

# WEG Economic Commentary by Tony Villamil

Spring Issue 2008

Indicator	2006 <sup>*</sup>	2007-Q1	2007-Q2	2007-Q3	2007-Q4	Outlook for 2008-2009
<b>US Economic Indicators</b>						
<i>Real GDP Growth (% change on year ago)</i>	<b>3.3%</b>	0.6%	3.8%	4.9%	0.6%	Recession likely in first half of '08. Sluggish recovery through most of 2009 due to housing downturn and a sharp slowdown in Consumer spending.
<i>Personal Consumption Expenditure (PCE) Deflator (Index % change year ago)</i>	<b>3%</b>	2.3%	2.4%	2.3%	3.5%	PCE Deflator, a key measure of inflation followed by the FED, likely to pick up. FED expected to start tightening policy by mid-2009.
<i>Payroll Employment (% change year ago)</i>	<b>1.4%</b>	1.3%	1.2%	1.0%	0.9%	Flat to slightly negative employment growth. Unemployment rate to reach about 6% at bottom of cycle late in 2009.
<b>Florida Economic Indicators</b>						
<i>Payroll Employment (% change year ago)</i>	<b>3.4%</b>	0.5%	1.6%	2.3%	1.5%	Soft construction activity and retail sales spending will drag employment growth through 2009.
<i>Single-Family Home Sales (% change year ago)</i>	<b>-28%</b>	<b>-23%</b>	<b>-30%</b>	<b>-29%</b>	<b>-30%</b>	A steady but modest recovery expected in early 2009 as housing inventories at lower prices attract US and foreign buyers.
<i>Exports (\$ Billions)<sup>**</sup></i>	<b>\$52</b>	\$13	\$15	\$17	\$18	Exports will likely expand strongly through 2009 due to soft dollar and solid Latin America economic growth, especially in Brazil.

Sources: Bureau of Economic Analysis, Bureau of Labor Statistics, Enterprise Florida Inc., Florida Research and Economic Database and WEG Outlook.

## BOTTOM LINE

The US economy is likely **in or close to** a recession. Accommodative (“easy”) monetary policy and additional fiscal stimulus expected to allow a moderate economic recovery to start by mid-2009. The key downside risk is inflation and the growing possibility that the FED will be forced to tighten policy late next year. Florida expected to slightly outperform national economy in 2009 after underperforming this year.

<sup>\*</sup> Annual Average

<sup>\*\*</sup> Enterprise Florida, Inc. (WEG Estimates for 2007-Q4).

# WEG NEWS AND CONSULTING ACTIVITIES

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## **WEG Study Links Education to Economic Development at Tallahassee Press Conference**

On February 29, 2008, CEO Villamil presented the key findings of the White Paper prepared by WEG, on the relationship between economic development and education in Florida. The Firm conducted the White Paper, which was commissioned by the United Teachers of Dade. The Study highlighted the importance of educational outcomes, and the need to create talent in Florida. It concluded that the currency of economic development in the 21st Century is education. Florida may not be competitive in the 21st Century if the state does not improve educational outcomes at public schools, colleges and universities.

## **CEO Villamil Appointed to the FIU Graduate Business School Faculty**

Mr. Villamil accepted a part-time faculty appointment in the Chapman Graduate School of Business at Florida International University. Professor Villamil teaches Competitive Strategy in the Executive and Professional MBA programs and the International Business Environment, which is taught online.

## **Mary Snow Participates in the Chamber's Immigration Taskforce**

Serving the interests of our immigration-related clients, WEG Manager of Client Services, Mary Snow participated in the Immigration Taskforce of the Greater Miami Chamber of Commerce. Comprised of leading local industry experts, the Immigration Taskforce meets monthly to discuss issues facing immigration policy and to strategize on the immigration priorities of the Chamber.

## **WEG News Highlights**

WEG CEO Tony Villamil has been selected to serve as Economic Advisor to the Florida Taxation and Budget Reform Commission. Dr. Villamil presents economic impact analysis and simulations on the tax policies proposed by the Commission members. The Commission is constitutionally mandated and meets every 20 years to make recommendations on Florida's tax and budget policies.

