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October 20, 2017

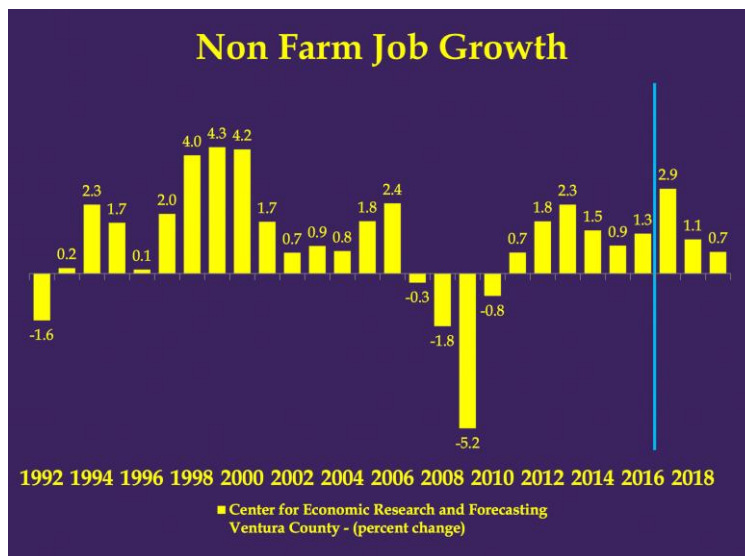
The dominant economic story to emerge in Ventura County over the past year is the decline in total economic output. Last year’s forecast predicted economic growth of 1.8 percent for 2016. We warned then, as we will do again this year, that the balance of risks to the forecast are not symmetric. The probability of economic growth that exceeds our forecast is very low, while the probability that economic growth underperforms our forecast is quite high. Unfortunately, the initial BEA estimate of -2.7 growth in real GDP is even worse than last year’s most pessimistic forecast scenario. Our hope is that next year’s revision will move the number back in the direction of zero, although we can not imagine a revision that results in a positive estimate of economic growth. The effect of that very low GDP growth number for 2016 is to put downward pressure on the current forecast.

The current forecast anticipates that the County’s economy will contract further in 2017, declining by nearly one percentage point. Our forecast for growth in 2018 and 2019 is positive but very low, averaging just 0.35 percent over those two years.



Our short term job growth forecast may seem to be at odds with the GDP forecast. The current forecast anticipates robust job growth of 2.9 percent in 2017. This prediction is based on three quarters of jobs data that have already been released for the year—three numbers which are so implausibly high that we have concluded that they are likely an illusion. The annualized

quarterly growth rates are 4.2, 2.5, and 3.7 percent for quarters 1, 2, and 3, respectively. If these numbers survive future revisions, they will represent the strongest job growth in at least 12 years, a pattern simply at odds with other economic indicators. Because of the dissonance between the 2017 jobs data and various other economic indicators, our expectation is that the number of jobs created in the first three quarters of 2017 will be revised downward next March. As we await those revisions, those initial estimates must still be reflected in the current forecast. Job growth in 2018 and 2019 is forecasted to average a much slower, and more plausible, 0.9 percent. This is only slightly higher than last year’s short term forecast of 0.75 percent job growth.



Even this forecast of modest job growth in 2018 and 2019 begs the question, can jobs actually continue to grow in Ventura County at the same time that GDP growth remains near zero or negative? Our answer to this is, unfortunately, yes. As discussed earlier in this report, the net increase in the number of jobs masks a trend where jobs in high paying sectors continue to decline with each passing year while jobs in relatively low paying sectors continue to be added. Relative wages reflect the different share of the County’s total economic output that particular jobs contribute. The continued decline of high paying jobs is also a decline in highly productive jobs. Jobs can grow while economic activity stagnates or declines, but this pattern underscores increasing weakness in the County’s economy.

The risks to the current forecast are not symmetric. A pessimistic forecast scenario would include continued declines in nondurable manufacturing as Amgen and related biotechnology

