

A Post-Election Economic Review and Outlook for the US: Will the New Congress Make a Difference?

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Presentation to Gravure Publishing Council Conference

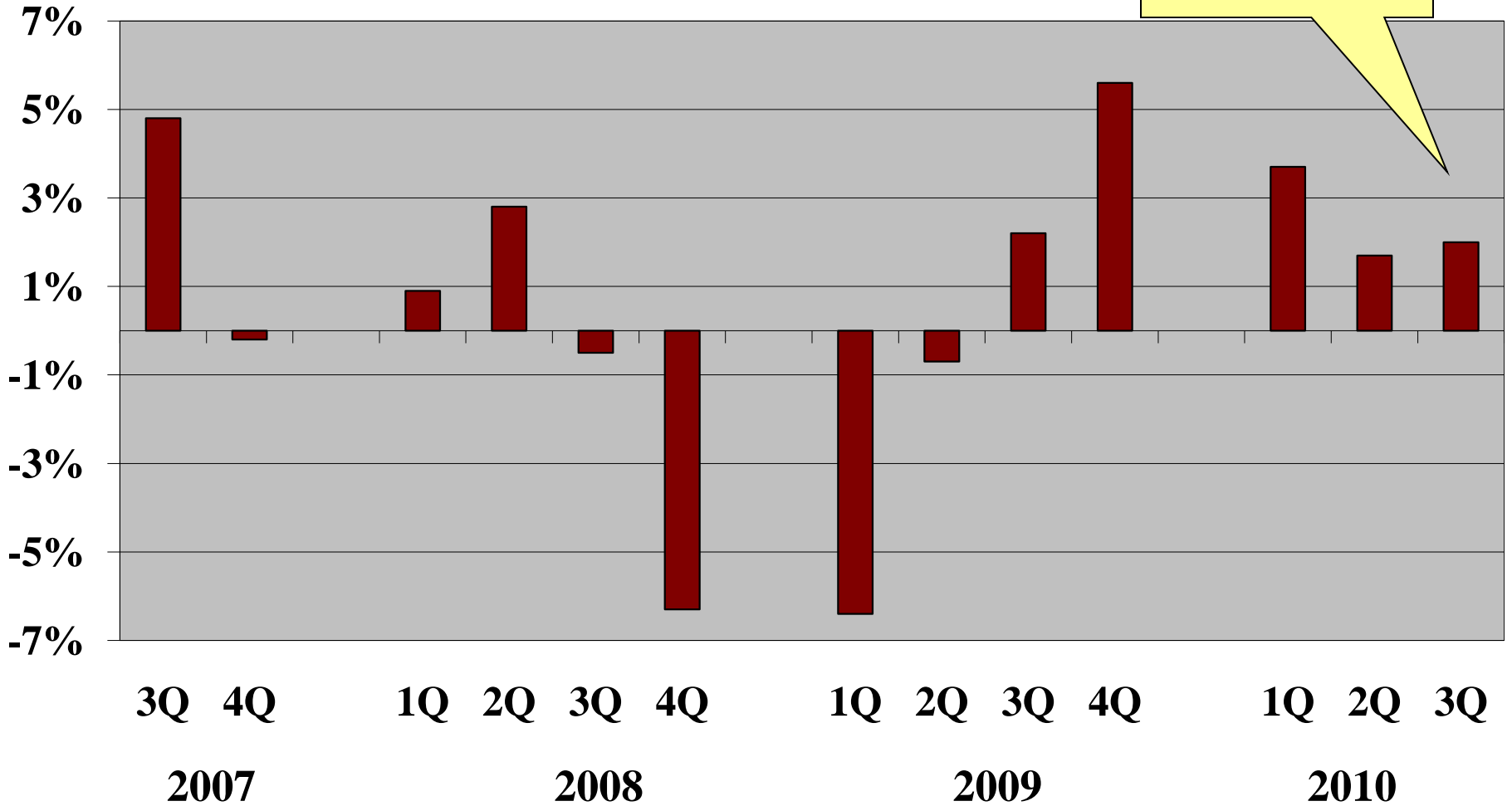
Naples, Florida

November 18, 2010

Real Economic Growth

Gross domestic product

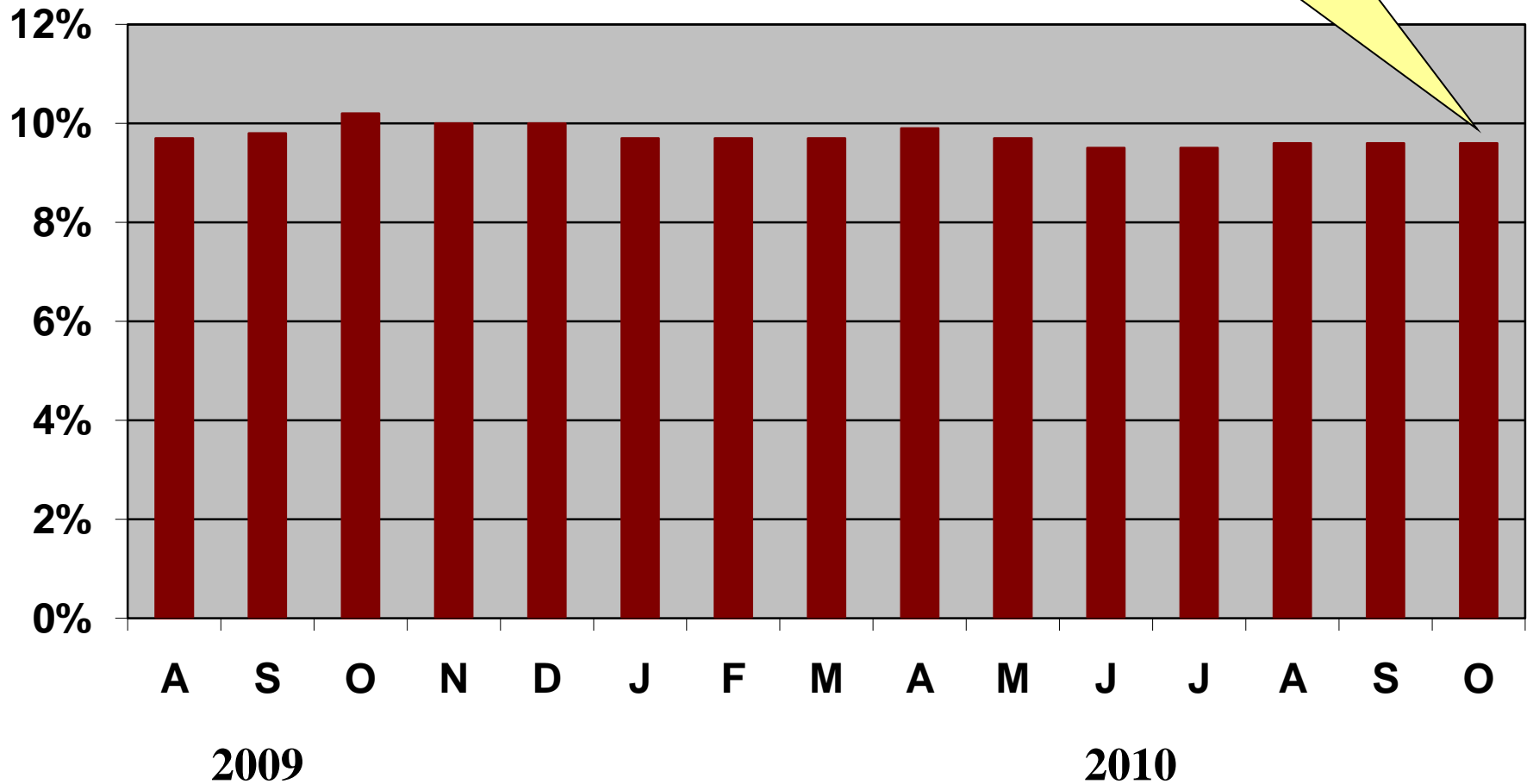
**3Q 2010:
+2.0%**



Source: Commerce Department

U. S. Jobless Rate

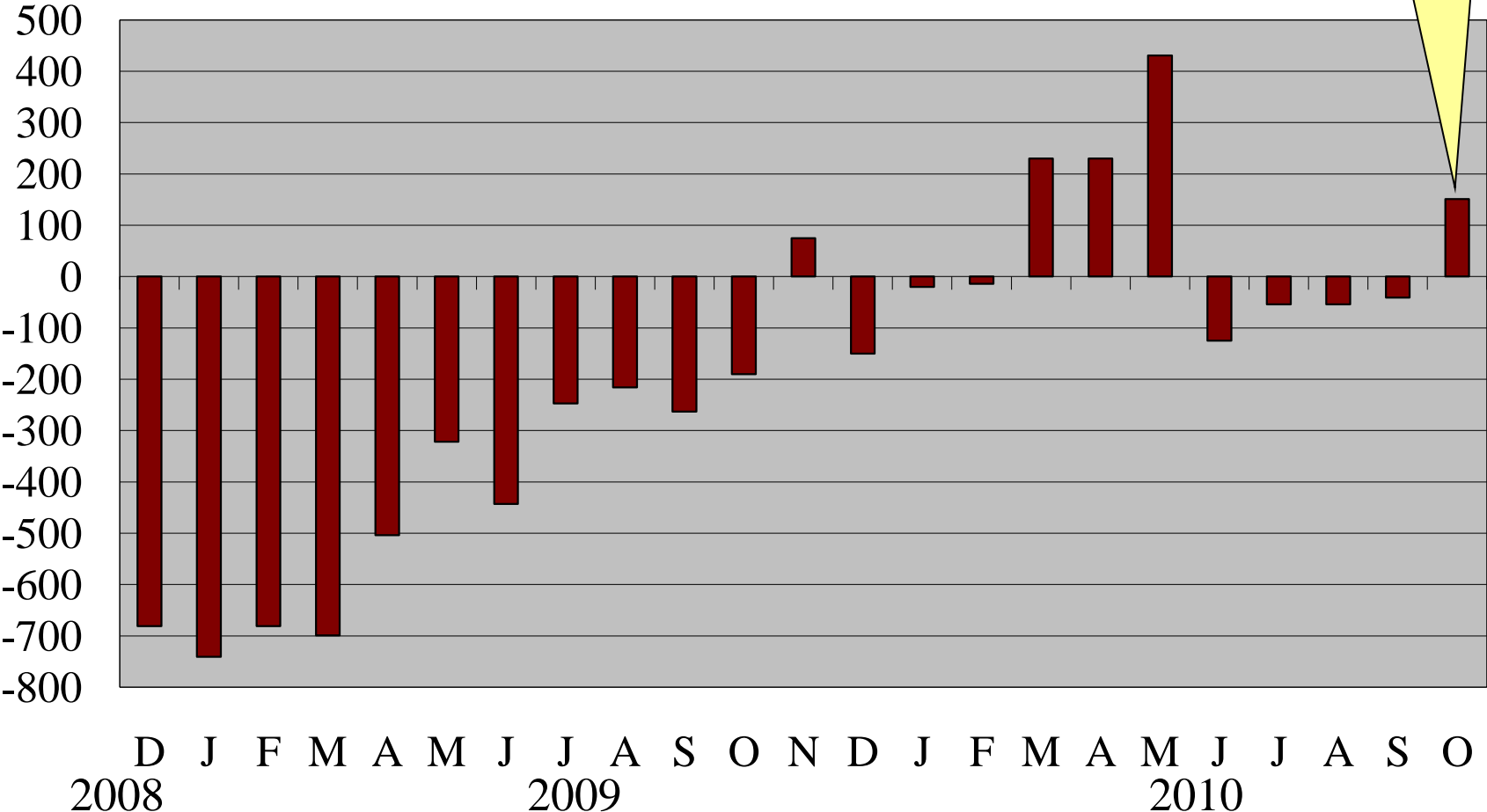
In percent, seasonally adjusted:



