

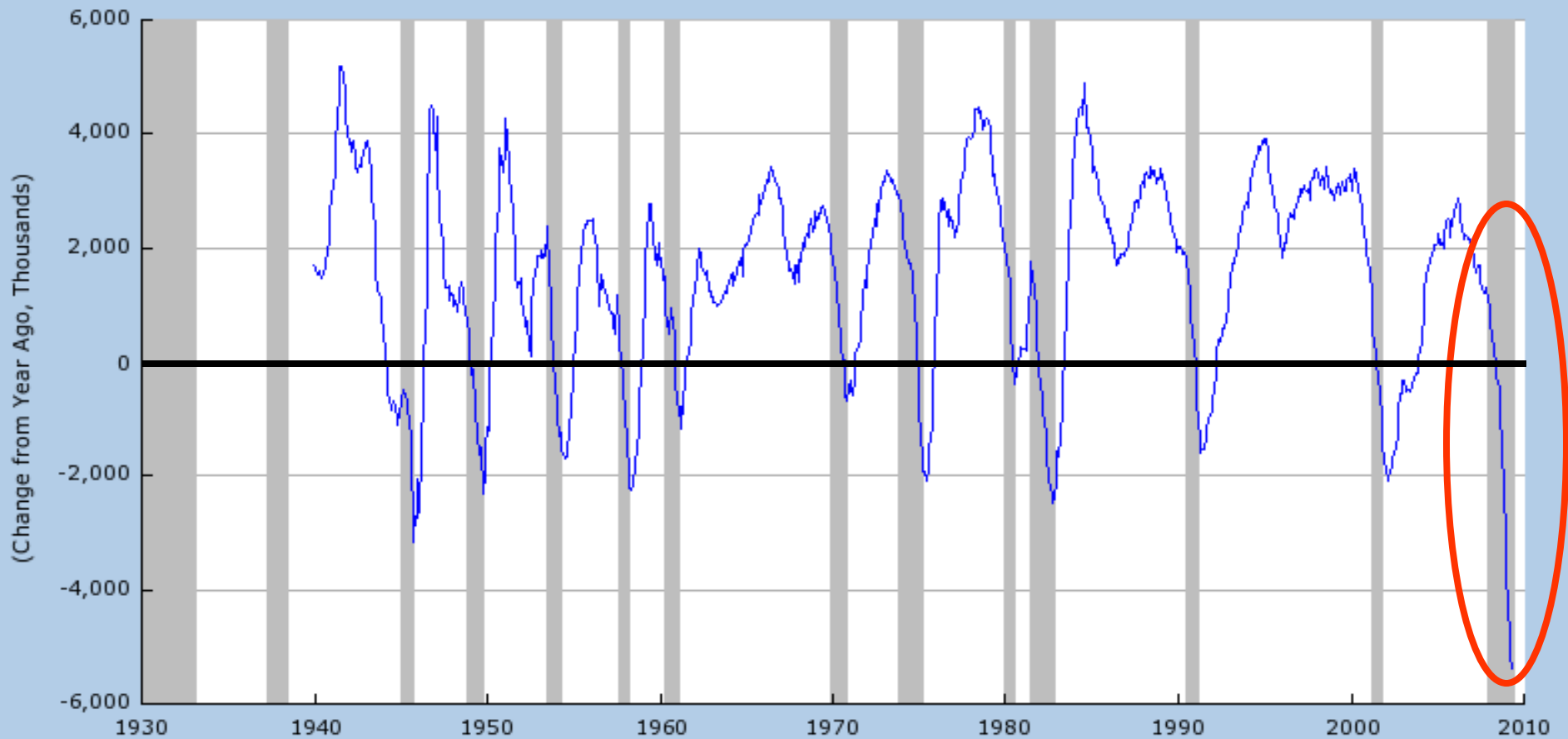


**San Diego's
2009 Economic Outlook**

Marney Cox, Chief Economist, SANDAG

US W&S Employment Declining Y-O-Y Change by Month

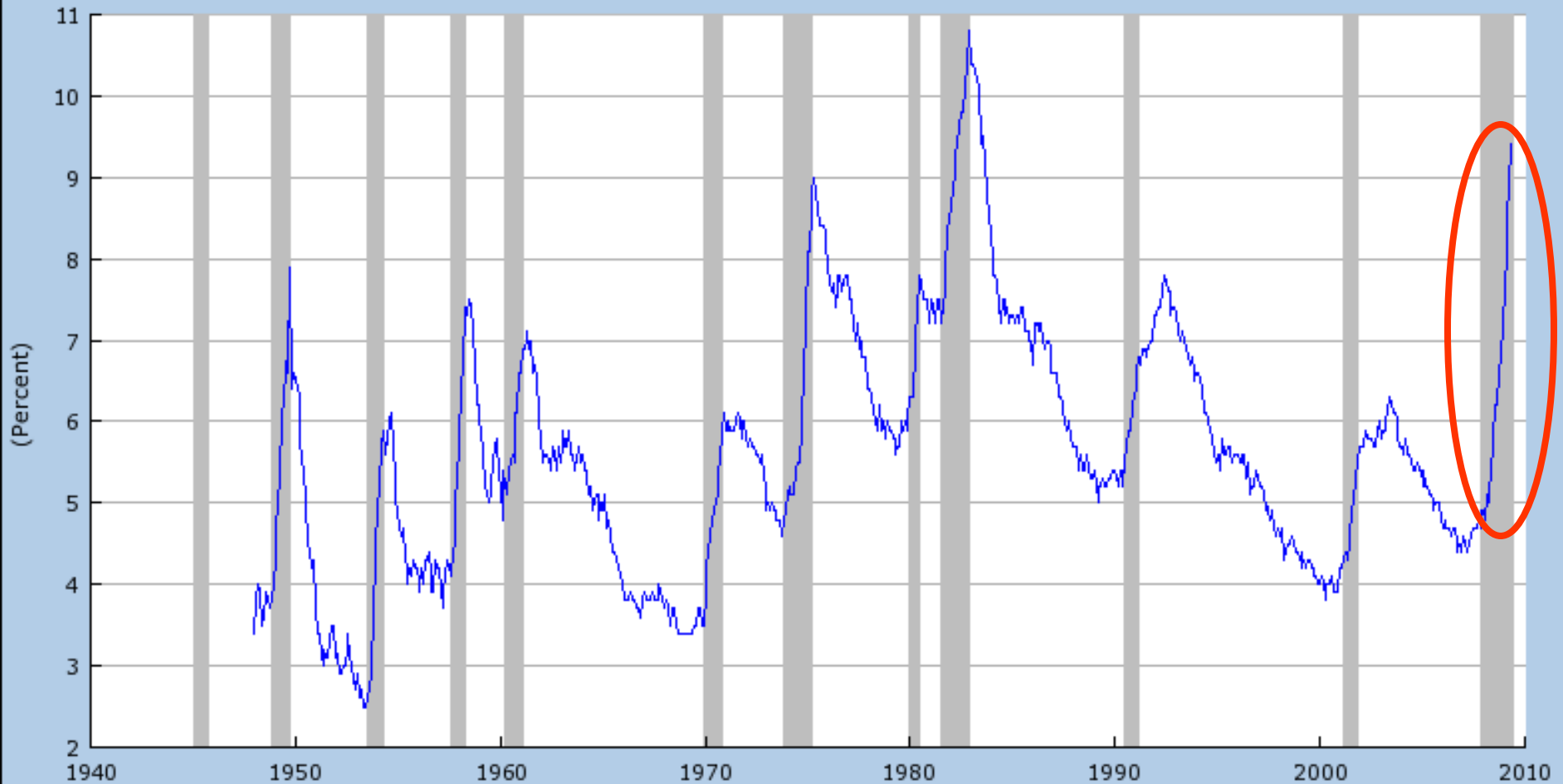
Total Nonfarm Payrolls: All Employees (PAYEMS)
Source: U.S. Department of Labor: Bureau of Labor Statistics



Shaded areas indicate US recessions.
2009 research.stlouisfed.org

US Unemployment Rate Rising

Civilian Unemployment Rate (UNRATE)
Source: U.S. Department of Labor: Bureau of Labor Statistics

