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**CALIFORNIA AND METRO FORECAST: February 2019**

**(Stockton, Calif.) February 25, 2019** – The California economy should maintain strong growth through 2019 despite an uncertain political environment and financial market volatility according to the latest projection from the Center for Business and Policy Research at the University of the Pacific. California’s record low unemployment rate is projected to stabilize at 4.0% for through 2020 before gradually increasing. California’s rate of economic growth is forecast to grow at a 2.9% rate for the next 12 months, and fall below 2% by 2021 as recession risks grow.

The regional outlook projects Sacramento to lead Northern California in job growth in 2019 after lagging slightly behind the rapid growth seen in the Bay Area, Stockton, and Merced in recent years. Sacramento’s government and healthcare based economy should sustain, if not accelerate, growth in 2019 as most other Central Valley areas gradually slow with the broader California economy. We also project San Francisco and San Jose to sustain over 2% job growth in 2019 despite the region’s housing constraints and unemployment averaging below 2.5%. This is partially due to increased commuting from inland areas, but also because skilled-workers are displacing others from the Bay Area’s housing stock which allows the region’s skilled workforce to grow significantly faster than population growth.

In addition to the detailed economic forecast for California and eight Northern California metropolitan areas, the forecast discusses Governor Newsom’s agenda including his recent announcement to downsize the costly and controversial megaprojects championed by Governor Brown: California high-speed rail and the Delta water conveyance tunnels. The full forecast can be downloaded from the Center’s website at [Go.Pacific.edu/CBPR](http://Go.Pacific.edu/CBPR).

The Center for Business and Policy Research at the University of the Pacific was founded in 2004 and was known as the Business Forecasting Center until March 2015. The Center is a joint program of the Eberhardt School of Business and the McGeorge School of Law programs in public policy and has offices at the Sacramento and Stockton campuses. The Center produces economic forecasts of California and eight metropolitan areas in Northern and Central California, in depth studies of regional economic and policy issues, and conducts custom studies for public and private sector clients. For more information, visit [Go.Pacific.edu/CBPR](http://Go.Pacific.edu/CBPR).

## California Annual Forecast Summary

	2017	2018	2019	2020	2021	2022
Real Gross State Product (% change)	3.0	3.4	3.0	2.6	1.7	1.3
Non-Farm Payroll Employment (% change)	2.1	1.9	1.5	1.3	0.7	0.5
Unemployment Rate (%)	4.8	4.2	4.0	4.0	4.2	4.4
Housing Starts (thousands)	103.5	113.3	113.2	125.6	127.4	127.4

## Central Valley Metro Forecast Summary

Metro Area	Nonfarm Payroll Employment (% change)					Unemployment Rate (%)				
	2017	2018	2019	2020	2021	2017	2018	2019	2020	2021
Sacramento	2.1	2.0	2.4	2.0	1.2	4.5	3.7	3.5	3.4	3.6
Stockton	3.9	3.2	2.1	1.3	1.2	7.0	6.0	5.6	5.5	5.7
Modesto	1.7	2.0	1.5	1.1	0.7	7.5	6.3	6.1	6.2	6.4
Merced	3.3	3.5	1.9	1.7	1.4	9.3	8.1	7.7	7.8	8.1
Fresno	2.6	2.8	1.9	1.1	0.6	8.5	7.3	6.8	6.8	7.0
<i>California</i>	<i>2.1</i>	<i>1.9</i>	<i>1.5</i>	<i>1.3</i>	<i>0.7</i>	<i>4.8</i>	<i>4.2</i>	<i>4.0</i>	<i>4.0</i>	<i>4.2</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 (%)				
	2017	2018	2019	2020	2021	2017	2018	2019	2020	2021
San Francisco	2.2	1.9	2.3	2.0	0.8	2.8	2.3	2.2	2.1	2.1
San Jose	2.5	3.1	2.3	1.6	1.1	3.3	2.6	2.5	2.4	2.4
Oakland	2.3	1.9	1.3	1.2	0.8	3.7	3.1	3.0	3.1	3.2
<i>California</i>	<i>2.1</i>	<i>1.9</i>	<i>1.5</i>	<i>1.3</i>	<i>0.7</i>	<i>4.8</i>	<i>4.2</i>	<i>4.0</i>	<i>4.0</i>	<i>4.2</i>

San Francisco MSA includes San Francisco and San Mateo counties. Oakland MSA includes Contra Costa and Alameda counties. San Jose MSA includes Santa Clara and San Benito counties.

## Highlights of the February 2019 California Forecast

- Over the next 12 months, real gross state product is forecast to grow at a 2.9% pace, and drop below 2% growth by 2021 as recession risks grow.
- The California unemployment rate is forecast to be stable at 4.0% through 2020 before gradually increasing.
- Nonfarm payroll jobs will grow 1.4% over the next 12 months, after slipping below 2% growth in 2018 for the first time since 2011. Payroll growth will drop below 1% by late 2020, a good pace for an economy near full employment.
- Health Services has become the largest employment sector in the state after a period of rapid growth. Health services is projected to add more than 20,000 positions over the next 12 months, a slowdown from the 85,000 health services jobs added in 2017.
- Professional Scientific & Technical Services is a high-paying sector that has fueled the recovery, and is forecast to be a growth leader in 2019 adding over 80,000 jobs.
- Growing consumer spending at restaurants has fueled rapid growth in the Leisure and Hospitality sector. This sector has added up to 75,000 jobs in recent years, but we project only about 10-15,000 new jobs in each of the next few years as rising labor costs and low labor availability drives change in the hospitality sector.
- State and local government employment experienced solid 2% employment growth from 2014 to 2017 as public budgets, especially in education, recovered. However, state and local government hiring will drop below 1% for the next several years in spite of revenue growth as these entities grapple with slower revenue growth and rising pension costs.
- Construction jobs have been growing rapidly in recent years as the hard hit sector continues to recover. We expect a slight slowdown in construction job growth in 2019, about 30,000 new jobs compared to as much as 50,000 in recent years. Job growth is limited by worker availability and little expansion to residential construction in 2019.
- Single family housing starts are projected at 66,000 in 2019, about the same as 2018. Multi-family production is also projected to be flat in 2019 between 45,000 and 50,000 new units. After 2019, we expect total new housing starts to gradually grow another 10% and stabilize at just over 125,000 total new single and multi-family units per year.
- California's population growth is projected at about 0.5% for the next several years, at or near a record low growth rate. California's population is still on track to reach 40 million this year prior to the 2020 census, and should add about 200,000 new residents per year.

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