CALIFORNIA ECONOMIC OUTLOOK

April 2019

Bank of the West Economics

Executive Summary

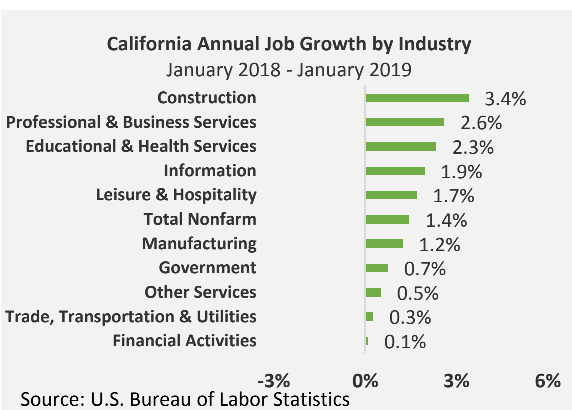
- Job growth in California had exceeded U.S. job growth for nearly seven years from February 2012 to November 2018. However, in December California job growth dipped below U.S. growth and the difference widened in January.
- California's unemployment rate fell to an all-time low of 4.1% in June and remained there through December. The rate, however, ticked up to 4.2% in January, the first increase since October 2010.
- Annual job growth peaked at 3.0% in 2015 and has now decelerated for three successive years. California job growth is forecast to average 1.2% this year and will weaken to just 0.5% 2020. A slowing global economy, lack of affordable housing, out-migration and the high cost of doing business will collectively weigh on employment growth. The slowdown in job growth will drive the California unemployment rate up from 4.2% last year to 4.4% in 2019 and 4.8% in 2020.
- Housing demand in California remained soft in January with existing single-family home sales declining 12.6% from a year earlier. This is the ninth month in a row of year-on-year decline and the sixth consecutive month with sales below 400,000. California housing starts are forecast to decline 4.0% this year and fall 4.5% in 2020.
- The surge in the supply of existing homes for sale and higher mortgage rates are causing home price gains to moderate. The statewide median home price was $538,690 in January 2018, up just 2.1% from a year ago. Home price growth is expected to moderate to 2.5% in 2019 and just 1.5% in 2020.
- There has been net out-migration in California over the last two years as more California residents leave the state due to the high cost of living, increasing congestion and deteriorating infrastructure. This will persist through 2020 and limit the state's growth rate.
- Year-to-date state tax collections from three of California's largest sources – the personal income tax, corporate tax and sales tax – are running $2.4 billion or 3.2% below expectations. However, there are reasons to believe the shortfall will be made up in April. For example, the elimination of the incentive for many tax filers to pre-pay state and local tax payments in December should result in additional payments being made in April 2019.
- If California tax collections don't rebound as expected in April, the year-to-date budget deficit would widen and could result in new budget cuts in next year's budget cycle. The reduction in budget outlays, if they occur, could coincide with an already slowing state economy and exacerbate the state's economic slowdown.

California Job Growth Dips Below U.S.

Job growth in California has exceeded that of the U.S. from February 2012 to November 2018 – an impressive run of nearly seven years. However, in December, California job growth fell below the U.S. and the difference in growth rates widened in January. California payrolls expanded by just 1.4% from a year ago in January - the slowest growth since 1.3% in December 2011. More troubling is the fact that California job growth has mostly been decelerating for the last 11 months.

On the bright side, California job gains from a year ago remain positive in all major categories, with the strongest growth in construction (3.4%) professional & business services (2.6%) and education & health services (2.3%). At the opposite end of the spectrum, job growth has been weak in a number of sectors from financial services (+0.1%) trade, transportation & utilities (+0.3%) and government (+0.7%). Collectively, these three slow growth sectors represent close to 40% of all jobs in California in January 2019.

Construction Job Growth Leads the Way



Annual job growth in California has been steadily decelerating since peaking at 3.0% in 2015. That slowing trend is expected to continue through 2020 with growth of 1.2% this year – down from 2.0% in 2018 – and just 0.5% next year. A weaker global economy, high costs of living and doing business, lack of affordable housing and net out-migration will collectively diminish California's job growth over the next two years.

Sectors with the sharpest slowdown in growth from last year to 2020 are projected to be construction, professional & business services, information services and manufacturing.

The ongoing U.S. trade war with China – and the potential that it could escalate – was a downside risk to the California outlook earlier this year. It appears, however, that the two sides are likely to come to some agreement over the next few months. Indeed, the original March 1 deadline for coming to an agreement was delayed until April and then pushed to June to give the two sides more time to come to an agreement. A trade deal that avoids the punitive tariffs that were scheduled to take effect on March 1 represents an upside risk to the outlook with California being the number one state in terms of total trade volume with China in 2017 of over $175 billion.

Another downside risk to the California outlook is the recent threat by President Trump to close the U.S.-Mexican border if Mexico does not immediately stop all illegal immigration coming into the U.S. through our southern border.

