ON THE ECONOMIC, BUSINESS & POLITICAL ENVIRONMENT

Roger Tutterow, Ph.D.
Mercer University
Tutterow_RC@Mercer.edu

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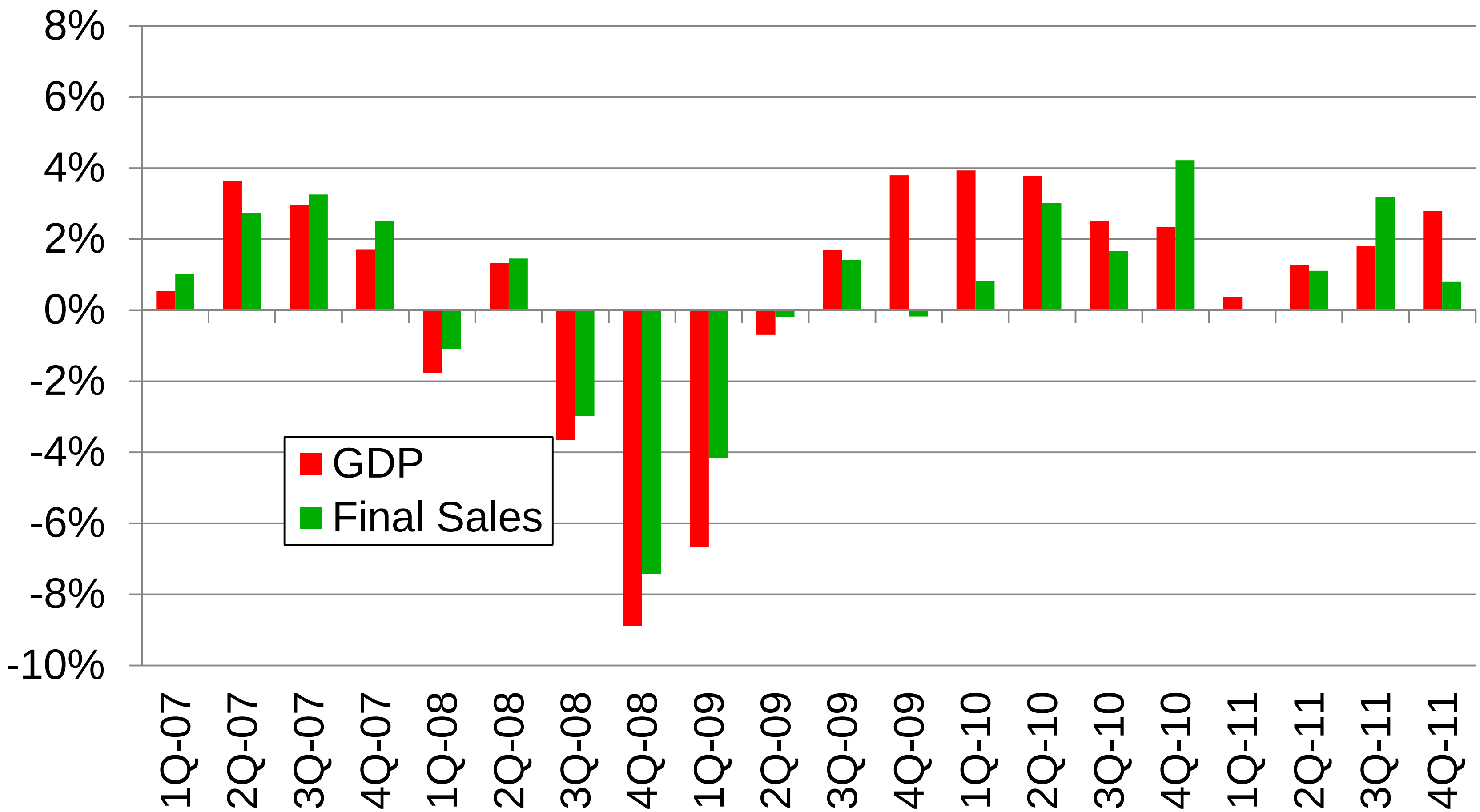
Greensboro, GA

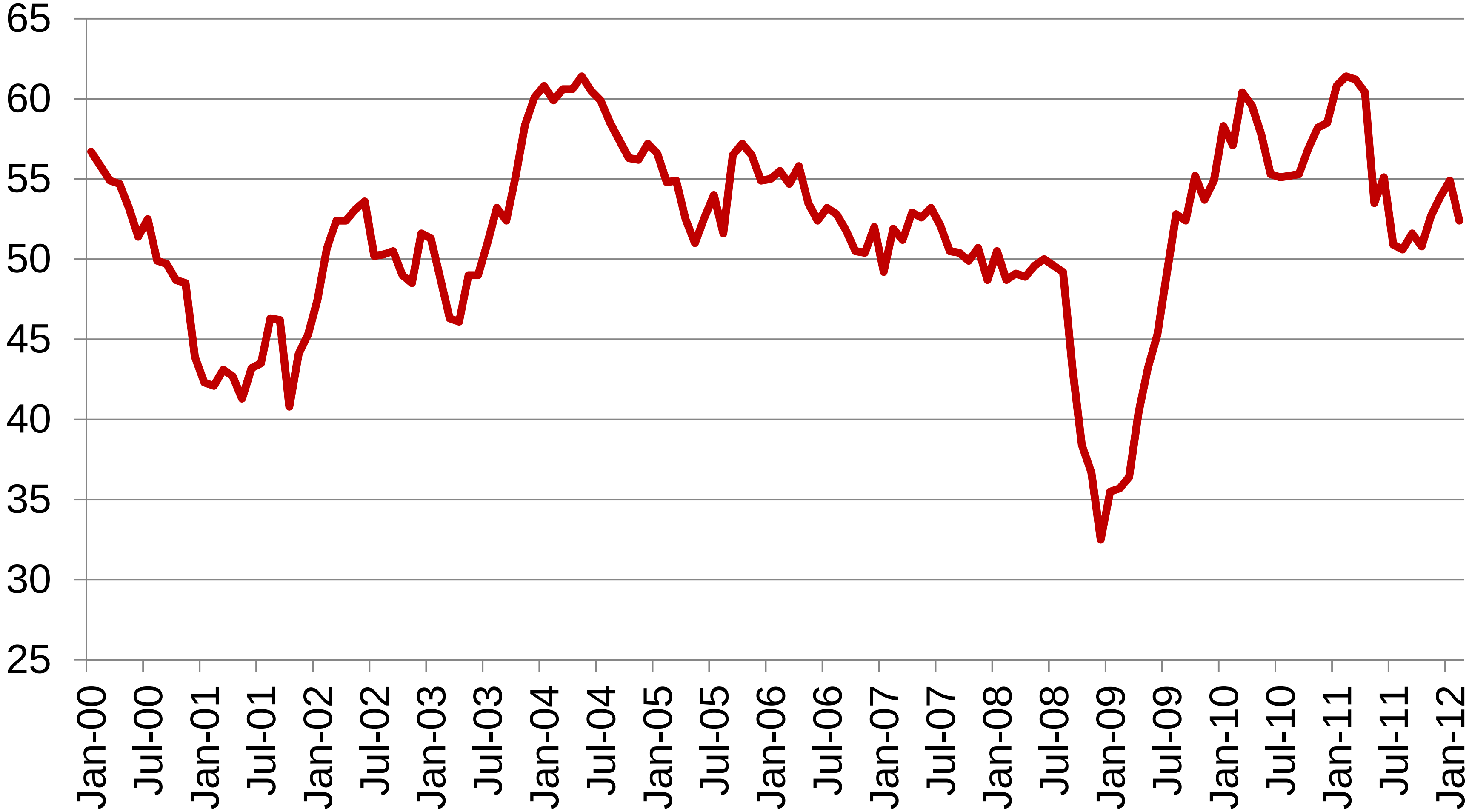
Are we really out of the Recession?

. . . and does it matter?

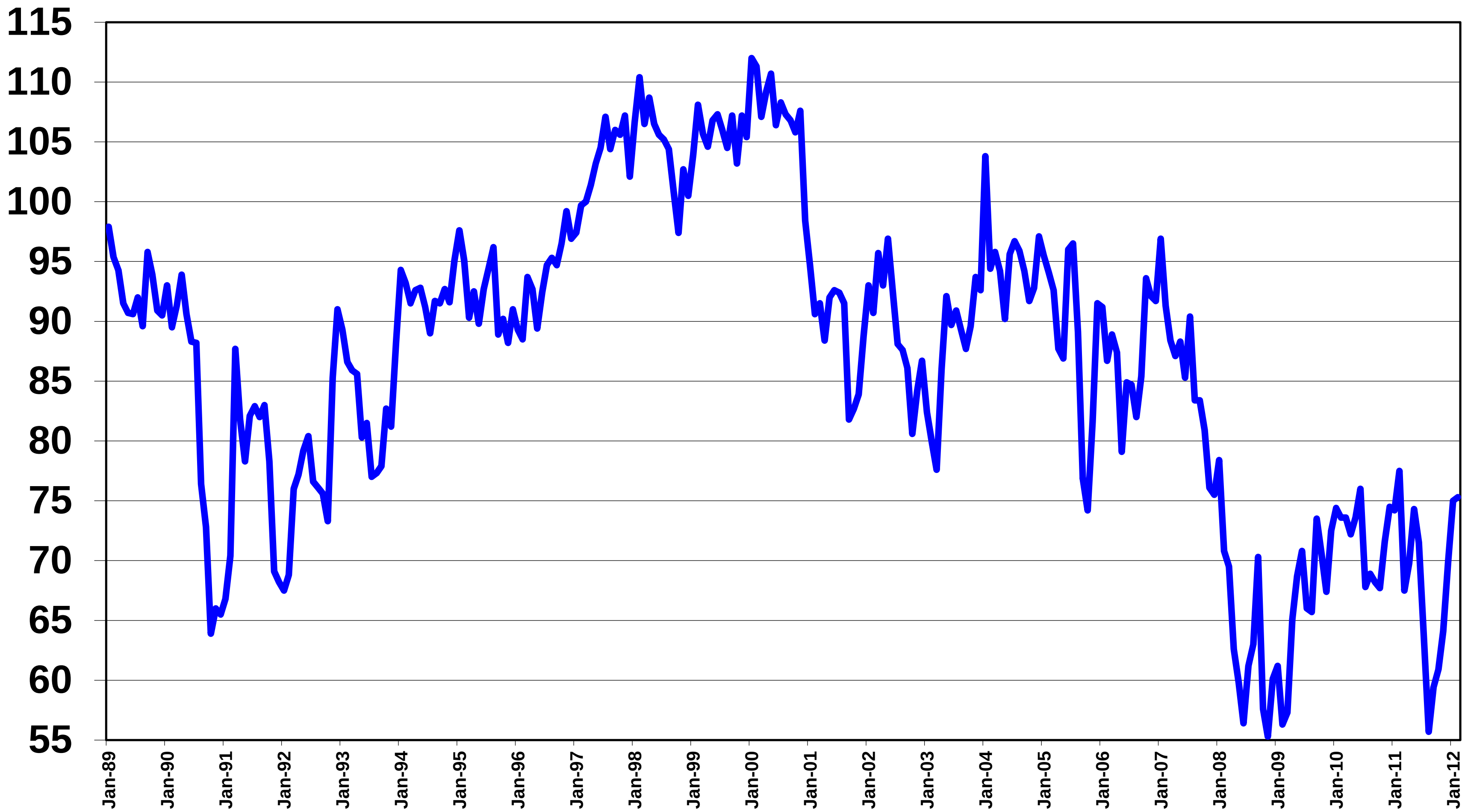
GDP vs. Final Sales



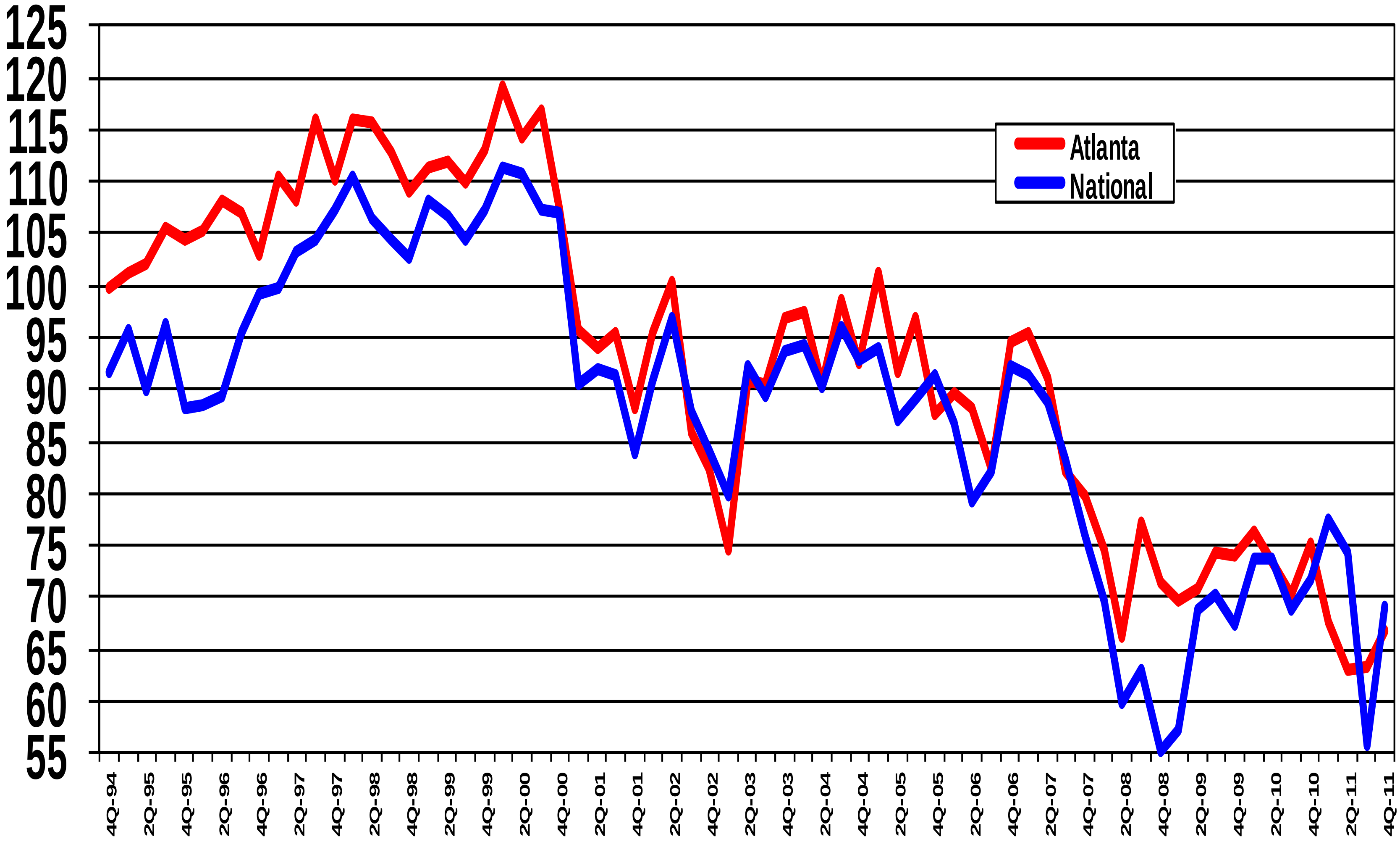
Institute of Supply Management's "PMI"



