

# Regional Economic Fallout

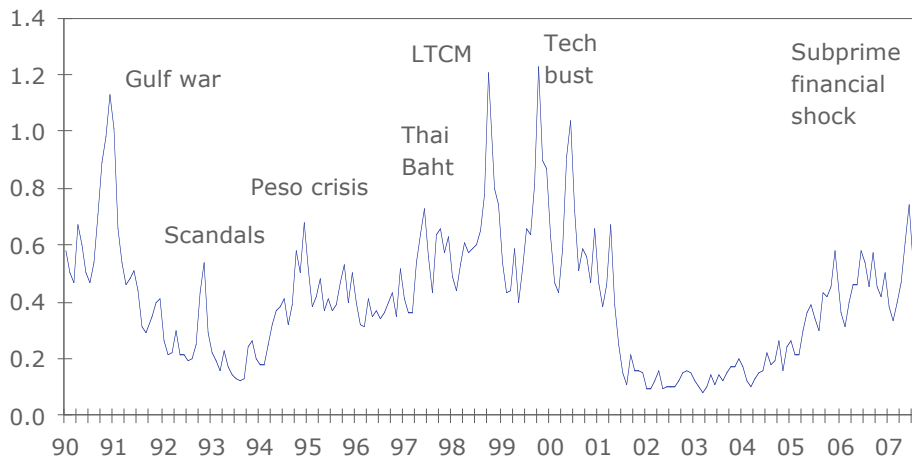
Presented by:  
**Mark McMullen**  
Director of Government Consulting

