

DFW Outlook

Dallas Regional Chamber
September 2009

Back from the Abyss: Now What?

Richard W. Fisher

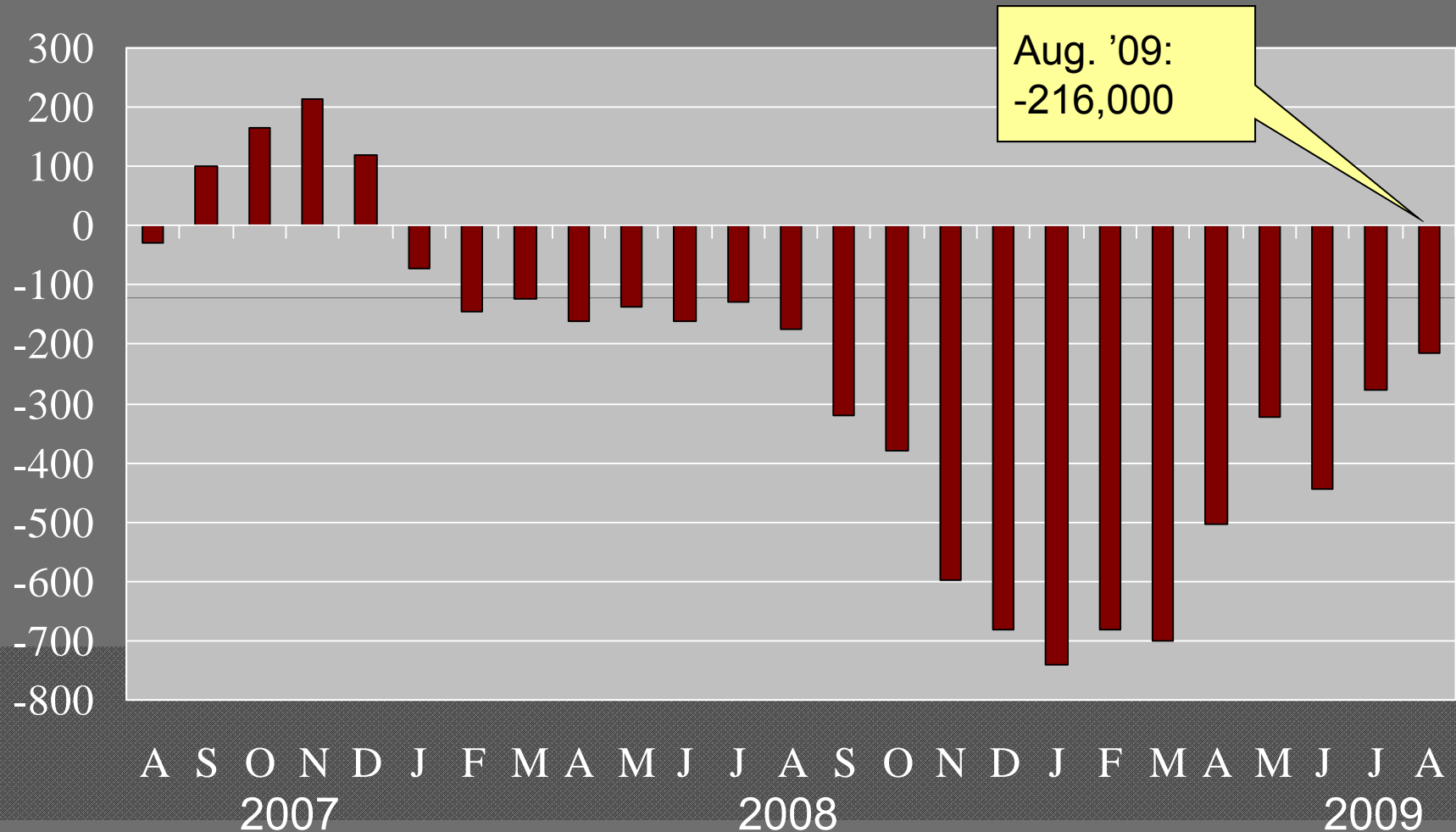
May 15, 2009

I envision **a slow recovery**. Not a V-shaped snapback—nor even a U-shaped one—but a very slow slog as we find a more sensible and sustainable mix between consumption and savings and investment.

- ◉ The **pace of decline will moderate** in the current quarter
- ◉ Then we're likely to **bounce along the bottom** for a while, perhaps punching through to **positive growth as 2010 dawns**.
- ◉ Increases in unemployment, while mitigated by the expansion of government (particularly the need for census takers) will likely take us to a **10 percent jobless rate** before we reverse course.
- ◉ Global **excess capacity is likely to remain excessive** for some time to come.

