

Regional Economic Overview

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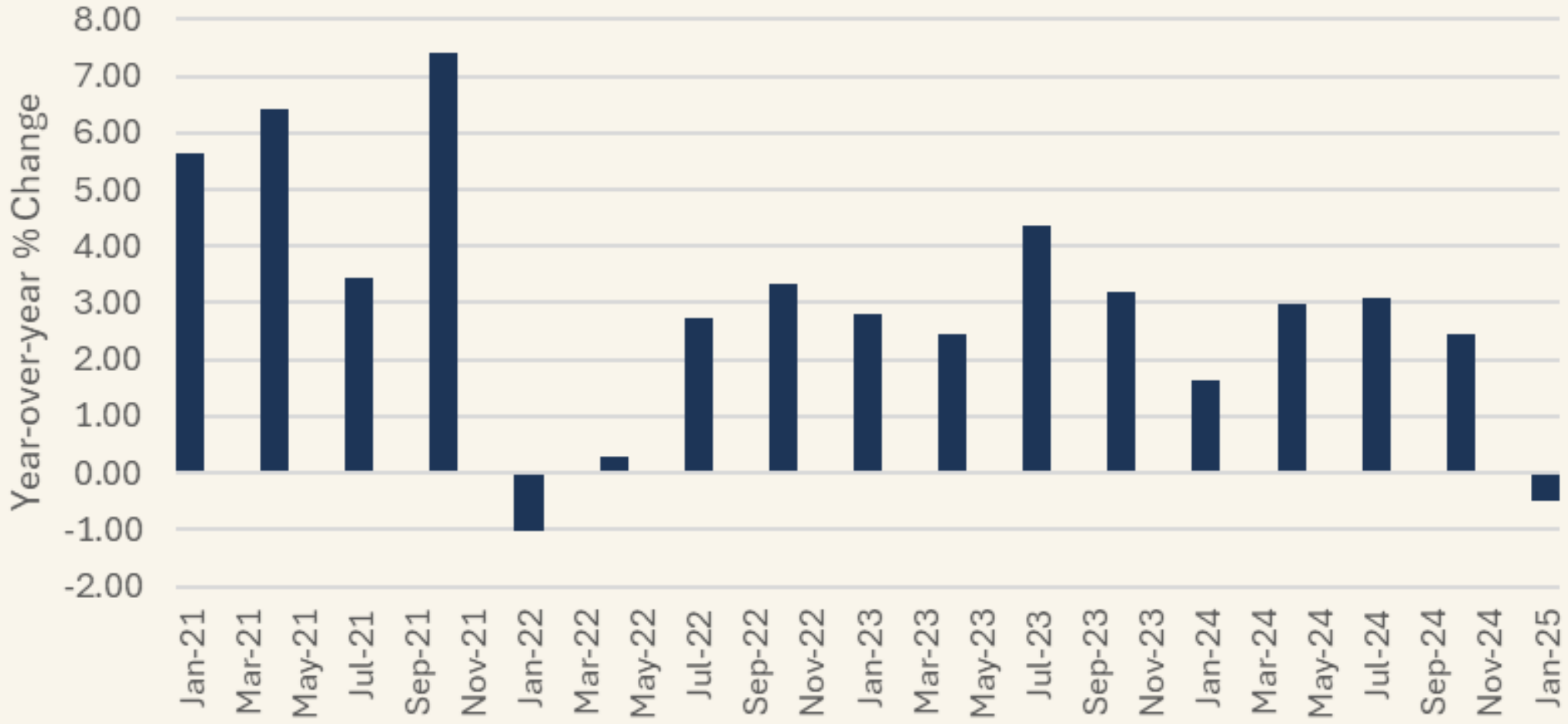
Founder, Inland Empire Dynamic Insights

August 2025

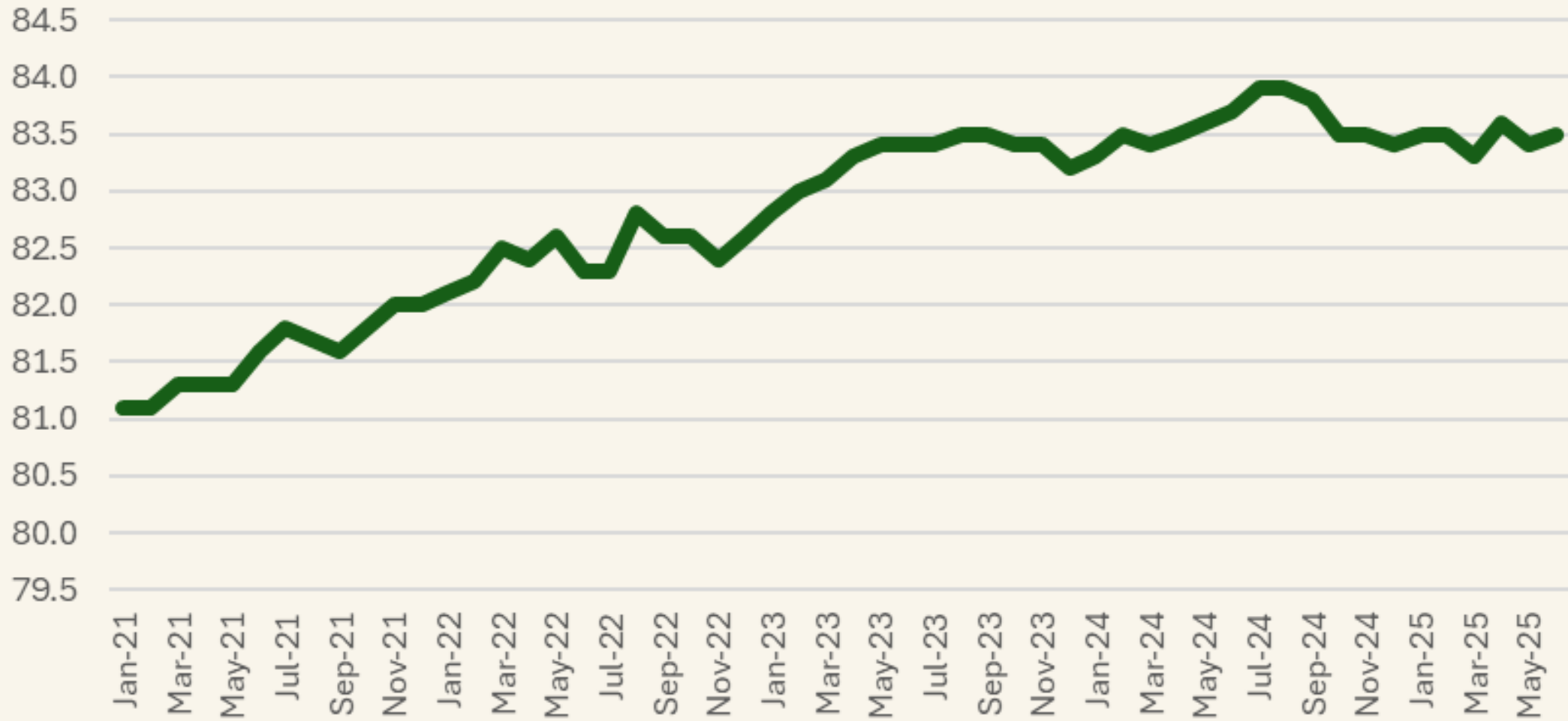
National outlook

- Income and production remain on steady footing
- Unemployment low, labor force participation high
- Inflation moderate, but remains somewhat elevated
- Potential risks:
 - tariffs (->consumption, inflation),
 - interest rates (-> housing market, consumption)
- Forecast: solid GDP growth and jobs numbers, with some “upside risk” to inflation
 - See here for a high-quality consensus:
<https://www.wsj.com/economy/economists-see-lower-recession-risk-and-stronger-job-growth-wsj-survey-10d6e476?st=fpxzGu>

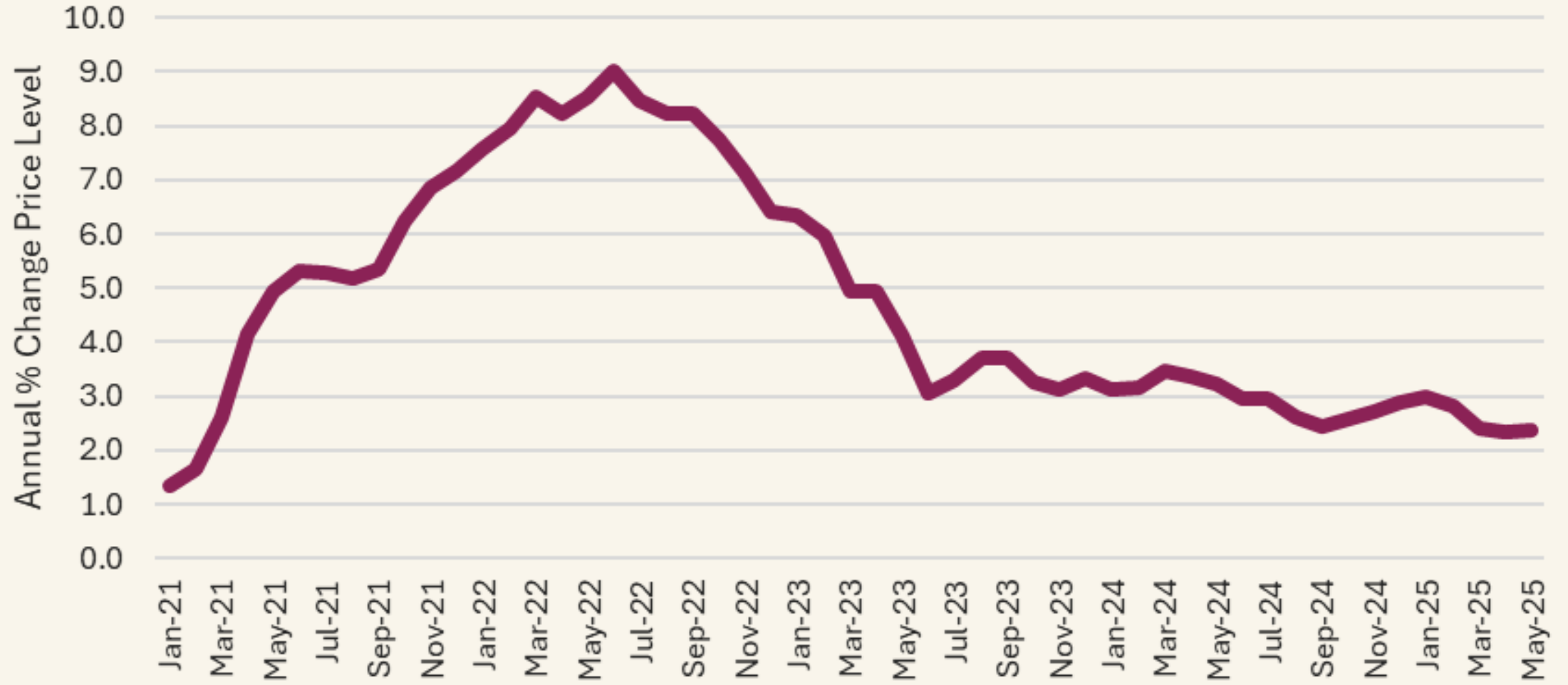
U.S. Real GDP Growth



U.S. Labor Force Participation Rate (Ages 25-54)



