

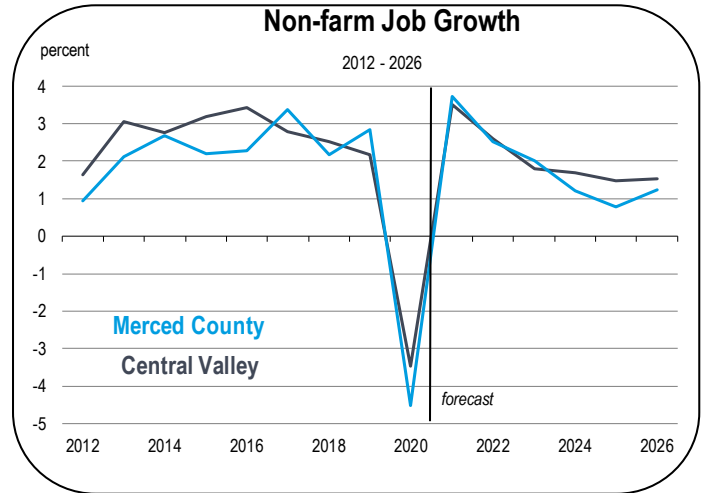
Merced County Economic Forecast

Forecast Summary

- On an annual average basis, 2,500 non-farm jobs will be restored in Merced County during 2021, representing more than half of the jobs that were lost in 2020.
- A full labor market recovery is expected by 2022.
- Over the 2021-2026 forecast period, government will generate the most new jobs. Government is the largest employment sector in Merced County, representing almost 25 percent of the labor market.
- Large numbers of jobs will also be generated in healthcare, leisure and hospitality, professional business services, and transportation and warehousing.
- The unemployment rate averaged 12.2 percent in 2020. It is forecast to average 10.1 percent in 2021 and 8.5 percent in 2022.
- The Merced County population is expected to grow relatively quickly during the forecast period.
- The median home price increased by 8 percent in 2020. Prices are expected to increase by 13-15 percent in 2021 and another 5-7 percent in 2022.

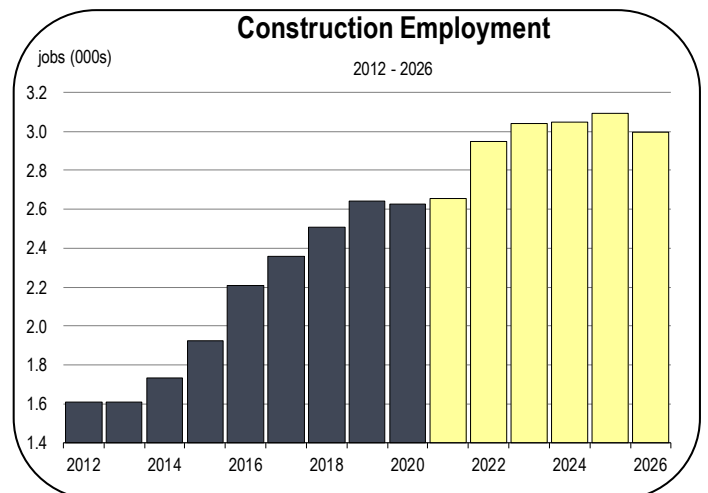
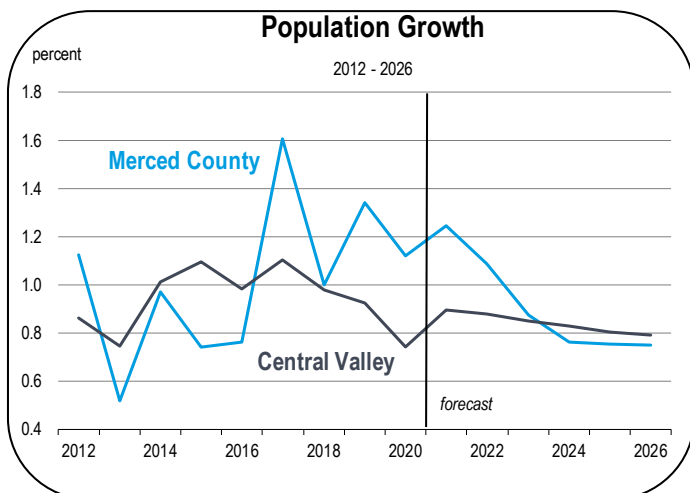
Job Growth

- Total employment in Merced County will expand by 3.1 percent in 2021 on an annual average basis.
- Between 2022 and 2026, job growth will average 1.3 percent per year.

