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# 2017 Economic Outlook

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*It's not 2016 anymore.....*



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# Agenda

- Jobs
- Wages
- Housing

# SAN DIEGO REGION 2017: POISED FOR CONTINUED PROSPERITY

*San Diego region is diversified, with a resilient economy is uniquely positioned for long-term growth and prosperity.*

## Demography

- Diverse population of 3.2 million projected to continue growing
- 5<sup>th</sup> largest county in the nation
- **Younger:**  
Median Age  
SD-35.3, US-37.7
- **Richer:**  
Per-capita income  
SD-\$51,459, US-\$46,030
- **Better Educated:**  
% of 25+ Pop with BA+  
SD-37.1%, US-30.1%

## Economy

- **\$219 billion economy:**  
San Diego would rank 26th as a state
- **Diverse:**  
No sector represents more than 20% of the economy
- **Forward-looking:**  
Positioned for the 21<sup>st</sup> century in biotech and other innovative sectors
- **Resilient:**  
More than half the economy is in recession-resilient sectors

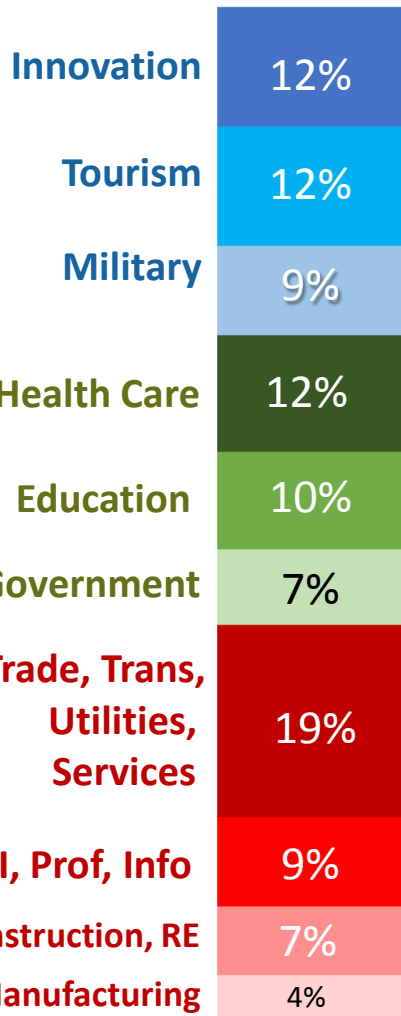
## Outlook

- **Population:**  
Ongoing growth adding 30,000 residents on average per year for next 20 years
- **Jobs:**  
Continued growth of a diversified and balanced economy
- **Housing:**  
Recovered housing market focused on revitalization of the urban core