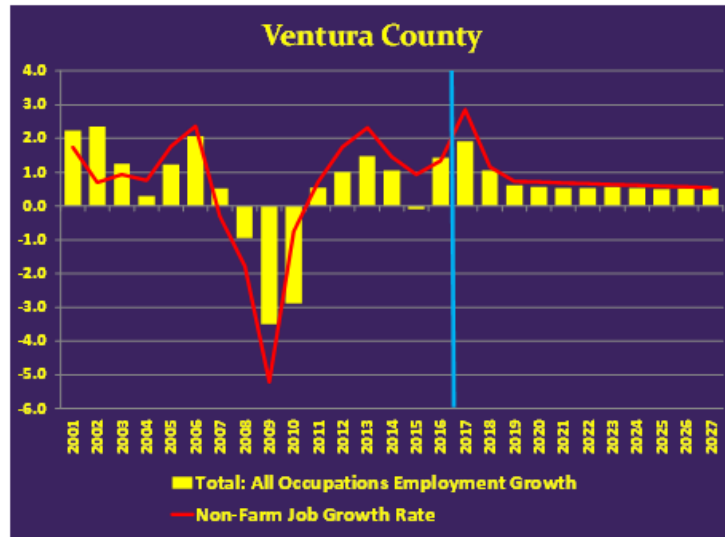
activity relocates out of State. The effect of a sustained contraction in this sector would be very negative for the County economy at large. The probability associated with this scenario is not necessarily low. An optimistic scenario would include growth in the biotechnology sector as well as new, homegrown successes along the lines of Amgen and the Trade Desk. If we take Amgen at their word, there is low probability of growth in their sector. If growth happens it is likely to happen well beyond the County line. And Ventura County has not cultivated a healthy ecosystem where innovative start-ups can grow and flourish. It seems to us that the probability of realizing an optimistic forecast scenario is vanishingly low.

Along with our short term GDP growth and jobs growth forecasts, we also provide a ten-year forecast of non-farm jobs. The long-term, non-farm jobs forecast includes a detailed forecast by occupation. As with each previous forecast, it's important to restate that current technology does not allow great confidence in long-term forecasts such as these.

Ventura County's long-term occupational forecasts foresee continued changes in Ventura County's job composition. The number of jobs in agriculture, production, construction, and other tradable goods producing sectors will likely continue to decline. Jobs in non-tradable services sectors such as health care will likely see continued strong growth.

	2006	2016	2017	2027	2006-16	2017-27	2006-16	2017-27
	<i>no. of jobs</i>	<i>no. of jobs</i>	<i>no. of jobs</i>	<i>no. of jobs</i>	<i>change</i>	<i>change</i>	<i>percent change</i>	<i>percent change</i>
Total: All occupations	304,640	299,940	305,694	324,377	-4,700	18,683	-1.5	6.1
Management	16,050	16,560	16,805	18,233	510	1,429	3.2	8.5
Business and Financial Operations	15,570	16,460	16,983	19,185	890	2,202	5.7	13.0
Computer and Mathematical	7,220	7,240	7,445	8,004	20	559	0.3	7.5
Architecture and Engineering	8,170	7,190	7,284	6,330	-980	-954	-12.0	-13.1
Life, Physical, and Social Science	5,070	4,190	4,163	3,939	-880	-223	-17.4	-5.4
Community and Social Services	2,910	4,090	4,117	5,050	1,180	933	40.5	22.7
Legal	1,730	1,820	1,843	1,999	90	156	5.2	8.5
Education, Training, and Library	17,700	20,370	20,781	23,110	2,670	2,328	15.1	11.2
Arts, Design, Entertainment, Sports, and Media	3,410	3,690	3,577	3,682	280	105	8.2	2.9
Healthcare Practitioners and Technical	10,970	14,410	15,096	21,220	3,440	6,125	31.4	40.6
Healthcare Support	6,730	7,210	7,479	8,627	480	1,148	7.1	15.3
Protective Service	4,860	4,800	4,920	5,064	-60	145	-1.2	2.9
Food Preparation and Serving-Related	24,350	30,970	31,667	38,415	6,620	6,748	27.2	21.3
Building and Grounds Cleaning and Maintenance	9,870	8,710	8,588	7,884	-1,160	-705	-11.8	-8.2
Personal Care and Service	6,340	9,380	9,650	13,001	3,040	3,350	47.9	34.7
Sales and Related	34,050	34,420	35,177	37,124	370	1,947	1.1	5.5
Office and Administrative Support	53,860	45,210	45,659	38,419	-8,650	-7,240	-16.1	-15.9
Farming, Fishing, and Forestry	6,080	5,810	5,649	4,485	-270	-1,164	-4.4	-20.6
Construction and Extraction	18,320	11,190	11,437	10,968	-7,130	-469	-38.9	-4.1
Installation, Maintenance, and Repair	9,820	10,000	10,233	11,647	180	1,414	1.8	13.8
Production	23,740	20,030	20,388	19,914	-3,710	-474	-15.6	-2.3
Transportation and Material Moving	17,810	16,200	16,754	18,078	-1,610	1,324	-9.0	7.9

Date: October 19, 2017
Source: CA-EDD (OES data program) and CERF



Please see next page for forecast charts.

Forecast Charts

