Ball State Business Roundtable

Sponsored by:

RAYMOND JAMES

Welcome

Richard Gill, Roundtable Chair

Gill Brothers Furniture

Retail Review

Richard R. Gill

Drivers of Furniture Retail Recovery

- Real Estate Sales
- Home Improvement Activity

Real Estate Sales 2012 vs 2011

Real Estate Sales East Central Indiana			
			Closed Sales in Units
County	**2012**	**2011**	**% Change**
Delaware	450	391	15.1%
Madison	592	501	18.2%
Blackford	41	29	41.4%
Grant	261	198	31.8%
Randolph	49	45	8.9%
Henry	136	130	4.6%
Jay	43	42	2.4%
Total	**1572**	**1336**	**17.7%**

Data Provided By "Indiana Association of Realtors"

Effects on Building Materials Supply Retail

	% Chg.		Jun.[3]	May	Apr.	Jun.	May	Jun.[3]	May	Apr.	Jun.	May
	2012	2011	(a)	(p)	(r)			(a)	(p)	(r)	(r)	(r)
Building material & garden equipment & supplies dealers	148,635	8.1	27,281	30,787	27,305	28,007	28,694	23,652	24,048	24,531	23,513	23,055
Building material & supplies dealers	(*)	(*)	(*)	24,681	21,667	22,791	22,932	(*)	20,381	20,635	19,853	19,483

8.1% YTD Increase over 2011

June 2012	June 2011	Difference
$23,652	**$23,513**	**1%**
in billions	*in billions*	

May 2012	May 2011	Difference
$24,048	**$23,055**	**4%**
in billions	*in billions*	

Trend is slowing in May & June. Evidence of Mike's predictions for the economy?

Source: U.S. Census Bureau - Service Sector Statistics Division

Furniture Retail 2012

	Not Adjusted							Adjusted[2]				
	6 Month Total		2012			2011		2012			2011	
		% Chg.	Jun.[3]	May	Apr.	Jun.	May	Jun.[3]	May	Apr.	Jun.	May
	2012	2011	(a)	(p)	(r)			(a)	(p)	(r)	(r)	(r)
Furniture & home furn. stores	45,468	9.0	7,685	7,997	7,185	7,101	7,148	7,874	7,934	7,835	7,306	7,272
Furniture stores	(*)	(*)	(*)	4,313	3,914	3,805	3,872	(NA)	(NA)	(NA)	(NA)	(NA)
Home furnishings stores	(*)	(*)	(*)	3,684	3,271	3,296	3,276	(NA)	(NA)	(NA)	(NA)	(NA)

9% YTD Increase over 2011

June 2012	June 2011	Difference
$7,874	**$7,306**	**8%**
in billions	in billions	
May 2012	May 2011	Difference
$7,934	**$7,272**	**9%**
in billions	in billions	

Source: U.S. Census Bureau - Service Sector Statistics Division

Other Retail

Retail & food services, total	2,385,742	6.4	401,515	403,445	404,112	386,919	383,733
Total (excl. motor vehicle & parts)	1,939,820	5.9	328,524	330,003	331,218	318,921	316,939
Retail	2,122,920	6.1	357,763	359,625	360,174	345,771	342,943
GAFO[4]	(*)	(*)	(*)	99,139	98,935	97,430	96,481
Motor vehicle & parts dealers	445,922	8.2	72,991	73,442	72,894	67,998	66,794
Auto & other motor veh. dealers	404,394	8.7	66,080	66,547	65,922	61,105	60,042
New car dealers	(*)	(*)	(NA)	(NA)	(NA)	(NA)	(NA)
Auto parts, acc. & tire stores	(*)	(*)	(NA)	(NA)	(NA)	(NA)	(NA)

Other Retail

Clothing & clothing accessories stores	109,124	6.6	19,695	19,663	19,515	19,035	18,741
Men's clothing stores	(*)	(*)	(*)	(S)	(S)	(S)	(S)
Women's clothing stores	(*)	(*)	(*)	3,428	3,393	3,243	3,183
Family clothing stores	(*)	(*)	(NA)	(NA)	(NA)	(NA)	(NA)
Shoe stores	(*)	(*)	(*)	2,363	2,355	2,320	2,259
Sporting goods, hobby, book & music stores	40,804	7.3	7,393	7,516	7,495	7,084	6,968

