

The Answer, My Friend, Is
Blowing in the Wind:
Uncertainty and Inland
Empire 2025



LOWE INSTITUTE
OF POLITICAL ECONOMY

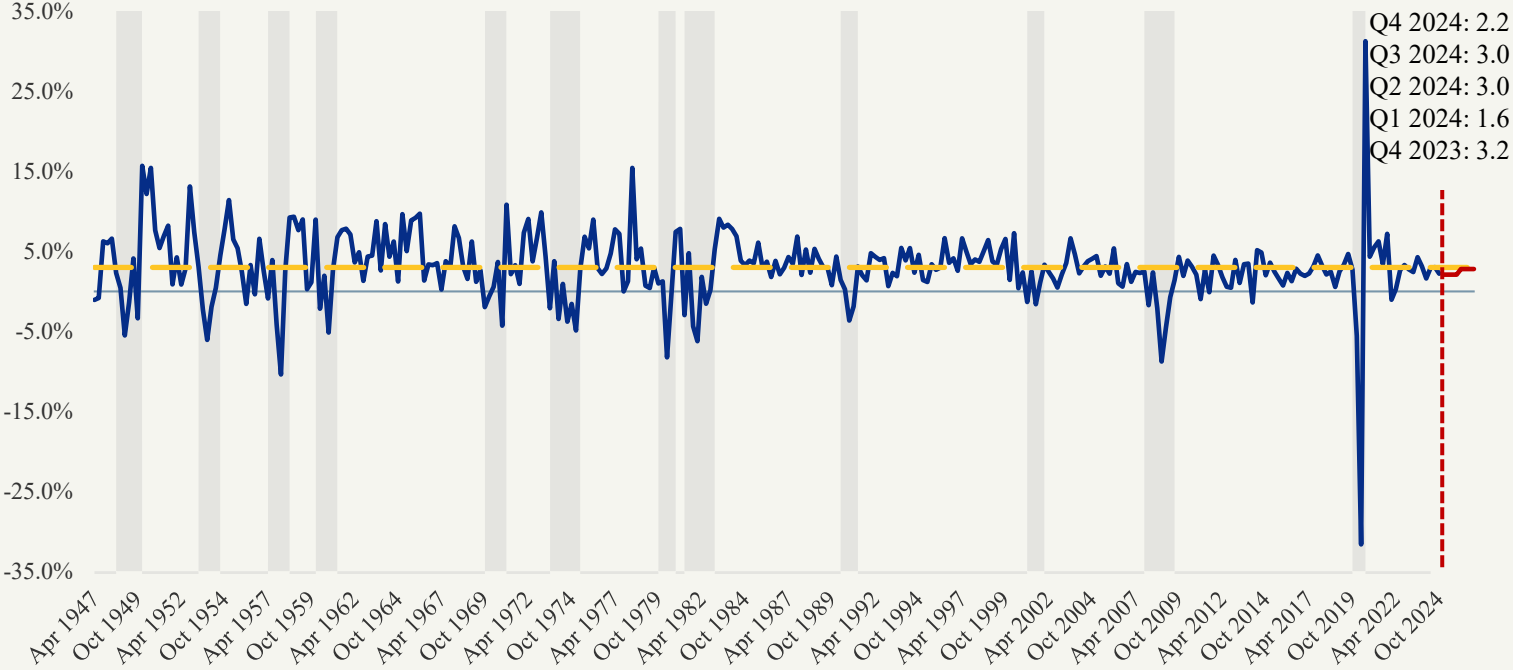
CLAREMONT MCKENNA COLLEGE

February 18th, 2025

Manfred Keil, Chief Economist, Inland
Empire Economic Partnership,
Associate Director, Lowe Institute of
Political Economy, Robert Day School of
Economics and Finance,
Claremont McKenna College (CMC)

Real GDP Growth, U.S., Quarterly, SAAR, Billions of Chained 2017 Dollars

1947 Q1 - 2024 Q4 (Actual), Forecast 2025-2026

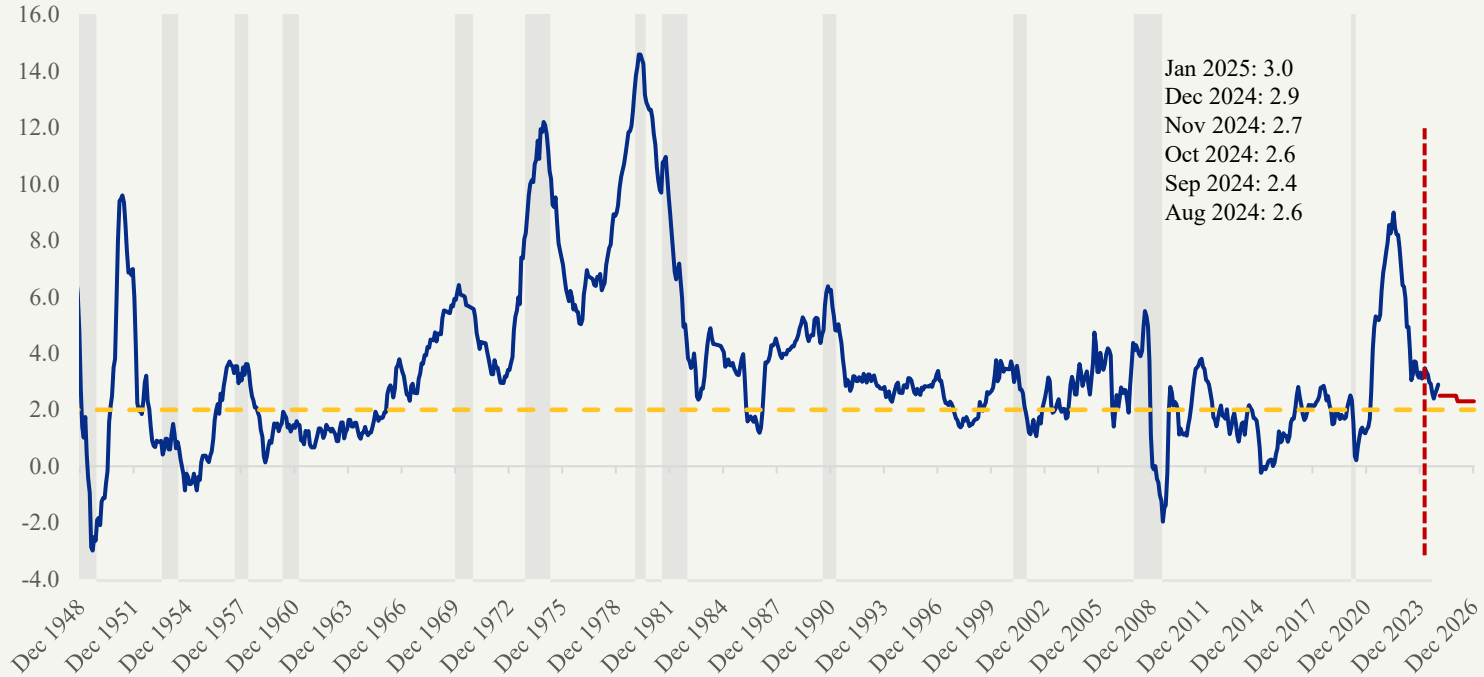


Source: U.S. Bureau of Economic Analysis

— Actual — Forecast

Inflation, Consumer Price Index

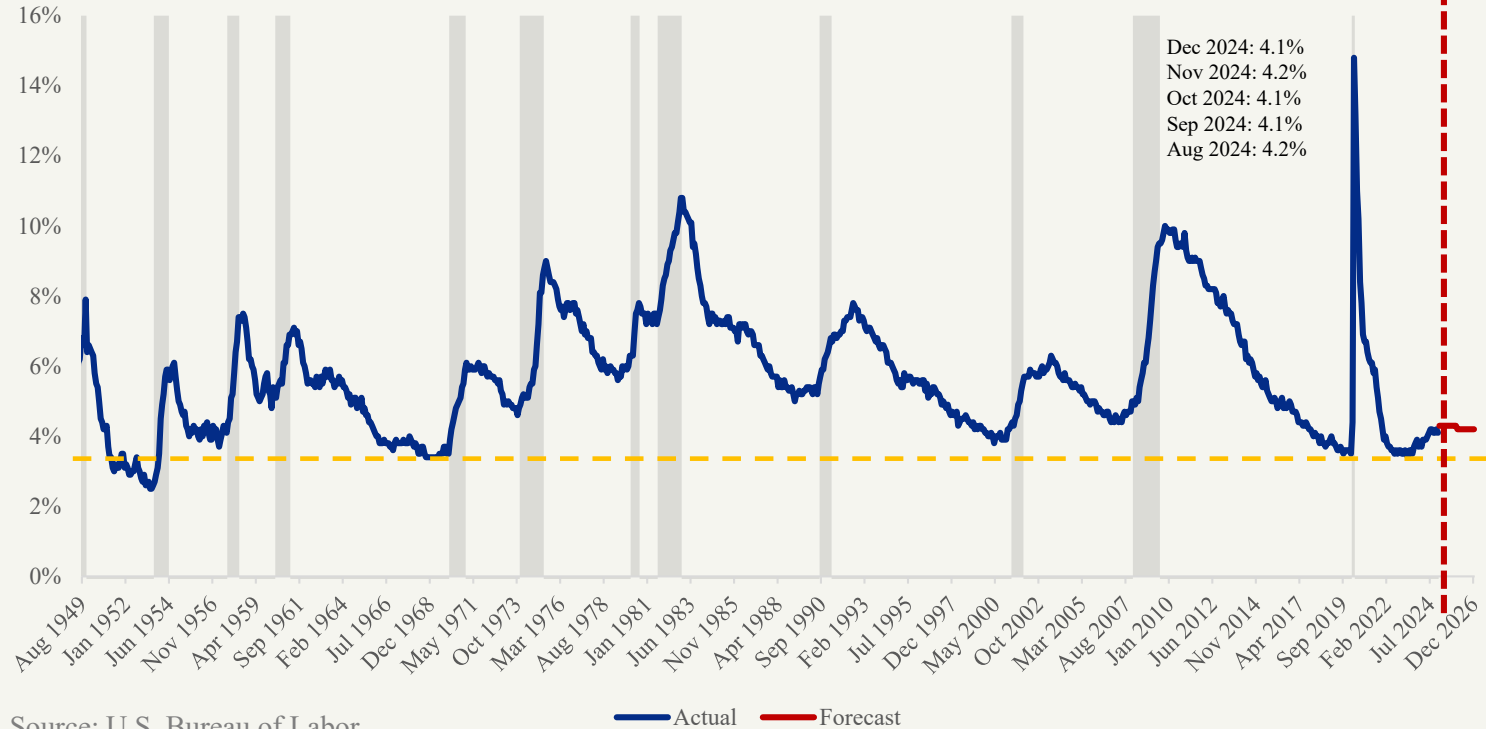
U.S. January 1948 - January 2025, Forecast 2025-2026, % Change from a Year ago, SA, All Items



