



School of Business  
CENTER FOR ECONOMIC  
FORECASTING & DEVELOPMENT

A background image showing a network of interconnected nodes and lines, representing a complex system or data network. The nodes are small, dark spheres, and the lines are thin, colorful threads in shades of orange, red, and purple, connecting the nodes in a web-like pattern.

## INLAND EMPIRE BUSINESS ACTIVITY INDEX

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**May 2021**

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.

# THE LOCAL ECONOMY VS. THE NATION

Business activity in the Inland Empire continued to recover from the COVID-19 pandemic in the fourth quarter of 2020 (the latest numbers available), increasing by an annualized rate of 5.1%. This was just 0.8 percentage points above the growth rate of U.S. Real Gross Domestic Product (GDP), which advanced 4.3% over the same period<sup>1</sup>.

From the fourth quarter of 2019 to the fourth quarter of 2020, business activity in the region fell -2.2% compared to the -2.4% decline in real national GDP. The nation's GDP growth was 4.7 percentage points slower in 2020 compared to 2019. The Inland Empire's business activity was 7.3 percentage points slower in 2020 compared to 2019, a faster rate of deceleration compared to the nation's GDP growth.

The region rebounded in the third and fourth quarters of 2020, recovering from historic declines during the second quarter. The United States has largely mirrored this growth, and both the nation and region are poised for more growth in 2021. Moreover, the fundamentals of what will drive long-run growth remain strong, with households seeing minimal losses in income and some even able to bolster their savings over the last year.

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<sup>1</sup> As delineated in the U.S. Bureau of Economic Analysis' advance estimate of GDP.



**BUSINESS ACTIVITY INDEX**

INLAND EMPIRE, Q1-2005 TO Q4-2020

SOURCE: 2019 BUREAU OF LABOR STATISTICS, QUARTERLY CENSUS OF EMPLOYMENT AND WAGES (QCEW); 2018 CENSUS BUREAU, NONEMPLOYER STATISTICS (NES); ANALYSIS BY UCR CENTER FOR ECONOMIC FORECASTING AND DEVELOPMENT

IN FOCUS:



# The Creative Economy in the Inland Empire

The world began 2021 with a glimmer of hope and optimism. Looking back on a year filled with uncertainty, stress and isolation, one of the lessons we learned from 2020 was that so much of what makes us happy, we take for granted. Whether it was going out to enjoy live music or visiting a local movie theater, we came to appreciate like never before how necessary the creative efforts of others are to our quality of life.

The Creative Economy, with its myriad industries and sub-sectors, has taken a huge hit from the COVID-19 pandemic's impact on society. The longer the pandemic continues, and the longer various sectors of the Creative Economy remain shuttered, the worse the situation will be, not only for the creative workforce but also for the economy at large. There are roughly 1 million payroll workers (wage and salary positions) and over 420,000 contract workers in California's Creative Economy. By far, the largest creative sector is Entertainment and Digital Media, accounting for 70% of creative payroll employment and 80% of creative contract employment.

## DEFINING CREATIVE INDUSTRIES:



### Architecture and Related Services

5 Subsectors

Firms that specialize in architectural services, interior design, landscape design, and drafting services.



### Creative Goods and Products

12 Subsectors

Firms that manufacture, warehouse, import, and export of furniture. Also includes textile mills, china and pottery producers, and industrial designers.



### Entertainment and Digital Media

30 Subsectors

Firms engaged in film, publishing, broadcasting, emerging digital media, and sound production and recording.



### Fine Arts and Performing Arts

7 Subsectors

Theater and dance companies, art galleries, musical groups, performing arts companies, and museums.