Nonfarm Payrolls

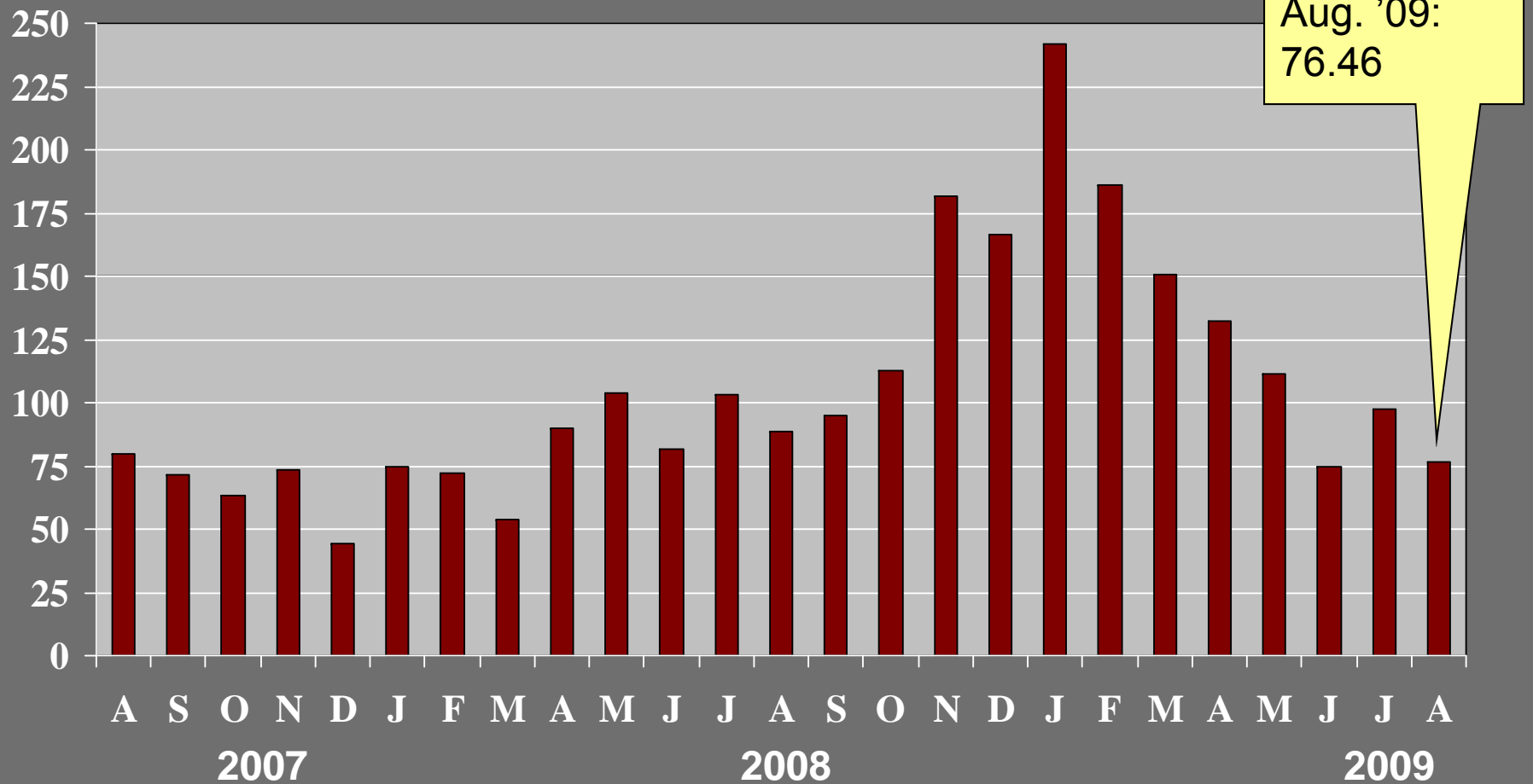
Monthly change, in thousands



Source: Labor Department

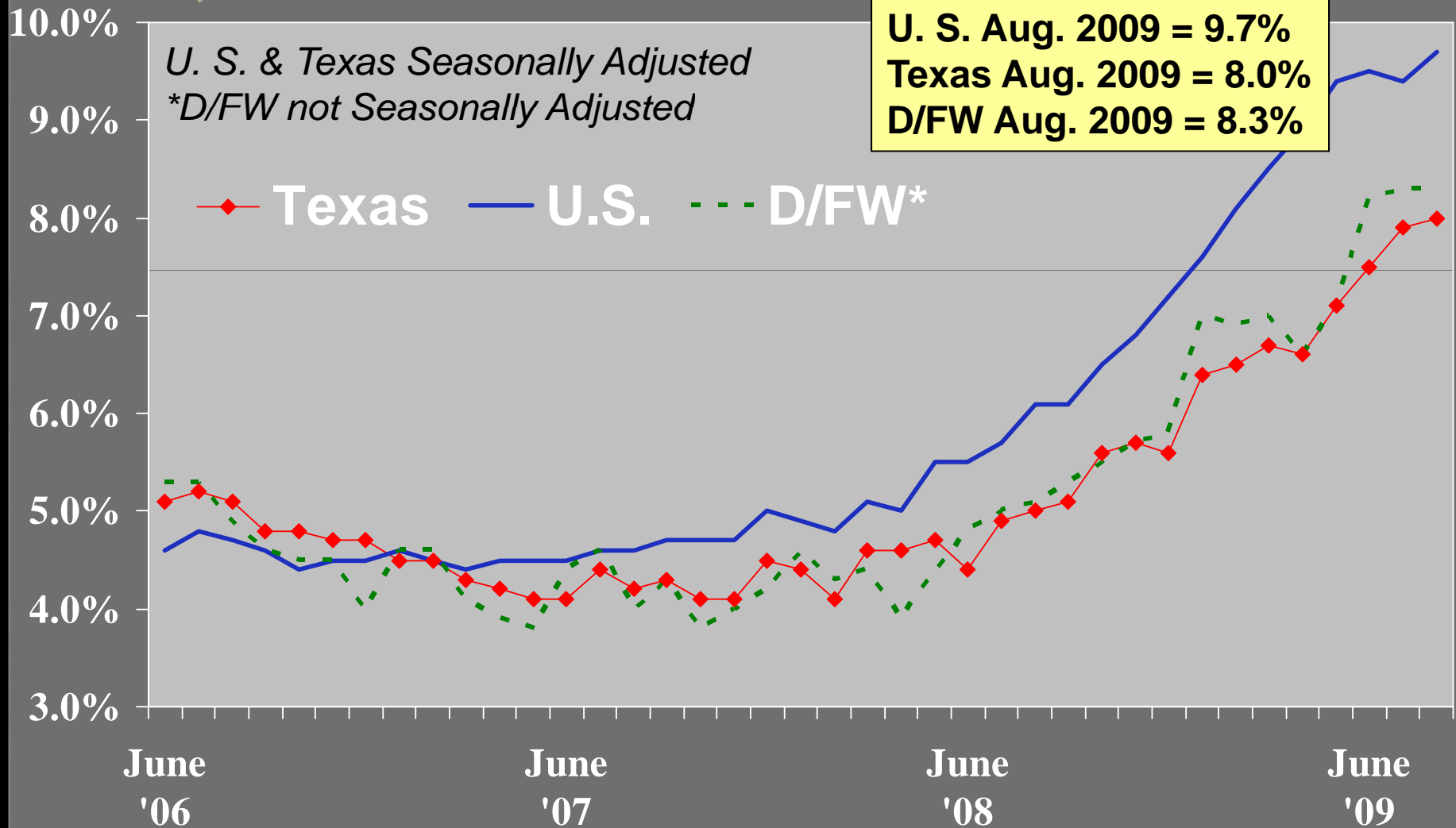
Human Sacrifice

Number of layoff announcements in the U. S. (in thousands)