U.S. Economic Outlook

Michael J. Hicks, PhD
Ball State University

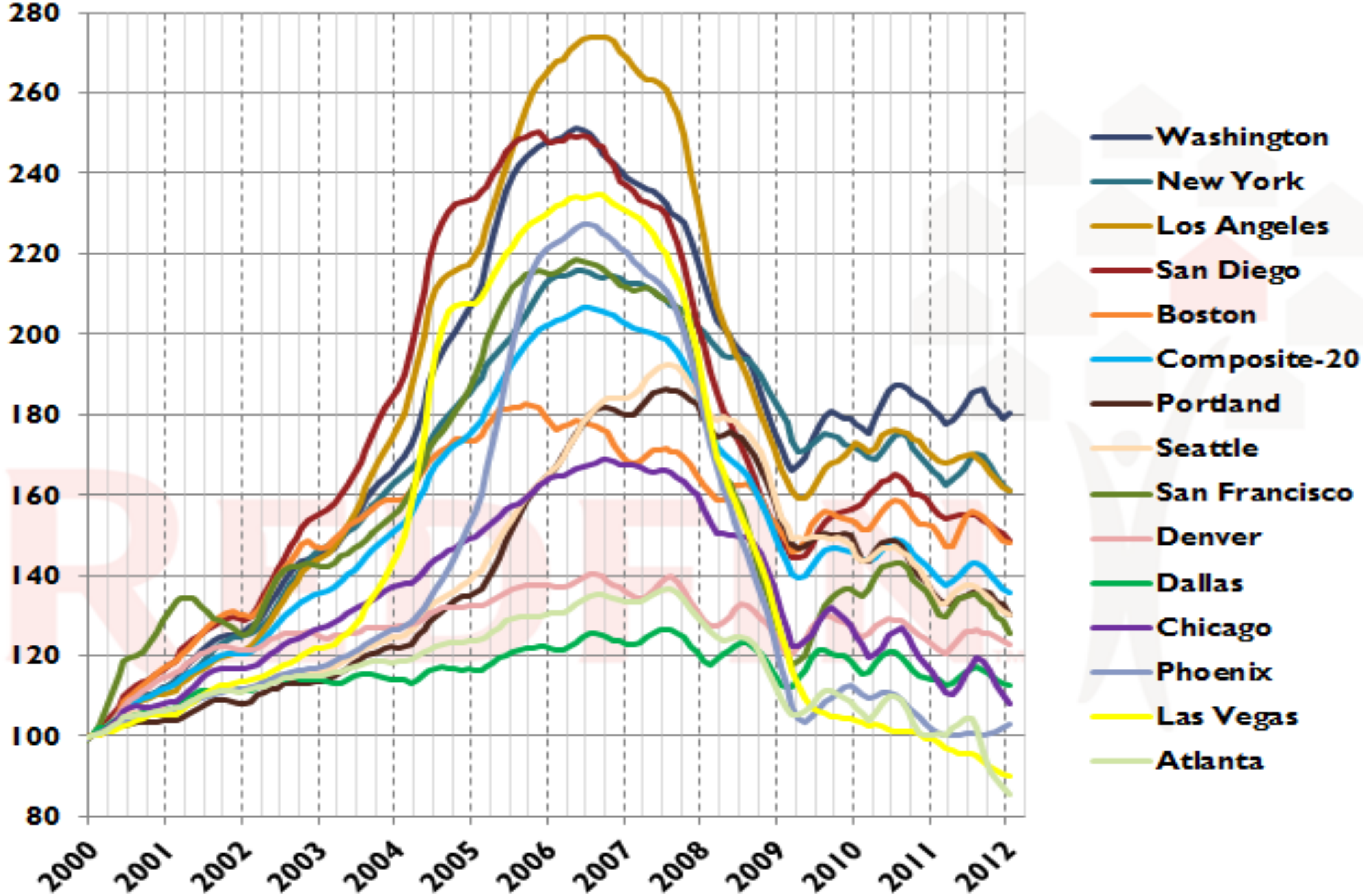
August Forecast

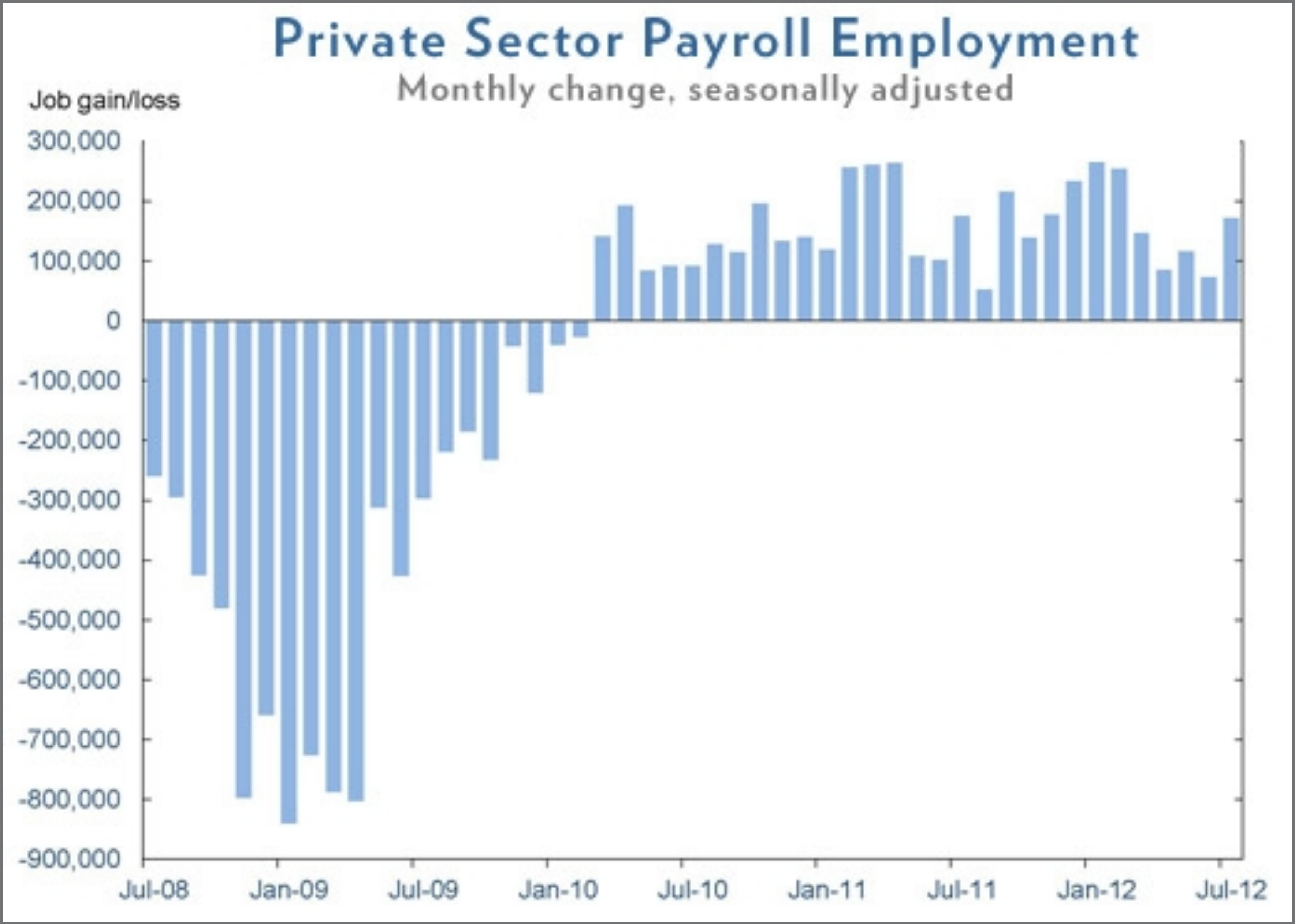
- **The Good:** Housing
- **The Bad:** labor markets and GDP growth
- **The Ugly:** Europe, Inflation, Debt
- **But First:** the economic model story

