

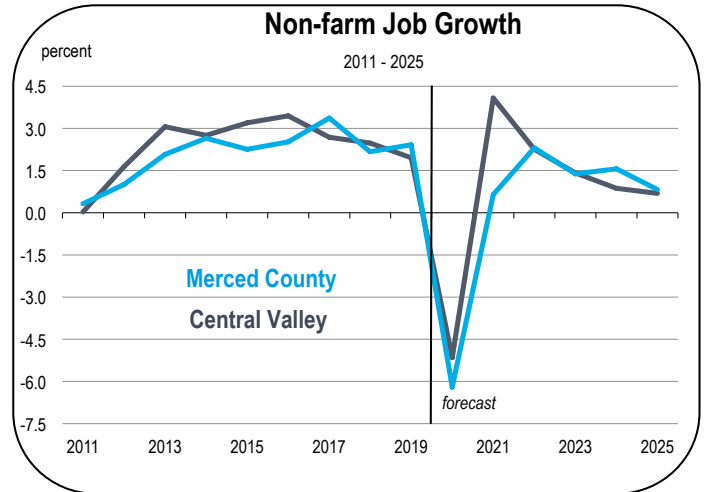
Merced County Economic Forecast

Forecast Summary

- It is estimated that an average of 4,000 to 5,500 jobs will be lost in Merced County during 2020. Job losses will be heavy in the first half of the year, rebounding in the second half.
- Employment losses will be largest in leisure services, manufacturing, transportation and warehousing, and government.
- The unemployment rate averaged 8.1 percent in 2019. It will average somewhere between 14 percent and 17 percent for the 2020 calendar year.
- The Merced County population is expected to grow at a faster rate than the broader Central Valley during the forecast period.
- Home values are not expected to change much in 2020 or 2021.
- More housing units are expected to be built between 2020 and 2025 than were built during the preceding 6 years.

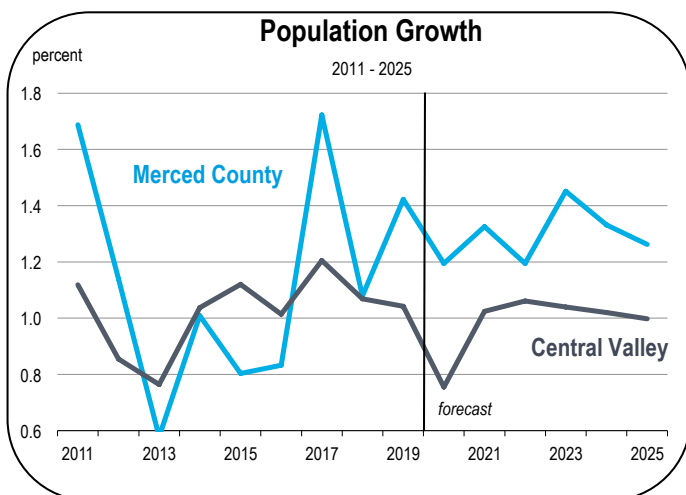
Job Growth

- Total employment in the County will decline between 5 and 7 percent in 2020. This is an annual average change from 2019.
- In 2021, job growth is expected to be minimal in Merced County. In 2022, a labor market rebound is expected to begin.

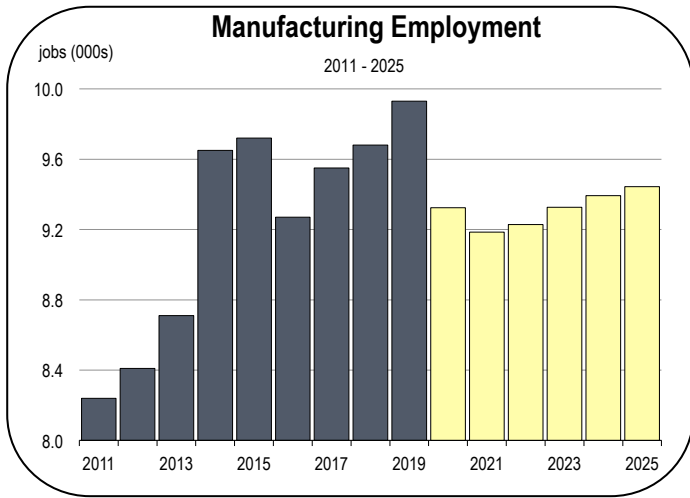


Construction Employment

- Most California construction activity was deemed non-essential for several weeks in March and April, leading to construction layoffs.
- Restrictions on construction were lifted in late April, and building activity began to rebound in the spring and summer.
- The Merced County construction sector is expected to lose several hundred jobs in 2020 and may not begin to expand again until 2022 or 2023.



