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California falls into a mild recession, but Southern California squeaks by

However, it will feel like a recession for several sectors, including construction, government, tourism, some segments of retail and small business

LOS ANGELES - "While the recession in California looks to be fairly mild, it will feel like a major event in construction, government, tourism, and small business," according to the 2002-2003 Economic Forecast & Industry Outlook for the Los Angeles Five-County Area released by the Los Angeles County Economic Development Corporation (LAEDC) tomorrow at their twice yearly economic outlook event.

The report focuses on California and county-specific issues for Los Angeles, Orange, Riverside-San Bernardino, and Ventura counties. For California, the outlook is mainly driven by five forces: the "energy crisis", technology sector crash, international trade slump, the September 11th attack, and the national recession. Northern California is expected to feel most of the pain, a reversal of the situation in the early 1990s when Southern California was hard hit.

The California economy will start to see an upswing in mid-2002, and activity is expected to accelerate in 2003. The state's unemployment rate will average 6.3 percent in 2002 dropping to 6.1 percent in 2003, with job losses in the former year concentrated in construction, manufacturing, transportation-communications-utilities, and wholesale trade.

In Southern California in 2002-2003, the Riverside-San Bernardino area will be the growth leader. Non-farm employment growth will slow from 3.1% in 2001 to 1.6% in 2002, accelerating to 3.0% in 2003. Orange County's economy will get "cuffed" around in 2002-2003, reflecting its exposure to technology and tourism, plus some overbuilding in non-residential real estate. Job growth will slow from 2.6% in 2001 to just 0.4% in 2002, picking up to 1.6% in 2003.

Los Angeles county will see non-farm employment grow by 1.1% in 2001, but to slow to just 0.1% in 2002, picking up to 1.7% in 2003. Ventura County will see non-farm employment growth slip from 1.6% in 2001 to a loss of 0.3% in 2002, picking up to 1.9% in 2003. The latter not only has exposure to technology, but is also struggling with local government finance.

The report provides an outlook for major industries including apparel/textiles manufacturing and design, aerospace, international trade, motion picture/television production, and tourism.

Going into 2002 three industries will show some growth. Classic aerospace is in a transition, with current job losses due to the slowdown in commercial jet production. In 2003, job growth will pick-up reflecting a variety of major contract awards.

International trade will post a 1.9 percent increase to \$229 billion in total two-way trade value in 2002, after a decline of 2.2% in 2001. Motion picture/television production should rebound with a gain of 2,300 jobs in 2002-2003, while the tourism and apparel/textiles industries will remain flat or post more job losses.

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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