FTA Revenue Estimating Conference  
September 17, 2007



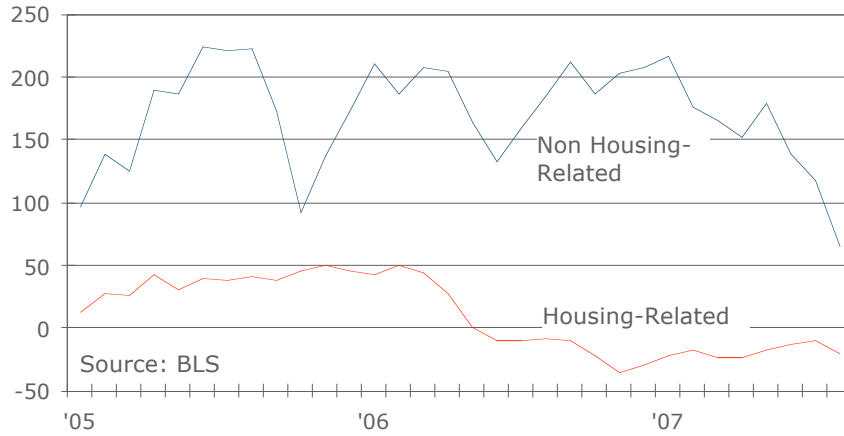
## A Major Financial Shock

**TED spread, difference between 3 mo. Euro \$ and T-Bill**

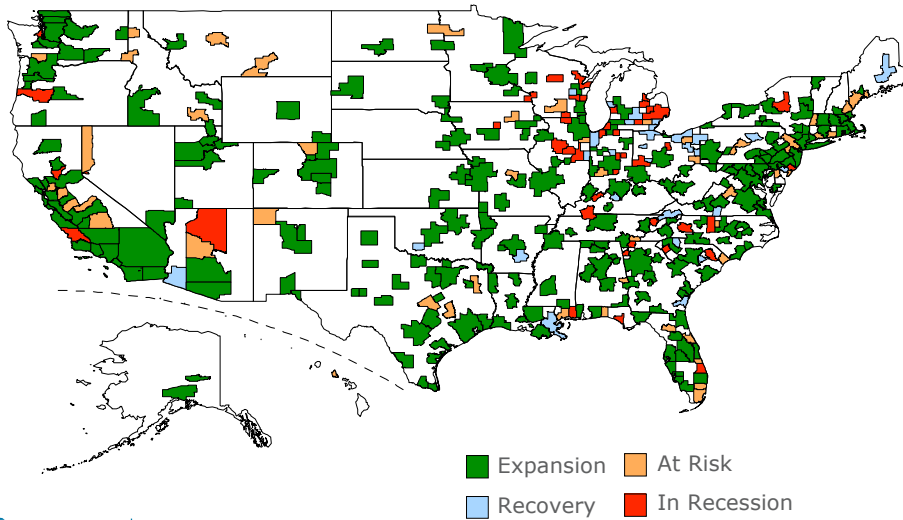


## The Job Market Is Suffering...

### Change in Employment, 3 month MA

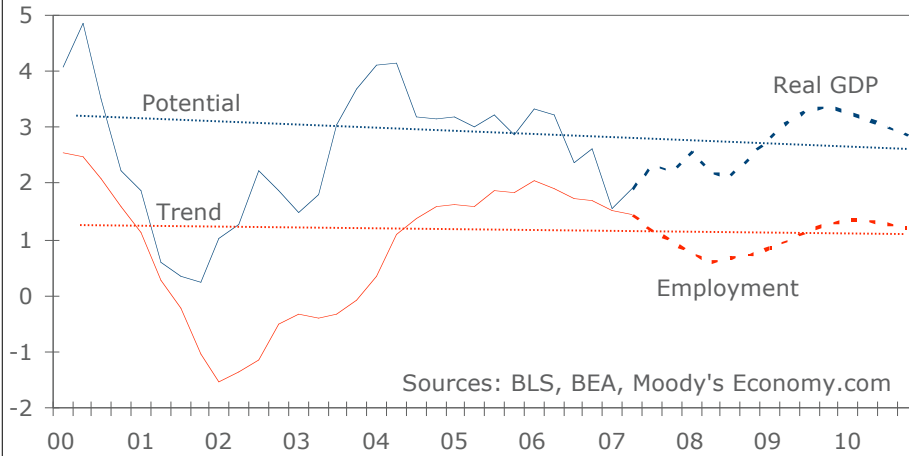


## ...in an Increasing Number of Areas



## The Economy Will Struggle, But Avoid Recession

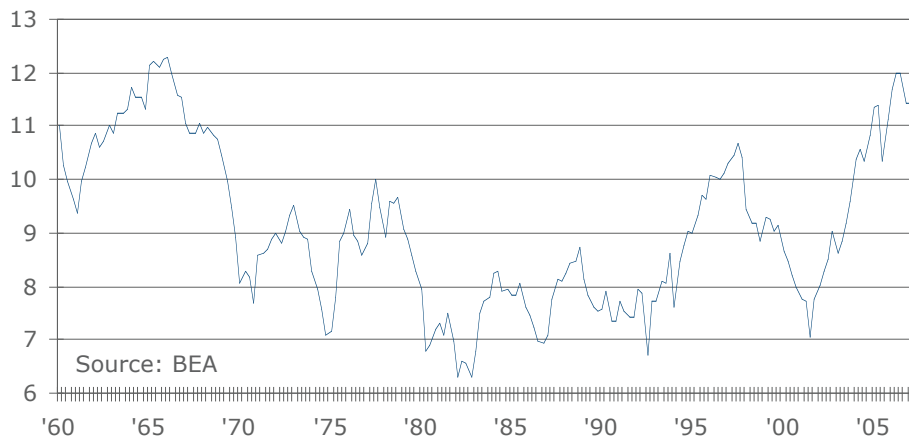
% change year ago



Sources: BLS, BEA, Moody's Economy.com

## Businesses Remain Highly Profitable...

Corporate profit margin

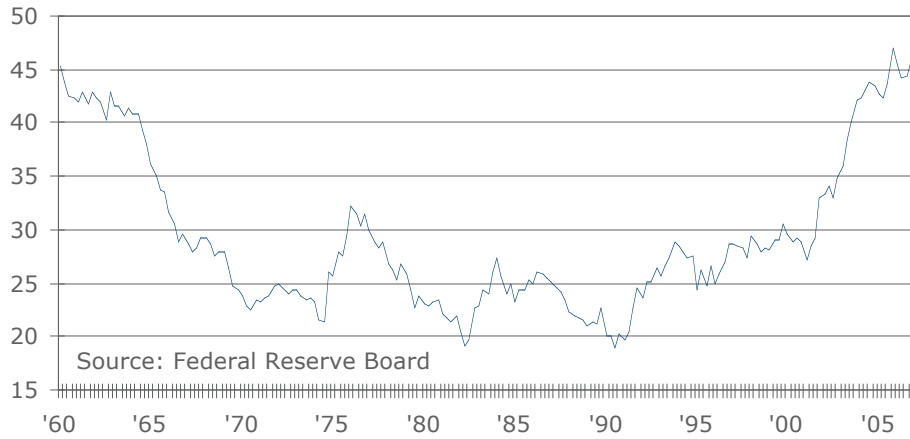


