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Economist Sees Signs of Life Amid a Desolate Financial Landscape

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By **Sonia Fernandez**, Noozhawk Staff Writer

The California Economic Forecast Project's Mark Schniepp says things won't be looking up for a while, but we could be on the upswing before the end of the year.

There is something of a light at the end of the tunnel for those struggling in the current economy, economist Mark Schniepp of the [California Economic Forecast Project](#) said Thursday, but things will likely get worse before they get better.

Speaking before a group of commercial real estate brokers at [Cabrillo Business Park](#), 6755 Hollister Ave., Schniepp gave the audience a rundown of the current economy and a snapshot of things to come.

While mortgage interest rates have dropped to 5 percent and continue to decline, and refinance activity has shot up, 50 percent to 75 percent of refinancing applications continue to be rejected because tighter standards are now requiring more equity and better credit.

"There are new credit standards, in fact, very severe credit standards, which rely on income verification," said Schniepp. "Only the best credit households with equity can refinance."



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Other elements of the current economy are reflected in widespread store closings, bank closures and escalating job losses.

Meanwhile, the tourism industry is slowing down, said Schniepp, debt is growing and bankruptcies are rising, foreclosures are at an all time high, credit is still frozen, and we're officially in a recession.

“We’re past the halfway point, though the worst is yet to come,” said Schniepp, predicting dismal results for the fourth quarter of 2008 and a very sluggish recovery that won’t start until around the third quarter of this year.

He said there are signs that the credit market could be thawing, however, and the recent drop in oil prices is also loosening things up.

The first meaningful sector to recover, said Schniepp, will be the housing sector, which he said will be the first thing to lead the country out of the recession, along with fiscal policy and export policy.

“We also look for a recovery in the labor market, but it won’t really start until the fourth quarter of this year,” he said.

Relative to other California counties, Santa Barbara County has not been as intensely affected by the recession. While there isn’t significant improvement in any of the economic sectors, there have been no collapses either, he said.

One of the most significant factors in the recovery from the recession, said Schniepp, will involve consumer confidence. The dramatic decline in the economy since September had largely to do with the reluctance of consumers to spend money in the face of the collapse of banking giants.

“A lot of what’s going on today is psychology,” Schniepp said. “The economy needs a psychiatrist more than it needs anything else.

“We need to get the word out that things aren’t in depression.”

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