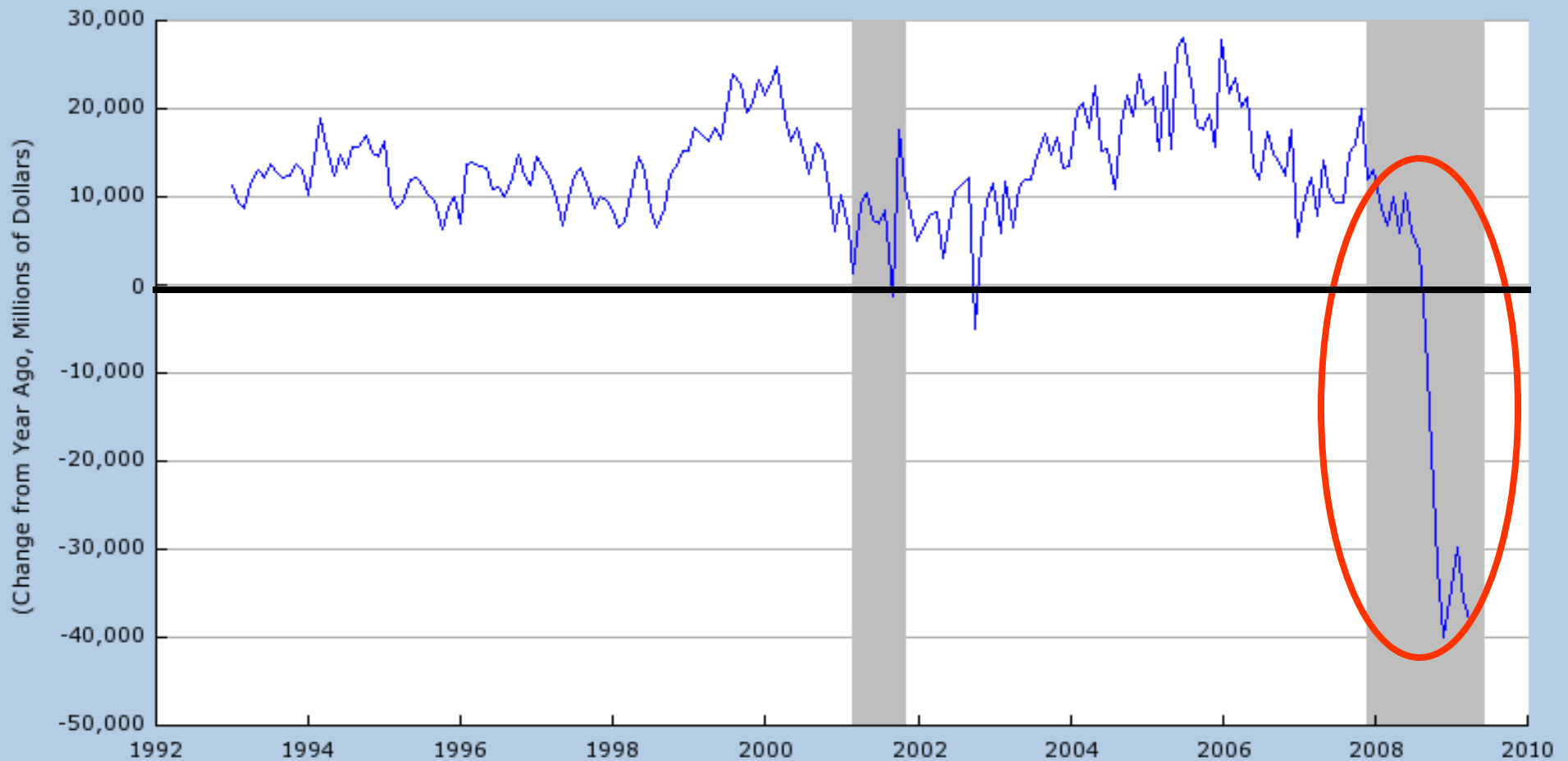


Shaded areas indicate US recessions.
2009 research.stlouisfed.org

US- Retail Sales Declining

Y-O-Y Change by Month, M\$

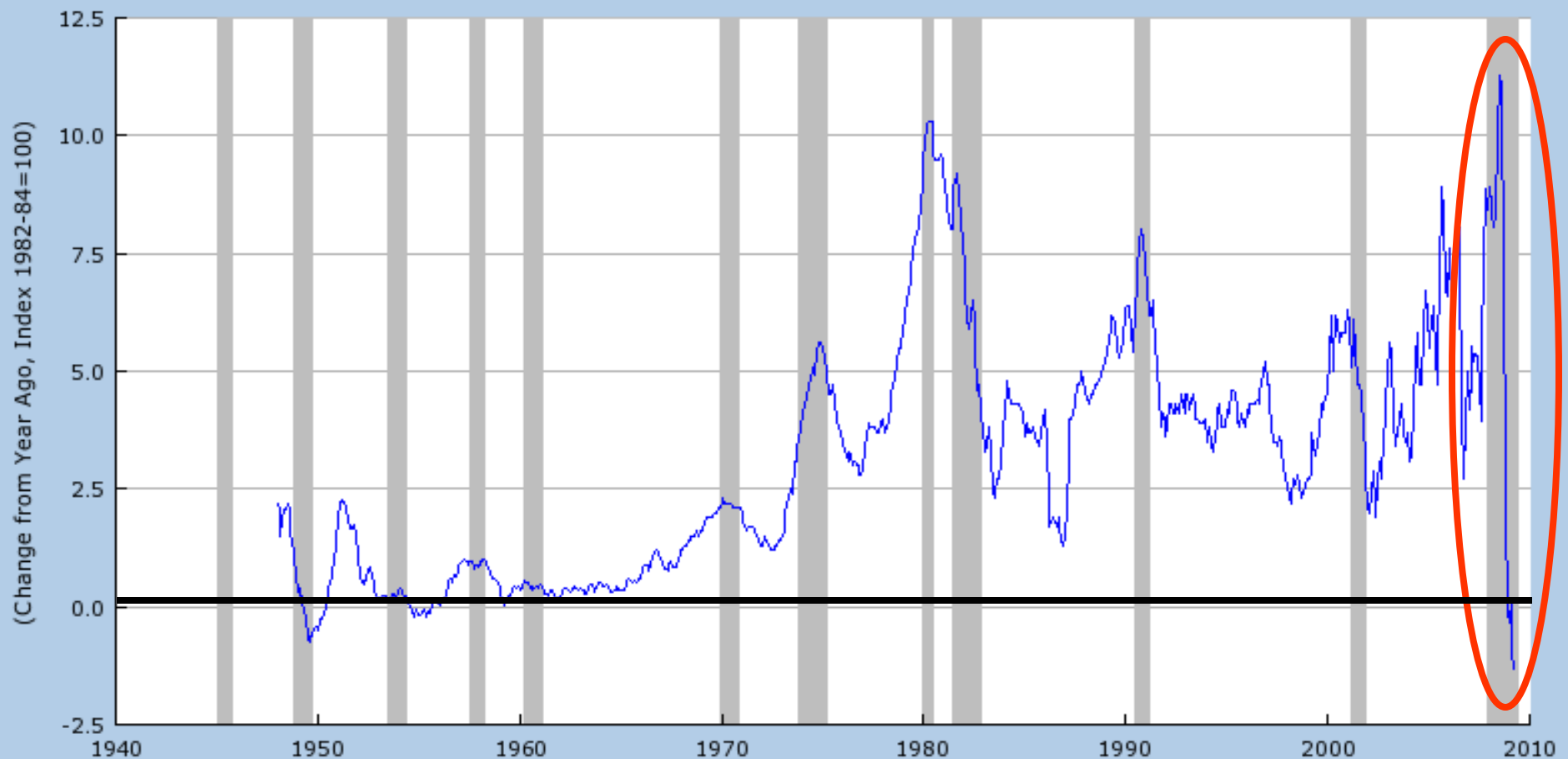
Retail and Food Services Sales (RSAFS)
Source: U.S. Department of Commerce: Census Bureau



Shaded areas indicate US recessions.
2009 research.stlouisfed.org

US Negative Consumer Price Index Y-O-Y Change by Month

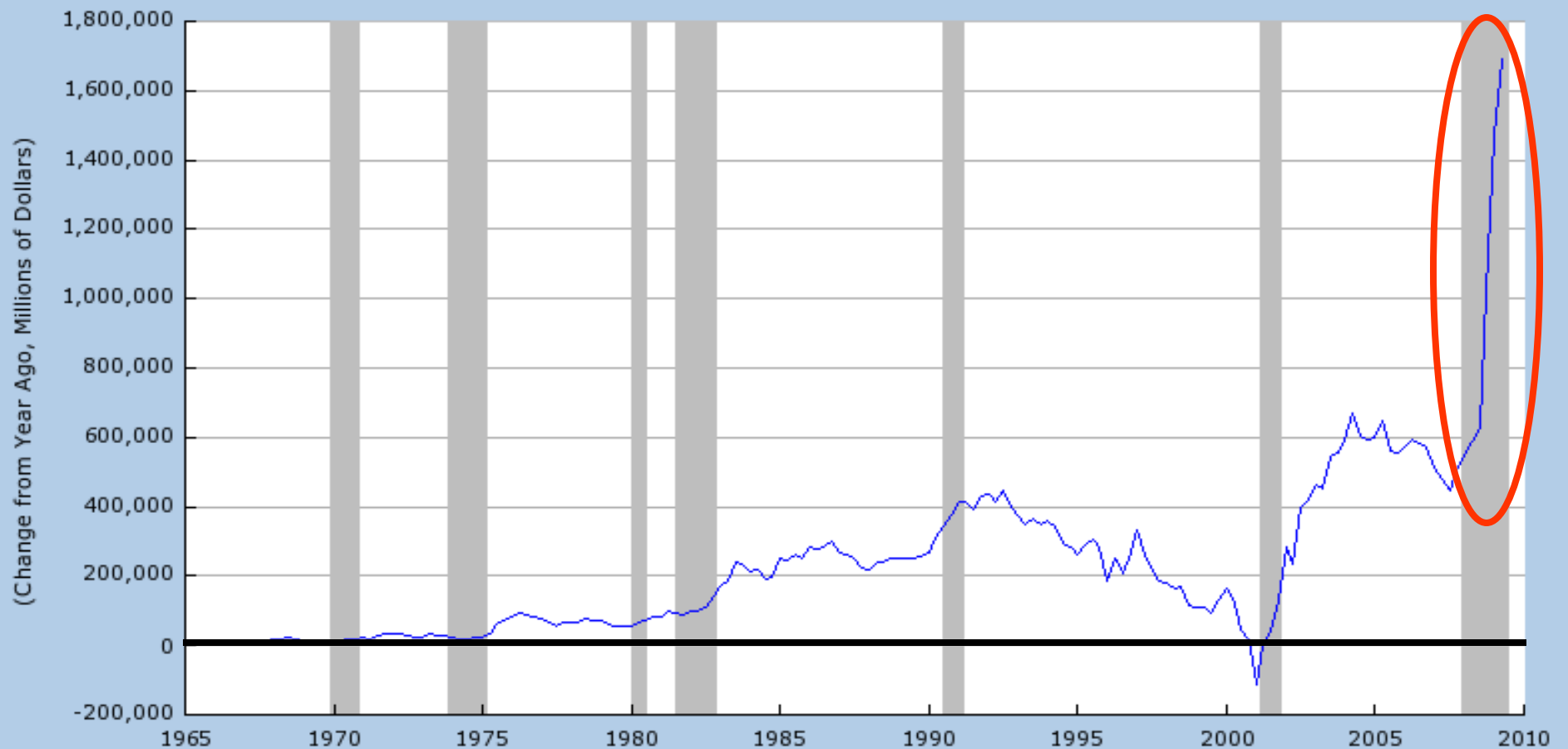
Consumer Price Index For All Urban Consumers: All Items (CPIAUCSL)
Source: U.S. Department of Labor: Bureau of Labor Statistics



Shaded areas indicate US recessions.
2009 research.stlouisfed.org

US Total Federal Public Debt Has Tripled Y-O-Y Change by Month, M\$

Federal Government Debt: Total Public Debt (GFDEBTN)
Source: U.S. Department of the Treasury, Financial Management Service