## **WEG 2008-2009 Outlook for Retail Sales Presented**

On March 6, 2008, Tony Villamil made the keynote address to the Florida Retail Federation's annual Florida Retail Days in Florida's Capitol. Mr. Villamil presented the comprehensive outlook of Florida retail sales in the upcoming year. The presentation, which focused on the complex economic and retail sales conditions in Florida as relating to population growth and Personal Income, concluded that Florida retail sales are forecast to remain flat through the end of 2008 and steadily recover in 2009.



### Tony Villamil Quoted on Florida Economy

In January 2008, The Palm Beach Post interviewed Mr. Villamil on the state of the Florida economy. Amidst the difficult economic times, Villamil noted the uniqueness of the South Florida economy. While the region's real estate industry is facing a severe downturn, tourism and exports are holding strong. Additionally, while areas such as Southeast Florida are sluggish; Miami and Orlando areas will not be hit as hard because international business from Europe and Latin America



### WEG President Attends the American Red Cross National Convention

As the Chair-Elect of the American Red Cross of Greater Miami and the Keys, Marielena Villamil attended the National Convention in Baltimore, Maryland on March 27<sup>th</sup> and 28<sup>th</sup>. The event highlighted the Organization's achievements and priorities for the upcoming year. Her Chairmanship will begin in July 2009.

### CEO Villamil Presented to Board of Directors Meeting in New Orleans, LA

On March 18, 2008, Tony Villamil presented the Economic and Business Environment perspectives of Latin America and the Caribbean (LAC) to the Board of Directors Meeting of Pan-American Life Insurance. The Presentation highlighted the changes occurring in the LAC region and the specific economic and market trends as it pertains to Pan-American Life's business development within the region. Founded in 1911, Pan-American Life offers personal and business insurance throughout the U.S. and most of Latin America.

*The economy is behaving like the famous novel "The Tale of Two Cities." It is indeed the best of times for export-related industries, but the worst of times for housing and related industries.*

Tony Villamil

### WEG Economist Delivers Comprehensive Economic Impact Study at Press Conference

The WEG Economic Impact Study presented the net benefits and economic impacts of investing in smoking cessation programs in Florida. WEG Associate Consultant for Economics, Charles K. Yaros presented the Study on March 6, 2008 in the Capitol Building of Tallahassee. The event was well attended by industry leaders, legislators and the media. The Study concluded that investing in smoking cessation programs both in the private and public sectors will bring significant cost-savings and economic benefits to tax payers, employers and the State of Florida.

### WEG Presented at the 49<sup>th</sup> Annual Inter-American Development Bank Conference

The Inter-American Development Bank (IDB) held their Annual Conference in April 2008 in Miami Beach, Florida. In a collaborative effort with the IDB Host Committee, WEG CEO Tony Villamil and Associate Consultant for Economics, Chuck Yaros, presented the economic impact benefits to Florida of the IDB's Annual Meeting. The WEG Study found that the annual event positions Miami as the business and financial center of the Americas, bringing significant economic and social impacts to South Florida. The benefits of the Annual Meeting cross many sectors of the local economy, positively impacting the visitor, business and financial services industries.

### **Tony Villamil Appeared on CNBC's Squawk Box**

On February 22, 2008 Mr. Villamil was a guest on CNBC's nationally syndicated morning show Squawk Box. Filmed in Miami Beach during the annual South Beach Wine & Food Festival, Mr. Villamil highlighted the dynamic South Florida economy. He appeared in the popular morning program with Frank Nero, President of the Beacon Council – Miami-Dade's official economic development organization. Squawk Box is CNBC's premier morning business news program.

### **WEG CEO Delivers Presentation to Latin America Finance Professionals**

Mr. Villamil presented the outlook for U.S. and global financial markets at the 4<sup>th</sup> Annual Conference for Latin America Finance Professionals on April 16, 2008, sponsored by Citi Group. The Conference attracted 400 finance experts from the Region

### **Enterprise Florida Board of Directors Quarterly Meeting**

As a Board Member, Tony Villamil participated in the Enterprise Florida Board of Directors Quarterly Meeting and chaired the International Business Committee on January 30<sup>th</sup> in Tallahassee, Florida. Enterprise Florida is the State's official economic development organization.

### **WEG to Serve as Chair of the Advisor Committee for the South Florida Campus of the Ana G. Mendez University System (SUAGM)**

CEO Villamil will Chair the Committee to facilitate the development of the System's South Florida Campus. The Advisor Group will be selected from business and civic leaders of South Florida. SUAGM is a leading institution of higher education in Puerto Rico, with over 37,000 students in the three universities that compose the System.



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