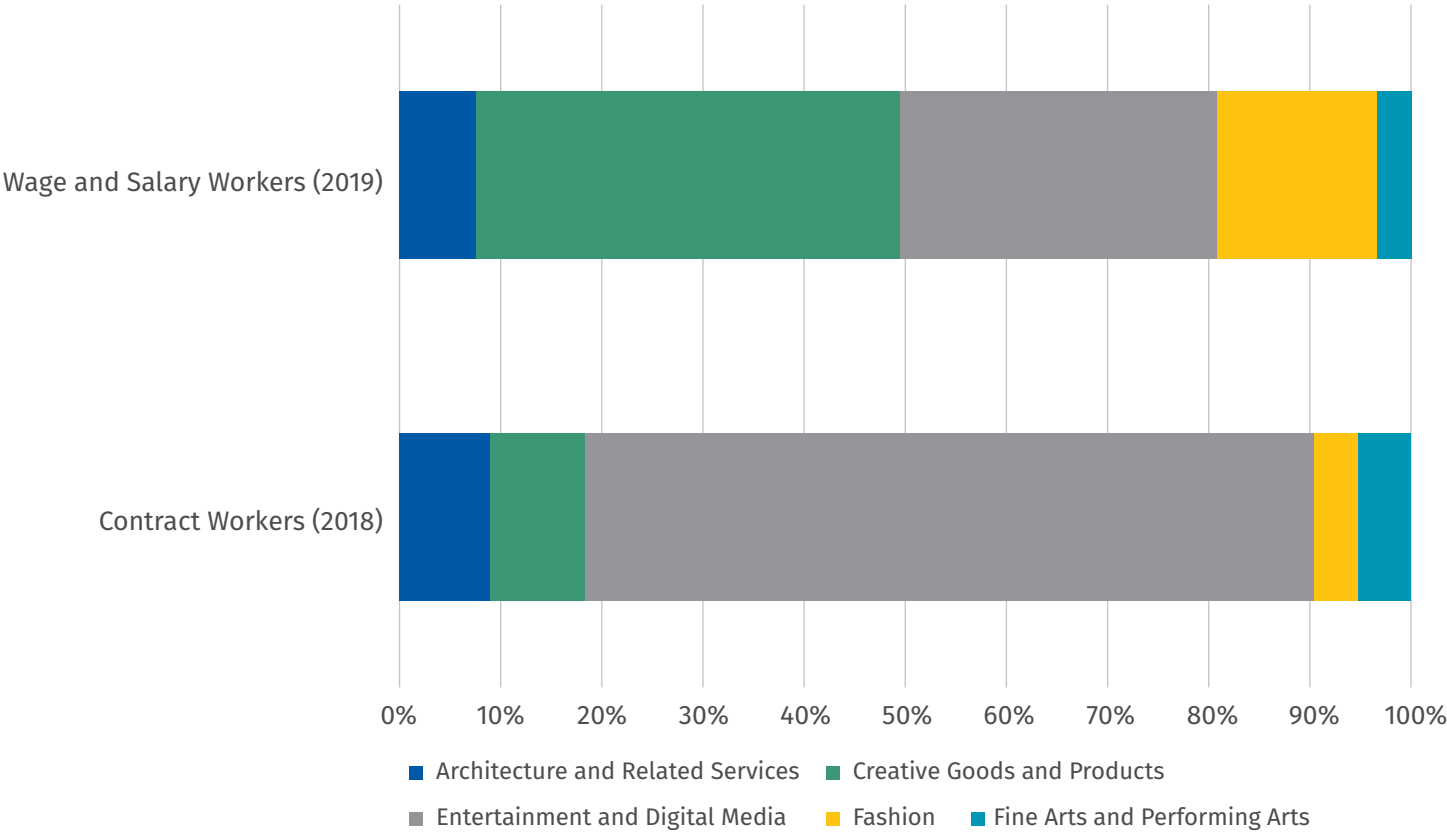
### Fashion

11 Subsectors

Firms involved with apparel design, manufacturing, and wholesaling. Does not include retail.

The Inland Empire accounts for 5% of creative industry contract workers and 3% of creative payroll workers in California. Looking deeper, creative industries (payroll and contract work combined) account for 2% of the local region's total employment.

Thanks to the strong presence of manufacturing in the region, Creative Goods and Products is the largest sub-sector of the local Creative Economy’s payroll employment at 42%. Meanwhile, Entertainment and Digital Media accounted for the largest sub-sector share of creative contract employment at 72%. Over five years, creative payroll employment increased 22% while creative contract employment increased 21%.



