



2012: 2011 REDUX OR SOMETHING ELSE?

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*Presented at the Quarterly Forecast Conference
GSU Student Center • February 22, 2012*

Economic Forecasting Center





Cartoon: USA Today, Feb 15, 2012



Cartoon: AJC, January 18, 2012



If Iran tries to build nuclear weapons, here's what I tell them...



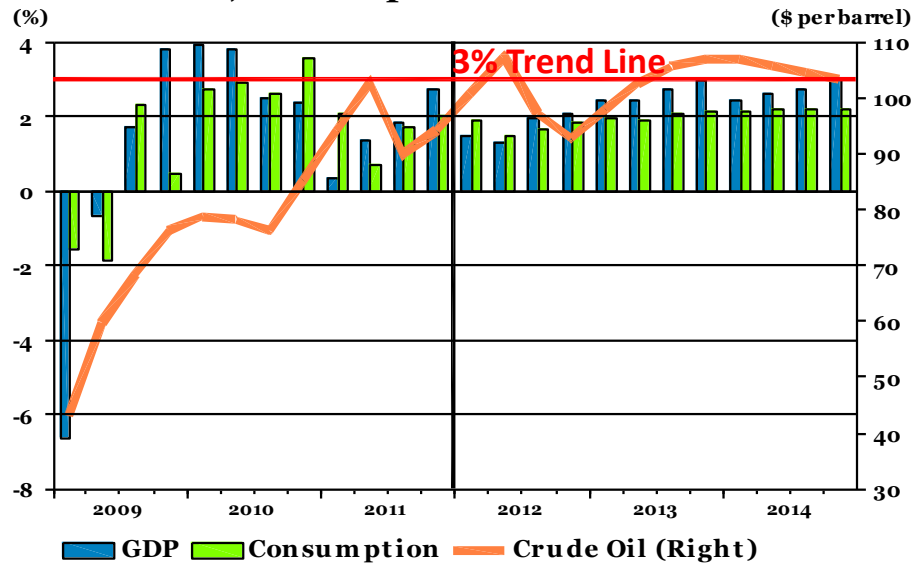
Cartoon: Jimmy Margulies, The Atlanta Journal-Constitution, January 5, 2012



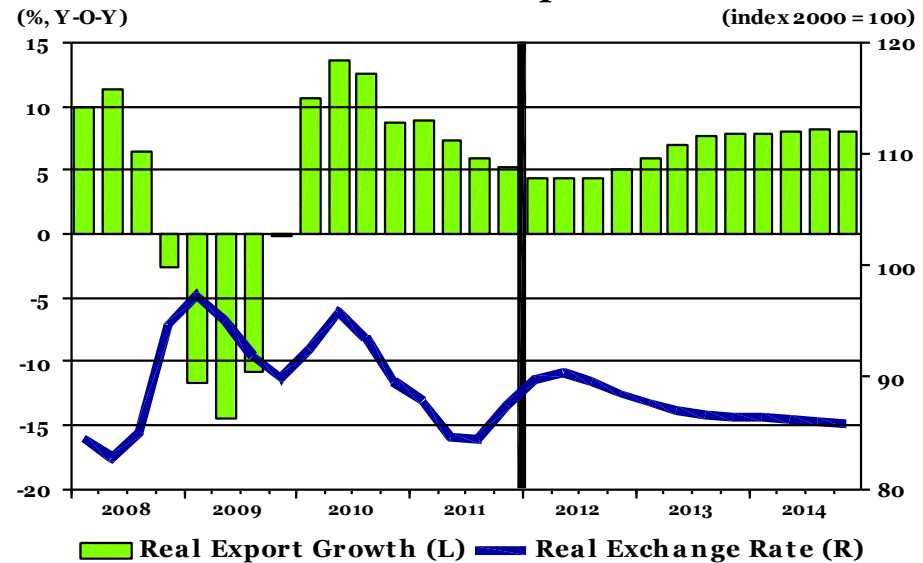


Grinding Out the Course

Real GDP, Consumption Growth and Oil Price



Global Health and Export Growth



JPMorgan's Dimon is Optimistic



Jamie Dimon
CEO, JPMorgan Chase

Q: How does the economy look in 2012?

A: Barring a disaster out of Europe, I do see a fairly broad, growing economy. The economy is in a mild recovery, which is strengthening.

Q: What about housing in the U.S.?

A: Renting is now more expensive than buying in half of America. Household formation has gone so low. You had kids move back home – and yes, by the way, it doesn't work for them, either...Housing is near the bottom. Once you see employment start to grow 300,000, 400,000, 500,000 a month, you better buy that house you want really soon because it'll change in price right away.

Q: What is it going to take to get jobs created in this country again?

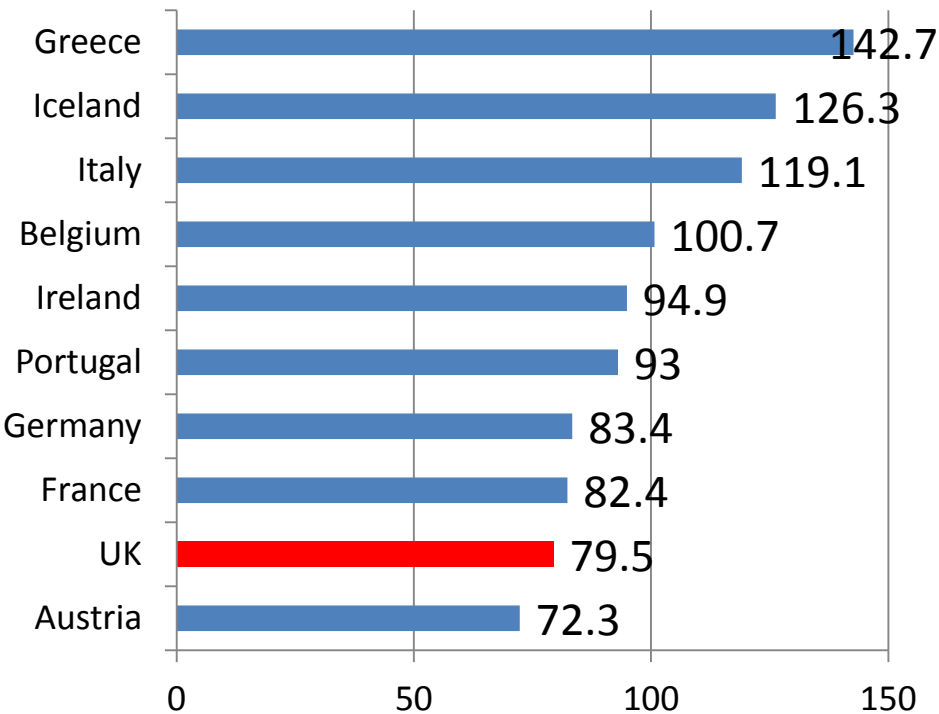
A: Right now we seem a little overly depressed.

Source: USA Today, January 16, 2012



European Debt Problem

Debt as a % of GDP

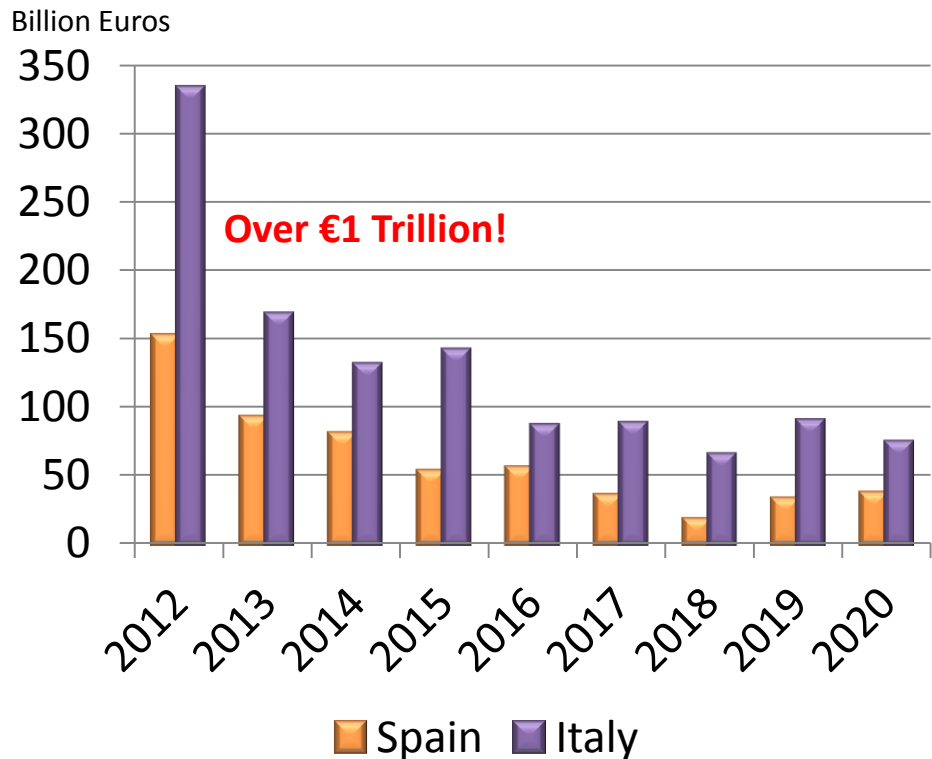
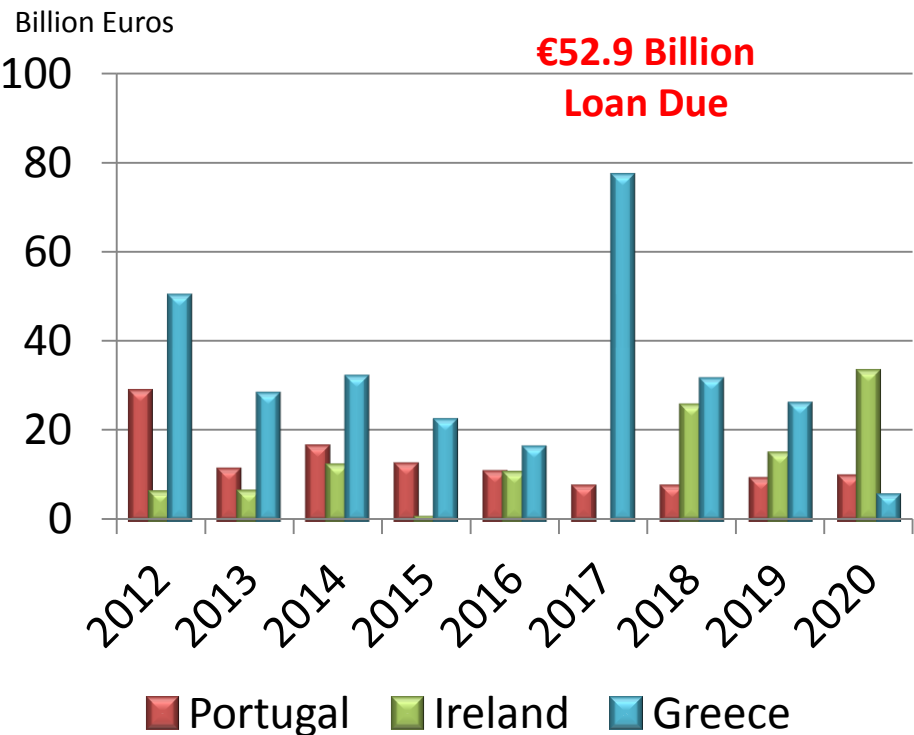


| Country | S&P | Moody | Fitch |
|----------|------|-------|-------|
| Greece | CC | Ca | CCC |
| Portugal | BB | Ba3 | BB+ |
| Ireland | BBB+ | Ba1 | BBB+ |
| Italy | BBB+ | A3 | A- |
| Spain | A | A3 | A |
| Iceland | BBB- | Baa3 | BB+ |
| France | AA+ | Aaa | AAA |
| Germany | AAA | Aaa | AAA |
| U.K. | AAA | Aaa* | AAA |
| U.S. | AA+ | Aaa | AAA |

Source: Bloomberg



European Debt Funk



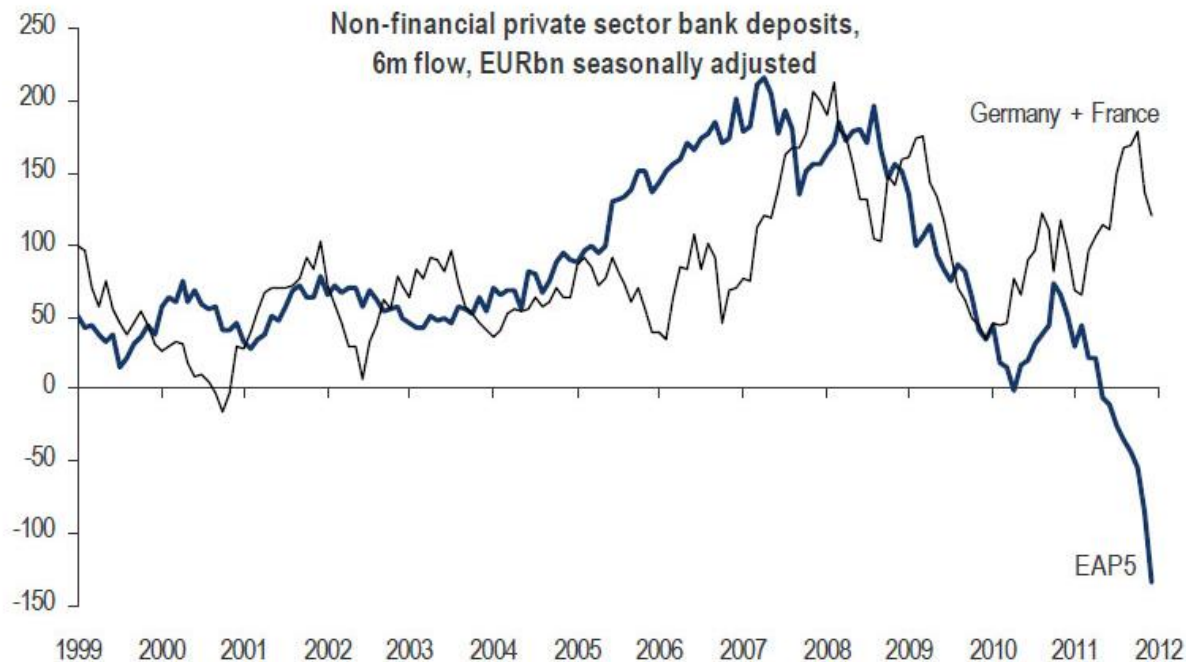
Source: Bloomberg



Flight to Safety

I don't trust Spain will remain in the Euro zone. **We moved our cash and deposits to Germany** because Spain will come back to the peseta.

- Jenaro Garcia,
Founder and CEO, Grupo Gowex (Spain)



Source: Thomson Reuters DataStream, IMF, Credit Suisse

Source: Bloomberg, December 9, 2011



Broken Trust



Trust has been lost. That is why it is important that we demonstrate that we trust each other and trust that each of us individually is doing his homework back home.

-Angela Merkel
-Chancellor of Germany

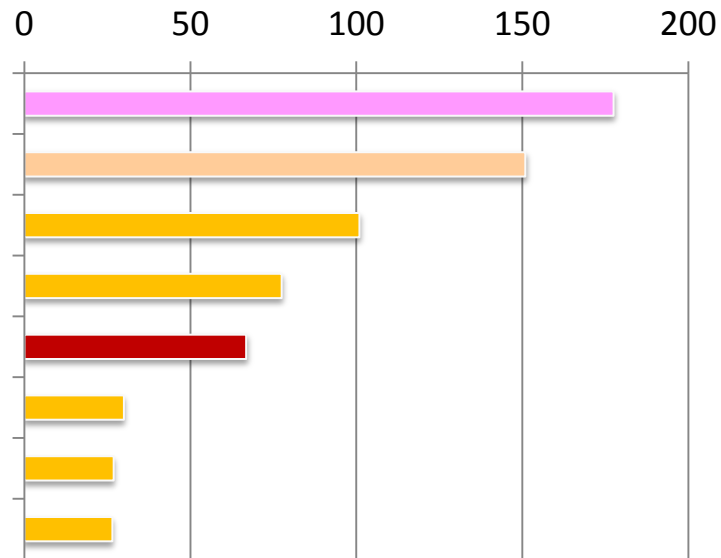
Source: The Wall Street Journal, November 25, 2011



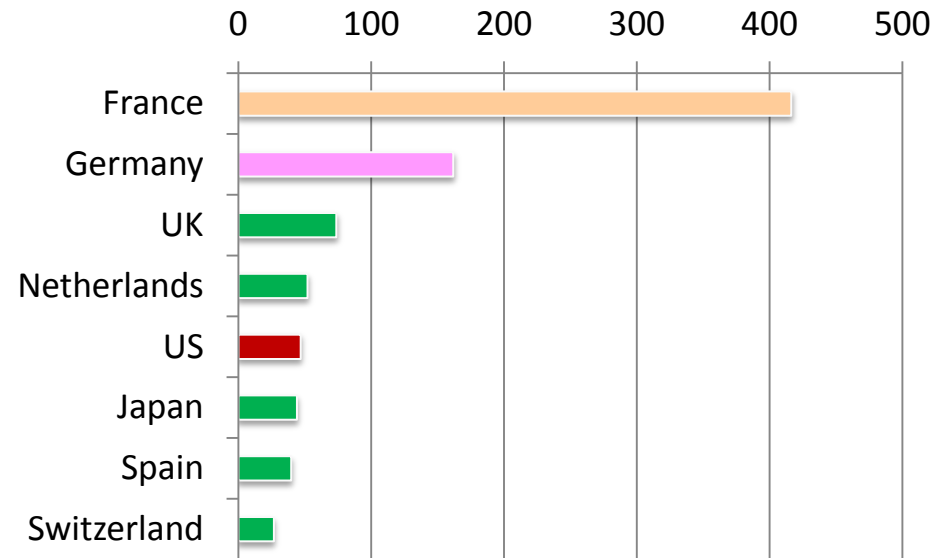
| Country | 2012 Bond Maturities (Billions \$) | % of Total Outstanding Debt |
|---------------|------------------------------------|-----------------------------|
| Austria | 25 | 20% |
| Belgium | 38 | 34% |
| Finland | 18 | 47% |
| France | 243 | 41% |
| Germany | 216 | 40% |
| Greece | 50 | 23% |
| Ireland | 10 | 40% |
| Italy | 305 | 33% |
| Netherlands | 76 | 50% |
| Portugal | 30 | 36% |
| Spain | 124 | 47% |
| Total: | 1,135 | 38% |

Who's Exposed to Them the Most?

Bank Exposure to Spain (\$ Billions)



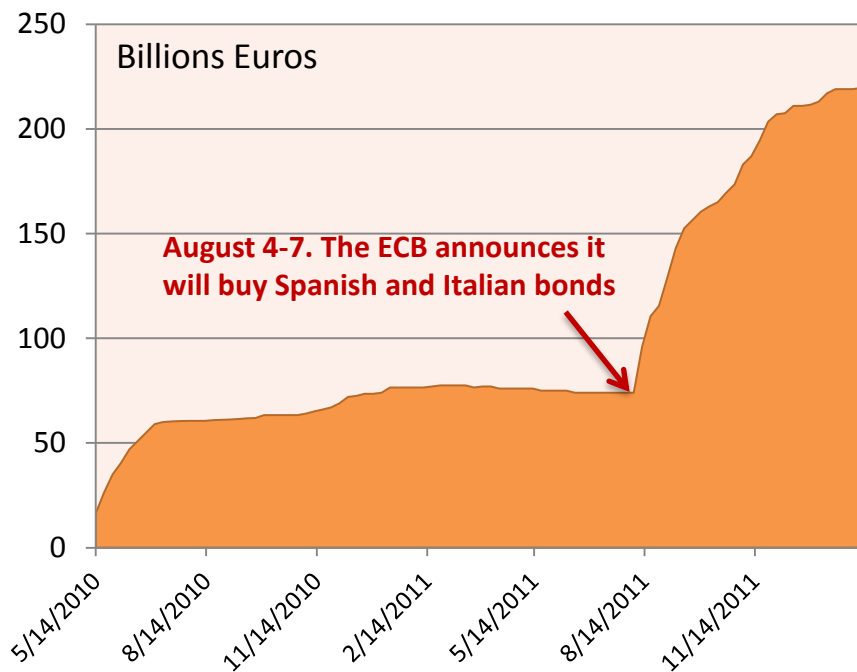
Bank Exposure to Italy (\$ Billions)



Source: Bank of International Settlements



ECB's Draghi is the Lender of the Last Resort



| Operation | Operation currency | Settlement date | Maturity date | Duration (days) | Allotted amount |
|-----------|--------------------|-----------------|---------------|-----------------|-----------------|
| OT | EUR | 15/02/2012 | 22/02/2012 | 7 | -219.5 bn |
| MRO | EUR | 15/02/2012 | 22/02/2012 | 7 | 142.7511 bn |
| LTRO | EUR | 15/02/2012 | 14/03/2012 | 28 | 14.3254 bn |
| LTRO | EUR | 26/01/2012 | 26/04/2012 | 91 | 19.57995 bn |
| LTRO | EUR | 22/12/2011 | 29/03/2012 | 98 | 29.7407 bn |
| LTRO | EUR | 22/12/2011 | 29/01/2015 | 1134 | 489.19075 bn |
| LTRO | EUR | 01/12/2011 | 01/03/2012 | 91 | 38.6198 bn |
| LTRO | EUR | 27/10/2011 | 01/11/2012 | 371 | 56.93445 bn |
| LTRO | EUR | 11/08/2011 | 01/03/2012 | 203 | 49.75211 bn |

Source: European Central Bank



European Bank Bailout

ECB lends banks money at 1% for three years



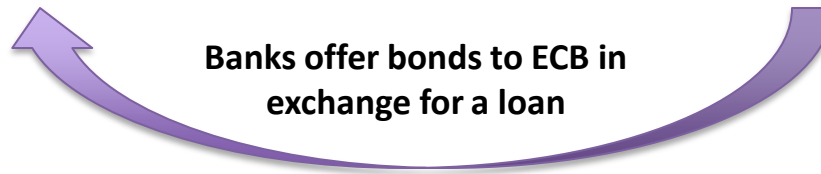
Banks use ECB cash to buy government bonds with high interest rates, earning a profit