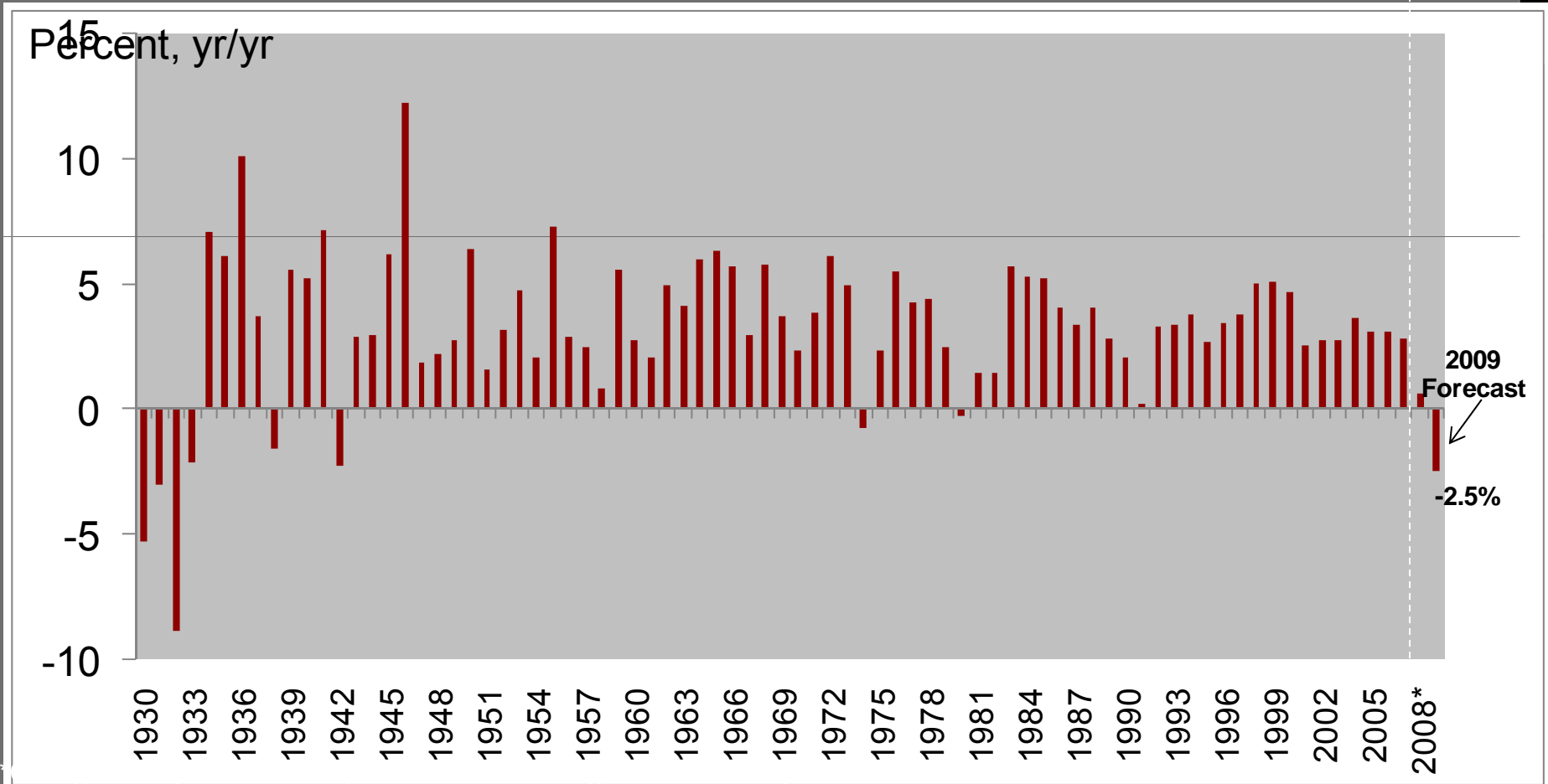
Source: Challenger, Gray and Christmas

Unemployment Rate, U. S., Texas, & D/FW



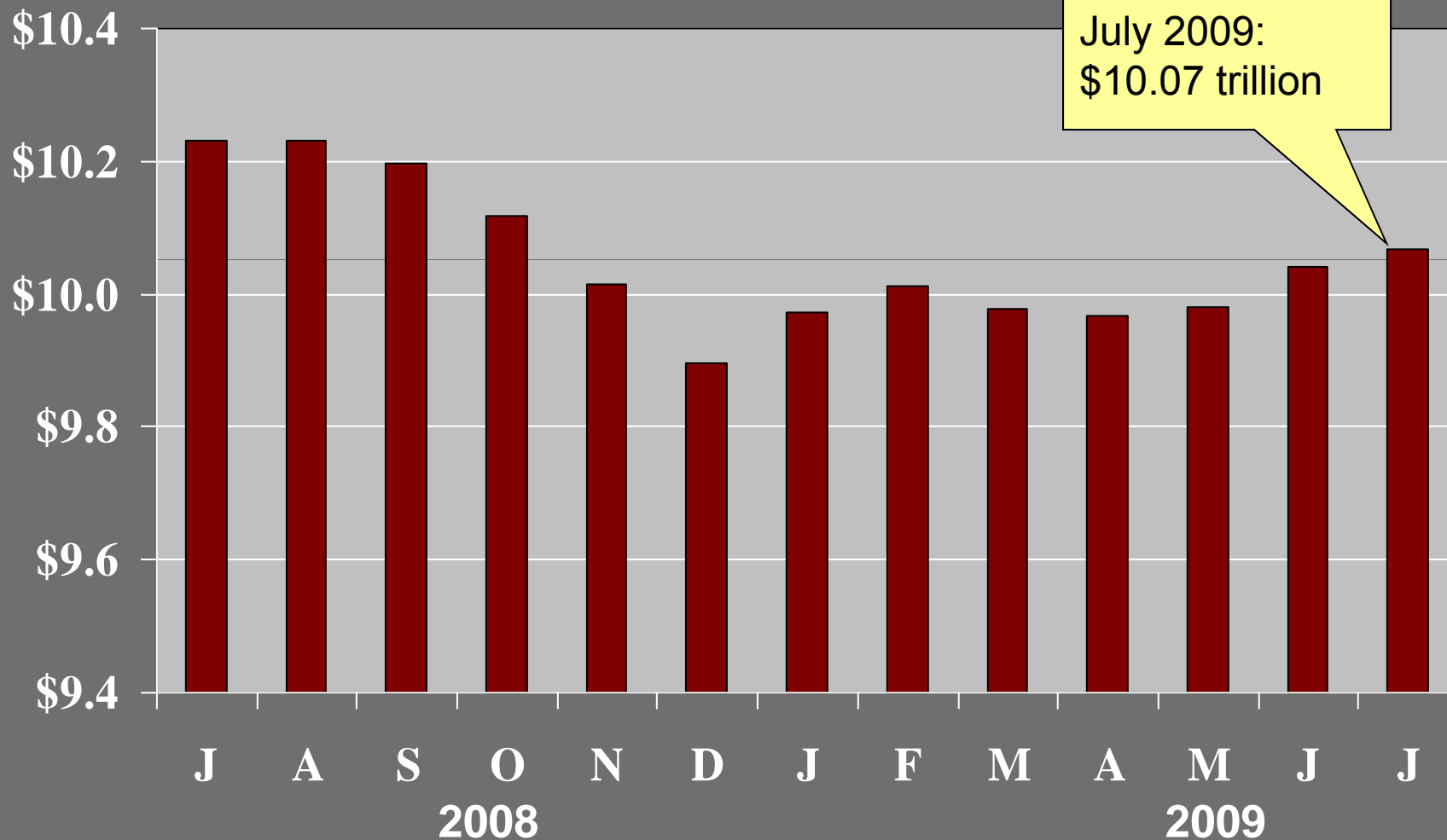
Source: Texas Workforce Commission

Shop 'Til You Drop: The Consumer Has Dropped!



