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CALIFORNIA AND METRO FORECAST 2009-2013:

California to Lose Over 1 Million Jobs Before Recession Ends

(Stockton, Calif.) June 24, 2009 – Job losses in California will top 1 million before the recession ends this fall according to the latest California and Metro Forecast released today by the Business Forecasting Center at the University of the Pacific. Over the next few months, the pace of private sector employment declines will slow as state and local government layoffs begin. Unemployment is forecast to peak at 12.3% in early 2010 and remain in double digits until the end of 2011.

The combination of recent state tax increases and massive expected budget cuts will hit especially hard across the Central Valley. “The state budget crisis is a dangerous aftershock to a region still reeling from the foreclosure earthquake,” said Jeff Michael, Director of the Business Forecasting Center. Although the Valley is currently an economic disaster area, the report emphasizes that most of the Valley’s economic shocks are cyclical in nature rather than permanent changes such as closed military bases.

San Francisco was the last metro area to fall into recession, and will be the only area in Northern California to avoid double digit unemployment. San Jose and San Francisco will be the first metro areas to in Northern California to regain their pre-recession employment levels. Unfortunately, it is little cause for celebration as that milestone is still three years away in summer of 2012. The recovery will take an additional year for most other areas.

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 the United States, California and 9 Metropolitan areas from Sacramento to Fresno and the San Francisco Bay Area. 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 in California's Central Valley not covered by other forecasts. In addition to the Quarterly Forecasts, the Center periodically produces in depth studies of regional issues, and offers custom economic research services to public and private sector clients.

Highlights of the June 2009 California and Metro Forecast

- The California economy will finally hit bottom in the 4th quarter of the year, and begin a slow, multiyear recovery. It will be 2013 before many key economic indicators such as unemployment return to healthy levels.
- Real Gross State Product has declined at a 6.5% annual rate in the first half of 2009.
- The state's recession should end in the 4th quarter of 2009, but the job market will remain weak through most of 2010.
- Unemployment will reach 12% by the end of 2009, peak at 12.3%, and remain in double digits for the next two years through the end of 2011.
- Nonfarm payrolls are forecast to decline by a total of 1,020,000 jobs statewide over the length of the two year recession.
- Manufacturing will lead the decline in 2009, shedding 135,000 jobs this year.
- Construction continues to lead job losses in percentage terms, declining another 15% (110,000) in 2009. By the time the recession, the construction sector will have shed over 400,000 jobs compared to 2006.
- Healthcare is the only sector that will not contract in 2009. The 0.9% (13,000) gain in healthcare jobs is the slowest growth this decade.
- Personal income declines 0.8% in 2009.
- Housing starts hit bottom in 2009 at 36,000 units, more than 80% below the levels seen in 2004 and 2005. Housing starts will be back to 100,000 units in 2011, and exceed 150,000 by 2013.
- New car and truck sales will be below 1.06 million in 2009 after exceeding 2 million for most of the decade. These sales will gradually increase as the economy recovers, reaching 1.46 million in 2010, and 1.73 million in 2011.
- Retail sales will not recover their 2007 level until 2011.
- San Francisco and San Jose will be the first Northern California metro areas to recover pre-recession employment in mid-2012. Vallejo was the first area in recession, and will be the last to recover in the 2nd quarter of 2014. Merced and Sacramento are the next slowest to recover pre-recession jobs in the 4th quarter of 2013.

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