



The Economic Outlook For 2009

Dr. Mark G. Dotzour
Real Estate Center
Texas A&M University
College Station, TX
dotzour@tamu.edu

If Texas Was A Nation

- | | |
|------------------|-----------------|
| 1 United States | 8 Canada |
| 2 Japan | 9 Spain |
| 3 Germany | 10 Brazil |
| 4 China | 11 TEXAS |
| 5 United Kingdom | 12 Russia |
| 6 France | 13 India |
| 7 Italy | |

States Ranked by
Economic Size
Percent of US GDP

California	13.1%
Texas	8.1%
New York	7.8%
Florida	5.4%
Illinois	4.5%
Pennsylvania	3.9%
Ohio	3.5%

States Ranked by
Growth of State GDP
1997-2006

Arizona	61.8%	Colorado	44.1%
Idaho	57.4%	Washington	41.0%
Nevada	54.1%	South Dakota	39.1%
Florida	47.1%	Virginia	38.7%
Oregon	45.7%	Texas	38.3%
California		45.6%	

Texas Metros

Ranked by Economic Output

Percent of Texas GDP in 2005

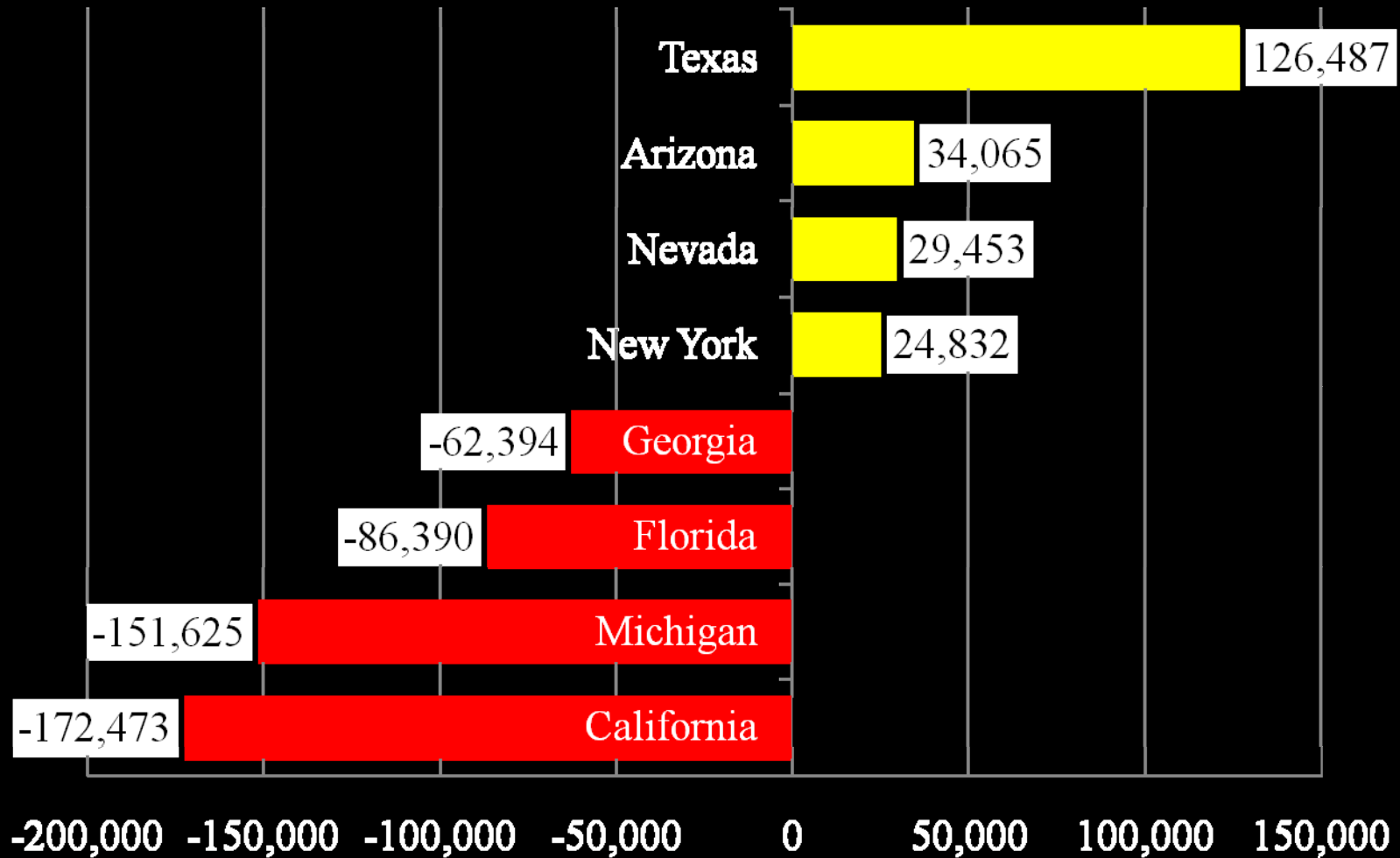
Houston	32.0%
DFW	31.9%
San Antonio	6.8%
Austin	6.7%

