

MERCED COUNTY ECONOMIC FORECAST

Merced County is located in the San Joaquin Valley and is home to the newest University of California campus, UC Merced. The campus opened in September 2005 and now has more than 1,800 students. Long-range plans call for a maximum of 25,000 students by 2030. Merced County has a population of 252,544 people and 70,300 wage and salary jobs. The per capita income in Merced County is \$23,945, and the average salary per worker is \$39,051.

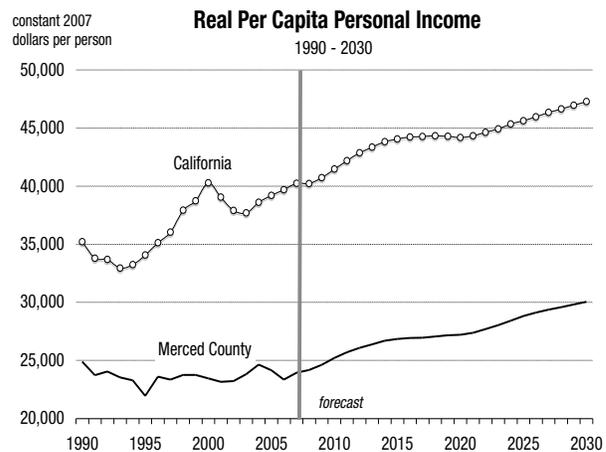
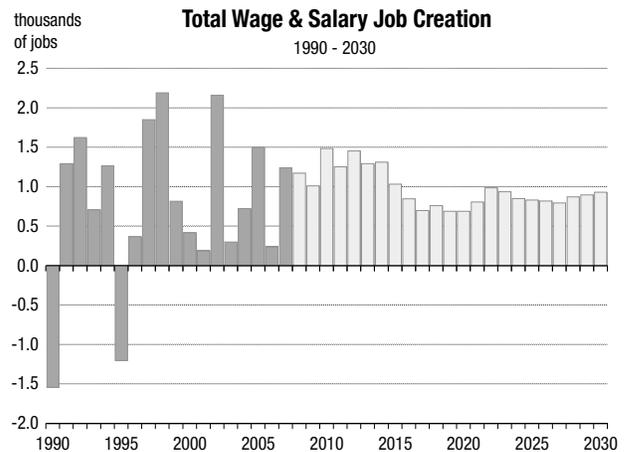
Employment growth in Northern California was modest in 2007, compared to the previous two years. Employment in the greater San Joaquin Valley grew at a rate of 0.9 percent, the slowest since 1992. In 2007, 1,240 total wage and salary jobs were created in Merced County, representing a growth rate of 1.8 percent. Farm employment, which accounts for 16 percent of total employment, grew by 3.8 percent, adding 417 jobs. The non-farm sectors added 825 new jobs, representing a growth rate of 1.4 percent. The unemployment rate increased to 10.2 percent in 2007.

In addition to the farm sector, the principal sectors that are producing jobs in Merced County are government, wholesale and retail trade, and professional services. These three sectors combined for nearly 1,200 new jobs in 2007. The largest sectors in the county are government, wholesale and retail trade, manufacturing, and farm. The manufacturing sector lost 392 jobs in 2007.

The population grew in Merced County at a rate of 1.9 percent in 2007. The fastest growing cities in the county are Livingston and Dos Palos, which grew 4.3 and 3.1 percent respectively, between January 2007 and January 2008. Merced is the largest city in the county and is currently home to 80,608 residents.