Personal Consumption

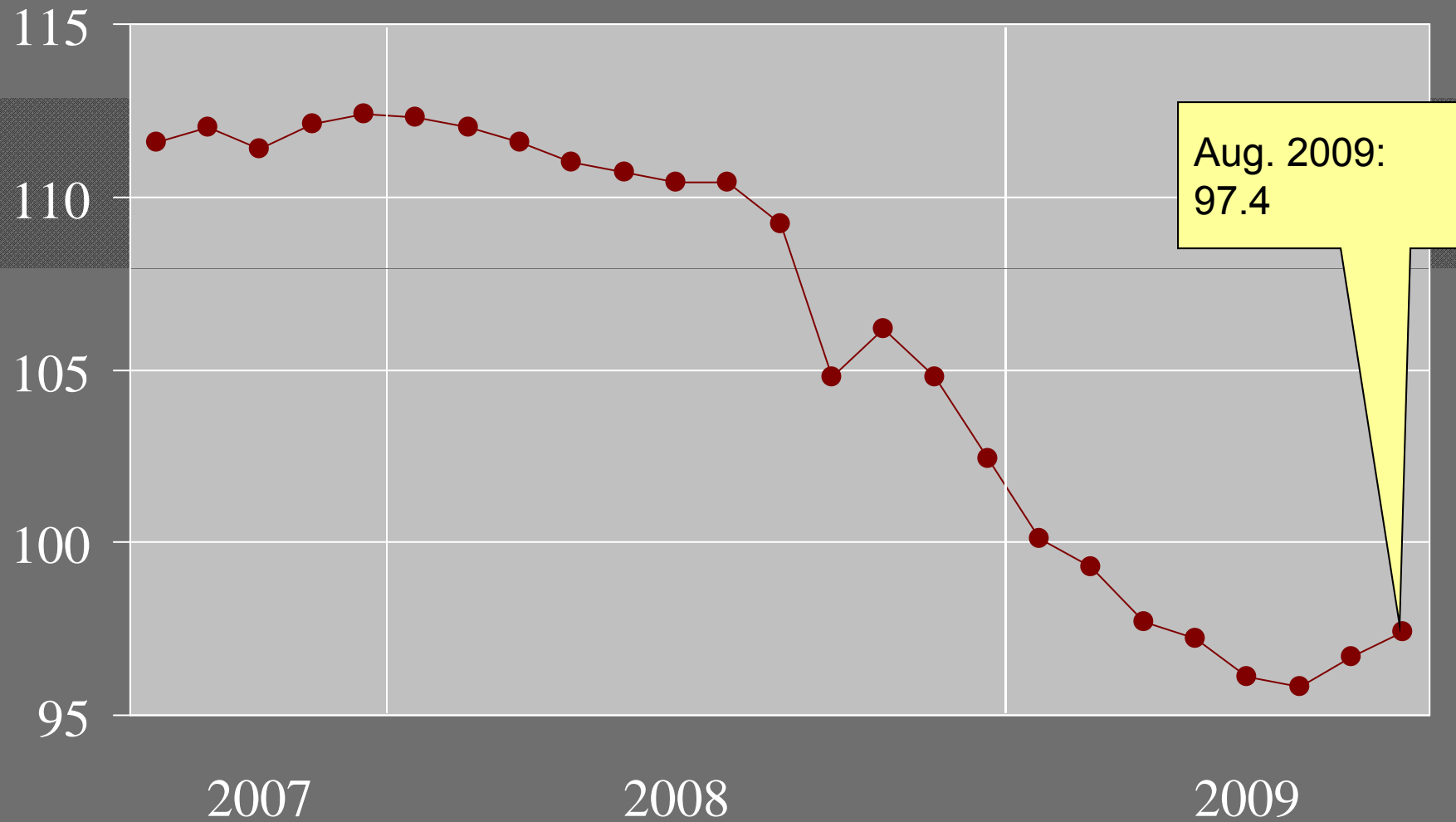
In trillions



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

Industrial Production

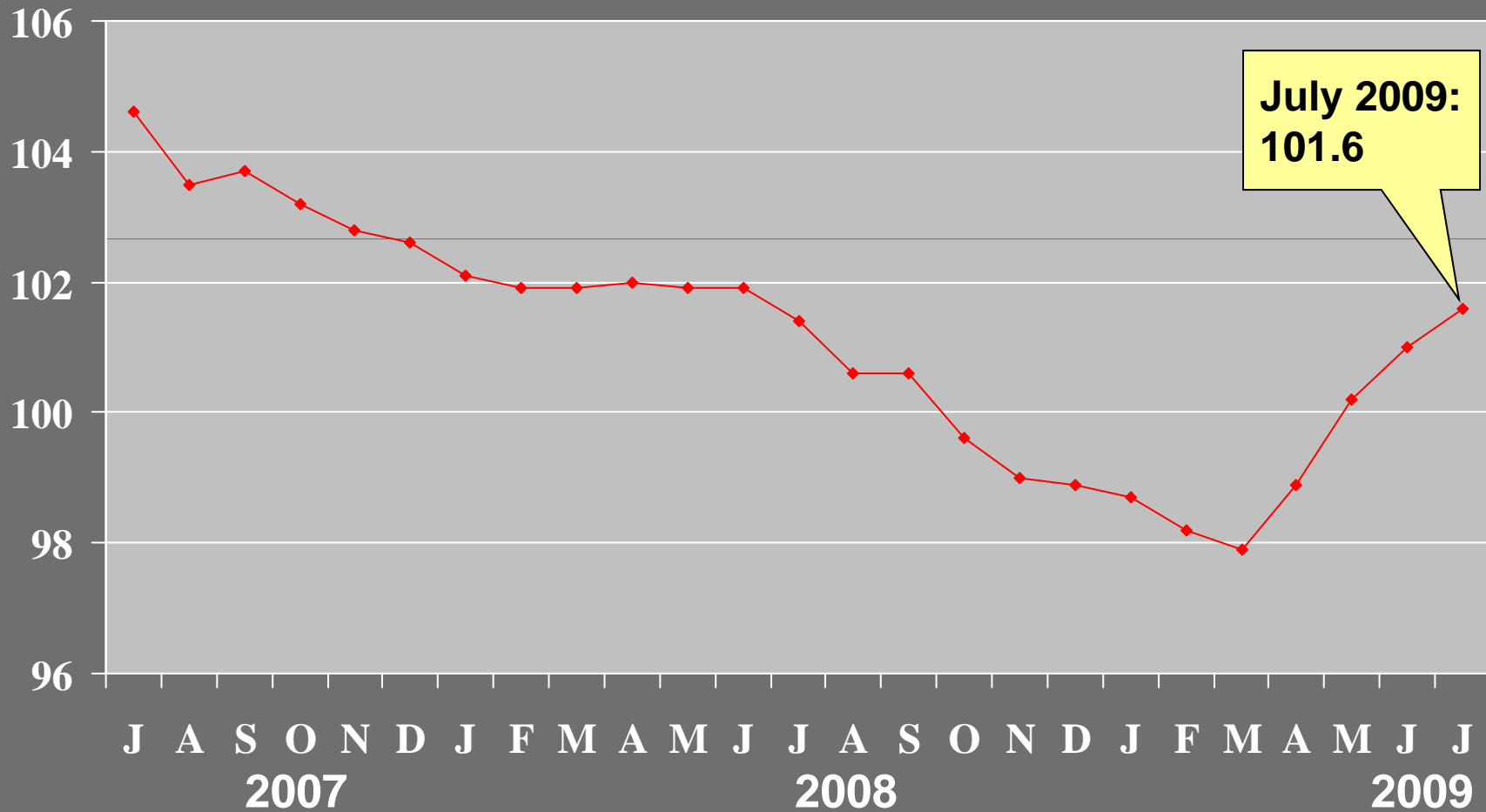
Index, 2002=100, seasonally adjusted



Source: Federal Reserve Board

Leading Indicators

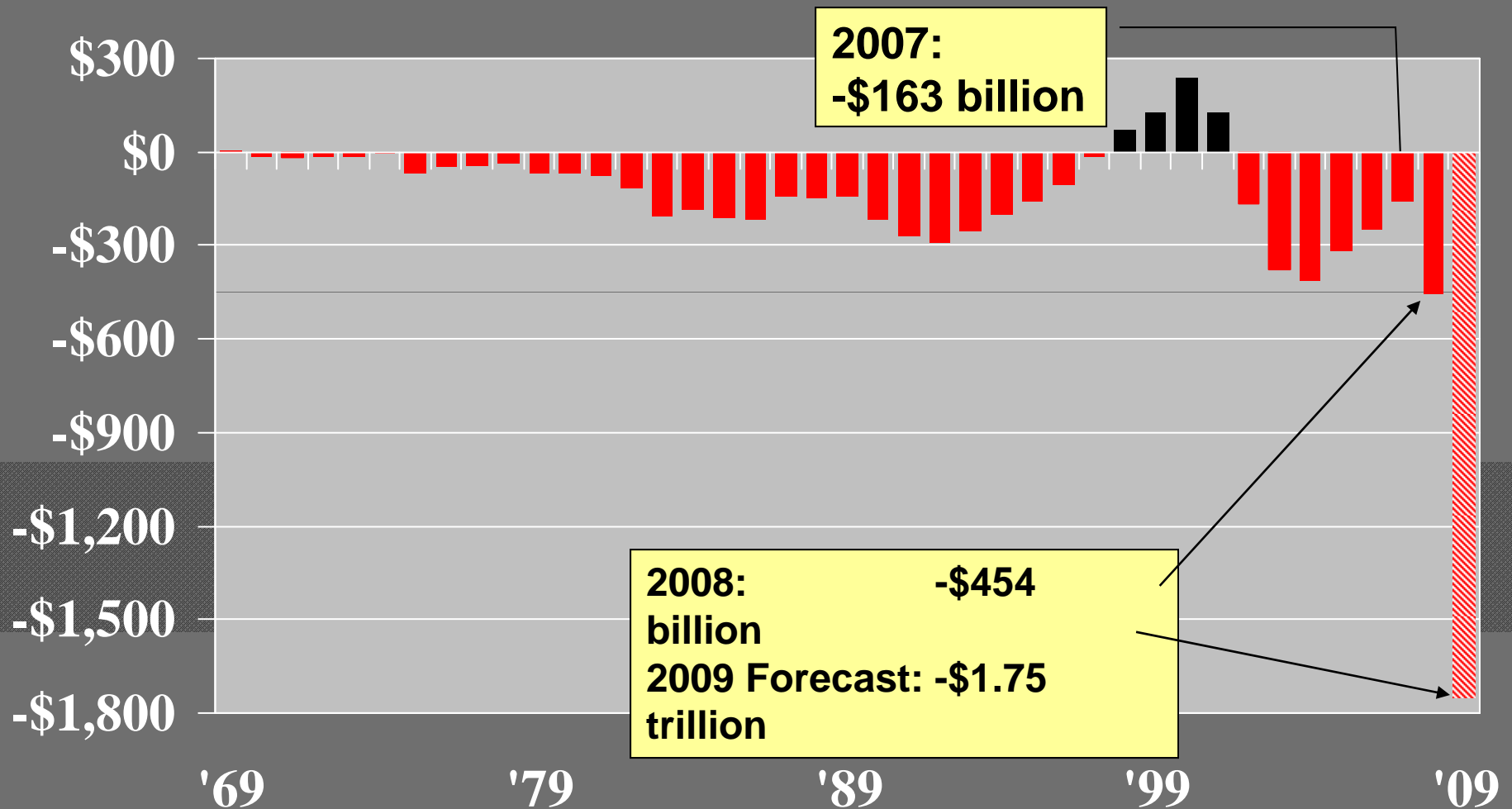
Index of 10 indicators designed to “lead,” or predict overall economic activity; 2004 = 100.



Source: The Conference Board

Budget Deficit

In billions of dollars



Source: Office of Management and Budget, White House projections

Current Conditions

Geography	Data Item	Latest Available	Change	
National Conditions	Real GDP (<i>\$US billions</i>)	\$11,341 (1Q 2009)	-6.1%	<i>annualized</i>
	Employment (<i>thousands</i>)	131,223 (8/09)	-5,830	<i># 12 mos.</i>
			-4.4%	<i>% 12 mos.</i>
	Unemployment Rate	9.7% (8/09)	6.2%	<i>08/08 rate</i>
State of Texas	Employment (<i>thousands</i>)	11,059.6 (8/09)	-854.3	<i># 12 mos.</i>
			-.8%	<i>% 12 mos.</i>
	Unemployment Rate	8.0% (8/09)	5.0%	<i>08/08 rate</i>
