

# **It Was the Best of Times, Now What?**

*On Behalf of  
Carroll County Department of  
Economic Development*

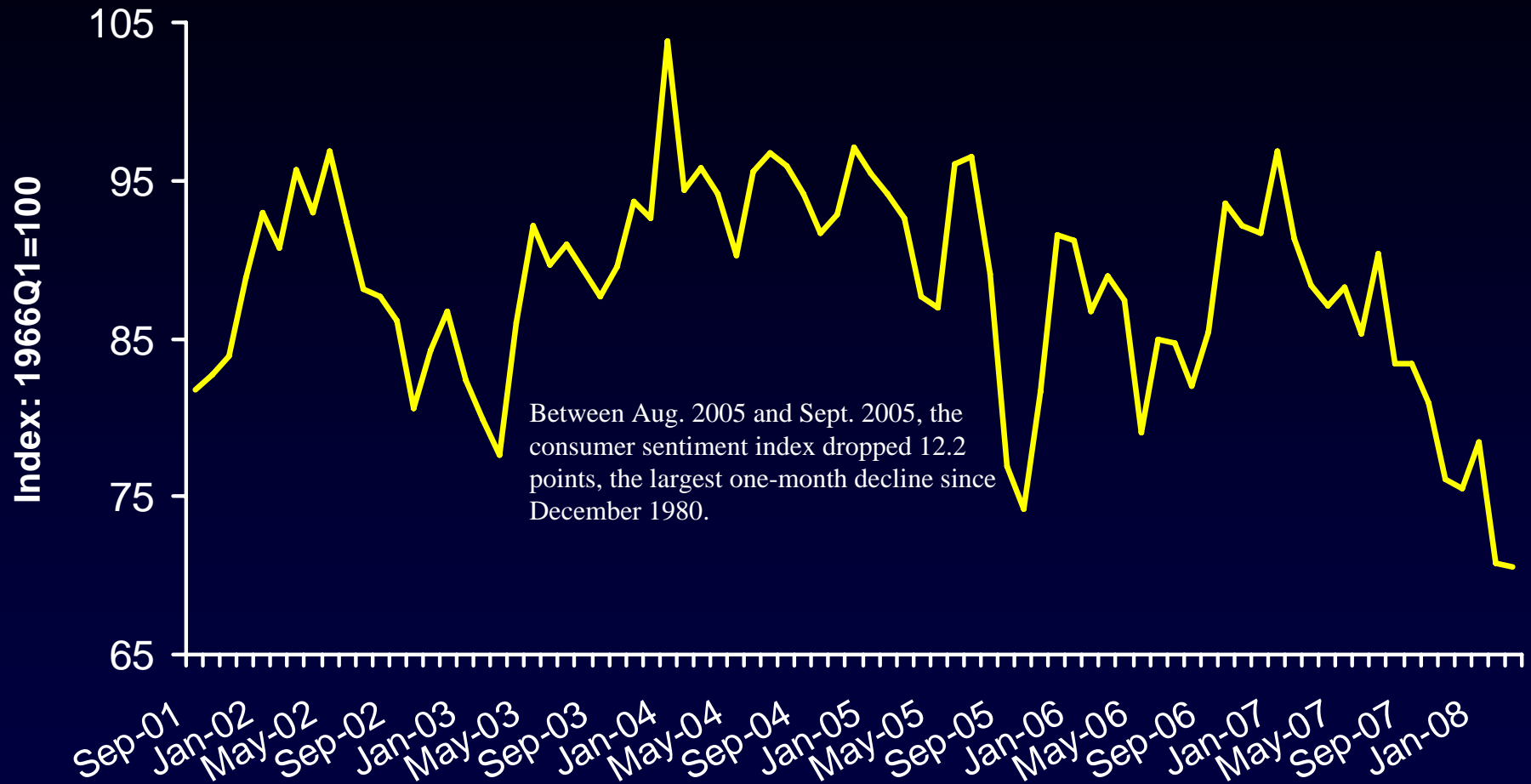
*By: Anirban Basu  
Sage Policy Group, Inc.*

*March 26, 2008*

# I. Worsening Economic Imbalances

# University of Michigan Consumer Sentiment Survey

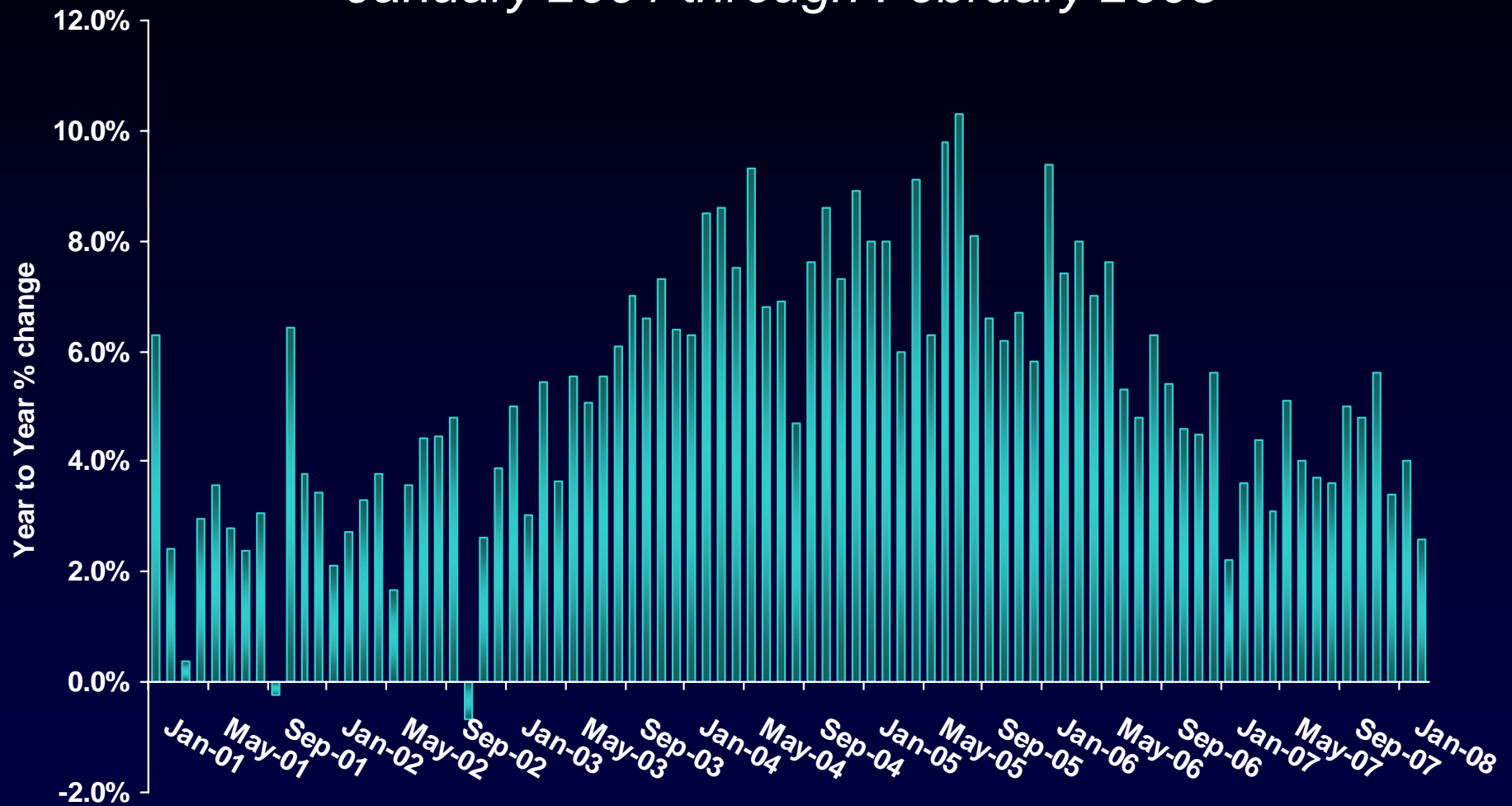
September 2001 through March 2008



Source: University of Michigan; Dismal.com

# Retail & Food Services Sales

January 2001 through February 2008

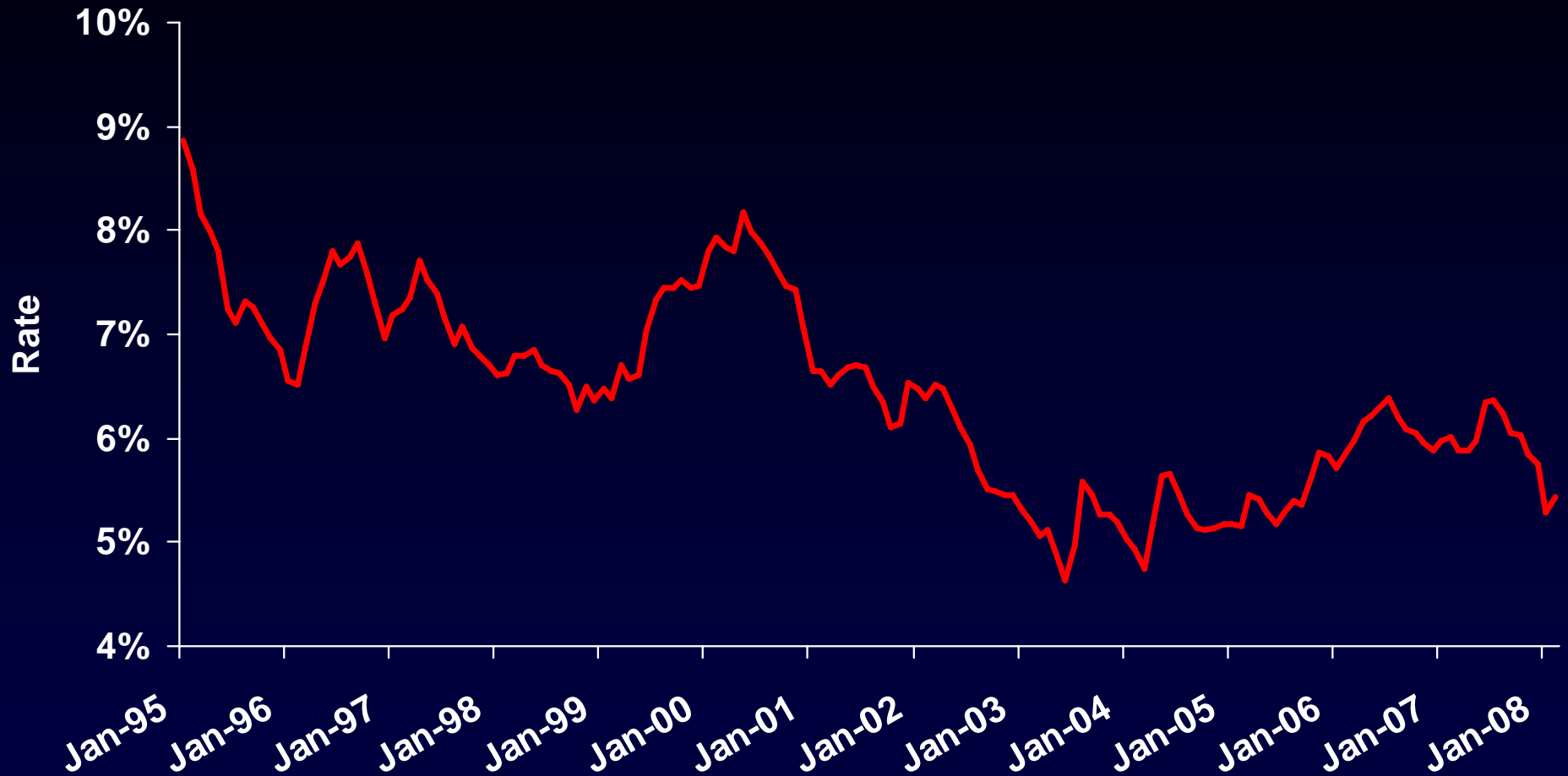


Source: Dismal.com



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# 15-Year Fixed Mortgage Rates, January 1995 through February 2008