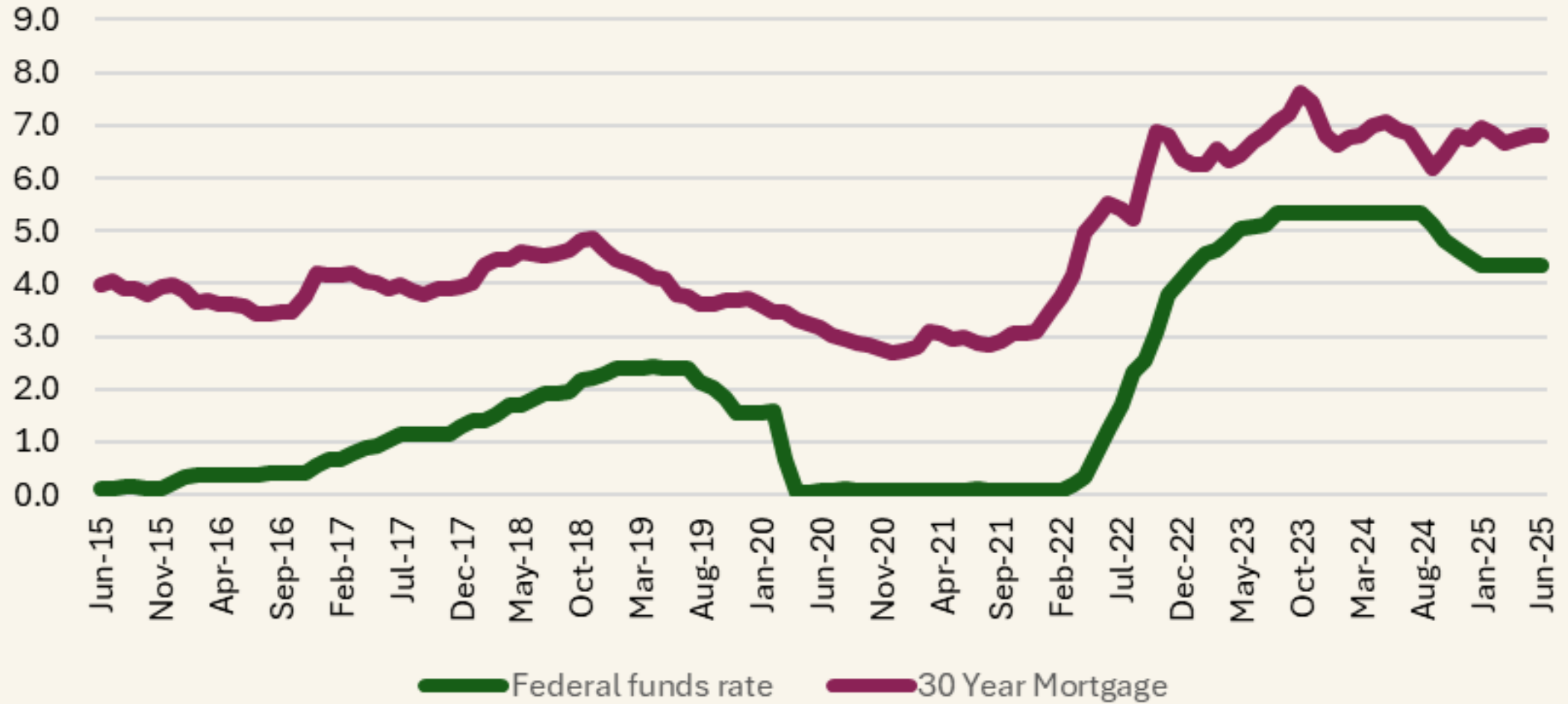
U.S. Inflation Rate



Econ 101 vs. Econ 201

- **Econ 101:** The Fed sets interest rates
- **Econ 201:** Interest rates respond to economic outlook (supply, demand, inflation) and may interact with the economy in unforeseen ways

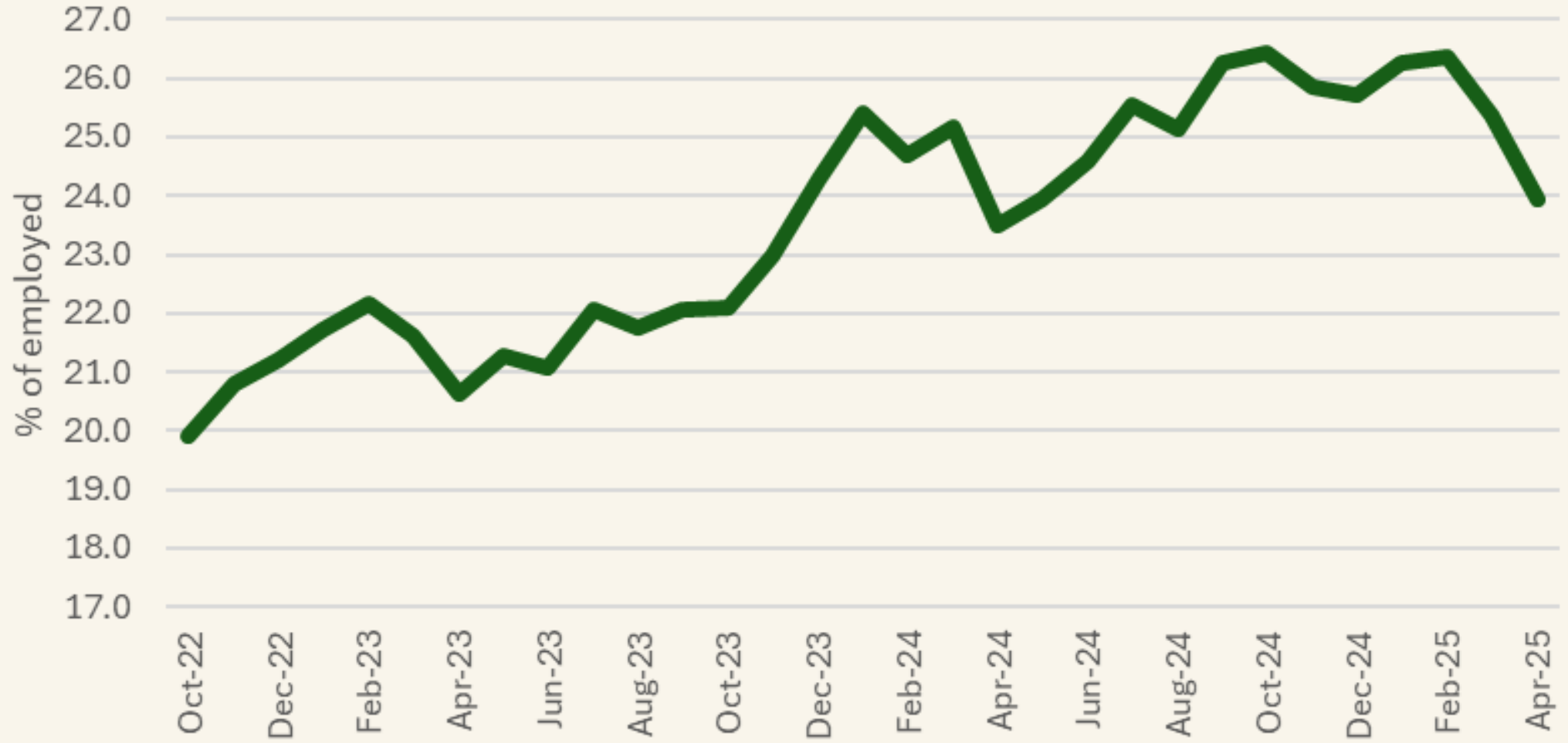
U.S. Interest Rates



U.S. Effective Tariff Rate



Remote Work Rate (U.S.)



Summing up

- US economy is doing well
 - Growth and labor market expected to remain solid
 - Inflation will continue to moderate
- Tariffs and labor market (in)flexibility remain risks
- Forecast: “steady as she goes” for rest of 2025



Sarah Larchmont
@SarahLarchmont



Jerome Powell is the hero we didn't know we needed.