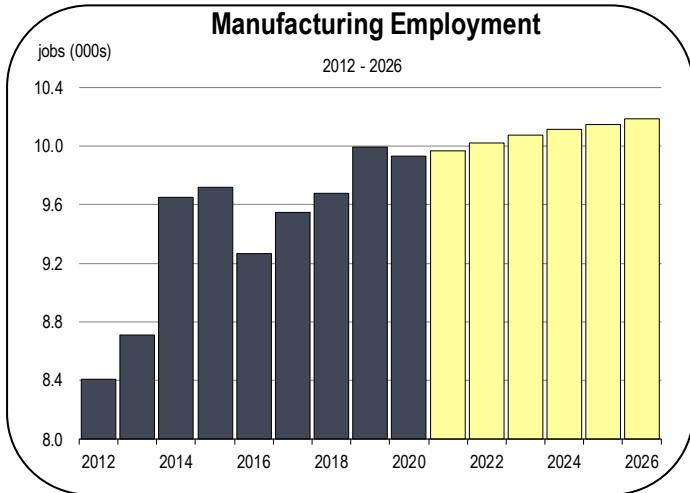


Construction Employment

- After several years of meaningful job creation, employment levels in the construction industry were relatively unchanged between 2019 and 2020.
- Job creation is expected to accelerate in 2022 with increases in housing development and non-residential construction activity.
- The California High Speed Rail project will ultimately produce new construction jobs in Merced County. In the first phase of construction, a route between Bakersfield and the City of Merced will be built. Construction is underway and is expected to be completed by 2030, although delays have been common in this project and the ultimate completion date is uncertain.
- Construction will begin on another rail project in 2022. The Altamont Corridor Express extension between Ceres and Merced will produce 26 miles of tracks and 3 train stations by 2024.

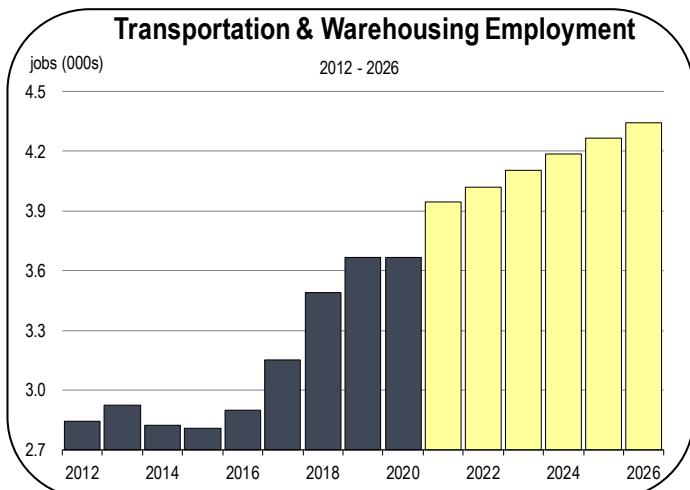


Merced County Economic Forecast



Manufacturing Employment

- Merced County has a heavy concentration in food and beverage manufacturing firms, which turn agricultural commodities into finished food and drink products.
- The largest employers in the food and beverage manufacturing subsector are:
 - Foster Farms (approx. 3,800 employees in Merced County)
 - Hilmar Cheese (1,000)
 - Dole Foods (1,000)
 - Ingomar Packing Company (600)
 - Joseph Farms (400)
 - E&J Gallo (350)
- Job creation is expected to be slow over the forecast period.
- Manufacturing will grow at an annual average rate of 0.4 percent between 2021 and 2026, generating 250 new jobs.

