

It Was the Best of Times, Now What?

*On Behalf of
MDGFOA*

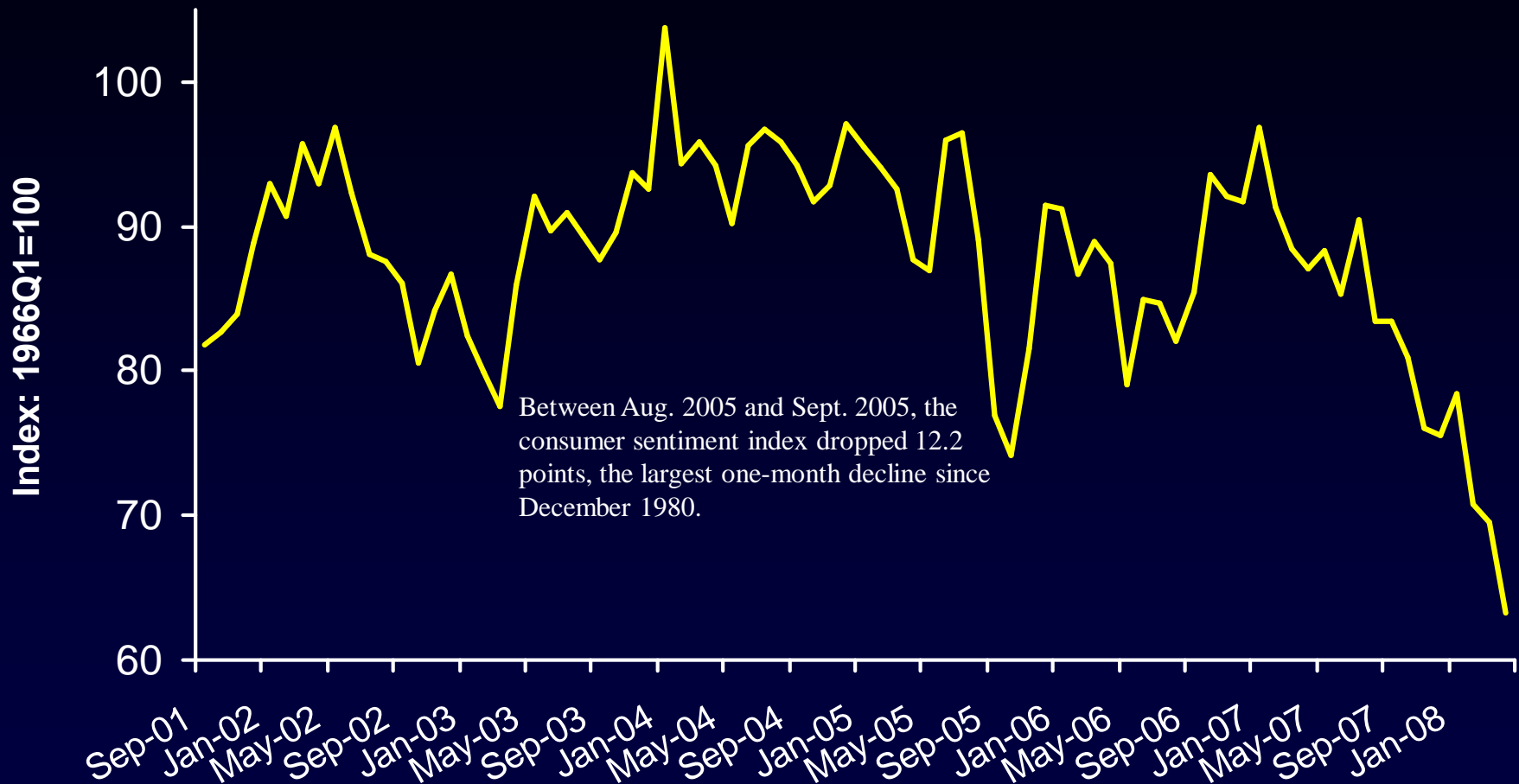
*By: Anirban Basu
Sage Policy Group, Inc.*

