



School of Business
CENTER FOR ECONOMIC
FORECASTING & DEVELOPMENT



INLAND EMPIRE **BUSINESS ACTIVITY INDEX**

September 2020

The Inland Empire Business Activity Index tracks performance of the Inland Empire regional economy on a quarterly basis and is adjusted for seasonal variations. The composite indicator is estimated using a wide range of economic data including employment, economic output, income, real estate, and other indicators at the national, state, and metropolitan level.

Business activity in the Inland Empire contracted further in the second quarter of 2020, moving from an annualized decline of -0.2% in the first quarter to an annualized decline of -26.5% in the second.

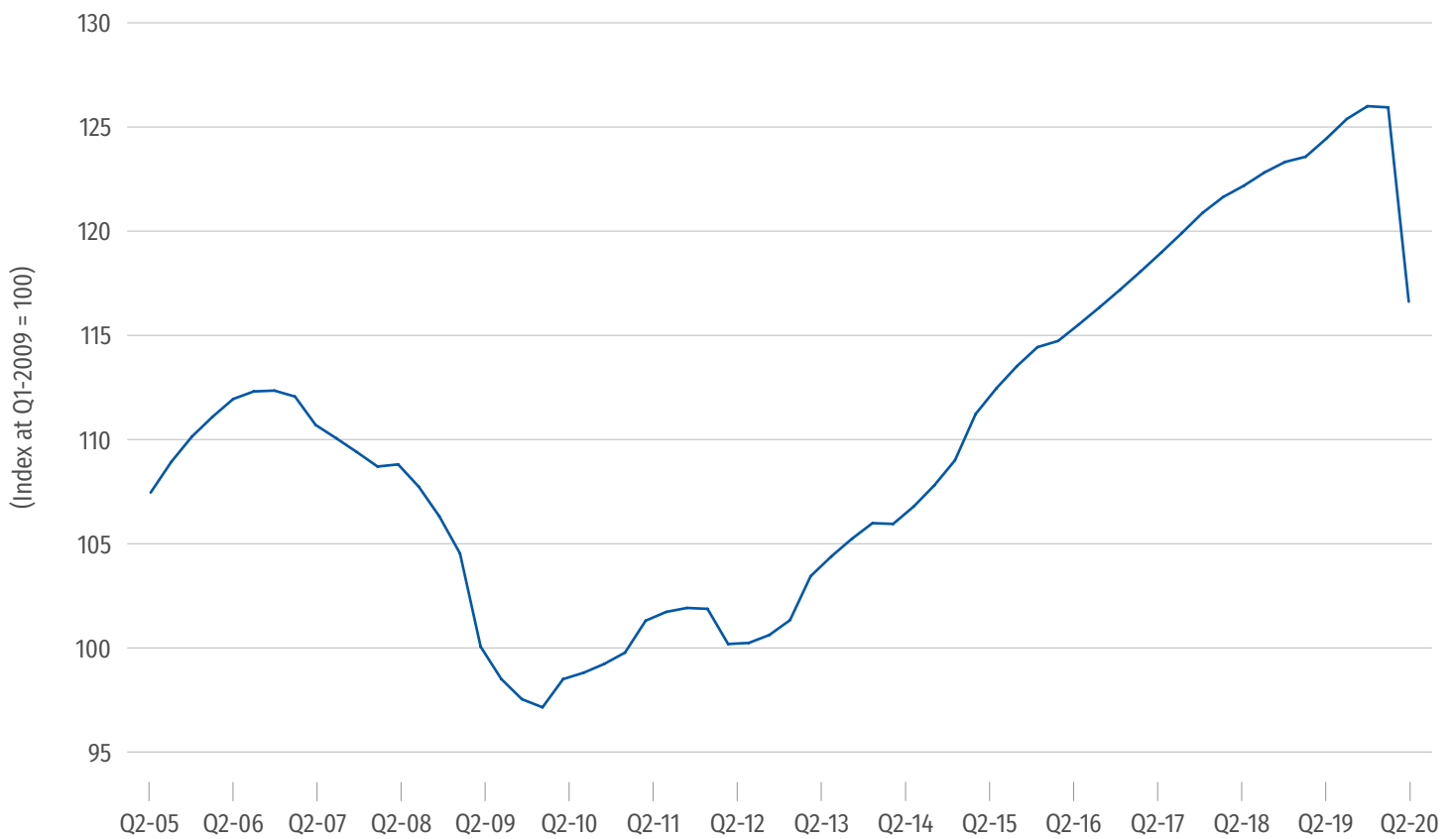
Regional employment and consumer spending collapsed in the second quarter as Riverside and San Bernardino Counties became two of California's top five counties with respect to total cases of COVID-19. The two counties also rounded out the top five counties in the state with respect to initial unemployment claims. Riverside and San Bernardino Counties hit peaks of 53,500 and 42,100 claims, respectively, for the week ending April 11¹. As of this writing, both counties are still among the top five in terms of new COVID cases and unemployment claims.

