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)

Source: Employment Development Department
Employment Changes, San Diego County
October 2010 vs. October 2009

Administrative, Support, and Waste Services
Health Care Services
Professional, Scientific, and Technical Services
Credit Intermediation
Real Estate
Construction
Retail Trade
Manufacturing
Leisure and Hospitality
Government

Total Job Loss = 1,100

Source: Employment Development Department
Employment Changes, San Diego County
October vs. October

- Administrative, Support, and Waste Services
- Health Care Services
- Professional, Scientific, and Technical Services
- Credit Intermediation
- Real Estate
- Construction
- Retail Trade
- Manufacturing
- Leisure and Hospitality
- Government

Total Job Loss = 77,600

Source: Employment Development Department

2010 vs. 2009  2009 vs. 2008
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

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

+24%
Multi-Family Units Authorized
San Diego County (1990 - Present)

Source: Construction Industry Research Board
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)

Source: CB Richard Ellis
San Diego’s Economic Future

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