DFW Metro	Employment (<i>thousands</i>)	2,961.2 (6/09)	-24.3	<i># 12 mos.</i>
			-.8%	<i>% 12 mos.</i>
	Unemployment Rates	8.3% (8/09)	5.3%	<i>08/08 rate</i>

Federal Reserve Bank of Dallas, Economy.com, Texas Workforce Commission

S&P/Case-Shiller Home Price Index

Change in home prices in August 2009 compared with a year earlier.

Market	Change	Market	Change
Phoenix	▼ 35.2%	Seattle	▼ 15.4%
Las Vegas	▼ 31.7%	Atlanta	▼ 15.3%
San Francisco	▼ 31.0%	Portland, OR	▼ 14.4%
Miami	▼ 29.5%	New York	▼ 10.2%
Los Angeles	▼ 24.1%	Charlotte, NC	▼ 9.4%
Detroit	▼ 23.6%	Cleveland	▼ 8.5%
Tampa, FL	▼ 23.0%	Boston	▼ 7.2%
San Diego	▼ 22.9%	Denver	▼ 5.7%
Minneapolis	▼ 20.3%	Dallas	▼ 4.5%
Washington, DC	▼ 19.2%		
Chicago	▼ 17.6%	Composite (20 cities)	▼ 18.6%

Sources: Standard & Poor's; Fiserv

Texas Outlook

Over the past couple months the economy has **continued to weaken and remains in recession**. However, there are signs that seem to **signal a slowing in the rate of decline** rather than a bottom.