Source: U.S. Bureau of Labor Statistics

— Actual — Forecast

Unemployment Rate, SA, U.S., August 1949 - January 2025 (actual), Forecast 2025-2026

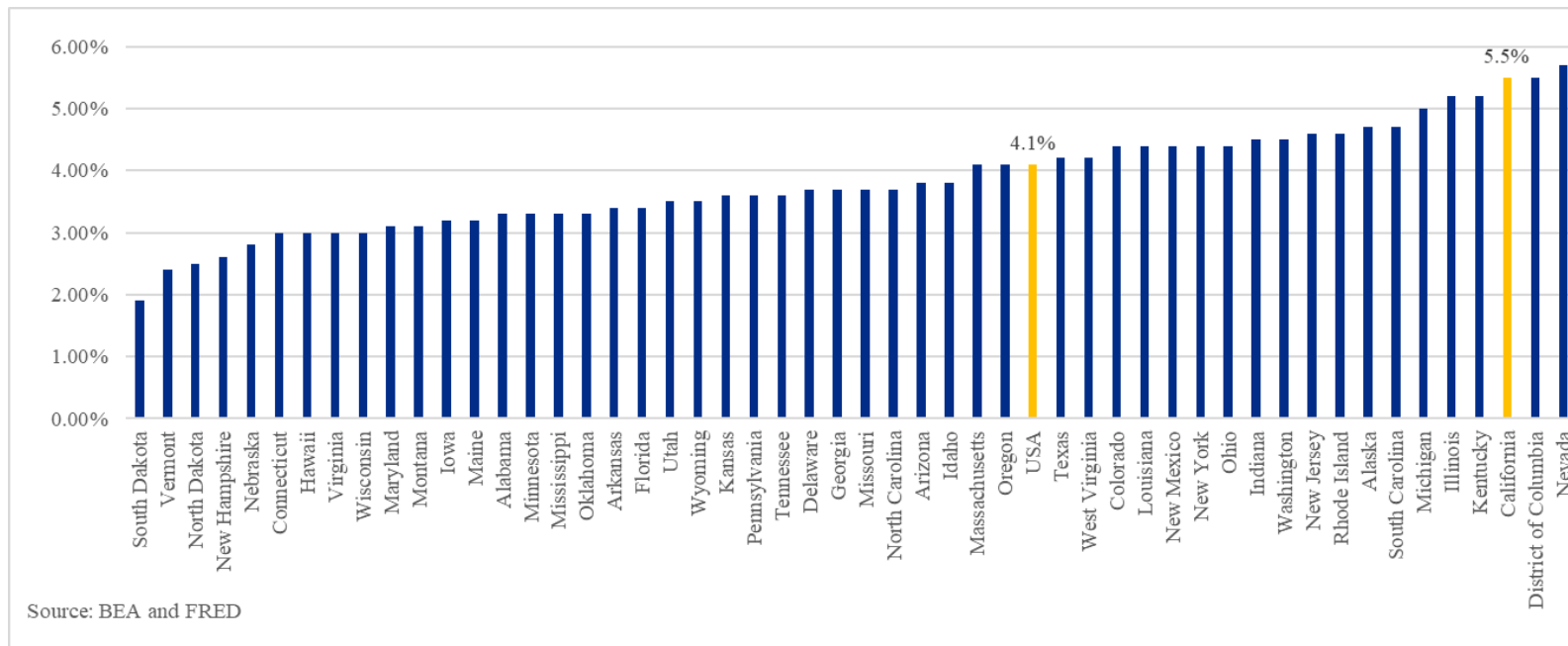


Source: U.S. Bureau of Labor

Immediate Concerns from President Trump's 2025 Policies

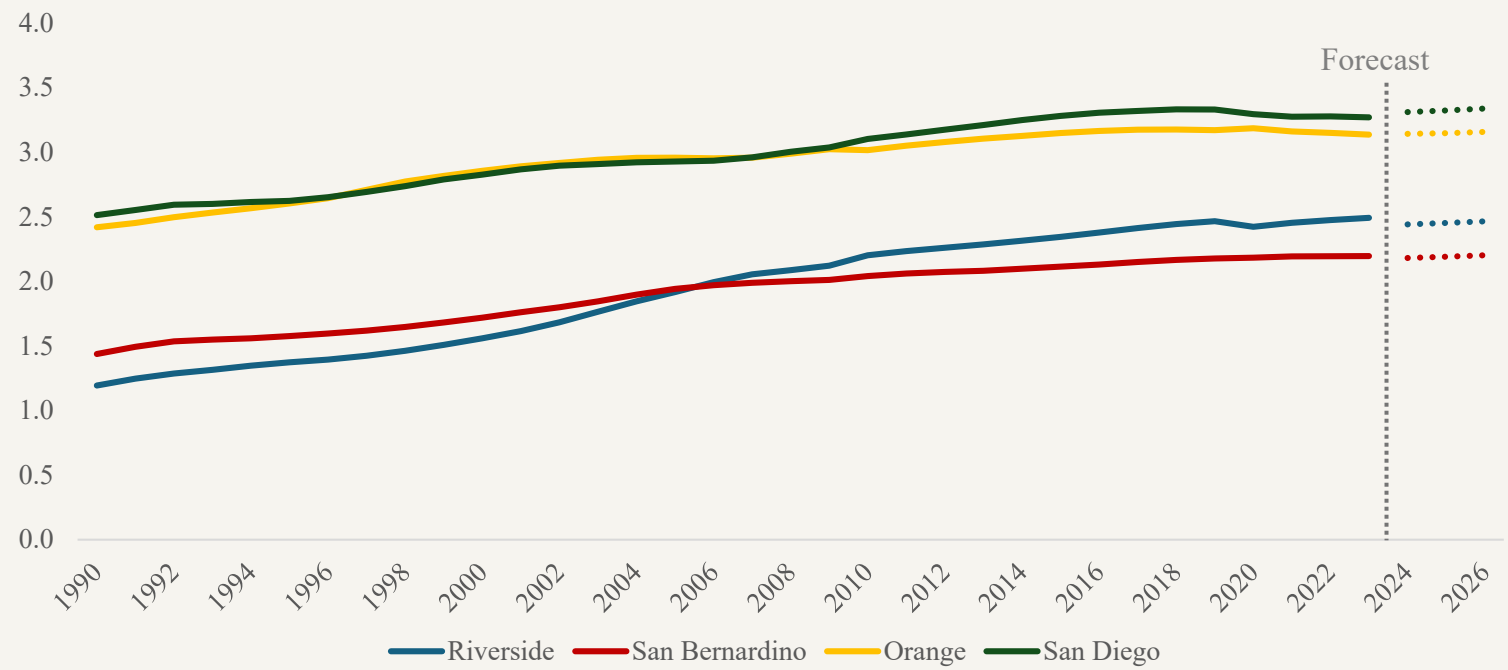
- Tariffs (China, Canada, Mexico, EU)
 - Inflation (current tariffs broader than Trump 1 tariffs)
 - Steel and Aluminum (cost increases for manufacturing sector - automobiles, appliances, construction, machinery and equipment)
 - Potential Supply Chain Disruptions
- Deportation of Illegal Immigrants
 - Residential Construction, Estimated illegal: 28% in CA according to a study by California Lutheran University
- Taxation and Budget Deficit
- Cutback on Government Expenditures
 - Government Employment
 - Affect on Health and Education
 - University Employment (NIH related)
- Deregulation
 - Offsetting effect on increased prices
- Uncertainty affecting
 - Business Decisions: Investment and Employment
 - Financial Markets
 - Household Decisions
- Scott Bessent's 3-3-3 Economic Plan
 - 3 percent growth
 - cut budget deficit to 3 percent by 2028 from currently close to 7%
 - additional 3 million barrels a day U.S. oil production
 - Need to see actual Trump Budget to judge
- Remember "Gains from Trade" (Losers from Trade: MI, WI, PA...; Winners: CA & IE, US Consumers)
- Remember IE Characteristic: "First In, Last Out"