Source: U.S. Department of Labor

Nonfarm Payrolls

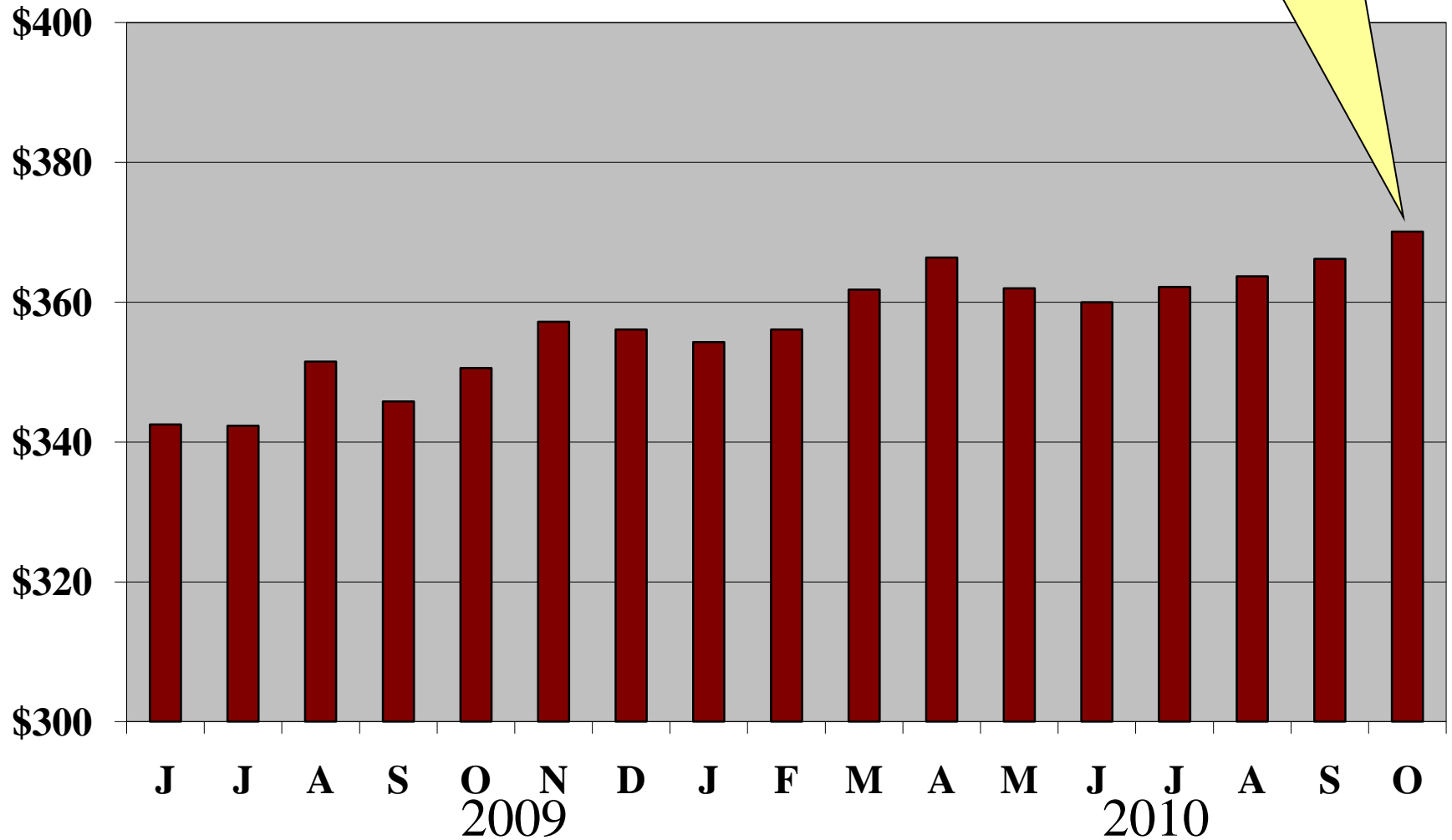
Monthly change, in thousands



Source: Labor Department

Retail Sales

Total retail sales in billions of dollars, seasonally adjusted.