Shaded areas indicate US recessions.
2009 research.stlouisfed.org

US Federal Funds Rate Reduced to “0 - .25”

Effective Federal Funds Rate (FF)
Source: Board of Governors of the Federal Reserve System



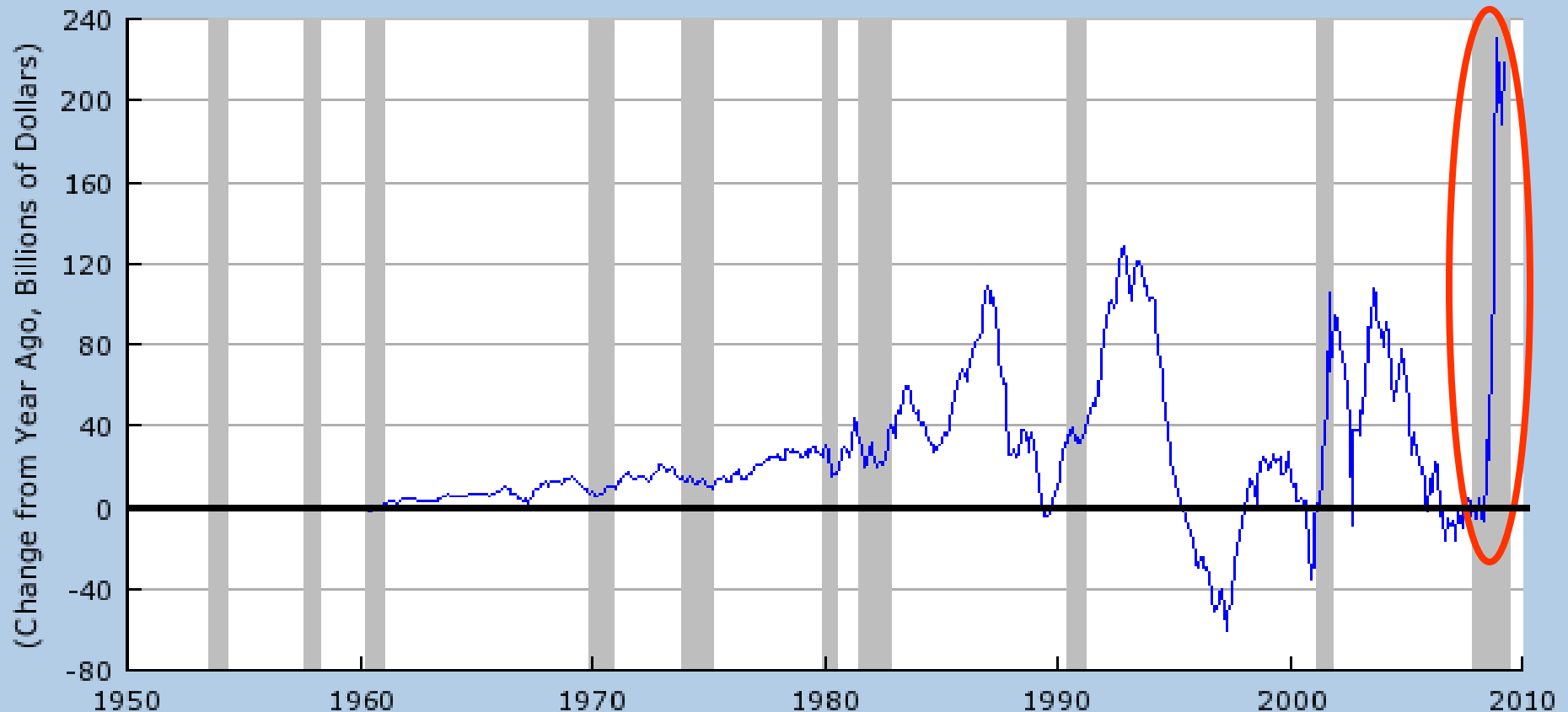
Shaded areas indicate US recessions.
2009 research.stlouisfed.org

US Money Supply is Increasing

YOY Change by Month, \$B

M1 Money Stock (M1SL)

Source: Board of Governors of the Federal Reserve System



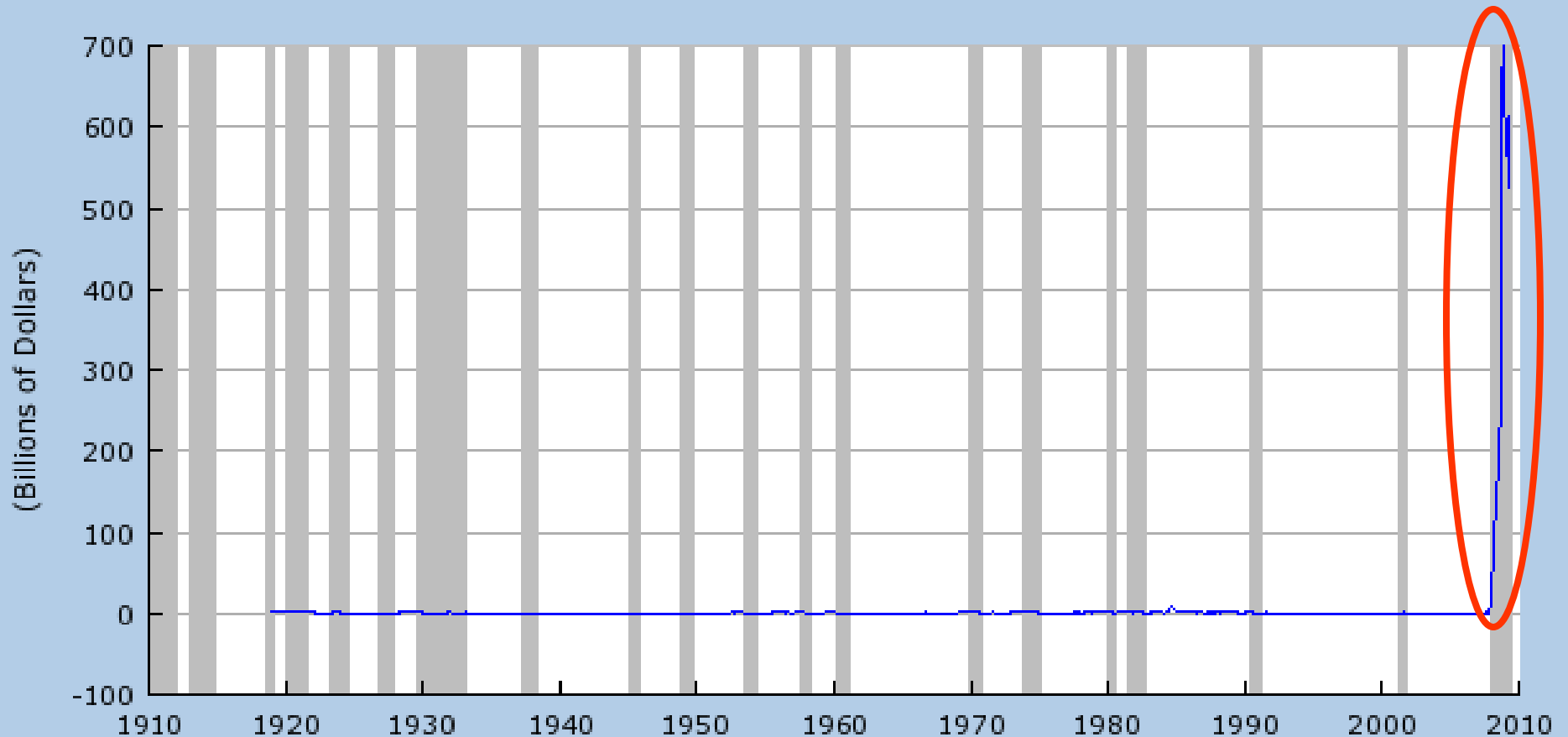
Shaded areas indicate US recessions.

2009 research.stlouisfed.org

US Borrowing from Federal Reserve

(Change Y-O-Y for monthly borrowings, B\$)

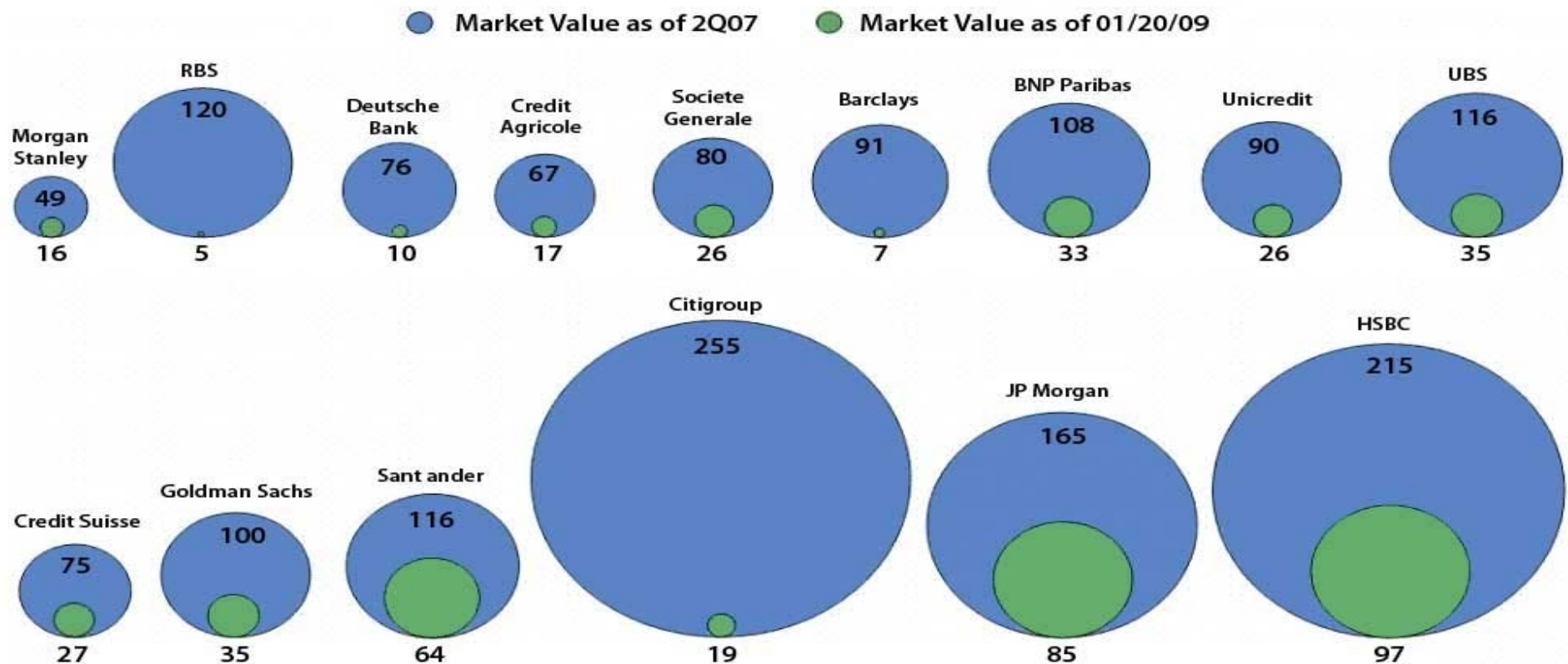
Total Borrowings of Depository Institutions from the Federal Reserve (BORROW)
Source: Board of Governors of the Federal Reserve System