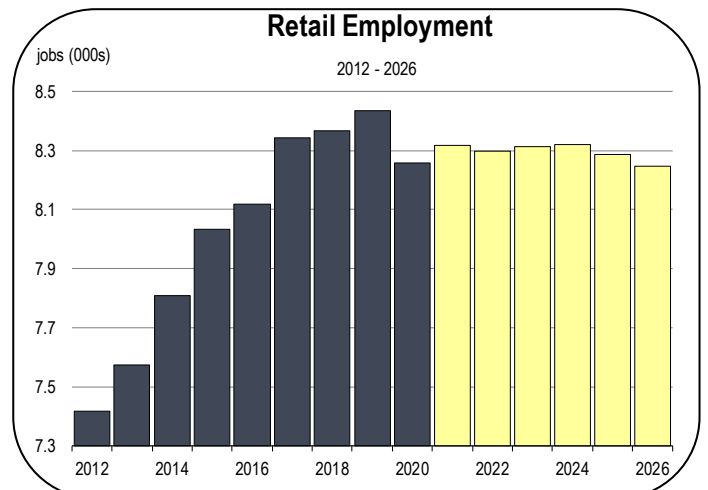


Transportation and Warehousing Employment

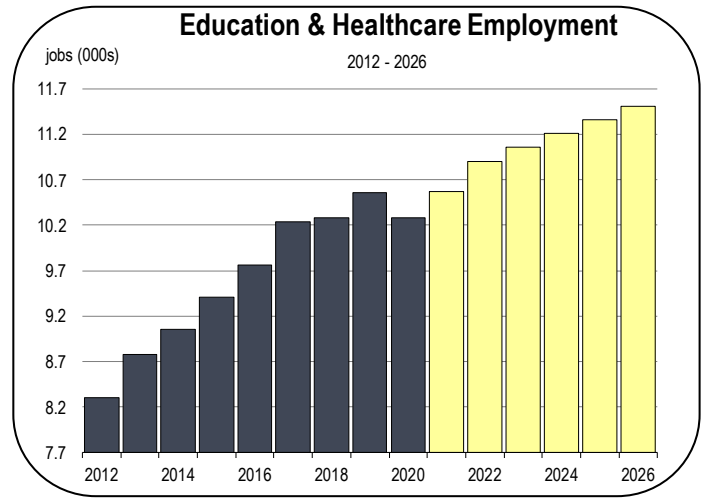
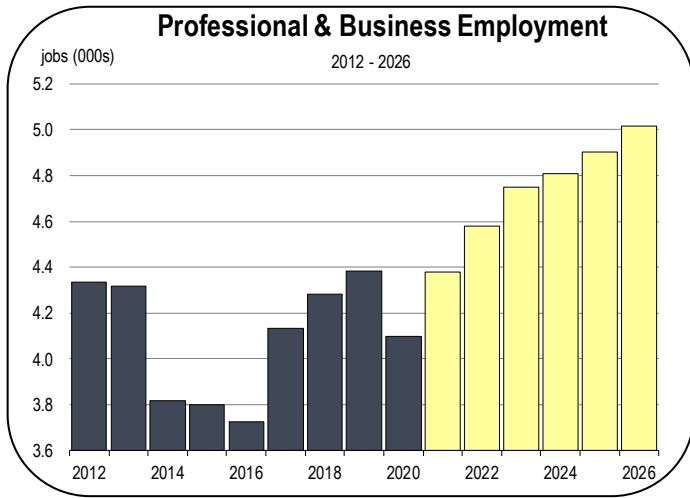
- Most transportation jobs in Merced County are in trucking, where firms deliver goods to and from businesses within the county and across California.
- Trucking activity is expected to expand as direct-to-consumer shipping becomes more common and as more warehousing facilities are built throughout the Central Valley.
- Several hundred new jobs will be generated as the Altamont Corridor Express expands operations in Merced County.
- Ultimately, even more jobs will be generated when California High Speed Rail service begins sometime within the next couple of decades.
- A High Speed Rail station is expected to be built in the City of Merced, although it may not begin operations until 2030 or later.

Retail Trade Employment

- Employment in the retail industry is expected to remain relatively constant throughout the forecast period.
- The Merced County population is expanding relatively rapidly, which should boost demand for jobs at grocery stores and other population-serving retail activities.
- Many brick-and-mortar retail stores are struggling to compete with online retailers outside of Merced County, which will prevent the overall retail sector industry from expanding meaningfully.
- There are a number of retailers that each employ more than 100 workers in the county, including Walmart, Target, Home Depot, Costco, Lowe's, and JC Penney.



Merced County Economic Forecast



Professional and Business Services Employment

- The professional and business services industry was characterized by a sizable decline in employment during 2020, but a full recovery is expected by 2021 or early 2022.
- Over the 2021-2026 forecast period, the professional and business services industry will generate 900 jobs. With an annual average increase of 3.4 percent, it will be the fastest growing industry in Merced County.
- In mid 2021, the Transportation Research Center (TRC) began testing autonomous Vehicles in Merced County.
- TRC will operate a 2.2 mile track, a city course, and other testing facilities, and hopes to partner with Silicon Valley autonomous vehicle companies.
- TRC expects to generate 140 new jobs in Merced County by 2025.

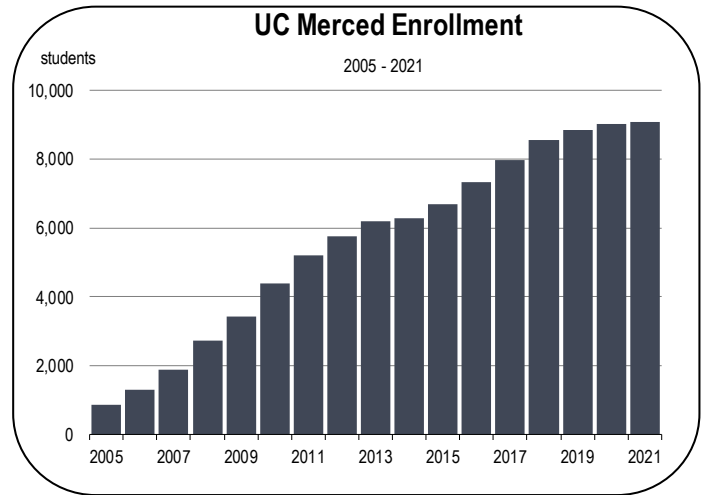
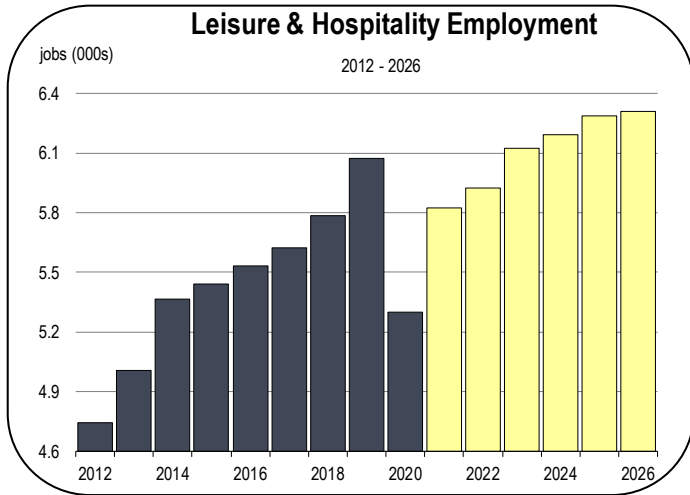
Private Education and Healthcare Employment

- Job losses in healthcare were minimal in 2020. All jobs should be restored by 2021 or 2022.
- The largest healthcare establishments in the county are:
 - Mercy Medical Center (more than 1,000 jobs in the county)
 - Golden Valley Health Center (100 to 300 jobs)
 - Memorial Hospital Los Banos (100 to 300 jobs)
- A meaningful number of jobs were lost at child daycare centers in 2020, but jobs at daycare centers are expected to be restored in the second half of 2021 and into 2022.
- The private education industry in Merced County is very small, with fewer than 200 jobs (public schools are classified in the government sector).
- Over the long term, healthcare organizations will generate 1,200 jobs in Merced County.



