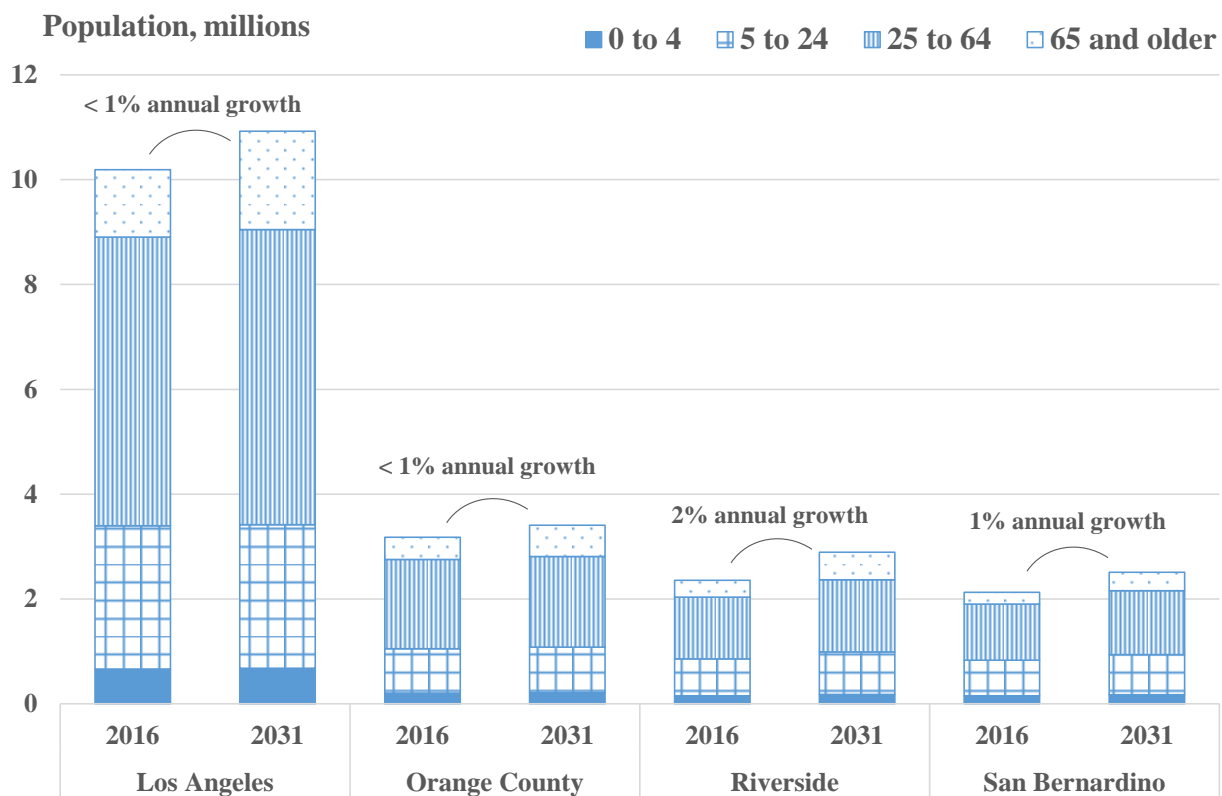


Baseline Demographic and Economic Projections

The area of Los Angeles, Riverside, San Bernardino, and Orange Counties combined, is home to approximately 17 million people. According to SCAG’s growth forecast, the region’s population will increase at an annualized rate of 0.7 percent between 2016 and 2031, adding on average 125,000 people to the region each year.¹ Almost half of this increase will occur in the Inland Empire counties of Riverside and San Bernardino which will have an average annual population increase of about 61,000 people, or a 1.4 percent annual growth rate. Growth in the more populous Los Angeles and Orange Counties is expected to be much slower, at an annual rate of 0.5 percent only, yet will also add about 64,000 each year due to the large base population.

Figure 1: The Inland Empire is growing faster than the Coast



Source: SCAG’s Growth Forecast, Draft 2016 Regional Transportation Plan/Sustainable Communities Strategy.