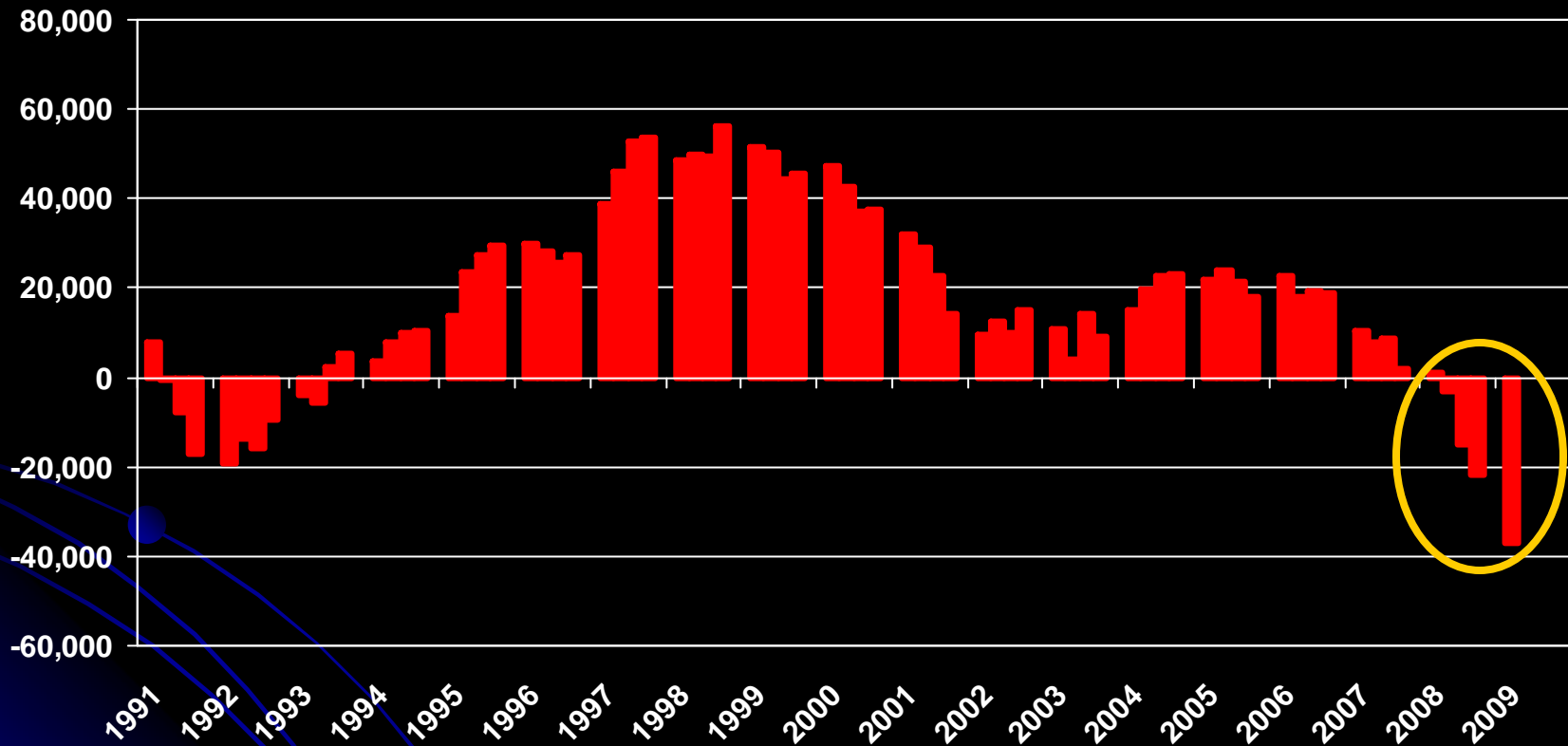
Shaded areas indicate US recessions.
2009 research.stlouisfed.org

US Banks- A Balance Sheet Problem

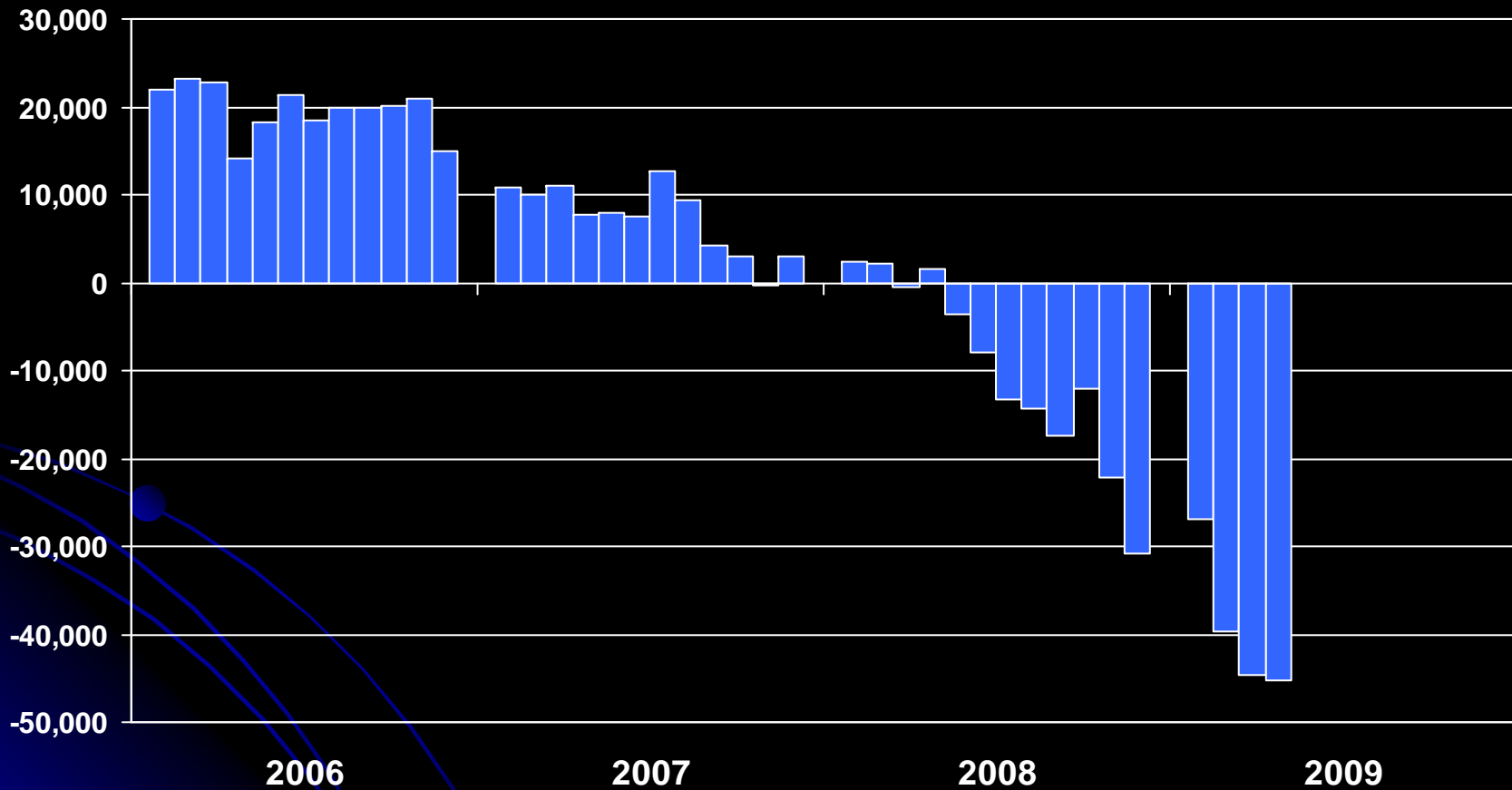
Change in Banks Market Capital In Billions \$



