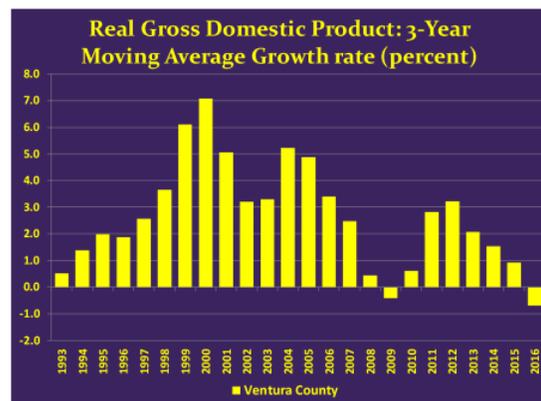


Dan Hamilton  
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## A Review of the Data

The December 2016 release of new population data was the first indication to CERF of a non-trivial slowdown in the county's economy. While we had been forecasting slow growth for a long time, we had not considered forecasting a contraction. The 2016 population growth rate was 0.28 percent, a number dangerously close to zero. This paltry rise in population was driven by a net outflow of 4,000 people to other counties in the U.S. It is exceptional to me that 4,000 people left Ventura County in just one year.

More information came from the September 20 release of the County's GDP for 2016. Those estimates, made by the US-BEA, indicate that the County's economy shrank by 2.7 percent in 2016. The BEA revised its previous estimates for 2014 and 2015 downward, resulting in near zero growth rates for those years. This is substantial, even recessionary. The 2016 number is small enough that, even with positive revisions, it would not materially change the story of a significant contraction. The numbers for the three years from 2014 through 2016 are the worst three years that we have on record, worse than the 1990s and the Great Recession.

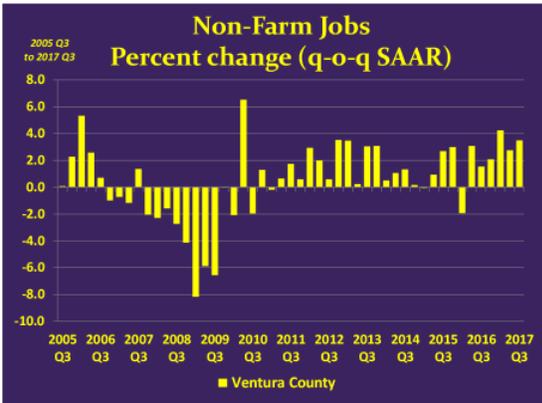


Some might dismiss this data release as too late after the fact, and they might note that it is subject to revision a full year from now. I would counter that this is the broadest measure of the County's economy, and the BEA commits a considerable amount of resources to compiling this data. In addition, the other hard economic data that is available for 2017, the CES jobs data, is also subject to revision. I discuss that upcoming revision below.

The other hard economic data that we have for 2017 is mostly real estate activity. As discussed in our housing markets essay in this publication, building activity, especially residential building, experienced a boost in 2016. Despite this, it was not enough to offset economic contraction in other sectors. Thus, overall, the county's economy contracted in 2016.

The jobs numbers for 2017 are very strong. The annualized quarterly growth rates are 4.2, 2.5, and 3.7 percent for quarters 1, 2, and 3, respectively. The quarter 3 number

uses an estimate for September’s jobs. This job growth is the strongest on record for at least 12 years, and the strength of this indicator runs counter to the weakness of the other economic data.



As noted earlier, the 2017 (and earlier years) jobs data will be revised in March of 2018, using updated information from various other demographic and employment data sources. While CERF does not usually take a stand on revisions, in part because revisions are historically mean zero, we expect the revisions to the county’s jobs data to be downward.

### A Deeper Dive Into the GDP Contraction

The contraction in GDP amounted to a \$1.2 billion decline from 2015 to 2016.

Analyzing the decline by sector shows that the largest sectoral decline was nondurables manufacturing, by far, with a \$960 million decline. This is 82 percent of the total decline. The next closest sector was financial services with a decline of \$191 billion. Nondurables manufacturing in

Ventura County is mainly two subsectors, food processing and chemicals /biotechnology, like Amgen. In terms of value, the biotechnology subsector is the big dog in the house. For 2015, the latest year in which we have the data, the chemicals subsector was almost 93 percent of nondurables manufacturing. The decline in the county was mostly driven by a decline in biotechnology.

Ventura County	
Sector	2015 to 2016 Change Millions of real 2009 dollars
All industry total	-1,172
Agriculture, forestry, fishing, and hunting	36
Mining and quarrying	-116
Utilities	-6
Construction	0
Durable goods manufacturing	-59
Nondurable goods manufacturing	-958
Wholesale trade	-37
Retail trade	-18
Transportation and warehousing	3
Information	30
Finance, insurance, real estate, rental, and leasing	-191
Professional and business services	44
Educational services, health care, and social assistance	88
Arts, entertainment, recreation, accommodation, food service	-17
Personal, repair, maintenance services and organizations	-20
Government	116

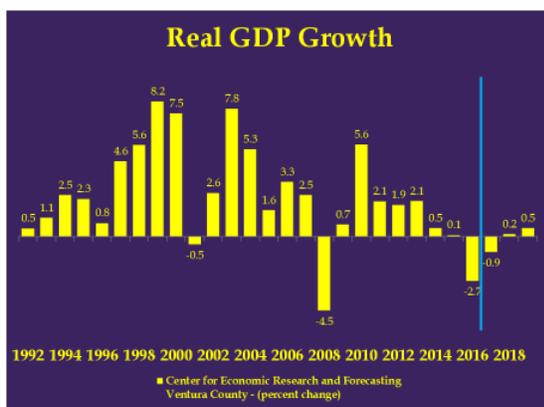
*Source: US Bureau of Economic Analysis*

One should not be dismissive of woes in just this one sector. It is a high value sector, and the lack of that income circulating in the county is important to our economic vitality ... not to mention it is very important to local real estate.

Given the difficulty and costs of doing business in Ventura County, I can only surmise that more contractions in this influential sector will continue, even if the companies in this sector perform admirably. It is not a biotech thing, but rather, it is a county thing.

## The Forecast

Given our assessment of the data this year, not only do we consider forecasting a contraction, it is our baseline forecast. We forecast that the economy will contract by 0.9 percent in 2017. While the economy again expands in 2018 and 2019, it is barely an expansion, essentially zero growth.



A pessimistic forecast would include ongoing biotechnology sector declines of about a billion dollars a year. This could go on for a while as Ventura County's chemicals manufacturing is a seven billion dollar sector.

An optimistic forecast would include growth in this sector as well as in many others. I return to Amgen, who for their part, has indicated that future changes to the location of their business activities would be away from Thousand Oaks, not toward it. Thus, an optimistic scenario for Ventura County would be a low probability one.