

The Economy and Financial Markets

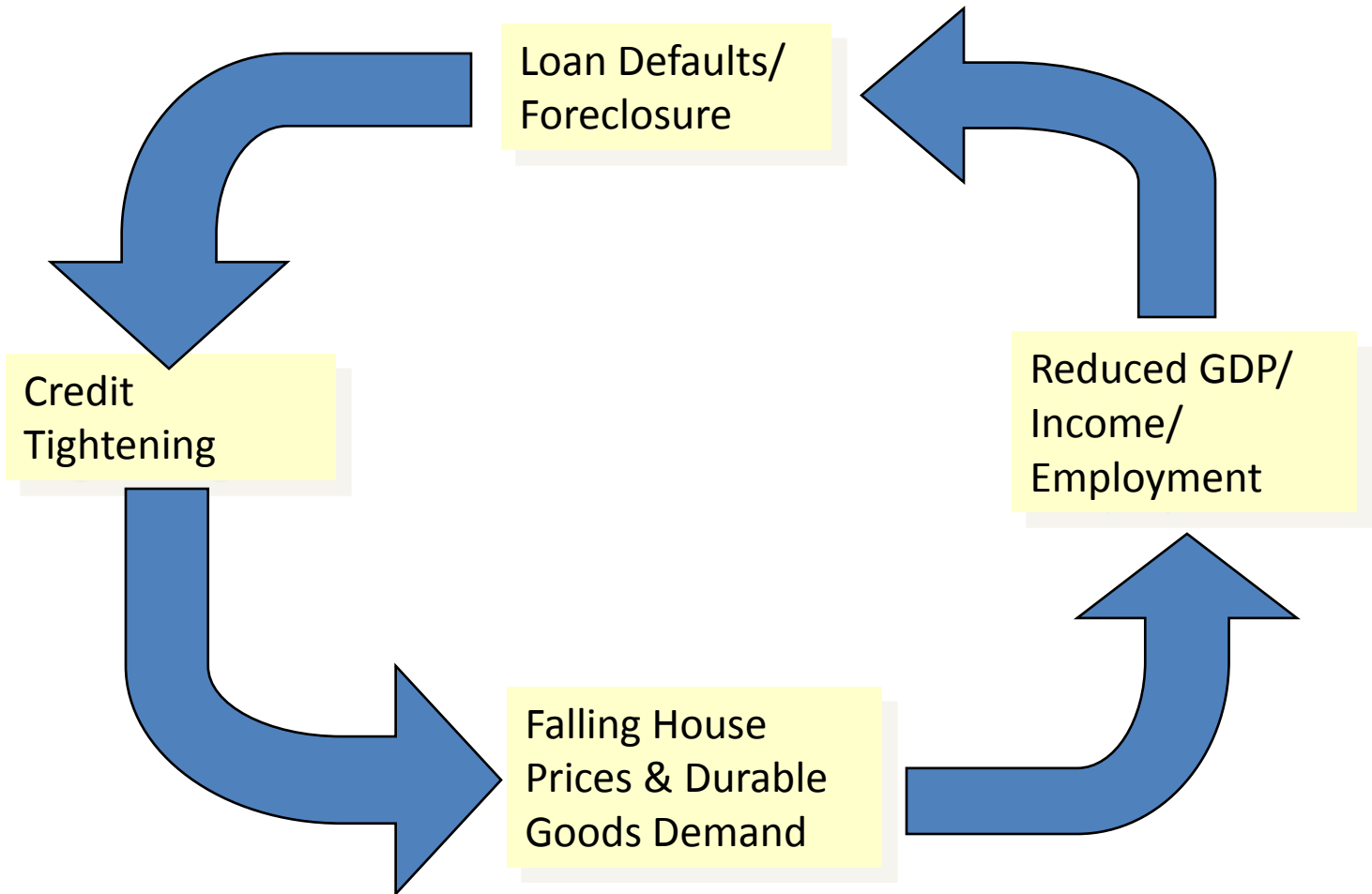
HRAFP Education Conference

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April 16, 2009

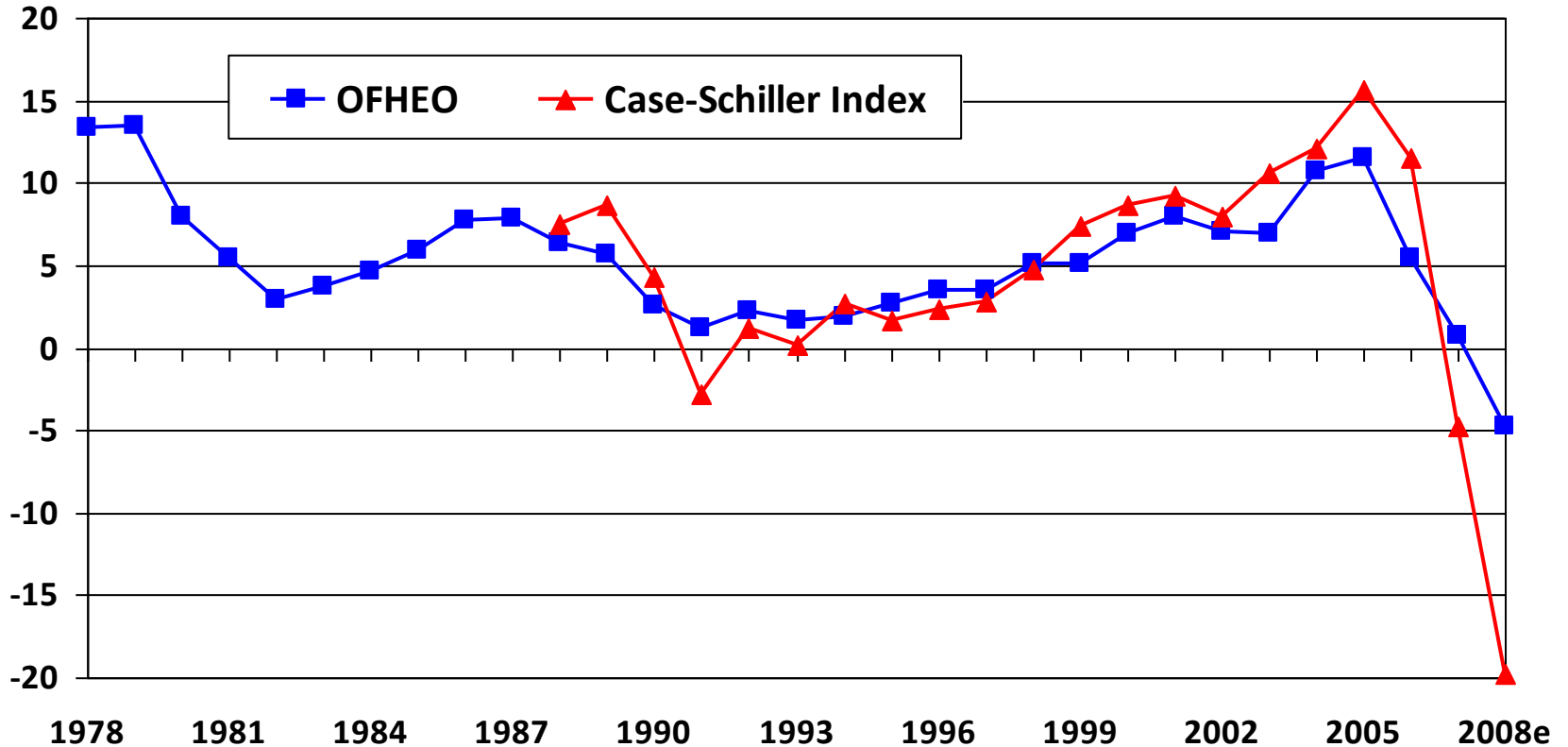
ODU Economic Forecasting Project:
www.odu.edu/forecasting

Danger: Potential For An Economic “Do Loop”