public health mandates and nonessential business closures, taxable sales in the Inland Empire fell by 9.5% over the quarter. This makes the outlook for second quarter taxable sales more dire, a perspective supported by local credit and debit card transactions data, which show that consumer spending fell precipitously to a trough in April and has not yet recovered fully. The second quarter of 2020 is likely to be the worst of the current COVID recession, with a renewed surge of cases and mandated closures adding downside risk moving ahead.

In the last edition of the Inland Empire Business Activity Index, the UCR Center for Forecasting estimated that taxable sales (a lagging indicator of local business activity and consumer demand) in the region declined 3.7% from the fourth quarter of 2019 to the first quarter of 2020. In reality, the decline was far more severe. Driven by rigid

Despite the unprecedented declines, the Center for Forecasting expects the Inland Empire's broader economic recovery to find its rhythm during the latter half of this year. The Center will re-calibrate its outlook accordingly in subsequent releases.

¹ The Opportunity Insights Economic Tracker. (2020). Retrieved September 4, 2020 from <https://tracktherecovery.org/>



BUSINESS ACTIVITY INDEX
INLAND EMPIRE, 2005 TO 2020
Analysis by UCR Center for Economic Forecasting and Development

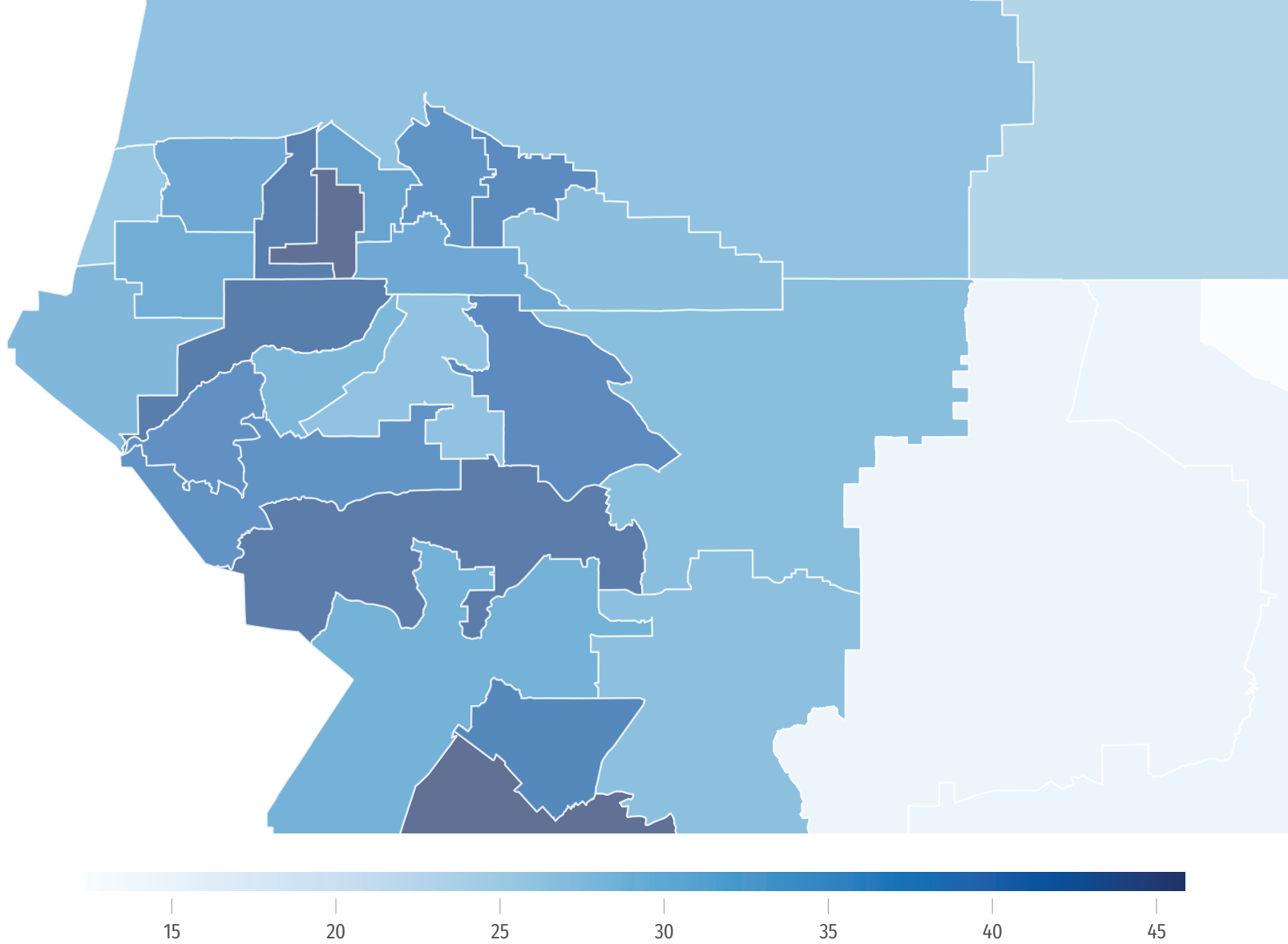
IN FOCUS:



COVID-19 and the Socio-Demographics of Households With Children

Amid the current global pandemic, this quarter's In Focus looks at the wide demographic differences that exist between households with children in the Inland Empire, focusing on the strain and hardships faced by parents and caregivers.

Families in the Inland Empire are facing extraordinary challenges this fall – juggling a global health crisis, economic downturn, and a back to-school season that is being conducted remotely by schools in both San Bernardino and Riverside Counties. This is the taxing reality confronting the roughly 442,000 households with children in the Inland Empire, about 28% of all the households in the region.



PERCENTAGE OF HOUSEHOLDS WITH CHILDREN

INLAND EMPIRE, 2018

Source: U.S. Census Bureau; analysis by UCR Center for Economic Forecasting and Development

Each counties’ unified school district has made pointed efforts to mitigate the potential negative impacts that could arise from distance learning. For example, each district has launched “Grab and Go” food programs to ensure that food security does not become an issue for students in the region. They have also taken extra steps to ensure that both the physical and psychological wellness of students is maintained and does not impede

upon learning achievement goals. Additionally, they have developed and provided resources intended to help teachers, students, and staff adjust more comfortably to the expectations and execution of a distance learning environment.