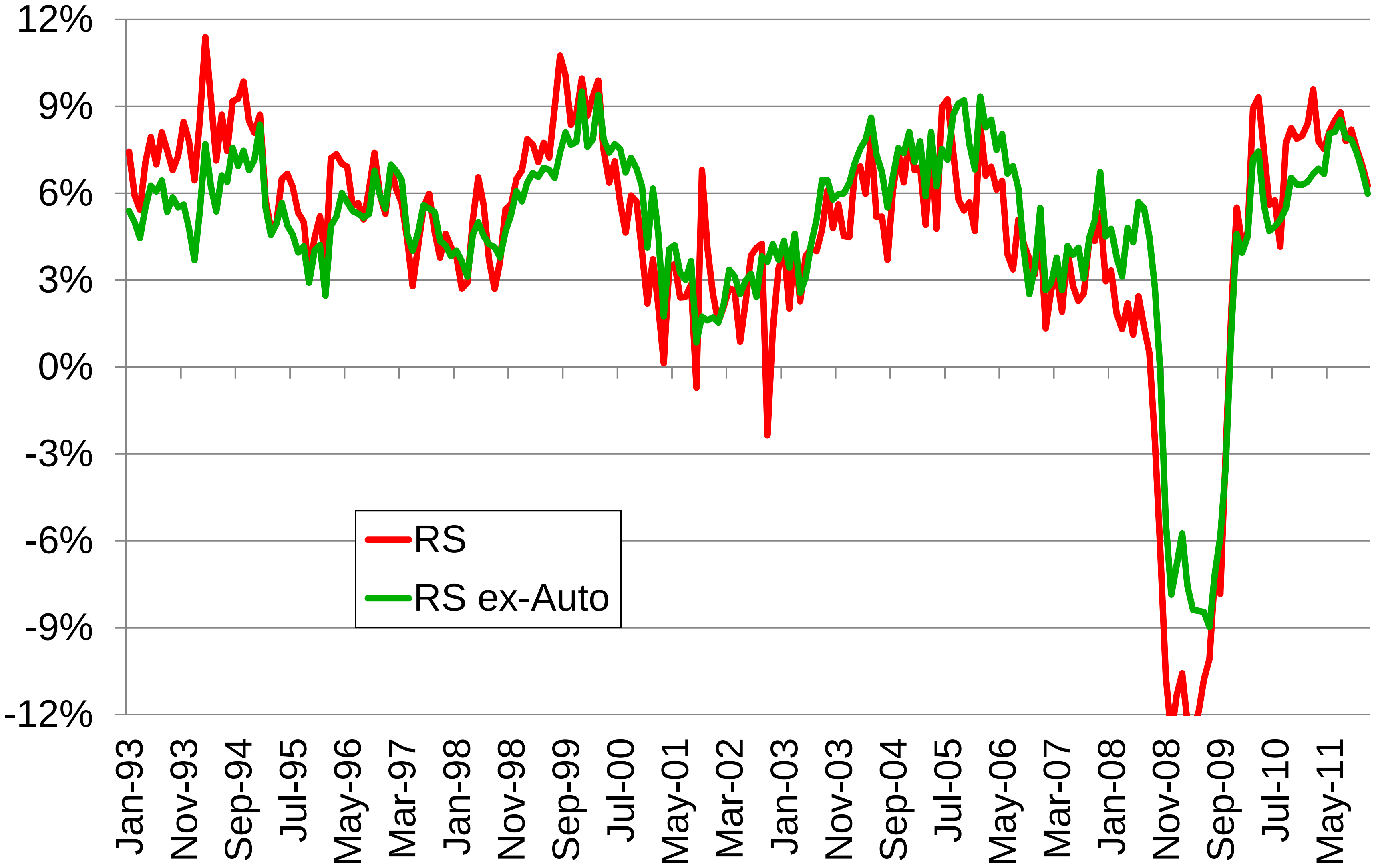
Consumer Sentiment



CONSUMER SENTIMENT



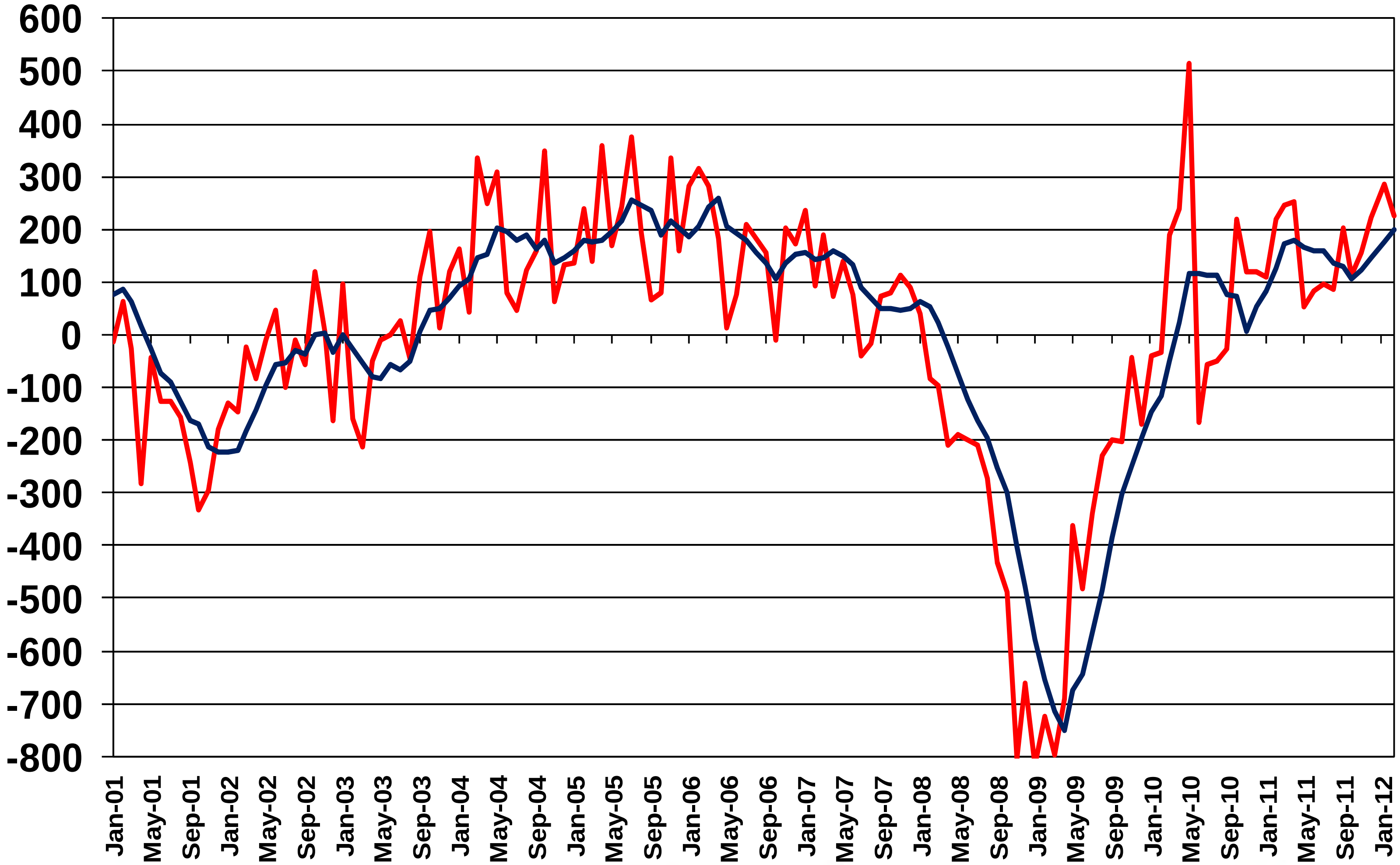
Retail Sales



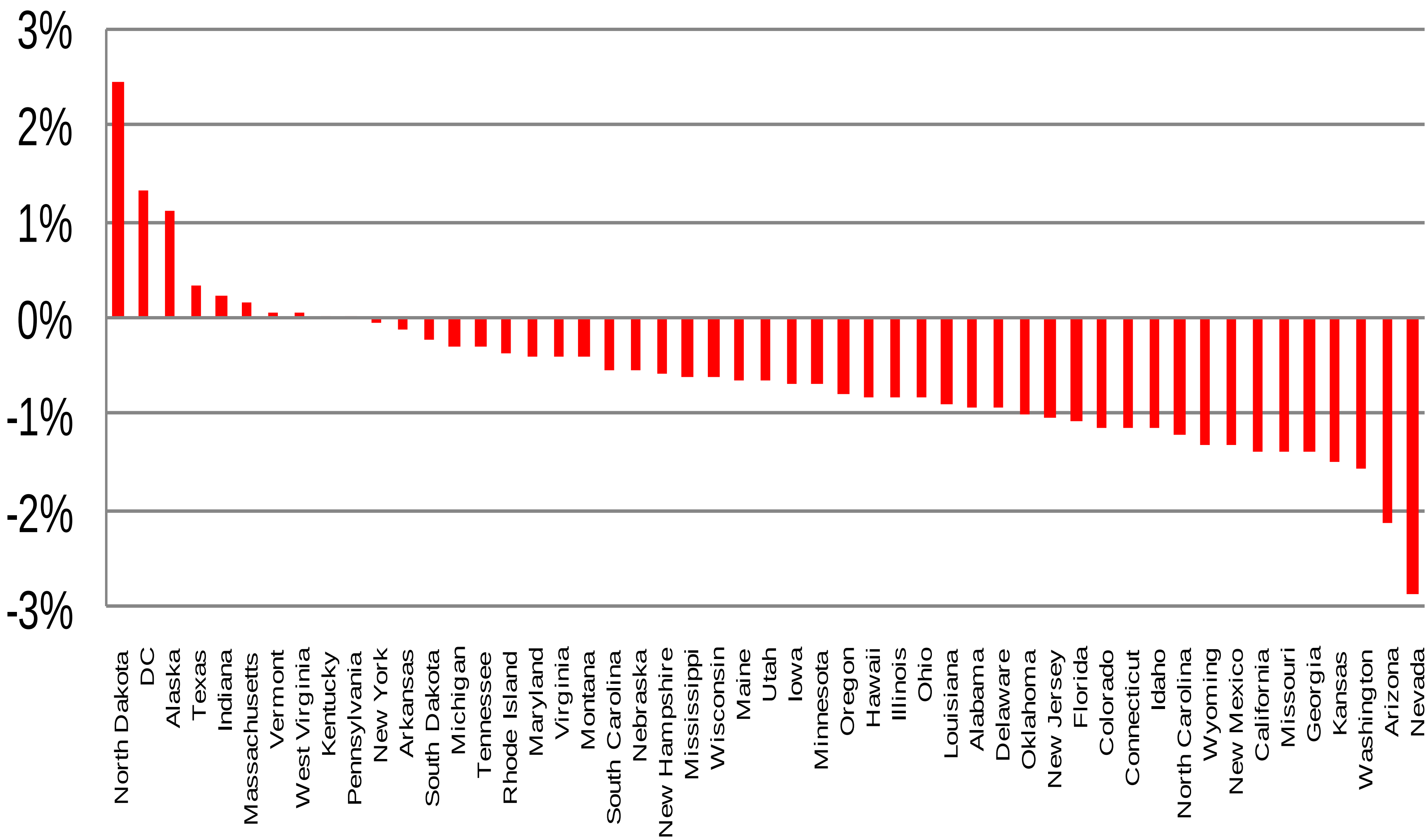
Leading Economic Indicators
% change in last 6 months

Labor Markets

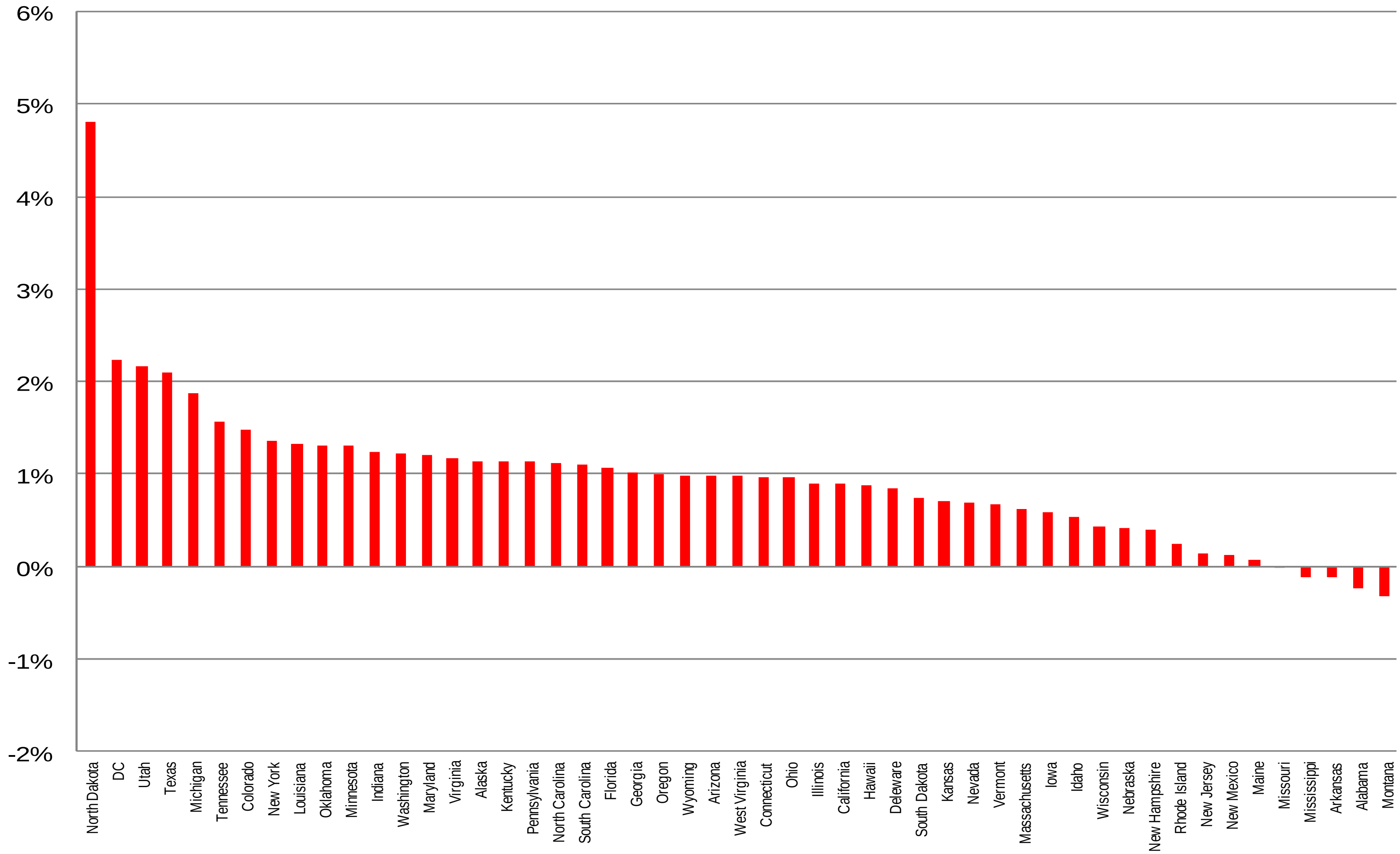
Change in Employment
(non-farm payrolls)



