



Connecting the Dots to Today's Economy

North Carolina Economic Developers Association Annual Meeting

Atlantic Beach, NC

June 16th, 2009



Recession Has Arrived

By Neil Irwin

Washington Post Staff Writer

Monday, **December 1, 2008**; 12:48 PM



It's official: The United States is in a recession -- and it started a year ago.

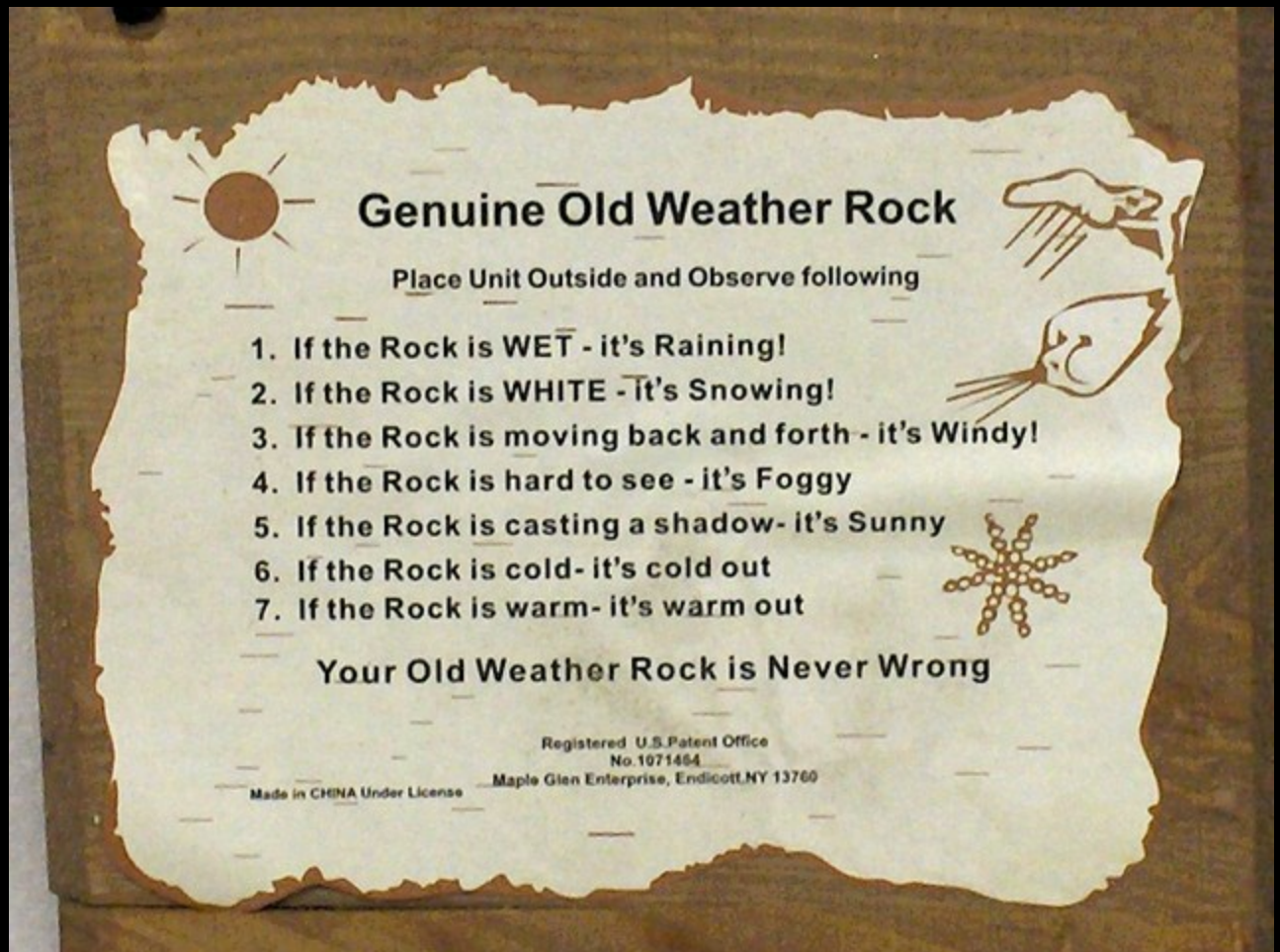
The nation's economy peaked, and the recession began, in December 2007, the National Bureau of Economic Research announced today.

The group's Business Cycle Dating Committee, the semi-official arbiter of these things, defines a recession as "a significant decline in economic activity spread across the economy, lasting more than a few months, normally visible in production, employment, real income, and other indicators."



Itso-Aubviez Corporation



A vintage-style advertisement for 'Genuine Old Weather Rock' on a piece of torn paper. The ad includes a list of seven weather-related observations and a small illustration of a hand holding a rock.

Genuine Old Weather Rock

Place Unit Outside and Observe following

1. If the Rock is WET - it's Raining!
2. If the Rock is WHITE - It's Snowing!
3. If the Rock is moving back and forth - it's Windy!
4. If the Rock is hard to see - it's Foggy
5. If the Rock is casting a shadow- it's Sunny
6. If the Rock is cold- it's cold out
7. If the Rock is warm- it's warm out

Your Old Weather Rock is Never Wrong

Registered U.S. Patent Office
No. 1071464
Maple Glen Enterprise, Endicott, NY 13760

Made in CHINA Under License

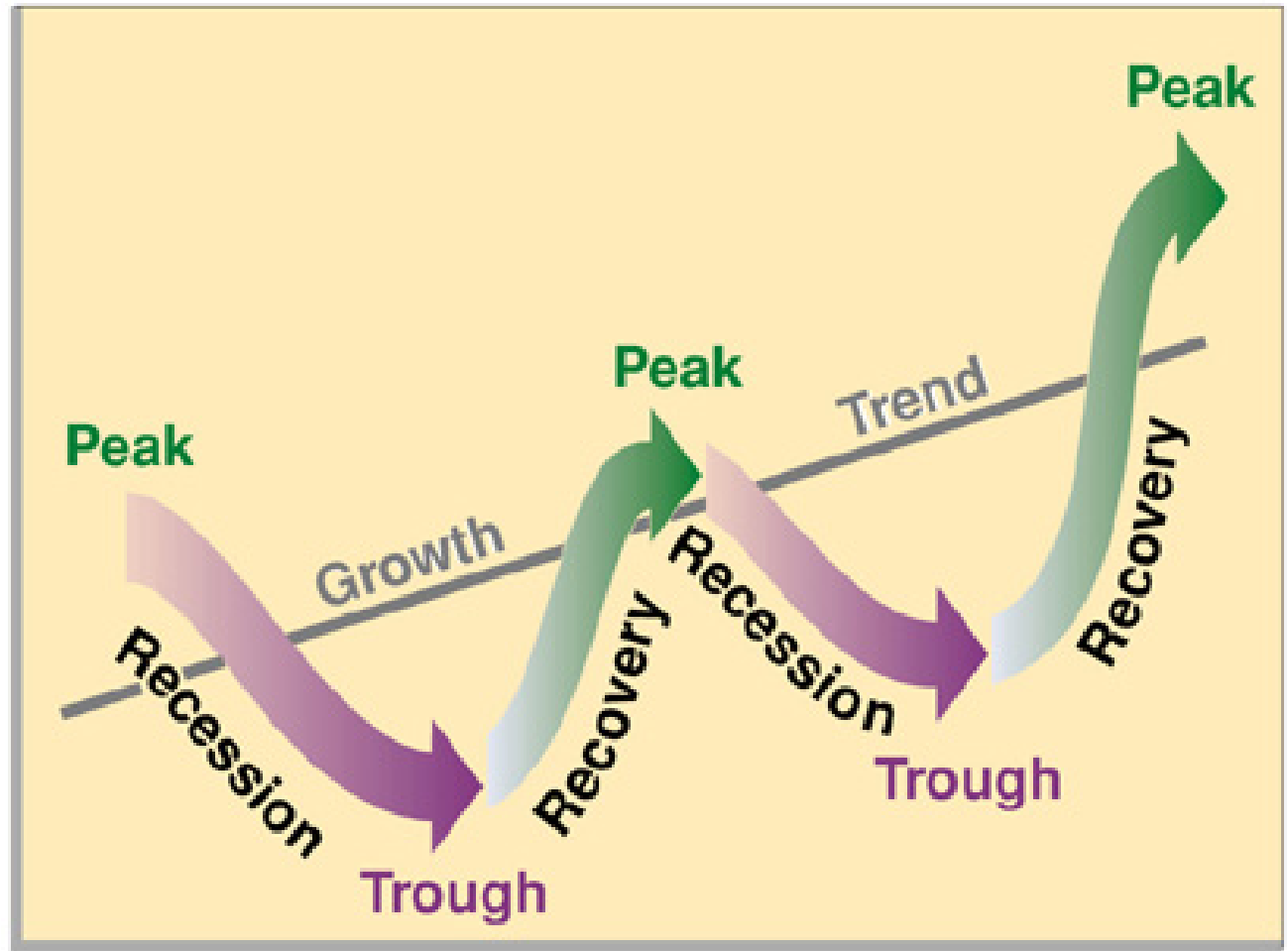




The Business Cycle



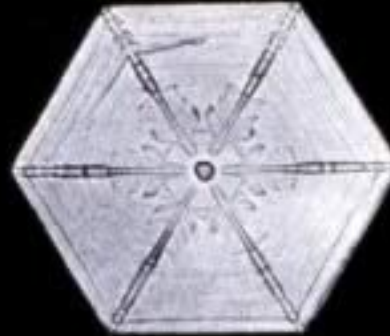
Level of real output



Time



No Two Business Cycles are the Same...





