



# ECONOMIC OVERVIEW FOR OHIO AND THE MIDWEST

OHIO HOUSING CORPORATION SPRING  
SYMPOSIUM, APRIL 28, 2010

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## **RED** CAPITAL Research

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Find us on the web on [www.redcapitalgroup.com/research](http://www.redcapitalgroup.com/research)

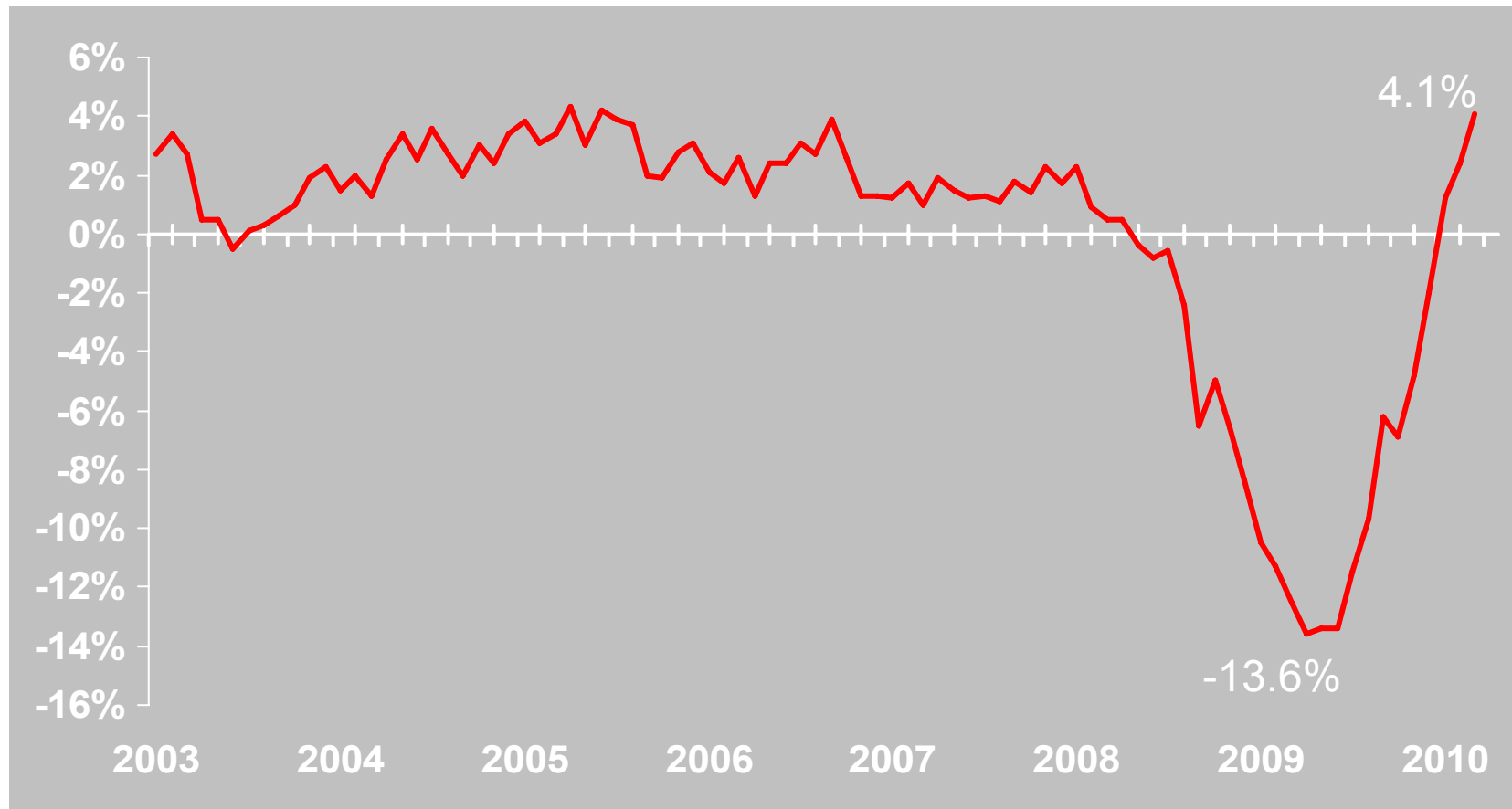


# Summary Agenda

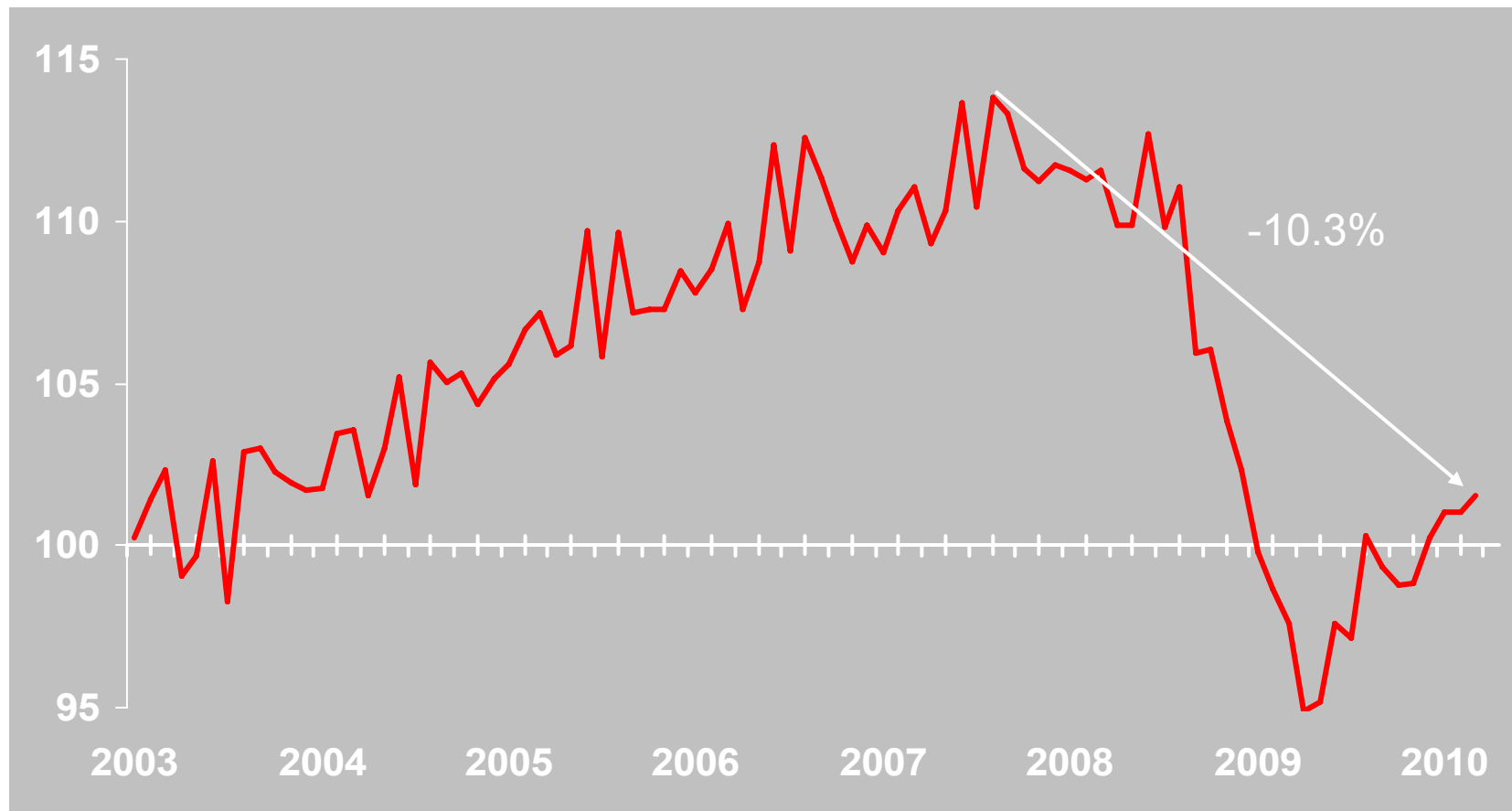
- Review significant trends in the U.S. and Global economies
  - U.S. GDP Forecast
  - U.S. Employment / Unemployment Forecast
- Key Ohio and Midwest Region Trends & Forecasts
- Metropolitan Payroll Forecasts
- Ohio Housing Market Trends

# Industrial Production is Rebounding Year-on-year Percentage Comparison

Source: Federal Reserve Board



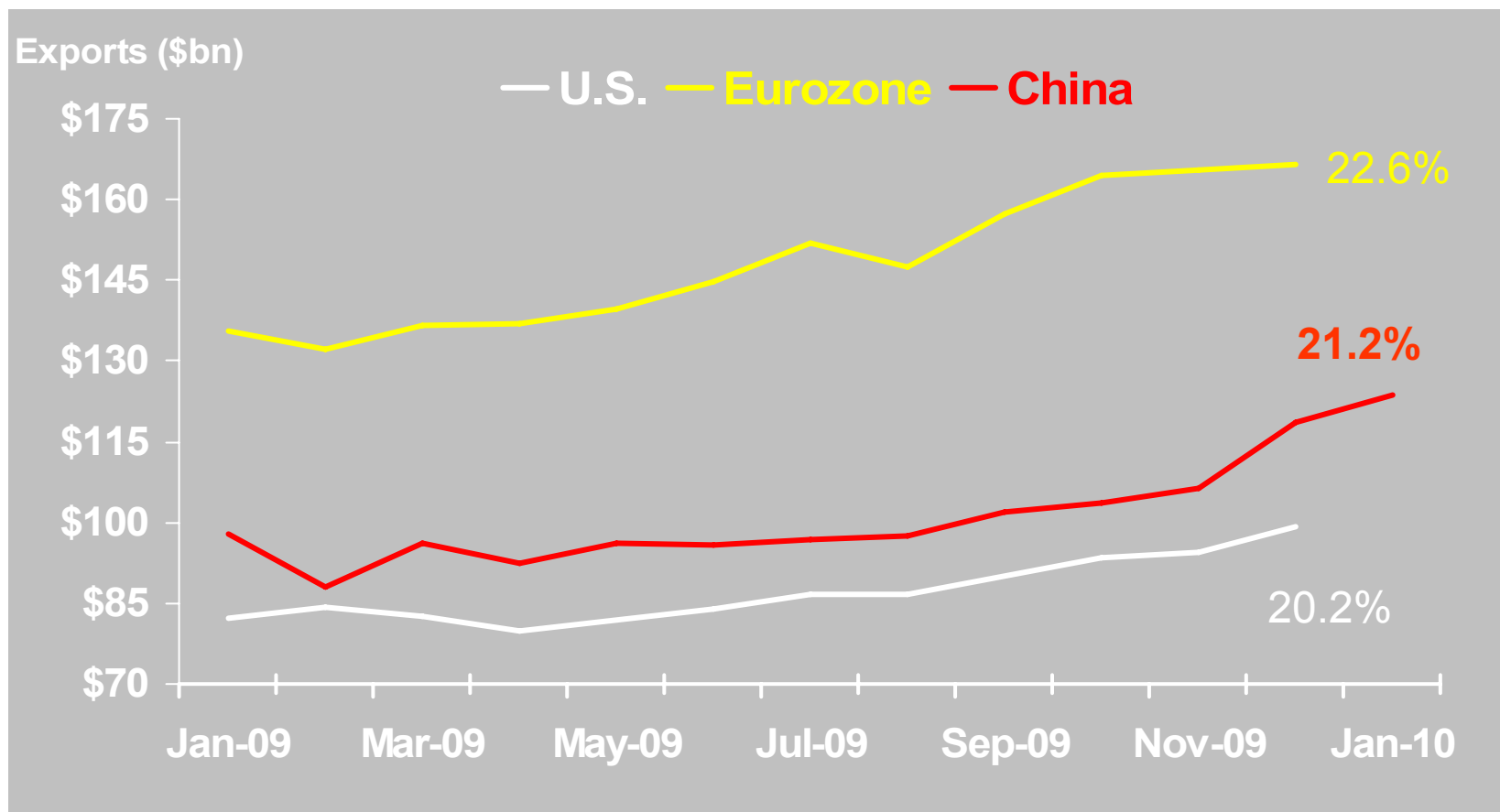
# But IP Remains well Below Prior Highs Industrial Production Index



# U.S., Eurozone and PRC Exports Recovering

## Exports in \$Billions

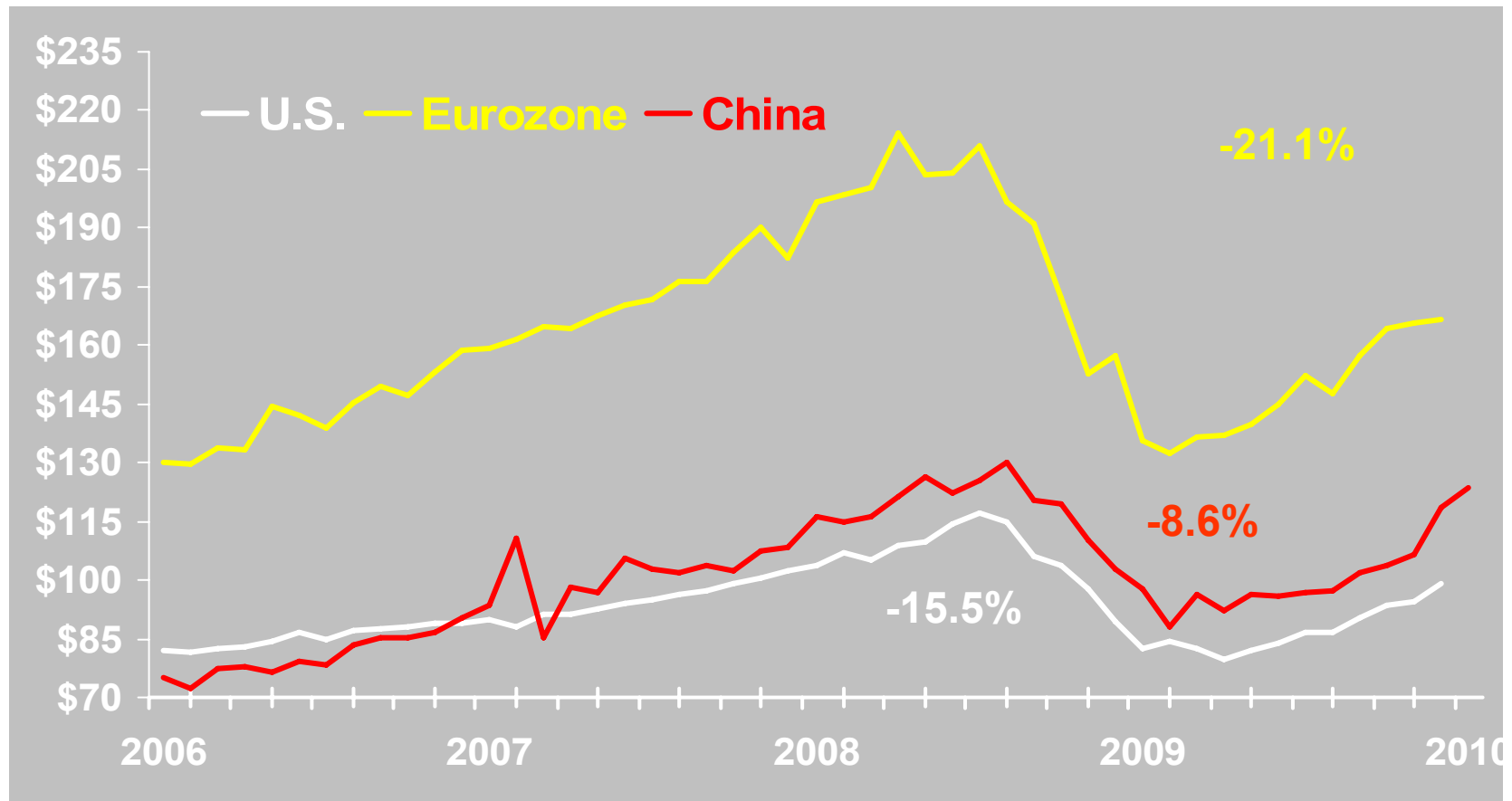
Source: Organization for Economic Cooperation and Development



# Exports also Down Significantly from Peak

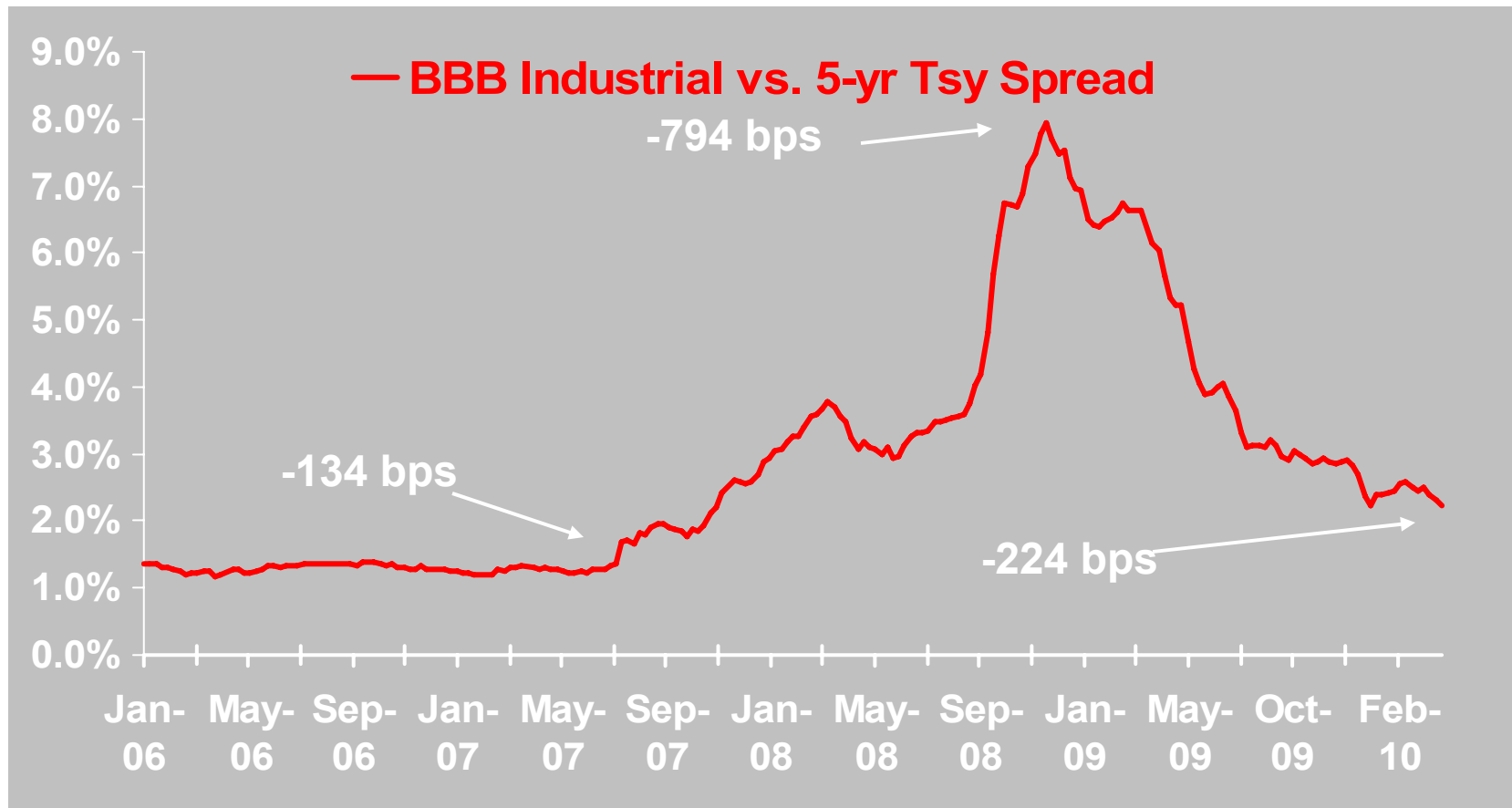
## Exports in \$Billions

Source: OECD



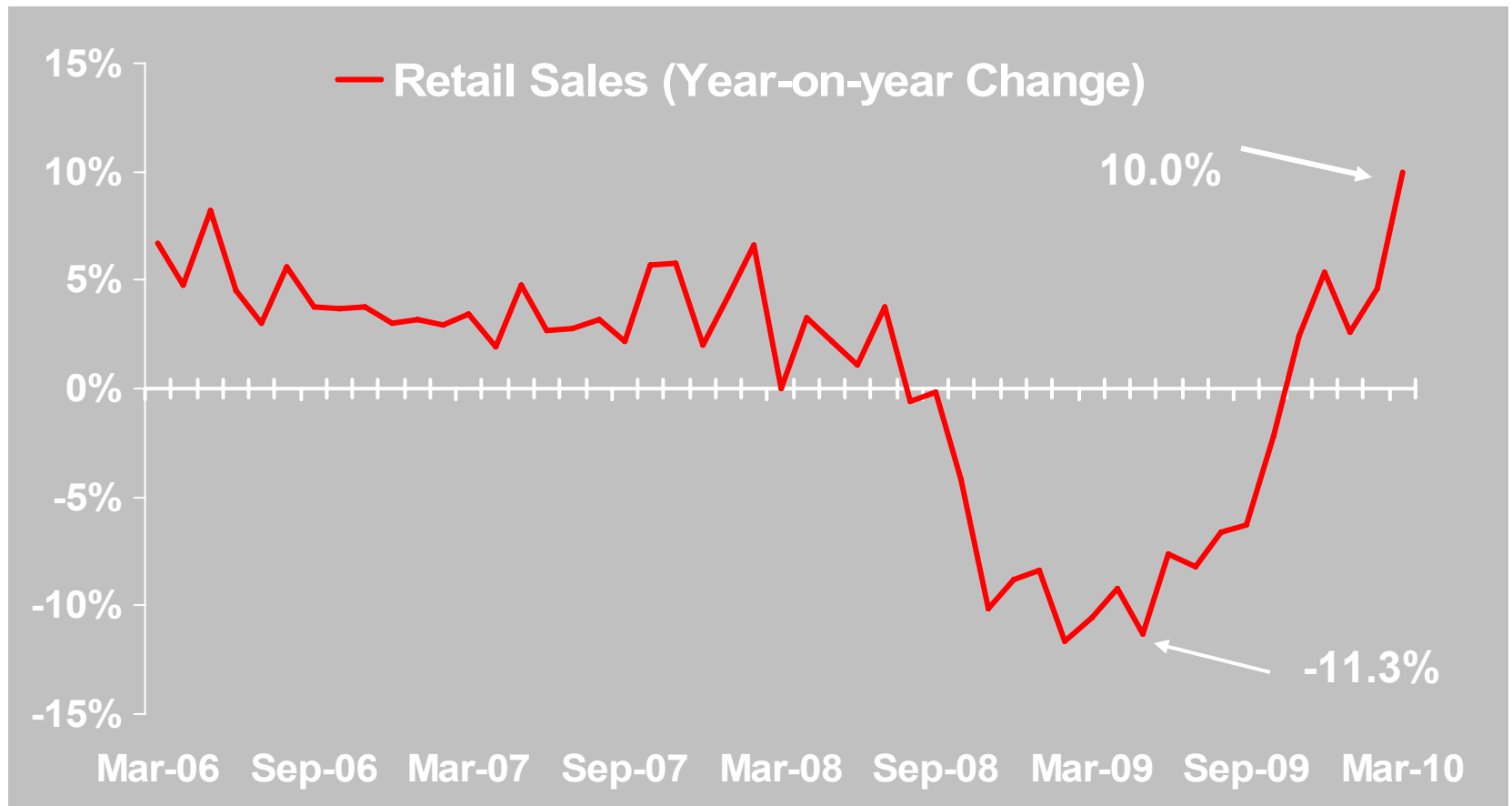
# Credit Spreads Tightening: Healing of Financial Markets well on its Way