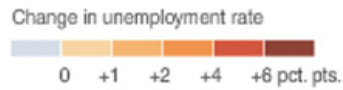
Contacts report that residential construction may be stabilizing at low levels, and consumption has held up relatively well. This is offset by weakness in the labor market and a sharply declining rig count.

The Texas Leading Index has fallen drastically over the past three months. Though **the outlook is negative**, there is hope that the **stabilization in energy prices and the rebound in equity markets could lead to more encouraging readings in the future**.

Geography of a Recession - Change in Unemployment Rate

Job losses have been most severe in the areas that experienced a big boom in housing, those that depend on manufacturing and those that already had the highest unemployment rates. [Related Article](#)

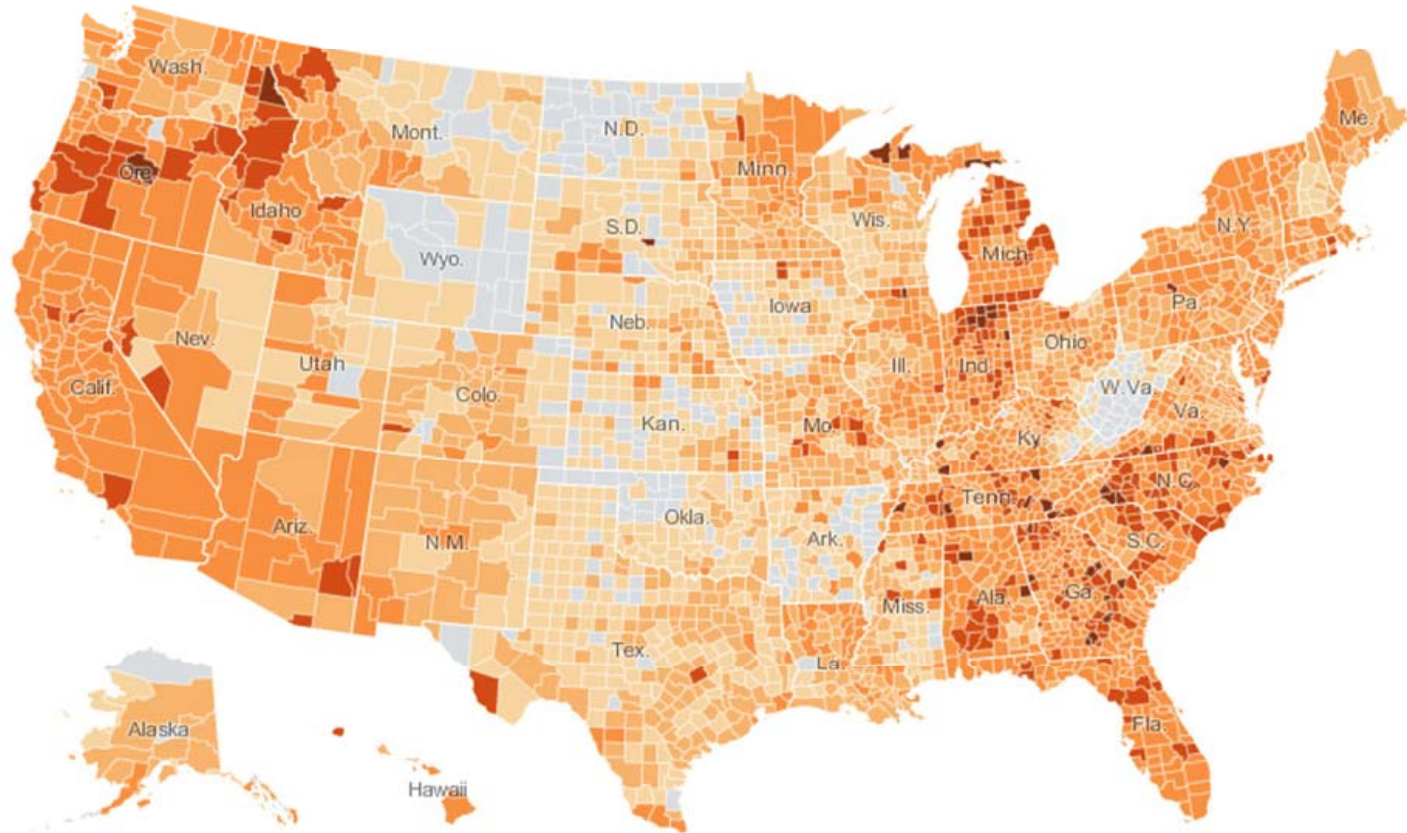
Unemployment rate
One-year change



Dec. '08 unemployment rate: **7.1%**
One-year change: +2.3 pct. pts.

FILTER COUNTIES

- All counties**
- Metropolitan areas
- ... with housing bubbles
- Rural areas
- Manufacturing centers



Sources: Bureau of Labor Statistics; Ofneo; U.S.D.A.

The New York Times

DALLAS-FT. WORTH 2009

- Is the largest Texas, and 4th largest US, metro area (6.5 mil)
- Has the state's largest, most educated workforce (>3 mil)
- Produces one-third of all goods and services in Texas
- Leads Texas in public university & community college students (250k)
- Approaches \$60 billion annually in direct imports and exports

PROJECTIONS?

Five Year Projections

Annual Growth 2008-2013

	Real GDP	Population	Employment	Real Personal Income
U.S.	3.3%	1.0%	1.1%	3.5%
Texas	4.1%	1.9%	1.8%	4.4%
DFW	4.1%	2.3%	1.8%	4.5%
DFW Details		2008	2013	CAGR
Real GDP		\$ 318.14	\$ 389.49	4.1%
Population		7.32	8.19	2.3%
Employment		3.14	3.43	1.8%
Real Personal Income		\$ 230.68	\$ 287.95	4.5%

DFW Nonfarm Wage and Salary Employment Current and Forecast

NAICS Sector	Employment Counts (1000s)			Share of Total Employment		
	2003	2008	2013	2003	2008	2013
Agriculture	3.7	3.5	3.6	0.13%	0.11%	0.11%
Mining	12.3	18.5	19.6	0.44%	0.59%	0.57%
Construction	148.6	186.5	198.7	5.33%	5.94%	5.80%
Total Manufacturing	297	300.9	315.3	10.66%	9.59%	9.20%
Total Trade	481.6	518	558.3	17.29%	16.50%	16.29%
Transportation, Warehousing, & Utilities	135.8	142.8	154.5	4.87%	4.55%	4.51%
Information	100.1	96.6	104.3	3.59%	3.08%	3.04%
Finance, Insurance, and Real Estate	222.9	247.8	266.2	8.00%	7.89%	7.77%
Total Services	1025.3	1231.4	1384.7	36.80%	39.23%	40.41%
Government	358.7	392.9	421.9	12.87%	12.52%	12.31%
Total All industries	2786.1	3138.9	3427	100.00%	100.00%	100.00%

