

Economic Update

October 9, 2009



ACCG
Association County Commissioners of Georgia



OVERVIEW OF THE ECONOMY

Real Time Economics

Economic insight and analysis from The Wall Street Journal.

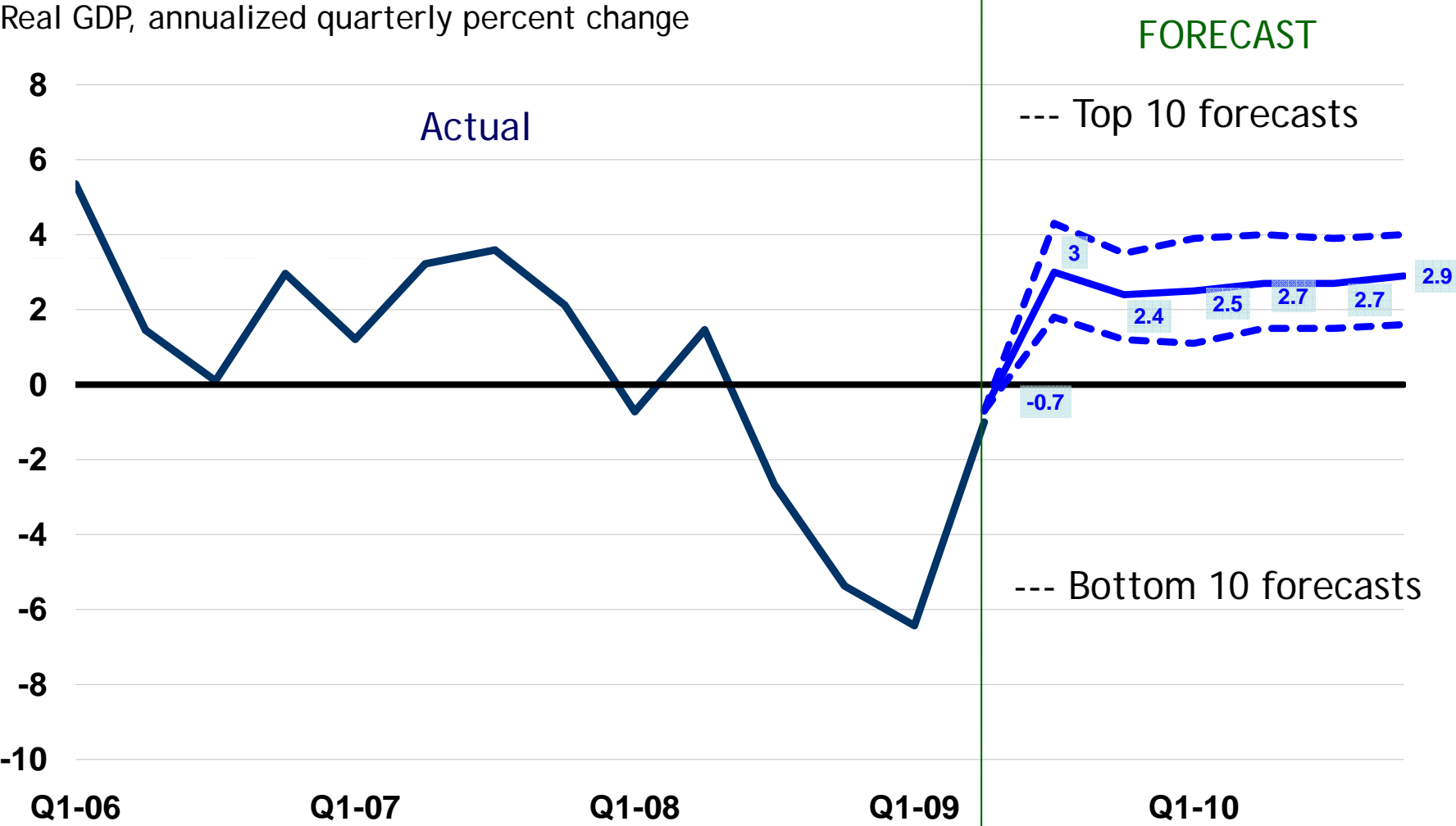
September 15, 2009, 11:06 AM ET

Bernanke Says Recession Over



- The incoming data show greater stability and indicate positive GDP growth in the third quarter.
- The outlook beyond the current quarter remains subdued.
- Pressure on state government finances likely to continue.

The consensus U.S. forecast projects a slow-growth scenario extending through 2010.