Merced County Economic Forecast

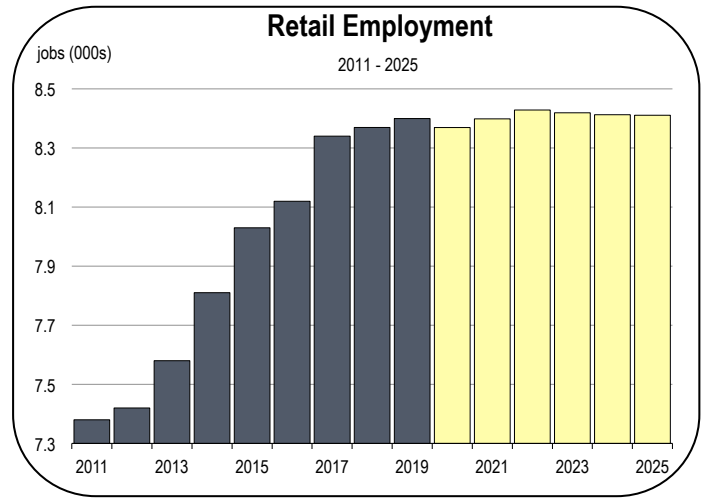
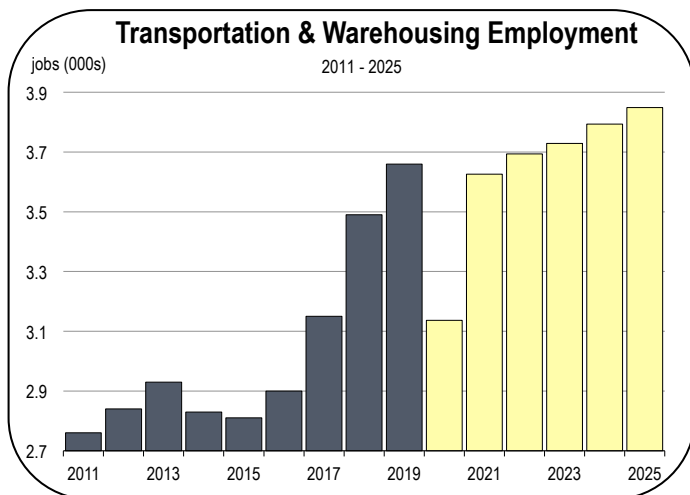


Manufacturing Employment

- Merced County has a heavy concentration in food and beverage manufacturing firms, which turn agricultural commodities into finished food products.
- Manufacturing employment is expected to fall by up to 6 percent in 2020 and the rebound is expected to be slow. It is unlikely that the Merced County manufacturing sector will re-gain all lost jobs before the year 2025.

Transportation and Warehousing Employment

- Most transportation jobs in Merced County are in trucking, where firms deliver goods to and from businesses within the county and across California.
- Transportation employment declined in March and April but began to expand again in May during Phase 2 of California’s restart, and is expected to rebound further in 2021.

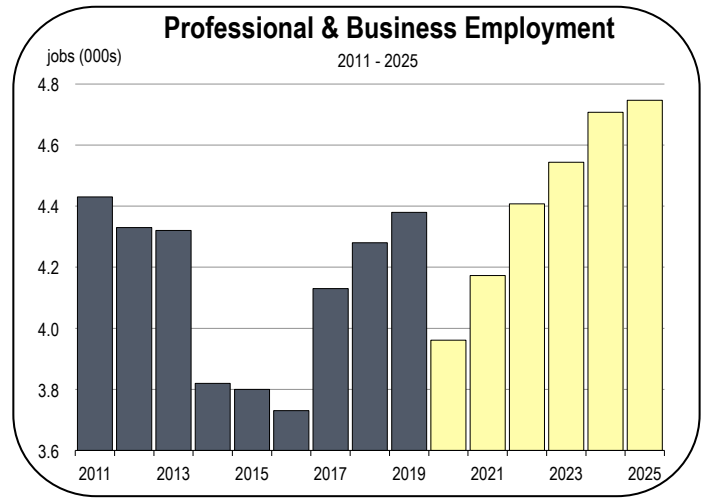
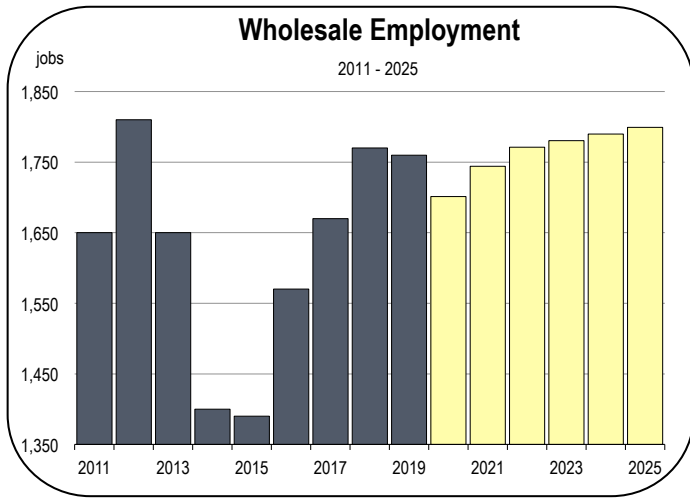


Retail Trade Employment

- The retail sector is not expected to lose a substantial number of jobs in 2020.
- Many retail chains chose to furlough their employees rather than lay them off completely, and furloughed workers are not considered to be unemployed. This is a technical detail that will mask the true number of work stoppages in the retail sector.
- Accounting for furloughed workers, more than 200 retail workers could be effectively not working and not earning an income on an annual average basis in 2020.
- It is unknown if retail employment will begin to expand again in any substantial way because of the strengthening demand trend towards online purchasing.