Bank buying drives down government borrowing costs



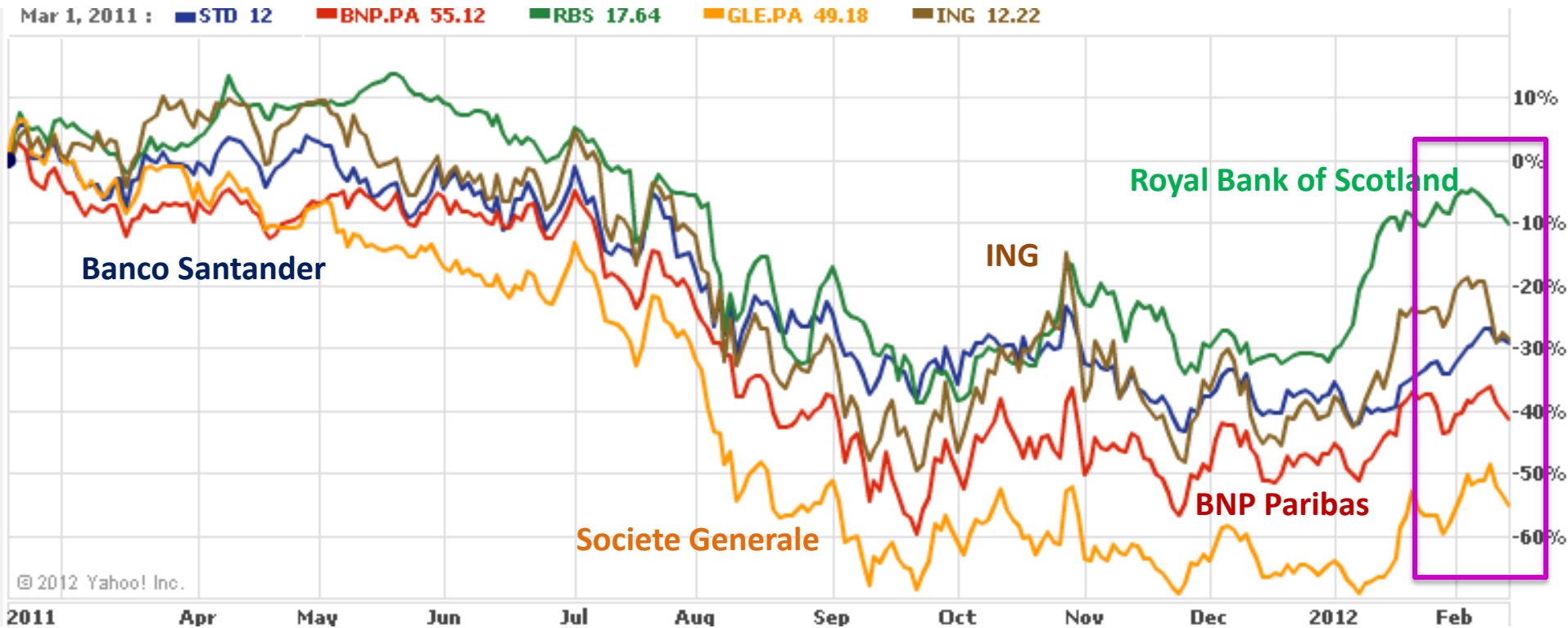
Banks offer bonds to ECB in exchange for a loan



Source: The Wall Street Journal, January 23, 2012



Puts a Lid on the Banking/Liquidity Crisis



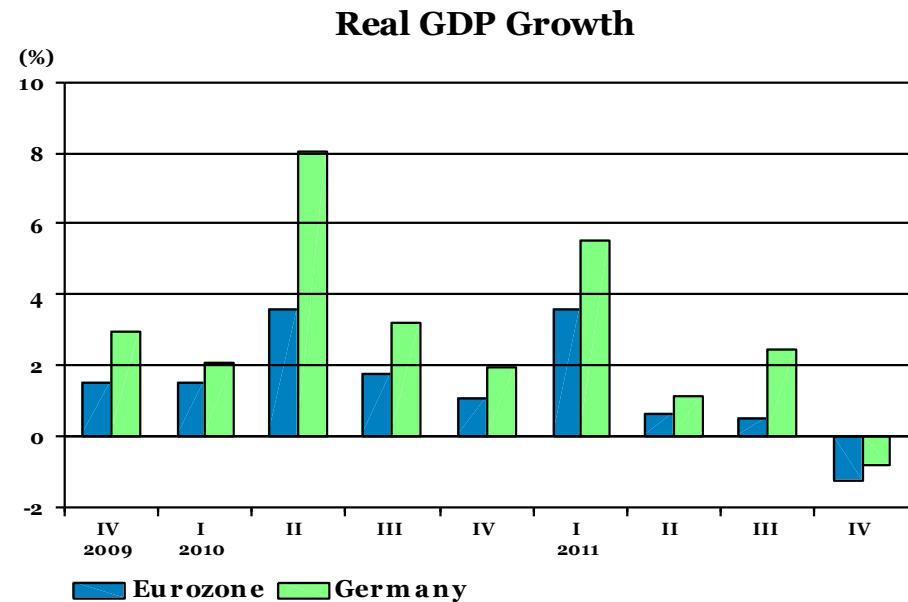
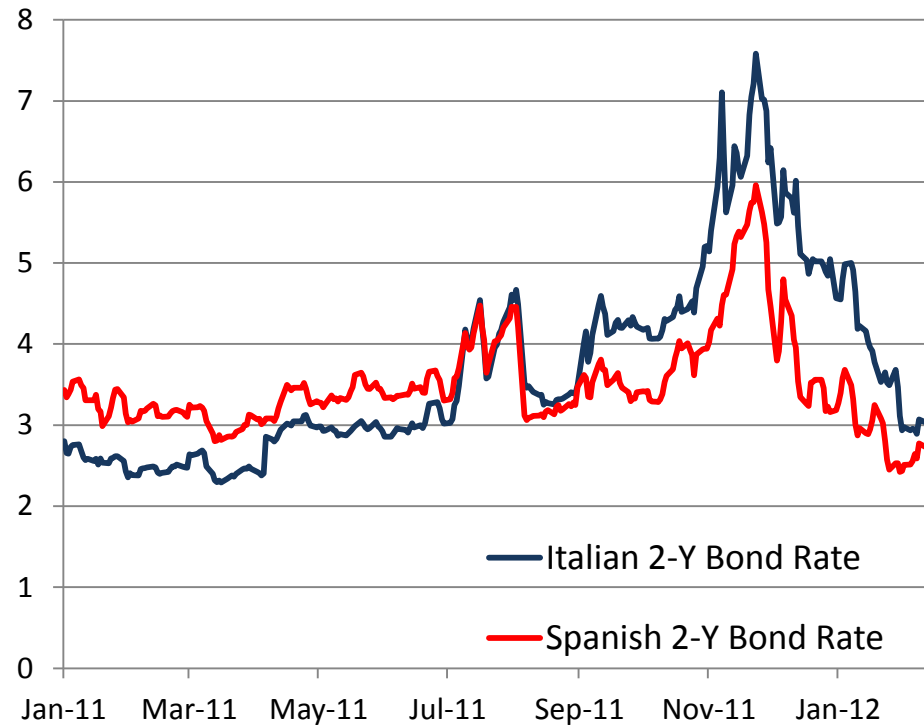
European Dysfunction



Cartoon: Luo Jie, China Daily



Spanish/Italian Woes Impact Germany?



Germany's Top Trading Partners in 2010

| Top Exporters | Exports (billions Euros) | Top Importers | Imports (billions Euros) |
|----------------|--------------------------|----------------|--------------------------|
| France | 89.6 | China | 77.2 |
| United States | 65.6 | Netherlands | 67.2 |
| Netherlands | 63.0 | France | 60.7 |
| United Kingdom | 58.7 | United States | 45.2 |
| Italy | 58.6 | Italy | 42.0 |
| China | 53.8 | United Kingdom | 37.9 |
| Austria | 52.2 | Belgium | 33.3 |
| Belgium | 45.0 | Austria | 33.0 |
| Switzerland | 41.7 | Switzerland | 32.5 |
| Poland | 37.7 | Russia | 31.8 |
| Spain | 34.2 | Czech Republic | 28.7 |
| Czech Republic | 26.7 | Poland | 27.6 |
| Russia | 26.3 | Japan | 22.5 |
| Sweden | 19.4 | Spain | 22.0 |
| Turkey | 16.2 | Norway | 17.2 |

Source: German Federal Statistical Office



2011 U.S. International Trade

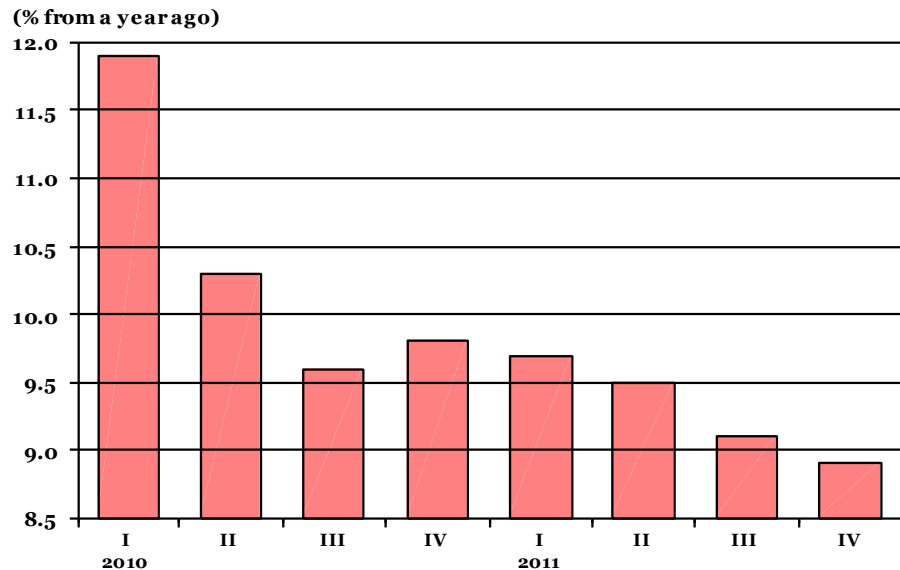
| Country | Exports (\$ Millions) | % of Total | Imports (\$ Millions) | % of Total |
|----------------|--------------------------|------------|--------------------------|------------|
| Total | 1,480,665 | - | 2,206,956 | - |
| North America | 478,433 | 32.3% | 579,616 | 26.3% |
| European Union | 268,635 | 18.1% | 367,799 | 16.7% |
| Germany | 49,134 | 3.3% | 98,401 | 4.5% |
| United Kingdom | 55,964 | 3.8% | 51,176 | 2.3% |
| PIGS * | 20,656.8 | 1.4% | 53,653.3 | 2.4% |
| Italy | 15,991 | 1.1% | 33,968 | 1.5% |
| OPEC | 64,499 | 4.4% | 191,381 | 8.7% |
| China | 103,879 | 7.0% | 399,335 | 18.1% |
| Japan | 66,168 | 4.5% | 128,811 | 5.8% |
| BRIT ** | 87,487.8 | 5.9% | 107,331.8 | 4.9% |

* PIGS – Portugal, Ireland, Greece, Spain; ** BRIT – Brazil, Russia, India, Turkey

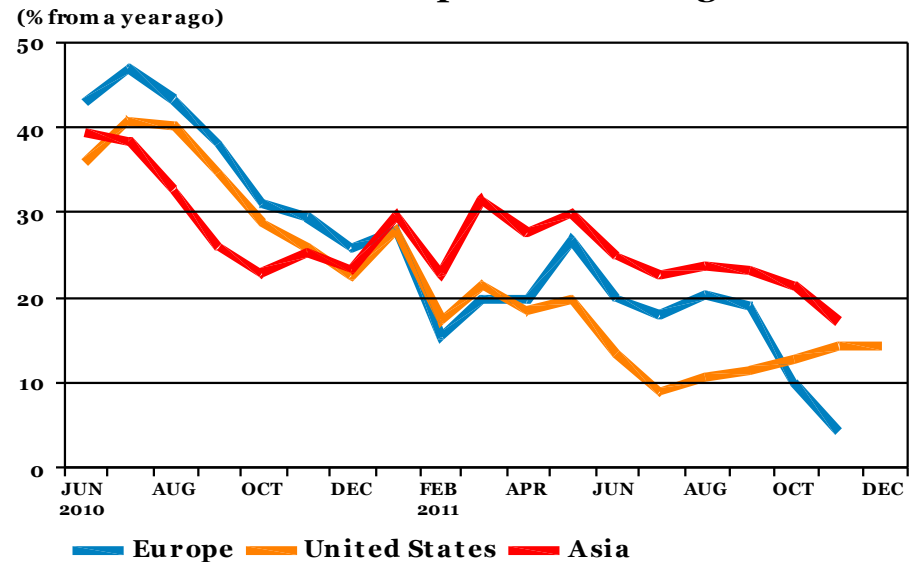


China is Bracing for Slowdown

Real GDP Growth - China

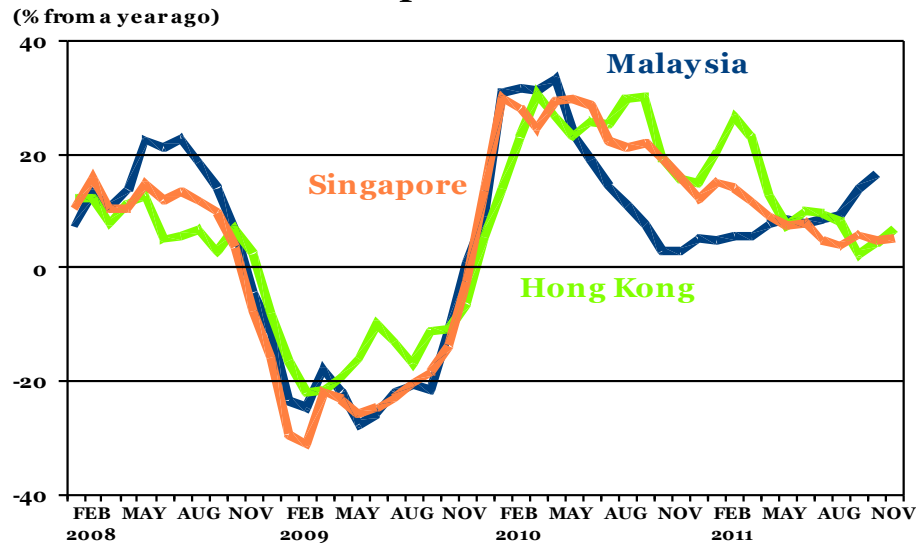


Chinese Exports are Falling

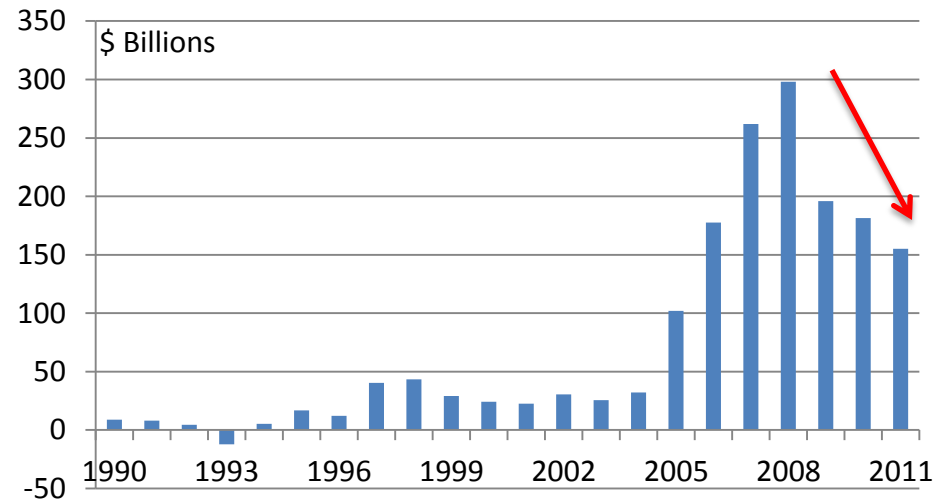


China Slowdown Indicators

Export Growth



China's Trade Surplus



Bowles Dilemma

We have this treaty with Taiwan that we'll protect Taiwan if they're invaded by the Chinese. There's only one problem with that: **We've got to borrow the money from China to do it!**

- Erskine Bowles
Former co-chair of the national
fiscal responsibility commission

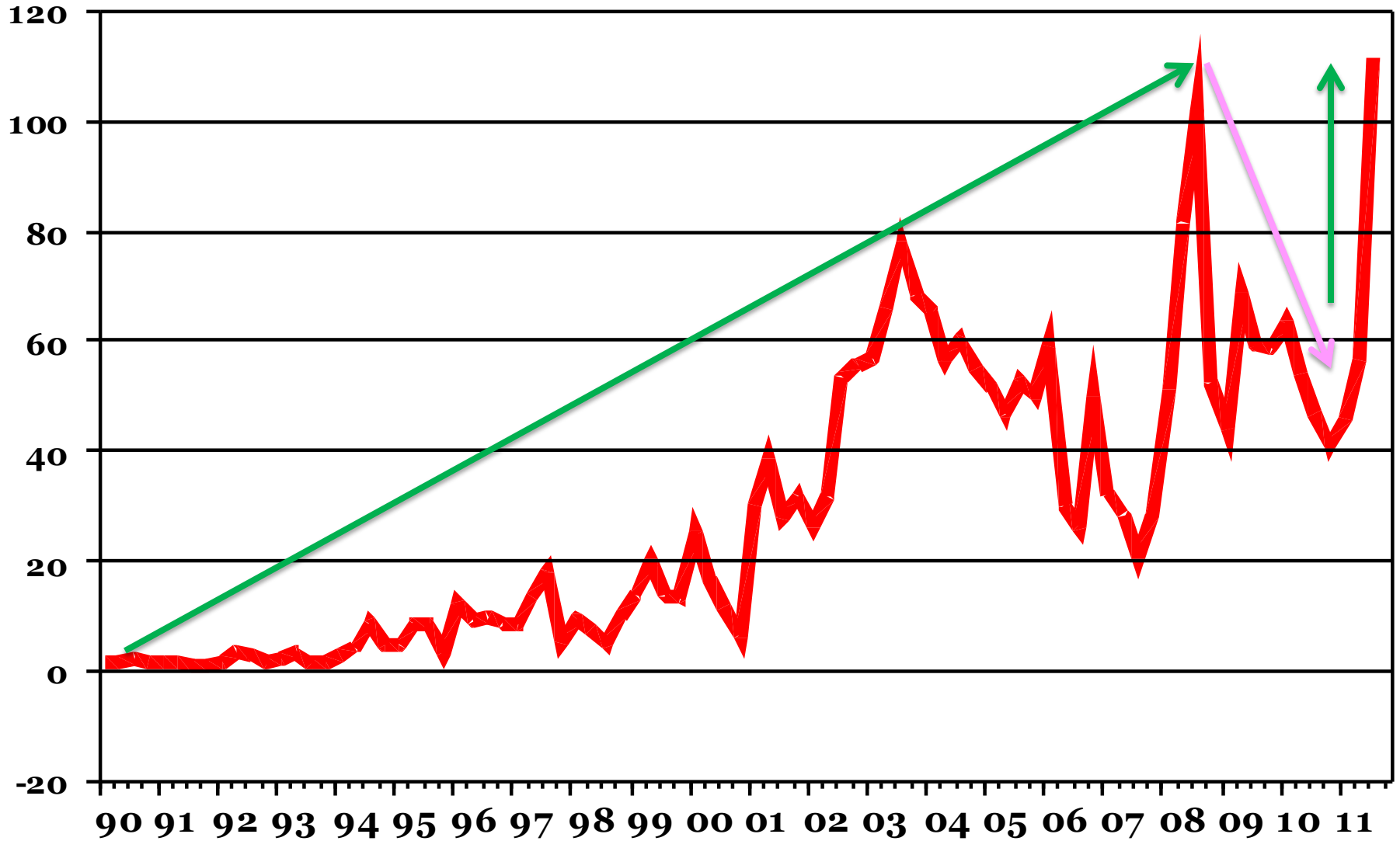


Source: The Wall Street Journal, November 18, 2011



China's Gross Purchases of U.S. Treasury Bonds

(\$. Bil)



EFC Global Health Overview

| Country | Inflation Rate | | Cur. Account 2011 (\$ Billions) | Interest Rate (3-Month) | GDP Growth | |
|-----------|----------------|------|------------------------------------|----------------------------|------------|--------|
| | 2010 | 2011 | | | 2010 | 2011q4 |
| China | 3.3 | 5.4 | 280.4 | 5.46 | 10.4 | 8.9 |
| Japan | -1.0 | -0.3 | 130.3 | 0.15 | 4.4 | -0.8 * |
| Germany | 1.2 | 2.4 | 176.1 | 1.12 | 3.6 | -0.8 |
| UK | 3.3 | 4.5 | -38.2 | 1.10 | 1.8 | 0.8 |
| France | 1.7 | 2.2 | -61.8 | 1.12 | 1.4 | 0.8* |
| Canada | 1.8 | 2.9 | -47.1 | 0.88 | 3.2 | 3.5* |
| Brazil | 5.0 | 6.6 | -47.8 | 10.40 | 7.5 | 2.2 * |
| Mexico | 4.2 | 3.4 | -11.6 | 4.24 | 5.4 | 4.5 * |
| Russia | 6.9 | 8.6 | 82.7 | 6.72 | 4.3 | 4.8 * |
| India | 12.0 | 8.8 | -56.2 | 8.81 | 8.5 | 6.7 * |
| Australia | 2.8 | 3.4 | -32.0 | 4.65 | 2.7 | 3.9* |

* 2011Q3



IMF Cuts Global Growth Outlook

| GDP Growth | June'11 Forecast | | Jan'12 Forecast |
|------------|------------------|------|--------------------|
| | 2011 | 2012 | 2012 |
| Euro Area | 2.0 | 1.7 | -0.5 (-2.2) |
| Germany | 3.2 | 2.0 | 0.3 (-1.7) |
| France | 2.1 | 1.9 | 0.2 (-1.7) |
| Italy | 1.0 | 1.3 | -2.2 (-3.3) |
| Spain | 0.8 | 1.6 | -1.7 (-3.3) |
| UK | 1.5 | 2.3 | 0.6 (-1.7) |
| Japan | -0.7 | 2.9 | 1.7 (-1.2) |
| China | 9.6 | 9.5 | 8.2 (-1.3) |
| US | 2.5 | 2.7 | 1.8 (-0.9) |
| World GDP | 4.3 | 4.5 | 3.3 (-1.2) |