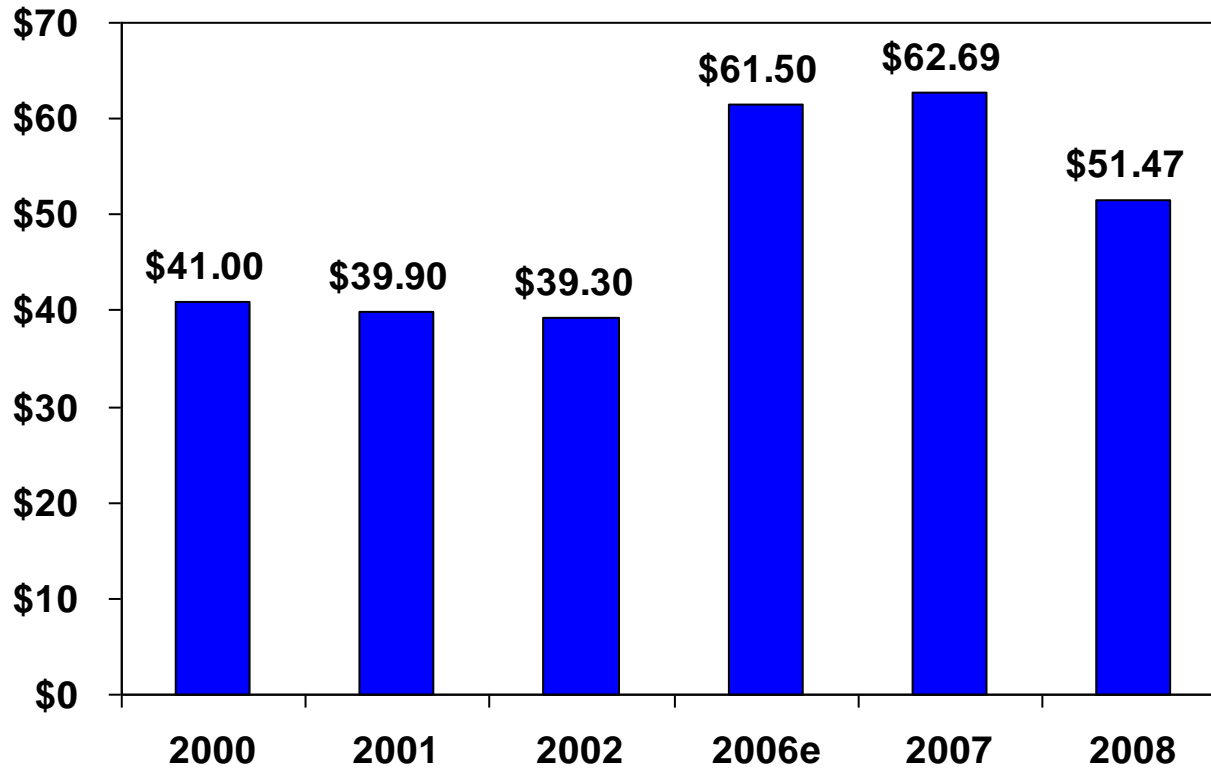
U.S. Existing House Price Annual Change

Year-over-year percentage change



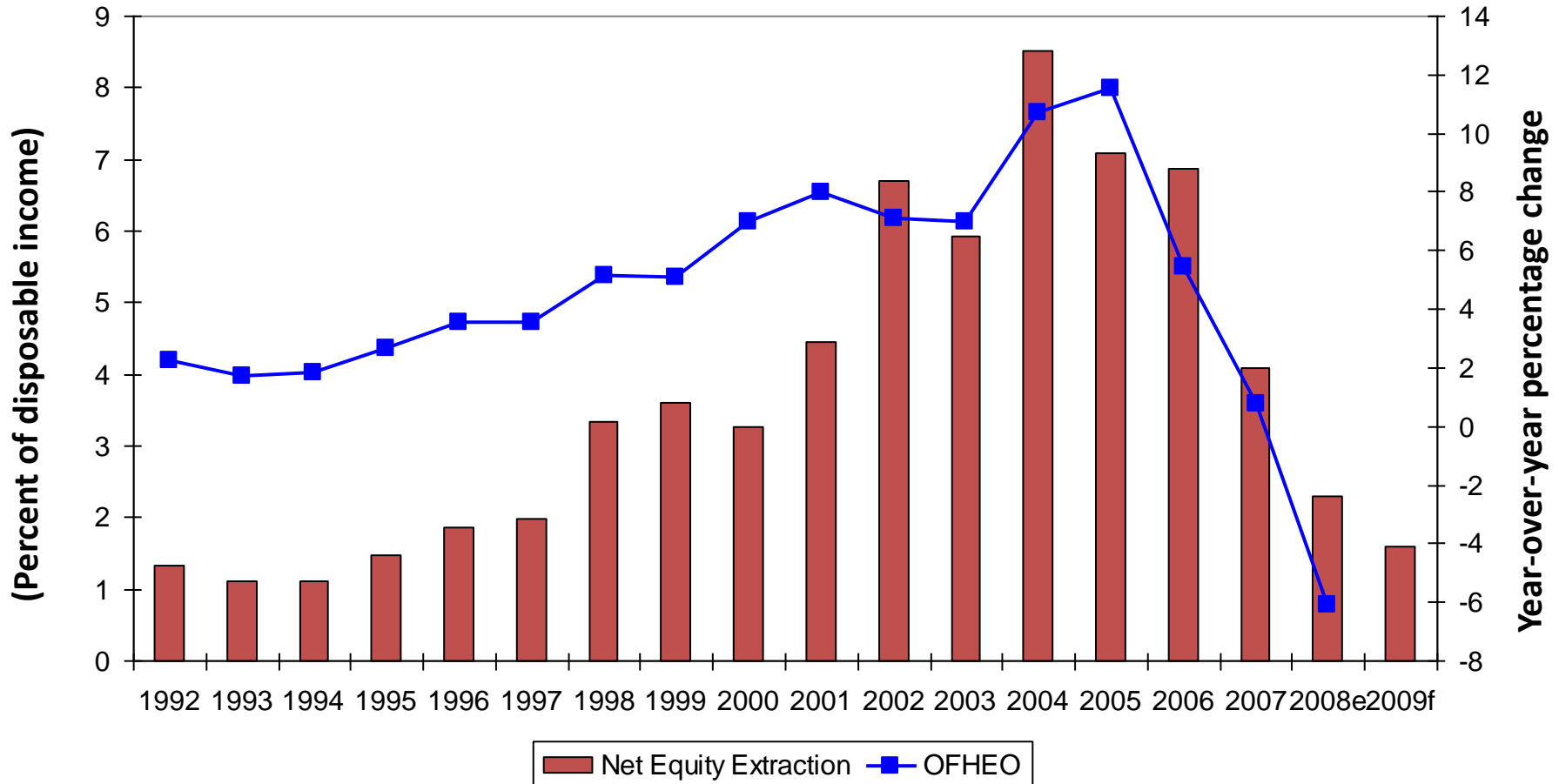
Source: Office of Federal Housing Enterprise Oversight and Old Dominion University Economic Forecasting Project . Data are for median price. OFHEO data are based on FHA conforming loans for residential resale property.
e: estimated

U.S. Household Net Worth (Fourth Quarter of each Year; Trillions of Dollars)



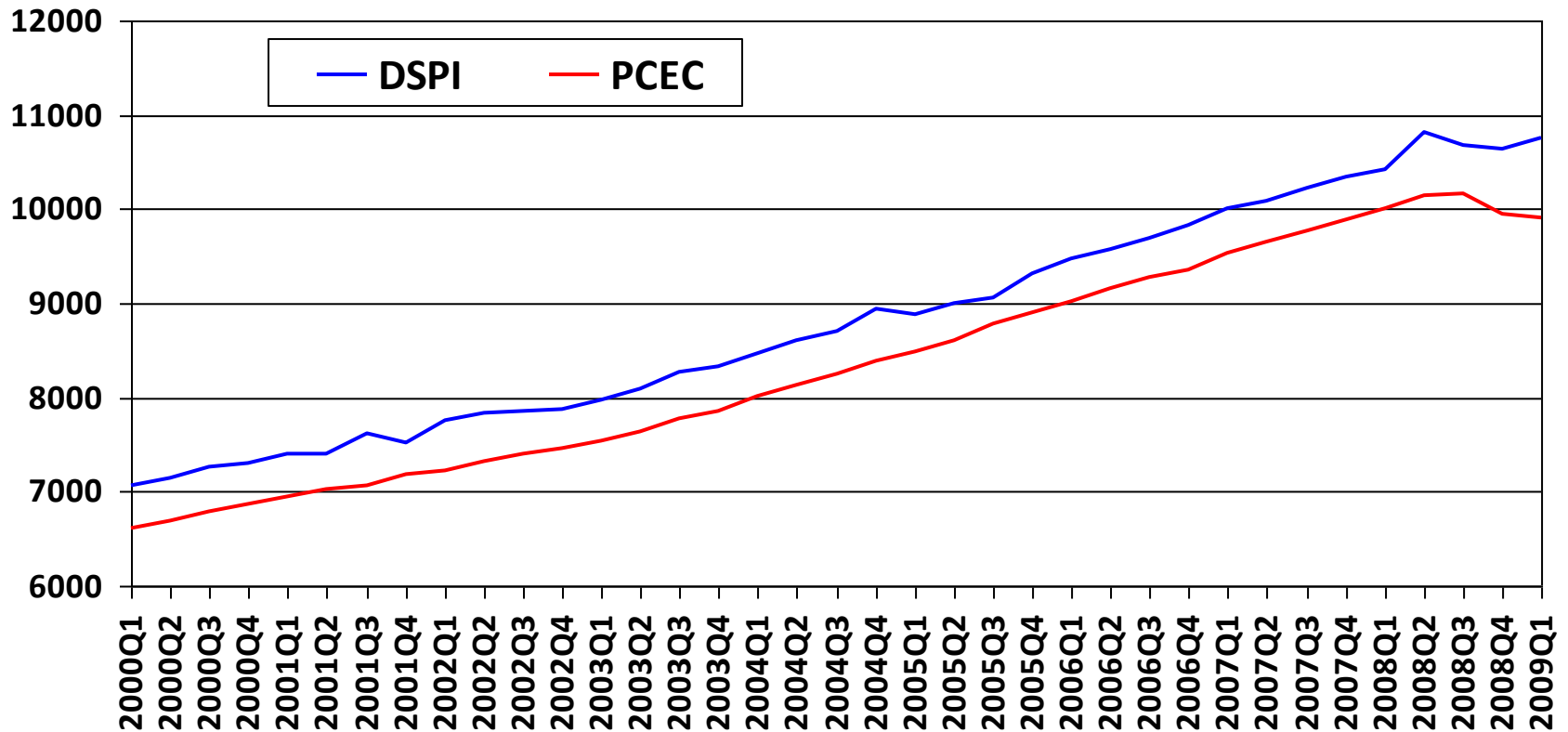
Source: Federal Reserve Bank and the Old Dominion University Economic Forecasting Project

Mortgage Equity Withdrawal and the OFHEO Price Index



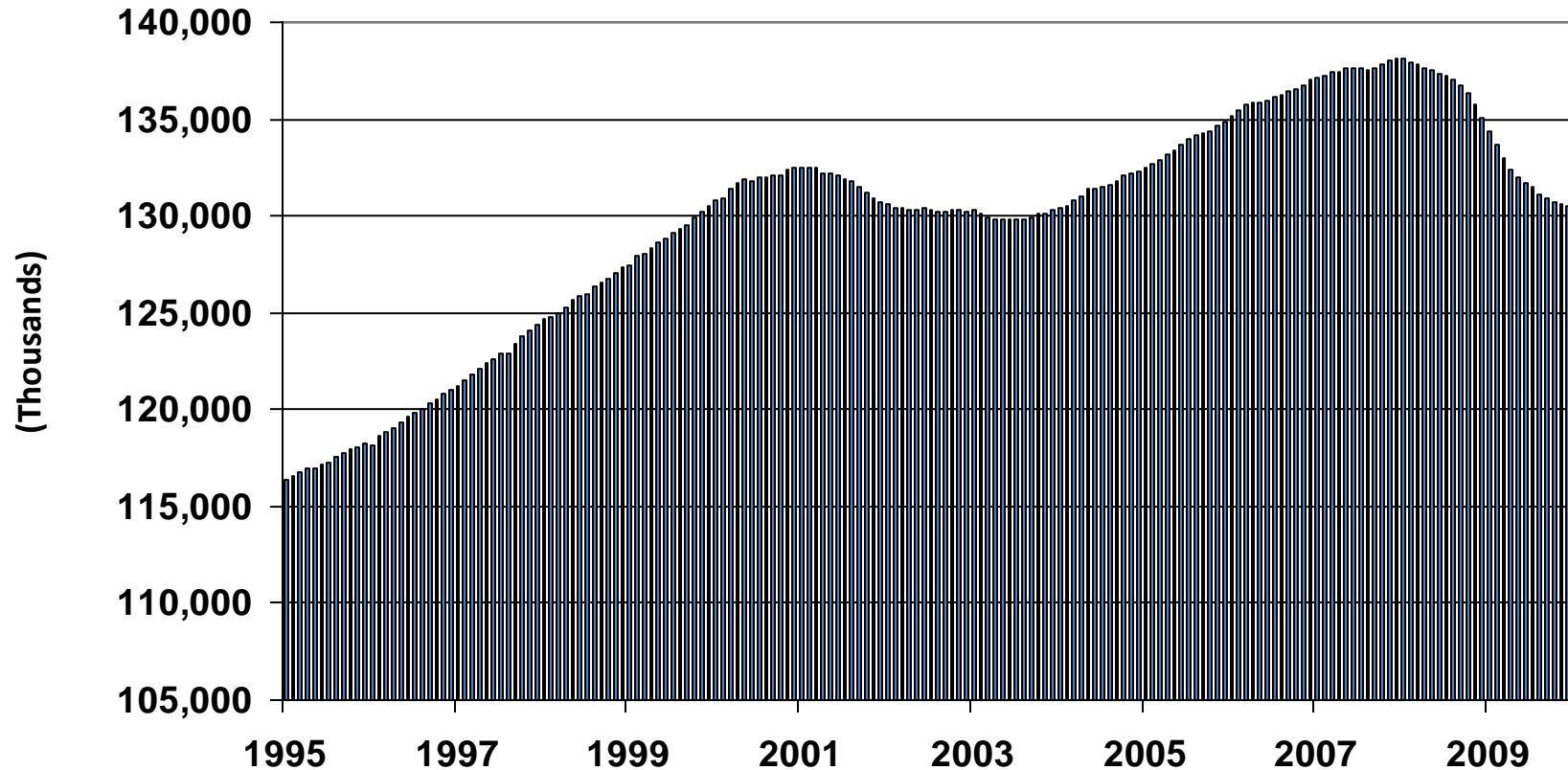
Source: Federal Reserve Bank, Kennedy-Greenspan Data Updated as of September 2008; the Old Dominion University Economic Forecasting Project and the Office of Federal Housing Enterprise Oversight.

