

ON THE ECONOMIC, BUSINESS & POLITICAL ENVIRONMENT

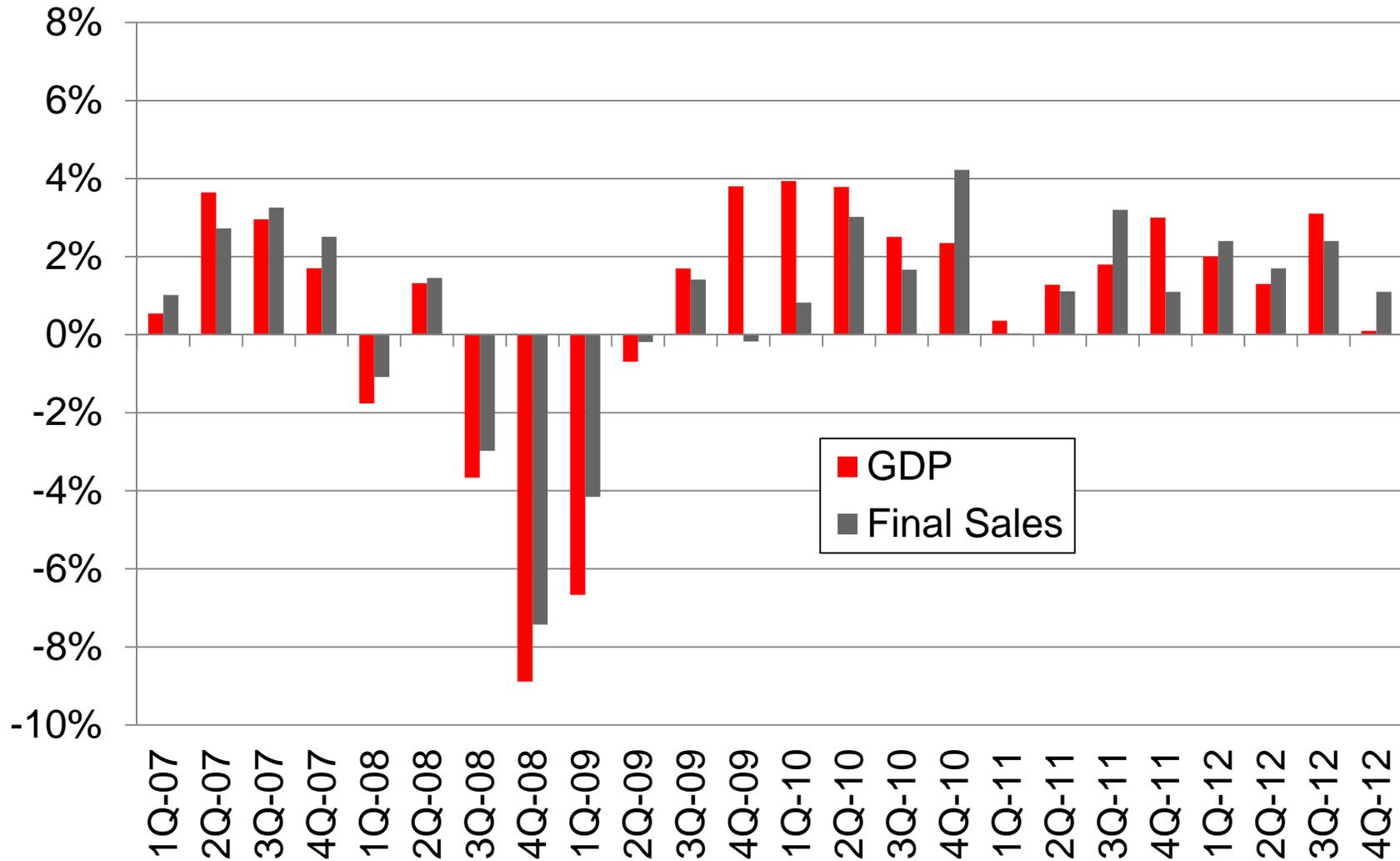
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March 25, 2013
Pine Mountain, GA

Question #1:

44 months into a recovery and we are still talking about "double dips" - why is the economy so sluggish and when will it turn around?

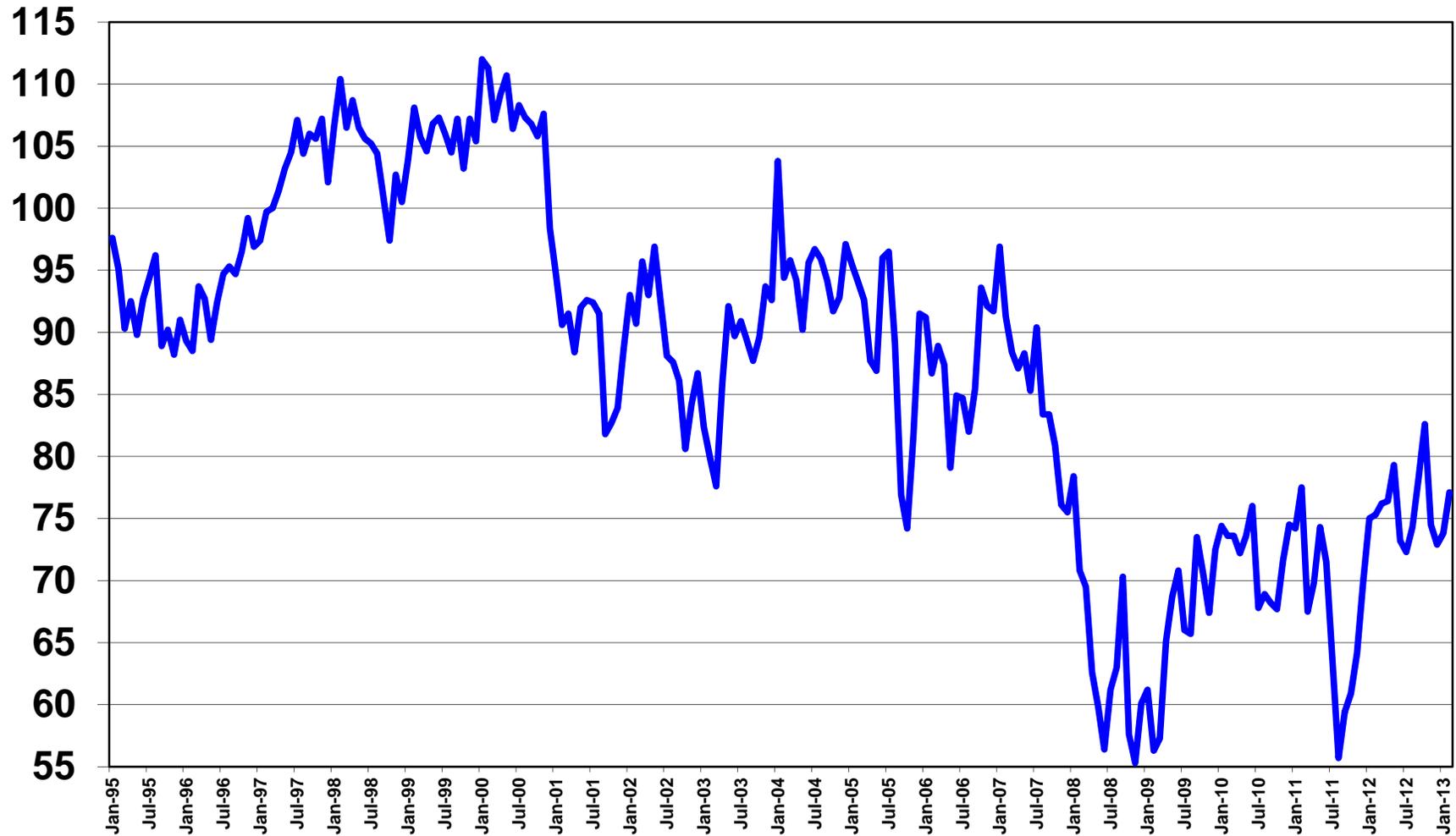
GDP vs. Final Sales



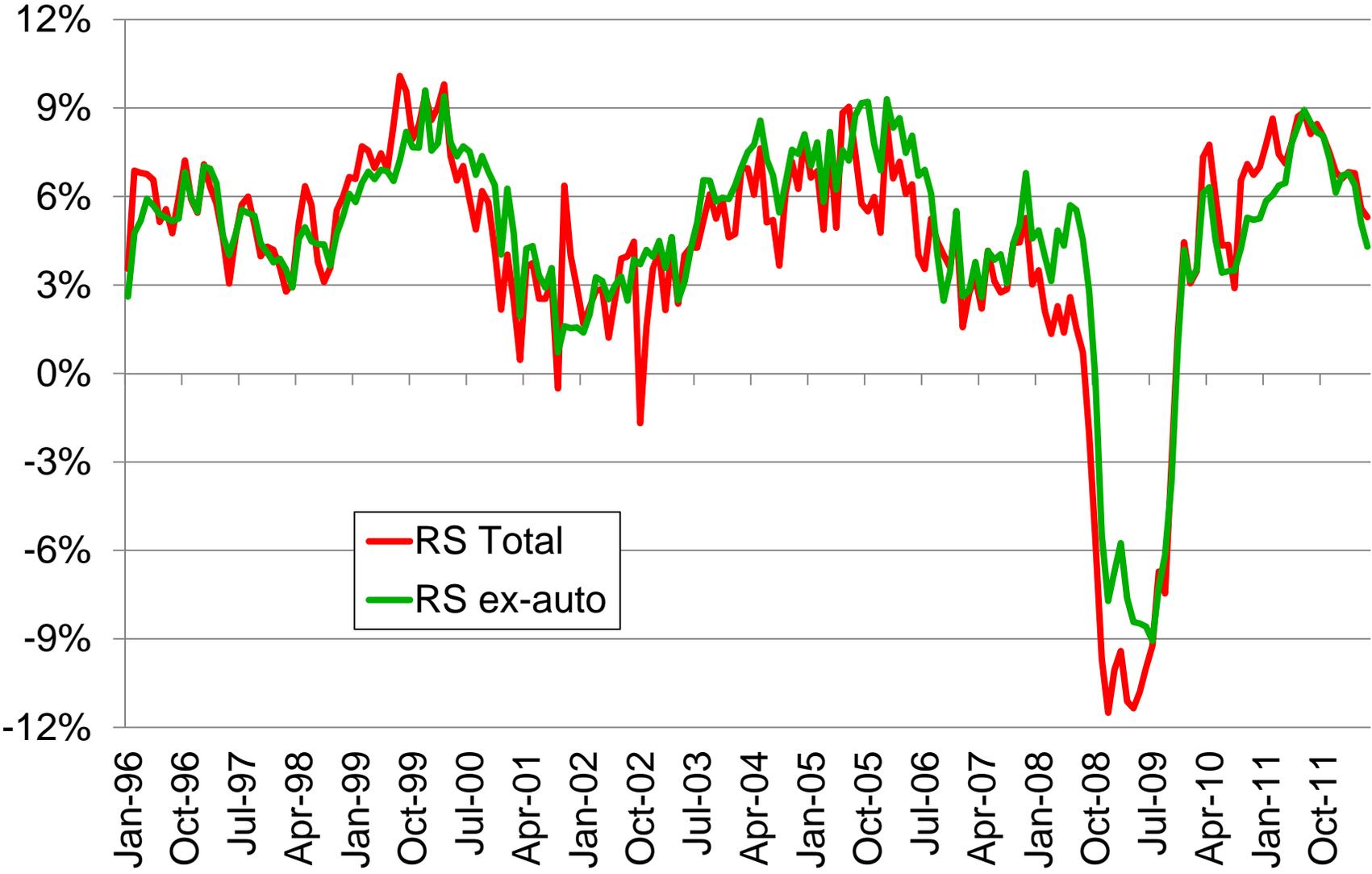
	GDP =	Consumption	Gross Investment	Net Exports	Government
2012:Q1	2.0	1.72	0.78	0.06	-0.60
2012:Q2	1.3	1.06	0.09	0.23	-0.14
2012:Q3	3.1	1.12	0.85	0.38	0.75
2012:Q4	-0.1	1.52	-0.08	-0.25	-1.33

	Gross Investment =	Nonresidential	Residential	Inventory
2012:Q1	0.78	0.74	0.43	-0.39
2012:Q2	0.09	0.36	0.19	-0.46
2012:Q3	0.85	-0.19	0.31	0.73
2012:Q4	-0.08	0.83	0.36	-1.26

Consumer Sentiment

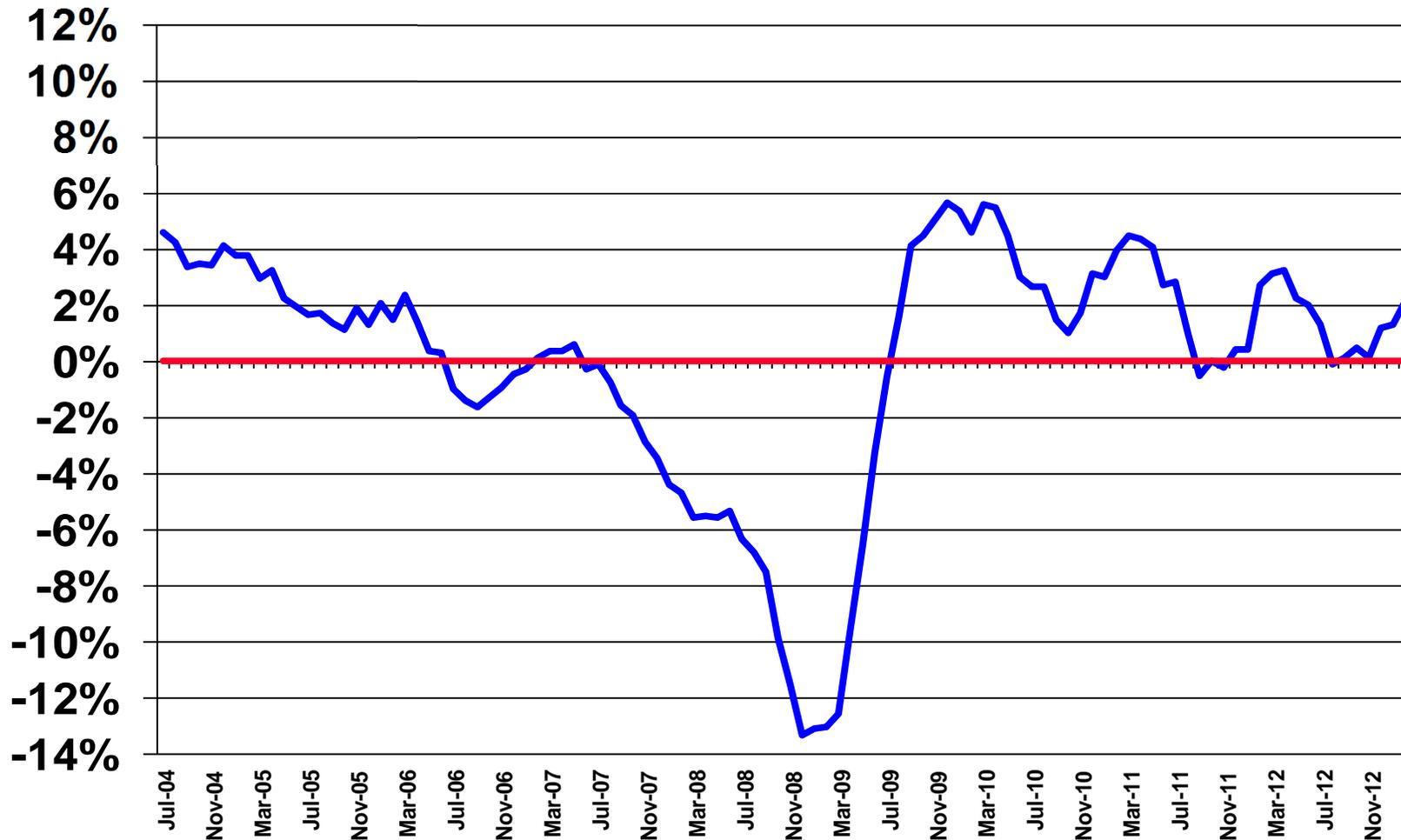


Retail Sales



Leading Economic Indicators

(source: Conference Board, % change in last 6 months)

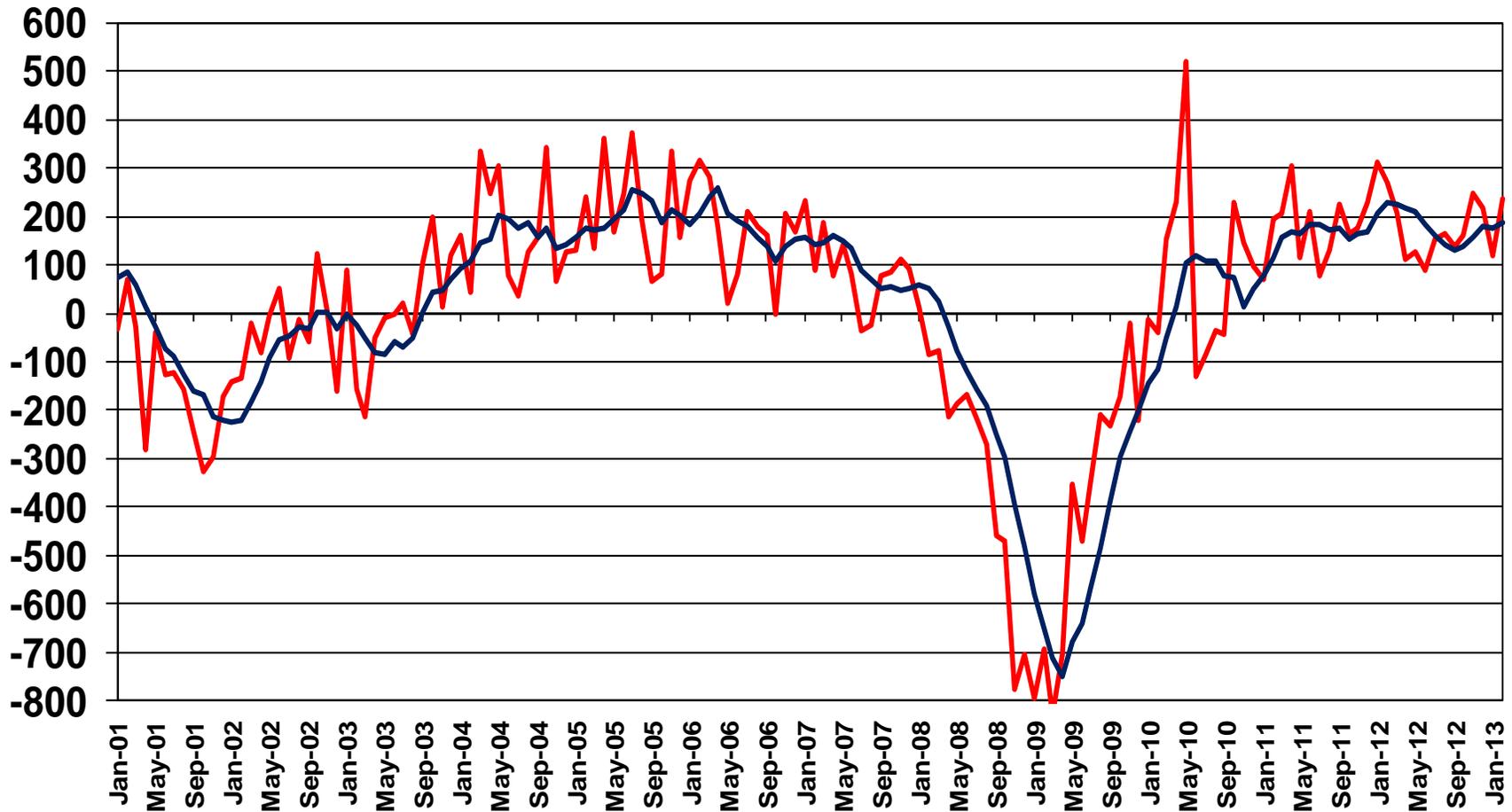


Question #2:

