

San Diego's Economic Outlook



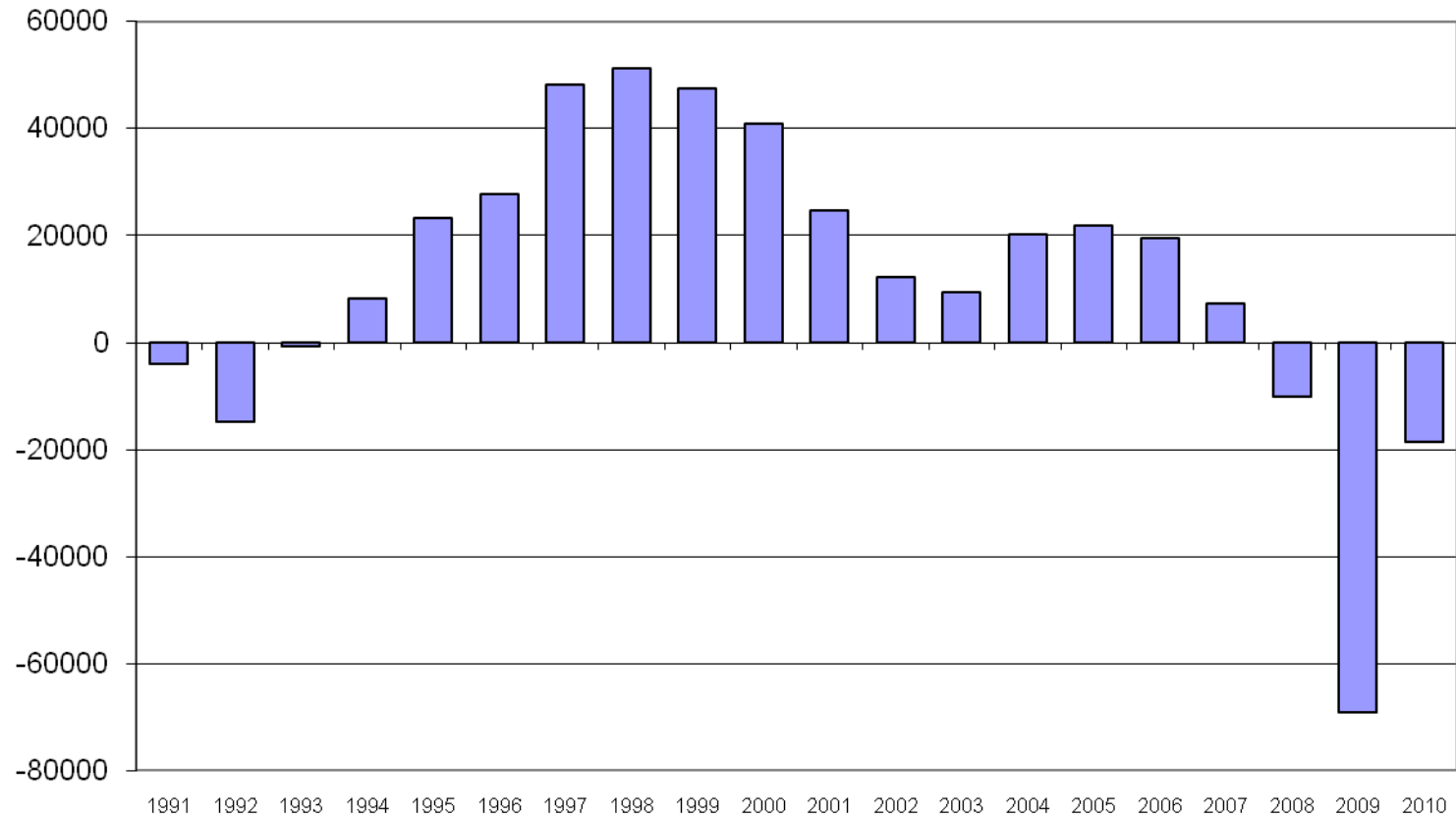
Alan Gin

Associate Professor of Economics
School of Business Administration

Where is the economy headed?