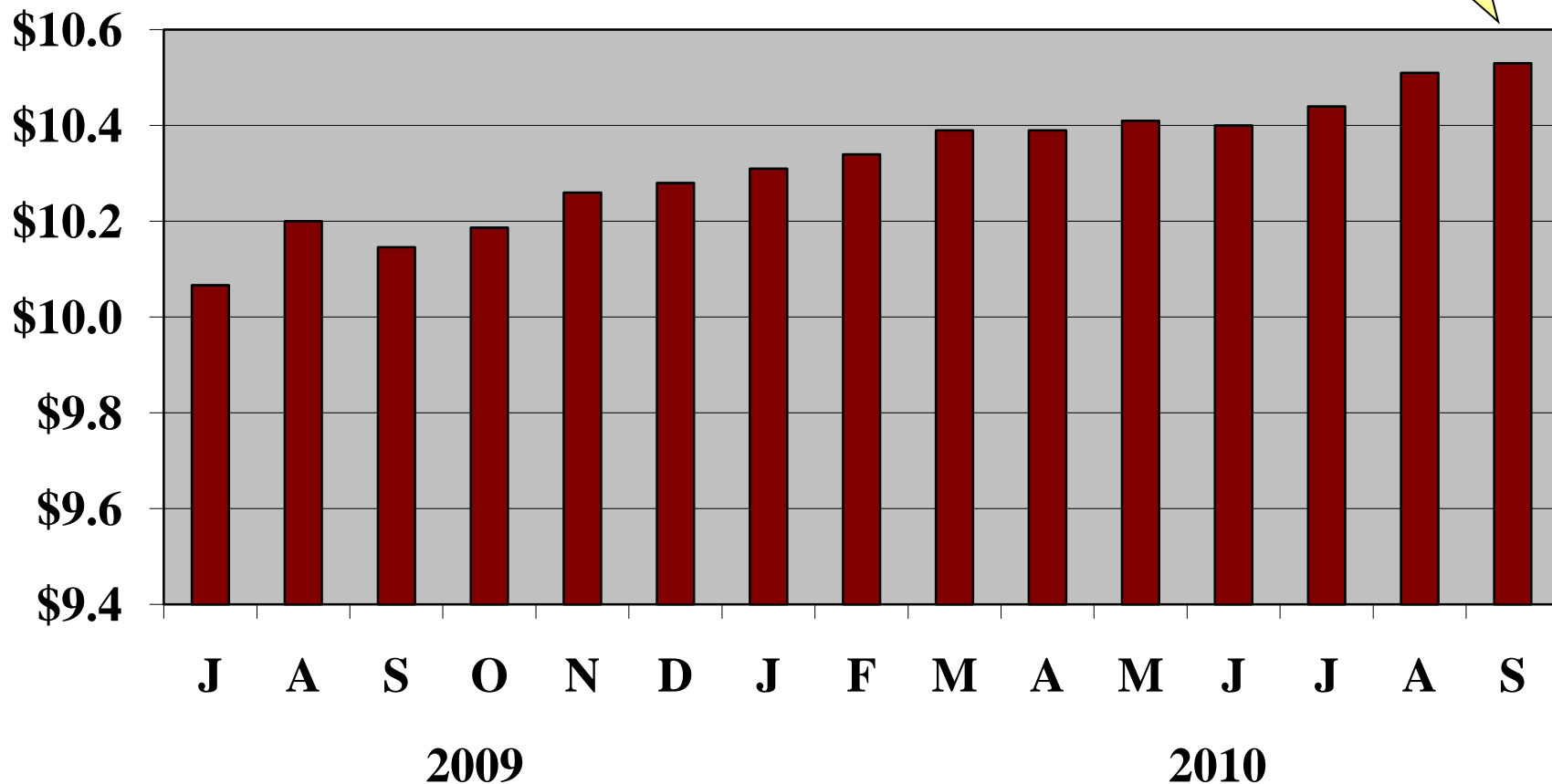


Source: U.S. Commerce Department

Personal Consumption

In trillions

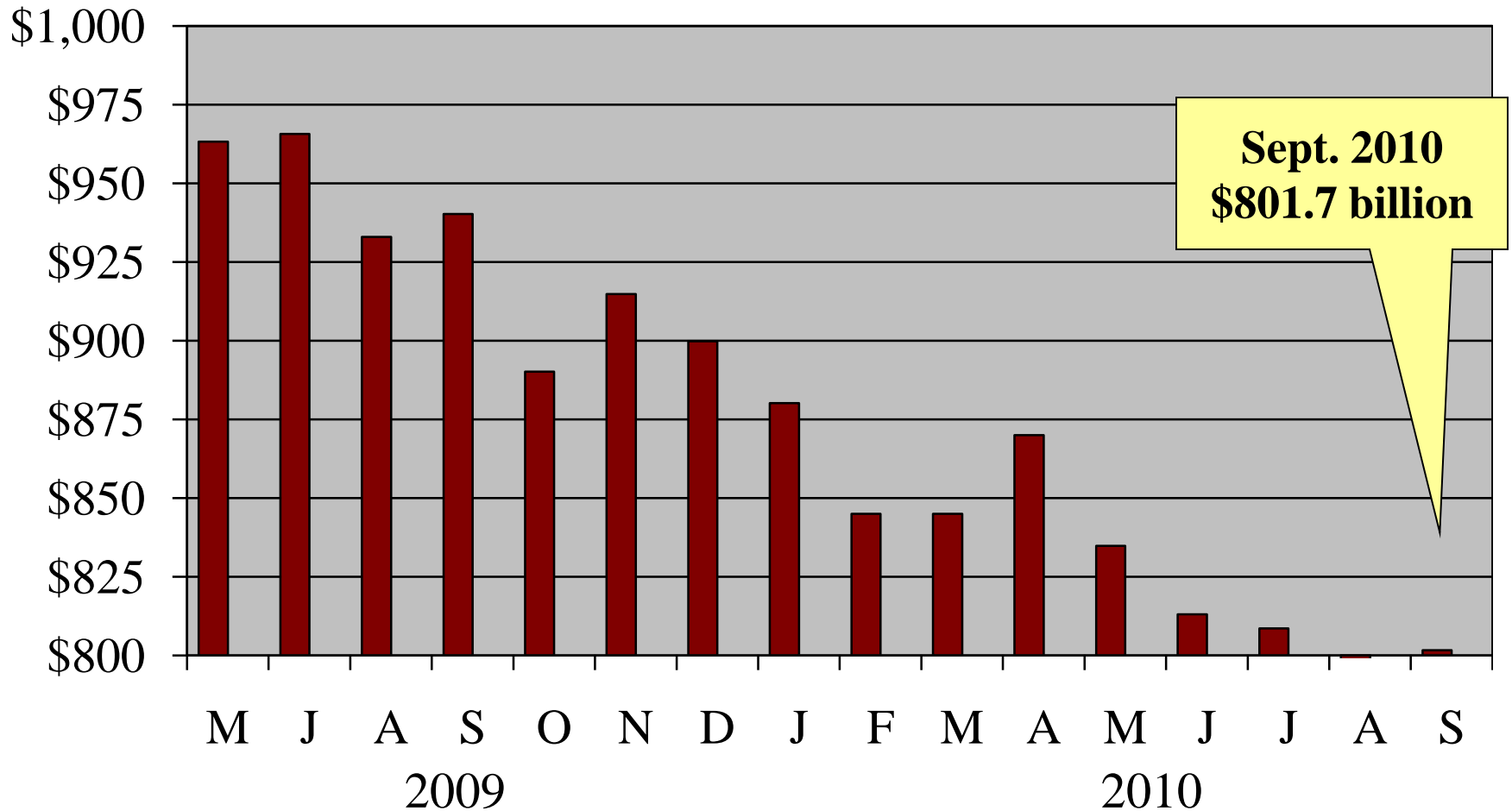
Sept. 2010:
\$10.53 trillion



Source: U.S. Department of Commerce; Bureau of Economic Analysis

Construction Spending

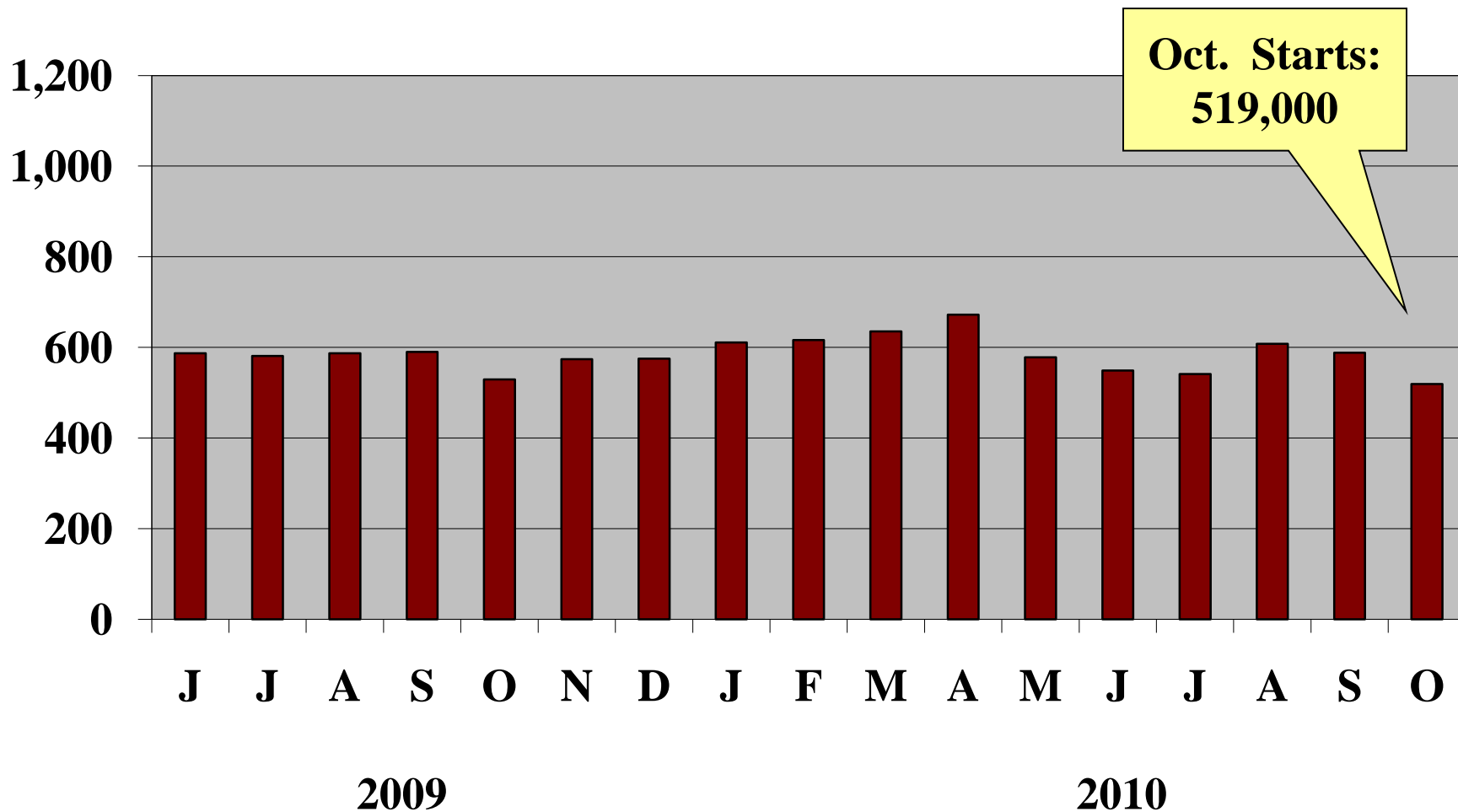
In billions of dollars, seasonally adjusted



Source: Commerce Department

Housing Starts

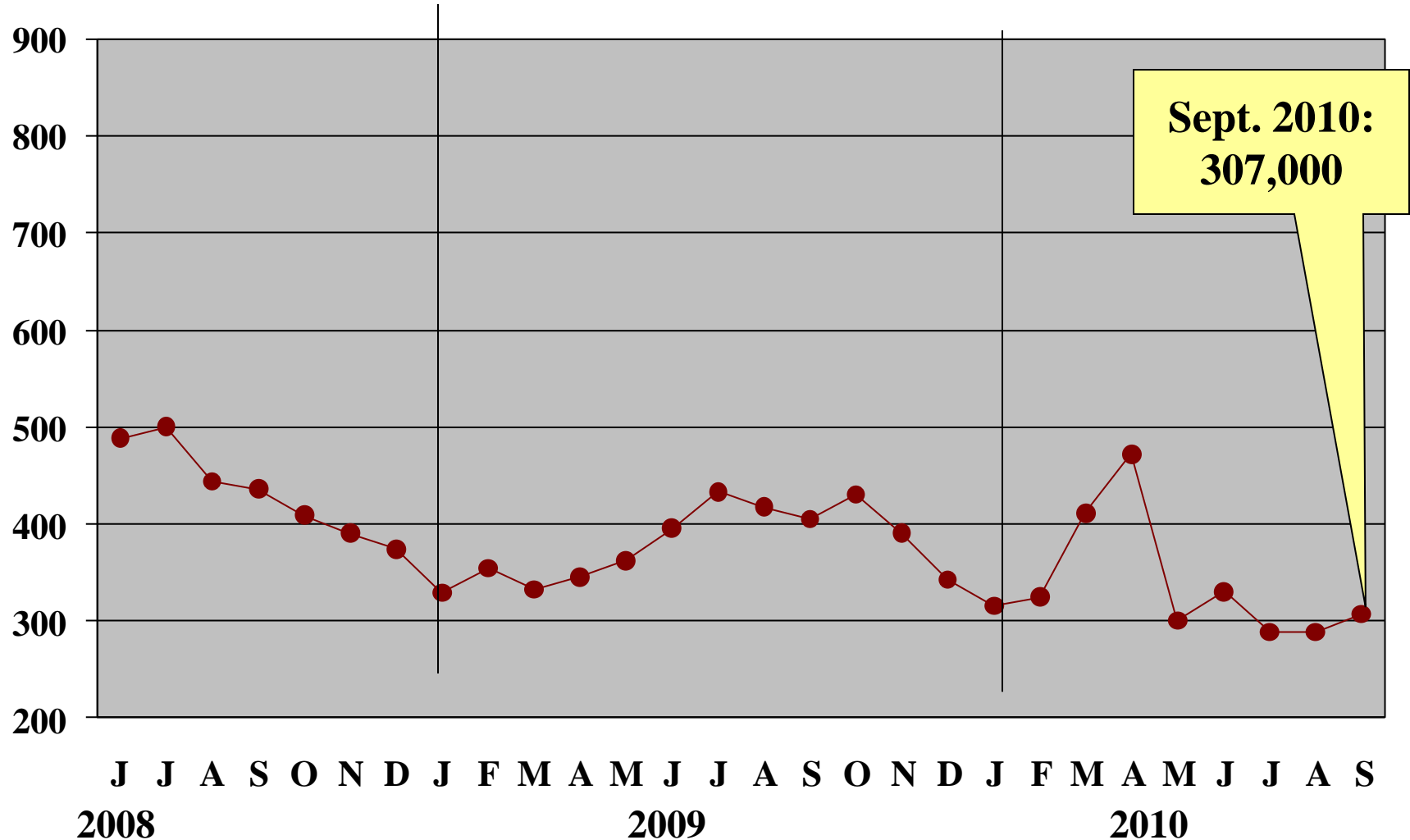
New private housing starts during the month, in thousands, at seasonally adjusted annual rates.



Source: Dept. of Commerce; Dept. of H.U.D.; Census Bureau

New-Home Sales

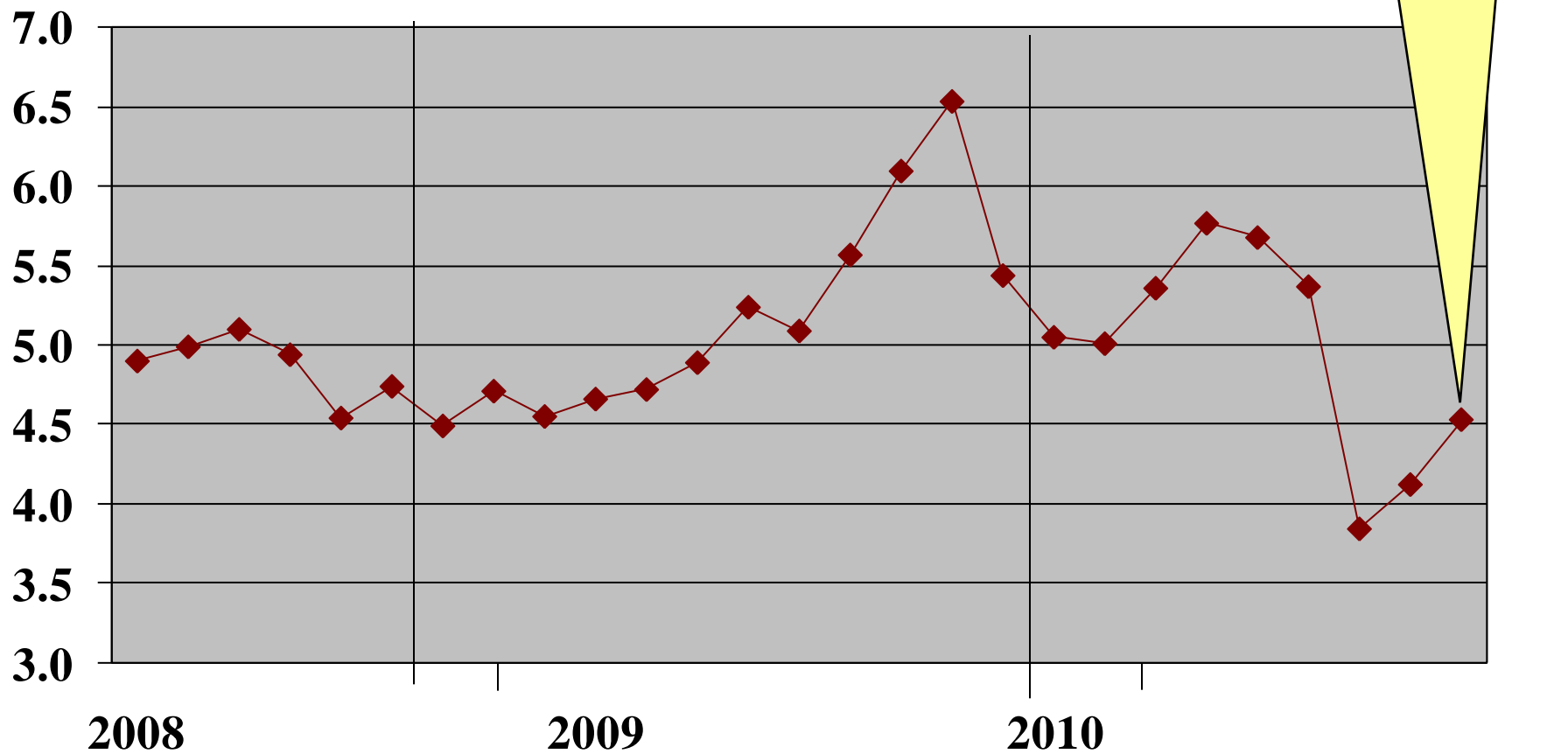
Single-family homes (in thousands)