# SAN DIEGO 2017: Diverse and Expanding Economic Base

2016

## Select Employers



33%  
Economic Drivers

62%  
Recession Resilient  
29%  
Population Driven

### Tourism

- San Diego Zoo – rated #1 in the world
- Sea World, Legoland, Balboa Park,

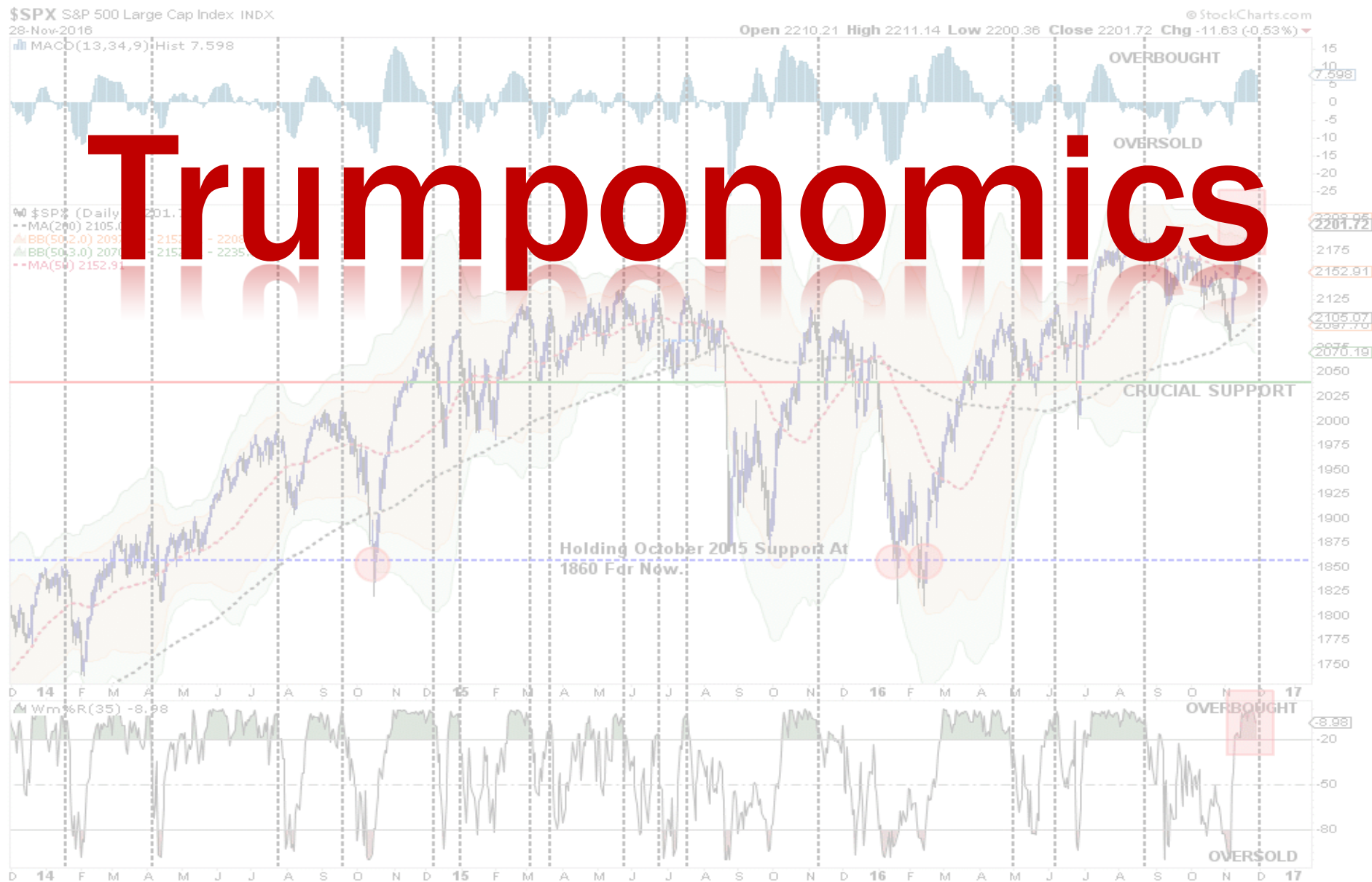
### Innovation

- Qualcomm – pioneered CDMA mobile technology
- Illumina – revolutionized DNA sequencing
- ESET, Northrup Grumman, SPAWAR – leaders in cyber security

### Defense

- General Dynamics – design/construction of ships
- General Atomics – precision laser weapons, “Predator” drone
- ViaSat – satellite communication, real-time intel, video, voice

YEA, BUT WHAT ABOUT .....



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# **Economists Warn of Global Recession Following Trump Victory**

•[Martha C. White](#) Money Magazine

Updated: Nov. 9, 2016 10:19 AM

## **Trump Administration to Rev Up Global Growth, Says OECD**

The OECD has revised its U.S. and global economic outlooks to reflect the projected effects of a Trump administration.

By [Andrew Soergel](#) | Economy Reporter Nov. 28, 2016, at 10:35 a.m.

# What is: **Trumponomics**

- Personal Tax Cuts
- Corporate Tax Cuts
- Infrastructure Programs
- Defense Spending
- Build up the Military
- Repel/Modify Obama Care
- Relax Regulations – Energy, Environment, Financial Policy
- Trade
- Immigration
- Foreign Policy
- Drain the Swamp
- Build the wall (now with doors)

*“It takes time, It takes consensus”*

# Trumponomics = Fiscal Stimulus

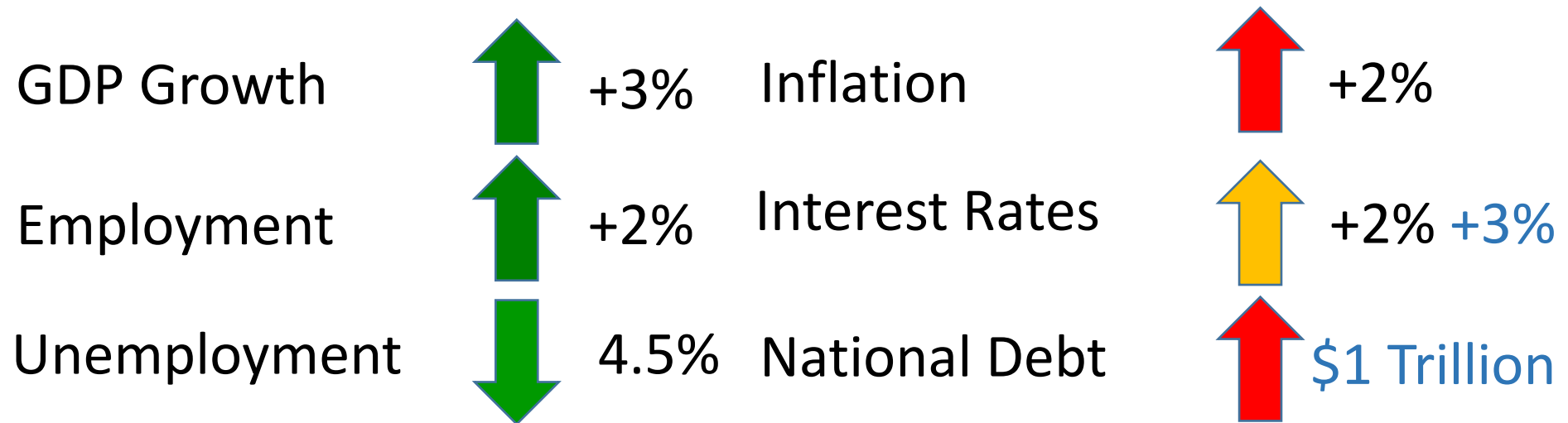
**Fiscal Stimulus = Tax Cuts + Spending**





# National Forecast for 2017/ 2018

*A massive fiscal stimulus on any economy that is at or near full employment will lead to more growth, higher levels of inflation and higher interest rates and then .....*