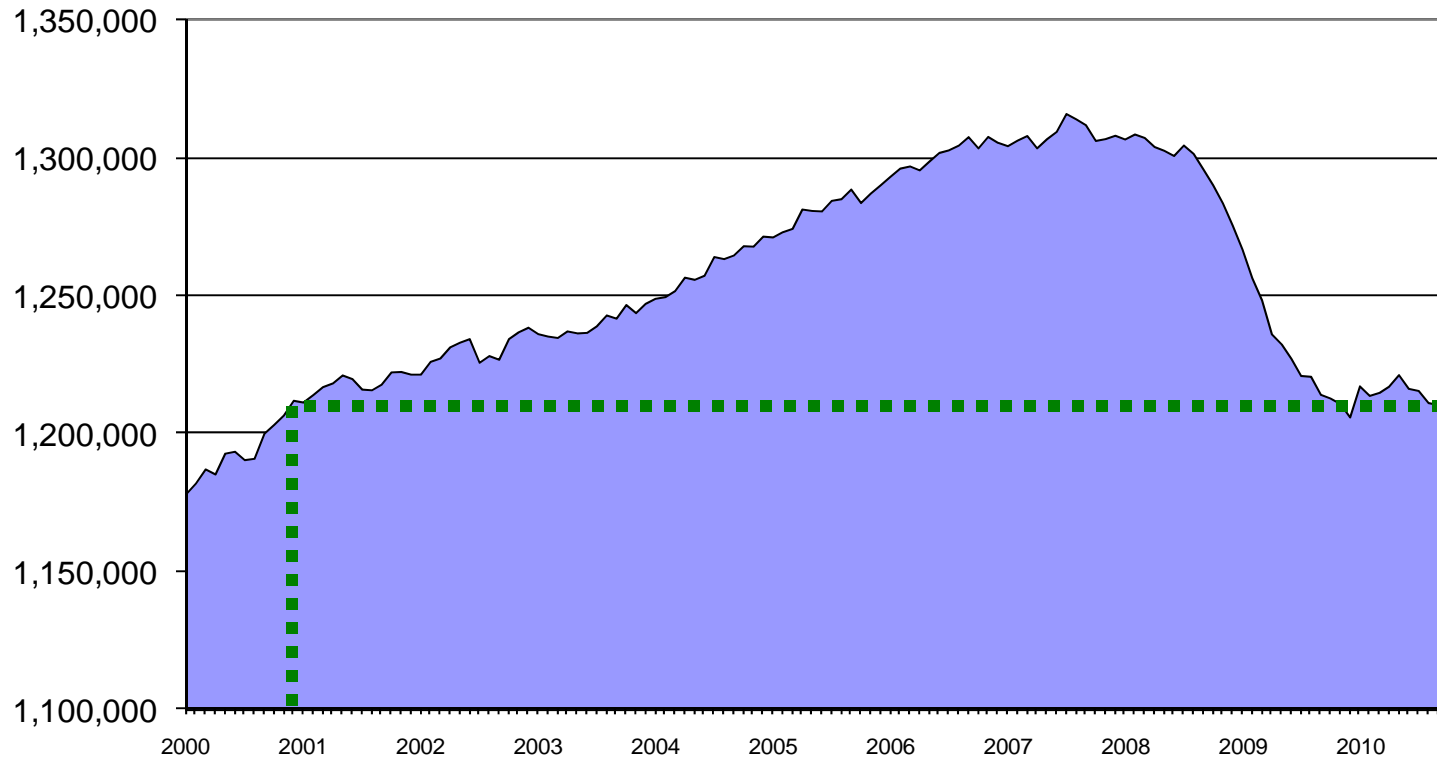


Employment Growth San Diego County (2000 - Present)



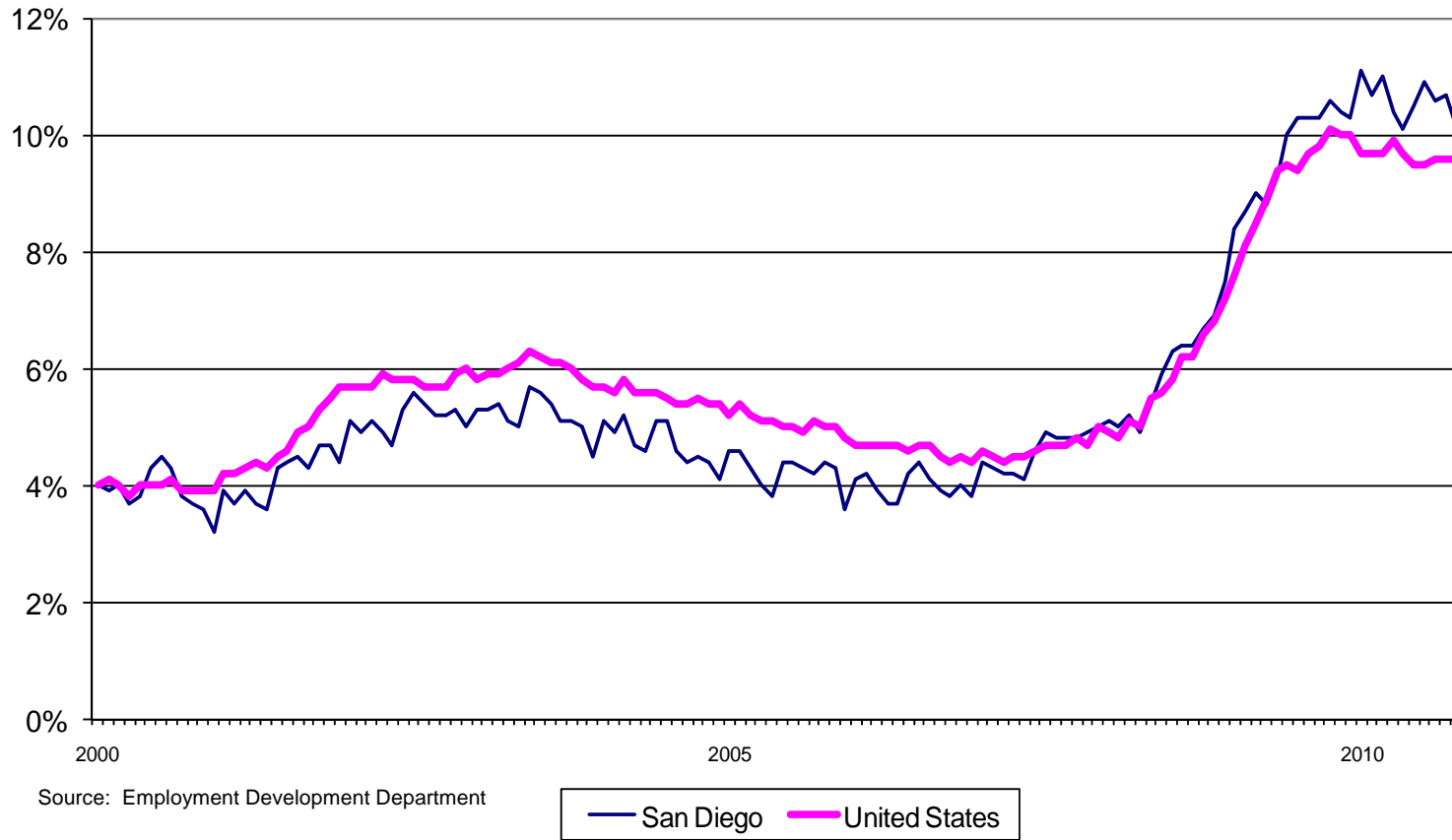
Source: Employment Development Department

Seasonally Adjusted Total Employment San Diego County (2000 - Present)

