

# The Regional Recovery: Where and When?

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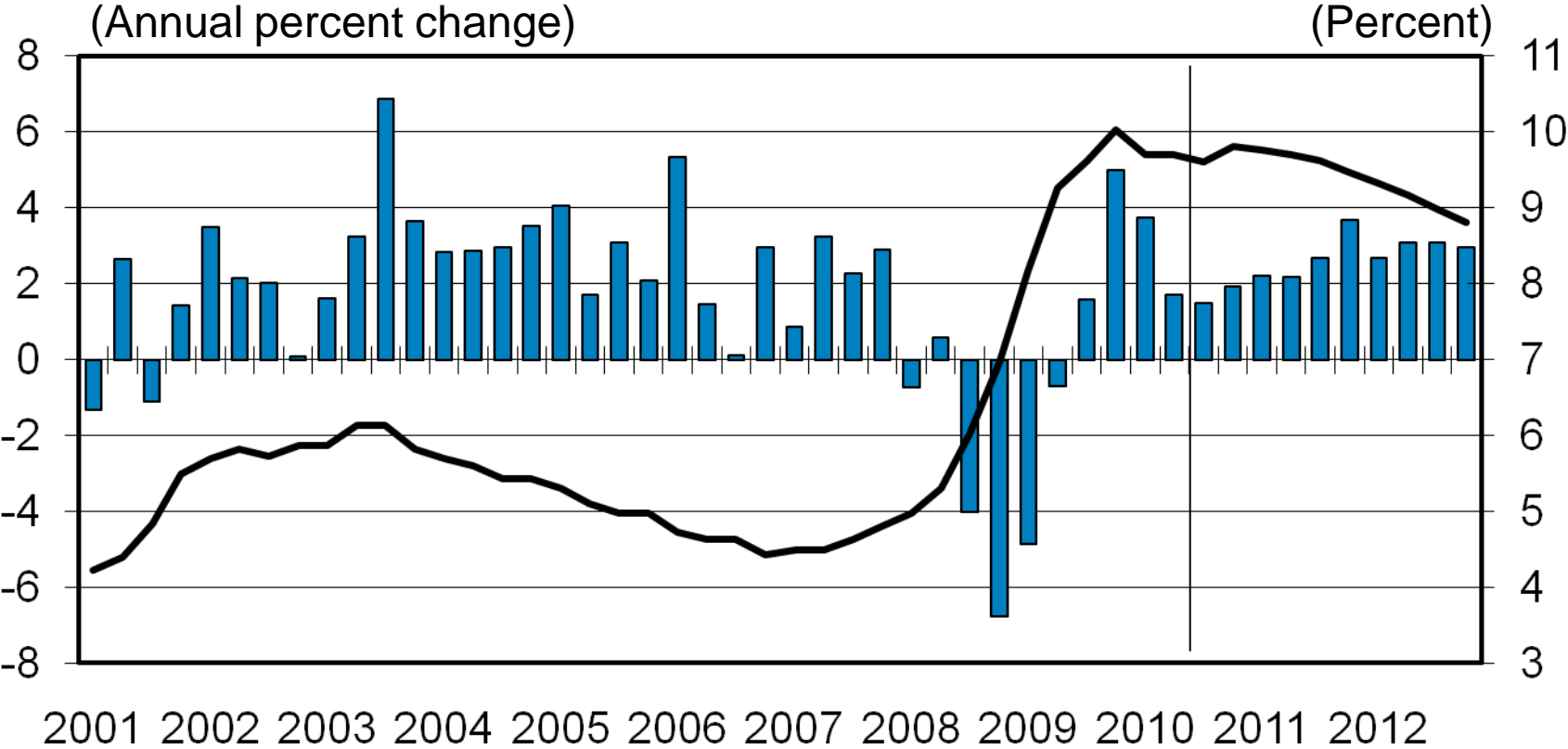


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INSIGHT

# 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 re-building 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

