



St. Mary's University • San Antonio Hispanic Chamber of Commerce

Economics in the know.

Has the economy hit bottom...yet?

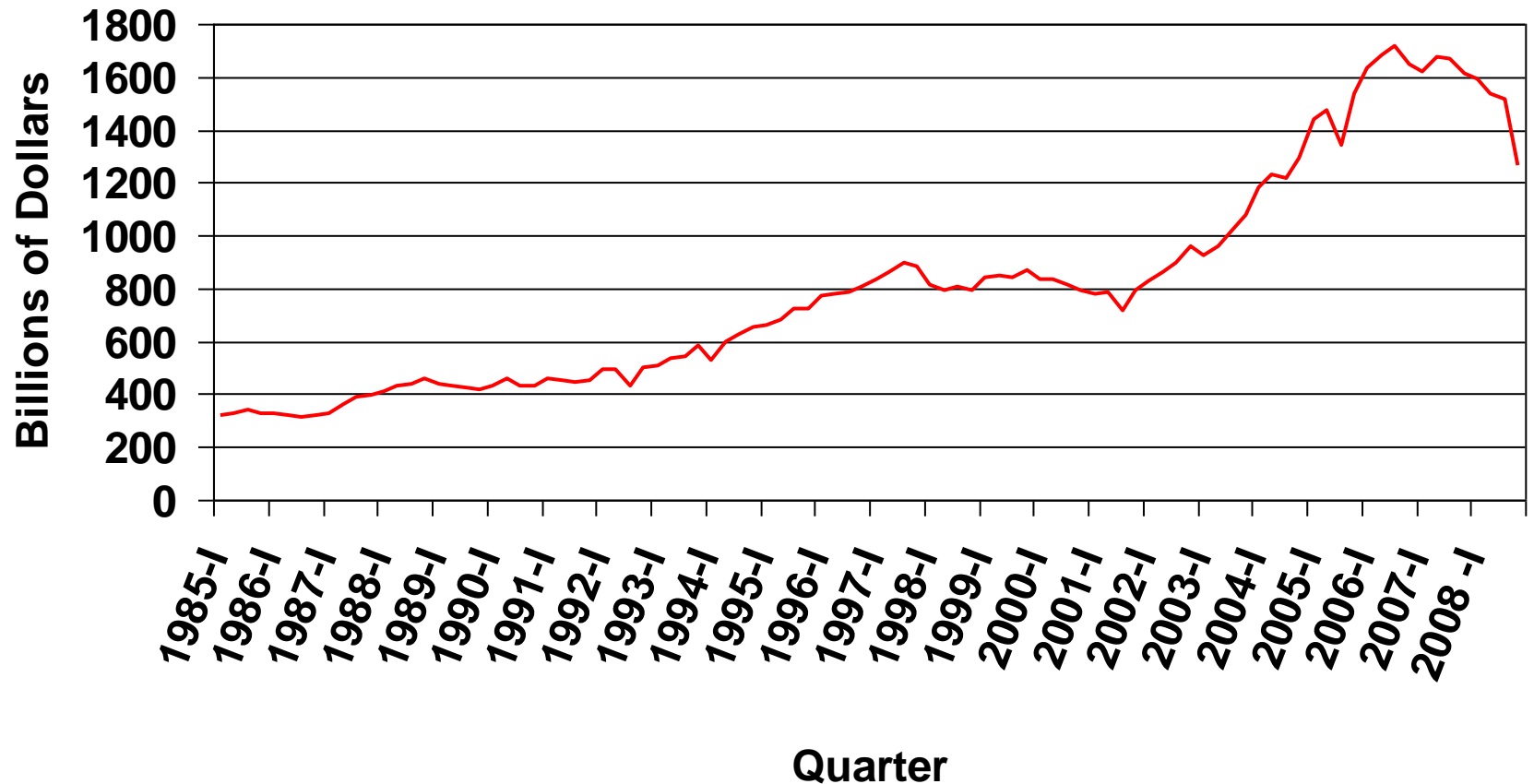
Presentation to:
San Antonio Nonprofit Council
May 20, 2009

Presented by:
Steve Nivin, Ph.D.

Please do not redistribute or copy without permission of the authors.

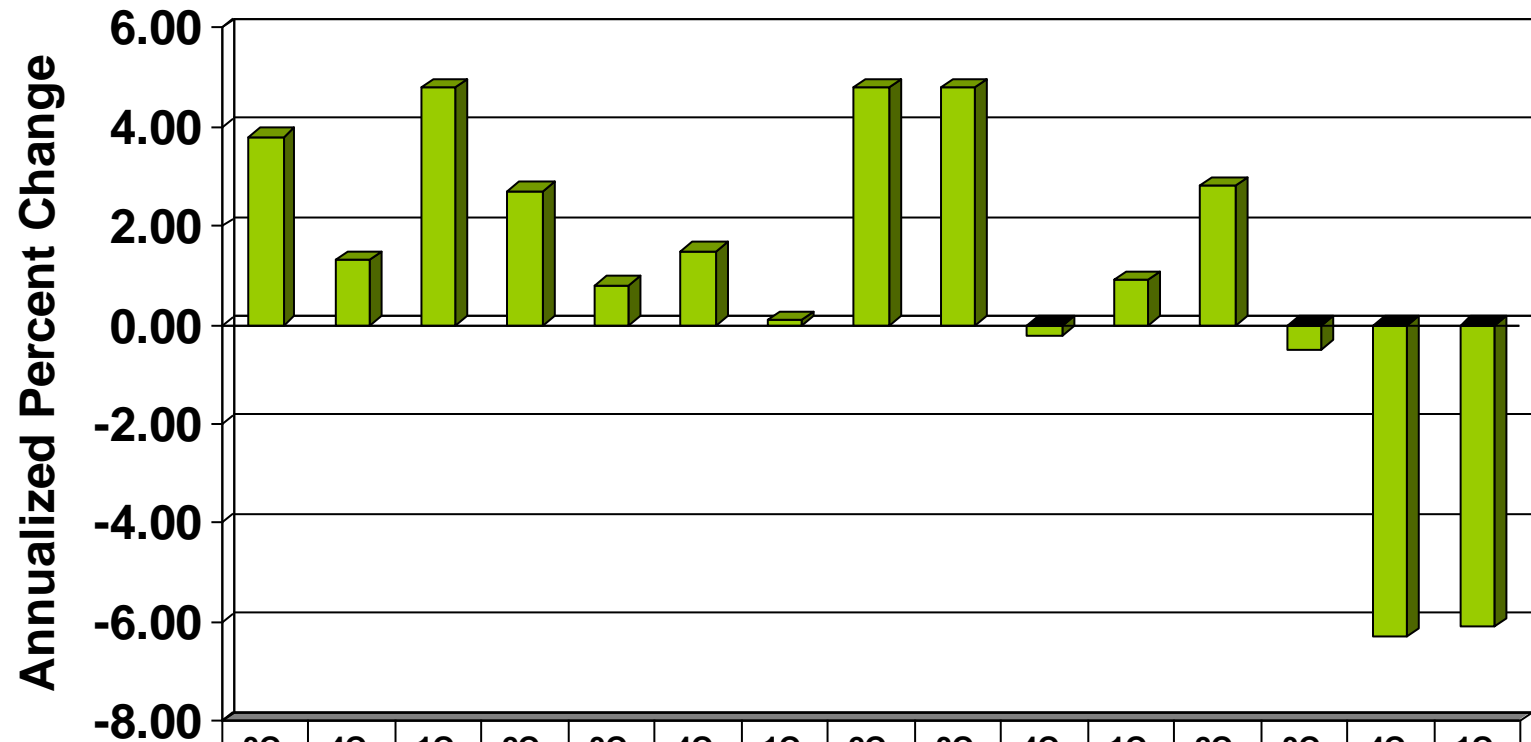
Contact Steve Nivin with any questions or comments at 210-431-2058 or 210-225-0462 X225; steven@sahcc.org or snivin@stmarytx.edu¹

Corporate profits decreased \$250.3B in Q4 2008, marking six consecutive quarters of corporate profit decreases
Seasonally adjusted profits with inventory and capital consumption adjustments



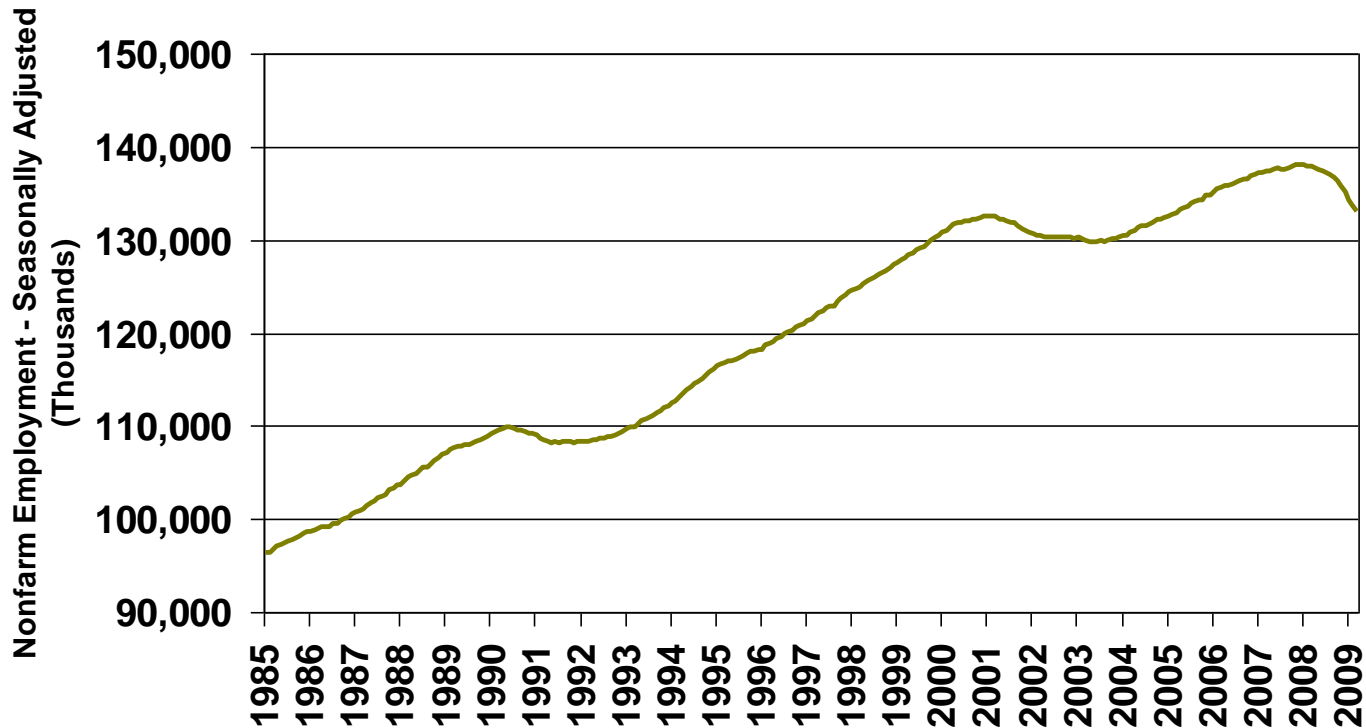
Source: U.S. Bureau of Economic Analysis

U.S. Real Gross Domestic (Seasonally Adjusted at Annual Rates)



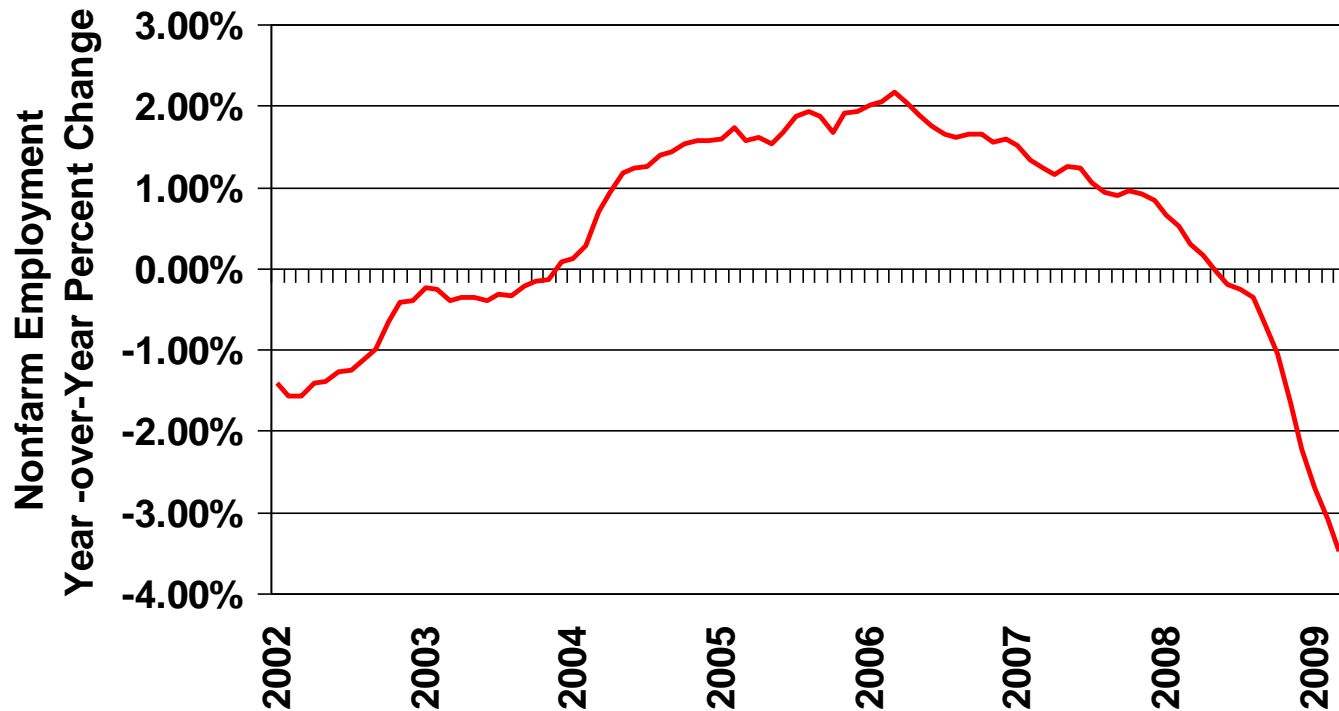
■ Real GDP % Chg.	3.8	1.3	4.8	2.7	0.8	1.5	0.1	4.8	4.8	-0.2	0.9	2.8	-0.5	-6.3	-6.1
-------------------	-----	-----	-----	-----	-----	-----	-----	-----	-----	------	-----	-----	------	------	------

Seasonally adjusted non-farm employment has been declining since January 2008



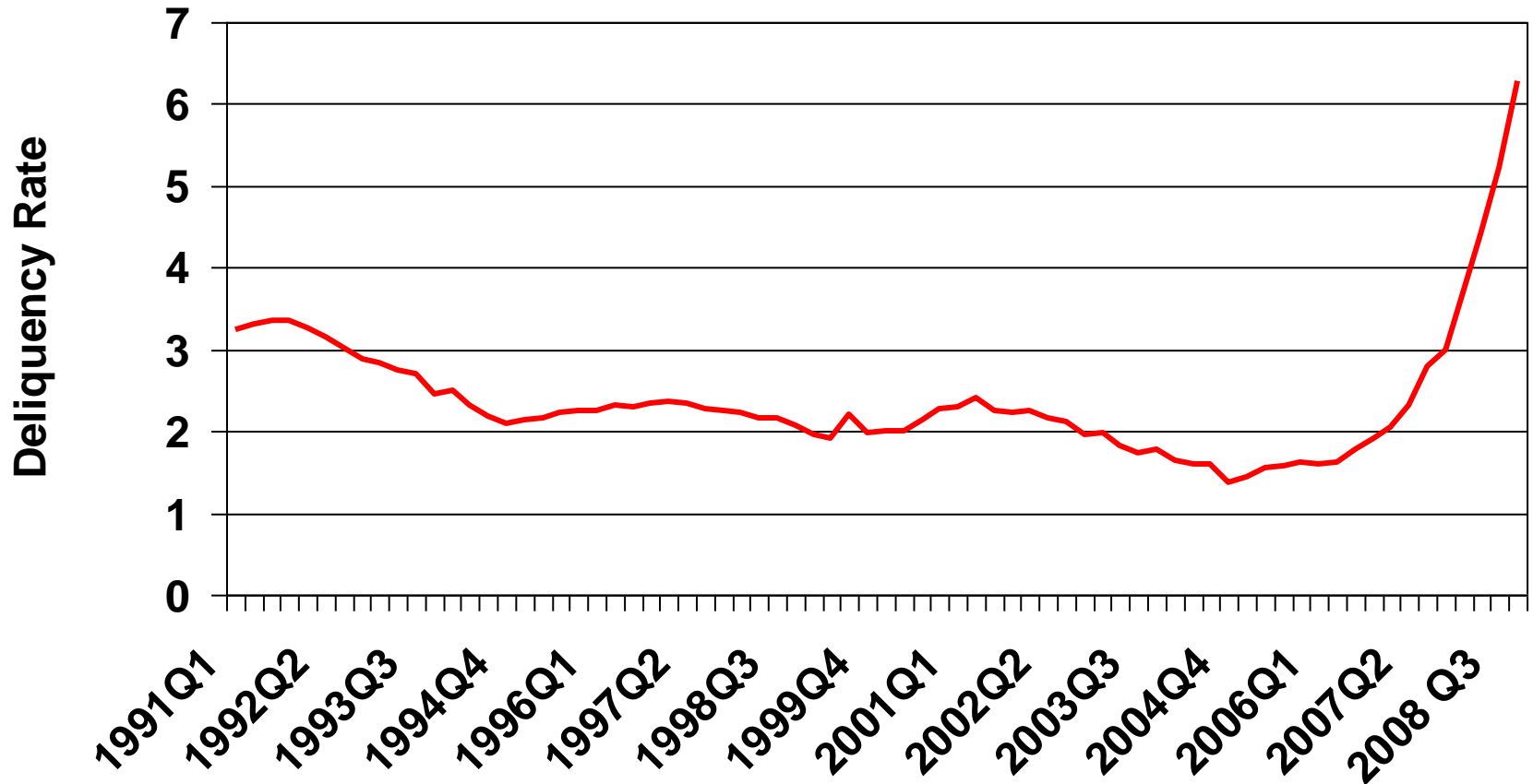
Source: Bureau of Labor Statistics

Compared to March last year, employment declined at a 3.48% rate



Source: Bureau of Labor Statistics; Federal Reserve Bank of Dallas; SABER Institute

