

News Release

George McQuade or Aida Mayo
(818) 340-5300 or (818) 618-9229



www.MayoCommunications.com

PR@MayoCommunications.com

IMMEDIATE RELEASE

February 20, 2008

Painfully Slow Growth for California and Southern California in 2008-2009, with “Spot” Recessions, Says LAEDC Forecast

LAEDC Economic Forecast report also sees turmoil in housing, finance, and entertainment sectors

Los Angeles—While the economies of California and Southern California overall are not expected to fall into recession in 2008-2009, it will be a painful period for several industries and metro areas, according to the Los Angeles County Economic Development Corporation’s “2008-2009 Economic Forecast & Industry Outlook.” The Forecast is being released today (Wednesday, Feb. 20, 2008) at a conference on at the Marriott Hotel in downtown Los Angeles.

“The housing industry will continue to slide in terms of prices and unit sales of both new and existing units,” said Jack Kyser, the LAEDC’s Chief Economist. “The most distress will be in the Riverside-San Bernardino area and Orange County, with the latter actually in a “spot” recession, as measured by employment, during the first half of 2008.”

Kyser noted that there will also be turmoil in financial services as a result of the sub-prime problem. “Lenders will be extremely cautious in making loans, except to customers with good credit histories,” he observed. The entertainment industry still faces labor negotiations with the Screen Actor’s Guild, while there will be some unpleasant fall-out from the recently settled WGA contract. In addition, a coast-wide contract for the Longshoremen’s union will be also be up for renewal in June 2008.

“The best way to describe the current business situation for the nation, state and region is that it is a “two-track” economy,” said Kyser. “Rolling backwards, on track one, are housing and its related industries and financial services. Other segments of the local economy are on track two, which is seeing slow, steady growth.” By the end of 2008, benefits from Federal Reserve interest rate cuts and the federal government’s economic stimulus package should start to be seen.

The slow-growth scenario has financial implications for state, county, and city governments. Budgets at all three levels will remain stressed, due to the housing slide and declines in taxable retail sales. The LAEDC looks for slower government employment growth over the forecast time frame.

“There is some good news in the 2008-2009 economic outlook,” Kyser said. “The region’s tourism industry should see nice growth trends during the time frame, thanks to a declining U.S. dollar, an agreement between the U.S. and China allowing more leisure travel to U.S., and a lengthy roster of ‘events’ that will keep Southern California in the national and international spotlight.”

LAEDC Economic Forecast Results page 2/2

- M o r e -

Professional, scientific, and technical services will also see decent growth, and the legal profession can expect a tsunami of lawsuits over the next few years from the sub-prime debacle. Technology should also record growth, although the LAEDC Forecast team has its fingers crossed over the receipt of more orders for the C-17 military cargo plane built by Boeing in Long Beach. The Forecast also looks for a slight pickup in international trade in 2008, with the number of containers handled at the Los Angeles/Long Beach port complex up by 2.8 percent compared with the 0.6 percent decline in 2007.

“Support for the region’s economy will also come from public works projects like the Gold Line extension and the Exposition Boulevard light rail line,” Kyser noted. “There is also significant private investment underway, such as LA Live and the Grand Avenue project. New firms such as Wachovia Bank and Tesco with their Fresh & Easy grocery chain are entering the Southern California market.

Additional findings from the LAEDC Forecast:

- California will see nonfarm employment growth of 0.5 percent in 2008, picking up to 1.0 percent in 2009. The unemployment rate will average 5.9 percent in 2008 easing to 5.6 percent in 2009.
- Los Angeles County should record nonfarm employment growth of 0.7 percent in 2008 and 1.2 percent in 2009. Its unemployment rate will average 5.6 percent in 2008 and 5.4 percent in 2009.
- Orange County, still suffering fallout from the sub-prime mess, will record nonfarm employment growth of just 0.2 percent in 2008 and 0.8 percent in 2009. The County’s unemployment rate will average 5.0 percent in 2008, which for it is extremely high. In 2009, the rate will ease down to 4.8 percent.
- The Riverside-San Bernardino area will also see much slower growth over the Forecast time frame, reflecting a sharp slowdown in new home construction and a jump in home foreclosures. Nonfarm employment growth is placed at 1.4 percent in 2008 and at 2.2 percent in 2009. The area’s unemployment rate is forecast at 6.2 percent in 2008 and at 5.8 percent in 2009.
- San Diego County should see nonfarm employment growth of 1.0 percent in 2008 and of 1.5 percent in 2009. The LAEDC Forecast noted that rebuilding from the late 2007 wildfires will provide somewhat of a boost. The County’s unemployment rate will average 4.9 percent in 2008 and 4.6 percent in 2009.
- Ventura County could also be tiptoeing around a “spot” recession during the Forecast time frame, with nonfarm employment growth of 0.3 percent in 2008 and 1.0 percent in 2009. The County’s unemployment rate is placed at 5.5 percent in 2008 and at 5.2 percent in 2009.

For the nation, the LAEDC Forecast looks for GDP growth of 1.7 percent in 2008 and 2.5 percent in 2009. The Forecast observed that extensive media coverage of the current “recession” may cause both business and consumers to pull back.

About LAEDC (www.LAEDC.org)

The Los Angeles County Economic Development Corporation (LAEDC), the region’s premier business leadership organization, is a private, non-profit organization established in 1981. Its mission is to attract, retain, and grow business and jobs for the regions of Los Angeles County. Since 1996, the LAEDC has helped retain or create more than 135,000 jobs, providing \$5.6 billion in annual benefit to LA County.

[Editors: For media interviews please contact George McQuade, MAYO Communications, (818) 340-5300 or PR@MayoCommunications.com. For an advance preview of the report, see <http://www.laedc.org/reports/Forecast-2008-02.pdf>]