FORECAST HIGHLIGHTS

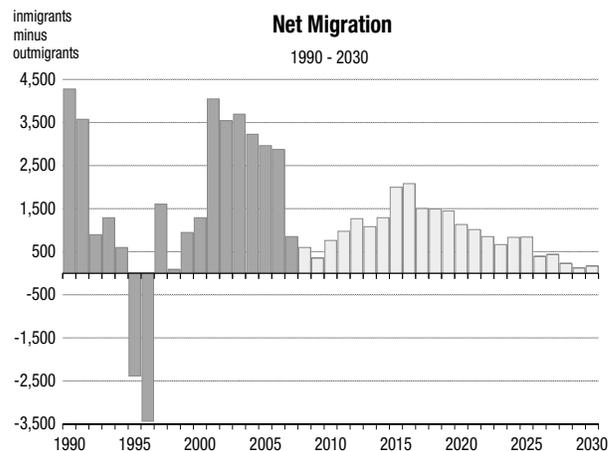
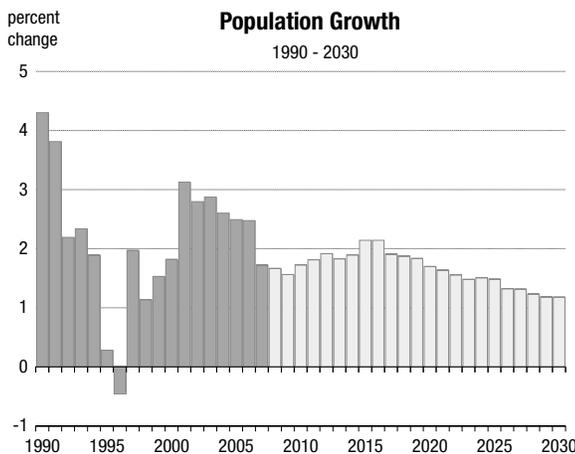
- Total wage and salary job growth is forecast to decrease to 1.7 percent in 2008. From 2008 to 2012, total employment growth averages 1.7 percent per year, while non-farm job growth averages 2.0 percent per year.
- Average salaries adjusted for inflation are currently below the California state average, and will remain so over the forecast period. Inflation adjusted salaries are expected to rise an average of 0.6 percent per year over the next 5 years.
- Between 2008 and 2012, the momentum for employment growth is in wholesale and retail trade, professional services, and government sectors. These sectors account for over 73 percent of all jobs created in the county over the next five years.
- The population in the county will continue to grow faster than the state average. Annual growth in the 2008 to 2012 period averages 1.7 percent per year.
- Net migration will be 600 people in 2008. Over the next five years net migration is expected to average approximately 800 people per year.
- Real per capita income is forecast to increase 1.0 percent in 2008. Over the next five years real per capita incomes are forecast to increase an average of 1.7 percent per year.
- Total taxable sales are expected to increase by an average of 6.0 percent over the next five years. Adjusted for inflation, they increase by 3.8 percent per year.
- Industrial production is forecast to increase 4.2 percent in 2008. Over the next five years the growth rate of industrial production will average 3.5 percent per year. Total real crop production is expected to increase by 0.5 percent per year between 2008 and 2012.



