



UNIVERSITY OF
ARKANSAS
SAM M. WALTON
COLLEGE OF BUSINESS

Center for Business and Economic Research

Business Forecast 2011

Friday, February 4, 2011

11:30 a.m. - 1:30 p.m.

Schedule of Events

Welcome	Dan Worrell, Dean Sam M. Walton College of Business, University of Arkansas
Special Remarks	Mary Ann Greenwood, President Greenwood Gearhart Inc.
2010 Contest Awards	Kathy Deck, Director Center for Business and Economic Research Sam M. Walton College of Business, University of Arkansas
Introduction of Panelists	Ed Drilling President AT&T Arkansas
Presentations	
International Economy	Maria Haley Executive Director Arkansas Economic Development Commission
National Economy	Kevin Stephenson Managing Director Cambridge Associates
State and Local Economy	Kathy Deck
Panel Discussion/Question and Answer	Ed Drilling
Recognitions and Announcements	Dan Worrell
Program Adjourns	Dan Worrell

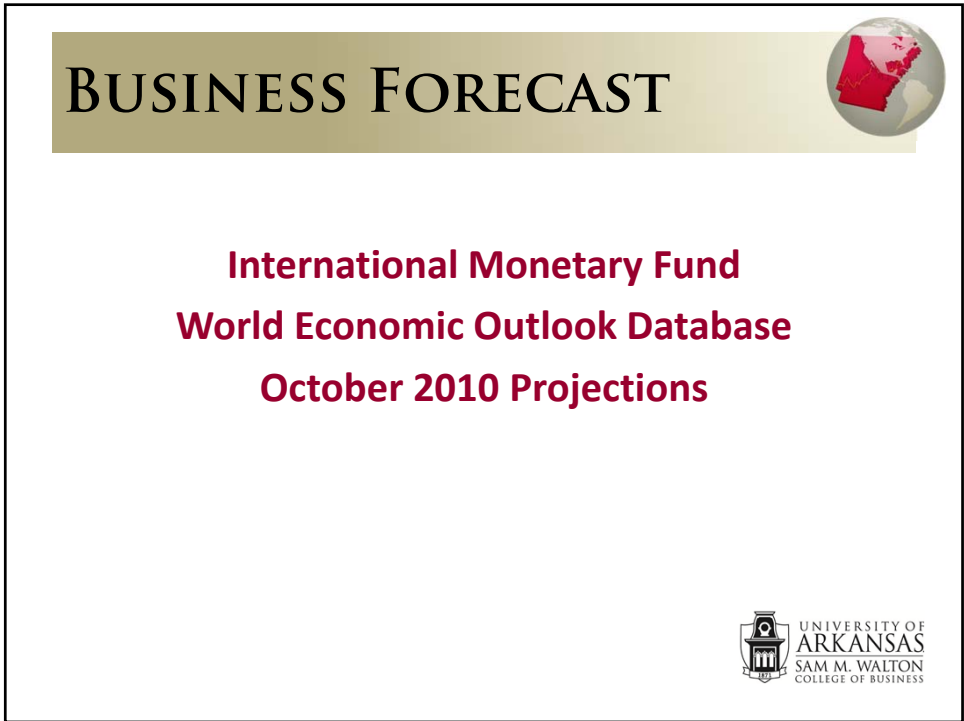
Business Forecast 2011 is in association with the National Association for Business Economics (NABE)

Ed Drilling is president of AT&T Arkansas. He joined Southwestern Bell Telephone Company in 1979 and served in various positions including customer service and marketing, and the External Affairs organization. Drilling is involved with and serves on several boards, including: Arkansas Children's Hospital Board of Trustees, UAMS Foundation Fund Board, University of Arkansas Board of Advisors, Chairman of Arkansas State Chamber of Commerce, Former President of Little Rock Chamber of Commerce Board of Directors, Former President of Fifty for the Future, Sam M. Walton College of Business Dean's Executive Advisory Board, UAMS Arkansas BioVentures Advisory Board, UALR College of Business Administration Advisory Council, Arkansas State University Chancellor's Cabinet, and Simmons First National Corporation Board of Director's. He received the Pinnacle Award in 2003 from the Little Rock Chamber of Commerce. He holds a Bachelor's degree in marketing from the University of Arkansas and is a graduate of Emory's Advanced Management Program. Drilling and his wife, Cinde, are owners of Landscape Architecture Inc.

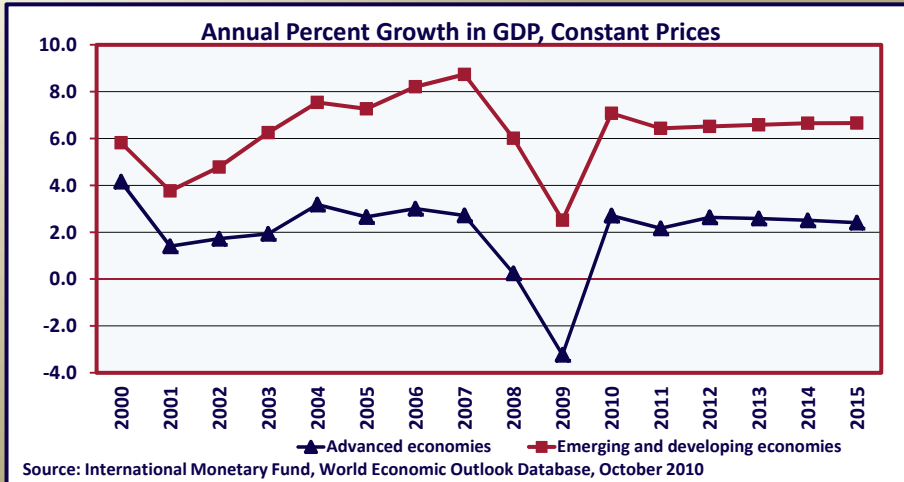
Maria Haley is the Executive Director of the Arkansas Economic Development Commission (AEDC). From 2001 to 2007, Haley was Senior Director for Asia with Kissinger McLarty Associates. She served on the board of the Export Import Bank of the United States from 1994 to 1999, helping manage a \$55 billion portfolio aimed at promoting U.S. exports, business development and international investments. From January 1993 to October 1994 she served as Special Assistant to the President and Associate Director of the Presidential Personal Office (PPO) and participated in the development of personnel systems and hiring processes of the Clinton/Gore administration. From 1999 to 2001, she returned to the White House as Deputy Assistant to the President and Deputy Director of PPO. In 2001 and 2002, Haley served as an advisor to President Arroyo and the Philippine government and is a past member of the Board of the Federal Home Loan Bank of Atlanta where she served as a member of the Executive Committee, the Audit Committee and Chair of the Personnel Committee.

