

Warren County Office of Economic Development

March 2014

Ahead of the Curve 2014-2017

Brian Beaulieu
ITR Economics™



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2013 Forecast Results

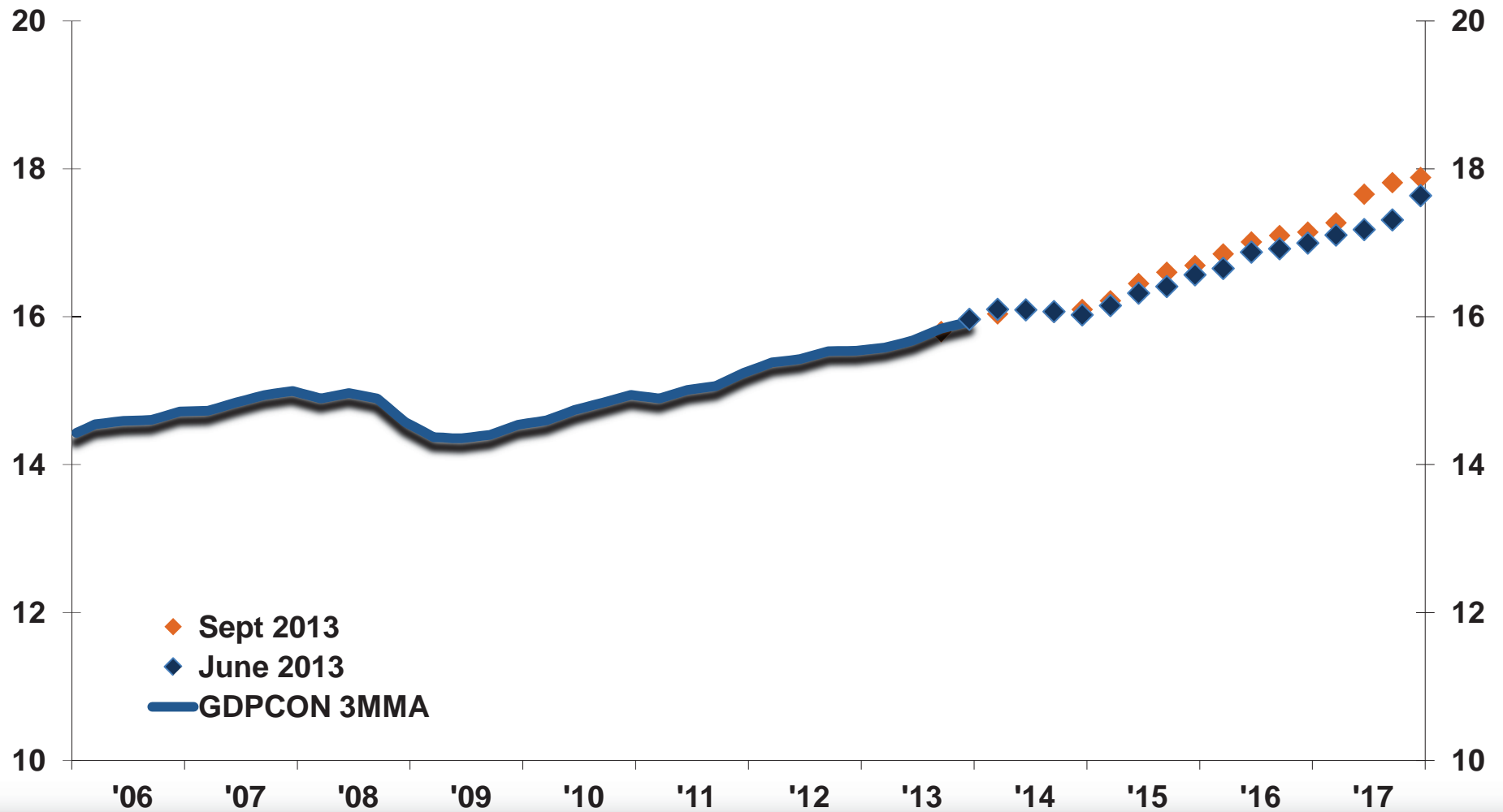
2

	Duration	Forecast	Actuals		
US GDP	12	\$15.818 Trillion	\$15.966 Dec		0.7%
US Ind. Prod.	10	99.9 (12MMA)	99.6 Dec		- 0.3%
EU Ind. Prod.	20	101.9 (12MMA)	100.6 Dec		- 1.3%
Canada Ind Prod	15	98.7 (12MMA)	97.8 Dec		-0.8%
China Ind Prod	9	522.6 (12MMA)	520.1 Dec		-0.5%
Housing	12	945 Ths Units	923 Dec		-2.3%
Retail Sales	18	\$2.189 Trillion	\$2.200 Dec		0.5%
Employment	24	144.3 Million	143.9 Dec		-0.3%

