The Slow Road to Recovery

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Overview

- **How long will the recession last?**
  - What states will begin to see job, output, and income gains first/last?
- **How deep will it be?**
  - Peak-to-trough losses in employment and home prices
  - How does this recession compare to others?
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  - Which states will recover first/last?
  - Which states/regions will lead growth during the recovery?

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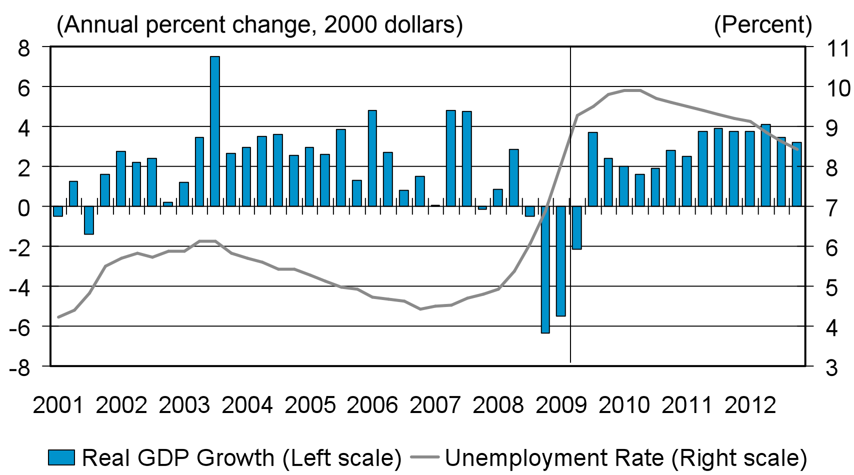
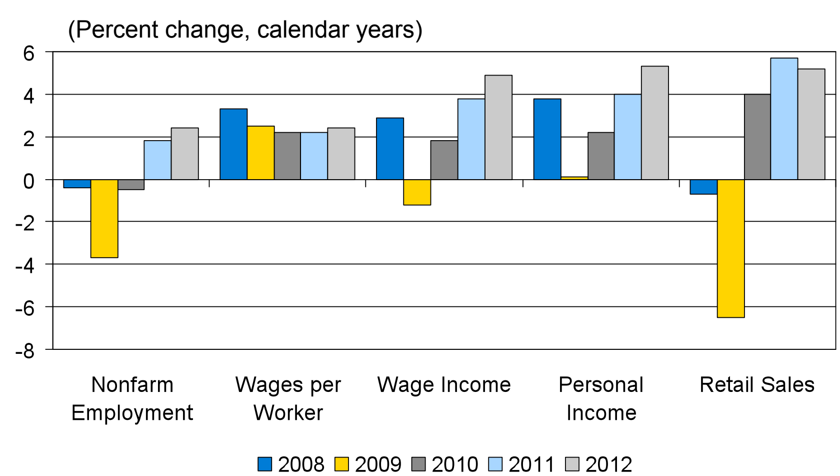
Real GDP Growth and the Unemployment Rate

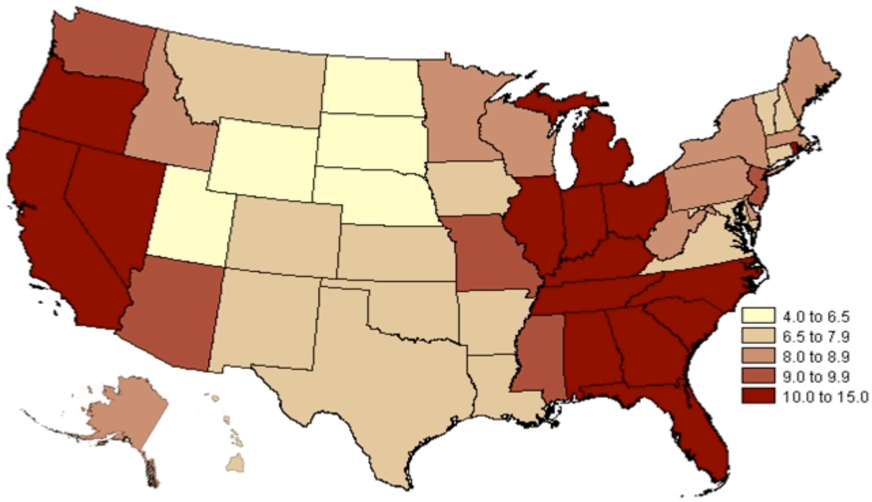


Key Indicators Affecting State Budgets



Regional Labor Markets to Start the Fiscal Year

(July Unemployment Rate)



