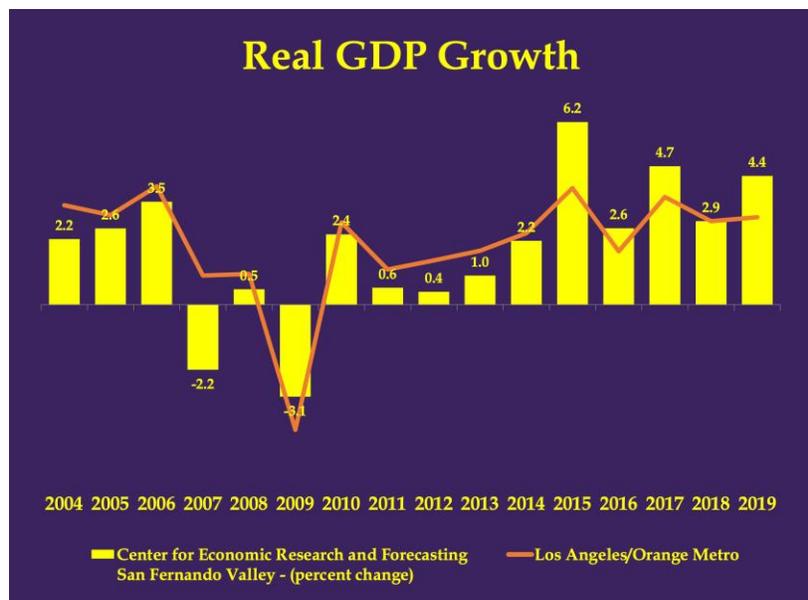


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Pre-COVID-19 State of the San Fernando Valley

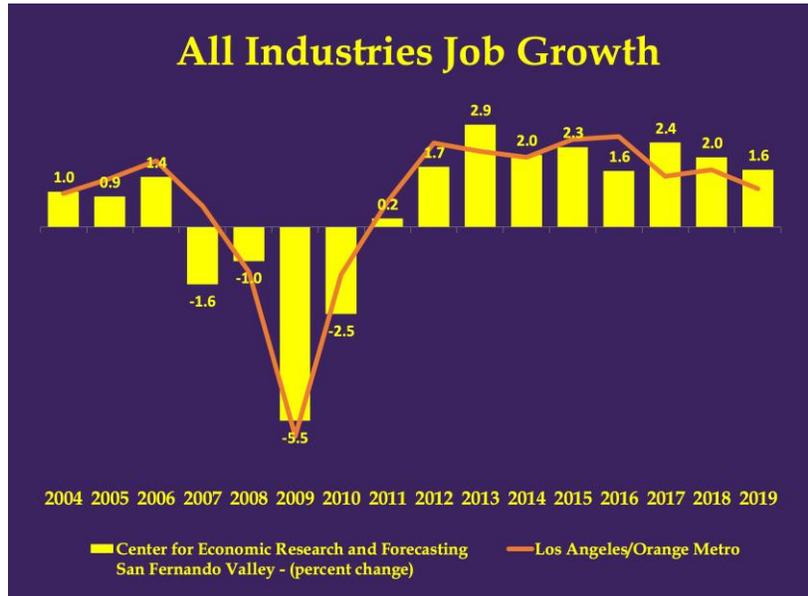
Prior to the COVID-19 Pandemic, the San Fernando Valley was a true economic hotspot, whose performance compared favorably to almost any other geography. As the team at CLU’s Center for Economic Research & Forecasting has been documenting for years, the San Fernando Valley enjoyed a substantial economic *growth premium*, which elevated it above the broader Los Angeles Metropolitan Area and the nation.

At the onset of the pandemic in early 2020, the Valley was in the midst of a stretch of robust economic growth that had entered its sixth year. Over the preceeding five years, economic growth in the Valley averaged 4.2 percent. By comparison, the broader L.A. Metro area averaged growth of just 3.1 percent, and the nation averaged just 2.3 percent.



The economic strength exhibited in the San Fernando Valley was broad based. In the year leading up to the pandemic, every single sector of the non-farm economy experienced gains in output. Information and Technology, a broad sector that includes software engineering, internet development, and motion picture production, was a noteworthy hotspot. Output in that sector increased 5.9 percent in 2019 and was up more than 100 percent since before the Great Recession.

On top of five years of strong GDP growth, the San Fernando Valley was enjoying a third straight year of relatively strong job growth. During the three years leading up to the pandemic, San Fernando Valley job growth averaged 2.0 percent. By comparison, the broader L.A. Metro area averaged growth of just 1.4 percent, while the nation averaged 1.5 percent.