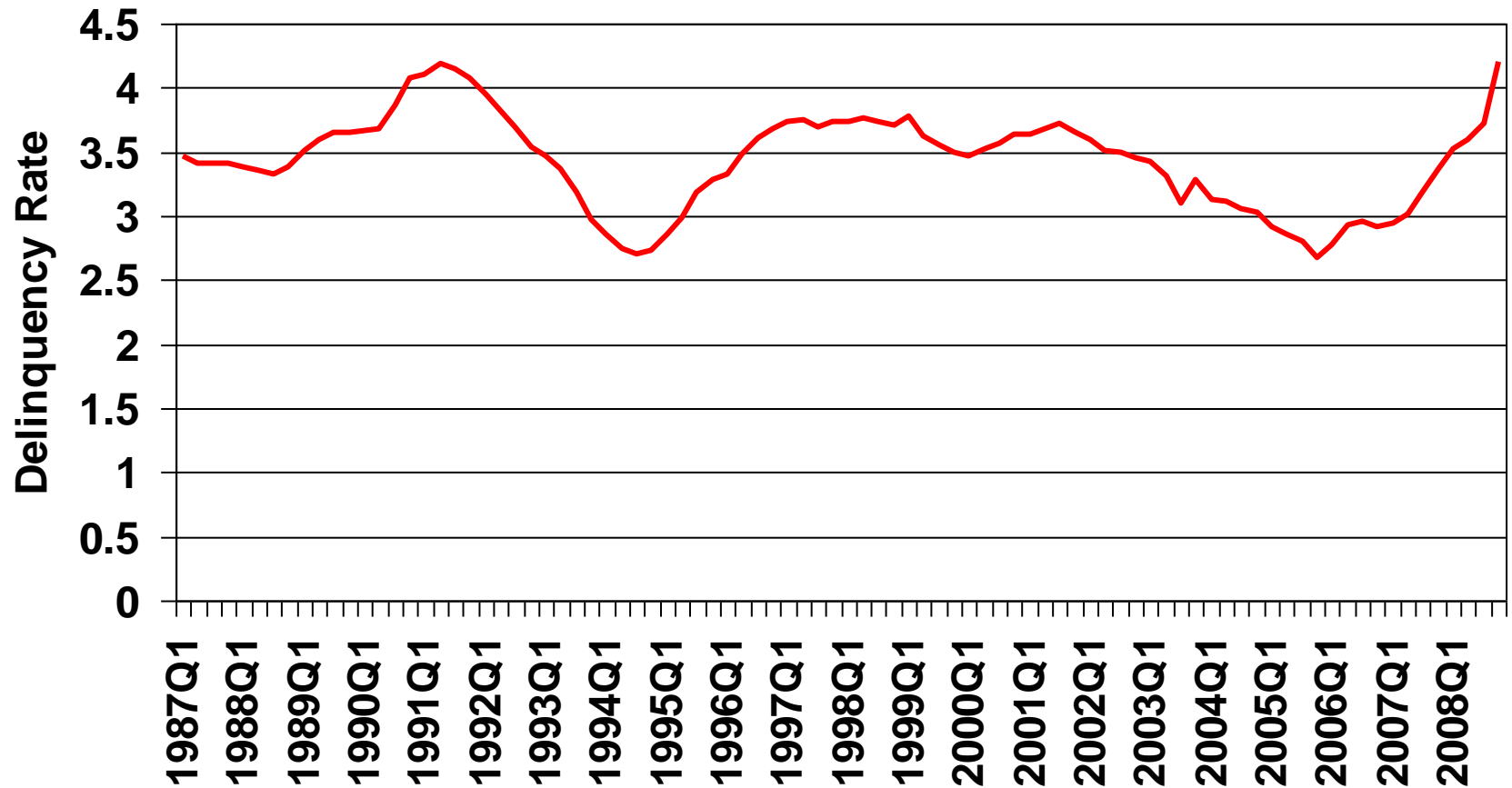
Delinquency Rate on Single-family Residential Mortgages (Seasonally adjusted)



Source: Federal Reserve Board of Governors

Note: Booked in Domestic offices; All commercial banks

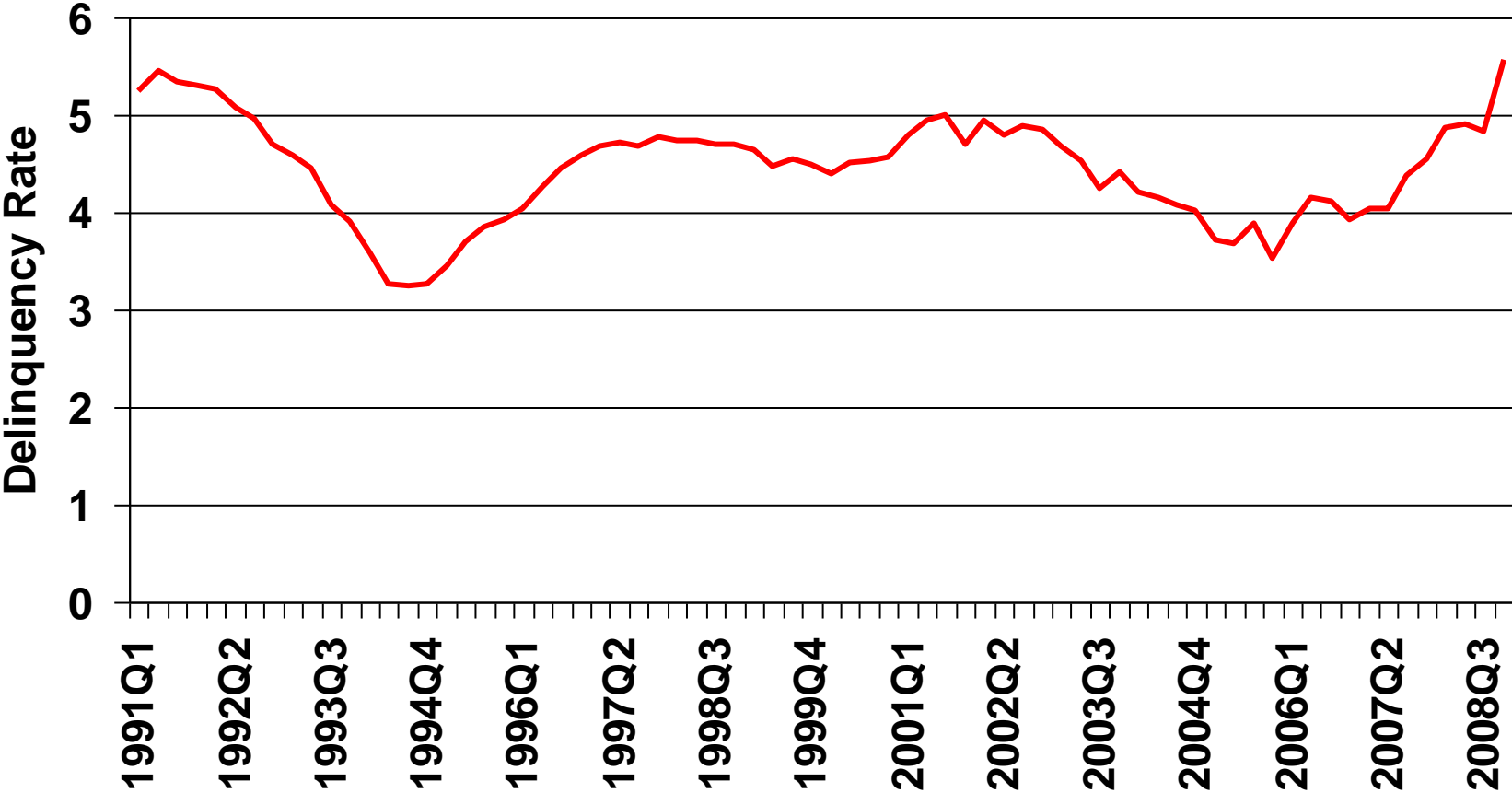
Delinquency Rate on Consumer Loans (Seasonally adjusted)



Source: Federal Reserve Board of Governors

Note: All commercial banks

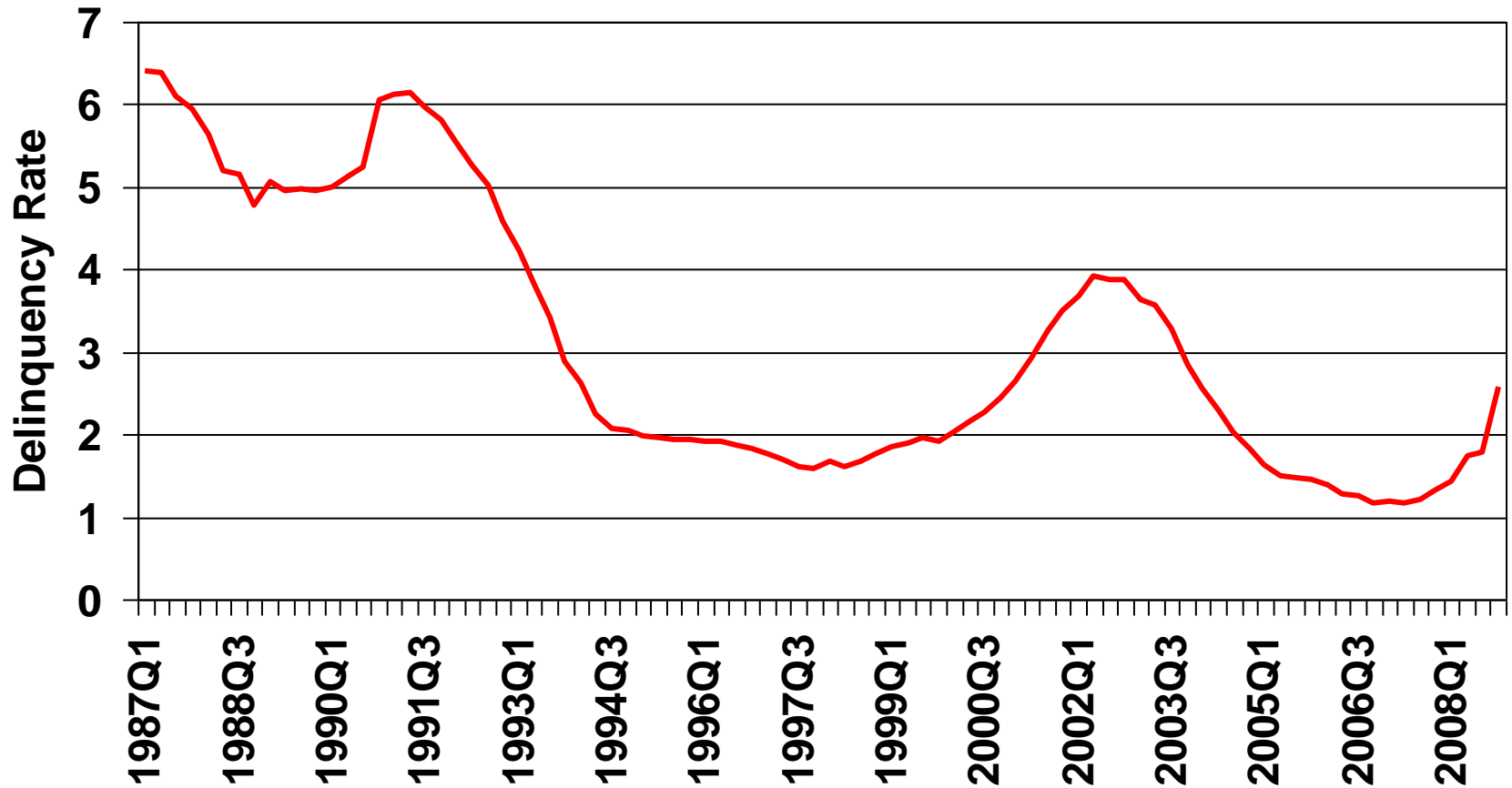
Delinquency Rate on Credit Card Loans (Seasonally adjusted)



Source: Federal Reserve

Note: All commercial banks

Delinquency Rate on Business Loans (Seasonally adjusted)



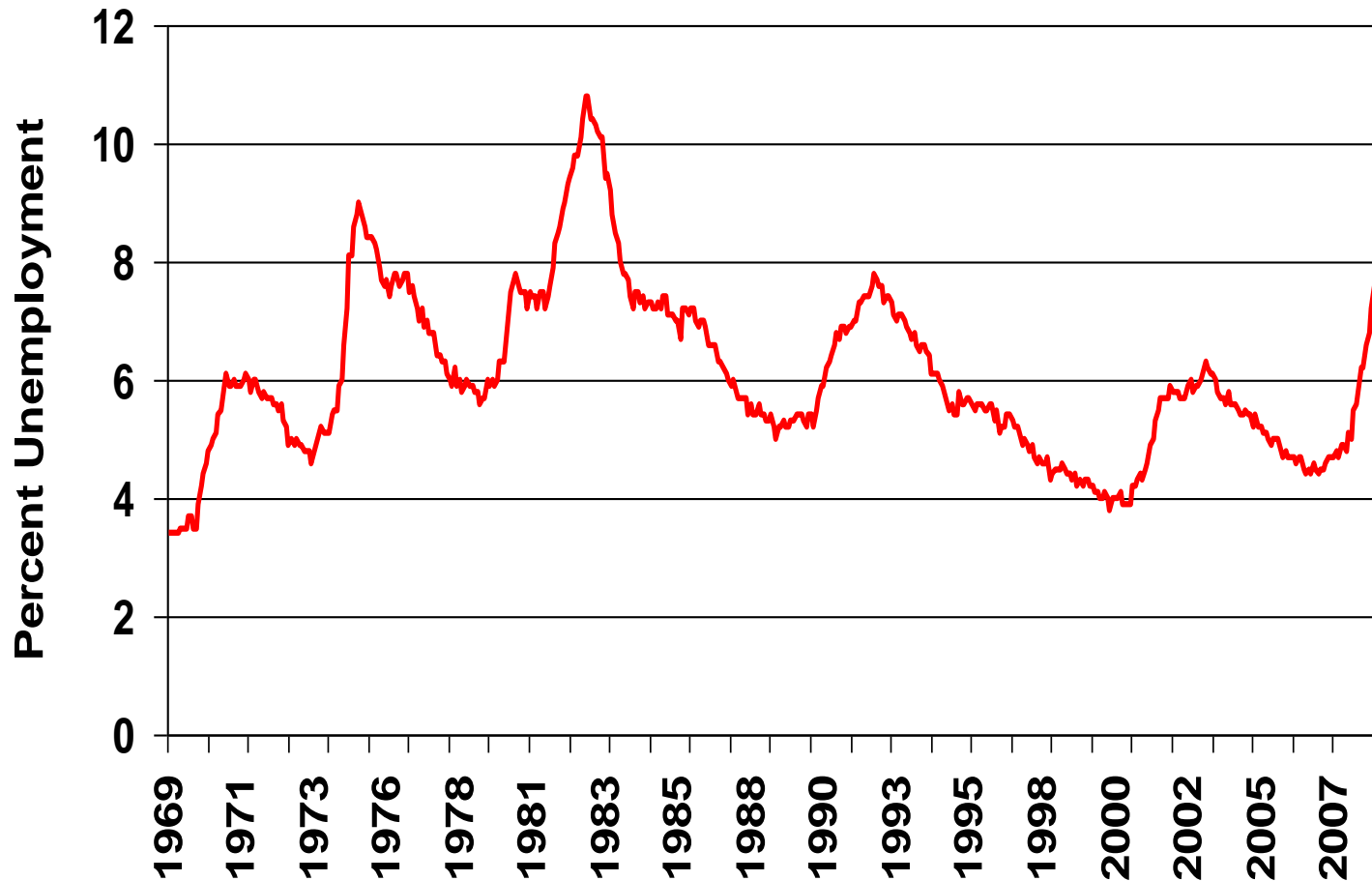
Source: Federal Reserve

Note: All commercial banks

Are commercial mortgages the next wave to hit banks?

