



2008

ECONOMIC OUTLOOK FOR SAN DIEGO

Teetering on the brink, three shocks threaten to derail the local and national economy

BY MARNEY COX

Are the national and local economies doomed to enter a recession during 2008? Maybe. Alan Greenspan, former Federal Reserve Board chairman, recently suggested that there is a 50-50 chance of a national recession. Others who still believe in "soft landings" put the odds of a recession at 30 percent. Regardless of which camp you think is correct, most all believe a recession is a definite possibility. What's behind the doom and gloom?

Three interrelated, repeating events are behind the soft outlook for the new year.

First, the recent housing data is some of the weakest since the start of the residential real estate downturn nearly two years ago. Home sales, starts and prices are all still falling, both locally and nationally, giving rise to fears that the bottom of the correction has not been reached.

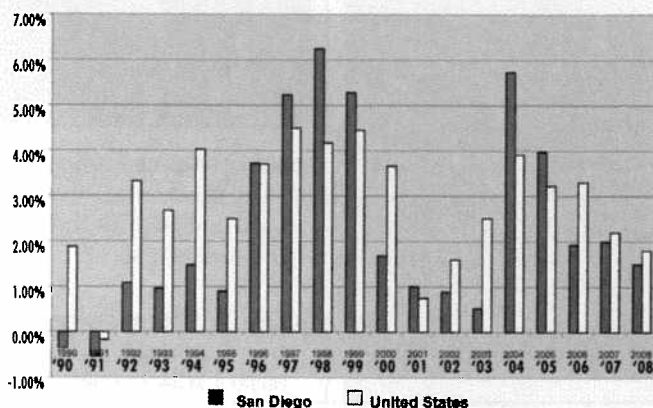
Second, this wave of weakness was triggered by stress in the mortgage market, caused

in part by the spillover of the credit market tightening. Many of Wall Street's largest and most widely recognized financial institutions have found themselves woefully undercapitalized to deal with the number of subprime mortgages in their investment portfolios. This higher risk and uncertainty has led to stock downgrades and tighter lending requirements across the board, leaving the financial markets in significant turmoil.

Third, home foreclosures are on the rise. Twelve percent of subprime mortgages in the United States are delinquent at least 60 days and 7 percent are in foreclosure, with a high

concentration of these problem loans in California and places like San Diego. The numbers of foreclosures is expected to rise during *see ECONOMY page 30*

Annual Rate Change in GDP and GMP (1990-2008)

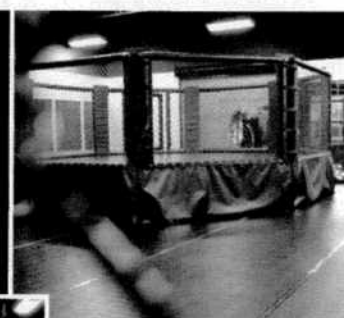


San Diego National Bank
www.sdnb.com

Corporate Headquarters
1420 Kettner Blvd. San Diego, CA 92101
For more information call
Shannon Shular at (619) 744-2151



We Know Business Banking



"We value our relationship with SDNB because they take the time to understand our unique needs."
-Steven Wade, Owner Lava Sport & Fitness

(L-R) Chris Kennedy (SDNB), Steven Wade, and Shannon Shular (SDNB)