Real Gross Domestic Product

Sept 2013

June 2013

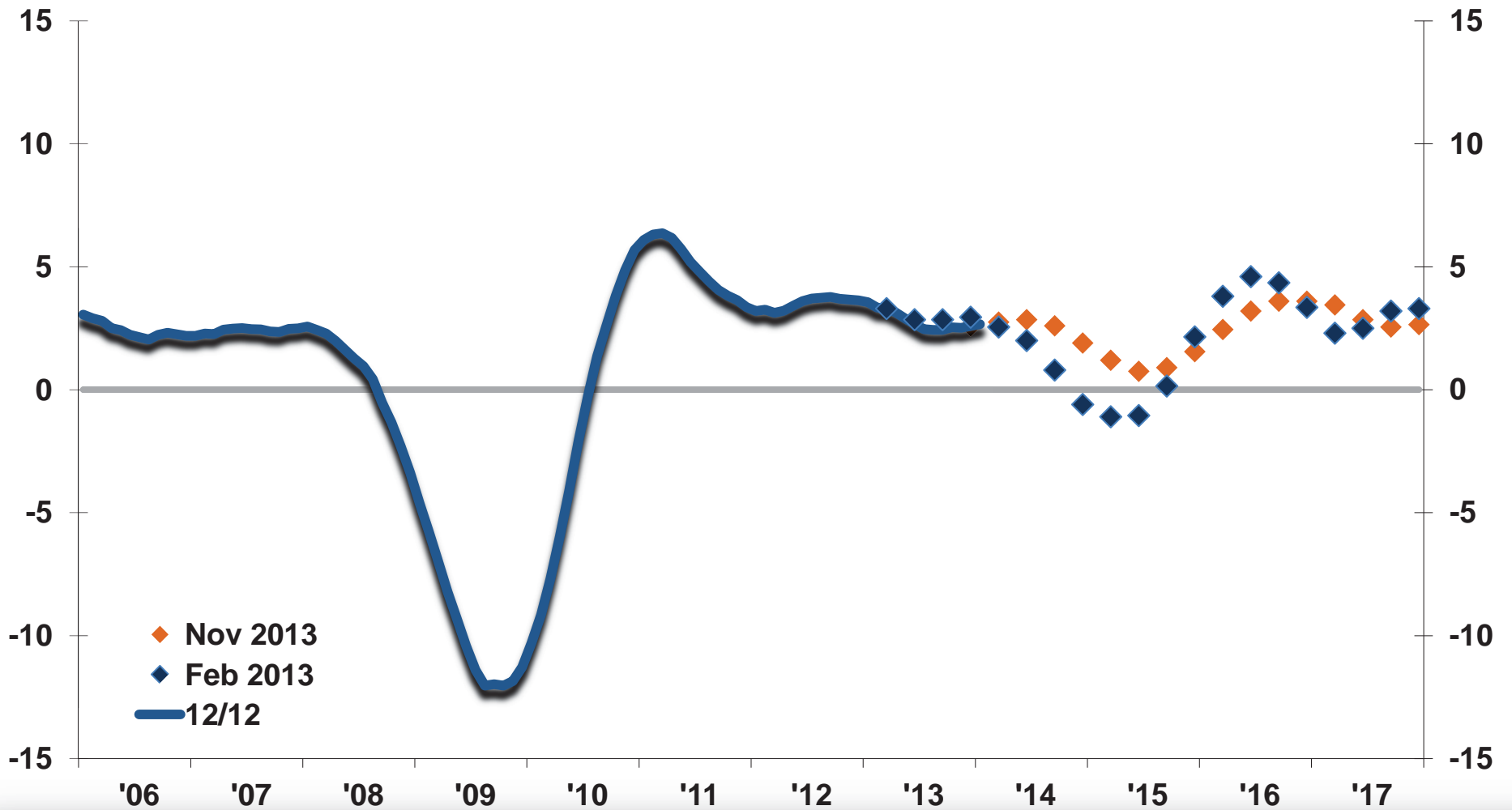


3MMA

US Total Industrial Production

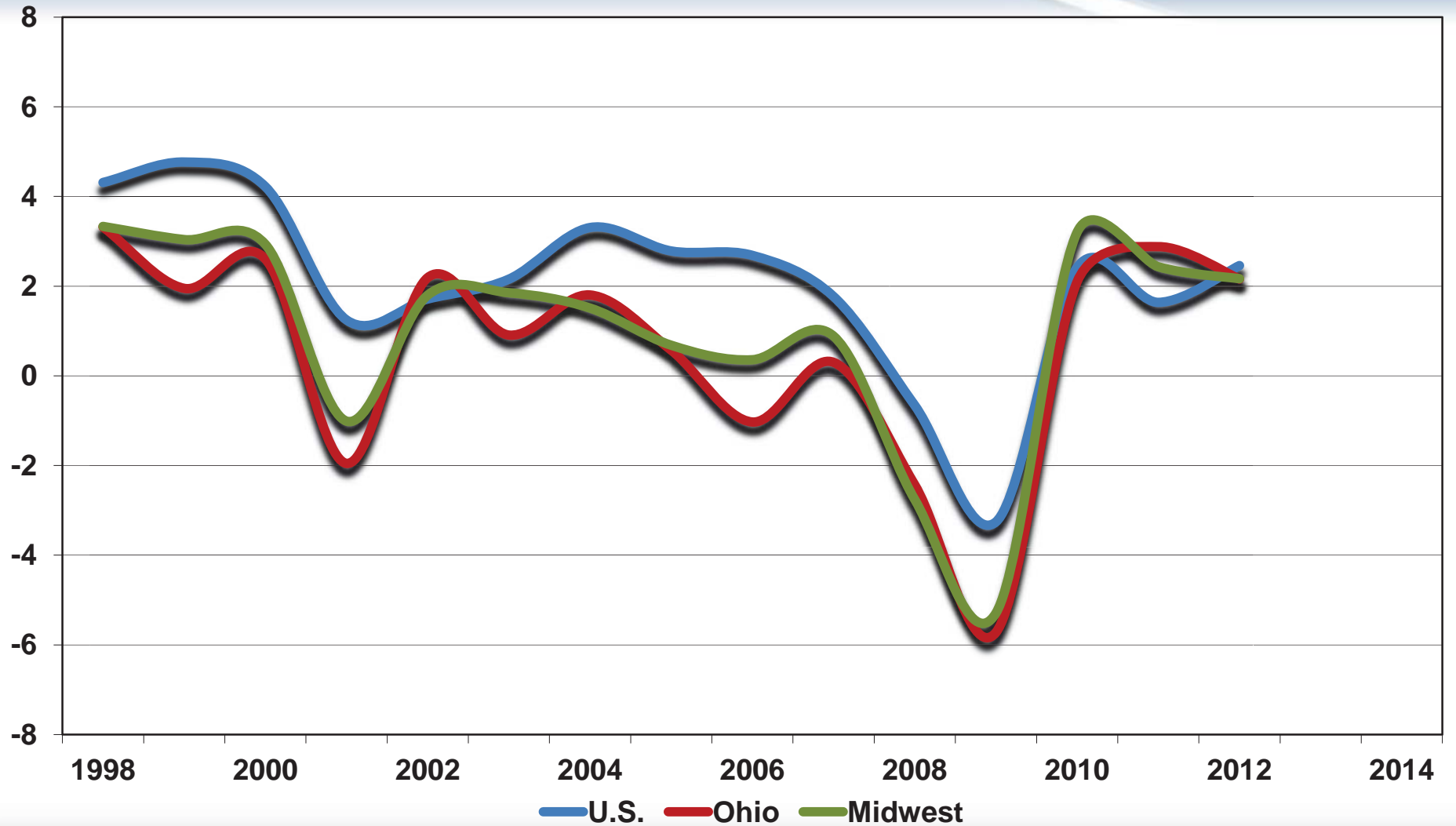
Nov 2013

Feb 2013

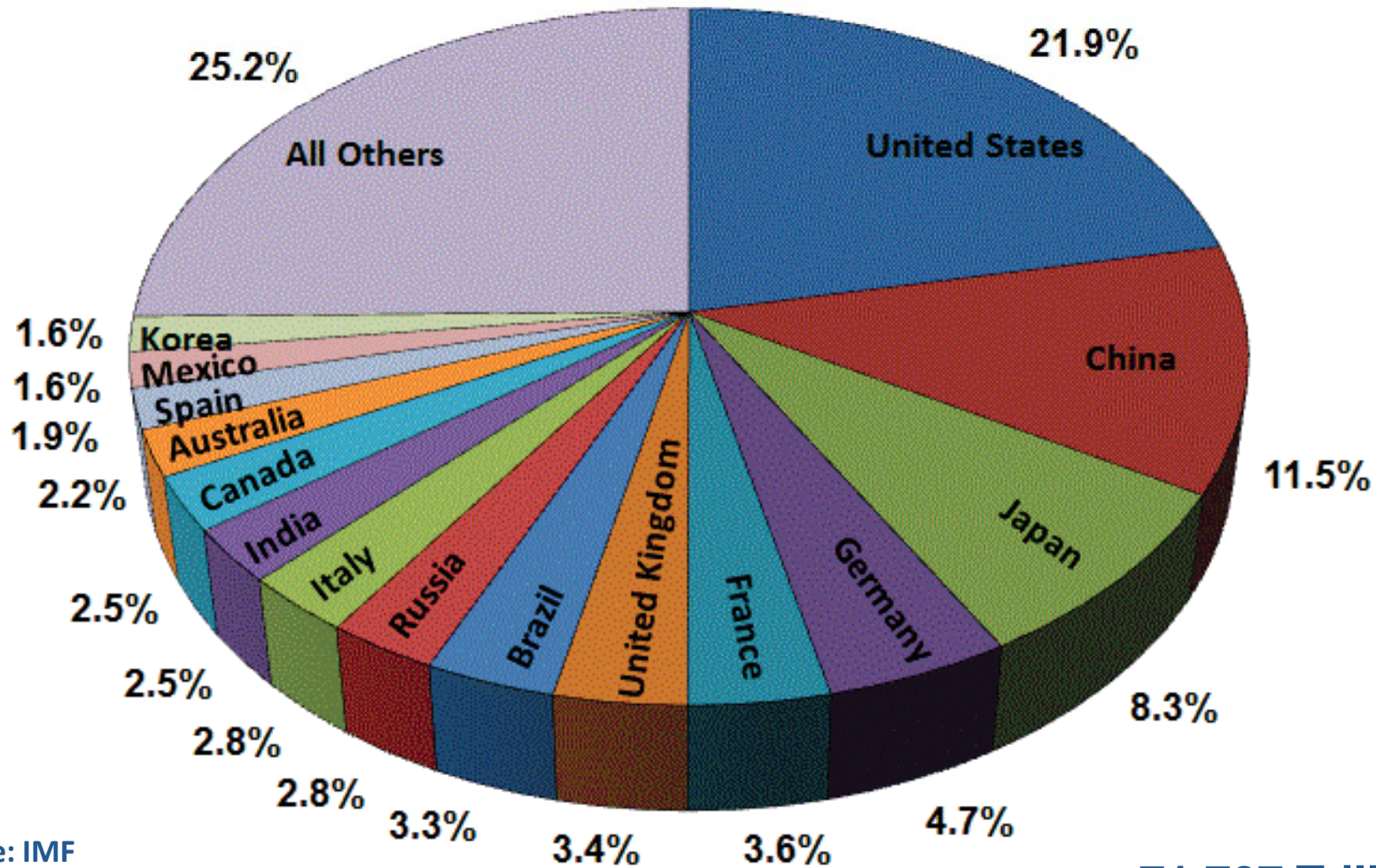


12/12 Rates-of-Change

US, Ohio & Midwest Annual GSP Growth Rate



World GDP, Bils of US \$, Current Prices



Source: IMF

71.707 Trillion US\$

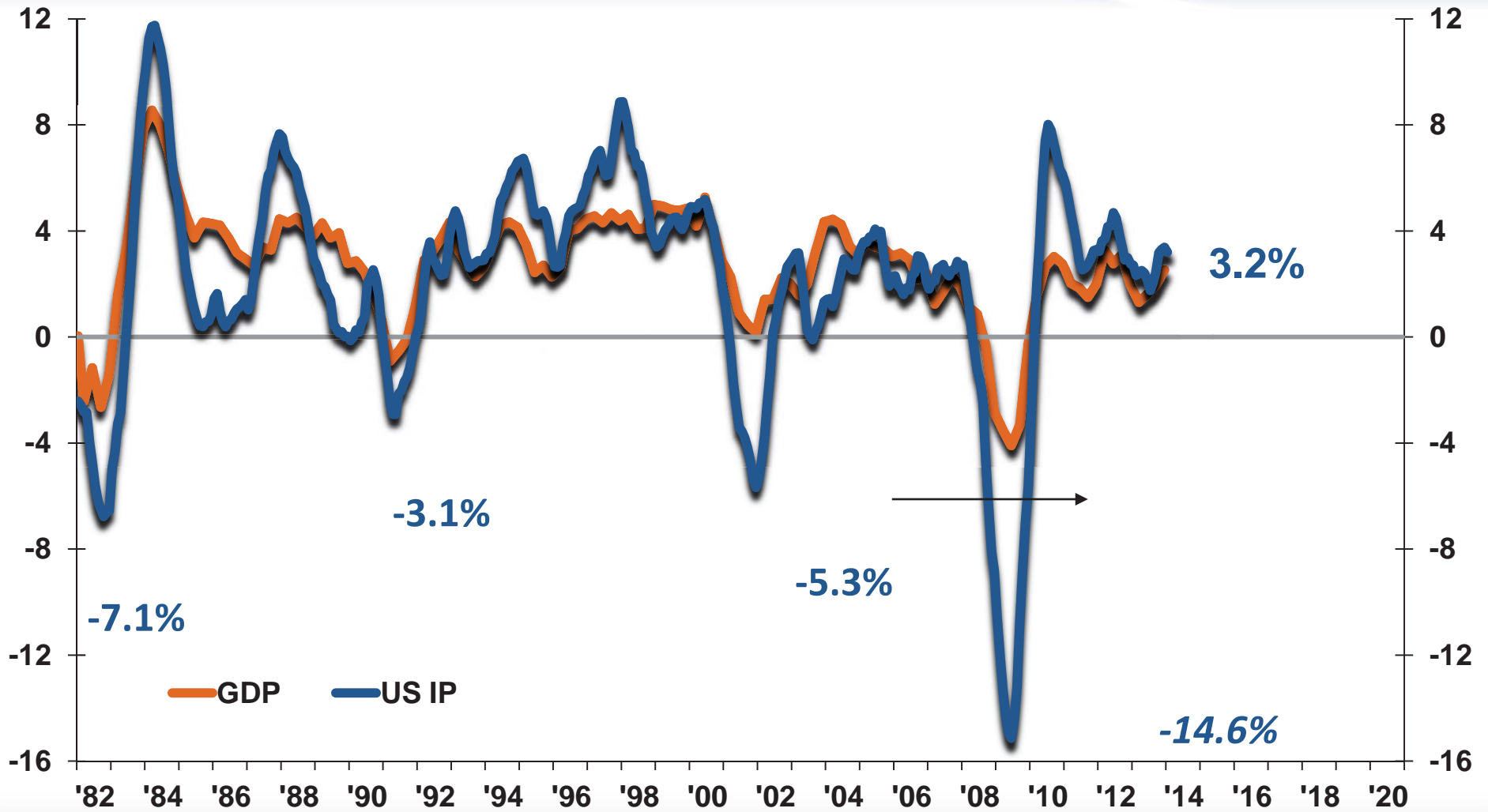
Percent of 2012 World GDP

US/Global Recovery Issues

7

- **Most leading indicators pointing up**
- **Deflation fears remain so aggressive monetary**
- **Employment rising**
- **Retail Sales are rising**
- **Housing and Nonres Construction are improving**
- **BUT...**
- **Stock market worries**
- **Taxes rising**
- **No near-term solution to fiscal debt**

US Industrial Production to Gross Domestic Product



Year-over-year
Quarter to Quarter
(3/12)

Data Preparation

	Raw	3MMT	3/12	12MMT	12/12
Aug-11	1.4				
Sep-11	1.5				
Oct-11	1.5	4.4			
Nov-11	1.4	4.4			
Dec-11	1.5	4.4			
Jan-12	1.3	4.2			
Feb-12	1.3	4.2			
Mar-12	1.6	4.3			
Apr-12	1.6	4.6			
May-12	1.5	4.8			
Jun-12	1.7	4.8			
Jul-12	1.6	4.8		18.0	
Aug-12	1.7	4.9		18.3	
Sep-12	1.7	4.9		18.5	
Oct-12	1.7	5.0	14.1%	18.6	
Nov-12	1.6	5.0	13.6%	18.8	
Dec-12	1.7	5.0	13.2%	19.0	
Jan-13	1.5	4.9	15.1%	19.2	
Feb-13	1.5	4.7	13.5%	19.4	
Mar-13	1.9	4.9	14.1%	19.6	
Apr-13	1.7	5.1	11.3%	19.8	
May-13	1.7	5.3	11.5%	20.0	
Jun-13	1.9	5.3	10.1%	20.1	
Jul-13	1.7	5.3	10.5%	20.3	12.7%

3/12 Rate-of-Change

$$= \frac{\text{July 2013 3MMT}}{\text{July 2012 3MMT}} \times 100 - 100$$

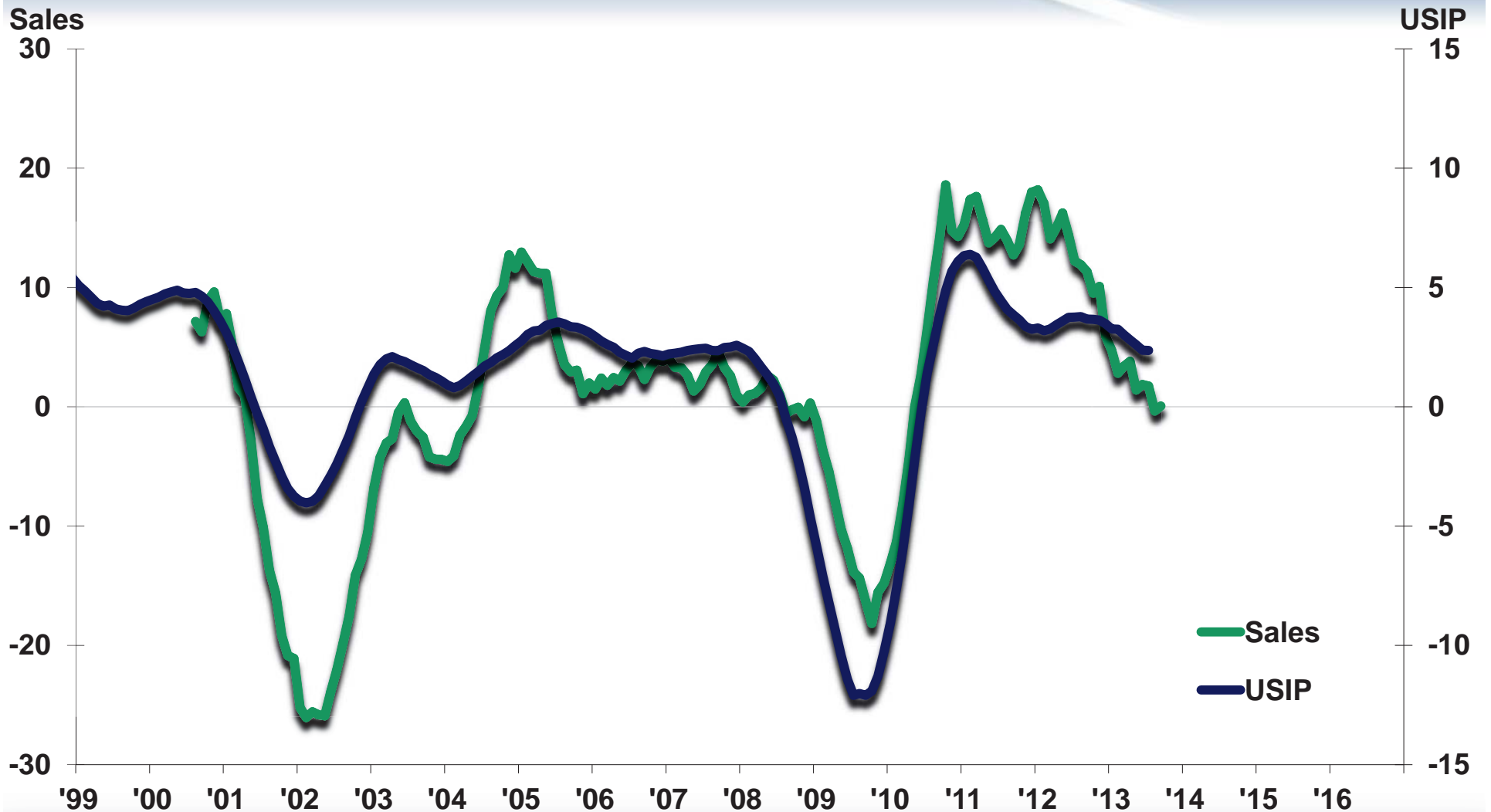
$$= \frac{5.3}{4.8} \times 100 - 100 = 10.5\%$$

12/12 Rate-of-Change

$$= \frac{\text{July 2013 12MMT}}{\text{July 2012 12MMT}} \times 100 - 100$$

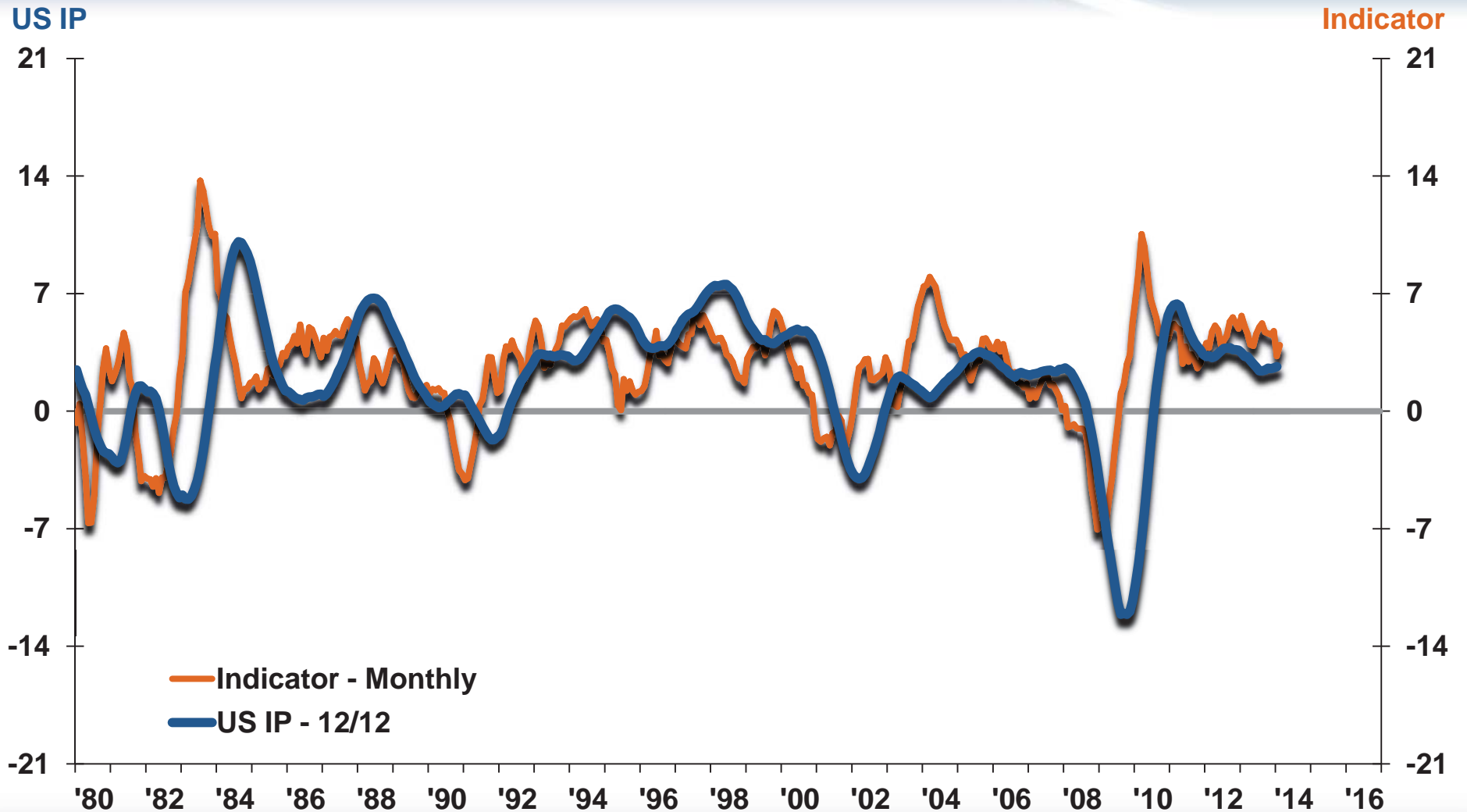
$$= \frac{20.3}{18.0} \times 100 - 100 = 12.7\%$$

