



SAN DIEGO COUNTY
ECONOMIC
ROUNDTABLE

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Today's event will be replayed on
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#SDEconRound



County of San Diego



San Diego
Workforce
Partnership



Knauss
SCHOOL OF BUSINESS

University of San Diego

The San Diego
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Presenters

Daniel Enemark, Chief Economist,
San Diego Workforce Partnership

Ray Major, Deputy CEO, Business Operations,
SANDAG



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Regional Economic Update

39th Annual San Diego County Economic Roundtable

Presented by
Ray Major, Chief Economist
January 18, 2023

San Diego Economic Outlook

San Diego Economic Outlook

Source: Bureau of Labor Statistics, Consumer Price Index (Nov 2022, Dec 2022); Bureau of Labor Statistics, Local Area Unemployment Statistics, San Diego MSA, Not Seasonally Adjusted, (Nov 2022); San Diego Tourism Authority (Nov 2022); Redfin (Dec 2022); Freddie Mac 30-Year Fixed Mortgage Rate (Dec 2022); CPS IPUMS San Diego (2021)

Inflation persists

- San Diego inflation dipped to **6.7%** in November (U.S. 6.5% December)
- Higher prices have **raised cost of living**
- **Fed hikes rates** to combat inflation, **increasing cost of borrowing, debt**
- **Economic uncertainty** deters consumer spending, business investment

Diverse industries, employment show resilience

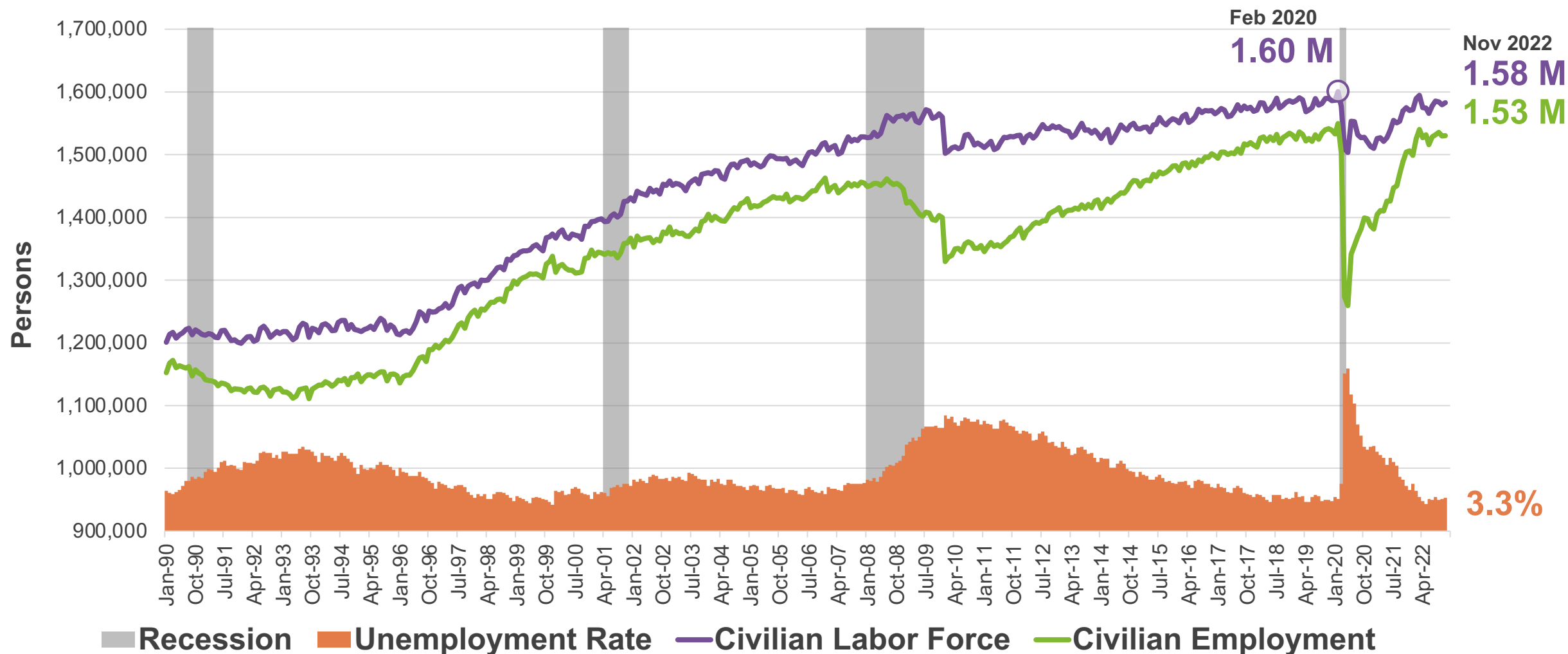
- **Innovation, Military, and Healthcare** have been stable and strengthening
- **Tourism** has rebounded, but not in **international and business travel**
- **Job market** is tight, with **low unemployment (3.3%)** in November

Housing affordability still challenging

- **Rising mortgage rates (6.36%)** offset easing housing prices
- **Only 16%** of San Diego households can afford a median-priced home (**\$770,000**)

San Diego Regional Labor Market

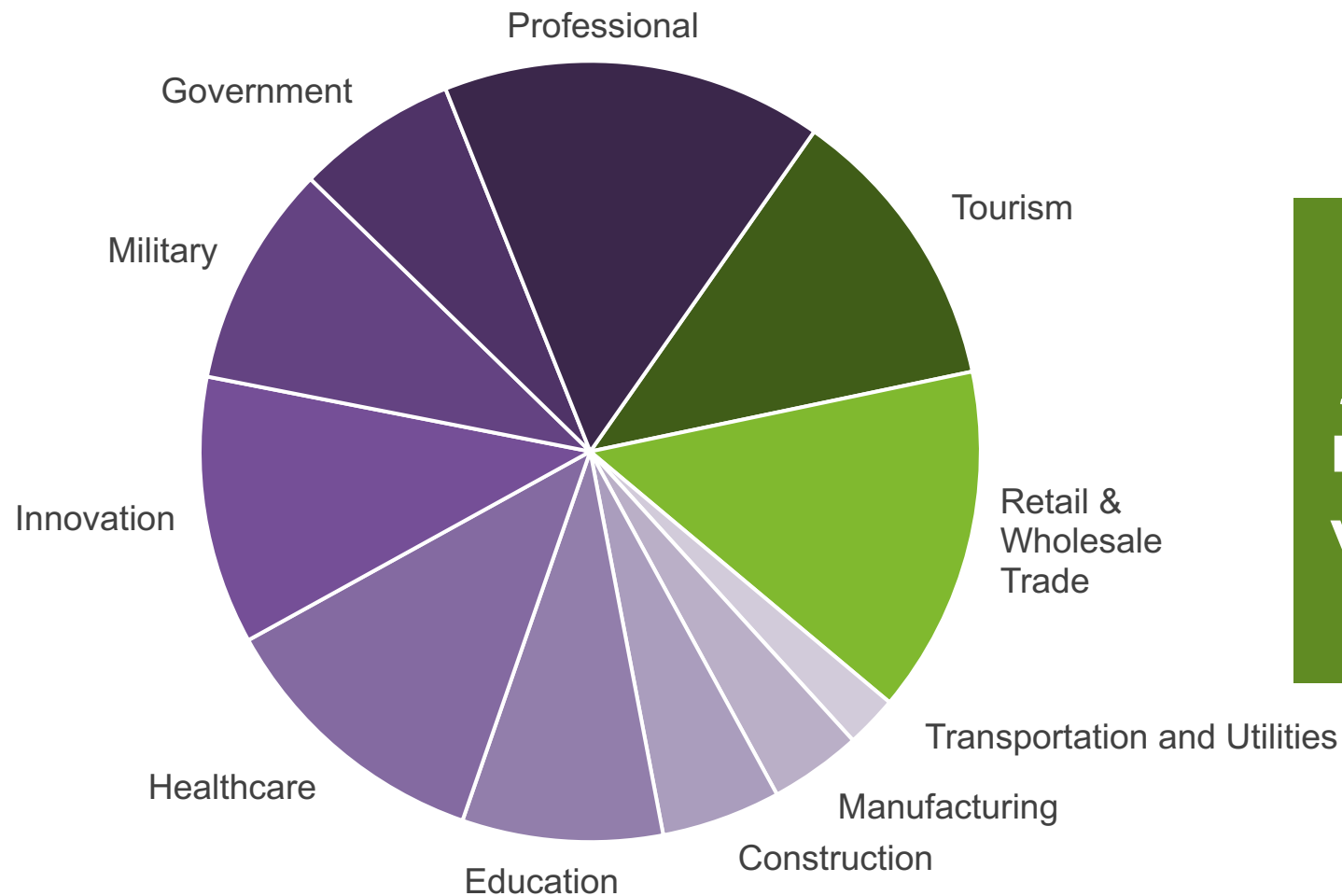
Employment and unemployment have returned to pre-COVID levels