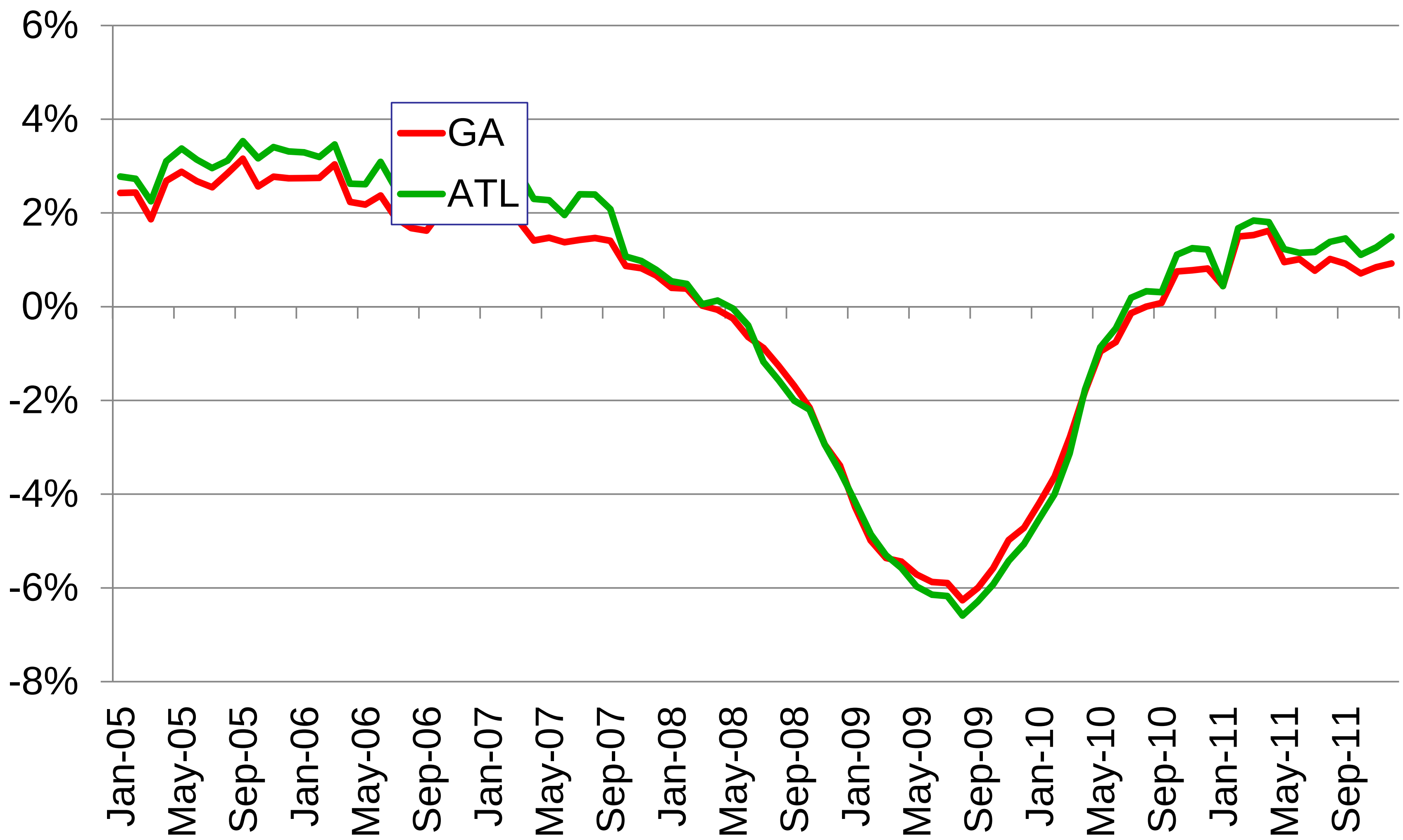
Employment By State (2009 to 2010)



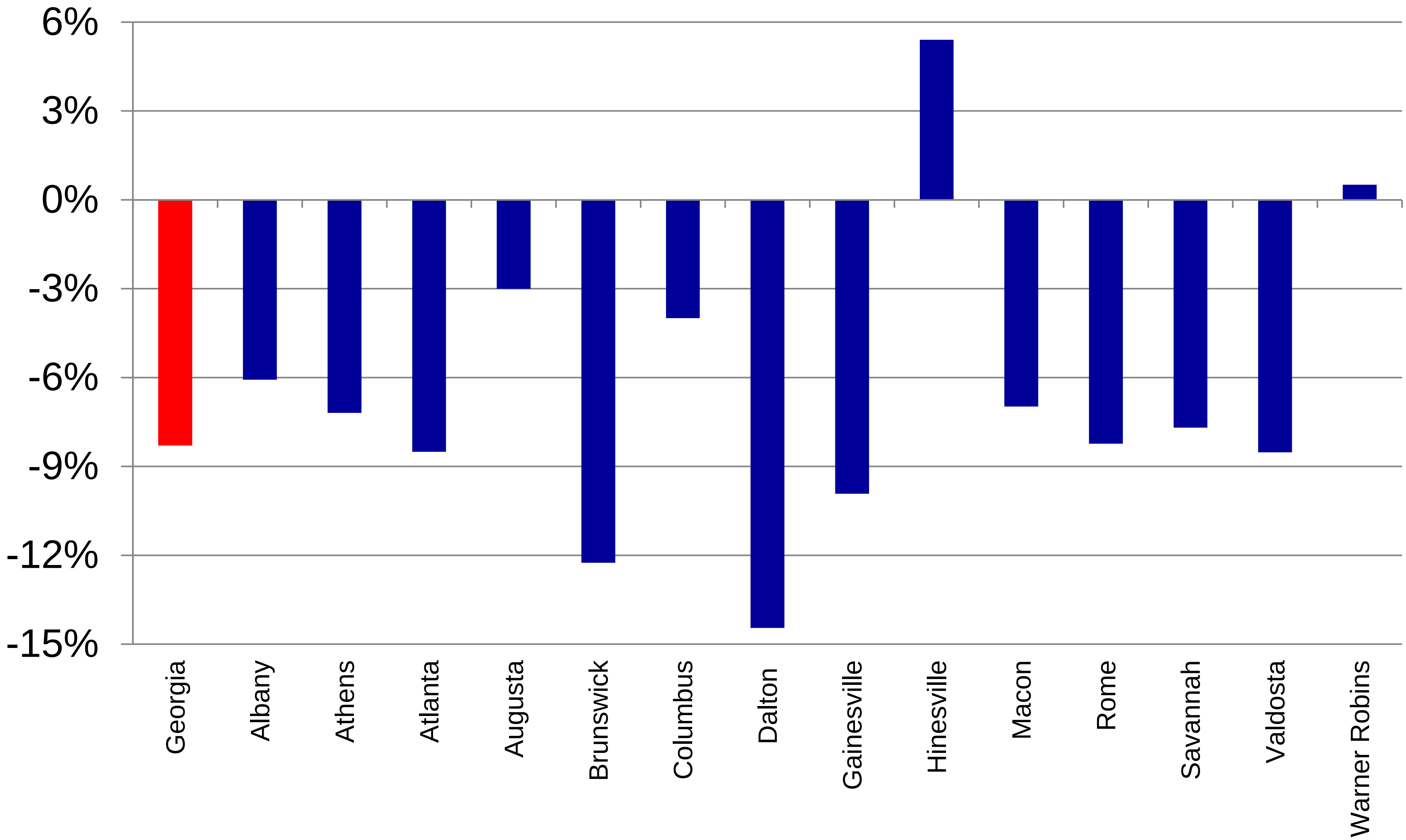
State Employment (2010 to 2011)



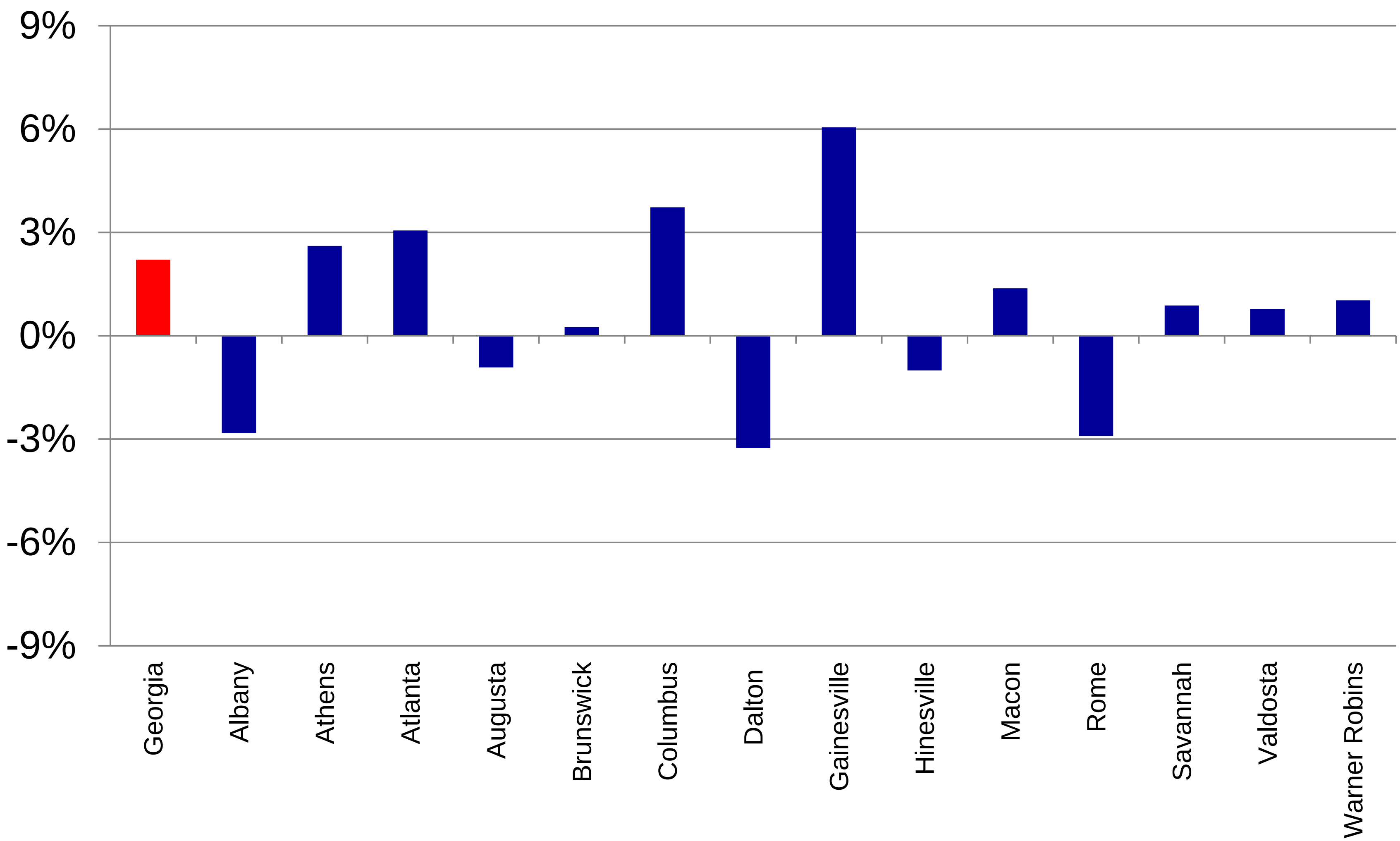
Atlanta & Georgia Employment



Georgia Job Loss in Recession



Georgia Job Gains 1/11 to 1/12



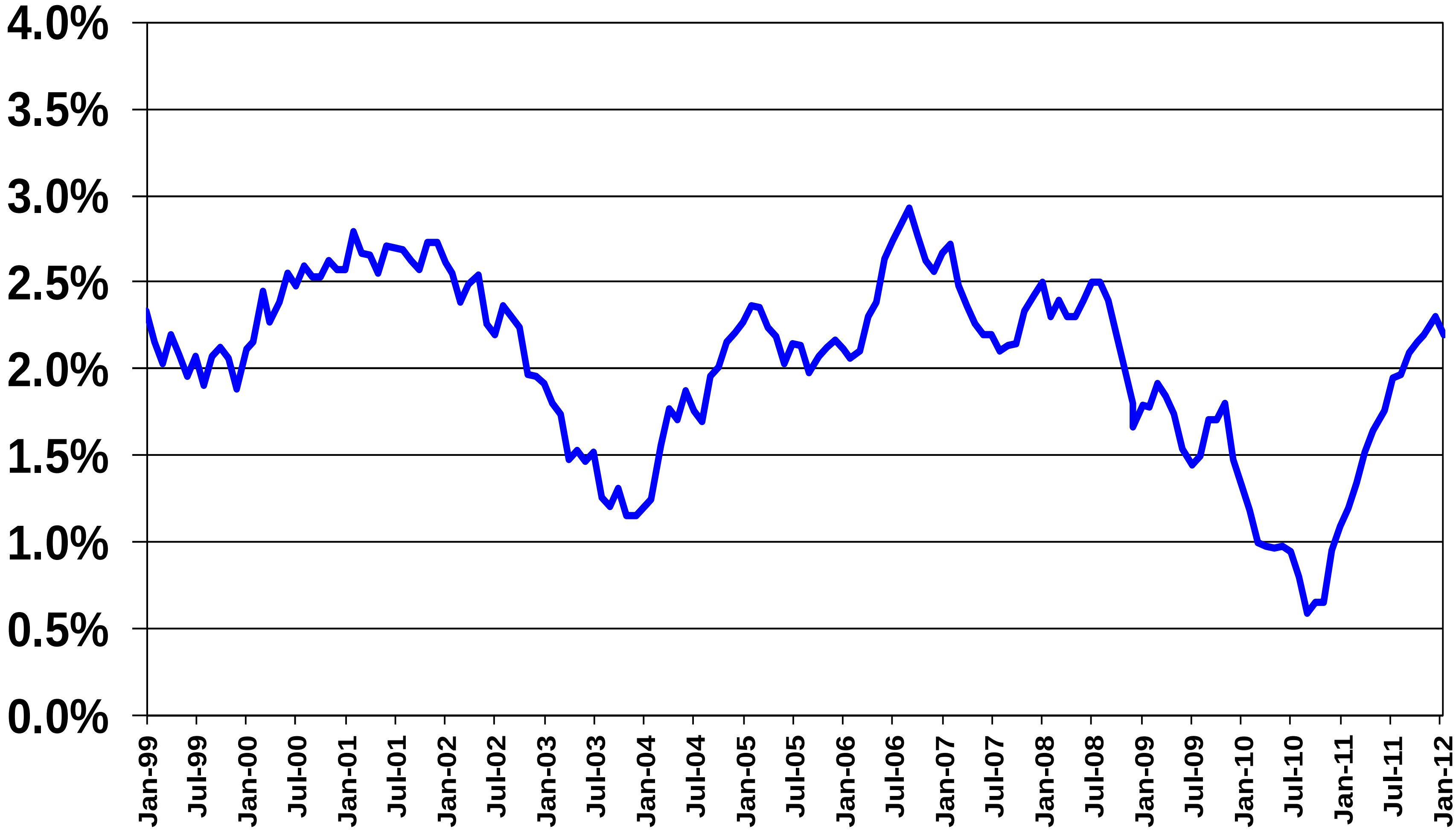
Challenge #1:

Energy Prices

Prices:
What Happened to Deflation?