Company X to US Industrial Production



Rates-of-change

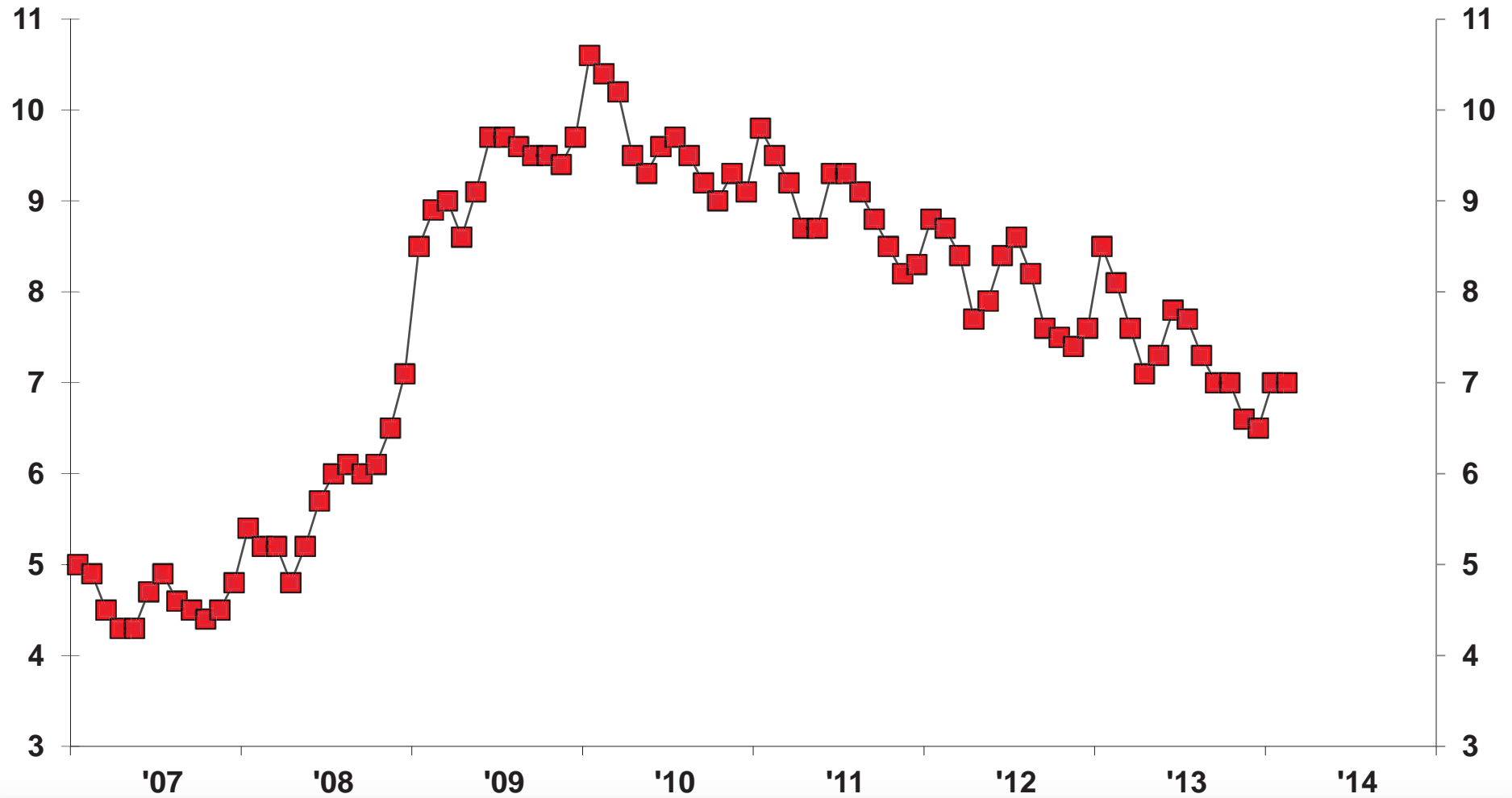
US Industrial Production to ITR Leading Indicator



