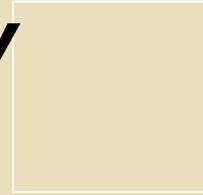


Overview of the Regional Economy: *Two Views of the South in Recovery*



Robert H. Schnorbus, PhD
Federal Reserve Bank of Richmond
bob.schnorbus@rich.frb.org



THE FEDERAL RESERVE BANK OF RICHMOND
RICHMOND ■ BALTIMORE ■ CHARLOTTE

***Opportunity Finance Network
Southeast Regional Meeting
Richmond, Virginia
July 19, 2010***



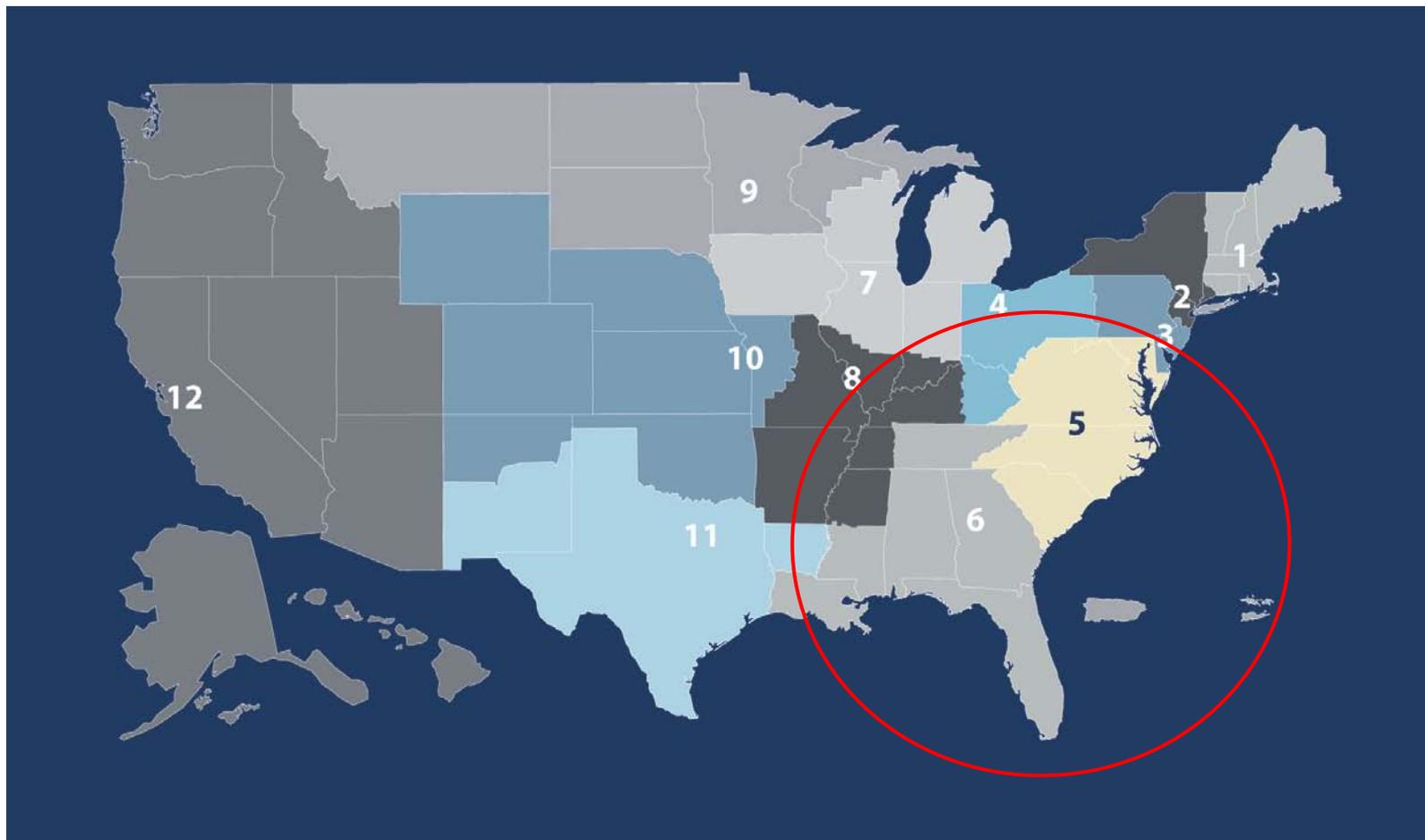
Disclaimer:

- The views and opinions expressed in the following presentation are those of the speaker.
- They do not represent an official position of the Federal Reserve Bank of Richmond or the Federal Reserve System.





The Twelve Federal Reserve Districts





Structure of Presentation:

The US Economy in Perspective

The Labor Markets in the South

The Housing Sector in the South

Small Business in the South

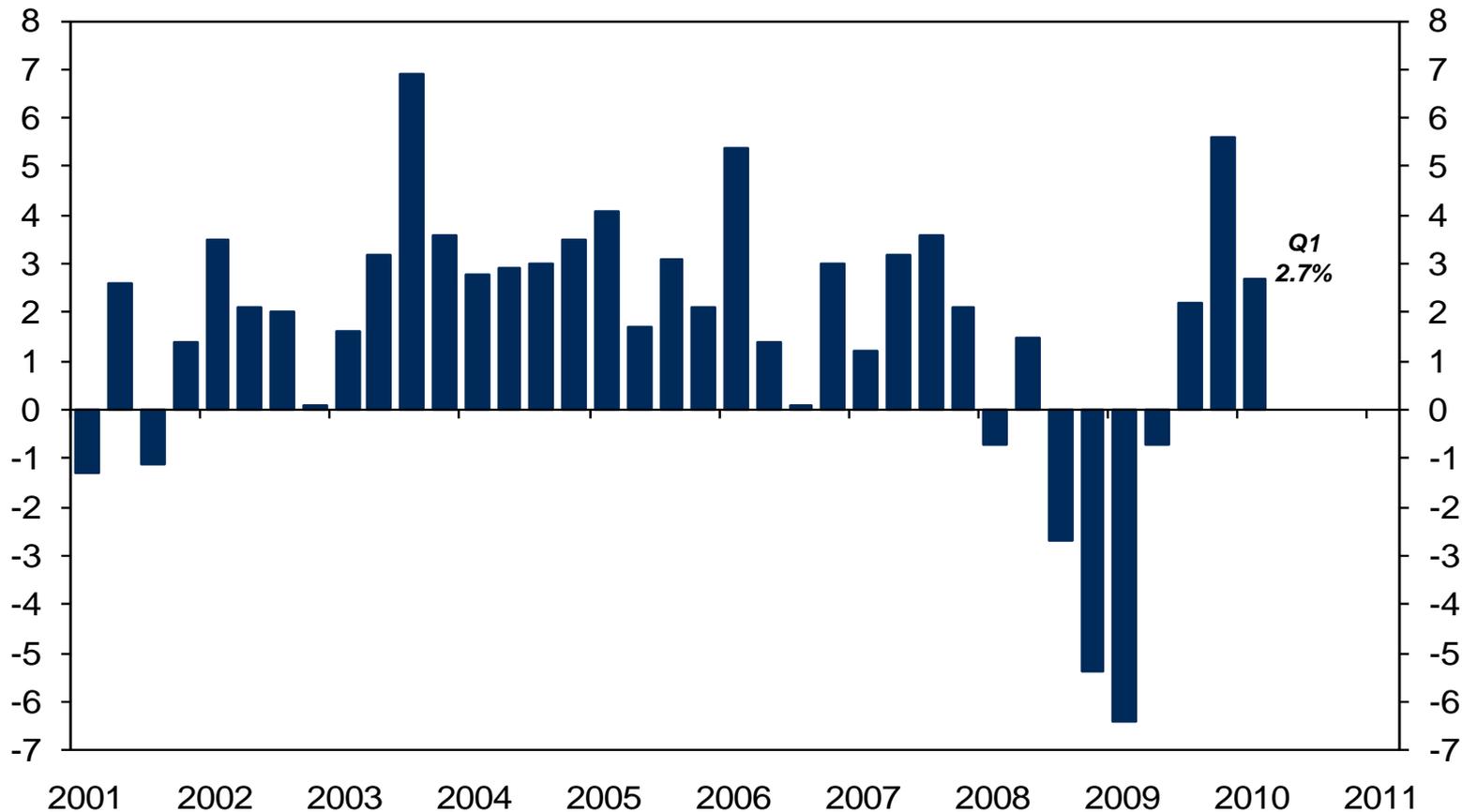
Outlook Implications for the Region





Real Gross Domestic Product

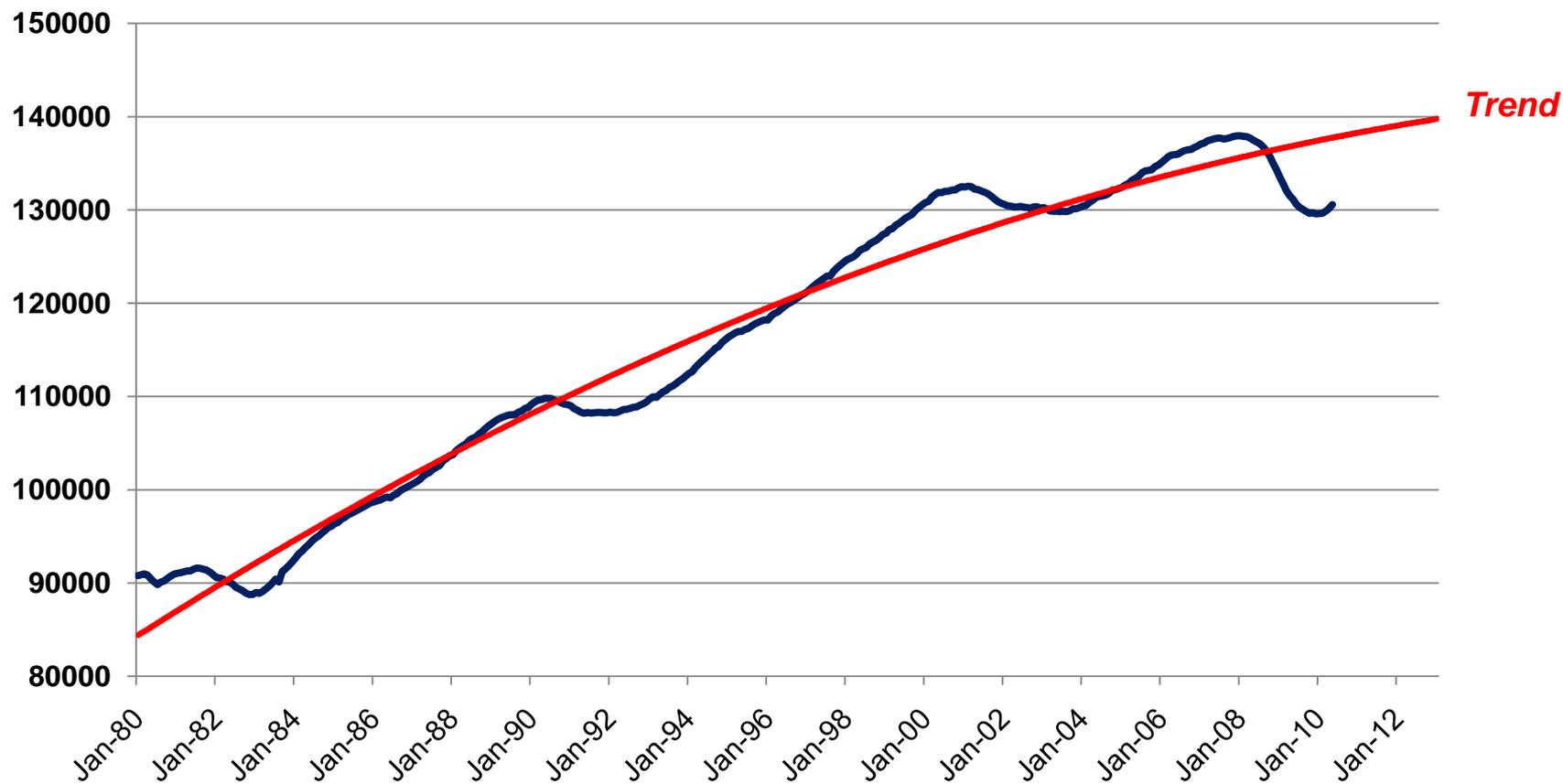
Annualized Growth Rate (Percent)





