

America's Manufacturers are the Best Hope for an Economic Rebound

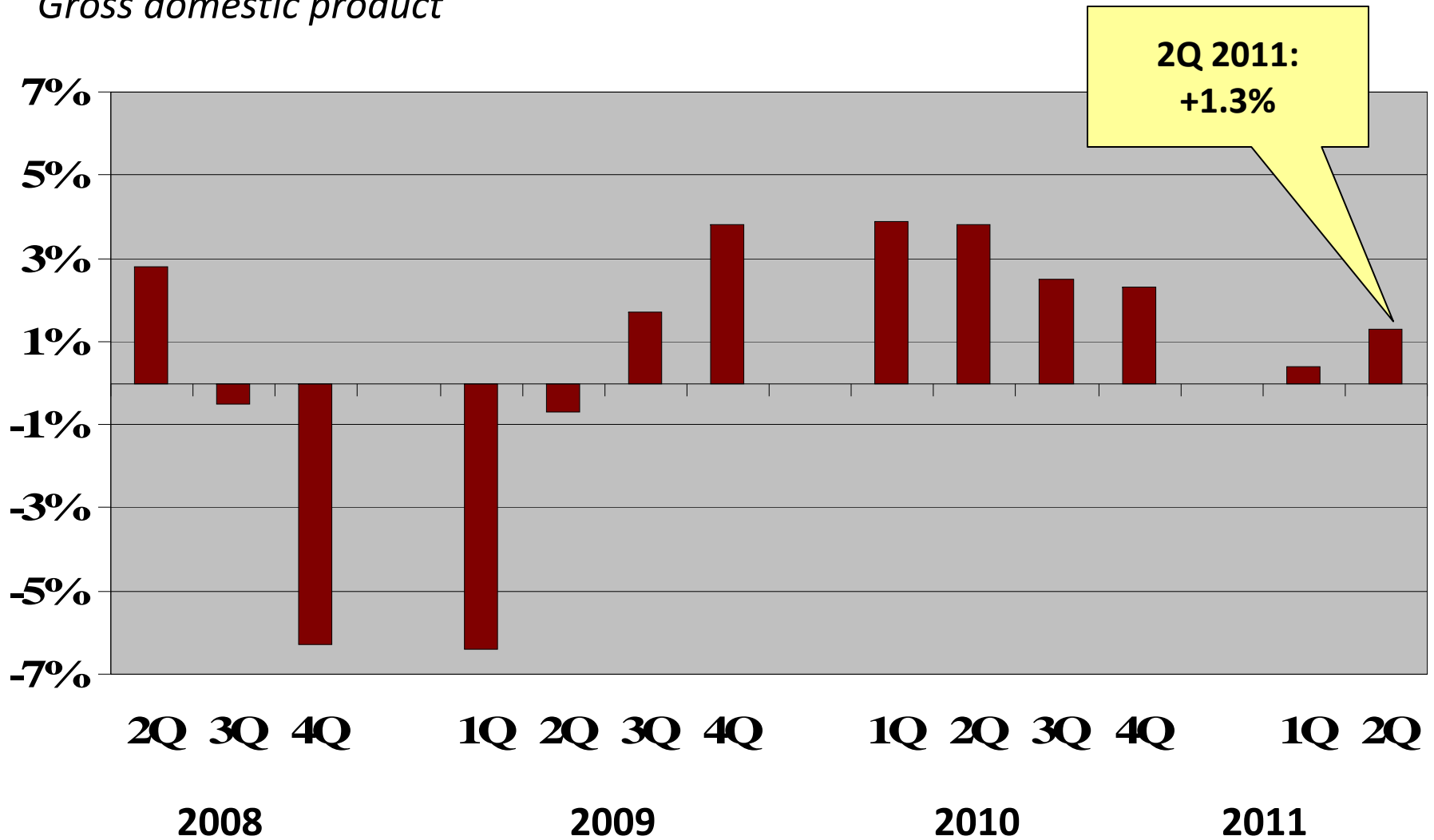
Bernard L. Weinstein, Ph.D.
Cox School of Business
Southern Methodist University

Presentation to CIBO 33rd Annual Meeting
Fort Lauderdale, Florida

October 13, 2011

Real Economic Growth

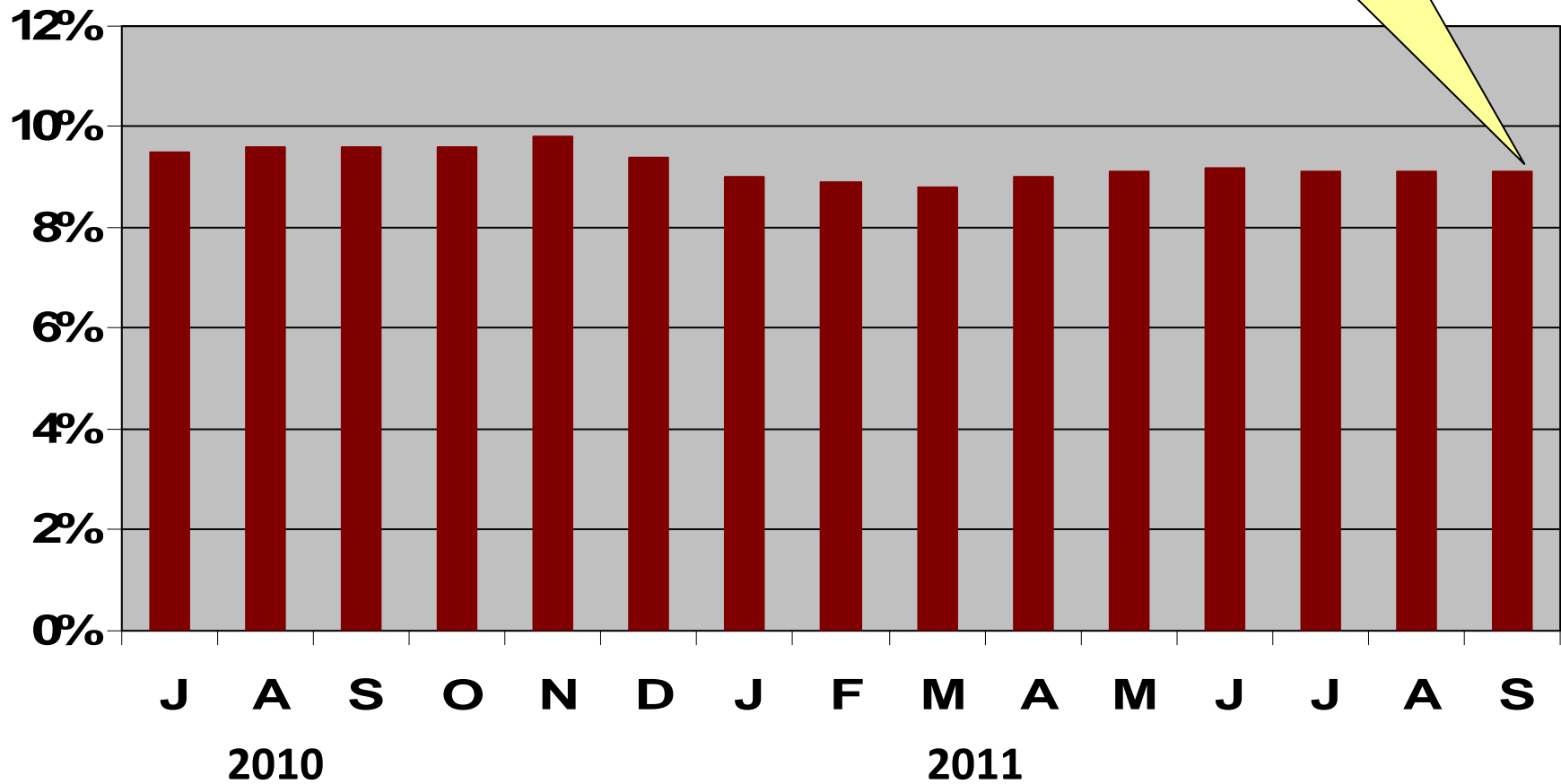
Gross domestic product



Source: Commerce Department

U. S. Jobless Rate

In percent, seasonally adjusted:

