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'09 economy likely to be 'a choppy ride'

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The new year is expected to be yet another difficult one on the economy, but that all depends on if, and how, the government intervenes to boost consumer confidence, local experts said.

As Americans learned over the past 12 months, when one sector of the economy struggles, other parts can suffer severely. And many sectors, such as the Fox Valley labor market, the real estate industry and the financial sector, will continue to experience hardship in 2009 and beyond, experts said.

Jobs

Hiring in the first quarter is expected to be slow for Fox Valley employers. Jobless rates will also remain high for awhile, a local labor expert said.

"As the year progresses, we'll see more of a positive turn," Diane Cooper of the Kane County Department of Employment and Education said.

But that rebound, Cooper said, is heavily dependent on actions taken by a new administration under President-elect Barack Obama.

"It depends on what direction (Obama) takes our country. Will (a rebound) happen overnight with the best intentions in the world? I don't think so," Cooper said.

Healthcare and transportation will likely remain strong in 2009, while retail and automotive businesses will take a hit. The outlook on manufacturing depends on the type of product being made, she said.

The Aurora area "still has employers who have really unique products that are still faring quite well in this economy. It's the one little ray of sunshine in a pretty depressing picture right now," she said.

Investments

Stewart Beach, who handles wealth management at Old Second National Bank, said the strength of the stock market might depend on the unemployment rate. Historically, when the stock market is up, more people are employed, he said.

And when more people are employed, they spend more. Consumer buying power alone represents about 70 percent of the overall economy, Beach said.

"With the uncertainty of the economy, the markets will continue to be very volatile," he said. "... We think it will be a choppy ride. It will trend up and trend down."

Beach predicted more banks will close as a slump in commercial real estate will weigh heavy on banking institutions. In a report from the Chicago Sun-Times, analysts projected tens of thousands of retailers will shutter as a result of dismal holiday sales.

Strip malls and shopping centers would then sit empty, and landlords and developers would lose money on those vacancies, creating further financial problems, Beach said.

Real estate

Although mortgage rates will drop to new lows, homeowners who bought in the last two years will have the most trouble refinancing, said Chip Wagner, a real estate appraiser in the Fox Valley.

He said appraised values on homes will continue to slide as more short sales and foreclosures make up the market, thereby skewing comparable prices. Short sales, foreclosures and bank-owned properties make up anywhere from 10 to 20 percent of the housing market in the Fox Valley, Wagner said.

"They're still pulling down the market with them," he said.

The good news: Wagner predicted that the volume of homes sold could stabilize in 2009. The drop in sales volume has started to bottom out in recent quarters, he said.

"Bottoming out is the first sign of this housing crisis and it may be three to four years before we really get back to where we were in 2005," Wagner said.

Wagner also said new economic policies are needed to "pull the country together." "It's just going to take some time to get out of the mess we're in."

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