Kevin Stephenson is Managing Director at Cambridge Associates and joined the firm in 1997. He works with foundations and colleges on general investment issues including asset allocation strategy, manager selection, and investment program evaluation. Stephenson is the author of several published articles on investing and finance and has spoken at numerous industry conferences. In 2008 and 2010, he was nominated for Consultant of the Year by Institutional Investor. For over 5 years, Stephenson has served as an outsourced chief investment officer and currently serves two clients in this capacity. Stephenson serves on the Board of Directors for the World Wide Web Foundation and has previously taught as a professor at Middlebury College, Cornell University and Marymount University. Stephenson received his MA and Ph.D. in Economics from Cornell University and is a Chartered Financial Analyst.

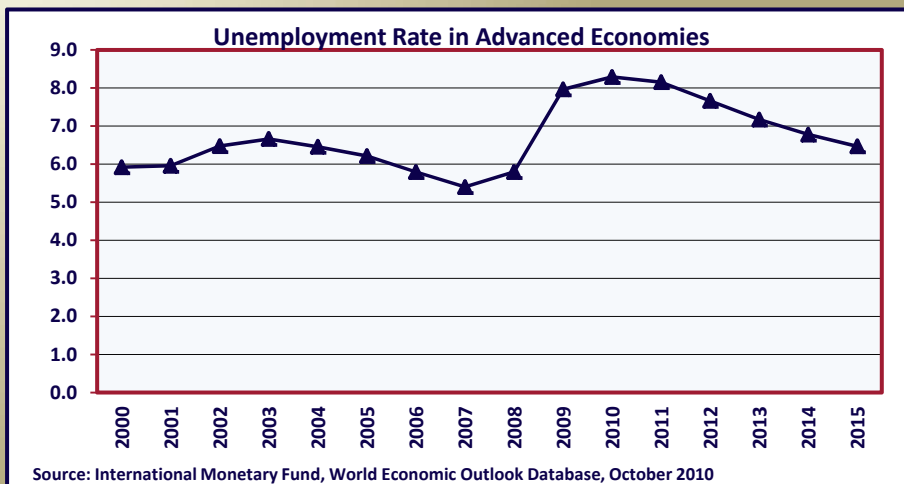
Kathy Deck is director of the Center for Business and Economic Research in the Sam M. Walton College of Business at the University of Arkansas. Deck's research interests include local economic development, industry market structure, and education and health care economics. In providing applied economic research as part of the outreach mission of Walton College, she has managed studies for a wide variety of business, non-profit and governmental organizations in the state of Arkansas. She also acts as a media resource for economic analysis of current events and trends. Deck was named Communicator of the Year in 2009 by the Northwest Arkansas PRSA, was recognized as one of the 40 under 40 by Arkansas Business and the Northwest Arkansas Business Journal, and was named a Woman of Influence by Arkansas Business. She earned a bachelor's degree in economics from the College of William and Mary and a master's degree in economics from the University of Wisconsin-Madison. Before joining the Center, she was the antitrust economist for the Arizona Attorney General.