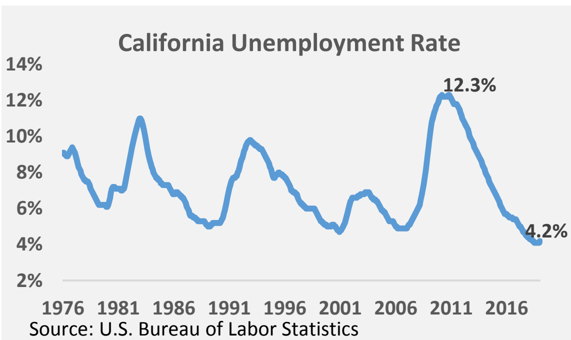
While the economic impact has yet to be quantified, it is likely to be substantial, especially in Southern California and San Diego given their proximity to Mexico. Closing the entire U.S. border with Mexico would stop the flow of more than $1.6 billion worth of goods that cross back and forth each day. Moreover, a border closing that lasted a few hours in November of last year cost San Diego retailers an estimated $5.3 million in lost sales, according to the San Diego Chamber of Commerce.

California's unemployment rate declined to an all-time low of 4.1% in July 2018 and remained there through December. The rate then rose to 4.2% in January, the first increase since October

2010. This is just above the U.S. rate of 4.0% in January, but down from 4.4% a year earlier.

Although the unemployment rate has declined by over eight percentage points since peaking at over 12% in 2010, California was tied for the 38th highest unemployment rate of all states in January. The California unemployment rate is expected to average 4.4% this year and then rise to 4.8% in 2020 as job growth continues to weaken.

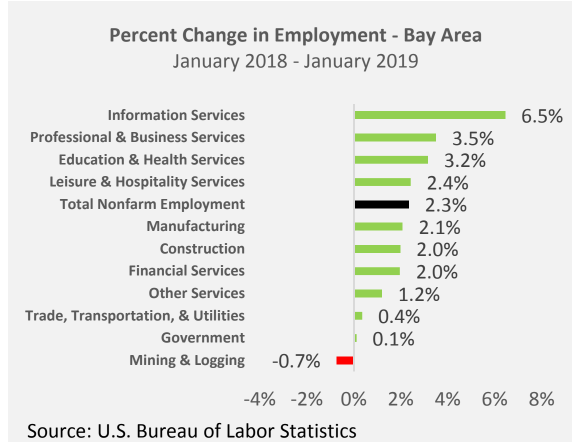
CA Unemployment Rate Rises From Record Low



Of the four California regions, annual job growth in Southern California slowed to 1.0% in January from 1.5% in October 2018 (the last historical data point in the December 2018 California Outlook Report) while job growth accelerated in the Bay Area (2.3% from 2.2%), the Central Coast (2.2% from 1.0%) and in the Central Valley (2.4% from 1.7%) over the same time frame.

Total nonfarm job growth in the **Bay Area** was a solid 2.3% in January from a year earlier, well above statewide growth of 1.4% and firmly above U.S. job growth of 1.9%. Gains were broad-based with payrolls expanding in 10 of the 11 major industry groups, led by information services (+6.5%), professional and business services (+3.5%), and education & health services (+3.2%). Mining & logging was the only group to contract (-0.7%) and its share of total jobs in the region in January 2019 was only 0.03%.

Robust Gains Continue in Information Services



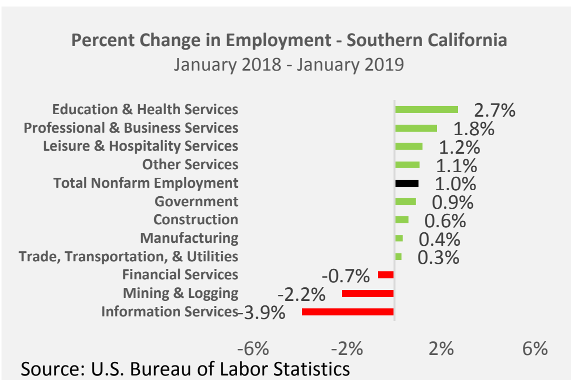
In a reversal of fortune it was San Francisco, not Silicon Valley, which drove job growth in the Bay Area with total employment rising a robust 3.8% from a year ago. Growth in Silicon Valley was a distant second at 2.4%.

Bay Area job growth is forecast to be a still-solid 2.0% this year – above statewide growth of 1.2% but down from 2.2% last year – and then slow to just 0.6% in 2020. The strong performance of the Bay Area economy in recent years has led to rising costs for labor and office space. This is expected to weigh on growth over the next two years as firms look for less expensive locations – either across the bay or elsewhere in the West – to do business. Net migration, which peaked for this cycle at over 60,000 in 2014, turned negative last year and net out-migration is forecast to continue through 2020. Fewer people are moving to the Bay Area and more are leaving due to escalating costs and congestion.

An upside risk to Bay Area growth is the instant wealth that could be created by technology start-ups going public. Uber, Lyft, Slack, Postmates, Pinterest and Airbnb are all expected to go through IPO events this year. Even by conservative estimates, this is expected to create thousands of millionaires and increase the demand for housing. The Bay Area economy would benefit from the ancillary spending that goes with a home purchase, like new furniture to furnish the house. Furthermore, each home purchase also generates additional income to brokers, attorneys and others, and some of this income would be recirculated in the local economy in the form of additional spending.