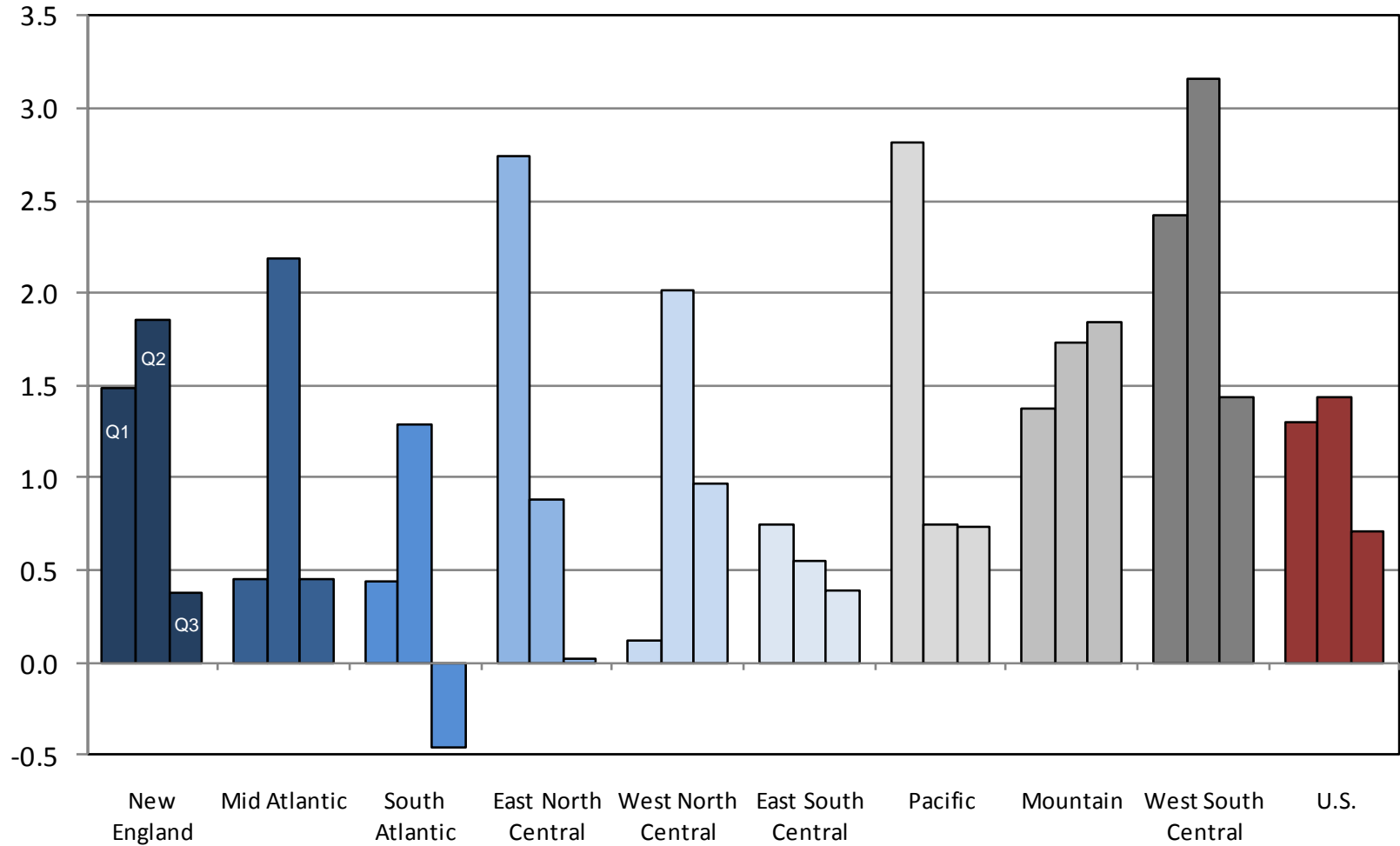


■ Real GDP Growth (Left scale)    — Unemployment Rate (Right scale)

# Widespread regional deceleration

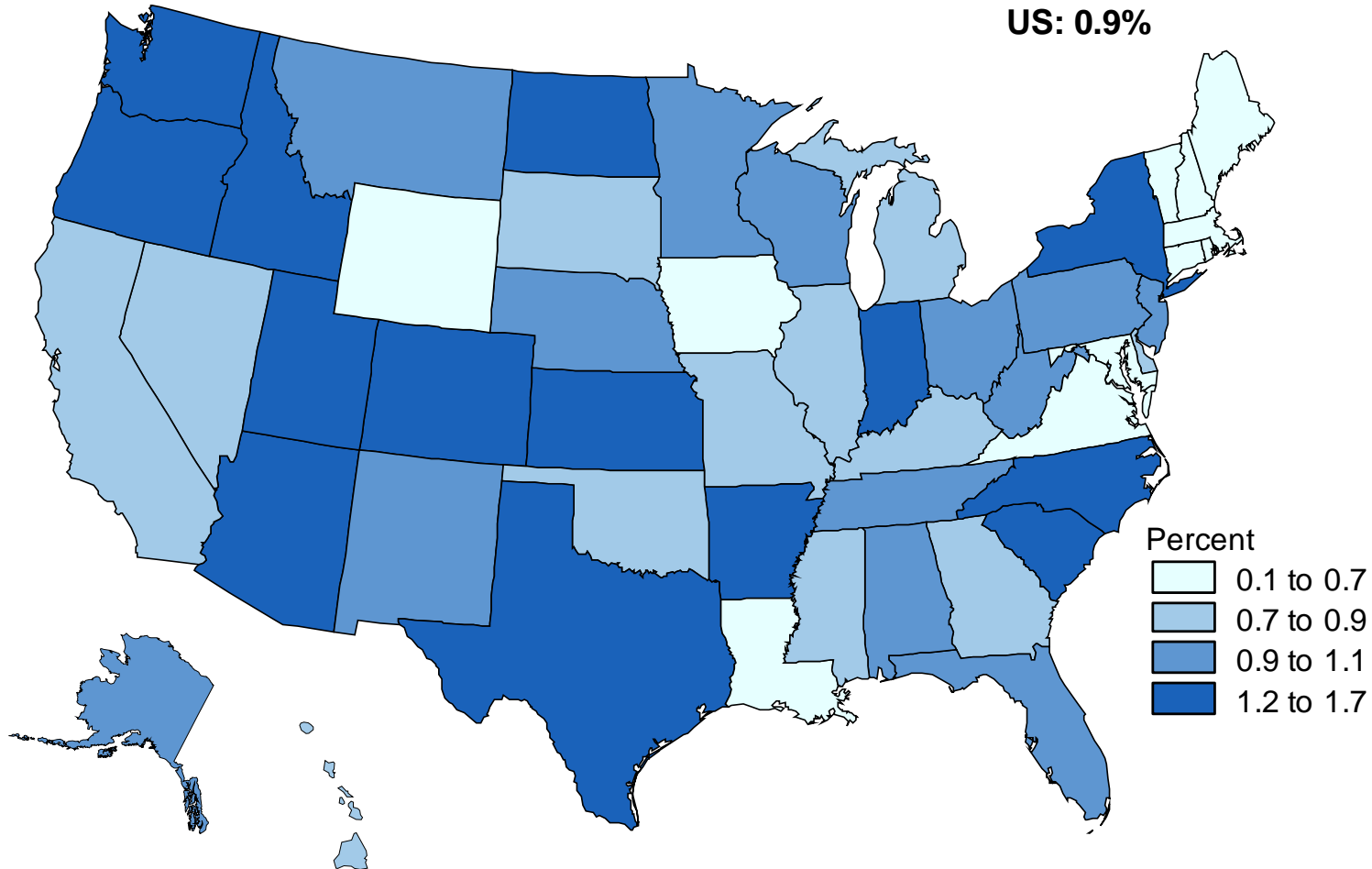
## Employment Growth by Region: 2011 Q1, Q2, Q3

