

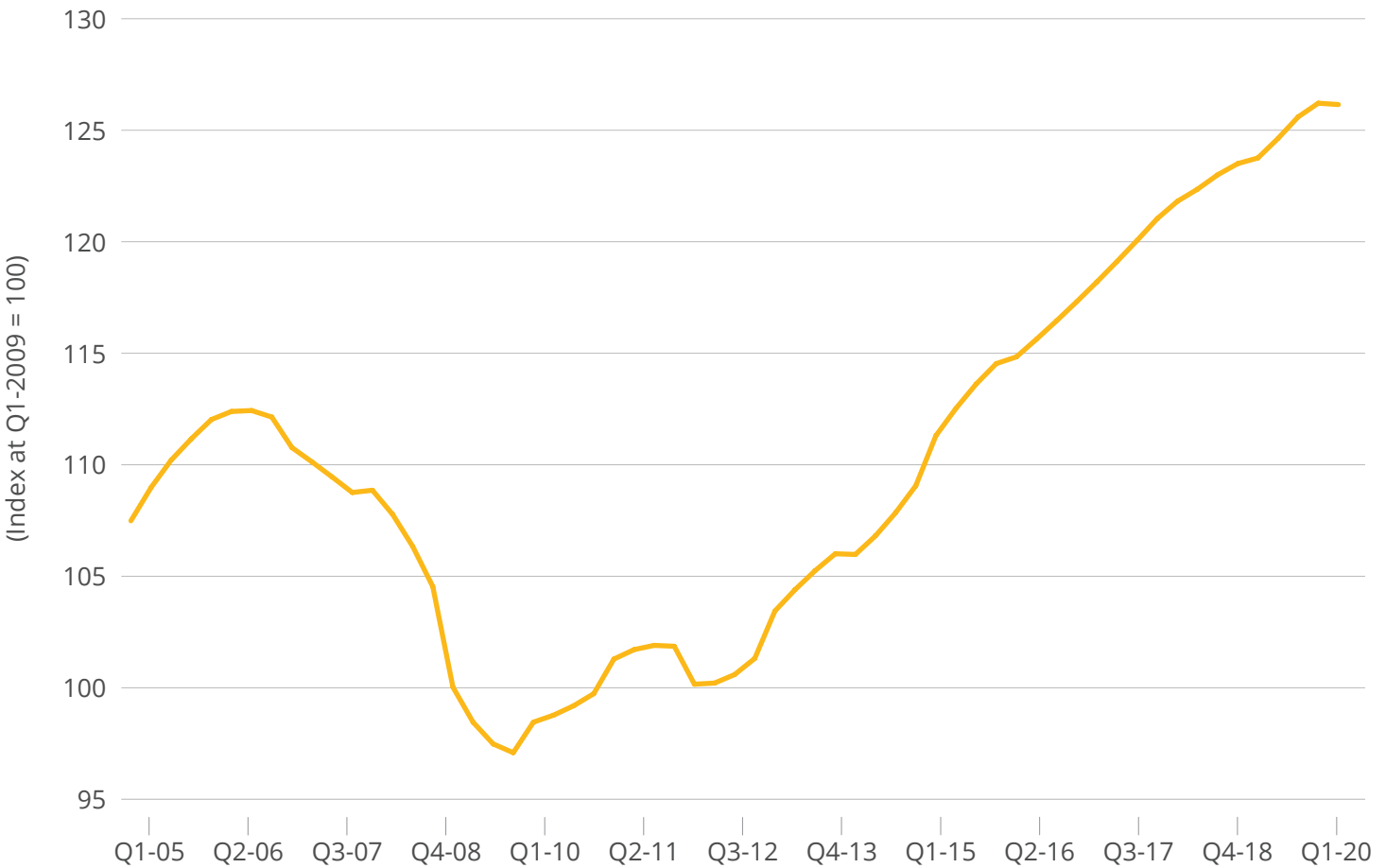
INLAND EMPIRE BUSINESS ACTIVITY INDEX

May 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.

