

# The State of the Economy: A Practical Perspective of Today's Economic Climate

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SS&G



# How's Business?

Thunderbolt and Lightfoot Clip on the Economy

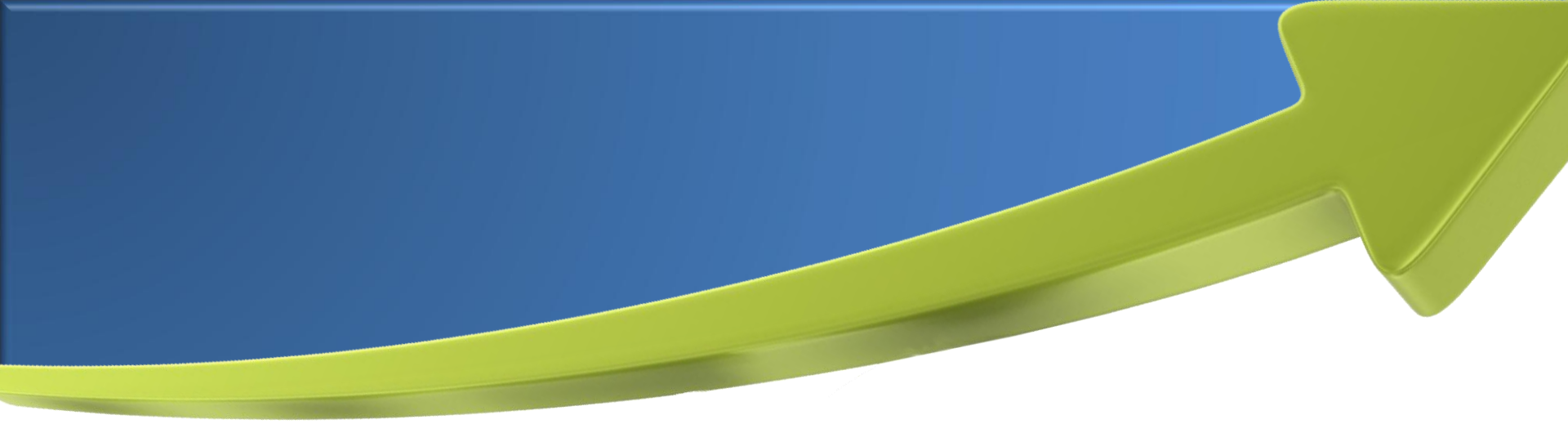


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# How's Business?



What are you seeing in  
your line of work?



Macroeconomics

vs.

Microeconomics

# Macro vs. Micro




- Macroeconomists study aggregated indicators such as GDP, unemployment rates, and price indices to understand how the whole economy functions.
- Microeconomics is primarily focused on the actions of individual agents, such as firms and consumers, and how their behavior determines prices and quantities in specific markets. (i.e. Focus groups)

