

CENTER FOR CONTINUING STUDY OF THE CALIFORNIA ECONOMY

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SUBJECT: High Level Growth Forecast Summary

Basic Industry Job Trends

The first step in the growth forecast is the forecast of basic industry jobs. These industries primarily serve markets outside the region and are not tied to the regional population for their location. Basic industries are found primarily in agriculture, mining, manufacturing, wholesale trade, major portions of information and professional services and state government. Non-basic or population serving sectors primarily include industries in construction, retail trade, finance, educational, health and personal services and local government.

The Sacramento regional economy has a unique basic industry structure with a heavy concentration in state government jobs.

Structure of SACOG and CA Economic Base
(Percent of Jobs by Major Category)
2016

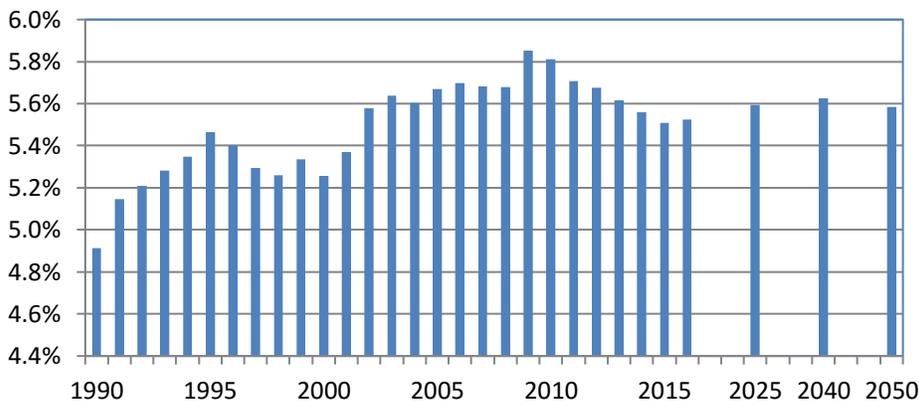
	SACOG	CA
High Tech	2.1%	6.0%
Divs. Manuf.	7.9%	12.8%
Whls Tr & Transp.	14.6%	18.6%
Prof, Bus & Info Serv.	27.9%	33.3%
Tourism & Ent	7.2%	10.4%
Basic Govt	36.0%	11.5%
Resource Based	4.3%	7.5%
Total Basic Jobs	100.0%	100.0%

Source: EDD and CCSCE

More than 1/3 of the region’s economic base is in state government and education jobs, with a small contribution from federal government jobs. The region’s 36.0% share is more than triple the state average—11.5% of basic jobs. As a result, the region has a smaller share of jobs in each of the other categories of basic industry jobs used by CCSCE and shown above. In addition, a share of the professional, business and information service jobs relate to state government activities. Trends in these two categories will strongly affect regional growth trends.

Between 1990 and 2007 the region posted an increase in the share of state basic industry jobs led by growth in state government, and growth in professional services and high tech jobs. Between 2007 and 2016 the region’s share of basic industry jobs fell led by declines in state government and high tech jobs and very slow growth in professional and information services.

SACOG Region Share of CA Basic Jobs Initial Baseline Projection

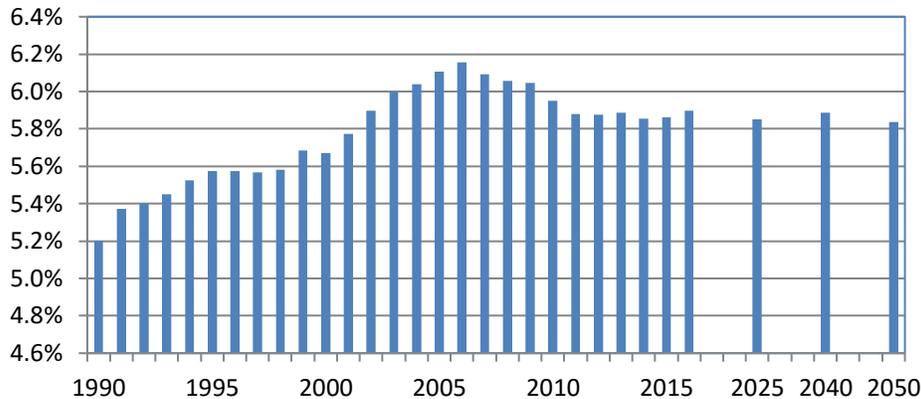


In the project’s initial baseline projection, the region’s share of basic industry jobs is forecast to rebound slightly but not back to the highest share in 2009. The region has a below average share of slow growing sectors like manufacturing and there is sufficient job growth in professional services and state government forecast for the state to support the slight increase in the regional share of state basic industry jobs.