U.S. State Unemployment Rates, Seasonally Adjusted, December 2024



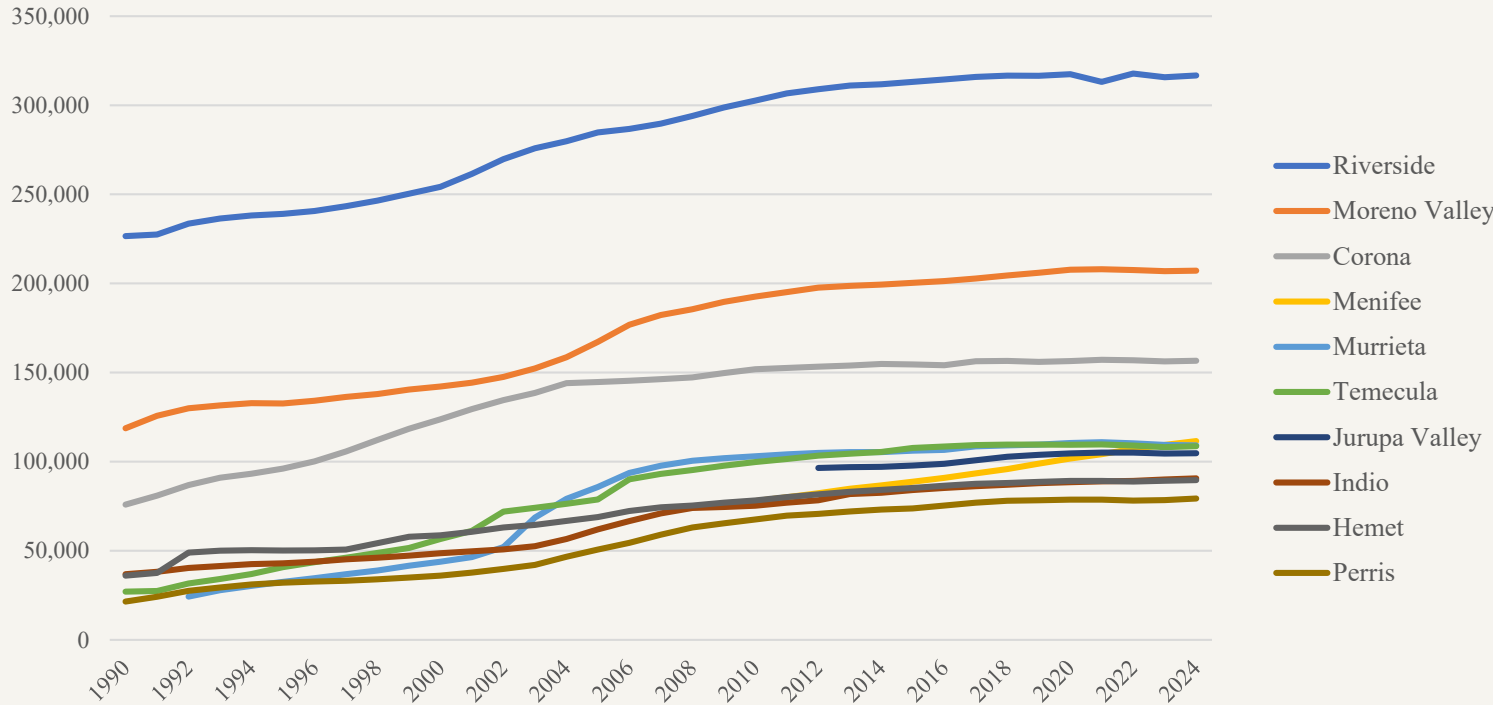
Source: BEA and FRED

Population, Riverside County, San Bernardino County, Orange County, San Diego County



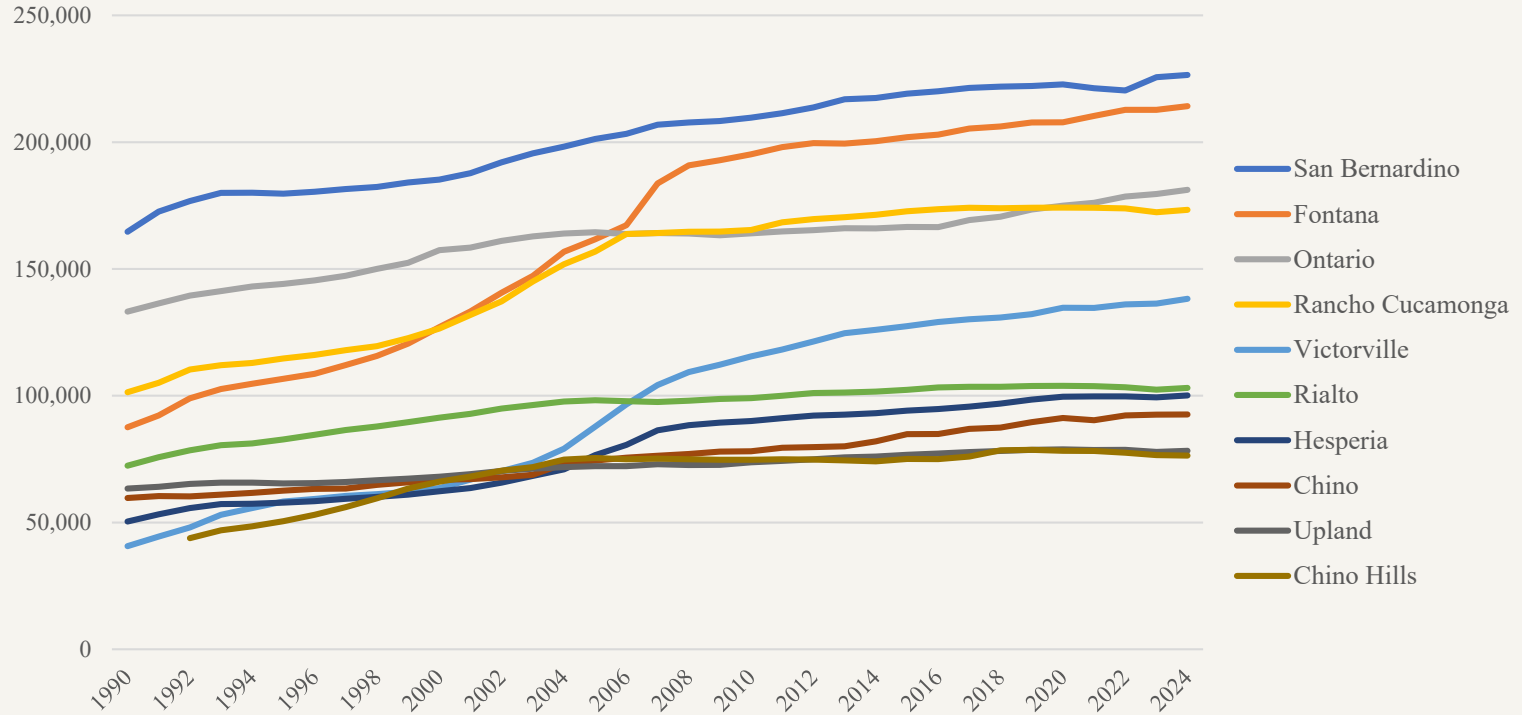
Source: Dept of Finance, State of California

Ten Largest Cities in Riverside County, 1990 - 2024



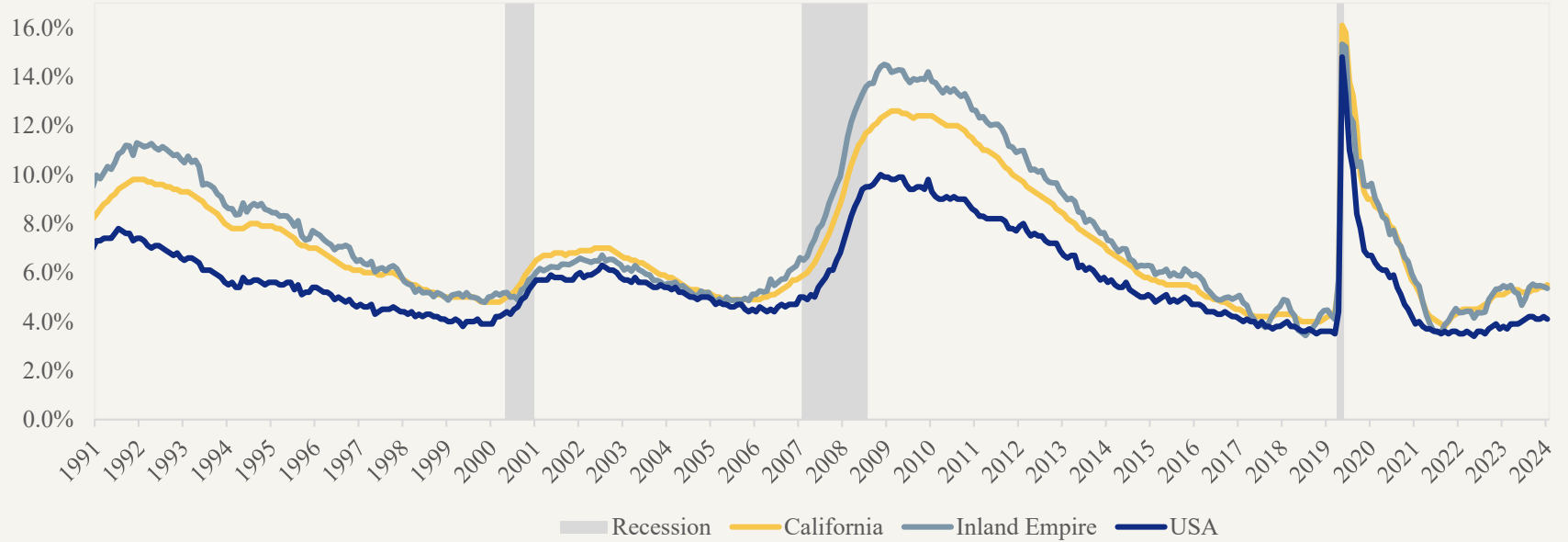
Source: Dept of Finance, State of California