Source: Bloomberg Financial, Merrill, Lynch



# Retail Sales: Consumers are Getting Back in the Game

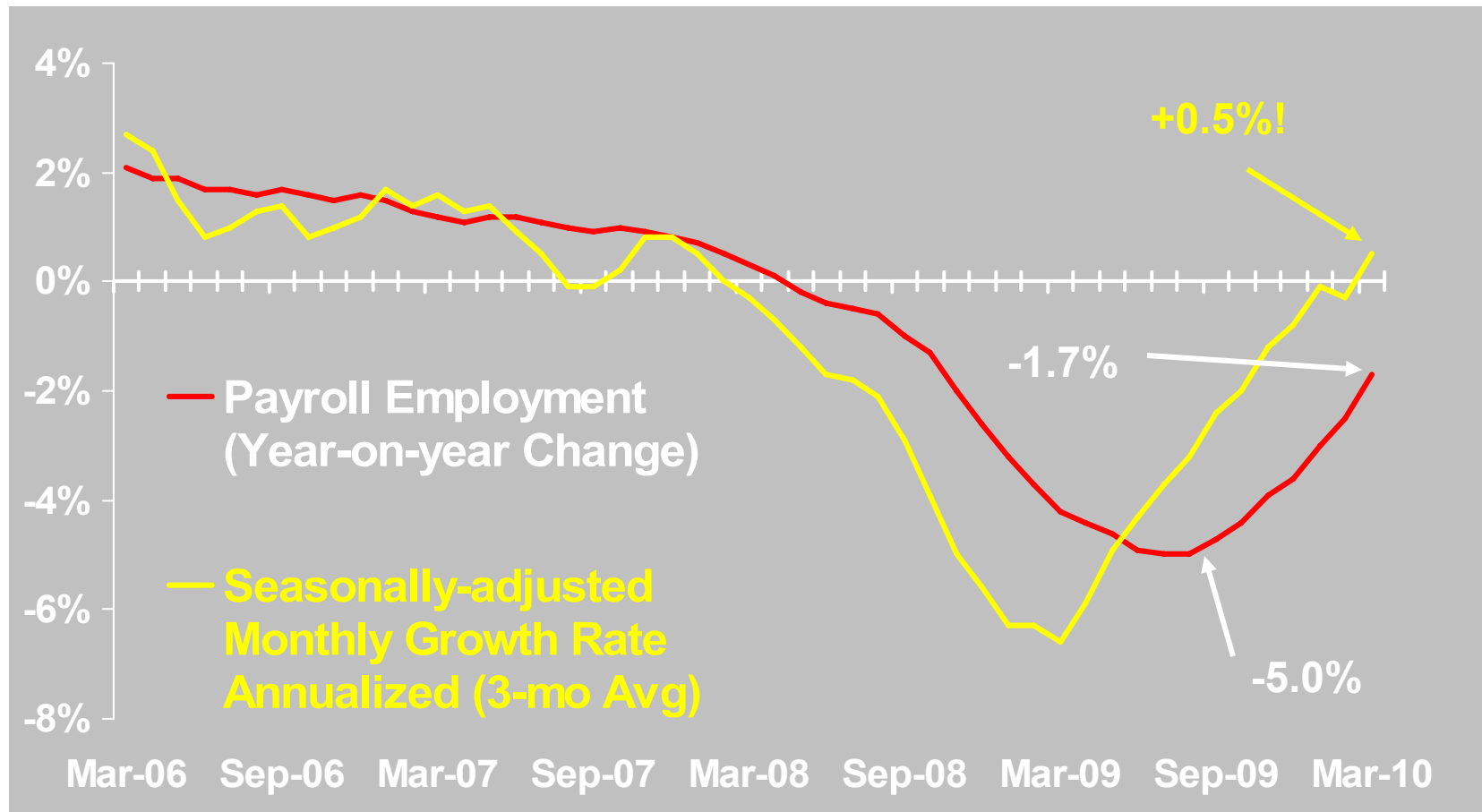
Source: Census Bureau, RED CAPITAL Research





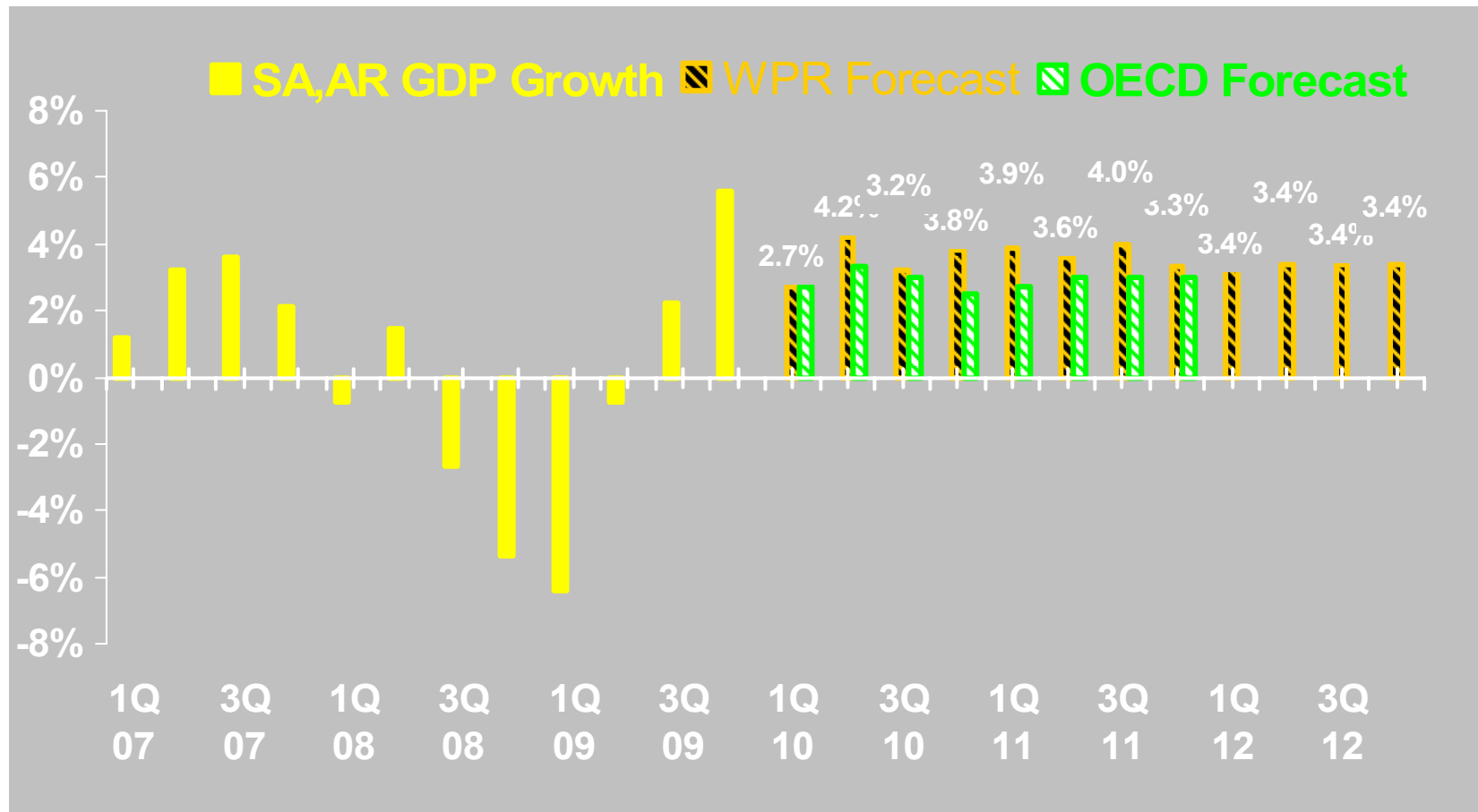
# Payroll Employment Growth: Still Lagging, but Improvement Evident

Source: Bureau of Labor Statistics, RED CAPITAL Research



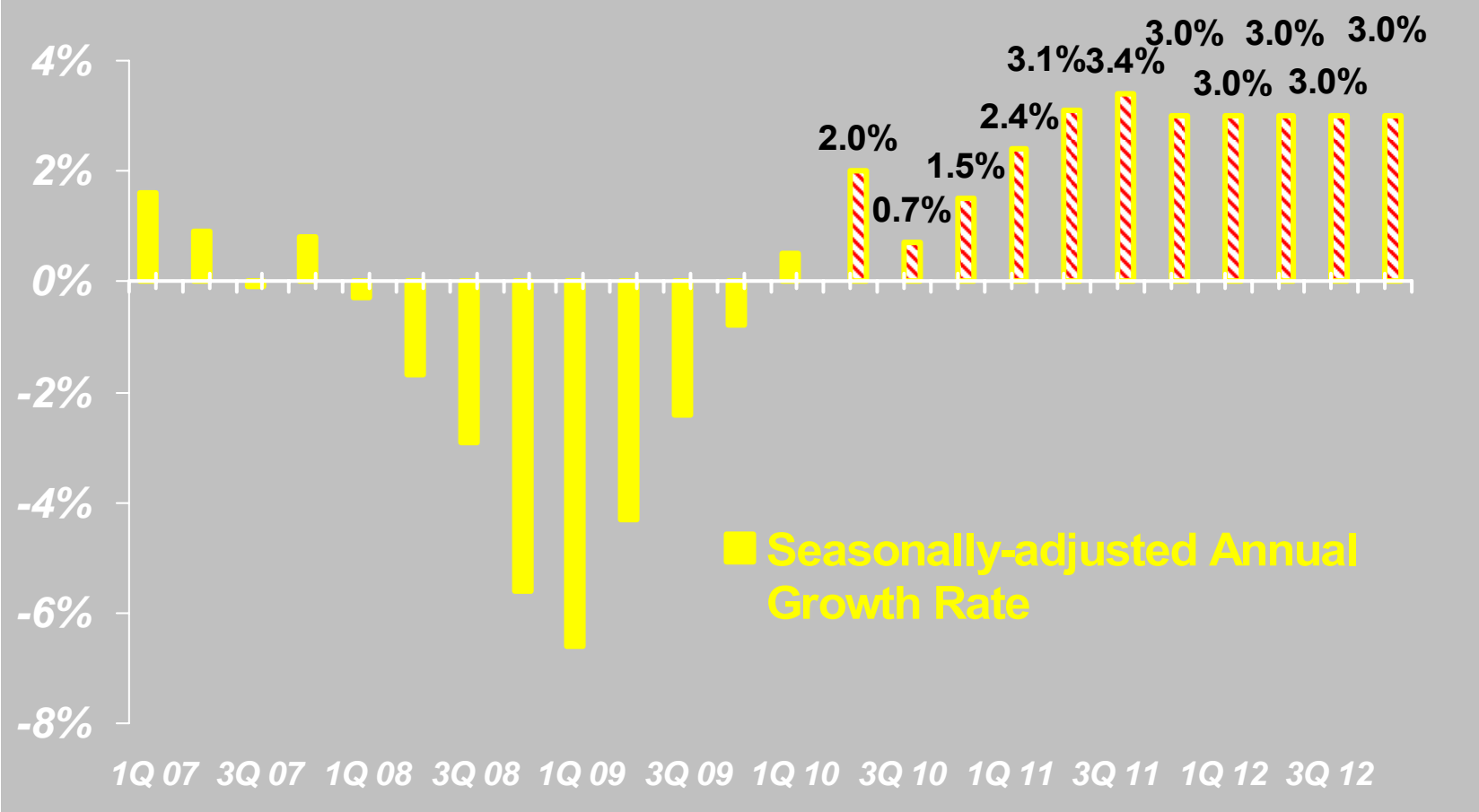
# GDP Forecast: Moderate but Sustained Growth Through 2012

Source: Bureau of Economic Analysis, Woodley Park Research & OECD Forecasts



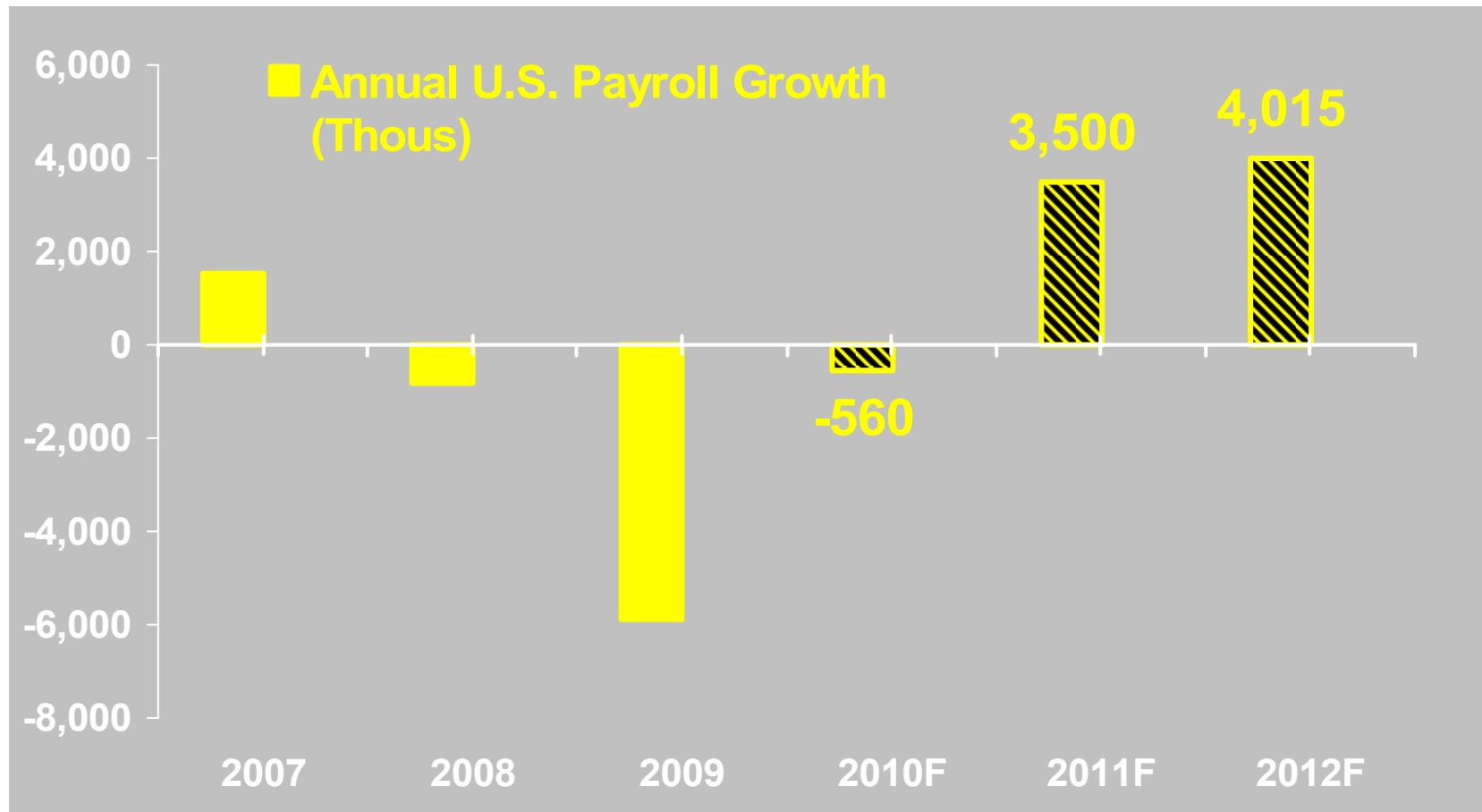
# Employment Forecast: Smoke is Clearing and Outlook Improving

Source: Bureau of Labor Statistics, Woodley Park Research Forecast



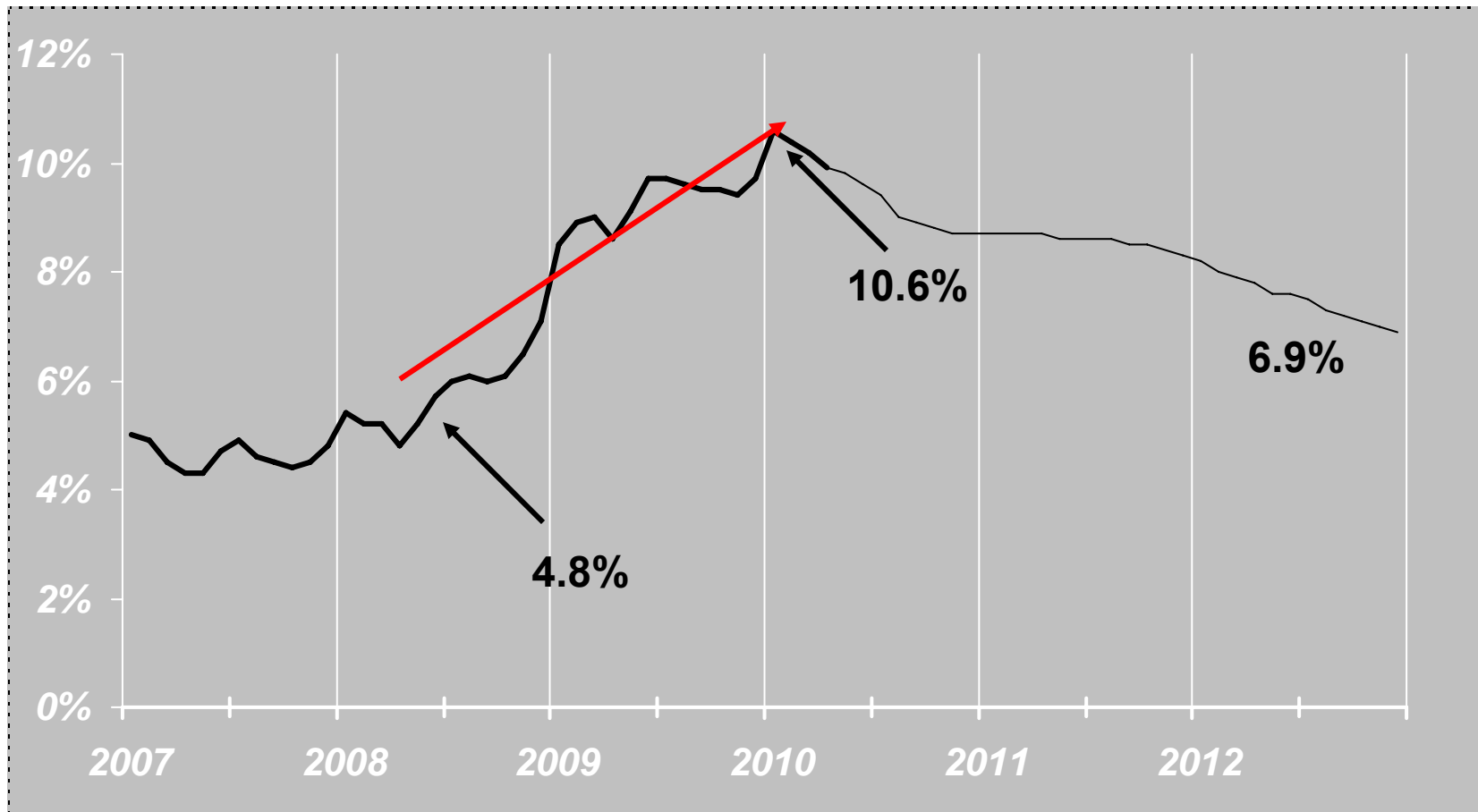
# Employment Forecast: Annual Growth Figures

Source: Bureau of Labor Statistics, Woodley Park Research Forecast



# Unemployment Rate: Trend and Forecast

Source: Bureau of Labor Statistics, Woodley Park Research Forecast

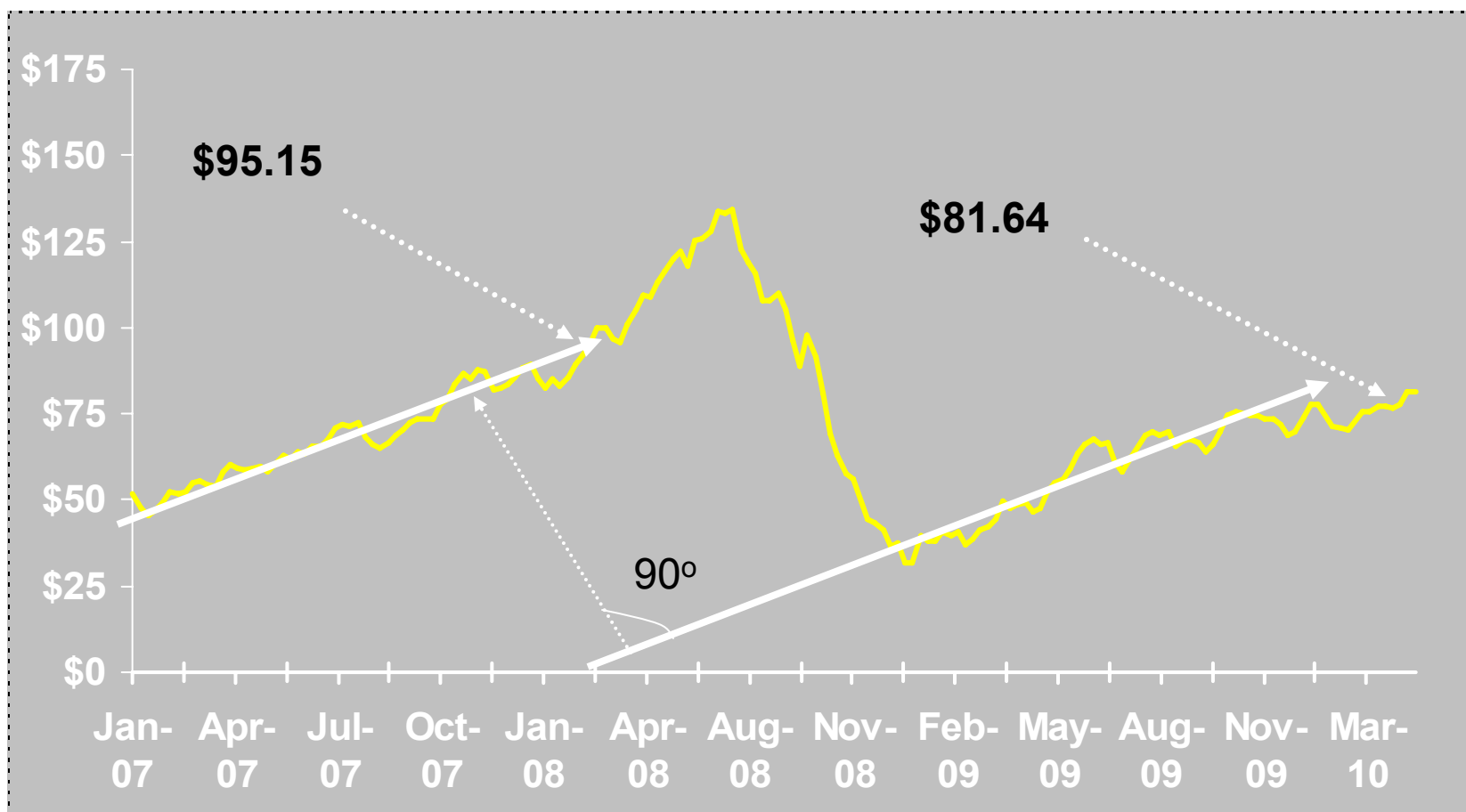


# Sounds good so far; what can go wrong?

- Massive policy stimulus creates risks:
  - Asset price bubbles
  - Rising inflation
  - Unsustainable structural fiscal imbalances
- Expectation of higher taxes, regulation could contribute to:
  - Weak consumer spending
  - Flagging business confidence, animal spirits