Source: BEA



## ...And Highly Liquid

### Ratio of Liquid Assets to Short-Term Liabilities, Nonfinancial Corporations

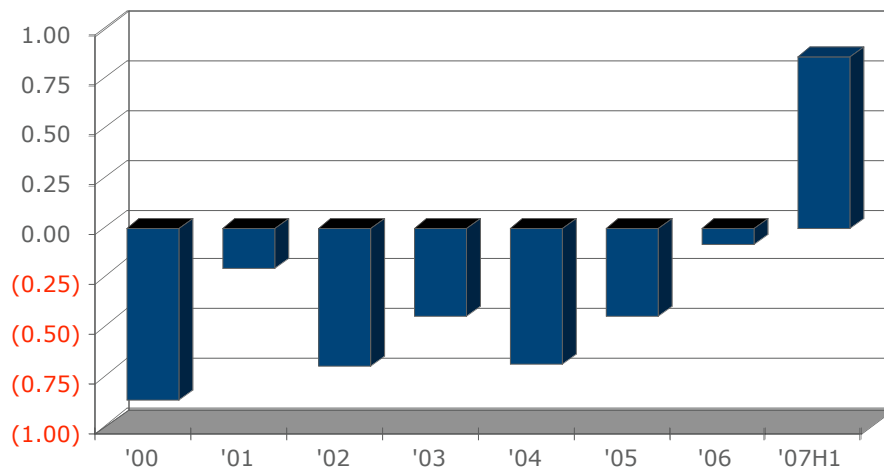


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## Trade Swings From Negative to Positive

### Trade Balance Contribution to Real GDP Growth



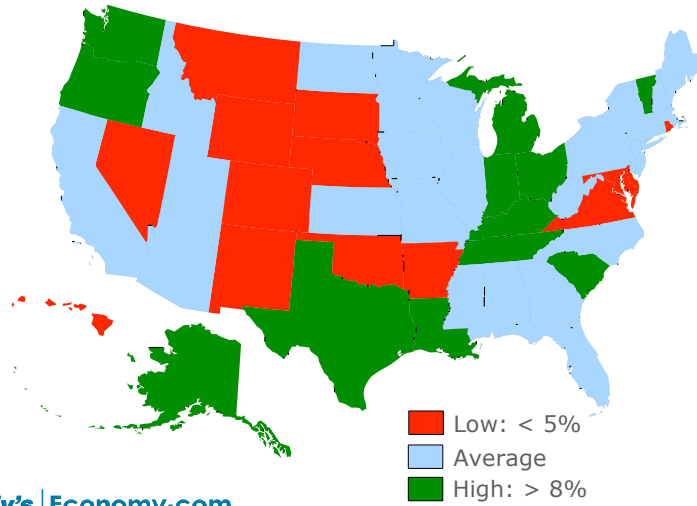
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## Exports Are Important for Coastal States

Exports of goods, % share of GSP, 06

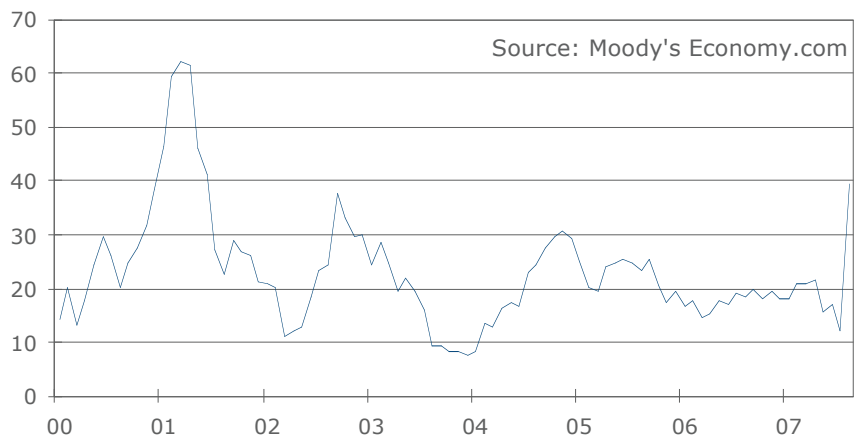


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## Recession Risks Are Very High

