

BURNHAM-MOORES

CENTER FOR REAL ESTATE
UNIVERSITY OF SAN DIEGO

Leading Economic Indicators Up Slightly in May

Note: The tentative release date for the report for June is July 27.

June 30, 2017 -- The USD Burnham-Moores Center for Real Estate's Index of Leading Economic Indicators for San Diego County rose 0.1 percent in May. Leading the way to the upside were moderate gains in consumer confidence and the outlook for the national economy. Initial claims for unemployment insurance and local stock prices were also positive, but only slightly so. These gains were enough to offset losses in residential units authorized by building permits and help wanted advertising to push the USD Index to its sixth gain in seven months.

May's gain represents a classic glass half full / half empty situation. While it was positive, the gain was small, and follows an unchanged reading in April. None of the components moved significantly in either direction. This falls in line with the previously reported outlook of a positive but slower growing local economy. The trend mentioned in last month's report of the local unemployment rate falling even as the rate of job growth slows continued in May. Even after taking into account that May is the second best month of the year for the unemployment rate as companies gear up for summer, the seasonally adjusted unemployment rate fell below four percent for the first time since October 2006. This occurred even though wage and salary employment increased by only 20,300 compared to May 2016. An interesting pattern that has developed is that the USD Index has stalled in each of the last two summers. It is not a problem with seasonality, as each of the components in the Index is seasonally adjusted. What the pattern plays out this summer remains to be seen.

	Index of Leading Economic Indicators The index for San Diego County that includes the components listed below (May) Source: USD Burnham-Moores Center for Real Estate	+0.1%
	Building Permits Residential units authorized by building permits in San Diego County (May) Source: U.S. Census Bureau	-0.20%
	Unemployment Insurance Initial claims for unemployment insurance in San Diego County, inverted (May) Source: Employment Development Department	+0.06%
	Stock Prices Bloomberg San Diego County Index (May) Source: Bloomberg Business	+0.13%
	Consumer Confidence An index of consumer confidence in San Diego County, estimated (May) Source: The Conference Board	+0.83%
	Help Wanted Advertising An index of online help wanted advertising in San Diego (May) Source: The Conference Board	-0.60%
	National Economy Index of Leading Economic Indicators (May) Source: The Conference Board	+0.64%

Highlights: The trend in **residential units authorized by building permits** continues to be negative. It fell for the fifth month in a row, although May's drop was less significant than in the previous months. The slowdown in construction plans comes at a bad time as both rents and sales prices have soared. This is having a negative impact on both employees and employers, as the former are pressed to find affordable housing while the latter have to pay higher wages, if they can find employees at all. . . For the third straight month, the labor market variables were mixed. The pattern again was that **initial claims for unemployment insurance** were positive while **help wanted advertising** was negative. The net result was that the seasonally adjusted unemployment rate was 3.8 percent in May. This compares to a rate of 4.0 percent in April and 4.5 percent in May 2016. . . After dipping slightly in April, **local stock prices** rebounded to continue the post-election rally. Combined with the gain in **consumer confidence**, which advanced for the 11th consecutive month, both investors and consumers are feeling positive about the outlook for the local economy. . . Another component with a long winning streak is the **national Index of Leading Economic Indicators**, which was up for the ninth straight month. The national economy news is mixed, with the third and final estimate of GDP growth for the first quarter coming in at an annualized growth rate of 1.4 percent. While that was up compared to "advance" estimate of 0.7 percent and the second estimate of 1.2 percent, it is still relatively weak when compared to the historic average. The results for the national labor market in May mirrors what is happening locally, with the unemployment rate falling (to 4.3 percent) even though employment growth was weak (a gain of 138,000 jobs).

May's gain reading puts the USD Index of Leading Economic Indicators for San Diego County at 143.2, up from April's revised reading of 143.0. Numerous revisions in different components led to revisions in the previously reported values of the Index for January through April and in the previously reported changes for February and March. 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
2016	MAY	140.3	-0.3
	JUN	140.0	-0.2
	JUL	139.8	-0.1
	AUG	139.9	+0.1
	SEP	139.9	+0.0
	OCT	139.8	-0.1
	NOV	140.3	+0.3
	DEC	141.3	+0.7
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



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

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