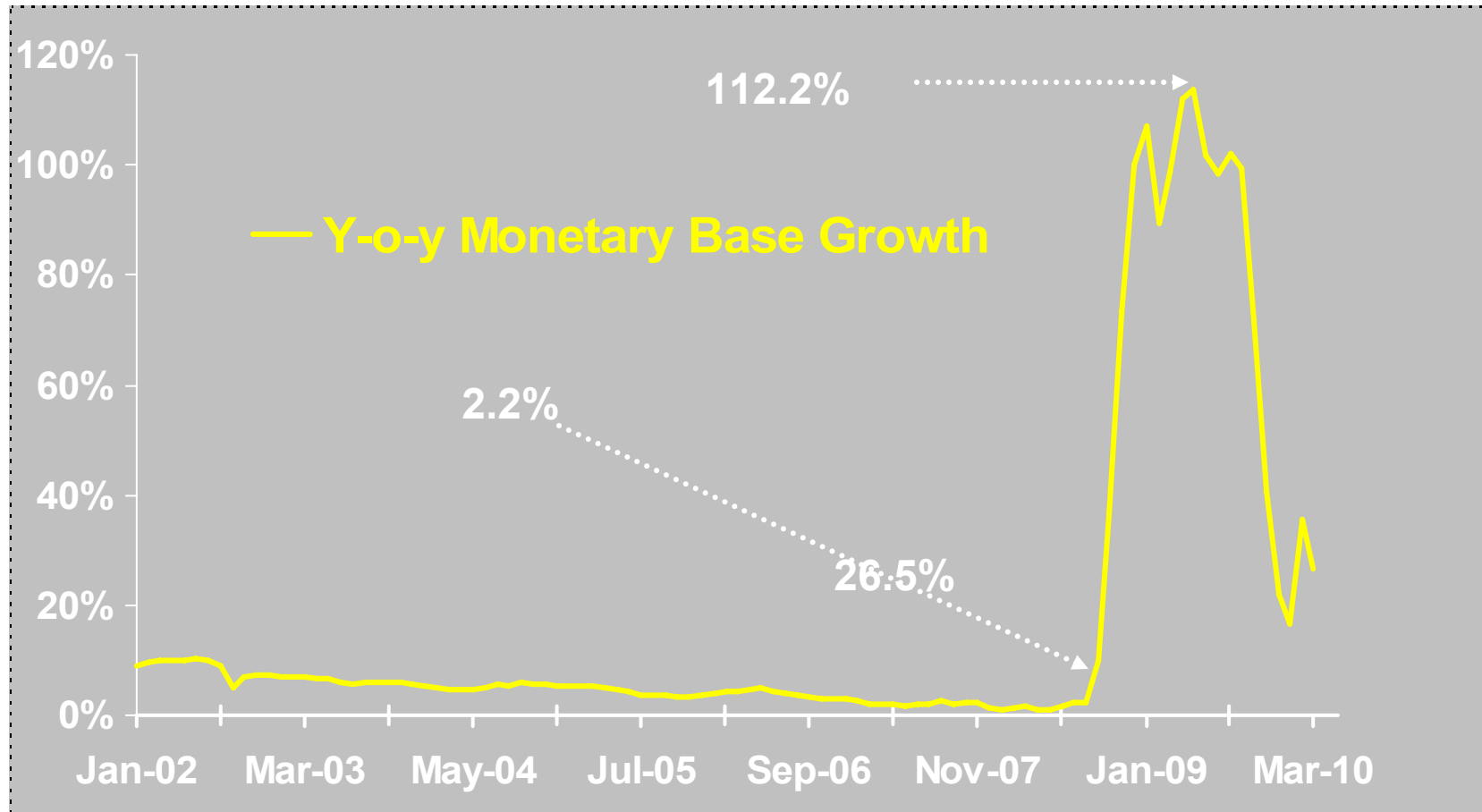
# Commodity Price Trends: Weekly U.S. Spot Price of Oil (\$/Barrel)

Source: U.S. Energy Information Administration



# Money Supply Growth: Substantial, Sustained Monetary Stimulus is an Inflationary Threat

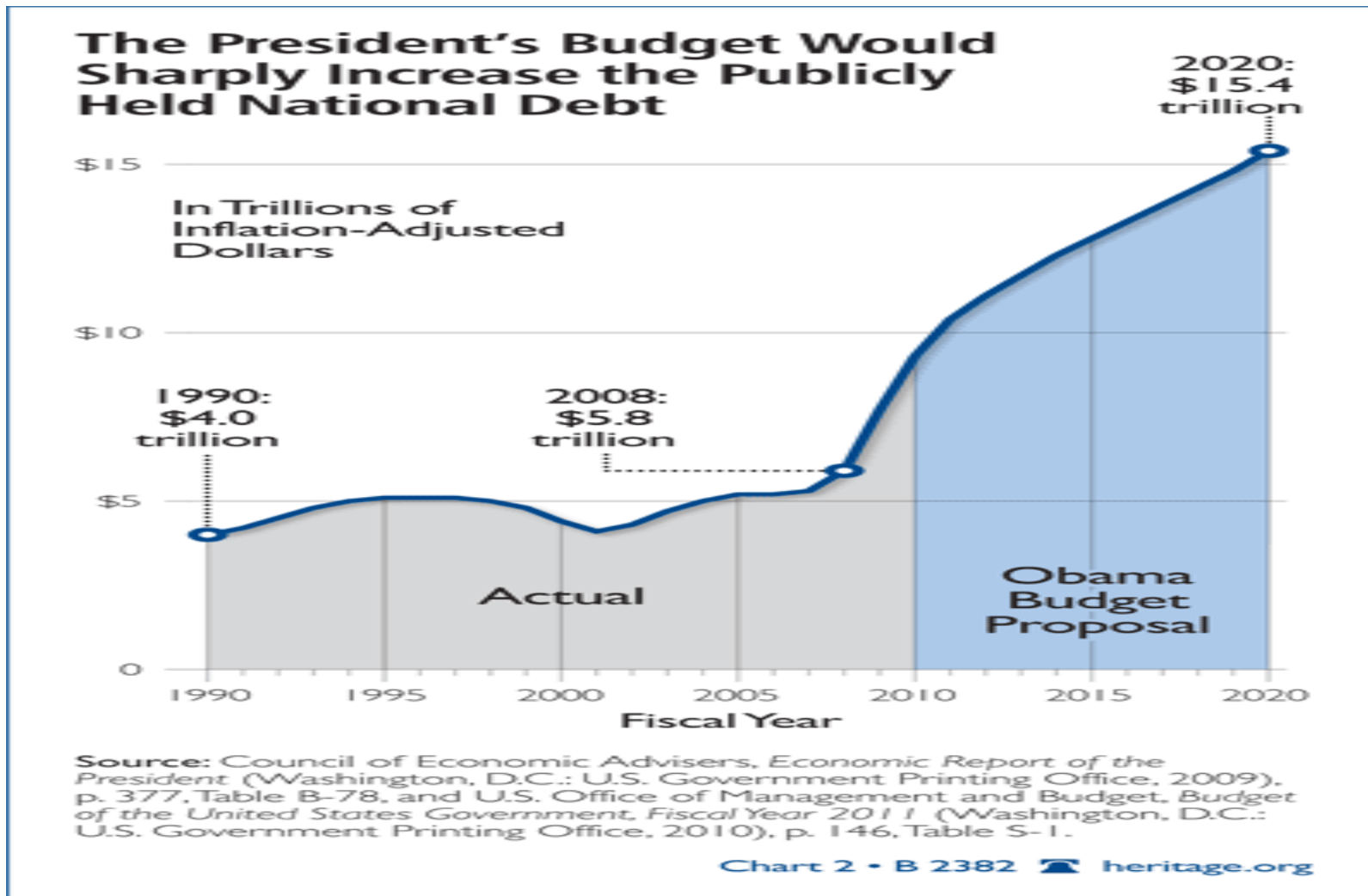
Source: Federal Reserve Board and RED CAPITAL Research





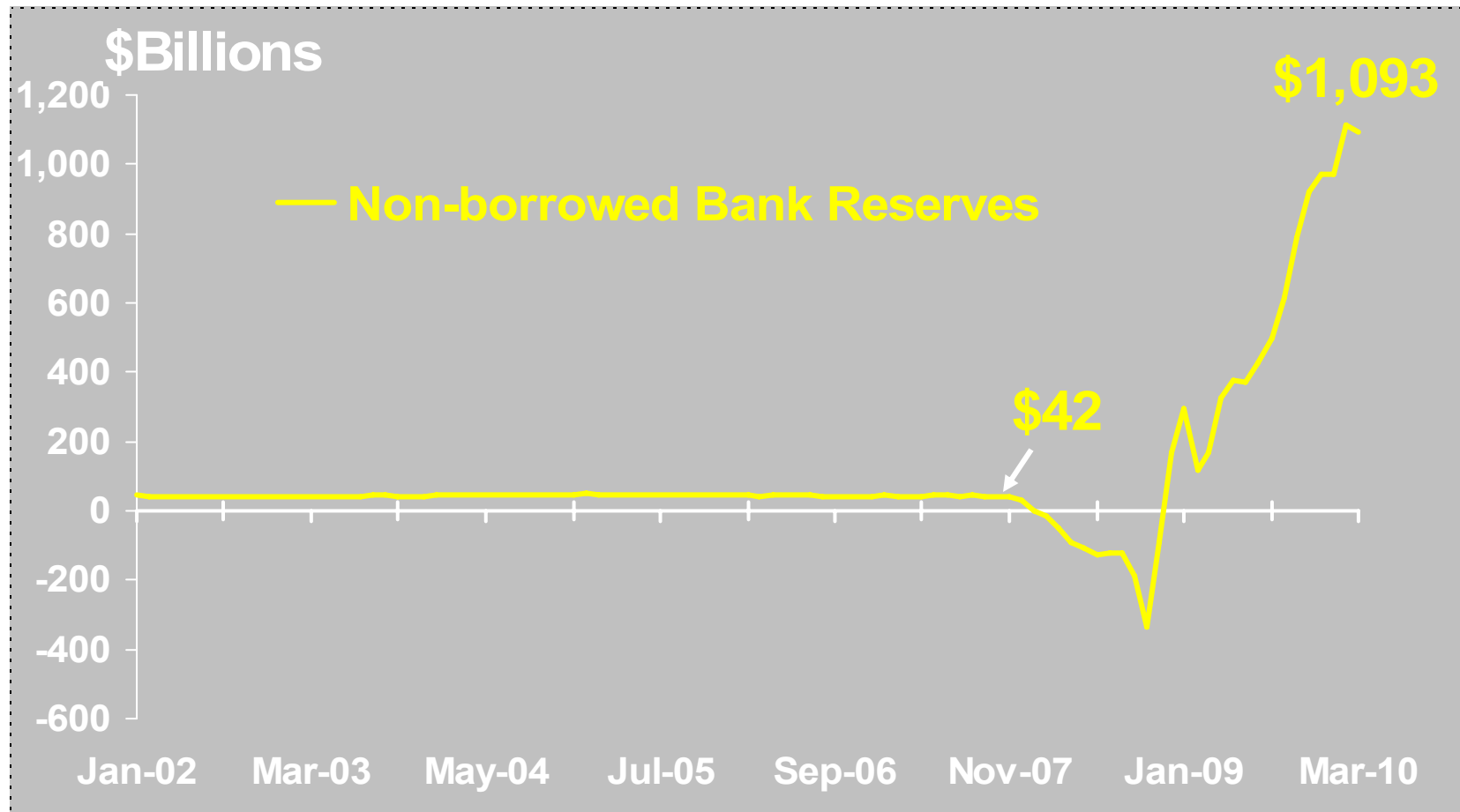
# Deficit Financing Requirements will Grow Rapidly: Increased Interest Costs could Exacerbate Already Troubling Federal Fiscal Situation

Source: Heritage Foundation



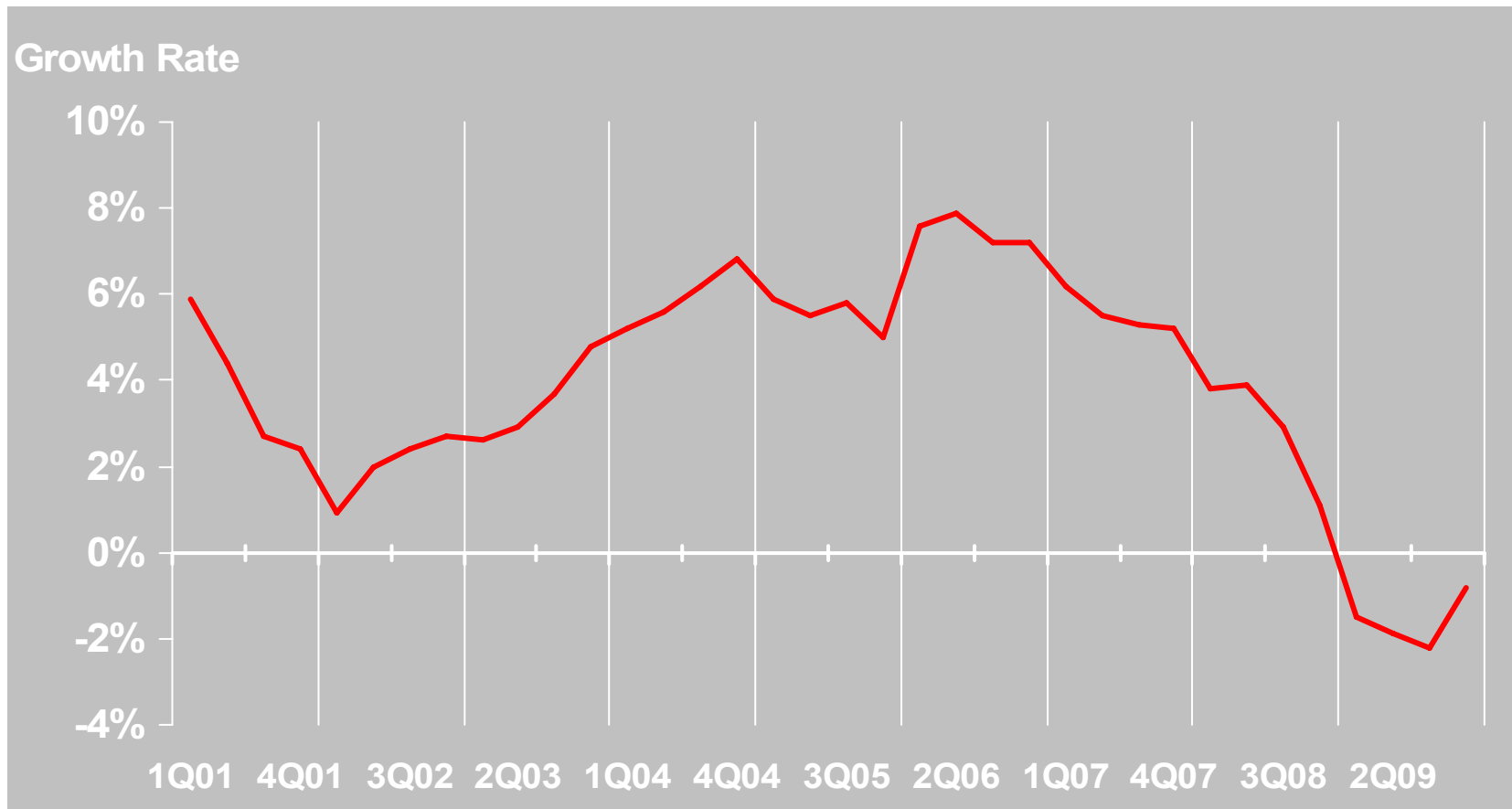
# “Monetizing” the Federal Debt: “Non-borrowed” Banking Reserves

Source: Federal Reserve Board



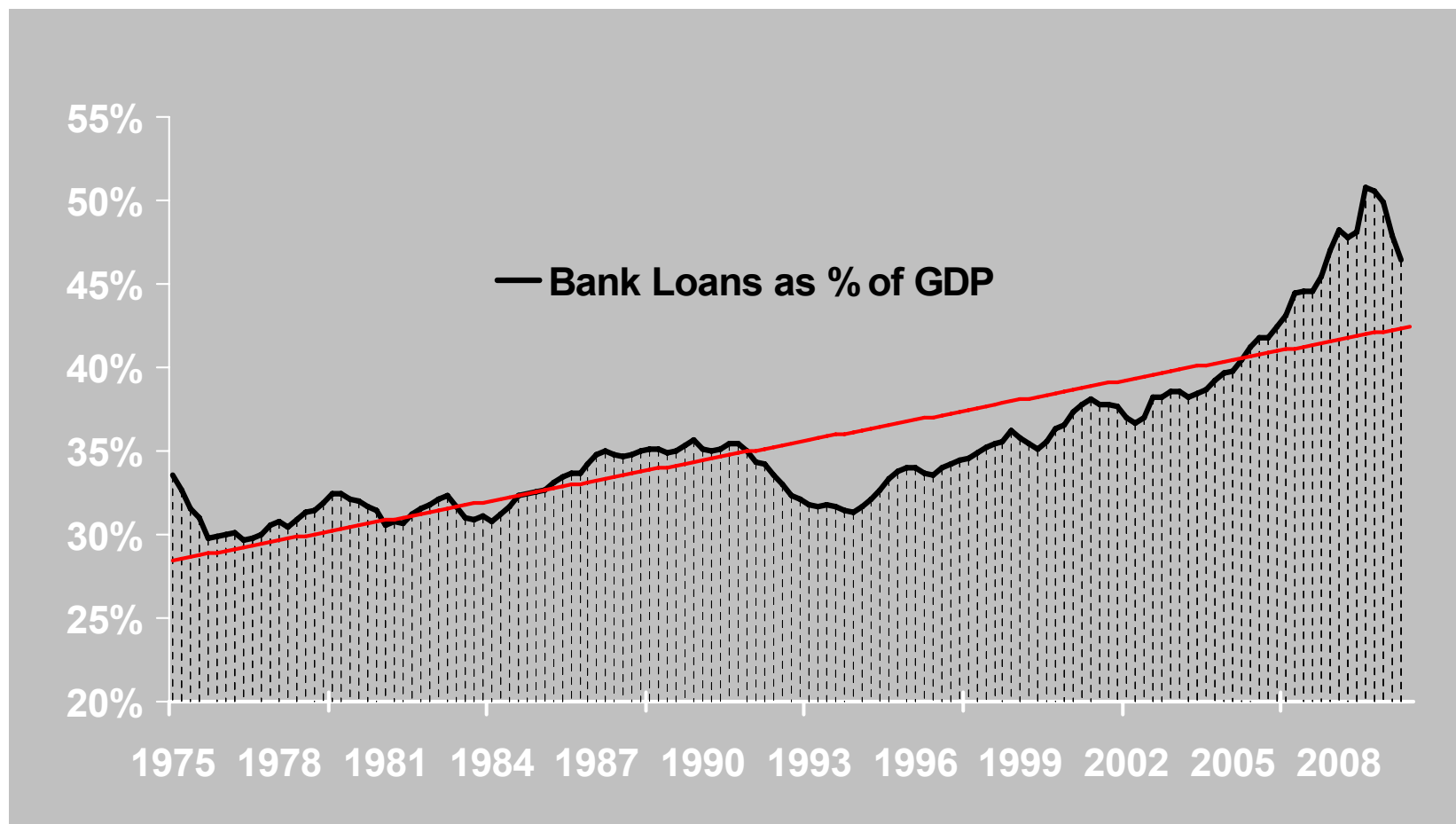
# U.S. Personal Income: Stagnating Through 4Q09, Growing Again?

