

BUSINESS FORECAST

PRESENTED BY: CENTER FOR BUSINESS & ECONOMIC RESEARCH



UNIVERSITY OF
ARKANSAS
SAM M. WALTON
COLLEGE OF BUSINESS



BUSINESS FORECAST

SPONSORS

PRESENTED BY: CENTER FOR BUSINESS AND ECONOMIC RESEARCH

WALTON PRESENTING PARTNERS

Walmart/Sam's Club

WALTON ACADEMIC PARTNERS

Center for Retailing Excellence

Greenwood Gearhart Inc.

WALTON CORPORATE PARTNERS

Frost, PLLC

Reece Moore Pendergraft LLP

Smith Hurst PLC

Tyson Foods, Inc.

WALTON BUSINESS PARTNERS

AEP SWEPCO

Charles Schwab & Company

City of Fort Smith

Friday, Eldredge and Clark

HoganTaylor LLP

J. B. Hunt Transport Services, Inc.

McKee Foods Corporation

Regions Bank

City of West Memphis

Wright, Lindsey & Jennings LLP

WALTON MEDIA PARTNERS

Arkansas Money & Politics

Northwest Arkansas Democrat Gazette

Talk Business & Politics



Center for Business
and Economic Research

Business Forecast 2015

Friday, January 30, 2015

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

2014 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

John James

Founder

Acumen Brands

Presentations

Global Forecaster

Carl Tannenbaum

Chief Economist

Northern Trust

Domestic Forecaster

John Silvia

Chief Economist

Wells Fargo

State and Local Forecaster

Kathy Deck

Panel Discussion

John James, Carl Tannenbaum, John Silvia, Kathy Deck

Recognitions and Announcements

Eli Jones

Business Forecast 2015 is in association with the National Association for Business Economics (NABE).

Please use Twitter hashtag #BF2015 for this event.

John James is the founder of Acumen Brands, an ecommerce company in Fayetteville, Arkansas. Previously he was a family practice physician who, on the last day of his residency, gave up medicine for the adventure of innovation. James paid for medical school with proceeds from his first ecommerce company, a quiz bowl question business, founded from his dorm room at the University of Arkansas in 1995. John has built and sold multiple businesses centered around search engine marketing, including ventures in keyword arbitrage, multichannel niche retail, and hyperlocal online media. James is currently the CEO of Acumen Brands, which includes Country Outfitter, with over 10 million social followers and email subscribers. His company has raised over \$100 million in venture funding, including an \$88 million Series C led by General Atlantic. He holds a B.S. from the University of Arkansas and a M.D. from the University of Arkansas for Medical Sciences.

Carl Tannenbaum is the chief economist for Northern Trust. Prior to joining Northern Trust, Carl led a team at the Federal Reserve Bank of Chicago whose charter was to analyze financial risk, its implication for the broad economy and policy choices to address it. He served as the head of the entire Federal Reserve System's risk group in Washington for a year, working closely with Federal Reserve System Governors and senior officials. Preceding his work at the Federal Reserve, Carl served as chief economist and head of balance sheet management at LaSalle Bank/ABN AMRO, where he worked for 24 years. He received a bachelor's degree in finance and economics and a Masters of Business Administration degree from the University of Chicago. He is a past chairman of the Conference of Business Economists and also a past president of the National Association for Business Economics and the North American Asset/Liability Management Association.

John Silvia is managing director and chief economist for Wells Fargo. Previously, he was a senior economist for the U.S. Senate Joint Economic Committee and chief economist for the U.S. Senate Banking, Housing and Urban Affairs Committee. Prior to that, he was chief economist of Kemper Funds and managing director of Scudder Kemper Investments, Inc. Silvia is on several Bloomberg Best Forecast lists, is chair for the Economic Advisory Committee of the Securities Industry and Financial Markets Association, serves on the Blue Chip Panel of Economic Forecasters for the Federal Reserve Bank of Philadelphia, the Economic Advisory Roundtable, and the finance committee for the Mint Museum in Charlotte, N.C. He is the author of "Dynamic Economic Decision Making" and "Economic & Business Forecasting." He has served as president of the Charlotte Economics Club and on advisory committees to the Federal Reserve Bank of Cleveland, the Federal Reserve Bank of Chicago, and the Public Securities Association. Currently, he serves on the President's Council for Charlotte's Central Piedmont Community College. Silvia holds B.A. and Ph.D. in economics from Northeastern University and a M.S. in economics from Brown University.

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*. Before joining the Center, Deck was the antitrust economist for the Arizona Attorney General. 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.

NORTHERN TRUST GLOBAL ECONOMIC RESEARCH



Engines and Engineers The Economic Outlook for 2015

Carl R. Tannenbaum
Chief Economist
PH: 312.557.8820
ct92@ntrs.com

© 2013 Northern Trust Corporation



Northern Trust
northerntrust.com



Themes

- **Global economic growth has been good, but uneven**
 - Will the leaders pull everyone forward, or be drawn back to the pack?
- **Energy price realignment will be a mixed blessing**
 - Consumers will benefit but there is potential for instability among producers
- **Diverging fortunes create anxiety within and between nations**
 - Politics and economics have gotten more complicated
- **Central bankers have a challenging set of objectives**
 - Monetary policy remains in uncharted territory

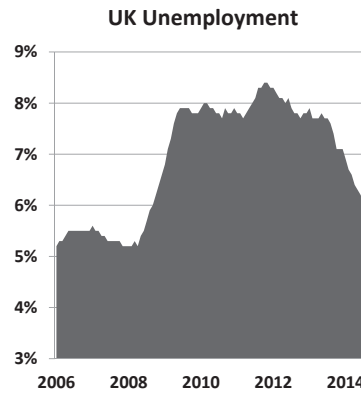
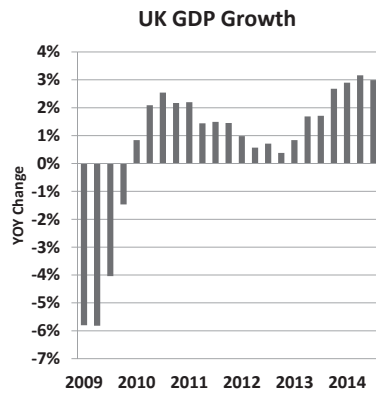


Carrying the Freight



United Kingdom

- Solid growth and falling unemployment
- No exit yet from central bank

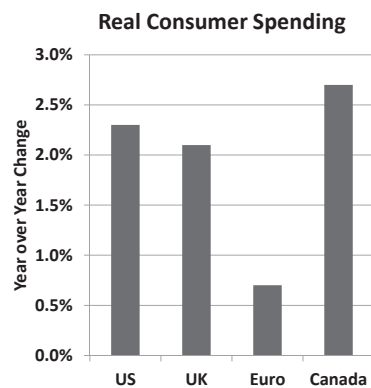
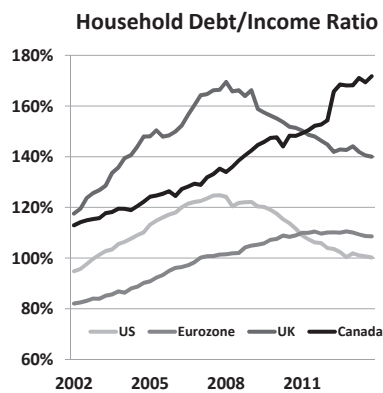


Source: Haver Analytics



The De-Leveraging Process

- Deleveraging is well along in some places, not others
- A key driver of consumption



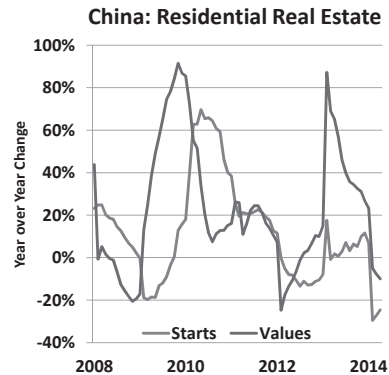
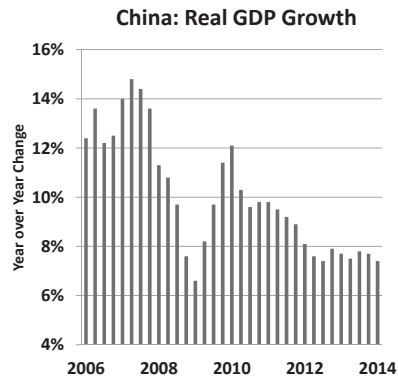
Sources: Haver Analytics, Bloomberg





China: Growth Issues?