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# San Diego Outlook: Jobs

# Trumponomics on Employment (Jobs)

## Jobs, Jobs, Jobs

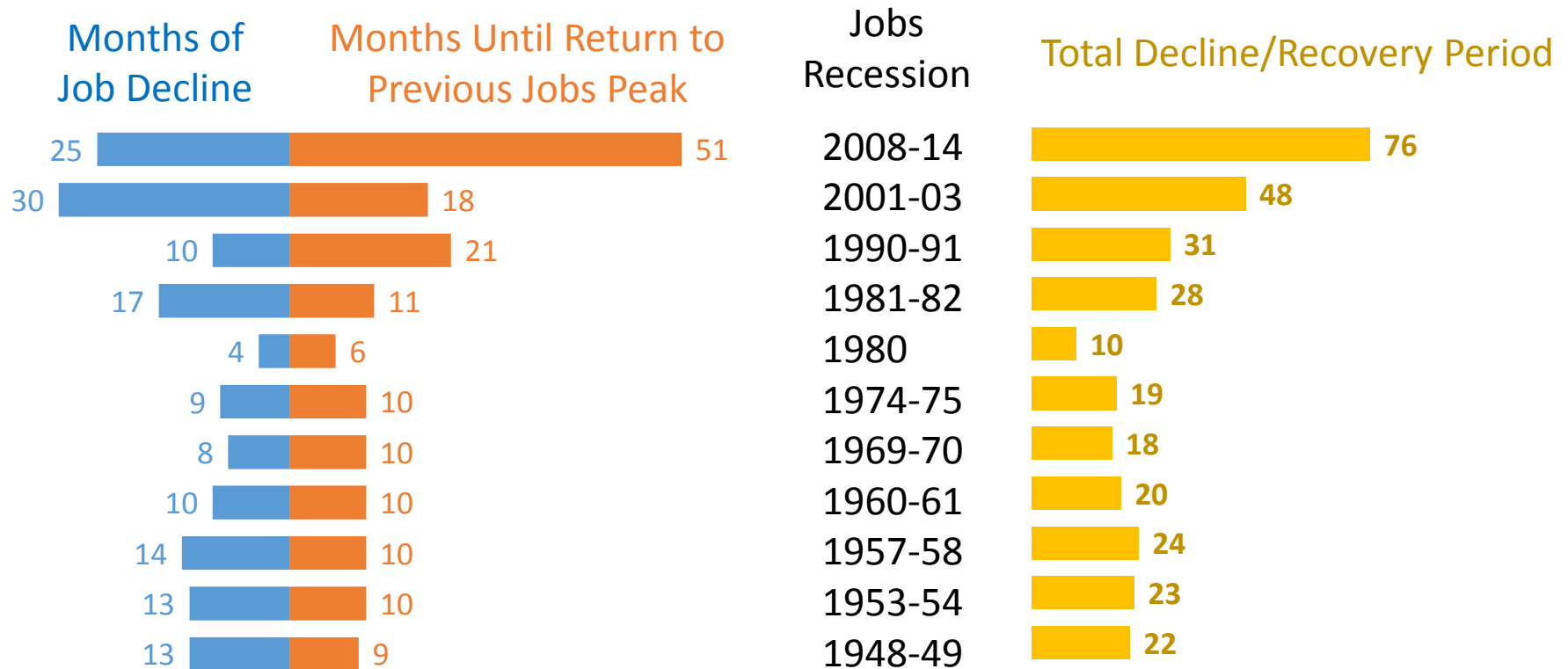
- Corporate Tax cuts
- Loosening regulations
- Encouraging businesses to stay in the US
- Defense Spending (disproportionately weighted towards California and San Diego)
- Infrastructure Spending (sanctuary state?)
- Trade – Repeal NAFTA, TPP

