



HOLLYWOOD

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LAEDC

2026 ECONOMIC FORECAST

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Chief Economist
February 25, 2026



Agenda

A Year Ago...

California Economic Outlook

Risks to Economic Outlook

Implications for Southern California

Key Takeaways



A Year Ago...

"Growth
Recession"

Deportations
and Stricter
Immigration

Federal
Layoffs

Monetary
Policy

Tariffs



The US economy is growing - so where are all the jobs?

California back as world's 4th largest economy

The U.S. bond market is suddenly flashing a warning sign about the

Welcome to the E-shaped economy: Wealth gap is no longer between just high and low earners, the middle class is also struggling

Americans' confidence in the U.S. economy falls sharply in January to lowest level since 2014

California leaders warn economic fallout as immigration fears hurt businesses

NY Fed report says Americans pay for almost all of Trump's tariffs

Turns out the U.S. economy didn't create half a million jobs last year. It was just 181,000

Slowing U.S. population growth could reduce GDP by \$100 billion in 2026, analysis finds

As U.S. job cuts hit 2009 levels, what it means for California's economy

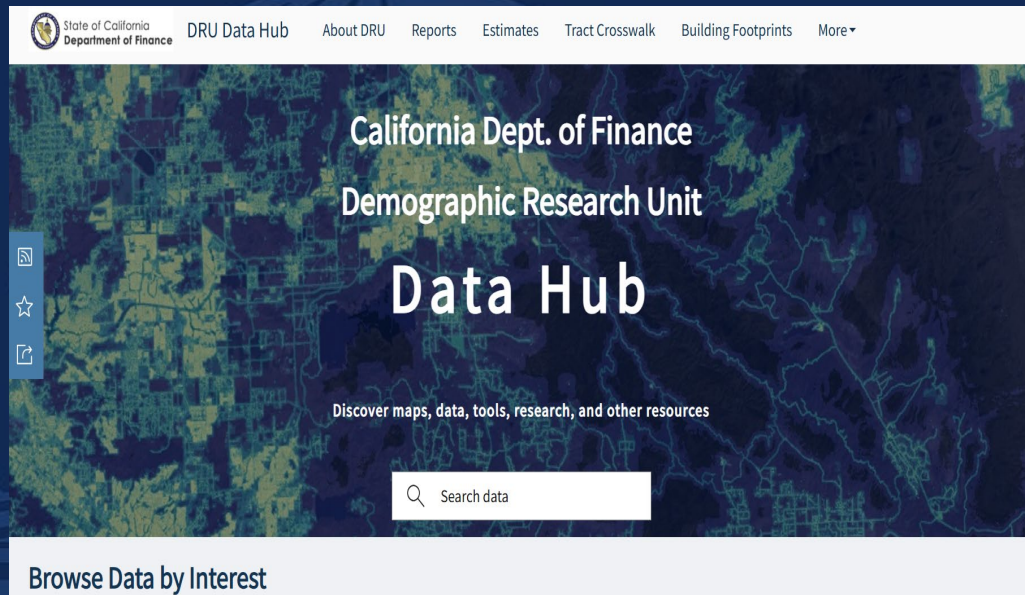
The jobs picture still looks muddy, even with surprisingly strong January



California Economic Outlook

Let's Start with Demographics

- ❖ [Dof.ca.gov/forecasting/demographics](https://dof.ca.gov/forecasting/demographics)
- ❖ ficalpop@dof.ca.gov



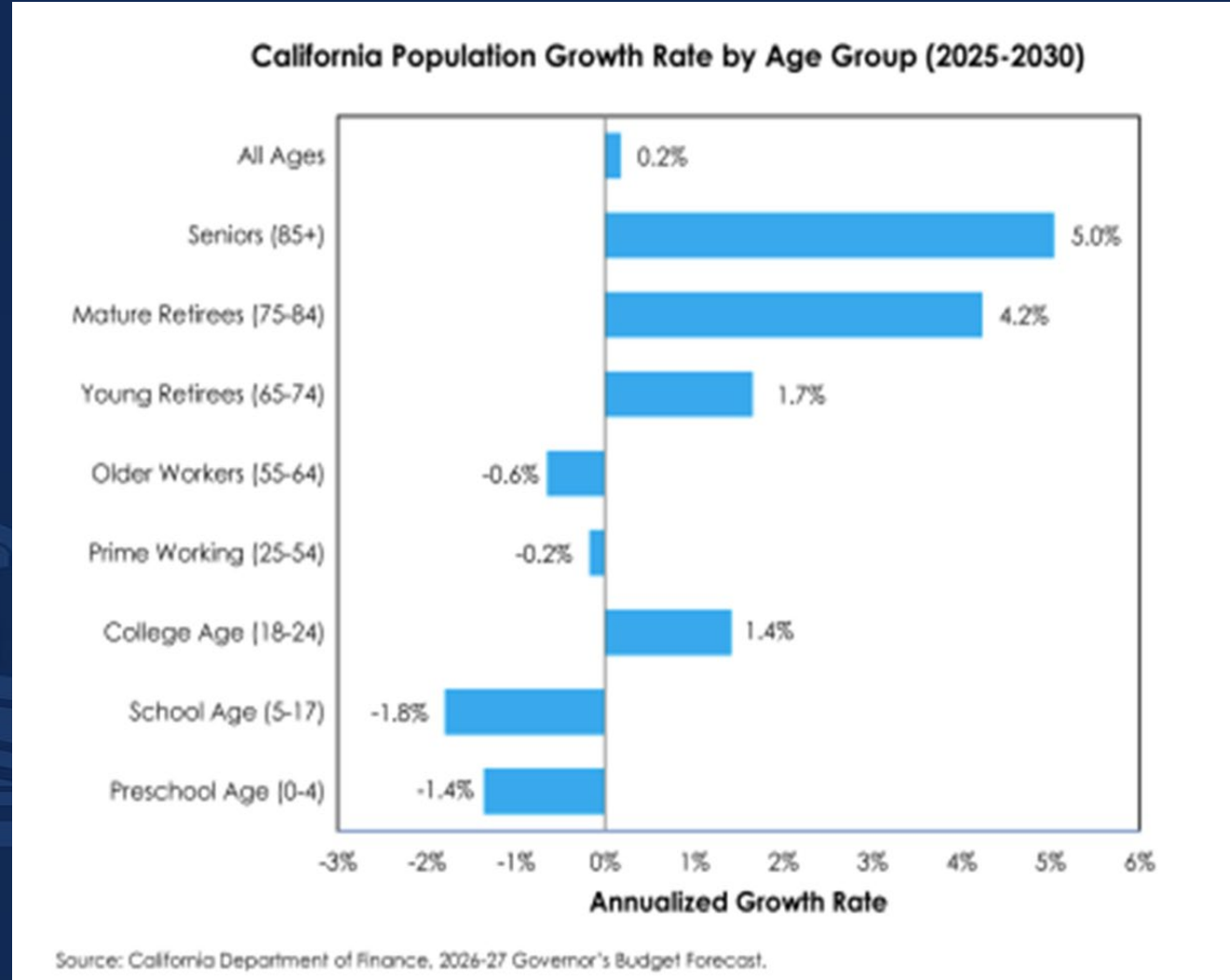
The screenshot shows the homepage of the California Dept. of Finance Demographic Research Unit Data Hub. The header includes the State of California Department of Finance logo and navigation links for DRU Data Hub, About DRU, Reports, Estimates, Tract Crosswalk, Building Footprints, and More. The main content area features a dark blue map background with the text "California Dept. of Finance Demographic Research Unit Data Hub" and a search bar labeled "Search data". A sidebar on the left contains icons for home, favorites, and share. At the bottom, there is a section titled "Browse Data by Interest".