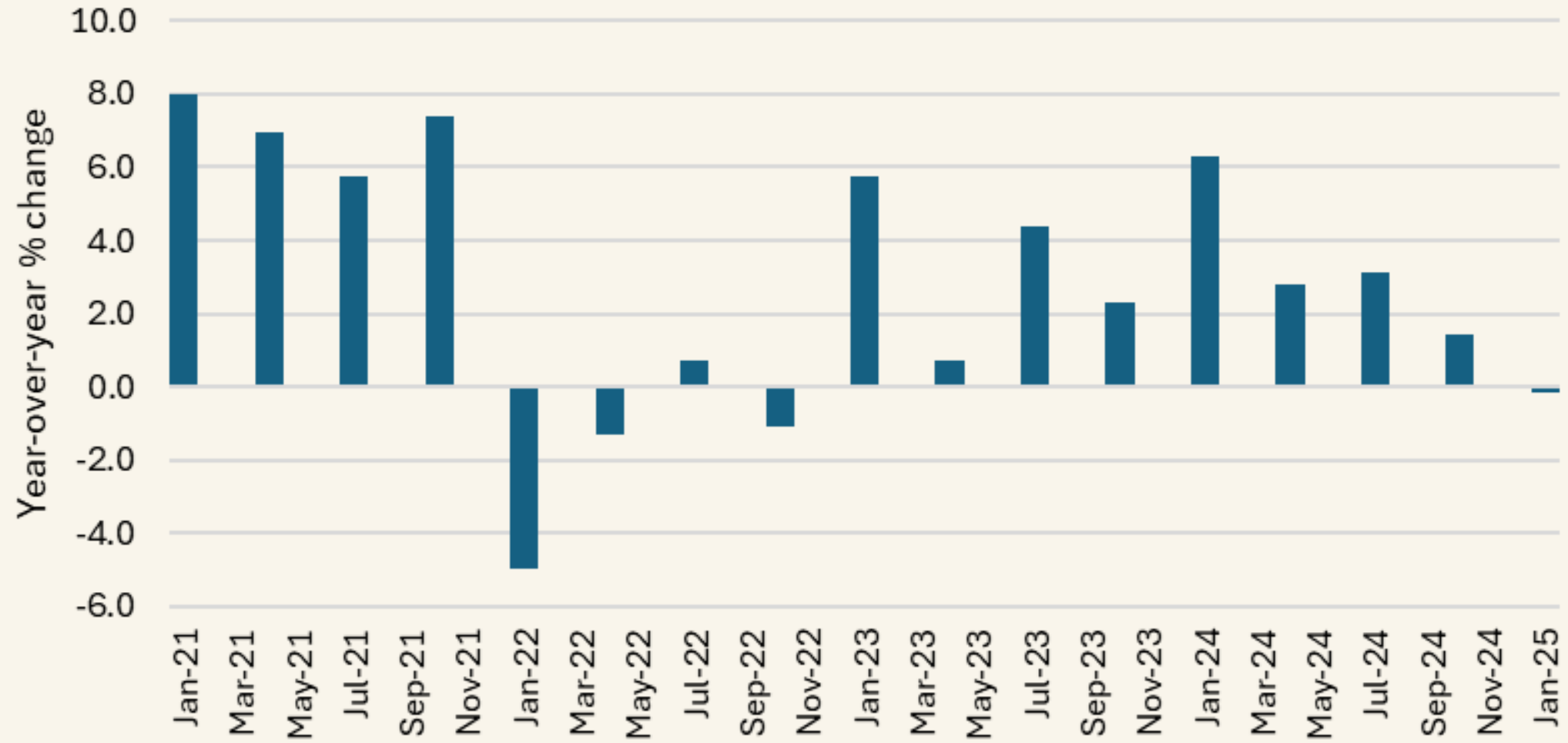


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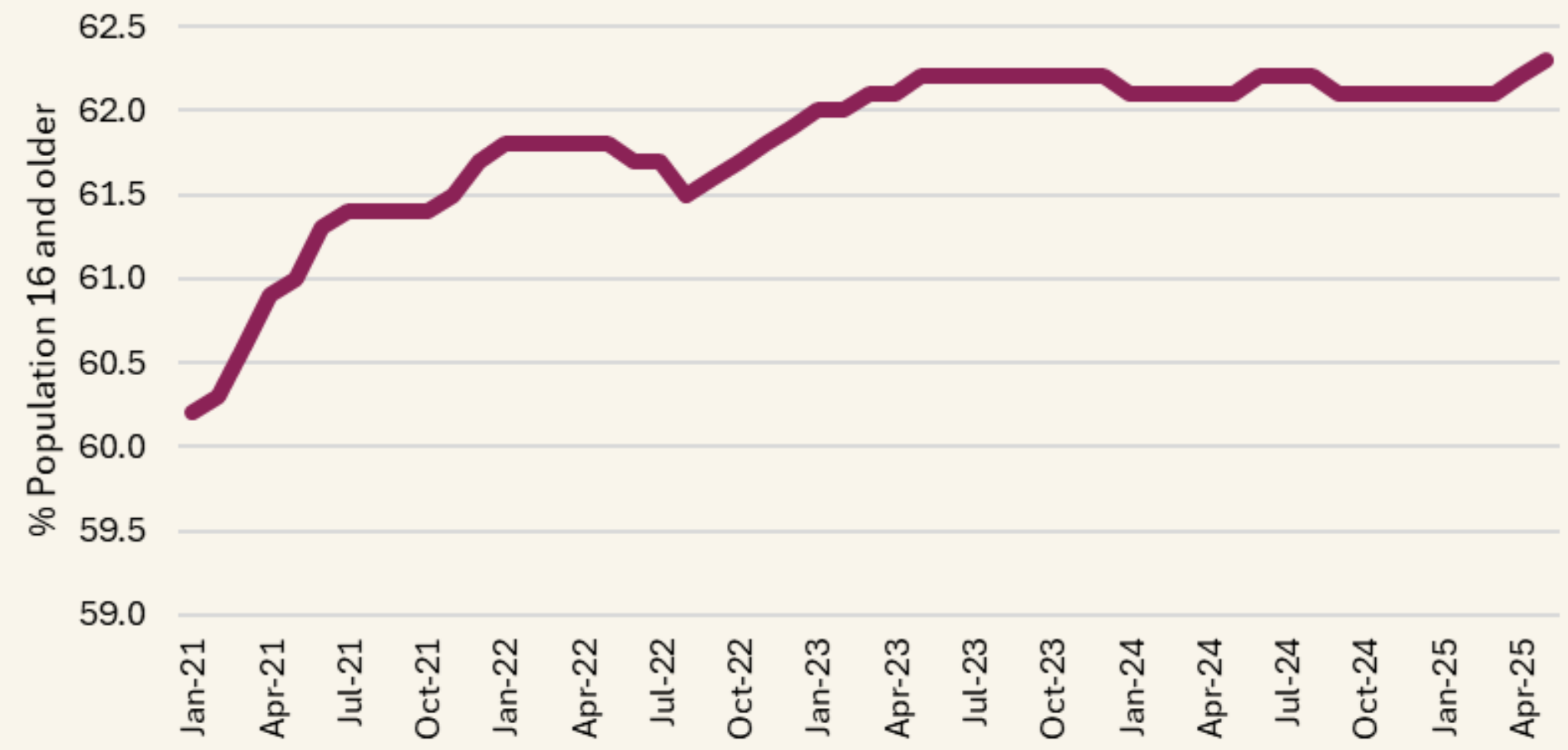
CA outlook

- Economy/jobs
 - Similar to U.S., economic growth and labor market are stable
 - Inflation not measured at state level, but no reason to think it will vary significantly from national outlook
- Real estate
 - California continues to perform well, overall, due to growth in economic opportunity
 - Interest rates hinder affordability and remain a fetter in some real estate markets
- Risks are longer-term: workforce growth/migration and real estate
- Forecast
 - Similar to U.S. overall, solid (not spectacular) real GDP and job growth
 - Slow-but-steady real estate market

