

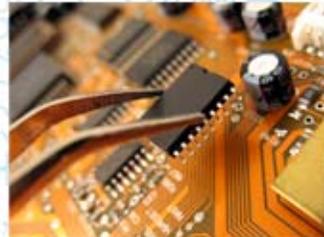


RECOVERY AMID GLOBAL TURMOIL

DR. RAJEEV DHAWAN
DIRECTOR

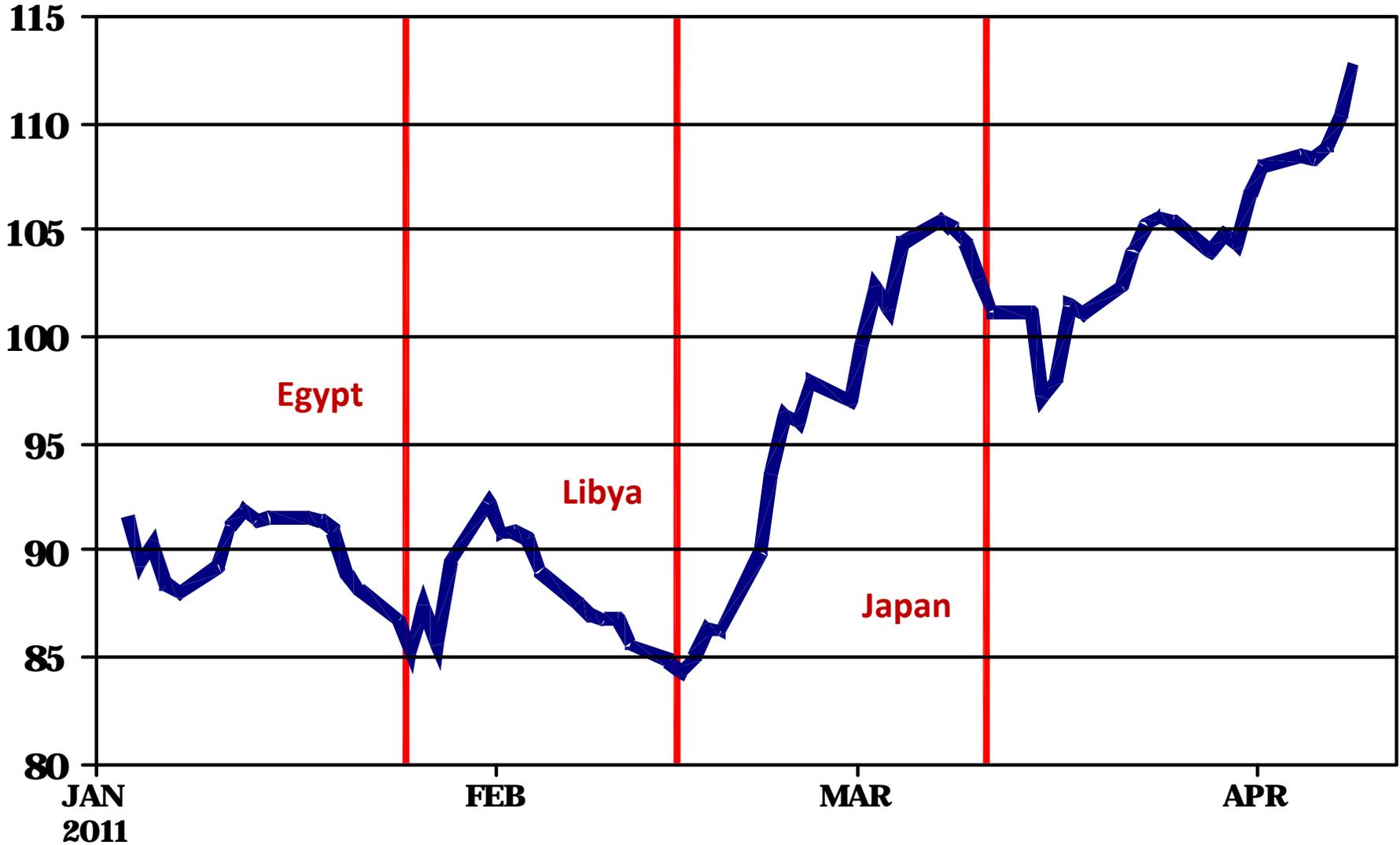
Presented at the USDOL Conference in Atlanta • April 27, 2011

Economic Forecasting Center



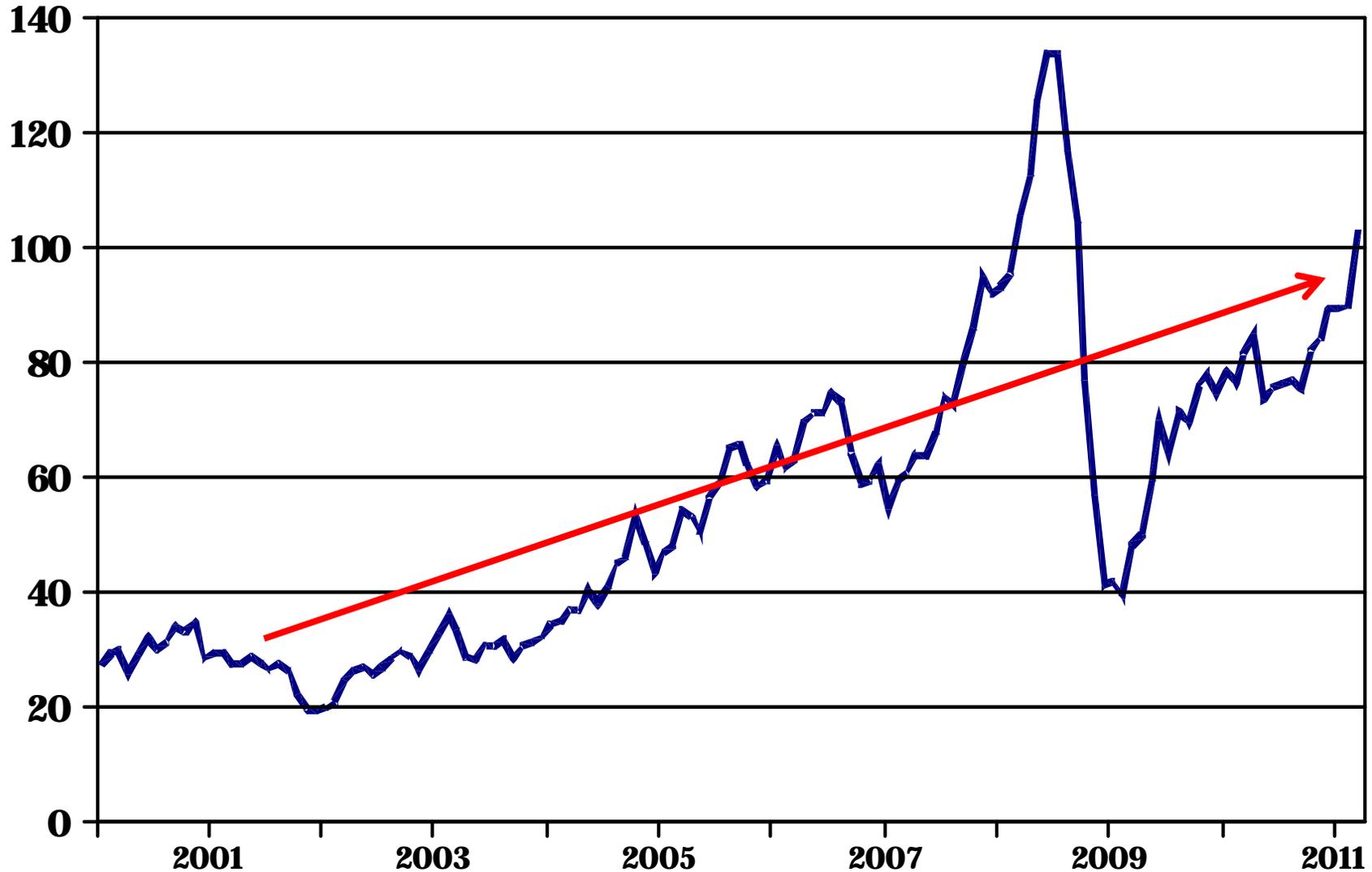
Crude Oil

(\$/bbl)

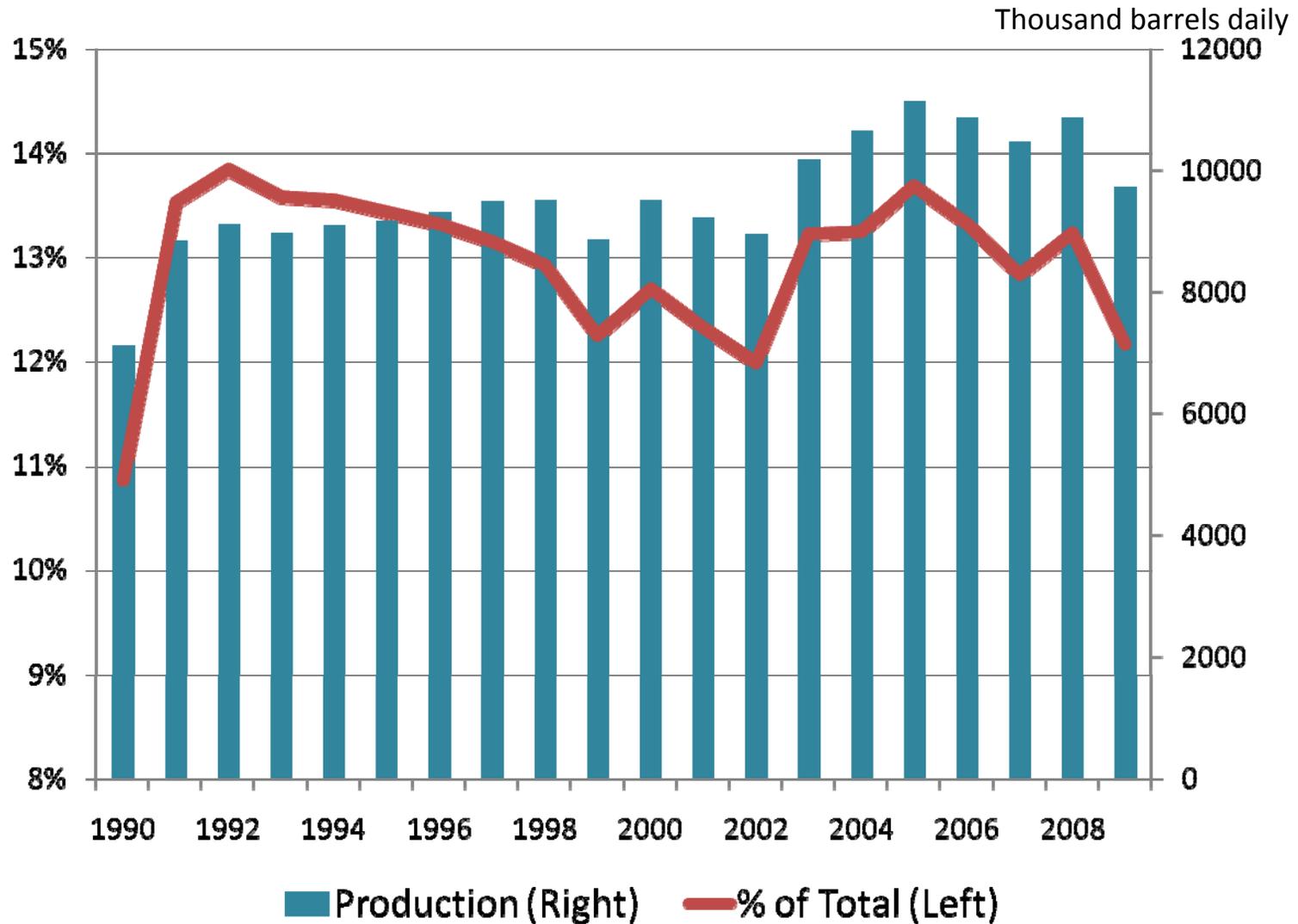


Crude Oil

(\$/bbl)



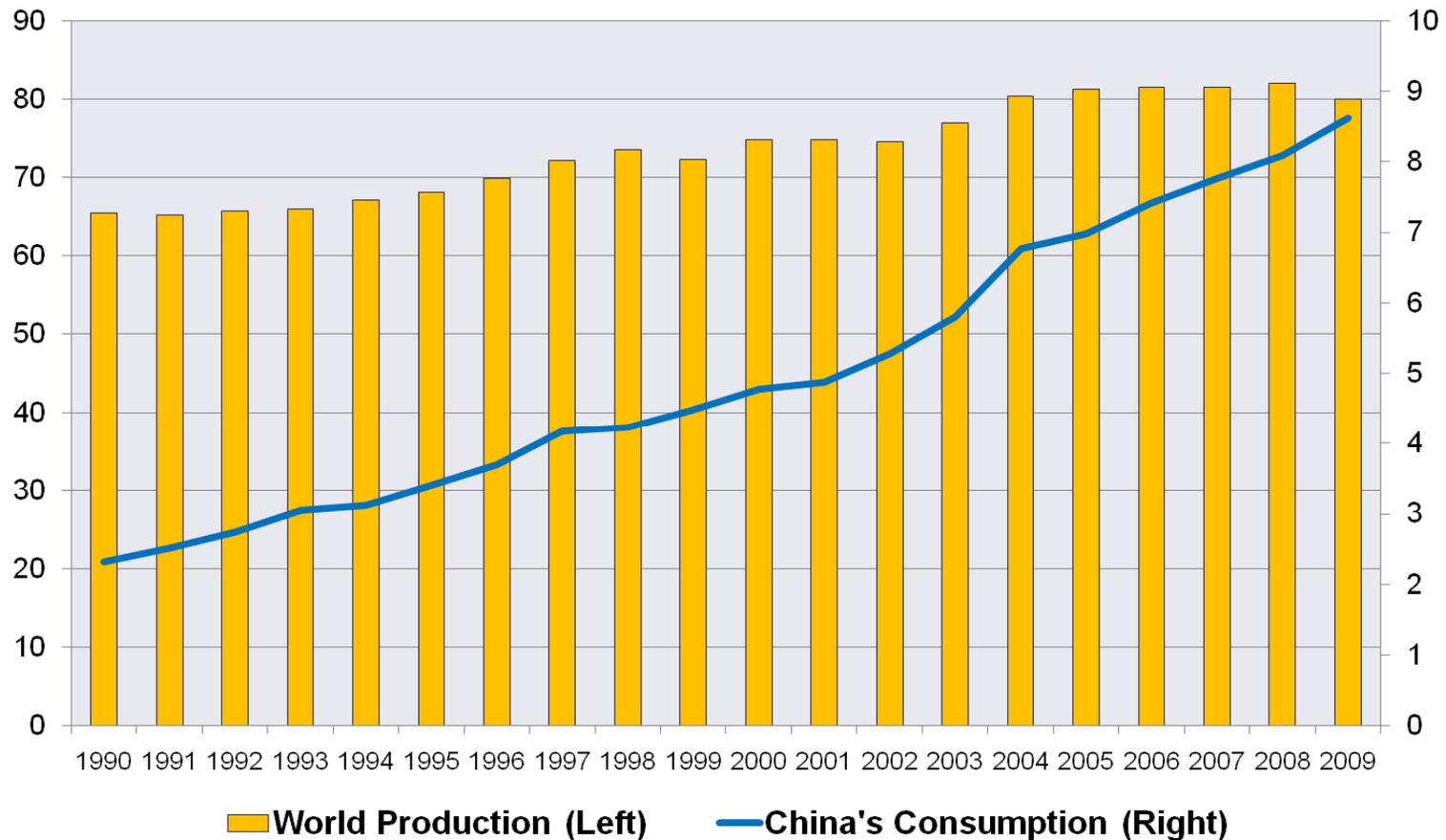
Saudi Arabia's Share in Global Oil Supply