Retail Trade / Sub-Sectors 2019	Jobs in Subsector	Subsector's Share of Overall Industry
Department Stores	2,400	28.9%
Food & Beverages	1,700	20.5%
Car Dealers	1,000	12.0%
Gas Stations	700	8.4%
Hardware & Home Improvement	600	7.2%
Clothing & Accessories	500	6.0%
Personal Care & Drug Stores	500	6.0%
Electronics & Appliances	200	2.4%
Other	700	8.4%

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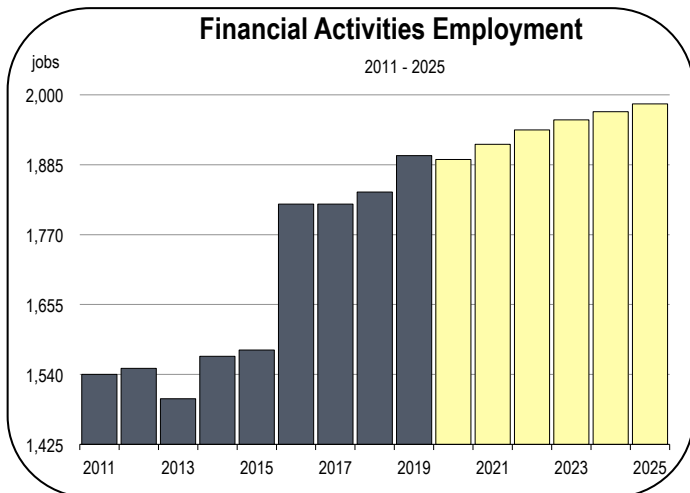


Wholesale Trade Employment

- Wholesale trade employment is expected to decline marginally in 2020.
- Wholesale employment should rebound in 2021 and could enter an expansion phase as early as 2022.

Financial Activities Employment

- It is unlikely that the Merced County financial activities sector will lose a substantial number of jobs in 2020.
- The financial activities industry did not lose many jobs during the height of the Coronavirus Recession, and it is not expected to lose jobs during the second half of 2020.
- Over the 2020-2025 forecast period, slow growth is expected.

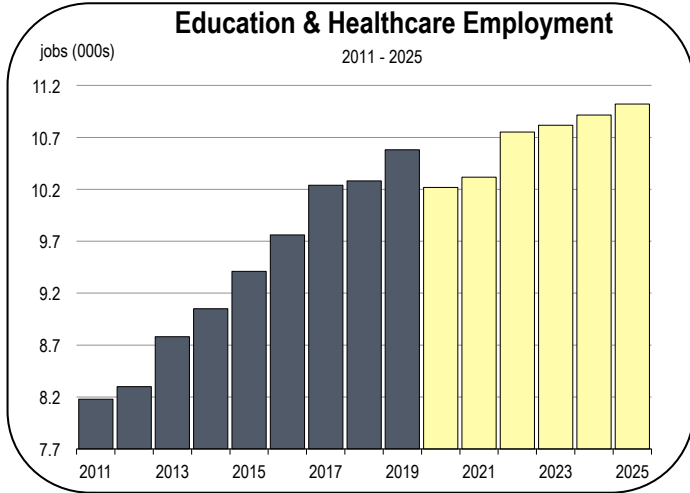


Professional and Business Services Employment

- The professional and business services industry has a diverse array of subsectors, and each will be impacted differently during the shutdown and recovery phases of 2020 and 2021.
- Jobs in building maintenance and corporate security declined substantially during the shutdowns but began to rebound at office and industrial buildings with repopulating employment.
- Losses were observed in staffing agencies in 2020. Staffing agencies work with temporary employees. Temps are typically the first to be laid off during a recession and the first to be re-hired during a recovery.
- Aside from building maintenance and staffing services, most subsectors of the professional business services industry were able to operate remotely and were less affected by the Coronavirus Recession.

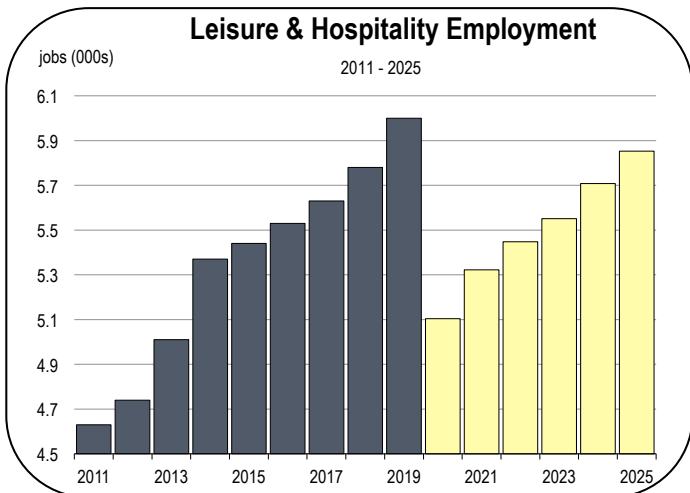
Professional & Business Services Sub-Sectors 2019	Jobs in Subsector	Subsector's Share of Overall Industry
Staffing Agencies	1,200	27.9%
Corporate Headquarters	900	20.9%
Building Maintenance	600	14.0%
Corporate Security Services	200	4.7%
Accounting & Bookkeeping	200	4.7%
Veterinary Services	200	4.7%
Business & Technical Consulting	100	2.3%
Law	100	2.3%
Engineering & Architecture	100	2.3%
Other	700	16.3%

