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A positive outlook for San Diego's economy

SAN DIEGO COUNTY'S INDEX OF LEADING ECONOMIC INDICATORS



SOURCE: University of San Diego

AARON STECKELBERG / Union-Tribune

Recovery appears to be taking shape

By Dean Calbreath
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When you've hit rock bottom, the old saying goes, there's nowhere to go but up.

Which is one explanation for the growing signs that San Diego's economy, slowly and unsteadily, is creeping toward recovery.

The latest positive news came yesterday from the index of leading economic indicators by the Burnham-Moores Center for Real Estate at the University of San Diego. For the first time since April 2004, all of the economic criteria that USD uses to evaluate the local economy — housing permits, want ads, consumer confidence,

the employment rate, local stock prices and national economic growth — were pointing up in December, suggesting a positive outlook for 2010.

"The indicators have been moving up for nine months in a row now," said USD economist Alan Gin, who compiles the index. "Last year, I was thinking that the indicators were pointing to a recovery beginning in the first half of 2010. But with the recent data, I'm thinking the recovery could start as soon as the first quarter. Even if there's a lull in January and February, once spring starts, the improvements in the economy could start getting more noticeable."

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LOCAL ECONOMY

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Conditions still fragile despite improvements

Murtaza Baxamusa, director of research and policy at the Center on Policy Initiatives in San Diego, said he was pleased with the index's findings.

"It's not quite time for a celebratory mood, but there's certainly more reason for hope than at the beginning of the year," he said. "We were previously expecting a

come down a little, we don't yet have enough hiring to have a sustained or real big boom."

Gin said one positive sign is that new filings for unemployment in San Diego County were in the low 20,000s, not including jobless workers filing for benefit extensions. That's about the same as last December and half the rate when filings peaked in summer.

One area beginning to see growth is temporary hiring, which is viewed as a bellwether because employers often test the market by hiring temps. Such hiring has increased steadily since summer, from 26,500 temps in July to 30,300

very long and sluggish, U-shaped recovery. But now it's looking like we won't have to drudge through to the end of the year for signs of improvement. The signs of growth we're seeing are suggesting that our economic engine is warmed up and is ready to go."

Although the economy is still trudging and the local jobless rate has spent seven months in double digits, things have improved dramatically from a year ago, when the nation, state and county seemed poised on the edge of an abyss.

Throughout autumn, the pace of layoffs in San Diego County slowed, home prices stabilized or grew, and companies tentatively

in December.

Phil Blair, who heads the operations of temp firm Manpower Inc. in San Diego and Imperial counties, said business is up 25 percent over last year. Just yesterday, he said, he placed 40 workers, including 14 employed by a nonprofit with funding from the federal stimulus program. But the private sector has been tentatively hiring as well.

"Our larger customers are asking for five or 10 more workers a week than they were doing last year, and our smaller customers are asking for one or two more workers," Blair said.

He added that the increase in hiring "doesn't mean that an ava-

began to hire. The jobless rate ended 2009 with the first major improvement since the recession began, from a postwar record of 10.7 percent in October to 10.1 percent in December.

The big question is whether the improvements can withstand a new wave of home foreclosures, as laid-off workers default on their mortgages, and a pullback of the federal stimulus programs that have provided the recovery with its underpinnings.

"We're still in a somewhat fragile state," said Kelly Cunningham, economist for the National University System's Institute for Policy Research. "Even though the unemployment rate has

lanche has started, but it looks like the beginning of good news. Employers are still being very cautious, trying to see if this is a trustable return of the economy. But I expect it will be a jobless recovery through 2010 before they start hiring people permanently in any big numbers."

Help-wanted postings in San Diego County — a criterion USD uses in its index — gave a mixed message at the end of 2009.

Although overall postings in the county dipped slightly from November through December, as measured by the Monster.com Employment Index, there were slight rises in ads for architects,

engineers, construction workers and transportation workers. The biggest growth was for military-related jobs.

"The defense industry has been spending quite a bit, including a lot of money from the stimulus program," Cunningham said. "And we are starting to see some of the stimulus money ... come into highways, buildings and defense projects."

In construction, much of the weak but growing demand for workers may be related to stimulus programs, but there has also been a slight pickup in home building. Although 2009 will go down as the worst year for home construction in San Diego County history — 42 percent lower than the previous record-setting year, 2008 — the sector was showing new life by the end of the year, with nearly 300 residential permits filed in December. That's anemic by historic standards but much better than last January and February, which averaged 86 permits per month.

Cunningham said that even though home building remains weak, "right now there are so many bargains out there that at some point people are going to start bringing workers back, especially since San Diego is now getting underbuilt."

In the meantime, the sluggishness in construction is reducing the supply of homes for sale, which is helping revive the real estate market, once a key driver in the local economy. Real estate employment held steady during the fourth quarter with about 22,800 salaried workers in the fall, down from 31,100 at the market's peak. Both sales and pricing are showing increasing stability.

"Since after Christmas, we've really seen the tempo of home sales pick up," said Patti McKelvey, a Chula Vista real estate broker. "Properties that are priced at \$600,000 or higher are still really challenged, but properties that are under \$600,000 are going really well."

McKelvey said she just finalized a deal on a house in Chula Vista that had been priced at \$400,000 and sold for \$425,000. On another sale, involving a foreclosed home, the price rose from the \$439,000 asking bid to \$475,000, with 20 potential buyers submitting bids.

"That kind of thing used to be nothing to get excited about, but in this market it's not bad," McKelvey said.

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