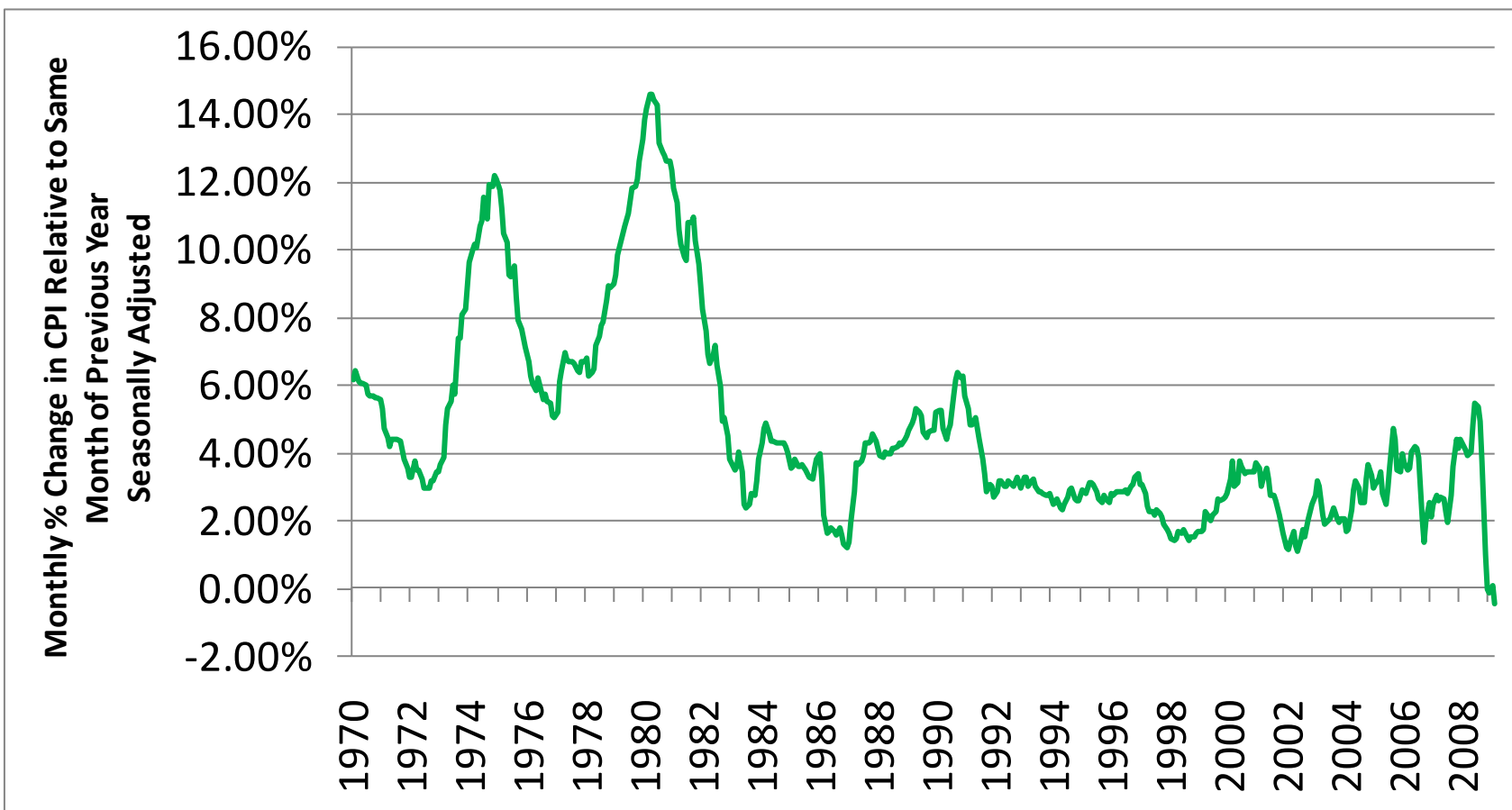
- \$23.7B commercial mortgages under care of special servicers at end Q1 – 5X higher than \$6.4B at end 2007
- Multi-family mortgages 31% troubled loans
- Retail mortgages 28% troubled loans
- “Commercial real estate is in a world of hurt and will be for at least the next two years,” said Ross Smotrich, analyst at Barclays Capital.
- “At the end of the first quarter, defaults and payments more than 60 days late. Fitch said they could reach 4 per cent by the end of 2010.”

U.S. seasonally adjusted unemployment jumped to 8.9% in April 2009



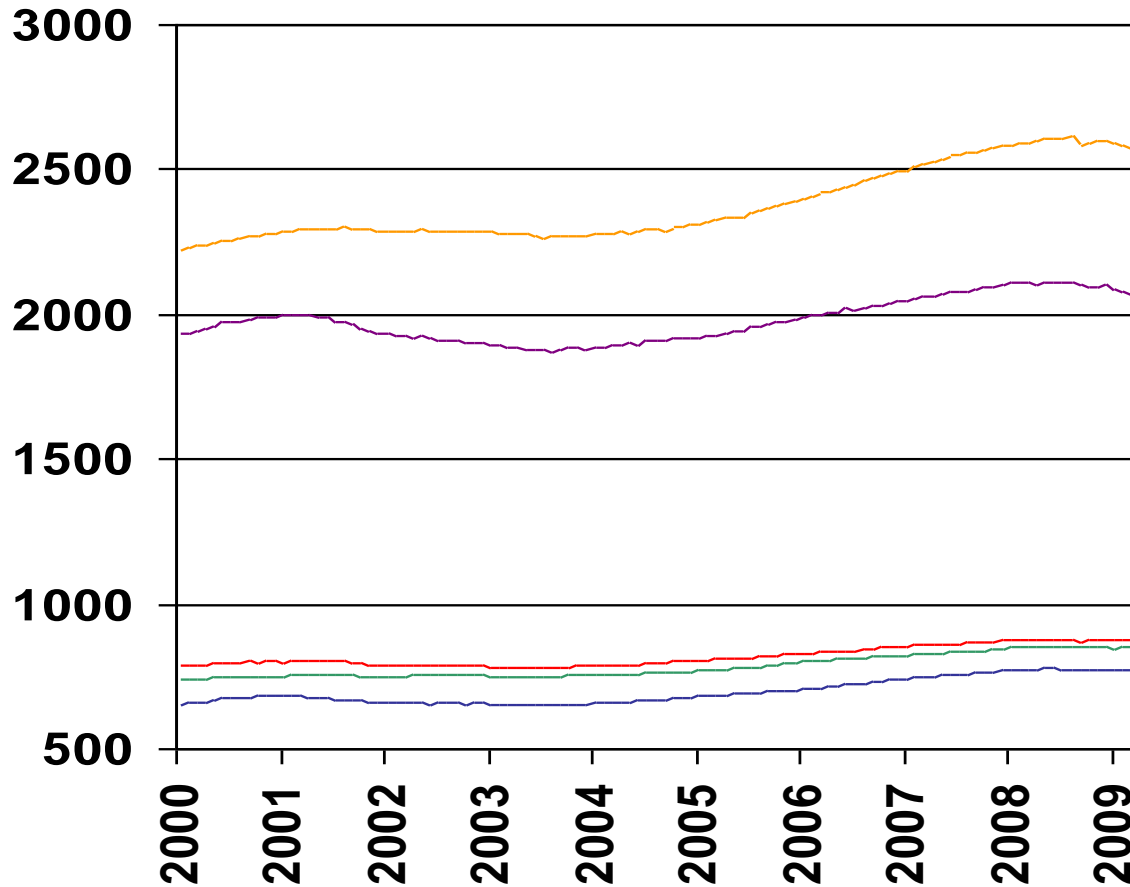
Source: Bureau of Labor Statistics

Prices declined by 0.47% in March – the third time in the past four months the change in prices has been negative



Nonfarm Employment

Seasonally Adjusted



Month-over-Month
Annualized % Change
(March 2009)

