



The 2007 Regional Outlook: Tight Labor Markets, Slower Growth, Wage Inflation?

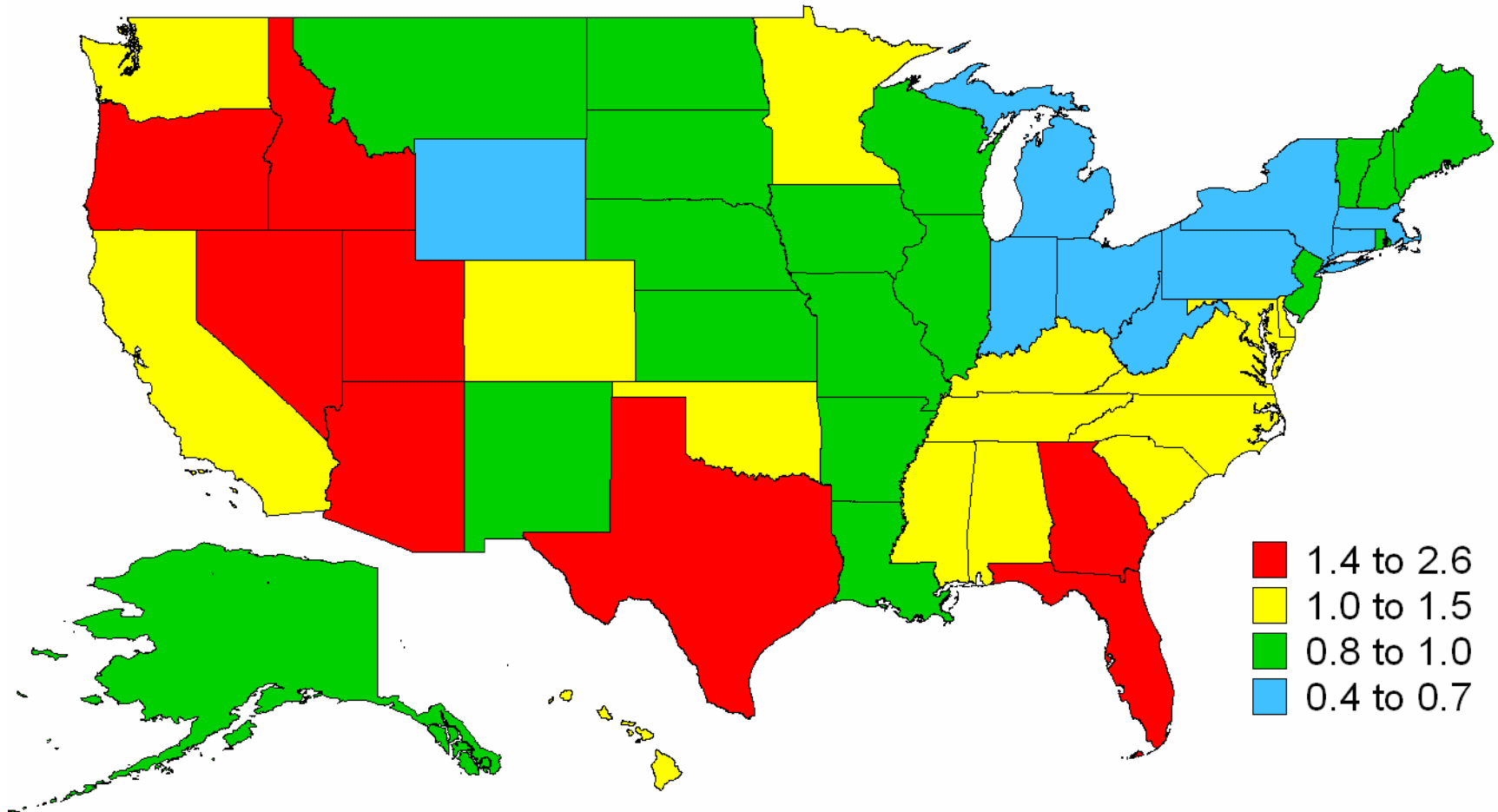
**Presented by:
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US Regional Services
Global Insight
August 22, 2007**

Outline

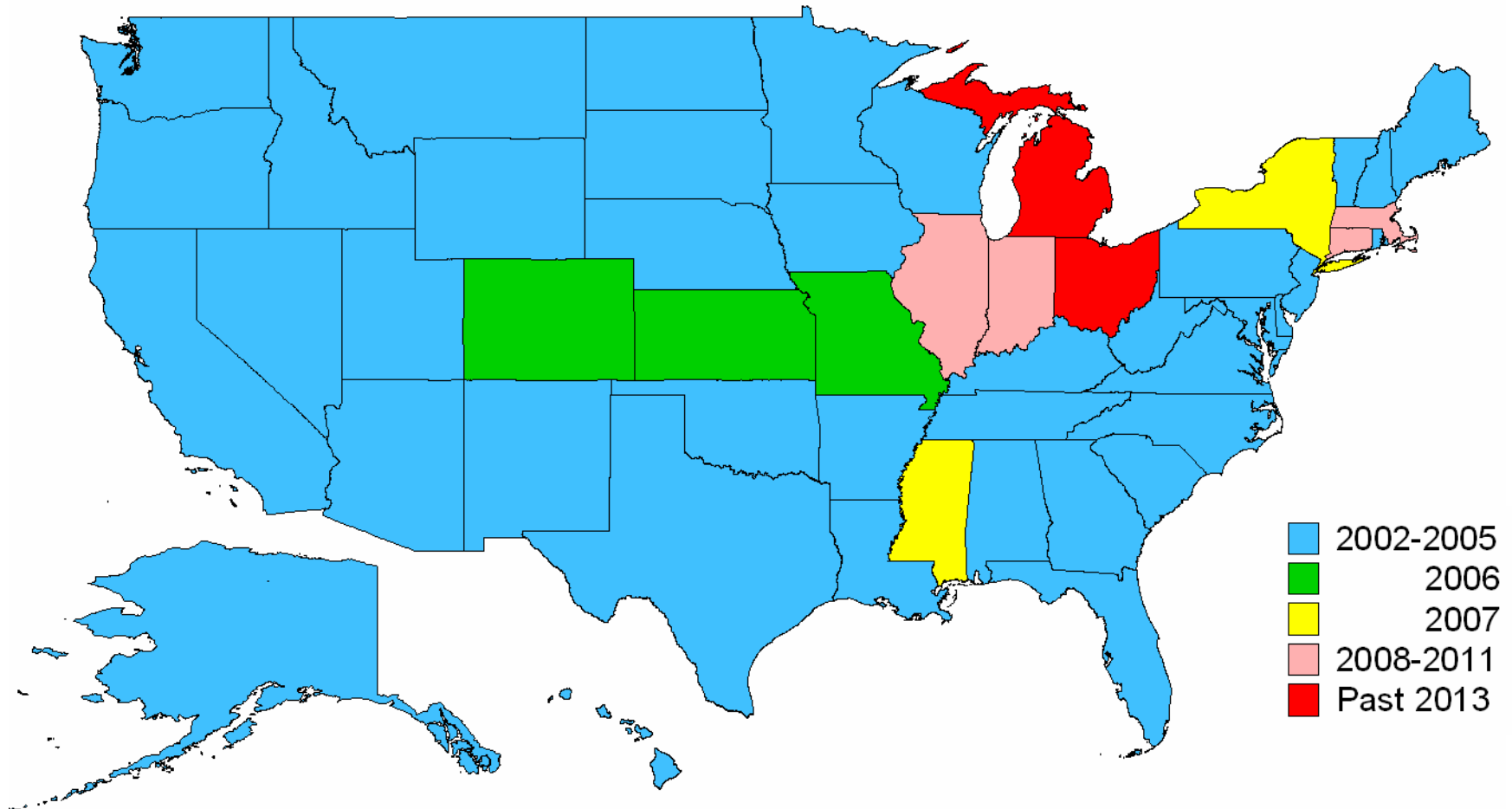
- **Regional Overview**
- **US Labor Market Conditions**
- **Regional Labor Markets**
- **Wage Growth**