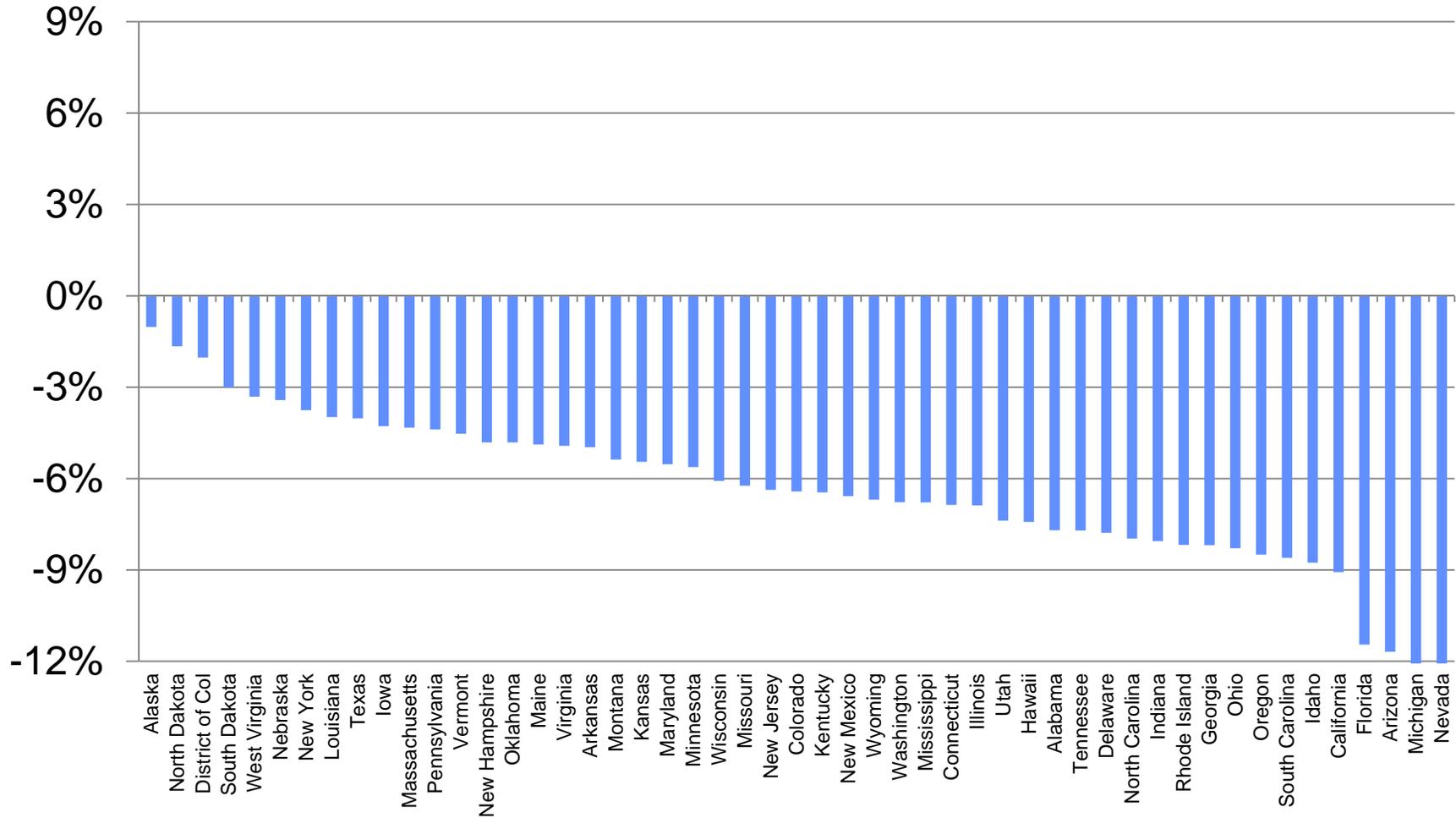
If the economy is truly growing, why is job growth so low?

Change in Employment

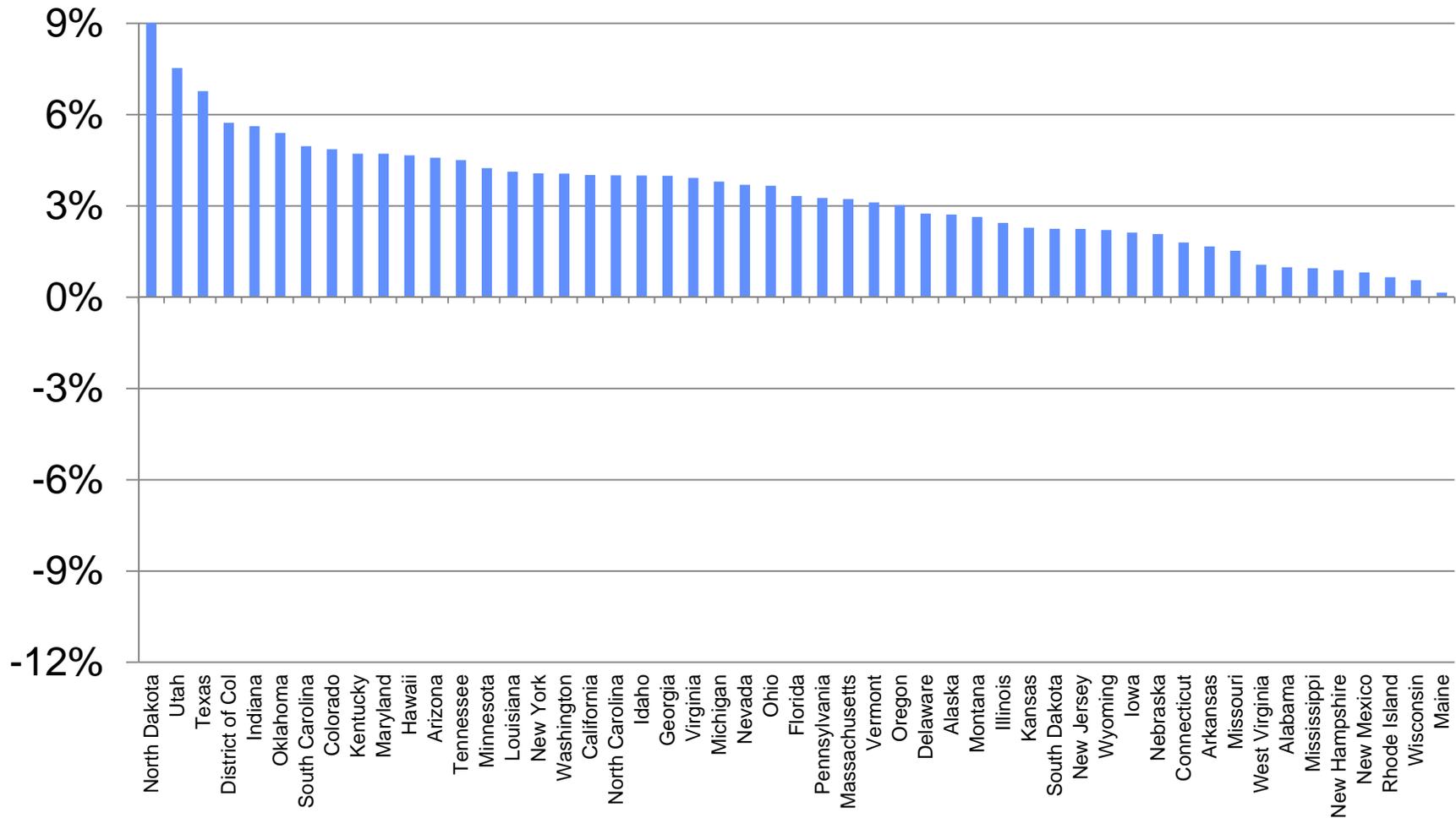
(non-farm payrolls)



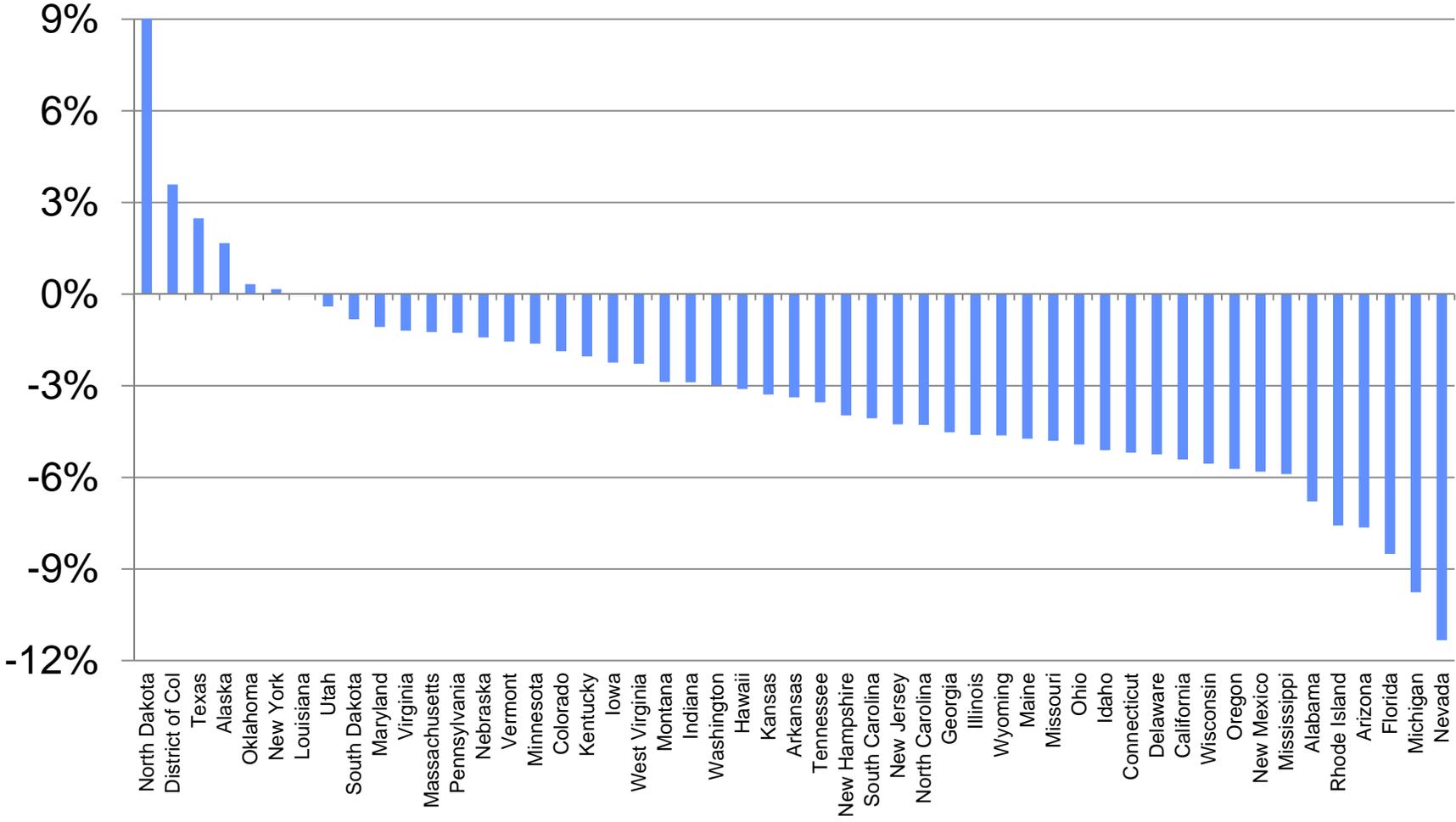
State Employment (Jobs Lost)



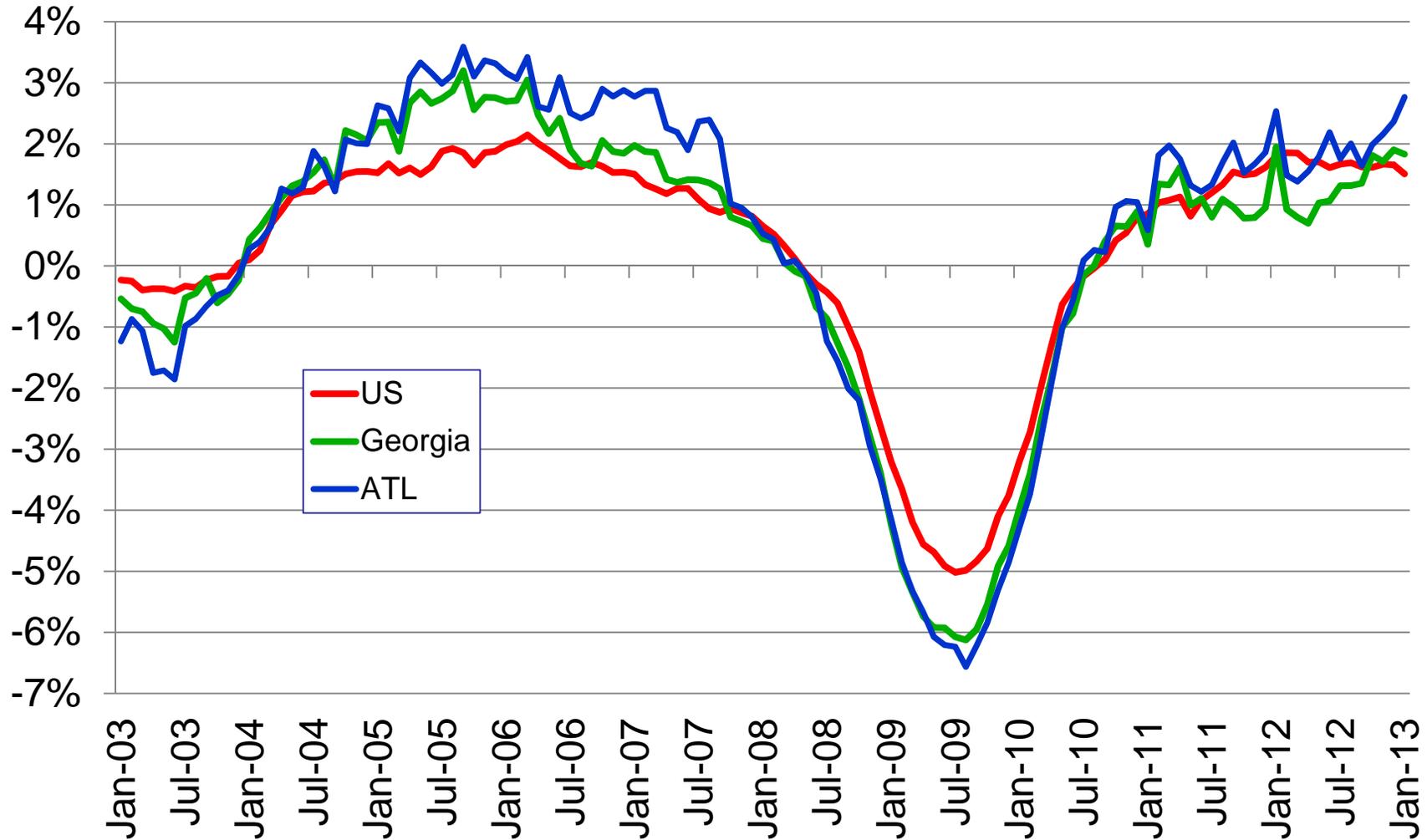
State Employment (Jobs Recovered)



