

THE ECONOMY

California's unemployment rate holds at 6.2%

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SACRAMENTO — California's monthly unemployment rate held steady at 6.2% in April, but experts warned that the state's joblessness could worsen if consumers kept a tight hold on their spending.

One economist likened the current calm to the eye of a storm.

"Hurricanes come in two waves as part of a big circle," said Christopher Thornberg, a principal at Beacon Economics, a Los Angeles consulting firm. "On the front end were housing and financial problems, and on the back end is consumer spending.

"Home values are falling, mutual funds are losing value, the job market is weak, inflation is eating up increases in incomes. All of that adds up to a grim situation for the consumer."

The fact that the percentage of Californians who are out of work remained unchanged added to confusion on the state of the economy. Though many economists predict that the country is on the edge of recession, others are declaring that the worst is already over and that the economy is set to rebound.

On Friday, Treasury Secretary Henry M. Paulson Jr. told business leaders in Washington that he expected "to see a faster pace of economic growth before the end of the year."

Although April's unemployment rate was unchanged from March, it represented a full percentage point increase above April 2007. Almost 200,000 more people were out of work than last year, giving the state the third-highest unemployment rate in the nation, behind Michigan and Alaska.

California lost 800 nonfarm jobs in April from the previous month. But seasonally adjusted numbers for the month were up slightly -- 0.2% -- over a year earlier, according to the Employment Development Department.

On a positive note, April saw moderate growth in government jobs. But the bump may be short-lived, warned Stephen Levy, director of the Center for the Continuing Study of the California Economy in Palo Alto.

"Presumably, we're coming up on the time when they will disappear," Levy said, noting that Gov. Arnold Schwarzenegger is calling for deep spending cuts to fill a projected \$15.2-billion hole in next year's state budget.

The governor's latest economic forecast, released Wednesday, anticipates a loss of 30,000 nonfarm jobs statewide in 2008. His January forecast predicted a gain of 106,000 jobs.

Levy suggested that the weak employment picture and other economic ailments could spur consumers to keep their wallets closed.

"A sharp slowdown in consumer spending is the major threat that could turn a mild and short slowdown into a more severe recession," he said.

Unemployment in the Los Angeles Basin largely mirrored statewide trends. The rate rose by 0.1% to 5.9% in Los Angeles County, up from 4.9% a year earlier.

In Riverside and San Bernardino counties, monthly unemployment dropped 0.4% to 6.8%. In Orange County, it declined by 0.2% to 4.4%.

All three areas reported growth in jobs related to tourism, hospitality, the arts and entertainment, partially because more foreigners, buoyed by a weak dollar, are visiting the state and its beaches, restaurants and theme parks.

"The fact that unemployment is not increasing is definitely good news," said Esmael Adibi, an economist at Chapman University in Orange. "The only worry I have is it seems like companies are shying away from adding to their payrolls."

Employers, he said, "are worried about recession, and everybody is kind of in a holding pattern."

Consumer spending is a concern, especially falling demand for big-ticket items such as refrigerators and television sets, said Ross DeVol, the director of regional economics at the Milken Institute in Santa Monica. "If you don't need to buy a new house, you don't need new furniture."

For now, California may be headed for nothing worse than a mild recession, he predicted. "We're still in the phase of holding our breath."

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