Goodbye to all of that. Disposable Personal Income and Consumption (2000 to 2009)



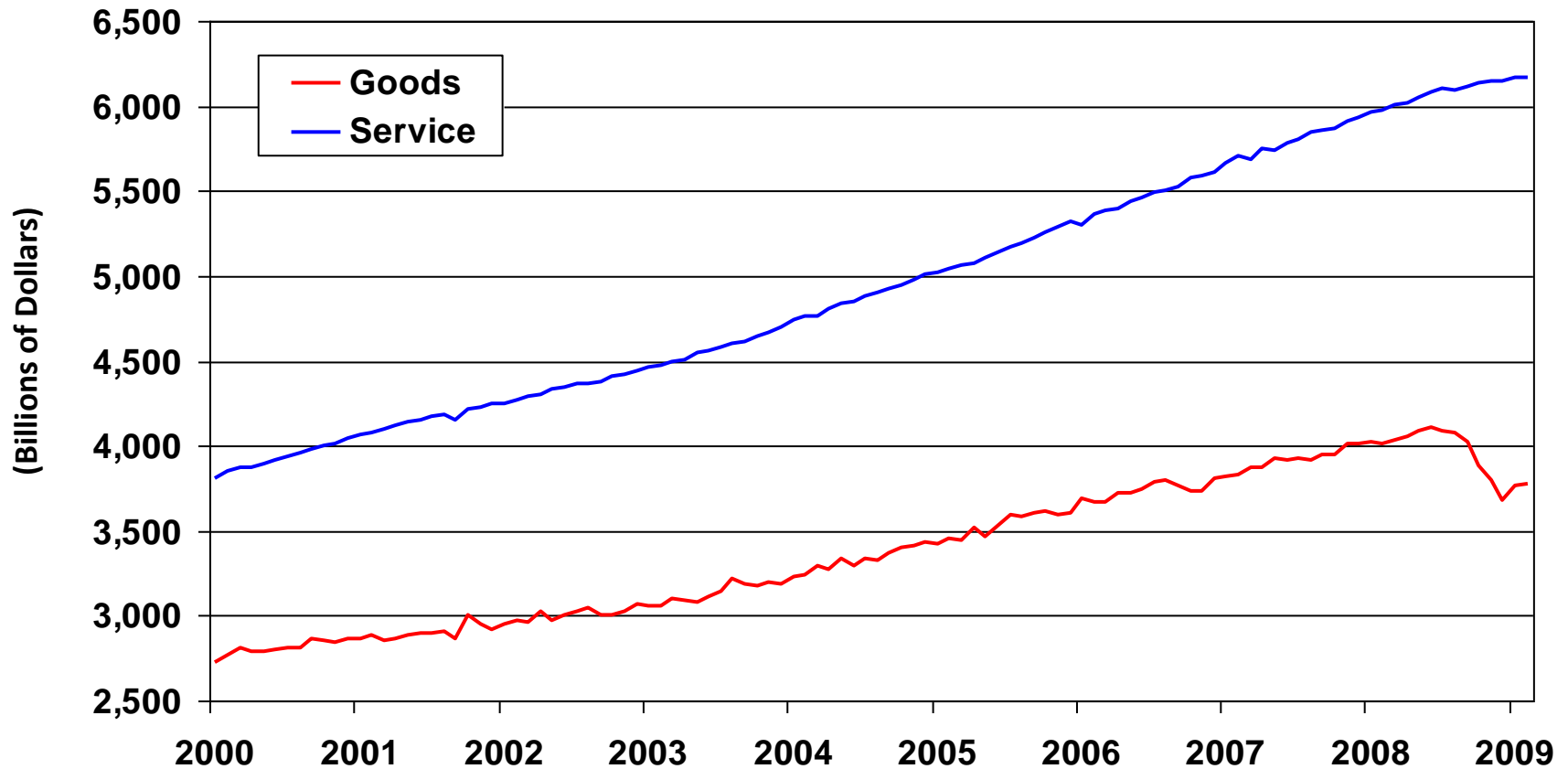
Source: U.S. Department of Commerce. Quarterly data are annualized.

Total Nonfarm Payrolls: All Employees



Source: Federal Reserve Bank and the Old Dominion University Economic Forecasting Project. 2009 forecasted.

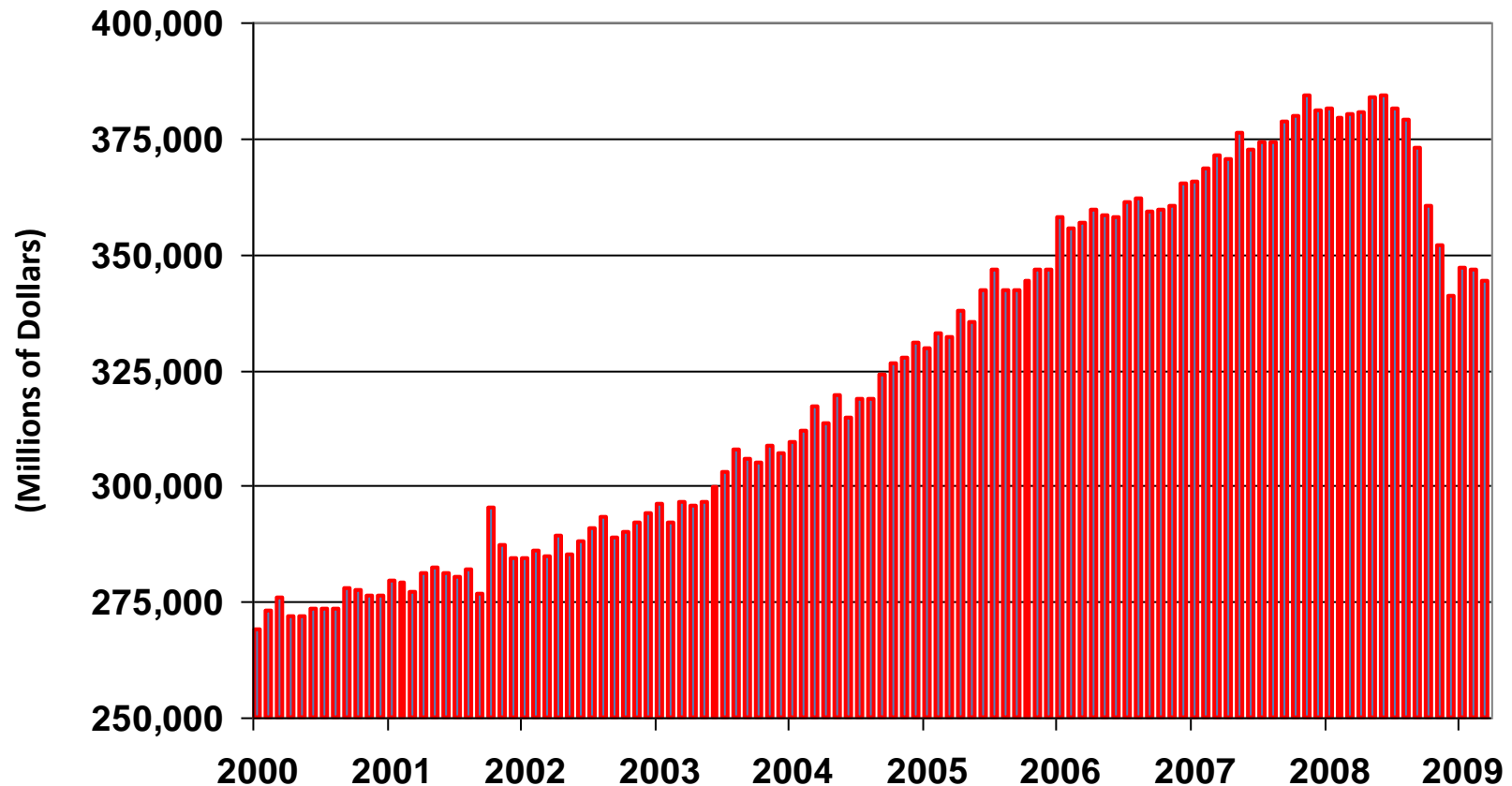
Goods (Durable and Non durable) and Services



Source: Federal Reserve Bank

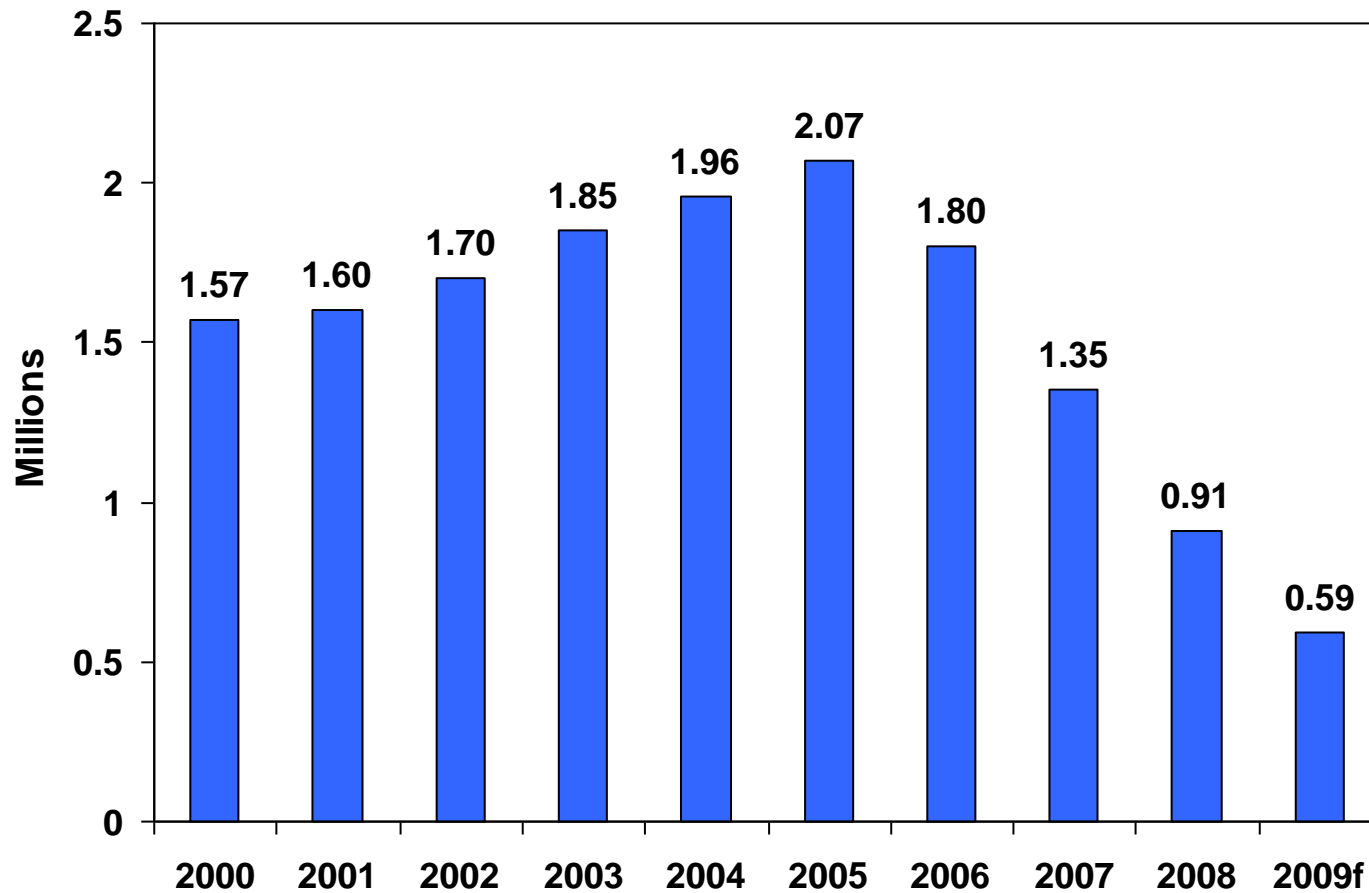
Retail and Food Services Sales.