China's Growing Appetite for Oil

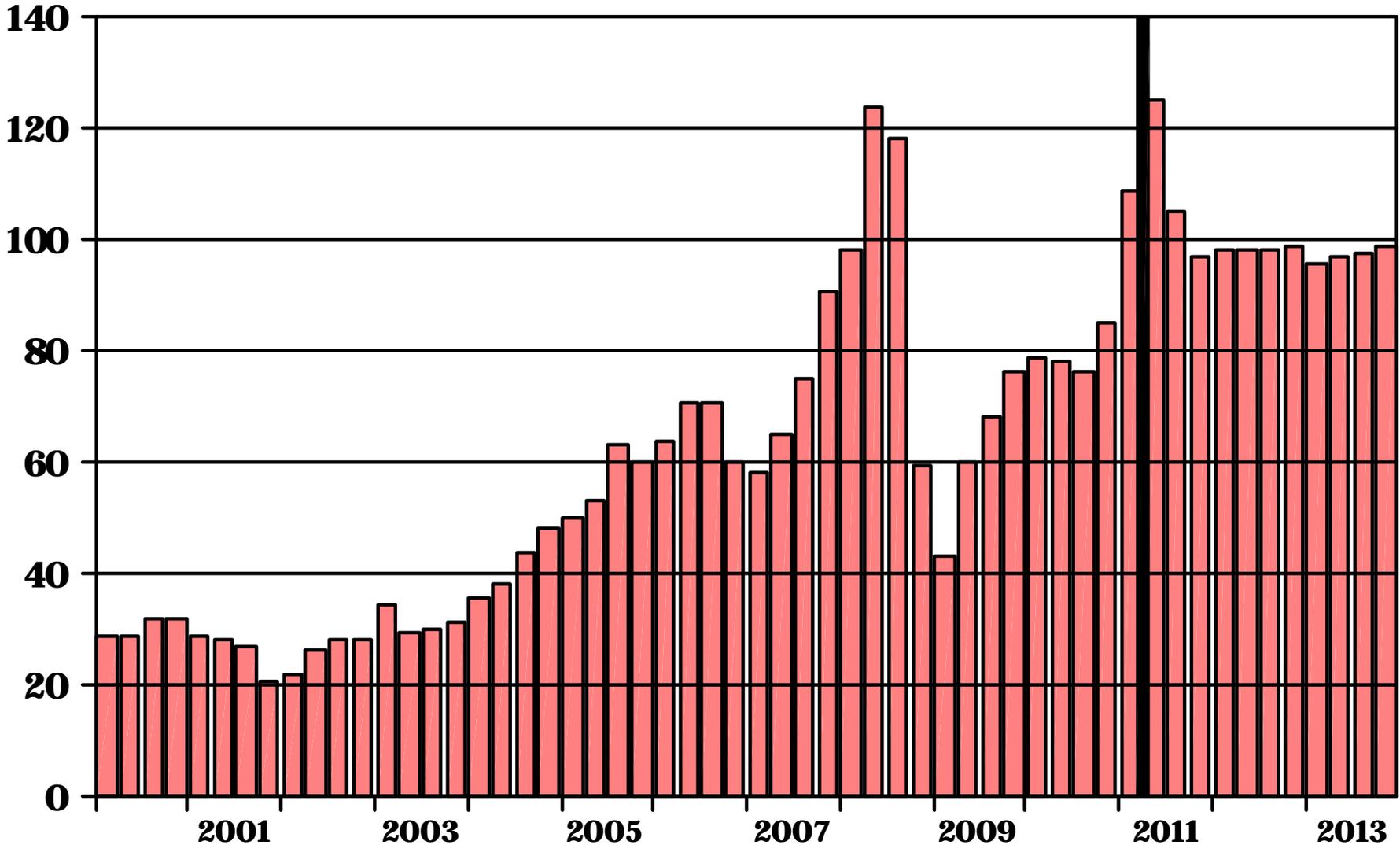
Million barrels daily

Million barrels daily



Crude Oil Price Forecast

(\$/Bbl)

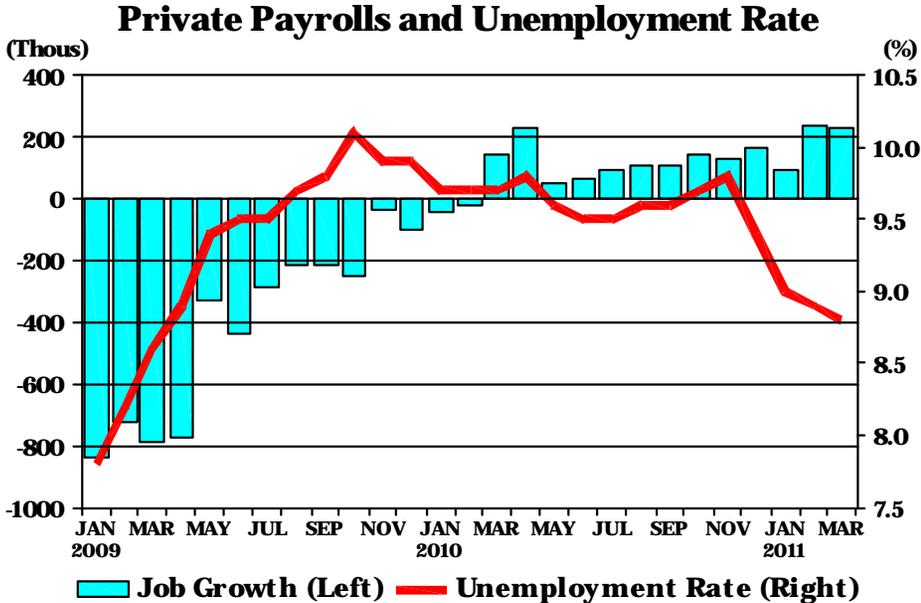
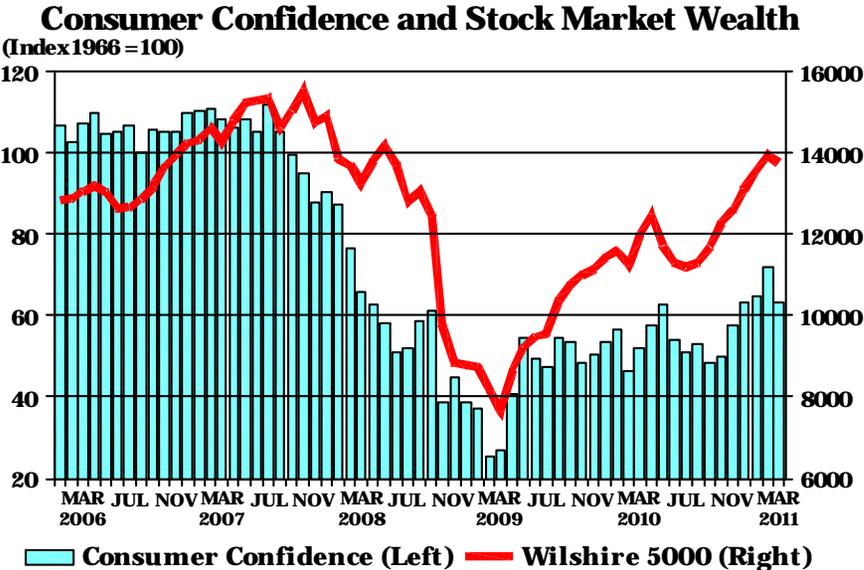


Three Stages of Oil Price Impact

1. Consumers fund extra spending on oil from either cutting back on discretionary items or by dipping into assets (reducing savings) as happened in 1st half of 2008.
2. Once profit margins get impacted substantially businesses choose to pass along the cost, period. This affects consumer confidence and causes a sharp deceleration in growth for a few quarters, but no recession.
3. Business confidence suffers, leading to a drop in capital spending or investment (1970's oil shocks, 1990 Saddam invading Kuwait). The severity of the recession depends upon how "aggressive" the Fed is with its rate hikes in dealing with the rise in oil price as in 1973 or was already on a tightening bend as in 1989-90.

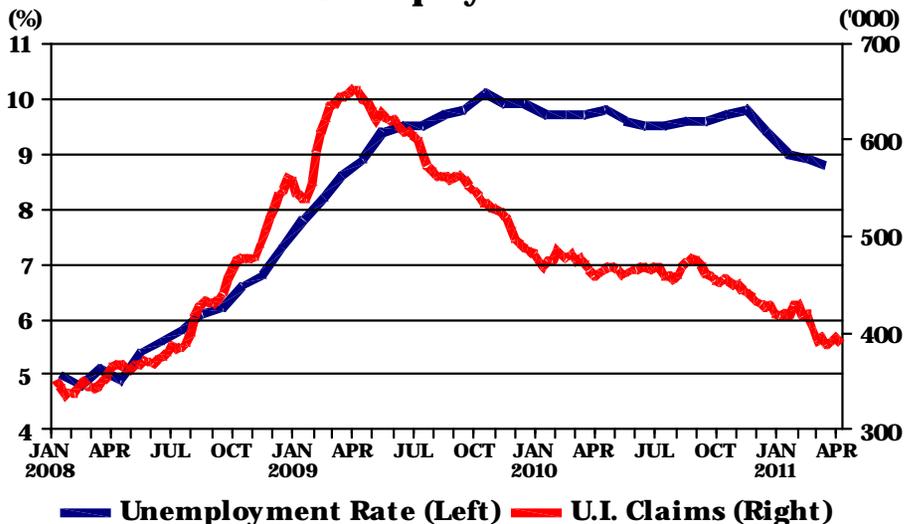


Current State of the Economy

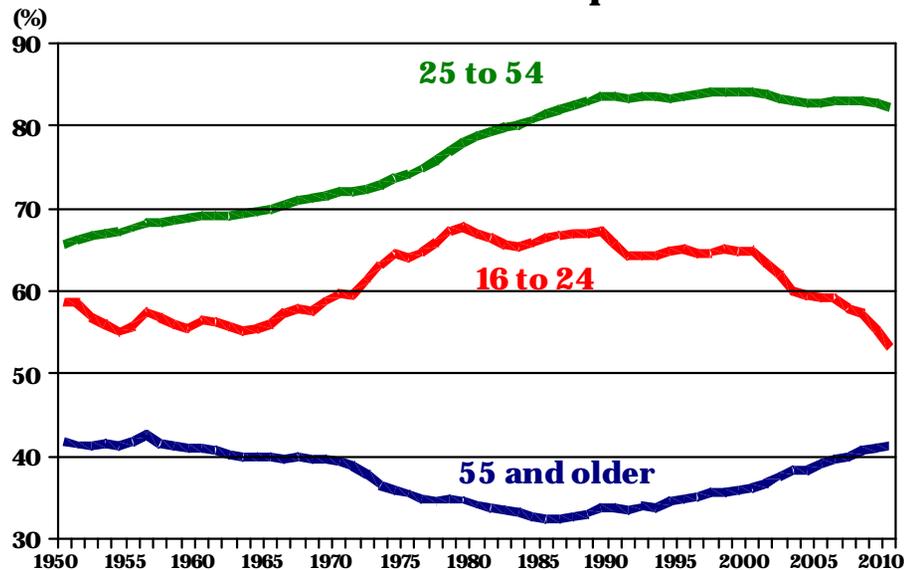


Why is the Unemployment Rate Falling?

Unemployment Insurance Claims and Unemployment Rate



U.S. Labor-Force Participation Rate



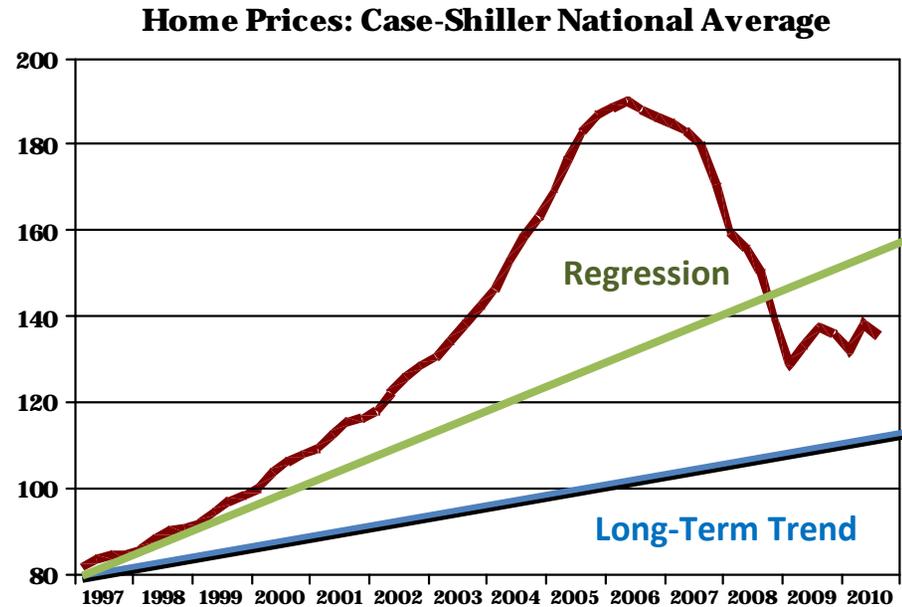
Forecast Perspective

	2008	2009	2010	2011	2012	2013
Real GDP	0.0	-2.6	2.9	2.3	2.6	3.0
Job Growth (Mil.)	-0.809	-5.989	-0.969	1.243	1.446	1.643
Consumption	-0.3	-1.2	1.8	2.3	2.2	2.4
Auto Sales (Mil.)	13.2	10.4	11.5	12.4	12.7	13.9
Housing Starts (Mil.)	0.900	0.554	0.586	0.475	0.595	0.699
Bus. Fixed Investment	0.3	-17.1	5.5	7.0	7.0	7.9
Fed. Gov.	7.3	5.7	4.8	0.4	-1.4	-2.0
S&L Gov.	0.3	-0.9	-1.3	-0.3	-0.8	1.2
Exports	6.0	-9.5	11.7	7.8	8.0	8.4
Inflation (CPI)	3.8	-0.3	1.6	2.8	1.5	1.8
10-Year Bond Rate	3.7	3.3	3.2	3.9	4.7	5.0



