**Forecast Highlights**

Revised data recently released by the Employment Development Department reveal that employment growth in the Sacramento Region for the last year has slowed, but remained positive, outperforming both the statewide and national labor markets. In February 2003, the region was adding jobs at a seasonally adjusted rate of 1.85 percent. By February 2004, job growth had slowed to a seasonally adjusted rate of 0.86 percent.

During the coming twelve months, our forecast calls for a generally improving jobs outlook, with continuing job growth of about one to two percent.

**SACRAMENTO REGION EMPLOYMENT OUTLOOK**

Over the past year, job growth in several key sectors, including construction and financial services, has outweighed job losses in the manufacturing and government sectors to produce positive net job growth in the Sacramento region.

The manufacturing sector appears poised for a return to positive job growth, contributing to a generally positive outlook for overall positive growth in the region. Government remains the major weak spot in an otherwise generally good outlook. In the face of continuing state budget deficits, we expect government employment losses to continue into next year.

Over the next twelve months, we anticipate that job gains in the private sector will continue to outweigh job losses in the government sector, leading to slow but continuous job growth throughout the period.

**STATE AND NATIONAL OUTLOOK**

Statewide, employment growth moved into positive territory in January and February, the first positive job growth numbers for the state in more than a year. California gained jobs at a seasonally adjusted year over year rate of 0.47 percent in February.

Nationally, the labor market added jobs in February at a seasonally adjusted rate of 0.14 percent. Many forecasters have been predicting a return to more robust job growth nationally, although that goal remains elusive. Nevertheless, there is some optimism regarding productivity growth, profits and commercial investments.

The stock market appears to have bottomed out last spring, and has improved steadily since (see the graph on the following page).

Despite recent volatility, consumer sentiment has been improving since September, reaching a high of 103.8 in January. February, however, showed a relatively steep drop of nearly ten points from the previous month. Consumer sentiment is often linked to the public’s perception of the labor market.

**KEY EMPLOYMENT SECTORS**

The performance of key local employment sectors tells the story of the Sacramento region’s economic
performance over the past months. As the graph (opposite) illustrates, the construction and finance sectors have continued to add jobs, although growth in the finance sector has slowed considerably. Meanwhile, the government sector has reported eleven straight months of job losses. Manufacturing also continues to report job losses, a trend that has plagued the sector nationally for the past several years, although these losses have slowed recently and there are signs that the sector will start adding jobs again this year.

New home sales experienced significant growth over the last few months, and recent slight decreases in interest rates have kept home prices strong. Permit activity also increased, although it remains lower than the highs reached last year.

**CONCLUSIONS**

As has been the case for the past several years, employment growth in the Sacramento region outpaced job growth both statewide and nationally. While the government sector has been losing jobs, recent job gains in the private sector have been sufficient to keep the region’s economy in positive territory.

A steady job market has helped keep new home sales strong. The increase in permit activity and construction employment suggests that the housing market likely will remain strong.

Risks to the outlook include the possibility of a fall-off in consumer spending or a future decrease in housing demand, fueling a reduction in construction employment. 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@ticg.org.

Please note that this edition of the CSUS Forecast incorporates the results of the EDD annual data revisions published in February 2004.