Recent Business Cycle Data



REFERENCE DATES		DURATION IN MONTHS	
Peak	Trough	Contraction	Expansion
<i>Quarterly dates are in parentheses</i>		<i>Peak to Trough</i>	<i>Previous trough to this peak</i>
December 1969(IV)	November 1970 (IV)	11	106
November 1973(IV)	March 1975 (I)	16	36
January 1980(I)	July 1980 (III)	6	58
July 1981(III)	November 1982 (IV)	16	12
July 1990(III)	March 1991(I)	8	92
March 2001(I)	November 2001 (IV)	8	120
December 2007(IV)	??	??	73

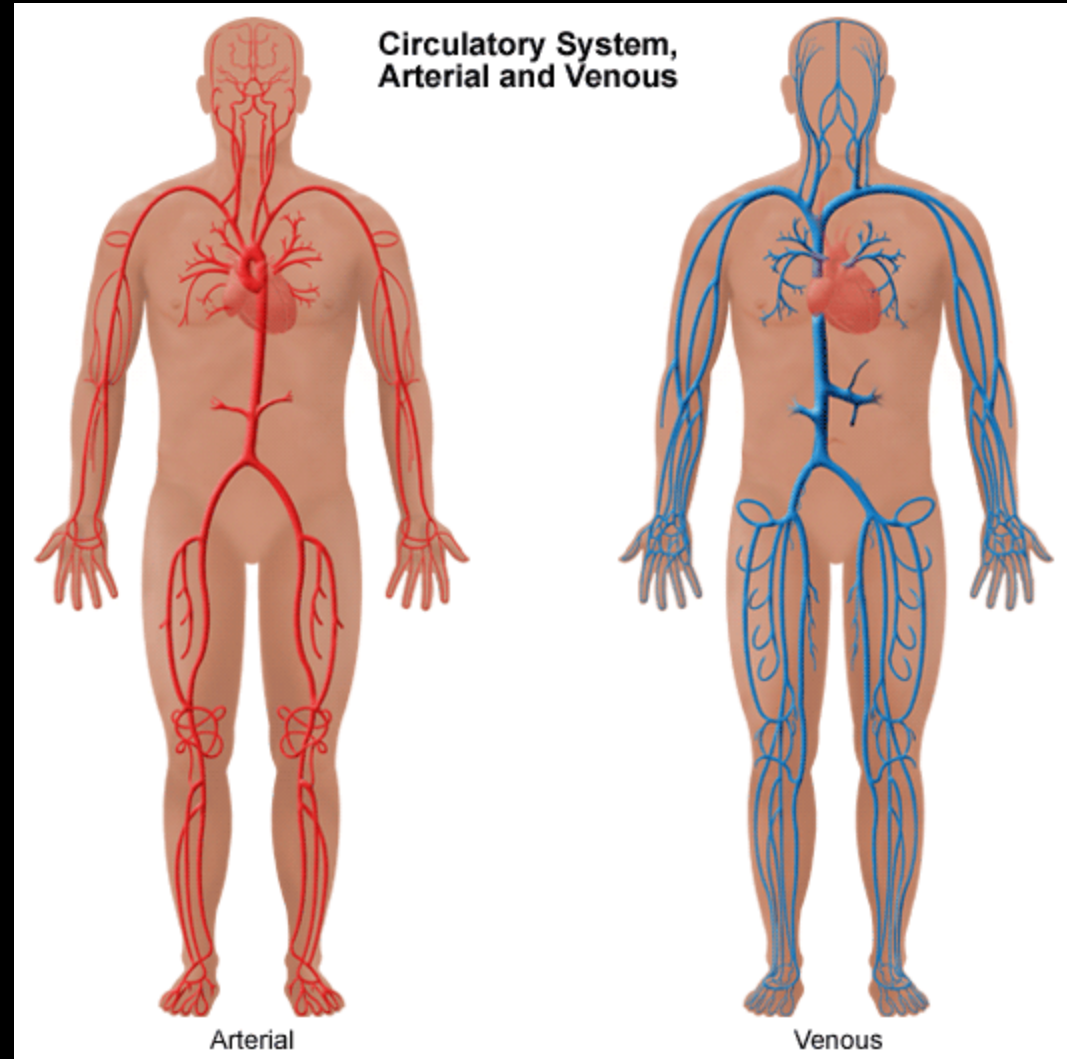


Historical Business Cycle Data



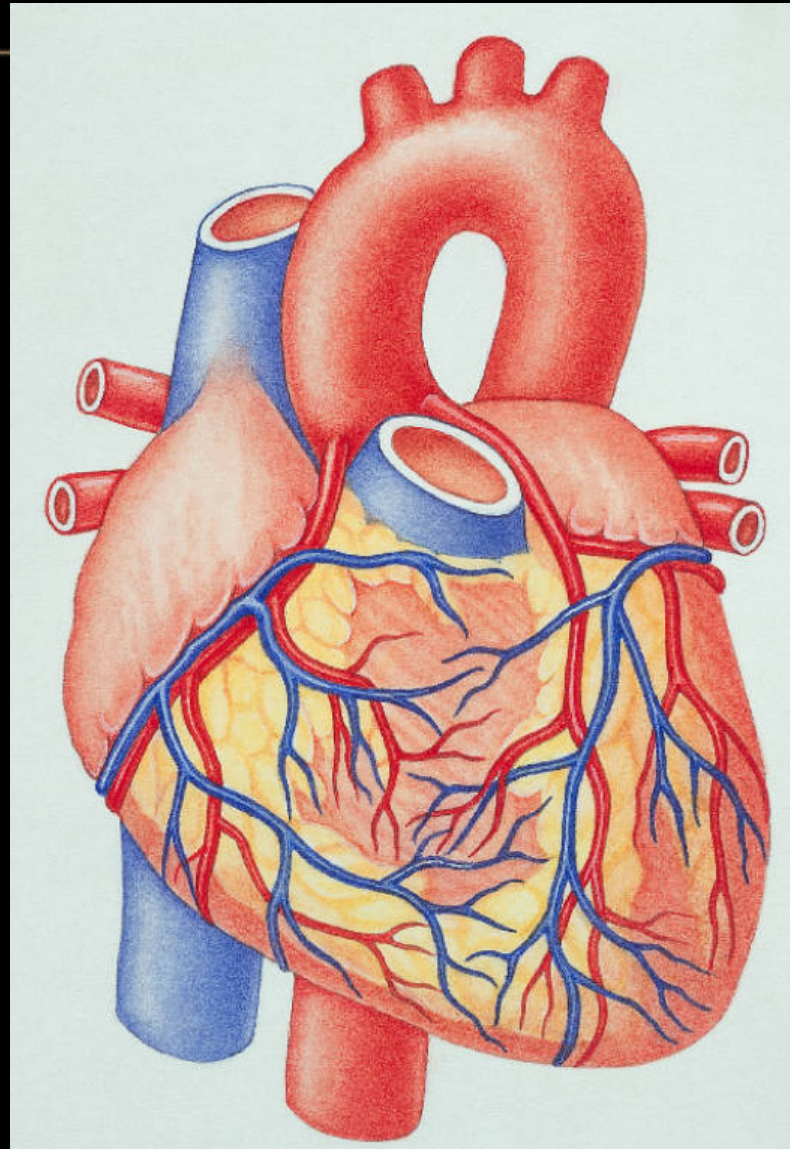
REFERENCE DATES	DURATION IN MONTHS	
	Contraction	Expansion
Average, all cycles:	<i>Peak to Trough</i>	Previous Trough to Peak
1854-2001 (32 cycles)	17	38
1854-1919 (16 cycles)	22	27
1919-1945 (6 cycles)	18	35
1945-2001 (10 cycles)	10	57