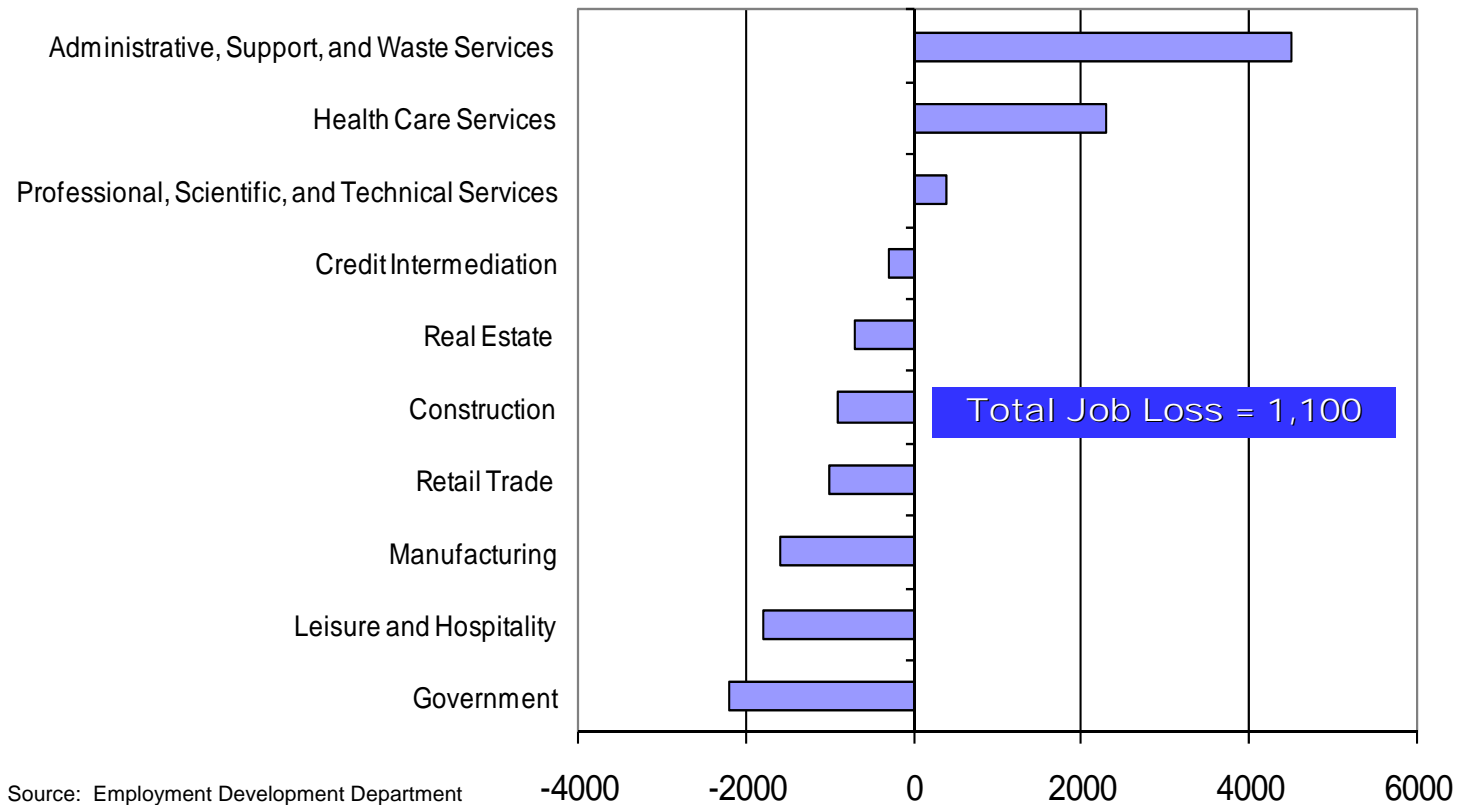


Source: Employment Development Department

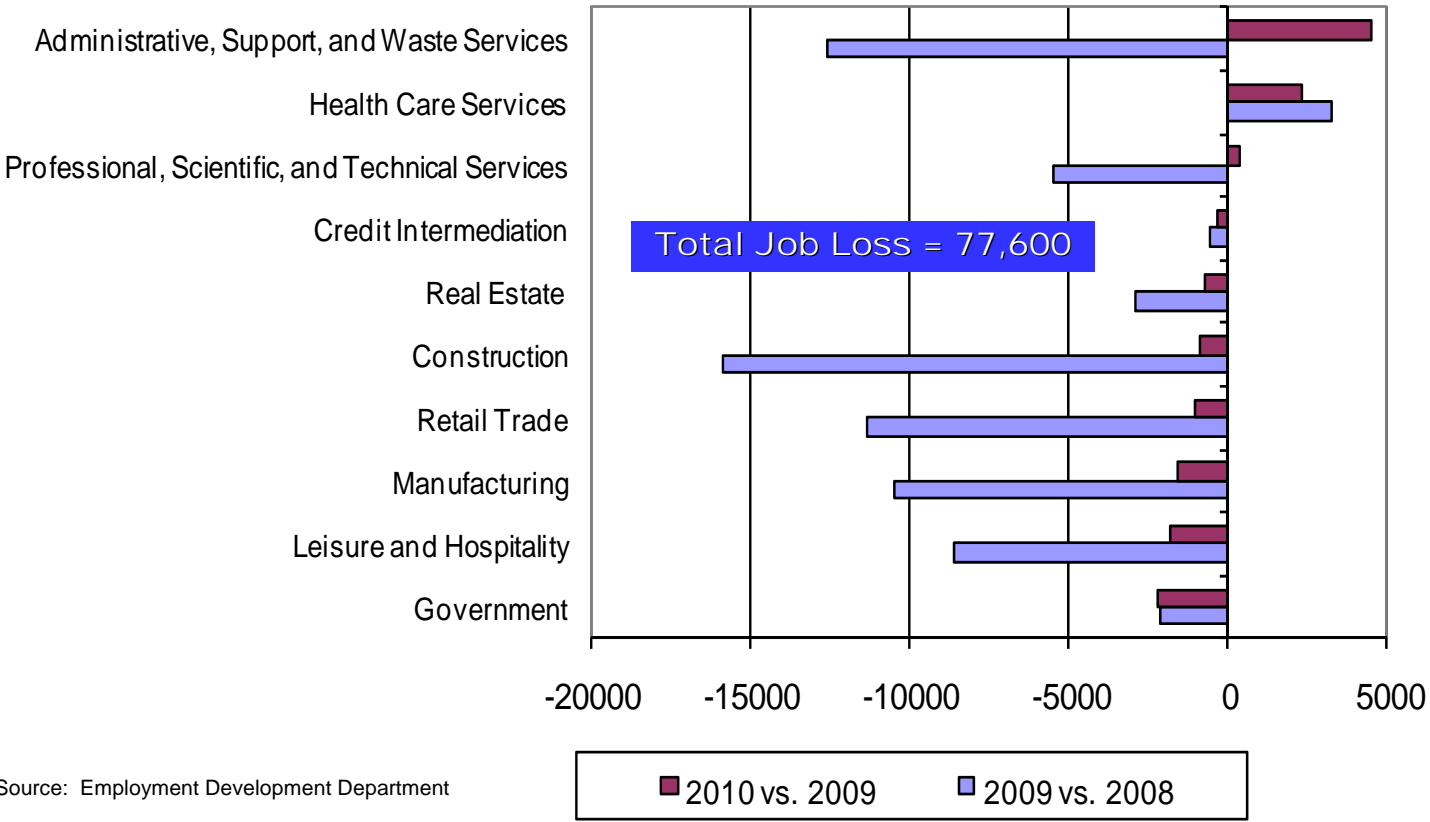
Unemployment Rate San Diego County vs. U.S (2000 - Present)



