

Economic Update & Outlook

The Road Ahead for Small Business Storm Clouds or Sunshine?

AIC/ASBA Small Business Forum

June 15, 2011

Economic Outlook Darkens

Markets Stumble as Factories, Hiring Slow Down

The drumbeat of bad news about the U.S. economy got louder on Wednesday, rattling financial markets and driving stocks to their biggest drop in a year.

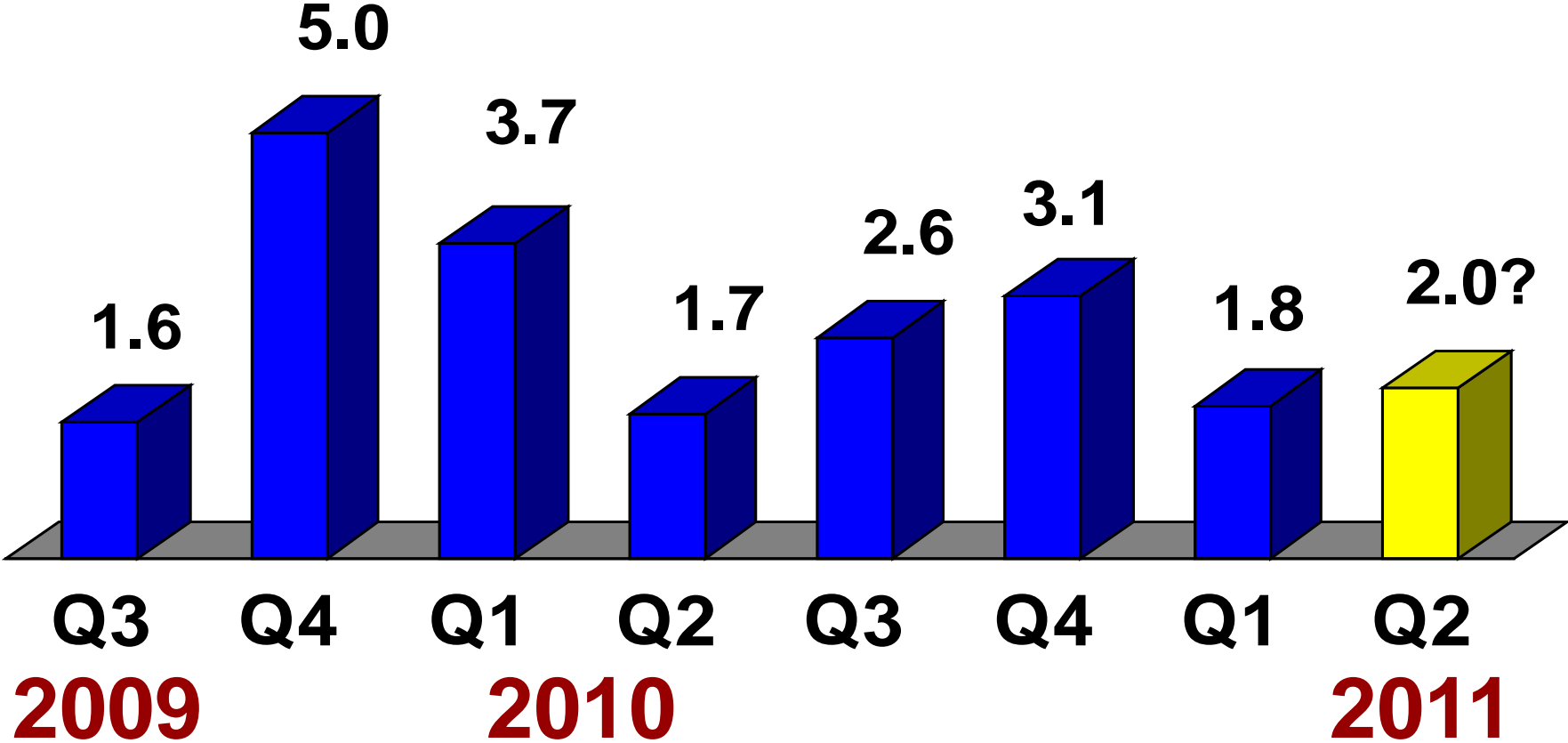
The U.S. factory sector, which has been an engine of the recovery, notched its biggest one-month slowdown since 1984 as companies hit the brakes on hiring and production. Another report showed private-sector hiring dropped precipitously in May, prompting economists to ratchet down their expectations

Economic Update & Outlook

- **Not-So-Great Recovery**
- **Consumer is Key**
- **Small Business Struggles**
- **Arizona Outlook**

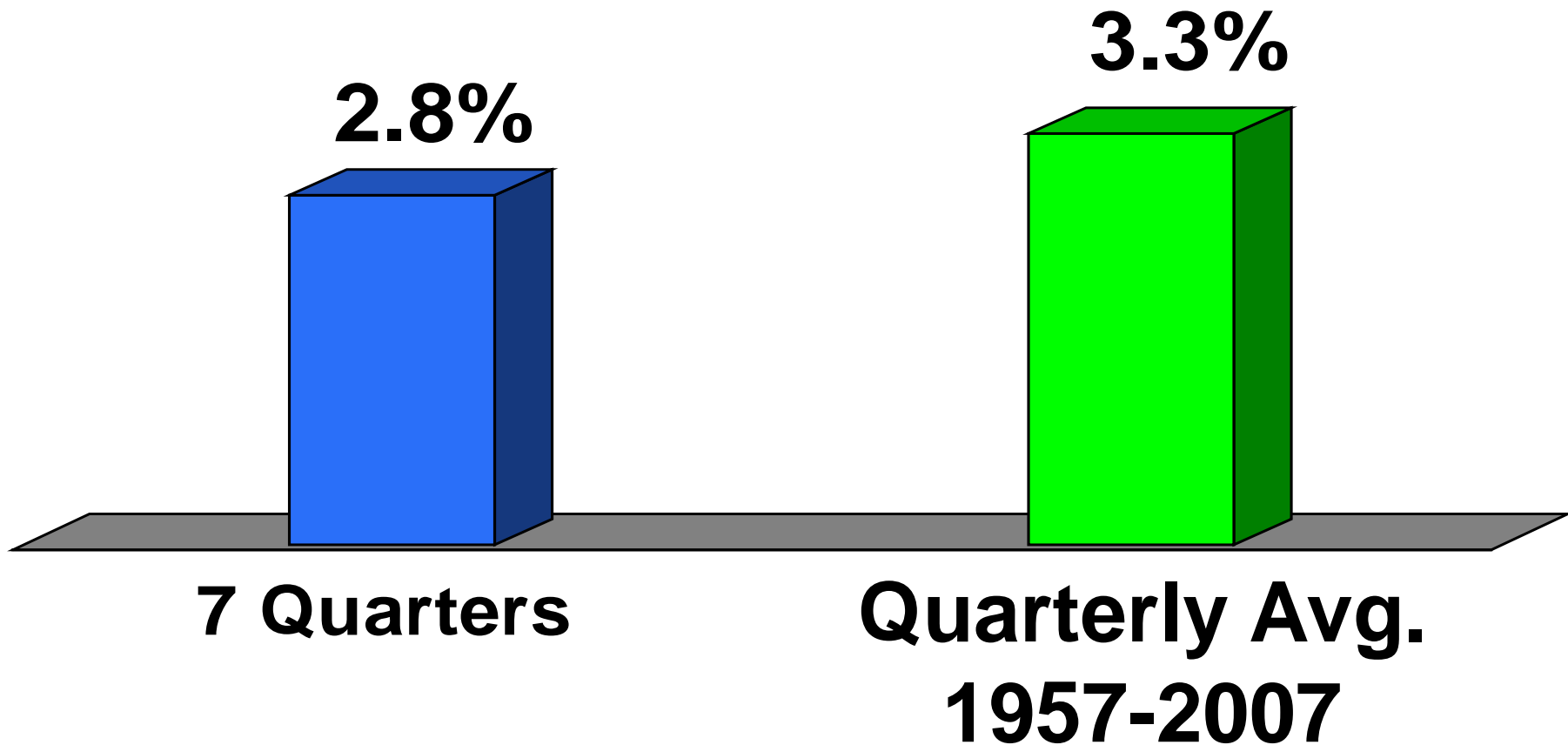
GDP Up 7 Straight Quarters

(Percent Change Real GDP)



