

# **Maybe the Economy Will Hold Its Own in '07 After All**

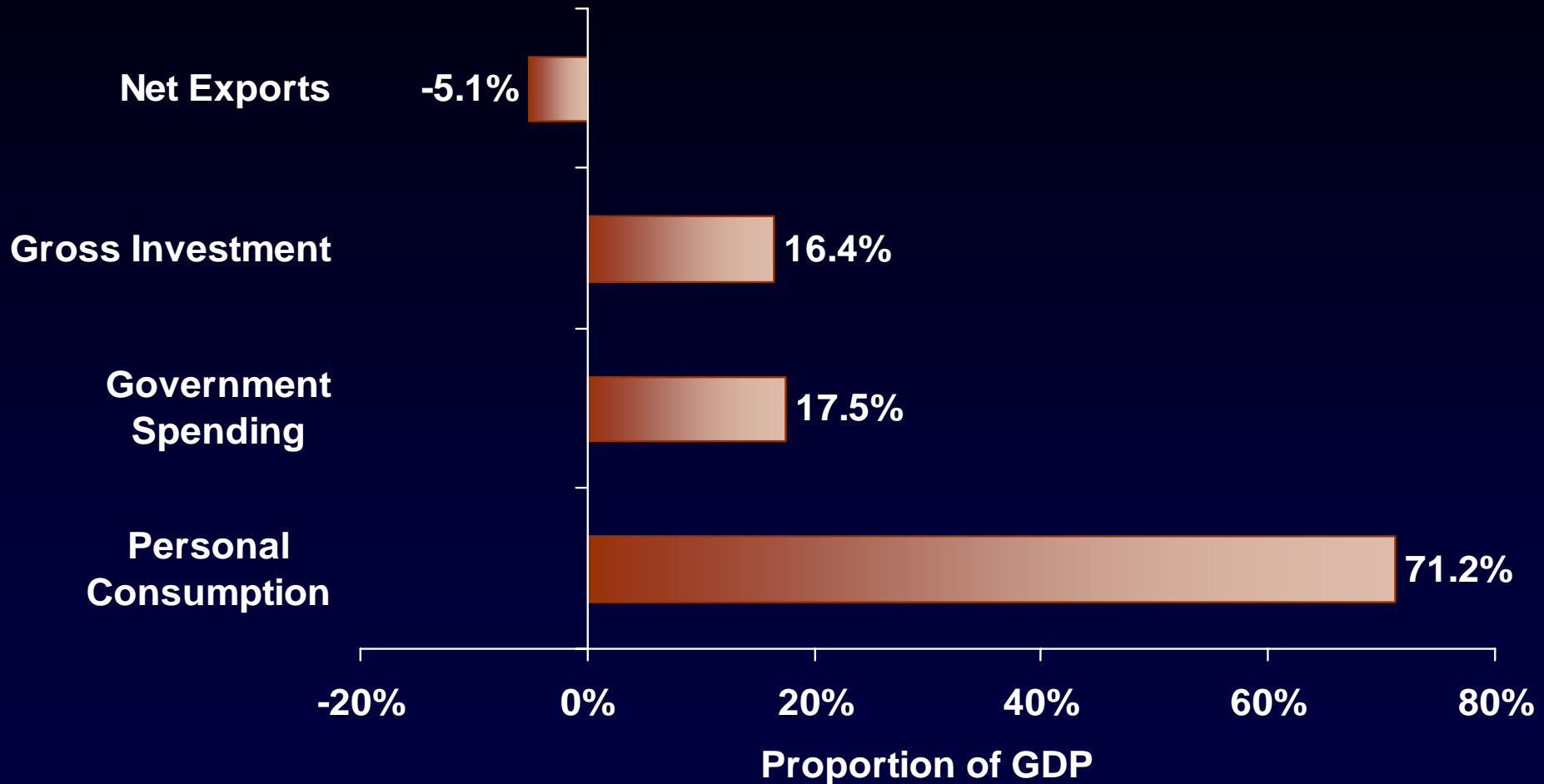
*On Behalf of  
Carroll County Department of  
Economic Development*