Employment Growth, 2007-13

Average Annual Growth Rate

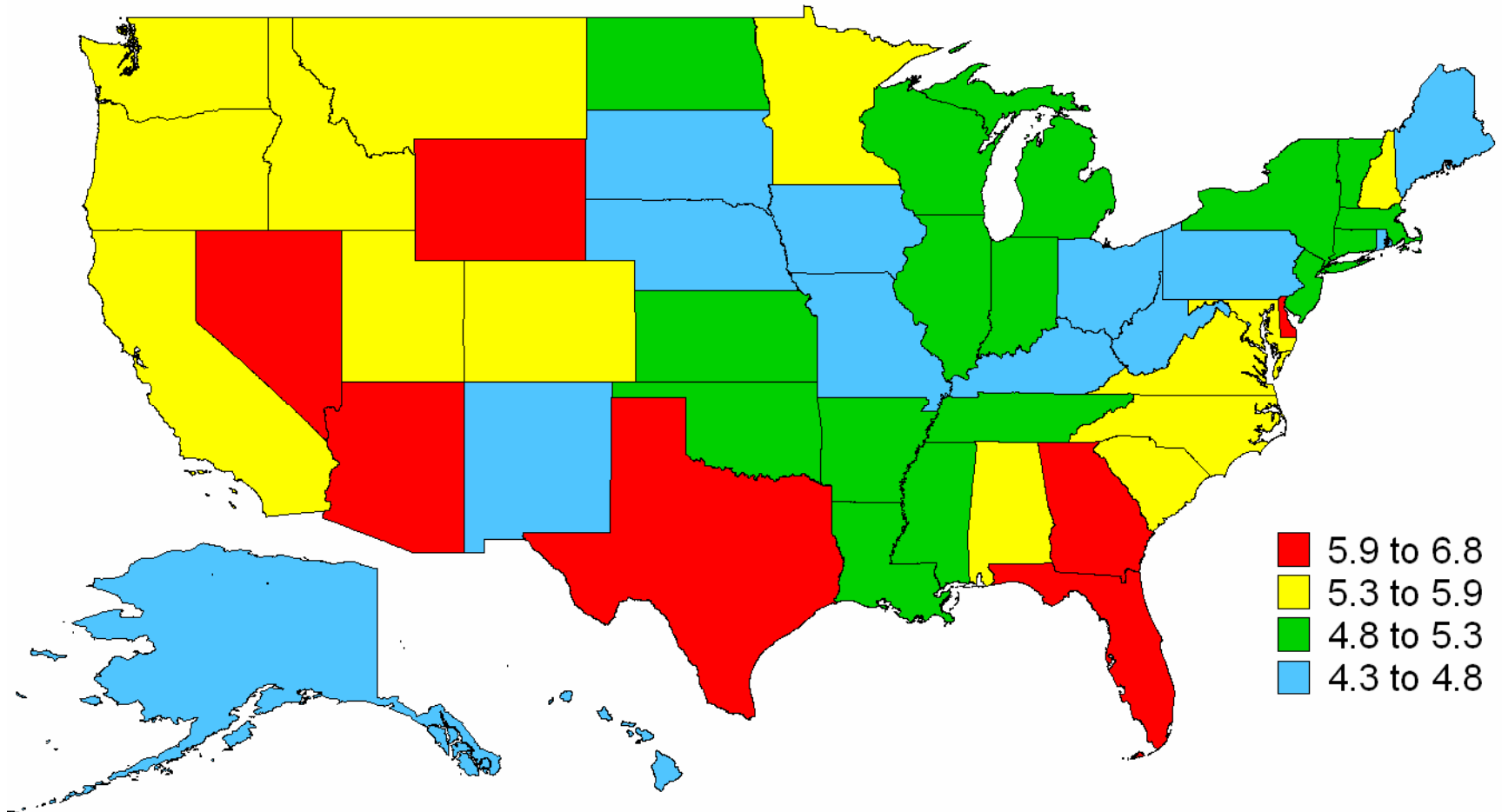


Employment Recoveries Vary Across States: Date of Return to 2001 Peak Employment

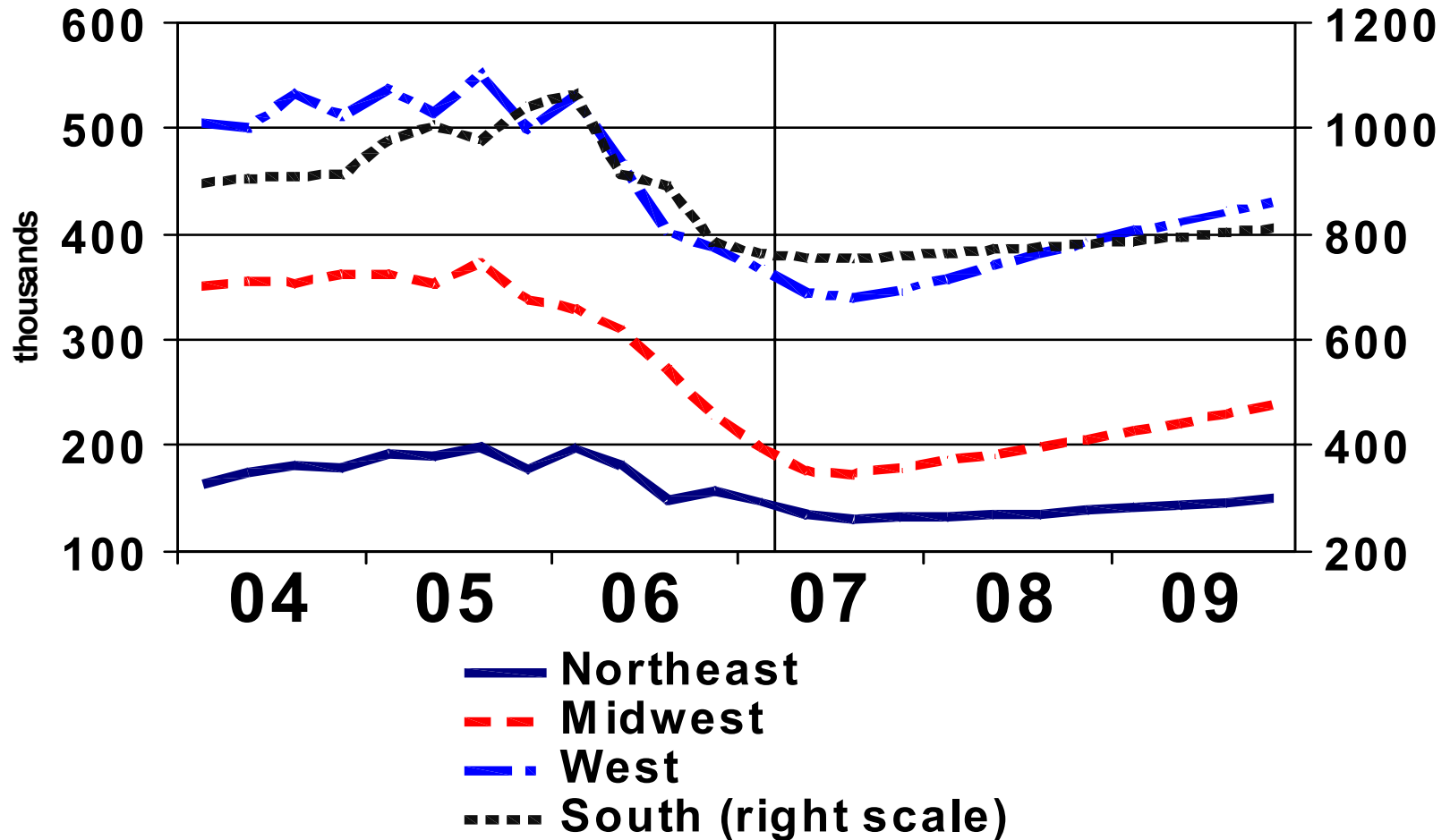


