NATIONAL UNIVERSITY SYSTEM INSTITUTE FOR POLICY RESEARCH

SAN DIEGO Economic Ledger

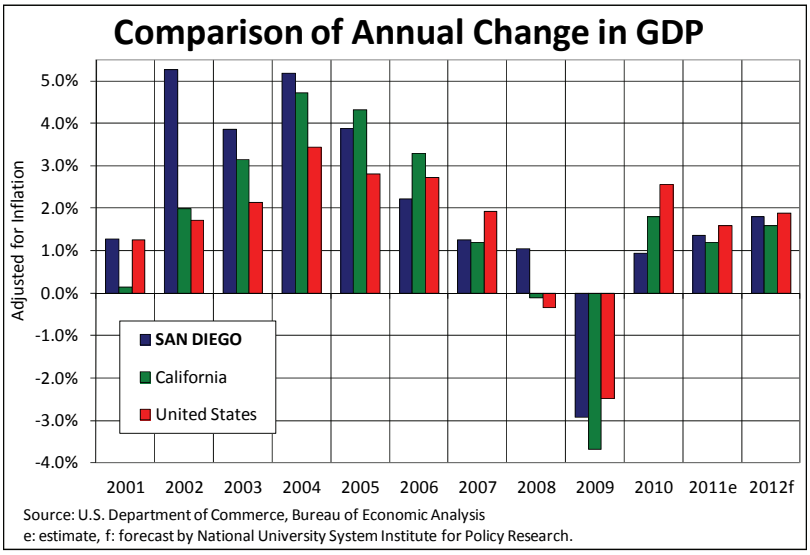
NOVEMBER 2011 WWW.NUSINSTITUTE.ORG VOLUME SIX|ISSUE THREE

Dynamics of San Diego's Economic Recovery

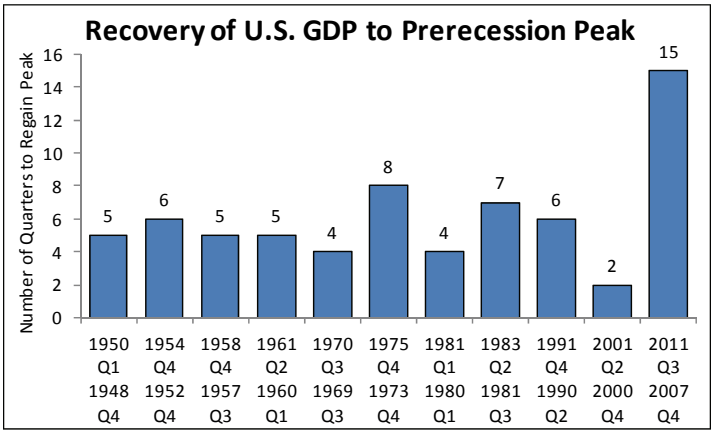
It has become clear in 2011 that both local and national economies, rather than rebounding from the recession purportedly ending in 2009, continues to struggle. So far the U.S. has avoided a double-dip recession, yet economic circumstances remain tenuous. While NUSIPR does not project the region will slip into another recession, our outlook for 2012 shows only moderate growth.

According to the latest estimate of the nation's gross domestic product (GDP), the most comprehensive measure of economic activity and production calculated by the *U.S. Department of Commerce*'s Bureau of Economic Analysis (BEA), after declining 2.8 percent in 2008 and 2009, the national economy grew 2.6 percent in 2010.[1] In 2011, we estimate growth slowing to an annual rate of only 1.6 percent.

On a quarterly basis, economic momentum nearly stalled in the first quarter of 2011 at 0.4 percent, and only improved in the second quarter to 1.3 percent, the slowest paces since the recession ended two years prior. Preliminary third quarter figures indicate the annual rate rising to 2.5 percent. Considering recent BEA revisions of GDP figures back through the recession revealed the downturn was more serious than previously understood, we would not be surprised to see the 3rd quarter figure revised downward as well. The 4th quarter of 2011 is projected to show a 2.0 percent increase, leaving the annual rate for the year at 1.6 percent.



Source: U.S. Department of Commerce, Bureau of Economic Analysis
e: estimate, f: forecast by National University System Institute for Policy Research.



With the latest GDP estimate as of 3rd quarter 2011, the U.S. economy finally reached the pre-recession peak after 15 quarters. The chart (above left) depicts the number of quarters it took for "real" GDP growth to regain prior peak levels from every downturn since World War II (the top date is the quarter that GDP regained the peak, the bottom date is the prior peak). The 15 quarters from the 4th quarter of 2007 to the 3rd quarter of 2011 was by far longer than any other recovery.

While noteworthy that economic production has recovered, it is also telling that employment remains far below former levels. About 8.4 million jobs disappeared in 2008 and 2009. With 1.1 million added in 2010 and 800,000 so far in 2011, employment remains 6.2 million lower than the pre-recession peak.

