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SLO County's economic forecast: Doing better than the state

April Charlton acharlton@leececentralcoastnews.com Updated Nov 5, 2016 0



Phil Klein, Contributor
 Robert Kleinhenz, Beacon Economics executive director of research, speaks Friday during the 2016-17 Central Coast Economic Forecast at the Alex Madonna Expo Center in San Luis Obispo.

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San Luis Obispo County's economy is doing better or at least matching that of the Golden State, a crowd of nearly 600 people were told Friday during the 2016-17 Central Coast Economic Forecast.

"The labor market continues to do well at the national level, so that's good news," said economist Robert Kleinhenz, during his presentation at the annual Economic Forecast, which drew a record crowd this year. "The unemployment rate for the nation is 4.9 percent. That's good news."

"We're looking for more of the same from the national economy," he added, noting you can't talk about a local economy without first talking about the country's finances. "Rolling into next year, we think we're going to be in pretty good shape, both nationally and on a state level."

The annual event, held at the Alex Madonna Expo Center in San Luis Obispo, gave attendees a snapshot of the year-in-review as well as projected financial trends for local, state and national economies in 2017.

"Here we've got a story of a local economy that's doing as well as or better than the state economy over the last several years," Kleinhenz said about San Luis Obispo County. "When you compare the local economy with other metropolitan regions around the state, it's not doing all that bad."

From September 2015 to September 2016, the county has added 2,700 jobs, which translates into a 2.3-percent annual job growth rate. Santa Barbara County grew jobs by 2 percent during the same time period.

"It's not the largest job count, but every one of those jobs is important," Kleinhenz said, adding the local unemployment rate, which is under 5 percent, is lower than the state's.

"We're in record territory as far as jobs is concerned," he said. "The local economy is firing on all cylinders."

Jobs that continue to see growth locally are in the leisure and hospitality industry, education and health, construction and service-related fields, such as hair salons and auto shops.

"These are some of the pillars of the local economy that continue to do well," Kleinhenz said, noting much of the job growth has been focused in Nipomo, Morro Bay and Templeton.

Sources for new growth should focus on exporting goods, such as wine and food processing, as much as it does on building up tech sectors, biosciences, agriculture and tourism and entertainment.

"The key industries are growing as much as we'd like to see them grow," Kleinhenz said. "Tourism has a great potential for years, if not decades, to come."

Kleinhenz also spoke to Pacific Gas and Electric Co.'s plan to close Diablo Canyon Power Plant, which provides 1,500 head-of-household jobs locally, in 2025 and its effect on the economy.

"That's certainly not inconsequential," Kleinhenz said about the loss of jobs the county faces with Diablo's closure. "But when I look at the facts presented to me ... it looks to me like a long runway here."

He said knowing the timeline of the plant's closure will help the county plan ways to make up lost tax dollars as well as allow those individuals employed at the plant plan for future employment.

"Change is going to happen and there will be a huge adjustment," he said. "But it's time to plan accordingly. It behooves us to get a head start. You've got to work through this."

Keynote speaker Chris Thornburg, founding principal of Beacon Economics, spoke about the state and national economies, and told the crowd he could sum up his forecast with one word "miserablism," which he said was the philosophy of pessimism and "convincing people that things are bad when they aren't."

He said labor markets are strong, real incomes are rising, commodities are cheap, inflation is nonexistent, the GDP is growing, the global economy is weak, there is no financial bubble and fundamentals are fine.

"There's no recession, at least not in the next two years," Thornburg said. "There's a lot of good things."

He also said U.S. consumers are spending and spending for the right reasons, unlike they did before the Great Recession. The U.S. economy is also up 3 percent.

"It was a nasty downturn, but we are on our way up again," Thornburg said.

The economist told the packed room the scariest statistic he could find for his presentation was that today 50 percent of Americans have less net worth than they did in 1989.

He also said people should be concerned about an aging Baby Boomer population that's heading toward retirement in the next several years, which will put an enormous strain on the country's social safety nets and entitlements.

"Our systems aren't designed to deal with this strain, and no one is talking about it," Thornburg said.

April Charlton covers South San Luis Obispo County for Lee Central Coast Newspapers. Follow her on Twitter @WordsDawn.

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Tags: San Luis Obispo County Economic Forecast Economy Chris Thornburg Robert Kleinhenz Santa Barbara County Beacon Economics Chris Thornberg Global Economy Labor Market

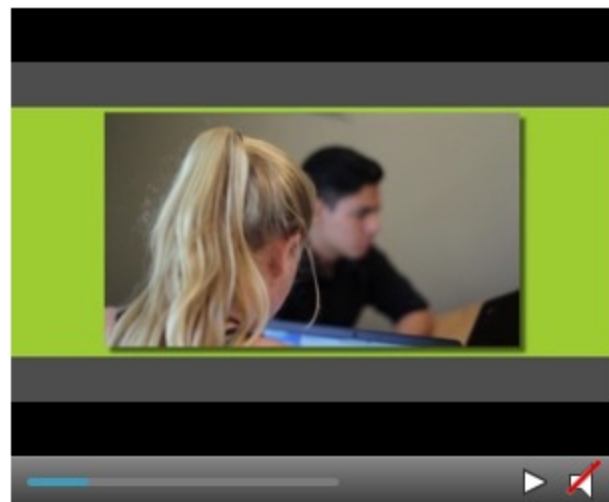
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