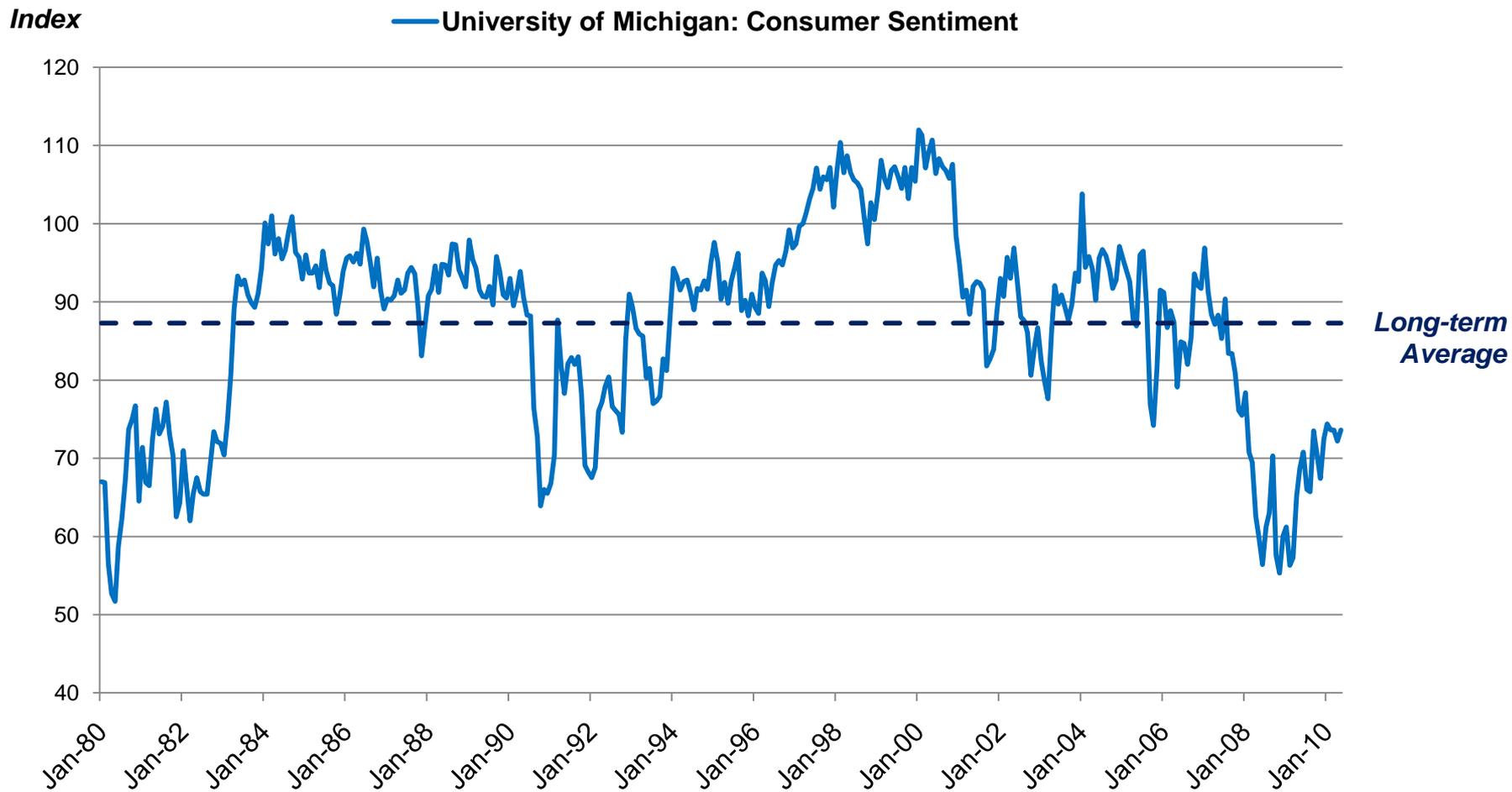
Total Nonfarm Employment

Number of Workers (thousands)