Employment Changes, San Diego County October 2010 vs. October 2009



Employment Changes, San Diego County October vs. October



Outlook for 2010

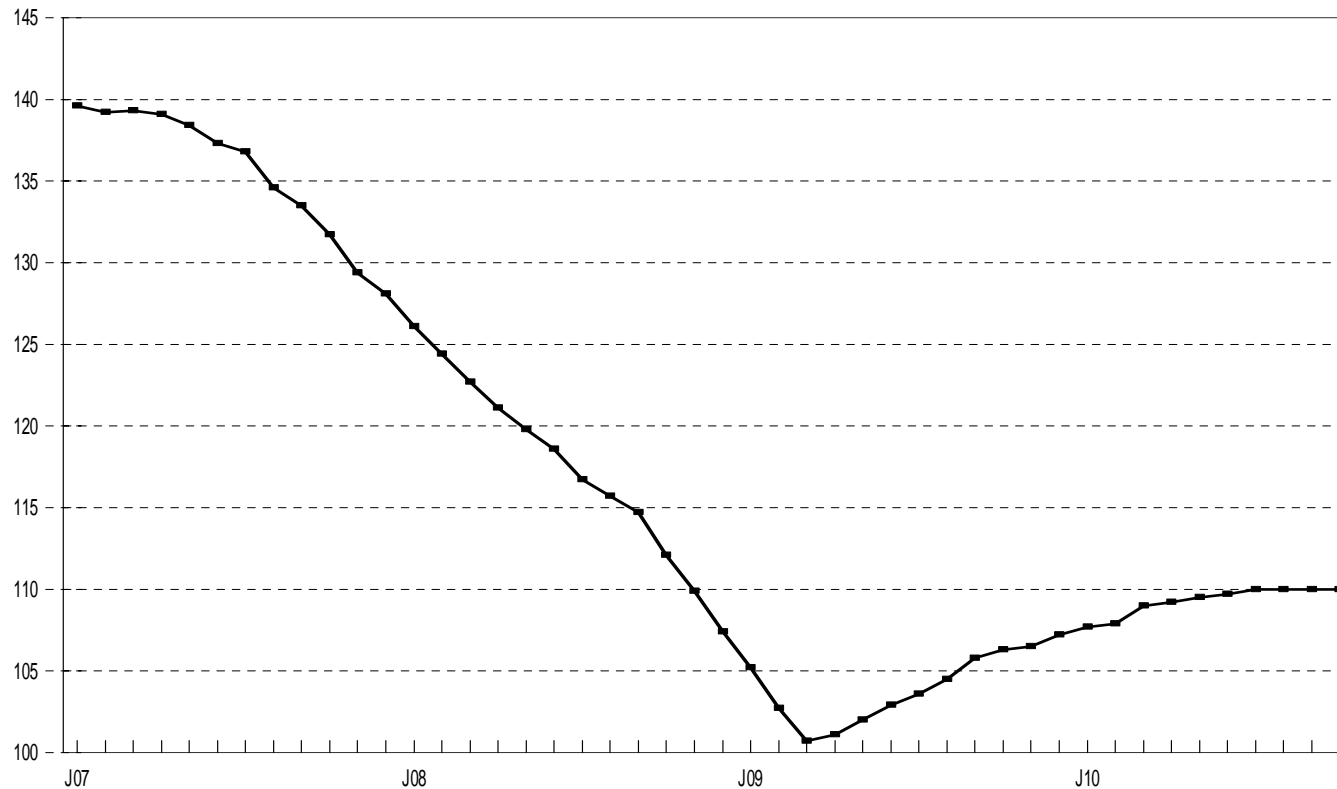


USD Index of Leading Economic Indicators for San Diego County

- Designed to lead local economy
- Components:
 - Residential units authorized by building permits
 - Local stock prices
 - Initial claims for unemployment insurance
 - Online help wanted advertising
 - Local consumer confidence
 - National Index of Leading Economic Indicators
- Short-term forecasting tool – 6-12 month outlook

