



**Center for Business
and Economic Research**

**Business Forecast 2014
Thursday, January 16, 2014
11:30 a.m. - 1:30 p.m.
Schedule of Events**

Welcome and Special Remarks	Eli Jones , Dean Sam M. Walton College of Business, University of Arkansas
2013 Contest Awards	Kathy Deck , Director Center for Business and Economic Research Sam M. Walton College of Business, University of Arkansas
Introduction of Moderator	Eli Jones
Introduction of Panelists	Donnie Smith Chief Executive Officer and President Tyson Foods, Inc.
Presentations	
Global Forecaster	Yi Wen Assistant Vice President, Research Department Federal Reserve Bank of St. Louis
Domestic Forecaster	Richard Yamarone Chief Economist Bloomberg Brief
State and Local Forecaster	Kathy Deck
Panel Discussion	Donnie Smith, Yi Wen, Richard Yamarone, Kathy Deck
Recognitions and Announcements	Eli Jones

Business Forecast 2014 is in association with the National Association for Business Economics (NABE).

Please use Twitter hashtag #BF2014 for this event.

Donnie Smith has been the chief executive officer and president of Tyson Foods Inc. since November 2009. Through his career, Smith has worked to learn every aspect of the business. He joined Tyson working in poultry operations for seven years in Tennessee before moving to the company's headquarters in Springdale, Arkansas, where he started as a commodity buyer. He was named director of commodity purchasing in 1991, and during the next several years added complementary responsibilities to his management portfolio. He was named senior vice president of logistics, purchasing and information systems in 2006. In 2007, Smith was named group vice president of operation services. He moved into the company's consumer products division in 2008 and was named senior group vice president of poultry and prepared foods in 2009, the same year he was appointed as president and CEO. A native of Tennessee, he graduated from the University of Tennessee with a degree in animal science.

Yi Wen is an assistant vice president in the research department at the Federal Reserve Bank of St. Louis. He joined the bank in 2005. Prior to coming to the Federal Reserve, Wen was an assistant professor of economics at Cornell University. He was also an assistant professor of economics at the Hong Kong University of Science & Technology. Wen received his Ph.D. in economics from the University of Iowa, his Master of Arts degree in philosophy of science from Notre Dame University and a Bachelor of Science degree in medical sciences from West China University of Medical Sciences. Since 2005, he has been an adjunct professor at Washington University in St. Louis. Wen is also the author of nearly 30 articles published in peer-reviewed journals.

Richard Yamarone focuses on monetary and fiscal policy, economic indicators, fixed income, commodities, and general macroeconomic conditions for Bloomberg Brief: Economics. He forecasts United States economic statistics and trends, builds macro econometric models, analyzes possible outcomes and is the creator of the Bloomberg Orange Book. Previously, Yamarone was director of economic research at Argus Research and a member of the investment policy committee. He served as president of the Downtown Economists Club of New York City. The author of *Trader's Guide to Key Economic Indicators* (Bloomberg Press, 2012), Yamarone is a member of the National Association for Business Economics, the American Economic Association, the New York State Economics Association and the Money Marketeters of New York University. He was featured as one of the top 10 economists in the United States by USA Today in 2007 and as "Nostradamus of the Financial Industry" by Bank Advisor in 2008 for his prediction of the financial crisis.

Kathy Deck is the director of the Center for Business and Economic Research in the Sam M. Walton College of Business at the University of Arkansas. Her research interests include local economic development, industry market structure, and education and health care economics. Deck also acts as a media resource for economic analysis of current events and trends. She was named Communicator of the Year in 2009 by the Northwest Arkansas Public Relations Society of America, was recognized as one of the 40 under 40 by *Arkansas Business* and the *Northwest Arkansas Business Journal*, and named a Woman of Influence by *Arkansas Business*. Deck earned a B.A. in economics from the College of William and Mary and a M.S. in economics from the University of Wisconsin-Madison. Before joining the Center, Deck was the antitrust economist for the Arizona Attorney General.



International Economic Outlook

Yi Wen

Research Division

January 16, 2014

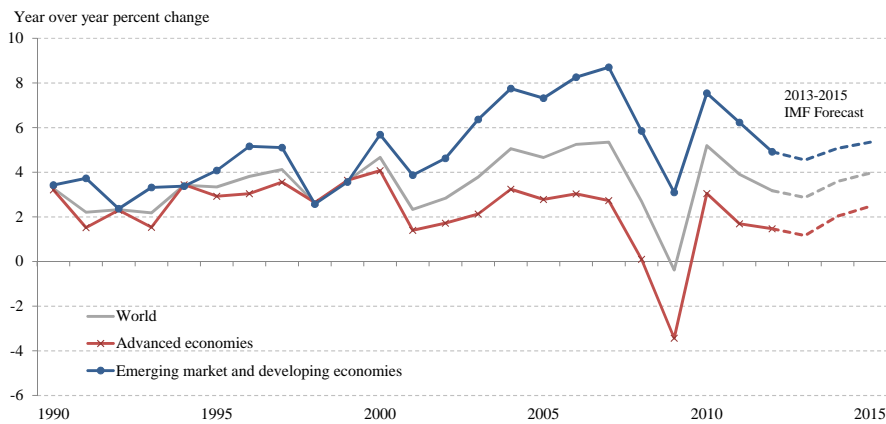
CENTRAL
to
AMERICA'S
ECONOMY™

* The opinions expressed are not necessarily those of the Federal Reserve Bank of St. Louis or the Federal Reserve System.

International Economy Overview

- GDP growth continues to be stronger in developing economies
- European Union has shown signs of weak recovery
- Emerging markets account for growing share of U.S. trade volumes
 - Trade with Brazil and China in particular has increased significantly since the early 2000s

Real GDP Growth and Forecasts, Country Groups



Real GDP Growth and Forecasts, Selected Countries

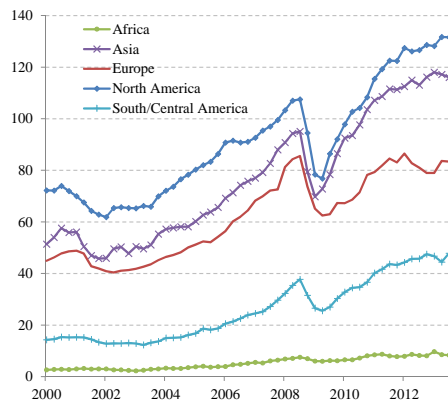
Advanced Economies	Average Growth 1998-2013	IMF Projected Growth 2013	IMF Projected Growth 2013-18
France	1.5	0.2	0.9
Germany	1.3	0.5	1.1
Japan	0.7	2.0	1.4
United States	2.3	1.6	2.5

Emerging Markets	Average Growth 1998-2013	IMF Projected Growth 2013	IMF Projected Growth 2013-18
Brazil	2.9	2.5	2.7
China	9.6	7.6	7.3
India	6.7	3.8	5.1
Russia	4.3	1.5	2.7

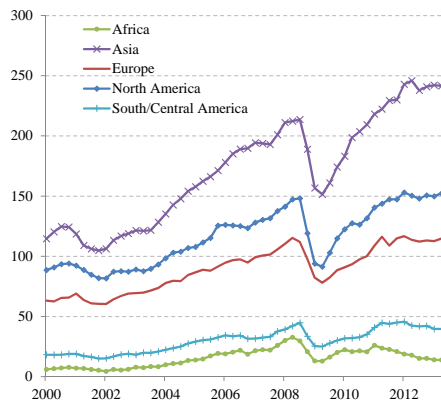
Source: October 2013 World Economic Outlook (IMF).

U.S. Trade by Region

U.S. Exports by Destination Region
Billions of US\$, SA



U.S. Imports by Source Region
Billions of US\$, SA



Source: U.S. Census Bureau, Haver Analytics. Last observation: 2013-Q3.