April 25, 2008

I. Worsening Economic Imbalances

University of Michigan Consumer Sentiment Survey

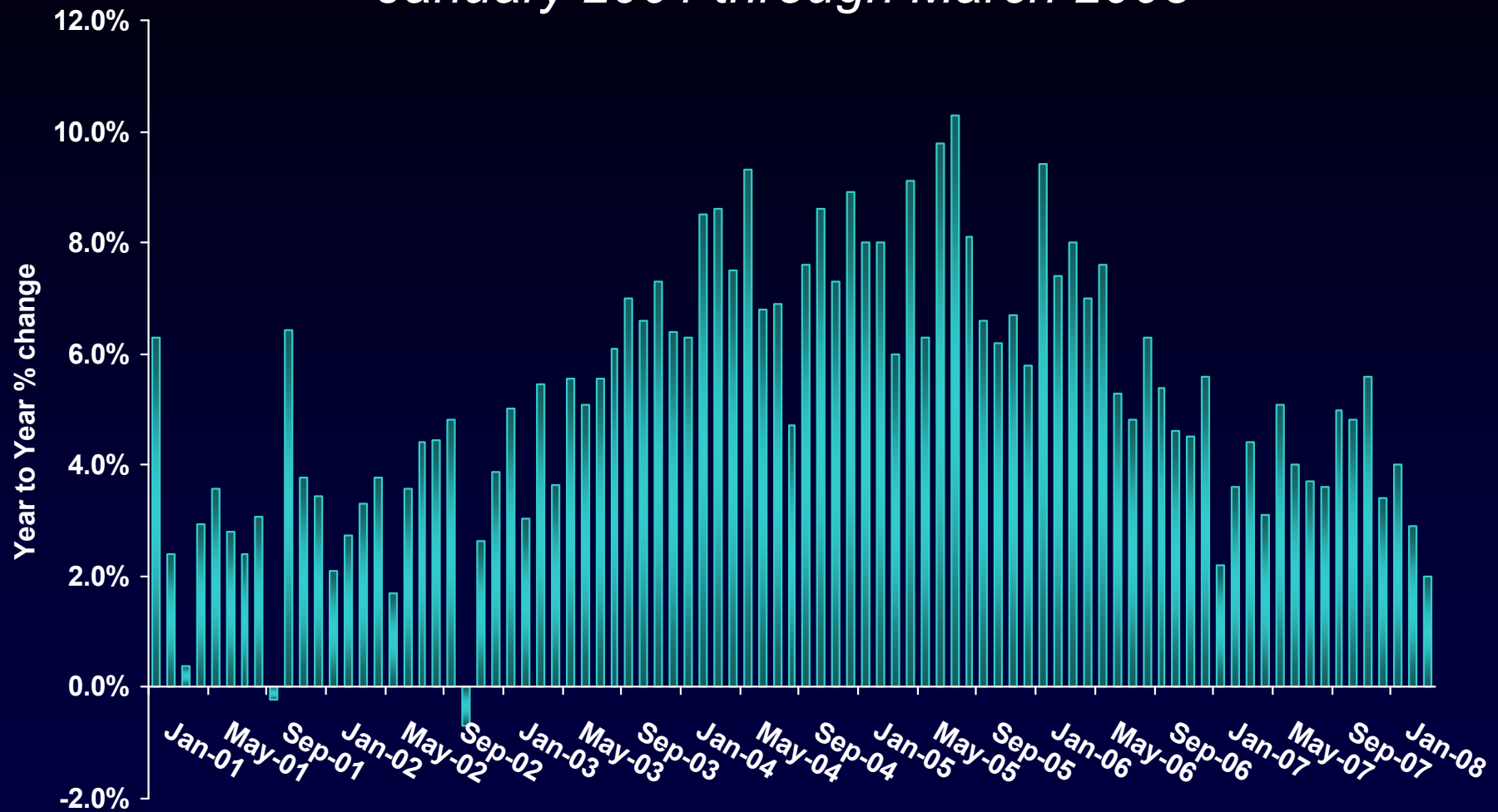
September 2001 through April 2008



Source: University of Michigan; Dismal.com

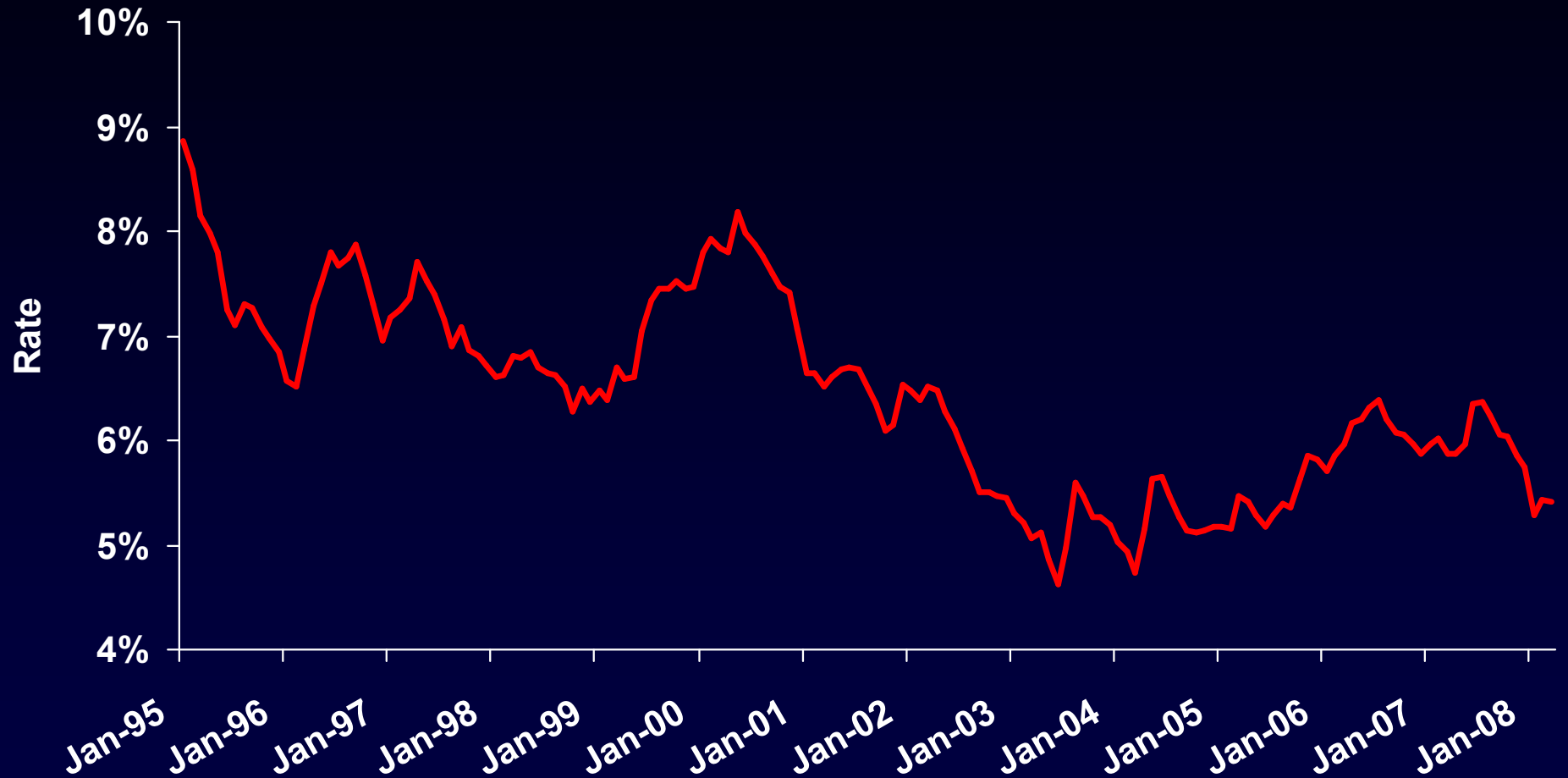
Retail & Food Services Sales

January 2001 through March 2008



Source: Dismal.com

15-Year Fixed Mortgage Rates, January 1995 through March 2008



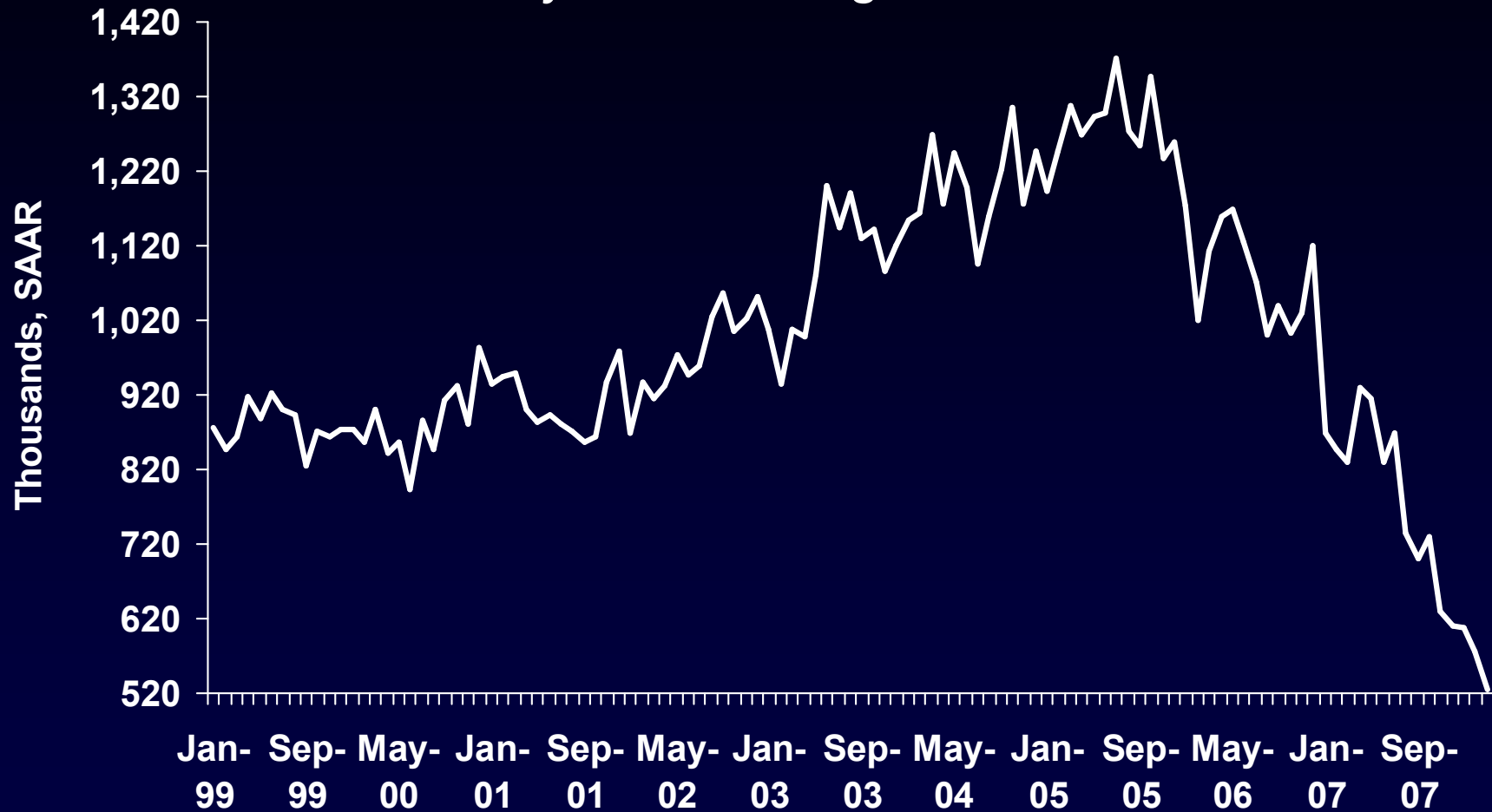
Source: Freddie Mac



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U.S. New Home Sales