Total nonfarm job growth in **Southern California** was 1.0% year-over-year in January, by far the slowest of the four regions we forecast. The fastest growing job sectors were education & health services (+2.7%), professional & business services (+1.8%) and leisure & hospitality services (+2.2%). In contrast, three sectors suffered negative year-over-year growth, led by information services (-3.9%).

Education and Health Services Now Leads



Job growth of 0.7% is forecast this year in Southern California – down from 1.6% last year and the slowest pace of growth since 2011 when the economy was still recovering from the Great Recession. Job growth is forecast to be just 0.1% in 2020. These rates are below the other three regions and the statewide average in both years. High and rising costs will restrict in-migration to Southern California and population growth will lag the state and other regions, weighing on job growth.

As Southern California job growth continues to slow from the nearly 3.0% peak in 2015, the unemployment rate is predicted to climb from 4.1% in 2018 to 4.5% in 2019 and 4.8% in 2020.

Much like the state, an upside risk factor for Southern California was previously a downside risk for the region: the U.S.-China trade dispute. If the two sides are able to come to an agreement, which appears likely, Southern California will be a major beneficiary due to approximately 50% of U.S. trade with China going through Los Angeles ports.

The Port of Los Angeles moved more cargo in 2018 than any time in its 111-year history, racking up 9,458,749 twenty-foot equivalent units (TEUs), 1.2% more than the previous record in 2017. The continued flow of goods to and from China through the Los Angeles ports without additional punitive tariffs could lead to faster job growth than in our baseline forecasts.

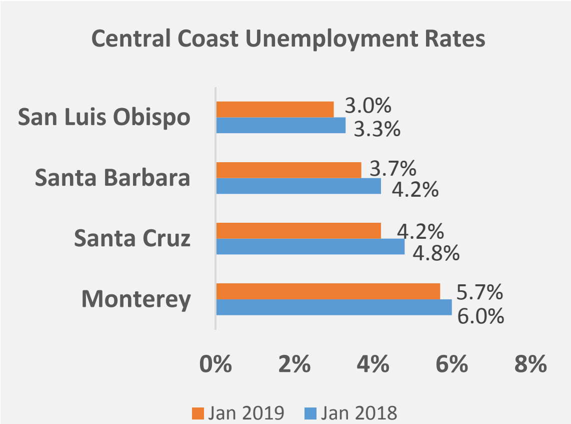
Total nonfarm job growth in the **Central Coast** region increased 2.2% in January from a year ago, barely trailing the Central Valley and the Bay Area. Santa Barbara and Salinas led the way with gains of 2.8% while Santa Cruz (+1.7%) and San Luis Obispo (+0.8%) grew at a much slower pace, limiting the region's overall job growth.

Regional job gains were fairly broad-based, with nine of the 11 sectors increasing over the year. Mining & logging (+15.8%) led, though that sector represented just 0.25% of all jobs in the region in January, followed by construction (+5.4%), manufacturing (+4.7), and professional & business services (+4.7). The two sectors that contracted were information services (-2.1%) and other services (-0.1%).

Despite having the slowest job growth among the region's metros through January, San Luis Obispo continued to have the lowest unemployment rate at just 3.0%. Monterey once again had the highest unemployment rate in the region at 5.7%, but that's down from 6.0% a year earlier. The other three major metros in the Central Coast region also had lower unemployment rates relative to a year ago, with Santa Cruz (4.2% from 4.8%) and Santa Barbara

(3.7% from 4.2%) experiencing the sharpest declines.

All Metros Had Lower Unemployment Rates



Source: U.S. Bureau of Labor Statistics

Job growth in the Central Coast region is forecast to be 1.2% this year – on par with the California average. Growth is then expected to decelerate to 0.5% next year as California's economy slows, Central Coast out-migration continues and population growth remains weak through 2020.

Construction, manufacturing, other services and government are all forecast to experience sharp slowdowns in their growth rates from 2018 to 2020, limiting overall employment growth in the region. Consequently, the unemployment rate, which reached a post-recession low of 4.7% in 2018, is predicted to rise to 5.2% in 2019 and 5.7% in 2020.

Total nonfarm employment in the **Central Valley** increased 2.4% in January from a year earlier, the fastest pace of any of the four regions of California we forecast. Seven of the major industry sectors had growth at or above 2.0%, led by construction (+6.8%), oil production (3.6%), and education & health services (+3.6%). The lone sector that lost jobs over the last year was information services (-1.6%).

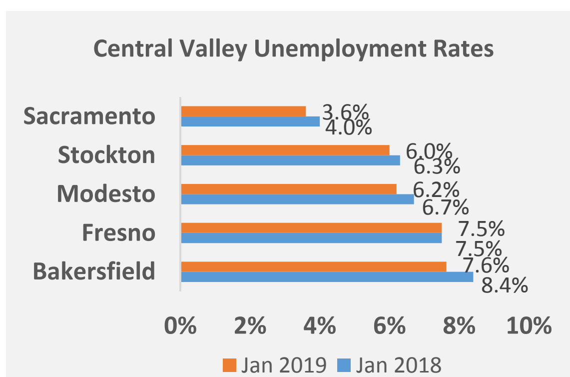
Job growth in 2018 was a robust 2.2% – on par with 2017 and tied with the Bay Area for the fastest growing region – but Central Valley job creation is forecast to slow to 1.5% in 2019 and 0.4% in 2020. Continued weaker population growth (0.6% annual growth is forecast for the next two years compared to 1.2% in 2017) and out-migration will combine to limit job gains this year and in 2020.