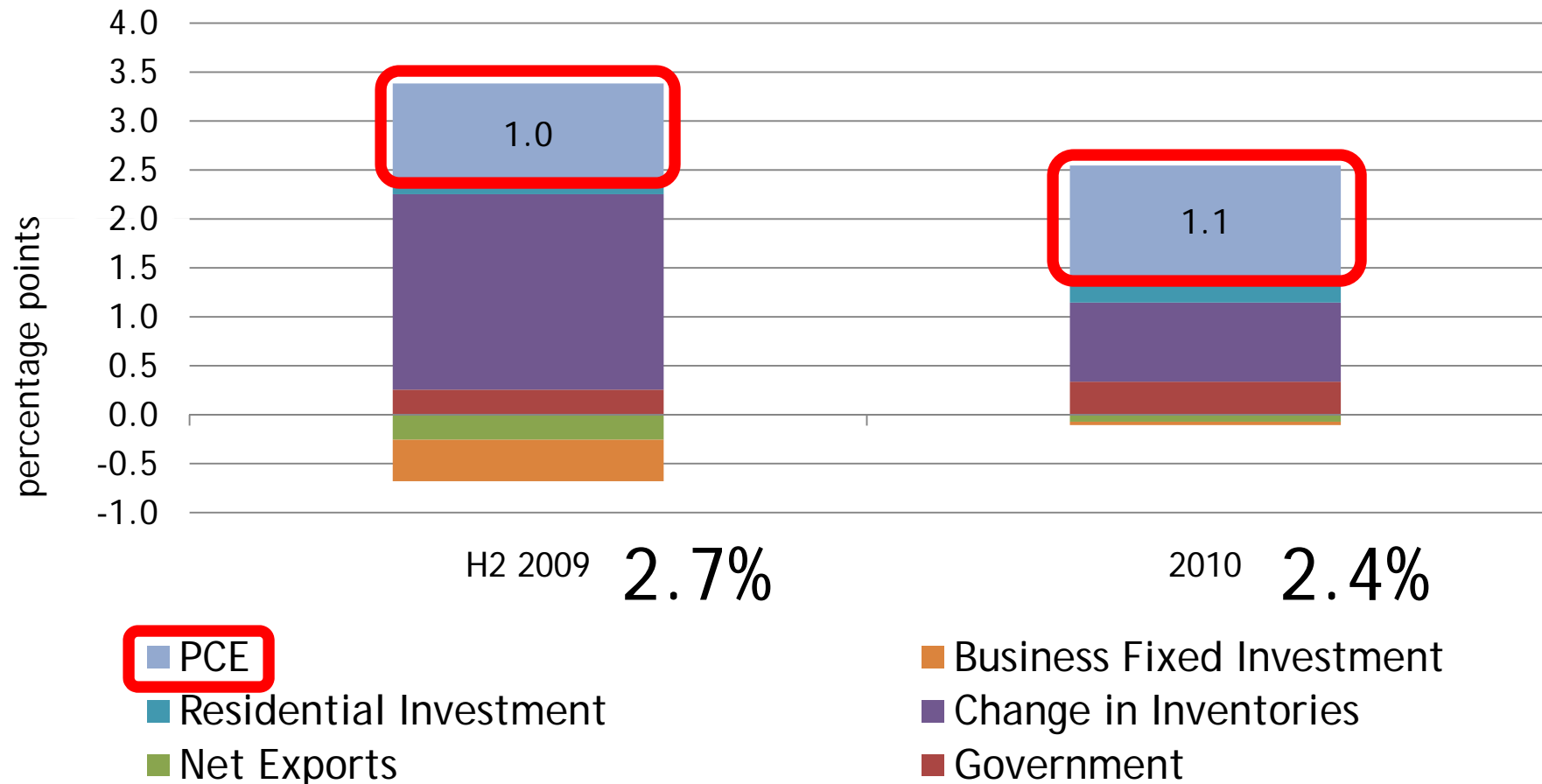


SOURCES: Blue Chip panel of economists, September 10, 2009.

Compared with other recoveries, the current turnaround is expected to be very modest.

Contribution to % Change in Real GDP

Blue Chip Forecast for H2 2009 and 2010



Note: Blue Chip forecast is average of contributions in Q3 and Q4 2009 and annual average for 2010
Source: Blue Chip panel of economists, September 10, 2009, FRBA

Heading into the Holiday Season . . .

What's the outlook for sales?

National Retail Federation:
Holiday spending expected to be **down 1 percent** from 2008.

International Council of Shopping Centers: Holiday spending expected to be **up 1 percent** from 2008.

The Nielsen Company: Holiday spending expected to be **flat** compared to 2008.



Bottom Line:
Better than 2008, which was down 3.4 percent from the previous year, but still not very good.