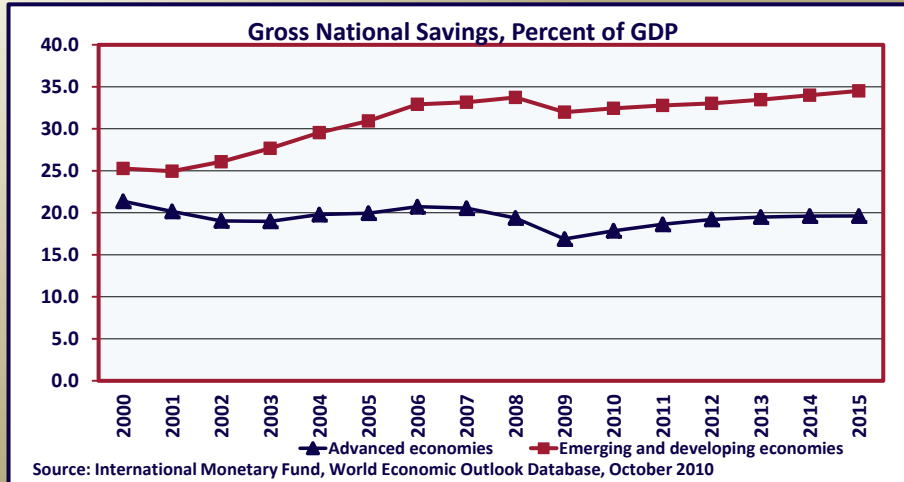
GROSS DOMESTIC PRODUCT



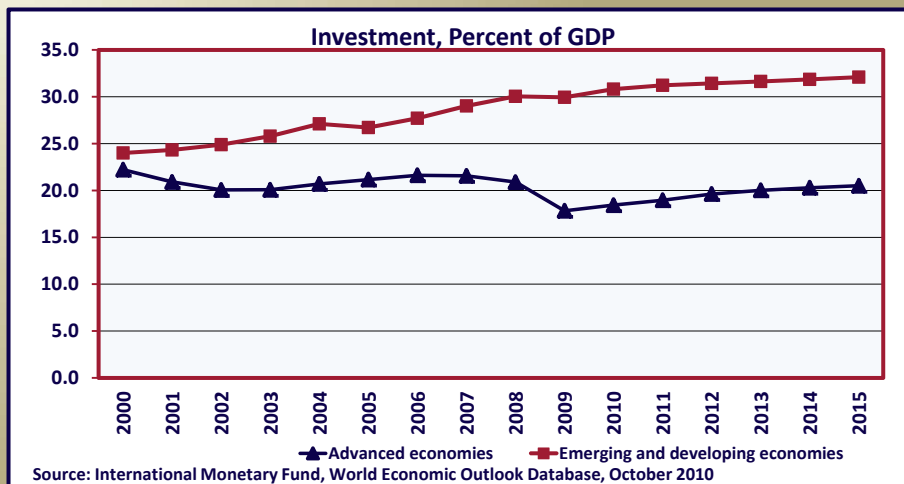
UNEMPLOYMENT



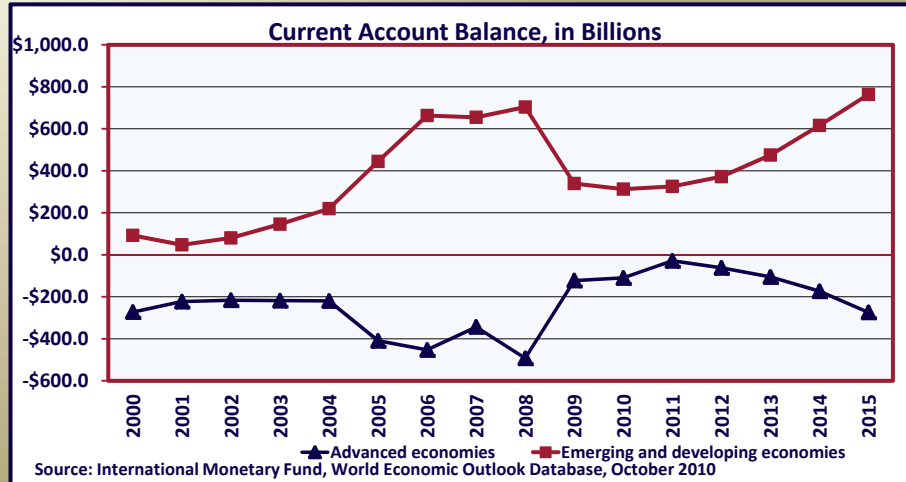
GROSS NATIONAL SAVINGS



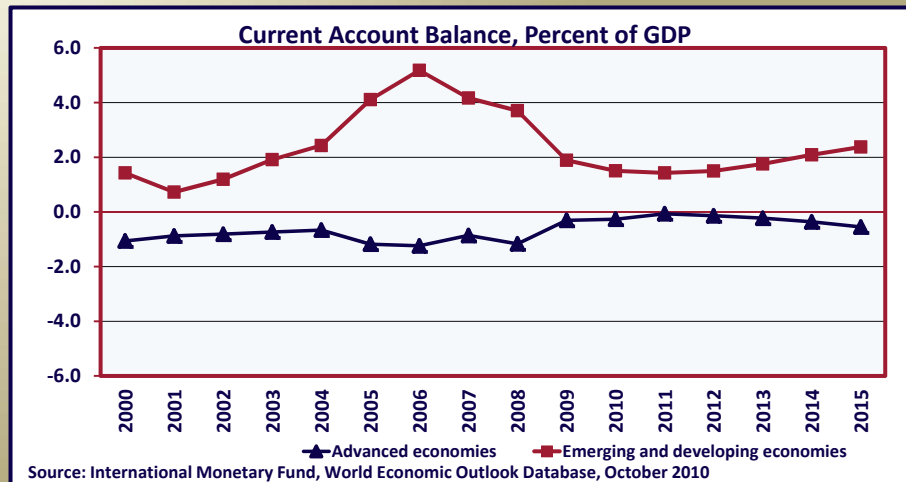
INVESTMENT



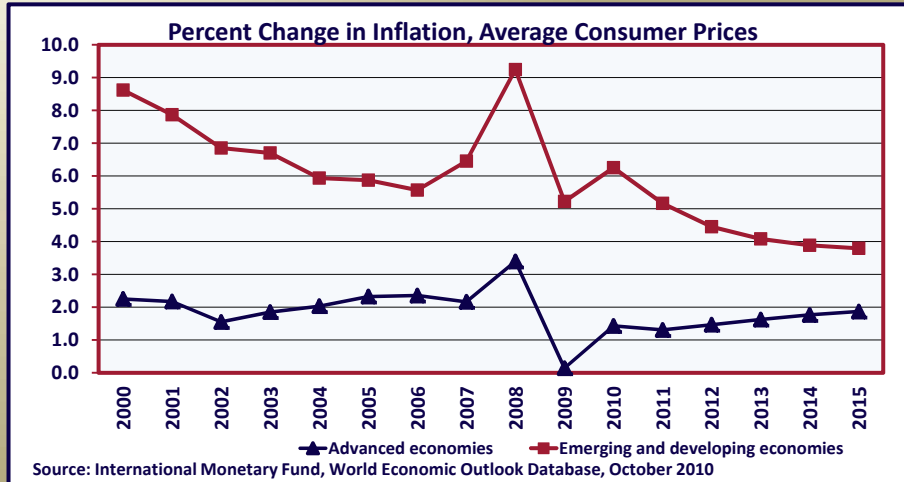
CURRENT ACCOUNT BALANCE



CURRENT ACCOUNT BALANCE



INFLATION





CAMBRIDGE ASSOCIATES LLC

2011 Business Forecast Luncheon
University of Arkansas
Sam M. Walton College of Business

Kevin Stephenson, Ph.D., CFA

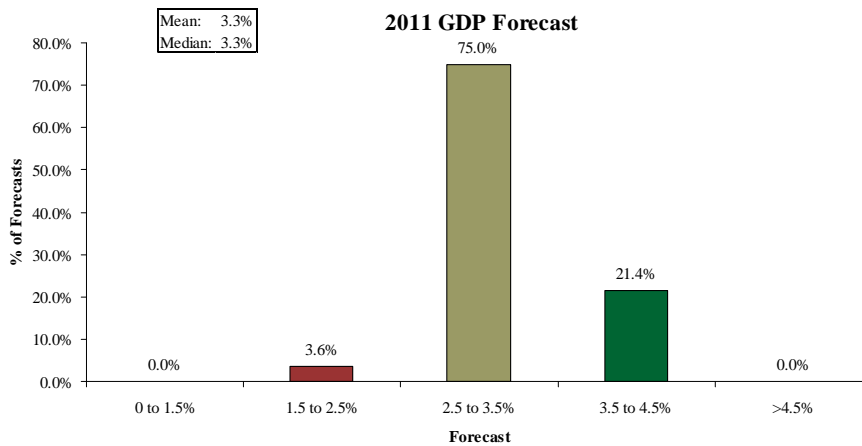
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WSJ January Survey

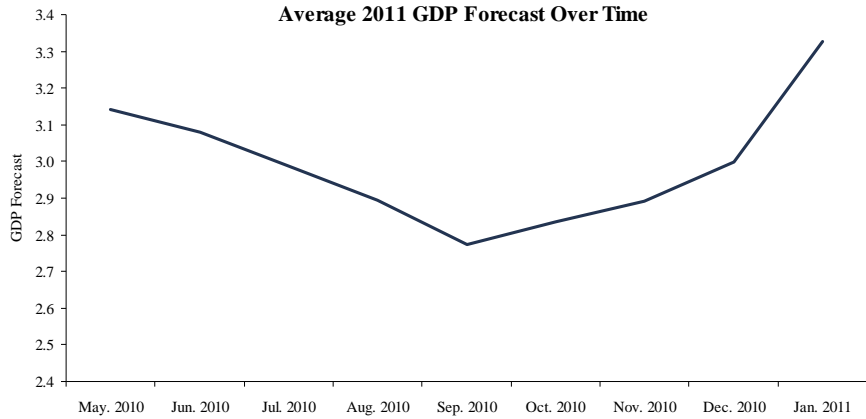
- 56 strategists and economists
- Firms surveyed include:
 - Bank of America – Merrill Lynch
 - Barclays Capital
 - BNP Paribas
 - Credit Suisse
 - Goldman Sachs & Co.
 - JP Morgan Chase & Co.
 - Morgan Stanley
 - UBS
 - Wells Fargo & Co.