Slower growth over the next two years in the fastest-growing sectors of the Central Valley economy in 2018 – oil production, construction, and education & health services – will contribute to weaker total job growth in the Central Valley.

The oil market is currently balancing tighter U.S. supplies – U.S. crude inventories declined by nearly 10 million barrels in the week ending March 15 – with fears of a global economic slowdown. Oil prices were down 19.3% and 11.7% in January and February respectively from a year ago. If this weakness in prices continues, a pullback in investment spending on oil wells in the Central Valley could occur, which looms as a downside risk to the outlook.

Metro unemployment rates continued to decline in the Central Valley with the exception of Fresno where the rate was unchanged (7.5%) from January of last year. It's also important to note that with the exception of Sacramento, the other MSAs in the region have unemployment rates that are much higher compared to metros in other regions, particularly Bakersfield (8.4%) and Fresno (7.5%).

Sacramento Labor Market Continues to Shine



Source: U.S. Bureau of Labor Statistics

The unemployment rate in the Central Valley, which reached a post-recession low of 5.7% last year, is expected to rise to 6.1% this year and 6.8% in 2020 as job growth decelerates and net migration turns slightly negative.

Are State Revenue Projections Falling Short?

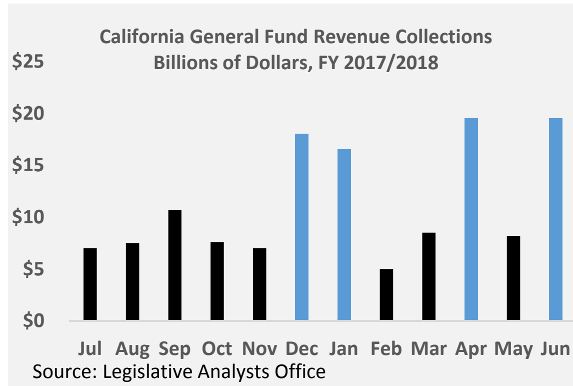
The state of California has traditionally relied upon the personal income tax (PIT) as its primary revenue source. According to the Governor's Budget Summary, the PIT represented almost 70% of general revenue funds in FY 2017/18. But will the state's overreliance on the PIT – which was highlighted as a risk in our last report due to overvalued equity markets – lead to a revenue shortfall in the current fiscal year that runs from July 2018 to June 2019?

An analysis by the Legislative Analyst's Office (LAO) reveals that December PIT collections were well-below the estimates made in June – just prior to the start of the current fiscal year. The budget was then revised to show higher tax payments in January, offsetting the December shortfall. Revenue in January, however, was also short of estimates. As a result, year-to-date revenues from the state's largest sources – the PIT, corporate tax and sales tax – are $2.4 billion or 3.2% below expectations. PIT revenues alone are nearly $2.7 billion or approximately 4.5% short of estimates.

Seasonality in State General Fund Revenues

Although a majority of PIT collections are derived from withholdings – over 70% in the current fiscal year to date – taxpayers who aren't subject to withholding must make quarterly payments to the state based on their estimated tax liability for the year. These estimated payments represent the second largest category of PIT payments with most of the money coming from filers who derive a large share of their income from capital gains, business income and other non-wage income. Moreover, there's a distinct seasonal pattern with the largest payments historically occurring in January, April, June and December.

State Revenues Concentrated in Four Months



The reason for the sharp spike in tax payments in December is because, prior to 2018, the entire amount of state and local tax payments (SALT) could be deducted on federal tax returns. This served as an incentive for taxpayers to pay their taxes before the end of the calendar year, pushing some of the January and April tax payments into December.

The Tax Cuts and Job Act of 2017 limited the amount of SALT that could be deducted on federal tax returns to $10,000. This eliminated the incentive to pre-pay because in some cases taxpayers SALT exceeded the limit. Therefore, December 2018 payments were only $1.1 billion, down from $7.7 billion in December 2017 and $4.6 billion in December 2016.

Will the Shortfall in Tax Collections Persist?

The elimination of the incentive for many tax filers to pre-pay state and local tax payments in December should result in additional payments being made in April 2019 and future years. Moreover, it's likely that the administration's monthly estimates did not take into account the possible change in taxpayer behavior. The LAO estimates that over $1 billion of the year-to-date shortfall of $2.7 billion could be eliminated with higher payments in April.

Reinforcing the notion that some of the revenue shortfall in December will be made up in April, estimated payments for federal personal income taxes rose to $100.6 billion in January 2019 from $92.2 billion a year earlier. Considering that California's economy has been growing faster than the U.S. economy – average annual real gross state product growth was 2.8% from 2010-2017 versus 2.2% average annual U.S. real GDP growth over the same period – a prolonged weakening in tax payments in California is not likely.