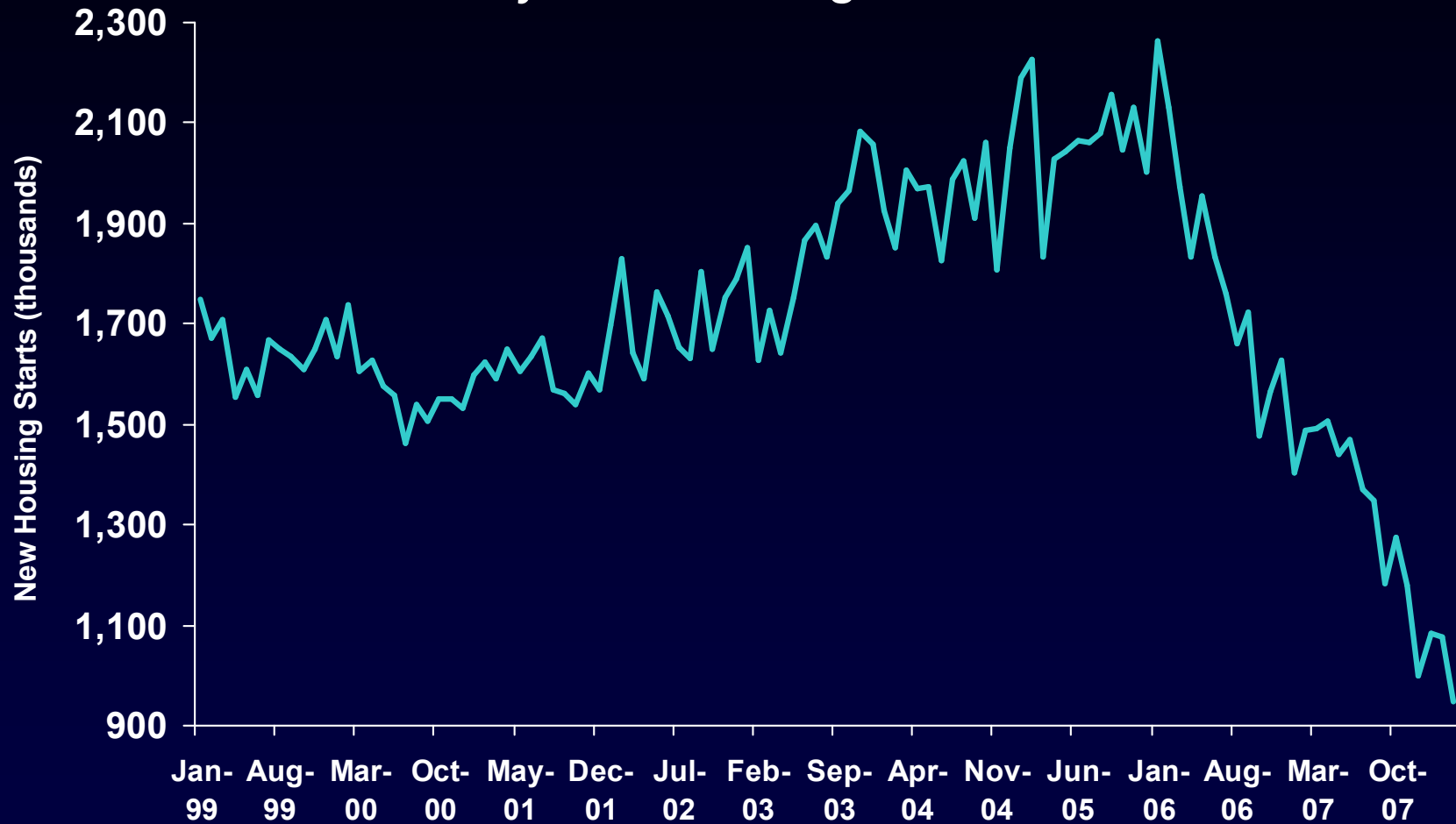
January 1999 through March 2008



Source: Economy.com, Census Bureau

U.S. New Residential Construction

January 1999 through March 2008



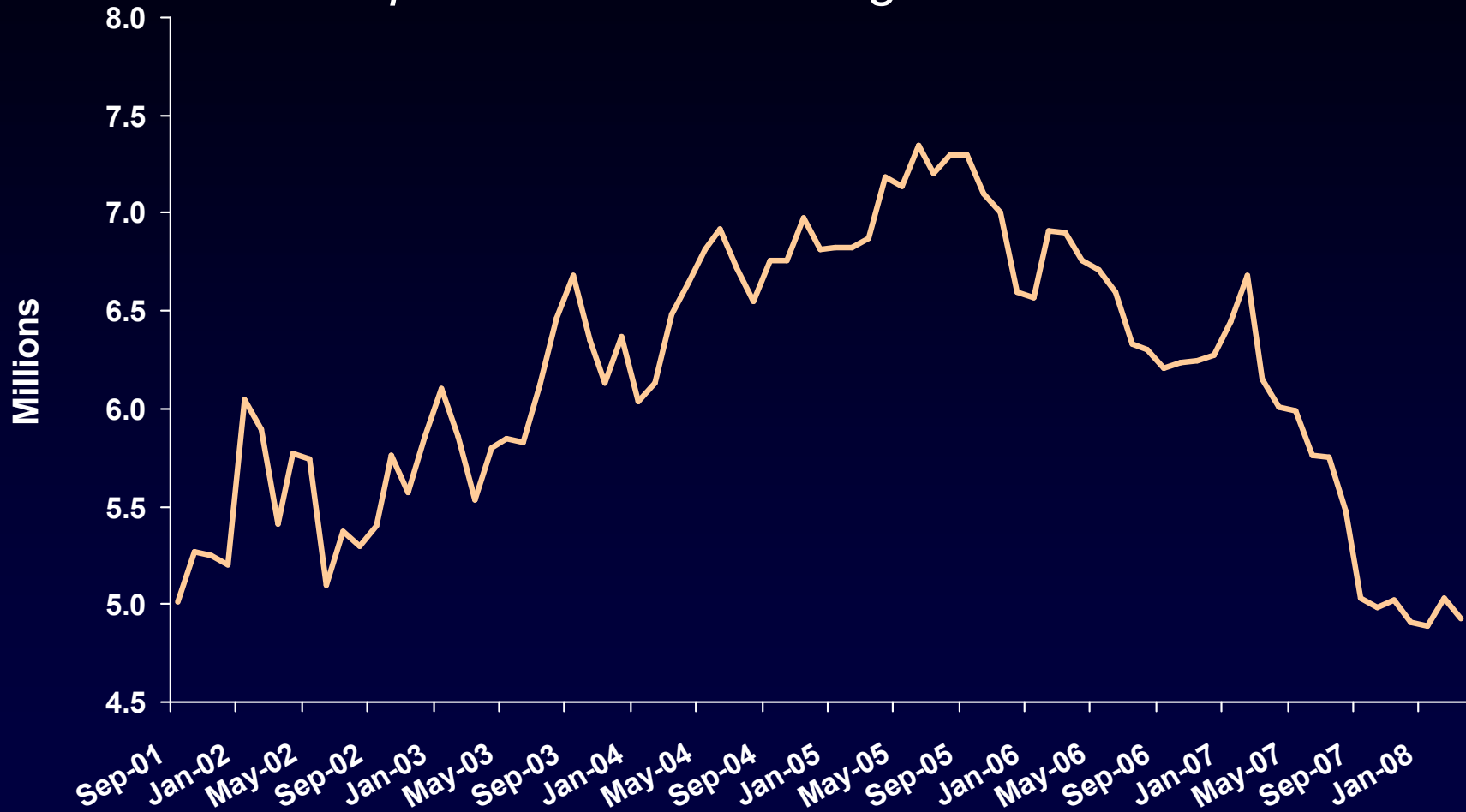
Source: Economy.com



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U.S. Existing Home Sales

September 2001 through March 2008



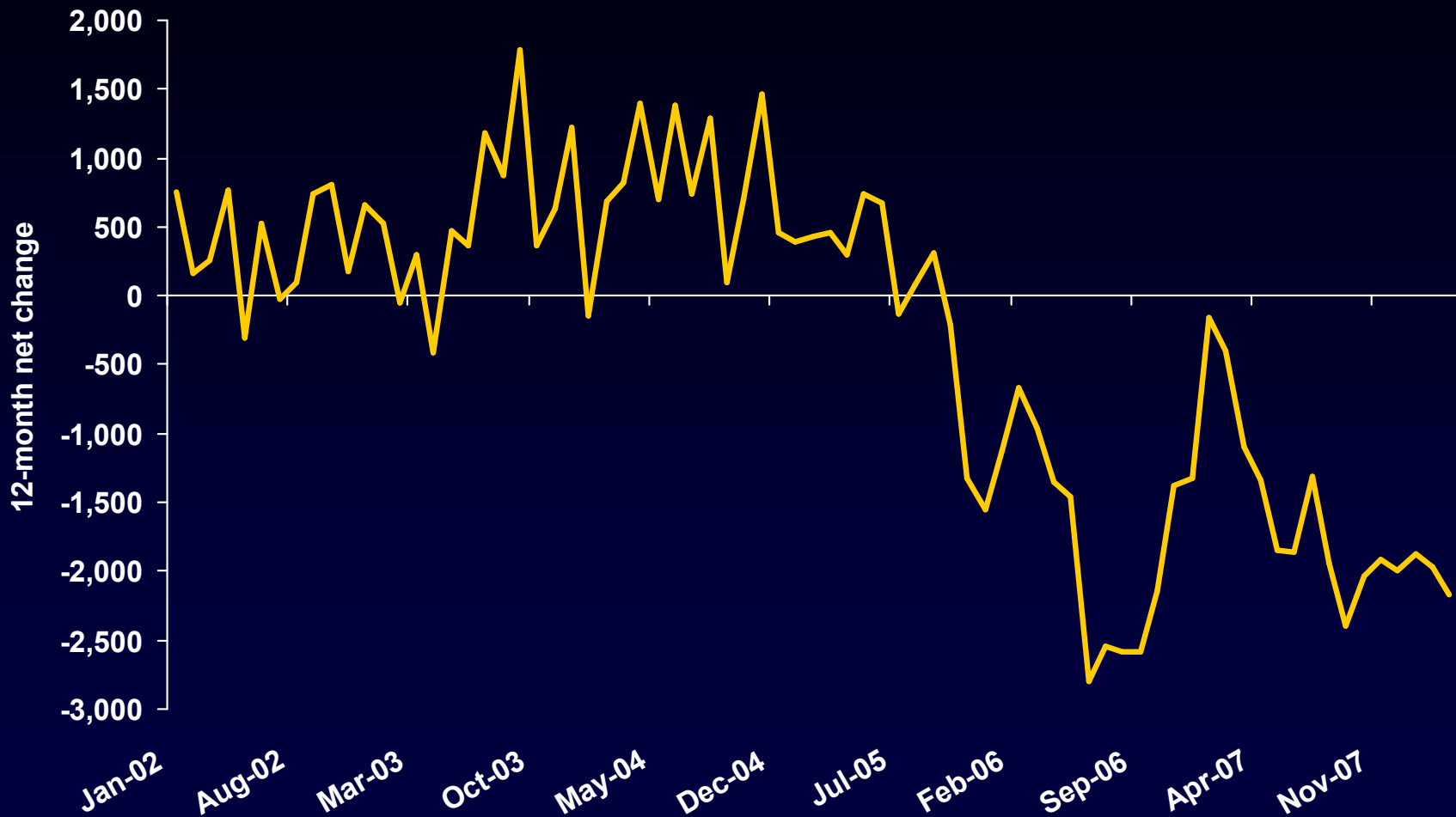
Source: Economy.com



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Change in Maryland Housing Units Sold