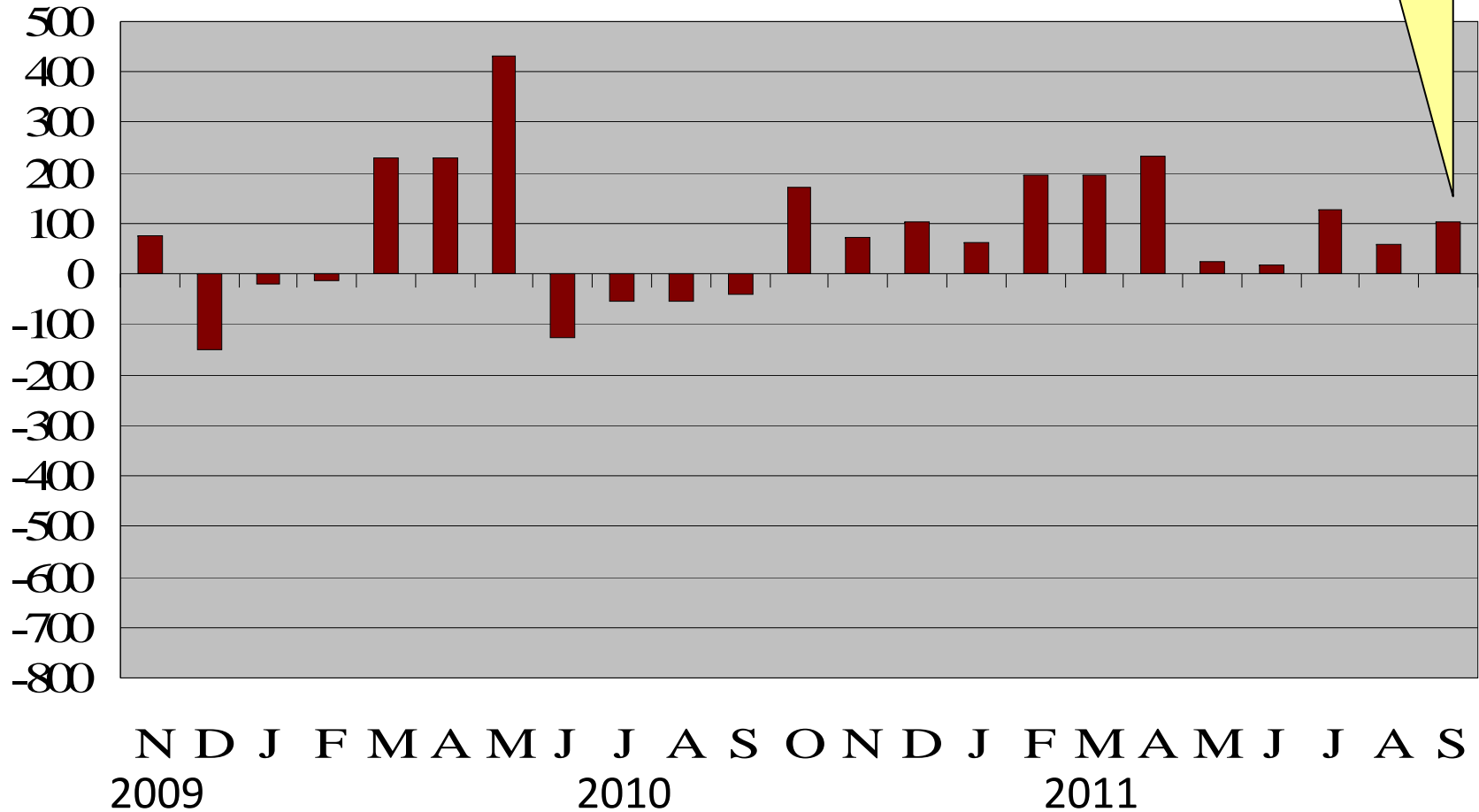


Source: U.S. Department of Labor

Nonfarm Payrolls

Monthly change, in thousands

Sept. '11:
103,000

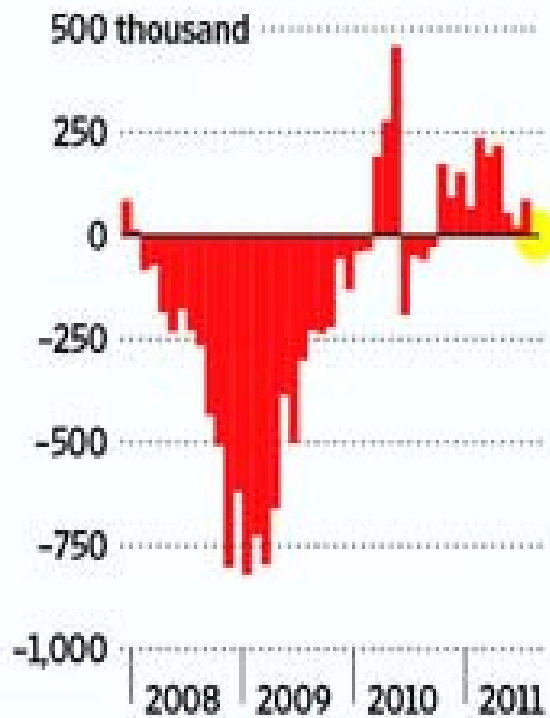


Source: Labor Department

Summer Stall | Slow employment growth strains already-fragile economy

Monthly net change in nonfarm payrolls

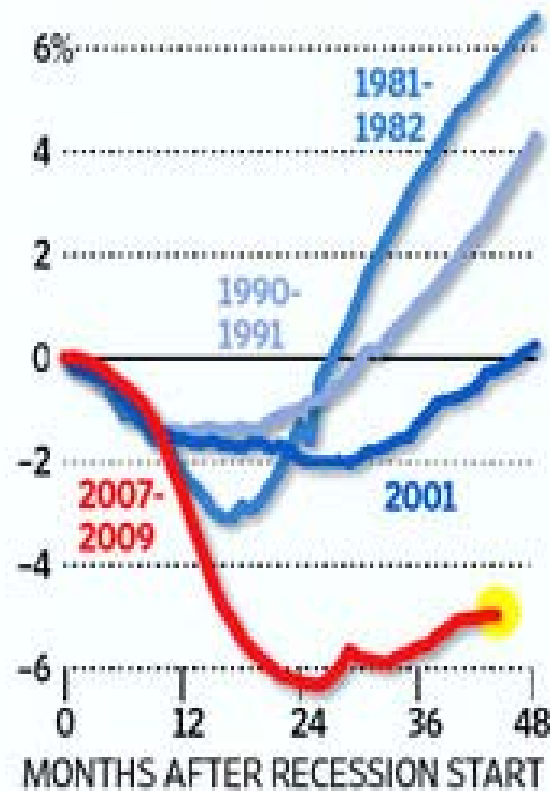
AUGUST | NO CHANGE



Note: All data seasonally adjusted

Cumulative change in nonfarm payrolls since each recession began

AUGUST | -5.0%



Employment-to-population ratio

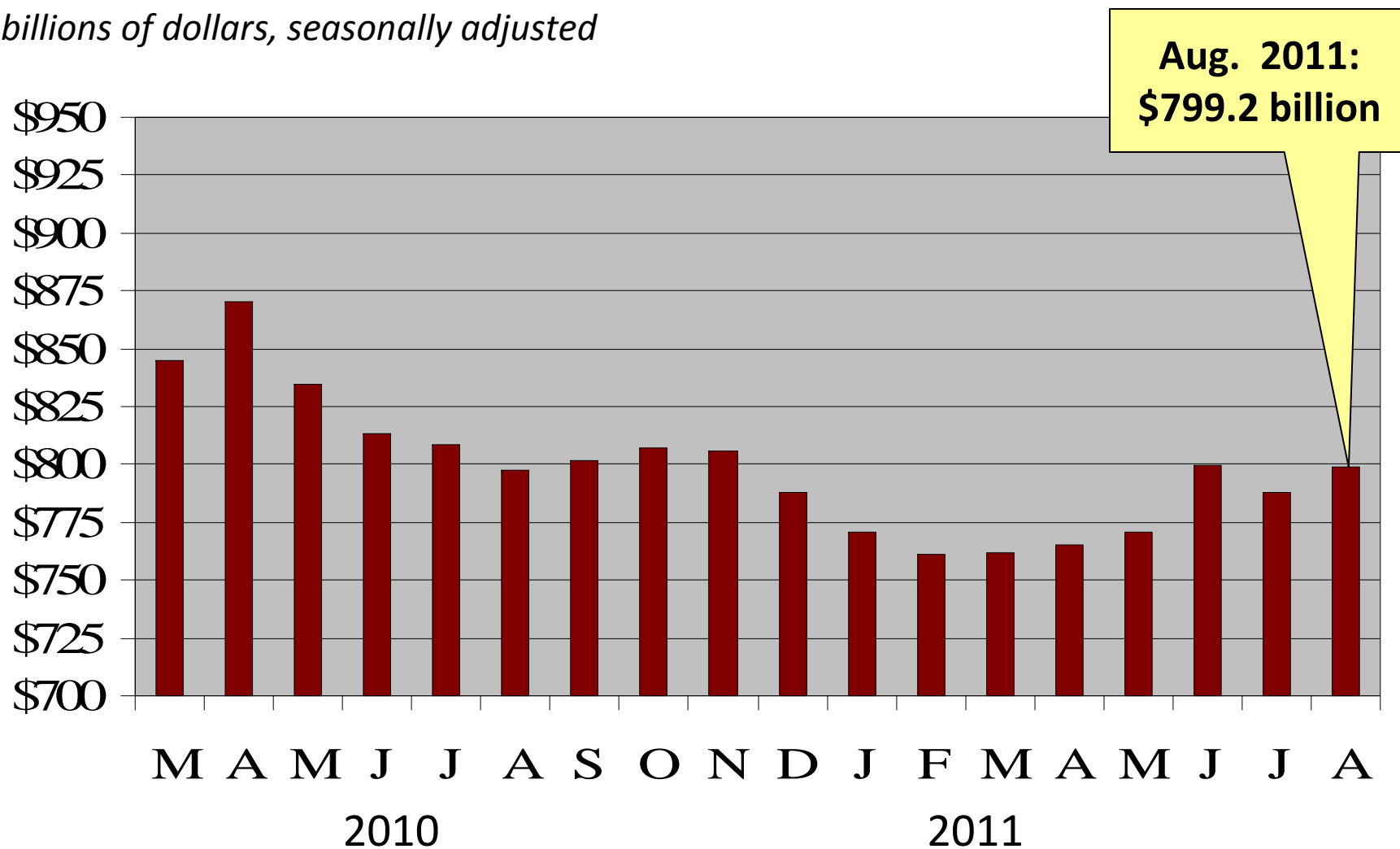
AUGUST | 58.2%



Source: Labor Dept. via Moody's Analytics

Construction Spending

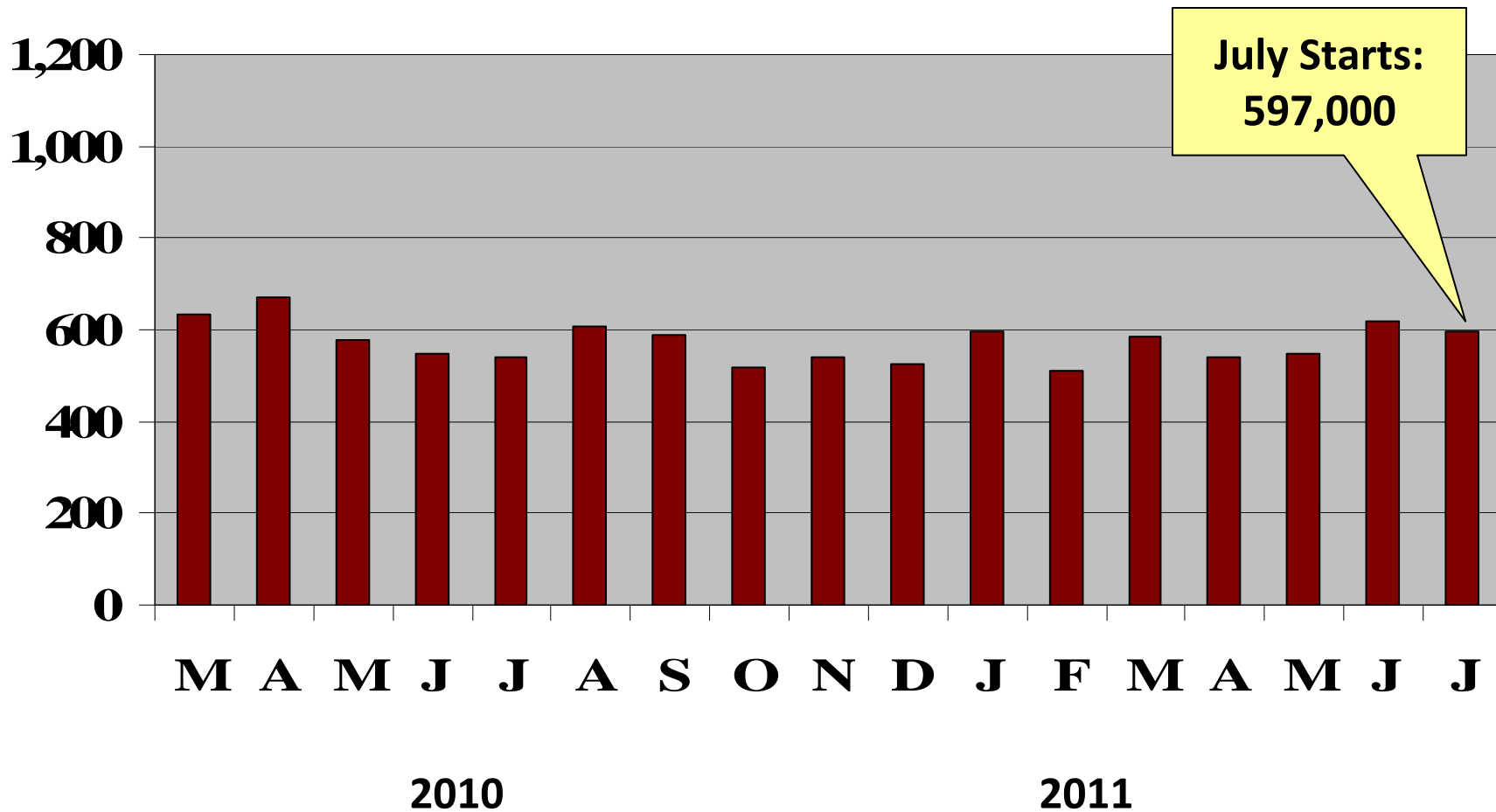
In billions of dollars, seasonally adjusted