Probability of recession in 6-12 months



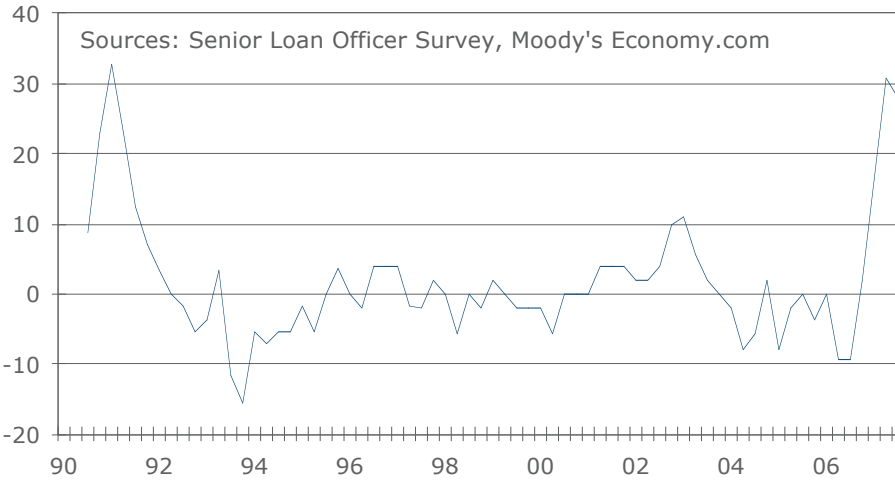
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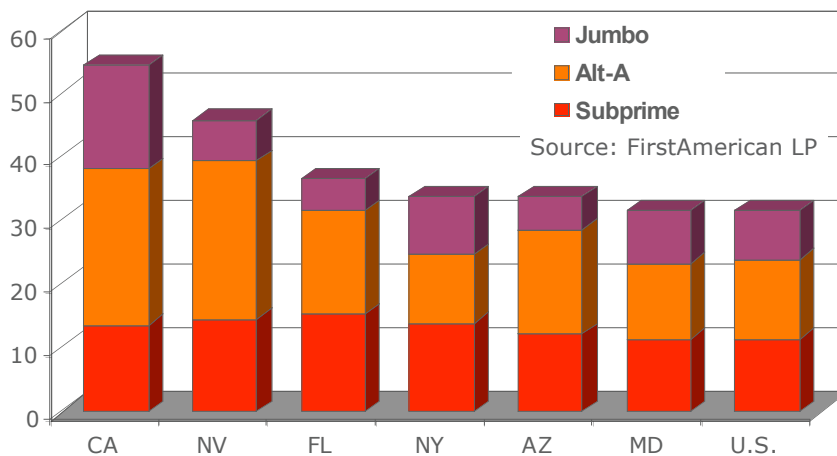
## A Credit Crunch in Residential Mortgage Lending...

### Net % of banks tightening mortgage loan standards



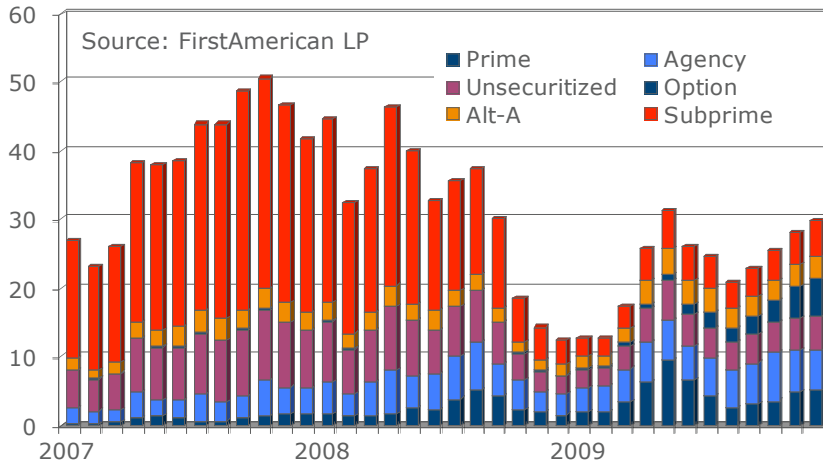
## ...In These Housing Markets...

### Share of securitized mortgage debt outstanding



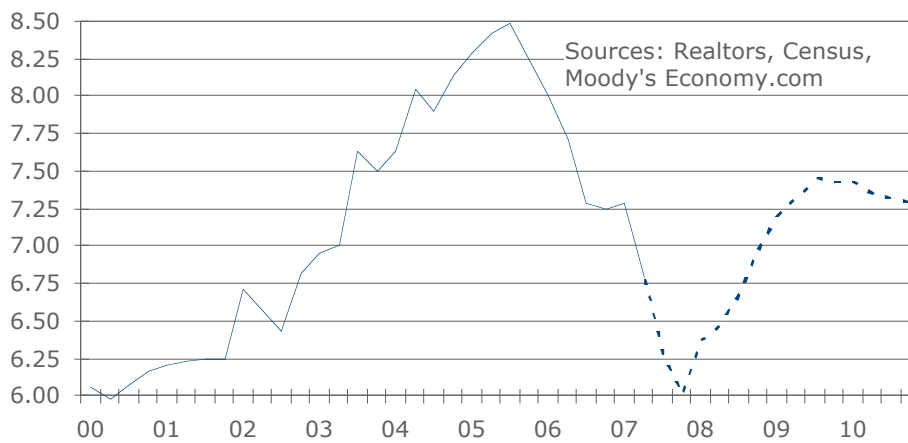
## ...Just As Mortgage Resets Hit Their Peak

