Napa County Economic Forecast

Forecast Summary

- 1,300 non-farm jobs will be created in Napa County during 2019. Over the following five years, an average of 400 new jobs are expected per year.

- Employment growth will be led by leisure services, education and healthcare, and manufacturing. These sectors will account for 83 percent of net job creation through 2024.

- The unemployment rate averaged 2.9 percent in 2018, but may begin to deteriorate in 2019.

- The population declined in 2018. It will grow very slowly during the forecast period.

- Home prices are rising faster than incomes, and housing affordability is now a problem.

- Housing production accelerated in 2018 as homes lost in the wildfires began to be rebuilt.

Job Growth

- Job growth was strong in 2017 and accelerated even further in 2018.

- In 2019 job growth will begin to decelerate, and by 2021 the county will be in danger of losing jobs.

- 2018 gains were largest in construction as hundreds of workers were hired to rebuild the homes destroyed by wildfires.

- Between 2012 and 2018, non-farm job growth averaged 2.6 percent per year.

- Between 2018 and 2024, growth is forecast to average 0.7 percent per year.

- Approximately 1,300 non-farm jobs will be created during 2019.

- Through 2024, an average of 400 new non-farm wage and salary jobs are expected per year.

Construction Employment

- The construction industry gained 500 jobs last year and will expand by an additional 300 jobs in 2019.

- The 2017 wildfires destroyed hundreds of homes in Napa County, as well as hundreds of commercial buildings and other structures. The rebuilds are now underway, and the County is expected to authorize construction permits for all remaining rebuilds by the end of 2020.
After these rebuilds are completed, construction employment may decline, but with all the new housing projects in the County, employment in this sector will remain relatively high.

Manufacturing Employment

- The Napa County manufacturing industry is almost exclusively comprised of wineries (which are considered beverage manufacturers).

- The 2018 grape harvest increased 6 percent in value from 2017, and harvested volume soared by 40,000 tons. Most of this increase was due to the a 33 percent increase in the production Cabernet Savignon grapes.

- During 2018, wineries hired almost 500 new workers. Job growth will remain positive in 2019 and 2020, but Napa winemakers will face increased competition from international vintners, preventing faster job creation.

- The manufacturing industry is particularly sensitive to changes in the minimum wage. As the California minimum wage rises to $15/hour by 2022, job creation in this sector may be adversely influenced (or may be adversely affected).

Transportation and Warehousing Employment

- This industry gained a small number of jobs last year.

- This industry will expand slightly in 2019 and 2020, partially the result of new firms leasing space at Napa Logistics Park, the new warehousing and distribution center.

- Napa Logistics Park will ultimately include 5.5 million square feet of warehousing/distribution capacity, supporting hundreds of jobs.

- But industry-wide growth is expected to be slow, and could turn negative if the economy falls into recession.

Retail Trade Employment

- The retail sector is losing jobs, and meaningful job creation is not expected during the 2019—2024 forecast period.
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- Losses in 2018 were heavy in sectors facing competition from online retailers:
  - Clothing stores
  - Sporting goods stores
  - Consumer electronics stores
  - Furniture stores
  - Department stores (i.e. Macy’s)
  - Office supply stores

- Losses were less severe in sectors not facing heavy online competition:
  - Car dealerships
  - Drug stores and healthcare stores
  - Grocery stores
  - Gas stations

- Future gains will be small, with further bifurcation of the industry.

**Financial Activities Employment**

- The financial activities sector is very small in Napa County. The industry lost 100 jobs in 2018.

- Downsizing was observed at banks and insurance firms, but real estate companies increased their headcounts slightly.

- Jobs will be lost in 2019 and 2020 as banking customers utilize more online services and make fewer in-person trips to a local branch.

**Professional and Business Services Employment**

- Professional services firms added 400 jobs last year—the first meaningful increase since 2015.

- Job gains were strongest at accounting companies, IT consulting firms, professional staffing agencies, and corporate security firms.

- This sector will continue to expand, but will only create 200 new jobs by 2020.

**Information Employment**

- This sector has been contracting for more than half a decade.

- The information industry is very small in Napa County, with only a handful of newspaper publishers, telecommunications companies, software publishers, and data service providers (such as cloud storage and web hosting).

- Positive trends in software and data services have been outweighed by downsizing in the newspaper and telecommunications sectors.
In other parts of California, the software and data sectors will increase quickly enough to expand the entire information industry. But this outcome is not expected in Napa County, and total industry employment will decline further in 2019.

Private Education and Healthcare Employment

Healthcare and education organizations did not expand in 2018.

Most subsectors were flat. Virtually no jobs were added to doctors’ offices, hospitals, outpatient care centers, or private schools.

Growth will resume in 2019, but the future of U.S. health insurance landscape is unknown, and legislative changes could influence job growth in health services.

Leisure and Hospitality Employment

The leisure sector added 300 jobs in 2018. The largest gains were at hotels and motels (+200 jobs), restaurants (+150 jobs), and catering services (+100 jobs).