Circulatory System

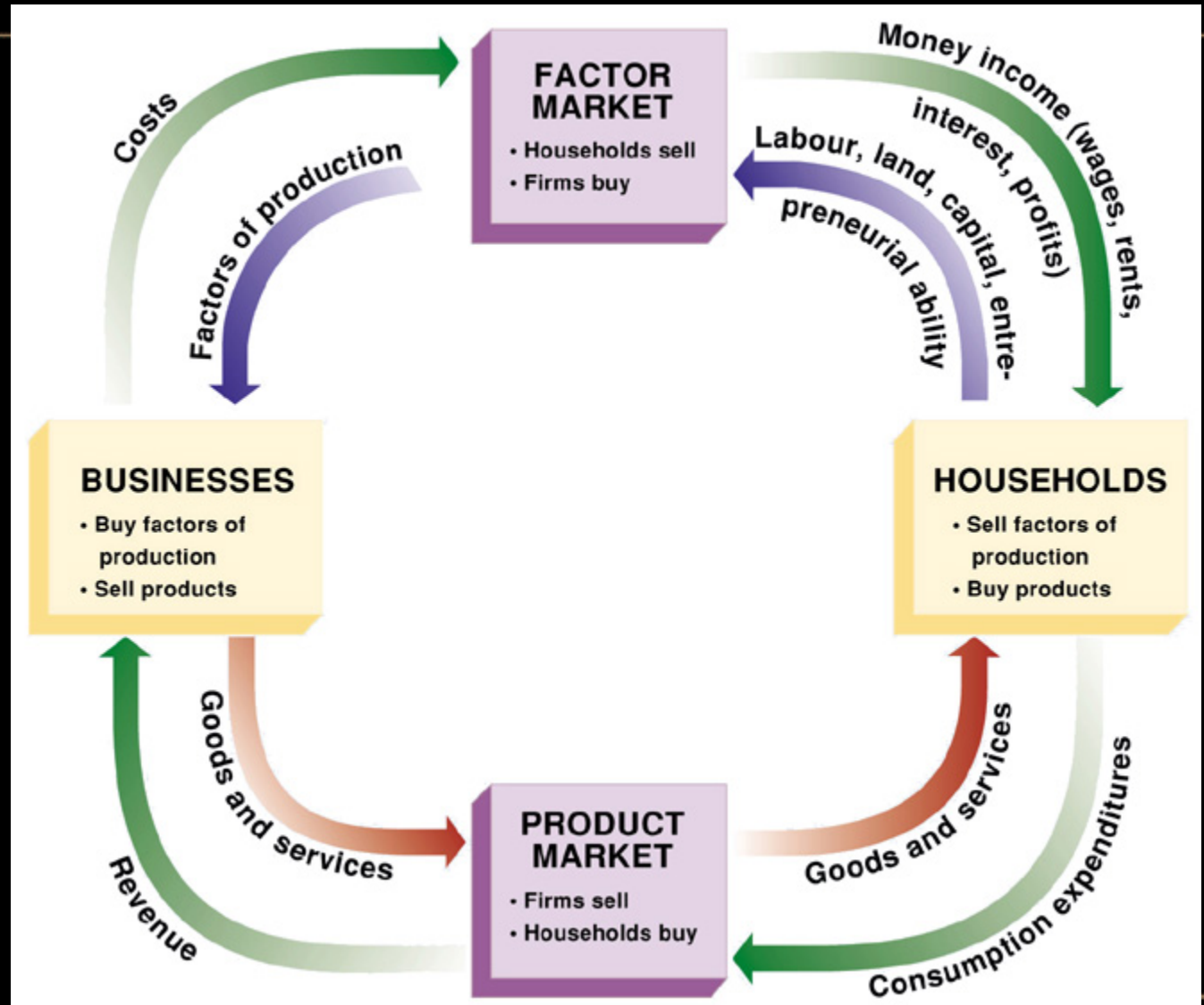




The Heart - Key to Circulation



Circular Flow of the Economy



Credit Markets - Key to Economic Growth

- Financial Market Sclerosis
- Develops into Credit Infarction
 - Plunging Economy Deep into Recession
 - Quadruple Policy Bypass Averts Worse Fate
 - Interest Rate Cuts/ Quantitative Stimulus
 - Stimulus Package I
 - T.A.R.P.
 - Stimulus Package II
 - Rehabilitation Awaits



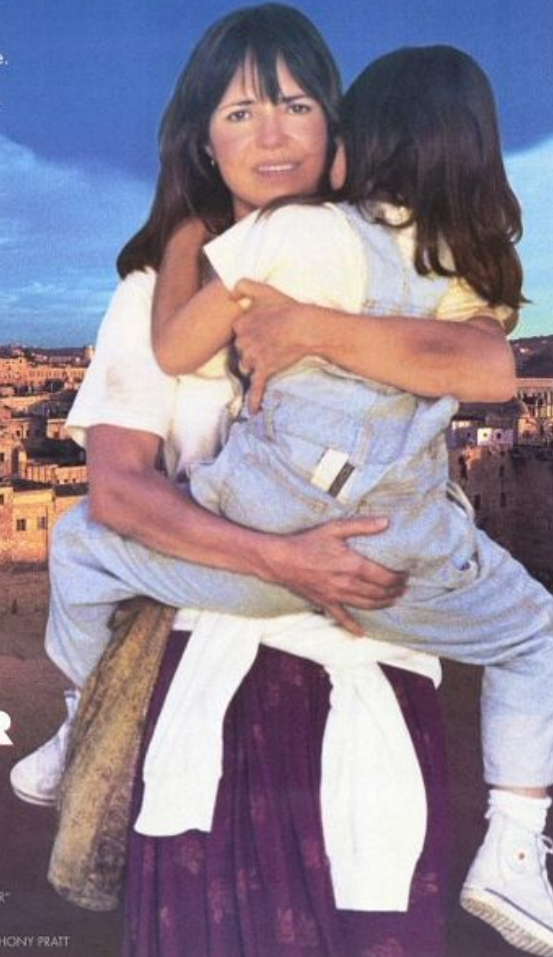


Remember Housing Hysteria Cinema...



S A L L Y F I E L D

In 1984,
Betty Mahmoody's husband
took his wife and daughter
to meet his family in Iran.
He swore they would be safe.
They would be happy.
They would be free to leave.
He lied.



NOT WITHOUT MY DAUGHTER

Based On A True Story

PATHE ENTERTAINMENT Presents
An UFLAND Production A BRIAN GILBERT Film
SALLY FIELD "NOT WITHOUT MY DAUGHTER"
ALFRED MOLINA SHEILA ROSENTHAL
Costarring ROSHAN SETH
Music by JERRY GOLDSMITH Production Designer ANTHONY PRATT
Director of Photography PETER HANINAN
Based on the Book by BETTY MAHMOODY with WILLIAM HOFFER
Screenplay by DAVID W. BINTLIS
Produced by MARY J. UFLAND and MARY JANE UFLAND
Directed by BRIAN GILBERT

TM & © 1991 UFLAND ENTERTAINMENT, INC. All Rights Reserved. UFLAND ENTERTAINMENT, INC. is a subsidiary of UFLAND ENTERTAINMENT, INC. UFLAND ENTERTAINMENT, INC. is a subsidiary of UFLAND ENTERTAINMENT, INC.

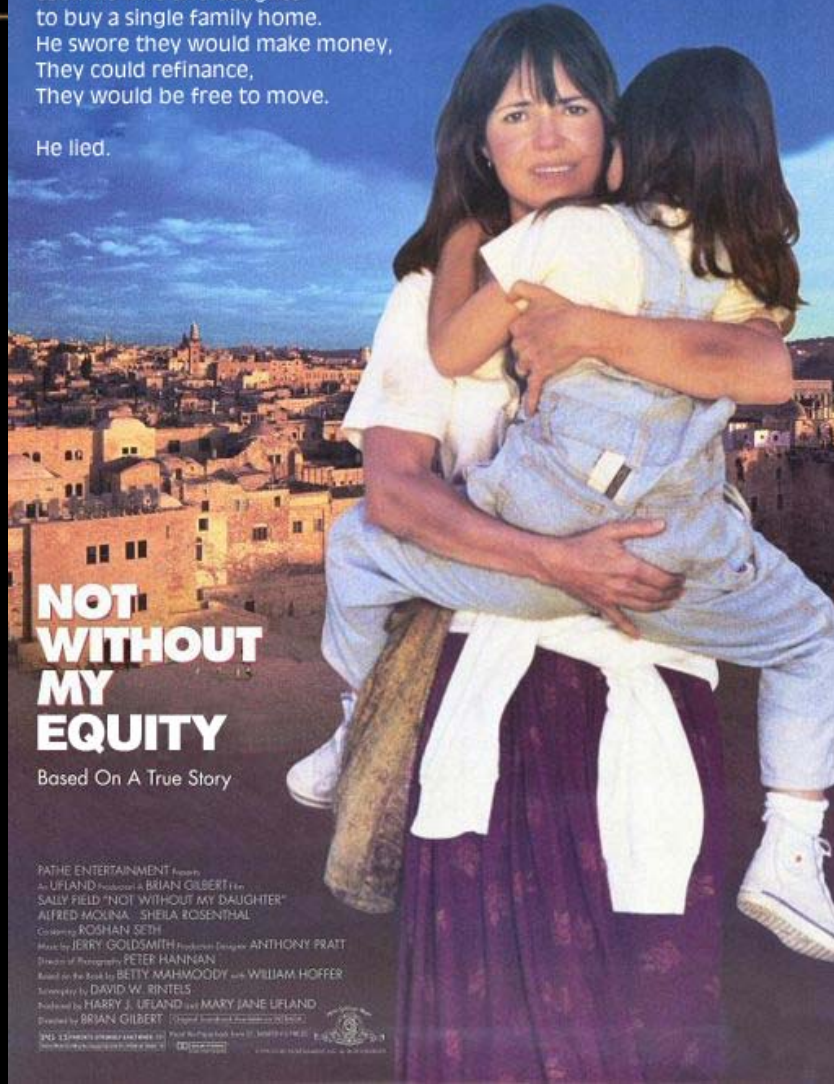




S A L L Y F I E L D

In 2004,
Betty Mahmoody's husband
took his wife and daughter
to buy a single family home.
He swore they would make money,
They could refinance,
They would be free to move.

He lied.