Combined total of 77.4%
Houston or DFW are bigger

Texas Job Growth in 2008

Leads the Nation from Oct07 to Oct08

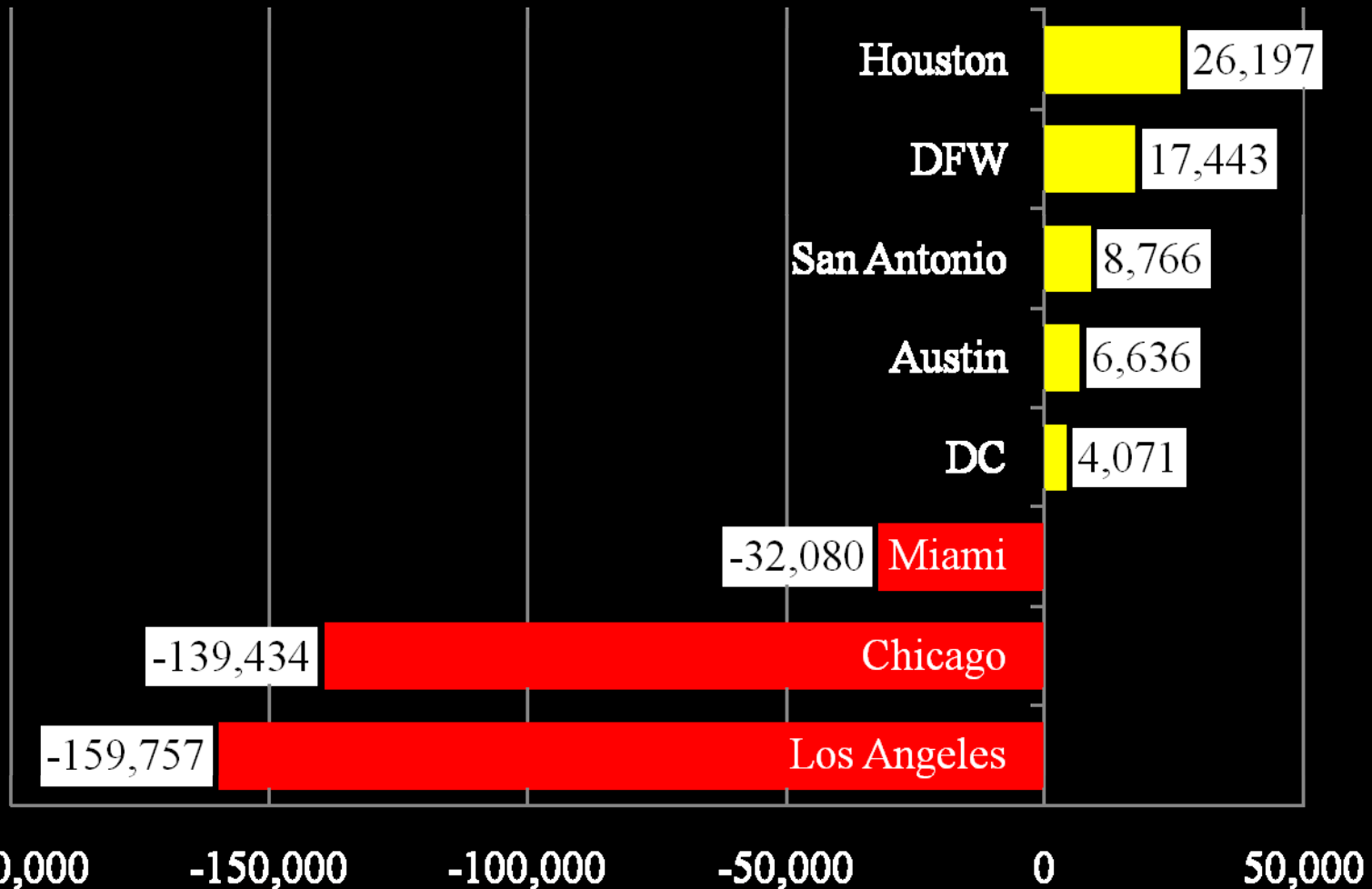
3rd cycle of rec.



