



ECONOMY LEAGUE
GREATER PHILADELPHIA
Information, Insight, Integrity

Economic Outlook: 2009

Steve Wray

Economy League of Greater Philadelphia

December 9, 2008

PhillyCarShare Forum



It's the economy...

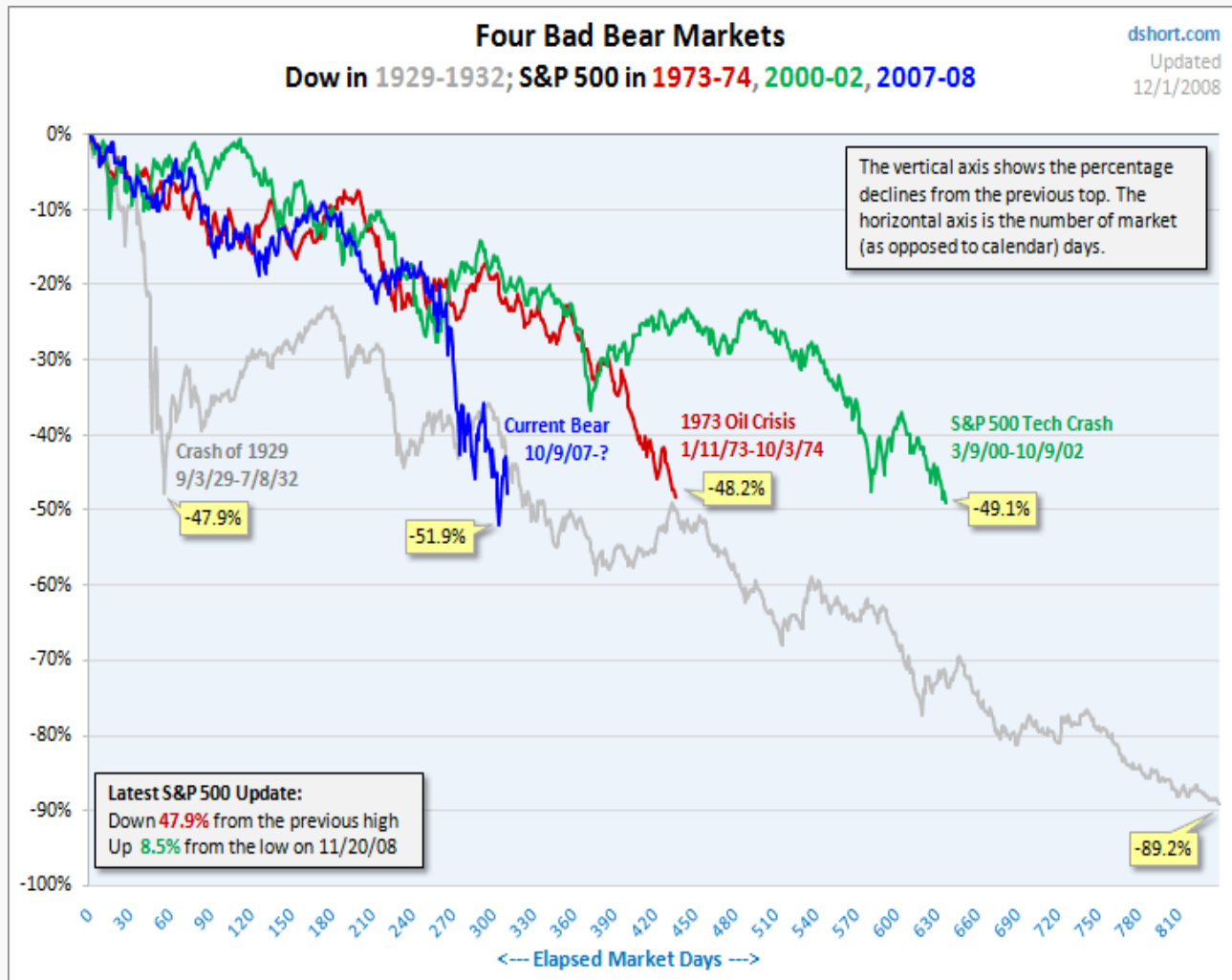


...again



- 2 times when it's particularly good to be an economist...









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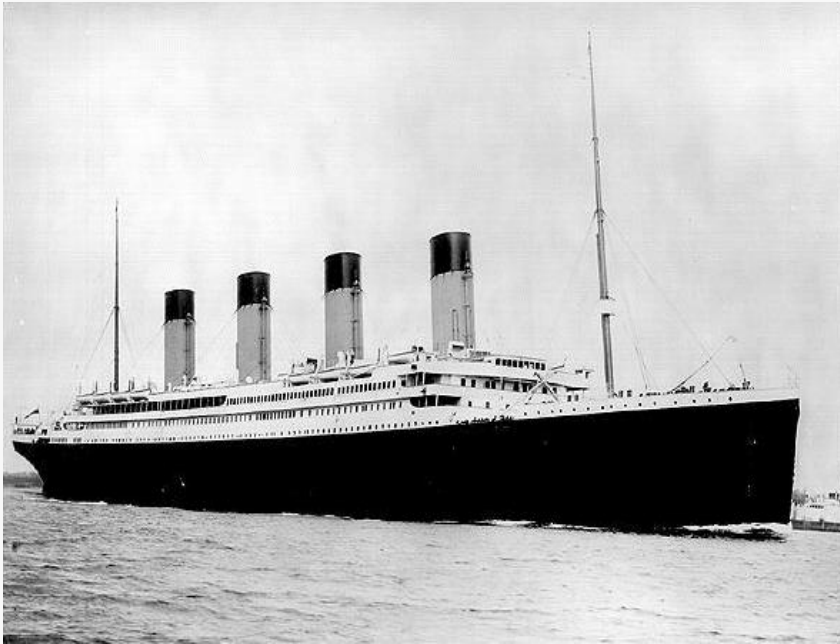
Merriam-Webster's #1 Word of the Year for 2008:

1. bailout (noun)

a rescue from financial distress



Which one are we on???





- This just in—December 1, 2008: The National Bureau of Economic Research (NBER) has decided economic activity peaked *last year*...
- December 2007 marks the beginning of the current U.S. recession.
- ...*without* 2 consecutive quarters real GDP decline...