Source: Commerce Department

Existing-Home Sales

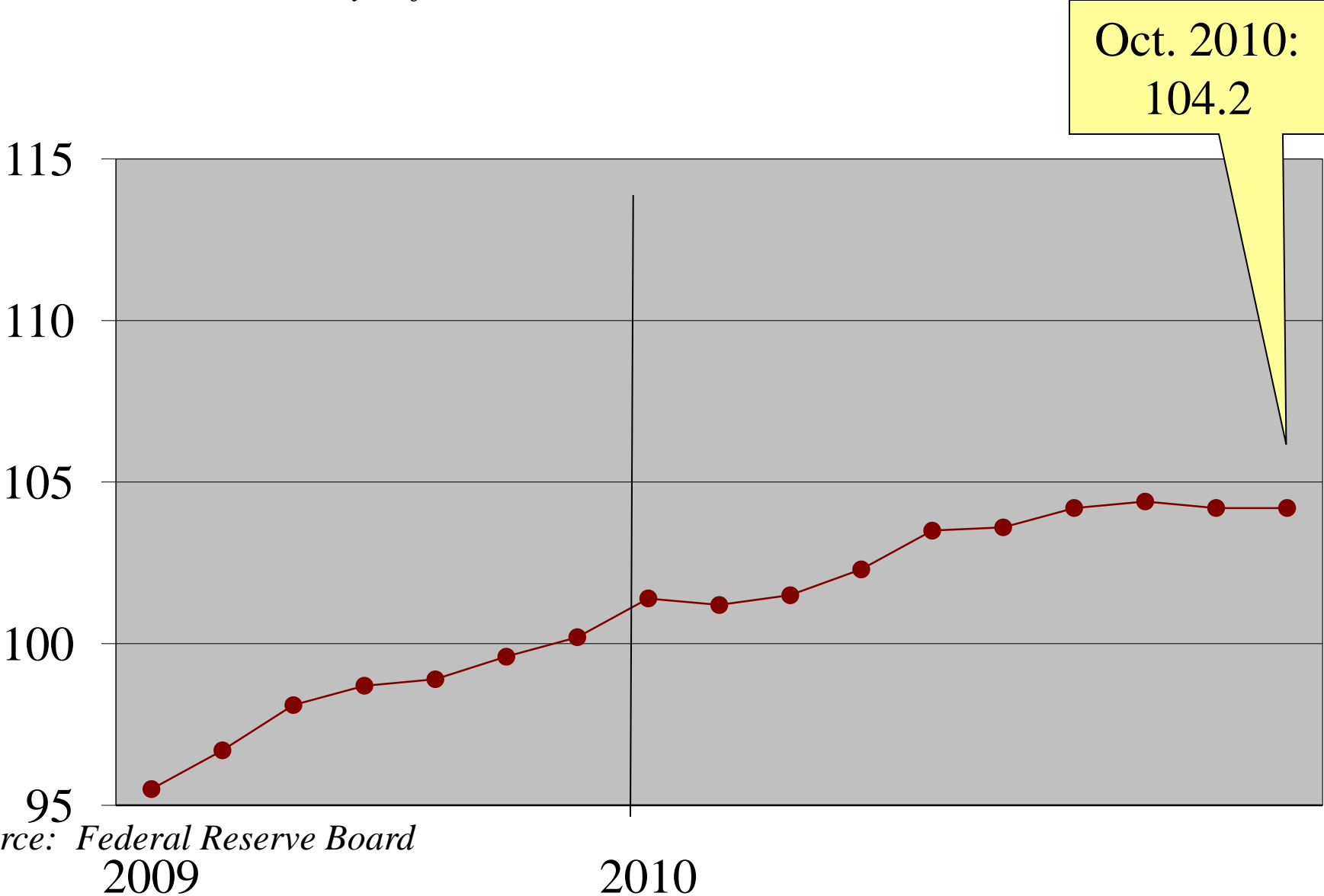
Annual rate, in millions of dwelling units.



Source: The National Association of Realtors

Industrial Production

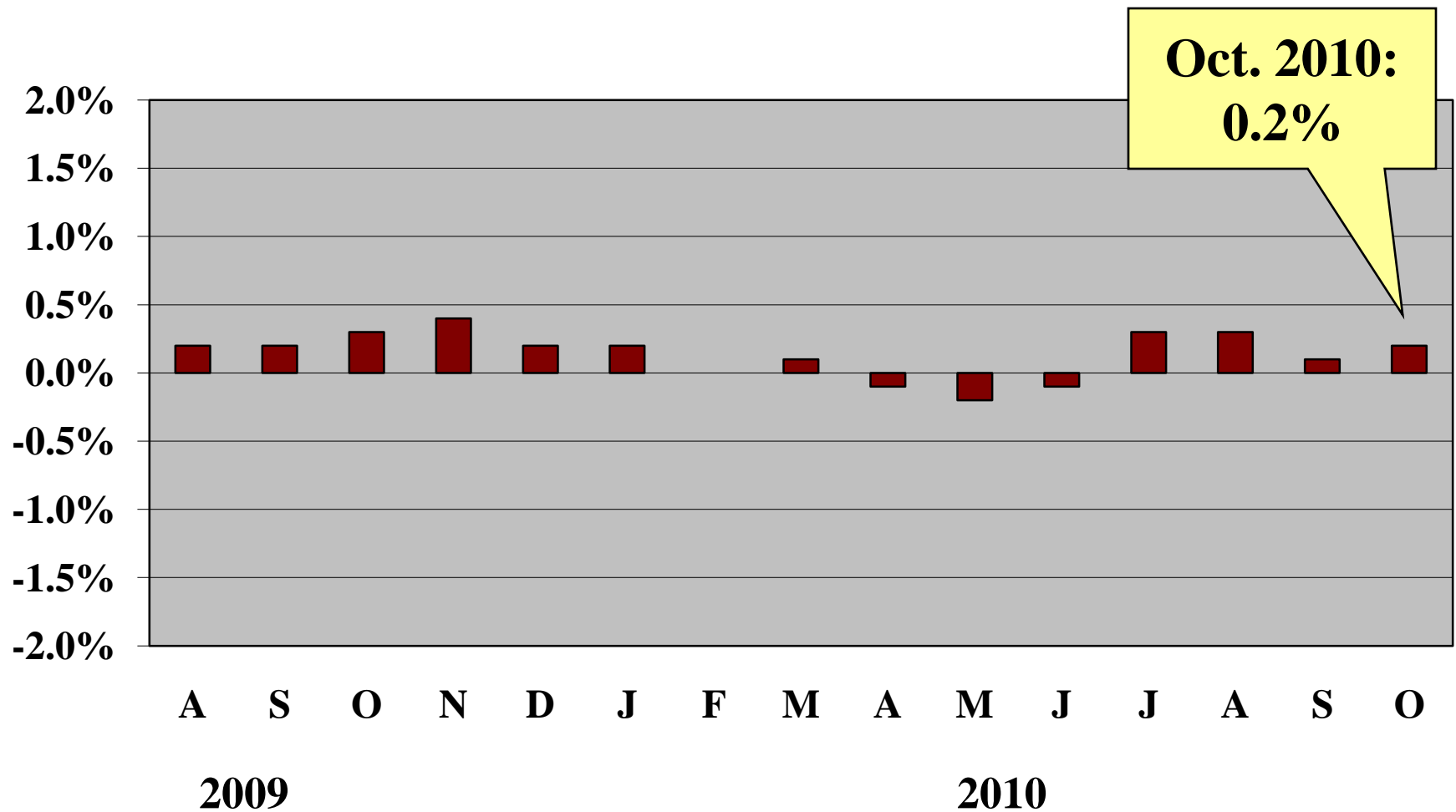
Index, 2002=100, seasonally adjusted



Source: Federal Reserve Board

Consumer Prices

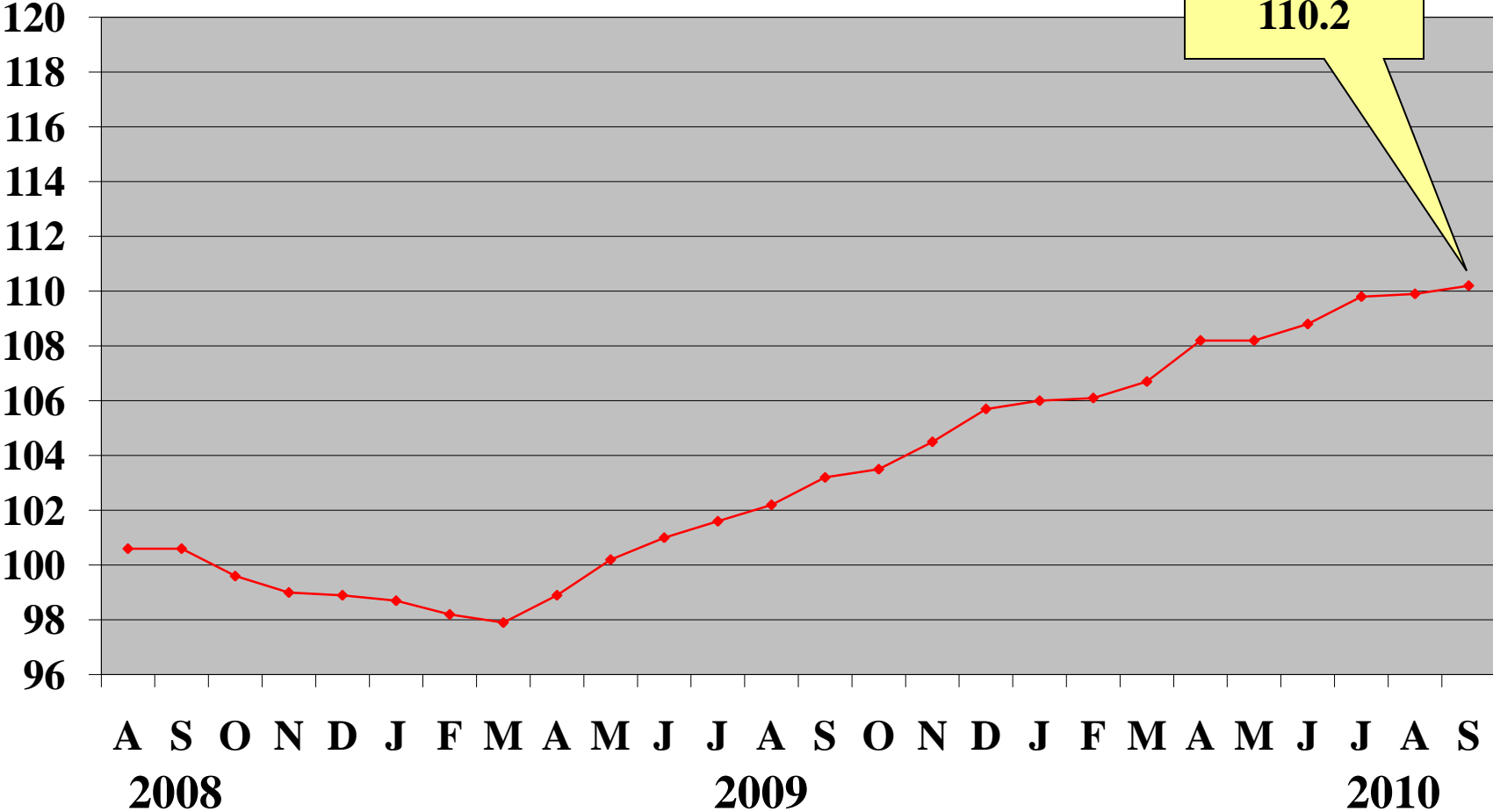
Percentage change, month to month (seasonally adjusted)



Source: Bureau of Labor Statistics

Leading Indicators

Index of 10 indicators designed to “lead,” or predict overall economic activity; 2004 = 100.



Source: The Conference Board

The Economist

SEPTEMBER 18TH-24TH 2010

Economist.com

The strange death of Swedish socialism
Battle of the Milibands
Europe's badly treated Romanies
The scramble for Africa's banks
Another paradox of thrift

Are we there yet?