Mercury Medical Center Merced

Merced County Economic Forecast



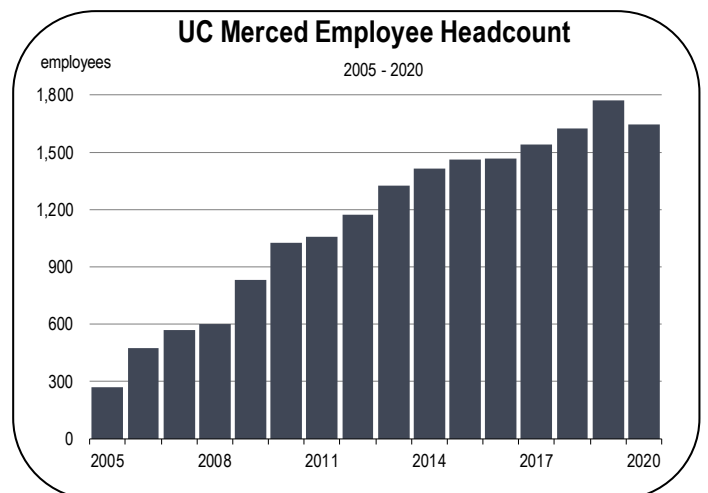
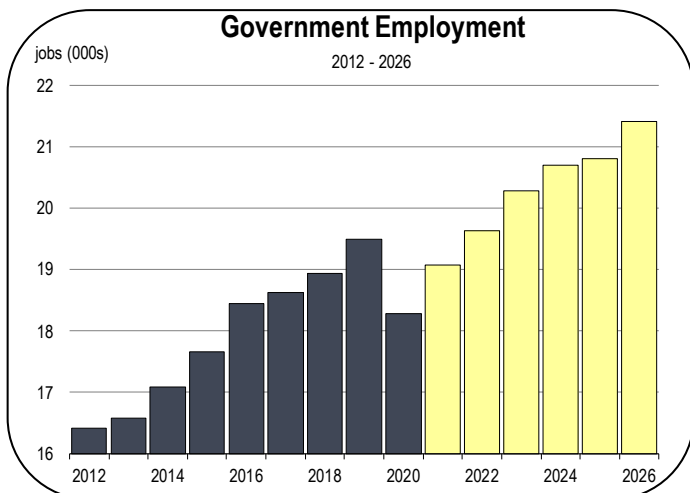
Leisure and Hospitality Employment

- Gyms, hotels, restaurants, bars, catering firms, and other leisure/hospitality organizations were impacted by restricted business conditions more than any other type of company.
- Almost 800 jobs were lost in 2020 on an annual average basis, a decline of 13 percent.
- 500 jobs are expected to be restored in 2021, with most of these jobs being created in the second half of the year.
- A full recovery is forecast for 2023.

Government Employment

- State and local government agencies lost 1,300 jobs during 2020. Approximately 1,000 of these losses were at local schools and 200 were at state-level institutions (UC Merced and Merced College).

- Prior to the pandemic, state-level colleges increased their employee headcounts fairly quickly, adding 1,400 new positions between 2010 and 2019.
- The founding of UC Merced is one of the most prominent economic developments in Merced County. The University opened in 2005 with just 900 students, and had reached 9,100 students by 2021, making it the fastest growing university in the nation.
- UC Merced is now among the largest employers in the county with more than 1,500 jobs.
- A recent study by UC Merced estimated that the university is responsible for \$373 million in economic activity within Merced County and an additional \$142 million in economic activity across the San Joaquin Valley.
- Over the 2021-2026 forecast period, government employment is expected to expand by 3,100 jobs, the largest increase of any sector in the Merced County economy.