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Private Education and Healthcare Employment

- There were 6,300 healthcare jobs in Merced County in 2019.
- Healthcare jobs were recession proof during the 2008-2009 financial crisis. However, some non-essential medical offices had to close in 2020, and hospitals reduced their employment levels because resources were not utilized as envisioned to support Coronavirus patients.
- There were approximately 3,500 social assistance jobs in 2019, including industries like childcare, housing shelters, and non-medical care for senior citizens.
- There were only 300 jobs in private schools, tutoring services, and other private educational organizations.
- Jobs in social assistance and education were mostly classified as essential. Nevertheless, there were layoffs at institutions with revenue shortfalls.

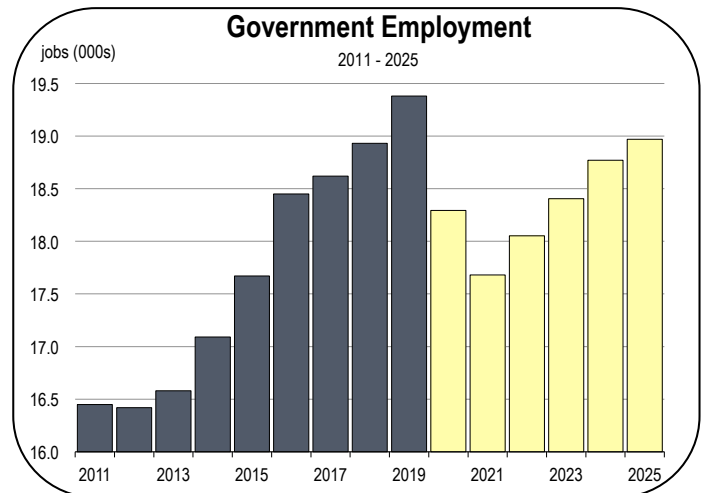


Leisure and Hospitality Employment

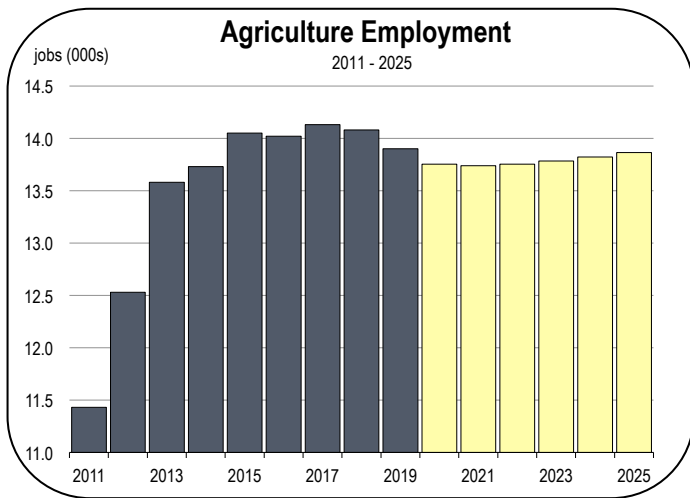
- The leisure and hospitality industry was devastated by the Coronavirus Recession more than any other sector of the labor market.
- In 2019, Merced County had 5,500 jobs in restaurants, hotels, and bars. Our research indicates that most were laid off, furloughed, or had their hours cut in the months of March and April.
- Jobs in restaurants began to slowly return in the summer and fall months of 2020, but may not return to pre-pandemic levels for several years.
- Merced County also had 500 jobs in entertainment and recreation in 2019, including things like fitness centers and golf courses. Many of these organizations will operate at reduced capacities through the end of 2020 and potentially into 2021.

Government Employment

- Government agencies are expected to lose revenue from taxes and fees in 2020, and these revenue shortfalls will likely persist into 2021 and 2022.
- When government agencies need to reduce expenditures on salaries, many workers are expected to be given unpaid furlough days that are distributed throughout the year, and many staffing reductions could be the result of hiring freezes rather than layoffs.
- However, if revenue shortfalls are severe and Congress does not appropriate funding to mitigate these shortfalls, government agencies may have no choice but to issue layoffs.