Source: Commerce Department

Housing Starts

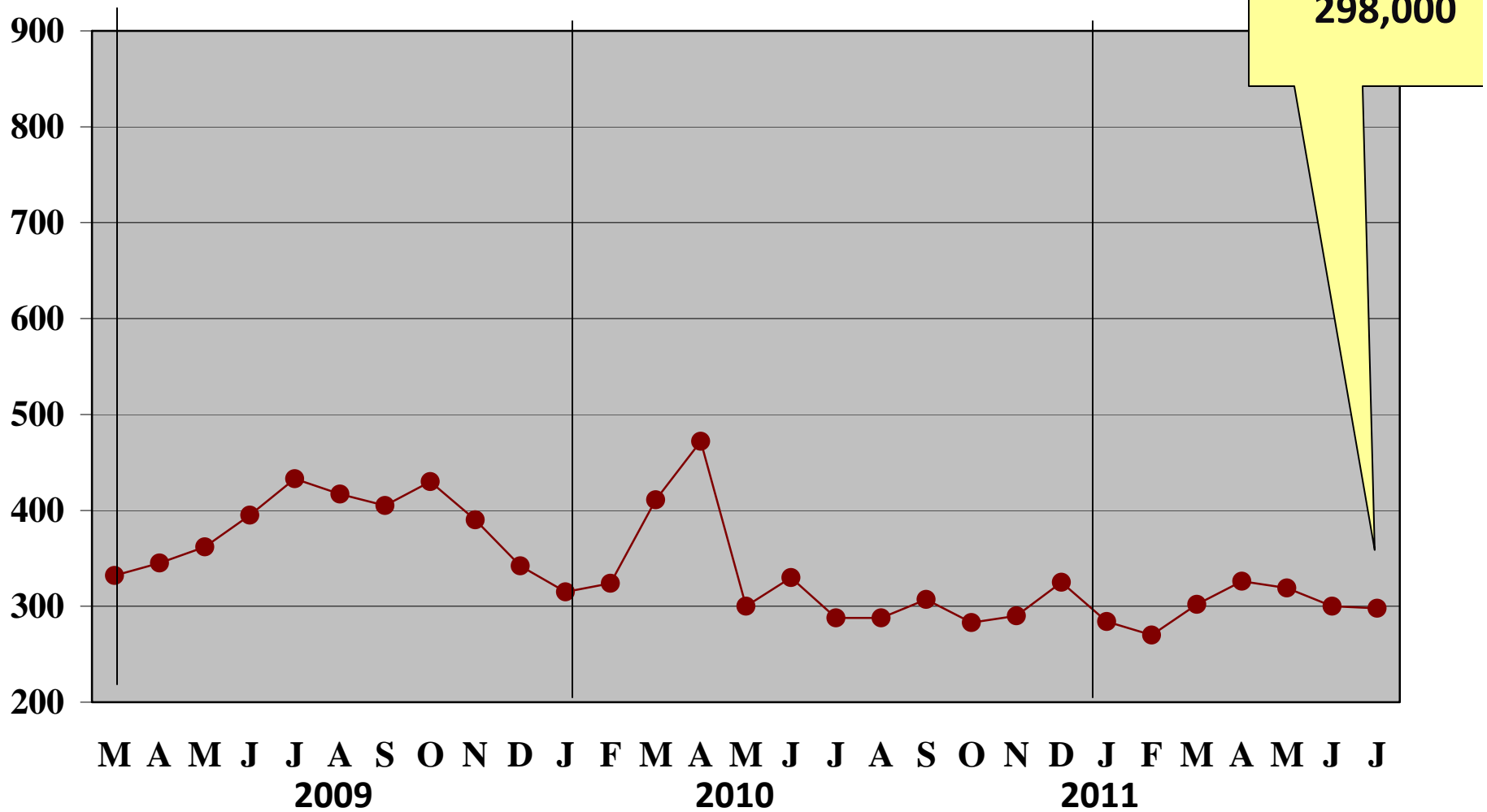
New private housing starts during the month, in thousands, at seasonally adjusted annual rates.



Source: Dept. of Commerce; Dept. of H.U.D.; Census Bureau

New-Home Sales

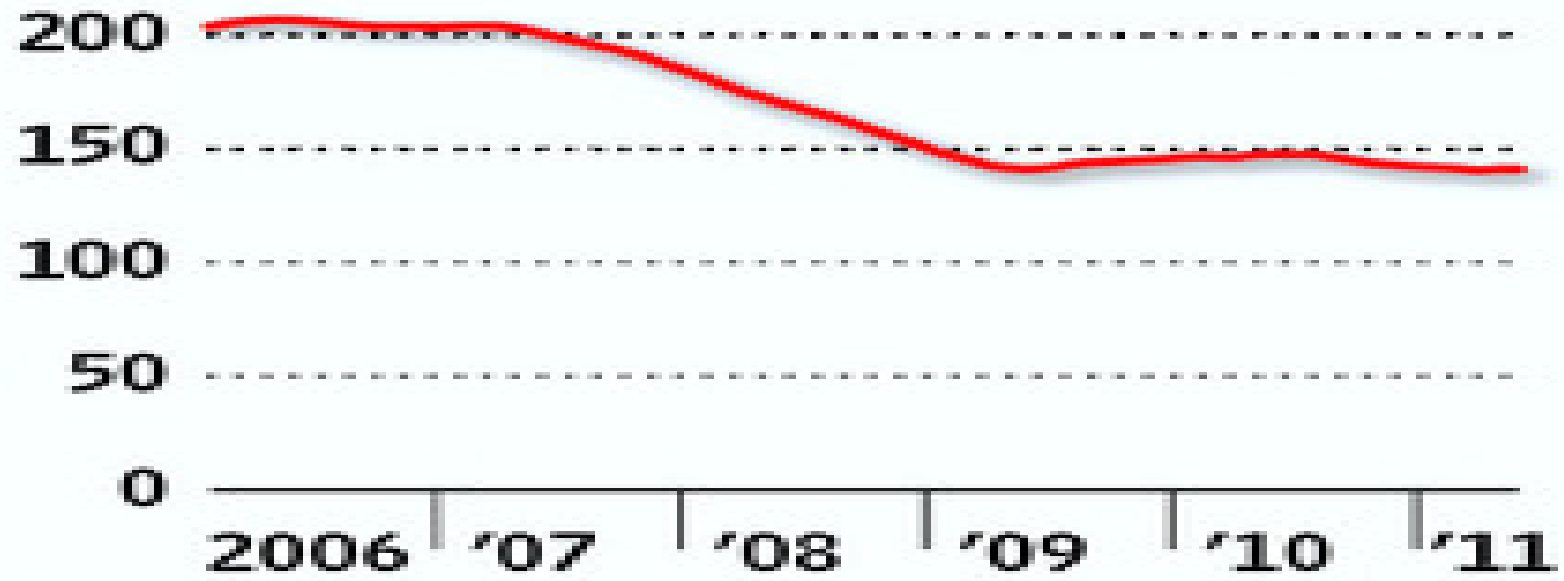
Single-family homes (in thousands)



Source: Commerce Department

Trading Down

S&P/Case-Shiller 20-city home-price index, seasonally adjusted



Source: Standard & Poor's and Fiserv

Steady drop

Dallas-area home prices are down 9 percent from their peak, but that is the lowest drop among the study's 20 markets. The following shows the percentage change in home prices in December 2010 compared with a year earlier in each market and the total decline since their peak.