*By: Anirban Basu  
Sage Policy Group, Inc.*

*March 14, 2007*

# I. Worsening Economic Imbalances

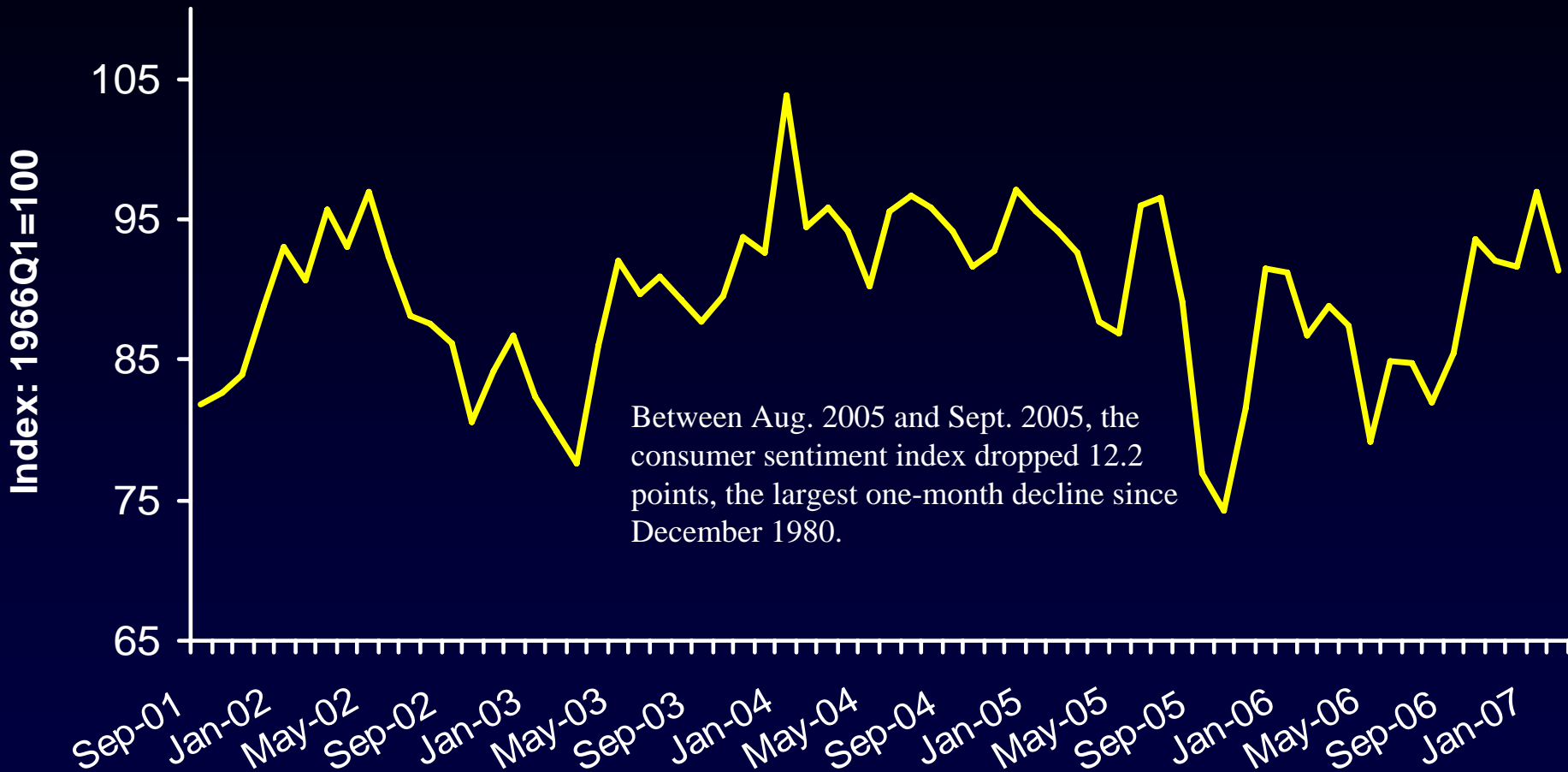
# Components of GDP, 2006Q4



Source: Bureau of Economic Analysis

# University of Michigan Consumer Sentiment Survey

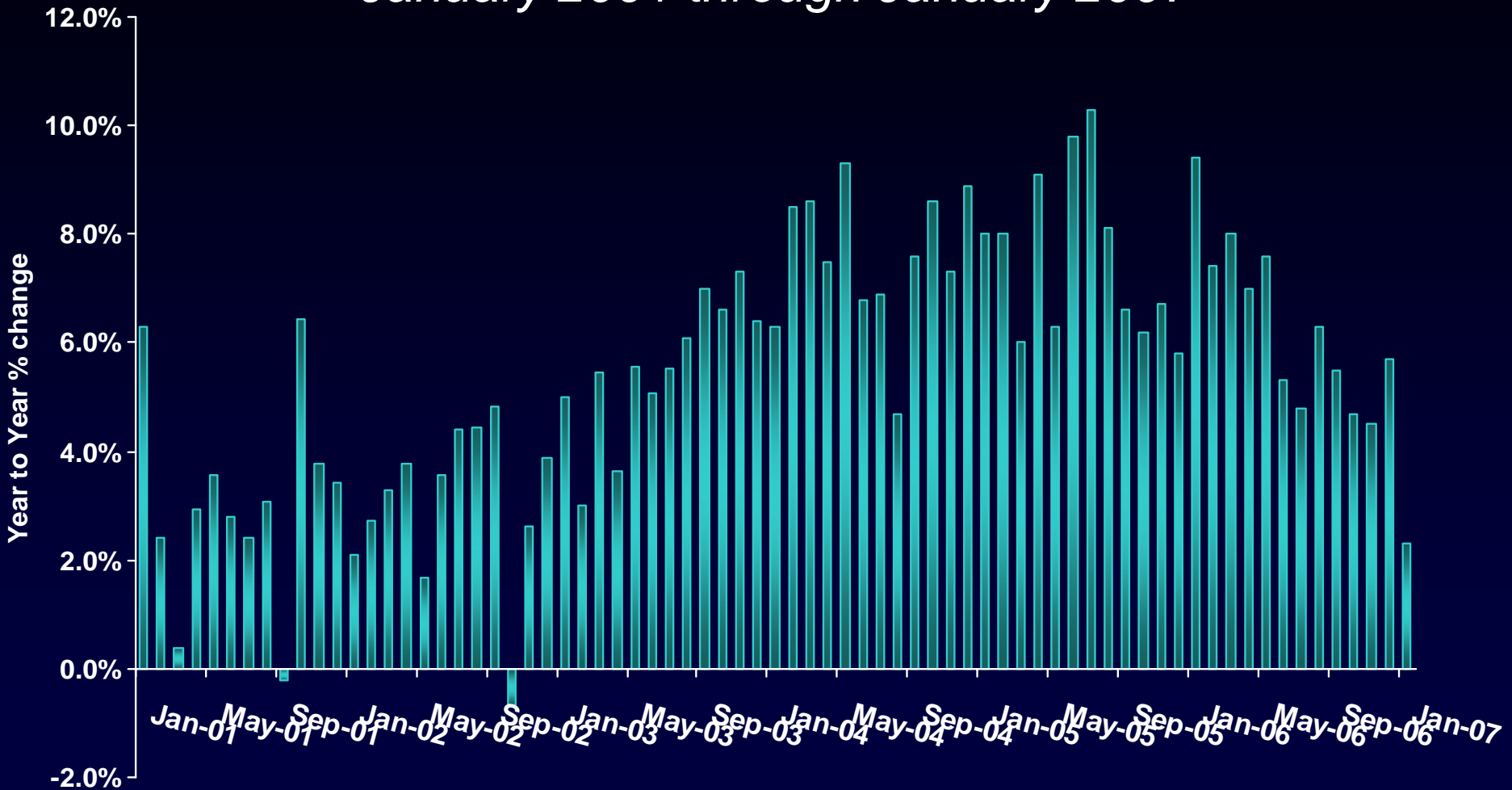
September 2001 through February 2007



Source: University of Michigan; Dismal.com

# Retail & Food Services Sales

January 2001 through January 2007



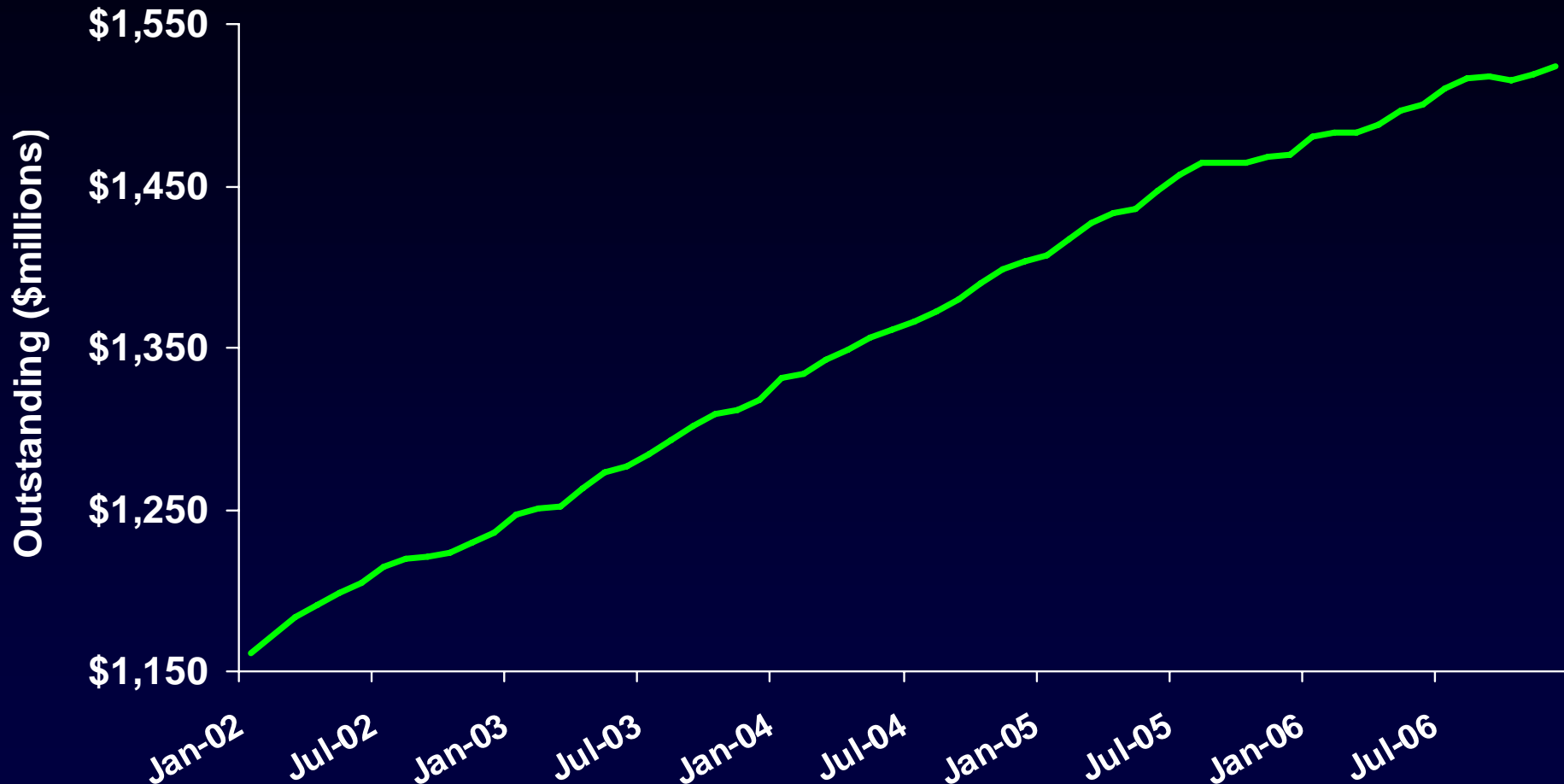
Source: Dismal.com

# Retail & Food Services Sales

*January 2001 through January 2007*



# Non-Revolving Consumer Credit Outstanding January 2002 through December 2006

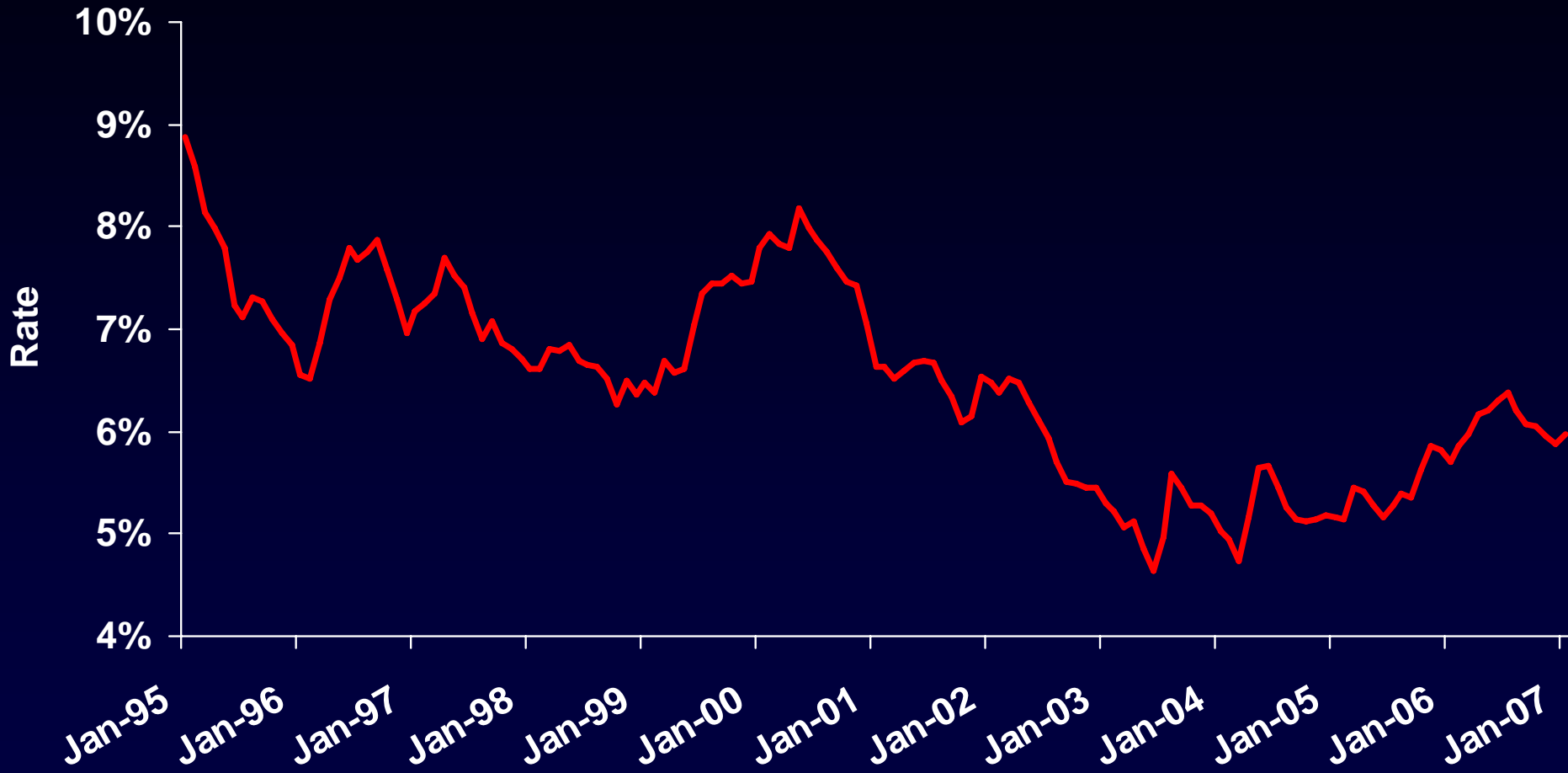


Source: Federal Reserve

Revolving credit means that a borrower can draw down funds, repay the amount drawn and draw again up to the maximum agreed upon. In a non-revolving credit, a borrower does not have the flexibility to redraw on funds paid.



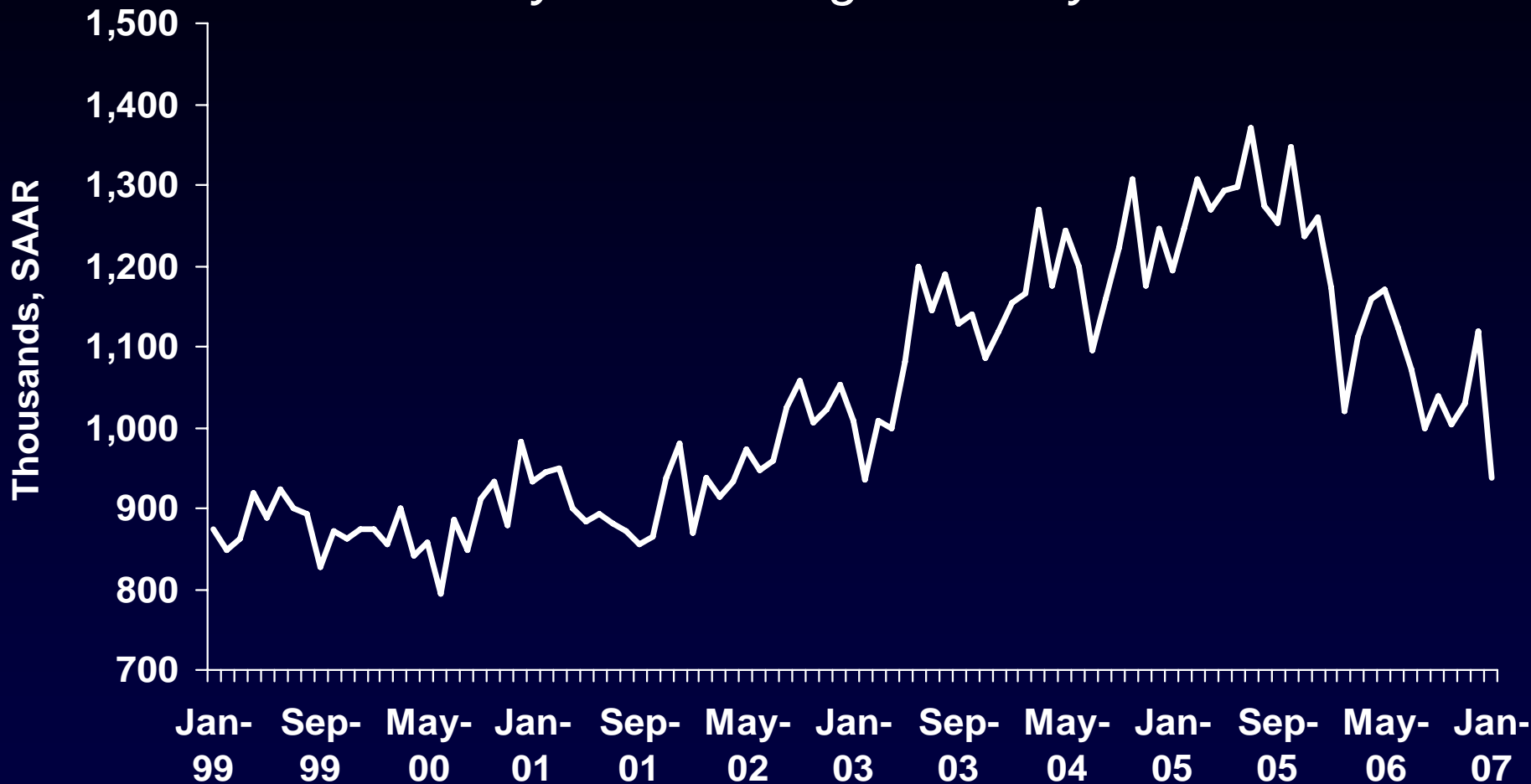
# 15-Year Fixed Mortgage Rates, January 1995 through January 2007