San Diego Regional Employment by Sector

Diversified economy limits risk of widespread job loss

2022 Total Employment (1.66 million jobs)



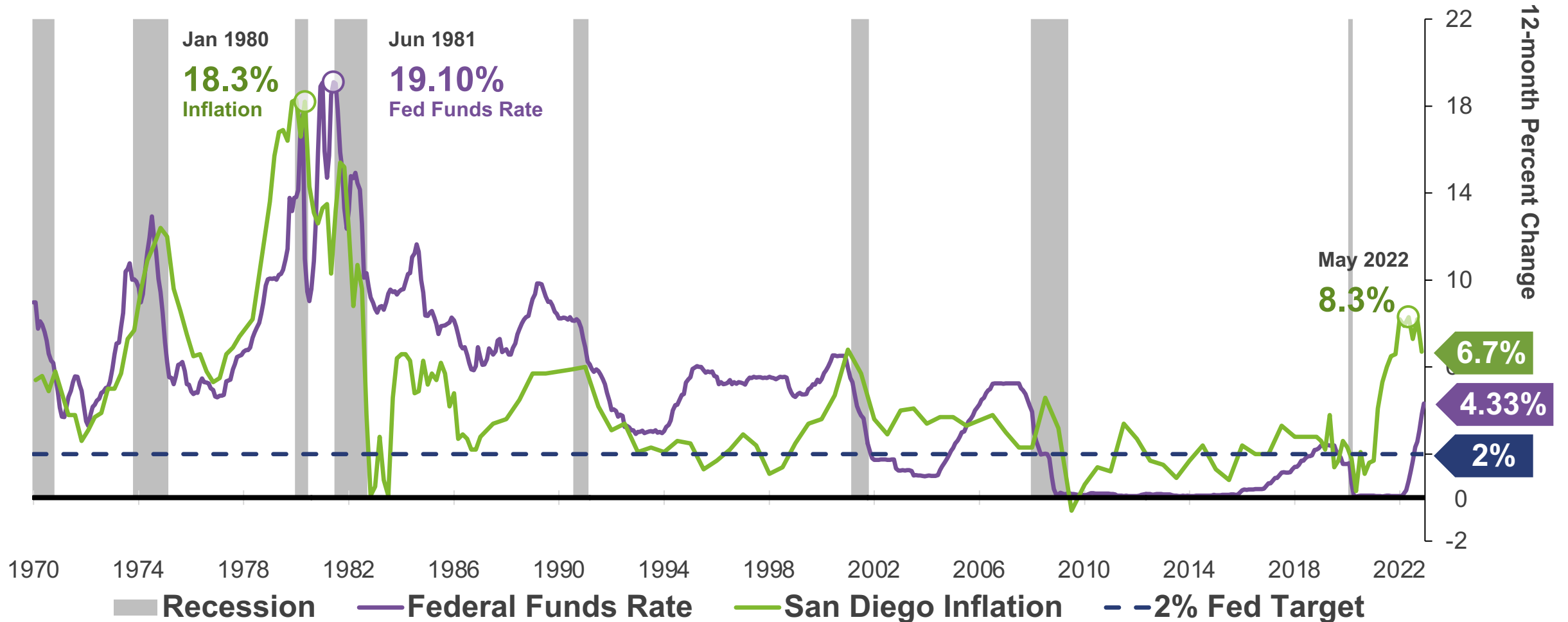
74% of jobs are in **recession-resistant** sectors

26% of jobs are in **recession-vulnerable** sectors

Inflation

San Diego Inflation and the Federal Funds Rate

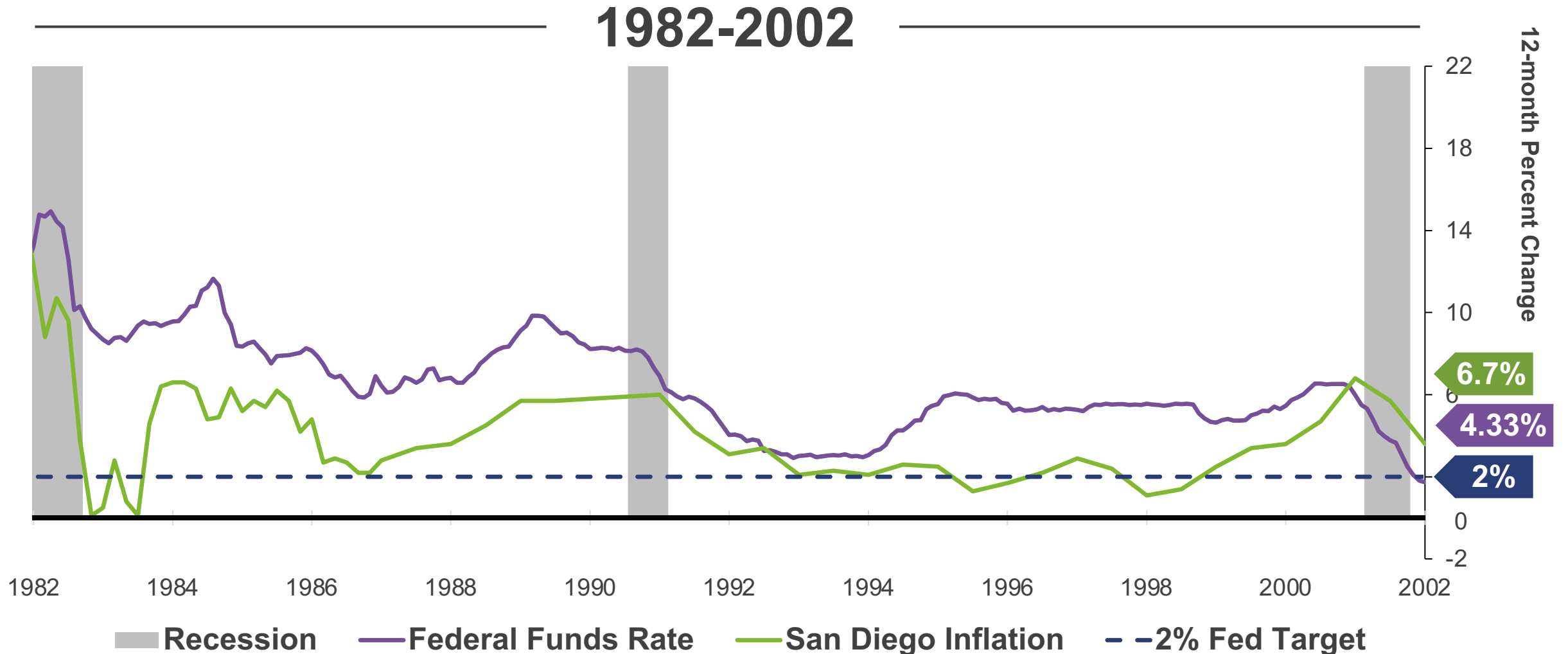
Fed moves have reacted to inflation and preceded recessions



Source: National Bureau of Economic Research (2022); Board of Governors, Federal Reserve System, Effective Federal Funds Rate (Jan 2023); Bureau of Labor Statistics, CPI-U, San Diego, not seasonally adjusted (Dec 2022).

San Diego Inflation and Federal Funds Rate

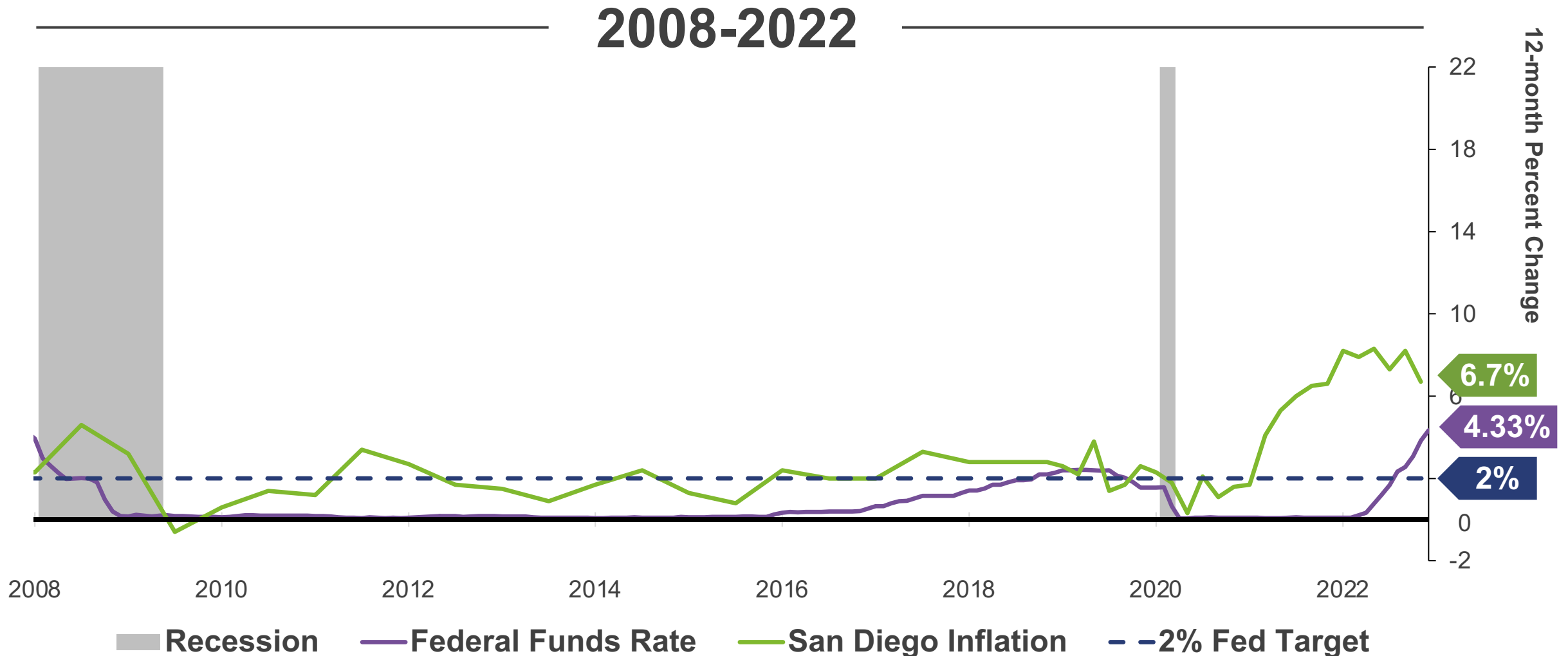
Funds rate running higher than inflation