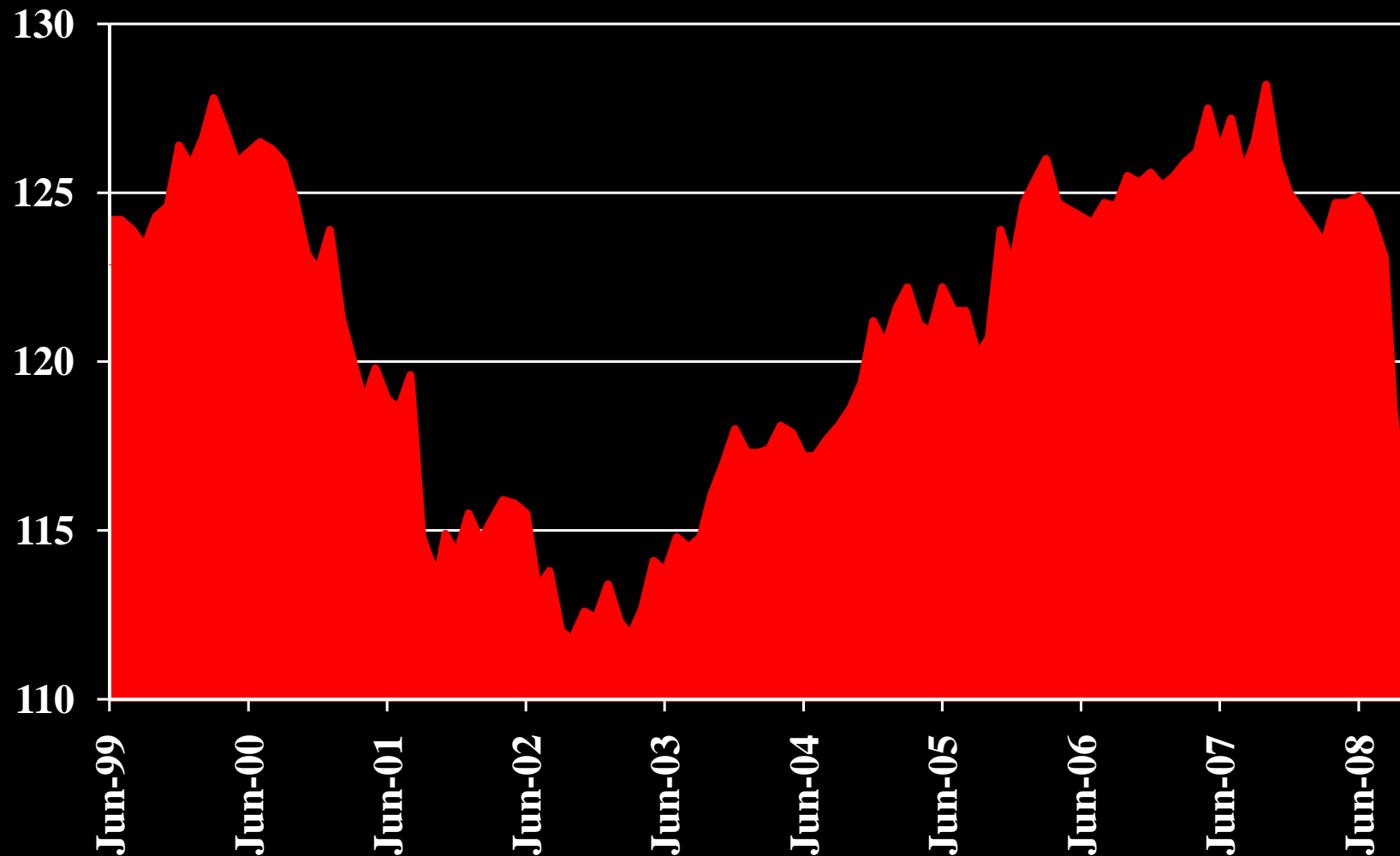
Major Metros Job Growth

(Oct07 to Oct08)