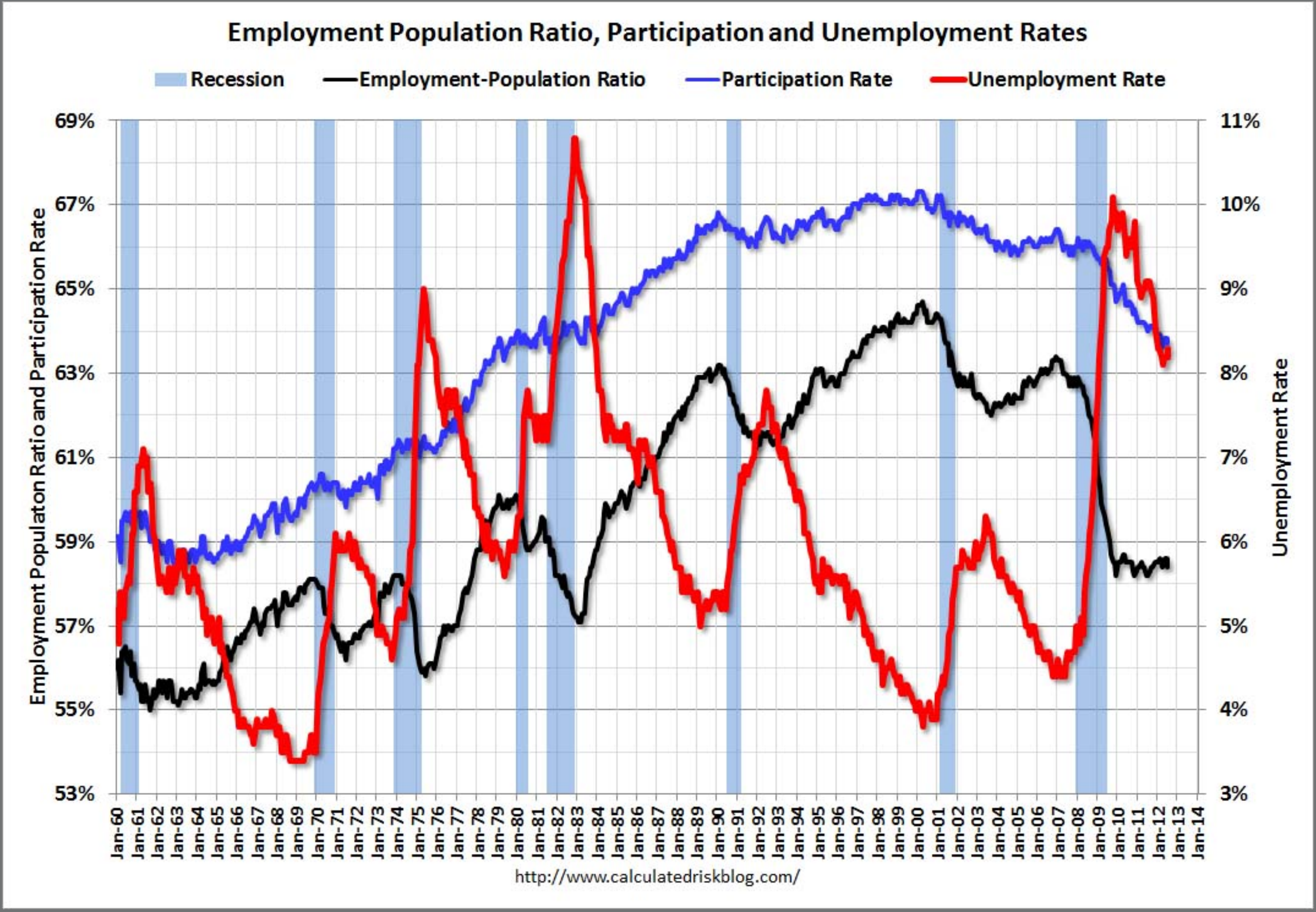
2012 Forecast Highlights

		2012 : Q1	2012 : Q2	2012 : Q3	2012 : Q4
Unemployment Rate	**Low Gas Price**	8.9%	9.1%	8.8%	8.3%
	High Gas Price	8.9%	9.2%	9.2%	9.3%
Personal Income	**Low Gas Price**	1.2%	1.0%	1.1%	1.4%
	High Gas Price	1.2%	0.7%	0.2%	0.0%
Manufacturing Income	**Low Gas Price**	2.0%	-0.2%	1.7%	-4.5%
	High Gas Price	2.0%	-0.5%	0.5%	-4.6%
Finance & Insurance Income	**Low Gas Price**	0.8%	2.5%	-5.0%	-6.0%
	High Gas Price	0.8%	-1.3%	-6.7%	-8.5%

Case-Shiller Home Price Index




Private Sector Payroll Employment
Monthly change, seasonally adjusted
Job gain/loss
300,000
200,000
100,000
0
-100,000
-200,000
-300,000
-400,000
-500,000
-600,000
-700,000
-800,000
-900,000
Jul-08
Jan-09
Jul-09
Jan-10
Jul-10
Jan-11
Jul-11
Jan-12
Jul-12



Employment Population Ratio, Participation and Unemployment Rates
Recession
Employment-Population Ratio
Participation Rate
Unemployment Rate
Employment Populaton Ratio and Participation Rate
Unemployment Rate
69%
67%
65%
63%
61%
59%
57%
55%
53%
11%
10%
9%
8%
7%
6%
5%
4%
3%
Jan-60
Jan-61
Jan-62
Jan-63
Jan-64
Jan-65
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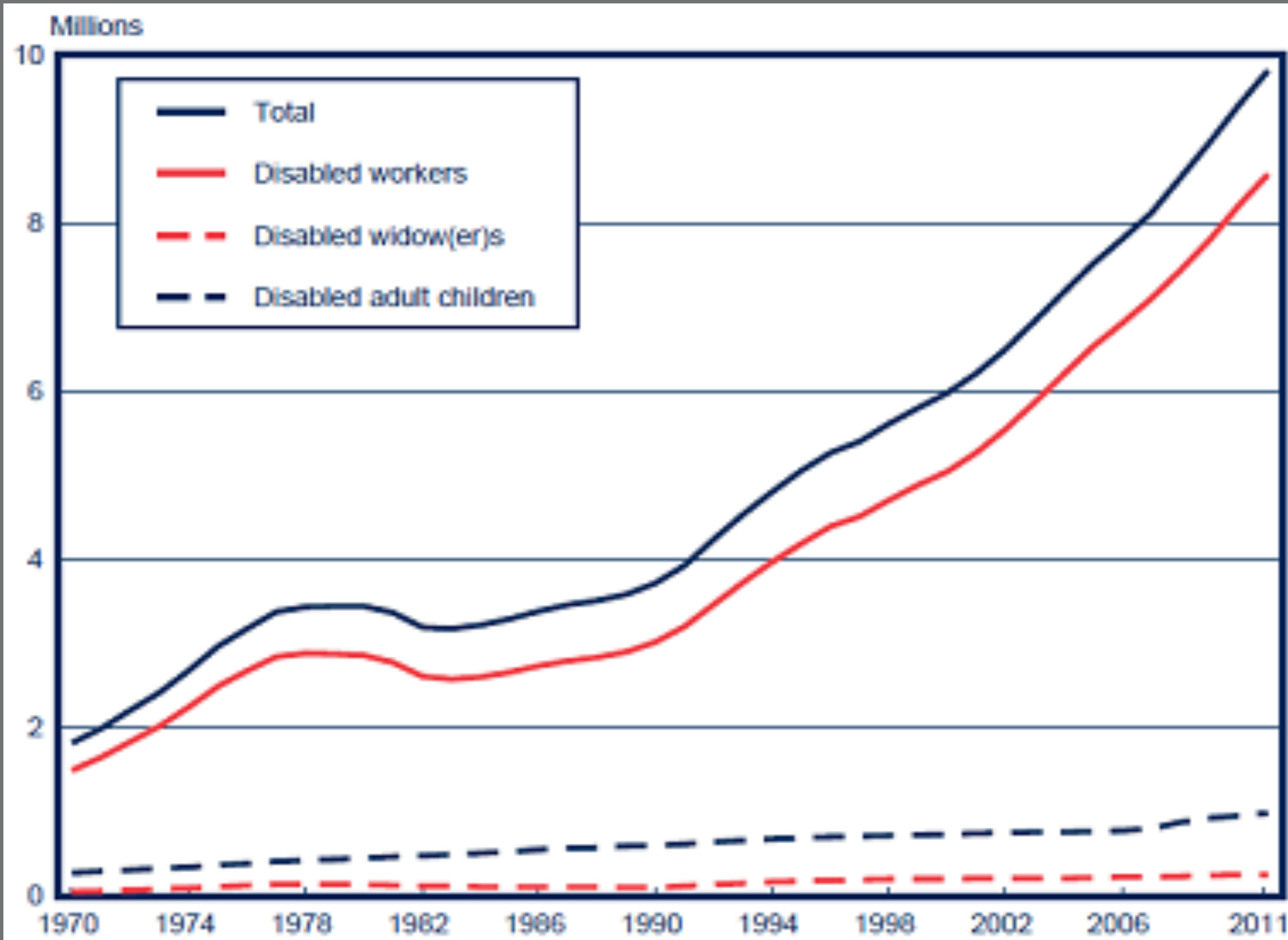
http://www.calculatedriskblog.com/