Index of Leading Economic Indicators

San Diego County, 2007 - 2010

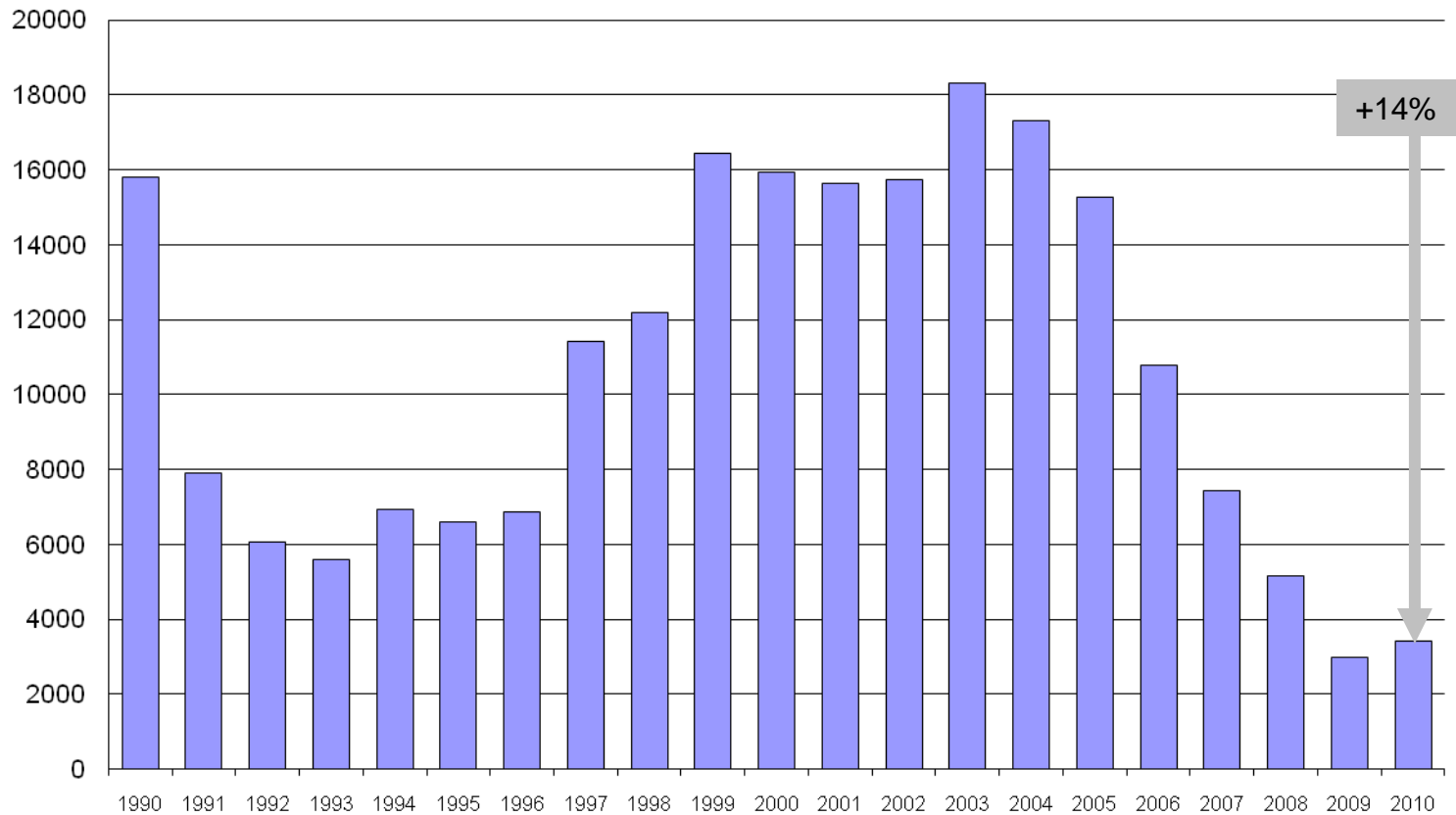


Source: Burnham-Moores Center for Real Estate, University of San Diego

October 2010

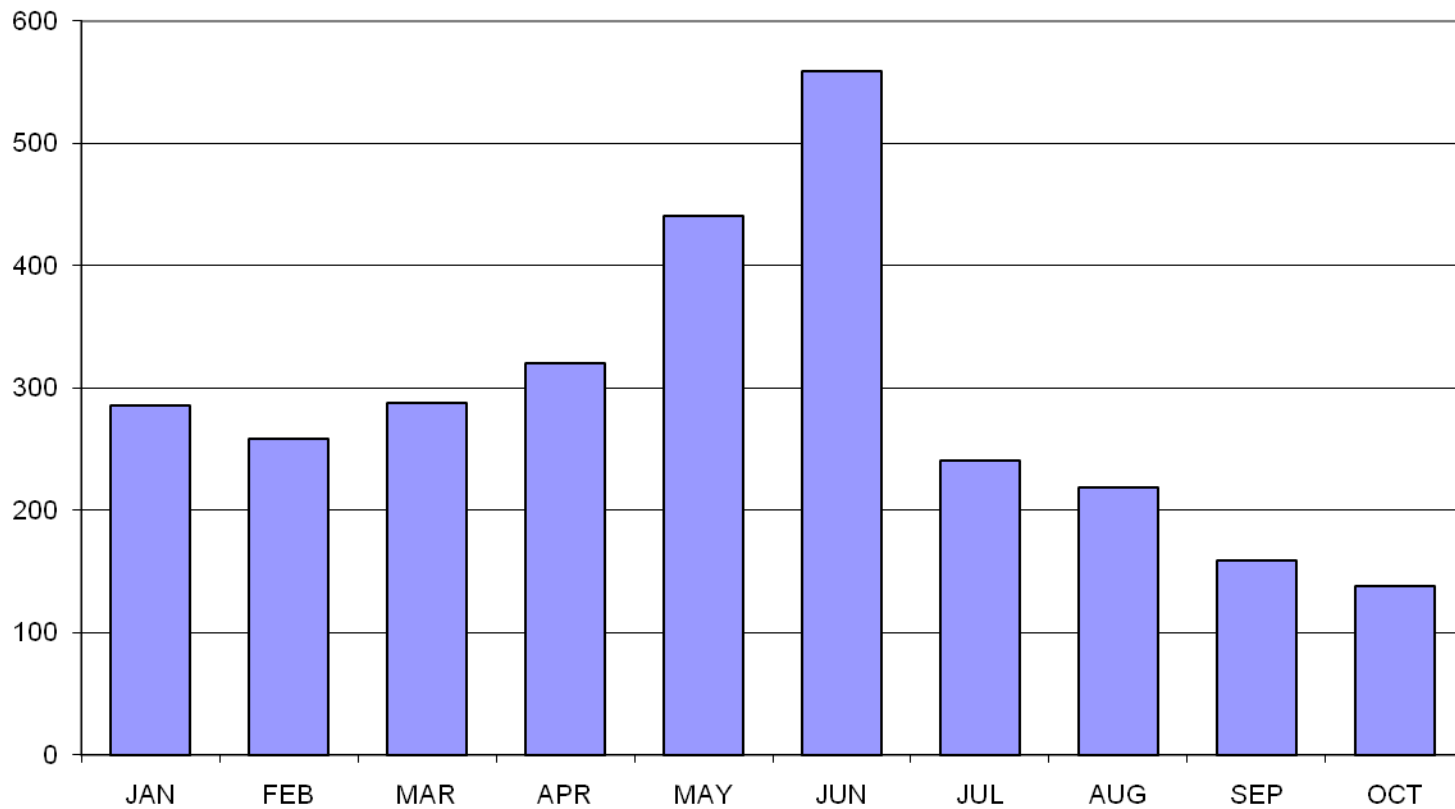
Index	+0.0%
Residential units authorized by building permits	-2.21%
Initial claims for unemployment insurance	+0.48%
Local stock prices	+0.65%
Local consumer confidence	+0.04%
Online help wanted advertising	+0.09%
National Index of Leading Economic Indicators	+1.05%

Residential Units Authorized San Diego County (1990 - Present)