3rd cycle of recession



Texas Index of Leading Indicators



Recessions and Employment

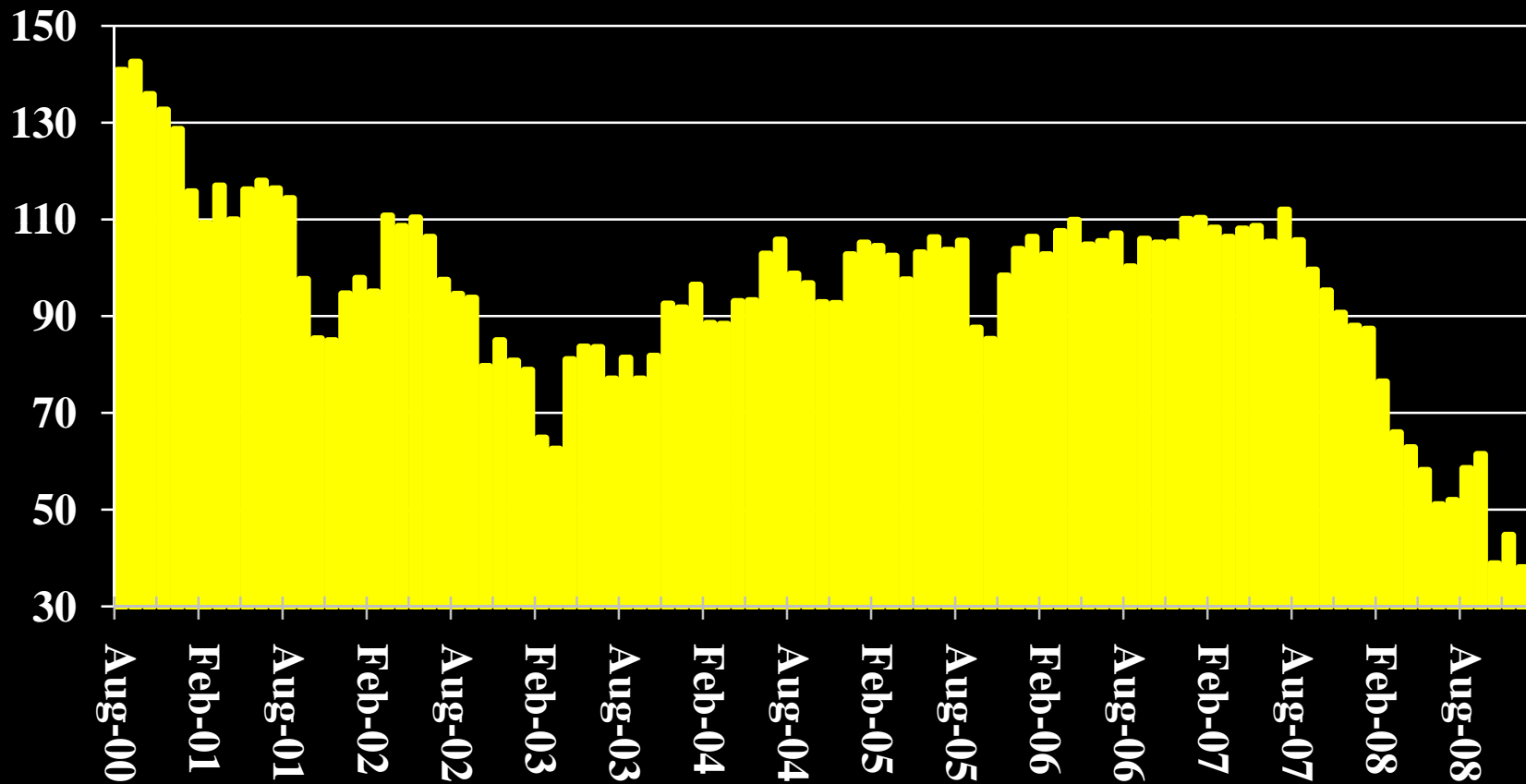
Jobs Peak	Jobs Lost	% Jobs Lost	Months of Decline	Max Rate Unemployment
Nov-43	4.3 million	10.1 %	22 months	
Sep-48	2.3 million	5.2 %	12 months	7.9%
Apr-57	2.3 million	4.4 %	14 months	7.5%
Jul-74	2.1 million	2.8 %	9 months	9.0%
Jul-81	2.8 million	3.1 %	16 months	10.8%
Jun-90	1.6 million	1.5 %	11 months	7.8%
Feb-01	2.7 million	2.0 %	29 months	6.3%
Dec-07	2.6 million	1.9%	12 months	7.2%