Personal Income Growth, 2007-13

(Average annual growth rate)

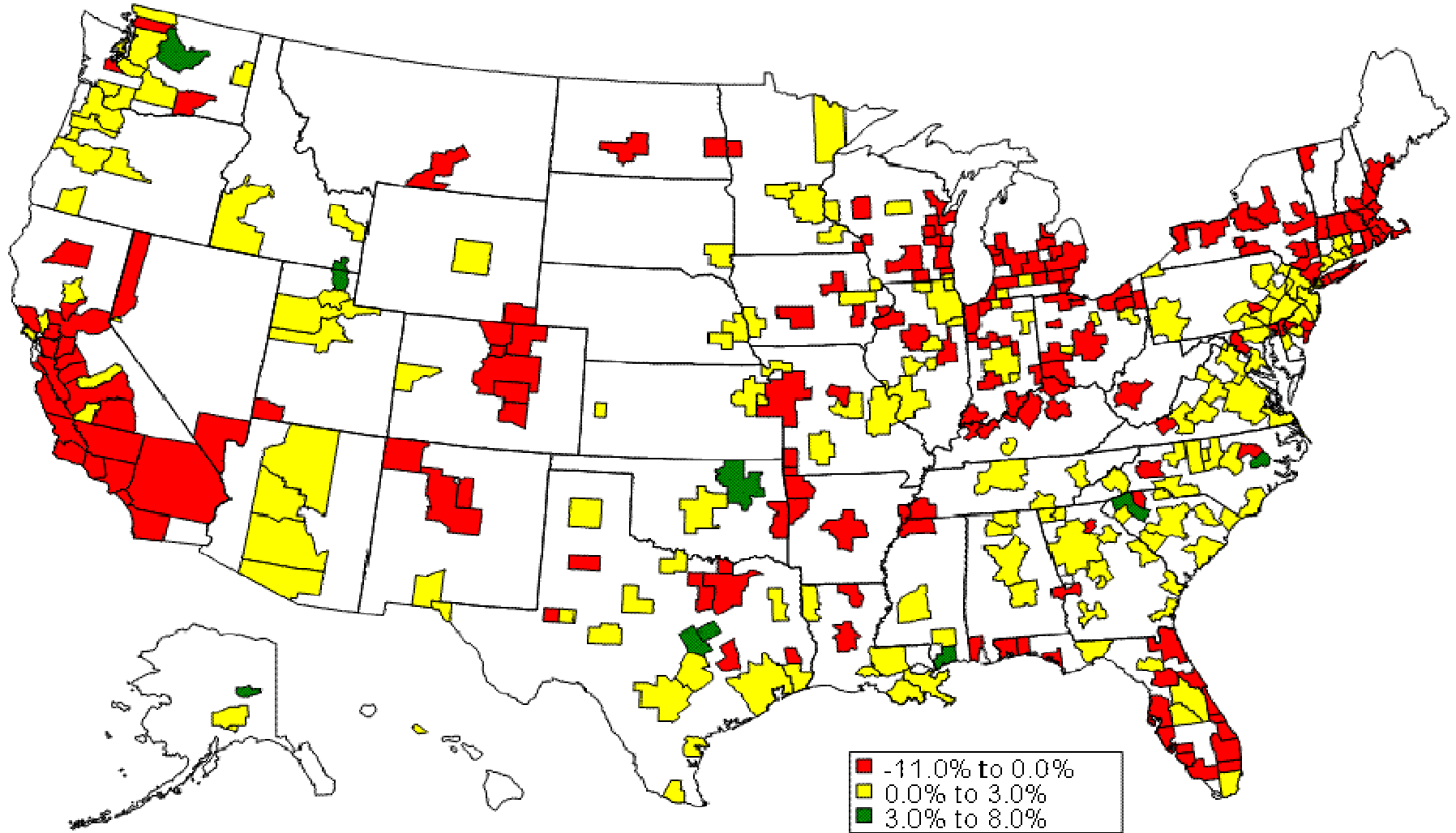


Housing Starts



Home Prices

Metro Appreciation 2007q1 / 2006q4



Forecast

Largest decline:

California 16%

Other double digit declines:

Arizona

Florida

Hawaii

Massachusetts

Nevada

New Jersey

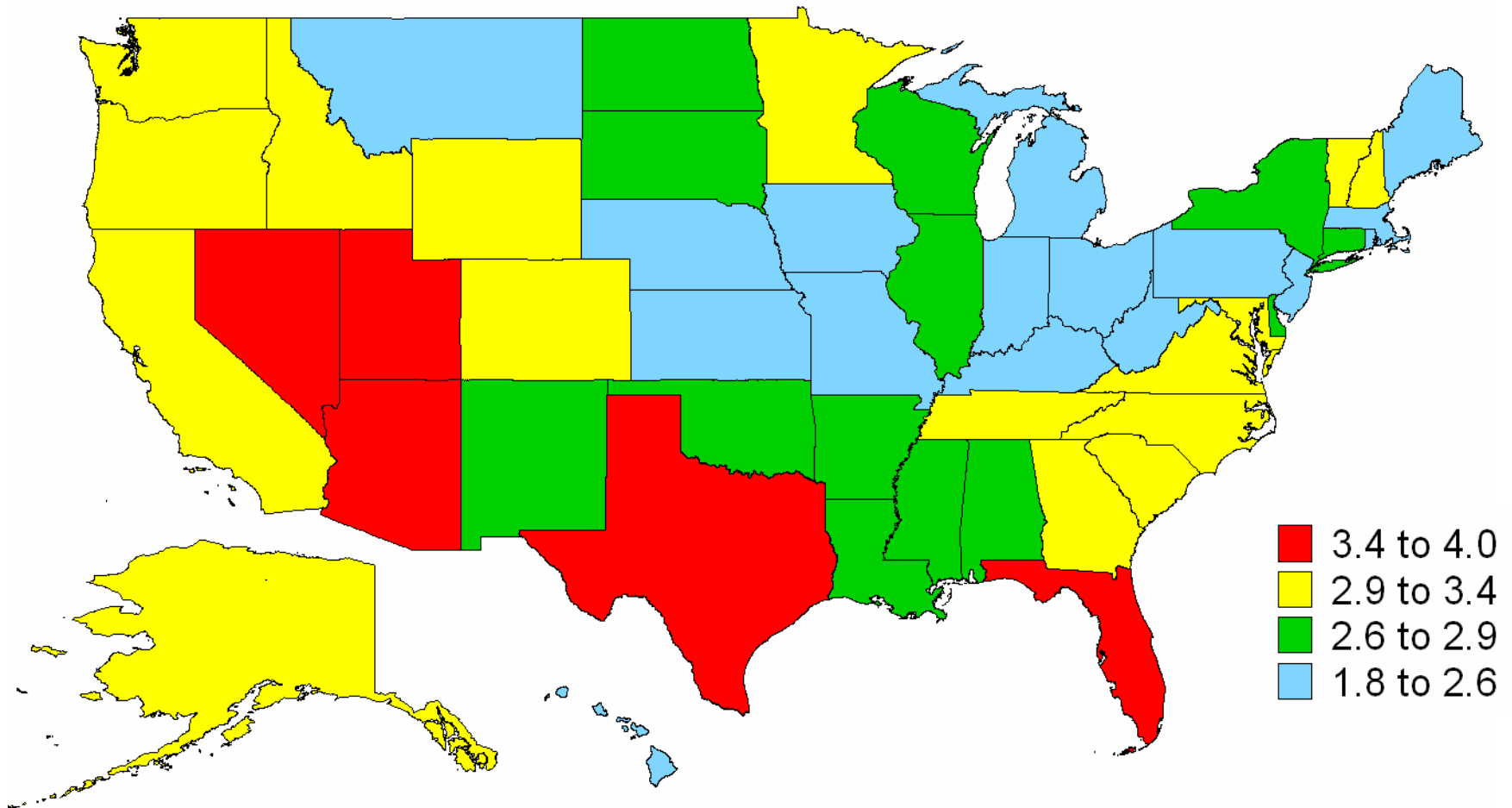
Virginia

States with no negatives:

13

Real GSP Growth, 2007-13

(Average annual growth rate)



Employment and The Workforce: Are Employment Gains Constrained by Labor Supply?

- Unemployment rate was 4.5% in the second quarter, the lowest rate since 2001



- But economy does not mirror booming late 90's.
 - In 1998, unemployment was also 4.5%, but employment growth today is almost *one-half less* than US job growth nine years ago
 - Tight labor conditions have yet to translate into significant wage gains

Examining the Labor Force

- **More sluggish growth in labor force since 2000; grew by only 1.0% (annual average) compared to last decade's rate of 1.3%**
- **Sluggishness is a combination of factors**
 - **Inevitable demographic dynamics**
 - **The looming retirement of baby boomers**
 - Represents loss of skills and significant amounts of institutional knowledge, especially in mining and manufacturing sectors
 - **Declines in labor force participation rates**

Declines in Labor Force Participation

- **Consistent decline from its peak of 67.3% in first months of 2000 to 66.0% in 2003-a level from which it has not recovered-reported at 66.1% in July 2007**
- **Declines are from primarily two groups:**
 - **Prime-aged participation → peaked in late 90's and falling since then due to baby-boomers starting to retire & female participation finally falling**
 - **But also, youths (ages 16-24) are dropping out. Between 2000 and 2006, rate went from 65.8% to 60.6% -decline esp. pronounced in those aged 16-19**
- **But immigration has helped prop up supply**
 - **Immigrants, many of them Hispanics (68.7%), boost and diversify labor force**
 - **Tendency to be younger and greater participants will help economy**