- A challenging transition to sustainable growth
- Controlling credit without creating a crash



Sources: Haver Analytics/China Index Academy/Sofun



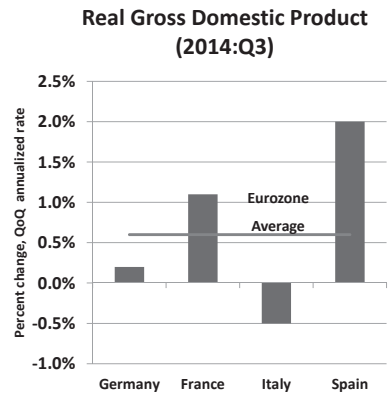
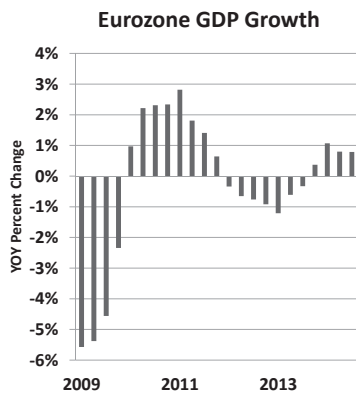
Slowing Progress





The Eurozone's Malaise

- Eurozone growth is very soft, and uneven

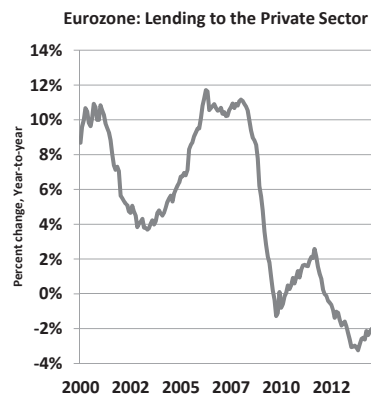
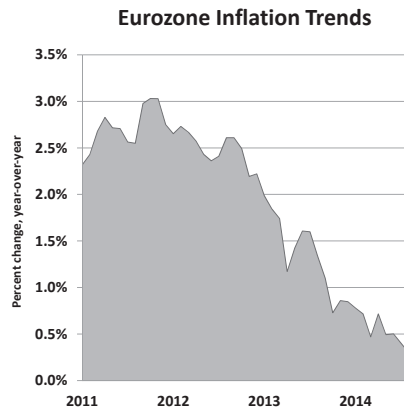


Source: Haver Analytics



Eurozone Challenges

- Deepening disinflation
- Poor bank health restricts credit



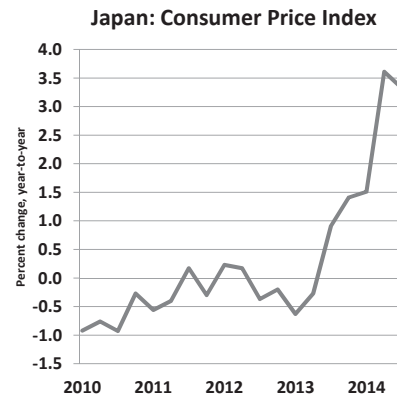
Source: Haver Analytics





Japan: Challenges

- Back into recession after sales tax increase
- Inflation is finally positive



Source: Haver Analytics



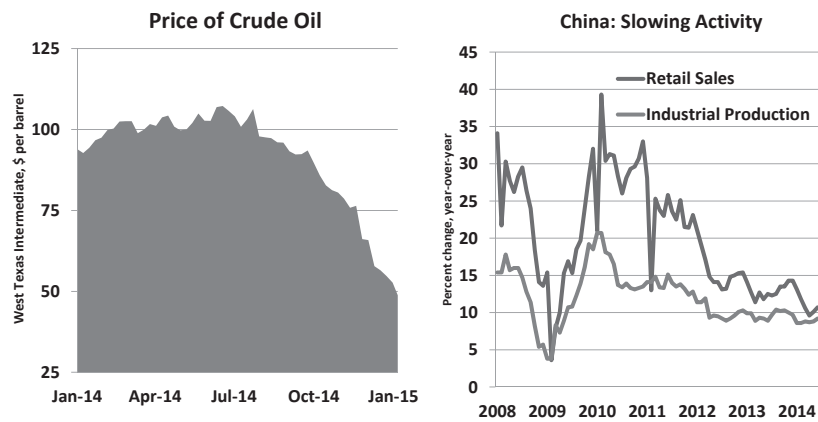
Fuel for the Fire





Energy Realignment

- **A stunning decline**
- **Flagging Chinese demand is among the root causes**



Source: Haver Analytics



The Supply Side

- **OPEC: not your father's cartel**
 - Monies needed to combat insurgents, placate the populace
 - Internal dissonance
- **Punitive impulses**
 - Russia is among those under the most pressure
- **Competitive strategy**
 - Are traditional producers trying to push new producers below breakeven?





Consequences

Winners

- **Consumers**
 - U.S. fares especially well
- **Importers**
 - Japan, India, eurozone
- **Some manufacturers**
 - Outside of energy production

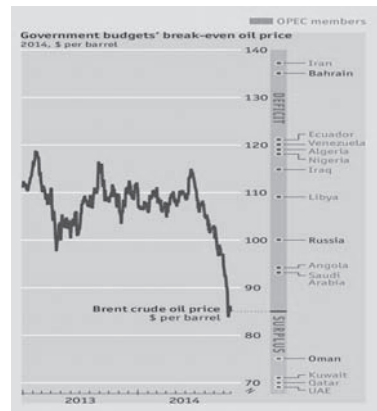
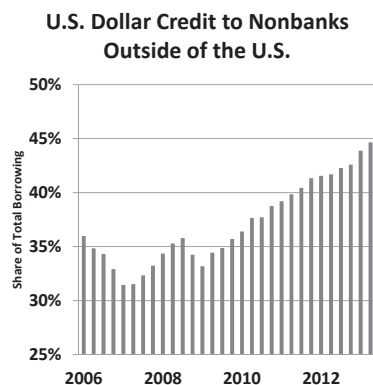
Losers

- **Frackers**
 - Higher breakeven costs
- **Russia**
 - Overreliance on energy
- **Peripheral producers**
 - Venezuela, Nigeria, Iran, etc.



Domino Effects

- Strain on some corporate borrowers in emerging markets
- Breakeven prices have two dimensions



Sources: BIS, The Economist

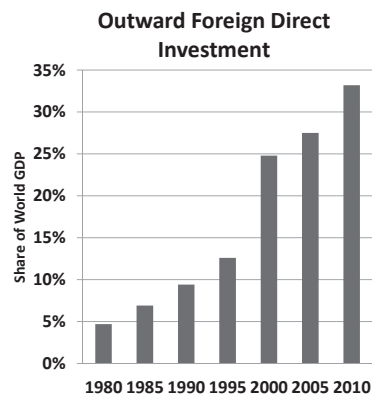
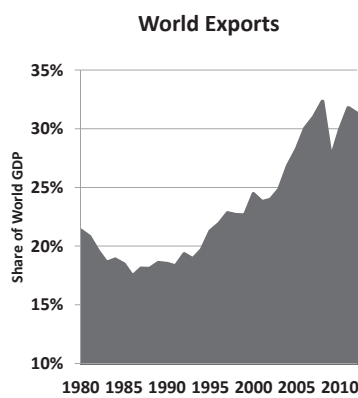


Not on the Same Track



Global Economic Ties

- Trade and capital flows have expanded substantially in the last generation

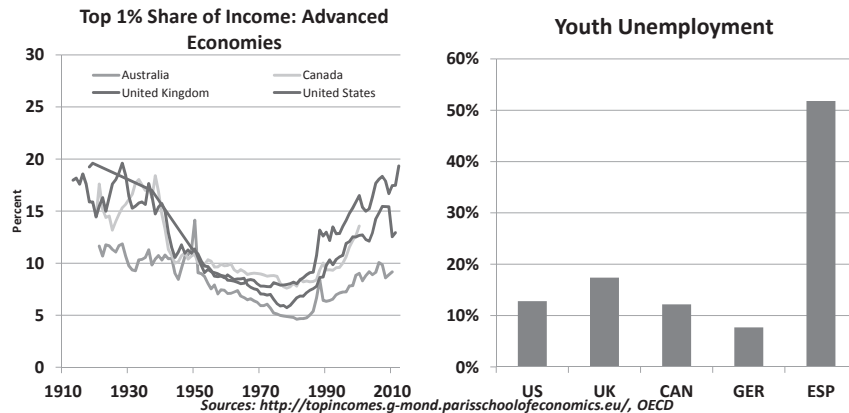


Sources: International Monetary Fund, United Nations



Economics and Social Stability

- Globalization has leveled income across countries, but exaggerated inequality within countries
- A rising sense of disenfranchisement



Backlash Ahead?

- Income inequality and high unemployment create discontent
 - Does the system work for me?
- Populist politicians are quick to capitalize
 - Anti-market, anti-trade, anti-immigrant
- Redistributive policies can diminish growth
 - Companies can move to a friendlier haven



The Engineers



Janet Yellen
Federal Reserve



Mario Draghi
European Central Bank



Mark Carney
Bank of England



Haruhiko Kuroda
Bank of Japan



Zhou Xiaochuan
Peoples Bank of China



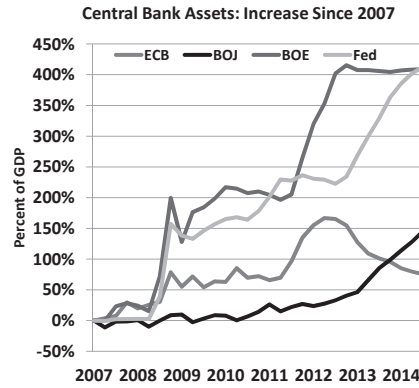
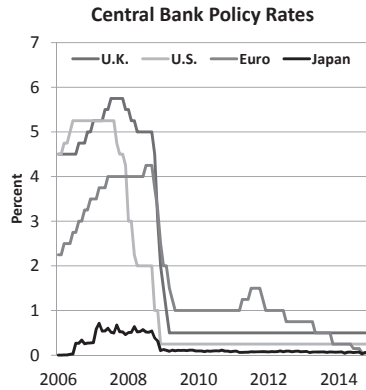
Raghuram Rajan
Reserve Bank of India





The Course of Central Banking

- Cheap liquidity to promote growth
- Different markets in different phases

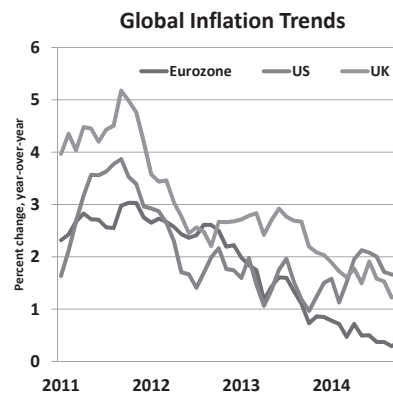
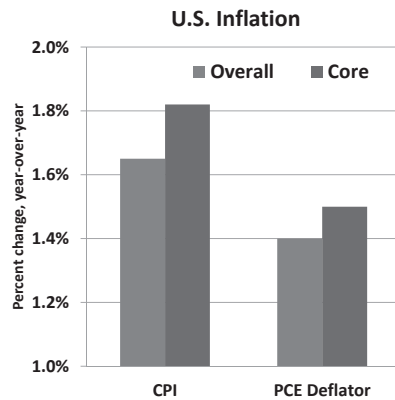


