FORECAST HIGHLIGHTS

The past twelve months have seen a slowing of the employment growth trend in the Sacramento region. In June 2002, the region was adding jobs at a seasonally adjusted rate of more than 2 percent. By June 2003, the rate of job growth, though still positive, had slowed to just 0.08 percent.

During the coming twelve months, our forecast calls for continuing slow employment growth in the Sacramento region, without any significant net job losses.

With the state budget deficit expected to result in layoffs of state workers, reduced state expenditures within the Sacramento region, and possible tax increases, the prospects for a return to robust job growth in the Sacramento region in the near term remain dim.

SACRAMENTO REGION EMPLOYMENT OUTLOOK

We expect the level of employment in the Sacramento region to remain relatively steady over the coming year. We do not expect to see substantial net job losses, nor are we likely to experience robust growth. The region is expected to avoid the significant job losses that have plagued the national, state, and Bay Area economies.

In June, the Sacramento region recorded a seasonally adjusted year-over-year job growth rate of 0.08 percent. Though still positive, the June numbers marked a continuation of the slowing rate of job growth that has characterized the region’s economy for the past several years.

STATE AND NATIONAL OUTLOOK

After briefly entering positive territory early in 2003, the state economy again shed jobs throughout the spring of 2003. For June, the state lost jobs at a seasonally adjusted year over year rate of 0.63 percent. After briefly outperforming the nation during most of the past year, California’s job growth results fell below the national results this spring. For June, the national economy lost non-farm jobs at a seasonally adjusted rate of 0.28 percent.

In spite of the relatively weak job growth results, both in California and nationally, some forecasters see a light at the end of the economic tunnel, although few predict a return to robust growth in the near term. In June, the stock market demonstrated some signs of bottoming out, and consumer sentiment, though down slightly from May, has rebounded somewhat from the low levels reported in the winter and early spring.

KEY EMPLOYMENT SECTORS

The performance of key local employment sectors tells the story of the Sacramento region’s economic performance over the coming months. As the graph (following page) illustrates, the region continues to add construction jobs. Meanwhile, the government sector has completely ceased adding jobs, and potential...
job losses in this sector – comprising more than one fourth of total jobs in the region and traditionally a stabilizing influence on the economy – likely will serve to partially offset employment gains elsewhere in coming months. Manufacturing continues to report job losses, a trend that has plagued the sector since the summer of 2001.

In spite of the lackluster performance in other sectors, new home sales and permit activity continued at very high levels in June, helping to drive construction employment growth. Nevertheless, the longer range trend in home sales appears to have peaked last fall. 2003 is expected to be an excellent year for home sales, though we are not likely to see increases above the record levels observed in 2002.

**CONCLUSIONS**

The region’s economy remains in a steady state period, which likely will extend through next spring. And while no additional job losses are anticipated for the summer and fall, a return to significant employment growth is not expected anytime during the next twelve months. The key for the region will be the extent to which job gains in the private sector can outpace government job losses. The success of the region also will depend in part on the demand for housing. Risks to the outlook include the possibility of a fall-off in consumer spending or a decrease in housing demand. Conversely, strong job growth across the state or nation could act to fuel more rapid local job growth.

**FORECAST NOTES**

The CSUS Forecast of the Sacramento region was developed by the California Institute for County Government (www.cicg.org).

Support was provided by the California State University, Sacramento. Assistance with model development and programming was provided by Shawn Blosser of Databasis (www.dbasix.com). CSUS professors Robert Fountain (emeritus) and Suzanne O’Keefe serve as forecast project advisors.

The forecast contains the results of an econometric model of the six county Sacramento region’s economy (including the counties of El Dorado, Placer, Sacramento, Sutter, Yolo, and Yuba). For more information about the forecast methodology, please contact Matthew Newman, Director of CICG, at 916.324.0796 or via email at mnewman@cicg.org.

Please note that this edition of the CSUS Forecast incorporates the results of the EDD annual data revisions published in February 2003.