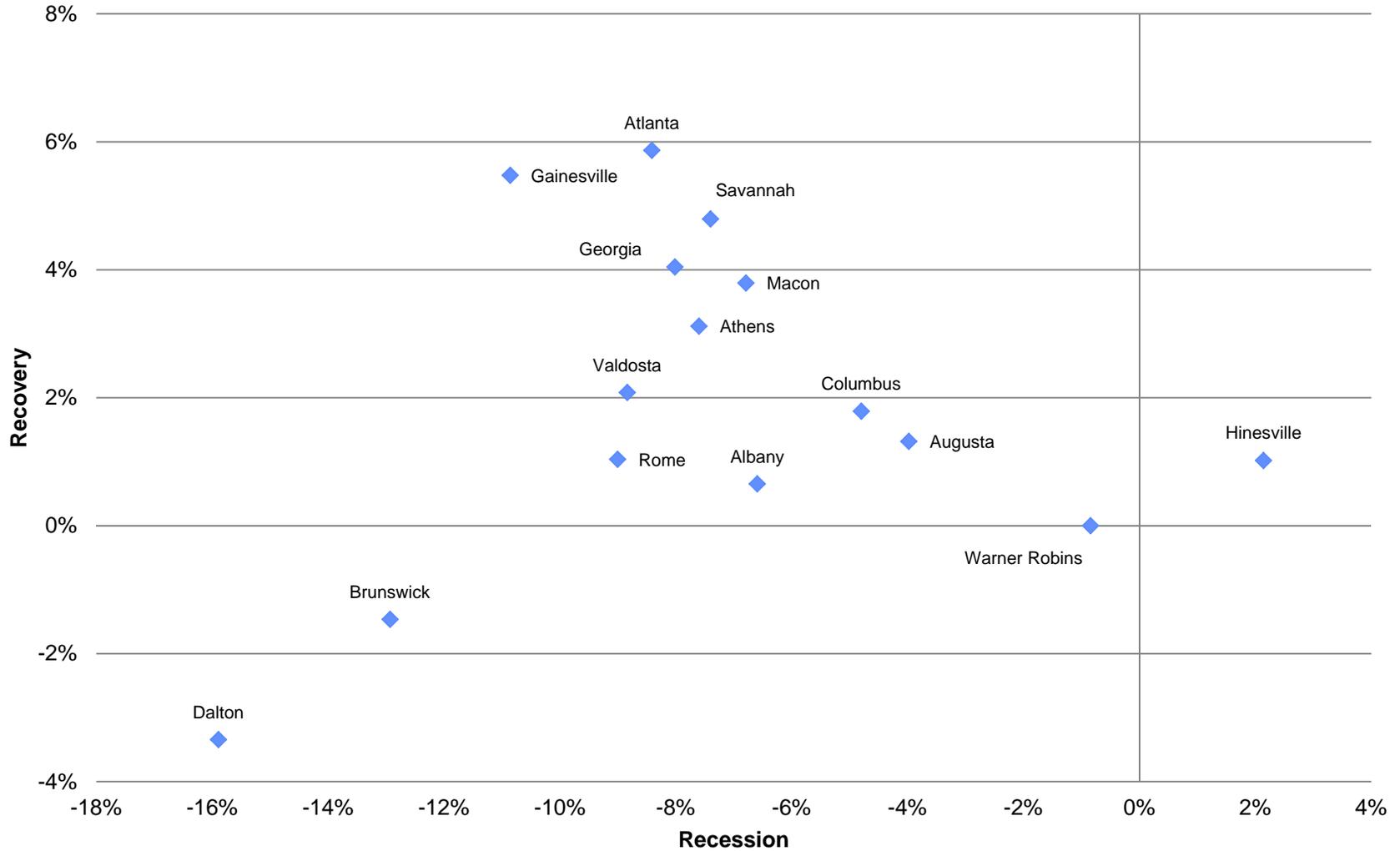
State Employment (Net Change)



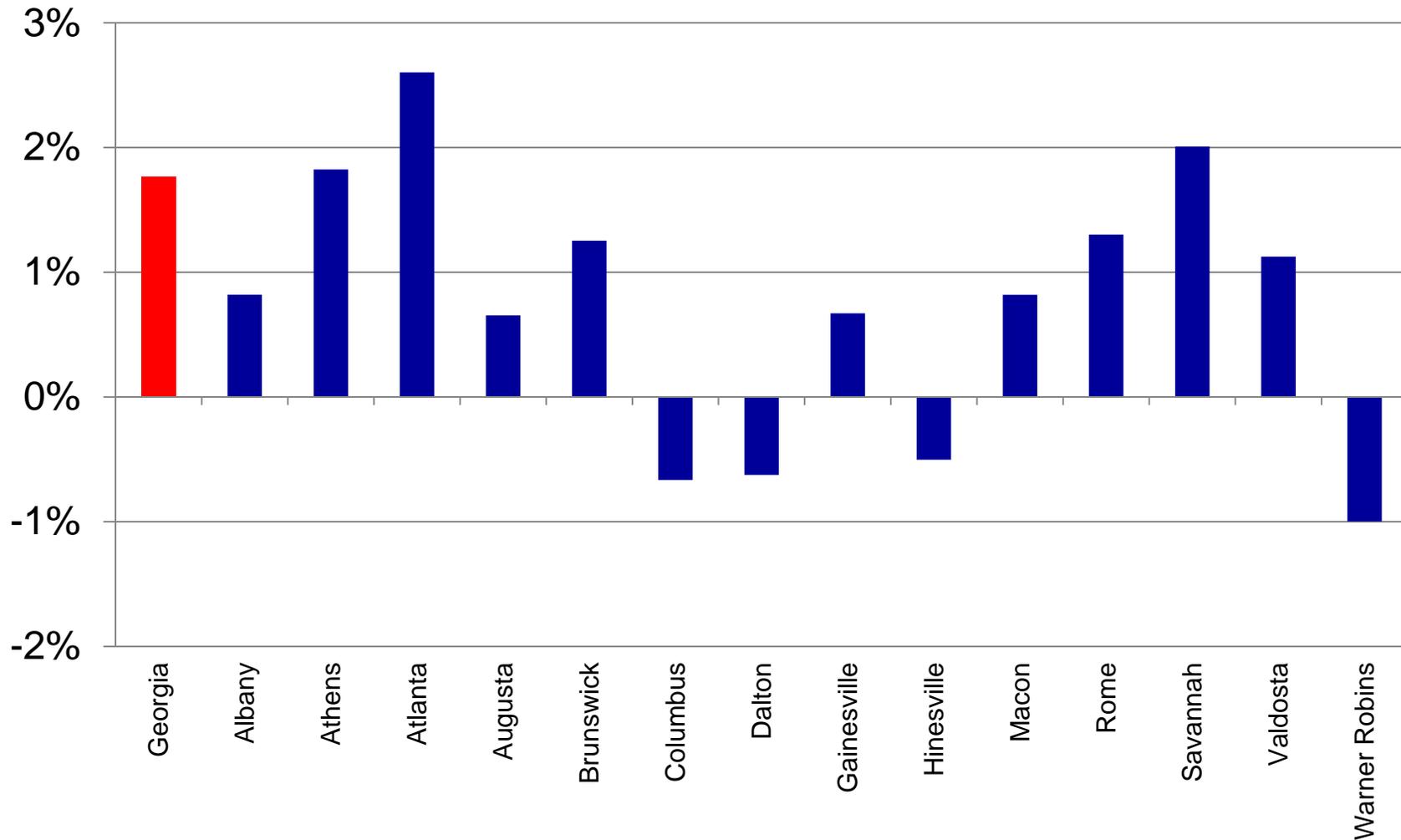
Change in Employment: GA & ATL



Employment Change: GA

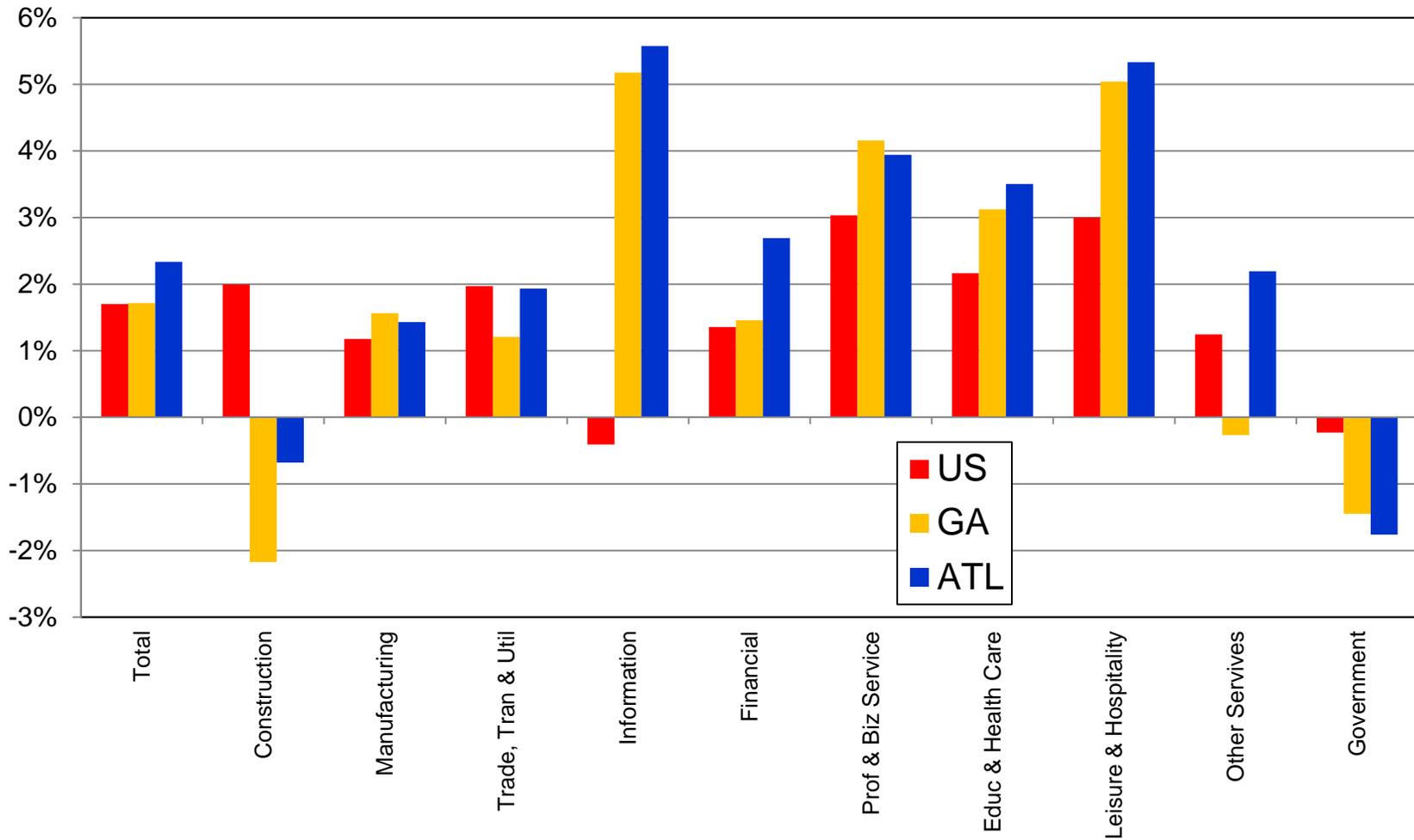


Job Gains: Last 12 Months



Job Growth by Sector

(y/y though December 2012)



Question #3:

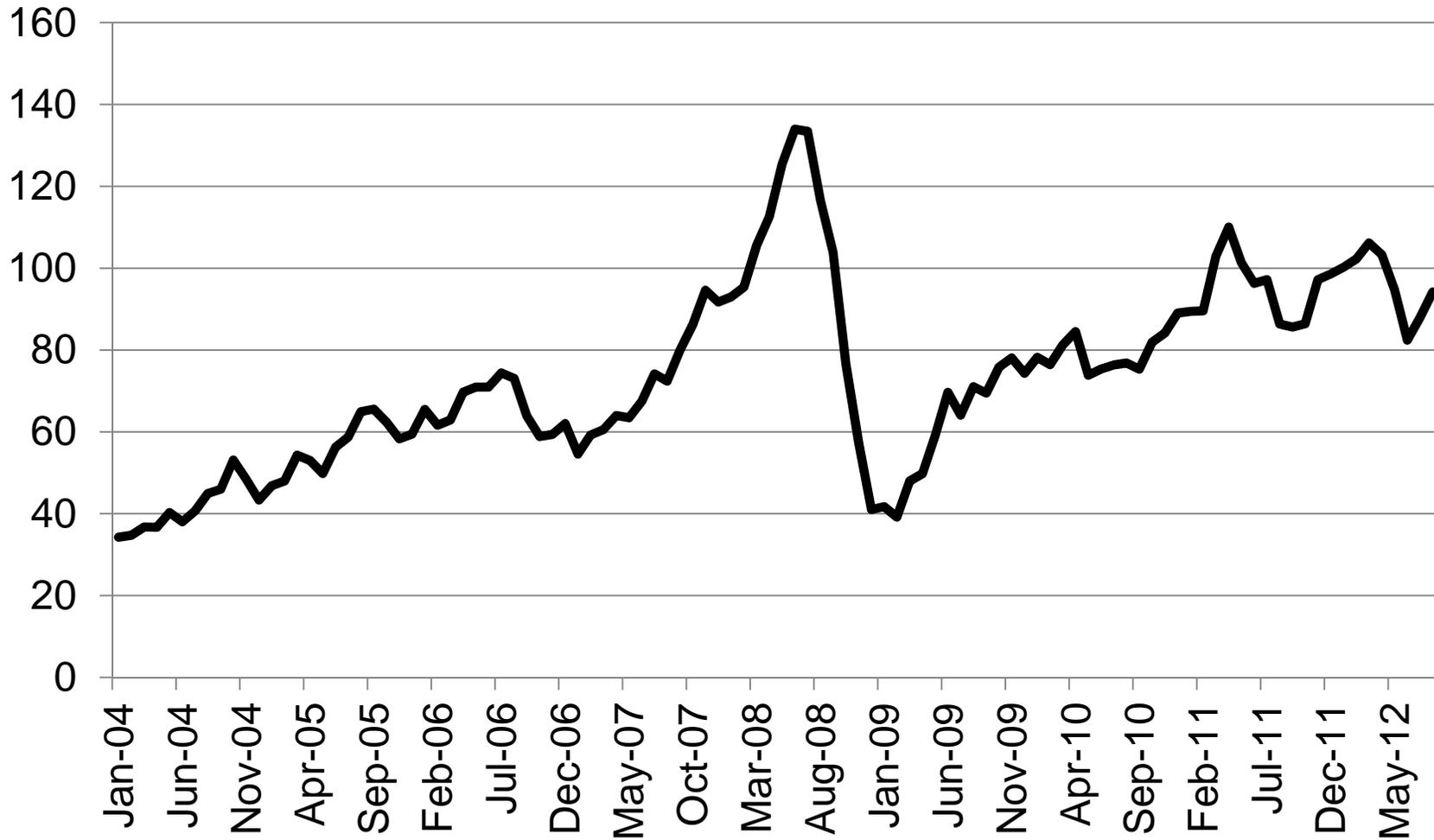
Oil prices have been falling as of late. Is that the new normal? And, does that take all the inflation worries off the table?

Prices: What Happened to Deflation?

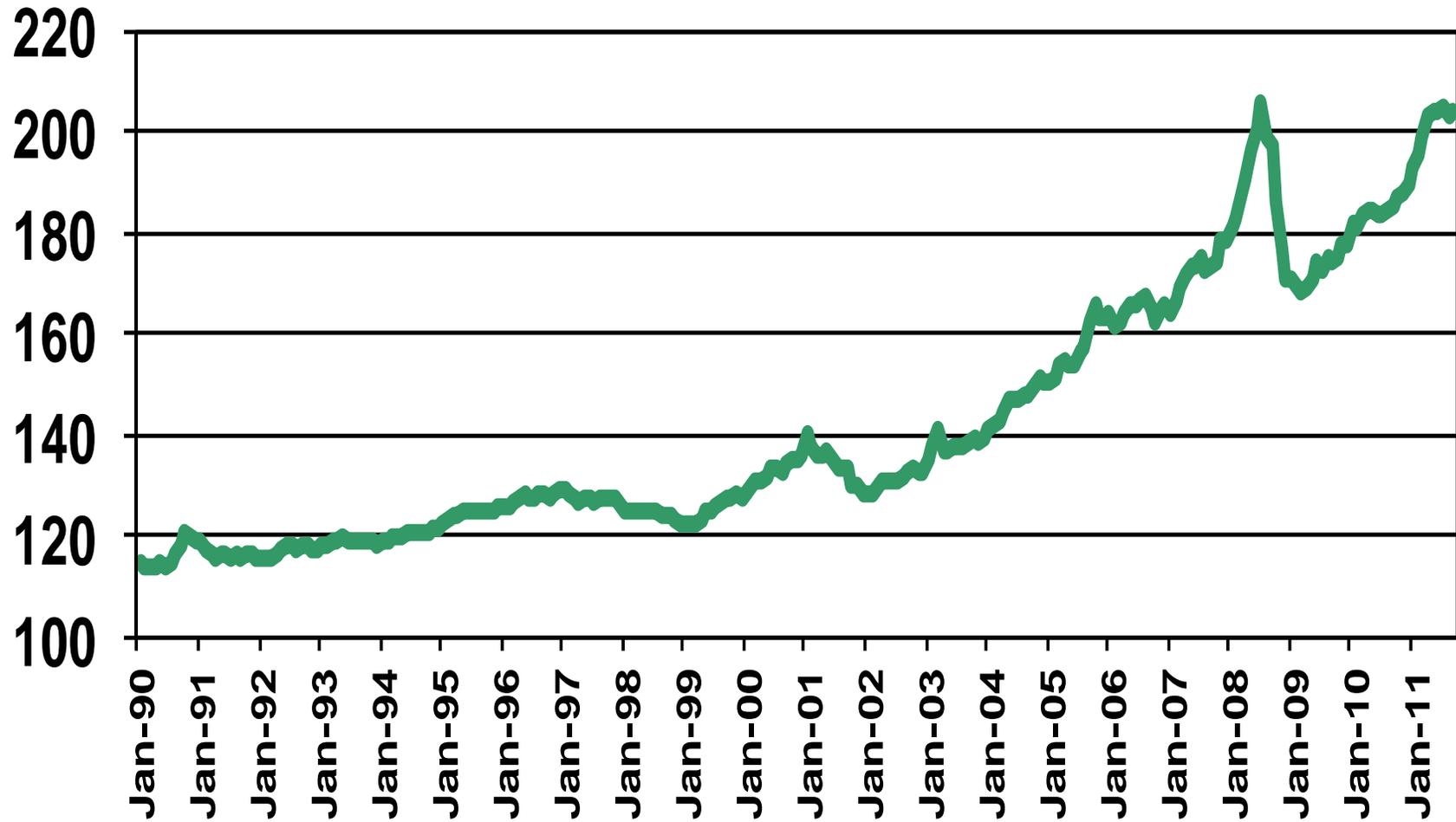
- **CPI was up 0.7% in February, after being flat in December and November.**
- **Core up 0.2% in February, after having been up 0.3% and 0.1% in January and December.**
- **Overall CPI up at an 2.0% annual rate over last 12 months. Core up 2.0% over same period.**
- **Energy component was up 2.3% over last 12 months.**

Crude Oil

(Spot Price, WTI)