The national unemployment rate also remains elevated around 9.0 percent in 2011. Including those that are under-employed or too discouraged to seek employment the figure

SAN DIEGO GROSS DOMESTIC PRODUCT

	San Diego			Annual Percent Change					
	GDP	Percentage of:		Current Dollars			Constant Dollars*		
Year	(Billions)	Calif.	U.S.	S.D.	Cal.	U.S.	S.D.	Cal.	U.S.
2001	$114.372	8.55%	1.12%	4.8%	1.6%	3.4%	1.3%	0.1%	1.3%
2002	$123.180	8.89%	1.17%	7.7%	3.6%	3.5%	5.3%	2.0%	1.7%
2003	$130.944	8.97%	1.18%	6.3%	5.4%	4.7%	3.9%	3.1%	2.1%
2004	$141.549	9.01%	1.20%	8.1%	7.6%	6.5%	5.2%	4.7%	3.4%
2005	$151.571	8.96%	1.21%	7.1%	7.7%	6.5%	3.9%	4.3%	2.8%
2006	$159.813	8.87%	1.20%	5.4%	6.4%	6.0%	2.2%	3.3%	2.7%
2007	$166.387	8.88%	1.19%	4.1%	4.1%	4.9%	1.3%	1.2%	1.9%
2008	$171.174	8.95%	1.20%	2.9%	2.0%	2.2%	1.0%	-0.1%	-0.3%
2009	$168.976	9.15%	1.21%	-1.3%	-3.4%	-1.8%	-2.9%	-3.7%	-2.5%
2010	$171.568	9.02%	1.18%	1.5%	2.9%	3.8%	0.9%	1.8%	2.6%
2011e	$177.479	9.06%	1.18%	3.4%	3.3%	3.5%	1.4%	1.2%	1.6%
2012f	$184.481	9.09%	1.18%	3.9%	3.8%	3.8%	1.8%	1.6%	1.9%

*Adjusted by GDP implicit price deflator. e: estimate f: forecast

Source: Bureau of Economic Analysis, U.S.Department of Commerce; National University System Institute for Policy Research.

[1]See Appendix: Definition and methodology of GDP estimates, page 5.

[2]For a discussion of the BEA's revisions of GDP numbers, see "Six years into a lost decade - The numbers keep being revised inexorably downwards", The Economist, August 6, 2011, http://www.economist. com/node/21525440.

(Continued from page 1)

is well above 16 percent.

San Diego and California lag nation's GDP growth

Sub-regional counterparts to the nation's GDP are also calculated by the BEA for state and metropolitan areas.[3] The recession and sluggish recovery lag in California and San Diego as evidenced by the rates of GDP change. California's economy fell 3.8 percent between 2007 and 2009, and only recovered 1.8 percent in 2010, according to the BEA estimates.

Although not falling by as much as California, San Diego's 2.9 percent GDP decline in 2009 was deeper than the rest of the nation. The growth reported in 2010 of only 0.9 percent, however, trailed both California and the nation. This seems countervailing to other indicators of economic activity for San Diego. Job growth was stronger, and the unemployment rate remained much lower than California in 2010 and so far in 2011. Since the BEA will revise GDP figures, we suspect the revision will show San Diego's growth closer to, if not stronger than California in 2010.

Nevertheless, although growth is evident in both San Diego and California, the recovery is weaker than for the rest of the nation. Our estimate of California's economic production in 2011 is for growth to slow to 1.2 percent, while San Diego improves to 1.4 percent. Although not considered a double-dip recession, economic momentum clearly remains lackluster.

Projections for 2012 indicate the economy will continue improving at a sluggish pace. Although the rest of the nation reached the pre-recession peak in 2011, San Diego and California economies, after adjustment for inflation will not recover until 2012.

The economic recovery is also not accomplished with job numbers significantly improving and will remain far below prerecession peaks. San Diego's unemployment rate remains around 10 percent, while California's is nearly 12 percent, the second highest in the nation. This is the result of the more devastating effects of the recession, housing financial meltdown, and business and employment losses absorbed by the state.

World rankings remain significant although slipping

Based upon the latest *World Bank* estimates of 2010 national economies, the U.S. remains by far the world's largest economy. Our top ranking may be in jeopardy, however, because of the nation's financial turmoil and fast growing China catching up. Based upon current economic trends, the *International Monetary Fund* (IMF) projects China will surpass the U.S. economy over the next five years if one adjusts for exchange rates and "purchasing power parity".[4]

California's prominent ranking slipped from as high as 5th in the world just ten years ago, to 8th in 2009, and 9th as of 2010, falling behind both Brazil and Italy. Brazil jumped above Italy in 2010 to become the 7th largest economy.

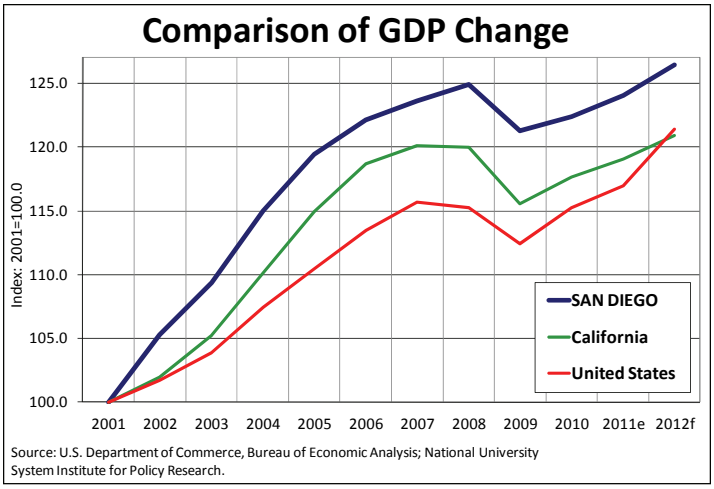
San Diego would rank as the 47th largest economy just after Pakistan at 46th. San Diego's ranking also slipped in recent years largely as the value of the U.S. dollar faltered against other currencies.