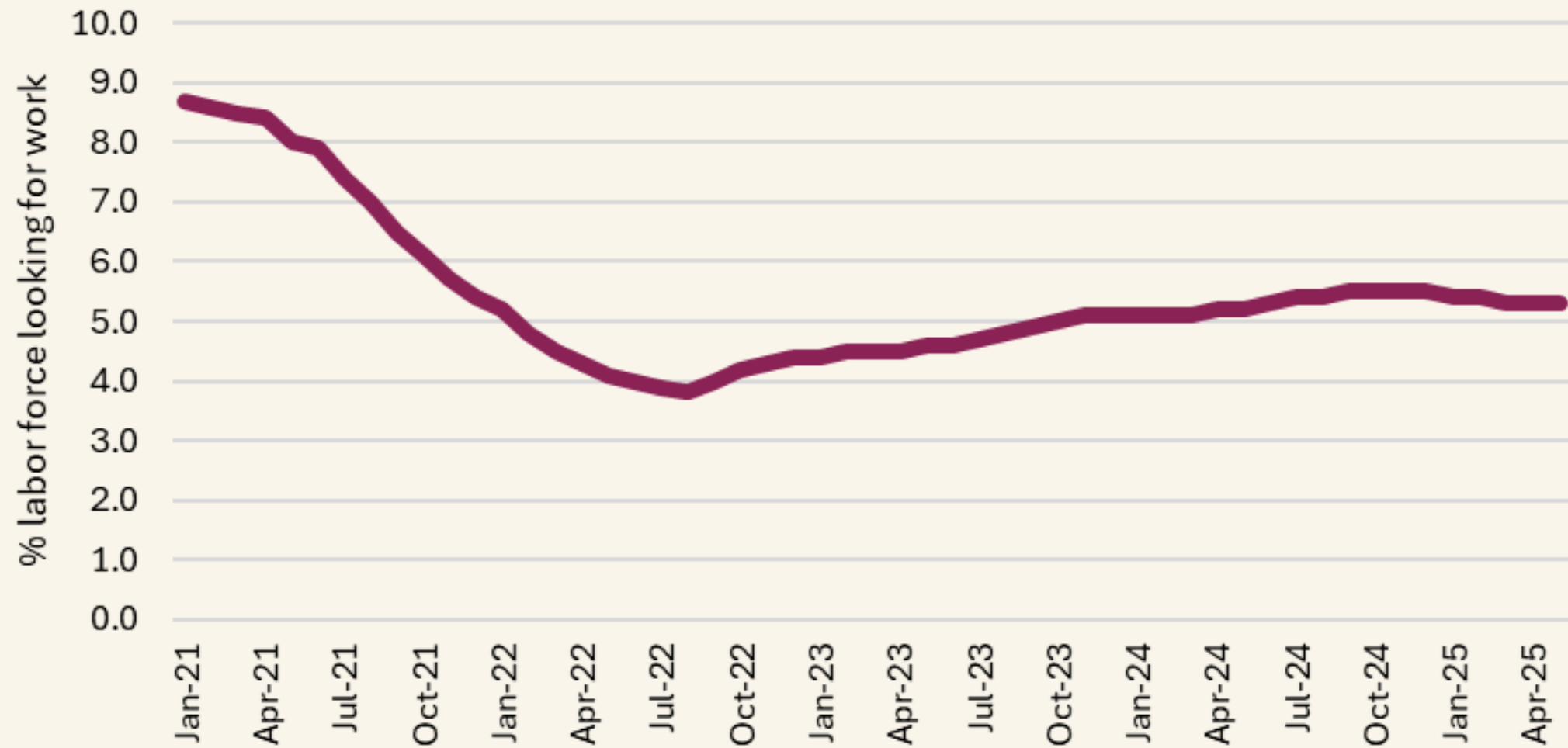
CA Real GDP Growth



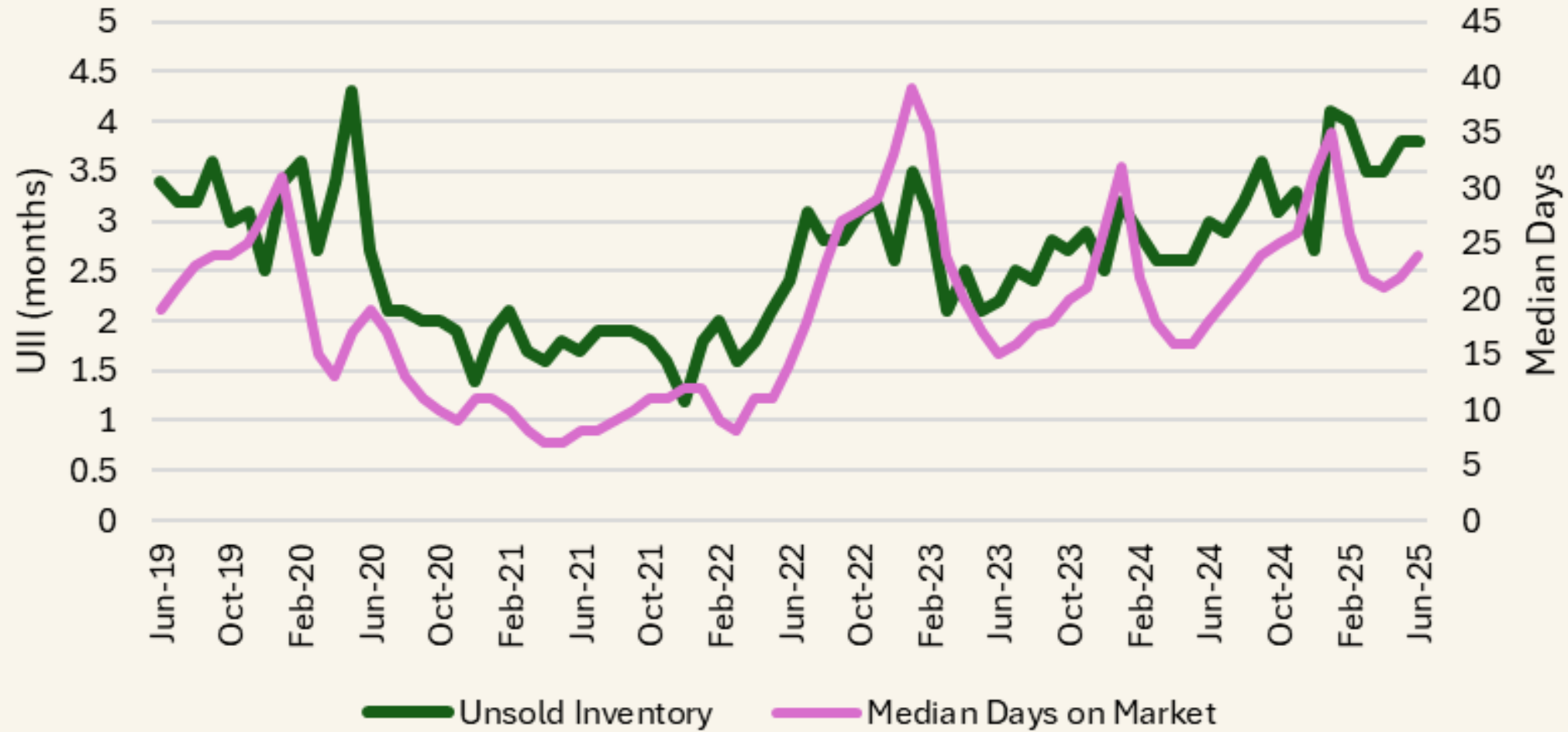
CA Labor Force Participation Rate



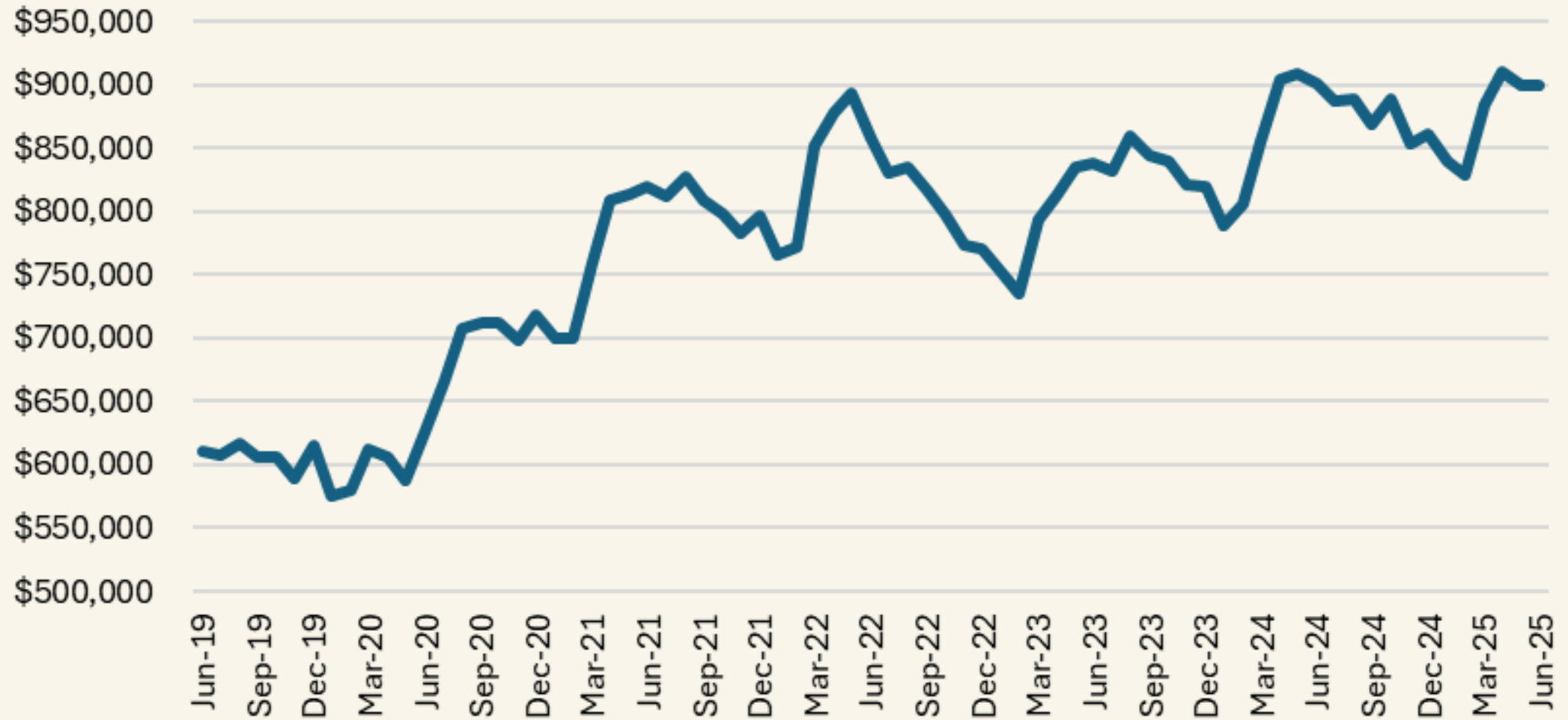
CA Unemployment Rate



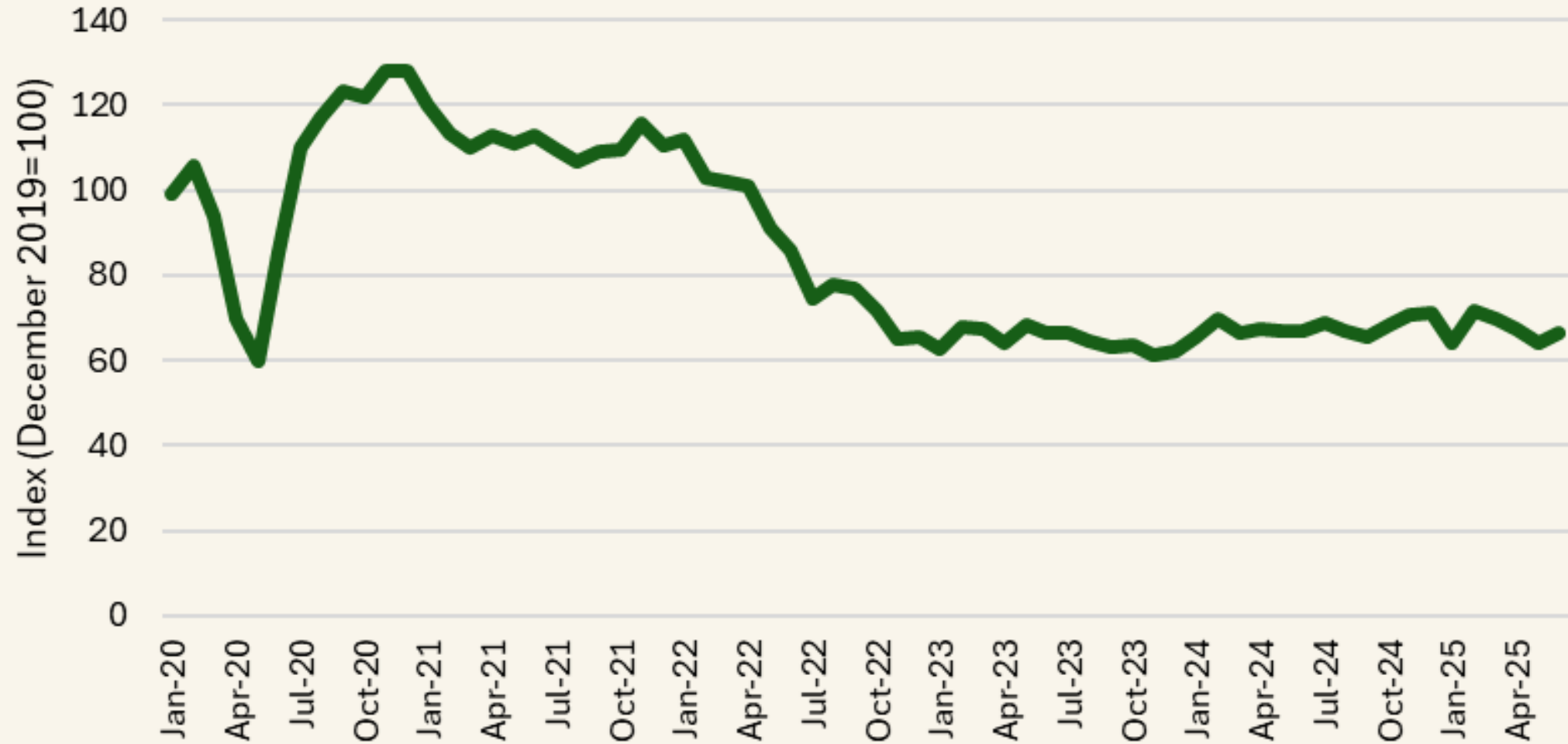
California Real Estate Inventory Metrics