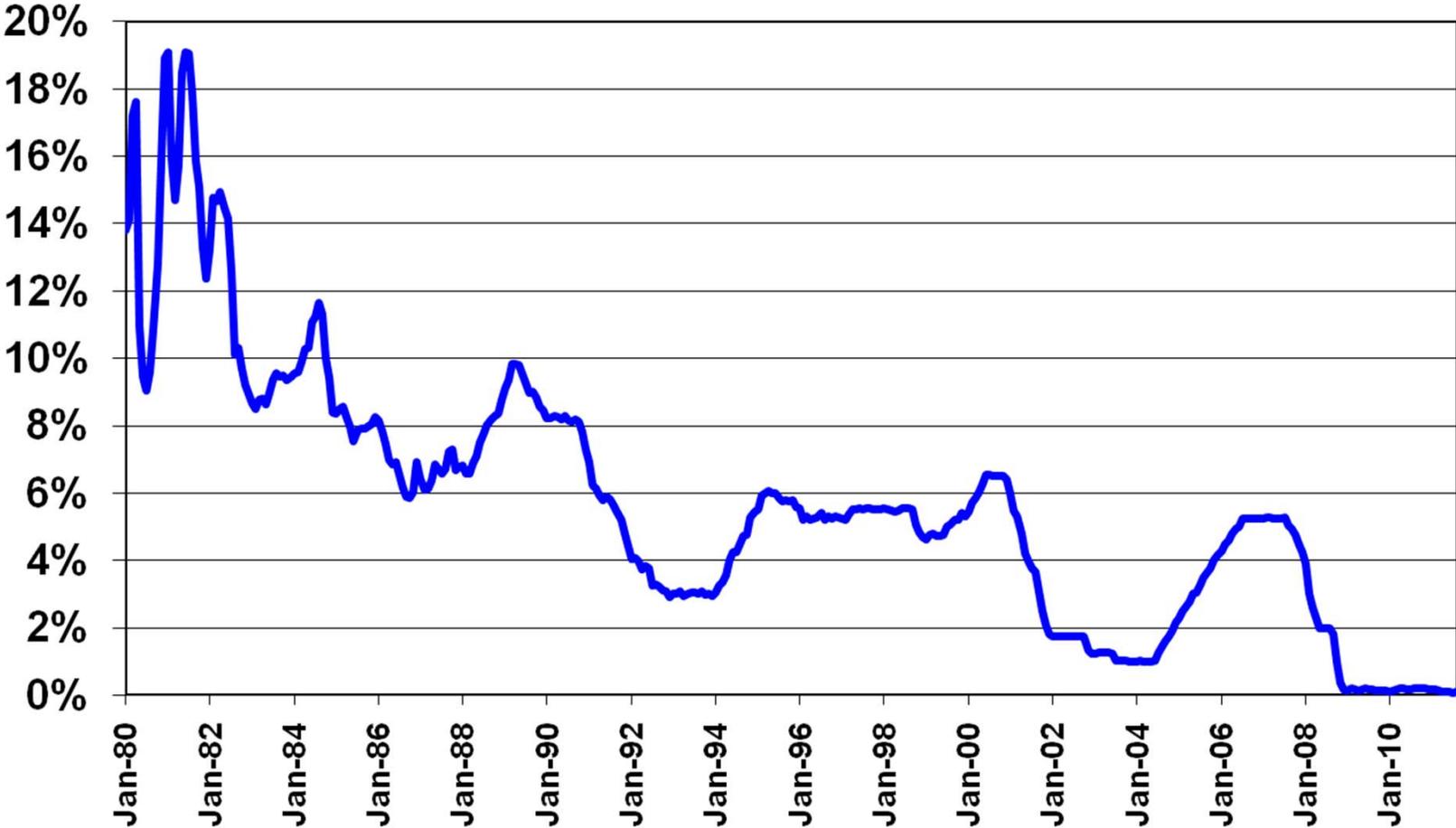
PPI Commodity Index



Question #4:

"Operation Twist" has been extended until the end of 2012. Can the "Fed" save the day and where do interest rates go from here?

Federal Funds Rate Short Rates on Hold to '15?



10-Year Treasury Bond Twist Again?



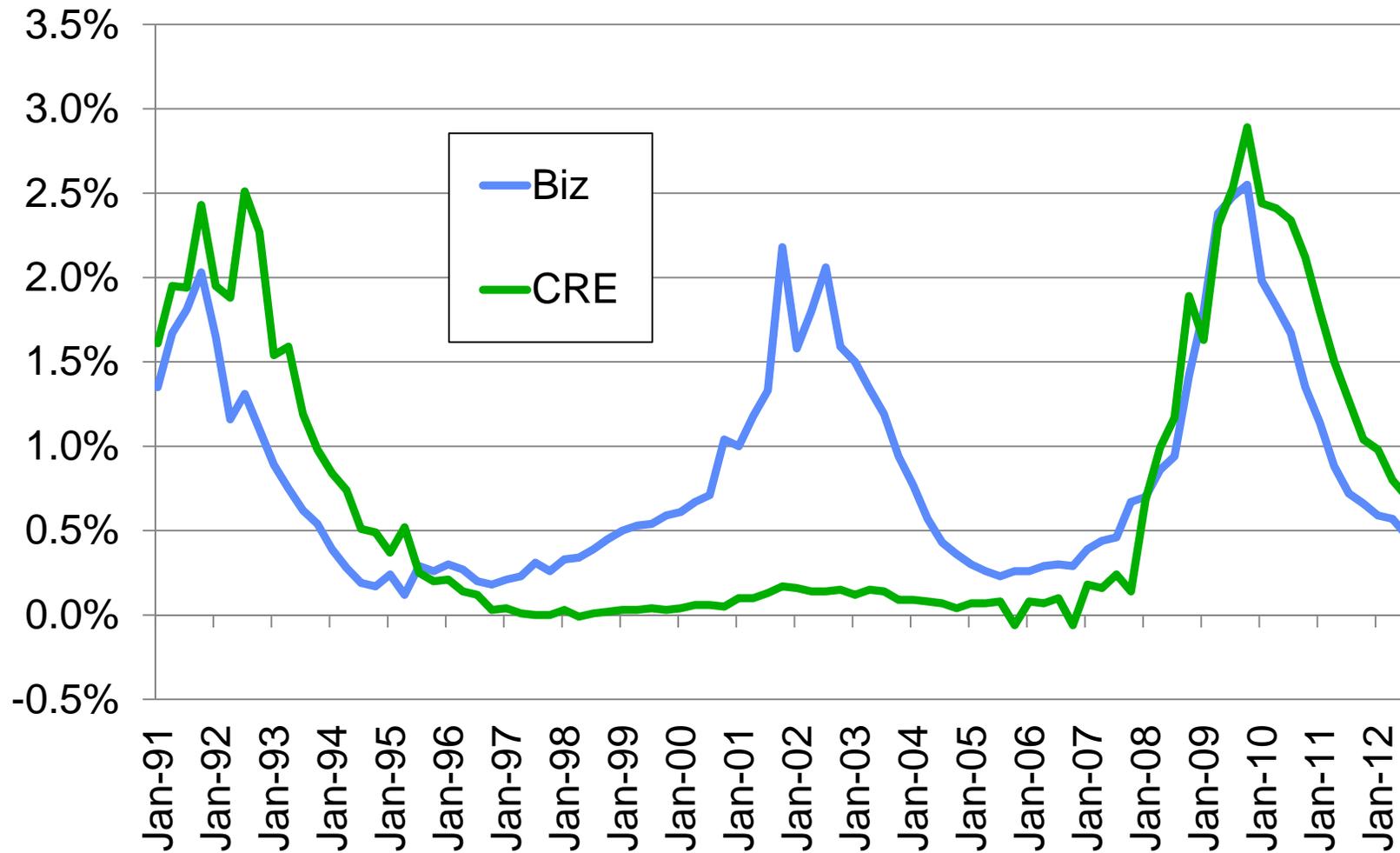
Mortgage Spreads



Question #5:

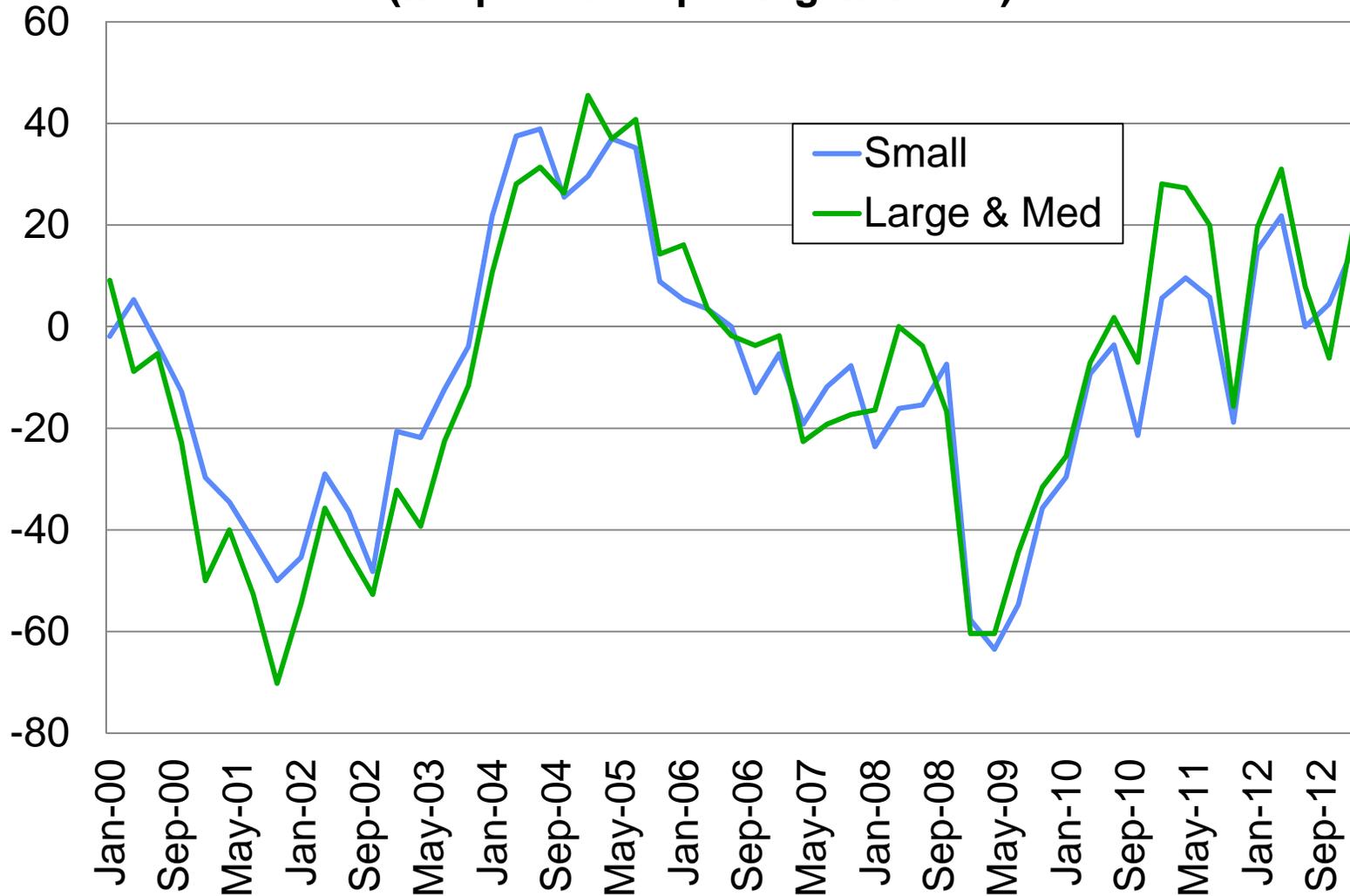
What about the financial institution balance sheets - are they finally firming? When will the bank failures end?

Charge Off rates



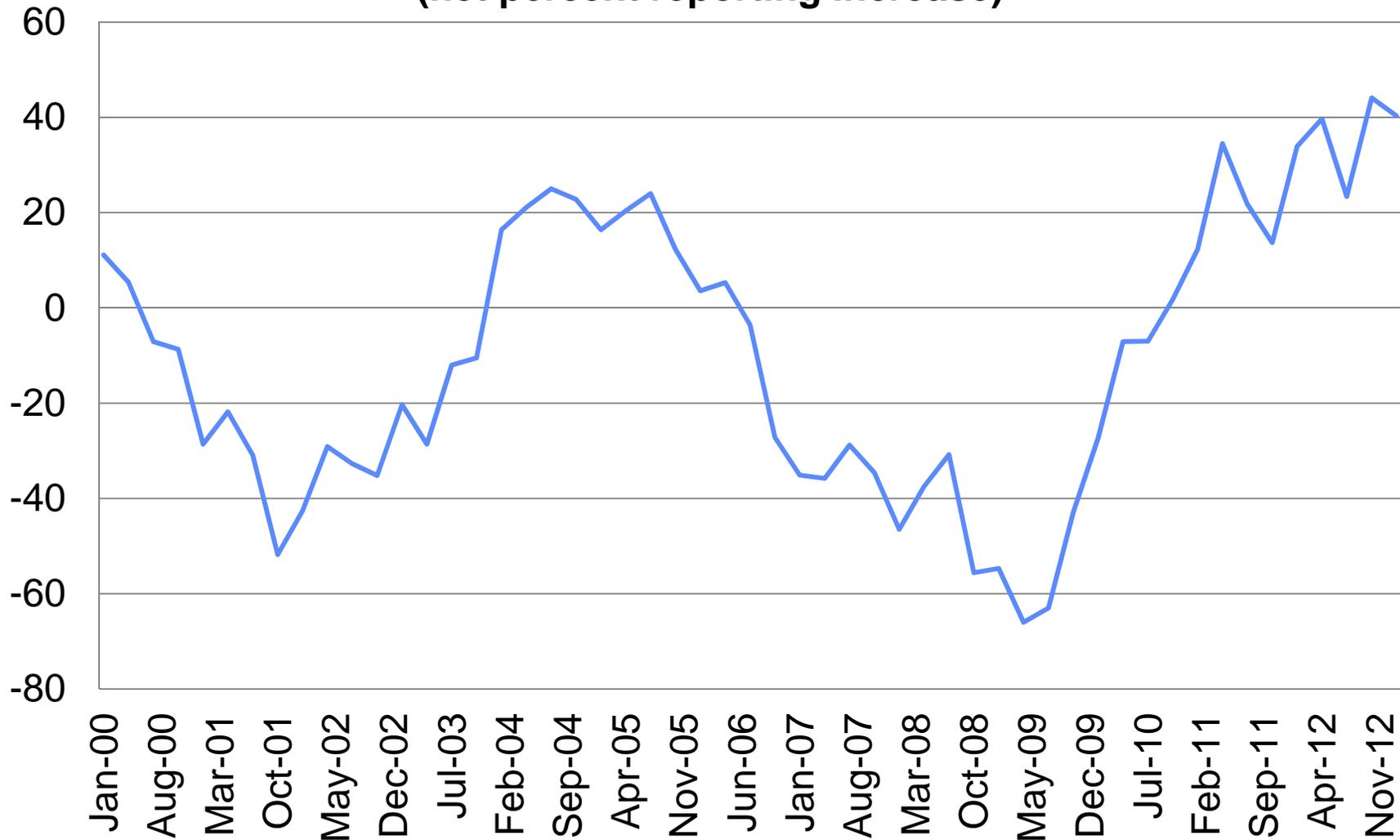
Demand for C&I Loans?

(net percent reporting increase)

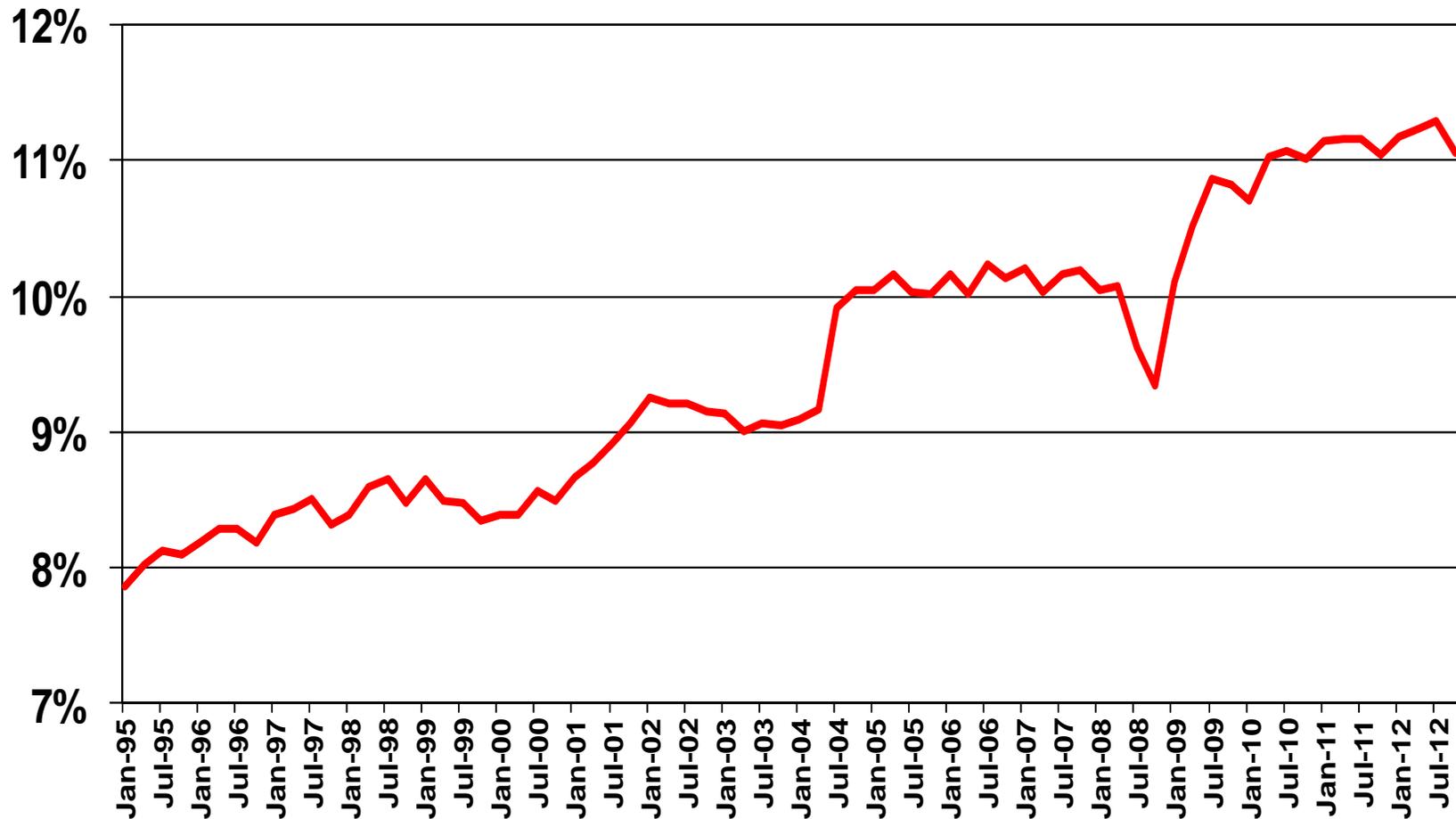


Demand for CRE Loans?