- ❖ 39.5 million (as of July 1, 2025)
- ❖ 40.8 million projected peak (2050)
- ❖ 39.5 million (projected 2070)

Population Growth Driven by Older Californians

- ❖ **Under-18 Decreasing 139K Per Year**
- ❖ **Prime Working Age Decreasing by 27K Per Year**
- ❖ **Older Workers Decreasing by 30K Per Year**
- ❖ **Older Californians Increasing by 60K Per Year**



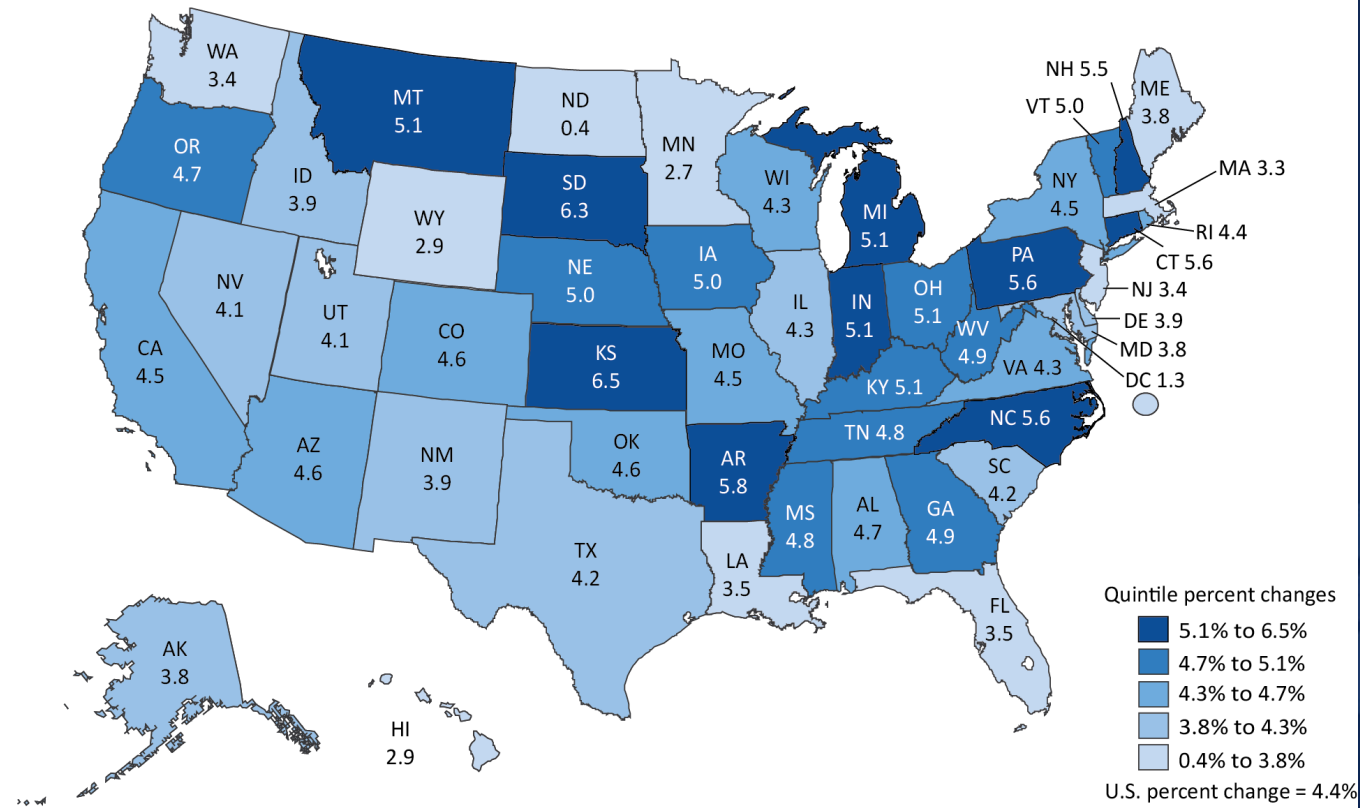
4th Largest Economy in the World

A dark blue silhouette of the state of California is positioned on the left side of the central text area. The text is centered on a dark blue background.

CALIFORNIA
4th LARGEST ECONOMY
IN THE WORLD

California GDP Outpaced U.S.