Source: Freddie Mac

# U.S. New Home Sales

January 1999 through January 2007



Source: Economy.com, Census Bureau

# U.S. New Residential Construction

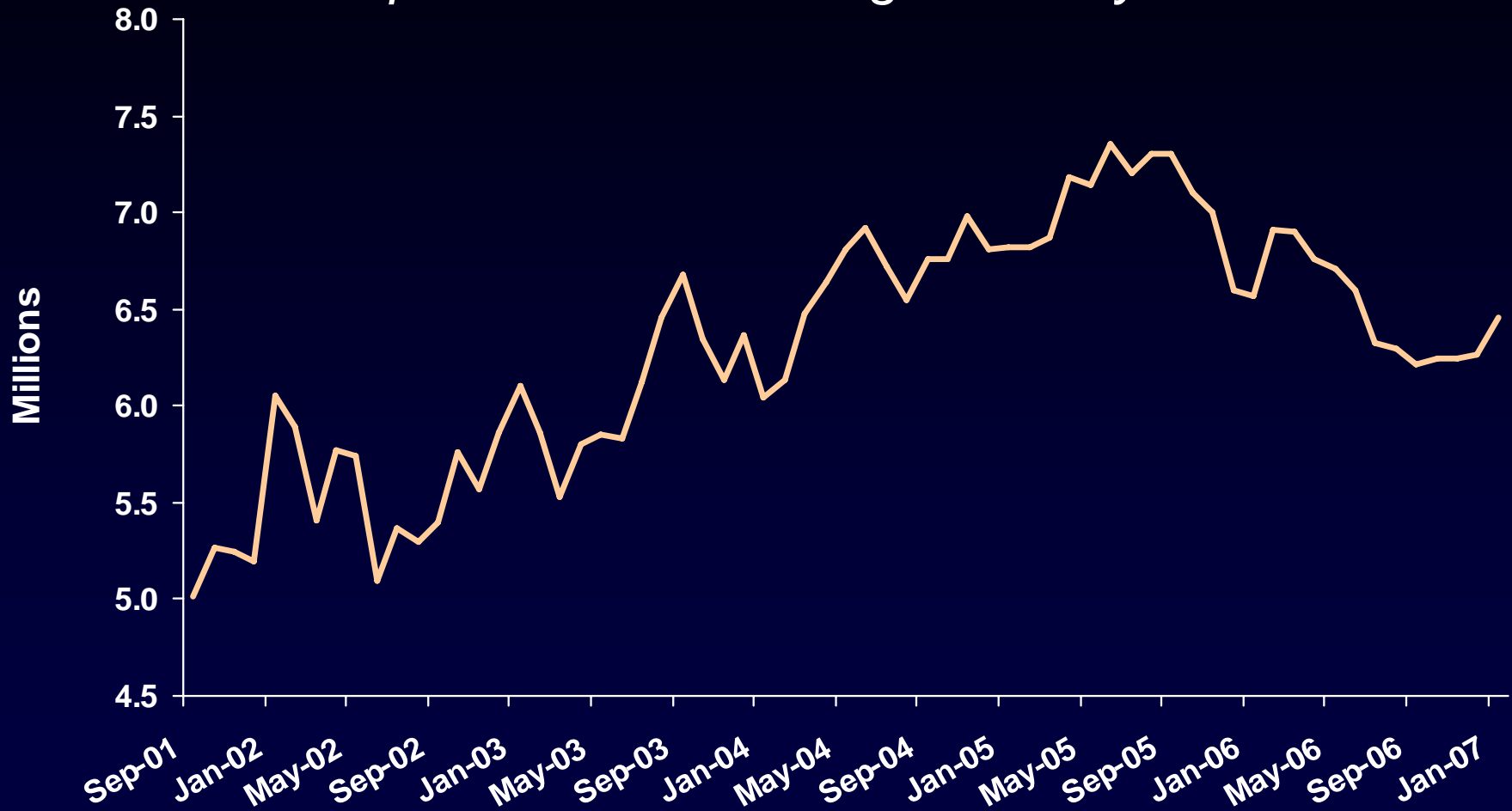
January 1999 through January 2007



Source: Economy.com

# U.S. Existing Home Sales

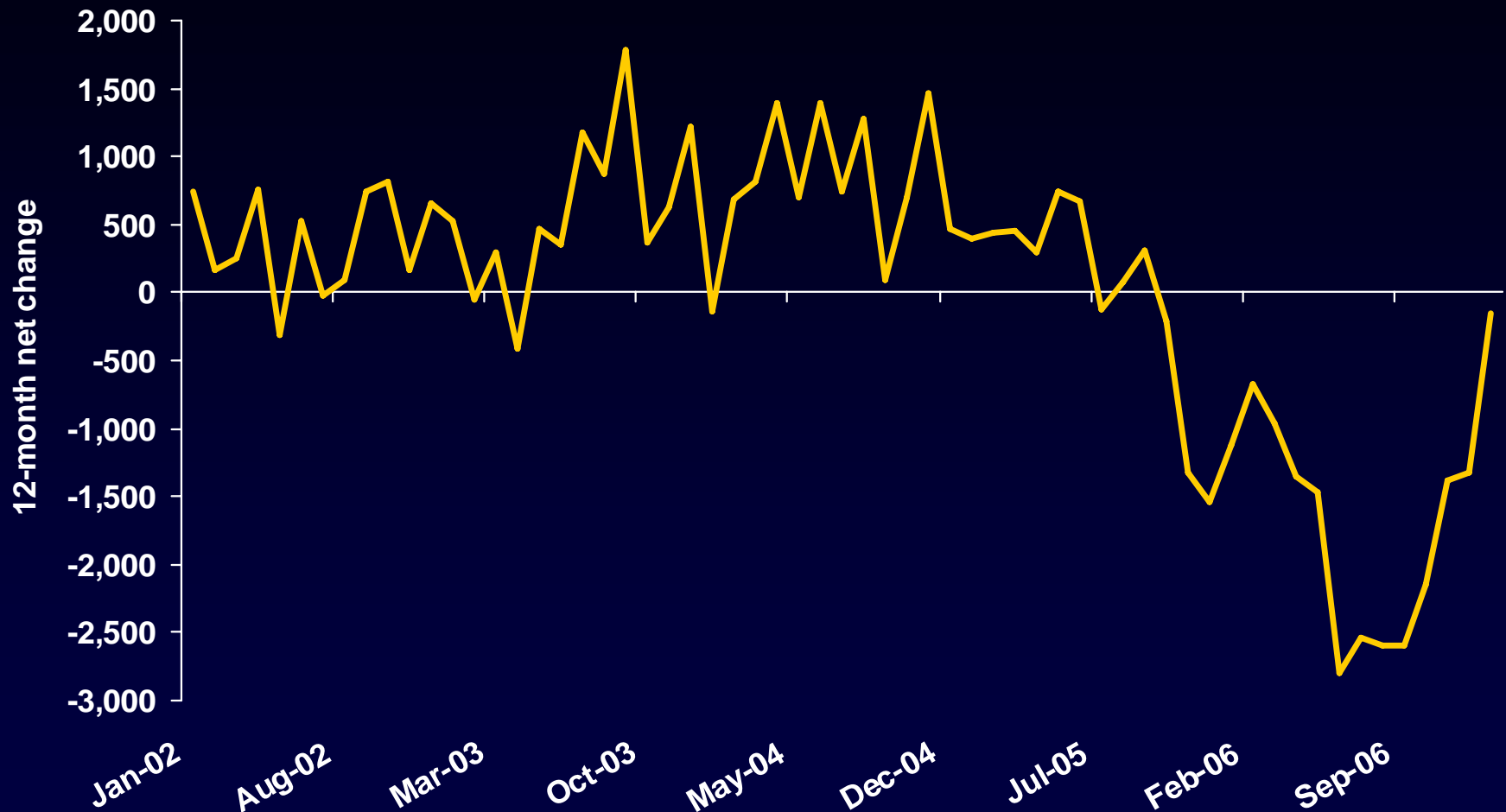
September 2001 through January 2007



Source: Economy.com

# Change in Maryland Housing Units Sold

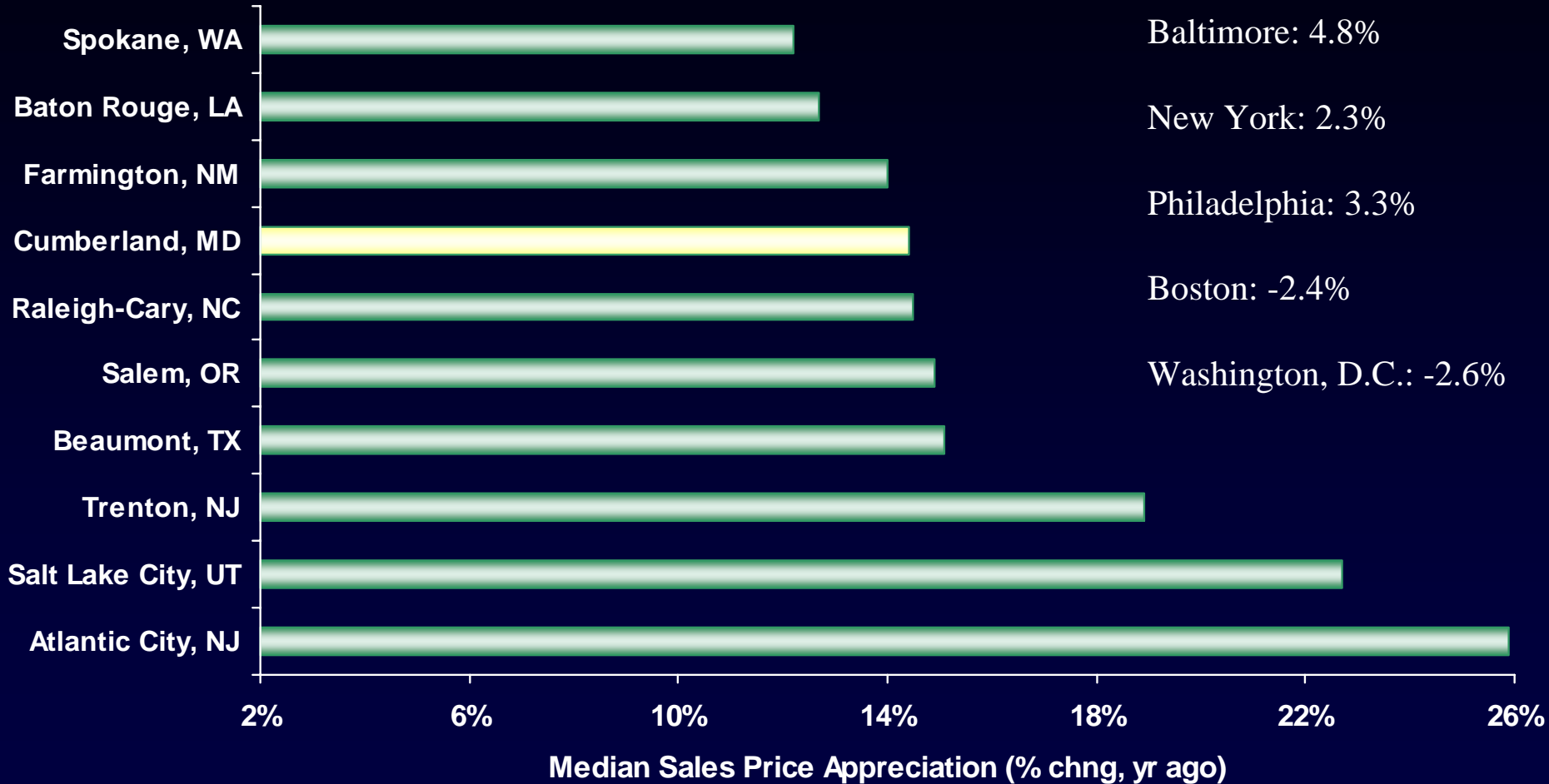
January 2002 through January 2007



Source: Maryland Association of Realtors

# Current Hot Metro Housing Markets (154)

## Annual Existing Single-Family Home Price Appreciation 2006Q4 vs. 2005Q4



Baltimore: 4.8%

New York: 2.3%

Philadelphia: 3.3%

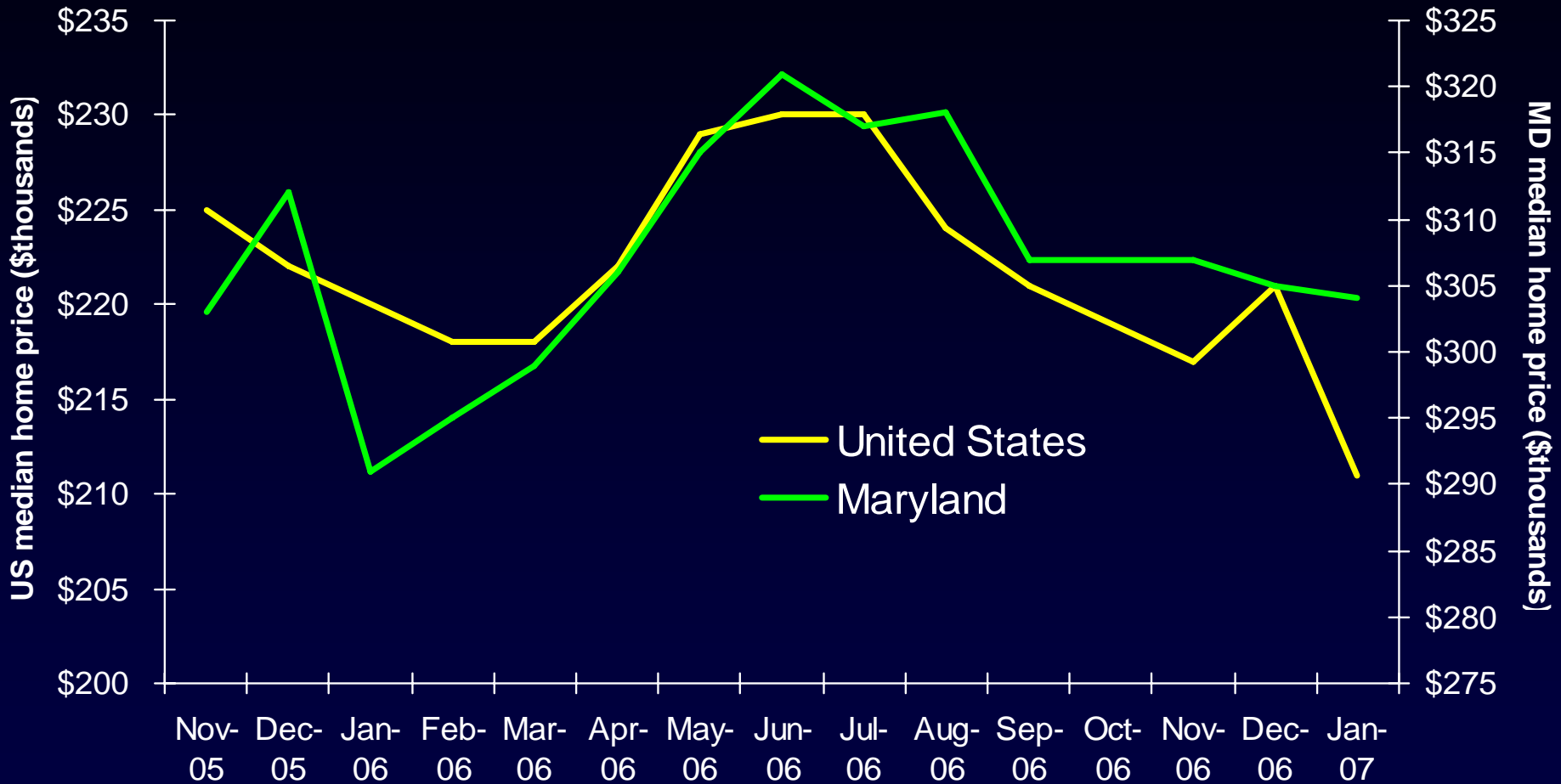
Boston: -2.4%

Washington, D.C.: -2.6%

Source: National Association of Realtors

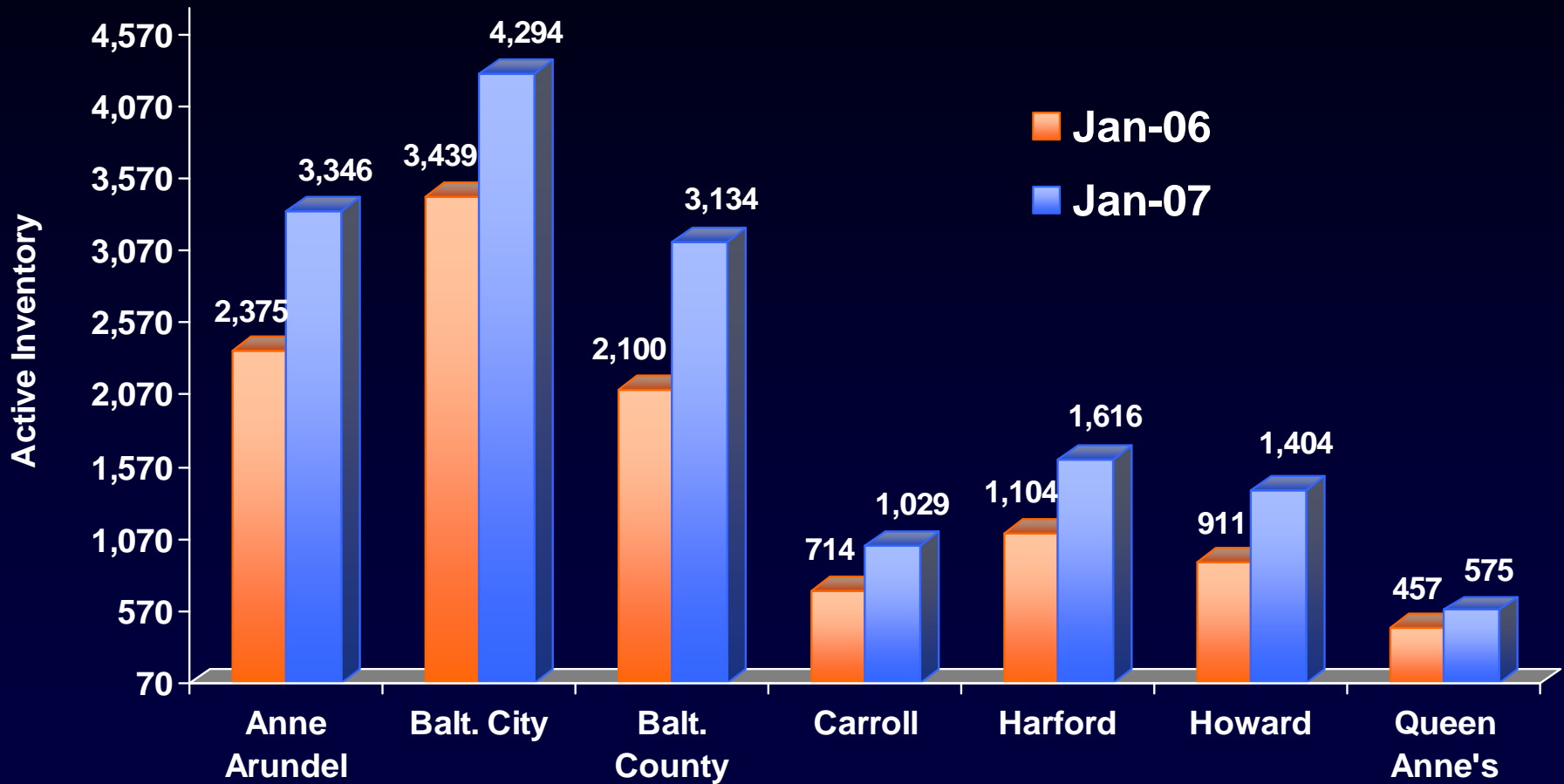
U.S.: -2.7% in 2006Q4

# Median Home Price, Maryland vs. United States November 2005 through January 2007



Source: National Association of Realtors, Maryland Association of Realtors

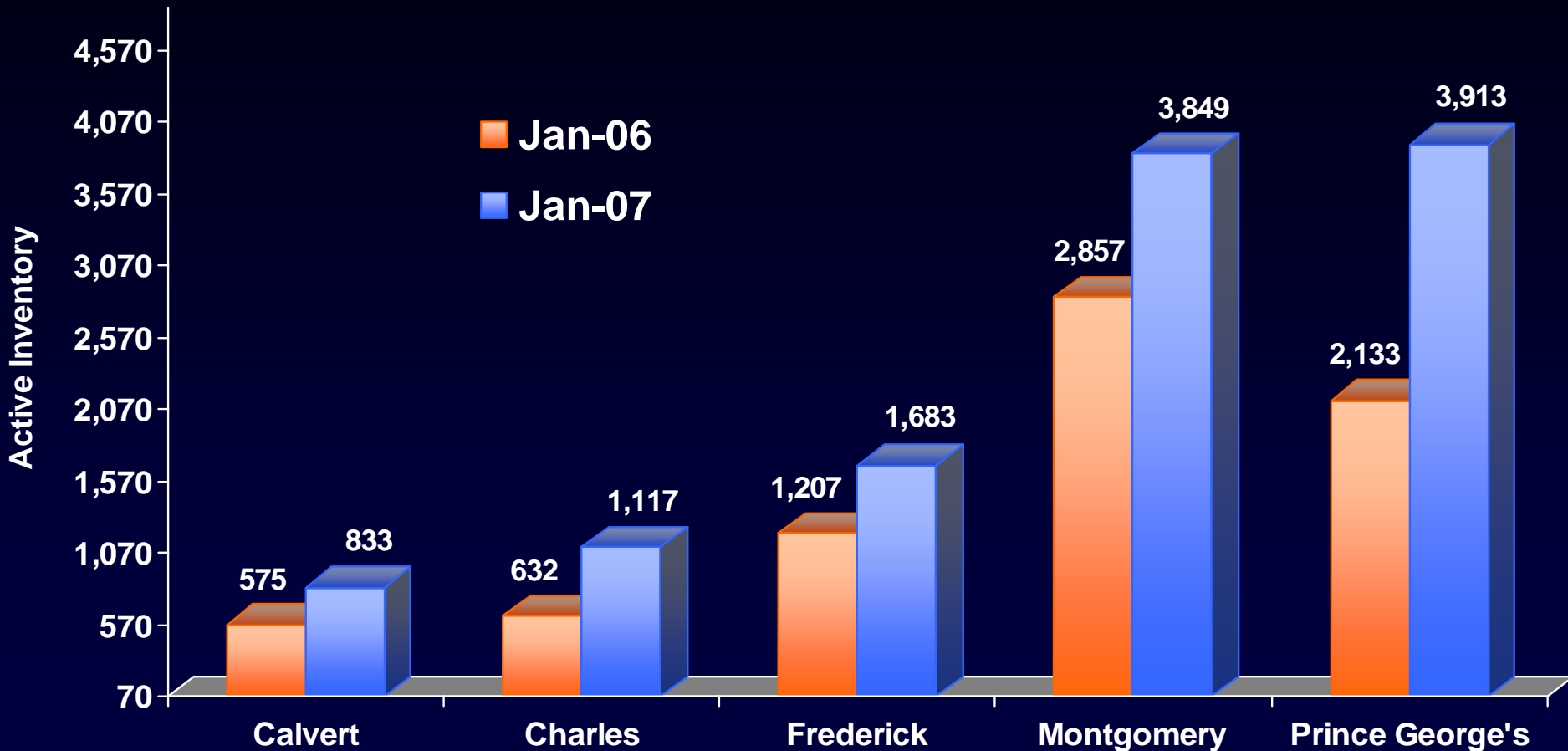
# Active Housing Inventory by Baltimore MSA Jurisdiction, January 2006 vs. January 2007