SD Decline in Payroll Jobs Change Y-O-Y by Quarter

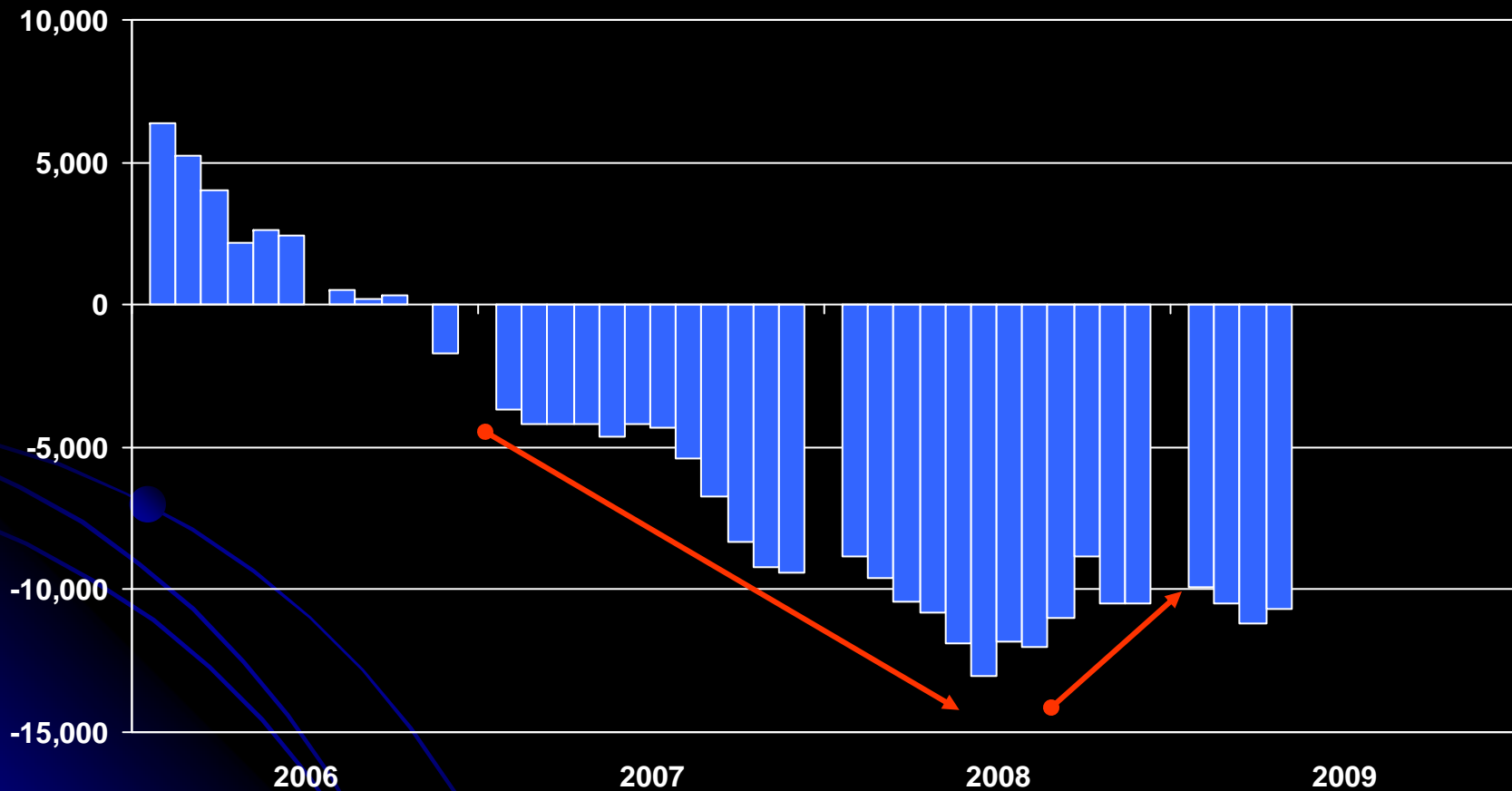


SD Decline in Payroll Jobs Change Y-O-Y by Month



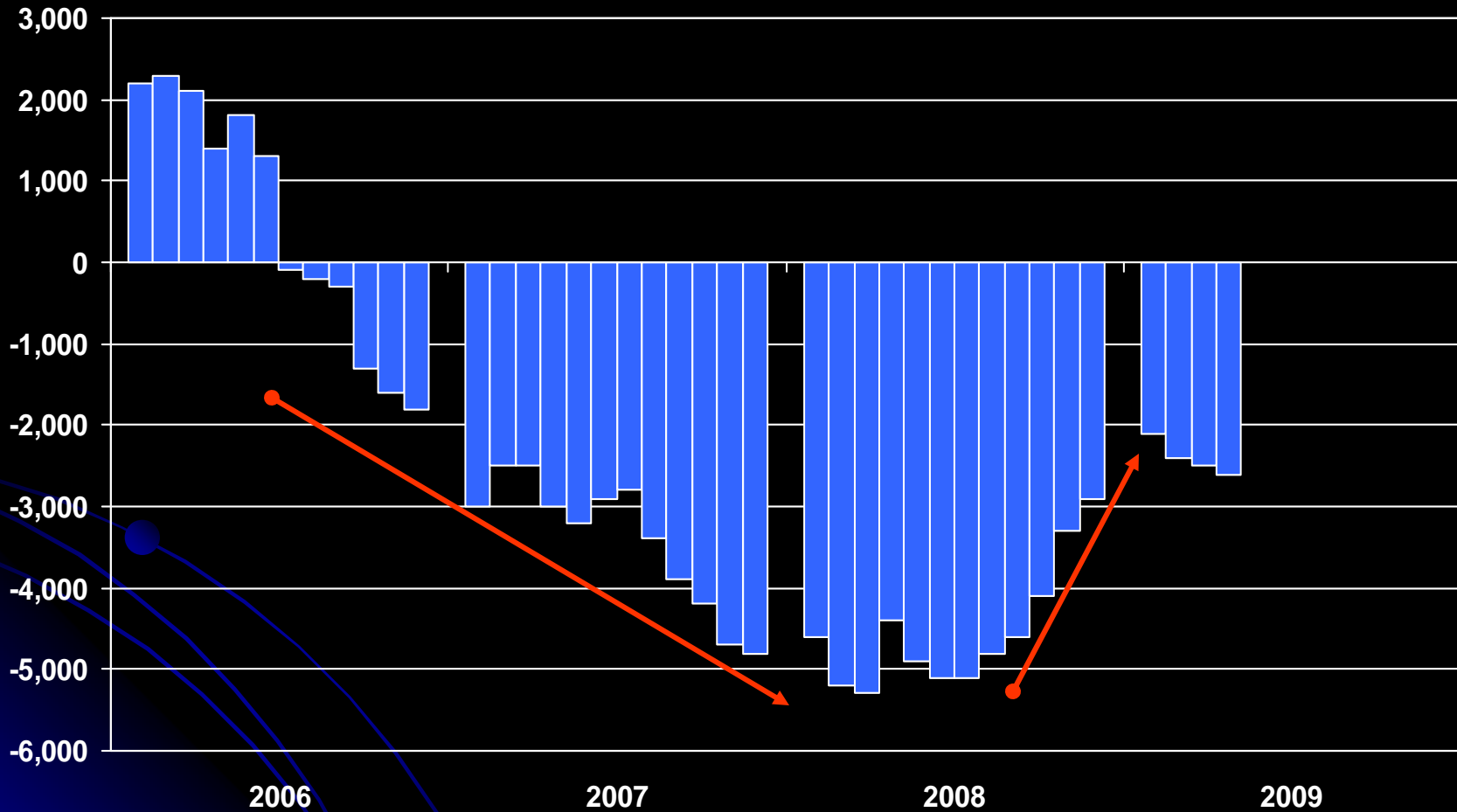
SD Construction Employment

Stabilizing Trend ?, Change Y-O-Y by Month



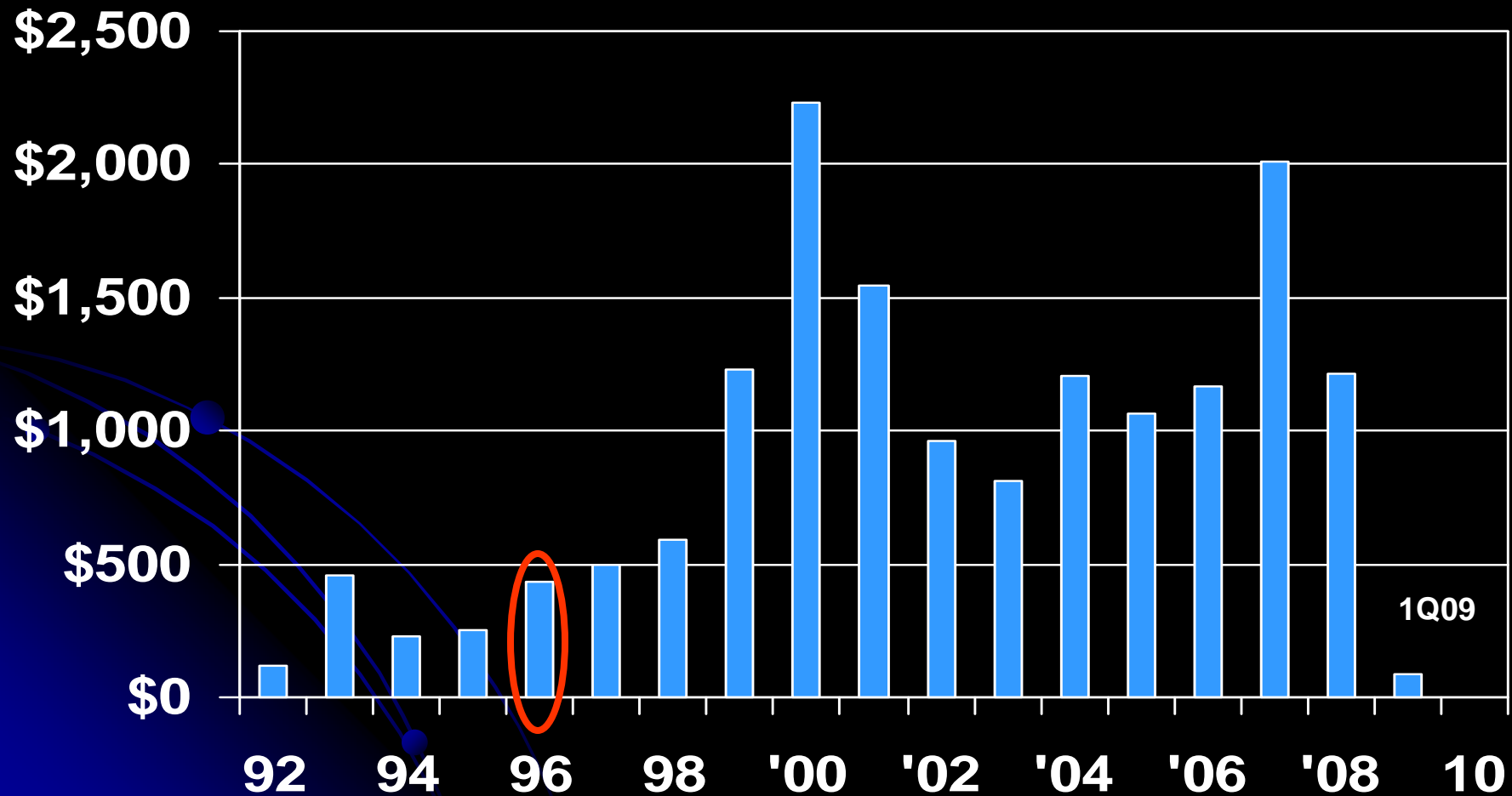
SD Financial Activities Employment

Stabilizing Trend ?, Change Y-O-Y by Month