NOT WITHOUT MY EQUITY

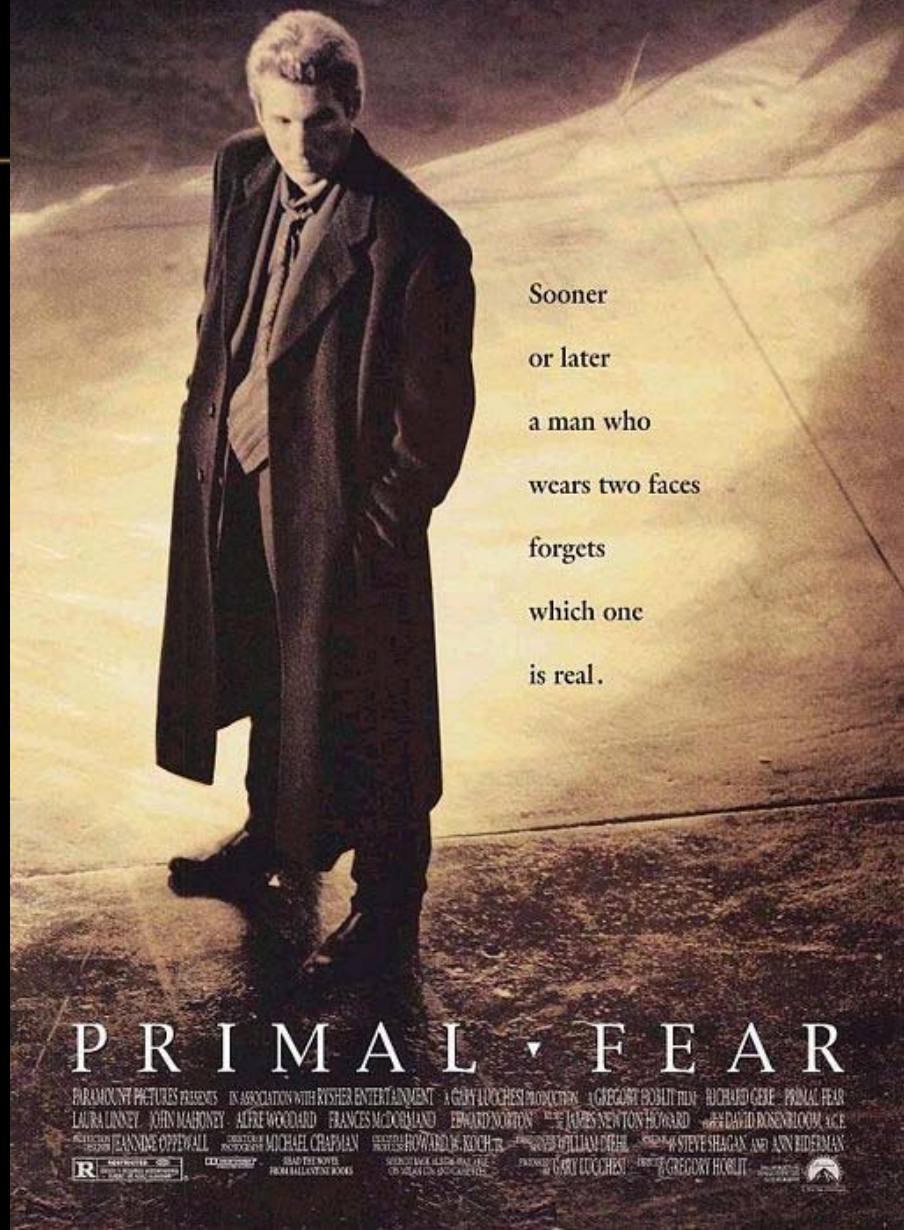
Based On A True Story

PATHE ENTERTAINMENT Presents
An UFLAND Production in Association with BRIAN GILBERT
SALLY FIELD "NOT WITHOUT MY DAUGHTER"
ALFRED MOLINA - SHEILA ROSENTHAL
Cocreator: KOSHAN SETH
Music by JERRY GOLDSMITH Production Designer: ANTHONY PRATT
Director of Photography: PETER HANINIAN
Based on the Book by BETTY MAHMOODY with WILLIAM HOFFER
Screenplay by DAVID W. BINTELS
Produced by HARRY J. UFLAND and MARY JANE UFLAND
Directed by BRIAN GILBERT

© 2008 UFLAND ENTERTAINMENT INC. All Rights Reserved. UFLAND ENTERTAINMENT INC. is a subsidiary of UFLAND ENTERTAINMENT INC. UFLAND ENTERTAINMENT INC. is a subsidiary of UFLAND ENTERTAINMENT INC.



R I C H A R D G E R E



Sooner
or later
a man who
wears two faces
forgets
which one
is real.

PRIMAL FEAR

PARAMOUNT PICTURES PRESENTS IN ASSOCIATION WITH KISHER ENTERTAINMENT A GARY LOCCHESI PRODUCTION A GREGORY HOULT FILM RICHARD GERE PRIMAL FEAR
LAURA LINNEY JOHN MAHONEY ALFRE WOODARD FRANCES MCCORMACK EDWARD NORTON THE JAMES NEWTON HOWARD AND DAVID ROSENBLUM ACE
MUSIC BY ANNE MCFEEL COSTUME DESIGNER MICHAEL CRAPMAN EXECUTIVE PRODUCERS HOWARD W. KOCH PRODUCED BY WILLIAM DEHLI WRITTEN BY STEVE SHAGAN AND ANN RIDERMAN
DIRECTED BY GREGORY HOULT
R RATED FOR LANGUAGE, DRUG USE, AND SOME SMOKING
READ THE NOVEL FROM BALLANTINE BOOKS
SEARCH BACK ALONG HIS LIFE ON SEAGRAM.COM
PARAMOUNT PICTURES
KISHER ENTERTAINMENT
GARY LOCCHESI
GREGORY HOULT