# Job Decline and Recovery Throughout U.S. Recessions

## Decline

## Recovery

## Length of Cycle

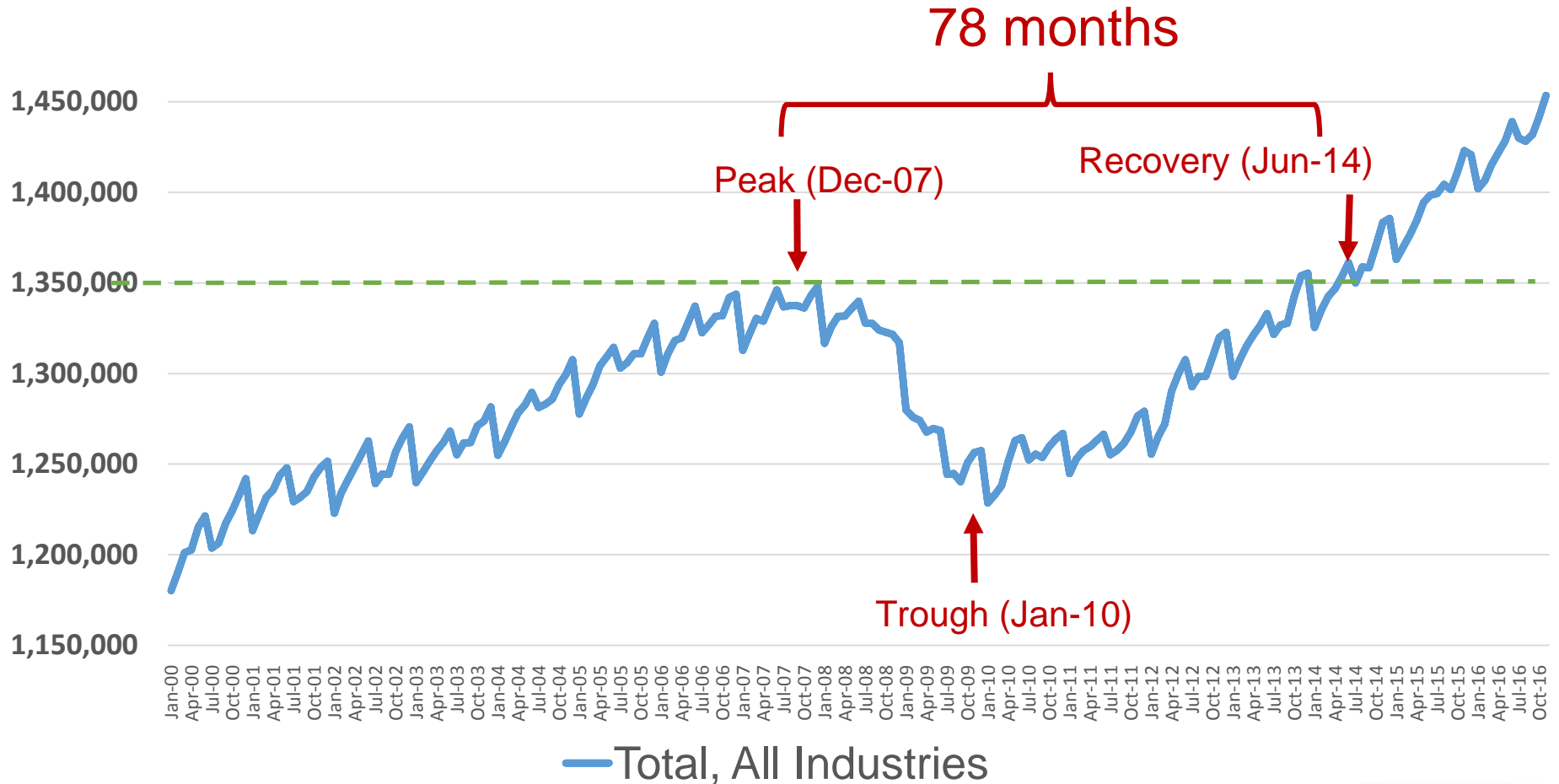


### Pre 2008 Recession

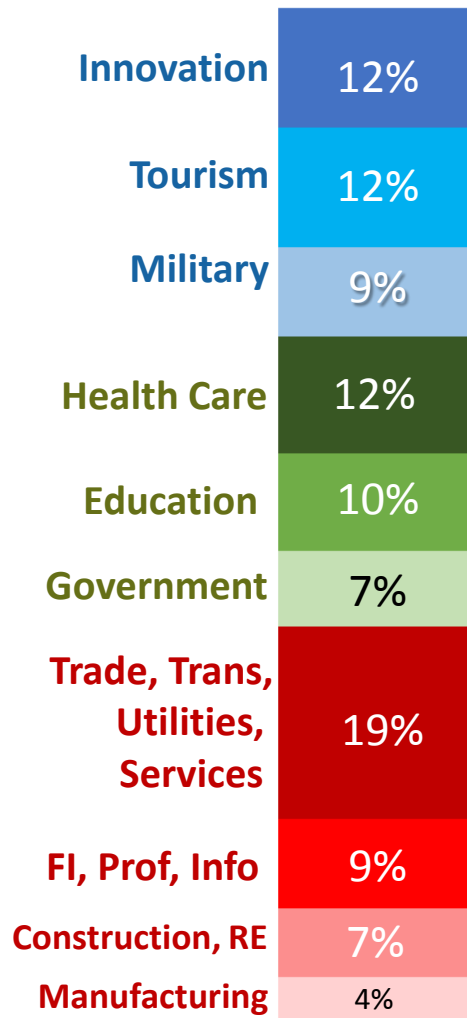
Average Decline 11.5 mo.  
 Average Return 12.8 mo.  
 Average Cycle 24.3 mo.

# San Diego Total Employment 2000-2016

*Recovery from the Great Recession took six times longer than the average recovery, now 7 years into an expansion.  
70% of job creation was from low-paying jobs*