Merced County Economic Forecast

1997-2007 History, 2008-2030 Forecast

| | Population (people) | Net Migration (people) | Registered Vehicles (thousands) | Households (thousands) | New Homes Permitted (homes) | Total Taxable Sales (billions) | Personal Income (billions) | Real Per Capita Income (dollars) | Inflation Rate (% change in CPI) | Real Farm Crop Value (billions) | Real Industrial Production (billions) | Unemploy- ment Rate (percent) |
|------|------------------------|------------------------------|---------------------------------------|---------------------------|-----------------------------------|--------------------------------------|----------------------------------|--|--|---------------------------------------|---|-------------------------------------|
| 1997 | 202,021 | 1,609 | 141.5 | 62.3 | 1,010 | \$1.36 | \$3.50 | \$23,353 | 3.4 | 2.06 | 1.11 | 15.8 |
| 1998 | 204,325 | 88 | 150.4 | 63.1 | 1,032 | \$1.45 | \$3.72 | \$23,761 | 3.2 | 1.89 | 1.28 | 15.2 |
| 1999 | 207,457 | 949 | 156.0 | 63.9 | 1,003 | \$1.59 | \$3.93 | \$23,750 | 4.2 | 1.92 | 1.29 | 13.4 |
| 2000 | 211,228 | 1,292 | 161.9 | 63.8 | 1,553 | \$1.74 | \$4.13 | \$23,464 | 4.5 | 1.84 | 1.28 | 9.6 |
| 2001 | 217,830 | 4,053 | 171.0 | 64.8 | 1,131 | \$1.85 | \$4.43 | \$23,155 | 5.4 | 1.93 | 1.19 | 10.2 |
| 2002 | 223,923 | 3,546 | 180.8 | 66.0 | 1,726 | \$1.86 | \$4.64 | \$23,219 | 1.6 | 1.94 | 1.32 | 11.0 |
| 2003 | 230,363 | 3,699 | 182.9 | 67.1 | 2,946 | \$2.01 | \$4.99 | \$23,809 | 1.8 | 2.11 | 1.40 | 11.6 |
| 2004 | 236,367 | 3,228 | 197.3 | 69.2 | 2,576 | \$2.27 | \$5.36 | \$24,641 | 1.2 | 2.57 | 1.50 | 11.0 |
| 2005 | 242,260 | 2,967 | 200.2 | 72.1 | 3,740 | \$2.55 | \$5.49 | \$24,157 | 2.0 | 2.55 | 1.62 | 10.1 |
| 2006 | 248,258 | 2,876 | 203.7 | 74.9 | 2,147 | \$2.62 | \$5.62 | \$23,360 | 3.2 | 2.36 | 1.51 | 9.5 |
| 2007 | 252,544 | 854 | 202.8 | 78.0 | 718 | \$2.57 | \$6.05 | \$23,945 | 3.3 | 2.37 | 1.55 | 10.2 |
| 2008 | 256,752 | 602 | 205.0 | 79.8 | 547 | \$2.74 | \$6.33 | \$24,173 | 2.0 | 2.36 | 1.61 | 11.3 |
| 2009 | 260,767 | 359 | 207.5 | 81.2 | 816 | \$2.89 | \$6.66 | \$24,617 | 1.8 | 2.40 | 1.66 | 11.9 |