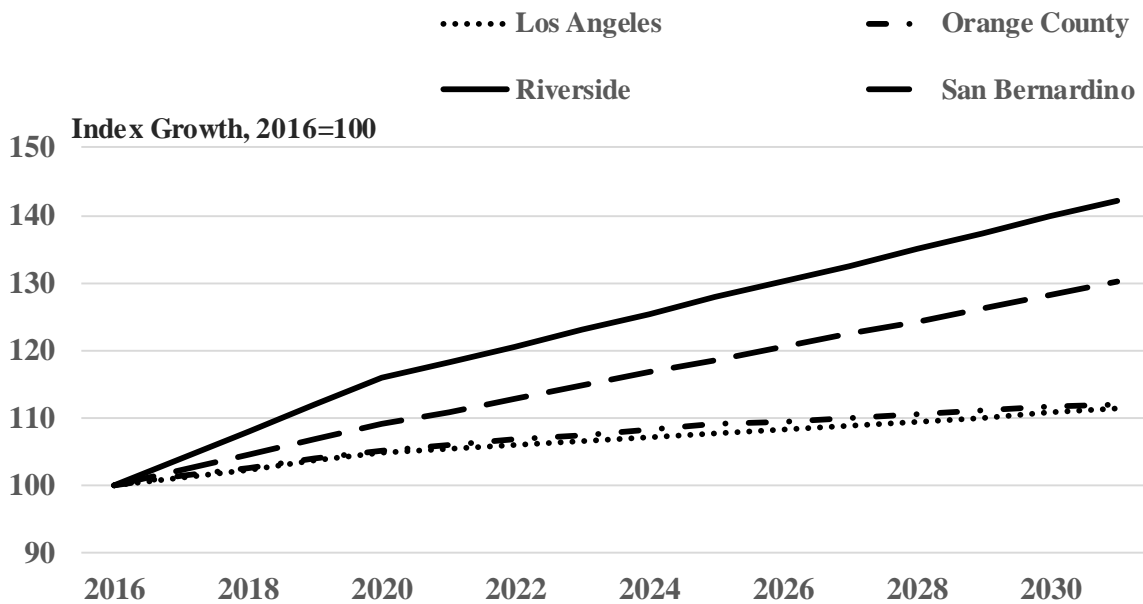
While population growth will lead to an increase in the absolute number of working-age people (25 to 64 years old), their actual share of total population will decline as the population continues to age and exit the labor force. As Figure 1 illustrates, the region’s aging population as share of total population will rise from 13 percent in 2016 to 17 percent in 2031. In the meantime, the working-age share of the total population will decline by a similar magnitude, from 53 percent in

¹ Staff analysis of SCAG’s regional growth forecast in the Draft 2016 Regional Transportation Plan/Sustainable Communities Strategy.

2016 to 50 percent in 2031. However, this will by no means dampen the prospect of future job seekers as the economy recovers and more jobs are created.

Population growth in the Inland Empire signals faster job creation in these counties. From 2013-2014, the Inland Empire was ranked 8th out of 200 metros for employment growth.² This trend is expected to continue as employment gains in both Riverside and San Bernardino are expected to outpace both Los Angeles and Orange Counties. Riverside and San Bernardino Counties' workforces are expected to reach about 1 million each by 2031, which represents an average annual growth rate of about 3 and 2 percent respectively. Los Angeles and Orange Counties are expected to grow at an average annual rate of less than 1 percent.