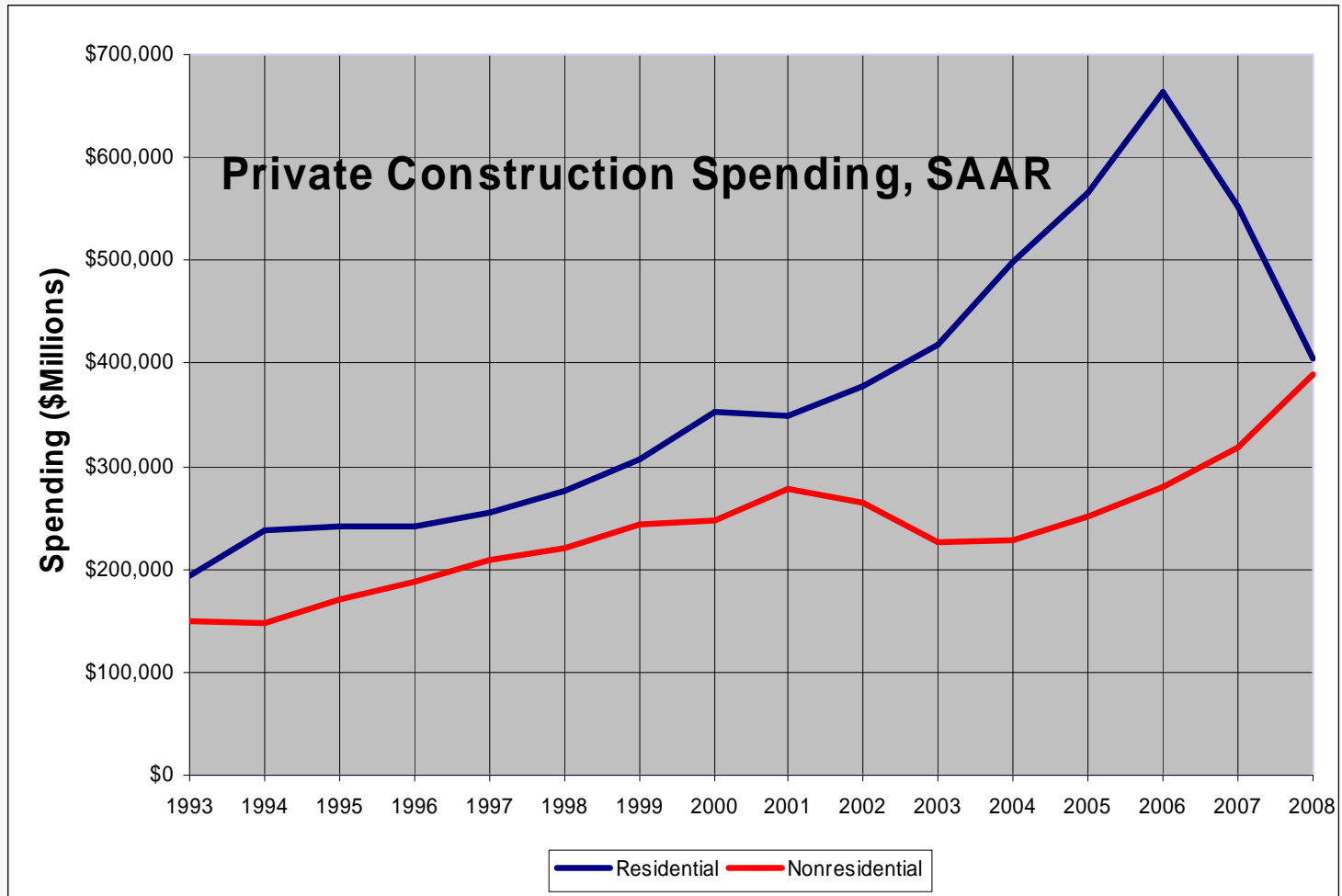


- Other indicators trending

D
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W
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...