Total Job Trends

The share and structure of jobs in population serving sectors does not vary much among regions so the trends in basic industry job growth translate into trends in the share of total jobs.

SACOG Region Share of CA Jobs Initial Baseline Projections



The rate of job growth will slow in the nation, state and region for 2016-2050 compared to the job growth rates for 1990-2016. Between 1990 and 2016, the region grew much faster than the state and nation, a result not forecast in the baseline projection to continue in the period to 2050. Future job growth rates are heavily affected by declining birth rates, the retirement of the baby boom generation and the lack of an expected increase in the level of immigration.

	Total Jobs			Average Annual Growth Rate	
	(Thousands)			Rate	
	1990	2016	2050	1990-2016	2016-2050
SACOG	736.2	1,087.8	1,380.1	1.51%	0.70%
CA	14,147.8	18,445.2	23,652.2	1.03%	0.73%
US	121,453.2	156,178.5	192,209.6	0.97%	0.61%

Implications for Modifying the Job Forecast

Changes in the size and structure of national and state job trends will affect the regional forecast but this section focuses on what the region can do.

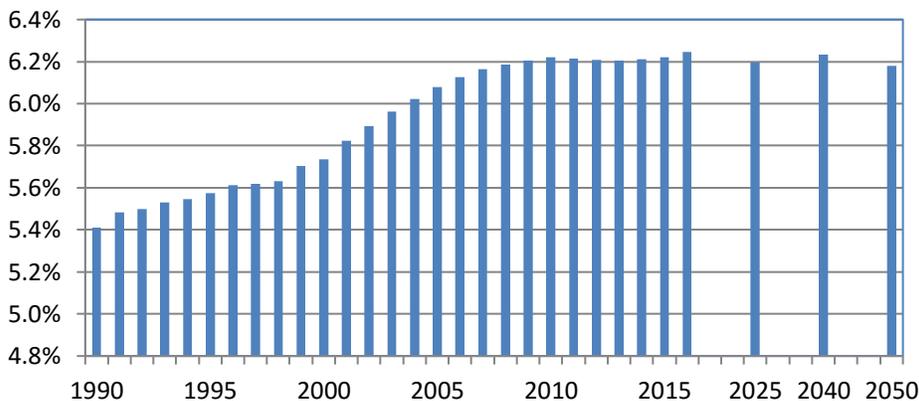
The regional share and job forecast could be higher if the region captures a larger share of large basic industries or state government jobs grow faster than projected at the state level. And the region could add jobs if the commuter base grows with people living in the region and, perhaps, working in the Bay Area.

These issues and opportunities will be explored later in the project work. The project team will ask the expert panel to consider any modifications to the baseline projection.

Population Trends

The SACOG region share of state population growth based on CCSCE projections is forecast to remain near 2016 levels (6.2%) to 2050. The population forecast is based on the jobs forecast and maintains the 2016 relationship between jobs and population relative to national trends, which means that the population/jobs ratio in the region changes by the same percentage as in the national forecast. The ratio could vary if commuting increases or decreases or if there is reason to believe that birth rate trends will differ between the region, state and nation.

SACOG Share of CA Population Initial Baseline Projection



The population level and share forecast is lower than the recent DOF population projections for the region and state. DOF has the region's population growing faster than the state population between 2016 and 2050. This requires some combination of 1) higher SACOG region job growth, 2) increased housing for commuters and 3) higher birth rates than forecast by DOF. Increasing the region's share of state population from 6.2% toward 7.0% would require a substantial shift in current trends.

	SACOG Region Population (Thousands)			Share of State		
	2025	2040	2050	2025	2040	2050
CCSCE	2,672.5	2,973.3	3,098.3	6.2%	6.2%	6.2%
DOF	2,726.4	3,182.7	3,450.9	6.4%	6.8%	7.0%

Population growth rates are forecast to slow to 2050 in the region, state and nation compared to the 1990-2016 growth rates.

	Population (Thousands)			Average Annual Growth Rate	
	1990	2016	2050	1990-2016	2016-2050
SACOG	1,614.3	2,458.1	3,098.3	1.6%	0.7%
CA	29,828.0	39,354.4	50,131.0	1.1%	0.7%
US	249,620.0	321,930.0	393,586.3	1.0%	0.6%