Ten Largest Cities in San Bernardino County, 1990 - 2024



Source: Dept of Finance, State of California

Unemployment Rate, Inland Empire, January 1990 - December 2024



Source: Federal Reserve Bank of St. Louis, Employment Development Department

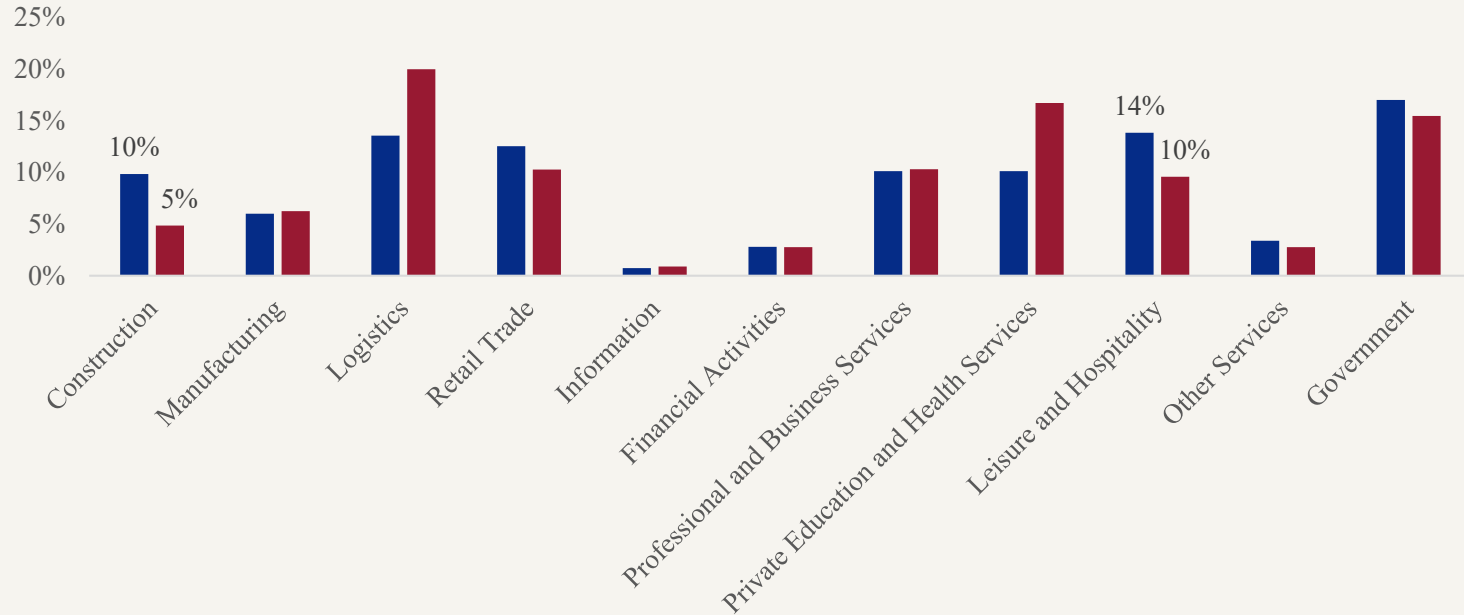
Unemployment Rates, Riverside County Cities, 2024

| City Name | Abbreviation | Unemployment Rate |
|-------------------------|--------------|-------------------|
| Indian Wells | INW | 3.7 |
| Norco | NOR | 3.7 |
| Corona | COR | 3.8 |
| Eastvale | EAC | 3.8 |
| Murrieta | MUR | 3.9 |
| Temecula | TEM | 4.2 |
| Cathedral City | CAT | 4.4 |
| Palm Desert | PDE | 4.4 |
| Beaumont | BMT | 4.5 |
| La Quinta | LAQ | 4.5 |
| Riverside | RIV | 4.5 |
| Jurupa Valley | JRV | 4.7 |
| Palm Springs | PSP | 4.7 |
| Wildomar | WIL | 4.8 |
| Lake Elsinore | LEL | 5.1 |
| Moreno Valley | MRV | 5.1 |
| Menifee | MEF | 5.3 |
| Blythe | BLY | 5.6 |
| San Jacinto | SJA | 5.8 |
| Indio | IND | 6.0 |
| Perris | PER | 6.0 |
| Banning | BAN | 6.3 |
| Hemet | HEM | 7.1 |
| Desert Hot Springs | DHS | 7.2 |
| Rancho Mirage | RAM | 7.2 |
| Coachella | COA | 10.7 |
| Riverside County | | 5.0 |

Unemployment Rates, San Bernardino Cities, 2024

| City Name | Abbreviation | Unemployment Rate |
|------------------------------|--------------|-------------------|
| Big Bear Lake | BBL | 3.1 |
| Chino Hills | CHH | 3.2 |
| Loma Linda | LOL | 3.4 |
| Redlands | RED | 3.6 |
| Rancho Cucamonga | RAN | 3.7 |
| Yucaipa | YUC | 3.8 |
| Upland | UPL | 3.9 |
| Montclair | MCL | 4.1 |
| Chino | CHI | 4.2 |
| Ontario | ONT | 4.4 |
| Fontana | FON | 4.5 |
| Colton | COL | 4.8 |
| Highland | HGH | 4.8 |
| Rialto | RIT | 5.3 |
| Barstow | BAR | 5.4 |
| Apple Valley | APV | 5.8 |
| San Bernardino | SBD | 5.9 |
| Grand Terrace | GTR | 5.9 |
| Twentynine Palms | TNP | 6 |
| Hesperia | HES | 6.6 |
| Yucca Valley | YUV | 6.7 |
| Victorville | VIC | 7.1 |
| Adelanto | ADL | 9.9 |
| Needles | NEE | 10.1 |
| San Bernardino County | | 4.8 |

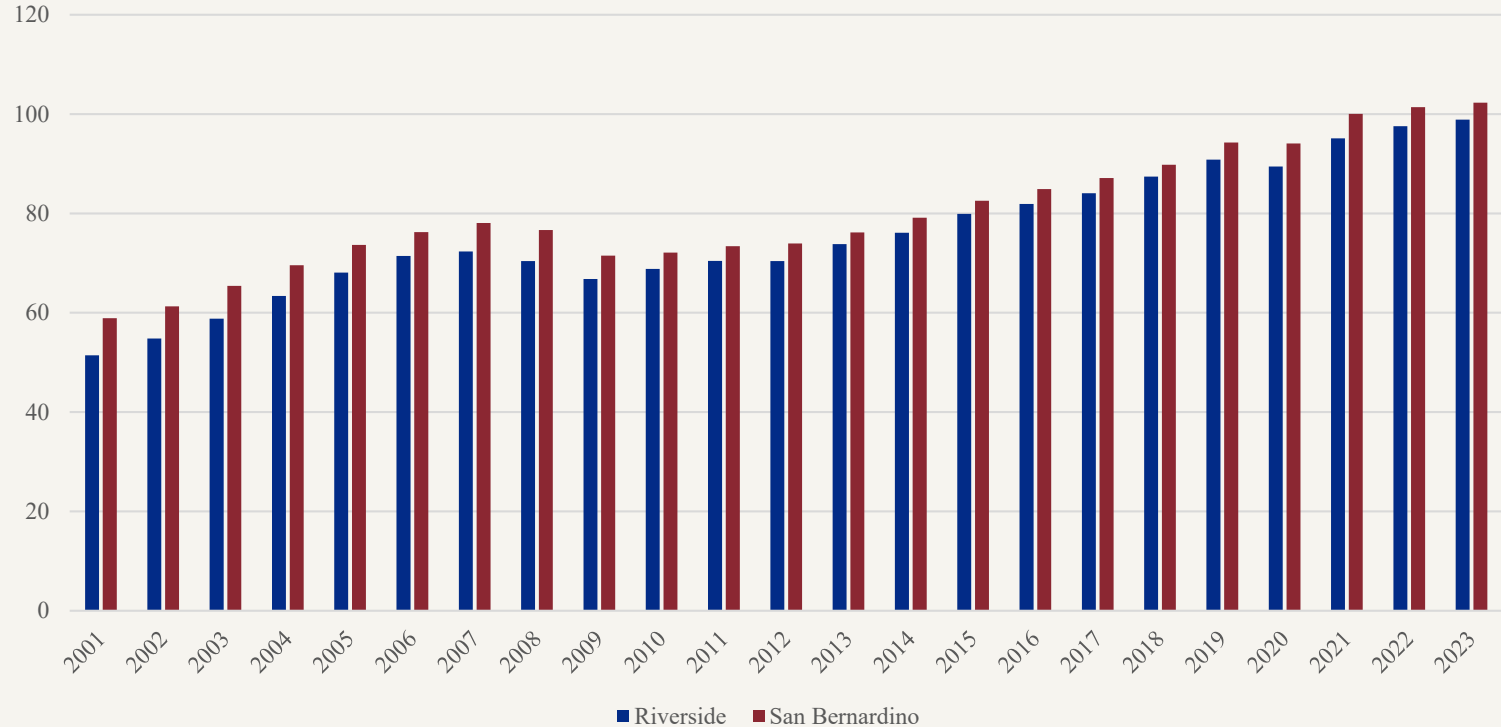
Share of Employment by Industry, RVC and SBC, 2023