Merced County Economic Forecast

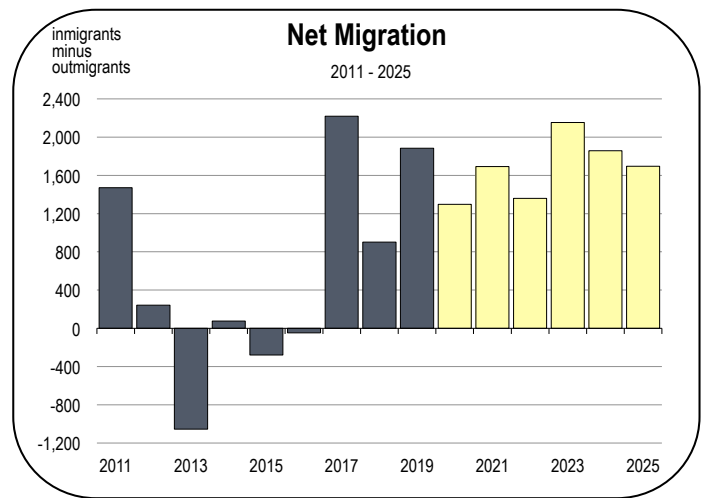
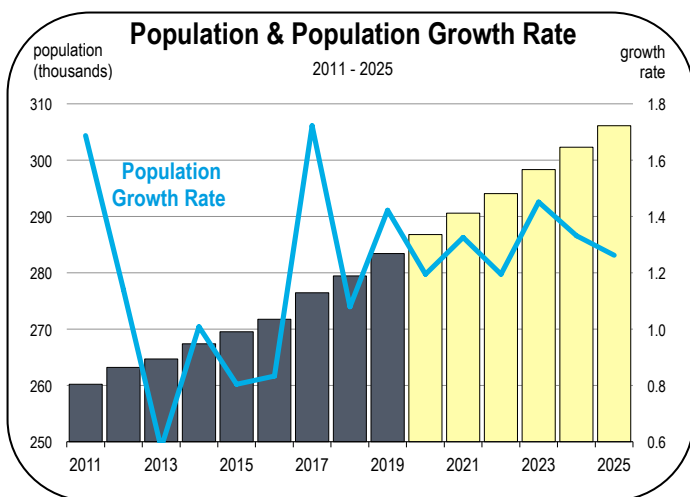


Agriculture Employment

- The agriculture industry is expected to decline by up to 300 jobs in 2020.
- The agriculture sector is not expected to create a meaningful number of jobs during the 2020-2025 forecast period.

Population Growth

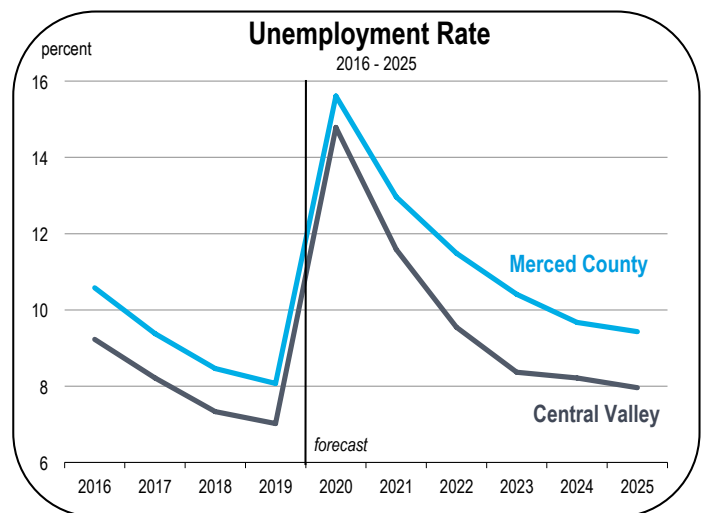
- The Merced County population is expected to expand quickly between 2020 and 2025.
- Net migration is expected to be high during the forecast period, with many more residents moving into the county than moving out.
- Merced County has a young population with a high birth rate, and births will also contribute to population growth substantially.



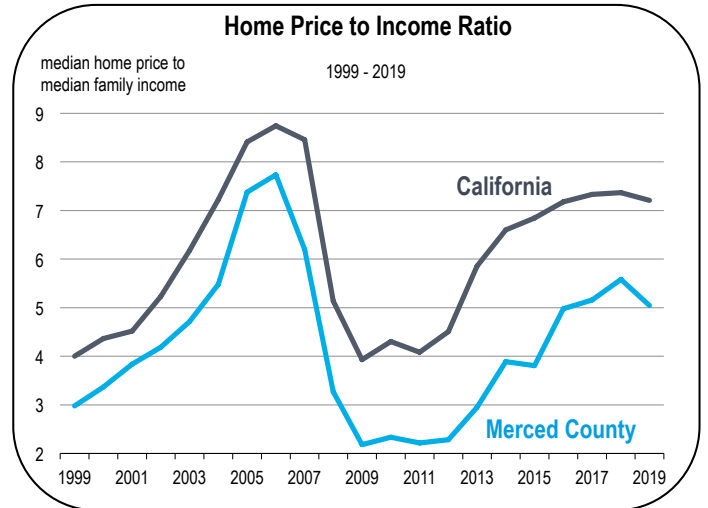
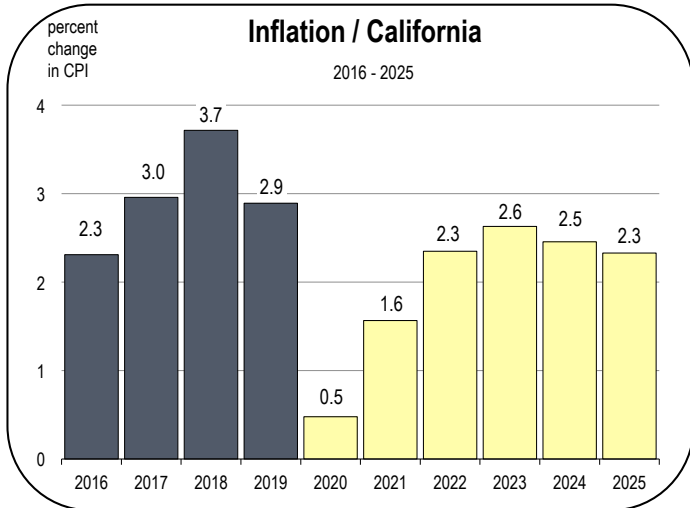
- The population will expand at an annual average rate of 1.3 percent per year from 2020 to 2025.
- By 2025 the Merced County population will surpass 305,000 residents.