America's long, hard road to recovery



GDP Cumulative change from start of recession

12%
10%
8%
6%
4%
2%
0%
-2%
-4%

◆ Recession's end according to the NBER

July 1981-
November 1982

March-
November 2001

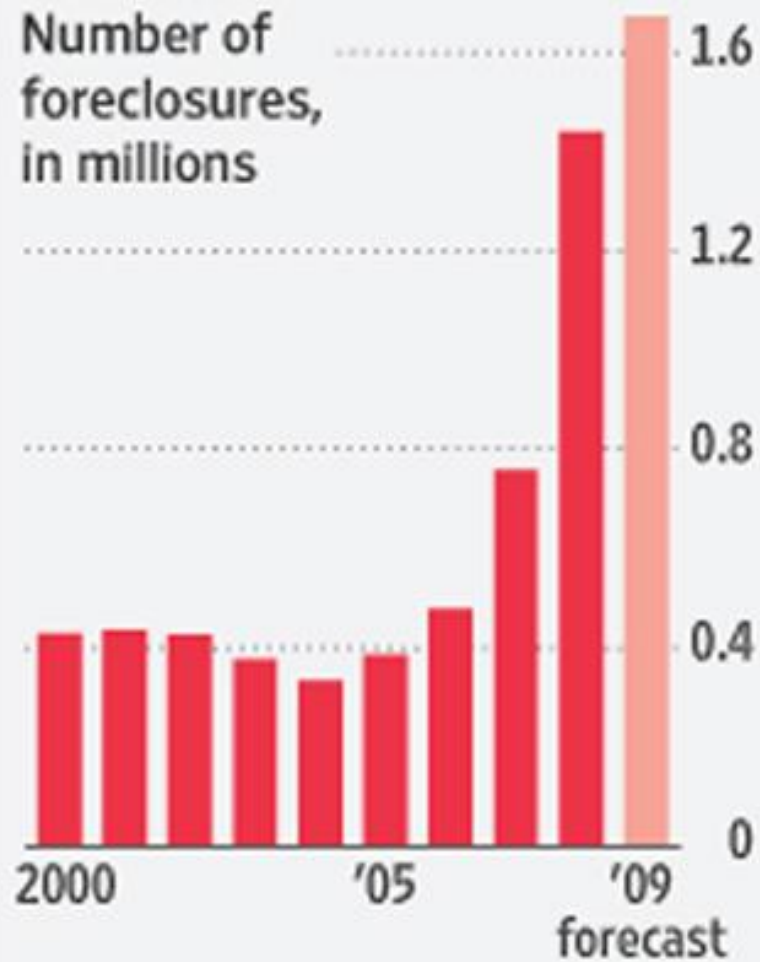
July 1990-
March 1991



Sources: Commerce Department; National Bureau of Economic Research

Taking Shelter

Number of
foreclosures,
in millions

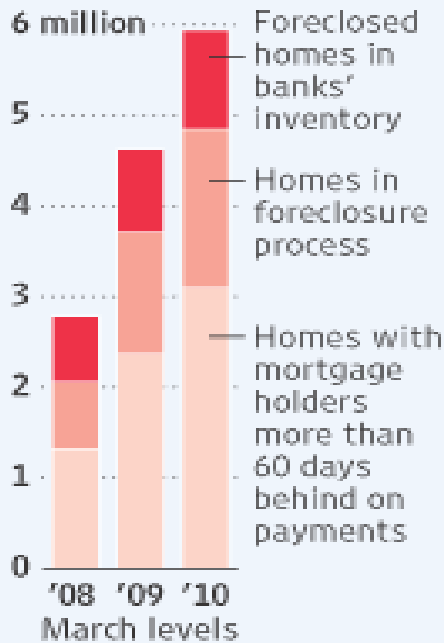


Sources: FDIC; Equifax; Moody's Economy.com

Source: Wall Street Journal

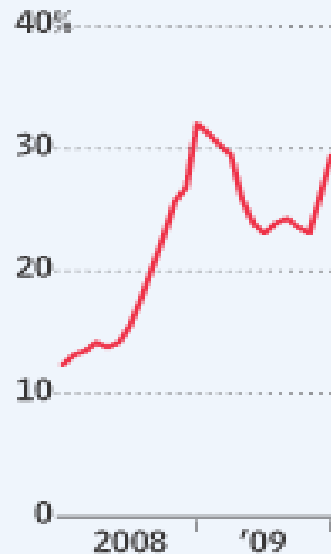
Glut of Trouble

Banks have a lot of foreclosed homes to sell, with more to come.

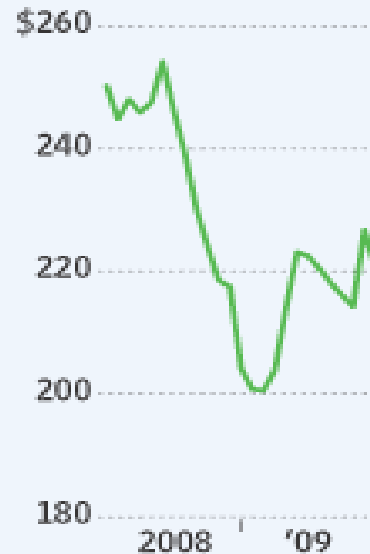


As those distressed homes hit the market, they could depress prices.

Distressed share of all home sales

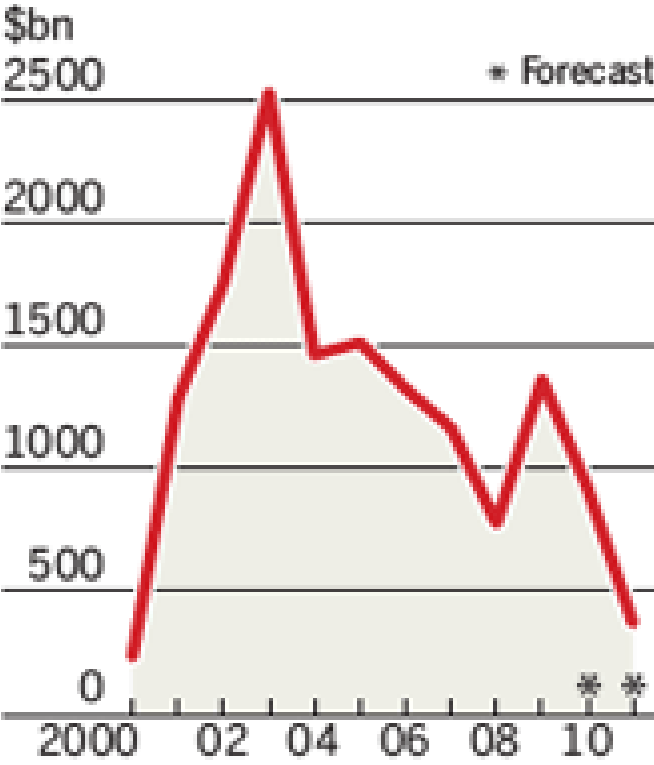


Average price of homes sold, in thousands



Sources: LPS Applied Analytics; LoanPerformance CoreLogic

US mortgage refinancing volume



Sources: Thomson Reuters Datastream; Mortgage Bankers Association of America

Where are home prices headed?

A forecast of single-family sales prices predicts declines in most U.S. markets through mid-2011.

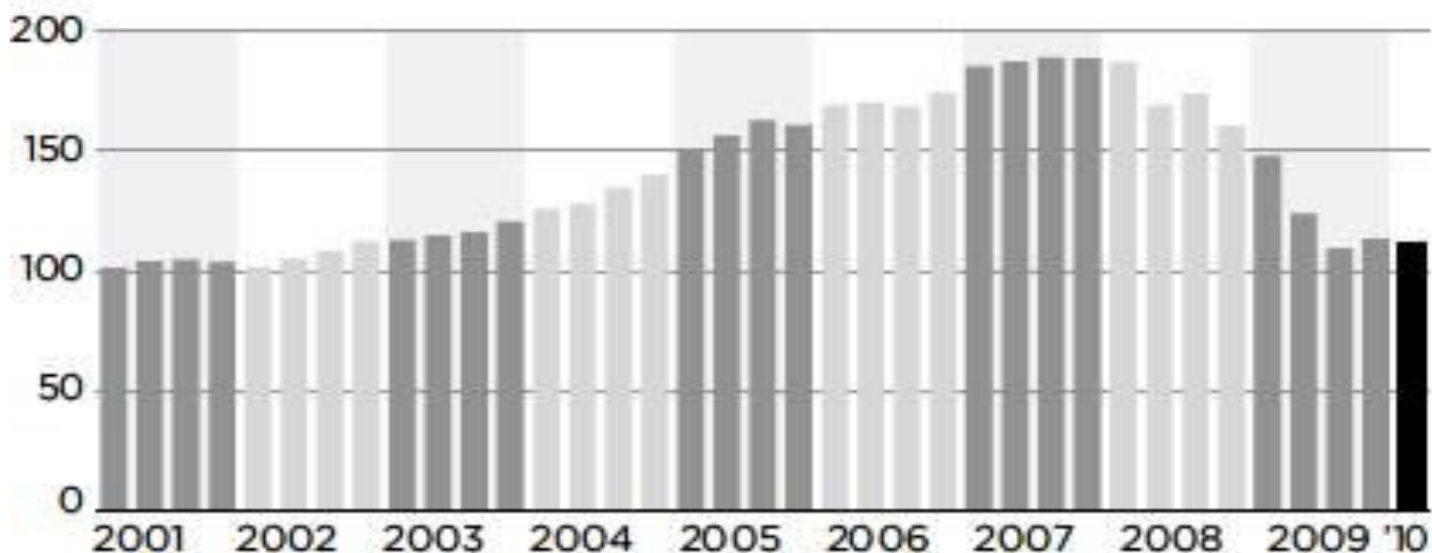
| Market | 1-year change, mid-2010 | 1-year change, mid-2011* |
|---------------------|--------------------------------|---------------------------------|
| U.S. | 3.6% | -7.1% |
| Atlanta | 1.4% | -4.2% |
| Boston | 2.5% | -4.1% |
| Chicago | -0.3% | -4.5% |
| Denver | 2.0% | -6.2% |
| Las Vegas | -4.7% | -16% |
| Los Angeles | 10.4% | -11.8% |
| New York | 1.6% | -6.1% |
| Orlando, Fla. | -3.3% | -13.4% |
| Phoenix | 5.5% | -16% |
| Sacramento | 2.3% | -9.6% |
| Seattle | -1.8% | -3.6% |
| Washington, D.C. | 8.1% | -11.4% |
| Texas cities | | |
| Austin | -0.8% | -0.6% |
| Dallas | 3.4% | -1.4% |
| Fort Worth | -2.2% | -0.9% |
| Houston | 5.2% | -0.3% |
| San Antonio | -3.6% | -1.1% |

*Forecast

SOURCE: Fiserv

Commercial property price slide

According to the Case-Shiller index of commercial real estate, values around the country have plunged more than 40 percent since 2007. Value in December 2000 = 100:



SOURCE: Moody's/Real Estate Analytics

BETSY BOCK/Staff Artist

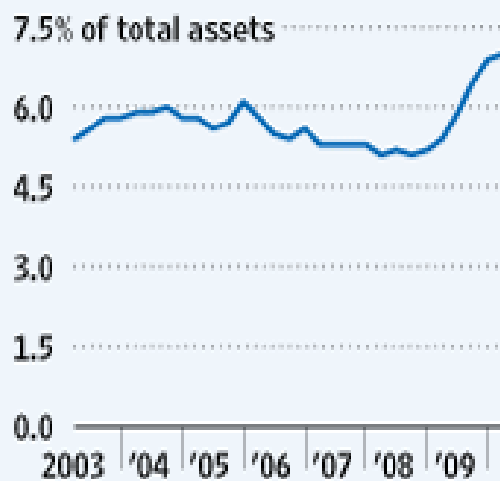
Non-Business Bankruptcy Filings



Following the Money | In the U.S. in the first quarter

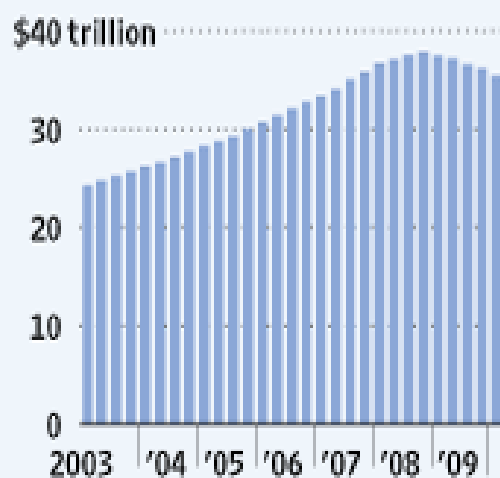
Corporations stockpile cash... 7.5% of total assets

Cash at nonfinancial corporations



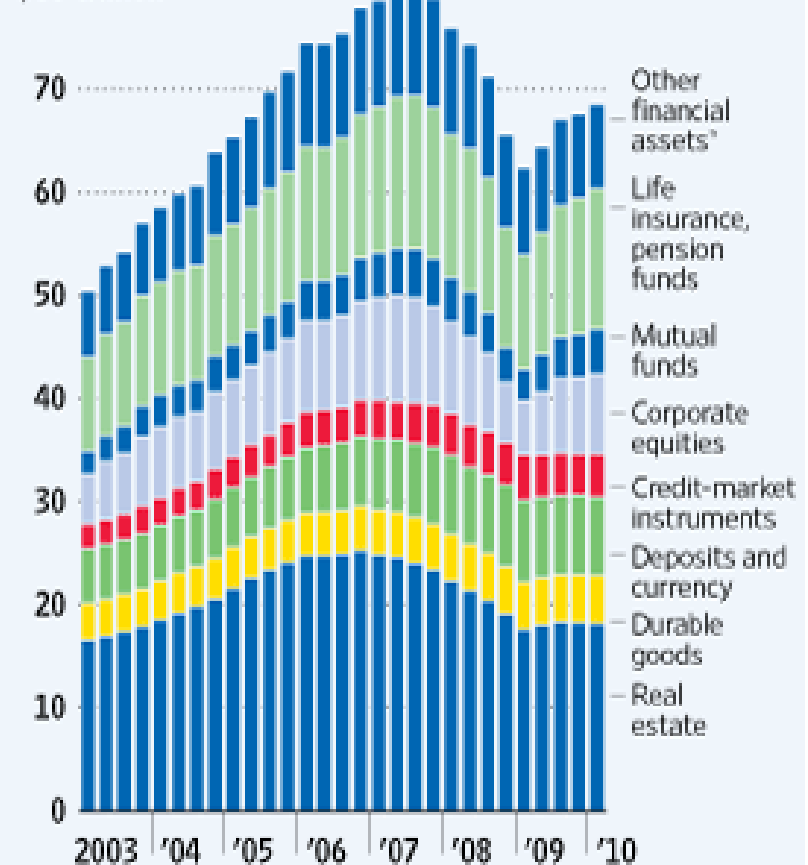
As credit remains tight...

