



Economic slump may bottom out next year

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California's economy and job market look weaker than previous predictions from the influential UCLA Anderson Forecast, and economists with other organizations believe the East Bay is much more frail than the rest of the state, new reports assert.

The current slump in California might not bottom out until spring or mid-2009, according to Anderson Forecast's latest prognostication, which was released today. A robust rebound seems unlikely before 2010, UCLA Anderson economist Jerry Nickelsburg said.

The Anderson economists said in their new report that they have revised downward their predictions about the state's economy. The big problem? The statewide employment picture is more dismal than initially expected.

"California has hit a flat spot," Nickelsburg said. "Weaker job growth is the main problem. Employment and personal income simply are not growing."

As a result, the state's economy won't rally in a big way this year — and maybe not in 2009, either.

"We're looking to 2010 for a recovery," Nickelsburg said.

This current statewide slump began in late 2007 as a "mild recession," states a new report by the

Stockton-based Business Forecasting Center at University of the Pacific.

"The shallow but long downturn (in California) will extend into the spring of 2009 as the United States and much of the world joins the state in recession," the UOP report said.

The new problem that has emerged is the housing-related ailments that plague the economy throughout the state have begun to infect industry sectors other than real estate, said Jeffrey Michael, director of the UOP Business Forecasting Center.

The first half of the downturn was housing-related. California is entering into the second half of its downturn as more industries tumble, Michael said.

"There are some real struggles in retail to go along with the problems in construction, real estate, and finance," Michael said.

Anderson economist Nickelsburg said he also sees a slump in an employment barometer that often is used to gauge whether the economy and the job market are about to turn upward or downward.


"Because of the problems in housing and finance, and nervousness about Wall Street, you see weaker consumer demand, and weaker trends in professional and business services," Nickelsburg said.

As a result, employers have curbed much of their hiring, according to trends identified by Nickelsburg.


"Business are reticent to hire as many temporary workers," Nickelsburg said.

The East Bay downturn has been more pronounced than just about every other area of California.

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Numerous mortgage companies bloomed in the East Bay during the rosy years of the housing market and hawked a colorful array of home loans.

But when the area's housing market faded, the home finance companies wilted. Foreclosures sprouted throughout the Alameda County-Contra Costa County region and intensified the economic slump locally.

Over the most recent 12 months, payroll jobs have decreased by 1.9 percent in the East Bay and by 0.5 percent in California.

"The problems in the East Bay did start earlier than the rest of California, but I'm hesitant to say that the East Bay downturn will be over sooner than the state," said Jon Haveman, a partner and economist with Beacon Economics.

Why did the housing and economic slump begin earlier in Alameda-Contra Costa area?

"There was a greater incidence of subprime lending in the East Bay than other areas," Haveman said. "There is a relative concentration of mortgage originators in Contra Costa County, second only to Orange County."

The notable characteristic of this economic setback is while the slump may lack ferocity, it will probably not skimp on its duration.

"This is not an extremely steep downturn, but it's dragging on and on," Michael said. "When it's finally over and we look back, it will be seen as a period of significant economic weakness."

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