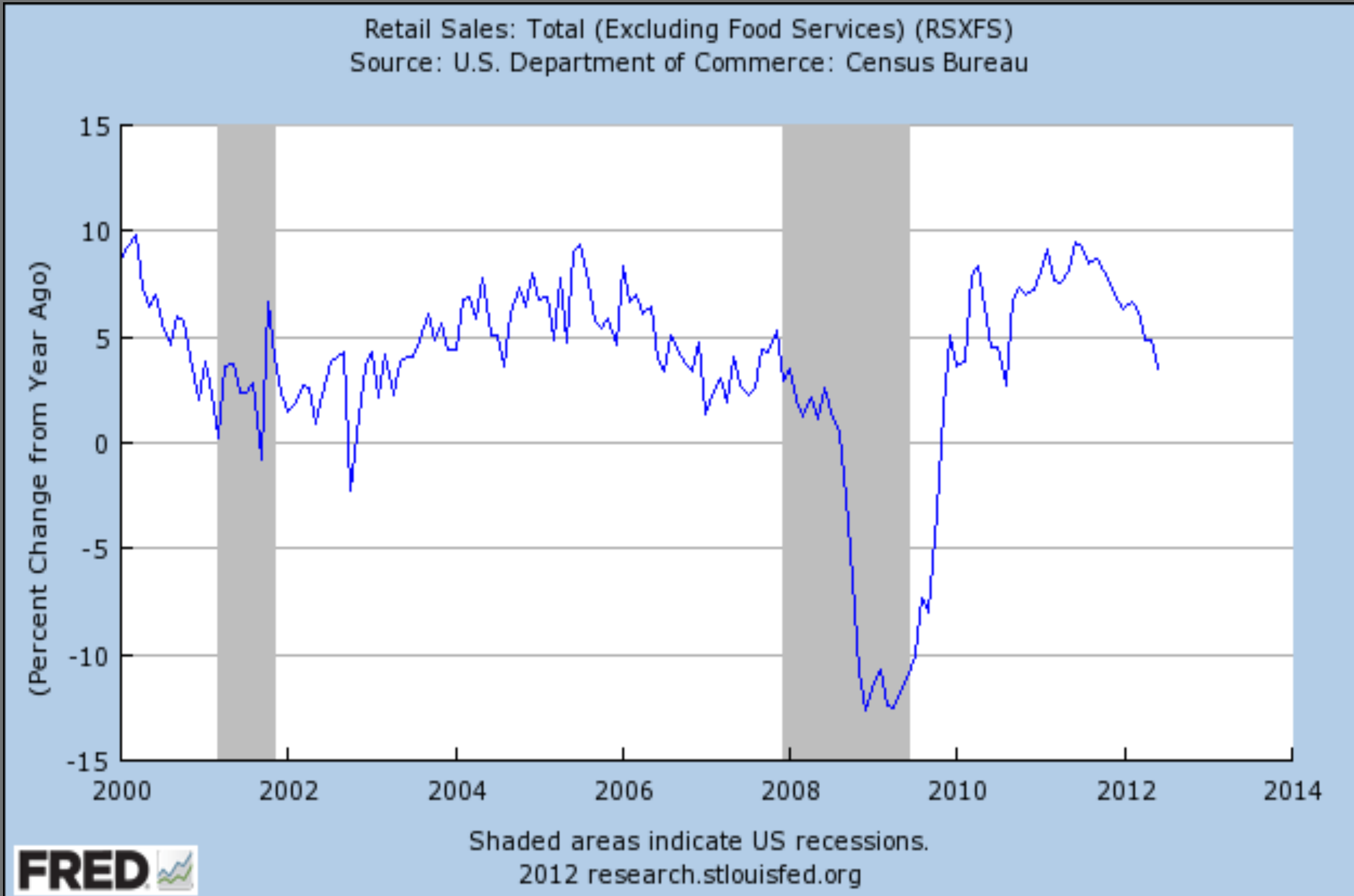


Millions
10
8
6
4
2
0
Total
Disabled workers
Disabled widow(er)s
Disabled adult children
1970
1974
1978
1982
1986
1990
1994
1998
2002
2006
2011

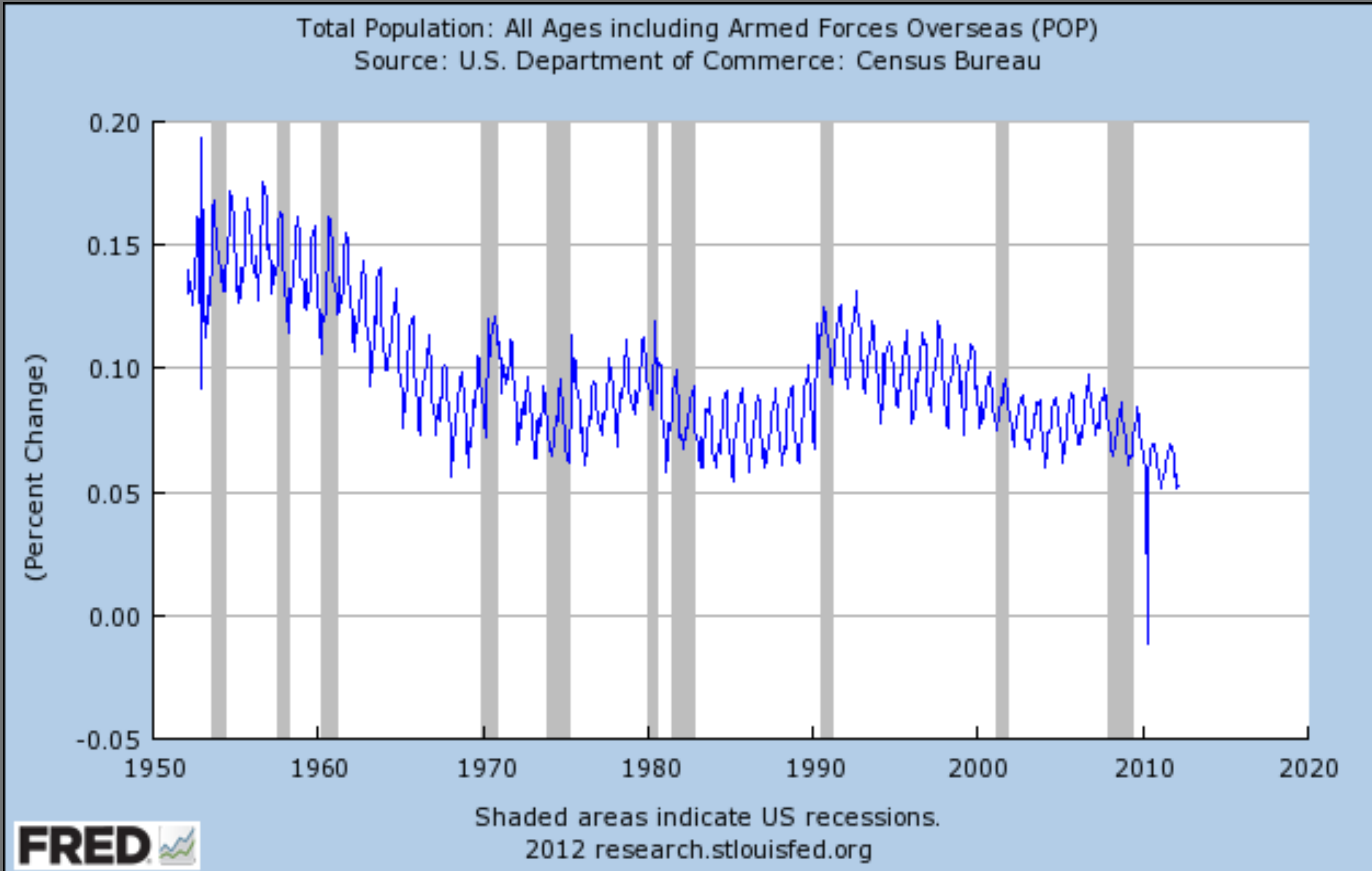
TABLE 2: State Debt and Liabilities

	GDP $millions	Bond Debt		Unfunded Pension Liabilities	
		Share of GDP	Total ($millions)	Share of GDP	Total ($millions)
Indiana	267,600	1.7%	4,629	4.5%	12,070
Michigan	372,400	5.0%	18,471	4.6%	17,200
Illinois	644,200	13.6%	87,804	10.9%	70,064
Ohio	483,400	3.4%	16,436	13.2%	63,999

Source: *Center for Retirement Research, Boston College, Bureau of Economic Analysis, Moody's Investor Service, and author's calculations.*



Retail Sales: Total (Excluding Food Services) (RSXFS)
Source: U.S. Department of Commerce: Census Bureau
(Percent Change from Year Ago)
15
10
5
0
-5
-10
-15
2000
2002
2004
2006
2008
2010
2012
2014
Shaded areas indicate US recessions.
2012 research.stlouisfed.org
FRED