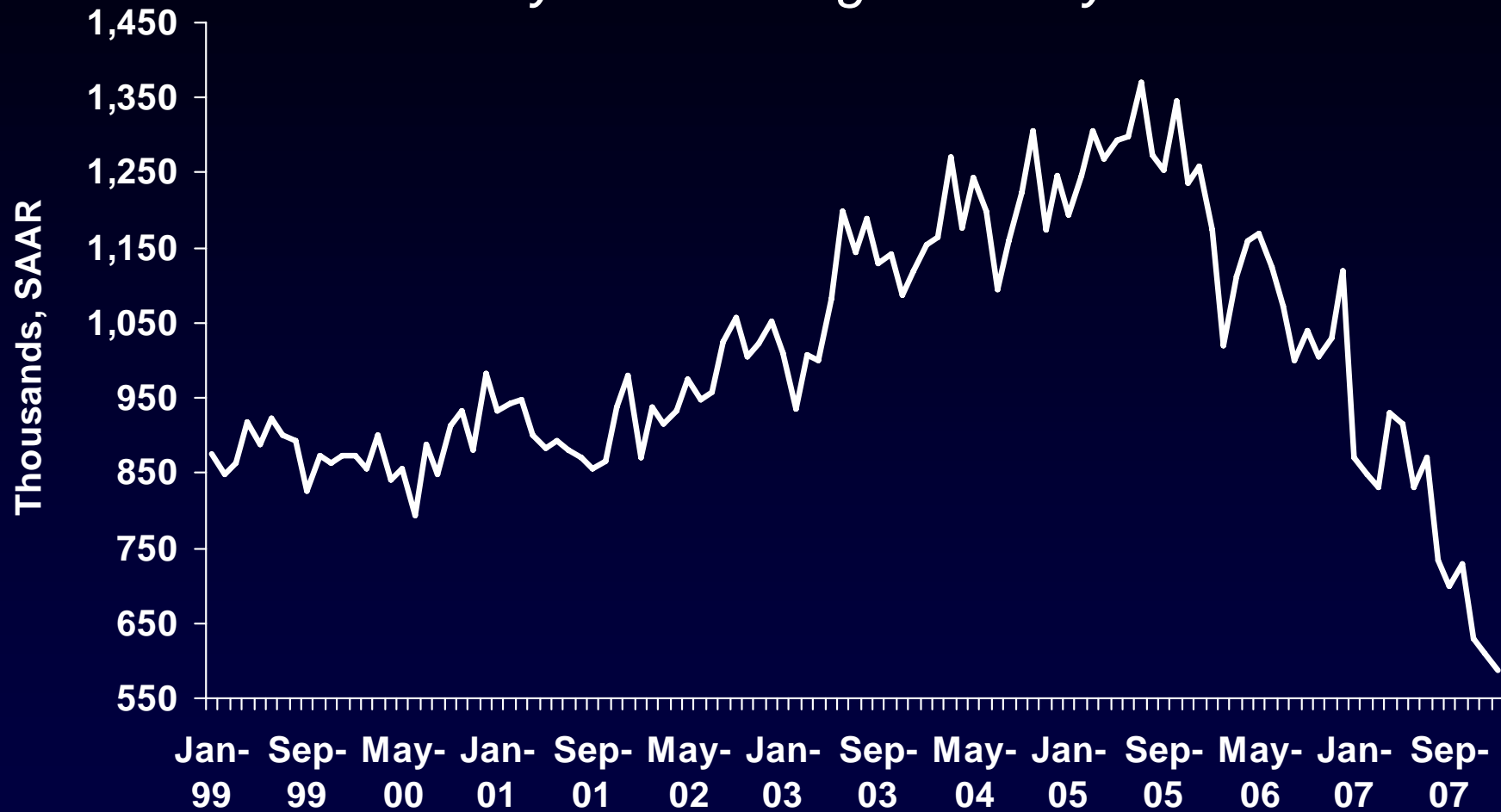
Source: Freddie Mac



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# U.S. New Home Sales

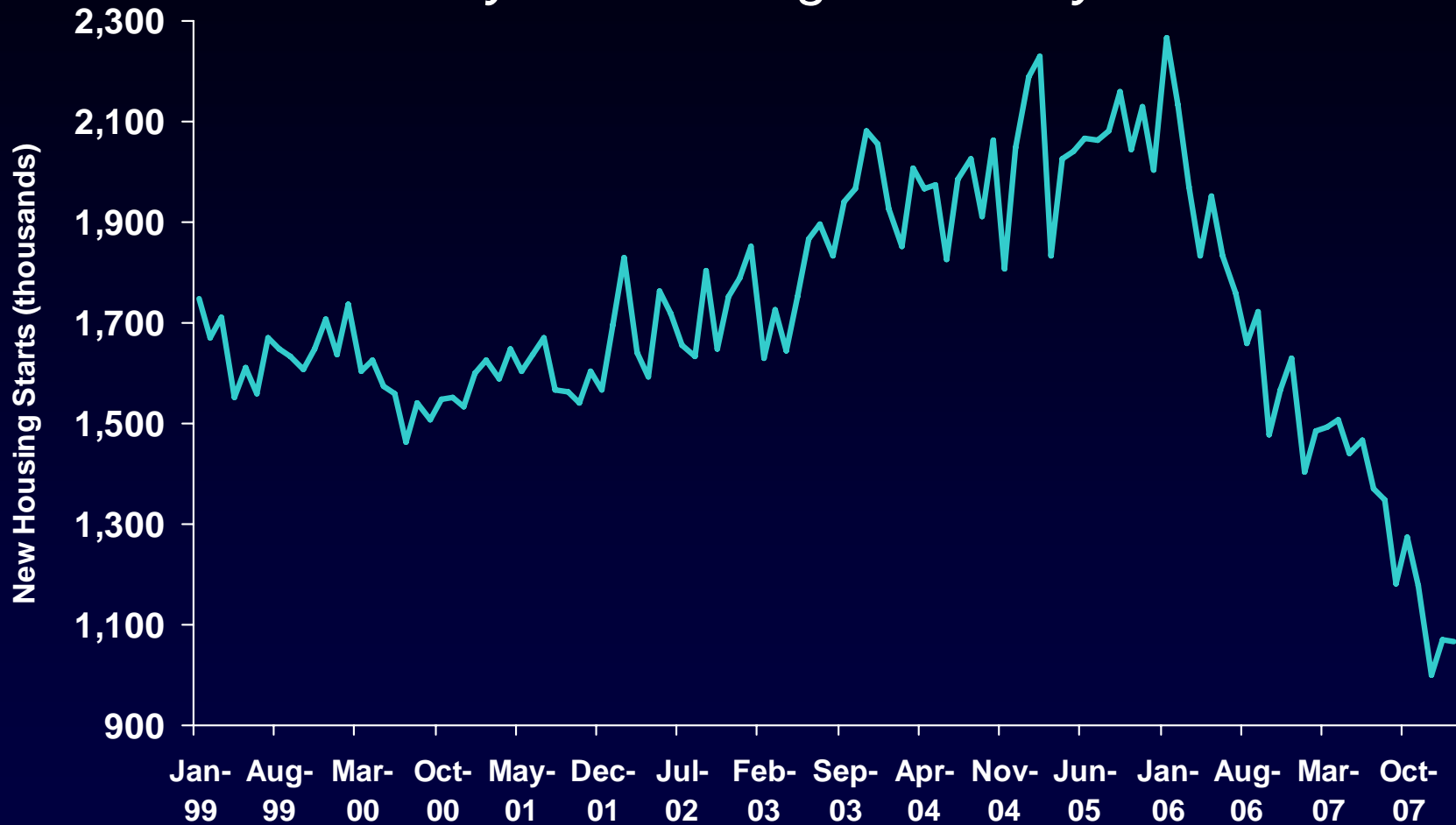
January 1999 through January 2008



Source: Economy.com, Census Bureau

# U.S. New Residential Construction

*January 1999 through February 2008*



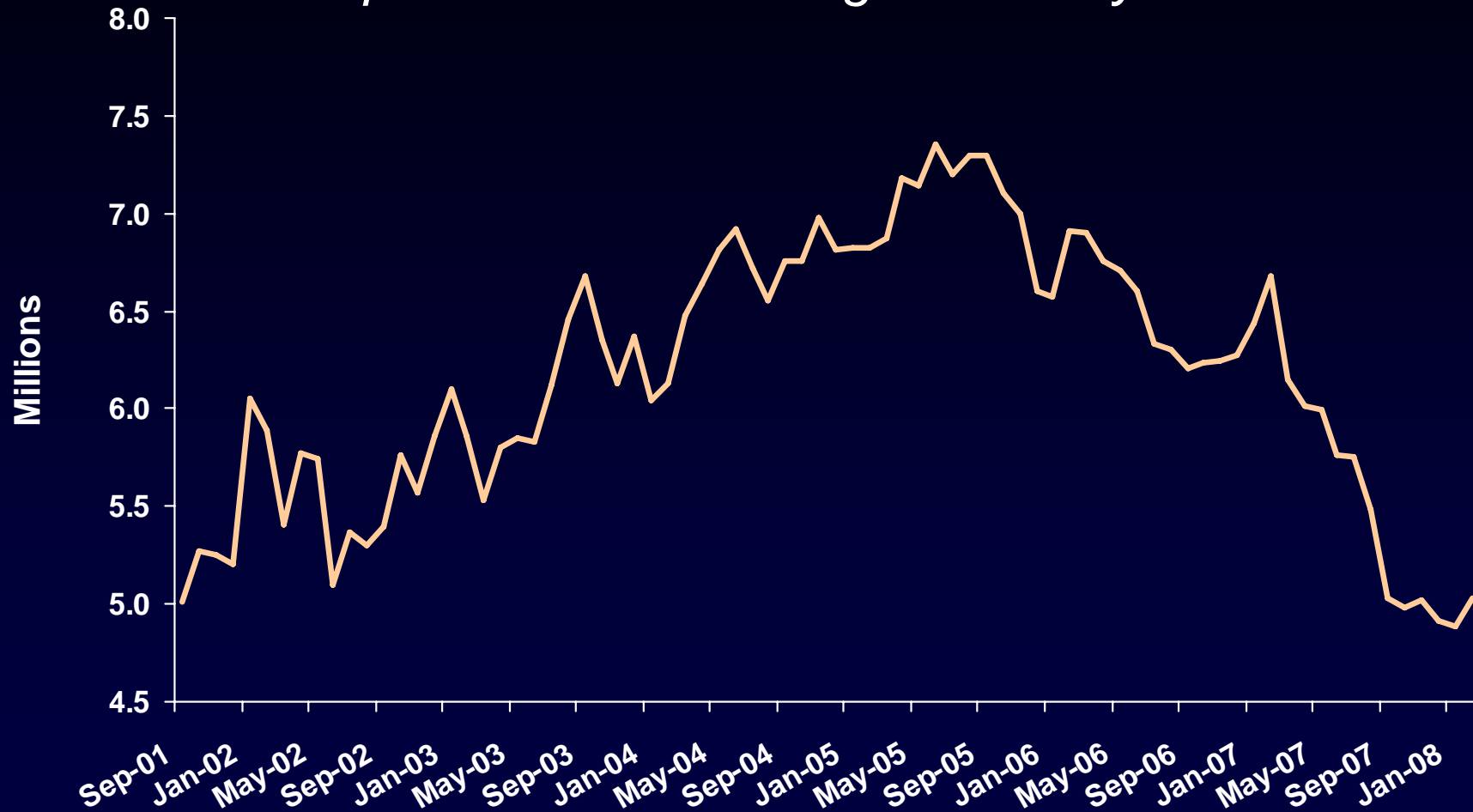
Source: *Economy.com*



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# U.S. Existing Home Sales

September 2001 through February 2008



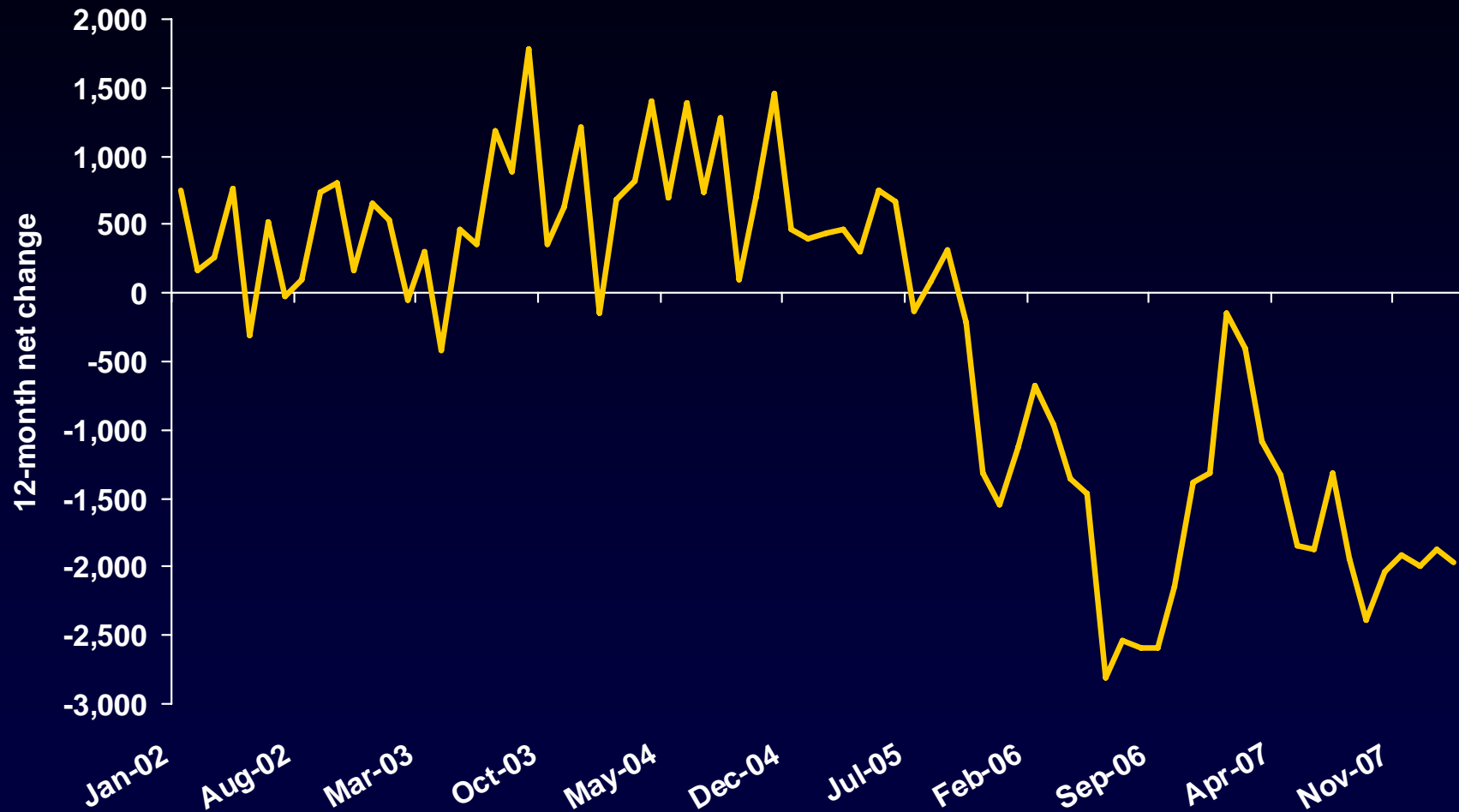
Source: Economy.com



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# Change in Maryland Housing Units Sold