Composition of the US Economy

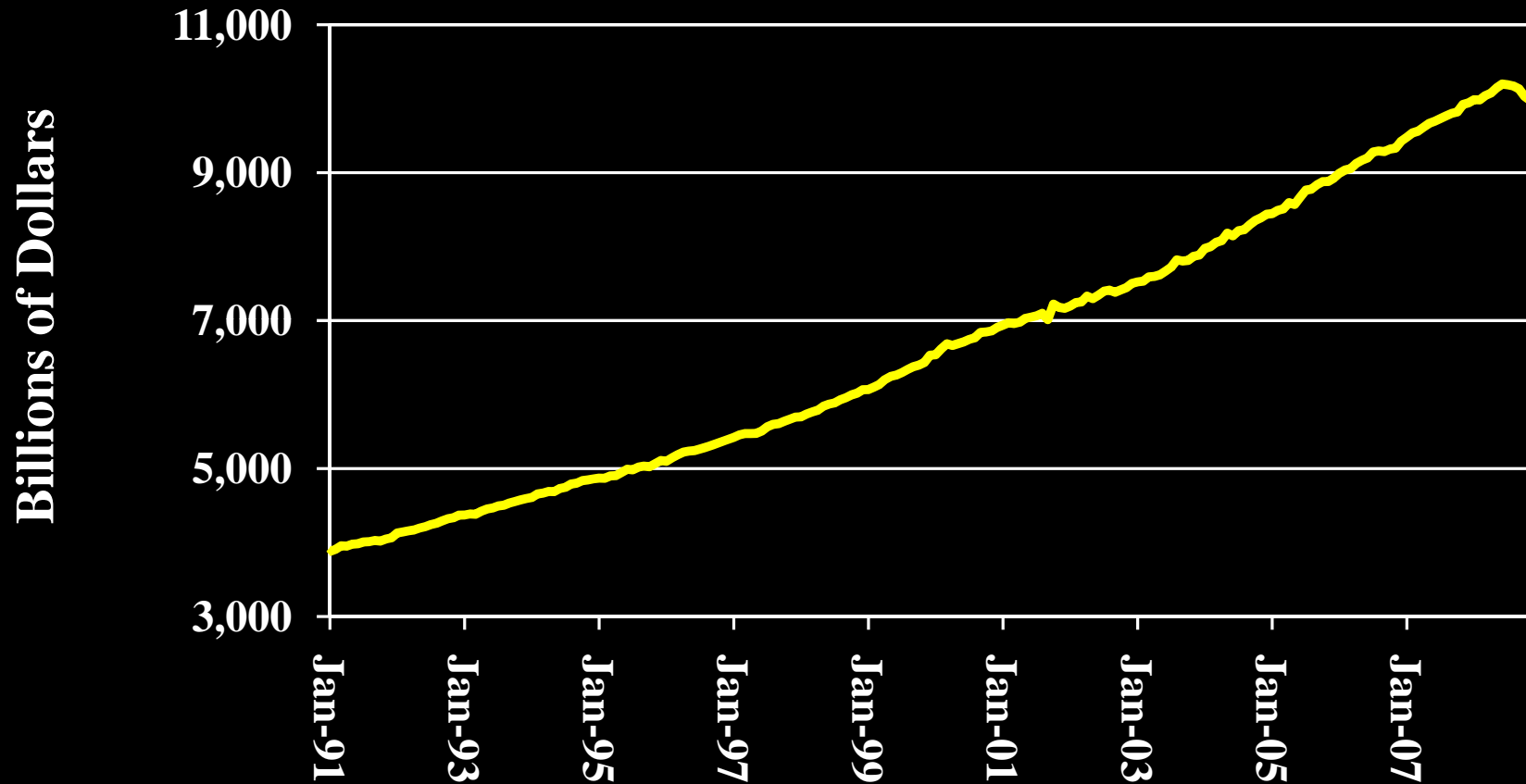
71.2%	Consumer Spending
13.9%	Business Investment
20.1%	Government Spending
- 5.2%	Net Exports