Real GDP: Percent Change at Annual Rate, 2025:Q2–2025:Q3



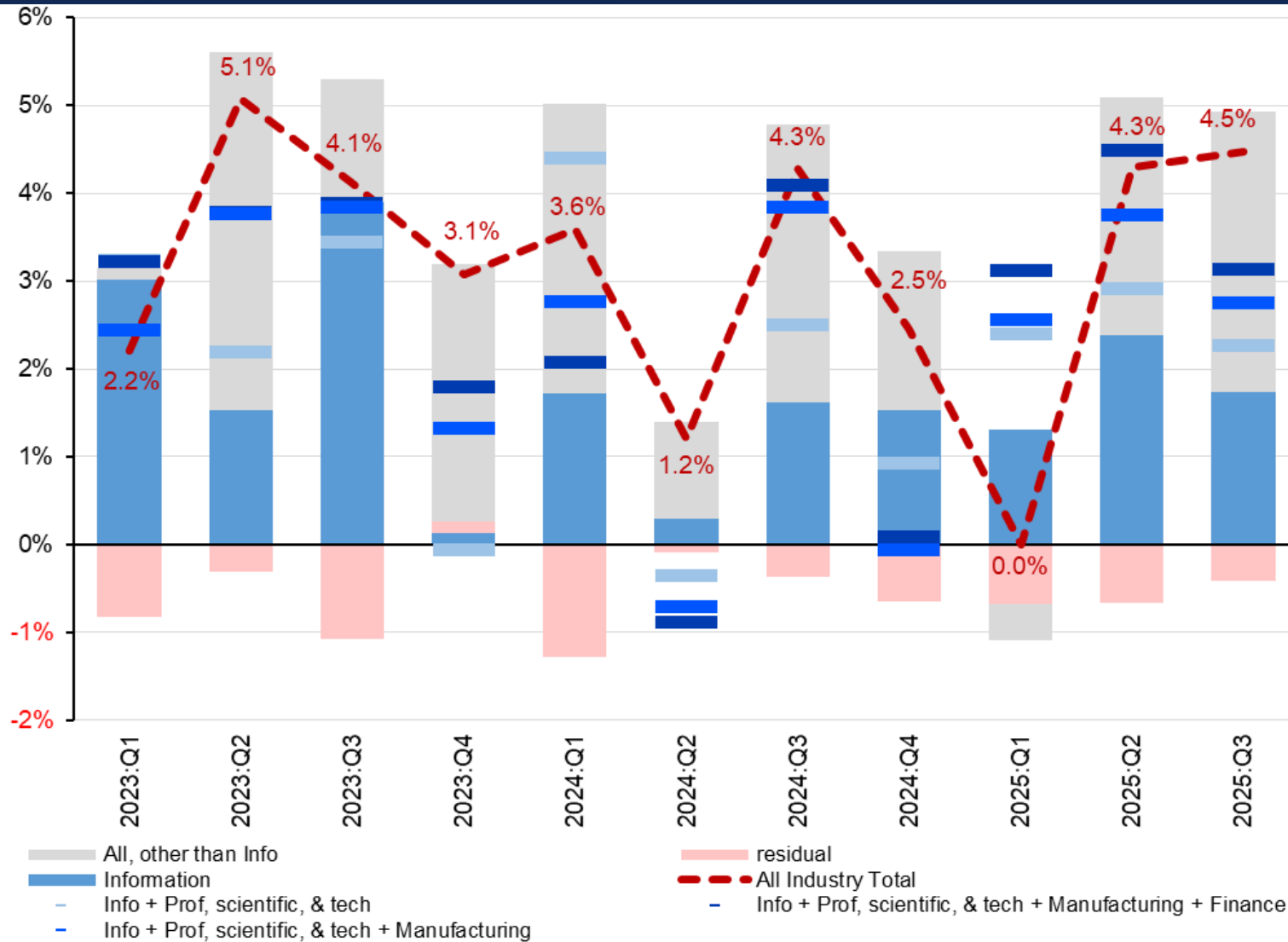
Quintile percent changes

- 5.1% to 6.5%
- 4.7% to 5.1%
- 4.3% to 4.7%
- 3.8% to 4.3%
- 0.4% to 3.8%

U.S. percent change = 4.4%

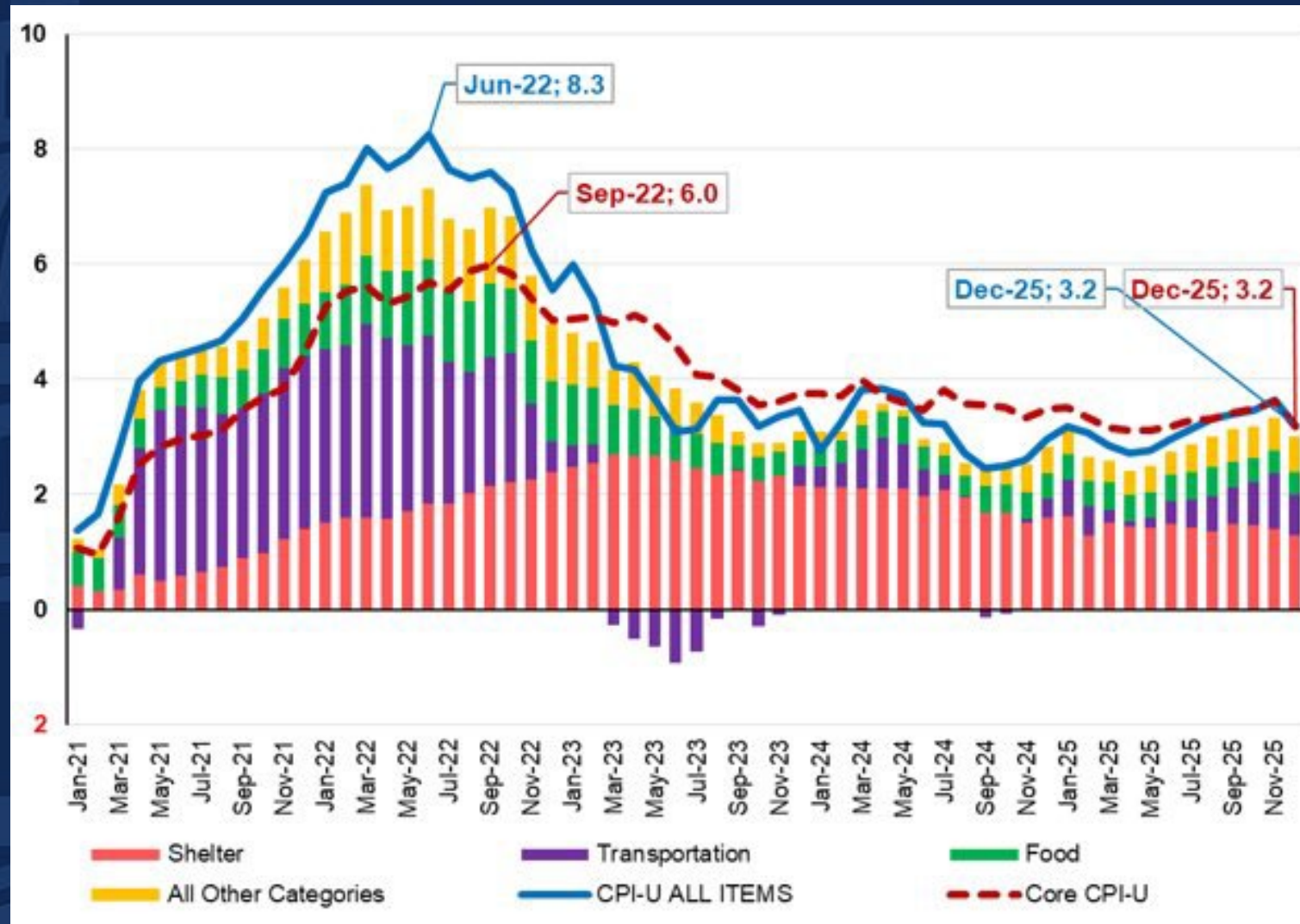
GDP Gross domestic product
U.S. Bureau of Economic Analysis

Industry Contributions to California Real GDP Growth



- ❖ The information industry has driven GDP growth in California since 2023 Q1
- ❖ Tech, Manufacturing and Finance sectors drove much of the growth in the first three quarters of 2025

