The Regional Recovery: Where and When?

Jim Diffley, Senior Director
Chief Regional Economist
IHS Global Insight
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The U.S. Recovery: A Soft Patch Persists; But Fears of a Double-Dip Are Ebbing

• Underlying growth is around 2%, as the boost from fiscal stimulus and inventory rebuilding fades

• Consumer spending growth is being held back by the strong headwind of a high unemployment rate and the need to de-leverage"

• Business spending on equipment and services is boosting growth — cash flow is very strong

• While non-residential construction and state-and-local spending are still drags on the recovery

• Housing will continue to “bounce along the bottom”

• Exports will benefit from a weaker dollar and strong growth in emerging markets

• Policy uncertainty is a big problem for the United States
The U.S. Expansion Proceeds at a Slower Pace

Annual percent change

Real GDP Growth (Left scale) vs. Unemployment Rate (Right scale)

Widespread regional deceleration

Employment Growth by Region: 2011 Q1, Q2, Q3

Quarter-on-quarter % Change, Annual Rate
Slow Recovery Continues in 2012

Employment Growth 2012Q4, year-over-year %

US: 0.9%

Percent
0.1 to 0.7
0.7 to 0.9
0.9 to 1.1
1.2 to 1.7
Real GDP by State, 2012 Growth

Percent

1.0 to 1.4
1.5 to 1.6
1.7 to 1.9
2.0 to 3.2
Medium-term performance: Jobs

Employment Growth 2011-2016, % annual rate

US: 1.5%
Medium-term performance: Income

Personal Income Growth 2011-2016, % annual rate

US: 4.5%
Return to peak employment

Year of Return to Peak Employment

Return To Peak
- 2010 to 2011
- 2012 to 2013
- 2014 to 2015
- 2016 to 2017
- Past 2017

Map of the United States showing the year of return to peak employment for different states.
Unemployment Will Remain High

Unemployment Rate, 2012Q3, %

Unemployment Rate, 2012Q3, %

<table>
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<th>Percent</th>
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Housing: More Negatives than Positives

- Positives
  - Housing affordability is at record highs
  - Multi-family indicators edging higher

- Negatives
  - Big sales payback after homebuyers’ credit expired
  - New home sales at an all-time low
  - Foreclosure rate still high
  - Overhang of empty homes
  - Prices probably haven’t hit bottom
  - Lack of employment support
Has the Foreclosure Rate Peaked?

(Percent of all home mortgage loans entering foreclosure)

Source: Mortgage Bankers Association
Inventory Overhang Has Peaked

(Months’ supply at current selling rate, single-family homes)

New Home Inventory/Sales Ratio
### Housing Starts: Will Pick Up Steam in 2012

#### Total Housing Starts, % of 2005 Level

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<td><strong>South</strong></td>
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#### Top 5 States:

- **Georgia**: 16% 16% 17% 33% 60% 73% 82% 86% 38.1%
- **Nevada**: 18% 15% 15% 25% 46% 59% 68% 73% 37.5%
- **Arizona**: 17% 14% 15% 26% 45% 57% 67% 71% 35.8%
- **Florida**: 12% 14% 16% 25% 42% 53% 61% 68% 33.5%
- **Oregon**: 25% 24% 24% 37% 67% 83% 92% 94% 31.6%
## Housing Starts: Fastest and Slowest Growing Top 100 Metro Areas

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Home Prices: Return-To-Peak?

Prices of Existing Single Family Homes

- 2012 - 2013
- 2014 - 2015
- 2016 - 2018
- Next Decade
Bottom Line

• 2010 marked the beginning of recovery for most states

• Temporary headwinds have led to deceleration in recent months, but we do not expect a double-dip recession

• Recovery will strengthen in coming quarters, but states still have a long way to go

• Unemployment rates will remain elevated over the medium-term
The New Normal? : Household Formation
The New Normal? : Migration

![Migration Graph]

- Georgia
- South
The New Normal? : Unemployment

![Graph showing unemployment rates for Georgia and South from 2000 to 2030.](image)
The New Normal? : Retail Sales
Thank you!

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