San Diego's economy nonetheless exceeds nearly one-half of U.S. states. The metro area's $171.6 billion GDP remains larger than 24 state economies.

Among the nation's 366 metropolitan areas, San Diego's 2010 economy ranked 16th. The ranking increased from 17th moving ahead of San Jose-Santa Clara in 2002. With San Jose's vigorous increase in 2010, however, the metro nearly overtook San Diego again, and will likely do so in 2011.

Over the past decade, San Diego's GDP has increased 50 percent, the 5th strongest rise among the nation's 30 metro areas having GDPs of more than $100 billion. Adjusted for inflation, the "real" increase was 22.4 percent, which was 8th highest.

San Diego's growth of just 1.5 percent in 2010, however, along with other California metro areas, was among the lower gains recorded by large metro areas. San Jose was the significant exception with 13.3 percent gain in 2010, by far the highest for the nation's large metro areas. The next highest was Houston's 5.6 percent gain.



Source: U.S. Department of Commerce, Bureau of Economic Analysis; National University System Institute for Policy Research.

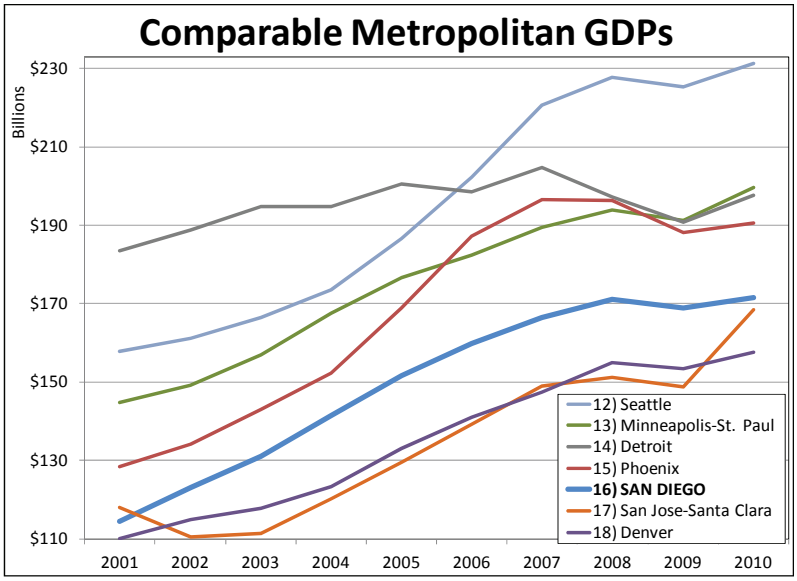
WORLD RANKING OF GROSS PRODUCT - 2010 U.S. Dollars

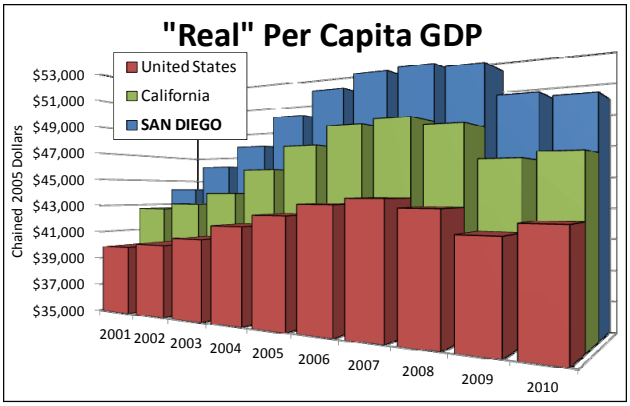
Rank	Countries	(billions)	Rank	Countries	(billions)
	WORLD	**$63,048.8**	26	Saudi Arabia	$375.8
1	**UNITED STATES**	**14,551.8**	27	Argentina	368.7
2	China	5,878.6	28	South Africa	363.7
3	Japan	5,497.8	29	Iran, Islamic Rep.	331.0
4	Germany	3,309.7	30	Thailand	318.8
5	France	2,560.0	31	Denmark	310.4
6	United Kingdom	2,246.1	32	Greece	304.9
7	Brazil	2,087.9	33	Colombia	288.2
8	Italy	2,051.4	34	Finland	238.8
	CALIFORNIA	**1,901.1**	35	Malaysia	237.8
9	India	1,729.0	36	United Arab Emirates	230.3
10	Canada	1,574.1	37	Portugal	228.5
11	Russian Federation	1,479.8	38	Hong Kong SAR, China	224.5
12	Spain	1,407.4	39	Singapore	222.7
13	Mexico	1,039.7	40	Egypt, Arab Rep.	218.9
14	Korea, Rep.	1,014.5	41	Israel	217.3
15	Australia	924.8	42	Ireland	203.9
16	Netherlands	783.4	43	Chile	203.4
17	Turkey	735.3	44	Philippines	199.6
18	Indonesia	706.6	45	Nigeria	193.7
19	Switzerland	523.8	45	Czech Republic	192.2
20	Poland	468.6	46	Pakistan	174.8
21	Belgium	467.5		**SAN DIEGO**	**171.6**
22	Sweden	458.0	47	Romania	161.6
23	Norway	414.5	48	Algeria	159.4
24	Venezuela, RB	387.9	49	Peru	153.8
25	Austria	376.2	50	Kuwait	148.0