Inflation Cooling, But Projected to Remain Above 2 Percent

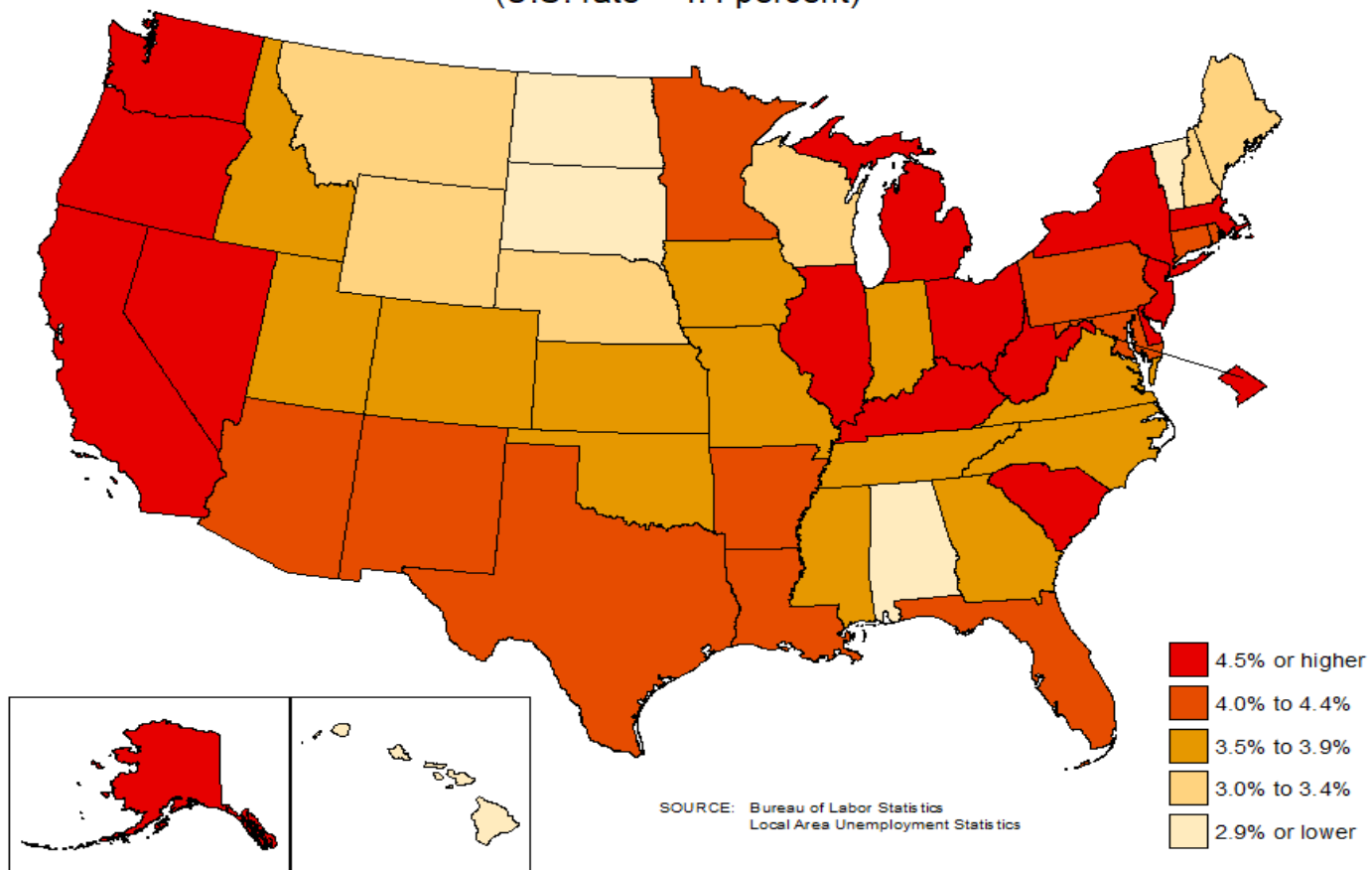


Jobless Growth

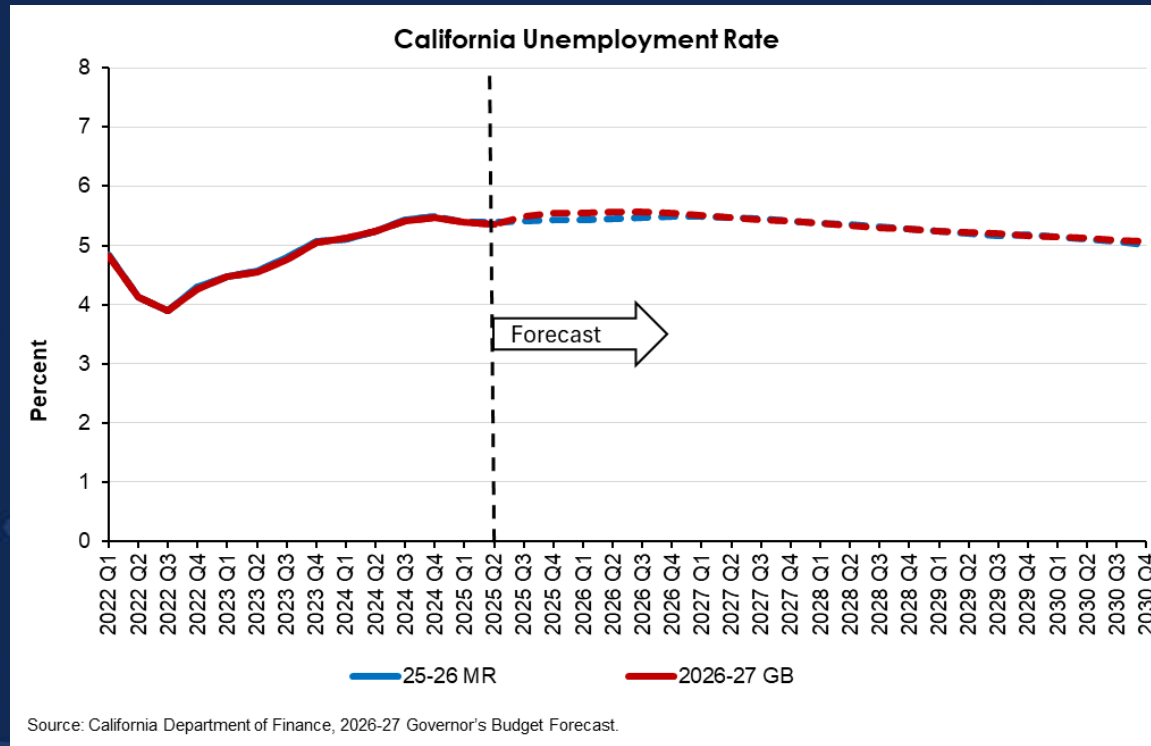


Unemployment rates by state, seasonally adjusted, December 2025

(U.S. rate = 4.4 percent)