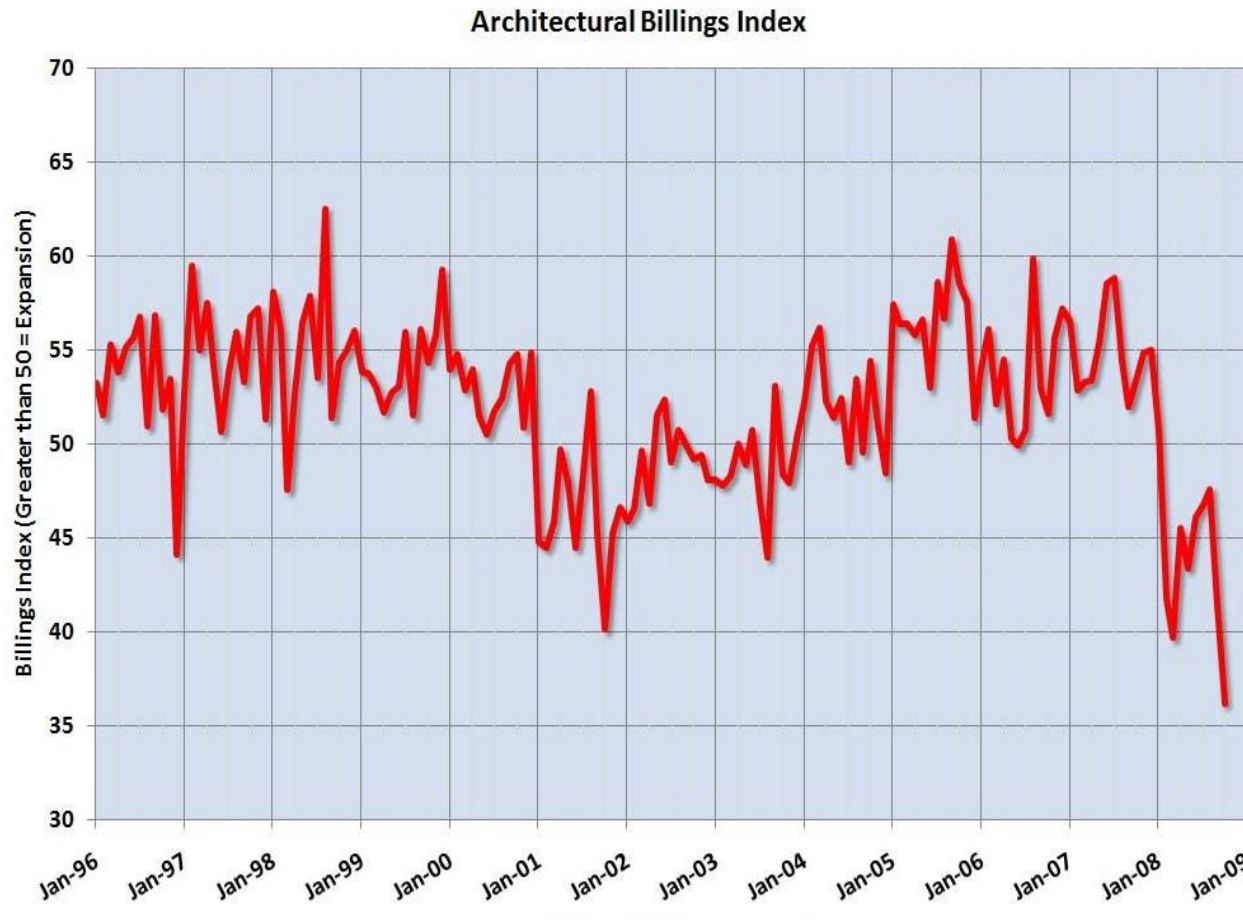


Construction Spending



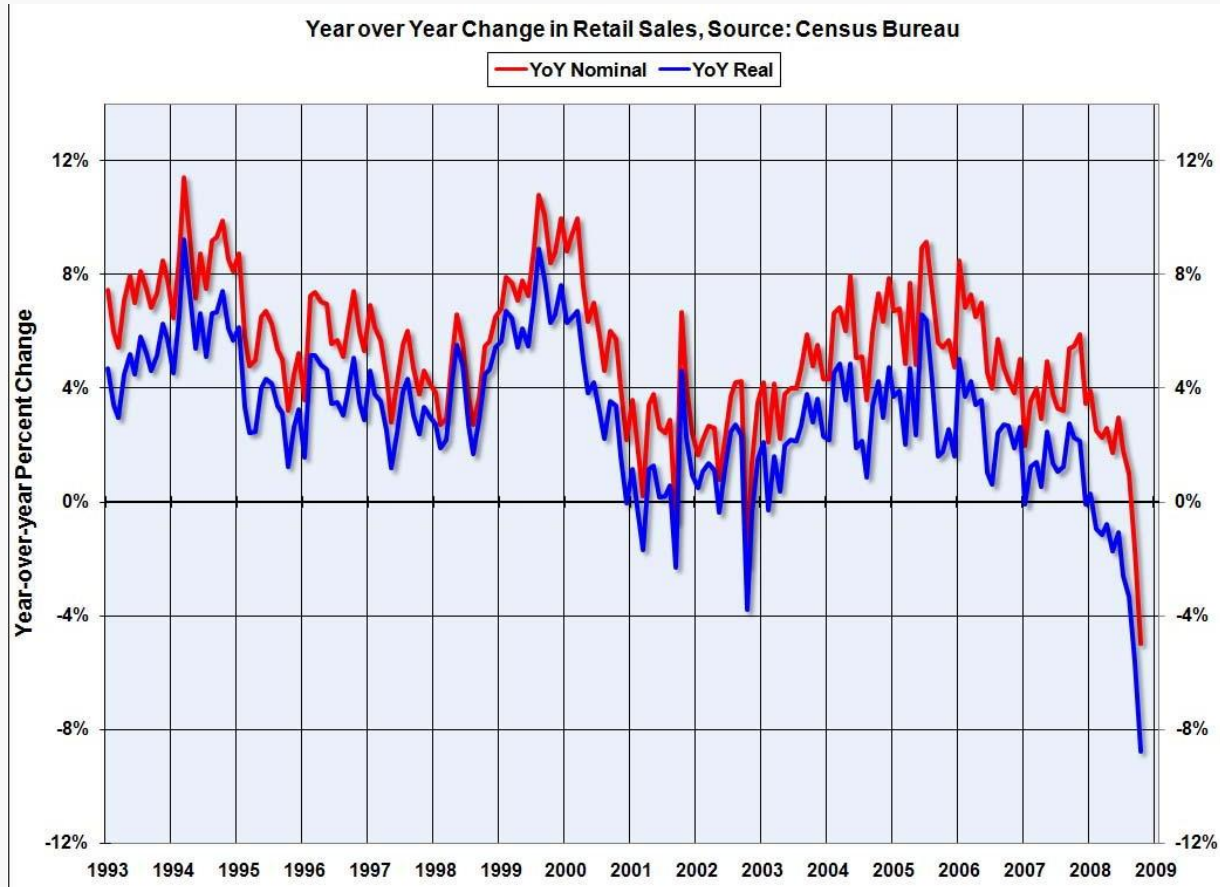


Architectural Billings



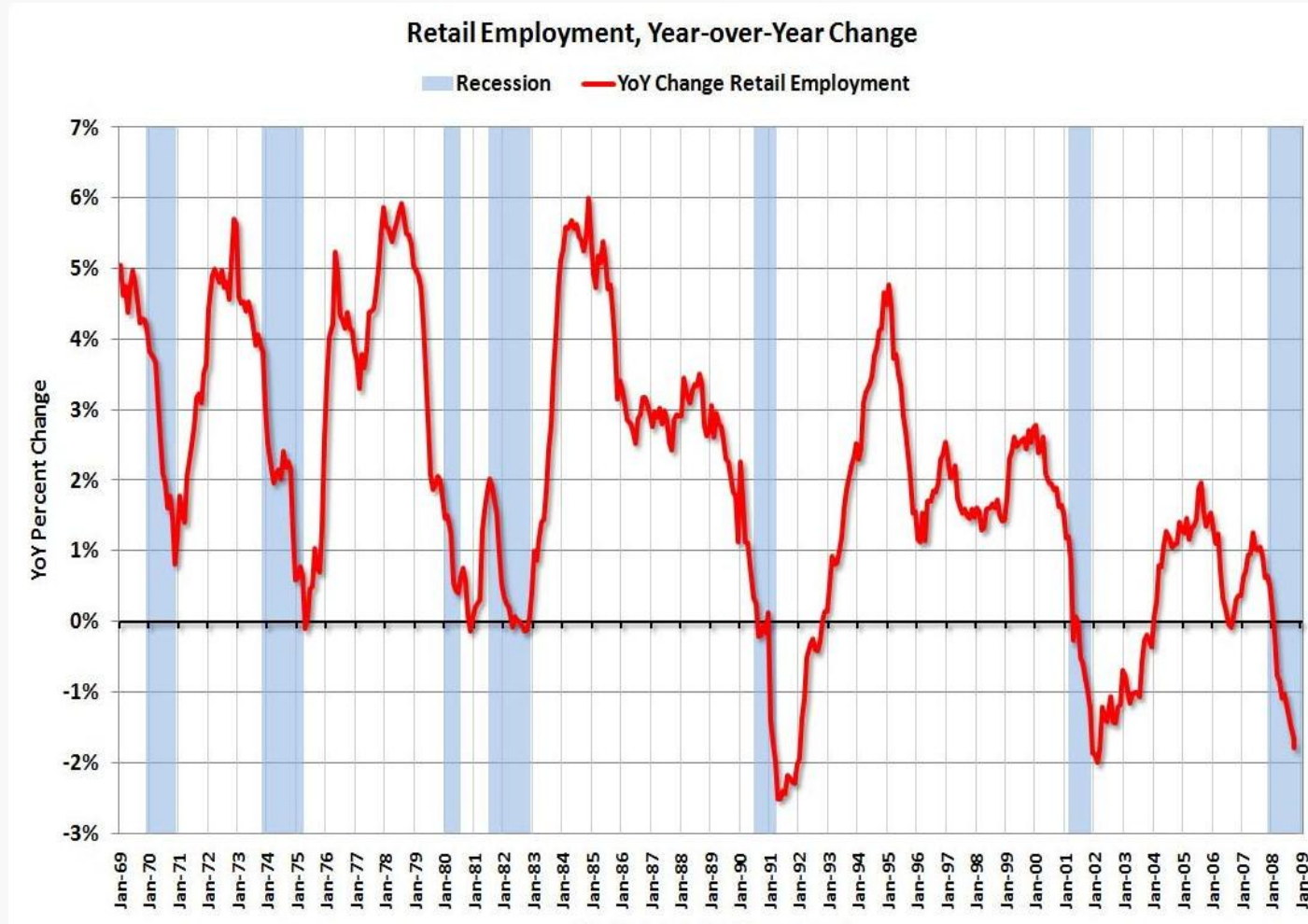


Retail Sales



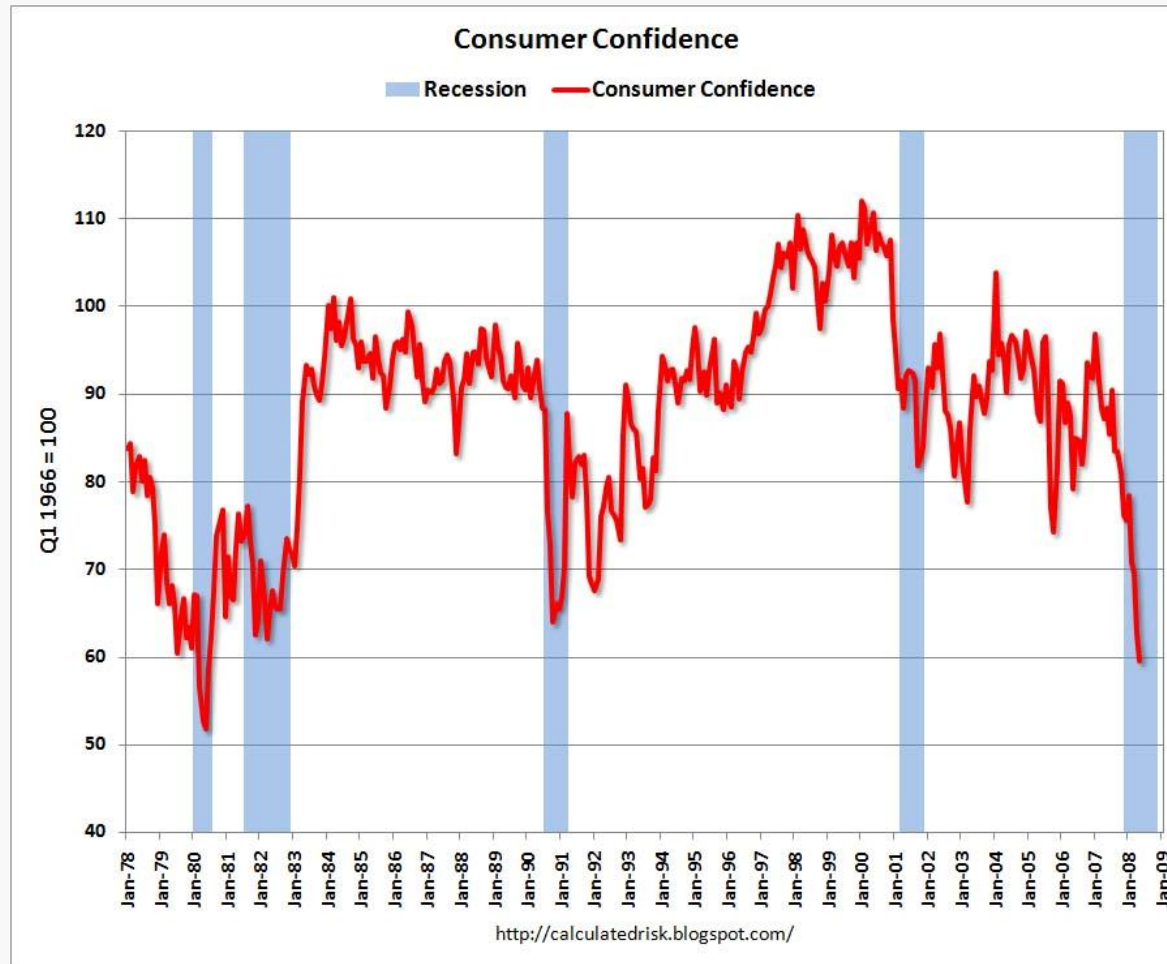


Retail Employment



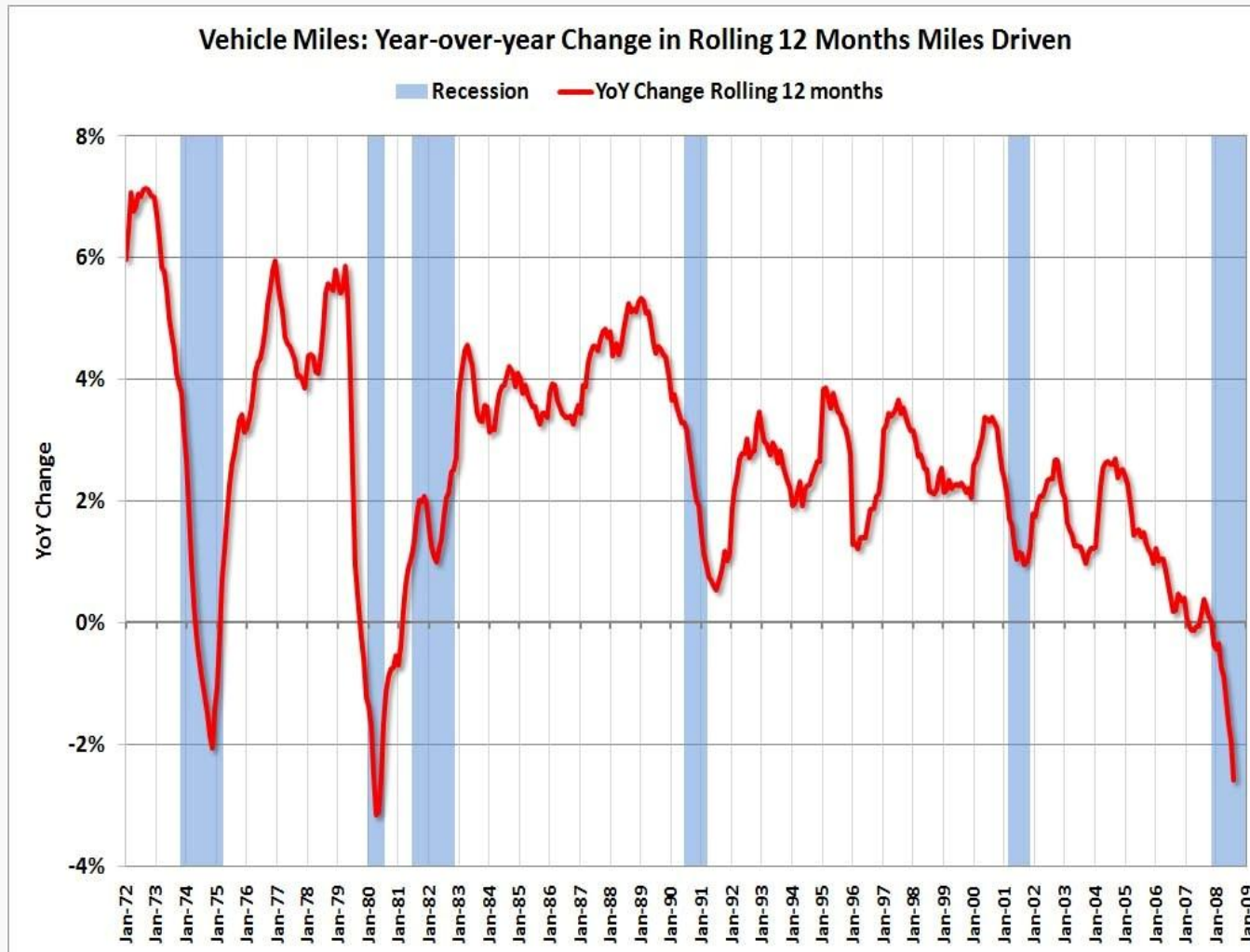


Consumer Confidence



