

PE.com

WEB SEARCH powered by
YAHOO! SEARCH[Comments](#) 6 | [Recommend](#) 1

Economists forecast more Inland job losses in the near future

[POD ▶ Download story podcast](#)

07:01 PM PDT on Tuesday, May 19, 2009

By **JACK KATZANEK**
The Press-Enterprise

Inland Southern California will endure more than a year of spiraling unemployment before job-hunters start to see more daylight, a team of regional economists told business leaders Tuesday.

The jobless rate in Riverside and San Bernardino counties, already at 12.9 percent, will increase to 15.9 percent by the second quarter of 2010, according to Los Angeles-based Beacon Economics, which delivered its semiannual forecast for the Inland area at the University of Redlands.

The Inland region has already lost about 96,000 payroll jobs since the first effects of the recession began to hit home in the summer of 2007. Economist Brad Kemp, who delivered the regional forecast, said more than 50,000 more jobs in the two counties could disappear in the next six quarters.

Story continues below



Special to The Press-Enterprise
Christopher Thornberg was one of the few economists saying, as early as 2007, that a recession had hit.

Kemp and Christopher Thornberg, one of the founders of Beacon Economics, said the area will recover and probably return to having one of Southern California's healthiest economies. Kemp said when the rebound happens, the Inland area's economy will be solid and probably more diverse.

"You will feel the pain, but there are positive indicators," Kemp said. "I have no doubt the potential for the Inland Empire is massive."

Predictions

National forecasters have predicted the recession will end late this year when the gross domestic product, the measure of all the goods and services produced in the country, starts to increase.

Beacon's forecast is considerably more pessimistic than those of two other regional economists. Chapman University in January said the job loss would not be as severe and would begin to moderate by the fourth quarter. Inland economist John Husing said last month he sees unemployment peaking at 13.5 percent.

Beacon's Inland-area forecast is consistent with other projections in some areas, suggesting that several economic indicators, including personal incomes, taxable sales and the value of residential and commercial building permits, will start to pick up either late this year or in the first quarter of 2010.

Home prices, however, will not hit bottom until the second quarter of next year, they predict. Also, a developer who files a building permit is not likely to hire a construction crew to work on that building for another six months.

That will contribute to the lack of job growth. Some 131,000 Inland people worked in the construction industry in the middle of 2006. Kemp said that could be down to 52,000 before all of the effects of this recession are over.

Employers wait

Typically all employers are reluctant to hire back workers after a recession ends, waiting to see how thoroughly the economy has recovered. That is why unemployment is expected to be worse.

"People will want to produce more goods and services with less," Kemp said. "With these efficiencies, the recovery will be delayed just that much longer."

Thornberg was one of the few economists suggesting, as early as 2007, the country was in a recession. Back in 2005, when real estate prices were still skyrocketing and Thornberg was working for the UCLA Anderson Forecast, he thought that bubble was not only unsustainable but could drag down the entire economy.

That's what happened, and it became global when Wall Street's involvement in buying mortgage debt and spreading it around the world became news. But Thornberg belittles the swings of Wall Street, likening stock market reactions to the antics of overly dramatic teenagers.

Real recovery, he said, will come with time. This recession, while deeper than the one caused by the closing of military bases and aerospace and defense plants in the early 1990s, might be easier to leave behind because it's part of a cycle. Southern California's economy had to be largely reinvented after the Cold War ended.

By the same token, this downturn is much more serious in Michigan because the auto manufacturing industry is apparently unraveling.

"Big imbalances are starting to work their way out of the system," Thornberg said. "The good news is that California's economy does not have major structural problems. Our ability to produce goods and services has not gone anywhere."

Reach Jack Katzanek at 951 368-9553 or at jkatzanek@PE.com