Quarter-on-quarter % Change, Annual Rate

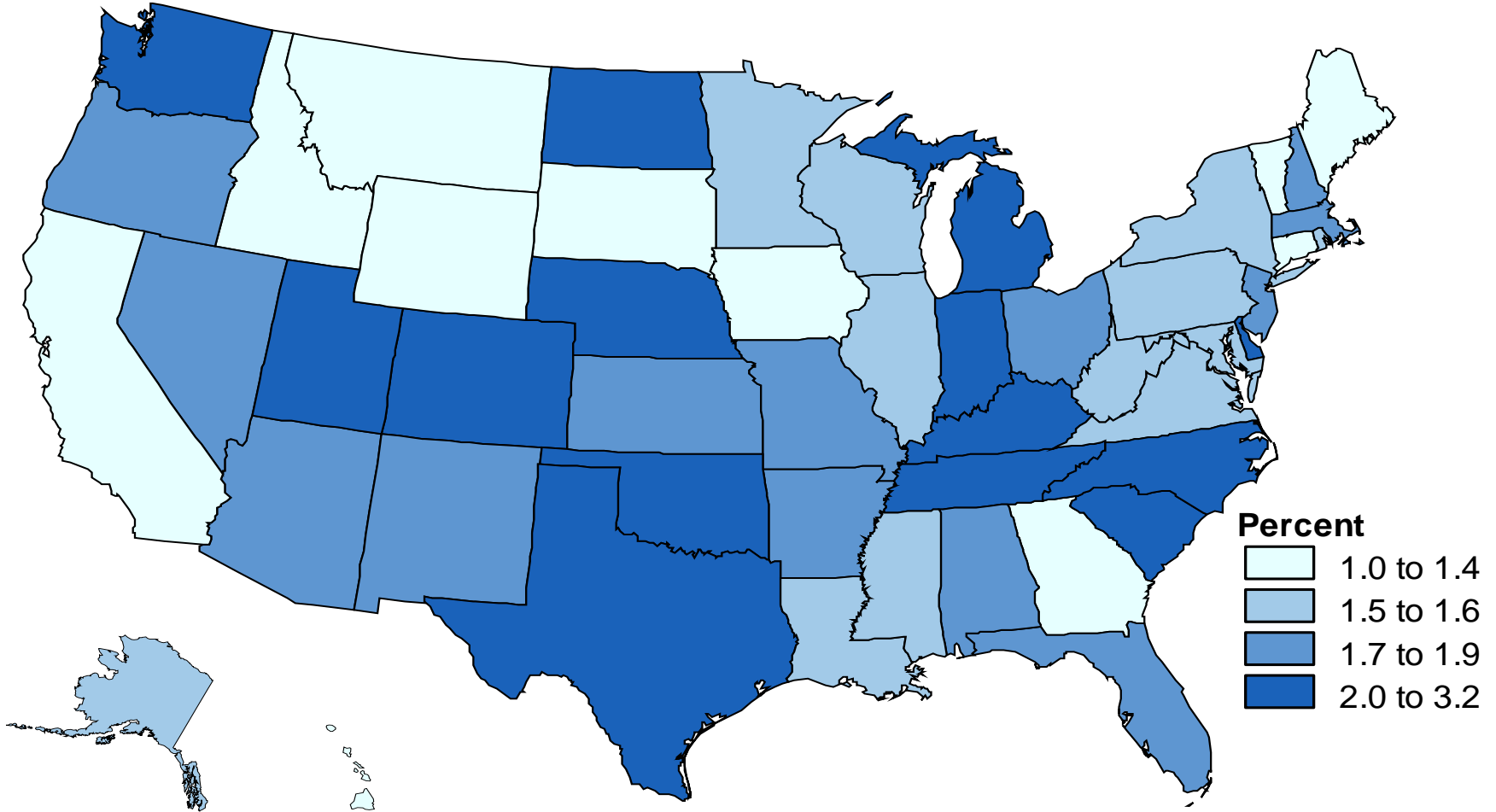


# Slow Recovery Continues in 2012

Employment Growth 2012Q4, year-over-year %



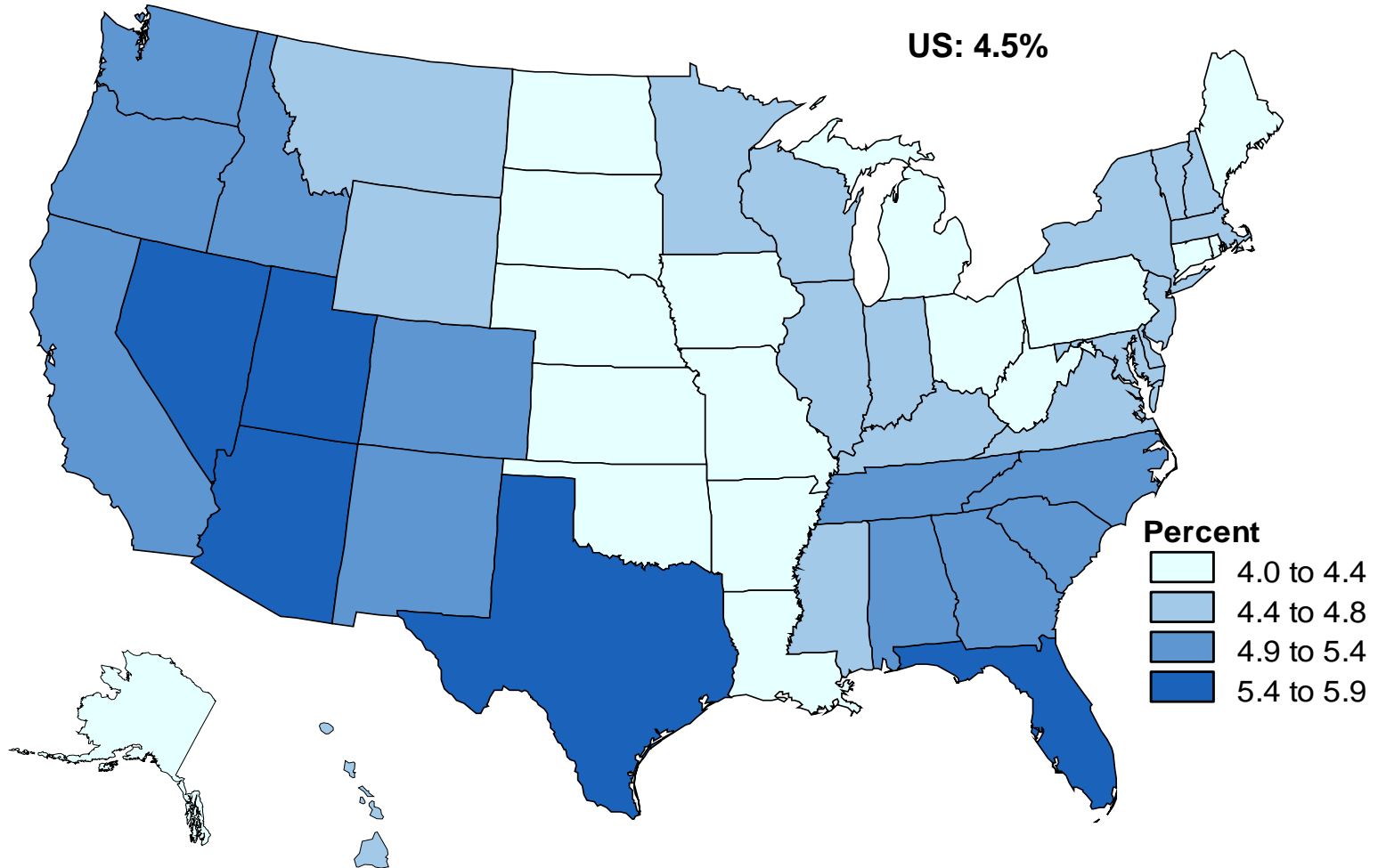
# Real GDP by State, 2012 Growth





# Medium-term performance: Income

Personal Income Growth 2011-2016, % annual rate





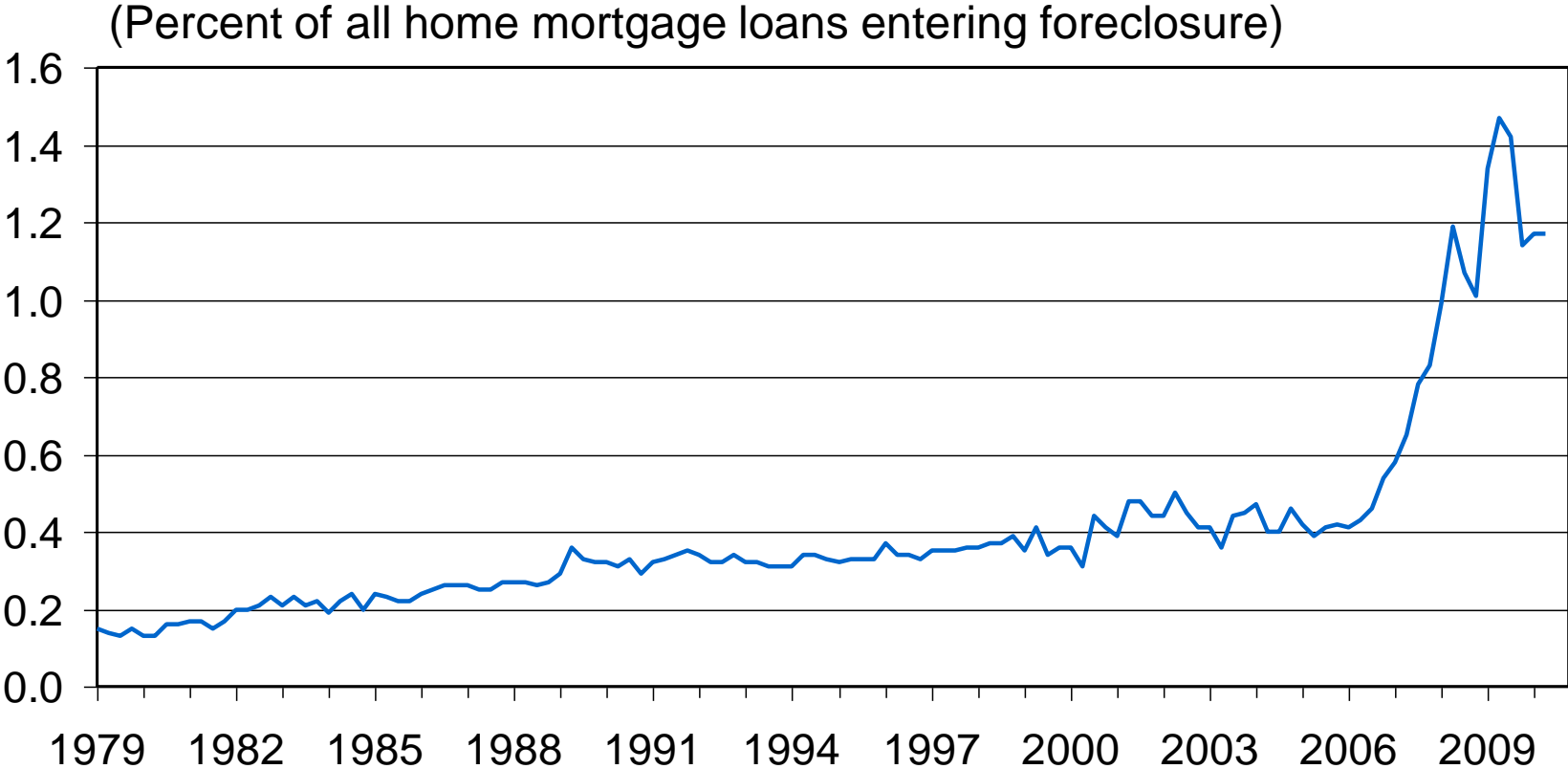