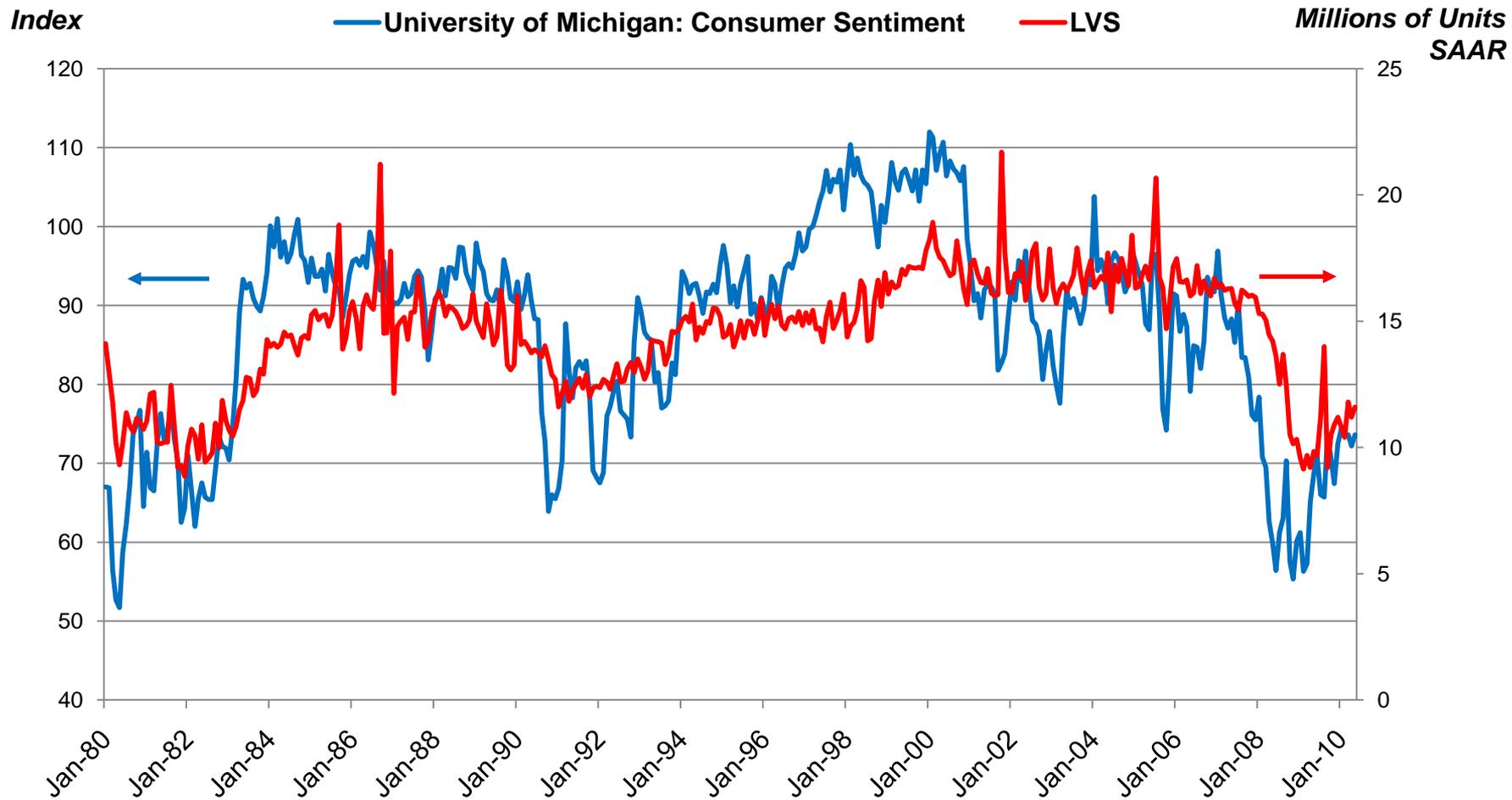


Consumer Confidence





Consumer Confidence and Light Vehicle Sales



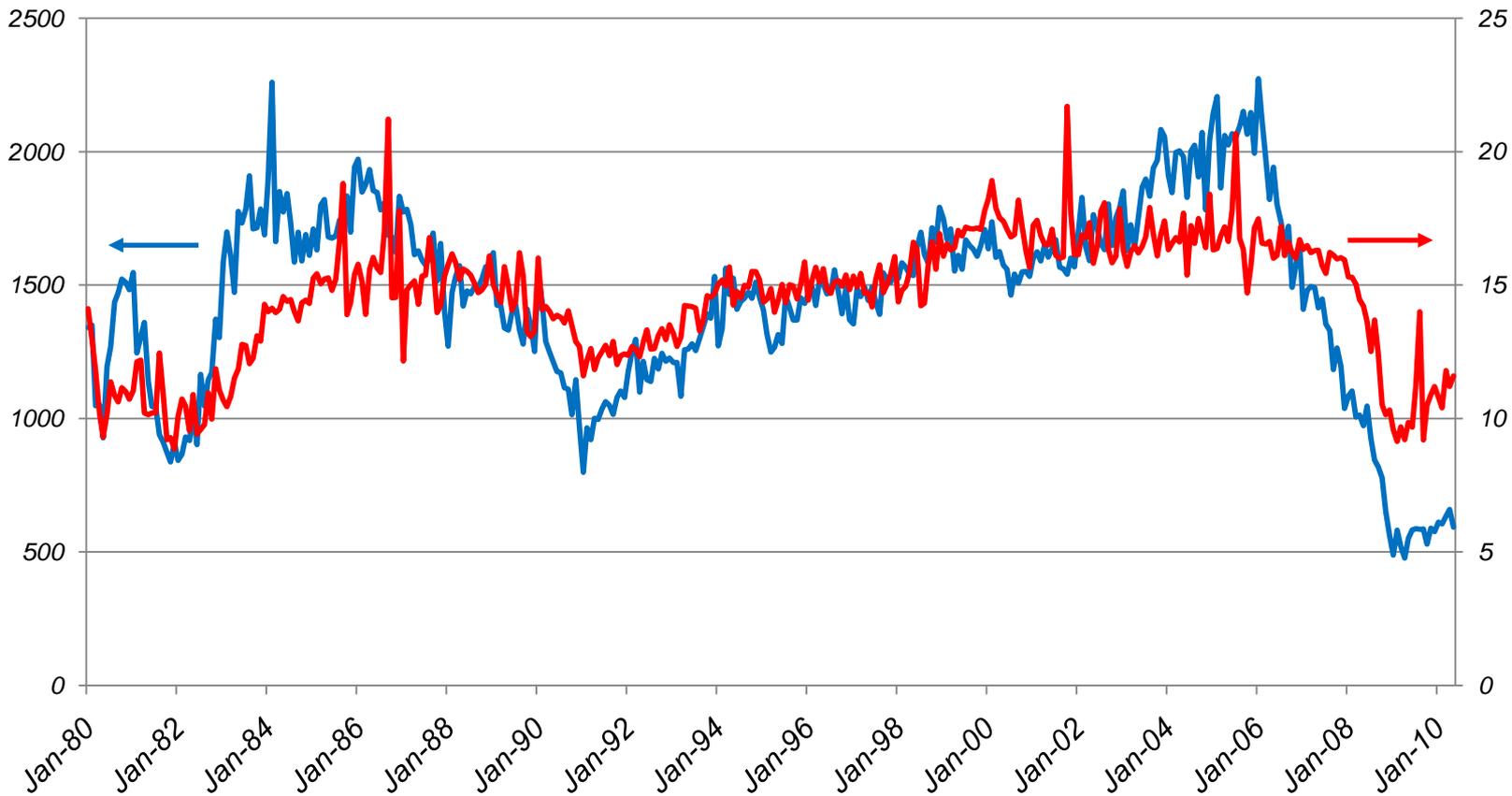


Housing Starts and Light Vehicle Sales

Thousands of Units
SAAR

— Housing Starts — LVS

Millions of Units
SAAR



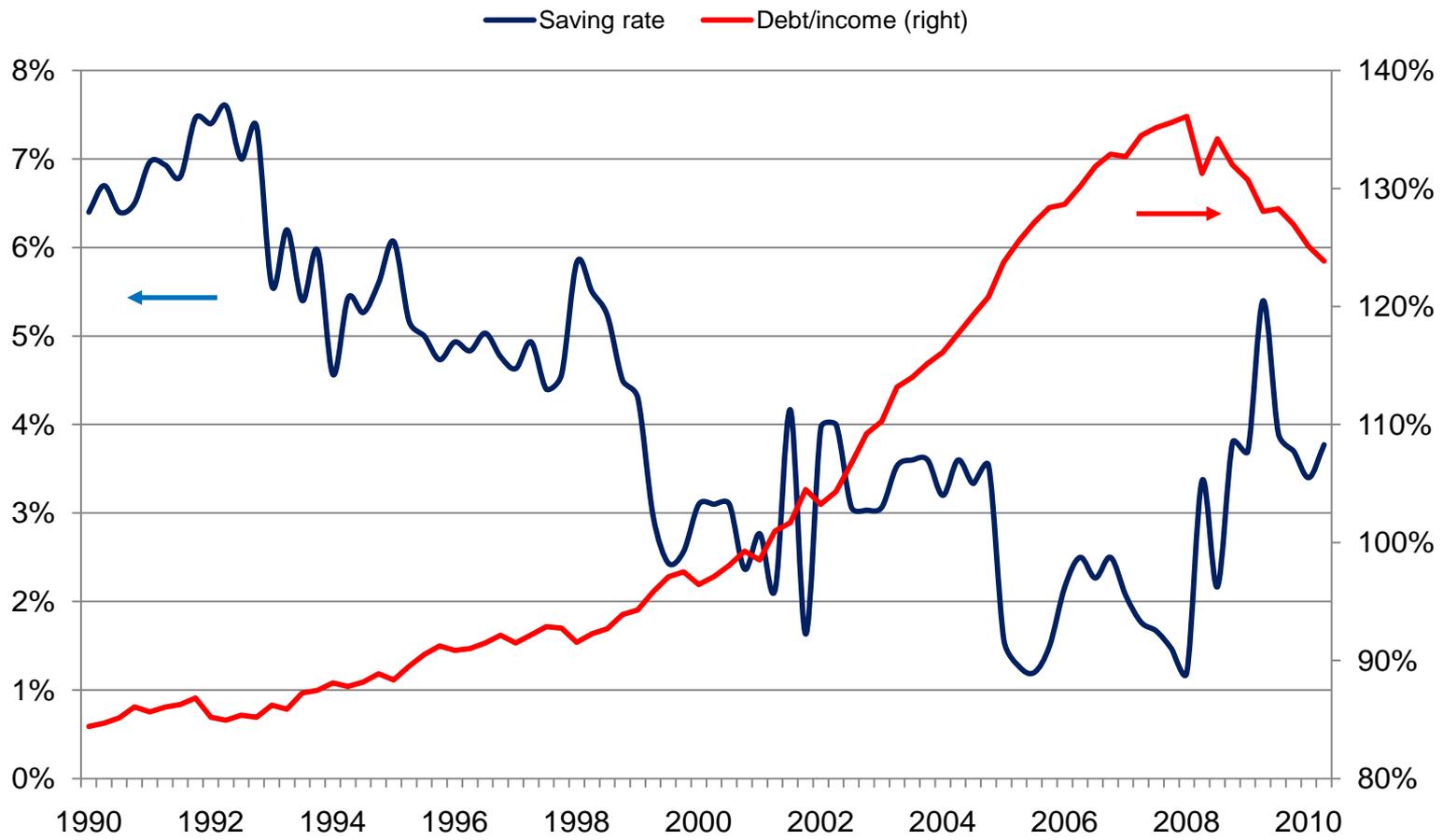
THE FEDERAL RESERVE BANK OF RICHMOND
RICHMOND ■ BALTIMORE ■ CHARLOTTE

Source: BEA/Haver Analytics



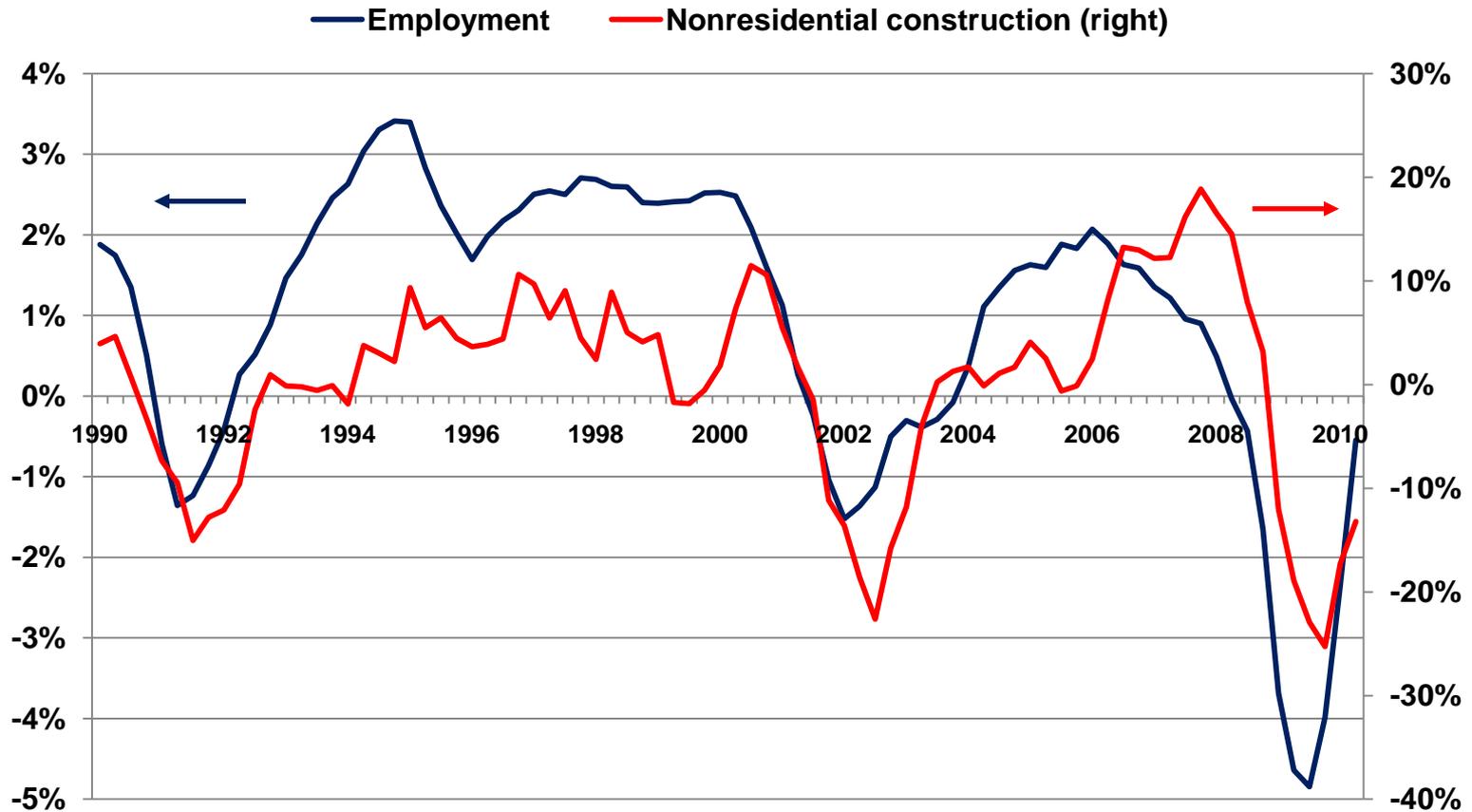
Savings Rate and Consumer Debt

Percent of After-Tax Income





Nonresidential Construction and Employment Growth Rates (4 Quarter % Change)





The Labor Markets in the South





Most Impacted by Recession:

Dec 2007 to Dec 2009

	Jobs Lost/Gained (thousands)	Percent Change	Rank
United States	7,056	-5.2	
Nevada	-138	-10.7	1
Arizona	-262	-9.8	2
Michigan	-411	-9.7	3
Florida	-608	-7.6	4
Georgia	-314	-7.6	5
California	-1,041	-6.9	9
---	---	---	---
North Carolina	-248	-5.9	18
---	---	---	---
Virginia	-113	-3.0	39



Employment Growth by Establishment Size: Recessionary Periods

Nation				Fifth District			
Small	Medium	Large	Total	Small	Medium	Large	Total
Under 50	50-499	Over 500		Under 50	50-499	Over 500	

Total

1990-92	6.0%	-3.5%	-14.6%	-2.3%	5.5%	-6.0%	-13.7%	-3.2%
2001-03	1.3%	-4.6%	-9.1%	-3.0%	2.3%	-4.4%	-11.0%	-2.7%
2008-09	-2.5%	-6.3%	-5.7%	-4.5%	-2.7%	-6.6%	-4.0%	-4.4%

Goods Producing

1990-92	-5.4%	-7.7%	-11.5%	-8.1%	-8.6%	-7.5%	-11.0%	-8.9%
2001-03	-2.2%	-10.8%	-17.8%	-9.6%	-1.7%	-10.1%	-21.7%	-10.5%
2008-09	-7.6%	-12.1%	-11.6%	-10.4%	-9.8%	-12.4%	-10.3%	-11.0%

Services Producing

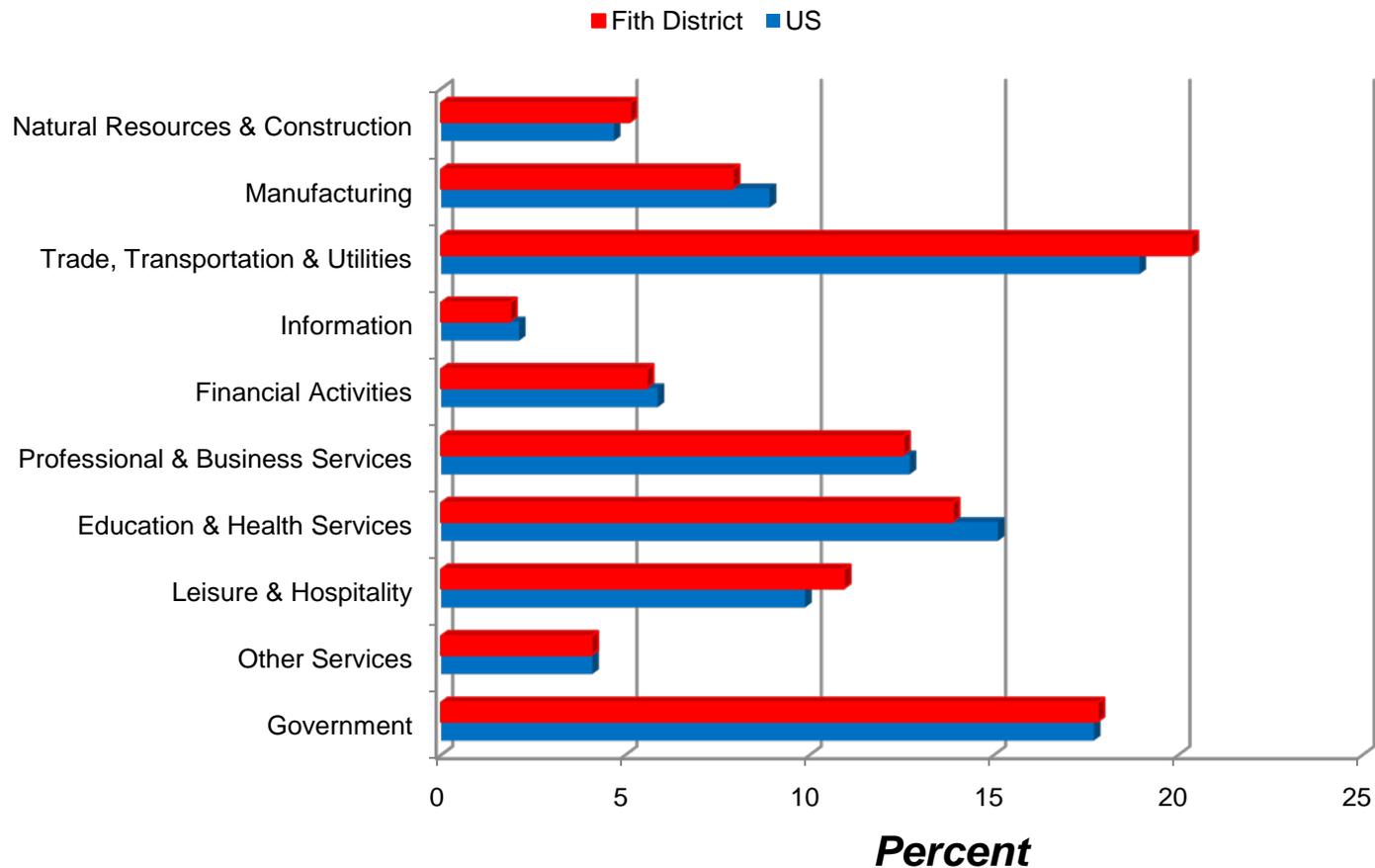
1990-92	9.1%	-1.7%	-16.1%	-0.2%	9.3%	-5.3%	-15.1%	-0.5%
2001-03	2.1%	-2.5%	-5.7%	-1.0%	3.2%	-2.6%	-5.9%	-0.3%
2008-09	-1.5%	-4.6%	-3.9%	-3.1%	-1.3%	-5.4%	-1.9%	-3.0%





