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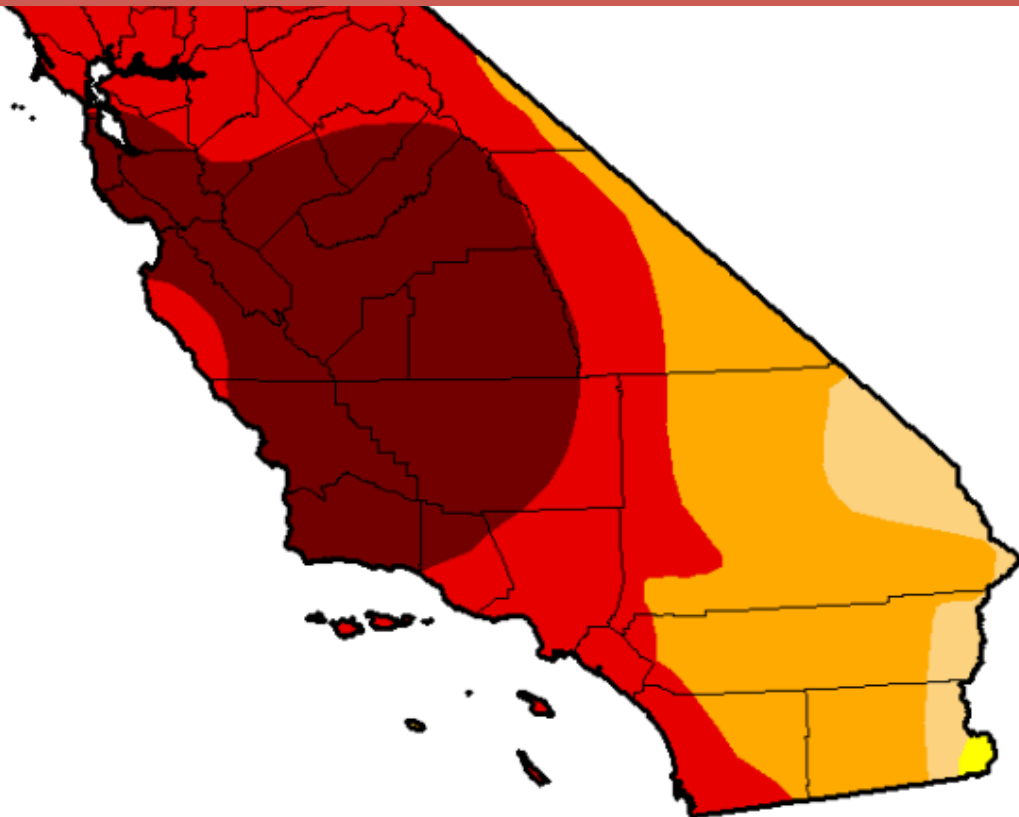
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Apr. 02, 2014

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The ongoing drought in California could dampen business and employment growth in coming years and have a ripple effect on several industries in the state, according to a UCLA report released Wednesday.

Economists said in the quarterly forecast that arid conditions in 2013, the driest year on record for the Golden State, could diminish the fishing and manufacturing sectors in the state. However, the effect depends on whether the drought is “normal” or the beginning of “a long arid period.”

California's employment could be suppressed about 0.2% during the next few years because of the drought, the report concluded.

“If the drought is like the ones we had before, which are plentiful in California, then

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That puts Los Angeles in last place among 32 of the largest metro areas in the U.S. when it comes to nonfarm job growth.

Among problems plaguing the city: the high cost of housing, congestion, lack of skilled workers and an unfriendly environment for businesses, said William Yu, an economist at the UCLA Anderson Forecast.

“It should not be surprising that a business is less likely to start up, relocate or expand its business in a city who is business unfriendly, especially when there are many other business-friendly cities from which to choose,” Yu wrote in the report.

Over the next year, however, UCLA economists do expect the state's economy to continue growing.

By the end of 2014, California's unemployment rate, which is currently at 8%, is forecast to slip to 7.8%. The jobless rate is expected to plunge to 6% by the end of 2016.

Nonfarm payroll growth is predicted to be at 2.2% by the end of this year. That pace may pick up to 2.3% by 2015 and then slip to 2% by 2016.

The national economy is also expected to shake off the winter doldrums and continue its steady recovery.

The polar vortex — which unleashed heavy snowstorms through much of the country — is partly responsible for a gross domestic product that grew only 1.4% in the first quarter of 2014. But a better housing market and improvements in areas such as factory production should kick the U.S. economy into an annualized growth rate of 3% through 2016, the report said.

David Shulman, senior economist at the UCLA Anderson Forecast, said that pace

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1.8% in 2013.

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