Source: Bureau of Economic Analysis and RED CAPITAL Research



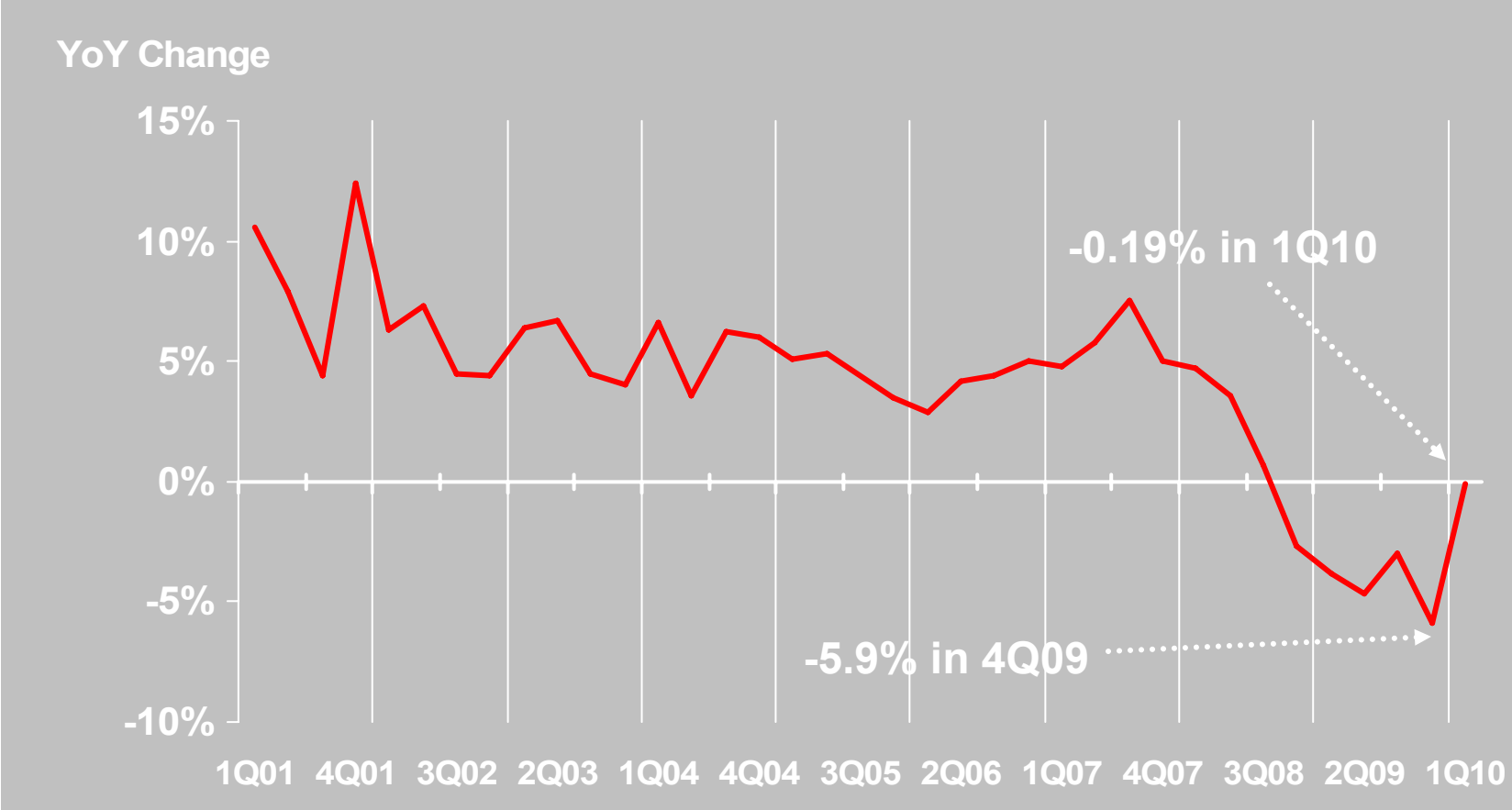
# Private Debt as %GDP Still High: More De-levering Required to Bring Debt/GDP in Line

Source: Federal Reserve Bank and RED CAPITAL Research



# Consumer Debt: Consumers Reduced Debt Load in 1Q10; Ready to Reload?

Source: Federal Reserve Bank and RED CAPITAL Research



# The Economy: Our Outlook

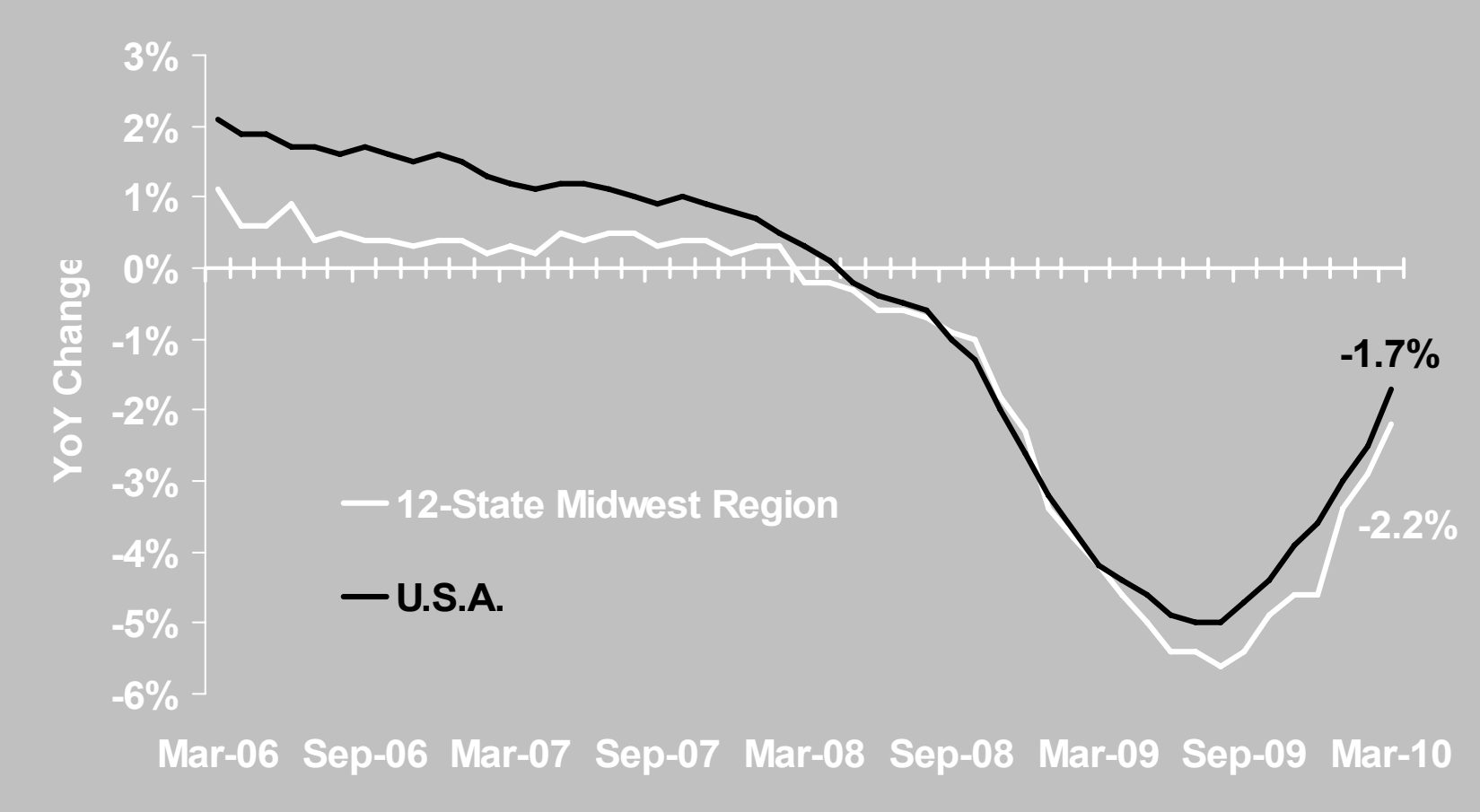
- Recently, economic data have consistently surprised to the high side
- Stock and bond markets signaling stronger than expected “V-shaped” recovery
- Export outlook improving
- But ... private debt levels are high, government debt exploding and liquidity in the banking system excessive. In addition, new tax and regulatory burdens loom on the horizon
- Outline of new asset bubbles forming

# The Midwest and Ohio Economies: Trends and Outlook

- Labor markets
- Export Trends
- Output Indices
- Ohio For-sale Housing Market Trends
- RCR Ohio Gross State Product forecast
- RCR Ohio Payroll and Super-sector Forecasts
- Midwest Metro Area Payroll Forecasts

# Midwest Payrolls: Annual Job Trends

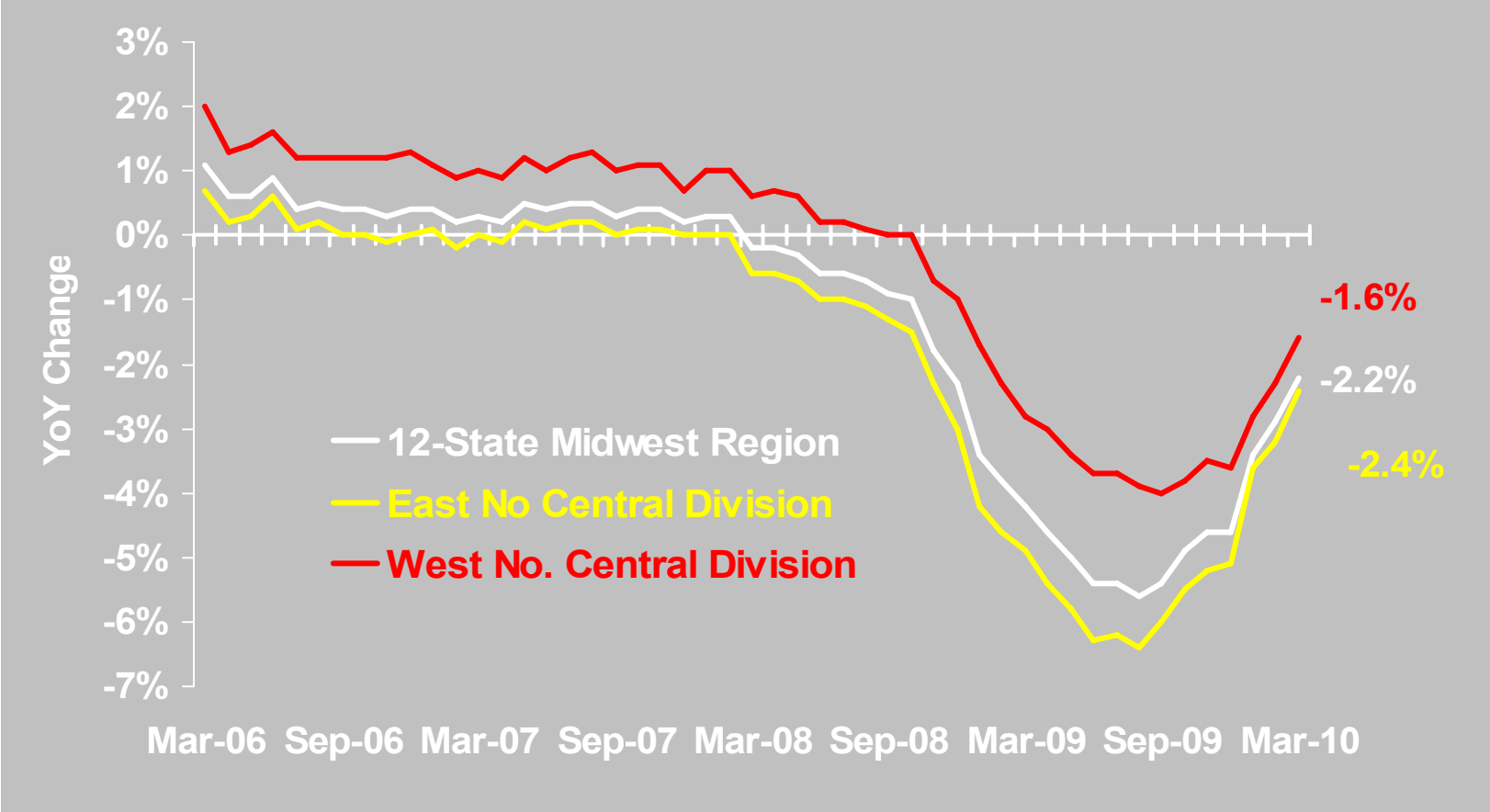
Source: Bureau of Labor Statistics and RED CAPITAL Research





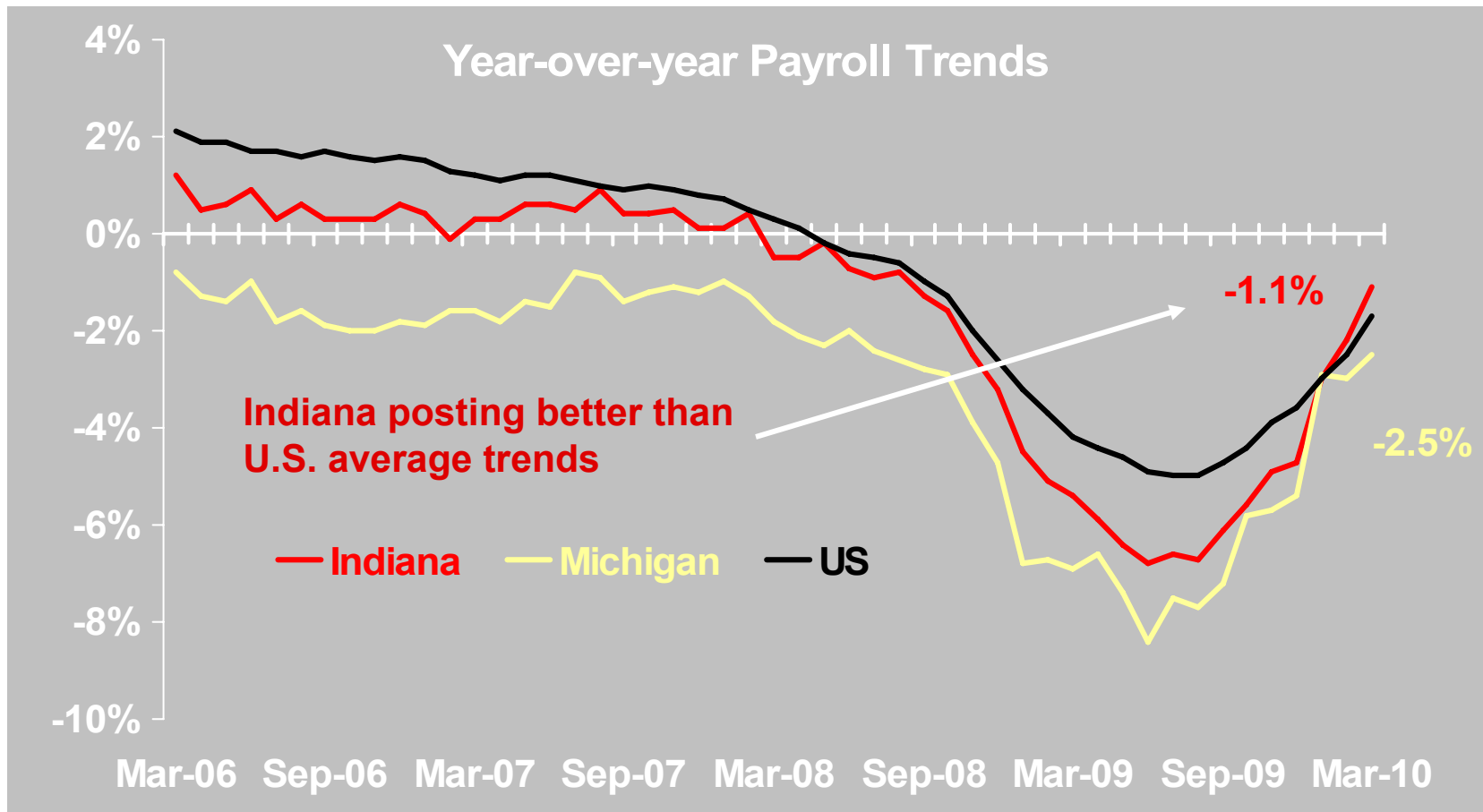
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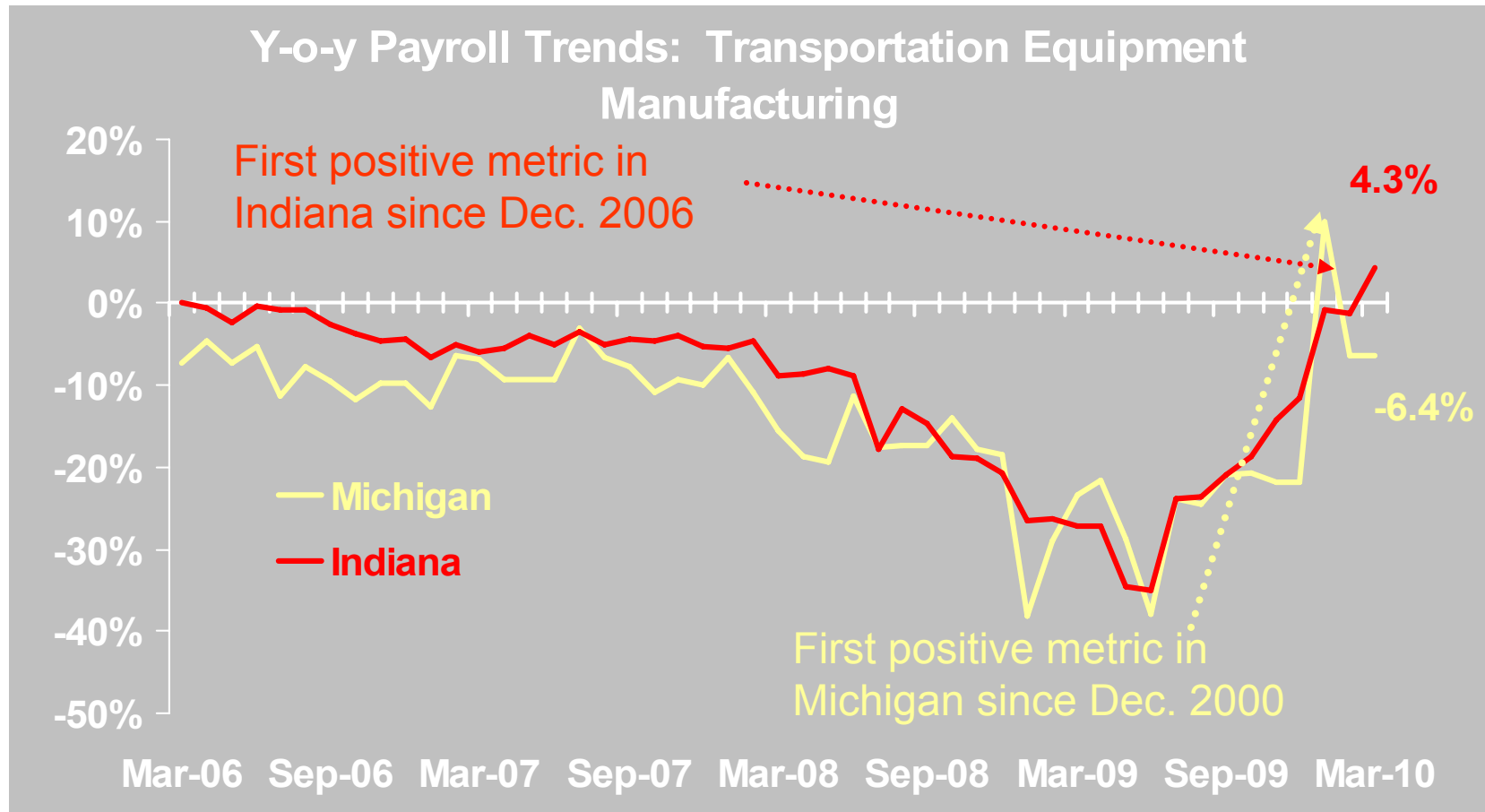
# East No. Central Gains: Primarily Attributable to Better IN & MI Trends

Source: Bureau of Labor Statistics and RED CAPITAL Research



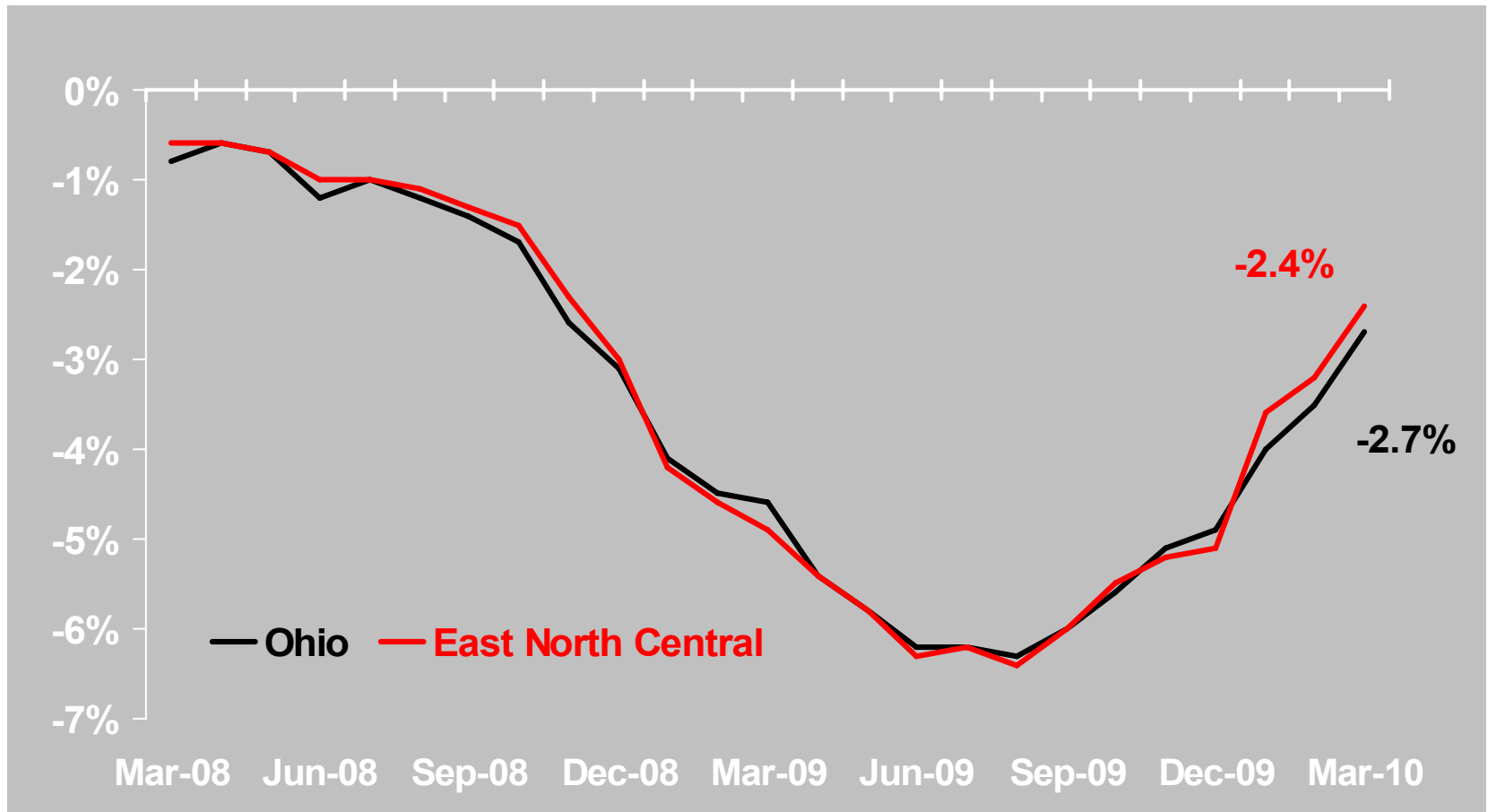
# Michigan & Indiana: Auto Industry Recovery Pacing early-2010 Growth