Mortgage debt outstanding facing first payment reset, \$ bil



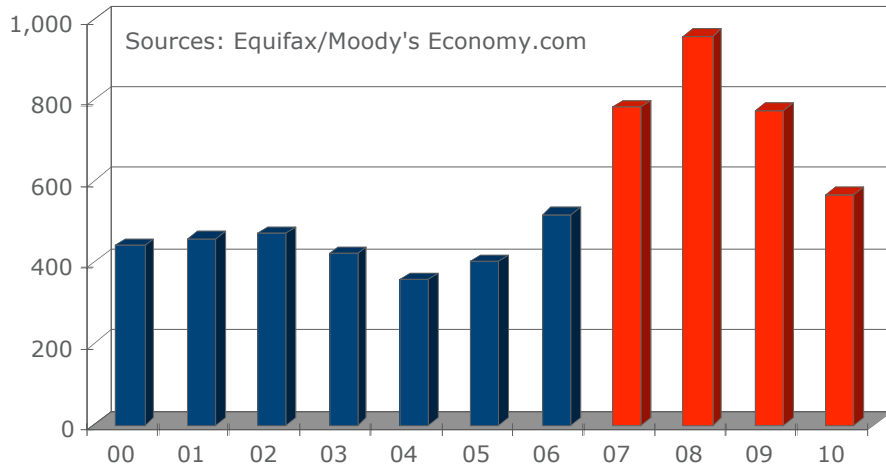
## Less Housing Demand...

Home sales, mil units



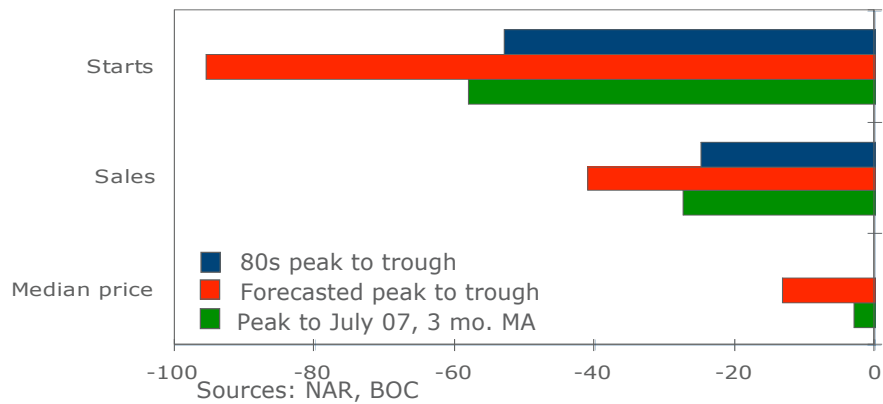
## ...and More Supply...