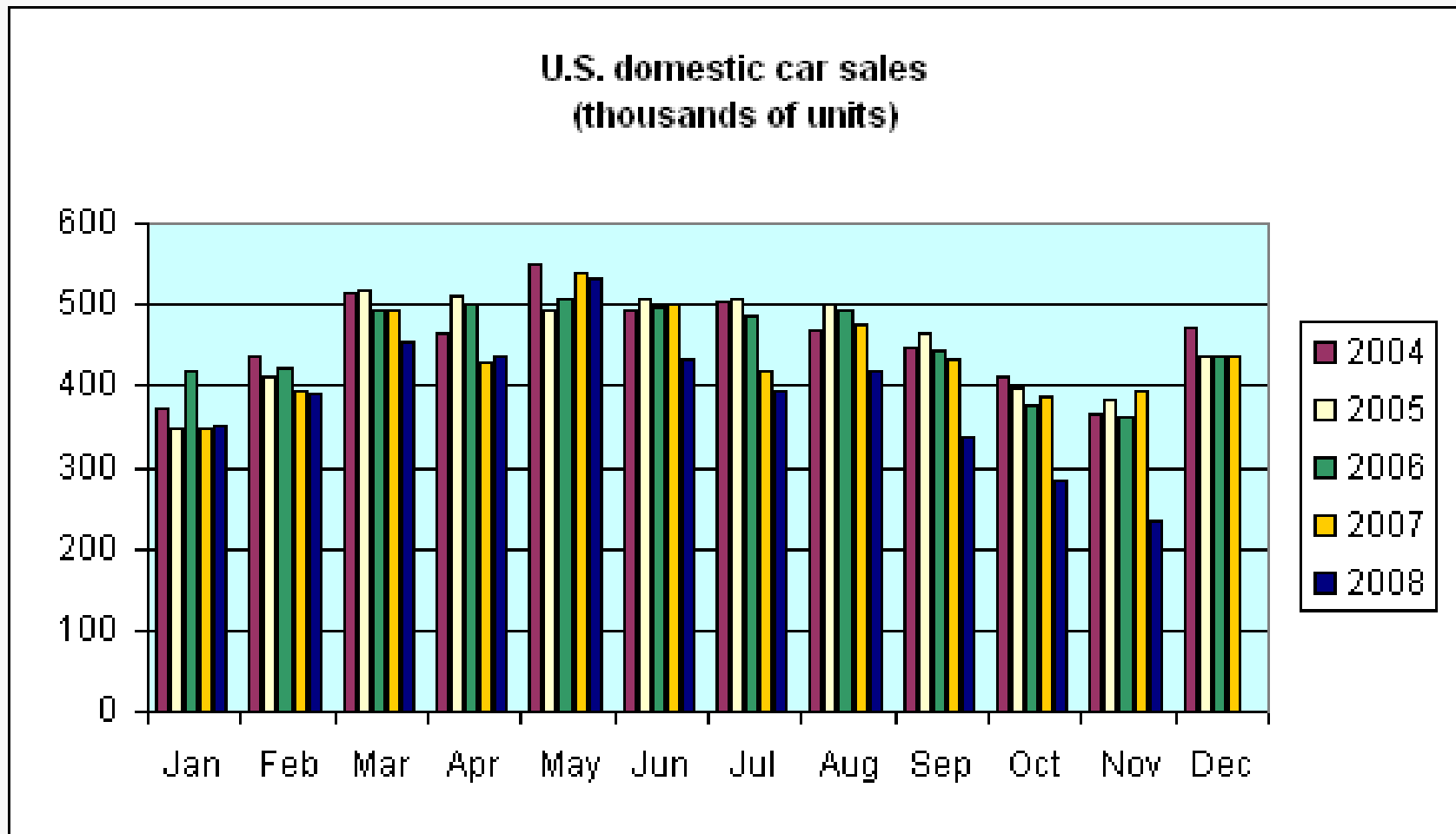


Vehicle Miles Traveled





Domestic Car Sales





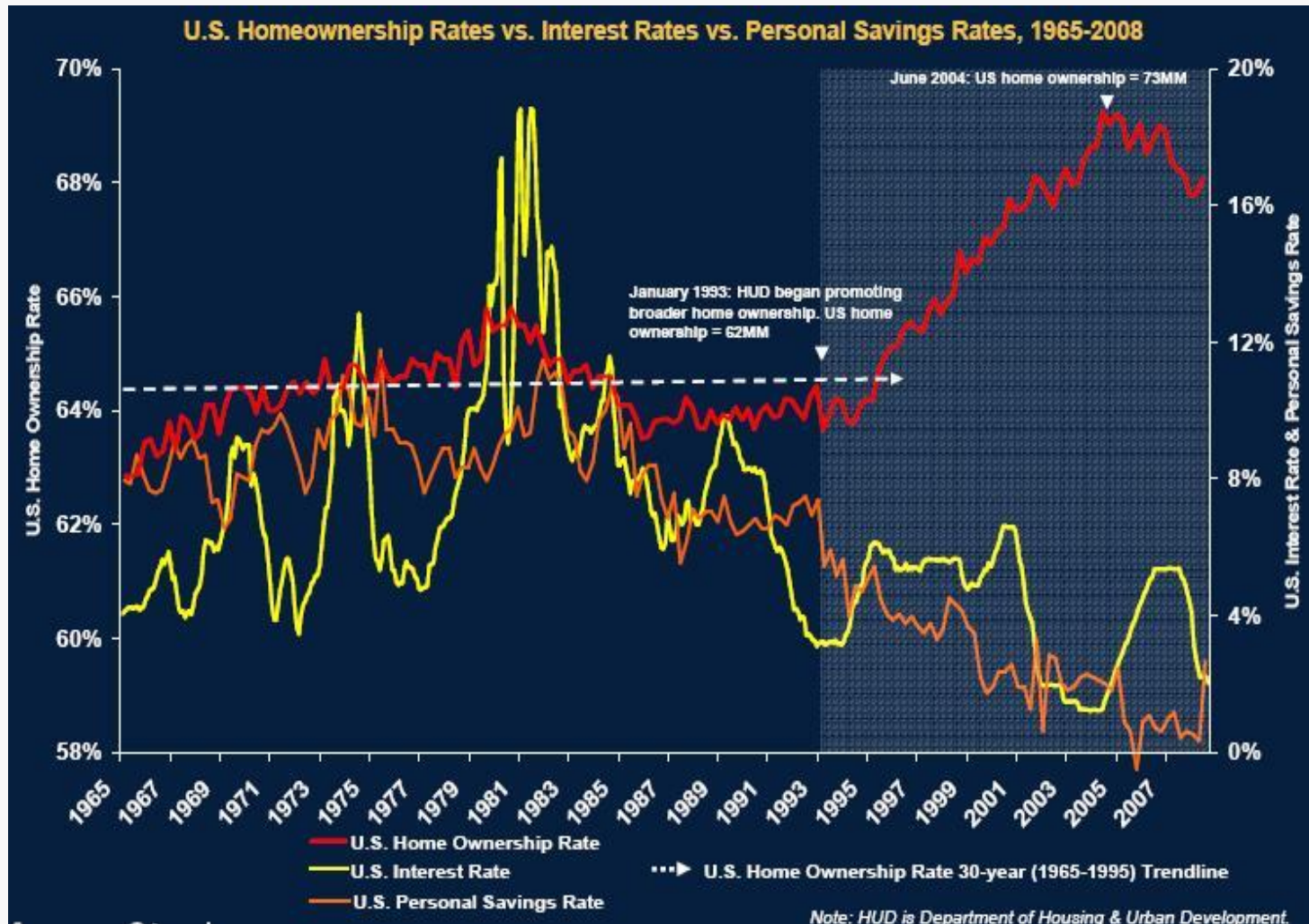
Why???



- Leverage
 - End of personal savings & rise of debt
- Asset price appreciation
 - Houses, stocks...
- Globalization
 - Financial & economic crises are contagious



Leverage 1: The end of personal savings