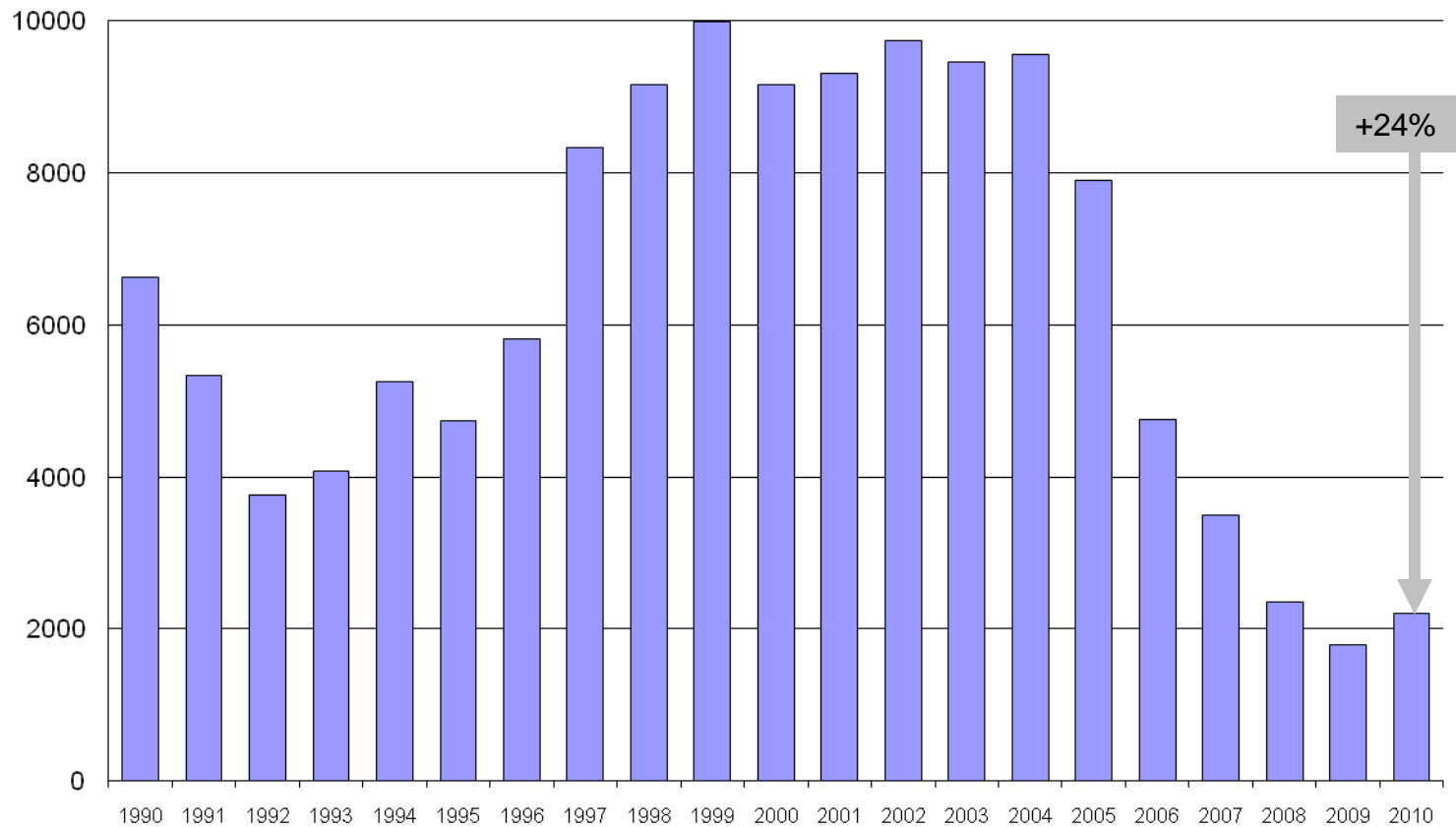
Source: Construction Industry Research Board

Residential Units Authorized San Diego County, 2010



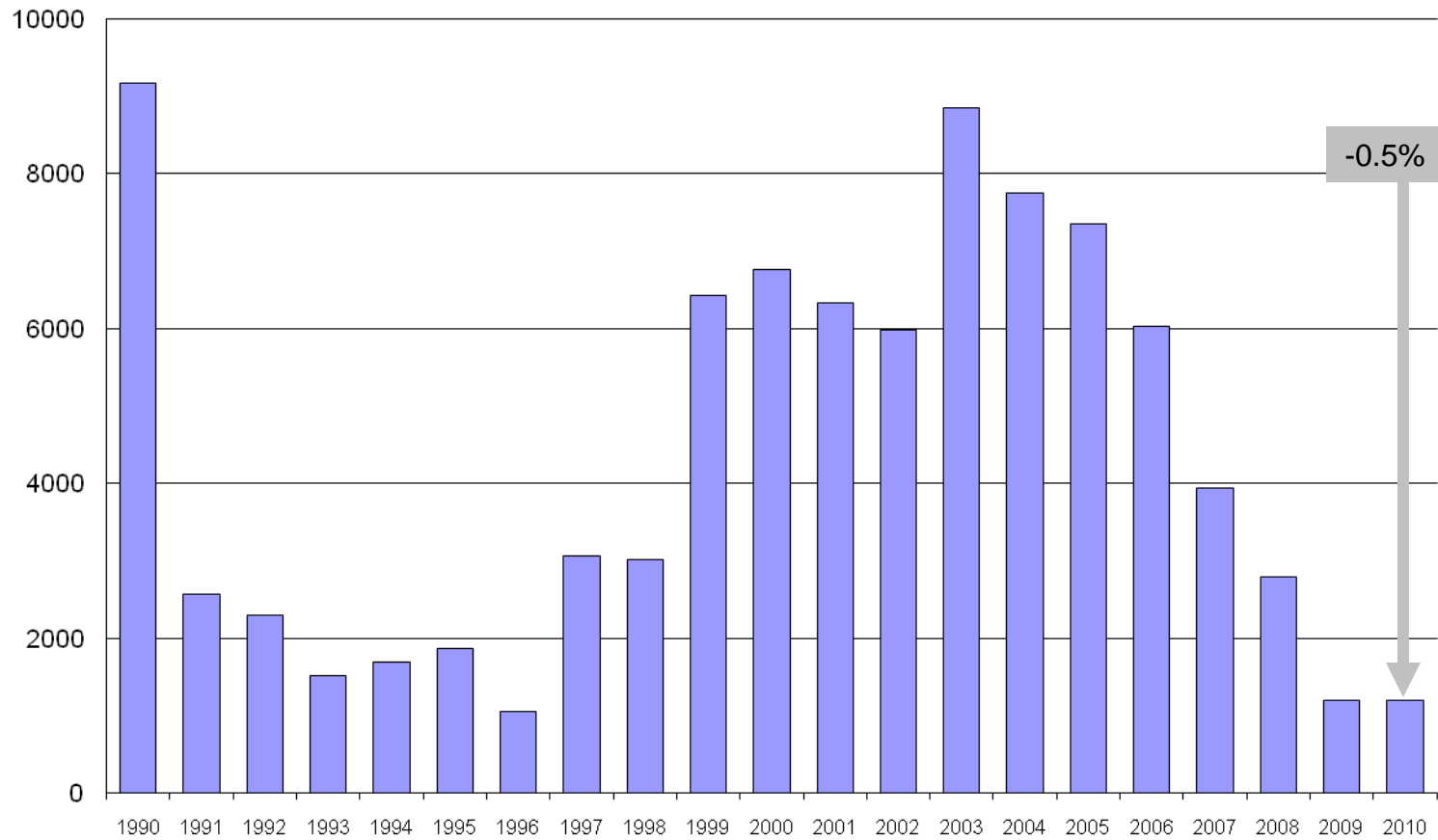
Source: Construction Industry Research Board

