

# BURNHAM-MOORES

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## CENTER FOR REAL ESTATE UNIVERSITY OF SAN DIEGO

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### Leading Economic Indicators Unchanged in August

Note: The tentative release date for next month's report is October 26.

September 29, 2010 -- The University of San Diego's Index of Leading Economic Indicators for San Diego County was unchanged in August. Although there was no decline, the unchanged reading breaks a string of 16 consecutive increases in the USD Index. Four of the components were up: Help wanted advertising and the outlook for the national economy registered medium-sized gains while local stock prices and consumer confidence were positive but virtually unchanged. Rounding out a month that saw no significant changes in either direction, building permits declined moderately while initial claims for unemployment insurance were slightly negative.

August's unchanged reading is the latest sign of continued choppiness in the local economy. The USD Index has still not turned negative, so there is no sign of an impending downturn. But growth in the local economy is likely to be uneven, with fits and starts along the way. Job growth continues to be weak and will likely remain so for a long time. While better than in previous months, the economy is down almost 10,000 jobs in August compared to the same time last year. Among the hardest hit sectors are manufacturing (down 2,900 jobs), leisure and hospitality (2,700), government (2,300), retailing (2,200), finance and real estate (2,200), and construction (1,500). The only sectors showing year-over-year gains are health care (up 2,600) and (continued)

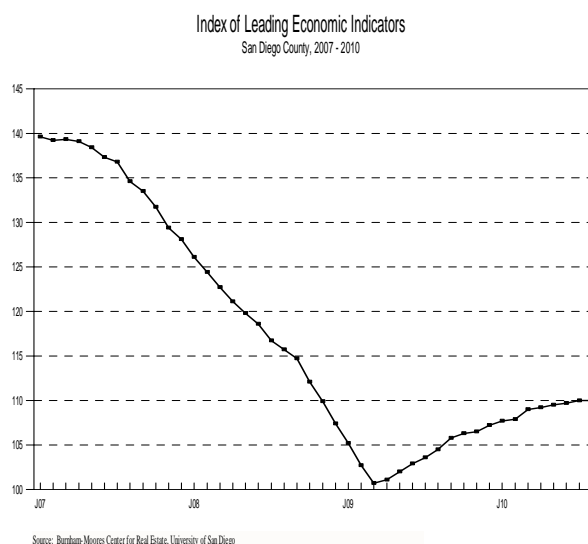
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|---|---|----------------|
|  | <b>Index of Leading Economic Indicators</b><br>The index for San Diego County that includes the components listed below (August)<br>Source: University of San Diego | <b>+ 0.0%</b>  |
|  | <b>Building Permits</b><br>Residential units authorized by building permits in San Diego County (August)<br>Source: Construction Industry Research Board            | <b>- 0.64%</b> |
|  | <b>Unemployment Insurance</b><br>Initial claims for unemployment insurance in San Diego County, inverted (August)<br>Source: Employment Development Department      | <b>- 0.13%</b> |
|  | <b>Stock Prices</b><br>San Diego Stock Exchange Index (August)<br>Source: <i>San Diego Daily Transcript</i>   | <b>+ 0.08%</b> |
|  | <b>Consumer Confidence</b><br>An index of consumer confidence in San Diego County (August)<br>Source: <i>San Diego Union-Tribune</i>                                | <b>+ 0.02%</b> |
|  | <b>Help Wanted Advertising</b><br>An index of online help wanted advertising in San Diego (August)<br>Source: Monster Worldwide                                     | <b>+ 0.35%</b> |
|  | <b>National Economy</b><br>Index of Leading Economic Indicators (August)<br>Source: The Conference Board  | <b>+ 0.53%</b> |

business and professional services (2,700). The latter category is important because it is largely due to big increases in temporary employment, which is often a precursor to full-time employment.

**Highlights:** **Residential units authorized by building permits** turned negative in August after advancing for eight months in a row. Despite the downturn, permits are still more than 32 percent ahead of the pace of 2009. One indication of the difference in the two years is that 141 multi-family units were authorized in August this year versus only six in August of 2009. . . The labor market components remain mixed, although the rate of change slowed for both. **Initial claims for unemployment insurance** were negative for the fifth consecutive month, but the drop was the smallest of the five months. On the hiring side of the labor market, **help wanted advertising** rose for the tenth straight month, but the gain was less than in recent months. The net result was that the local unemployment rate fell to 10.6 percent in August from a rate of 10.9 percent in July. . . The trend in **local consumer confidence** has shifted to being virtually flat after recent gains. The raw value for consumer confidence actually fell sharply in August, but the USD Index uses a moving average to smooth out month-to-month fluctuations and capture the overall trend. . . **Local stock prices** are calculated using the average daily value for the entire month. That methodology yielded a gain for local stocks in August, even though stock prices fell by more than five percent from the beginning of the month to the end. The average daily value in August was higher than the average daily value in July. . . Despite concerns about a “double dip” recession, the **national Index of Leading Economic Indicators** has now been up in 15 of the last 17 months.

August's increase puts the USD Index of Leading Economic Indicators for San Diego County at 110.0, unchanged from July's revised reading. Revised values for building permits for July and for the national Index of Leading Economic Indicators for June and July led to revisions in the Index for those months but did not affect the previously reported 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 |
|------|-----|-------|----------|
| 2009 | AUG | 104.5 | +0.9     |
|      | SEP | 105.8 | +1.2     |
|      | OCT | 106.3 | +0.5     |
|      | NOV | 106.5 | +0.1     |
|      | DEC | 107.2 | +0.7     |
| 2010 | JAN | 107.7 | +0.5     |
|      | FEB | 107.9 | +0.2     |
|      | MAR | 109.0 | +1.0     |
|      | APR | 109.2 | +0.1     |
|      | MAY | 109.5 | +0.3     |
|      | JUN | 109.7 | +0.2     |
|      | JUL | 110.0 | +0.3     |
|      | AUG | 110.0 | +0.0     |



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