

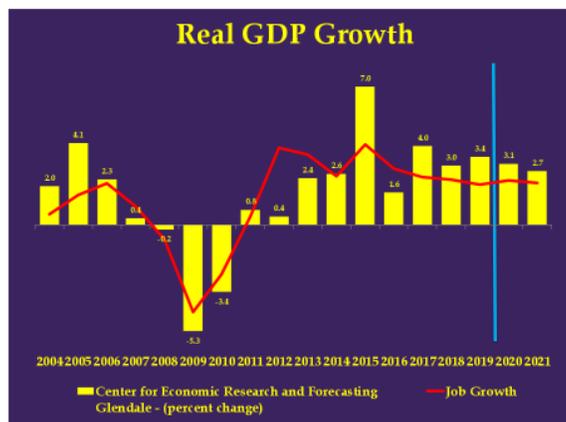
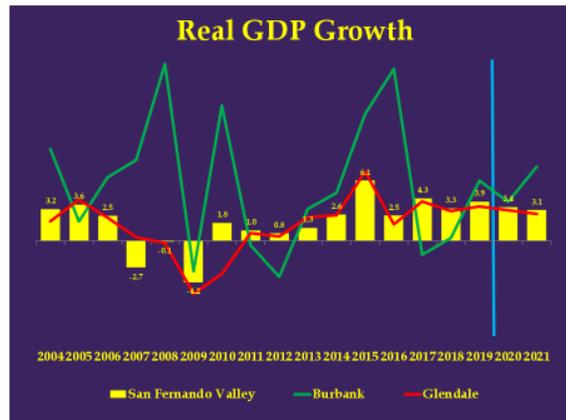
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## Introduction

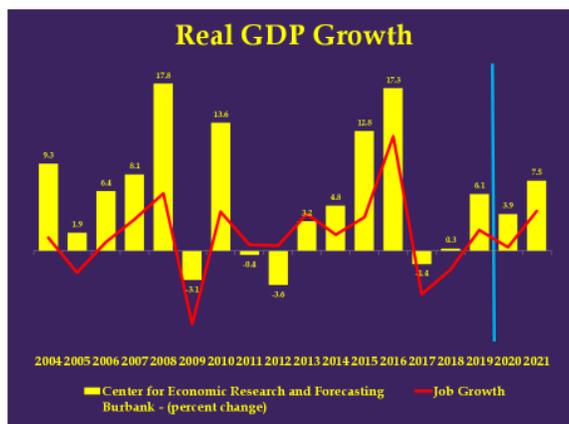
For this essay, we include geographic coverage of Burbank and Glendale, geographies that we add alongside our “narrow” definition of the San Fernando Valley. The narrower San Fernando Valley geography is described in detail in the nearby San Fernando Valley Economy & Forecast essay. Burbank and Glendale are integral to the Valley as well as to Southern California and the nation. As such, we combine the San Fernando Valley, Glendale, and Burbank into a larger geography that we call the *Greater San Fernando Valley* economy.

## Burbank and Glendale Forecast

The structure and evolution of Glendale’s economy are quite similar to that of the San Fernando Valley. The composition of industries is fairly similar, and Glendale is to an extent a bedroom community for the rest of the Valley. This means that some of Glendale’s households provide many of the workers in the San Fernando Valley. This provides a link between Glendale’s business cycle and the Valley’s. Given this, we are not surprised to see that Glendale’s economic growth, revealed in both the history as well as the forecast, track the San Fernando Valley’s growth rates closely.

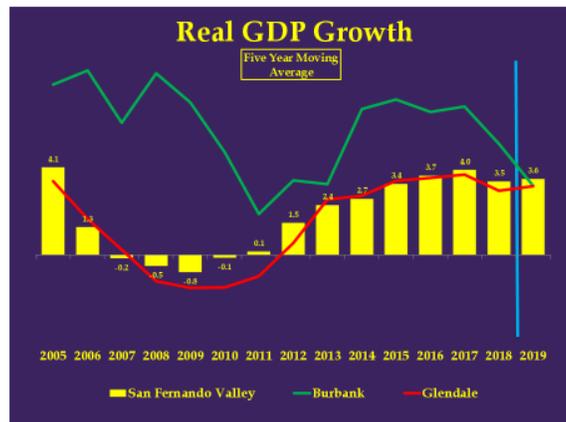


We estimate that Glendale’s economic growth improved a bit in 2019 despite a slight downtick in jobs growth. This is driven by a positive productivity shock to Glendale’s economy in 2019. By productivity shock we mean that GDP accelerated more than jobs, and positive productivity shocks are a great thing. The 2020 to 2021 forecast calls for that productivity boost to subside somewhat during those years, but Glendale’s growth will be steady and stronger than growth for the United States.