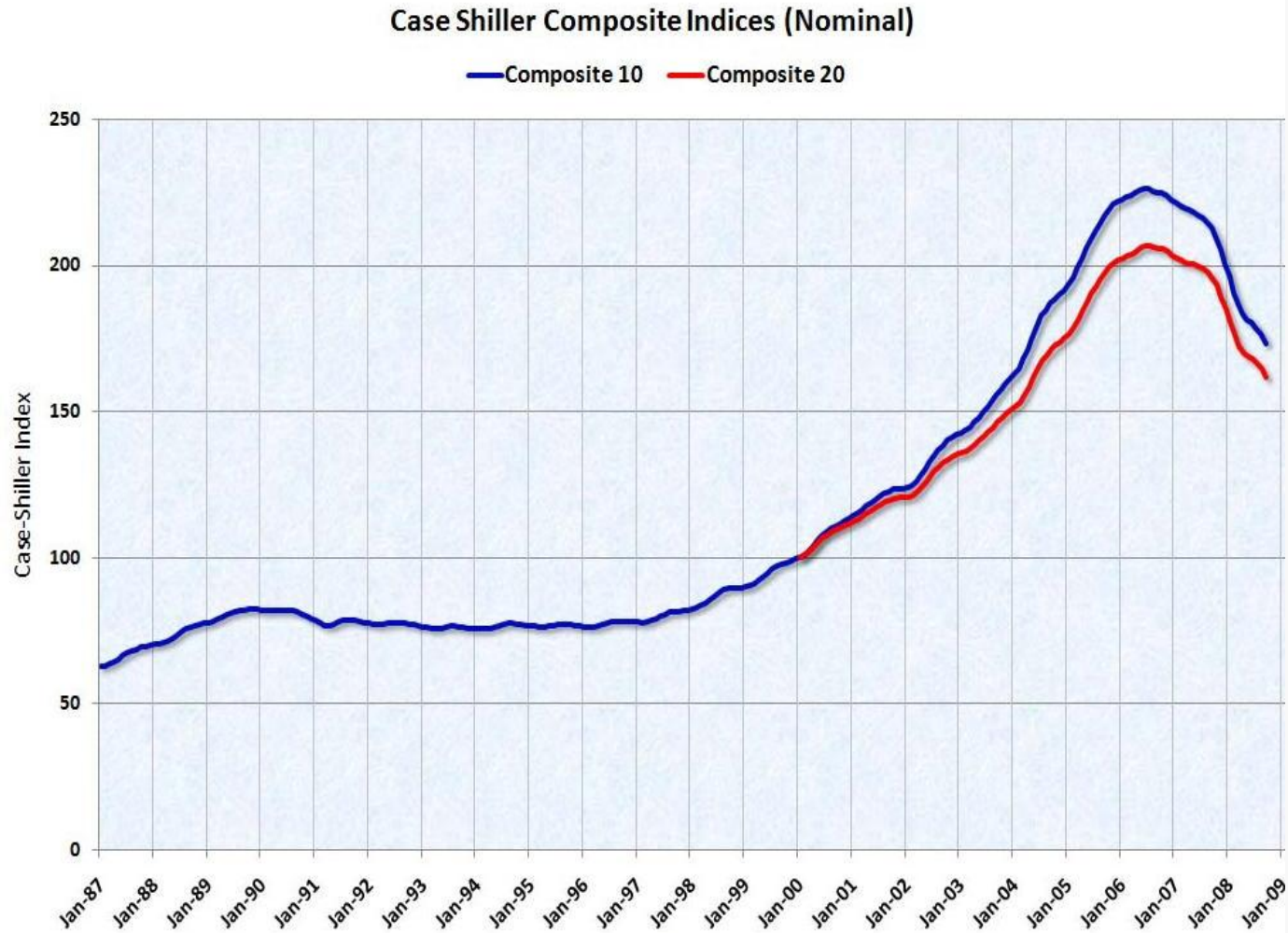


Leverage 2: The rise of debt





Home Price Appreciation



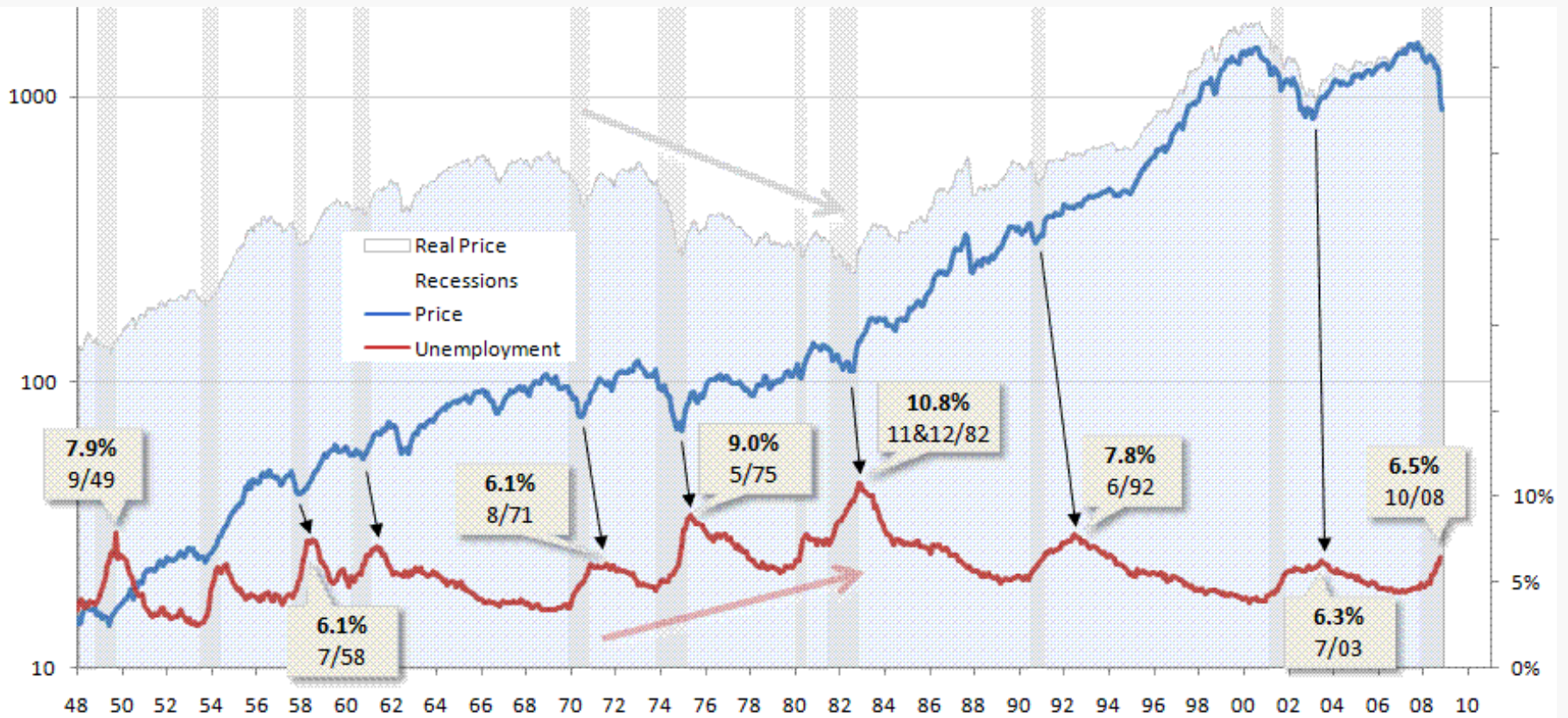


Home prices vs. Building costs





Stocks vs. Unemployment



S&P Composite and Unemployment



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What goes up...