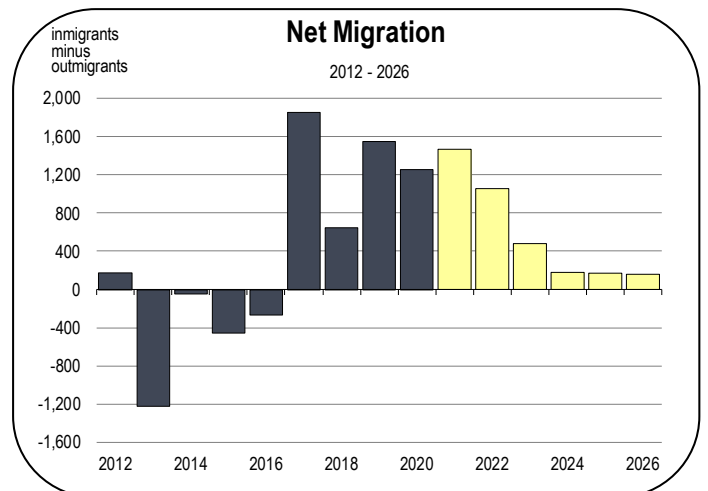
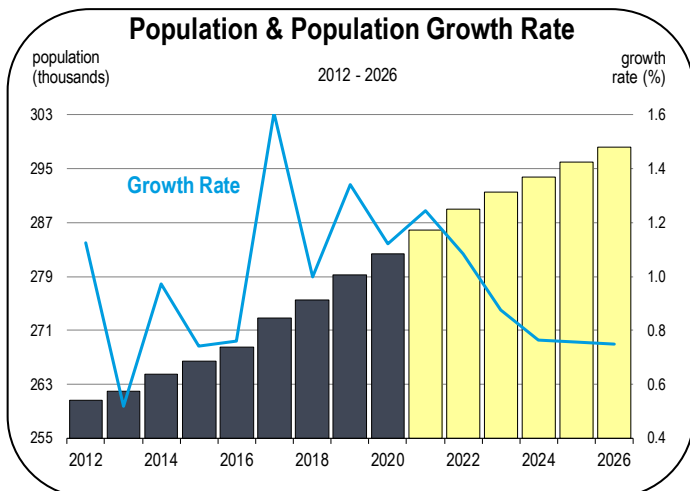
Merced County Economic Forecast



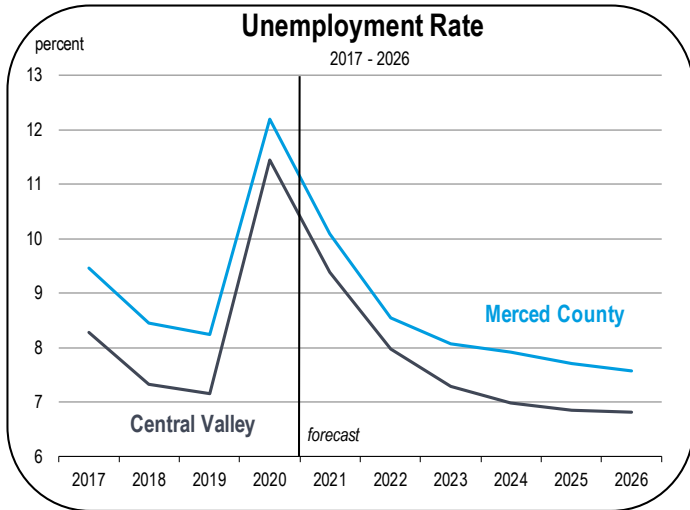
UC Merced employs more than 1,500 workers and supports almost \$400 million in economic activity throughout Merced County.

Population Growth

- The Merced County population is expected to expand quickly between 2021 and 2026.
- Net migration is expected to be high during the first few years of 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 contribute substantially to population growth.
- The population will expand at an annual average rate of 0.9 percent per year from 2021 to 2026.
- By 2026 the Merced County population will approach 300,000 residents.



Merced County Economic Forecast



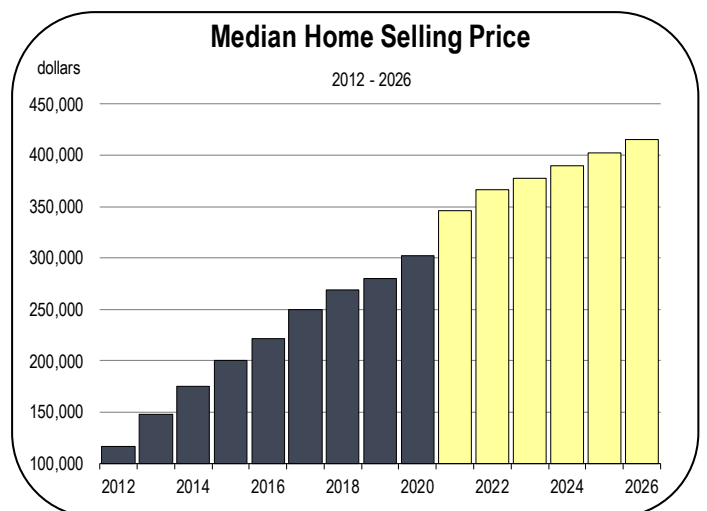
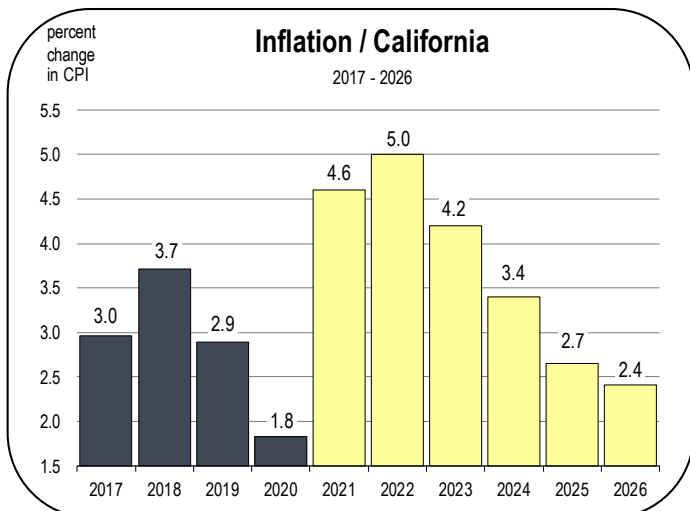
- Fractures in the global supply chain that raise the cost of production for many businesses
- Sharp increases in the cost of housing and energy
- Labor market recruitment challenges that force companies to raise wages
- Combined, these factors will push inflation to its highest rates in 30 years. Ultimately, it will reduce the purchasing power of households and negatively impact consumer confidence, limiting the growth potential of the economy in 2022.
- However, inflation will begin to decelerate as supply chains and the labor force are restored by the second half of the forecast period, eventually falling below 3 percent.