Source: World Development Indicators database, World Bank; U.S. Department of Commerce, Bureau of Economic Analysis; National University System Institute for Policy Research.

[3]State and metropolitan GDP are only estimated on an annual basis.

[4]Brett Arends, "IMF bombshell: Age of America nears end", MarketWatch, *Wall Street Journal*, April 25, 2011, http://www.marketwatch.com/story/imf-bombshell-age-of-america-about-to-end-2011-04-25





Despite San Jose's stellar performance, California's economic growth in 2010 was relatively weaker than most states. The 1.8 percent "real" increase in California GDP was 34th among states, compared with 2.6 percent across the U.S. Nevertheless, California's $1.9 trillion economy remains by far the nation's largest state economy, accounting for 13 percent of U.S. GDP. The next largest state economies are Texas at $1.2 trillion (8.3 percent) and New York at $1.16 trillion (8.0 percent).

RANKING OF LARGEST METROPOLITAN GDPs

2010 Rnk	Area	2010 ($millions)	Change '10/'01	Rnk	'10/'09	Rnk	Adjusted for inflation '10/'01	Rnk	'10/'09	Rnk
1	New York-Northern New Jersey-Long Island, NY-NJ-PA	$1,280,517	40.0%	19	5.5%	4	13.6%	20	4.7%	4
2	*Los Angeles-Long Beach-Santa Ana, CA*	735,743	40.3%	18	2.6%	21	16.0%	16	1.7%	19
3	Chicago-Joliet-Naperville, IL-IN-WI	532,331	32.0%	26	3.0%	17	6.6%	26	1.9%	17
4	Washington-Arlington-Alexandria, DC-VA-MD-WV	425,167	61.4%	2	4.2%	10	30.0%	4	3.6%	7
5	Houston-Sugar Land-Baytown, TX	384,603	64.9%	1	5.6%	2	20.7%	10	1.6%	20
6	Dallas-Fort Worth-Arlington, TX	374,081	49.2%	6	4.3%	9	24.2%	6	2.5%	12
7	Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	346,932	43.9%	14	3.4%	13	16.2%	14	2.3%	14
8	*San Francisco-Oakland-Fremont, CA*	325,927	36.7%	21	2.3%	24	11.8%	23	0.5%	29
9	Boston-Cambridge-Quincy, MA-NH	313,690	35.6%	23	5.5%	3	12.9%	21	4.8%	2
10	Atlanta-Sandy Springs-Marietta, GA	272,362	33.3%	25	2.2%	25	11.1%	24	1.6%	21
11	Miami-Fort Lauderdale-Pompano Beach, FL	257,560	41.5%	17	1.7%	26	16.1%	15	1.1%	25
12	Seattle-Tacoma-Bellevue, WA	231,221	46.6%	11	2.6%	22	21.3%	9	1.9%	18
13	Minneapolis-St. Paul-Bloomington, MN-WI	199,596	38.0%	20	4.4%	8	13.6%	19	3.4%	8
14	Detroit-Warren-Livonia, MI	197,773	7.8%	30	3.6%	12	-8.8%	30	2.8%	10
15	Phoenix-Mesa-Glendale, AZ	190,601	48.4%	7	1.3%	29	24.9%	5	0.7%	28
16	***SAN DIEGO-CARLSBAD-SAN MARCOS, CA***	**171,568**	**50.0%**	**5**	**1.5%**	**28**	**22.4%**	**8**	**0.9%**	**26**
17	*San Jose-Sunnyvale-Santa Clara, CA*	168,517	42.7%	16	13.3%	1	42.8%	2	13.4%	1
18	Denver-Aurora-Broomfield, CO	157,567	43.2%	15	2.8%	18	18.1%	12	1.3%	24
19	Baltimore-Towson, MD	144,789	47.4%	8	4.1%	11	17.9%	13	3.3%	9
20	St. Louis, MO-IL	129,734	30.8%	27	2.7%	19	4.9%	27	1.5%	22
21	Portland-Vancouver-Hillsboro, OR-WA	124,683	60.8%	3	5.0%	6	49.3%	1	4.7%	3
22	Pittsburgh, PA	115,752	36.0%	22	5.4%	5	7.4%	25	4.1%	5
23	Tampa-St. Petersburg-Clearwater, FL	113,702	46.8%	10	1.7%	27	20.2%	11	0.9%	27
24	Charlotte-Gastonia-Rock Hill, NC-SC	113,568	47.2%	9	3.4%	14	22.9%	7	2.6%	11
25	*Riverside-San Bernardino-Ontario, CA*	109,818	44.4%	13	0.3%	30	14.3%	18	-0.6%	30
26	Kansas City, MO-KS	105,968	35.6%	24	2.4%	23	12.4%	22	1.5%	23
27	Cleveland-Elyria-Mentor, OH	105,625	23.9%	29	3.4%	15	0.3%	29	2.2%	15
28	Indianapolis-Carmel, IN	105,163	44.8%	12	4.7%	7	15.9%	17	3.6%	6
29	Orlando-Kissimmee-Sanford, FL	104,107	60.0%	4	2.7%	20	30.9%	3	2.4%	13
30	Cincinnati-Middletown, OH-KY-IN	100,594	29.6%	28	3.2%	16	4.7%	28	2.1%	16
	All 366 U.S. Metropolitan Areas	13,071,502	42.5%		3.7%		15.7%		2.5%	
1	***California***	**$1,901,088**	**42.1%**	**30**	**2.9%**	**39**	**17.6%**	**21**	**1.8%**	**34**
2	Texas	1,207,494	57.7%	8	5.3%	7	23.5%	10	2.8%	17
3	New York	1,159,540	43.1%	27	6.0%	5	15.4%	25	5.1%	2
	United States	$14,551,782	42.4%		3.8%	5	15.3%		2.6%	