Sources: Federal Reserve, ECB, BOC, BOE, Bloomberg, Haver Analytics



Inflation Issues

- Well below targeted levels
- Global capacity exerts downward pressure



Sources: Bloomberg, Haver Analytics





Parting Thoughts

- **The global outlook remains positive**
 - Forward readings are encouraging
- **Performance will continue to be somewhat uneven**
 - Some regions and sectors are further along
- **Risks to the outlook are varied**
 - Geopolitics tops the list
- **For all of today's challenges, we've come a long way**

WELLS
FARGO

SECURITIES

Economic Outlook: Cyclical Recovery, Structural Challenges

University of Arkansas

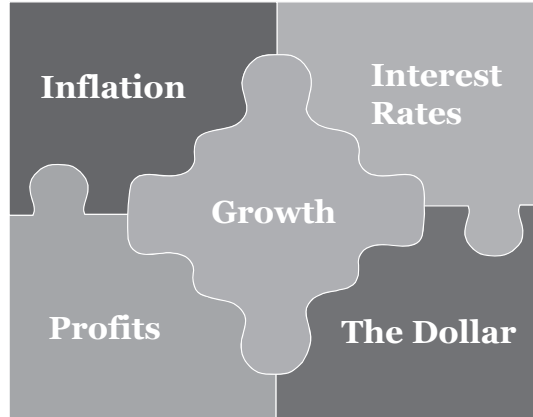
John E. Silvia, Chief Economist

January 30, 2015



Where Are We Now?

Five benchmarks for good decision making



Wells Fargo vs. Consensus

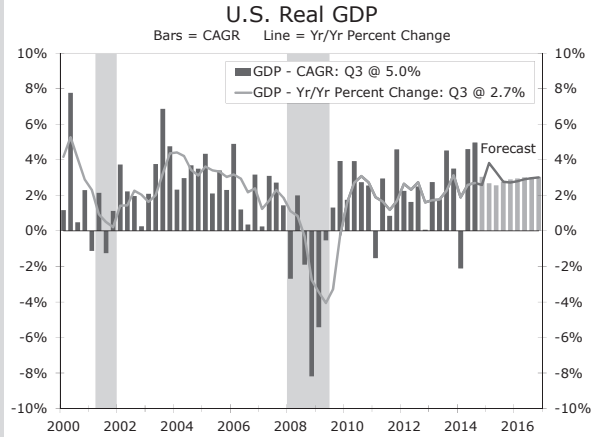
How do we differ from consensus?

Expectations for the Future

- Sustained-trend growth
- Employment—cyclical and structural change
- Still cautious on consumer segments
- Housing improving—multifamily especially
- State and local governments—still restructuring
- Unsustainable long-run fiscal policy
- Europe weak growth path
- China growth sub 7 percent

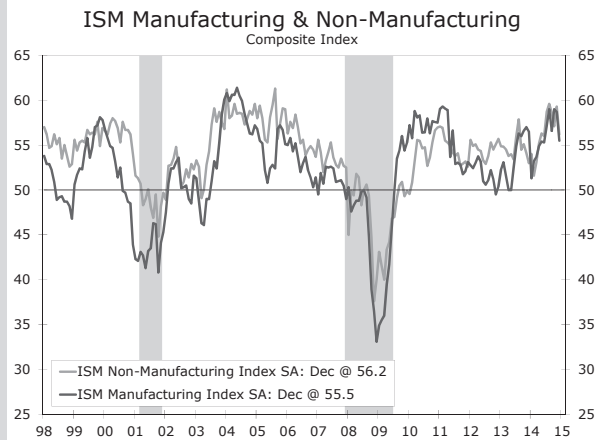
Upswing 2H 2014: One-off or Sustained?

Following a poor start to the year, GDP growth has rebounded smartly. Solid growth prospects in the year ahead.



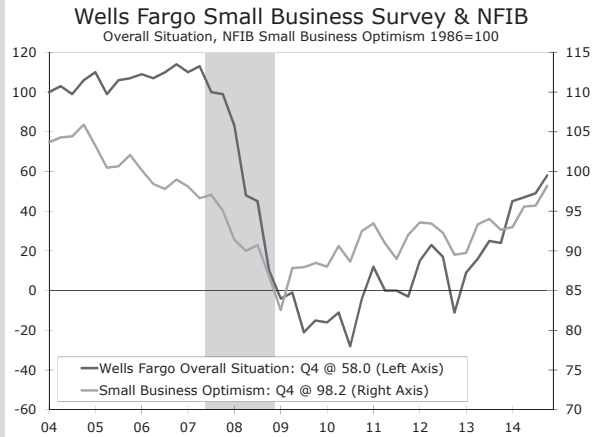
Manufacturing & Services

Indexes on business activity suggest an improving near-term outlook



Small Businesses

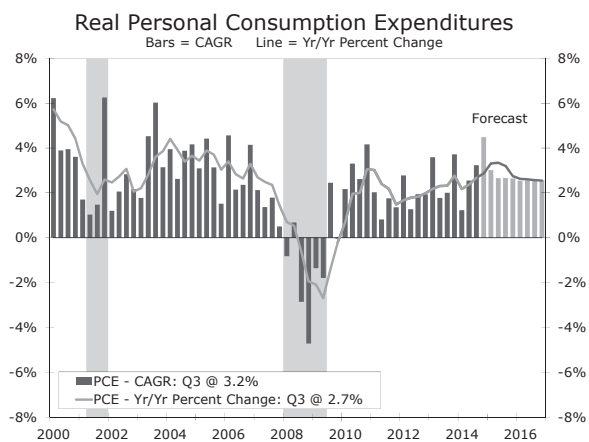
Small Businesses:
A full recovery in small business
optimism is still distant, taxes
and regulation the two big issues



Source: National Federation of Independent Businesses, Gallup, Wells Fargo Bank and Wells Fargo Securities, LLC

Consumer Spending

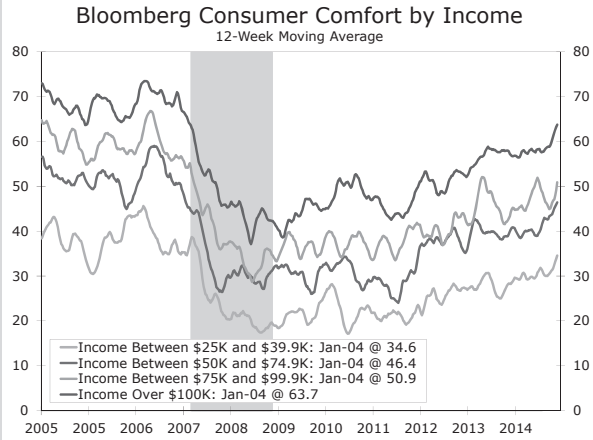
Faster job growth, asset
appreciation and more access to
credit are supportive to the
consumer spending outlook



Source: U.S. Department of Commerce and Wells Fargo Securities, LLC

Consumer Confidence: By Income Group

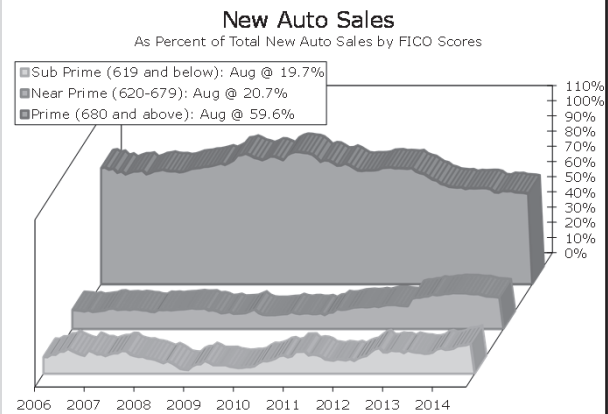
Confidence improves with income, but remains historically low across all income ranges



Source: Bloomberg LP and Wells Fargo Securities, LLC

Auto Lending

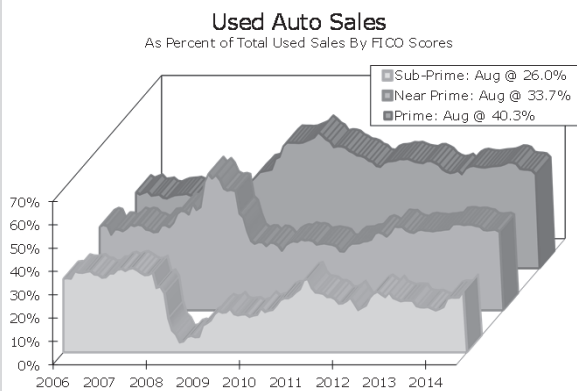
There has been an increase in auto sales to sub and near-prime buyers



Source: CNW Research and Wells Fargo Securities, LLC

Auto Lending

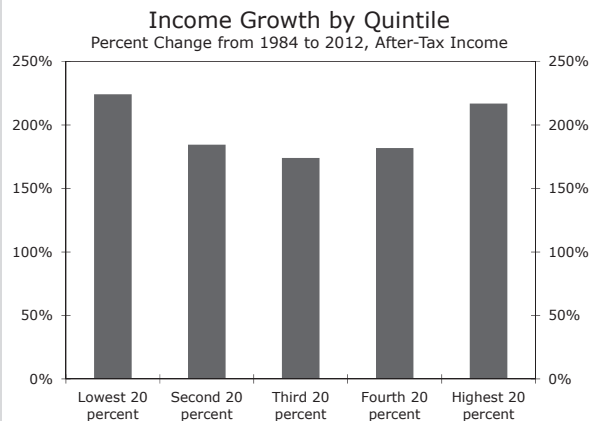
The rise in sub-prime auto sales has been most prevalent in the used auto sales market



