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Region's economy is expected to bounce back

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Destroying property and disrupting businesses, Southern California's wildfires undoubtedly will hurt a statewide economy that's already struggling under the weight of a housing slump.

The extent of the economic damage is a matter of some debate, though.

Property damage alone could hit \$2 billion or more, according to some experts. That's significant but hardly catastrophic for a state economy estimated at \$1.8 trillion a year by chief economist Howard Roth of the California Department of Finance. And officials noted that much of the property loss will be offset by insurance payouts and, if President Bush declares the region a disaster, financial aid from Washington, D.C.

Furthermore, economists said the region, particularly San Diego, proved resilient after the 2003 wildfires and should do so again.

"There was no disruption in the San Diego economy (in 2003) in any way, shape or form," said Chris Thornberg, head of Los Angeles consulting firm Beacon Economics.

He said the damage from this year's wildfires will be far less than the state's worst-ever natural disaster, the 1994 Northridge earthquake. The quake did \$17 billion worth of insured property damage, as measured in 2006 dollars, according to the Insurance Information Institute.

Still, the fires are leaving some economists anxious. Southern California is home to 60 percent or more of the state's economy, and any kind of slowdown would create further harm at a time when California hardly needs it.

"I worry about it," Roth said. "It's certainly going to have an effect on economic growth, particularly this quarter."

The fires could bring a temporary boost in the form of construction work, said Jack Kyser, chief economist with the Los Angeles County Economic Development Corp.

"You have a down market for housing – there's going to be a lot of contractors finding some unexpected business," Kyser said. "One person's loss is another person's gain."

Such construction boomlets tend to be short-lived, experts say. But Thornberg said the fires could have an indirect benefit for the region's housing market, by shoring up real estate prices.

He said he isn't oblivious to the emotional or physical toll, but that "they have too many houses as it is because of the real estate bubble."

There are other economic issues. The cost of fighting the fires will strain government treasuries.

And one of the region's most important industries, tourism, is being harmed. Sea World in San Diego and the Wild Animal Park in Escondido were among the attractions closed Tuesday.

"A lot of tourists and business travelers are leaving," Kyser said. "For government, there's going to be some lost revenue. You have theme parks closed."

However, "hotels are filling up with people who've been evacuated," he said.

Tourism officials were trying to get the word out to convention groups that much of the area remained open for business, but acknowledged that there would probably be some business lost.

"We would not be surprised if there were any cancellations," said Sal Giametta, spokesman for the San Diego Convention and Visitors Bureau. As of Tuesday afternoon, no conventions had been canceled, he said.

Tourism can be slow to rebound from a fire. That's been the case at Lake Tahoe following this summer's fire.

In Southern California, some major businesses shut down for the day, particularly in San Diego. Wireless telecommunications giant Qualcomm Inc., one of the pillars of that city's economy, closed its headquarters. So did smaller employers, such as Cohu Electronics, a semiconductor maker in suburban Poway.

But those closures will mean little in the way of economic damage, Thornberg said.

"In the short run, it creates disruption, but this is business delayed, not canceled," he said.

The ports of Los Angeles and Long Beach, two of the linchpins of the West Coast economy, were open Tuesday. The two ports handle a combined \$300 billion a year worth of cargo.

Damage was reported at farms and nurseries around the region.

"We've had lots of destruction to vineyards, cattle ranches, poultry ranches, nurseries, avocados and citrus fruit," said Eric Larson, executive director of the San Diego County Farm Bureau, in a press release.

There were no dollar estimates, but damage was also reported in Orange, Riverside, San Bernardino and Ventura counties.

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