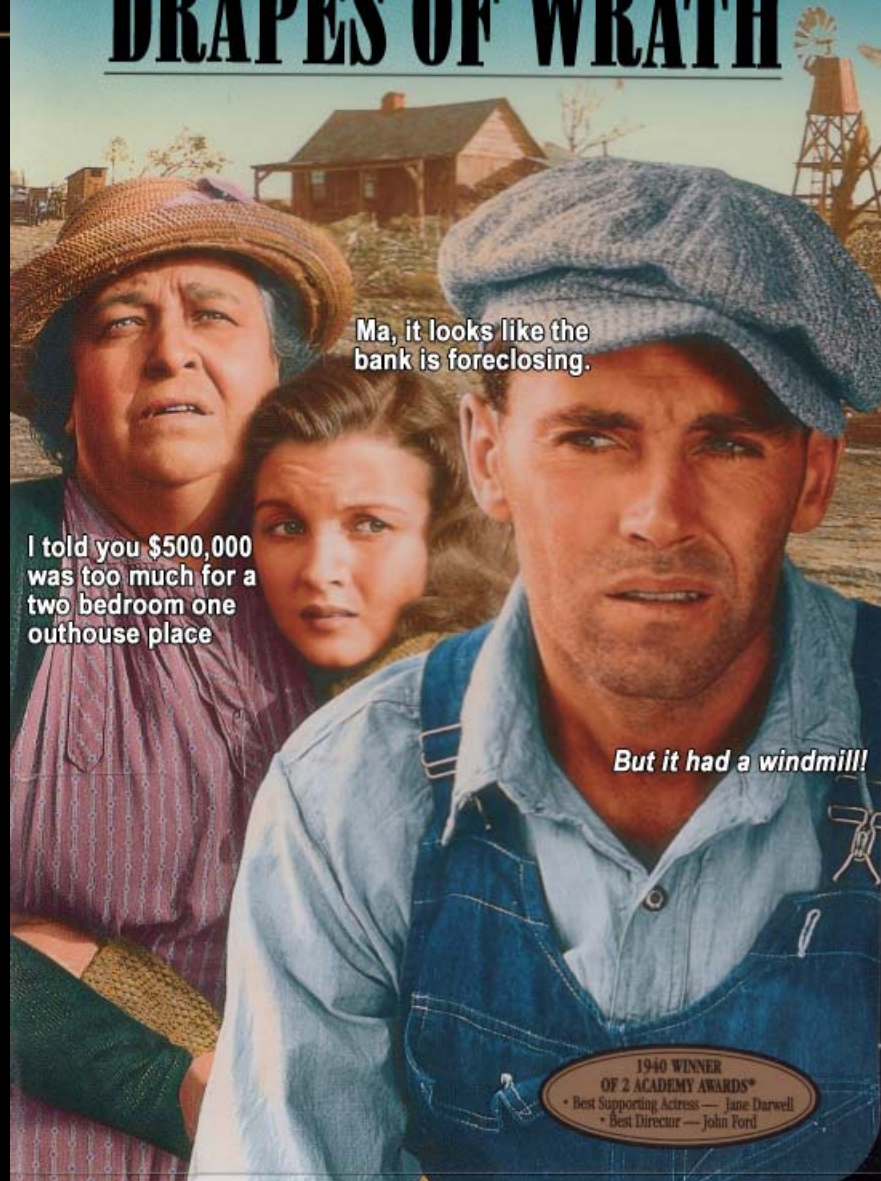
Institute for Economic Competitiveness



HENRY FONDA

THE

DRAPES OF WRATH

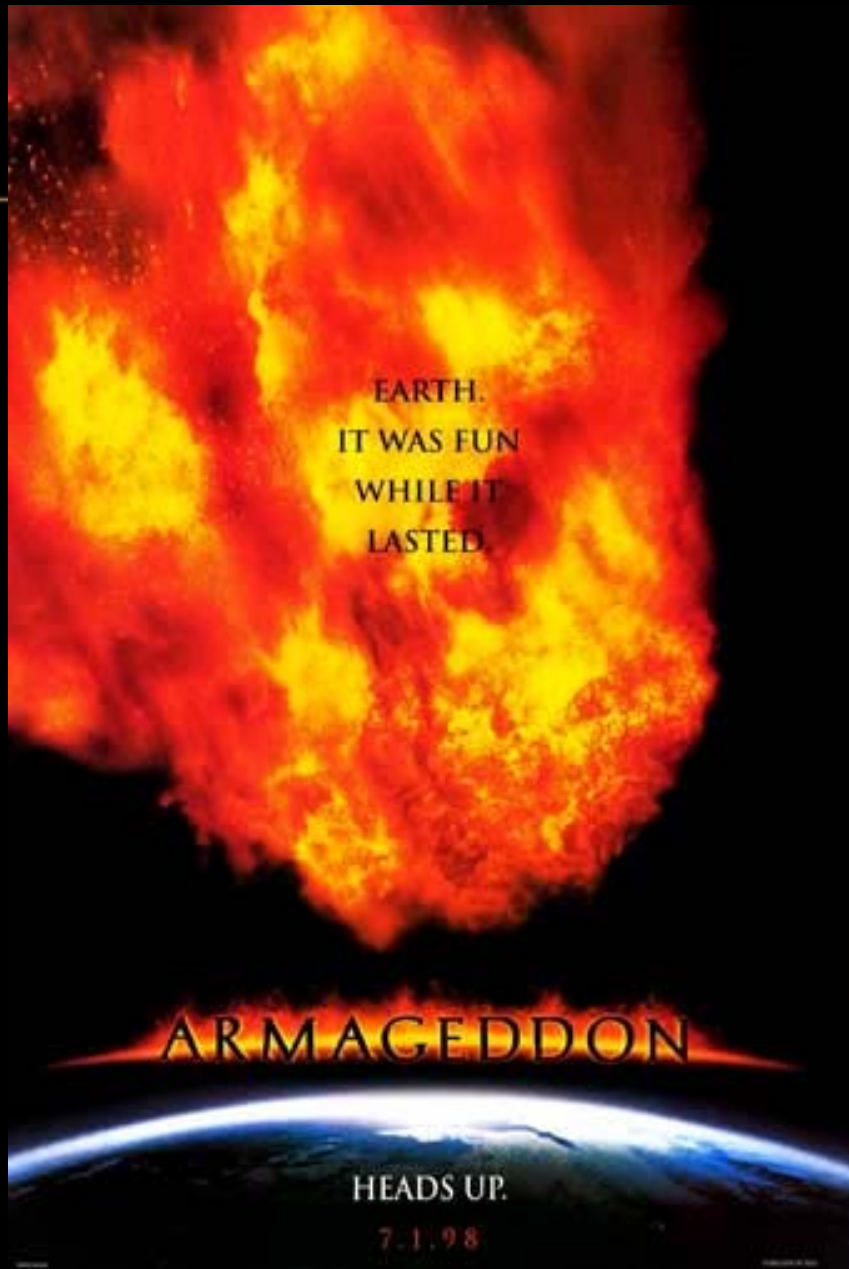


Ma, it looks like the bank is foreclosing.

I told you \$500,000 was too much for a two bedroom one outhouse place

But it had a windmill!

1940 WINNER
OF 2 ACADEMY AWARDS*
• Best Supporting Actress — Jane Darwell
• Best Director — John Ford





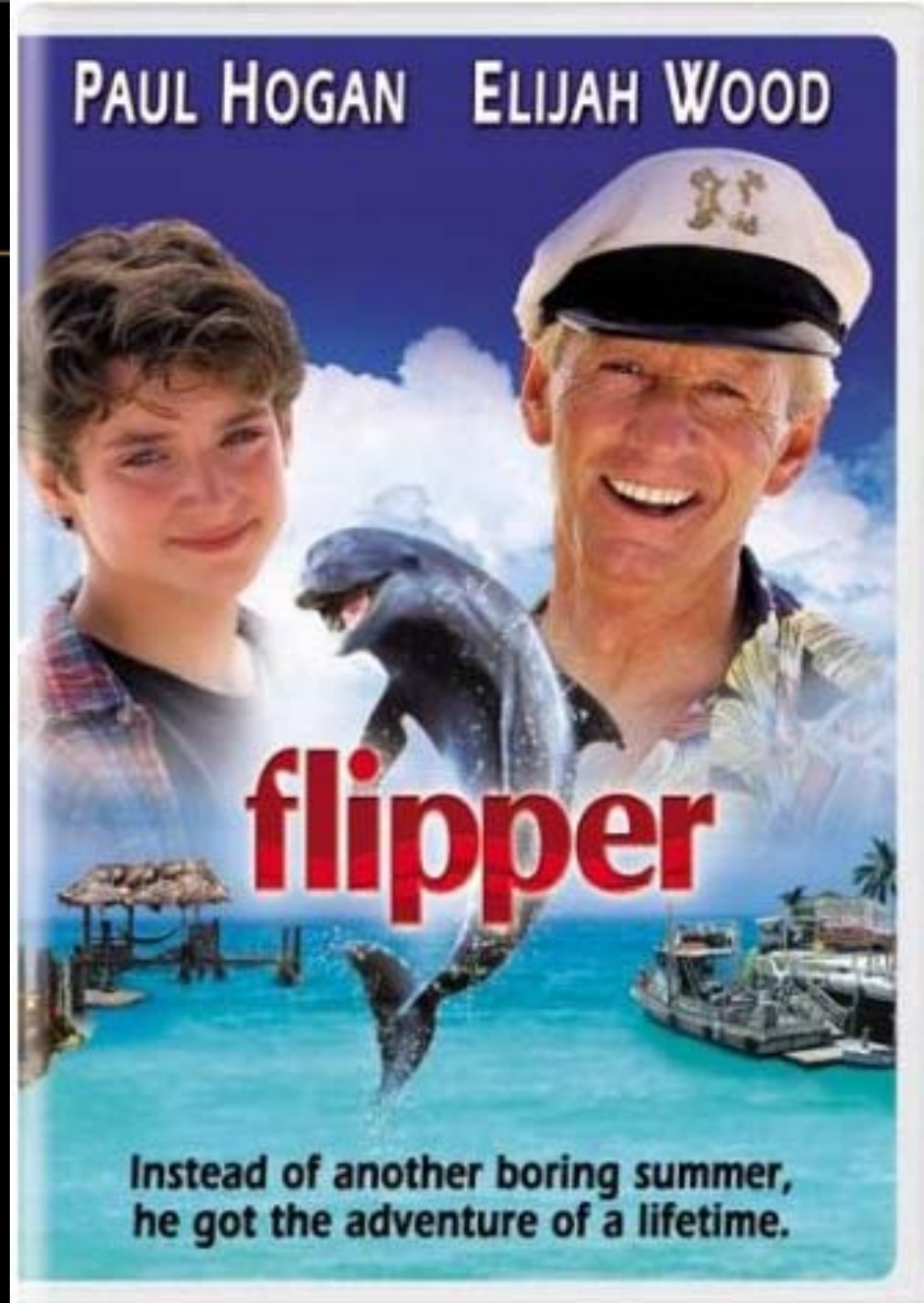
THE 1% TEASER RATE,
IT WAS FUN
WHILE IT
LASTED.