3% Growth Forecast for 2011



The 2011 Forecasts Have Risen For Four Consecutive Months, Boosting Equities

C | A

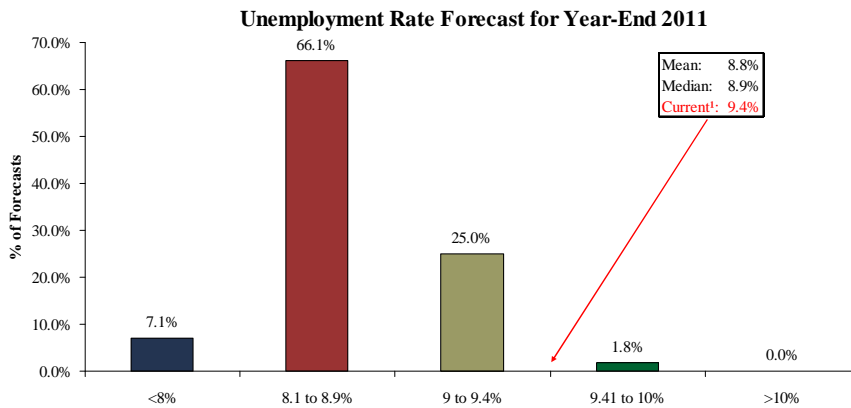


4

Source: The Wall Street Journal Economic Forecasting Survey: January, 2011.

3% GDP Only Slightly Lowers Unemployment

C | A



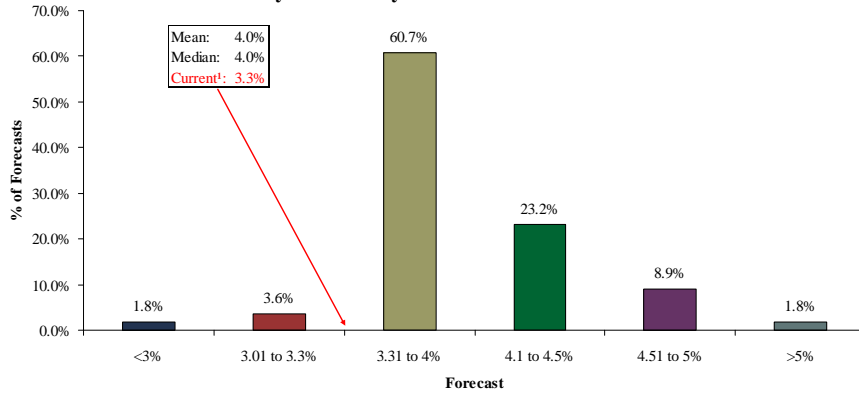
5

Source: The Wall Street Journal Economic Forecasting Survey: January, 2011.
 † As of December 2010.

Interest Rates Expected to Rise Marginally in 2011

C | A

10-year Treasury Yield Forecast for Year-End 2011



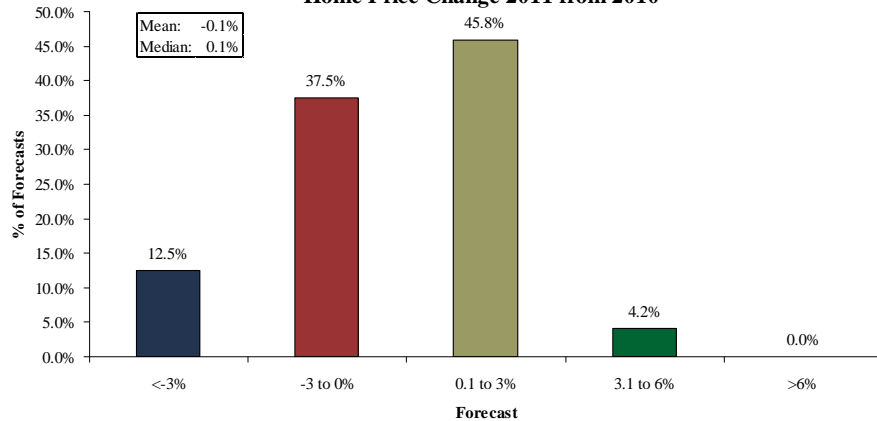
Source: The Wall Street Journal Economic Forecasting Survey: January, 2011.
† As of January 14, 2011.

6

Wide Range of Expectations for Home Prices, With A Median Forecast Near 0%

C | A

Home Price Change 2011 from 2010

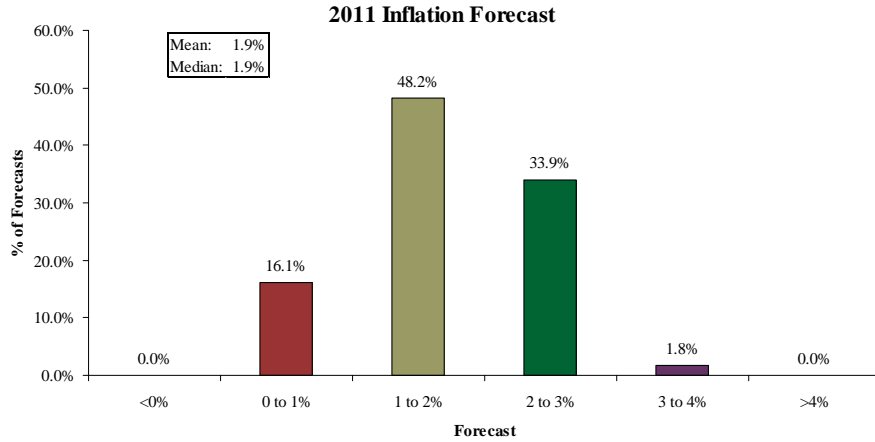


Source: The Wall Street Journal Economic Forecasting Survey: January, 2011.

7

Low Inflation Forecasted for 2011

C | A

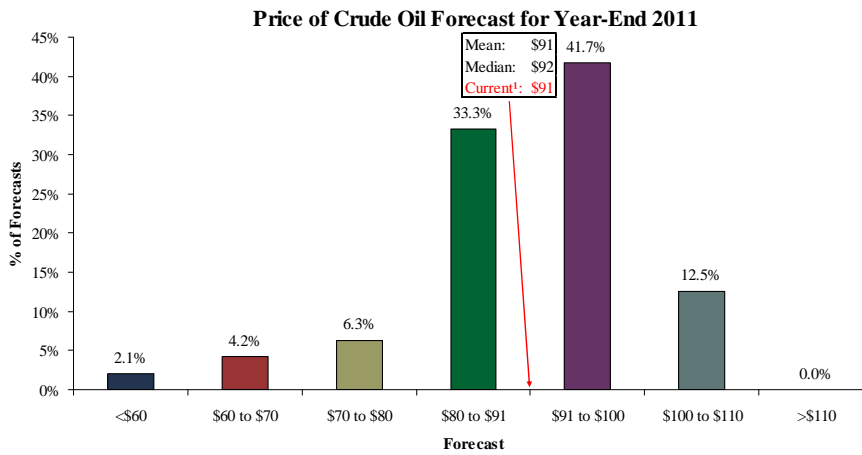


8

Source: The Wall Street Journal Economic Forecasting Survey: January, 2011.