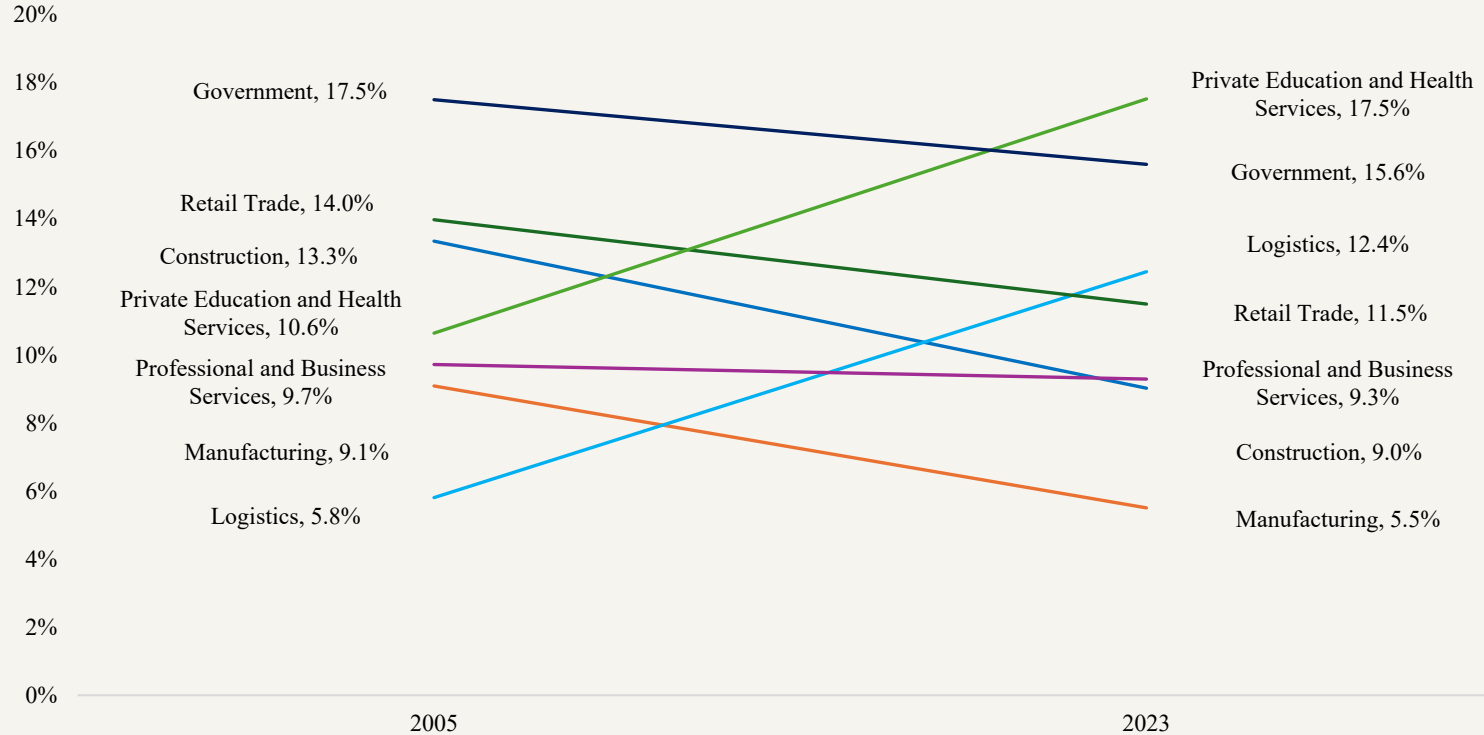
Source: Employment Development Department

■ Riverside ■ San Bernardino

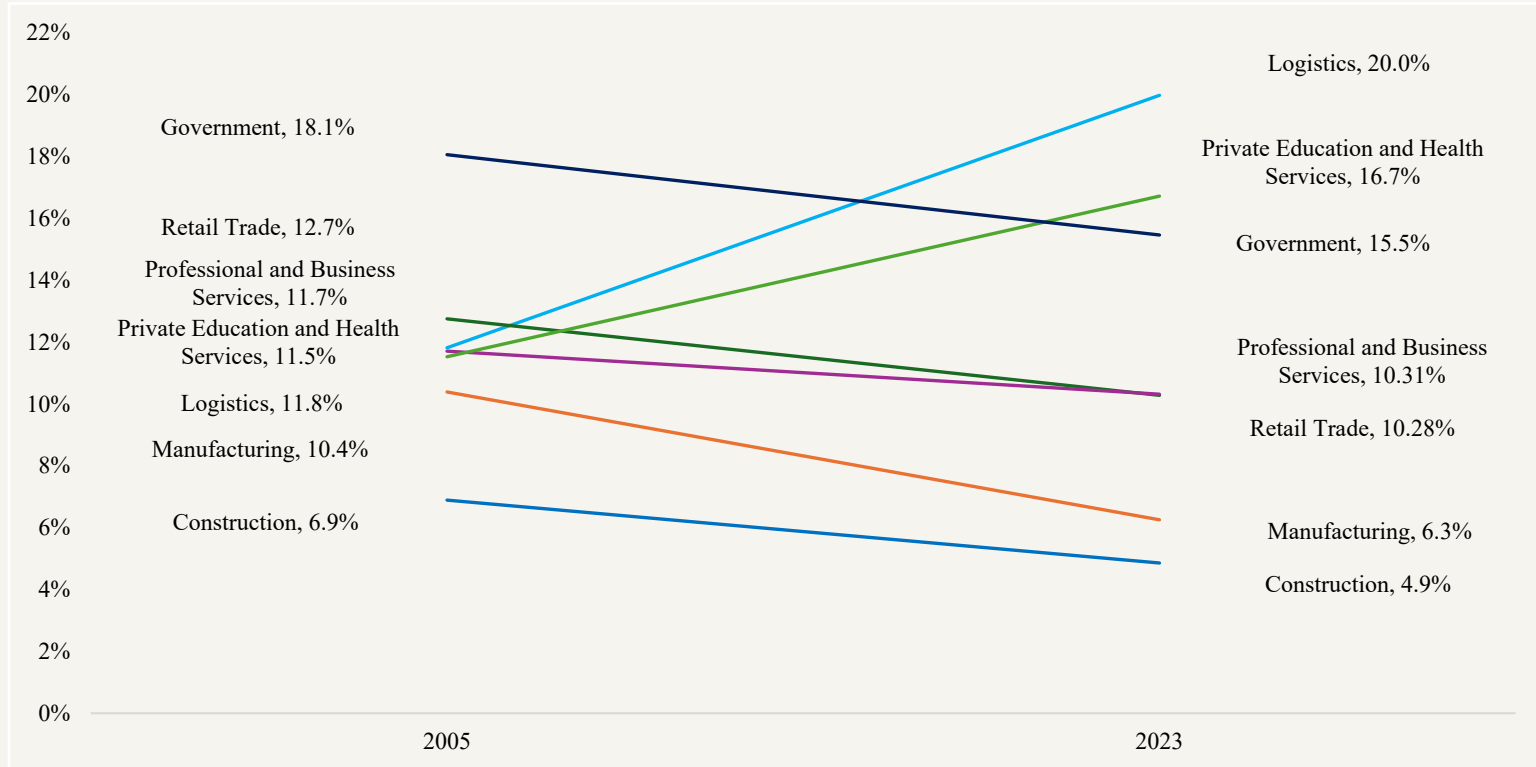
Gross County Product, \$ billions of 2017 dollars, Riverside County, San Bernardino County, 2001 - 2023