Source: Maryland Association of Realtors

Maryland = January 2006: 24,939; January 2007: 34,773

# Active Housing Inventory by Suburban MD Jurisdiction, January 2006 vs. January 2007



Source: Maryland Association of Realtors

Maryland = January 2006: 24,939; January 2007: 34,773

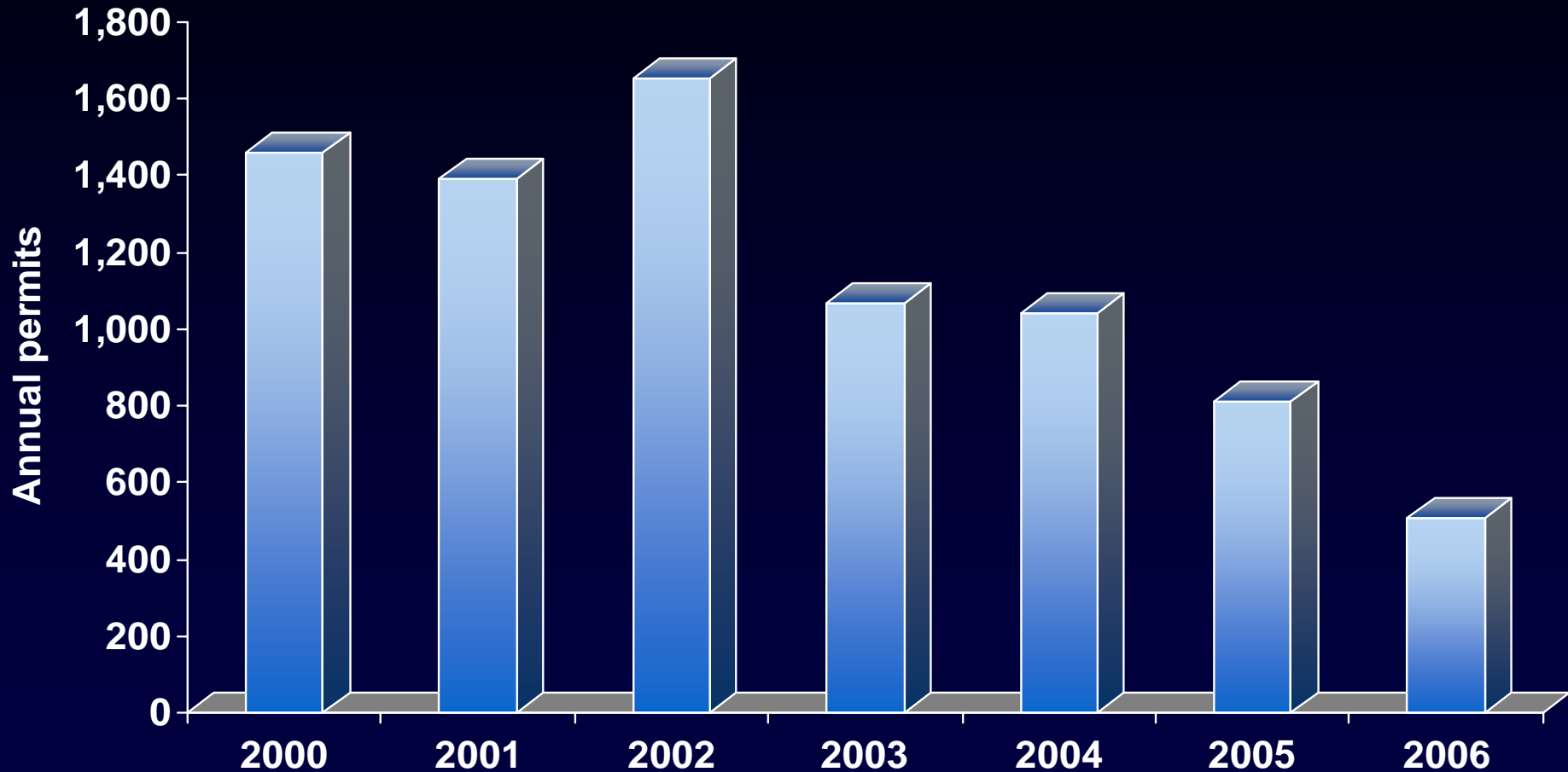
## 2005 Residential Building Permits per 100 Households (2005 estimates) by select Regions

Region	Permits per 100 Households
<b>Loudoun County, Virginia</b>	<b>6.00</b>
Las Vegas, Nevada	5.46
Phoenix-Mesa, Arizona	4.57
Wilmington, Delaware	4.27
Raleigh-Durham, North Carolina	2.76
Richmond, Virginia	2.56
Northern Virginia	2.56
<b>Washington, D.C.-MD-VA</b>	<b>1.77</b>
Washington, D.C. without Loudoun County, VA	1.58
<b>Baltimore, MD</b>	<b>1.14</b>
<b>BW Corridor</b>	<b>1.13</b>
Philadelphia, Pennsylvania	1.04
Pittsburgh, Pennsylvania	0.60

*Source: U.S. Census Bureau*

BW Corridor includes: Anne Arundel, Howard, Montgomery and Prince George's counties

# Carroll County Residential Building Permits 2000 through 2006\*

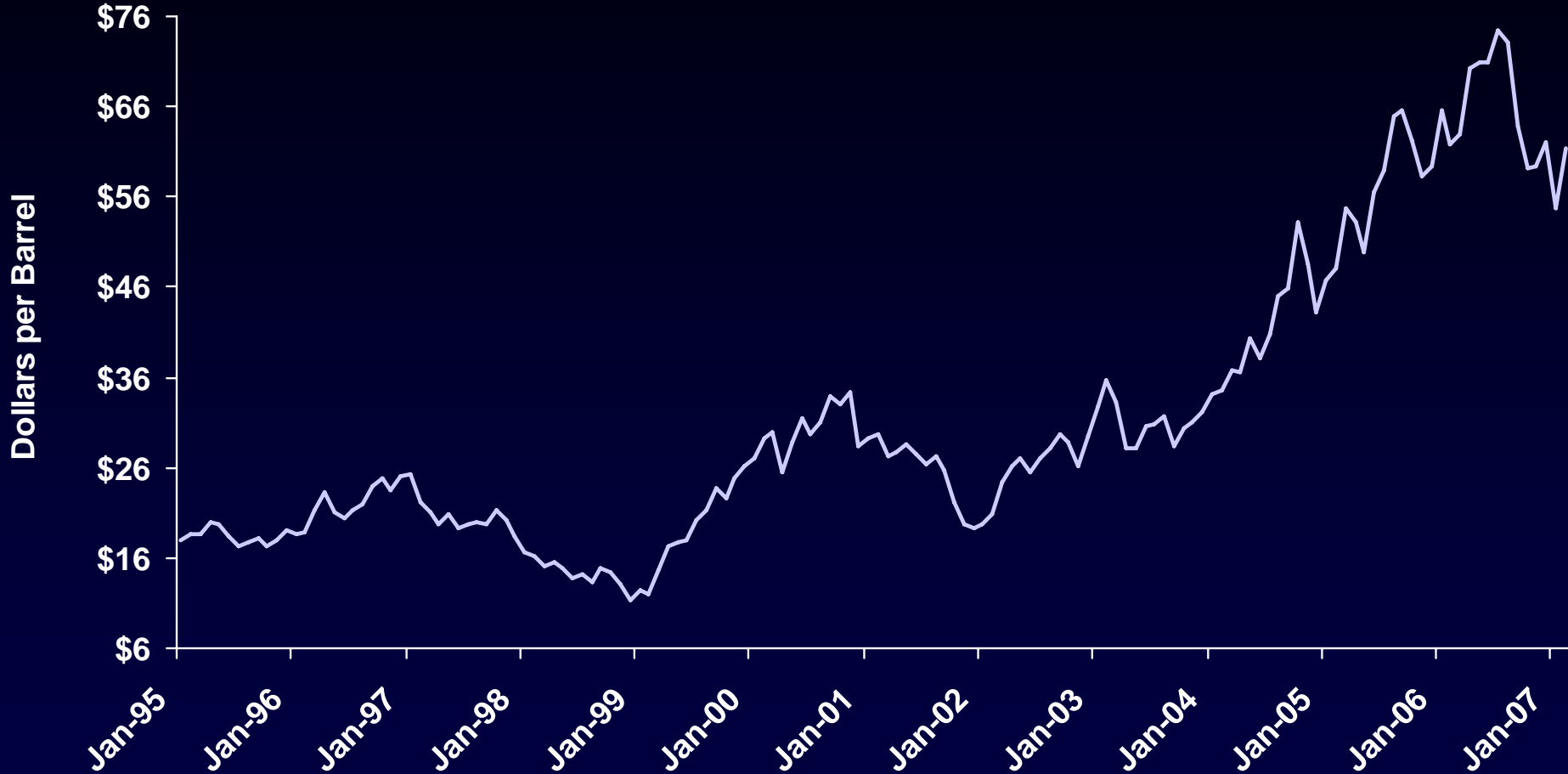


Source: U.S. Census Bureau

\*2006 data are preliminary

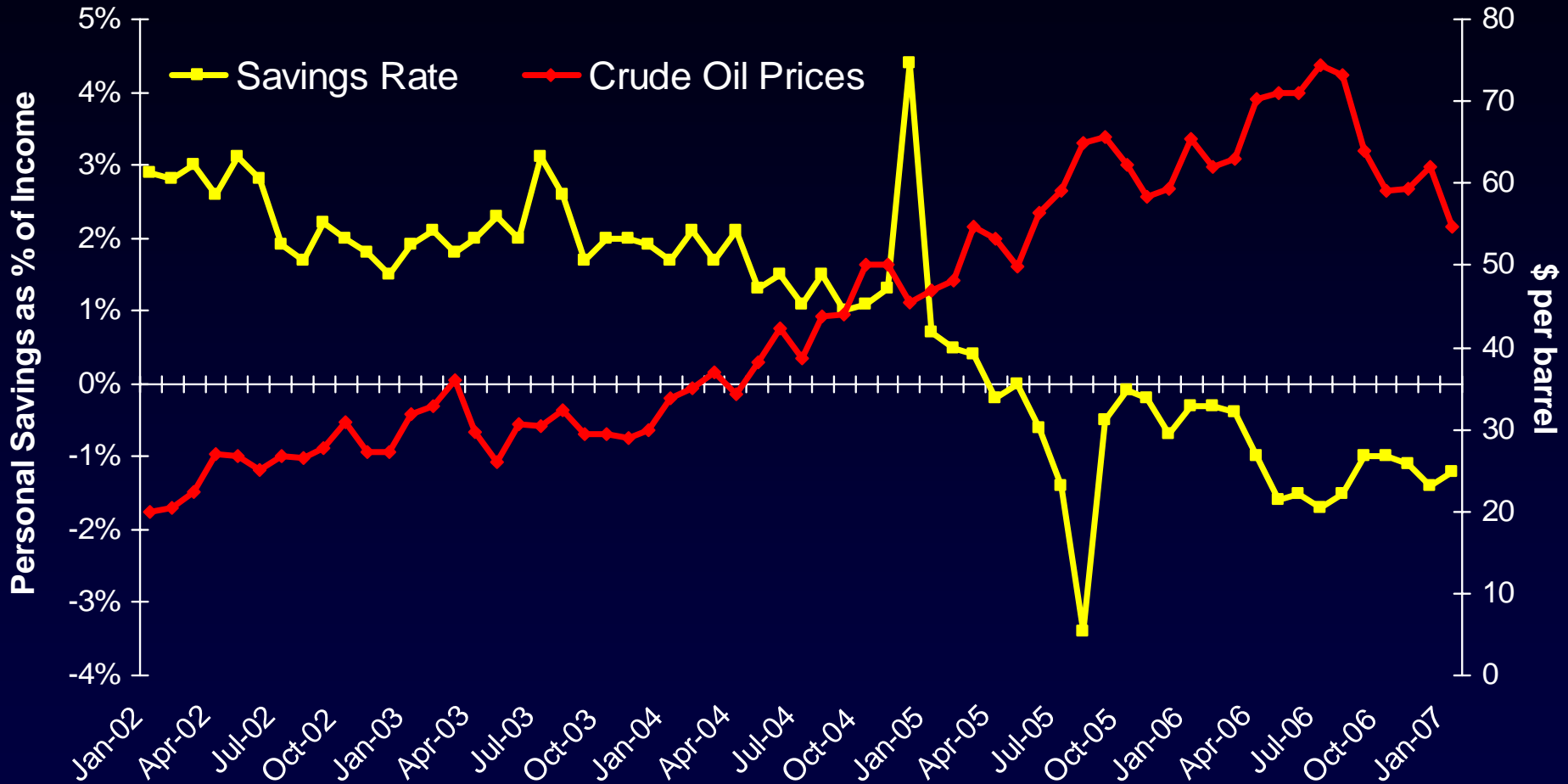
# NYMEX Crude Oil Future Prices in U.S. Dollars

## January 1995 through February 27, 2007



Source: Energy Information Administration

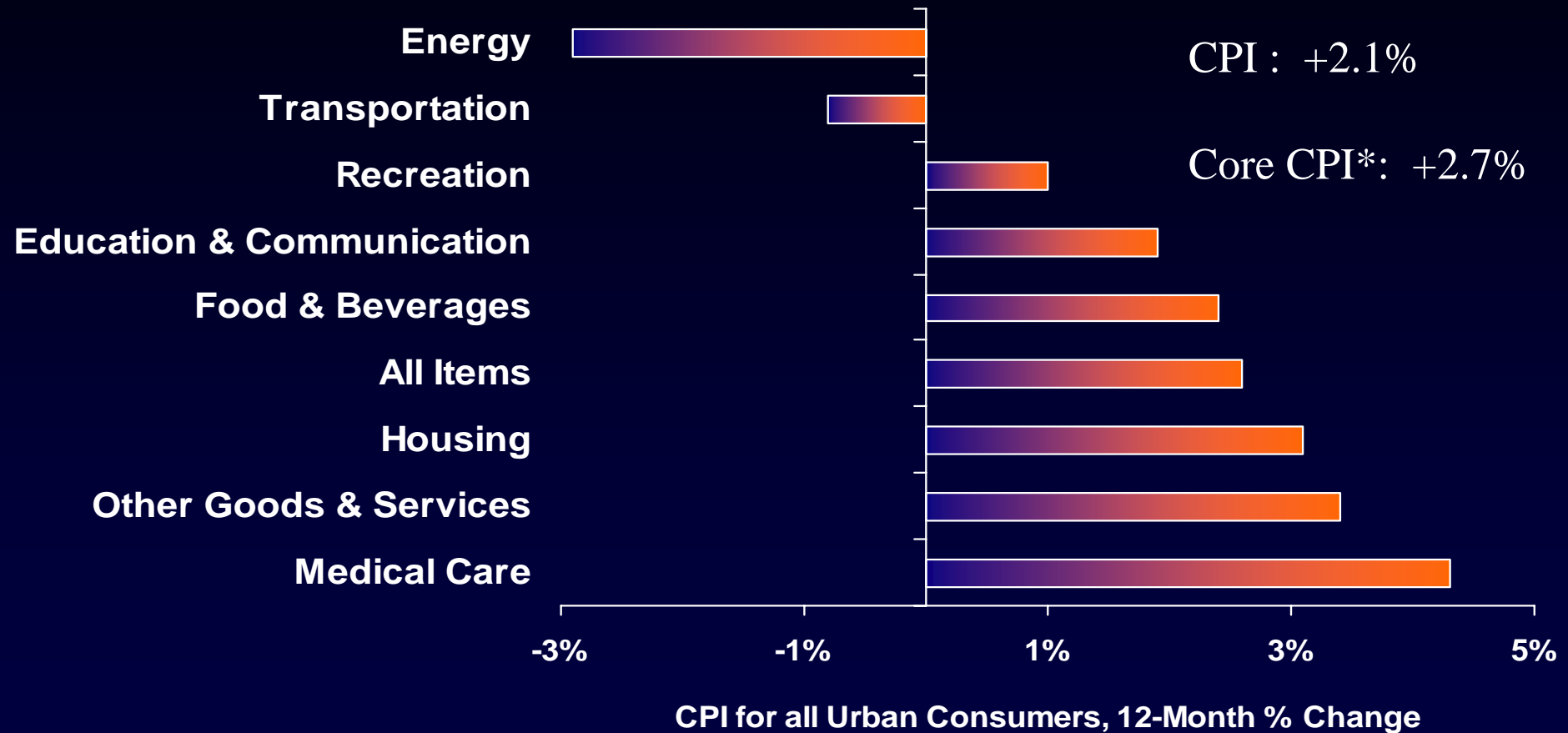
# U.S. Personal Savings Rate vs. NYMEX Crude Oil Prices, January 2002 through January 2007