# Housing: More Negatives than Positives

- 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

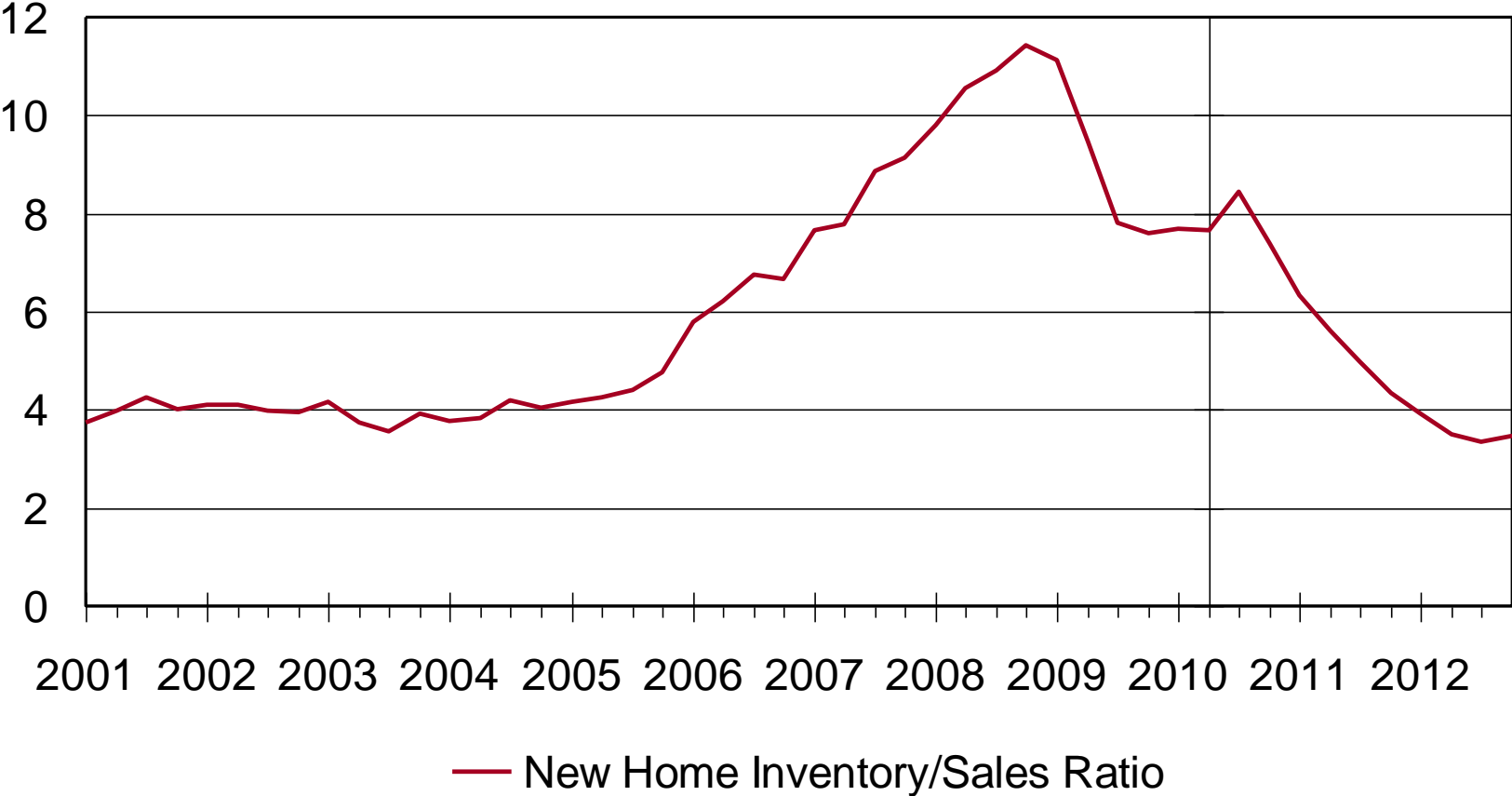
# Has the Foreclosure Rate Peaked?



Source: Mortgage Bankers Association

# Inventory Overhang Has Peaked

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



# Housing Starts: Will Pick Up Steam in 2012

## Total Housing Starts, % of 2005 Level

	2009	2010	2011	2012	2013	2014	2015	2016	Avg. Annual Growth 2011-2016
US	27%	28%	29%	40%	63%	75%	82%	86%	24.6%
South	28%	30%	31%	42%	65%	77%	85%	89%	23.6%
West	22%	23%	24%	37%	64%	79%	87%	90%	30.1%
North Central	27%	27%	26%	36%	54%	63%	69%	71%	22.1%
Northeast	32%	38%	34%	46%	71%	79%	85%	87%	20.4%
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