Figure 2: Inland Empire leads pack in employment growth



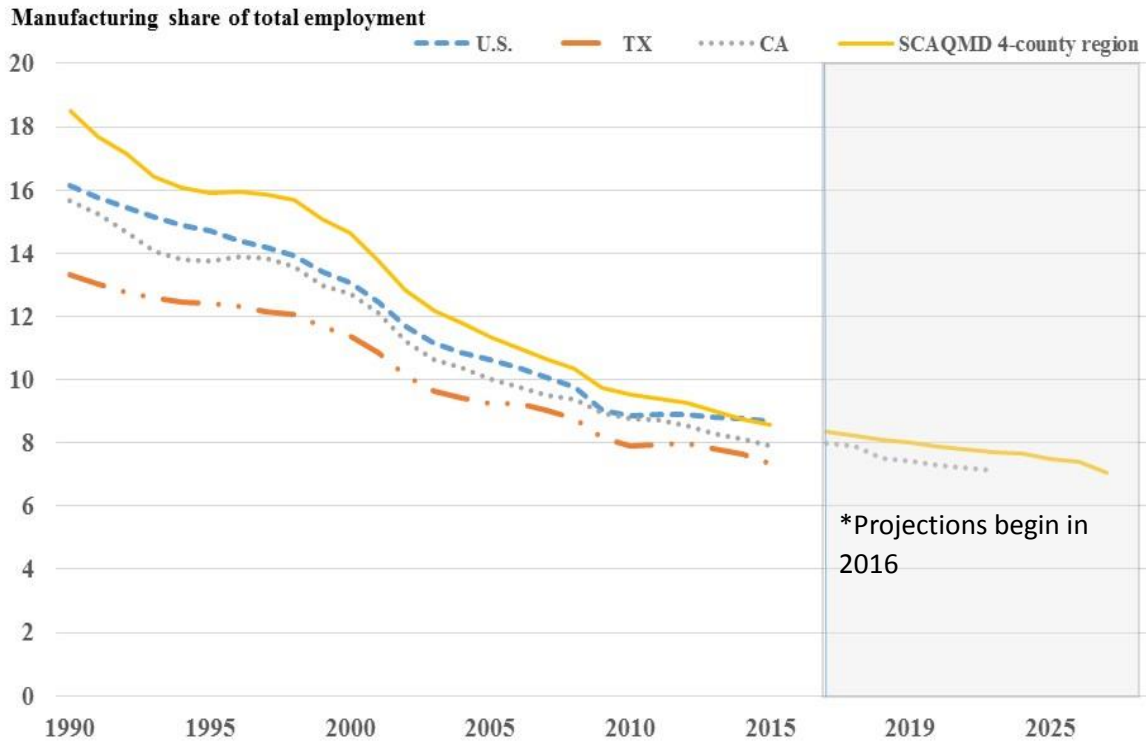
Source: SCAG's Growth Forecast, Draft 2016 Regional Transportation Plan/Sustainable Communities Strategy.

Following national economic trends, employment growth in the region will largely be driven by service industries instead of goods-producing industries like manufacturing.³ As Figure 3 illustrates, the Basin has a larger share of people employed in manufacturing than the state or entire U.S., yet overall trends show the sector has been in decline for decades and will decline even further over the next 15 years. In 2015, the Basin had half the share of manufacturing workers it had in 1990.

² Best Performing Cities 2015, Milken.

³Nationally, manufacturing output as share of GDP as well manufacturing employment as share of total employment is declining.