Source: CNW Research and Wells Fargo Securities, LLC

Income Growth: Rising at Different Rates

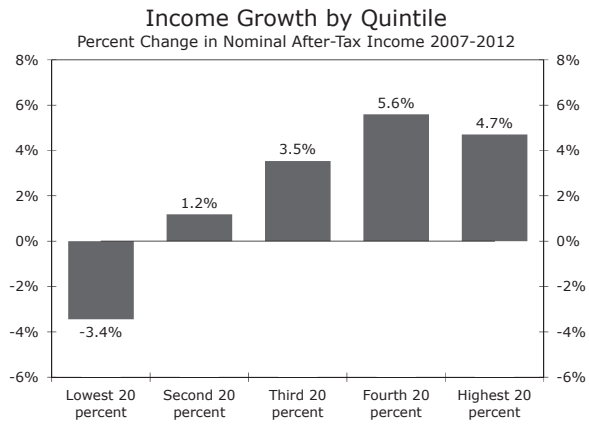
After-tax nominal income has increased the most for the lowest and highest income households since the mid-1980s



Source: U.S. Department of Labor and Wells Fargo Securities, LLC

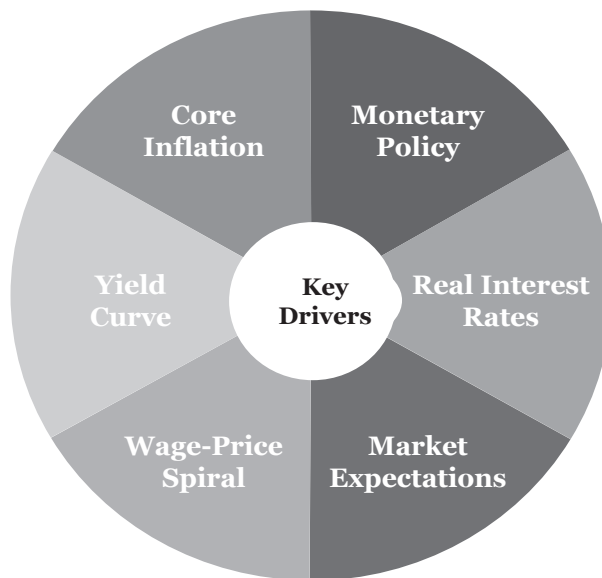
Income Growth: Rising at Different Rates

Since 2007, income growth has been clearly concentrated in the upper quintiles



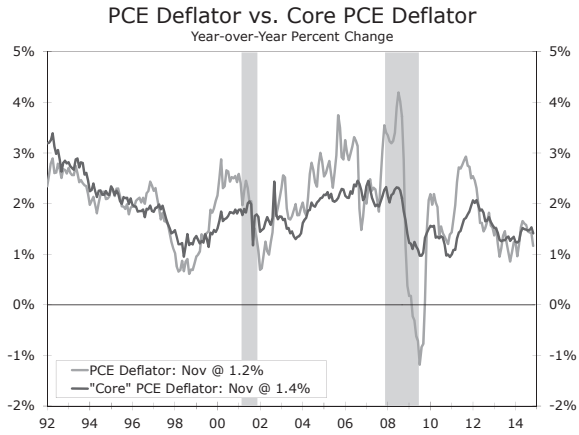
Source: U.S. Department of Labor and Wells Fargo Securities, LLC

Inflation & Interest Rates



Inflation: Rising – Not Low

Inflation remains historically low, but has picked up as growth accelerates and excess slack lessens

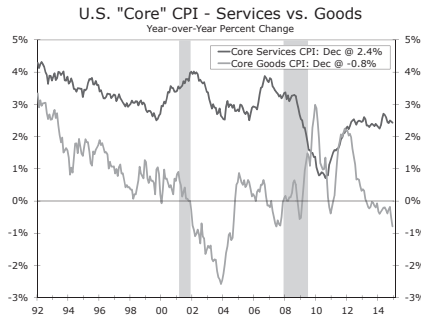


Source: U.S. Department of Commerce and Wells Fargo Securities, LLC

Inflation

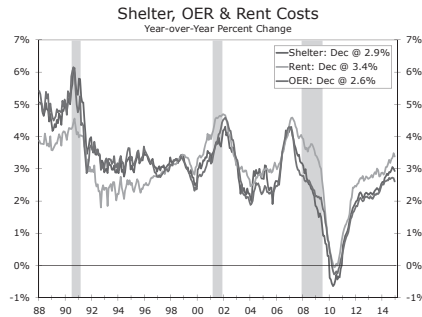
Services continue to underpin overall inflation, led by rising shelter costs as the housing market has recovered. Between 2008 and 2013, total prices are up 8.2 percent vs. 16.8 percent for medical care.

Services vs. Goods



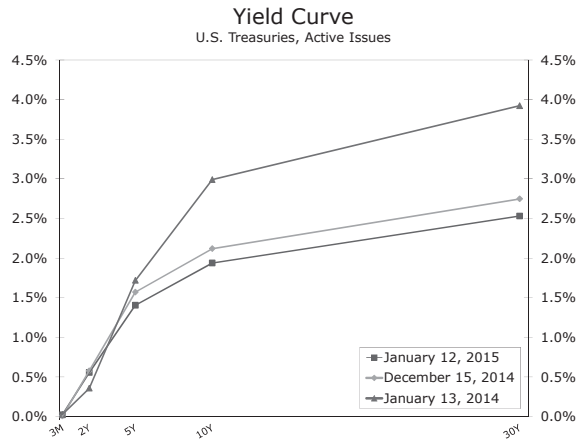
Source: U.S. Department of Labor and Wells Fargo Securities, LLC

Shelter Costs



Yield Curve: Rates Rise Without Fed

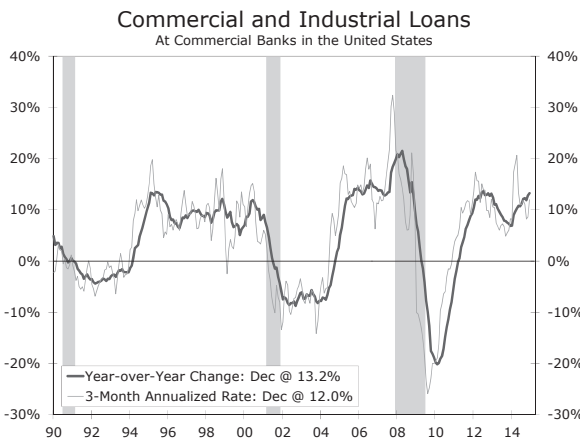
The Fed will begin to raise the funds rate in mid-2015



Source: Bloomberg LP and Wells Fargo Securities, LLC

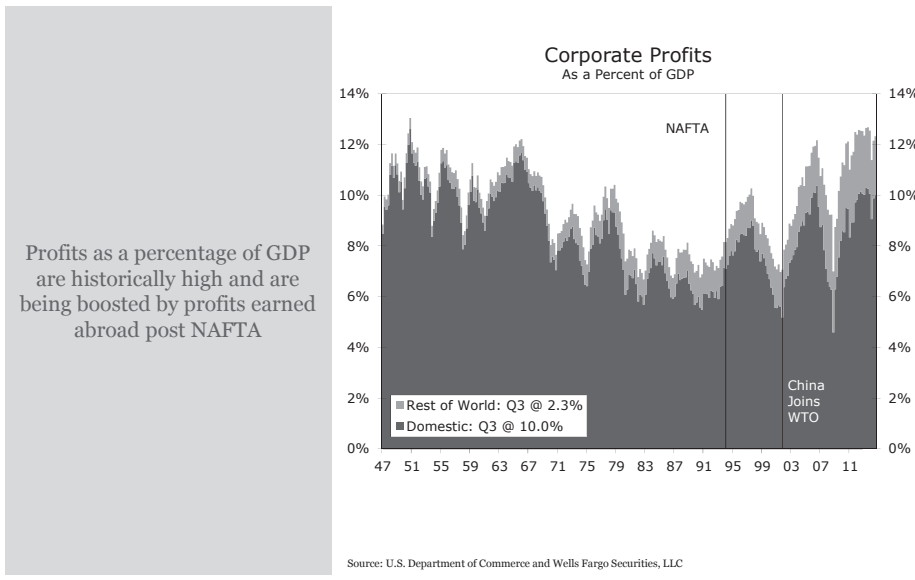
Business Lending

Commercial and industrial lending has surged over the past quarter, helped by easier credit and increased demand



Source: Federal Reserve Board and Wells Fargo Securities, LLC

Corporate Profits: Increasing Role of Global Profits



Corporate Profits from Abroad

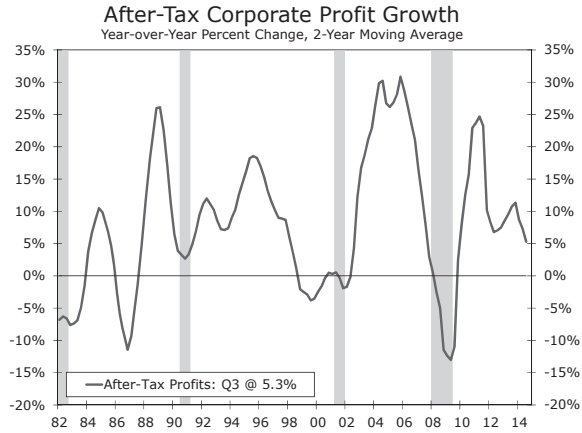
Many U.S. companies rely on the health of international economies

U.S. Companies listed in the S&P 500 with Greater Than 50 Percent of Sales Abroad (A Sample)

- Goodyear Tire
- BorgWarner
- Priceline.com
- Nike
- Coca-Cola
- Heinz
- Proctor & Gamble
- Avon
- Exxon Mobil
- AFLAC
- Intel
- Applied Materials
- Oracle
- Johnson & Johnson
- Merck
- Boeing
- Eaton Corp.
- Emerson Electric
- Fluor
- GE
- 3M
- Caterpillar
- Cisco
- Qualcomm
- Apple
- eBay
- IBM
- Symantec