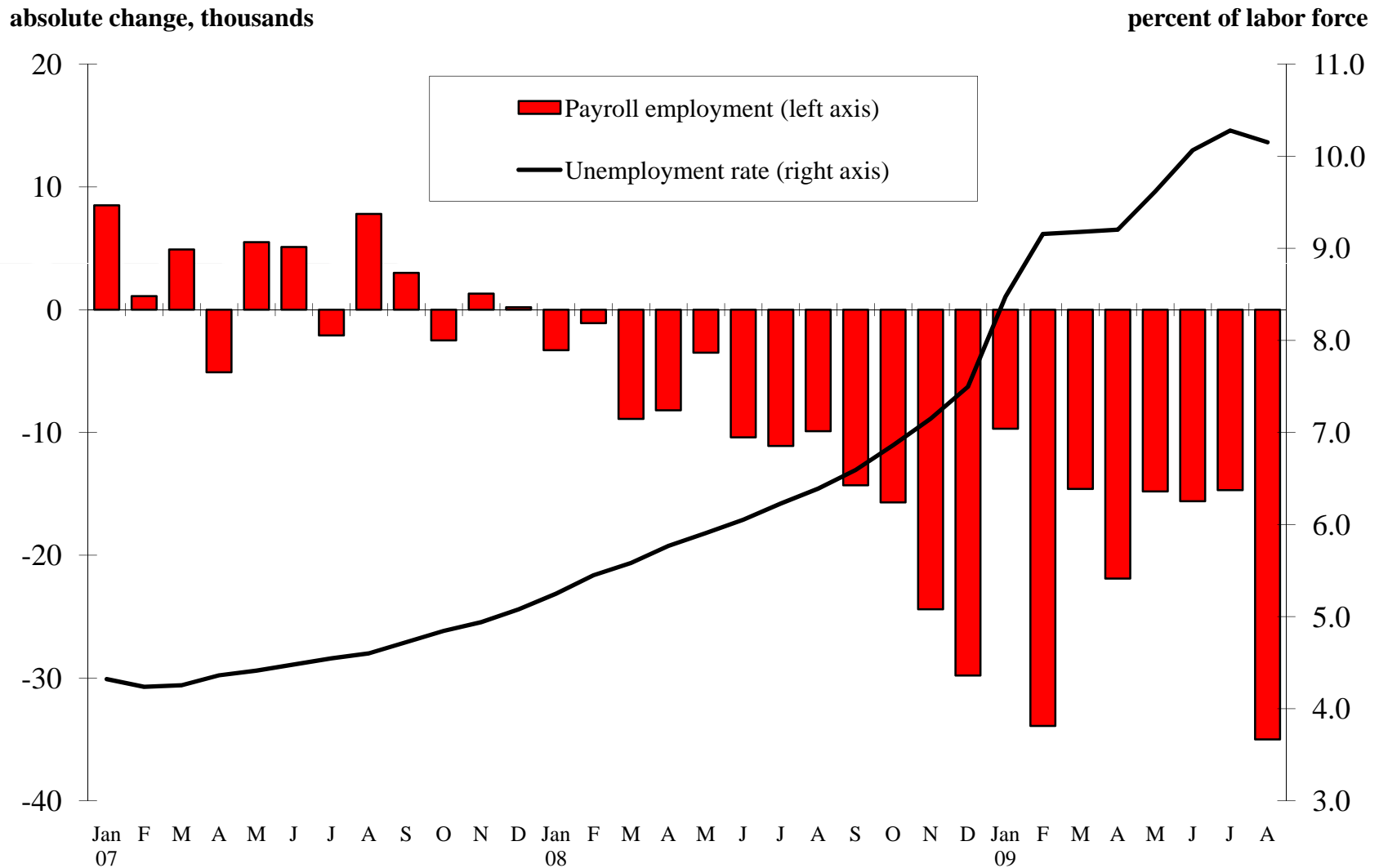
A closer look at consumption . . .

- PCE (consumer spending) is not expected to rebound quickly.
- It is forecast to account for 1.0 percent of economic growth in H2 2009 and 1.1 percent in 2010.
 - In previous recoveries, it PCE added 2.5 to 3.0 percent to economic growth.
- Why the difference?
 - Unemployment: reality or fear.
 - Declining wealth from home price and stock market decline.
 - Increase in savings.
 - Access to credit issues.

Where's the Jobs?