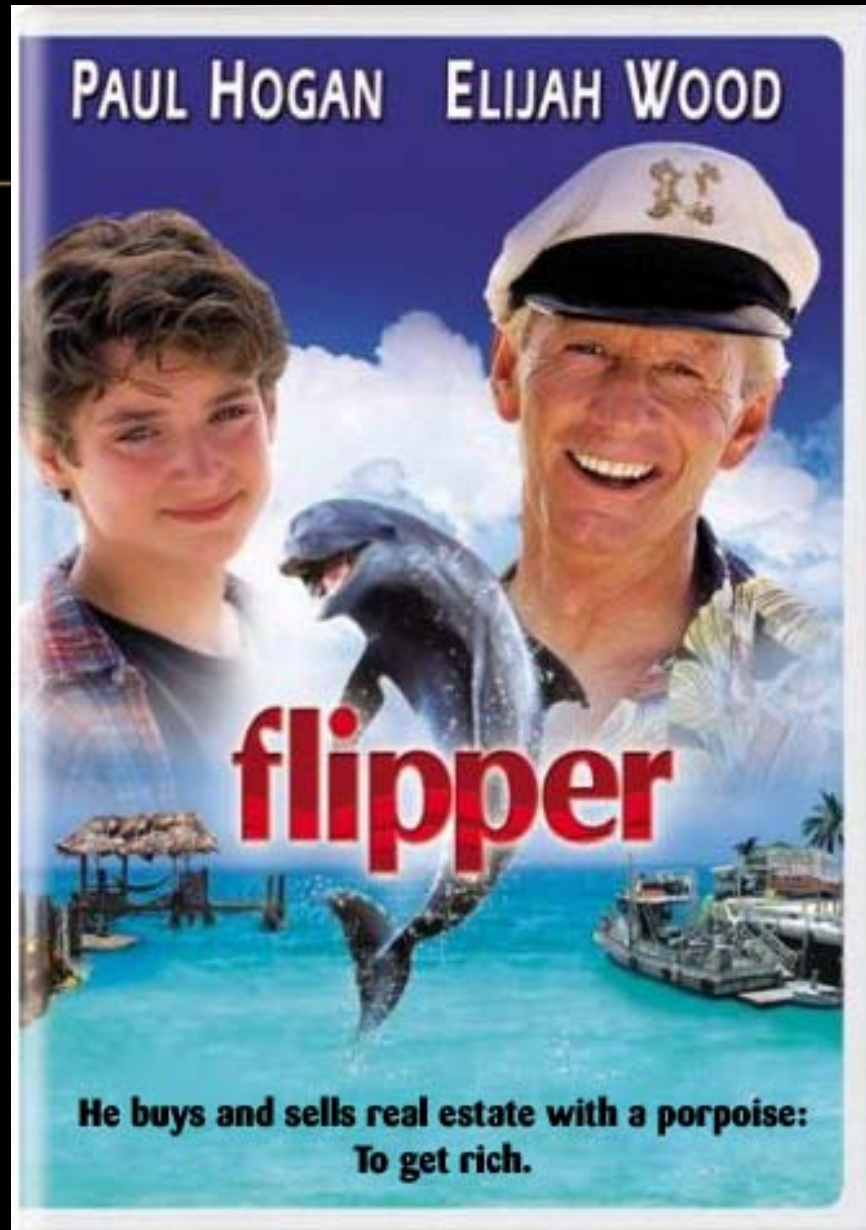
A.R.M. AGEDDON

YOUR MORTGAGE RATE IS GOING UP.

7.1.98

The advertisement features a large, intense fireball or explosion in the center, set against a black background. Below the fireball, the text is arranged in a vertical stack. At the bottom, a thin arc of the Earth's horizon is visible, suggesting a global impact.







Commodities Cinema Presents...



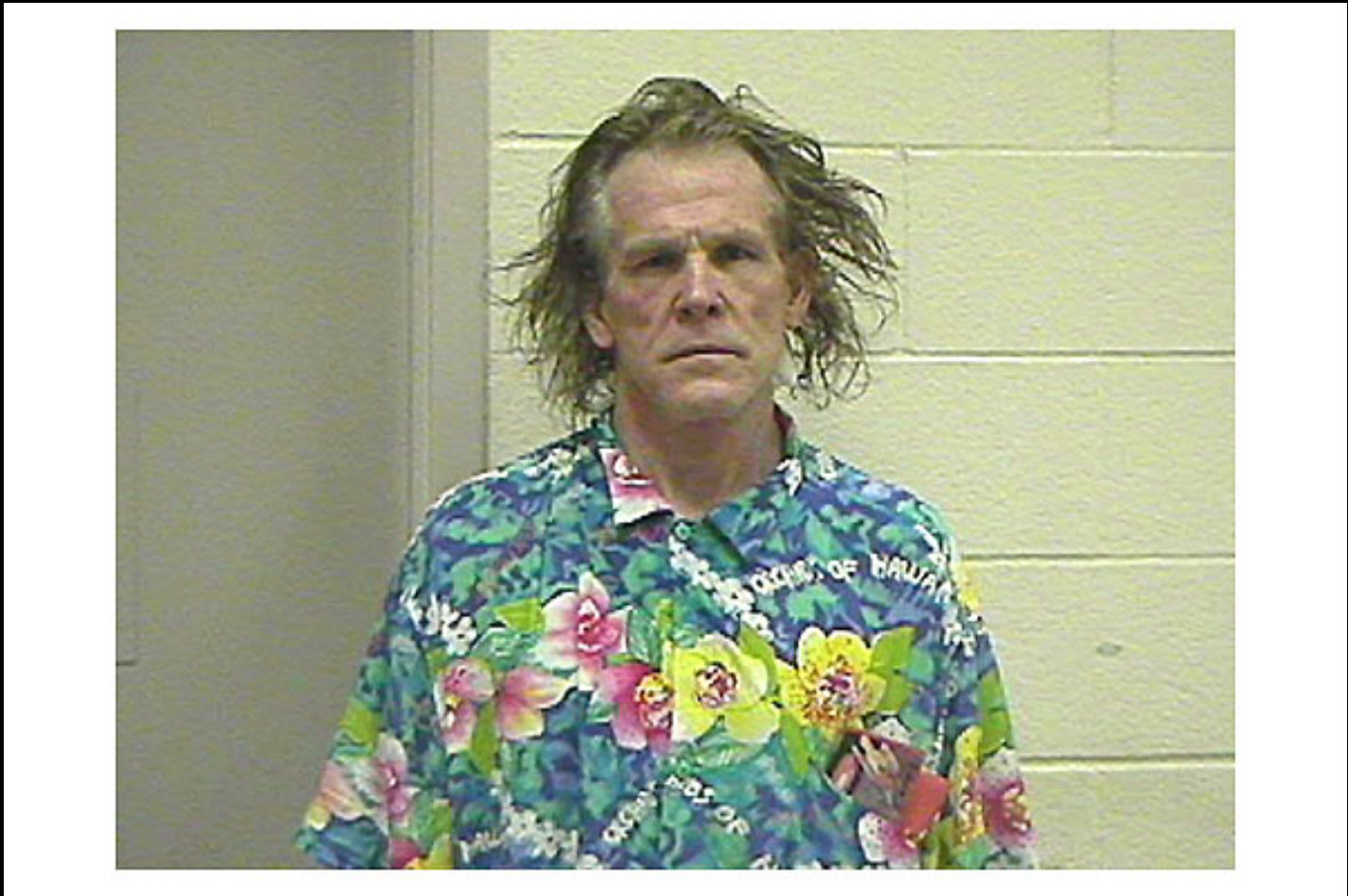
NICK
NOLTE

SUSAN
SARANDON

Some people
 make their own
 miracles.

**LORENZO'S
 OIL**

UNIVERSAL PICTURES presents a GEORGE MILLER film
 NICK NOLTE SUSAN SARANDON
 "LORENZO'S OIL"
 PETER ESTIVA ZACH DUMALLIN GEORGE BERGIC JIMMY KIMMEL BOB
 RICHARD FRANCIS BRUCE MARCUS STACY
 JOHN SEALE A.C.S. GEORGE MILLER & NICK KNIGHT
 DOUG GANTHILL GEORGE MILLER GEORGE MILLER
 UNIVERSAL PICTURES UNIVERSAL





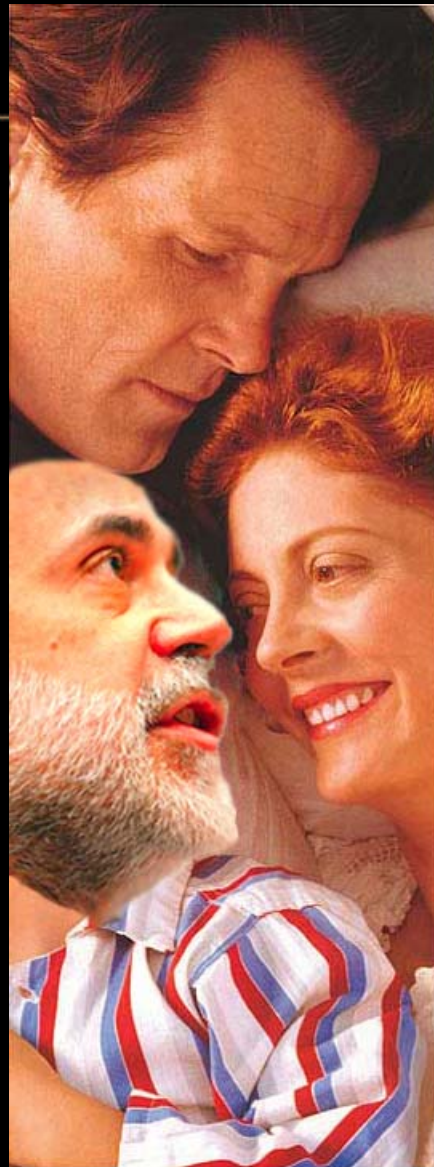
NICK
NOLTE

SUSAN
SARANDON

Some people
make their own
miracles.

LORENZO'S OIL

UNIVERSAL PICTURES presents A KENNETH MILLER FILM
NICK NOLTE SUSAN SARANDON
"LORENZO'S OIL"
PETER ESTIVA ZACH DANIELS GREGG BERG JUDITH ANWOLD BOCK
RICHARD FRANCIS BRUCE MARCUS STACY
JOHN SEALE, ACS
DICK CANTORILL
GEORGE MILLER
UNIVERSAL PICTURES UNIVERSAL



NICK
NOLTE

SUSAN
SARANDON

BEN
BERNANKE

Some central banks
make their own
miracles.

Can commodity
markets save
the Fed?

**BENJAMIN'S
OIL**

UNIVERSAL PICTURES presents a GEORGE MILLER film
NICK NOLTE SUSAN SARANDON
BENJAMIN'S OIL
PETER LUSTIGAL ZACH GUNDELBY CHRISTOPHER MULLER
RICHARD FRANCIS BRUCE MARCUS JARVIS
ALICIA WILSON KEVIN SPACEY
MUSIC BY GEORGE MILLER
PRODUCTION DESIGNER GEORGE MILLER
DIRECTOR OF PHOTOGRAPHY GEORGE MILLER
EDITED BY GEORGE MILLER
EXECUTIVE PRODUCERS
PRODUCED BY
UNIVERSAL PICTURES
www.benjaminsoil.com

U.S. Forecast

- U.S. Still in a Severe Recession ☹
 - 18 months and counting...
 - **The Recession is almost over ☺**
 - Recession: **2007Q4 to 2009Q3**
 - Housing, credit freeze, turmoil in financial markets and volatile energy prices have created an environment that is toxic for economic growth.