*January 2002 through February 2008*



## 2006 Residential Building Permits per 100 Households (2006 estimates) by select Regions

Region	Permits per 100 Households
Las Vegas, Nevada	5.15
Raleigh-Durham, North Carolina	4.70
<b>Loudoun County, Virginia</b>	<b>3.41</b>
Phoenix-Mesa, Arizona	3.03
Richmond, Virginia	1.72
Northern Virginia	1.71
<b>Washington, D.C.-MD-VA</b>	<b>1.39</b>
Washington, D.C. without Loudoun County, VA	1.29
<b>BW Corridor</b>	<b>0.96</b>
Wilmington, Delaware	0.95
<b>Baltimore, MD</b>	<b>0.80</b>
Philadelphia, Pennsylvania	0.70
Pittsburgh, Pennsylvania	0.58

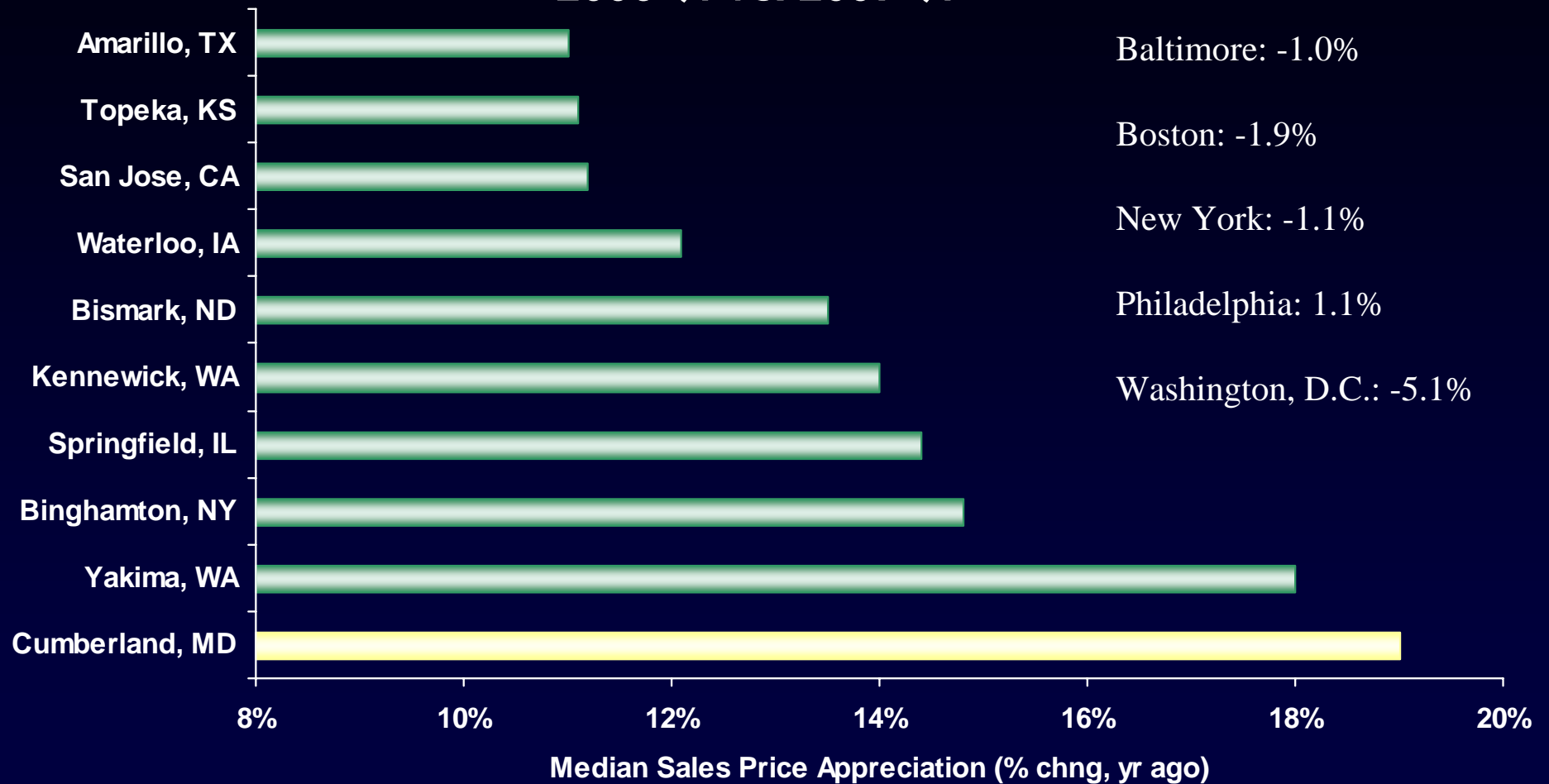
*Source: U.S. Census Bureau*

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



# Current Hot Metro Housing Markets (150)

## Annual Existing Single-Family Home Price Appreciation 2006Q4 vs. 2007Q4

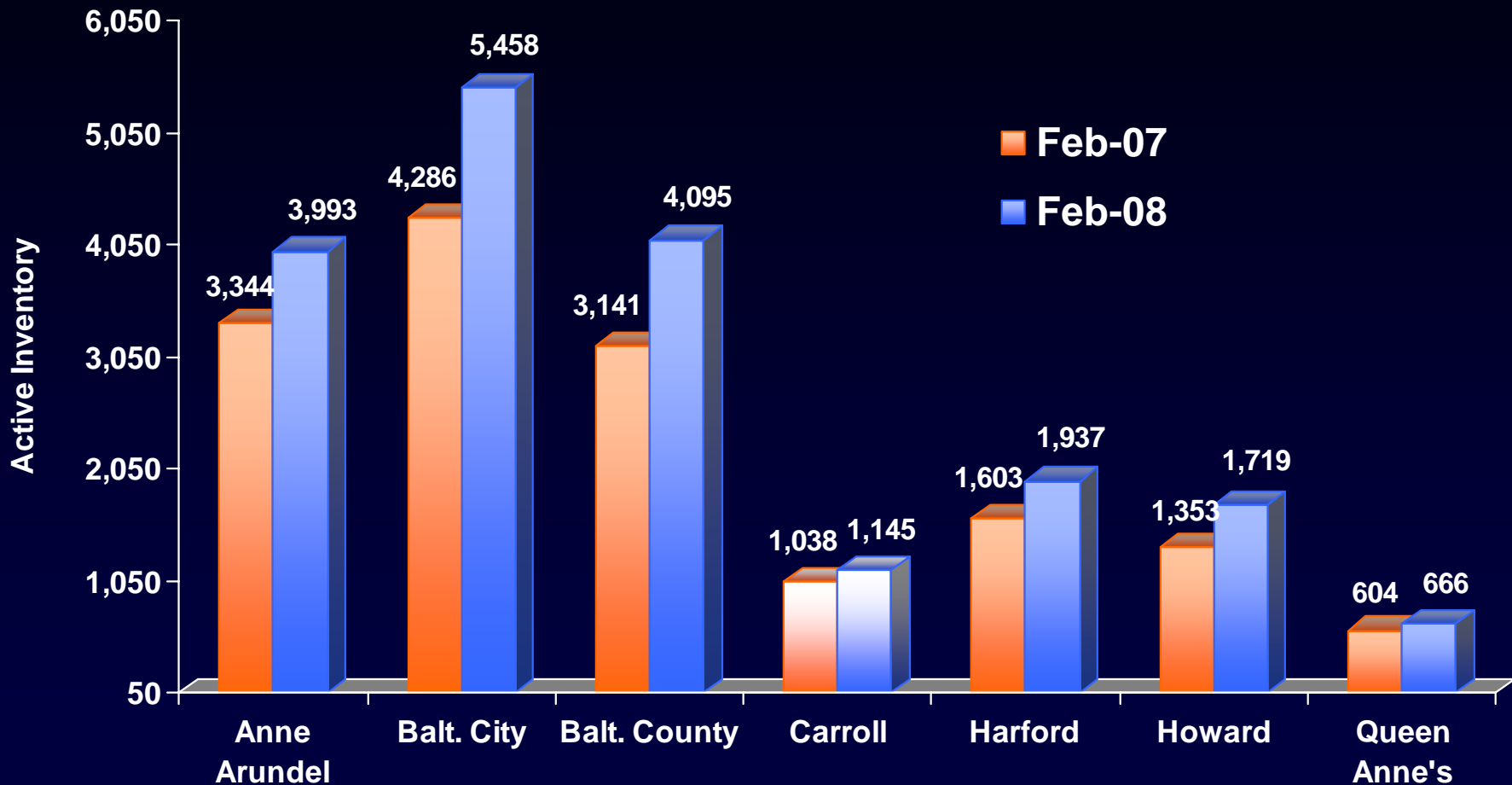


Source: National Association of Realtors

U.S.: -5.8% in 2007Q4



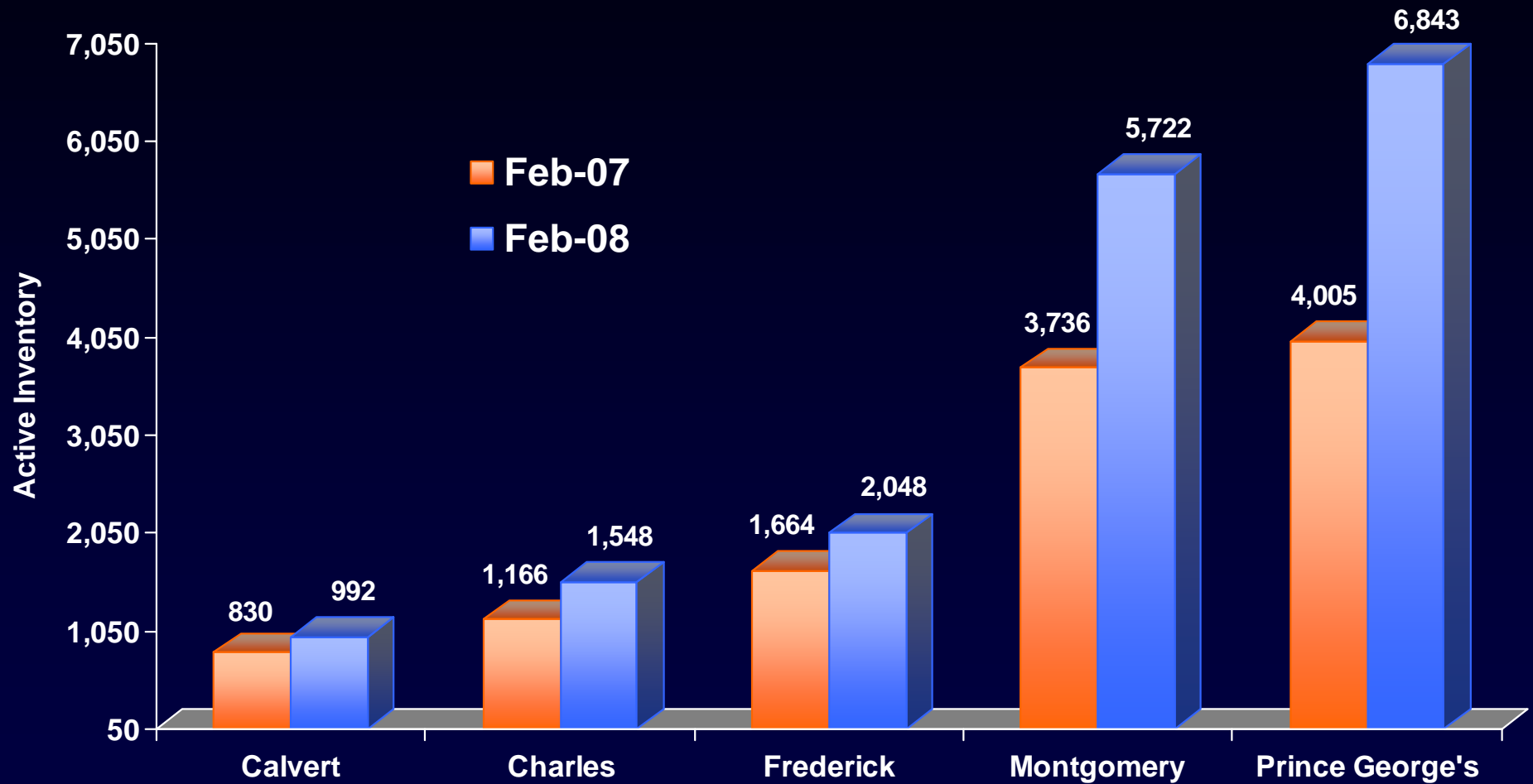
# Active Housing Inventory by Baltimore MSA Jurisdiction, February 2007 vs. February 2008