Unemployment Rate Is Not Uniformly Low Across Occupations

Skilled Jobs Have Lowest Rates

Occupations with Lowest Unemployment Rates, 2006

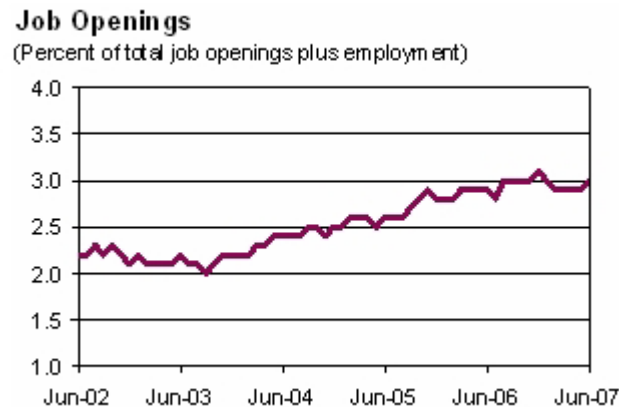
Occupation	Unemployment Rate	Hourly Mean Wage
Legal	1.3 %	\$ 41.00
Healthcare practitioner and technical	1.4 %	\$ 29.80
Architecture and engineering	1.7 %	\$ 31.80
Management	1.8 %	\$ 44.20
Life, physical, and social science	1.8 %	\$ 28.70
Average of Top 5	1.6 %	\$ 35.56

Occupations with Highest Unemployment Rates, 2006

Occupation	Unemployment Rate	Hourly Mean Wage
Transportation and material moving	6.2 %	\$ 14.20
Construction and extraction	6.8 %	\$ 18.90
Building & grounds cleaning and maintenance	7.0 %	\$ 10.90
Food preparation and serving related	7.2 %	\$ 8.90
Farming, fishing, and forestry	9.5 %	\$ 10.50
Average of Bottom 5	6.8 %	\$ 12.86

Is the Labor Market Truly “Tight”?

- Labor tightness is an indication of robust economic activity, with firms hiring almost all of the ready and willing labor force, putting upward pressure on wages



- Labor market is becoming tighter for sure, continuing process begun roughly three years ago, but at a subdued pace that leaves it plenty of room to run (should demand growth allow)
- At a more local view, there are pockets of very tight labor markets, especially for skilled workers in older cities that will continue to constrain growth going forward



Labor Market Tightness by Region

Unemployment Rate	May-04	May-05	May-06	May-07
Total US	4.62	5.11	4.62	4.50
Northeast	4.57	4.84	4.57	4.41
South	4.44	4.90	4.44	4.18
Midwest	4.90	5.49	4.90	5.05
West	4.64	5.26	4.64	4.53
Labor Market Tightness (U/V)				
Total US	2.58	2.18	1.73	1.65
Northeast	2.59	2.44	1.90	1.82
South	2.27	1.86	1.43	1.38
Midwest	3.00	2.51	2.25	2.17
West	2.67	2.23	1.70	1.54

Source: BLS JOLTS Database, Global Insight

Performance of High- and Low-Unemployment-Rate Metros

Unemployment Rate	Number of Metros	Employment Growth	Labor Force Growth	Labor Force Participation Rate	
				2000	2006
		Avg Annual Rate, 2000-2006			
less than 3%	32	1.6%	1.7%	69.5%	69.6%
less than 4%	141	1.4%	1.7%	66.7%	66.5%
US average		0.5%	1.0%	67.1%	66.2%
greater than 5%	102	0.3%	0.8%	64.7%	63.2%
greater than 6%	48	-0.4%	0.3%	64.7%	61.9%

Sun Belt and Mountain Metros Lead in Labor Force Growth

	Labor Force Avg. Annual Growth 2000-06	Unemployment Rate May 2007	Labor Force Participation Rate 2007
St. George, UT	7.7%	2.4%	64.3%
Cape Coral-Fort Myers, FL	5.3%	3.6%	58.6%
Naples-Marco Island, FL	4.8%	3.4%	58.2%
Bend, OR	4.4%	4.5%	65.2%
Fayetteville-Springdale-Rogers, AR-MO	4.2%	3.5%	69.7%
McAllen-Edinburg-Mission, TX	4.2%	6.2%	53.9%
Las Vegas-Paradise, NV	4.1%	4.5%	67.3%
Prescott, AZ	4.1%	3.3%	54.2%
Grand Junction, CO	4.1%	3.0%	71.3%
Port St. Lucie, FL	3.9%	4.4%	55.0%

Labor Force Growth, Top Five (Large Metros)

	Labor Force Avg Annual Growth 2000-06	Unemployment Rate May 2007	Labor Force Participation Rate 2007
Las Vegas-Paradise, NV	4.1%	4.5%	67.3%
Riverside-San Bernardino, CA	3.7%	5.5%	59.4%
Phoenix-Mesa, AZ	3.3%	2.9%	65.0%
Orlando-Kissimmee, FL	2.8%	3.2%	67.5%
Raleigh-Cary, NC	2.5%	3.6%	67.6%