Corporate Profit Growth

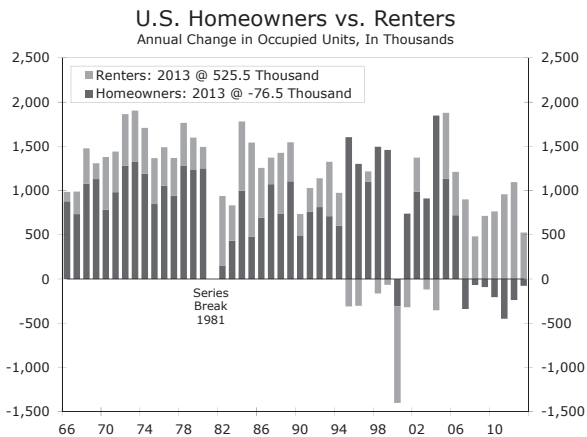
Corporate profit growth remains firm—typical mid-cycle slowdown



Source: U.S. Department of Commerce and Wells Fargo Securities, LLC

Housing: Emergence of Renters as Occupants

The number of renters has been accelerating steadily since 2007, while homeowners have been declining

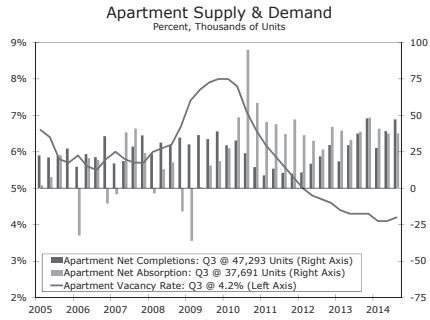


Source: U.S. Department of Commerce and Wells Fargo Securities, LLC

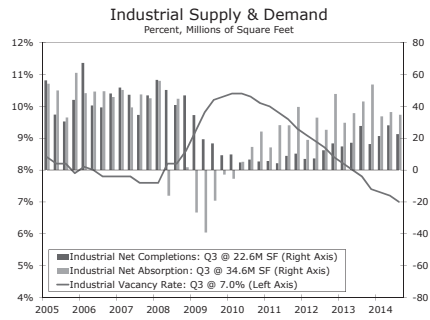
Commercial Real Estate: Divergence

Apartments have seen the greatest improvement in operating fundamentals but are also seeing intense new development. The industrial market has also improved quite significantly.

Apartment Supply & Demand



Industrial Supply & Demand

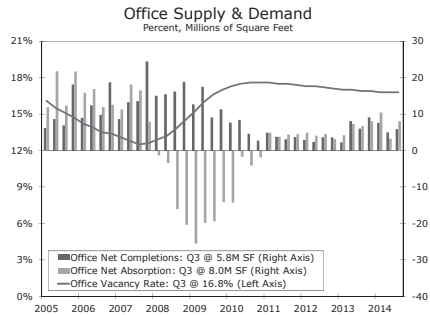


Source: Reis, Inc., PPR, U.S. Department of Commerce and Wells Fargo Securities, LLC

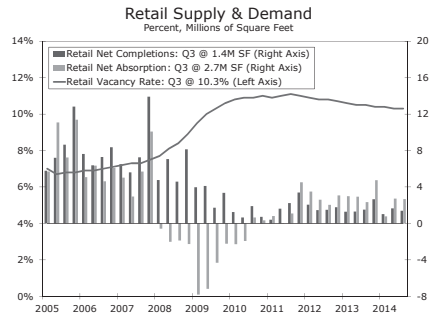
Commercial Real Estate

Office and retail commercial real estate have not seen the same type of improvement as apartments and industrial space, as vacancy rates remain somewhat elevated.

Office Supply & Demand



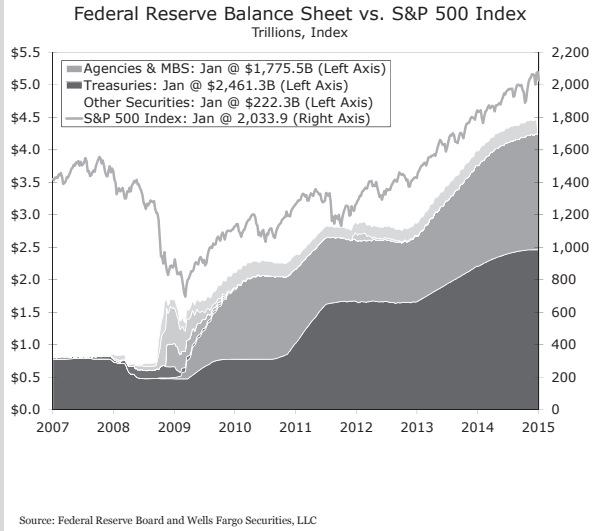
Retail Supply & Demand



Source: Reis, Inc., PPR, U.S. Department of Commerce and Wells Fargo Securities, LLC

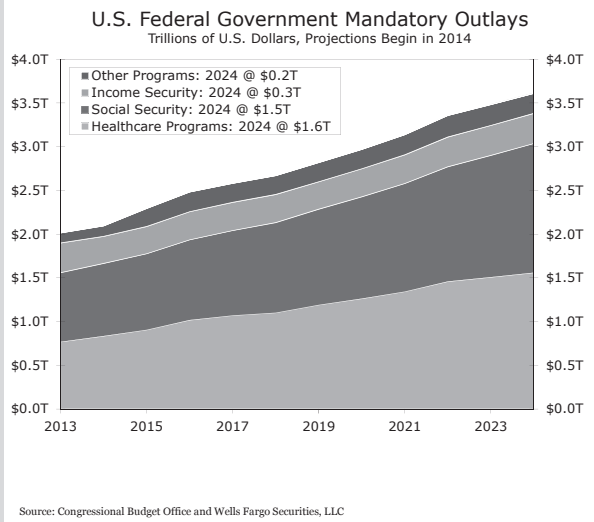
Fed Balance Sheet: Challenge to Asset Values

We have seen a strong correlation in the expansion of the Fed's balance sheet and the rise in the S&P 500



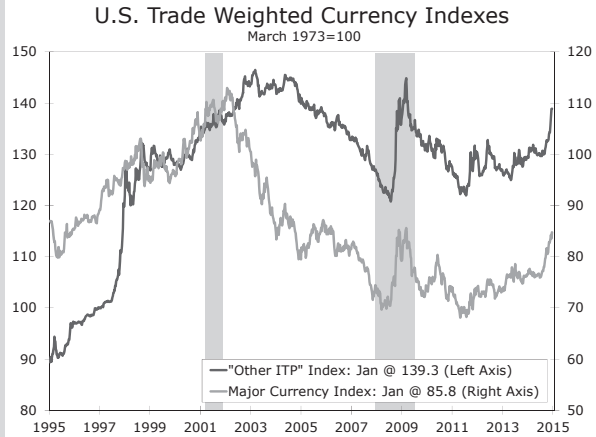
Federal Government Spending: Entitlements in the Driver's Seat

The unfunded liabilities of the entitlement programs reflect a commitment to spend in the future



U.S. Trade Weighted Currency Indexes

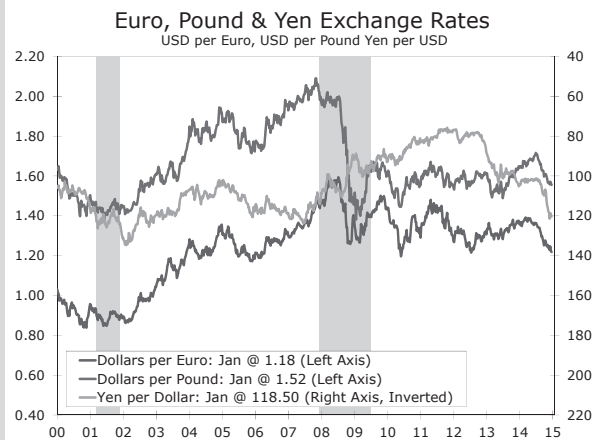
The dollar has experienced recent strength against both major and emerging currencies



Source: Federal Reserve Board and Wells Fargo Securities, LLC

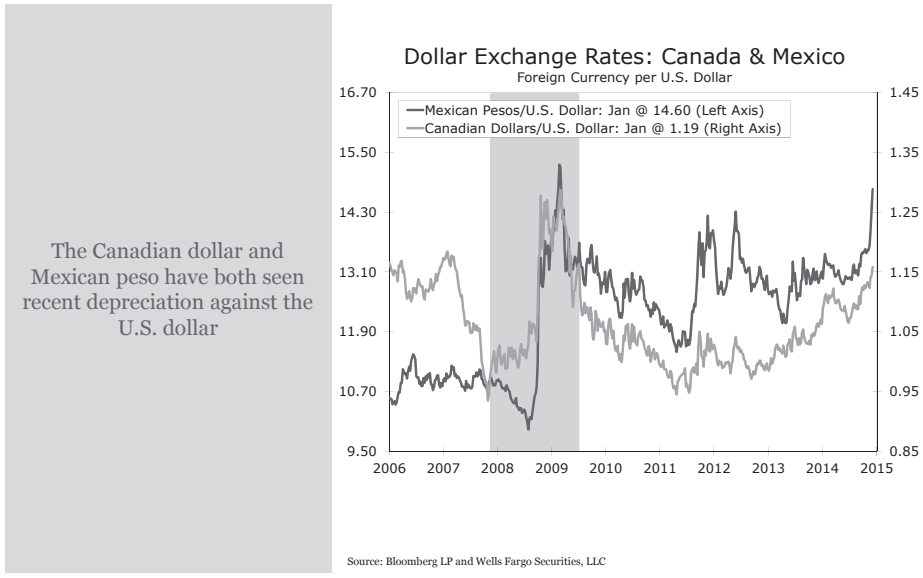
Global Economies: A Stronger Dollar

The dollar has appreciated against the euro, pound and yen recently.