	2009	2010	2011	2012	2013	2014	2015	2016	Average Annual Growth 2011-2016
Riverside, CA	14%	13%	11%	19%	46%	61%	68%	75%	47.5%
Atlanta, GA	9%	10%	13%	29%	57%	73%	83%	89%	47.5%
Sacramento, CA	16%	13%	13%	25%	58%	74%	81%	87%	46.3%
Miami, FL	9%	12%	19%	31%	54%	72%	87%	100%	39.9%
Phoenix, AZ	17%	13%	15%	27%	48%	60%	71%	75%	39.0%
San Francisco, CA	29%	31%	30%	50%	102%	134%	141%	142%	36.3%
Las Vegas, NV	19%	16%	16%	26%	47%	59%	68%	73%	35.9%
Memphis, TN	19%	21%	19%	37%	61%	75%	84%	87%	35.0%
Orlando, FL	14%	15%	18%	30%	51%	63%	71%	78%	33.9%
San Jose, CA	26%	43%	35%	53%	114%	137%	146%	148%	33.2%
Los Angeles, CA	26%	31%	52%	61%	81%	106%	113%	115%	17.2%
Virginia Beach, VA	40%	43%	41%	47%	62%	71%	82%	89%	16.9%
Houston, TX	45%	45%	48%	57%	81%	93%	100%	103%	16.4%
Detroit, MI	8%	17%	17%	17%	22%	26%	31%	36%	16.1%
Washington DC	32%	37%	46%	51%	67%	77%	90%	93%	15.2%
Columbus, OH	33%	37%	38%	46%	63%	71%	76%	76%	15.0%
Baltimore, MD	39%	51%	47%	46%	61%	71%	79%	90%	13.8%
Milwaukee, WI	30%	31%	43%	50%	63%	73%	77%	76%	12.4%
Buffalo, NY	48%	68%	44%	51%	73%	77%	78%	78%	12.3%
Pittsburgh, PA	56%	65%	55%	54%	78%	87%	91%	93%	11.4%