Source: IMF, World Economic Outlook, January 2012

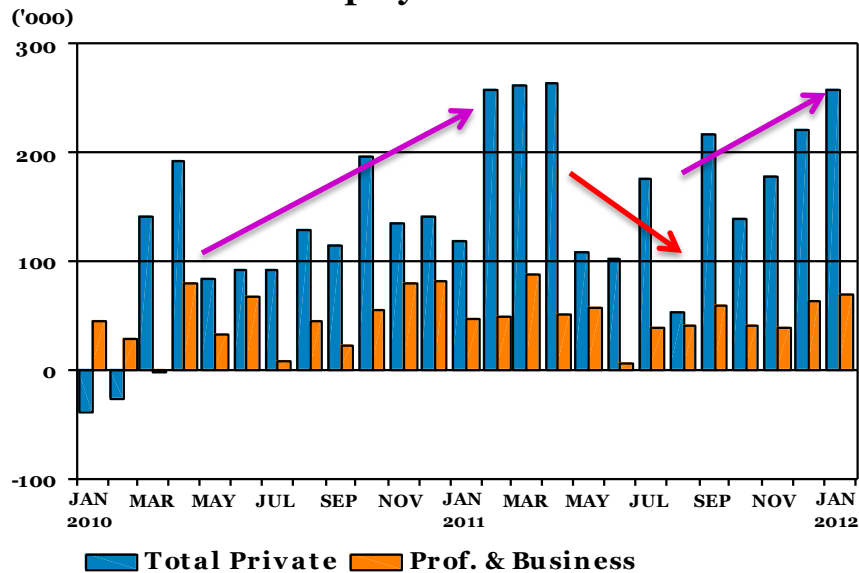




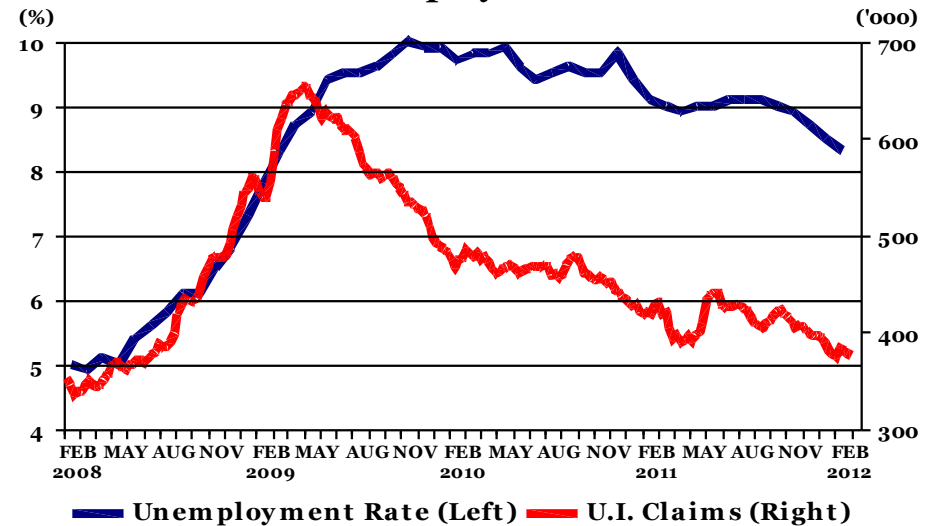
Cartoon: USA Today, January 13, 2012

Labor Market Recovery

Employment Growth

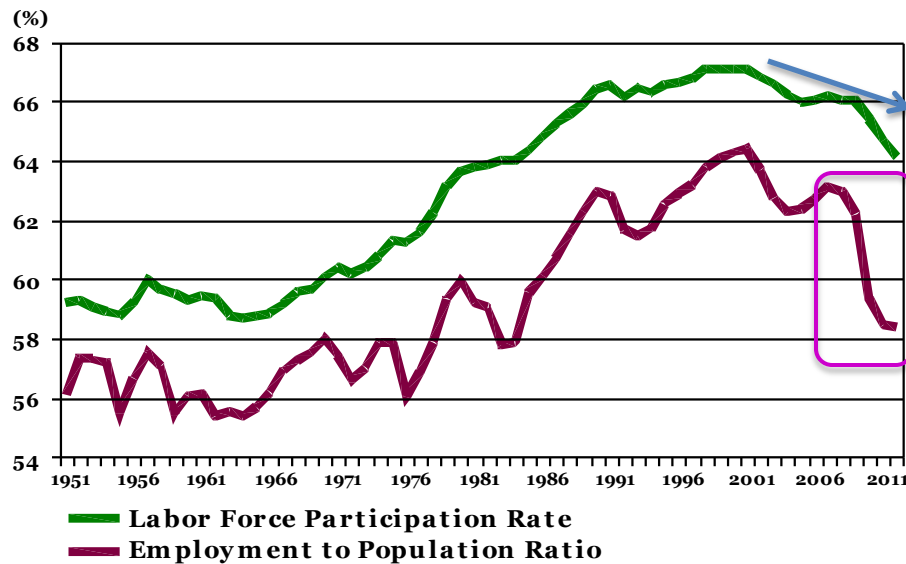


Unemployment Insurance Claims and Unemployment Rate

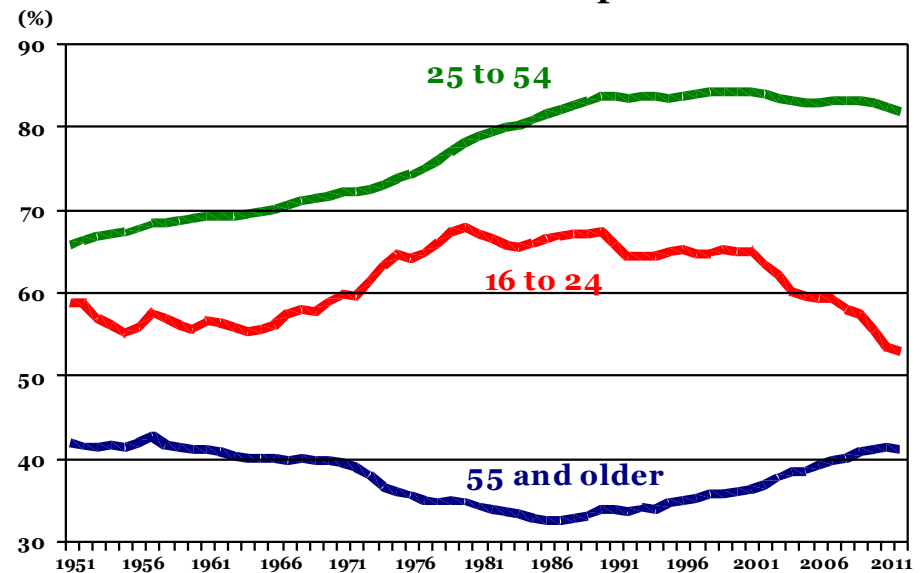


Labor Force Indicators

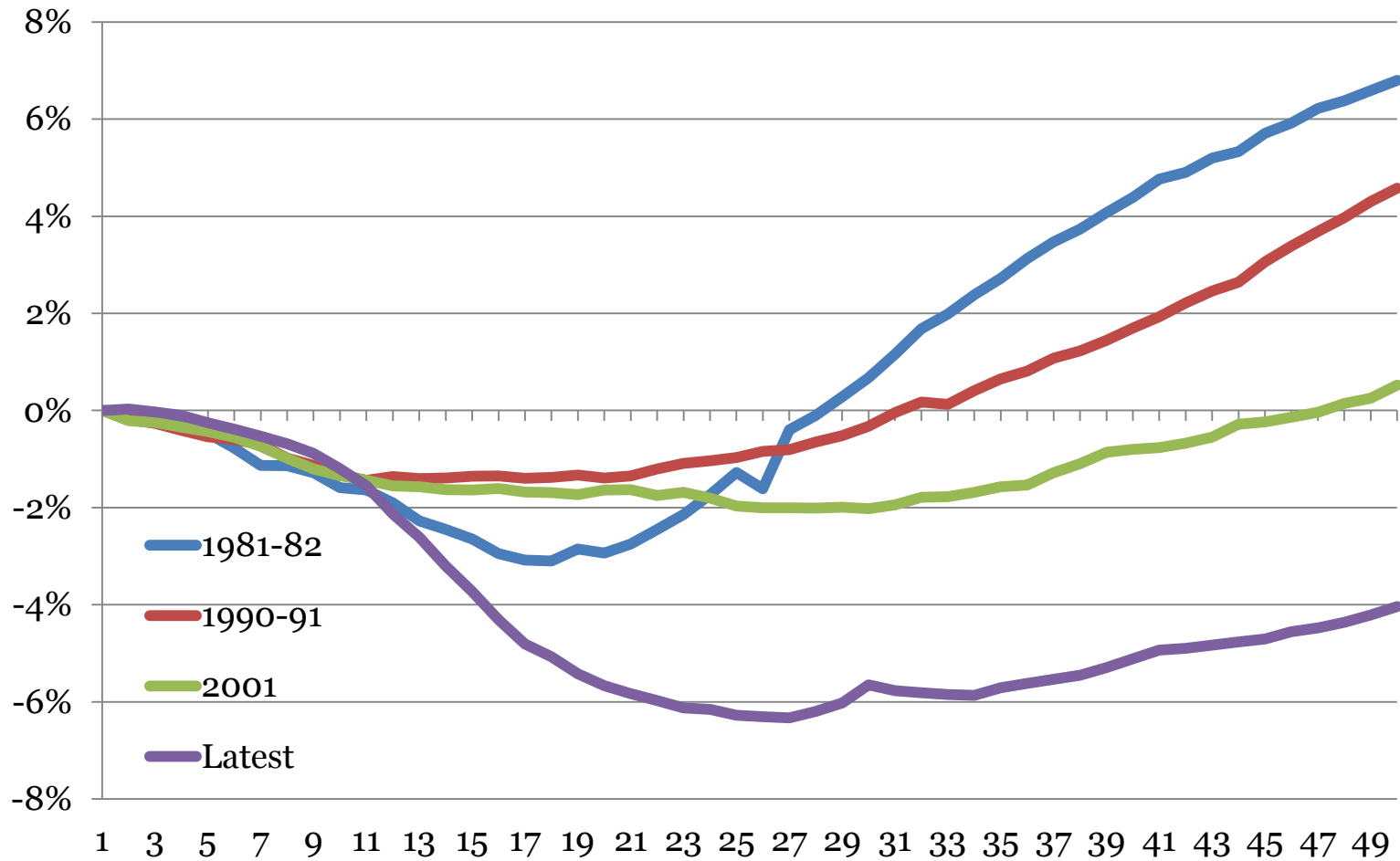
U.S. Labor Force Statistics



U.S. Labor-Force Participation Rate



Employment Growth





Job Growth and Tech Investment



Rajeev Dhawan
Professor & Director
Economic Forecasting Center
Georgia State University

Harold Vasquez
Research Specialist
Economic Forecasting Center
Georgia State University

Employment
growth
(Job additions)

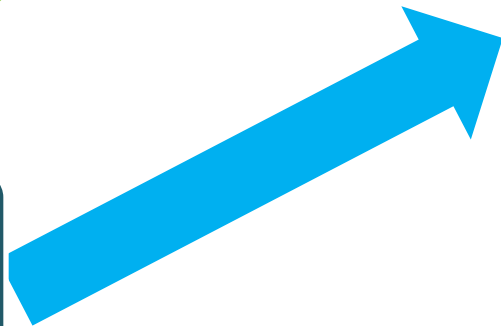


TECH:
1% ↑ TECH → 0.059% ↑ EMP:

ORDERS:
1% ↑ ORDERS → 0.45% ↑ TECH



CEO:
1% ↑ CEO → 0.034% ↑ TECH
1% ↑ CEO → 0.11% ↑ ORDERS



❑ The improvements in CEO's perceptions about the future increases TECH investment spending.

❑ TECH investment significantly increases employment growth via durable goods **ORDERS** channel.

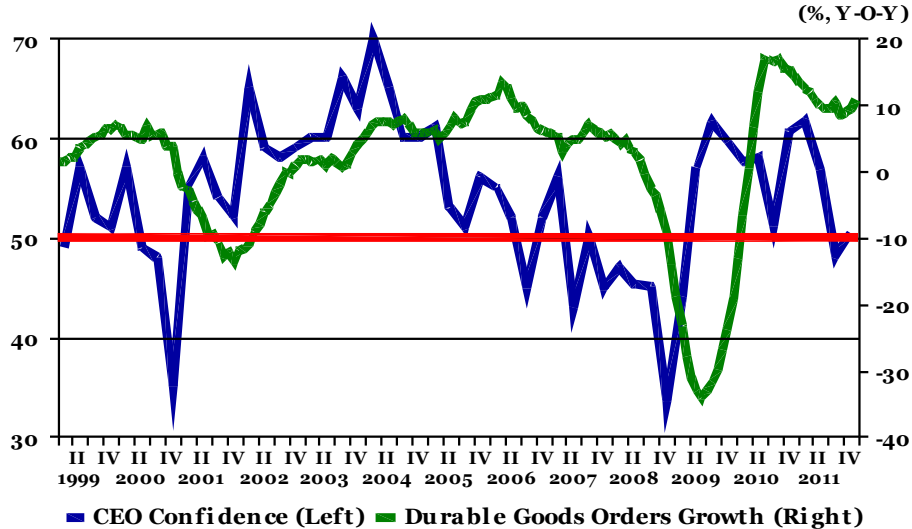
Source: U.S. Employment Growth and Tech Investment: A New Link

By Rajeev Dhawan & Harold Vasquez, 2010



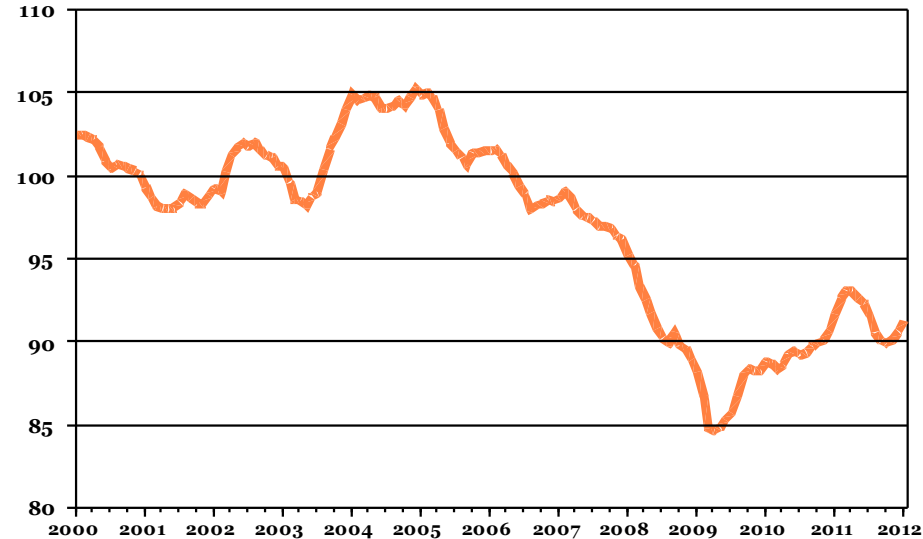
Jittery Business Confidence

Chief Executive Confidence & Durable Goods Orders
 Expectations of Business Conditions in Own Industry 6 Months Ahead
 (% , Y-O-Y)



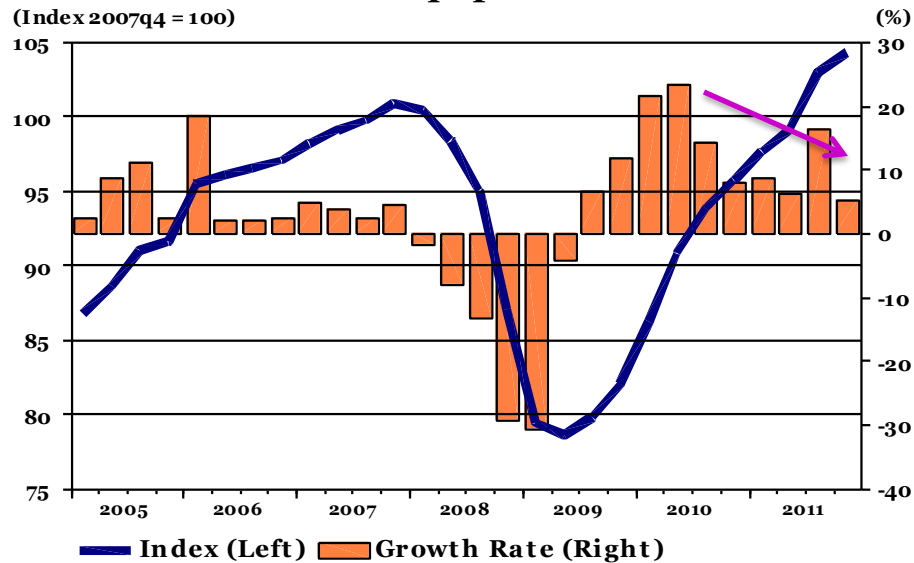
Index of Small Business Optimism

Index 1986 = 100 (smoothed)



Affects Investment

Investment in Equipment & Software

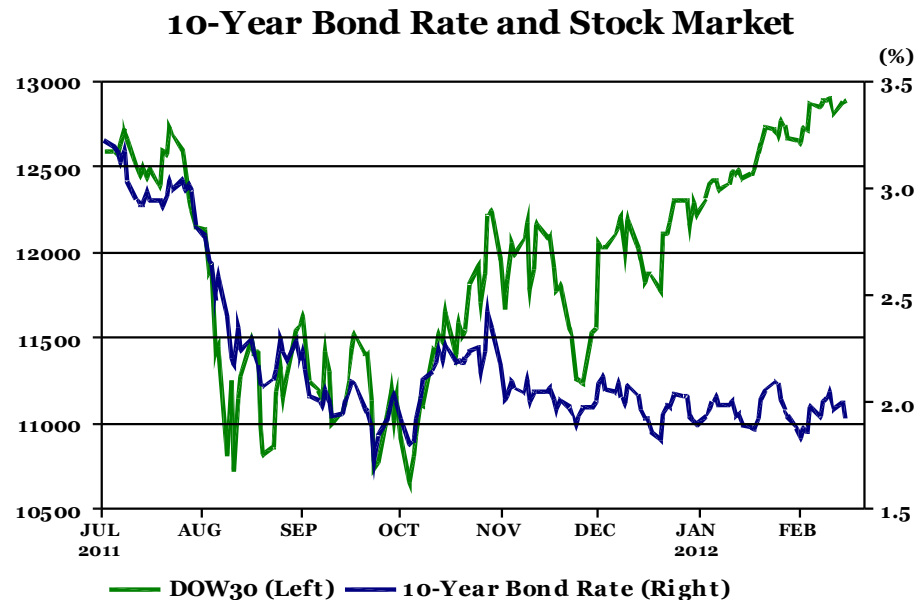


Auto Sales and Industrial Production



FOMC Statement as of January 25, 2012

...the Committee decided today to keep the target range for the federal funds rate at 0 to 1/4 percent and currently anticipates that economic conditions... are likely to warrant **exceptionally low levels for the federal funds rate at least through late 2014.**



Source: Board of Governors of the Federal Reserve System, January 25, 2012



Mortgage Reality

Mortgage Refinancing Applications and Mortgage Rate

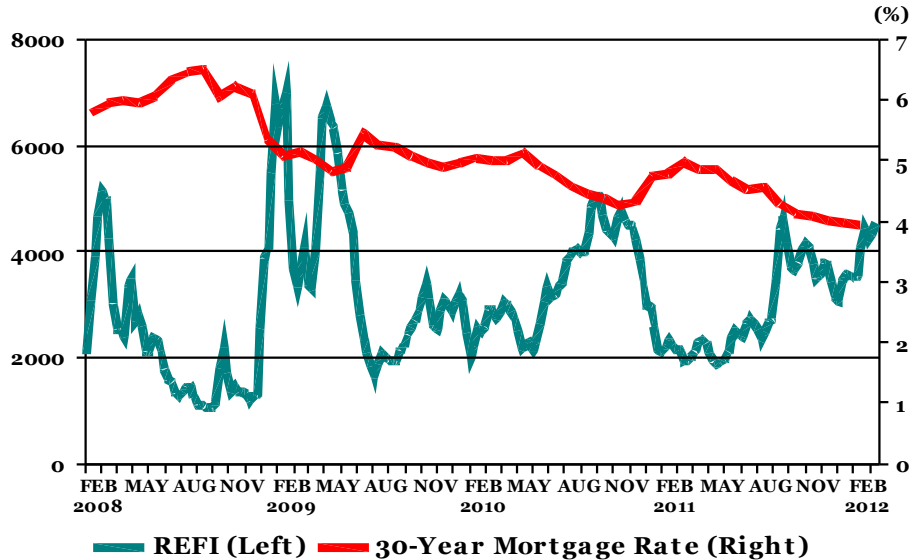
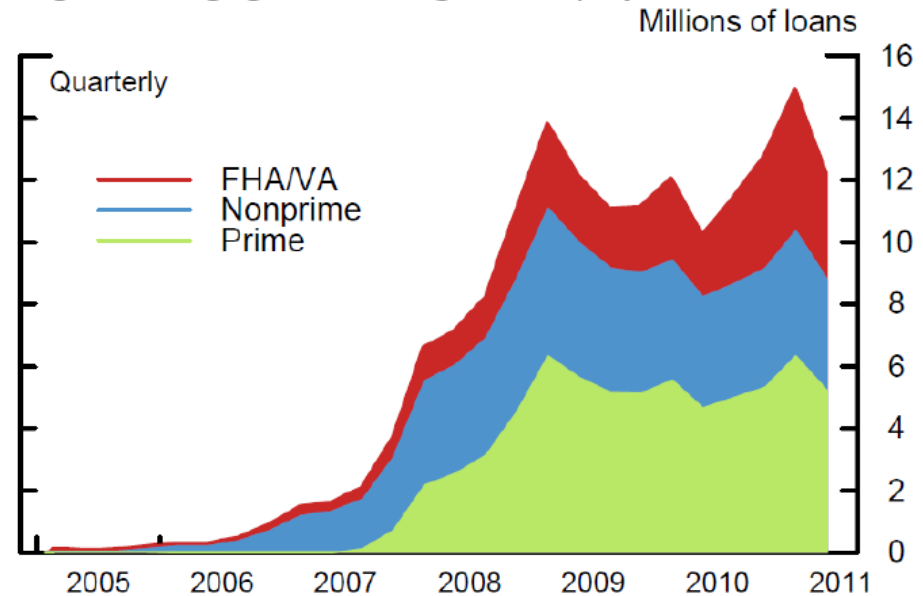