USIP – 12/12
Indicator - Monthly

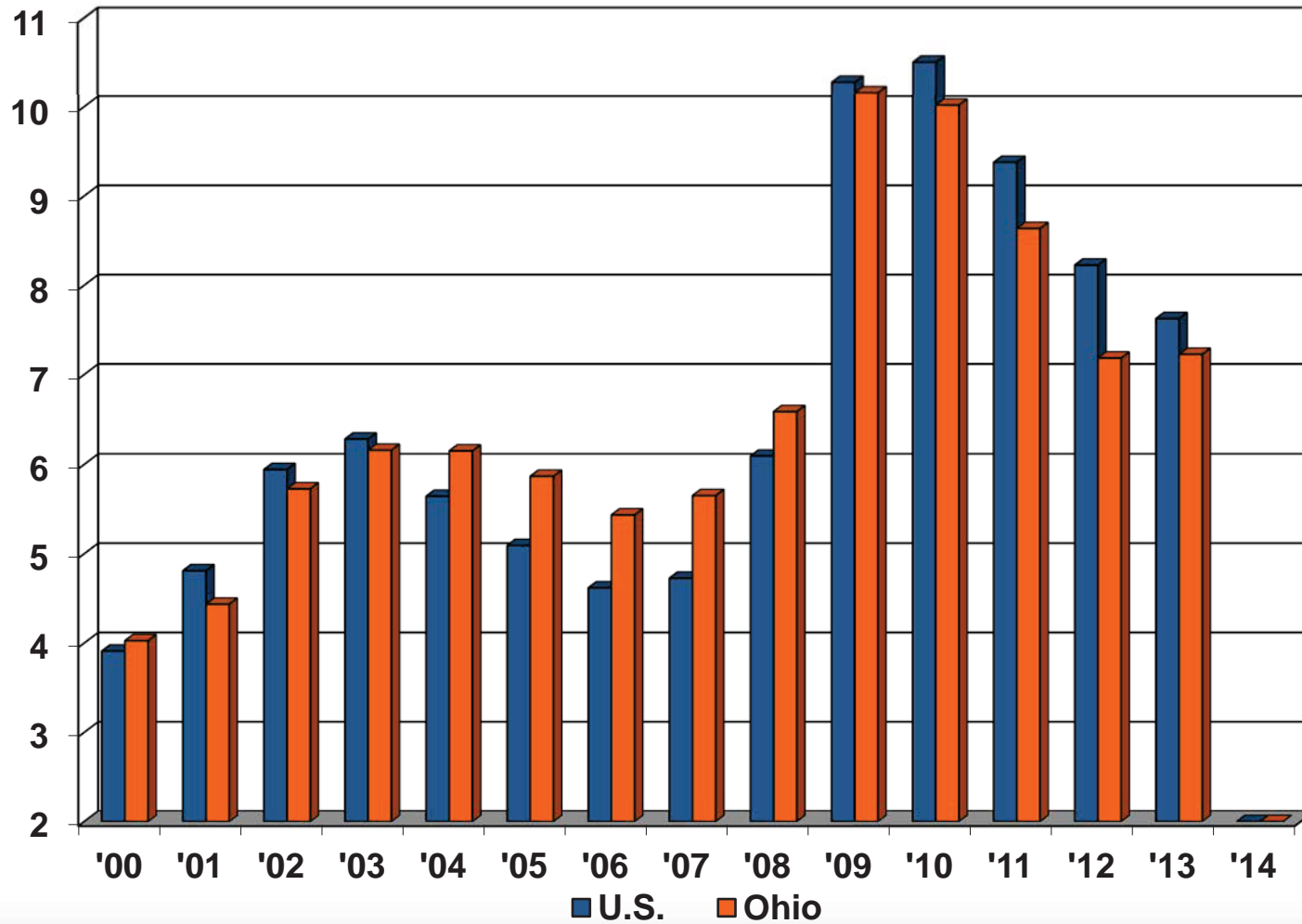
Unemployment Rate NSA

R-O-C

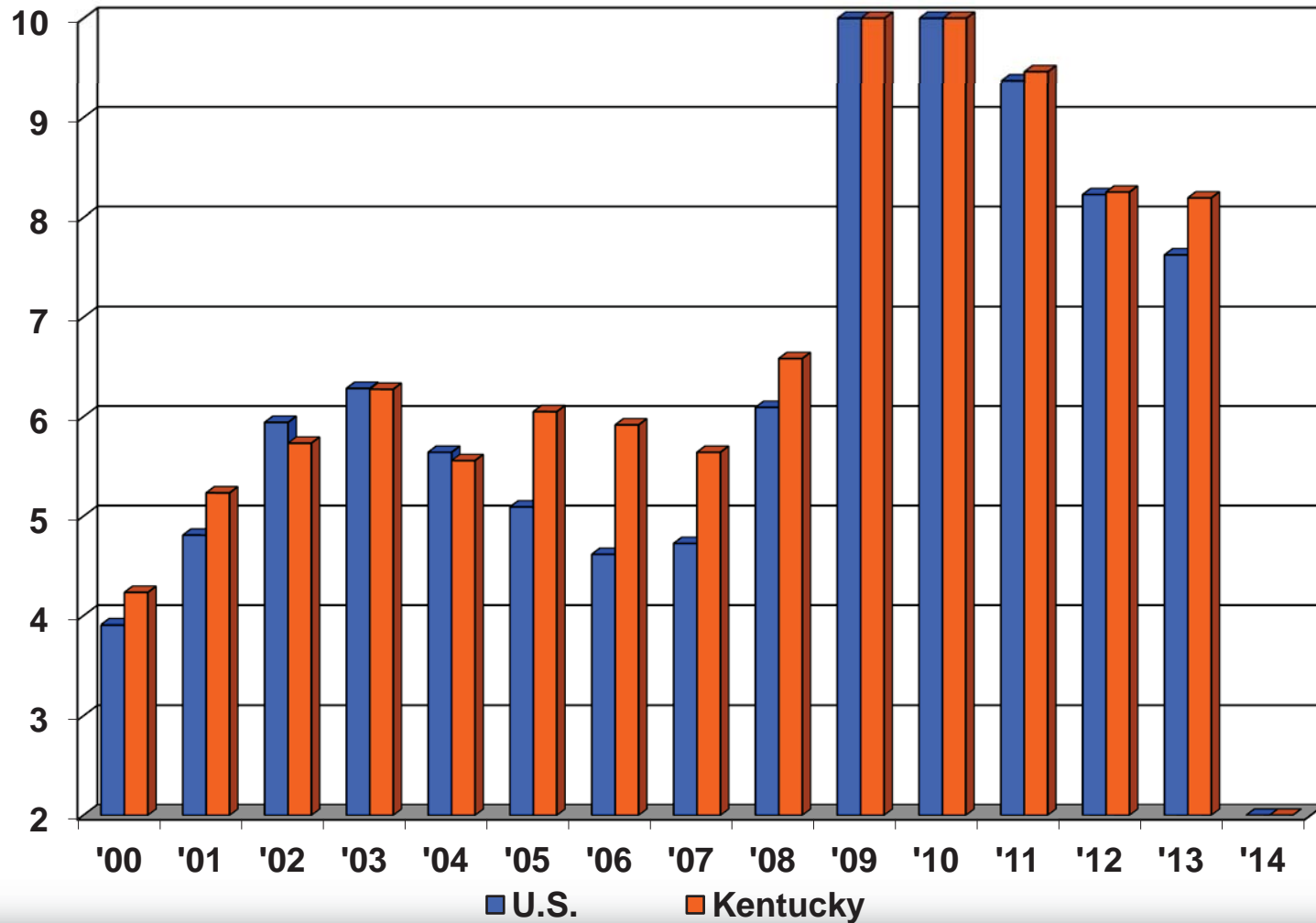


Monthly

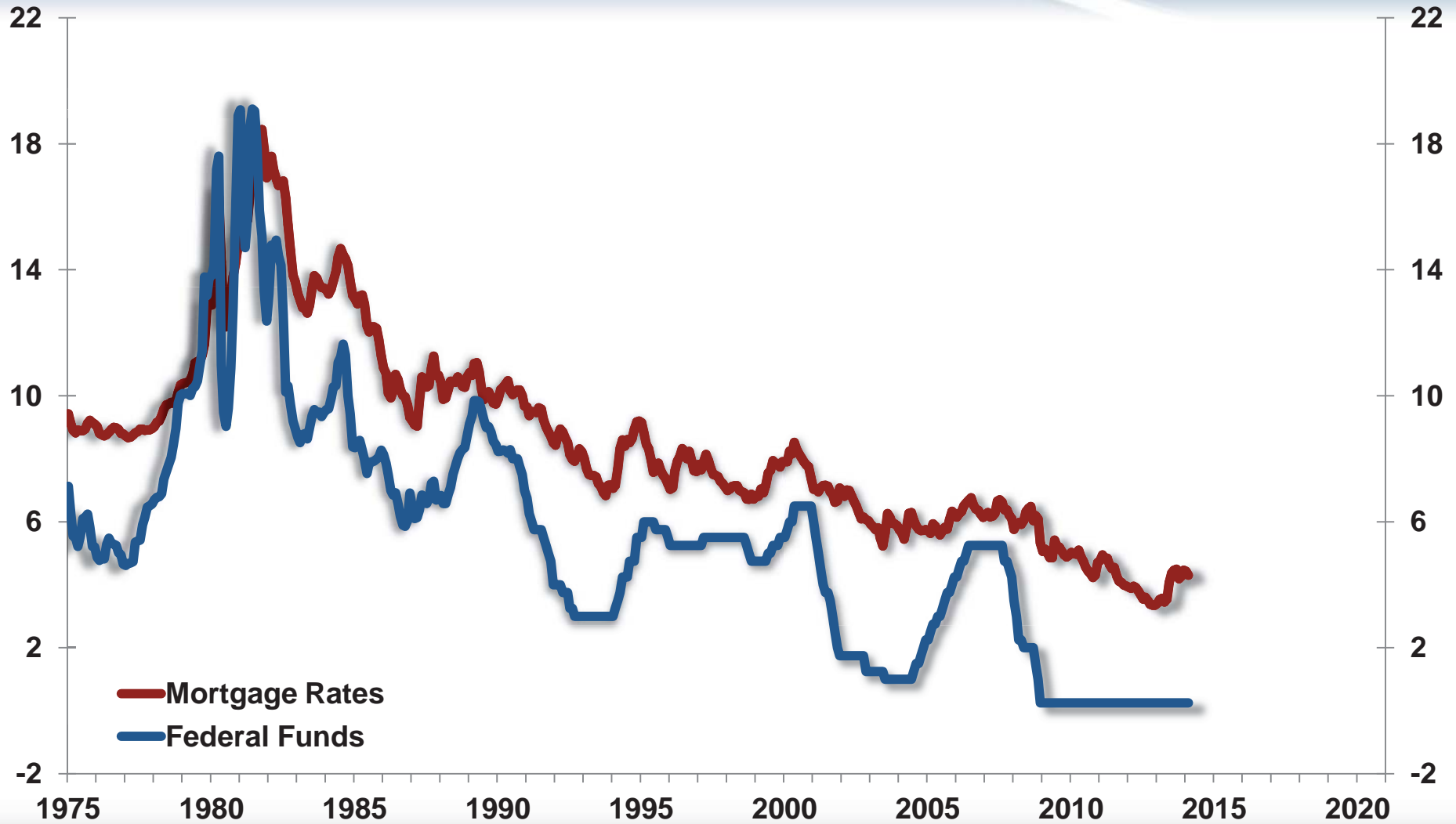
Unemployment Rates - Ohio



Unemployment Rates - Kentucky

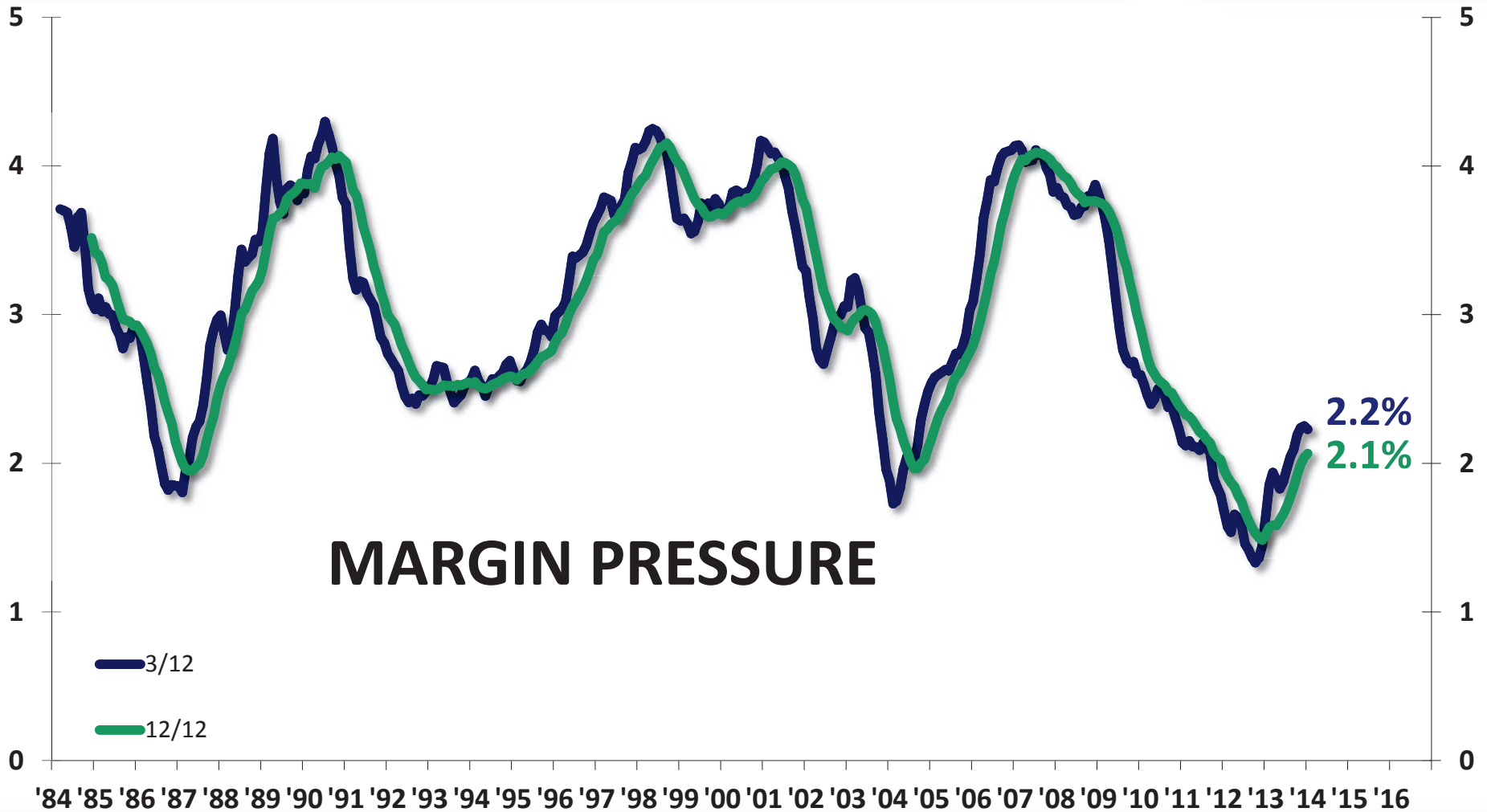


Mortgage Rates to Federal Funds

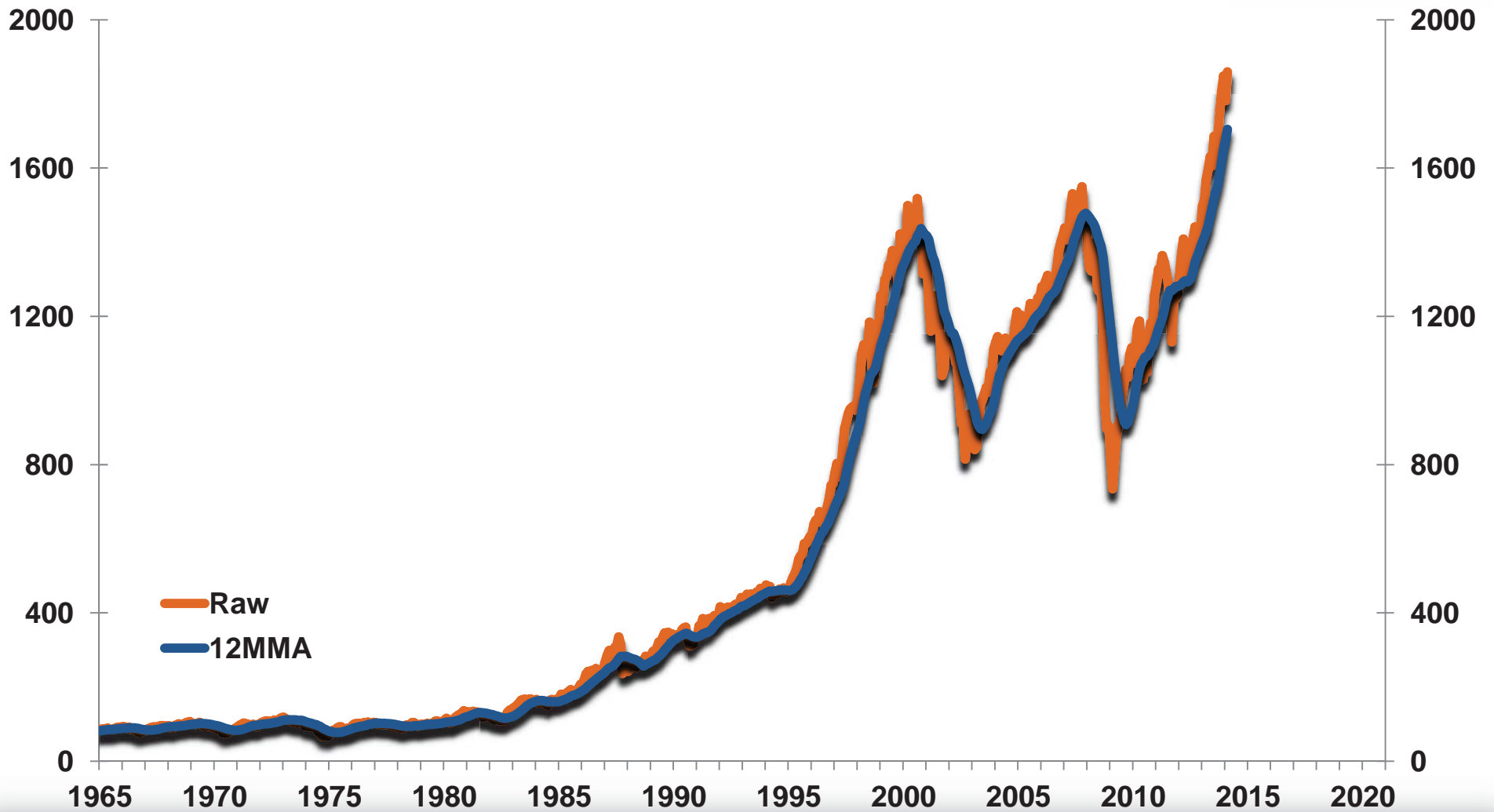


Raw Data