Industry Structure--Fifth District vs US

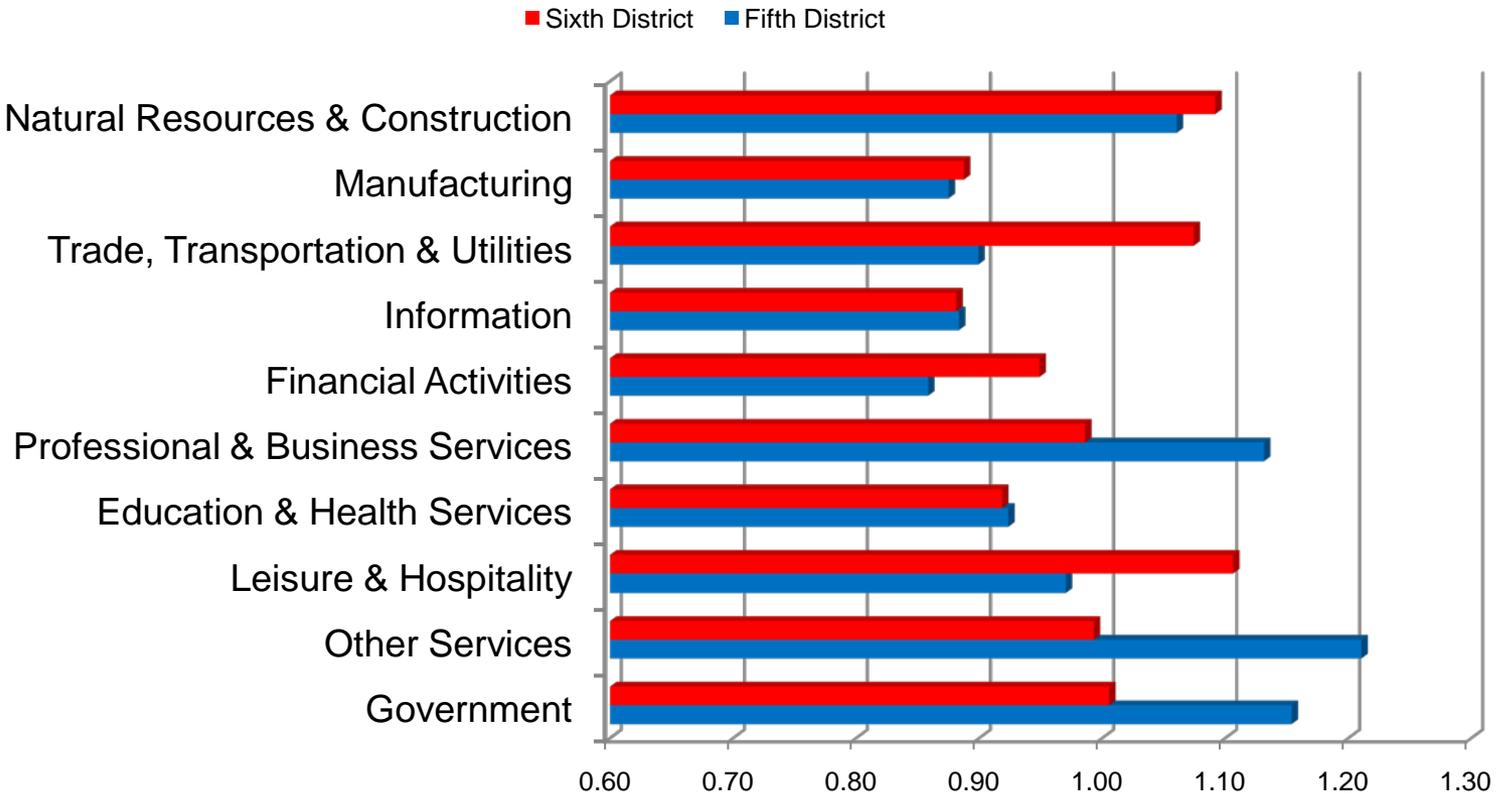
Industry Share of Total Employment, January to May 2010 Average





Location Quotients

Industry Share of District Employment/Industry Share of US Employment (Ratio)



→
Area of Specialization
(Ratio greater than 1)



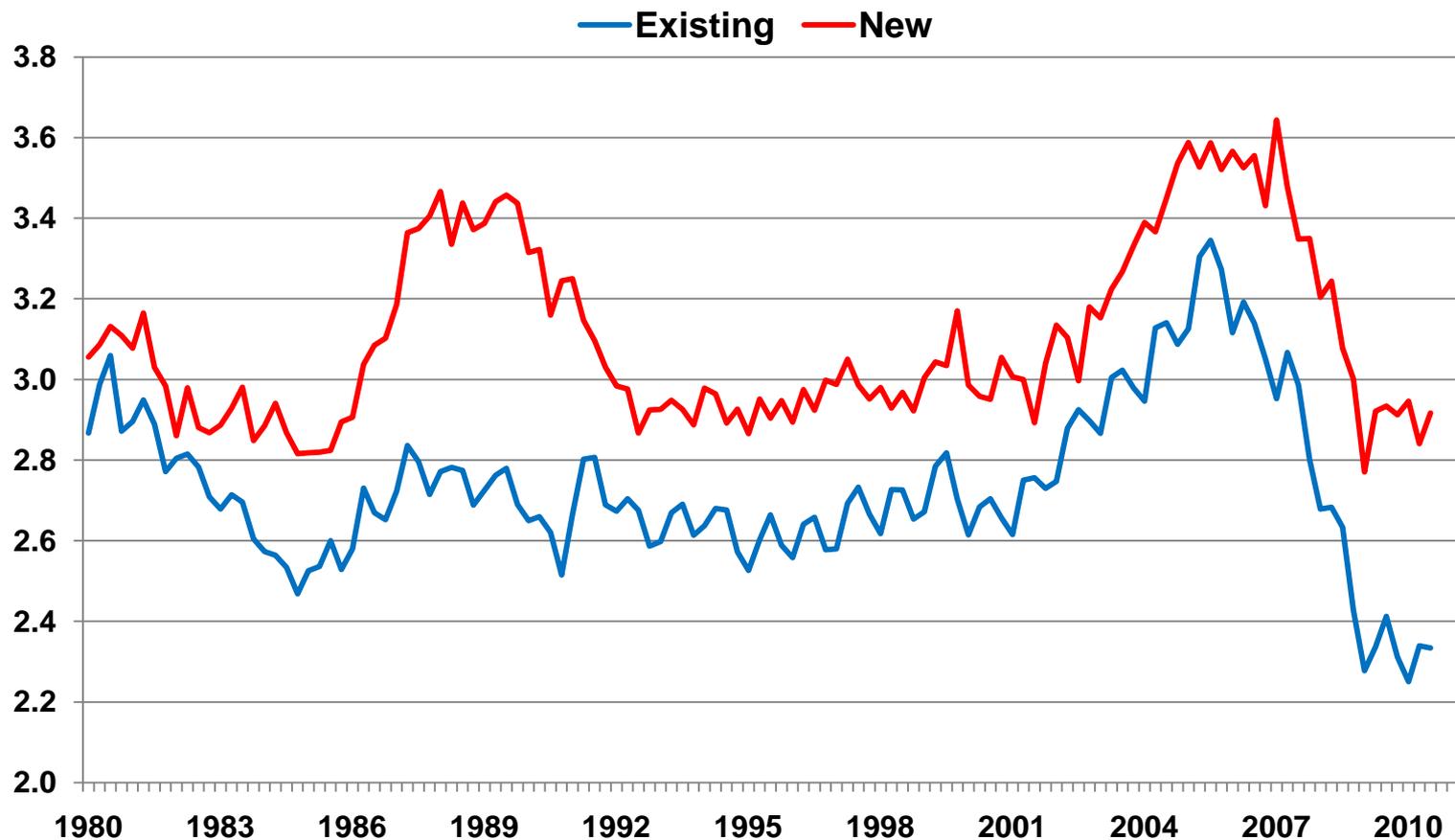
The Housing Sector in the South





US Housing Prices

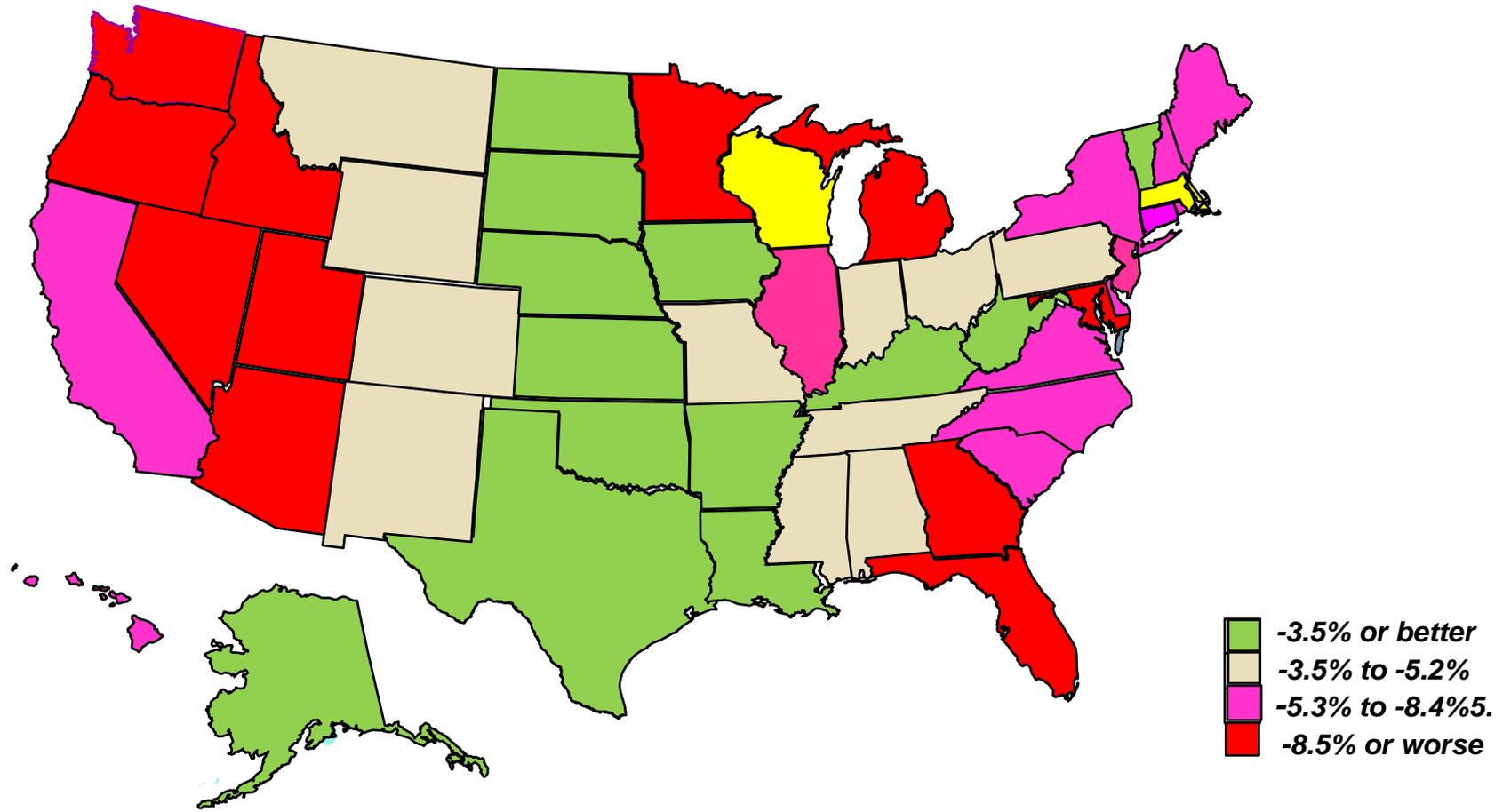
(Ratio of average home price to average household disposable income)