Source: The Perryman Group, 2009

Ten Year Industry Projections

Industry	#Change	Growth Rate
Home Health Care Services	8,850	55.5%
Commercial & Industrial Machinery & Equipment	1,050	50.0%
Offices of Other Health Practitioners	2,550	45.5%
Freight Transportation Arrangement	600	44.4%
Elementary & Secondary Schools, Public/Private	28,350	42.5%
Offices of Physicians	10,600	41.5%
Child Day Care Services	4,050	39.3%
Office Administrative Services	3,900	39.2%
Computer Systems Design and Related Services	8,550	38.5%
Full-Service Restaurants	17,000	38.2%
Management, Scientific, and Technical Consulting Services	7,300	37.6%

Ten Year Occupation Projections

Occupation	# Change	Growth Rate
Special Education Teachers, Pre, Middle	700	58.3%
Personal and Home Care Aides	7,050	57.1%
Special Education Teachers, Middle School	300	54.5%
Medical Assistants	2,750	52.4%
Network Systems and Data Communications Analysts	1,900	50.0%
Elementary School Teachers, Except Special Education	6,350	49.8%
Kindergarten Teachers, Except Special Education	550	47.8%
Middle School Teachers, Except Special and Vocational Education	3,050	46.9%
Special Education Teachers, Secondary School	250	45.5%
Preschool Teachers, Except Special Education	1,550	44.9%

Growth Opportunities in Semiconductor Mfg

Occupation	Change	% Change
Multiple Machine Tool Setters, Operators, and Tenders, Metal	50	50
Network Systems and Data Communications Analysts	150	37.5
Computer and Information Systems Managers	50	25
Industrial Engineers	600	22.2
Computer Software Engineers, Applications	300	20.7
Welders, Cutters, Solderers, and Brazers	50	20
Business Operations Specialists, All Other	50	16.7
Network and Computer Systems Administrators	50	16.7
Computer Systems Analysts	50	14.3
Computer Software Engineers, Systems Software	150	13.6

Opportunities

- Demographic Shift- Services, Healthcare
- Green Jobs
- Reinvent-School, Trade, Business,



Global DFW

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Major Findings

1. Modern DFW is the product of globalization
 - *Timing & structure of growth*
2. New terms of competition for a global economy
 - *Industrial sectors v regional assets*
3. DFW performs well among elite global metros
 - *Notable strengths and particular challenges*



MODERN DFW

Metro	Global Rank	Population (millions)		
		1975	2005	Growth
Los Angeles	32	8.9	12.3	3.4
Atlanta	41	1.4	4.3	2.9
Miami	43	2.6	5.4	2.8
New York	44	15.9	18.7	2.8
DFW	52	2.2	4.7	2.4
Phoenix	56	1.1	3.4	2.3
Houston	57	2.0	4.3	2.3

US Metros In Global 100



GLOBAL METROS

Dallas-Fort Worth (DFW) is one of the spikes in the global economy, claiming the 12th largest metro economy in the world. DFW posts a gross metro product exceeding \$300 billion, supported by a local workforce of three million and more than six million residents.

GLOBAL FOOTPRINTS

Logistics & Trade

Technology

Advanced Services



GLOBAL COMPETITION

- Talent: Availability of skilled labor
 - Quantity & Quality, Present & Future
- Access: To markets and partners
 - Air, Land and Water
- Resources: Local business supports
 - Services, finance and innovation
- Business Climate: Ease of doing business
 - Costs and risks
- Quality of Life: Livability
 - Health, safety and costs

BENCHMARK METROS

- Global Business Centers
- National Stature
- Advanced Service Centers
- International Airports
- Immigrant Hubs
- DFW Connections

UN 2007 POPULATION ESTIMATES

Rank	Metro Name	Nation	Population
1	Tokyo	Japan	35,676,000
2	New York	USA	19,040,000
3	Mumbai	India	18,978,000
4	Sao Paulo	Brazil	18,845,000
5	Shanghai	China	14,987,000
6	Los Angeles	USA	12,500,000
7	Paris	France	9,904,000
8	Seoul	South Korea	9,796,000
9	Chicago	USA	8,990,000
10	London	United Kingdom	8,567,000
11	Hong Kong	China-SD	7,206,000
12	Miami	USA	5,585,000
13	Toronto	Canada	5,213,000
14	DFW	USA	4,798,000
15	Atlanta	USA	4,506,000
16	Houston	USA	4,459,000
17	Singapore	Singapore	4,436,000
18	Melbourne	Australia	3,728,000
19	Monterrey	Mexico	3,712,000
20	Frankfurt	Germany	2,517,600
21	Amsterdam	Netherlands	1,031,000

INDICATORS

Talent

Working Age Residents
Higher Education
Immigrant Index
Top 500 Universities
Nobel Prize Winners
Global Skills:
 Advanced Services
 Technology

Access

Destinations
Passengers
Air Cargo
Water Cargo
Railways*
Roadways*

Quality of Life

Livability
Environment *
Safety
Cost of Living Index
GDP per capita

Resources

Global 500 HQ
Domestic Market Cap
Expenditures on R&D*
Patents*

Business Climate

Cost of Doing Business
Cost of Office
Occupancy
Business Taxes*
Ease of Doing
Business*
Economic Stability*

** These indicators are reported at the national level to ensure reasonable quality and consistency.*

DFW RANKINGS

Costs & risks of doing business

Health, safety & material well-being

Air, land, water access to markets & partners

Institutional resources & culture

Quantity & quality of labor force



Business Climate

2-t*

Quality of Life

8-t

Access

10-t

Resources

10-t

Talent

11-t

Competitiveness Index

10-t

* "t" denotes a tie between two or more metros for that ranking.

