

UCLA economists expect California slump to run into 2012

dkasler@sacbee.com

Published Wednesday, Sep. 15, 2010

California's barely visible economic recovery should crawl along for another year or longer, putting off any meaningful gains until sometime in 2012, according to the latest projections from UCLA.

The quarterly UCLA Anderson Forecast, to be released today, says statewide unemployment won't fall below 10 percent until the last three months of 2012.

Despite the bleak outlook, UCLA senior economist Jerry Nickelsburg dismissed speculation that the economy is heading into a double-dip recession.

"California's growing, but it's growing slowly," he said in an interview. "It doesn't follow that slow growth means you turn in a different direction."

A separate report today from the Brookings Institution think tank shows how soft the recovery has been in California: Sacramento and six other metro areas in the state have been among the 20 weakest performers in the nation.

The Brookings study ranks 100 metro areas based on unemployment, total economic output, housing prices and foreclosures. The other six California metro areas to make the bottom 20 were Fresno, Los Angeles, Modesto, Oxnard, Riverside and Stockton.

No California city makes Brookings' list of the 20 strongest performers.

Economists say it's no surprise that California, with its supersized exposure to the real estate bubble, is taking more than its share of lumps during the downturn. The state's unemployment rate of 12.3 percent is the third highest in the nation.

Nonetheless, economists at UCLA and elsewhere figured the recovery would have gathered more momentum by now.

Nickelsburg said UCLA experts at first believed unemployment would drop into single digits by the third quarter of 2012. In the latest forecast, that prediction is pushed back slightly, to the fourth quarter.

Nickelsburg said the state's housing market hasn't rebounded as quickly as believed. The coastal market is poised for recovery, as the demand for housing has improved, but "builders are still a bit gun shy," he said.

At some point soon, he said, home construction will resume on the coast. Inland California, where the downturn has been more severe, will lag the rest of the state.

On other fronts, the numbers show the state's economy is improving. Nickelsburg said

California's international trade sector is probably the most encouraging industry, with imports and exports both growing.

The volume of export traffic "is at levels close to those prior to 2008," the forecast said.

© Copyright The Sacramento Bee. All rights reserved.

Call The Bee's Dale Kasler, (916) 321-1066. Read his blog on the economy, Home Front, at http://blogs.sacbee.com/real_estate/.