Housing Price Declines by State

4-quarter change in housing prices, first quarter 2010

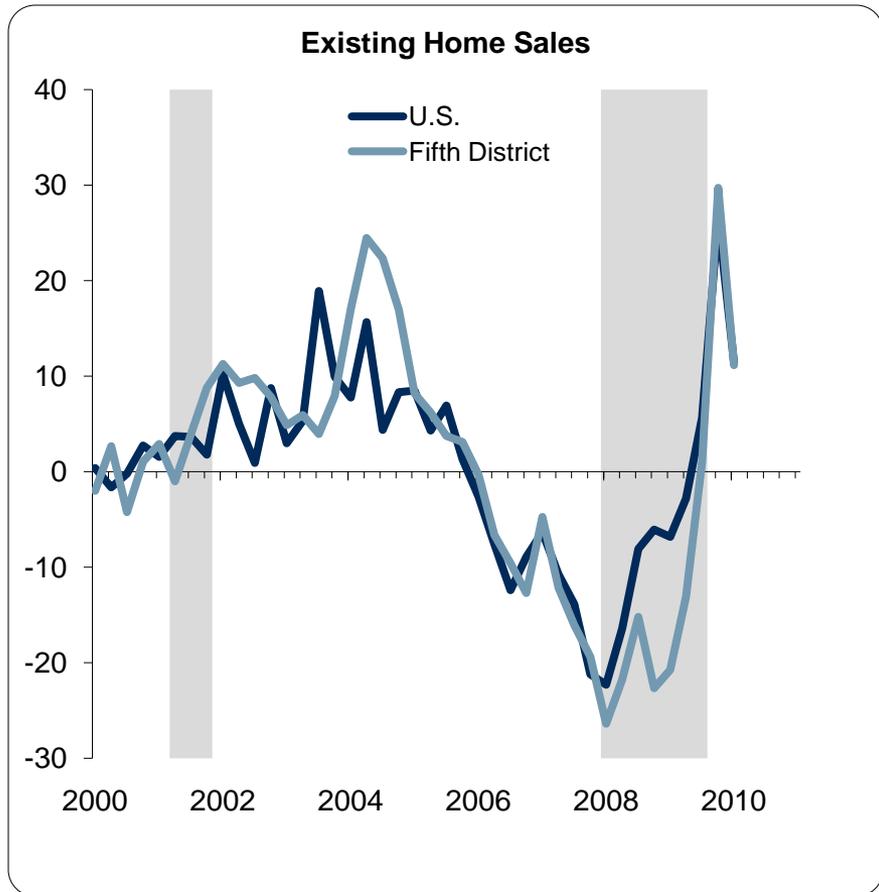




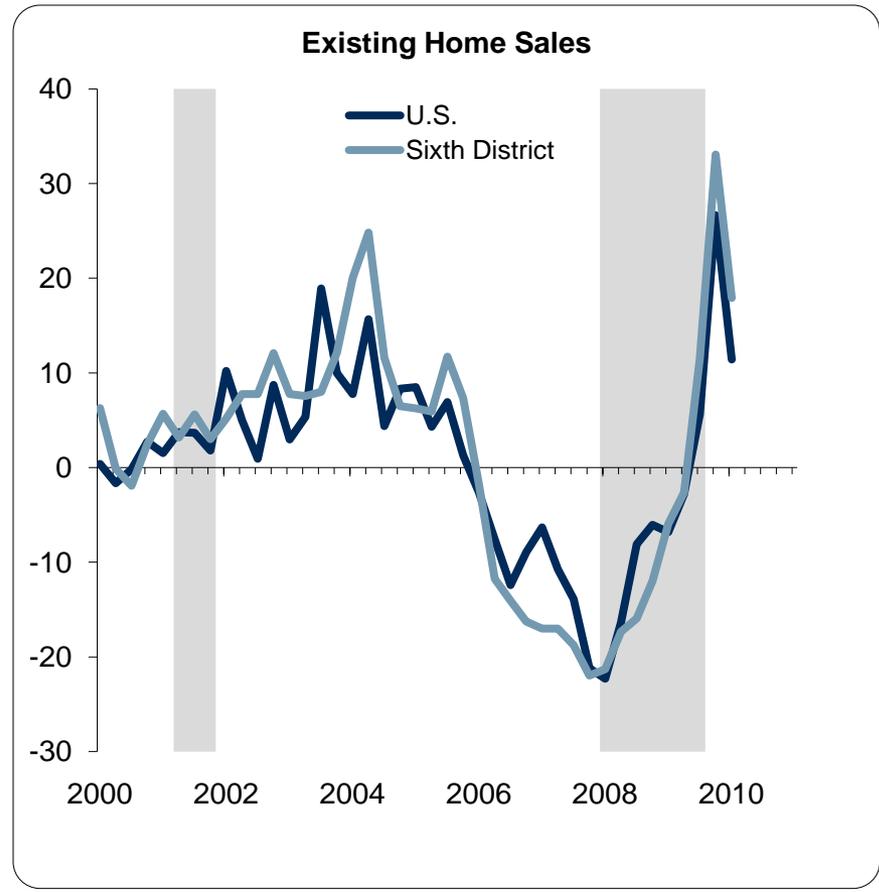
Existing Home Sales by Region

Year-over-year % change

Fifth District



Sixth District

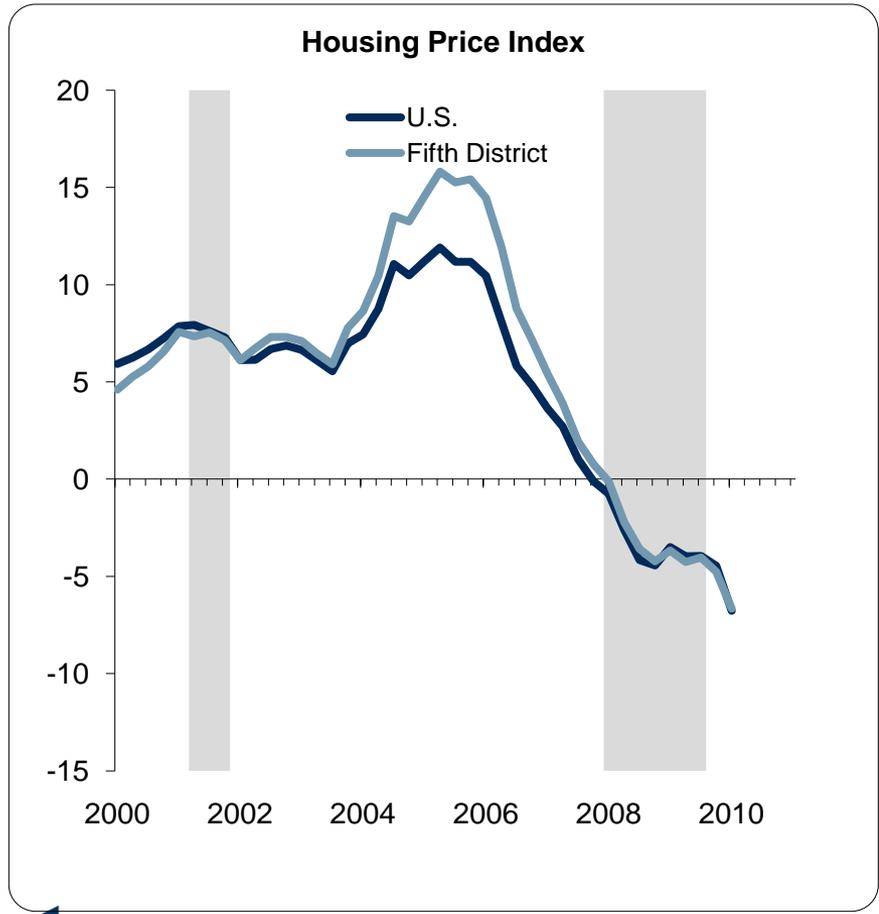




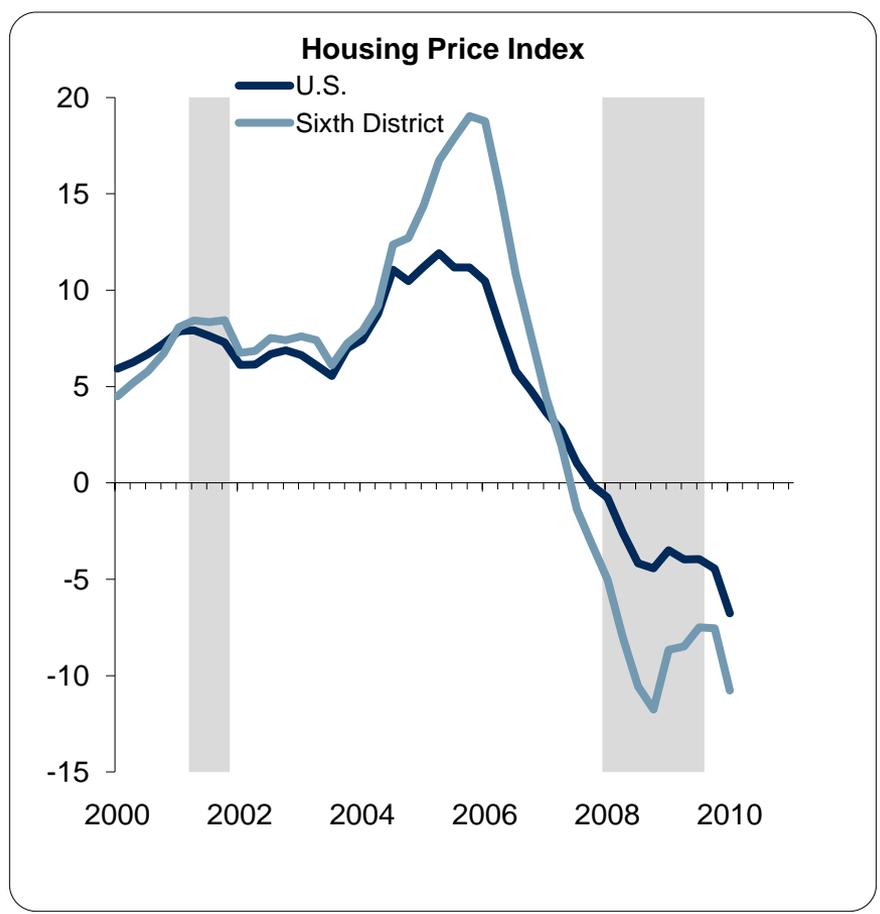
Housing Prices by Region

Year-over-year % change

Fifth District



Sixth District