January 2002 through March 2008



Source: Maryland Association of Realtors

2006 Residential Building Permits per 100 Households (2006 estimates) by select Regions

Region	Permits per 100 Households
Las Vegas, Nevada	5.15
Raleigh-Durham, North Carolina	4.70
Loudoun County, Virginia	3.41
Phoenix-Mesa, Arizona	3.03
Richmond, Virginia	1.72
Northern Virginia	1.71
Washington, D.C.-MD-VA	1.39
Washington, D.C. without Loudoun County, VA	1.29
BW Corridor	0.96
Wilmington, Delaware	0.95
Baltimore, MD	0.80
Philadelphia, Pennsylvania	0.70
Pittsburgh, Pennsylvania	0.58

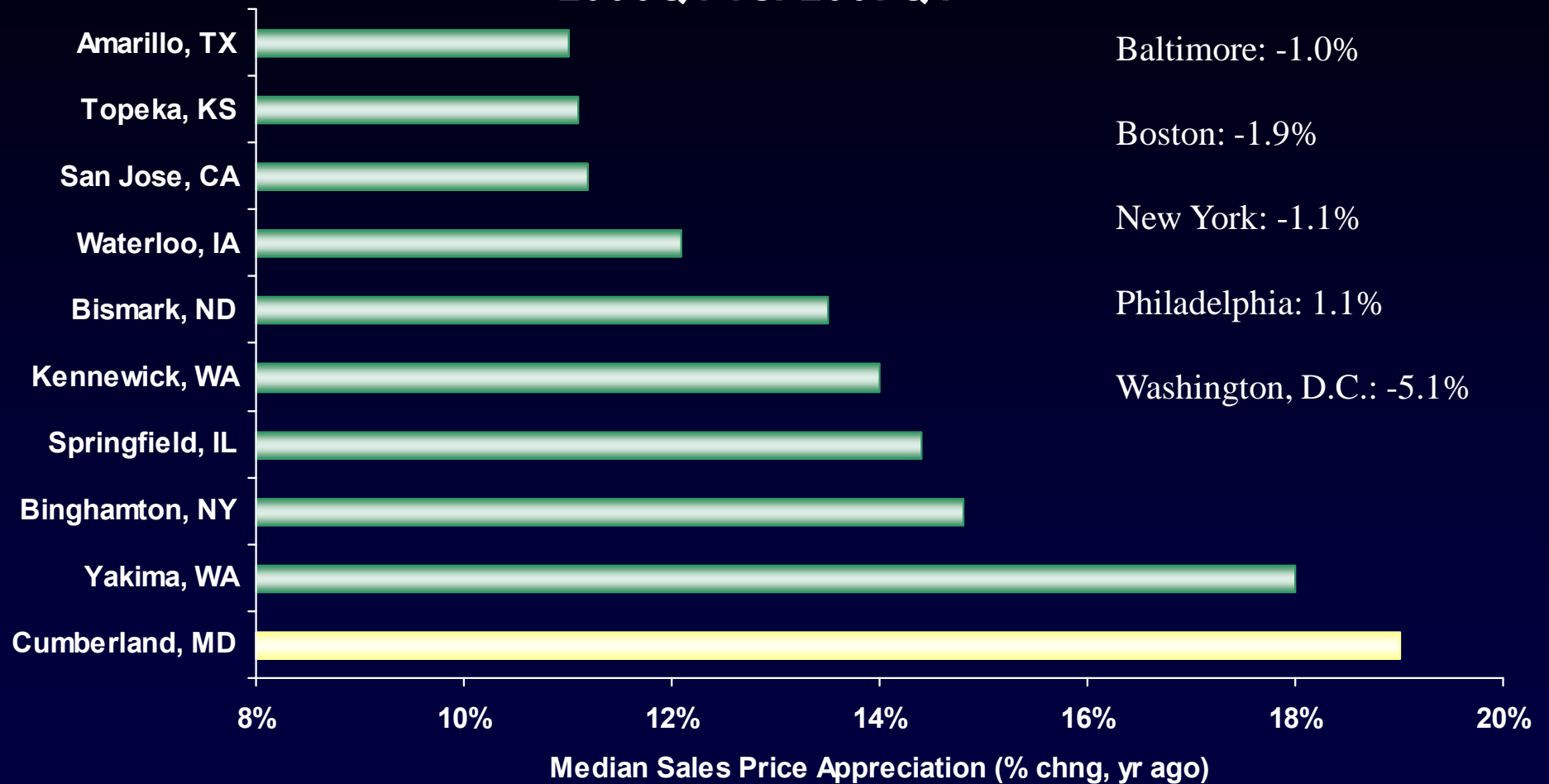
Source: U.S. Census Bureau

BW Corridor includes: Anne Arundel, Howard,
Montgomery and Prince George's counties



Current Hot Metro Housing Markets (150)

Annual Existing Single-Family Home Price Appreciation 2006Q4 vs. 2007Q4

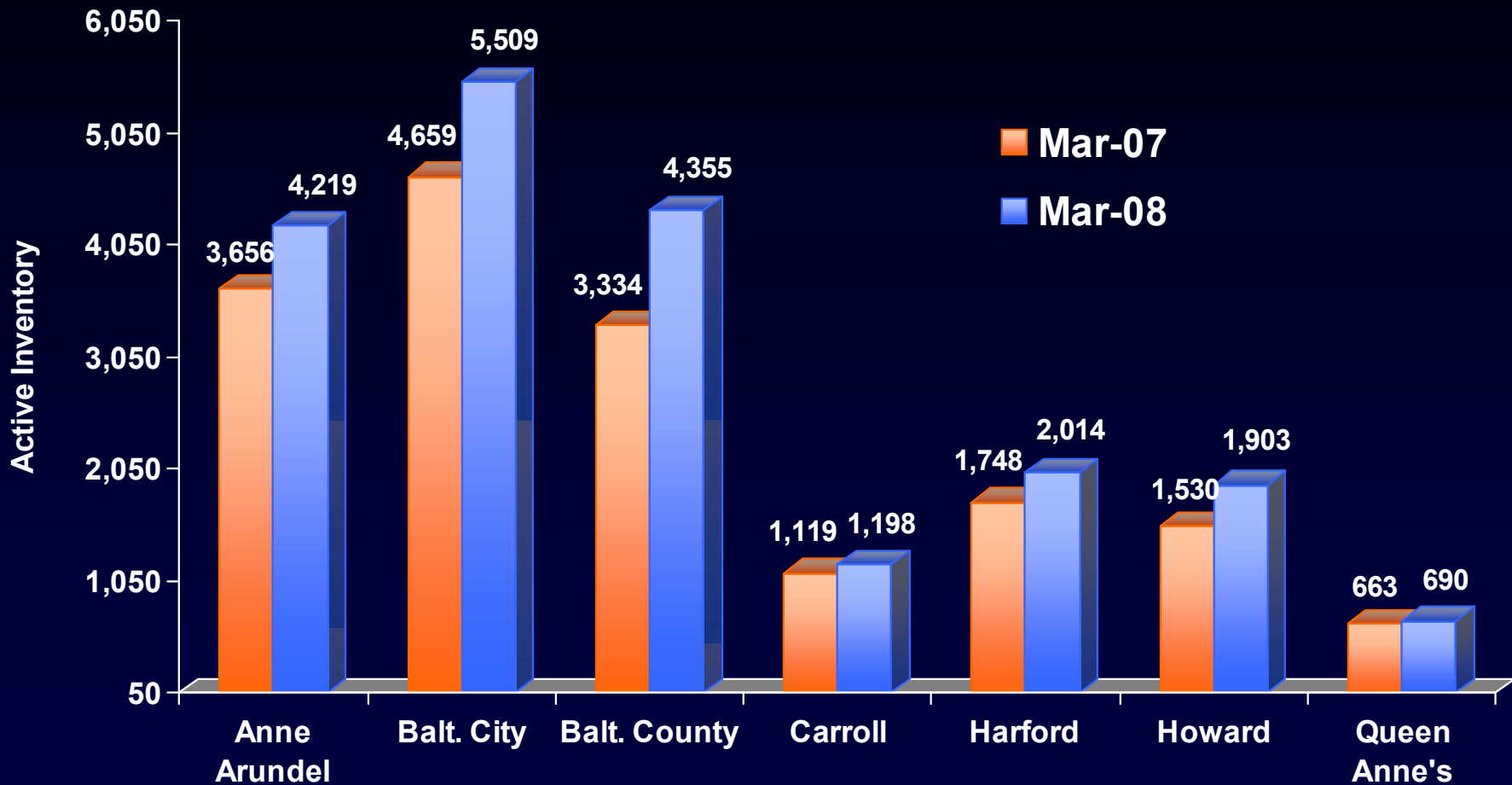


Source: National Association of Realtors

U.S.: -5.8% in 2007Q4



Active Housing Inventory by Baltimore MSA Jurisdiction, March 2007 vs. March 2008

