The Inland Empire – consisting of Riverside and San Bernardino Counties – has seen the fastest population growth in Southern California over the past two years and is on track to repeat that performance in 2016. Employment gains have gone hand in hand with population increases. Wage and salary (nonfarm) employment in the Inland Empire grew at a faster rate than in the rest of Southern California last year, and is expected to do the same this year.

This is welcome news for a region that was among the hardest hit during the Great Recession and Housing Crisis of the last decade. The Inland Empire’s unemployment rate will finish the year near 6%, with nearly every industry adding jobs over the past year and wages on the rise.

Looking to the year ahead, the region will see continued job growth and income gains that will be supported by key industries such as international trade and goods movement, health care, and professional and business services. Further wage increases will support spending in retail activity and elsewhere in the local economy.

Housing still has a ways to go, but new home building should accelerate in 2017.

The economy of the Inland Empire has come a long way in the last few years.

- The region has outpaced California and the nation in terms of job growth for four years running.
- Job gains have driven the unemployment rate down.
- Income growth has supported increased sales activity.
- Population growth slowed to less than 1% during the recession but should be closer to 1.5% this year, and even higher next year.

<table>
<thead>
<tr>
<th>Inland Empire Outlook</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unemployment Rate in %</td>
<td>6.2</td>
<td>5.8</td>
<td>5.7</td>
</tr>
<tr>
<td>Nonfarm % Change</td>
<td>3.9</td>
<td>2.6</td>
<td>3.5</td>
</tr>
<tr>
<td>Taxable Sales % Change</td>
<td>6.3</td>
<td>6.1</td>
<td>9.9</td>
</tr>
<tr>
<td>Population % Change</td>
<td>0.9</td>
<td>1.0</td>
<td>1.1</td>
</tr>
</tbody>
</table>
The Southern California international trade and goods movement sector has generally seen improvement over the past year.

- Through August, container activity at the San Pedro Ports was slightly higher than one year earlier, with a significant bump in outbound/export containers.
- The Inland Empire has captured the lion’s share of Southern California’s job gains in the industry, adding over 10,000 positions over the past year.
- Increased activity in this sector has driven demand for warehouse and other industrial property higher and vacancy rates lower.

Like the U.S. and California, the Inland Empire’s housing sector still has room for improvement.

- Home prices have increased but remain below peak.
- Home sales are on the rise, but activity is proceeding at a moderate pace.
- New home construction has been very weak, especially on the single-family side.
- Despite low mortgage rates, would-be buyers face a number of hurdles even though the Inland Empire is viewed as an affordable part of Southern California: rising prices, high down payments, and tough underwriting requirements.

California surpassed the U.S. in economic growth last year, and has added jobs at a faster pace than the nation in each of the last four years.

- The state’s unemployment rate has fallen steadily and now stands just above the national rate.
- Tech has led the state in terms of growth for many years, but nearly every industry added jobs in 2016.
- Growing incomes and profits have fueled increases in taxable sales by consumers and businesses.
- The fiscal situation for California and local jurisdictions around the state has improved, leading to a restoration of services along with increased spending on education.

The United States economy has seen steady if unimpressive growth for several years running, but the labor market continues to improve and virtually every major industry added jobs this year.

- GDP growth will be somewhat lower this year than last, but consumer spending, the flywheel of the economy, will increase as a result of job and income gains.
- With the unemployment rate near 5%, the national economy is effectively at full employment, which will give rise to wage gains this year and next.