

# BURNHAM-MOORES

---

## CENTER FOR REAL ESTATE UNIVERSITY OF SAN DIEGO

### Leading Economic Indicators Up in July

Note: The tentative release date for next month's report is September 28.

August 31, 2010 -- The University of San Diego's Index of Leading Economic Indicators for San Diego County rose 0.3 percent in July. Leading the move to the upside were strong gains in local consumer confidence and help wanted advertising. Building permits and the outlook for the national economy were also positive, but to a lesser extent. On the downside, initial claims for unemployment insurance rose sharply, which is a negative, and local stock prices were down slightly. With July's gain, the USD Index has now increased for 16 months in a row.

There have been concerns about a possible "double dip" recession at the national level and similar worries about the local economy. The USD Index remaining positive suggests that a downturn in the local economy is not on the horizon, but as has been indicated in previous reports, growth is likely to be very weak. What is keeping the economy stagnant both locally and nationally is a high unemployment/low consumer spending cycle. With the local unemployment rate above 10 percent for 14 straight months and incomes for many households flat or declining, consumer confidence in the economy has fallen. With confidence down, consumers are spending less and businesses are selling less, which means that hiring is slow and the cycle is perpetuated. Through streamlining their operations to achieve greater efficiency, companies have been able (continued)

	<b>Index of Leading Economic Indicators</b> The index for San Diego County that includes the components listed below (July) Source: University of San Diego	<b>+ 0.3%</b>
	<b>Building Permits</b> Residential units authorized by building permits in San Diego County (July) Source: Construction Industry Research Board	<b>+ 0.29%</b>
	<b>Unemployment Insurance</b> Initial claims for unemployment insurance in San Diego County, inverted (July) Source: Employment Development Department	<b>- 0.92%</b>
	<b>Stock Prices</b> San Diego Stock Exchange Index (July) Source: <i>San Diego Daily Transcript</i>	<b>- 0.35%</b>
	<b>Consumer Confidence</b> An index of consumer confidence in San Diego County (July) Source: <i>San Diego Union-Tribune</i>	<b>+ 1.28%</b>
	<b>Help Wanted Advertising</b> An index of online help wanted advertising in San Diego (July) Source: Monster Worldwide	<b>+ 1.08%</b>
	<b>National Economy</b> Index of Leading Economic Indicators (July) Source: The Conference Board	<b>+ 0.18%</b>

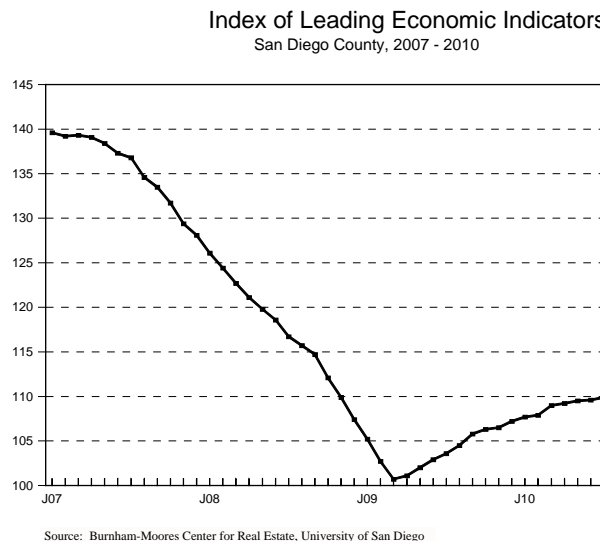


to earn solid profits even during this downturn. Due to the streamlining, some of the jobs lost will never come back, and the lack of consumer spending is causing some businesses to be content with sitting on huge amounts of cash as opposed to hiring more workers. The cycle seems to have stabilized in that the economy is not cycling downward, but there is no upward momentum either.

**Highlights:** The trend for **residential units authorized by building permits** was positive for the eighth month in a row, although the gain was not very large. Developers are reacting positively but cautiously to a housing market that has seen prices increase by nearly 13 percent according to the Case-Shiller Home Price Index since the bottom in April 2009. . . For the fourth straight month, **initial claims for unemployment insurance** were negative while there was an increase in **help wanted advertising**. The implication is that while businesses have increased their hiring, job loss remains a big problem for the local economy. The net result was that the local unemployment rate rose to 10.8 percent in July from a rate of 10.5 percent in June. . . **Local consumer confidence** rose for the third consecutive month as the raw value for that component reached its highest level since September of last year. . . **Local stock prices** fell with the rest of the financial markets as investors reacted to continued negative economic data. . . While the **national Index of Leading Economic Indicators** rebounded to a gain in July after falling the previous month, the national economy continues to slow. The “second” estimate of Gross Domestic Product (GDP) growth came in at a very weak 1.6 percent for the second quarter of this year. This was after a gain of 5.0 percent in the fourth quarter of 2009 and 3.7 percent in the first quarter of 2010.

July’s increase puts the USD Index of Leading Economic Indicators for San Diego County at 109.9, up from June’s revised reading of 109.6, down from the originally reported level of 109.7. Revisions were made in the national Index of Leading Economic Indicators for March, April, and June, but the only change was in the level of the Index for June. 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	JUL	103.6	+0.6
	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	109.6	+0.2
	JUL	109.9	+0.3



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

Professor Alan Gin	TEL: (858) 603-3873
School of Business Administration	FAX: (858) 484-5304
University of San Diego	
5998 Alcalá Park	E-mail: <a href="mailto:agin@san.rri.com">agin@san.rri.com</a>

San Diego, CA 92110

Website: <http://www.sandiego.edu/~agin/usdlei>