Austin = 2.4%

Dallas = -3.5%

San Antonio = -0.3%

Houston = -1.8%

Ft. Worth = -0.7%

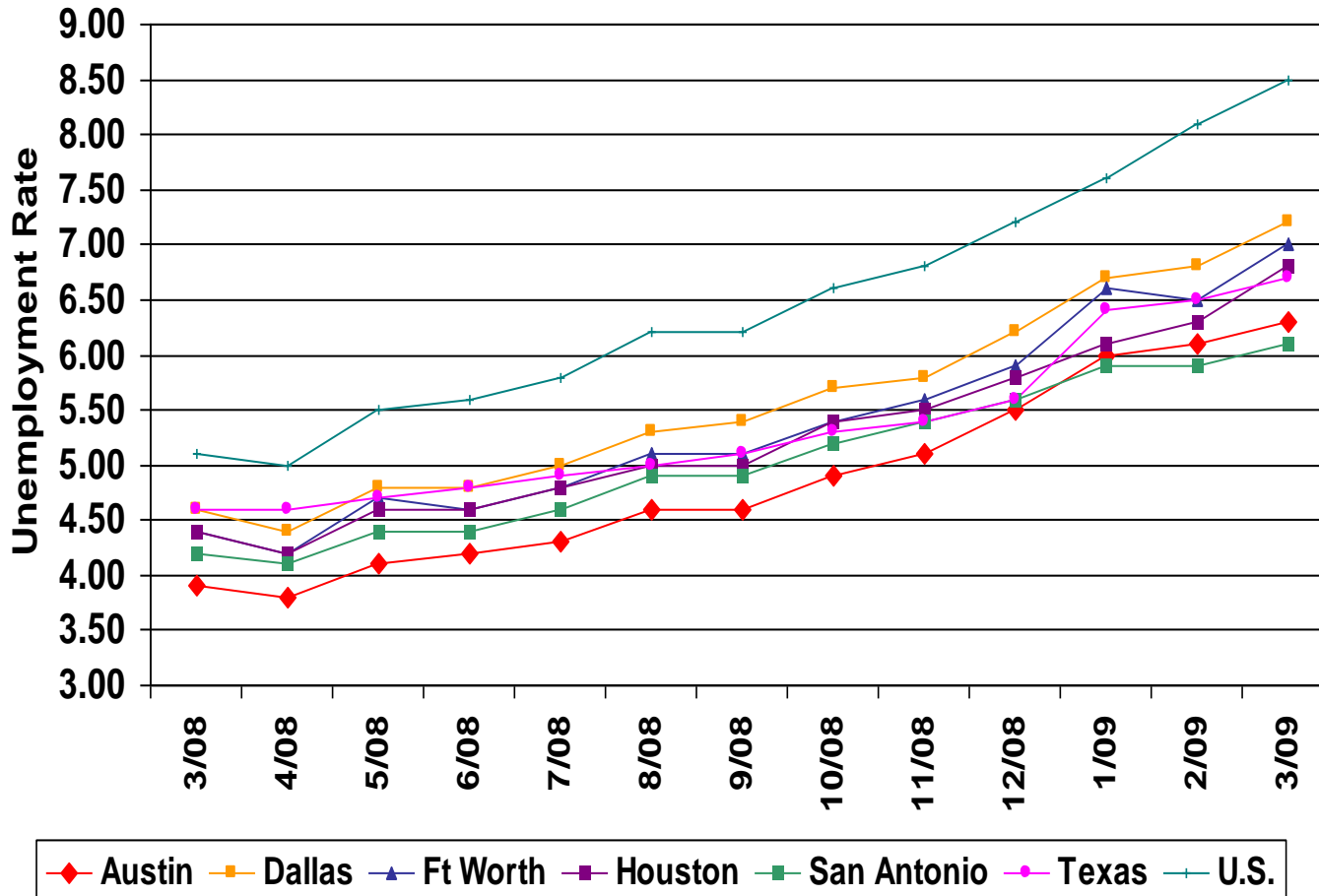
Texas = -4.6%



Monthly Unemployment Rate

March 2008 – March 2009

Seasonally Adjusted



As of March 2009

San Antonio = 6.1%

Houston = 6.8%

Austin = 6.3%

Dallas = 7.2%

Ft. Worth = 7.0%

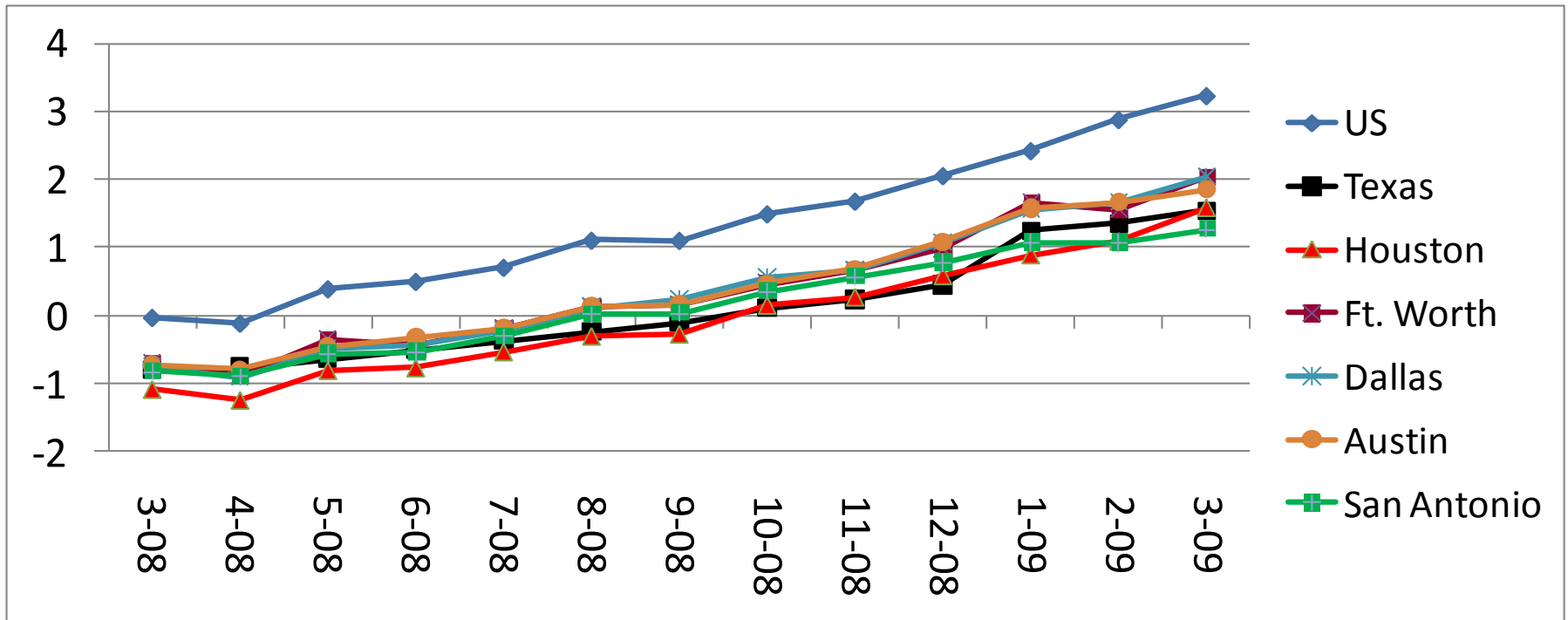
Texas = 6.7%

U.S. = 8.5%

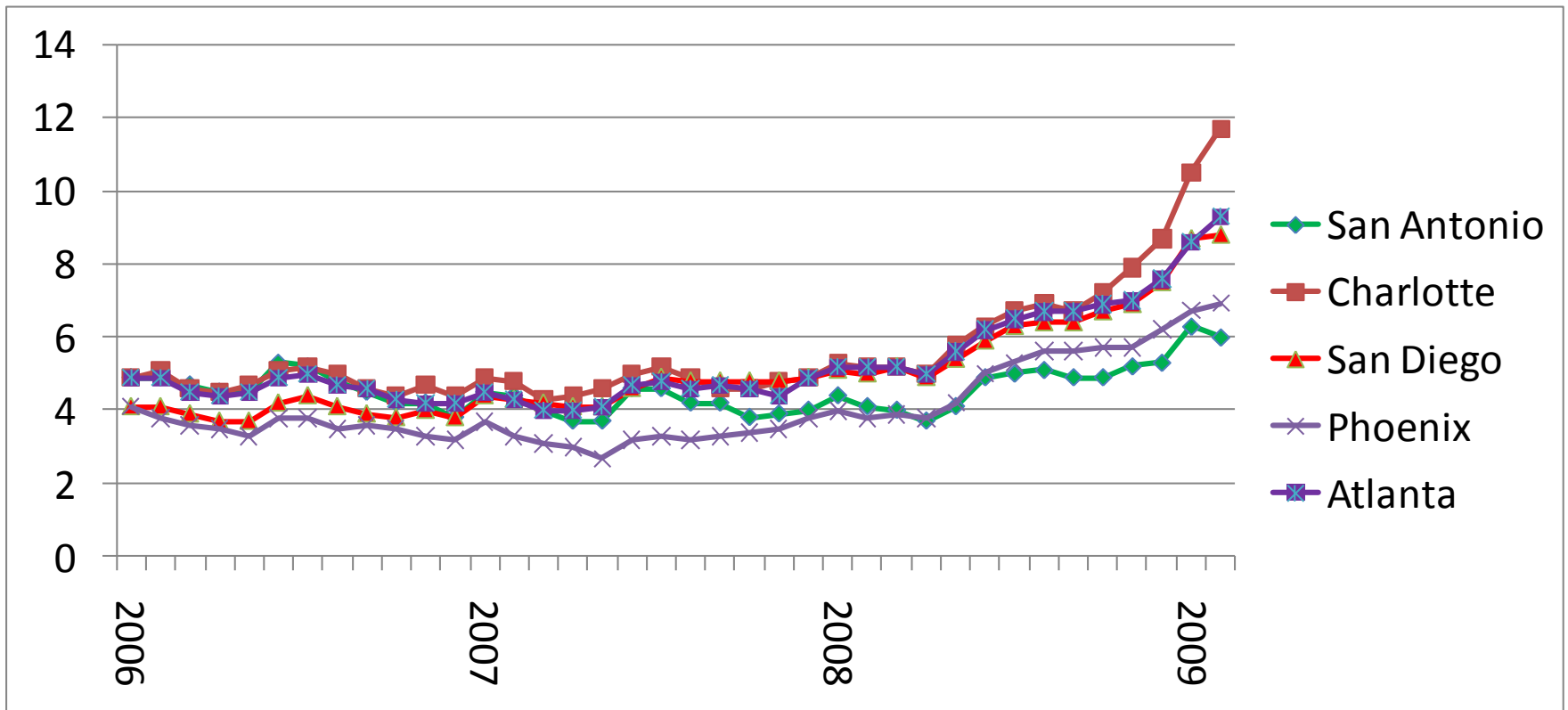
Source: Federal Reserve Bank of Dallas

5-Year Demeaned Unemployment Rate

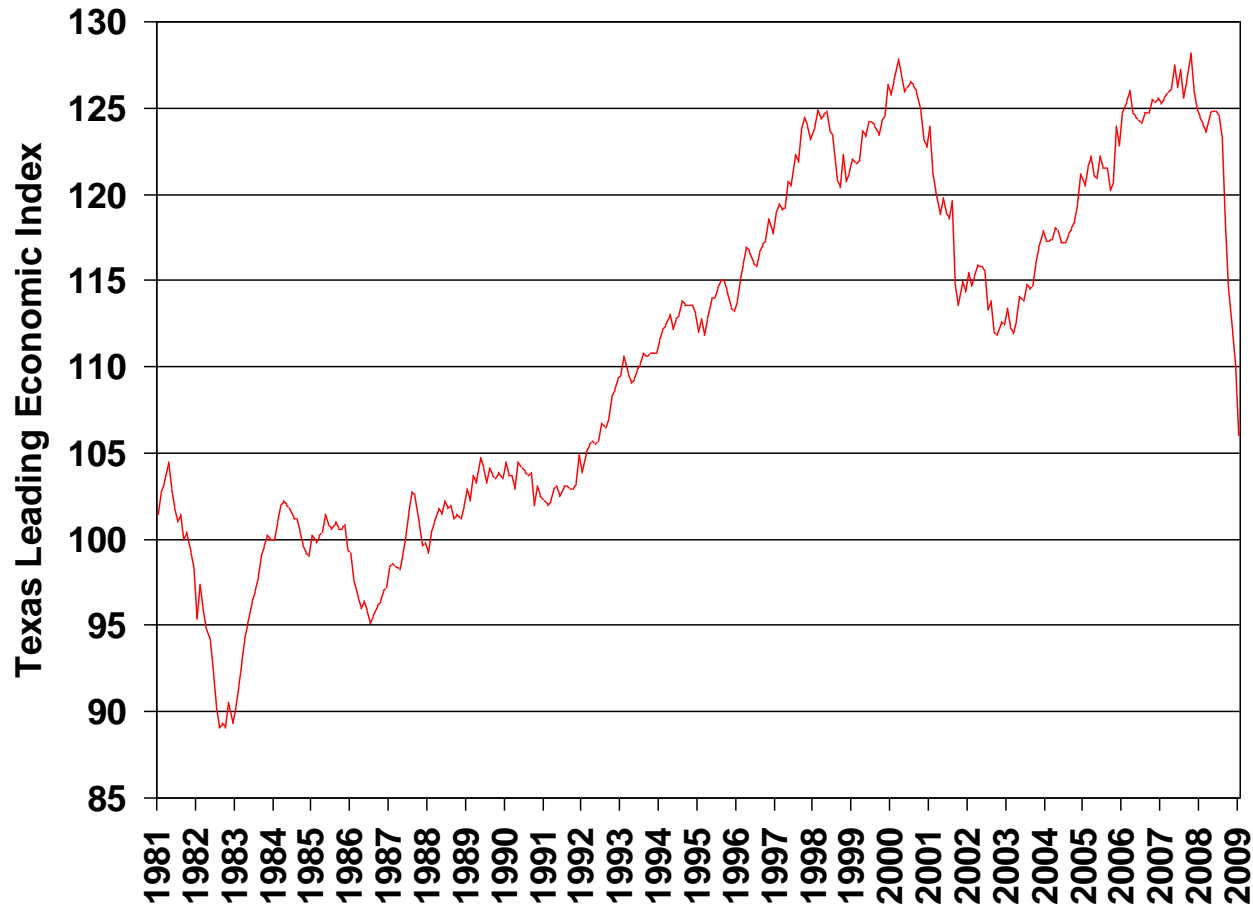
(Difference Current Unemployment Rate
Less Five-Year Rolling Average Unemployment Rate)



Unemployment Rates by Metropolitan Area (not seasonally adjusted)



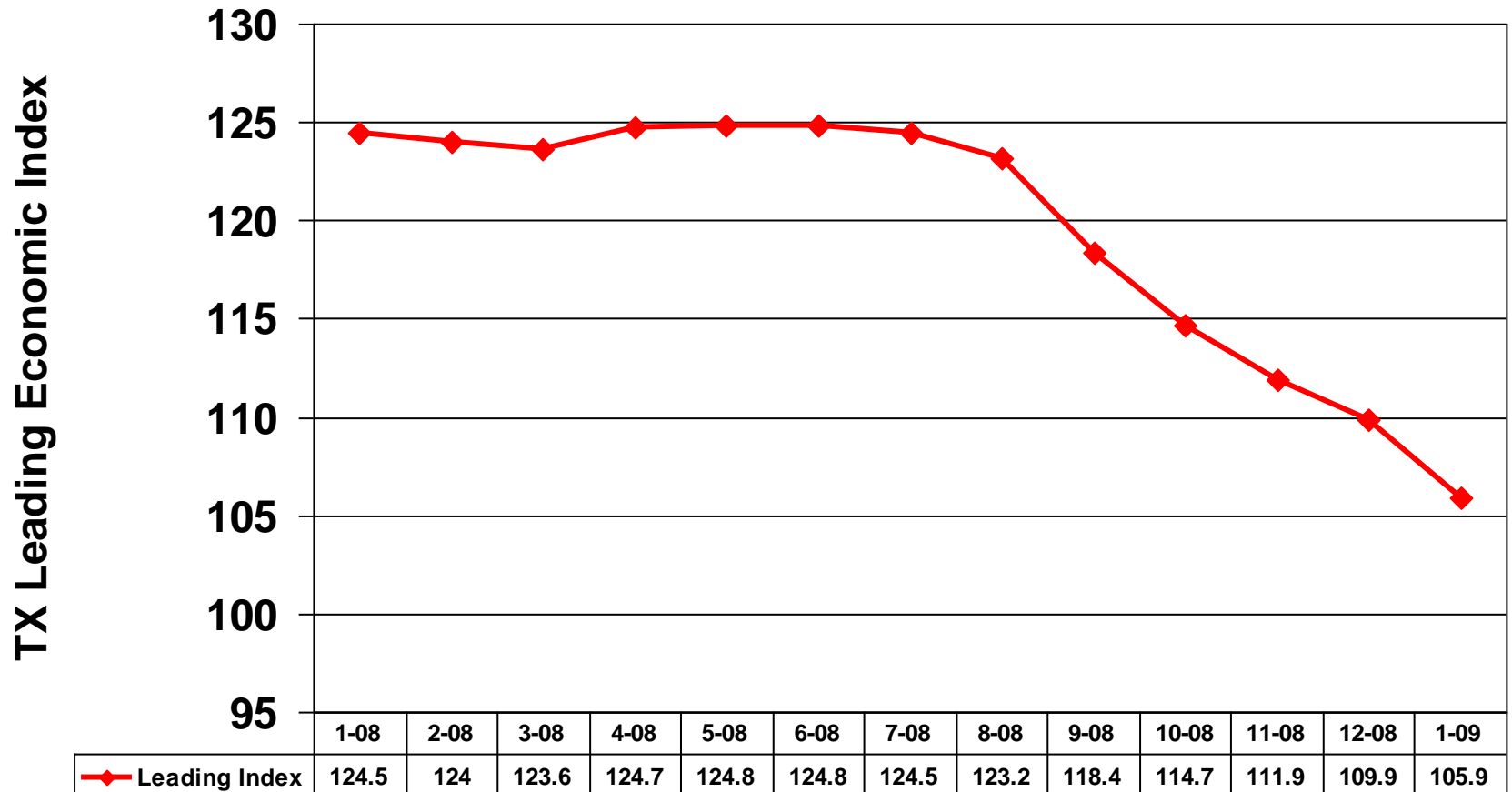
Here comes the recession wave



The index decreased from 109.9 in December to 105.9 in January. Over the past six months, the index has decreased 27.6% on an annualized basis.

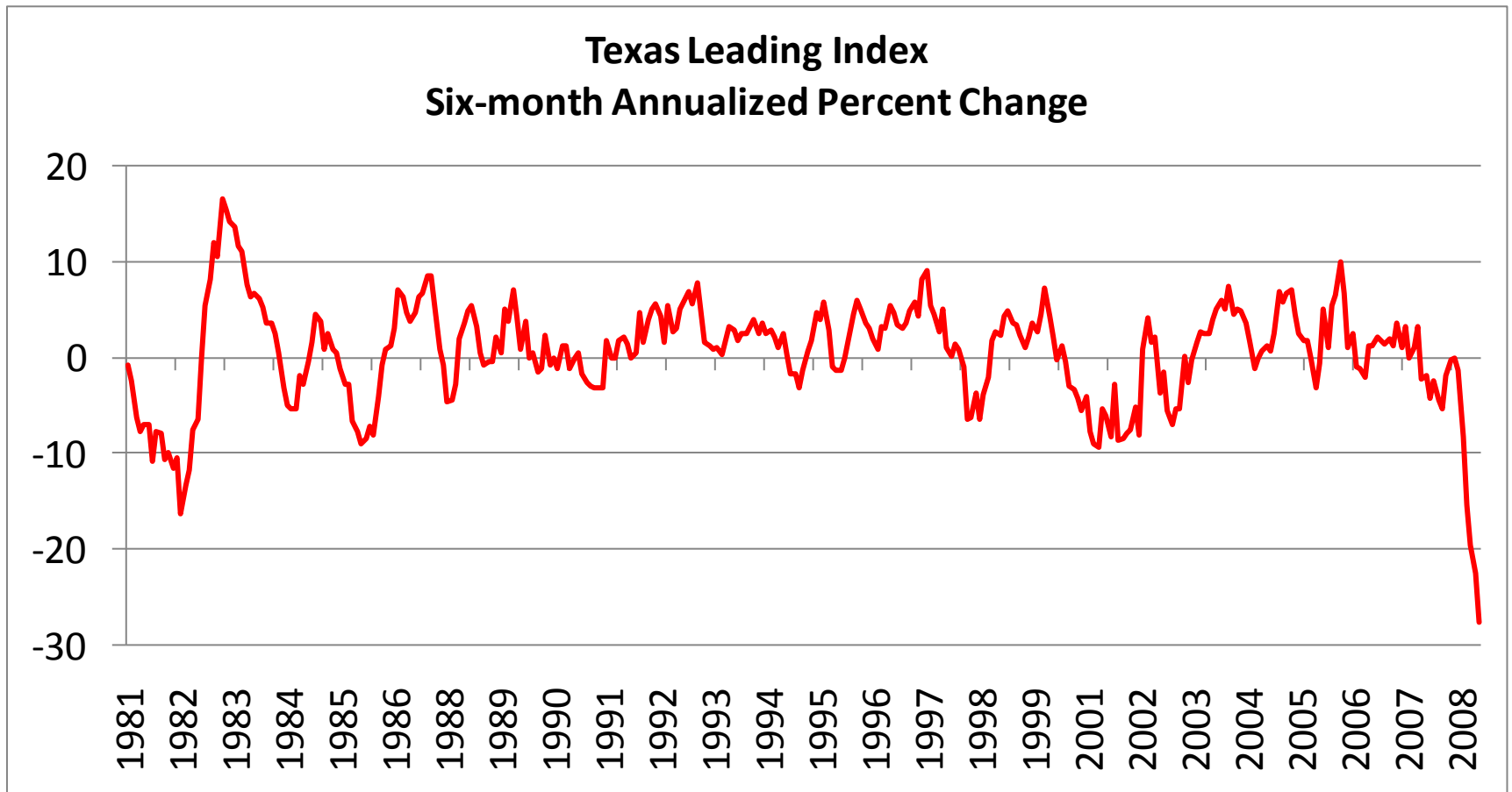
Source: Federal Reserve Bank of Dallas

The national economic malaise has hit Texas.