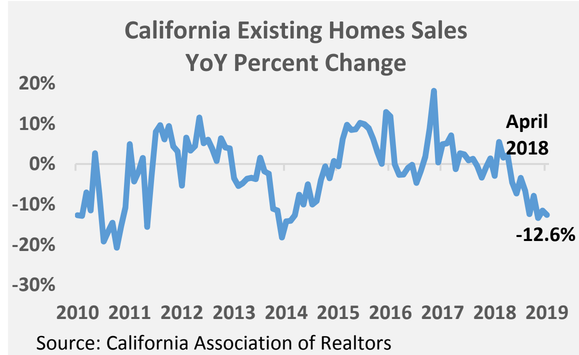
The significant decline in equity markets late last year can explain some of the revenue shortage as well. The Dow Jones Industrial Average declined 9.3% in December from the September 2018 peak and declined 3.0% in 2018 as a whole. The resulting weakness in capital gains taxes explains less than $1 billion of the revenue shortfall according to the LAO.

Although a rebound in California tax collections is expected in April, this bears monitoring as any further weakening in state tax revenue could lead to a widening budget deficit and eventually outright state budget cuts during the next budget cycle. The reduction in budget outlays could coincide with a state economy that is already expected to slow over the next two years, possibly exacerbating the inevitable economic downturn.

California Housing Demand Softens

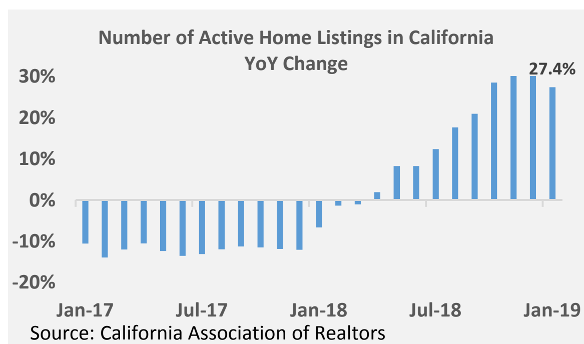
Housing demand in **California** remained soft in January with existing single-family home sales declining 3.9% from December and by a sharp 12.6% from a year earlier. This marks the ninth successive month of annual decline and the sixth consecutive month with sales below 400,000. Moreover, California existing home sales in January were at the lowest level since April 2008.

CA Home Sales Growth Negative Since May



California's active listings of existing homes turned negative from a year earlier in July 2015 and remained negative for 33 straight months, pushing home prices higher than the national average. But market conditions are changing. The number of statewide active home listings increased year-over-year for the tenth month in a row in January. Furthermore, the active listing growth rate has been above 20% for the last five months. It appears more potential home sellers, sensing a housing market peak in California, are deciding to list their houses for sale today.

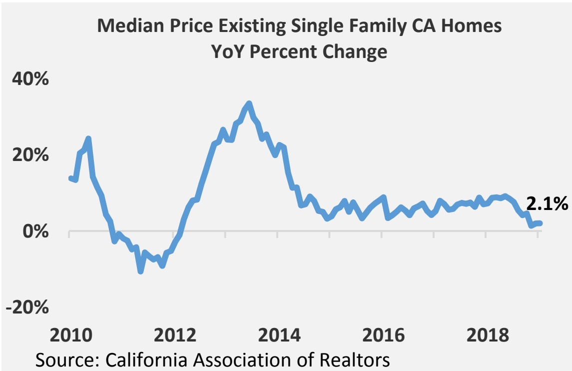
CA Active Listings Began Accelerating in July



The surge in the supply of existing homes for sale and higher mortgage rates – the 30-year fixed rate was up 43 basis points in January from a year ago – are causing California home price gains to moderate. The statewide median home price was $538,690 in January 2019, down 3.4% month-on-month and up just 2.1% from a year ago. The California median home price of

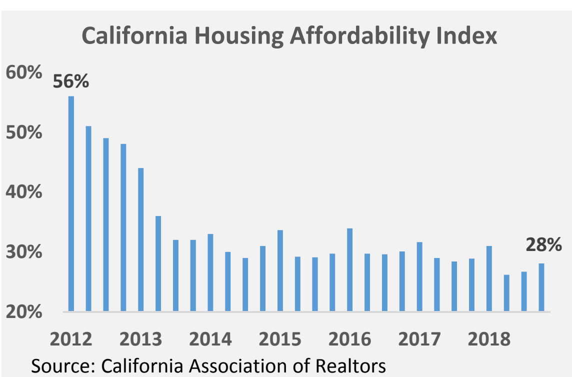
$538,690 in January is 10.6% below the peak of $602,760 in June of 2018.

CA Home Price Growth Hovering Around 2%



The moderation in home price growth since mid-2018, due primarily to the surge in active listings, is making homes in California marginally more affordable. In the fourth quarter of last year, 28% of California households could afford to buy the median-priced home. While affordability is still well below the peak of 56% in the first quarter of 2012, California housing affordability has improved for two consecutive quarters now.