Due to the unprecedented halt in economic activity as a result of the global COVID-19 pandemic, business activity in the Inland Empire contracted in the first quarter of 2020 at an annualized rate of -0.2% (the latest numbers available) from an annualized increase of 2.0% in the fourth quarter of 2019. Job growth decelerated markedly in the region, and unemployment reached a two-year high. Resembling recent national retail sales figures, Inland Empire taxable sales fell 3.7% quarter over quarter, with the decline solely due to the

March disruption in business, the UCR Center estimates. The second quarter is expected to be especially challenging, with stay-at-home orders and nonessential business closures having been in effect from the start of the quarter. Riverside and San Bernardino Counties have enacted rigid and conscientious public health policies, making continued business closures in the second quarter likely. The UCR Center will recalibrate its outlook accordingly in subsequent releases.



BUSINESS ACTIVITY INDEX
INLAND EMPIRE Q1-2005 TO Q1-2020

IN FOCUS:

Health Care Under Pressure

This quarter's release spotlights Health Care, one of the Inland Empire's flagship industries and a sector under pressure globally.

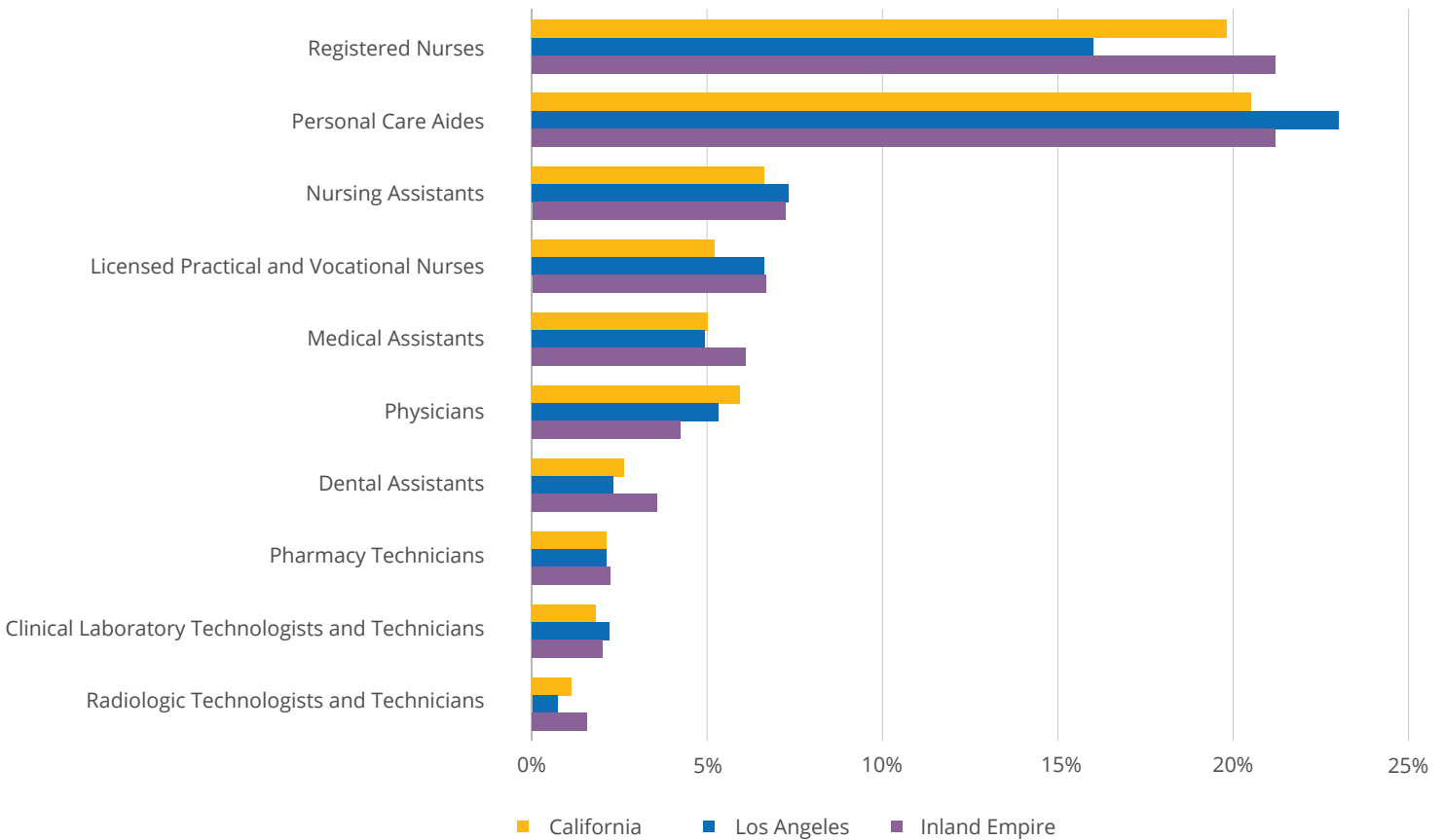
In the final week of April, confirmed coronavirus cases in the United States surpassed 1 million, about one-third of the world's total. In California, the virus has infected over 50,000 people and led to more than 2,000 deaths. The Inland Empire has not been spared; at the time of this writing, the region has over 5,800 confirmed cases — 12% of California's total — and 252 deaths. The pandemic threatens to severely strain the Health Care Industry as supply shortages and limited infrastructure are challenged by rising cases.