Unemployment and Inflation Rates

- The unemployment rate in Merced County averaged 8.1 percent in 2019, which was higher than the composite rate for the Central Valley.
- The unemployment rate is expected to average between 14 and 17 percent in 2020.
- The unemployment rate is expected to remain elevated for several years, but is likely to improve more quickly than after the 2008-2009 recession.



Merced County Economic Forecast



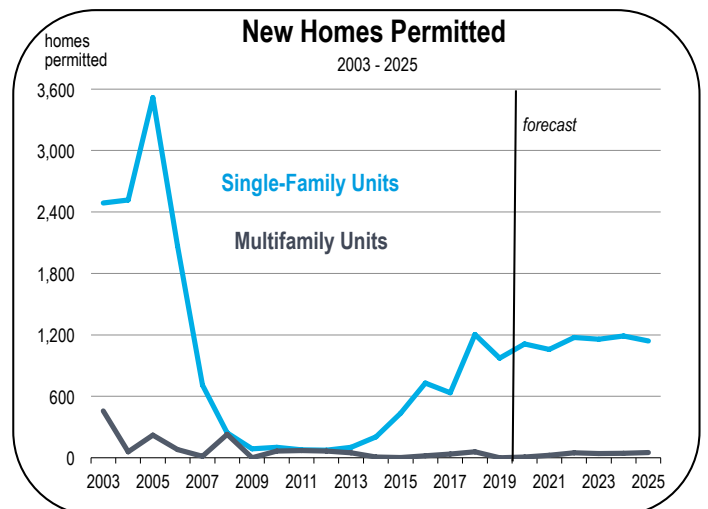
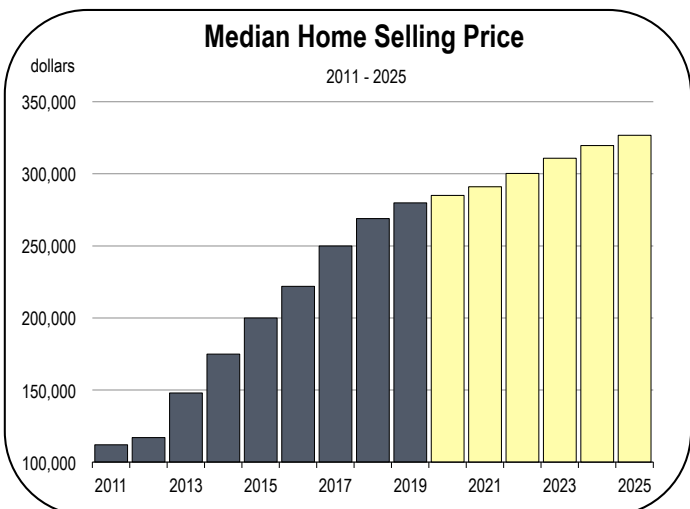
- Inflation decelerated in 2019 as energy prices declined and home prices increased more slowly than the previous year.
- Inflation is expected to be very low in 2020 but could accelerate in 2021 or 2022.

typical household spends less than 25 percent of its pre-tax income on mortgage payments or rent.

- Along Coastal California, the typical household spends more than 35 percent of its income on housing costs, and in very expensive markets like San Francisco, housing costs often account for more than 50 percent of household income.
- From 2014 to 2019, an average of 715 new homes were started per year in Merced County. Most were single-family homes.
- Housing production is expected to average 1,200 homes per year from 2020 to 2025, consisting mostly of single-family homes.

Home Prices and New Housing Production

- In 2019 the median home price in Merced County was \$279,900. The median price is not expected to change much in 2020 or 2021.
- Homes in Merced County are more affordable than homes across California, especially Coastal California. In Merced County, the



