

Business panel predicts 2 tough years for state

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Gov. Schwarzenegger addresses VICA luncheon in Universal City

UNIVERSAL CITY - California faces a long, broad recession with no rebound of lagging housing prices for nearly four years, economists said Thursday at a business forecast conference.

"I don't have to tell you that we are living in troubling times," VICA Chairman Greg Lippe said as he opened the 20th annual business forecast sponsored by the Valley Industry and Commerce Association at the Universal Hilton.

And in response to the question raised by the title of the conference - "When Does the Recovery Start?"

- economists Christopher Thornberg and Andre B. van Niekerk said, not any time soon.

Thornberg, principal partner at Beacon Economics, said this downturn could drive California's unemployment rate from the current 7.7 percent to as high as 10 percent by next year.

And the recession that everyone is afraid of is already here, he said.

"The fact of the matter is that we as a nation have been in recession for six to nine months and in California it's been about a year," said Thornberg, a former economist at the UCLA Anderson Forecast who now travels the country speaking about the economic turmoil.

Thornberg has expressed a bearish outlook the past several years and was one of the first to predict the implosion of the housing market.

But Thornberg said he's now more bullish on the economy than he's been in several years. That's because recessions always end the same way: with a recovery.

Thornberg anticipates a recovery in the broad economy by the middle of 2010, with housing taking until 2012 to rebound.

"We've just got to get through the next couple of years and things will be up and running again," he said.

Thornberg also took issue with the common perception that there is a credit crisis.

"You can still get a mortgage for about 6.4 percent," he said. "That's not a credit crisis. It's easier to get a mortgage now than in 2000."

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But he also noted that "everything in the nation has been overvalued" and said \$14 trillion to \$15 trillion in wealth will vanish over the next year.

Van Niekerk, dean of the School of Business at Woodbury University in Burbank, just returned from a conference in China and said world leaders have a gloomy view of the U.S. economy.

"Our fundamentals are not sound," said van Niekerk. "Economic conditions change daily. Events are taking place at a pace that is unprecedented."

He said that the downturn was whipped up by a perfect financial storm that consisted of the housing market bubble bursting, inappropriate lending practices, huge increases in consumer and corporate debt and the outsourcing of work to places where labor is cheaper.

This recession will also be deeper than the ones in 1992 and 2003, van Niekerk said.

It's becoming tough for the middle class, too. He noted that in September, an estimated 2,269 businesses across the nation laid off 50 or more workers.

Vince Liuzzi, senior vice president of Wells Fargo's San Fernando Valley Community Bank and the economic panel's moderator, said that banks are lending money to qualified consumers but credit standards have tightened.

But the souring economy created a tough environment.

"What we see is our customers are having a hard time. People are really hurting," he said.

Gov. Arnold Schwarzenegger delivered the luncheon address in which he urged passage of

Proposition 11, a legislative redistricting proposal, in Tuesday's election.

It calls for the formation of a 14-member commission that would establish district boundaries of the state's Assembly, Senate and Board of Equalization districts. That commission would include five Democrats, five Republicans and four from neither party.

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