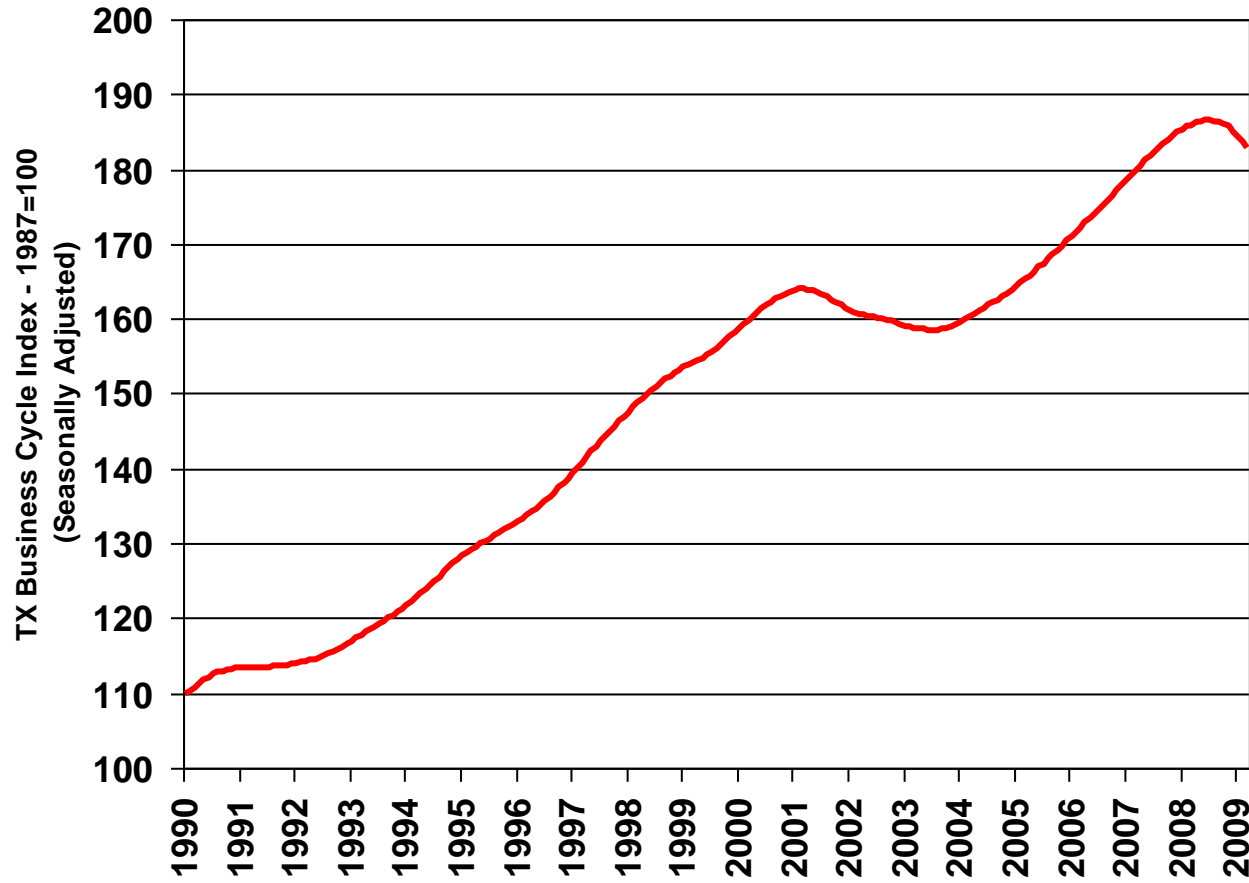
Source: Federal Reserve Bank of Dallas

Texas leading index has declined sharply for the past 15 months



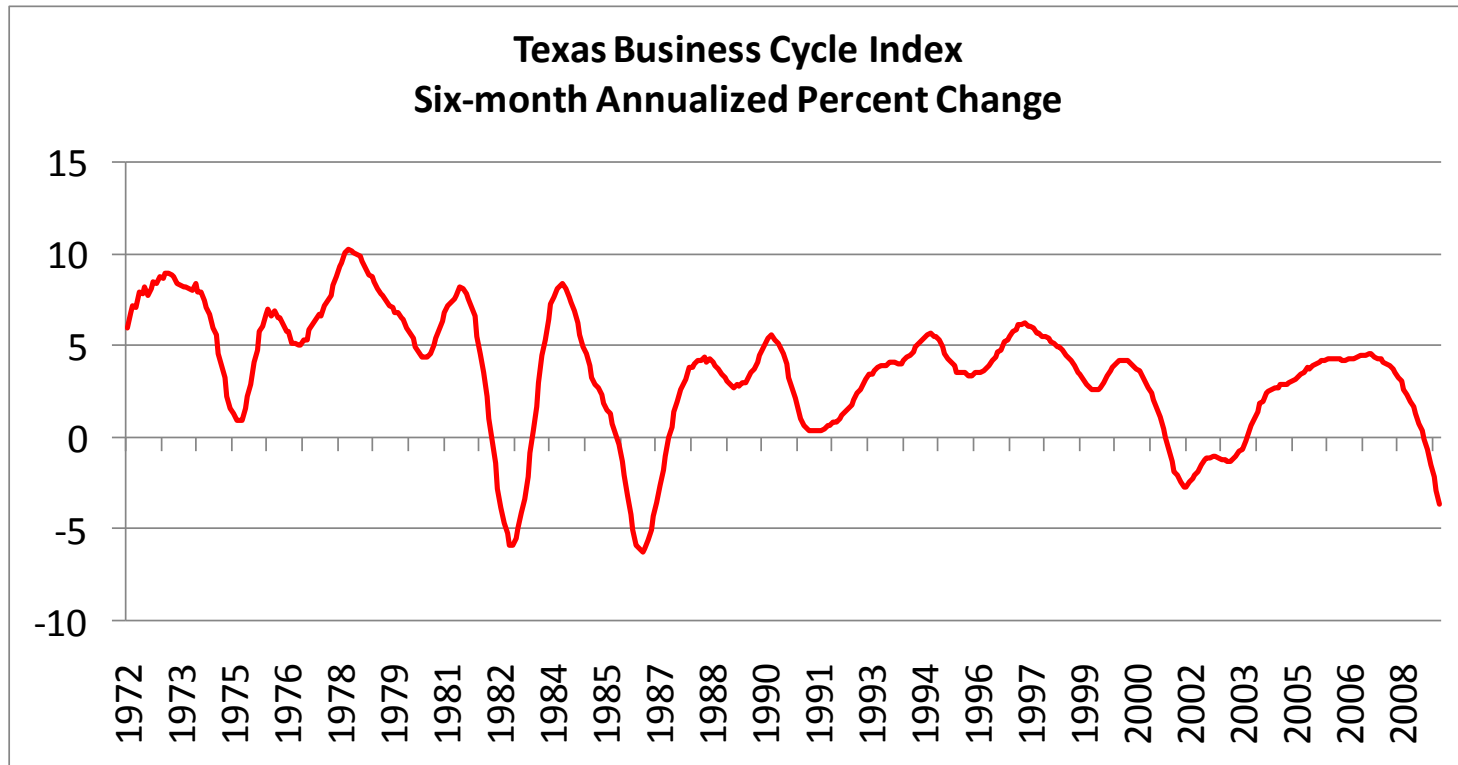
Source: Federal Reserve Bank of Dallas; Annualize percent change calculated by SABER Institute

By this measure, the Texas economy has declined for six consecutive months



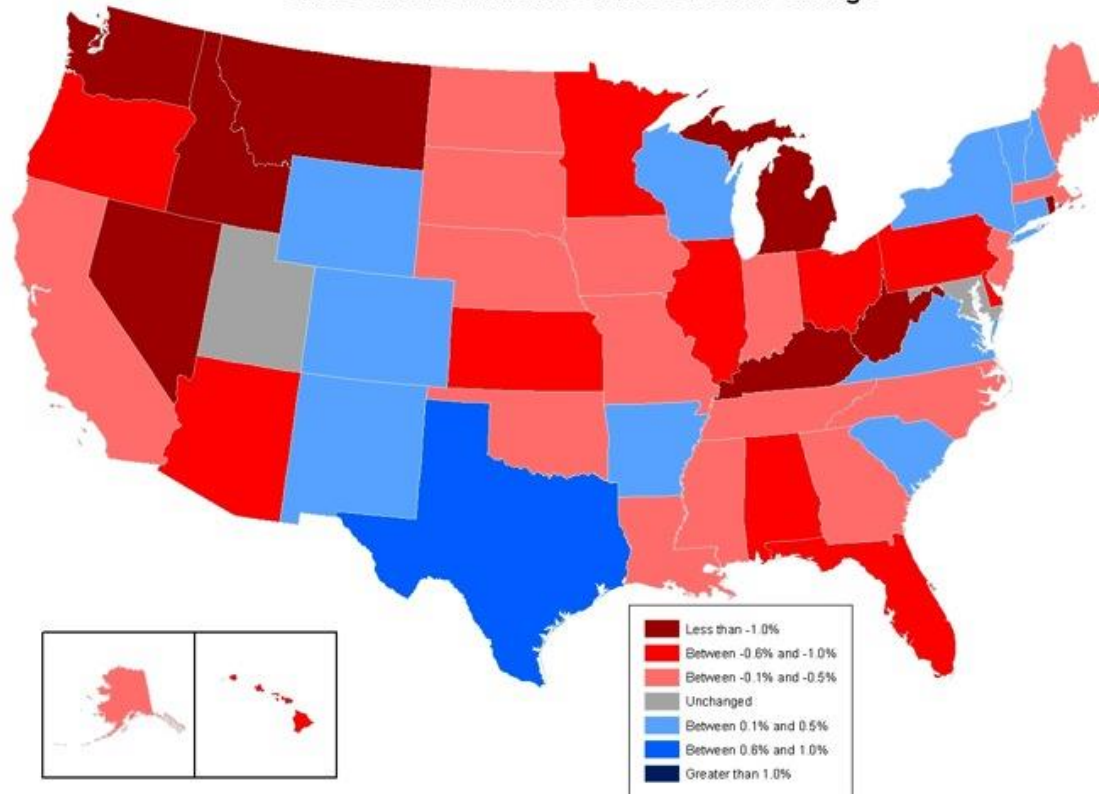
The index declined from 183.7 to 182.9 from February to March.

Texas economy is now in a recession



Source: Federal Reserve Bank of Dallas; Annualized percent calculated by SABER Institute

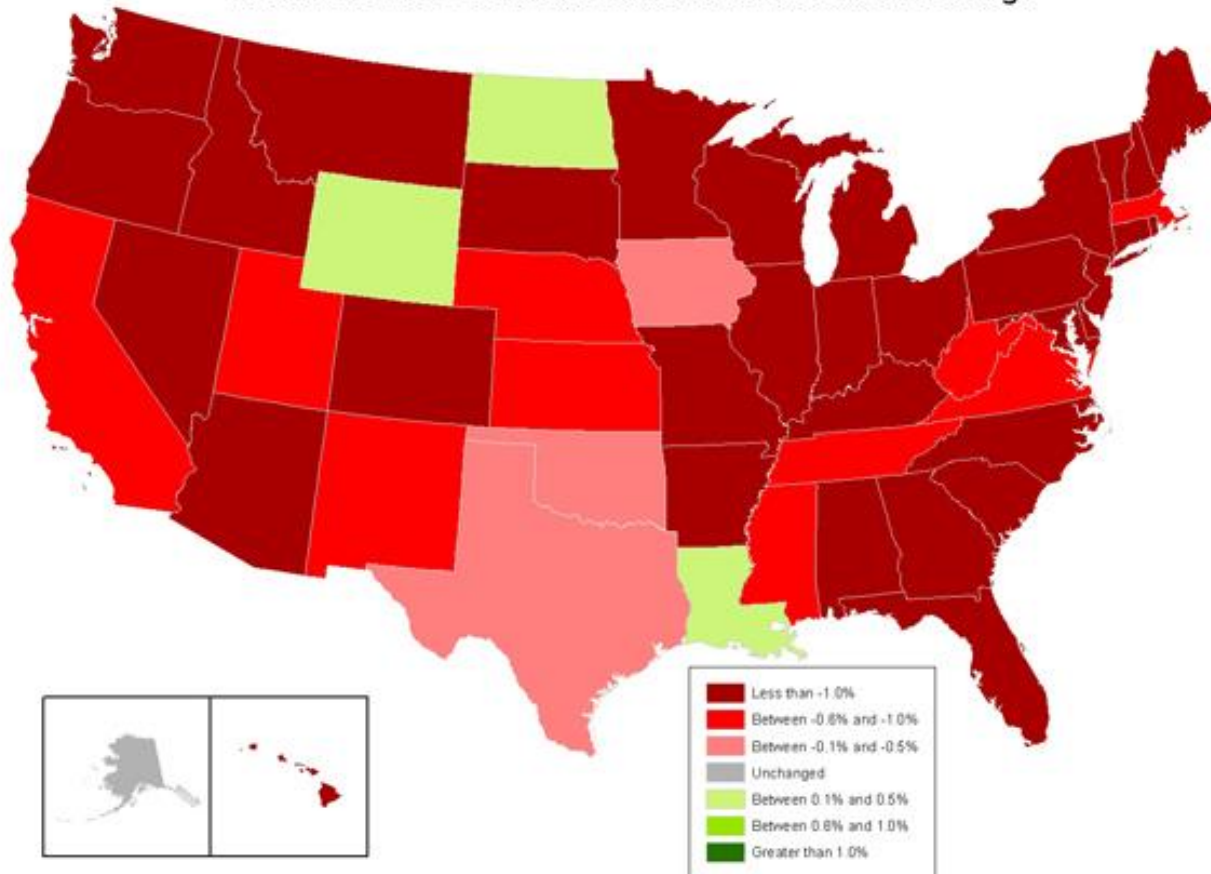
State Coincident Indexes: Three-Month Change



Three-month change through June 2008.

Source: Federal Reserve Bank of Philadelphia

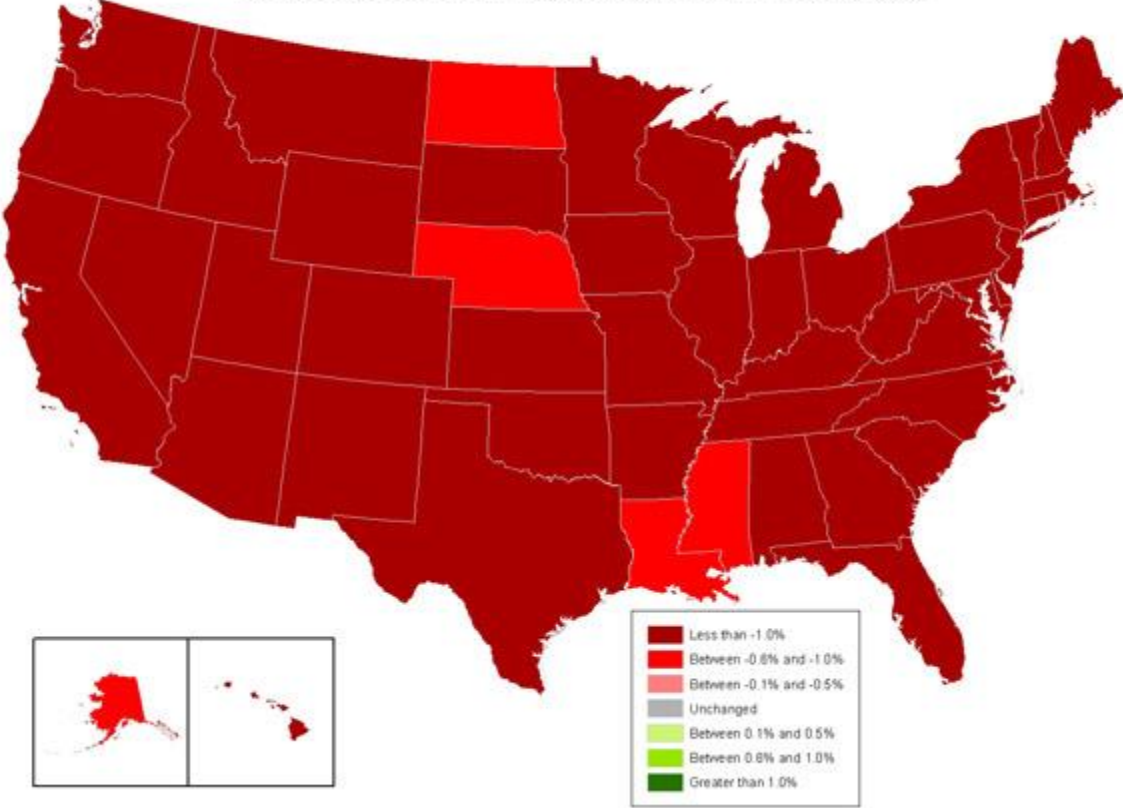
December State Coincident Indexes: Three-Month Change



Three-month change through December 2008

Source: Federal Reserve Bank of Philadelphia

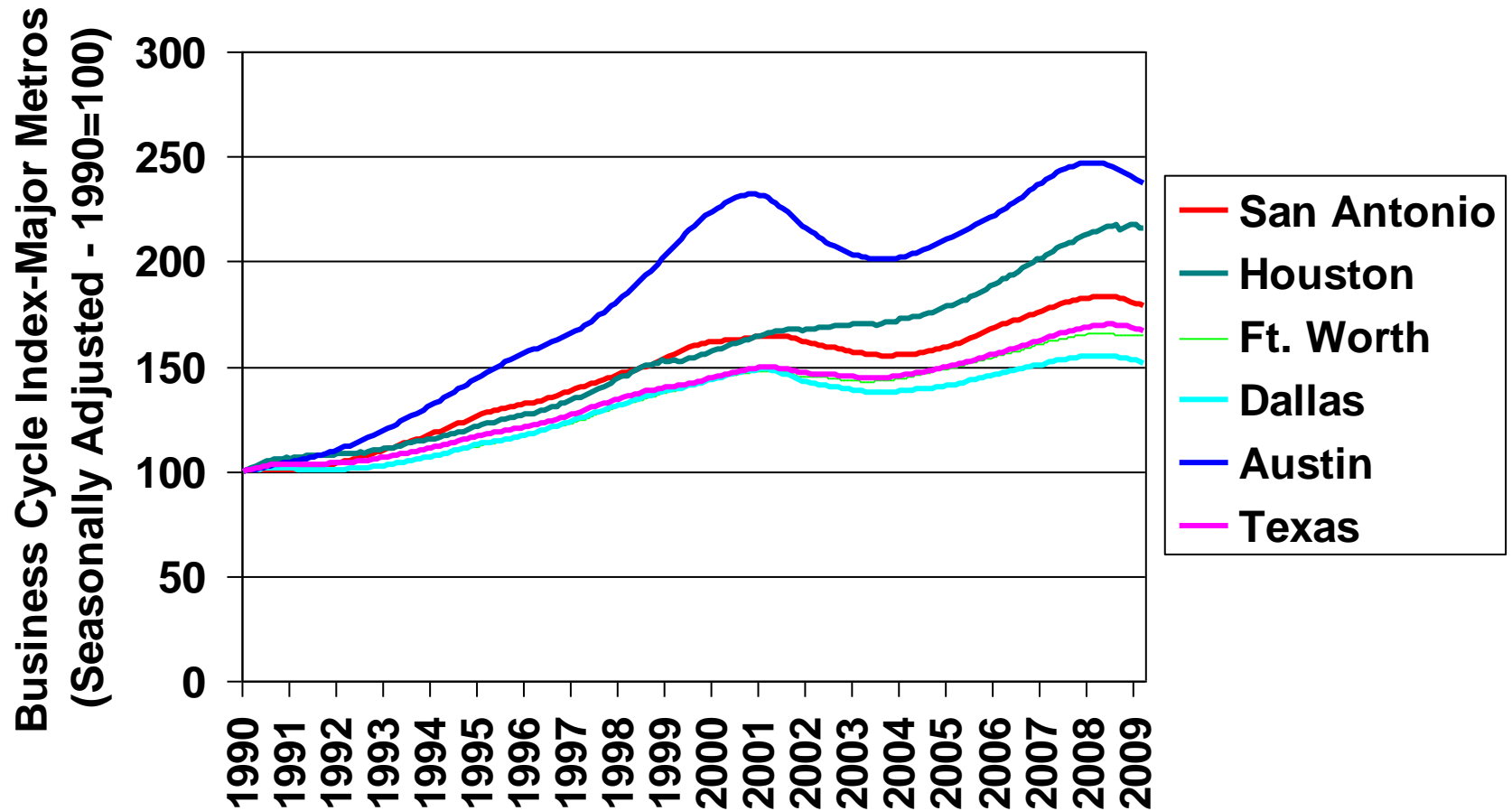
March State Coincident Indexes: Three-Month Change