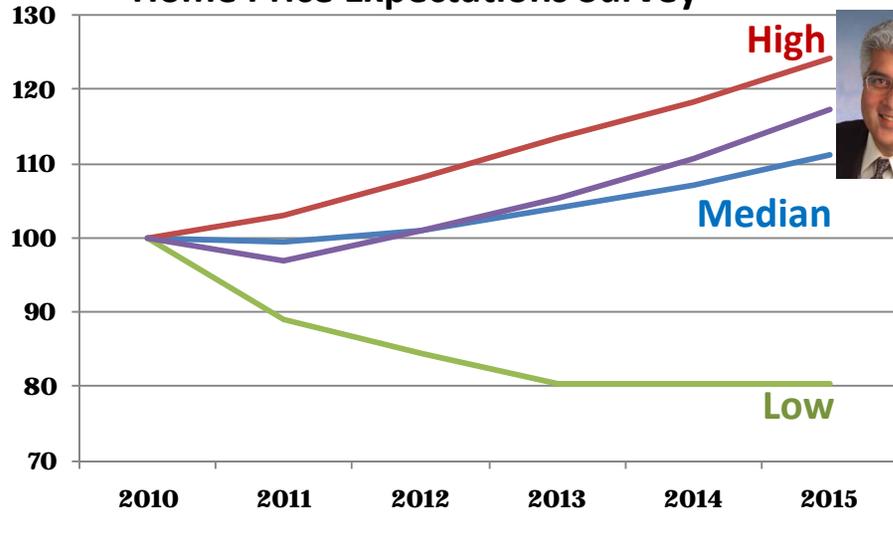
Case-Shiller Home Price Index

MSA	% from Jan'10	Since 2007
Atlanta	-7.0%	-25.4%
Boston	-0.6%	-9.6%
Charlotte	-4.8%	-13.9%
Chicago	-7.5%	-31.0%
Dallas	-2.8%	-7.0%
Las Vegas	-4.4%	-57.0%
L.A.	-1.8%	-36.8%
Miami	-4.7%	-49.4%
New York	-3.0%	-21.8%
San Diego	0.1%	-33.8%
Washington	3.6%	-23.1%
20 City Comp.	-3.1%	-30.4%



Home Price Expectations and Starts

Home Price Expectations Survey



New Residential Construction and New Home Sales

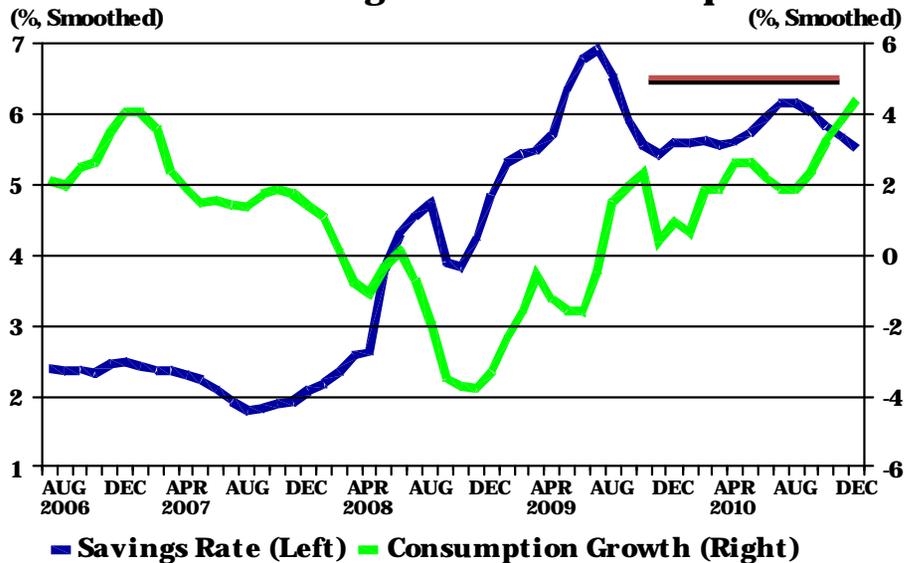


Source: MaroMarkets Home Price Expectations Survey, March'11

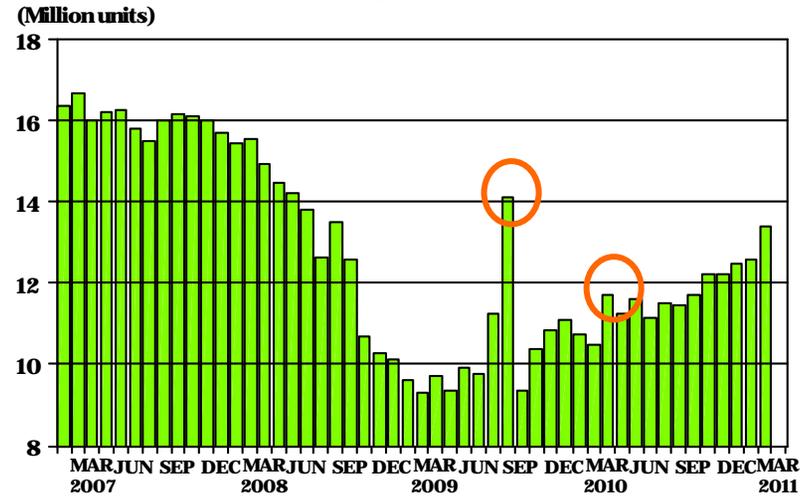


...Making Them Cautious Buyers

Personal Savings Rate and Consumption



Auto Sales



Red Flag Over China

They're on this treadmill to hell because 50% to 60% of GDP is construction. **And if they stop construction, you'll see GDP growth go negative quickly.**

Jim Chanos

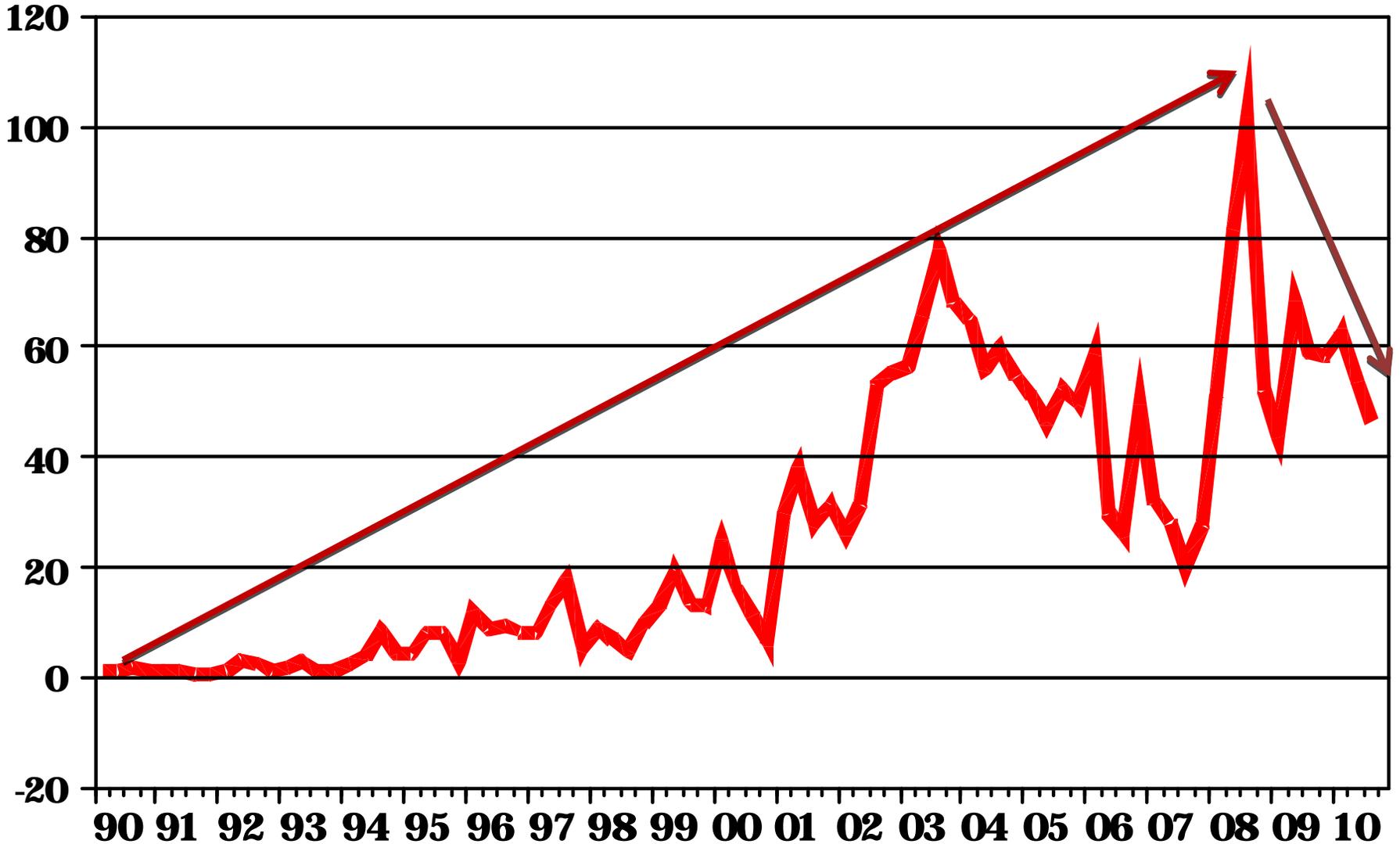
President, Kynikos Associates

Source: Business Week, April 19, 2010



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

(\$ Bil)



FOMC's December Statement



To promote a stronger pace of economic recovery and to help ensure that inflation, over time, is at levels consistent with its mandate.... The Committee.... **intends to purchase a further \$600 billion of longer-term Treasury securities** by the end of the second quarter of 2011.

The Desk plans to distribute these purchases across the following eight maturity sectors based on the approximate weights below:

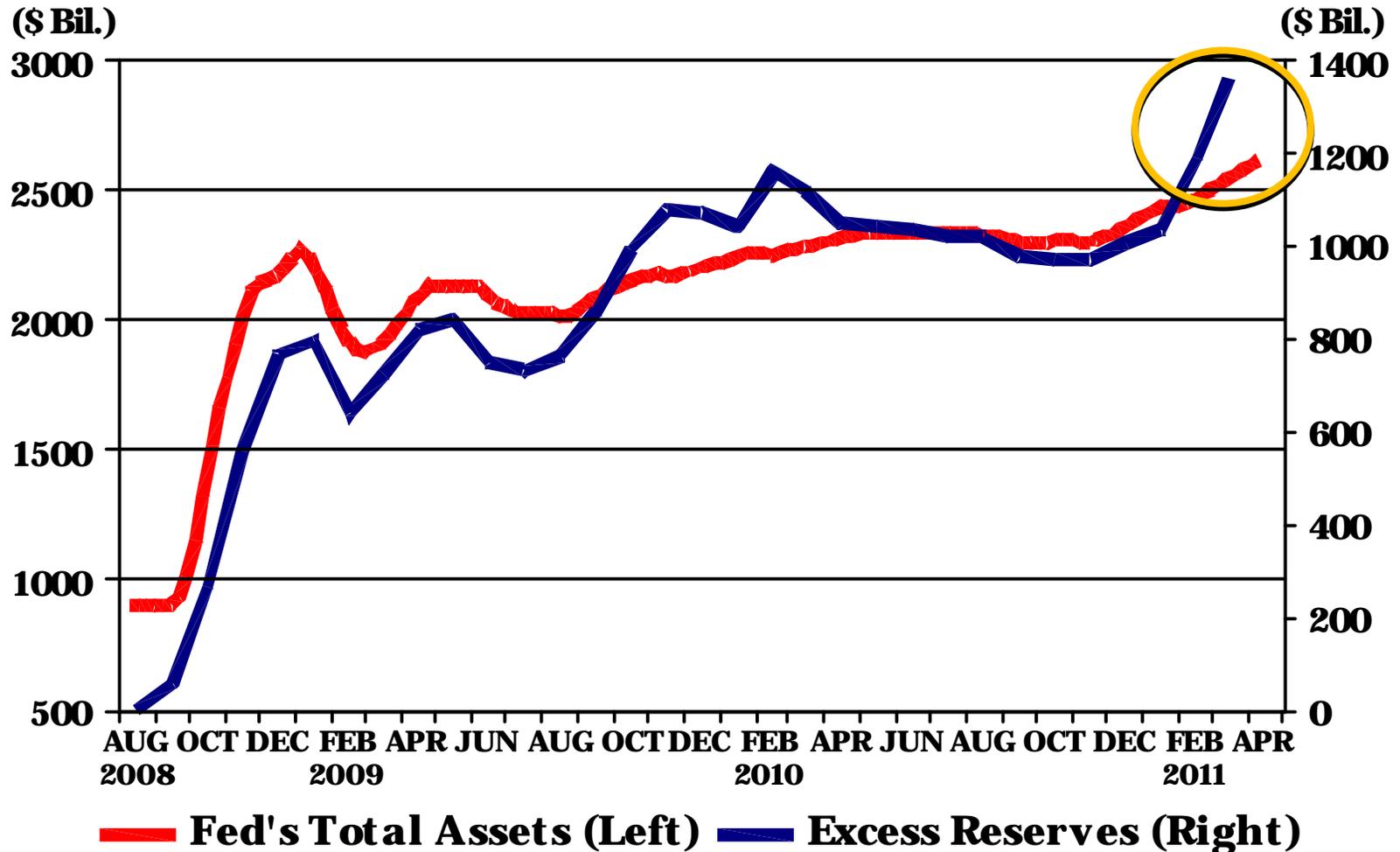
Nominal Coupon Securities by Maturity Range*							TIPS**
1½ -2½ Years	2½-4 Years	4-5½ Years	5½-7 Years	7-10 Years	10-17 Years	17-30 Years	1½-30 Years
5%	20%	20%	23%	23%	2%	4%	3%