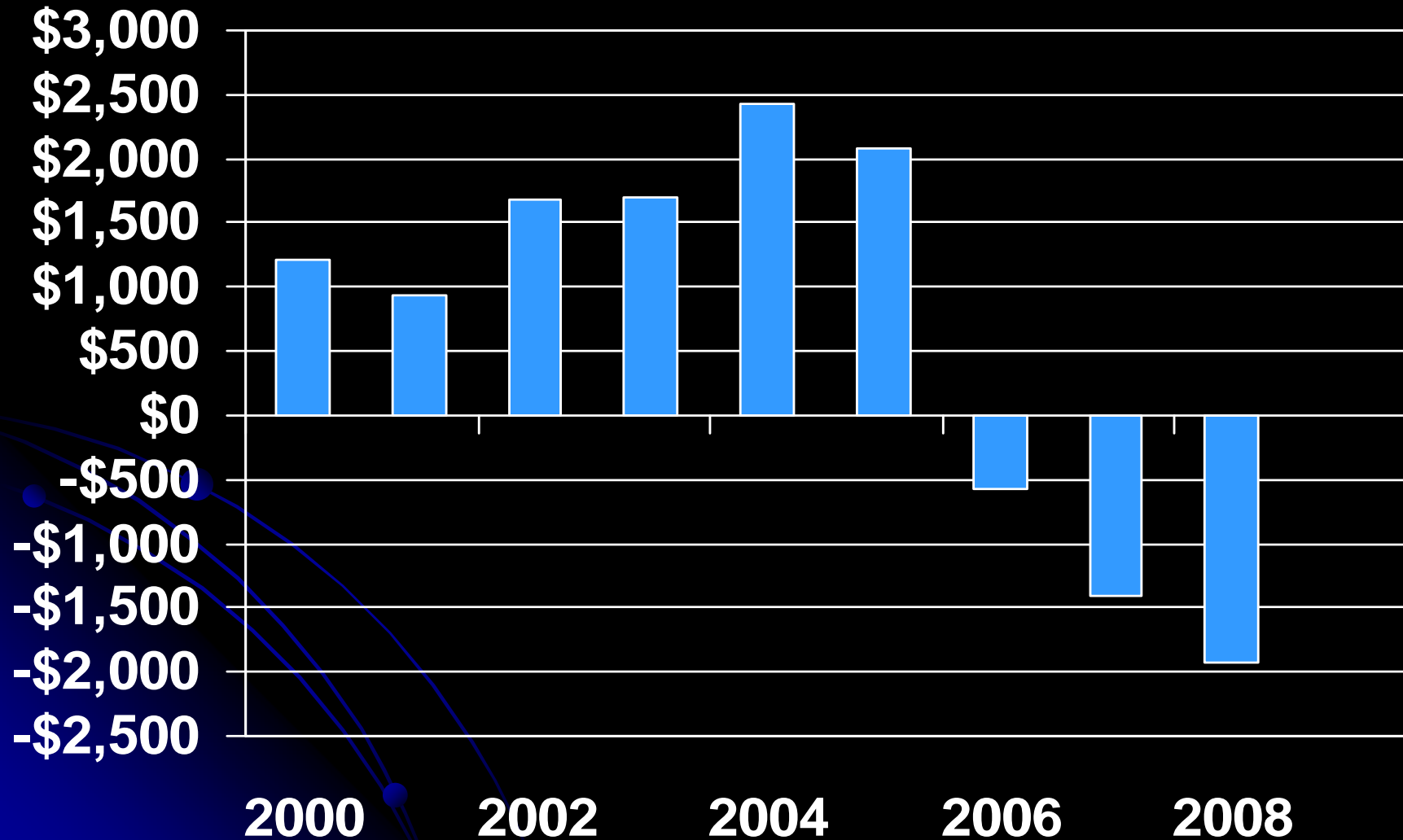
SD Less Venture Capital Funds

Less Fuel for High Tech Jobs, M\$ per Year



SD Housing-Reverse Wealth Effect

“Great Consumer Contraction”, M\$ per year



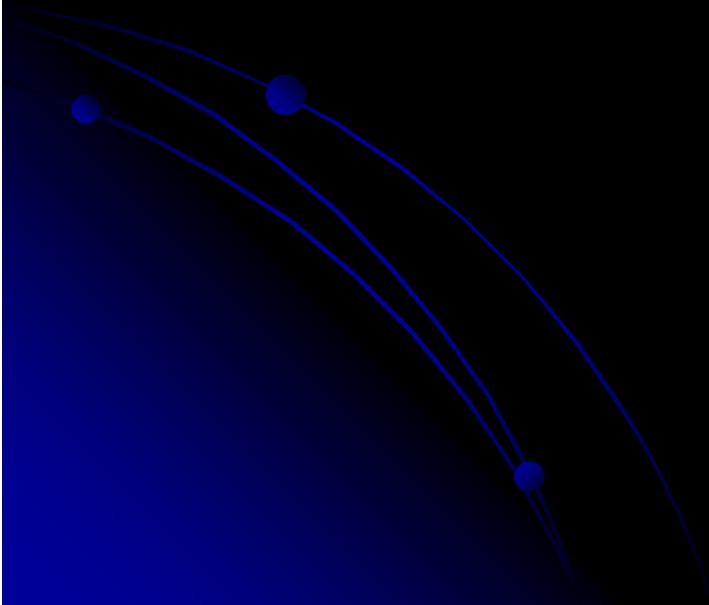
SD Outlook-2009 Industry Talley Sheet

Pluses

- Defense
- Construction
- Health Services

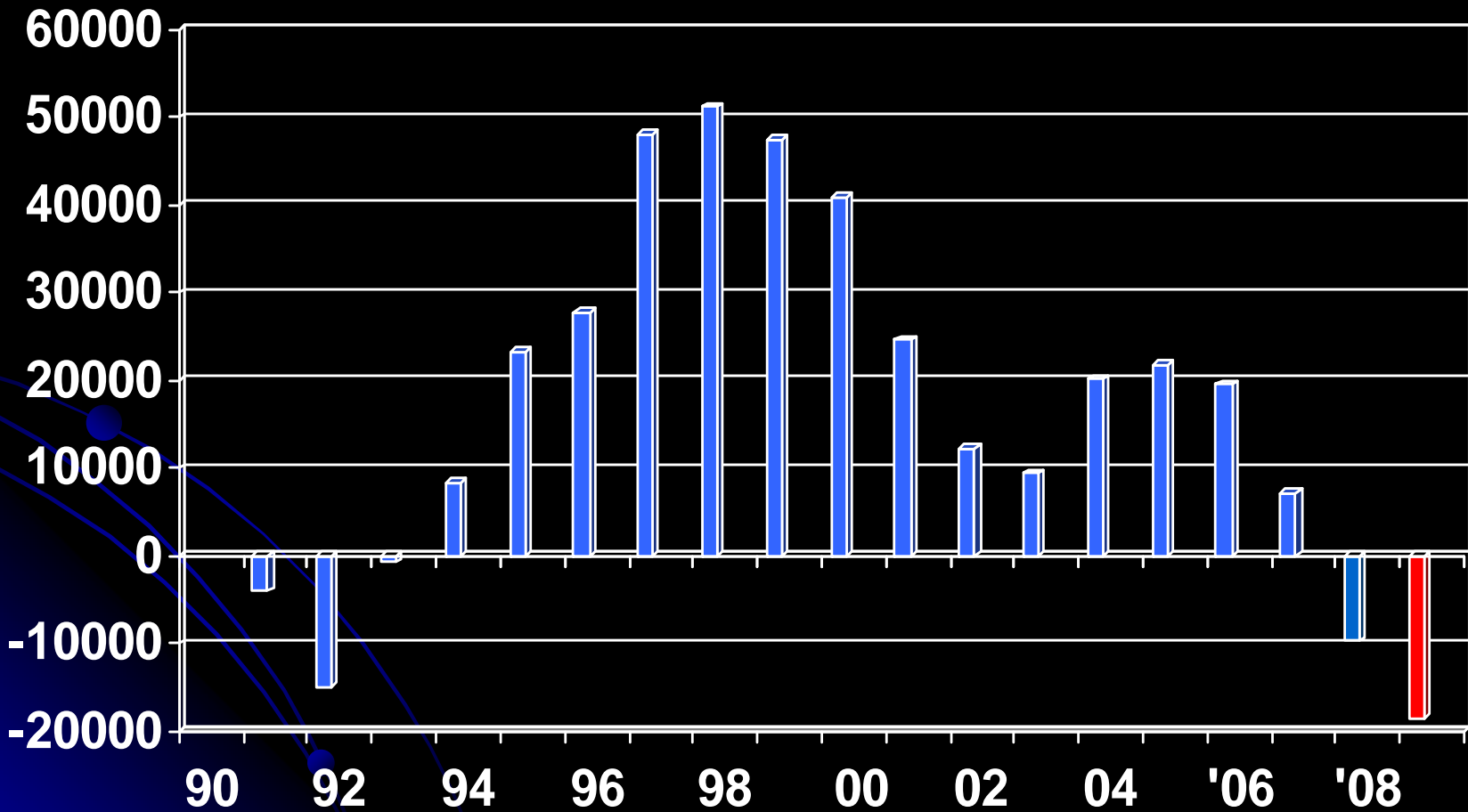