Source: Bureau of Labor Statistics and RED CAPITAL Research



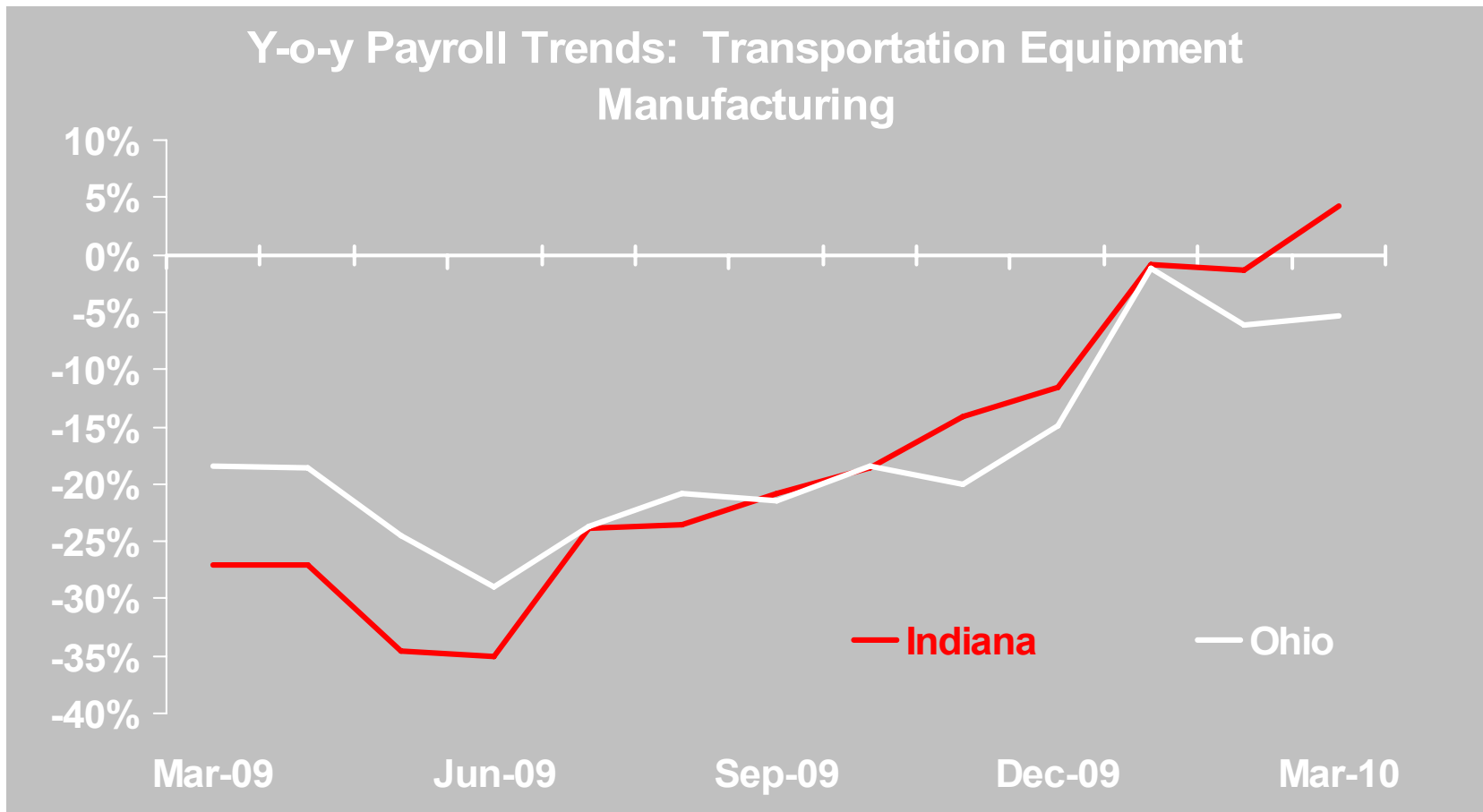
# Ohio, on the other hand ... Ohio lags to a degree

Source: Bureau of Labor Statistics and RED CAPITAL Research



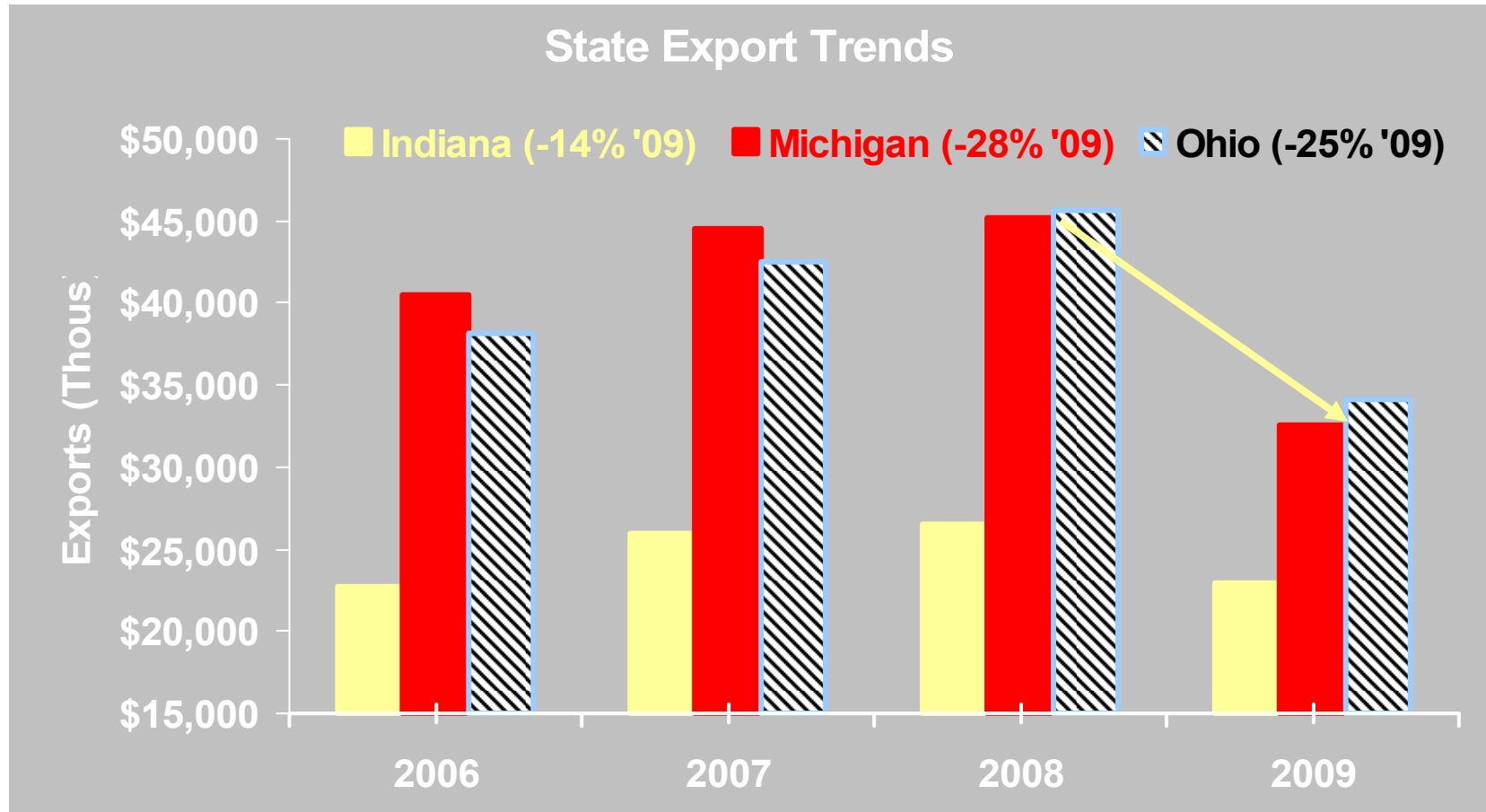
# Ohio: Auto Industry Recovery Proceeding at a Slower Pace

Source: Bureau of Labor Statistics and RED CAPITAL Research



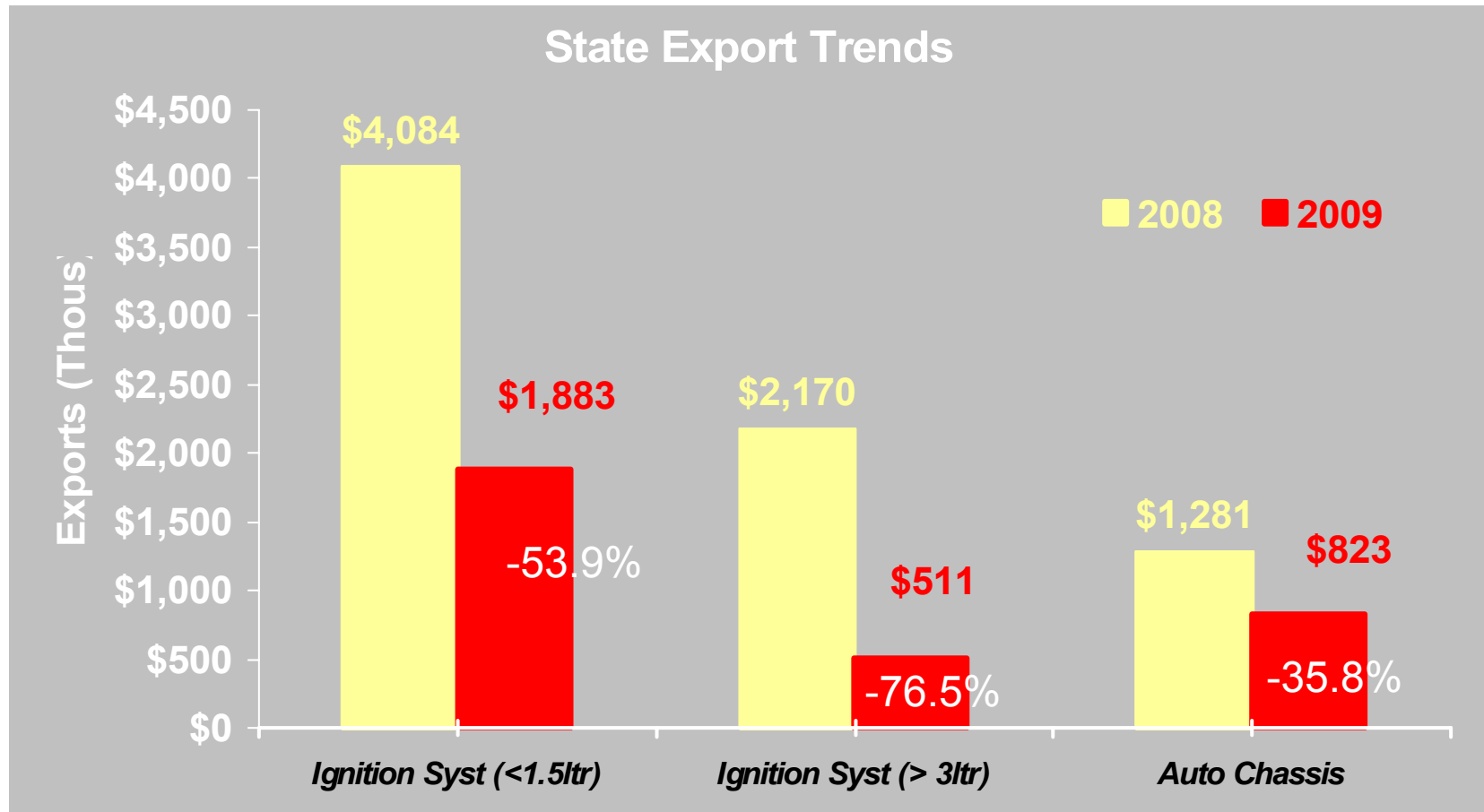
# Ohio: Precipitous Export Decline Responsible in Part

Source: Bureau of Labor Statistics and RED CAPITAL Research



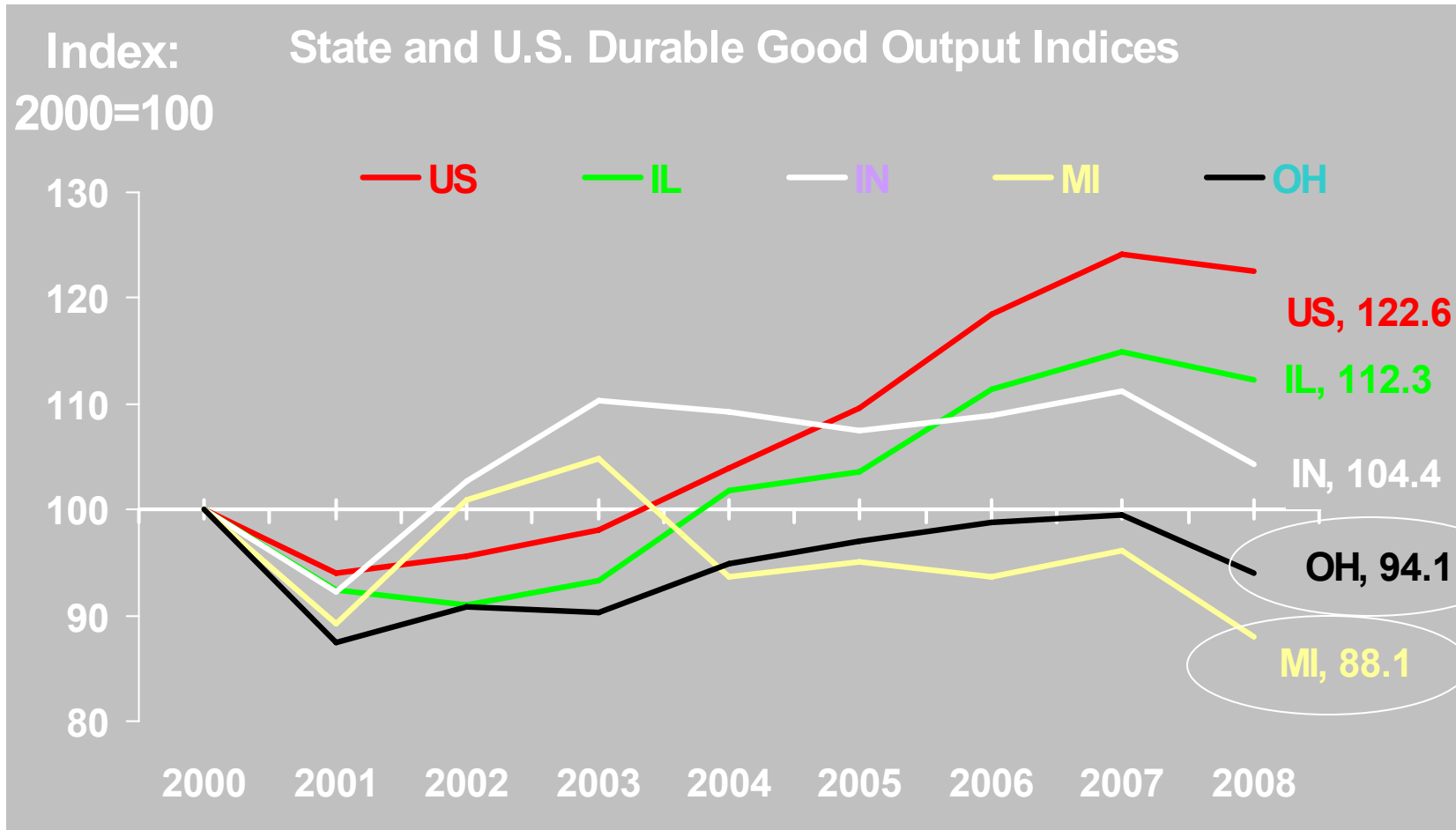
# Ohio: Exports by Product

Source: Census Bureau and RED CAPITAL Research



# Ohio & Midwest: Losing Market Share in Key Industries

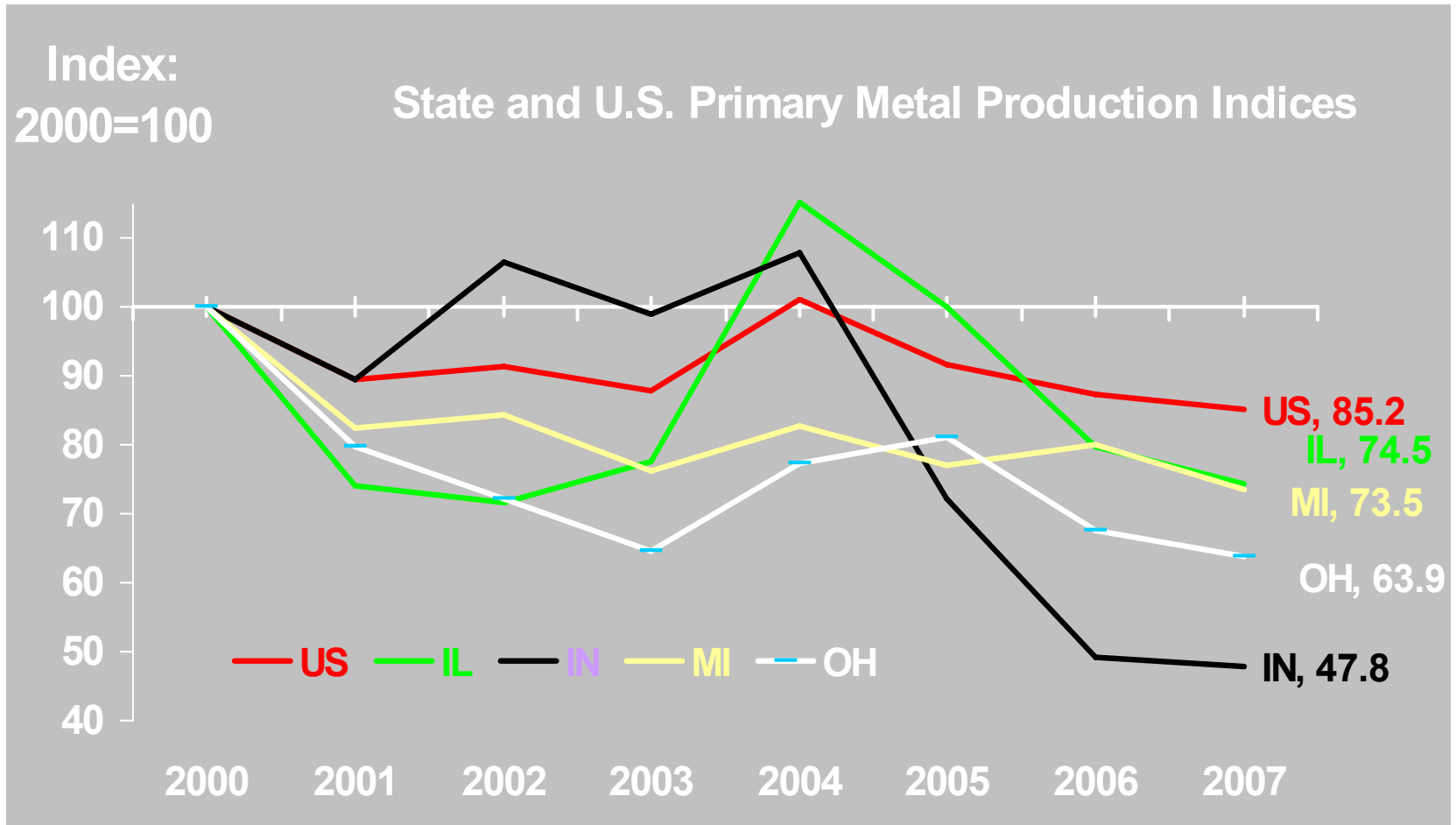
Source: Bureau of Economic Analysis and RED CAPITAL Research