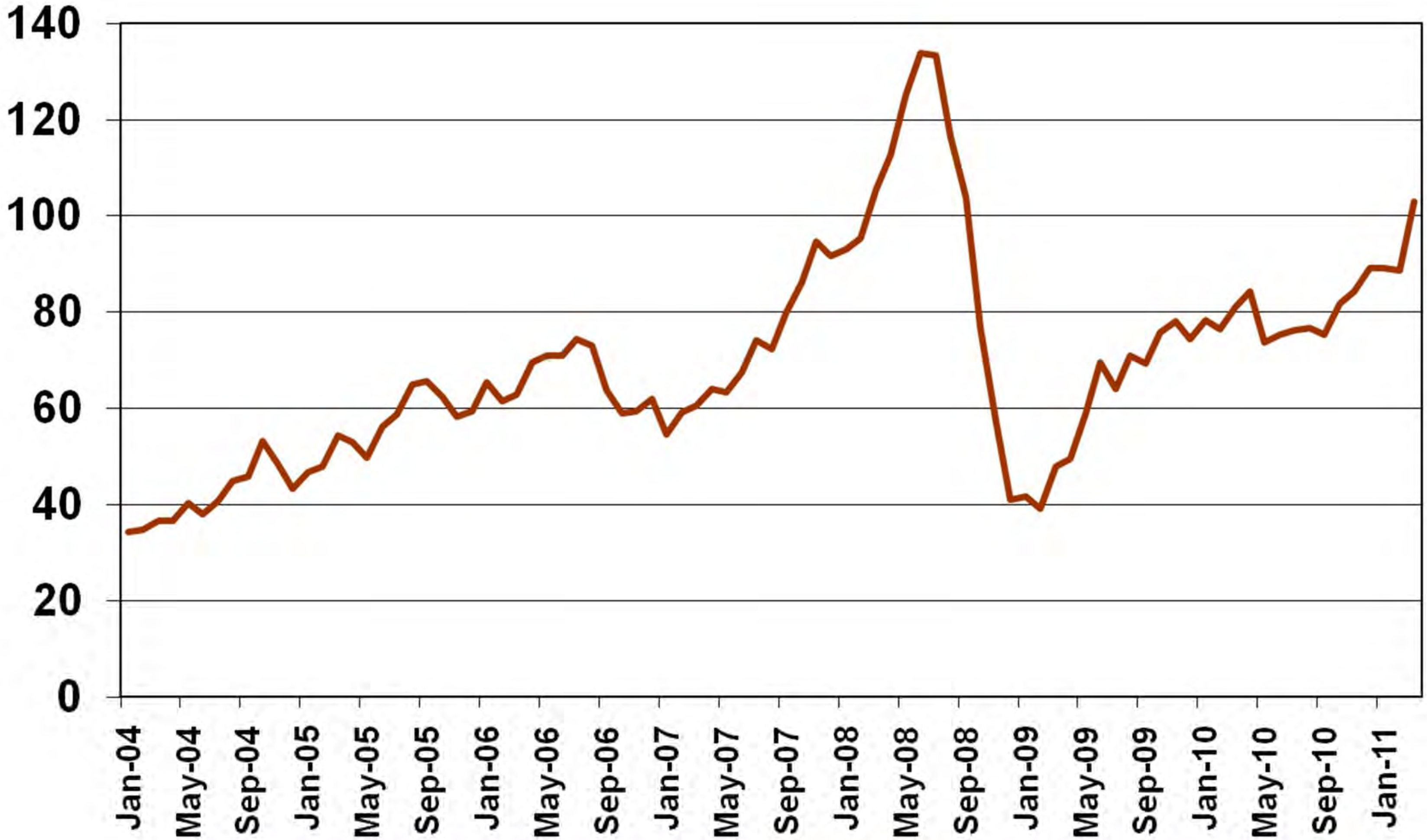
- CPI was up 0.4% in February, after being flat, up 0.2%, flat and up 0.1% in previous 3 months.
- Core up 0.1% in February, after being up 0.2% up 0.1% and up 0.2% in previous 3 months.
- Overall CPI up at an 2.9% annual rate over last 12 months. Core up 2.2% over same period.
- Energy prices up 7.0% over last 12 months.

Core CPI

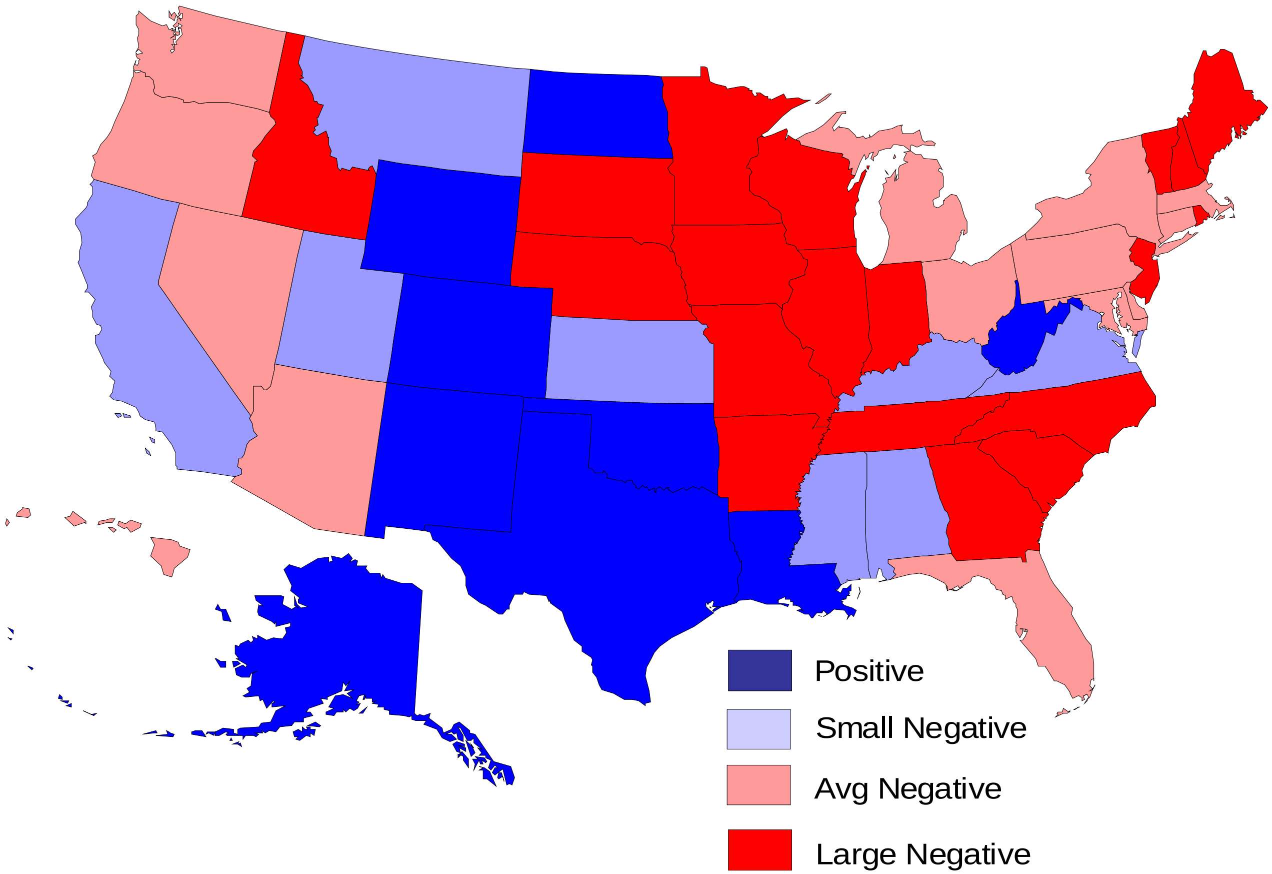


4.0%
3.5%
3.0%
2.5%
2.0%
1.5%
1.0%
0.5%
0.0%
Jan-99
Jul-99
Jan-00
Jul-00
Jan-01
Jul-01
Jan-02
Jul-02
Jan-03
Jul-03
Jan-04
Jul-04
Jan-05
Jul-05
Jan-06
Jul-06
Jan-07
Jul-07
Jan-08
Jul-08
Jan-09
Jul-09
Jan-10
Jul-10
Jan-11
Jul-11
Jan-12

Crude Oil
(Spot Price, West Texas Crude)



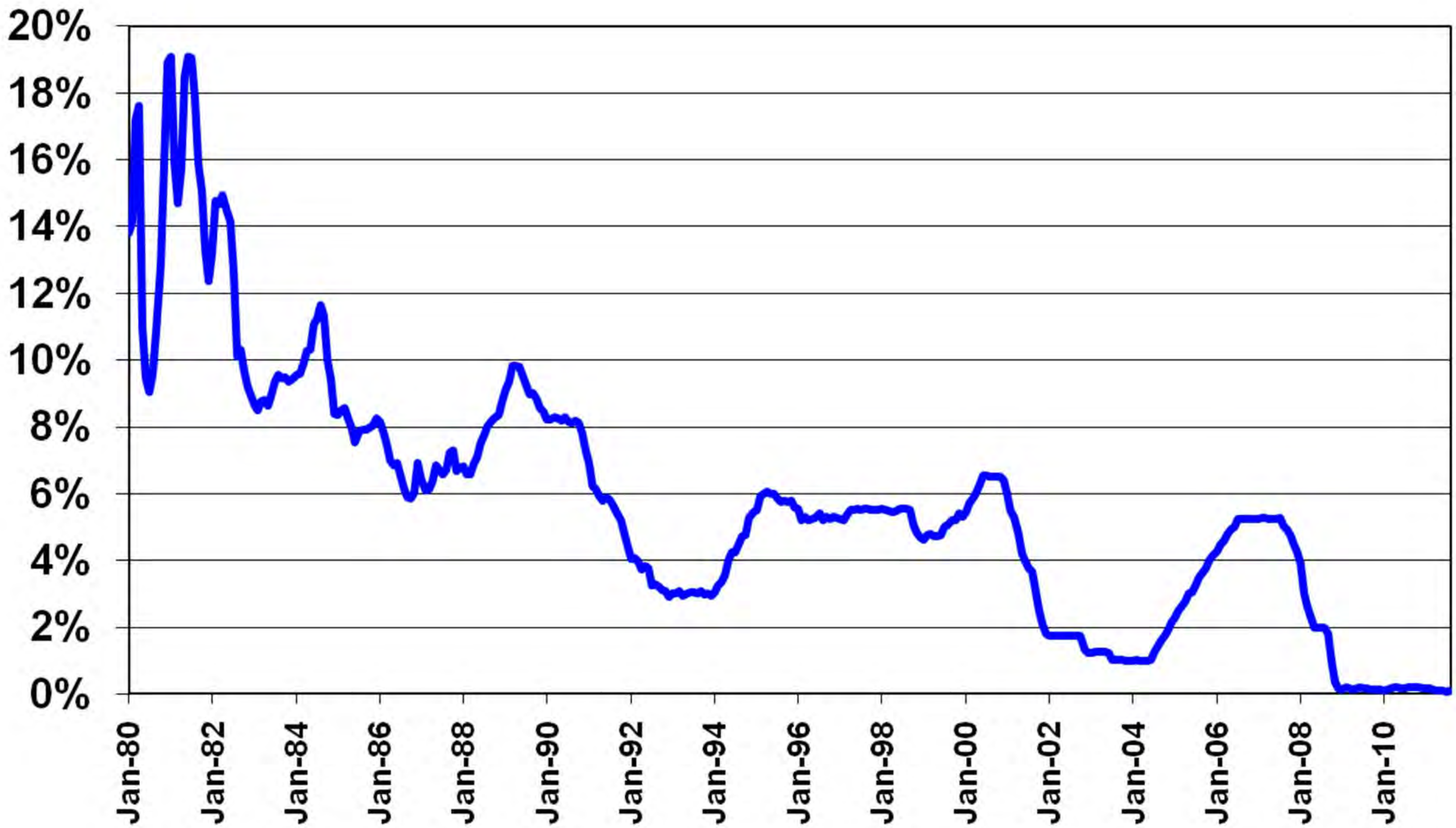
Who Gets Hurt By Higher Energy Prices?



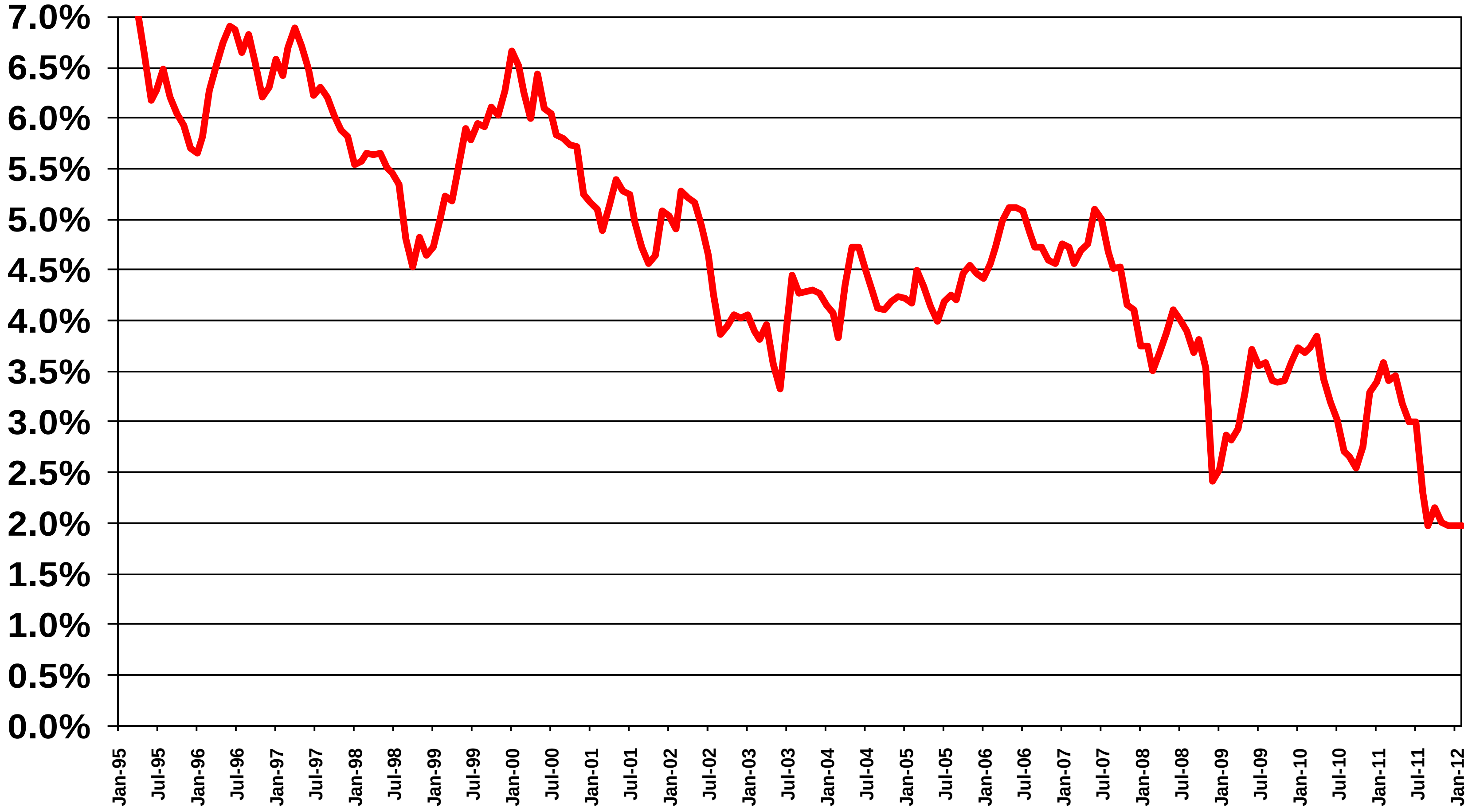
Challenge #2:

Credit Markets: Pricing and Access

Federal Funds Rate
Short Rates on Hold to '14?