Merced County Economic Forecast

Economic Indicators

2015-2019 History, 2020-2050 Forecast

	Population (people)	House- holds (thousands)	Net Migration (people)	New Homes Permitted (homes)	Registered Vehicles (thousands)	Personal Income (billions)	Taxable Retail Sales (billions)	Total Taxable Sales (billions)	Real Industrial Production (billions)	Real per Capita Income (dollars)	Unemployment Rate (percent)	Real Farm Production (billions)	Inflation Rate (percent)
2015	269,522	77.2	-278	437	220	\$9.6	\$1.9	\$3.0	\$1.5	\$40,070	11.4	\$4.0	1.4
2016	271,767	78.1	-48	749	228	\$9.8	\$2.0	\$2.8	\$1.4	\$39,856	10.6	\$3.8	2.3
2017	276,449	78.6	2,218	670	230	\$10.3	\$2.1	\$3.0	\$1.4	\$39,842	9.4	\$3.6	3.0
2018	279,433	79.2	902	1,262	235	\$10.6	\$2.2	\$3.1	\$1.4	\$38,971	8.5	\$3.3	3.7
2019	283,408	80.1	1,883	973	244	\$11.4	\$2.2	\$3.3	\$1.5	\$40,061	8.1	\$3.2	2.9
2020	286,794	80.6	1,297	1,119	247	\$11.4	\$1.7	\$2.5	\$1.5	\$39,366	15.6	\$3.1	0.5
2021	290,595	81.2	1,692	1,081	251	\$11.5	\$2.1	\$3.0	\$1.5	\$38,605	13.0	\$3.1	1.6
2022	294,067	81.9	1,359	1,223	254	\$12.0	\$2.2	\$3.1	\$1.5	\$38,770	11.5	\$3.1	2.3
2023	298,335	82.8	2,153	1,199	258	\$12.6	\$2.3	\$3.2	\$1.5	\$39,070	10.4	\$3.1	2.6
2024	302,307	83.7	1,858	1,234	262	\$13.3	\$2.4	\$3.4	\$1.6	\$39,670	9.7	\$3.1	2.5
2025	306,123	84.7	1,695	1,192	265	\$14.0	\$2.5	\$3.5	\$1.6	\$40,216	9.4	\$3.2	2.3
2026	309,840	85.7	1,589	1,093	269	\$14.6	\$2.5	\$3.6	\$1.7	\$40,646	9.1	\$3.2	2.3
2027	313,353	86.8	1,386	1,079	272	\$15.3	\$2.6	\$3.7	\$1.7	\$41,052	8.8	\$3.3	2.2
2028	316,574	87.8	1,092	1,074	276	\$16.0	\$2.7	\$3.9	\$1.7	\$41,469	8.7	\$3.3	2.2
2029	319,614	88.8	912	1,052	279	\$16.6	\$2.8	\$4.0	\$1.8	\$41,654	8.5	\$3.4	2.3
2030	322,633	89.9	901	1,025	282	\$17.2	\$2.8	\$4.1	\$1.8	\$41,904	8.4	\$3.4	2.2
2031	325,546	90.9	812	1,002	287	\$17.8	\$2.9	\$4.2	\$1.8	\$42,168	8.3	\$3.5	2.1
2032	328,419	91.9	789	953	291	\$18.5	\$3.0	\$4.3	\$1.8	\$42,328	8.2	\$3.5	2.3
2033	331,345	92.8	869	923	295	\$19.2	\$3.0	\$4.4	\$1.9	\$42,686	8.3	\$3.6	1.9
2034	334,386	93.8	1,005	924	298	\$19.9	\$3.1	\$4.5	\$1.9	\$42,971	8.4	\$3.6	2.1
2035	337,637	94.7	1,249	936	302	\$20.7	\$3.2	\$4.6	\$1.9	\$43,208	8.5	\$3.7	2.2
2036	340,839	95.6	1,226	961	306	\$21.5	\$3.3	\$4.7	\$1.9	\$43,309	8.6	\$3.7	2.6
2037	344,108	96.5	1,320	967	310	\$22.3	\$3.4	\$4.9	\$2.0	\$43,359	8.7	\$3.8	2.7
2038	347,248	97.4	1,227	970	314	\$23.2	\$3.5	\$5.0	\$2.0	\$43,496	8.6	\$3.8	2.5
2039	350,426	98.3	1,293	970	317	\$24.1	\$3.6	\$5.1	\$2.0	\$43,571	8.7	\$3.9	2.7
2040	353,564	99.3	1,294	975	321	\$25.0	\$3.7	\$5.3	\$2.0	\$43,701	8.7	\$3.9	2.6
2041	356,770	100.2	1,412	973	324	\$26.0	\$3.8	\$5.4	\$2.1	\$43,906	8.8	\$4.0	2.2
2042	360,032	101.1	1,504	958	327	\$27.0	\$3.9	\$5.5	\$2.1	\$44,126	8.9	\$4.0	2.1
2043	363,274	102.0	1,519	962	330	\$28.0	\$3.9	\$5.6	\$2.1	\$44,379	8.9	\$4.1	2.0
2044	366,520	102.9	1,568	964	332	\$29.0	\$4.0	\$5.7	\$2.2	\$44,695	8.8	\$4.1	1.8
2045	369,750	103.9	1,589	965	335	\$30.1	\$4.1	\$5.9	\$2.2	\$44,977	8.6	\$4.2	1.9
2046	373,133	104.8	1,765	966	339	\$31.2	\$4.2	\$6.0	\$2.2	\$45,191	8.7	\$4.2	2.0
2047	376,274	105.7	1,538	971	343	\$32.3	\$4.3	\$6.1	\$2.2	\$45,338	8.6	\$4.3	2.2
2048	379,470	106.6	1,596	965	348	\$33.3	\$4.4	\$6.3	\$2.3	\$45,447	8.7	\$4.3	2.3
2049	382,718	107.5	1,654	969	352	\$34.5	\$4.5	\$6.4	\$2.3	\$45,680	8.8	\$4.4	2.0
2050	386,015	108.4	1,714	967	357	\$35.7	\$4.6	\$6.6	\$2.3	\$45,876	8.9	\$4.4	2.1