# Predicting the Future...



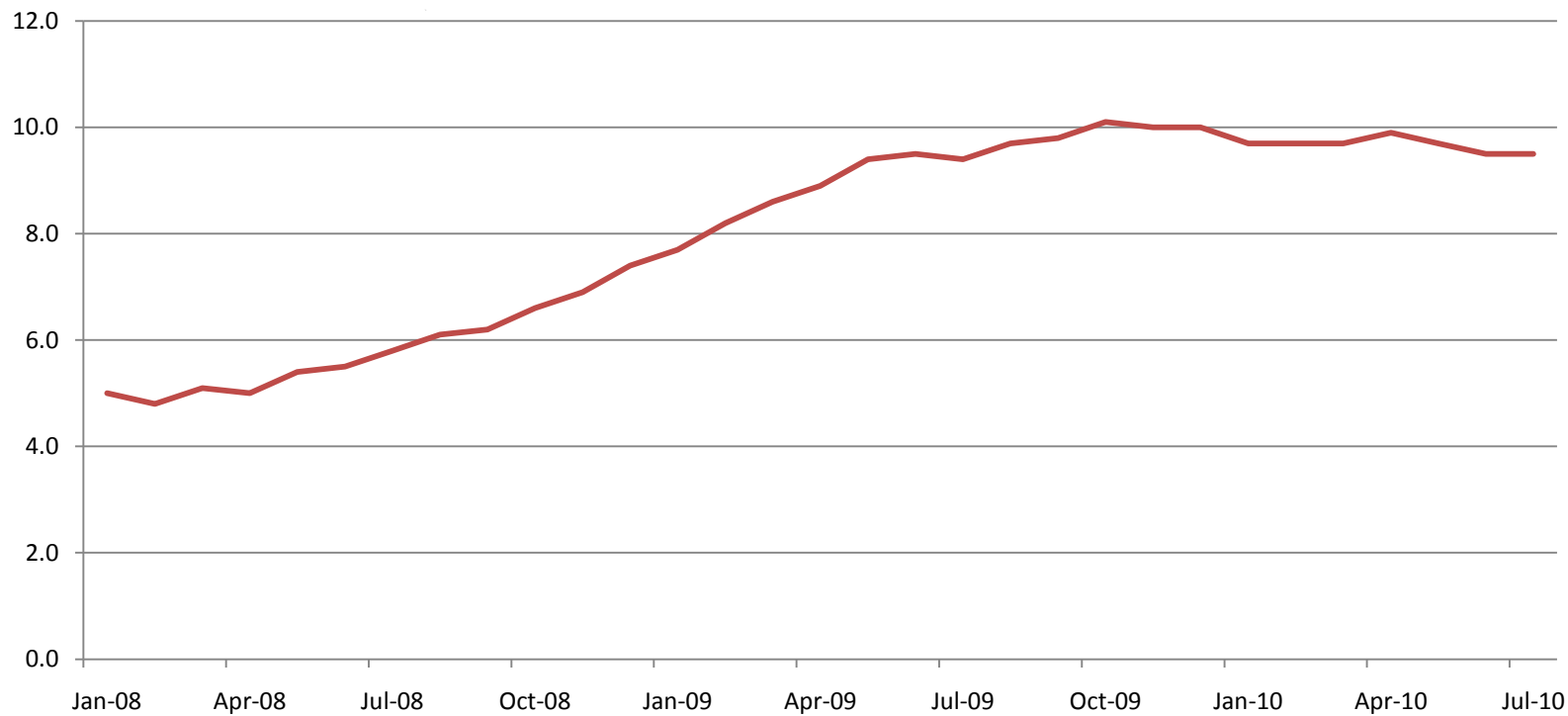
- Difficult to determine – these are uncharted waters!
- GDP growth of 3% for the remainder of 2010 and 3.5% in 2011
- Low inflation, low interest rates
- Consumer spending - slow
- Home sales – slow

# What Can Drive Growth?



- U.S. is THE world leader in “innovation”
- Rock-bottom interest rates
- Deploying capital sitting in reserve
- Investing in production and manufacturing
  - Are we becoming a service-based economy?
- Federal policy
- Education

