

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 will have nearly 5,000 students for the 2011-2012 school year. Long-range plans call for a maximum of 25,000 students by 2030. Merced County has a population of 256,000 people and 66,000 wage and salary jobs. The per capita income in Merced County is \$27,666, and the average salary per worker is \$43,255.

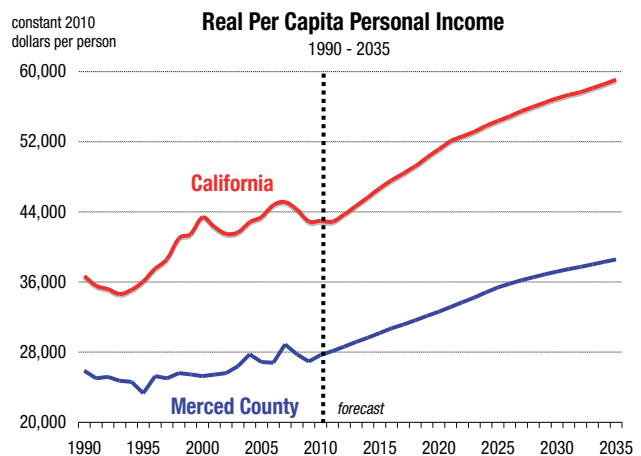
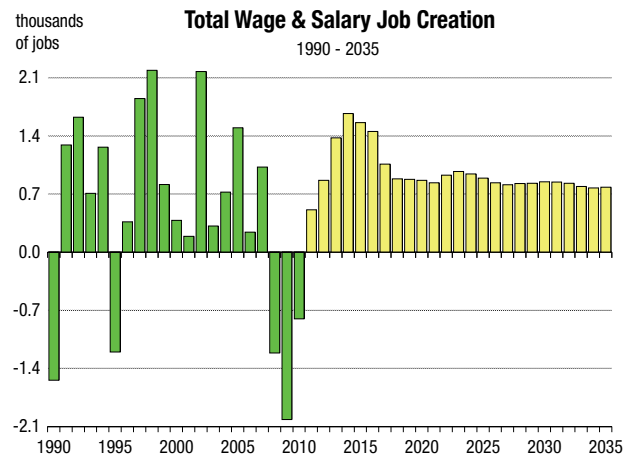
Employment in Northern California contracted during 2010, consistent with the rest of the state and nation. In 2010, 800 total wage and salary jobs were lost in Merced County, a decline of 1.2 percent. Farm employment, which accounts for 16 percent of total employment, declined by 7.7 percent or 880 jobs. The non-farm sectors gained 80 jobs, representing a growth rate of 0.1 percent. The average unemployment rate increased to 18.9 percent in 2010.

The majority of non-farm sectors created jobs during 2010. The only sectors with declining employment were construction, manufacturing, retail trade, and leisure services. The largest employment gains were in education and healthcare, up 340 jobs, and professional services, up 160 jobs.

The population of Merced County grew by 21.5 percent between the 2000 and 2010 census. The fastest growing cities in the county are Livingston and Los Banos, which grew 25 and 39 percent respectively, over the past 10 years. Merced is the largest city in the county and is currently home to 79,000 residents.

FORECAST HIGHLIGHTS

- Total wage and salary job growth is forecast to rebound to +0.8 percent in 2011. From 2011 to 2016, total employment growth averages 2.0 percent per year, while non-farm job growth averages 2.3 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 1.1 percent per year between 2011 and 2016.
- Between 2011 and 2016, the momentum for employment growth is in the retail trade, construction, education and health services, wholesale trade, and leisure services sectors. These sectors account for 63 percent of all jobs created in the county from 2011 to 2016.
- Population growth accelerates in the coming years, but remains well below historical levels. Annual growth in the 2011 to 2016 period averages 1.4 percent per year.

