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**CALIFORNIA AND METRO FORECAST: January 2015**

**(Stockton, Calif.) January 30, 2015** – The California economy is expected to maintain its positive momentum in 2015 according to the latest projection from the Business Forecasting Center at the University of the Pacific. The forecast states, “Consumers are confident, supported by surprisingly low gas prices, solid job growth and improving wages. The labor force is beginning to grow again, the tech engine continues to propel the state’s economy forward, and the housing market is once again ready to support growth.”

The report forecasts 2.3% job growth for California in 2015, and a gradual decrease to 1.7% and 1.5% growth in 2016 and 2017 as the State is finally fully recovered from the Great Recession. The unemployment rate will gradually decline from its current level of 7% to 6% in 2017 as more people are drawn back into the labor force. The global economy remains the greatest risk to the forecast, although some of the effects of global weakness such as low interest rates and fuel prices are positives for the California economy.

The regional outlook finds that the Bay Area continues to drive the state’s recovery, and anticipates another year of strong growth in 2015 with 3.5% job growth for both San Jose and San Francisco. With the average Bay Area unemployment rate falling below 5% in 2015, and high costs and other constraints to growth, Bay Area job growth will decline back to 2% in 2016. In the Central Valley, job growth decelerated by about a percentage point in 2014 from the strong growth experienced in 2013. Considering the drought and the weakness in homebuilding in 2014, the slight slowdown was unsurprising. Job growth will range from 1.6% to 3.3% in the Valley, and the unemployment rate will drop below 10% in 2016 in Stockton and Modesto. Optimism is growing in the Sacramento region, and the forecast projects an increase to 2.6% job growth in 2015 and unemployment dropping to 6% by the second half of 2015.

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 eight metropolitan areas in Northern and Central California, in depth studies of regional business and public policy 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

	2014	2015	2016	2017	2018
Real Gross State Product (% change)	3.3	3.3	3.1	3.4	2.9
Non-Farm Payroll Employment (% change)	2.2	2.3	1.7	1.5	1.1
Unemployment Rate (%)	7.6	6.8	6.4	6.0	5.8
Housing Starts (thousands)	77.9	106.8	136.3	154.5	155.7

## Central Valley Metro Forecast Summary

Metro Area	Nonfarm Payroll Employment (% change)					Unemployment Rate (%)				
	2014	2015	2016	2017	2018	2014	2015	2016	2017	2018
Sacramento	2.3	2.6	2.0	1.8	1.7	7.3	6.3	5.5	5.0	4.9
Stockton	2.4	2.3	1.8	1.6	1.4	11.3	10.2	9.3	8.7	8.5
Modesto	2.1	3.3	1.6	1.6	1.5	11.6	10.4	9.8	9.3	9.1
Merced	1.1	2.7	2.0	2.0	1.7	13.2	12.1	11.3	10.9	10.8
Fresno	3.1	1.6	1.8	1.7	1.5	11.5	10.5	10.1	9.6	9.4
<i>California</i>	<i>2.2</i>	<i>2.3</i>	<i>1.7</i>	<i>1.5</i>	<i>1.1</i>	<i>7.6</i>	<i>6.8</i>	<i>6.4</i>	<i>6.0</i>	<i>5.8</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 (%)				
	2014	2015	2016	2017	2018	2014	2015	2016	2017	2018
San Francisco	3.3	3.6	2.0	1.6	1.0	4.5	3.9	3.7	3.5	3.4
San Jose	3.6	3.5	2.3	1.8	1.3	5.6	4.9	4.5	4.1	3.9
Oakland	2.1	2.8	2.0	1.8	1.3	6.1	5.5	5.2	4.8	4.7
<i>California</i>	<i>2.2</i>	<i>2.3</i>	<i>1.7</i>	<i>1.5</i>	<i>1.1</i>	<i>7.6</i>	<i>6.8</i>	<i>6.4</i>	<i>6.0</i>	<i>5.8</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 January 2015 California Forecast

- California is forecast to experience 3.3% growth in real gross state product in 2015 and 3.1% growth in 2016.
- California unemployment rate has fallen to 7.0%. We expect the unemployment rate to decline more gradually reaching 6.6% by the end of the year, and stabilizing near 6% in 2017 as more people reenter the workforce.
- Nonfarm payroll jobs are projected to continue steady 2.3% growth in 2015, and gradually slow to 1.5% growth by 2017.
- State and local government employment is once again growing slowly, and should add 20,000 jobs statewide over the next year. By 2018, California will still have over 30,000 fewer state and local government workers than in 2008.
- Health Services has become the largest employment sector in the state. Consistent gains will continue, although the 50,000 additional jobs projected for the next several years is a slight decline from about 60,000 new jobs in 2013 and 2014.
- Professional Scientific & Technical Services is a high-paying sector that has fueled the recovery, having fully recovered pre-recession employment three years ago. This sector is projected to continue strong growth, adding 40,000 jobs over the next year.
- After a decade of large declines, the number of Manufacturing jobs has changed little in the past 4 years. A modest gain of 10,000 jobs is anticipated over the next year, but the overall pattern of flat Manufacturing employment is anticipated to continue through 2018.
- About 50,000 new Construction jobs are anticipated in each of the next four years, about a 7% annual growth rate. Despite this expected growth, there will still be fewer Construction jobs in 2018 than before the recession.
- Single-family housing starts have been extremely slow to respond to increased housing prices, remaining below 40,000 single family housing starts for the seventh consecutive year in 2014. We project an increase to 48,000 single-family units in 2015, 73,000 in 2016, and remaining just over 90,000 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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