# Unemployment



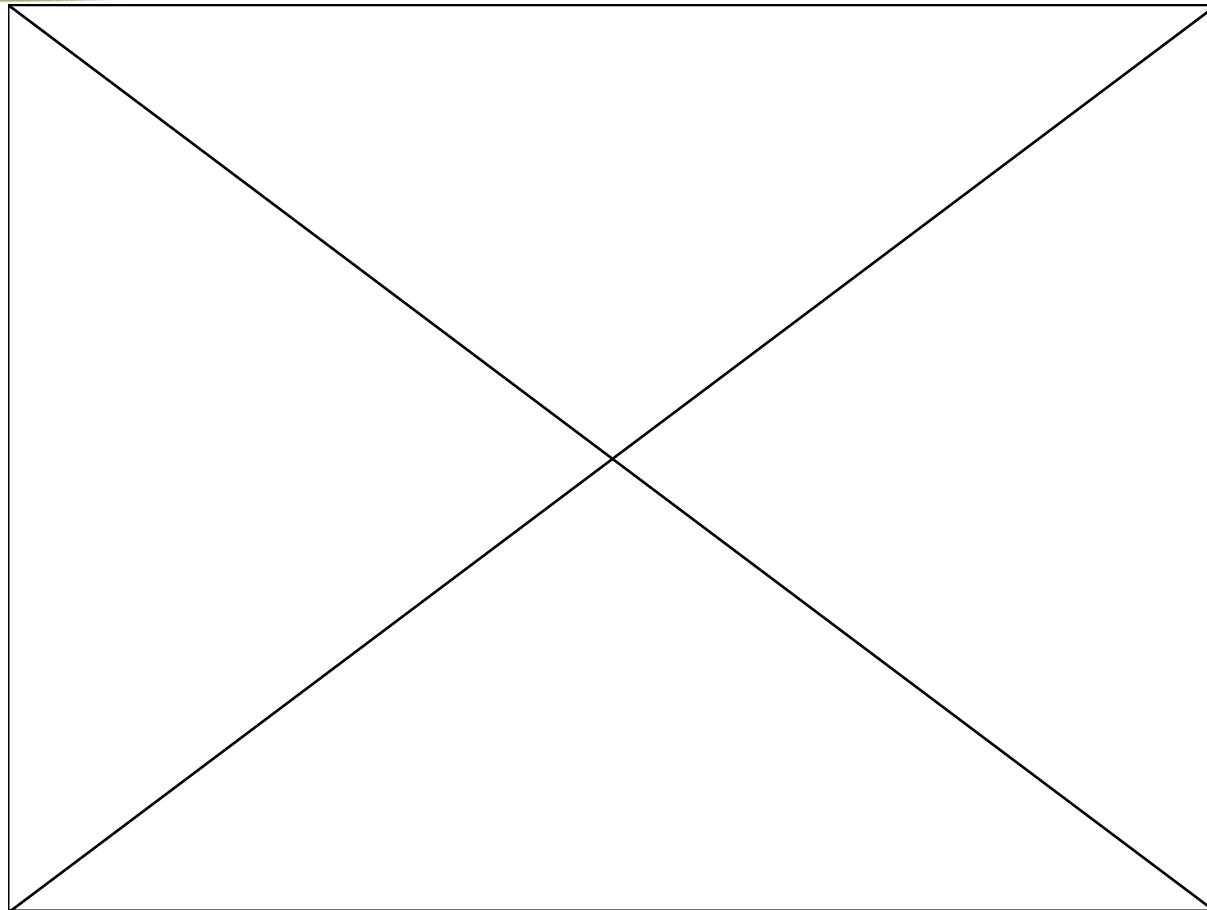
Source: Bureau of Labor Statistics

# Unemployment

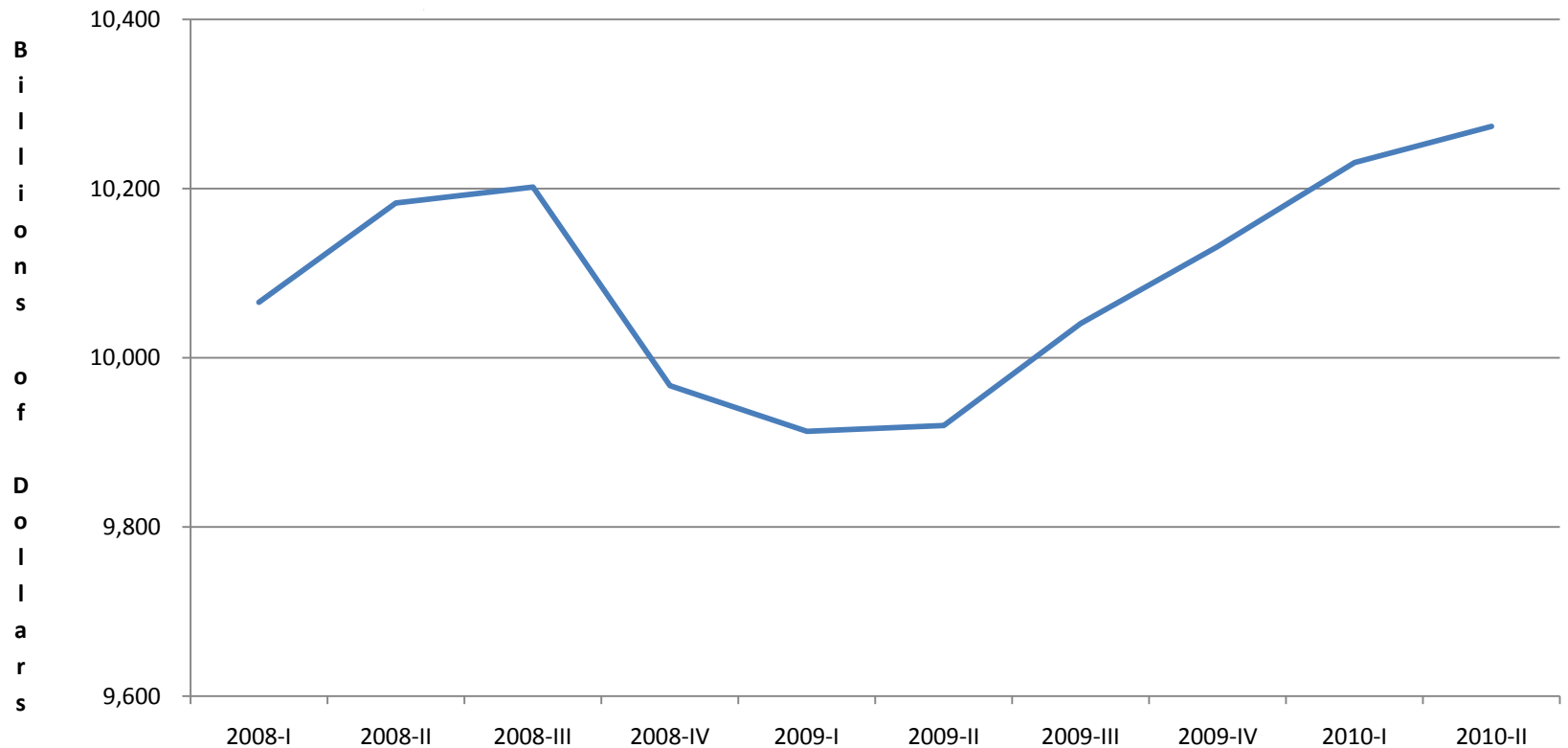


- 500,000 new claims in August
  - highest level in 9 months
- 8.5 million jobs lost in 2008 and 2009
  - Restoration of lost jobs will require a “significant amount of time” – Ben Bernanke (Federal Reserve Chairman)
- Projected to be 7% to 7.5% in 2012