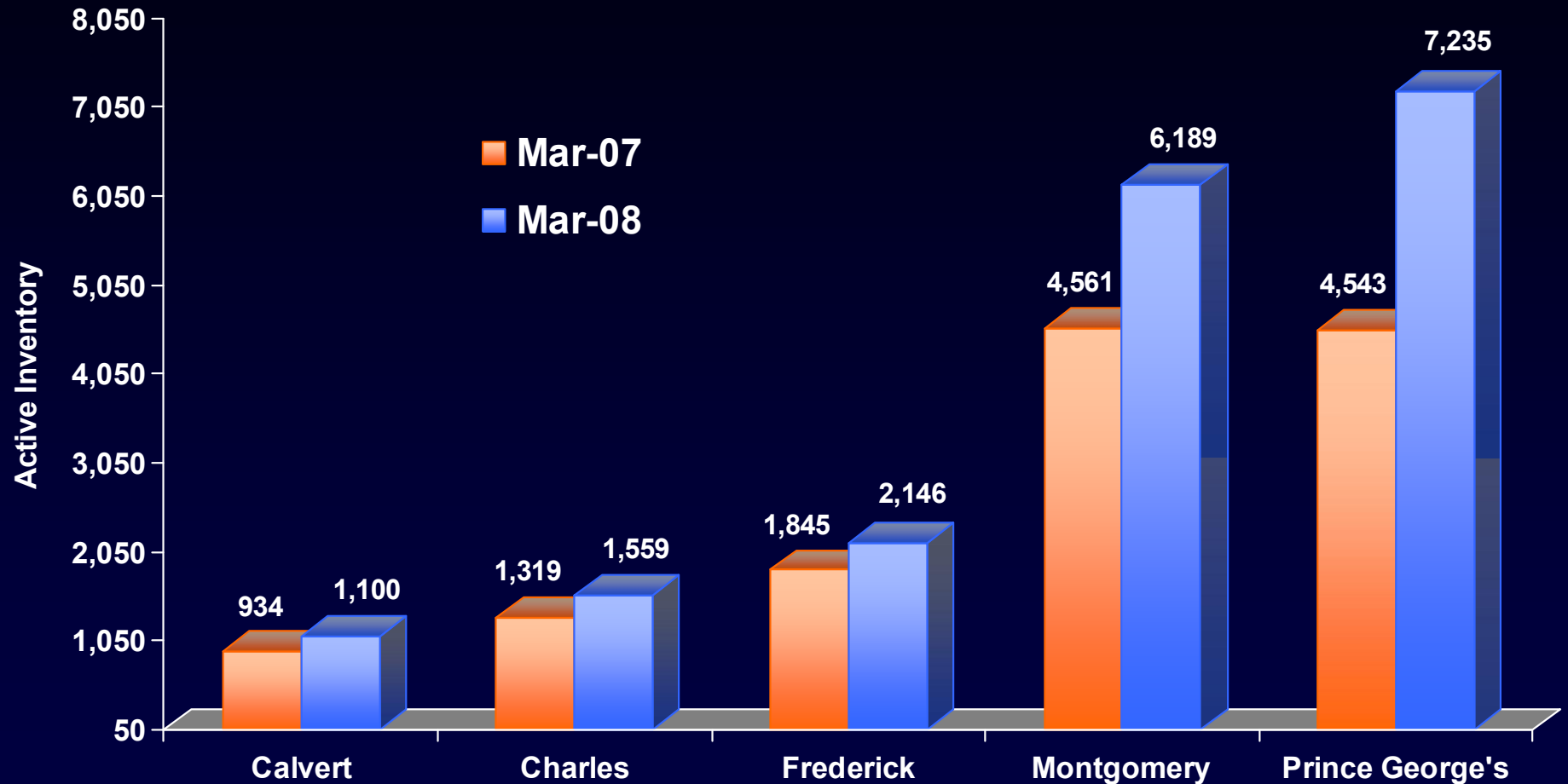


Source: Maryland Association of Realtors

Maryland = March 2007: 38,414; March 2008: 47,898



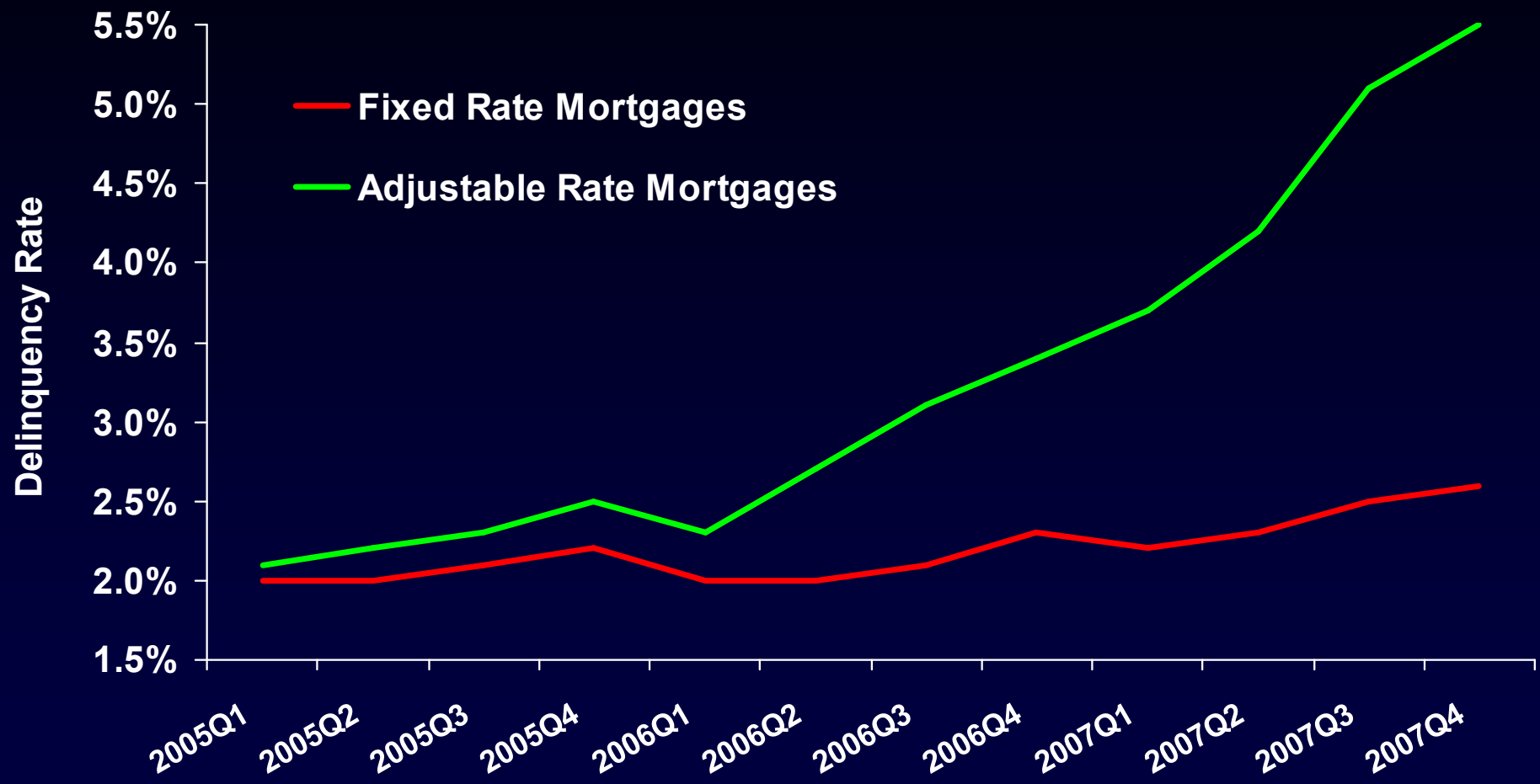
Active Housing Inventory by Suburban MD Jurisdiction, March 2007 vs. March 2008



Source: Maryland Association of Realtors

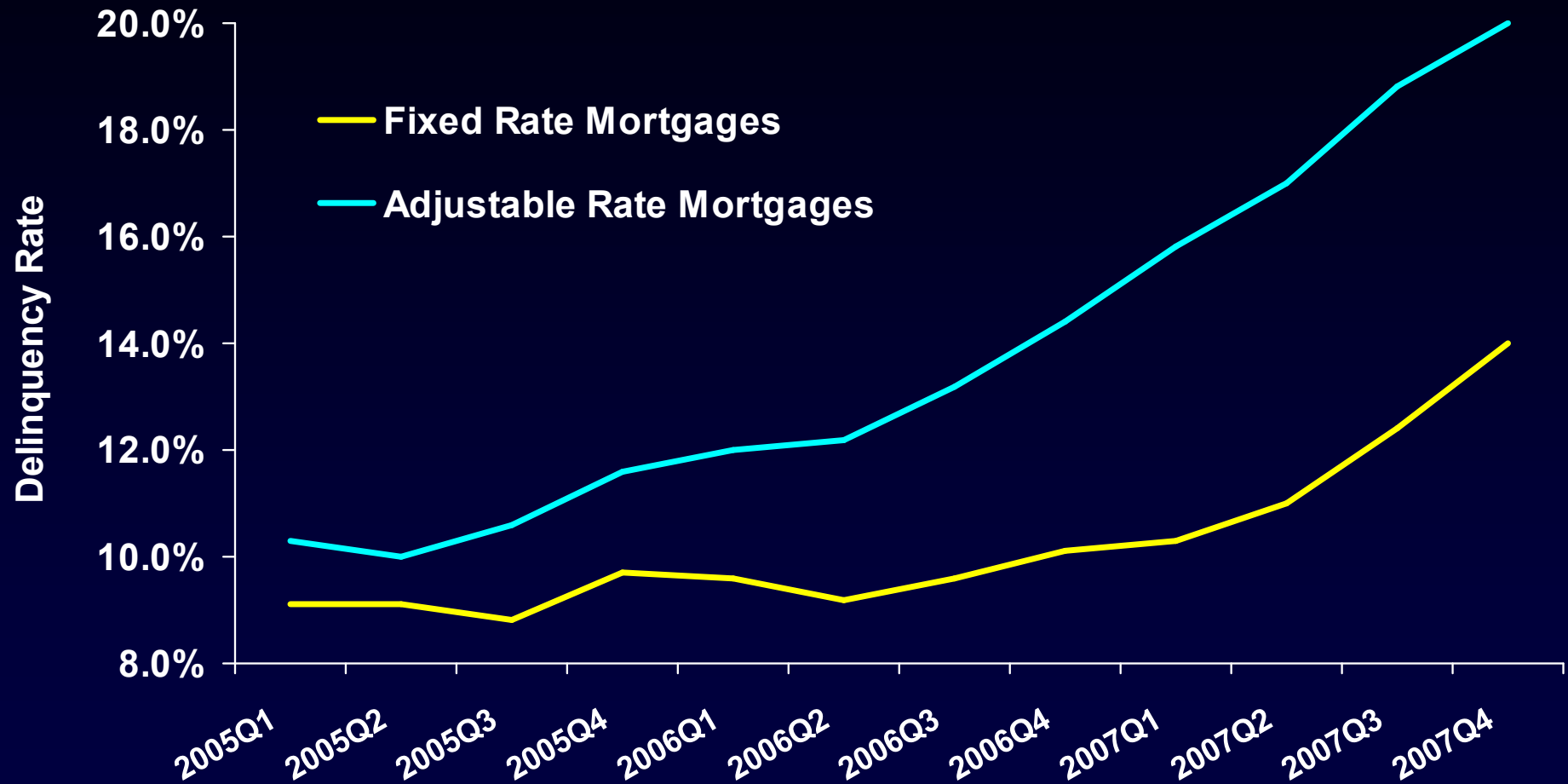
Maryland = March 2007: 38,414; March 2008: 47,898

Mortgage Banker's Association Delinquency Rates, Prime Mortgage Loans, 2005Q1 through 2007Q4



Source: Economy.com

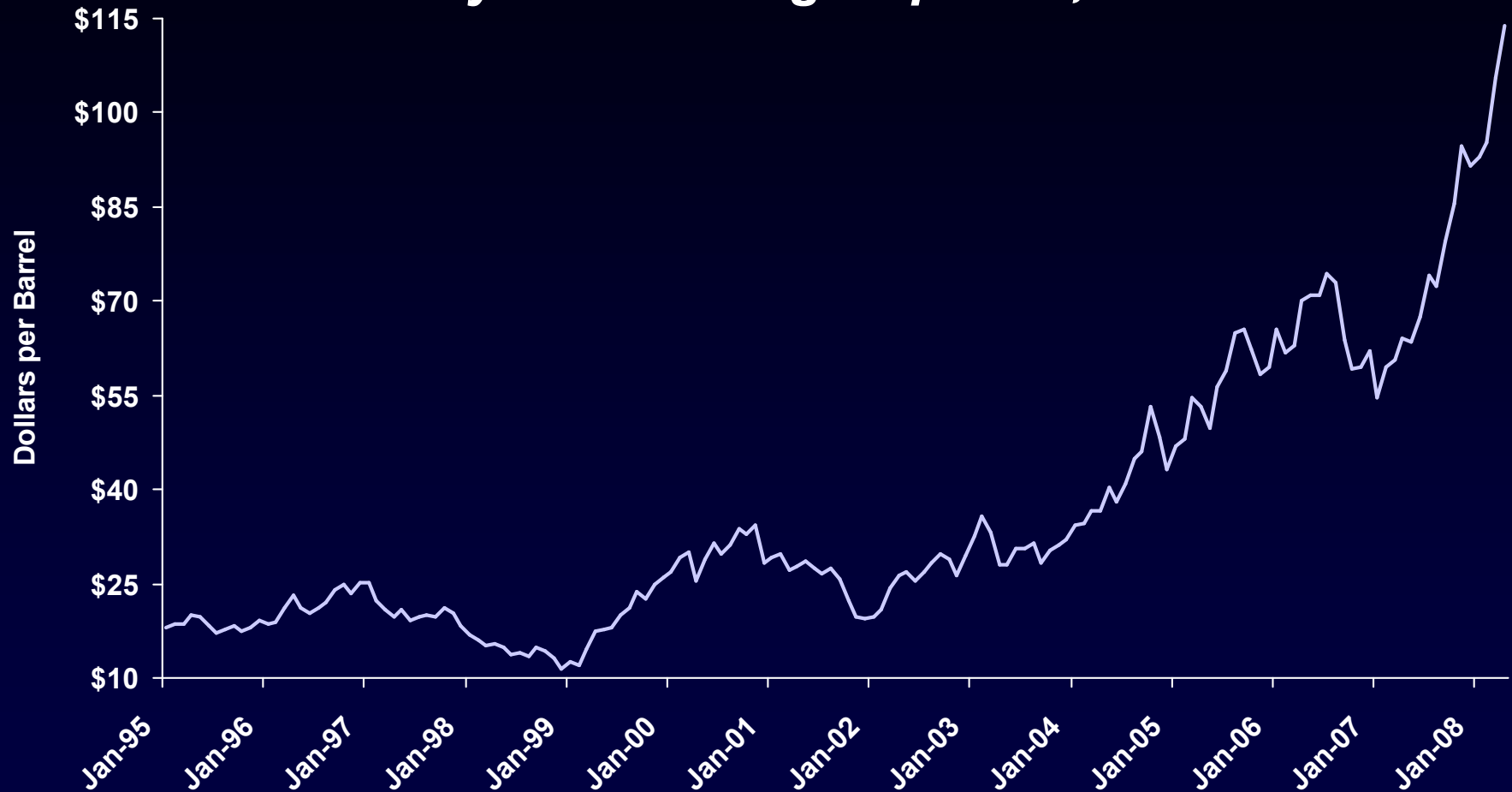
Mortgage Banker's Association Delinquency Rates, Subprime Mortgage Loans, 2005Q1 through 2007Q4