Fig. 3: Mortgages with Negative Equity

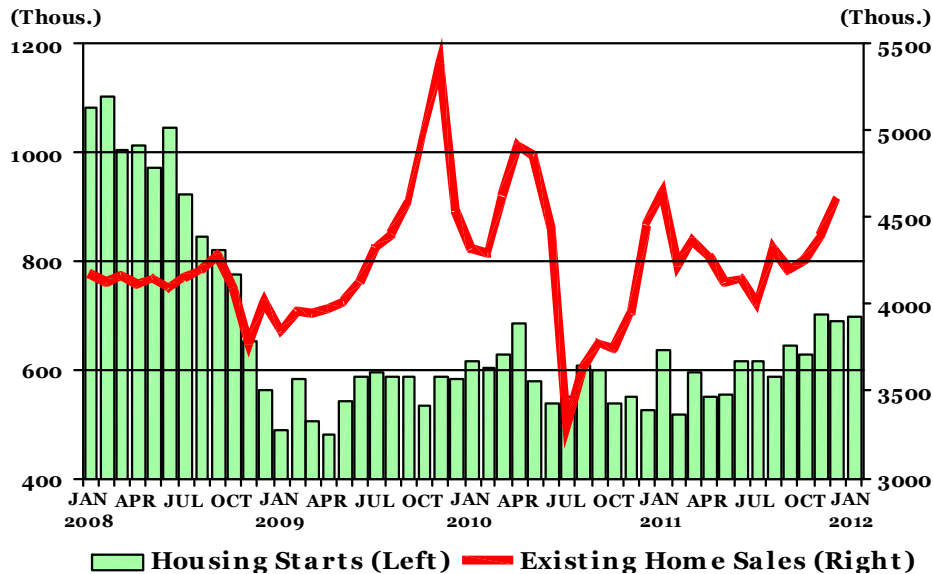


Source: Fed White Paper on Housing, Jan 4, 2012

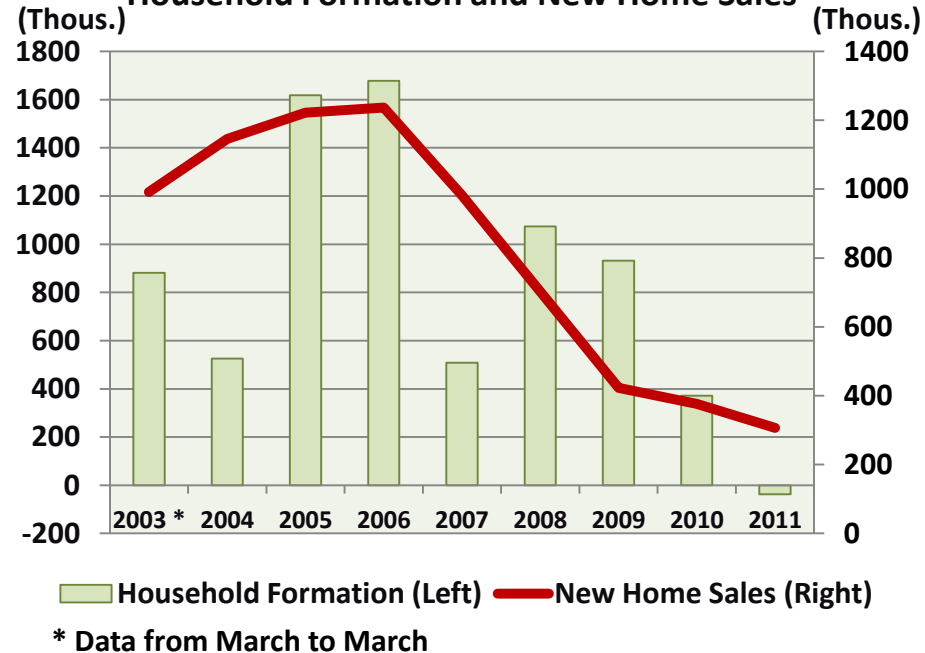


Residential Construction Reality

New Residential Construction and Home Sales



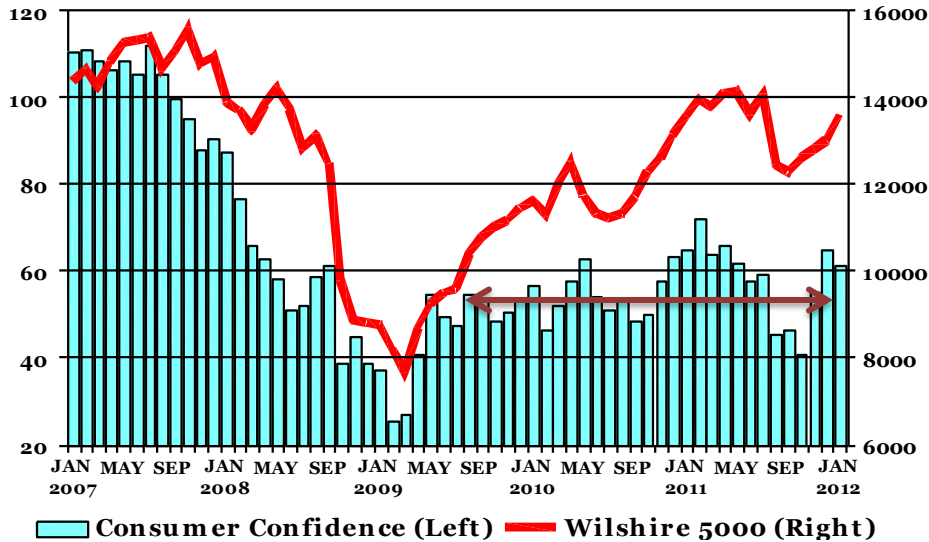
Household Formation and New Home Sales



Cautious Consumer

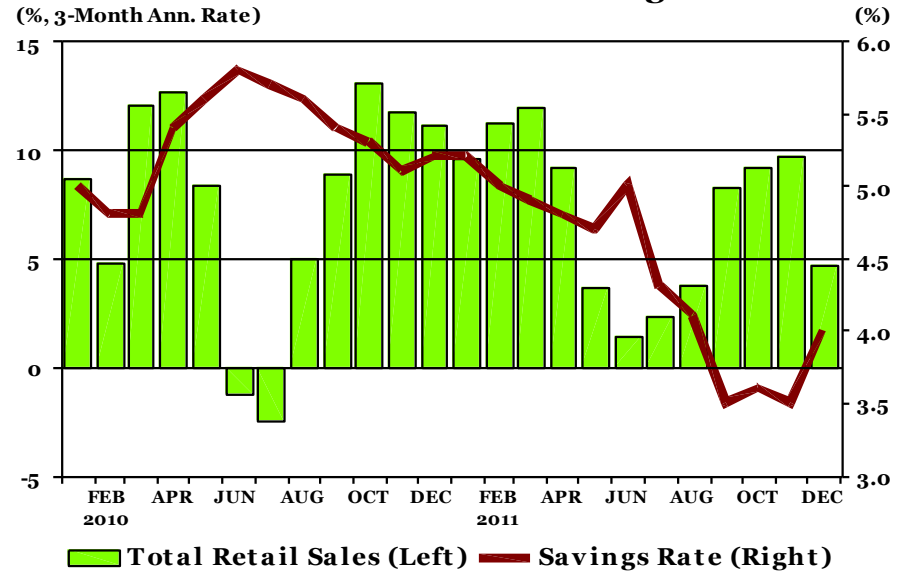
Consumer Confidence and Stock Market Wealth

(Index 1966 = 100)



Retail Sales Growth and Savings Rate

(%, 3-Month Ann. Rate)



After Deep Recessions

| 1983 | GDP |
|------|-----|
| I | 5.1 |
| II | 9.3 |
| III | 8.1 |
| IV | 8.5 |
| 1984 | |
| I | 8.0 |
| II | 7.1 |
| III | 3.9 |

| 2009 | GDP |
|------|-----|
| III | 1.7 |
| IV | 3.8 |
| 2010 | |
| I | 3.9 |
| II | 3.8 |
| III | 2.5 |
| IV | 2.4 |
| 2011 | |
| I | 0.4 |
| II | 1.3 |
| III | 1.8 |
| IV | 2.8 |

| 2012 | GDP | Cons. |
|------|-----|-------|
| I | 1.5 | 1.9 |
| II | 1.3 | 1.5 |
| III | 2.0 | 1.6 |
| IV | 2.1 | 1.8 |
| 2013 | | |
| I | 2.4 | 2.0 |
| II | 2.5 | 1.9 |
| III | 2.7 | 2.1 |
| IV | 3.0 | 2.1 |
| 2014 | | |
| | 2.4 | 2.2 |
| | 2.6 | 2.2 |
| | 2.7 | 2.2 |
| | 3.0 | 2.3 |

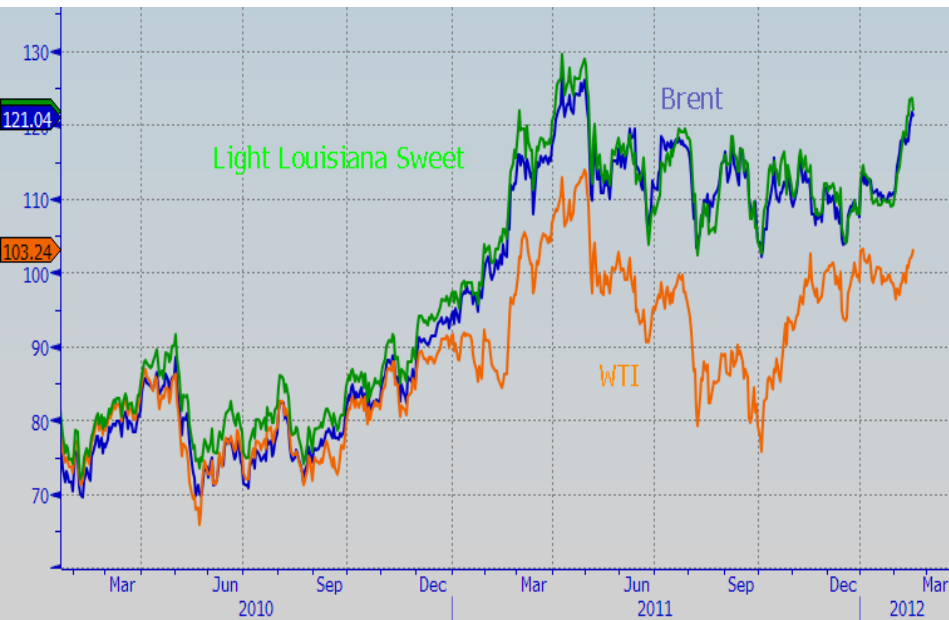


Forecast Perspective

| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|-----------------------|--------|--------|-------|-------|-------|-------|
| Real GDP | -3.5 | 3.0 | 1.7 | 1.8 | 2.3 | 2.7 |
| Job Growth (Mil.) | -6.008 | -0.931 | 1.502 | 1.838 | 1.978 | 1.819 |
| Consumption | -1.9 | 2.0 | 2.2 | 1.7 | 1.9 | 2.1 |
| Auto Sales (Mil.) | 10.4 | 11.6 | 12.7 | 13.6 | 13.9 | 14.1 |
| Housing Starts (Mil.) | 0.554 | 0.585 | 0.607 | 0.723 | 0.852 | 0.940 |
| Bus. Fixed Investment | -17.8 | 4.4 | 8.6 | 7.0 | 7.4 | 6.6 |
| Fed. Gov. | 6.0 | 4.5 | -2.0 | -1.6 | -2.3 | -2.8 |
| S&L Gov. | -0.9 | -1.8 | -2.3 | -1.6 | -0.8 | 0.2 |
| Exports | -9.4 | 11.3 | 6.8 | 4.5 | 7.1 | 8.0 |
| Crude Oil | 61.7 | 79.4 | 95.1 | 99.2 | 103.2 | 104.8 |
| Inflation (CPI) | -0.3 | 1.6 | 3.2 | 2.1 | 1.5 | 1.8 |
| Federal Funds Rate | 0.2 | 0.2 | 0.1 | 0.1 | 0.1 | 0.2 |
| 10-Year Bond Rate | 3.3 | 3.2 | 2.8 | 2.4 | 2.9 | 2.9 |

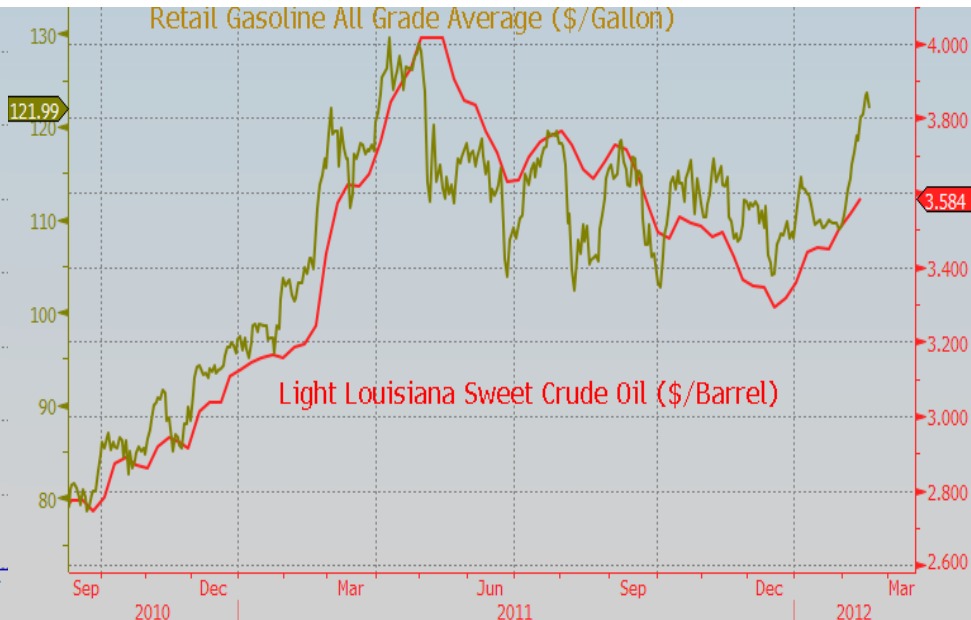


Which Oil Price Matters?



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17-Feb-2012 16:41:15



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17-Feb-2012 16:40:51



Anonymous Vent



Psst. The price of gasoline will continue to rise until we're out of it.

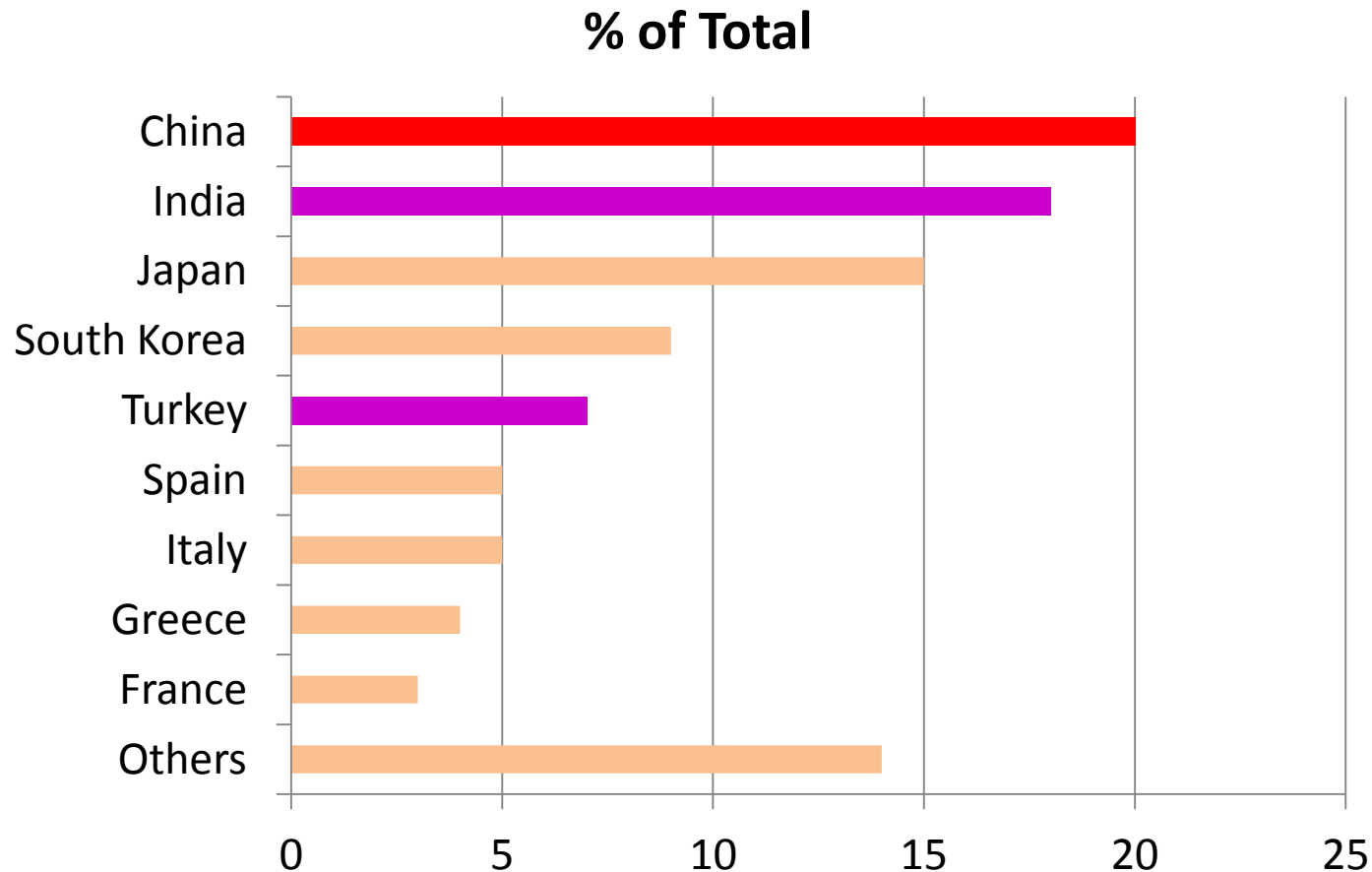
It doesn't matter who is in the White House.



Source: The Atlanta Journal-Constitution, January 29, 2012



Destination of Iranian Oil Exports



Source: Wall Street Journal, January 6, 2012



Prediction vs. Reality

2011Q4

Actual

Nov'11

Rating

| 2011Q4 | Actual | Nov'11 | Rating |
|---------------------------------------|-------------|-------------|--------|
| Real GDP | 2.8 | 2.2 | ★★★★ |
| Consumption (70% of GDP) | 2.0 | 2.2 | ★★★★★ |
| Durable (12%) | 14.8 | 7.5 | ★★★ |
| Nondurable (30%) | 1.7 | 1.8 | ★★★★★ |
| Services (58%) | 0.2 | 1.5 | ★★ |
| Equip. & Soft. (7% of GDP) | 5.2 | 6.8 | ★★★★ |
| Res. Const. (5% of GDP) | 10.9 | -1.6 | ★ |
| Inventories (0.4% of GDP) | 63.6 | 9.8 | ★★ |
| Exports (10% of GDP) | 4.7 | 4.3 | ★★★★★ |
| Imports (13% of GDP) | 4.4 | 2.2 | ★★★ |
| Federal Govt. (7% of GDP) | -7.3 | -1.2 | ★★ |
| S&L Govt. (12% of GDP) | -2.6 | -2.3 | ★★★★★ |



| | |
|--------------|-------|
| Bull's Eye! | ★★★★★ |
| Good | ★★★★ |
| Satisfactory | ★★★ |
| Bad | ★★ |
| Poor | ★ |



Prediction vs. Reality: What We Said 12 Months Ago!

| 2011 Annual | Feb'2011 | Aug'2011 | Nov'2011 | Actual |
|------------------|----------|----------|----------|--------|
| Real GDP | 2.8 | 1.3 | 1.8 | 1.7 |
| Consumption | 2.9 | 1.8 | 2.3 | 2.2 |
| Exports | 7.7 | 7.5 | 6.3 | 6.8 |
| Imports | 4.8 | 5.0 | 4.9 | 5.0 |
| Federal Govt. | 0.4 | -1.9 | -1.6 | -2.0 |
| S&L Govt. | -0.2 | -2.4 | -2.2 | -2.3 |
| Investment | 6.6 | 6.8 | 9.0 | 6.6 |
| Job Gains (mil.) | 1.43 | 1.23 | 1.25 | 1.50 |





Cartoon: Mike Luckovich, The Atlanta Journal-Constitution, January 10, 2012

GDP and Employment Across U.S.

| | U.S. GDP | | Unemployment | | | Jobs |
|----------------|---------------|------------------|--------------|----------|------|----------------|
| State | % of U.S. GDP | Cumu. % U.S. GDP | Nov. '10 | Nov. '11 | Drop | Last 12 Months |
| California | 13.3 | 13.3 | 12.5 | 11.3 | -1.2 | 232.2 |
| Texas | 7.9 | 21.3 | 8.3 | 8.1 | -0.2 | 226.4 |
| New York | 7.7 | 29.0 | 8.3 | 8.0 | -0.3 | 84.6 |
| Florida | 5.2 | 34.2 | 11.8 | 9.9 | -1.9 | 97.7 |
| Illinois | 4.4 | 39.0 | 9.5 | 10.1 | 0.6 | 57.1 |
| Pennsylvania | 4.0 | 42.6 | 8.5 | 7.9 | -0.6 | 50.3 |
| New Jersey | 3.4 | 46.0 | 9.2 | 9.1 | -0.1 | 29.2 |
| Ohio | 3.3 | 49.3 | 9.7 | 8.6 | -1.1 | 75.0 |
| Virginia | 2.9 | 52.3 | 6.7 | 6.3 | -0.4 | 17.3 |
| North Carolina | 2.8 | 55.1 | 9.8 | 10.2 | 0.4 | 20.0 |
| Georgia | 2.8 | 57.9 | 10.3 | 9.8 | -0.5 | -24.0 |
| Massachusetts | 2.6 | 60.5 | 8.3 | 7.0 | -1.3 | 55.5 |

Anonymous Vent



Poor Atlanta – lowest amount of job growth, construction growth, financials and sports teams wins. But I ain't moving north!

