Monterey County Economic Forecast

Forecast Summary

- 4,100 non-farm jobs will be created in Monterey County during 2019. Over the entire 2018 – 2024 period, an average of 800 new jobs per year are expected.

- Employment growth will be led by education and healthcare, professional business services, leisure and hospitality, and government. Together, these sectors will account for 74 percent of net job creation through 2024.

- Between 2018 and 2024, a number of sectors are at risk of employment contraction, including construction, manufacturing, transportation and warehousing, retail trade, wholesale trade, and financial activities.

- The unemployment rate averaged 6.3 percent in 2018, and is near its lowest sustainable level. The unemployment rate may begin to rise in 2019 or 2020.

- The population of Monterey County is expanding at a similar rate as the average for the Central Coast, but may begin to grow more slowly than the Central Coast average.

- Housing production has accelerated, but has not been sufficient to keep home prices from rising quickly, and housing affordability has become a major problem in parts of Monterey County.

Job Growth

- Job growth accelerated sharply in 2018, but will begin to slow in 2019 and 2020.

- The largest gains in 2018 were observed in government (+1,200 jobs), leisure and hospitality (+900 jobs), and professional business services (+700 jobs).

- In 2018 employment contractions were observed in manufacturing (-200 jobs) and transportation and warehousing (-200 jobs).

- Between 2012 and 2018, non-farm job growth averaged 2.2 percent per year. Between 2018 and 2024, growth is expected to average 0.6 percent per year.

Construction Employment

- Construction employment is increasing at a rapid rate as building projects continue to break ground across the county.
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- Countywide, more than 700 new housing units were built in 2018, and more than $300 million was invested into building and renovating non-residential structures.

- The peak of the building cycle is approaching, and construction employment may begin to contract during the 2018 – 2024 forecast period.

**Retail Trade Employment**

- Employment in the Monterey County retail sector has been growing fairly consistently since 2010.

- The retail industry is being divided into two groups: stores that face heavy online competition, and stores that don't.

- In 2019 and 2020, jobs are expected to be created in sectors not facing heavy online competition:
  - Car dealerships
  - Drug stores and healthcare stores
  - Grocery stores
  - Gas Stations

- Job growth is expected to be slow, and may even turn negative, in sectors that are facing heavy online competition:
  - Clothing stores
  - Sporting goods stores
  - Consumer electronics stores
  - Department stores (i.e. Macy's)
  - Office supply stores

**Private Education and Healthcare Employment**

- This industry has grown quickly for much of the last decade.

- Gains have been widespread, with strength in doctors' offices, home health services, outpatient care centers, and facilities that serve the elderly and people with disabilities.

- The private education industry gained a small number of jobs in 2018 (public schools are included in the government sector).

- The future of the U.S. health insurance landscape is unknown, and legislative changes could influence job growth in this sector.

**Leisure and Hospitality Employment**

- The leisure and hospitality sector created thousands of jobs between 2010 and 2018, and is expected to create several hundred additional jobs by 2020.

- After 2020, growth in the leisure sector may become more moderate, and this sector may be characterized by employment contraction if the economy falls into recession during the 2018 – 2024 forecast period.
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The leisure industry is sensitive to changes in the minimum wage. As California's minimum wage rises to $15 per hour by 2022, job growth could be impacted.

The median wage in Monterey County is $17 per hour, meaning that half of all workers earn less than this amount. It may be difficult for local companies to support a minimum wage of $15.

**Government Employment**

- Government agencies created 1,200 jobs in 2018.
- Virtually all new jobs in 2018 were created at local schools. A small number of jobs were generated by Cal State Monterey Bay, Monterey Peninsula College, or local municipal agencies.
- Approximately 100 jobs were lost at federal agencies located within Monterey County, which includes the Defense Language Institute and the Naval Postgraduate School.
- Future growth will be determined by population growth and by the condition of state and local government budgets.