Source: Maryland Association of Realtors

Maryland = February 2007: 35,015; February 2008: 45,646

# Active Housing Inventory by Suburban MD Jurisdiction, February 2007 vs. February 2008



Source: Maryland Association of Realtors

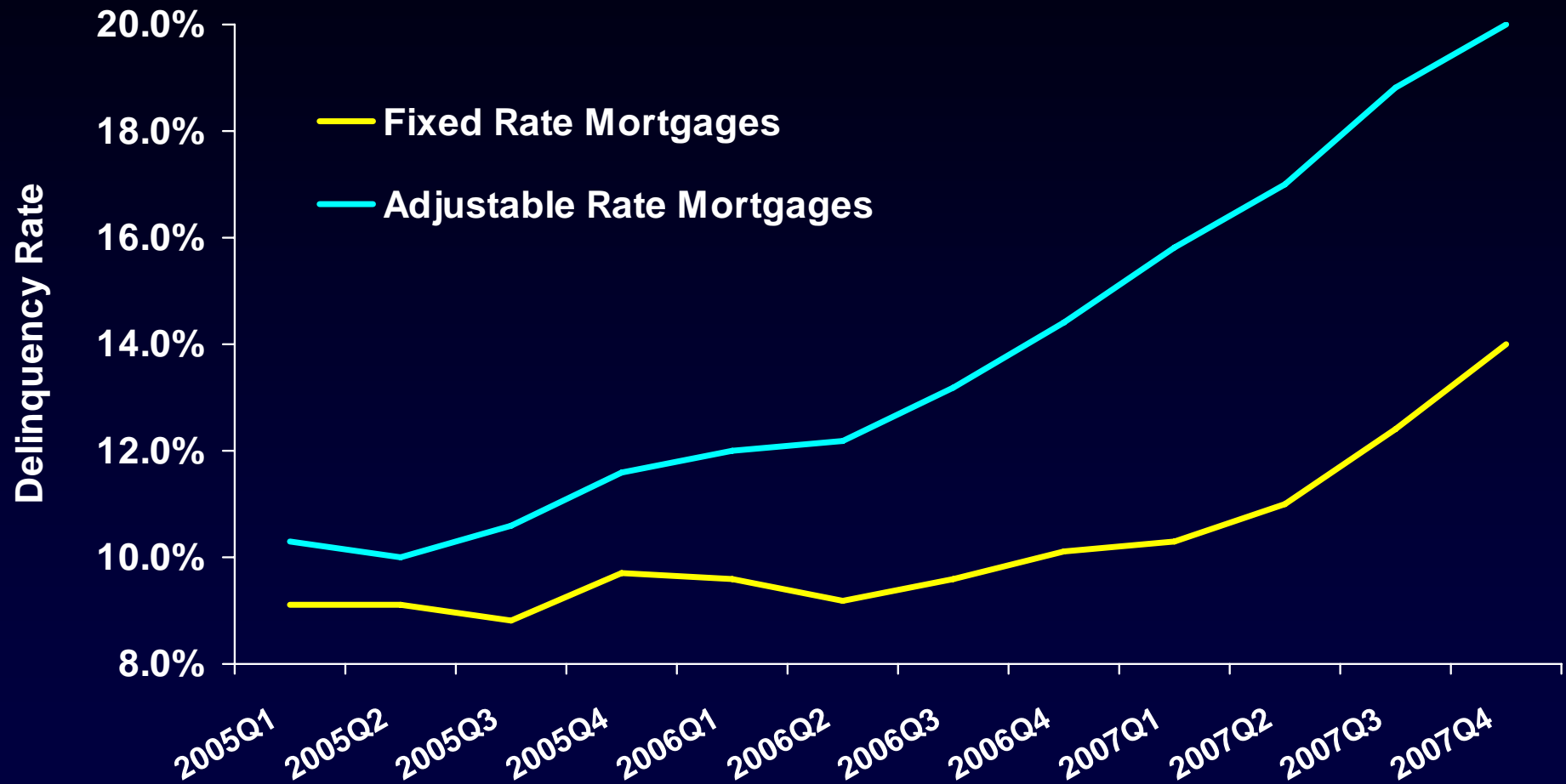
Maryland = February 2007: 35,015; February 2008: 45,646