Unemployment and Inflation Rates

- The unemployment rate in Merced County averaged 12.2 percent in 2020.
- The unemployment rate is expected to average 10.1 percent in 2021 and 8.5 percent in 2022.
- Inflation decelerated sharply in 2020, largely because energy prices declined when the demand for fuels plunged. Inflation soared in 2021 and is expected to remain elevated for several years.
- Over the forecast period, there will be a number of factors that will contribute to high inflation. The most prominent will be:
 - Record levels of spending by consumers and government agencies

Home Prices and New Housing Production

- In 2020 the median home price in Merced County was \$302,300.
- Prices increased rapidly in 2020 and are forecast to rise even more quickly in 2021.
- By the end of the forecast period, the median price is expected to reach \$400,000.
- Despite sharply rising prices, homes in Merced County are more affordable than homes across most of California, especially Coastal California.
- In Merced County, the typical household spends less than 25 percent of its pre-tax income on mortgage payments or rent.

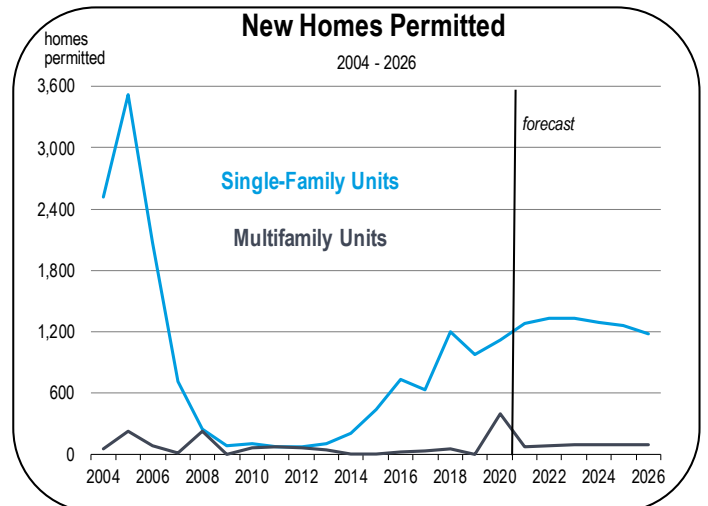
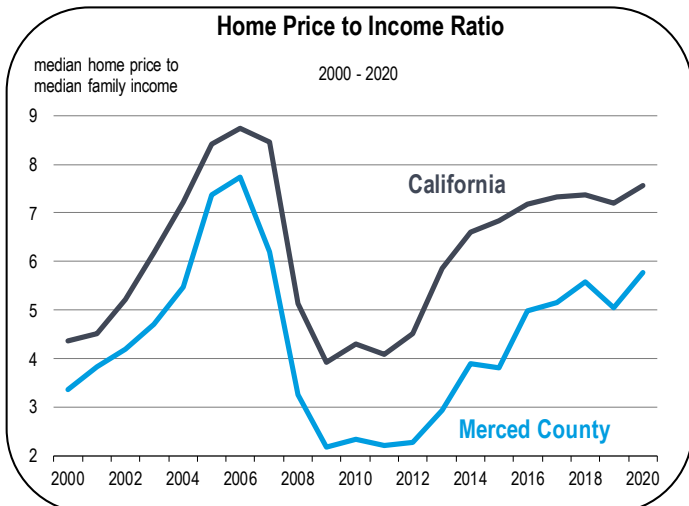


Merced County Economic Forecast



Gateway Marketplace Rendering

- 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 2015 to 2020, an average of 935 new homes were started per year in Merced County. Almost all were single-family homes.
- Housing production is expected to average 1,350 to 1,400 homes per year from 2020 to 2025, consisting mostly of single-family homes.
- Construction activity is expected to be most prominent around the City of Merced, where projects like the Gateway Marketplace will expand the urban footprint of the region.
- The Gateway Marketplace, which has been under construction since late 2019, is the largest commercial project in Merced County, consisting of more than 600,000 square feet of commercial space and nearly 400 multi-family units.
- Permits for the multifamily units at the Gateway Marketplace were issued in 2020 and are expected to be built in 2021.