Turnaround Not Expected Until 2010

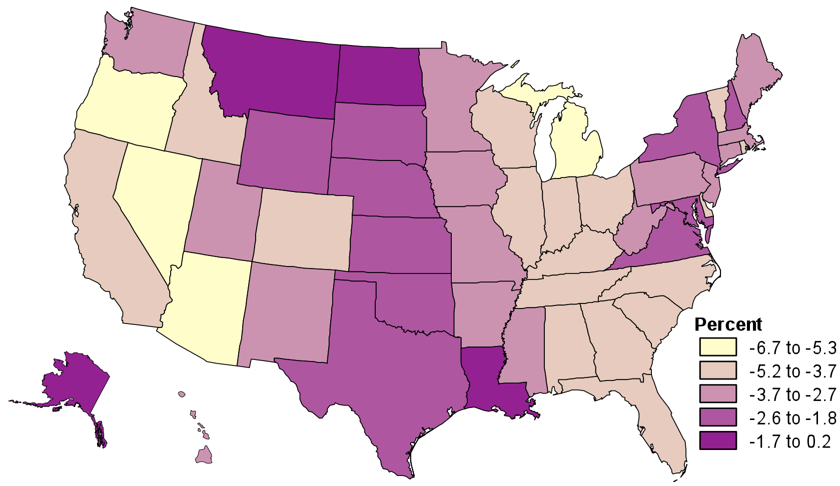
- Most states and all regions will continue to shed jobs through the end of 2009
- Turnaround for most states will come in the first half of 2010
- The first states to see growth (2009Q4) will be: Alaska, D.C., Hawaii, Utah, Washington
- The last states (2010Q3) will be: Michigan, Ohio

Nonfarm Payrolls, Percent Change Quarter-on-quarter (Annualized)

	2009				2010			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
New England	-4.8	-3.6	-2.1	-1.4	-0.3	**0.5**	0.3	1.0
Mid Atlantic	-4.1	-3.8	-2.2	-1.3	-0.3	**0.7**	0.3	1.2
South Atlantic	-5.6	-4.1	-2.0	-1.0	**0.4**	1.4	1.1	1.7
East South Central	-6.9	-4.1	-2.3	-1.4	-0.2	0.9	0.7	1.4
West South Central	-4.0	-4.4	-2.1	-0.9	**0.5**	1.7	1.4	1.7
East North Central	-8.5	-5.9	-2.2	-1.5	-0.6	**0.1**	-0.1	0.4
West North Central	-4.7	-4.2	-1.9	-1.2	-0.2	**0.7**	0.4	1.1
Mountain	-7.4	-6.0	-1.9	-1.0	**0.4**	1.5	1.3	1.7
Pacific	-6.4	-5.3	-2.9	-1.5	**0.1**	1.2	1.2	1.8

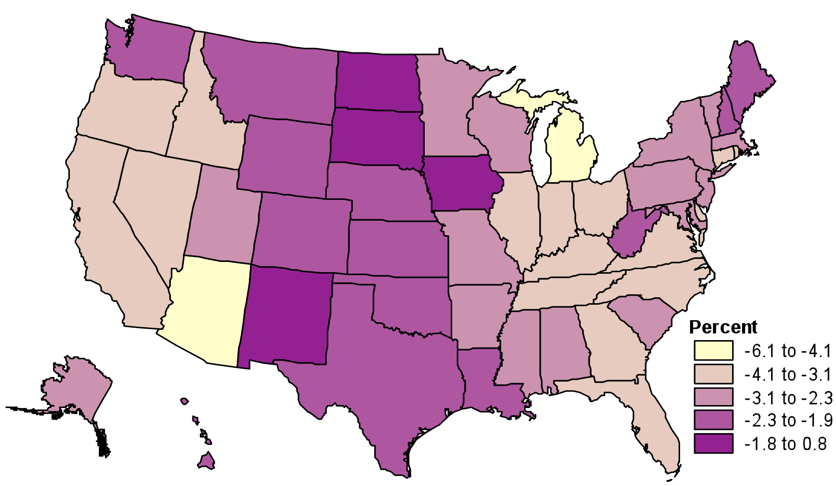
Employment Losses, 2009

(Nonfarm Payrolls, Percent Change)