Source: National Bureau of Economic Research (2022); Board of Governors, Federal Reserve System, Effective Federal Funds Rate (Jan 2023); Bureau of Labor Statistics, CPI-U, San Diego, not seasonally adjusted (Dec 2022).

San Diego Inflation and the Federal Funds Rate

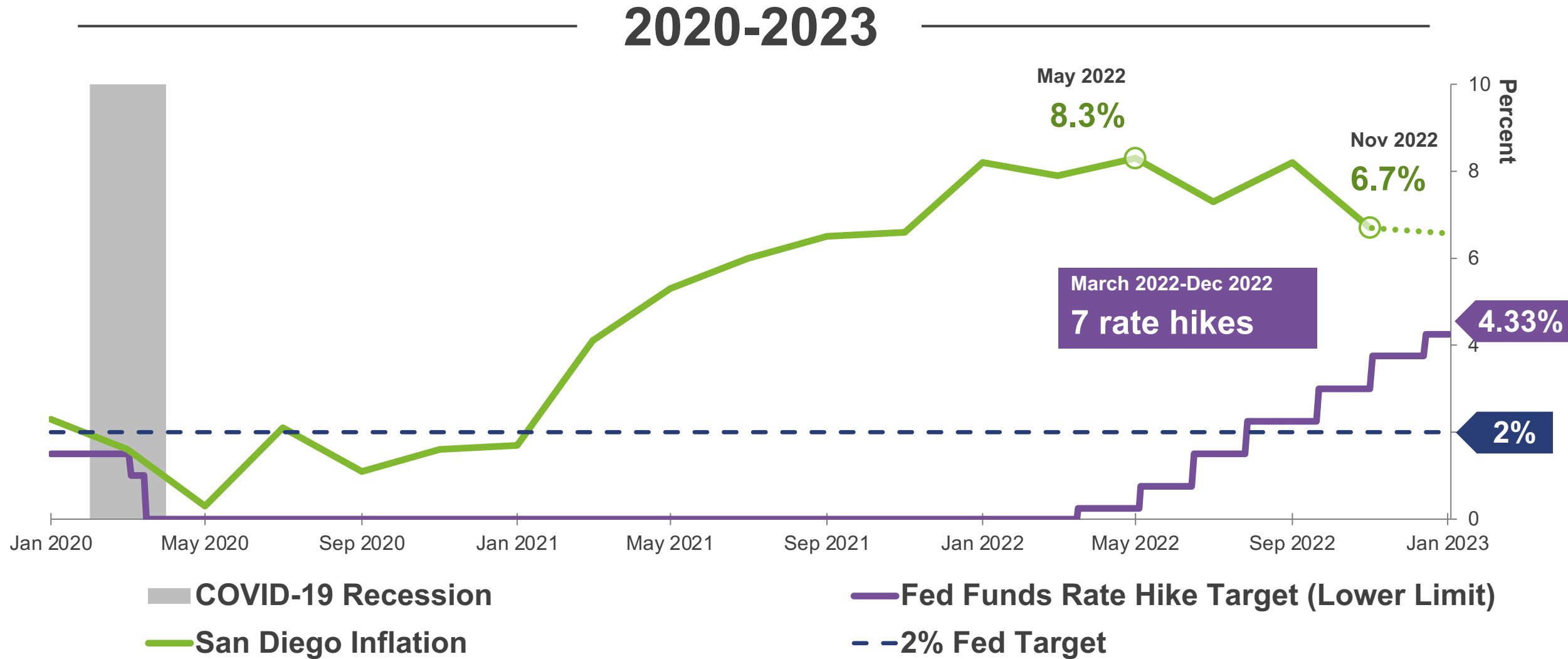
Past decade was unusual with the funds rate near zero



Source: National Bureau of Economic Research (2022); Board of Governors, Federal Reserve System, Effective Federal Funds Rate (Jan 2023); Bureau of Labor Statistics, CPI-U, San Diego, Not Seasonally Adjusted (Dec 2022).

San Diego Inflation and Federal Funds Rate Target

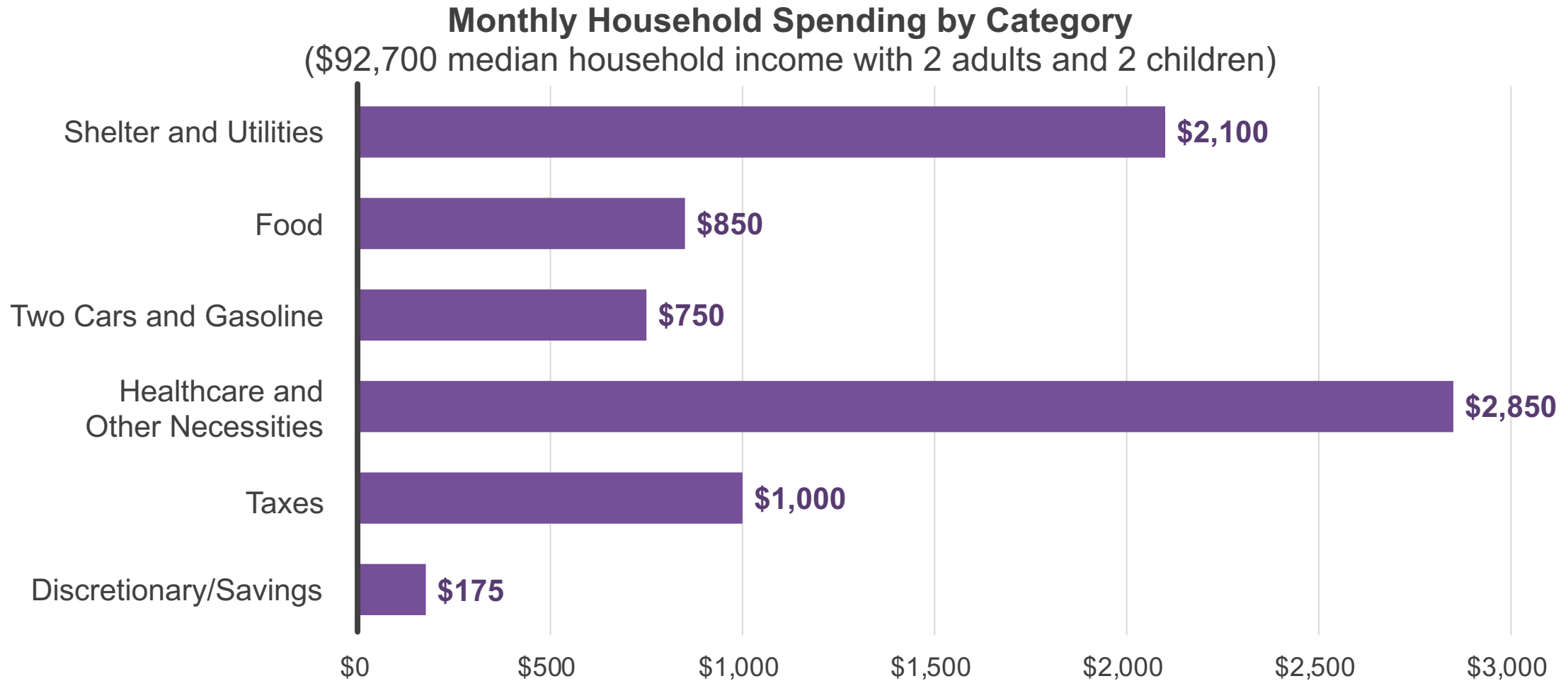
Fed rate hikes began in March 2022, with more expected in 2023