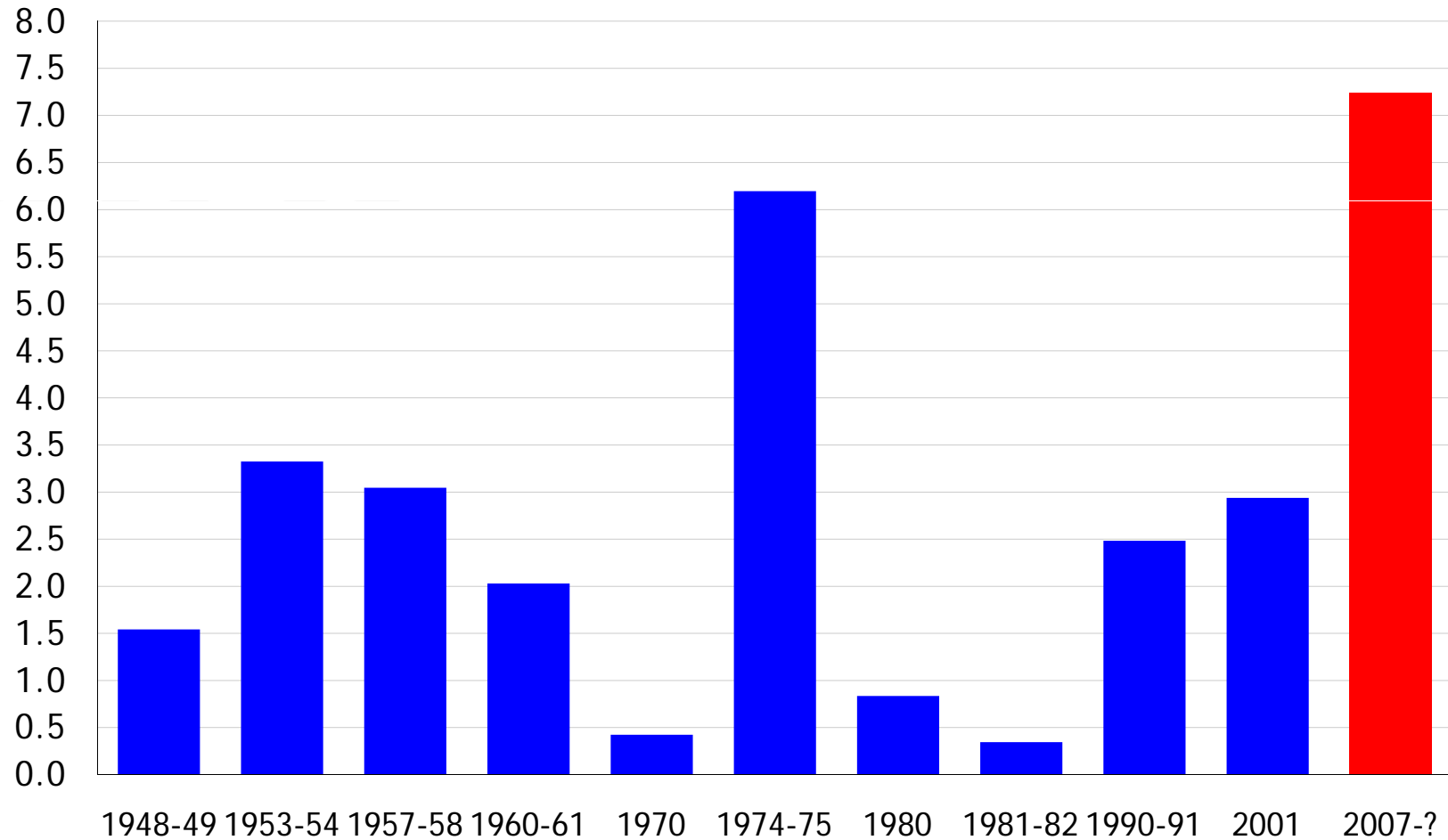


Unemployment in Georgia has risen and job losses have mounted.

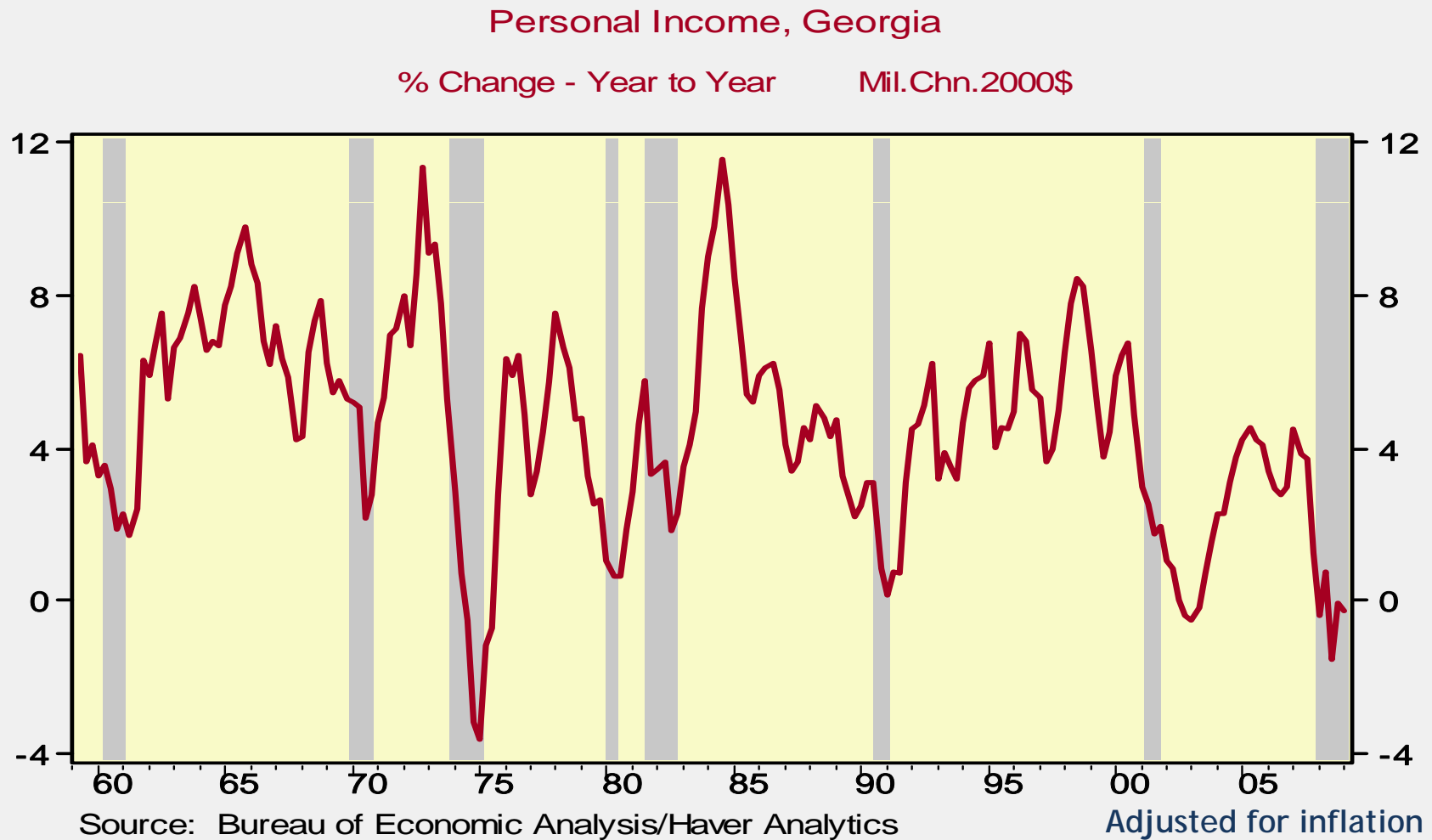


In lost jobs, this recession takes the (postwar) prize...