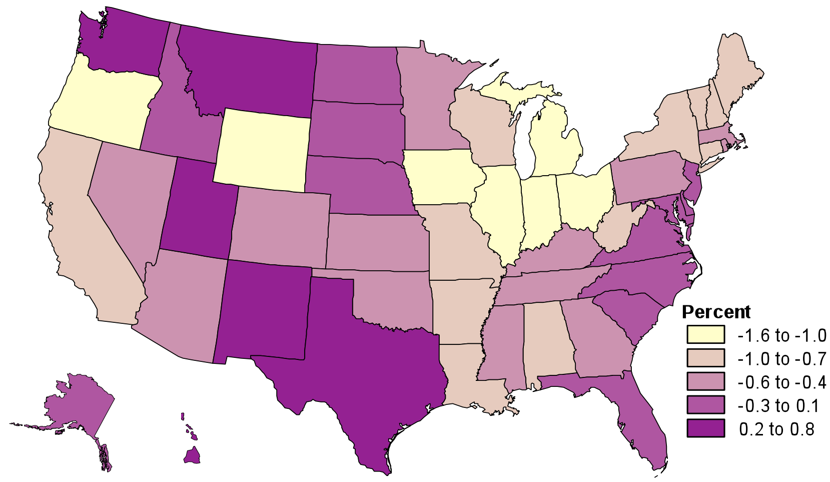


Gross State Product Decline, 2009

(Percent Change)



Employment Growth, 2010
(Nonfarm Payrolls, Percent Change)



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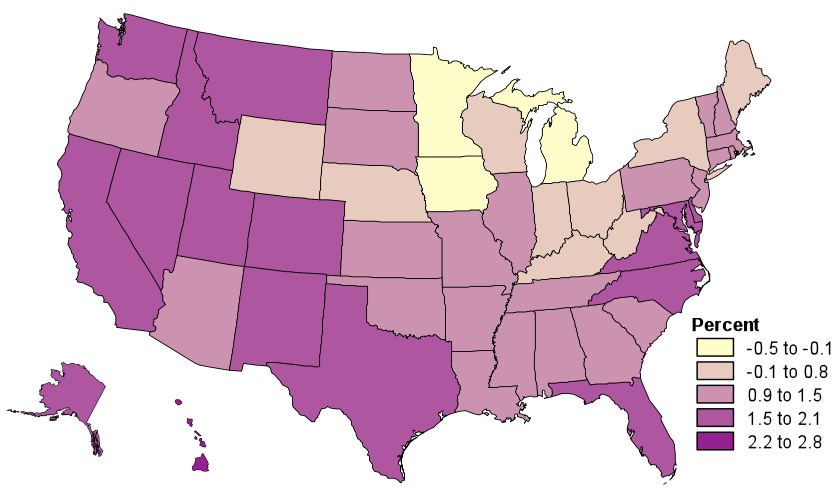
Gross State Product Growth, 2010
(Percent Change)



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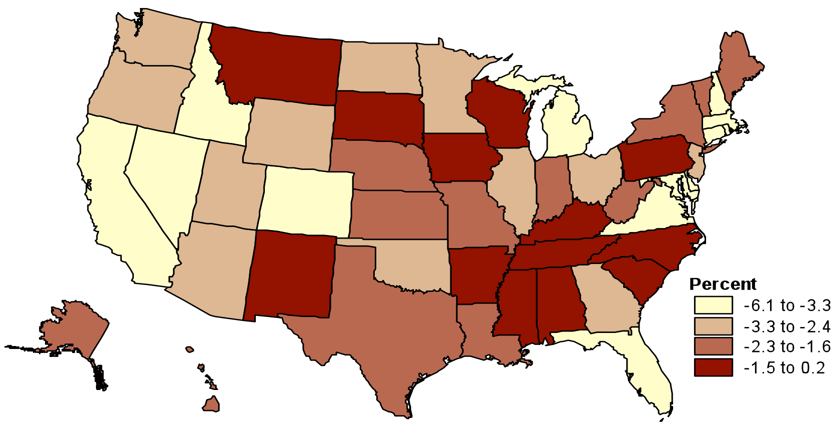
Home Price Change, 2010

(Percent Change Year Ago – Q2)