Source: U.S. Department of Commerce, Bureau of Economic Analysis; National University System Institute for Policy Research.

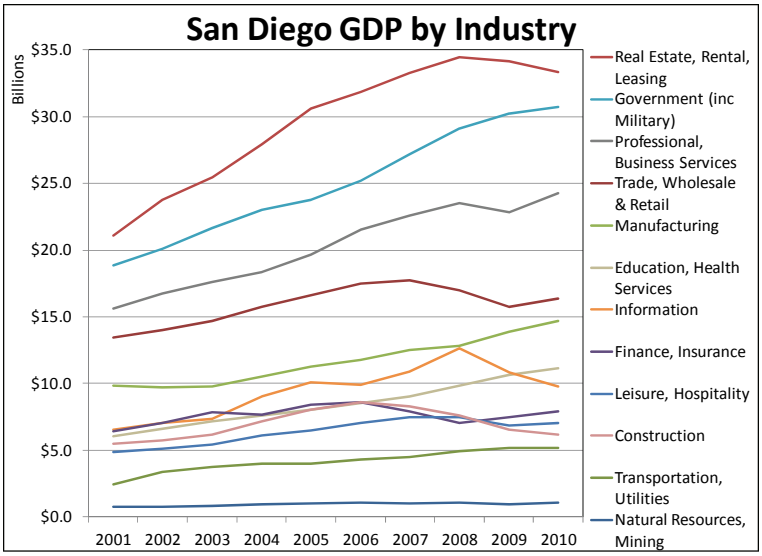
San Diego per capita GDP remains above state and national averages

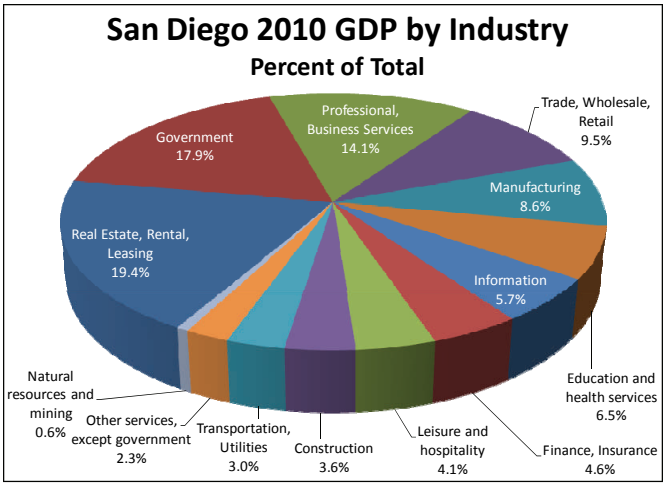
San Diego's 2010 per capita GDP of $55,237 remains significantly higher than both the U.S. and California. Among 366 metro areas, San Diego per capita GDP was 37th highest and 17th among large metro areas with GDP of $100 billion or more.

The recession caused a bigger decline in San Diego's average than for the rest of the U.S. or California. San Diego's GDP per capita remains 5.2 percent below the 2007 peak. In comparison, the U.S. per capita figure fell 4.6 percent between 2007 and 2009, before increasing 1.7 percent in 2010, while California dropped 5.7 percent, before slightly rising 0.7 percent.

Composition of San Diego GDP by industry

The industry components of San Diego's GDP show "real estate, rental, and leasing" activities have the largest contribution to the local economy. Although decreasing $1.1 billion over the past two years, real estate activities still account for 19.4 percent of the





local GDP, nearly $1 of every $5 generated. Over the past decade, the percentage to total GDP increased from 18.5 percent in 2001.

"Government", including state, local, federal, and military, has the next largest share (18 percent). Government contributions to San Diego's economy rose significantly over the past decade almost entirely because of increased military spending.