U. S. Bureau of Economic Analysis

7 Quarters of Subpar Real GDP Growth



**Why No
“Great Recovery”
After
Great Recession?**

Hurdles On Road To Recovery

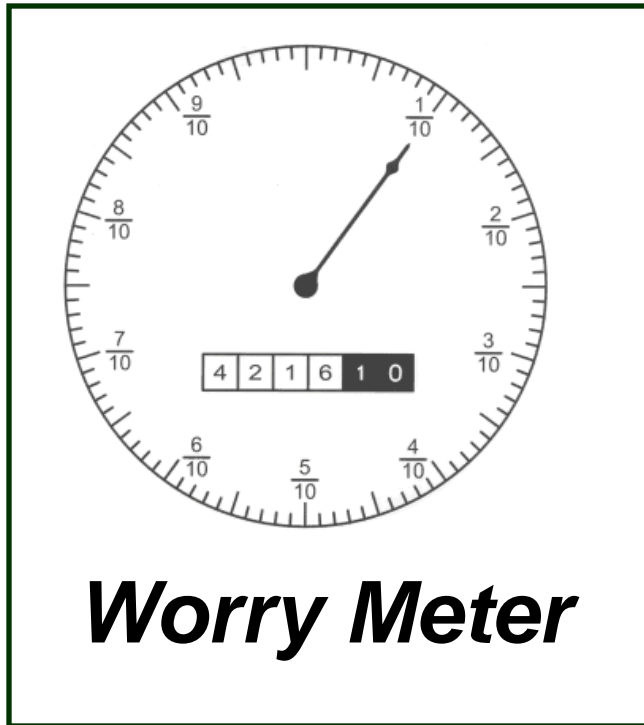
- **The Consumer**
- **Labor Market**
- **Credit Market**
- **Housing Market**
- **Commercial RE**
- **Gov't Cut Backs**
- **Lack of Confidence**

Consumer is Key to GDP

- Accounts for 70% of GDP...but..
- Spending not driving recovery
- Borrowing down & no MEW
- Long-term growth 3.6% year
- 2010 growth 1.7% (half speed)
- Is this the “new normal?”

**“New Normal”
for consumers
... times are
hard, so save
more, reduce
debt, and cut
spending**

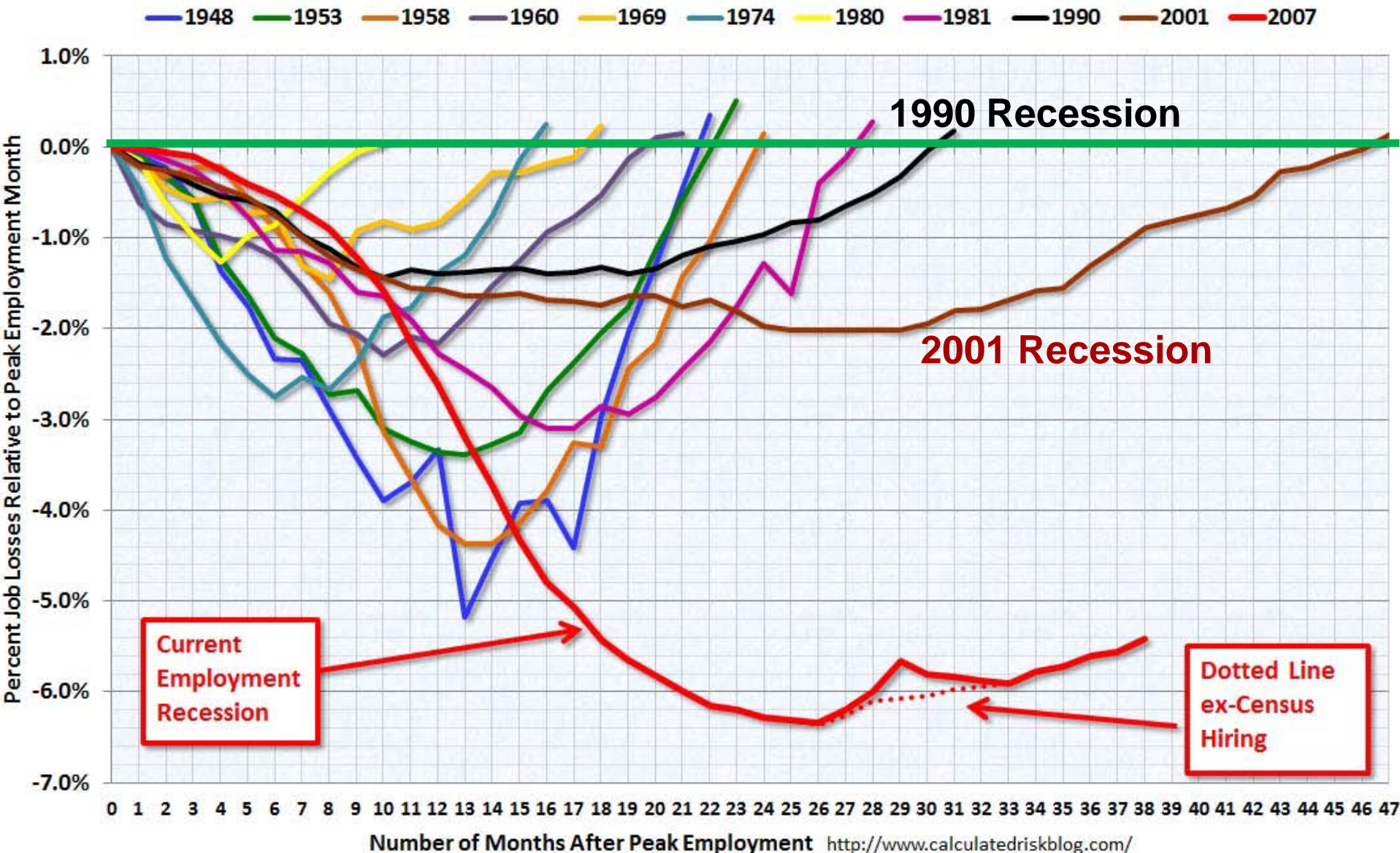
Consumer Worry Meter



- **8.4 million Jobs Lost**
- **14.5 mil. Unemployed**
- **Home Values Down**
- **Gas, Food Prices Up**
- **Recession Over, But
“Economy Worse”**

Long Road Back To Prior Employment Peak

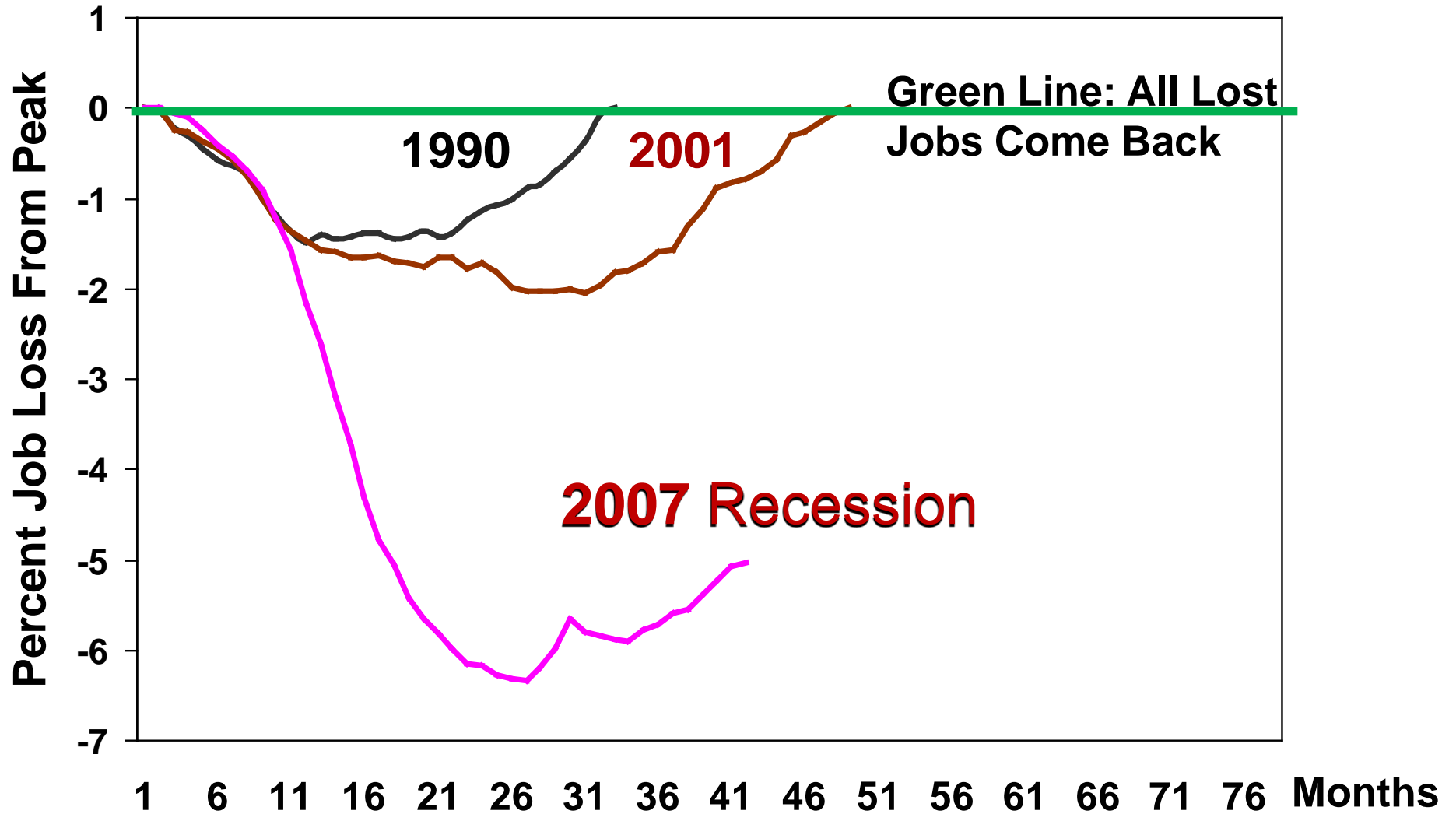
Percent Job Losses in Post WWII Recessions