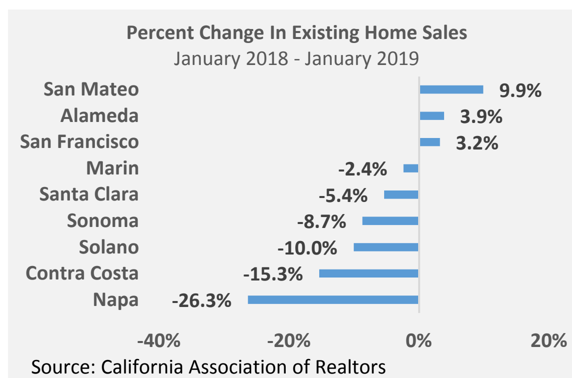
Home Affordability Has Improved Recently



A sharp deceleration in California job growth – particularly in 2020 – tighter financial conditions and the slowing U.S. and global economies will conspire to suppress the California housing market as the demand for homes continues to wane. As a result, annual home price growth is expected to moderate to a more sustainable rate of around 2.0% over the next two years, down from 8.1% last year. Furthermore, with California housing affordability still low by national standards, potential home buyers could delay purchasing a home, hoping for home price growth to continue moderating and mortgage rates to drift even lower.

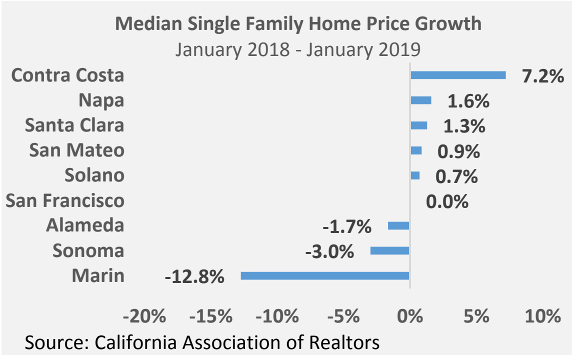
The **Bay Area** housing market has continued to cool over the last three months after years of escalating prices eroded housing affordability and kept more potential buyers on the sidelines. Bay Area existing home sales fell 24.3% month-over-month in January and were down 5.8% from a year ago. Home sales have now declined from a year ago for six months in a row in the Bay Area. Existing home sales declined in six of the nine counties from a year ago in January, led by Marin (-26.3%), Contra Costa (-15.3%) and Solano Counties (-10.0%). Conversely, home sales were still positive from a year ago in San Mateo (+9.9%), Alameda (+3.9%), and San Francisco (+3.2%).

Home Sales Declined in Most Bay Area Counties



Home price growth from a year ago was just 4.5% in the Bay Area in January as home prices continue to soften in response to increased supply and lackluster demand. The median price of $836,000 in January is still 23% below the all-time high of nearly $1.1 million set in May 2018. Home price growth over the past year was strongest in Contra Costa (+7.2%), Napa (+1.6%), and Santa Clara (+1.3%), while Marin (-12.8%), Sonoma (-3.0%) and Alameda (-1.7%) suffered price declines.

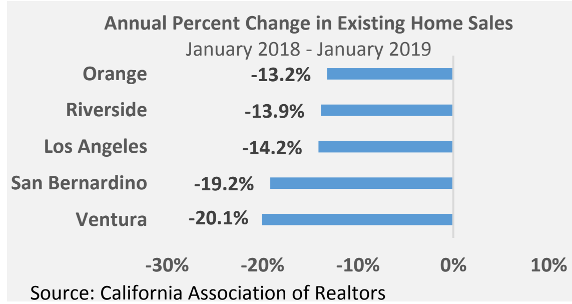
Home Prices Declined in Three MSAs in January



The Bay Area housing market is forecast to continue to moderate over the next two years because of poor affordability – the affordability index was 24% in the Bay Area in 2018Q4 compared to 28% for the state – growing existing home inventory and a marked slowdown in job creation. Housing starts in the Bay Area are forecast to drop almost 17.0% in 2019 after rising by 13.1% last year, and then decline 3.7% in 2020. Home price growth will slow to a range of 4.0-5.0%, down visibly from 11.4% in 2018 but in-line with average annual income growth of about 5.0% in 2019 and 2020. Newly minted millionaires and billionaires from technology IPOs should allow Bay Area home prices to continue to increase at a faster pace than the state as a whole.

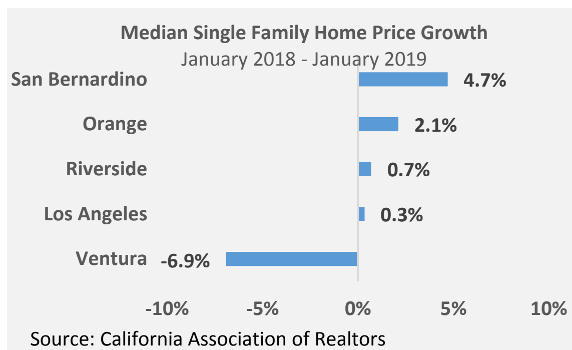
Existing home sales in the **Southern California** region dropped 15.1% in January compared to last year. The declines were broad-based with all five counties declining by double-digit rates, led by Ventura (-20.1%), San Bernardino (-19.2%) and Los Angeles (-14.2%). Home sales in the region have declined at a double-digit year-over-year pace in four of the past five months.

