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## State job market stalls

### Recession feared amid housing slump and high energy costs

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California's job market continued to stall out last month, as the housing slump infected the rest of the economy and increased the chances of a recession.

Although the statewide unemployment rate was steady at 5.6 percent in October, some 15,800 payroll jobs disappeared. Job losses were recorded in practically every major economic sector, the state Employment Development Department said Friday.

"Rather sobering," said Howard Roth, chief economist at the state Department of Finance. "It may be that housing's problems are spilling over to other sectors of the economy." The lost jobs erased a gain of 12,000 jobs in September.

Between housing and high energy prices, private economist Chris Thornberg said a recession appears increasingly likely. "I think we're heading headlong into it," said Thornberg, head of Beacon Economics in Los Angeles.

What's worse, the job numbers don't include the impact from last month's Southern California wildfires. Roth said they occurred too late to show up in the surveys used to calculate the numbers. They will be reflected in next month's report, along with the impact of the Hollywood writers strike, which has idled several thousand workers.

"We have that to look forward to," Roth said.

Sacramento's picture isn't much brighter than the rest of the state's. The region's unemployment went up a tenth of a point, to 5.5 percent. That compares with 4.2 percent a year ago.

Last month's payroll job growth in greater Sacramento came to zero. Perhaps more striking, the retail sector, which should have begun hiring for the holidays, reported no gain in jobs. That suggests retailers – who recorded modest growth in sales across the country last month – are skittish about the season as consumers hunker down.

"We're certainly slow out of the gate," said David Lyons, labor market consultant at EDD.

The news might not get much better. State government has been one of the region's bright spots lately, generating nearly half of Sacramento's new jobs in the past 12 months. But hiring could slow as the state faces a deficit in the next fiscal year estimated at \$9.8 billion by Legislative Analyst Elizabeth Hill.

"That's a concern," Lyons said.

The looming deficit is largely a product of the economic slump, with housing leading the way down. Nearly 8 percent of the Sacramento area's construction workers have lost their jobs in the past year; so have 11 percent of its mortgage lenders and 8 percent of its real estate agents.

Home sales in Sacramento and Placer counties last month fell to their lowest levels in more than 10 years. And the region's prices have returned to the mid-2004 range, erasing three years' worth of equity gains, DataQuick Information Systems reported this week.

That could put even more pressure on consumer spending. During the real estate boom, consumers used their equity to finance personal spending sprees. Now they're more apt to close their wallets.

That's already affected car sales in California – they fell 12 percent in June, the latest figures available – and could cut shopping during the holidays and on into 2008.

"A significant consumer retrenchment could spell doom for the current economic expansion," Wells Fargo & Co. senior economist Scott Anderson said in a report Friday. "The list of obstacles for the consumer is long and daunting: falling national home prices, a struggling stock market, a softening labor market, rising energy and food prices, resetting mortgage rates and high debt levels."

Not surprisingly, the commercial real estate market is sagging, too, particularly among retailers. Sacramento brokers say vacancies have crept up and rental prices are coming down. Construction of new projects is waning.

"People have backed off," said Garrick Brown, regional research director at Colliers International real estate.

Part of the problem is that entrepreneurs are no longer using home-equity loans to bankroll a new store or restaurant, he said.

The fact that oil and gasoline prices are heading into record territory doesn't help, either. Sacramentans paid an average \$3.41 a gallon Friday, or 2 cents short of the record. The statewide average was \$3.43, or 6 cents shy of the record.

"Throw in oil prices ... and we've got a royal mess on our hands," Thornberg said. Crude oil closed at \$95.10 a barrel, up \$1.67, on the New York Mercantile Exchange.

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