# Mortgage Banker's Association Delinquency Rates, Prime Mortgage Loans, 2005Q1 through 2007Q4



Source: Economy.com

# Mortgage Banker's Association Delinquency Rates, Subprime Mortgage Loans, 2005Q1 through 2007Q4



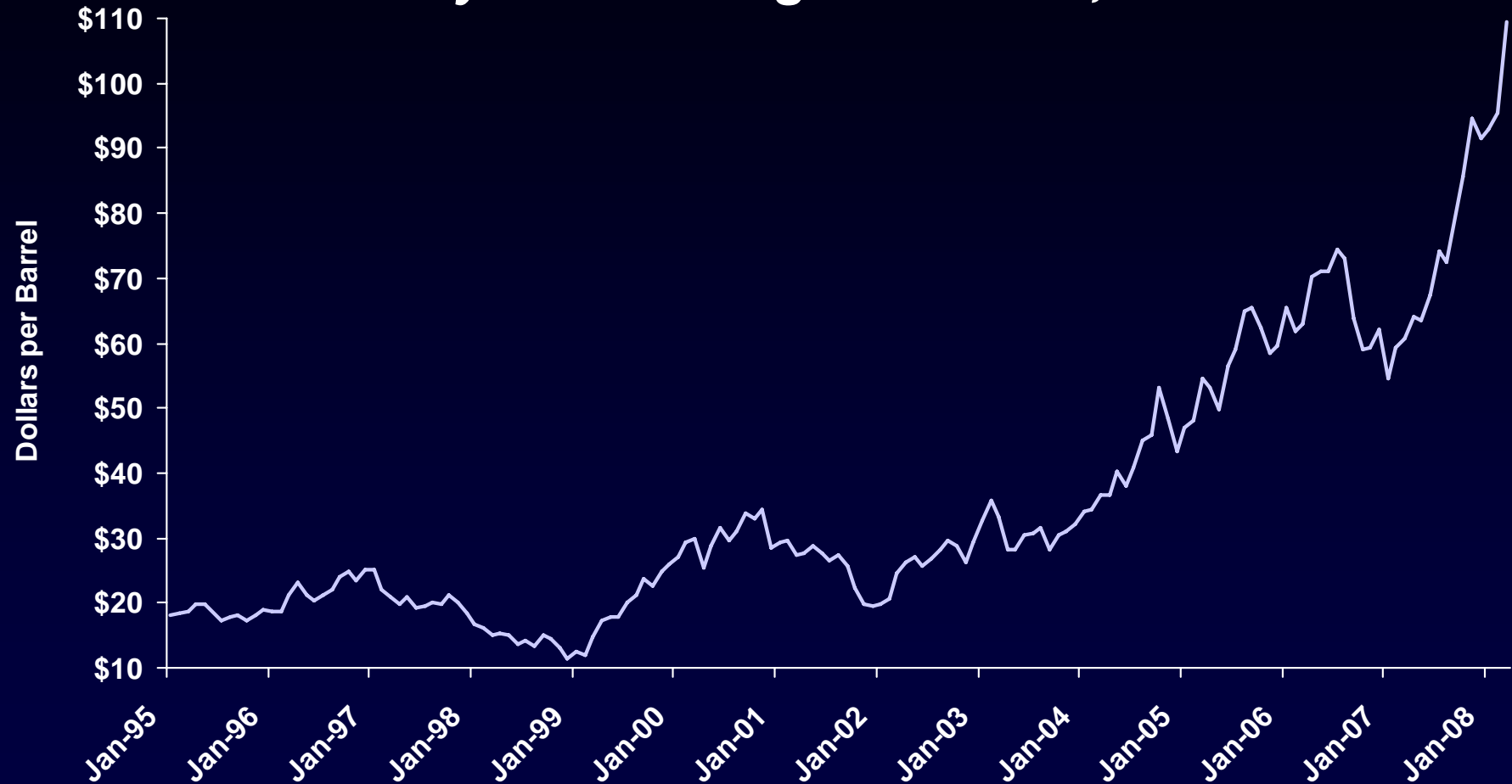
Source: Economy.com



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

## January 1995 through March 18, 2008

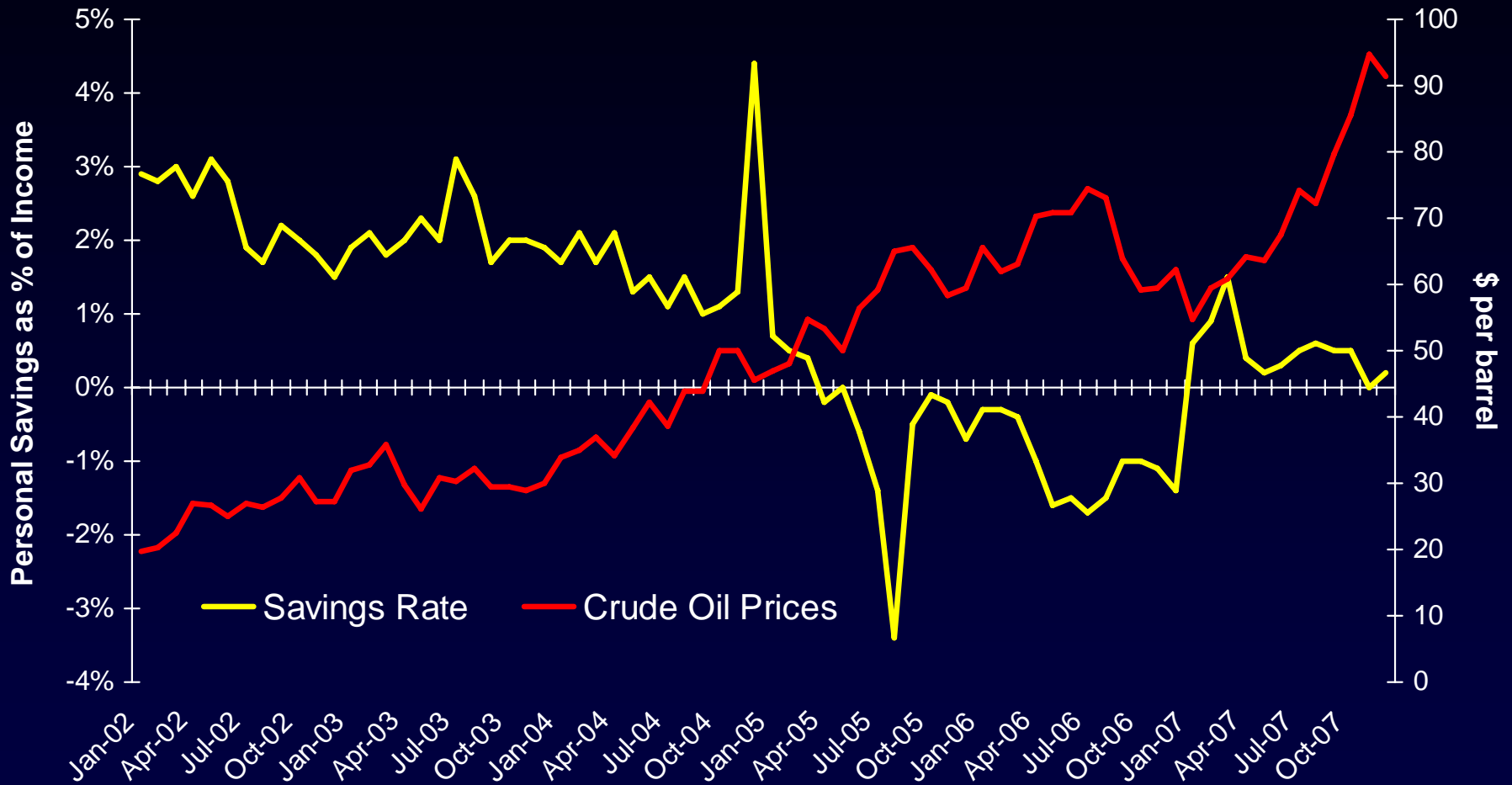


Source: Energy Information Administration



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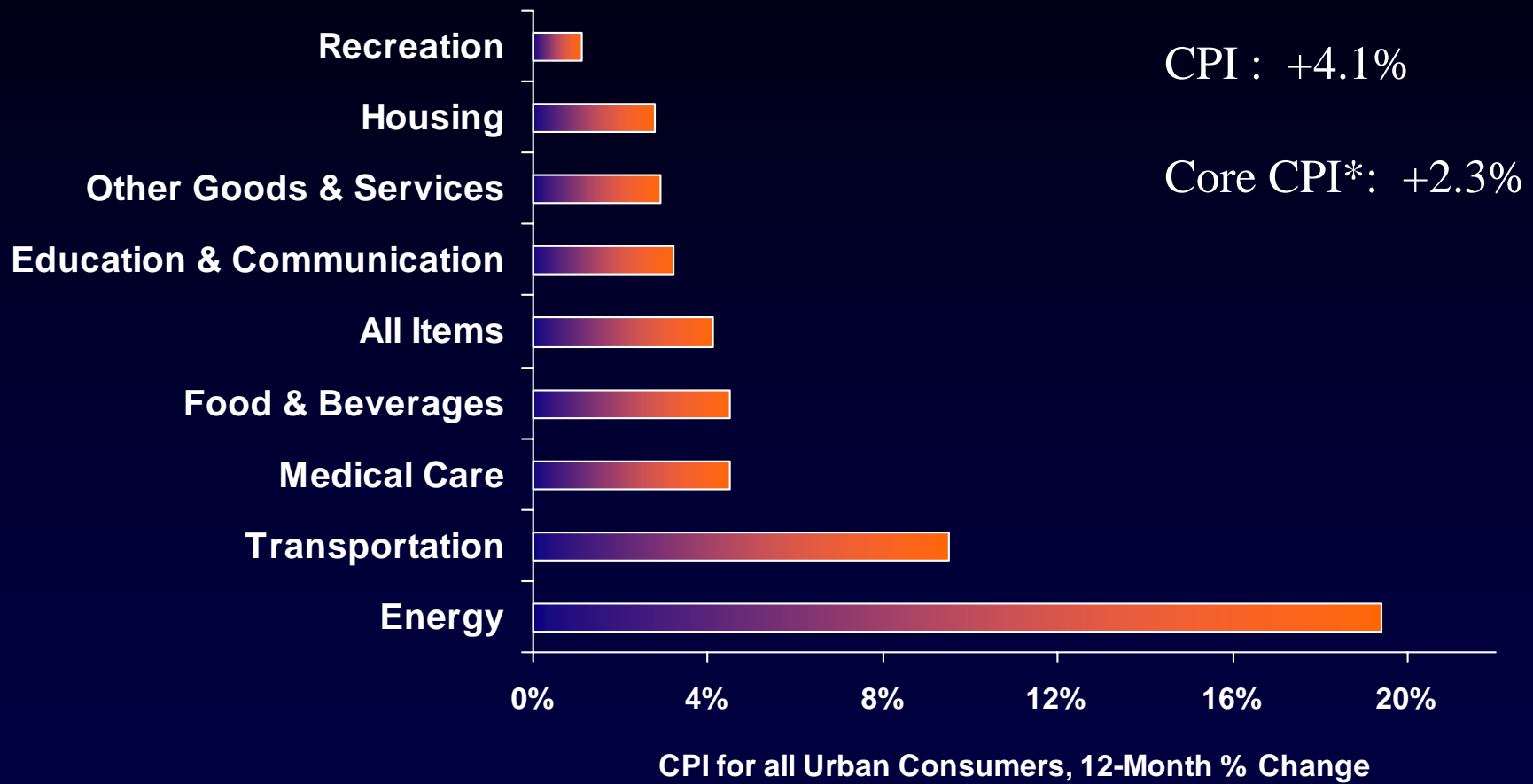
# U.S. Personal Savings Rate vs. NYMEX Crude Oil Prices, January 2002 through December 2007



Source: Bureau of Economic Analysis; Energy Information Administration

# CPI

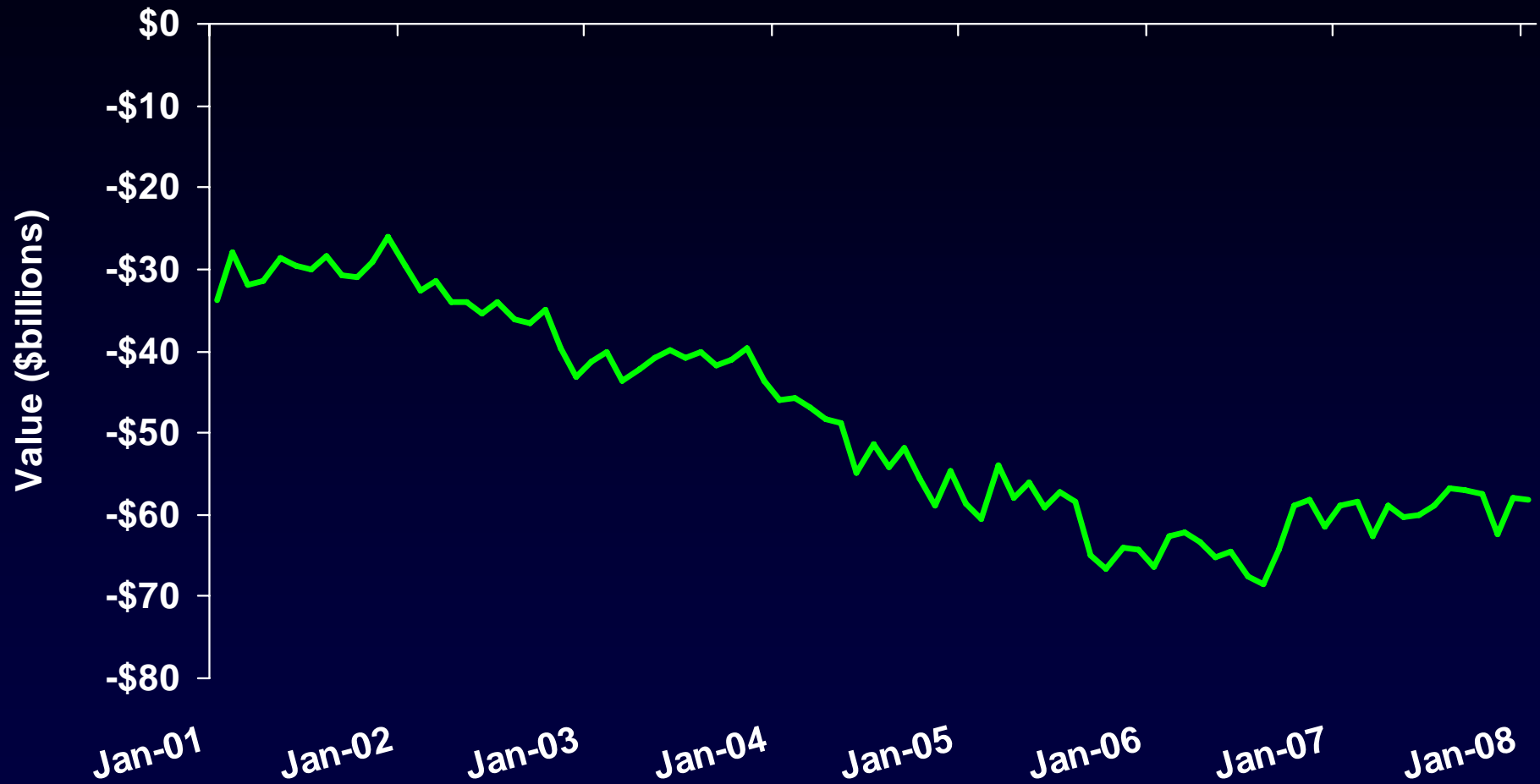
February 2008



Source: Bureau of Labor Statistics

\*Core CPI: All items less food and energy

## U.S. Trade Deficit, January 2001 through January 2008



Source: Dismal.com



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# Value of the Dollar (Broad Dollar Index) January 1999 through February 2008



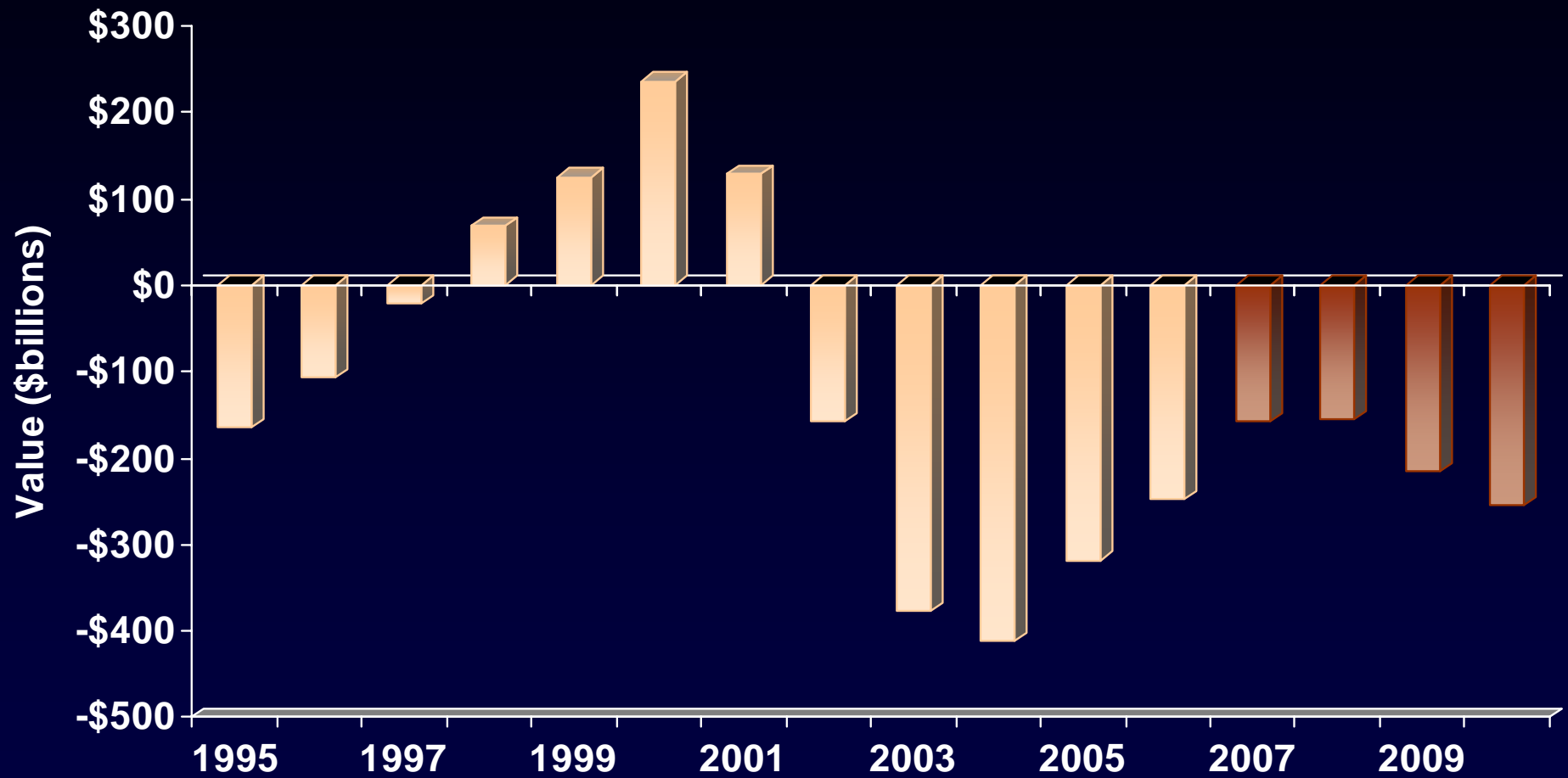
Source: Federal Reserve Board

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.



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



Source: Congressional Budget Office

\*2007-2010 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.