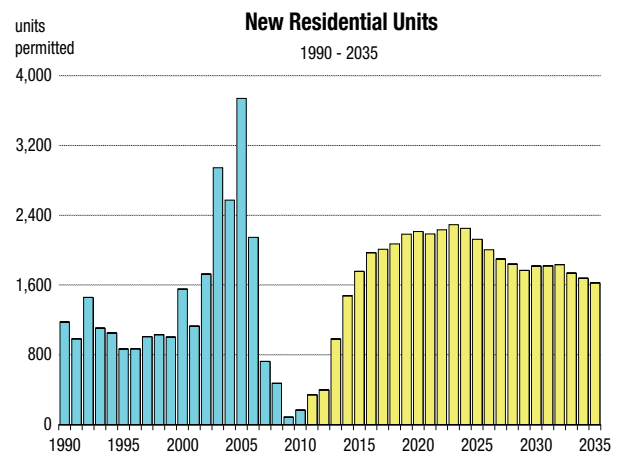
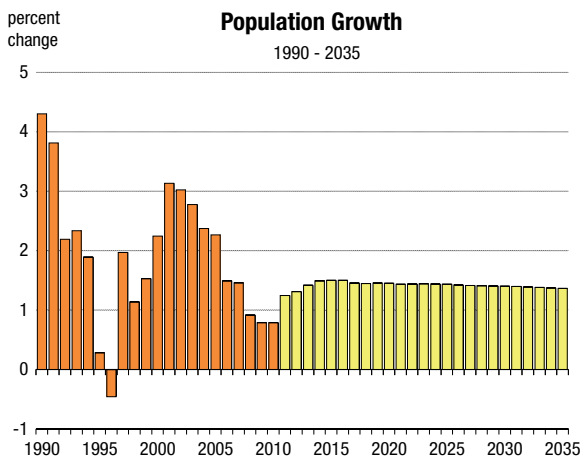


- The forecast for net migration is positive at 200 people in 2011. From 2011 to 2016 net migration is expected to average approximately 580 people per year.
- Real per capita incomes rise by 1.6 percent in 2011. Between 2011 and 2016 real per capita incomes are forecast to increase an average of 1.8 percent per year.
- Total taxable sales adjusted for inflation are expected to increase by an average of 3.3 percent per year during the 2011 to 2016 period.
- Industrial production is forecast to increase 1.0 percent in 2011. From 2011 to 2016 the growth rate of industrial production will average 2.5 percent per year.
- Farm production is forecast to increase by 0.8 percent per year between 2011 and 2016. The principal crop in the county is dairy products.