Source: Bloomberg LP and Wells Fargo Securities, LLC

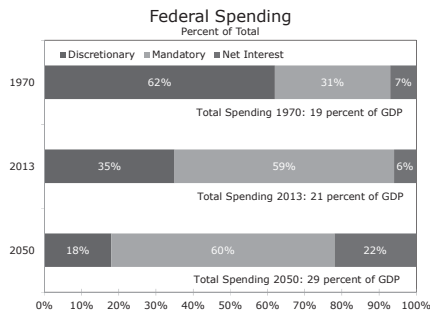
Global Economies: A Stronger Dollar



Federal Fiscal Policy

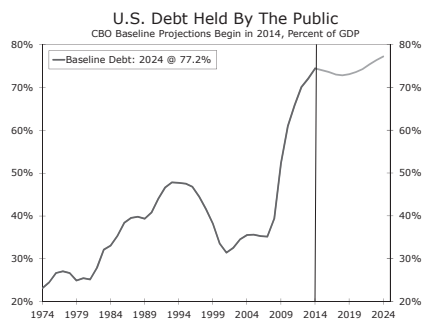
The composition of federal spending has shifted dramatically. The CBO projects that the debt-to-GDP ratio will reach nearly 80 percent by 2024.

Composition of Federal Spending



Source: Congressional Budget Office and Wells Fargo Securities, LLC

Federal Debt Continues to Rise



U.S. Forecast

Wells Fargo U.S. Economic Outlook													
	Actual				Forecast				Actual		Forecast		
	2014				2015				2012	2013	2014	2015	2016
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q					
Real Gross Domestic Product ¹	-2.1	4.6	5.0	3.0	2.7	2.6	2.8	2.9	2.3	2.2	2.4	3.1	2.9
Personal Consumption	1.2	2.5	3.2	4.5	3.0	2.7	2.7	2.6	1.8	2.4	2.5	3.1	2.6
Inflation Indicators ²													
PCE Deflator	1.1	1.6	1.5	1.1	0.8	0.7	0.9	1.4	1.8	1.2	1.3	1.0	2.0
Consumer Price Index	1.4	2.1	1.8	1.2	0.7	0.5	0.8	1.7	2.1	1.5	1.6	0.9	2.4
Industrial Production ¹	3.9	5.7	4.0	5.9	4.7	4.9	3.5	3.1	3.8	2.9	4.3	4.7	3.6
Corporate Profits Before Taxes ²	-4.8	0.1	1.4	1.5	3.7	3.6	4.1	4.6	11.4	4.2	-0.4	4.0	5.2
Trade Weighted Dollar Index ³	76.9	75.9	81.3	85.1	86.8	88.0	89.3	90.5	73.5	75.9	78.5	88.6	92.9
Unemployment Rate	6.6	6.2	6.1	5.7	5.5	5.4	5.3	5.2	8.1	7.4	6.2	5.4	5.0
Housing Starts ⁴	0.93	0.99	1.03	1.02	1.06	1.13	1.21	1.24	0.78	0.92	1.00	1.17	1.28
Quarter-End Interest Rates ⁵													
Federal Funds Target Rate	0.25	0.25	0.25	0.25	0.25	0.50	0.75	1.00	0.25	0.25	0.25	0.63	2.00
Conventional Mortgage Rate	4.34	4.16	4.16	3.86	3.60	3.72	3.87	3.89	3.66	3.98	4.17	3.77	4.56
10 Year Note	2.73	2.53	2.52	2.17	1.99	2.21	2.29	2.30	1.80	2.35	2.54	2.20	2.82

Forecast as of: January 14, 2015

¹ Compound Annual Growth Rate Quarter-over-Quarter

² Year-over-Year Percentage Change

³ Federal Reserve Major Currency Index, 1973=100 - Quarter End

⁴ Millions of Units

⁵ Annual Numbers Represent Averages

Source: U.S. Department of Commerce, U.S. Department of Labor, Federal Reserve Board, Freddie Mac and Wells Fargo Securities, LLC

Appendix

Wells Fargo Economics Group Publications

To join any of our research distribution lists please visit our website:
<http://www.wellsfargo.com/economics>

Recent Special Commentary

Date	Title	Authors
U.S. Macro		
January-06	Making Sense of Household Formations	Vitner & Khan
December-15	Profits: Understanding Why and How of Cyclical Variation	Silvia & Iqbal
December-15	Just Another Final Hour Budget Deal	Silvia & Brown
December-12	What If We Just Need Fewer Jobs?	Silvia, Iqbal & House
U.S. Regional		
January-05	Pennsylvania 2015 Economic Outlook	Vitner, Wolf & Moehring
December-30	Florida Consumers Getting Better All the Time	Vitner & Wolf
December-30	Colorado Economic Outlook: December 2014	Vitner & Moehring
December-19	California Employment Conditions: November 2014	Vitner & Wolf
Global Economy		
January-06	Argentina's Economy Continued to Deteriorate in Q3 2014	Alemán
January-02	Real GDP Growth in Singapore Ends Year on Weak Note	Bryson
December-22	Which Developing Countries Have External Debt 'Issues'?	Bryson & Nelson
December-19	Russian Central Bank Acts to Stop Ruble's Fall	Quinlan
Interest Rates/Credit Market		
January-07	Are Higher Rates a Liability for Households?	Silvia, Vitner & Brown
December-17	FOMC Patiently Lays Groundwork	Bullard & Brown
December-17	A Look Ahead to 2015: A Flatter Yield Curve, Refinancing Risk	Silvia, Vitner & Brown
December-10	Fed Tightening Cycles and Yield Spreads: Flatter	Silvia, Vitner & Brown
Real Estate		
December-23	Nonresidential Construction Recap: December 2014	Khan
December-17	Housing Chartbook: December 2014	Vitner & Khan
December-16	Dodge Momentum Index Inches Higher in November	Khan
December-10	Commercial Real Estate Chartbook: Q3	Vitner & Khan

Wells Fargo Securities, LLC Economics Group

Global Head of Research and Economics

Diane Schumaker-Krieg diane.schumaker@wellsfargo.com
Global Head of Research & Economics

Chief Economist

John E. Silvia john.silvia@wellsfargo.com

Senior Economists

Mark Vitner, Senior Economist mark.vitner@wellsfargo.com
 Jay H. Bryson, Global Economist jay.bryson@wellsfargo.com
 Sam Bullard, Senior Economist sam.bullard@wellsfargo.com
 Nick Bennenbroek, Currency Strategist nicholas.bennenbroek@wellsfargo.com
 Eugenio J. Alemán, Senior Economist eugenio.j.aleman@wellsfargo.com
 Anika R. Khan, Senior Economist anika.khan@wellsfargo.com

Economists

Azhar Iqbal, Econometrician azhar.iqbal@wellsfargo.com
 Tim Quinlan, Economist tim.quinlan@wellsfargo.com
 Eric J. Vilorio, Currency Strategist eric.vilorio@wellsfargo.com
 Sarah Watt House, Economist sarah.house@wellsfargo.com
 Michael A. Brown, Economist michael.a.brown@wellsfargo.com
 Michael T. Wolf, Economist michael.t.wolf@wellsfargo.com

Economic Analysts

Zachary Griffiths, Economic Analyst zachary.griffiths@wellsfargo.com
 Mackenzie Miller, Economic Analyst mackenzie.miller@wellsfargo.com
 Erik Nelson, Economic Analyst erik.f.nelson@wellsfargo.com
 Alex Moehring, Economic Analyst alex.v.moehring@wellsfargo.com

Administrative Assistants

Donna LaFleur, Executive Assistant donna.lafleur@wellsfargo.com
 Cyndi Burris, Senior Administrative Assistant cyndi.burris@wellsfargo.com

Wells Fargo Securities Economics Group publications are produced by Wells Fargo Securities, LLC, a U.S. broker-dealer registered with the U.S. Securities and Exchange Commission, the Financial Industry Regulatory Authority, and the Securities Investor Protection Corp. Wells Fargo Securities, LLC, distributes these publications directly and through subsidiaries including, but not limited to, Wells Fargo & Company, Wells Fargo Bank N.A., Wells Fargo Advisors, LLC, Wells Fargo Securities International Limited, Wells Fargo Securities Asia Limited and Wells Fargo Securities (Japan) Co. Limited. Wells Fargo Securities, LLC ("WFS") is registered with the Commodities Futures Trading Commission as a futures commission merchant and is a member in good standing of the National Futures Association. Wells Fargo Bank, N.A. ("WFBNA") is registered with the Commodities Futures Trading Commission as a swap dealer and is a member in good standing of the National Futures Association. WFS and WFBNA are generally engaged in the trading of futures and derivative products, any of which may be discussed within this publication. Wells Fargo Securities, LLC does not compensate its research analysts based on specific investment banking transactions. Wells Fargo Securities, LLC's research analysts receive compensation that is based upon and impacted by the overall profitability and revenue of the firm which includes, but is not limited to investment banking revenue. The information and opinions herein are for general information use only. Wells Fargo Securities, LLC does not guarantee their accuracy or completeness, nor does Wells Fargo Securities, LLC assume any liability for any loss that may result from the reliance by any person upon any such information or opinions. Such information and opinions are subject to change without notice, are for general information only and are not intended as an offer or solicitation with respect to the purchase or sales of any security or as personalized investment advice. Wells Fargo Securities, LLC is a separate legal entity and distinct from affiliated banks and is a wholly owned subsidiary of Wells Fargo & Company © 2015 Wells Fargo Securities, LLC.