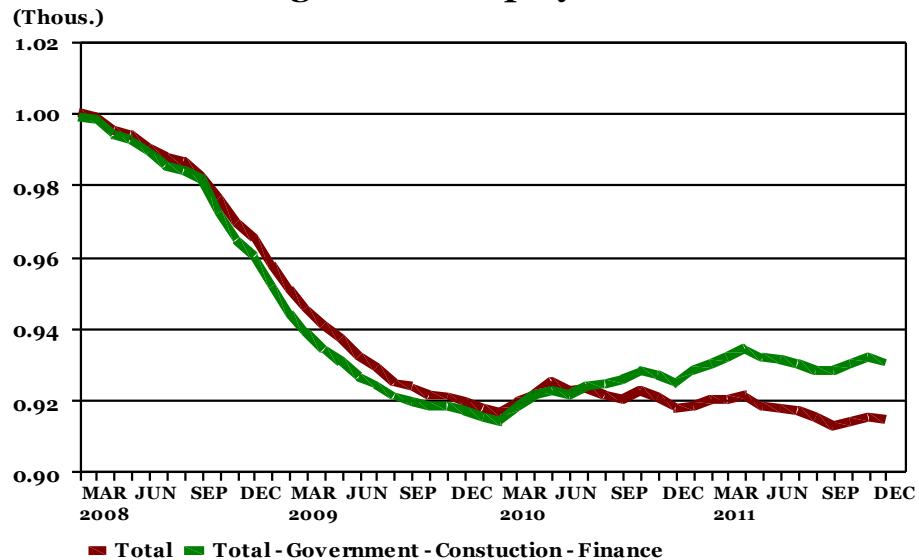


Source: The Atlanta Journal-Constitution, February 13, 2012

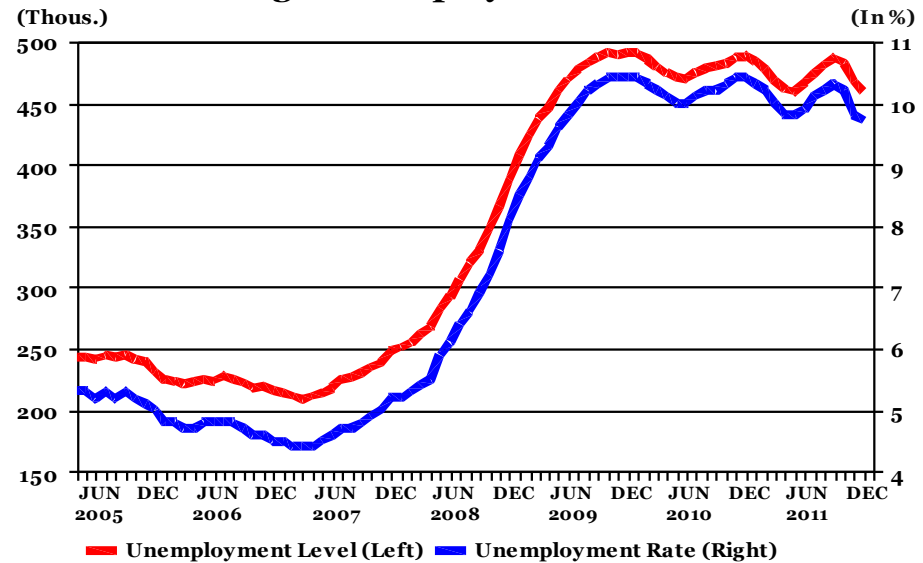


Georgia's Bifurcated Economy

Georgia Total Employment Index

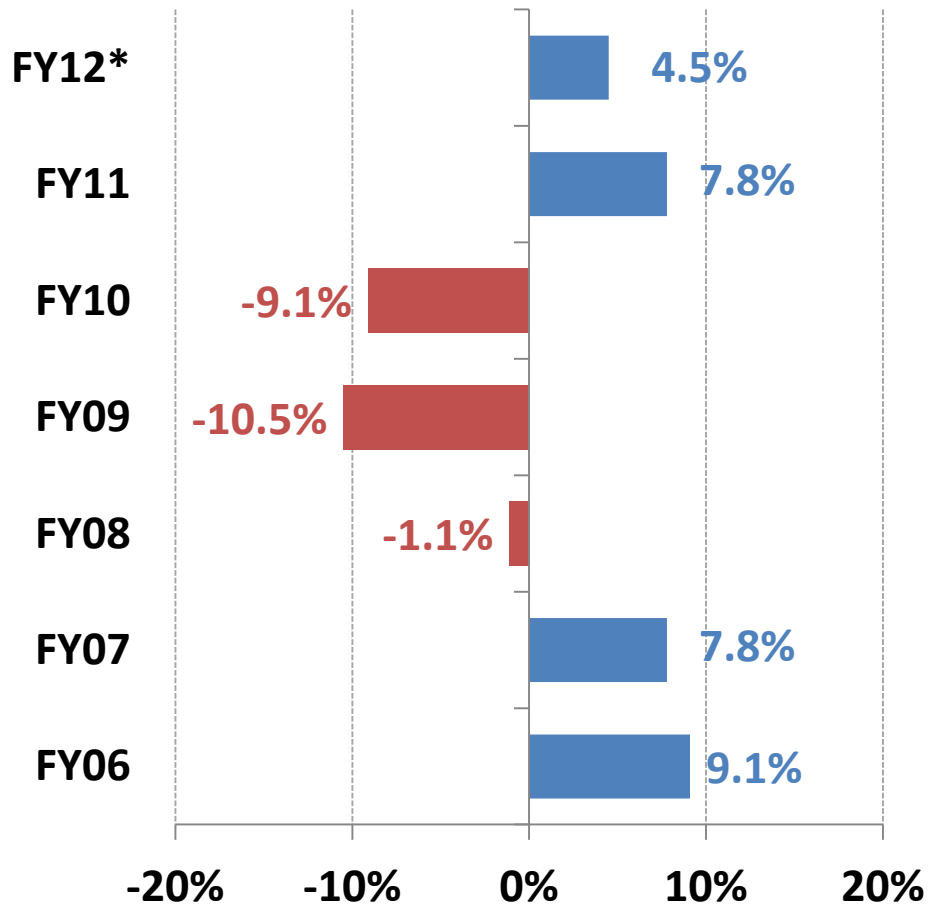


Georgia Unemployment Situation

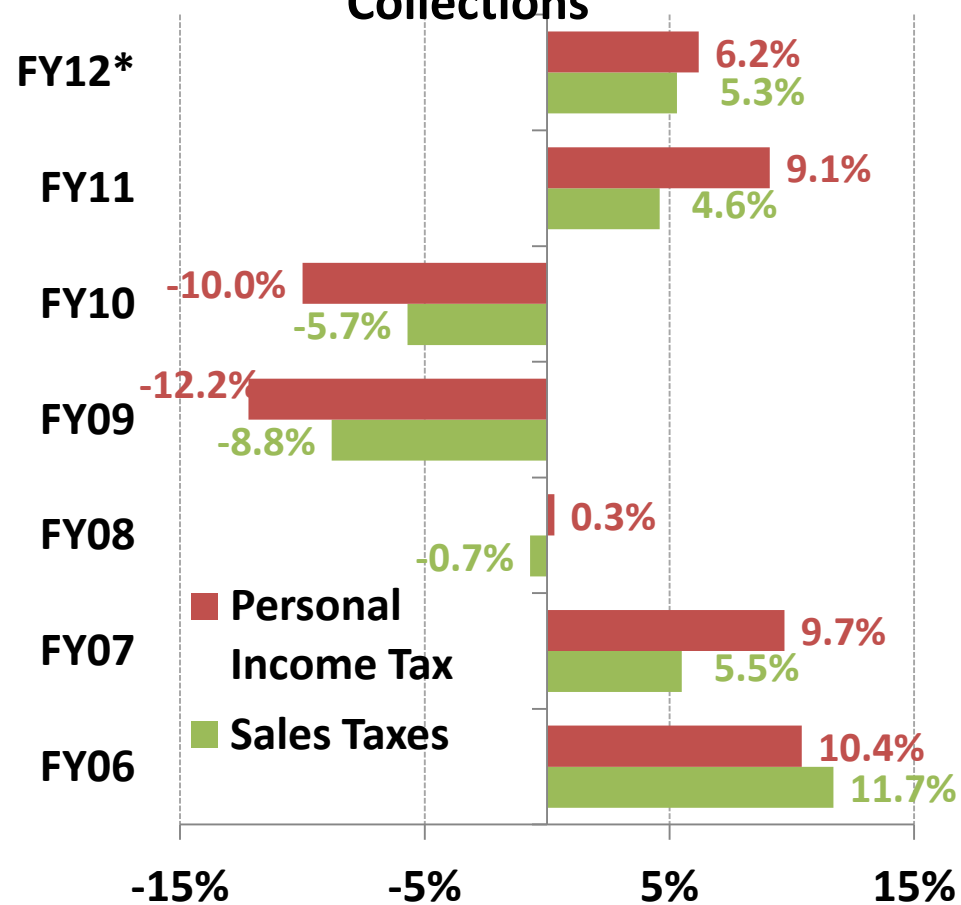


Georgia Tax Collections

Total Tax Collections



Personal Income and Sales Tax Collections



Source: Georgia Department of Revenue. *YTD FY12 is July'11 to Jan'12



Household Employment and Tax Collections

| State | Household Job Growth ('000) | | | Nonfarm Job Growth ('000) | | |
|----------------|-----------------------------|-------------|-------------|---------------------------|--------------|--------------|
| | 3-Months | 6-Months | 12-Months | 3-Months | 6-Months | 12-Months |
| Florida | 80.4 | 68.5 | 150.6 | 21.8 | 49.4 | 114.8 |
| N. Carolina | 28.6 | 5.3 | 36.7 | 16.6 | -0.2 | 19.7 |
| Tennessee | 29.1 | 5.1 | 63.5 | 9.2 | 18.8 | 31.2 |
| S. Carolina | 23.9 | 24.2 | 27.5 | 8.3 | 8.2 | 18.3 |
| Alabama | 13.4 | 8.6 | 41.9 | -0.6 | 0.7 | 7.2 |
| Georgia | 47.0 | 58.5 | 93.7 | 7.2 | -13.5 | -24.0 |

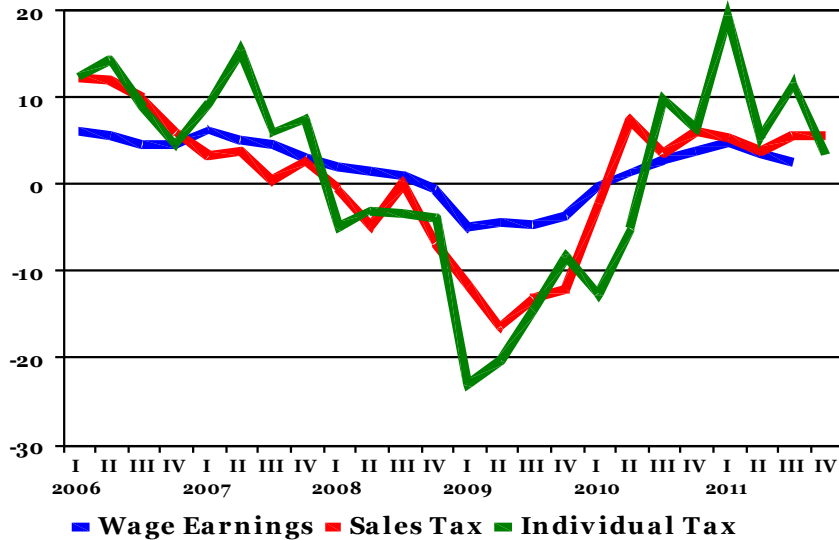
Source: Bureau of Labor Statistics, and EFC Calculations



Wage Income & Tax Collections

Georgia Wage Income and Tax Collections

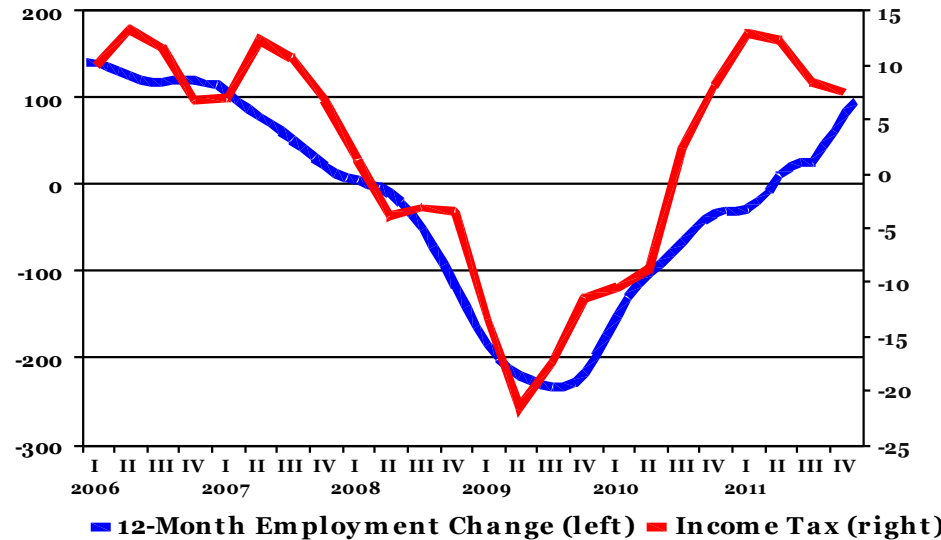
(% change from a year ago)



Georgia Household Employment and Income Taxes

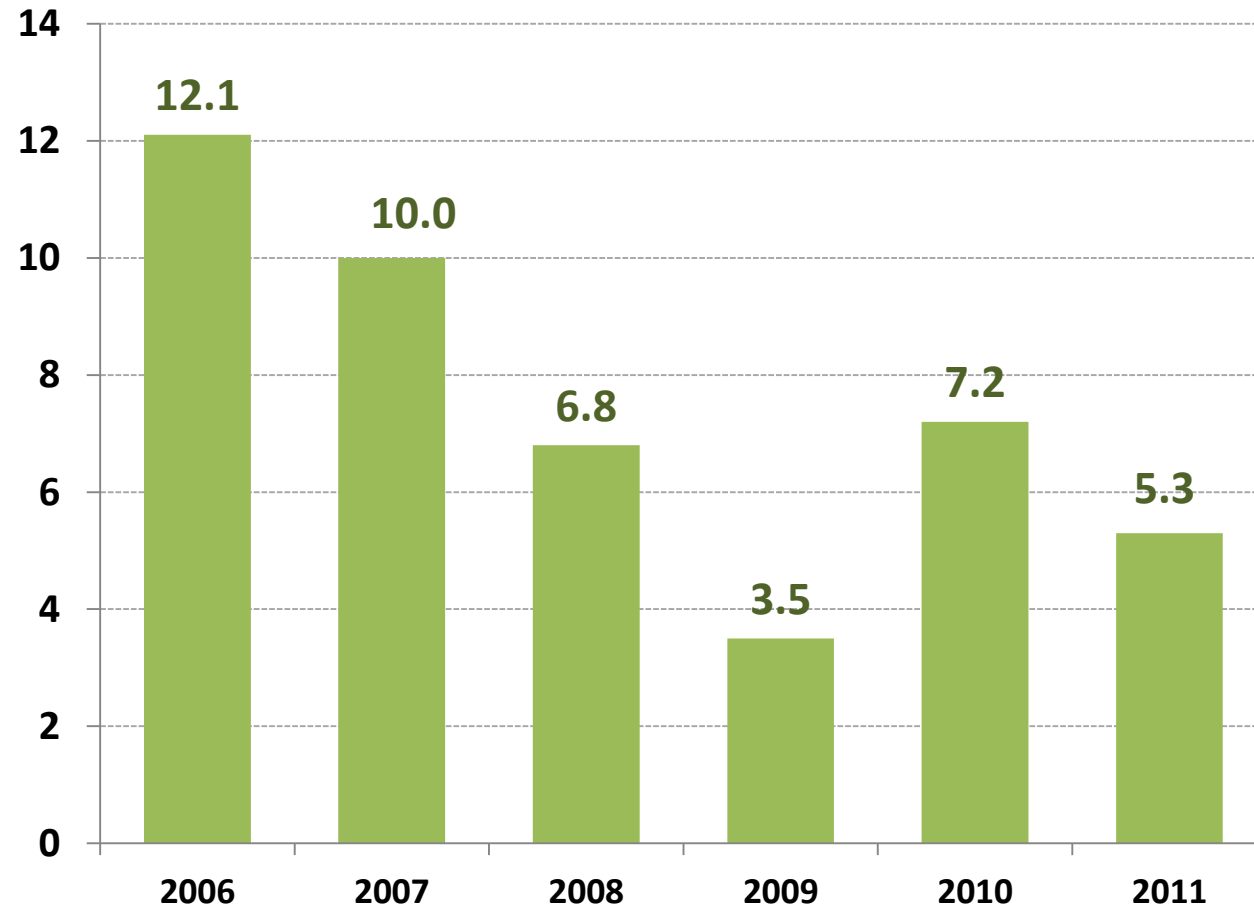
(Thous.)

(% change from a year ago)



Healthcare Challenges Mount

Calendar Year Job Additions



- Georgia's Healthcare sector had trouble creating jobs over the past year.
- After adding 3,300 jobs in the first half, Healthcare only added 2,000 jobs in the second half of 2011.
- The positive news from needed digitalization of records, growing population gets negated by hospital mergers and cost cutting measures.



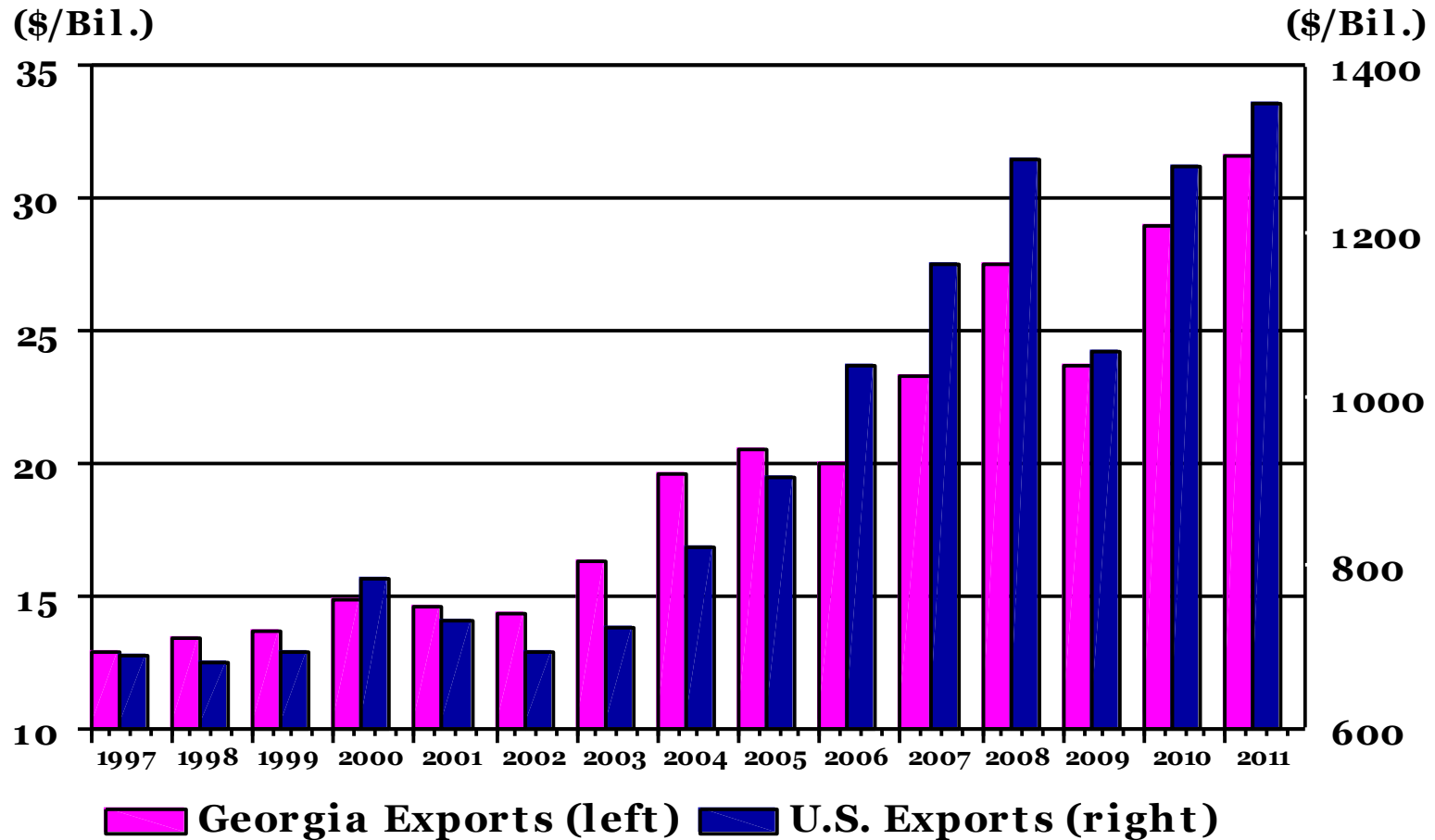
Corporate Sector News

- Home Depot will hire more than **1,500 workers** for seasonal jobs during the Spring in **Atlanta**.
- Asurion, a tech service company, will open a software development center in **Atlanta**. The company will add **250 jobs** in 2012.
- VaxyGen Vaccines Ltd will move its headquarters to **Augusta**, adding **200 jobs**.
- Wendy's will close its support center eliminating **170 jobs** in **Atlanta**.
- Chexar Networks, a tech service providers for banks, will expand operations, adding **500 jobs** in **Albany**.
- Home Depot plans to open a new call center in Cobb County, **Atlanta**, adding **400 jobs** in 2012 and **300** in 2013.
- State Farm will bring **400 jobs** to North Fulton, **Atlanta**, as the company centralizes its operations.
- McKesson Corp will cut **174 jobs** at its Alpharetta campus, **Atlanta**.