Source: Bureau of Economic Analysis; Energy Information Administration

# CPI

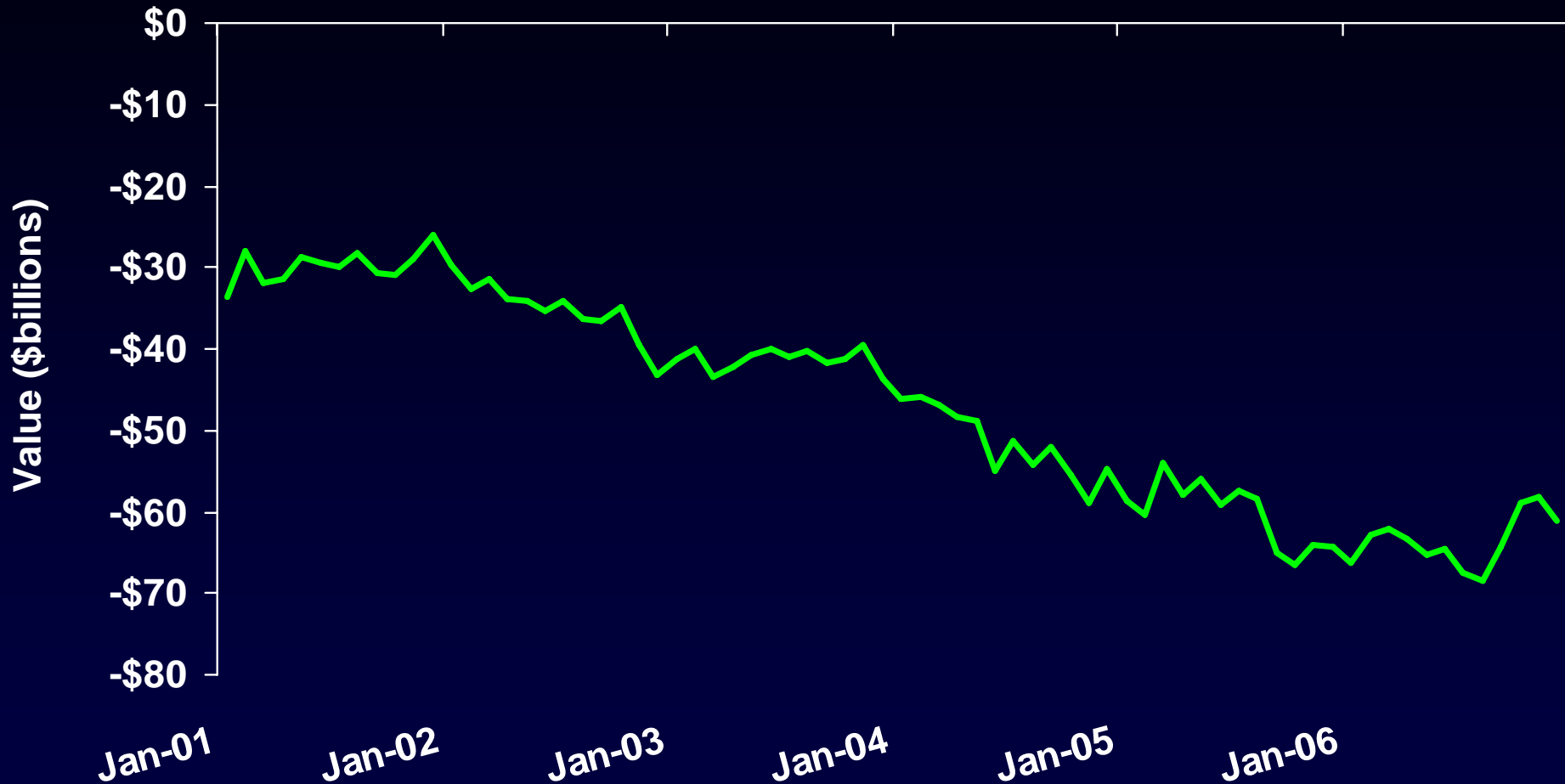
January 2007



Source: Bureau of Labor Statistics

\*Core CPI: All items less food and energy

# U.S. Trade Deficit, January 2001 through December 2006



Source: Dismal.com

# Value of the Dollar (Broad Dollar Index) January 1999 through February 2007

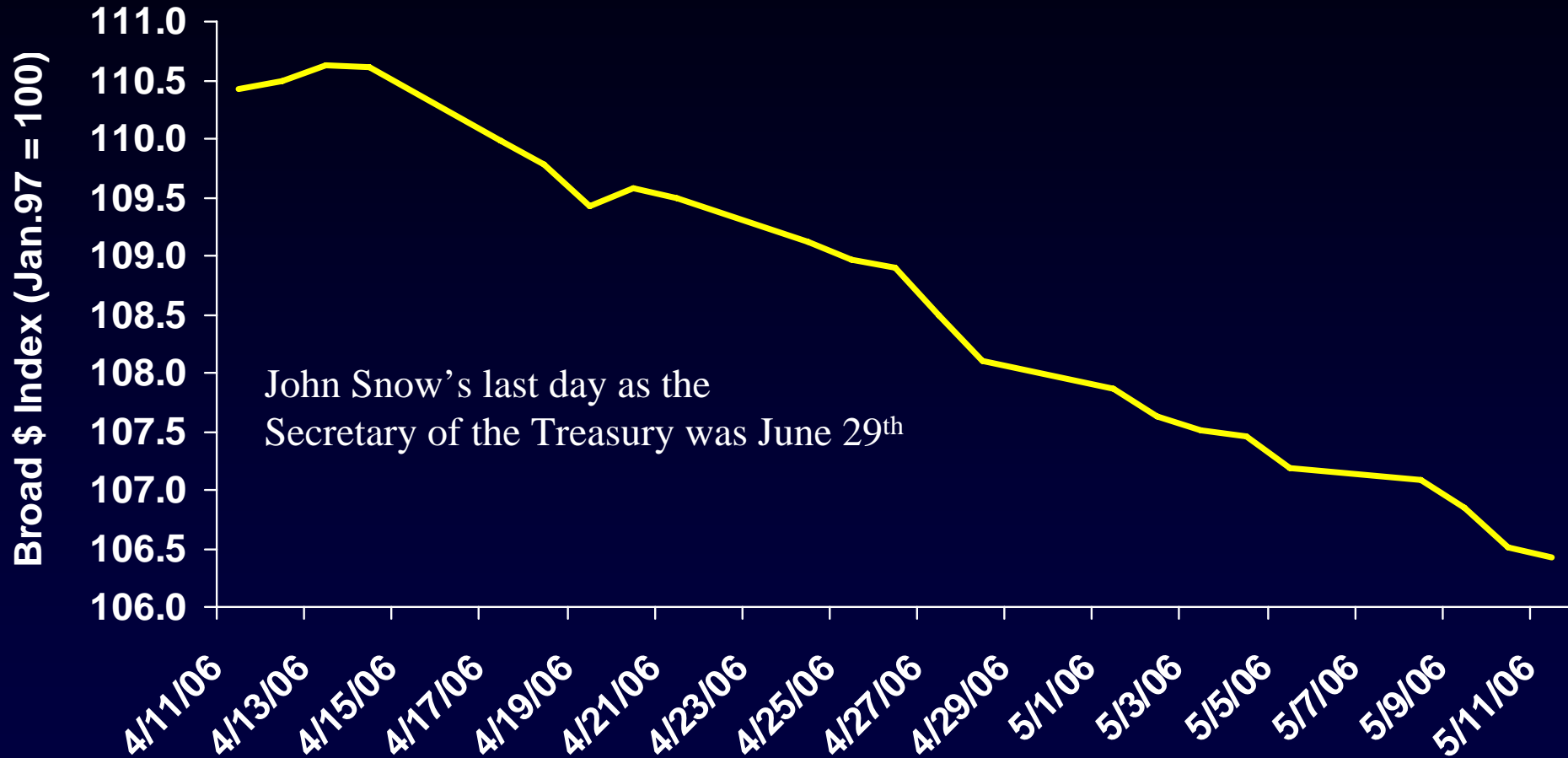


Source: Federal Reserve Board

Broad Dollar Index: a weighted average of the foreign exchange value of the U.S. dollar against the currencies of a broad group of major U.S. trading partners.

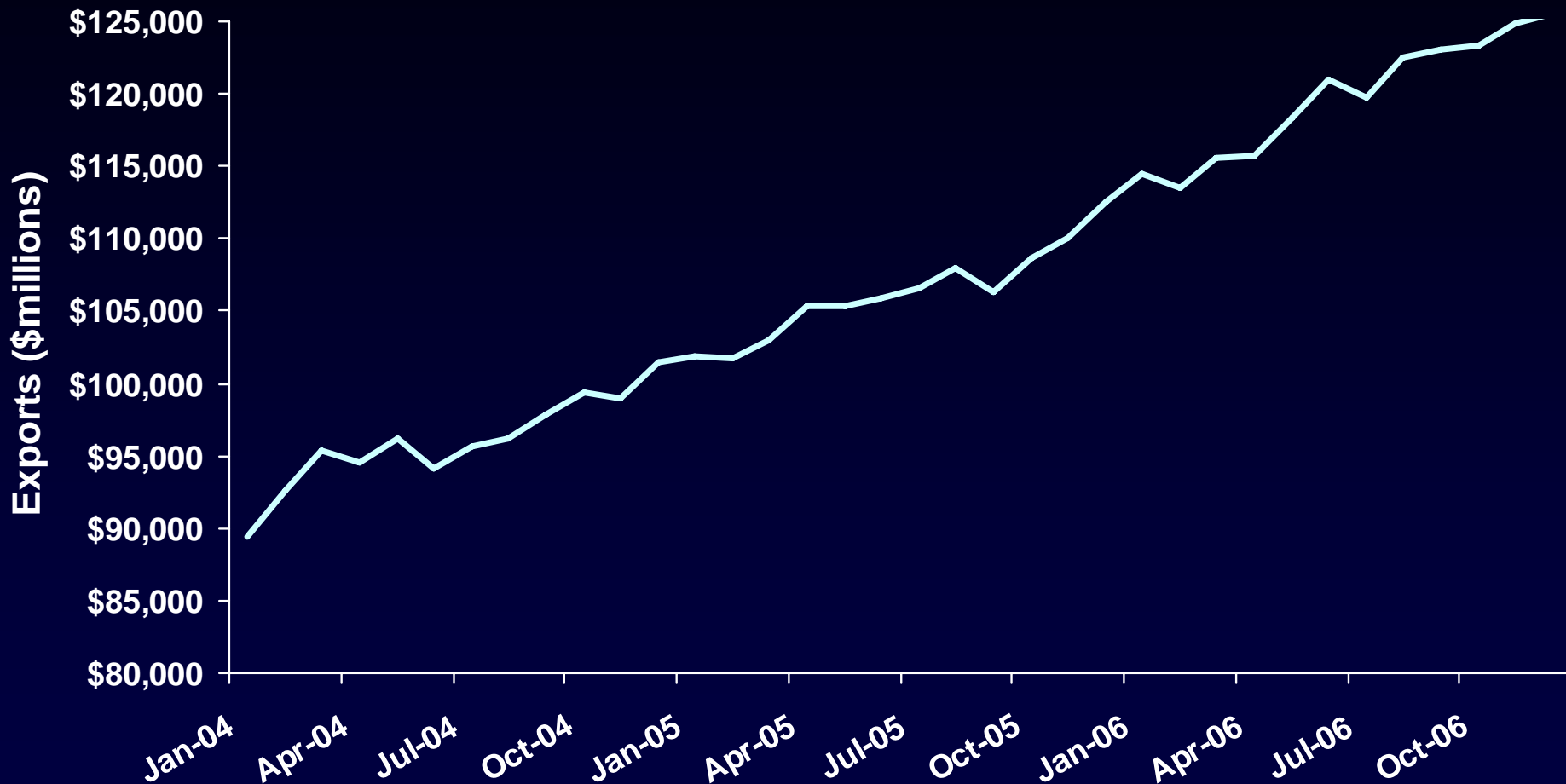


# U.S. Broad Dollar Index, April 11, 2006 through May 11, 2006



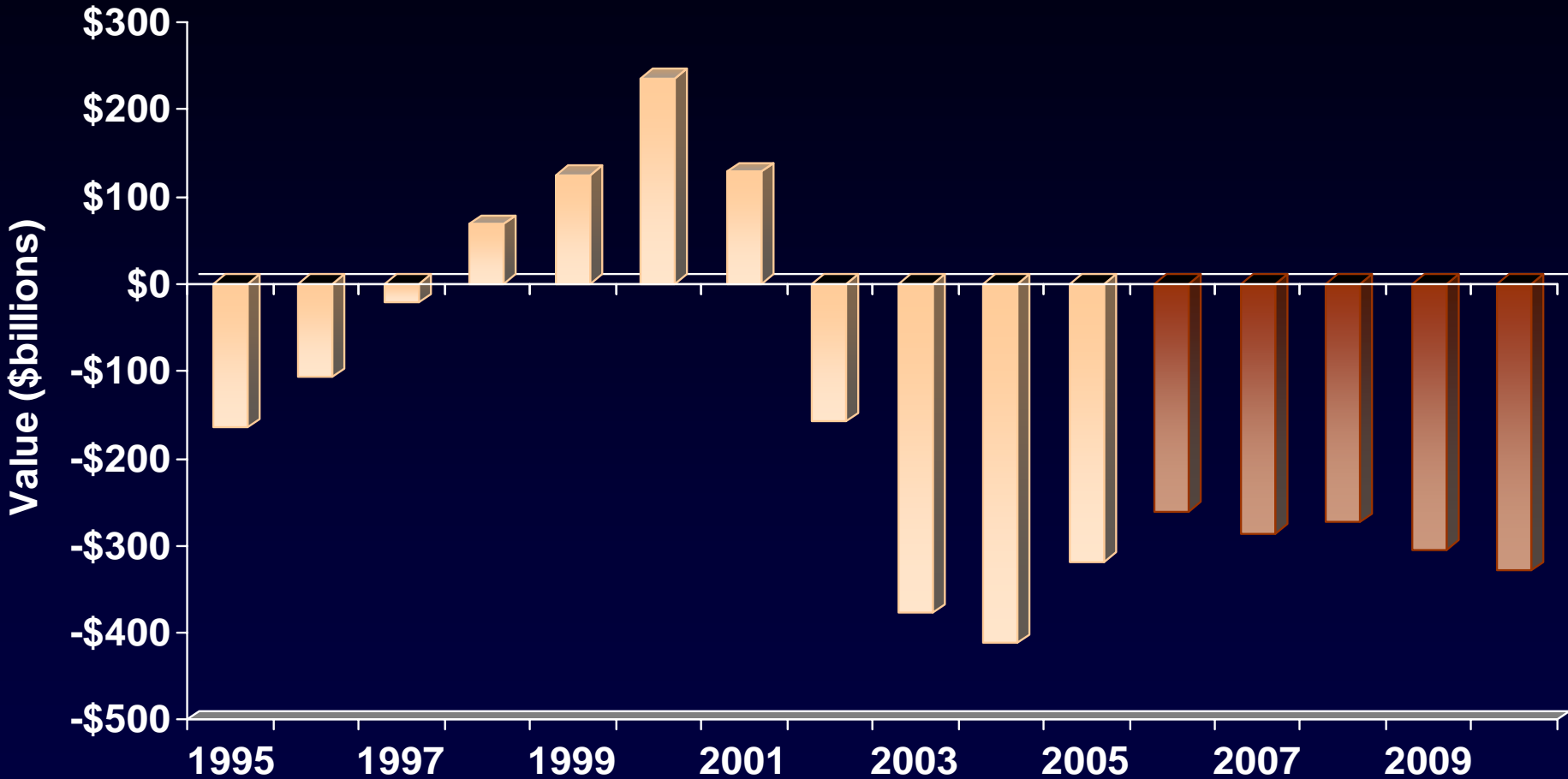
Source: Federal Reserve Board

# U.S. Exports, January 2004 through December 2006



Source: U.S. Census Bureau

# U.S. Federal Budget Deficit, 1995-2010\*



Source: Congressional Budget Office

\*2006-2010 data are projections

# Mr. Greenspan says....

- “When you get this far away from a recession, invariably forces build up for the next recession, and indeed we are beginning to see that sign, for example in the U.S., profit margins...have begun to stabilize, which is an early sign we are in the later stages of a cycle”;
- “While, yes, it is possible we can get a recession in the latter months of 2007, most forecasters are not making that judgment and indeed are projecting forward into 2008...with some slowdown”.