	Confirmed COVID-19 Cases	Deaths
Inland Empire	5,840	252
Los Angeles County	23,284	1,111
California	50,442	2,073
United States	1,062,446	62,406

Source: California Department of Public Health, COVID-19 Public Dashboard; Centers for Disease Control and Prevention

The Inland Empire accounts for about 10% of California’s employment in Health Care. In January 2020, over 237,000 people were employed in medical occupations in the region, an increase of about 52,000 over five years.¹ The industry generated \$14.7 million in GDP in 2018, accounting for roughly 8% of the Inland Empire’s total.²

The largest occupational sectors in the Inland Empire’s Health Care Industry are Registered Nurses (21.2%), Personal Care Aides (20.6%), Nursing Assistants (7.2%), Licensed Practical and Vocational Nurses (6.6%), Medical Assistants (6.1%), and Physicians (4.2%). The breakdown runs more or less parallel to those of Los Angeles County and California, with a few notable exceptions: The share of Registered Nurses, Medical Assistants, and Dental Assistants is larger in the Inland Empire, and that of Physicians is smaller.



TOP-10 HEALTH CARE OCCUPATIONS AS A PERCENTAGE OF TOTAL HEALTH CARE INDUSTRY

Source: American Community Survey 1-Year Public Use Microdata Sample (2018); analysis by UCR Center for Economic Forecasting and Development

¹ California Economic Development Department
² Bureau of Economic Analysis

The coronavirus breakout exposed critical shortcomings in California's Health Care Industry as regions began assessing worst-case scenarios. As California infections surged in mid-March, statewide efforts to steady the number of cases included a stay-at-home order, practices of social distancing, and wearing face coverings in public. But because of a lag between the time of infection and signs of symptoms, and because cases are expected to rise, California's Health Care infrastructure may be unable to cope with additional surges.

California has roughly 2.9 physicians for every 1,000 residents. Los Angeles County has 2.6 for every 1,000, and the Inland Empire has only 2.0.

California has 86,672 licensed hospital beds, of which 7,274 are in intensive care units (ICUs). This means that for every 100,000 people, there are 219 licensed beds and 18 ICU beds. The Inland Empire has fewer licensed beds relative to its population; 190 for every 100,000 residents. The Inland Empire has 874 ICU beds; 19 for every 100,000.

	Licensed Hospital Beds	Number per 100,000 People	ICU Beds	Number per 100,000 People
Inland Empire	8,769	190	874	19
Los Angeles County	24,933	247	2,083	21
California	86,672	219	7,274	18

Source: California Health and Human Services; analysis by UCR Center for Economic Forecasting and Development

Although the share of licensed beds to COVID-19 hospital patients seems manageable — coronavirus patients occupy 7% of the beds in the Inland Empire — pressure is mounting on ICU bed availability. Presently, COVID-19 patients occupy roughly 20% of the ICU beds in California, 33% in Los Angeles County, and 22% in the Inland Empire. About one-third of hospitalized cases require ICU treatment in all three regions, and as the number of cases continues to rise, ICU bed usage is expected to increase.