Mixed Outlook for Chinese Economy

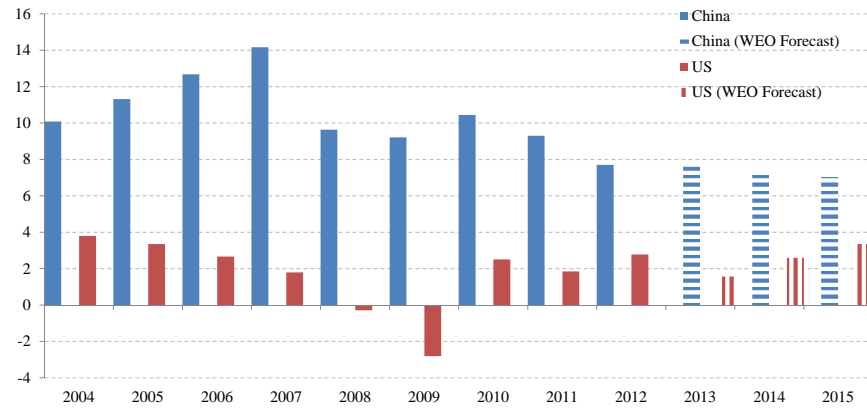
- GDP is forecast to slow moderately in coming years
 - IMF Projected Growth for 2013: 7.7%
- Net exports regaining strength after sharp post-recession decline
 - Exports to the U.S. and Europe were up 17.7% and 18.4% from previous year, respectively

Mixed Outlook for Chinese Economy

- Expected outlook for manufacturing is better than previous year
 - PMI slowed toward end of 2013, but slight upward trend continued
- Gross value added in industrial production has not recovered pre-recession growth rates; preliminary data suggest an uptick for 2013-Q4
- Total investment as a percentage of GDP leveled-off and slowed after its 2009 peak

Real GDP Growth and Forecasts

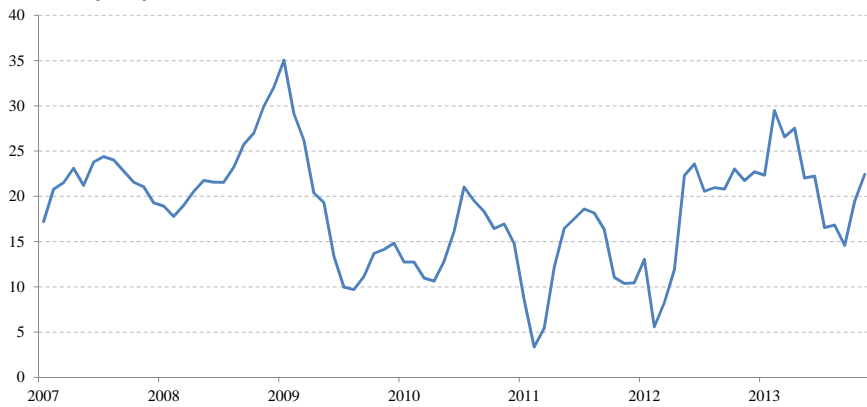
Year over year percent change



Source: October 2013 World Economic Outlook (IMF).

Merchandise Trade Balance

3-month moving average, billions of US\$; SA.



Source: China Customs, Haver Analytics. Last observation: Nov. 2013.

Volume of Imports and Exports of Goods and Services

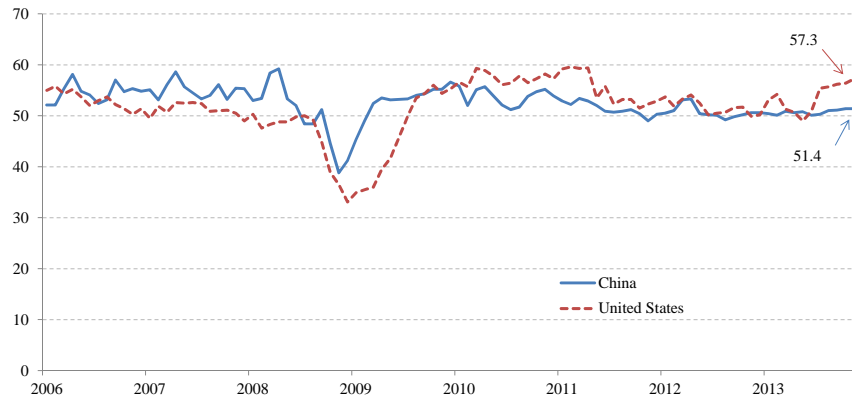


Manufacturing Industrial Confidence Indicator



Manufacturing Purchasing Managers' Index (PMI)

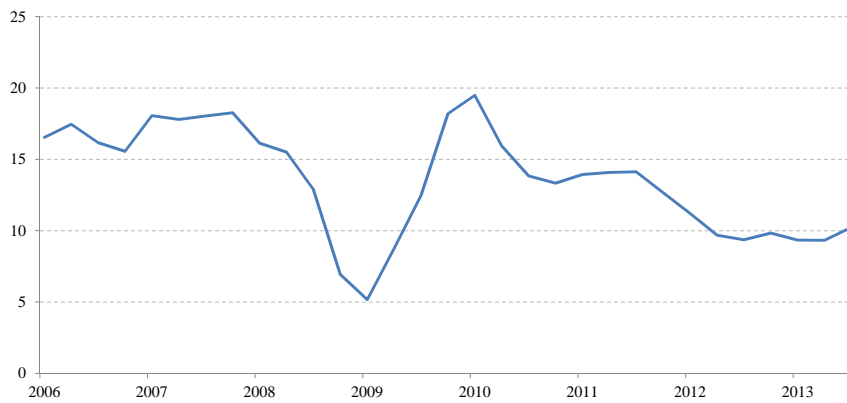
Seasonally adjusted index (50+ = expansion)



Source: China Federation of Logistics & Purchasing, U.S. Institute for Supply Management, Haver Analytics. Last observation: Nov. 2013.

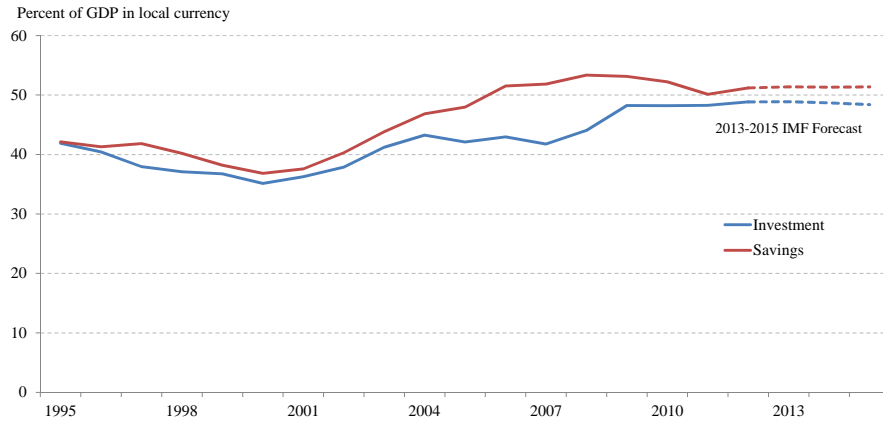
Gross Value Added in Industrial Production

Year over year percent change



Source: China National Bureau of Statistics, Haver Analytics. Last observation: 2013-Q3.