Three-month change through March 2009

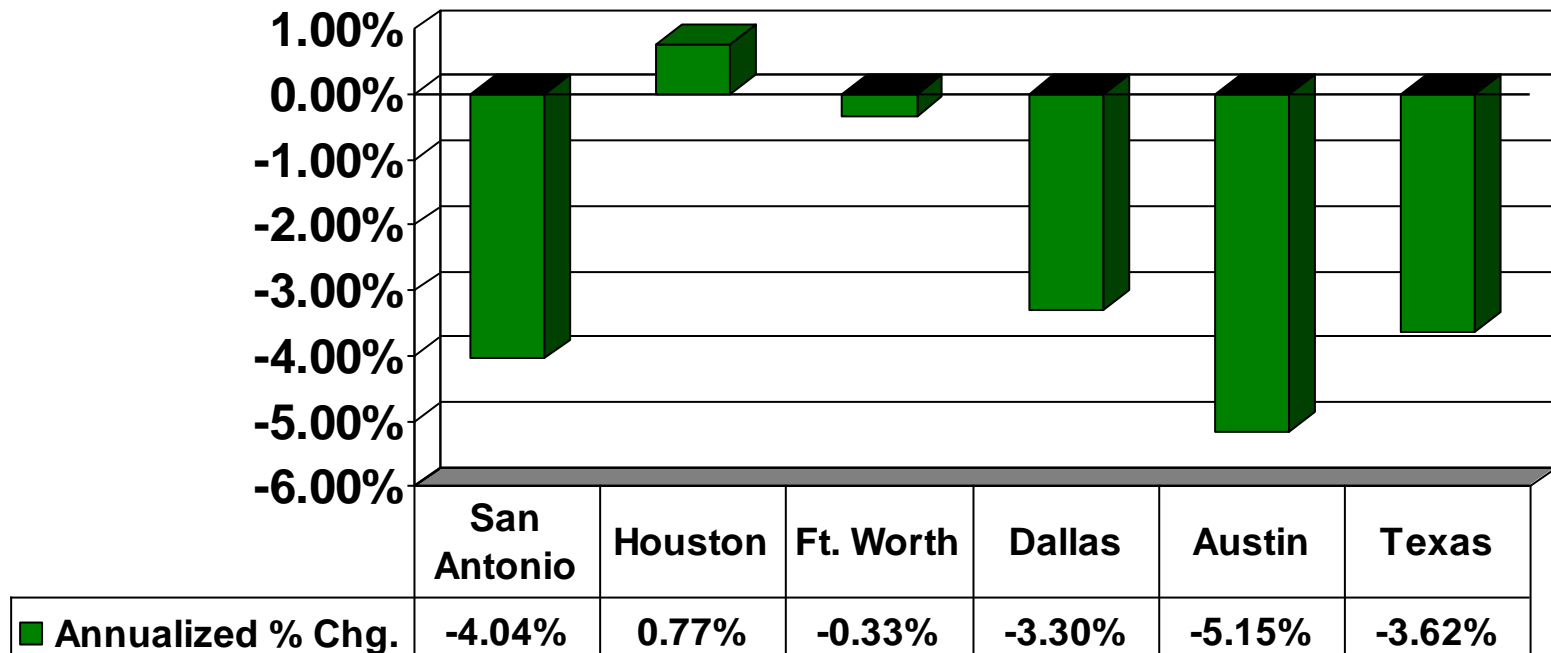
Source: Federal Reserve Bank of Philadelphia

Texas and the major metro areas are dipping into recession



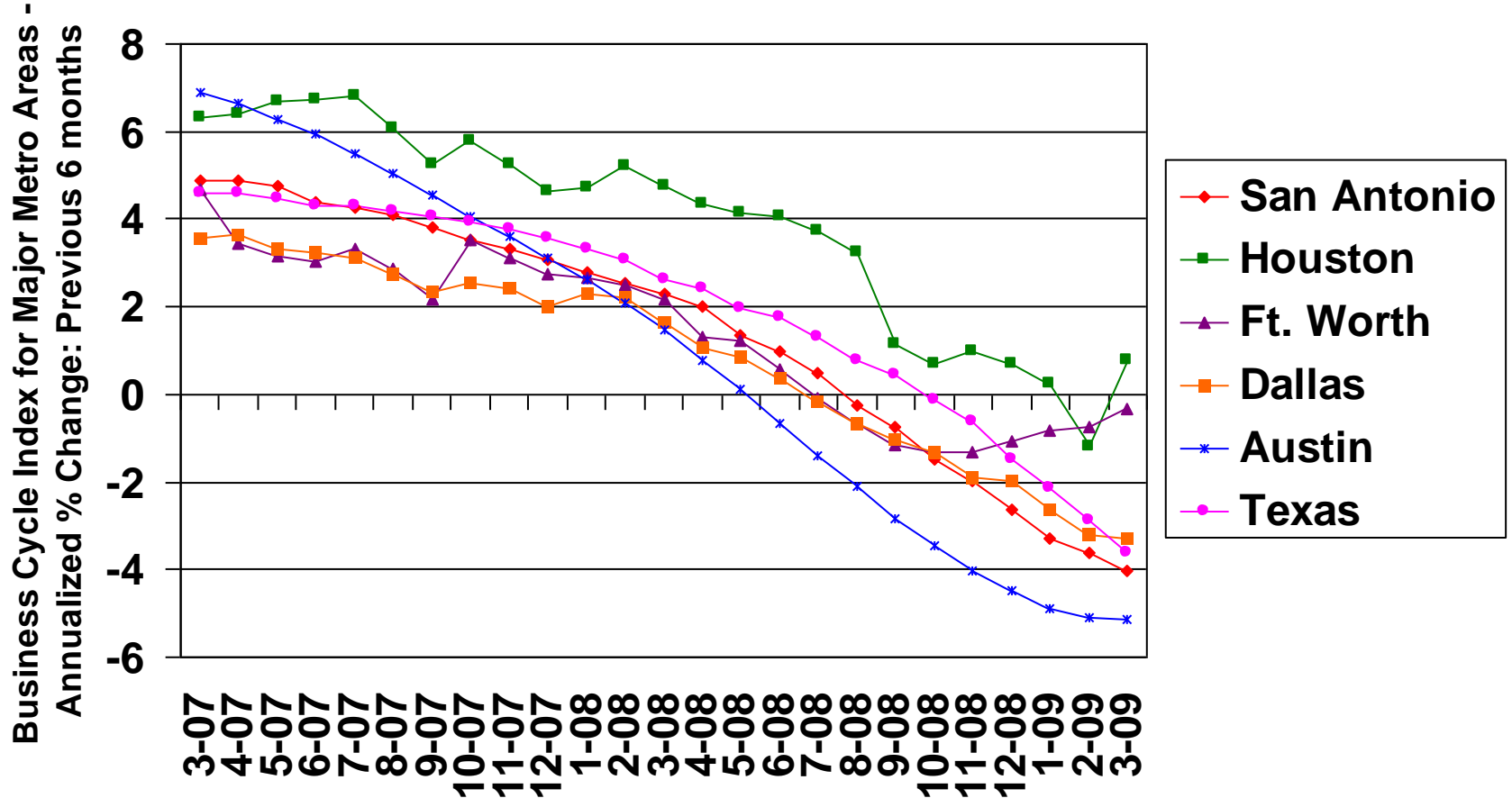
Houston continues to show tepid growth while other areas have dipped into decline

Business Cycle Index
Annualized % Change: Sept. to March 2009



Source: Federal Reserve Bank of Dallas; Percent change calculated by SABER Institute

Here comes the recession to the local economies

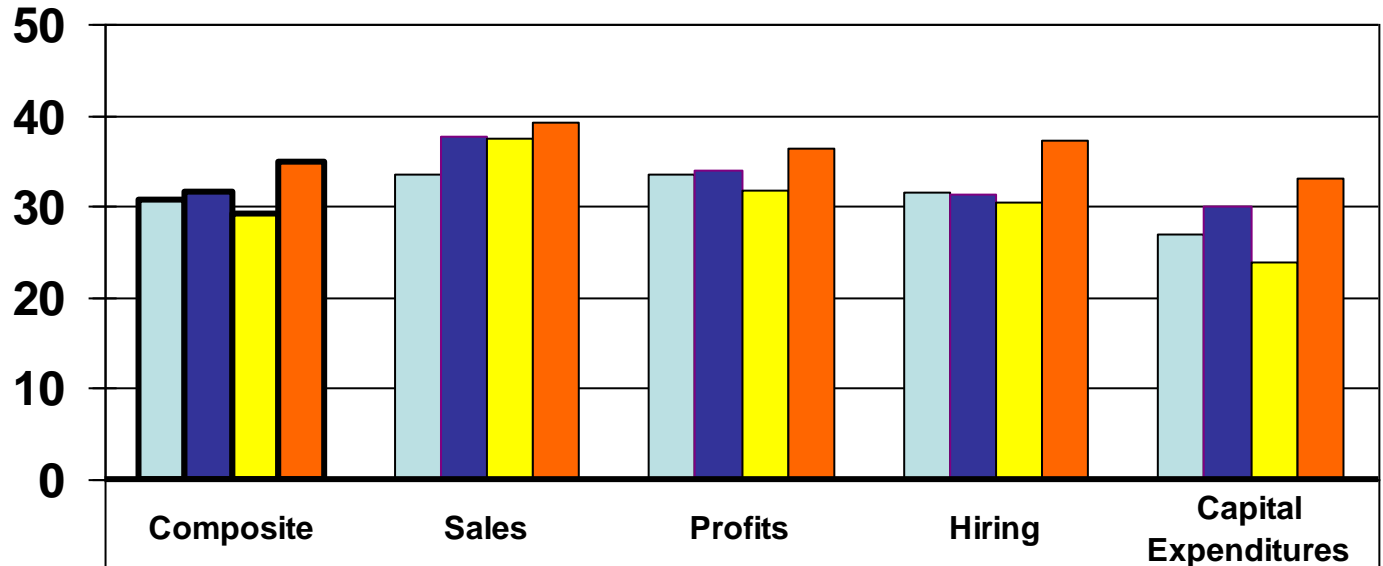


Source: Federal Reserve Bank of Dallas; Annualized percent change calculated by SABER Institute

Data is seasonally adjusted.

Business Leaders Confidence Index® (BLCI) & Components of Index- Major MSAs Q1, 2009

Index > 50 Indicates Expanding Economy From Previous Quarter



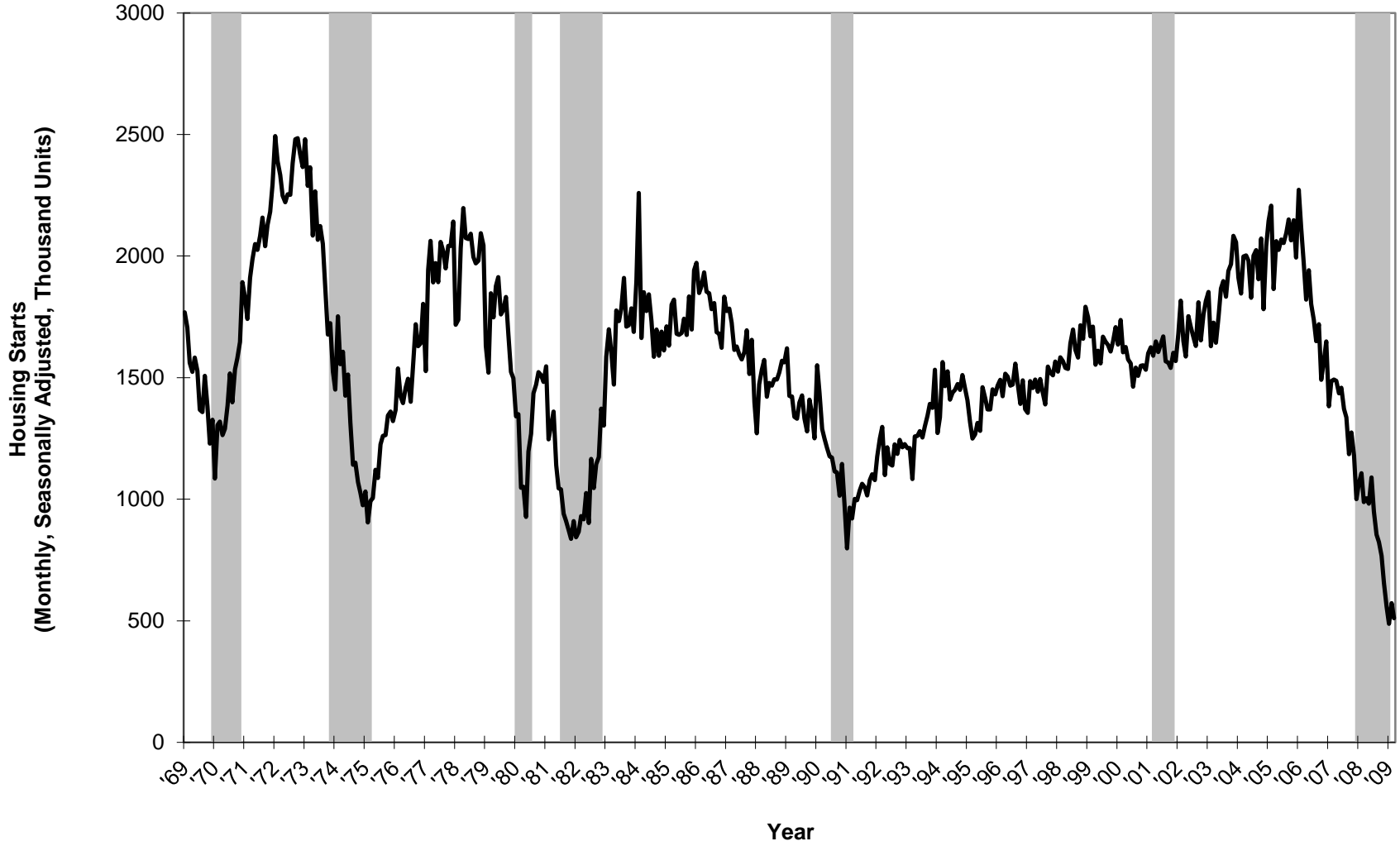
	Composite	Sales	Profits	Hiring	Capital Expenditures
Austin	30.6	33.6	33.6	31.6	27.0
DFW	31.6	37.8	34.1	31.4	30.1
Houston	29.2	37.6	31.8	30.4	23.8
San Antonio	34.8	39.2	36.4	37.2	33.2

Austin DFW Houston San Antonio

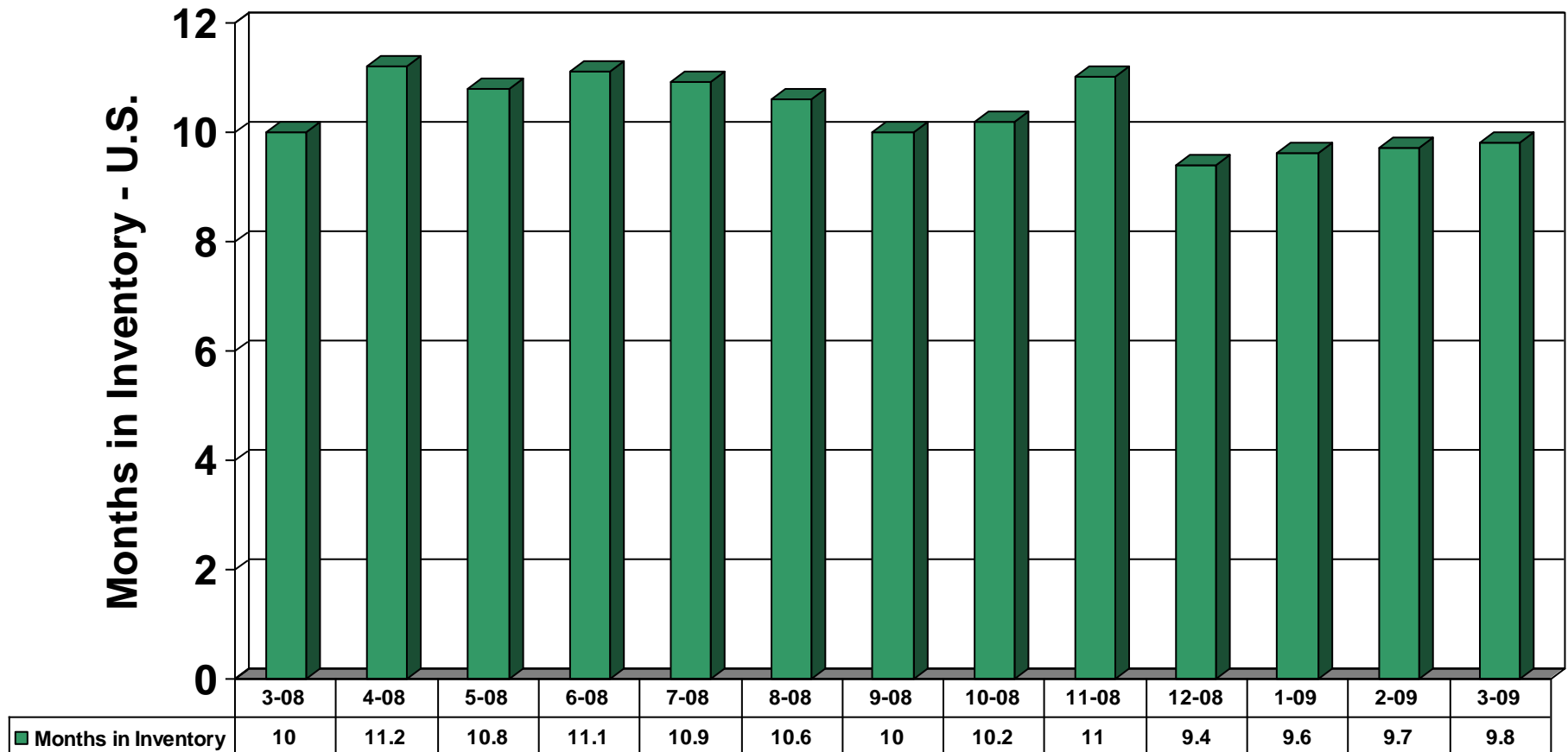
NOTE: BLCI for the nation registered 22.6, a decrease of 14.8 points from the fourth quarter. The Texas BLCI registered at 35.3, a large drop from 47.8 in the previous quarter.