City	Percentage change from a year earlier	Percentage change since peak
Dallas	-3.6%	-9%
Denver	-2.4%	-12%
Boston	-0.8%	-17%
Charlotte	-4.4%	-17%
Cleveland	-4.0%	-19%
New York	-2.3%	-22%
Portland	-7.8%	-26%
Washington	4.1%	-26%
Atlanta	-8.0%	-27%
Seattle	-6.0%	-28%
Chicago	-7.4%	-30%
Minneapolis	-5.3%	-31%
<i>Composite-20 city</i>	-2.4%	-31%
San Diego	1.7%	-36%
Los Angeles	-0.2%	-38%
San Francisco	-0.4%	-38%
Tampa	-6.2%	-45%
Detroit	-9.1%	-48%
Miami	-3.7%	-49%
Phoenix	-8.3%	-54%
Las Vegas	-4.7%	-58%

SOURCES: Standard & Poor's and Fiserv

BETSY BOCK/Staff Artist

Underwater Living

Share of Fannie Mae mortgages with a balance that exceeds the home's value

U.S.



Arizona



California



Florida



Nevada



Source: Fannie Mae



TOM'S SHELL

*Self
Serve*

*Cash or
Credit*

Regular

ARM 9

Plus

LEG 9

Premium

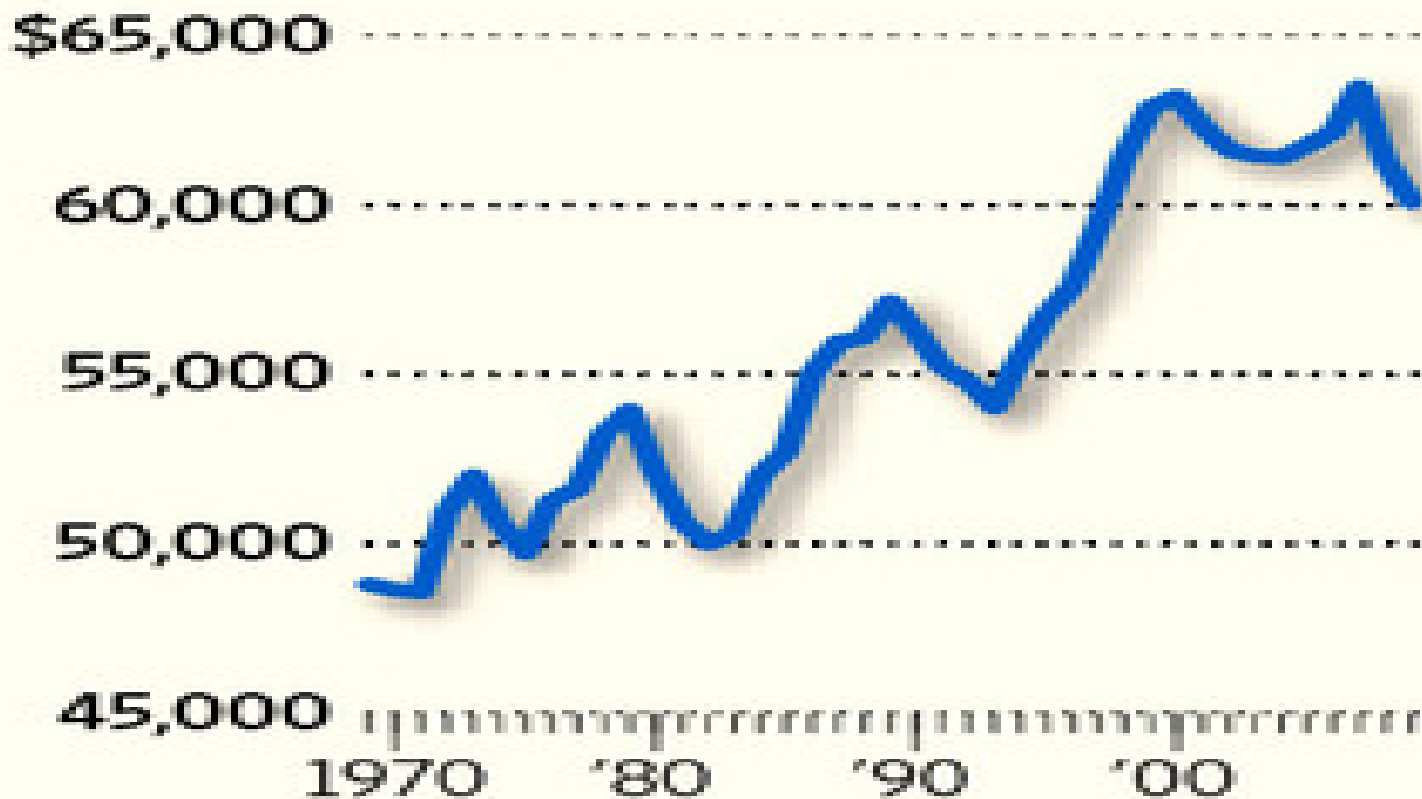
**First 9
Born**

STAHLER.
THE COLUMBUS DISPATCH
2011



Falling Behind

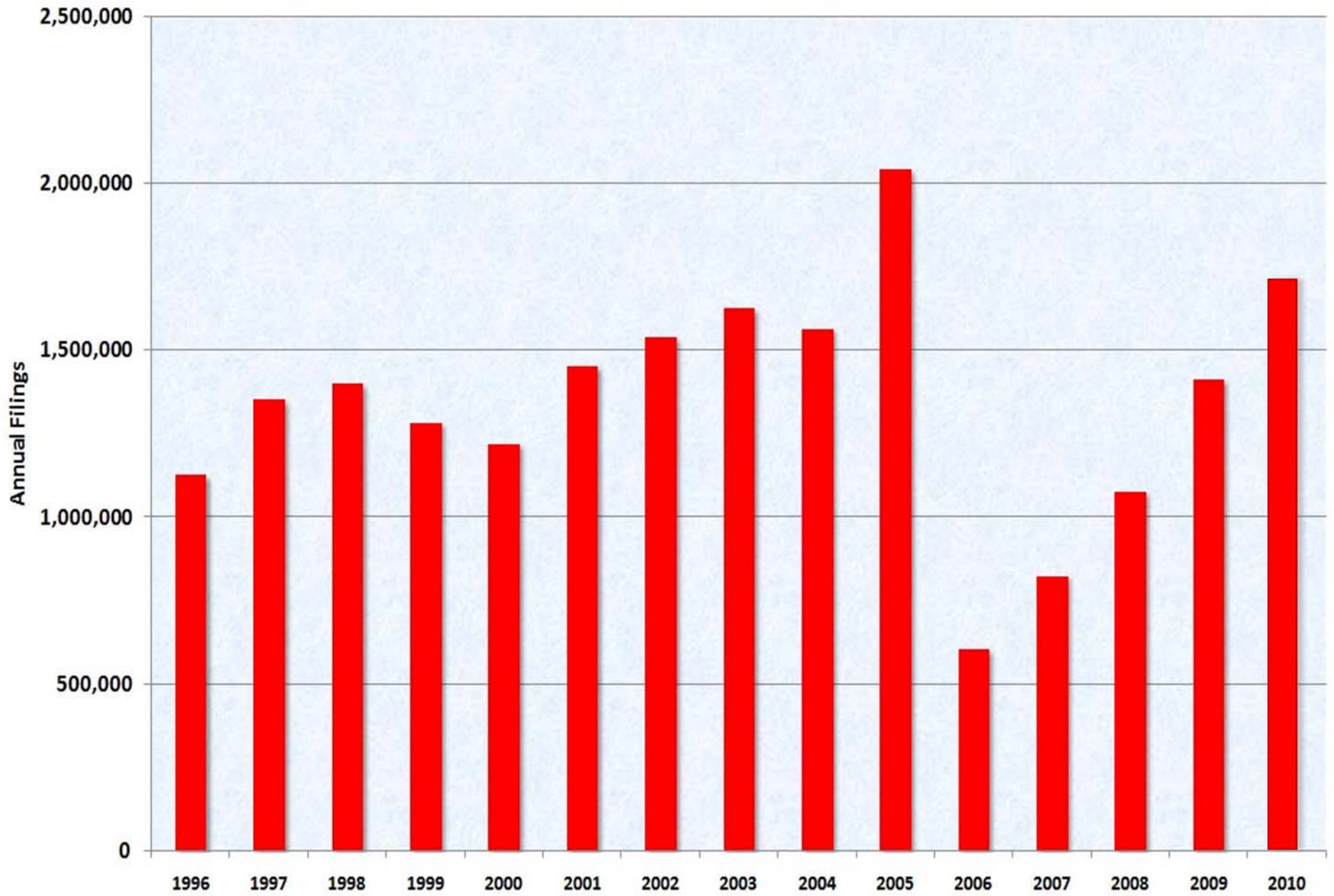
Median household income*



*Adjusted for inflation

Source: U.S. Census Bureau

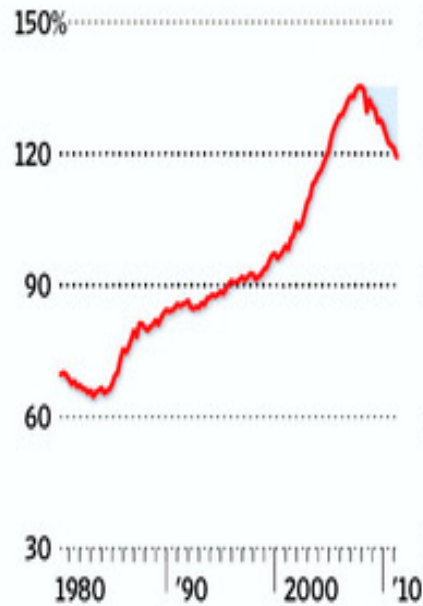
Non-Business Bankruptcy Filings



How Far Along Is the Great Deleveraging?

