

# Arizona Daily Star®

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## Rays of hope penetrating economic gloom and doom

By **Gabriela Rico**

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There's no question that times are tough.

Still, some economists are backing off earlier predictions of economic calamity as rays of optimism emerge.

While no one is celebrating the state of the local or national economies, there are signs that the projected recession won't be as severe or last as long as earlier thought. And it may not materialize at all.

"I have been amazed so far at the resiliency of the economy," said Gerald Swanson, an economist with the Eller College of Management at the University of Arizona. "I thought the fallout would be deeper and faster."

Frances Griego, an economist with the Arizona Department of Commerce, said she is relieved to see the gloomy predictions toned down.

"We still maintain we are not as bad off as people predicted we would be," she said. "I'm not going to say that it's booming; I'm going to say that it's holding its own."

Still, her own agency is forecasting a tough employment situation. On May 1, the Commerce Department predicted Arizona will lose jobs this year overall, for the first time in 26 years. Pima County will lose jobs this year and next, the forecast said.

Nationally, unemployment figures are stable, job losses have been scattered over certain industries and \$100 billion in tax refunds should stimulate the economy, according to a chief economist with Bank of America.

"A recession may still be avoided, but it will be a near-miss," Lynn Reaser said. "I'm guardedly optimistic; there are some positive things happening."

Whether Arizona's economy is doing better or worse than the rest of the country remains debatable among the keepers of economic wisdom.

A slight drop in the state's unemployment rate last month was actually a result of fewer people looking for work, according to the Department of Commerce. The rate went from 4.0 in March to 3.9 in April — hardly alarming levels in historical terms.

Swanson believes Arizona's dependence on construction means the state is getting hit a bit harder.

But Arizona's status as a retiree destination will help balance out the excess housing inventory within two years, said economist Richard Carlson, chairman of Spectrum Economics Inc. in Mountain View, Calif.

People wanting to relocate from cold states to Arizona is one economic advantage the state will always have, he said.

### Economic outlook

2008 Mid-Year Economic Outlook Breakfast with Eller College of Management economists Marshall J. Vest and Gerald Swanson.

Date: June 4

Time: 7 to 8:45 a.m.

Place: Doubletree Hotel Tucson at Reid Park, 445 S. Alvernon Way

Cost: \$21, which includes breakfast

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"These individuals, the houses they own they've held for 20-plus years," Carlson said. "It doesn't matter if prices are down 10 or 15 percent, they'll sell and still make a profit."

Swanson disagreed and said the labeling of Arizona as a retiree state is a misnomer.

He said Arizona has a young population and efforts should be focused on education because the economic downturn has been especially tough for blue-collar workers.

Unemployment in that sector is close to 8 percent, compared with 2.2 percent for white-collar workers, he said.

"There's a clear message for everybody out there: Go to school," Swanson said.

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