"Professional and business services" also increased slightly as a percentage of the overall economy, up from 13.6 percent in 2001 to 14.1 percent in 2010.

After faltering from 2007 to 2009, wholesale and retail trade maintains a slightly larger impact (9.5 percent) than manufacturing (8.6 percent).

Despite significant losses in manufacturing employment over the past decade in San Diego, the industry continually increased production every year since 2003. This is a result of increasing high value-added mechanized manufacturing production processes that utilizes fewer workers. Requiring greater technical skills, with much higher compensation, fewer manufacturing positions produce far greater output. Perhaps most surprising is annual manufacturing production increased $1.9 billion the past two years, the strongest increase in value of any industry in San Diego.

The primary reason San Diego's GDP did not have stronger growth the past two years is the significant decline reported by the "information" industry. This one sector lost nearly $1.9 billion of economic production the past two years.

Construction also steadily declined the past four years. Since a peak in 2006, annual economic production in the local construction industry has fallen by $2.48 billion.

Contrasting San Diego industry production trends

Comparing San Diego's "real" economic trends by industry over the past year with California and the U.S. reveals significant contrasts. San Diego's

SAN DIEGO-CARLSBAD-SAN MARCOS, CA (MSA) GDP BY INDUSTRY

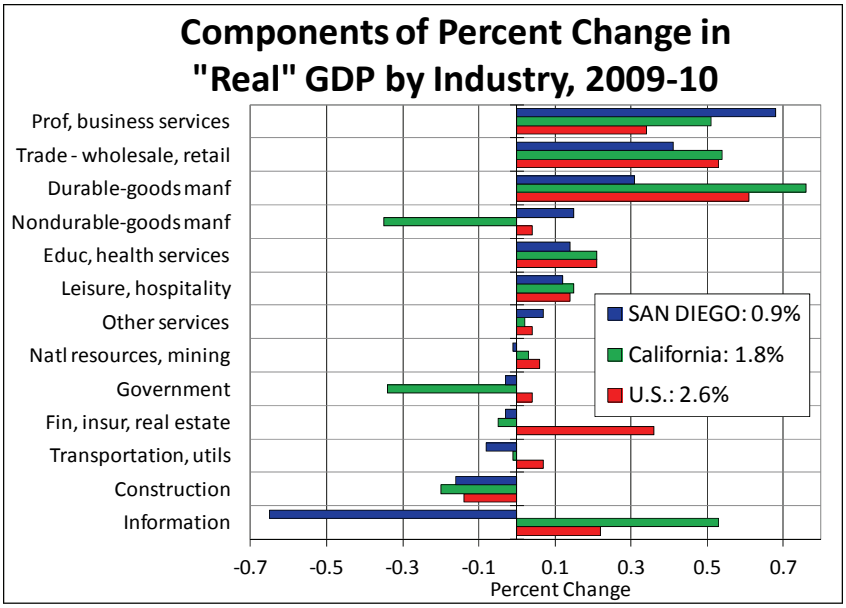
Industry	2010 ($millions)	Change '09/'08	Change '10/'09	Percent Change '09/'08	Percent Change '10/'09	Percent Change '10/'01	Inflation Adjusted '09/'08	Inflation Adjusted '10/'09	Inflation Adjusted '10/'01
All industry total	**$171,568**	**-$2,198**	**$2,592**	**-1.3%**	**1.5%**	**50%**	**-2.9%**	**0.9%**	**22%**
Private industries	**140,845**	**-3,353**	**2,107**	**-2.4%**	**1.5%**	**47%**	**-4.0%**	**1.2%**	**25%**
Private goods-producing industries	21,949	-107	575	-0.5%	2.7%	36%	-2.9%	2.3%	20%
Private services-providing industries	118,896	-3,245	1,532	-2.7%	1.3%	50%	-4.1%	1.0%	26%
Natural resources and mining	1,089	-123	134	-11.4%	14.0%	45%	25.3%	-1.2%	13%
Agriculture, forestry, fishing, and hunting	762	-57	116	-8.1%	18.0%	24%	18.0%	2.4%	8%
Mining	327	-66	18	-17.6%	5.8%	144%	40.9%	-8.5%	16%
Construction	6,147	-1,014	-421	-13.4%	-6.4%	12%	-15.2%	-4.2%	-27%
Manufacturing	14,713	1,029	862	8.0%	6.2%	49%	2.2%	5.6%	64%
Durable goods	11,012	790	542	8.2%	5.2%	52%	3.6%	5.0%	87%
Nondurable goods	3,701	240	320	7.6%	9.5%	43%	-2.1%	7.4%	11%
Trade	16,383	-1,276	661	-7.5%	4.2%	22%	-4.0%	4.5%	13%
Wholesale trade	6,957	-655	254	-8.9%	3.8%	31%	-1.3%	4.5%	32%
Retail trade	9,426	-621	407	-6.4%	4.5%	16%	-5.9%	4.4%	2%
Transportation and utilities	5,152	249	-42	5.0%	-0.8%	109%	-4.8%	-2.5%	55%
Transportation and warehousing	1,840	-136	61	-7.1%	3.4%	39%	-13.4%	1.4%	14%
Utilities	3,312	385	-103	12.7%	-3.0%	190%	0.5%	-4.4%	102%
Information	9,751	-1,815	-1,063	-14.4%	-9.8%	49%	-14.6%	-10.1%	68%
Financial activities	41,243	81	-325	0.2%	-0.8%	50%	-1.2%	-0.1%	24%
Finance and insurance	7,937	415	483	5.9%	6.5%	24%	5.2%	4.3%	3%
Real estate and rental and leasing	33,306	-335	-808	-1.0%	-2.4%	58%	-2.5%	-1.1%	31%
Professional and business services	24,276	-680	1,466	-2.9%	6.4%	56%	-4.4%	5.0%	24%
Professional, scientific, technical services	17,391	-245	741	-1.5%	4.5%	64%	-2.5%	3.1%	31%
Management of companies, enterprises	2,235	36	689	2.4%	44.6%	49%	5.8%	40.9%	0%
Administrative, waste management services	4,650	-471	36	-9.3%	0.8%	33%	-13.3%	-0.3%	13%
Education and health services	11,174	828	507	8.4%	4.8%	85%	3.9%	2.2%	37%
Educational services	1,498	177	-18	13.2%	-1.2%	130%	5.9%	-5.6%	34%
Health care and social assistance	9,676	651	524	7.7%	5.7%	80%	3.6%	3.6%	38%
Leisure and hospitality	7,044	-613	175	-8.2%	2.5%	45%	-12.2%	2.8%	12%
Arts, entertainment, and recreation	1,581	-248	31	-13.8%	2.0%	47%	-15.6%	4.4%	19%
Accommodation and food services	5,463	-366	145	-6.4%	2.7%	44%	-11.2%	2.4%	10%
Other services, except government	3,873	-19	153	-0.5%	4.1%	29%	-5.8%	3.1%	-8%
Government	**30,723**	**1,154**	**485**	**4.0%**	**1.6%**	**63%**	**2.1%**	**-0.1%**	**10%**