# SAN DIEGO 2017: Diverse and Expanding Economic Base



Driving Sectors

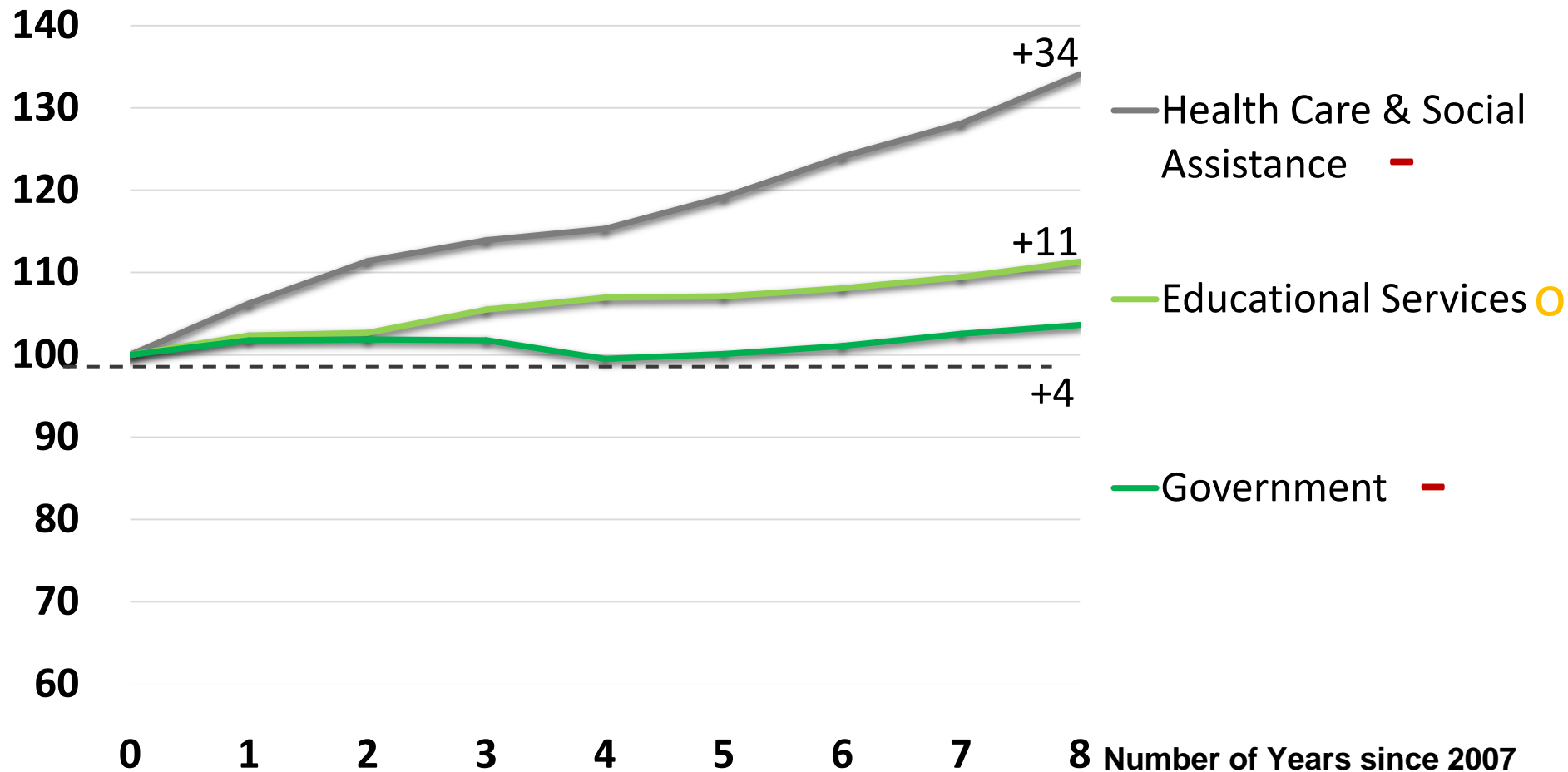
Supporting Sectors

Traditional Sectors



# San Diego, Employment: Supporting Sectors

Employment, 2007 = 100



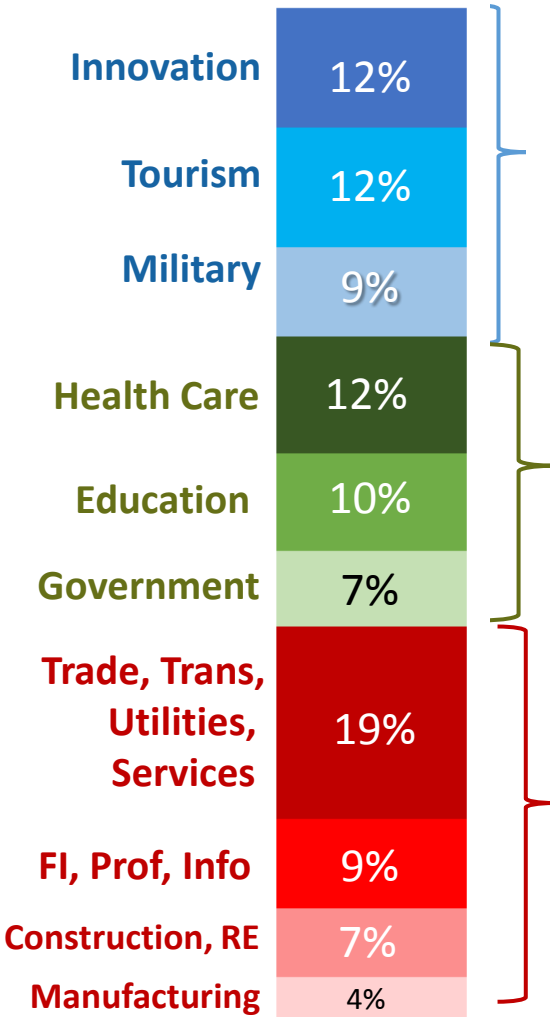




# San Diego Region, 2017 Select Sector Forecasts

**Employment: 40,000 new jobs (2.7% growth)**

**Unemployment: drops below 4.5%**



## Economic Drivers:

**Innovation** sector continues to thrive.

**Travel and Hospitality** will outpace GDP growth in 2017.

**Military** expands its strong presence.

## Population-Driven Sectors:

**Health Care** grows as population ages.

**Education** remains stable.

**Government** grows proportional to population.

## Other Economic Sectors:

**Retail trade** Brick & mortar weak / Increases spending.

**Financial and Professional** very slow growth.

**Construction and Real Estate** strong growth through 2018.

**Manufacturing** continues steady recovery.

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# San Diego Outlook: Wages

# Trumponomics on Wages

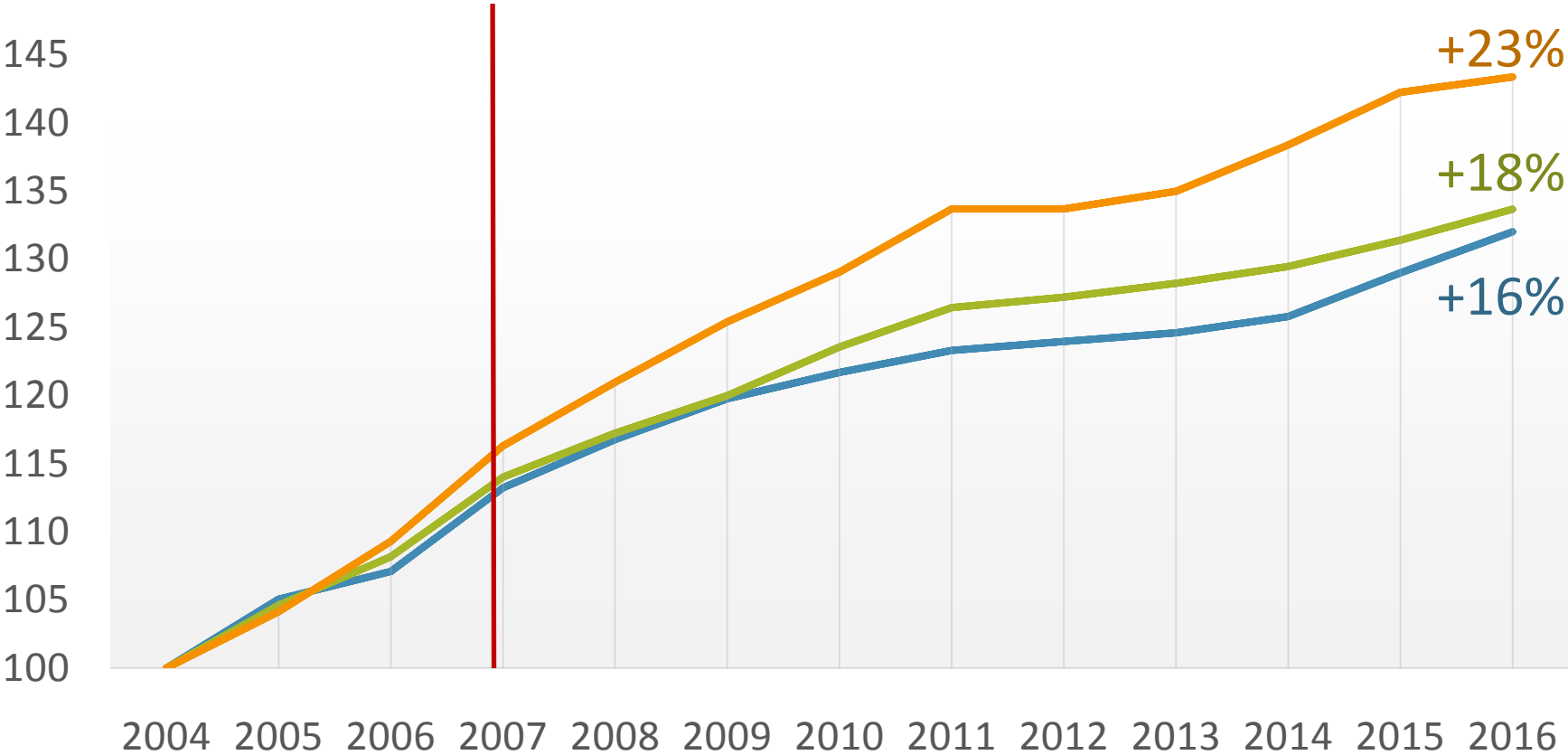
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Note: Near Full Employment