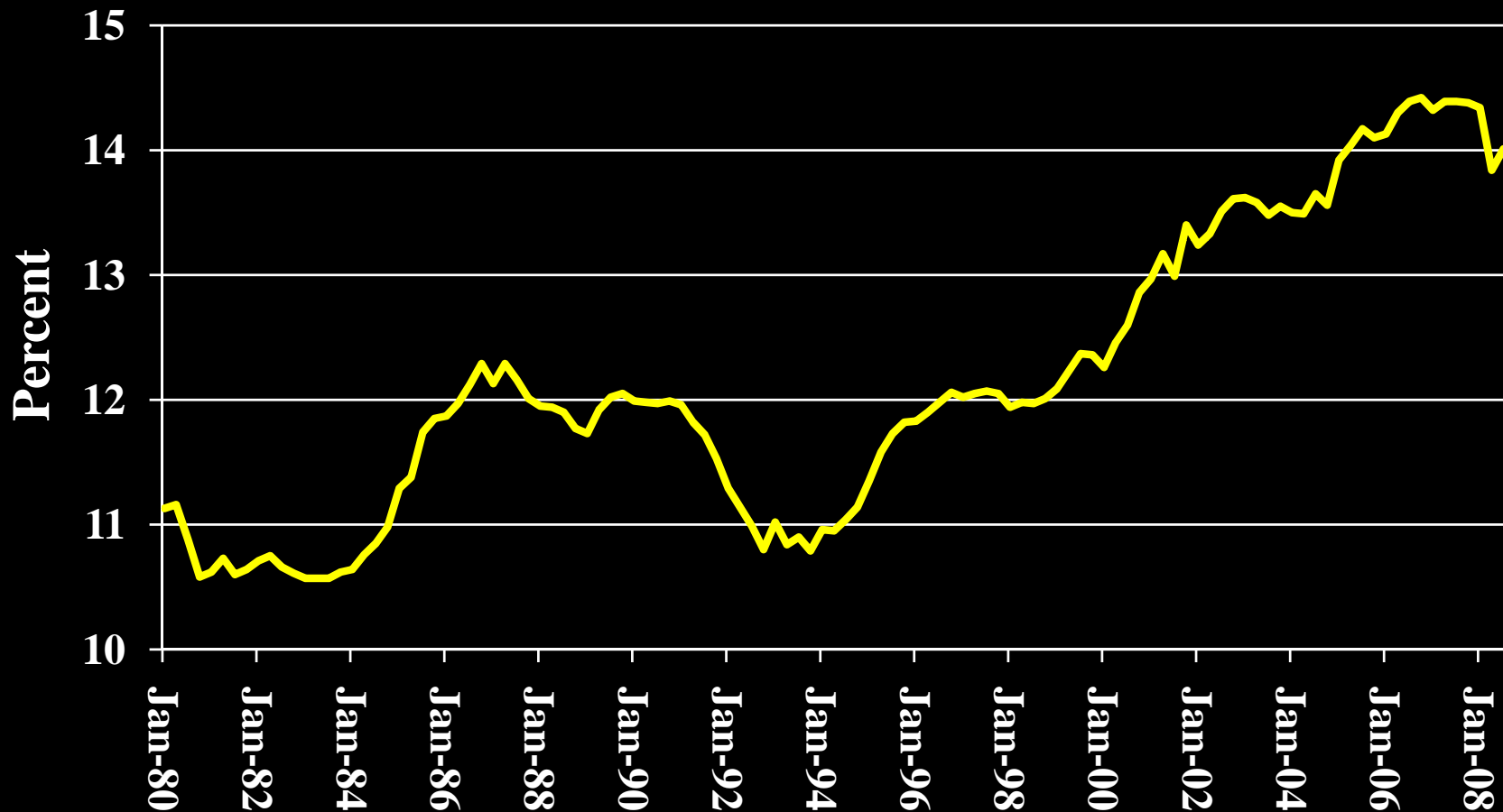
Consumer Confidence Index



Personal Consumption Expenditures

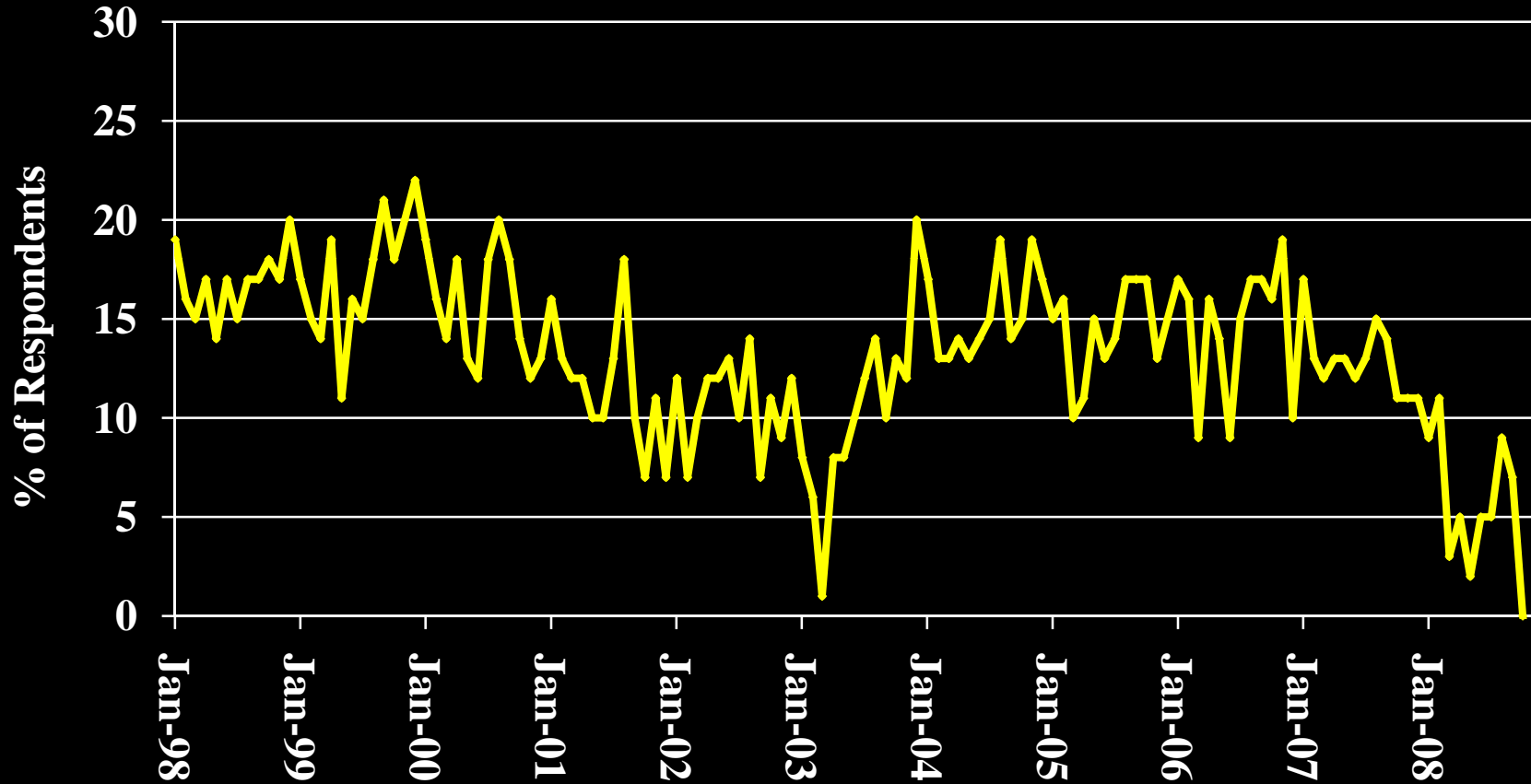