As with economic output, strength of the San Fernando Valley’s labor market was broad based. Every sector of the San Fernando Valley’s non-farm economy except two saw job gains in 2019. Utilities, Transportation & Warehousing, and Construction saw the largest gains, with the number of jobs in these sectors growing 8.3, 6.6 and 5.5 percent, respectively. Retail Trade and Durable Goods Manufacturing were the only sectors to have lost jobs during the year prior to the pandemic, and combined, they lost only 800.

At the end of 2019, the U.S. economy was buckling under the weight of the most restrictive international trade policies in nearly 90 years. Business investment contracted sharply in the environment of uncertainty that the trade war created. That is to say, the economic outlook for the nation was eroding even before the pandemic began. Yet, the San Fernando Valley’s significant economic growth premium was maintained. In this way, the underlying strength of the San Fernando Valley economy provided insulation from outside factors and trends – not even a trade war could topple the Valley’s economic dominance. As we document below, this underlying strength also equipped the San Fernando Valley to better absorb the impact of the COVID-19 pandemic and the extraordinary economic displacement that accompanied it. The economic impacts were less severe in the San Fernando Valley than in the broader L.A. Metro area, and the rebound has been more rapid.

COVID-19 Impacts & the SFV Economy

The pre-pandemic peak of economic activity was February 2020, when there were 575,200 jobs across all industries in the San Fernando Valley. Government-mandated shutdowns caused an unprecedented contraction. By April, the Valley’s job market had lost over 95,000 jobs, a loss of nearly 17 percent of all jobs.

By now, it is well known that the impacts of the pandemic are not evenly distributed across the labor market. Jobs in Retail and Leisure & Hospitality, the lowest paying sectors in the San Fernando Valley economy, dropped by a collective 33 percent. Jobs in these sectors have grown by 50 percent since the low point in April and have now recovered the pre-pandemic level. Meanwhile, jobs in Information & Technology, Financial Activities, and Professional & Business Services, collectively the highest paying sectors, declined by only 13.6 percent. They have subsequently increased 13.9 percent and are still more than 1 percent below the pre-pandemic peak.

San Fernando Valley's Non-Farm Jobs					
<i>not seasonally adjusted data</i>	Dec-21	<i>Peak to Trough</i>		<i>Peak to Present</i>	
		Feb 2020 - Apr 2020	Feb 2020 - Apr 2020	Feb 2020 - Dec 2021	Feb 2020 - Dec 2021
<i>Sectors</i>	<i>Thousands</i>	<i>Change-thousands</i>	<i>Percent change</i>	<i>Change-thousands</i>	<i>Percent change</i>
Construction & Manufacturing	74.1	-10.1	-13.3	-2.5	-3.2
Trade, Transportation & Warehousing	36.4	-3.9	-11.9	4.0	12.4
Technology & White Collar	140.3	-19.3	-13.6	-2.2	-1.5
Retail & Leisure/Accomodations	123.1	-40.6	-33.1	0.4	0.4
Education/Health/Personal Services	160.6	-20.9	-13.2	2.3	1.5
Government	39.4	-0.8	-2.1	-1.1	-2.6
Total All Industries	574.1	-95.7	-16.7	1.1	0.3

Source: CA Employment Development Department

The contrast between job losses in low- and high-paying sectors is revealing. The COVID-19 pandemic and the pattern of resulting impacts to the economy represent a tale of two recessions. Valley residents working in high paying sectors of the economy, which generally support remote working arrangements, saw significantly smaller impacts of the pandemic and the various government responses. The economic impact to low-wage segments was significantly deeper.

The fact that jobs across all non-farm sectors have recovered or nearly recovered their pre-pandemic levels is, once again, an indication of the underlying strength of the San Fernando Valley economy. In neighboring Ventura County, which entered the pandemic already suffering from a prolonged period of economic weakness, the labor market recovery has been much slower. Ventura County's total non-farm jobs are still down 3.6 percent from the pre-pandemic peak, with Retail, Leisure & Personal Services collectively still down nearly 7 percent.

Annual GDP data tell an interesting story regarding the San Fernando Valley's pandemic impacts compared to the broader Los Angeles metropolitan area. Clearly, the San Fernando Valley's decline was smaller, and the rebound was substantially stronger. The Valley's economy contracted by 5.0 percent in 2020, compared to 5.8 percent for the L.A. Metro area. The Valley's economy surged by 9.0 percent in 2021, compared to only 6.1 percent for L.A. Metro.

Economic Growth			
	2019	2020	2021 ‡
	<i>History</i>		
San Fernando Valley	4.4	-5.0	9.0
Los Angeles Metro	3.0	-5.8	6.1
Ventura County	2.7	-2.6	3.4
California	3.6	-2.8	7.7
United States	2.3	-3.4	5.7

Source: CLU-CERF, ‡ 2021 is estimated

Annual jobs data tell a similar story. Valley jobs contracted by 7.2 percent in 2020, compared to 9.0 percent for the L.A. Metro area. Jobs rebounded an estimated 4.5 percent compared to only 1.9 percent for L.A. Metro.