Oil Prices Expected to End Year at \$80-\$100 Per Barrel

C | A



9

Source: The Wall Street Journal Economic Forecasting Survey: January, 2011.
 † As of January 14, 2011.

Summary Forecasts for 2011

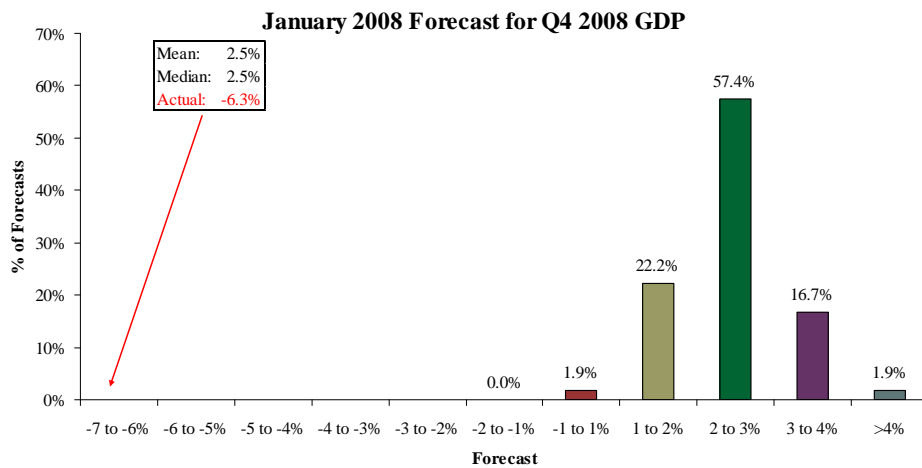
C | A

- Tight range for GDP forecasts, centered around 3.3%
 - All surveyed experts calling for economic growth
 - Forecasts have improved for four consecutive months
- Consistent with forecast for slight economic improvement:
 - Interest rates are expected to rise marginally
 - Unemployment expected to drop slowly
 - Discouraged workers may re-enter the labor pool
 - Inflation is expected to increase, but remain under 2%
- Wide range of expectations for home prices, centered near 0%

10

A Cautionary Tale: Everyone in January 2008 Missed the Dramatic GDP Declines in the Late 2008

C | A



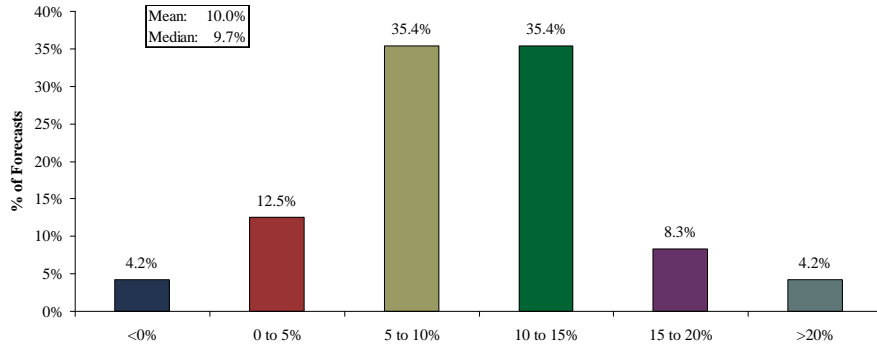
11

Source: The Wall Street Journal Economic Forecasting Survey: January, 2008.

Stocks Expected to Rise 10% in 2011, With Most Forecasts Positive (As Always!)

C | A

2011 S&P Annual Return Forecast

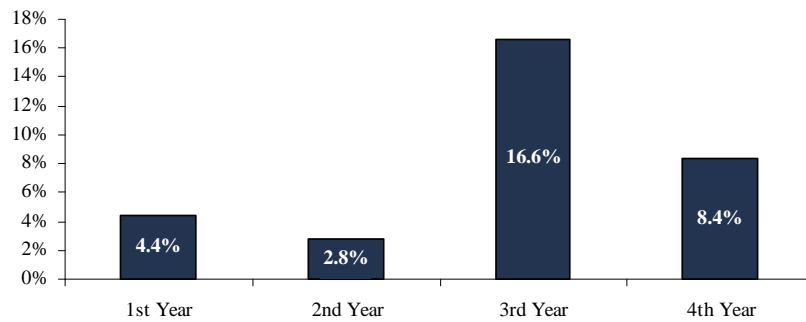


12

Source: Barron's, CNN Money, and Bloomberg.

Fun with History: Stock Market Returns by Year in Presidential Cycle

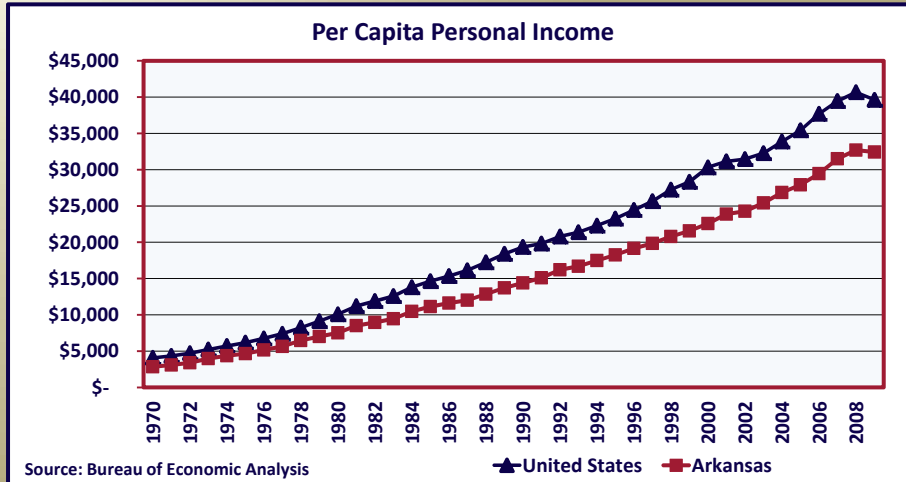
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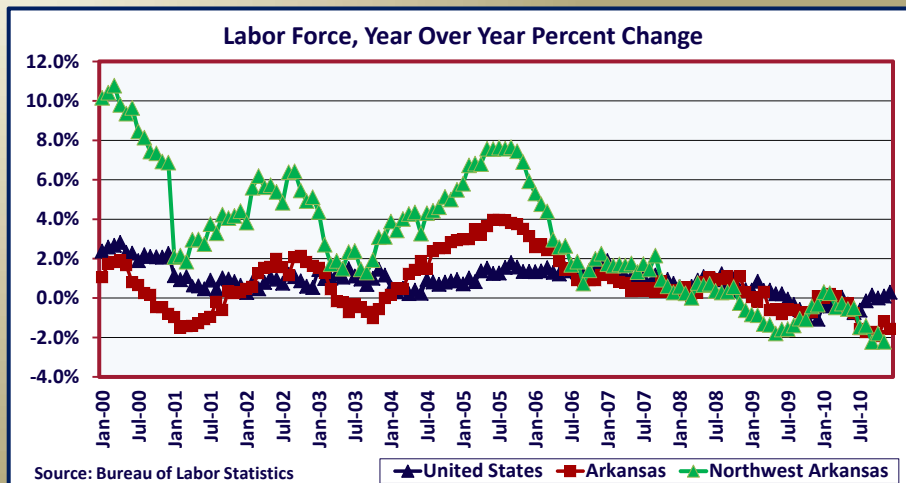
13



