

BURNHAM-MOORES

CENTER FOR REAL ESTATE
UNIVERSITY OF SAN DIEGO

Leading Economic Indicators Down in June

Note: The tentative release date for next month's report is August 25.

July 26, 2011 -- The USD Burnham-Moores Center for Real Estate's Index of Leading Economic Indicators for San Diego County fell 0.2 percent in June. The drop was led by a sharp decrease in consumer confidence and featured moderate declines in building permits, initial claims for unemployment insurance, and local stock prices. These outweighed a big increase in help wanted advertising and a more modest gain in the outlook for the national economy to push the USD Index to its first loss in 27 months.

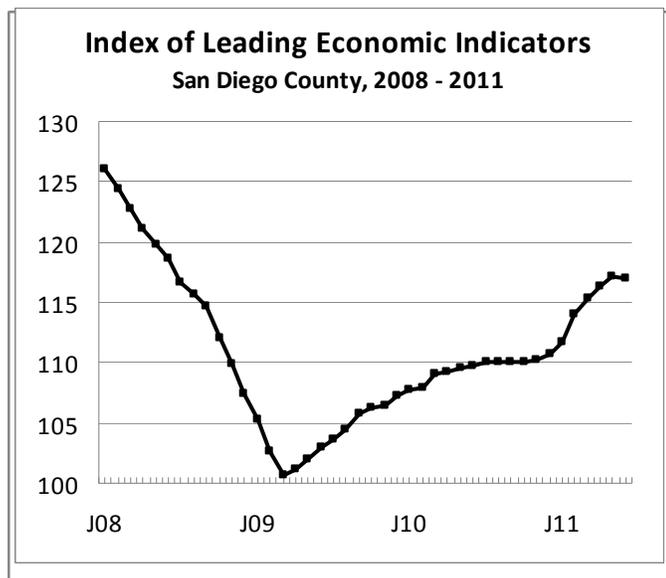
Although a downturn in the local economy is not imminent, the first drop in the USD Index in more than two years is a cause for concern. Economists usually look for three consecutive changes in one direction in a leading index as a signal of a turning point in an economy, so it remains to be seen whether this is a beginning of a trend or simply a one month aberration. The data on the local economy, particularly the labor market, is mixed. Although the unemployment rate increased in June (see below), wage and salary job growth was solid, especially on a year-over-year basis. Average employment for the first six months of 2011 is up almost 17,000 jobs compared to the same period in 2010. The sectors showing the strongest gains are administrative, support, and waste services (+4,650 jobs), leisure and hospitality (+4,500), health care (+4,400), and professional, scientific, and technical services (+4,000). Only construction (-2,000) was down significantly.

	Index of Leading Economic Indicators The index for San Diego County that includes the components listed below (June) Source: USD Burnham-Moores Center for Real Estate	- 0.2%
	Building Permits Residential units authorized by building permits in San Diego County (June) Source: Construction Industry Research Board	- 0.76%
	Unemployment Insurance Initial claims for unemployment insurance in San Diego County, inverted (June) Source: Employment Development Department	- 0.49%
	Stock Prices San Diego Stock Exchange Index (June) Source: <i>San Diego Daily Transcript</i>	- 0.61%
	Consumer Confidence An index of consumer confidence in San Diego County (June), estimated Source: The Conference Board	- 1.06%
	Help Wanted Advertising An index of online help wanted advertising in San Diego (June) Source: Monster Worldwide	+ 1.09%
	National Economy Index of Leading Economic Indicators (June) Source: The Conference Board	+ 0.68%

Highlights: After starting the year strongly, **residential units authorized by building permits** slowed dramatically in the last couple of months. Revised data for May showed that zero multi-family residential units were authorized in the month, the first time ever that no units were authorized in a month. For the first half of the year, total residential units authorized were up more than 38 percent when compared to the first half of 2010. All of that gain came from multi-family units, which were up 115 percent. Single-family units authorized were actually down about 4 percent in the same period. . . The labor market variables were mixed in June. Job losses surged, leading **initial claims for unemployment insurance** to turn negative after five straight positive months. On the positive side, hiring remains solid as **help wanted advertising** advance for the sixth consecutive month. The net result is that the local unemployment rate rose sharply to 10.4 percent in June from 9.6 percent in May, breaking a modest two month string where the unemployment rate was below 10 percent. . . **Consumer confidence** continues to fall as gas prices remain relatively high and the labor market shows no sign of improving quickly. This is significant because consumer activity represents two-thirds or more of economic activity. . . **Local stock prices** fell in June along with the rest of the financial markets as investors turned negative on the outlook for the economy. . . Despite some weakness in a number of economic variables, the **national Index of Leading Economic Indicators** was up again in June. Although growth in GDP for the first quarter was slow, it was still positive. The same can be said for national employment growth in May and June, which was positive but very weak.

June's decrease puts the USD Index of Leading Economic Indicators for San Diego County at 117.0, down from May's reading of 117.2. Revised data for building permits and the national Index of Leading Economic Indicators led to the change for April being revised upward from +0.9 percent to +1.0 percent, but there were no other changes. Please visit the Website address given below to see the revised changes for the individual components. The values for the USD Index for the last year are given below:

		Index	% Change
2010	JUN	109.7	+0.2
	JUL	110.0	+0.3
	AUG	110.0	+0.0
	SEP	110.0	+0.0
	OCT	110.0	+0.0
	NOV	110.2	+0.3
	DEC	110.7	+0.4
2011	JAN	111.7	+1.0
	FEB	114.0	+2.0
	MAR	115.3	+1.2
	APR	116.4	+1.0
	MAY	117.2	+0.7
	JUN	117.0	- 0.2



For more information on the University of San Diego's Index of Leading Economic Indicators, please contact:

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