Lending by the financial sector



...but household assets start to rebound.

\$80 trillion



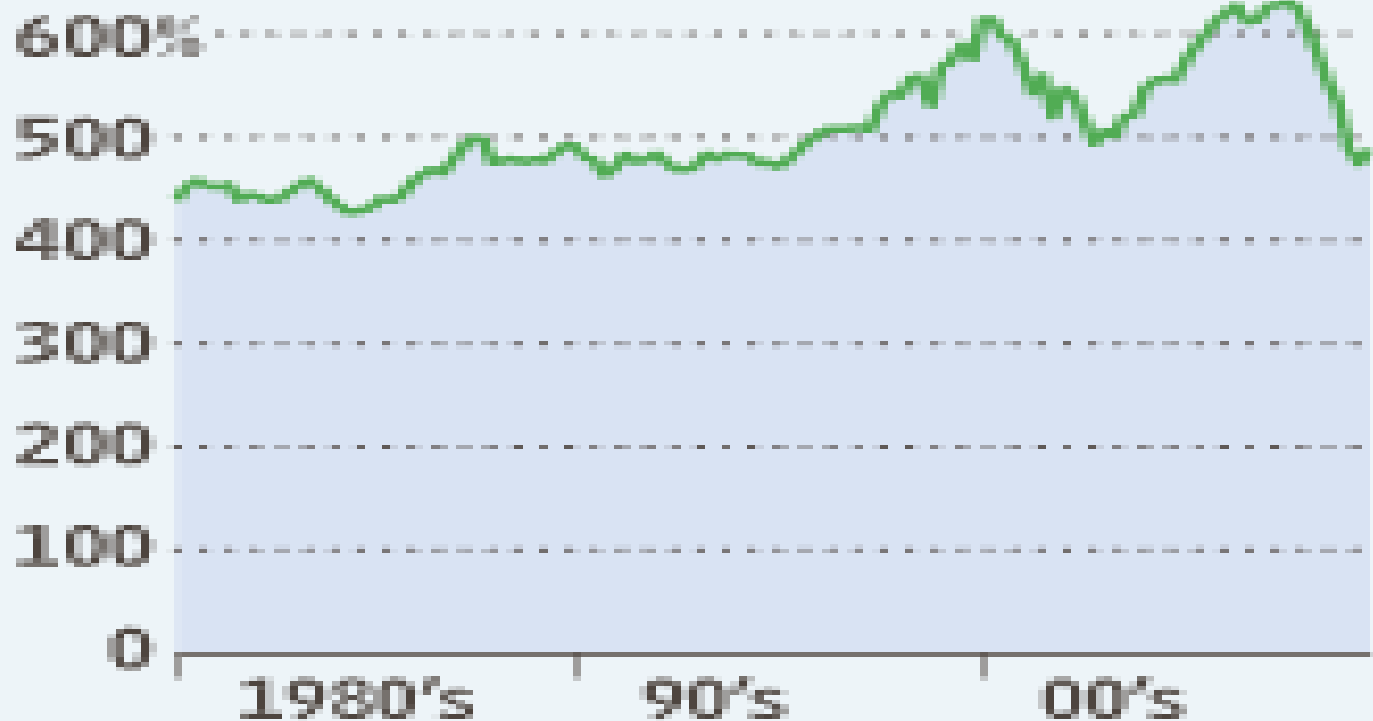
*Includes nonprofit purchases of equipment and software.