Unemployment Rate to Tick Up in 2026, Decline Gradually After



Low- and High-Wage Definitions

~\$96,000

California 2024 Average Wage

High-Wage Sectors

- **Manufacturing**
- **Mining and logging**
- **Financial activities**
- **Information**
- **Professional and business services**

~30%

of total payroll jobs

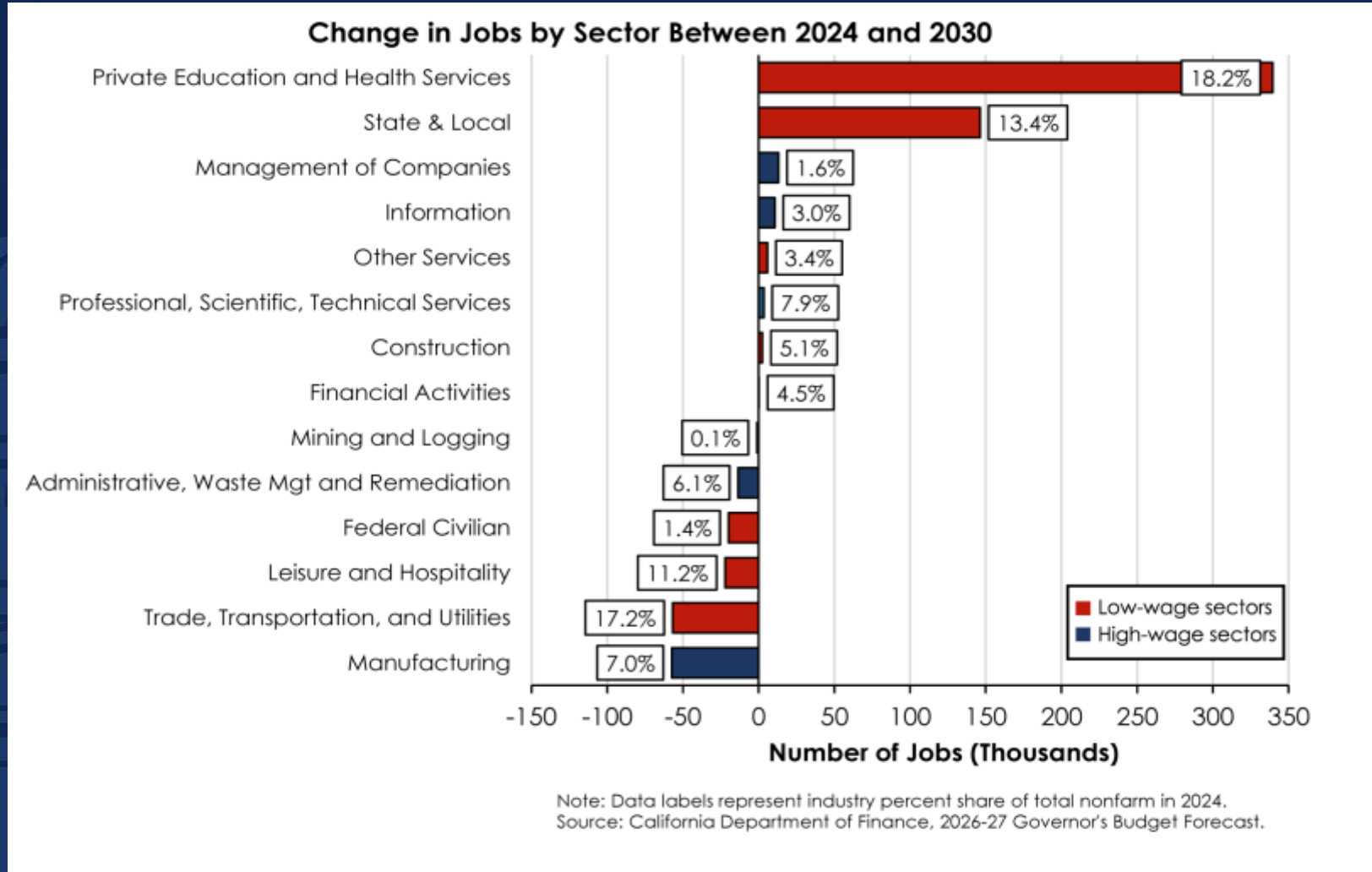
Low-Wage Sectors

- **Construction**
- **Trade, transportation and utilities**
- **Private education and health services**
- **Leisure and hospitality**
- **Government**
- **Other services**