- Immigration (H1b Visas)
- Immigration (unskilled labor)
- Deportations
- Opposed to minimum wage

# San Diego County Wages

## Nominal Hourly Wages



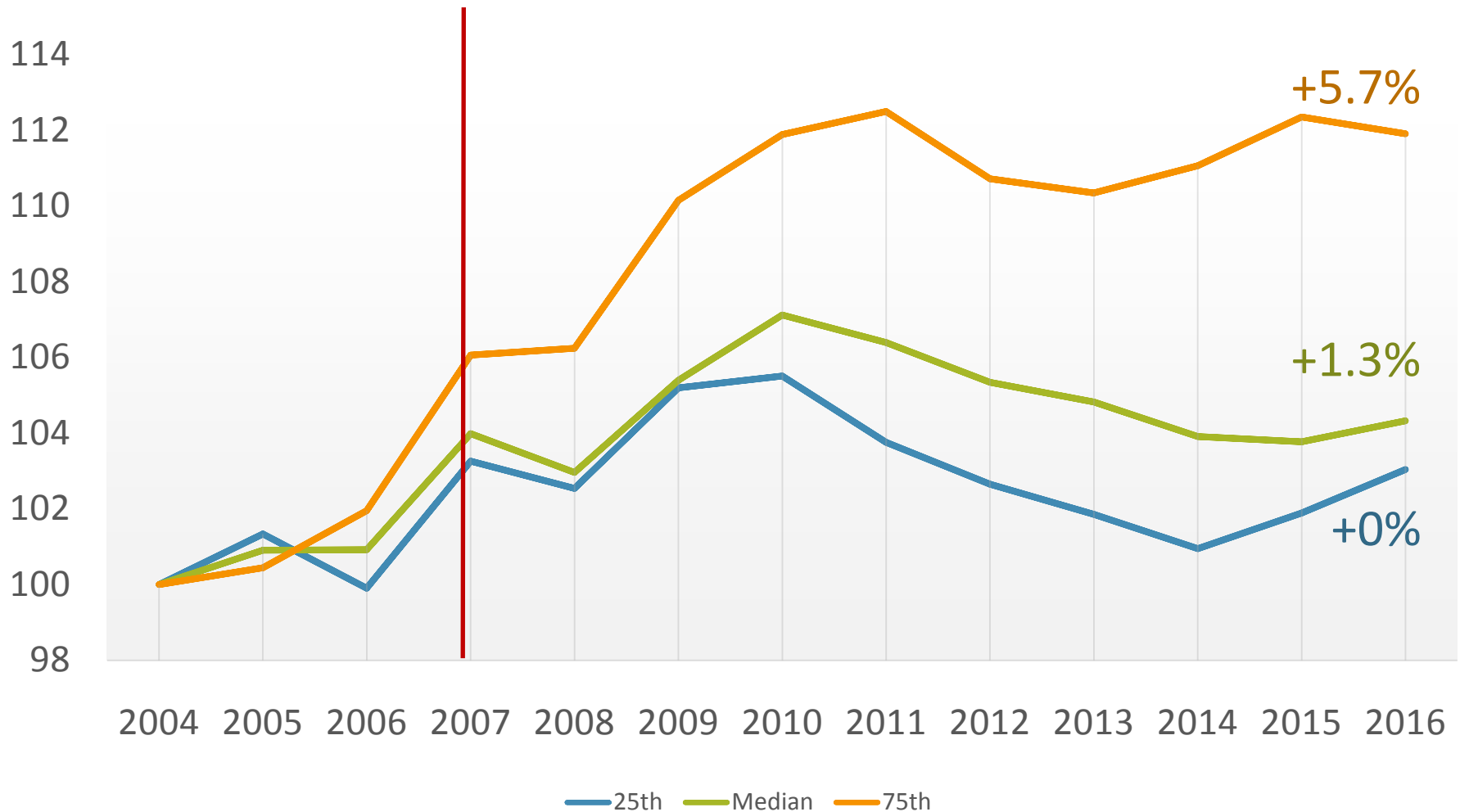
Index: 2004 = 100

— 25th — Median — 75th



# San Diego County Wages

## Real Hourly Wages



Index: 2004 = 100

# SAN DIEGO 2017 OUTLOOK ON WAGES

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- Skilled (Visa program) vs nonskilled workers
- Wages increase to induce workers to move to California domestically
- Growth in real wages up 2% in 2017, 2.5% in 2018
- Deportations/ The Wall
  - Impact on Central/Imperial Valley (farming)
  - Increase in wages for documented labor
- \$15 hr minimum wage , might be prevailing wage