Georgia Export Performance

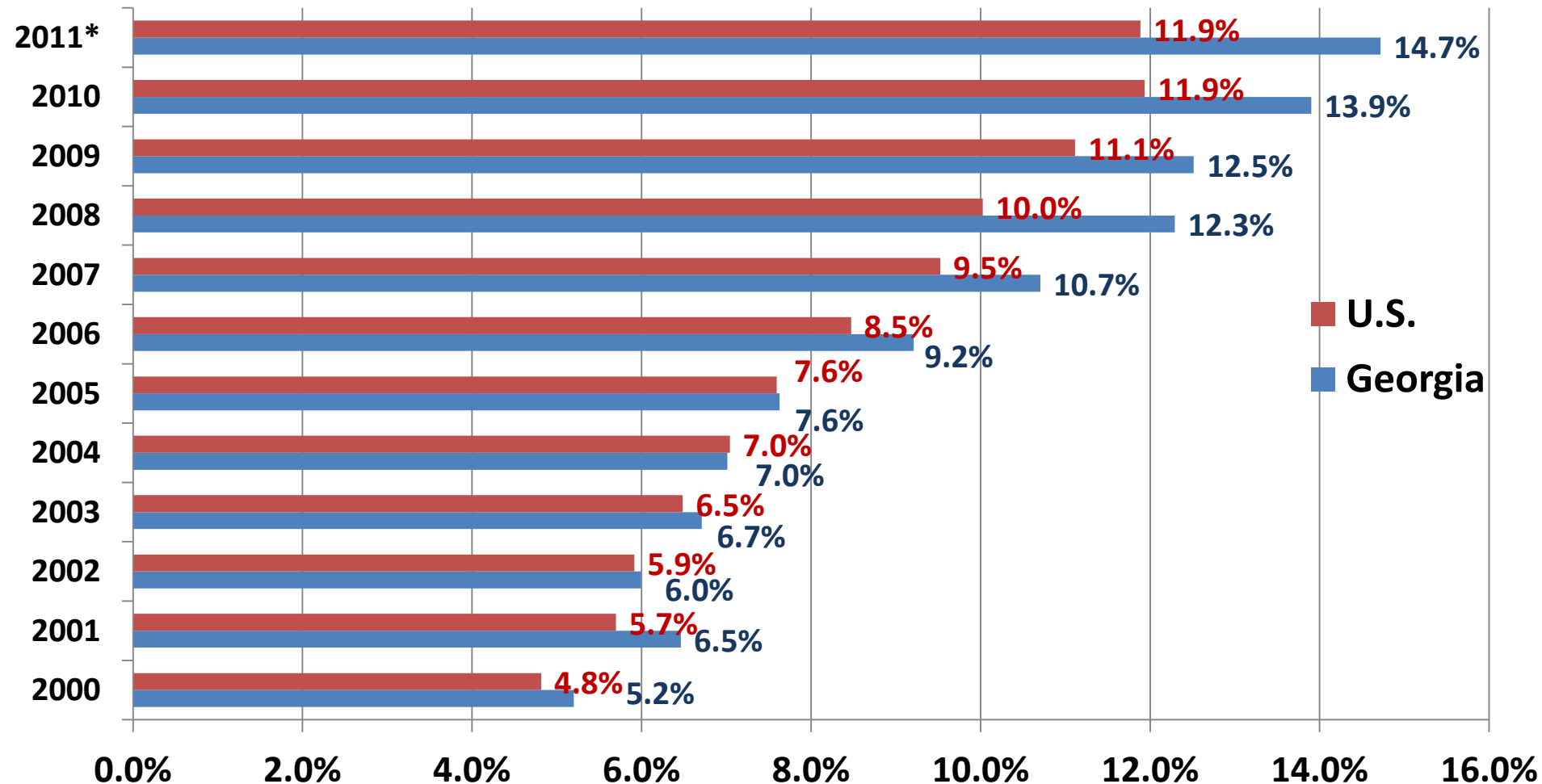
Georgia and U.S. Exports



2011 Corresponds to YTD November 2011



Share of Exports to BRICT* Countries



BRICT = Brazil, Russia, India, China & Turkey. For 2011 data is YTD-November 2011



Georgia Employment Forecast

| | History | | | Forecast | | |
|---|---------------|-------------|--------------|-------------|-------------|-------------|
| Jobs Added ⁽¹⁾ | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
| Total Jobs Added | -205.2 | 4.0 | -21.0 | 14.3 | 40.6 | 66.7 |
| Premium jobs ⁽²⁾ | -74.3 | 0.9 | 9.5 | 2.5 | 7.2 | 14.1 |
| Total – Government – Construction– Finance | -143.2 | 32.6 | 16.7 | 27.7 | 37.7 | 51.6 |
| Personal Income Growth | -3.8 | 3.1 | 4.4 | 2.4 | 3.3 | 4.9 |

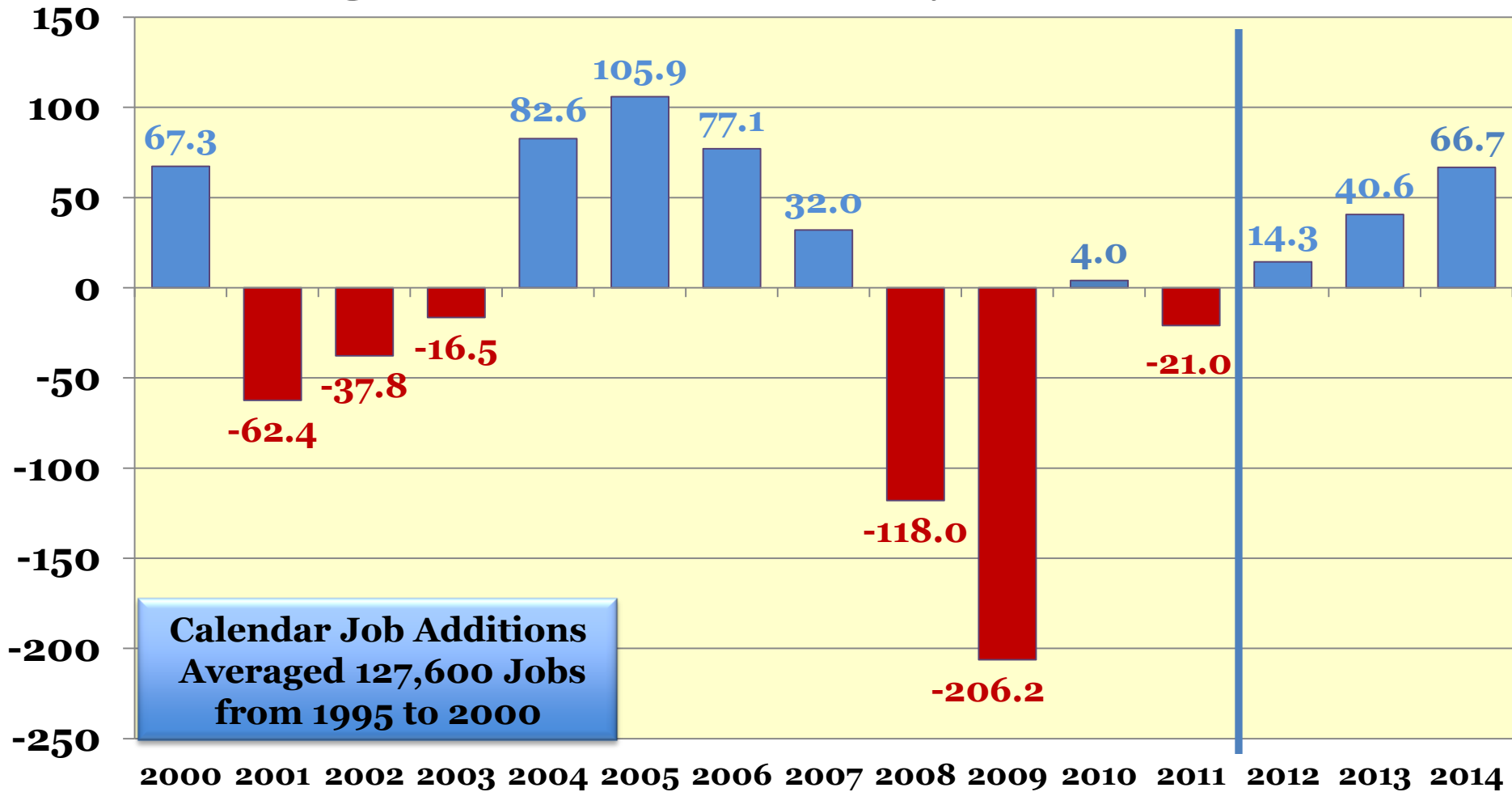
⁽¹⁾ Calendar Year Calculations (Q4 to Q4)

⁽²⁾ Premium Jobs are in Manufacturing, Information, Air Transport, Management of Companies, Accounting, Scientific, Computers, Finance & Insurance, Utilities, Healthcare Practitioners, Wholesale Trade and Federal Government



Calendar Year Job Growth

Georgia Job Growth History and Forecast



Georgia Forecast Progression

| Jobs Added* | Feb. 2011 | April (S) 2011 | May 2011 | August 2011 | Oct. (S) 2011 | Nov.11 | Feb.12 |
|-------------|-----------|----------------|----------|----------------------|----------------------|----------------------|----------------------|
| 2012 | 77,600 | 72,100 | 76,600 | 46,500 (47,200) † | 28,000 (27,000) † | 26,800 (33,800) † | 14,300 (27,700) † |
| 2013 | 83,100 | 85,000 | 85,200 | 75,000 (57,100) † | 58,000 (45,000) † | 56,300 (46,700) † | 40,600 (37,700) † |
| 2014 | | | | | | | 66,700 (51,600) † |

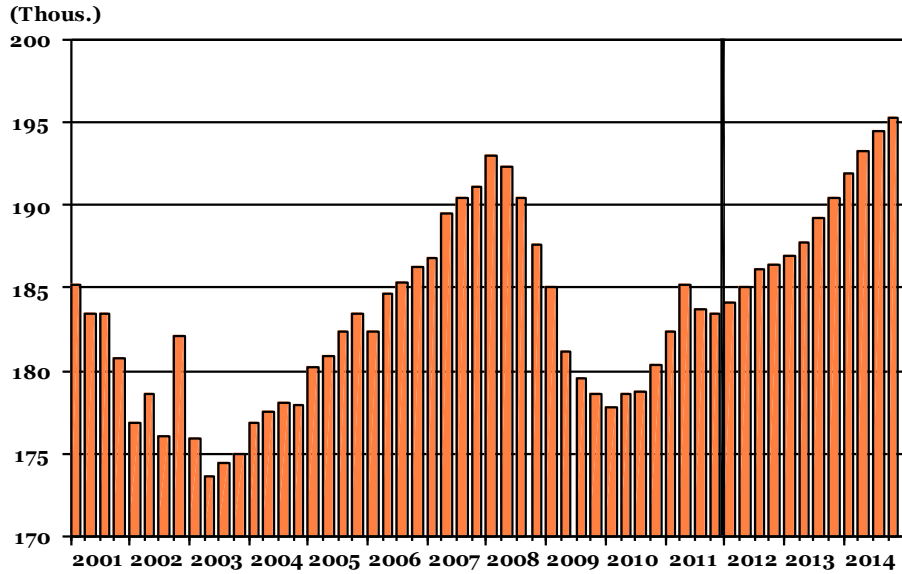
*Calendar Year Calculations (Q4 to Q4)

† Total – Government– Finance - Construction

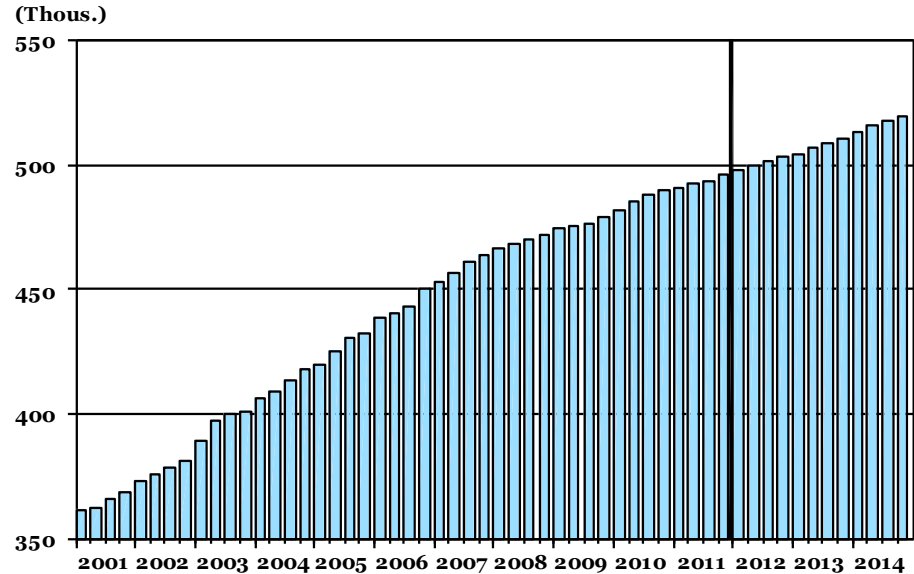


Georgia Forecast Details

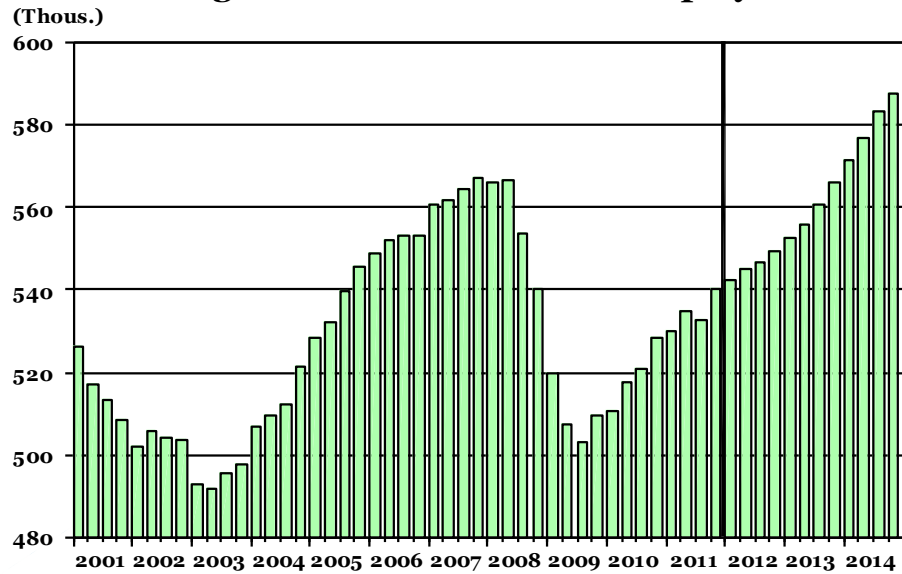
Georgia Trans., Warehousing & Util. Employment



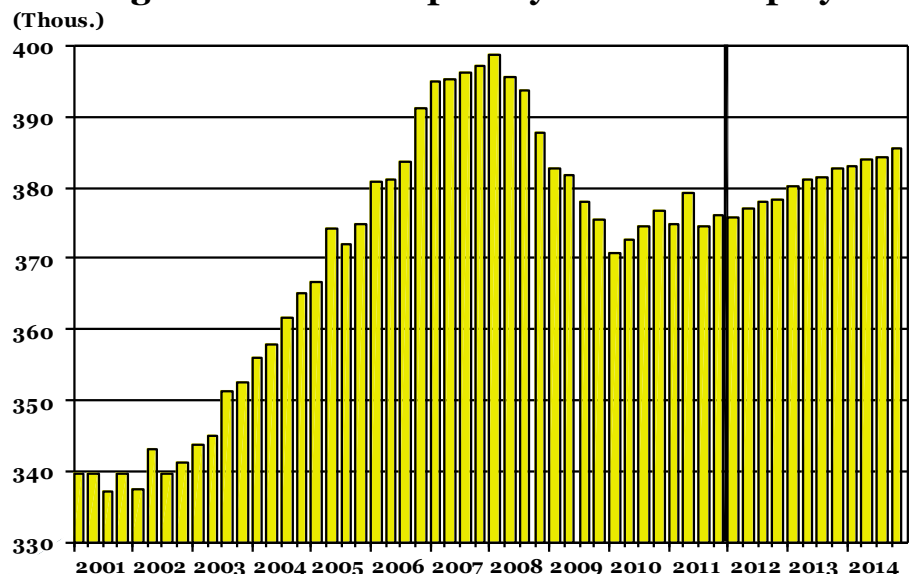
Georgia Edu. & Health Services Employment



Georgia Prof. & Biz. Services Employment

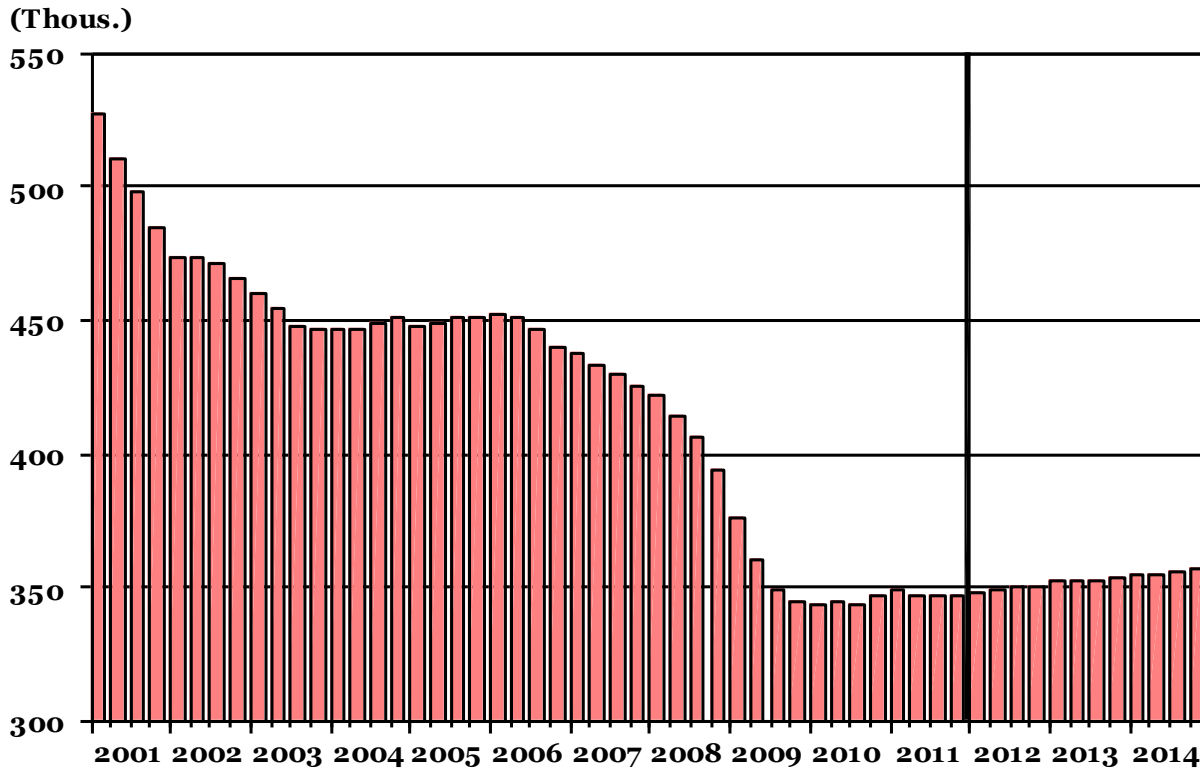


Georgia Leisure & Hospitality Services Employment



Georgia Forecast Details

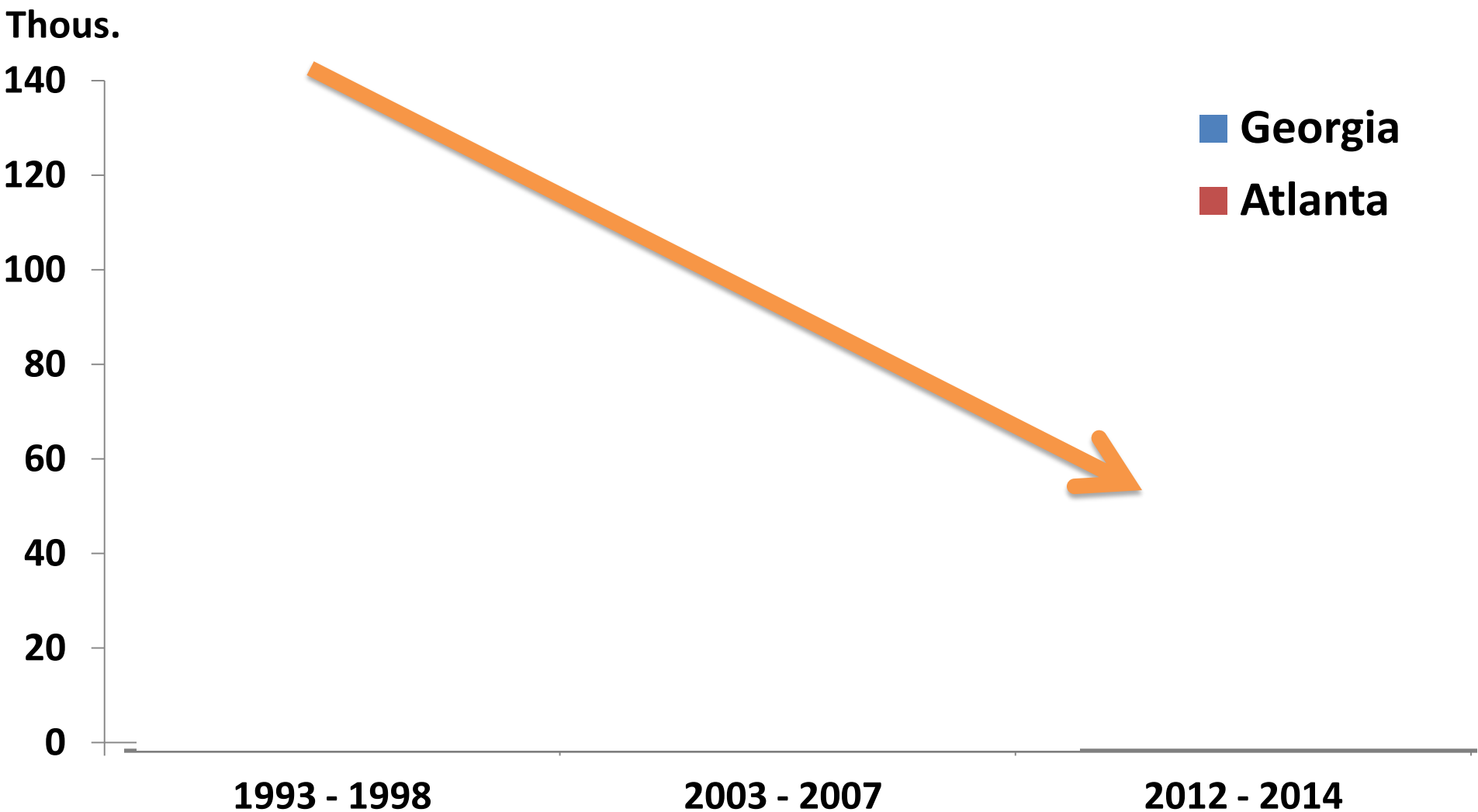
Georgia Manufacturing Employment



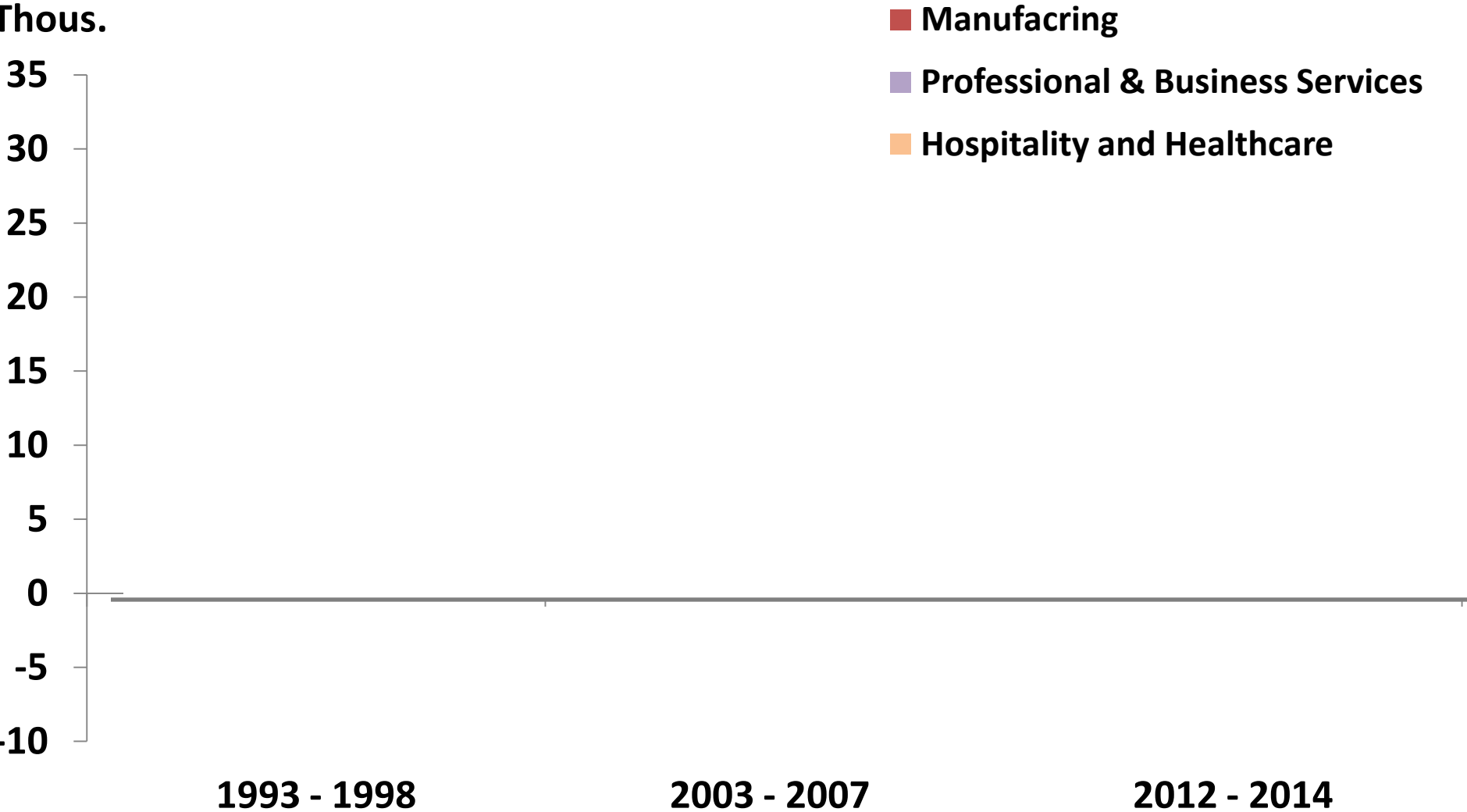
- Manufacturing also exhibits bifurcation: Durables or high tech manufacturing such as transportation and aviation grows but nondurables or traditional sectors (textiles, wood products) shrink.
- “Heavy” manufacturing will come back (or won’t go away) esp. those that cater to domestic and Latin American markets. But it will locate/exist on the periphery of Atlanta metro area at best.