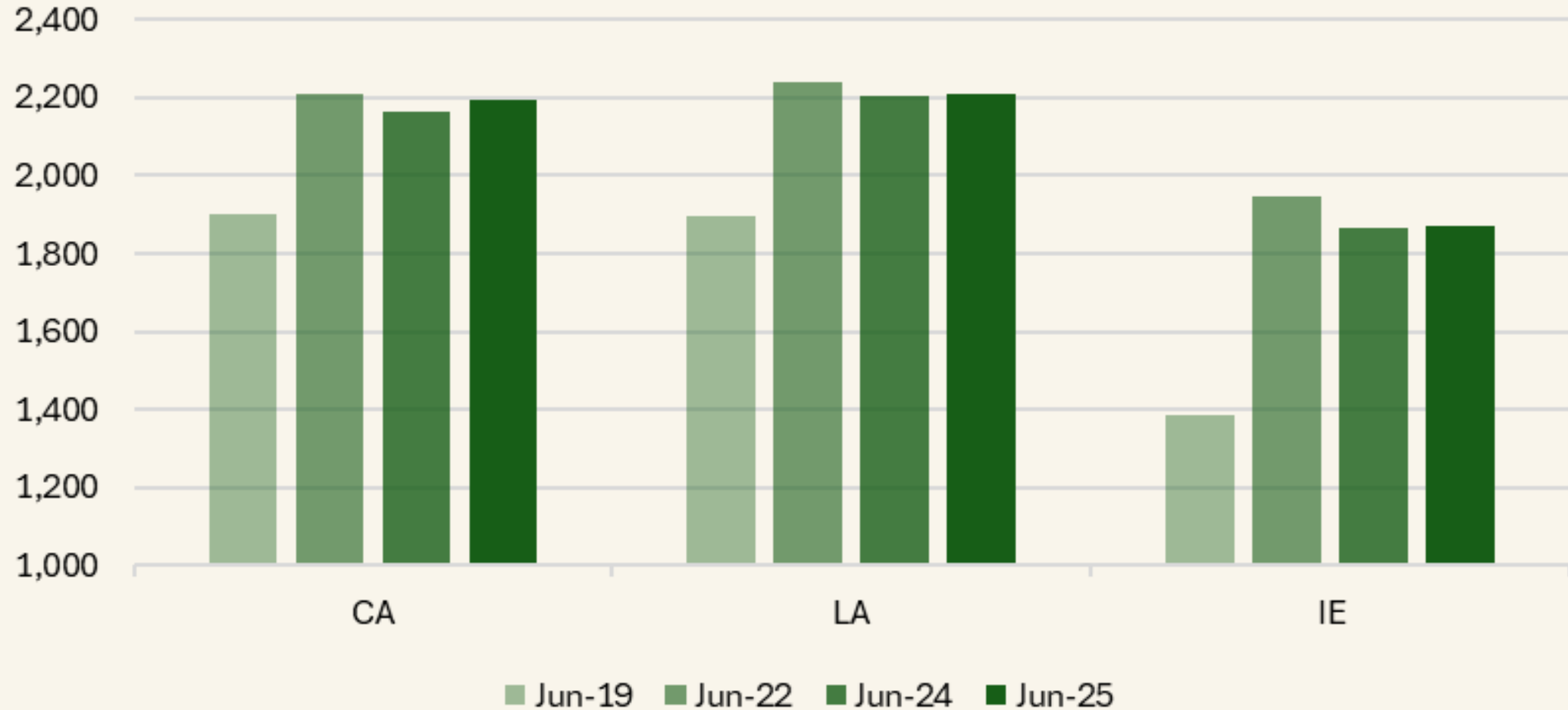
CA Median Home Sale Price



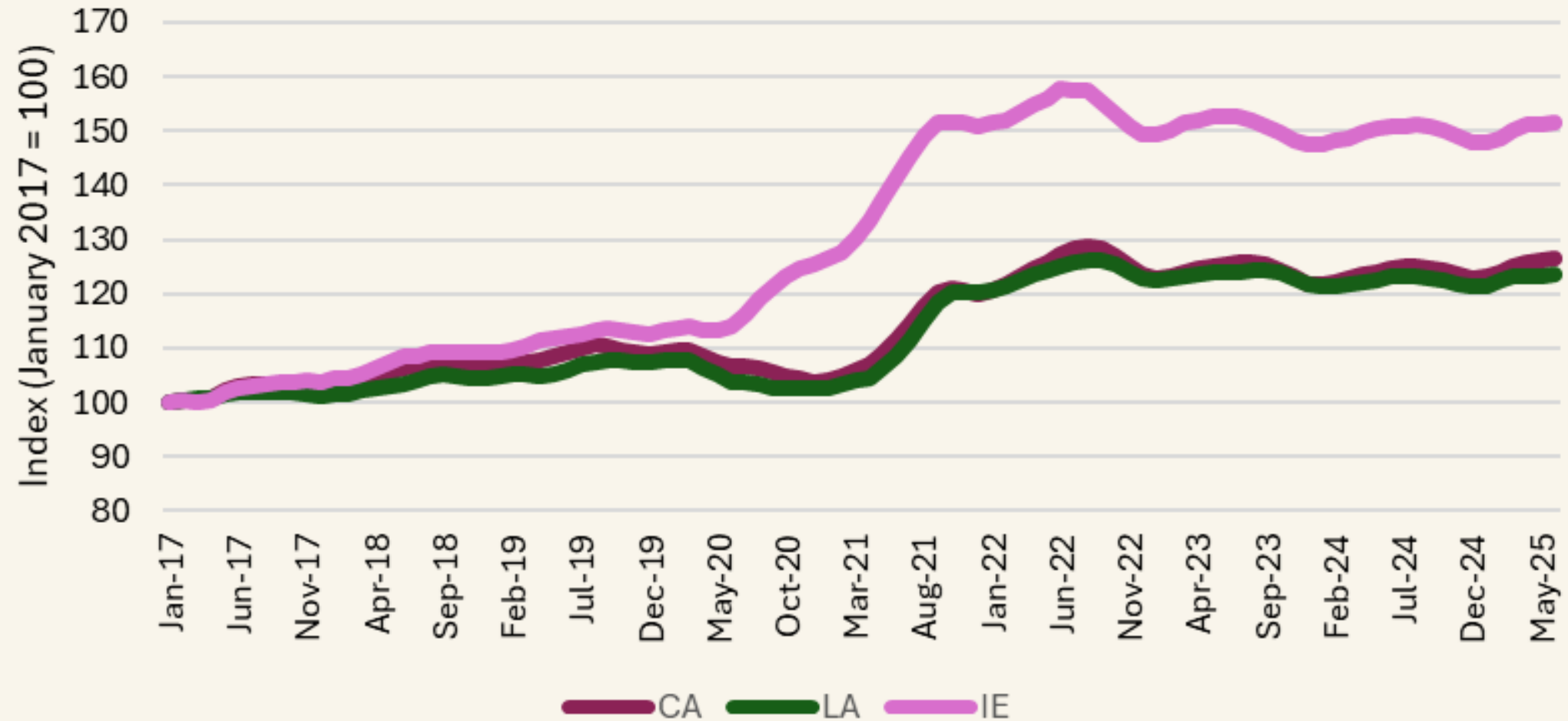
CA Home Sales Relative to December 2019



Average Apartment Rent (Over all types)