Single Family Units Authorized San Diego County (1990 - Present)



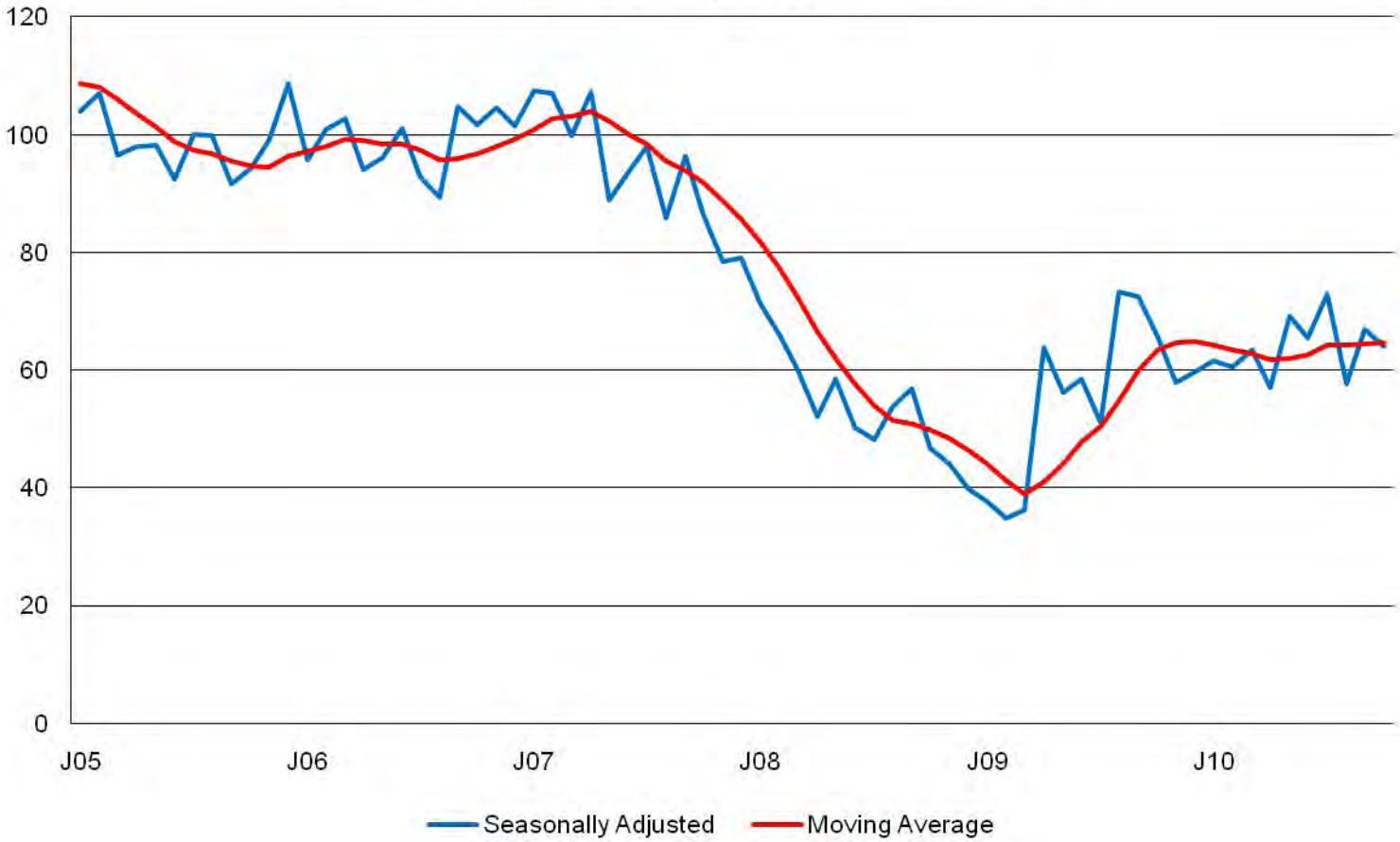
Source: Construction Industry Research Board

Multi-Family Units Authorized San Diego County (1990 - Present)



Source: Construction Industry Research Board

Consumer Confidence San Diego County (2005 - Present)



Outlook for 2011

- Positive but weak growth expected in year ahead
 - Bottom reached in last part of 2009, may be there for some time
 - Job growth of 10,000 expected for 2011
 - Building permits rebound to 5,000
 - Mid-single digit price gain for housing expected in 2011

Outlook for 2011

- Potential problems

- State and local budget deficits still a drag
- Federal budget deficit a long-term concern, but no problems so far with inflation and interest rates
- Businesses profitable but not hiring
 - Businesses streamlined supply chain during downturn
 - Job loss – consumer spending cut cycle