Share of Employment, Riverside County, 2005 and 2023

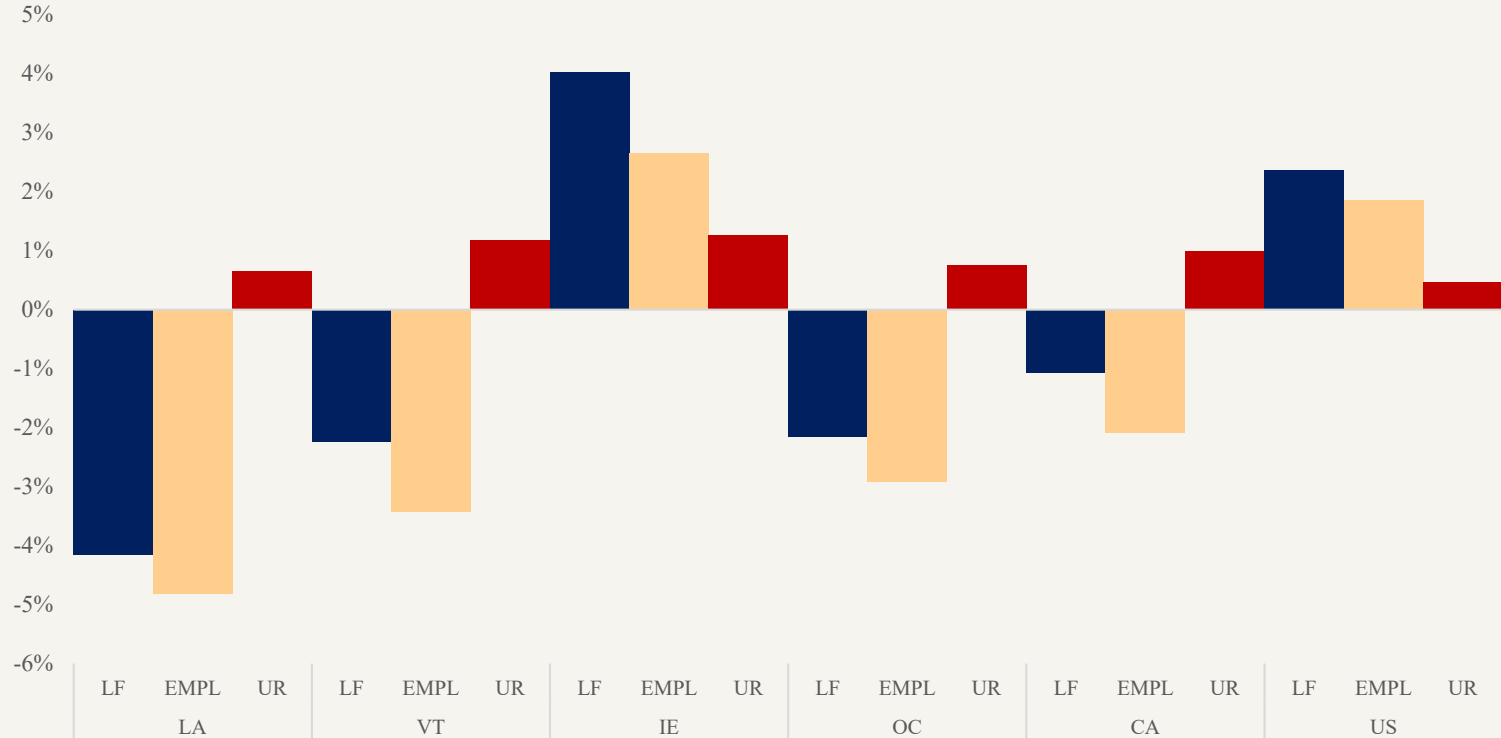


Share of Employment, San Bernardino County, 2005 and 2023

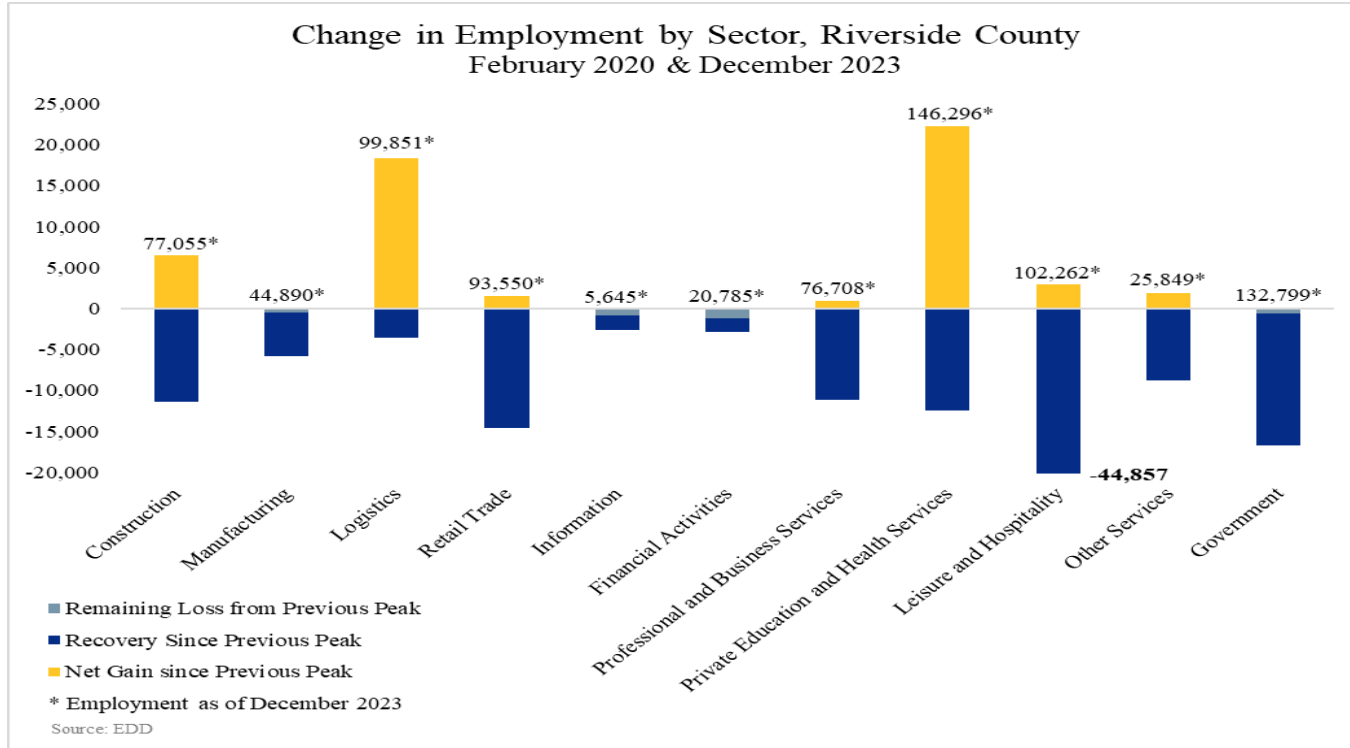


Good News Despite Looks

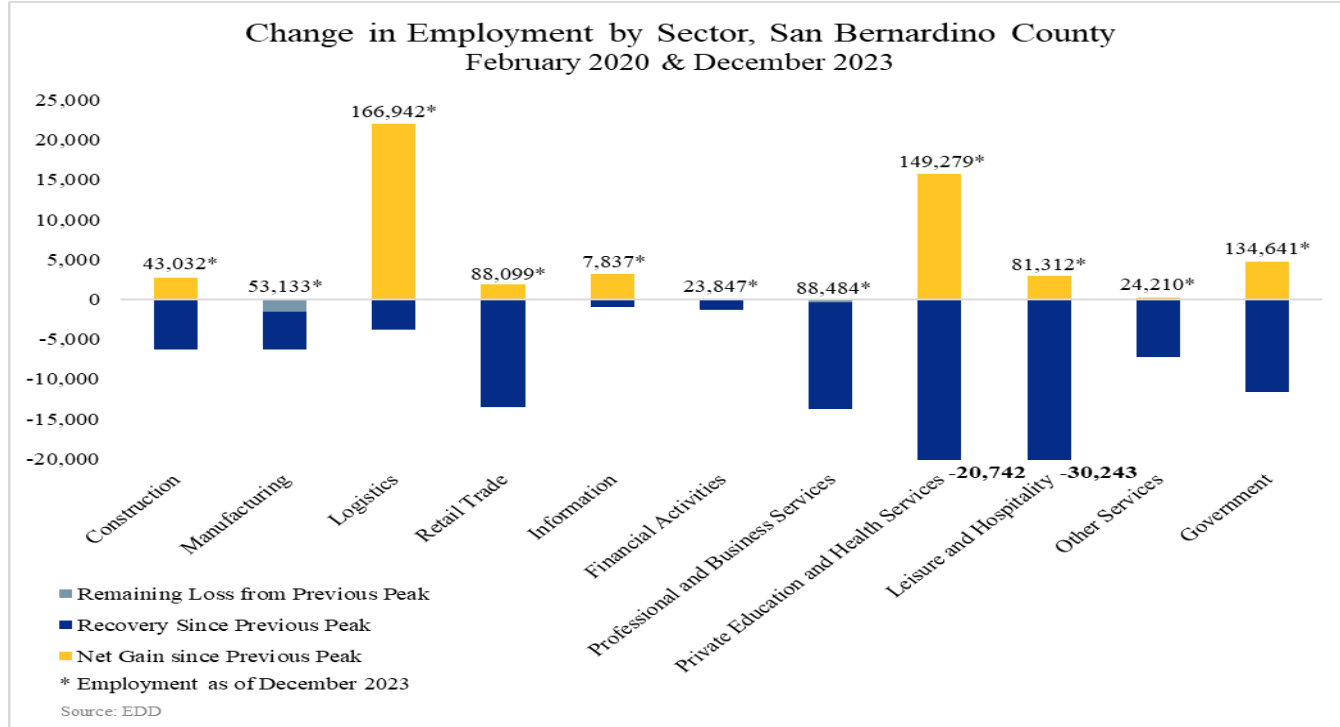
Change in Unemployment Rate, Employment Growth Rate, and Labor Force Growth Rate
Seasonally adjusted, Feb 2020 & Jul 2024



Change in Employment by Sector, Riverside County, Seasonally Adjusted, February 2020 and December 2023



Change in Employment by Sector, San Bernardino County, Seasonally Adjusted, February 2020 and December 2023



Problems Regarding Health, Public Education, Logistics Industries

Employment Growth Dec 2023-Dec 2024, Inland Empire

- CPS: +17,600 or +0.8% (better than 2023, when -9,000 or -0.4%)
- CES: +22,600 or +1.3%

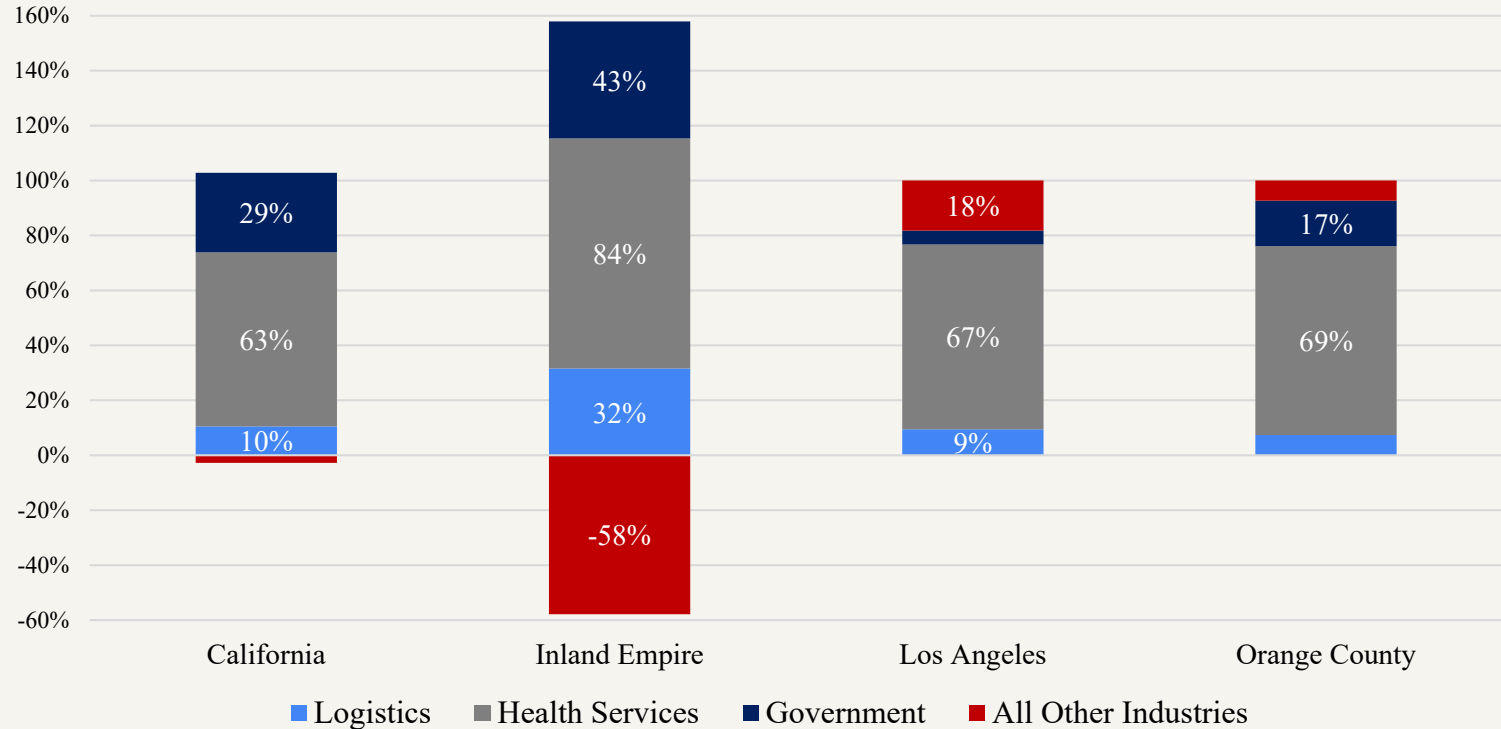
BUT Trump Years 2017-2019: +50,000 average each year, +2.2%