Home Sales Declined Sharply in Southern CA



Despite the recent persistent weakness in home sales, home prices in Southern California, while decelerating, remain in positive territory. Home price growth from a year ago moderated to 1.4% in January, down from over 9.0% in January 2018. Four of the five counties in the region had positive year-over-year home price growth, led by San Bernardino (+4.7%) and Orange (+2.1%). In contrast, prices in Ventura County fell 6.9% from a year ago.

Home Prices Advanced in Four of Five Counties

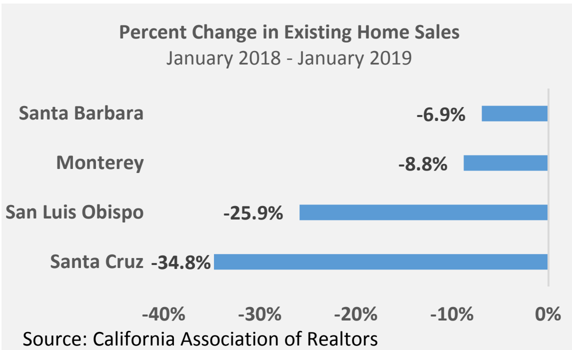


Home price growth in Southern California is forecast to weaken from almost 7.0% last year to 2.0-2.5% in 2019 and 2020 as job growth slows. Moreover, there will be a demographic weight on the housing market with new out-migration in Southern California forecast to be more severe than in other regions due to the high cost of living and freeway congestion. This will diminish the demand for housing and limit future home price growth.

Existing home sales in the **Central Coast** region plummeted 18.8% year-over-year in January.

Sales declines were widespread across the region with home sales falling in all four metros, led by Santa Cruz (-34.8%) and San Luis Obispo (-25.9%). Monterey (-8.8%) and Santa Barbara (-6.9%) experienced much smaller declines.

Home Sales Fell in Every Central Coast Metro

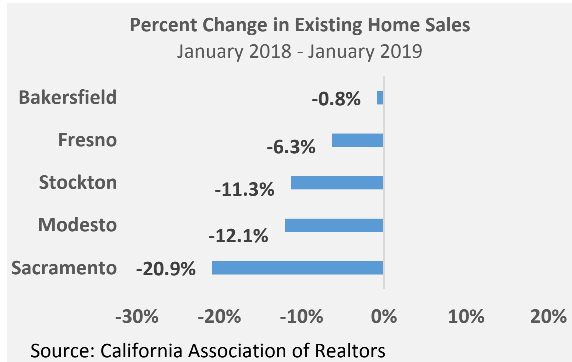


Home prices in the Central Coast, in spite of sharply declining home sales, increased 8.9% from a year ago. Santa Barbara led the way with home price growth of 21.2%, followed by San Luis Obispo (+4.9%) and Santa Cruz (+4.4%). Home prices in Santa Barbara have increased at double-digit rates for the past two months, but are still down more than 20% from the July 2007 peak.

Central Coast homebuilding is forecast to decline significantly in 2019 and remain negative in 2020 as job growth decelerates to a pace virtually on par with the state. Starts are forecast to decline by 23% this year – after a robust increase of over 44.0% in 2018 – in the face of weaker demand. Consequently, home price growth is expected to slow to 3.0-3.5% over the next two years, down from over 7.0% last year.

The **Central Valley** region suffered widespread declines in existing home sales in January, but the 14.0% drop was not as severe compared to Southern California or the Central Coast. All five metros that comprise the region saw home sales fall, led by Sacramento (-20.9%), Modesto (-12.1%), and Stockton (-11.3%). The best performing metro was Bakersfield with a modest 0.8% decline. In Sacramento – where home sales have declined by more than 20.0% year-on-year for two straight months – a sharp run-up in home prices in early 2018 made homes less affordable and reduced demand.

Home Sales Fell in All Central Valley Metros



Central Valley home prices increased 3.6% in January from a year earlier despite the pervasive sharp declines in home sales in recent months. Although home price gains were universal across all five metros, they ranged from just 0.6% in Sacramento to 10.0% in Fresno. Indeed, Fresno home prices have risen 7.1% year-over-year on average per month over the past 12 months. Relatively more affordable homes – the housing affordability index in the fourth quarter of 2018 in the Central Valley was well-above the other four regions and the state – and faster population growth will help support the Central Valley housing market in 2019 and 2020. As a result, home prices are projected to rise around 3.5% per annum over the next two years.