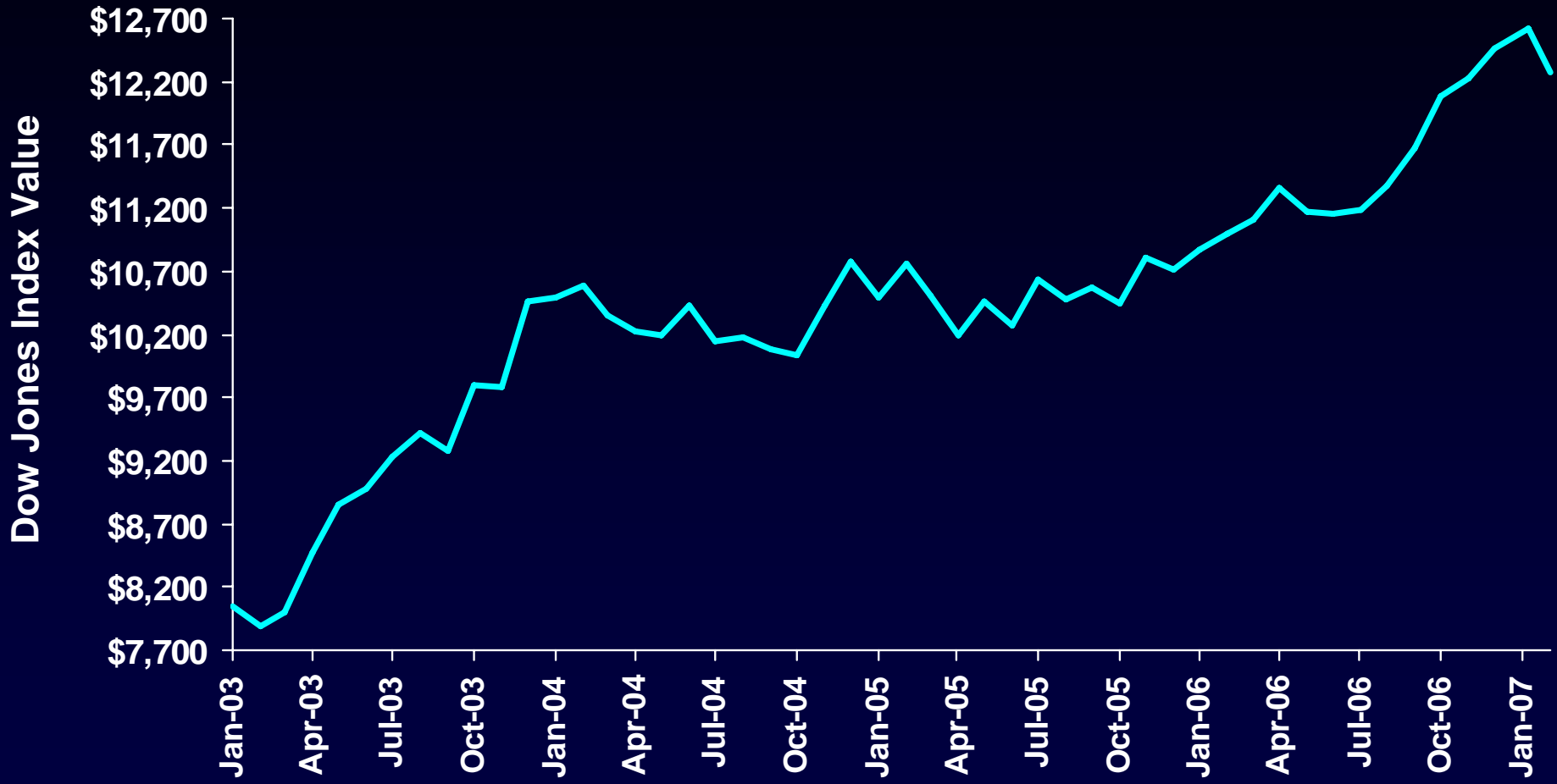
*Source: The Wall Street Journal*

Speech made February 26, 2007 at the VeryGC Global Business Insight Conference via satellite.



# II. Silver Linings

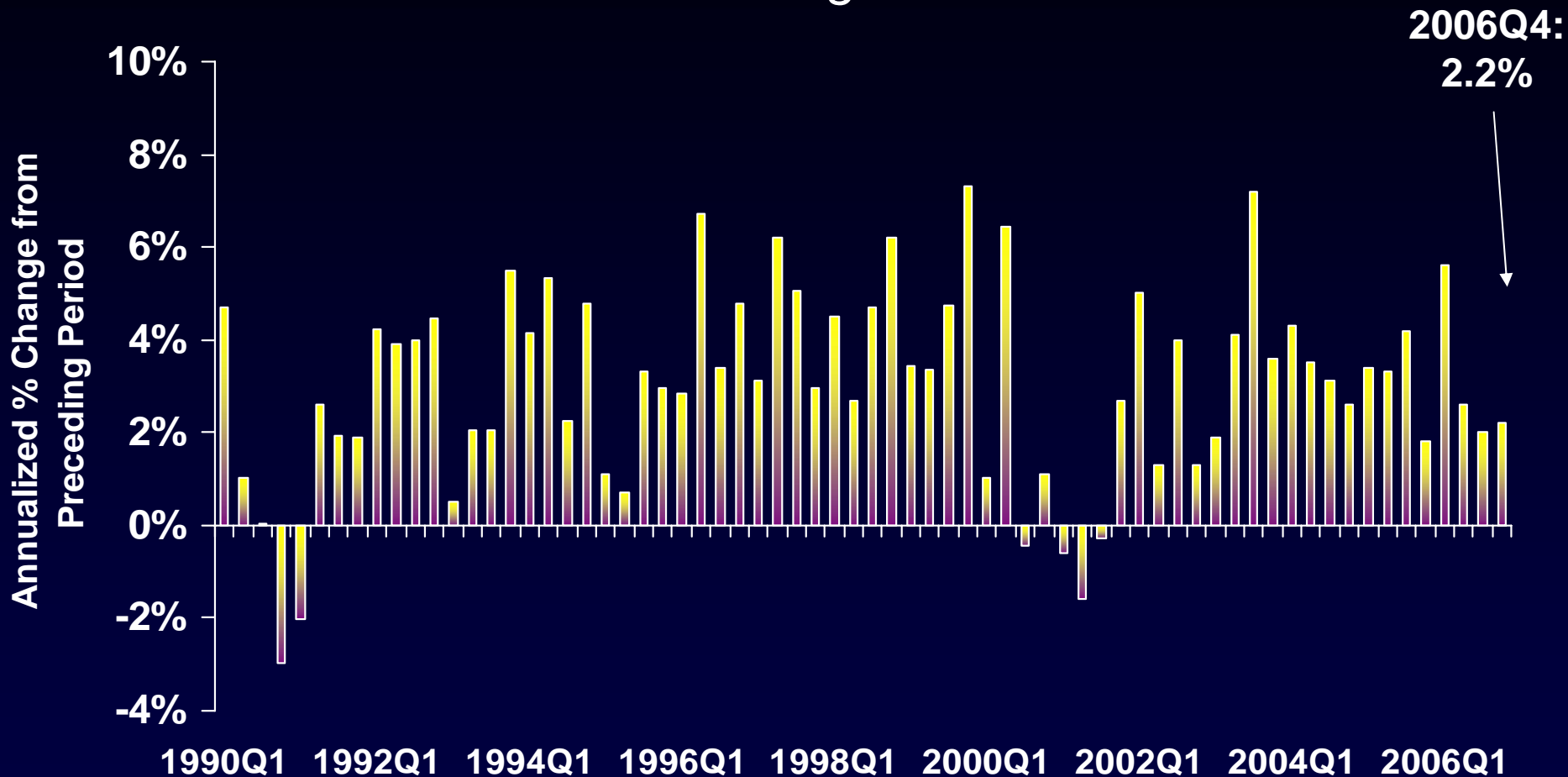
# Dow Jones Industrial Average January 2003 through February 2007