| 2010 | 265,280 | 767 | 210.4 | 82.4 | 1,069 | \$3.06 | \$7.08 | \$25,213 | 1.9 | 2.42 | 1.71 | 11.5 |
| 2011 | 270,090 | 980 | 213.4 | 83.5 | 1,257 | \$3.25 | \$7.52 | \$25,702 | 2.4 | 2.41 | 1.77 | 11.4 |
| 2012 | 275,272 | 1,267 | 216.6 | 84.7 | 1,298 | \$3.44 | \$7.95 | \$26,086 | 2.2 | 2.43 | 1.84 | 11.4 |
| 2013 | 280,317 | 1,085 | 219.8 | 86.0 | 1,506 | \$3.63 | \$8.38 | \$26,389 | 2.3 | 2.45 | 1.92 | 11.5 |
| 2014 | 285,637 | 1,292 | 223.0 | 87.4 | 1,898 | \$3.84 | \$8.85 | \$26,704 | 2.3 | 2.46 | 2.00 | 11.6 |
| 2015 | 291,757 | 1,998 | 226.4 | 89.0 | 2,003 | \$4.06 | \$9.31 | \$26,838 | 2.6 | 2.47 | 2.08 | 11.7 |
| 2016 | 298,016 | 2,084 | 229.7 | 90.8 | 1,867 | \$4.28 | \$9.80 | \$26,941 | 2.7 | 2.48 | 2.16 | 11.8 |
| 2017 | 303,702 | 1,508 | 233.1 | 92.7 | 1,970 | \$4.52 | \$10.27 | \$26,959 | 2.7 | 2.47 | 2.24 | 11.9 |
| 2018 | 309,406 | 1,493 | 236.4 | 94.6 | 1,934 | \$4.75 | \$10.76 | \$27,055 | 2.5 | 2.49 | 2.33 | 11.9 |
| 2019 | 315,085 | 1,448 | 239.8 | 96.6 | 1,856 | \$5.00 | \$11.28 | \$27,161 | 2.5 | 2.50 | 2.42 | 11.9 |
| 2020 | 320,446 | 1,137 | 243.0 | 98.6 | 1,892 | \$5.25 | \$11.78 | \$27,216 | 2.5 | 2.51 | 2.51 | 11.8 |
| 2021 | 325,698 | 1,015 | 246.3 | 100.5 | 1,755 | \$5.51 | \$12.34 | \$27,373 | 2.4 | 2.49 | 2.58 | 11.7 |
| 2022 | 330,784 | 852 | 249.5 | 102.4 | 1,729 | \$5.79 | \$13.00 | \$27,693 | 2.5 | 2.51 | 2.63 | 11.6 |
| 2023 | 335,681 | 670 | 252.6 | 104.3 | 1,760 | \$6.08 | \$13.68 | \$28,040 | 2.5 | 2.50 | 2.68 | 11.5 |
| 2024 | 340,753 | 838 | 255.8 | 106.2 | 1,673 | \$6.38 | \$14.40 | \$28,423 | 2.3 | 2.53 | 2.72 | 11.5 |
| 2025 | 345,823 | 844 | 258.9 | 108.0 | 1,568 | \$6.71 | \$15.17 | \$28,813 | 2.4 | 2.54 | 2.76 | 11.4 |
| 2026 | 350,408 | 396 | 262.2 | 109.7 | 1,471 | \$7.05 | \$15.91 | \$29,122 | 2.4 | 2.54 | 2.81 | 11.4 |
| 2027 | 355,027 | 436 | 265.6 | 111.4 | 1,351 | \$7.39 | \$16.65 | \$29,361 | 2.5 | 2.55 | 2.87 | 11.3 |
| 2028 | 359,416 | 231 | 269.1 | 112.9 | 1,321 | \$7.75 | \$17.44 | \$29,588 | 2.7 | 2.54 | 2.93 | 11.3 |
| 2029 | 363,684 | 128 | 272.9 | 114.4 | 1,305 | \$8.13 | \$18.26 | \$29,821 | 2.7 | 2.56 | 2.99 | 11.2 |
| 2030 | 367,986 | 177 | 276.7 | 115.9 | 1,228 | \$8.51 | \$19.10 | \$30,053 | 2.6 | 2.57 | 3.06 | 11.1 |



