Forecast Summary

- It is estimated that an average of 11,000 to 13,000 jobs will be lost in San Luis Obispo County during 2020. Job losses will be heavy in the first half of the year.
- Employment losses will be largest in leisure services, retail trade, and government.
- No sectors are expected to expand in a meaningful way in 2020.
- The unemployment rate averaged 2.9 percent in 2019. It will average between 7 percent and 10 percent for the 2020 calendar year.
- The San Luis Obispo County population is expected to grow more slowly than the Central Coast average during the forecast period.
- Home values are expected to increase slowly in 2020 and 2021.
- Over the 2020-2025 forecast period, housing production is expected to be similar to the 2014-2019 period.

Job Growth

- Total employment in the county will decline by 9 to 10 percent in 2020. This is an annual average change from 2019.
- In 2021, San Luis Obispo County is expected to re-gain fewer than half of the jobs that were lost during the Coronavirus Recession.

Construction Employment

- The construction sector is expected to lose between 800 and 1,200 jobs in 2020.
- Most California construction activity was deemed non-essential for portions of March and April, leading to significant construction layoffs that average down total employment in 2020.
- Restrictions on construction were lifted in late April, and overall construction activity began to ramp back up during the summer.
- Construction employment may rebound quickly in 2021 and could approach pre-recession levels relatively soon.
San Luis Obispo County Economic Forecast

Manufacturing Employment
• Manufacturing employment is expected to decrease by 3 to 5 percent in San Luis Obispo County during 2020.
• Manufacturing activity is forecast to rebound slowly after the recession subsides.
• It is unclear if manufacturing employment will return to prepandemic levels within the 2020-2025 forecast period.

Transportation and Warehousing Employment
• Most transportation jobs in San Luis Obispo County are in trucking and warehousing, where firms deliver goods to and from local businesses, and store these goods in logistics facilities.
• A meaningful share of San Luis Obispo County transportation jobs are in delivery firms like UPS, FedEx, and Instacart. Delivery firms hired large numbers of workers during the second quarter of 2020, and could be among the few corners of the labor market to expand throughout the year.
• Approximately 300 jobs can be found at the San Luis Obispo County Regional Airport. Air travel jobs were devastated by the Coronavirus Recession, and a full recovery is not expected until the virus is no longer a public health threat.

Retail Trade Employment
• The retail sector is expected to lose 800 to 1,200 jobs in 2020 on an annual average basis.
• Many retail chains chose to furlough their employees rather than lay them off completely, and furloughed workers are not considered to be unemployed. This is a technical detail that will mask the true number of work stoppages in the retail sector.
• Accounting for furloughed workers more than 2,000 retail workers could be effectively not working and not earning an income on an annual average basis in 2020.
• Retail trade jobs will return after in-store shopping is permitted in a sustained way.

Wholesale Trade Employment
• Wholesale trade employment is expected to fall by at least 300 jobs on an annual average basis in 2020.
Wholesale employment will rebound in tandem with retail, manufacturing, construction, and professional business services employment.

Financial Activities Employment

- A small number of job losses are expected in financial activities because some employers closed, committing their employees to shelter-in-place for health reasons.
- The most prominent losses are expected in real estate sales and real estate lending services.
- There have been far fewer homes on the market in 2020 than there were in 2019, which should translate into fewer home sales, reducing the need for real estate agents and mortgage brokers.
- Financial Activities companies are expected to rebound slowly over the next few years.

<table>
<thead>
<tr>
<th>Financial Activities Sub-Sectors 2019</th>
<th>Jobs in Subsector</th>
<th>Subsector’s Share of Overall Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banks</td>
<td>1,300</td>
<td>33.3%</td>
</tr>
<tr>
<td>Real Estate</td>
<td>1,300</td>
<td>33.3%</td>
</tr>
<tr>
<td>Insurance</td>
<td>600</td>
<td>15.4%</td>
</tr>
<tr>
<td>Asset Management</td>
<td>200</td>
<td>5.1%</td>
</tr>
<tr>
<td>Other</td>
<td>500</td>
<td>12.8%</td>
</tr>
</tbody>
</table>

Professional and Business Services Employment

- The professional and business services industry has a diverse array of subsectors, and each will be impacted differently during the recession and recovery phases of 2020 and 2021.
- Jobs in building maintenance and corporate security declined substantially during the shutdowns but are expected to rebound at office and industrial buildings with repopulating employment.
- Staffing agencies had significant losses during the contraction, but may bounce back quickly through 2021.
- Staffing agencies primarily employ temp workers, who are often laid off first in a downturn but hired back first during a recovery.
Aside from security, maintenance, staffing agencies, scientific research labs, and veterinary services, most subsectors of the professional business services industry operated remotely and were largely unaffected by the shutdowns, although some had layoffs due to the macroeconomic recessionary conditions that persisted through the U.S.

### Information Employment

In San Luis Obispo County, the information sector is dominated by software firms, traditional print publishers, movie theaters, and telecommunications companies like Comcast.

- Mindbody is the most prominent software publisher in San Luis Obispo County. Mindbody laid off or furloughed a third of its workforce in April 2020. It is unclear when or if these jobs will be restored.
- Movie theaters were completely closed during the shutdowns. Jobs at movie theaters will return slowly because social distancing requirements will restrict the number of customers that can visit movie theaters.
- Telecommunications jobs were classified as essential and these workers largely remained employed during the recession. Consequently, employment was not impacted as severely as it was in other sectors.
- Many newspaper, magazine, and TV/radio workers were allowed to remain in their jobs, but advertising revenues contracted with the rest of the economy, giving employers little choice but to issue layoff notices.
- Most subsectors of the information industry are in long-term patterns of stagnation, and will not generate a meaningful number of jobs during the 2020-2025 forecast period.