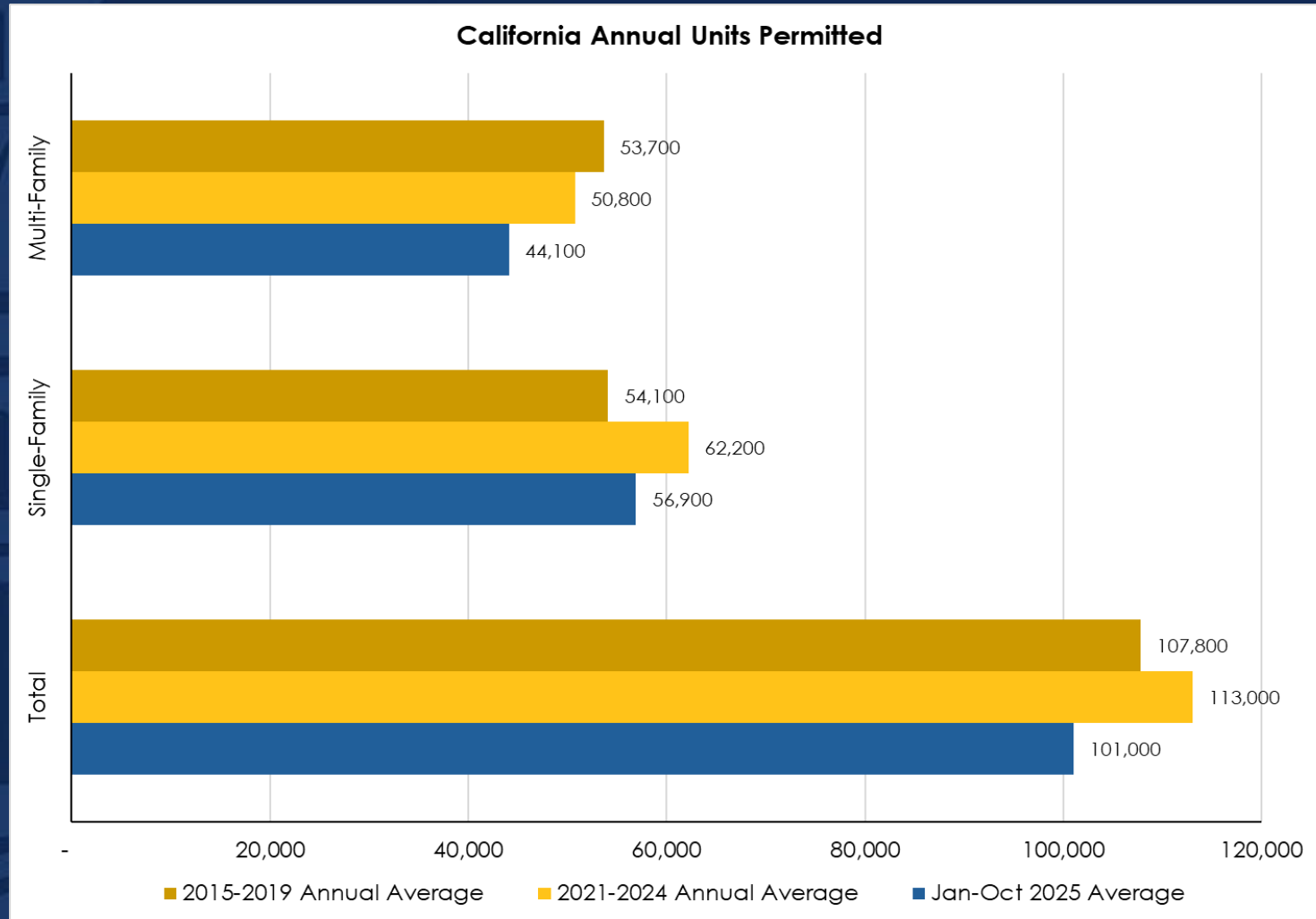
~70%

of total payroll jobs

Job Growth Buoyed by Health Services



Housing Permits Running Below Historical Levels

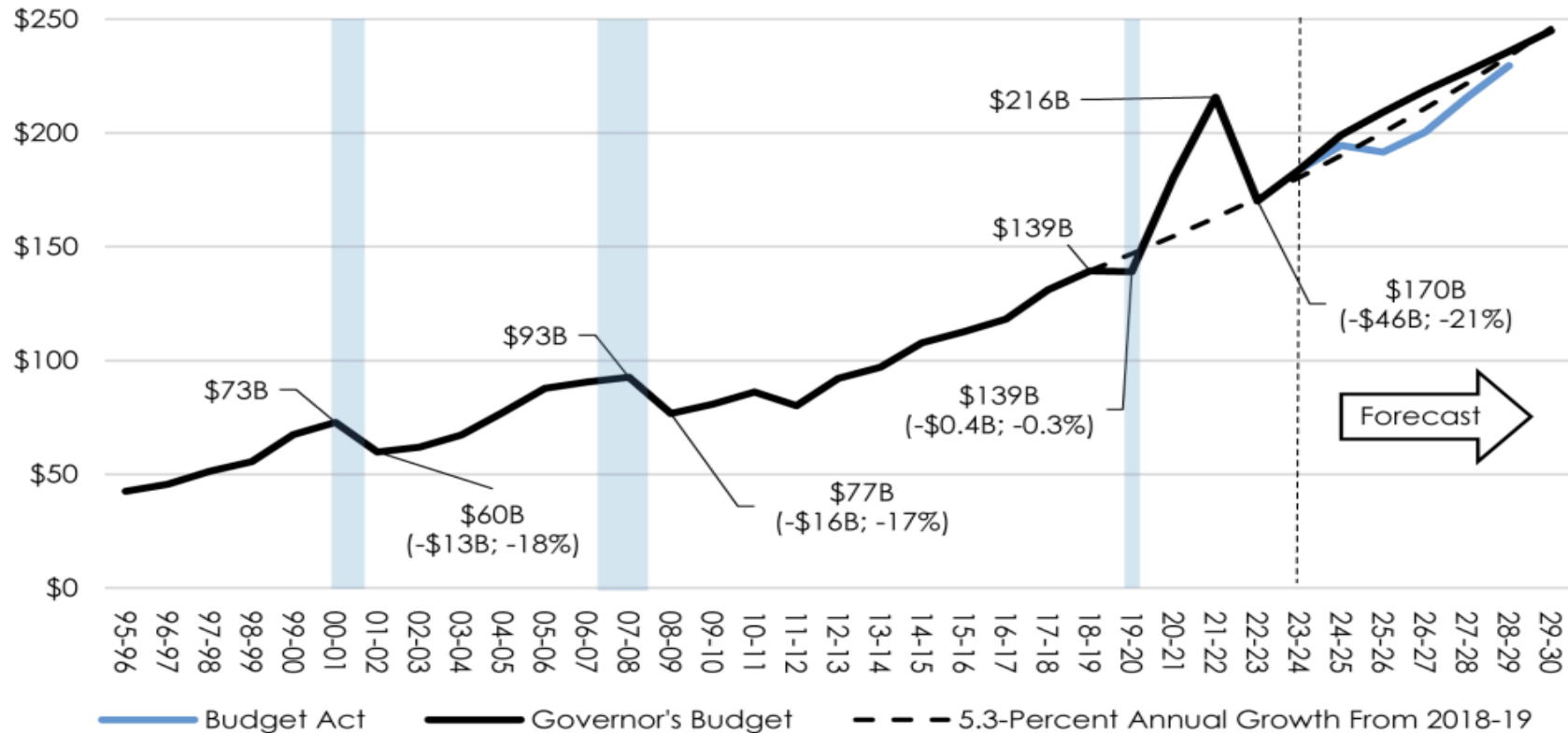


CALIFORNIA STATE REVENUES



California “Big Three” Revenues

Big Three Revenue Long-Term Trajectory
(Dollars in Billions)