Total Investment and Savings



Chinese Housing & Finance Overview

- Nonperforming loans are expected to rise as the economy slows and debt levels continue to rise, particularly in areas that rely heavily on manufacturing or exports
- Housing mortgage loans grew 19% in the year to 2013-Q3
- Debt as a percent of GDP has increased significantly from previous years

Commentary Highlights

- “Despite Beijing moves to cool the property market, prices continue to rise... In Beijing, home prices were up 16%, Shanghai 17% year-over-year in September [2013].” (Chiou, CNN)

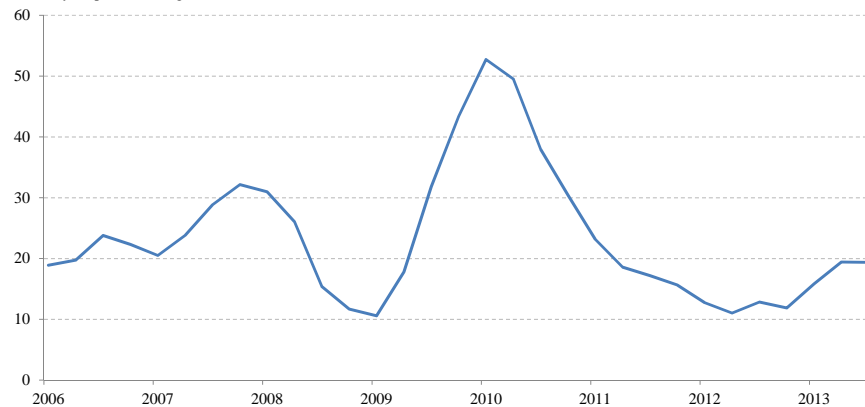
Chiou, Pauline. “China’s crazy property bubble.” *CNN*, Nov 07, 2013.

- “The local property bubbles are more structural, not only reflected in oversupply, but also weak demand, decreasing population, weak local economies and deteriorating living environments.” (Choi and Sze, Citigroup Report)

He, Laura. “China sees serious property bubble in smaller inland cities: Citibank.” *WSJ Market Watch*, Dec 13, 2013.

Housing Mortgage Loans Growth

Year over year percent change



Source: People's Bank of China, Haver Analytics. Last observation: 2013-Q3.

Economic Indicators to Watch

The Disturbing Economic Tea Leaves

Fayetteville, AR



Bloomberg



Richard Yamarone

Bloomberg Economics, Bloomberg Economic BRIEF

Author of "The Trader's Guide to Key Economic Indicators"

Jobs, Jobs, Jobs...It's All About Jobs



The Type of Jobs Matter

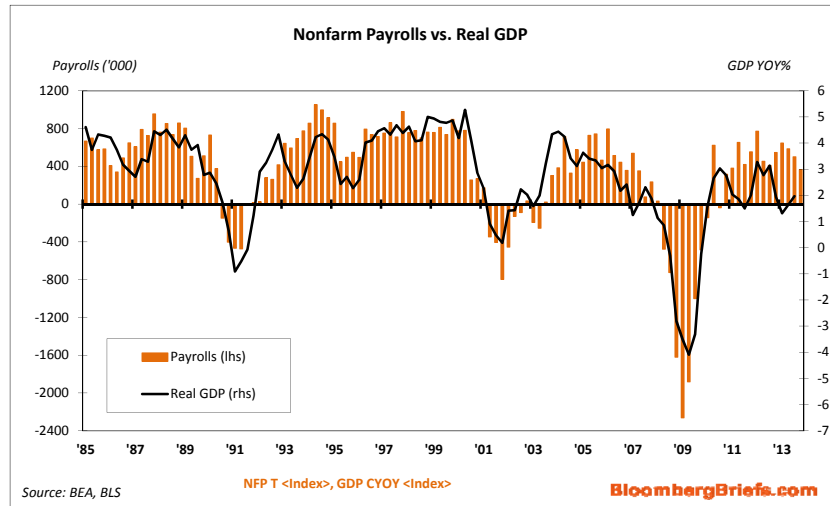


The Top Concern for Businesses



Richard Yamarone, ryamarone@bloomberg.net, TEL: 212-617-8737

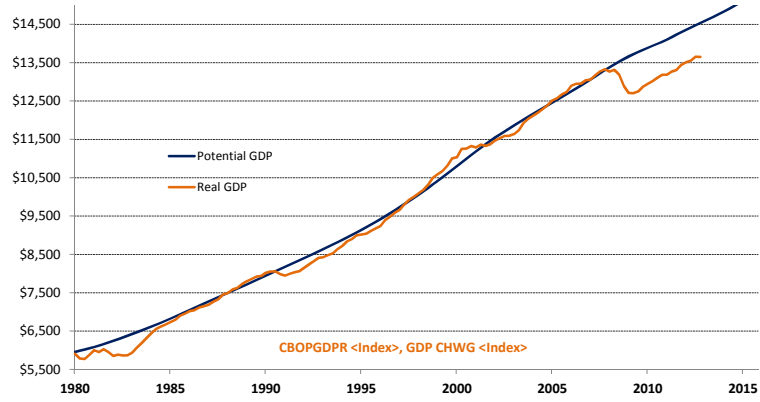
Economy Isn't Advancing Fast Enough to Engender Job Creation



Richard Yamarone, ryamarone@bloomberg.net, TEL: 212-617-8737

Economy Operating Well Below its Potential

Real GDP (Blns) vs. Real Potential GDP (Blns)



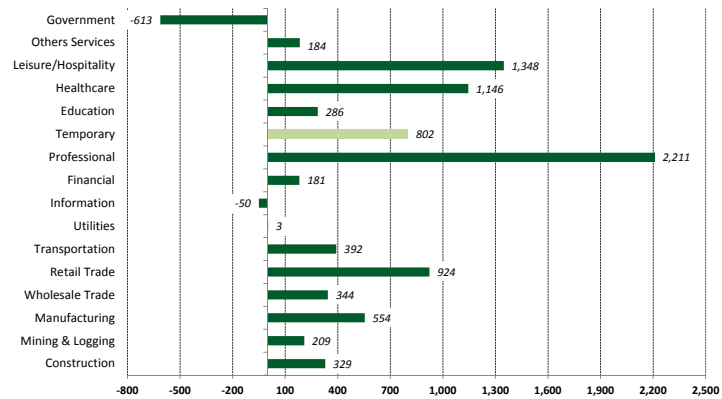
Source: BEA, CBO, Bloomberg

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Hiring not Exactly Brisk

Jobs Created Since Depression Trough*, in thousands



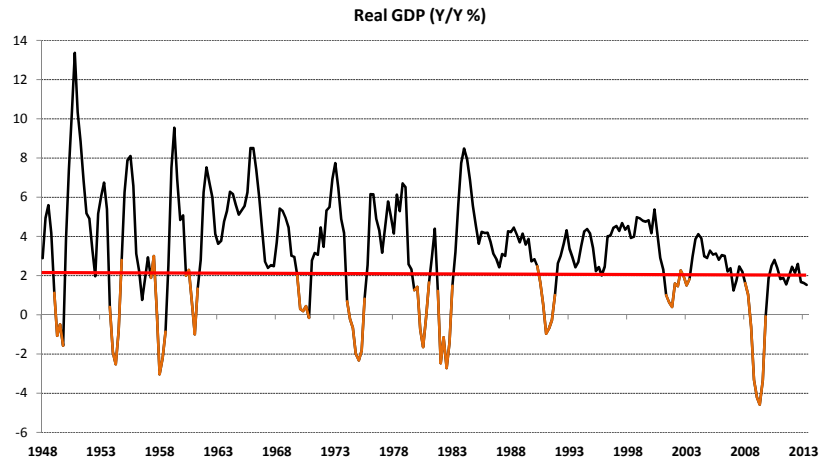
Source: BLS

*February 2010

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Richard Yamarone, ryamarone@bloomberg.net, TEL: 212-617-8737