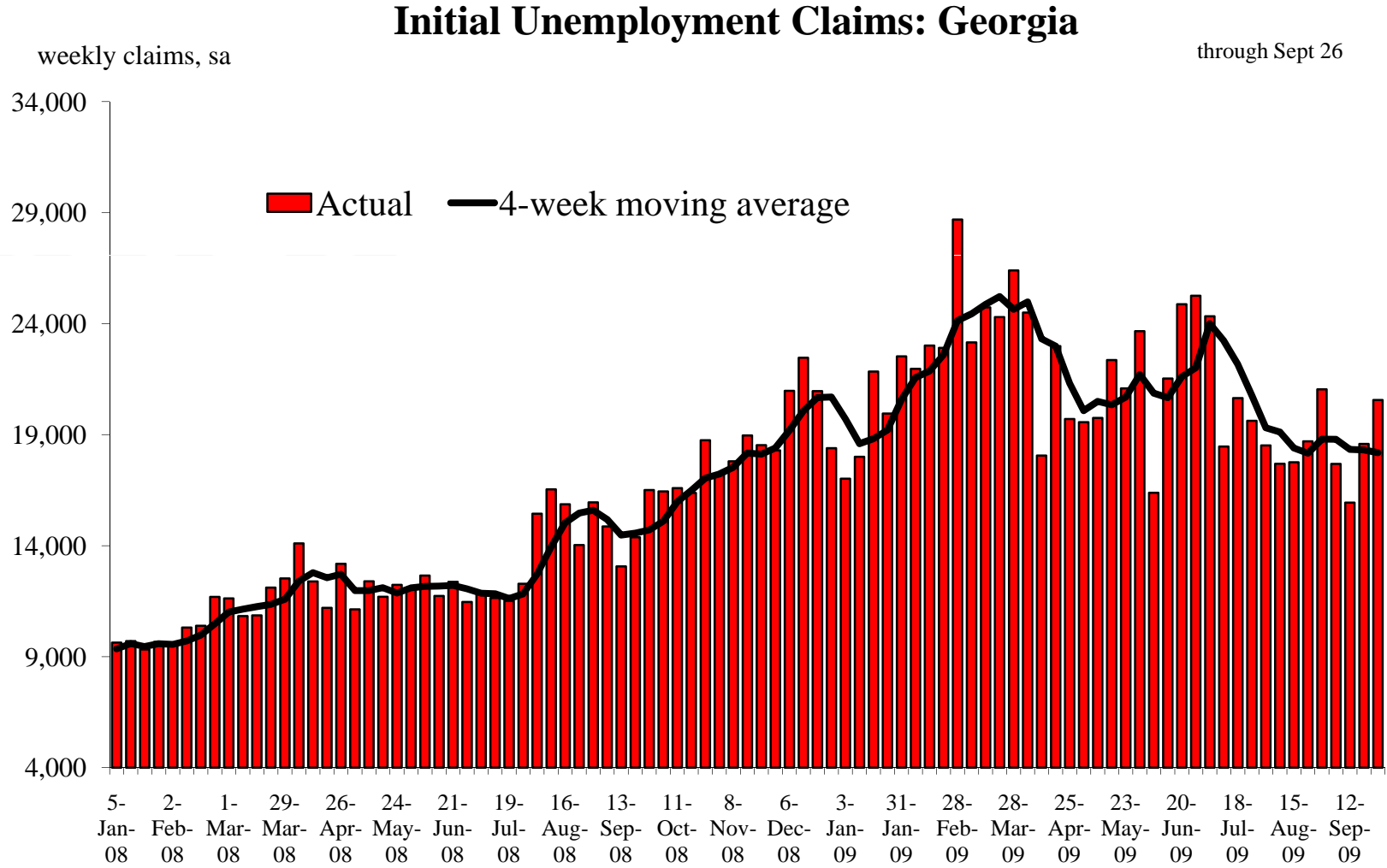
Georgia Recession Comparisons: Employment
Maximum percent loss, from peak



As a result, real personal income is declining.



Hopeful signs in recent data?



Housing: Is the Worst Over??