Source: Economy.com

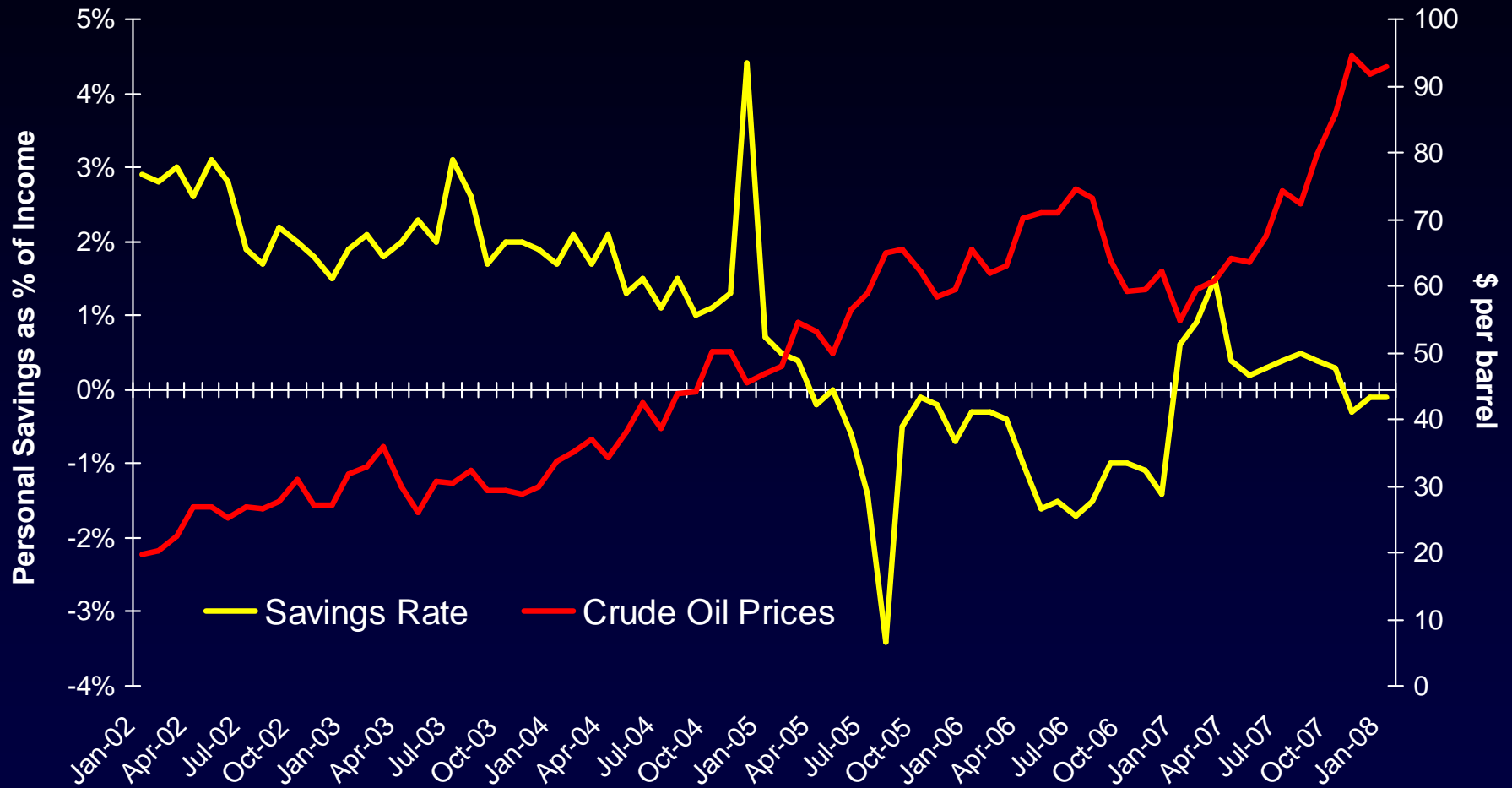
NYMEX Crude Oil Future Prices in U.S. Dollars

January 1995 through April 15, 2008



Source: Energy Information Administration

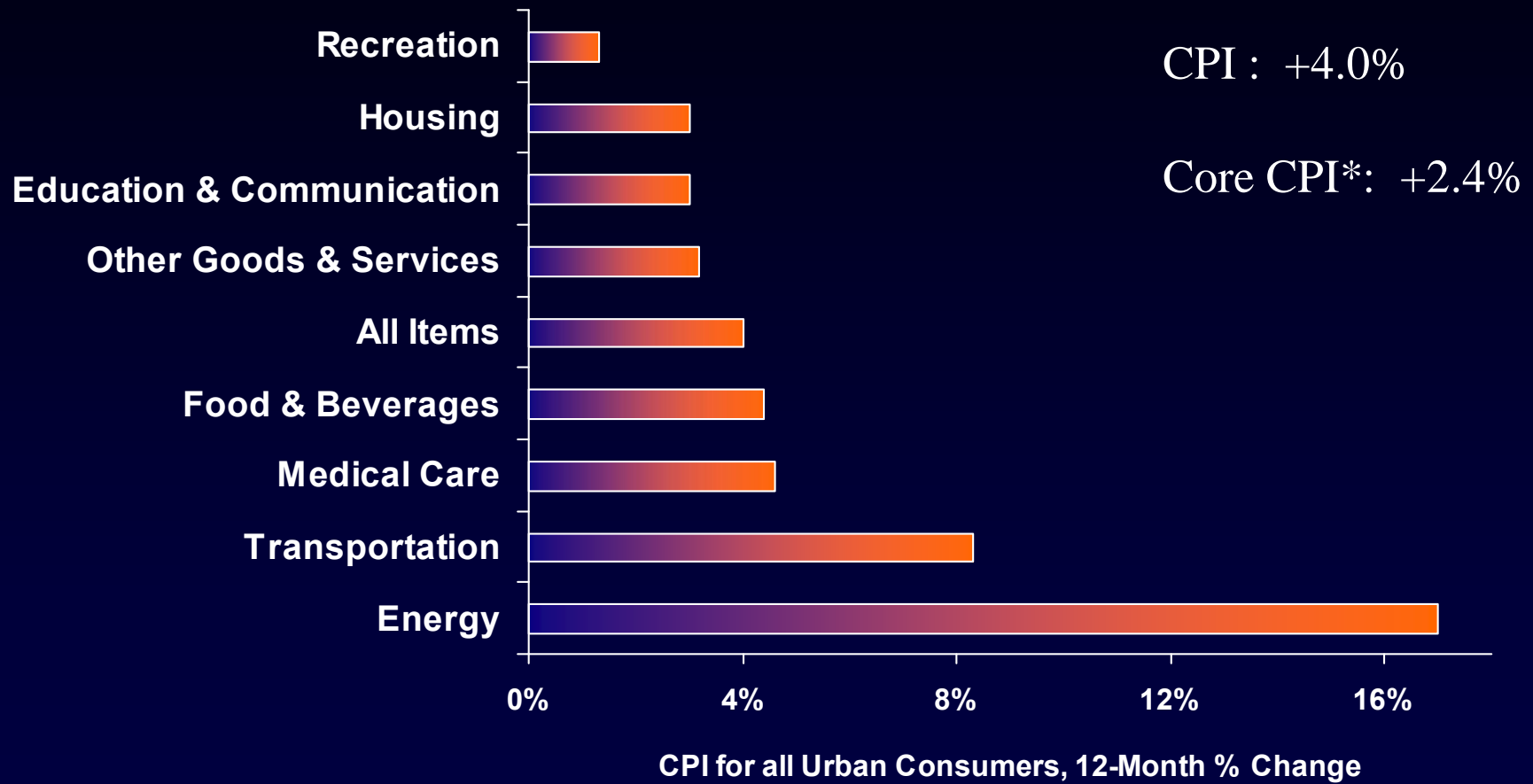
U.S. Personal Savings Rate vs. NYMEX Crude Oil Prices, January 2002 through January 2008



Source: Bureau of Economic Analysis; Energy Information Administration

CPI

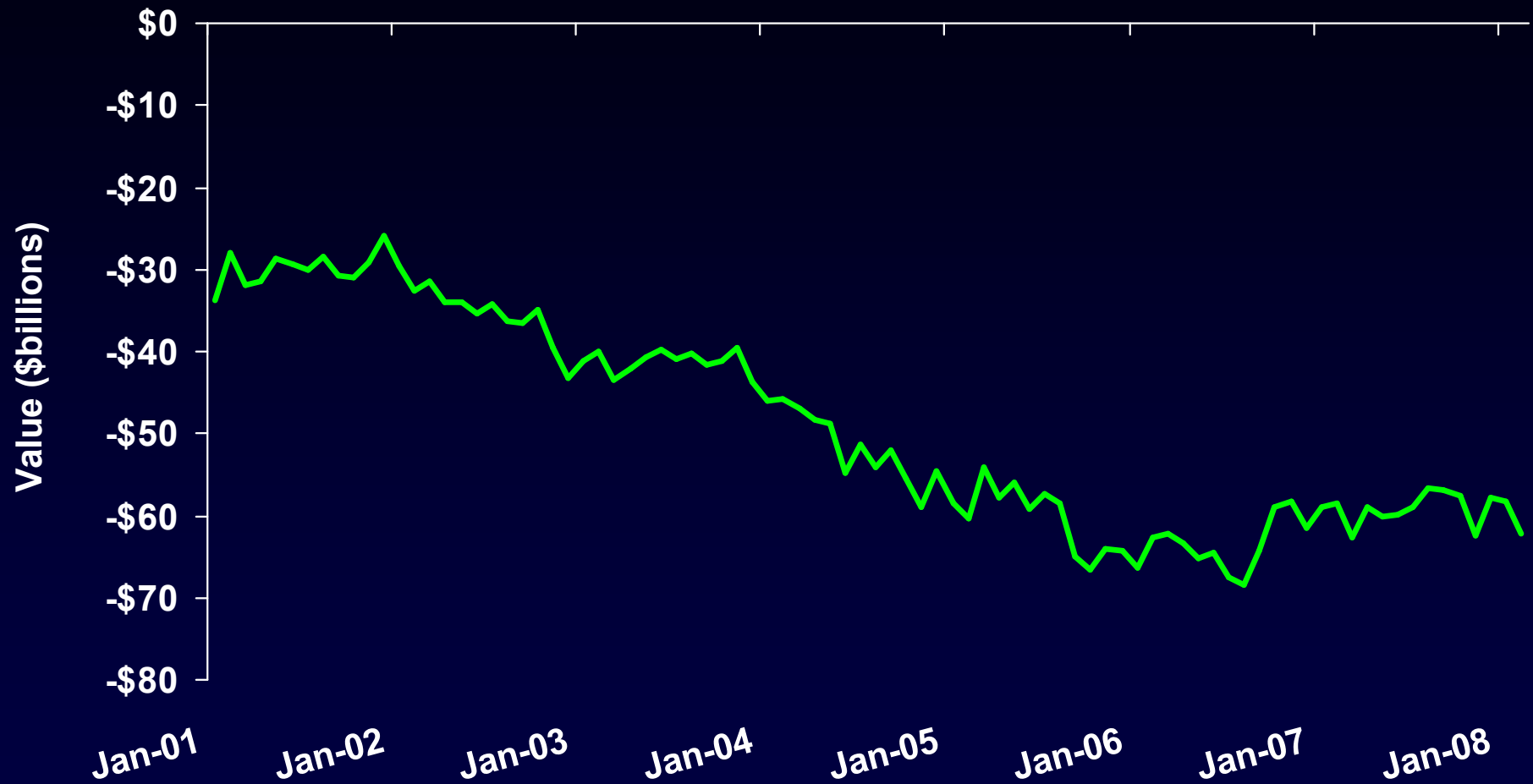
March 2008



Source: Bureau of Labor Statistics

*Core CPI: All items less food and energy

U.S. Trade Deficit, January 2001 through February 2008



Source: Dismal.com



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Value of the Dollar (Broad Dollar Index) January 1999 through March 2008



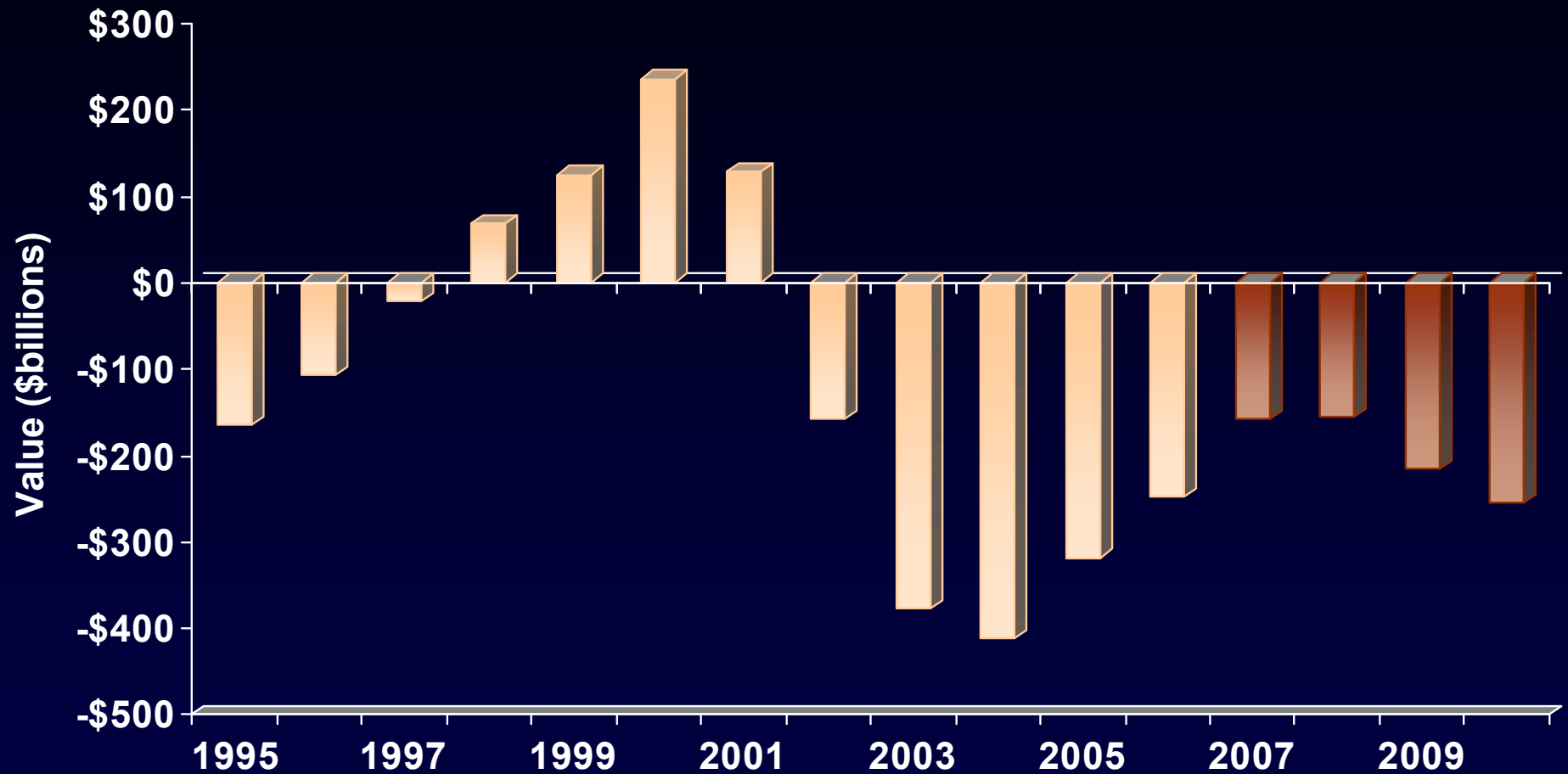
Source: Federal Reserve Board

Broad Dollar Index: a weighted average of the foreign exchange value of the U.S. dollar against the currencies of a broad group of major U.S. trading partners.