Total Population: All Ages including Armed Forces Overseas (POP)
Source: U.S. Department of Commerce: Census Bureau
(Percent Change)
0.20
0.15
0.10
0.05
0.00
-0.05
1950
1960
1970
1980
1990
2000
2010
2020
Shaded areas indicate US recessions.
2012 research.stlouisfed.org
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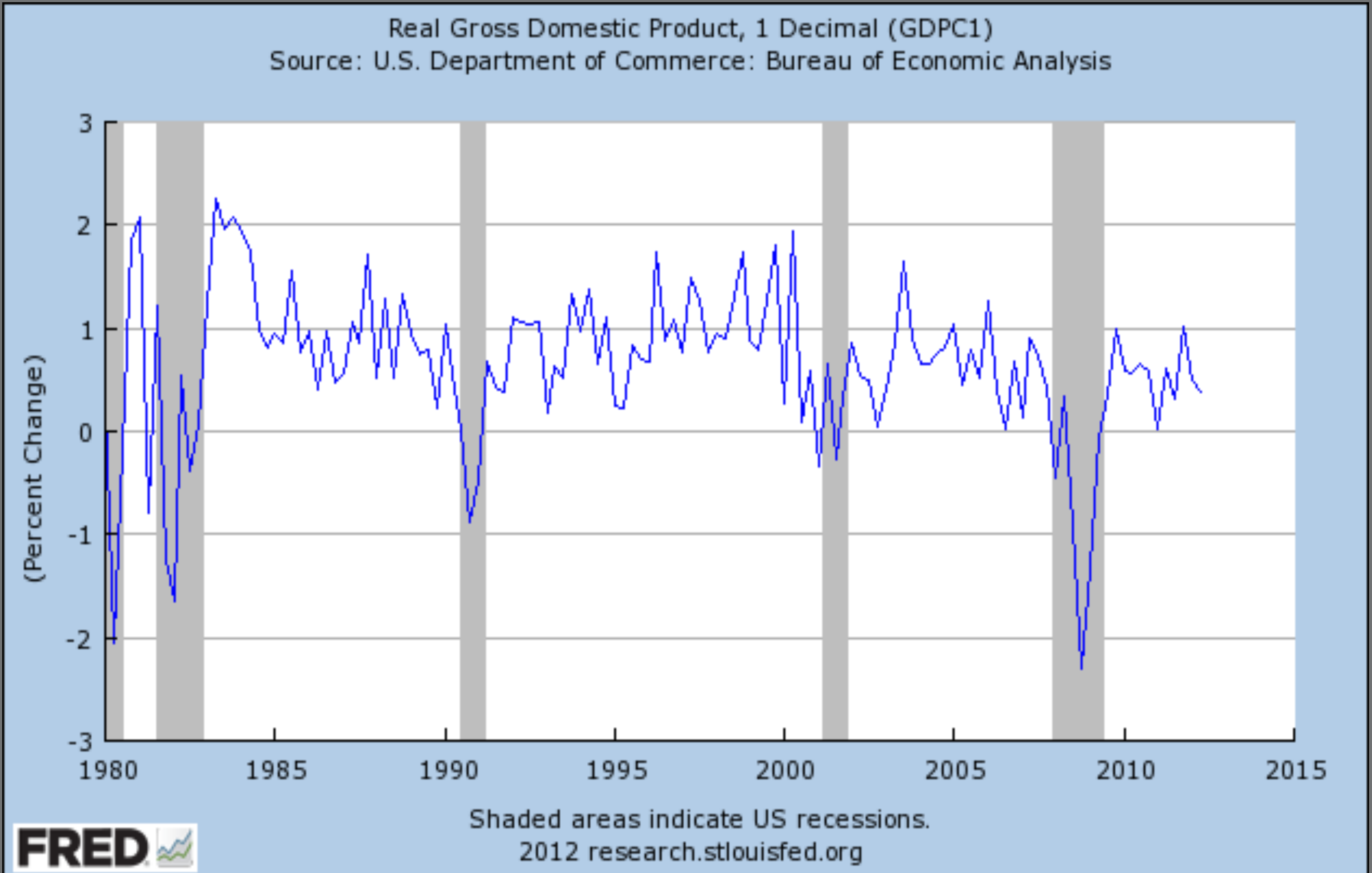
Real Gross Domestic Product, 1 Decimal (GDPC1)