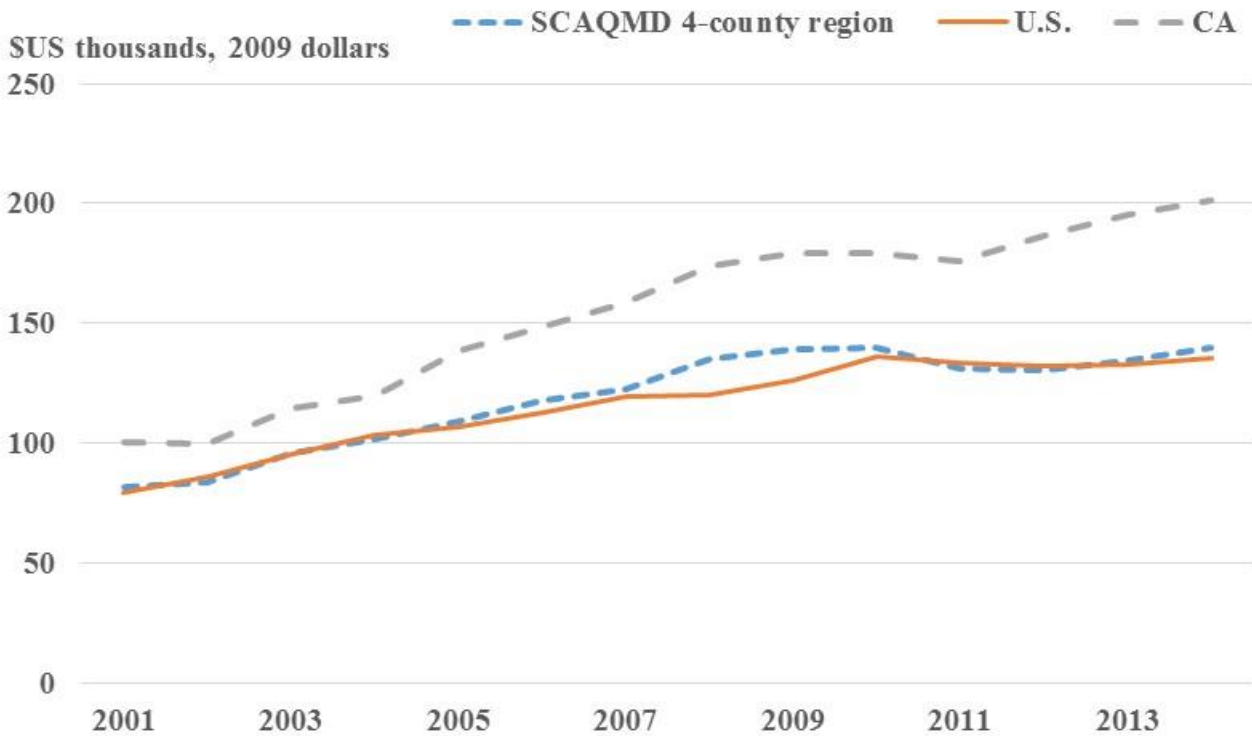
Figure 3: Manufacturing sector employs less people over time



Sources: U.S. Bureau of Labor Statistics, California Employment Development Department, SCAG's Growth Forecast, Draft 2016 Regional Transportation Plan/Sustainable Communities Strategy.

Although employment is declining, output per worker is increasing. Increases in skilled labor, advancements in technology, and globalization are key factors that have spurred manufacturing to produce more with less. As seen in Figure 4, in the SCAQMD 4-county region, the productivity from a manufacturing worker has increased over time, with output rising from \$82,000 to \$140,000 (in 2009 dollars) over the period of 2001-2014.