High
Unemployment

Investment
and Hiring
Down

Low Consumer
Confidence

Low Consumer
Spending

Outlook for 2011

- **Potential problems**

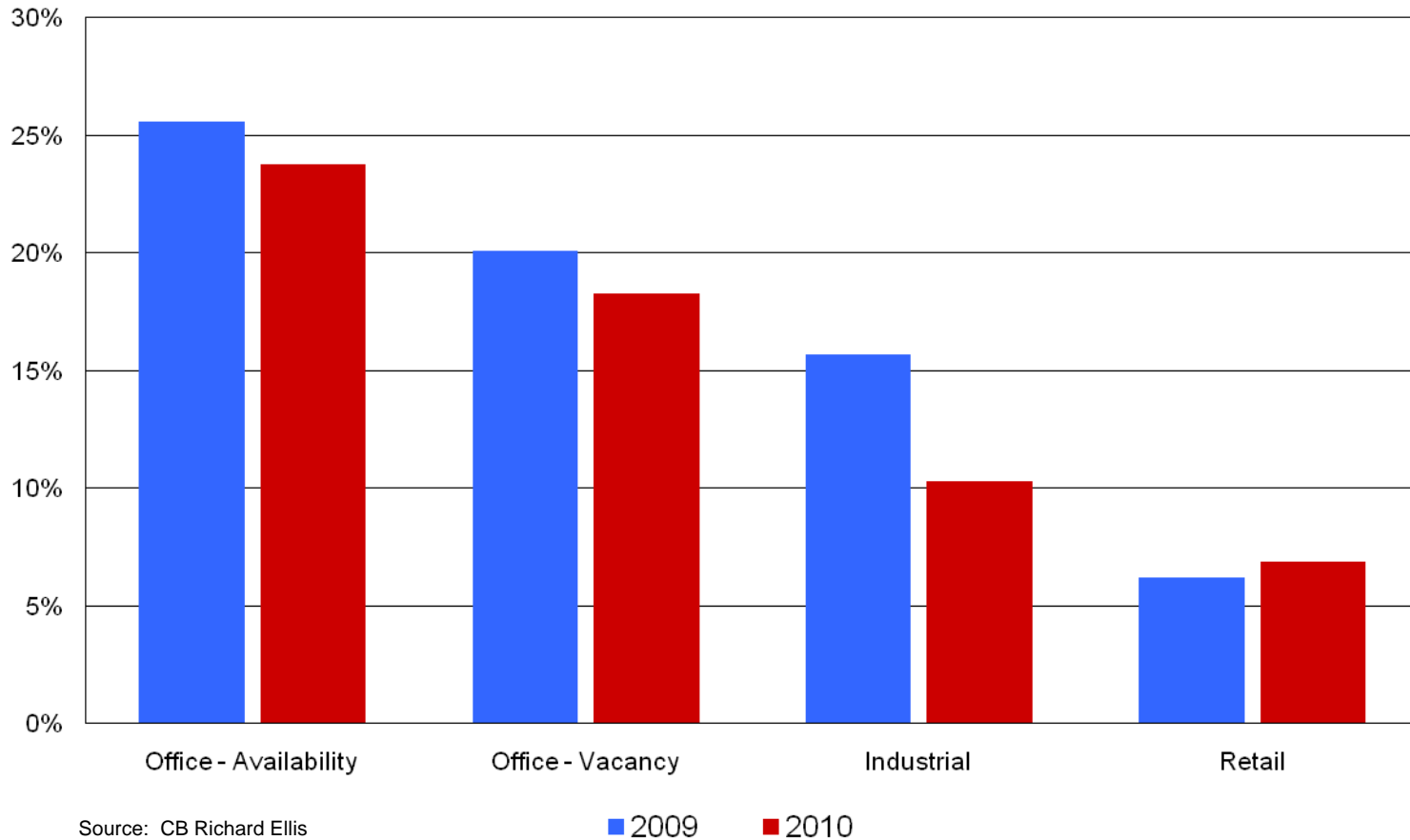
- Credit still tight
- Foreclosures continue to be a concern
 - Second wave due to job loss
 - Easing due to increased home prices, moratorium due to irregularities by financial institutions

Outlook for 2011

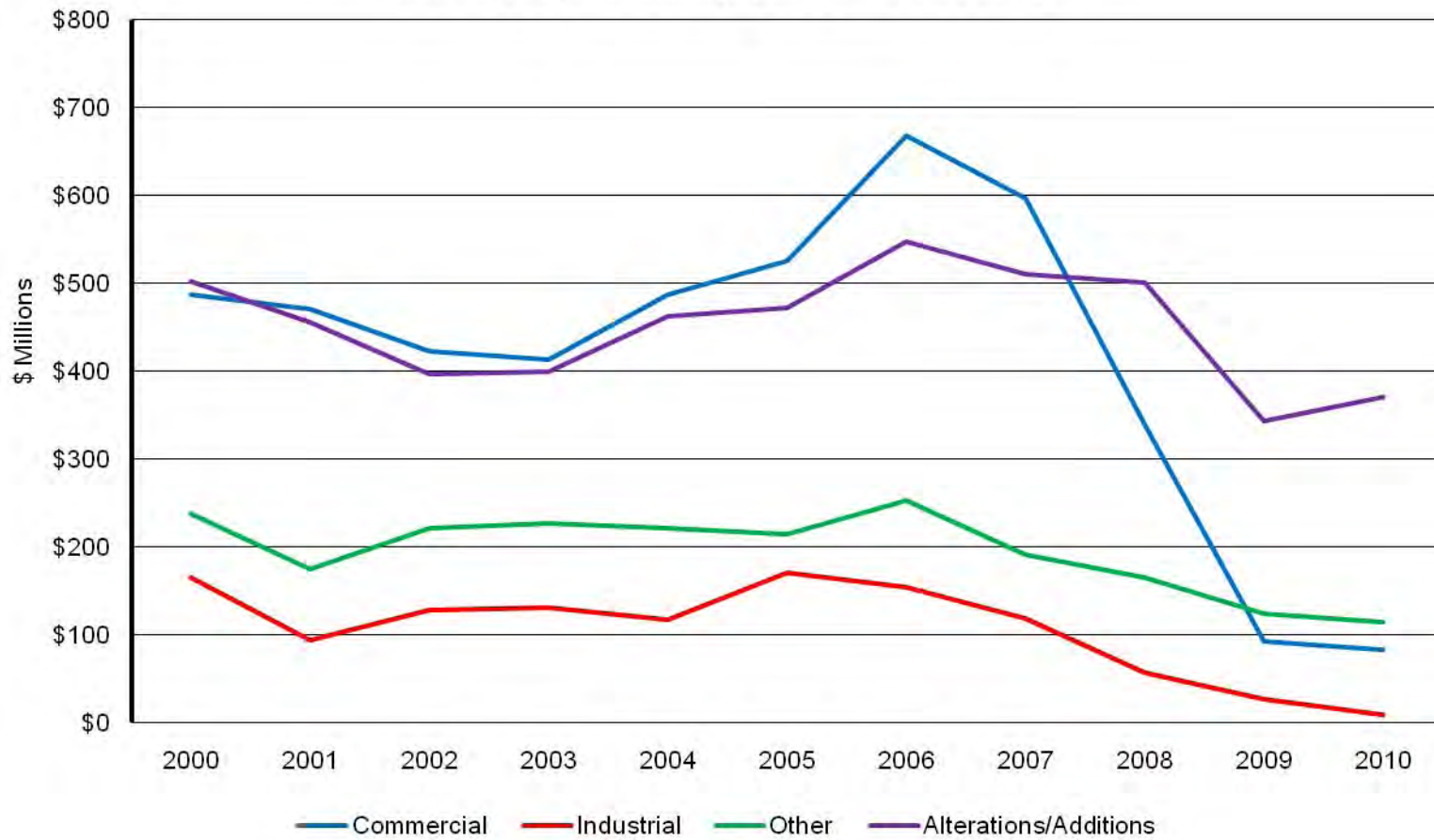
- **Potential problems**

- Is commercial real estate the next shoe to drop?
 - All sectors (retailing, office, hotels) under pressure
 - Some firming in retail due to pent-up demand?
 - Apartments holding up

Commercial Vacancy Rates San Diego County (3rd Quarter)



Nonresidential Building Permits San Diego County (2000 - Present)



San Diego's Economic Future

- **Targeted sectors**
 - Defense / security
 - Medical / biotech
 - Communications / software
 - Green tech