Monthly Sales: January 2000 to March 2009



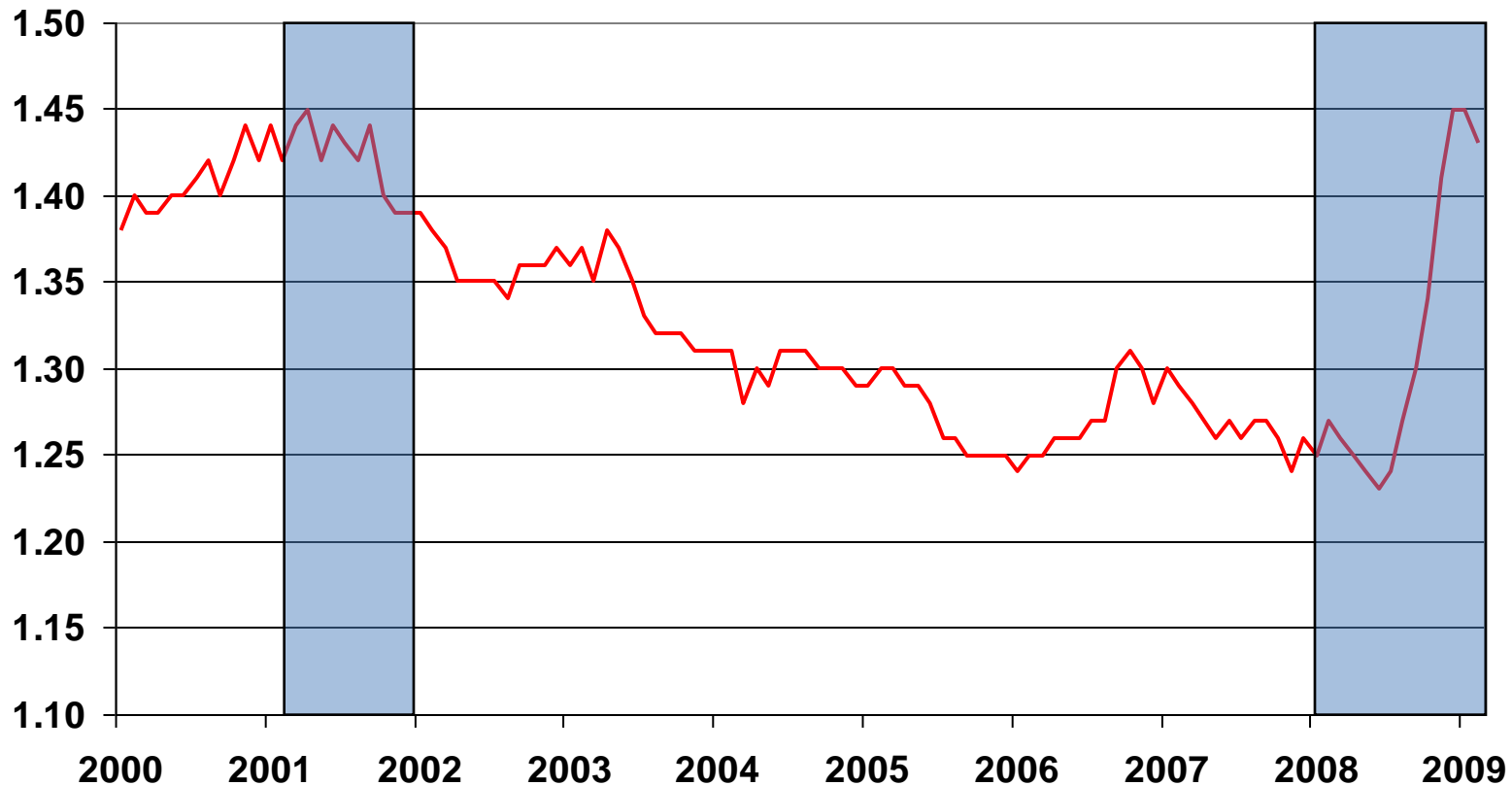
Source: Federal Reserve Bank

U.S. Annual Housing Starts (2000 to 2009)



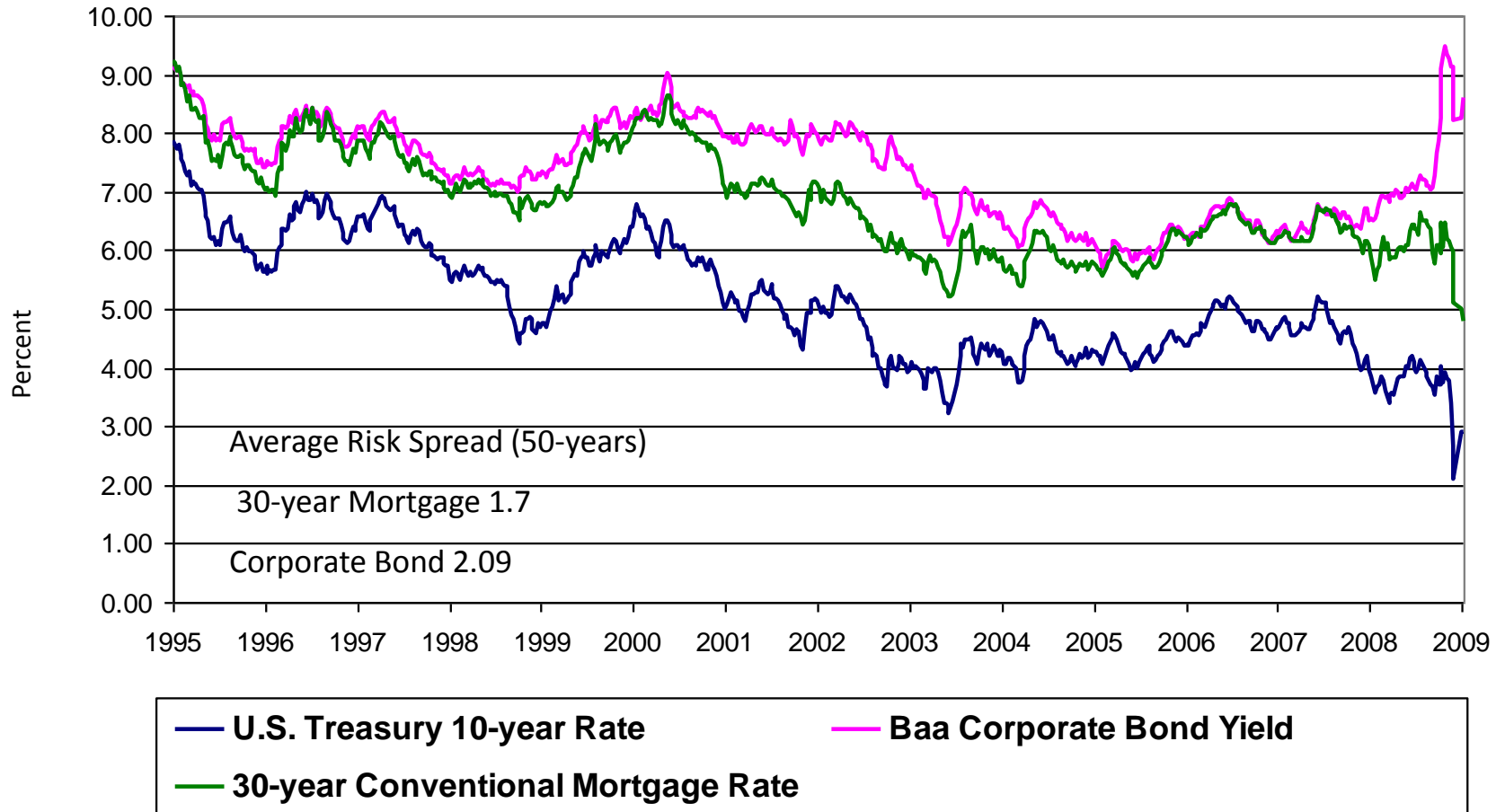
Source: U.S. Bureau of the Census and Old Dominion University Economic Forecasting Project. e: estimated f: forecasted

System Shock. U.S. Total Business Inventory/Sales Ratio (2000 to 2009)



Source: Federal Reserve Bank

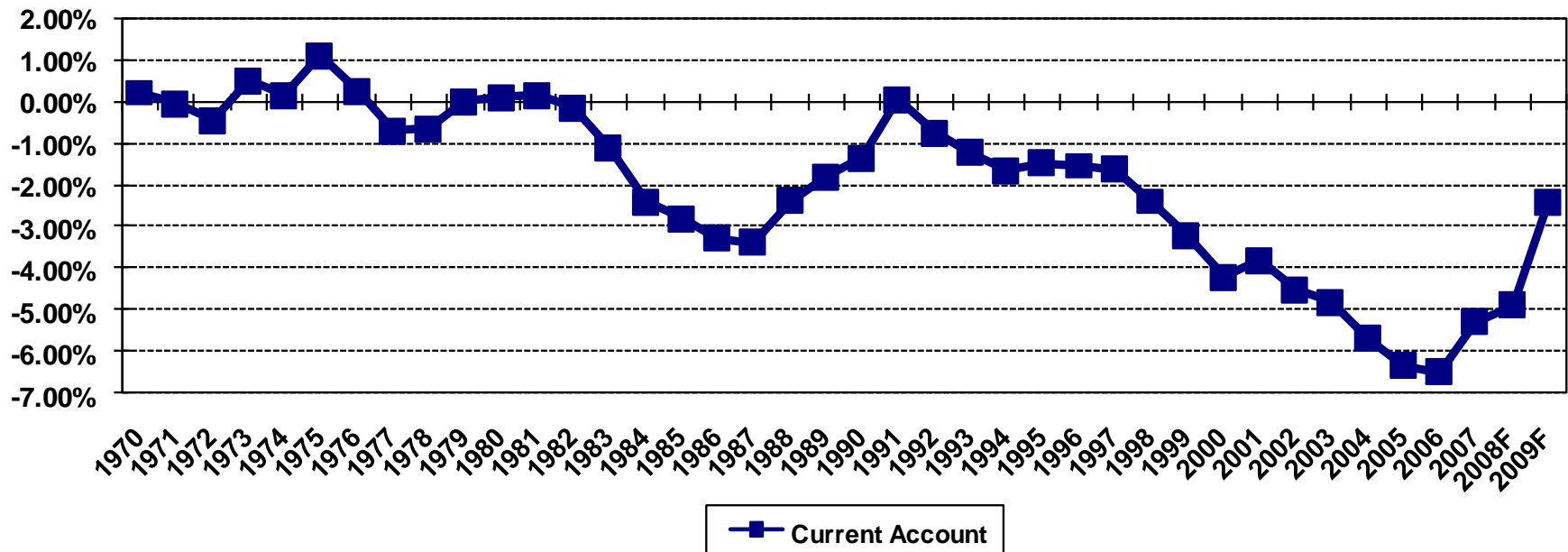
Drama in the Credit Markets: Selected Interest Rate Risk Spreads



Source: Federal Reserve Bank

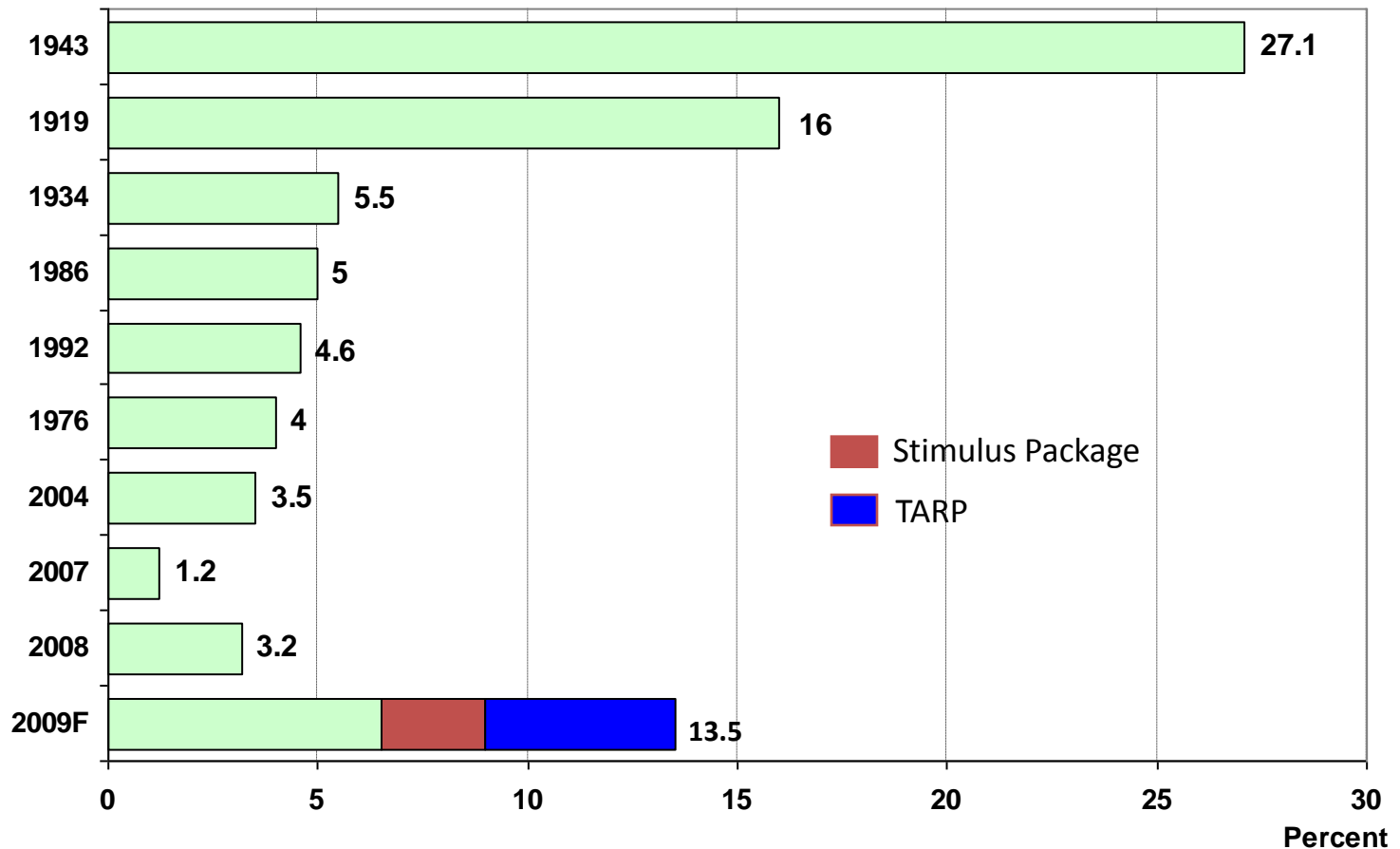
U.S. Net Exports as Percent of GDP

For every \$10 per barrel decrease in the price of oil, domestic US demand rises by roughly \$43 billion.