Household debt loads are shrinking...

Household debt as percentage of after-tax income



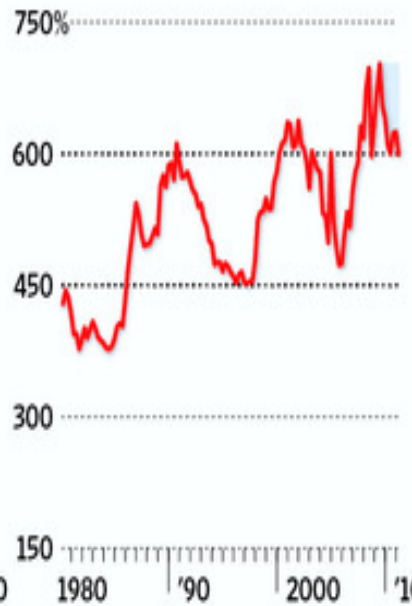
...but housing debt still weighs heavy.

Mortgage debt as a share of home values



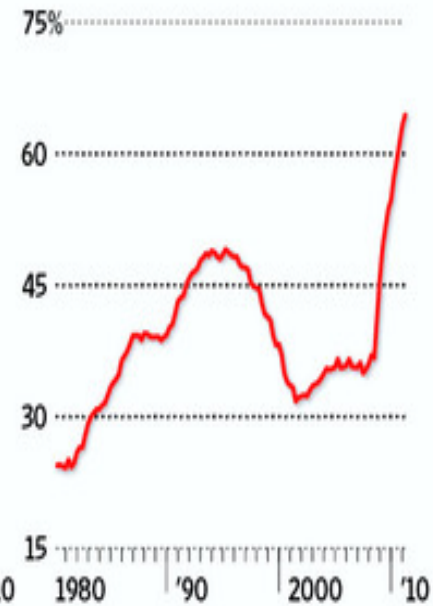
Corporate debt isn't a problem...

Nonfinancial corporate debt as a percentage of cash flow



...but the federal government has borrowed a lot.

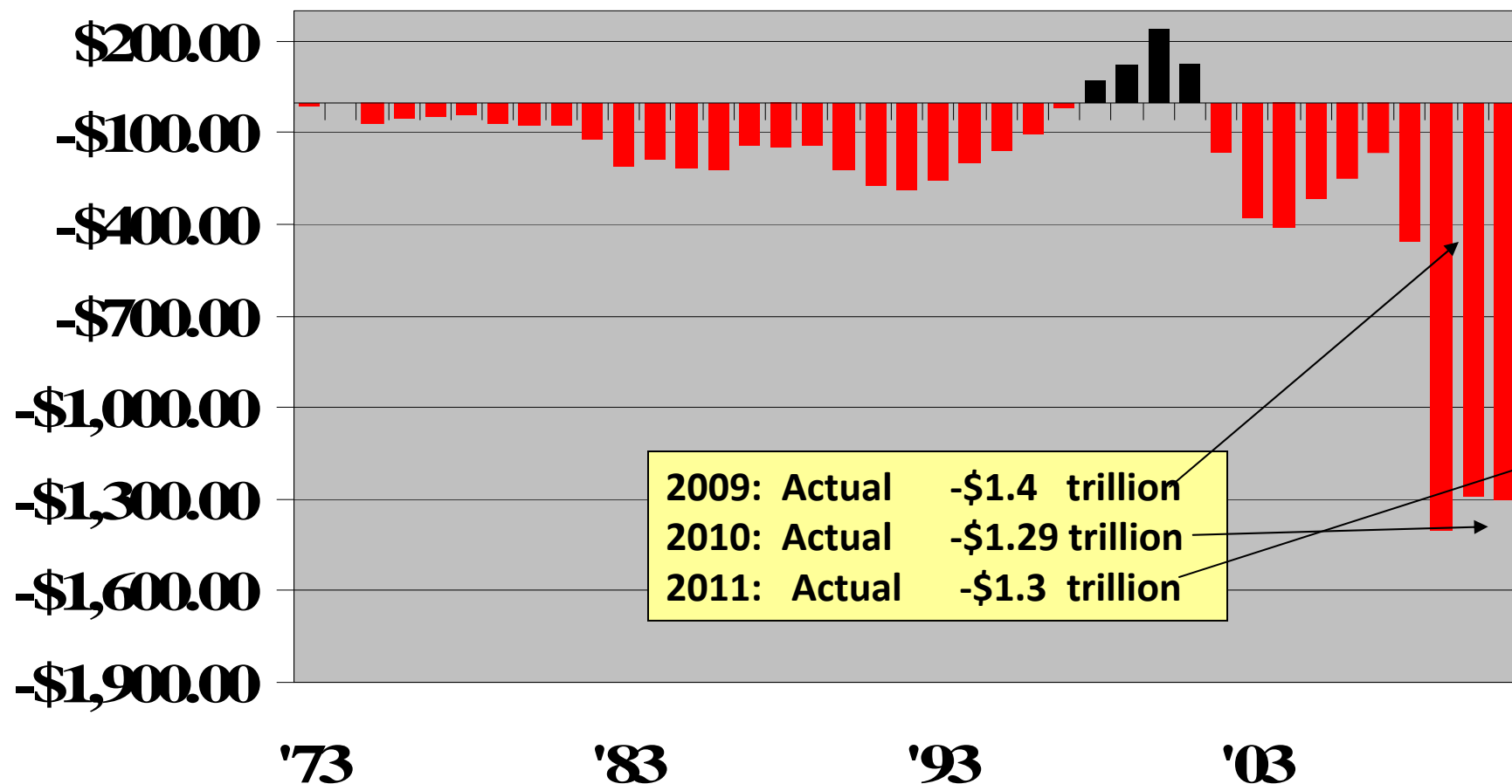
Debt owed to the public as percentage of GDP