**Are You Unemployed?**

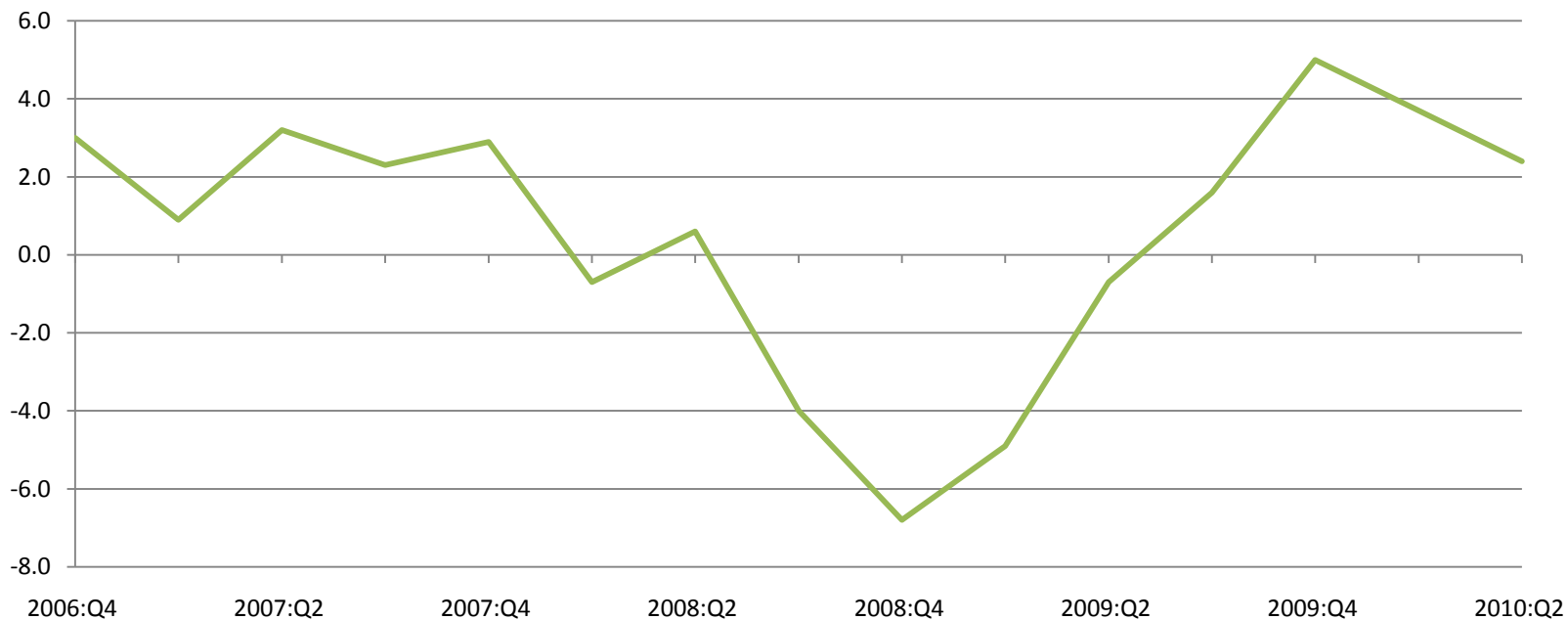


# Consumer Spending



Source: Bureau of Economic Analysis, Personal Income and its Disposition

# Gross Domestic Product



Source: Bureau of Economic Analysis

# Gross Domestic Product



- Expect GDP growth of 3% to 3.5% in 2010
  - 3.5% to 4.5% in 2011
  - Comparison: China @ 8%+?

Is 3% to 3.5% enough?

# Opening Wallets

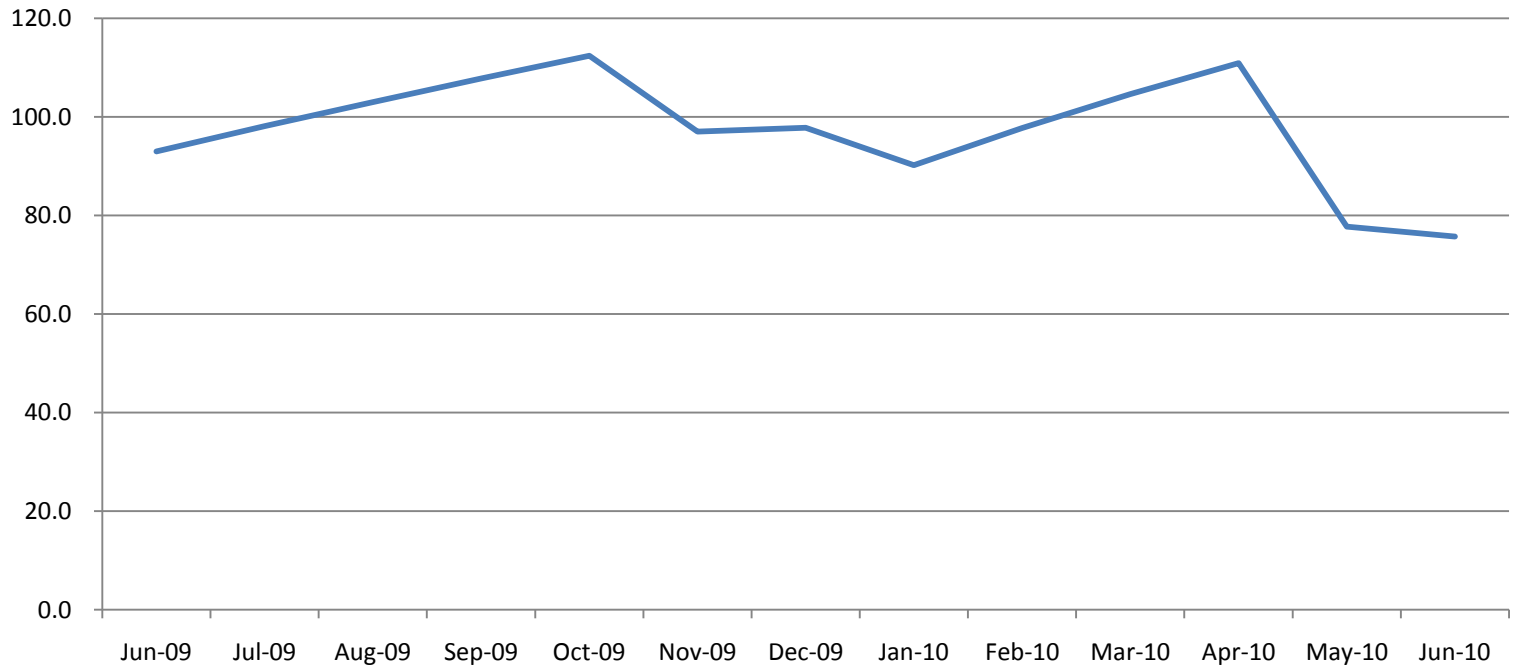
Consumers continue to be cautious...