Employment Sectors

2015-2019 History, 2020-2050 Forecast

	Total Wage & Salary	Farm	Construction	Manufac- turing	Transportation & Utilities	Wholesale & Retail Trade	Financial Activities	Professional Services	Information	Health & Education	Leisure	Government
	(thousands of jobs)											
2015	77.5	14.1	1.9	9.7	2.8	9.4	1.6	3.8	0.3	9.4	5.4	17.7
2016	79.1	14.0	2.2	9.3	2.9	9.7	1.8	3.7	0.3	9.8	5.5	18.5
2017	81.4	14.1	2.4	9.6	3.2	10.0	1.8	4.1	0.3	10.2	5.6	18.6
2018	82.8	14.1	2.5	9.7	3.5	10.1	1.8	4.3	0.3	10.3	5.8	18.9
2019	84.3	13.9	2.6	9.9	3.7	10.2	1.9	4.4	0.3	10.6	6.0	19.4
2020	79.8	13.8	2.3	9.3	3.1	10.1	1.9	4.0	0.3	10.2	5.1	18.3
2021	80.2	13.7	2.3	9.2	3.6	10.1	1.9	4.2	0.3	10.3	5.3	17.7
2022	81.7	13.8	2.4	9.2	3.7	10.2	1.9	4.4	0.3	10.8	5.4	18.1
2023	82.7	13.8	2.6	9.3	3.7	10.2	2.0	4.5	0.3	10.8	5.6	18.4
2024	83.8	13.8	2.7	9.4	3.8	10.2	2.0	4.7	0.3	10.9	5.7	18.8
2025	84.4	13.9	2.6	9.4	3.8	10.2	2.0	4.7	0.3	11.0	5.9	19.0
2026	84.9	13.9	2.5	9.5	3.9	10.2	2.0	4.8	0.3	11.1	5.9	19.2
2027	85.4	14.0	2.6	9.5	3.9	10.2	2.0	4.8	0.3	11.2	6.0	19.3
2028	85.8	14.0	2.6	9.6	4.0	10.3	2.0	4.8	0.3	11.3	6.0	19.4
2029	86.1	14.0	2.5	9.6	4.0	10.3	2.0	4.8	0.3	11.4	6.1	19.5
2030	86.4	14.1	2.5	9.6	4.0	10.3	2.1	4.8	0.3	11.5	6.1	19.6
2031	86.7	14.1	2.4	9.6	4.0	10.3	2.1	4.8	0.3	11.5	6.2	19.7
2032	87.0	14.2	2.4	9.6	4.1	10.3	2.1	4.9	0.3	11.6	6.2	19.8
2033	87.4	14.2	2.4	9.6	4.1	10.3	2.1	4.9	0.3	11.7	6.2	19.9
2034	87.7	14.3	2.4	9.7	4.1	10.3	2.1	4.9	0.3	11.8	6.3	20.0
2035	88.1	14.3	2.3	9.7	4.1	10.3	2.1	5.0	0.3	11.9	6.3	20.1
2036	88.5	14.4	2.4	9.7	4.2	10.4	2.1	5.0	0.3	12.0	6.4	20.2
2037	88.8	14.4	2.3	9.7	4.2	10.4	2.1	5.0	0.3	12.0	6.4	20.3
2038	89.1	14.5	2.2	9.7	4.2	10.4	2.1	5.0	0.3	12.1	6.4	20.4
2039	89.5	14.5	2.3	9.7	4.2	10.4	2.1	5.1	0.3	12.2	6.5	20.5
2040	89.9	14.6	2.3	9.7	4.3	10.4	2.2	5.1	0.3	12.3	6.5	20.6
2041	90.3	14.6	2.3	9.8	4.3	10.5	2.2	5.1	0.3	12.4	6.5	20.7
2042	90.6	14.7	2.3	9.8	4.3	10.5	2.2	5.2	0.3	12.5	6.6	20.8
2043	91.0	14.7	2.3	9.8	4.3	10.5	2.2	5.2	0.3	12.6	6.6	20.9
2044	91.4	14.8	2.3	9.8	4.3	10.5	2.2	5.2	0.3	12.7	6.7	21.0
2045	91.7	14.8	2.3	9.8	4.4	10.5	2.2	5.2	0.3	12.8	6.7	21.1
2046	92.1	14.8	2.3	9.8	4.4	10.5	2.2	5.3	0.3	12.9	6.7	21.2
2047	92.5	14.9	2.3	9.8	4.4	10.5	2.2	5.3	0.3	13.0	6.8	21.3
2048	92.9	14.9	2.3	9.8	4.4	10.5	2.2	5.3	0.3	13.1	6.8	21.4
2049	93.2	15.0	2.3	9.9	4.4	10.5	2.2	5.4	0.3	13.2	6.9	21.5
2050	93.6	15.0	2.3	9.9	4.5	10.5	2.2	5.4	0.3	13.2	6.9	21.6

Merced County Economic Forecast

Socioeconomic Indicators