Current Employment Recession

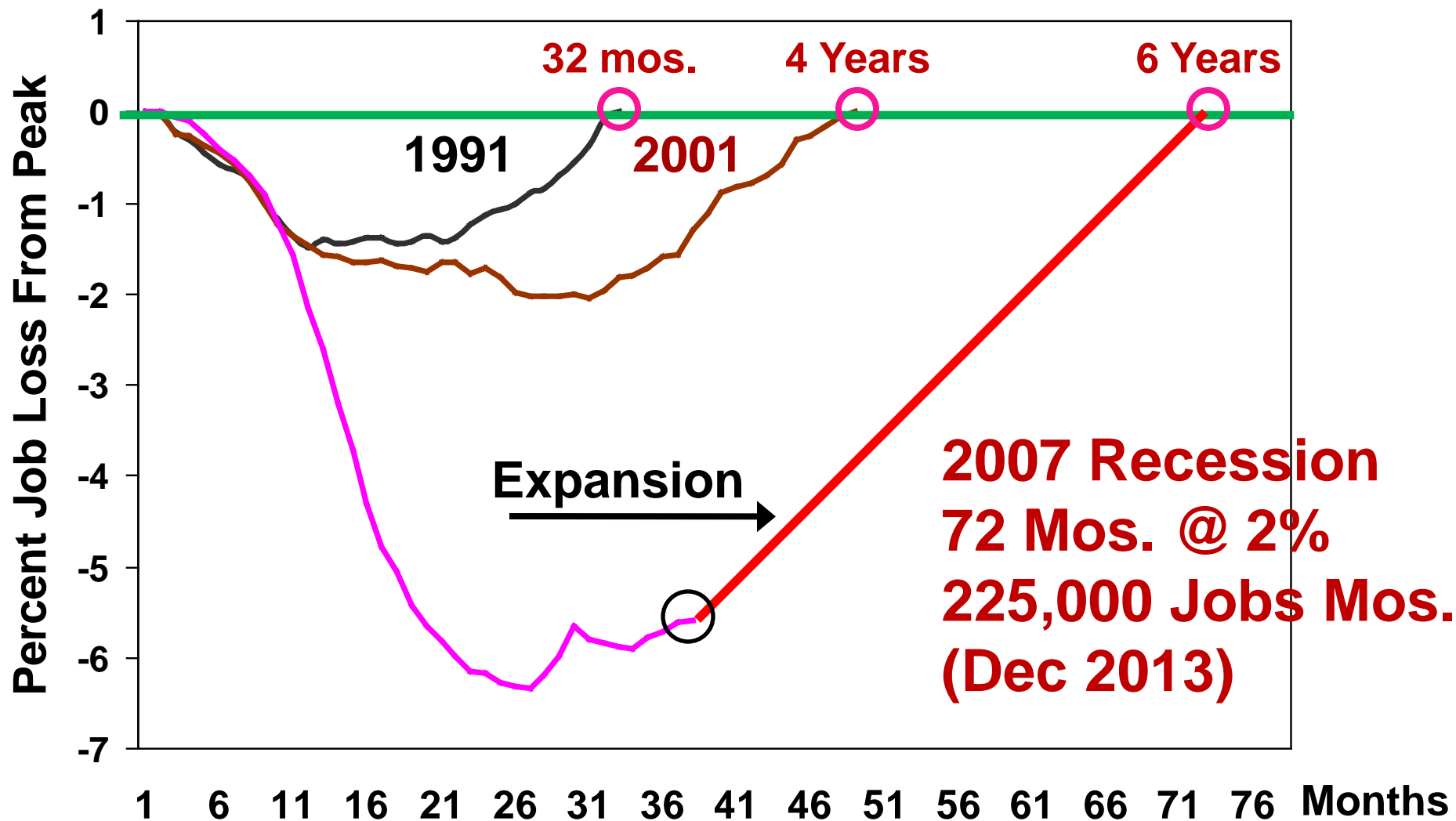
Dotted Line ex-Census Hiring

Full Recession Recovery Takes Longer Now



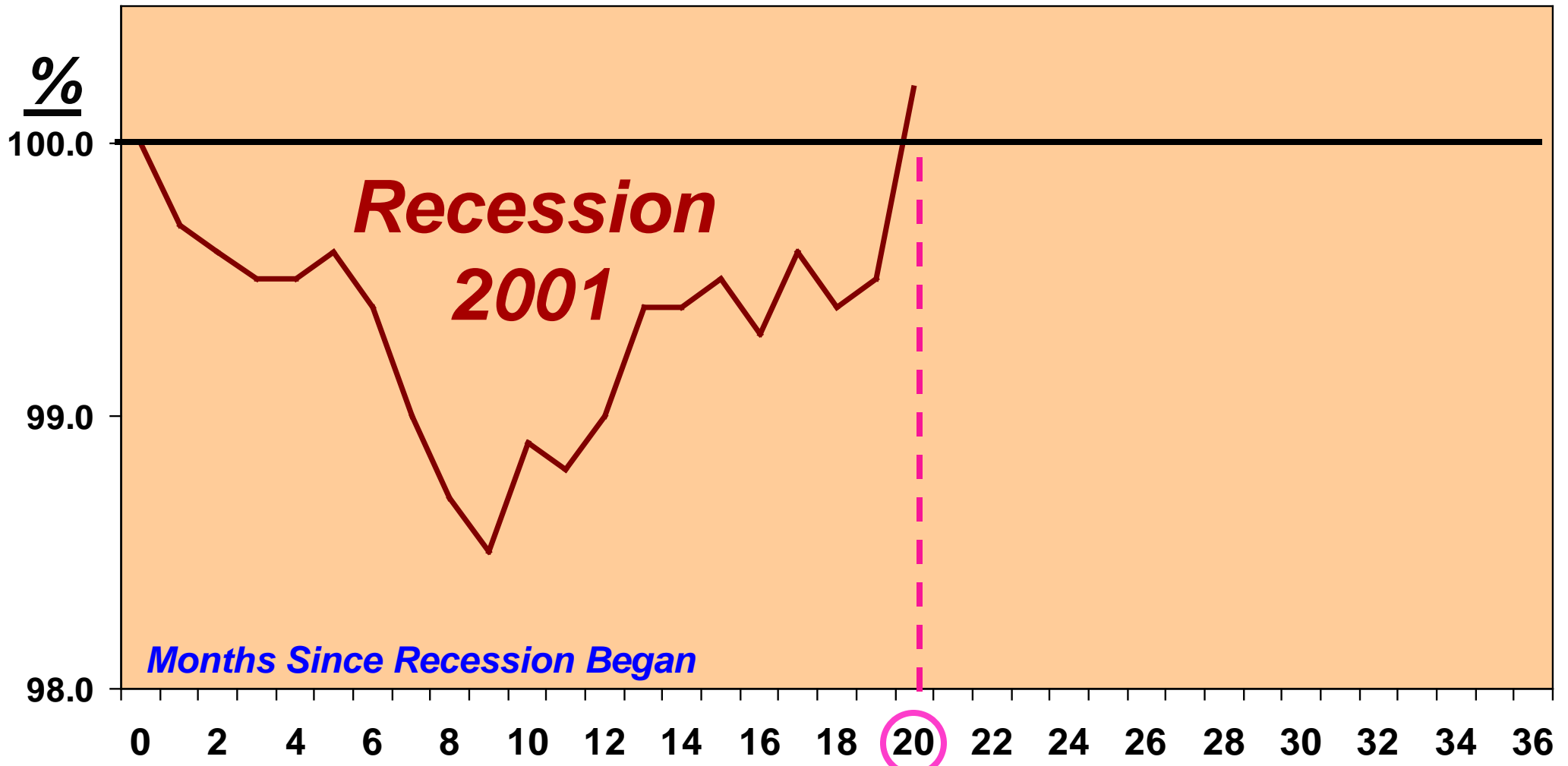
U. S. Bureau of Labor Statistics, seasonally adjusted data

Full Recovery Target Date: 2013(?)