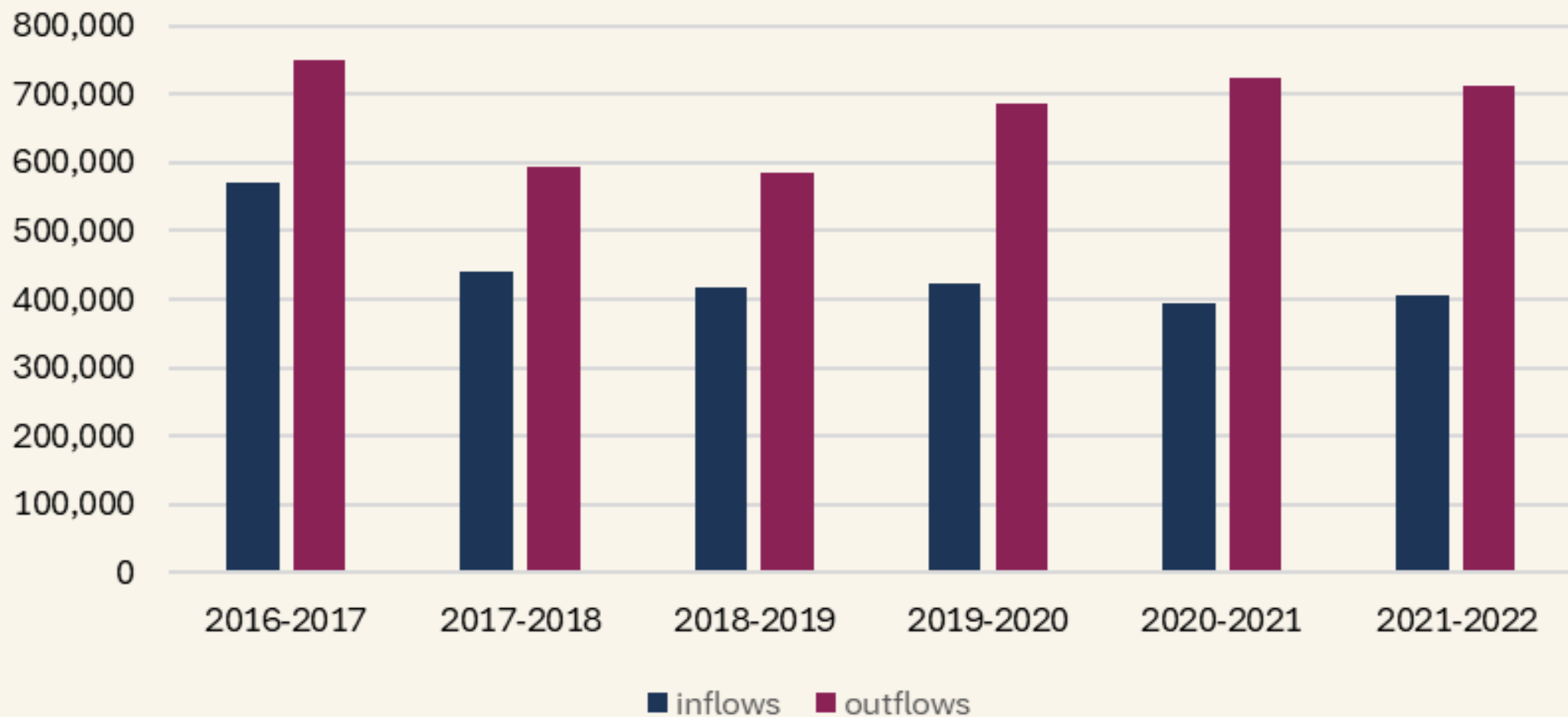
Apartment Rent Growth, Select Markets



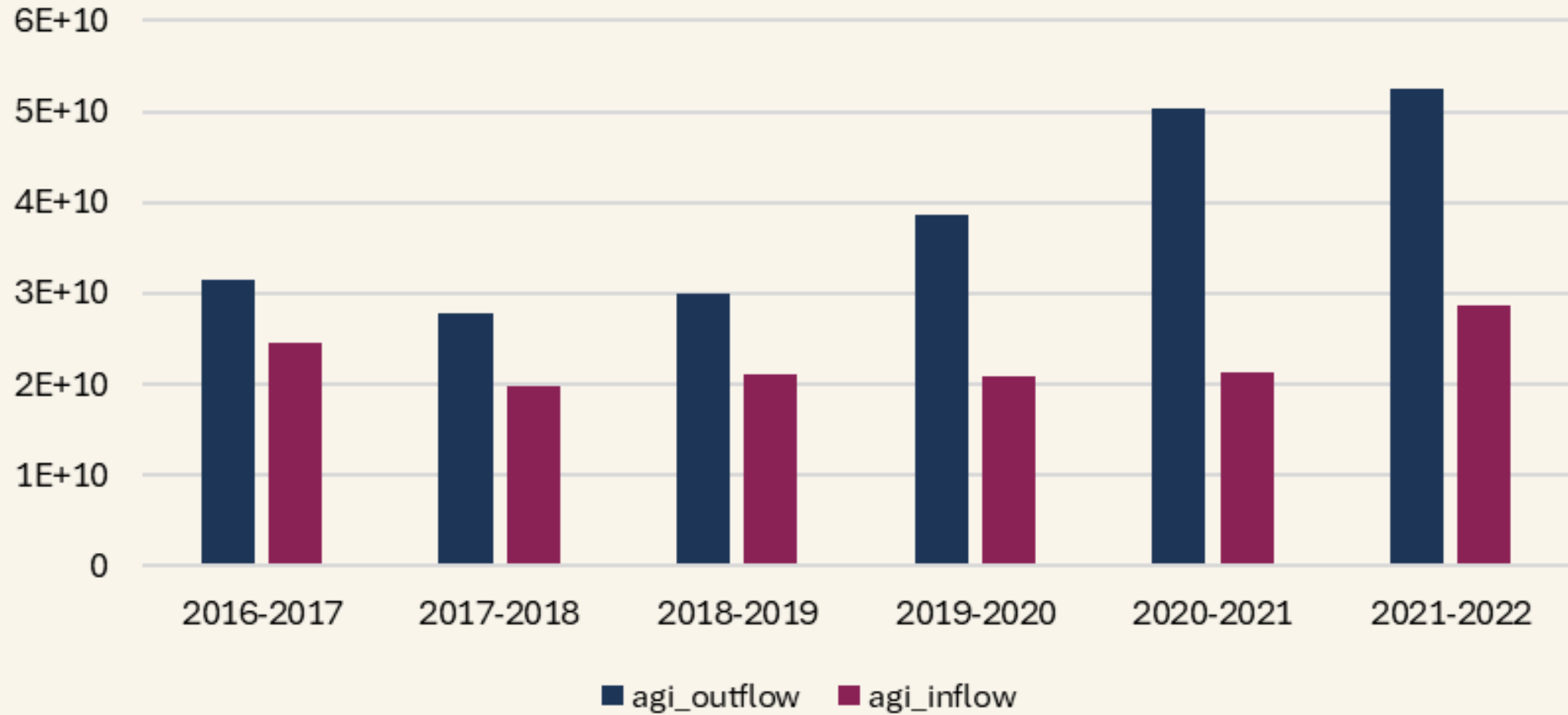
Econ 101 vs. Econ 201

- **Econ 101:** People migrate to economic opportunity
- **Econ 201:** People migrate for all sorts of reasons, including amenities, politics, and the cost of living; as population growth declines, regions will become increasingly competitive for workers, with serious economic development consequences

California Migrant Flows

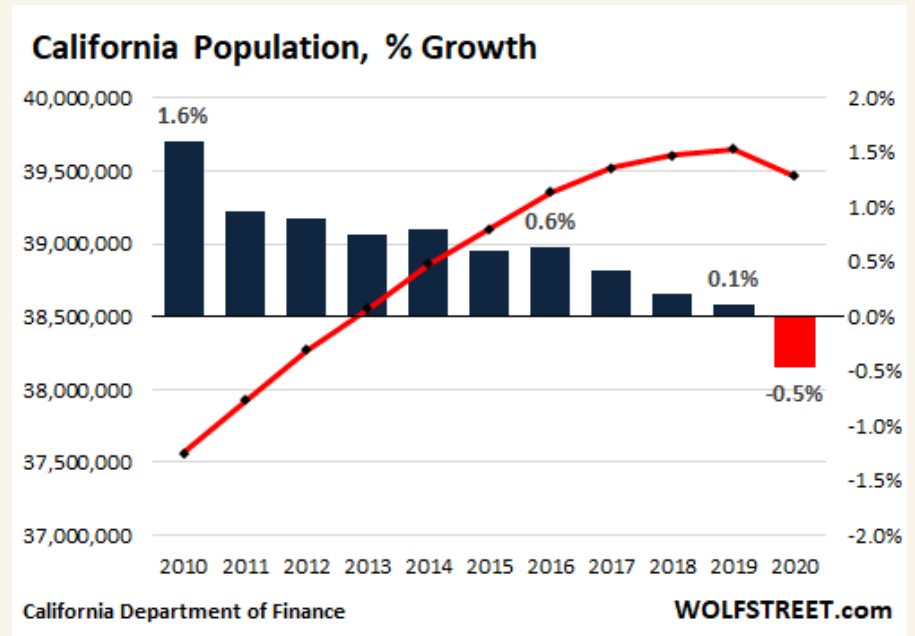


Outflow AGI vs. Inflow AGI, California



Summing up

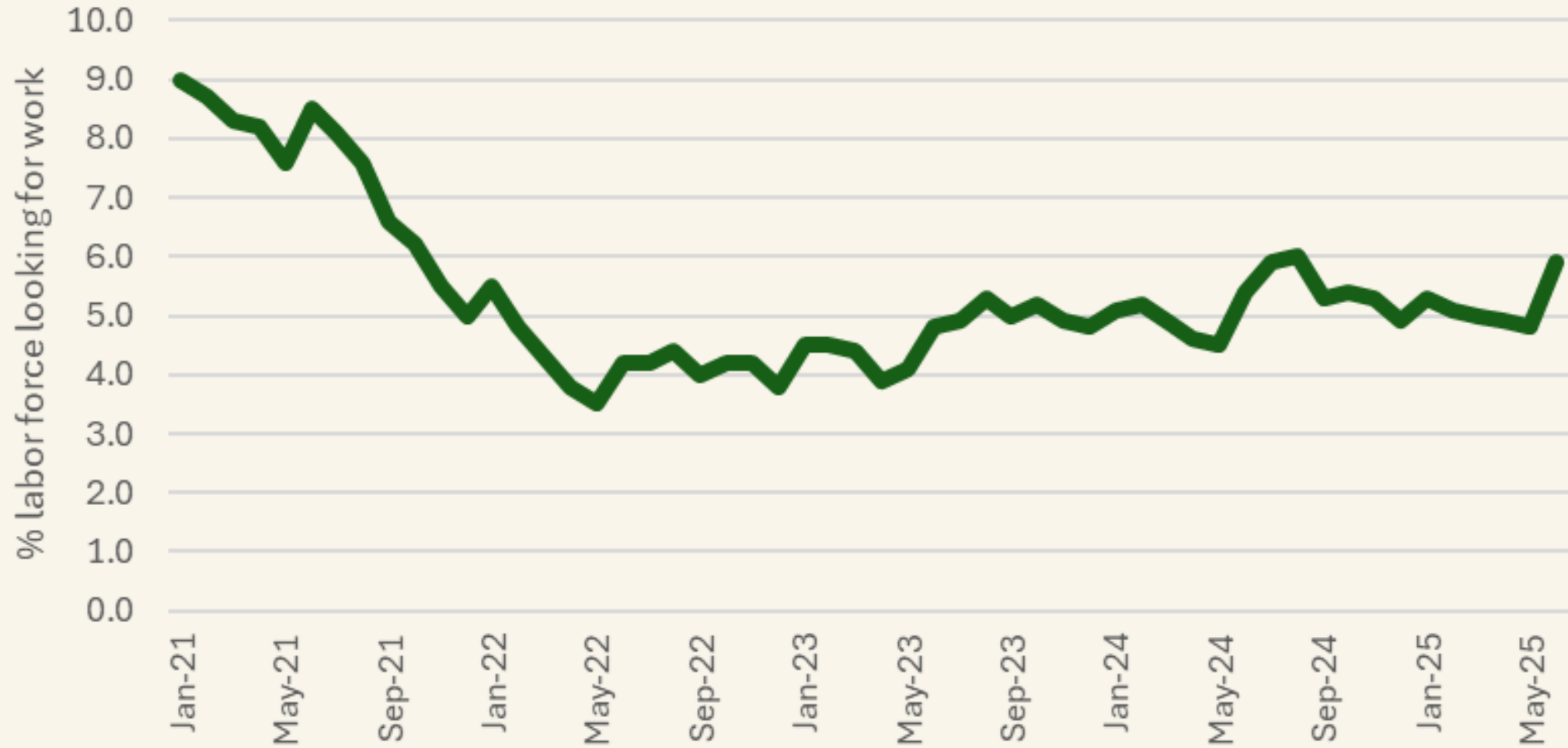
- California's economy is on stable footing, with economic and job growth expected through remainder of year
- Housing market expected to stay weak; along with interest rates, migration trends may also contribute to slower demand
- Forecast: continued weakness of the housing market will mask an otherwise stable economy (no crisis points)