Average Hourly Wages for Production & Nonsupervisory Employees



S&P500 Stock Prices Index

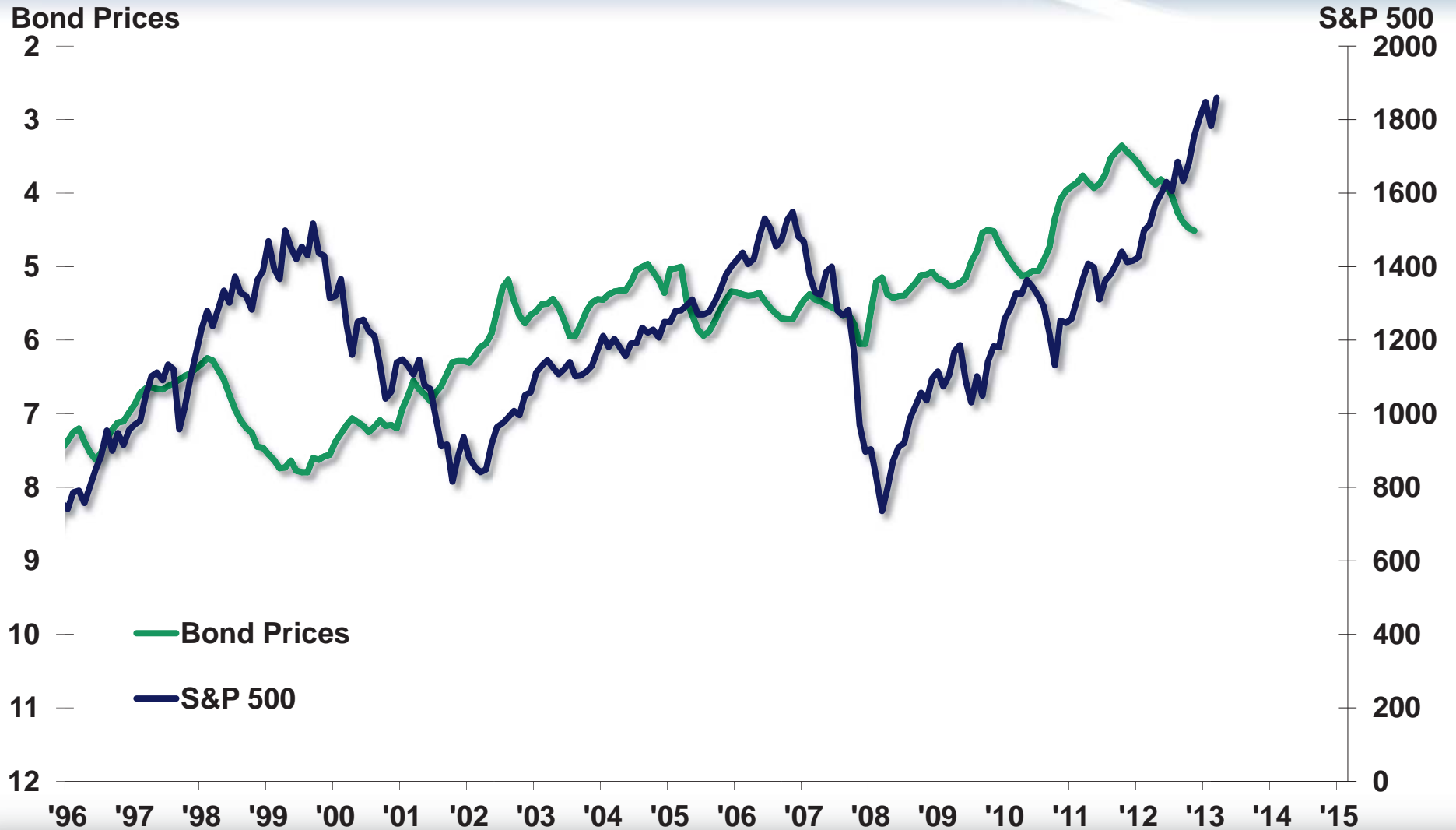


Data Trends

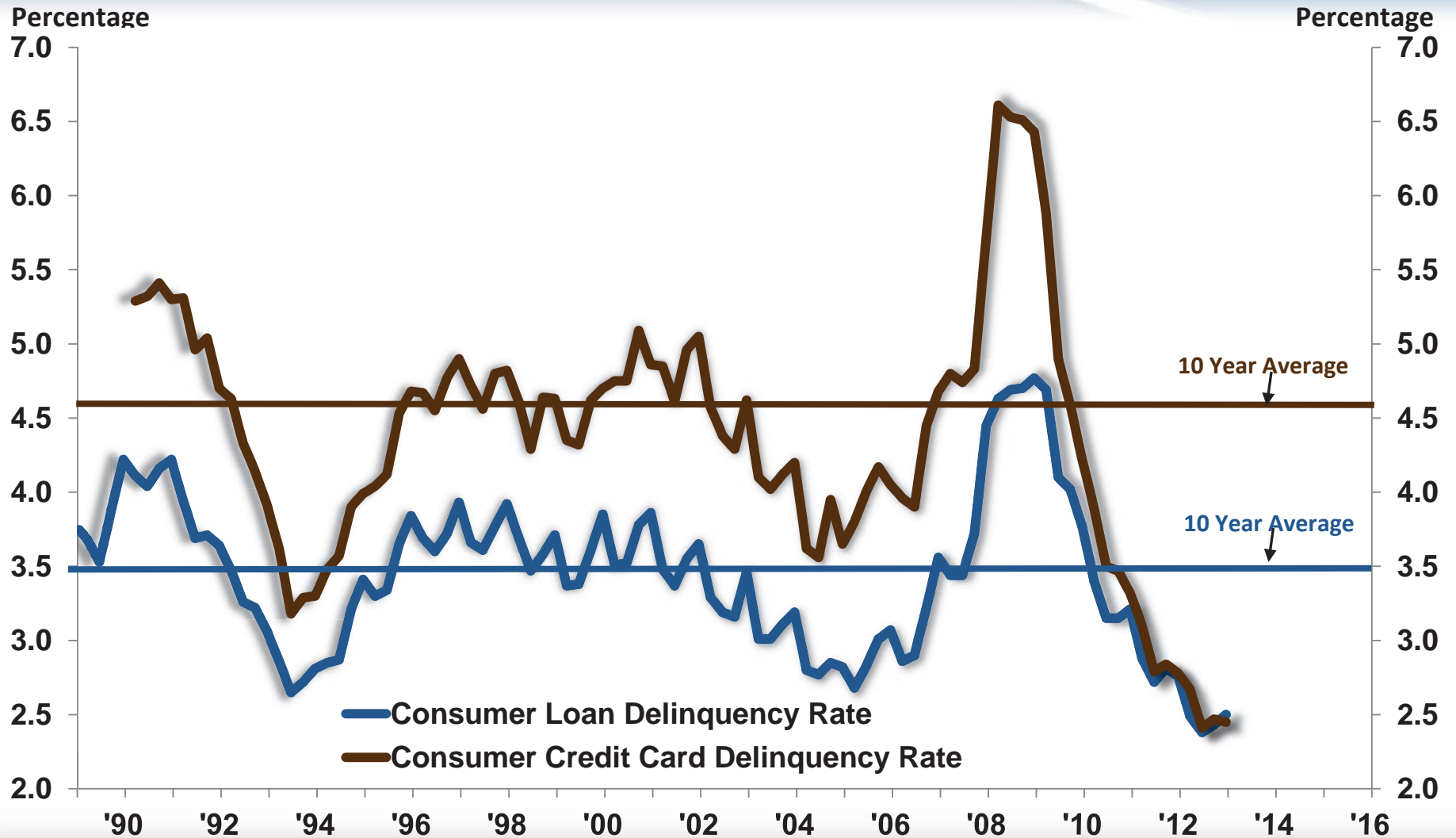


Source: Wall Street Journal

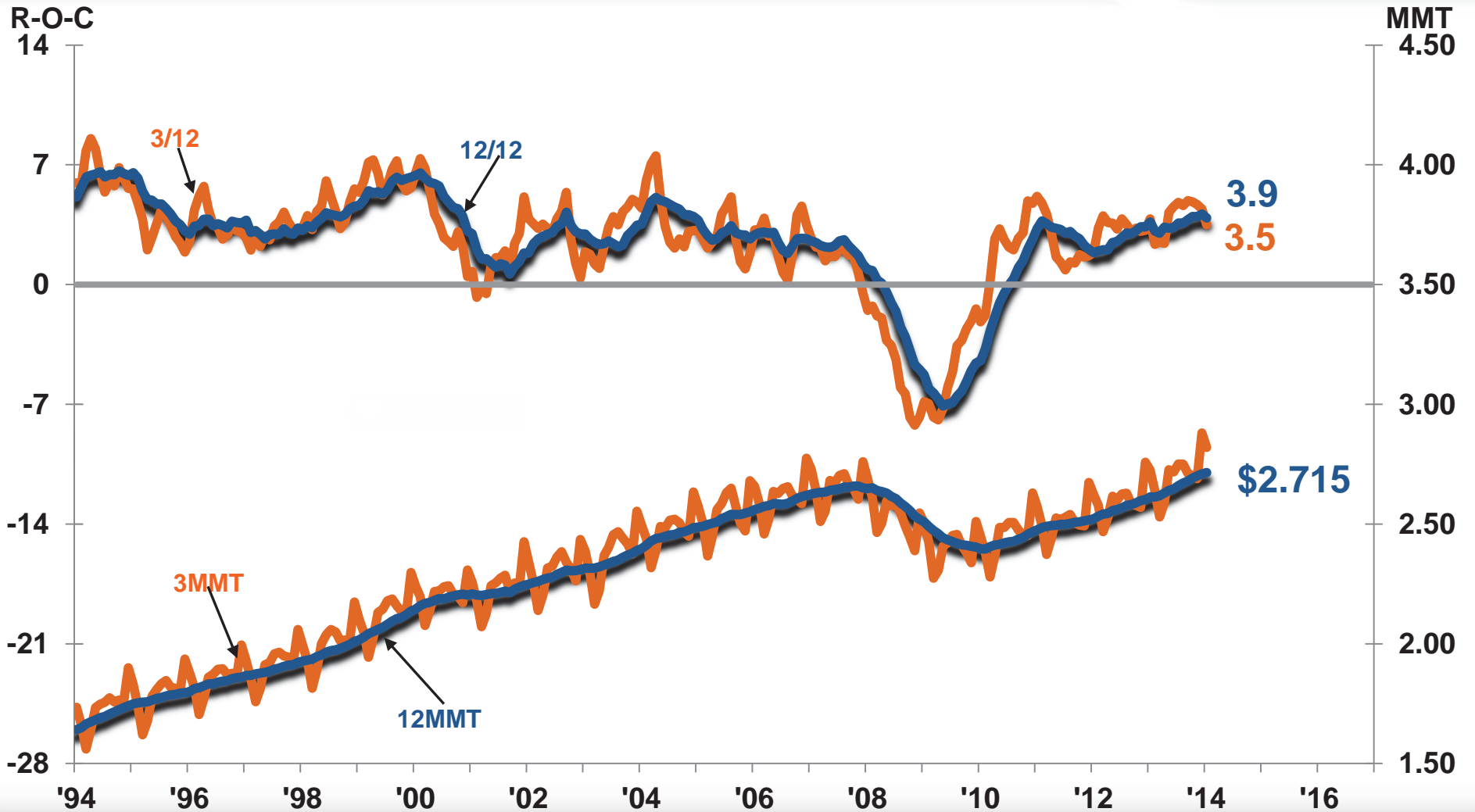
Corporate AAA Bond Prices to the S&P 500



Delinquency Rates on Consumer Loans

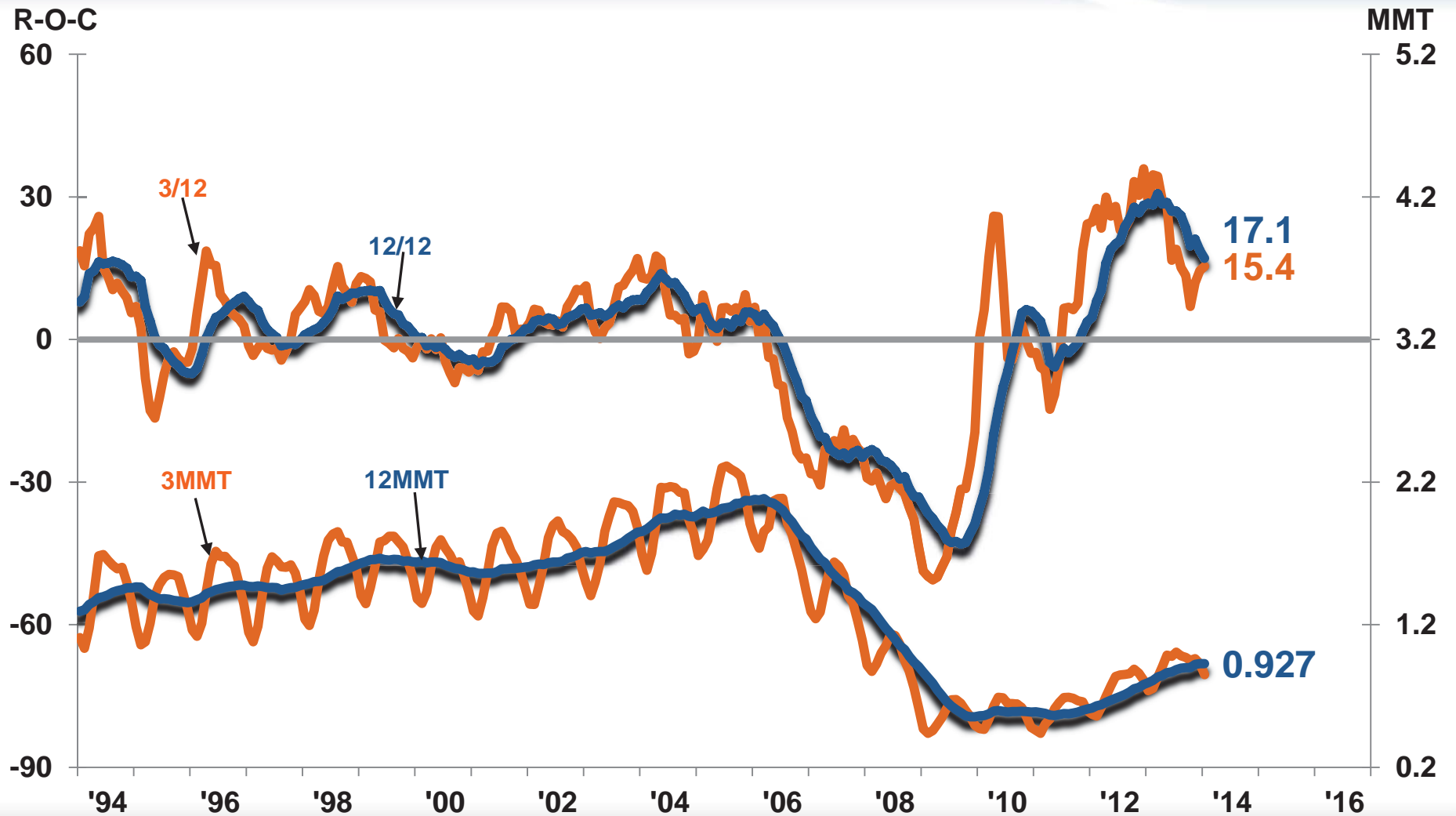


Total Retail Sales (deflated)