Source: Dow Jones

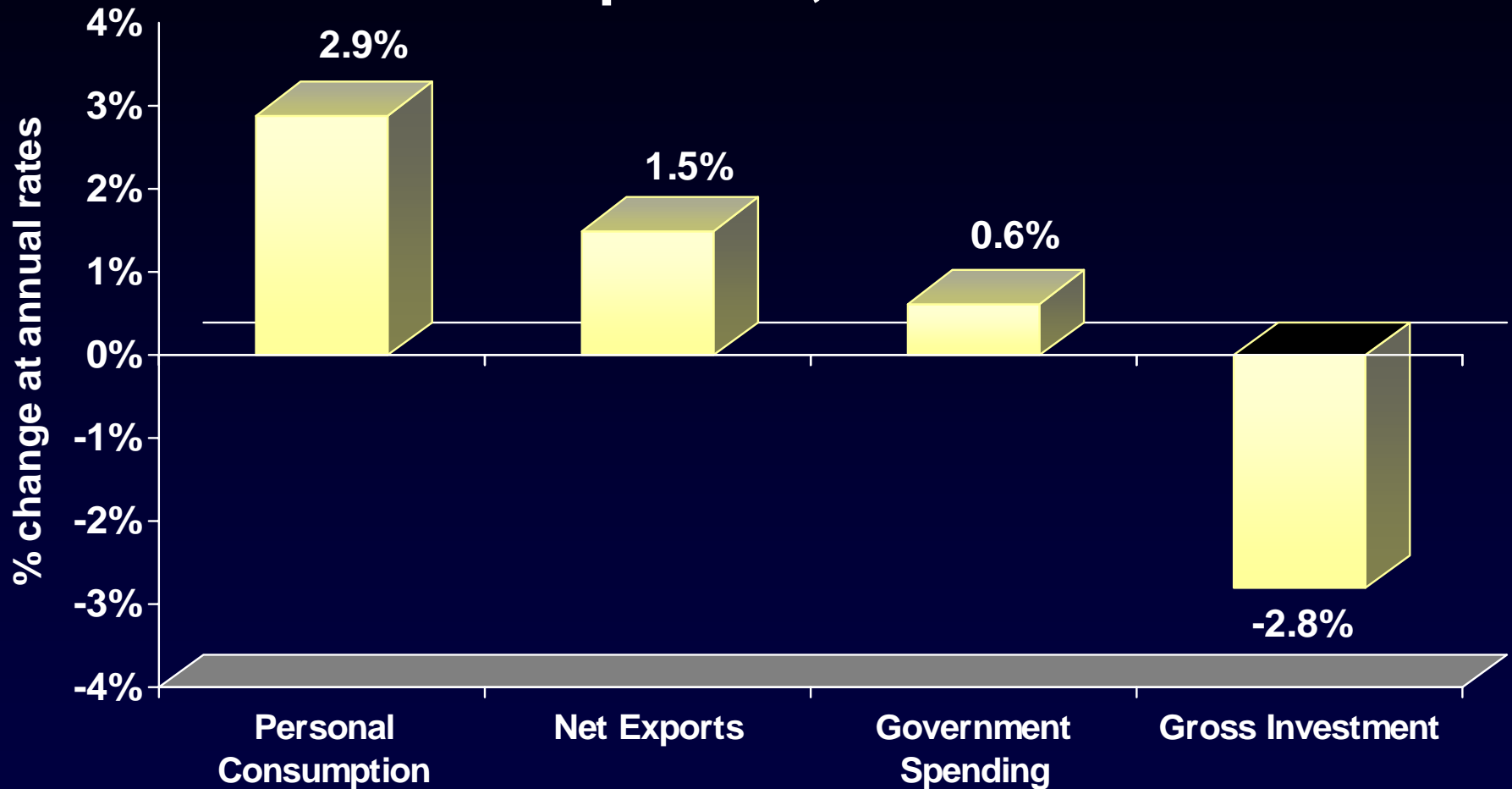
# Gross Domestic Product

1990Q1 through 2006Q4



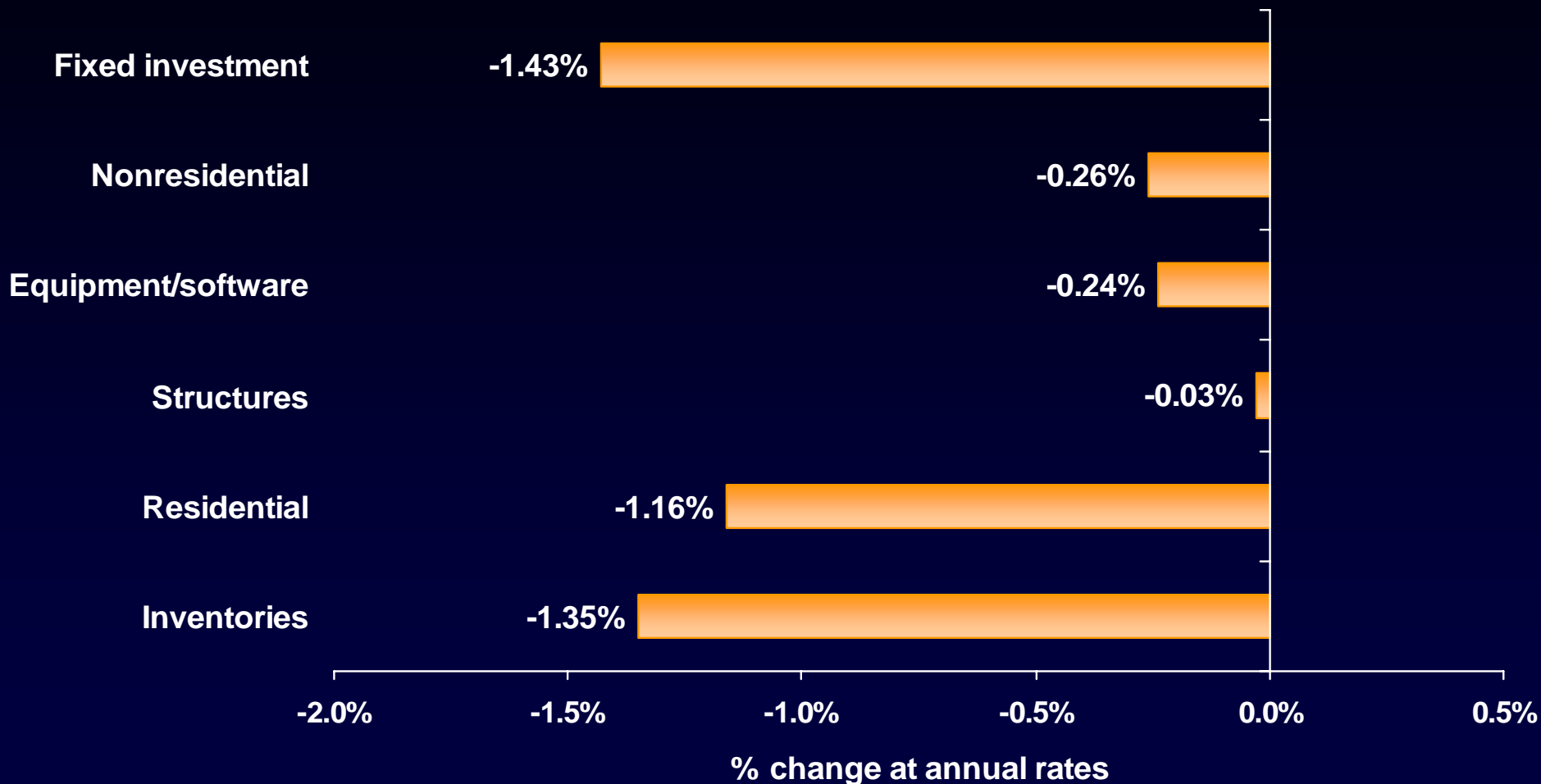
Source: Bureau of Economic Analysis

# Contributions to GDP Growth by Component, 2006Q4



Source: Bureau of Economic Analysis

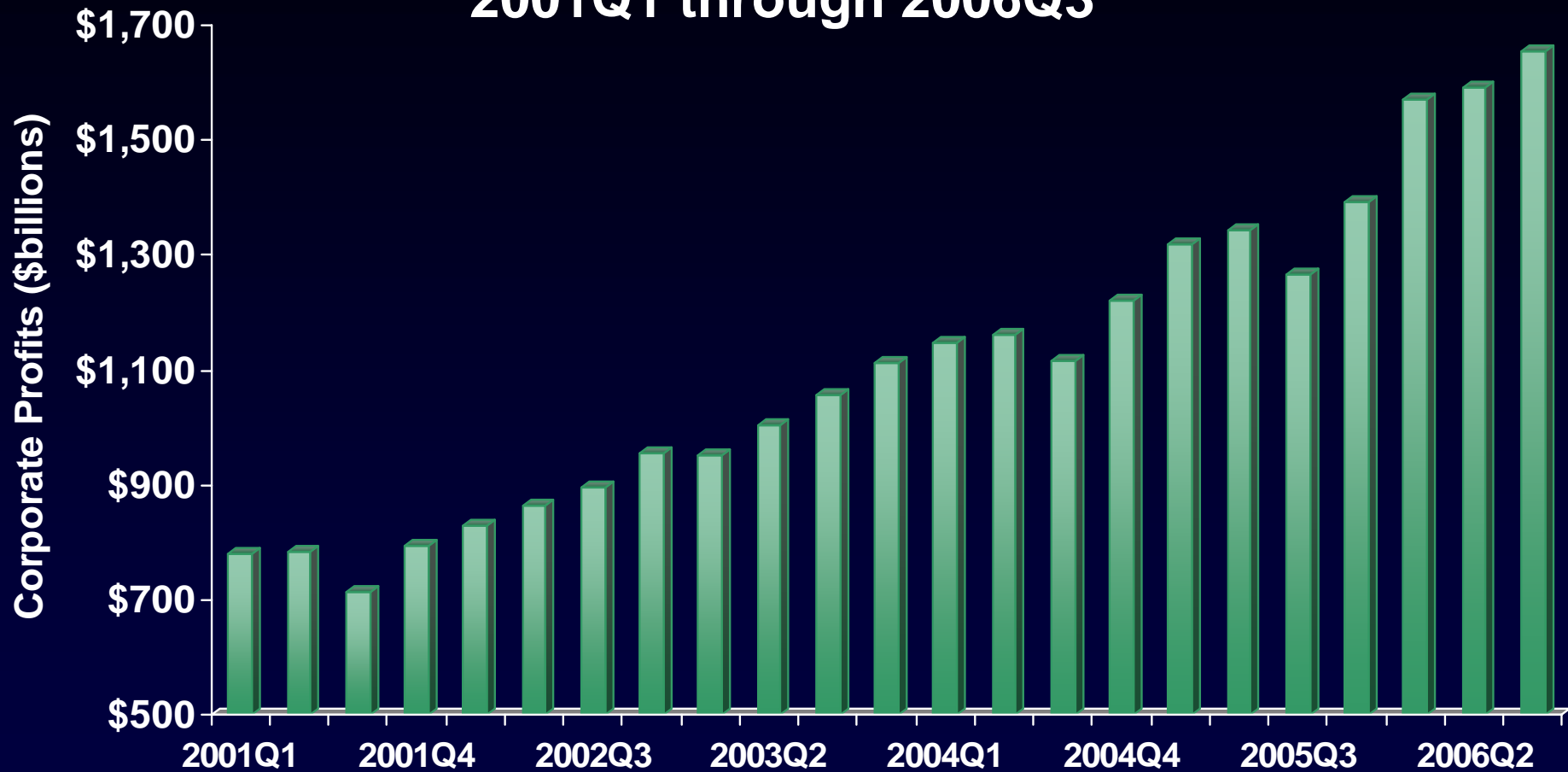
# Contributions to Gross Investment Growth by Component, 2006Q4