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U.S. Federal Budget Deficit, 1995-2010*



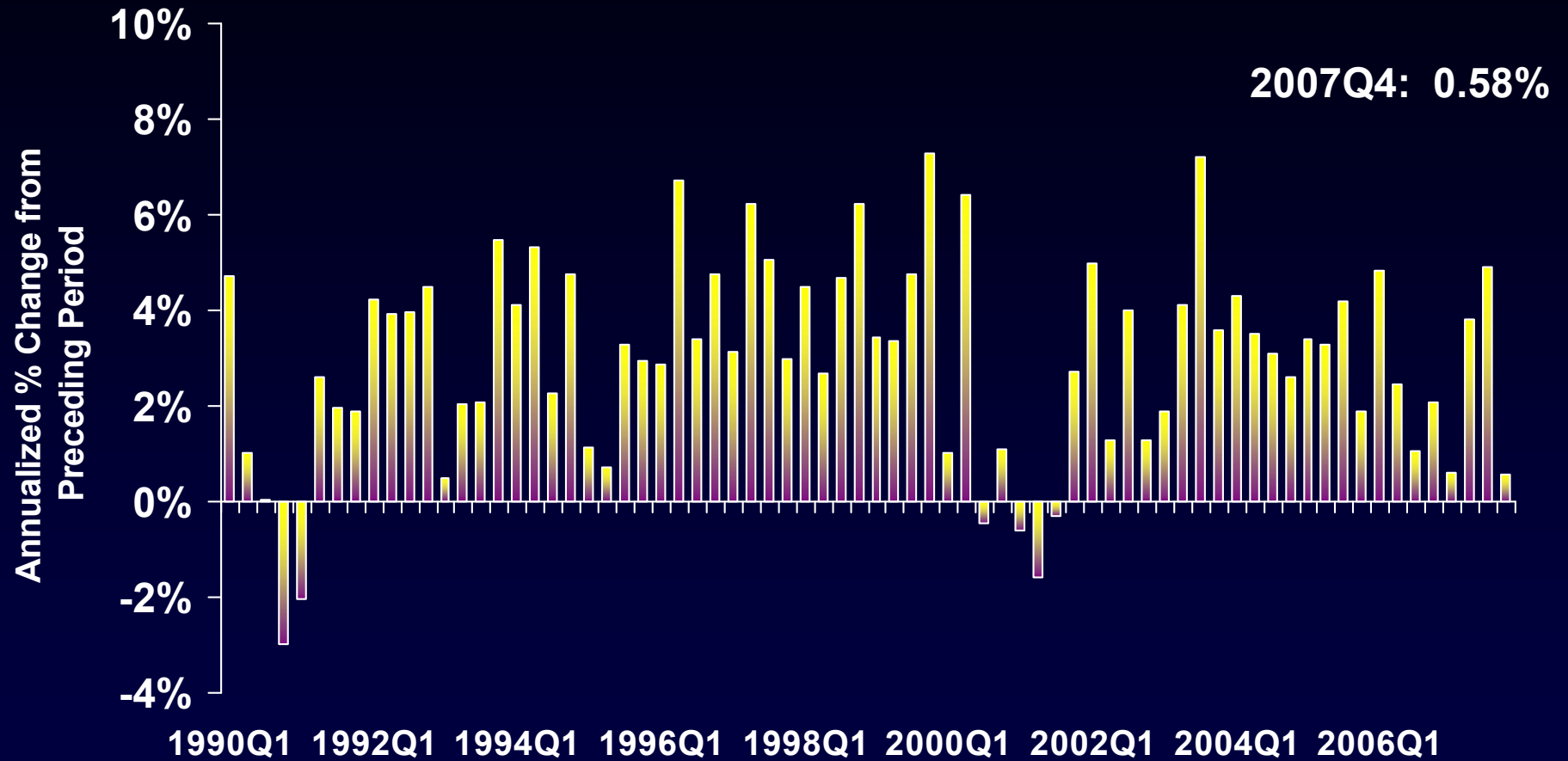
Source: Congressional Budget Office

*2007-2010 data are projections

II. Silver Linings

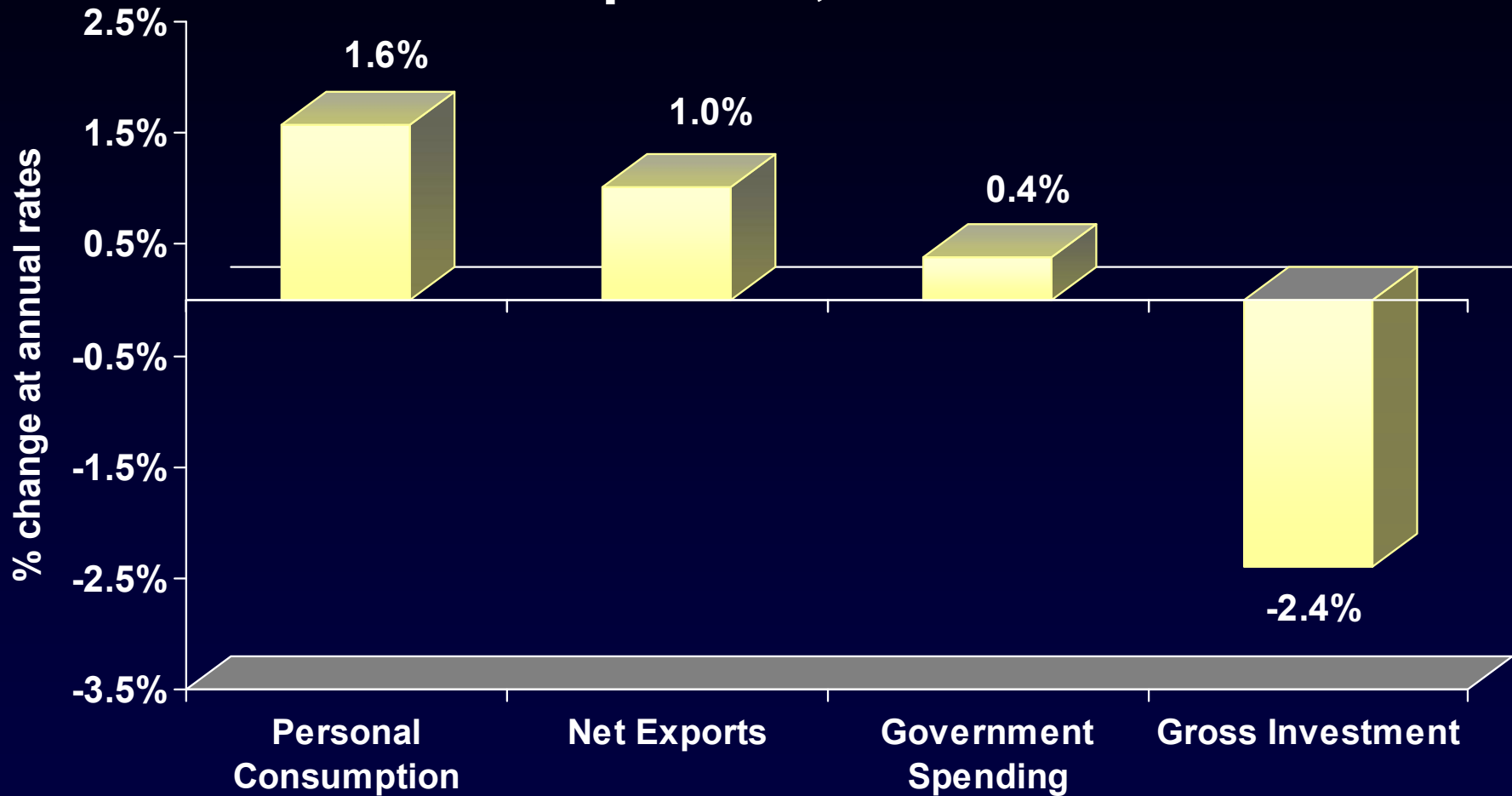
Gross Domestic Product

1990Q1 through 2007Q4



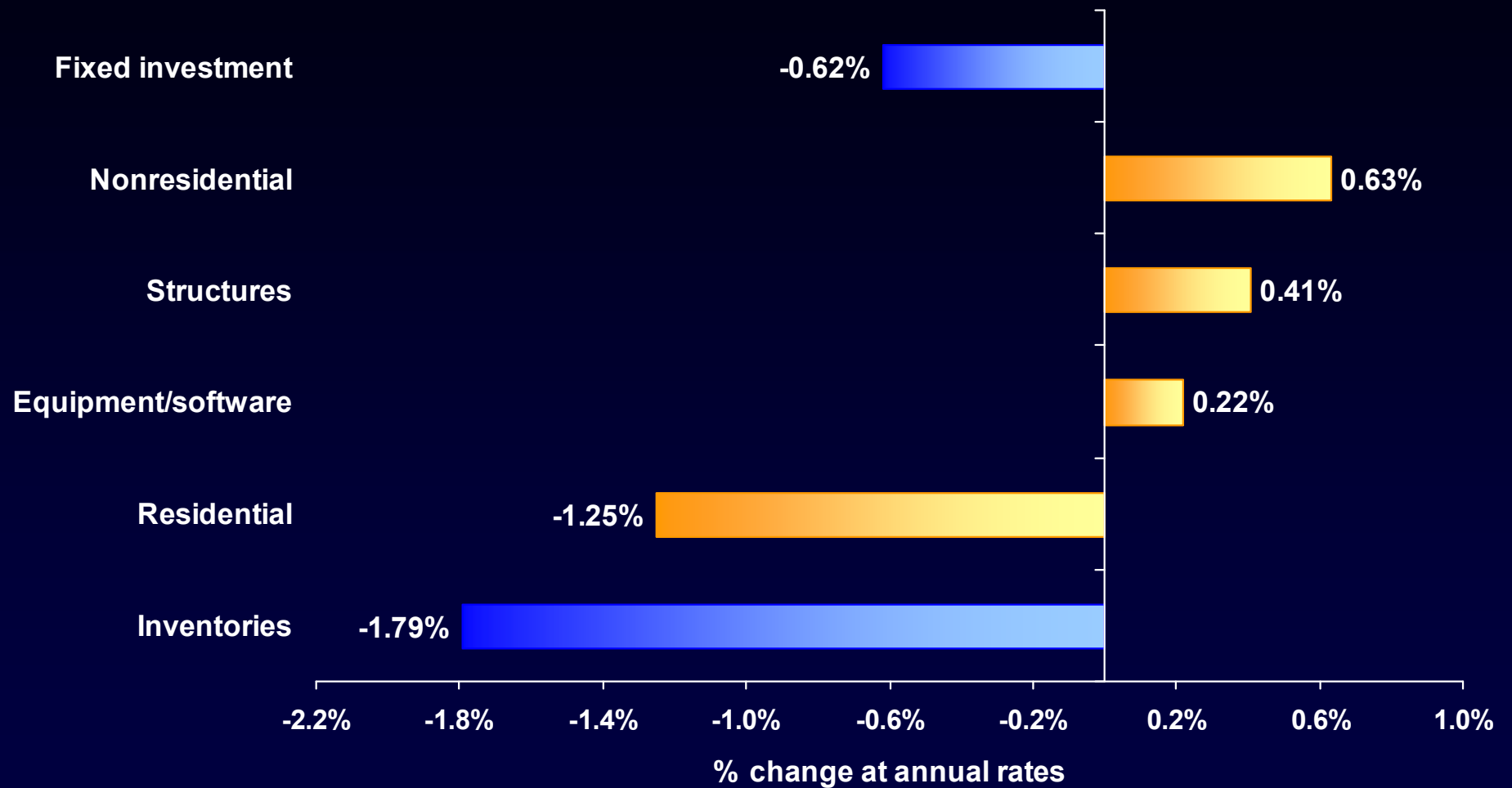
Source: Bureau of Economic Analysis

Contributions to GDP Growth by Component, 2007Q4



Source: Bureau of Economic Analysis

Contributions to Gross Investment Growth by Component, 2007Q4



Source: Bureau of Economic Analysis

Dow Jones Industrial Average January 2003 through April 18, 2008

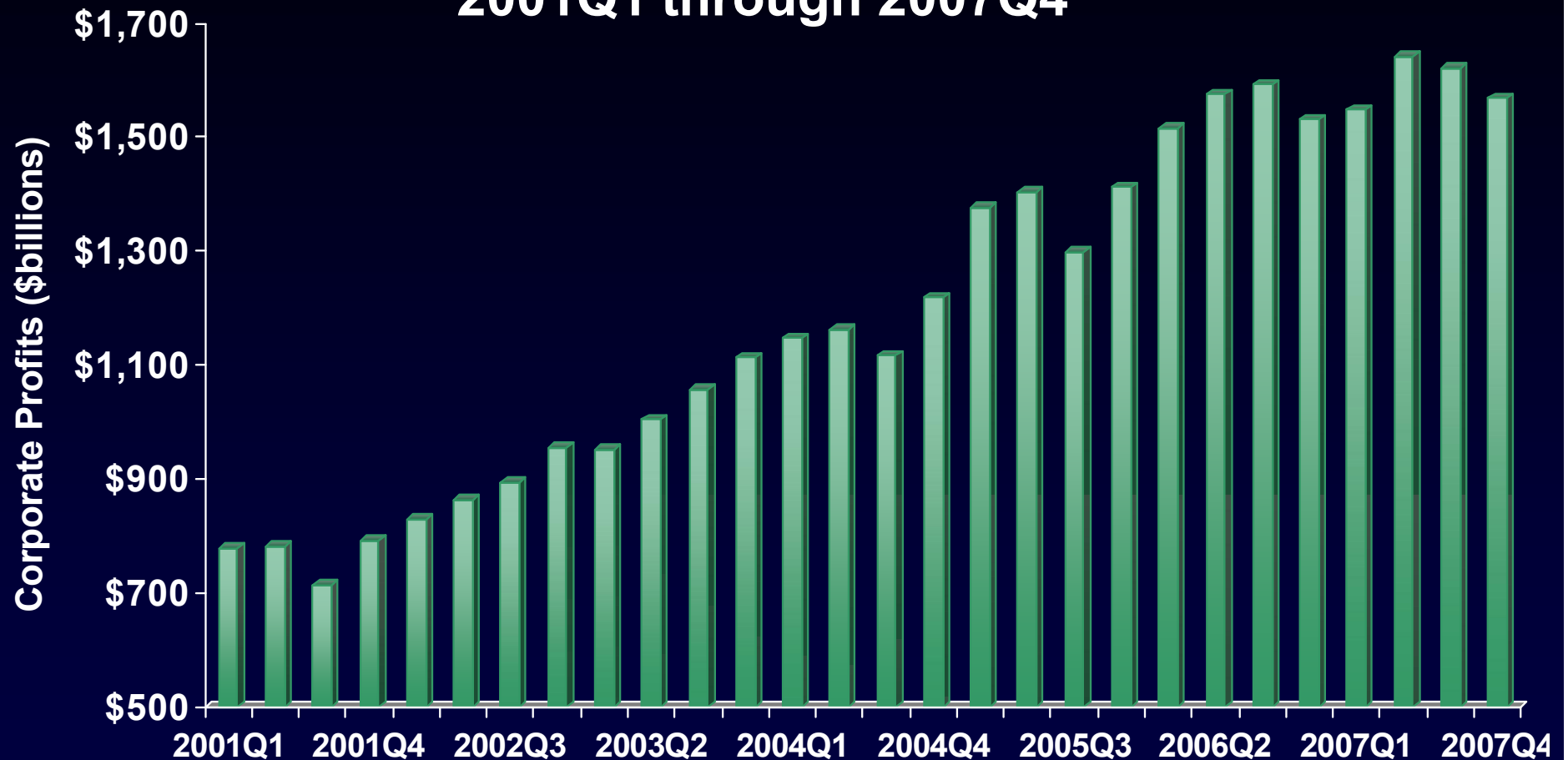


Source: Dow Jones



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Corporate Profits* (SAAR) 2001Q1 through 2007Q4