Trillions of 82-84\$

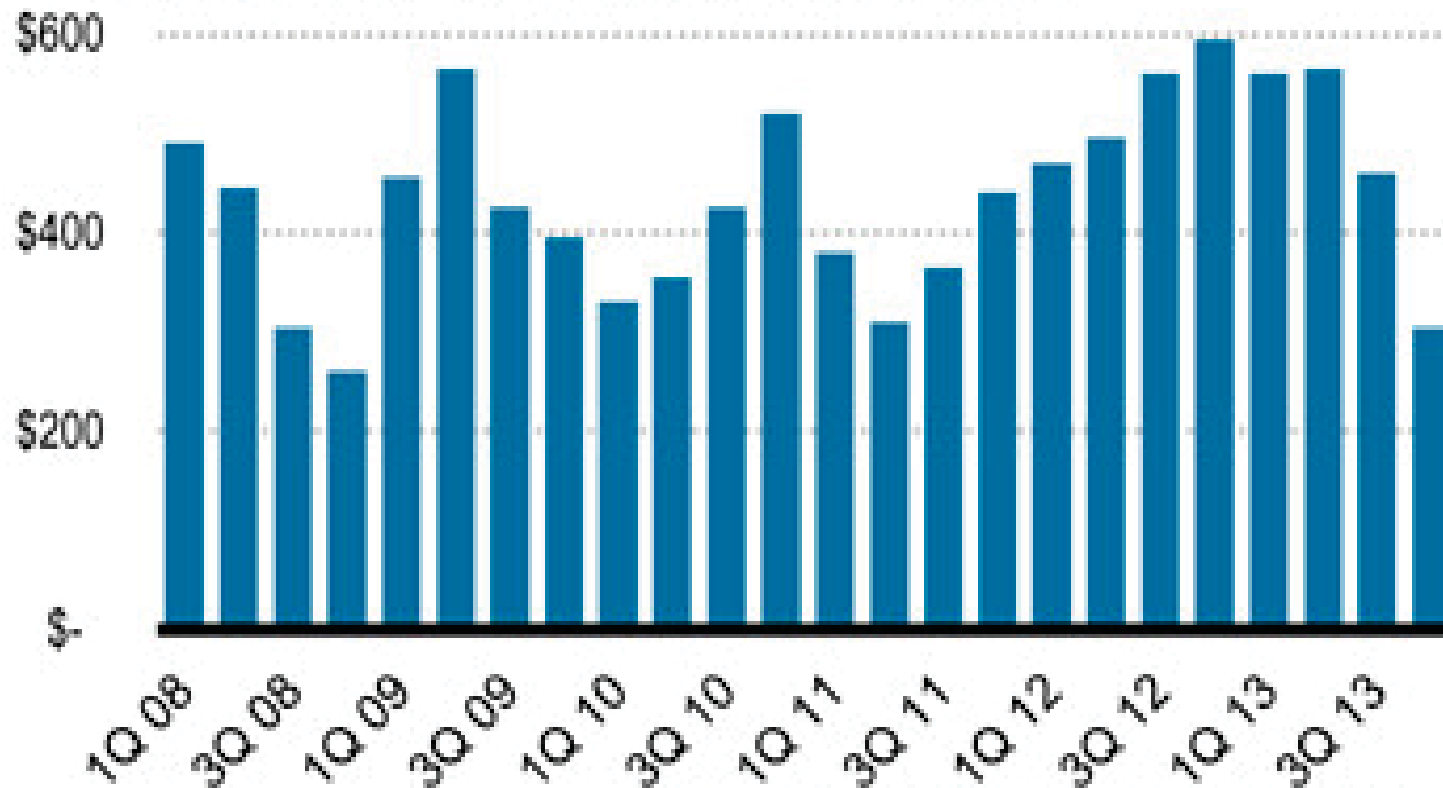
Housing Starts



Millions of Units

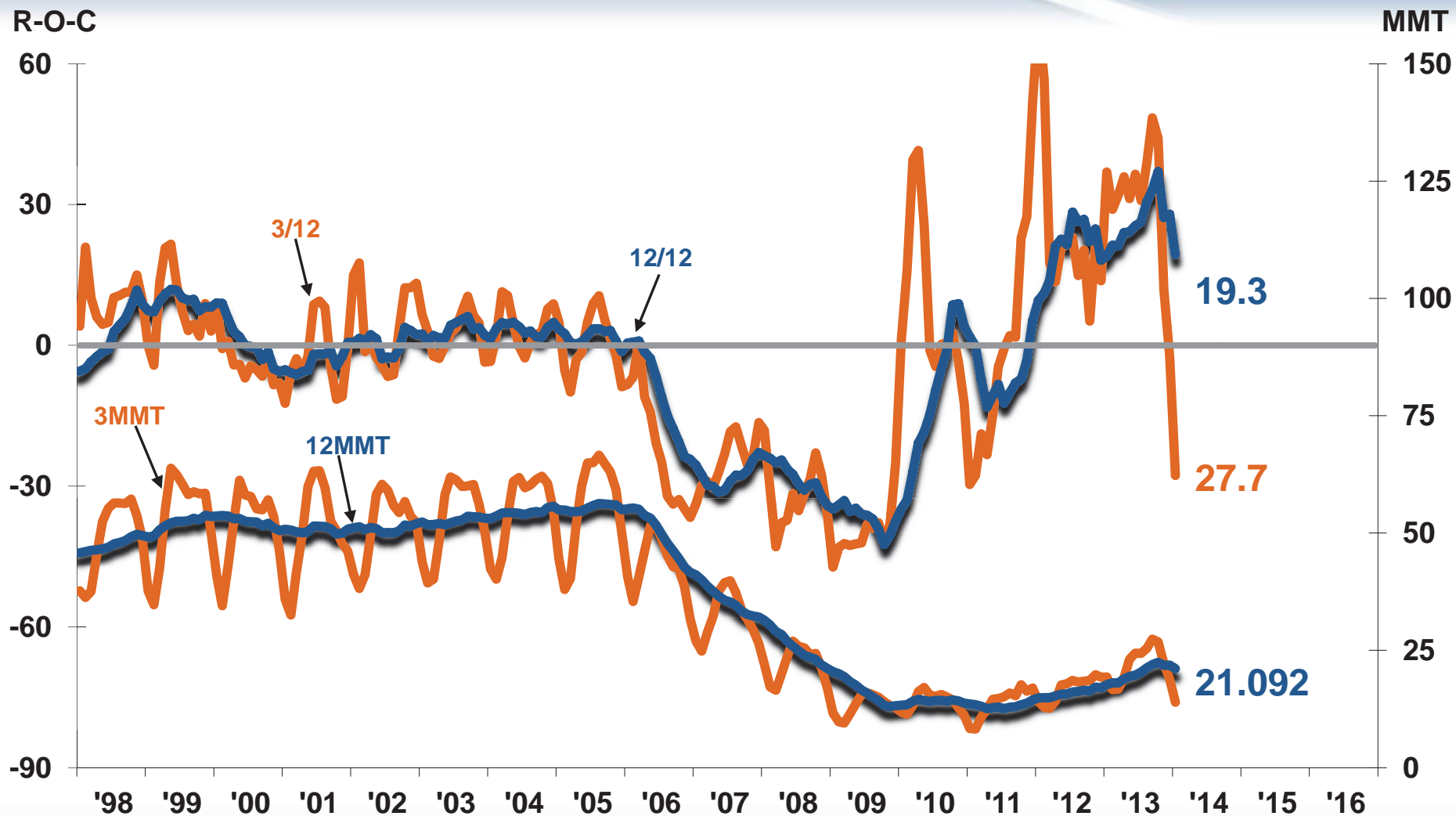
Loan Slump

Quarterly mortgage originations, in billions



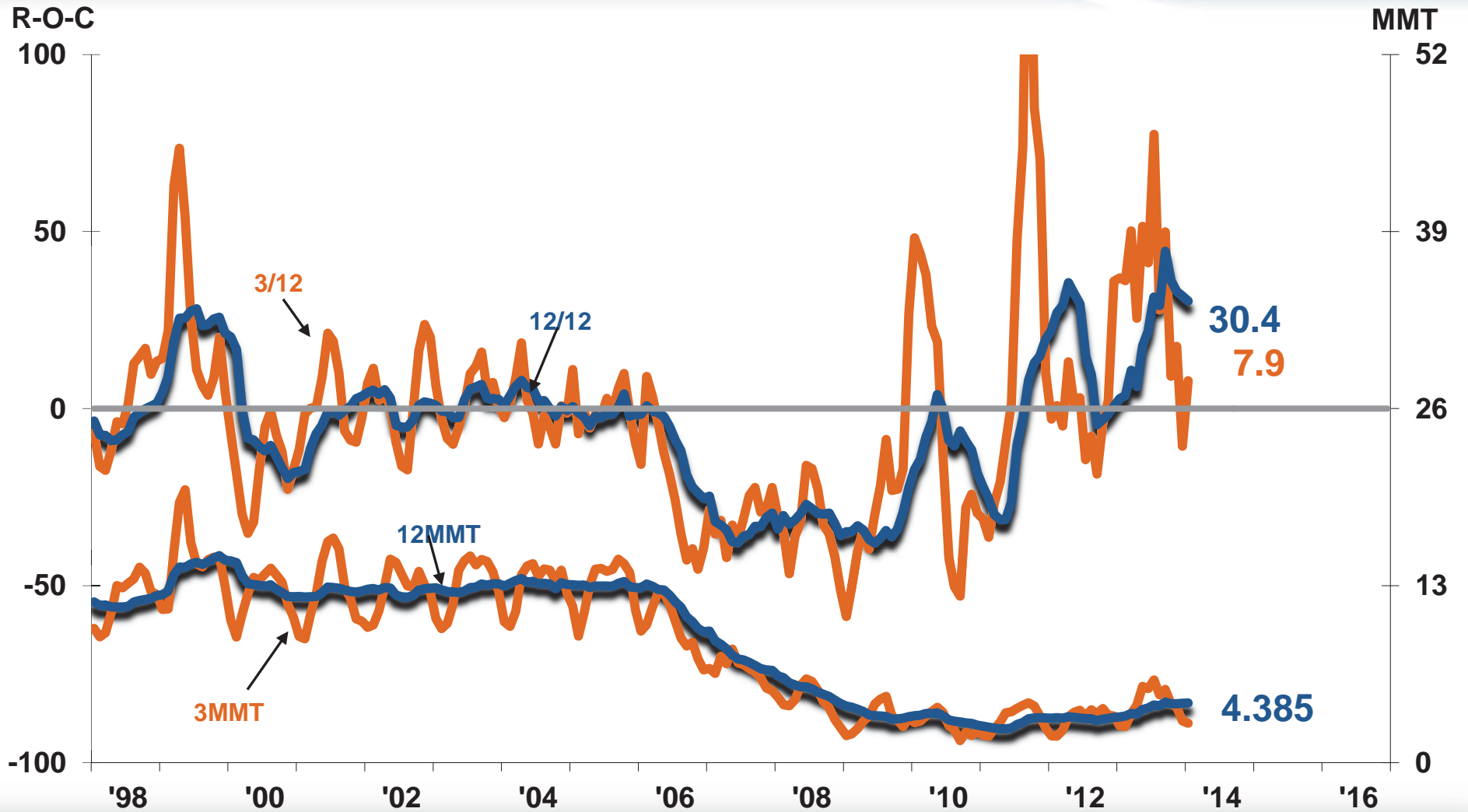
Source: Inside Mortgage Finance | WSJ.com