Minuses

- Retail Services
- High-Tech Clusters
- Financial Services
- Agriculture



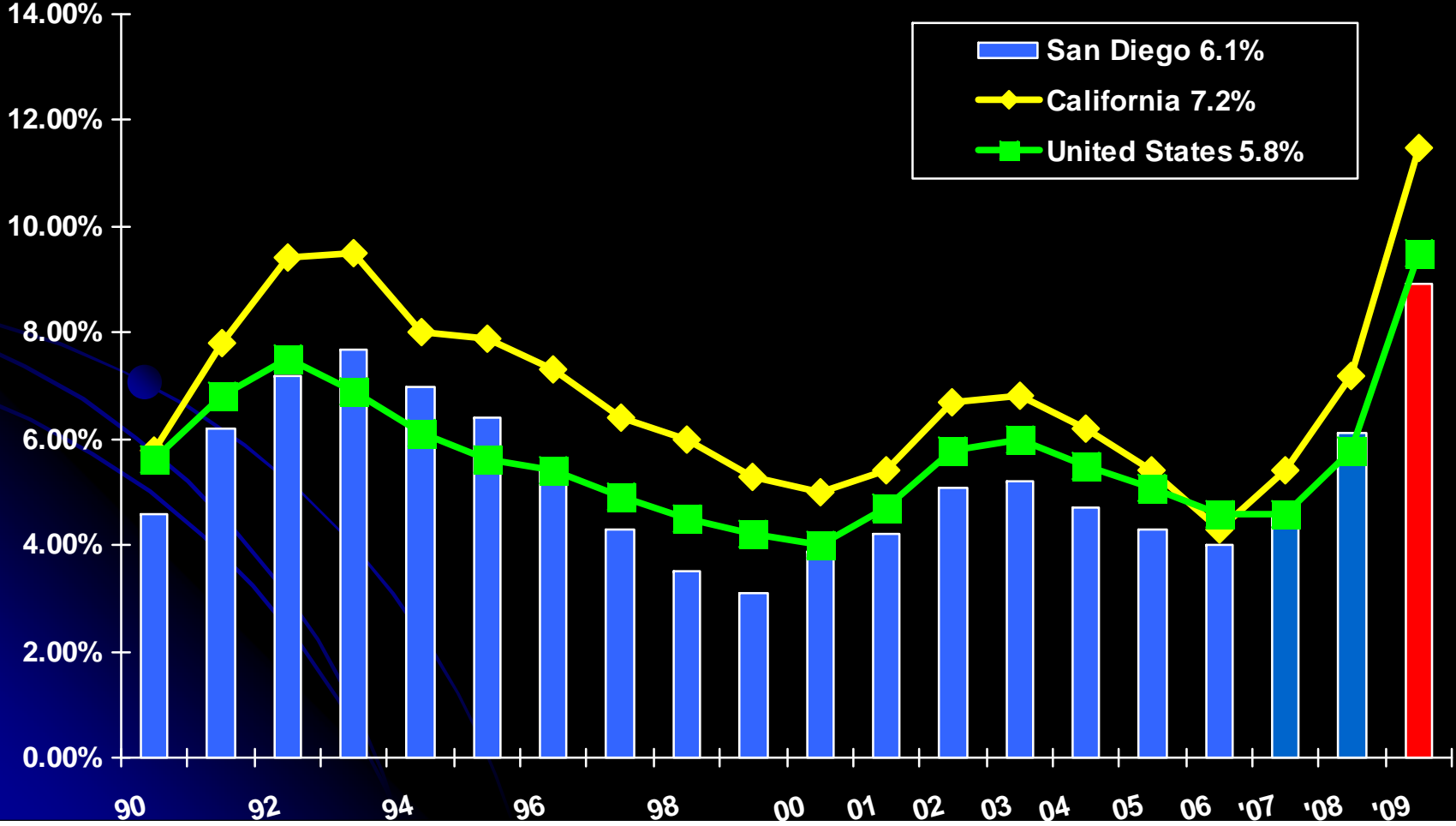
SD Outlook-2009 More Job Losses

Annual Change Payroll Jobs



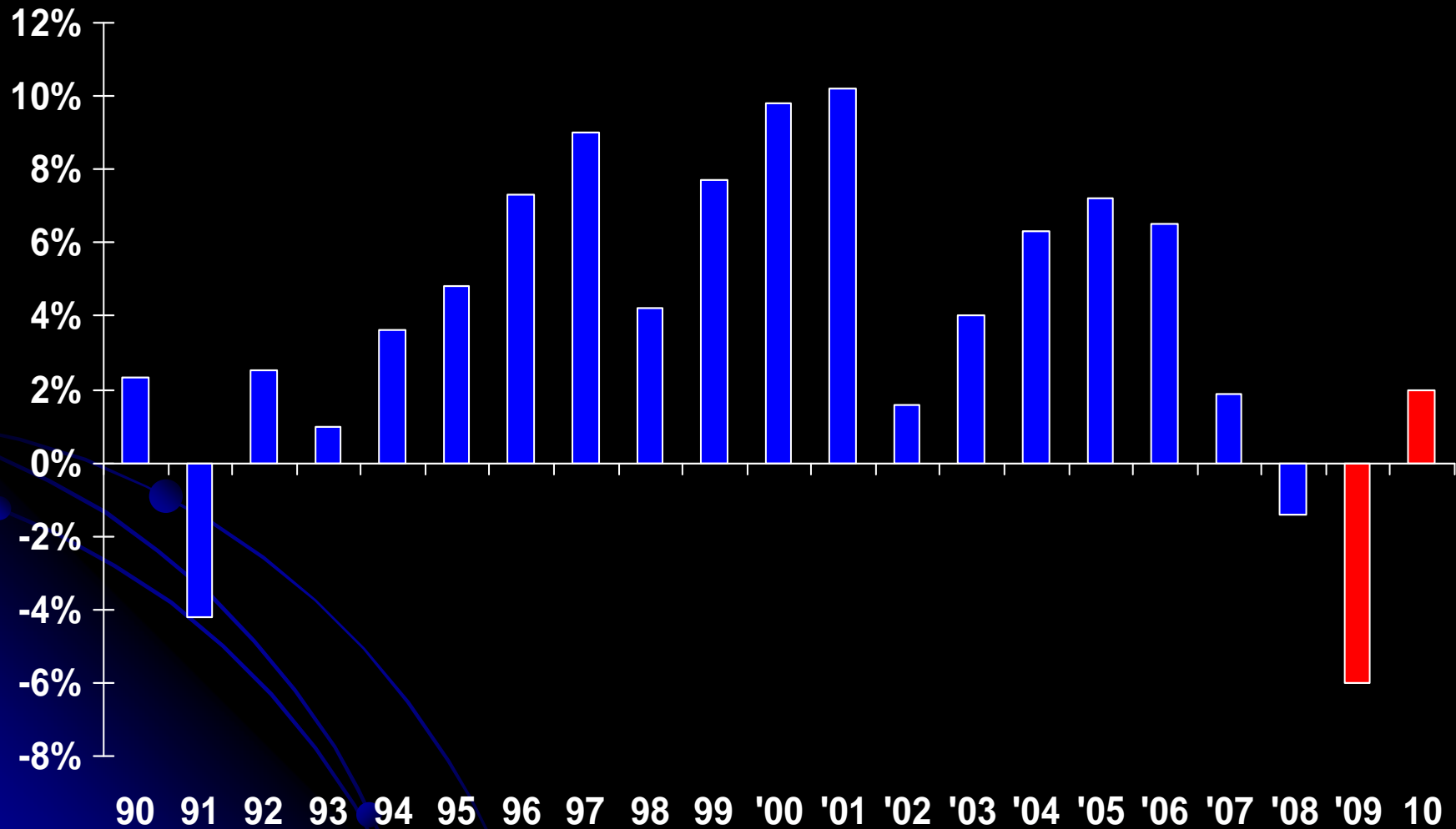
SD Outlook-Rising Unemployment Rate

2008



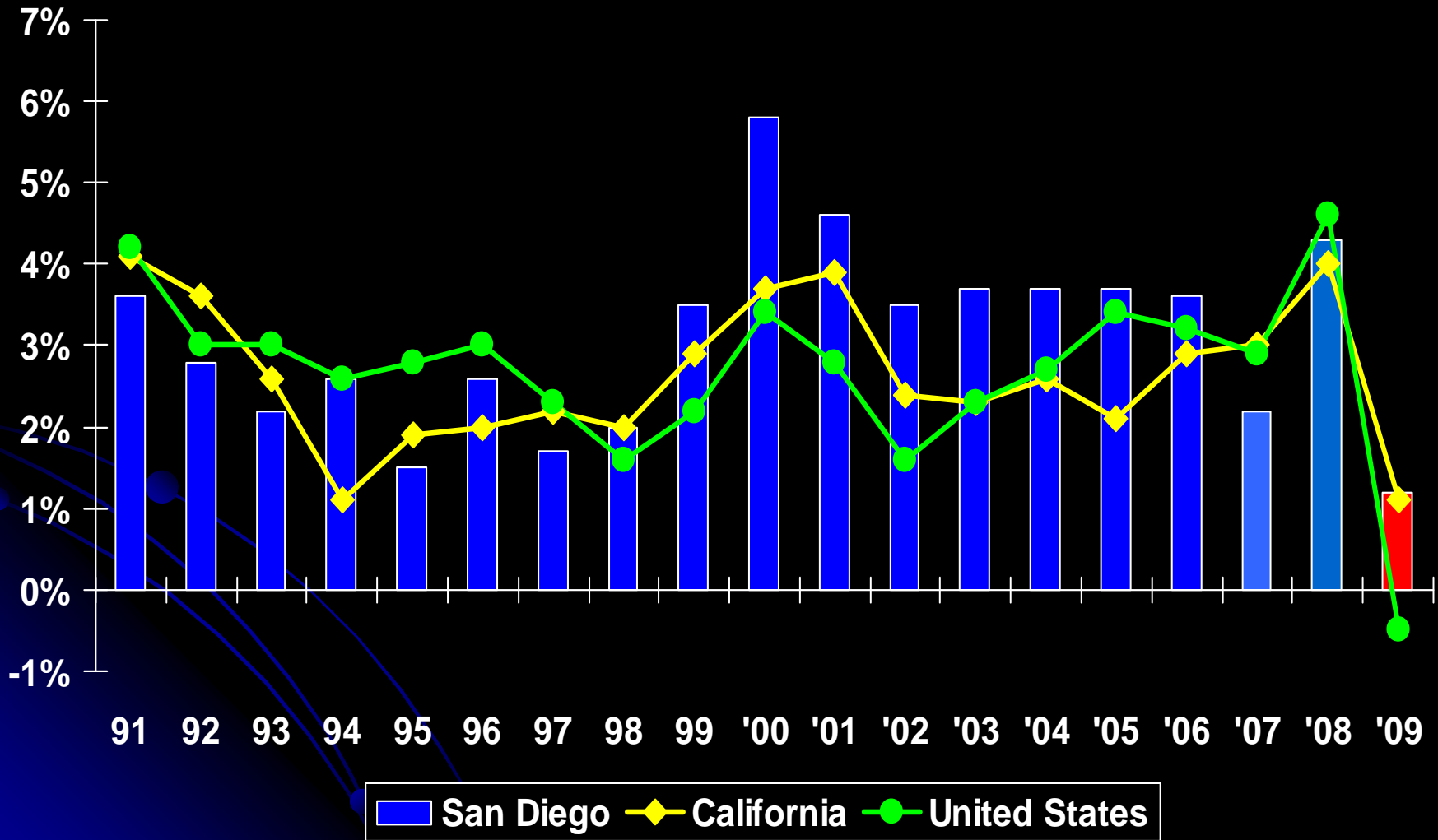
SD Outlook- Decline in Taxable Retail Sales

