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**CALIFORNIA AND METRO FORECAST: January 2012**

**(Stockton, Calif.) January 19, 2012** – More positive economic data at the end of 2011 has raised hopes for the economy, but continued weakness in the housing market, weaker demand for exports, and contracting government spending will prevent the recovery from gathering further momentum according to the Business Forecasting Center at the University of the Pacific. The forecast projects real gross state product will grow at an average 2% rate for both 2012 and 2013, similar to the first two years of the recovery. In 2014 and beyond, growth will increase above 3% as housing and construction finally begin making a positive contribution to the recovery.

While California's unemployment rate has dropped rapidly to 11.3% in the fall, it is projected to remain in double digits for two more years through the end of 2013. Housing starts are projected to grow modestly to 56,000 in 2012 with most growth in coastal multi-family construction while single-family homebuilding remains near historic lows.

The regional outlook predicts that 2012 will be the first year of economic recovery in the hard hit Central Valley. "After a flat 2011, we should finally see modest, positive job growth from Sacramento to Fresno in 2012," said Jeff Michael, Director of the Business Forecasting Center.

The rapid economic expansion in San Jose will continue, and the recovery has now spread up the peninsula to the San Francisco area, while the East Bay has continued to lag. Much like the Central Valley, the Oakland MSA experienced 10% job loss through the recession, and will experience modest job growth for the first time in 5 years in 2012.

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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**California Annual Forecast Summary**

	2011	2012	2013	2014	2015	2016
Real Gross State Product (% change)	1.8	1.8	2.2	3.4	3.6	3.1
Non-Farm Payroll Employment (% change)	1.3	1.2	1.5	2.0	2.2	1.8
Unemployment Rate (%)	11.9	11.2	10.4	9.3	8.3	7.7
Housing Starts (thousands)	42.8	55.8	90.6	134.5	167.2	187.1

**Central Valley Metro Forecast Summary**

Metro Area	Nonfarm Payroll Employment (% change)					Unemployment Rate (%)				
	2011	2012	2013	2014	2015	2011	2012	2013	2014	2015
Sacramento	-0.7	1.4	1.6	2.2	2.7	12.0	11.3	10.6	9.5	8.1
Stockton	-0.2	2.0	1.8	2.2	2.6	16.8	15.9	15.3	14.1	12.5
Modesto	-0.7	0.1	1.7	2.2	2.4	16.8	16.1	15.4	14.0	12.6
Merced	0.5	0.2	1.2	1.7	2.1	18.6	18.0	16.9	15.5	14.3
Fresno	0.0	1.0	1.5	1.8	2.2	16.7	16.3	15.8	14.3	12.8
<i>California</i>	<i>1.3</i>	<i>1.2</i>	<i>1.5</i>	<i>2.0</i>	<i>2.2</i>	<i>11.9</i>	<i>11.2</i>	<i>10.4</i>	<i>9.3</i>	<i>8.3</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 (%)				
	2011	2012	2013	2014	2015	2011	2012	2013	2014	2015
San Francisco	0.7	1.5	1.6	1.9	1.9	8.3	7.7	7.1	6.3	5.6
San Jose	2.5	1.9	1.9	2.4	2.6	10.0	9.1	7.9	6.6	5.4
Oakland	-0.2	1.1	1.9	2.3	2.5	10.4	9.8	9.2	8.0	6.9
Santa Cruz	3.3	1.1	0.5	1.1	1.4	12.1	11.2	10.6	9.2	8.2
Vallejo	-1.3	1.2	0.8	1.4	1.9	11.6	10.9	10.3	9.6	8.7
<i>California</i>	<i>1.3</i>	<i>1.2</i>	<i>1.5</i>	<i>2.0</i>	<i>2.2</i>	<i>11.9</i>	<i>11.2</i>	<i>10.4</i>	<i>9.3</i>	<i>8.3</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

## Highlights of the January 2012 California Forecast

- California is two years into a slow five-year recovery.
- California unemployment will decrease slowly over the next few years, dropping to 11.4% in the first quarter of 2012, and remaining above 10% until 2013.
- Since Payroll jobs bottomed out in winter 2010, California has recovered 329,000 jobs; one of every four jobs lost since summer 2007. Non-farm employment will recover its pre-recession peak in the first quarter of 2016.
- Despite sluggish job creation, real personal income is expected to approach and exceed its 2007 peak in the first quarter of 2012 due to stronger recovery in non-wage income and higher wage jobs.
- After 8 years of zero net job growth from 2007 through 2015, the state's population will have grown by more than 3.3 million people, keeping unemployment near 8% at the end of 2015.
- Growth in real gross state product is expected to increase steadily from 1.8% in 2011 to 3.6% in 2015.
- 244,000 new Construction jobs are expected to be created over the next five years, about 22.3% of California's total non-farm job growth. It is also anticipated to be the fastest growing sector in 2013, growing 4.9% or by 27,800 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 75,600 jobs between 2008 and 2011. It is expected to add another 139,300 jobs over the next five years, 12.7% of California's total non-farm job growth.
- Professional Science & Technology employment is projected to increase by 35,800 over the next year after adding 11,000 jobs in 2011.
- State and local government employment, including public schools, shrank by 11,200 jobs in 2011 and will shrink by another 1,400 in 2012.
- Multi-family housing starts are expected to rebound strongly in 2012, surpassing single-family housing starts for the first time. Single-family housing starts are expected to once again overtake multi-family housing starts in 2013 with nearly 50,000 annual housing starts. Housing starts are expected to exceed 150,000 annual units in 2015, 40% of which will be multi-family housing starts.

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