Source: Bureau of Economic Analysis

# Corporate Profits\* (SAAR)

## 2001Q1 through 2006Q3



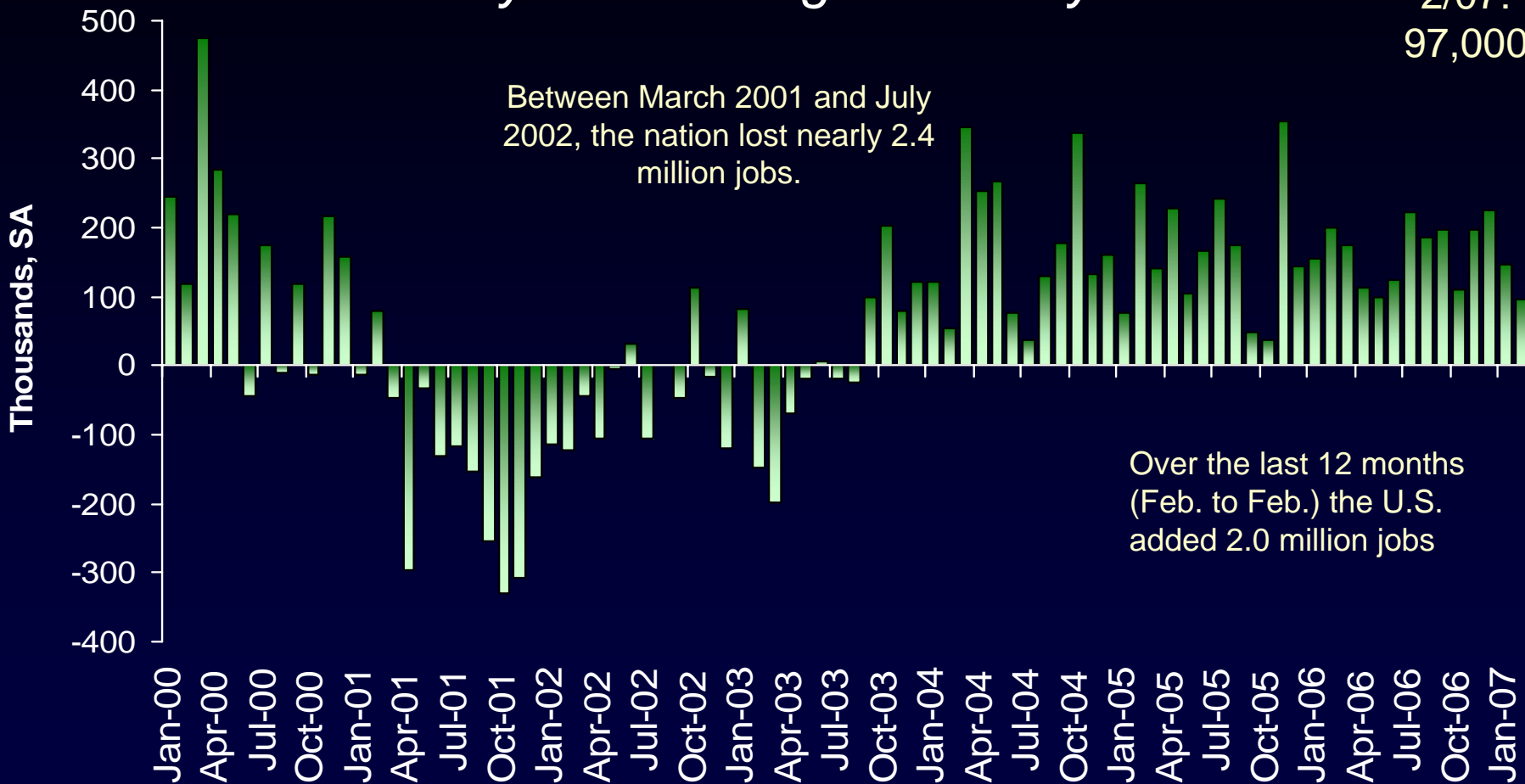
Source: BEA

\*With inventory valuation and capital consumption adjustments

# Net Change in U.S. Jobs

## January 2000 through February 2007

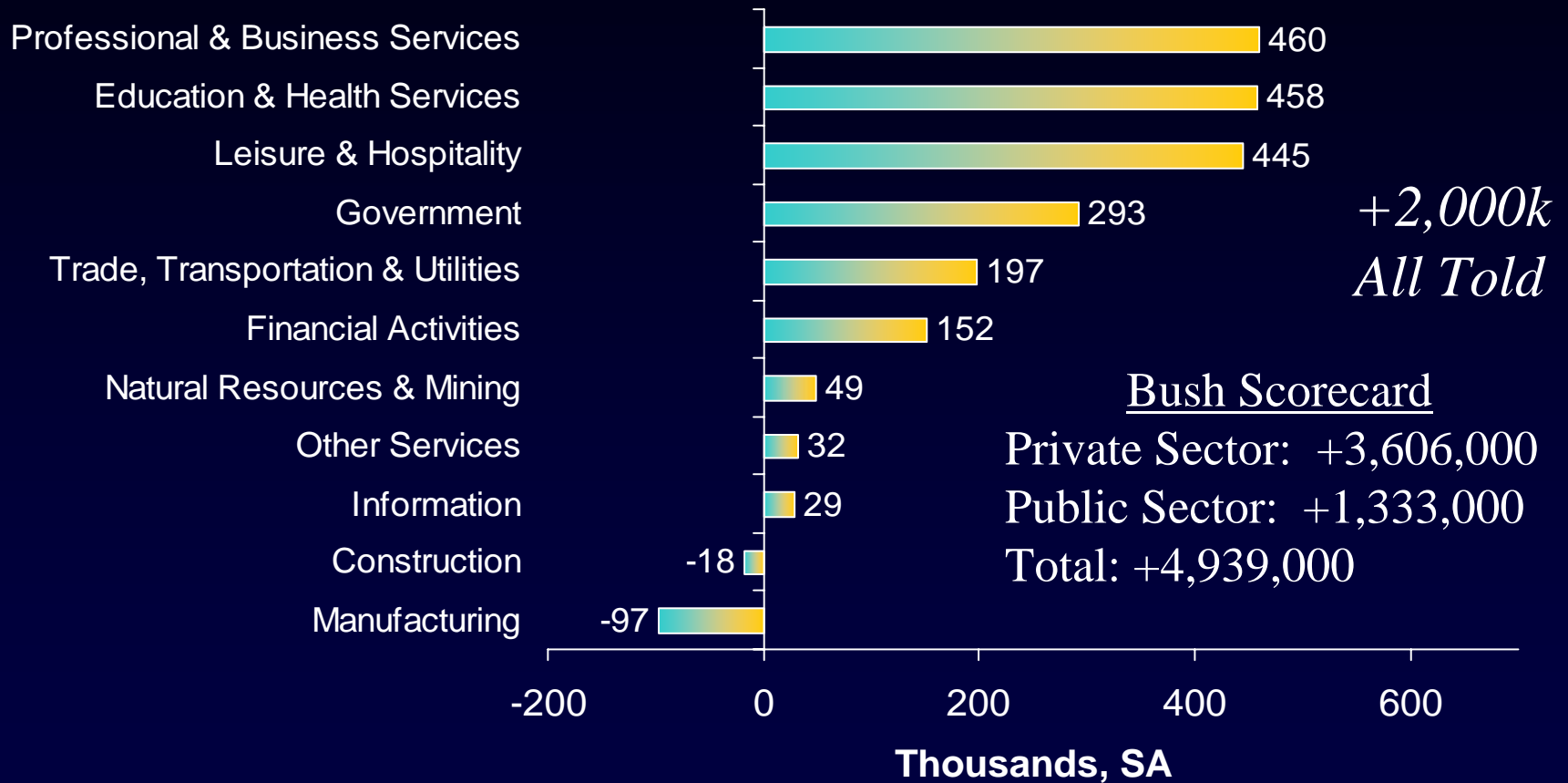
2/07:  
97,000



Source: Economy.com, Bureau of Labor Statistics

# National Nonfarm Employment by Industry Sector Groups

February 2007 v. February 2006  
Absolute Change

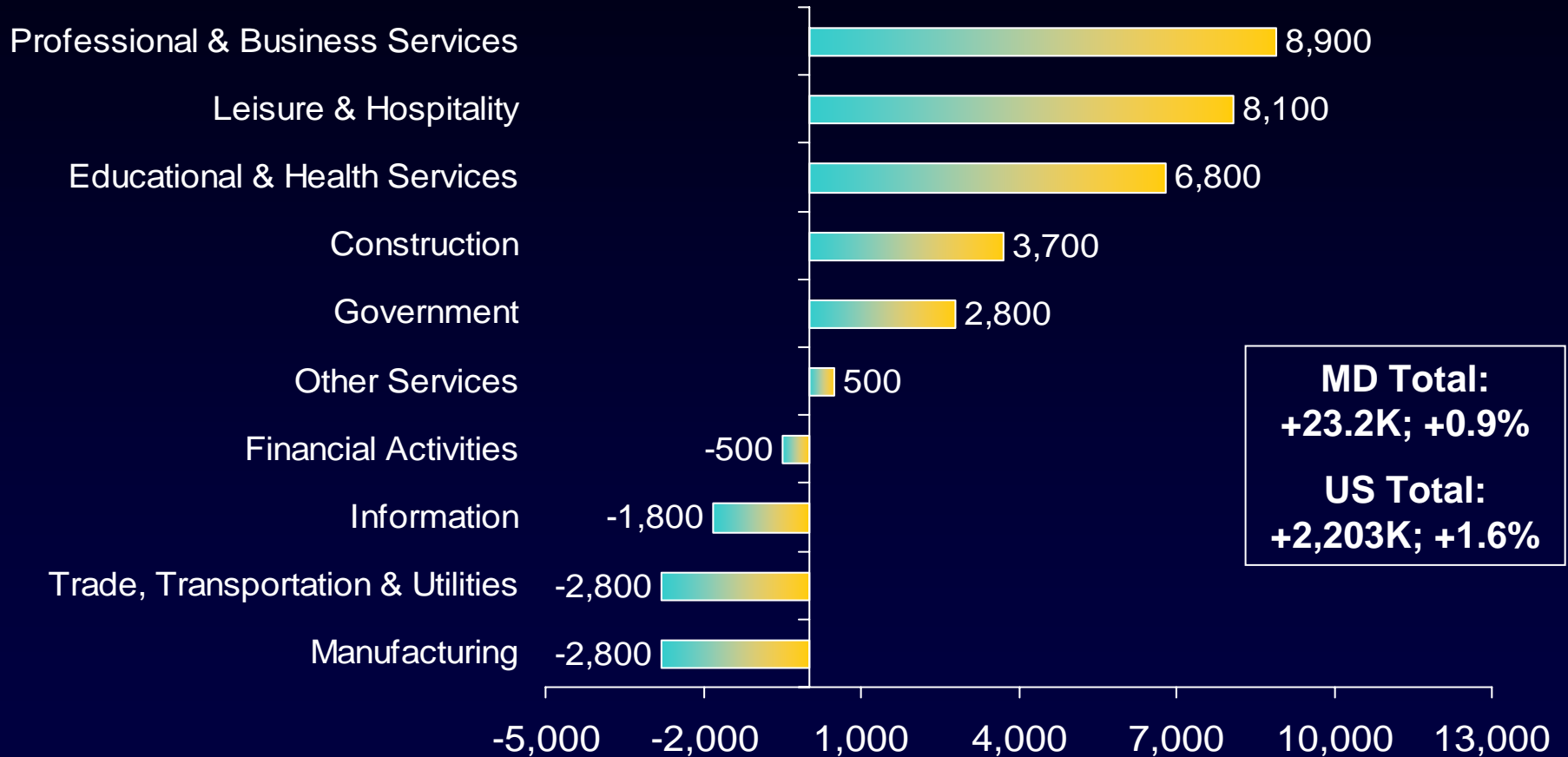


Source: Economy.com, Bureau of Labor Statistics

# Maryland Nonfarm Employment by Industry Sector Groups

January 2007 v. January 2006

Absolute Change

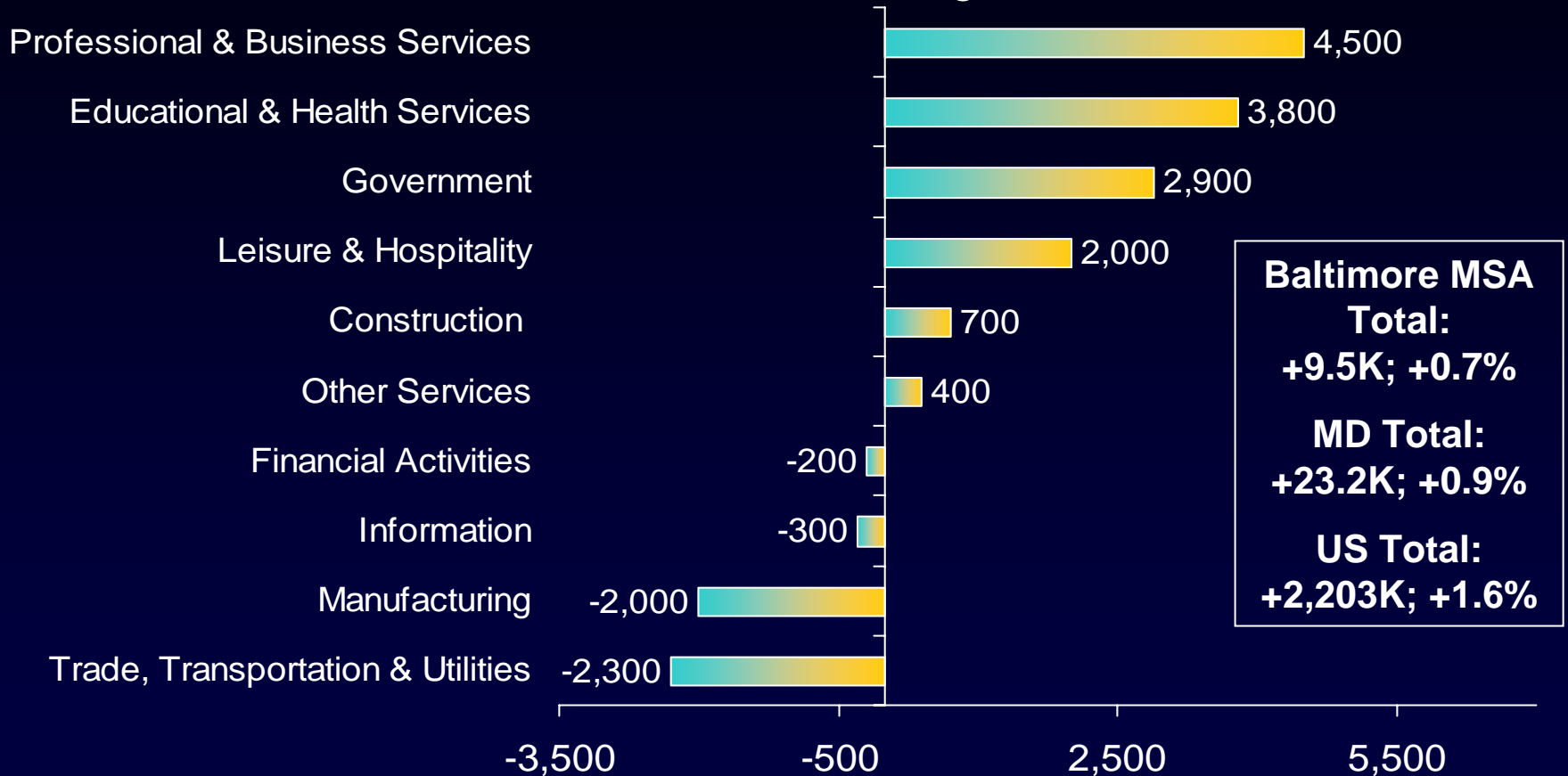


Source: Bureau of Labor Statistics

# Baltimore MSA Nonfarm Employment by Industry Sector Groups (NSA)

January 2007 v. January 2006

Absolute Change

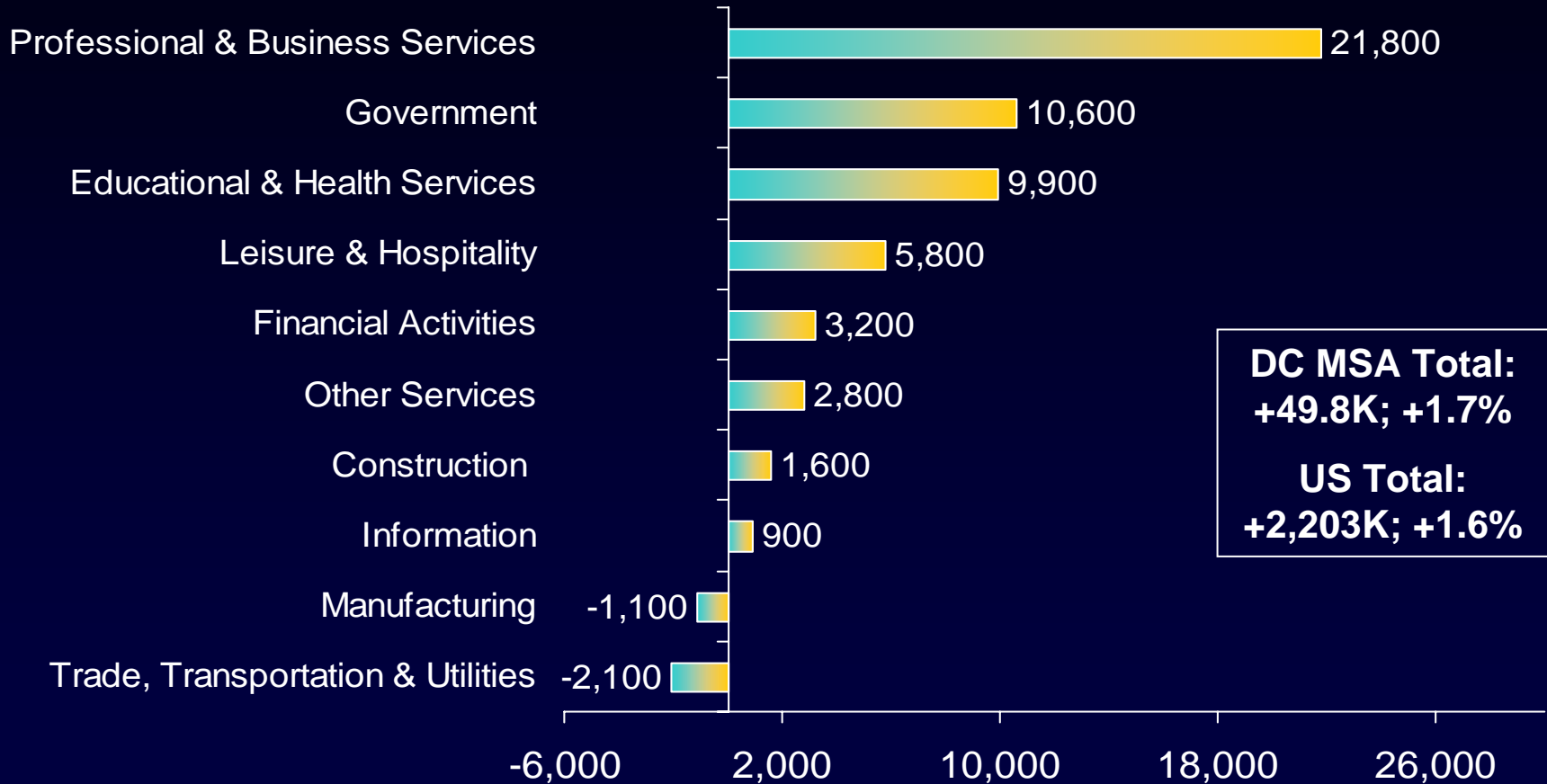


Source: Bureau of Labor Statistics

# Washington, D.C. MSA Nonfarm Employment by Industry Sector Groups (NSA)

January 2007 v. January 2006

Absolute Change

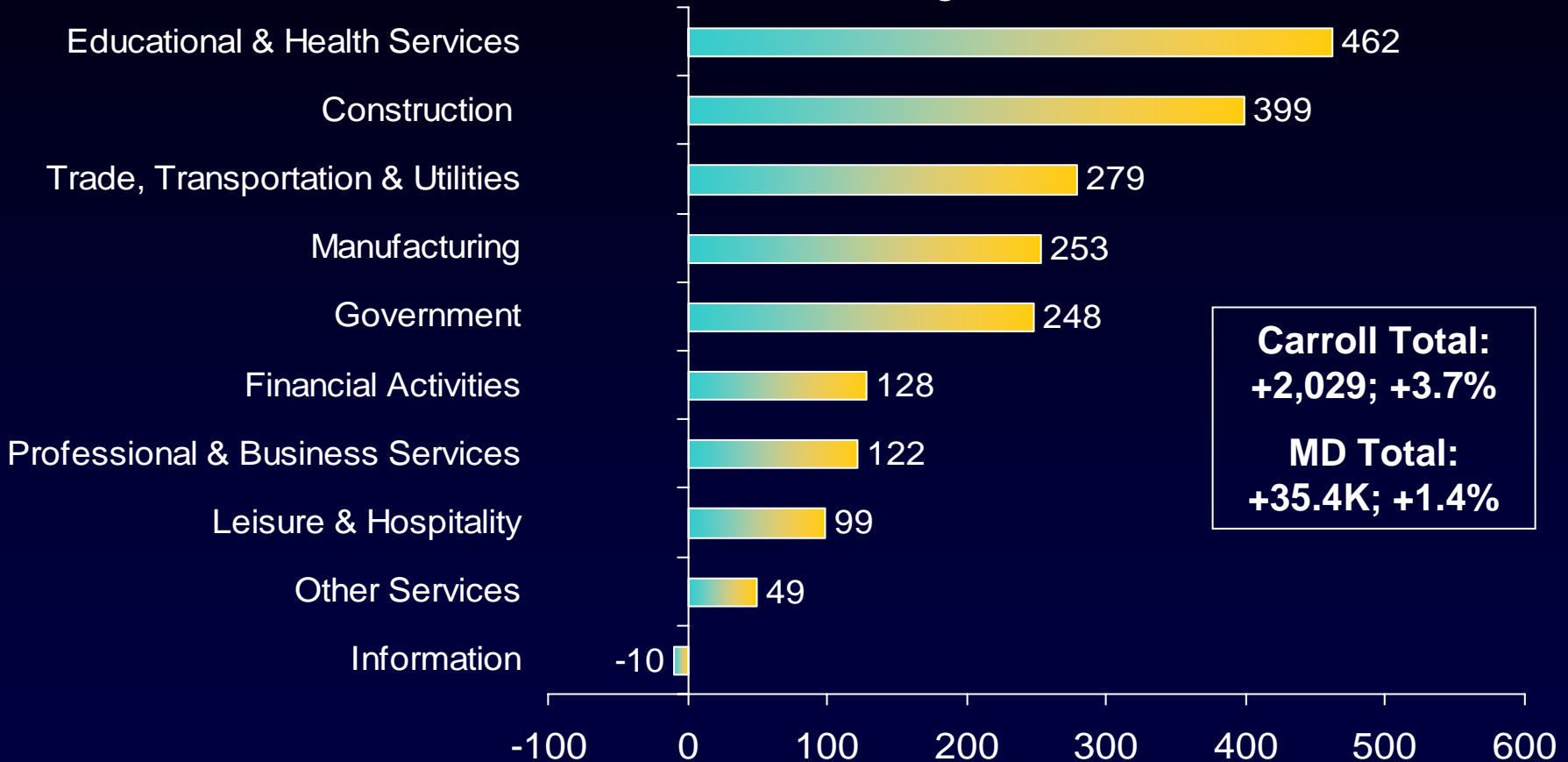


Source: Bureau of Labor Statistics

# Carroll County Nonfarm Employment by Industry Sector Groups (NSA)

2006Q2 v. 2005Q2

Absolute Change



Source: Maryland Department of Labor, Licensing and Regulation

# Unemployment Rates, U.S. States (SA)

## January 2007

Rank	State	Rate	Rank	State	Rate	Rank	State	Rate
1	Hawaii	2.2	16	Oklahoma	3.8	35	Pennsylvania	4.7
2	Utah	2.6	19	Vermont	4.0	35	Rhode Island	4.7
2	Wyoming	2.6	19	West Virginia	4.0	37	California	4.8
4	Montana	2.7	21	Colorado	4.1	37	Tennessee	4.8
<b>5</b>	<b>Virginia</b>	<b>2.8</b>	21	Kansas	4.1	39	Wisconsin	4.9
6	Idaho	3.0	23	Arizona	4.2	40	Arkansas	5.1
6	Nebraska	3.0	23	New Jersey	4.2	40	Indiana	5.1
8	North Dakota	3.2	25	New York	4.3	40	Washington	5.1
9	Alabama	3.3	26	Connecticut	4.4	43	Oregon	5.2
9	Florida	3.3	26	Maine	4.4	44	Massachusetts	5.3
9	South Dakota	3.3	26	Minnesota	4.4	44	Ohio	5.3
12	Delaware	3.4	29	Georgia	4.5	46	Kentucky	5.6
12	Iowa	3.4	29	Nevada	4.5	47	District of Columbia	6.1
14	Louisiana	3.7	29	Texas	4.5	48	Mississippi	6.2
14	New Hampshire	3.7	32	Illinois	4.6	49	Alaska	6.4
<b>16</b>	<b>Maryland</b>	<b>3.8</b>	32	Missouri	4.6	49	South Carolina	6.4
16	New Mexico	3.8	32	North Carolina	4.6	51	Michigan	6.9

Source: Bureau of Labor Statistics

\* U.S. unemployment rate: January = 4.6%

# Unemployment Rates (NSA), Maryland Counties December 2006

Rank	County	Rate
1	Howard	2.5
2	Calvert	2.6
2	Montgomery	2.6
<b>4</b>	<b>Carroll</b>	<b>2.7</b>
5	Charles	2.9
5	Frederick	2.9
5	Queen Anne's	2.9
5	St. Mary's	2.9
9	Anne Arundel	3.0
10	Harford	3.3
10	Talbot	3.3
12	Kent	3.4

Rank	County	Rate
<i>Maryland</i>		<b>3.6</b>
13	Baltimore	3.7
14	Washington	3.9
15	Caroline	4.0
15	Prince George's	4.0
17	Cecil	4.1
17	Wicomico	4.1
19	Garrett	4.9
20	Somerset	5.0
21	Allegany	5.2
22	Dorchester	5.7
23	Baltimore City	6.0
24	Worcester	8.4

Source: Bureau of Labor Statistics

# Conclusions

- Soft landing the most likely outcome for 2007;
- Risks remain (oil/energy, the dollar, interest rates and the flu);
- The macroeconomic imbalances are huge and widening; and
- The Federal Reserve Chairman will come under enormous criticism.

# Thank You

- You can always reach me at [abasu@sagepolicy.com](mailto:abasu@sagepolicy.com)
- You'll be hearing a lot from us the balance of the year.
- Also, if you need us in a hurry, we are at 410.522.7243 (410.522.SAGE)
- Please contact us when you require economic research & policy analysis.