Spending will pick up.

*Source: Wall Street Journal, Kiplinger*

# Pending Home Sales



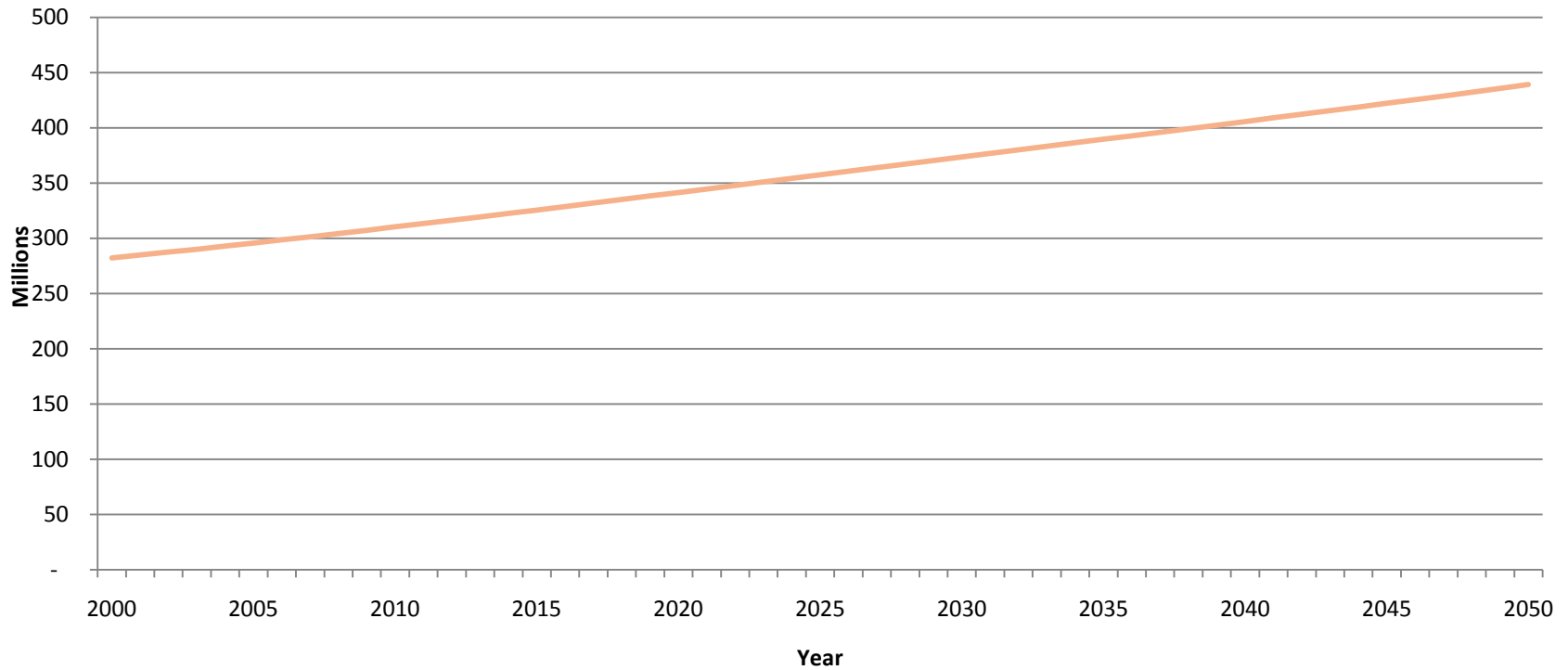
Source: National Association of Realtors