Economic Forecasts for California and Its Regions

CALIFORNIA	2016	2017	2018	2019[f]	2020[f]
LABOR MARKET					
Employment Growth	2.7%	2.1%	2.0%	1.2%	0.5%
Unemployment Rate	5.5%	4.8%	4.2%	4.4%	4.8%
INCOME AND SPENDING TRENDS					
Personal Income Growth	4.0%	4.6%	4.7%	4.7%	3.7%
Median HH Income ($)	67,739	71,805	75,168	78,230	81,213
Retail Sales Growth	3.5%	5.4%	4.9%	3.6%	1.5%
HOUSING MARKET					
Total Housing Starts Growth	4.4%	8.2%	11.1%	-4.0%	-4.5%
Med. Existing 1-Unit Home Price	5.2%	7.3%	8.1%	2.5%	1.5%
DEMOGRAPHICS					
Population Growth	0.7%	0.5%	0.4%	0.4%	0.4%
Net Migration (000's)	26.2	-17.9	-38.3	-32.5	-45.8

BAY AREA	2016	2017	2018	2019f	2020f
LABOR MARKET					
Employment Growth	3.4%	2.3%	2.2%	2.0%	0.6%
Unemployment Rate	4.0%	3.4%	2.8%	3.0%	3.6%
INCOME AND SPENDING TRENDS					
Personal Income Growth	6.3%	6.5%	5.6%	5.3%	4.7%
Median HH Income ($)	$88,579	$95,052	$99,545	$103,739	$108,195
Retail Sales Growth	3.6%	5.5%	5.3%	4.7%	2.6%
HOUSING MARKET					
Total Housing Starts Growth	6.7%	13.1%	13.1%	-16.9%	-3.7%
Med. Existing 1-Unit Home Price	6.3%	12.1%	11.4%	4.7%	4.5%
DEMOGRAPHICS					
Population Growth	0.8%	0.5%	0.4%	0.4%	0.4%
Net Migration (000's)	26.6	7.0	-2.2	-4.0	-8.0

[1]The Bay Area includes Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano and Sonoma counties.

SOUTHERN CALIFORNIA	2016	2017	2018	2019f	2020f
LABOR MARKET					
Employment Growth	2.7%	1.9%	1.6%	0.7%	0.1%
Unemployment Rate	5.1%	4.5%	4.1%	4.5%	4.8%
INCOME AND SPENDING TRENDS					
Personal Income Growth	3.3%	3.7%	4.4%	4.2%	3.4%
Median HH Income ($)	71,301	74,456	77,009	79,751	82,690
Retail Sales Growth	3.3%	5.3%	4.7%	3.5%	0.7%
HOUSING MARKET					
Total Housing Starts Growth	1.4%	2.2%	6.2%	-3.6%	-4.0%
Med. Existing 1-Unit Home Price	4.8%	6.7%	6.8%	2.4%	2.2%
DEMOGRAPHICS					
Population Growth	0.6%	0.5%	0.3%	0.3%	0.3%
Net Migration (000's)	-4.3	-19.6	-64.5	-53.5	-63.2

[2]The combined Southern California region includes Los Angeles, Orange, San Bernardino, San Diego, Riverside, and Ventura counties that are home to nearly two-thirds of Californians.

CENTRAL COAST	2016	2017	2018	2019[f]	2020[f]
LABOR MARKET					
Employment Growth	1.8%	1.7%	1.9%	1.2%	0.5%
Unemployment Rate	6.1%	5.4%	4.7%	5.2%	5.7%
INCOME AND SPENDING TRENDS					
Personal Income Growth	1.8%	4.8%	4.0%	3.8%	3.5%
Median HH Income ($)	69,332	73,491	76,413	79,157	82,072
Retail Sales Growth	2.7%	4.0%	4.0%	3.5%	0.9%
HOUSING MARKET					
Total Housing Starts Growth	-1.7%	21.3%	44.5%	-23.1%	-3.5%
Med. Existing 1-Unit Home Price	5.9%	6.0%	7.2%	3.4%	3.2%
DEMOGRAPHICS					
Population Growth	0.6%	0.4%	0.4%	0.4%	0.4%
Net Migration (000’s)	1.2	-2.1	-1.9	-1.7	-2.2

[3]The Central Coast region is comprised of Santa Barbara, Monterey, San Luis Obispo, and Santa Cruz counties.

CENTRAL VALLEY	2016	2017	2018[e]	2019[f]	2020[f]
LABOR MARKET					
Employment Growth	2.8%	2.2%	2.2%	1.5%	0.4%
Unemployment Rate	7.6%	6.6%	5.7%	6.1%	6.8%
INCOME AND SPENDING TRENDS					
Personal Income Growth	3.0%	4.3%	4.3%	3.7%	3.0%
Median HH Income ($)	55,712	58,047	59,794	61,730	63,792
Retail Sales Growth	4.1%	5.5%	4.9%	3.5%	0.7%
HOUSING MARKET					
Total Housing Starts Growth	10.9%	20.9%	4.7%	-0.1%	-5.0%
Med. Existing 1-Unit Home Price	9.1%	8.3%	7.5%	3.6%	3.5%
DEMOGRAPHICS					
Population Growth	1.1%	1.2%	0.7%	0.6%	0.6%
Net Migration (000’s)	24.8	32.1	7.3	-1.7	-2.3

[4]The Central Valley region is comprised of San Joaquin, Fresno, Madera, Sacramento, Placer, El Dorado, Yolo, Stanislaus, and Kern counties.