Source: FOMC statement & FRB of NY, November 3, 2010

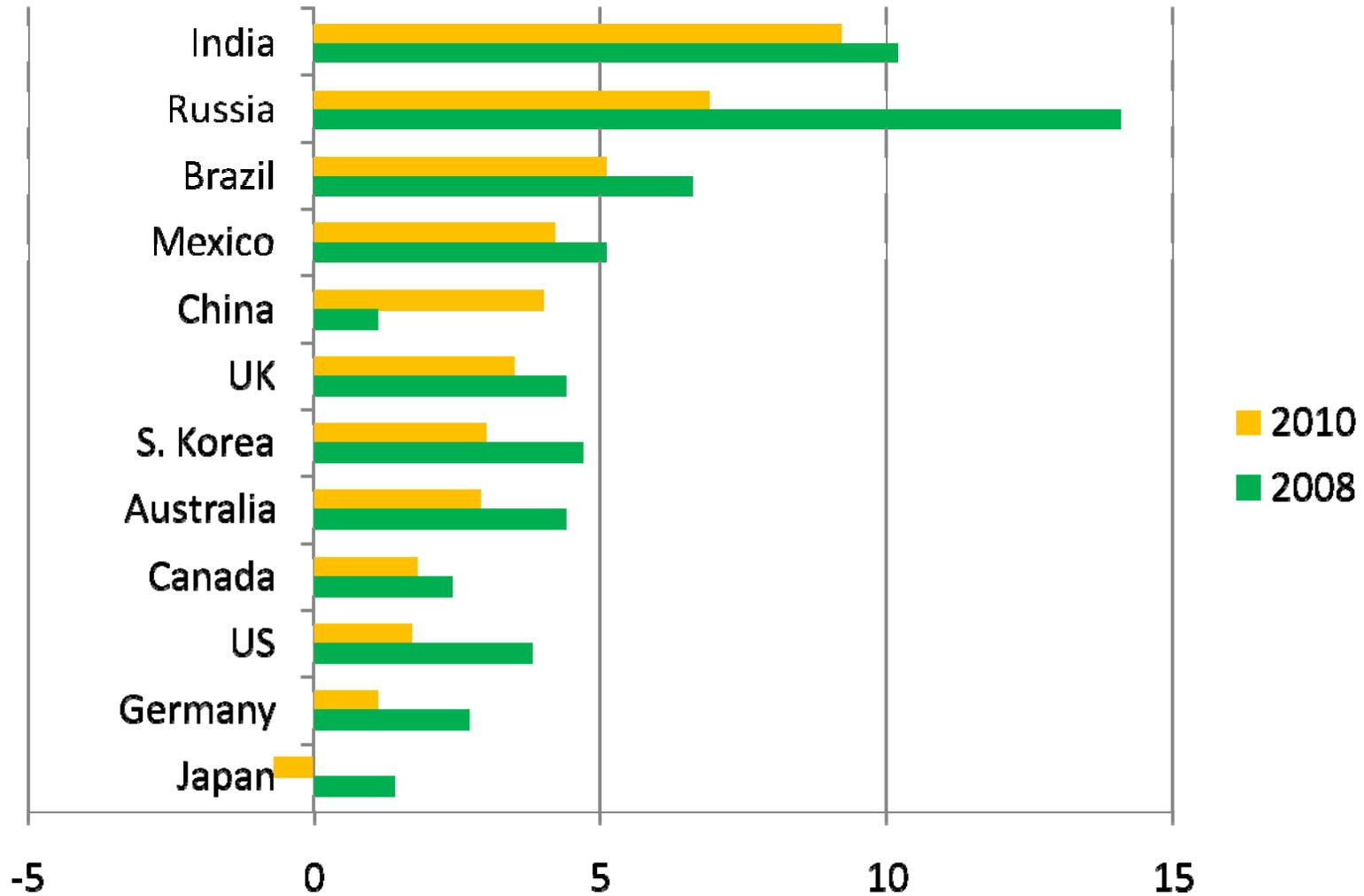


Quantitative Easing: The Second Round (QE2)

Fed's Balance Sheet and Excess Reserves

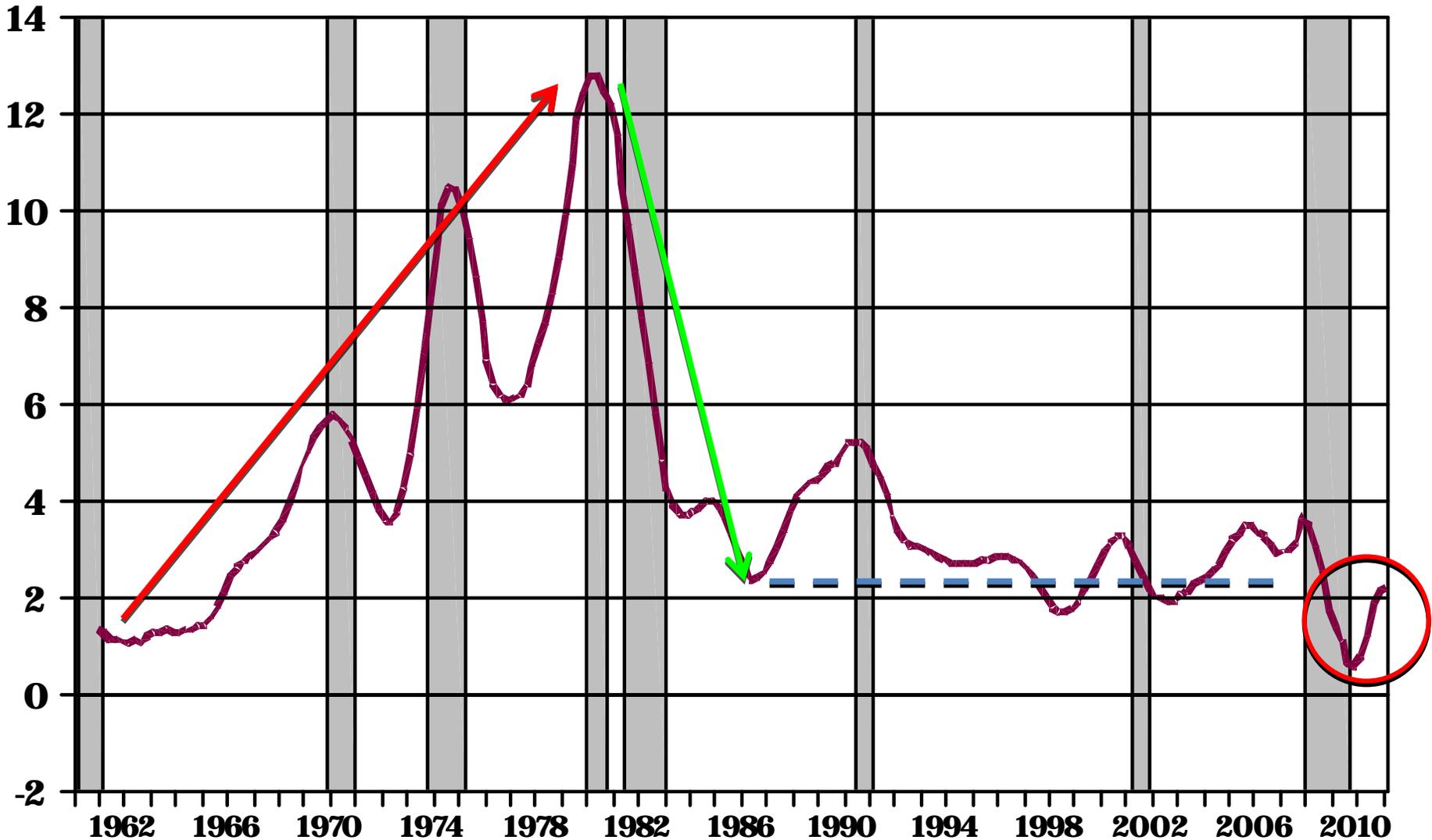


World Inflation



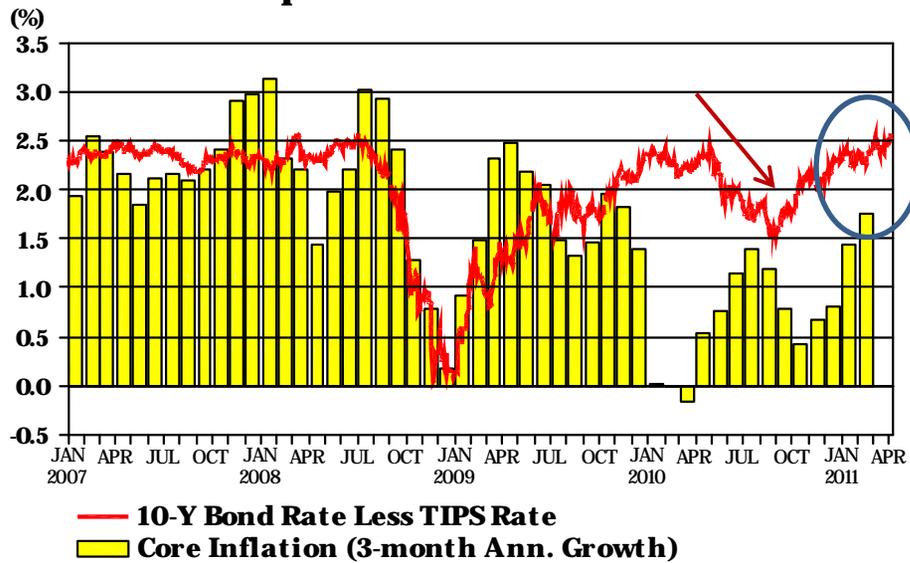
Consumer Price Index

(% ch. of centered 7-qr. mov. ave.)

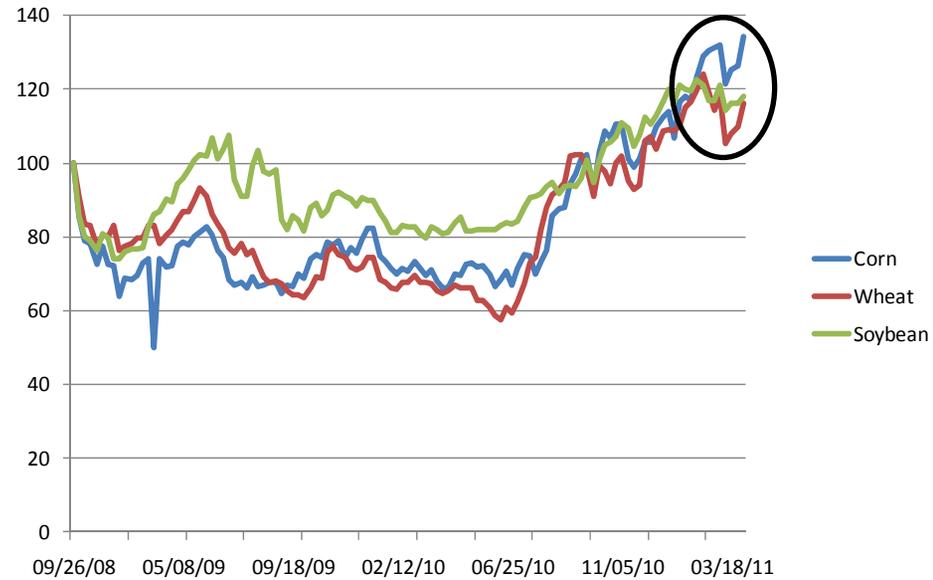


Inflation Worries?

Expected vs. Actual Inflation



Commodity Prices



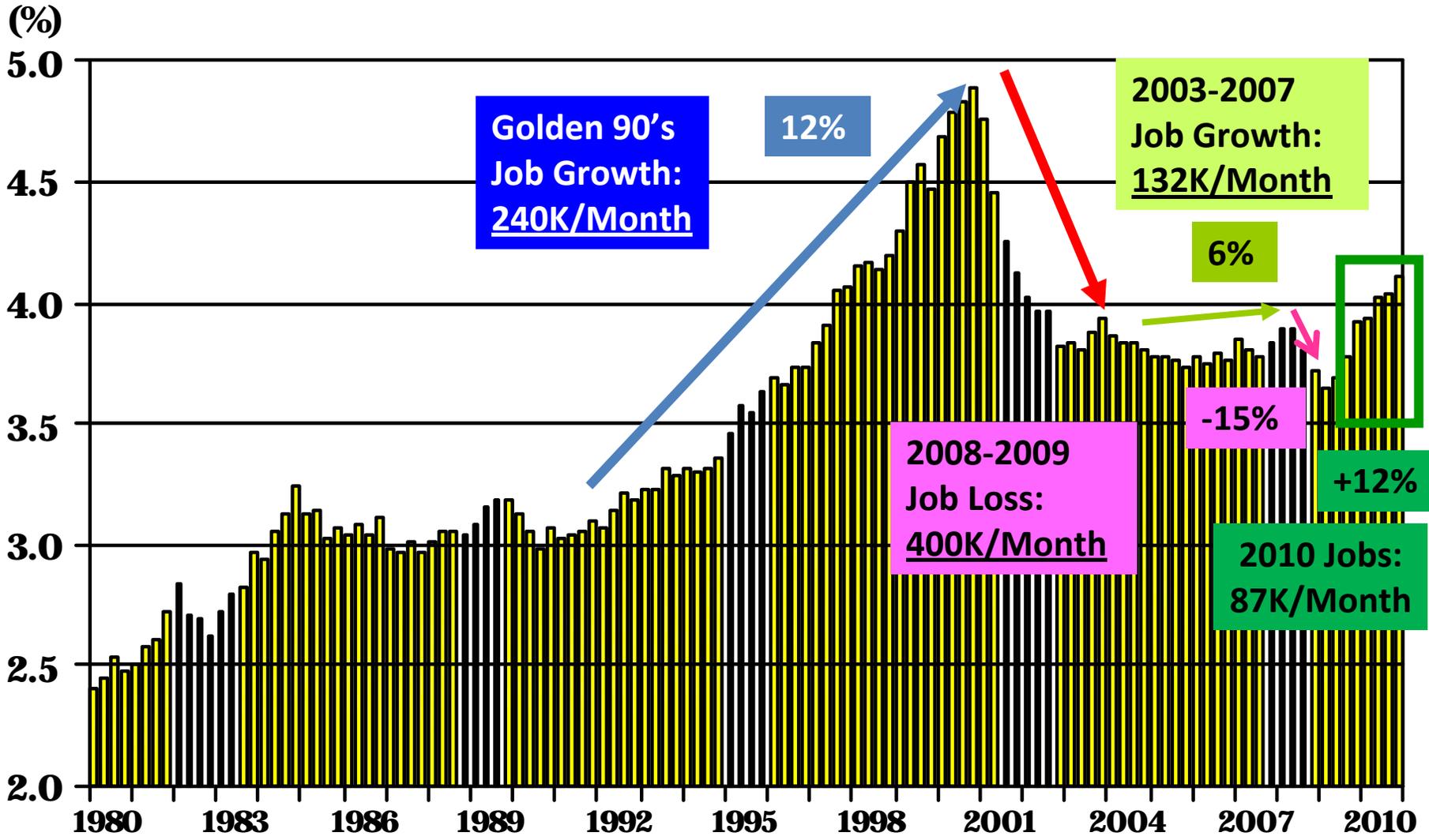


So What Creates Jobs?