Debt Service Payments as a Percent of Disposable Personal Income



Small Business Outlook

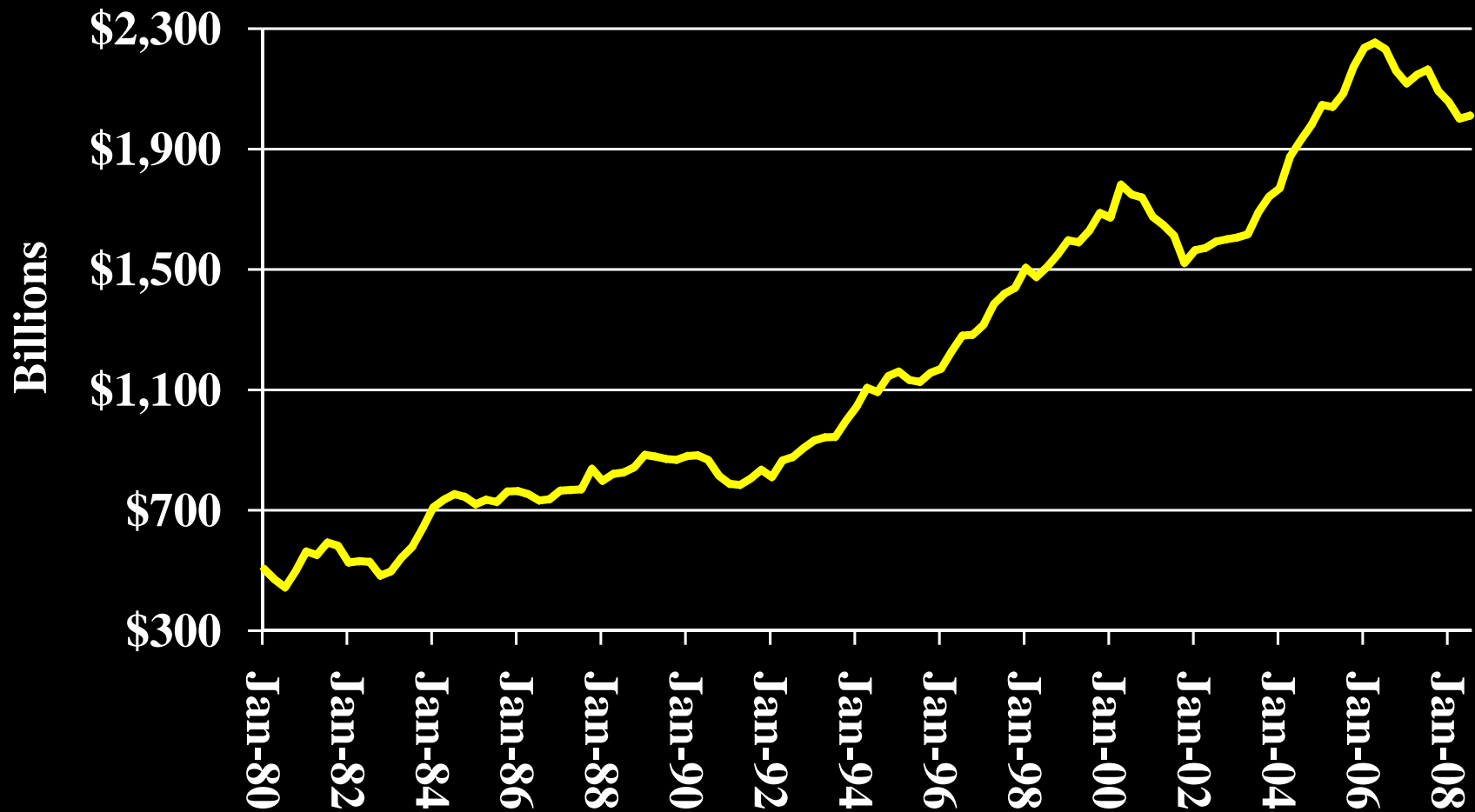
“Planning To Hire People In The Next Six Months”