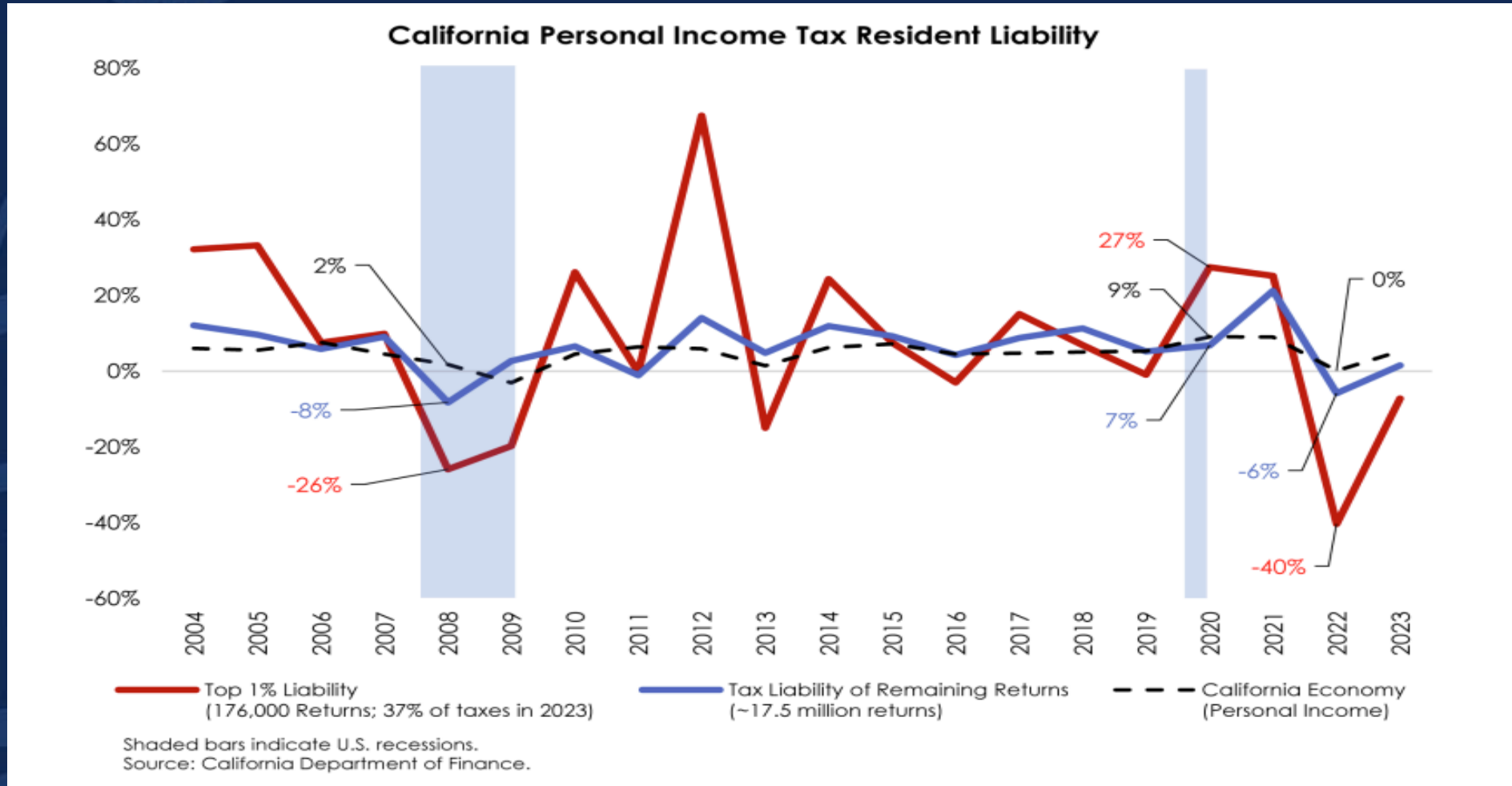


Projected revenue figures exclude the estimated impact of the temporary credit limitation and net operating loss suspension adopted in the 2024 Budget Act.

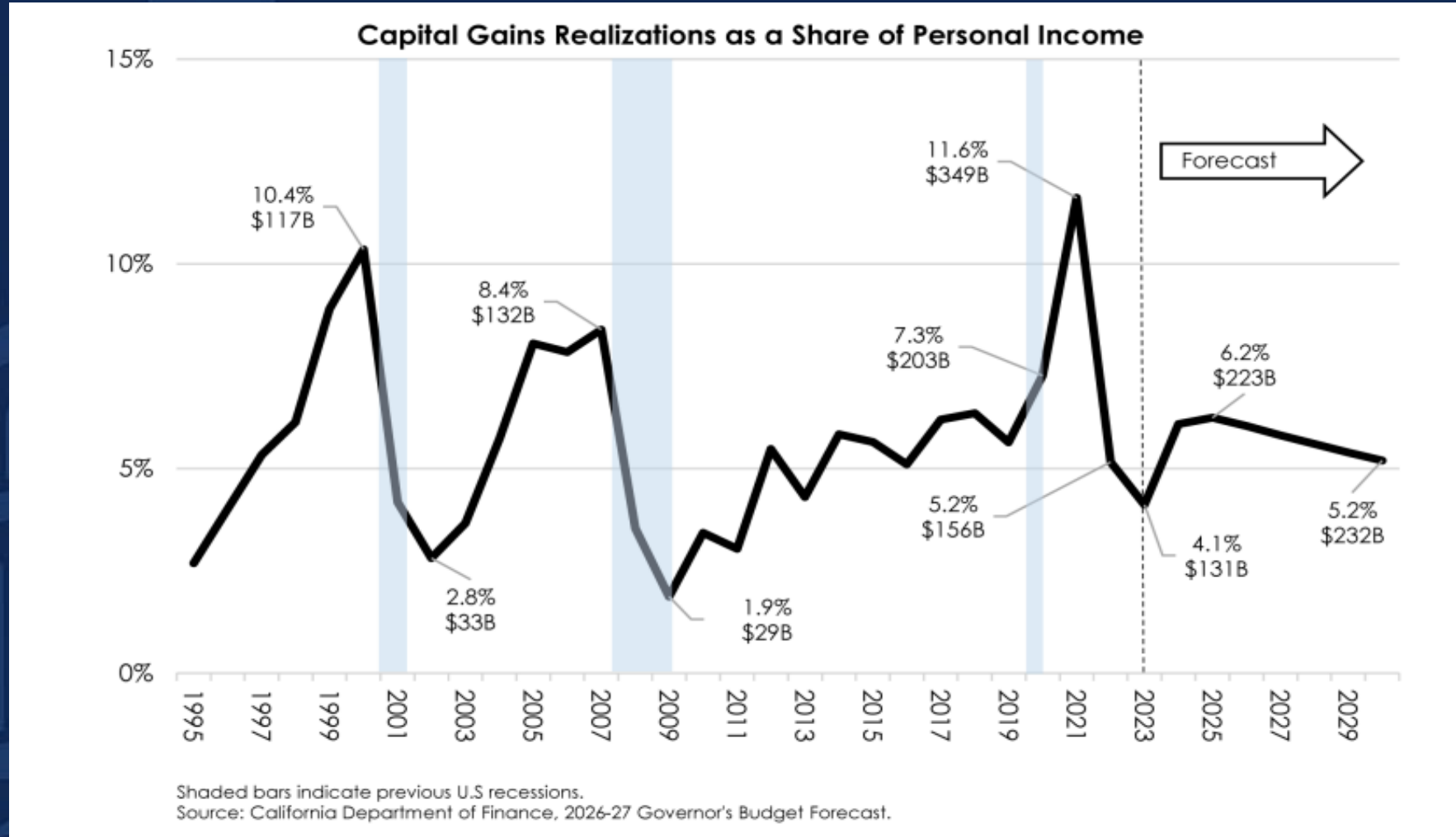
Shaded bars indicate previous U.S. recessions.

Source: California Department of Finance, 2026-27 Governor's Budget Forecast.