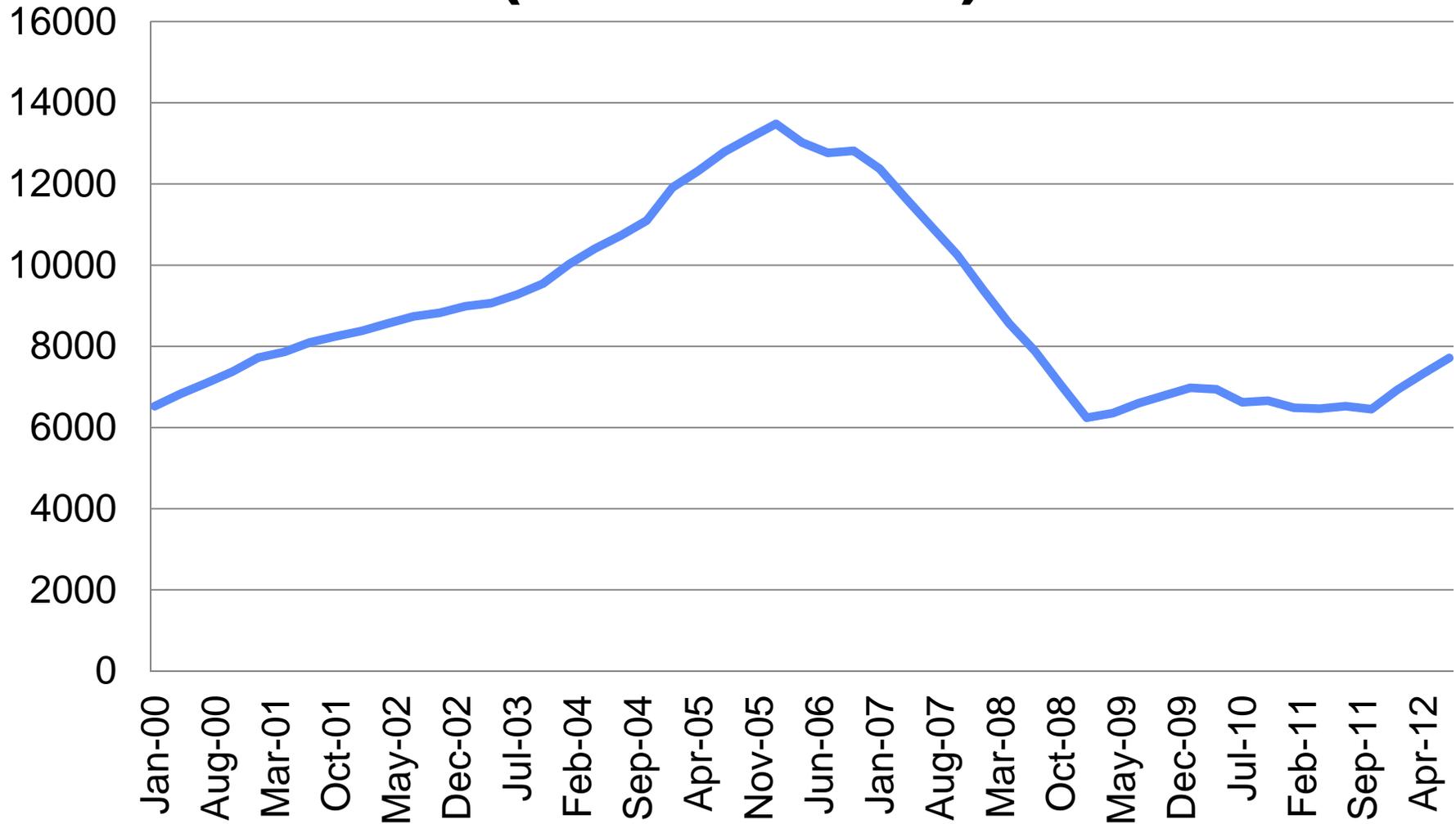
(net percent reporting increase)



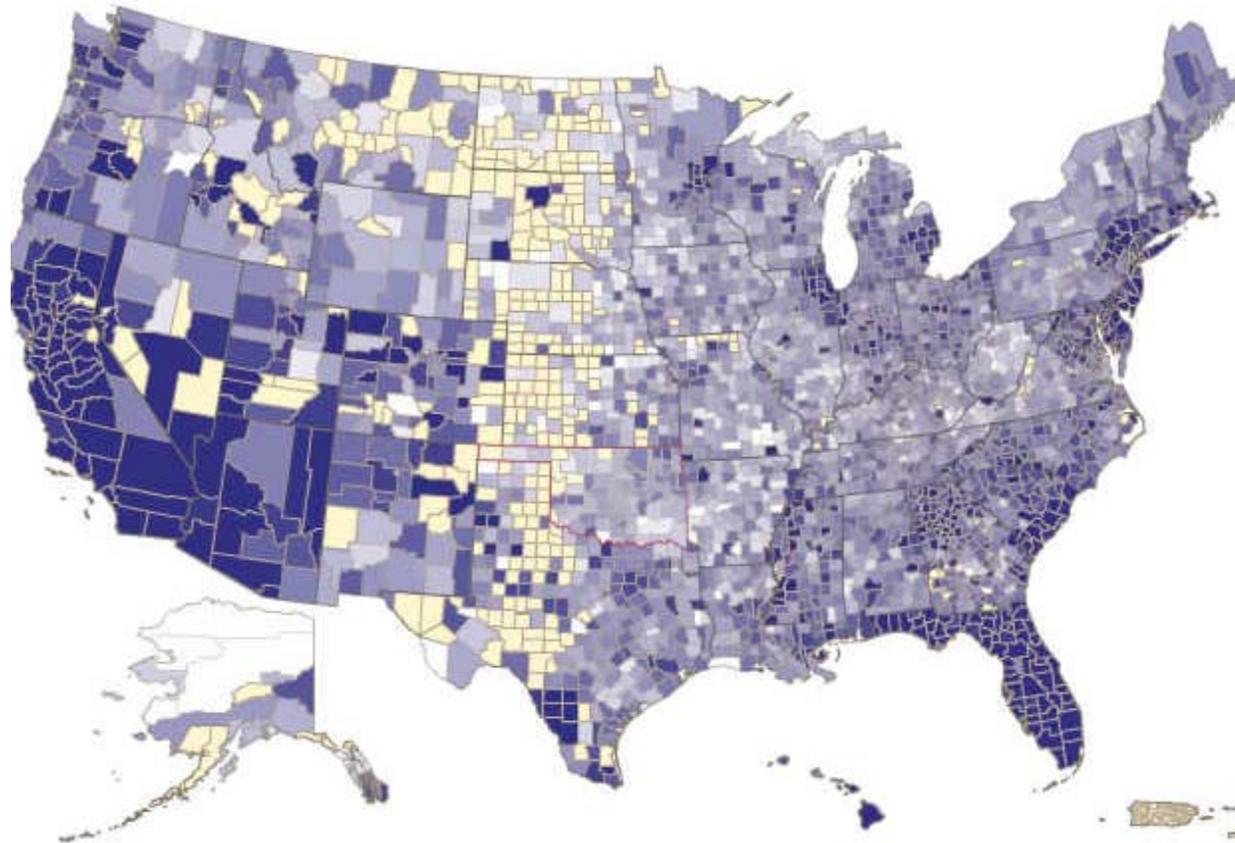
Equity/Assets rising?



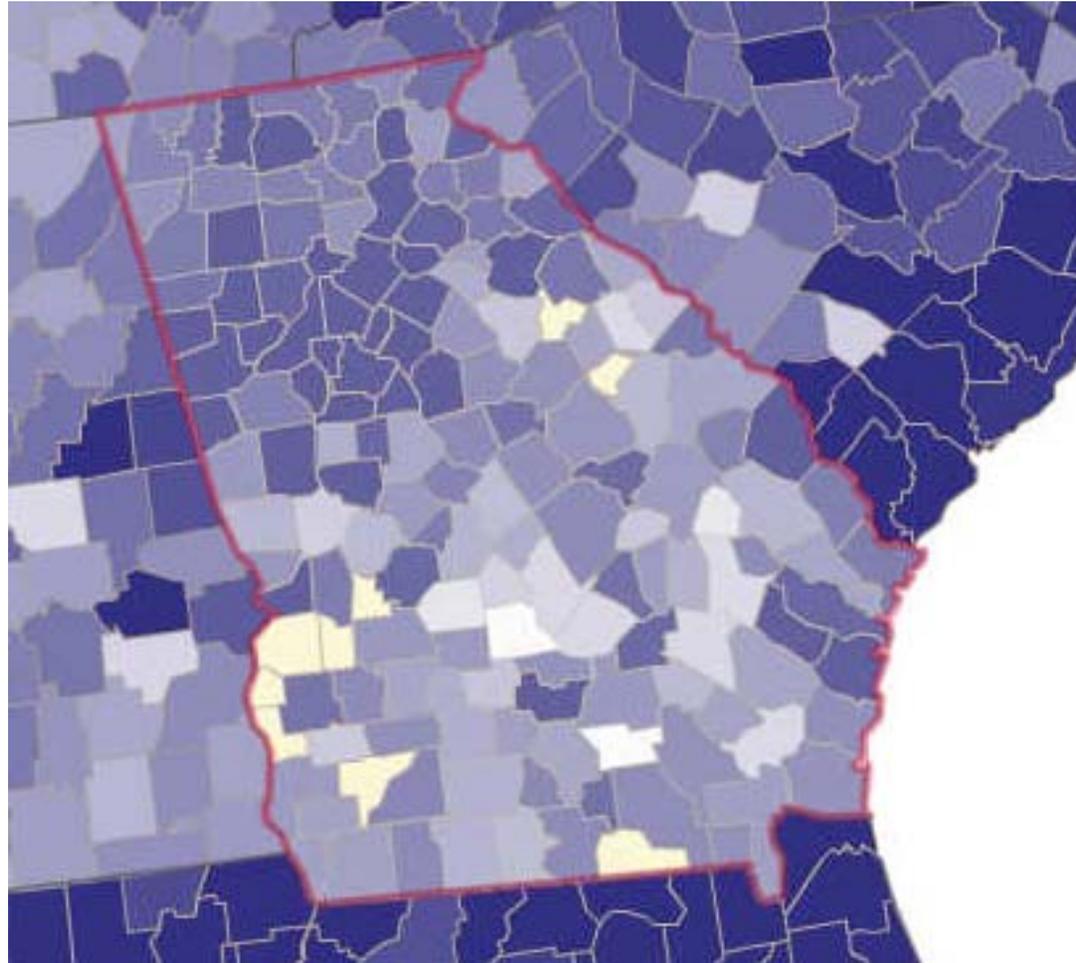
Household RE Equity (in \$ Billions)



Mortgage Delinquency Rates



Mortgage Delinquency Rates



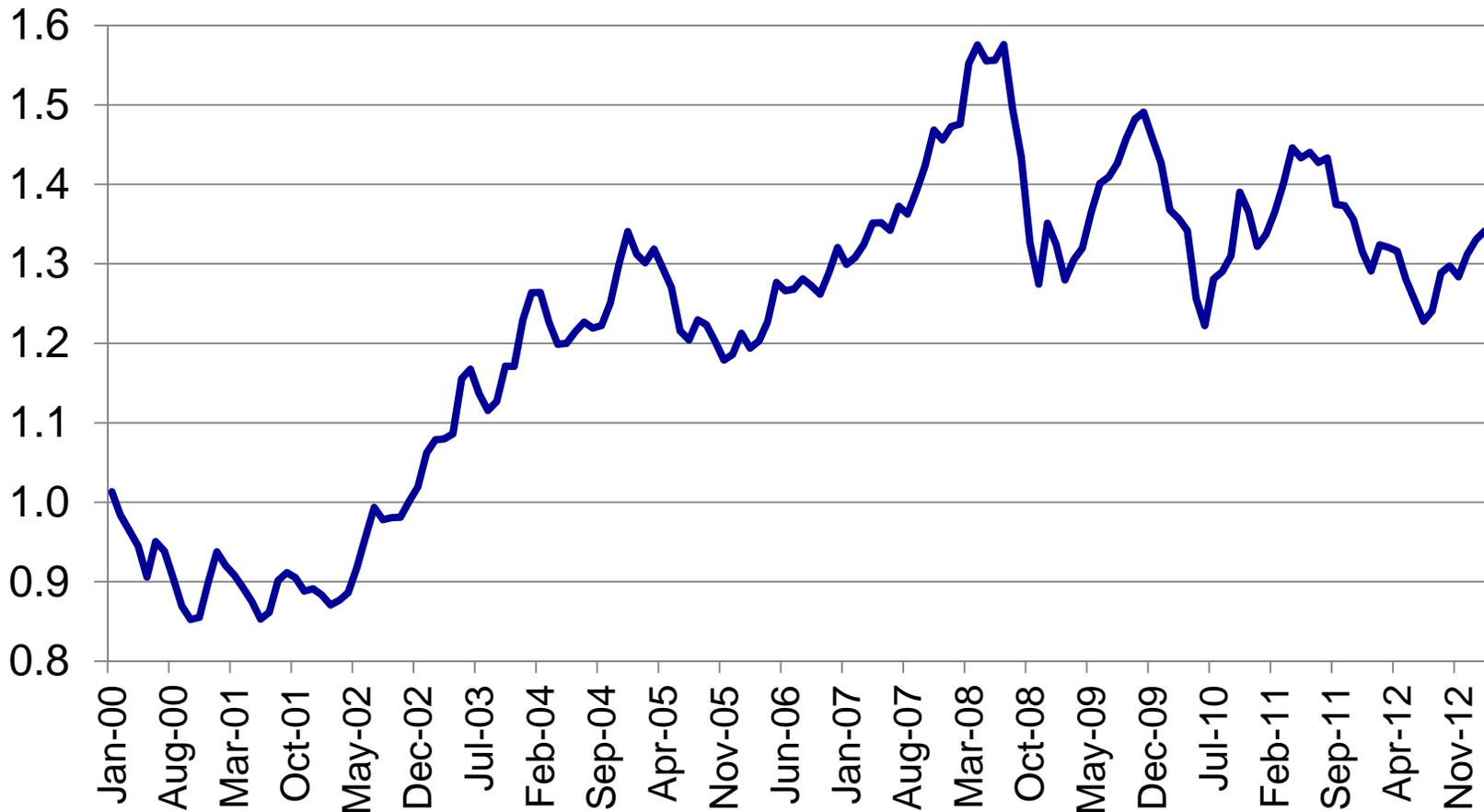
Question #6:

Europe is in shreds, growth is slowing in China - what's slowing down global growth and how does it affect the US?