Source: U.S. Department of Commerce: Bureau of Economic Analysis
(Percent Change)
3
2
1
0
-1
-2
-3
1980
1985
1990
1995
2000
2005
2010
2015
Shaded areas indicate US recessions.
2012 research.stlouisfed.org
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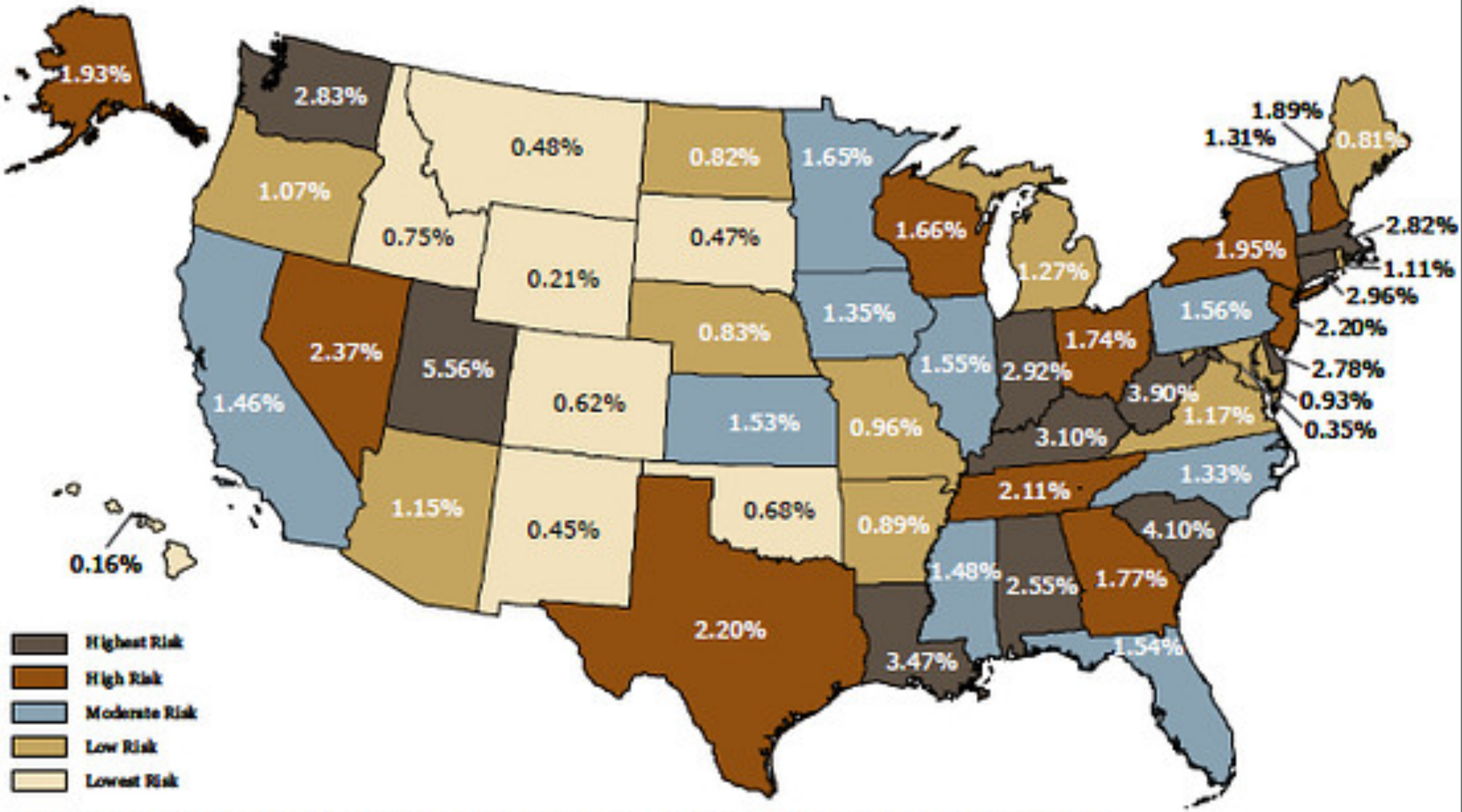
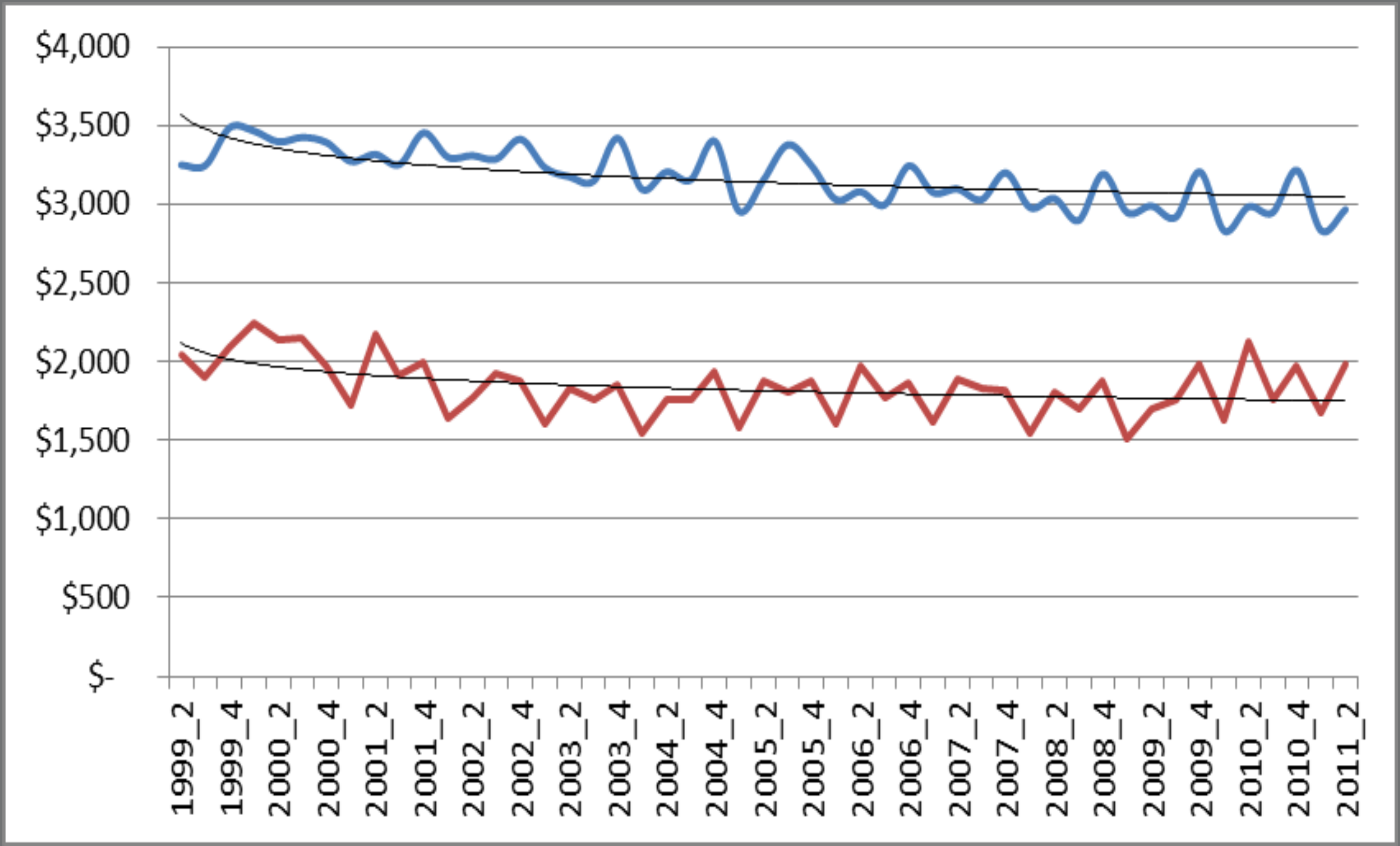
Graph: Real GDP growth, EU
q-o-q%
1.5
1.0
0.5
0.0
-0.5
-1.0
-1.5
-2.0
-2.5
-3.0
05
06
07
08
09
10
11
12
13
forecast