Edward Hodler : Modul 8 :
Thema 2



Investment in Tech Equipment and Software as a % of GDP



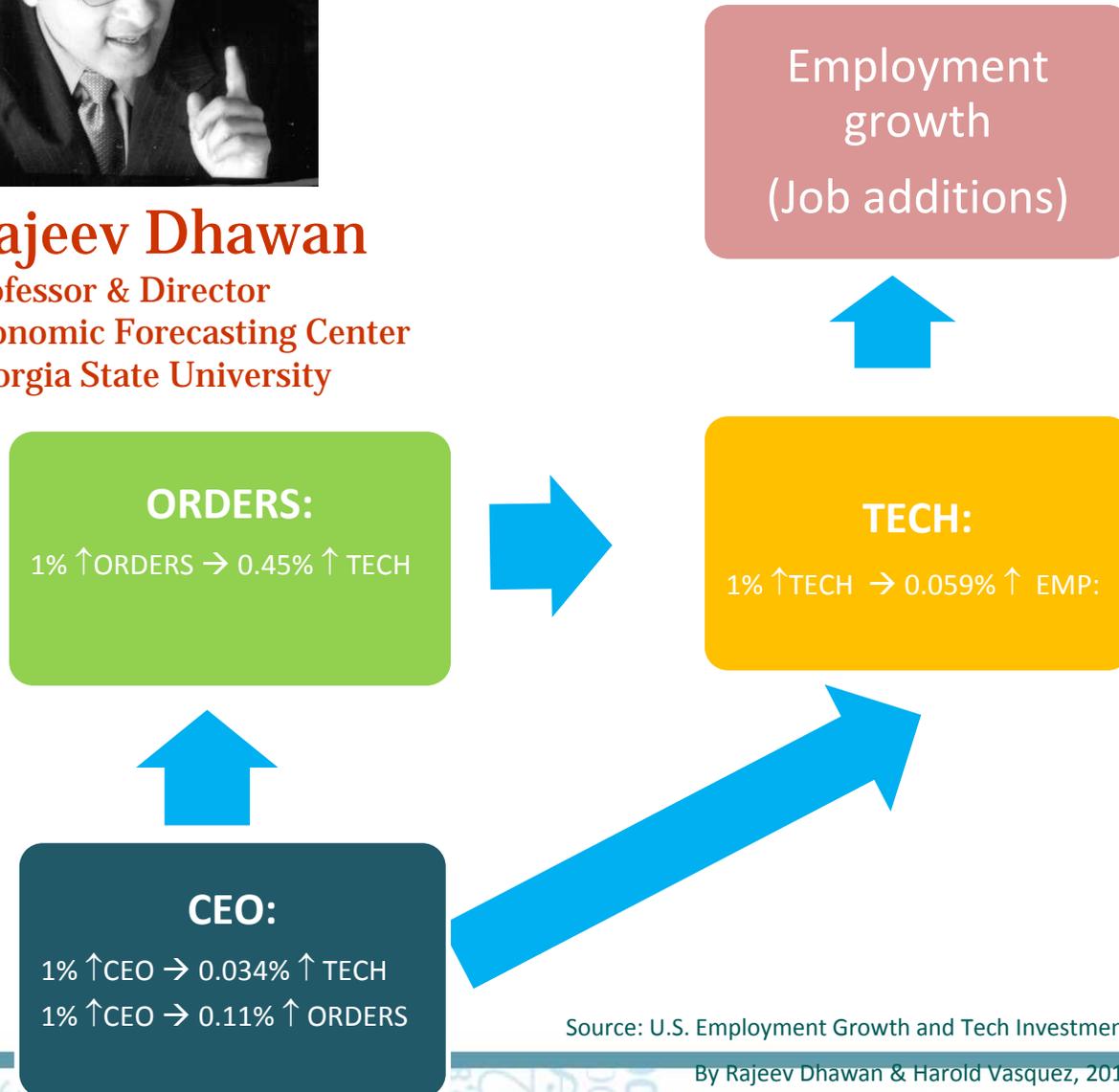


Job Growth and Tech Investment



Rajeev Dhawan
Professor & Director
Economic Forecasting Center
Georgia State University

Harold Vasquez
Research Specialist
Economic Forecasting Center
Georgia State University



- ❑ 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

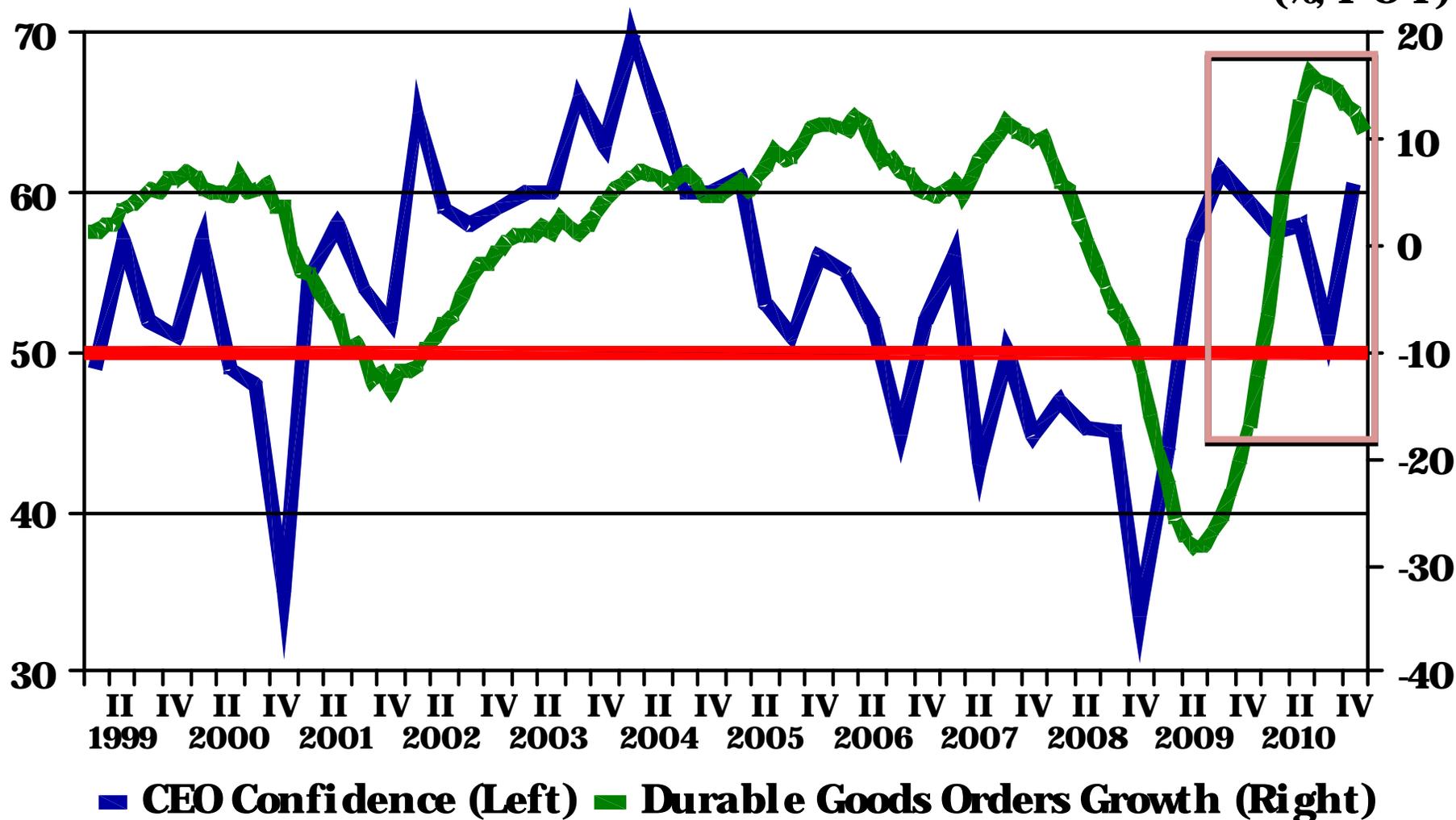
By Rajeev Dhawan & Harold Vasquez, 2010



Chief Executive Confidence & Durable Goods Orders

Expectations of Business Conditions in Own Industry 6 Months Ahead

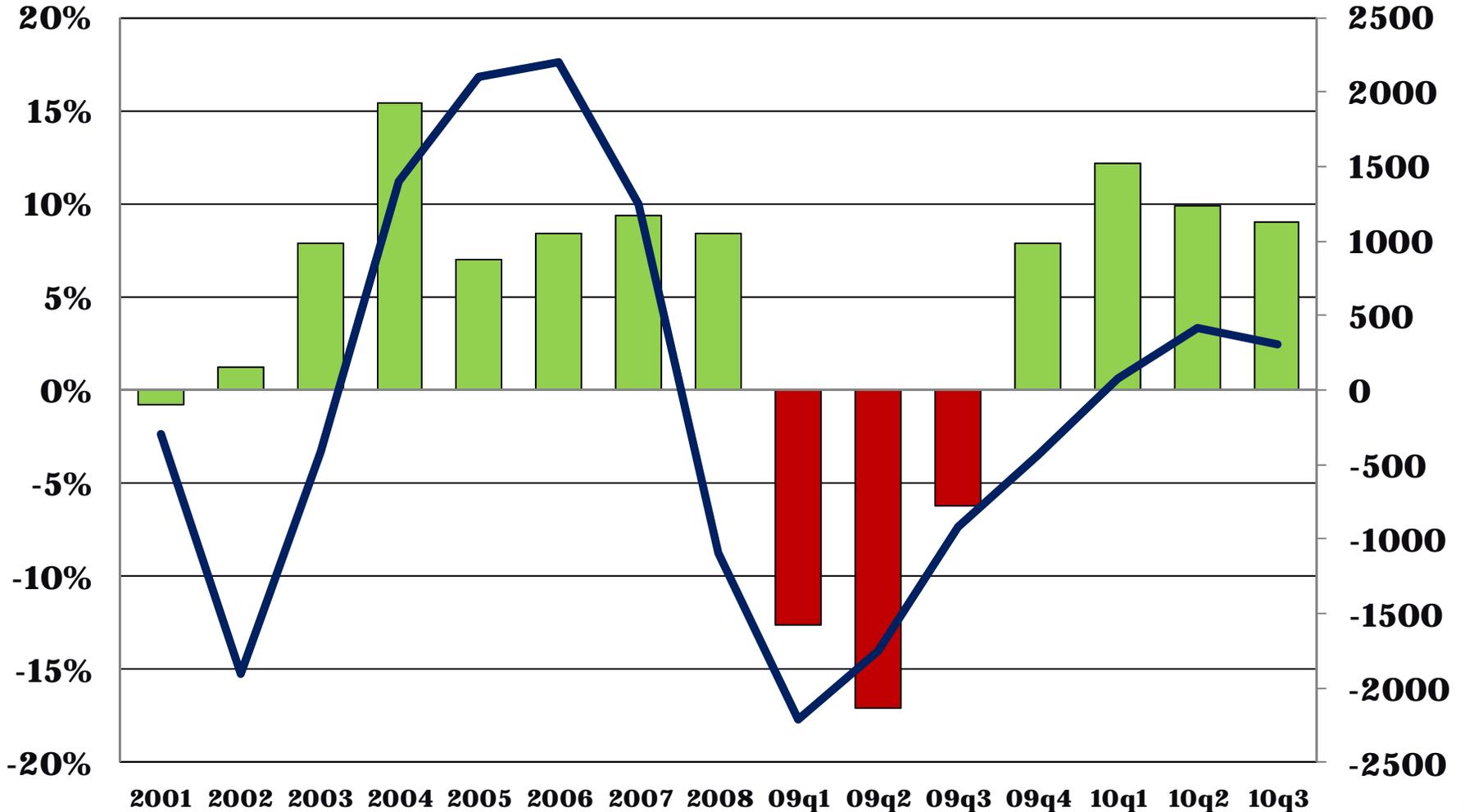
(%, Y-O-Y)



Dow30 Revenue Growth and Job Gains

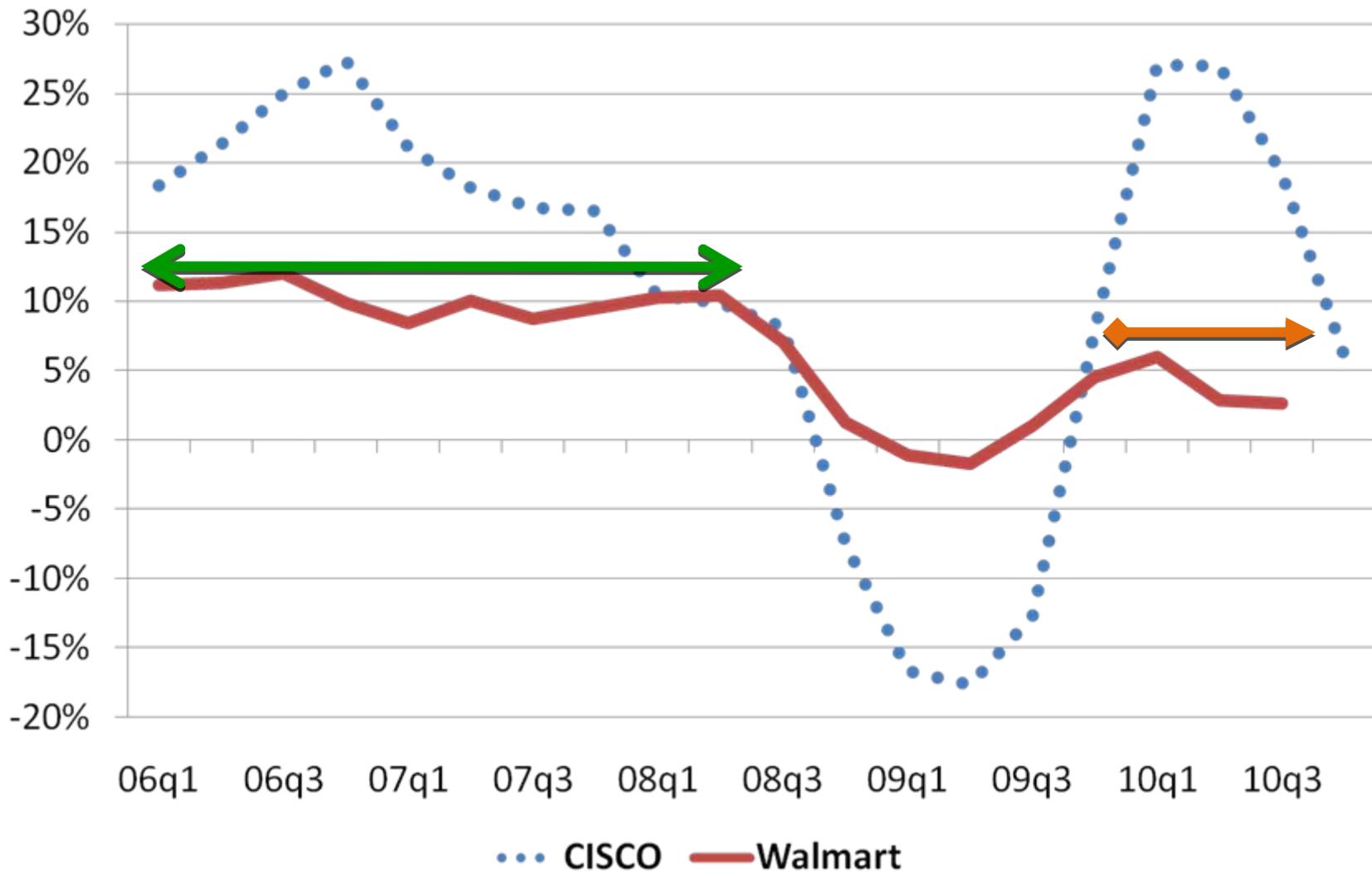
(%, Y-O-Y)