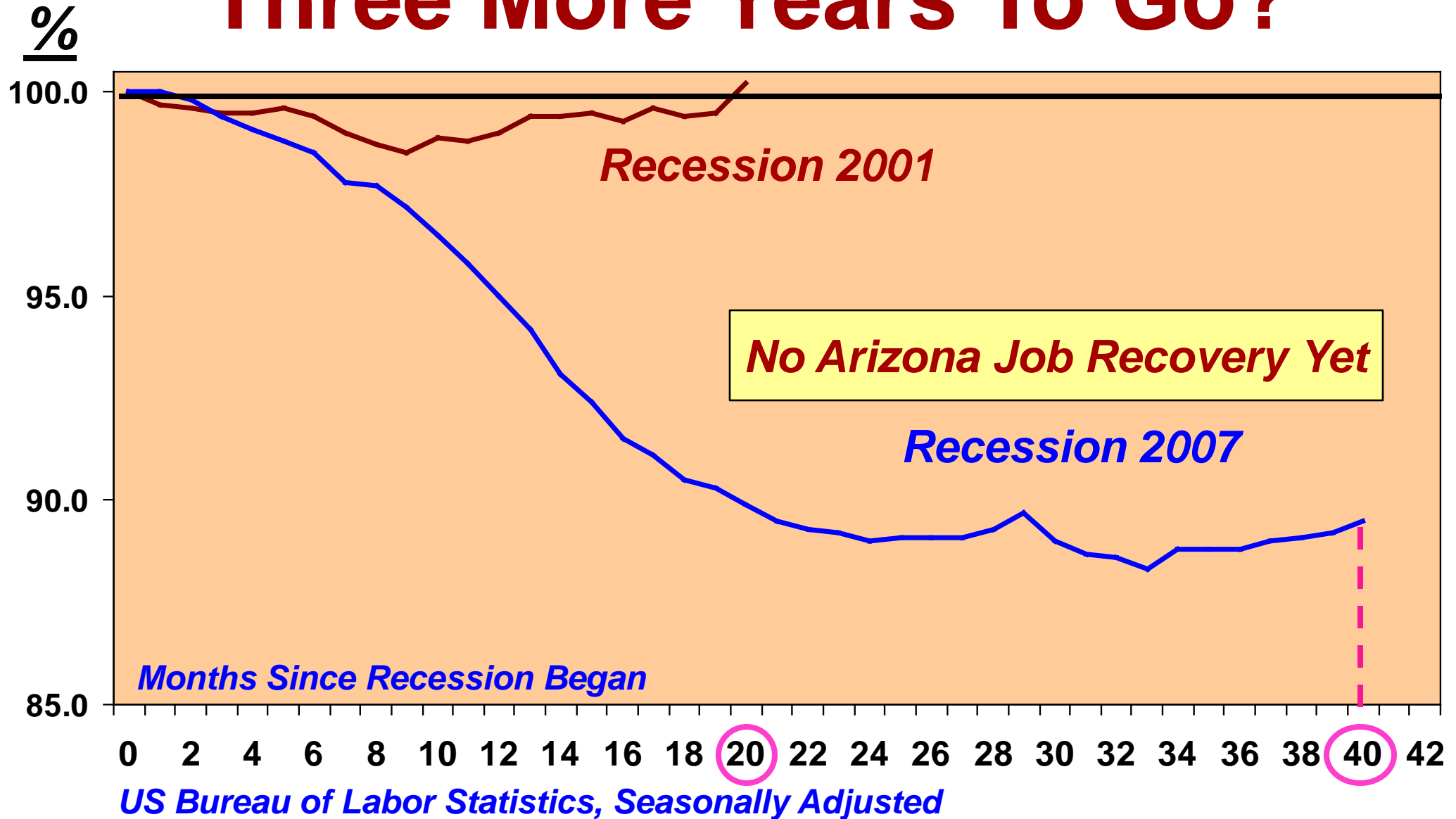
U. S. Bureau of Labor Statistics, seasonally adjusted data

Arizona Recovery of Lost Jobs: 20 Months in 2001 Recession

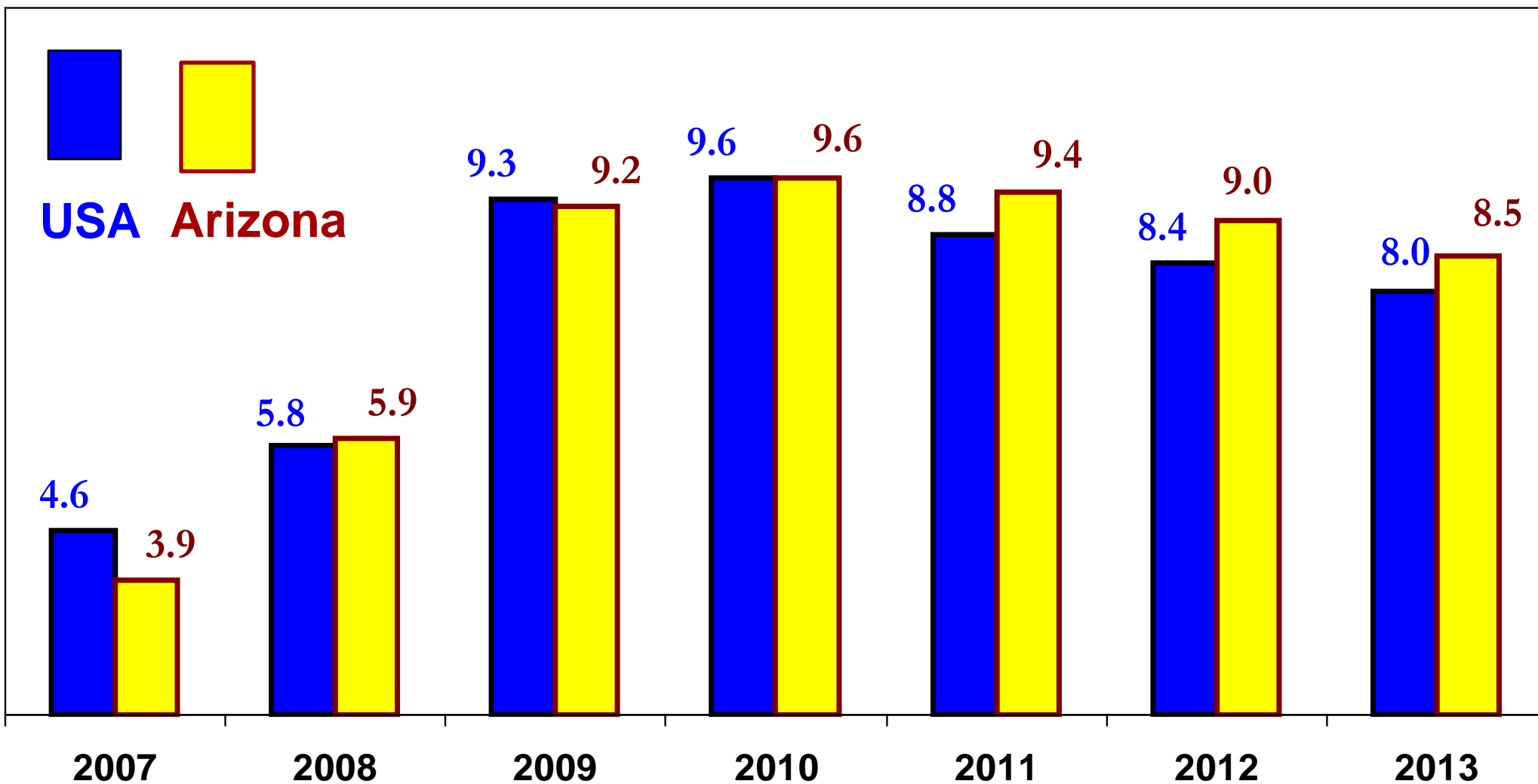


US Bureau of Labor Statistics & Arizona Department of Commerce

Arizona Recovery of Lost Jobs: Three More Years To Go?