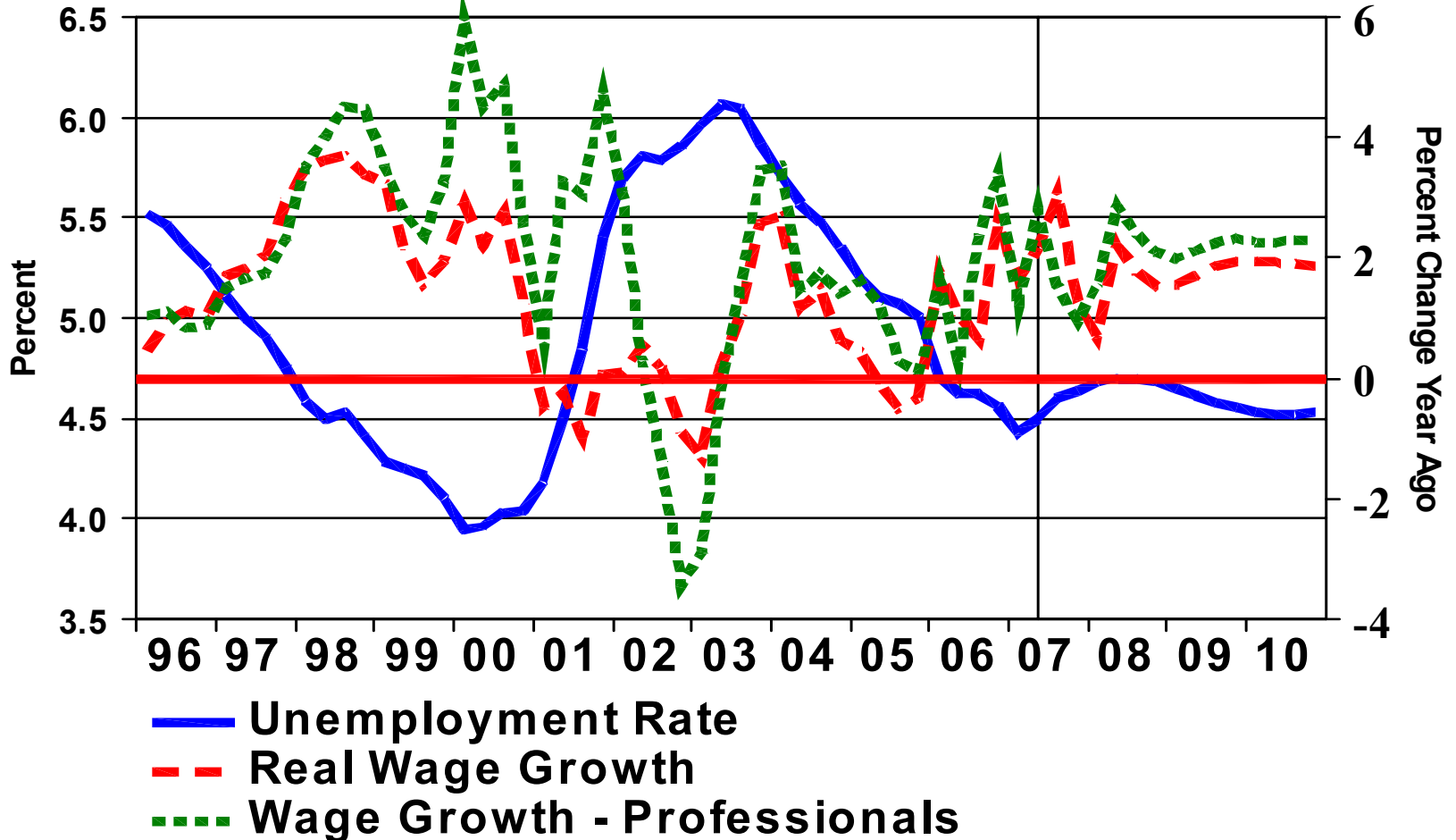
Labor Force Participation Top Ten 2007 (All Metros)

	Labor Force Avg Annual Growth 2000-06	Unemployment Rate May 2007	Labor Force Participation Rate 2007
Logan, UT-ID	3.2%	1.8	81.2%
Fort Collins-Loveland, CO	2.6%	3.1	78.7%
Iowa City, IA	1.9%	2.6	78.6%
Boulder, CO	1.3%	2.9	78.6%
Fargo, ND-MN	1.7%	2.9	77.7%
Midland, TX	3.3%	2.6	76.7%
Madison, WI	1.3%	3.7	75.2%
Columbia, MO	1.4%	3.2	74.8%
Santa Cruz-Watsonville, CA	-0.3%	6.0	74.4%
Ocean City, NJ	1.0%	6.7	74.4%

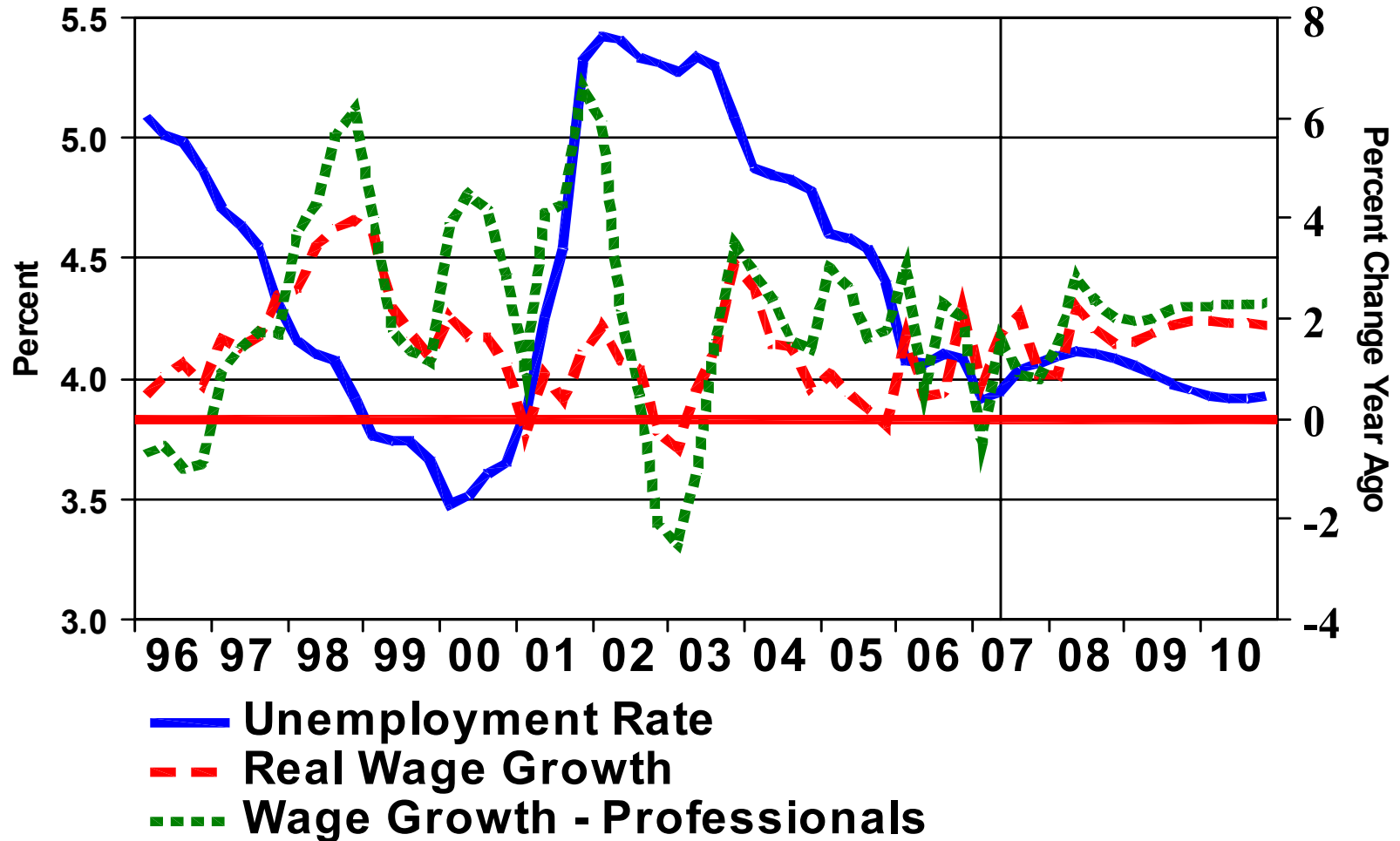
Labor Force Participation, Top Five (Large Metros)