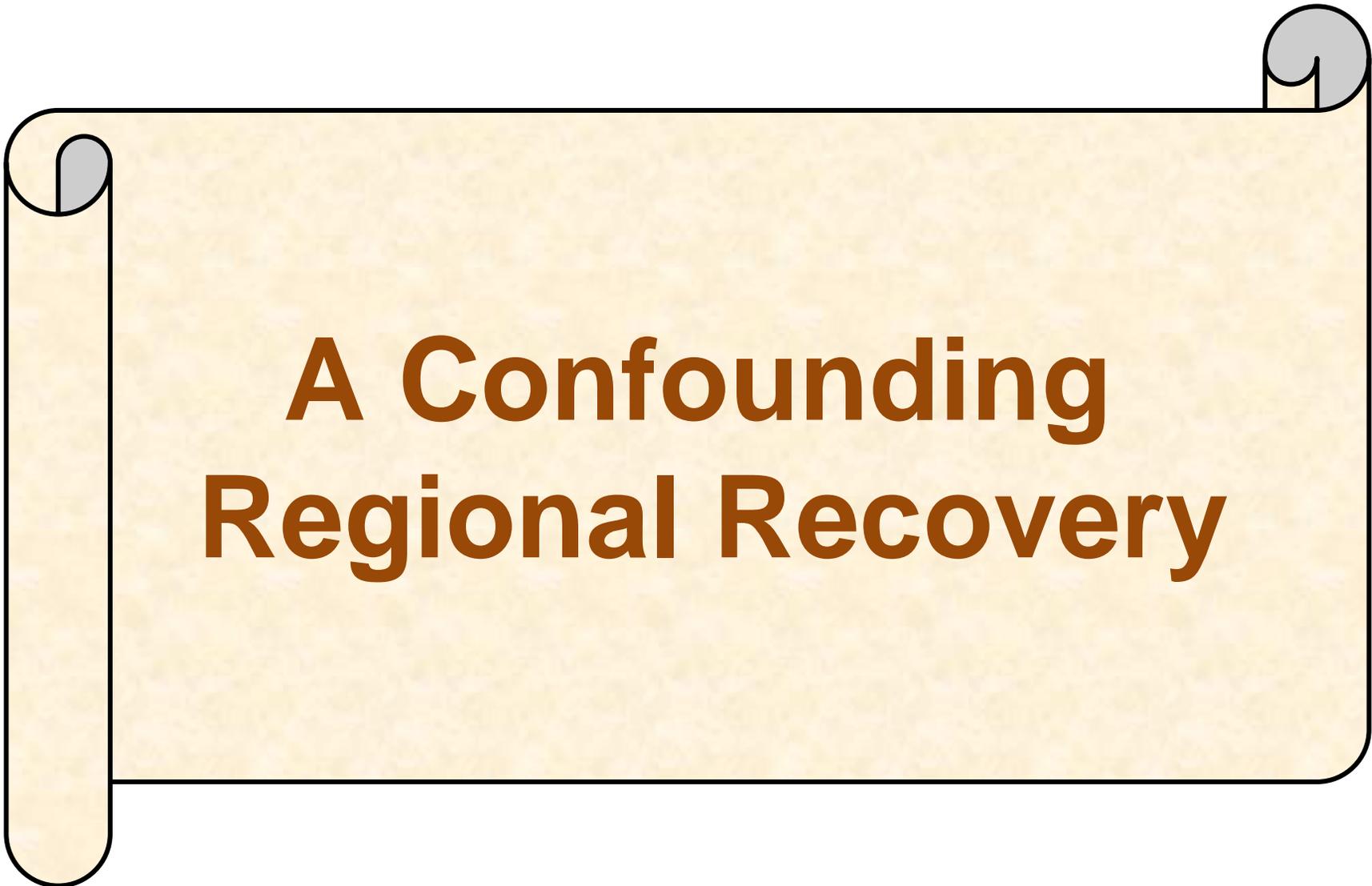
('000 Jobs)



■ DOW 30 (Left) — Private Job Gains (Right)

CISCO vs. Walmart Revenue Growth





A Confounding Regional Recovery



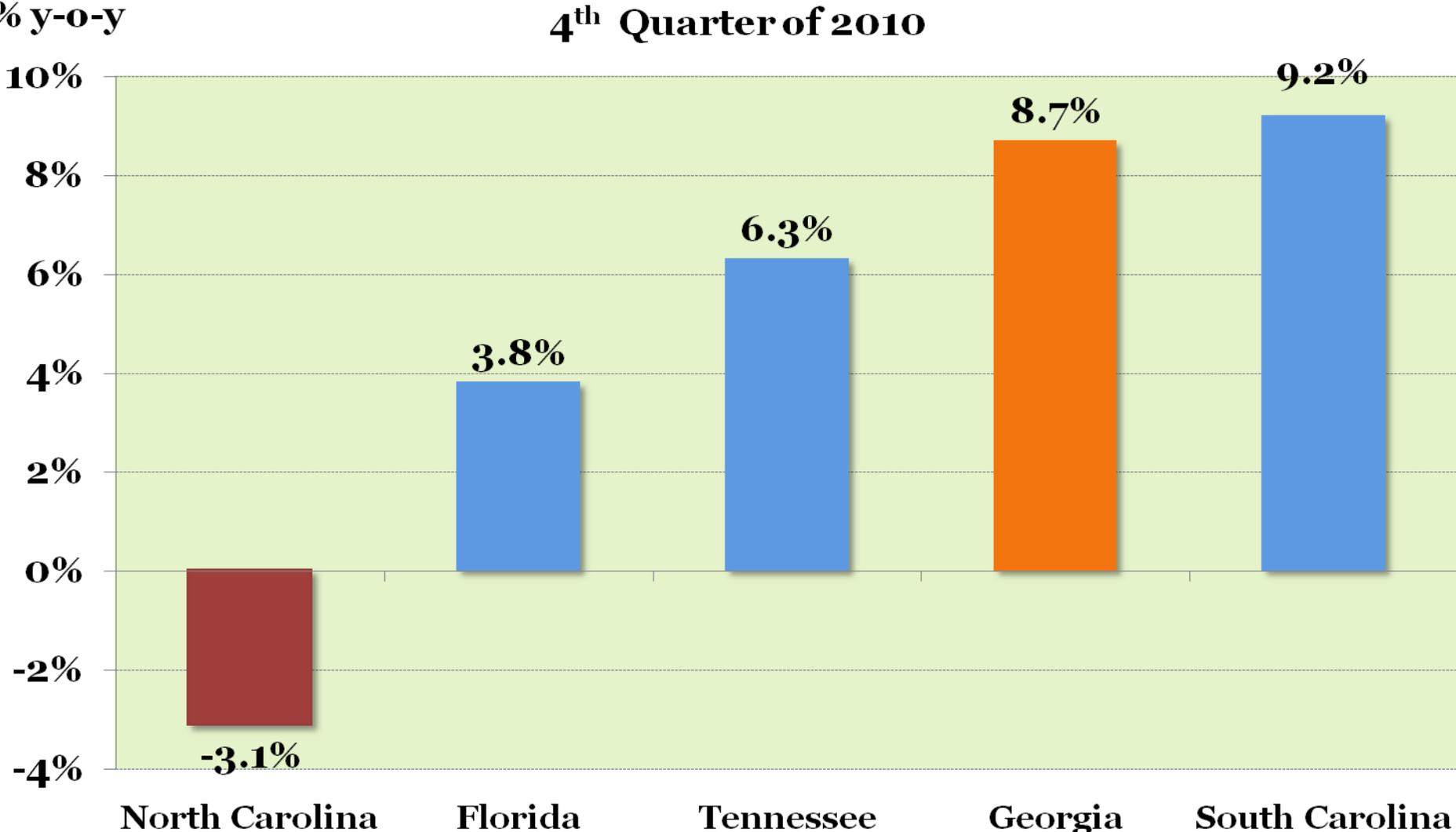
State of the Southeast Region

State Indicators	Florida	Georgia	North Carolina	Tennessee	Alabama	South Carolina
Job Gains (Feb'10 – Feb'11)	50.8	14.1	31.9	35.6	12.0	25.1
Job Drop (Since Dec. 2007)	-9.3%	-8.0%	-7.1%	-6.2%	-6.9%	-6.5%
Unemployment (Feb. 2010)	11.5%	10.2%	9.5%	9.5%	9.1%	10.1%
Sales Taxes Growth (2010Q4)	6.0%	5.0%	0.0%	4.5%	5.9%	2.6%
Total Taxes Growth (2010Q4)	3.8%	8.6%	-3.1%	6.3%	1.8%	9.2%
Personal Income Growth (2010Q3)	3.4%	3.6%	4.2%	4.4%	4.3%	4.0%
Failed Banks (Since 2008)	47	57	3	0	4	5