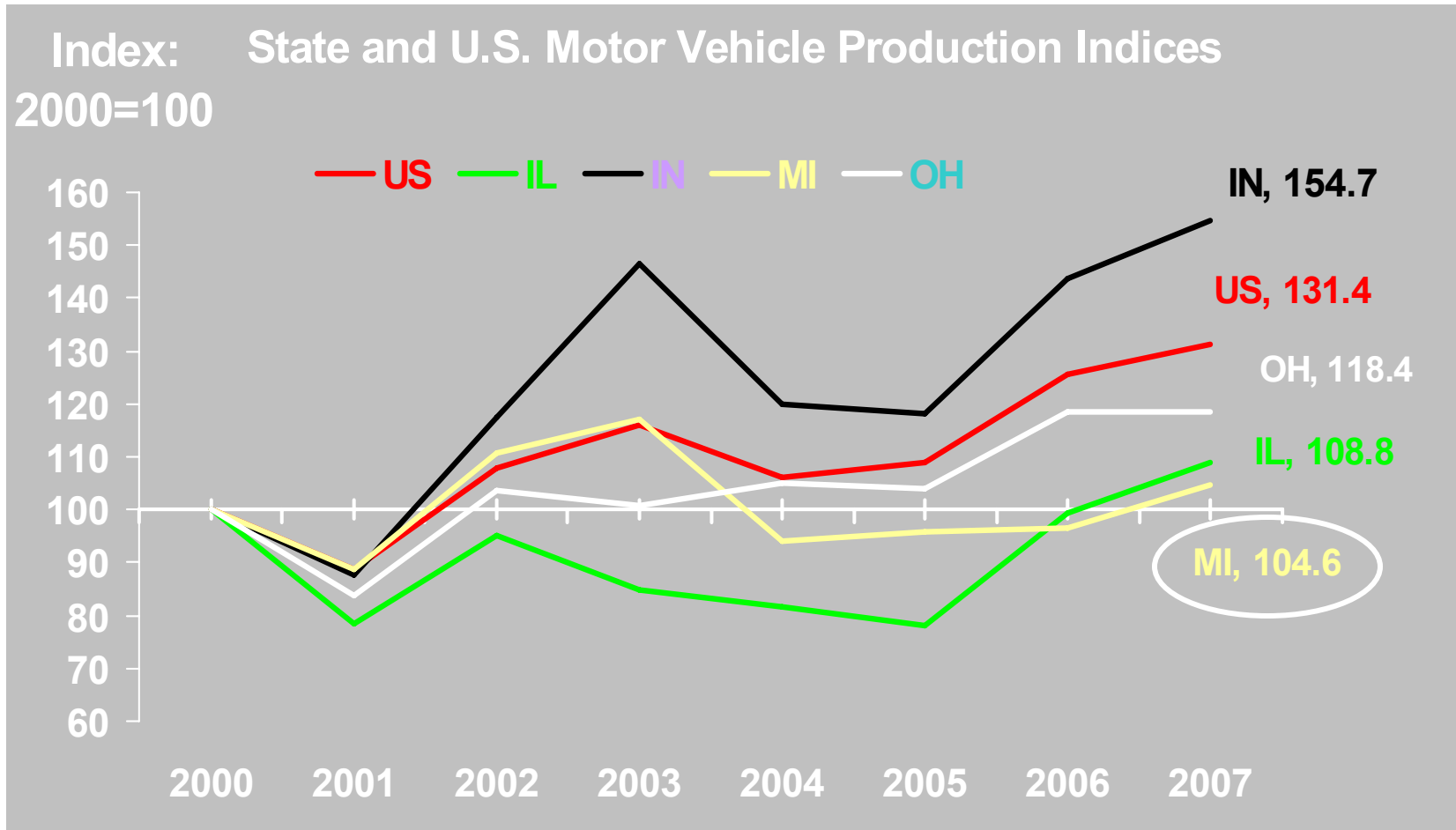
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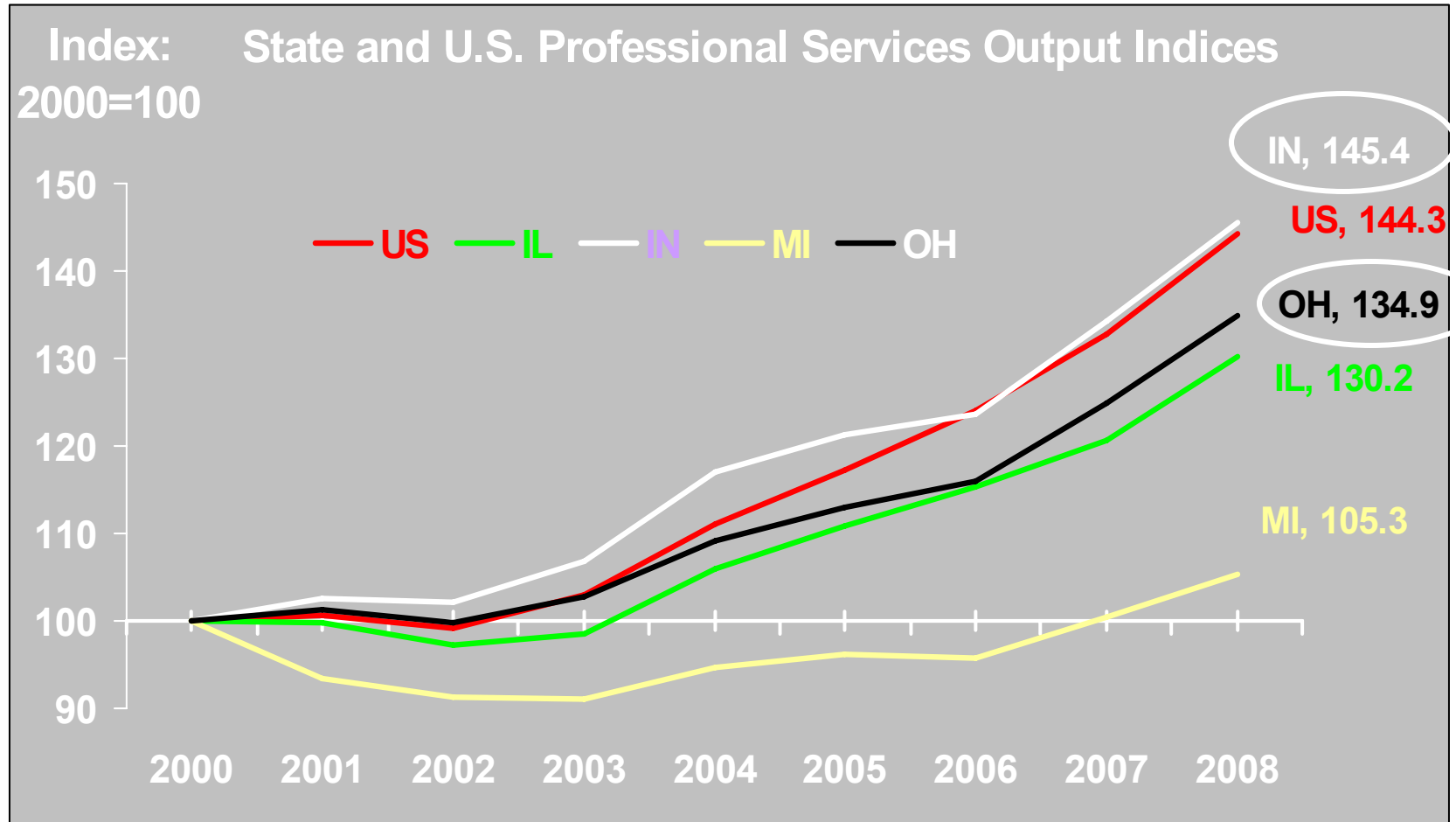
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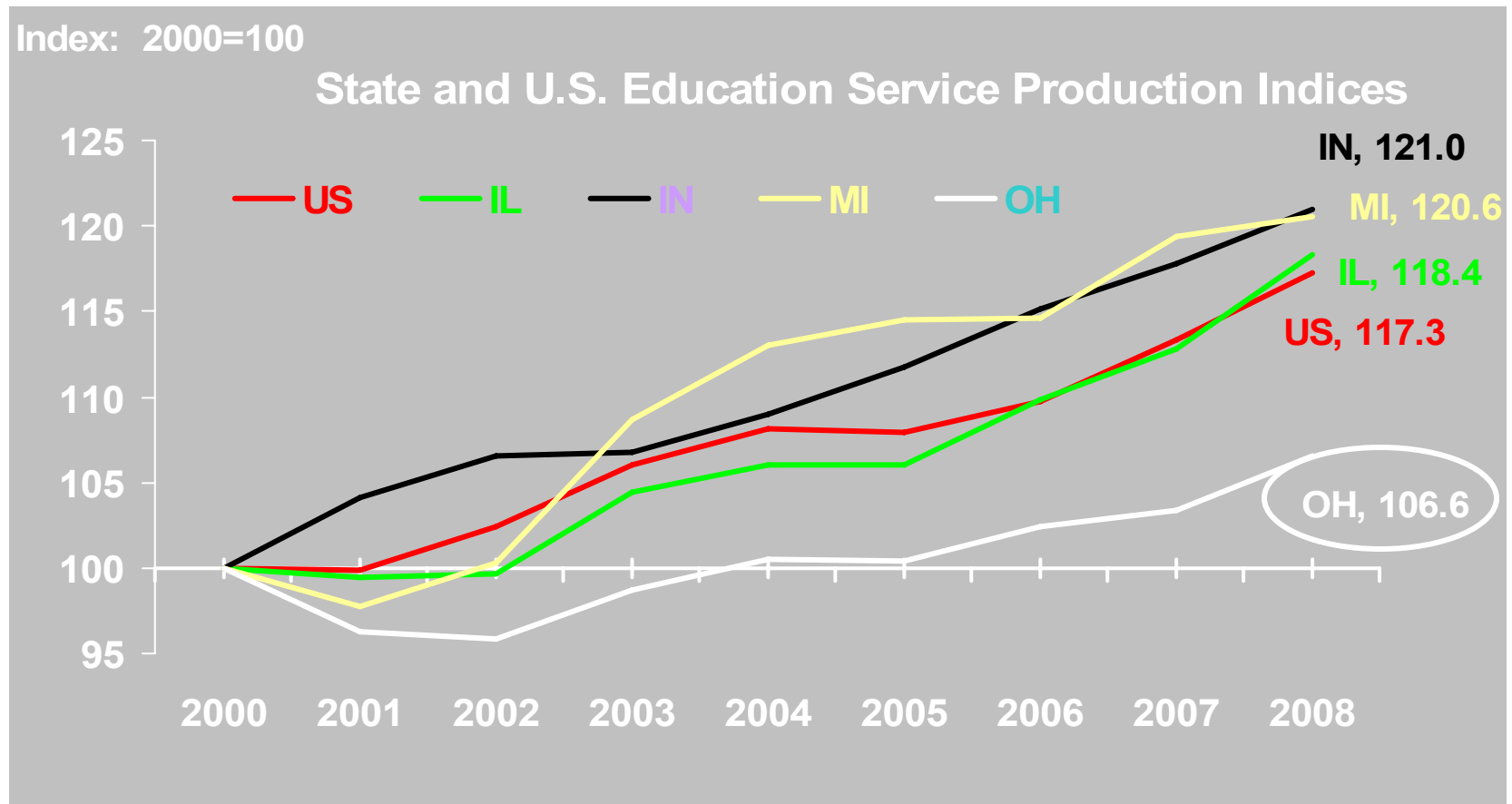
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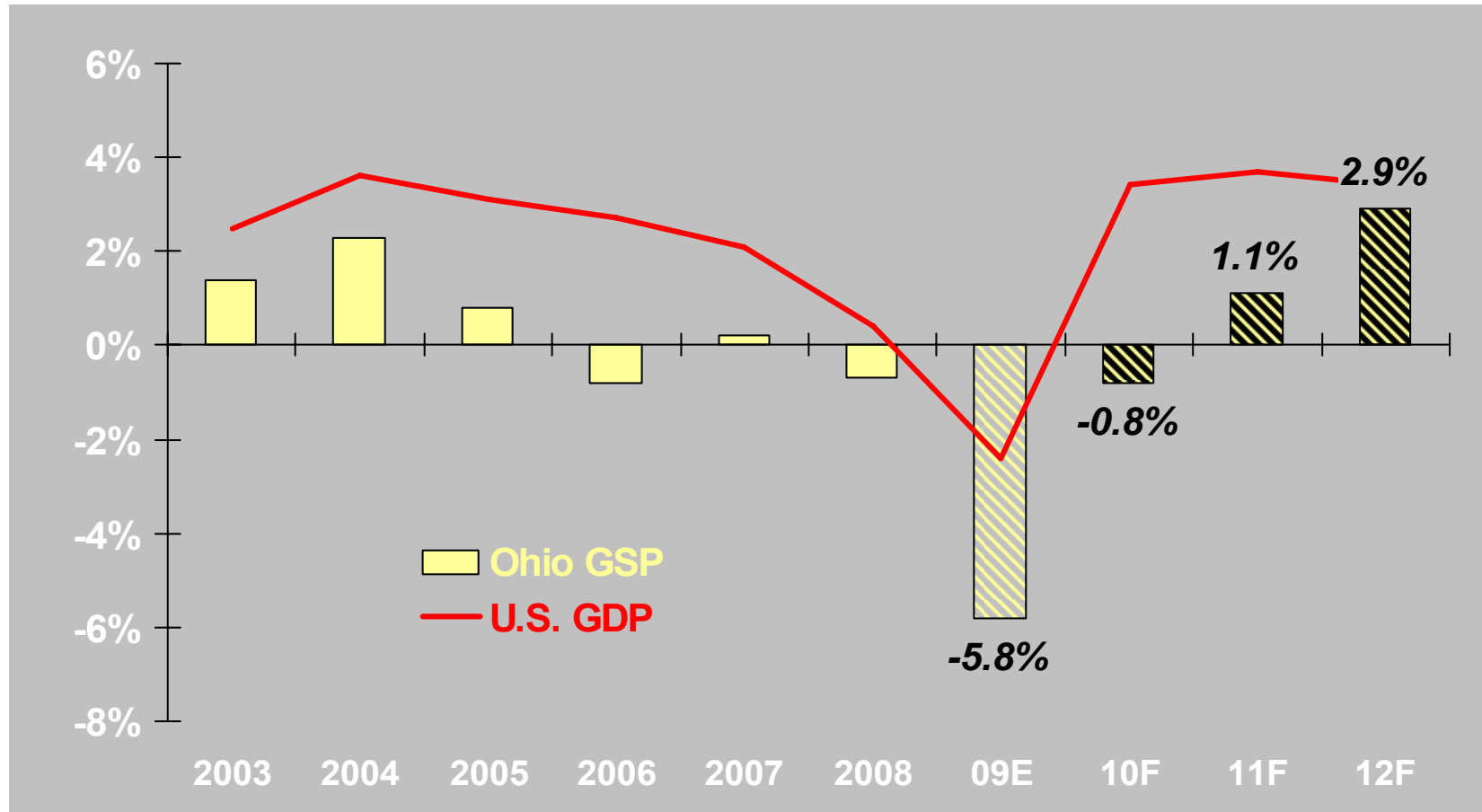
Source: Bureau of Economic Analysis and RED CAPITAL Research



# Ohio: Real Gross State Product

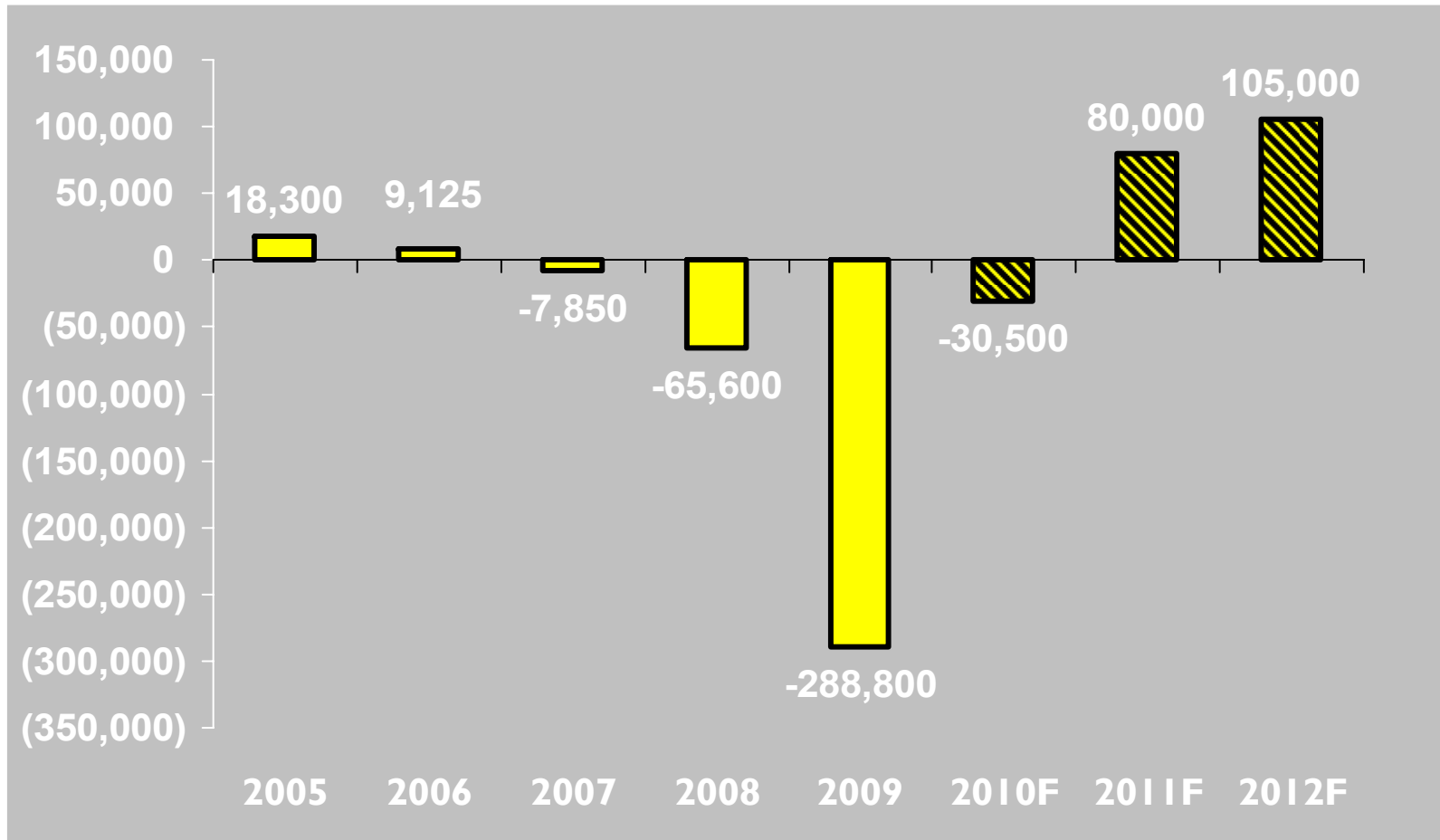
## History and Forecast

Source: Bureau of Economic Analysis and RED CAPITAL Research



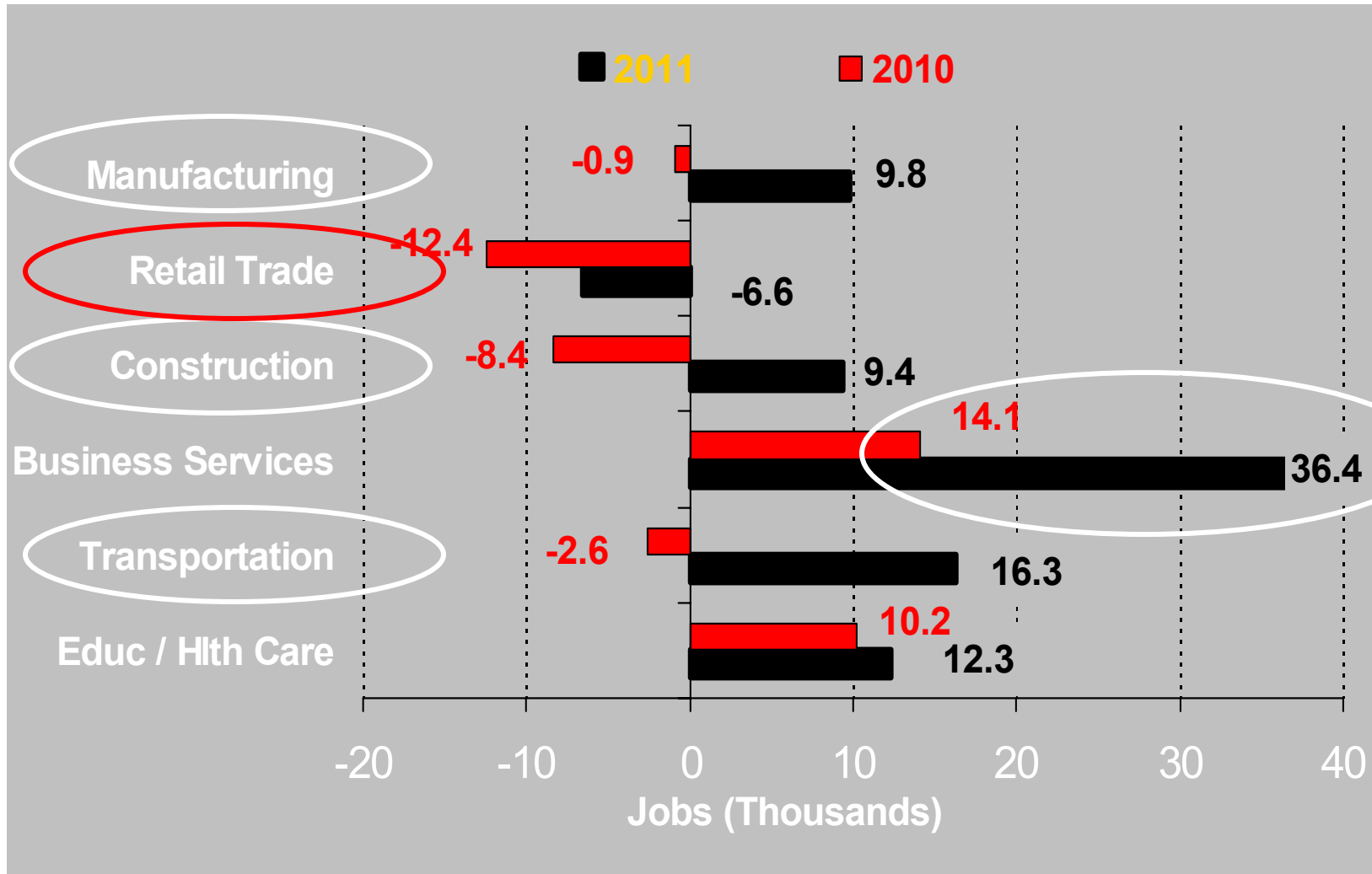
# Ohio Payrolls: Annual Job Trends and Forecast