Source: U.S. Department of Commerce and Old Dominion University Economic Forecast Project

U.S. Budget Deficit as a Percentage of GDP (Selected Years, Unified Budget)

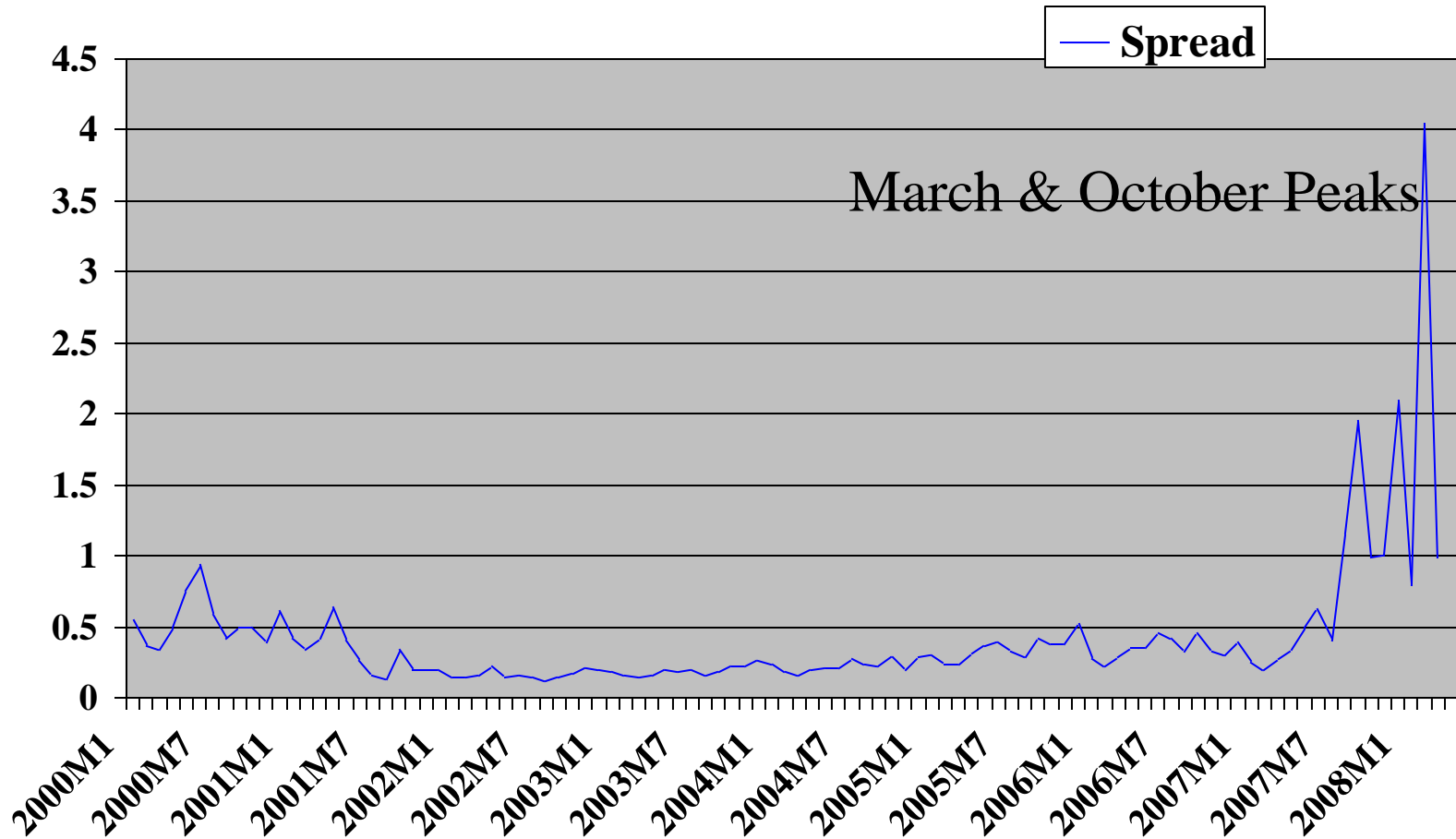


*Estimated; F forecasted

Source: Federal Reserve Bank, Office of Management and Budget and Old Dominion University Economic Forecasting Project

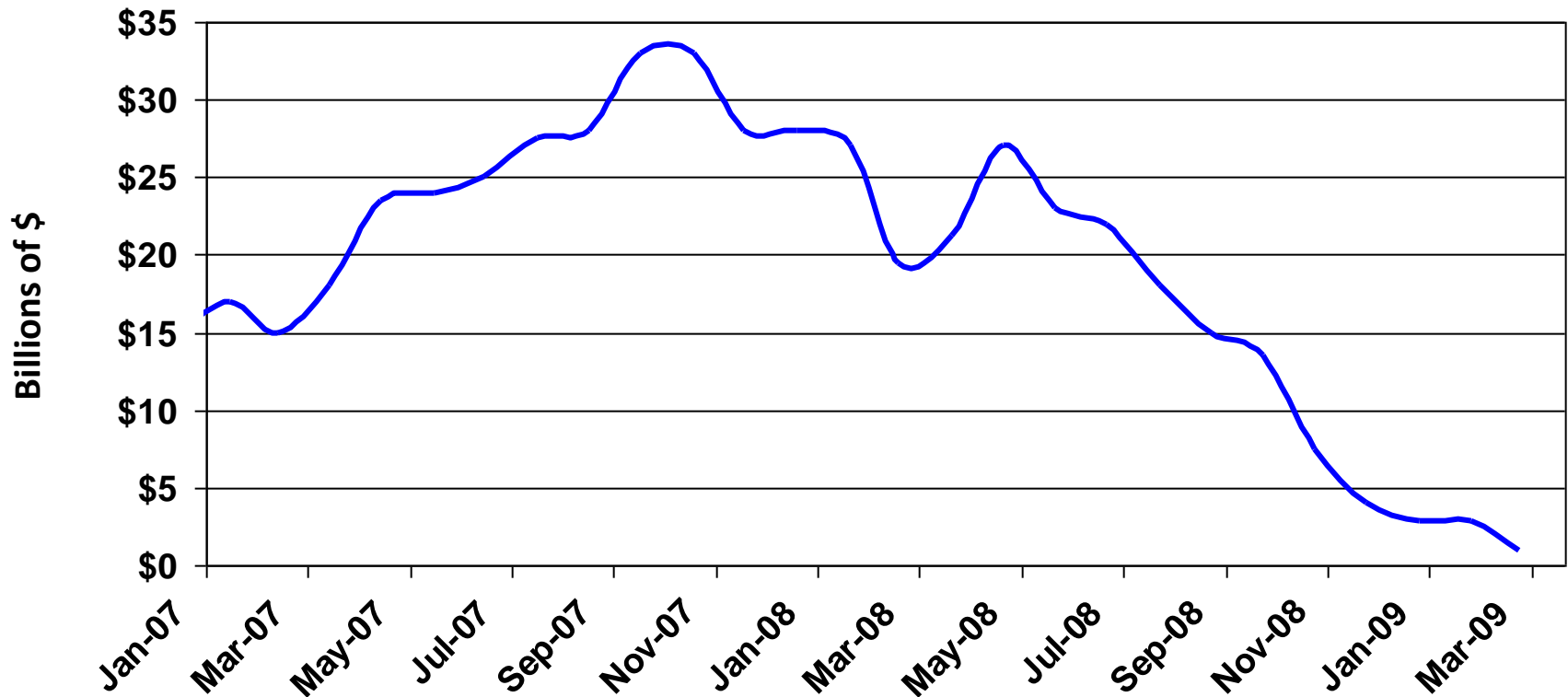
Risk Spread

LIBOR (3-month) vs. T-Bill (3-month) or the "Fear Meter"



Estimated Sub-Prime ARM First Resets (Billions of \$)

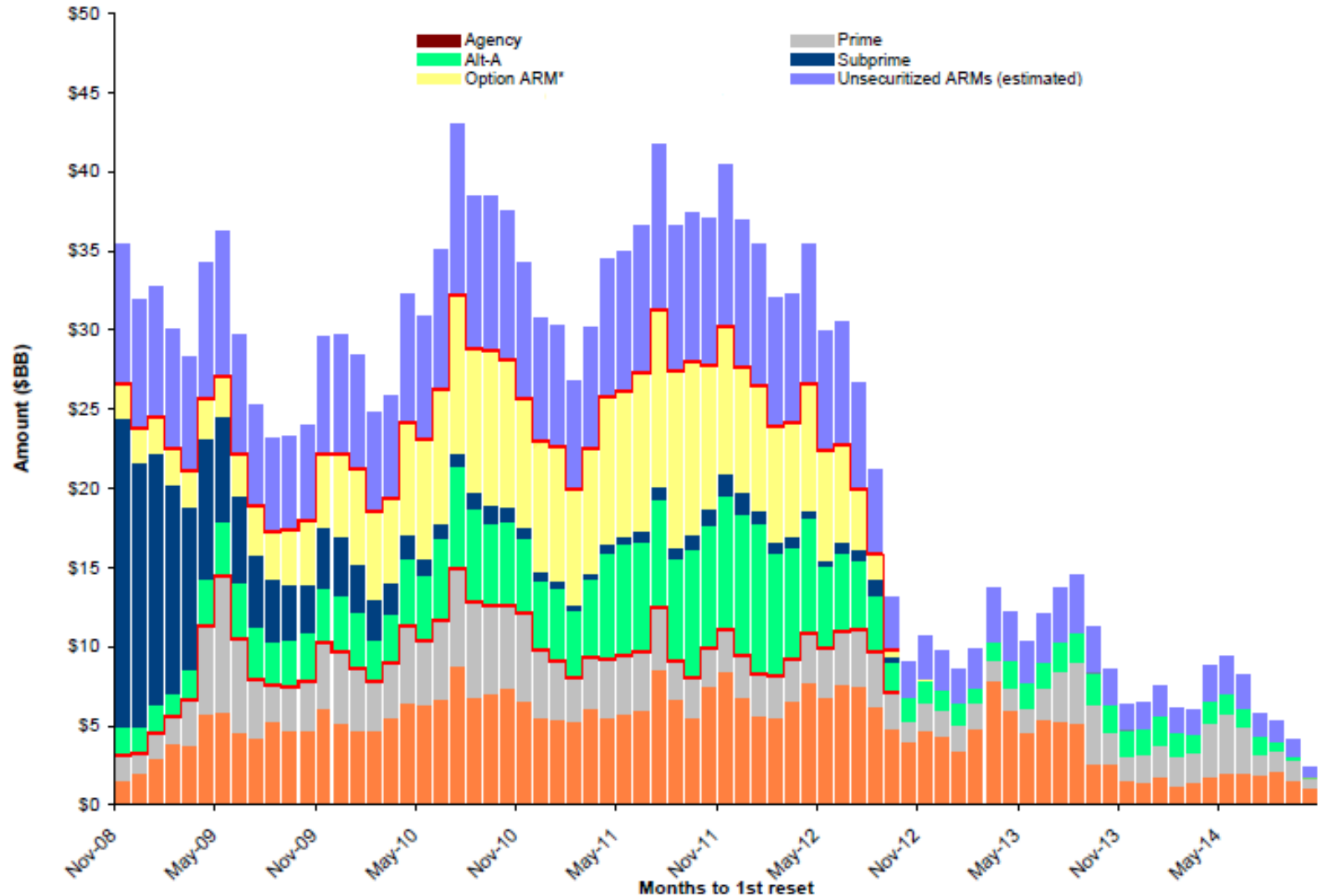
Sub Prime Resets are Falling *but* Serious Issues Remain for 2010 and 2011



Source: International Monetary Fund, Credit Suisse and the Old dominion University Economic Forecasting Project. Data are approximations.

