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November 11, 2011

CALIFORNIA AND METRO FORECAST: November 2011

(Stockton, Calif.) **November 11, 2011** – The economic outlook for California over the next two years has deteriorated according to the most recent report from the Business Forecasting Center at the University of the Pacific. Real Gross State Product is forecast to grow 1.5% in 2012 and 2.2% in 2013 before picking up to a 3.5% to 4% pace in 2014 and 2015 after housing begins to significantly contribute to growth. Job growth will remain at a 1% to 1.5% annual pace through 2013, enough to keep pace with the labor force but to slow to bring the California unemployment rate below 10% until the end of 2014.

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. For more information, visit <http://forecast.pacific.edu/>.

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Highlights of the November 2011 California Forecast

- California remains in the early stages of a long, slow five year recovery.
- California unemployment will decrease slowly over the next few years, dropping to 11.9% during the second quarter of 2012, but remaining above 10% through 2014.
- Payroll jobs bottomed out last summer nearly 1.34 million jobs below their 15.2 million job peak in summer 2007. Since then, California has recovered 254,200 jobs; less than 1 out of every 5 jobs lost. Non-farm employment will not recover its pre-recession peak during the time period covered by the forecast.
- Despite sluggish job creation, real personal income is expected to approach and exceed its 2007 peak in the fourth quarter of 2011 due to stronger recovery in non-wage income.
- After 8 years of zero net job growth from 2007 through 2015, the state's population will have grown by 3.15 million people, keeping unemployment at 9.5% in 2015.
- Growth in real gross state product is expected to increase steadily from 1.1% in 2011 to 3.8% in 2015.
- 165,600 new Construction jobs are expected to be created over the next four years, about 17.8% of California's total non-farm job growth. It is also anticipated to be the fastest growing sector in 2013, growing 3.9% or by 23,800 jobs.
- 2011 brought the first annual increase in Manufacturing jobs in California in a decade. The trend of gradual growth in Manufacturing employment is anticipated to continue.
- The Health Services sector was the only private sector to experience consistent job growth throughout the recession, adding 46,100 jobs between 2008 and 2010. It is expected to add another 108,300 jobs over the next four years, 11.6% of California's total non-farm job growth.
- Professional Science & Technology employment is projected to increase by 12,400 (2.4%) over the next year after adding 33,600 jobs in 2011.
- State and local government employment, including public schools, shrank by 24,100 jobs in 2011 and will shrink by another 32,400 in 2012.
- Multi-family housing starts are expected to rebound modestly in 2011, while starts of more economically significant single-family homes will fall compared to 2010 to 23,700. However, by 2015 housing starts will top 150,000, with one-third consisting of multi-family housing.

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California Annual Forecast Summary

	2010	2011	2012	2013	2014	2015
Real Gross State Product (% change)	1.8	1.1	1.5	2.2	3.4	3.8
Non-Farm Payroll Employment (% change)	-1.3	1.2	1.1	1.4	1.8	2.1
Unemployment Rate (%)	12.4	12.0	11.9	11.5	10.7	9.5
Housing Starts (thousands)	39.4	45.5	54.3	85.5	130.6	158.1

Central Valley Metro Forecast Summary

Metro Area	Nonfarm Payroll Employment (% change)					Unemployment Rate (%)				
	2010	2011	2012	2013	2014	2010	2011	2012	2013	2014
Sacramento	-2.8	-0.9	1.3	1.6	2.2	12.5	12.1	12.0	11.6	10.7
Stockton	-2.8	-0.2	2.0	1.8	2.2	17.3	17.0	17.1	16.9	15.9
Modesto	-1.0	-0.7	0.3	1.5	1.9	17.4	16.9	17.2	16.8	16.0
Merced	0.2	0.5	0.5	1.1	1.6	19.0	18.8	19.4	19.3	18.6
Fresno	-2.3	-0.4	0.4	1.5	1.8	16.8	16.9	17.6	17.3	16.6
<i>California</i>	<i>-1.3</i>	<i>1.2</i>	<i>1.1</i>	<i>1.4</i>	<i>1.8</i>	<i>12.4</i>	<i>12.0</i>	<i>11.9</i>	<i>11.5</i>	<i>10.7</i>

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 (%)				
	2010	2011	2012	2013	2014	2010	2011	2012	2013	2014
San Francisco	-1.0	0.6	1.6	1.4	1.8	9.1	8.4	7.8	7.4	6.7
San Jose	-0.4	2.4	1.9	1.7	2.1	11.3	10.1	9.8	9.4	8.6
Oakland	-2.0	-0.1	1.6	1.7	2.1	11.3	10.5	10.4	10.2	9.6
Santa Cruz	-2.7	3.3	1.0	0.4	1.0	12.8	12.3	11.9	11.2	10.1
Vallejo	-0.9	-1.7	0.0	0.7	1.4	12.0	11.7	11.5	11.1	10.7
<i>California</i>	<i>-1.3</i>	<i>1.2</i>	<i>1.1</i>	<i>1.4</i>	<i>1.8</i>	<i>12.4</i>	<i>12.0</i>	<i>11.9</i>	<i>11.5</i>	<i>10.7</i>

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.

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