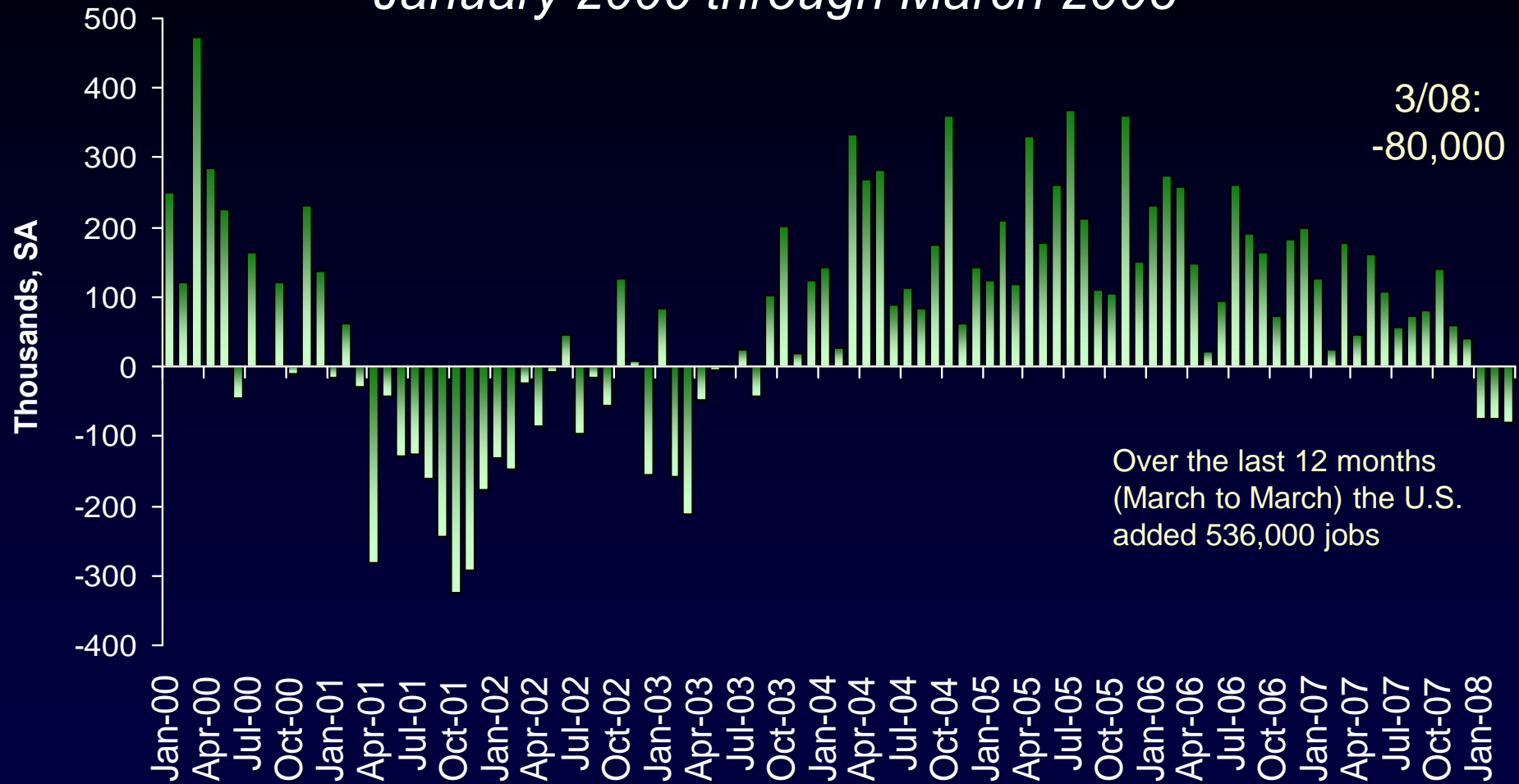


Source: BEA

*With inventory valuation and capital consumption adjustments

Net Change in U.S. Jobs

January 2000 through March 2008

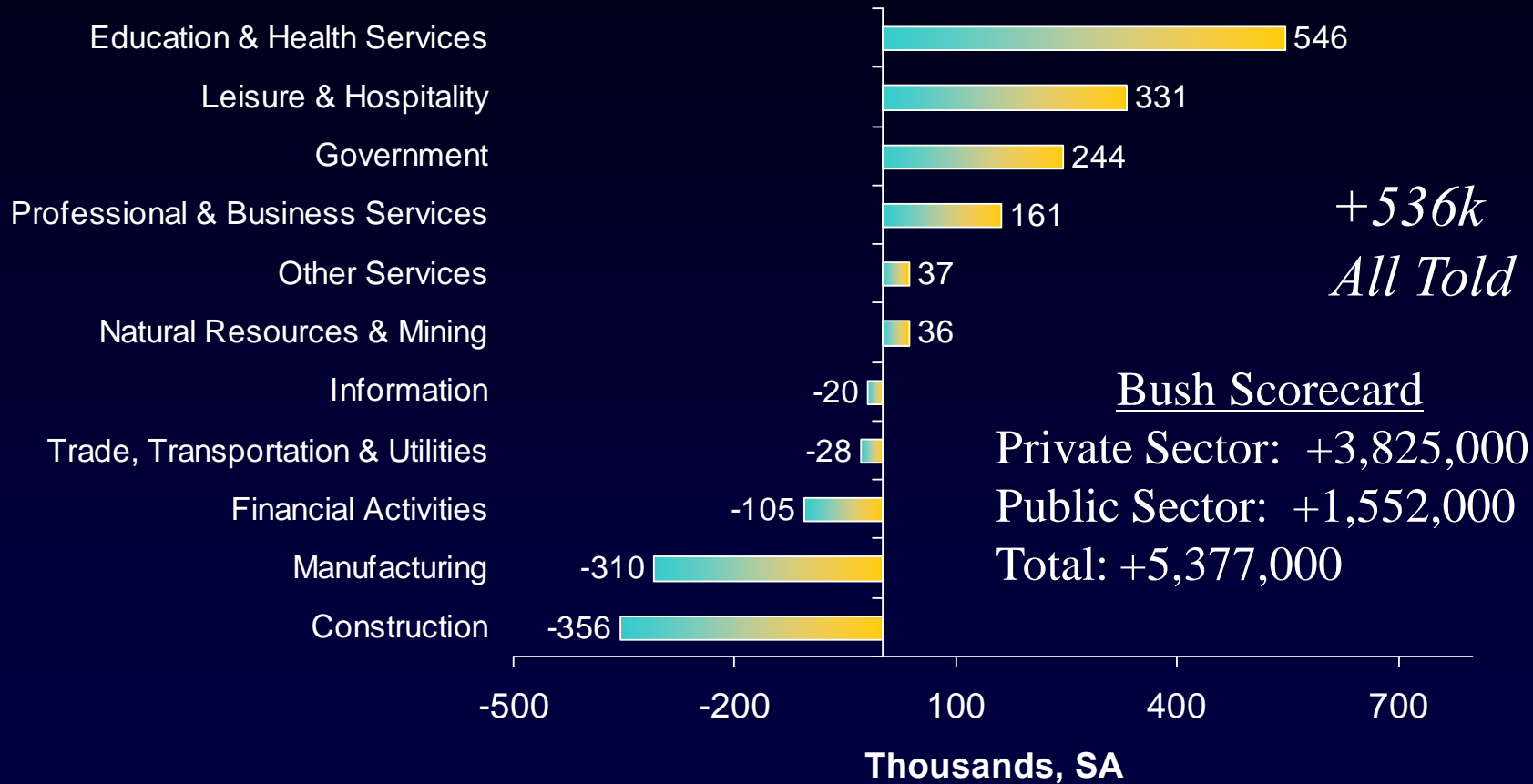


Source: Economy.com, Bureau of Labor Statistics

National Nonfarm Employment by Industry Sector Groups

March 2007 v. March 2008

Absolute Change

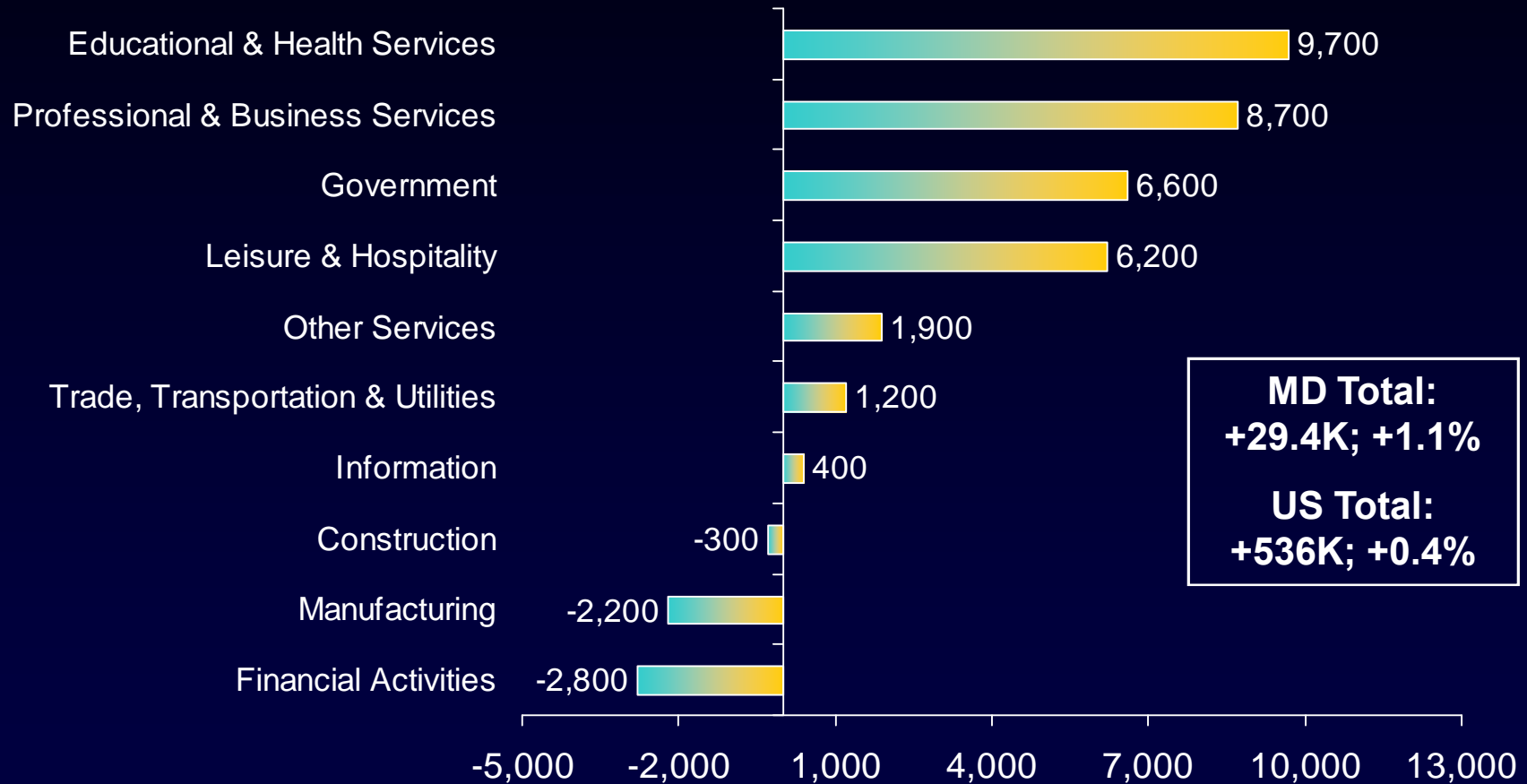


Source: Economy.com, Bureau of Labor Statistics

Maryland Nonfarm Employment by Industry Sector Groups

March 2007 v. March 2008

Absolute Change

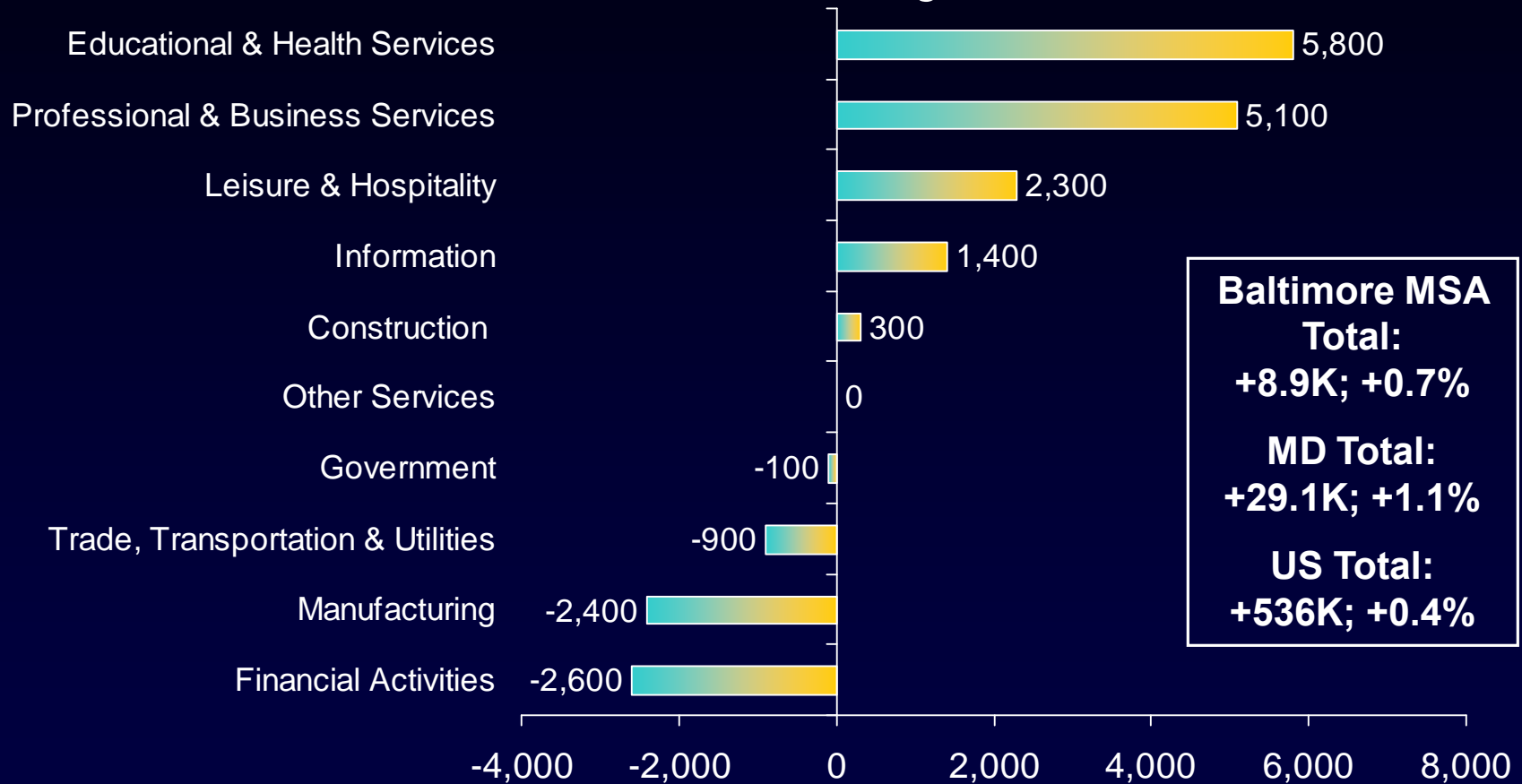


Source: Bureau of Labor Statistics

Baltimore MSA Nonfarm Employment by Industry Sector Groups (NSA)

March 2007 v. March 2008

Absolute Change

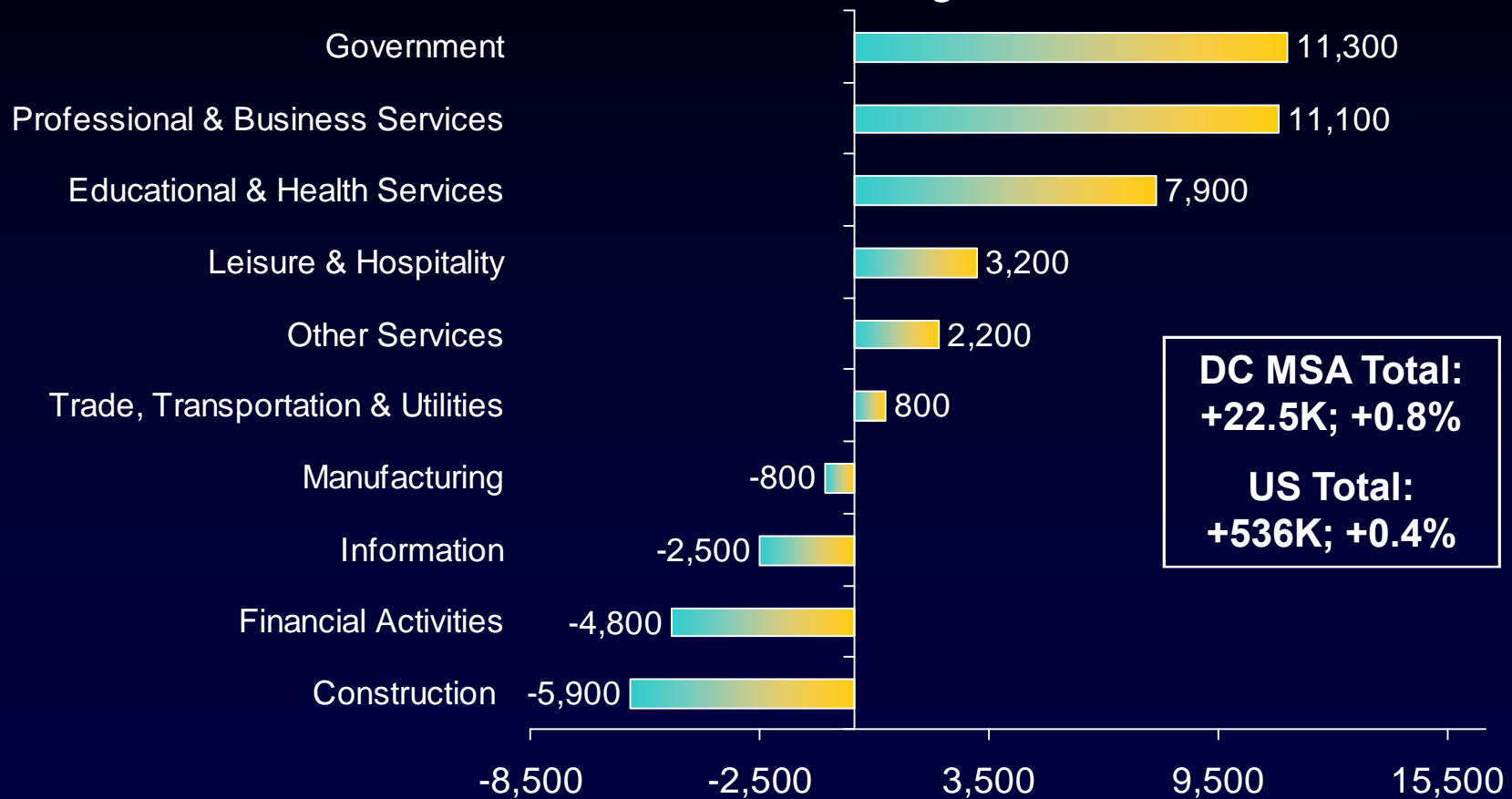


Source: Bureau of Labor Statistics

Washington, D.C. MSA Nonfarm Employment by Industry Sector Groups (NSA)

March 2007 v. March 2008

Absolute Change



Source: Bureau of Labor Statistics

Unemployment Rates, U.S. States (SA) March 2008

Rank	State	Rate	Rank	State	Rate	Rank	State	Rate
1	South Dakota	2.5	17	Kansas	4.1	35	North Carolina	5.2
2	Nebraska	2.9	19	Texas	4.3	36	Connecticut	5.3
3	Idaho	3.0	20	Colorado	4.4	36	Georgia	5.3
4	Hawaii	3.1	20	Massachusetts	4.4	38	Illinois	5.5
4	North Dakota	3.1	22	Louisiana	4.5	39	Tennessee	5.6
4	Oklahoma	3.1	23	Vermont	4.6	40	Kentucky	5.7
4	Wyoming	3.1	24	Minnesota	4.7	40	Missouri	5.7
8	Utah	3.3	24	West Virginia	4.7	40	Ohio	5.7
9	Iowa	3.5	26	New Jersey	4.8	40	Oregon	5.7
10	Maryland	3.6	26	New York	4.8	40	South Carolina	5.7
10	Montana	3.6	26	Wisconsin	4.8	45	Nevada	5.8
12	New Mexico	3.7	29	Arkansas	4.9	46	Mississippi	6.0
12	Virginia	3.7	29	Florida	4.9	47	Rhode Island	6.1
14	Delaware	3.8	29	Pennsylvania	4.9	48	California	6.2
15	New Hampshire	3.9	29	Washington	4.9	48	District of Columbia	6.2
16	Arizona	4.0	33	Maine	5.0	50	Alaska	6.7
17	Alabama	4.1	34	Indiana	5.1	51	Michigan	7.2

Source: Bureau of Labor Statistics

* U.S. unemployment rate: March = 5.1%



Unemployment Rates (NSA), Maryland Counties February 2008

Rank	County	Rate
1	Howard	2.5
2	Montgomery	2.7
3	Calvert	3.1
3	Charles	3.1
3	St. Marys	3.1
6	Anne Arundel	3.3
6	Frederick	3.3
8	Carroll	3.5
9	Harford	3.6
10	Baltimore	3.8
10	Prince Georges	3.8
10	Queen Anne	3.8

Rank	County	Rate
<i>Maryland</i>		3.8
13	Talbot	4.3
14	Kent	4.5
15	Cecil	4.6
16	Wicomico	4.9
17	Caroline	5.2
17	Garrett	5.2
17	Washington	5.2
20	Allegany	5.8
20	Baltimore City	5.8
22	Somerset	6.2
23	Dorchester	6.8
24	Worcester	9.8

Source: Bureau of Labor Statistics

Conclusions

- “ Chances of recession now approaching 50% for 2008 (in our humble opinion, we are already there);
- “ Risks include oil/energy, the dollar, interest rates/subprime, and the flu;
- “ The macroeconomic imbalances are huge and widening; and
- “ The Federal Reserve Chairman will come under enormous criticism.

Thank You

- “ You can always reach me at abasu@sagepolicy.com
- “ If you appreciate this type of information and would like regular updates, please see our newsletter service at www.spgtrend.com
- “ Also, if you need us in a hurry, we are at 410.522.7243 (410.522.SAGE)
- “ Please contact us when you require economic research & policy analysis.