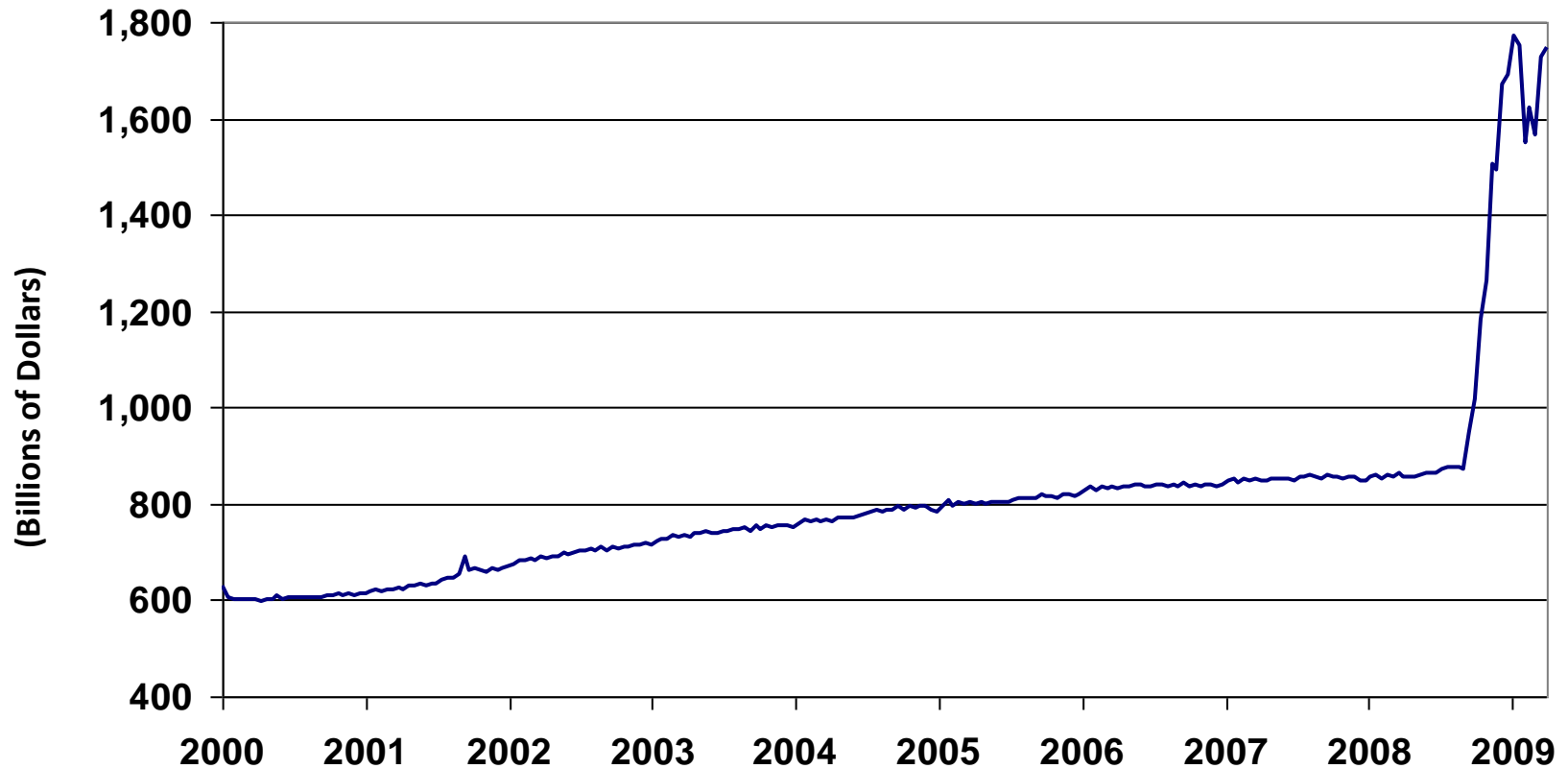
The Second Wave: Mortgage Rate Resets

(First reset in billions of \$)



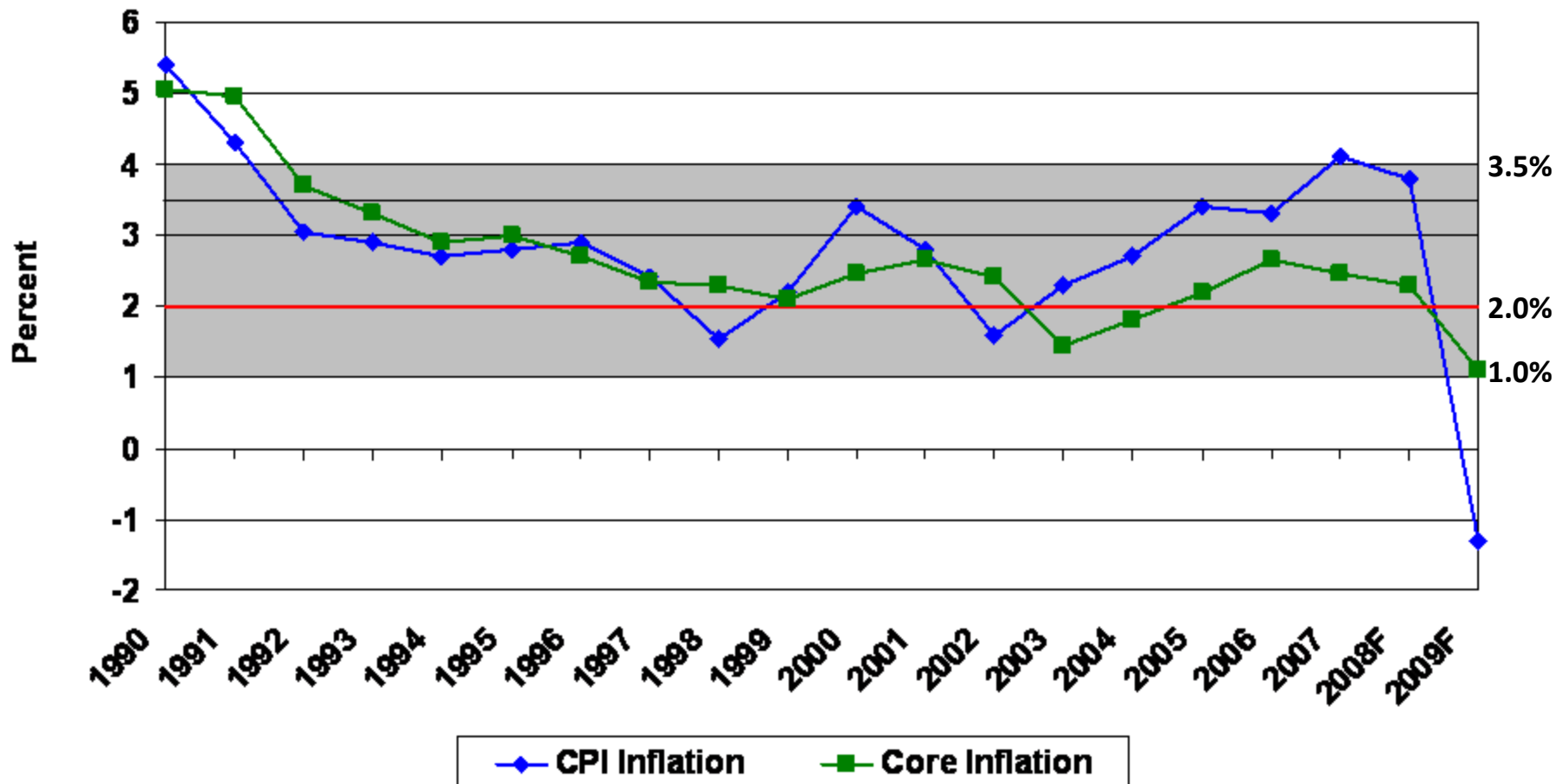
*Option ARMs show estimated recast schedule based on current negam rate; Source: Credit Suisse (US Mortgage Strategy), LoanPerformance FH/FN/GN

Armed and Ready or Shot in the Foot? Adjusted Monetary Base



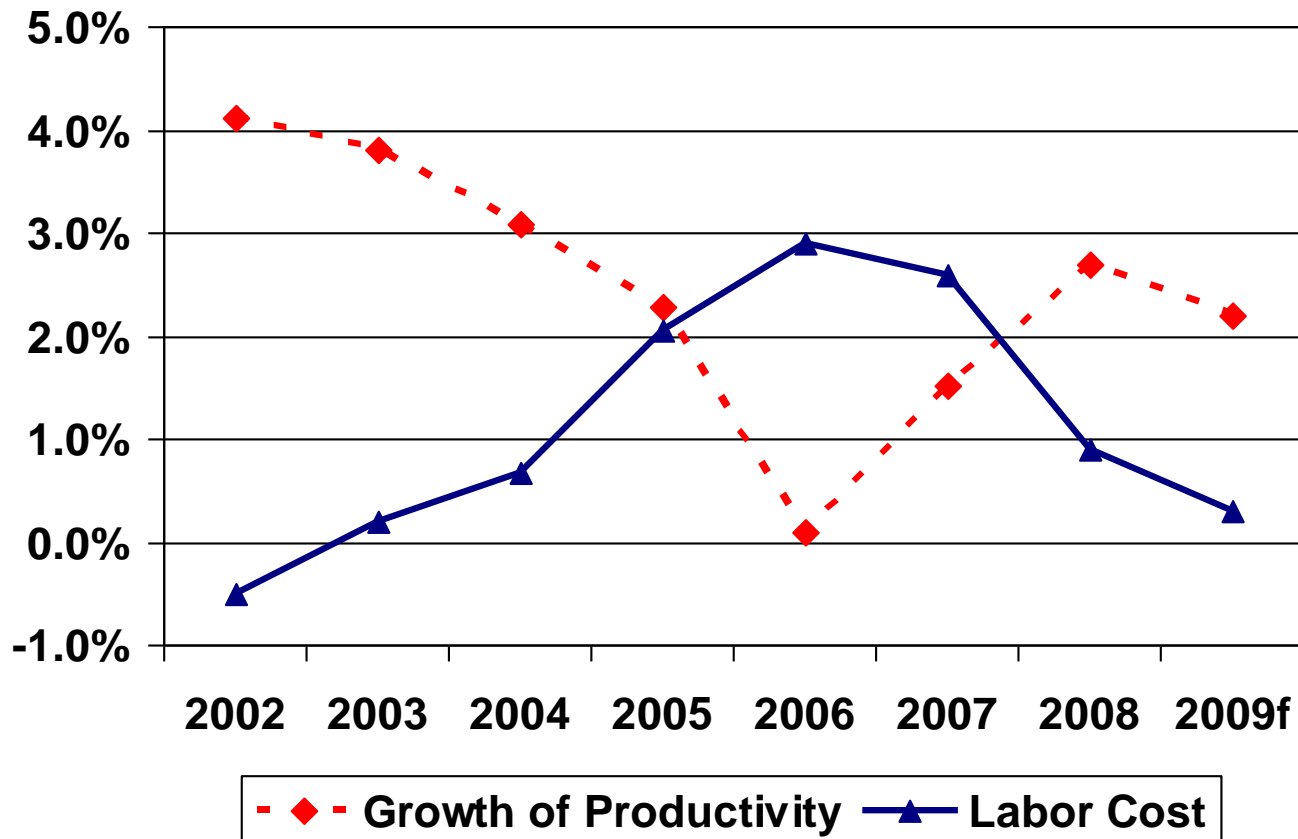
Source: Federal Reserve Bank

Annual CPI and Core Inflation Rate and Long-Run Inflation Objective Upper and Lower Limits (1990 to 2009)



Source: U.S. Department of Labor and Old Dominion University Economic Forecasting Project

Percentage Growth in U.S. Labor Productivity and Nominal Unit Labor Cost (2002-2009)