Merced County Economic Forecast

Economic Indicators

2015-2020 History, 2021-2050 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	266,475	76.8	-461	437	220	\$9.8	\$1.9	\$3.0	\$1.8	\$42,096	11.4	\$4.1	1.4
2016	268,504	77.6	-264	749	228	\$10.0	\$2.0	\$2.8	\$1.6	\$41,645	10.6	\$3.9	2.3
2017	272,816	78.3	1,848	670	230	\$10.4	\$2.1	\$3.0	\$1.6	\$41,388	9.5	\$3.7	3.0
2018	275,540	79.4	642	1,262	235	\$10.7	\$2.2	\$3.1	\$1.7	\$40,674	8.5	\$3.4	3.7
2019	279,234	80.4	1,544	973	244	\$11.4	\$2.3	\$3.3	\$1.7	\$41,596	8.2	\$3.2	2.9
2020	282,360	81.4	1,259	1,519	249	\$12.1	\$2.4	\$3.4	\$1.8	\$42,924	12.2	\$3.1	1.8
2021	285,873	81.9	1,466	1,359	256	\$12.8	\$2.5	\$3.6	\$1.9	\$43,709	10.1	\$3.1	4.6
2022	288,974	82.6	1,055	1,417	260	\$12.9	\$2.6	\$3.7	\$1.8	\$42,255	8.5	\$3.1	5.0
2023	291,503	83.5	480	1,421	265	\$13.6	\$2.7	\$3.8	\$1.8	\$42,921	8.1	\$3.1	4.2
2024	293,731	84.5	179	1,381	269	\$14.2	\$2.7	\$3.9	\$1.9	\$43,672	7.9	\$3.2	3.4
2025	295,952	85.6	170	1,353	274	\$14.9	\$2.8	\$3.9	\$1.9	\$44,275	7.7	\$3.2	2.7
2026	298,167	86.7	159	1,272	277	\$15.5	\$2.8	\$4.0	\$2.0	\$44,809	7.6	\$3.2	2.4
2027	300,403	87.9	177	1,252	282	\$16.1	\$2.9	\$4.0	\$2.0	\$45,273	7.5	\$3.3	2.2
2028	302,761	89.0	303	1,232	285	\$16.8	\$2.9	\$4.1	\$2.0	\$45,659	7.4	\$3.3	2.3
2029	305,151	90.2	338	1,225	289	\$17.4	\$3.0	\$4.2	\$2.0	\$45,871	7.4	\$3.4	2.2
2030	307,659	91.4	471	1,207	293	\$18.0	\$3.1	\$4.3	\$2.1	\$46,103	7.3	\$3.4	2.2
2031	310,170	92.6	507	1,187	297	\$18.6	\$3.1	\$4.4	\$2.1	\$46,328	7.3	\$3.5	2.3
2032	312,678	93.7	539	1,148	300	\$19.2	\$3.2	\$4.5	\$2.1	\$46,399	7.3	\$3.6	2.2
2033	315,175	94.9	575	1,116	304	\$19.9	\$3.3	\$4.6	\$2.1	\$46,695	7.2	\$3.6	2.0
2034	317,648	96.0	605	1,109	308	\$20.5	\$3.3	\$4.7	\$2.2	\$46,915	7.2	\$3.7	2.1
2035	320,097	97.1	635	1,109	311	\$21.2	\$3.4	\$4.8	\$2.2	\$47,118	7.2	\$3.7	2.1
2036	322,527	98.2	666	1,124	314	\$22.0	\$3.5	\$5.0	\$2.2	\$47,151	7.2	\$3.8	2.2
2037	324,937	99.3	689	1,132	318	\$22.7	\$3.6	\$5.1	\$2.2	\$47,139	7.1	\$3.8	2.2
2038	327,317	100.4	708	1,135	321	\$23.5	\$3.7	\$5.3	\$2.2	\$47,209	7.1	\$3.9	2.2
2039	329,691	101.5	737	1,140	324	\$24.3	\$3.8	\$5.4	\$2.2	\$47,212	7.1	\$3.9	2.2
2040	331,929	102.6	659	1,144	327	\$25.1	\$3.9	\$5.6	\$2.2	\$47,274	7.1	\$4.0	2.1
2041	334,136	103.7	681	1,141	330	\$25.9	\$4.0	\$5.7	\$2.3	\$47,425	7.1	\$4.0	2.2
2042	336,234	104.8	597	1,123	333	\$26.8	\$4.1	\$5.8	\$2.3	\$47,602	7.1	\$4.1	2.1
2043	338,216	105.9	518	1,122	335	\$27.6	\$4.2	\$6.0	\$2.3	\$47,823	7.1	\$4.1	2.0
2044	340,076	106.9	436	1,121	338	\$28.4	\$4.3	\$6.1	\$2.3	\$48,113	7.0	\$4.2	2.2
2045	341,805	108.0	353	1,117	340	\$29.2	\$4.4	\$6.2	\$2.3	\$48,363	7.0	\$4.2	2.2
2046	343,416	109.1	270	1,116	343	\$30.1	\$4.5	\$6.3	\$2.4	\$48,559	7.0	\$4.3	2.2
2047	344,909	110.2	187	1,110	345	\$30.9	\$4.6	\$6.5	\$2.4	\$48,657	7.0	\$4.3	2.2
2048	346,291	111.3	102	1,113	347	\$31.8	\$4.7	\$6.6	\$2.4	\$48,727	7.0	\$4.4	2.3
2049	347,555	112.3	16	1,113	350	\$32.7	\$4.8	\$6.8	\$2.4	\$48,938	7.0	\$4.4	2.0
2050	348,797	113.4	30	1,106	352	\$33.7	\$4.9	\$6.9	\$2.4	\$49,105	7.0	\$4.5	2.1