Merced County Economic Forecast

2006-2010 History, 2011-2040 Forecast

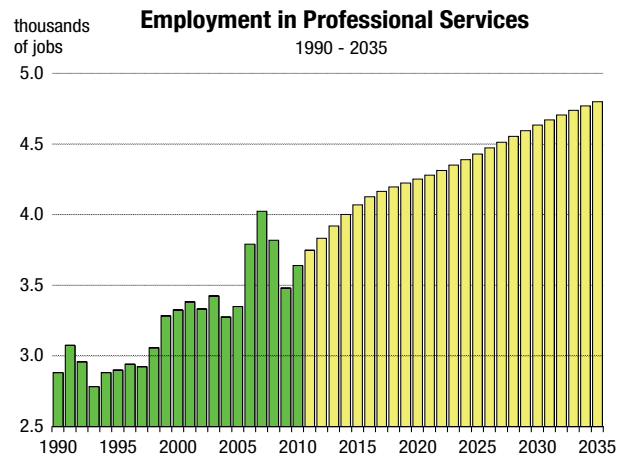
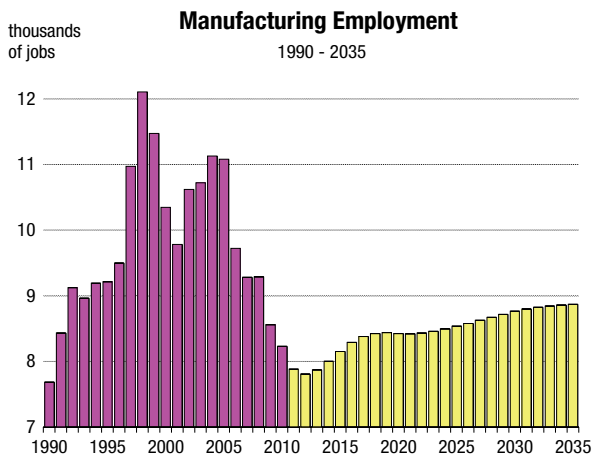
	Population (people)	Net Migration (people)	Registered Vehicles (thousands)	Households (thousands)	New Homes Permitted (homes)	Total Taxable Sales (billions)	Personal Income (billions)	Real Per Capita Income (dollars)	Inflation Rate (% change in CPI)	Real Farm Crop Value (billions)	Real Industrial Production (billions)	Unemploy- ment Rate (percent)
2006	246,154	539	204	74.9	2,147	\$2.62	\$6.1	\$26,795	3.2	2.49	1.92	9.5
2007	249,753	232	203	78.0	725	\$2.52	\$6.9	\$28,880	3.4	3.16	1.90	10.0
2008	252,048	-749	202	79.1	473	\$2.39	\$6.8	\$27,739	3.0	3.06	2.14	12.5
2009	254,039	-871	202	79.5	87	\$2.05	\$6.8	\$26,925	0.8	2.49	2.22	17.0
2010	256,046	-822	203	79.5	167	\$2.15	\$7.1	\$27,666	1.3	2.53	2.21	18.9
2011	259,237	219	205	80.6	342	\$2.35	\$7.5	\$28,105	3.3	2.61	2.19	17.5
2012	262,638	346	207	81.2	400	\$2.50	\$7.9	\$28,628	2.3	2.64	2.20	16.1
2013	266,368	588	210	81.7	983	\$2.64	\$8.4	\$29,146	2.3	2.67	2.26	14.2
2014	270,353	766	212	82.5	1,479	\$2.78	\$8.9	\$29,637	2.4	2.69	2.32	12.1
2015	274,420	791	215	83.6	1,757	\$2.93	\$9.4	\$30,170	2.1	2.68	2.38	10.4
2016	278,544	797	218	85.1	1,973	\$3.08	\$9.9	\$30,704	2.1	2.71	2.48	9.1
2017	282,609	695	221	86.8	2,011	\$3.21	\$10.4	\$31,129	2.1	2.74	2.58	8.4
2018	286,709	690	224	88.6	2,071	\$3.35	\$10.9	\$31,625	2.0	2.76	2.67	7.8
2019	290,888	744	227	90.6	2,185	\$3.50	\$11.4	\$32,137	1.9	2.80	2.75	7.2