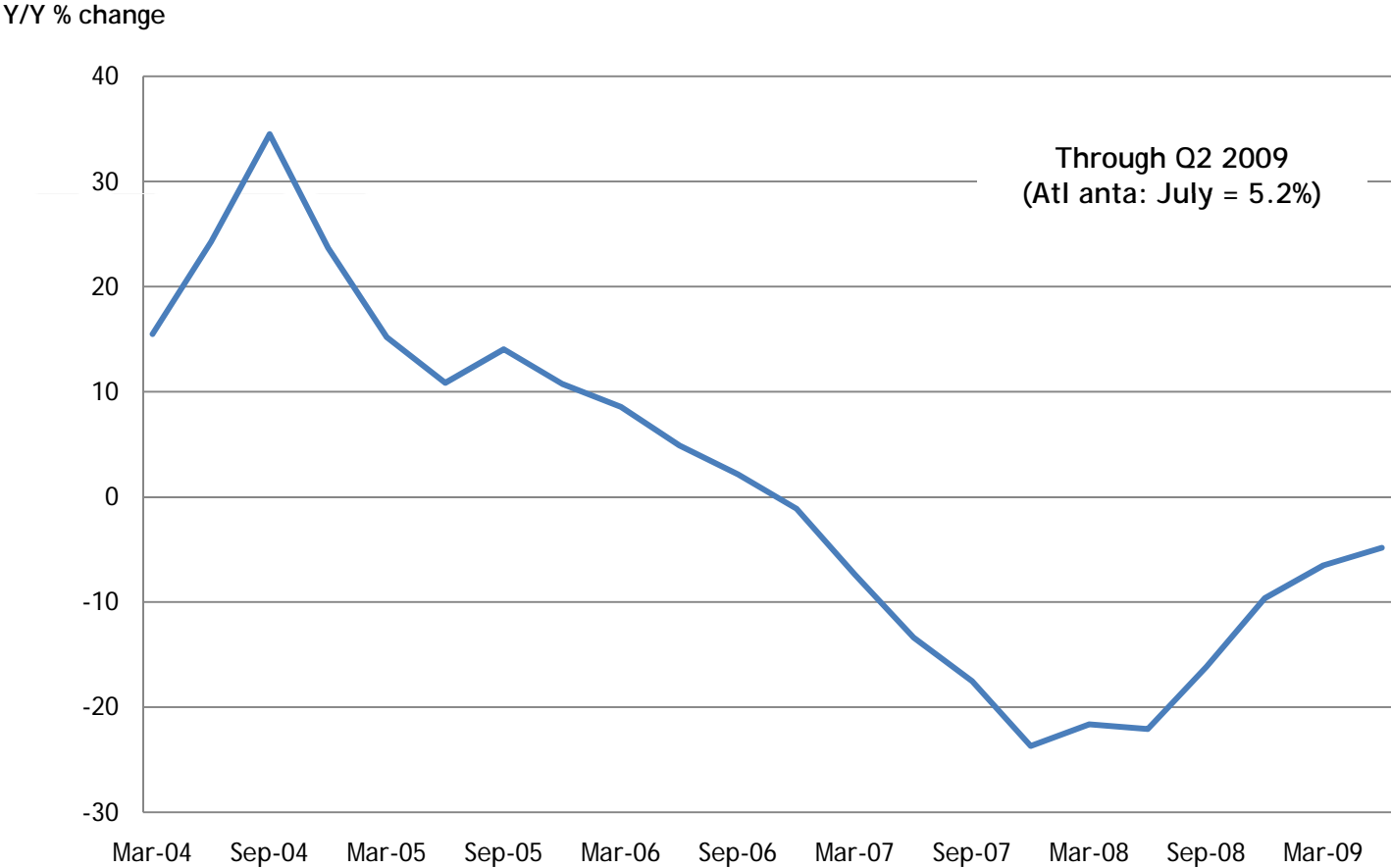


Residential construction is expected to add very little to the overall rebound (but at least it's not contracting).

Home price decline is abating in most areas.