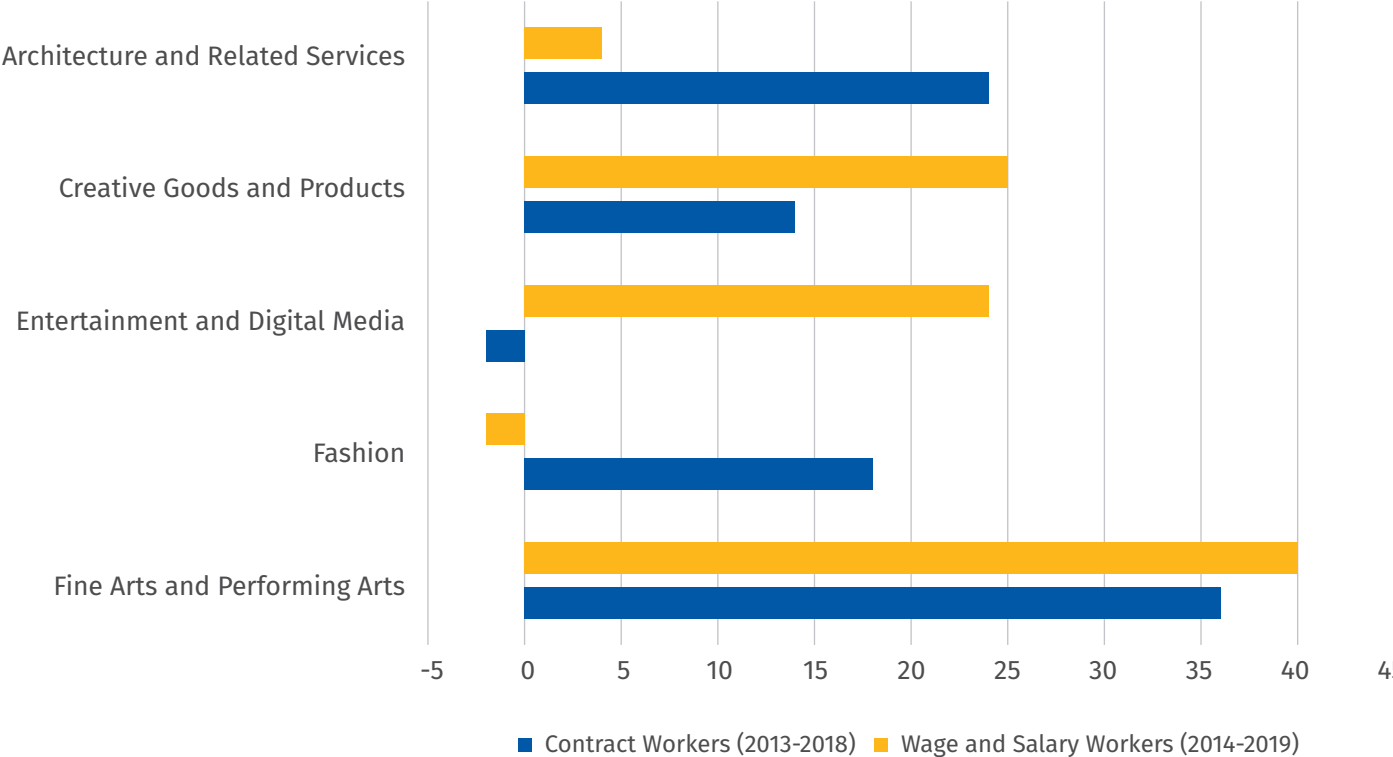
**SHARE OF CREATIVE INDUSTRY JOBS**

INLAND EMPIRE

SOURCE: 2019 BUREAU OF LABOR STATISTICS, QUARTERLY CENSUS OF EMPLOYMENT AND WAGES (QCEW); 2018 CENSUS BUREAU, NON-EMPLOYER STATISTICS (NES); ANALYSIS BY UCR CENTER FOR ECONOMIC FORECASTING AND DEVELOPMENT

Fine Arts and Performing Arts grew the most in five years among both payroll workers (36%) and contract workers (40%). There was also notable growth for both job groups in the Creative Goods and Products sector: 25% for contract workers, and 14% for payroll workers. While Entertainment & Digital Media was the only sector that saw negative growth among wage and salary workers (-2%), Fashion was the only sector that declined among contract workers (-2%).

Architecture and Related Services is the highest paying creative sector in the Inland Empire. In 2019, the annual average wage for this sector was \$70,600, followed by Entertainment & Digital Media (\$65,500). In 2019, the annual average wage in Fine Arts and Performing Arts – the lowest paying sector – was \$31,900.



**PERCENTAGE CHANGE IN EMPLOYMENT BY CREATIVE SECTOR IN THE INLAND EMPIRE**

5-YEAR

SOURCE: 2014-2019 BUREAU OF LABOR STATISTICS, QUARTERLY CENSUS OF EMPLOYMENT AND WAGES (QCEW); 2013-2018 CENSUS BUREAU, NON-EMPLOYER STATISTICS (NES); ANALYSIS BY UCR CENTER FOR ECONOMIC FORECASTING AND DEVELOPMENT



# THE OUTLOOK

The Center's near-term outlook for business activity in the Inland Empire remains positive, with gains expected to continue throughout 2021. Over the coming year, business activity in the region is forecast to rise between 6% and 10%.

While there has certainly been some economic fallout in the Inland Empire, particularly for the labor market, the declines are not as severe as headlines would have you believe. More importantly, the declines that have been experienced are likely to be temporary in nature. The majority of the declines in employment levels have been driven by the response to COVID-19, whether these be through public health mandates or changes in consumer behavior to help mitigate the pandemic's health impact. The fundamentals of what will drive long-run growth remain strong, with households seeing minimal losses in income and some even able to bolster their savings over the last year.

As a result, there is a significant amount of pent-up demand for consumer consumption. Once businesses begin to fully open and health concerns related to COVID-19 begin to wane, the economy should recover at a rapid pace in 2021.