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California has been doing reasonably well in job creation, at least to the extent that it's seeing job growth at a faster rate than the United States average. It's doing better than that, though. According to Kiplinger, California is the ninth fastest growing state for jobs.

This brings us to the "is the glass half full?" question: Should California really be behind South Carolina, Tennessee, and Georgia in job growth? My answer is no. California, with all it has going for it, should be in the top three. Indeed, if California was achieving its potential, Arizona and Nevada would likely see slower job growth.

Our forecast anticipates California continuing to outperform the United States, but that the margin of outperformances is likely to decrease.

California is finding it increasingly difficult to build affordable housing. Here's a quote from a recent San Diego Union-Tribune article:

> **SACRAMENTO** — The California Supreme Court's decision late last month to reject a nearly 6,000-page environmental report for a proposed development north of Los Angeles will not only delay or possibly kill a new suburban community. It will make it much more difficult for developers anywhere in California to build large-scale housing projects.

The problem with not building houses is that eventually high housing prices and limited availability eventually become a constraint on economic growth. To be sure, we're probably already seeing some impact. Housing availability and costs are a contributing factor in California not achieving its potential. The constraint will become increasingly binding as California's population grows and it becomes ever more difficult, expensive, and uncertain to build here.

We also expect California's economic and job growth to continue to be more volatile than that of the United States. Forecasting technology, though, limits our ability to reliably model volatility.

Growth will also vary among geographic regions. In general, The Bay Area, the Central Coast, and the South Coast will see faster growth than the rest of the state. Los Angeles will lag the rest of the Coast. Inland areas, in general, will see less robust growth.

Some inland areas may see some improved growth. During the previous boom, we saw workers in coastal areas buying inland homes and commuting. High housing prices were driving them to accept incredible commutes. We're starting to see signs that this may be happening again. The communities where this is occurring need to remember that this is a fickle source of growth. See Stockton, for example.

The Inland Empire should also continue to see some good growth. Logistics, in particular, is likely to be a continuing source of job growth.

Of course, all the caveats in our United States forecast apply to California. There are many sources of economic uncertainty in the world today. Most of them are on the negative side. Hopefully, we can dodge those. If we do, California should have a pretty good 2016.