### Foreclosures, ths



## ...Means Prices and Starts Will Fall Further

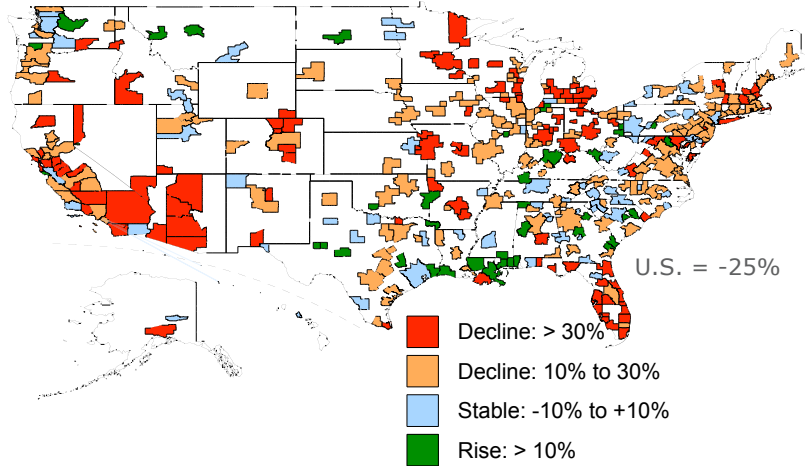
### % change from peak





## Homebuilding Is Falling Nearly Everywhere

Permit issuance, 12-mo MA, % change year ago, June 2007

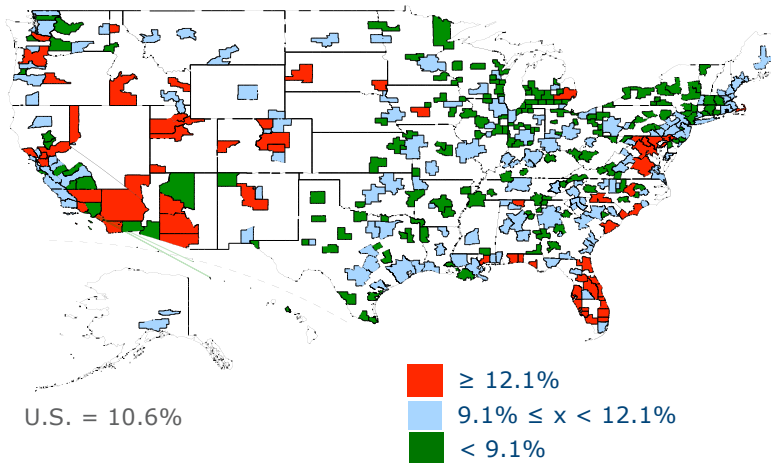


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## California, Florida, D.C. Hit Hard

Housing Related Employment Concentration, 2007q1



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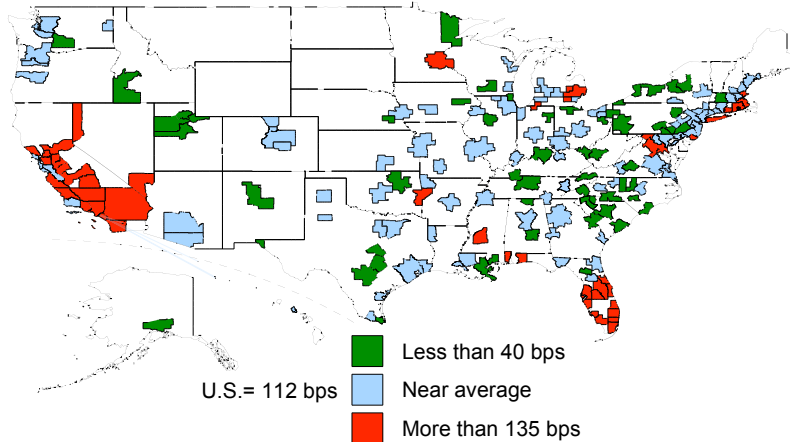
Source: Moody's Economy.com

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## Change in Mortgage Delinquency Rates

Change between 2005Q4 and 2007Q2, basis points



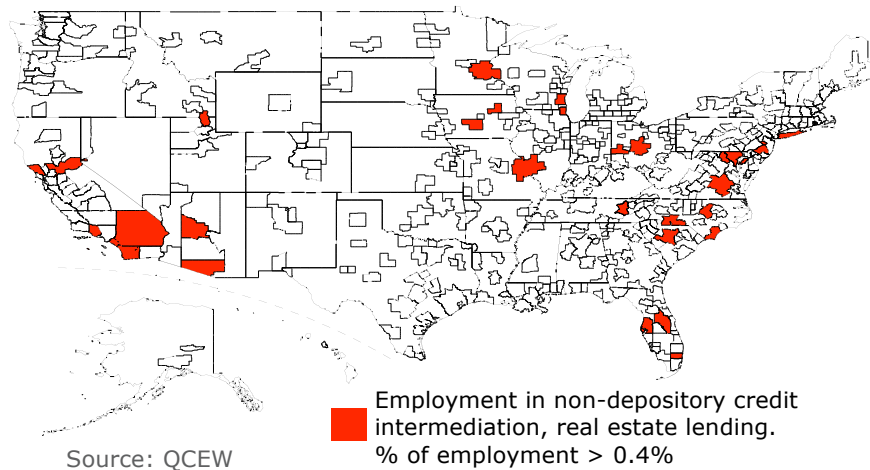
Sources: Equifax, Moody's Economy.com

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## Labor Market Exposure to Subprime Lending