Figure 4: Manufacturing output per worker is increasing



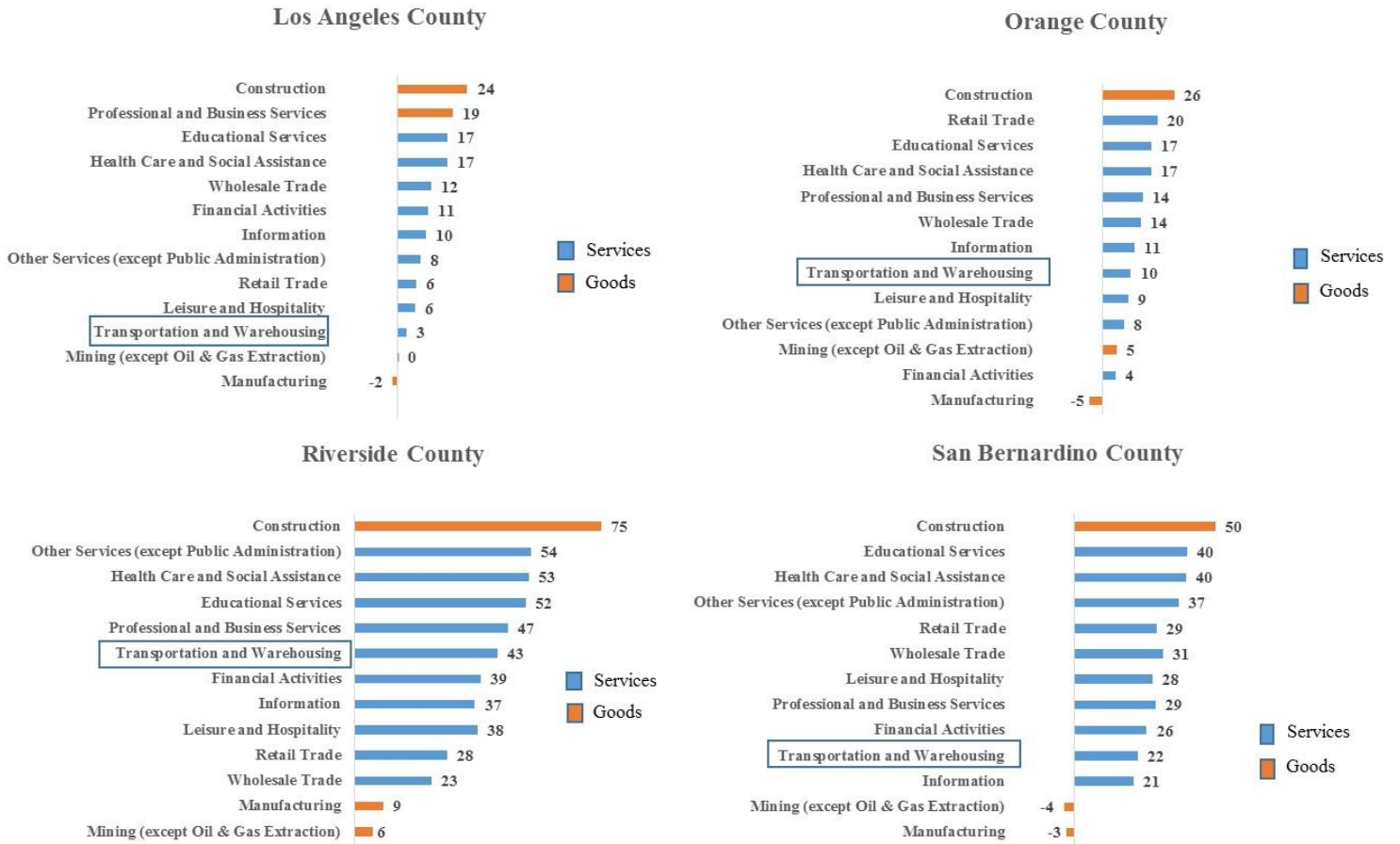
Sources: U.S. Bureau of Economic Analysis, U.S. Bureau of Labor Statistics.

While manufacturing is expected to be in decline in the region, Riverside County is actually expected to see growth in the sector. In addition, rebounds in the housing market, more space, and a lower cost-of-living will drive real estate development in the Inland Empire, and subsequently, growth in the construction industry—another pillar of the goods producing sector.

As shown in Figure 5, the manufacturing sector in Riverside is projected to grow by 9 percent from 2016 to 2031. Riverside is the only county in which all goods producing sectors (Construction, Manufacturing, and Mining) are expected to have strong gains. The greatest concentration of manufacturing job growth in Riverside County will be in Miscellaneous Manufacturing (goods like jewelry, toys, etc. that do not fall into other manufacturing categories) which pays an average annual wage of \$54,000.⁴ As manufactured and other goods from around the globe are carried to and from the ports of Los Angeles and Long Beach, the core “goods movement” industries of Transportation and Warehousing will continue to be an important growth industry in the Inland Empire.

⁴ Q2 2015 QCEW data from the California Employment Development Department for Riverside County.

Figure 5: Percent Employment Change by Industry, 2016-2031



Source: SCAG's Growth Forecast, Draft 2016 Regional Transportation Plan/Sustainable Communities Strategy.

Manufacturing is expected to be in decline in both Los Angeles and Orange counties with Orange County representing the largest decline in the region at 5 percent over the next 15 years. Growth in the healthcare sector is strong, especially as the population ages in these counties and construction and business services will lead growth in Los Angeles.