California's Progressive Tax Structure



Capital Gains Realizations Revised Higher



Risks to Economic Outlook



- ❖ Uncertain federal policymaking
- ❖ Changes in tariffs
- ❖ Increase in deportations/stricter immigration/H-1B visa limitations
- ❖ Stock market correction
- ❖ Persistent high inflation
- ❖ Monetary policy



Ongoing Structural Risks to the State

Aging
population

Continued
housing
shortage

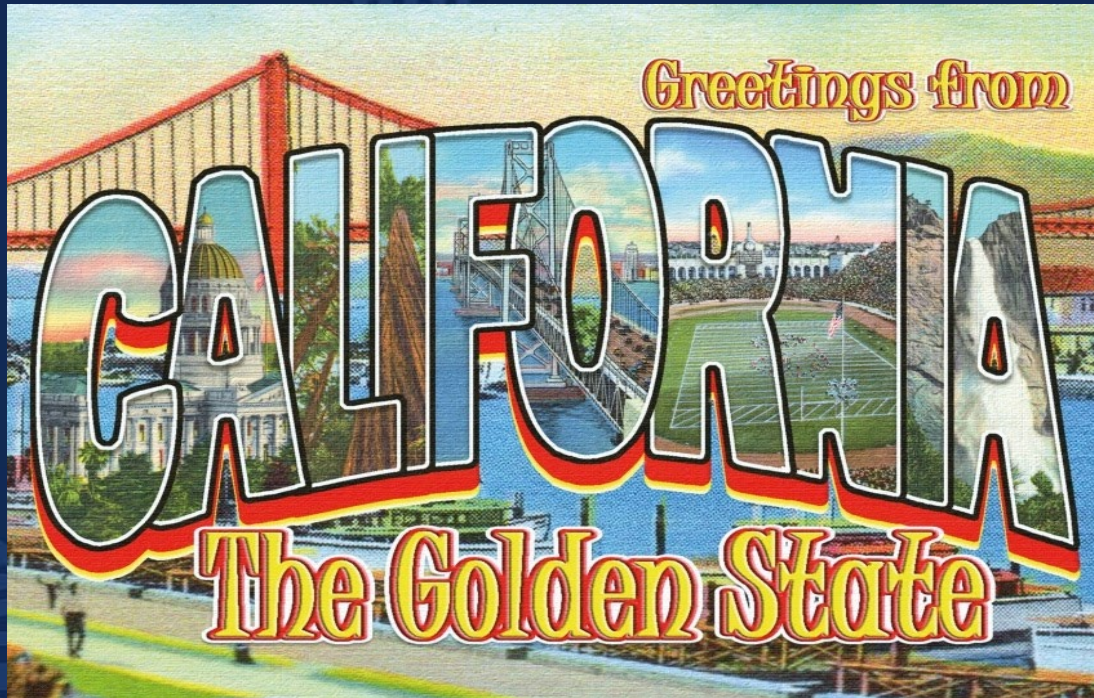
High living
costs and
affordability

More frequent
and extreme
climate events

Geo-political
tensions and
escalations

Stock market
volatility and
declines

The Golden State



- ❖ #1 in Fortune 500 Companies
- ❖ #1 in new business starts
- ❖ #1 in venture capital funding
- ❖ Los Angeles (among top 10 cities in the U.S. for AI businesses)

Southern California Implications



- ❖ Plan for high output, uneven job growth
- ❖ Diversification is an advantage but paired with modernization
- ❖ Cost pressures
- ❖ Tailor workforce strategy to new growth model
- ❖ Variability in public-sector capacity

Diversified Region in Concentrated Growth State

- ❖ Southern California's diversification provides stability
- ❖ Look for opportunities in AI-driven capital surges



Regional Pressure Points

- ❖ Housing Supply Gap
- ❖ Elevated Unemployment
- ❖ Revenue Volatility



Key Takeaways

- ❖ Modest population growth
- ❖ AI-driven gains
- ❖ Elevated policy risks and uncertainty
- ❖ Workforce and education investment are crucial

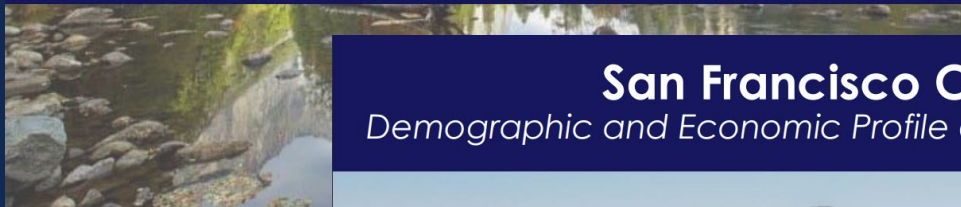


Long-Run County Forecasts



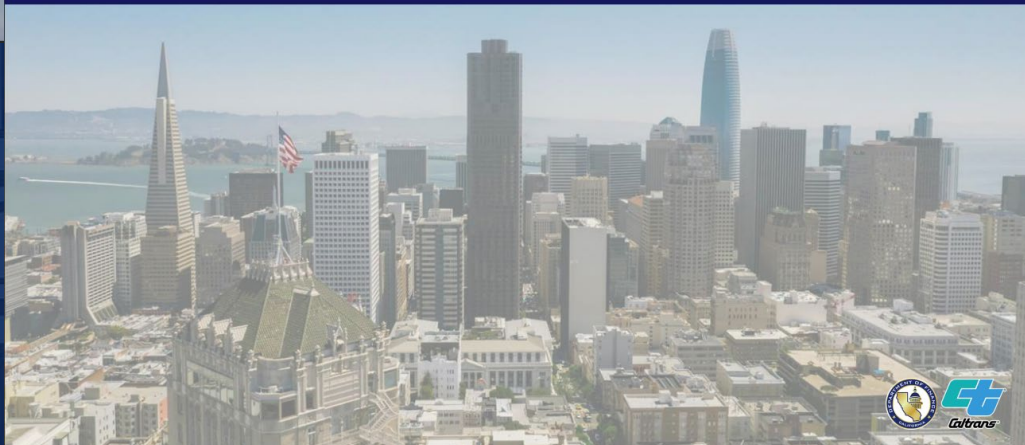
The State of California

Demographic and Economic Profile and Long-Run Forecast



San Francisco County

Demographic and Economic Profile and Long-Run Forecast



Long-Run County Level Forecasts

In collaboration with the California Department of Transportation (dot.ca.gov), the Economics Research Unit is providing long-run forecasts for California and for each of its 58 counties.

Publication Date: The forecast was published in January 2026 and will be published annually thereafter.

- [Methodology](#)
- [Forecast Data File](#)

Select a county from the drop down menu below to view the county location map and download its forecast.

San Francisco County

San Francisco County Location Map

[Download San Francisco County Forecast](#)



For forecast questions or comments, please email econ@dof.ca.gov.

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Thank You!

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