Source: U.S. Department of Commerce, Bureau of Economic Analysis; National University System Institute for Policy Research.

COMPONENTS OF PERCENT CHANGE IN "REAL" GDP, 2009-10

Industry Sectors	SAN DIEGO	Cali-fornia	U.S.
Percent change	**0.90**	**1.80**	**2.60**
Professional, business services	0.68	0.51	0.34
Trade	0.41	0.54	0.53
Durable-goods manufacturing	0.31	0.76	0.61
Nondurable-goods manuf	0.15	(0.35)	0.04
Education and health services	0.14	0.21	0.21
Leisure and hospitality	0.12	0.15	0.14
Other services	0.07	0.02	0.04
Natural resources and mining	(0.01)	0.03	0.06
Financial activities	(0.03)	(0.05)	0.36
Government	(0.03)	(0.34)	0.04
Transportation and utilities	(0.08)	(0.01)	0.07
Construction	(0.16)	(0.20)	(0.14)
Information	(0.65)	0.53	0.22

Source: U.S. Department of Commerce, Bureau of Economic Analysis; National University System Institute for Policy Research.



professional and business services far exceed both California and U.S. production by this sector. Local wholesale and retail trade, on the other hand, did not quite match state and national gains.

Durable goods manufacturing gains trailed by far the gains in the rest of the state and nation, while San Diego's nondurable manufacturing increase exceeded the nation's gain and sharp decrease in California.

Private education and health services have steadily risen over the past decade. Although San Diego's education, health services, and leisure and hospitality industries all grew in 2010, the gains lagged the rest of California and nation.

While government added to U.S. GDP in 2010, California recorded a sharp decrease far deeper than in San Diego. Although strongly increasing in the rest of the U.S., financial activities, including real estate activities, faltered in both California and San Diego. Transportation and utilities were similarly up in the U.S. but declined in California and San Diego.

Construction was down across the U.S., California, and San Diego. As previously noted, information showed the highest drop by far for San Diego, while the rest of the nation and California recorded gains.

Outlook

San Diego, along with the rest of California, continues to struggle from the effects of the recession. Although avoiding a double-dip recession, economic circumstances remain uncertain, and subject to any number of circumstances that could cause the recovery to falter. For now the outlook for economic growth continues to be slow and bumpy.

Appendix:

Definition and methodology of GDP estimates

The Bureau of Economic Analysis prepares annual estimates of, the most comprehensive measure of U.S. economic activity. Conceptually, an industry estimate of GDP by metropolitan area, or its "value added," is the sum of incomes earned by labor and capital and the costs incurred in the production of goods and services. For each industry, current-dollar GDP is composed of three components: Compensation of employees, taxes on production and imports less subsidies, and gross operating surplus.

GDP estimates for the nation's 366 metropolitan areas are the local counterpart to the nation's GDP. The estimates of GDP-by metropolitan-area are computed by applying the state ratio of GDP to earnings by place of work to local estimates of earnings by place of work. GDP estimates are shown in millions of current and chained dollars for 61 North American Industry Classification System (NAICS) industries, beginning with 2001.