Source: Bureau of Labor Statistics and RED CAPITAL Research



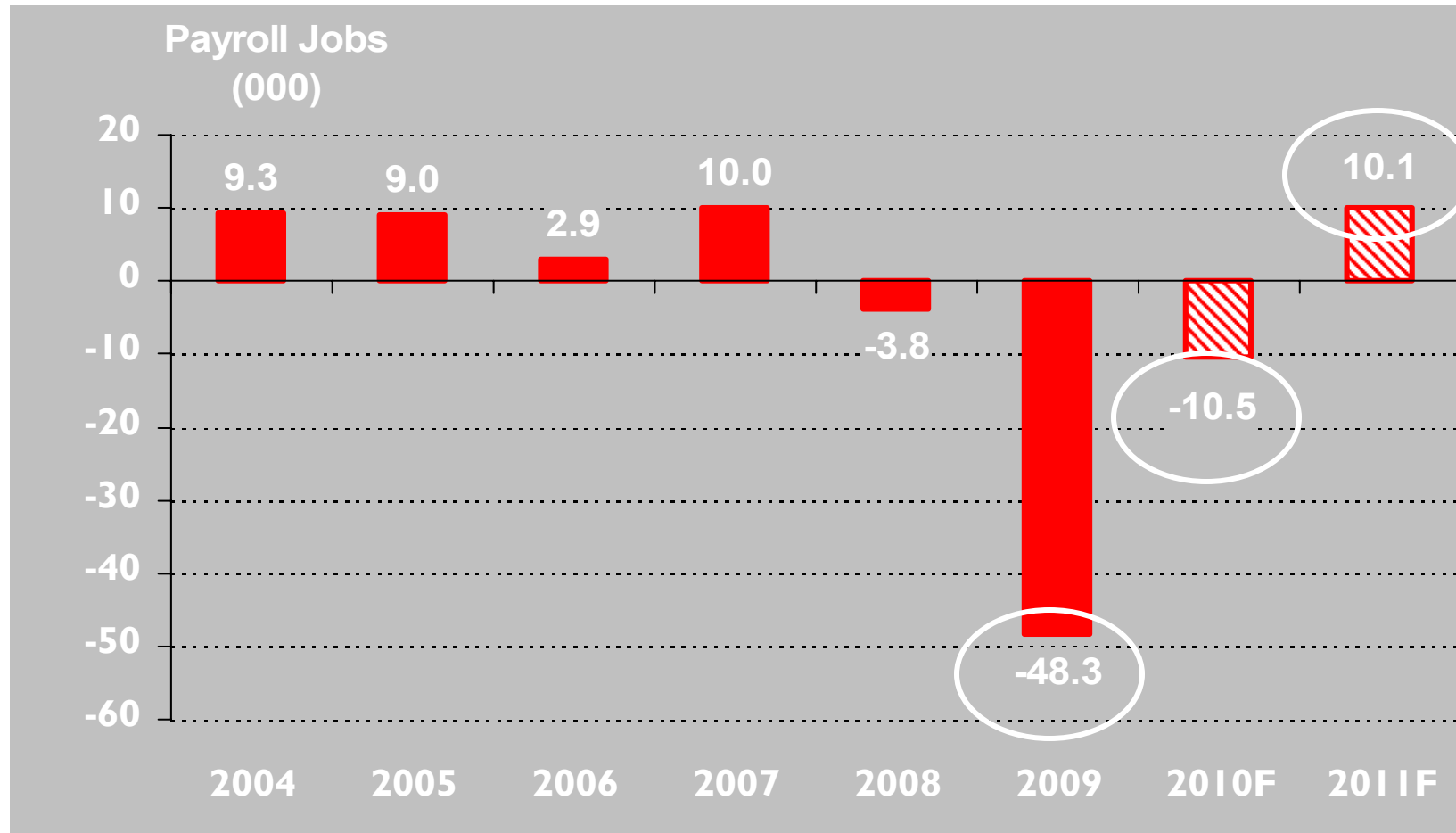
# Ohio: Super-Sector Forecast

Source: BLS, RED CAPITAL Research



# Metro Payroll Forecast: Cincinnati-Middletown MSA

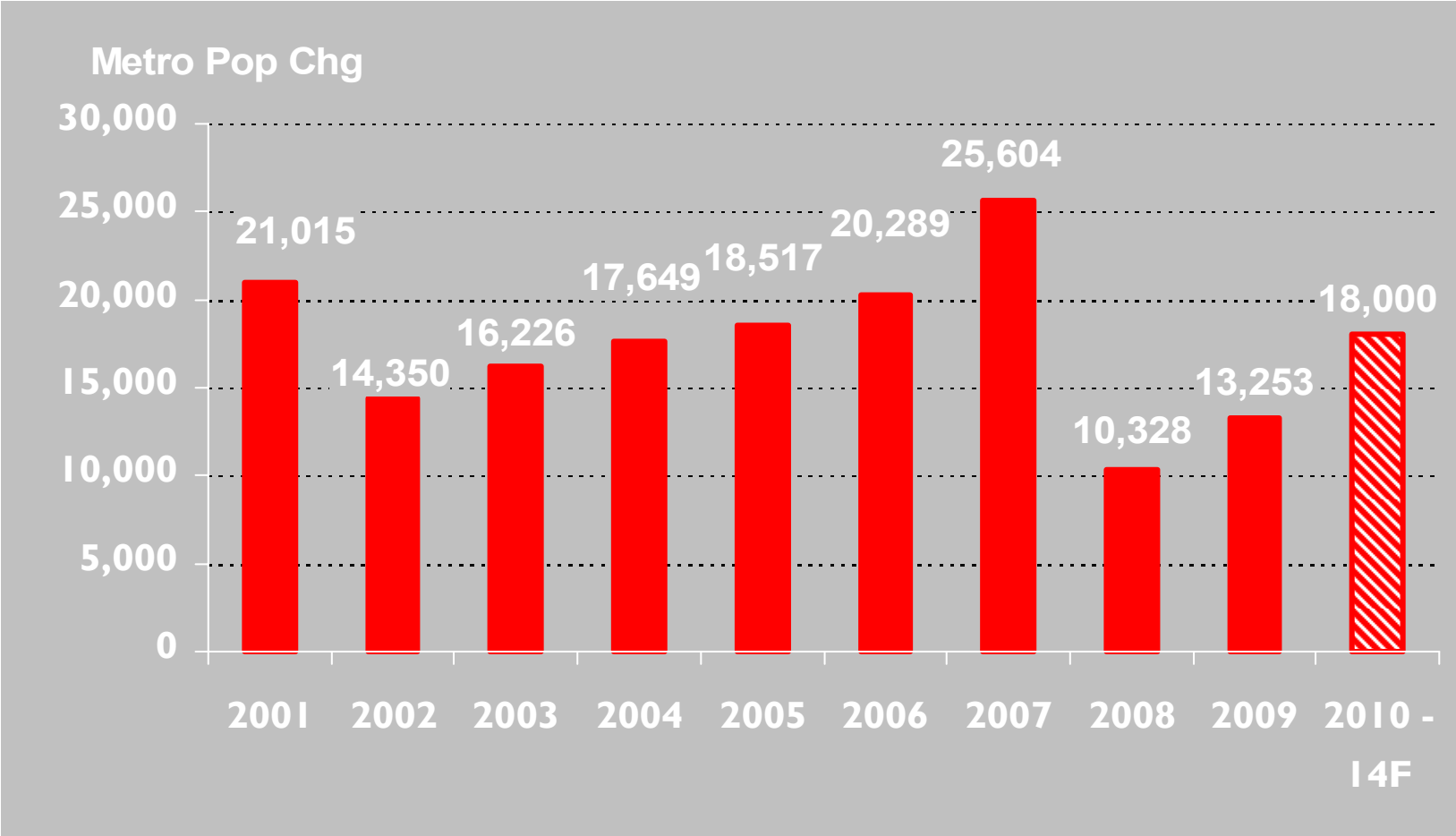
Source: BLS, RED CAPITAL Research





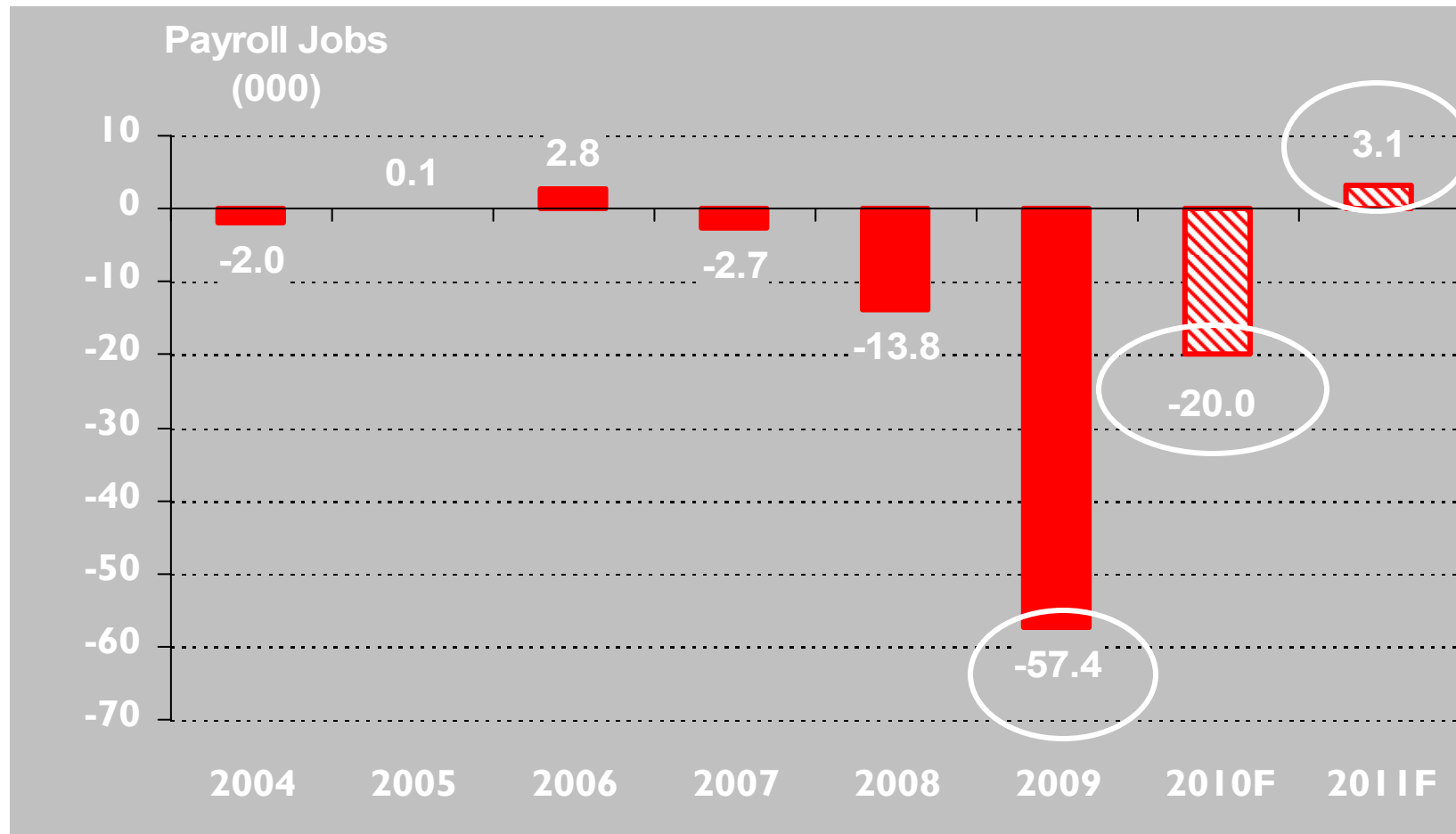
# Metro Population Growth: Cincinnati-Middletown MSA

Source: Bureau of the Census, Tactician Corporation and RED CAPITAL Research



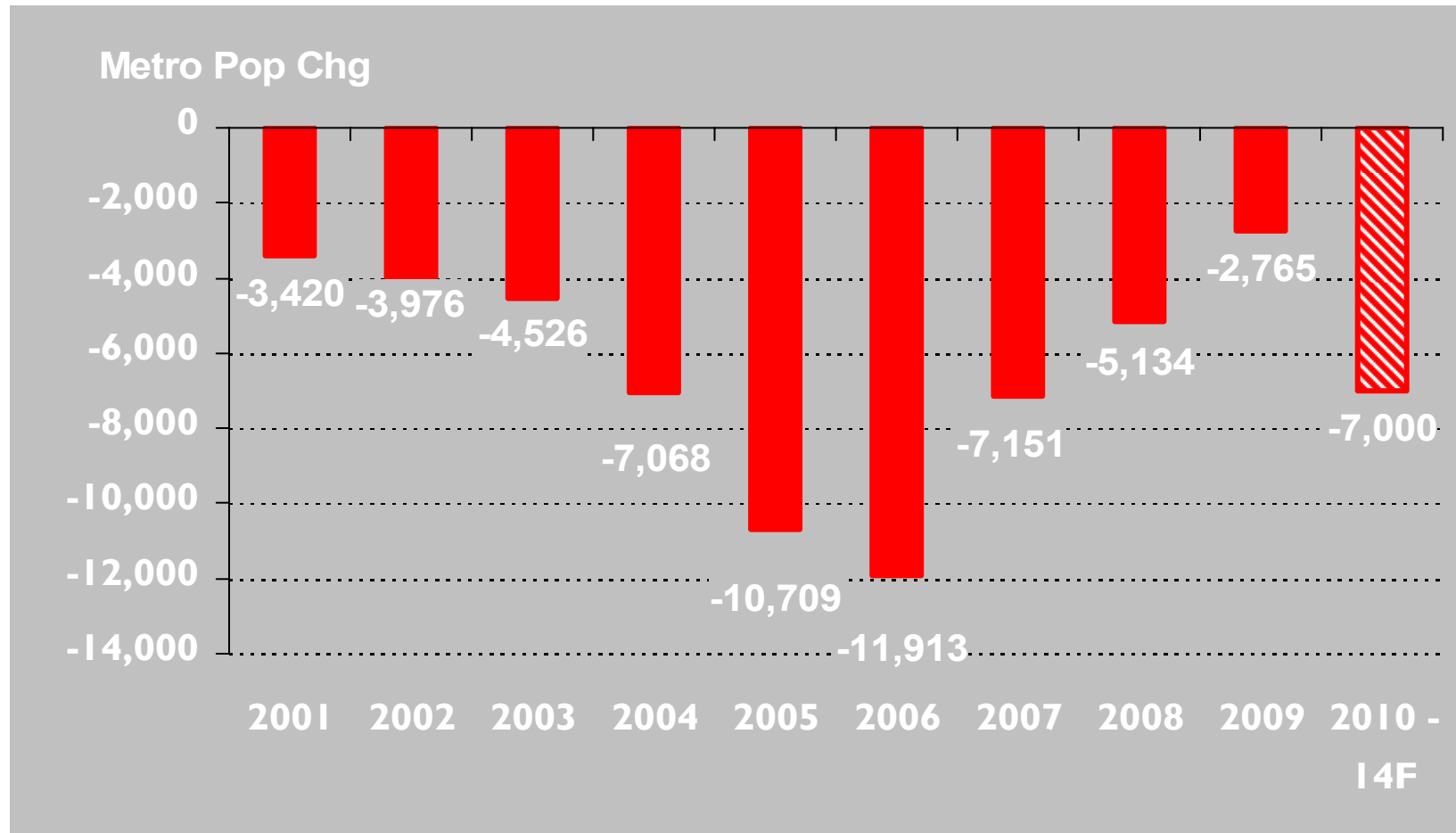
# Metro Payroll Forecast: Cleveland – Elyria - Mentor MSA

Source: BLS, RED CAPITAL Research



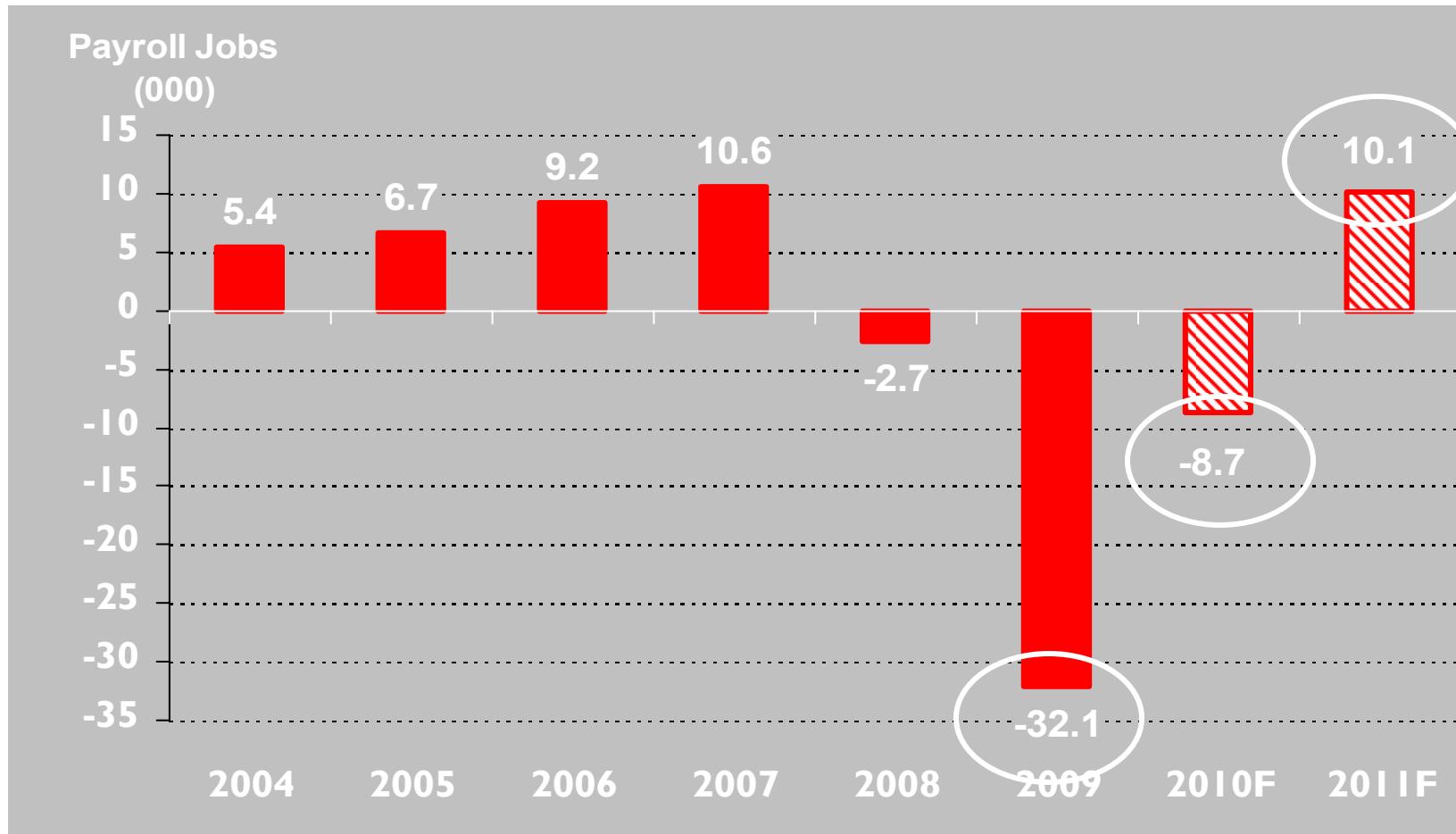
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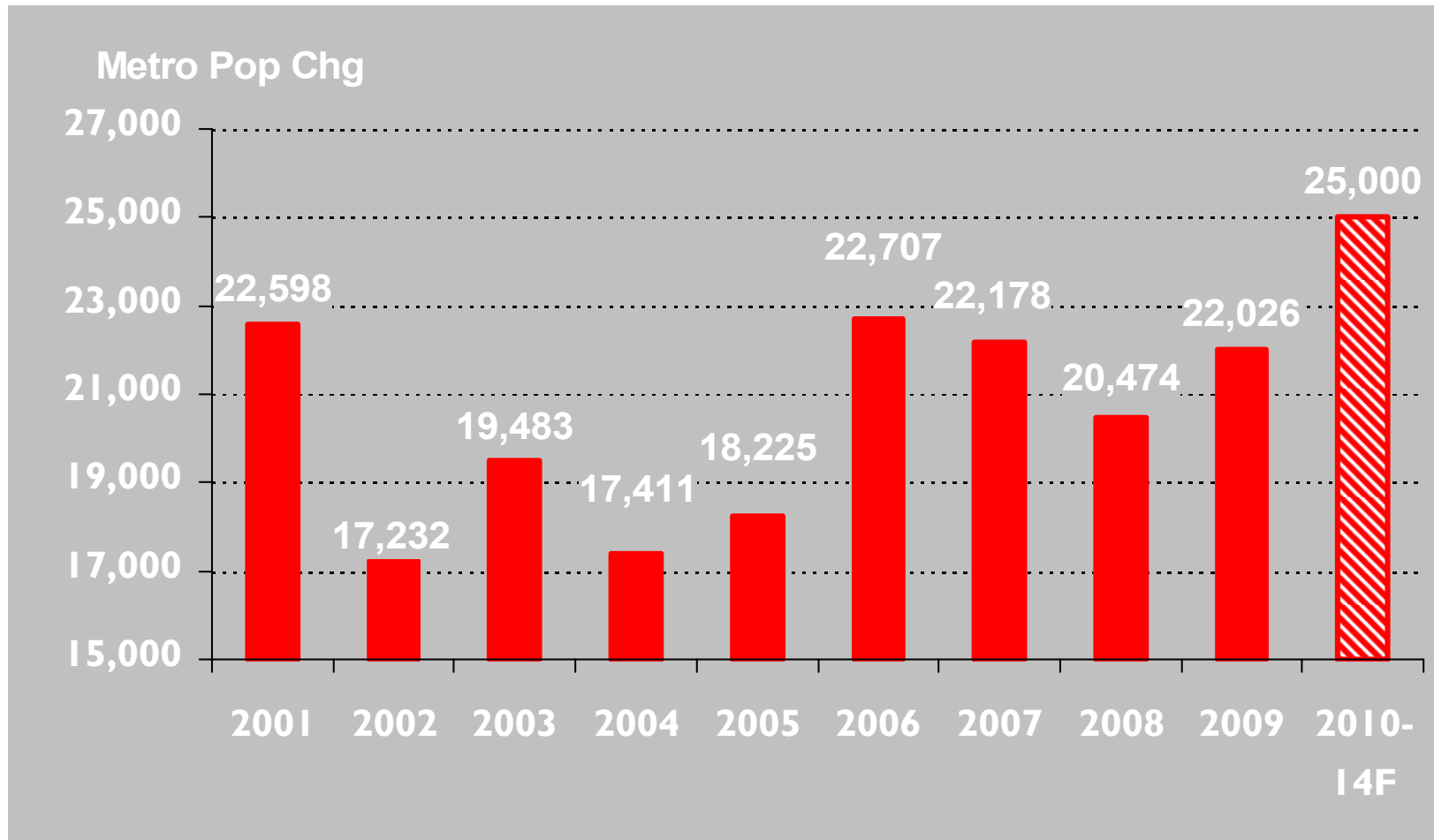
# Metro Payroll Forecast: Columbus MSA