Corporate Hiring Plans: Next 6 Months

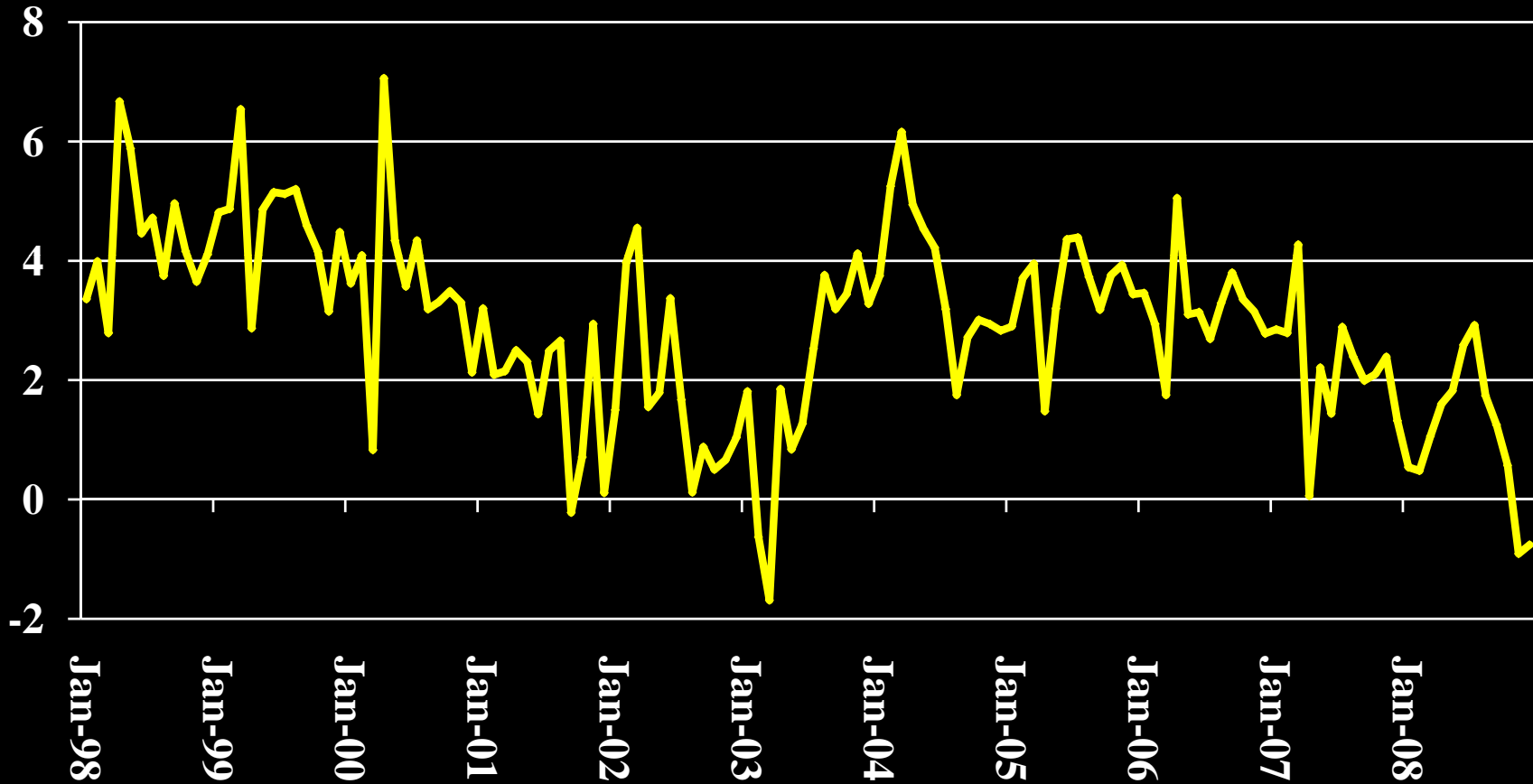
	Q4-08	Q3-08	Q2-08	Q1-08
More Jobs	9%	29%	28%	30%
Less Jobs	60%	32%	31%	22%

Gross Private Domestic Investment



General Merchandise Retail Sales

Same Store Sales % Change from Year Earlier



Corporate Profits

(With Inventory Valuation Adjustment & Capital Consumption Adjustment)



Investors “Waiting to See”

Increase in capital gains and dividend taxes from 15% to 24% decreases the value of stocks and real estate by 11% overnight.



The Best Case Scenario

Favorable corporate earnings 4Q09

Stocks rise about six months prior to that

Consumer confidence rises with stocks

House prices/volume continue to fall

Foreclosure pressure continues to be heavy

Rising confidence bolsters spending habits

More spending results in higher profits

Employment stabilizes by next summer

The Worst Case Scenario

No effective fiscal package gets passed

Treasury and Fed continue to stumble

Bad banks and businesses propped up

No price discovery for mortgages

CDS market doesn't get unwound

Political indecision leads to threats in future

Business / consumers "sit on their hands"

Unemployment goes well over 10%

Commodity deflation and price deflation



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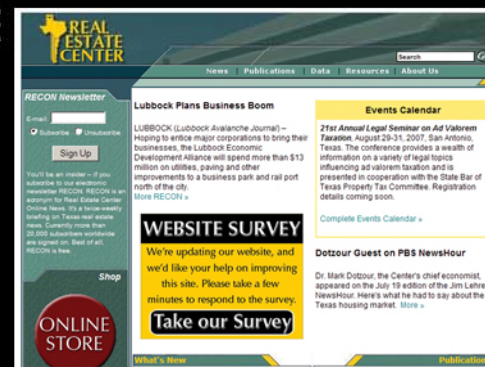


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