	COVID-19 Hospital Beds	COVID-19 Licensed Bed Usage	COVID-19 ICU Patients	COVID-19 ICU Bed Usage
Inland Empire	637	7%	190	22%
Los Angeles County	2,364	10%	684	33%
California	4,706	5%	1,434	20%

Sources: California Department of Public Health, COVID-19 Public Dashboard; analysis by UCR Center for Economic Forecasting and Development
 Note: Includes hospitalized patients suspected of having COVID-19 but whose test results are pending

Furthermore, about one-third of the Health Care workforce in the Inland Empire is 50 or older, meaning that this portion of the workforce, which already has an increased risk of infection, has a high risk of contracting critical cases. Based on a COVID-19 Risk Score developed using three job attributes from the U.S. Department of Labor (daily physical proximity, daily exposure to disease and infection, and daily contact with others), Health Care workers have substantially higher risk scores than their non-health care counterparts. In the Health Care Industry, occupations with the highest risks are Dental Hygienists and Assistants, Respiratory Therapy Technicians, Family and General Practitioners, and Registered Nurses.³

Restaurants, retailers, and other businesses have obviously had

to lay off employees in response to shutdowns and decreased consumer spending, and the Health Care Industry has also suffered. In February and March 2020, U.S. Health Care employment dropped 42,500 people. Sectors sustaining the greatest losses were Offices of Physicians (-12,000) and Offices of Dentists (-17,200). Sectors with employment gains in this period included Outpatient Care Centers (5,200) and Hospitals (200).⁴

Much remains uncertain about California's — and the world's — ability to contain the virus and return to normal life. On top of preexisting limitations in the Inland Empire's Health Care Industry, the coronavirus creates additional pressures. As confirmed cases increase and the number of patients requiring critical care rises, the disturbing experiences of other

countries, where doctors have had to triage among victims, may become reality in the region.

Despite daily increases in coronavirus cases, however, the Inland Empire has already lifted some restrictions. Some golf courses, parks, lakes, and recreation areas were recently reopened as long as distance is maintained and faces remain covered.^{5 6} California's curve has yet to flatten, and relaxing social distancing prematurely threatens to hinder virus containment.

³ Lu, Marcus. 2020, April. "The Front Line: Visualizing the Occupations with the Highest COVID-19 Risk." Visual Capitalist. <https://www.visualcapitalist.com/the-front-line-visualizing-the-occupations-with-the-highest-covid-19-risk/>

⁴ Bureau of Labor Statistics. 2020, March. "The Employment Situation." <https://www.bls.gov/news.release/pdf/empsit.pdf>

⁵ Money, Luke. 2020, April. "San Bernardino County lifts some coronavirus restrictions, reopens parks and recreation areas." L.A. Times. <https://www.latimes.com/california/story/2020-04-27/san-bernardino-county-lifts-some-coronavirus-restrictions-reopens-parks>² Bureau of Economic Analysis

⁶ Riversideca.gov. 2020, April. "City of Riverside Re-Opens Some Parks, Evaluating Others." <https://www.riversideca.gov/press/city-riverside-re-opens-some-parks-evaluating-others>



The Outlook

The Center's near-term outlook for business activity in the Inland Empire has shifted substantially down. COVID-19 has created a worldwide economic shock, one to which the Inland Empire is far from immune. With many businesses closed or operating at reduced capacity because of mandates designed to slow the virus' spread, the Inland Empire faces both a supply and demand shock as supply chain disruptions, employment layoffs, and reduced consumer demand leave it operating well below its potential level. The economic situation is unique in that lost or delayed consumption and business activity are not the result of imbalances in the economy but are self-imposed. Therefore, how long the health mandates are in place and the economic damage experienced during the mitigation phase will determine when and to what degree the Inland Empire economy returns to normal.