# Dow Jones Industrial Average January 2003 through March 19, 2007



Source: Dow Jones

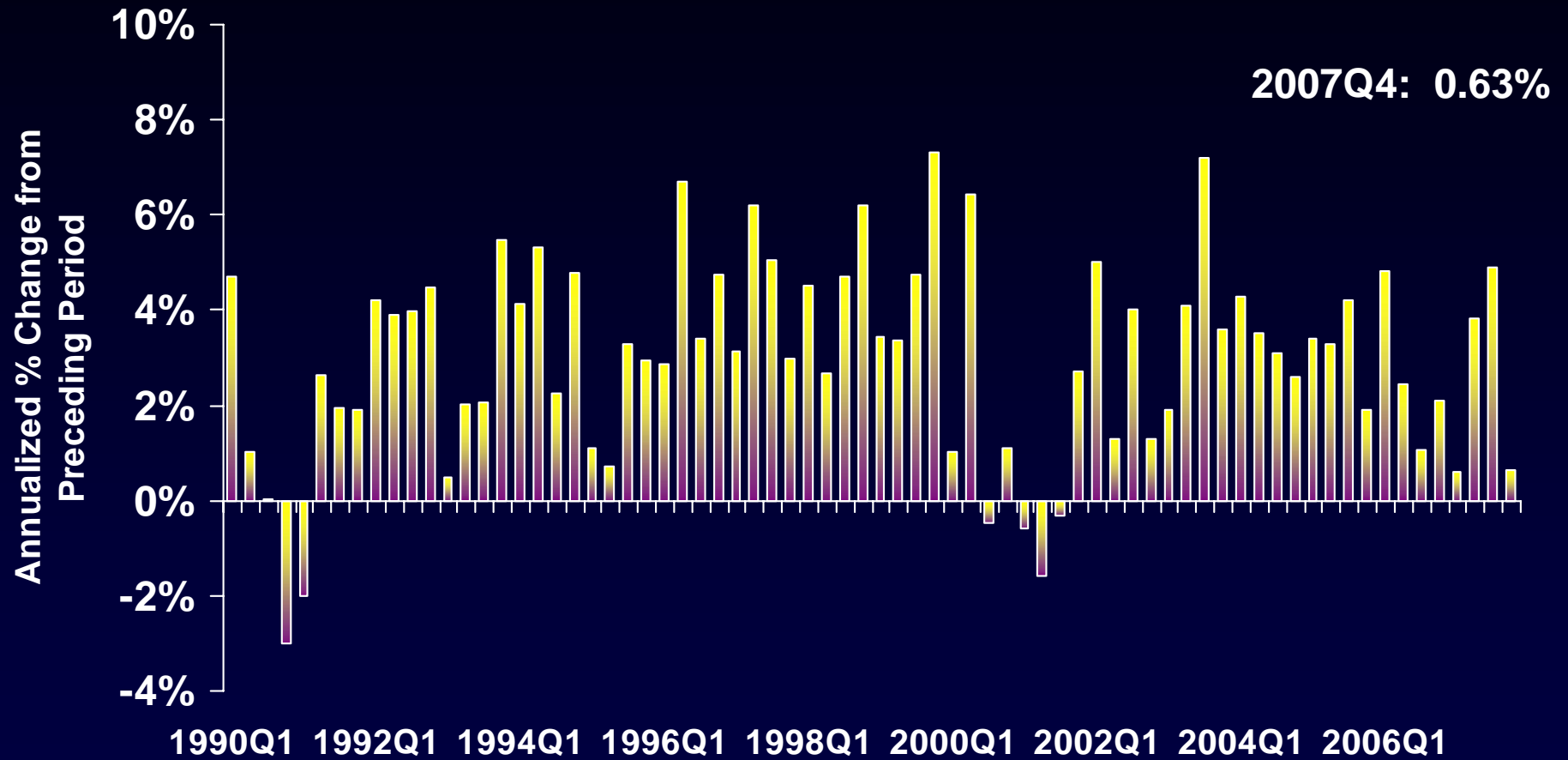


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## II. Silver Linings

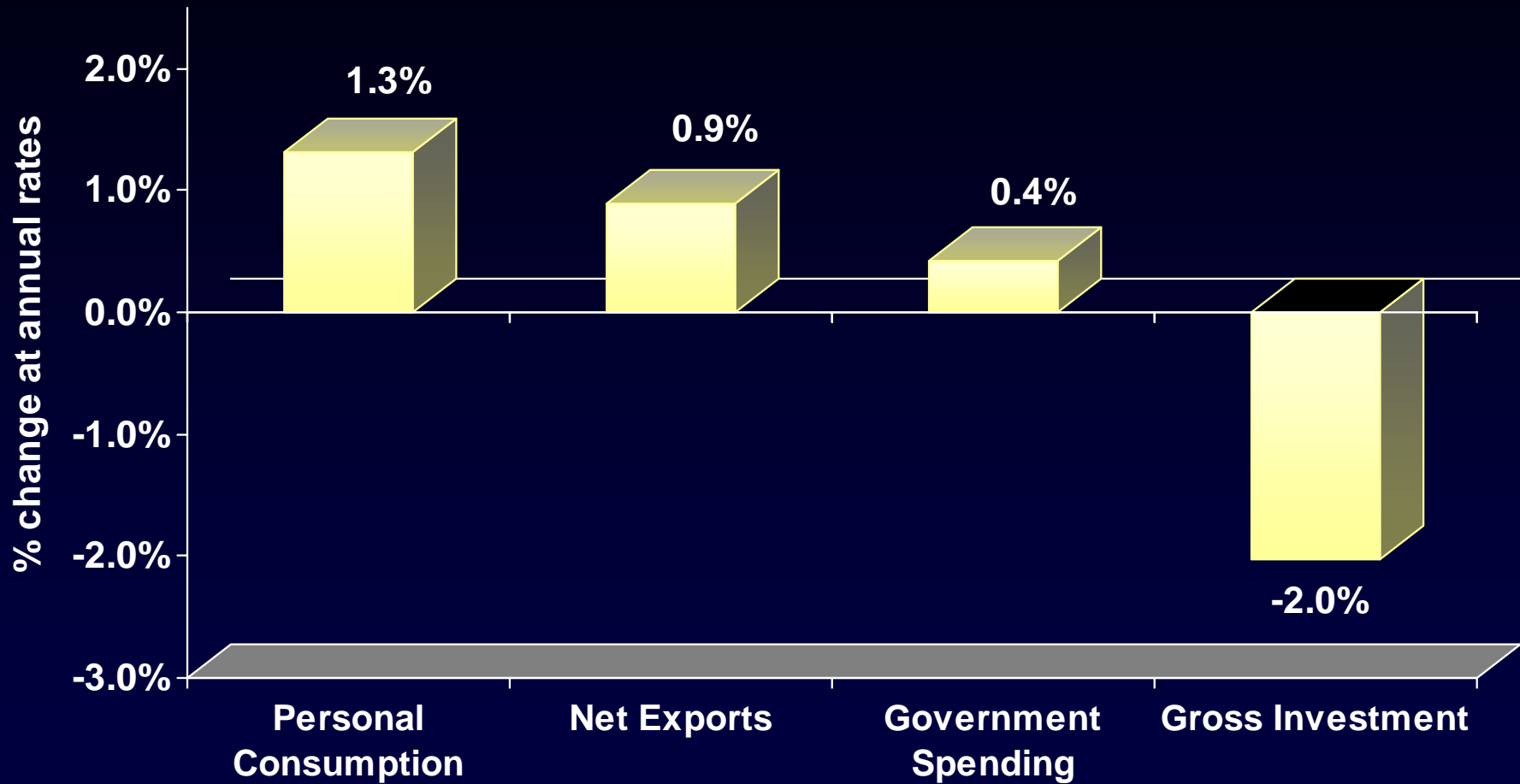
# Gross Domestic Product

1990Q1 through 2007Q4



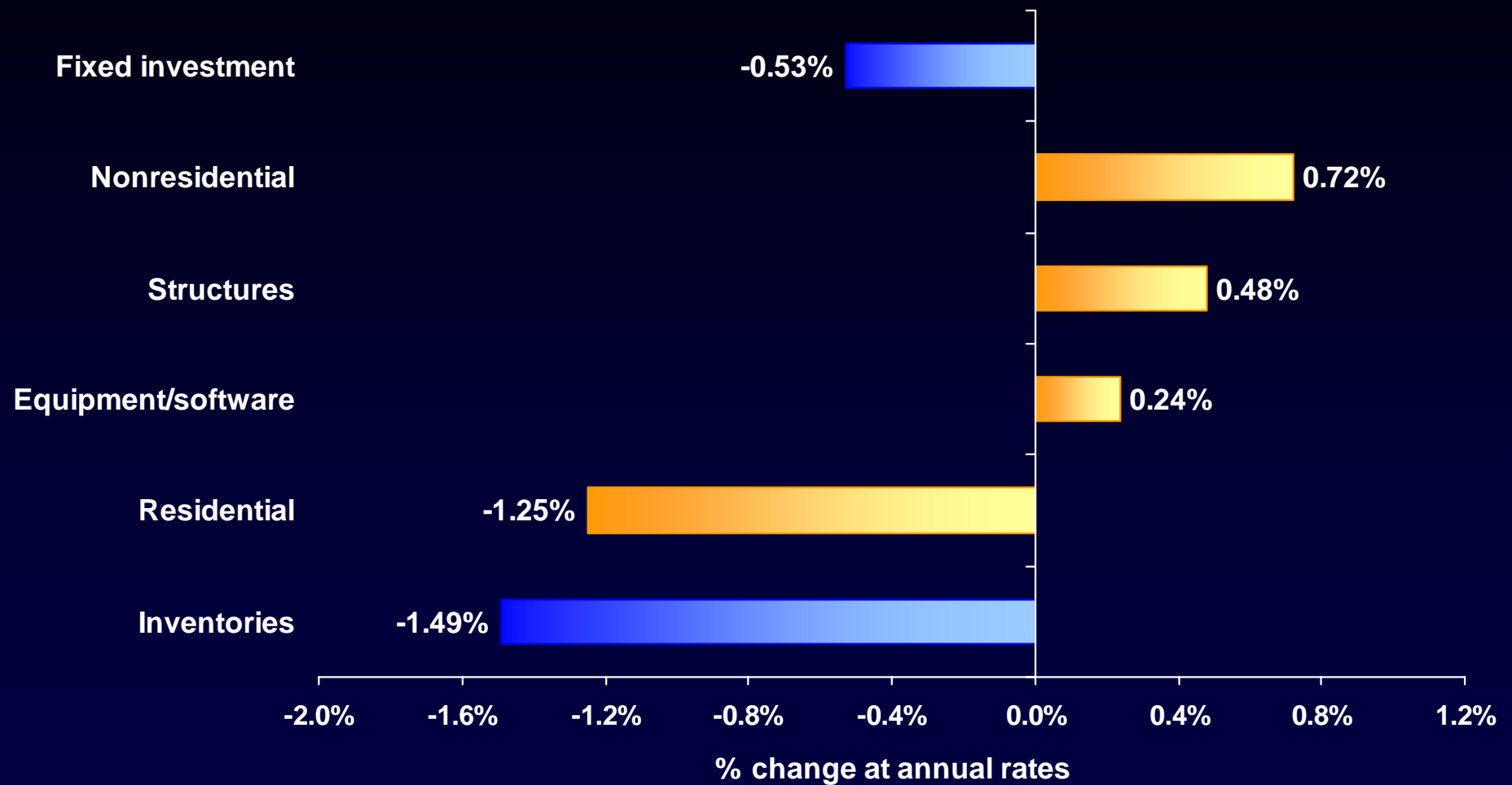
Source: Bureau of Economic Analysis

# Contributions to GDP Growth by Component, 2007Q4



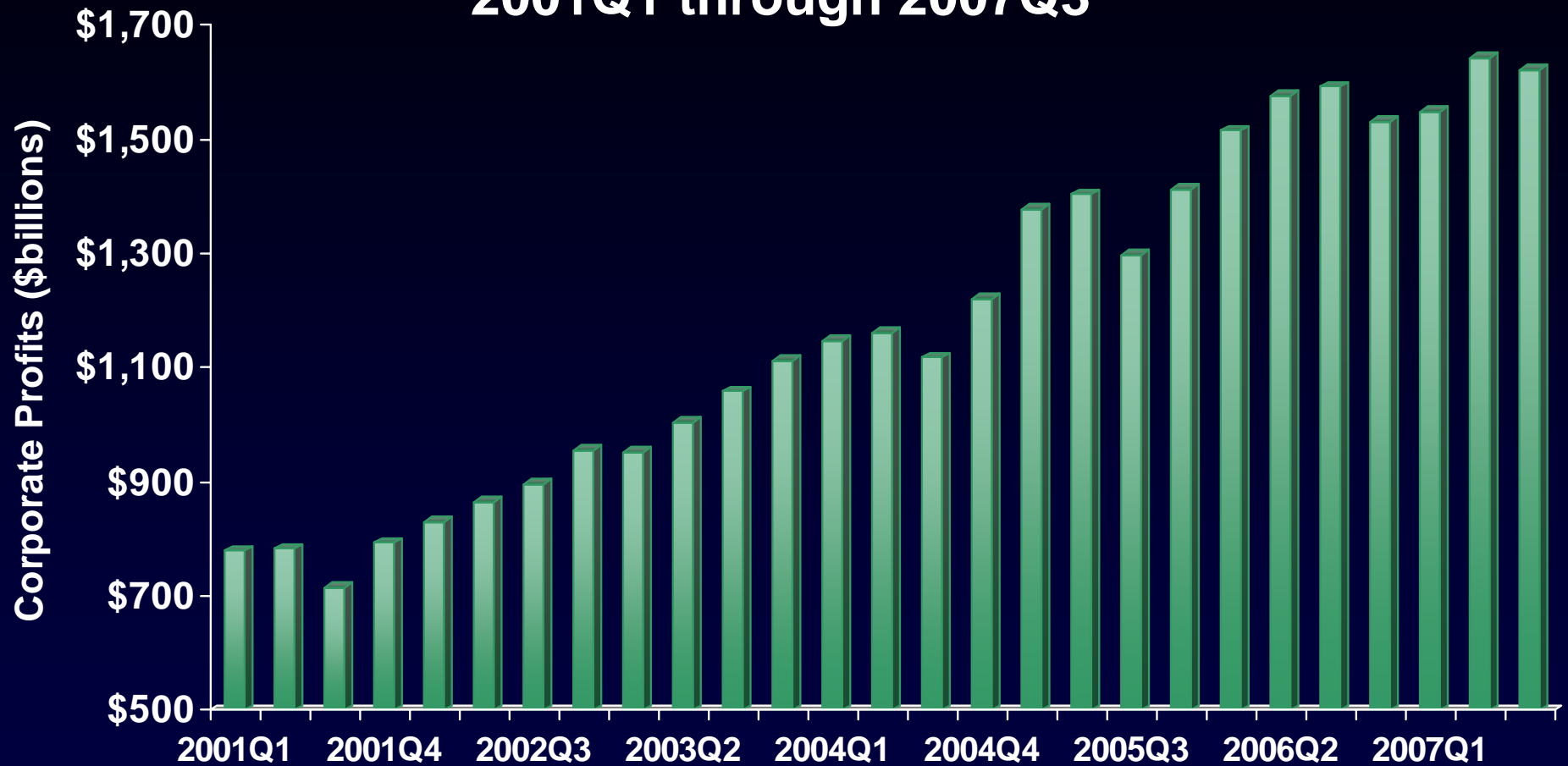
Source: Bureau of Economic Analysis

# Contributions to Gross Investment Growth by Component, 2007Q4



Source: Bureau of Economic Analysis

# Corporate Profits\* (SAAR) 2001Q1 through 2007Q3

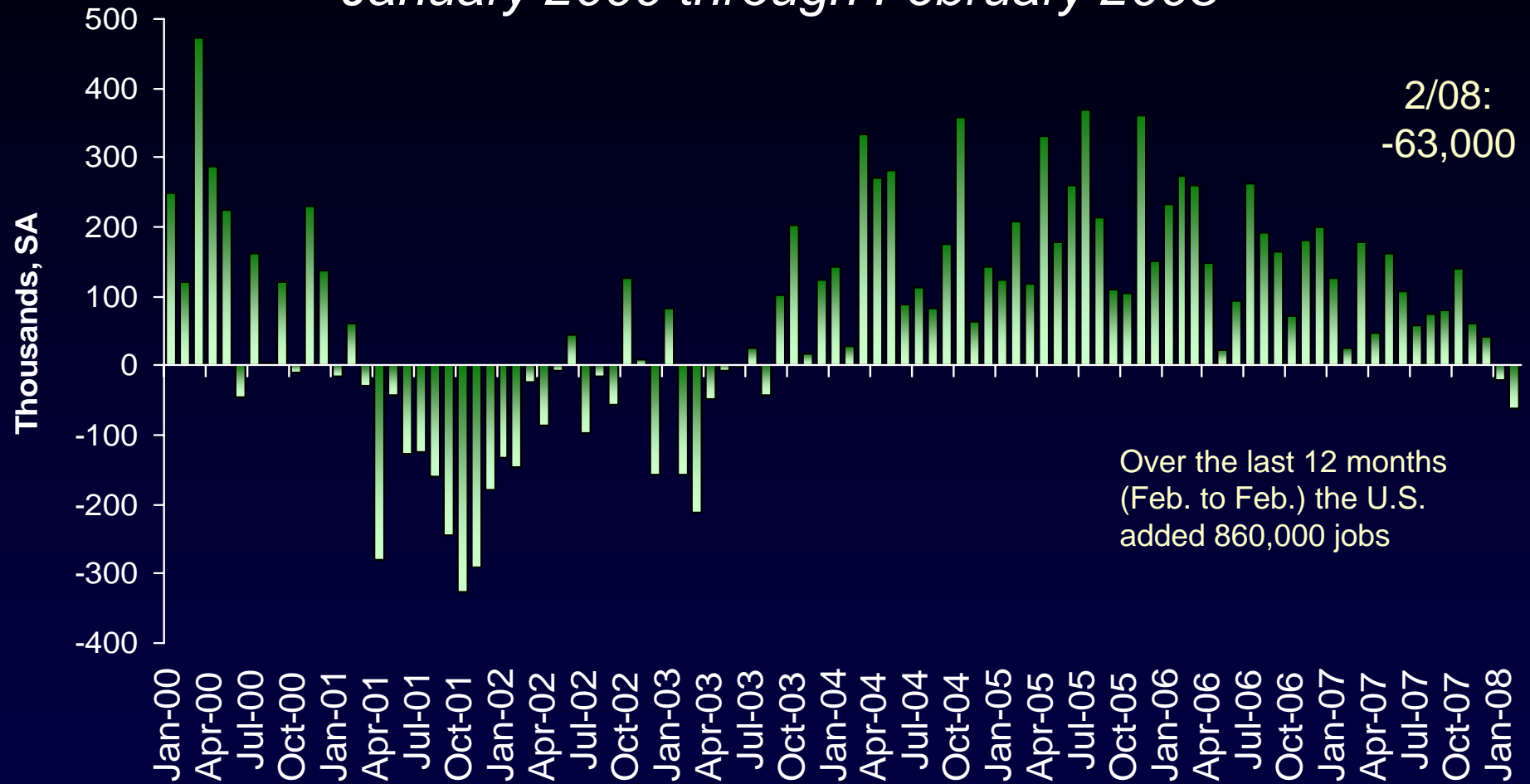


Source: BEA

\*With inventory valuation and capital consumption adjustments

# Net Change in U.S. Jobs

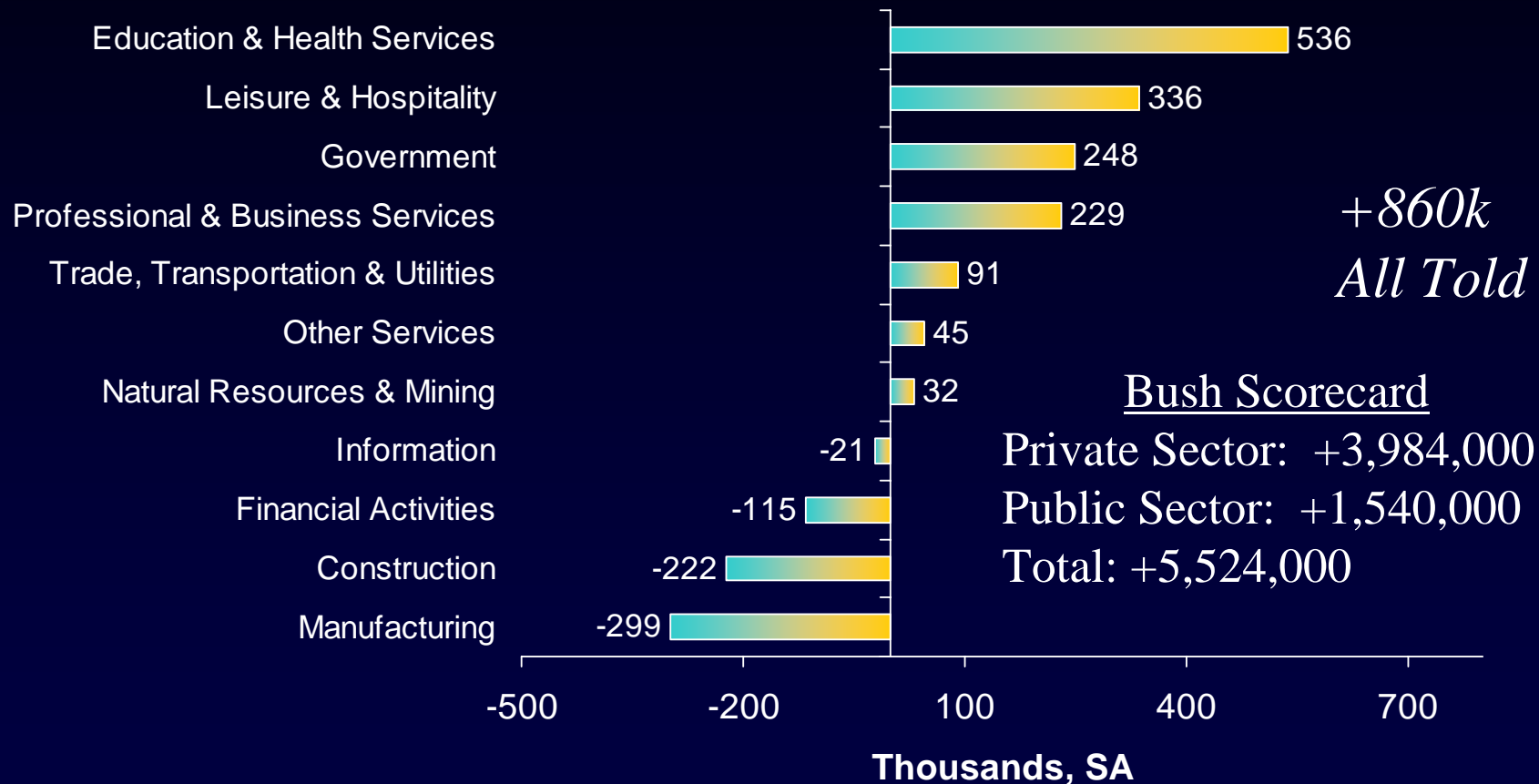
## January 2000 through February 2008



Source: Economy.com, Bureau of Labor Statistics

# National Nonfarm Employment by Industry Sector Groups

February 2007 v. February 2008  
Absolute Change

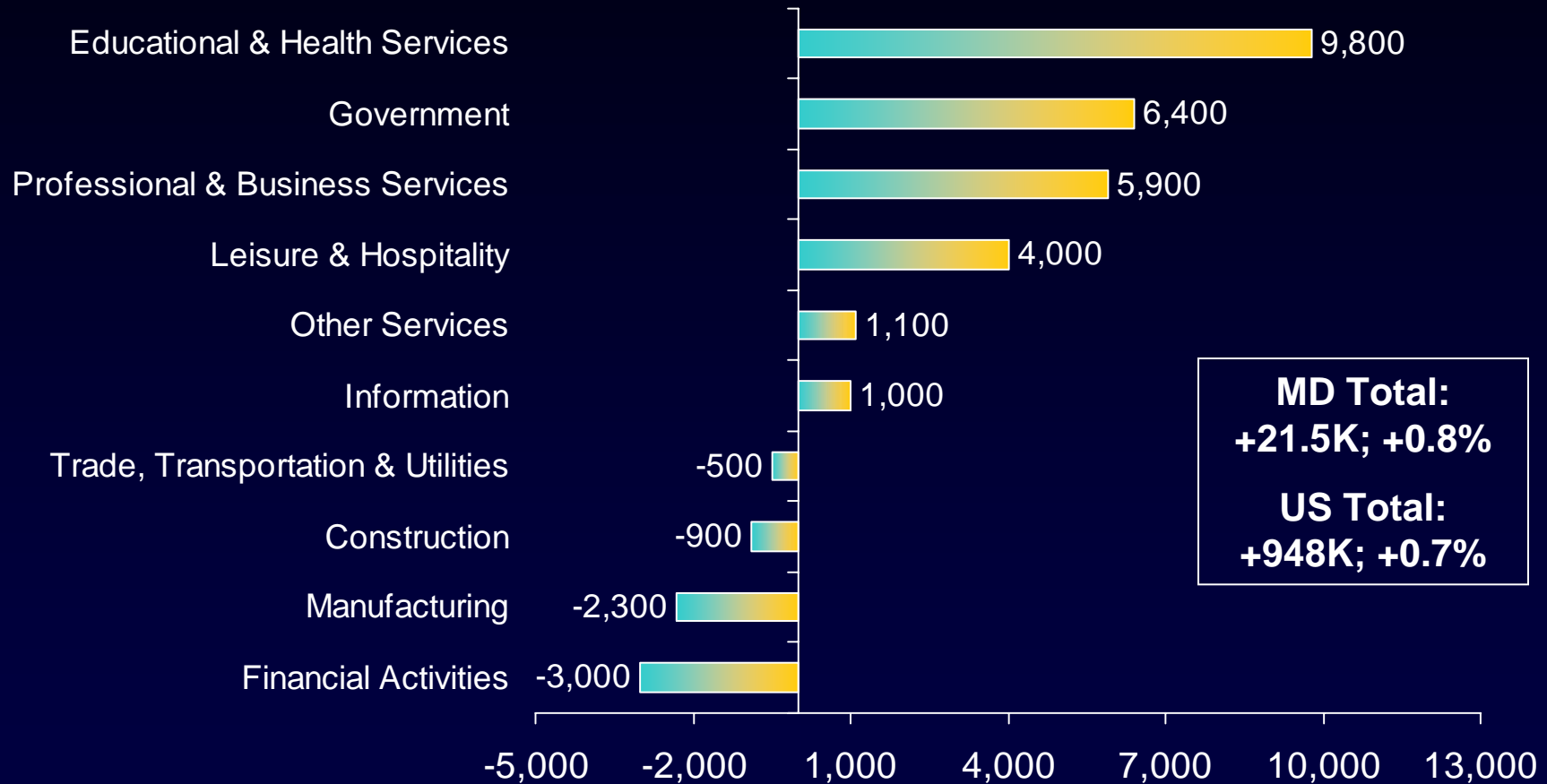


Source: Economy.com, Bureau of Labor Statistics

# Maryland Nonfarm Employment by Industry Sector Groups

January 2007 v. January 2008

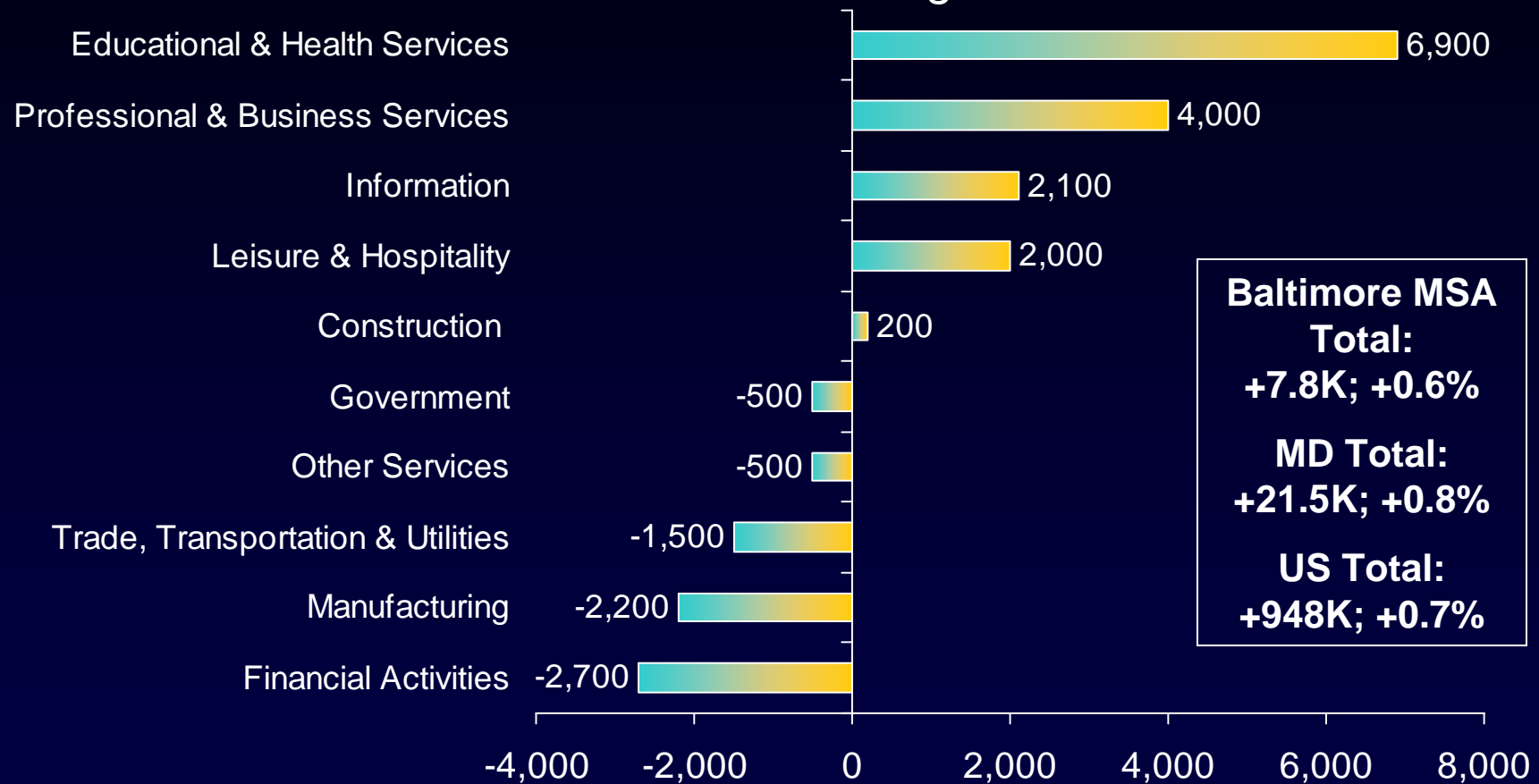
Absolute Change



Source: Bureau of Labor Statistics

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