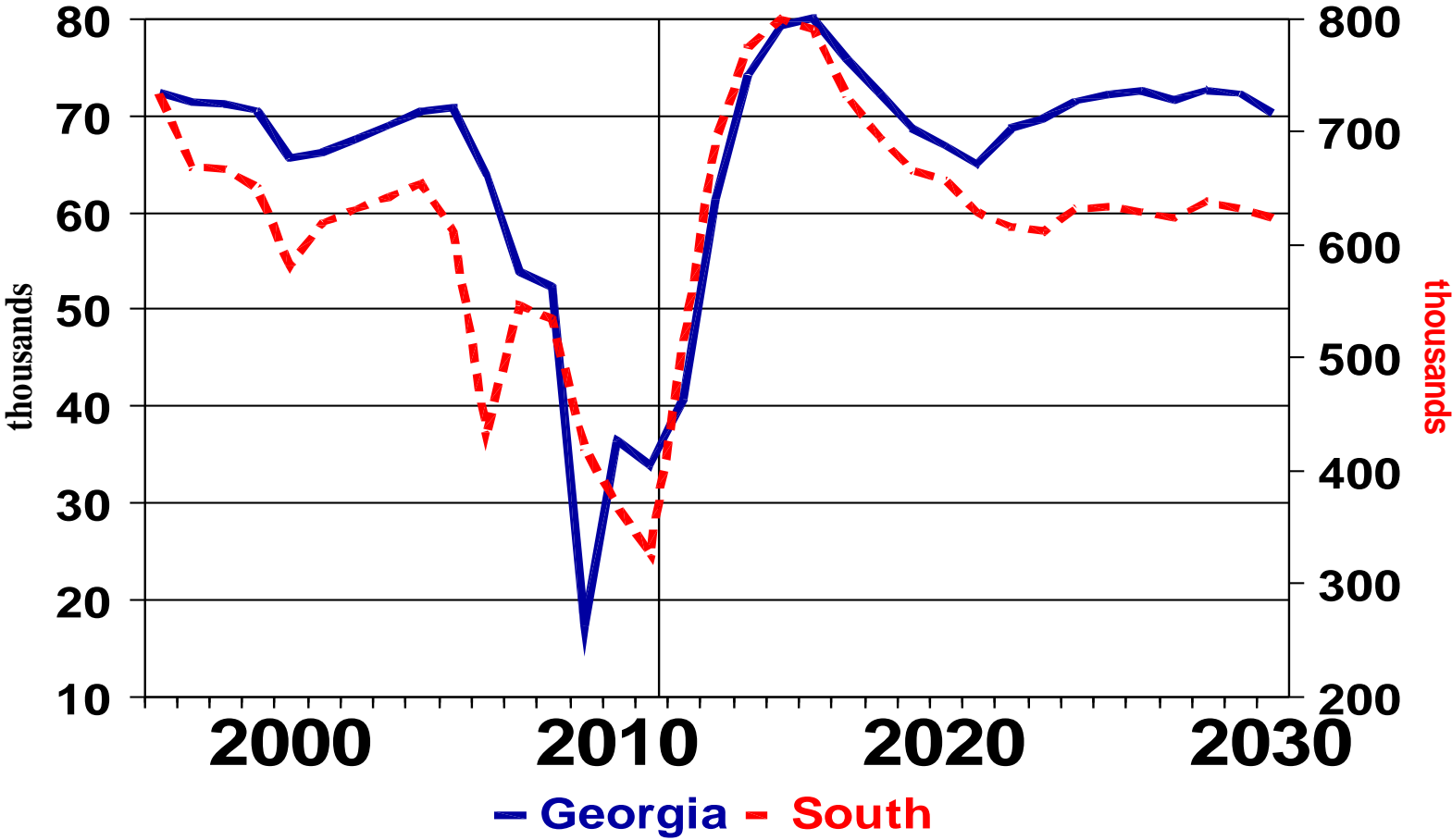




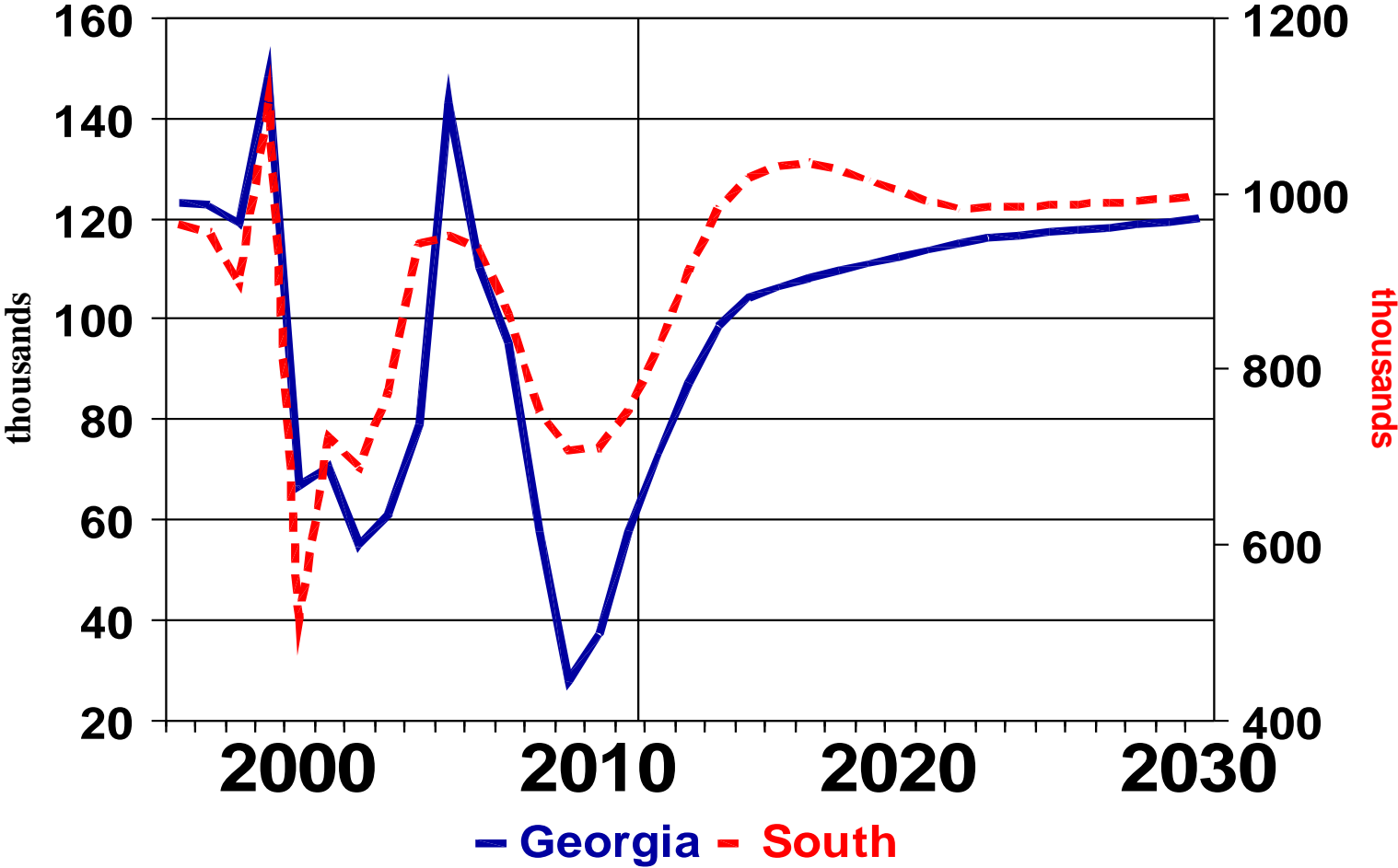
# Bottom Line

- 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

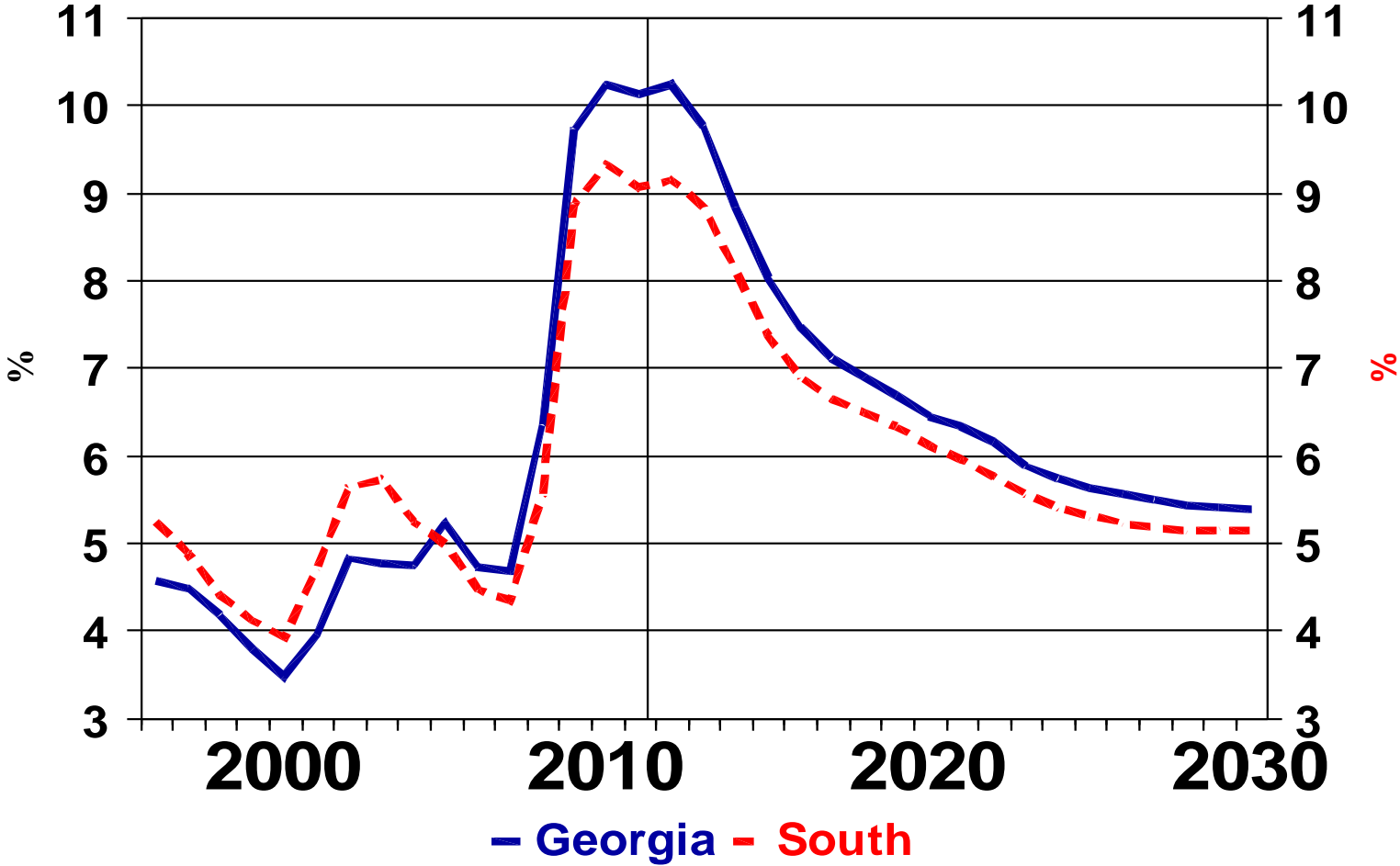