Merced County Employment Forecast

1997-2007 History, 2008-2030 Forecast

| | Total Wage & Salary | Farm | Mining & Construction | Manufacturing | Transportation & Utilities | Wholesale & Retail Trade | Financial Activities | Professional Services | Information | Health & Education | Leisure | Government |
|--|---------------------|-------|-----------------------|---------------|----------------------------|--------------------------|----------------------|-----------------------|-------------|--------------------|---------|------------|
| -----employment (thousands of jobs)----- | | | | | | | | | | | | |
| 1997 | 60.5 | 11.10 | 1.5 | 11.0 | 1.8 | 7.6 | 1.6 | 2.9 | 0.8 | 4.8 | 4.3 | 11.6 |
| 1998 | 62.7 | 11.06 | 1.8 | 12.1 | 1.7 | 8.0 | 1.5 | 3.1 | 1.3 | 4.6 | 4.4 | 11.7 |
| 1999 | 63.5 | 11.51 | 2.0 | 11.5 | 1.6 | 8.0 | 1.6 | 3.3 | 1.4 | 4.8 | 4.4 | 11.9 |
| 2000 | 63.9 | 11.58 | 2.1 | 10.4 | 1.7 | 8.4 | 1.7 | 3.3 | 1.4 | 5.1 | 4.5 | 12.2 |
| 2001 | 64.1 | 10.89 | 2.3 | 9.8 | 1.9 | 8.4 | 1.7 | 3.4 | 1.4 | 5.1 | 4.5 | 13.1 |
| 2002 | 66.3 | 10.75 | 2.4 | 10.6 | 2.3 | 8.6 | 1.7 | 3.3 | 1.5 | 5.4 | 4.5 | 13.4 |
| 2003 | 66.6 | 10.59 | 3.0 | 10.7 | 2.1 | 8.6 | 1.7 | 3.4 | 1.5 | 5.5 | 4.5 | 13.3 |
| 2004 | 67.3 | 10.22 | 3.3 | 11.1 | 1.9 | 9.0 | 1.7 | 3.3 | 1.6 | 5.5 | 4.7 | 13.4 |
| 2005 | 68.8 | 10.50 | 3.6 | 11.1 | 1.9 | 9.0 | 1.9 | 3.4 | 1.6 | 5.4 | 4.7 | 14.1 |
| 2006 | 69.0 | 10.89 | 3.6 | 9.7 | 2.1 | 9.3 | 2.0 | 3.8 | 1.4 | 5.3 | 4.8 | 14.7 |
| 2007 | 70.3 | 11.31 | 3.2 | 9.3 | 2.3 | 9.6 | 1.9 | 4.1 | 1.4 | 5.6 | 4.9 | 15.3 |
| 2008 | 71.5 | 11.51 | 2.9 | 9.5 | 2.3 | 9.8 | 1.9 | 4.2 | 1.4 | 5.6 | 4.9 | 15.9 |
| 2009 | 72.5 | 11.47 | 2.8 | 9.5 | 2.4 | 10.0 | 1.9 | 4.3 | 1.4 | 5.6 | 4.9 | 16.5 |
| 2010 | 74.0 | 11.44 | 3.2 | 9.5 | 2.5 | 10.2 | 2.0 | 4.4 | 1.5 | 5.6 | 4.9 | 17.2 |
| 2011 | 75.2 | 11.45 | 3.1 | 9.6 | 2.5 | 10.4 | 2.0 | 4.5 | 1.5 | 5.7 | 5.0 | 17.9 |
| 2012 | 76.7 | 11.44 | 3.3 | 9.6 | 2.6 | 10.6 | 2.0 | 4.6 | 1.6 | 5.8 | 5.0 | 18.5 |
| 2013 | 78.0 | 11.41 | 3.4 | 9.6 | 2.6 | 10.8 | 2.0 | 4.7 | 1.7 | 5.9 | 5.0 | 19.0 |
| 2014 | 79.3 | 11.40 | 3.7 | 9.6 | 2.7 | 11.0 | 2.0 | 4.8 | 1.8 | 6.0 | 5.1 | 19.4 |
| 2015 | 80.3 | 11.38 | 3.8 | 9.6 | 2.7 | 11.3 | 2.1 | 4.8 | 1.8 | 6.1 | 5.1 | 19.7 |
| 2016 | 81.1 | 11.37 | 3.8 | 9.6 | 2.8 | 11.5 | 2.1 | 4.9 | 1.9 | 6.2 | 5.1 | 19.9 |
| 2017 | 81.8 | 11.38 | 3.8 | 9.6 | 2.8 | 11.7 | 2.1 | 5.0 | 1.9 | 6.4 | 5.2 | 20.0 |
| 2018 | 82.6 | 11.36 | 3.8 | 9.6 | 2.9 | 11.9 | 2.1 | 5.0 | 2.0 | 6.5 | 5.2 | 20.1 |
| 2019 | 83.3 | 11.35 | 3.7 | 9.6 | 3.0 | 12.1 | 2.1 | 5.0 | 2.1 | 6.7 | 5.2 | 20.2 |
| 2020 | 84.0 | 11.34 | 3.6 | 9.6 | 3.0 | 12.4 | 2.1 | 5.1 | 2.1 | 6.9 | 5.3 | 20.4 |
| 2021 | 84.8 | 11.36 | 3.5 | 9.5 | 3.1 | 12.6 | 2.1 | 5.1 | 2.2 | 7.1 | 5.3 | 20.7 |
| 2022 | 85.8 | 11.33 | 3.6 | 9.5 | 3.2 | 12.8 | 2.1 | 5.2 | 2.2 | 7.3 | 5.3 | 20.9 |
| 2023 | 86.7 | 11.35 | 3.6 | 9.4 | 3.2 | 13.1 | 2.1 | 5.2 | 2.3 | 7.6 | 5.3 | 21.2 |
| 2024 | 87.6 | 11.31 | 3.6 | 9.4 | 3.3 | 13.3 | 2.1 | 5.3 | 2.3 | 7.8 | 5.3 | 21.4 |
| 2025 | 88.4 | 11.31 | 3.5 | 9.4 | 3.3 | 13.5 | 2.1 | 5.3 | 2.4 | 8.0 | 5.3 | 21.7 |
| 2026 | 89.2 | 11.30 | 3.5 | 9.3 | 3.4 | 13.8 | 2.1 | 5.3 | 2.4 | 8.2 | 5.3 | 22.0 |
| 2027 | 90.0 | 11.29 | 3.4 | 9.3 | 3.4 | 14.0 | 2.1 | 5.4 | 2.5 | 8.4 | 5.3 | 22.2 |
| 2028 | 90.9 | 11.30 | 3.4 | 9.3 | 3.5 | 14.2 | 2.1 | 5.4 | 2.5 | 8.5 | 5.4 | 22.6 |
| 2029 | 91.8 | 11.27 | 3.4 | 9.3 | 3.5 | 14.4 | 2.1 | 5.5 | 2.6 | 8.7 | 5.4 | 22.9 |
| 2030 | 92.7 | 11.26 | 3.4 | 9.3 | 3.6 | 14.6 | 2.1 | 5.5 | 2.6 | 8.9 | 5.4 | 23.3 |