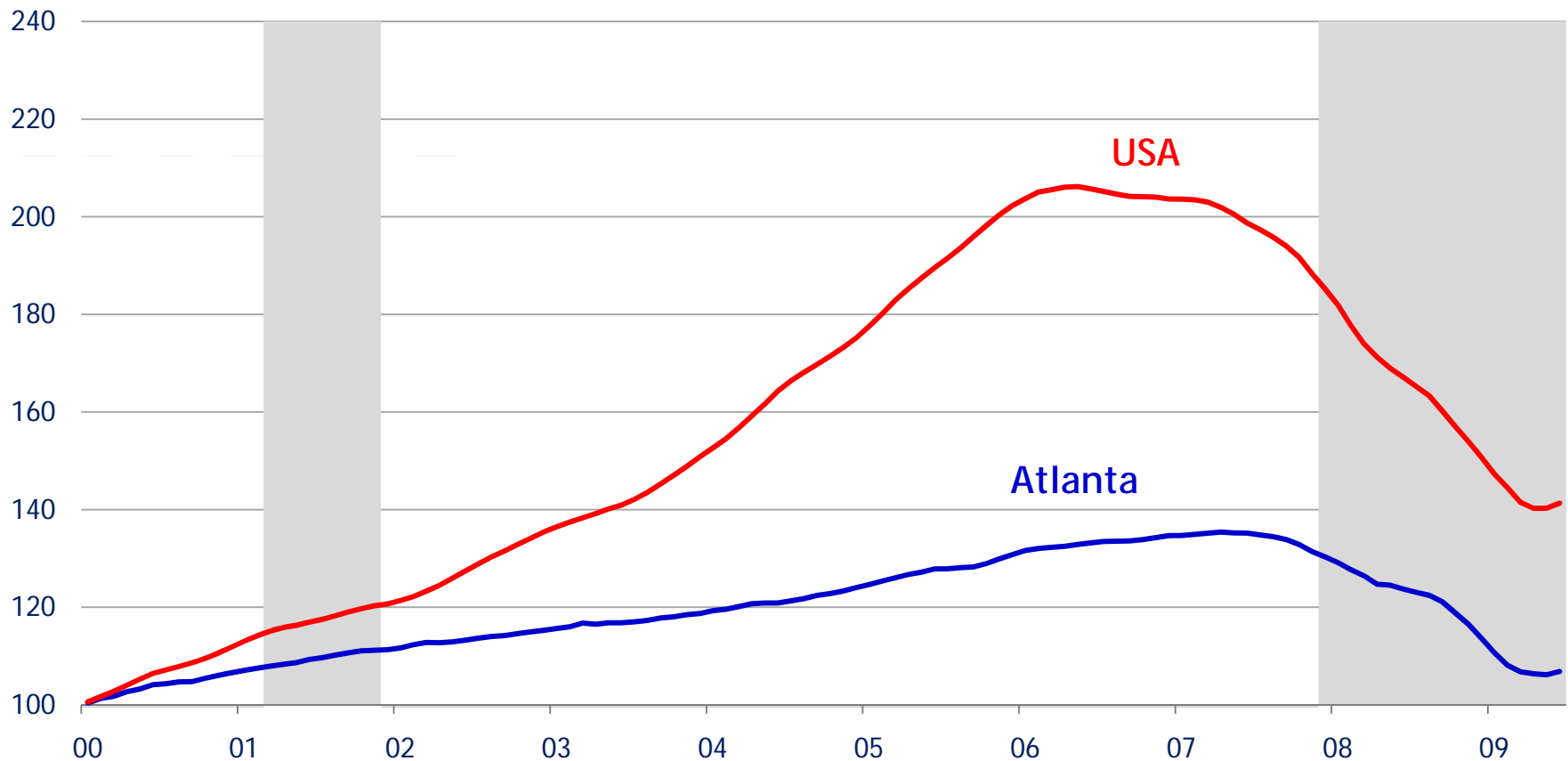
Home sales are stabilizing.

Georgia Existing Home Sales



Home prices also appear to have stabilized.