2020	295,119	775	230	92.6	2,214	\$3.66	\$12.0	\$32,606	1.7	2.78	2.84	6.8
2021	299,356	753	233	94.7	2,188	\$3.81	\$12.6	\$33,139	1.7	2.76	2.93	6.7
2022	303,670	802	236	96.8	2,234	\$3.98	\$13.2	\$33,691	2.2	2.80	3.03	6.7
2023	308,059	841	238	99.0	2,294	\$4.15	\$13.9	\$34,229	2.2	2.83	3.13	6.6
2024	312,497	857	241	101.2	2,252	\$4.34	\$14.7	\$34,822	2.1	2.87	3.23	6.5
2025	316,982	866	245	103.4	2,127	\$4.54	\$15.4	\$35,375	2.1	2.90	3.34	6.5
2026	321,496	872	248	105.5	2,005	\$4.74	\$16.2	\$35,789	2.1	2.92	3.46	6.4
2027	326,044	884	251	107.5	1,900	\$4.95	\$16.9	\$36,188	2.1	2.92	3.58	6.4
2028	330,641	908	255	109.5	1,840	\$5.17	\$17.7	\$36,547	2.1	2.95	3.71	6.4
2029	335,291	928	258	111.3	1,770	\$5.41	\$18.5	\$36,881	2.1	2.96	3.84	6.3
2030	339,996	954	262	113.1	1,819	\$5.64	\$19.3	\$37,187	2.1	2.94	3.98	6.3
2031	344,748	975	266	114.9	1,821	\$5.89	\$20.2	\$37,476	2.2	2.92	4.12	6.2
2032	349,543	992	270	116.7	1,836	\$6.15	\$21.0	\$37,721	2.2	2.97	4.26	6.2
2033	354,372	999	275	118.5	1,737	\$6.41	\$22.0	\$38,003	2.1	3.01	4.40	6.1
2034	359,242	1,013	279	120.2	1,678	\$6.69	\$22.9	\$38,282	2.2	3.04	4.54	6.1
2035	364,156	1,034	283	121.9	1,626	\$6.99	\$23.9	\$38,581	2.2	3.05	4.69	6.1
2036	369,110	1,054	288	123.5	1,562	\$7.29	\$25.0	\$38,878	2.1	3.10	4.84	6.0
2037	374,114	1,082	292	125.1	1,608	\$7.61	\$26.0	\$39,186	2.2	3.13	5.00	6.0
2038	379,160	1,104	297	126.6	1,571	\$7.95	\$27.2	\$39,514	2.1	3.09	5.16	5.9
2039	384,251	1,128	301	128.2	1,614	\$8.29	\$28.4	\$39,854	2.1	3.12	5.33	5.9
2040	389,383	1,148	306	129.7	1,576	\$8.66	\$29.6	\$40,198	2.1	3.15	5.51	5.9