Foreign Exchange: \$ vs. Major Currencies



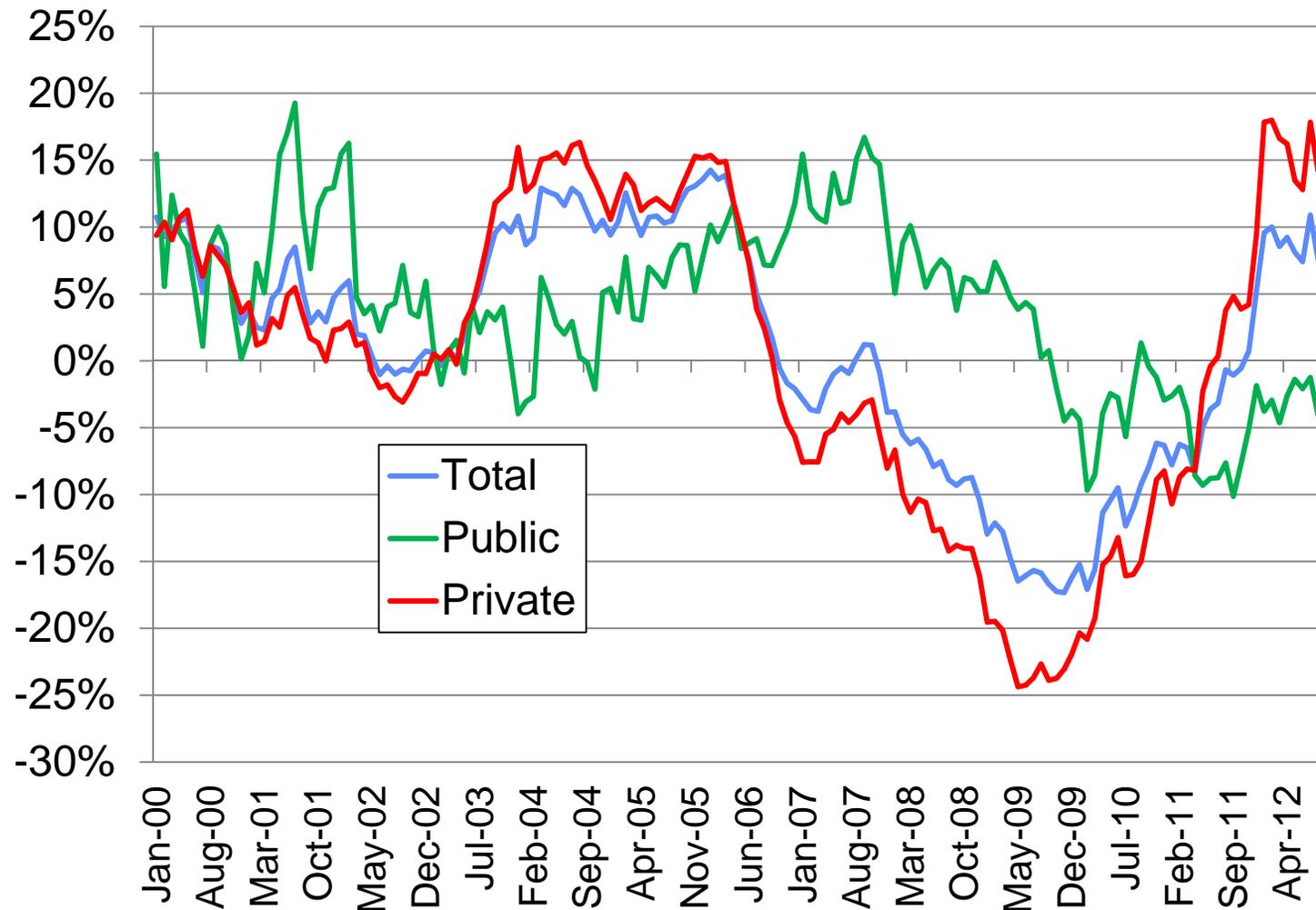
Foreign Exchange: Euro in terms of \$



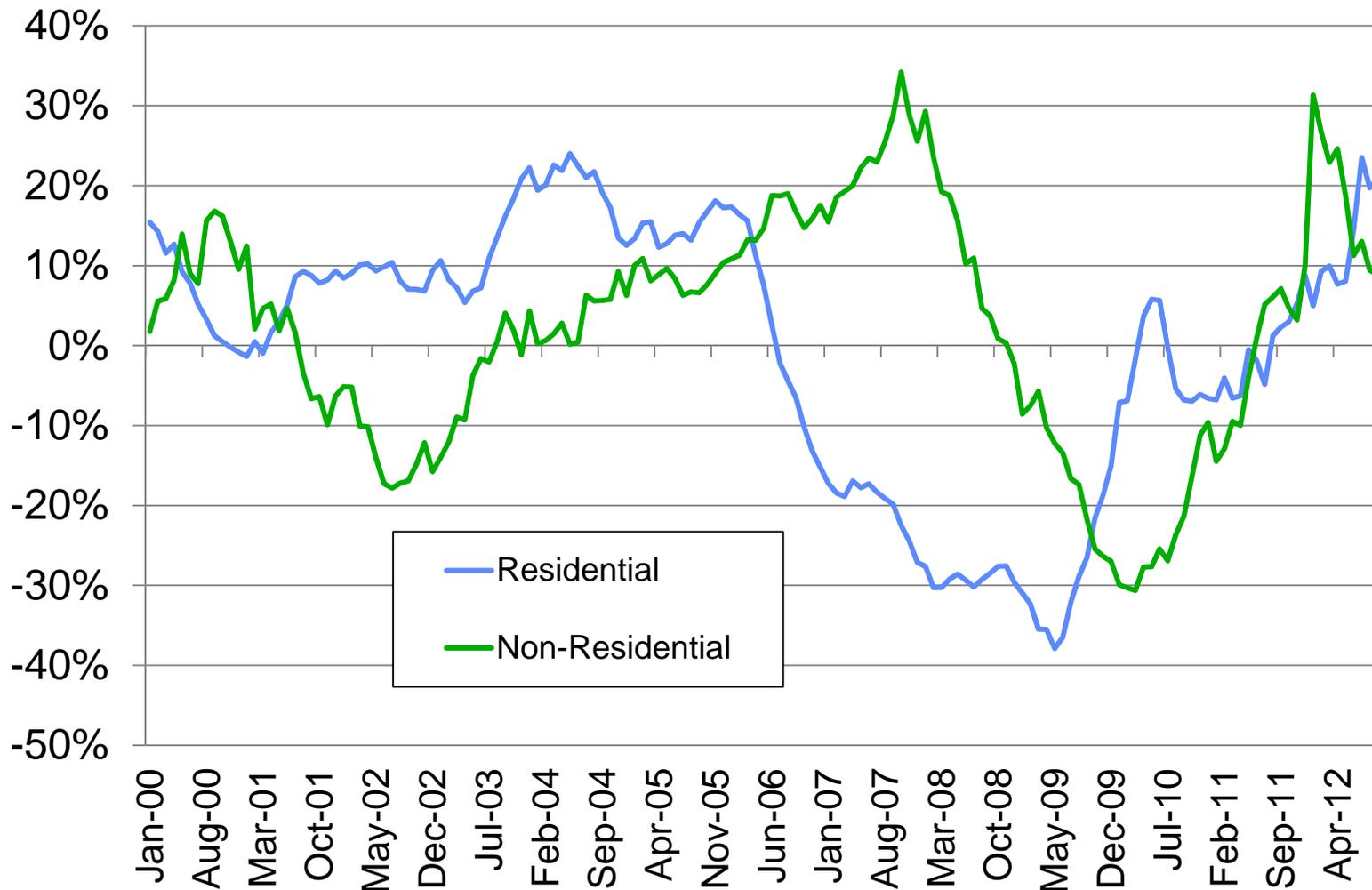
Question #7:

Historically, residential and commercial real estate have been important parts of the local economies, when does housing, and real estate in general, start to recover??

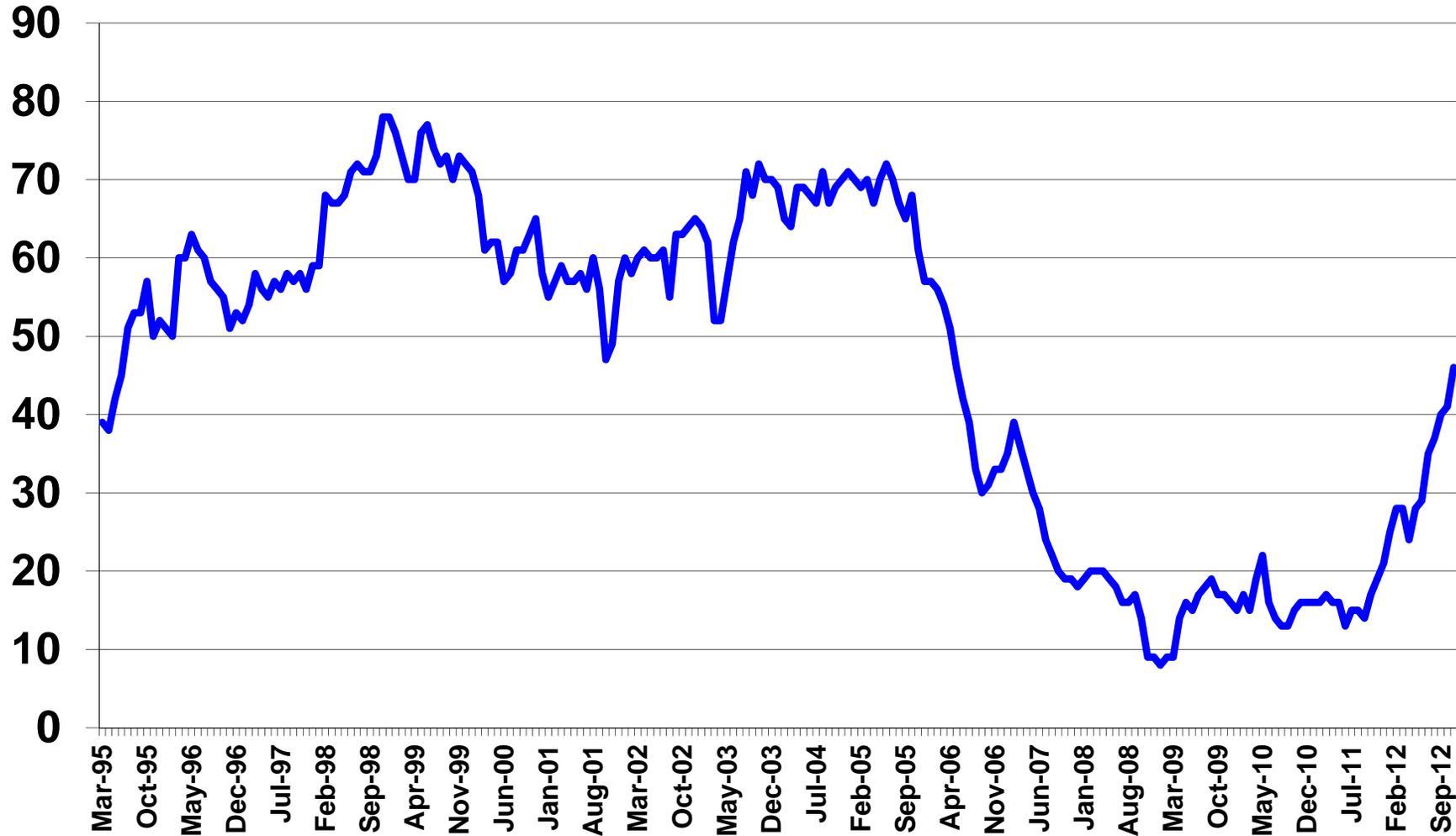
Construction Spending



Construction Spending: Private

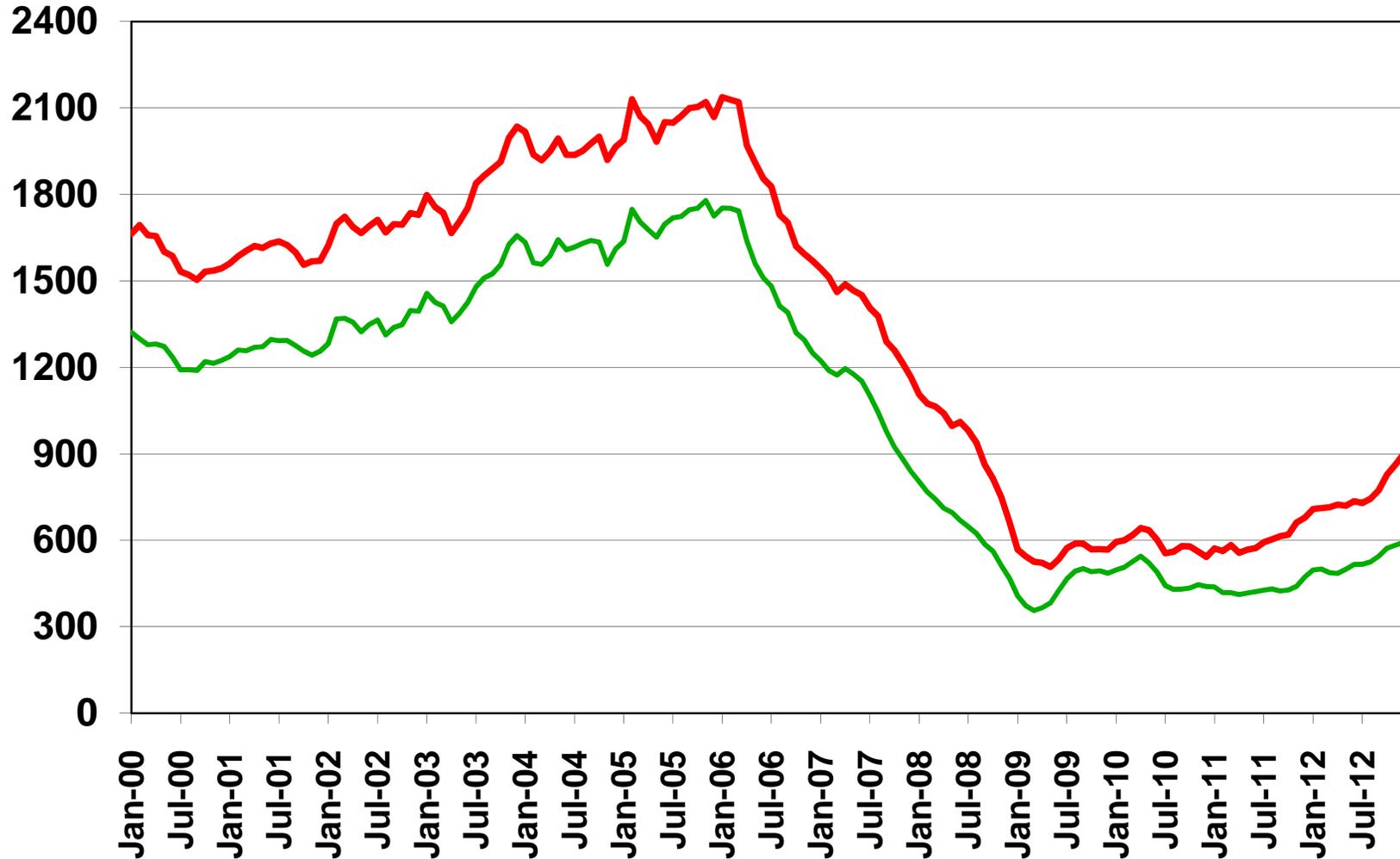


NAHB Housing Market Index



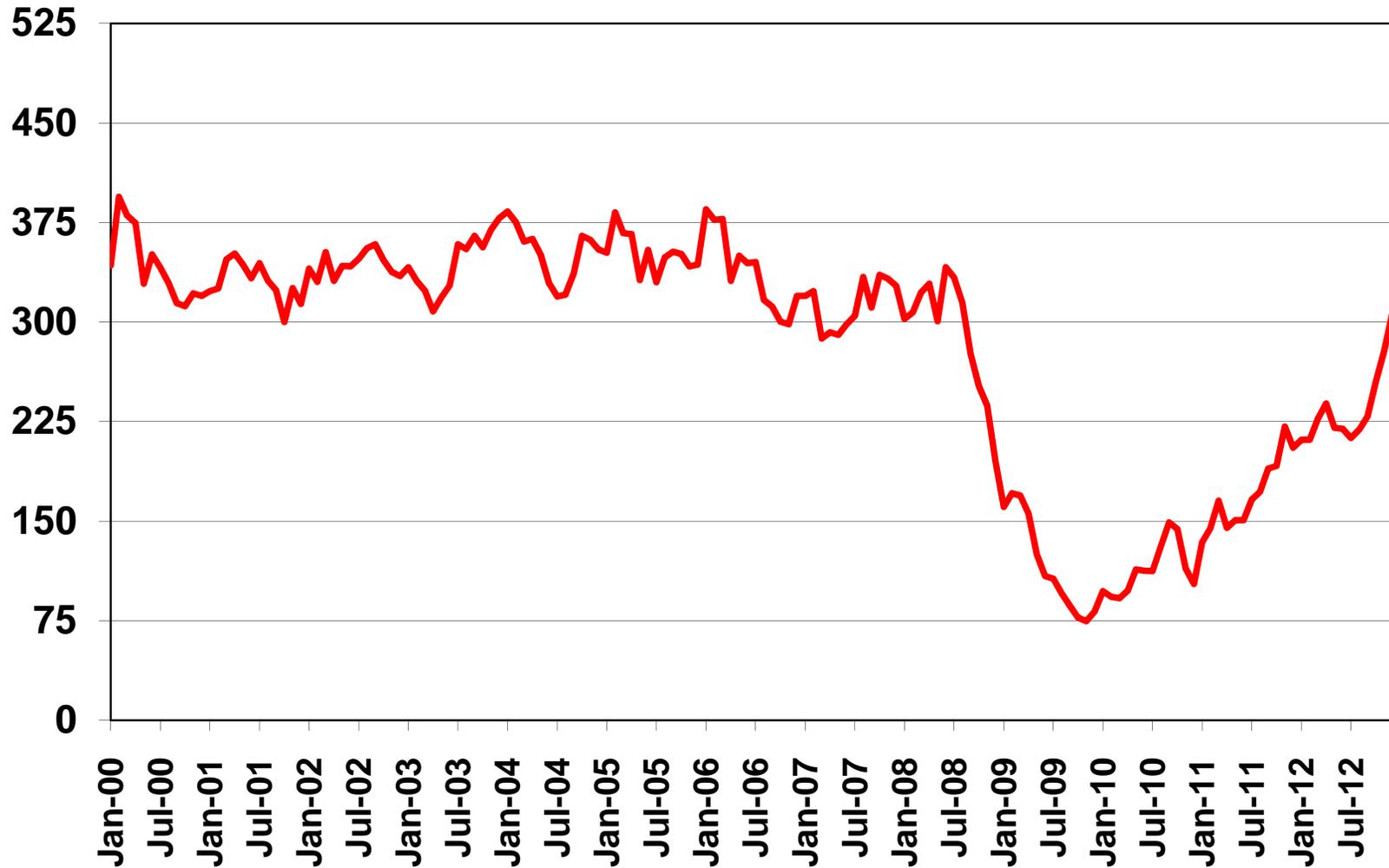
Housing Starts: SF and Total

(SAAR, 3 month moving average)



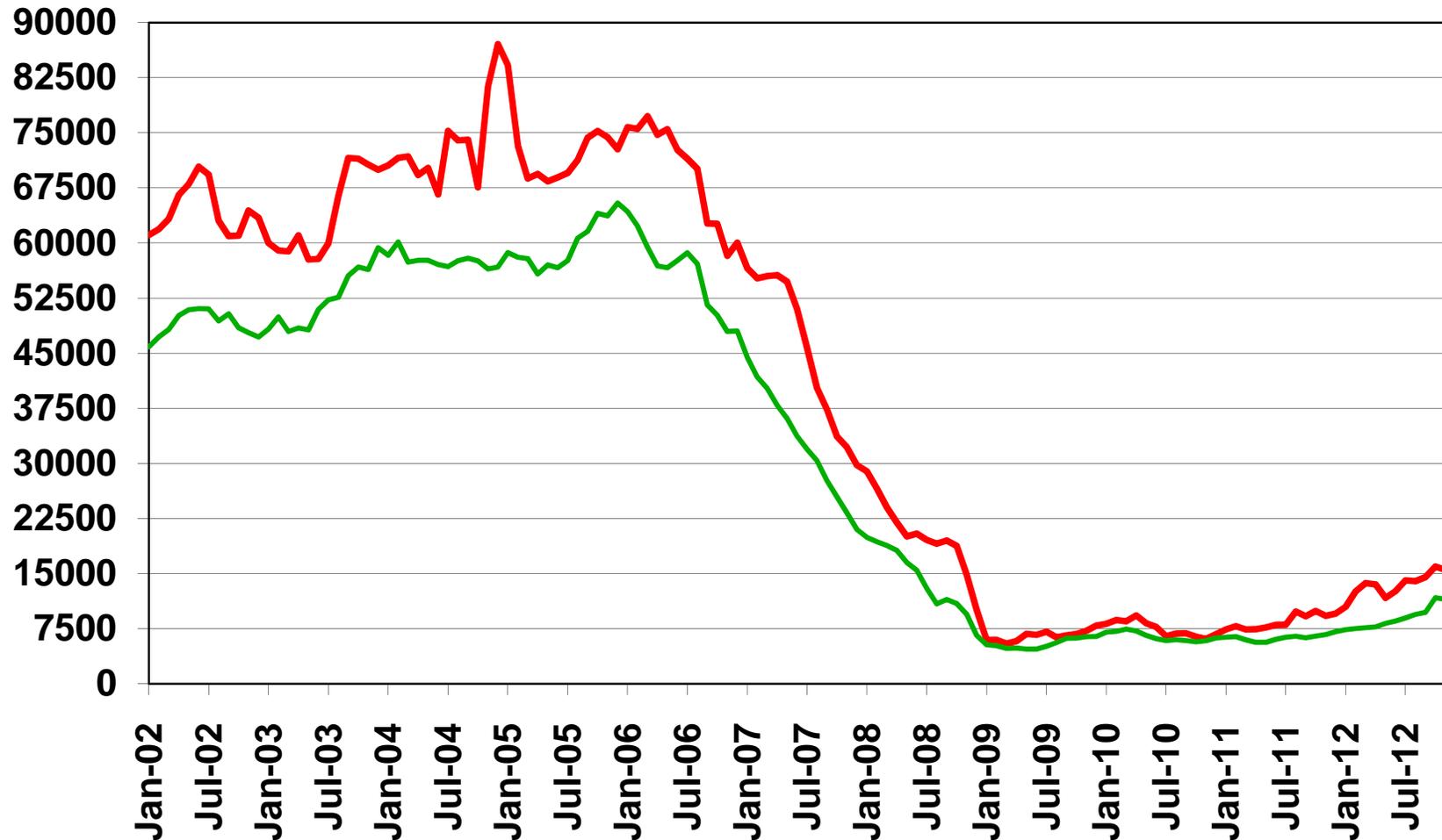
Housing Starts: Multi-family

(12 month moving average)