U.S. Forecast



- Short-run threat of inflation subsided:
 - Energy prices – bubble has burst
- Inflation gone, but not forgotten
 - **Extremely** stimulative fiscal and monetary policies
 - Once recovery takes root, prices *could* rapidly rise

U.S. Forecast



- Fed has cut target interest rate to near zero
 - Quantitative easing
- Another stimulus package - \$800 billion
 - Stimulus is a cocktail of drugs to fight the recession
 - Transfer Payments
 - Infrastructure
 - Tax cuts
- Treasuries the latest bubble?

U.S. Forecast



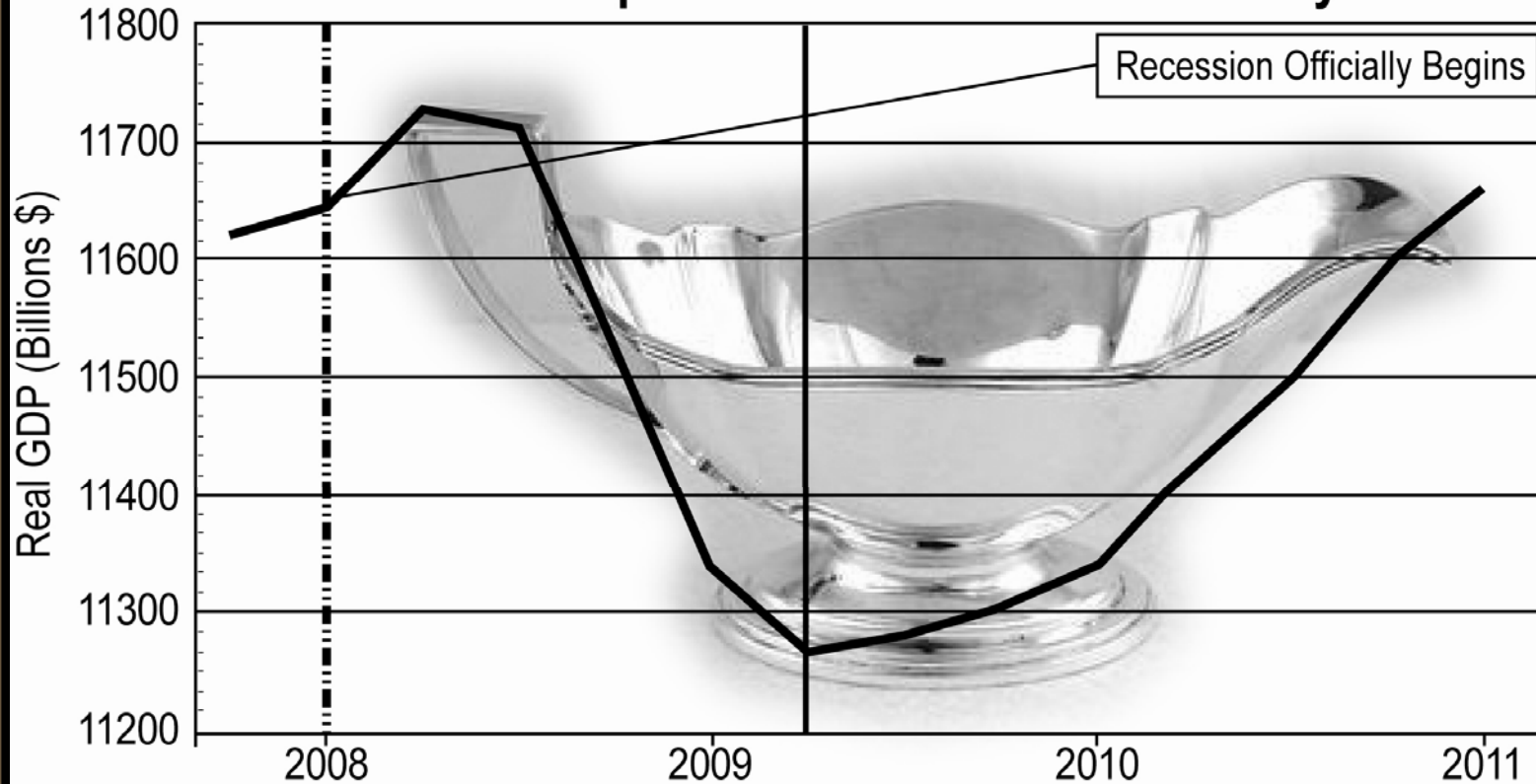
- What will be the shape of the recession and recovery?
- Alphabet soup:
 - U-shaped, V-shaped, L-shaped or maybe W-shaped?
- Sports equipment:
 - Hockey stick?

U.S. Economic Outlook 2nd Quarter 2009 Forecast



Figure 1

The Shape of Recession and Recovery





U.S. Economic Outlook

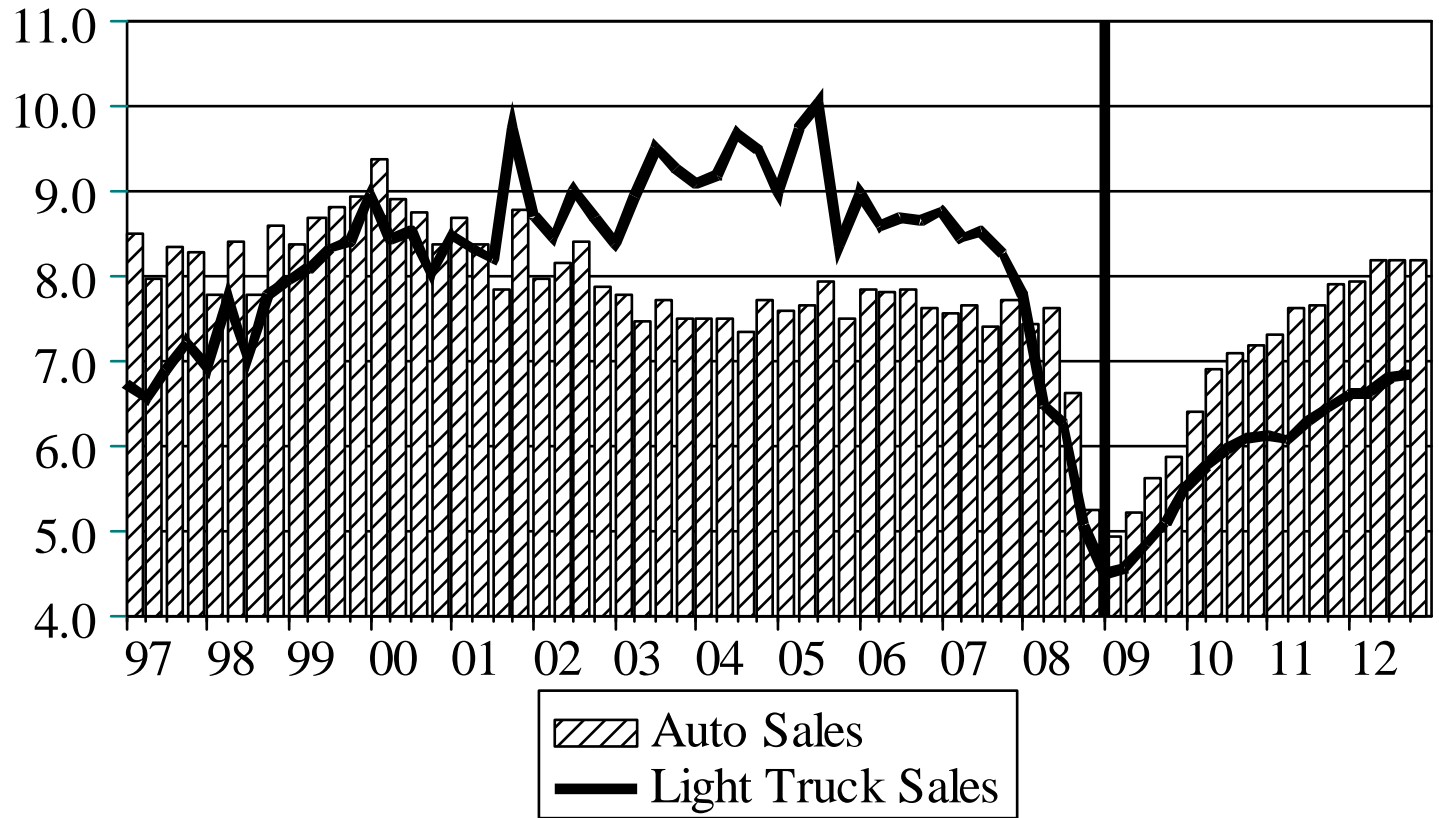
IEC 2nd Quarter 2009 Forecast



	2008 Q2	2008 Q3	2008 Q4	2009 Q1	2009 Q2	2009 Q3
Gross Domestic Product % Chg, Annual Rate	2.8	-0.5	-6.3	-5.7	-2.6	0.4
Consumer Price Index % Chg, Annual Rate	4.9	6.2	-8.3	-2.4	-0.4	0.2
Consumer Sentiment	59.6	64.8	57.7	58.3	64.0	65.8
Total Consumption % Chg, Annual Rate	1.2	-3.8	-4.3	2.2	0.0	1.5