Source: Compass Bank, IC² Institute (The University of Texas at Austin)

U.S. Housing Starts Decrease In Anticipation of Recession



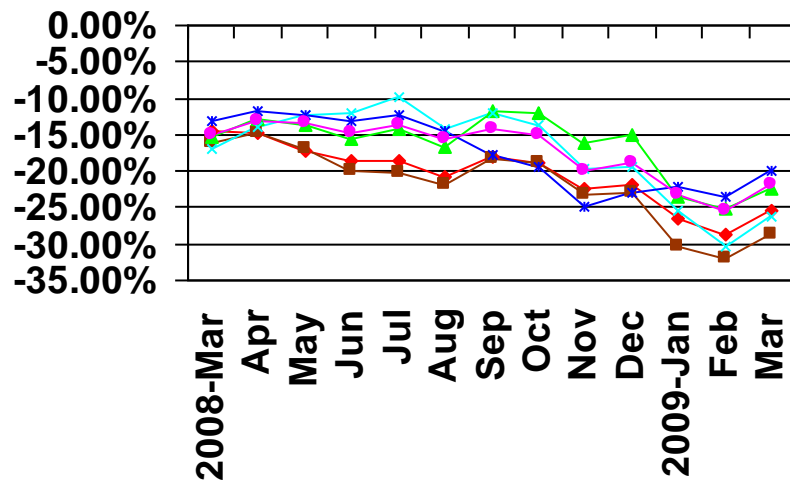
Months in inventory across the U.S. has increased slightly over the past 4 months



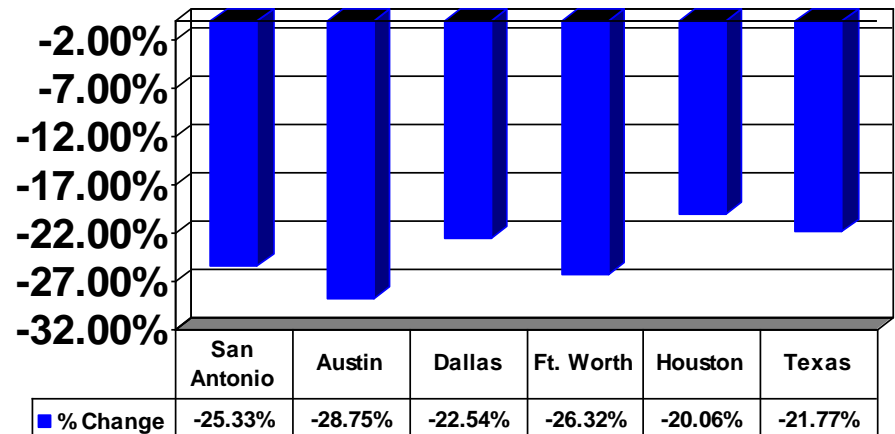
Source: National Association of Realtors

Growth in home sales continues its decline in all major areas

MLS Home Sales
Year-over-Year % Change
4MMA

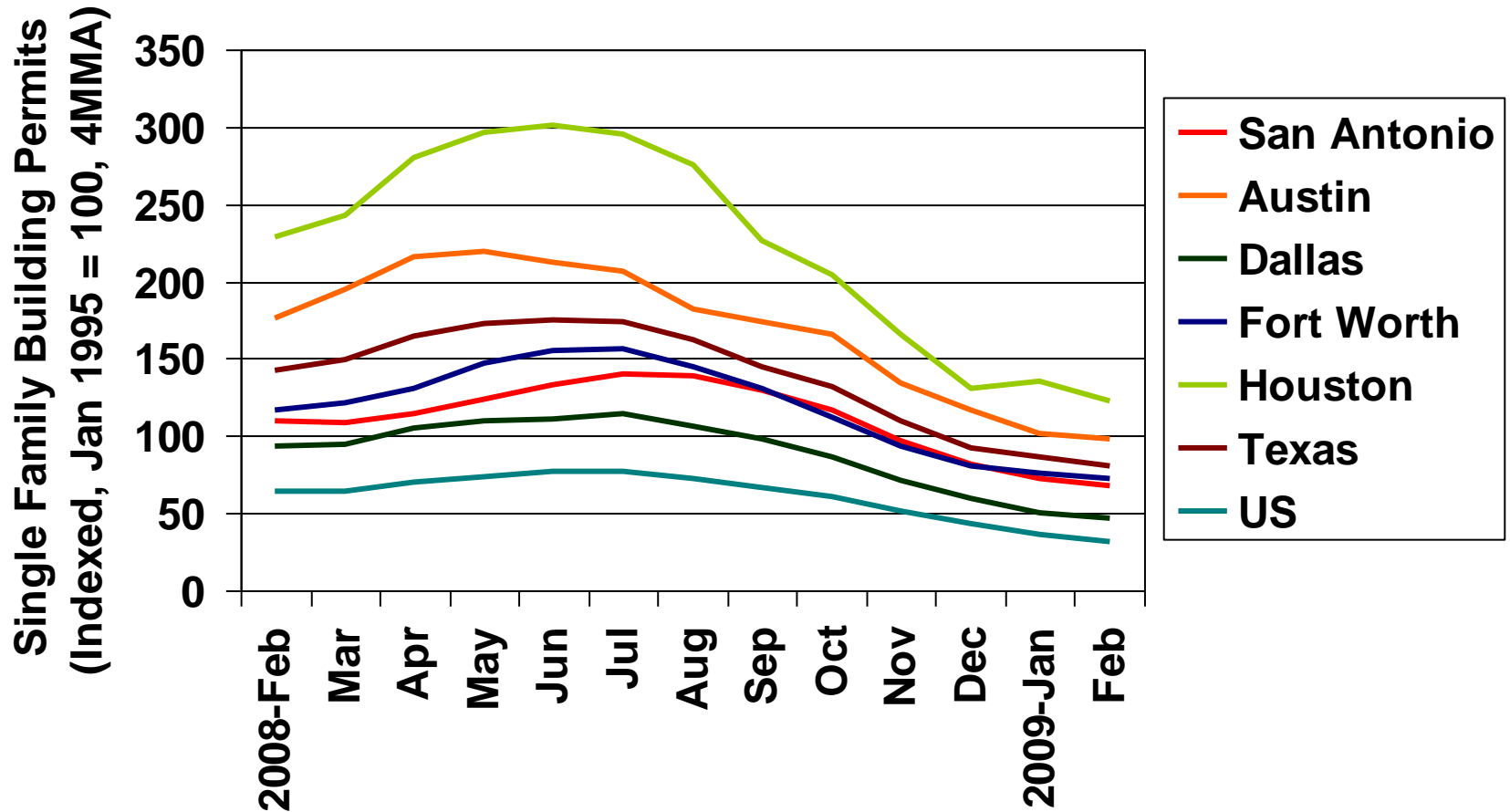


Year-over-Year % Change (4MMA)
March 2008-March 2009

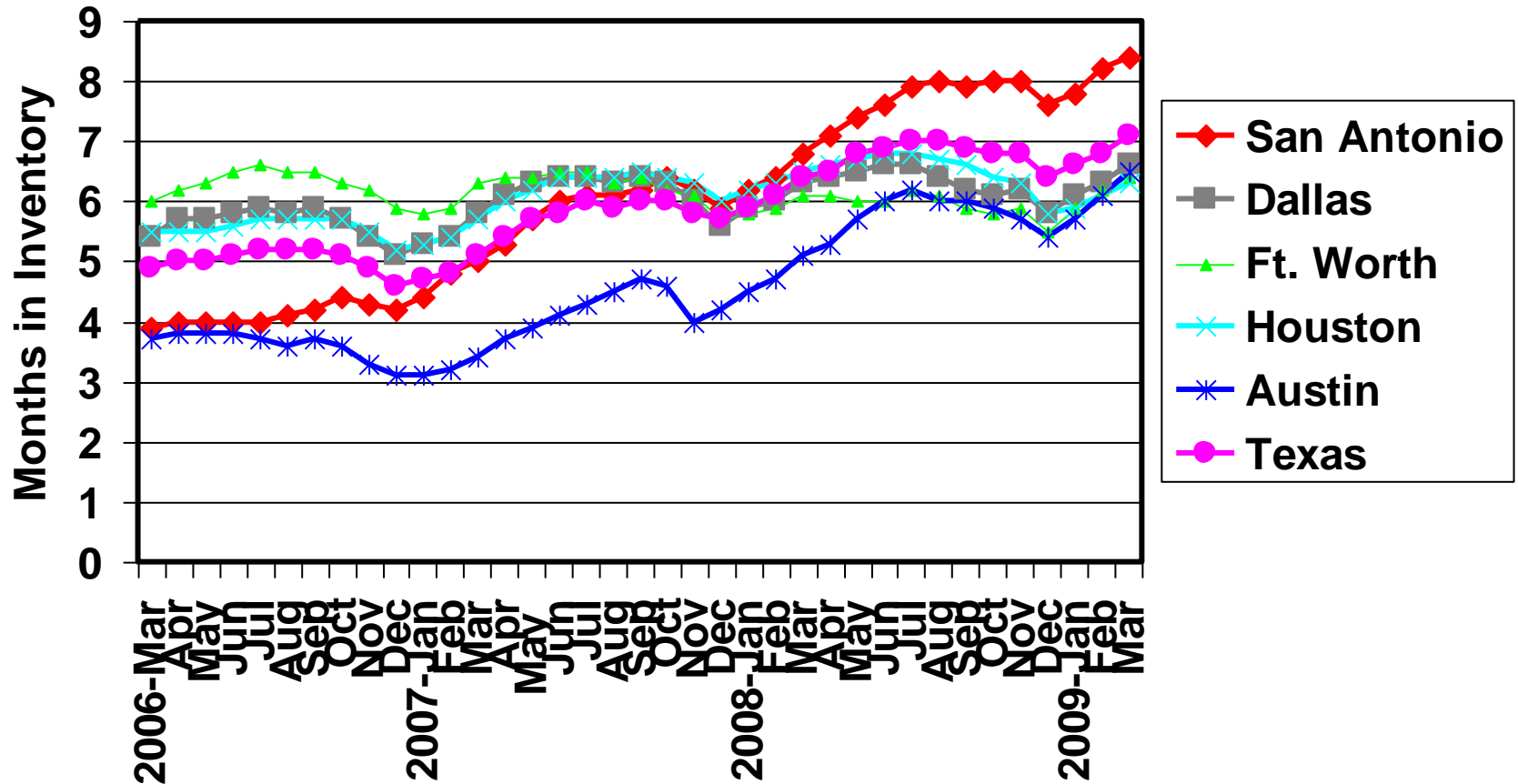


Source: Texas A&M Real Estate Center; SABER Institute

Bulding permits declined in all major Texas metro areas, except Houston, and across the country in February



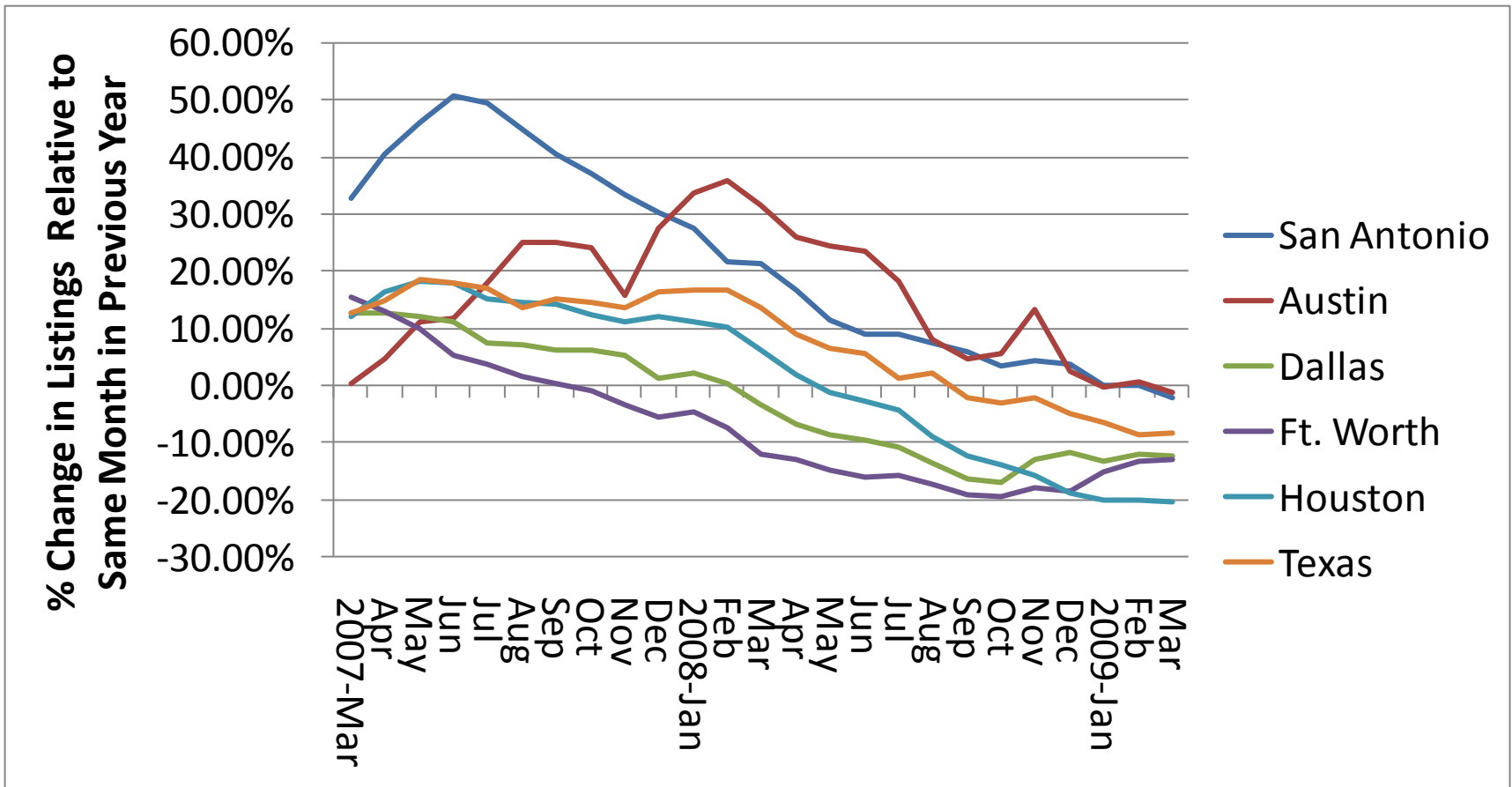
Months in inventory continues to increase in all metro areas