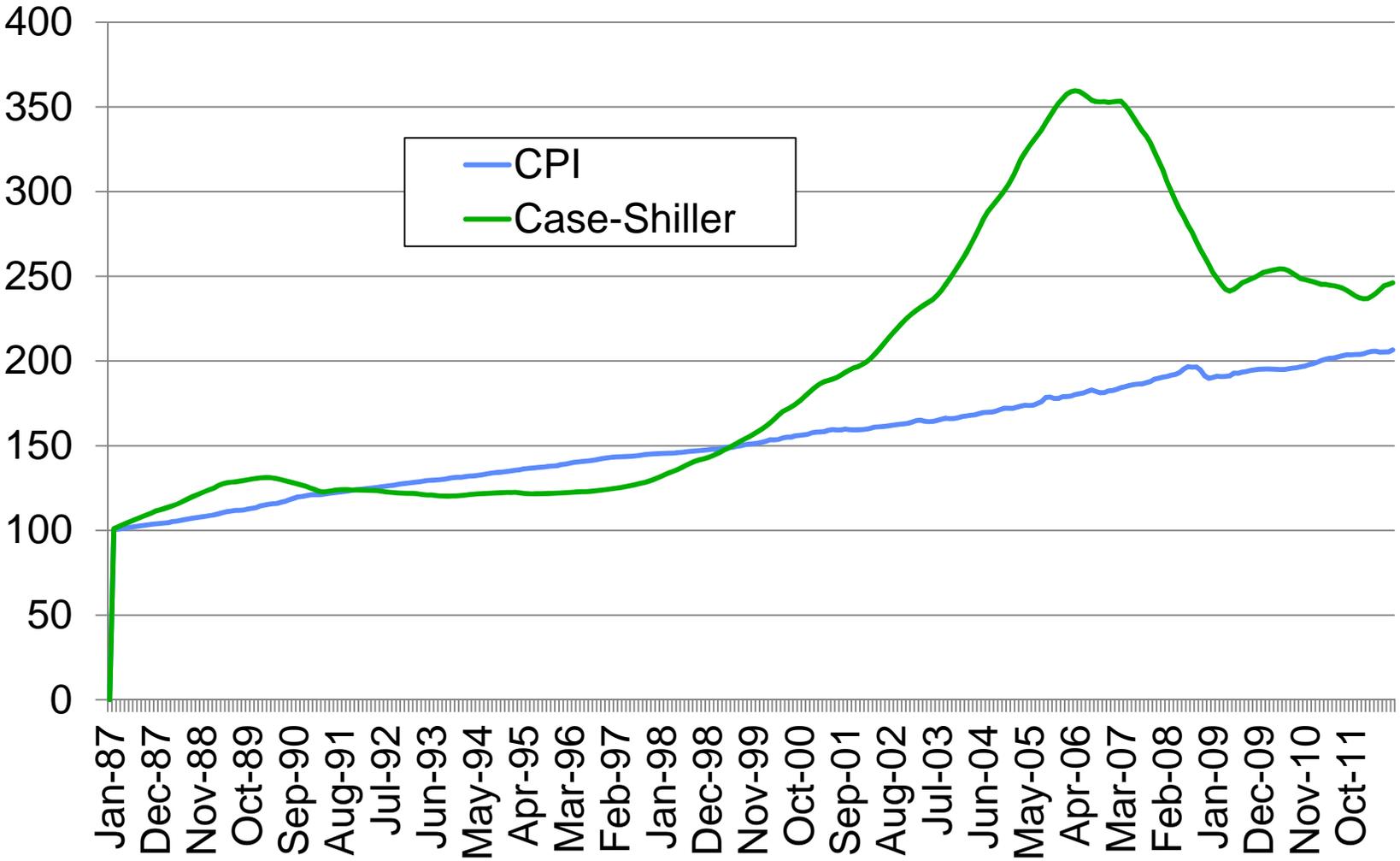


Total Permits: Atlanta

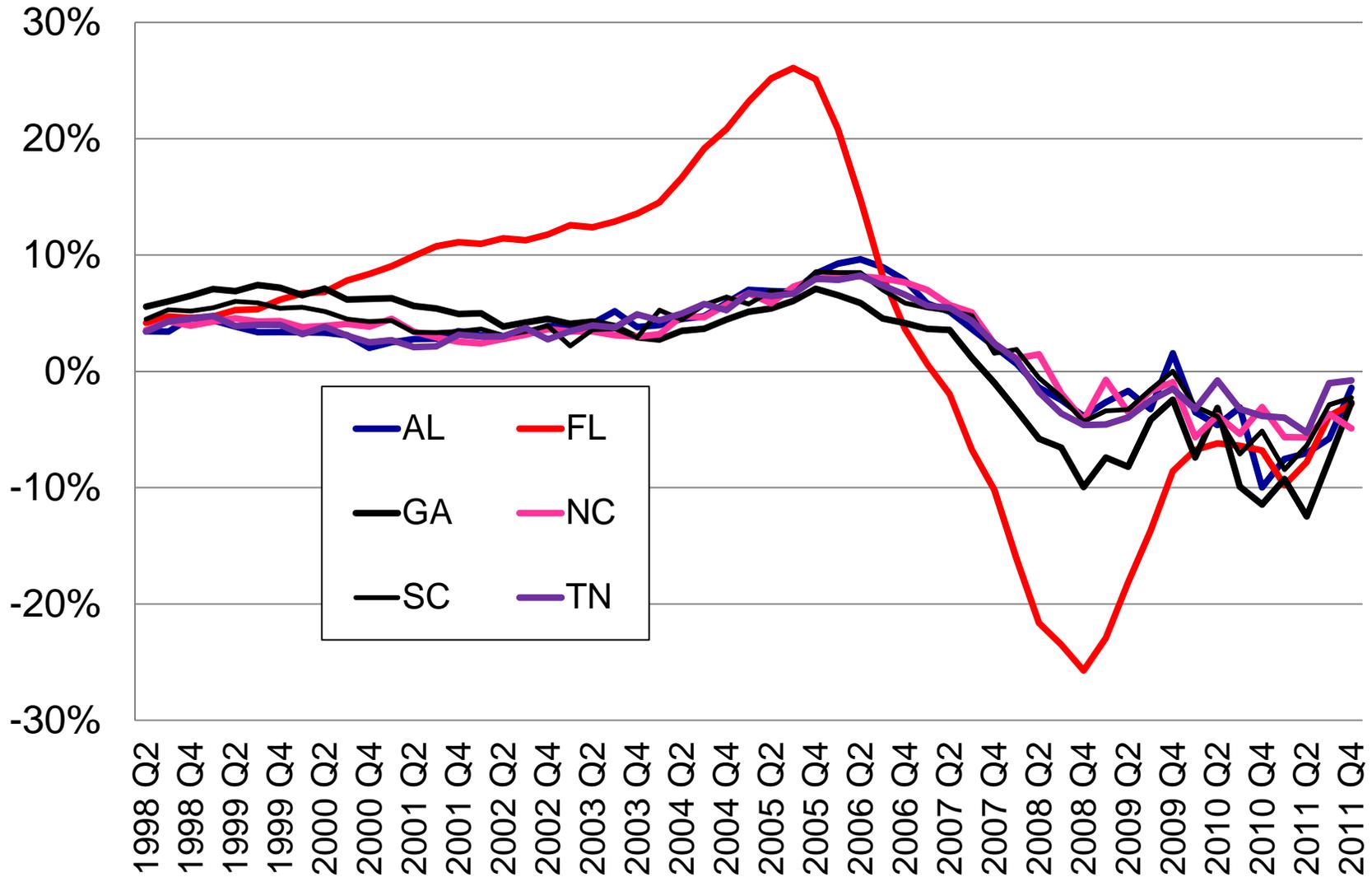
(SAAR)



Home Prices & CPI

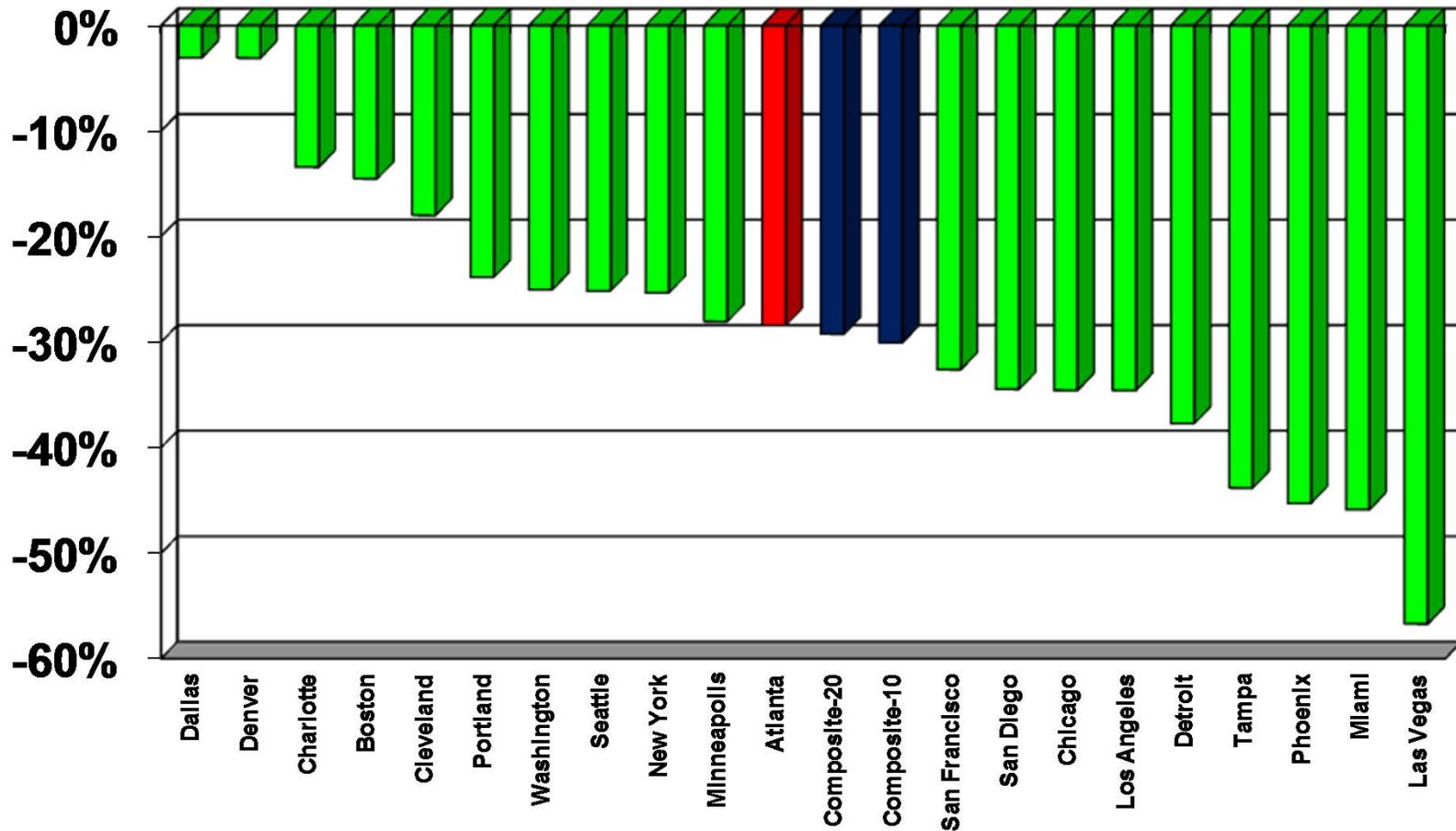


Home Prices: Southeast

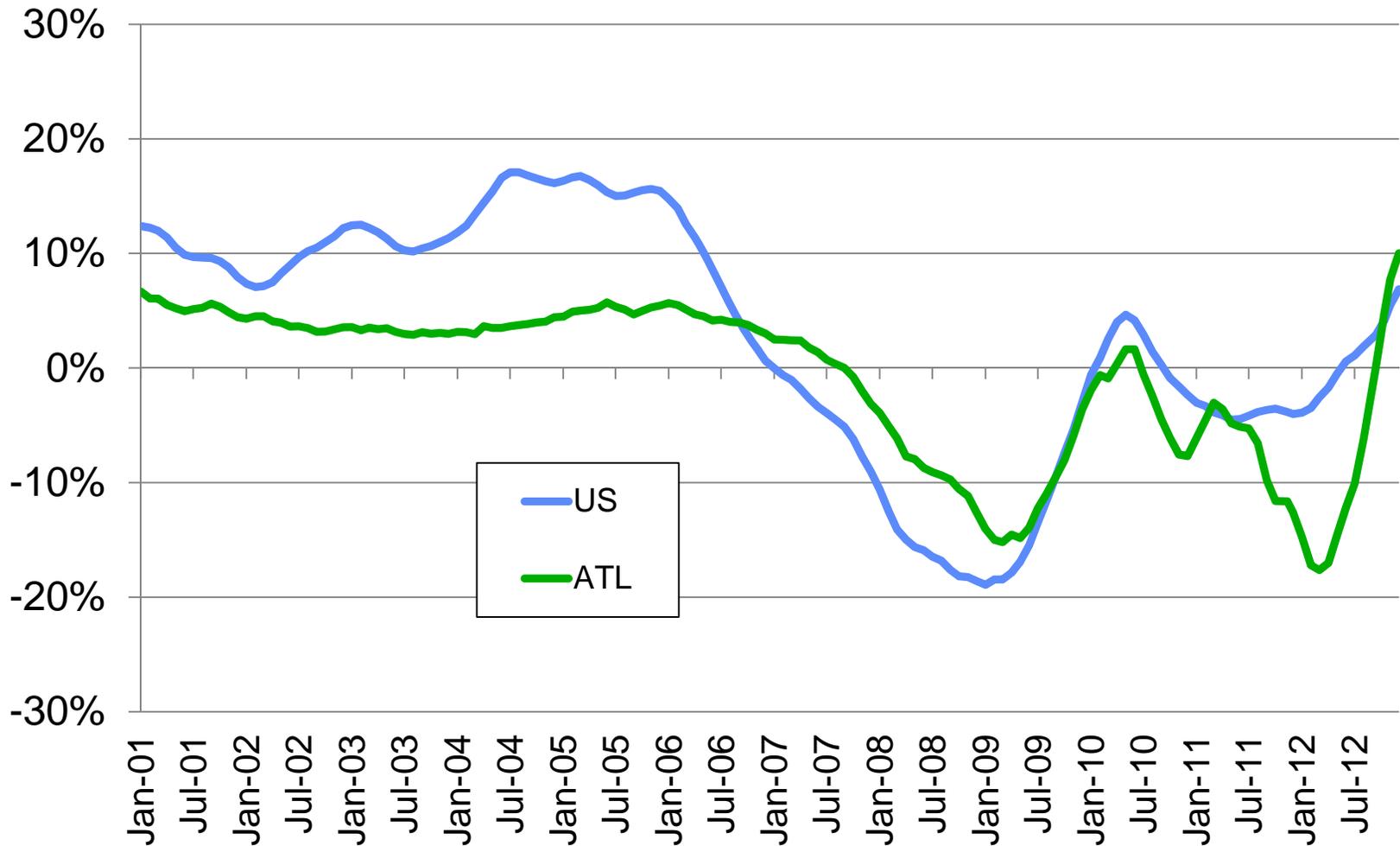


CS/S&P Home Price Index

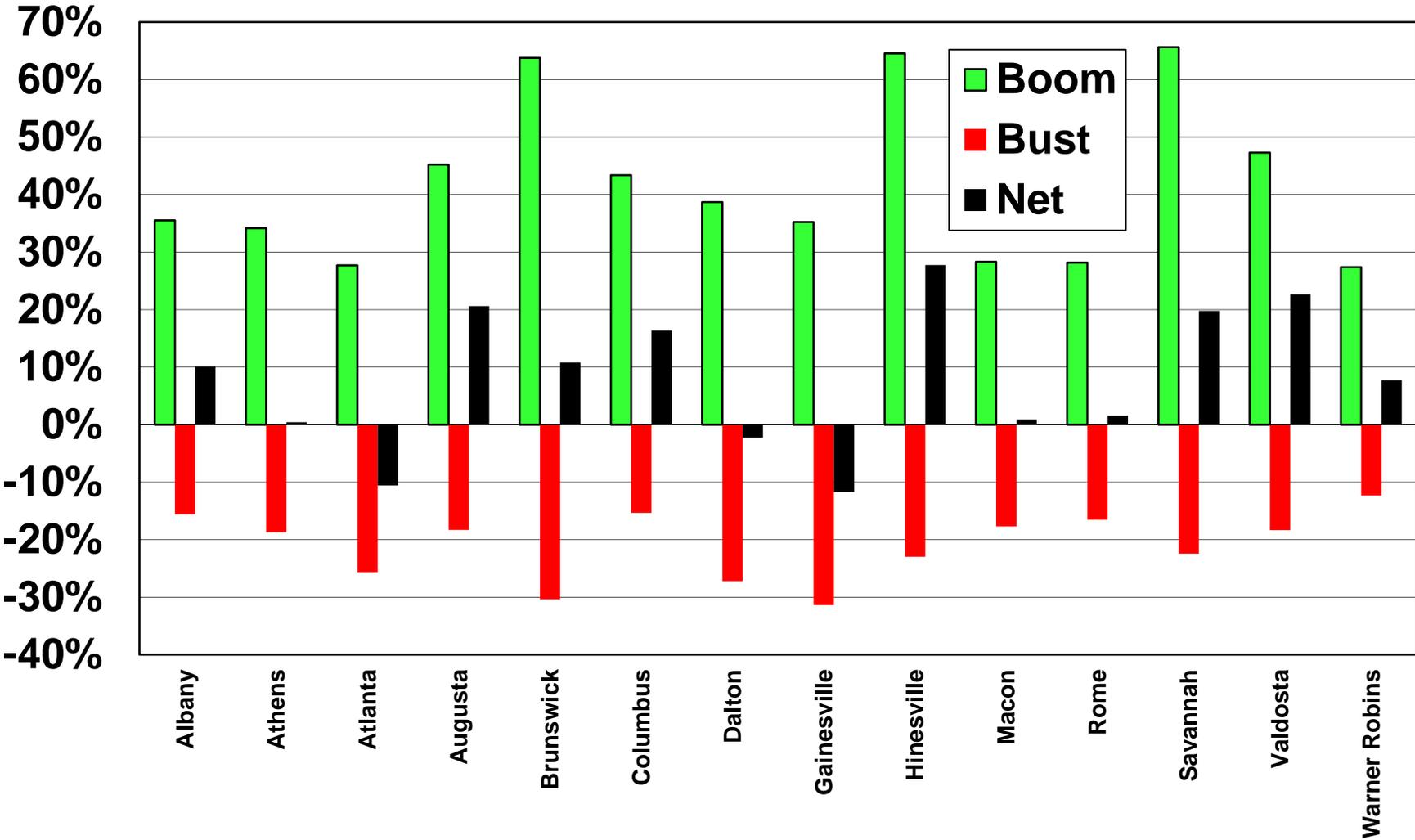
(FROM PEAK TO DECEMBER 2012)