The great *de-leveraging*...



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Globalization: Financial & economic crises are contagious





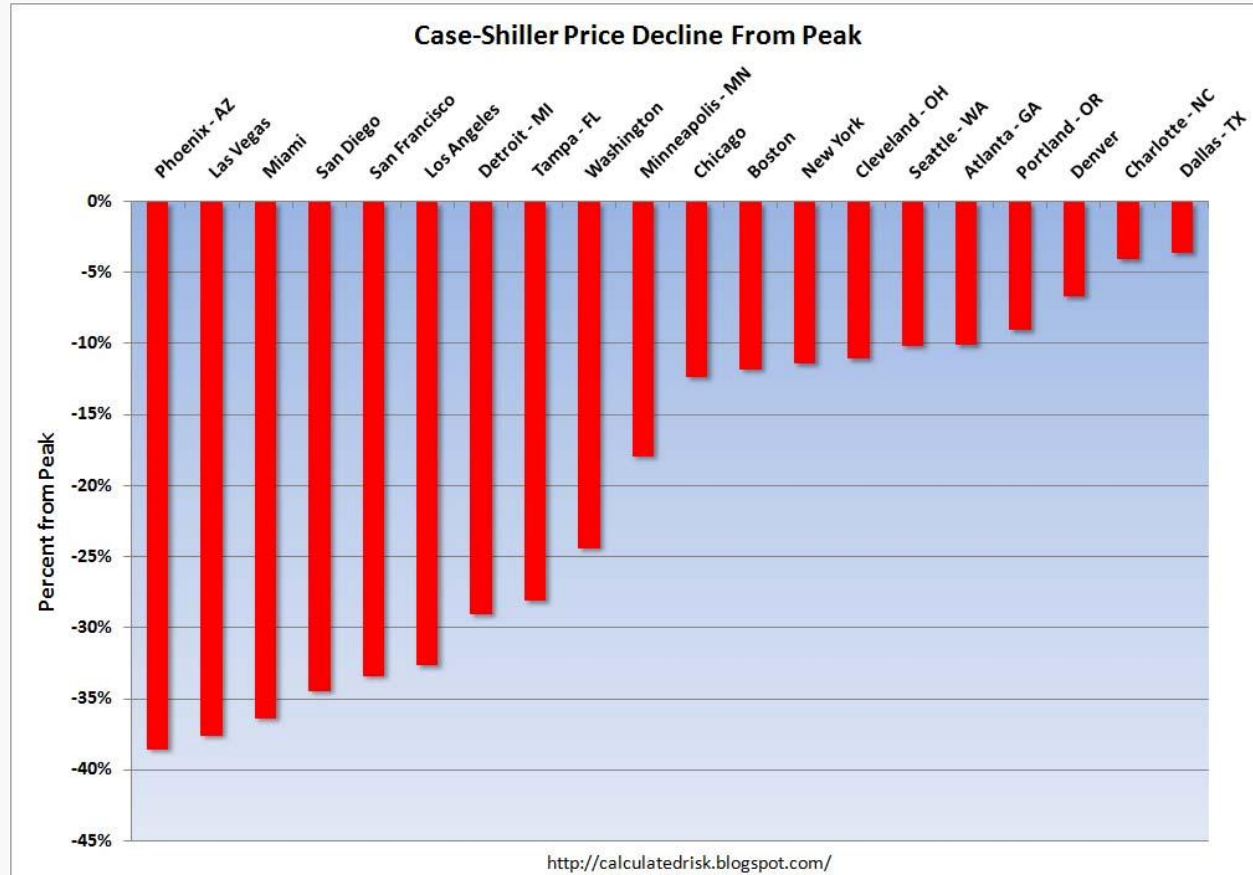
Globalization: Financial & economic crises are contagious

- **Markets down more than 70%:** Vietnam (-70.5%), Peru (-73.2%), Ireland (-73.4%), Russia (-73.9%), Iceland (-88.7%).
- **Markets down between 60% and 70%:** Hong Kong (-60.1%), Poland (-62.6%), China (-69.8%).
- **Markets down between 50% and 60%:** South Korea (-54.5%), Italy (-55.2%), Egypt (-56.9%), Brazil (-57.2%), Japan (-58.1%), Singapore (-58.2%), Turkey (-58.5%), India (-58.3%).
- **Markets down between 40% and 50%:** Great Britain (-42.3%), Australia (-43.3%), **U.S.-S&P 500 (-44.0%)**, Spain (-46.4%), Germany (-47.0%), Mexico (-48.3%).

(As of October 2008)



Housing prices are falling...

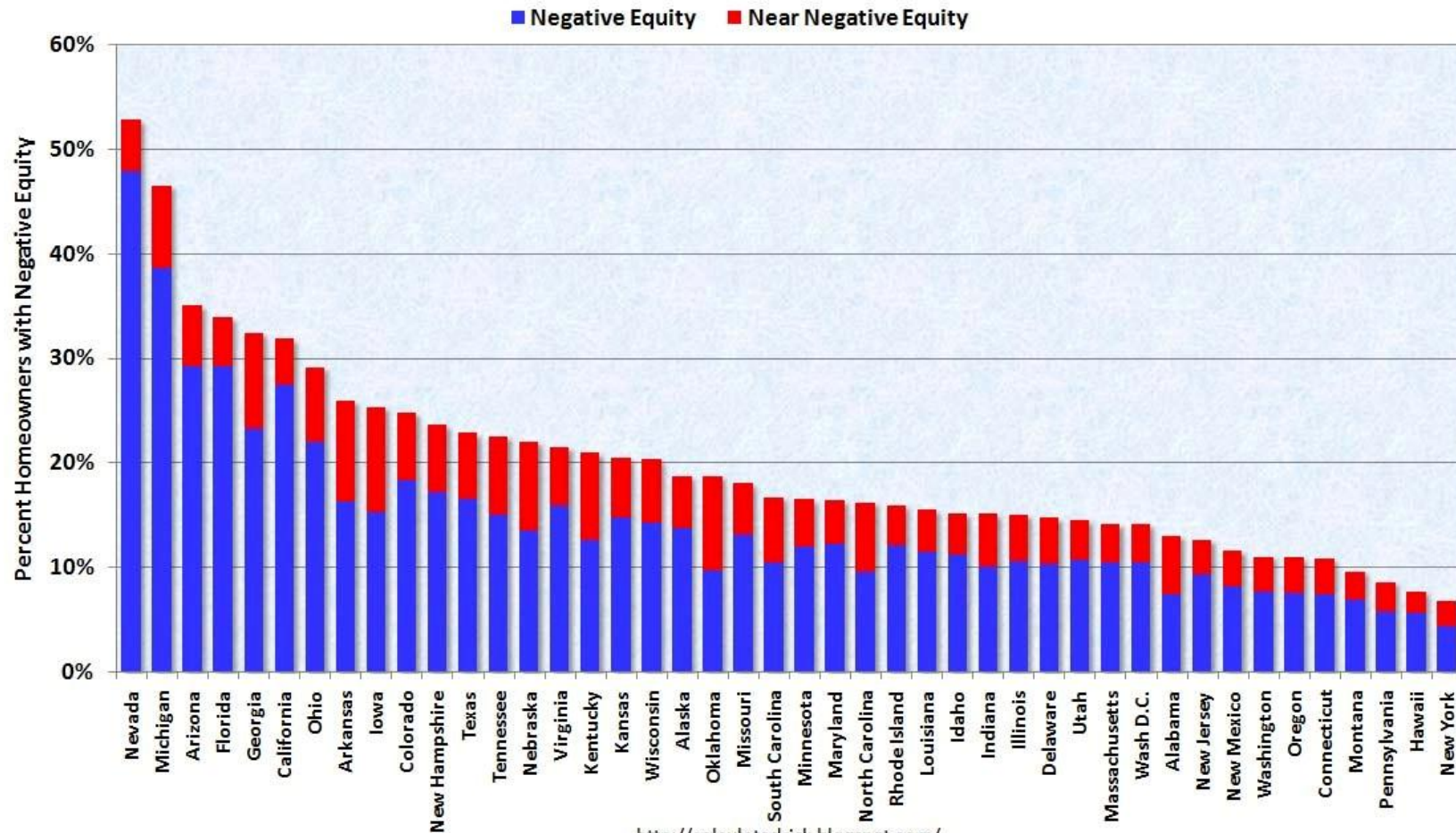




Negative equity is growing

Percent Homeowners with Mortgage Negative Equity by State

Source: First American CoreLogic



<http://calculatedrisk.blogspot.com/>



- 2 questions remain:
 - How long?
 - How deep?