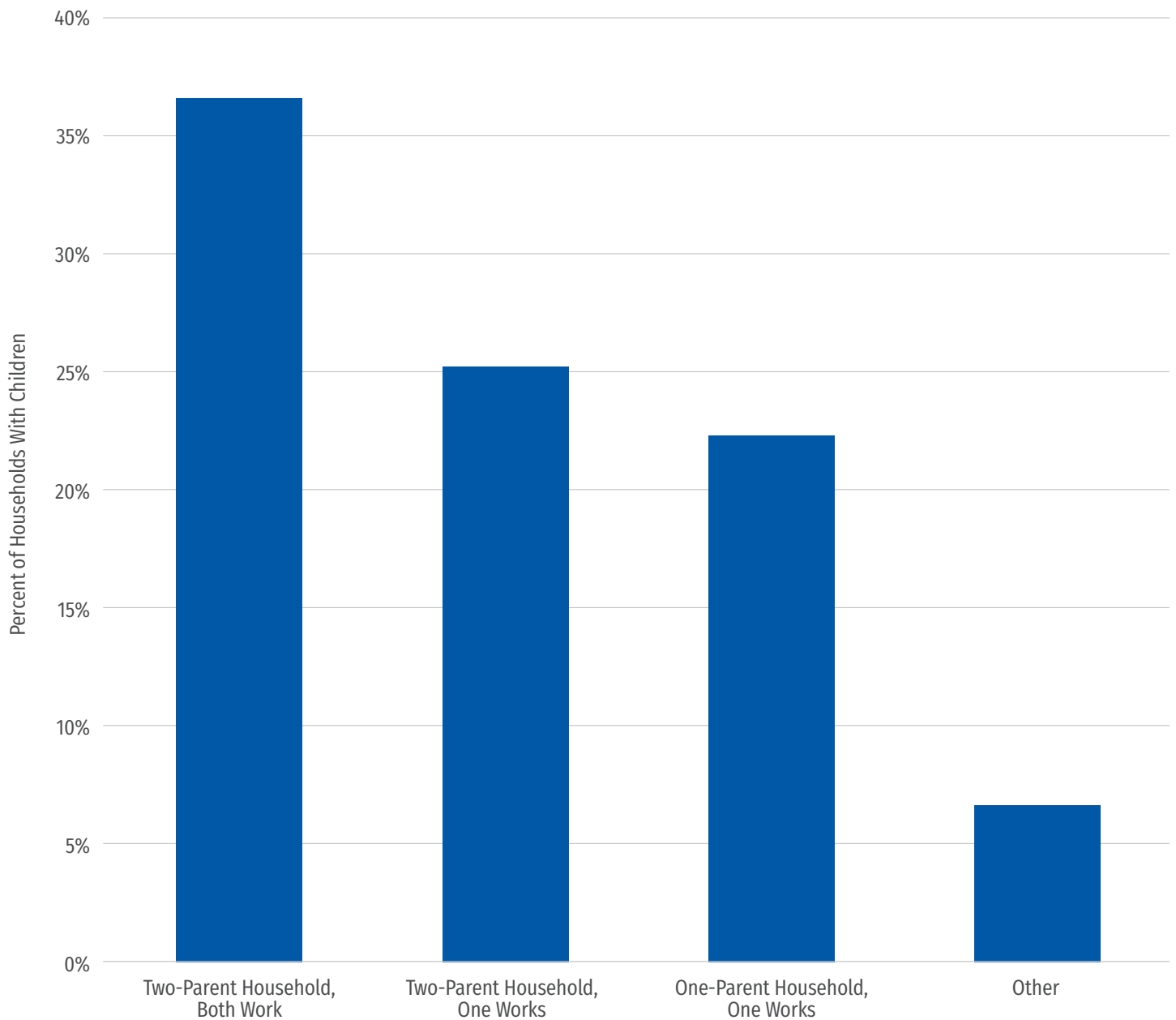
Despite the efforts, it is still reasonable to expect a negative impact on some families, especially those households that may be more prone to



the non-random nature of the health crisis and the economic uncertainty that has followed. Specifically, single-parent households and two-parent households where only one parent works—which respectively make up nearly 25% and 28% of all households with children in the region—can be at a greater disadvantage because of characteristics surrounding their incomes, work environments, and educational backgrounds. It is critical that these families become a primary focus for policymakers in order to ensure that the uneven economic and health impacts of the current crisis do not lead to worse outcomes for these children in the future.

