Methodology

State of California Economic Forecast:

The California Department of Finance, Economic Research Unit produces the official economic forecast for the state of California and this forecast is used as an input into the county-level forecasts. The methodology for the short-run state forecast is available here: Department of Finance Econometric Models.

The 2026-27 Governor's Budget forecast, finalized in November 2025 and published on January 9, 2026 is available here: Economic Outlook - 2026-27 GB Budget Summary.

Population Projections:

Population estimates and projections are obtained from the California Department of Finance, Demographic Research Unit. The population projections are produced using a cohort-component model. For each projection year, the model projects the population by applying projected age specific fertility, mortality, and migration rates, known as the components of change, to the prior year's population.

Migration:

Historical projections are modeled on historical migration trends based on the California Department of Finance, Demographic Research Unit's estimated county net domestic and foreign migration totals from the July 1 components of change in the estimates series published in December 2025 and are based on drivers' license changes, Internal Revenue Service migration flows, and Department of Homeland Security immigration data.

Households:

Household projections are obtained from the California Department of Finance, Demographic Research Unit. Household projections reflect the latest population projection series published in September 2025 and combine machine learning and exponential smoothing techniques to forecast future households.

Information from the Demographic Research Unit is available here: Demographics | California Department of Finance.

Unemployment Rate:
The projected California unemployment rate uses county and state level data from the California Employment Development Department (EDD), statewide population projections from the Department of Finance, Demographics Unit, and other select economic indicators. Then, the California unemployment rate projection in the Governor's Budget in the short-run is used along with county level population

projections and select economic indicators to project county level unemployment rates.

Payroll Employment:

The long run statewide payroll employment forecast projects employment in 12 major industries (farm, mining and logging, construction, manufacturing, trade/transportation/utilities, information, financial activities, professional and business services, private education/health services, leisure and hospitality, other services, and government) using source data from the California Employment Development Department (EDD), the short-run Governor's Budget payroll employment forecast through 2030, the finalized California and county unemployment rate forecasts, and other select economic indicators.

Personal Income:

This variable shows personal income as provided by the U.S Bureau of Economic Analysis (BEA) for California and all 58 counties in the state. The short-run state-level forecast uses the Governor's Budget forecast. For the county level and long-run forecasts, the forecasts are created by running econometric models for each individual county using select national, state, and county level economic and demographic indicators.

Per Capita Personal Income:

This variable shows per capita personal income as provided by the U.S Bureau of Economic Analysis (BEA) for California and all 58 counties in the state. For the state, per capita personal income is created by dividing the total personal income of the state by the state's total population. Each county's per capita personal income is calculated using the same method.

Inflation:

This variable is a measure of regional inflation using the consumer price index (CPI) as provided by the U.S. Bureau of Labor Statistics (BLS). BLS collects and publishes CPI data for the four major California Metropolitan Statistical Areas (MSAs) which cover ten of the 58 counties in the state. The Los Angeles-Long Beach-Anaheim MSA includes Los Angeles and Orange counties, the Riverside-San Bernardino-Ontario MSA includes Riverside and San Bernardino counties, the San Diego-Carlsbad MSA includes San Diego County, and the San Francisco-Oakland-Hayward MSA includes Alameda, Contra Costa, Marin, San Francisco, and San Mateo counties. BLS does not publish CPI data for any of the other counties of the state, nor for the state of California as the BLS does not publish state level CPI data. Department of Finance (Finance) uses a formula (same formula used by California Department of Industrial Relations (DIR)) to estimate California's statewide headline CPI measure from the four MSAs, using the population shares of each of the four major areas. From these CPI datasets, Finance produces an

official CPI inflation forecast (from 2025 to 2030), and a longer-term forecast (from 2031 to 2035) for each of the four major regions (internal) and the state of California as part of the Governor's Budget. Finance's longer-term CPI inflation forecast through 2035 reflects projected steady state level of CPI inflation for the four regions and California. The county level inflation forecast is adopted from Finance's CPI inflation forecast by extending the respective projected steady state CPI inflation levels through 2055.

The ten California counties that are in one of the four major regions were assigned Finance's respective regional CPI inflation forecast for that region. In addition, Finance uses geographical proximity to assign regional CPI inflation forecast to other counties that are outside of the four regions, where there is a reasonable level of correlation in terms of other long term indicators of inflation such as wages and salaries, personal income and nominal gross domestic product (GDP) as provided by U.S. Bureau of Economic Analysis, and in terms of cost of living as provided by Economic Policy Institute (EPI), between other counties and counties within the four regions. Accordingly, Santa Clara, Solano, and Sonoma counties were assigned the San Francisco regional forecast, as these three counties are not only very close to the San Francisco Bay Area counties, but their trends in other economic indicators including personal income and cost of living closely resemble counties in the region. For all other counties that are geographically closer to any of the four regions, we failed to establish a reasonable level of rationale for assigning specific regional forecast as opposed to the statewide inflation forecast after making similar correlation comparisons. Therefore, the remaining 45 counties were assigned the statewide California CPI inflation rate forecast.

Total Taxable Sales:
This variable measures total taxable sales by county, as reported by the California Department of Tax and Fee Administration (CDTFA). The forecast is based on the California Department of Finance, Revenue and Taxation Unit's Governor's Budget forecast through 2031. From 2032 on, state taxable sales are projected based on the historical relationship between taxable sales and personal income, and then county taxable sales are projected based on county personal income growth such that the sum of the counties is very close to the state total.

Taxable Retail Sales:

This variable measures total taxable retail sales by county, which CDTFA defines as sales by establishments classified under retail or food services. The statewide forecast for taxable retail sales is based on the statewide forecast for total taxable sales and on the historical relationship between taxable retail sales and total taxable sales. County-level projections for taxable retail sales in each year are then based on the statewide retail sales projection and on the county-level taxable sales growth projections.

Vehicle Registrations:

This variable shows the statewide registered vehicles (including autos, trailers, trucks, motor carriers, out of state, miscellaneous vehicles and fee exempt vehicles and excluding international registration plan (IRP) vehicles from the state total) for each county and California. The data used is sourced from the Department of Motor Vehicles (DMV). The forecasts are created by running econometric models for California and each county using select national, state, and county level economic and demographic indicators.

Farm Production Sales:

This variable shows inflation-adjusted sales accruing to producers in each county of all farm commodities sold each year as reported in the California Agricultural Statistics Review (CASR). The county forecasts use a two-step process. Statewide agricultural sales are projected using an econometric model with national and state variables, and then county-level sales are projected using econometric models with state and county variables.

Industrial Production:

This variable shows the total industrial production for each county and California, defined as the sum of county-level real gross domestic product for the mining, manufacturing, and utilities sectors from the U.S. Bureau of Economic Analysis (BEA). For the county level and long-run forecasts, the forecasts are created by running econometric models for each individual county using select national, state, and county level economic indicators.

Building Permits:

This variable shows the number of residential units permitted in each county and California, with data sourced from the U.S. Census Bureau. The short-run state level forecast is directly adopted from the official Governor's Budget forecast. The forecasts are created by running econometric models for California and each county using select national, state, and county level economic and demographic indicators.

Maps:

All maps were created using ultimaps.com

For any questions related to the data or forecast? Please email: econ@dof.ca.gov.