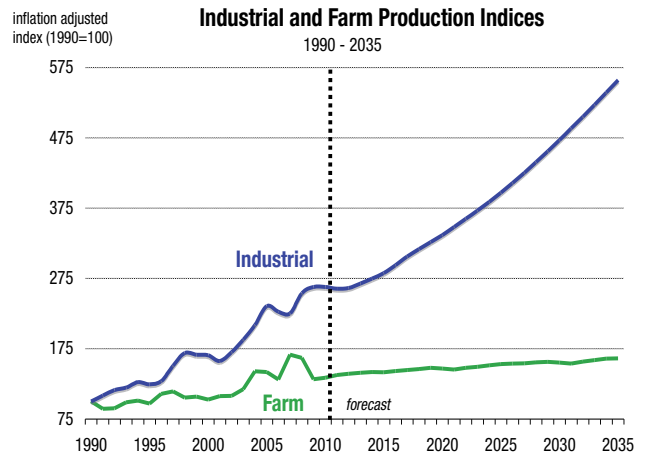
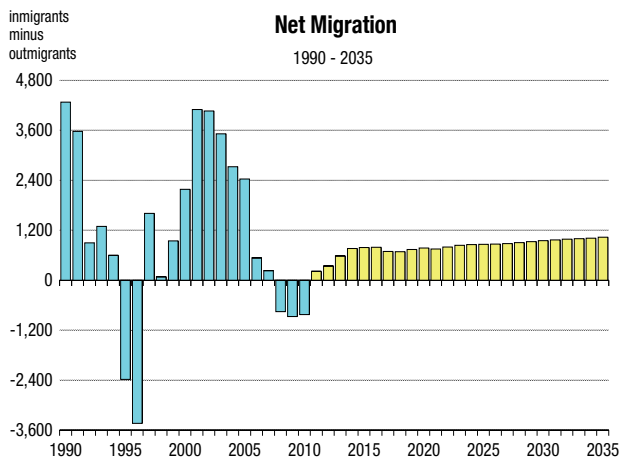
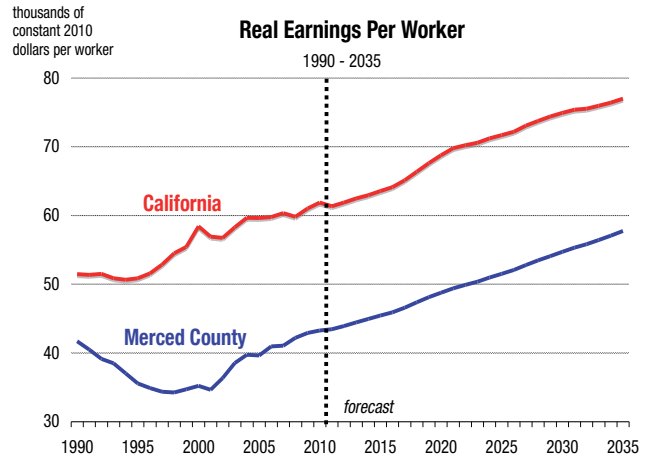
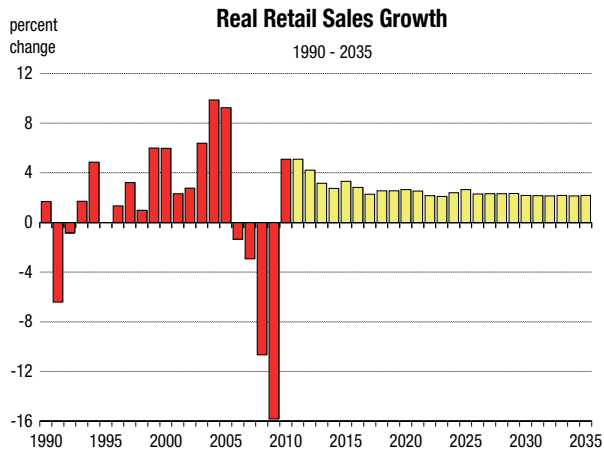