Hotels lost several hundred jobs in 2017. During the wildfires that began in the fall of 2017, there was a drop in tourism to Napa County hotels and some hotels shut their doors. But these facilities returned to normal activity in 2018, hiring back the workers that had been temporarily laid off.

Government Employment

Government agencies expanded by only 100 jobs last year.

Local public schools downsized, while California state agencies grew slightly.

Future job gains will depend on local population growth and the condition of state and local government budgets.
Population Growth

- The Napa County population declined by more than 700 residents in 2018 because almost 700 net migrants left the county.
- Many of the out-migrants were people who lost their homes in the fires of late 2017 and had not yet returned by 2018.
- The number of resident deaths in 2018 exceeded the number of children born, further reducing the population.
- An average of 300 net migrants will enter the county each year over the forecast period. Net migration will be higher in 2019 and 2020 as families return to homes that have been rebuilt.

Population growth will average 0.2 percent annually through 2024, and the county will surpass 141,000 residents by the end of the forecast period.

Unemployment and Inflation Rates

- The unemployment rate in Napa County averaged 2.9 percent in 2018, which was similar to the composite rate for the Bay Area.
- Beginning in 2019, the unemployment rate may deteriorate, but with an unemployment rate of just 3.0 percent, the job market will still be very tight.
- Inflation accelerated in 2018 as energy prices increased and housing costs rose rapidly. Inflation will remain elevated in 2019 and 2020, and will likely be above 3 percent.
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New Housing Production

- Housing production accelerated in 2018 as the rebuilding process began for the homes destroyed in the wildfires.
- Several large multifamily complexes also broke ground, including The Brayden, which will contain 282 apartments in the City of Napa.
- Several hundred additional single-family rebuilds will begin in 2019 and 2020, while multifamily construction should return to more normal levels.
- Aside from fire rebuilds, the most prominent project, called Napa Pipe, will produce 945 homes just south of Downtown Napa. A timeline for construction has not yet been determined.

Income per Capita

- Income per capita in 2018 was $76,400. Income per capita has risen rapidly in Napa County, growing by an average of 3.0 percent per year over the last six years, adjusted for inflation.

Registered Vehicles

- Real income per capita is expected to grow more slowly over the forecast period, increasing by 1.8 percent per year through 2024.

Registered Vehicles

- There were 148,400 registered vehicles in Napa County in 2018.
- By 2024, it is expected that the county will have approximately 156,900 registered vehicles.

Public School Enrollment

- In Napa County, approximately 20,400 students were enrolled in K—12 public schools during the 2017—2018 school year.
- By 2024, there are expected to be 18,700 K—12 students in the county. Enrollment will decrease because the population aged 5 to 17 is forecast to decline sharply.
### Napa County Economic Forecast

#### Economic Indicators

<table>
<thead>
<tr>
<th>Year</th>
<th>Population (people)</th>
<th>Taxable Local Income (dollars)</th>
<th>Real Local Industrial Production (billions)</th>
<th>per Capita Income (dollars)</th>
<th>School Enrollment (thousands)</th>
<th>Births (people)</th>
<th>Deaths (people)</th>
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#### Employment Sectors

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<thead>
<tr>
<th>Year</th>
<th>Growth Rate</th>
<th>NASDAQ</th>
<th>Dow</th>
<th>S&amp;P 500</th>
<th>Dow Jones</th>
<th>NASDAQ Composite</th>
<th>S&amp;P 500 Index</th>
<th>Nasdaq Composite Index</th>
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<td>11.7%</td>
<td>6,000</td>
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<td>18,000</td>
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<tr>
<td>2019</td>
<td>12.3%</td>
<td>5,000</td>
<td>24,000</td>
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<td>2018</td>
<td>12.9%</td>
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<td>10,000</td>
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<tr>
<td>2017</td>
<td>13.5%</td>
<td>3,000</td>
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<td>15,000</td>
<td>9,000</td>
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#### County-Level Economic Forecast

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Real Sales (millions)</th>
<th>Real Personal Income (billions)</th>
<th>Retail Sales (millions)</th>
<th>Personal Income (billions)</th>
<th>Agricultural Value (millions)</th>
<th>Farm Value (millions)</th>
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#### Local Government

<table>
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<th>Year</th>
<th>Local Government</th>
<th>State Government</th>
<th>Federal Government</th>
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<tbody>
<tr>
<td>2020</td>
<td>$1,428,450</td>
<td>$1,693</td>
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<td>$1,621</td>
<td>$1,621</td>
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</table>
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Socioeconomic Indicators

**Violent Crime Rate**
- Napa County: 248
- Bay Area: 414
- California: 449

**Poverty Rate**
- Napa County: 6.0%
- Bay Area: 6.5%
- California: 11.1%

**Median Household Income**
- Napa County: $85,700
- Bay Area: $105,600
- California: $74,600

**Median Home Selling Price**
- Napa County: $571,200
- Bay Area: $871,200
- California: $652,000

**Average Travel Time to Work**
- Napa County: 26 minutes
- Bay Area: 34 minutes
- California: 32 minutes

**Percent of Population Age 25+ With at Least a 4-Year College Degree**
- Napa County: 34.5%
- Bay Area: 46.1%
- California: 32.6%