The distinct household types mentioned above face different sets of income distributions, which can translate into broader inequities in food

security, housing stability, and internet access, demanding a closer look by school board members and policymakers. For example, the median income for households with no home internet access in the Inland Empire is \$25,600, compared to \$70,000 among households with home internet access. Although those without home internet access make up a very small proportion of the total number of households in the region, this nonetheless implies that households likelier to have a more difficult time paying for utilities are those with lower household incomes. These include single-parent households, which have a median income of \$52,000 per year, as well as two-parent households with only one parent working, which have a median income of \$62,000 per year.

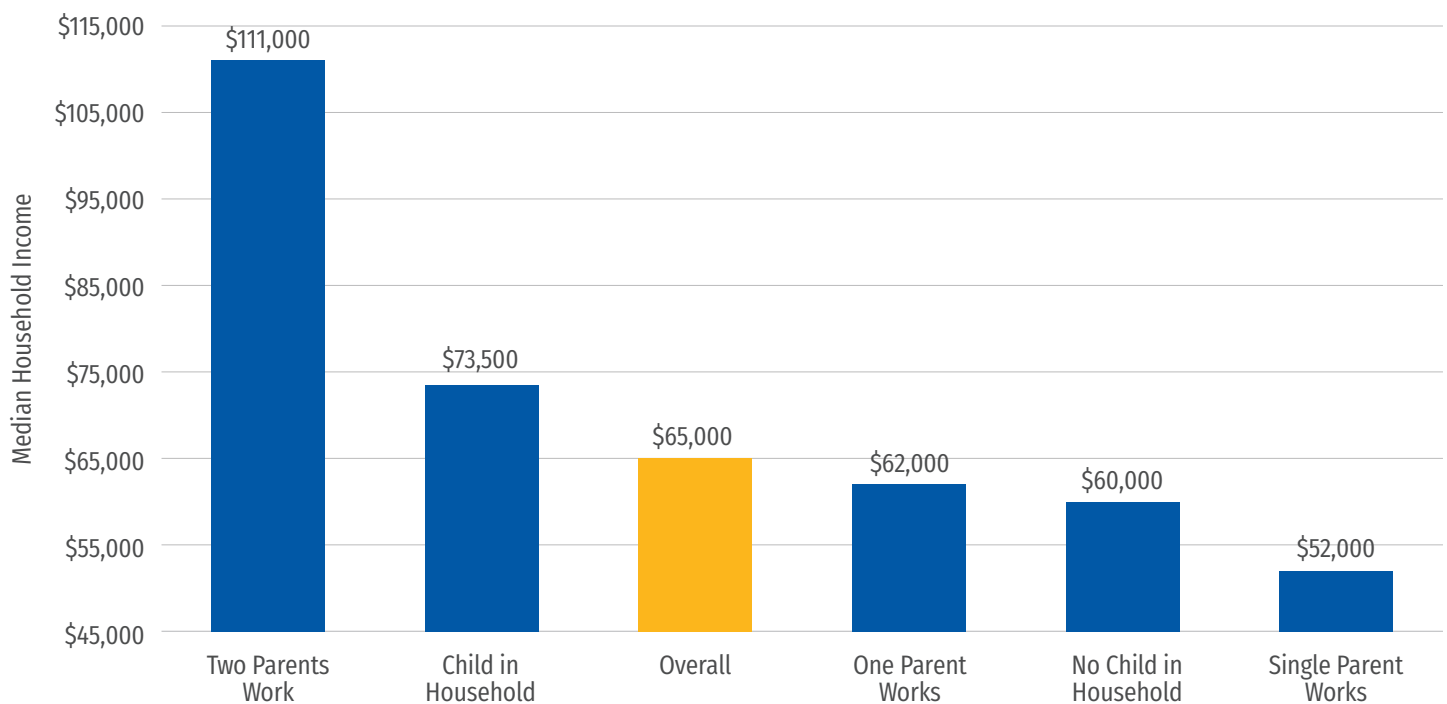


COMPOSITION OF HOUSEHOLDS WITH CHILDREN

INLAND EMPIRE, 2018

Source: U.S. Census Bureau; analysis by UCR Center for Economic Forecasting and Development

