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Economy recovering, but Silicon Valley may lose jobs into next year

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The Great Recession is over, according to economic forecasters polled by the National Association of Business Economics, but experts who track Silicon Valley's economy say it's too soon to break out the champagne.

The upbeat national report helped push the Dow Jones industrial average to 9,885.80, its highest level this year. The broader Standard & Poor's Index also closed at its highest point in the year, while the tech heavy Nasdaq was down slightly to 2,139.14.

A full recovery will come slowly, with unemployment rising to 10 percent next year before falling by the year's end, the national association's panel of forecasters said. The 7.2 million jobs lost during the recession won't be recovered before 2012.

Regional economists added their own warnings that the valley's tech-centric economy will continue shedding jobs into next year, although business should pick up considerably as overseas demand for high-tech products returns.

Jon Haveman of Beacon Economics said the San Rafael economic consulting company doesn't see real job growth beginning until the end of 2010.

A needed reorganization of the labor supply, away from past dependency on housing and consumer spending, will take time, he said.

Stephen Levy of the Center for Continuing Study of the California Economy said the region is still losing jobs.

Unemployment is still rising, he said, and no real dent will be made in unemployment until the region sees two quarters of economic growth. California's unemployment rate is 12.2 percent and Silicon Valley's is 12 percent. The state will release new September figures Friday.

"The valley at some point soon will do better" in terms of business activity because such a high proportion of its goods are sold overseas, Levy said.

Eventually, the valley will get a boost from federal stimulus spending on technology innovation, Levy said.

The national association's panel was slightly more bullish about the next several quarters than it was in its previous forecast in May.

After a first-quarter contraction of 6.4 percent in the national economy and 0.7 percent in the second quarter, the panel saw growth beginning again. The panel expects "moderate growth" through the end of next year, with the economy advancing at about a 2.9 percent pace in the last half of this year and 3 percent next year.

The panel of economists said inflation should be contained throughout next year.

"The good news is that the deep and long recession appears to be over," the association reported, "and with improving credit markets, the U.S. economy can

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return to solid growth next year without worry about rising inflation."

A three-year downturn in the housing market is ending, the panel said, but spending by households is likely to be a drag on the economy. Sales of light vehicles are expected to be weak. Overall corporate profits are expected to increase 11 percent in 2010, which the panel said is characteristic of the early stages of economic recovery.

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