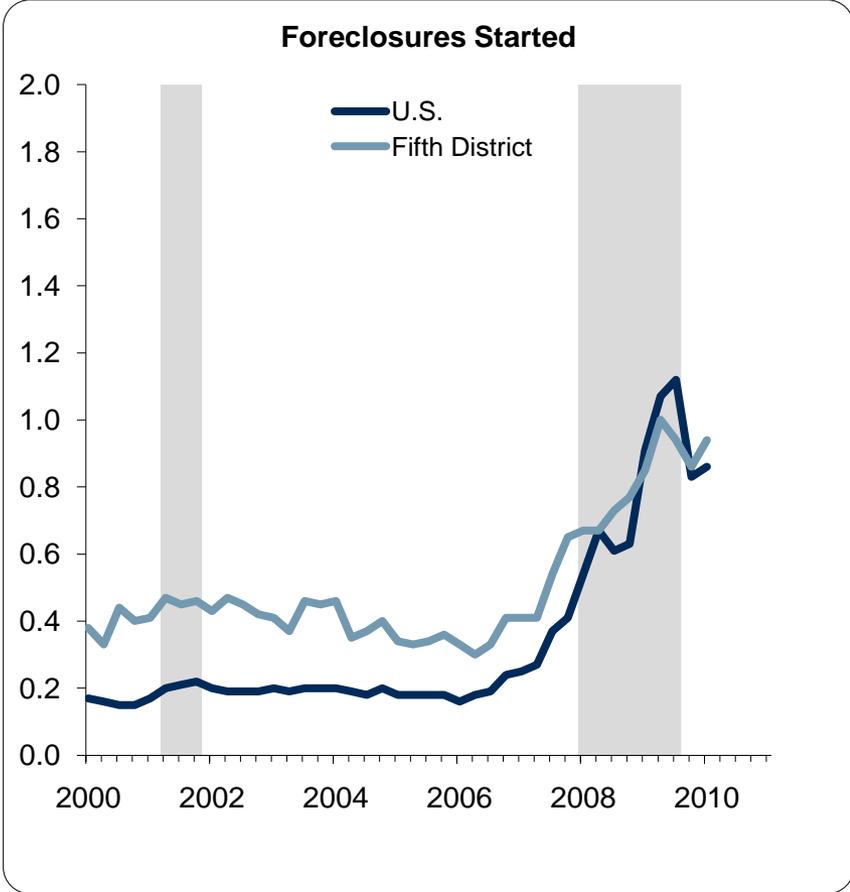




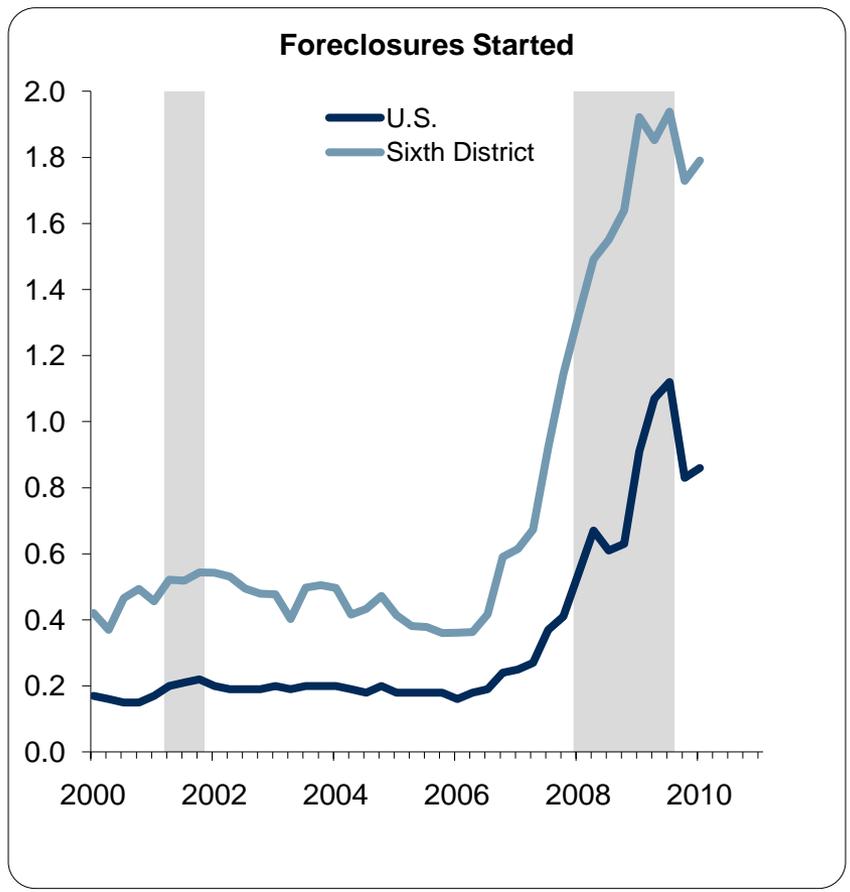
Mortgage Foreclosures

Percent of total mortgages

Fifth District



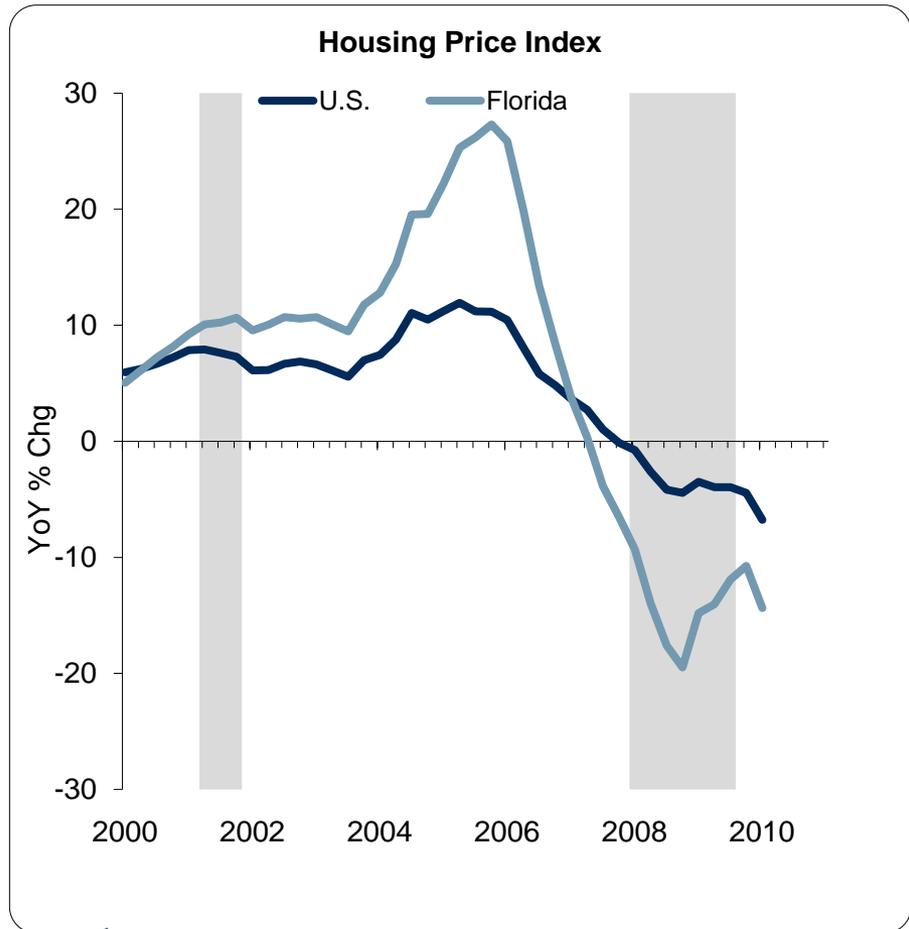
Sixth District



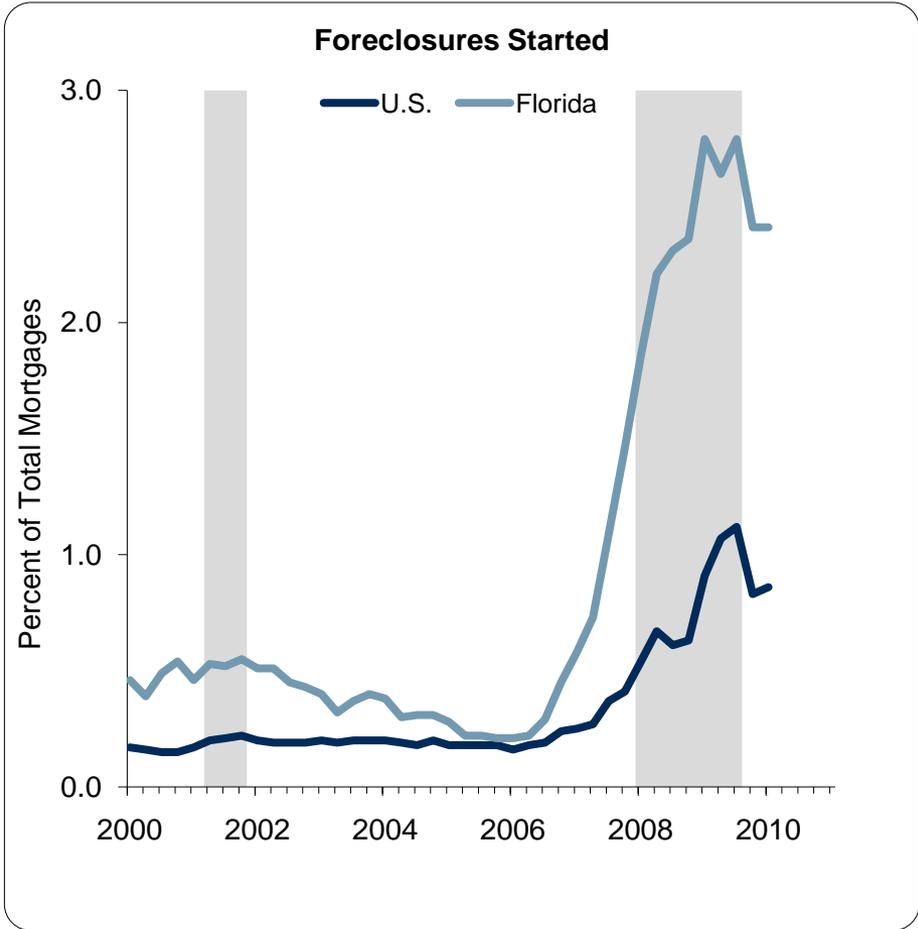


Florida—A Key to the Regional Difference

Housing Prices



Foreclosures





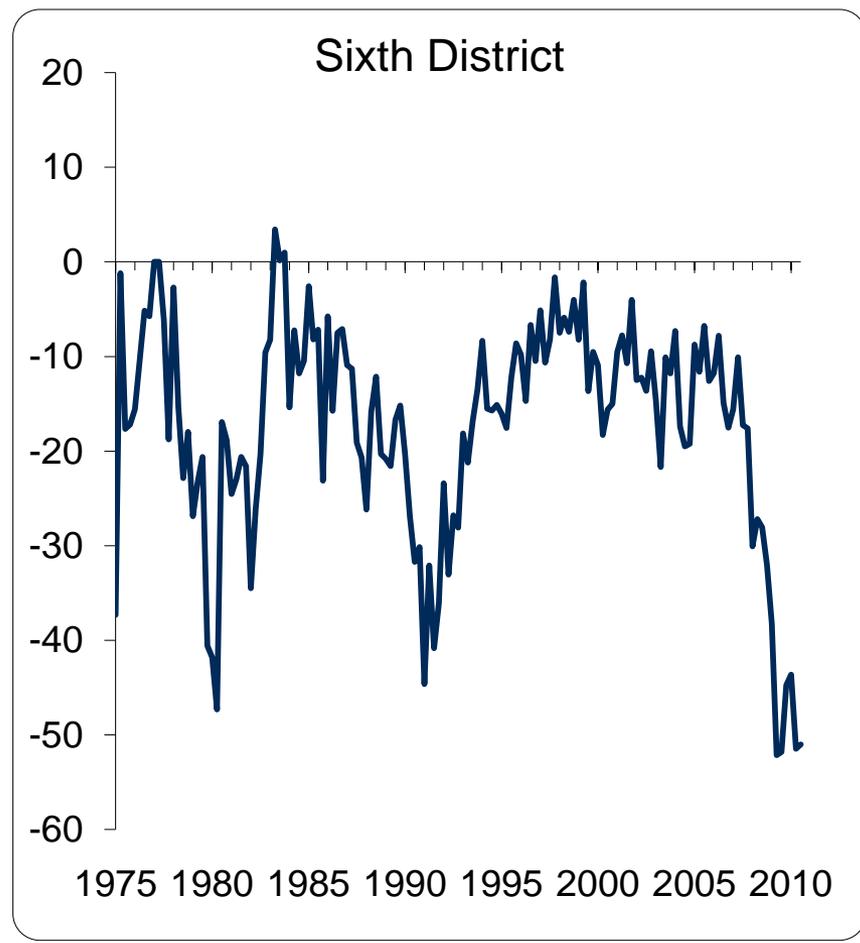
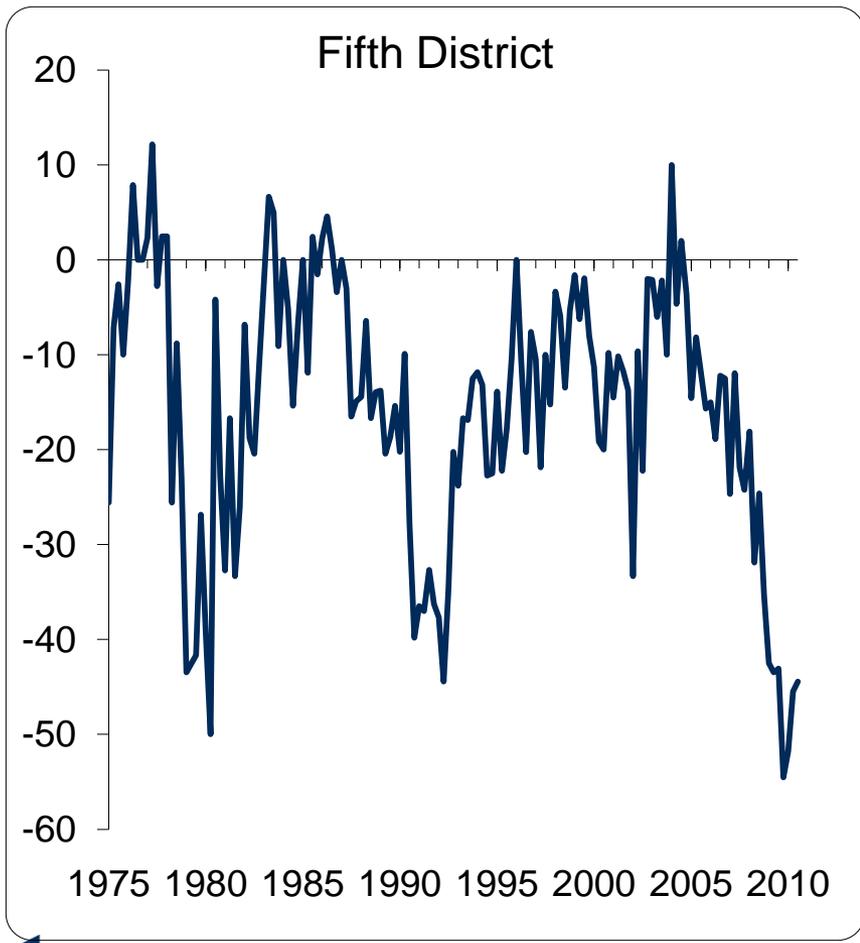
Small Business in the South