# The New Normal? : Household Formation



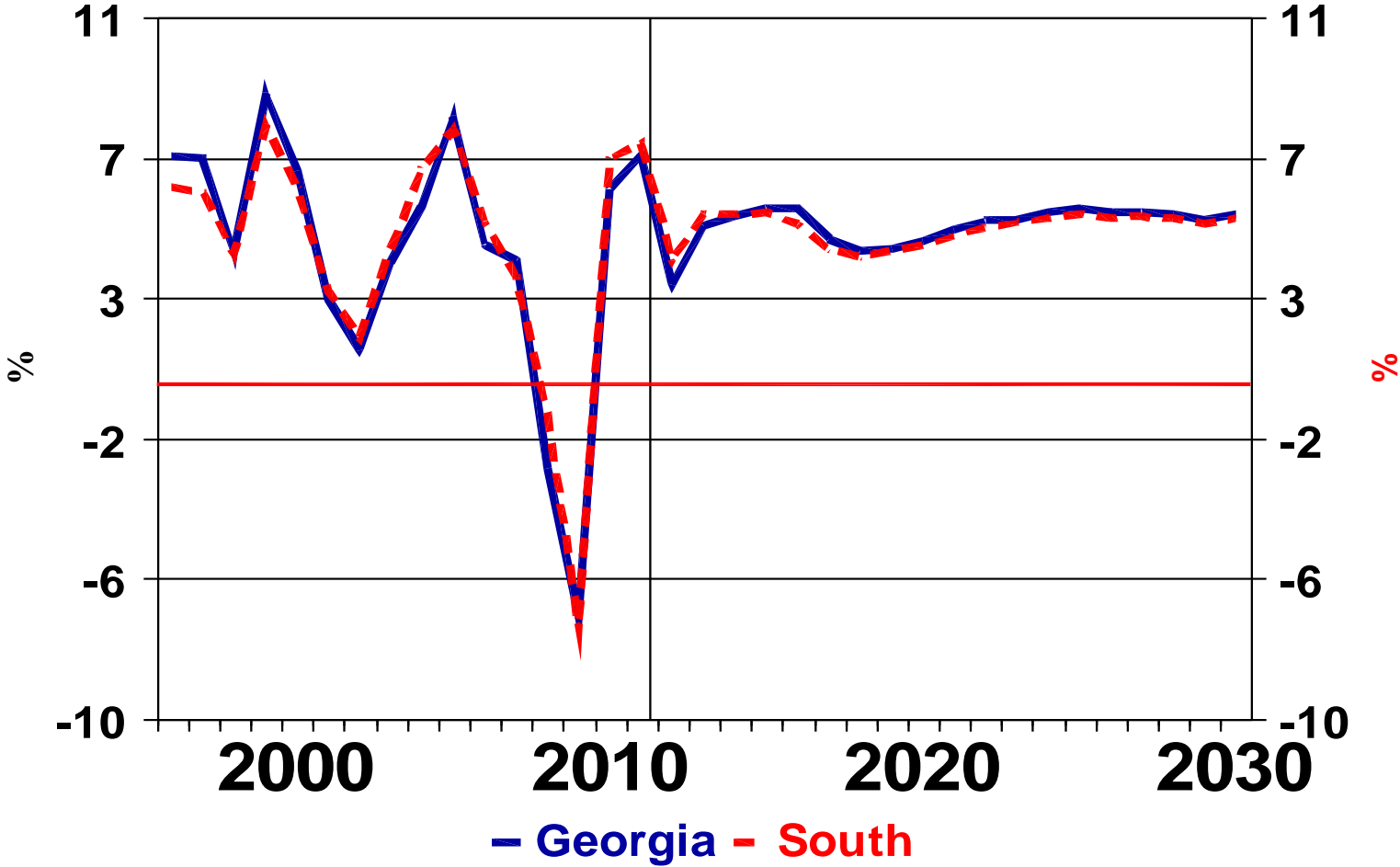
# The New Normal? : Migration



# The New Normal? : Unemployment



# The New Normal? : Retail Sales



# Thank you!

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