**Population Growth**

- The Monterey County population expanded by 0.4 percent in 2018, which is similar to the average for the Central Coast.
- Net migration was negative in 2018, subtracting more than 1,800 people from the population.
- Population growth averaged 0.8 percent per year between 2012 and 2018. It is expected to average 0.5 percent per year between 2018 and 2024, and the county will surpass 455,000 residents by 2024.

**Unemployment and Inflation Rates**

- The unemployment rate in Monterey County was 6.3 percent in 2018, which is above the average for the Central Coast.
- The unemployment rate has reached its lowest sustainable level, and may begin to rise in 2019 or 2020.
- Inflation accelerated in 2018 as home prices and energy costs increased across California.
In 2019 and 2020, inflation is expected to be within a range of 2.0 percent and 3.5 percent.

New Housing Production

From 2013 to 2018, an average of 560 new homes were permitted each year.

Between 2019 and 2024, housing production is also expected to average 850 units per year. Most are expected to be single-family units.

One of the most prominent projects is East Garrison, which will authorize 1,400 new homes near the site of decommissioned army barracks at Fort Ord. Construction is underway and several hundred units have already been built.

Home Prices

Home prices in Monterey have increased rapidly in recent years, and the median home price is now almost $600,000.

There is a huge disparity in prices in different parts of the county. In the East County, which includes the cities of Salinas and Soledad, the median price is below $500,000.

In the West County, which includes the cities of Carmel, Monterey, and Pebble Beach, median prices range from $750,000 to $1.8 million.

Housing affordability has become a prominent issue in Monterey County.

In order to purchase the median-priced home in Monterey County, a typical household would have to spend more than 40 percent of its income on mortgage payments, in addition to spending more than $130,000 on a down payment and closing costs.

Income per Capita

Income per capita was $56,700 in 2018, which is below the Central Coast average of $60,500.
Over the last six years, real income per capita has risen at a rate of 2.0 percent per year.

Over the next six years, real income per capita is expected to increase by an average of 1.5 percent per year.

Registered Vehicles
• There were 398,700 registered vehicles in Monterey County in 2018. By 2024, it is expected that the county will have 407,000 registered vehicles.

Public School Enrollment
• In Monterey County, approximately 77,800 students were enrolled in K-12 public schools.
• By 2024, there are expected to be 77,700 enrolled students. Enrollment is not expected to change substantially because the population aged 5 to 17 is expected to remain similar to the levels observed in 2018.
### Monterey County Economic Forecast

#### Economic Indicators

**2015-2018 History, 2019-2050 Forecast**

<table>
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<tr>
<th>Year</th>
<th>Total Wage &amp; Salary</th>
<th>Farm</th>
<th>Construction</th>
<th>Manufacturing</th>
<th>Transportation &amp; Utilities</th>
<th>Wholesale &amp; Retail Trade (thousands of jobs)</th>
<th>Financial Activities</th>
<th>Professional Services</th>
<th>Information</th>
<th>Health &amp; Education</th>
<th>Leisure</th>
<th>Government</th>
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#### Employment Sectors

**2015-2018 History, 2019-2050 Forecast**

|--------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|
Monterey County Economic Forecast

Socioeconomic Indicators

- **Violent Crime Rate**
  - 2017:
    - Monterey County: 411
    - Central Coast: 328
    - California: 449

- **Poverty Rate**
  - 2018:
    - Monterey County: 10.8
    - Central Coast: 8.9
    - California: 11.1

- **Median Household Income**
  - 2018:
    - Monterey County: $70,900
    - Central Coast: $74,830
    - California: $74,600

- **Median Home Selling Price**
  - 2018:
    - Monterey County: $572,000
    - Central Coast: $636,710
    - California: $571,200

- **Average Travel Time to Work**
  - 2016:
    - Monterey County: 25 minutes
    - Central Coast: 25 minutes
    - California: 32 minutes

- **Percent of Population Age 25+ With at Least a 4-Year College Degree**
  - 2019:
    - Monterey County: 24.3%
    - Central Coast: 31.5%
    - California: 32.0%