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**CALIFORNIA AND METRO FORECAST: September 2014**

**(Stockton, Calif.) September 11, 2014** – The California economy continues steady improvement, and growth should accelerate in 2015, according to the latest projection from the Business Forecasting Center at the University of the Pacific.

Overall, the California economic outlook has changed little since May. California's economy continues to grow, and non-farm payrolls recently surpassed their pre-recession, 2007 peak of 15.4 million jobs. 2014 is shaping up to be yet another year of moderate 2 to 3% growth in both employment and gross state product (GSP). The forecast anticipates stronger growth from 2015 to 2017 with real GSP growing between 3.5% and 4%, as homebuilding makes a larger contribution to growth.

The regional outlook predicts that the Bay Area continues to lead the state's recovery, but the recovery is well underway in the Central Valley as well. While the drought is having some impact on agricultural production and could reduce employment by about 1% in the San Joaquin Valley this year, it is not large enough to stop economic recovery in the Valley. With the exception of Sacramento, all metro areas in the San Joaquin Valley have job growth about a percentage point lower than in 2013. By 2015, job growth through the Valley will be back above 2%, and Stockton, Modesto and Fresno should see their unemployment rates finally get back to single digits in 2016.

In addition to detailed five year economic projections California and nine metro areas, the forecast includes essays on the latest developments in the Stockton bankruptcy case, and Tesla's selection of Nevada for its battery "Gigafactory." The Business Forecasting Center at the University of the Pacific was founded in 2004. Housed in the Eberhardt School of Business, the Center produces economic forecasts of California and nine metropolitan areas in Northern and Central California, 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

	2013	2014	2015	2016	2017	2018
Real Gross State Product (% change)	2.6	2.3	3.5	3.8	3.8	3.2
Non-Farm Payroll Employment (% change)	3.0	2.2	2.3	2.2	1.9	1.5
Unemployment Rate (%)	8.9	7.5	6.6	5.9	5.6	5.5
Housing Starts (thousands)	72.6	81.5	115.7	146.1	157.8	159.5

## Central Valley Metro Forecast Summary

Metro Area	Nonfarm Payroll Employment (% change)					Unemployment Rate (%)				
	2013	2014	2015	2016	2017	2013	2014	2015	2016	2017
Sacramento	2.8	2.5	2.5	2.4	2.2	8.6	7.3	6.3	5.5	5.0
Stockton	3.2	2.3	2.5	2.2	2.0	12.8	11.3	10.2	9.3	8.7
Modesto	2.9	1.7	2.1	2.2	2.1	13.0	11.6	10.4	9.8	9.3
Merced	2.6	1.0	2.4	2.3	2.2	14.7	13.2	12.1	11.3	10.9
Fresno	4.4	3.4	2.4	2.2	2.1	12.9	11.6	10.2	9.3	8.6
<i>California</i>	<i>3.0</i>	<i>2.2</i>	<i>2.3</i>	<i>2.2</i>	<i>1.9</i>	<i>8.9</i>	<i>7.5</i>	<i>6.6</i>	<i>5.9</i>	<i>5.6</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 (%)				
	2013	2014	2015	2016	2017	2013	2014	2015	2016	2017
San Francisco	4.4	3.0	3.0	2.4	1.8	5.5	4.6	4.2	3.9	3.6
San Jose	4.5	3.4	2.8	2.5	2.2	7.0	5.6	4.9	4.4	4.0
Oakland	3.5	2.2	2.8	2.5	2.7	7.4	6.2	5.4	4.7	4.2
Santa Cruz	3.9	2.1	2.1	1.5	1.4	9.5	8.2	7.1	6.2	5.7
<i>California</i>	<i>3.0</i>	<i>2.2</i>	<i>2.3</i>	<i>2.2</i>	<i>1.9</i>	<i>8.9</i>	<i>7.5</i>	<i>6.6</i>	<i>5.9</i>	<i>5.6</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. Santa Cruz MSA corresponds to Santa Cruz county.

## Highlights of the September 2014 California Forecast

- California is forecast to experience 3.4% growth in real gross state product over the next year, and accelerate to 3.8% growth in 2016.
- California unemployment rate has fallen to 7.4%. We expect the unemployment rate to decline more gradually in the months ahead and fall below 7% in the 2<sup>nd</sup> quarter of 2015, and reach 6% by the middle of 2016.
- Nonfarm payroll jobs recently reached their pre-recession, 2007 peak. Payrolls are projected to grow at a 2.1% rate over the next 12 months, and increase to 2.3% growth in 2015.
- State and local government employment stabilized in 2013 after four years of decline. We expect modest, 0.6% growth in state and local government payrolls in 2014 and a gradual increase to 1.6% growth by 2017. Because of this slow recovery, we project state and local government payrolls will still be slightly below 2008 levels in 2018.
- The Health Services sector was the only private sector to experience consistent job growth throughout the recession. Health care employment will continue substantial gains of about 60,000 jobs per year over the next few years.
- Professional Scientific & Technical Services is a high-paying sector that has led job growth in the recovery and fully recovered pre-recession employment in early 2012. This sector is projected to continue over 3% growth, adding 35,000 jobs over the next year.
- Manufacturing employment has shown very little growth over the past four years after a decade of large declines. We project roughly 1% growth in manufacturing jobs in 2015 and 2016 with some of the growth driven by the construction rebound and the increasing demand for building materials.
- About 250,000 new Construction jobs are expected to be created over the next four years, about one-fifth of the nearly 1.3 million jobs California will add between 2014 and 2018. Despite leading the state in job growth over the next four years, there will still be fewer Construction jobs in 2018 than before the recession.
- Single-family housing starts have been slow to respond to increased housing prices, and we project 43,000 single family housing starts in 2014. We project an increase to 61,000 single-family units in 2015, 86,000 in 2016, and remaining just below 100,000 units in subsequent years.
- Multi-family housing starts have recovered pre-recession levels, and are projected to increase from about 40,000 new starts in 2014 to just above 60,000 units each year from 2016 to 2018.

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