U.S. Home Price Indexes
through July 2009

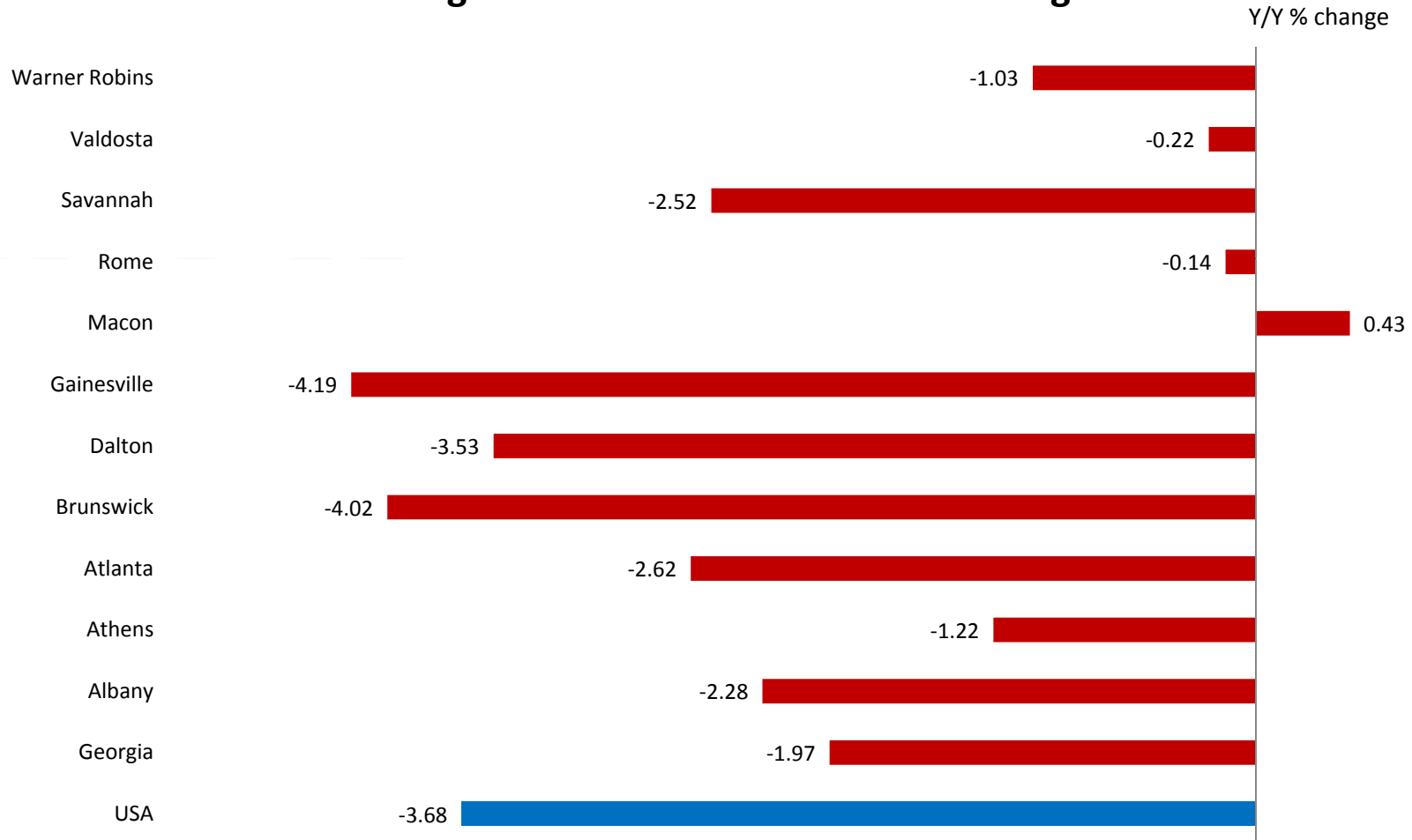


Source: Standard & Poor's

But remain down year-over-year in most areas.

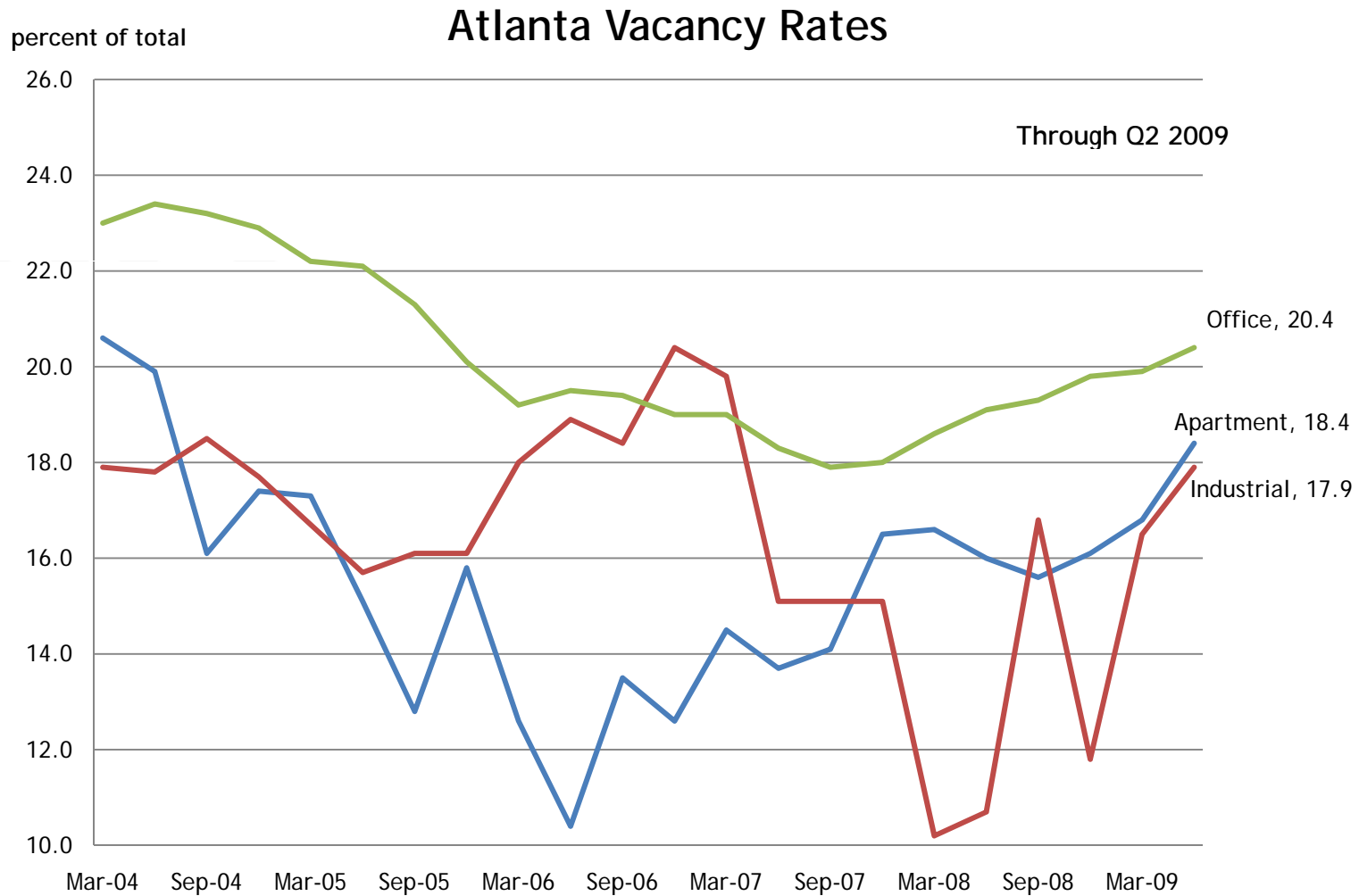
(Average median price of existing home sales)

Georgia SF Home Prices: H1 2009 Average



Source: FHFA

Commercial Real Estate is still declining.



Conclusions

- ❖ The national and state economy is recovering, but the rebound is not likely to be strong.
- ❖ Consumer spending will likely remain restrained by weak employment and income.
- ❖ Housing is stabilizing, but does not look set for a strong recovery.
- ❖ Commercial real estate is weakening.
- ❖ The pressure on government revenue will likely continue into 2010.