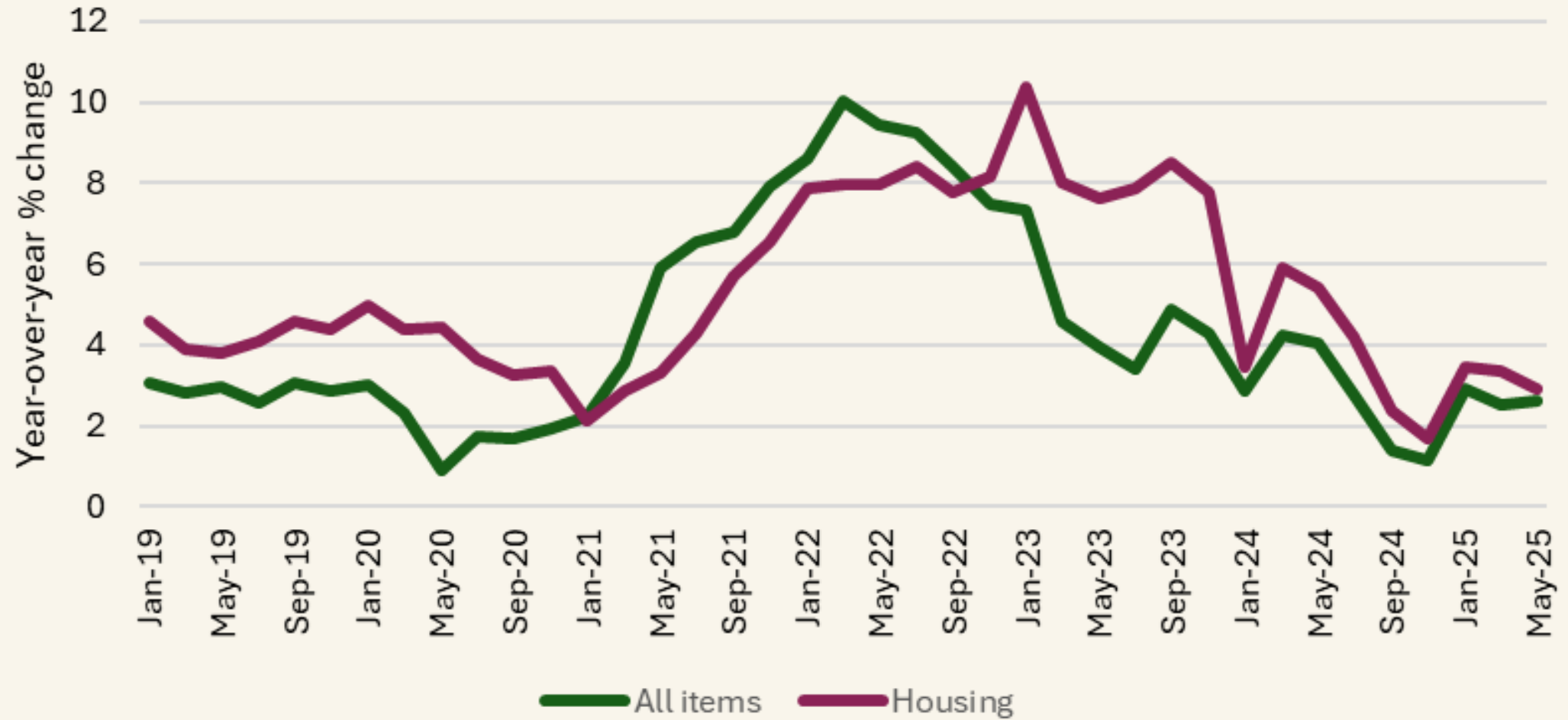
IE outlook

- Jobs/Labor market
 - Unemployment trending upward, but still comparatively low
 - Job growth trajectories highest for health care and social assistance and transportation and warehousing
 - Lowest/weakest for manufacturing, finance and insurance
- Real estate
 - Difference in median sale price of a Riverside vs. San Bernardino County home has increased in last 5 years
 - Inventory is higher in SB than RIV County, indicating a weaker market in the former
 - Market is forecast to remain weak through remainder of year
- Workforce/migration
 - Risks to increased outmigration

Unemployment Rate, Inland Empire MSA



Inflation, Inland Empire MSA, Select Categories



Econ 101 vs. Econ 201

- Econ 101: 1- or 2-year “year-over-year” trends provide an accurate forecast of the following year
- Econ 201: major events like the pandemic can disrupt economies for years; 5-year trends present more stable foundation for forecasts

Frame of Reference Matters...

A Lot

When making job growth forecasts, **near-term (2-year) trends suggest a declining position of transportation and warehousing**

But **5-year trends are more informative** (especially since they smooth over the pandemic aftermath):

- + **Transportation and warehousing**
- + **Health care and social assistance**
- + **Construction**

- **Manufacturing**
- **Finance and insurance**
- **Administrative/support/waste management**

| Contribution of Net Job Growth (%) By 2-Digit NAICS Inland Empire Metro Area | | | 28 |
|---|-----------------------|-----------------------|----|
| NAICS Code/Description | 5-year (2019-2024) | 2-year (2022-2024) | |
| 11 Agriculture, forestry, fishing and hunting | -1.43 | -0.89 | |
| 21 Mining, quarrying, and oil and gas extraction | 0.25 | -0.19 | |
| 22 Utilities | 0.59 | 0.95 | |
| 23 Construction | 6.29 | 6.12 | |
| 31-33 Manufacturing | -4.62 | -19.57 | |
| 42 Wholesale trade | 0.68 | -5.34 | |
| 44-45 Retail trade | 0.53 | 9.39 | |
| 48-49 Transportation and warehousing | 44.41 | -41.97 | |
| 51 Information | 0.84 | 10.95 | |
| 52 Finance and insurance | -2.25 | -13.73 | |
| 53 Real estate and rental and leasing | 1.67 | 2.00 | |
| 54 Professional, scientific, and technical services | 2.56 | -6.05 | |
| 55 Management of companies and enterprises | -0.34 | -1.27 | |
| 56 Administrative and support and waste management and remediation services | -1.48 | -65.33 | |
| 61 Educational services | 4.64 | 25.66 | |
| 62 Health care and social assistance | 35.24 | 157.44 | |
| 71 Arts, entertainment, and recreation | 1.76 | 12.99 | |
| 72 Accommodation and food services | 6.21 | 14.01 | |
| 81 Other services (except public administration) | 4.46 | 14.82 | |

Source: BLS, Quarterly Census of Employment and Wages

This table...

Shows the total job change by industry, and the % of job growth generated specifically in San Bernardino County.

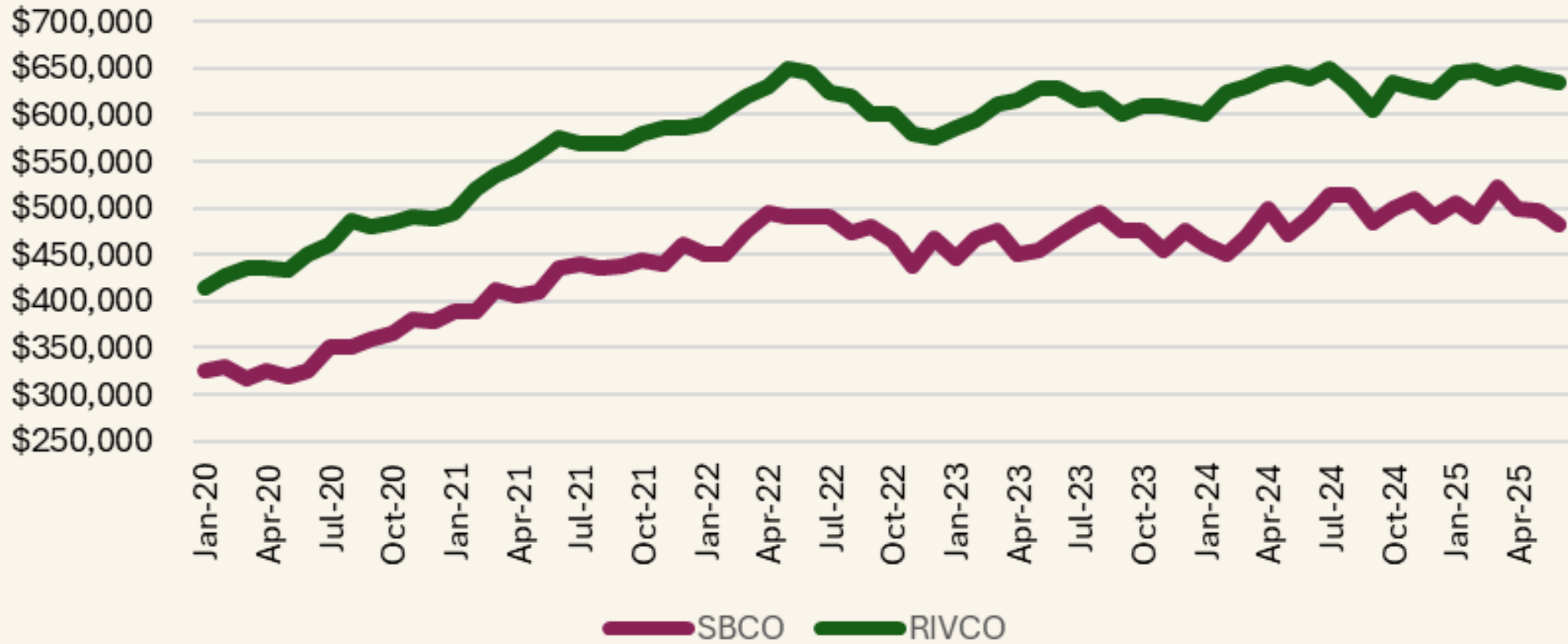
San Bernardino County contributed the majority of job growth in 48-49 (logistics), 53.8%, but less than half the growth (44.1%) of another leading sector, Health Care and Social Assistance.

| Five-Year (2019-2024) Job Change By Industry (San Bernardino + Riverside Counties), and % of Net Job Change Contributed by San Bernardino County | | |
|---|--------------|-------------|
| | <u>Total</u> | <u>% SB</u> |
| 11 Agriculture, forestry, fishing and hunting | -1,927 | 4.9 |
| 21 Mining, quarrying, and oil and gas extraction | +339 | 96.5 |
| 22 Utilities | +797 | 66.2 |
| 23 Construction | +8,446 | 28.3 |
| 31-33 Manufacturing | -6,204 | 88.5 |
| 42 Wholesale trade | +908 | -10.7 |
| 44-45 Retail trade | +710 | 52.1 |
| 48-49 Transportation and warehousing | +59,674 | 53.8 |
| 51 Information | +1,124 | 127.2 |
| 52 Finance and insurance | -3,028 | 51.0 |
| 53 Real estate and rental and leasing | +2,244 | 55.7 |
| 54 Professional, scientific, and technical services | +3,434 | 43.2 |
| 55 Management of companies and enterprises | -461 | 108.5 |
| 56 Administrative and support and waste management and remediation services | -1,985 | 125.3 |
| 61 Educational services | +6,235 | 50.7 |
| 62 Health care and social assistance | +47,362 | 44.1 |
| 71 Arts, entertainment, and recreation | +2,369 | 20.3 |
| 72 Accommodation and food services | +8,343 | 36.8 |
| 81 Other services (except public administration) | +5,999 | 49.6 |
| All Industries | +134,379 | 45.2 |