Each of these median household incomes represent just a fraction of the \$111,000 per year median income among households with two parents who both work. This chasm helps illustrate how different household types with children are faring during the crisis, which is necessary to assess and understand to ensure that the positive long-run outcomes generated from a strong educational environment are impacted as minimally as possible.



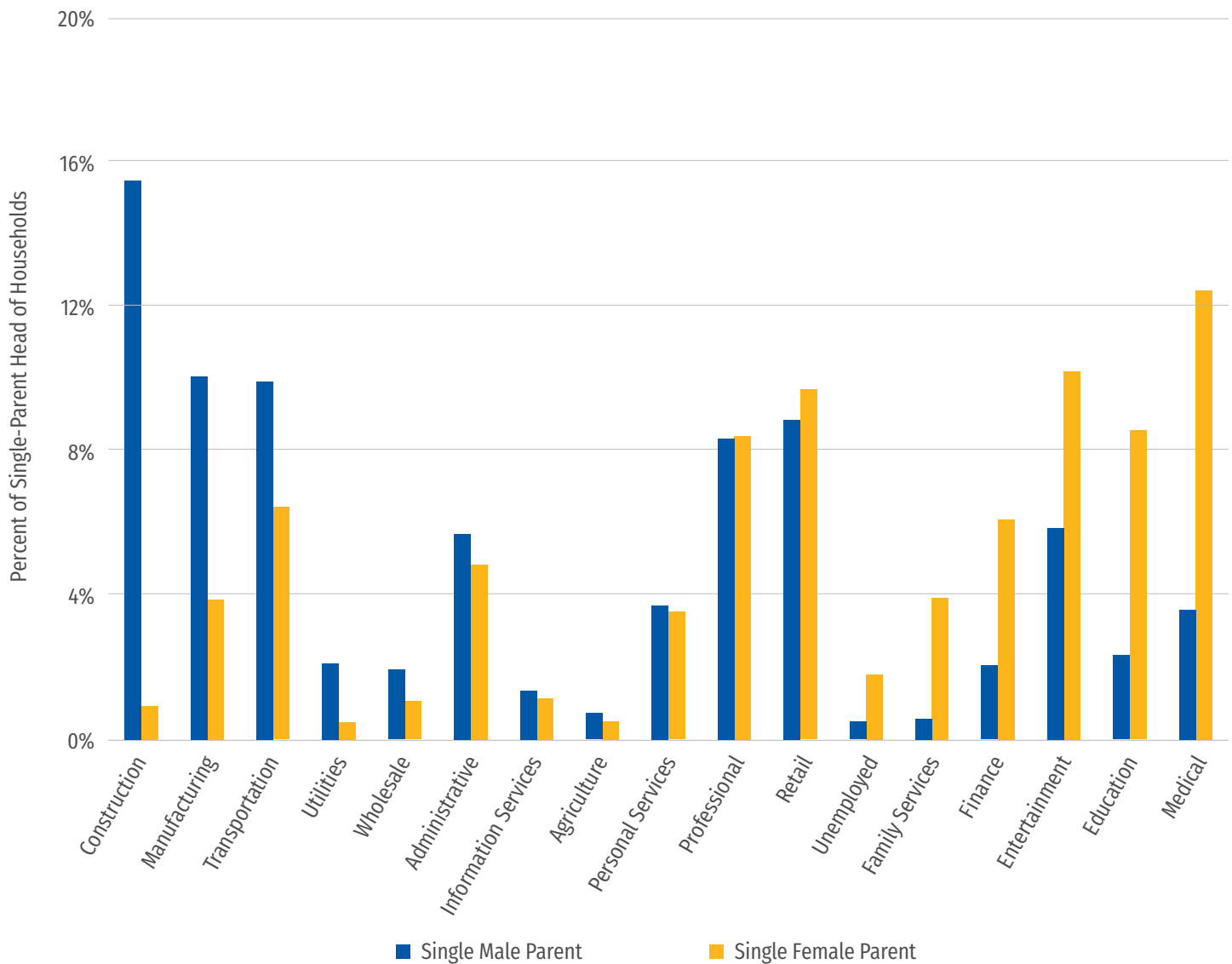
MEDIAN HOUSEHOLD INCOME BY HOUSEHOLD TYPE

INLAND EMPIRE, 2018

Source: U.S. Census Bureau; analysis by UCR Center for Economic Forecasting and Development

Although two parent households where only one parent works are closer to attaining a reasonably comfortable household income in the Inland Empire, a deeper analysis suggests that these households are more prone to be headed by a worker in more vulnerable industries in relation to the COVID-19 health crisis. Among those who head households with no children, the most common industry to work in is Professional Services (10.6% of all households in the region), while the most common industry groups to work in among households where only one parent works and among single parent households, are Construction and Health Care, representing 15.6% and 11.3%, respectively, of these household types.

Additionally, 26.8% of households with two parents where only one works are headed by someone who is employed in either Construction or Manufacturing, which is about 9.8% higher than all households in the region. As most jobs in these industries are impossible to perform from home, this puts these workers at a higher risk for contracting COVID-19. Moreover, when these statistics are broken down by gender, there is a much higher probability of employment in these industries in two-parent households headed by males versus those headed by females. About 30% of two parent households headed by males in the region work in these industries, compared to only 6.5% of those headed by females. The numbers by gender are very similar for single-parent households.



SINGLE-PARENT HOUSEHOLDS BY EMPLOYMENT INDUSTRY AND GENDER

INLAND EMPIRE, 2018

Source: U.S. Census Bureau; analysis by UCR Center for Economic Forecasting and Development