European Exports as a Percent of GDP

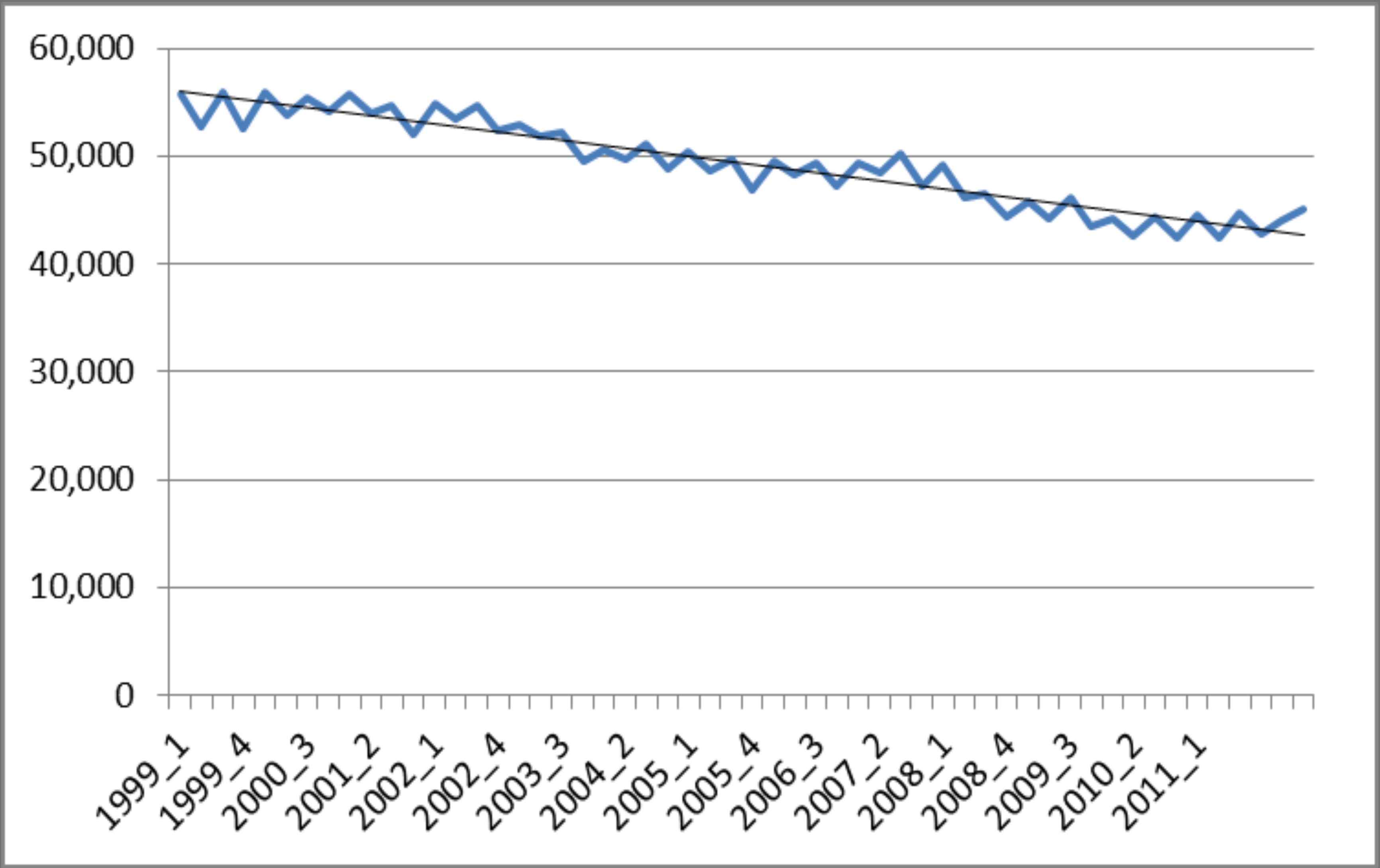


Source: U.S. Department of Commerce and Wells Fargo Securities, LLC

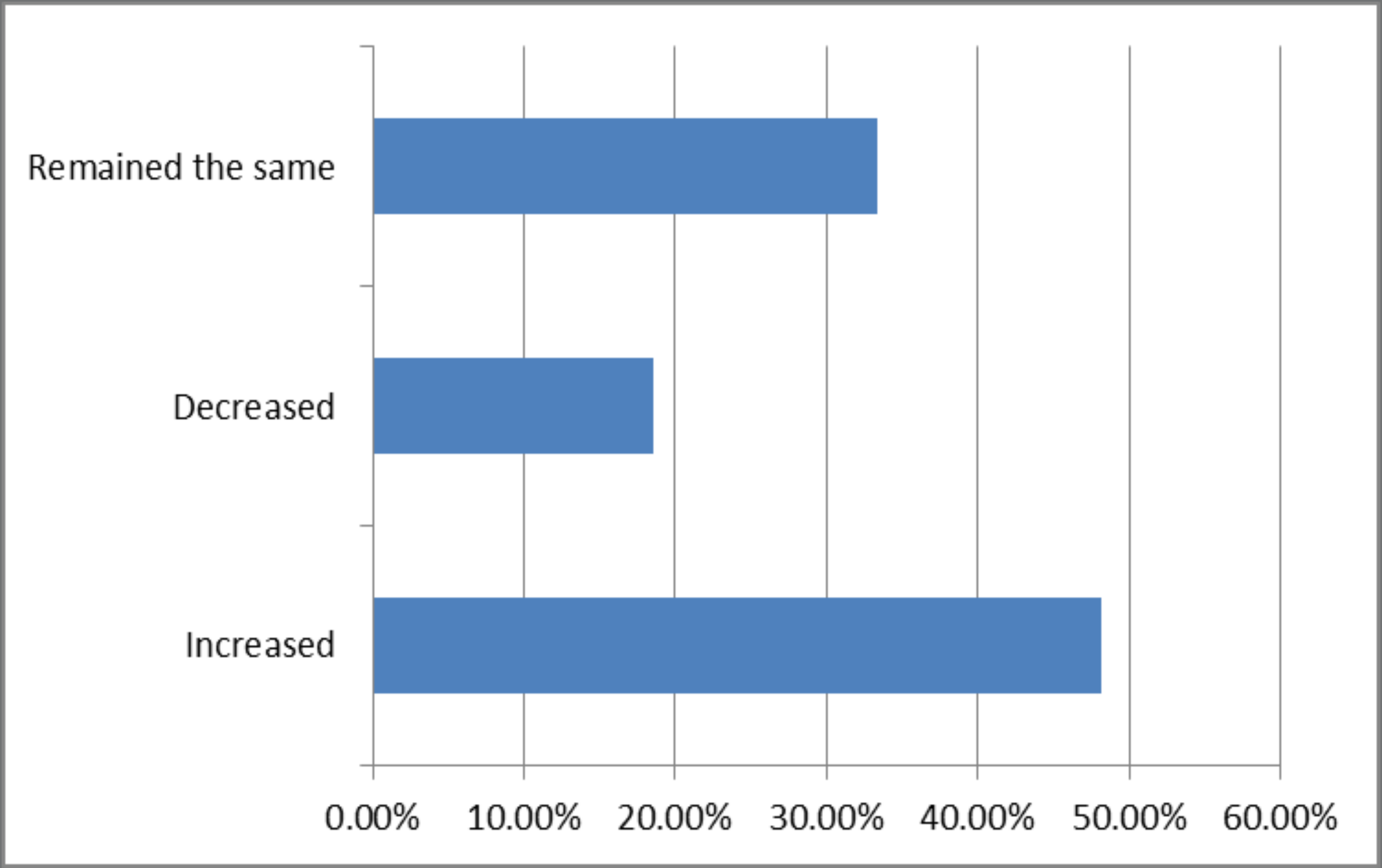
Monthly Wages: average and new hires



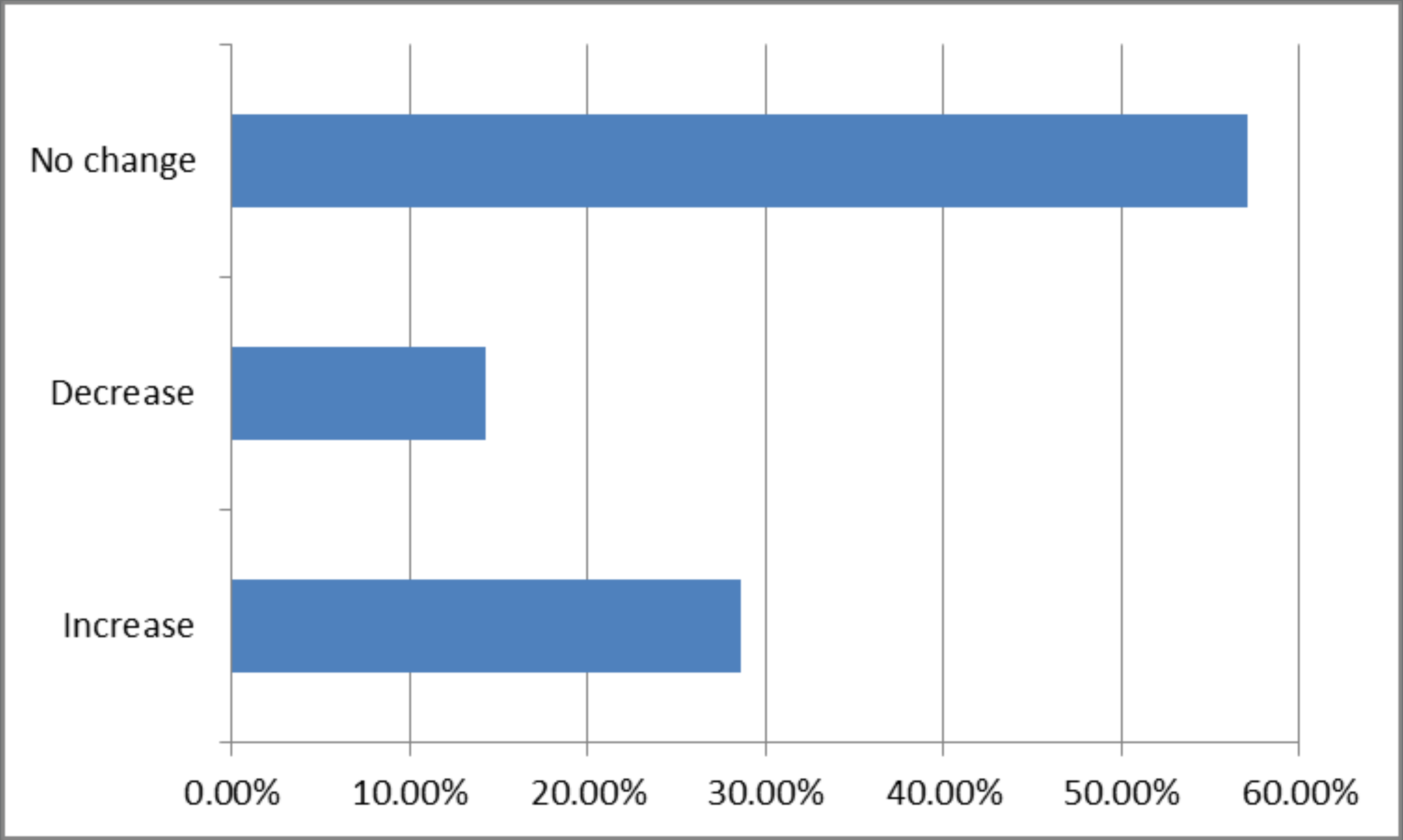
Delaware County Employment



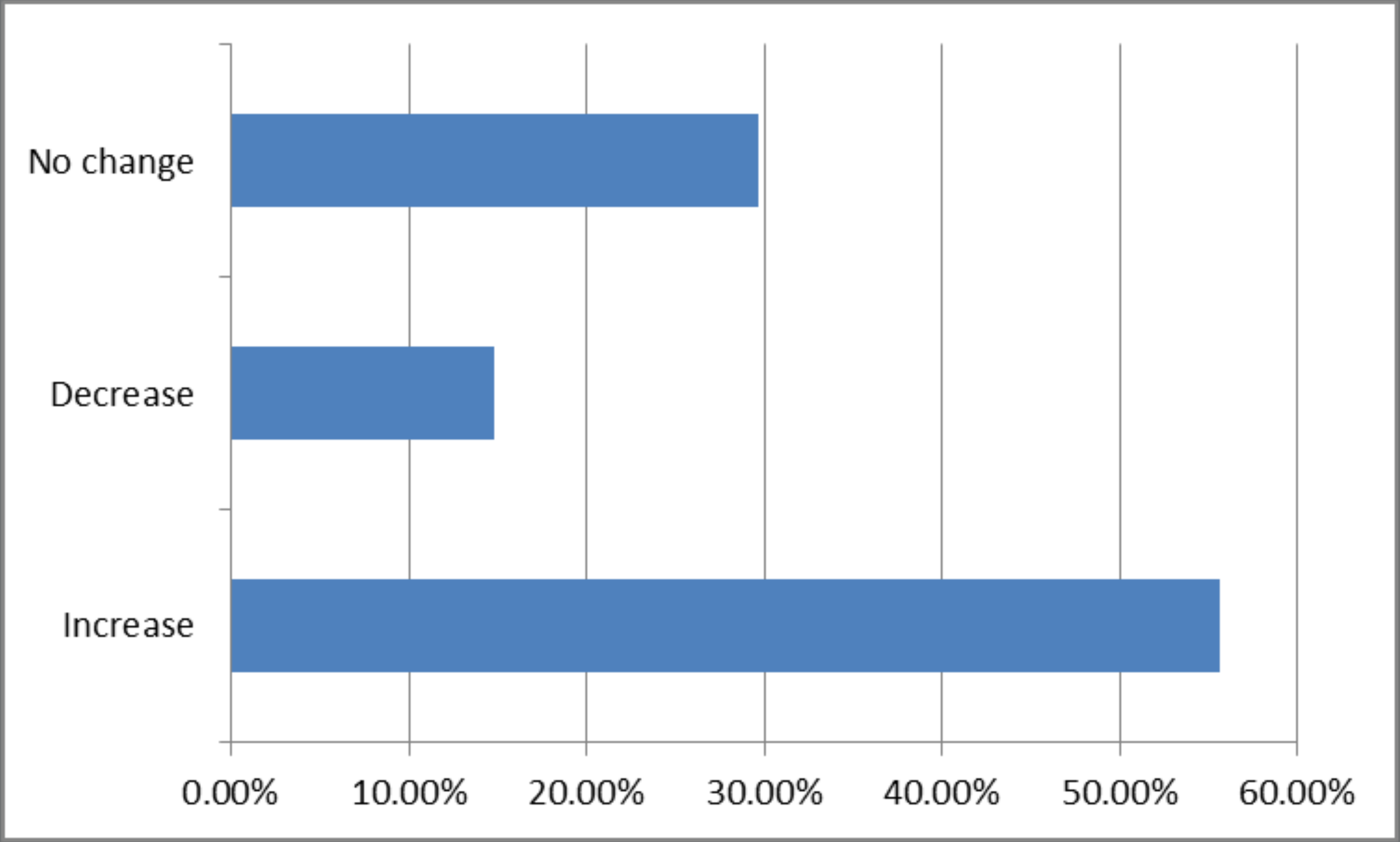
Business Activity over past three months?



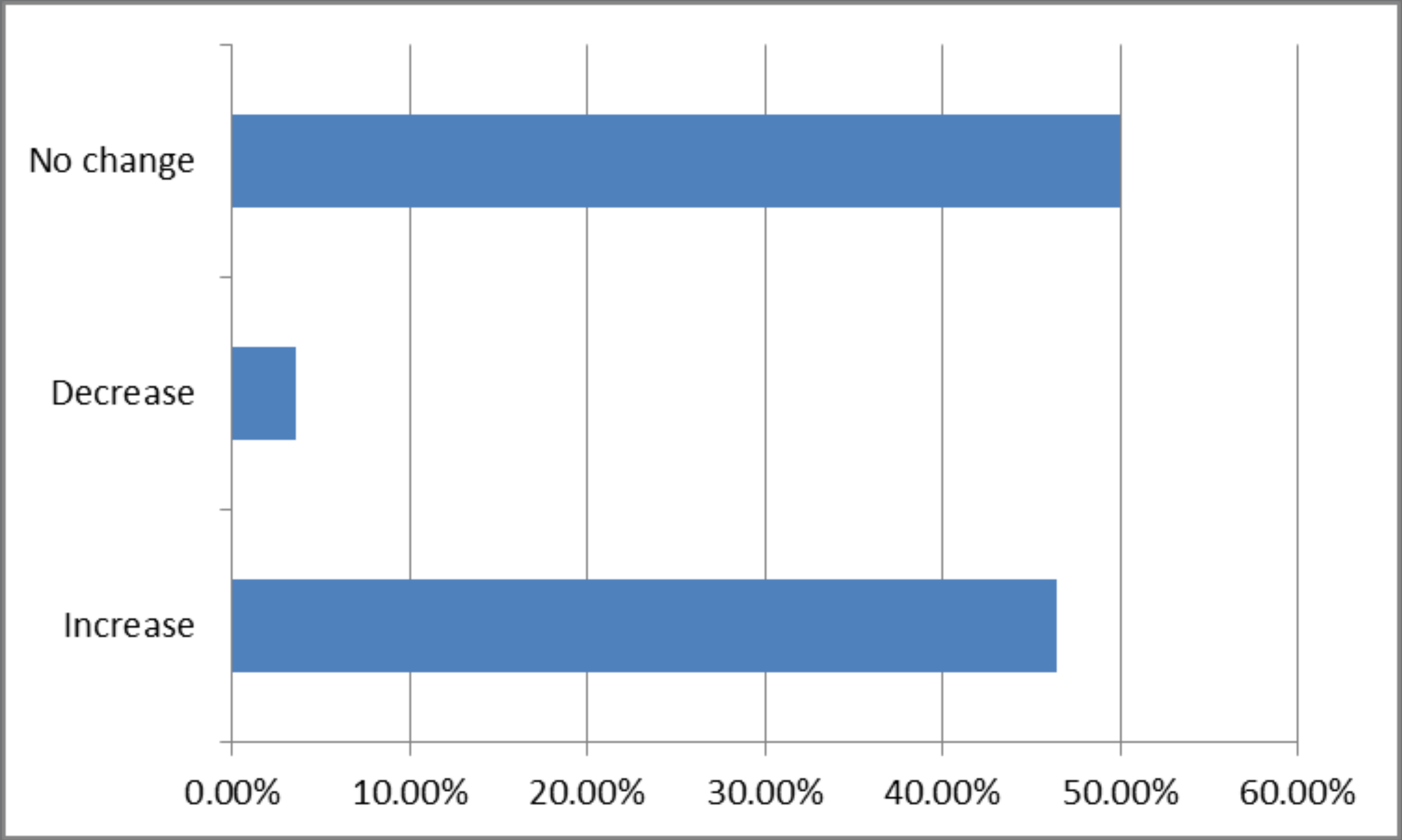
Employment over the next three months?



Business Activities over the next three months?



Prices charged over the next three months?



Fall 2012 and beyond

- Housing market has, on average recovered.
- US Labor markets weak, consumption declining, and inventories rising at levels seen in recessions at more than 90% of times.
- Europe continues to move into recession, and this will disproportionately affect Indiana.
- Delaware County, and much of ECI will continue to struggle through any short-term forecast.

Thank you

RAYMOND JAMES®