Small Business Credit Conditions--Current

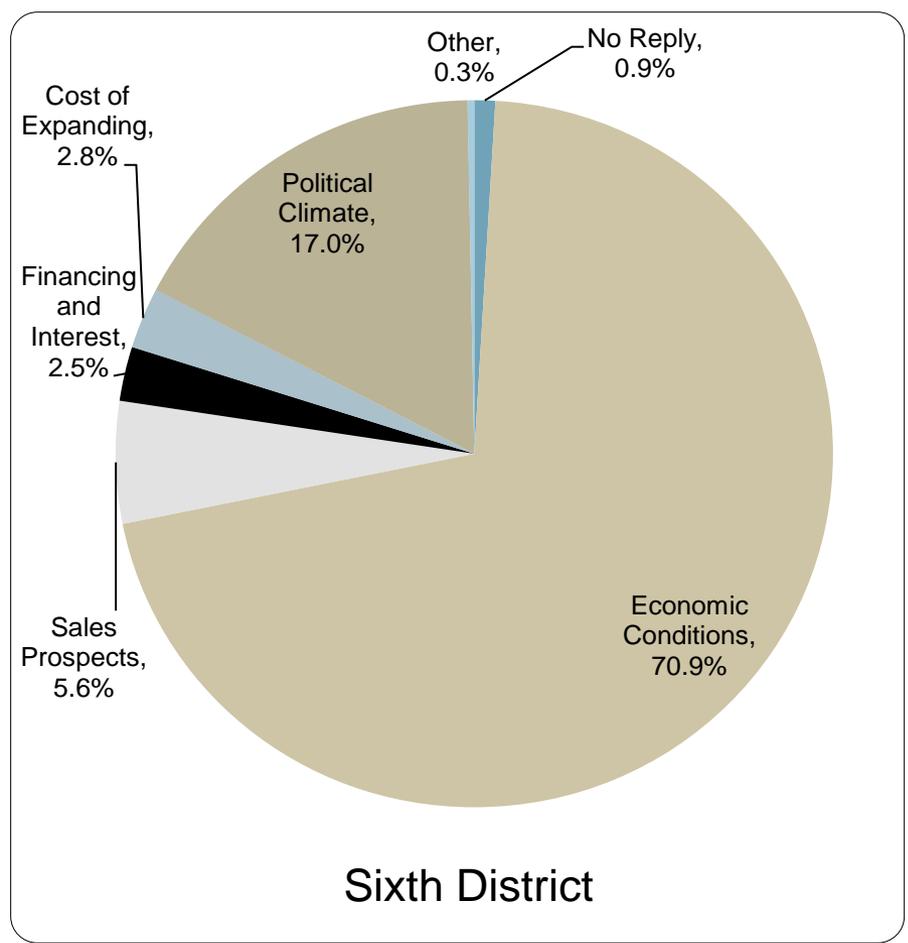
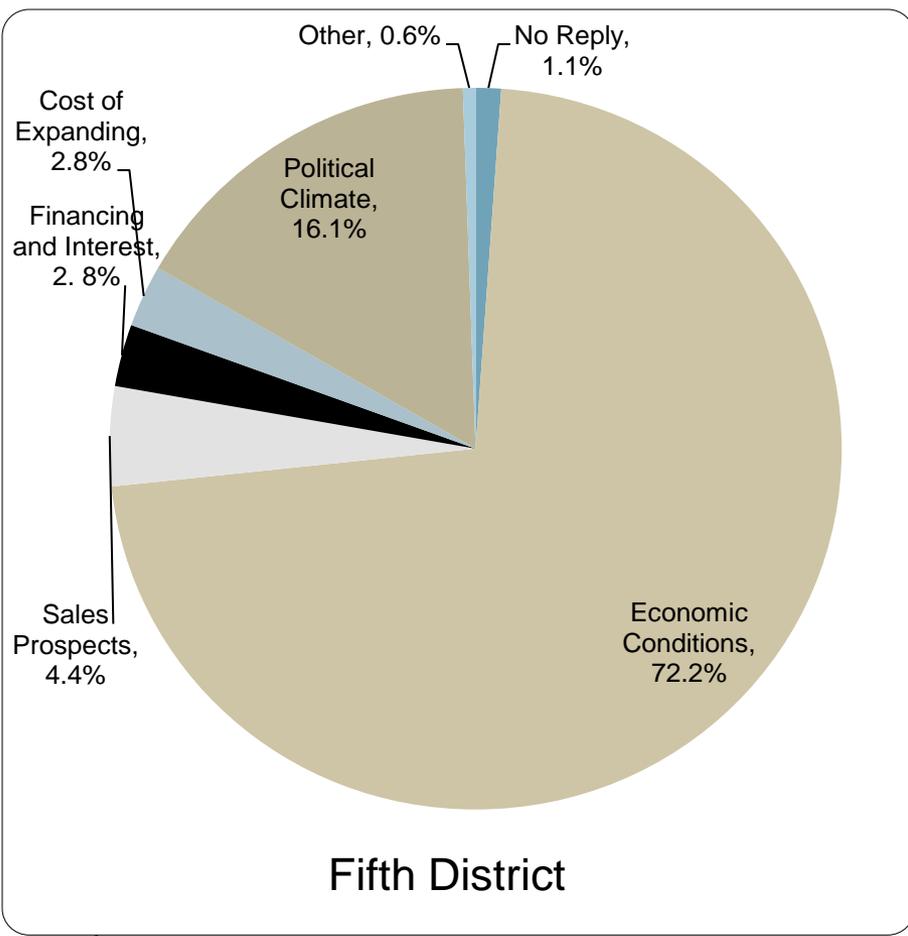
% Improved - % Worse





Small Business--Reasons Not to Expand

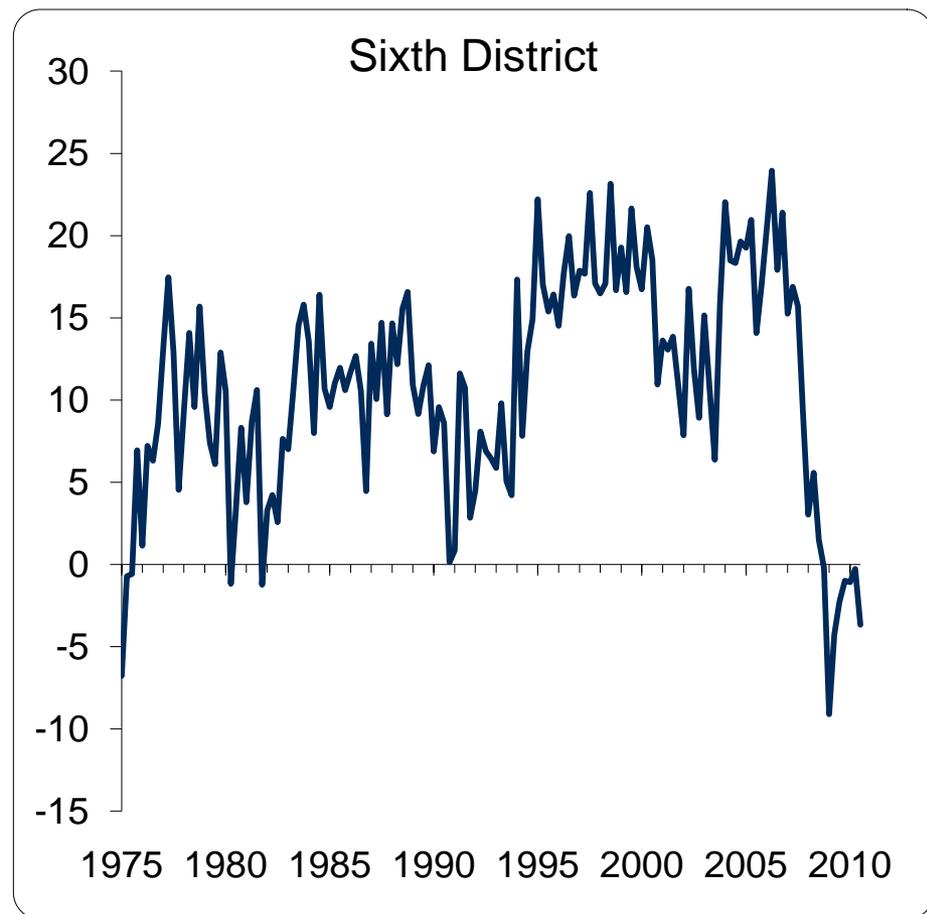
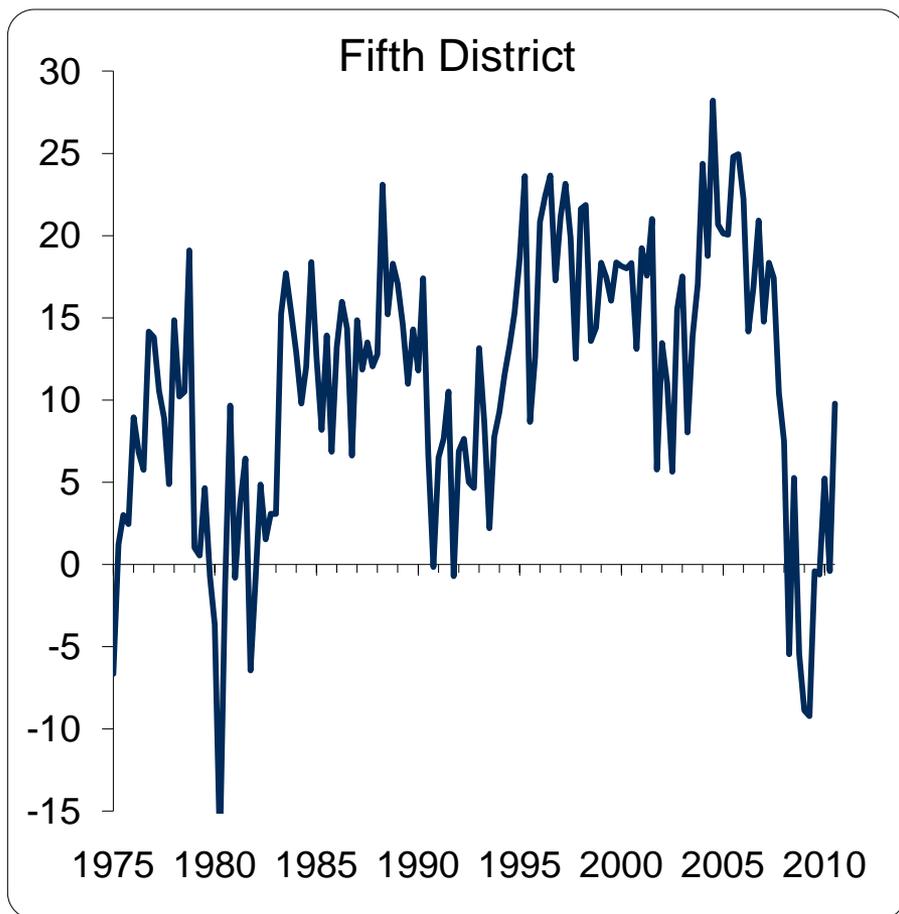
Q2 2010