Total Tax Collection in the Southeast Region

4th Quarter of 2010

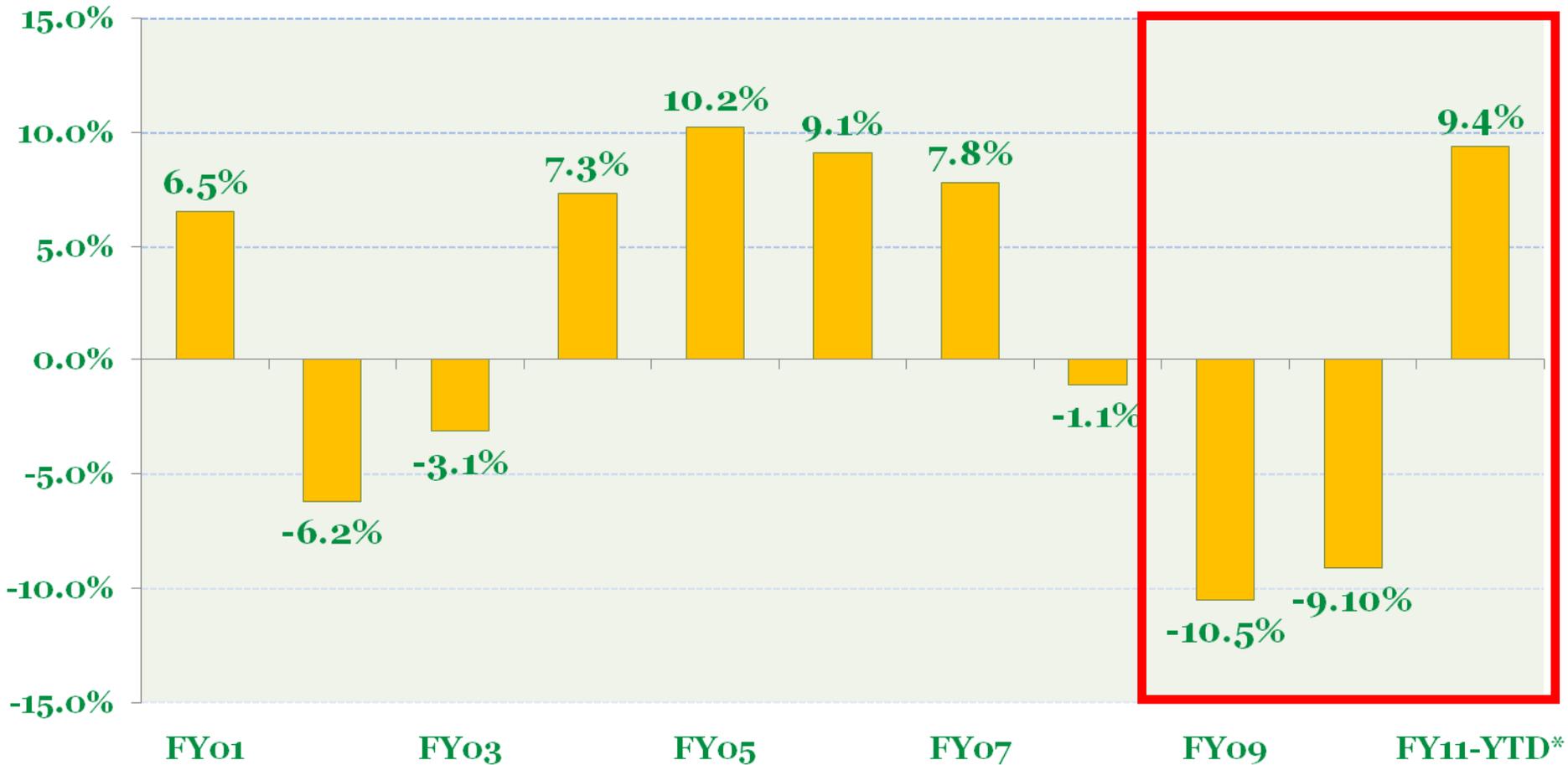


Source: U. S. Census Bureau



Georgia Tax Collections

Total Taxes

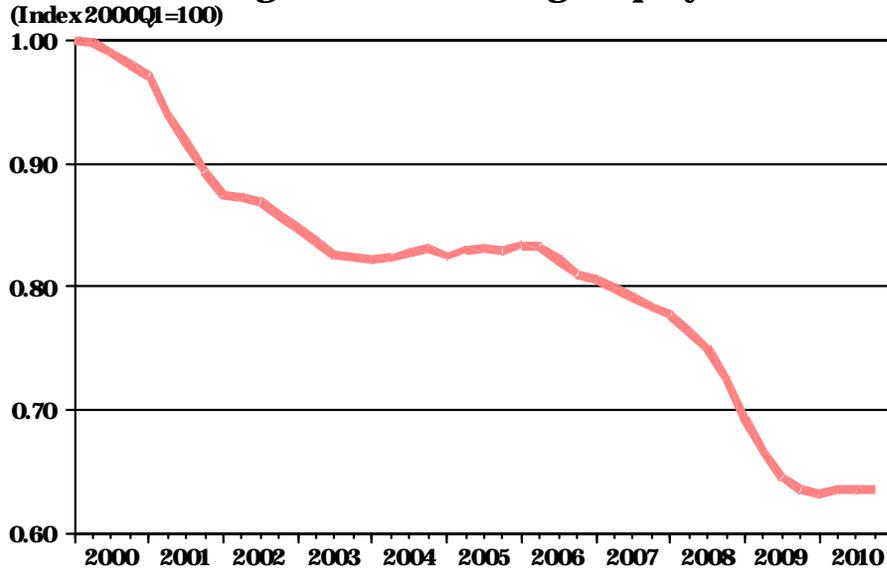


Source: Georgia Department of Revenue. *YTD FY-11 corresponds to March 2011

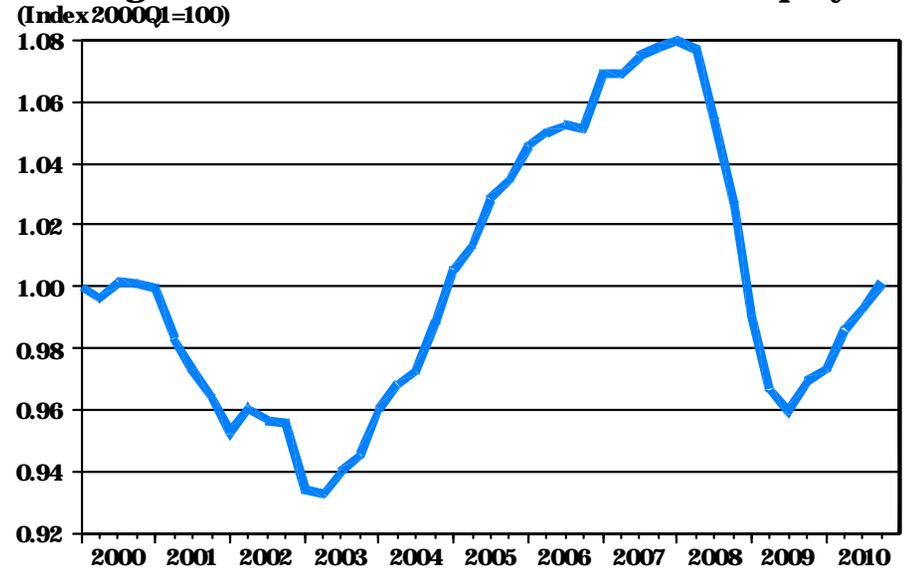


Georgia's Leading Employment Sectors

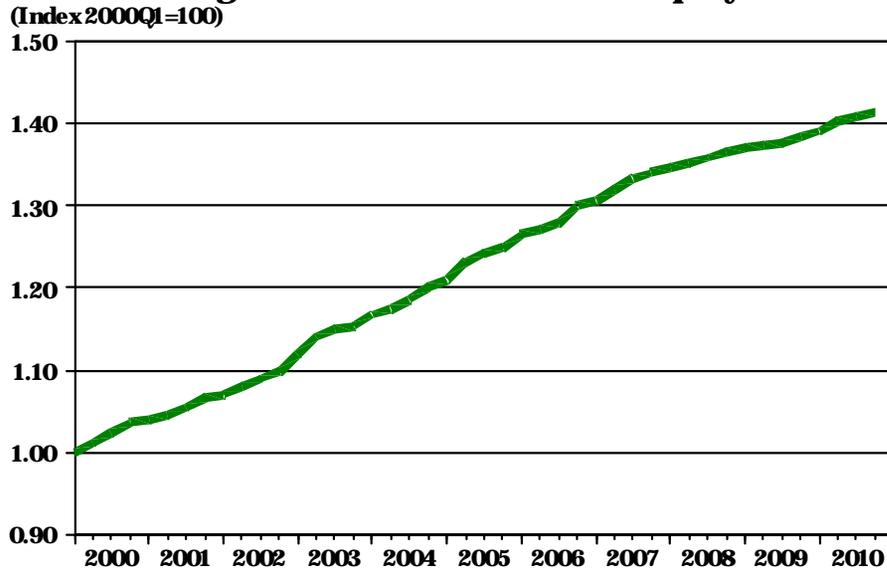
Georgia Manufacturing Employment



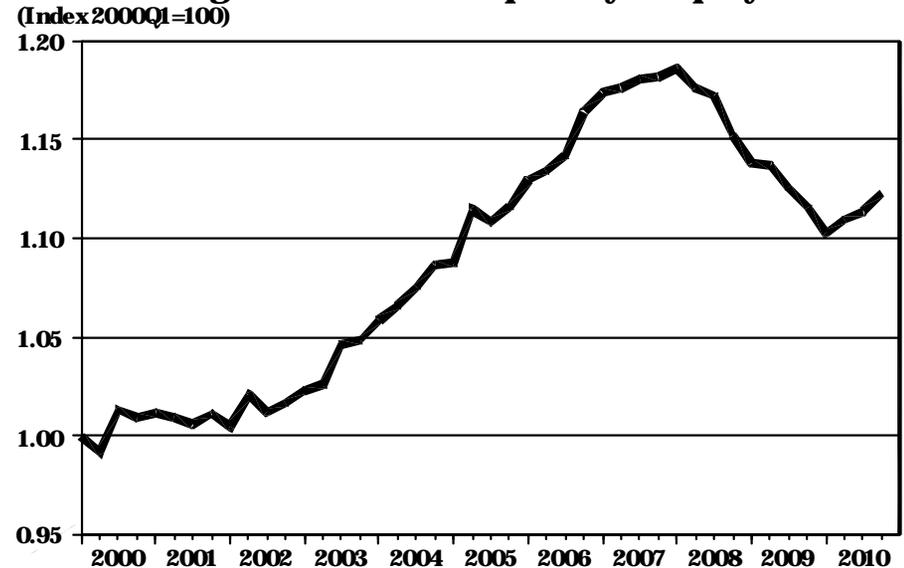
Georgia Professional & Business Service Employment



Georgia Education & Health Employment



Georgia Leisure & Hospitality Employment

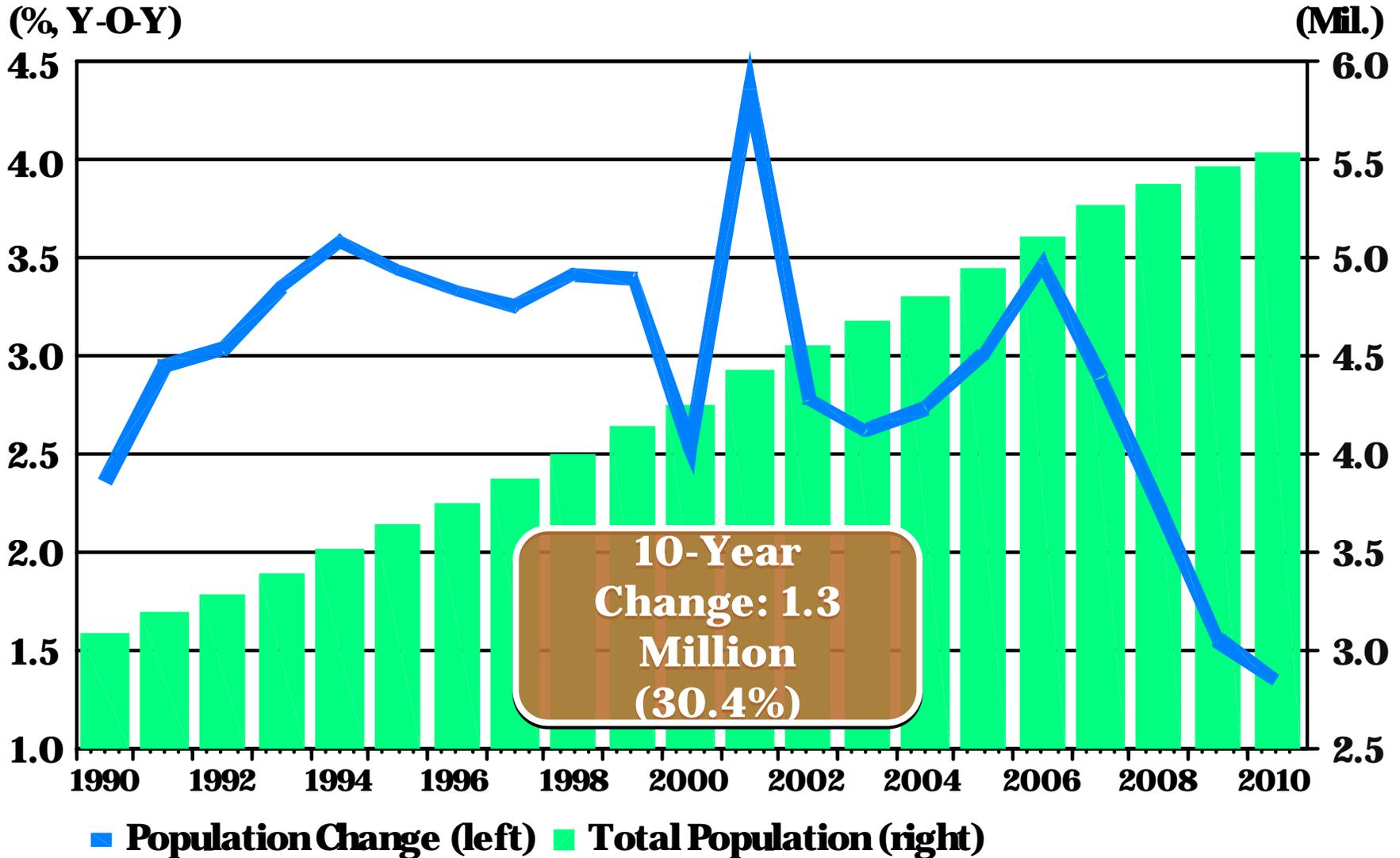


Atlanta News

- **SecureWorks**, subsidiary of Dell Inc., will add **200 high-tech jobs**
- **Hwelett-Package Co.** is building a **60,000-square-foot facility** in Fulton county
- **Novelis**, aluminum manufacturer, will add **Professional & Business jobs (?)** to Atlanta metro area
- **Merrill Lynch** announced that it will expand **significantly (?)** its workforce by hiring financial service professionals in Atlanta
- **Wal-Mart Stores** will locate the hub for its eastern business unit (with 1,600 stores in 20 states) in Atlanta
- **CCH Small Firm Services** will consolidate its operation in Kennesaw, adding **200 jobs**
- **CCP Games** will move its headquarter to Atlanta, adding **150 high-tech jobs**
- **Chase Bank** will open 12 new branches in Atlanta metro area, adding **170 jobs**
- **Lockheed** will add **400 jobs** in Marietta as it expands its C-130 and C-5 cargo aircraft production

