

COMMUNITY COLLEGE UPDATE

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UCLA Economists Downgrade Forecast



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On April 10, 2020—citing the rapid rate of economic decline—the UCLA economists, who produce the quarterly Anderson Forecast, downgraded their predictions for the U.S. and California economy as a result of the coronavirus pandemic that has all but halted economic activity.

Senior economist David Shulman forecasts that real national gross domestic product (GDP) will decline by 7.75% from the first to the second quarter of 2020 and will decline by another 1.25% in the third quarter. The significant economic contraction will cause the U.S. unemployment rate to reach 13% in December 2020, equating to approximately 17 million job losses. The UCLA economists anticipate the economy will begin rebounding by 1% in the fourth quarter and accelerating in early 2021. However, they believe that unemployment levels will not recover to the year-end 2019 levels until late in 2022.

The unemployment picture for California will be grimmer, according to Anderson Forecast Director Jerry Nickelsburg. He predicts that California will lose approximately 2.2 million jobs, with the unemployment rate peaking at more than 16%. Moreover, the precipitous decline in income and sales tax revenue will stress state and local governments—which are currently under inordinate pressures in direct response to the pandemic. Similar to the U.S. employment recovery, California is not expected to recover from the significant job losses until late in 2022.

The UCLA economists caution that their recent forecast assumes the pandemic will abate along with the prolific shelter-in-place orders; however, this assumption can change and is heavily reliant on the virus itself, effective therapies, or the development of a vaccine.