Y-O-Y Percent Change, Fiscal Years 09 & 10



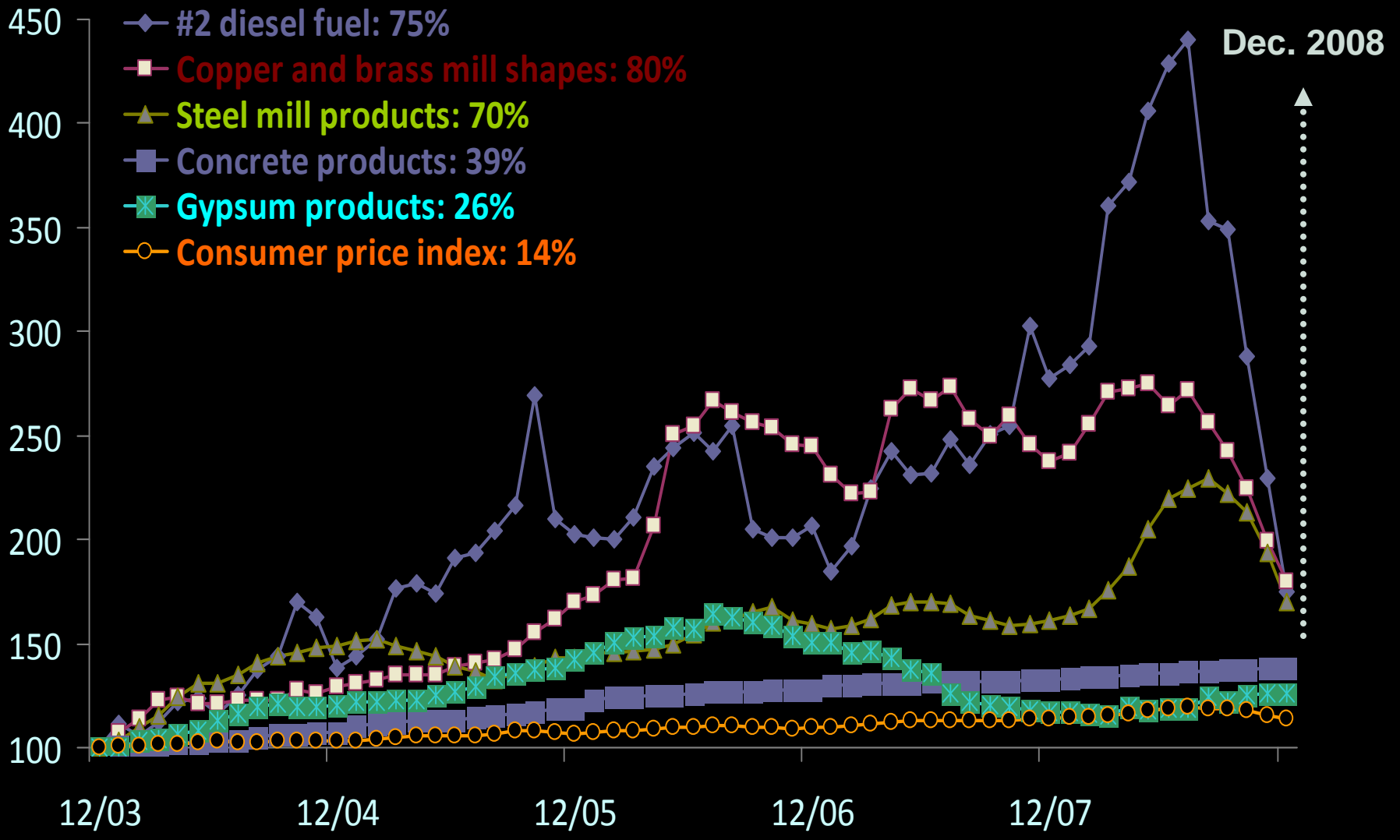
SD Outlook-Disinflation

US Deflation, Rate of Change in CPI-U



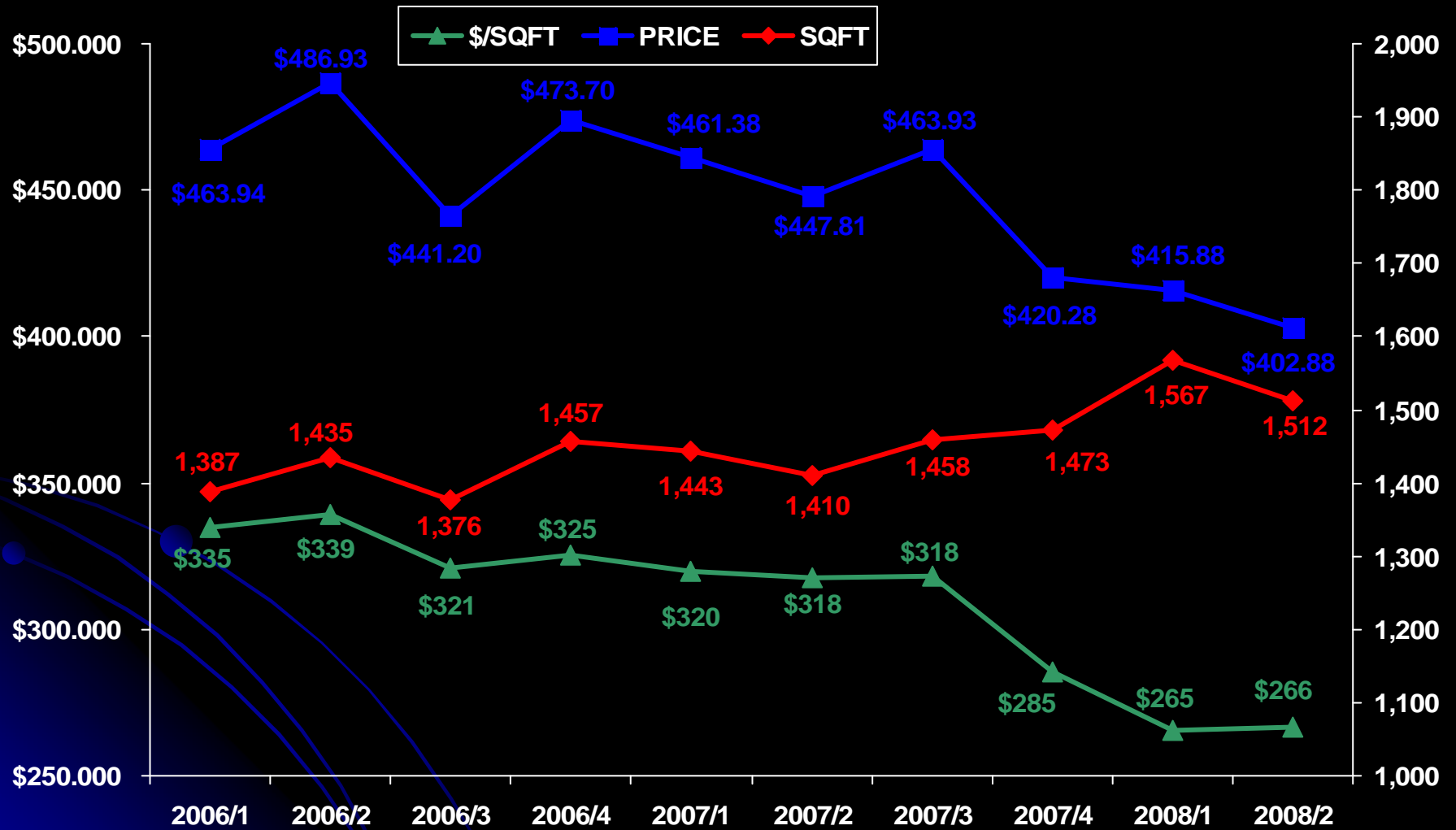
US Construction Costs Falling

Change in Producer Prices by Major Construction Inputs, (2003 = 100)



SD New Home Pricing Trends

Single Family Townhomes/ Condominium



2009 Outlook Key Assumptions

“Darkest Before the Dawn Forecast Assumptions”

- Deflation Except Wages
- Bundles of New Money
- Stable Marginal Tax Rates
- Low Interest Rates
- Economic Stimulus
- **SD**-FIFO & Boost from Gov't Construction
- **US**-No Depression



2009 **SD Outlook** Summary

“Moving Sideways then Slow Growth”

- Job Losses Turn to Growth
- U-Rate Up
- Lower Home Prices
- Reverse Wealth Effect
- Declining Retail Sales (FY09)
- Less VC Investment
- Disinflation
- **Significant Risk-**





**San Diego's
2009 Economic Outlook**

Marney Cox, Chief Economist, SANDAG