

For Silicon Valley and U.S., a few bright spots amid the economic gloom

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The sudden burst of good news about the economy last week buoyed the stock market and appeared to signal that the housing market is nearing a bottom while the pace of general economic decline slows.

But there are months to go before the economy begins to grow, economists say.

"There are going to be glimmerings of hope" throughout the recession, said Jon Haveman, an economist with Beacon Economics in San Rafael. "But we haven't reached the bottom yet, although the pace of decline is likely to be slower throughout the rest of 2009 than it was in the fourth quarter of 2008. We expect continued decline through 2009, and recovery starting in early 2010."

The week brought newly aggressive efforts by the Obama administration to stabilize the economy, and some surprisingly positive statistics on retail sales

and housing. But one of the last parts of the economy to turn around during recessions is the one that affects people most directly — the job market. It will be some time, experts agree, before companies start hiring again.

Here's a look at some signs of life:

Wall Street responded to the latest effort by the Treasury Department to revive the nation's banks by sending the Dow Jones industrial average up nearly 500 points Monday. By Friday, the Dow had had its best three-week stretch since September 1982, despite Friday's drop.

Orders for durable manufactured goods — including orders for computers — rose unexpectedly in February by 3.4 percent after six months of decline, the Commerce Department reported. New orders for computers and related products were up 10.1 percent.

Consumer spending rose for the second straight month in February, by 0.2 percent, after falling for six straight months, according to a Commerce Department report Friday.

The California Association of Realtors said February home sales were up again, this time 83 percent from the year before, while an index it compiles of unsold homes on the market fell dramatically.

For Silicon Valley, the news about computer orders was especially welcome. In recent weeks, analysts have reported seeing evidence of business picking up for several computer-chip companies, including Santa Clara-based Intel, Nvidia of Santa Clara, Amtel of San Jose, LSI of Milpitas and Marvell of Santa Clara. Sales at chip companies are a bellwether for the broader technology industry.

Analyst Mika Kitagawa of Gartner called the report

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on computer orders "pretty good news," although she noted it's no surprise February's numbers had improved since "January was scary bad."

"We're starting to see orders pick up" as the backlog of unsold computers has been trimmed, said Richard Shim, a personal computer analyst at the research firm IDC. "It's a positive first step, but it's just the first step in a longer journey. "... It's still not clear if we can say we're pulling out of the slowdown. It's way too early to insinuate that."

Six straight months of decline in durable goods orders and one positive month doesn't make a bottom, added Stephen Levy of the Center for Continuing Study of the California Economy in Palo Alto, but "that's how bottoms start, when little bits stop falling."

On the business-software side, Oracle surprised analysts last week by reporting a profit that was down slightly from last year but still higher than Wall Street had expected in the current recession.

And while Adobe Systems reported a significant drop in revenue and profit in its most recent quarter, it said a key segment of sales for Acrobat and Creative Suite products had leveled off since February, after dropping sharply in December and January.

"It's stable, although not nearly the level we're happy with," said Mark Garrett, Adobe's chief financial officer. "To have that stability for the past six weeks is comforting."

The report from the California Association of Realtors showed the sixth straight month of gains of more than 80 percent over the year for housing sales. Even more upbeat was a report that housing starts were up 22 percent nationally from February 2008.

"There may be signs that the rate of decline is beginning to slow," Levy said. "There is some reason to think we may be getting close to the bottom in the housing market," he said.

Jobs are the slowest part of the economy to recover. There's usually a big lag between a recession's bottom and when companies start hiring again and home prices begin to rise. Jeff Michael of the University of the Pacific Business Forecast Center said layoffs should bottom out toward the end of 2009, "and then we're looking at a two- or three-year process of recovery."

New applications for unemployment rose for the 10th straight week, the U.S. Labor Department reported Thursday. There are now 5.56 million unemployed. Silicon Valley's unemployment rate hit double digits in February with the highest figure — 10 percent — since the state Employment Development Department began its current method of collecting data in 1990.

Analytical-instrument maker Agilent Technologies announced Thursday that it will lay off 2,700 people, and even Google announced it was closing a marketing unit and laying off 200 people. National Semiconductor announced a 1,725-person layoff earlier in March.

So what does all this good and not-so-good news add up to?

"I hate to say it, but we don't see the economy bouncing back quickly," Haveman said. "There will be GDP (economic) growth in 2010 but it won't be anything to throw a party about."

But this is probably what the path out of the recession will look like when it comes — isolated bits of good news, with a lot of uncertainty about whether it's a trend or just a blip in the data, said

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Jed Kolko, an economist with Public Policy Institute of California.

Still, it will be a long time before hiring begins again and people "really start to feel the recession ending," Kolko said.

Mercury News Staff Writer Brandon Bailey contributed to this report.

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