SFV Non-Farm Economy	<i>Changes Great Recession to Pre-COVID peak</i>		<i>Changes since Great Recession</i>	
	GDP	Jobs	GDP	Jobs
Utilities	147.2	105.7	421.9	270.9
Construction	-8.5	3.3	0.5	6.6
Durable Goods Manufacturing	31.4	-28.5	35.3	-32.7
Non-Durable Goods Manufacturing	18.8	-24.8	25.4	-33.1
Wholesale Trade	-3.5	-19.7	1.4	-23.7
Retail Trade	3.8	-7.3	10.5	-9.1
Transportation and Warehousing	24.8	20.5	24.9	38.4
Information & Technology	115.8	14.2	112.5	-8.6
Financial Activities	17.9	-17.7	22.5	-22.2
Professional and Business Services	25.3	3.0	35.7	2.1
Education/Health/Repair/Maintenance	53.8	52.6	59.8	53.6
Leisure and Hospitality	22.2	29.5	-0.8	15.4
Government	3.2	-1.6	8.7	-5.8
Total All Industries	27.4	7.7	32.0	4.5

As detailed in previous San Fernando Valley Economic Forecast publications, despite relative labor market strength, the San Fernando Valley economy has not escaped the broad sectoral changes seen in other geographies since the Great Recession. From 2007 until the start of the pandemic, the San Fernando Valley labor market saw general declines in goods producing and other high value-added sectors such as Financial Activities. Meanwhile, lower paying sectors such as Education, Healthcare, Repair & Maintenance as well as Leisure & Hospitality have seen explosive growth. One

major exception to this pattern has been Information & Technology which is the Valley's single highest paying sector and which saw an increase in jobs of more than 14 percent during the period from 2007 until the start of the pandemic.

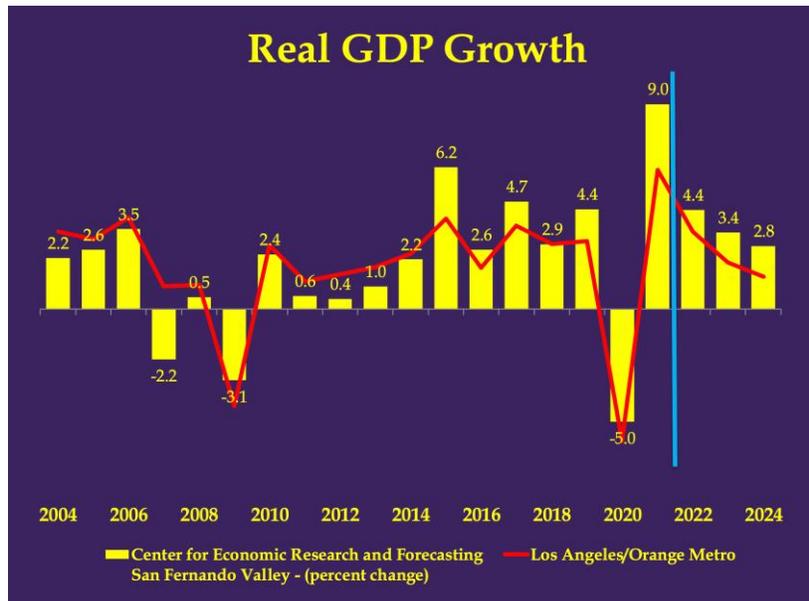
Two years after the start of the pandemic, with the jarring contraction of both output and jobs experienced early on and the strong recovery that followed, the general labor market composition is similar to the pre-pandemic one. The only obvious exception is, once again, Information & Technology, which saw job gains of 14.2 percent from 2007 to the start of the pandemic, but which is now down 8.6 percent relative to the pre-Great Recession peak of 2007. That is to say, the pandemic succeeded in undoing more than a decade of labor market gains in a sector which has been a source of well-paying, family-sustaining jobs and which has been vital to the robust growth enjoyed by the San Fernando Valley over the past decade. Interestingly, output in Information & Technology is still up more than 100 percent relative to 2007, so the impacts are seen much more obviously in jobs than in GDP.

Our hope is that these jobs will return to the San Fernando Valley as the last remaining pandemic restrictions are lifted and that Information & Technology will continue to be a hot spot within the hot spot that is the San Fernando Valley economy. We will be watching this sector with particular interest as the Valley's recovery from the COVID-19 pandemic proceeds in the months ahead. A failure of these jobs to return to pre-pandemic levels would result in a downward revision to our outlook for the Valley economy.