The Family Budget

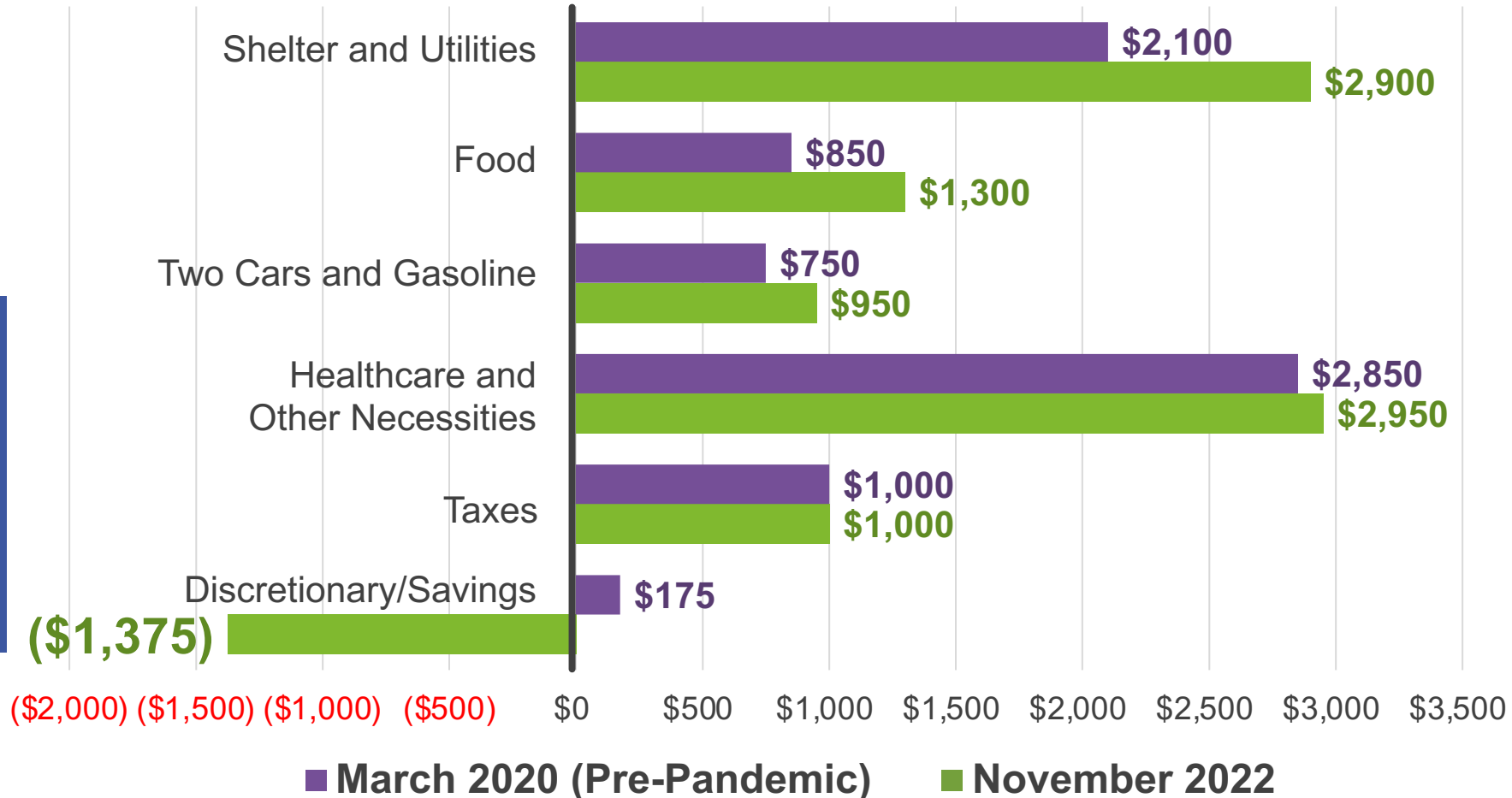
Cost of Living Before the Pandemic

San Diego family budget in March 2020



Cost of Living in 2022

Monthly Household Spending by Category
(\$92,700 median household income with 2 adults and 2 children)

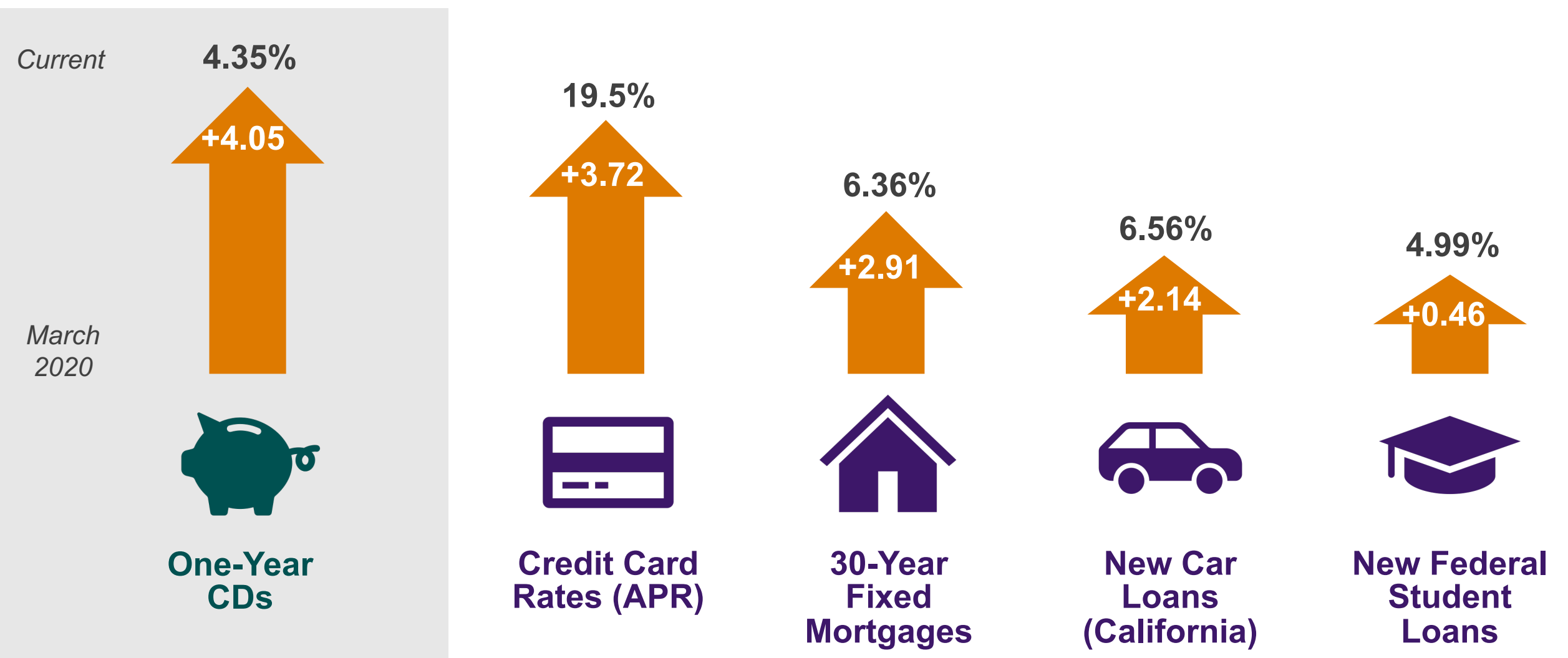


More debt
and less
savings:
**monthly
loss of
\$1,550**

Housing and
food are
**42%
higher**
than in
March 2020

Impact of Fed Rate-Hike Cycle Since March 2020

Savings returns have increased but so have the costs of borrowing



Source: Board of Governors, Federal Reserve System (Dec 2022); Freddie Mac, 30-Year Fixed Mortgage Rate, (Dec. 2022); Federal Reserve G.19 (Nov 2022); Edmunds (Dec 2022); Bankrate.com, Average APR (Dec 2022); DepositAccounts.com, 1-Year CD Yield (Dec 2022)