Source: Federal Reserve

Budget Deficit

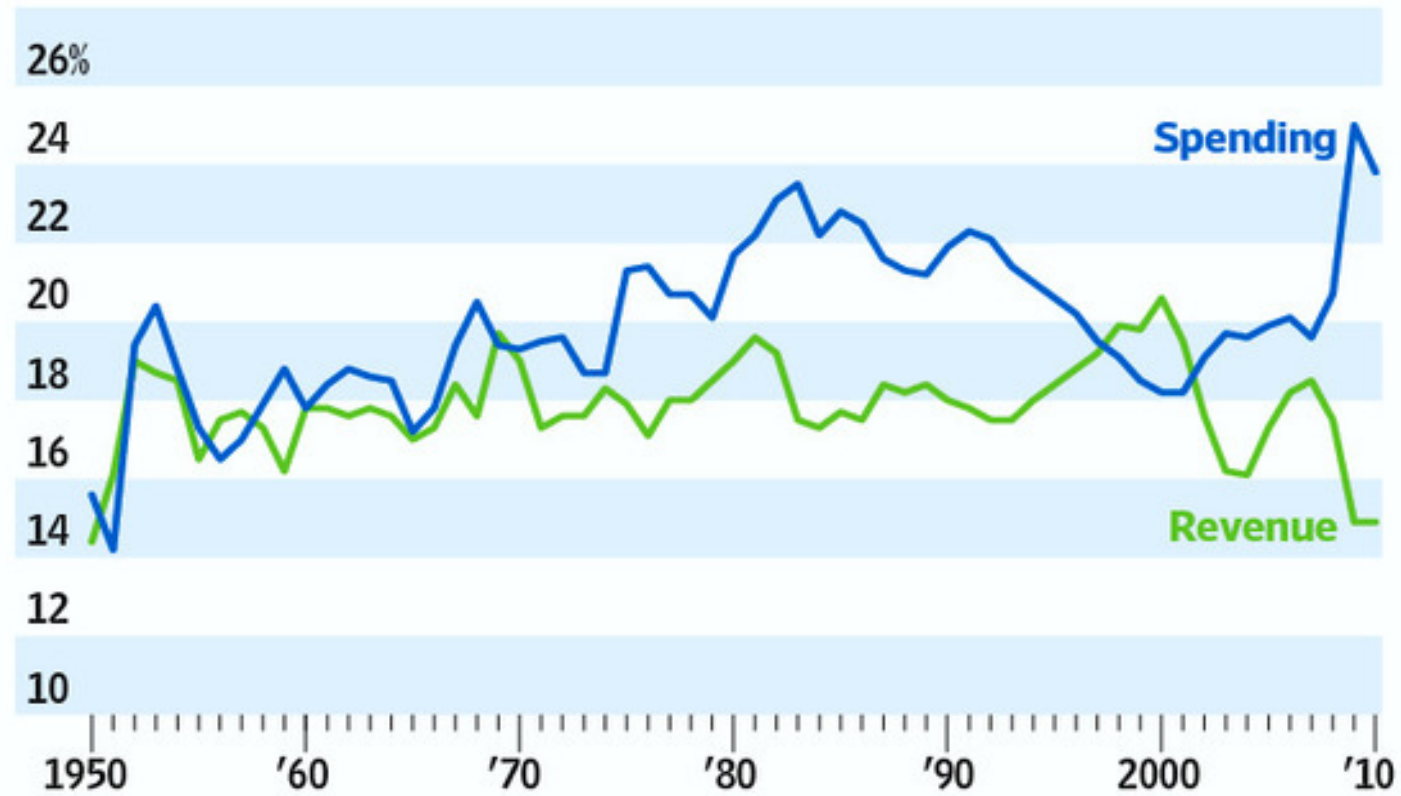
In billions of dollars



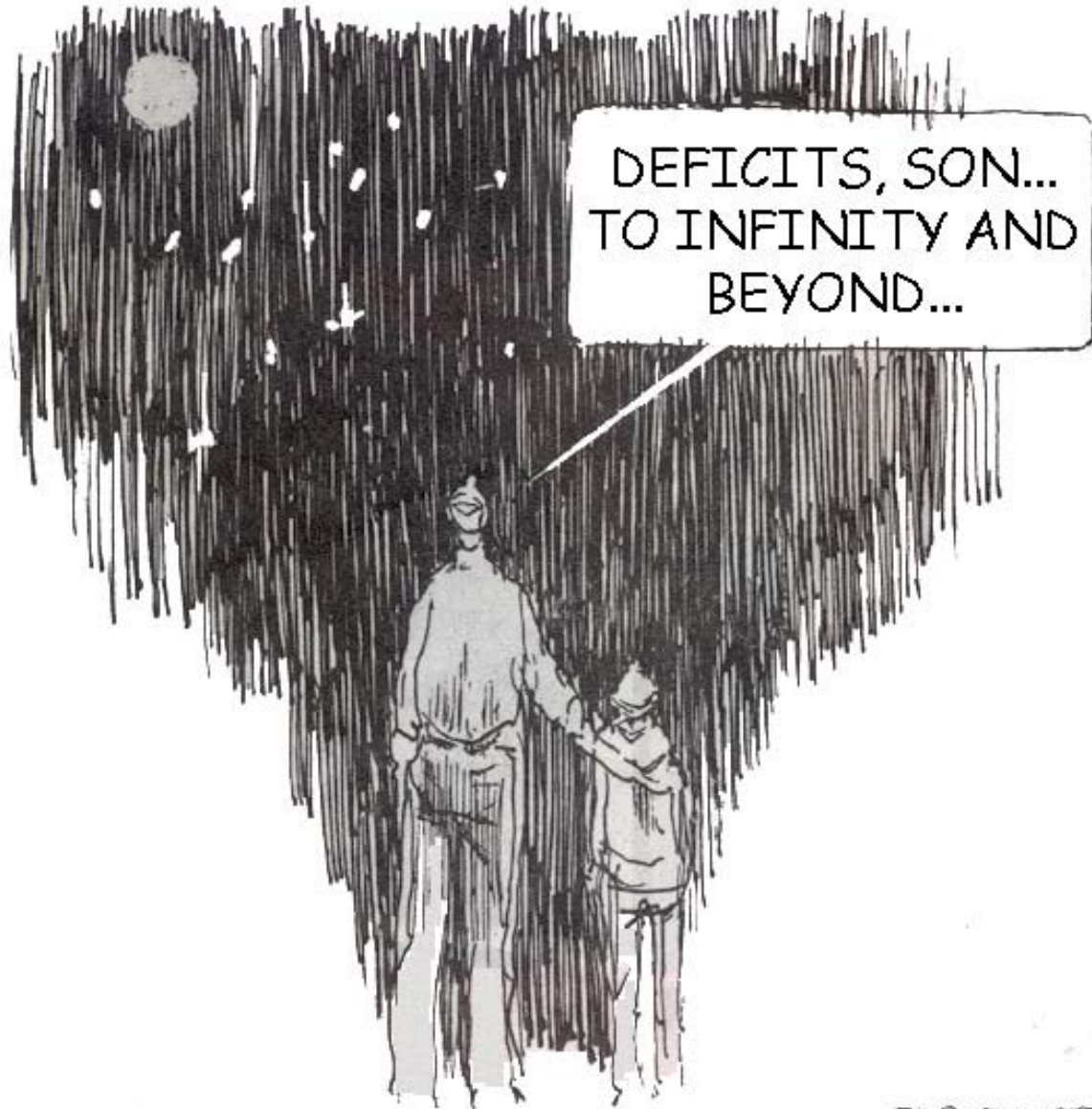
Source: Office of Management and Budget, White House projections

The Big Disconnect

Federal government spending and revenue as a percentage of gross domestic product



Source: Office of Management and Budget

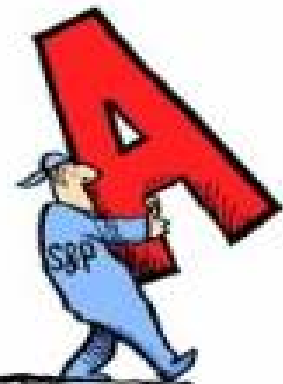


DEFICITS, SON...
TO INFINITY AND
BEYOND...

DOWNGRADED...