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  - What states will begin to see job and output gains first/last?
- **How deep will it be?**
  - Peak-to-trough losses in employment and home prices
  - How does this recession compare to others?
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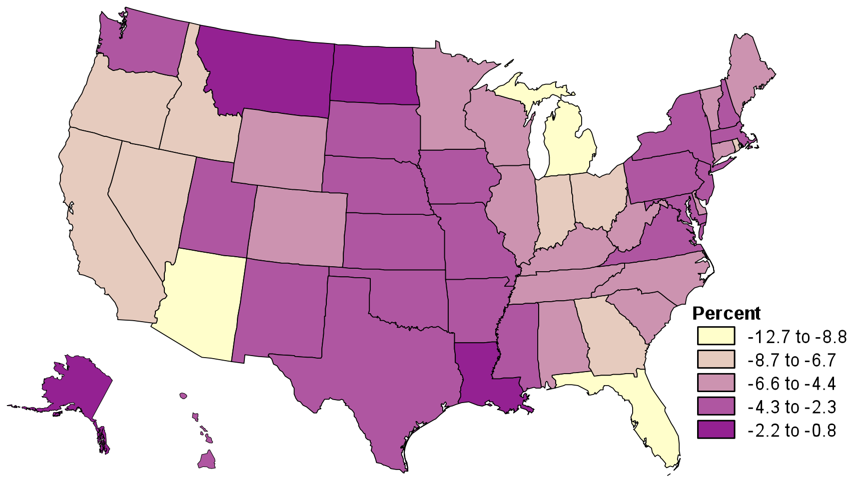
Peak-to-Trough Employment Decline
(Percent Change)



Hardest Hit States
(Peak-to-Trough Employment Loss)

	Magnitude of Decline		Duration of Decline	Peak Unemployment Rate
	%	Thousands of Jobs	# of Quarters	
Michigan	-12.7	-556.6	22	16.0
Arizona	-9.9	-264	9	10.1
Florida	-9.1	-733.6	11	11.2
Nevada	-8.0	-103.3	11	13.3
Oregon	-7.1	-123.4	9	12.8
Ohio	-7.2	-392.1	18	11.8
Idaho	-6.9	-45.5	9	9.4
Indiana	-6.8	-203.9	10	11.0
California	-6.8	-1035	10	12.3
Rhode Island	-6.7	-33.3	13	13.3

Least Affected States

(Peak-to-Trough Employment Loss)

	Magnitude of Decline		Duration of Decline	Peak Unemployment Rate
	%	Thousands of Jobs	# of Quarters	
North Dakota	-0.7	-2.5	5	4.9
District of Columbia	-1.0	-7.3	4	10.9
Alaska	-1.1	-3.6	3	8.6
Louisiana	-2.0	-39.3	5	8.3
Montana	-2.2	-9.9	8	7.1
South Dakota	-2.5	-10.5	4	5.8
Nebraska	-2.6	-24.9	8	6.0
Texas	-2.9	-313.8	4	8.7
Kansas	-3.2	-44.7	8	8.0
Maryland	-3.2	-83.6	8	7.6

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Comparison to Previous Recessions

- Compared to the two previous recessions (1990-91 and 2001), the current crisis has been the worst for all but nine states
- These Northeastern states were hit hard by the recession of the early 1990s

Peak-to-Trough Employment Loss, %	Current	1990-91	Difference
DC	-1.0	-10.2	9.2
Massachusetts	-3.0	-11.1	7.1
New Hampshire	-3.7	-10.4	6.7
Connecticut	-5.0	-9.3	4.3
New York	-3.8	-6.9	3.1
New Jersey	-4.2	-6.9	2.7
Rhode Island	-6.7	-10.1	2.4
Maine	-4.3	-6.5	2.2
Maryland	-3.2	-4.5	1.3