### Private Education and Healthcare Employment

- There were 6,000 healthcare jobs in San Luis Obispo County in 2019.
- Healthcare jobs were recession proof during the 2008-2009 financial crisis. However, some non-essential medical offices had to close in 2020, and hospitals reduced employment levels because resources were not being utilized as envisioned to support Coronavirus patients.
- There were approximately 8,000 social assistance jobs in 2019, including industries like childcare, housing shelters, and non-medical care for senior citizens.
San Luis Obispo County Economic Forecast

- There were also 3,000 jobs in private schools and colleges, tutoring services, vocational schools, and other educational organizations.

- Jobs in social assistance and education were mostly classified as essential. Nevertheless, there were layoffs at institutions with revenue shortfalls.

Leisure and Hospitality Employment

- The leisure and hospitality industry was devastated by the recession more than any other sector of the labor market.

- In 2019, San Luis Obispo County had 18,000 jobs in restaurants, hotels, and bars. Our research indicates that most were laid off, furloughed, or had their hours cut in March and April of 2020.

- San Luis Obispo County also had 1,500 jobs in entertainment and recreation in 2019, including things like fitness centers, museums, and recreation centers. Many of these organizations will operate at reduced capacities into 2021.

Government Employment

- Government agencies are expected to lose revenue from taxes and fees in 2020, and these revenue shortfalls will likely persist into 2021 and 2022.

- When government agencies need to reduce expenditures on salaries, many workers are expected to be given unpaid furlough days that are distributed throughout the year, and many staffing reductions could be the result of hiring freezes rather than layoffs.

- However, if revenue shortfalls are severe and Congress does not appropriate funding to mitigate these shortfalls, government agencies may have no choice but to issue layoffs.

Population Growth

- The San Luis Obispo County population is expected to expand more slowly than the Central Coast average between 2020 and 2025.

- Net migration is expected to account for all population growth in San Luis Obispo County.

- Because the County has a high share of older residents, deaths will outnumber births during the 2020-2025 forecast period. Inmigrants will offset this decline, allowing the overall population to expand.
The population will grow at an annual average rate of 0.1 percent per year from 2020 to 2025.

By 2025 the San Luis Obispo County population will reach 280,000 residents.

Unemployment and Inflation Rates

The unemployment rate in San Luis Obispo County averaged 2.9 percent in 2019, which was well below the composite rate for the Central Coast and was among the lowest rates in California.

The unemployment rate is expected to average between 7 and 10 percent in 2020.

The unemployment rate is expected to remain elevated for several years, but is likely to improve more quickly than after the 2008-2009 recession.

Inflation decelerated in 2019 as energy prices declined and home prices increased more slowly than the previous year.

Inflation is expected to be very low in 2020 but could accelerate in 2021 or 2022.
Home Prices and New Housing Production

- In 2019 the median home price in San Luis Obispo County was $591,700.
- The median price is expected to increase slowly in 2020 and 2021.
- Home prices have become expensive in San Luis Obispo County.
- In 2019, a typical household in San Luis Obispo County would have had to spend 31 percent of its pre-tax income on mortgage payments in order to afford the median-priced home.
- Across California, prices have also become expensive, and the typical household would have to spend approximately 30 percent of its income on mortgage payments for the median priced home.
- Throughout the central portion of California, including the Sacramento Valley, Central Valley, and Inland Empire, housing costs account for only 20 to 25 percent of the typical household’s income, indicating that housing costs are much more affordable than in San Luis Obispo County.

- From 2014 to 2019, an average of 925 new homes were started per year in San Luis Obispo County. Approximately 70 percent were single-family homes.
- Housing production is expected to average 900 homes per year from 2020 to 2025, consisting primarily of single-family homes.
San Luis Obispo County Economic Forecast

2015-2019 History, 2020-2050 Forecast

<table>
<thead>
<tr>
<th>Economic Indicators</th>
<th>2015-2019 History, 2020-2050 Forecast</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>2050 2051 2052 2053 2054 2055 2056 2057 2058 2059 2060 2061 2062 2063 2064 2065 2066 2067 2068 2069 2070 2071 2072 2073 2074 2075 2076 2077 2078 2079 2080</td>
</tr>
</tbody>
</table>
San Luis Obispo County Economic Forecast

Socioeconomic Indicators

**Violent Crime Rate**
- 2018: San Luis Obispo County - 203, Central Coast - 321, California - 447

**Poverty Rate**
- 2019: San Luis Obispo County - 5.7, Central Coast - 8.3, California - 10.0

**Median Household Income**
- 2019: San Luis Obispo County - 79,900, Central Coast - 77,800, California - 79,000

**Median Home Selling Price**
- 2019: San Luis Obispo County - 591,700, Central Coast - 596,100, California - 592,400

**Average Travel Time to Work**
- 2019: San Luis Obispo County - 24 minutes, Central Coast - 24 minutes, California - 32 minutes

**Percent of Population Age 25+ With at Least a 4-Year College Degree**
- 2019: San Luis Obispo County - 34.8%, Central Coast - 30.0%, California - 33.3%