January 2007 v. January 2008  
Absolute Change

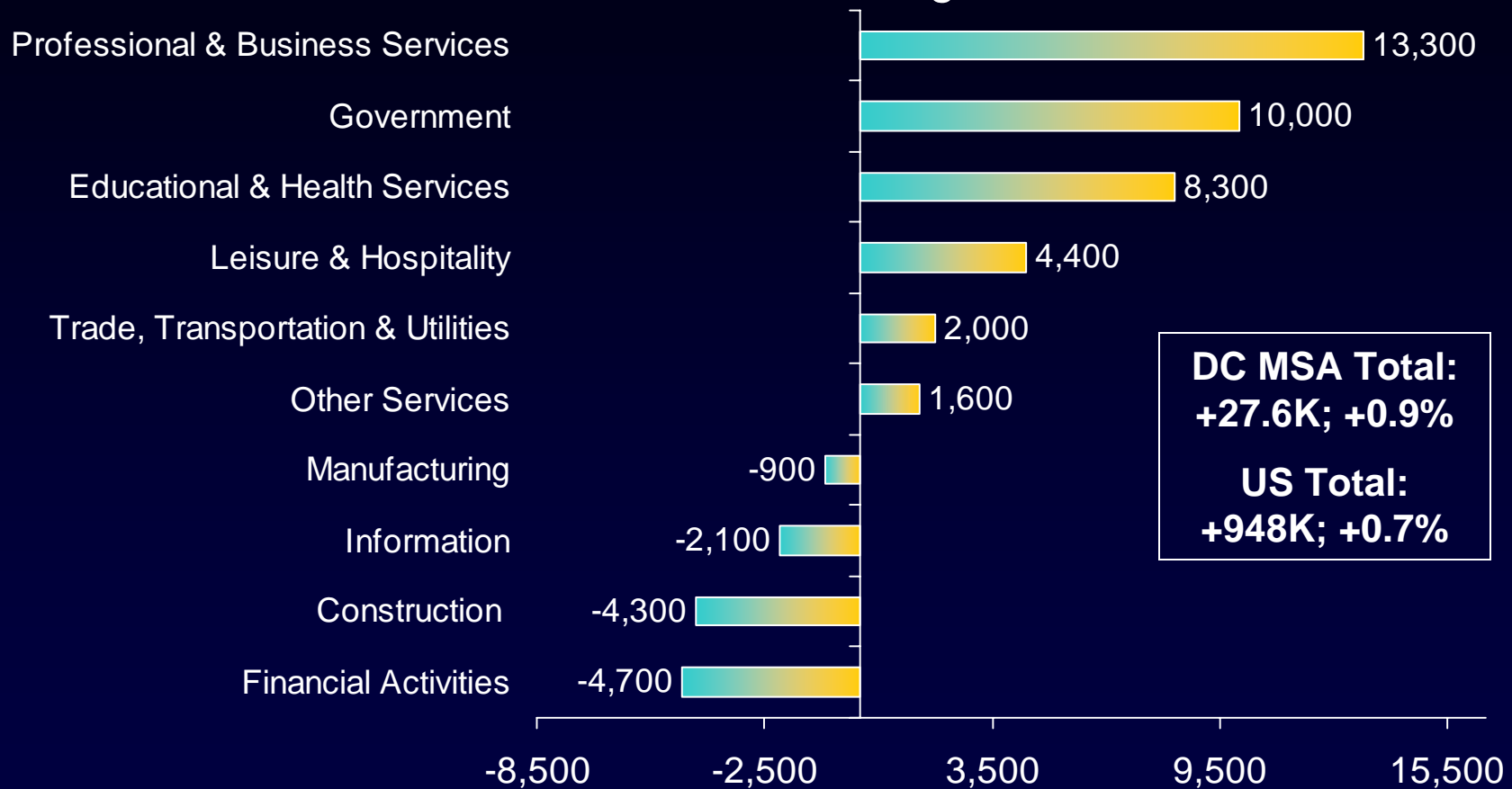


Source: Bureau of Labor Statistics

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

January 2007 v. January 2008

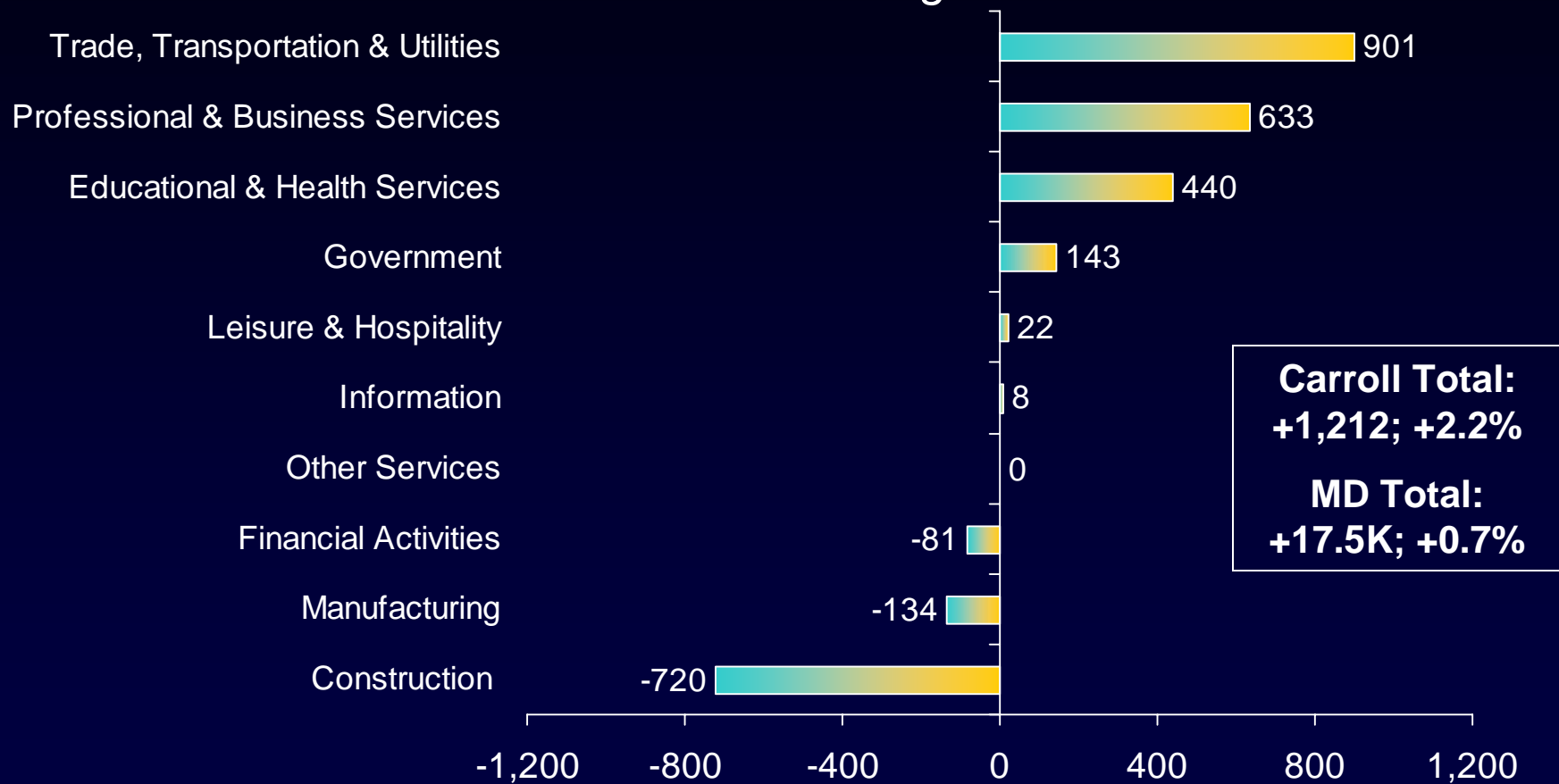
Absolute Change



Source: Bureau of Labor Statistics

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

2006Q3 v. 2007Q3  
Absolute Change



Source: Bureau of Labor Statistics

## Unemployment Rates, U.S. States (SA) January 2008

Rank	State	Rate	Rank	State	Rate	Rank	State	Rate
1	South Dakota	2.6	17	Louisiana	4.0	32	Wisconsin	4.9
2	Wyoming	2.7	19	Colorado	4.2	36	Maine	5.0
3	Idaho	2.8	19	Vermont	4.2	36	New York	5.0
4	Nebraska	2.9	21	Arizona	4.3	38	Kentucky	5.2
5	Utah	3.0	21	Texas	4.3	39	Missouri	5.5
6	Hawaii	3.1	23	West Virginia	4.4	39	Nevada	5.5
6	New Mexico	3.1	24	Indiana	4.5	39	Ohio	5.5
8	Montana	3.2	24	Massachusetts	4.5	39	Oregon	5.5
8	North Dakota	3.2	24	Minnesota	4.5	43	Arkansas	5.6
<b>10</b>	<b>Virginia</b>	<b>3.4</b>	24	New Jersey	4.5	43	Illinois	5.6
<b>11</b>	<b>Maryland</b>	<b>3.5</b>	24	Washington	4.5	45	Rhode Island	5.7
11	New Hampshire	3.5	29	Florida	4.6	46	California	5.9
13	Iowa	3.6	30	Connecticut	4.8	47	Mississippi	6.0
13	Oklahoma	3.6	30	Pennsylvania	4.8	48	South Carolina	6.1
15	Delaware	3.8	32	Georgia	4.9	49	District of Columbia	6.2
