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GDP upswing offers hope, but IE 'still in recession'

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U.S. growth domestic product shot up 5.7 percent in the fourth quarter. But the good news might have easily fallen on deaf ears if you're jobless or facing mounting financial burdens.

As some people cheer the unexpectedly high GDP number showing that our national economy grew much more than expected, unemployed Inland Empire residents have yet to see relief.

"I have little doubt that, for the Inland Empire, we're still in recession - even if the United States pulled out in June," said Manfred Keil, economics professor at Claremont McKenna College.

California's Employment Development Department pegged the San Bernardino-Ontario-Riverside area's unemployment rate at 14 percent in December one of the country's highest.

"No doubt, we didn't contribute much to that (5.7 percent GDP)," Keil said. "It's the rest of the U.S., particularly the Midwest."

Still, the latest GDP number is an important indicator.

Most economists believe the U.S. recession ended between mid- and late-2009, but many disagree as to how strong a recovery is taking shape.

San Bernardino and Riverside counties are experiencing mixed signals.

While San Rafael-based Beacon Economics projects the Inland Empire's employment base will gain 14,000 jobs in 2010, another highly-watched economics group out of Chapman University forecasted on Tuesday that the region will lose another 11,000 jobs.

Nancy Jackson doesn't see mixed signals.

"We're not seeing any significant upward trend at all," said the president of the Inland Empire Chapter of the National Association of Purchasing Managers. "We've had more of our members who've lost jobs (between September and now)."

Although Jackson speaks for a good portion of the local manufacturing industry, recent numbers out of Cal State San Bernardino seem to fall in line with Friday's positive GDP report.

The local manufacturing sector is showing sustainable improvement, according to results from a purchasing manager's survey by the university's Institute of Applied Research and Analysis.

The mild, consecutive growth pattern from September to November isn't overly impressive, but still significant since the index behind the local purchasing manager's report reached a record low in February.

Jackson knows the economy is improving, but for jobless Inland Empire residents, "it's just going to take longer than people are expecting," she said.

Another good sign: imports at the ports of Los Angeles and Long Beach should rise 3 percent in the first half of 2010 compared to the second half of 2009, according to a report by the National Retail Federation.

Local goods movement companies will benefit from this and could be poised to ramp up their hiring.

The new year also spells better news for the industrial real estate market in western San Bernardino and Riverside counties compared to 2009, although the east end still faces a tough road.

Enough businesses set up shop in the fourth quarter that the industrial market actually experienced a 500,000-square-foot net gain in space rented or purchased during the quarter, according to a Colliers International report released Wednesday. The market had been declining since 2007.

And in the housing market, building permits for new single-family and multi-family homes - a barometer of residential construction - will rise from 6,400 in 2009 to 7,100 in 2010, according to a Chapman University economic forecast. It means home builders will spend more money on contractors and materials.

But the region's foreclosures still pose a huge hurdle to overcome.

About 125,000 Inland Empire homes were repossessed by lenders between early 2007 and late 2009, according to estimates given by the Inland Empire Economic Recovery Corp.

What's more: the region could face another 140,000 foreclosures between now and 2012, the public private partnership has said.

Regarding the GDP report, "this is significant, especially when you're coming off of a down trend," said Dann Bowman, CEO of Chino Commercial Bank, and a board member of the Federal Reserve Bank of San Francisco.

He noted how the GDP report sometimes gets revised downward.

Bowman surveys Inland Empire businesses every quarter so he can decide how to vote on what the Federal Reserve's "discount rate" should be, which is the interest rate used in lending money to banks.

He wouldn't be surprised if the Inland Empire "feels" like it's in its own recession for an extended period of time - "a weird disconnect," he said.

"Eventually, when all the voices say things are pretty good, and only one lone voice says things are pretty bad, then you get an idea that things are improving," Bowman said.

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