Home Sale Price, Mortgage Rate, and Affordability

Only 16% of San Diego households have the income to afford any home

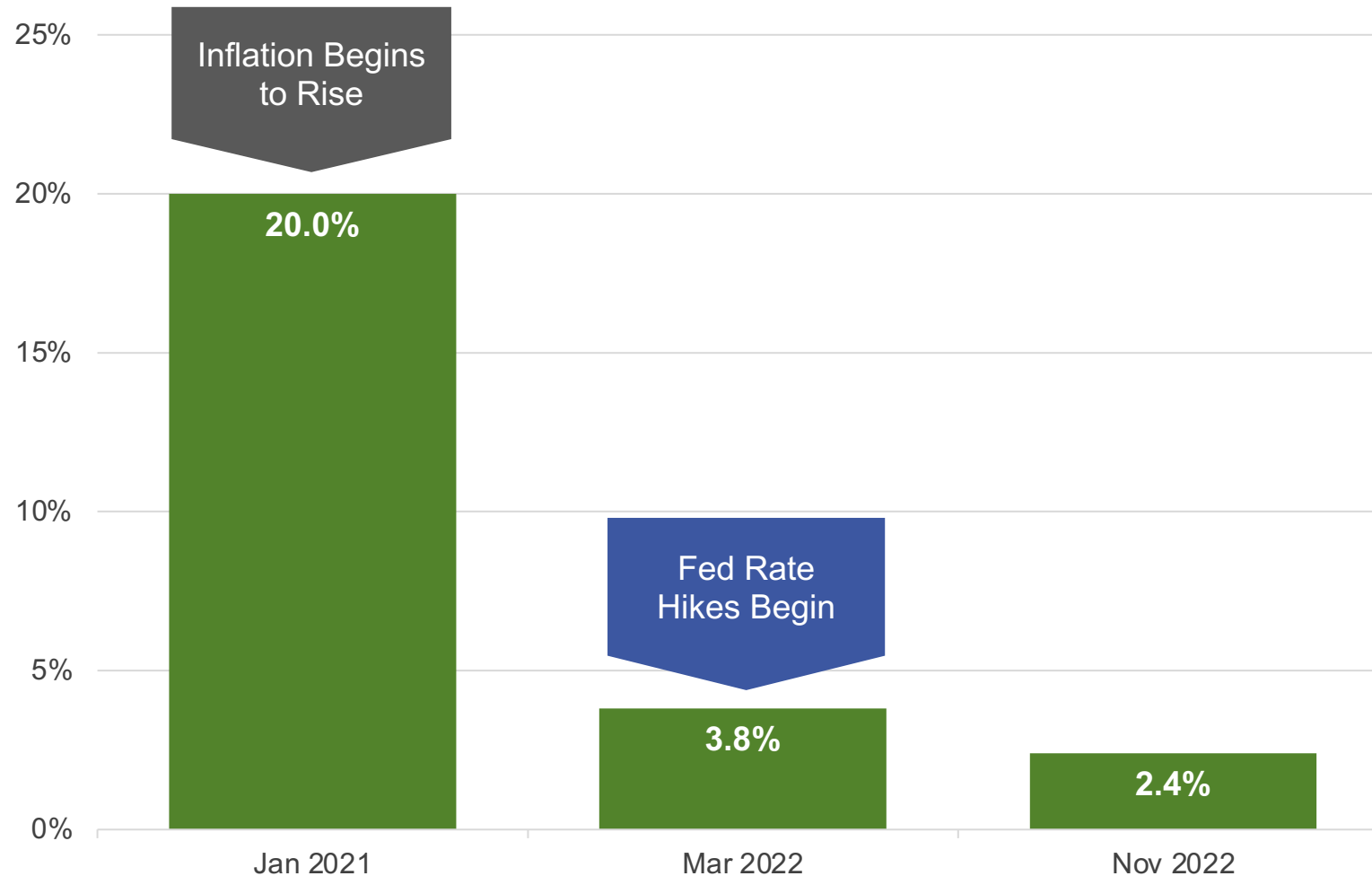


	March 2020	December 2022	33-Month Change
Median Home Sale Price (All Types)	\$599,000	\$770,000*	29%
30-Year Fixed Mortgage Rate	3.45%	6.36%	+2.91
Minimum Qualifying Income	\$108,000	\$189,000	75%
Monthly Payment	\$2,700	\$4,725	75%

Source: Redfin, Median Home Price, San Diego, *All Residential Types (Nov 2022); Freddie Mac (Dec 2022), IPUMS-CPS (2022), CAR Traditional Housing Affordability Index, SANDAG calculations.

U.S. Personal Saving Rate

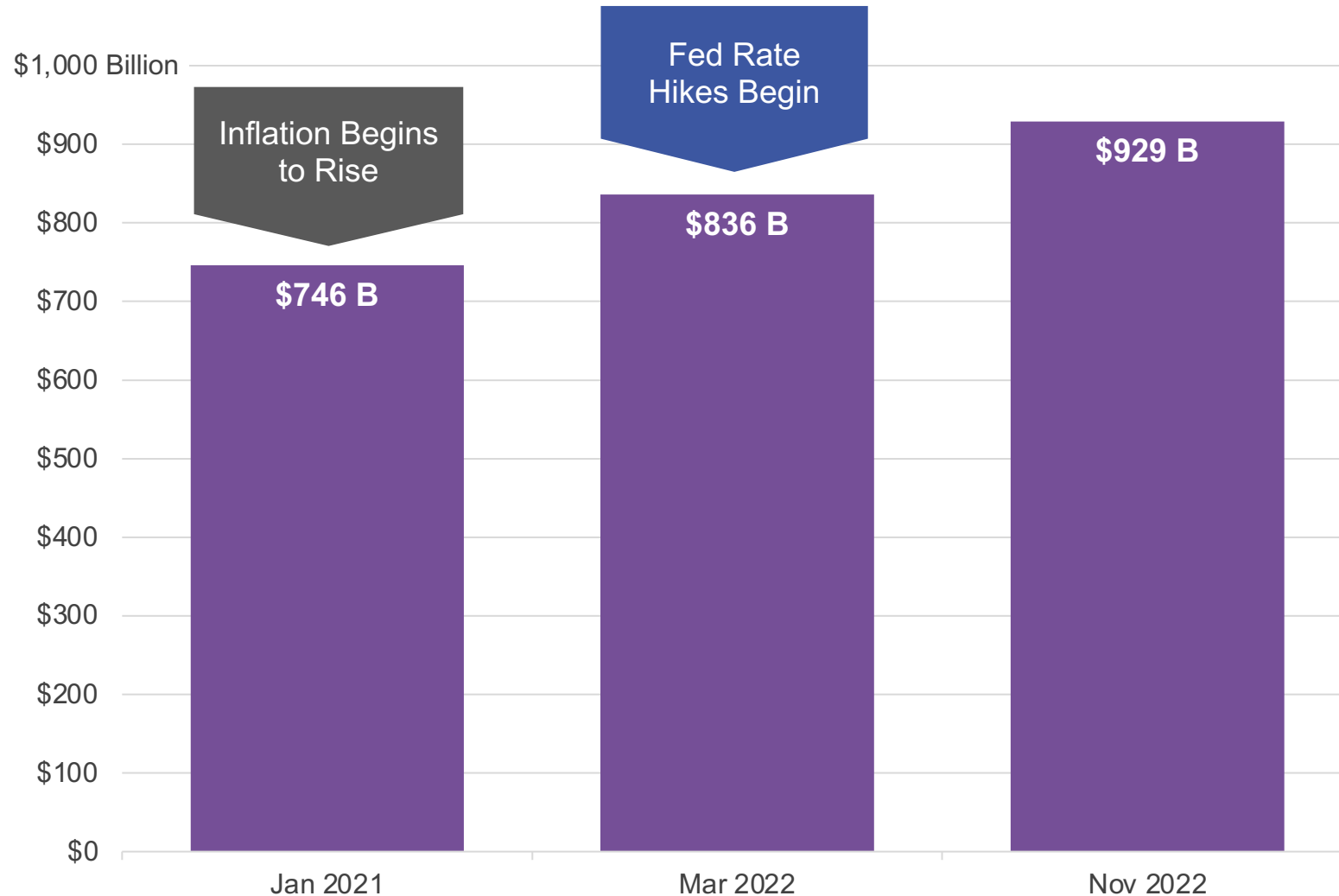
Rising cost of living is keeping many Americans from saving



People are **saving nearly 90% less** of their disposable income including pandemic stimuli