If GDP Dips to 2.0% -- It's Recession Time



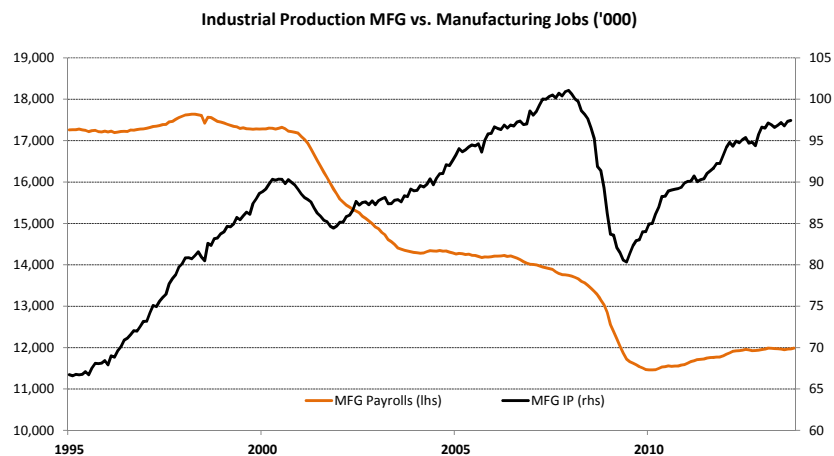
Source: NBER, BEA, Bloomberg

GDP CYOY <Index>

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Manufacturing Gains Still Not Generating Jobs



Source: Federal Reserve, BLS

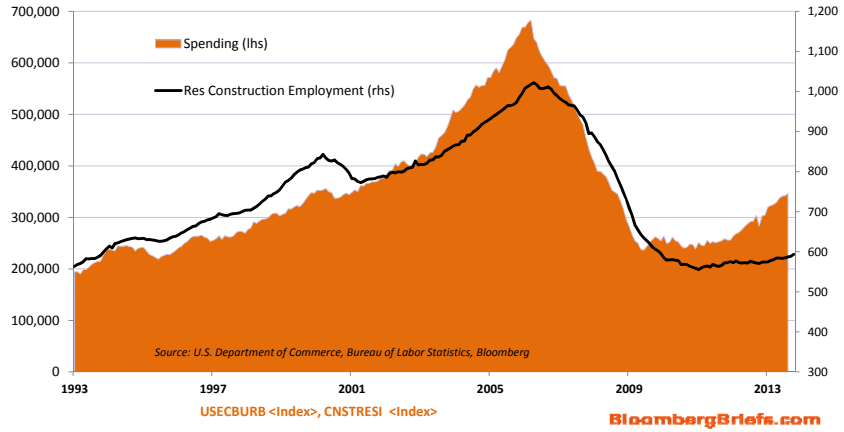
USMMMANU <Index>, IP <Index>

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Won't Get Any Jobs from Housing

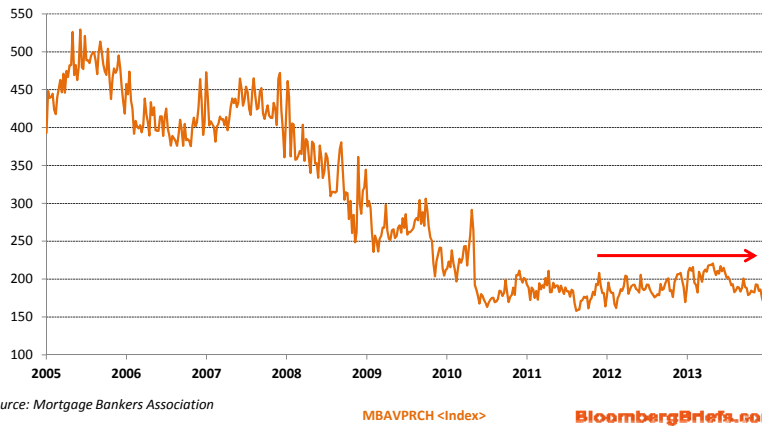
Residential Construction Spending (\$ mls)
Residential Construction Employment (thousands)



Richard Yamarone, ryamarone@bloomberg.net, TEL: 212-617-8737

Sideways Movements in Housing

Mortgage Bankers Association's
Purchase Applications Index



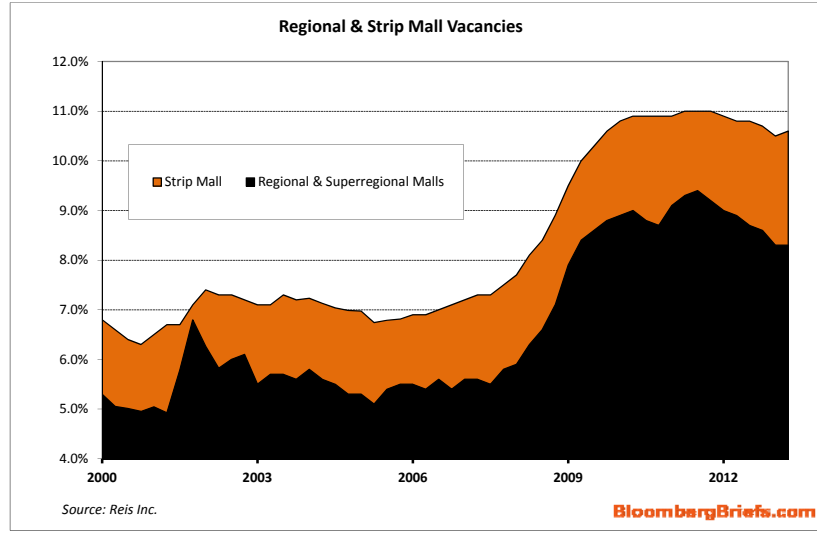
Source: Mortgage Bankers Association

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Richard Yamarone, ryamarone@bloomberg.net, TEL: 212-617-8737

Retailers Headed Out of the Malls



Richard Yamarone, ryamarone@bloomberg.net, TEL: 212-617-8737

Earnings/Analyst Conference Calls



Bloomberg Orange Book

Summary of Commentary on _____

**Current
Economic
Conditions****By Corporation**

ORANGE <GO>

from earning statements commencing July 1, 2010

Richard Yamarone, ryamarone@bloomberg.net, TEL: 212-617-8737

What is Being Said...

"And so we're still seeing that midnight shopping in our stores when that EBT card, it's like a debit card, when it is ready and it is funded, there are people who are in the store at midnight because they know it turns on. And they have shopped from like 10:45 to midnight and they're waiting for that card and then our lines open up. And we've had some of our busiest ours at midnight."

Rosalind Brewer, EVP, Wal-Mart April 12, 2011

"I think the most telling indicator for us that economic weakness and employment is the key issue driving soft volumes, is the fact that we continue to see, as – in contrast to the historical norms, we continue to see volume pick up heavily at the beginning of each month, and then steadily erode through the month, being particularly soft in the last week to 10 days of the month. That just tells us that people are running out of money."

Gregg Engles, CEO Dean Foods May 10, 2011

"Now clearly when it gets to the end of the month and they've run out of dollars and the first of month gets there, you'll see some pick-up in sales. I would say it's not as dramatic as it was two years ago due mostly to the fact that not 100% of those benefits are getting loaded on to people's cards.."

J. Michael Schlotman, CFO, SVP Kroger May 17, 2011

Richard Yamarone, ryamarone@bloomberg.net, TEL: 212-617-8737

What is Still Being Said...

"...know that 15% of the Americans are living on food stamps today. And we know that most of them, even after two or three weeks, are short of money..."

Dick Boer, CEO Koninklijke Ahold Nv November 28, 2012

"...the value customers are still stretched. We still are getting a lot of food stamps, a very high dollar amount and a very high percentage amount, and that is definitely problematic."