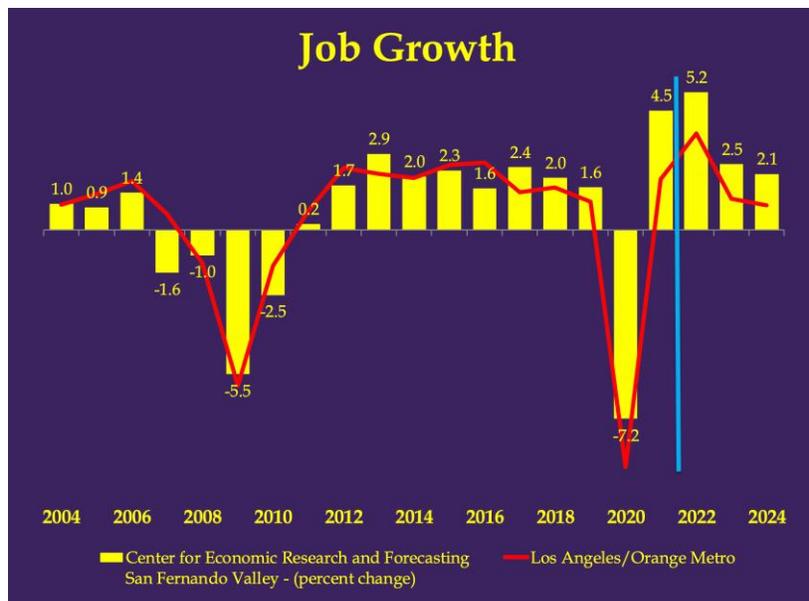
As we have done in previous San Fernando Valley forecast publications, we note that housing affordability is one of the primary threats to the economic strength and resilience that the San Fernando Valley has demonstrated. Prior to the pandemic, the median single family home in the San Fernando Valley was more than 17 times the average salary in Education & Healthcare and Leisure & Hospitality, the two fastest growing sectors of the San Fernando Valley labor market. Even before the extraordinary home price appreciation of the past two years (which is detailed in the nearby San Fernando Valley Real Estate essay), the San Fernando Valley was struggling to house its workforce. The 30 percent increase in median home price experienced since April of 2020 has made this challenge much more difficult. The San Fernando Valley will need to summon the collective efforts and leadership of the community and the openness that Valley residents and businesses have historically shown to economic opportunity and to growth in order to tackle the suddenly more severe housing crisis.

San Fernando Valley's Forecast

The San Fernando Valley economy is forecast to grow 4.4 percent in 2022, compared to 3.4 percent for the L.A. Metropolitan area and 3.1 percent for the U.S. The growth premium that the San Fernando Valley enjoys relative to the L.A. Metro area will grow from 1.0 in 2022 to 1.4 in 2024. The Valley's growth premium is thus forecast to meet or exceed the average growth premium which prevailed in the five years prior to the pandemic. That is to say, the pandemic does not appear to have weakened the San Fernando Valley economy relative to other geographies.



As with economic growth, San Fernando Valley job growth is forecast to exceed that of the L.A. Metro area and the U.S. over the full forecast horizon. San Fernando Valley job growth is forecast to be 5.2 percent in 2022, compared to 3.7 percent for Metro L.A. and 3.3 percent for the U.S.



The primary headwind for the San Fernando Valley economy over the course of the forecast horizon is slowing U.S. growth. U.S. growth is forecast to slow significantly in response to the extraordinary monetary and fiscal interventions of the past two years. Even in the face of this headwind, we still believe that the underlying strength of the San Fernando Valley economy will

continue to provide a degree of insulation from this broader macroeconomic trend. The Valley economy is forecast to continue to grow more rapidly than the nation, the state of California and the L.A. Metro area for the foreseeable future.

Job Growth				Economic Growth			
	2022	2023	2024		2022	2023	2024
		Forecast				Forecast	
San Fernando Valley	5.2	2.5	2.1	San Fernando Valley	4.4	3.4	2.8
Los Angeles Metro	3.7	1.2	0.9	Los Angeles Metro	3.4	2.1	1.4
Ventura County	2.8	1.3	1.2	Ventura County	2.8	0.8	0.2
California	4.0	1.6	1.4	California	3.8	2.7	2.1
United States	3.3	1.4	1.3	United States	3.1	2.1	1.6

Source: CLU-CERF

As we have stated previously, it is no accident that the Valley is a true economic hot spot. The lengthy creative and technological legacies of the San Fernando Valley, coupled with an attitude and with policies that, on-balance, embrace growth and economic dynamism, will surely continue to pay dividends. There is strong evidence that the Valley reaped the benefits of its legacy of strong growth during the extraordinary displacement of the COVID-19 pandemic.

As we have concluded in previous forecasts, the San Fernando Valley exhibits uncommon economic strength. We anticipate that the region will remain uncommonly strong in the years ahead. Not even a two-year long global pandemic can change that.