# Home Sales



- Mortgage rates expected to stay low
- Prices are leveling
- Weakness in the near term, strengthening as the job market improves
- New home sales fell 12.4% in July from a month earlier – the slowest on record since 1963

# U.S. Population Growth



Source: US Census Bureau

# U.S. Population Growth



- Fertility and immigration play a major role in the U.S. growth rate
- Growth rates expected to decline over next several decades
  - .6% natural; .9% in 2009 (world average 1.19%)
- 2.05 births, per woman; replacement level is 2.1 births
- Life expectancy to grow from 78.1 years in 2009 to 82.6 years in 2050, estimated.

# Inflation and Deflation

- Inflation has been a concern
- Deflation now becoming a concern
  - Need to prepare

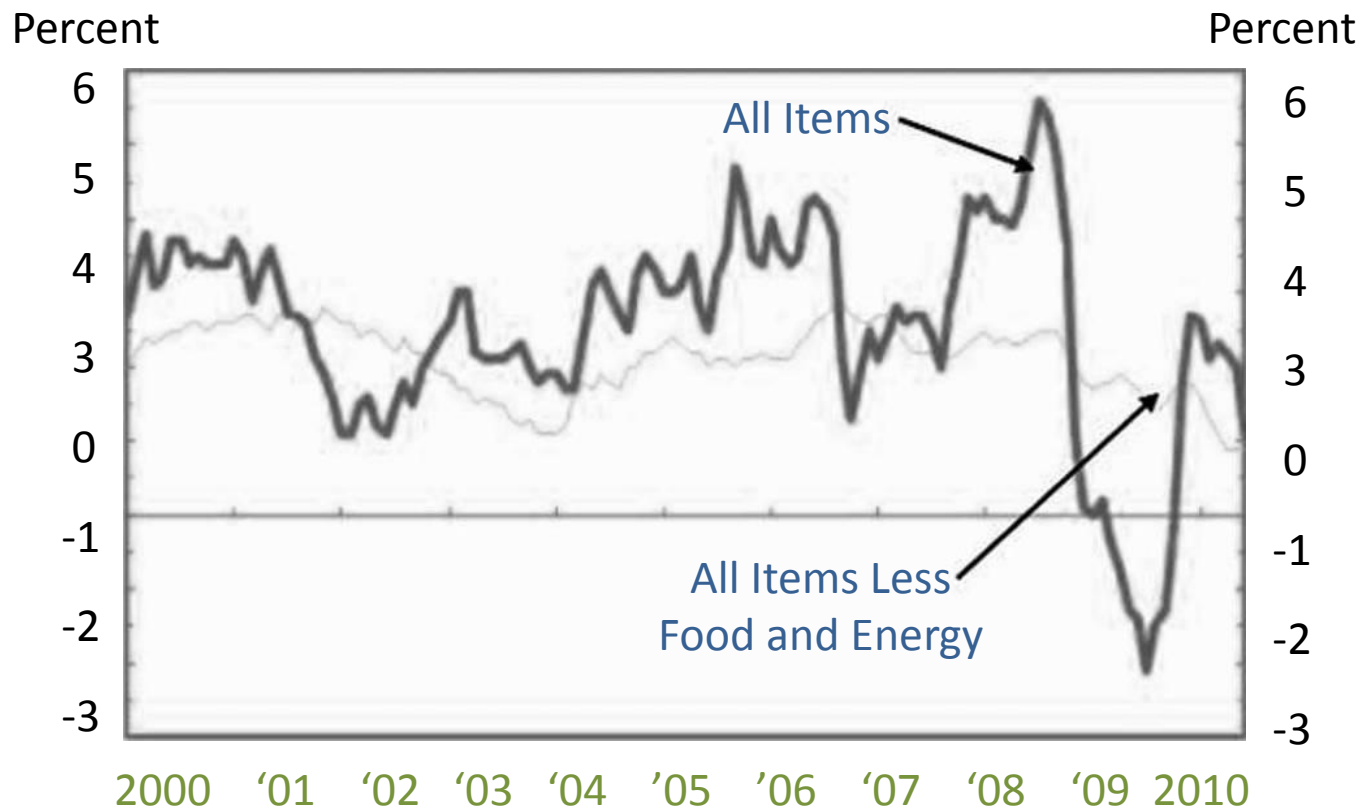


# Inflation and Deflation

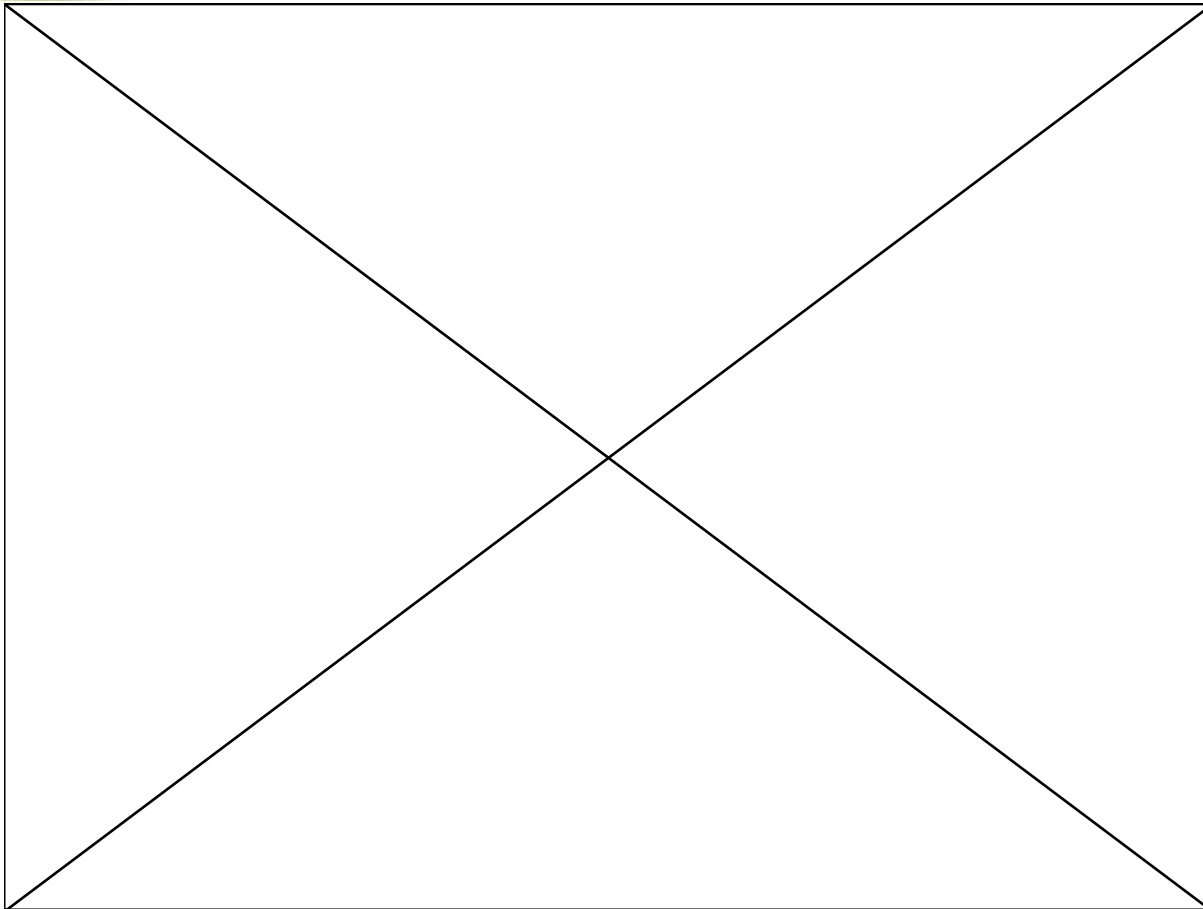


- Inflation has remained low and trended downward for two years
  - Damped wages and price pressure
- Fed expects inflation to average 1% in 2010; remain low through 2012

# CPI-U 12-Month Changes, 2000 to Present



**Prepare for the Unexpected**



# In Summary



- Double-digit unemployment rates
- Sluggish consumer spending
- Modest population growth rate

Equals .....long, slow recovery.



Questions?

# Thank You



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