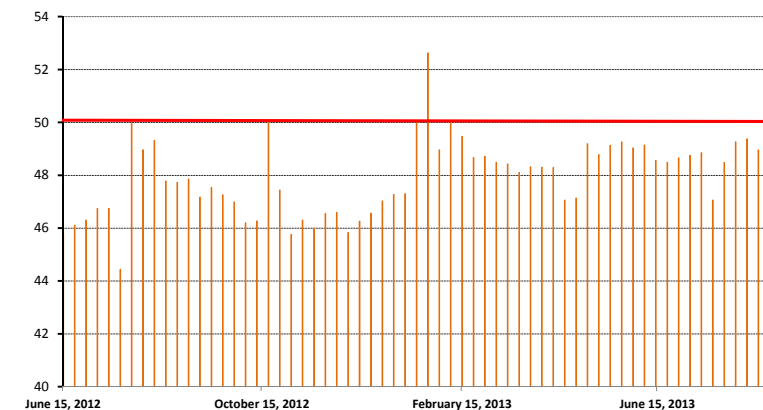
David Dillion, CEO Kroger October 16, 2012

"...Food stamp usage continues to grow...for a fragile consumer that's seeing volatility in the economy, is worried about the state of their job or finding a job, maybe using food stamps to feed their family and is trying to figure out how to put fuel in the car, it's still a very challenging and uncertain environment."

Brian Cornell, CEO, Pepsi Americas September 5, 2012

Bloomberg Orange Book Sentiment Index Below 50

Bloomberg Orange Book Sentiment Index

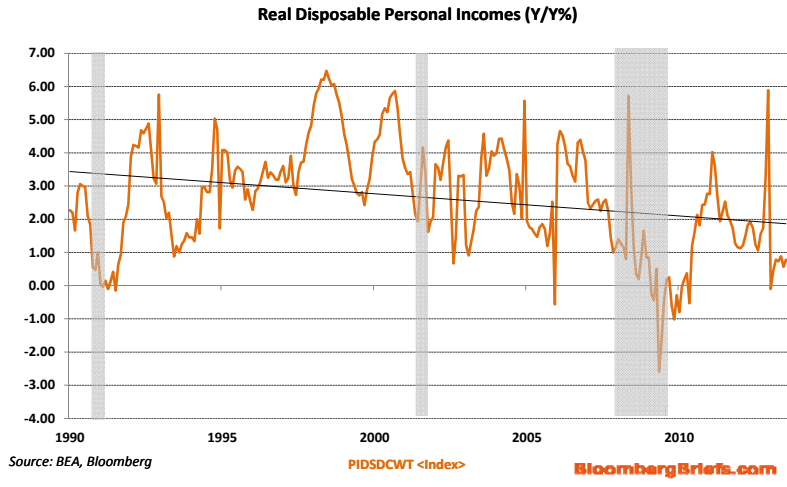


Source: Bloomberg

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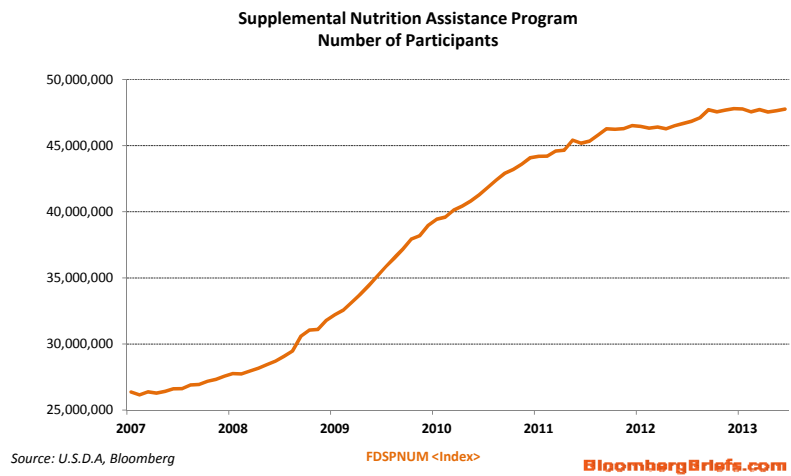
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Real Disposable Incomes Trending Lower



Richard Yamarone, ryamarone@bloomberg.net, TEL: 212-617-8737

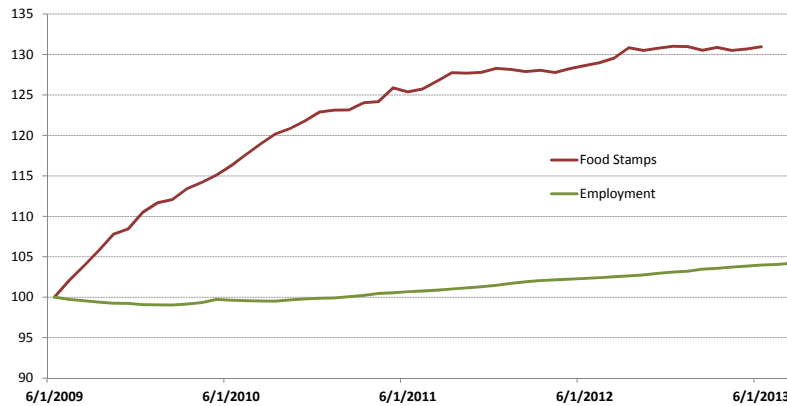
No Typo, Over 47 Million People at or Below Poverty!



Richard Yamarone, ryamarone@bloomberg.net, TEL: 212-617-8737

Poverty Growing Faster than Payrolls

Growth in Food Stamps vs. Nonfarm Payroll Jobs



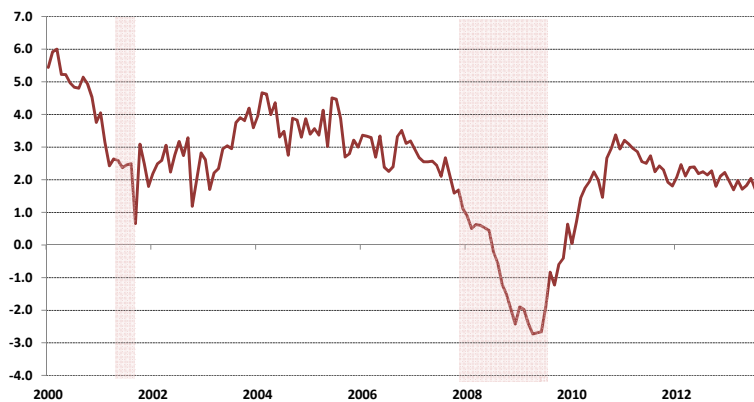
Source: USDA, BLS

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Richard Yamarone, ryamarone@bloomberg.net, TEL: 212-617-8737

Peddle too Slow, and the Bike Tips Over

Real Consumption Expenditures (Y/Y%)



Source: BEA, Bloomberg

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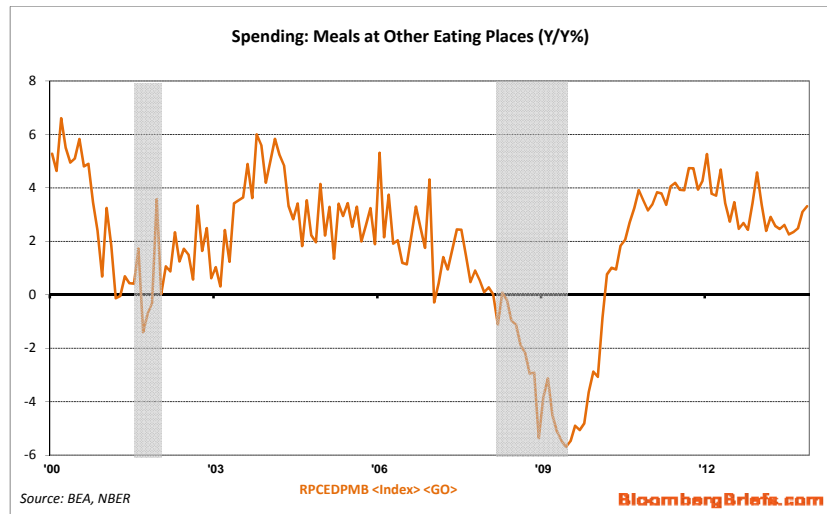
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There is No Holy Grail of Economic Indicators



