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State forecasts tens of thousands of job losses into 2010

by **Steven Falkenhagen** - May. 1, 2009 06:58 AM
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A state forecast predicts that Arizona will lose tens of thousands of jobs in construction, trade and professional and business services for 2009 and 2010.

Overall, the state can expect 160,000 fewer jobs during that period, though the rate of job losses is predicted to slow in 2010, according to a state Department of Commerce report released Thursday.

Dennis Doby, the department's senior director of research administration, said that while the outlook for rest of the year is dreary, the number of job losses should begin to decrease in 2010 once consumers gain confidence in the economy and begin to spend.

"For businesses to hire, they need to see there is potential for revenues in the future," Doby said. "And consumers need to believe they're going to keep their jobs. I'm not going to go out and make any major purchases if I don't think I'm going to have a job in a few months."

Doby is projecting 146,200 Arizona job losses in 2009 and 21,600 job losses in 2010, for a total decline of 167,800 jobs.

Construction, trade and professional business services account for 75 percent of the jobs projected losses in 2009. Construction is forecast to lose 43,000 jobs, trade 38,800 jobs and professional business services 30,900 jobs.

Doby said the other keys for the recovery are lower prices for consumer items such as energy, food and housing that will encourage spending and the recently passed federal stimulus package to improve income and employment.

He expects the economy to reach bottom sometime in the second half of this year and preached patience for those eager for positive news about the economy.

"It took 16 months to get where we are, and it's going to take a while to crawl out," Doby said.

He said that weak employment growth should to begin in mid-2010.

Doby said only educational and health services is expected to post gains in 2009 and 2010. That sector should gain 5,000 jobs in 2009 and 4,800 jobs in 2010 due to the increasing number of baby boomers requiring additional medical care as they age, he said.

Doby said the numbers don't reflect potential effects of the swine flu, as the report was created before the outbreak began. He said if people quit traveling to Arizona because of the swine flu, additional losses would be expected in the leisure and hospitality industry.

Dennis Hoffman, an economist at Arizona State University's W.P. Carey School of Business, said the recession is the worst the state has seen in the post-World War II period. He attributed the state's dismal economy to Arizona's volatile housing market.

"Arizona will be among the hardest hit because our real estate market bubbled more than most in recent years," Hoffman said.

Marshall Vest, an economist at the University of Arizona's Eller College of Management, said impatience with the dismal economy will actually help it get back on track. He said people are tired of waiting for the economy to recover.

"People are tired of sitting on the sidelines holding their breath, waiting for the economy to improve," Vest said. "It's pent-up demand, at some point, people go out and begin spending again."

Vest said he expects the economy to recover soon.

"Now is a great time to buy a house in Phoenix," he said. "With low prices and low interest rates, money will start to flow again."