Small Business Hiring Plans—Next Three Months

% Planning to Hire - % Planning Layoffs





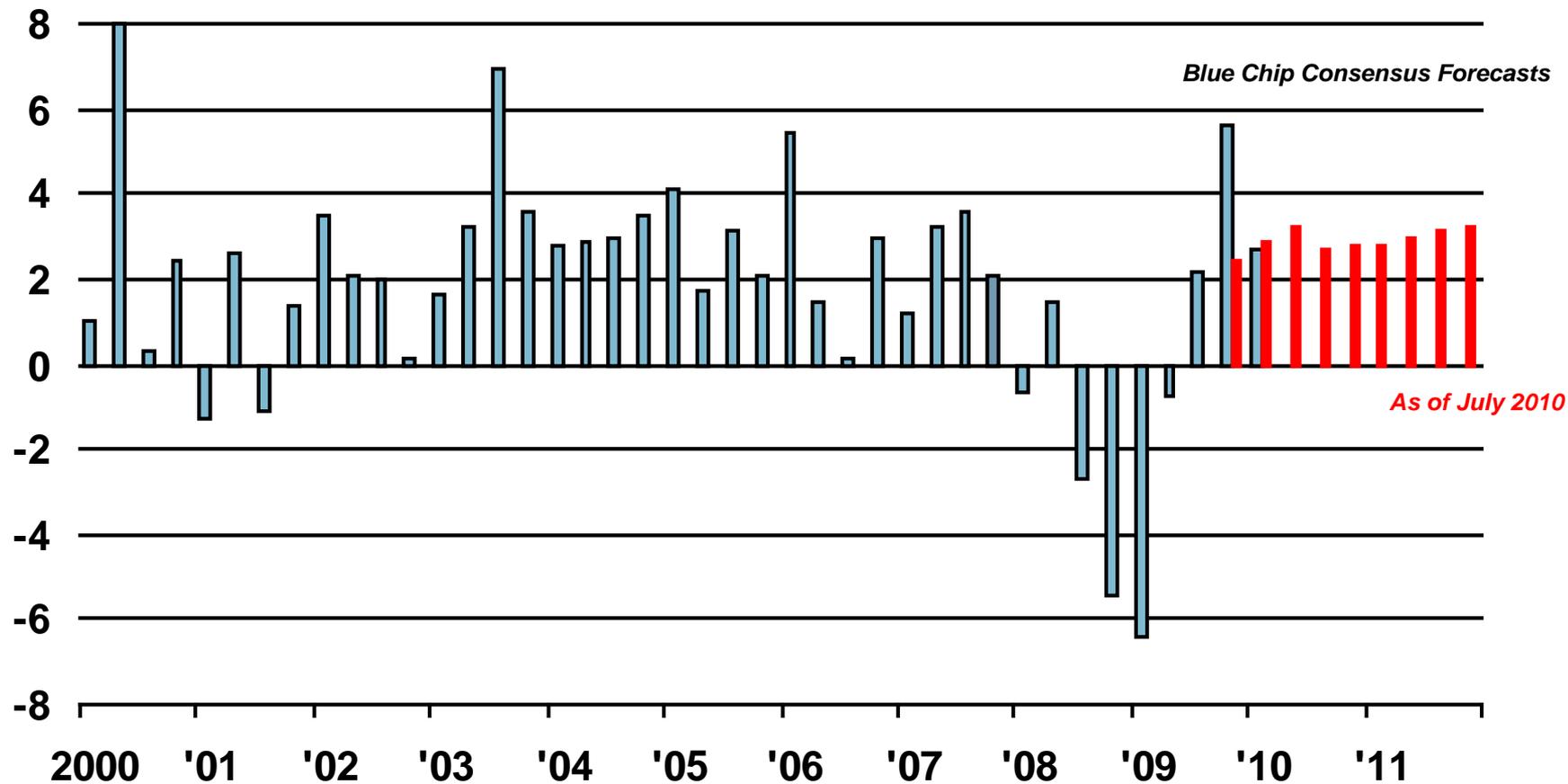
The Outlook Implications for the Region





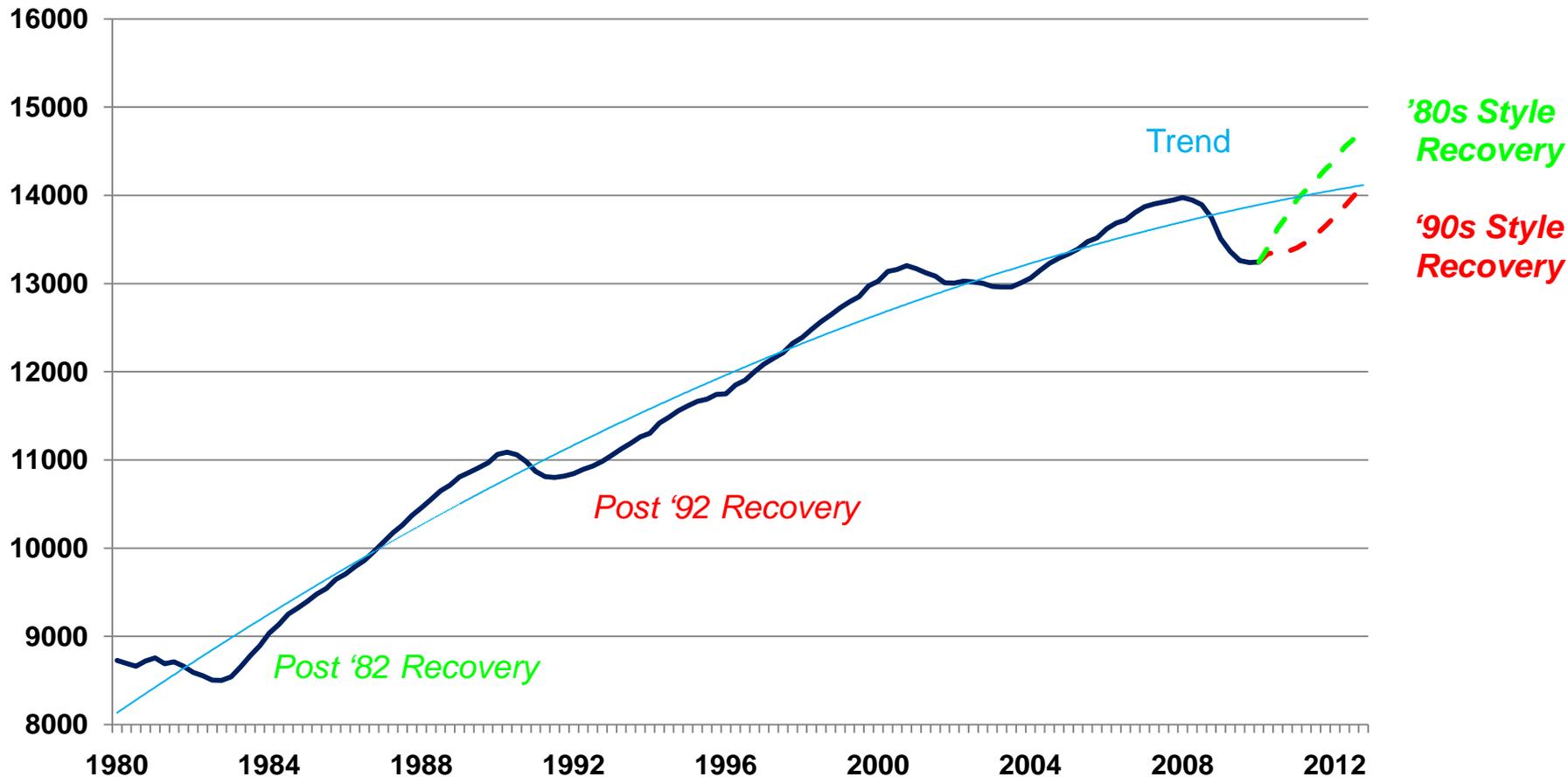
Real GDP Growth

Percent change, annual rate



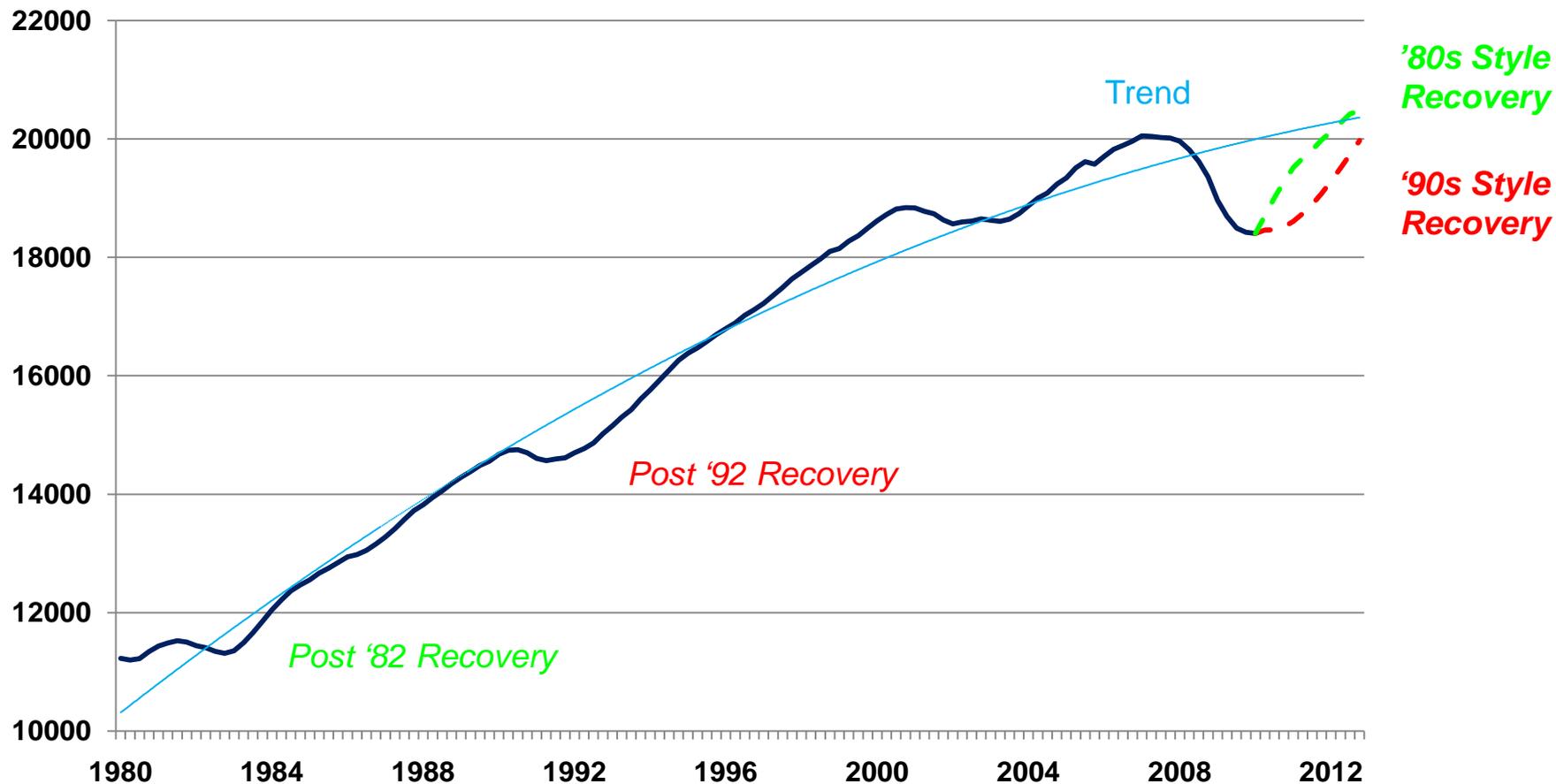


Employment Trend and Outlook: Fifth District Level (thousands)





Employment Trend and Outlook: Sixth District Level (thousands)





Summary

- *The US economic recovery so far is sub-par; slow and still fragile.*
- *The South is recovering, but the recovery is uneven across states.*
- *The region’s housing market is still feeling the impact of the “housing bubble” collapse and subsequent tight credit.*
- *Small businesses are struggling from weak demand and may hold back the region’s recovery.*
- *The economic outlook for the nation suggests a sub-par recovery, with employment lagging output growth.*
- *The Fifth District is benefiting from a concentration in government and business/professional services and may recover more quickly.*
- *The Sixth District was harder hit by the housing market collapse and may take longer to recover.*



***Robert H. Schnorbus, PhD
Federal Reserve Bank of Richmond
bob.schnorbus@rich.frb.org***