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# San Diego Outlook: Housing



# Trumponomics on Housing

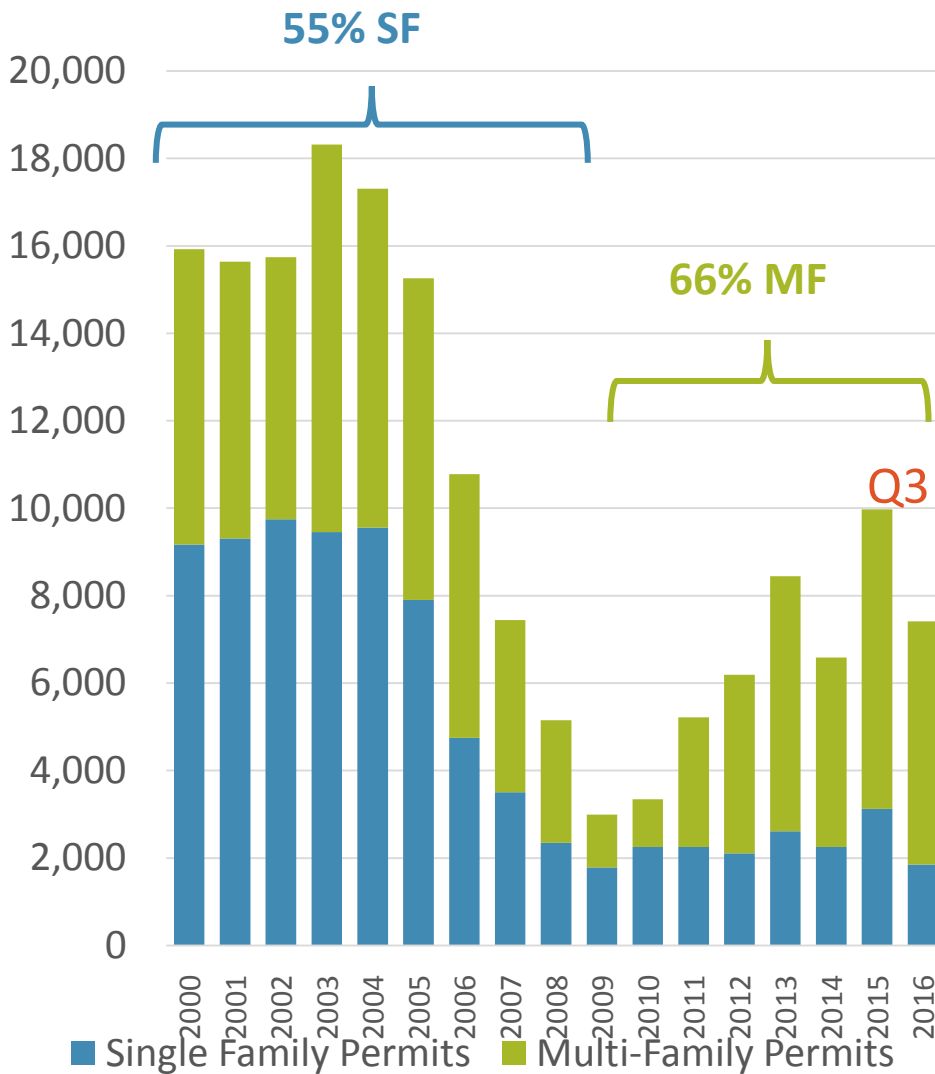
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- Relaxed regulations – may not impact California
  - Financial
  - Environmental
  - Energy
- Interest rates increase