U.S. Credit Cards and Other Revolving Plans

More consumers are relying on credit to make ends meet

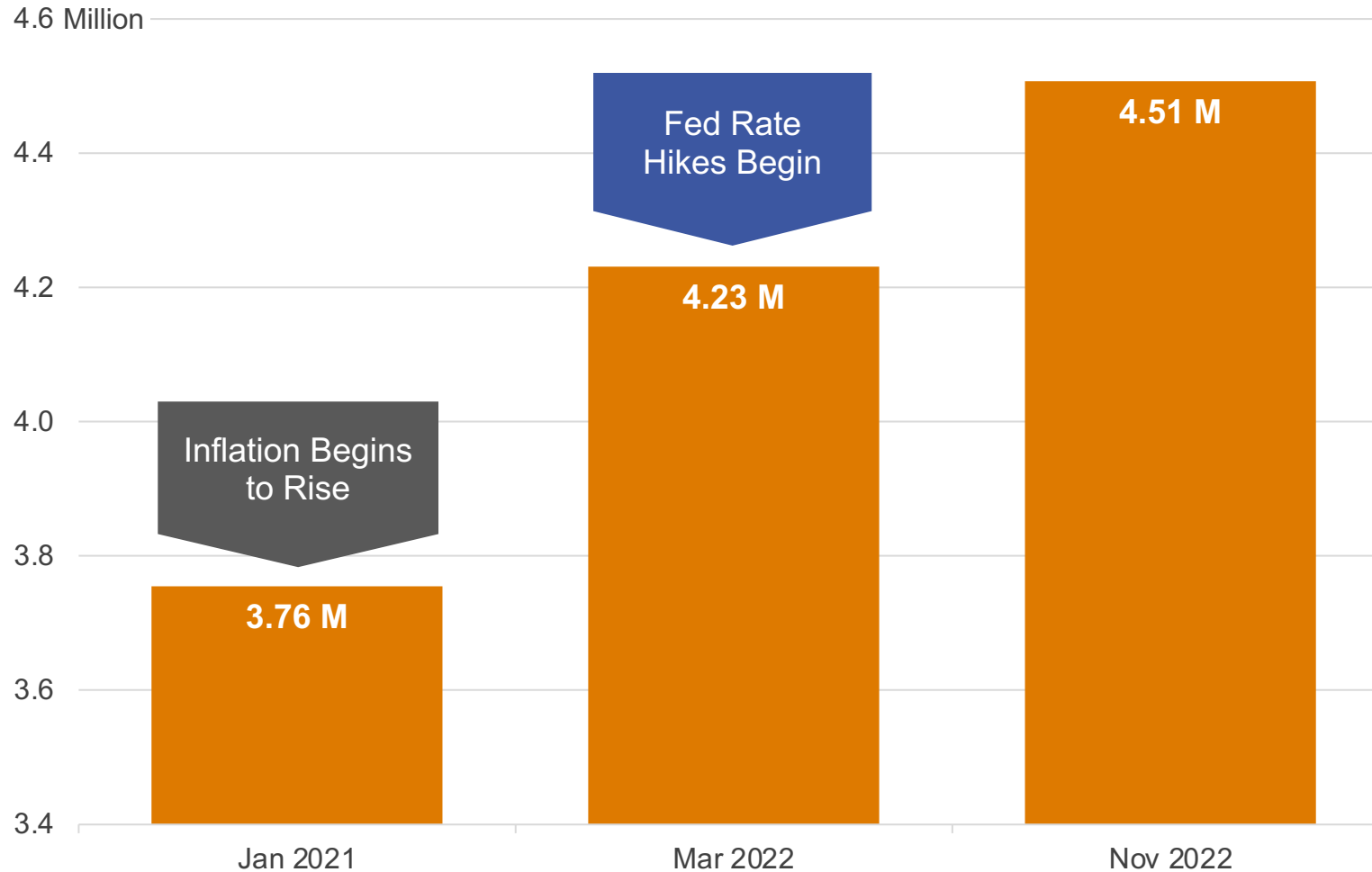


Americans are putting **\$185 B more** on credit cards and other revolving plans

Source: Board of Governors of the Federal Reserve System (U.S.), H.8 Assets and Liabilities of Commercial Banks in the United States (Jan 2023), Seasonally Adjusted; Federal Reserve Bank of New York/Equifax Consumer Credit Panel (June 2022)

Multiple Jobholders

More Americans have a primary full-time and secondary part-time job



Nearly **750,000 more people** have taken a second job

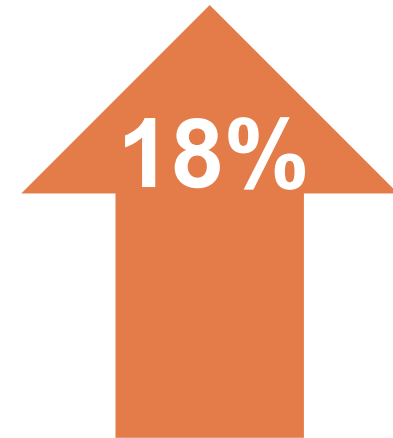
Relating Household Budget Shortfall to Income

Wages have risen but not enough to offset inflation's impact on household budgets

For San Diego median-income households, **salaries would need to increase by 18%** to offset the budget shortfall.



\$109,200



18%

\$92,700

2023 Predictions



Economic Headwinds for Consumers



Inflation Worries



Mounting Debt



Job Insecurity

Macroeconomic Headwinds



\$22.5B State Deficit



National Recession



Global Uncertainty

Expectations for San Diego's Economy

- Early signals of an economic slowdown
 - National unemployment rises, with layoffs outpacing quits
 - Regional layoffs are small but occur across wide range of sectors
 - Businesses scale back operating costs (wages and investment)
- Recession possible in late 2023 or early 2024
 - Likely that Fed actions lead to recession with modest effect on San Diego's economy
- Impact to San Diego's economy
 - Housing market softens
 - Unemployment rate increases
 - Stock market has more volatility and weaker returns
 - Recovery struggles of international and business tourism deepen
 - Commercial property development and business expansion stalls