Note: Household sector includes nonprofit organizations

Source: Federal Reserve

Burst Bubbles

Household net worth as a percentage of disposable personal income



Source: Federal Reserve

AMERICAN EXCESS

CONSUMER



DEBT 2010

I. M. BROKE

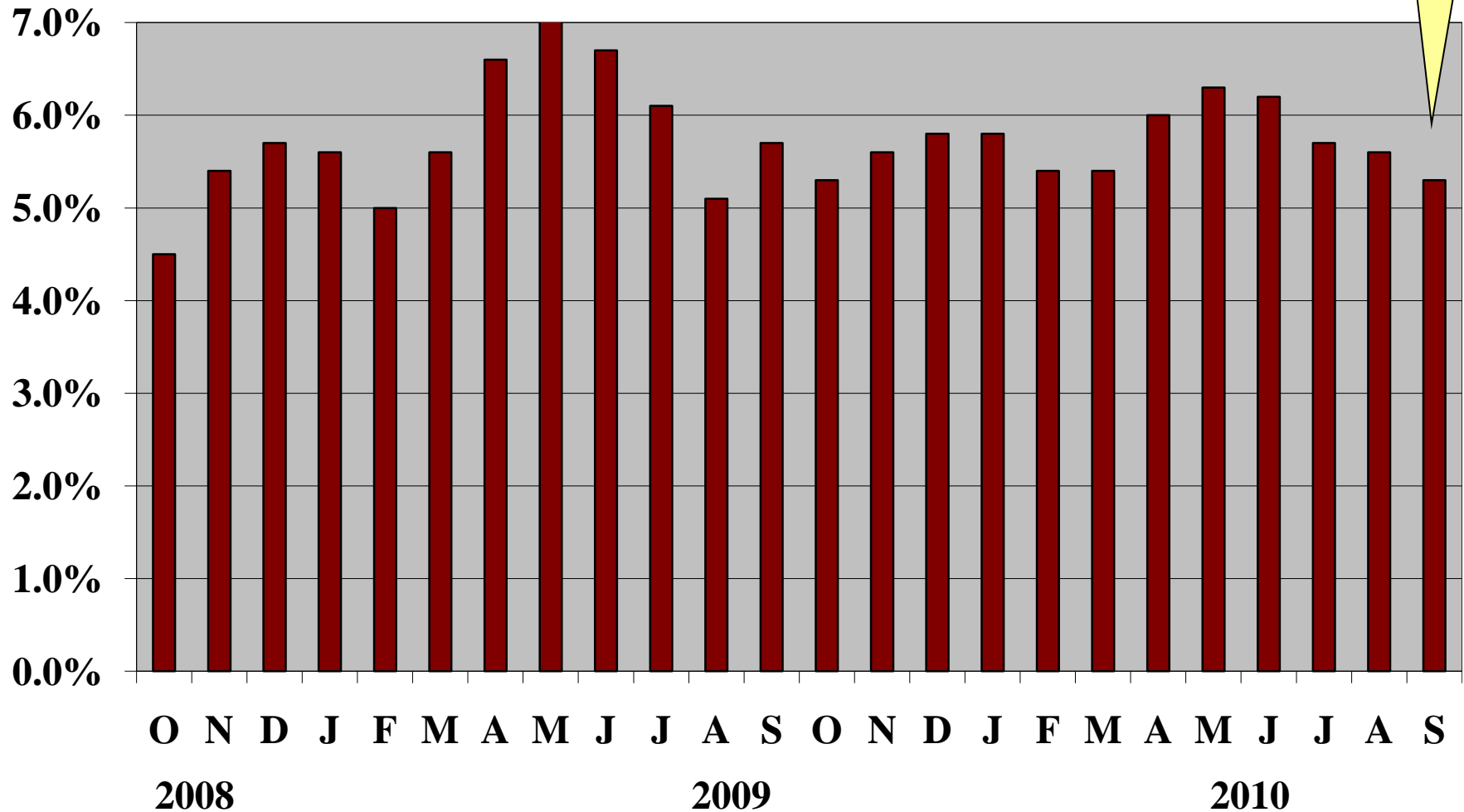
BRANCH
SAN ANTONIO
EXPRESS-NEWS

JOHN BRANCH/San Antonio Express-News

Savings Rate

Personal Savings as a Percentage of Disposable Personal Income

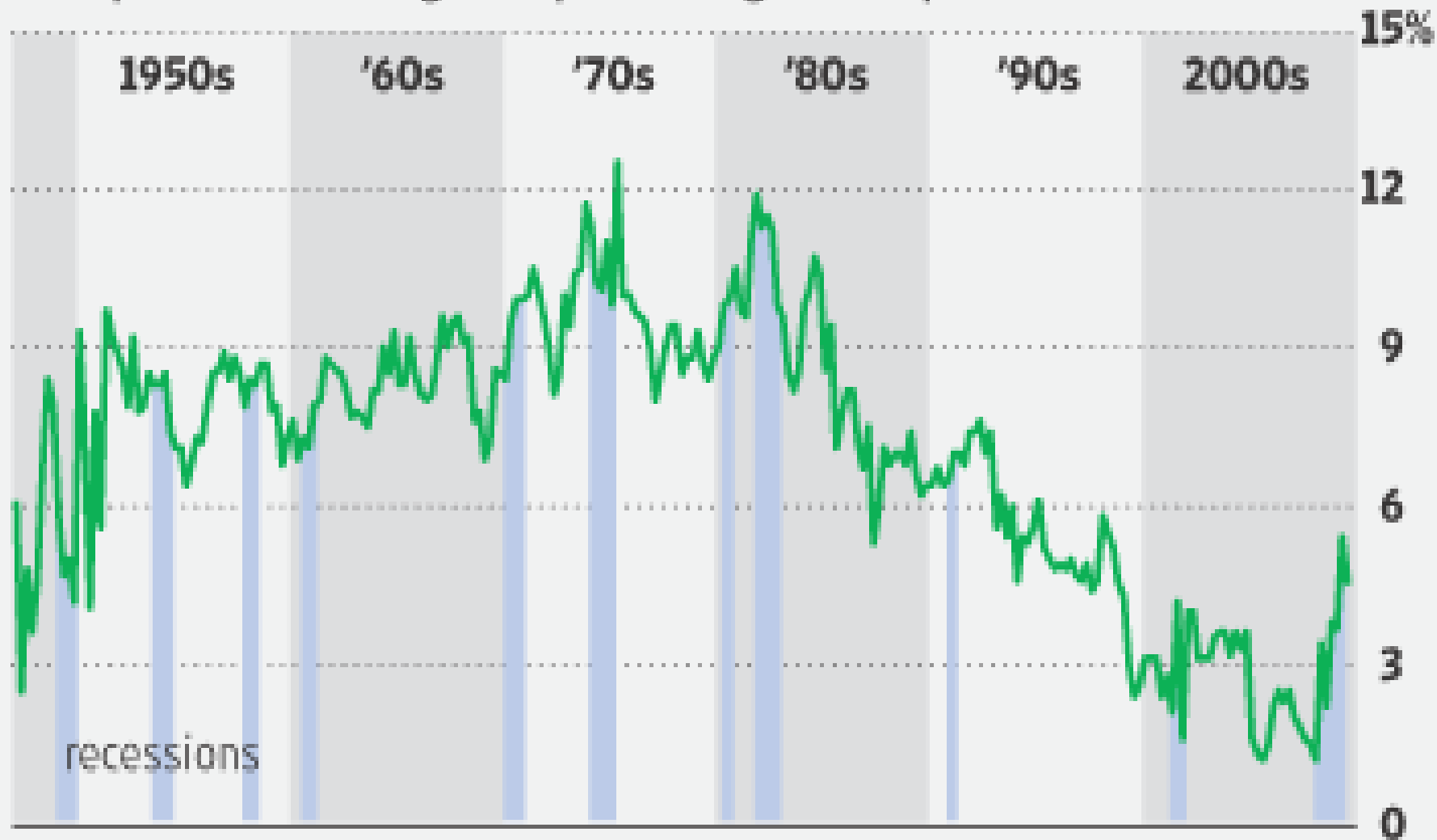
**Sept. 2010:
5.3%**



Source: Commerce Department, Bureau of Economic Analysis

Starting to Save Again

U.S. personal saving as a percentage of disposable income

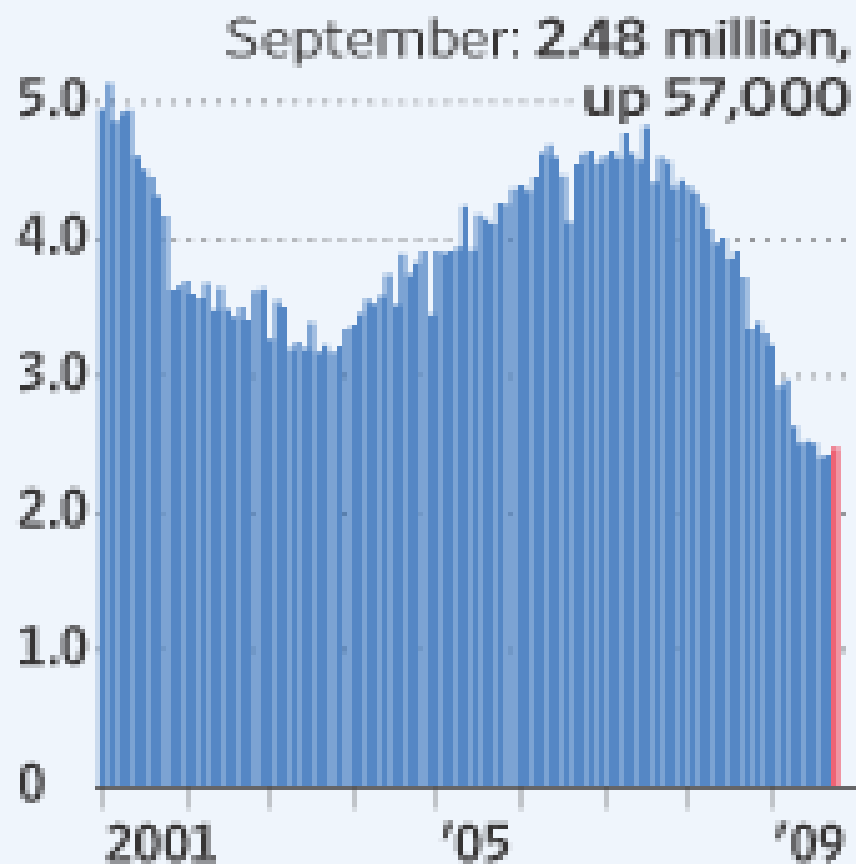


Source: Commerce Department

Turning a Corner?

Job openings in the U.S.

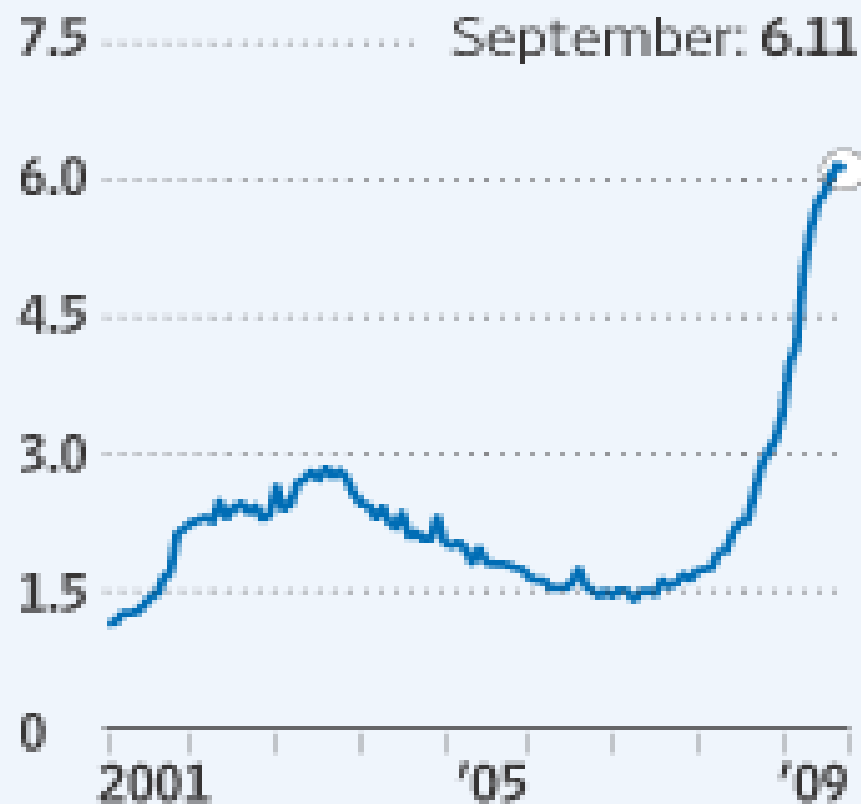
In millions; seasonally adjusted



Note: Openings are any job—newly created or just vacated—for which a company is actively recruiting.

Job seekers per job opening

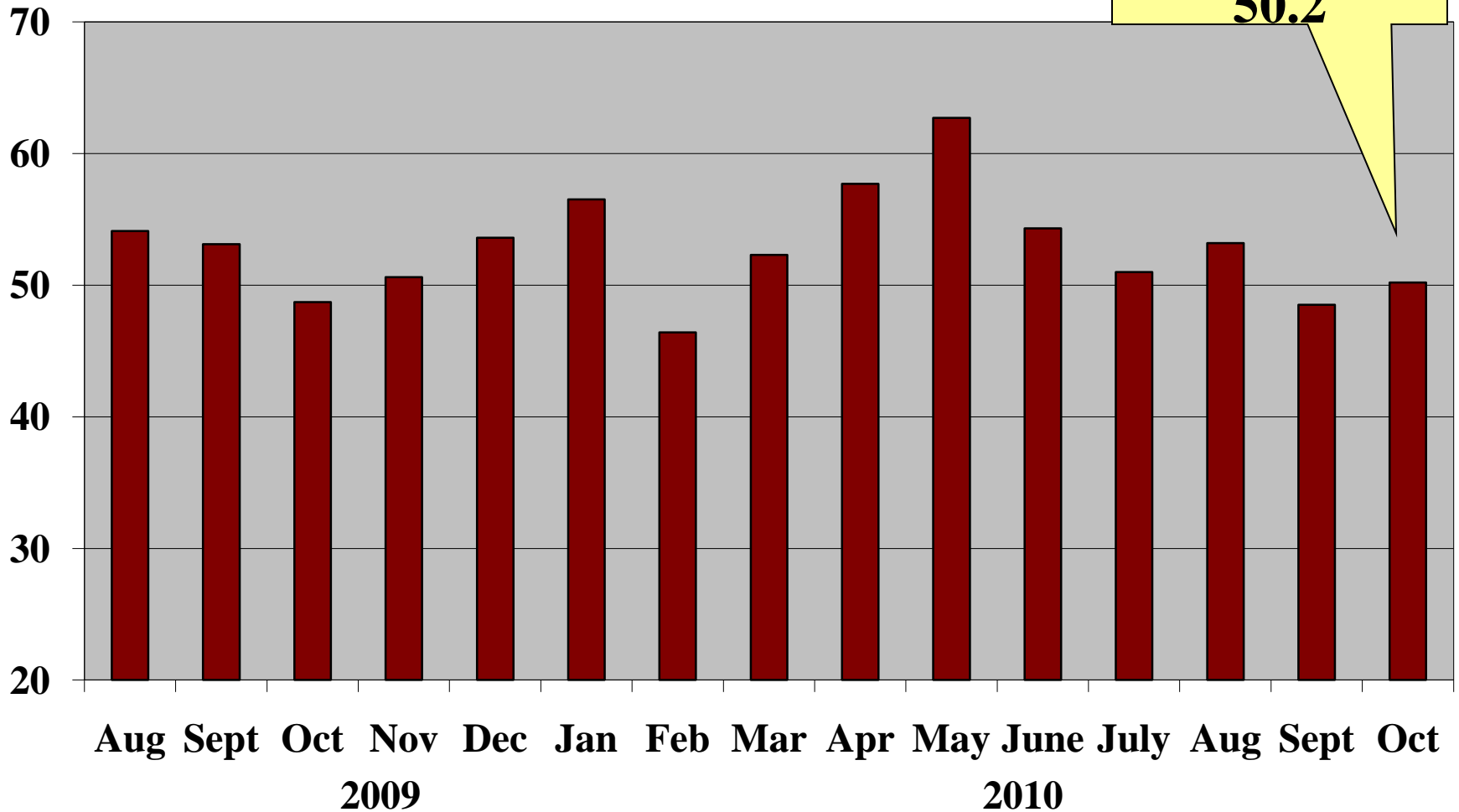
The number of unemployed divided by the number of openings



Source: Labor Department

Consumer Confidence Index

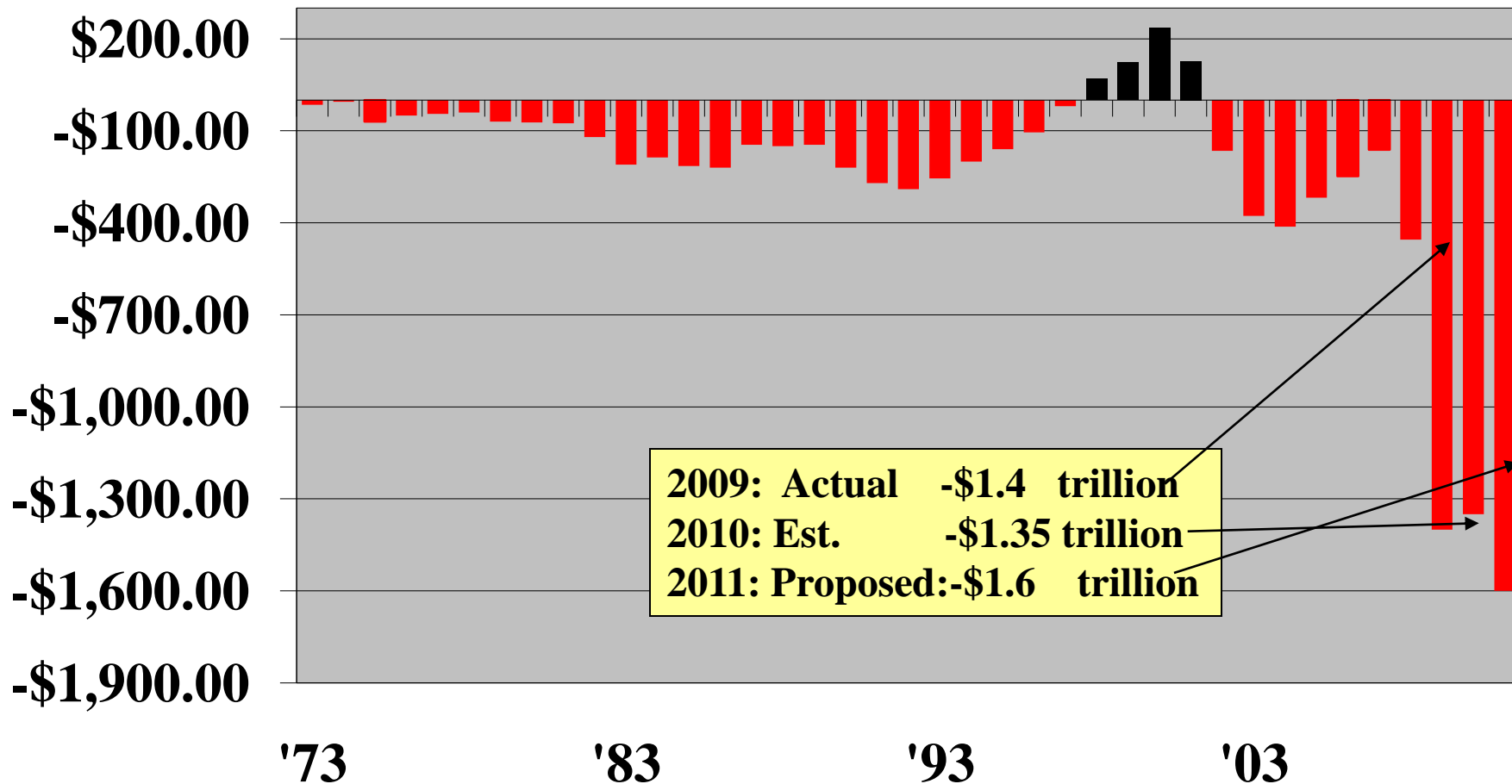
From a monthly survey of 5,000 U. S. households, 2005 = 100