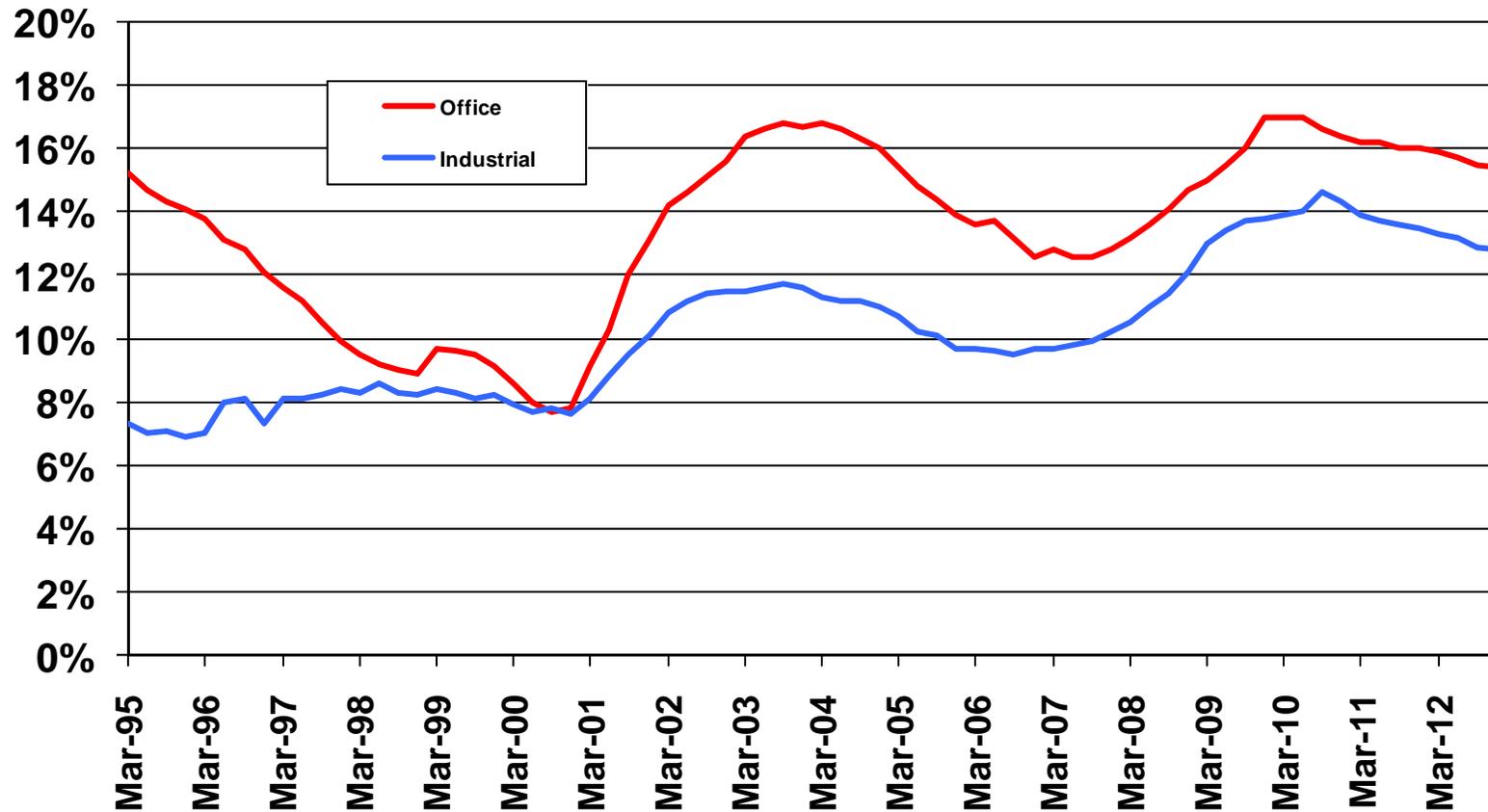
Case Shiller: Atlanta & US-20



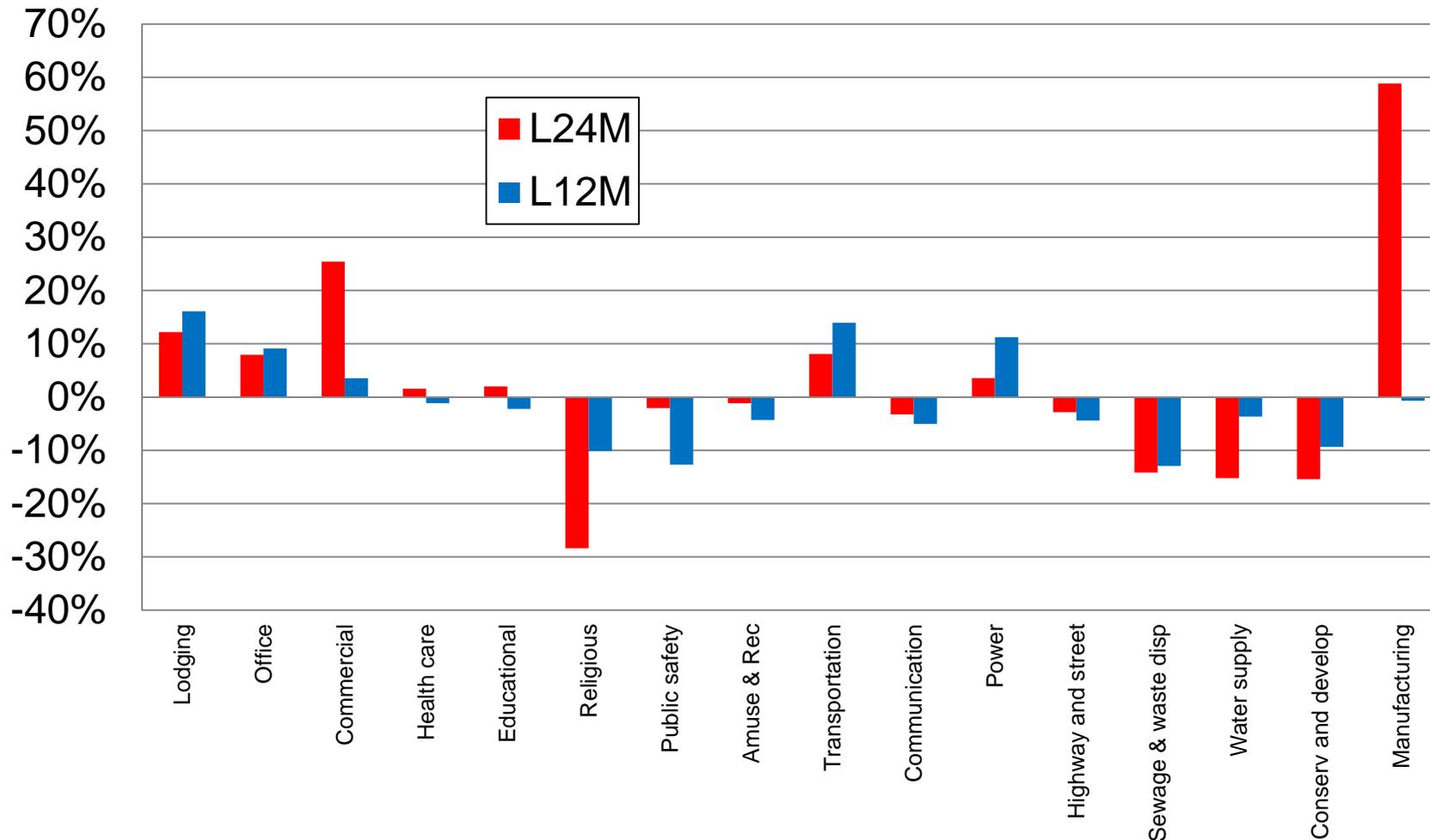
MEDIAN EXISTING HOME PRICES



Commercial Vacancy Rates



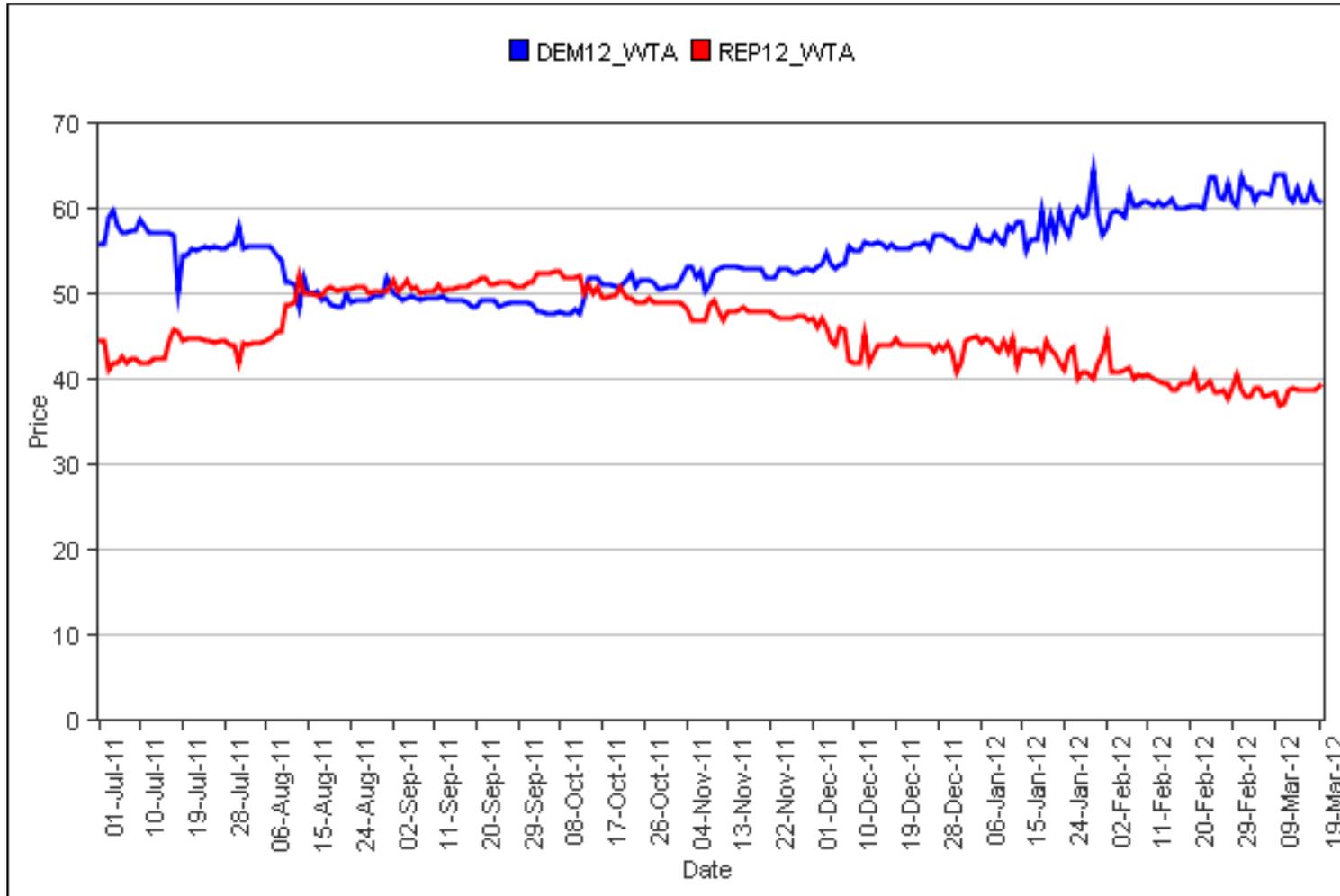
Non-Residential Construction



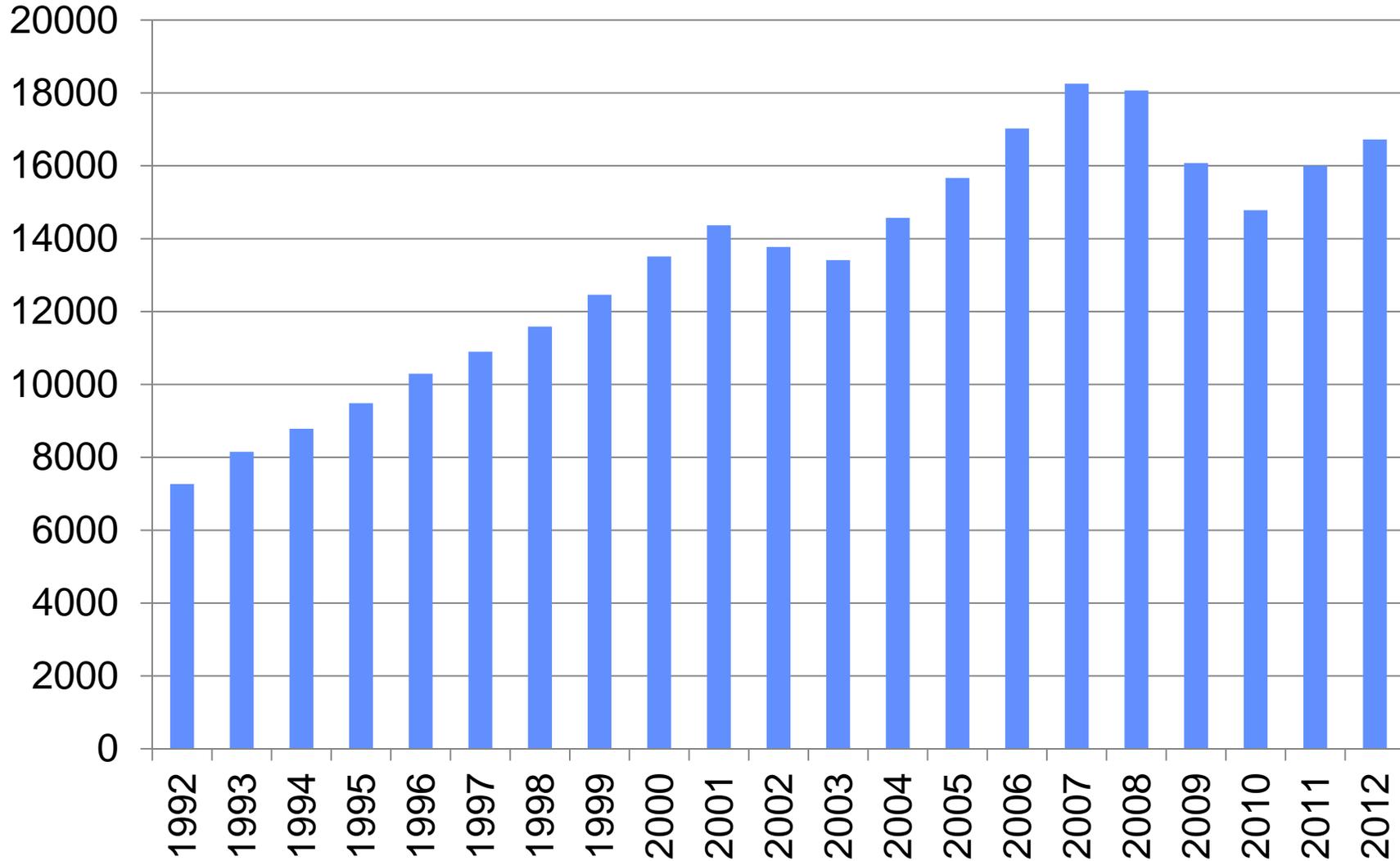
Question #8:

With the election just ending and “fiscal cliff #1” clear, where do we head politically?

Election 2012



Georgia Tax Collections



Currents Issues in Fiscal Affairs

- **Federal:**
 - “Bush Cuts” < 400K made permanent, government shutdown & default avoided in 2011 – what about 2013?
 - Mandatory budget cuts forthcoming?
- **State:**
 - Sensitivity of federal & state tax revenues to economic activity depends on tax structure
 - Bond ratings preserved?
 - Tax Reform Initiatives in States?
- **Local:**
 - RE valuation and revenues
 - Fiscal distress moderating

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