

# BURNHAM-MOORES

CENTER FOR REAL ESTATE  
UNIVERSITY OF SAN DIEGO

## Leading Economic Indicators Down in September

November 10, 2006 --The University of San Diego's Index of Leading Economic Indicators for San Diego County fell 0.3 percent in September, not 0.6 percent as was previously reported.

Three components -- building permits, initial claims for unemployment insurance, and help wanted advertising -- were negative during the month, with the first two down sharply. Local stock prices, consumer confidence, and the outlook for the national economy were positive, but only slightly so.

Despite, the revision the outlook continues to be for a significant slowing in the economy in early 2007.

After the release of the USD Index of Leading Economic Indicators report of November 9, notification was received that the data for local consumer confidence had been incorrectly reported to USD. Instead of falling to a 3 1/2 year low, local consumer confidence actually increased in September, probably due to falling gas prices.

With September's decrease, the USD Index of Leading Economic Indicators has now fallen for six months in a row. One positive development was that the number of advancing components to declining ones was even at three apiece. This was the first time that the ratio had not been negative since the Index began its slide in the spring. As previously indicated in this space, job growth is expected to cool considerably in the year ahead. Other areas that will feel the impact of this slowing will be the housing market, where prices and sales are expected to remain weak for most of the 2007, and in retail sales.



### Index of Leading Economic Indicators

- 0.3 %

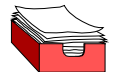
The index for San Diego County that includes the components listed below (September)  
Source: University of San Diego



### Building Permits

- 1.04%

Residential units authorized by building permits in San Diego County (September)  
Source: Construction Industry Research Board



### Unemployment Insurance

- 1.36%

Initial claims for unemployment insurance in San Diego County, inverted (September)  
Source: Employment Development Department



### Stock Prices

+ 0.42%

San Diego Stock Exchange Index (September)  
Source: *San Diego Daily Transcript*



### Consumer Confidence

+ 0.09%

An index of consumer confidence in San Diego County (September)  
Source: *San Diego Union-Tribune*



## Help Wanted Advertising

An index of print and online help wanted advertising  
in San Diego (September)

Source: Monster Worldwide, *San Diego Union-Tribune*

- 0.17%



## National Economy

Index of Leading Economic Indicators (September)

Source: The Conference Board

+ 0.28%

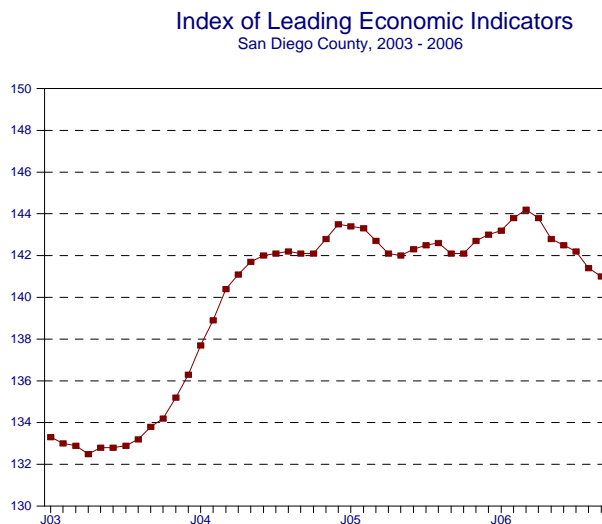
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**Highlights: Residential units authorized** by building permits continued to slide as homebuilders reacted to the weak housing market by reducing construction activity. Residential units authorized through the end of the third quarter of 2006 were down 32 percent compared to the same period in 2005. Single-family units authorized bore the brunt of the decline, having dropped more than 40 percent compared to last year. Multi-family units authorized were down a smaller but still significant 22 percent. . . The labor market variables remain weak. **Initial claims for unemployment insurance** rose for the sixth straight month, albeit from historically low levels. On the hiring side of the job market, **help wanted advertising** fell in September as online advertising pulled back after a strong increase in August. The weakest sector for online advertising was food preparation and serving due to the ending of the summer tourism season. There is not enough data yet on online advertising to do seasonal adjustment at this point. Despite the weakness in the labor market variables, the local unemployment rate fell below the 4 percent mark to finish at 3.9 percent for September. . . Falling gas prices gave local **consumer confidence** a boost in September as prices fell below \$3 a gallon for the first time in months. . . **Local stock prices** finally joined the rally in stocks that saw the Dow Jones Industrial Average hitting new highs. This illustrates that much of the current stock market rally has been in the large capitalization companies represented by the Dow more than in the smaller capitalization stocks of the Nasdaq, where many San Diego companies are listed. . . The news on the national economy was mixed, with the **national Index of Leading Economic Indicators** edging up slightly in September. At the same time, initial estimates showed that the Gross Domestic Product (GDP) grew at an anemic 1.6 percent rate in for the third quarter of 2006.

September's increase puts the Index of Leading Economic Indicators for San Diego County at 141.0, down from August's reading of 141.4. There were no revisions in any of the previously reported data. The values for the Index of Leading Economic Indicators for San Diego County for the last year are given below:

		Index	% Change
2005	SEP	142.1	-0.4
	OCT	142.1	+0.0
	NOV	142.7	+0.4
	DEC	143.0	+0.3
2006	JAN	143.2	+0.1
	FEB	143.8	+0.4
	MAR	144.2	+0.3
	APR	143.8	-0.3
	MAY	142.8	-0.7
	JUN	142.5	-0.2
	JUL	142.2	-0.2
	AUG	141.4	-0.6
	SEP	141.0	-0.3



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