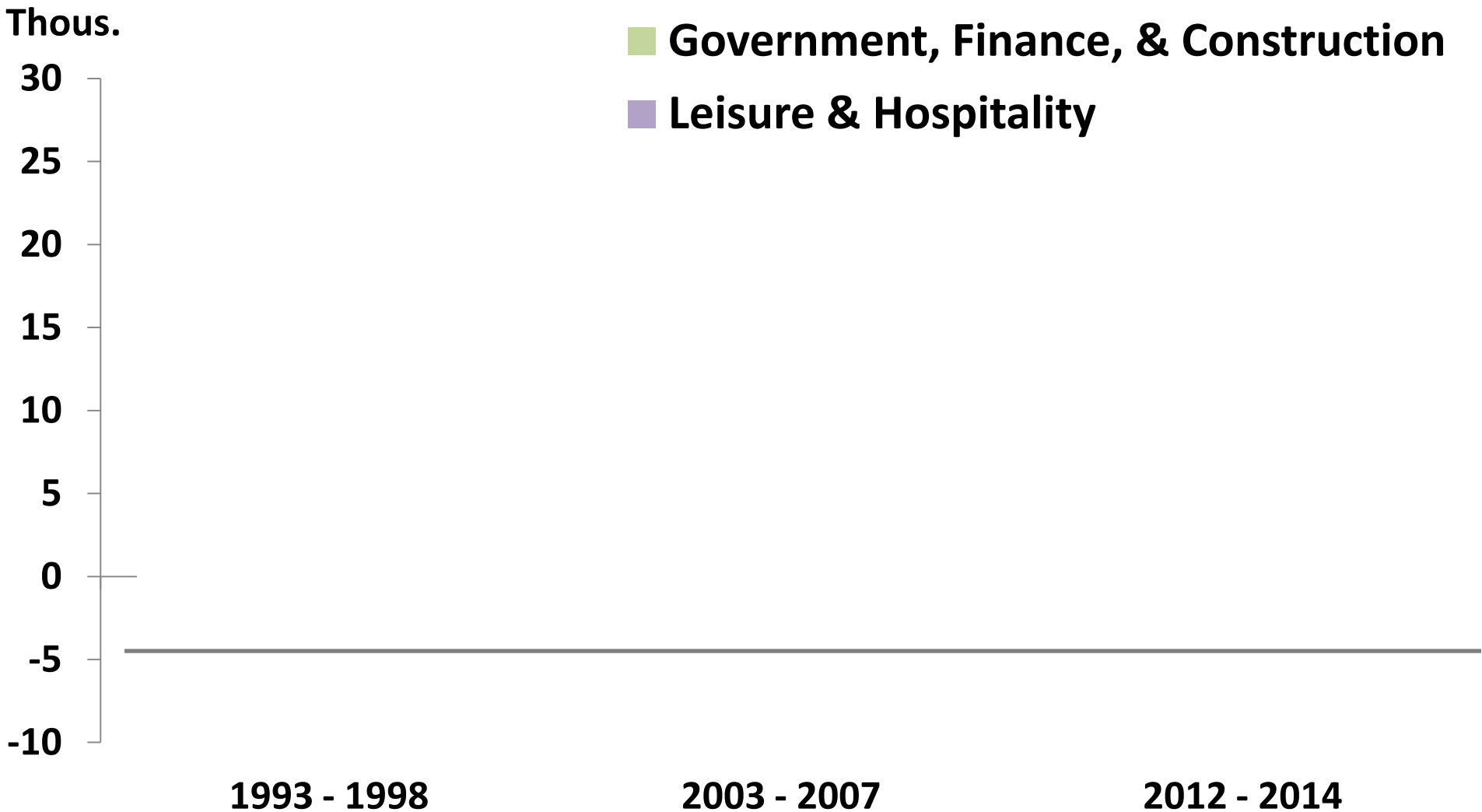
Georgia & Atlanta Economic Expansions



Annual Contribution: Georgia LEADING Sectors

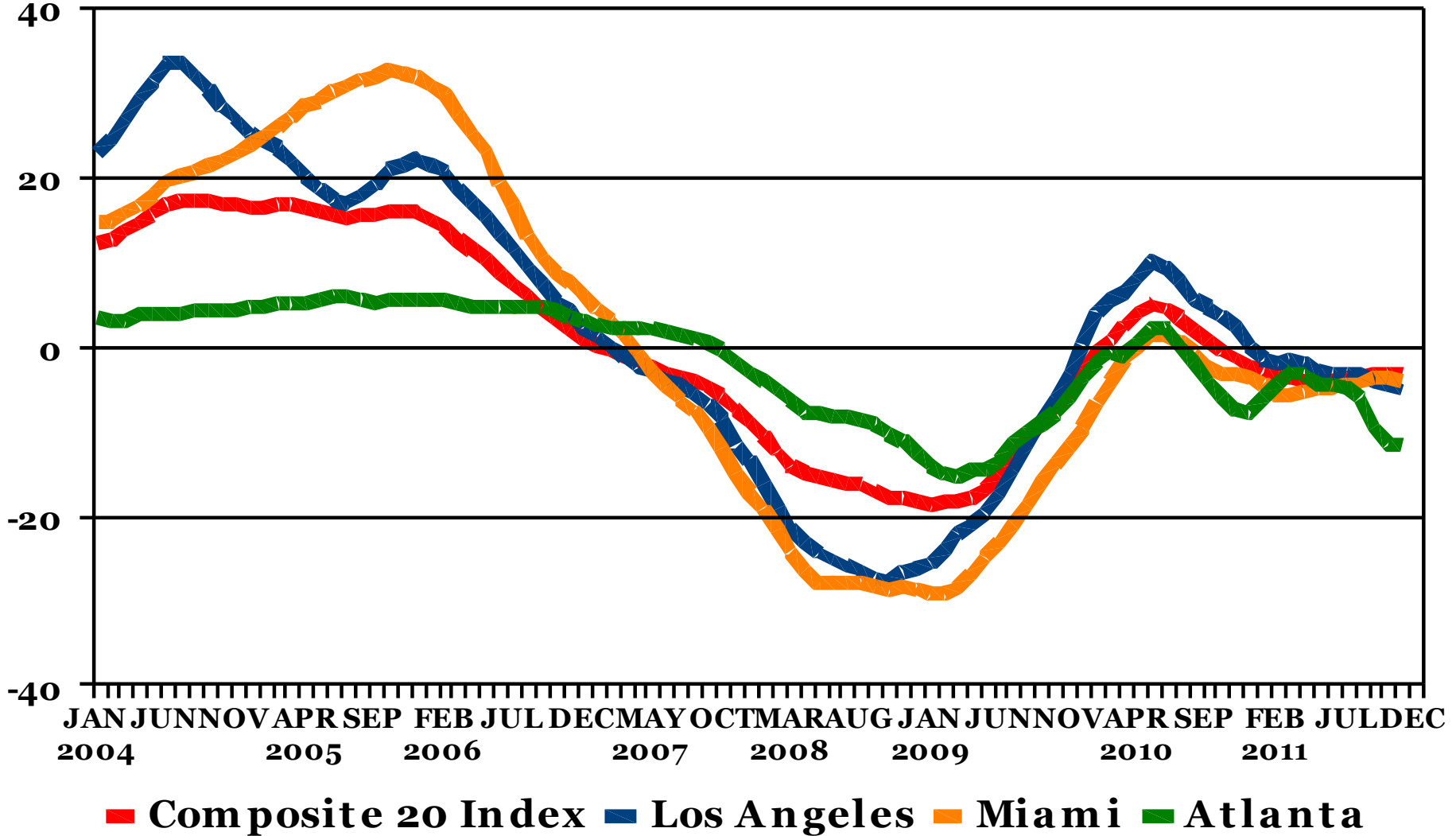


Annual Contribution: Georgia LAGGING Sectors

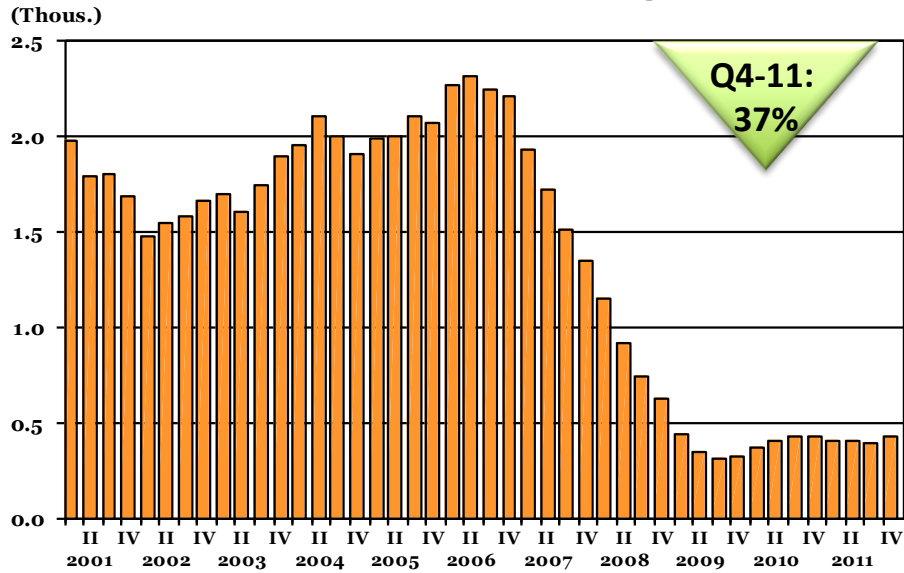


Case-Shiller Home Price Index

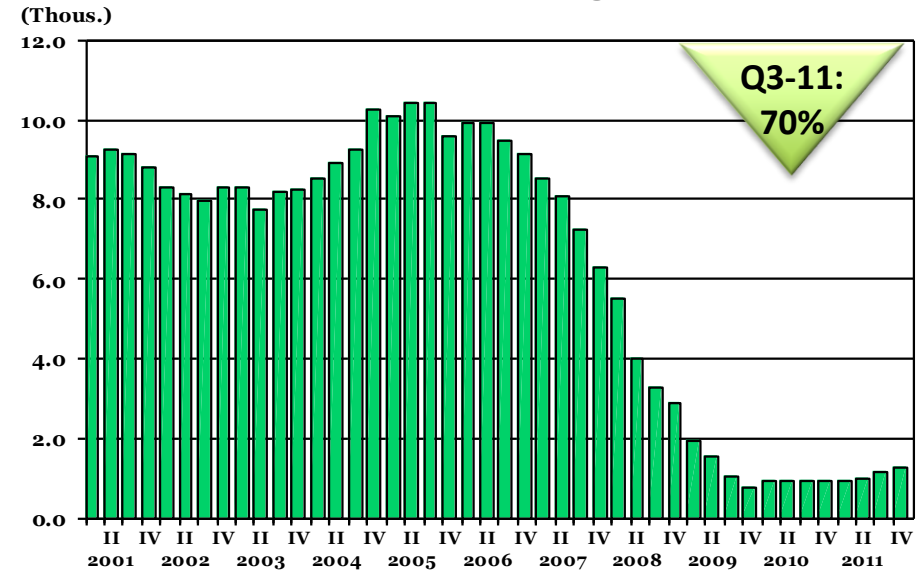
(%, Y-O-Y)



Metro North Cluster Housing Permits

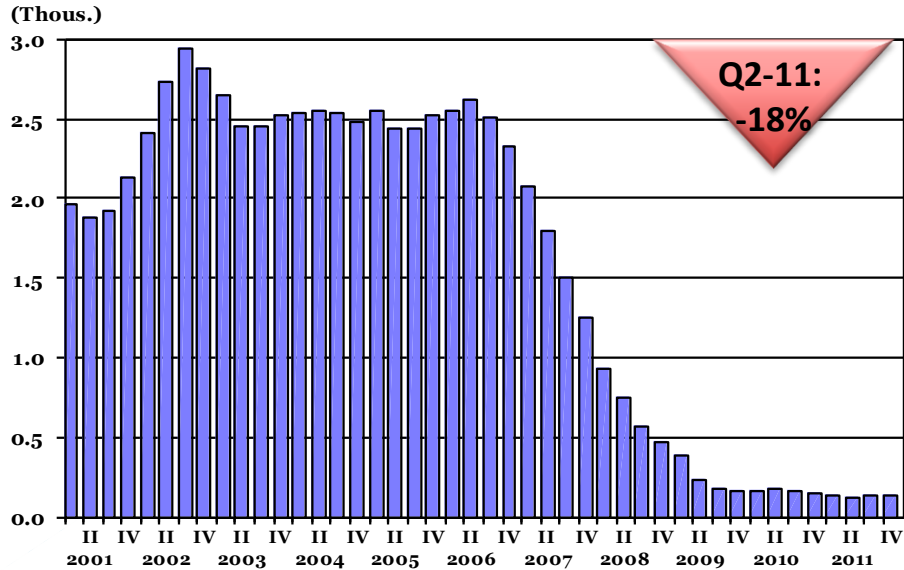


Core Cluster Housing Permits

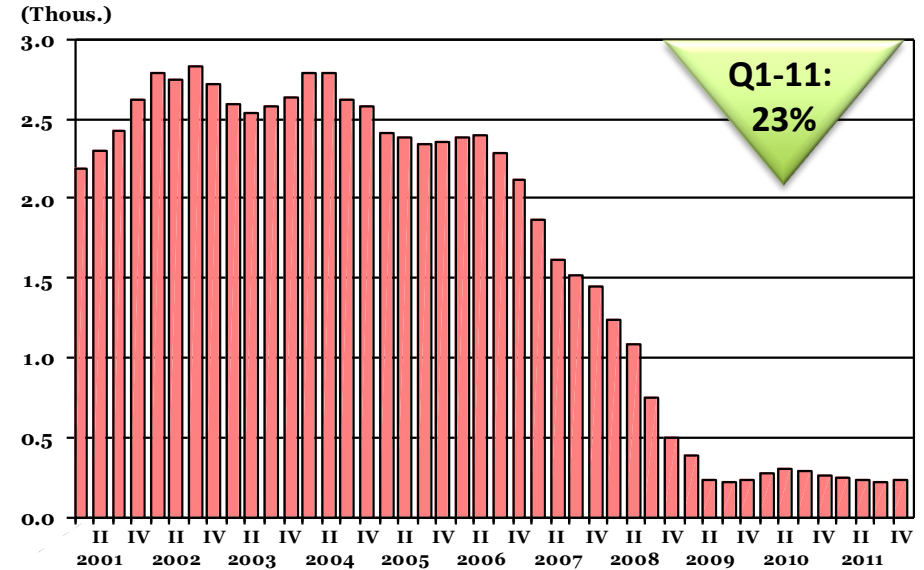


Atlanta Permits Moderated Sharply

I-20 Cluster Housing Permits

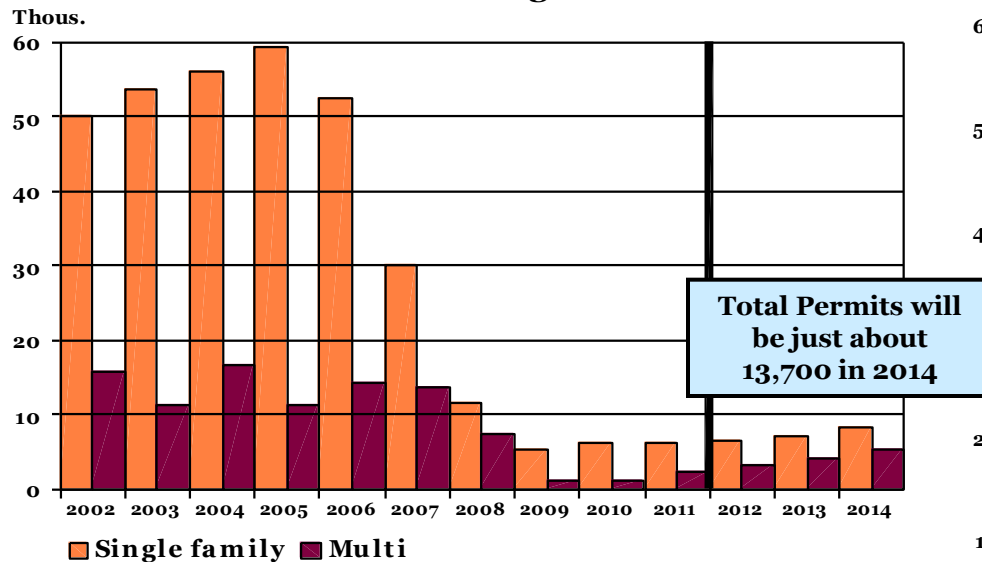


Metro South Housing Permits

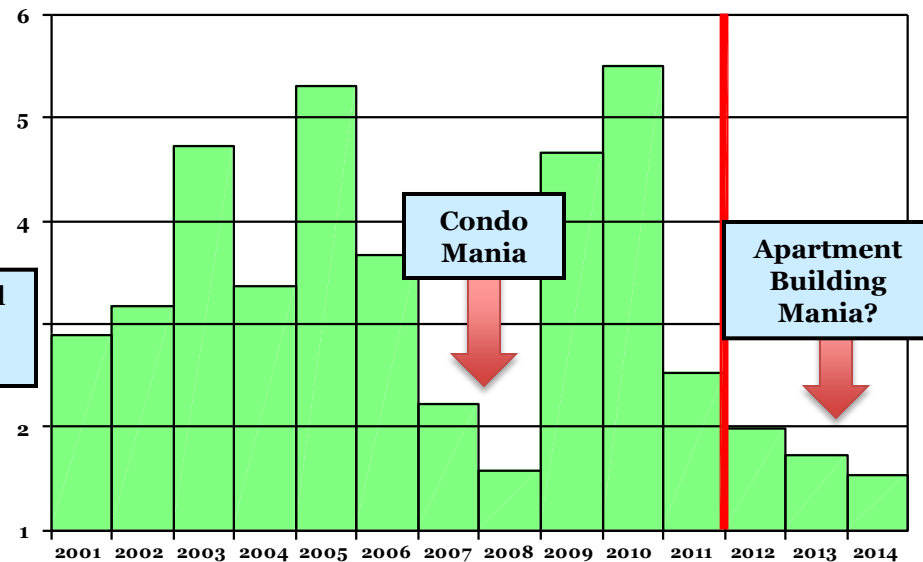


Atlanta Housing Permits Outlook

Atlanta Housing Permits



Ratio of Single Family to Multifamily Permits



Georgia MSA Forecast

| MSA | 2011 | 2012 | 2013 |
|---------------|-------------|-------------|------------|
| Georgia | -0.4 | 0.0 | 0.8 |
| Albany | 1.4 | 0.1 | 1.1 |
| Athens | 1.0 | 0.2 | 1.0 |
| Augusta | -1.1 | 0.0 | 1.6 |
| Columbus | 0.5 | 1.0 | 1.6 |
| Dalton | -1.8 | -2.4 | 0.7 |
| Gainesville | -0.1 | 0.2 | 1.1 |
| Macon | 1.0 | 0.6 | 1.2 |
| Savannah | -0.2 | -0.4 | 2.1 |
| Valdosta | -1.4 | 0.2 | 1.1 |
| Warner Robins | -0.3 | 0.1 | 0.5 |



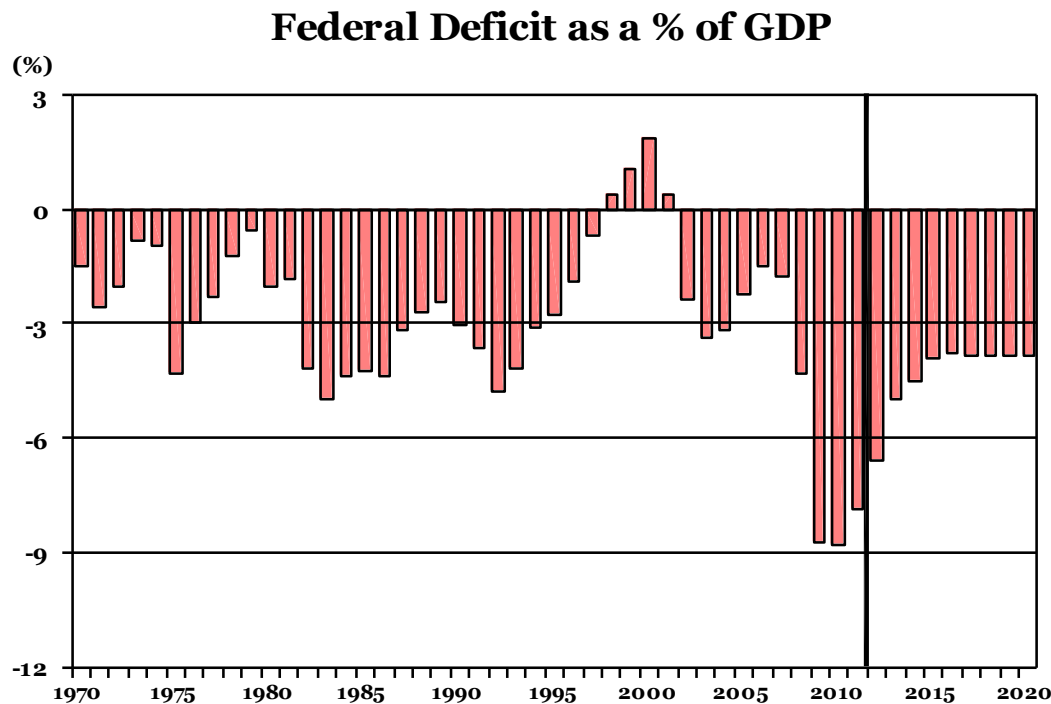


"This should help you manage any pain you experience during the 2012 election year."

Cartoon: Burns, USA Today, 16, February, 2012

Risks to the Economy

Still, in 2012 – as in 2011 – it is a **failure of domestic policy to address our own imbalances** that holds the greatest risk to the U.S. economy.



Michael Drury
Chief Economist,
McVean Trading & Investments

Source: McVean Newsletter, January 2012



PIMCO's El-Erian About Tax-Cut Deal

Officials must explain how further **short-term deterioration** in America's budget deficit will eventually give way to **medium-term fiscal responsibility**.