15	Kansas	3.8	32	North Carolina	4.9	50	Alaska	6.5
17	Alabama	4.0	32	Tennessee	4.9	51	Michigan	7.1

Source: Bureau of Labor Statistics

\* U.S. unemployment rate: January = 4.9%



## Unemployment Rates (NSA), Maryland Counties January 2008

Rank	County	Rate
1	Howard	2.6
2	Montgomery	2.8
3	Calvert	3.1
4	Charles	3.2
4	St. Mary's	3.2
6	Anne Arundel	3.3
6	Frederick	3.3
8	Carroll	3.4
9	Harford	3.8
10	Baltimore	3.9
10	Queen Anne's	3.9
<b>Maryland</b>		<b>3.9</b>

Rank	County	Rate
12	Prince George's	4.0
13	Talbot	4.4
14	Cecil	5.1
14	Kent	5.1
14	Wicomico	5.1
17	Washington	4.7
18	Caroline	5.3
19	Garrett	5.5
20	Allegany	5.9
21	Baltimore	6.1
22	Somerset	6.4
23	Dorchester	7.1
24	Worcester	10.5

Source: Bureau of Labor Statistics

# Conclusions

- Chances of recession now approaching 50% for 2008 (in our humble opinion, we are already...);
- Risks include oil/energy, the dollar, interest rates/subprime, and the flu;
- The macroeconomic imbalances are huge and widening; and
- The Federal Reserve Chairman has and will come under enormous criticism.

# Thank You

- You can always reach me at [abasu@sagepolicy.com](mailto:abasu@sagepolicy.com)
- If you appreciate this type of information and would like regular updates, please see our newsletter service at [www.spgtrend.com](http://www.spgtrend.com)
- 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.