California Forecast

2015 Q3

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California's economy has been on a roll, and doing better than the rest of the nation. Our forecast anticipates continued growth. However, we expect the growth rate to slow a bit.

There are lots of reasons that could explain a slowdown in California's growth. These include slow European growth and global uncertainty. China, though, is a major concern.

California's location on the Pacific Rim allows the state to be a major player in Pacific trade. Trade from throughout the Pacific Rim goes through California's ports, destined for consumer markets throughout the United States. Any slowdown in China will have a disproportionate impact on California.

There is upside potential. Weather forecasters are anticipating a very wet winter. This would be a very welcome stimulus. However, some forecasters expect the above average precipitation to be restricted to Southern California. That is, Southern California may receive lots of rain, but the Sierra may not receive much snow. This would help California, but not near as much as a good snow year in the Sierra.

California has been consuming unsustainable quantities of water. We hope that a wet winter does not slow the state's efforts to change its consumption.

There is downside risk, but those are discussed in the United States Forecast essay.

It is very difficult to forecast real estate markets, but we try. Our models indicate continued modest price gains. Sales volumes will likely see little change. We may see a small pickup in new construction.

We see little in the forecast that could fundamentally change California. Specifically, we don't see sufficient economic growth to significantly decrease California's nation leading poverty. This remains California's most serious challenge.