Merced County Employment Forecast

2006-2010 History, 2011-2040 Forecast

	Total Wage & Salary	Farm	Construction	Manufacturing	Transportation & Utilities	Wholesale & Retail Trade	Financial Activities	Professional Services	Information	Health & Education	Leisure	Government
-----employment (thousands of jobs)-----												
2006	69.0	10.9	3.6	9.7	2.1	9.3	2.0	3.8	1.4	5.3	4.8	14.7
2007	70.1	11.1	3.2	9.3	2.3	9.7	1.9	4.0	1.4	5.6	5.0	15.2
2008	68.9	11.0	2.4	9.3	2.3	9.4	1.8	3.8	1.3	5.6	5.0	15.5
2009	66.8	11.4	1.6	8.6	2.2	9.4	1.6	3.5	1.2	5.6	4.7	15.8
2010	66.0	10.5	1.6	8.2	2.3	9.2	1.6	3.6	1.2	5.9	4.6	15.9
2011	66.5	10.5	1.6	7.9	2.4	9.6	1.6	3.7	1.2	6.1	4.7	15.8
2012	67.4	10.5	1.7	7.8	2.4	10.0	1.7	3.8	1.3	6.2	4.8	15.8
2013	68.8	10.6	2.0	7.9	2.5	10.4	1.7	3.9	1.4	6.3	4.9	15.8
2014	70.5	10.6	2.3	8.0	2.6	10.9	1.8	4.0	1.5	6.4	5.0	15.8
2015	72.0	10.6	2.6	8.2	2.8	11.3	1.8	4.1	1.6	6.5	5.2	15.9
2016	73.5	10.6	2.9	8.3	2.9	11.7	1.9	4.1	1.7	6.6	5.3	16.0
2017	74.5	10.6	3.0	8.4	2.9	11.9	1.9	4.2	1.8	6.8	5.3	16.1
2018	75.4	10.6	3.1	8.4	3.0	12.0	1.9	4.2	1.9	6.9	5.4	16.2
2019	76.3	10.6	3.2	8.4	3.1	12.2	1.9	4.2	1.9	7.1	5.5	16.3
2020	77.2	10.7	3.3	8.4	3.3	12.4	2.0	4.3	1.9	7.3	5.6	16.4
2021	78.0	10.7	3.3	8.4	3.4	12.5	2.0	4.3	2.0	7.5	5.6	16.6
2022	78.9	10.7	3.3	8.4	3.5	12.7	2.0	4.3	2.0	7.7	5.7	16.7
2023	79.9	10.7	3.3	8.5	3.6	13.0	2.0	4.4	2.1	7.9	5.7	16.9
2024	80.9	10.7	3.3	8.5	3.7	13.2	2.0	4.4	2.1	8.2	5.8	17.0
2025	81.7	10.7	3.3	8.5	3.9	13.4	2.1	4.4	2.1	8.4	5.8	17.2
2026	82.6	10.7	3.3	8.6	4.0	13.6	2.1	4.5	2.2	8.6	5.8	17.3
2027	83.4	10.8	3.2	8.6	4.0	13.8	2.1	4.5	2.2	8.7	5.9	17.5
2028	84.2	10.8	3.2	8.7	4.1	14.0	2.1	4.6	2.3	8.9	5.9	17.6
2029	85.1	10.8	3.2	8.7	4.2	14.2	2.2	4.6	2.3	9.1	6.0	17.7
2030	85.9	10.8	3.2	8.8	4.3	14.4	2.2	4.6	2.3	9.3	6.0	17.9
2031	86.7	10.8	3.2	8.8	4.4	14.6	2.2	4.7	2.4	9.4	6.1	18.0
2032	87.6	10.8	3.2	8.8	4.5	14.8	2.3	4.7	2.4	9.6	6.1	18.1
2033	88.4	10.8	3.2	8.8	4.5	15.0	2.3	4.7	2.5	9.7	6.2	18.3
2034	89.1	10.8	3.2	8.9	4.6	15.2	2.3	4.8	2.5	9.9	6.2	18.4
2035	89.9	10.9	3.1	8.9	4.7	15.4	2.3	4.8	2.6	10.0	6.3	18.5
2036	90.7	10.9	3.1	8.9	4.8	15.6	2.4	4.8	2.6	10.2	6.3	18.7
2037	91.5	10.9	3.1	8.9	4.9	15.9	2.4	4.9	2.7	10.3	6.4	18.8
2038	92.4	10.9	3.1	8.9	5.0	16.1	2.4	4.9	2.7	10.5	6.4	18.9
2039	93.2	10.9	3.1	8.9	5.1	16.3	2.5	4.9	2.7	10.6	6.5	19.1
2040	94.1	10.9	3.1	8.9	5.2	16.5	2.5	4.9	2.8	10.8	6.5	19.2





County Economic and Demographic Indicators

Projected Economic Growth (2011-2016)

Expected retail sales growth:	17.4 %
Expected job growth:	10.4 %
Fastest growing jobs sector:	Construction
Expected personal income growth:	17.4 %

Expected population growth:	7.4 %
Net migration to account for:	17.0 %
Expected growth in number of vehicles:	6.3 %

Demographics (2011)

Unemployment rate (June 2011):	18.7 %
County Rank* in California (58 counties):	54th
Working age (16-64) population:	61.7 %

Population with B.A. Degree or higher:	12.1 %
Median Home Selling Price:	\$116,000
Median Household Income:	\$42,452

Quality of Life

Violent Crime rate (2009):	647 per 100,000 persons
County Rank* in California (58 counties):	55th
Average Commute Time to work (2011):	26.8 minutes

High School drop out rate (2009):	18.5 %
Households at/below poverty line:	18.6 %

* The county ranked 1st corresponds to the lowest rate in California