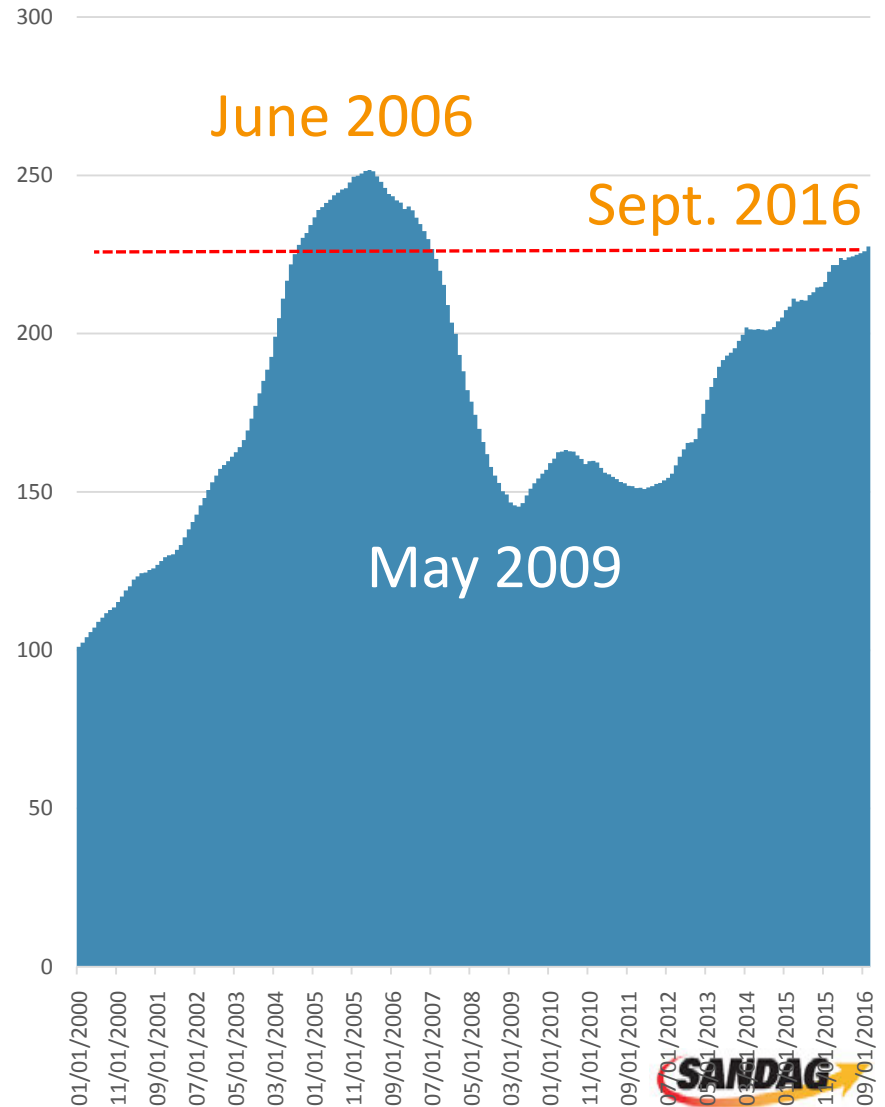
# SAN DIEGO 2016

*"Housing permits and prices"*

## Permits Issued

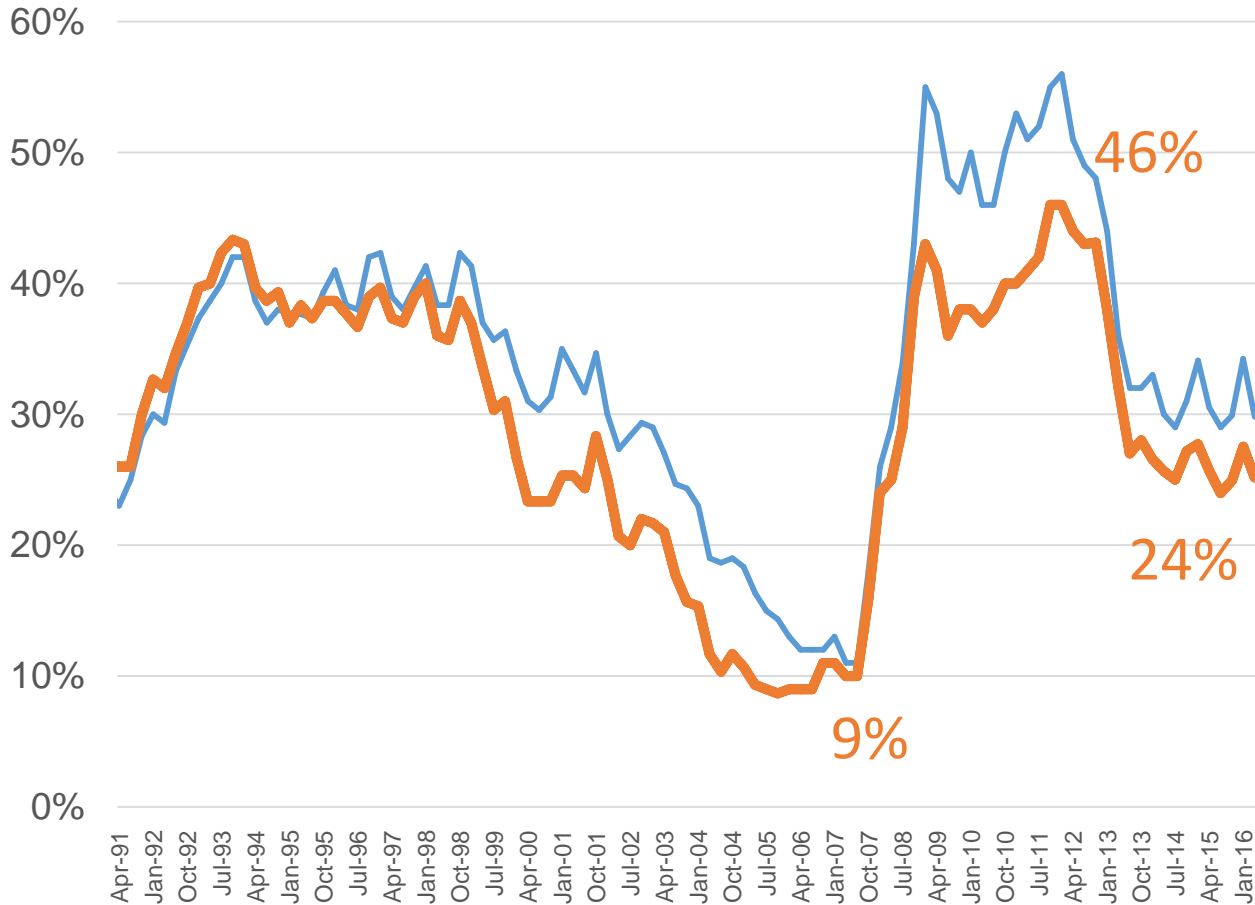


## Housing Prices



# San Diego Region, Housing Affordability

## Affordability Index



Median Priced Home  
 → **\$557,000**

Dual income **\$79,200**

→ **\$433,000**

Dual Income **\$55,300**  
 (all jobs 2015)

→ **\$232,000**

Avg. Income **\$55,300**

Source: California Association of Realtors

# SAN DIEGO 2017/2018 OUTLOOK ON HOUSING

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- Interest rates increase (mortgages hit 6%)
- Housing affordability falls below 20%
- Housing starts soften, possibly decrease
- Construction employment starts to slow and fails to get back to pre 2007 levels.
- Increased demand for housing
- Prices increase in the short-term
- Rents flat or decrease (if deportation)

# SAN DIEGO REGION 2017: OPTIMISM DESPITE SOME CHALLENGES

## Strengths

- Underlying Economy is Sound
- Diversified economy
- Near full employment
- Could benefit from some of the proposed spending

## Challenges

- **National**
  - Unknown and possibly volatile policies that affect San Diego
- **State**
  - California vs Trump
  - State regulations hamper local growth
  - Water shortage/distribution
- **Locally**
  - Job creation predominantly low paying
  - Decline in purchasing power
  - Housing affordability