Source: Bloomberg, December 7, 2010



Nobel Laureate on Mediterranean Debt Crisis

[Standard] perspective ignores some market forces and **policies...that fueled wage demands** in southern economies by **causing household savings to rise relative to labor productivity**.

This is econ 101: when a family is richer, its **older workers** demand higher wages to stay in work and its **younger workers** demand higher wages to take a first job.

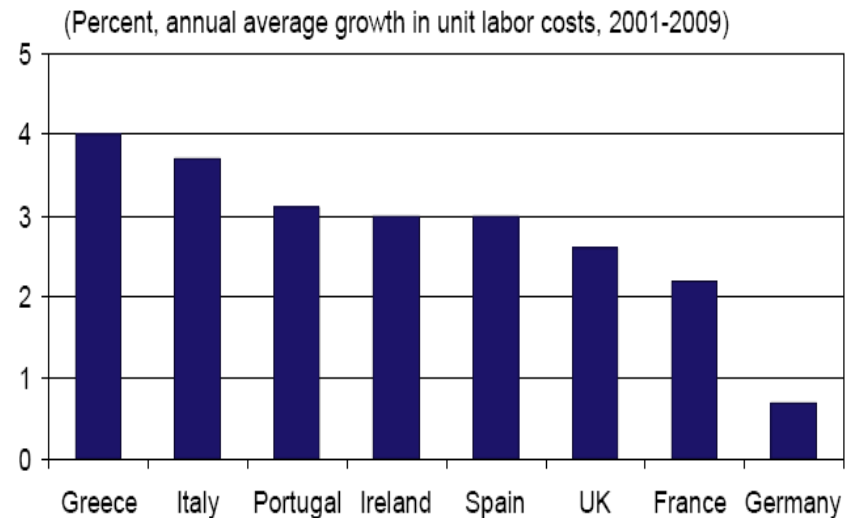
The dynamic contracts available jobs unless offset by an equal or greater rise in productivity.

A policy of fiscal deficits also invited rise in wealth as families saved much of these state “bonuses”.

What must be done? Italy, Portugal and Greece must **do without cheap borrowing and introduce a wealth tax.**



Edmund Phelps
Columbia University



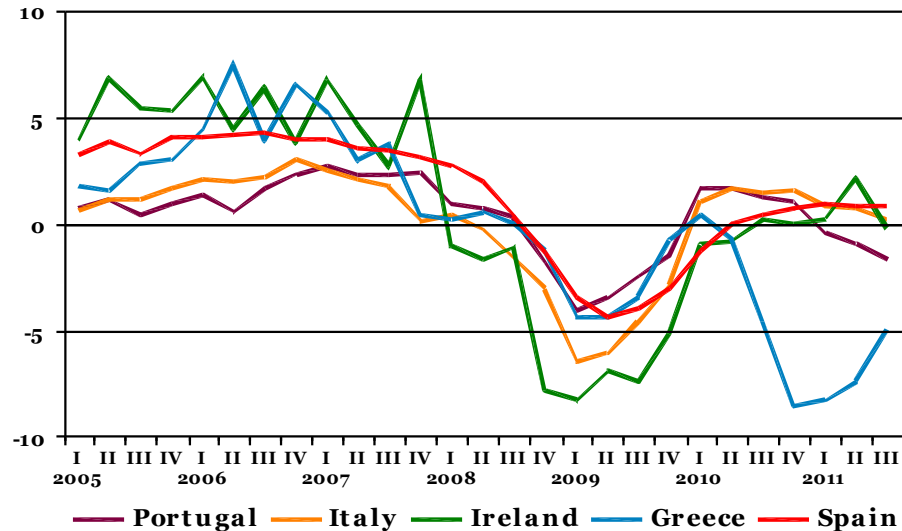
Source: Global Economic Outlook, IHS Global Insight, October 25, 2011



Who Will Get Kicked Out or Will Leave?

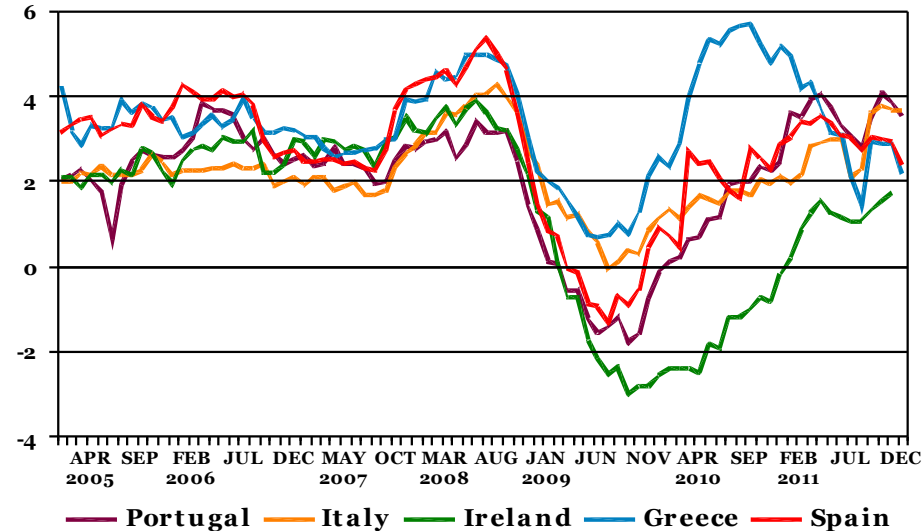
In the Twilight: PIIGS GDP Growth

(% from a year ago)



Looming Deflation

(% from a year ago)



An Italian's Take on Greek Exit

How do you control an explosion in a controlled way? This will be an implosion of some size with **potentially disastrous consequences.**

-Sergio Marchionne,
CEO, Fiat (Italy)

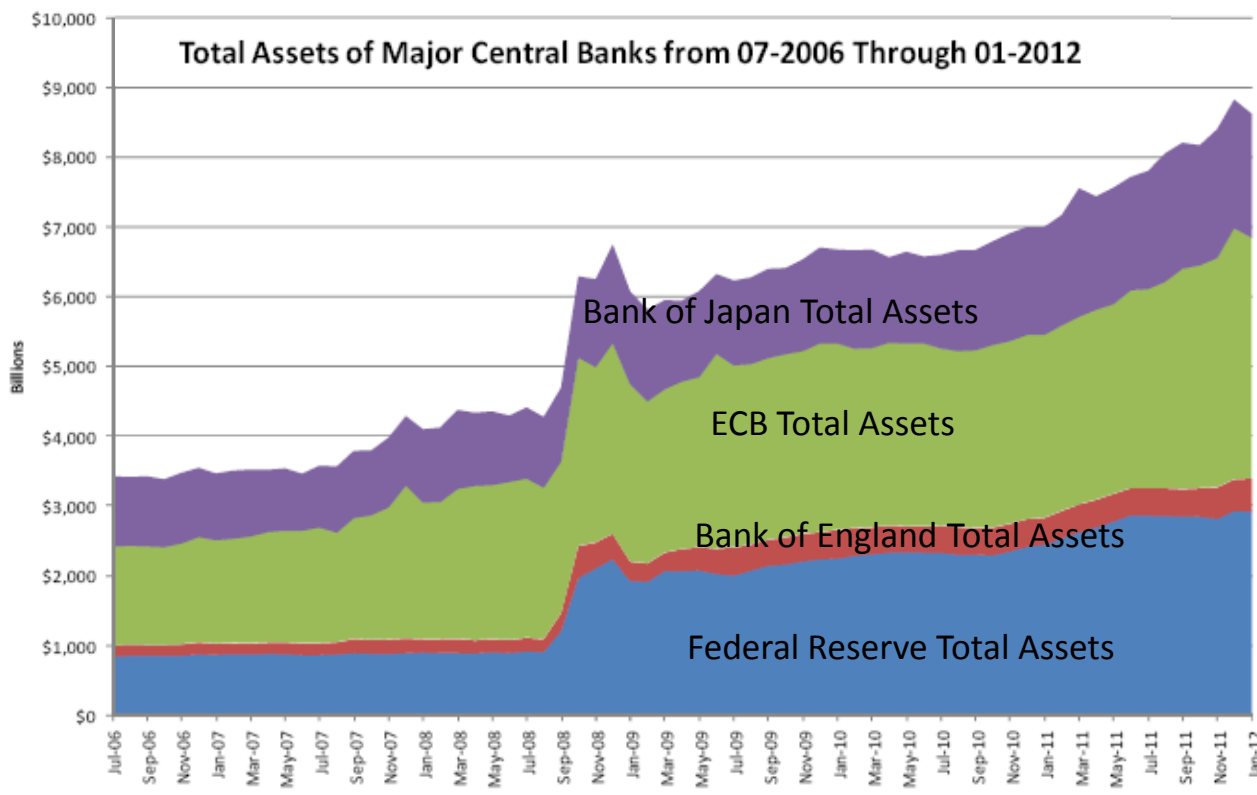


Source: Bloomberg, December 9, 2011



Central Banks in Developed World

The global system is trying to delever and central banks are trying to stop that process and pump trillions of dollars in. In a bimodal world, we could have reflation in 2013-14, or deflation in 2012. The probability of both is high.



Source: Cumberland Advisors



Bill Gross
Founder and Co-CIO, Pimco

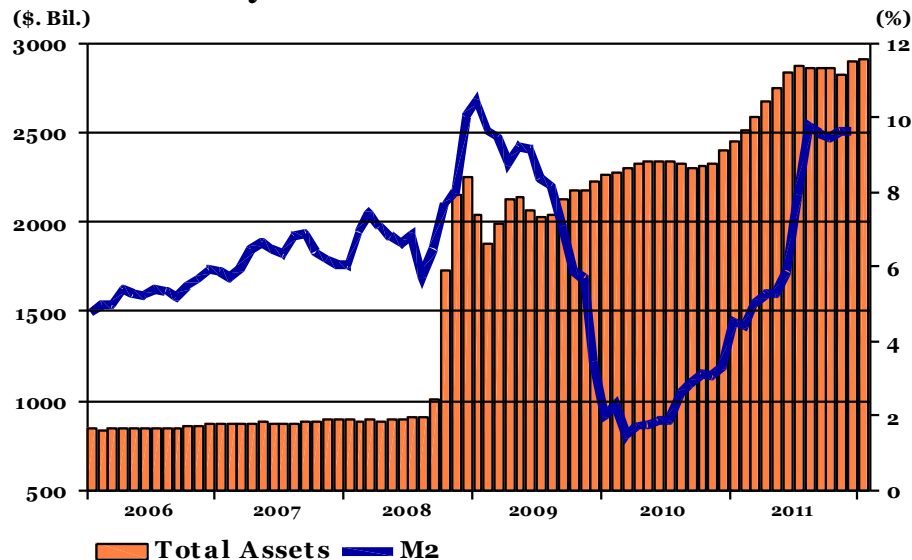
Source: Barron's, January 16, 2012



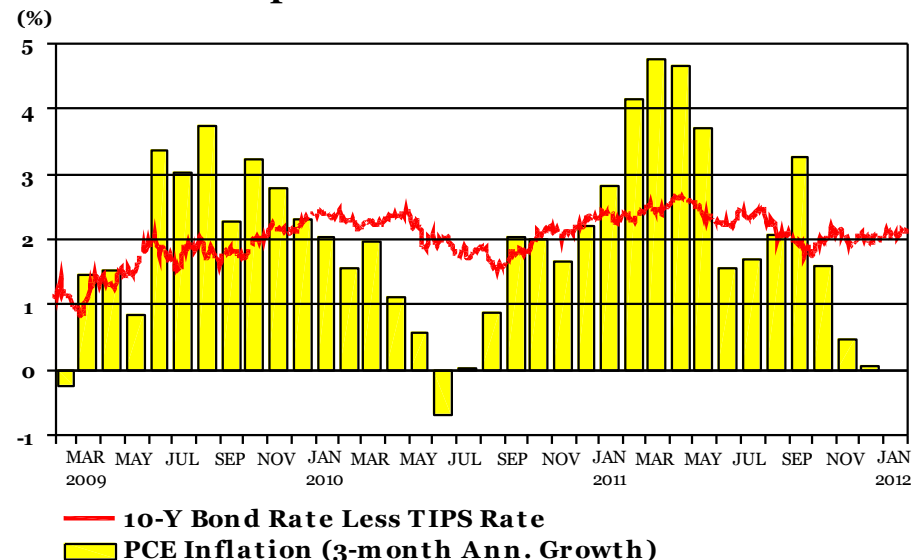
Will it Cause Inflation?

The Committee judges that inflation at the **rate of 2 percent**, as measured by the annual change in the **price index for personal consumption expenditures**, is most consistent over the longer run with the Federal Reserve's statutory mandate.

Money Growth and Fed Balance Sheet



Expected vs. Actual Inflation



Source: Board of Governors of the Federal Reserve System, January 25, 2012

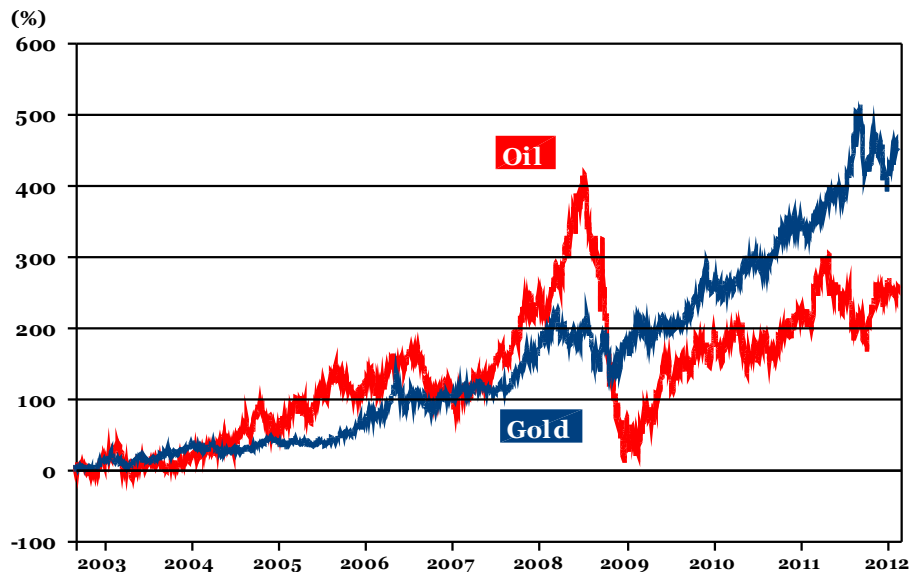


To arm, comrades!

I suppose there might be some assets worthy of consideration - precious metals, for example. **But other metals would make wise investments**, too. Among them tinned goods and **small caliber weapons**.

- Larry Hathaway,
Chief Economist, UBS

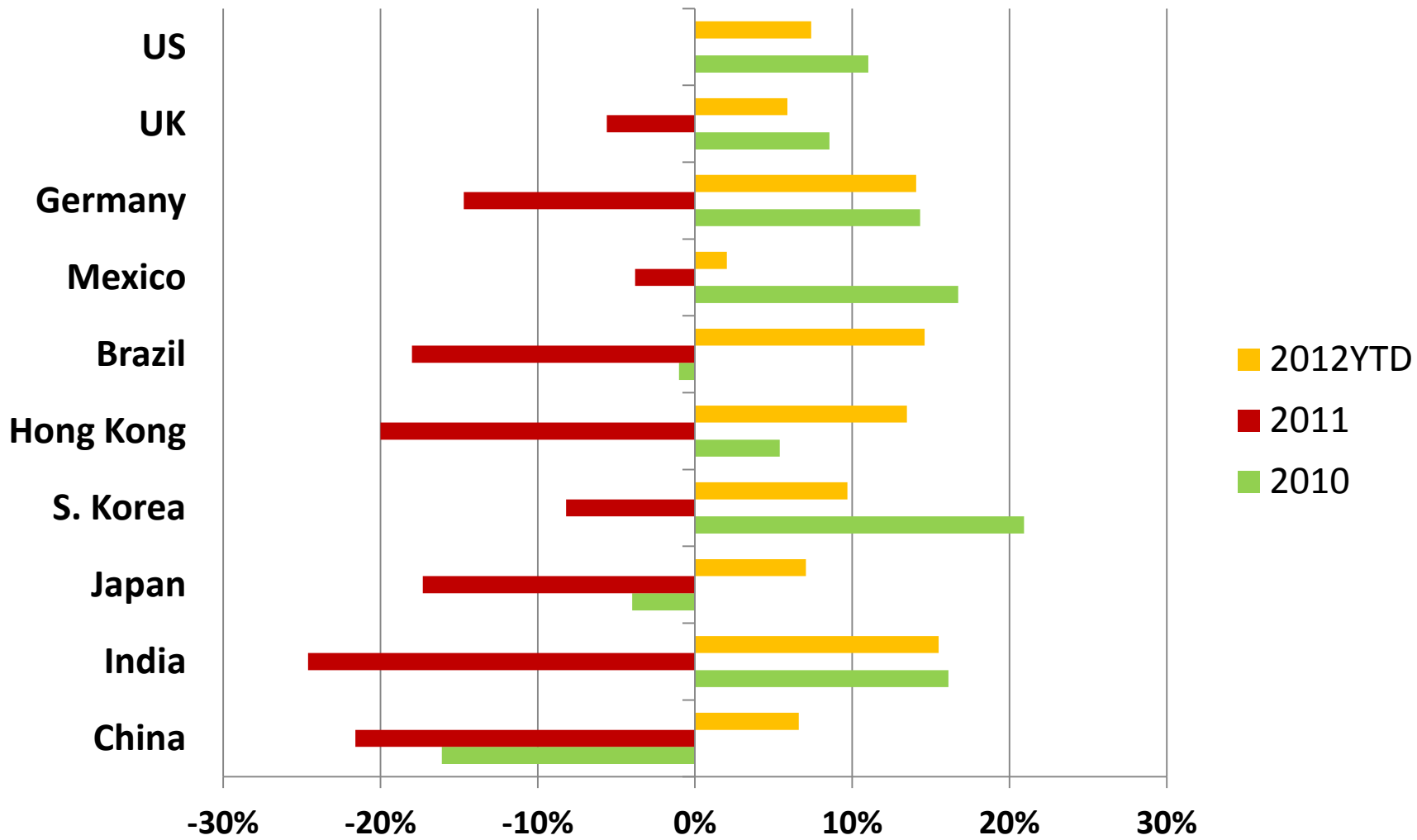
Bernanke and the Buck



Source: Financial Post, December 7, 2011



Global Stock Markets at a Glance



Where Does Allan Sloan Put His Money Now

Treasury bonds? Forget them, unless you want to lock up your money for years at laughably low rates.

Foreign stocks and currencies? You want to deal with the instability of the euro?

Commodities – well, when you see gold being marketed everywhere, the game's pretty much over.

I'm buying **individual blue chip U.S. stocks** that pay dividends. Some are multinationals, which give me exposure to rapidly growing foreign economies and hedge my dollar risk.



Source: Fortune, December 26, 2011





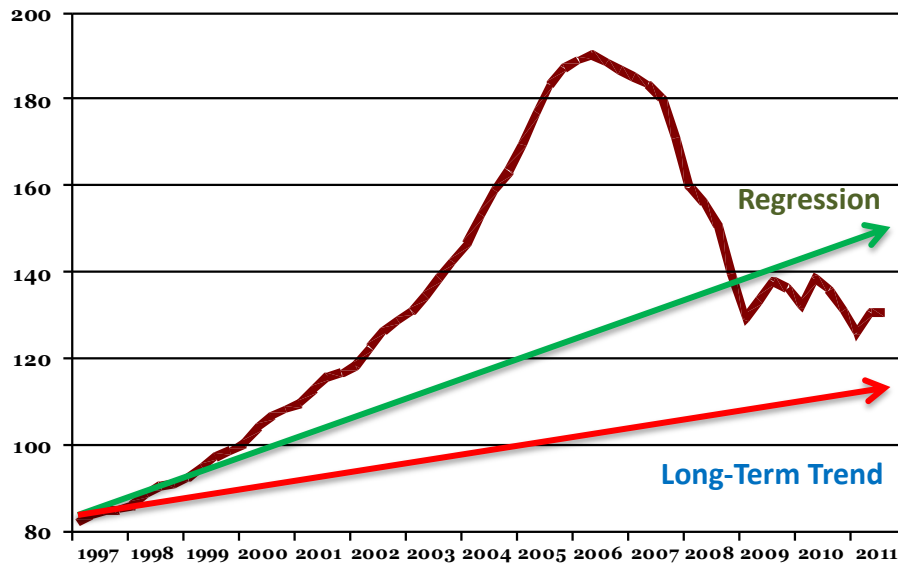
"The nice thing about America is, no matter how the economy is doing, you can always **Thank** the chairman of the Federal Reserve."

Cartoon: Pepper... and Salt, The Wall Street Journal, November 29, 2011



Home Price and its Appreciation Expectations

Home Prices: Case-Shiller National Average



Home Price Expectations Survey

| Survey Date | Survey Median | EFC | High | Low |
|-------------|---------------|-------|-------|--------|
| 2010 Q2 | 10.3% | 10.8% | 36.7% | -18.8% |
| 2010 Q4 | 11.7% | 20.3% | 28.9% | -19.7% |
| 2011 Q2 | 6.7% | 14.4% | 27.6% | -23.6% |
| 2011 Q3 | 5.4% | 10.5% | 22.3% | -22.3% |
| 2011 Q4 | 10.6% | 22.8% | 27.7% | -25.2% |

Source: Case-Shiller Home Price Expectations Surveys



Classifieds You Will See This Year

Solar plant in Fremont, Calif. Facility is almost up and running. Credit guaranteed. Once Congress passes a protectionist tariff, you're good to go. Write us at info@solyndra.biz.

LOST & FOUND

Lost: \$1 billion. 
Could be anywhere!!!!
Seriously, I have no idea where it is. If found, e-mail me at JCorzine@mfglobal.net.
\$1,000 reward!

Bookshelves. Can hold up to 1,000 electronic readers each. Available 10-1 Saturday at Borders.

Chevy Volt on the blink??

I can fix it!!!

Call
Dan Akerson,
GM CEO

For Sale



Nothing says "I win! You lose!" like a Maybach. Production of these monuments to your wealth is shutting down. Includes refrigerator and factory champagne flutes well as an external P.A. system for lecturing the other 99 percent. \$341,750 or best

JOB ALERTS

Source: Bloomberg BusinessWeek, December 26, 2011



Conclusions

- Europe has a mild recession in 2012 and Asian slowdown (hopefully orderly), makes for 50% of the world to be in a funk. But we will grind out our growth course (expected to be subpar in 2012 and 2013).
- Lackluster consumer confidence and jittery businesses make for a thrifty consumer and a cautious business investment spending.
- Oil prices will remain elevated in the coming years. Iran is the random card this year to global growth prospects.
- A bifurcated local economy makes for lousy headline job growth numbers in coming years. High tech/heavy manufacturing prospects are good especially outside of Atlanta metro.





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