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NEWS RELEASE

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CALIFORNIA AND METRO FORECAST: October 2010

California Double Digit Unemployment Will Last Through 2013
Sacramento has the weakest 2011 outlook.

(Stockton, Calif.) October 21, 2010 – The faltering recovery will keep California's unemployment rate above 10% for three more years according to the Business Forecasting Center at the University of the Pacific. This quarterly forecast is a significant downward revision in the 2011 and 2012 outlook, and reflects a slowing national economy.

In the Central Valley, which is disproportionately impacted by continued weakness in construction and state budget cuts, unemployment rates are projected to plateau at their current high levels for nearly two years. Homebuilding remains at record lows in the Valley, and cuts to schools and local governments are offsetting any gains from improved conditions in agriculture.

Sacramento has the weakest outlook for the next 12 months, with no job growth projected between 2010 and 2011. Sacramento unemployment will exceed the state average for 2011, the first time this has occurred in over two decades of consistent data. By 2013, Sacramento and Stockton will be leading a strong recovery in the Central Valley, but the next two years will be extremely challenging for the region.

San Jose continues to be the only area in Northern California that is clearly recovering. We project 3% job growth for San Jose in 2011 and 2012, and this strength will eventually spill over to its lagging neighbors. Unemployment in all the Bay Area metros should drop below 10% by the end of 2011.

The Business Forecasting Center at the University of the Pacific was founded in 2004. Housed in the Eberhardt School of Business, the Center produces quarterly economic forecasts of California and 10 metropolitan areas in Northern and Central California. The Eberhardt School of Business is one of a handful of Business schools producing comprehensive quarterly forecasts of the California economy, and includes several regions not covered by other forecasts. In addition to the Quarterly Forecasts, the Center produces in depth studies of regional issues, and offers custom economic research services to public and private sector clients.

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California Annual Forecast Summary

	2010	2011	2012	2013	2014
Real Gross State Product (% change)	2.6	2.5	2.9	3.0	3.3
Non-Farm Payroll Employment (% change)	-1.6	1.1	2.3	2.4	1.9
Unemployment Rate (%)	12.5	11.9	11.3	10.4	9.5

Central Valley Metro Forecast Summary

Metro Area	**Nonfarm Payroll Employment** (% change)					**Unemployment Rate** (%)				
	2009	**2010**	**2011**	**2012**	**2013**	**2009**	**2010**	**2011**	**2012**	**2013**
Sacramento	-5.5	-2.8	0.0	2.4	2.9	11.2	12.5	12.8	12.6	11.6
Stockton	-5.7	-1.8	0.3	2.2	2.5	15.5	17.3	17.5	17.2	15.8
Modesto	-6.1	-1.7	0.3	2.1	2.3	16.1	17.5	17.8	17.6	16.4
Merced	-5.0	-2.6	0.3	2.2	2.3	17.4	18.9	19.4	19.4	18.2
Fresno	-5.4	-2.6	0.4	2.1	2.5	15.2	16.7	17.1	17.0	15.8
California	*-6.0*	*-1.6*	*1.1*	*2.3*	*2.4*	*11.4*	*12.5*	*11.9*	*11.3*	*10.4*

Sacramento MSA includes Sacramento, El Dorado, Placer, and Yolo counties. Stockton, Merced, Fresno and Modesto MSAs correspond to San Joaquin, Merced, Fresno and Stanislaus counties.

Bay Area Metro Forecast Summary

Metro Area	**Nonfarm Payroll Employment** (% change)					**Unemployment Rate** (%)				
	2009	**2010**	**2011**	**2012**	**2013**	**2009**	**2010**	**2011**	**2012**	**2013**
San Francisco	-5.4	-2.7	0.4	2.3	2.4	8.7	9.2	9.0	8.0	6.9
San Jose	-6.4	-1.3	1.5	2.8	2.6	11.1	11.4	10.6	9.3	8.0
Oakland	-6.2	-3.0	0.4	2.3	2.6	10.5	11.4	11.4	10.4	9.2
Santa Cruz	-4.8	-2.4	0.2	1.6	1.9	11.4	12.7	12.5	11.9	10.9
Vallejo	-4.4	-2.2	0.7	2.2	2.5	10.9	12.2	12.0	11.8	10.8
California	*-6.0*	*-1.6*	*1.1*	*2.3*	*2.4*	*11.4*	*12.5*	*11.9*	*11.3*	*10.4*

San Francisco MSA includes San Francisco, Marin and San Mateo counties. Oakland MSA includes Contra Costa and Alameda counties. San Jose MSA includes Santa Clara and San Benito counties. Vallejo and Santa Cruz MSAs correspond to Solano and Santa Cruz counties.

Highlights of the October 2010 California Forecast

- California unemployment will remain above 12% through the first half of 2011, and above 10% until the end of 2013.

- Payroll jobs have bottomed out nearly 1.36 million jobs below their 15.2 million job peak in summer 2007. Although California will add 210,000 jobs over the next 12 months, this is less than one-sixth the total lost, and is a very weak start in a long, 5 year recovery. Jobs will not recover their pre-recession peak until 2015.

- After 8 years of zero net job growth from 2007 through 2015, the state's population will have grown by 3 million people, keeping unemployment near 9% in 2015.

- The sluggish early stages of the recovery will see California's real gross state product and real personal income growth below 3% from 2010 to 2012.

- Construction has lost 400,000 jobs since its peak in the winter of 2006, by far the most battered sector through the recession. This cyclical sector will should bottom out over the next year, and average 9% job growth during 2012 and 2015 to lead all sectors.

- After a steep fall, manufacturing is slowly recovering. Next year, should bring the first annual increase in California manufacturing employment in a decade.

- Retail jobs have bottomed out after declining more than 10%, and a slow recovery is projected with less than 1% growth in retail jobs over the next year.

- Professional and Scientific Service jobs will increase by 50,000 (5%) over the next year. As a result, the recovery will be stronger in the high-skill coastal areas where these jobs are concentrated.

- State and local government employment, including public schools, is experiencing the largest decline between 2010 and 2011 with furloughs somewhat mitigating job losses. Regardless of the election results, state and local government jobs will remain flat through 2012 and is a major reason why the next two years will be particularly challenging for Sacramento and other areas in the Central Valley.

- Housing starts bottomed in 2009 at a record low 36,000 units. Although housing starts will recover to 43,000 units in 2010, this is still the 2nd lowest level in 50 years, and most of the recovery is in multi-family starts. Over the next two years, multi-family starts will bounce back to near pre-recession levels while single-family construction lags as long as existing home prices in inland areas remain below construction costs.

- Retail sales are slowly growing again, but will not recover their 2007 level until 2011.

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