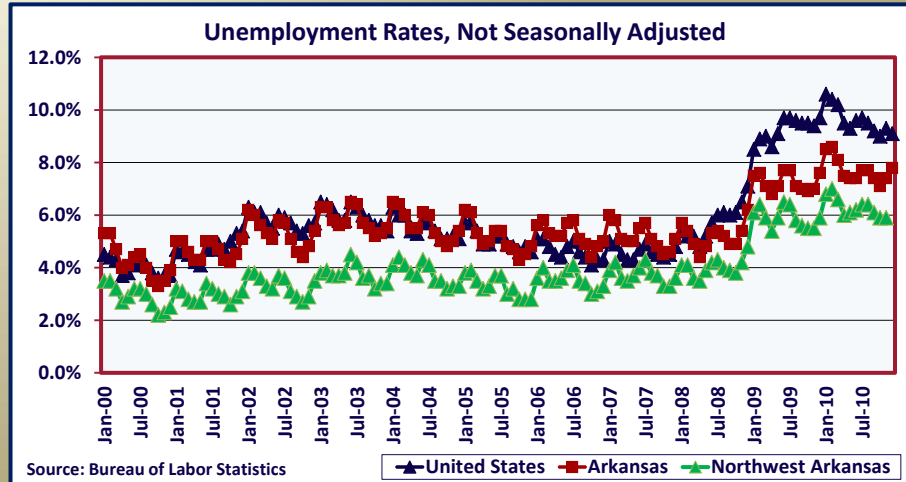
PER CAPITA PERSONAL INCOME



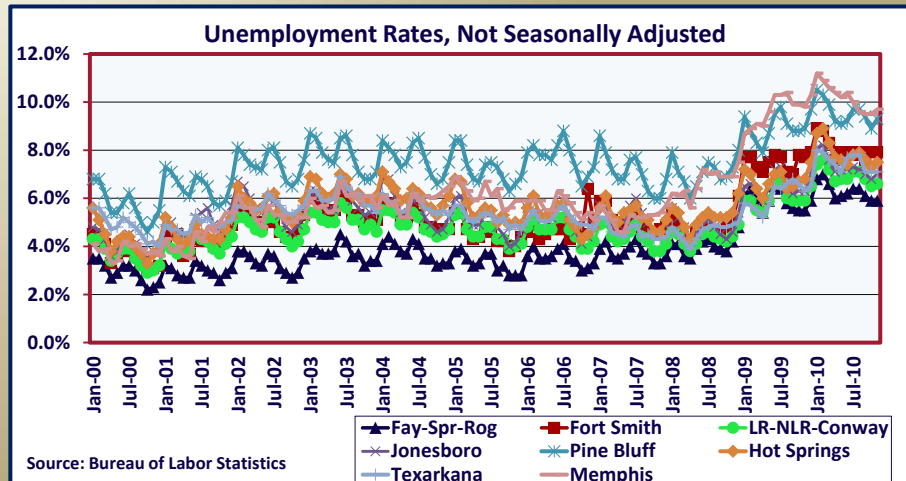
A STORY ABOUT THE LABOR FORCE



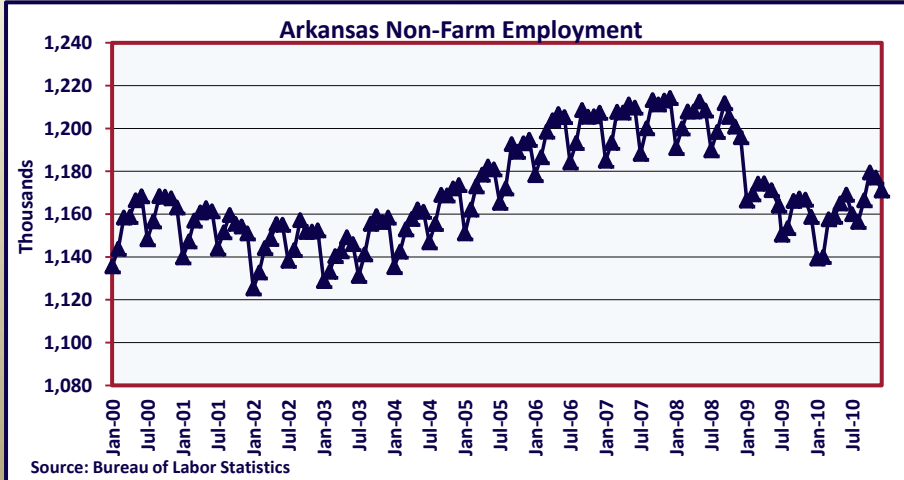
UNEMPLOYMENT REMAINS RELATIVELY LOW



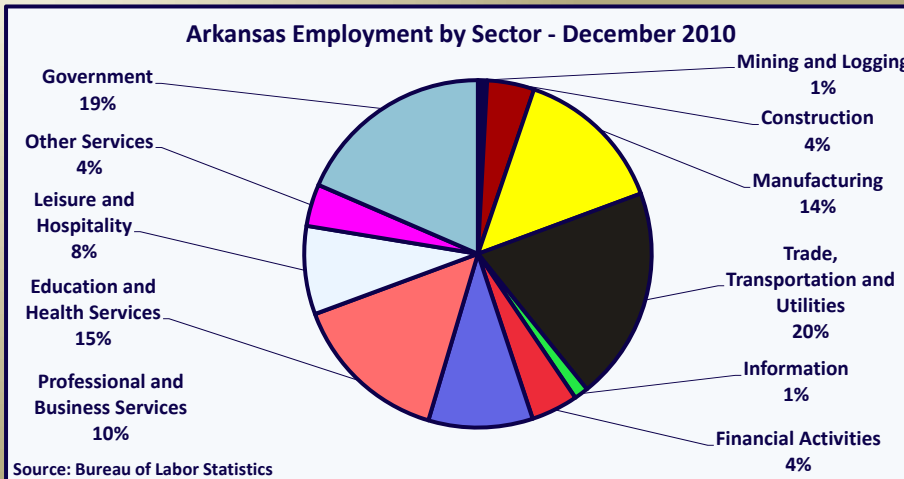
UNEMPLOYMENT REMAINS RELATIVELY LOW



ARKANSAS EMPLOYMENT

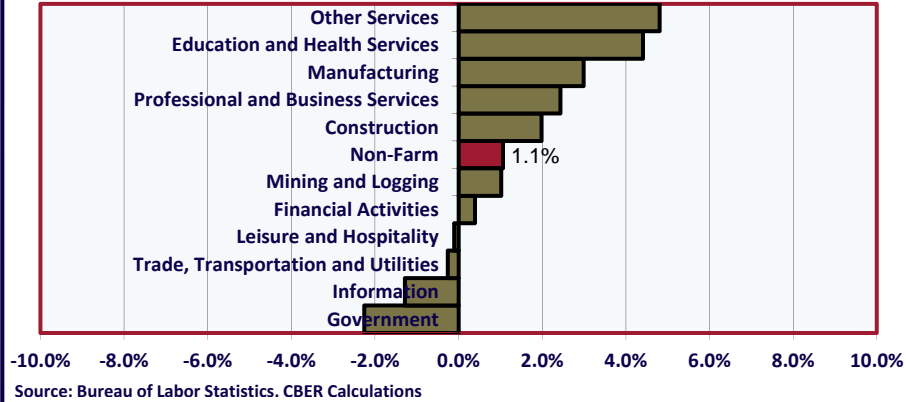


ARKANSAS EMPLOYMENT BY SECTOR