SECURITIES: NOT FDIC-INSURED/NOT BANK-GUARANTEED/MAY LOSE VALUE

Important Information for Non-U.S. Recipients

For recipients in the EEA, this report is distributed by Wells Fargo Securities International Limited ("WFSIL"). WFSIL is a U.K. incorporated investment firm authorized and regulated by the Financial Conduct Authority. The content of this report has been approved by WFSIL a regulated person under the Act. For purposes of the U.K. Financial Conduct Authority's rules, this report constitutes impartial investment research. WFSIL does not deal with retail clients as defined in the Markets in Financial Instruments Directive 2007. The FCA rules made under the Financial Services and Markets Act 2000 for the protection of retail clients will therefore not apply, nor will the Financial Services Compensation Scheme be available. This report is not intended for, and should not be relied upon by, retail clients. This document and any other materials accompanying this document (collectively, the "Materials") are provided for general informational purposes only.

The Economic Forecast in 2015: This is Recovery

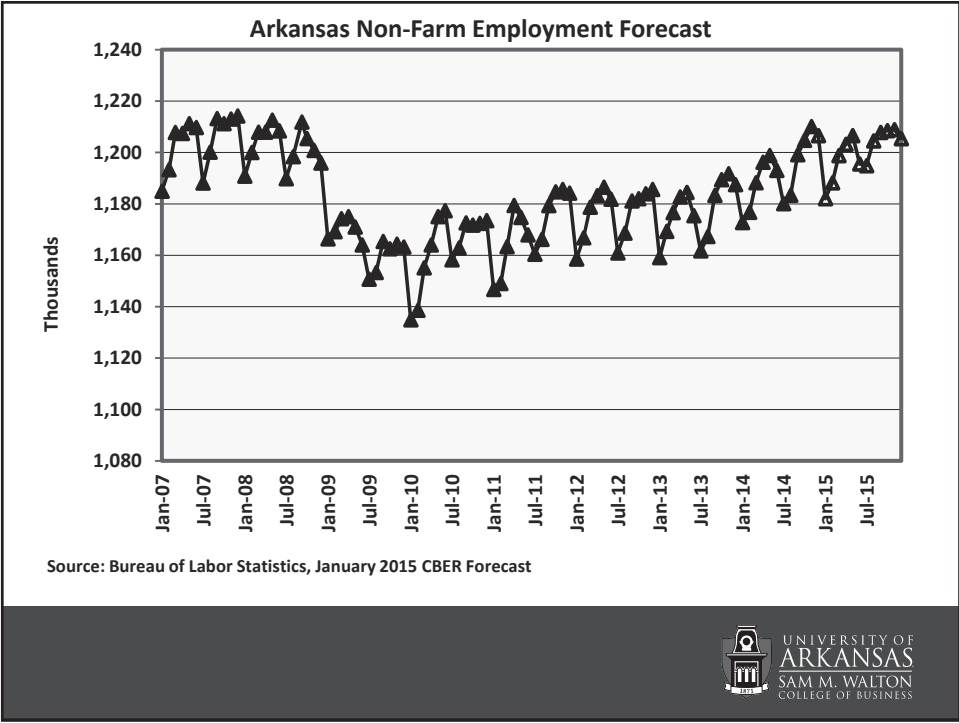
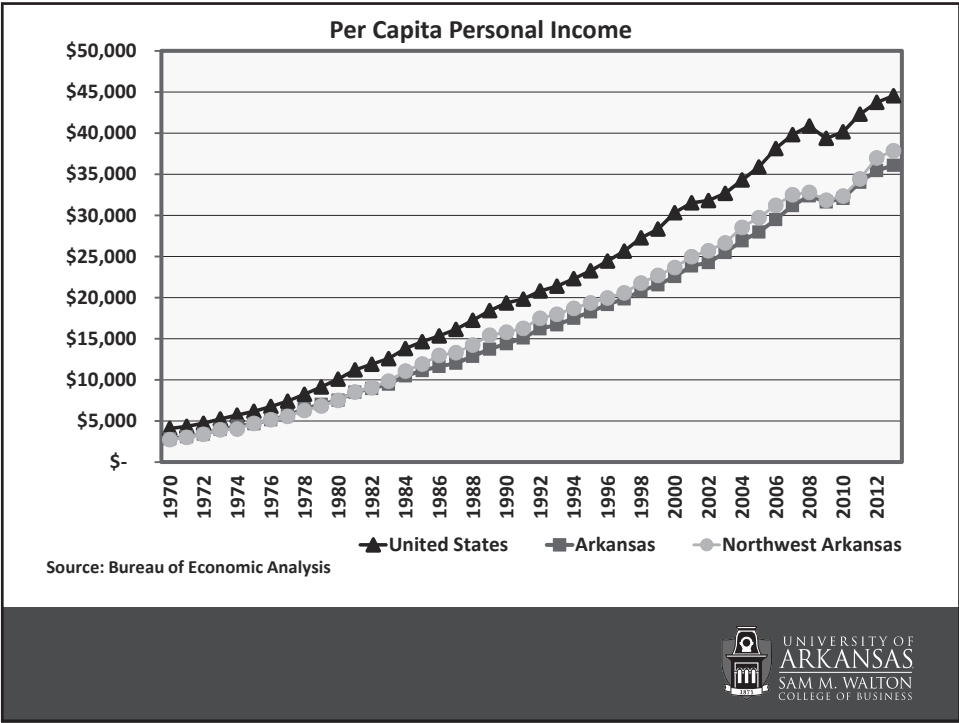
Kathy Deck, Director

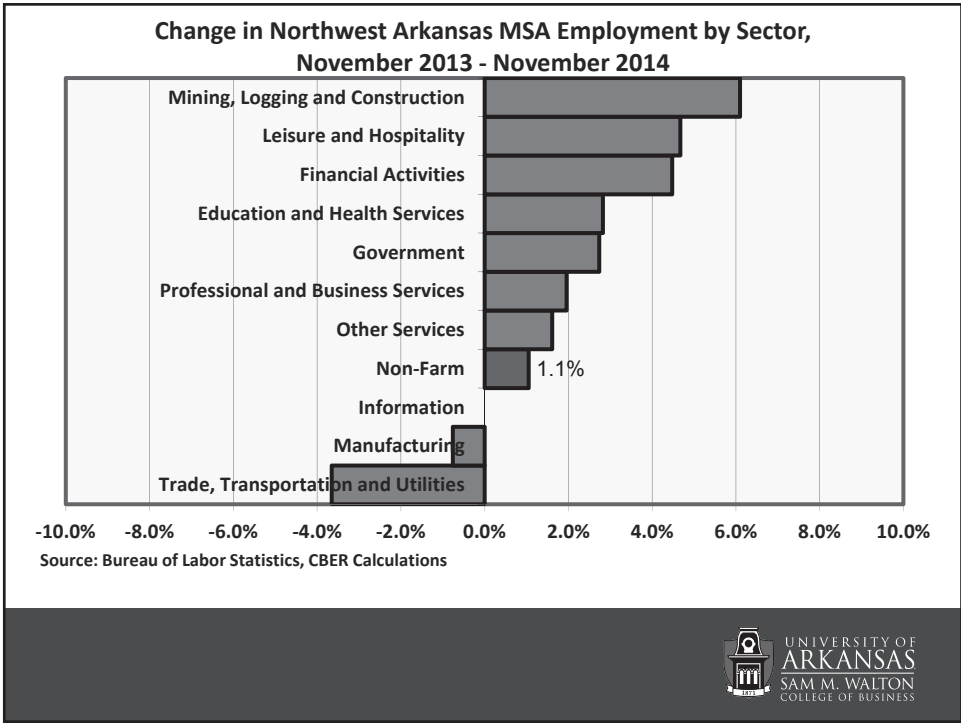
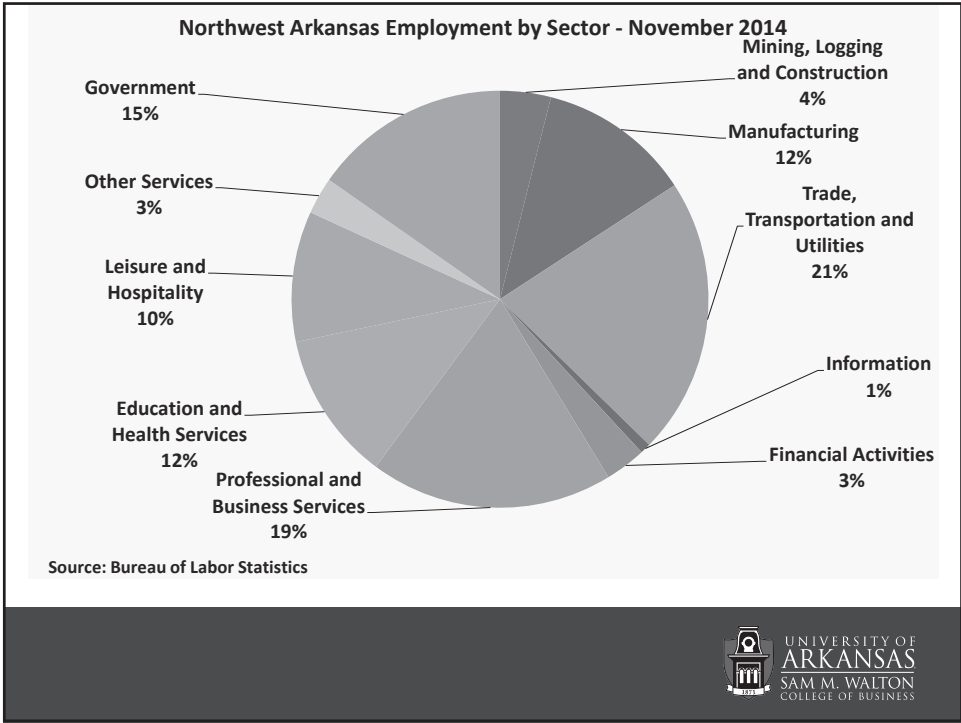
Center for Business and Economic Research