Employment, NAICS 522292, % of total employment, 2006

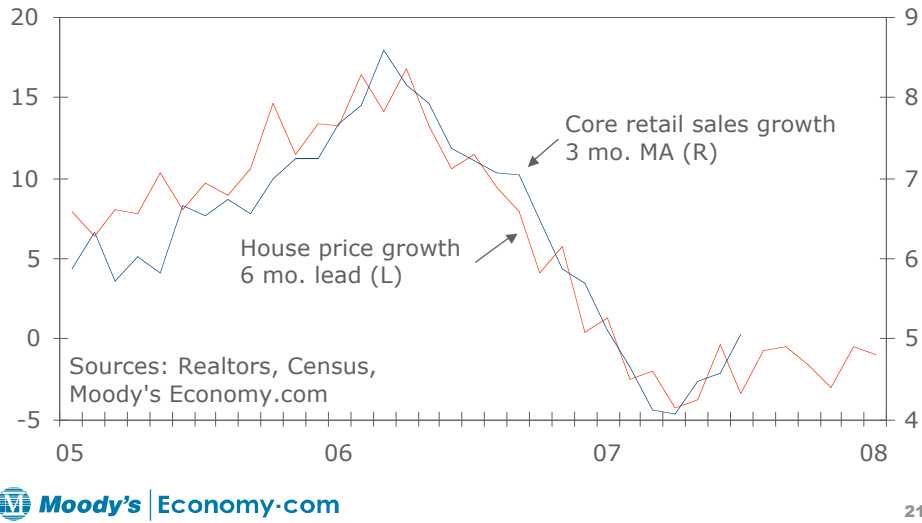


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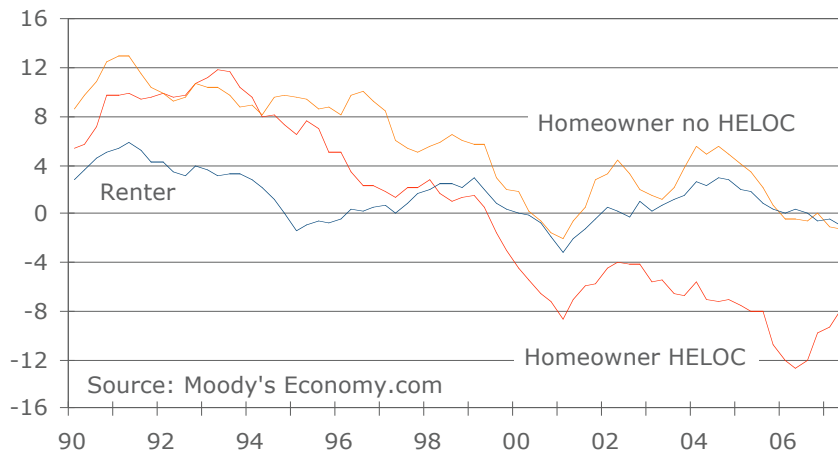


## Negative Housing Wealth Effects Kick-In...



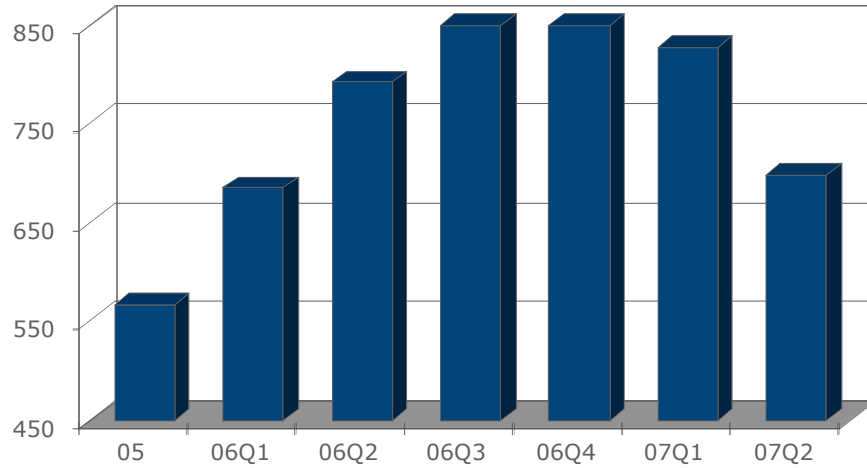
## ...As Cashing-Out Homeowners Relent...

### Personal saving rate



## ...Due to Fading Equity Withdrawal

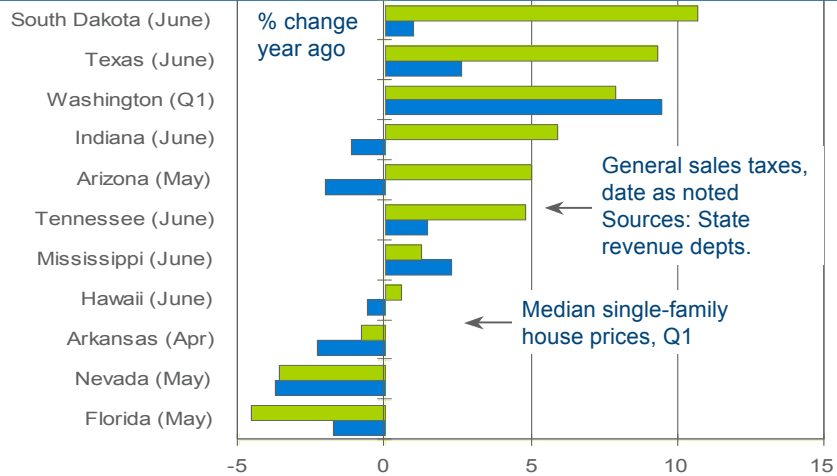
Gross equity extraction, \$ bil, Source: Moody's Economy.com