- Top 3 Industries have 50% employment share
- + 35,500 or +4.2% or 156% of Total Job Growth
- Rest? Roughly -13,000 (California: -23,000)

High Wage Job Growth IE: -6,400

Low Wage Job Growth IE: +28,100

Job Creation, December 2023 - December 2024



Indicators, Inland Empire, Present and Forecast

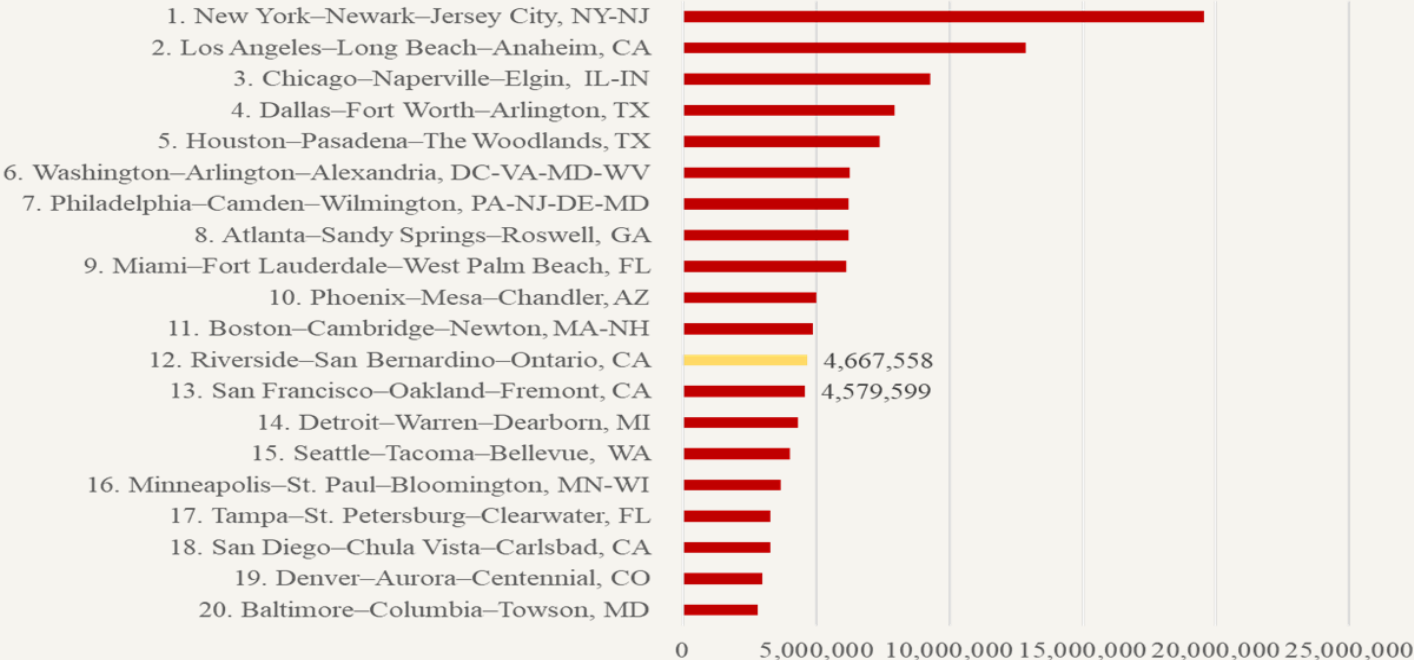
| Riverside County | 2023 | 2024 | 2025 | 2026 |
|------------------------------|-------------|-------------|-------------|-------------|
| Inflation | 3.5 | 3.0 | 2.6 | 2.3 |
| Unemployment Rate | 4.8 | 5.7 | 5.8 | 6.1 |
| Employment Growth | 2.3 | 1.5 | 1.4 | 1.1 |
| Population (millions) | 4.602 | 4.622 | 4.643 | 4.666 |

Lasting Effects of the LA Fires



Big Picture: Why Care About the Inland Empire

- It's Big



Big Picture: Why Care About the Inland Empire

- It takes 2 hours to drive from Upland to Downtown LA on a Thursday morning at 7:00



Commuters, Riverside County and San Bernardino County, Origin and Destination, 2022

| | INTO San Bernardino | FROM San Bernardino | INTO Riverside | FROM Riverside |
|--------------------------------|------------------------|------------------------|-------------------|-------------------|
| San Bernardino | --- | --- | 78,500 | 114,000 |
| Riverside | 114,000 | 78,500 | --- | --- |
| LA County | 61,000 | 133,000 | 17,000 | 53,000 |
| Orange | 13,000 | 37,000 | 16,000 | 76,000 |
| San Diego | 1,000 | 3,000 | 7,000 | 47,000 |
| Total | 189,000 | 251,500 | 118,500 | 290,000 |
| Share of Total Empl | 23% | 30% | 14% | 34% |

Big Picture: Why Care About the Inland Empire

- Housing

Median Prices and Sales of Homes in Southern California

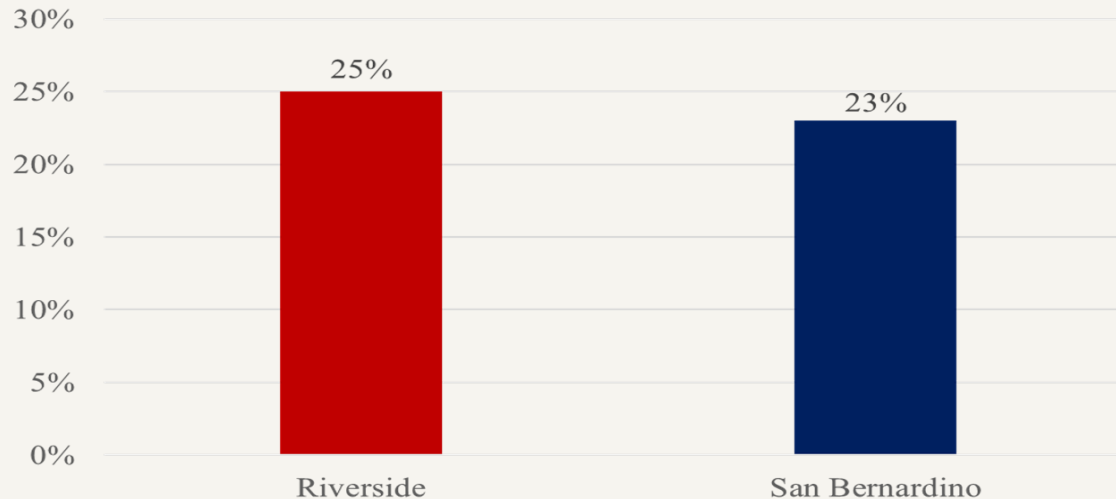
| Southern California | December 2023 | November 2024 | December 2024 | Price MTM% Chg | Price YTY% Chg | Sales YTY% Chg |
|-----------------------|------------------|------------------|------------------|-------------------|-------------------|-------------------|
| Los Angeles | \$853,340 | \$937,030 | \$912,370 | -2.6% | 6.9% | 0.0% |
| Orange | \$1,300,000 | \$1,375,000 | \$1,362,000 | -0.9% | 4.8% | 0.0% |
| Riverside | \$605,000 | \$628,000 | \$624,790 | -0.5% | 3.3% | 0.0% |
| San Bernardino | \$475,000 | \$510,000 | \$490,950 | -3.7% | 3.4% | 0.0% |
| San Diego | \$911,500 | \$975,000 | \$975,000 | 0.0% | 7.0% | 0.0% |
| Ventura | \$882,500 | \$912,000 | \$895,000 | -1.9% | 1.4% | 0.0% |
| California | \$819,820 | \$852,880 | \$861,020 | 1.0% | 5.0% | 0.0% |