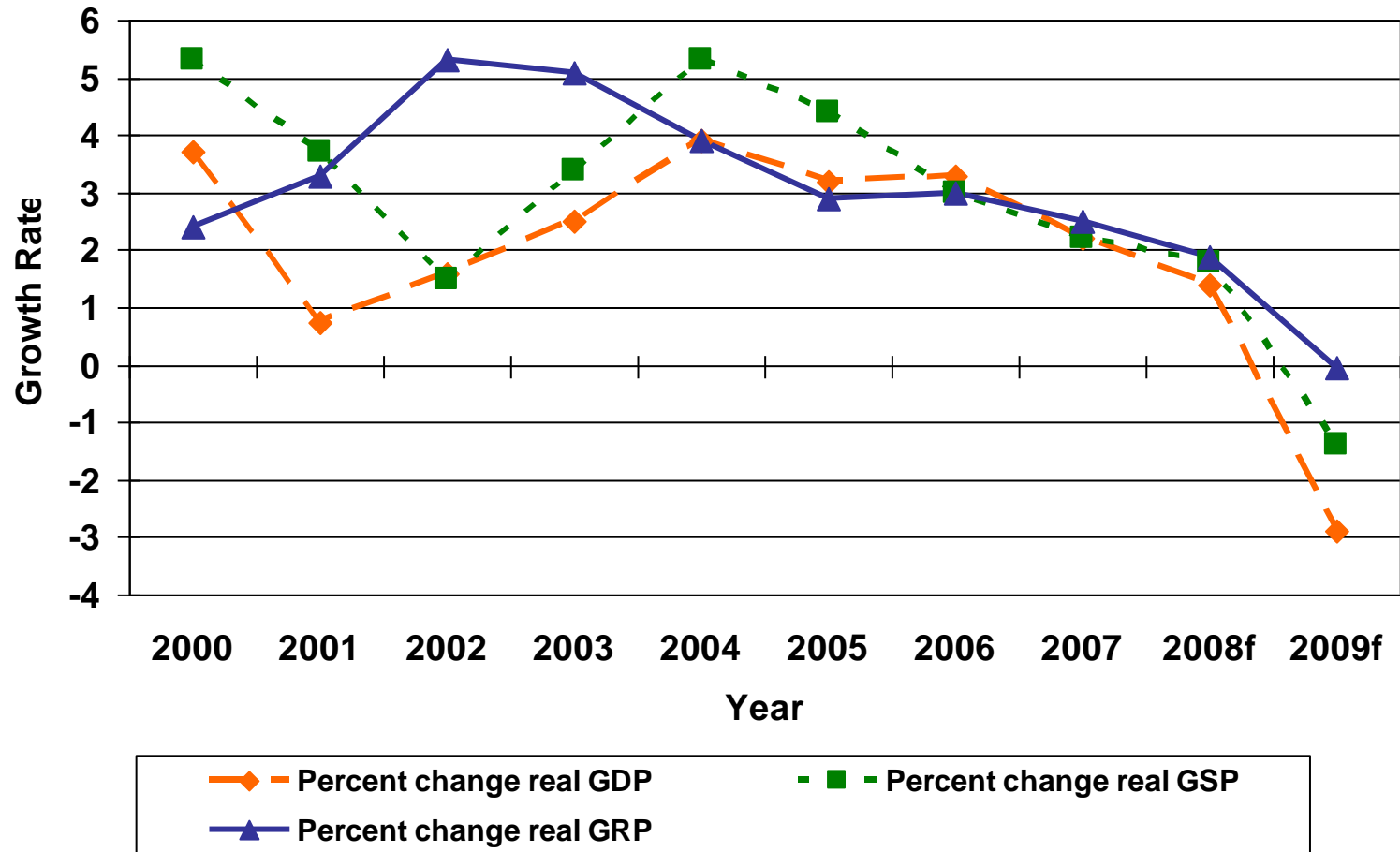
f: forecasted

Source: U.S. Department of Labor and Old Dominion University Economic Forecasting Project

Old Dominion University 2009 National Economic Forecast for Selected Categories

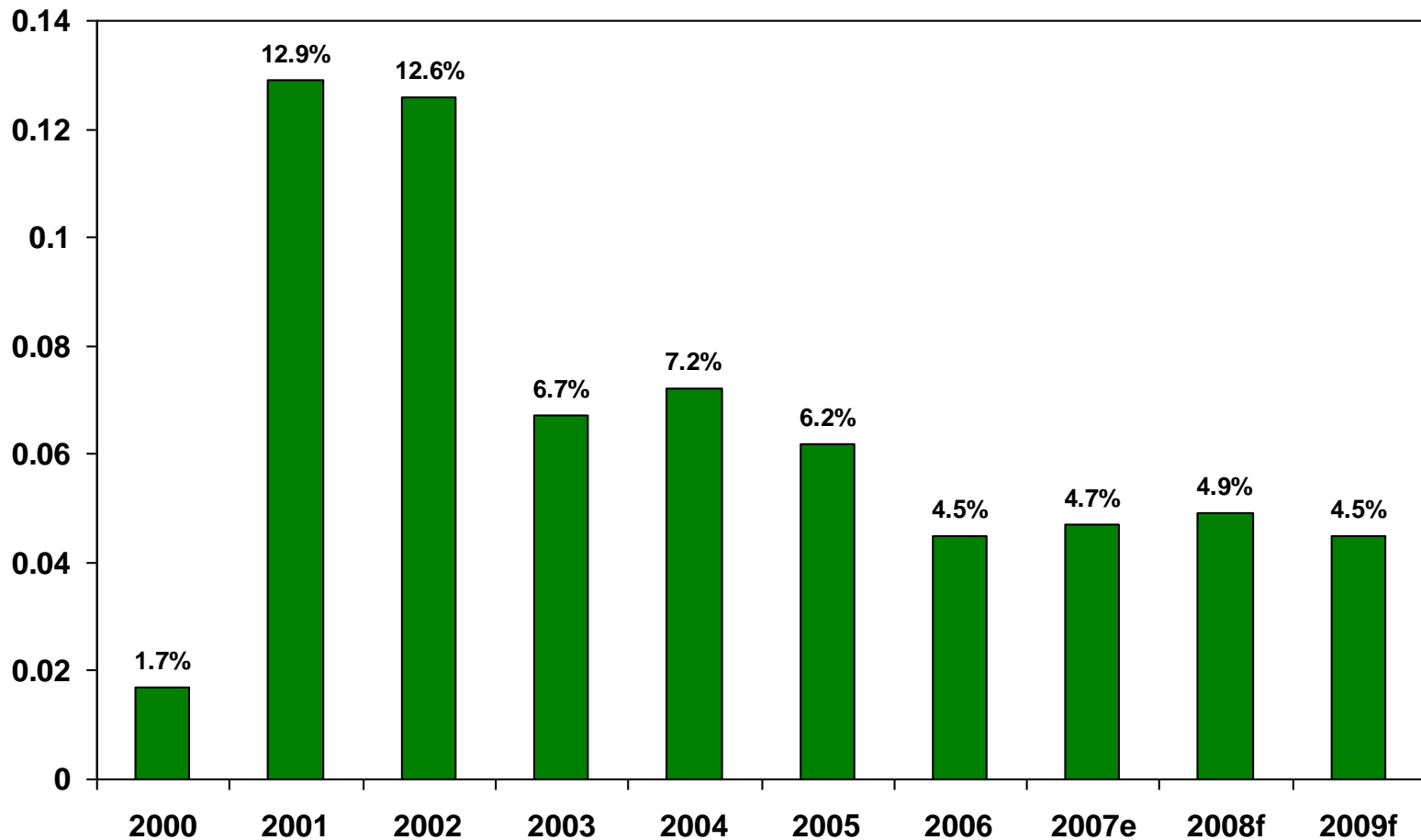
Real U.S. GDP	-2.9%
Urban CPI	-1.1%
3 Month T-Bill Rate	0.2%
Prime Rate	3.3%
10 Year Treasury Bond	3.0%
30 Year Conventional Mortgage Rate	4.9%

Rate of Growth of GDP(US), GSP(VA) and GRP(HR)



Source: Old Dominion University Economic Forecasting Project
f: forecasted

Estimated Annual Growth Rate of Total DoD Spending in Hampton Roads (2000-2009)



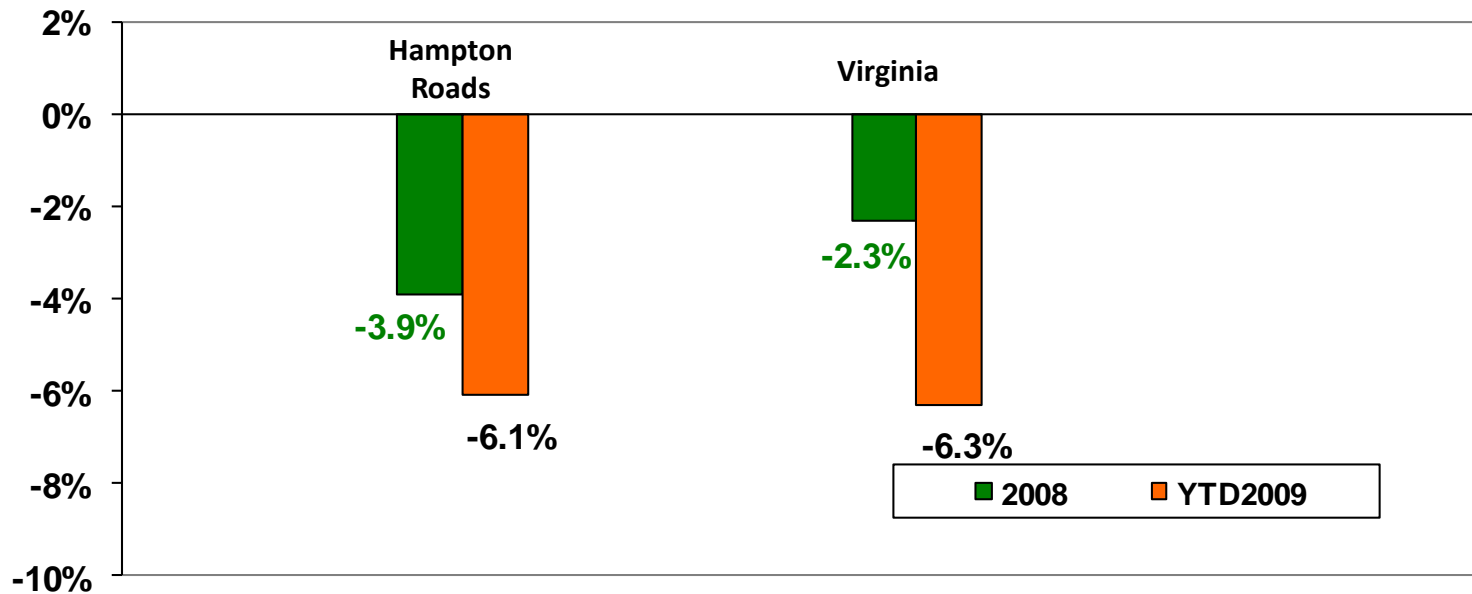
Source: U.S. Department of Defense and the Old Dominion University Economic Forecasting Project

Estimated Household Net Worth in Hampton Roads (2000 to 2008; Billions of \$)