Source: The Conference Board

Budget Deficit

In billions of dollars

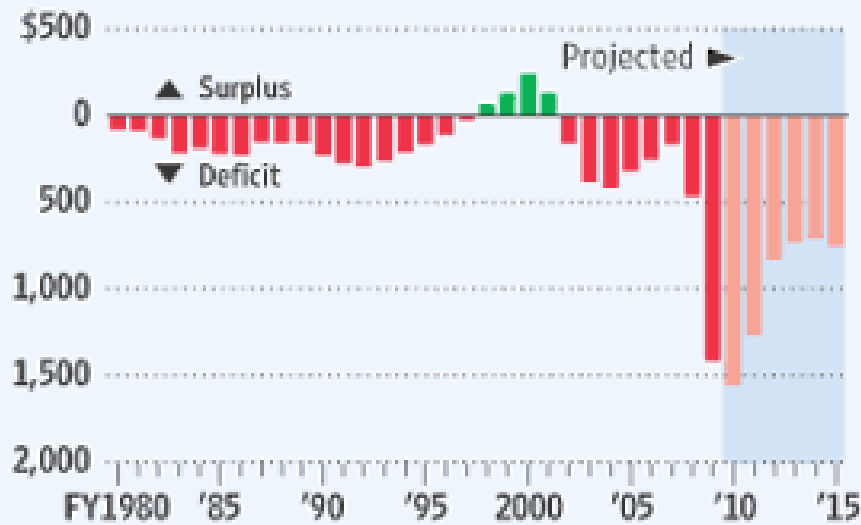


Source: Office of Management and Budget, White House projections

Adding to the Debt

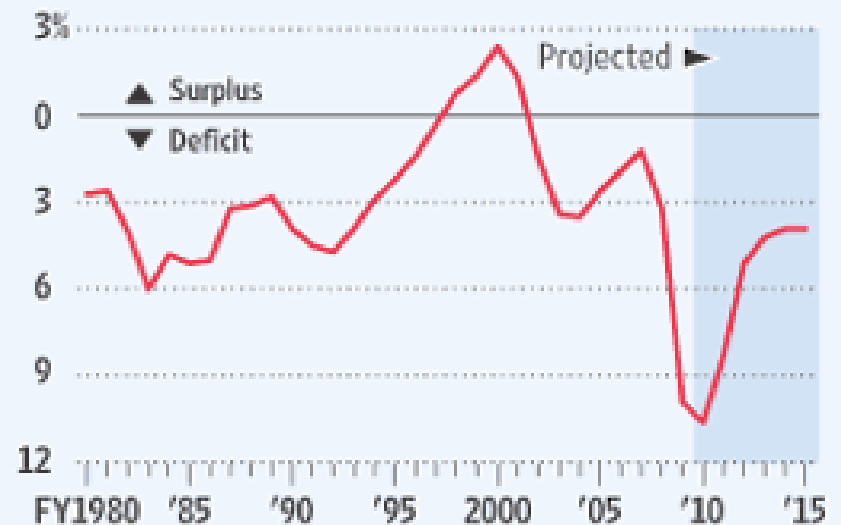
President Obama's budget blueprint estimates the federal deficit will swell to nearly \$1.6 trillion in 2010, then narrow for several years until it begins to widen again in 2015.

Budget balance, in billions



Note: Fiscal year ends Sept. 30

Budget balance, as a percentage of GDP



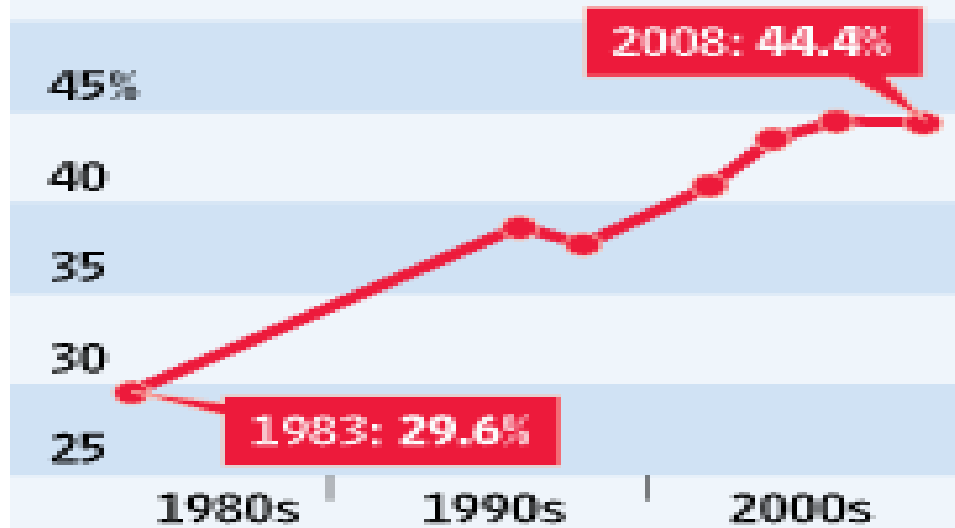
Source: White House Office of Management and Budget



DEFICITS, SON...
TO INFINITY AND
BEYOND...

Expanding Net

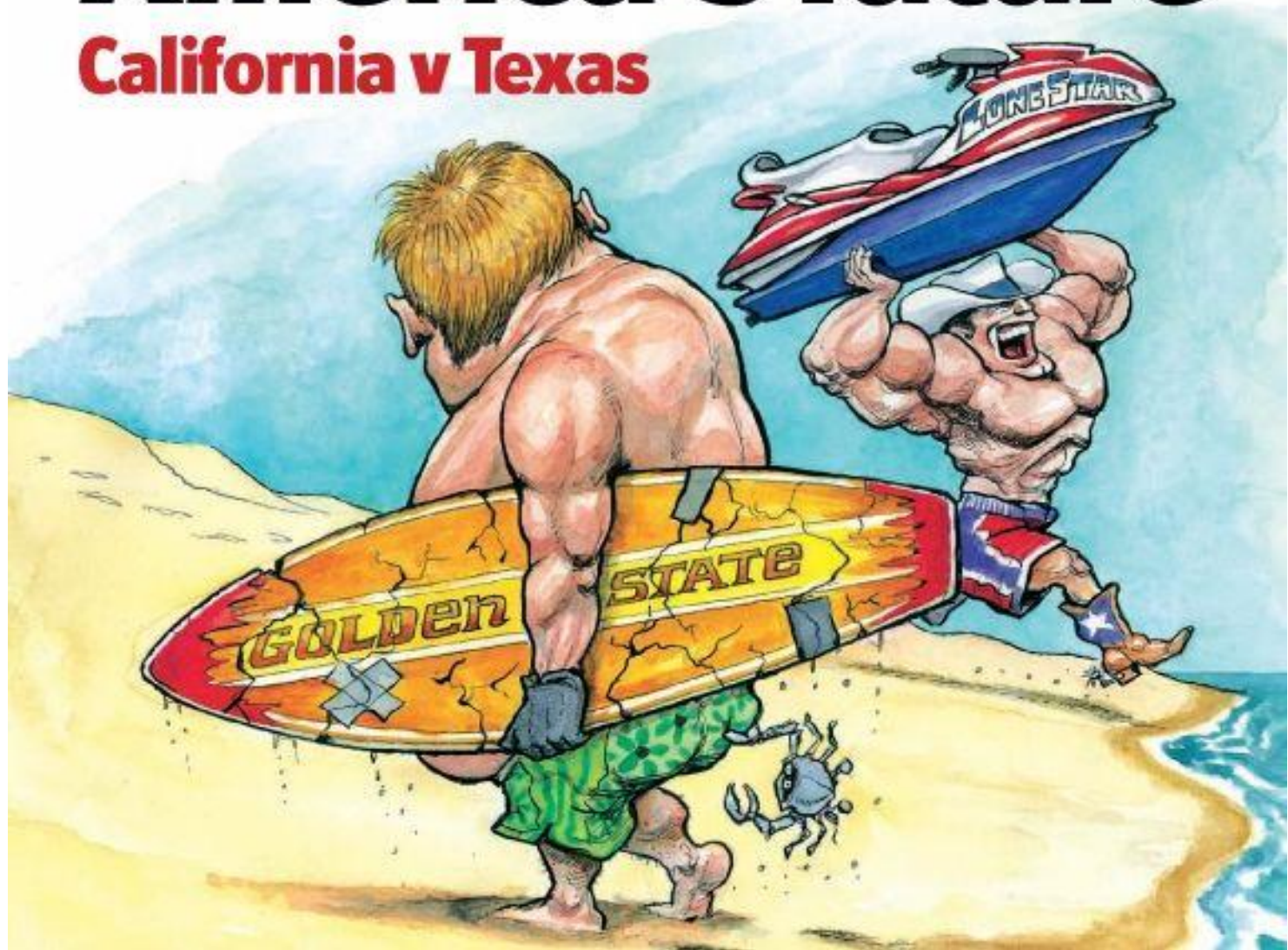
Percentage of U.S. population living in a household receiving some government benefits



Source: U.S. Census Bureau

America's future

California v Texas



Net Domestic Migration: July 2007-July 2008

| | |
|----------------|----------|
| Texas | 140,862 |
| North Carolina | 98,074 |
| Arizona | 62,980 |
| Georgia | 56,674 |
| South Carolina | 49,736 |
| Washington | 40,588 |
| * * * * * | |
| California | -144,061 |
| New York | -126,209 |

Source: U.S. Census Bureau

Net Domestic Migration: July 2008-July 2009

| | |
|----------------|---------|
| Texas | 143,423 |
| North Carolina | 59,108 |
| Colorado | 35,591 |
| Georgia | 26,604 |
| South Carolina | 31,480 |
| Washington | 38,201 |
| * * * * * | |
| California | -98,798 |
| New York | -98,178 |
| Michigan | -87,339 |

Source: U.S. Census Bureau

First U.S. Cities to Recover to Prerecession Job Levels

1. Austin-Round Rock (2010)
2. San Antonio (2010)
3. Washington DC (2011)
4. Oklahoma City (2011)
5. Columbus, OH (2012)
6. Dallas-Ft. Worth (2011)

Job growth in 2011

Texas and Nebraska tie for the top spot in projected job growth next year. Nevada ranks last among the states.

HIGHEST

| | |
|----------|------|
| Texas | 1.8% |
| Nebraska | 1.8% |
| Utah | 1.7% |
| Oklahoma | 1.6% |
| Delaware | 1.6% |

LOWEST

| | |
|------------------|-------|
| Nevada | -0.1% |
| Alaska | 0 |
| Washington, D.C. | 0.1% |
| Mississippi | 0.3% |
| Maine | 0.3% |

Dissecting Texas' employment gains

Austin and Dallas-Fort Worth are expected to show the biggest employment gains in the state next year.

| | |
|-------------------|------|
| Austin | 2.5% |
| Dallas-Fort Worth | 2.2% |
| McAllen-Edinburg | 2.1% |
| Houston | 1.7% |
| San Antonio | 1.6% |
| El Paso | 1.6% |
| Corpus Christi | 0.9% |

SOURCE: IHS Global Insight

BETSY BOCK/Staff Artist

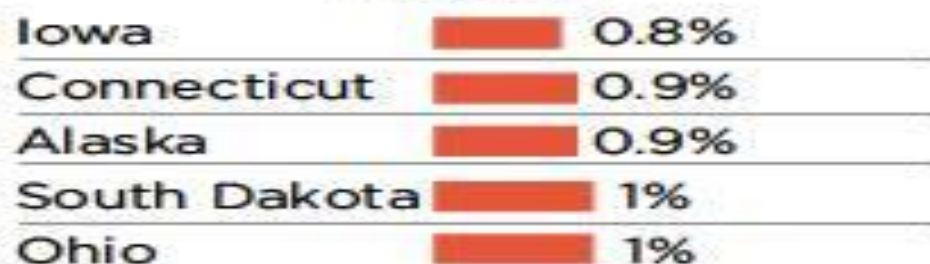
Job growth over next five years

Texas and Idaho tie for No. 1 in projected job growth through 2016. Iowa ranks last.

HIGHEST



LOWEST



SOURCE: IHS Global Insight

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BusinessWeek

**WHAT
GOOD
ARE
Economists
ANYWAY**