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Economic Roundtable

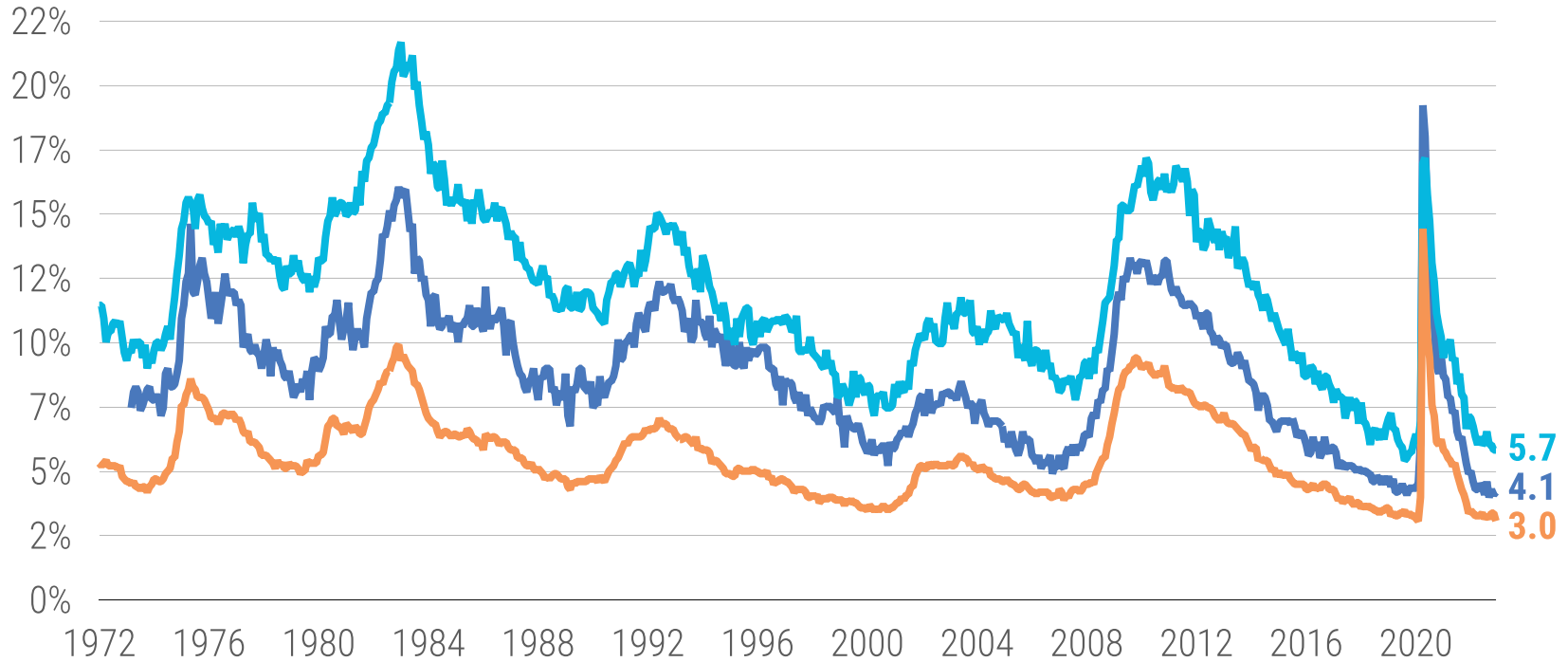
Daniel Enemark, PhD
Chief Economist



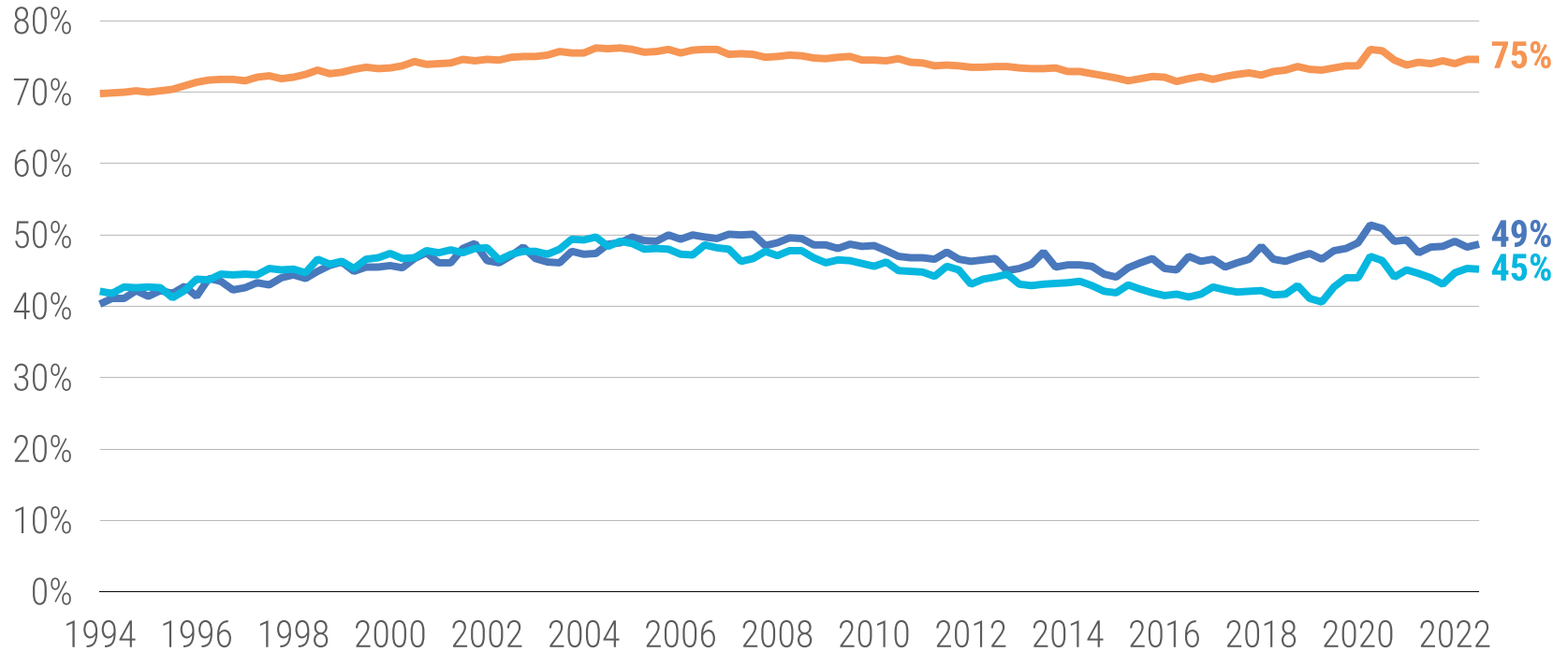
Fed projections (Sep 2022)

- Q4 2022: 3.8%
- Q4 2023: 4.4%
- Q4 2024: 4.4%
- Q4 2025: 4.1%

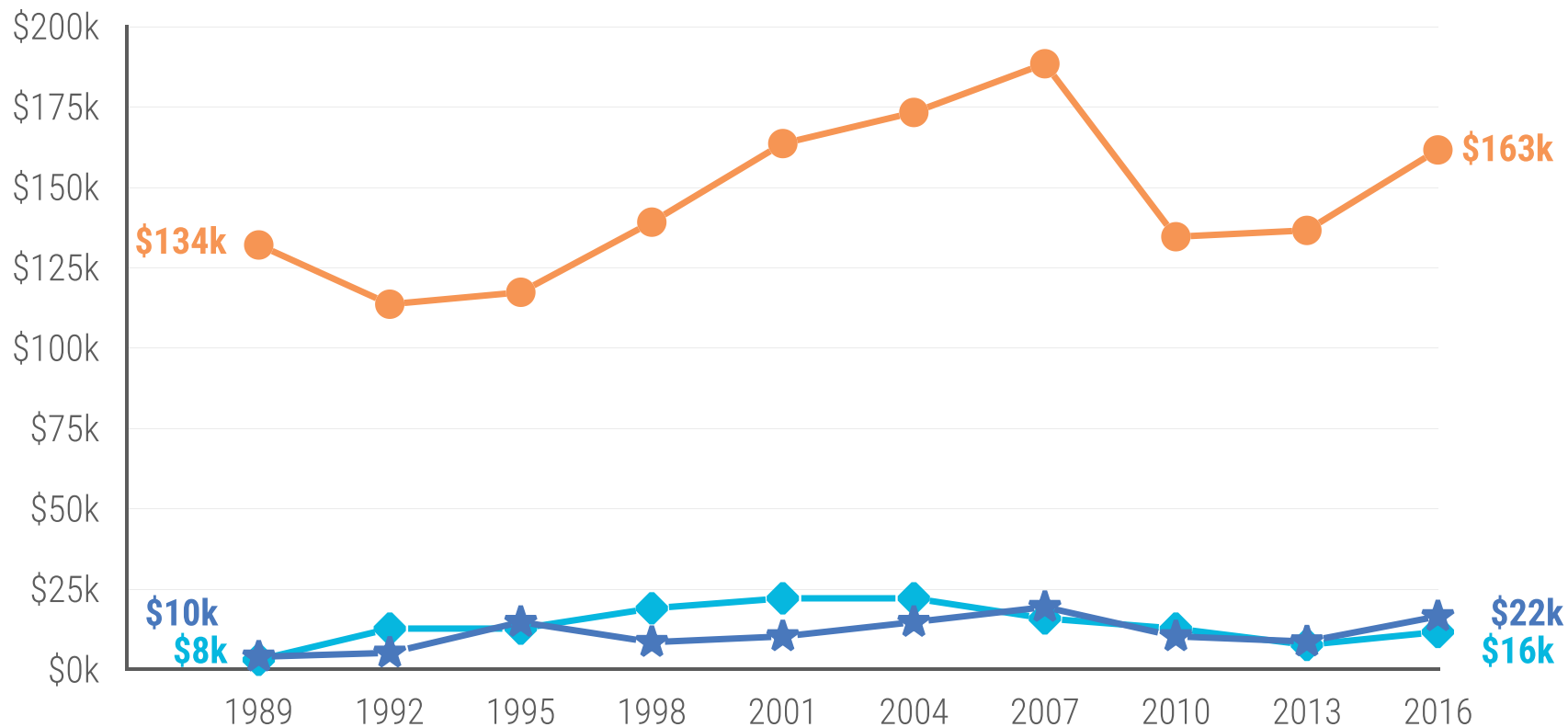
US Unemployment Rate among White, Black, and Hispanic Workers



US Homeownership Rate among White, Black, and Hispanic Residents



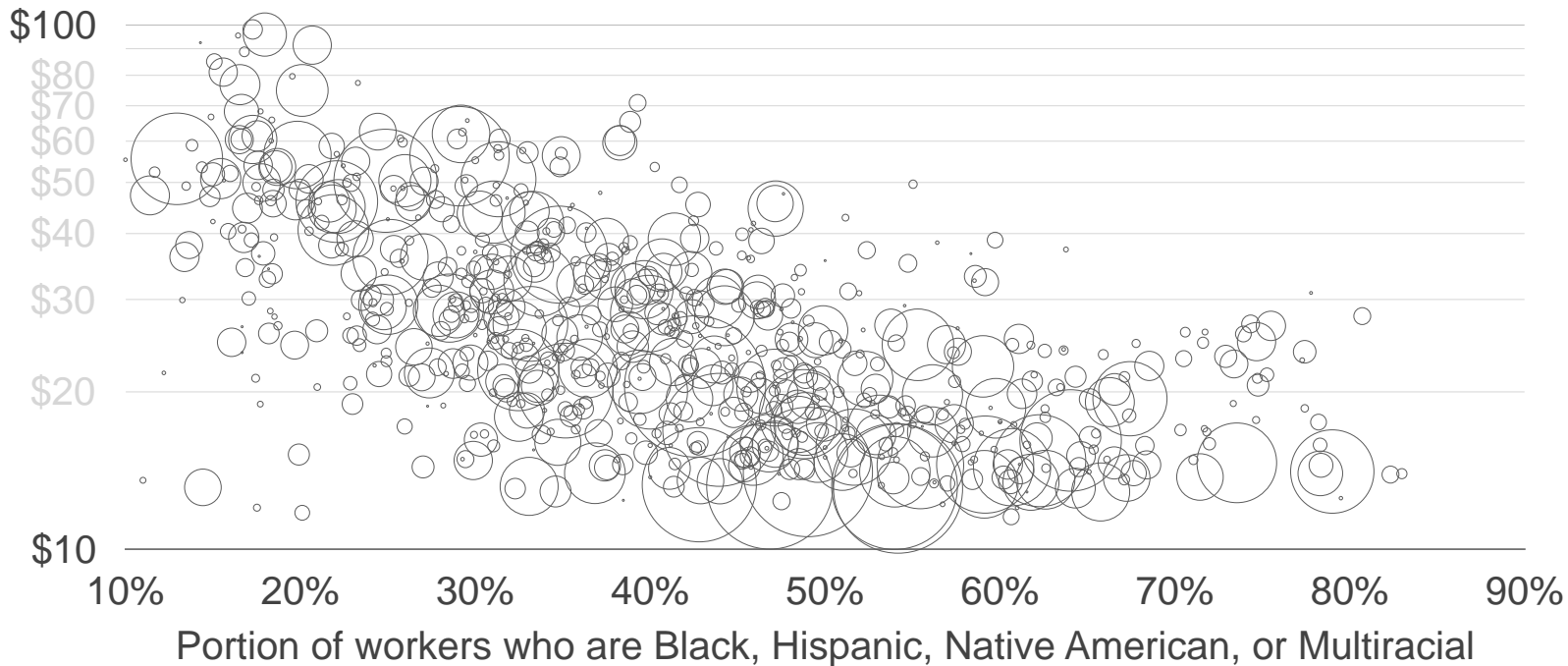
US Median Wealth among White, Black, and Hispanic Families