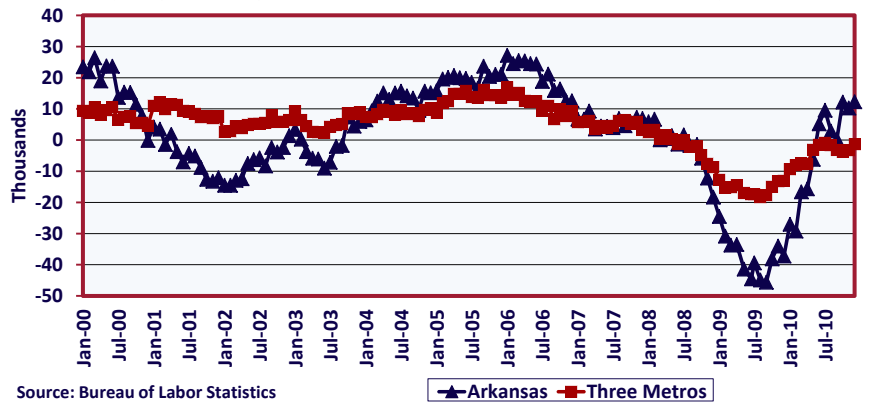
ARKANSAS EMPLOYMENT BY SECTOR

Change in Arkansas Employment by Sector
December 2009 - December 2010

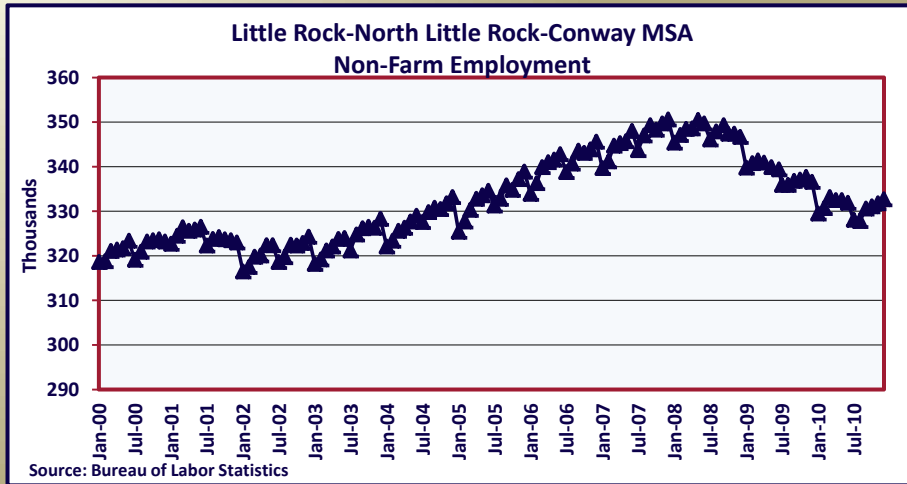


ARKANSAS EMPLOYMENT BY SECTOR

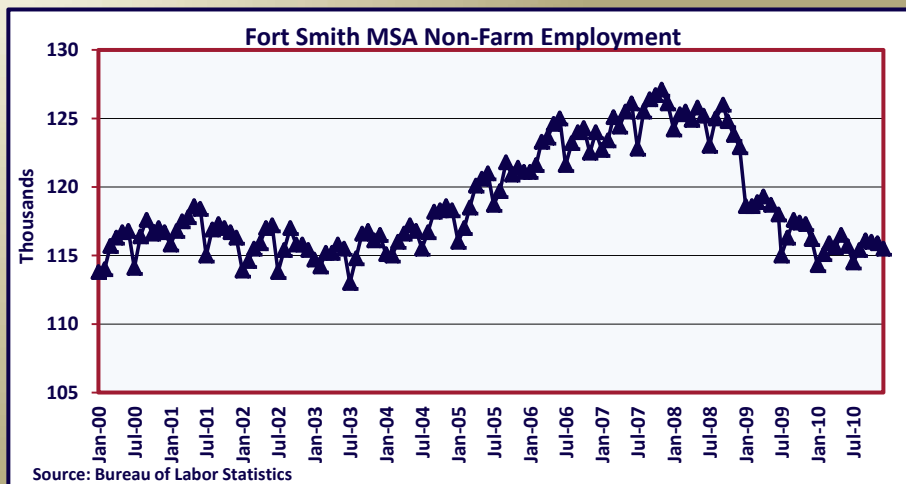
Employment Growth in Arkansas and in the Fayetteville-Springdale-Rogers, Fort Smith, & Little Rock-NLR-Conway MSAs