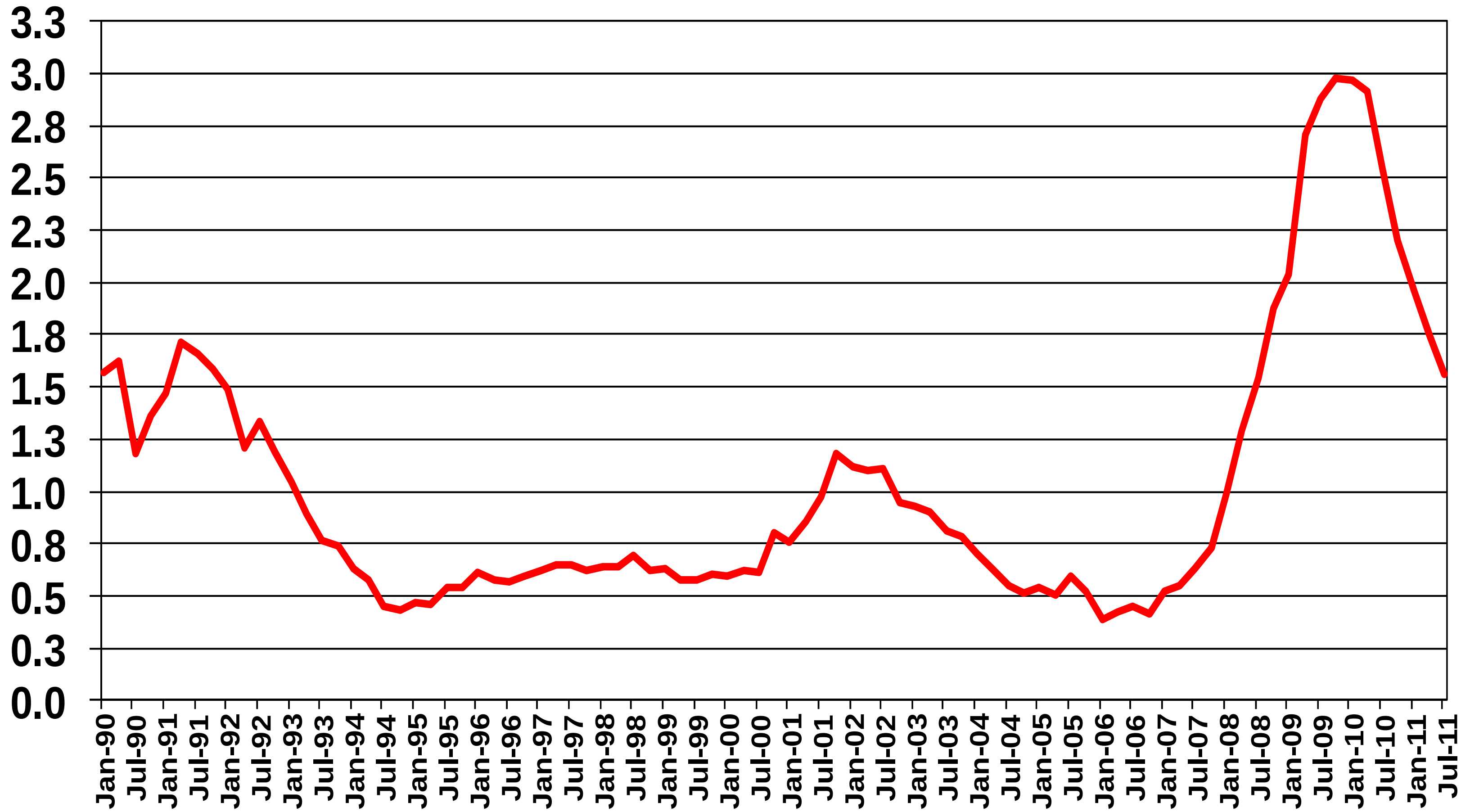


10-Year Treasury Bond
Twist Again?

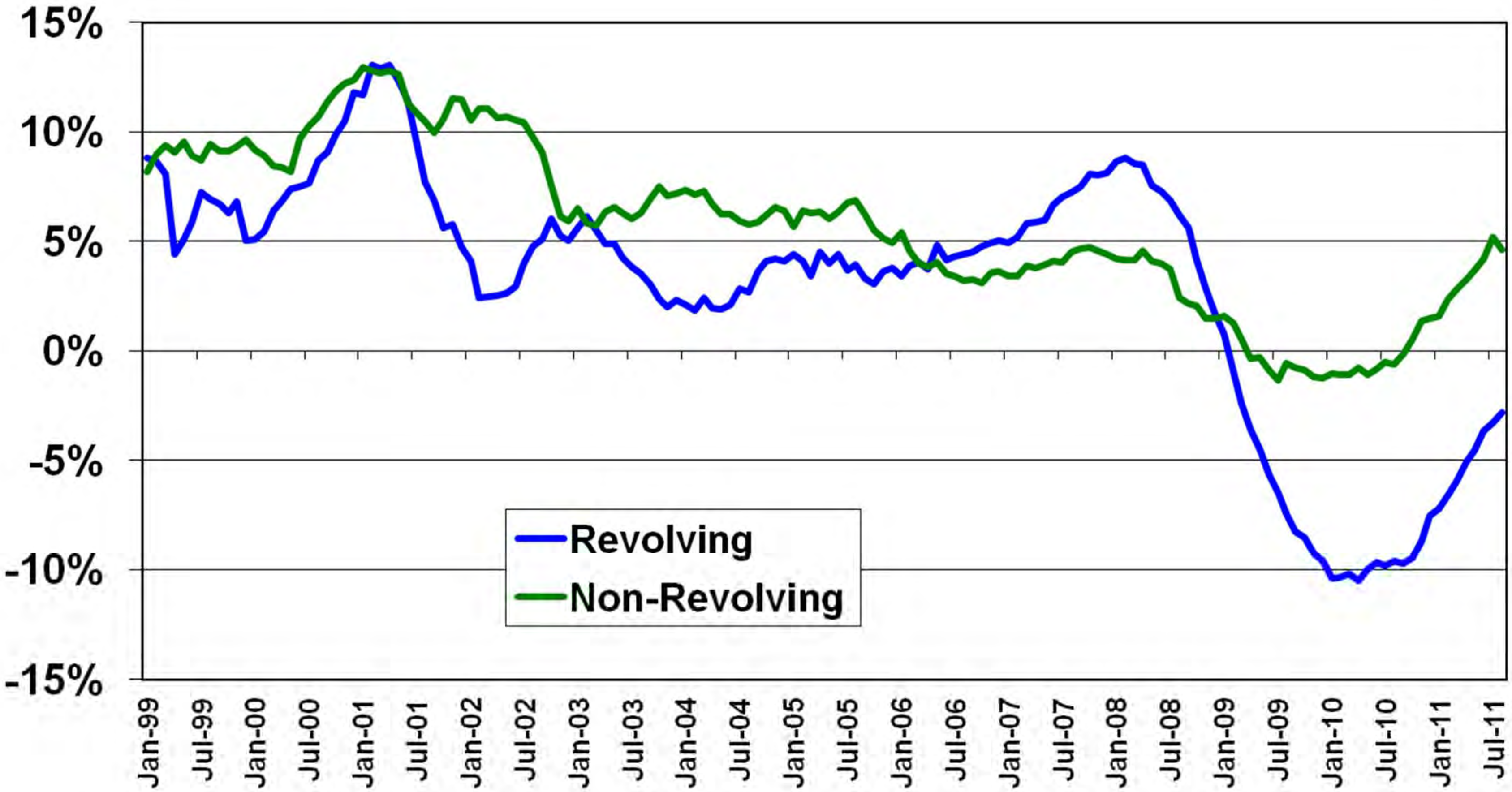


ECG
electric cities of georgia

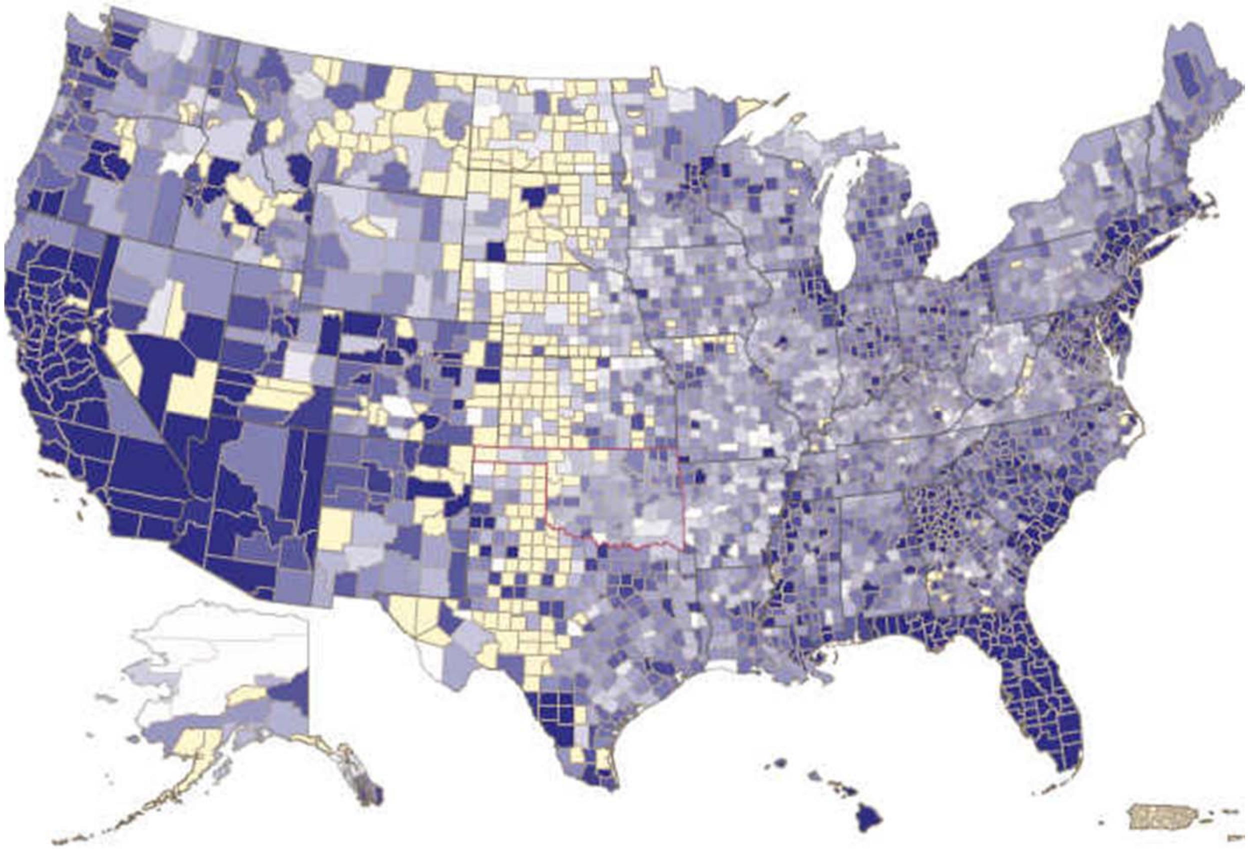
Charge Offs Peaked?