U.S. & Arizona Unemployment Rates Expected to Stay High Through 2013



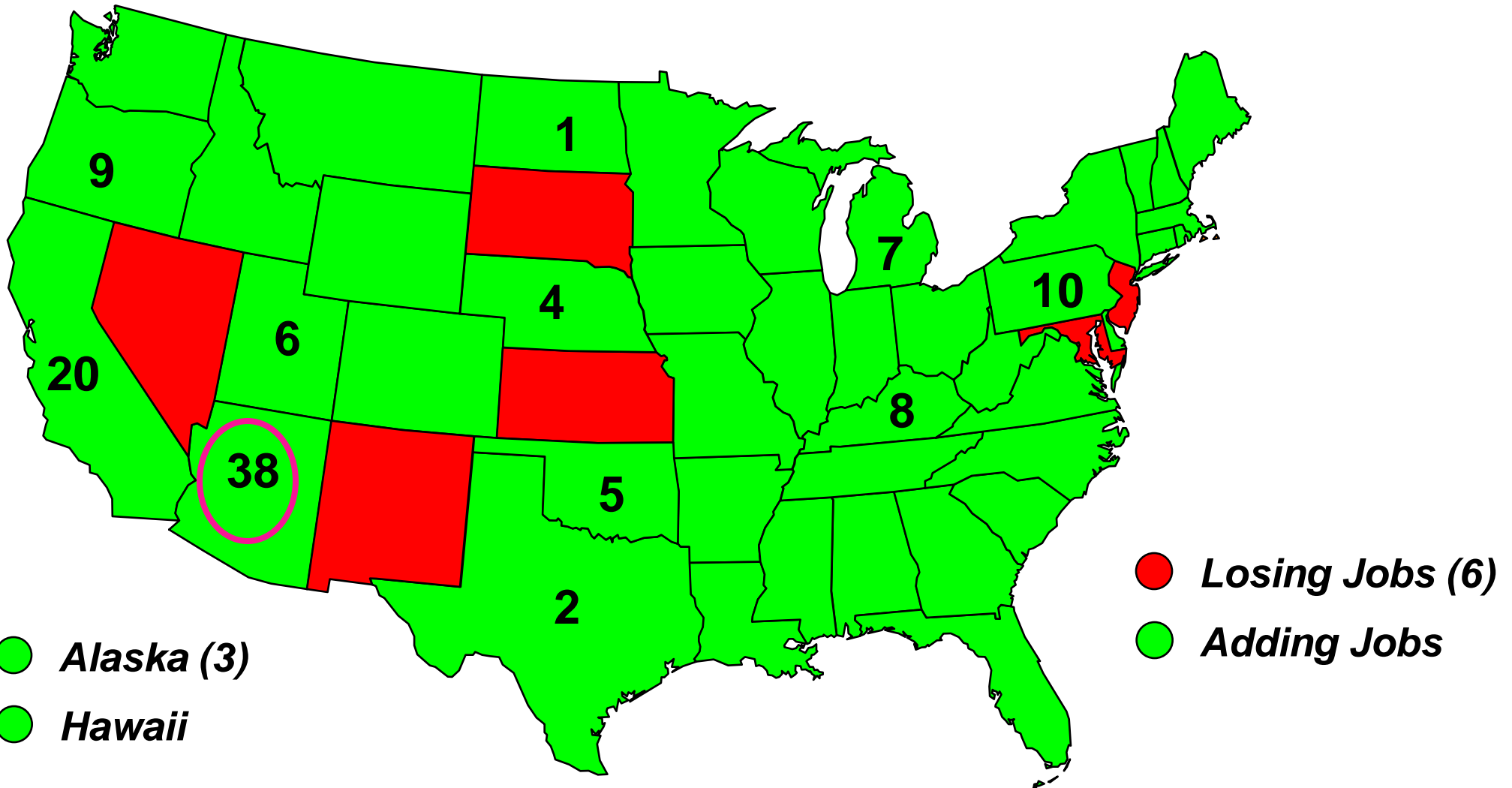
Analysis: Obama 2012 -- it's all about jobs

(Reuters) - If President Barack Obama wants to convince Americans he can right the struggling U.S. economy and deserves four more years in office, he needs to come up -- quickly -- with a convincing plan to generate jobs.

No U. S. president since World War II has been re-elected when the unemployment rate was greater than 7.2 percent.

44 States Now Adding Jobs

(Rank by Percent Change April 2011 vs April 2010)

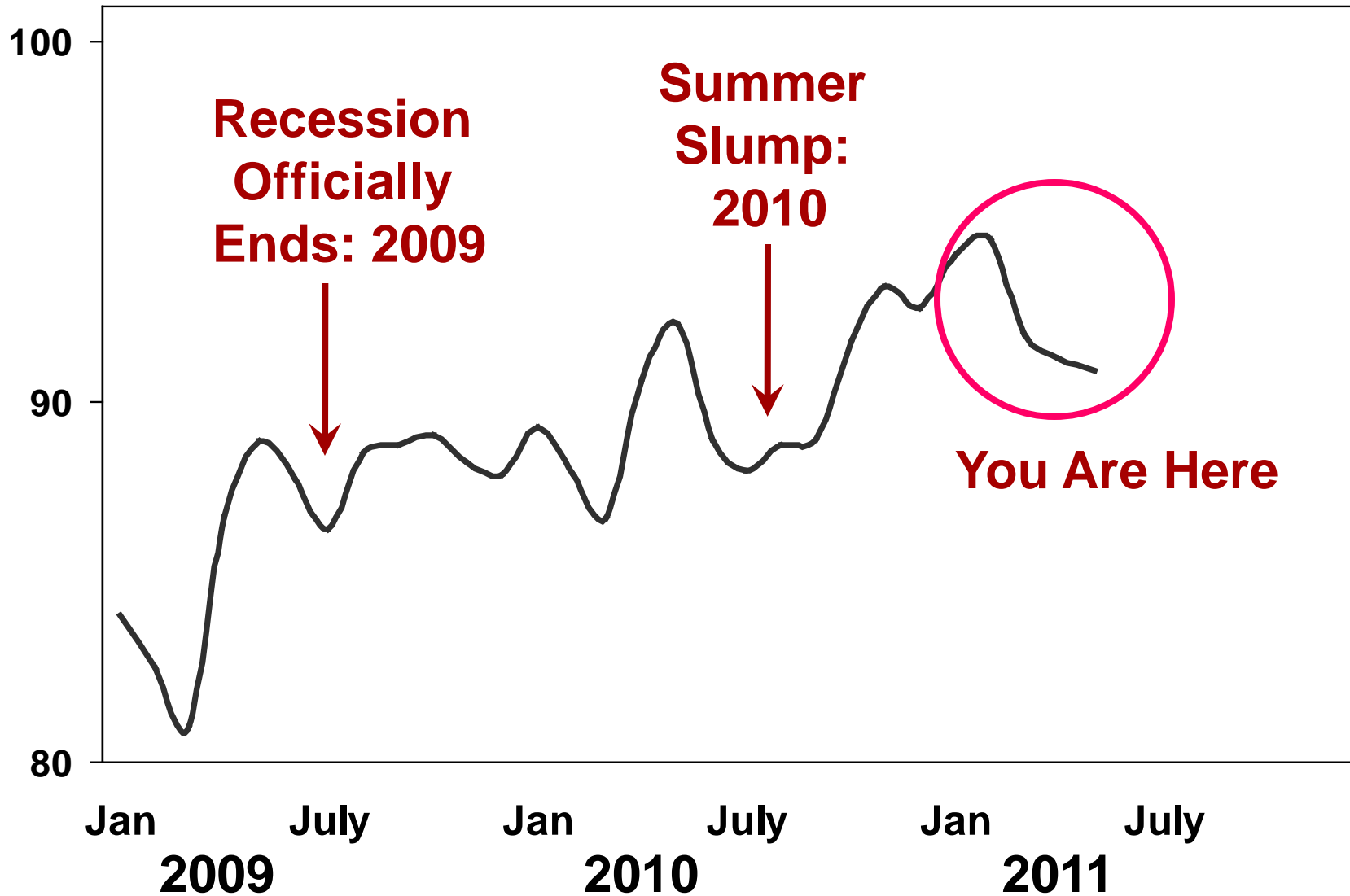


Small Business Optimism Weakens for Third Straight Month

JUN 14 2011, 12:06 PM ET |  1

The American job growth engine appears to be sputtering. Small business optimism fell in May for the third straight month, according to the [National Federation of Independent Businesses](#). Its detailed monthly report shows that **falling sales and rising prices are driving pessimism among small business owners**. The result could be disastrous for hiring.

