California Current Statewide and Regional Economic Conditions[1]

To set the stage for the California Energy Commission's January 24, 2013 staff workshop on California's economic and demographic outlook, Energy Commission staff prepared an assessment of California's current economic conditions—statewide and by major region.

California[2]

California's economy has been slowly recovering from the recession. In the last two years the state has seen payroll gains, lower unemployment, fewer mortgage defaults, dwindling inventory of homes for sale, and the return of tourism. Current Economic signposts for California include:

- Expanding technology services are driving payroll gains.
- Construction and state government education have stabilized.
- The state unemployment rate is just under 10 percent, and formerly discouraged workers are returning to the labor force.
- Housing is improving with fewer homes for sale, and the median price of single-family homes appears to have hit bottom.
- The issuance of residential construction permits is trending upward.
- The housing recovery appears to be under way. Housing may be a driver in the 2013 economy.
- Despite the recent gains, employment in California's construction sector is still off nearly 40 percent from its pre-recession boom level.
- Alternative-energy technologies may play a part in the recovery; California is well suited to benefit from each part of that industry (research, design, and manufacturing).
- The slowdown of China, one of California's top export partners, has softened the state's export growth.
- Tourism is improving.

In 2013, the state economy is anticipated to grow at a moderate pace with construction and business services posting the largest payroll gains. During this recovery, California should be the target for venture-capital investment because of California's highly educated workforce.

---

[1] Prepared for the staff workshop on California's Economic and Demographic Outlook, January 24, 2013, California Energy Commission [http://www.energy.ca.gov/2013_energypolicy/documents/index.html].

[2] California Energy Commission staff derived information on California's current economy from Moody's Analytics California Précis (December 2012) and IHS Global Insight (December 2012).

Regional Economic Conditions[3]

Los Angeles Region

Los Angeles County's recovery is broadening as local and out-of-area visitors increase their spending and film production takes off. Orange County's recovery is improving as increased spending bolsters tourism and the hard-hit housing-related industries strengthen. Riverside and San Bernardino County's recoveries are driven by increased consumer spending, expanding trade industries, and newfound stability in state government spending.

All counties in the Los Angeles region have shown improvements in employment. In Los Angeles County payrolls are lifted by retail, entertainment and visitor-dependent industries. In Orange County job gains are widespread and local government payrolls are stabilizing. Riverside and San Bernardino Counties growth in retail, transportation, warehousing, accommodations, state government, and education employment reflects improving conditions. The improving labor market has caused the unemployment rate to fall below 11 percent for Los Angeles County, 12 percent for Riverside and San Bernardino Counties and 7.5 percent for Orange County.

Housing market conditions in the Los Angeles region are improving throughout all counties. The median price for a single-family existing house is rising as the inventory of houses for sale dwindles. The issuance of residential construction permits continues to edge upward.

The Los Angeles region should continue to recover in 2013. The recovery in Los Angeles County is driven by building of public infrastructure, trade flows, and a growing footprint of entertainment attractions. Orange County's recovery will be strengthened in 2013 because of technology, tourism, and housing. Riverside and San Bernardino Counties' recovery will be boosted by trade and transportation, housing, tourism, and stabilizing state government.

San Francisco Bay Area

The Bay Area was the first region in California to recover from the recession; its recovery is strengthening. San Francisco and Marin Counties' recovery is bolstered by technology, rising incomes, infrastructure spending and an influx of visitors. The pace of San Jose's recovery is based on expanding technology services and rising incomes. Oakland's recovery is the result of infrastructure spending and technology.

---

[3] California Energy Commission staff derived regional economic information from Moody's Analytics Précis for San Diego, Los Angeles, Santa Ana, Riverside, San Francisco, San Jose, Oakland and Sacramento (December 2012).

Payrolls are growing across the Bay Area. San Francisco and Marin Counties payrolls increase as a result of service- and visitor-dependent industries, construction, finance, and local government. San Jose technology and the services industry are driving payroll gains. Oakland is experiencing a rise in construction, services, and K-12 and higher education. The unemployment rate has dipped below 7 percent in San Francisco and Marin Counties, 9 percent in Oakland, and 8.5 percent in San Jose.

The housing market is improving. The inventory of homes for sale is decreasing. The median price for existing single-family homes is increasing. Also, the issuance of residential construction permits is rising.

The Bay Area's recovery should continue in 2013. Technology and tourism will be the primary drivers. Financial services will contribute to improvements. San Jose's biggest contributor to the recovery is technology, but growth is assumed to increasingly broaden. Oakland's recovery should be strengthened in 2013, but may trail the rest of the Bay Area. Oakland's economic drivers are trade and healthcare.

Longer term, the Bay Area will benefit from its growing cluster of technology and R&D centers, which could help offset slower growth in finance and high business and living costs.

San Diego Region

San Diego's recovery is gaining momentum as formerly hard-hit industries stabilize or shows signs of renewed life. Payrolls are being boosted by banking, shipyards, temporary employment, and higher education. The unemployment rate is below 9 percent, as the labor force continues to grow.

San Diego's housing market indicators are improving. House prices are rising as the inventory of homes for sale declines. The issuance of multi-family residential permits is increasing.

San Diego's recovery will strengthen in 2013. Growth is driven by expanding high technology, services and tourism and strengthening construction. In the long term, San Diego is well positioned to take advantage of high-value-added technology, R&D, and the Pentagon's reorientation toward the Pacific Rim.

Sacramento Region

Sacramento is in recovery, but is showing signs of slowing down because of lingering weakness in state and local government. Seasonal factors in construction and administrative services are the likely cause of the decline in total payrolls in mid-2012, offsetting gains in personal services and healthcare. The unemployment rate has fallen below 10.5 percent because of a declining labor force.

Sacramento's inventory of homes for sale is decreasing, and the median price of existing single-family homes has increased. Construction of single-family homes is on the rise.

Sacramento's recovery should broaden in 2013. An improved outlook for state revenues should end additional spending cuts and furloughs, reducing Sacramento's largest downward weight. Longer term, Sacramento will benefit from above-average population growth as relatively low costs attract new residents and businesses from other parts of the state.