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## Economists forecast GDP growth in late 2009

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The Press-Enterprise

The United States economy will begin to climb out of its hole later this year, but "meaningful recovery" from the recession won't begin until 2010, a panel of influential economists said in a report being released today.

The National Association of Business Economists said in its quarterly report that the gross domestic product, the total value of all goods and services produced in the United States and considered the most reliable barometer of economic activity, will move into positive ground - barely - this year, sometime after June.

But it is unlikely that workers who have lost their jobs will get a break until next year, economists said.

And, the economic road back for Inland Southern California could be longer because the area is suffering from steeper job losses and more depressed housing and construction markets than most of the rest of the country, some experts say.

"The steady drumbeat of weak economic and financial market data have made business economists decidedly more pessimistic ... for the next several quarters," association President Chris Varvares said in a statement. "While a few reports offer some glimmer of hope, a meaningful recovery is not expected to take hold until next year."

Economists predict the gross domestic product will decline by 5 percent in the first quarter of this year and another 1.7 percent in the second quarter. The second six months will see a reversal, to tepid growth of 1.6 percent.

One of the biggest factors in the recession is the attitude of the 90-plus percent of the country that is still working, said William Dunkelberg, economist for the National Federation of Independent Business, who contributed to the report. Many are too apprehensive to make even moderate purchases

right now, he said in an interview, which contributes to more unemployment, particularly in the retail and shipping sectors.

But that should change by next year. As an example, Dunkelberg said, every year 15 million American cars either get too old to be driven or their owners get tired of them. Right now consumers are not replacing these vehicles, but eventually they will.

"Those little pieces of the puzzle will start picking up and change our level of despair," Dunkelberg said.

## **RISING JOBLESSNESS**

Unemployment nationally is expected to rise from 7.6 percent in January to 9 percent by the end of the year, a consensus of the association's members said. It is expected to begin to decline in the second quarter of 2010.

But the jobless rate in the Inland area has already climbed past 10 percent. Regional economists say it could go as high as 12 percent before it moderates, and that improvement may not happen until 2111.

## **INLAND WORSE OFF**

"We'll be slower to recover because we were hit inordinately hard," Redlands-based economist John Husing said.

Husing said the epidemic of foreclosures that led to the collapse of the housing market discouraged developers from building any new projects. The loss of residential and commercial construction in the area creates what Husing estimates is an \$8 billion hole in the Inland economy.

"We will struggle until we get our principal sector, construction, functioning again," Husing said.

## **LATE 2009 HOPES**

Chapman University economist Esmael Adibi, who also was part of the association's survey, said he expects to see the gross domestic product pick up in the fourth quarter of this year. It will take that long because the recently adopted stimulus package has a lot of complexities.

But even when that happens, many Americans are not likely to get instant relief.

"The technical numbers (of the GDP) is different from reality," Adibi said.

Economists say the job market recovery will probably lag behind, which typically happens during a recession.

"If someone's sales go up 5 or 10 percent, he's not going to rush out and hire anyone," Adibi said. "I see job losses throughout this year and maybe the next."

## **Differing view**

Christopher Thornberg, principle of Los Angeles-based Beacon Economics, laughed when he heard the conclusion of the national economic study. Thornberg, who several months ago told an Inland audience to expect two bad years, does not expect the economy to right itself in 2009.

But Thornberg said he's not as pessimistic as others, who say we're in a five-year downturn.

Inland Southern California will struggle because of the construction slump and because of declines in international trade. But he said the region has a strength: More than 4 million residents who will continue to need goods and services.

"Southern California is still a high-growth area," Thornberg said. "I think the population growth will help the Inland area."

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