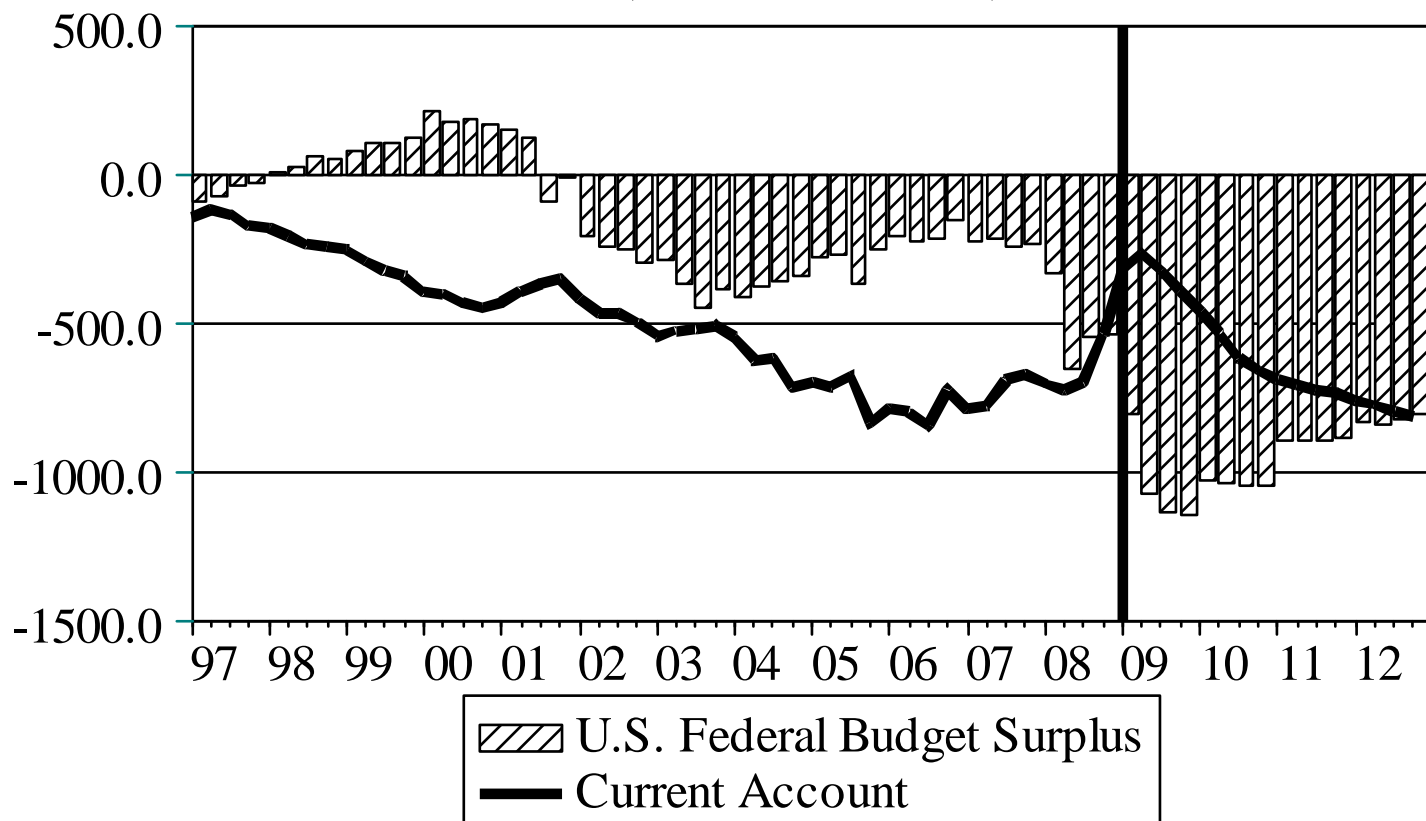
Automobile and Light Truck Sales (Millions Vehicles)





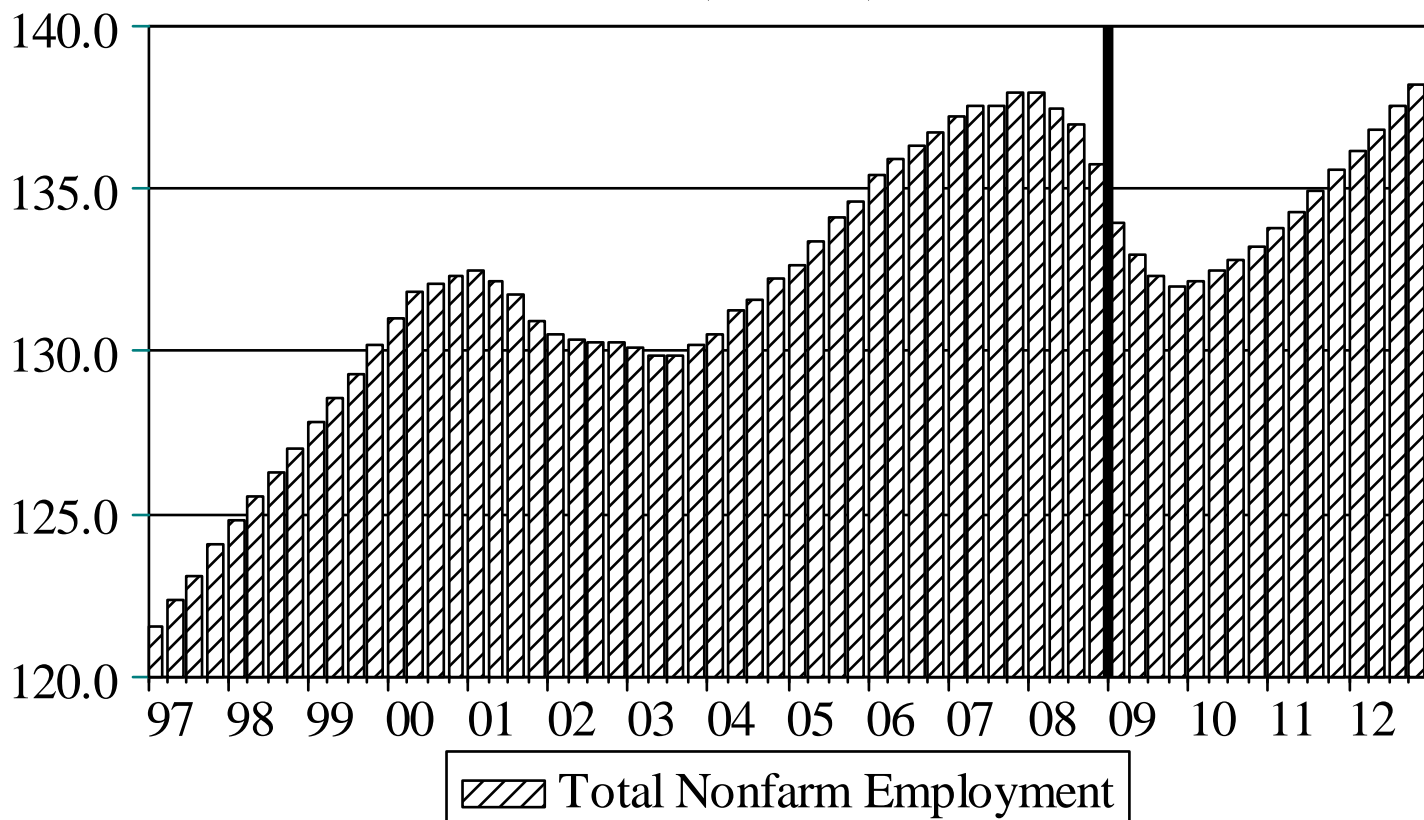
Twin Deficits

(Billions of Dollars)





Total Nonfarm Payroll Employment (Millions)





Civilian Unemployment Rate (%)



Capital Continues to Flow into the U.S.

- Foreign countries have purchased U.S. government bonds at record levels.
- Will this continue as the U.S. runs deficits measured in the *trillions* of dollars?
- A return to crowding out?





Foreign Ownership of US Treasury Bonds

Billions of Dollars

	Dec. 1984	Dec. 1989	Mar. 1994	Jun. 2005	Jun. 2006	Jun. 2008
Total outstanding	1515	2392	2508	3093	3321	3621
Foreign- owned	333	464	884	1599	1727	2211
Percent foreign- owned	22.0	19.4	35.2	51.7	52.0	61.1
Percent foreign official	56.0	52.6	61.7	67.5	70.2	76.2





Diversifying and Growing Your Regional Economy

The Importance Of Diversification

- Hard Lessons Learned in Portfolio Allocation
 - Stock Market Plunge
- Hard Lessons Learned in Economic Diversification
 - Housing Bust
- What is an economic developer to do?





Diversifying and Growing Your Regional Economy

- Serenity Prayer for Economic Development
- Know your regions strengths and weaknesses
 - Basic/Non-basic sectors
 - (Location Quotients)
- Diversification can occur but usually is a glacial phenomena
 - Returns to efforts may not be immediately apparent
- The Power of Partnerships
 - Orlando's Medical City





Thank you

Sean M. Snaith, Ph.D.

Director

Institute for Economic Competitiveness

(407) 823-1453

Sean@SeanSnaith.com

WWW.IEC.UCF.EDU

Institute for Economic Competitiveness