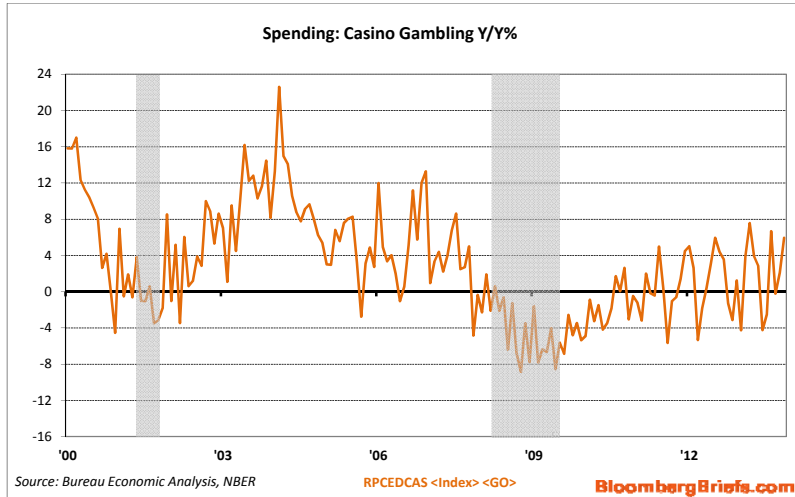
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'Fab Five' – Dining Out



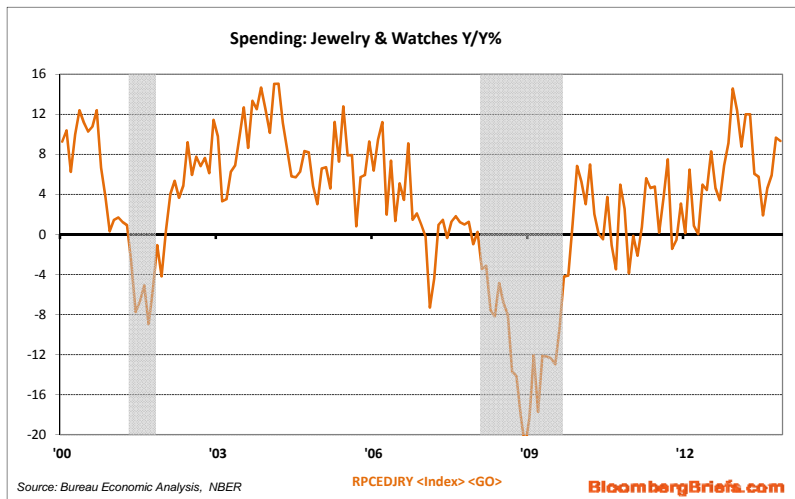
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'Fab Five' – Casino Gambling



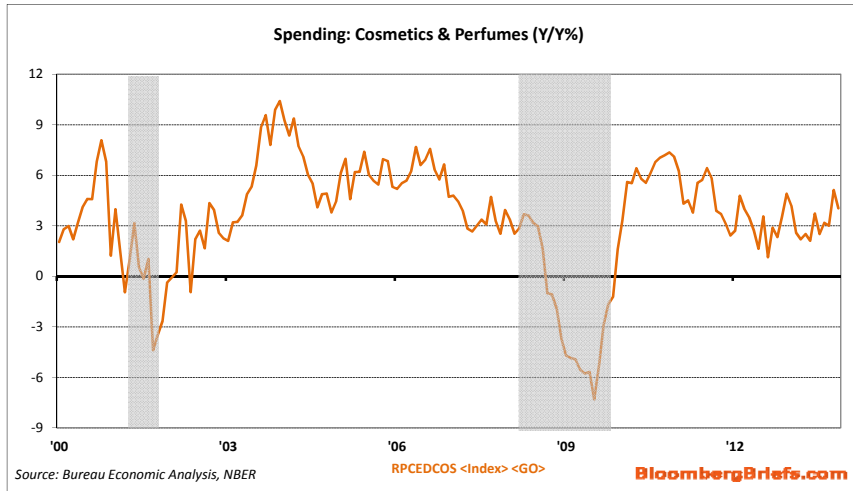
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'Fab Five' – Jewelry & Watches



Richard Yamarone, ryamarone@bloomberg.net, TEL: 212-617-8737

'Fab Five' – Cosmetics & Perfumes

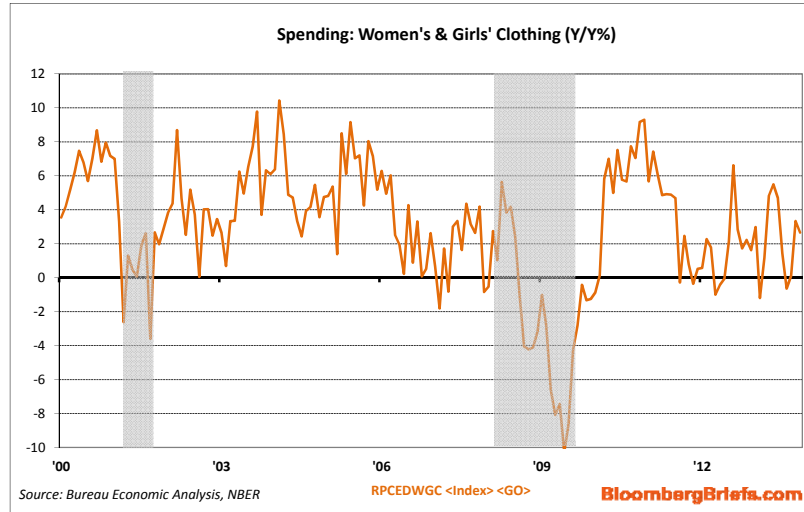


Richard Yamarone, ryamarone@bloomberg.net, TEL: 212-617-8737



Richard Yamarone, ryamarone@bloomberg.net, TEL: 212-617-8737

'Fab Five' – Women's Dresses



Richard Yamarone, ryamarone@bloomberg.net, TEL: 212-617-8737

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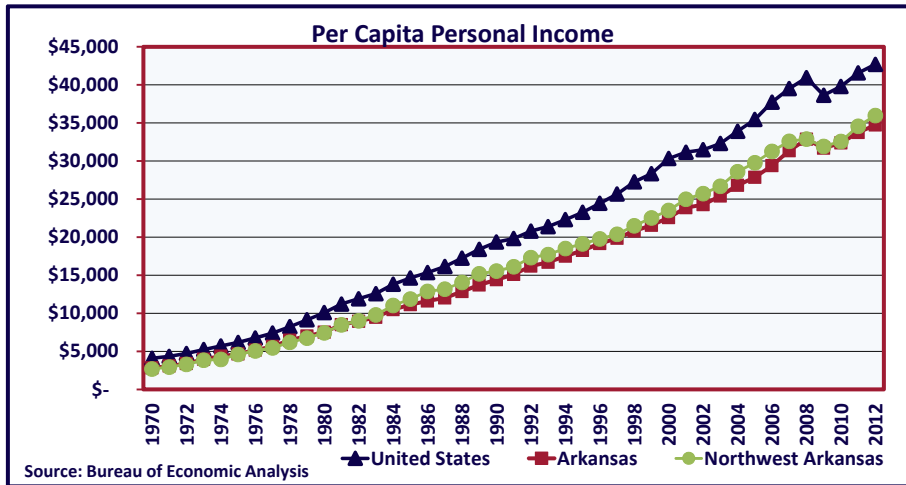
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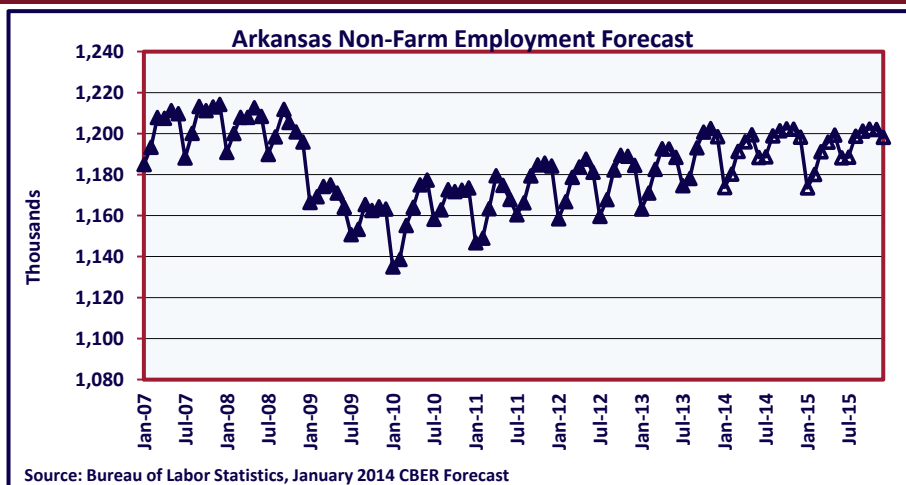
The Economic Forecast in 2014: Arkansas in the Long Recovery