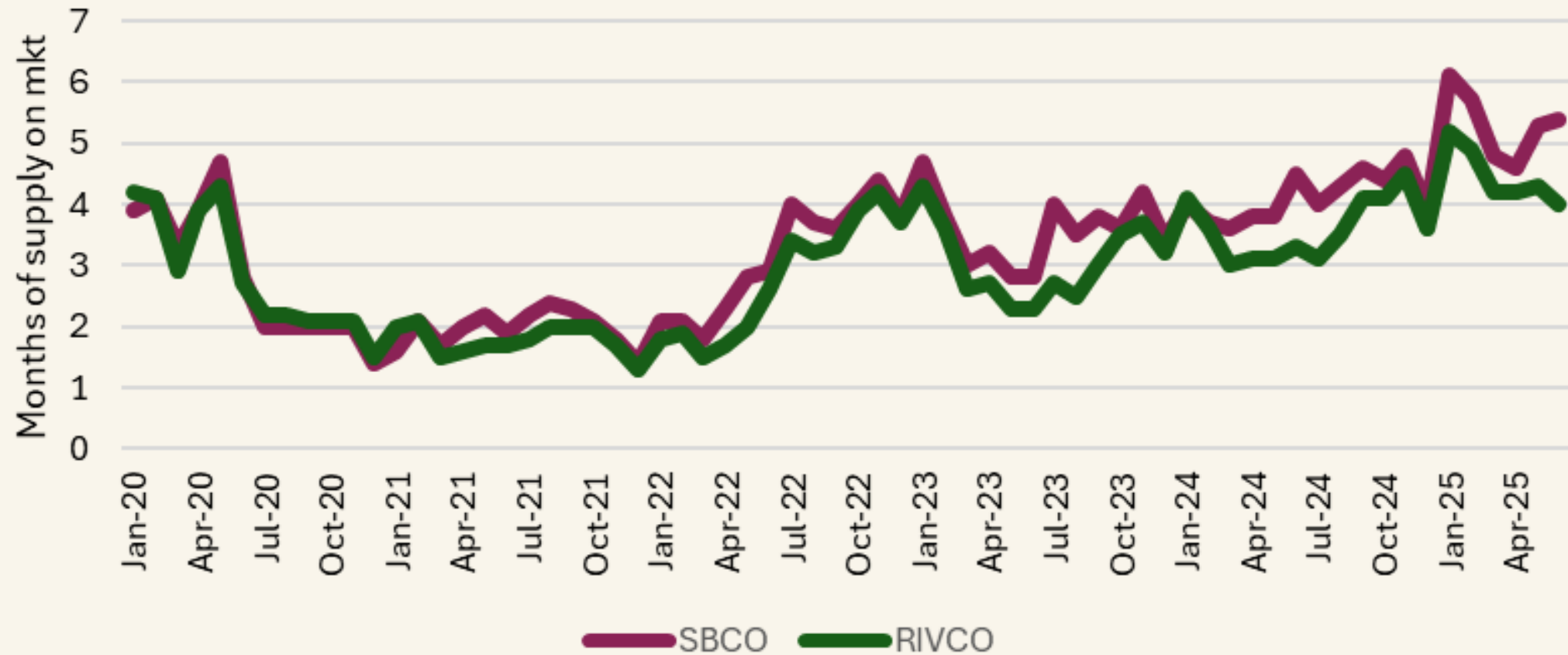
Source: Bureau of Labor Statistics, Quarterly Census of Employment and Wages.

Notes: %'s are reported for net job growth. For negative job changes, they indicate the amount of decline in jobs that occurred specifically in San Bernardino County.

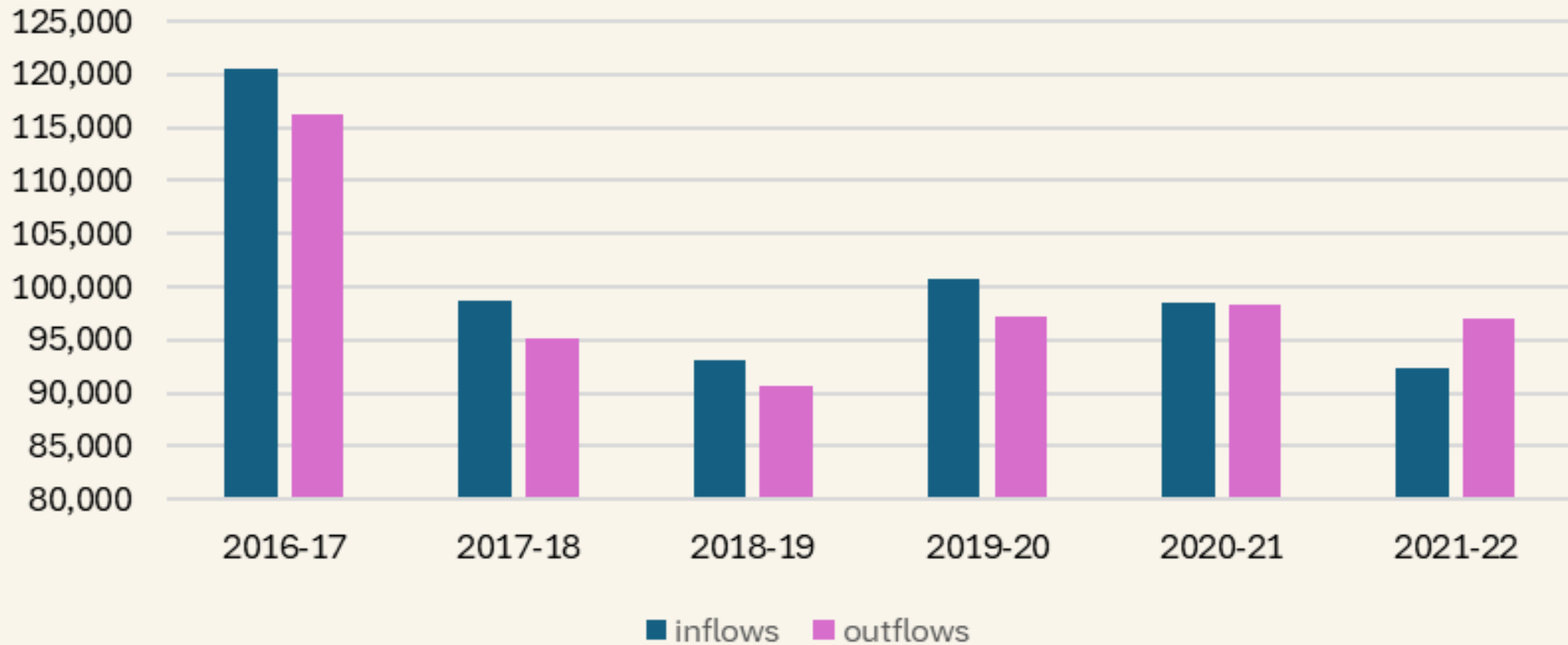
Median Sale Price (California Association of Realtors)



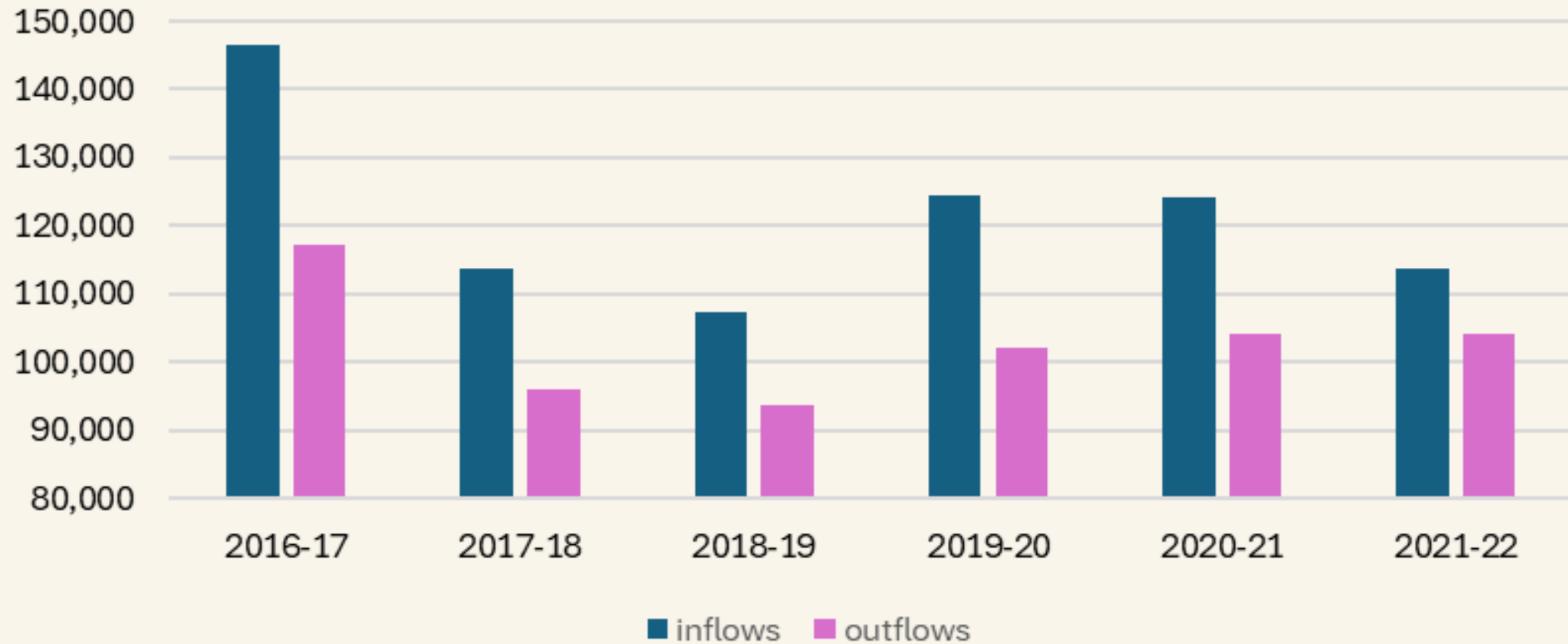
Unsold Inventory Index (California Association of Realtors)



Migration Estimates, San Bernardino County (includes Foreign)



Migration Estimates, Riverside County (includes Foreign)



More on the IE Real Estate Market

- Visualization:
<https://public.tableau.com/app/profile/daniel.macdonald1085/viz/July2025InlandEmpireRealEstateMarket/Dashboard1#1>
- “Boom” and “bust” communities during pandemic/remote work era : Morongo Basin – hot, Coachella Valley (Palm Springs/Desert, La Quinta) – cold
- Performed well through the pandemic and continue to do well: Rancho Cucamonga, Fontana, Redlands, Menifee/Murrieta, Hemet/San Jacinto, parts of Ontario
- Weakening/slowing down somewhat: Temecula, Apple Valley/Victorville

Summing up

- The Inland Empire is faring well, but there is uneven economic progress between San Bernardino and Riverside County
- Too early to tell if Riverside will continue in stride, or follow San Bernardino's slower trajectory
- Real estate market forecast to be slow, but job growth and inflation expected to be moderate



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