Burbank’s economy is much more volatile than Glendale’s economy, or for that matter most other regional economies in the United States. Burbank is home to a number of large project-driven enterprises including Warner Brothers Studios, Walt Disney Studios, The Burbank Studios, Nickelodeon Animation, the Cartoon Network, and the list goes on. These companies work on very large projects, such as movies, TV series, and animation projects. When they gear up for such an effort, the boost to jobs and economic growth is massive. Then, when a particular project ramps down, Burbank’s economy contracts just as vigorously as it expanded. This result in an extremely volatile economy.

When a noteworthy project hits, economic growth rates for Burbank are often in the double digits, providing an economic boost many times greater than that of most areas. How does Burbank do in the long run? To answer this we compute a centered 5-year moving average for Burbank, and compare this metric against its neighbors. For most of the years that we have data, Burbank’s overall growth, or average growth, is substantially greater than the growth of its neighbors. If recently estimated and forecasted data are correct, Burbank’s long-run average growth will converge toward that of its neighbors.



The economic forecast for Burbank implies a slowdown, but not a recession, in 2020, and then a pickup in 2021 (referring to the slide at the top of page 2). This is in effect a forecast of project activity, which means that the forecast error is large relative to the potential errors in either the San Fernando Valley or Glendale forecasts.

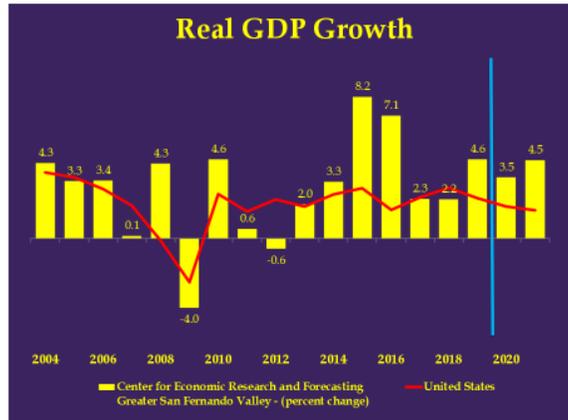
## Greater San Fernando Valley Forecast

By the Greater San Fernando Valley, we mean the combination of Burbank, Glendale, and the rest of the Valley, as most people think of it. The map below in Figure 1, courtesy of the Mulholland Institute, provides a sense of what we mean, where our definition is essentially the yellow, blue, and green areas, combined into one.

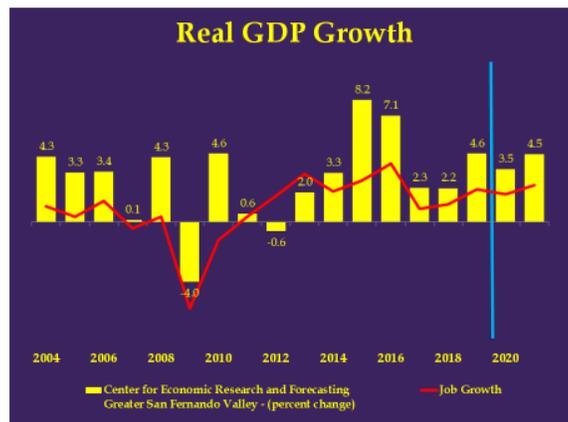
Figure 1: The Greater San Fernando Valley



The GDP growth of the Greater Valley geographic concept is more volatile than GDP growth of the narrow definition of the Valley. We have Burbank to thank for that. What does not change is that the area’s economic growth typically exceeds that of the United States, at least in the years since 2013.



Our forecast maintains the Greater Valley’s growth premium over the United States. There is a reduction in growth in 2020, followed by an increase in 2021. This pattern is driven in part by a similar pattern in the jobs forecast. Geographically, the main driver behind this pattern is Burbank, which we forecast will experience growth in both years but at a noticeably slower growth rate in 2020 compared with either 2019 or 2021.



What are the risks to this forecast? Geographically, we believe most of the risk is from Burbank and to a lesser extent the San Fernando Valley. The forecast of Glendale’s growth is benign. If Burbank does not have the slowdown in activity in 2020, or the pickup in 2021, then this forecast will be off. For Burbank, the San Fernando Valley, and to a lesser extent Glendale, economic growth is partially driven by the technology sector. If activity in this sector falters, the San Fernando Valley’s economic vitality will diminish.

## Greater SFV Forecast Charts