I THOUGHT YOU WERE
SUPPOSED TO BE AN EXPERT
ON THE DEPRESSION!



ERIC G. LEWIS © 2008

EXACTLY. AS SOON AS
WE'RE IN A DEPRESSION
I'LL KNOW JUST WHAT
TO DO....





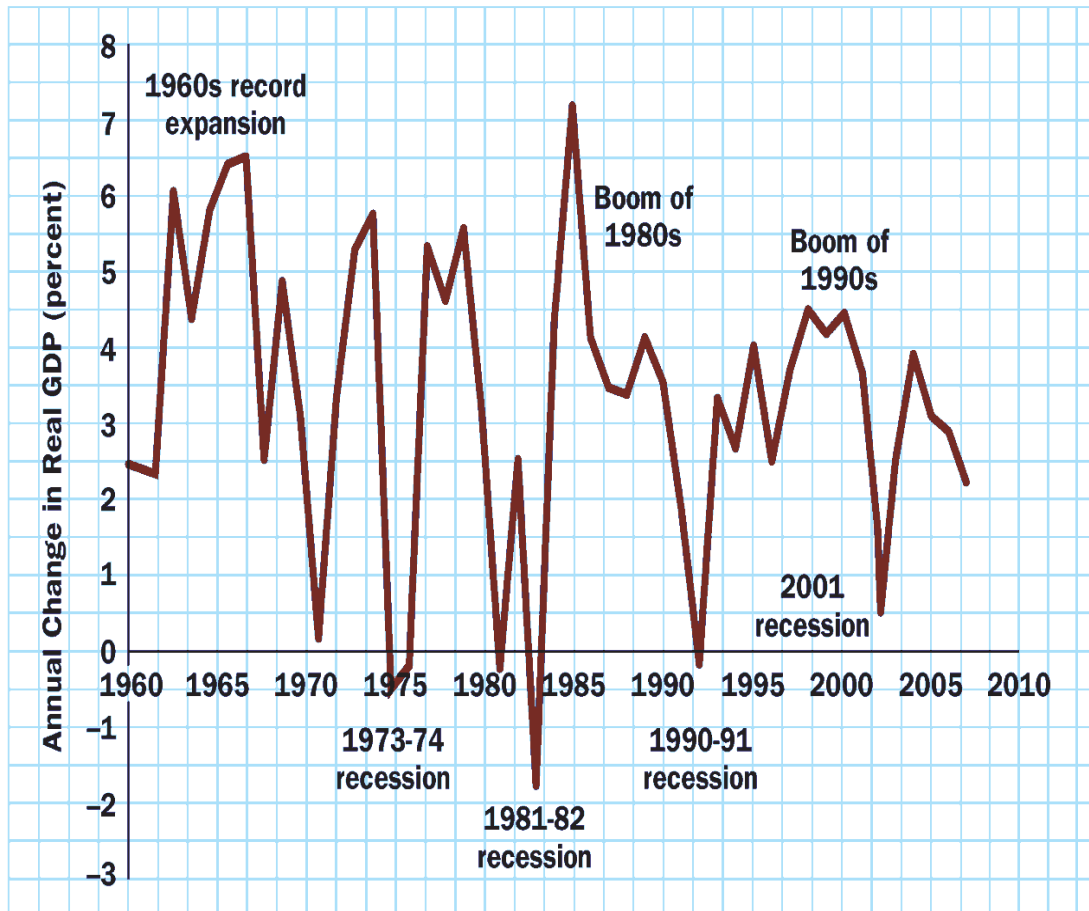
There was a sense that recessions were getting shorter...until now

Bad Times | This recession has lasted a year—so far





Real GDP growth

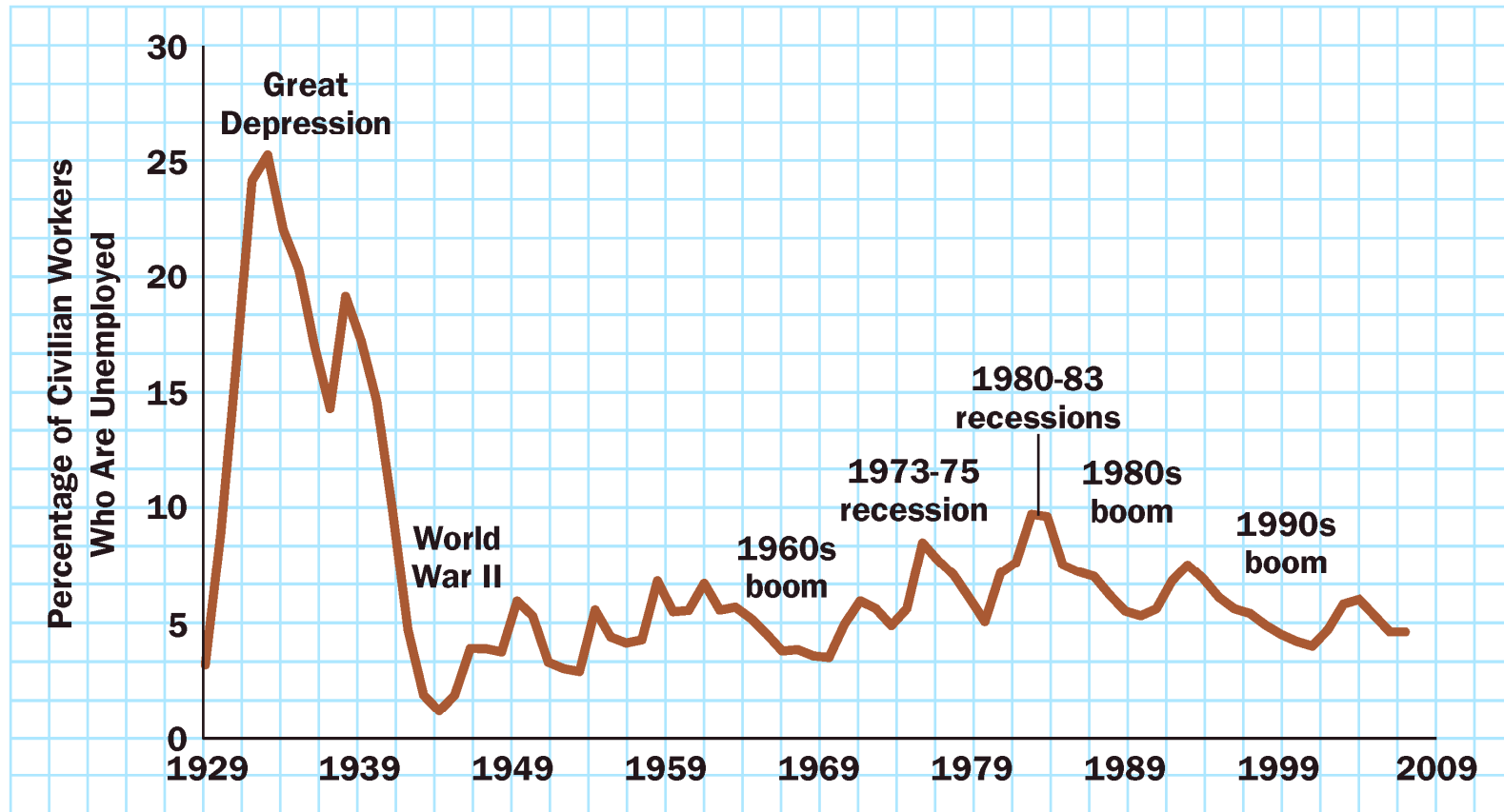


SOURCE: *Economic Report of the President* (Washington, DC: U.S. Government Printing Office, various years)

NOTE: Growth rates are for 1959–1960, 1960–1961, and so on.