	Labor Force Avg Annual Growth 2000-06	Unemployment Rate May 2007	Labor Force Participation Rate 2007
Minneapolis-St. Paul, MN-WI	0.9%	4.3	74.1%
Salt Lake City, UT	1.8%	2.4	73.6%
Denver-Aurora, CO	1.4%	3.6	72.1%
Washington, DC-VA-MD-WV	1.8%	2.9	72.0%
Indianapolis-Carmel, IN	1.6%	3.9	70.1%

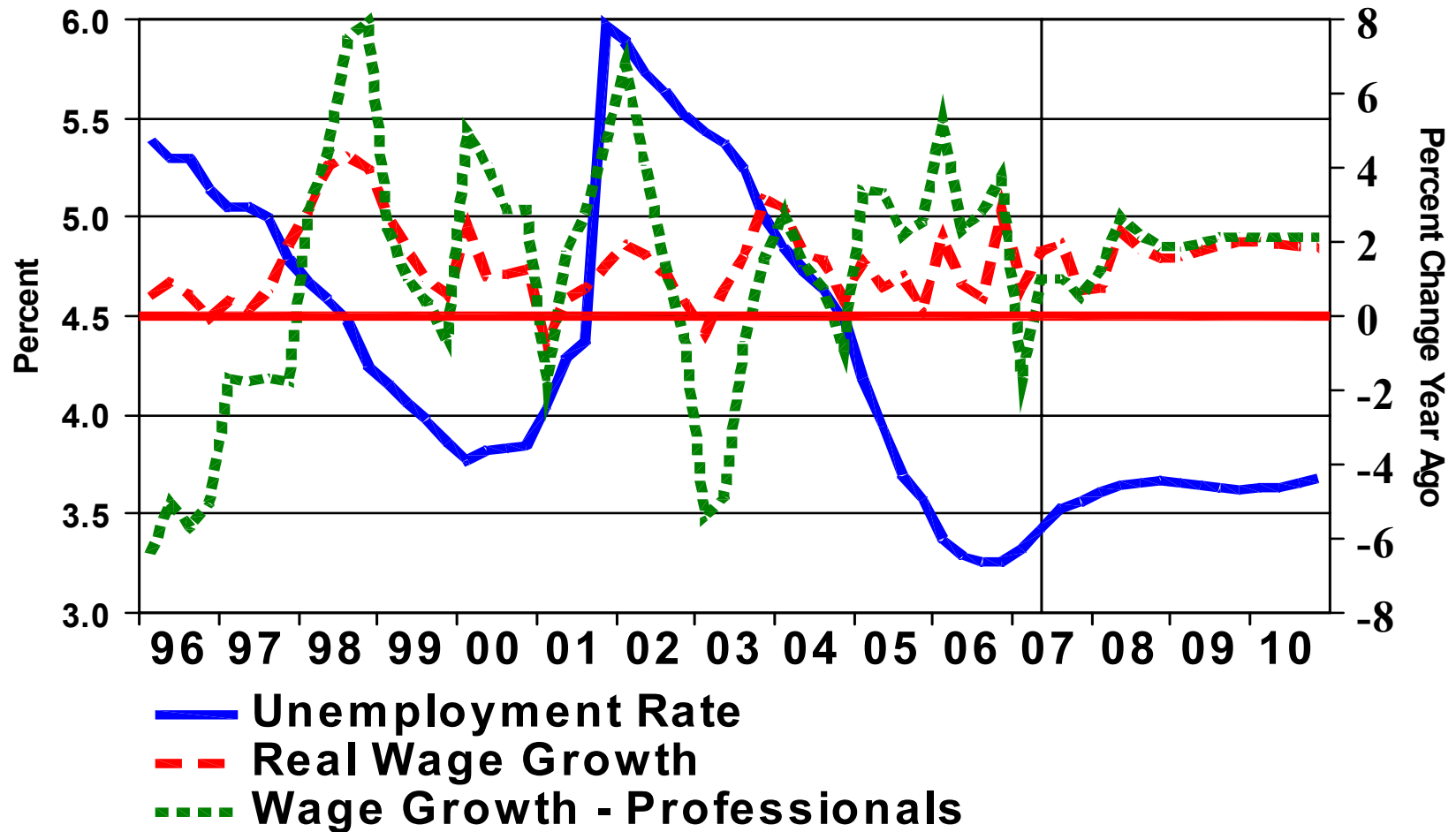
US Wage Growth (Average Salary)