Employment Sectors

2015-2020 History, 2021-2050 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	14.4	1.9	9.7	2.8	9.1	1.6	3.8	0.3	9.4	5.4	17.7
2016	79.1	14.5	2.2	9.3	2.9	9.2	1.8	3.7	0.3	9.8	5.5	18.5
2017	81.4	14.6	2.4	9.6	3.2	9.5	1.8	4.1	0.3	10.2	5.6	18.6
2018	82.8	14.6	2.5	9.7	3.5	9.6	1.8	4.3	0.3	10.3	5.8	18.9
2019	84.4	14.3	2.6	10.0	3.7	9.6	1.9	4.4	0.3	10.6	6.1	19.5
2020	81.1	14.1	2.6	9.9	3.7	9.4	1.8	4.1	0.2	10.3	5.3	18.3
2021	83.5	14.1	2.7	10.0	3.9	9.5	1.9	4.4	0.2	10.6	5.8	19.1
2022	85.3	14.1	2.9	10.0	4.0	9.5	1.9	4.6	0.2	10.9	5.9	19.6
2023	86.7	14.1	3.0	10.1	4.1	9.5	1.9	4.7	0.2	11.1	6.1	20.3
2024	87.6	14.1	3.0	10.1	4.2	9.5	1.9	4.8	0.2	11.2	6.2	20.7
2025	88.2	14.1	3.1	10.1	4.3	9.5	1.9	4.9	0.3	11.4	6.3	20.8
2026	89.1	14.1	3.0	10.2	4.3	9.4	1.9	5.0	0.3	11.5	6.3	21.4
2027	90.1	14.1	3.0	10.2	4.4	9.4	1.9	5.1	0.3	11.7	6.4	22.0
2028	91.0	14.2	2.9	10.3	4.5	9.4	1.9	5.2	0.3	11.8	6.4	22.5
2029	92.0	14.2	2.9	10.3	4.6	9.4	1.9	5.3	0.3	11.9	6.4	23.0
2030	92.9	14.2	2.9	10.4	4.6	9.4	1.9	5.4	0.3	12.1	6.5	23.5
2031	93.8	14.2	2.9	10.4	4.7	9.4	1.9	5.6	0.3	12.2	6.5	23.9
2032	94.5	14.2	2.9	10.4	4.8	9.4	1.9	5.6	0.3	12.4	6.5	24.3
2033	95.3	14.2	2.9	10.4	4.8	9.4	1.9	5.7	0.3	12.5	6.6	24.7
2034	96.0	14.2	2.8	10.5	4.9	9.4	1.9	5.8	0.3	12.6	6.6	25.0
2035	96.6	14.2	2.8	10.5	4.9	9.5	1.9	5.8	0.3	12.8	6.7	25.3
2036	97.3	14.2	2.8	10.5	5.0	9.5	1.9	5.9	0.3	12.9	6.7	25.6
2037	97.9	14.2	2.8	10.5	5.0	9.5	1.9	6.0	0.3	13.0	6.8	25.9
2038	98.4	14.2	2.7	10.5	5.1	9.5	1.9	6.0	0.3	13.2	6.8	26.1
2039	98.9	14.2	2.7	10.6	5.1	9.5	1.9	6.1	0.3	13.3	6.8	26.3
2040	99.4	14.2	2.7	10.6	5.2	9.5	1.9	6.2	0.3	13.4	6.9	26.5
2041	99.9	14.2	2.7	10.5	5.2	9.5	1.9	6.2	0.3	13.5	6.9	26.7
2042	100.3	14.2	2.7	10.5	5.3	9.5	1.9	6.3	0.3	13.6	7.0	26.9
2043	100.7	14.2	2.7	10.5	5.3	9.6	1.9	6.4	0.3	13.7	7.0	27.0
2044	101.1	14.3	2.7	10.5	5.3	9.6	1.9	6.4	0.3	13.9	7.1	27.2
2045	101.5	14.3	2.7	10.5	5.4	9.6	1.9	6.4	0.3	14.0	7.1	27.3
2046	101.8	14.3	2.7	10.5	5.4	9.6	1.9	6.5	0.3	14.1	7.1	27.4
2047	102.2	14.3	2.7	10.5	5.5	9.6	2.0	6.5	0.3	14.2	7.2	27.5
2048	102.5	14.3	2.7	10.5	5.5	9.6	2.0	6.5	0.3	14.3	7.2	27.6
2049	102.8	14.3	2.7	10.5	5.5	9.6	2.0	6.6	0.3	14.3	7.2	27.7
2050	103.0	14.3	2.7	10.4	5.5	9.6	2.0	6.6	0.3	14.4	7.3	27.8

Merced County Economic Forecast

Socioeconomic Indicators