Source: Old Dominion University Economic Forecasting Project

Change in Taxable Sales 2008 and Year to Date (YTD) February 2009



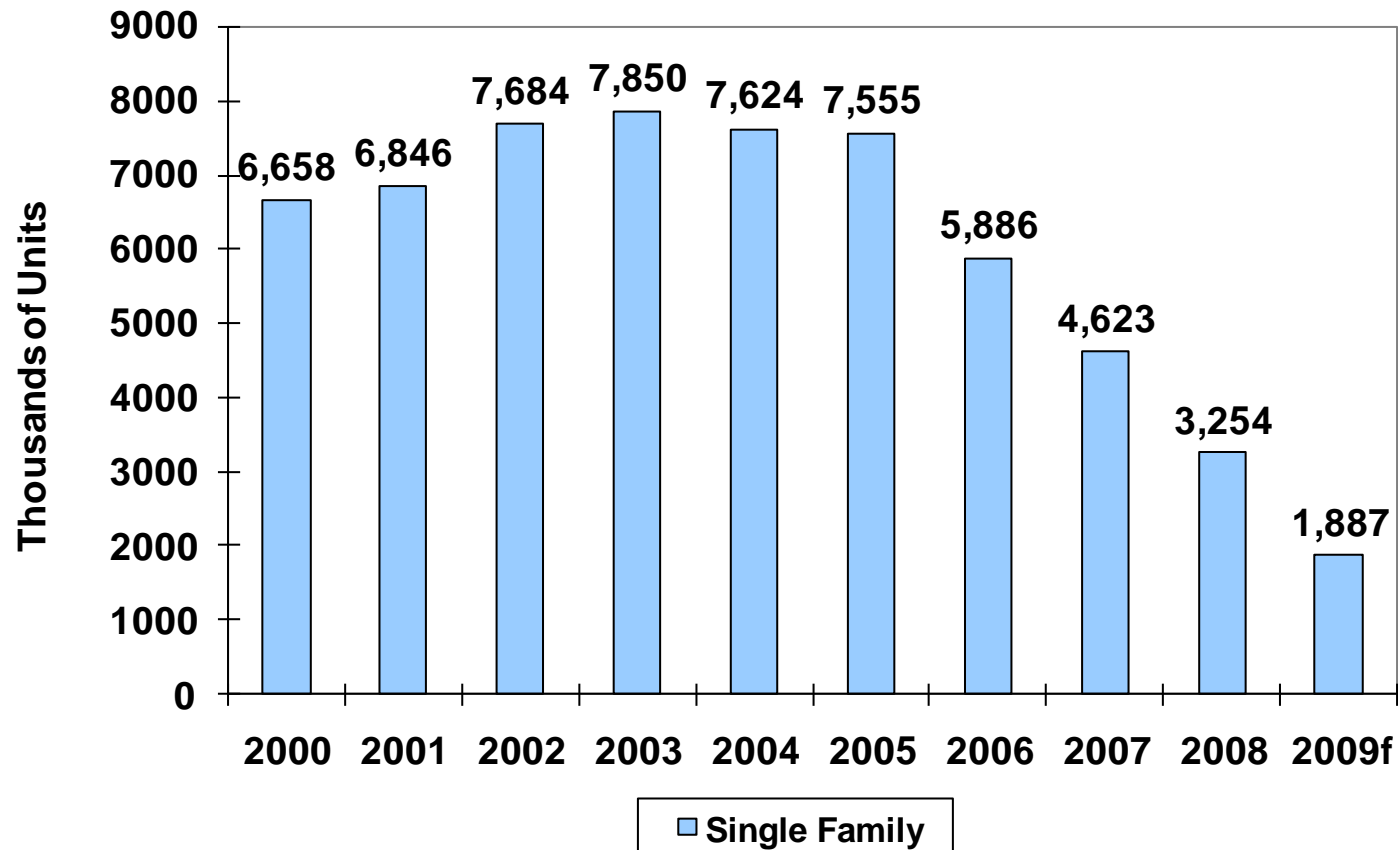
Source: Virginia Department of Taxation and the Old Dominion University Economic Forecasting Project.

Cumulative Decline (Peak to 1st Quarter 2009) in Median Single Family House Prices



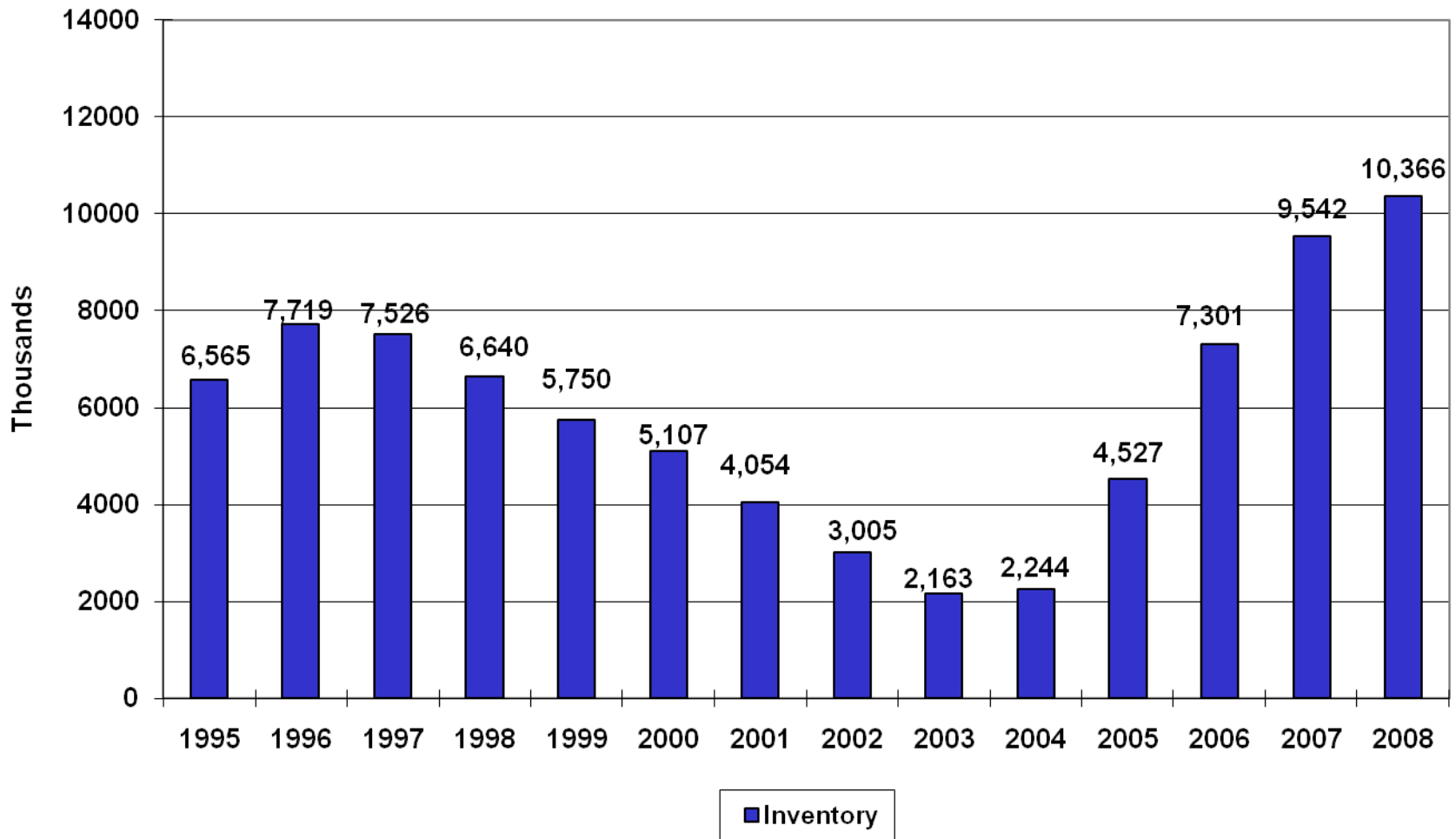
Source: National Association of Realtors, REIN and Old Dominion University Economic Forecasting Project

Building Permits for Single Family Homes in Hampton Roads (2000 to 2009)



Source: US Bureau of the Census and Old Dominion University Economic Forecasting Project

Estimated Inventory of *Existing* Residential Homes in Hampton Roads as measured by active Listings as of December 31 each year



Source: Real Estate Information Network Inc. and the Old Dominion University Economic Forecasting Project. Information deemed reliable but not guaranteed.

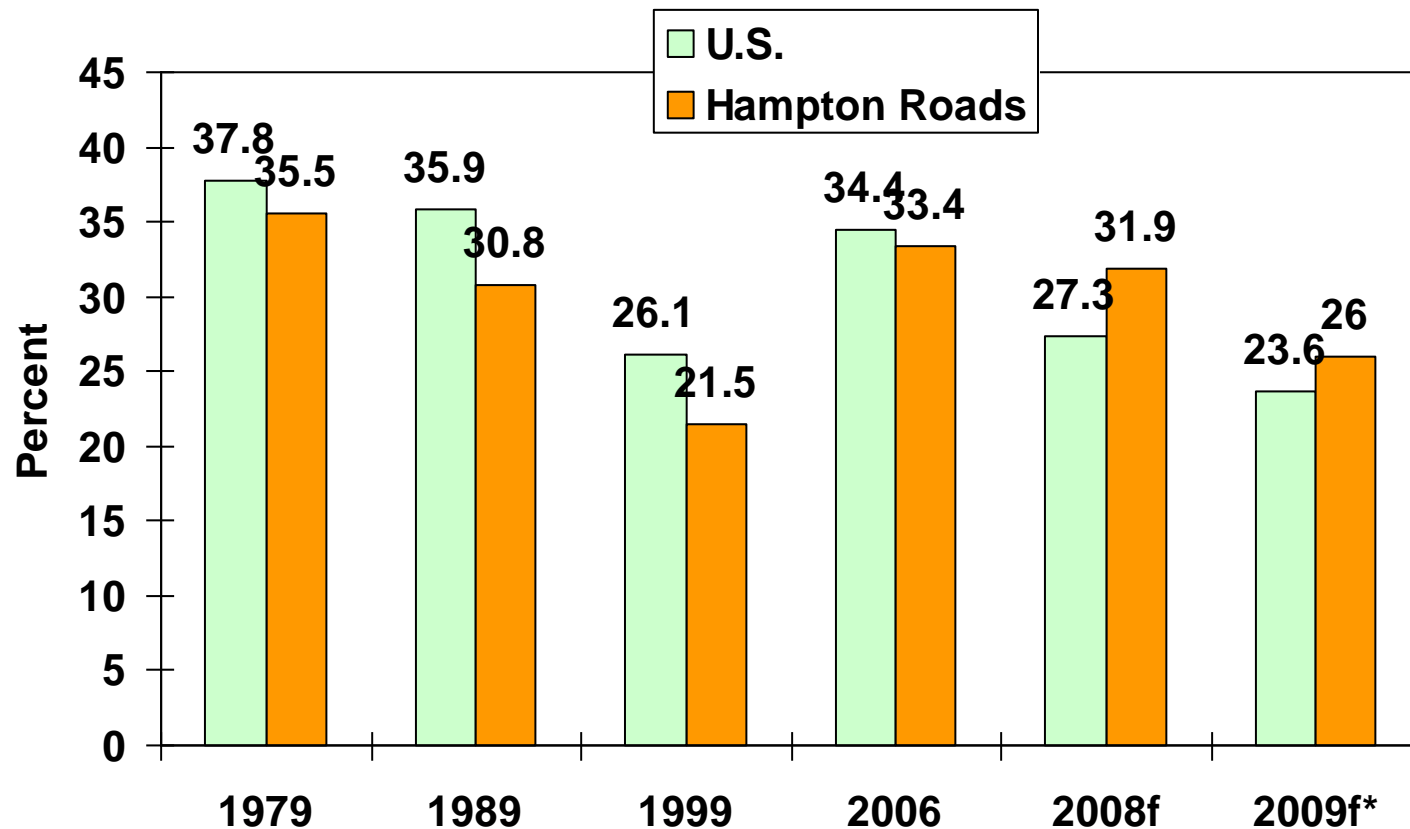
Estimated House Rental and Principal and Interest for a House Payment in Hampton Roads (2000-2008)

	Median Monthly Rent for a Three Bedroom House	P&I Monthly for a Median House	Ratio of Monthly P&I to Rent
2000	\$ 882	\$ 854	0.97
2001	911	809	0.89
2002	1037	827	0.80
2003	1044	809	0.77
2004	1087	1065	0.98
2005	1118	1341	1.20
2006	1164	1457	1.25
2007	1257	1474	1.17
2008e	1287	1441	1.12

Source: H.U.D. and the Old Dominion University Economic Forecasting Project

e: Estimated

Housing Affordability: Monthly Payment for a Median Price Resale House as a Percent of Median Household Monthly Income in Hampton Roads and the U.S. (1979 to 2009)



Source: The Old Dominion University Economic Forecasting Project

f: forecasted *: assumes 5.0% mean mortgage rate in 2009

Old Dominion University 2009 Forecast for Hampton Roads MSA

	% Change
Real Gross Regional Product (2000=100)	-0.3
Civilian Employment	-0.4
Unemployment Rate	7.5
Taxable Sales	-3.9
Hotel Revenue	-2.2
General Cargo Tonnage	-14.4
Housing Permit Value	-40.7

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