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## Sales Tax States Feel the Housing Downturn

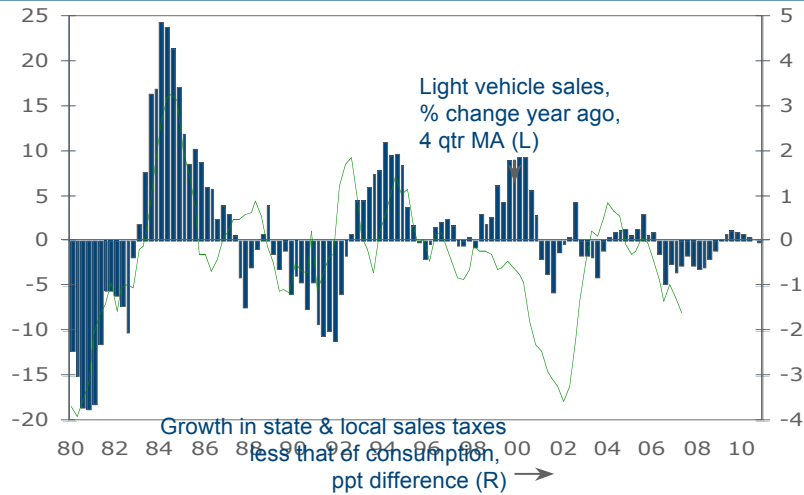


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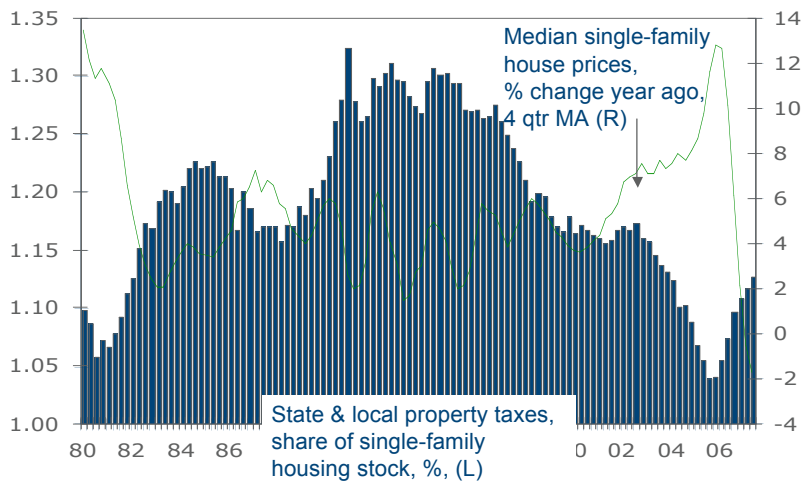
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## Big-Ticket Consumer Durables Drive Sales Taxes

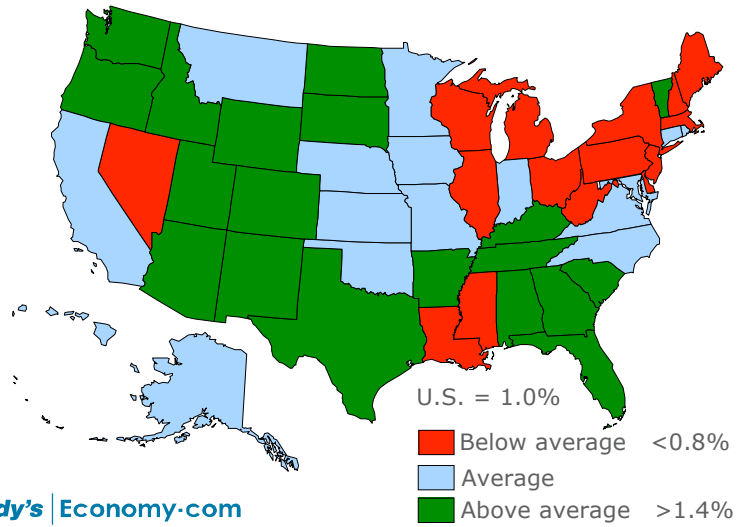


## Effective Property Tax Rates Rise



## FY08 Outlook for State Employment Growth

Employment, % change year ago, FY08 (ending June)



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