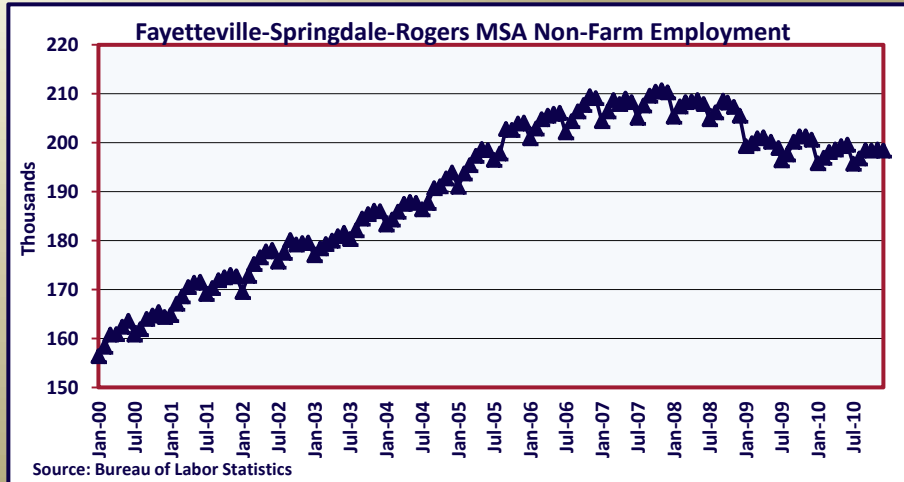
CENTRAL ARKANSAS EMPLOYMENT



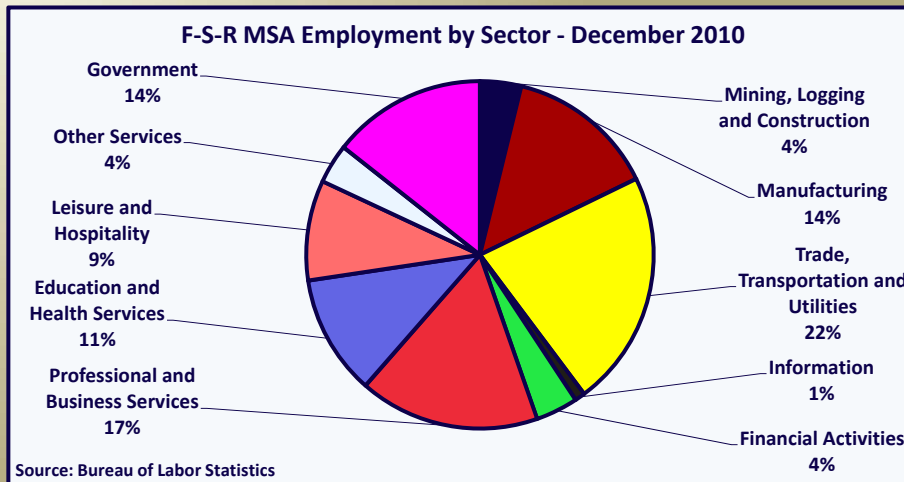
FORT SMITH EMPLOYMENT



NORTHWEST ARKANSAS EMPLOYMENT

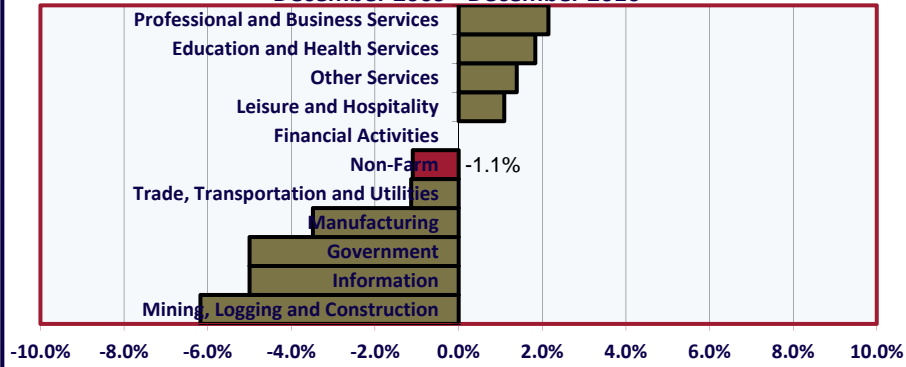


NORTHWEST ARKANSAS EMPLOYMENT



NORTHWEST ARKANSAS EMPLOYMENT

Change in F-S-R MSA Employment by Sector,
December 2009 - December 2010

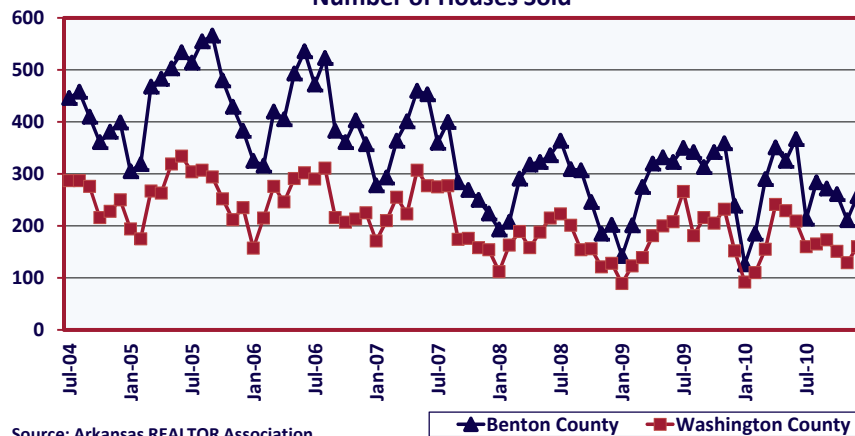


Source: Bureau of Labor Statistics. CBER Calculations



NORTHWEST ARKANSAS REAL ESTATE

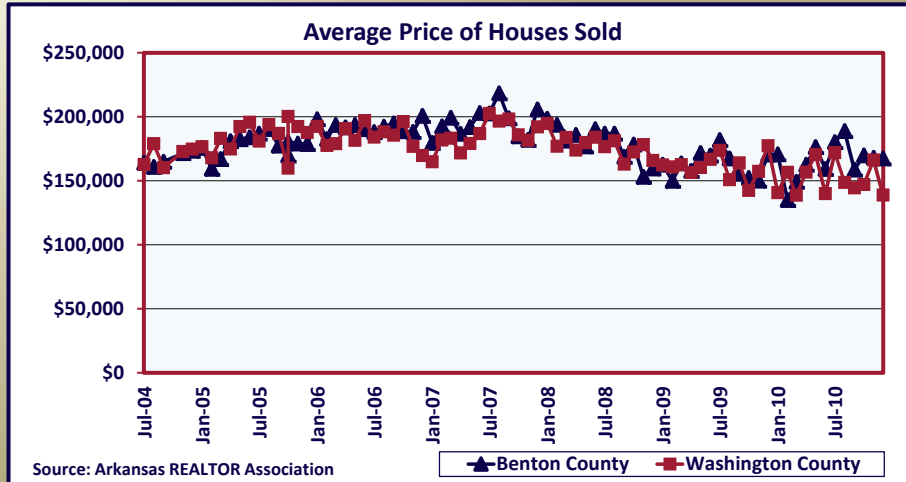
Number of Houses Sold



Source: Arkansas REALTOR Association



NORTHWEST ARKANSAS REAL ESTATE



NORTHWEST ARKANSAS REAL ESTATE