Small Business Optimism Dips



National Federation of Independent Businesses, June 2011

“Most Important Problem”

Poor Sales	25%
Taxes	20%
Government Regulations	15%
Inflation	10%
Cost of Insurance	7%
All Other	23%
TOTAL	100%

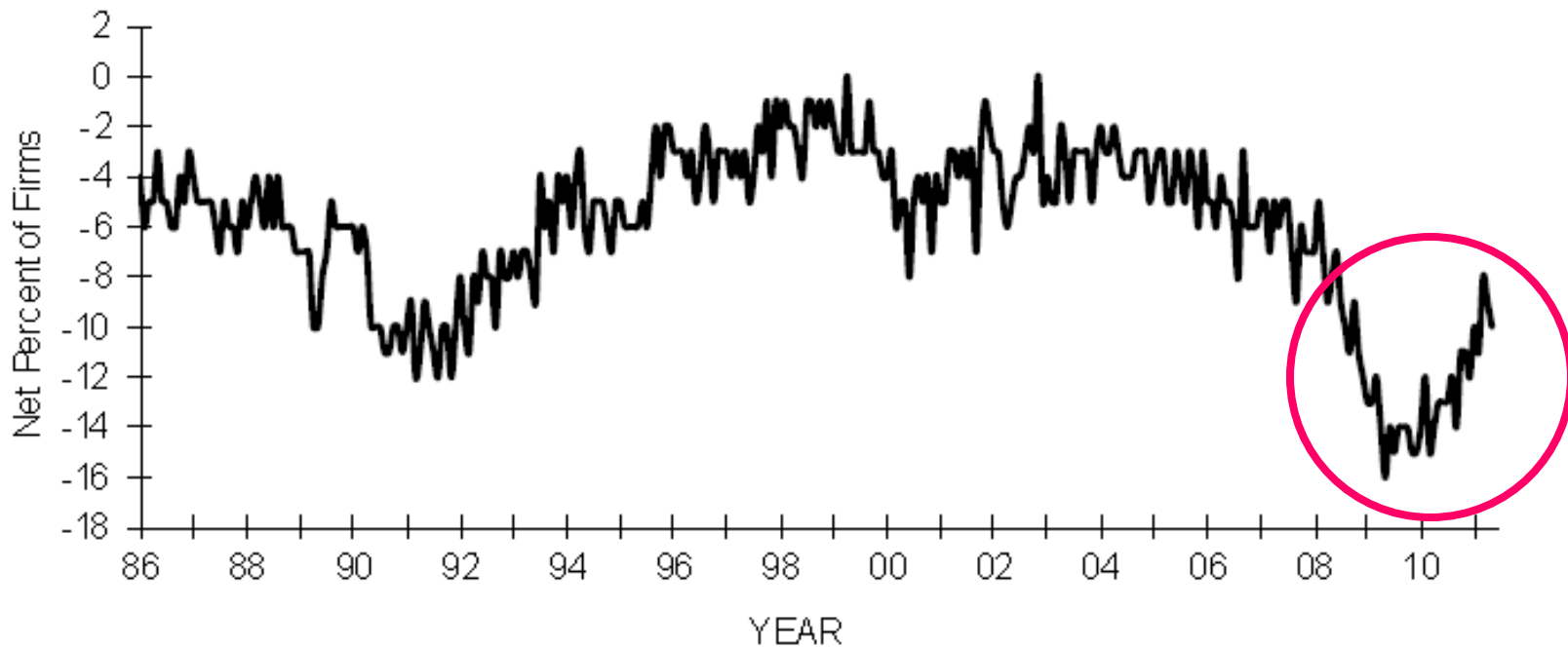
Small Business Survey, NFIB, June 2011

SMALL BUSINESS CREDIT CONDITIONS

CREDIT CONDITIONS

Loan Availability Compared to Three Months Ago*

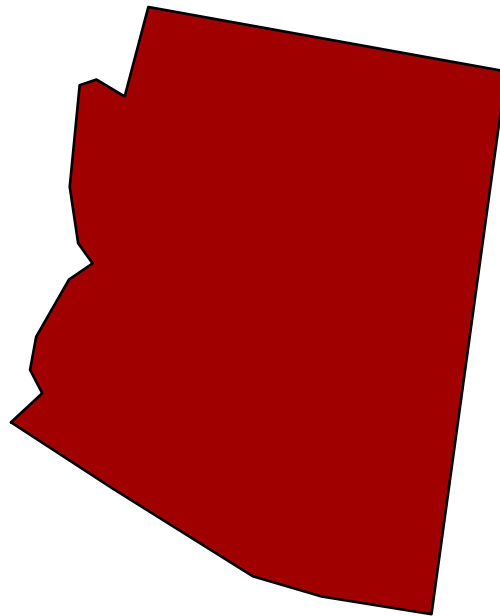
January 1986 to May 2011



National Federation of Independent Businesses, June 2011

Arizona Outlook:

More Slow Growth



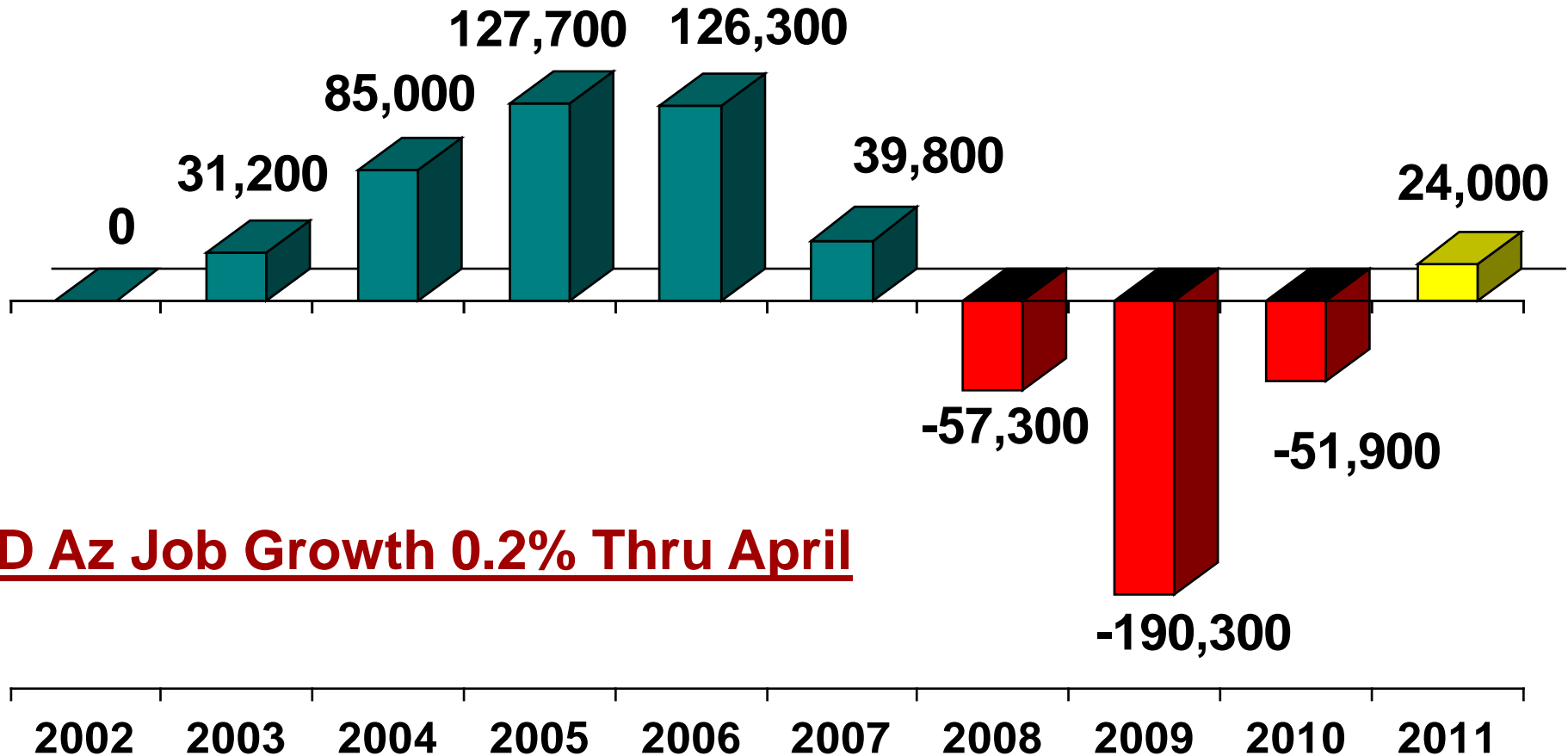
ARIZONA Economic Forecast

More Slow Growth for 2011 & 2012

	2010	2011	2012
Personal Income (%)	2.1	4.0	4.5
Employment (%)	-2.1	1.0	2.0
Single Family Units (%)	-17	-20	25
Population (%)		1.5	1.8

