Development Corporation (LAEDC).

"While the nation's manufacturing sector is in a full-blown recession, there are divergent trends in this activity in Southern California," observed Jack Kyser, chief economist for the LAEDC. "Los Angeles County will continue to post job losses, with its 2001 average down by 7,000 jobs from the previous year. However, Orange County will manage a modest gain of 1,500 jobs, while Ventura County and the Riverside-San Bernardino area will both see manufacturing employment move to new high levels in 2001."

Kyser noted that in 2000 Los Angeles County was nudged out of first place by Chicago as the nation's largest manufacturing sector. However, the job differential was small, only 2,100. Two other California metropolitan areas made it on to the roster of the nation's top manufacturing areas (annual average employment of 200,000 or more). These were San Jose, which placed seventh, and Orange County, which came in ninth.

"With the tech sector crash, the California energy crisis, and the national economic slowdown, it's been difficult for the area's manufacturing industry, which is small-business driven," added Kyser. In Los Angeles County, 85.3% of all manufacturing firms had between 1 and 49 employees, while this percentage was 84.0% in Orange County.

The LAEDC report noted that a new concept in economic analysis now classifies more sectors of manufacturing, beyond production of computers and electronics, as "technology" industries, because of their heavy utilization of computers. These "tech intensive" sectors include industrial machinery, furniture, apparel and textiles, food processing and metals and construction products.

State and local business leaders concerned about the loss of middle class jobs should focus more closely on manufacturing, as the region still has some powerful competitive assets. They include: 1.) the large manufacturing base already in place provides quick access to any type of input; 2.) several local manufacturing sectors are supported by powerful "clusters" ; 3.) the convergence of technology and creativity in the region enables the production of high-performance, high-content products; and 4.) the region's labor force is prized by manufacturers for being productive and loyal.

The LAEDC study offers a recipe for survival and growth of manufacturing in the five-county area, including: 1.) providing quality industrial sites, which are in short supply in the developed parts of Los Angeles and Orange counties; 2.) focusing on workforce readiness at both K-12 and community colleges; 3.) aggressively communicating to the business community the wide array of incentive and support programs already available; and 4.) pursuing more aggressively international business opportunities, building on the "LA" brand.

Some other highlights of the LAEDC manufacturing study:

- **Los Angeles County:** For 2001, estimated manufacturing employment will be 622,400, down by 7,000 jobs from 2000. Some industry sectors are posting small year-to-year gains in 2001, including stone, clay & glass; electronic components; instruments; and chemical products. The top sub-areas in the County for manufacturing (based on 2nd quarter 2000 data) are: South Los Angeles with 129,729; the San Gabriel Valley with 99,196 manufacturing jobs; and the San Fernando Valley with 93,924.

- **Orange County:** For 2001, estimated manufacturing employment will move up by 1,500 jobs to an annual average of 232,500. Sectors adding jobs during the year include paper, printing & publishing; apparel & textiles; and electronic equipment. While classic aerospace will benefit from the F-22 project, the technology sector will experience turmoil due to the tech crash.

- **Riverside-San Bernardino area:** For 2001, the two-county area will add 4,000 jobs moving the estimated 2001 average to a new high level of 128,000. Almost all major sectors of manufacturing will add jobs during the year, with the exception of transportation equipment. This includes the struggling manufactured housing sector.

- **Ventura County:** The area should add 1,000 manufacturing jobs in 2001, moving the annual average to a new high level of 41,900 jobs. A key sector is aerospace/high-technology, which has experienced only minimal disruptions due to the tech crash.

- **The energy situation:** The manufacturing base of Southern California has been hard hit by the rate increases instituted by the investor-owned electric and gas utilities (IOUs). Several sectors are big users of both electricity and natural gas in their production processes, including: textile mills; paper & allied products; plastics & glass products; stone, clay & glass; and primary metals. Many manufacturers have increased their energy efficiency. Some smaller firms have decided to shut their doors rather than cope with increased energy costs, and others may follow. Electric utility rates from the IOUs could run at high levels for quite some time in order to pay down debts accumulated by the IOUs and the state of California.

The LAEDC is a private non-profit organization. As the premier business leadership organization, the LAEDC's mission is to attract, retain and grow businesses and jobs in the regions of Los Angeles County, as well as identifying trends and affecting positive change for the local economy. Since 1995, the LAEDC has helped in the creation of 56,632 jobs from 278 projects. The economic impact of those jobs translates into \$1.9 billion in salaries and more than \$222 million in tax revenue generated to support schools and local government in the LA County region annually.

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