The largest industry group among female headed two parent households where only one parent works is the Health Care sector (24.7%). This essential work is critical during the current health crisis, but also makes the industry’s workers more vulnerable to contracting COVID-19, especially if their job specifically requires face-to-face interaction with patients.

All in all, the COVID-19 crisis has revealed sharp disparities along race, class, and gender lines in California’s cities, and the Inland Empire is no exception. As local and state policymakers consider the most effective ways to assist those in greater need, addressing the disparities across households with children in the region should be a primary focus as the school year begins.



THE OUTLOOK

The UCR Center for Forecasting's near-term outlook for business activity in the Inland Empire remains cautiously optimistic as the COVID-19 pandemic has severely curtailed the ability of businesses to operate and consumers to go about their daily lives. As dramatically bad as the numbers have been in the initial months of the pandemic, the shock that set off the crisis has none of the long-term characteristics that cause a protracted recovery. That is not to say the Inland Empire has recovered, far from it. Employment remains well below pre-pandemic levels and health-mandated countermeasures continue to restrict many businesses ability to operate at capacity. But the substantial shock that occurred in April has been followed by modest month-over-month gains in employment

growth, consumer spending, and overall business activity as consumers and businesses adjust to the constraints of operating in a pandemic.

Nonetheless, as business activity in the Inland Empire regains steam, the economic risks are weighted to the downside due to the continued spread of the virus. Beyond important public health outcomes, containing the virus is critical because the economic recovery that has been underway in the Inland Empire since April's trough has slowed following the recent resurgence in cases. This represents a critical reminder that the speed of the economic recovery is closely tied to controlling the spread of the virus.