Annual Job Losses Ending

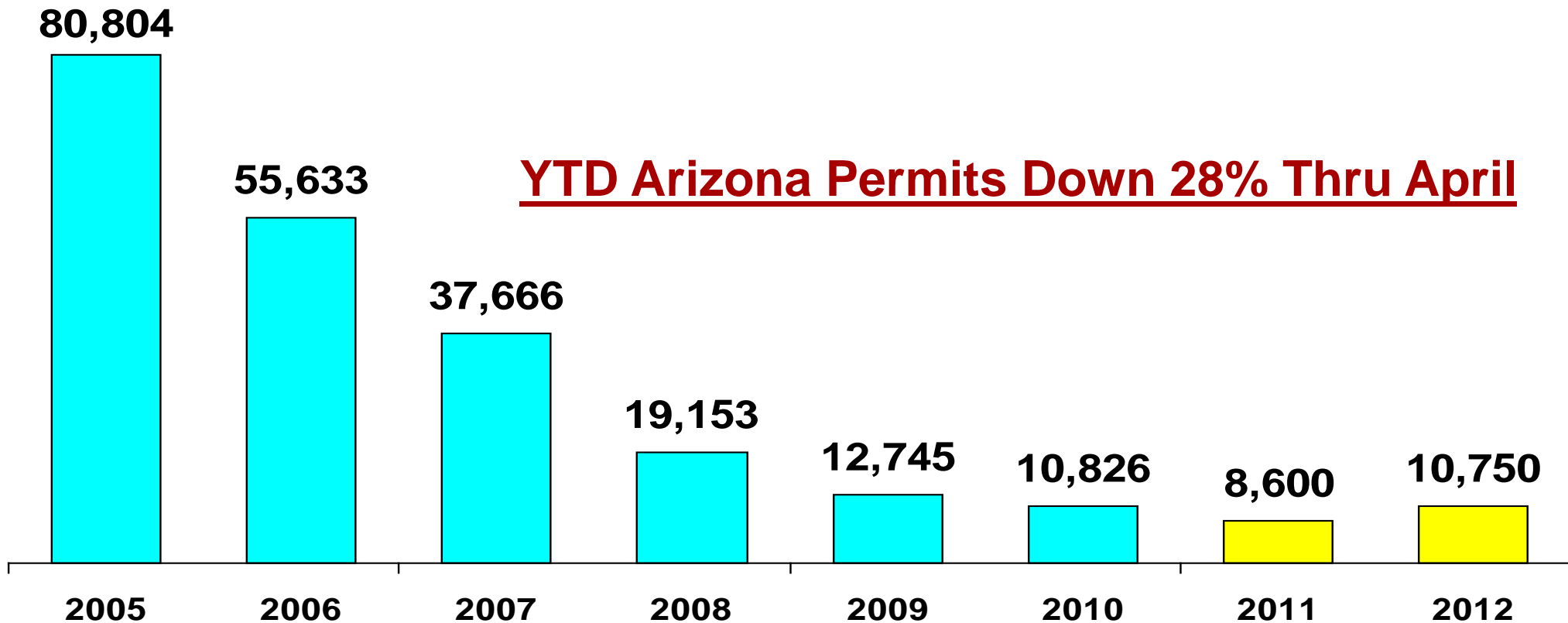
Annual Numeric Change In Arizona Employment



YTD Az Job Growth 0.2% Thru April

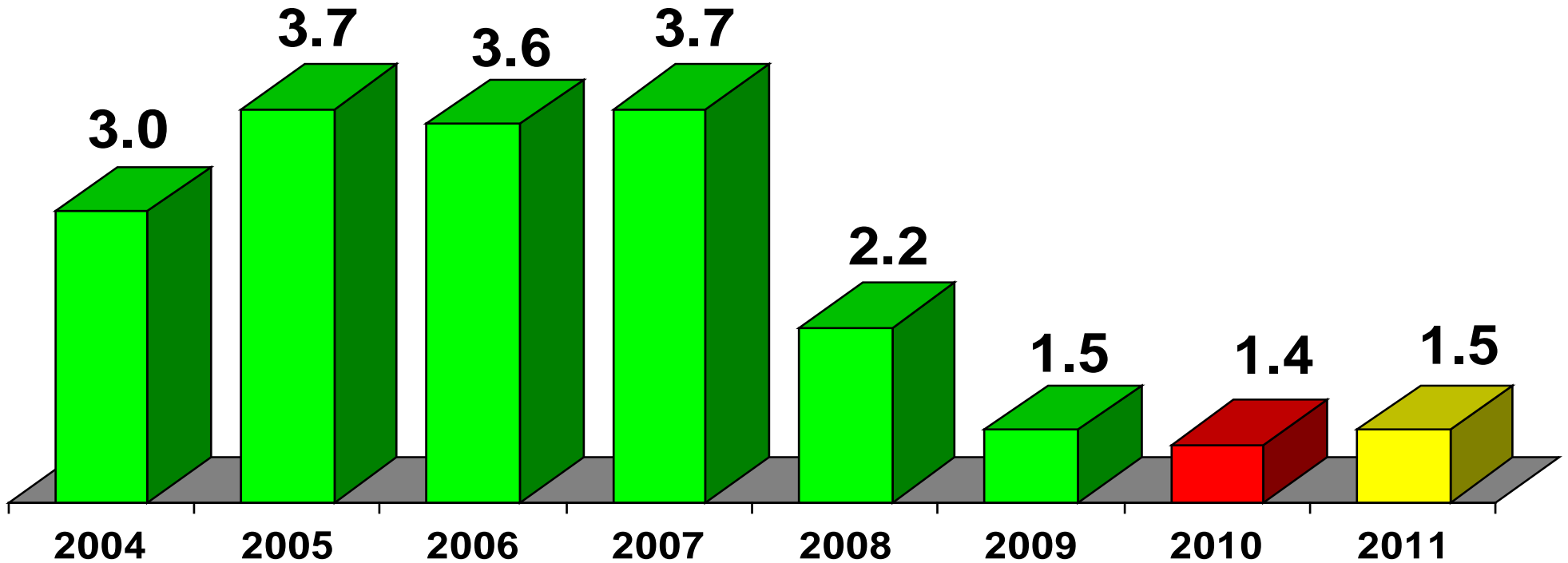
Home Building Down Again in 2011

Arizona Single Family Permits



U. S. Census Bureau and W. P. Carey School of Business

Arizona Population Growth Slows (Annual Percent Change)