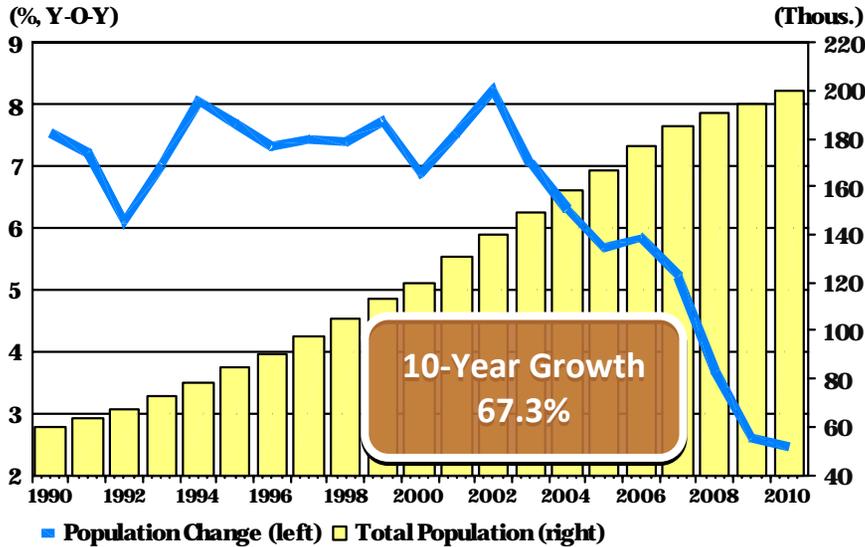


Atlanta Total Population 1990-2010

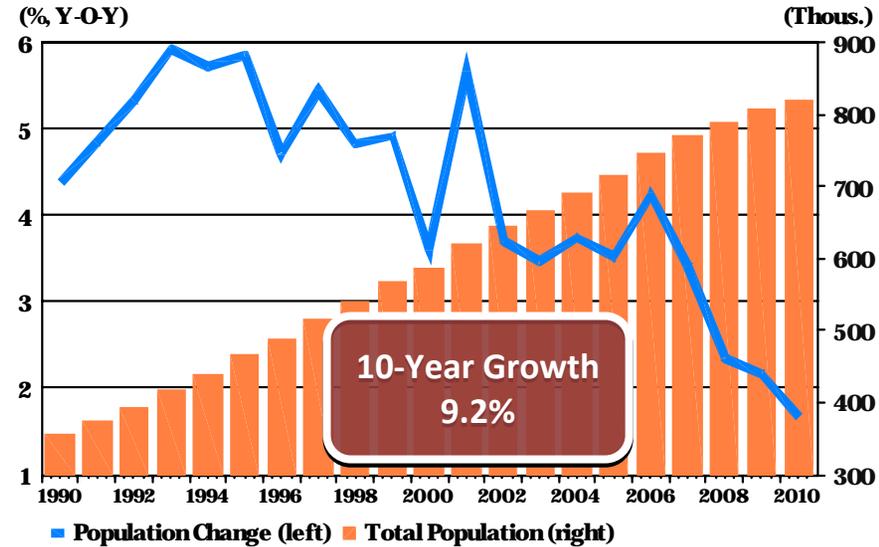


Population Change in Atlanta

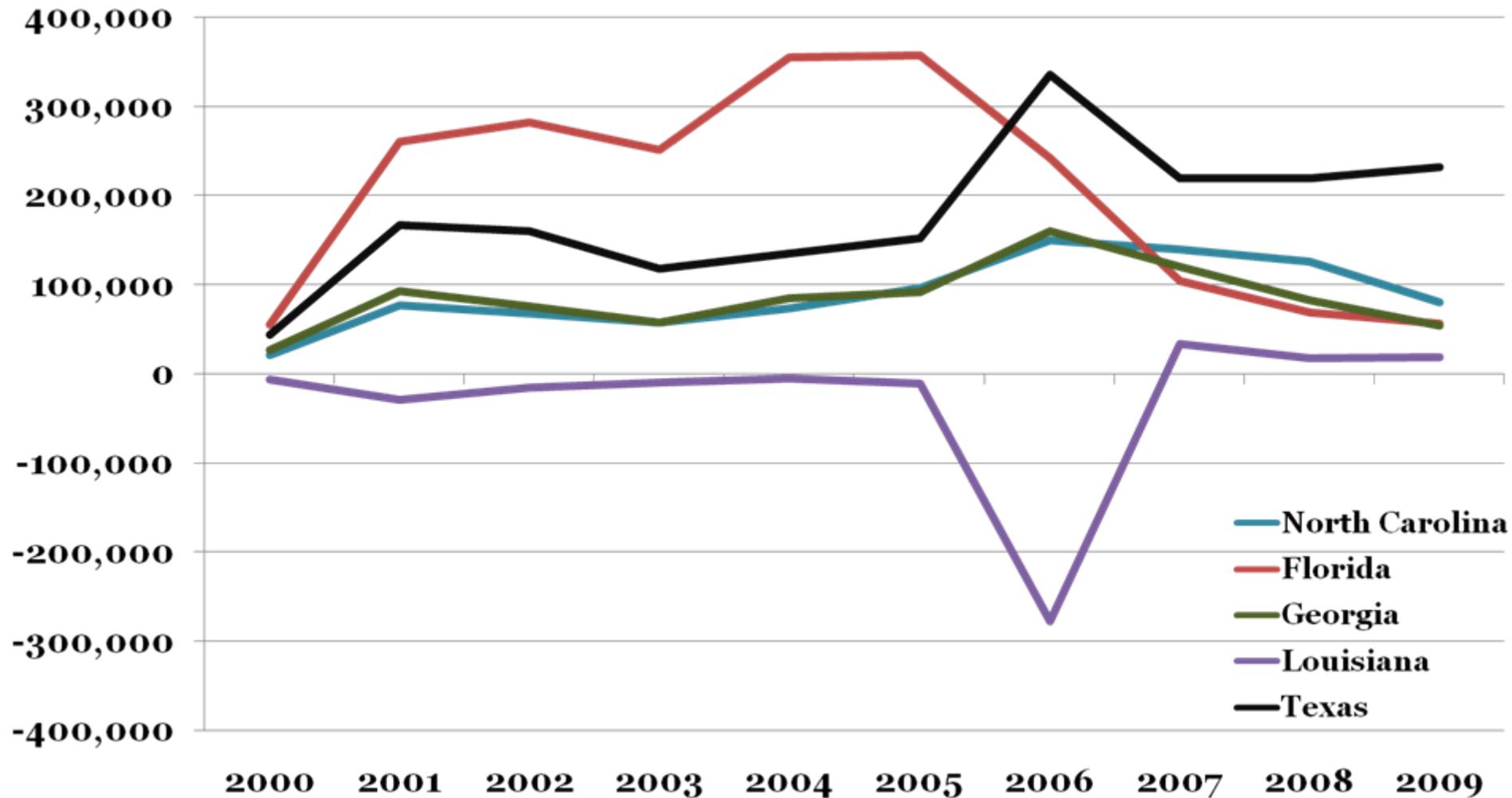
Henry County Total Population 1990-2010



Gwinnett County Total Population 1990-2010



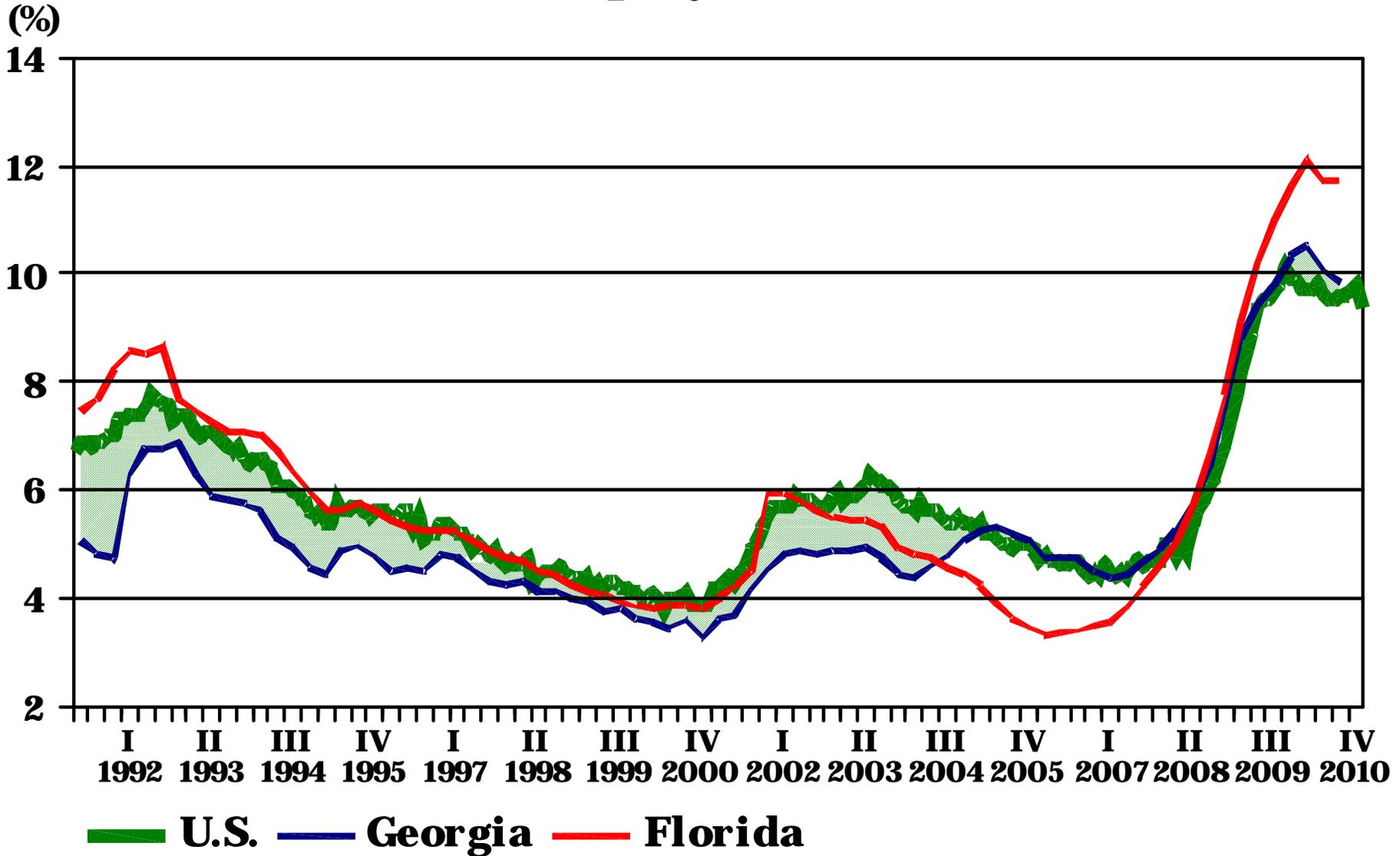
Net Migration in the Southeast



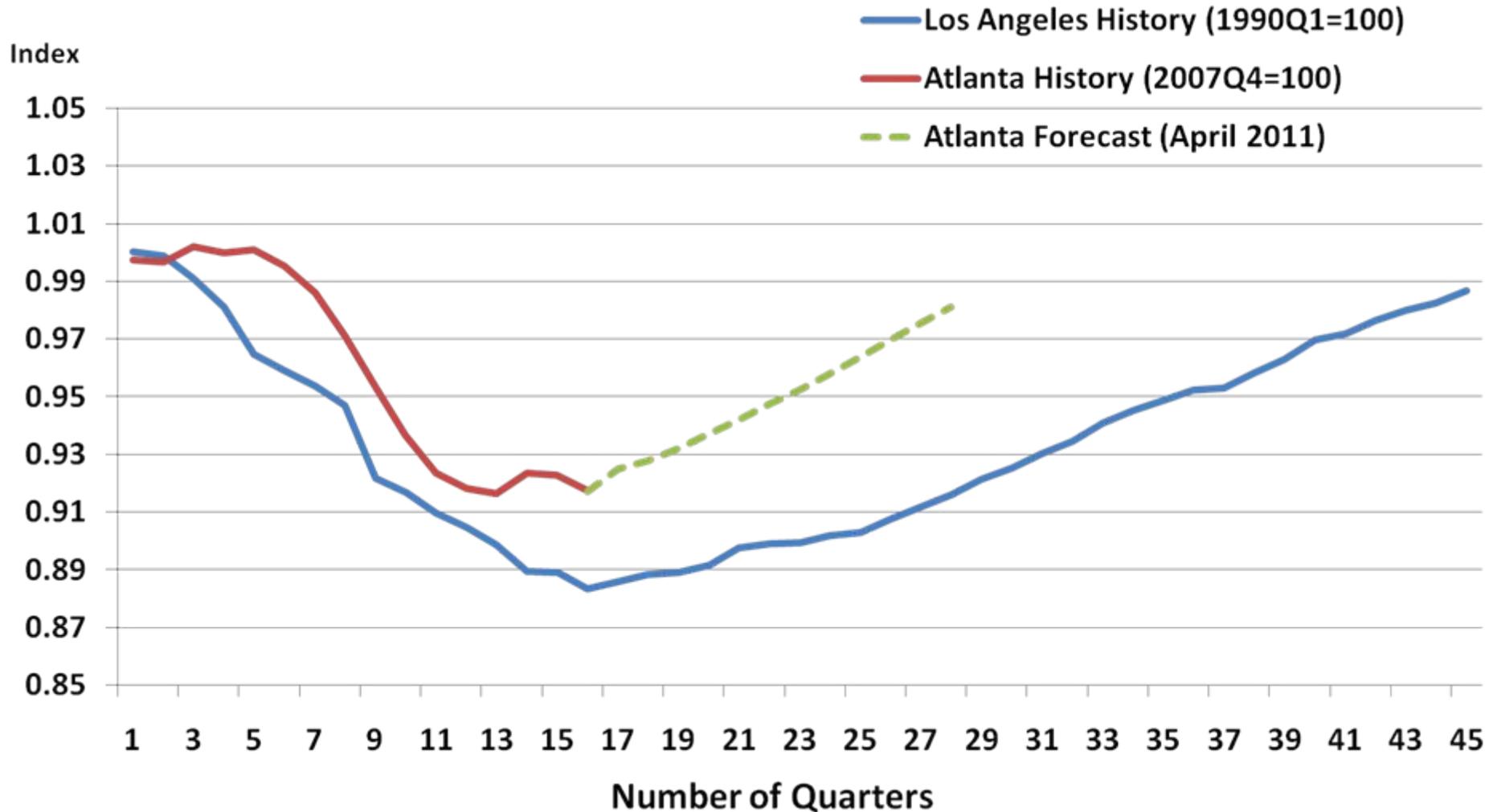
Source: U. S. Census Bureau



Unemployment Rate



Recovery From a Deep Recession: LA vs. ATL



But First We Got a Tax Gift!

Most notably, the inclusion in the White House tax compromise of a one-year payroll holiday that **trims everyone's social security taxes by 2%**. That's a very front-loaded tax cut – it will add to household cash flow starting immediately on January 1, 2011.

Source: PIMCO Economic Outlook, December 2010



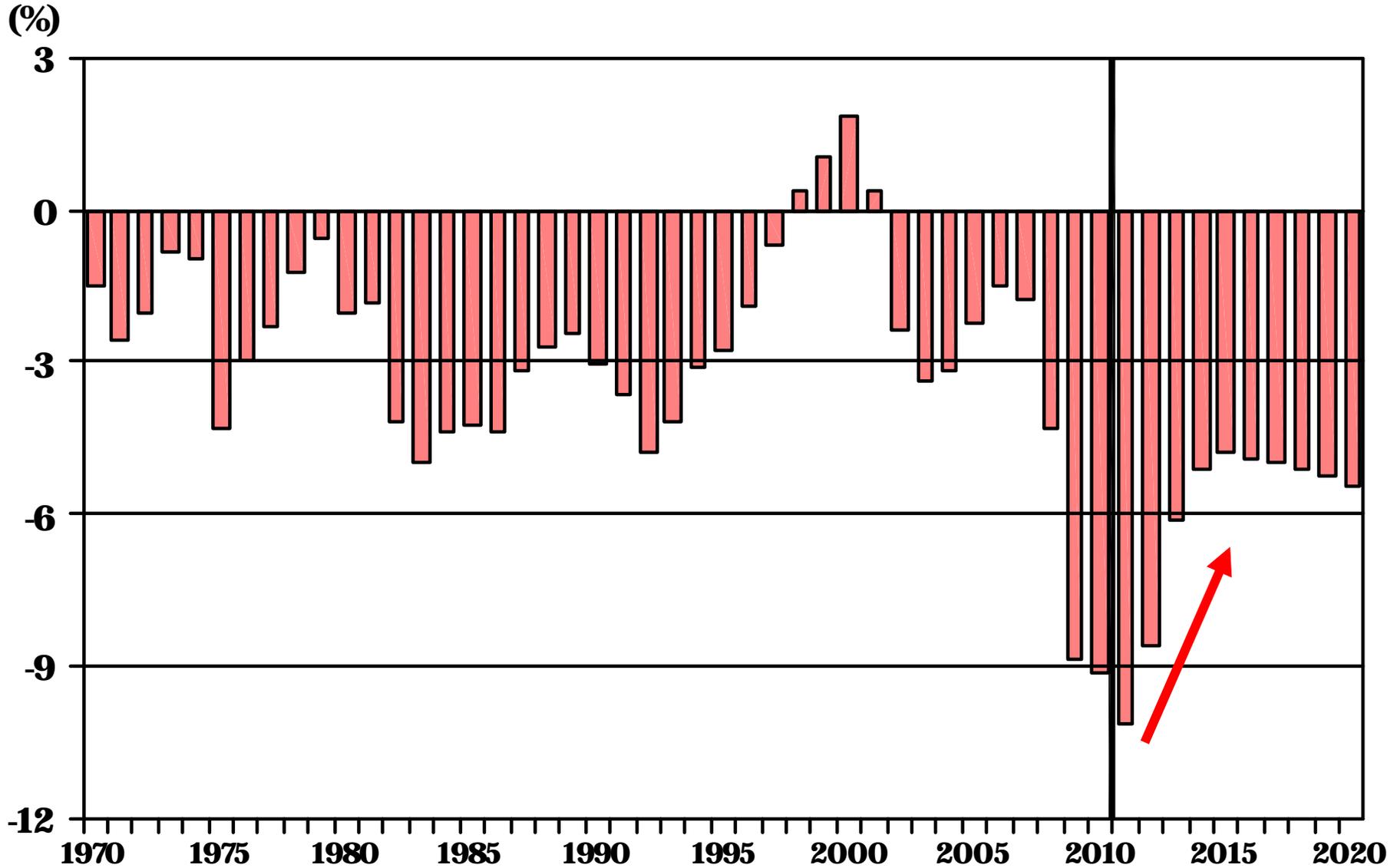
PIMCO's El-Erian Airing Bond Vigilante Concern

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



Federal Deficit as a % of GDP



Erskine Bowles and Alan Simpson

Bowles: It's frightening.
We'll be paying a trillion
dollar in interest costs in
2020.

How did we get here?

Simpson: I can tell you exactly how we got
here. **For the last 75 years we were sent to
Washington to bring home the bacon. If they
got it, they were reelected.**

Source: Bloomberg Businessweek, November 22, 2010



Conclusions

- Middle-East unrest will impact global recovery if oil supply is disrupted which affects confidence levels
- Health of China is a concern for the world economy and for our treasury auction market
- Fed's QE2 will keep a lid on long-term rates but not for long; Federal deficit pressures eventually push rates up
- Home price appreciation or rather lack of it makes for a cautious consumer
- Metro economy can't dodge global headwinds but is in better shape than Florida; Manufacturing, Healthcare, Transportation sectors and export related businesses will do well; Banking woes impede small business growth





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