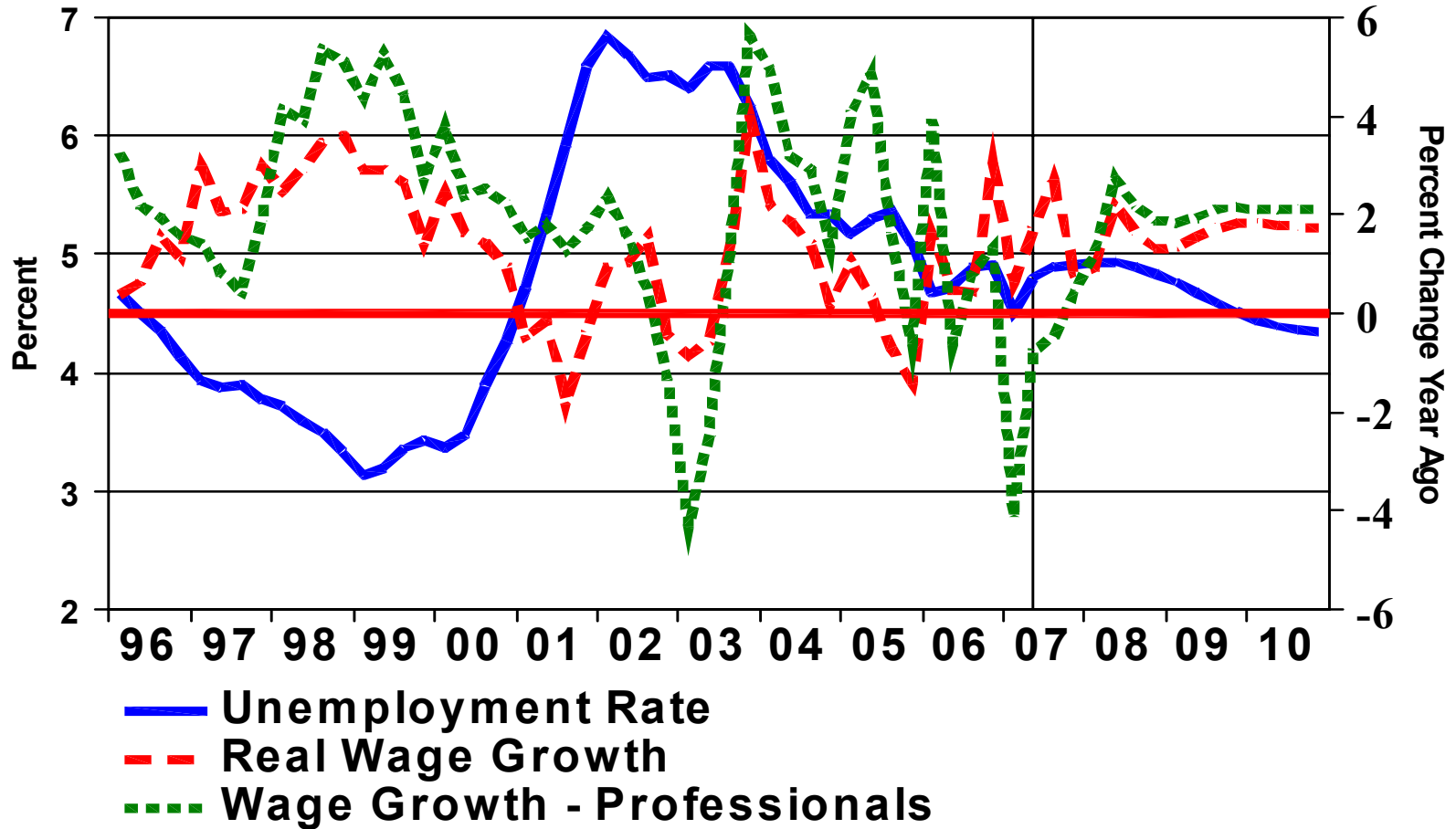
South Atlantic Wage Growth (Average Salary)



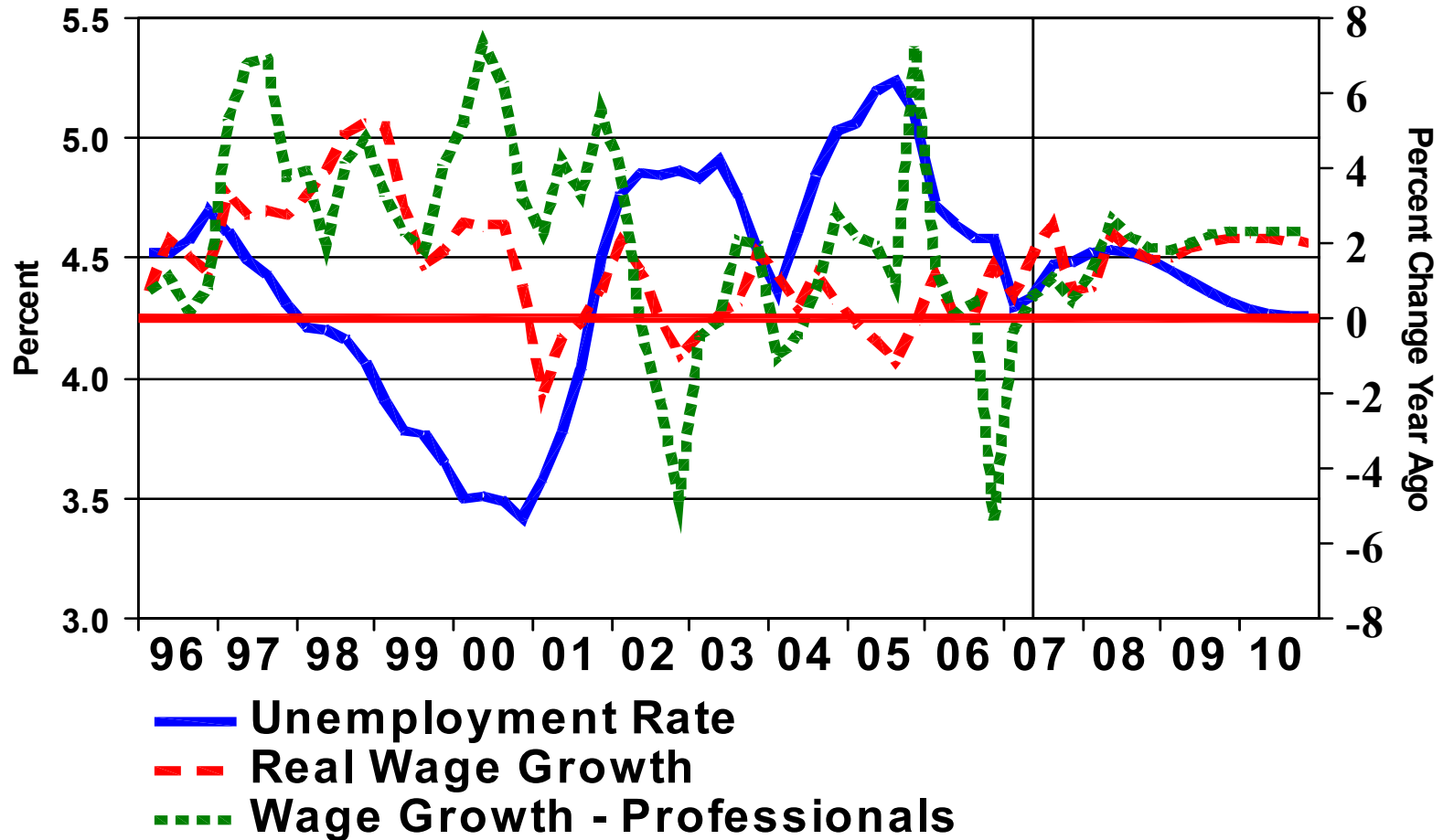
Florida Wage Growth (Average Salary)



North Carolina Wage Growth (Average Salary)



Georgia Wage Growth (Average Salary)





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