Ohio Building Permits



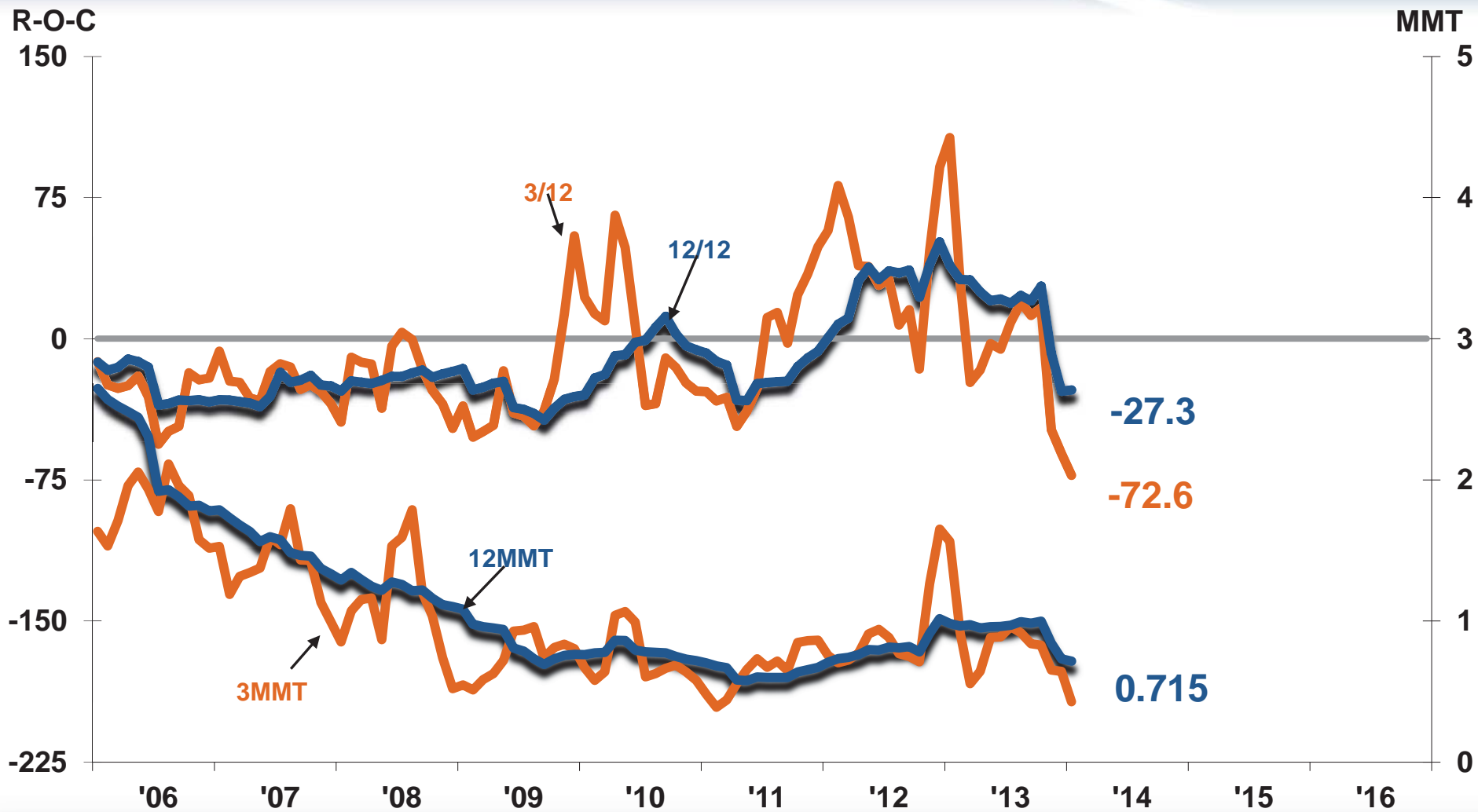
Thousands of Units

Cincinnati Building Permits



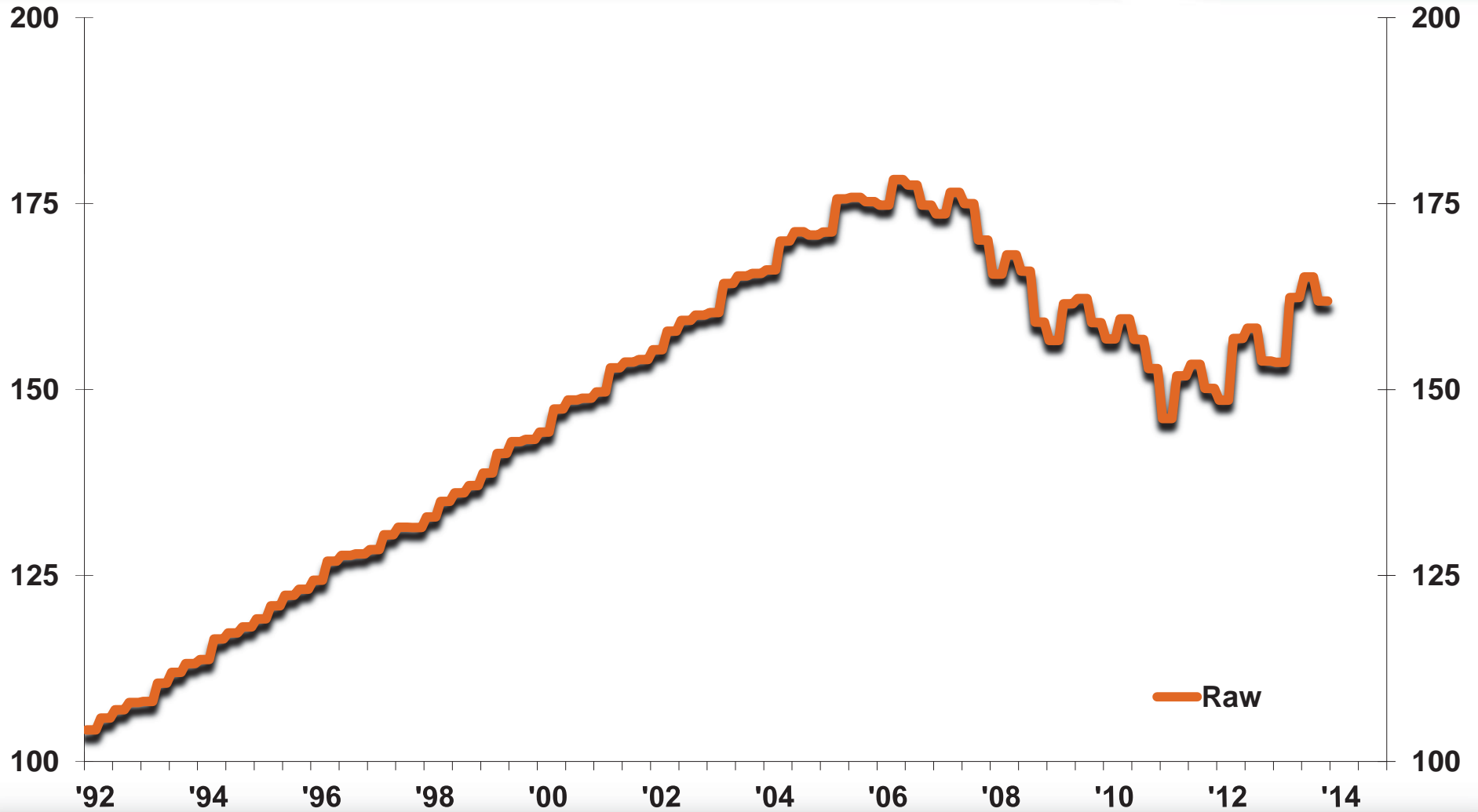
Thousands of Units

Dayton Building Permits



Thousands of Units

Ohio Housing Price Index



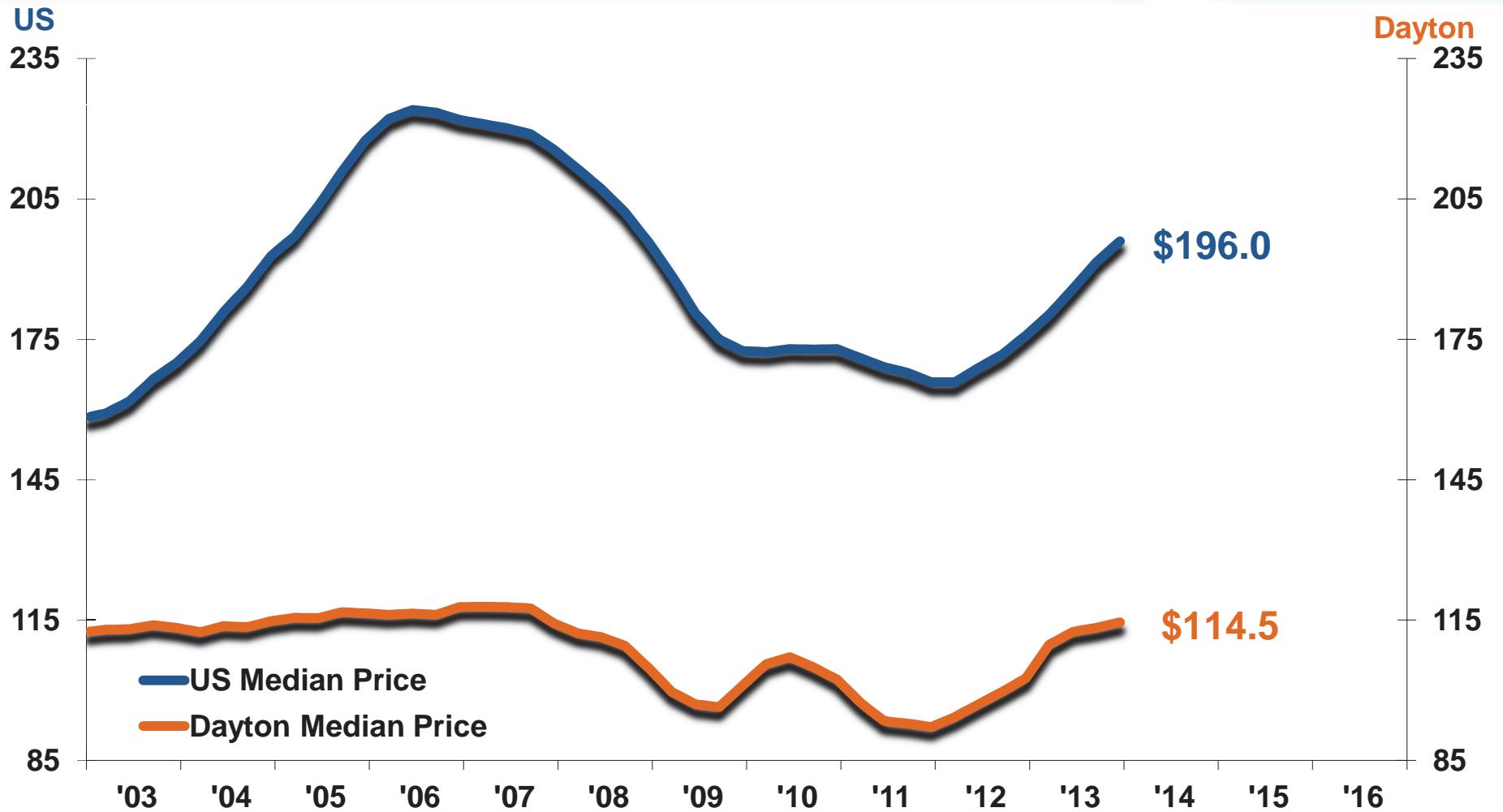
Year over Year % Change

US to Cincinnati Median Home Sale Prices



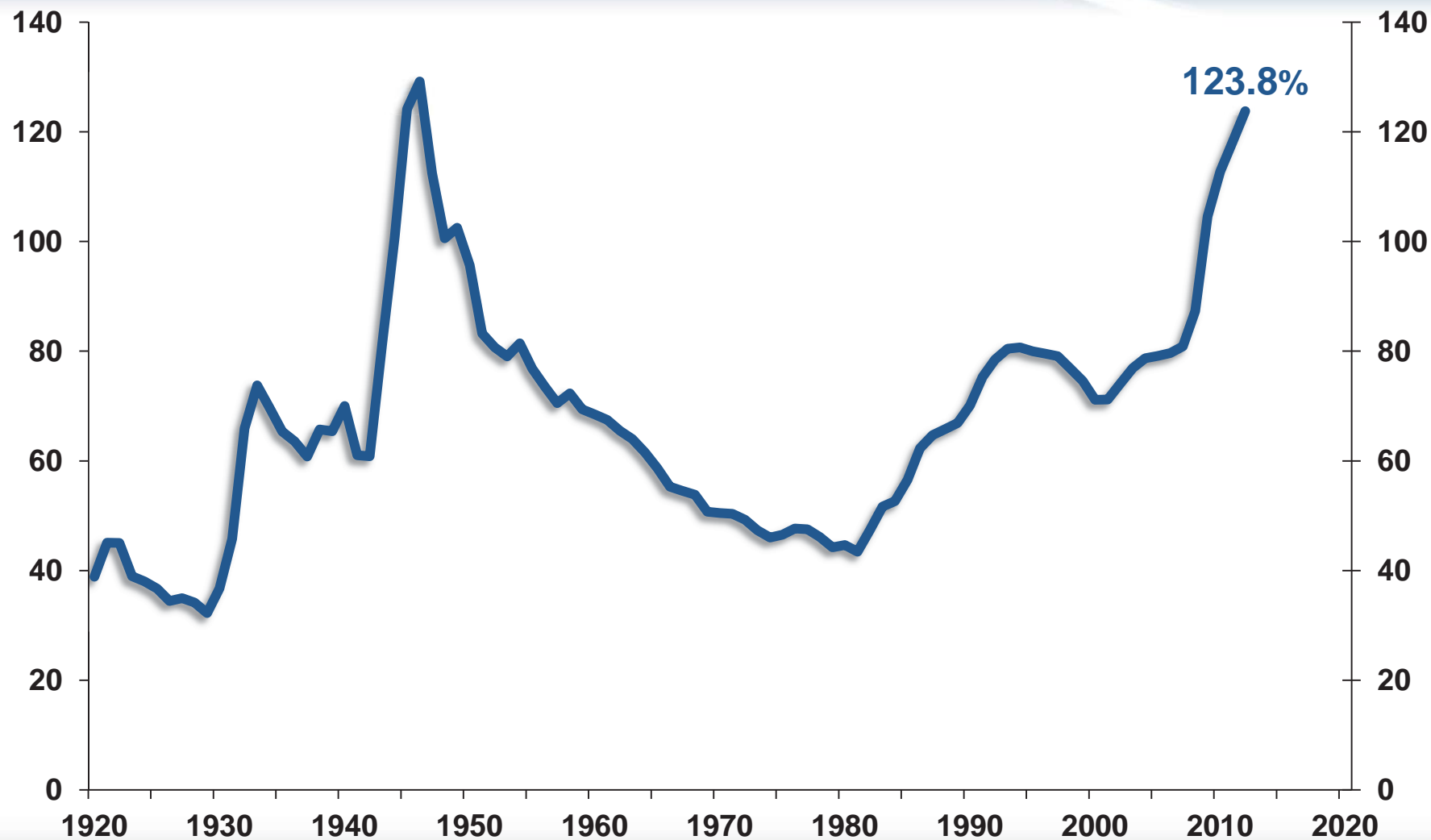
Annual Data Trends

US to Dayton Median Home Sale Prices



Annual Data Trends

Total U.S. Public Debt



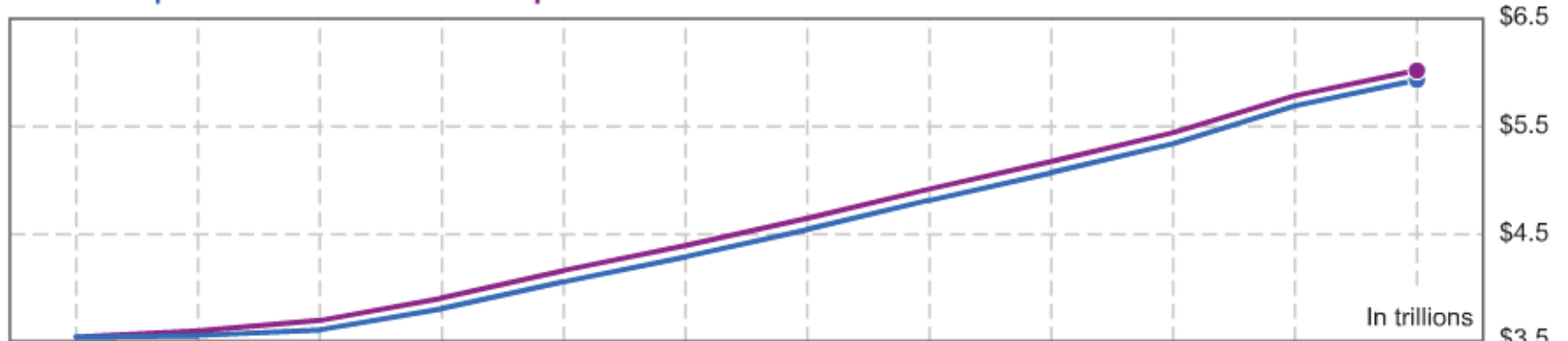
(% of GDP)

Sequestration

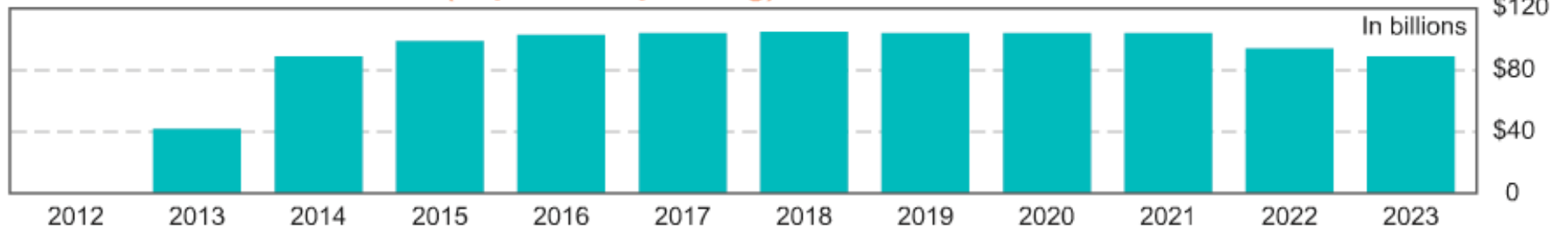
Projected total federal spending

Bloomberg

● With sequestration ● Without sequestration

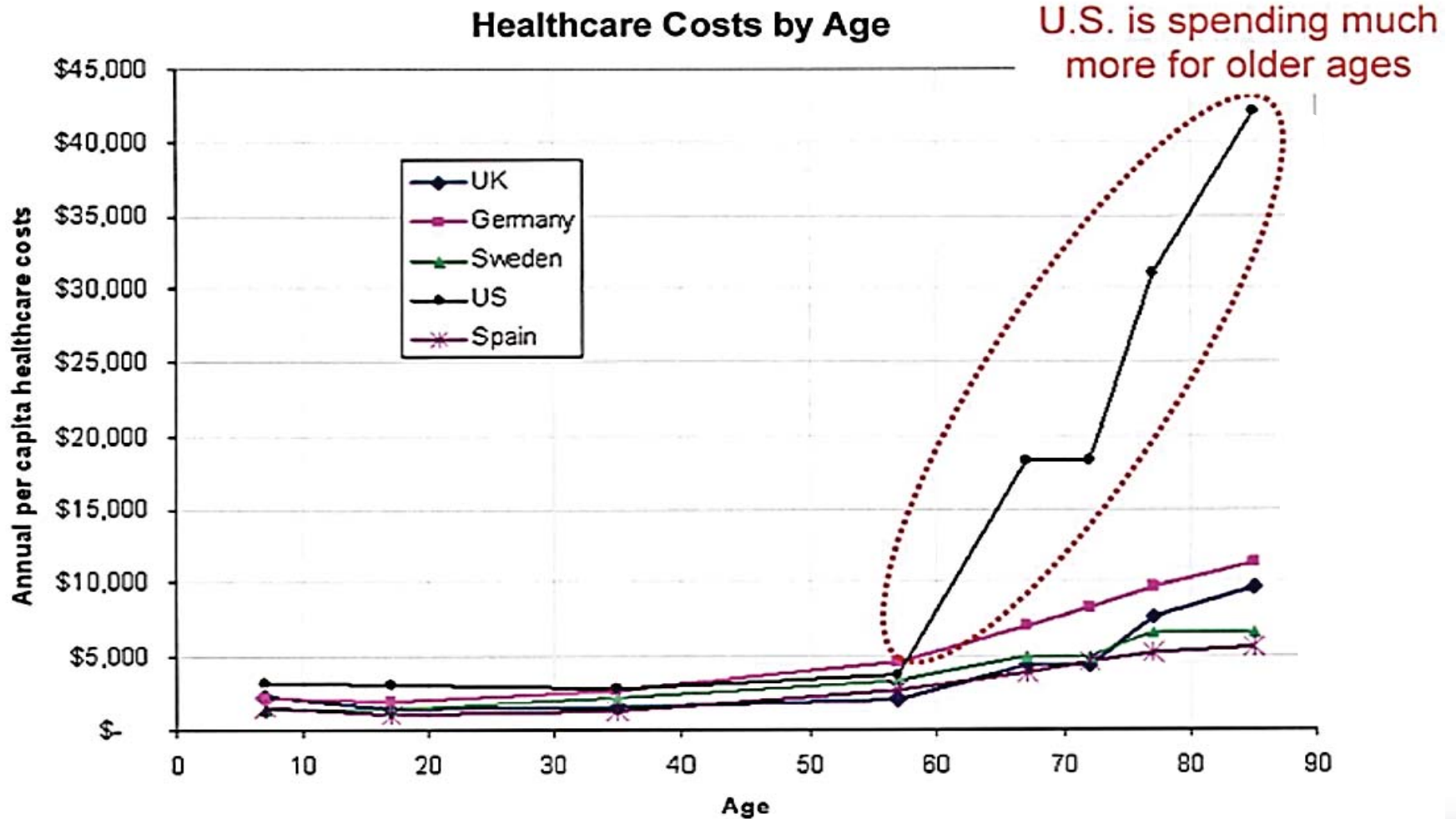


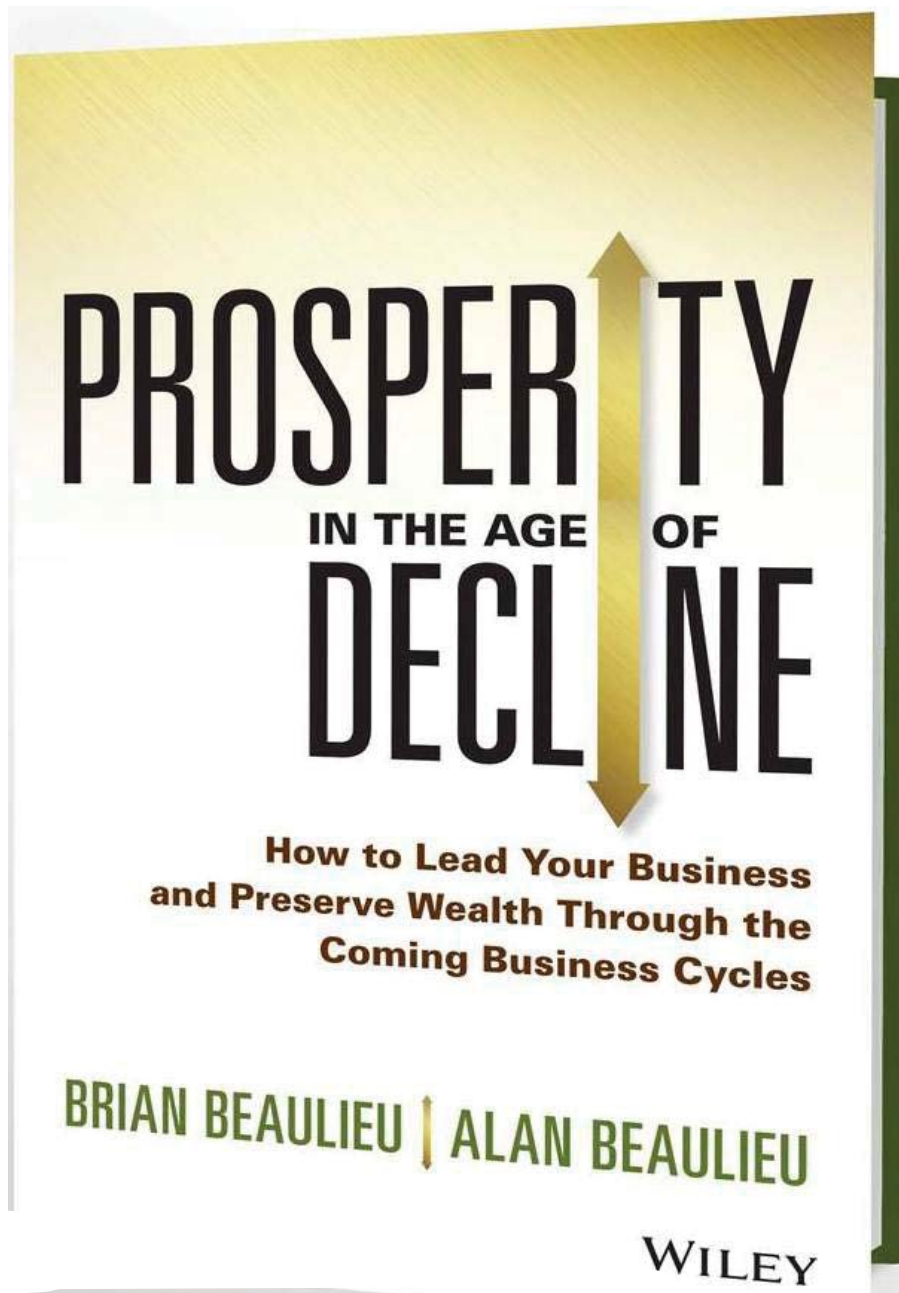
Difference between the two (impact on spending)



