

BURNHAM-MOORES

CENTER FOR REAL ESTATE
UNIVERSITY OF SAN DIEGO

Leading Economic Indicators Up Sharply in January

Note: The tentative release date for the report for February is March 29.

February 28, 2018 -- The USD Burnham-Moores Center for Real Estate's Index of Leading Economic Indicators for San Diego County rose 1.4 percent in January. For the second month in a row, all six of the components were up. Leading the way were big gains in building permits, help wanted advertising, and the outlook for the national economy. There were also moderate increases in initial claims for unemployment insurance and local stock prices, while consumer confidence was up slightly.

January's gain was the second straight strong increase in the USD Index and the 15th month in a row where it had not fallen. The gain pushed the USD Index to an all-time high of 151.1, surpassing the previous high of 150.8 which was reached in May and June of 2000. Given the strong performance of the USD Index, particularly in the last two months, the outlook for the local economy is positive at least through the end of 2018. Although they are unlikely to derail the local economy, there are some potential problems that could have some adverse impacts. One is the high cost of housing, which makes it more difficult for people to live in San Diego and which makes it difficult for local companies to attract workers. Another is a likely rise in interest rates, which would make purchasing a home here even more difficult. Finally, something that won't have an impact this year but might in the future is the recently passed federal tax bill. With its limitations on the deductibility of state and local taxes and mortgage interest, some people could see their taxes rise in the years ahead.

	Index of Leading Economic Indicators The index for San Diego County that includes the components listed below (January) Source: USD Burnham-Moores Center for Real Estate	+1.4%
	Building Permits Residential units authorized by building permits in San Diego County (January) Source: U.S. Census Bureau	+2.51%
	Unemployment Insurance Initial claims for unemployment insurance in San Diego County, inverted (January) Source: Employment Development Department	+0.93%
	Stock Prices Bloomberg San Diego County Index (January) Source: Bloomberg Business	+0.65%
	Consumer Confidence An index of consumer confidence in San Diego County, estimated (January) Source: The Conference Board	+0.17%
	Help Wanted Advertising An index of online help wanted advertising in San Diego (January) Source: The Conference Board	+2.31%
	National Economy Index of Leading Economic Indicators (January) Source: The Conference Board	+2.06%

Highlights: After a huge December, the momentum in **residential units authorized by building permits** continued in January. Over 1,200 residential units were authorized in the month and both single-family and multi-family units authorized were solid. This signals employment in the construction industry in the months to come, activity in real estate and finance when the units are finished, and eventually increased sales of furniture and appliances as the units are sold or leased. . . For the third month in a row, both labor market variables were positive. **Initial claims for unemployment insurance** continue to trend downward, which is a positive for the Index as it indicates a decrease in job loss. On the hiring side, **help wanted advertising** was up sharply for the second month in a row had its biggest gain in almost three years. As of the writing of this report, the local unemployment rate for San Diego County for January had not been released. For December, the seasonally adjusted unemployment rate was 3.3 percent, which compares to a 3.1 percent rate in November and a 4.4 percent rate in December 2016. . . After a gain of almost 20 percent in 2017, **local stock prices** started 2018 with a positive move. . . While the gain in **consumer confidence** was the smallest of the six components in the USD Index, that component has the longest current stretch of increases. The advance in January was its 19th straight monthly gain. . . Trailing close behind consumer confidence is the **national Index of Leading Economic Indicators**, which has increased or been unchanged for 17 consecutive months. The outlook for the national economy remains positive at this point. GDP growth continues to be solid but not spectacular, with the second estimate of GDP growth for the fourth quarter of 2017 coming in at an annualized growth rate of 2.5 percent, which is down from the “advance” estimate released last month of 2.6 percent.

January’s gain puts the USD Burnham-Moores Index of Leading Economic Indicators for San Diego County at 151.1, up from December’s reading of 149.0. Revisions in the changes in the national Index of Leading Economic Indicators for October and November affected the changes for those months and the level of the USD Index for October. To view the previously reported values for the Index and for the individual components, please visit the Website address given below. The values for the USD Index for the last year are given below:

		Index	% Change
2017	JAN	142.0	+0.5
	FEB	142.5	+0.3
	MAR	143.0	+0.4
	APR	143.0	+0.0
	MAY	143.2	+0.1
	JUN	144.5	+0.9
	JUL	145.1	+0.5
	AUG	145.2	+0.1
	SEP	145.2	+0.0
	OCT	146.2	+0.7
	NOV	147.0	+0.5
	DEC	149.0	+1.4
2018	JAN	151.1	+1.4



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

Professor Alan Gin
 School of Business Administration
 University of San Diego
 5998 Alcalá Park
 San Diego, CA 92110

TEL: (858) 603-3873
 FAX: (619) 260-4891
 E-mail: agin@sandiego.edu
 Website: <http://www.sandiego.edu/~agin/usdlel>
 Twitter: @alanginusdsba