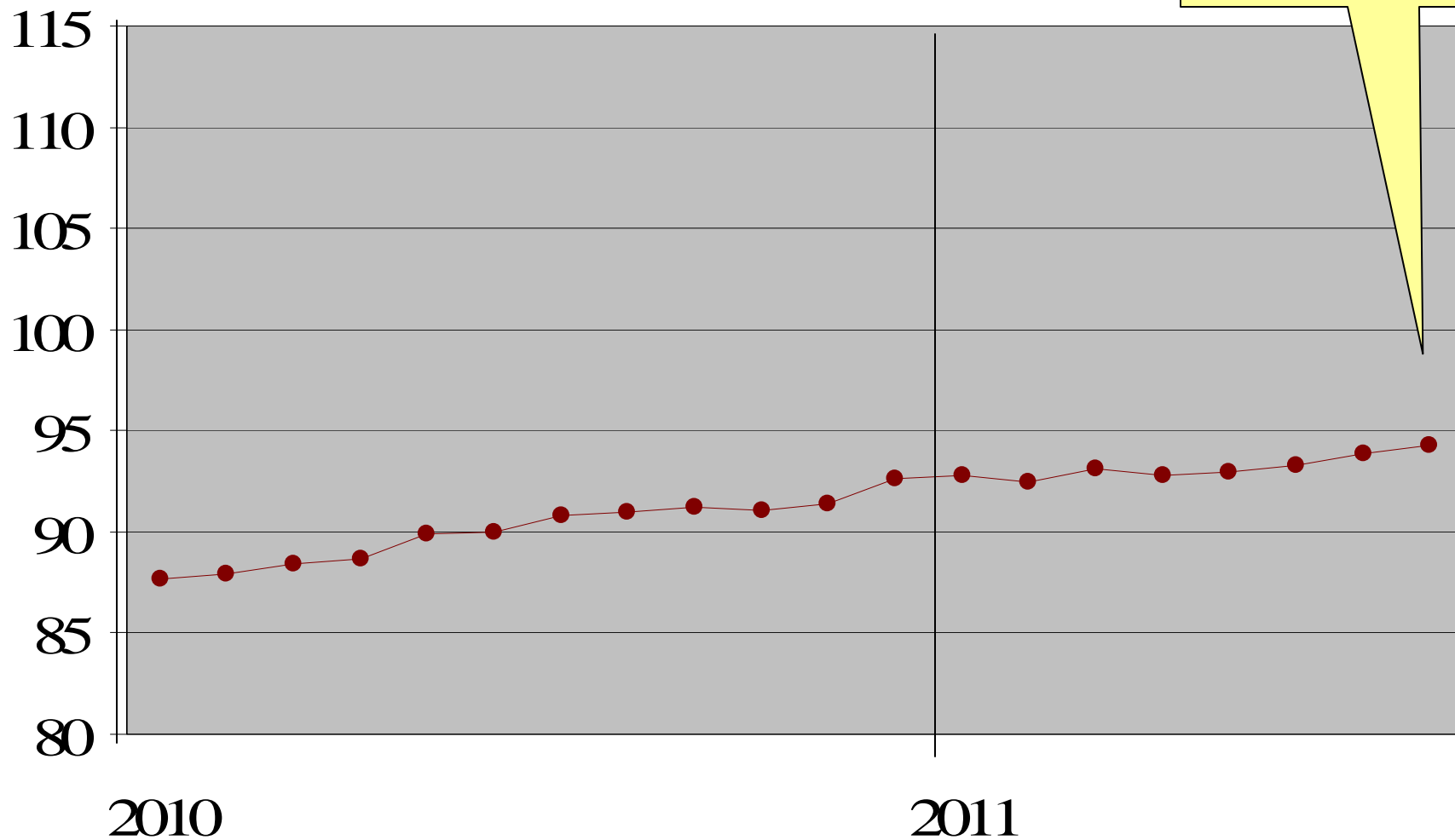
STAHLER.
THE COLUMBUS DISPATCH
2011

US



Industrial Production

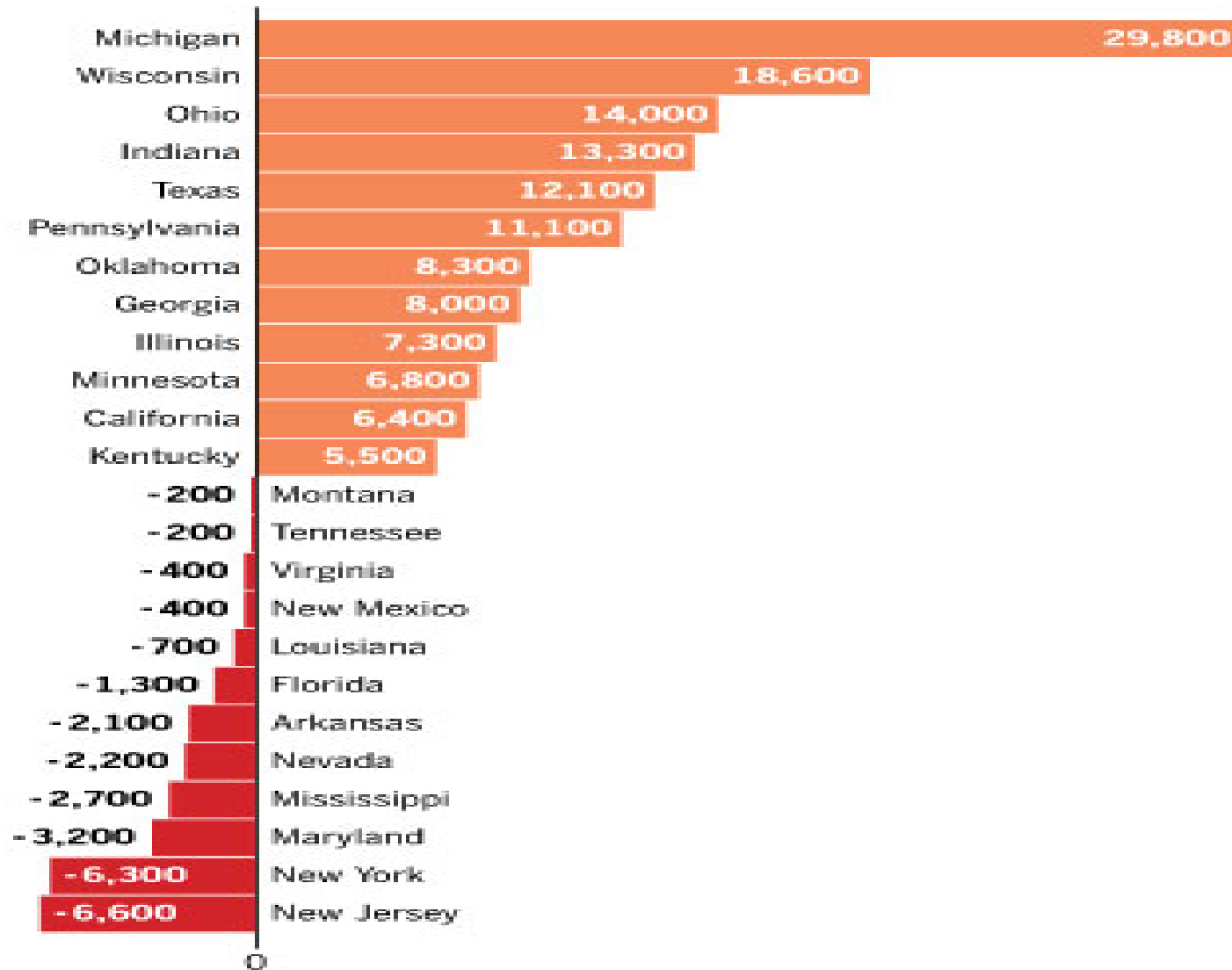
Index, 2007=100, seasonally adjusted



Source: Federal Reserve Board

Change in manufacturing employment

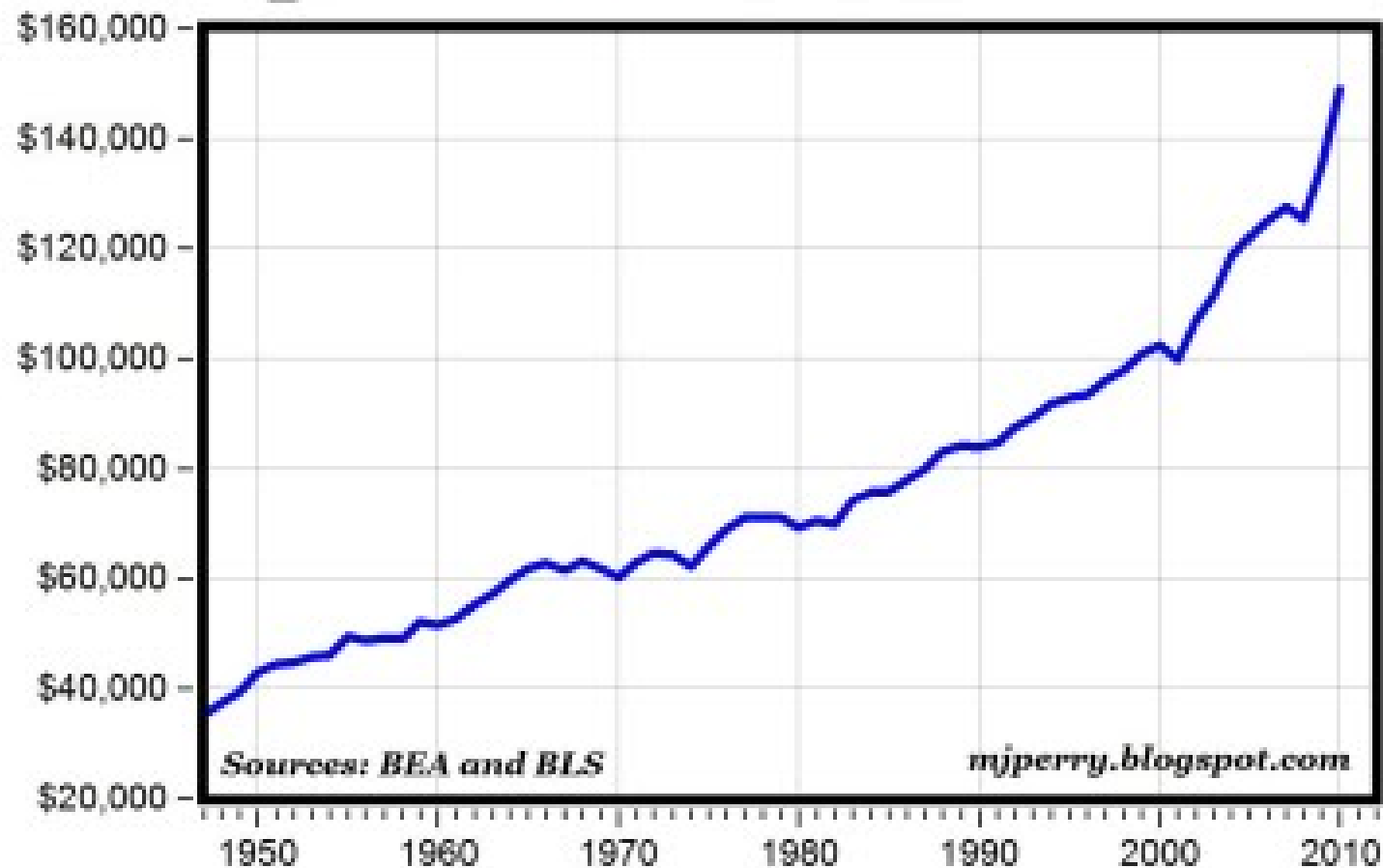
March 2010–March 2011 (seasonally adjusted)