Source: John Taylor

Costs by Age Categories





Coming Soon
July 2014

Published by Wiley Press

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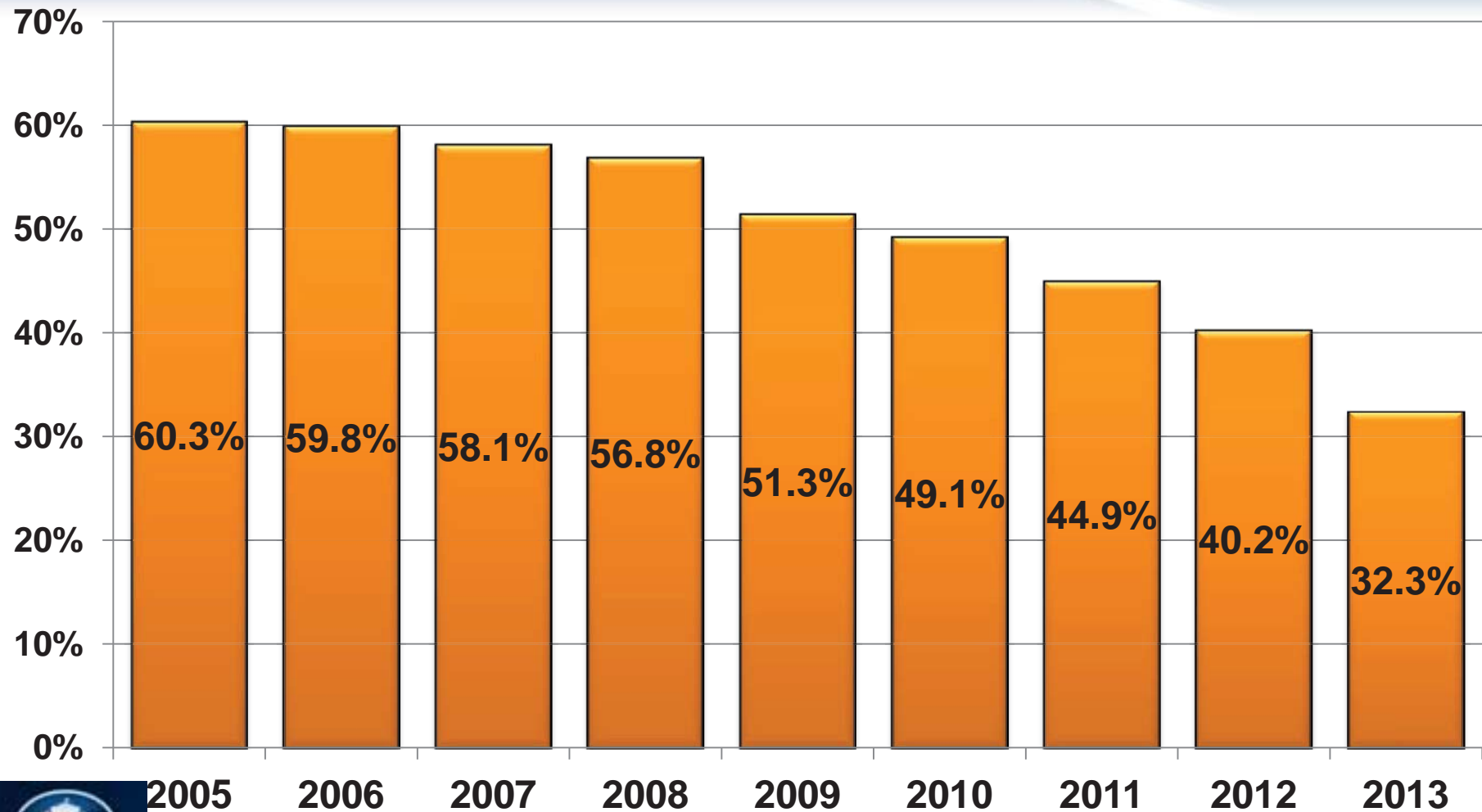
*And complete the
“contact us” form to learn more*



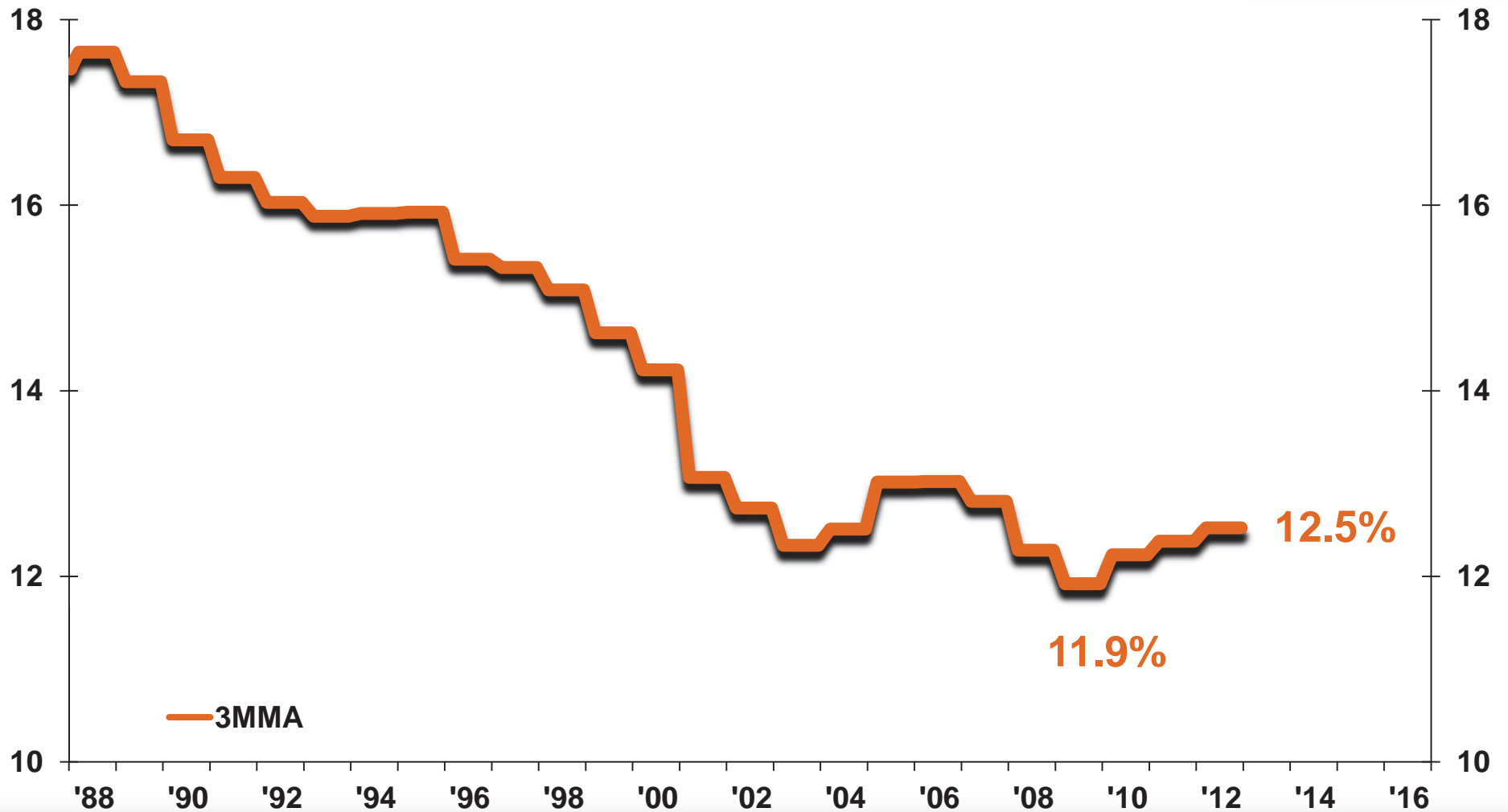
U.S. Dependence on Foreign Oil Declining

Net imports as a share of domestic consumption

33



US Manufacturing as a % of GDP (Value Added)



3MMA

The Tip of the Iceberg for Manufacturing Finding a Home in the USA

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Apple

Yamaha

Michelin

Wham-O

Bayer Chemical

Caterpillar

GE

NCR

Rolls Royce

Honda

Lenovo

Airbus

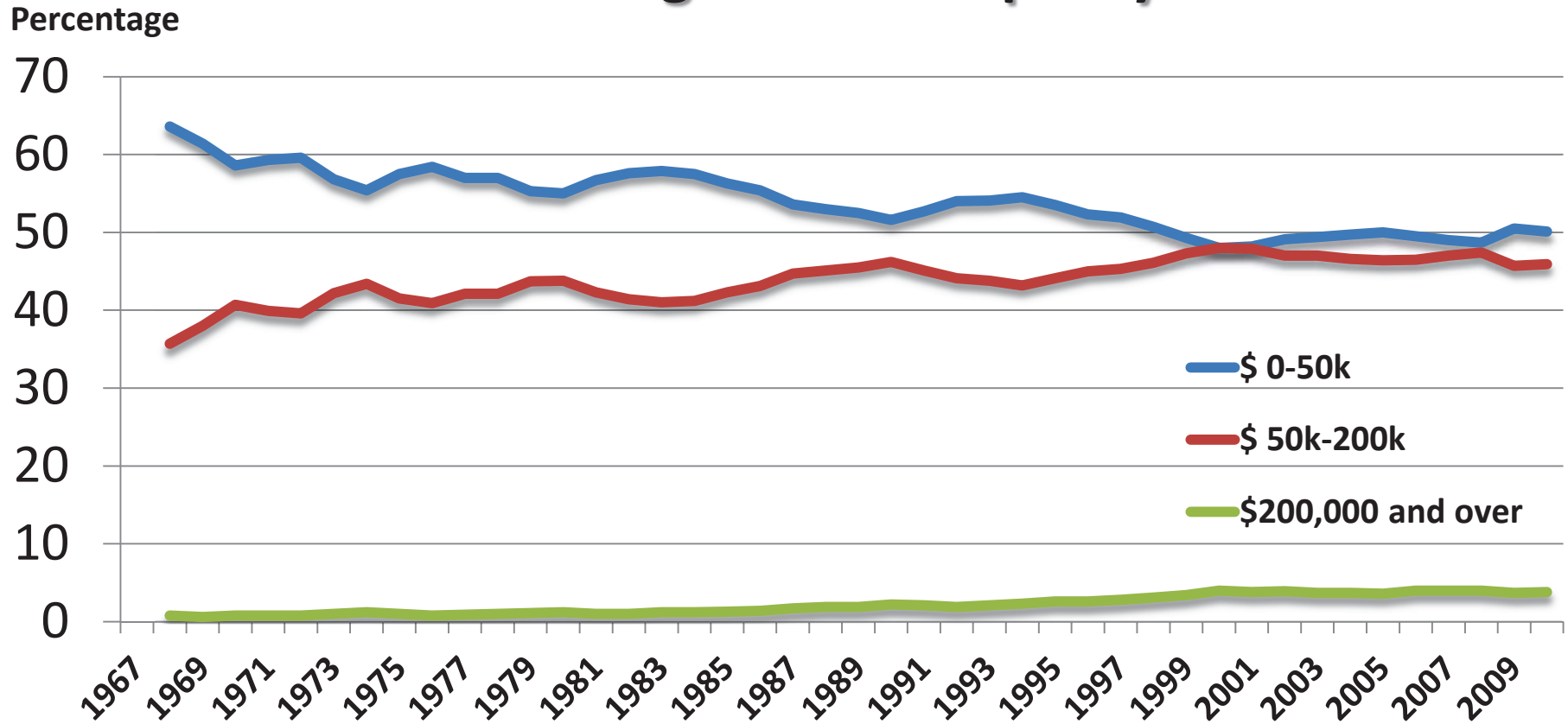
Toshiba

Toyota

Flextronics

Siemens

Growing Income Disparity ?



Income by Household	% in 1967	% in 2009
Less than \$50,000	61.4%	50.1%
\$50,000 to \$200,000	39.0%	45.9%
Over \$200,000	0.6%	3.8%

Source: Census Bureau

Phase Management Objectives™

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Preparing for 2014-2017

1. Positive leadership modeling (culture turns to behavior)
2. Invest in customer market research (know what they value)
3. Training programs (people, process, internal metrics)
4. Review and uncover competitive advantages
5. Spend \$ on new products, marketing, advertising
6. Improve efficiencies with investment in technology and software
7. Check systems for readiness to accommodate increased activity
8. Add Sales Staff and Hire Top People
9. Lock in costs
10. Judiciously examine credit
11. Work on “what’s next”

Opportunities:

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- ▶ Energy Distribution
- ▶ Water Distribution/Conservation
- ▶ Exports from U.S.
- ▶ Vocational Education
- ▶ Health Care
- ▶ Food
- ▶ Mexico
- ▶ Housing
- ▶ Funeral Services
- ▶ Printed Electronics
- ▶ Security
- ▶ 3-D Printing
- ▶ Natural Resources (Harvesting/Conserving)
- ▶ Entertainment

8 Must Watch Items

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- ❖ **ITR Leading Indicator**
- ❖ **Housing Starts**
- ❖ **Bond Market**
- ❖ **US Leading Indicator**
- ❖ **Purchasing Managers Index**
- ❖ **Retail Sales**
- ❖ **Employment**
- ❖ **Nondefense Capital Goods New Orders**

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- Consists of Current Events, Brief Industry Segments, Snap Shot Indicators, Readers' Questions, Fed Notes, ITR Opportunity Index, and more
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THE ITR ADVISOR

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Make Your Move

There is no change to our outlook for 2012 and 2013. The next 18 months will provide an opportunity for entrepreneurial-minded leaders to mitigate the 2014 recession.

Housing Signals

It is no secret that housing starts are still only a third of what they were pre-recession. But when viewed as a leading indicator, the housing market is pointing up, providing a positive sign for business in 2012.

Those familiar with ITR know that we are all about taking the guesswork out of planning by focusing on the tried and true economic signals in front of us. The housing market is one of those reliable indicators. Through the early days of the recession, the housing market was one of the most overtly negative indicators, suggesting the downturn in the overall economy would be neither brief nor mild. On the backside of the recession, housing remained weak, only temporarily boosted by the 2009 to 2010 homebuyer's tax credit. Accordingly we told our clients that the recovery in the US economy would not be strong by historical standards and that garnering new business would require an aggressive and proactive approach.

The economic tides have shifted once again. Over the past three months, foreclosure filings have fallen 8.6% and new starts are up 23.8% over last year, making for some of the most positive numbers we have seen out of the housing market in years. With a 5 to 8 month lead time to most other industries, housing starts are pointing to a stronger economy ahead.

Why are we seeing an improvement in housing? The reason is a robust demand for new apartments. As bad as the single-family market has been, the multi-family market is seeing stronger demand, scarce supply, and a 54.1% annual increase in new construction to fill the gap. Typically, a large number of the new households are young adults, moving away from home or college as they attain jobs. The US employment trend has been improving, and as a result, apartment demand is higher. Rents have been stable or rising in most metro areas, and apartment vacancy rates are falling.

It is time to adapt our mindsets. The housing market will not return to full steam on apartment construction alone since multi-family typically accounts for less than one-third of the residential market. However, with the majority of the US economy already in a recovery and the housing market no longer being the dead-weight anchor dragging along, you can plan with confidence for an improving economic environment in 2012.

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Multi-Family	54.1%
Single-Family	4.0%

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