Anderson Forecast: U.S. economy mired in slump, but little chance of double-dip recession

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In its fourth quarterly report of 2011, the UCLA Anderson Forecast's outlook for the nation sees gross domestic product growth at a "below-trend rate" for the next five quarters.

Specifically, the forecast calls for a 2 percent growth rate for the current quarter and a sub–2 percent growth rate for most of 2012. Further down the road, GDP is forecasted to exceed 3 percent in 2013 as a number of contractionary forces continue to abate.

Despite the tepid numbers, the current national forecast is actually more optimistic in tone than the preceding forecasts in June and September. In California, the current forecast is for the recent surge in employment to abate while slow growth persists on average through 2012. The rest of the United States, the state's international trading partners and consumer purchases will combine to generate faster growth in 2013.

The national forecast

In his December 2011 report, UCLA Anderson Forecast senior economist David Shulman notes that despite a modestly growing GDP, the nation's labor market remains mired in a long slump.

In an essay not-coincidentally titled "The Long Slump," Shulman notes that next year will mark the fourth year in a row with an unemployment rate exceeding 9 percent, the worst performance of the postwar era.

"Put simply," Shulman writes, "there are currently 25 million Americans looking for full-time work."

And while the forecast calls for job growth on the order of 150,000 jobs per month, total payroll employment will still be 3 million jobs below the 2007 peak, and real personal income is still below the level reached in 2008.

That said, Shulman points out that recent economic data has improved, taking the threat of a double-dip recession off the table. Still, the forecast calls for real GDP growth at below-trend rate for the next five quarters.

In his conclusion, Shulman writes, "The United States is facing an unemployment crisis in a slow-growth economy. A modestly growing GDP on the order of 2 percent will not be sufficient to lower the unemployment rate much below 9 percent through 2013. Furthermore, government policy seems to be incapable of noticeably improving the situation. Indeed, the federal government will be reducing purchases during the forecast period. The economy will be sustained by modest increases in consumption and business investment along with the beginnings of a housing recovery in 2013."

The California forecast

In the California report, senior economist Jerry Nickelsburg takes note of some of the positive signs in the recent data being reported regarding the state's economy.

"The September employment numbers, released in late October, turned out to be a pleasant surprise," Nickelsburg writes. "Although other indicators did not predict stronger growth in payroll employment, there it was. October job growth has followed course, yielding the first signs of a nascent new recovery."

In a report titled "California: Recovery Part Deux?", Nickelsburg wonders if these positive signs portend a strong recovery, then suggests that the weak national and international outlook does not suggest that the recovery will be robust.

"What is important," Nickelsburg writes, "is that the last two months have yielded both job growth in excess of the U.S. rate and job growth which is widespread throughout the state."

The California forecast is similar to that of September. Employment growth of 1.4 percent and 2.1 percent is expected in 2012 and 2013, respectively. Payrolls will grow less rapidly, at 1.4 percent, and 1.2 percent and 2.0 percent for the next two forecast years. Real personal income growth is forecast to be 3.9 percent in 2011, followed by 2.6 percent and 2.1 percent in 2012 and 2013, respectively. The unemployment rate will hover around 11.6 percent through 2012.

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