Consumer Credit
(% change in balances)



Mortgage Delinquency Rates



Challenge #3:

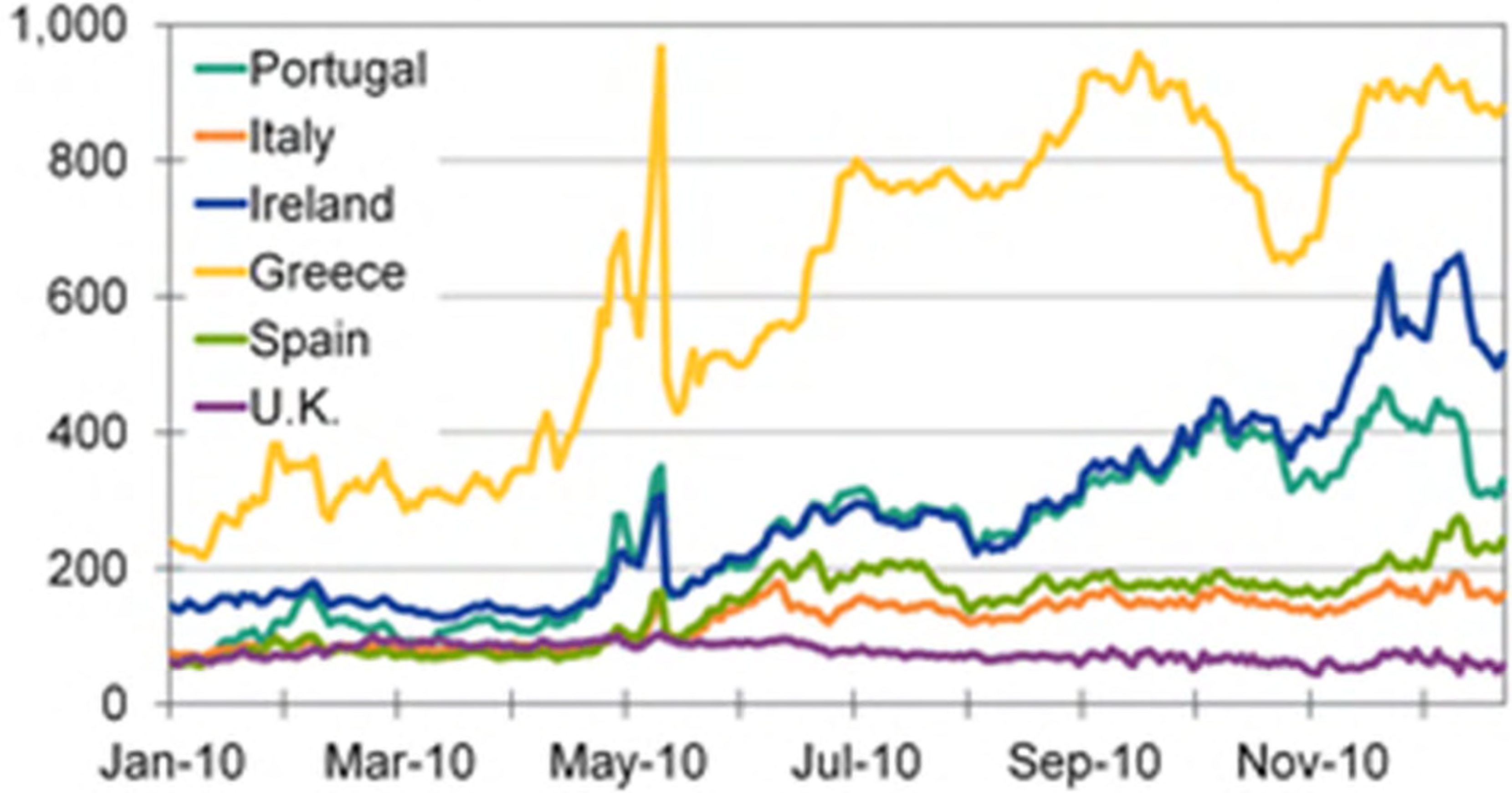
"PIGS", China & Iran

Foreign Exchange: $ vs. Major Currencies

ECG electric cities of georgia

Europe's Debt Problems Threaten to Boil Over

Spread between 10-yr sovereign and German bunds, bp



Sources: Bloomberg, Moody's Analytics

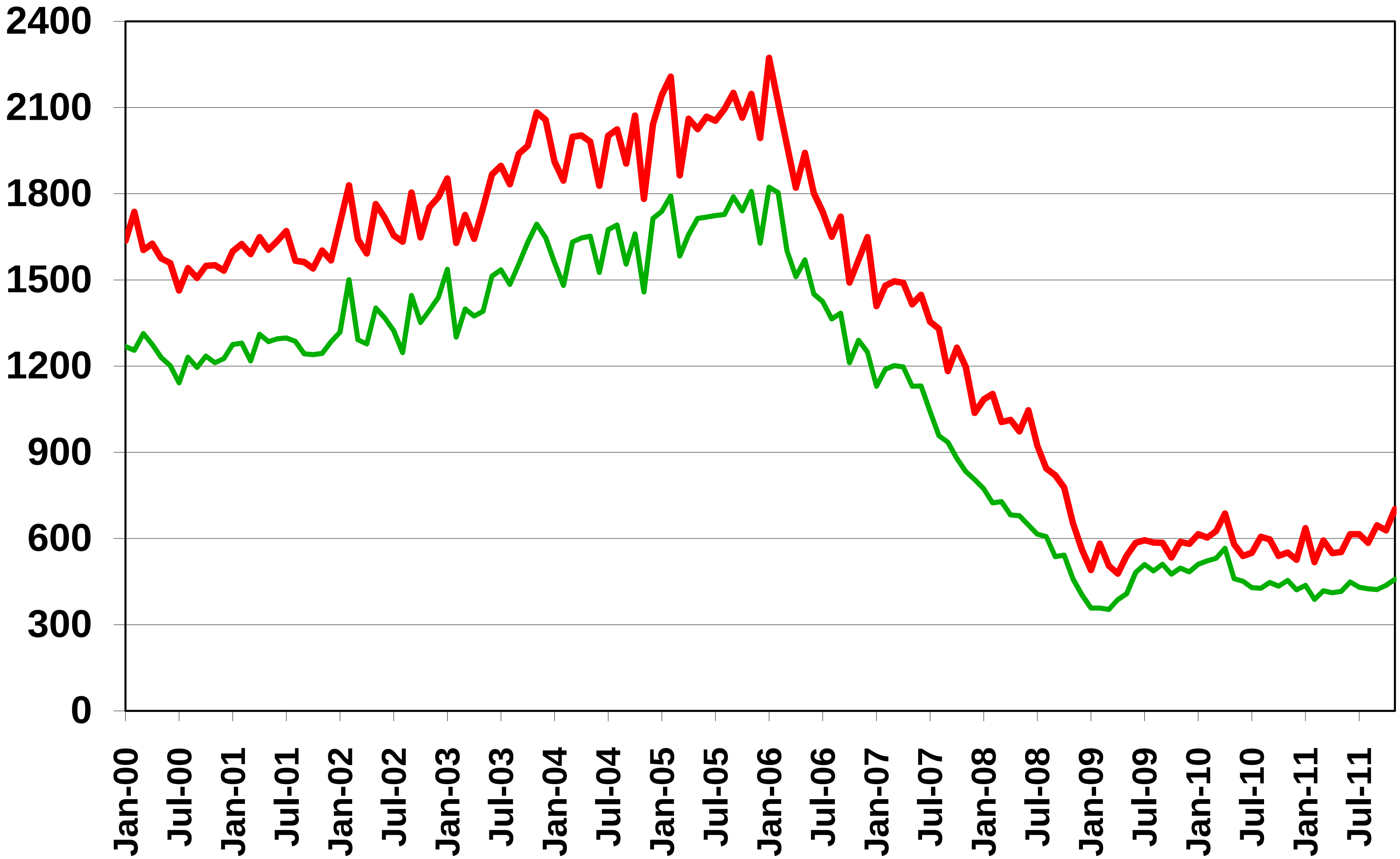
Challenge #4:

Real Estate

New Home Sales
(Single Family, SSAR in thousands)

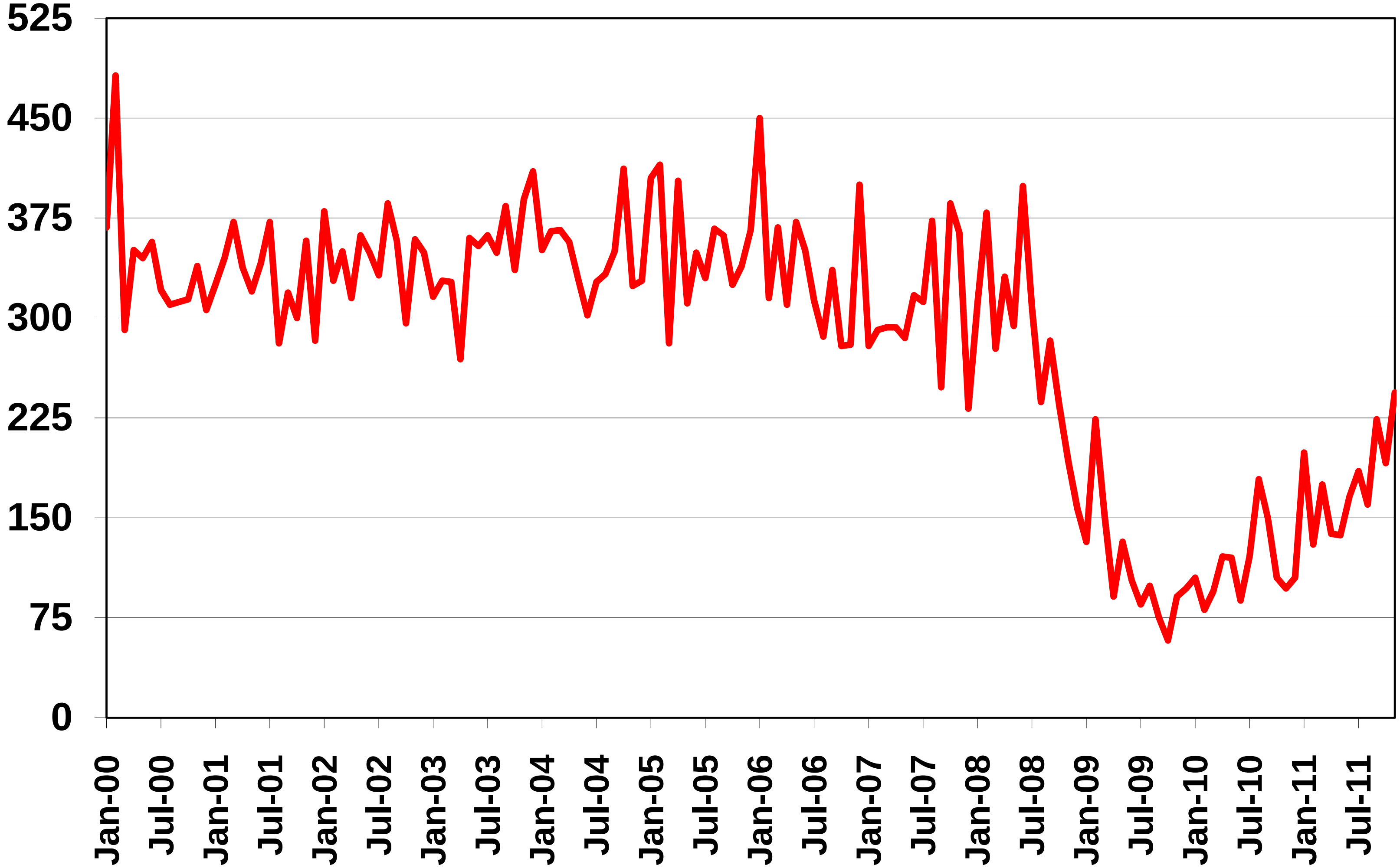
Housing Starts: SF and Total

(12 month moving average)