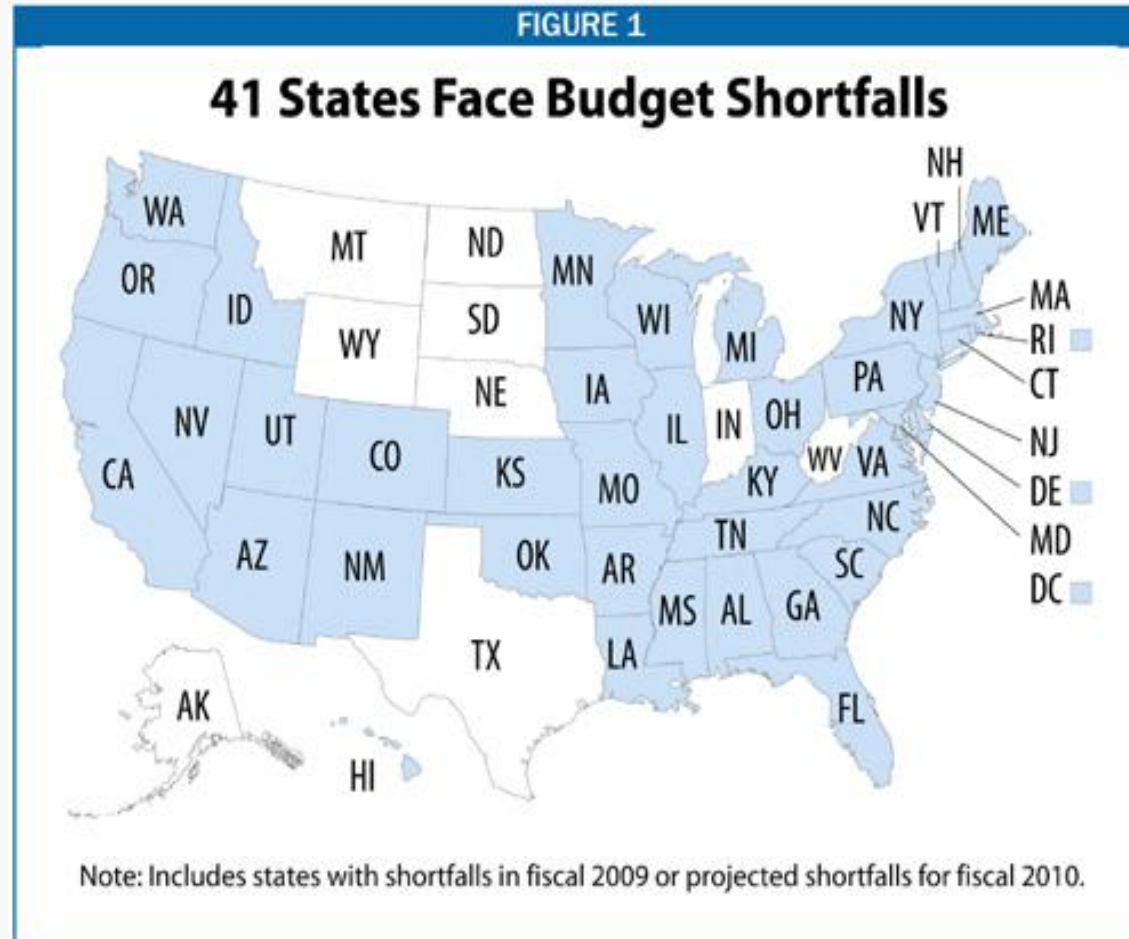
Unemployment Rate in the United States since 1929



SOURCE: *Economic Report of the President* (Washington, DC: U.S. Government Printing Office, various years); and Bureau of the Census, *Historical Statistics of the United States, Colonial Times to 1970* (Washington, DC: U.S. Government Printing Office, 1975).



Governments feeling the pinch

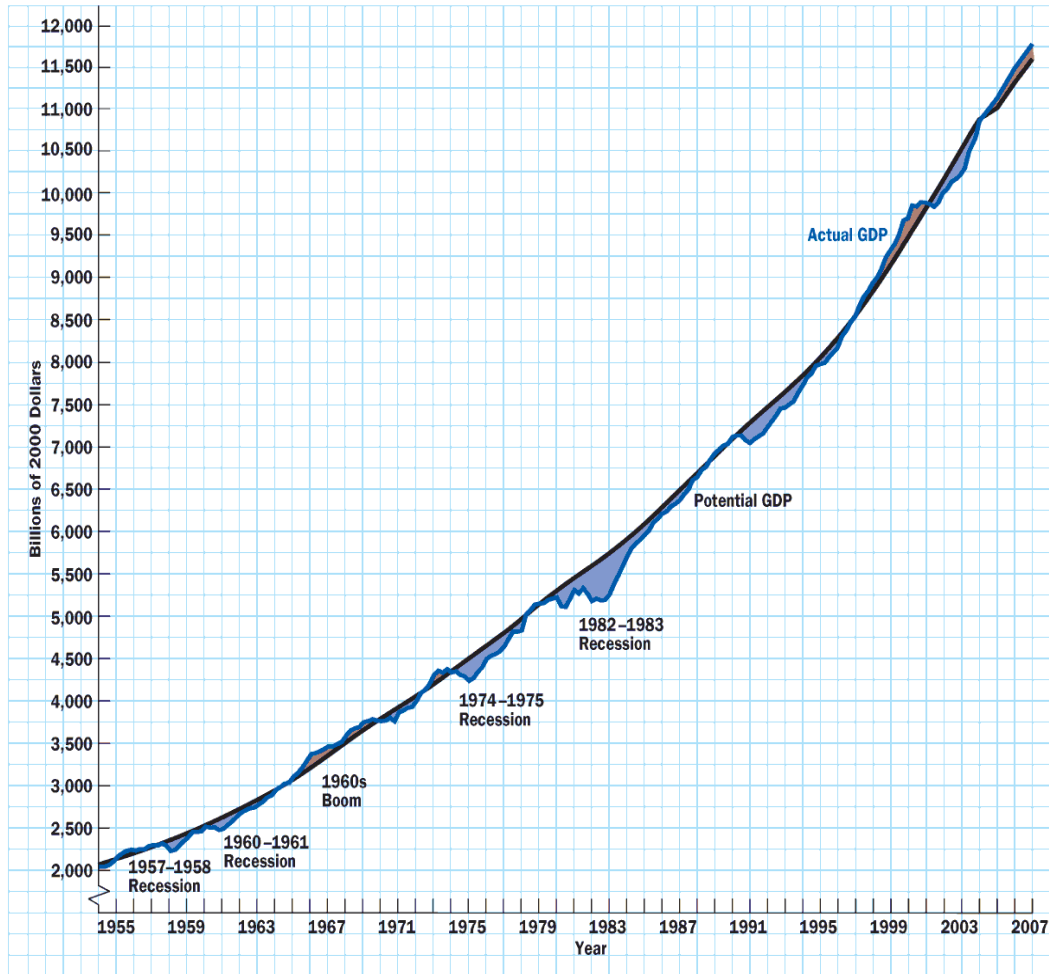




The Good News?



Real GDP



SOURCE: U.S. Department of Commerce and Congressional Budget Office.



Government stimulus on the way

| Components of GDP (%) | | |
|-----------------------|-------------------|------|
| | 1979-07 (avg.) | 2007 |
| C | 66.7 | 70.3 |
| I (nonr) | 11.3 | 10.9 |
| I (res) | 4.5 | 4.6 |
| G | 19.4 | 19.4 |
| X-IM | -2.4 | -5.1 |

| Years | Growth Rate per Year |
|------------------|-------------------------|
| 1995-1997 | 4.1% |
| 1997-1999 | 4.3 |
| 1999-2001 | 2.2 |
| 2001-2003 | 2.1 |
| 2003-2005 | 3.4 |
| 2005-2007 | 2.5 |
| 1995-2007 | 3.1 |

SOURCE: U.S. Department of Commerce.



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Philadelphia Region and non-profits

- Local economy stronger than many other regions, but...
 - Slow growth becomes no growth
 - Starting to be hurt by fallout
- Caution will be watchword
 - Companies
 - Foundations
 - Government
- Non-profits will have to adjust
 - Watch bottom line
 - Look for creative collaborations
 - Be aggressive in showing value proposition



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