According to the BEA, uses of GDP by metropolitan area include:

- State and local governments may use the estimates in econometric models to project tax revenues and the need for public services and to promote economic development opportunities in their local area.
- Federal government agencies may use the estimates in econometric models, such as those used to project energy and water uses for cities.
- Academic researchers may use the estimates for applied economic research.
- Businesses, trade associations, and labor organizations may use the estimates for market research.

The statistics of real GDP by metropolitan area are prepared in chained (2005) dollars. Real GDP by metropolitan area is an inflation-adjusted measure of each area's gross product that is based on national prices for the goods and services produced within the metropolitan area. The statistics of real GDP by metropolitan area and of quantity indexes with a base year of 2005 were derived by applying national chain-type price indexes to the current-dollar GDP-by-metropolitan-area values for the 61 detailed NAICS-based industries.

The chain-type index formula that is used in the national accounts is then used to calculate the values of total real GDP by metropolitan area and of real GDP by metropolitan area at more aggregated industry levels. Real GDP by metropolitan area may reflect a substantial volume of output that is sold to other areas and countries. To the extent that a metropolitan area's output is produced and sold in national markets at relatively uniform prices (or sold locally at national prices), real GDP by metropolitan area captures the differences across metropolitan areas that reflect the relative differences in the mix of goods and services that the areas produce. However, real GDP by metropolitan area does not capture geographic differences in the prices of goods and services that are produced and sold locally.

Relation of GDP by metropolitan area real growth rates to national GDP

The U.S. metropolitan area growth rates of real GDP may differ from national real GDP growth rates released in the July 2011 annual revision of the national income and prod-

GDP Dynamics

(Continued from page 5)

uct accounts (NIPAs). In addition, the U.S. metropolitan area real GDP growth may differ from the U.S. GDP by state growth released June 7, 2011 due to the exclusion of non-metropolitan areas. Differences with the national growth in real GDP are primarily due to the direct linkage and consistency of GDP-by-metropolitan-area statistics with the most recently released statistics of GDP by state and the Annual Industry Accounts' GDP by industry. The GDP-by-industry statistics released April 26, 2011 and the GDP-by-state statistics released June 7, 2011 are based upon the annual revision of the NIPAs released in July 2010, and have not yet incorporated revisions to national GDP released in July 2011.

The statistics of GDP by metropolitan area in current and real (chained) dollars are available from the Regional Economic Accounts page of the BEA Web site at http://www.bea.gov/regional/index.htm.

Dashboard Observations—August 2011

By Kelly Cunningham, Economist, Senior Fellow

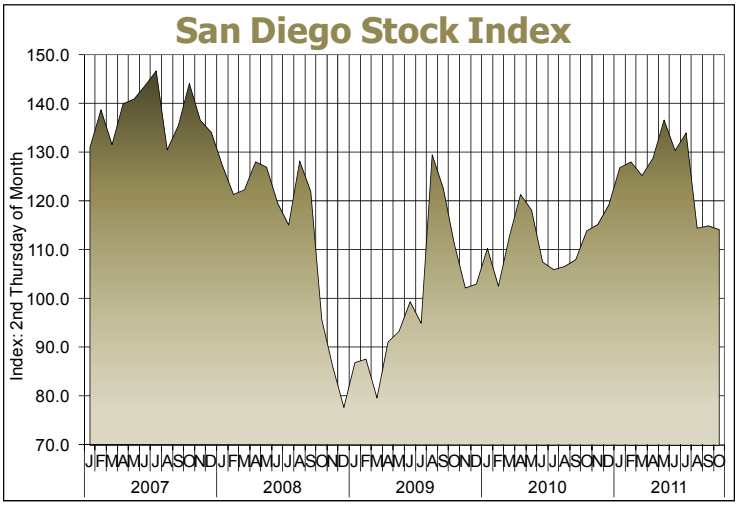
Nearly all San Diego "Dashboard" indicators of economic activity were positive in September 2011, and all show improvement over the past year.

The unemployment rate fell in September to 9.7 percent. The seasonal adjustment indicates this was virtually the same as in August, but was a noteworthy improvement over September 2010 when the rate was 10.5 percent.

Residential units authorized for construction significantly jumped albeit compared with diminished figures the previous month and over the year.

New business licenses issued by the City of San Diego were the only indicator showing a decline, but were only slightly lower than the previous month. Compared with the same month last year and over the past year, the number continues an upward trend.

The stock index of publically-traded companies in San Diego remains mired at a lowered level for the third month in a row. This follows highs reached earlier in the year, but is still higher than a year ago. The index continues to mirror national stock market turbulence.



Indicator	Sep 2011	Month Change (Sea. Adj.)	Annual Change
Unemployment Rate[1] San Diego County	9.7%	-0.03% ▲	-0.8% ▲
Residential Building[2] Units authorized for construction San Diego County	421	84.0% ▲	163.1% ▲
New Business Licenses[3] Issued by City of San Diego	1,047	-2.5% ▼	15.6% ▲
San Diego Stock Index[4] San Diego based companies	115.0	0.4% ▲	6.4% ▲

[1]California Employment Development Department.

[2]U.S. Bureau of the Census.

[3]Business Tax Program, City of San Diego.

[4]Second Thursday of month, Bloomberg News, San Diego Daily Transcript.

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