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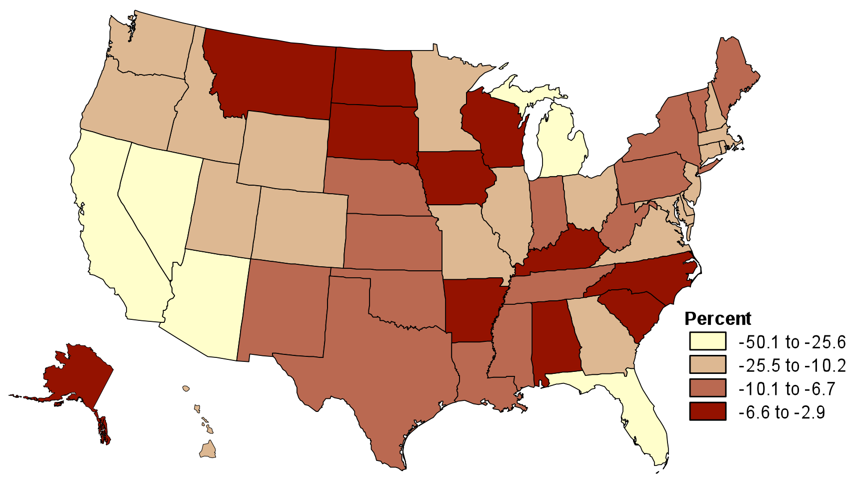
Peak-to-Trough Home Price Decline

(Existing Median Price, %)



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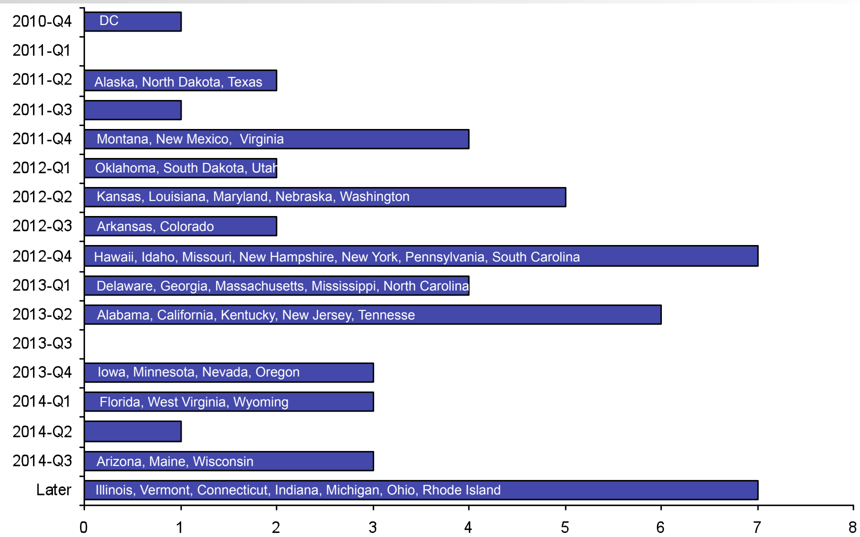
Return to Peak

(Number of States Returning to Peak Employment in Given Quarter)



Recovery Growth Leaders

	Compound Annual Growth Rate 2011 - 2012, %	
	Employment	**Real GSP**
Idaho	2.77	4.06
Utah	2.68	3.81
Arizona	2.60	3.77
Texas	2.58	4.22
Georgia	2.48	3.81
California	2.44	3.73
Colorado	2.43	3.79
Virginia	2.41	4.24
Florida	2.40	3.90
South Carolina	2.30	3.57
US	1.89	3.35

- States with high concentration of employment in sectors that will drive the recovery:
  - Professional and business services,
  - High-tech manufacturing, and
- Leaders in migration and population growth

Regional Performance During the Recovery

2011-2012	Average Annual Growth, % Employment	Real GSP	Personal Income	Average Unemployment Rate
Mountain	2.4	3.7	5.0	8.0
West South Central	2.3	3.9	5.3	7.4
Pacific	2.3	3.7	5.0	10.0
South Atlantic	2.3	3.8	5.0	8.8
East South Central	2.0	3.3	4.5	9.9
West North Central	1.5	2.2	3.6	7.7
Mid Atlantic	1.6	3.1	4.3	8.2
New England	1.3	3.0	4.1	8.0
East North Central	1.1	2.7	3.6	11.3

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Other Indicators

2011-2012	Average Annual Growth, % Retail Sales	New Car Sales	Housing Starts	H Prices
Mountain	6.0	14.2	40.8	2.7
West South Central	6.1	11.2	31.3	2.0
Pacific	6.0	15.7	36.9	3.5
South Atlantic	6.5	16.3	40.6	2.9
East South Central	5.6	14.1	34.0	2.8
West North Central	5.1	10.5	32.5	2.9
Mid Atlantic	5.1	10.5	32.5	2.9
New England	5.6	12.2	33.4	2.5
East North Central	5.6	9.4	33.8	3.7

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Thank you!

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