Kathy Deck, Director
Center for Business and Economic Research
January 16, 2014

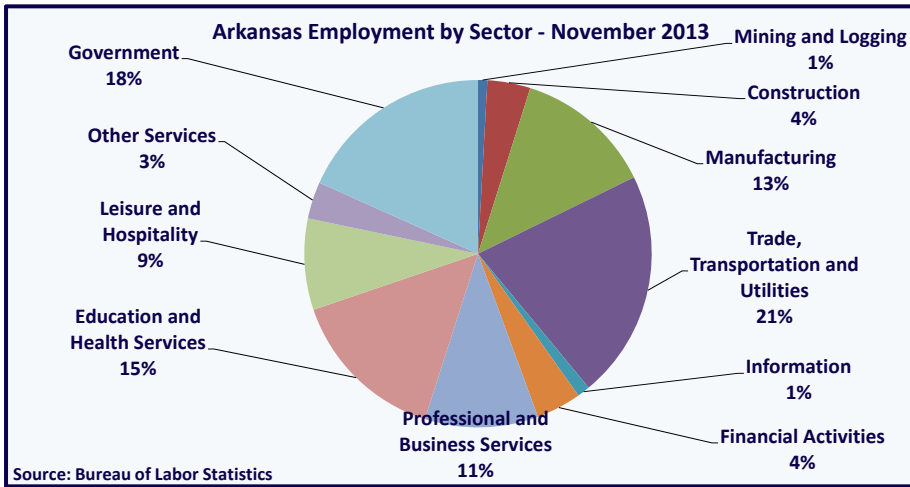
Arkansas Per Capita Personal Income



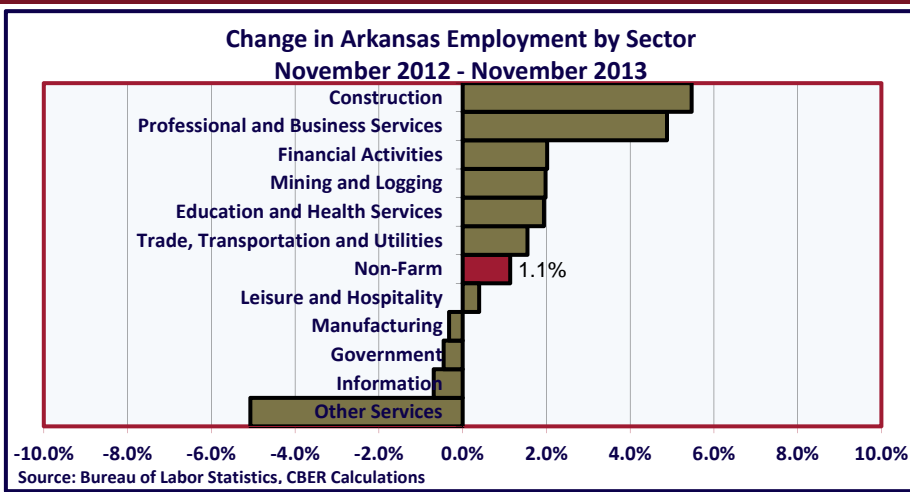
Employment Growth



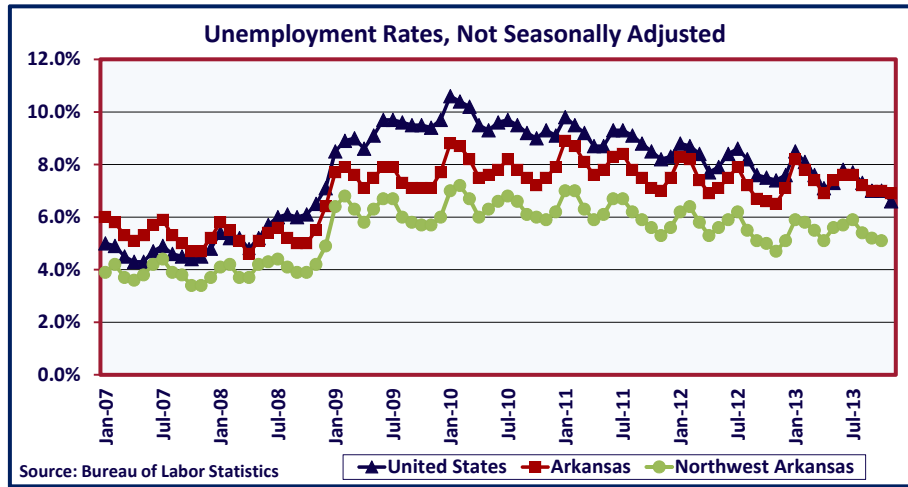
Employment by Sector



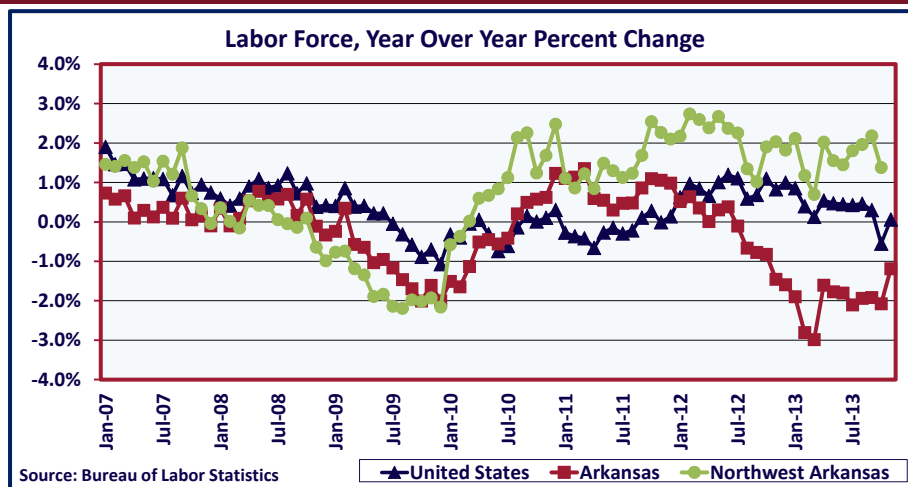
Employment by Sector

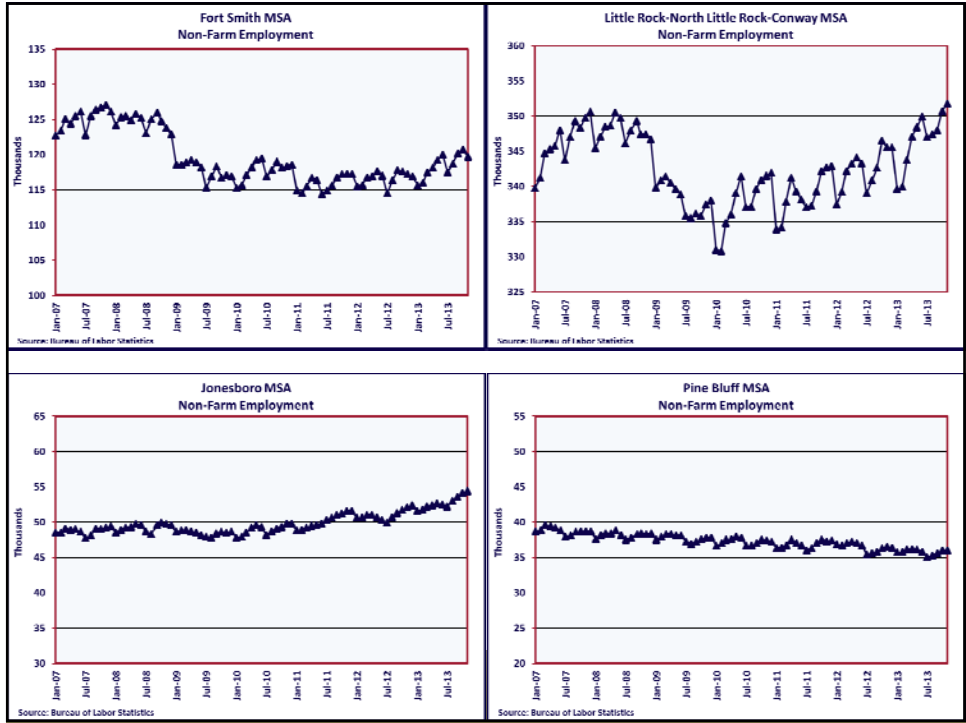


Unemployment

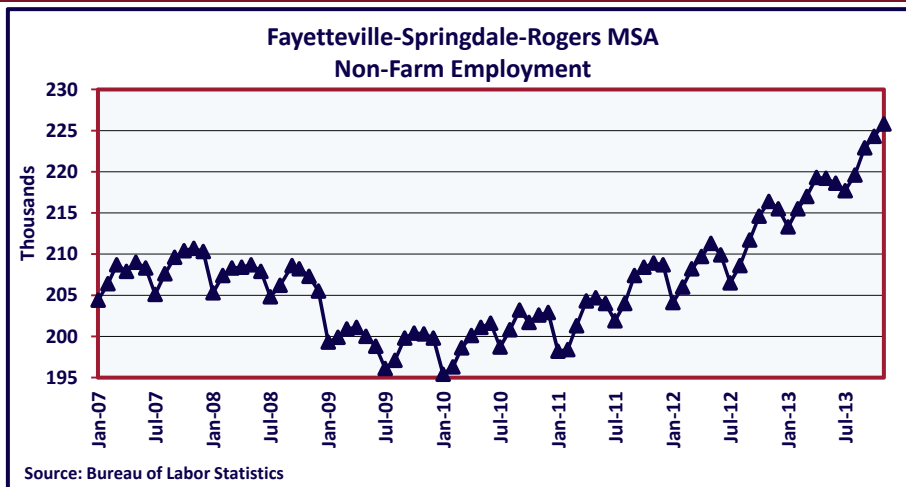


Labor Force

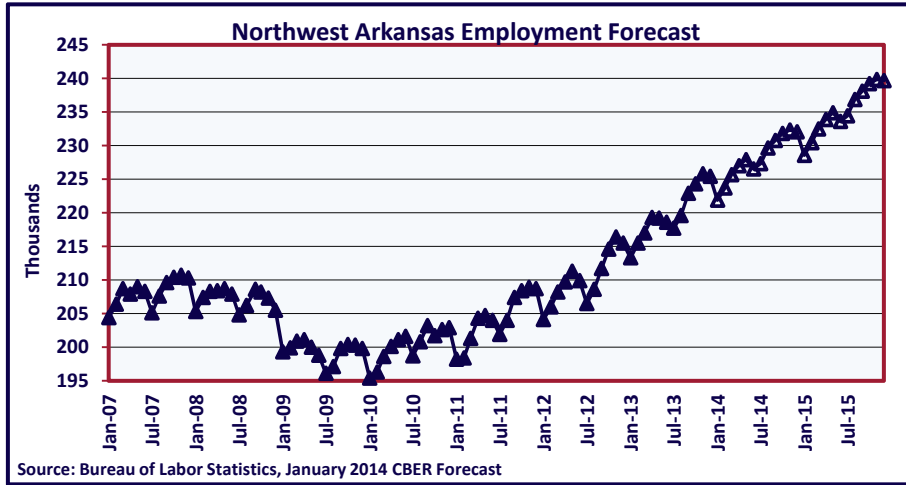




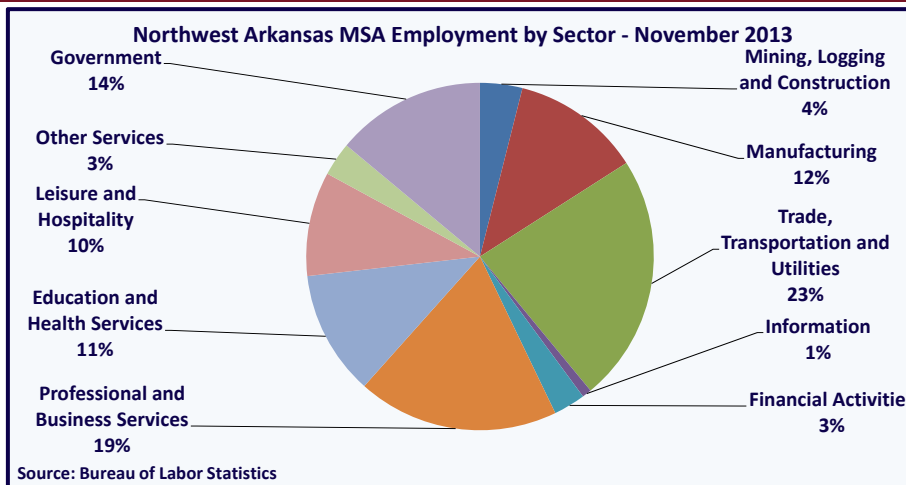