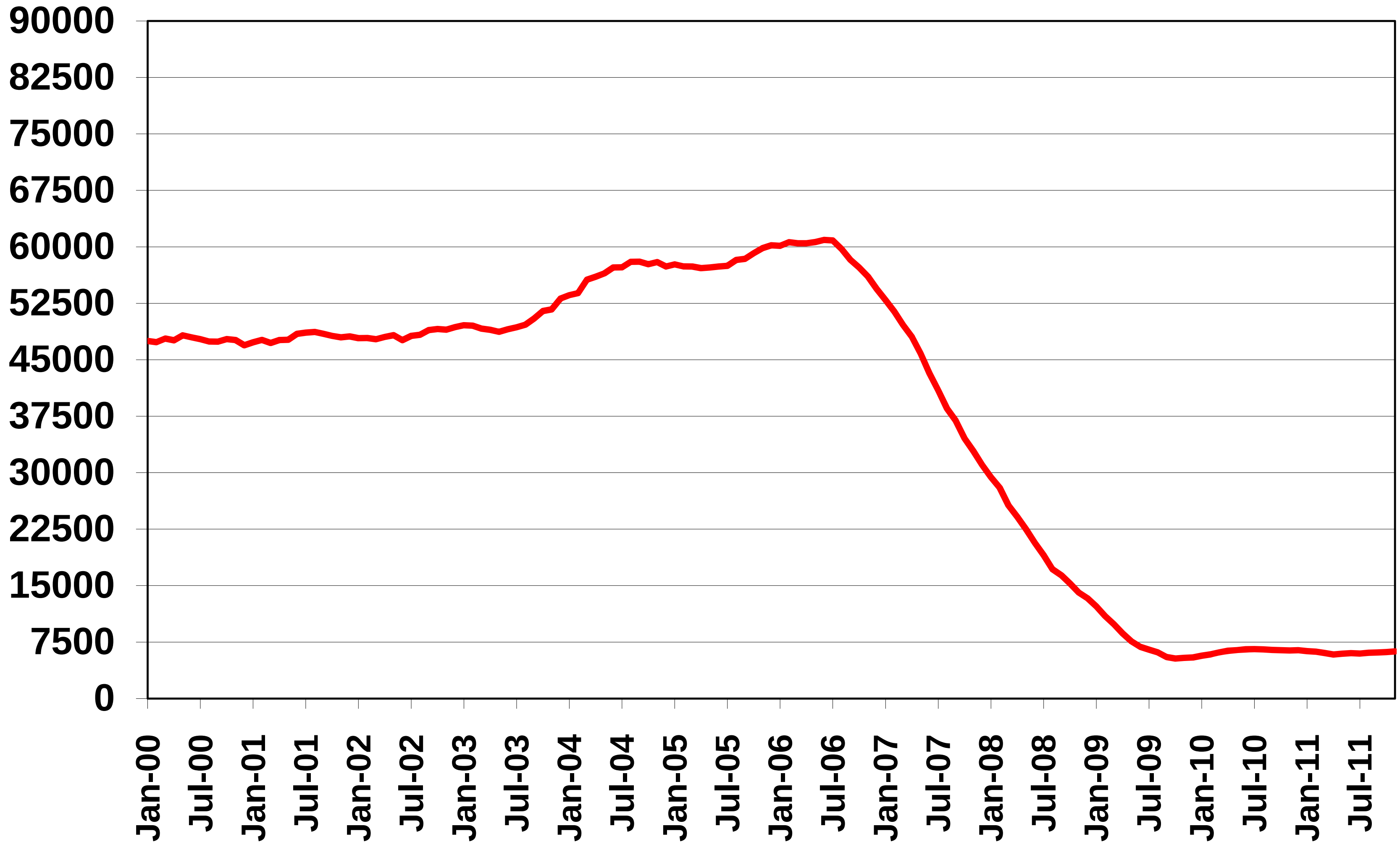
Housing Starts: Multi-family

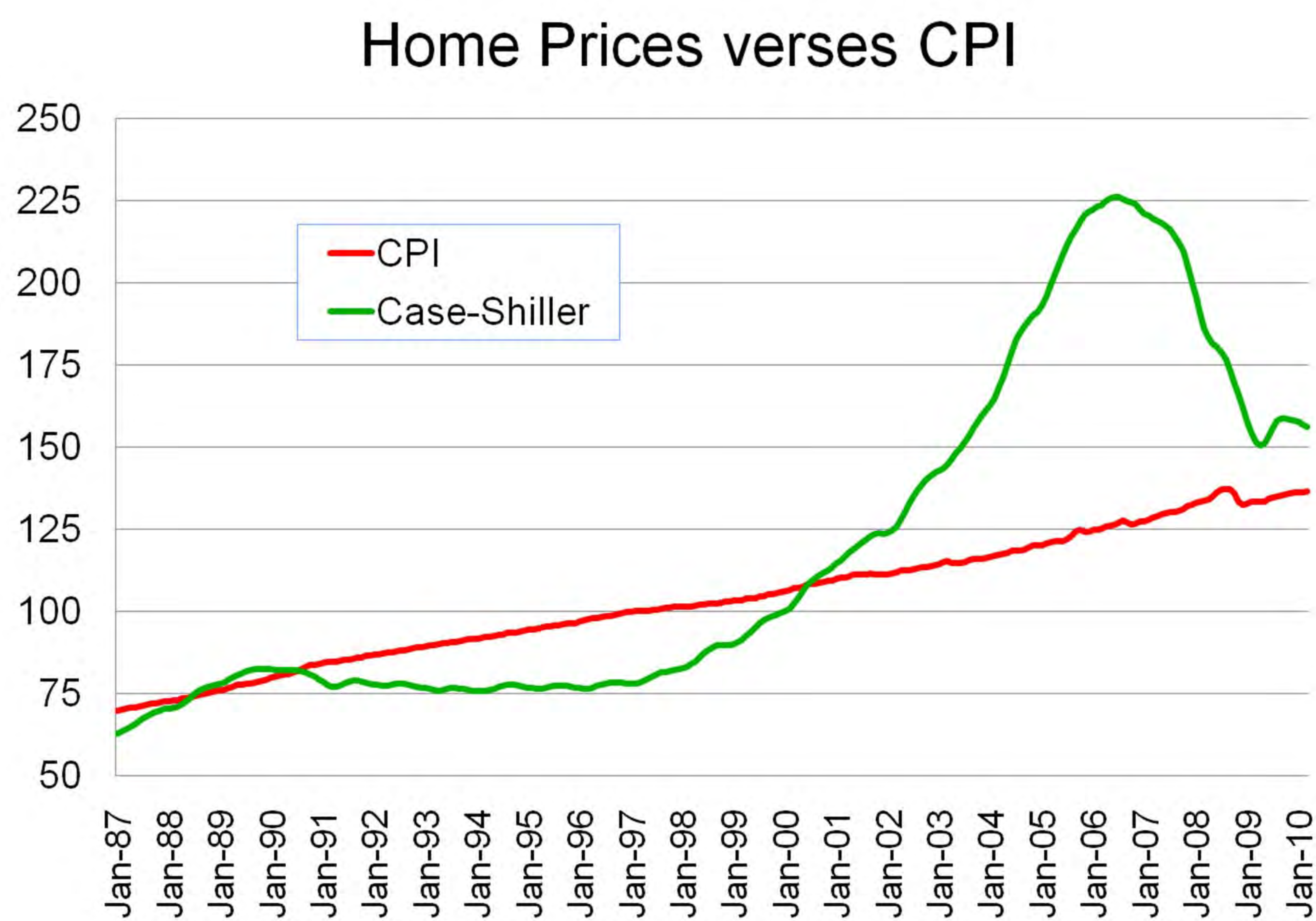
(12 month moving average)



Single Family Starts: Atlanta

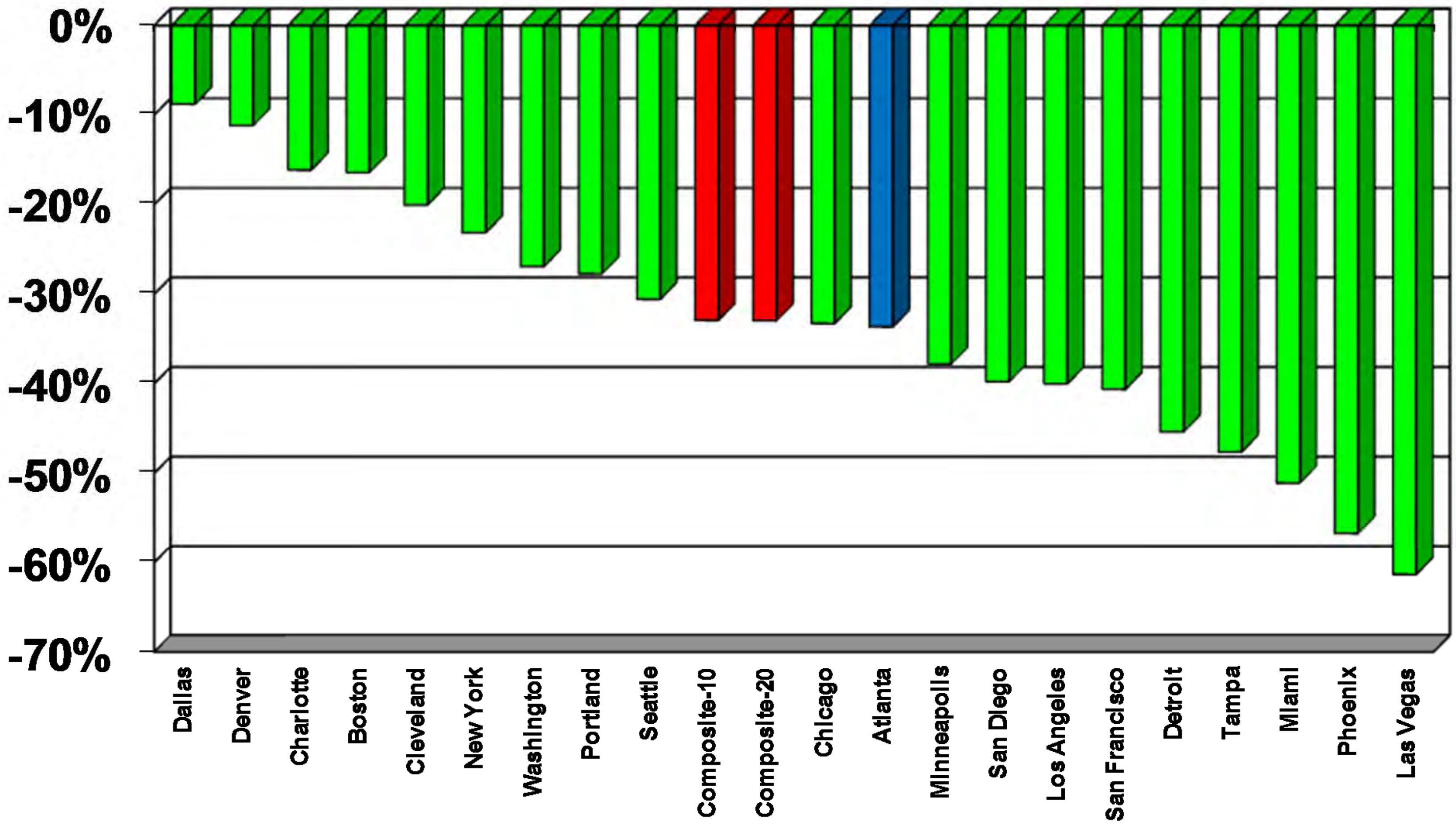
(12 month moving average)



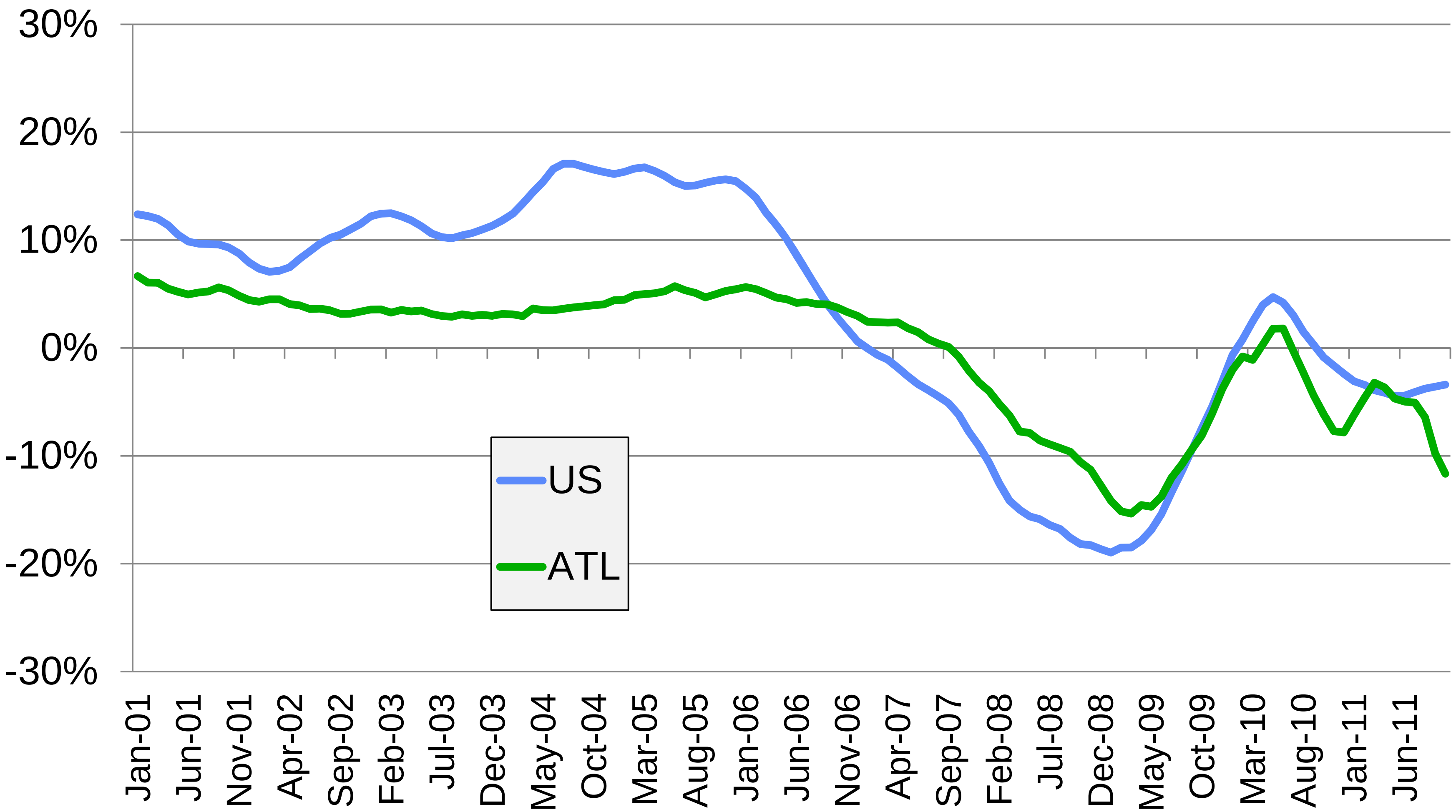

Home Prices verses CPI
CPI
Case-Shiller
250
225
200
175
150
125
100
75
50
Jan-87
Jan-88
Jan-89
Jan-90
Jan-91
Jan-92
Jan-93
Jan-94
Jan-95
Jan-96
Jan-97
Jan-98
Jan-99
Jan-00
Jan-01
Jan-02
Jan-03
Jan-04
Jan-05
Jan-06
Jan-07
Jan-08
Jan-09
Jan-10

CS/S&P Home Price Index

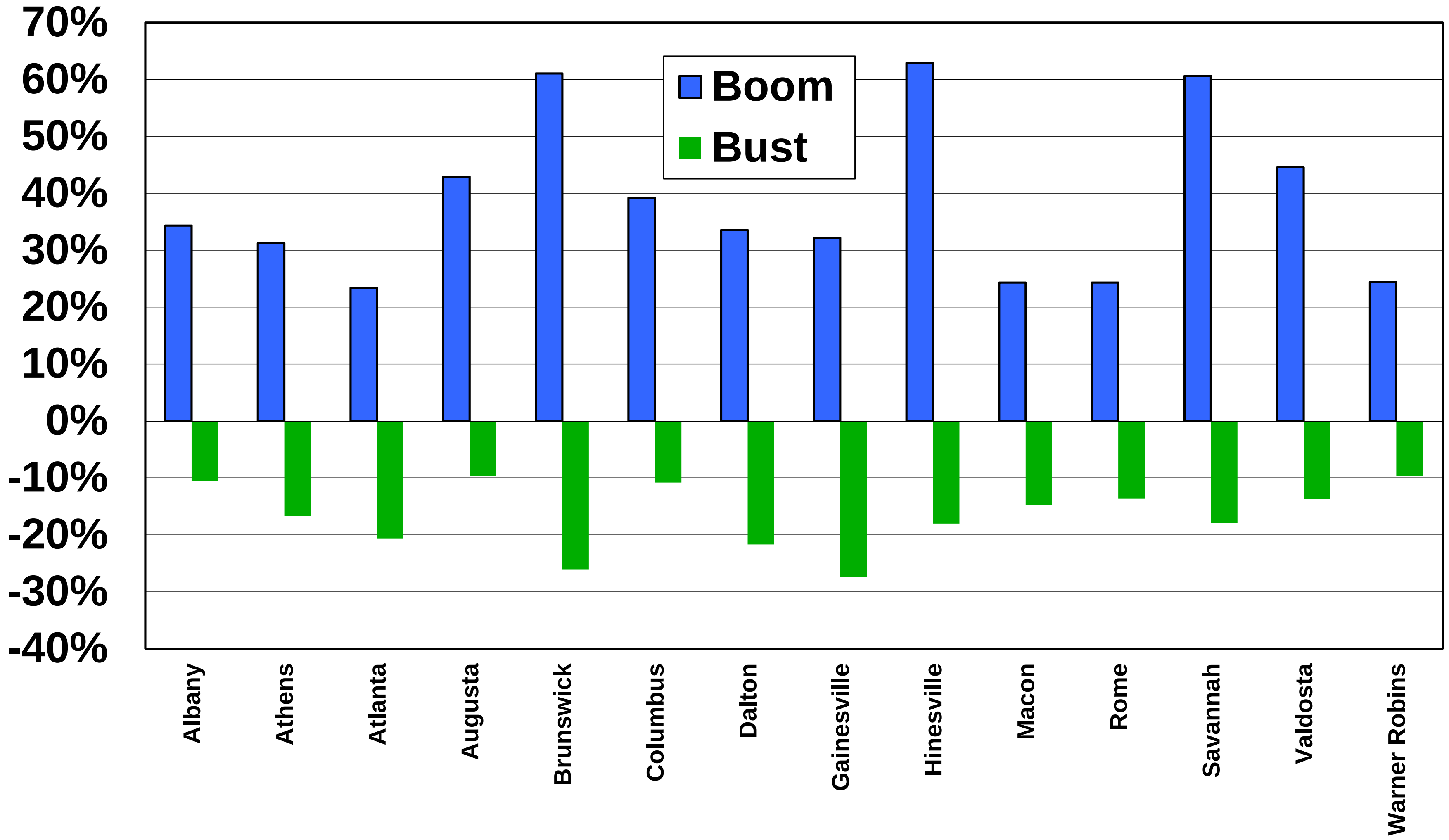
(FROM PEAK TO OCTOBER 2011)



