

# California Forecast: The 2020 Recession in the Golden State

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As the U.S. economy moved into a recession this month, it looks like California, once again, will bear a heavy share of the contraction. In 1990 it was the aerospace industry, in 2001 the tech industry, and in 2008 residential construction; each of which were sectors that California was proportionately more exposed than the rest of the nation. Now it is the turn of three more sectors with heavy concentration in the Golden State; transportation and warehousing, agriculture, and leisure and hospitality. The exposure to transportation and warehousing stems from the fact that the ports of California carry much of the goods coming in from Asia, and they are not coming in. California is a major tourist destination, particularly from Asia, and the aircraft are not flying across the Pacific. And agriculture, hard hit by the trade wars, now finds that there are no ships nor appropriate containers to move the latest harvest out to market. These, overlaid on a U.S. forecast of a two quarter recession, results in four quarters of job loss and three quarters of real income losses in the State.

Employment is expected to contract by -0.7% in 2020 with the 2nd and 3rd quarters contracting at an annual rate of 2.6%. The unemployment rate will rise to 6.3% by the end of this year and expected to continue to increase into 2021 with an average for 2021 of 6.6%. By the first quarter of 2021 of the year California is expected to lose over 280K payroll jobs with over 1/3 of those in leisure and hospitality and transportation and warehousing. The expectation is for 2021 to be a slow recovery year and 2022 a year of growth once again.

A Summary of the Outlook for California:

- Annual rate of real personal income growth in 2020: Q1 = 1.5%, Q2=-2.3%, Q3=-1.8, Q4=-0.5
- Annual rate of employment growth in 2020: Q1 = -0.5%, Q2 = -2.6%, Q3 = -2.6%, Q4 = -0.3%
- Unemployment Rate: Q1 = 4.2%, Q2 = 5.3%, Q3=6.1%, Q4=6.3%
- Annual real personal income growth: 2020= 0.1%, 2021= 0.1%, 2022= 1.6%
- Annual rate of employment growth: 2020 = -0.7%, 2021 = -0.2%, 2022 = 0.8%
- Annual Average Unemployment Rate: 2020 = 5.5%, 2021 = 6.6%, 2022 = 6.5%