

# BURNHAM-MOORES

CENTER FOR REAL ESTATE  
UNIVERSITY OF SAN DIEGO

## Leading Economic Indicators Up Slightly in August

Note: The tentative release date for the report for September is October 31.

September 28, 2017 -- The USD Burnham-Moores Center for Real Estate's Index of Leading Economic Indicators for San Diego County rose 0.1 percent in August. Leading the gain were moderate increases in outlook for the national economy and residential units authorized by building permits. There was also a small gain in consumer confidence. The three gains were matched by declines in three components. While initial claims for unemployment insurance and local stock prices were just barely negative, there was a sharp decline in online help wanted advertising. But it was not enough to prevent the USD Index from registering its 10<sup>th</sup> straight month without a decline.

Although it was close, August's increase leaves the outlook for the local economy the same as has been mentioned in previous reports. Positive but slower growth is expected for the rest of the year and at least through the first half of 2018. One negative that has developed in the wake of Hurricane Harvey has been the increase in local gas prices. After peaking at \$3.16 a gallon on September 7, prices have dropped back a bit to \$3.10 a gallon. This compares to a price of roughly \$2.77 a year ago. With every one cent increase, an estimated \$1 million a month is taken out of the local economy. In this case, drivers in San Diego County are spending an extra \$33 million a month on gasoline when they could have been spending that money on other goods and services. While annoying, that amount is not large enough to disrupt the local economy and is not likely to be sustained for a significant period of time.

	<b>Index of Leading Economic Indicators</b> The index for San Diego County that includes the components listed below (August) Source: USD Burnham-Moores Center for Real Estate	<b>+0.1%</b>
	<b>Building Permits</b> Residential units authorized by building permits in San Diego County (August) Source: U.S. Census Bureau	<b>+0.51%</b>
	<b>Unemployment Insurance</b> Initial claims for unemployment insurance in San Diego County, inverted (August) Source: Employment Development Department	<b>-0.10%</b>
	<b>Stock Prices</b> Bloomberg San Diego County Index (August) Source: Bloomberg Business	<b>-0.02%</b>
	<b>Consumer Confidence</b> An index of consumer confidence in San Diego County, estimated (August) Source: The Conference Board	<b>+0.16%</b>
	<b>Help Wanted Advertising</b> An index of online help wanted advertising in San Diego (August) Source: The Conference Board	<b>-1.13%</b>
	<b>National Economy</b> Index of Leading Economic Indicators (August) Source: The Conference Board	<b>+0.78%</b>

**Highlights:** The trend for **residential units authorized by building permits** was positive for the third month in a row. As was mentioned in last month's report, the USD Index uses a moving average to smooth the data of volatile components. So August benefitted from the big levels seen in June and July. . . Both labor market variables dropped for the third straight month. Although negative, the pace of the decline for **initial claims for unemployment insurance** appears to be easing up. The opposite is occurring with **help wanted advertising**, where August's big decline was the largest of a six month losing streak. The net result was that the seasonally adjusted unemployment rate rose to 4.5 percent in August. This compares to a rate of 4.4 percent in July and 4.7 percent in August 2016. Seasonality is still significant as August is usually the second worst month of the year for the unemployment rate. . . After a tiny gain in July, **local stock prices** slipped a tiny amount in August. While local stock prices were higher on August 31 than on July 31, the USD Index uses the average value for the entire month to determine the level of stock prices for that month. The average in August was just slightly lower than the average for July. . . **Consumer confidence** continued its winning streak with a 14<sup>th</sup> consecutive increase. . . The outlook for the national economy was solid once again. The **national Index of Leading Economic Indicators** has now increased every month for the last year. The third and final estimate of GDP growth for the second quarter came in at an annualized growth rate of 3.1 percent, which is up from the "advance" estimate of 2.6 percent and the second estimate of 3.0 percent. The national labor market eased up a bit in August when compared to July, with the unemployment rate rising to 4.4 percent and wage and salary job growth falling to 156,000.

August's gain reading puts the USD Index of Leading Economic Indicators for San Diego County at 145.2, up from July's reading of 145.1. There were no revisions in any of the components, so there were no revisions in any of the previously reported values of the Index or changes. 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	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
	JUN	144.4	+0.8
	JUL	145.1	+0.5
	AUG	145.2	+0.1



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

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