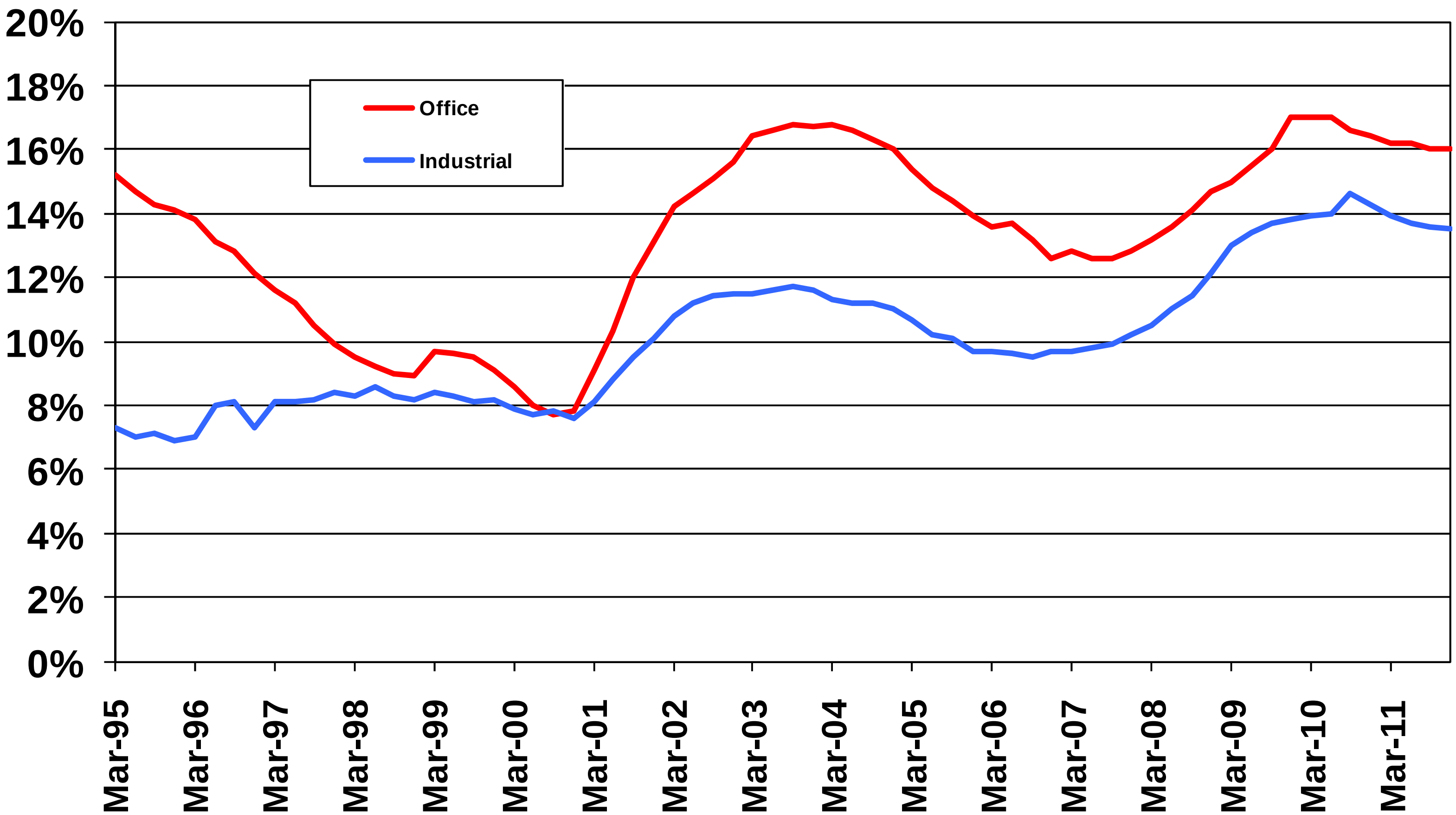
Case Shiller: ATL vs US



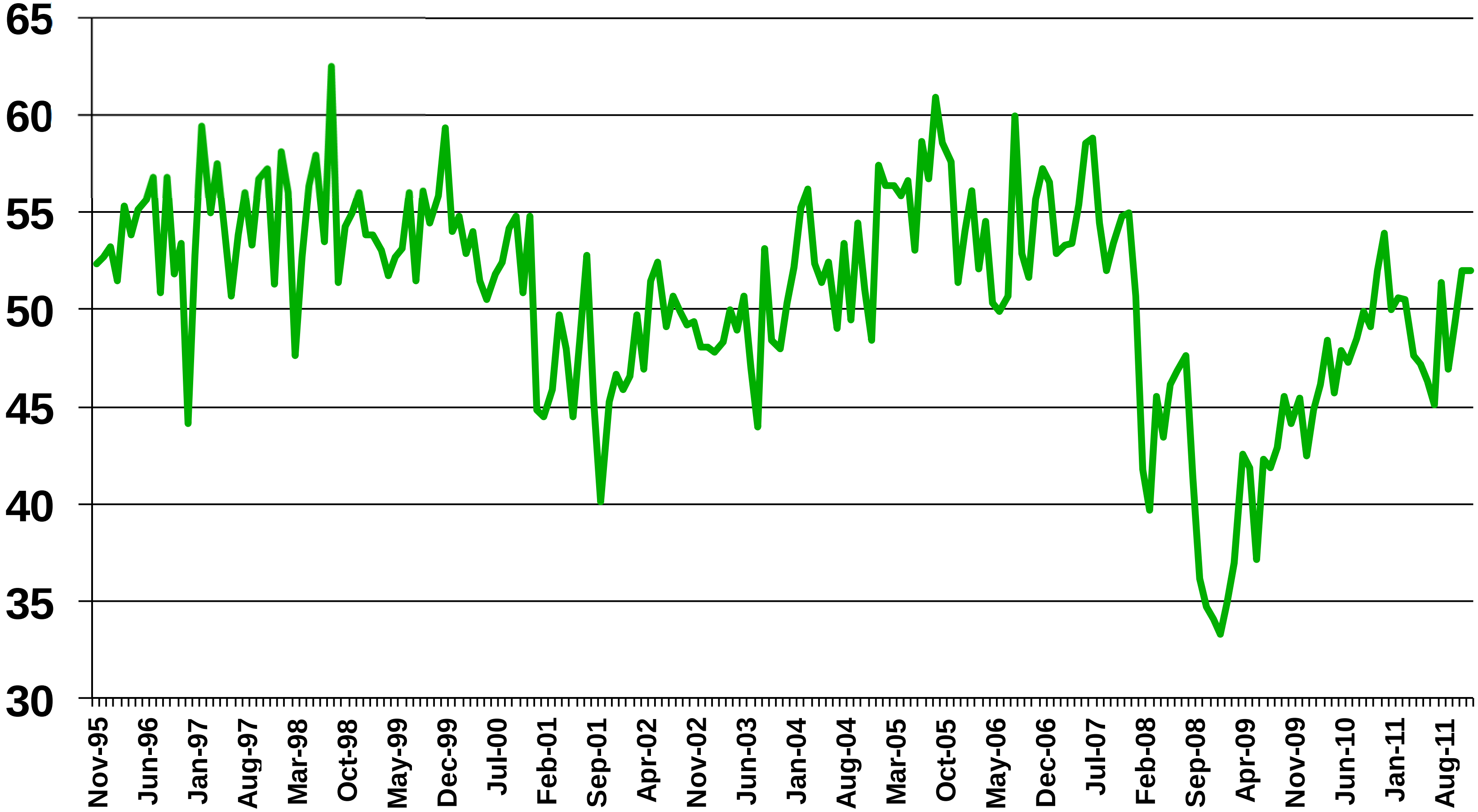
MEDIAN EXISTING HOME PRICES



Commercial Vacancy Rates



Architecture Billings Index (AIA)



CRE Valuation

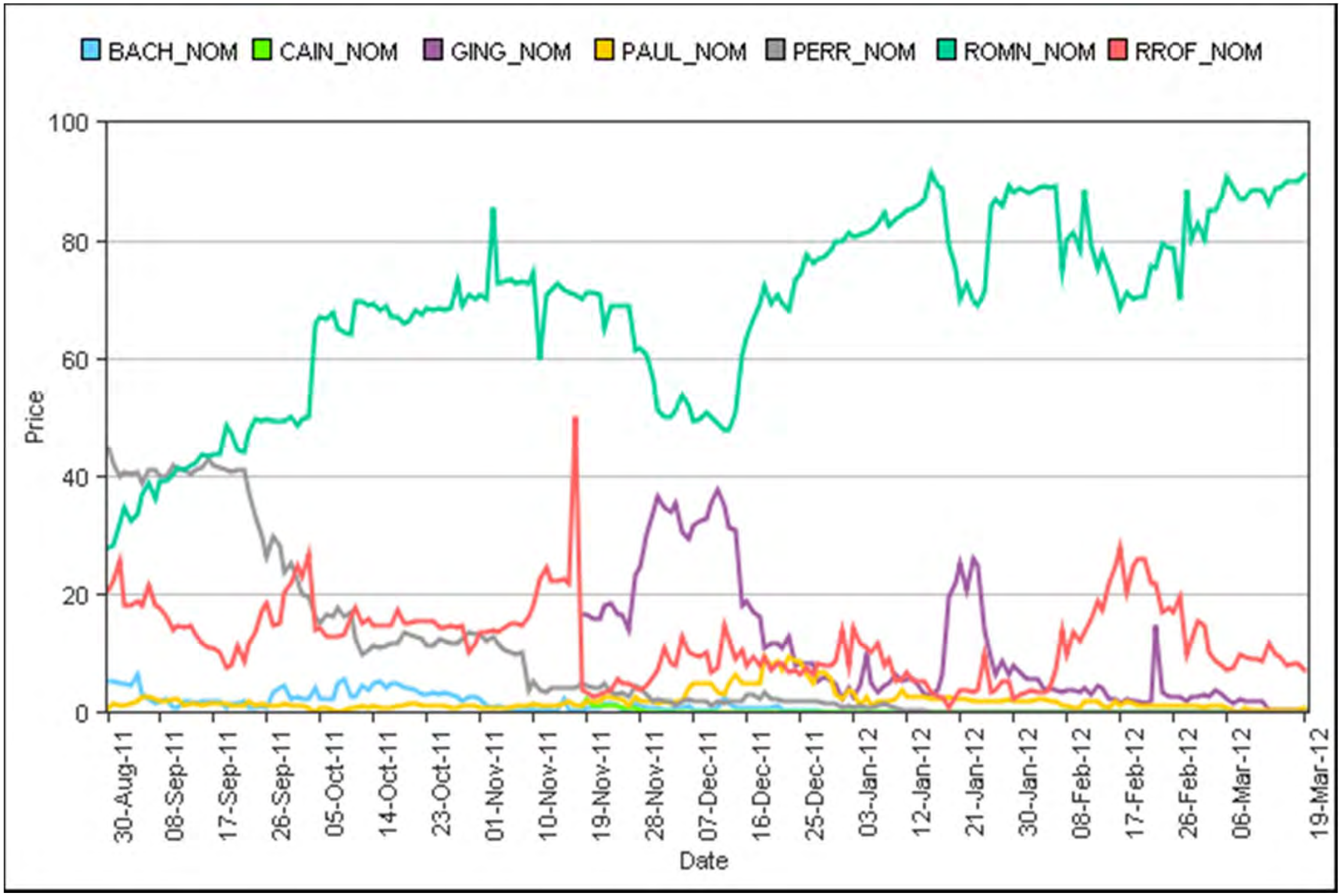
- **Local "Cap Rates" running higher than in largest markets.**
- **Since "risk-free rate" should be equalized, this implies either risk premium is higher, expected growth rate is lower or market is undervaluing existing properties.**
- **Capital availability an issue?**
- **Competition with distressed sales?**

On The Public Sector

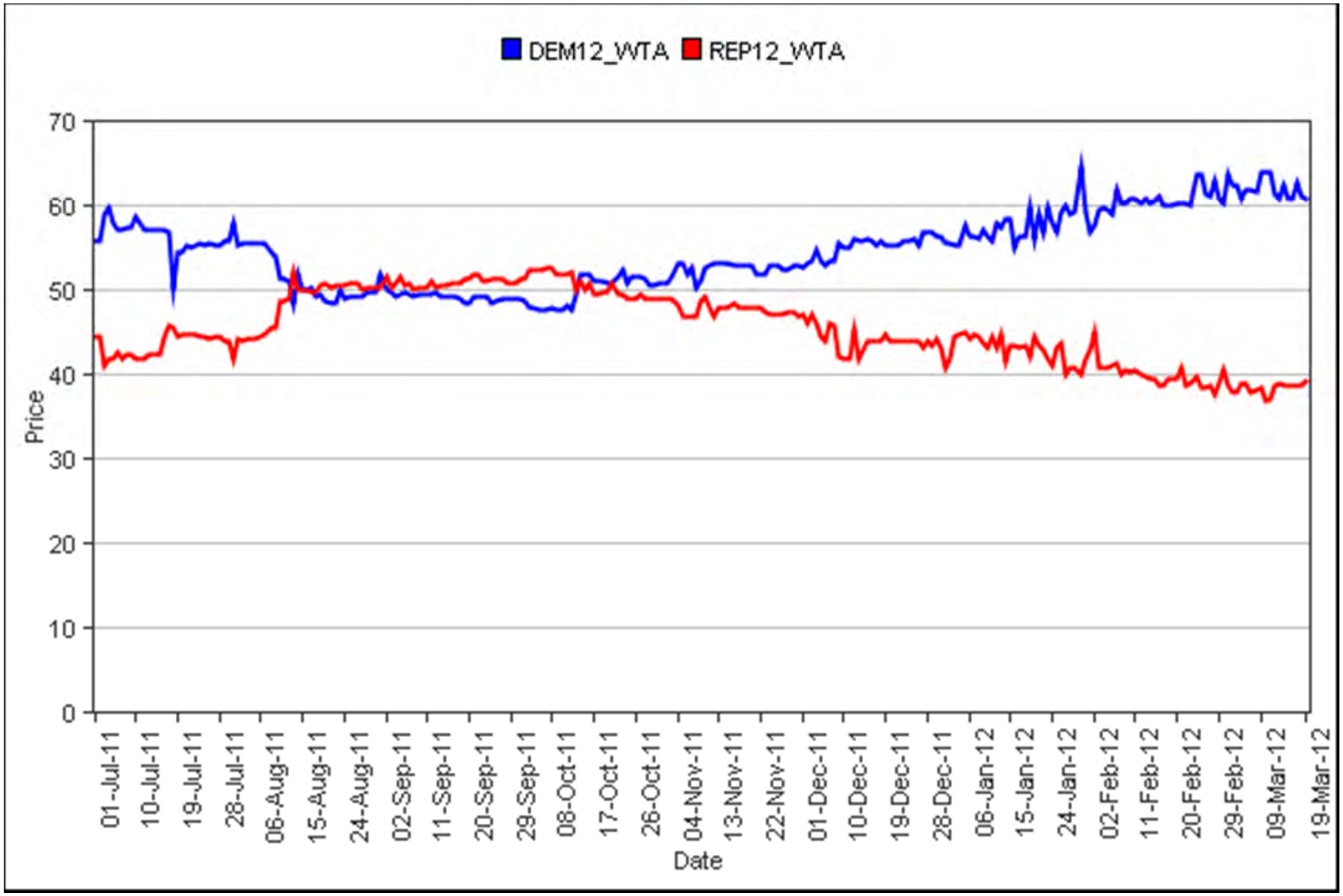
Currents Issues in Fiscal Affairs

- **“Bush Cuts” extended, but what about after 2012**
- **Government shutdown & default avoided.**
- **S&P downgrades debt**
- **Sensitivity of federal & state tax revenues to economic activity.**
- **Local fiscal picture: RE valuation and revenues**

Election 2012



Election 2012



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