Source: BLS, RED CAPITAL Research



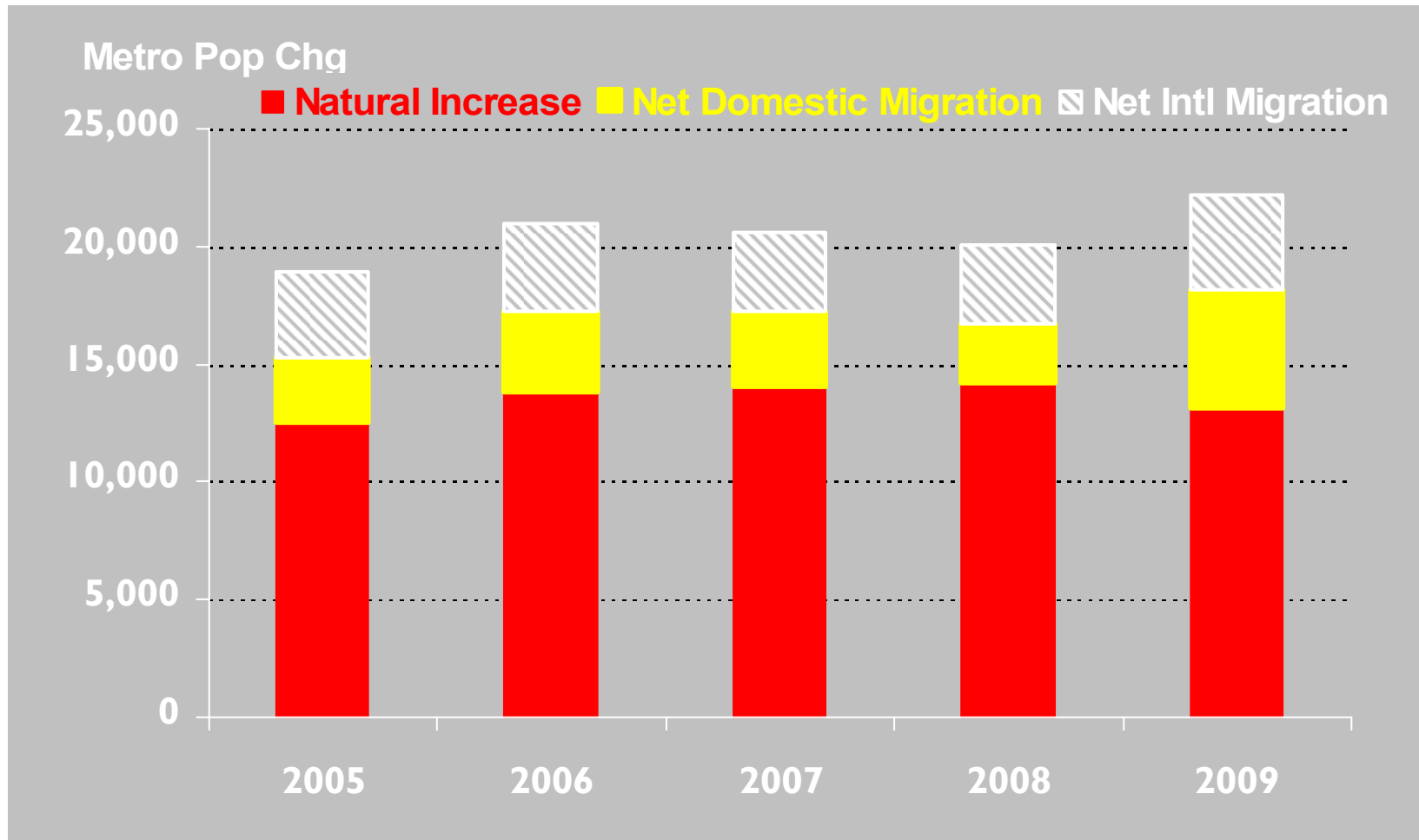
# Metro Population Growth: Columbus MSA

Source: Bureau of the Census, Tactician Corporation and RED CAPITAL Research



# Population Components: Columbus MSA, Only Ohio MSA to Attract + Domestic Migration

Source: BLS, RED CAPITAL Research



# Metro Payroll Forecasts: Other Midwest Metros of Interest

Source: BLS, RED CAPITAL Research

	Metro Area						
Year	Chicago	Detroit	Indianapolis	Kansas City	Minneapolis	Saint Louis	Milwaukee
2004	-2.8	-19.2	12.2	8.8	14.5	-0.4	1.7
2005	36.8	-1.6	10.2	11.6	26.5	15.2	8.6
2006	52.8	-43.4	14.5	15.1	22.3	13.7	9.9
2007	29.4	-37.9	13.9	19.2	8.4	8.3	6.7
2008	-27.8	-64.2	-1.9	2.5	-9.9	-3.9	-4.5
2009	-200.7	-160.5	-41.8	-34.3	-83.4	-54.8	-42.8
2010F	-52.3	-34.9	-8.7	-9.6	-16.9	-9.2	-9.4
2011F	33.4	-7.7	12	10	25.9	11.6	7.2

# Ohio and Midwest Key Take-aways

- Ohio and MW will emerge from the recession in late 2010, about 6 months behind the nation
  - Positive GSP in 2H10
  - Year-on-year job growth by 4Q10
- Economic growth will lag the nation in 2010, but the region will narrow the gap in 2011-12
- Metro economies driven by professional, education and medical services and benefiting from more flexible labor markets will grow faster than the region average
- Competitiveness, labor market flexibility, export-led growth keys

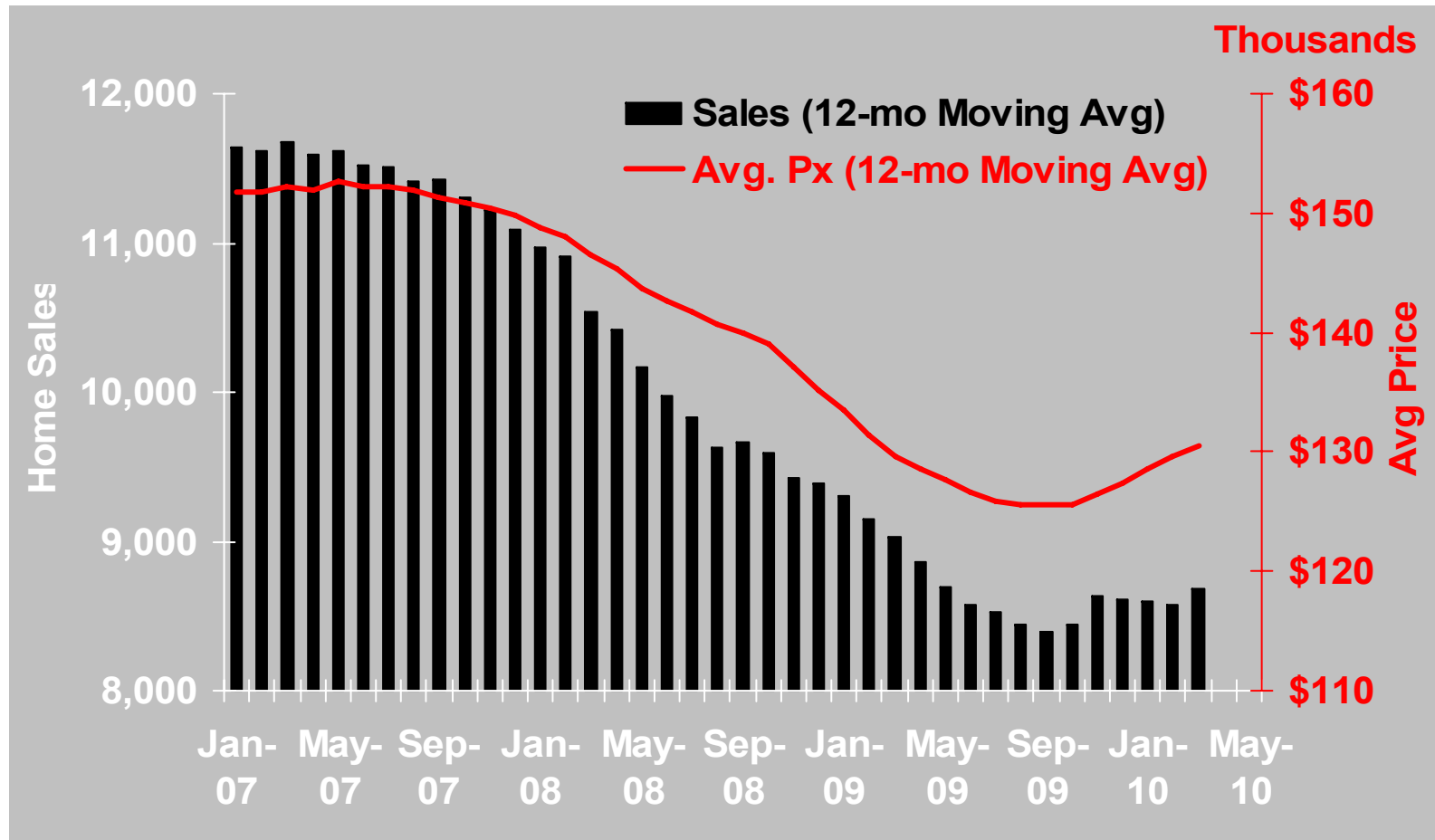


# The Midwest Economy: Ohio Housing Market Conditions

- Average Price and Sales Velocity Trends
- Year-on-year Price Trends
- Single-family Building Permit Issue

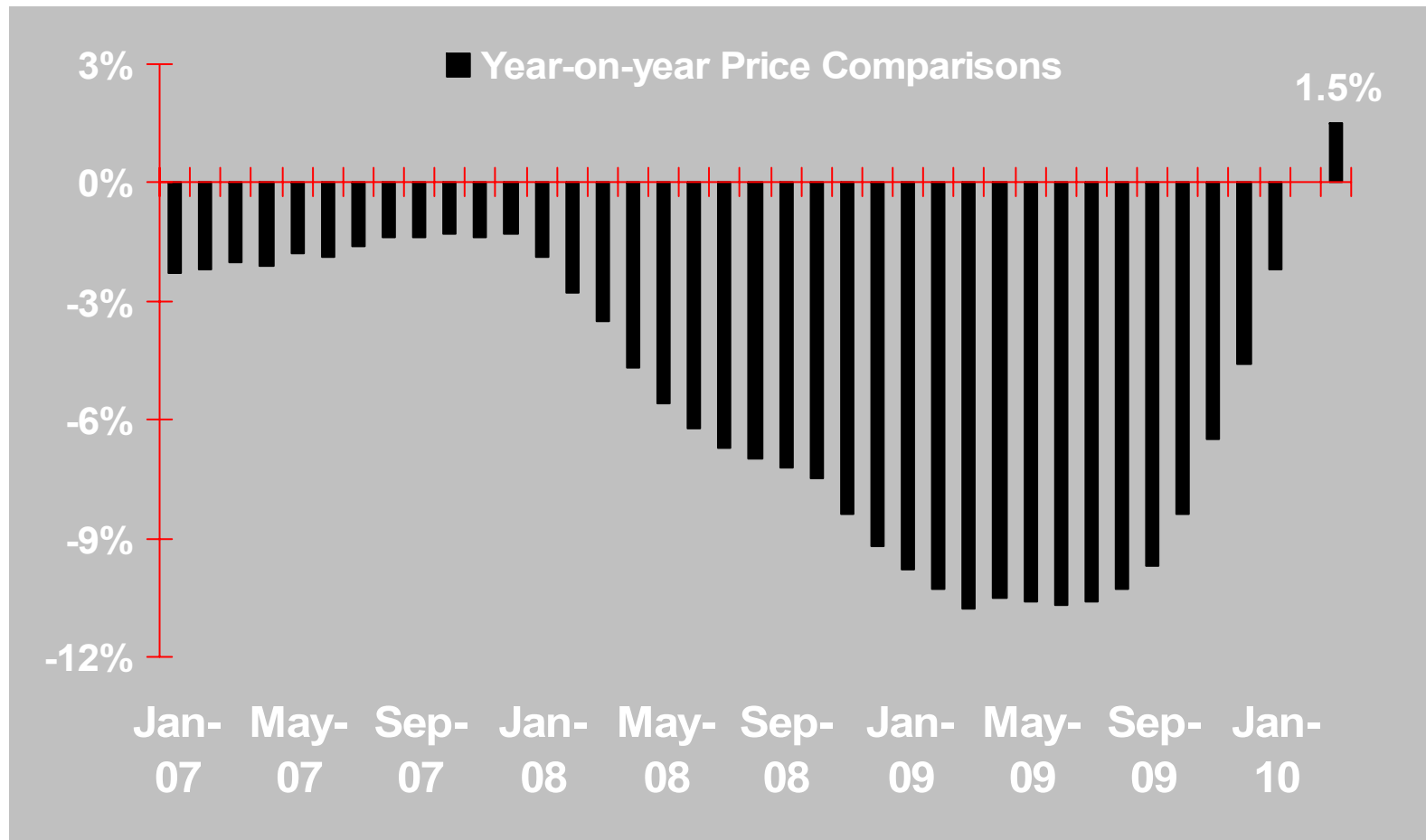
# Ohio Housing Market Trends

Source: Ohio Association of Realtors, RED CAPITAL Research



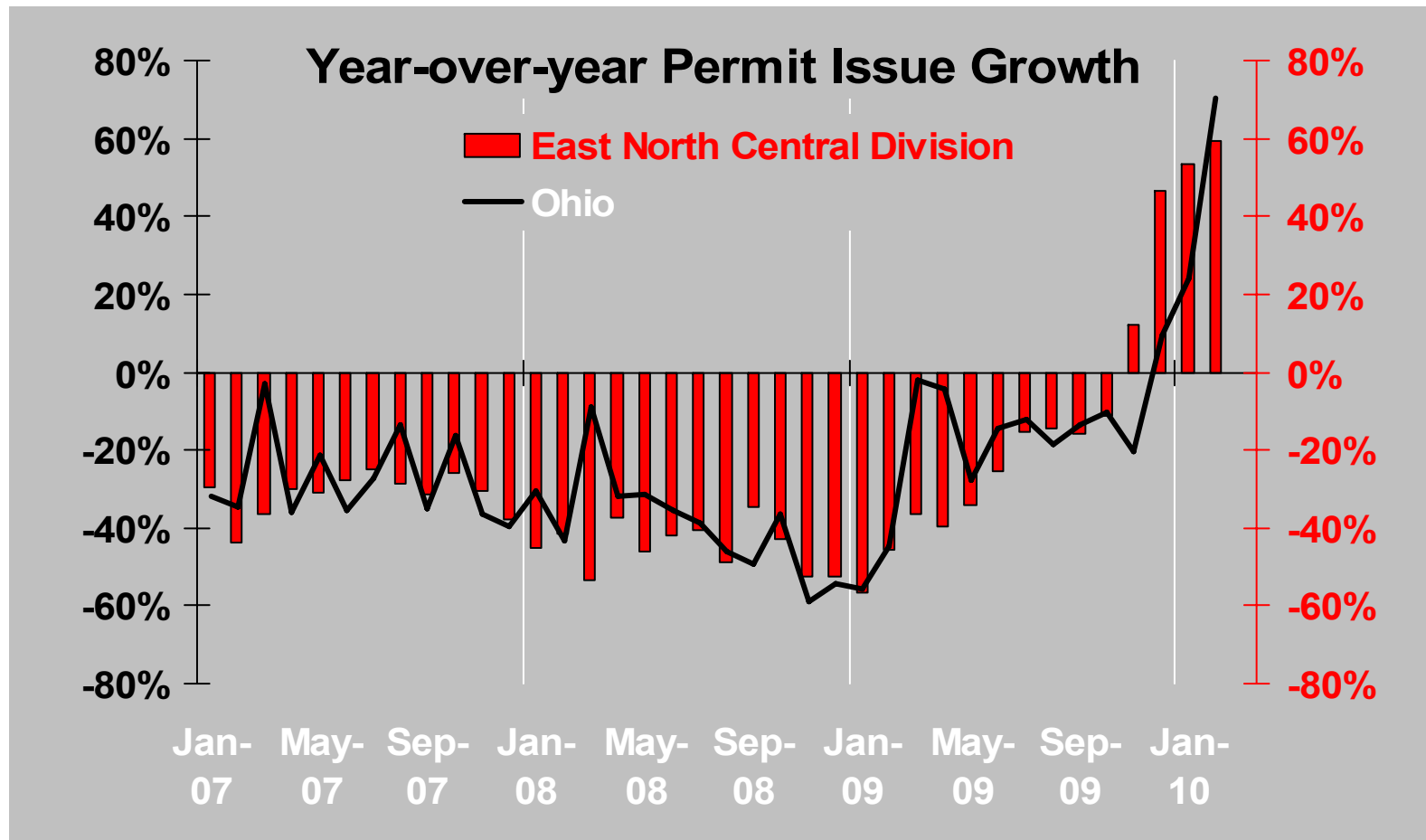
# Ohio Housing Market Trends (Cont): Prices Finally Stop Y-o-Y Decline

Source: Ohio Association of Realtors, RED CAPITAL Research



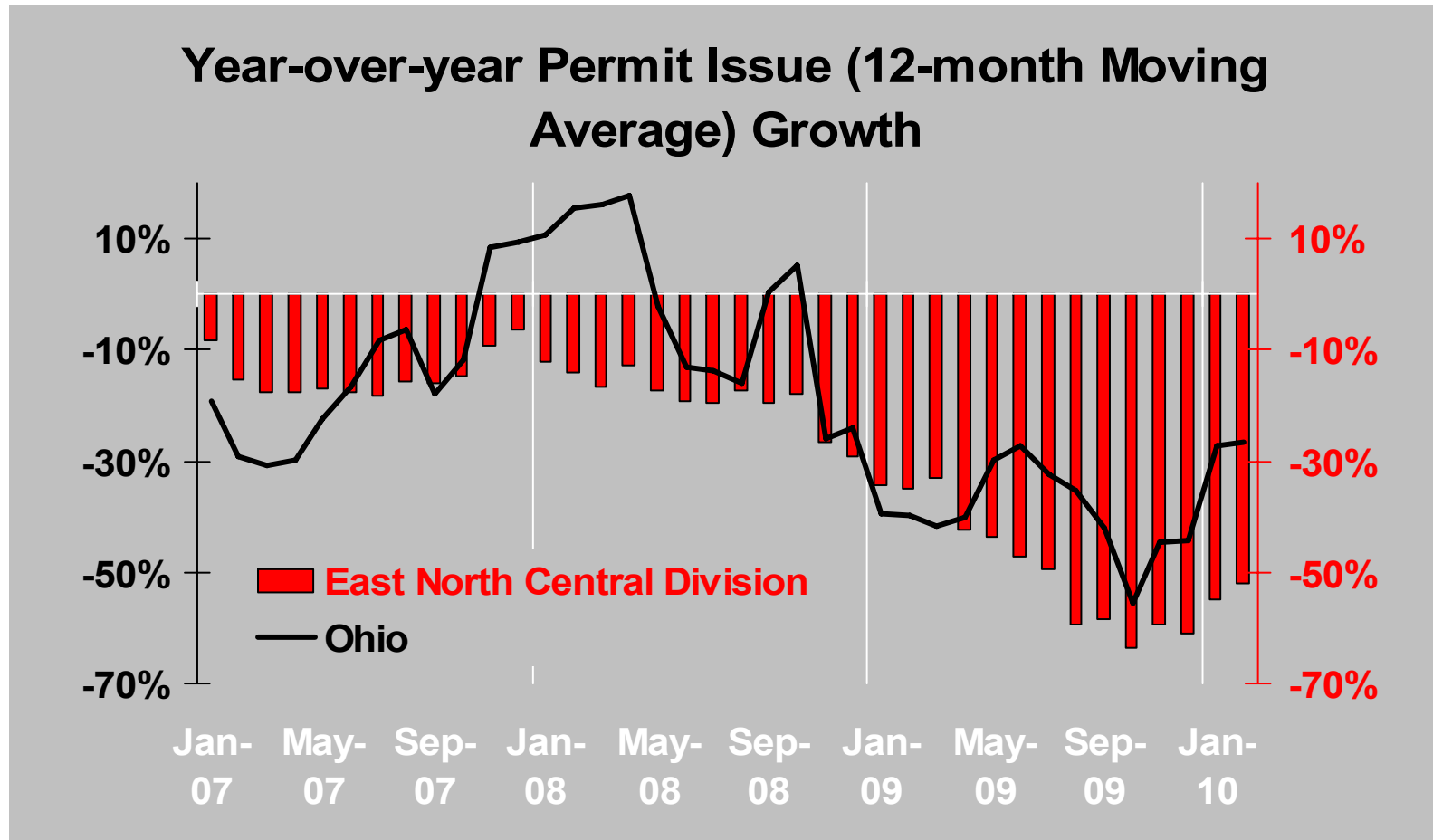
# Housing Market Trends: 1-Family Building Permit Issue

Source: Ohio Association of Realtors, RED CAPITAL Research



# Housing Market Trends: 5+ Unit Building Permit Issue

Source: Ohio Association of Realtors, RED CAPITAL Research

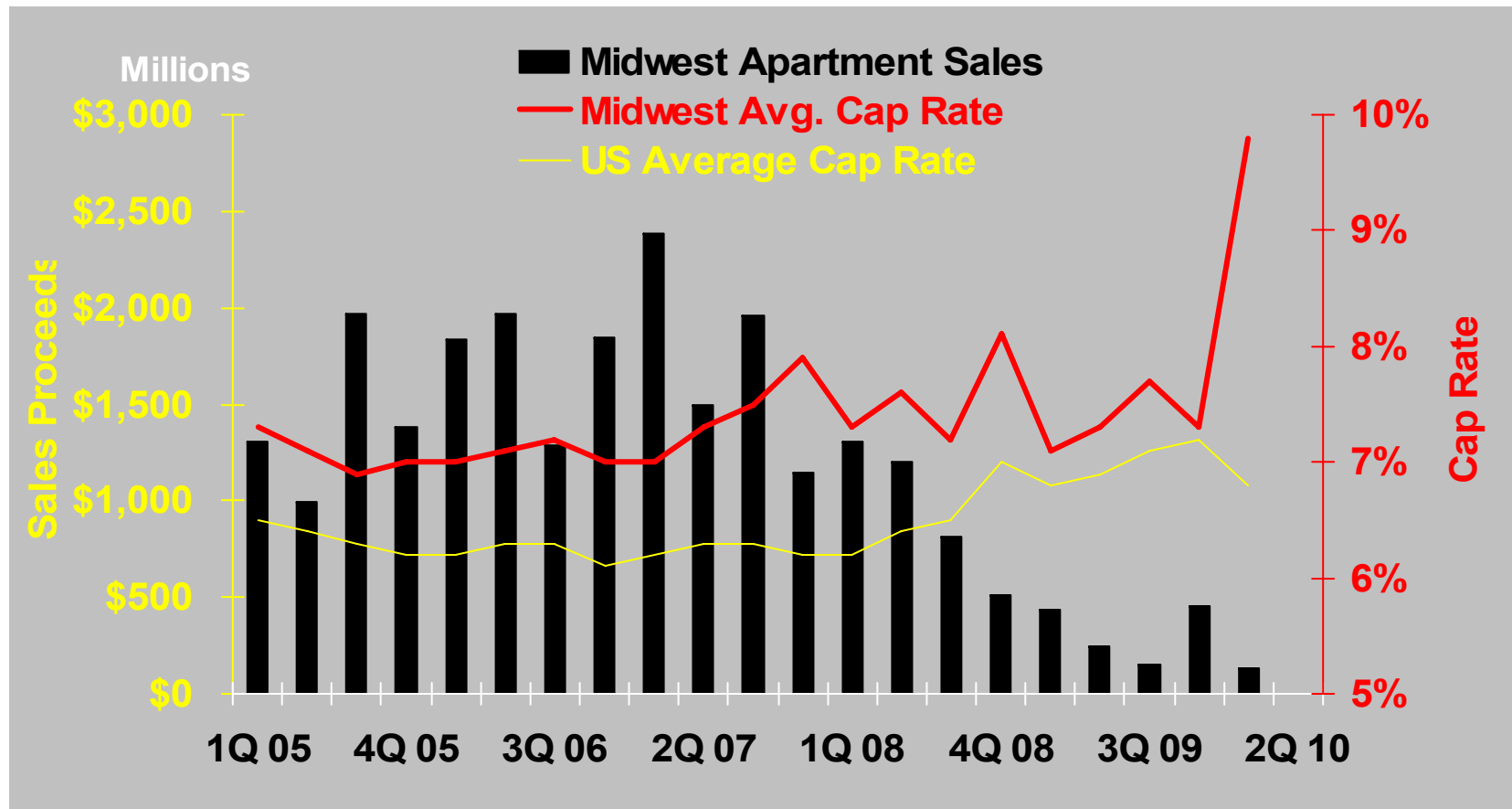


# The Midwest Economy: Commercial Real Estate Markets

- Apartment sales volume
- Apartment cap rate trends

# The Midwest Economy: Apartment Property Sales and Cap Rates

Source: Real Capital Analytics



Thank you for your attention and  
patience....

Any comments or questions?