Source: California Association of Realtors, KE

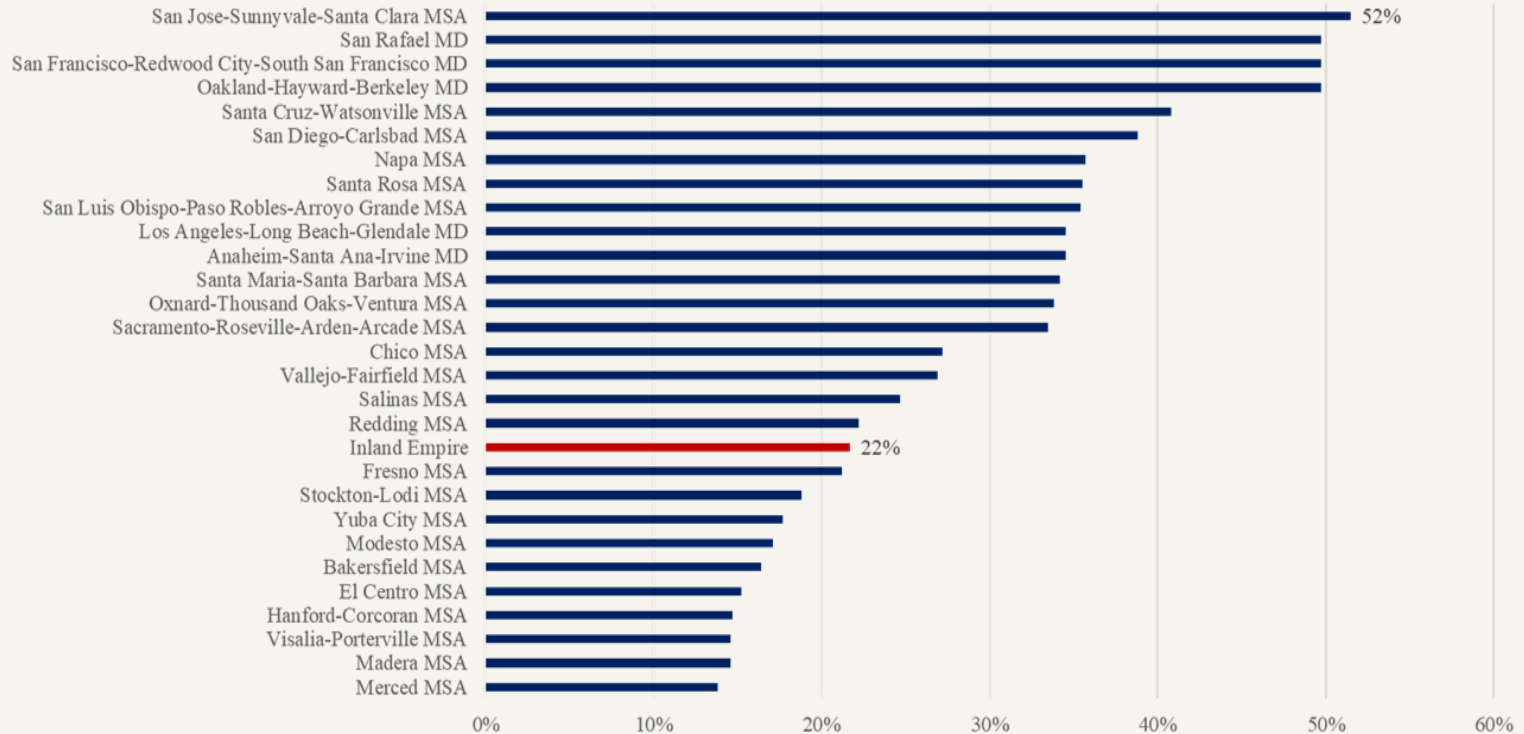
Big Picture: Why Care About the Inland Empire

- Lack of “High Value Added” Firms in Inland Empire

% of Prime-Age Workers with at least a Bachelor’s Degree Riverside County and San Bernardino County, 2023

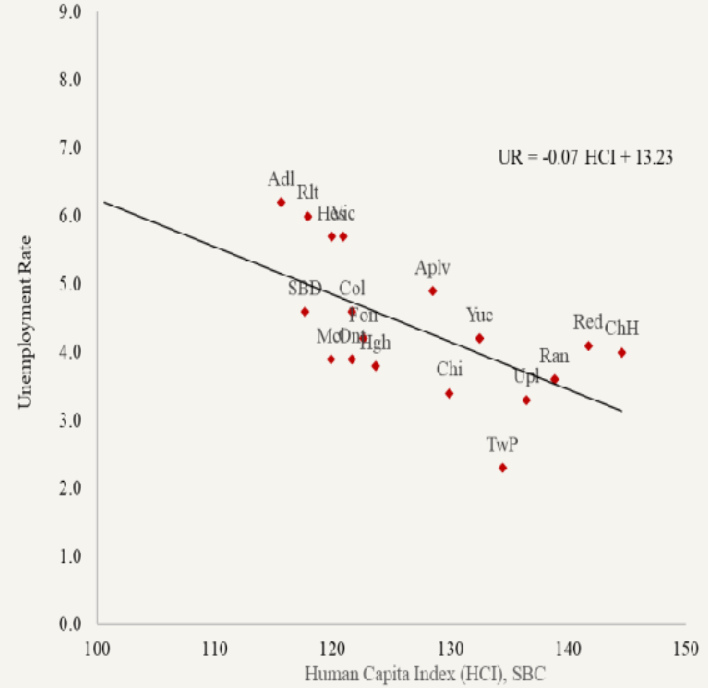
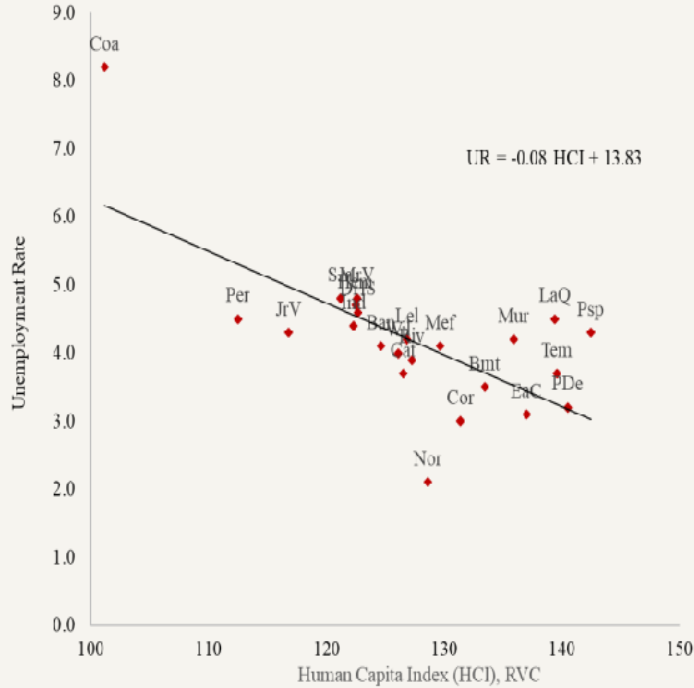


% of Prime-Age Workers with at least a Bachelor's Degree California MSAs and MDs, 2019



Unemployment Rate Differences by Major Cities

Riverside County and San Bernardino County, 2023

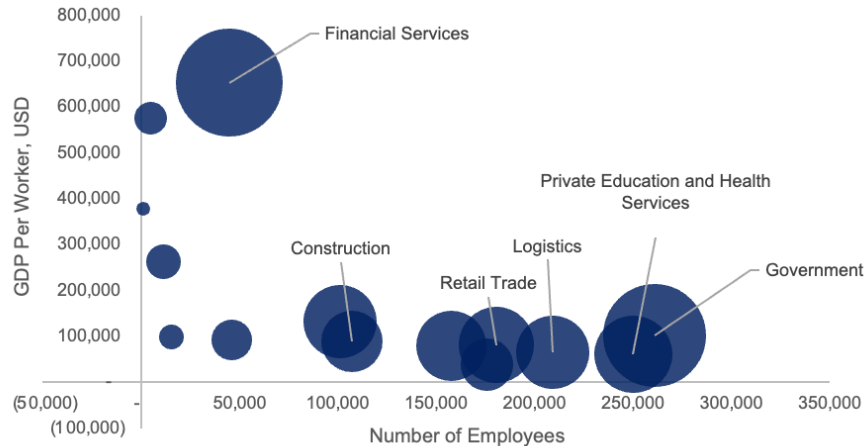


Big Picture: Why Care About the Inland Empire

- Inland Empire 2050: Where Do You Want to Be?

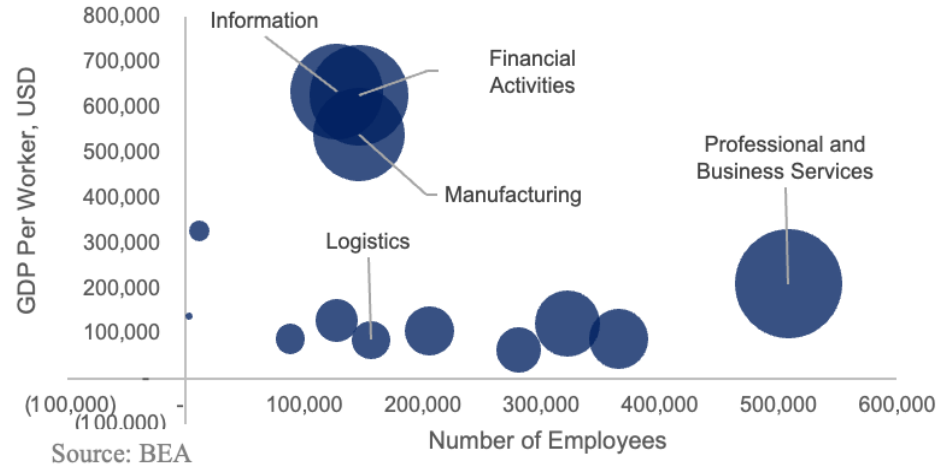
Inland Empire Industry Productivity

Bubble Size Represents Industry GDP



San Francisco-Oak.-Fr. MSA Industry Productivity

Bubble Size Represents Industry GDP



Source: BEA