

News Release

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Southern California “Remains The Largest Manufacturing State” Says LAEDC

New study finds that major challenges still loom for this sector along with a tussle over industrial land

Los Angeles— Los Angeles County remains the nation’s top metro area in manufacturing jobs, while the six Southern California counties were the top manufacturing “state,” according to a study released today (Wednesday, March 29, 2006) by the Los Angeles County Economic Development Corporation (LAEDC).

The annual report entitled, “*Manufacturing Review*” was presented by Chief Economist and Senior Vice President Jack Kyser, LAEDC at WESTEC, an annual major manufacturing technology show held at the Los Angeles Convention Center. The 2005 figures and study are posted at <http://laedc.info/pdf/mfg-2006.pdf>.

“Many people have written manufacturing off since they measure its health by the employment count,” said Kyser. “However, factory job counts don’t tell the full story of what is going on. Manufacturing firms have emphasized productivity gains, so while there are declining job counts, output is growing.”

Kyser pointed out that manufacturing makes significant use of temporary help, which is counted in Business Services. There is also “domestic outsourcing” being done by some local manufacturing sectors, and there are “non-employer” manufacturing firms who are not captured by most government statistics— 25,727 in the region at last count. “Manufacturing in Southern California is more robust than often perceived by the general public,” Kyser concluded.

-Los Angeles County retained its title of the nation’s largest manufacturing center as measured by employment. The County’s 2005 average of 470,400 jobs can be compared with number two Chicago’s average of 396,100 jobs.

- Other local metro areas also did well in this ranking by manufacturing employment, with Orange County number eight in the nation with a 2005 average of 182,700 jobs, Riverside-San Bernardino was 17th with 120,200 jobs, while San Diego County was 19th with 104,200 manufacturing jobs.

- If you add together the six major Southern California counties (including San Diego County), the 2005 annual manufacturing employment was 915,900 jobs. Take this away from California’s total and the remainder of the state would slide down to a 7th place ranking. As for the six counties, they would be the largest manufacturing center in the nation ahead of number two Texas.

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The forecast for manufacturing jobs in the region during 2006 is mixed, according to the LAEDC. Los Angeles County lost 13,200 factory jobs in 2005, and should see a further decline of 5,000 jobs in 2006. Orange County lost a modest 800 factory jobs in 2005, and should see another loss of 1,000 jobs in 2006. San Diego County saw 100 factory jobs disappear in 2005 and is forecast to lose another 500 during 2006.

There was better news in the Riverside-San Bernardino area where there has been slow, steady growth -- +100 jobs in 2005 with a gain of 200 forecast for 2006. There was a similar trend in Ventura County, with a gain of 100 jobs in 2005 and a forecast increase of 300 in 2006.

“The conversion of industrial land to other uses such as housing or mixed use was the spark that set off the current round of discussion about the health of manufacturing in the region,” Kyser observed. “Besides manufacturing, there are many other users of industrial space in the region, including wholesale trade, warehousing (which is driven by booming international trade flows), newspaper and book publishing, and motion picture/TV production.”

One result is that Los Angeles County and the Riverside-San Bernardino area are the two strongest industrial markets in the nation as measured by vacancy rates. In Los Angeles at year-end 2005, the rate was 2.0 percent with some areas in the County even lower, while the Riverside-San Bernardino area checked in with a 2.8 percent industrial vacancy rate.

“The run-up in residential real estate prices means that residential developers can out bid people for industrial sites. The tension between industrial versus residential will rage on, but conversion of industrial to residential means that people will lose their jobs,” cautioned Kyser.

The LAEDC manufacturing report offered some thoughts about manufacturing:

- Don't measure its health by just the job numbers.
- Most manufacturing jobs pay well and frequently have benefits.
- Manufacturing works with the current demographics of the region.
- Manufacturing, since it is composed of mainly small-to-medium sized firms, is a good customer of other business sectors.
- Manufacturing generates revenues for communities – point of sale tax revenue, utility taxes, and permits.

“The good news is that Los Angeles County is the manufacturing capital of America,” said Bill Allen, president and CEO of the LAEDC. “But while our region is without peer in the United States, global pressure will require careful regional stewardship to maintain the vitality of our manufacturing base.”

[Editors: For media advanced interviews or images call: George McQuade @ MAYO Communications, 818.340.5300 or 818.618.9229. The full report is available on the internet at: <http://laedc.info/pdf/mfg-2006.pdf/> and www.MayoCommunications.com/. For more information about LAEDC contact Nhien Barros, 213.236.4816 or email at: nhien.barros@laedc.org

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