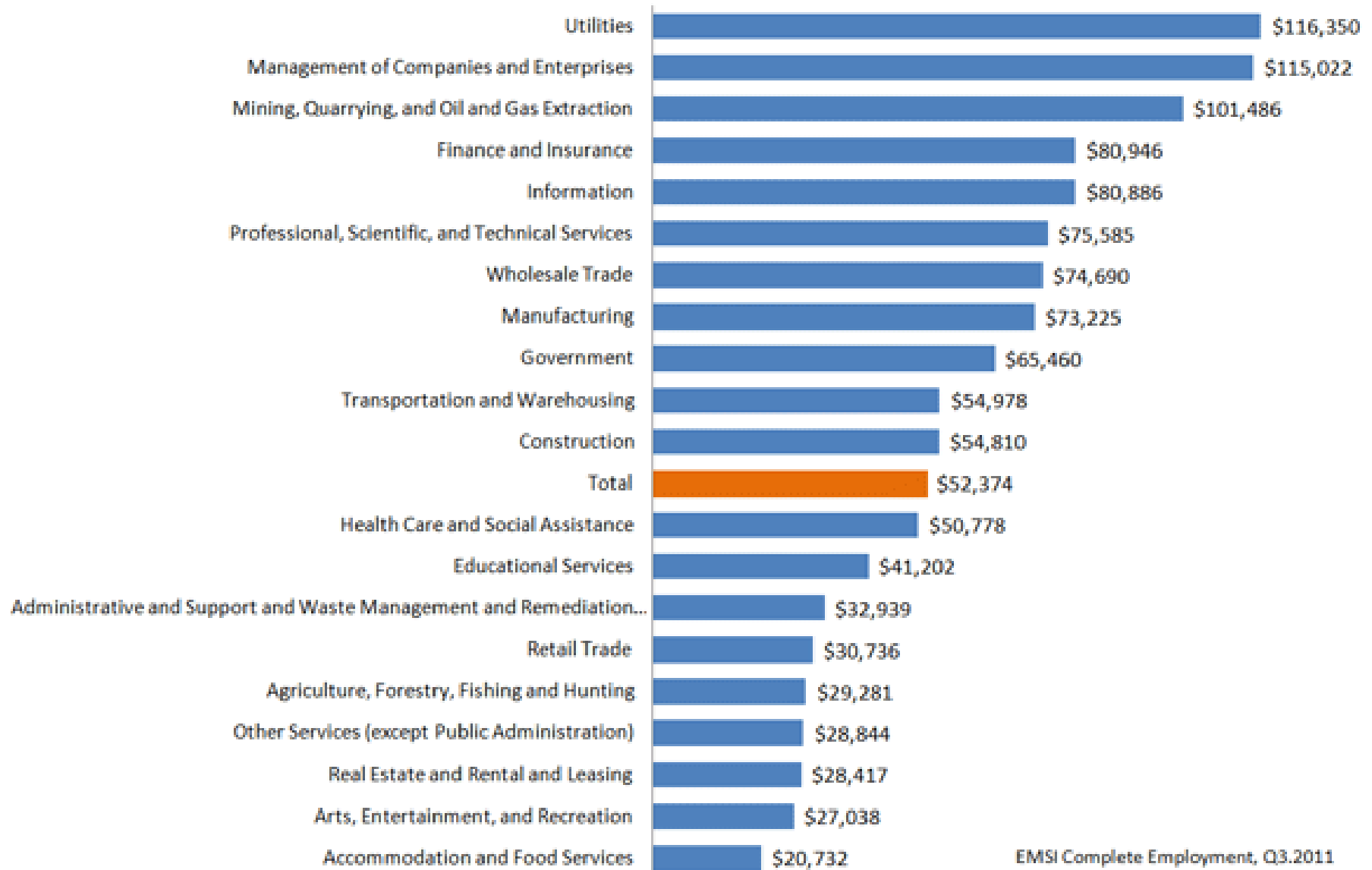
Source: Bureau of Labour Statistics

Real Manufacturing Output per Worker, 1947 to 2010

2010 Dollars

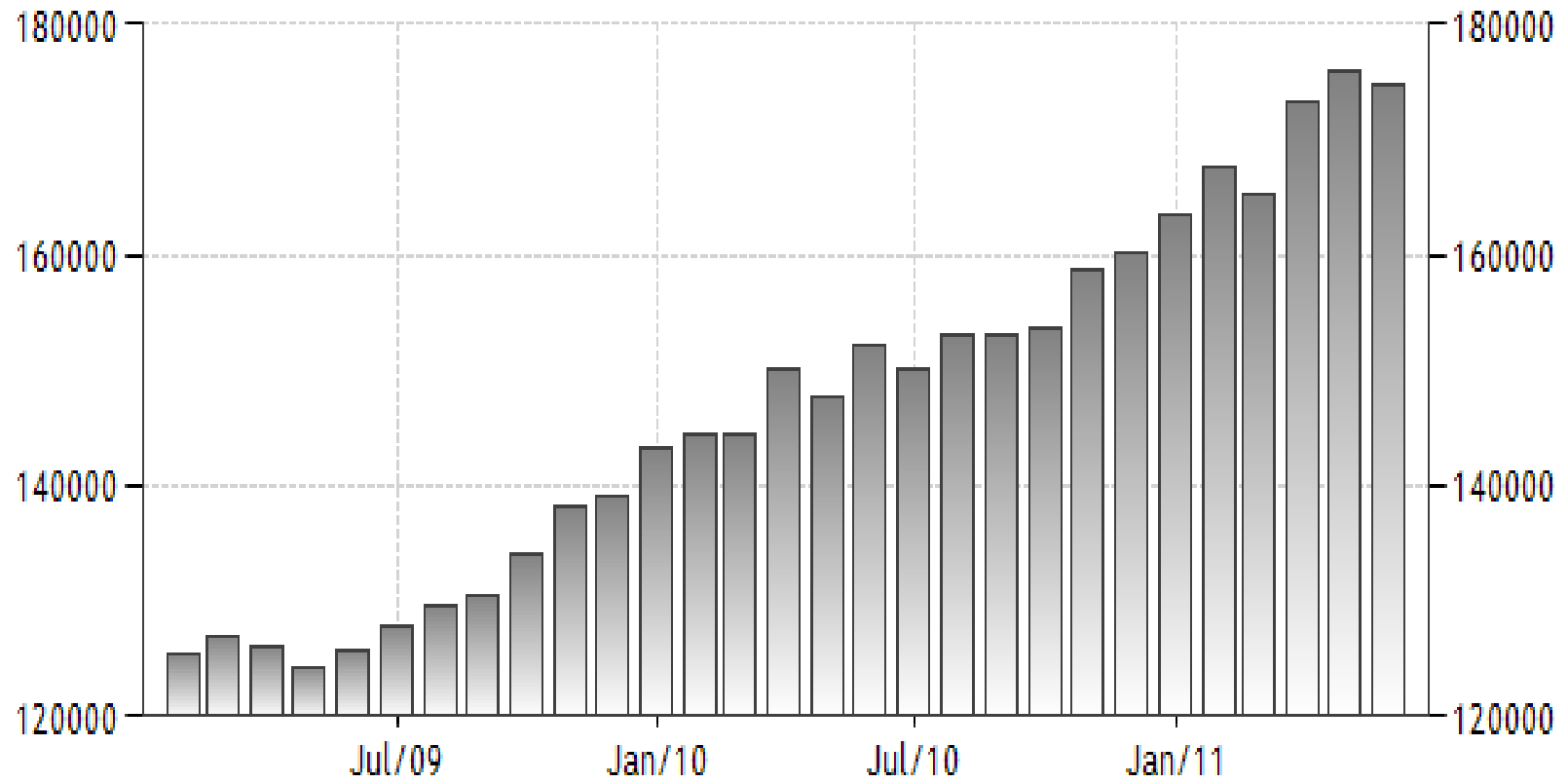


Average Annual Earnings, U.S. Supersectors, 2011



EMSI Complete Employment, Q3.2011

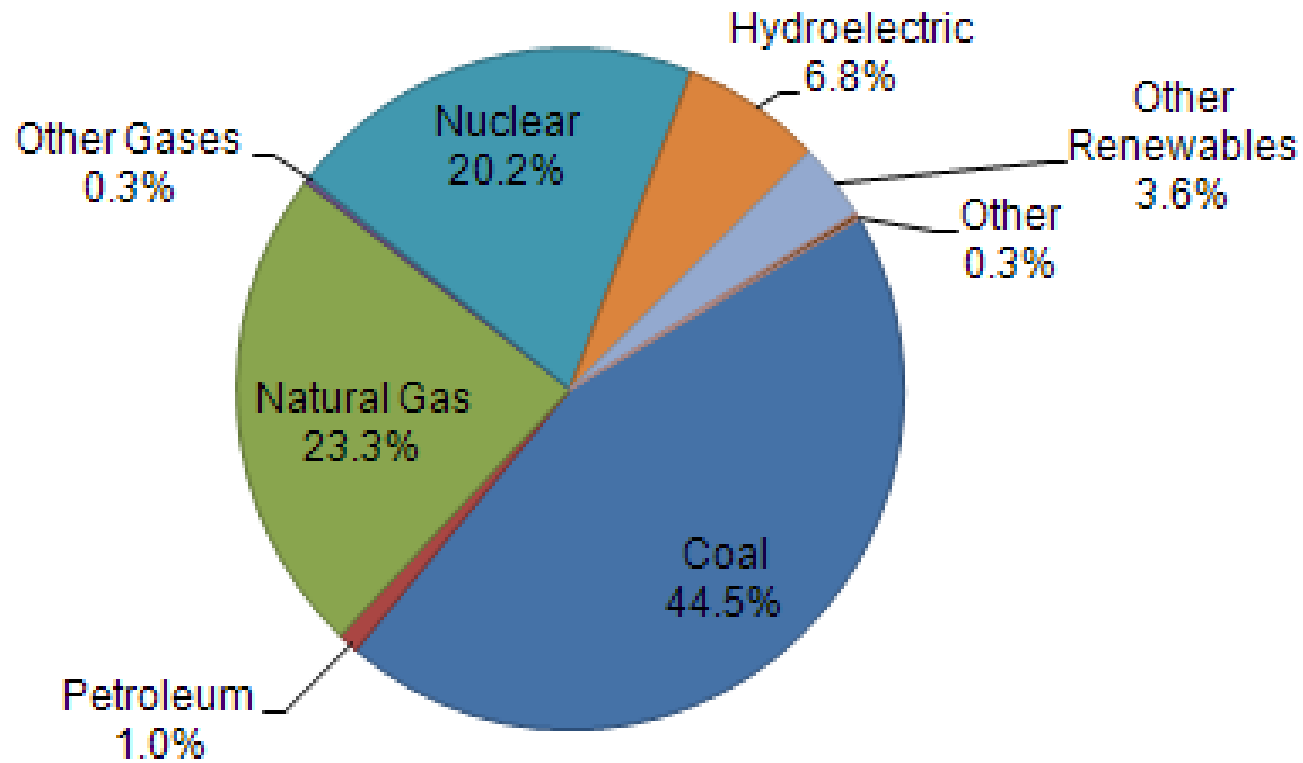
UNITED STATES EXPORTS



source: TradingEconomics.com; U.S. Census Bureau

Composition of U.S. Power Supply

Total = 3,950 billion kWh



Electric Utility Plants = 60.1%

Independent Power Producers and Combined Heat and Power Plants = 39.9%

EMPLOYMENT IN ENERGY-INTENSIVE INDUSTRIES

<u>Rank</u>	<u>Industry</u>	<u>Total Direct Employment</u>
<u>(2006)</u>		
1	Iron and steel mills	96,100
2	Pulp, paper and paperboard	136,700
3	Basic chemicals	147,500
4	Lime, gypsum and other nonmetallic	98,300
5	Petroleum and coal products	138,000
6	Glass and glass products	108,100
7	Clay products and refractories	66,000
8	Textiles, fabric finishing and coating	59,500
9	Cement and concrete	250,100
10	Alumina and aluminum	72,700
TOTAL		1,173,000

Source: Bureau of Economic Analysis, U.S. Department of Commerce

Employment Multipliers in Energy-Intensive Manufacturing

Pulp Mills 9.7

Mining Iron Ore 6.6

Petroleum Refineries 36.3

Iron and Steel Mills and Ferroalloy
Manufacturing 12.3

Conservative Average Multiplier = 8

1,173,000 X 8 = 9,384,000 additional jobs

Multipliers Work in Both Directions

10 percent job loss: 117,300

Total job loss with multiplier: 938,400

BusinessWeek

**WHAT
GOOD
ARE**

Economists

ANYWAY