U.S. Census Bureau & W. P. Carey School of Business

Forecast

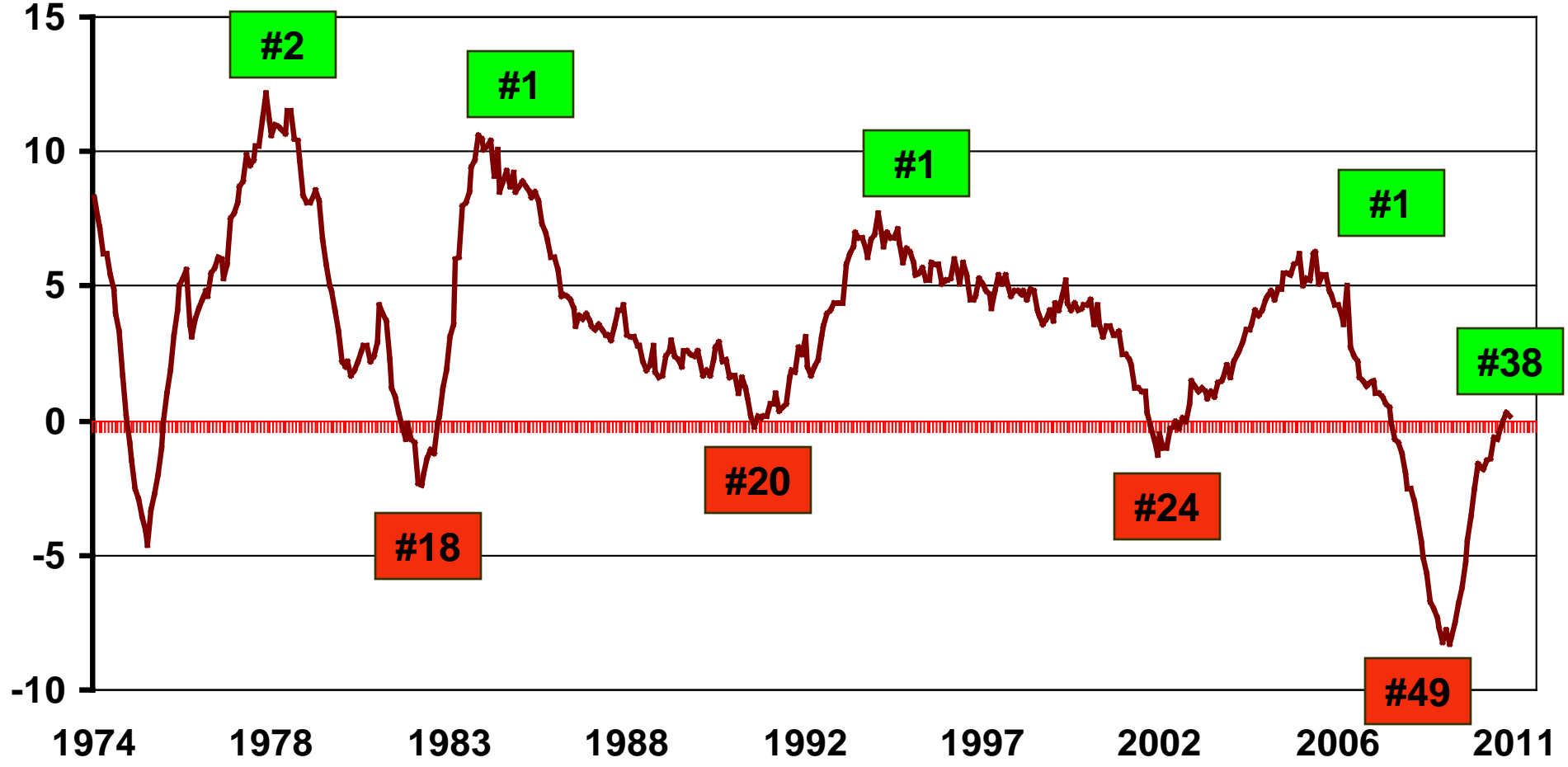
Who Is Moving to Arizona Now?

- 45 – 65 yrs old?
- Homeowners?
- Married?
- Career move?
- 20 – 29 years old
- Prefer to rent
- Not married
- Careers not set
- Only 10% are 65+

Arizona Comes Back From Recession

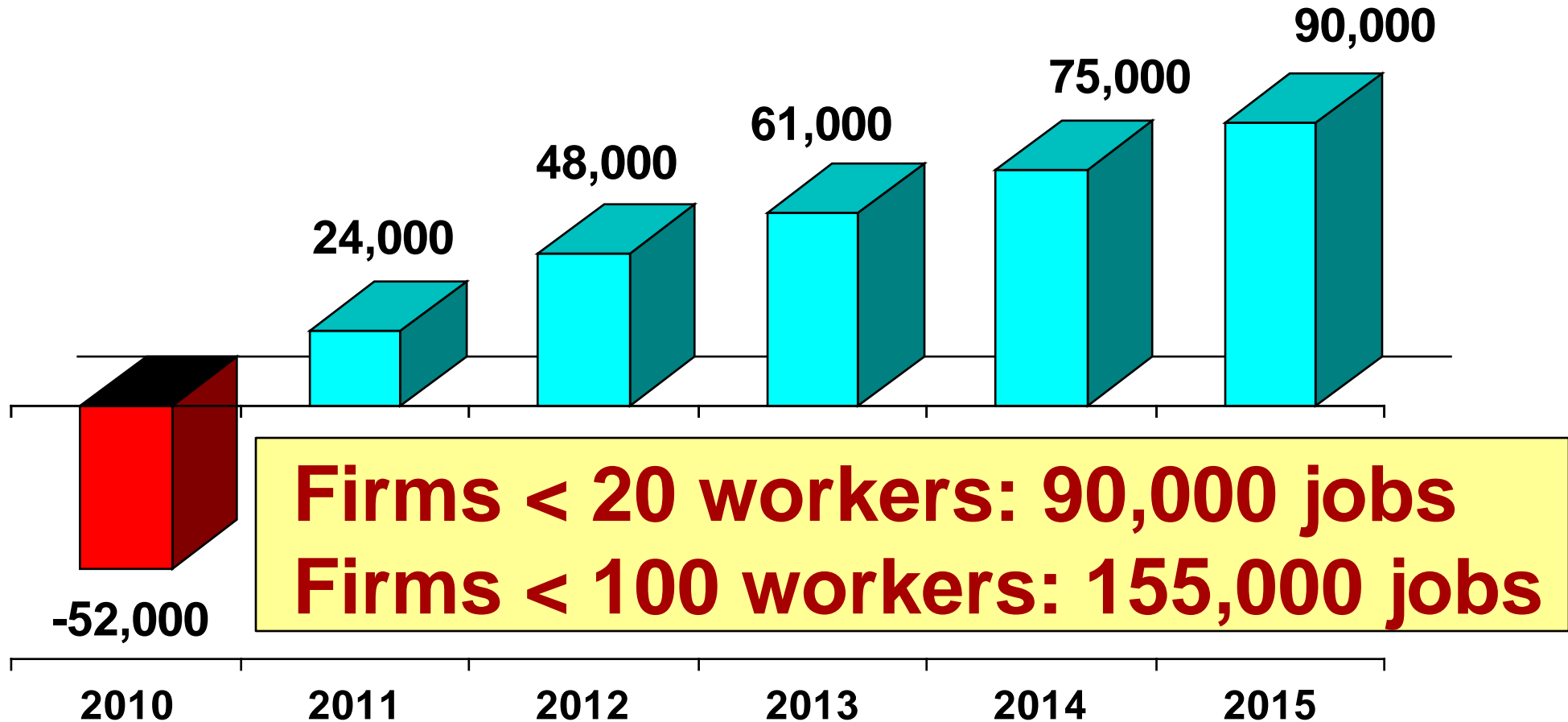
(State Rank Based on Monthly Yr/Yr Growth Rate)

Percent



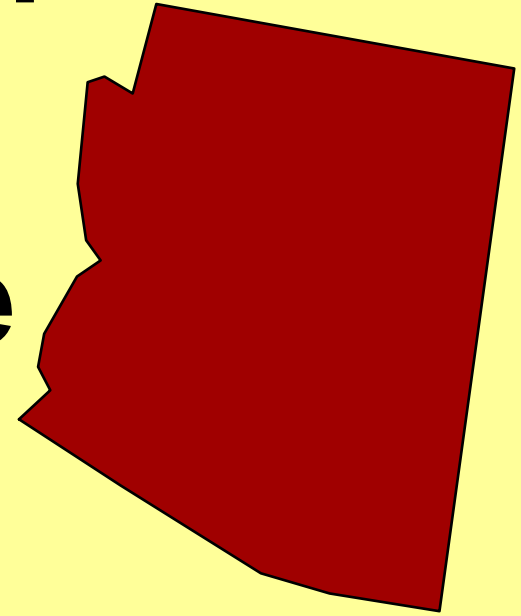
300,000 New Jobs by 2015

Annual Numeric Change In Arizona Employment



More Below Average Growth

- **2010 – uglier than expected**
- **2011 – homely**
- **Az follows U.S. cycle**
- **Unemployment high**
- **No double dip – slow growth**
- **3 – 4 years to full recovery**





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