Employment Growth



Employment Growth

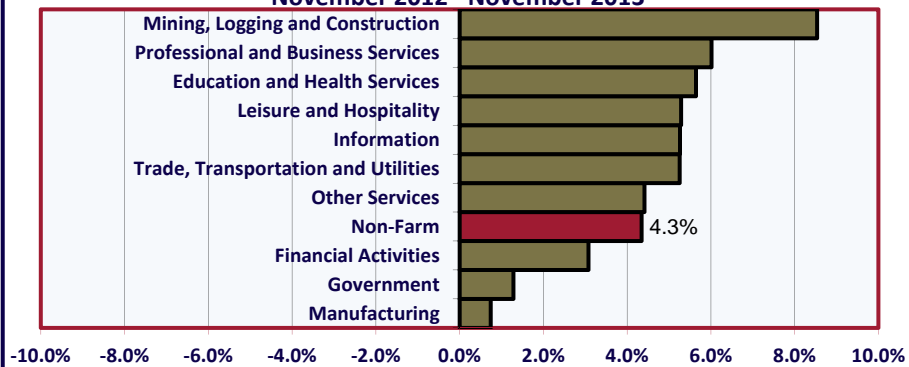


Employment by Sector



Employment by Sector

Change in Northwest Arkansas MSA Employment by Sector,
November 2012 - November 2013



Source: Bureau of Labor Statistics. CBER Calculations



Growth Factors for 2014 look like those in 2013!

- ▶ Construction (housing, commercial, highways)
- ▶ Leisure and Hospitality (Crystal Bridges, new restaurants, hotels)
- ▶ Retail Growth (look at local entrepreneurship efforts)
- ▶ Professional and Business Services (high wage, high skill)