Metro	Rank
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Singapore	1
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Atlanta	2-t
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DFW	2-t
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Los Angeles	4
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Houston	5
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Amsterdam	6
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Chicago	7
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Miami	8-t
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New York	8-t
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London	10
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Toronto	11
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BUSINESS CLIMATE

Business Climate Indicators	DFW Metro	
	Rank	Value
Office Costs (<i>\$/workstation</i>)	2	\$5,320
Ease of Doing Business	5-t	3
Cost of Doing Business	3	97.3
Economic Stability	8-t	87.4
Business Taxes (<i>TTR</i>)	10-t	46.2%

Metro	Rank
-------	------

Tokyo	1
Frankfurt	2-t
Toronto	2-t
Paris	4
London	5
Los Angeles	6
Melbourne	7
Amsterdam	8-t
Chicago	8-t
DFW	8-t
Houston	8-t

QUALITY OF LIFE

Quality of Life Indicators	DFW Metro	
	Rank	Value
Healthy Life Expectancy	9-t	69
Environmental Performance	7-t	81
Safety	8-t	105.3
GDP per Capita	5	\$45,024
Cost of Living	4	78.6
Livability	11	90.6

ACCESS RANK

Hong Kong	1
Tokyo	2
New York	3t
Paris	3t
Frankfurt	5t
Los Angeles	5t
Seoul	7
Singapore	8
London	9
Atlanta	10-t
Chicago	10-t
DFW	10-t
Houston	10-t

Access Indicators	DFW	Metro
	Rank	Value
Destination Cities (#)	9	186
Passengers (millions)	8	66
Air Cargo (mil tons)	14	1
Water Cargo (tons)	19-t	0
Rail & Road Quality	7-t	11.4

Metro	Rank
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Tokyo	1
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Paris	2
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New York	3-t
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Seoul	3-t
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Chicago	5-t
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Toronto	5-t
---------	-----

London	7
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Frankfurt	8
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Los Angeles	9
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DFW	10-t
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Houston	10-t
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RESOURCES RANKINGS

Resources Indicators	DFW	Metro
	Rank	Value
Global 500 HQ (#)	8-t	6
Domestic Market Cap (\$)	12-t	NA
R&D Expenditures (%)	10-t	1.6%
Patents (per mil residents)	3-t	742

TALENT RANK

Metro	Rank
New York	1
London	2-t
Tokyo	2-t
Toronto	2-t
Paris	5
Amsterdam	6
Frankfurt	7-t
Los Angeles	7-t
Chicago	9-t
Melbourne	9-t
DFW	11-t
Houston	11-t
Singapore	11-t

Talent Indicators	DFW Metro	
	Rank	Value
Working Age	11-t	68%
Higher Education	11	33%
Advanced Services	12-t	21%
Technology	8	45
Nobel Prize Winners	6	5
Top 500 Universities	9-t	3
Immigrant Index	12	54

COMPETITIVENESS INDEX

Top 10 Metros	Global Rank	Talent	Access	Resources	Business Climate	Quality of Life
Tokyo	1	2-t	2	1	14	1
New York	2-t	1	3-t	3-t	8-t	12-t
Paris	2-t	5	3-t	2	18	4
Toronto	4	2-t	19	5-t	11	2-t
London	5	2-t	9	7	10	5
Los Angeles	6	7-t	5-t	9	4	6
Frankfurt	7	7-t	5-t	8	15-t	2-t
Amsterdam	8-t	6	14	13	6	8-t
Chicago	8-t	9-t	10-t	5-t	7	8-t
DFW	10-t	11-t	10-t	10-t	2-t	8-t
Houston	10-t	11-t	10-t	10-t	5	8-t

Remaining Metro Global Rankings:

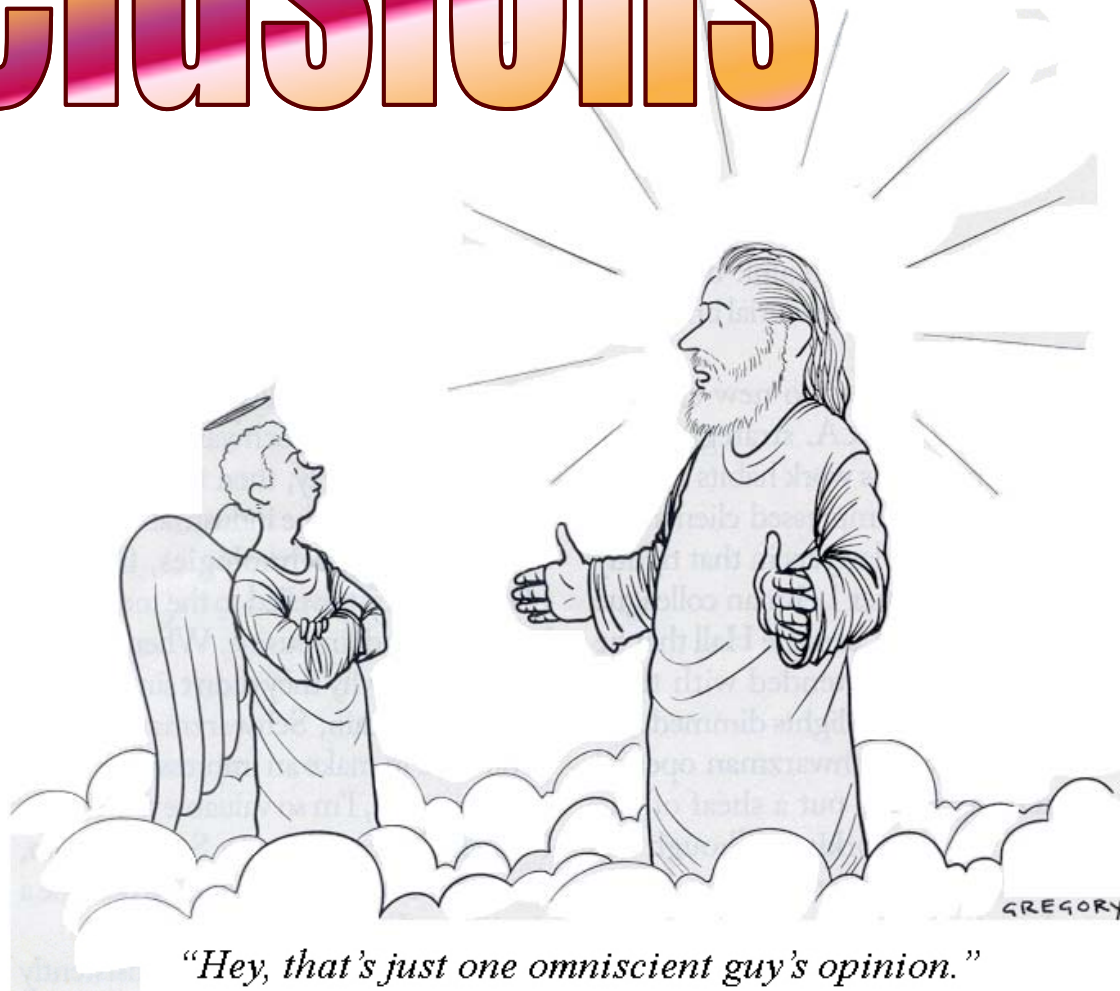
Singapore (12), Atlanta (13), Melbourne and Miami (14-t), Hong Kong (16), Seoul (17), Shanghai (18), Sao Paulo (19), Mumbai (20), Monterrey (21)



GLOBAL DFW

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Conclusions



"Hey, that's just one omniscient guy's opinion."