Source: Texas A&M Real Estate Center

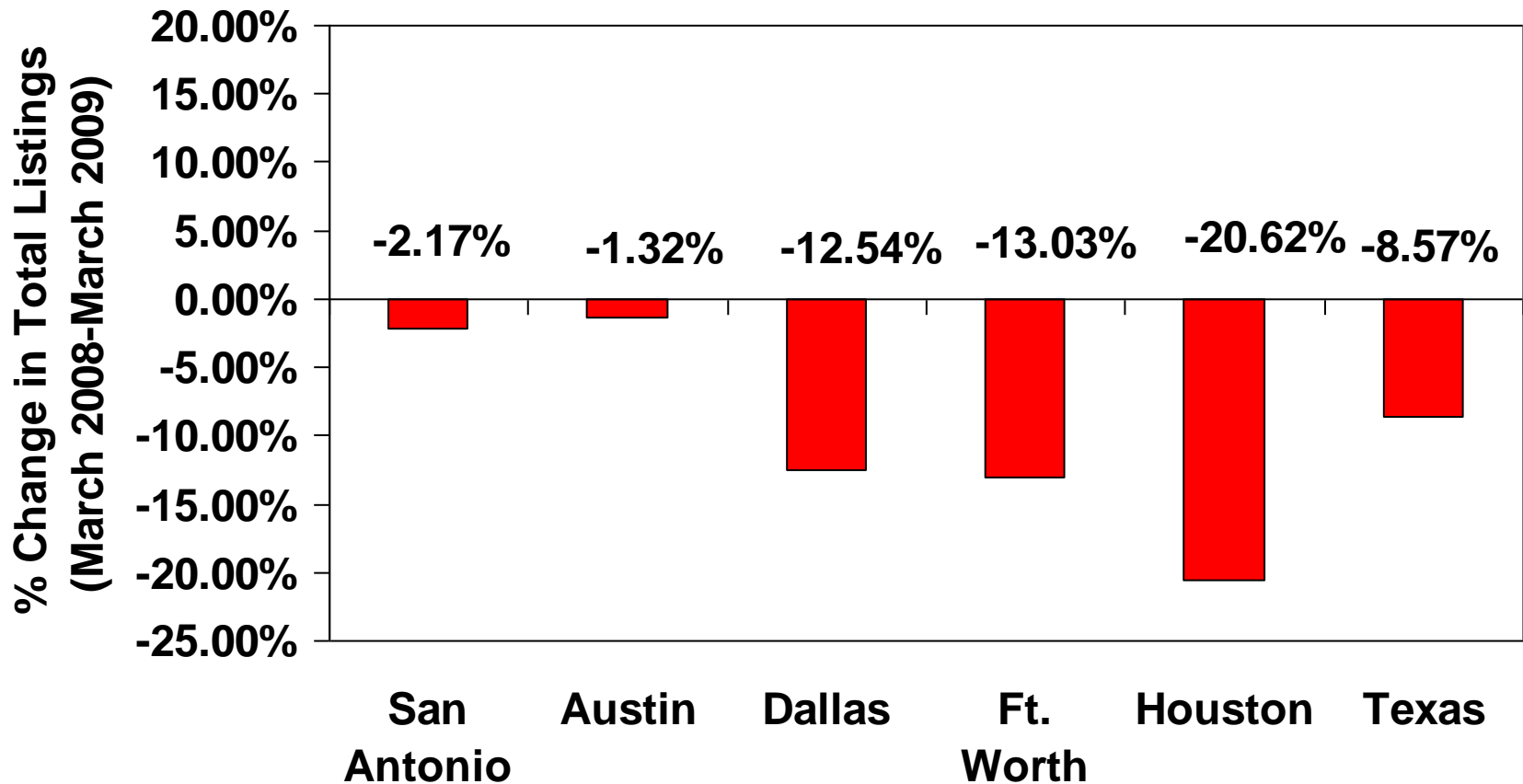
Months in inventory measures how many months will take to sell the current inventory, based on the average number of sales per month in the previous year.

Decline in change in listings may indicate reductions in supply



Source: Texas A&M Real Estate Center; National Association of Realtors; SABER Institute

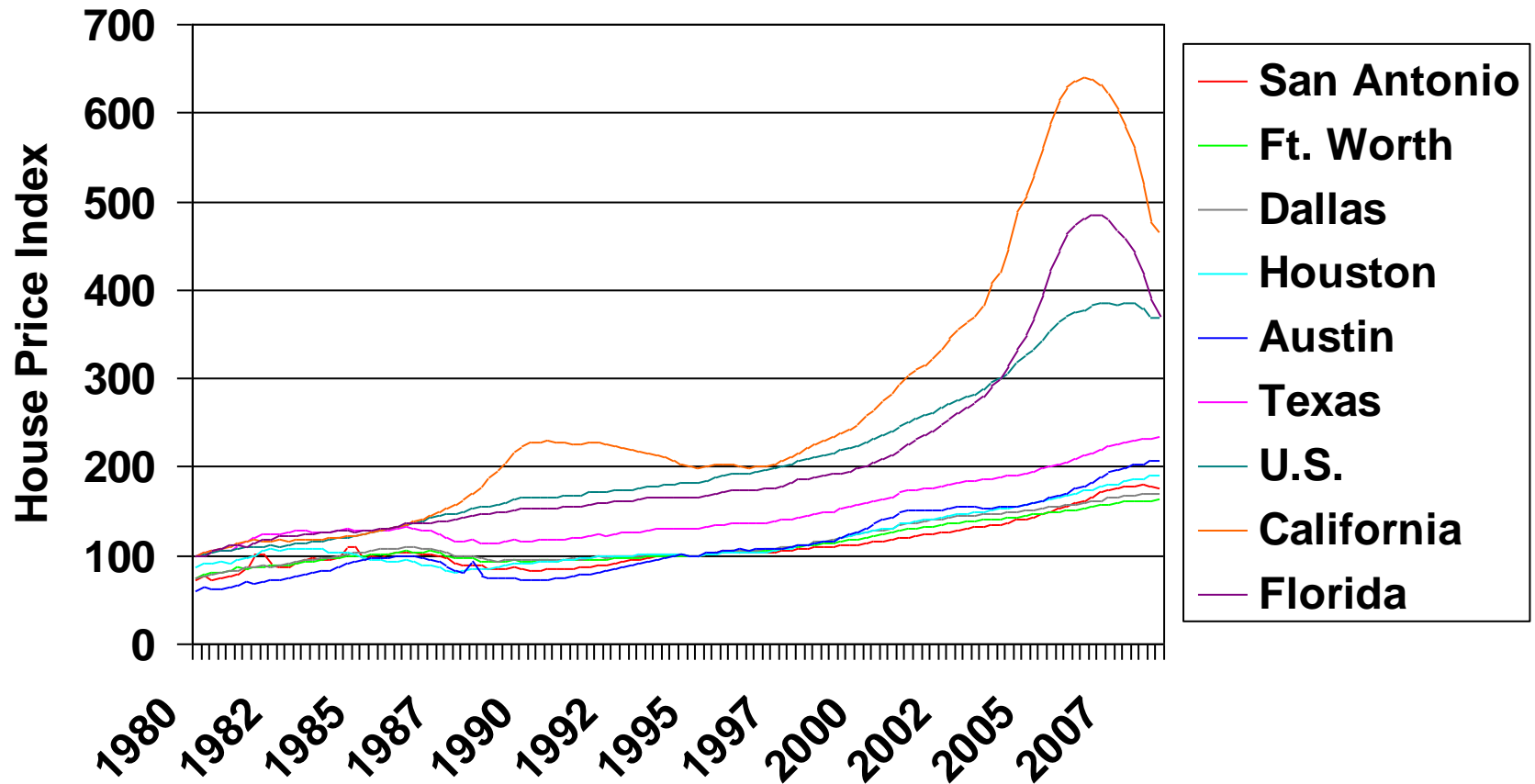
The decline in the growth of listings may indicate the market is correcting.



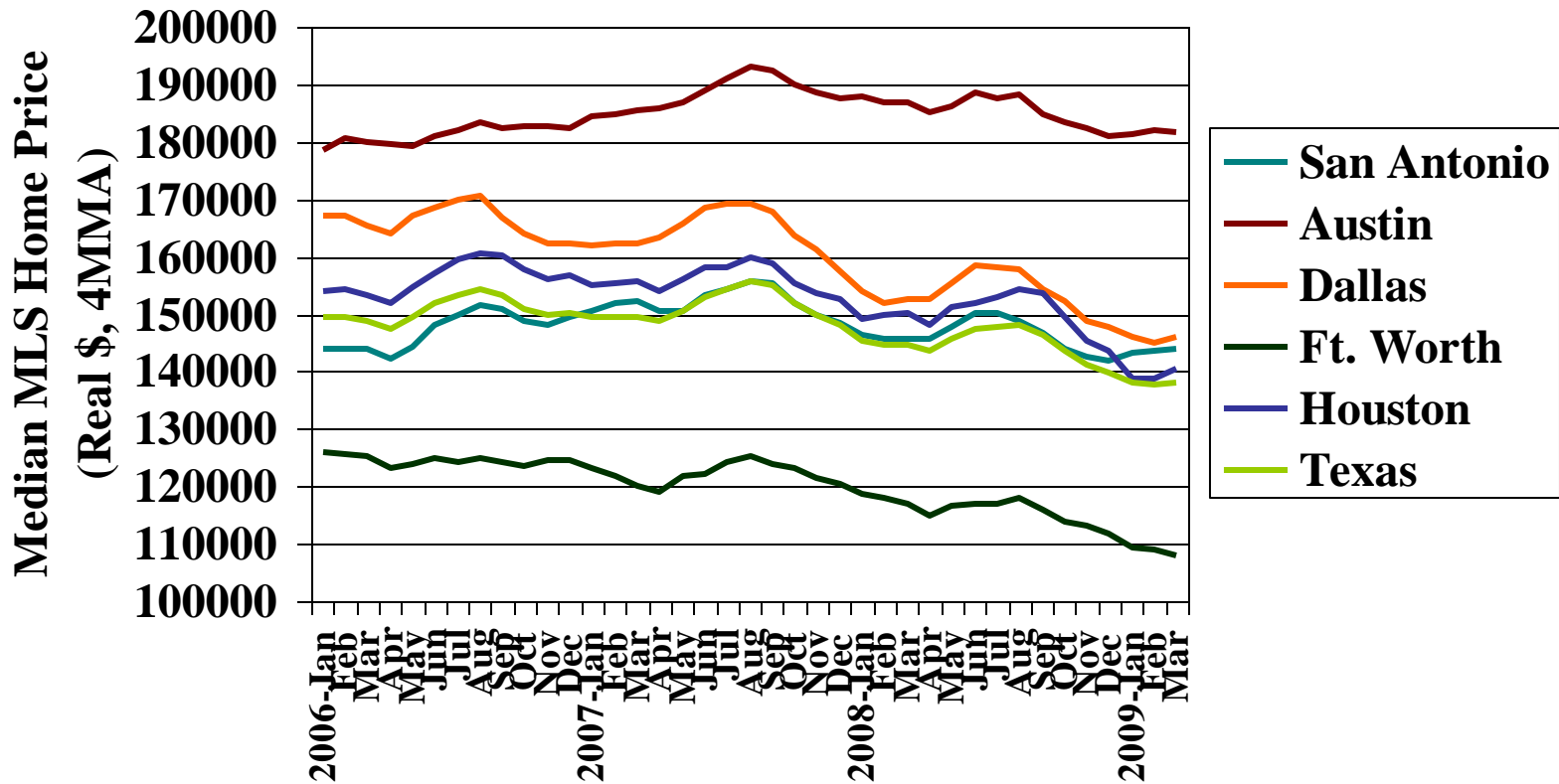
Source: Texas A&M Real Estate Center; SABER Institute

House Price Index

State: 1980Q1=100; MSA: 1995Q1=100

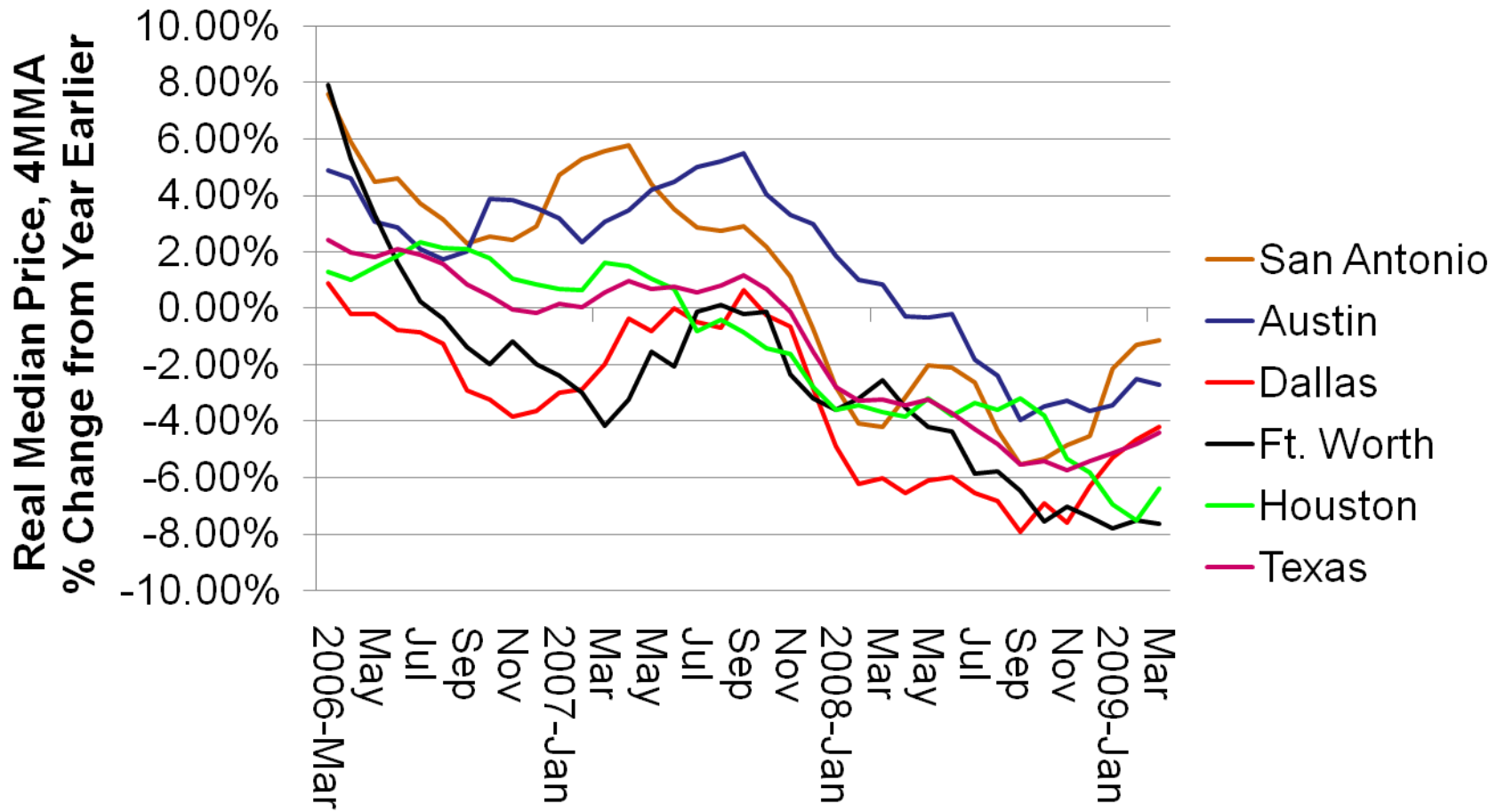


Austin was the only major metro area that experienced a decline in real median home prices from February to March



Source: Texas A&M Real Estate Center; National Association of Realtors; SABER Institute

Home prices began declining in Dec. 2007 in San Antonio and have declined every month since



Source: Texas A&M Real Estate Center; Change calculated by SABER Institute

PMI U.S. Market Risk IndexSM

4Q 2008

MSA	Risk Rank	Market Risk Index
Fort Lauderdale, FL	High	99.9
Riverside, CA	High	99.9
Miami, FL	High	99.9
Los Angeles, CA	High	99.9
Las Vegas, NV	High	99.8
Tampa, FL	High	99.7
Orlando, FL	High	99.6
Anaheim, CA	High	99.0
Jacksonville, FL	High	98.9
Phoenix, AZ	High	98.8
Austin, TX	Low	17.4
San Antonio, TX	Minimal	3.8
Houston, TX	Minimal	2.7
Dallas, TX	Minimal	2.5
Fort Worth, TX	Minimal	2.5

Source: David W. Berson, Ph.D. and Lavaughn M. Henry, Ph.D. "Economic Real Estate TrendsSM". PMI Mortgage Insurance Co.

Risk rank is a five-level scale from high to minimal. Market Risk Index gives the percent probability that house prices will be lower in two years.

Conclusion

- Has the economy hit bottom? No
- Recovery begin end 2009/beginning 2010
- U or V or W or L
- Unemployment push towards 10% nationally, 7% locally
- SA lag about year going into recession but begin recovery simultaneous with US economy