Occupational Segregation in San Diego

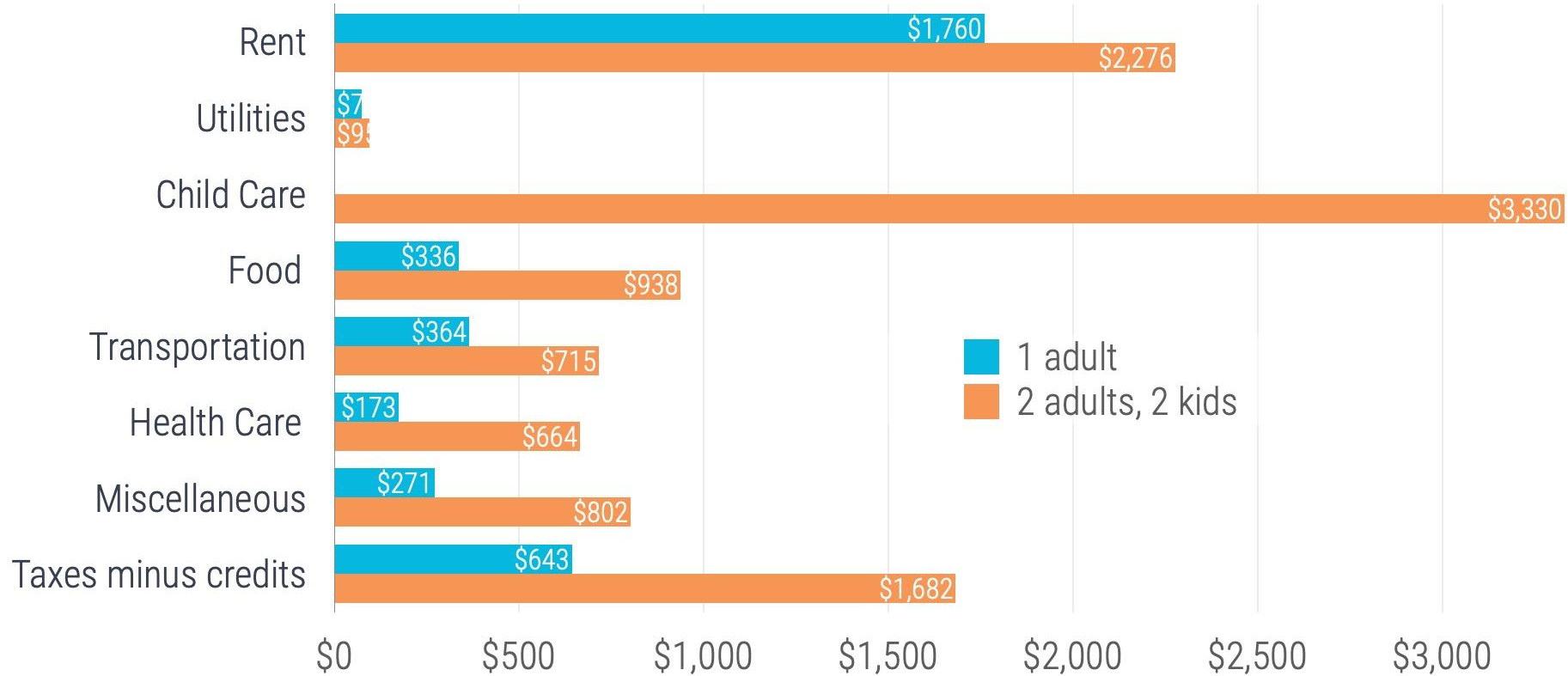
Each bubble is one occupation in San Diego. Size represents number of workers.

Median hourly
wage (log)



workforce.org/race

Minimum monthly expenses in San Diego County



Cost of dental hygienist degree:

- **\$13,000 for courses at Mesa**
- **\$7,700 for supplies & exams**

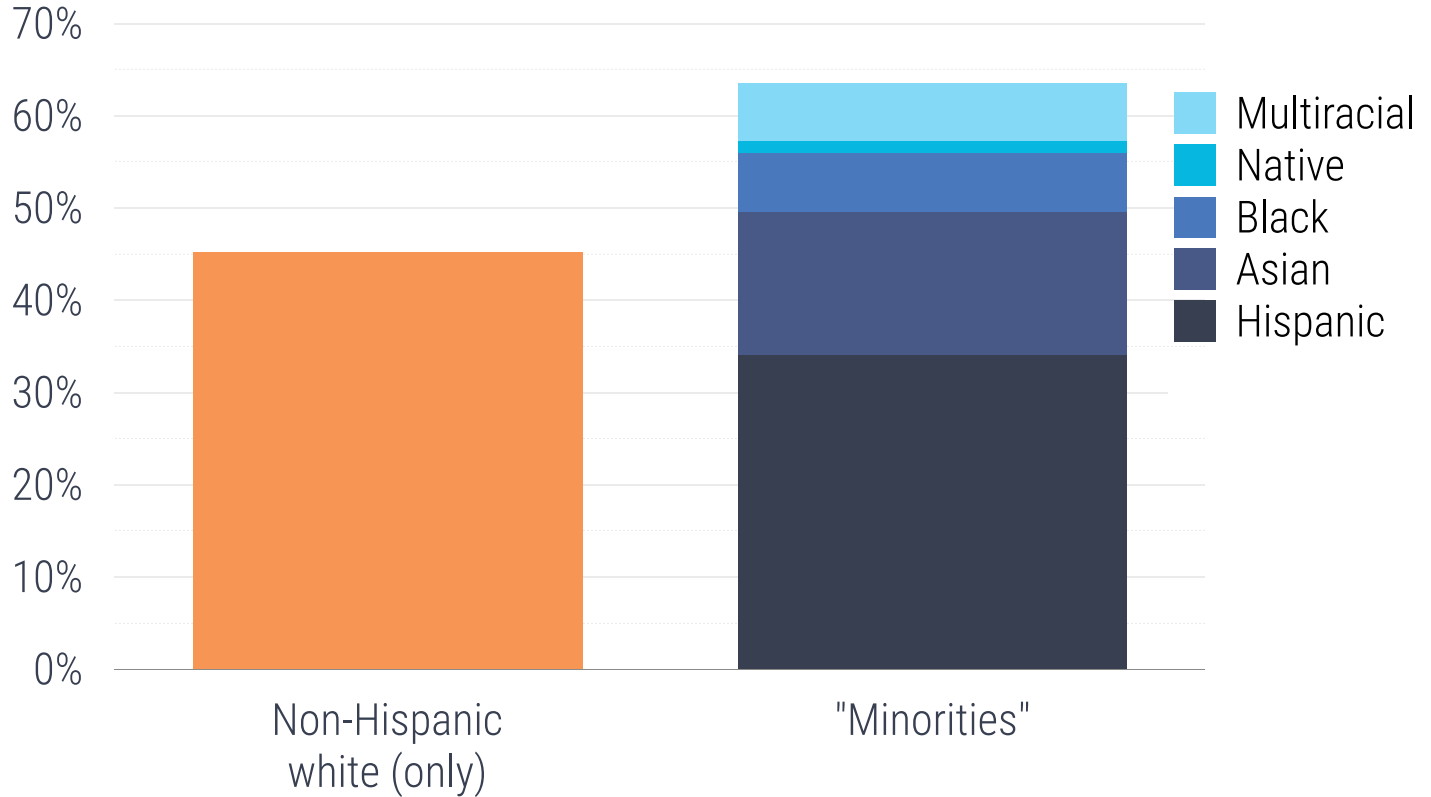
\$20,700

Opportunity cost of 2-year degree:

- **Four 15-credit semesters**
- **16 week semester**
- **3 hours of work/week per credit**
- **Ability to earn \$15–\$20 an hour**

\$43,200 to \$57,600

Population by Race & Ethnicity





workforce.org



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Panelists

Alison Sanchez (moderator), Asst. Professor of Economics and Business Analytics, Knauss School of Business, USD

Kwofi Reed, President/CEO, San Diego Habitat for Humanity

Laura Kohn, Senior Director of Care & Education, Mission Driven Finance

Eduardo Velasquez, Sr. Director, Research & Economic Development, San Diego Regional Economic Development Corporation

Text questions for the panelists to (619) 800-5026



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