January 30, 2015

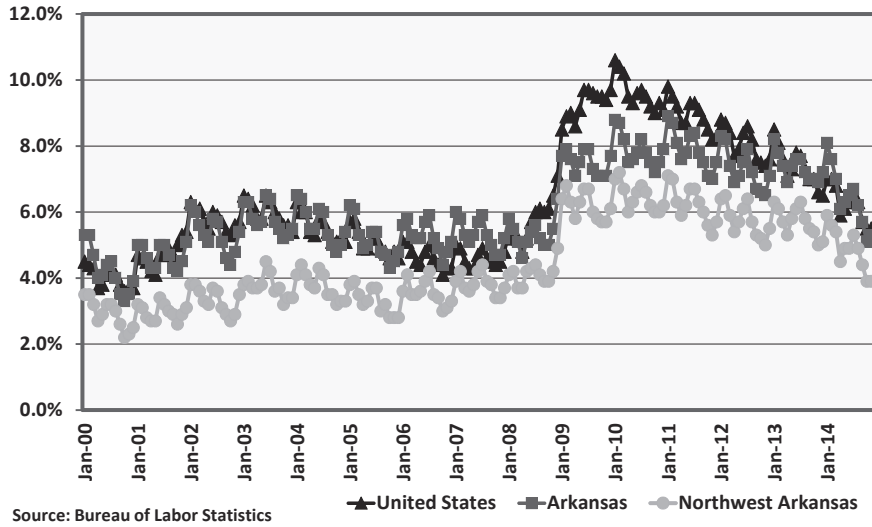


UNIVERSITY OF
ARKANSAS
SAM M. WALTON
COLLEGE OF BUSINESS

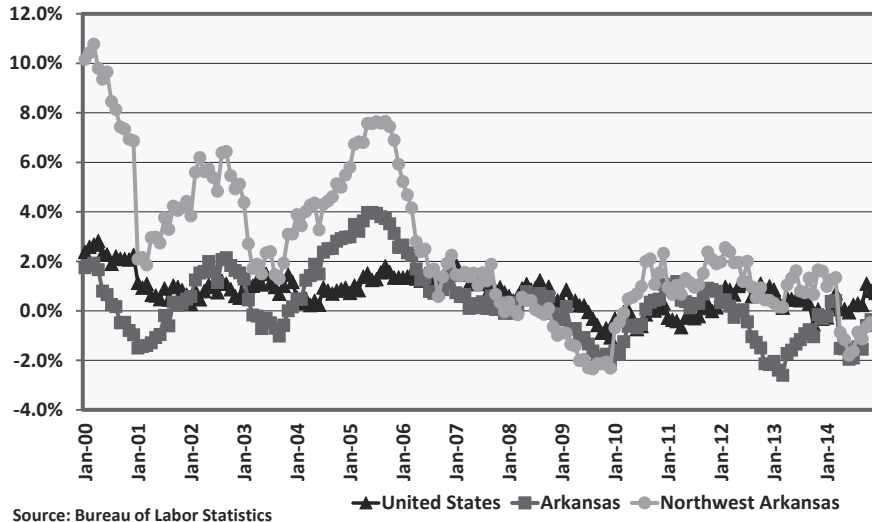


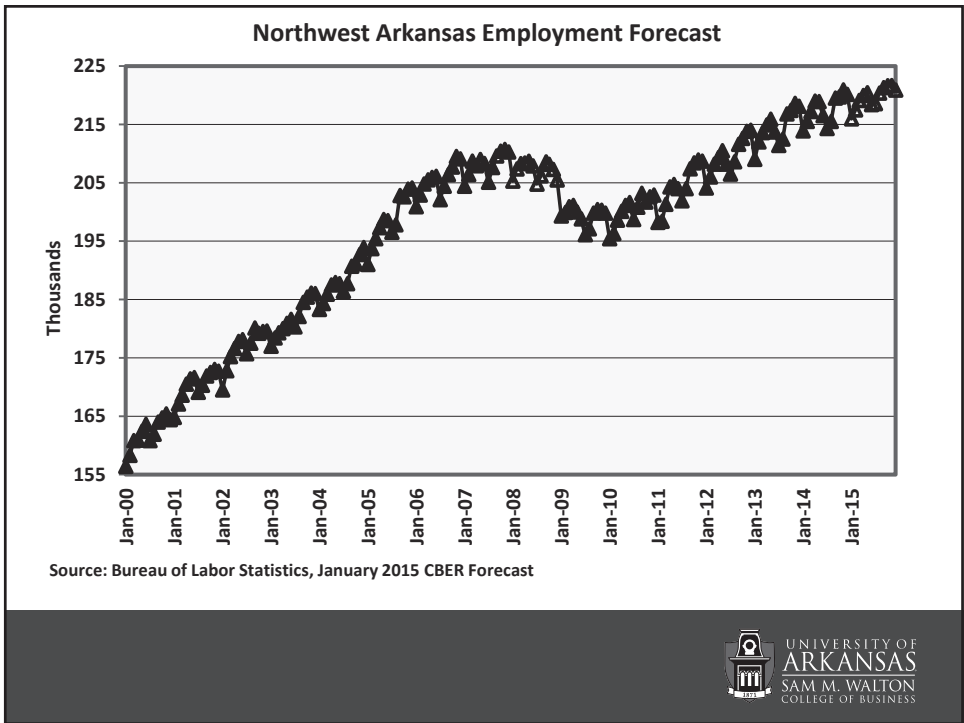
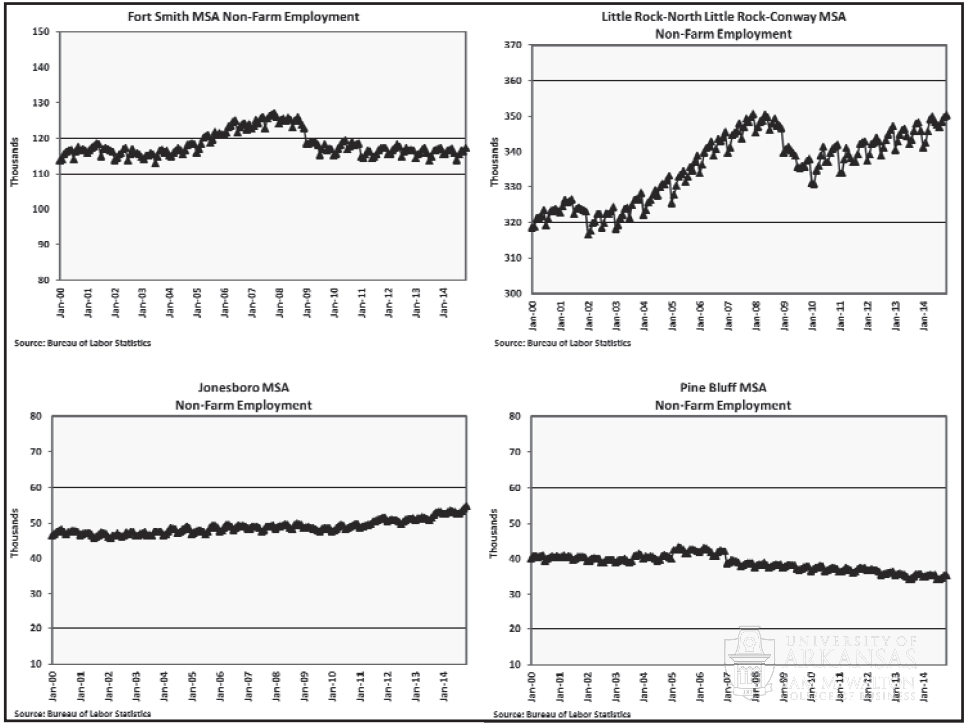


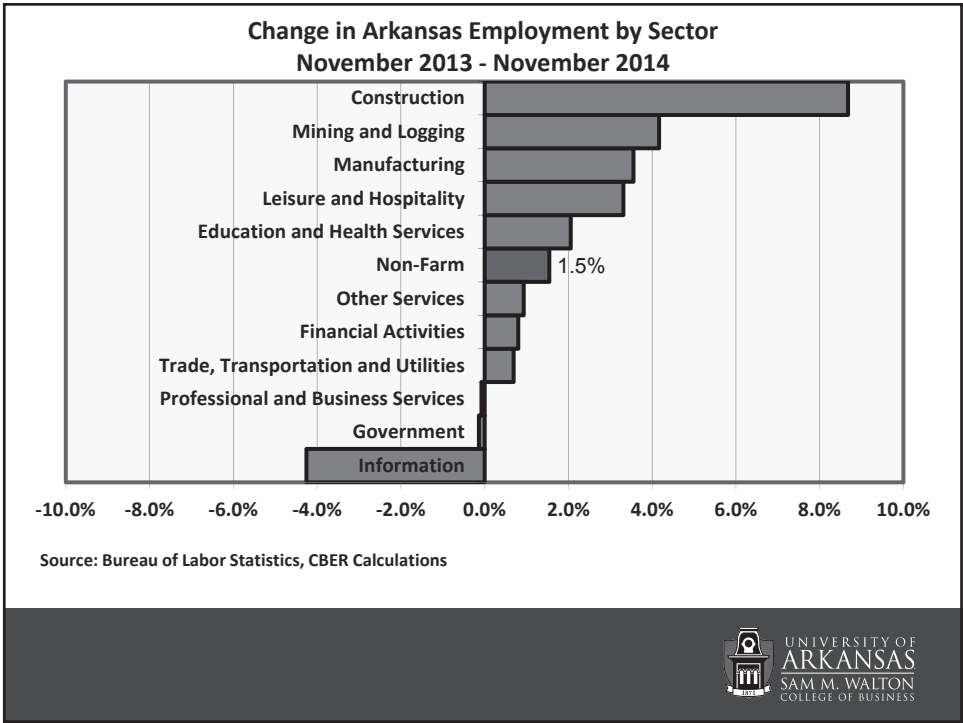
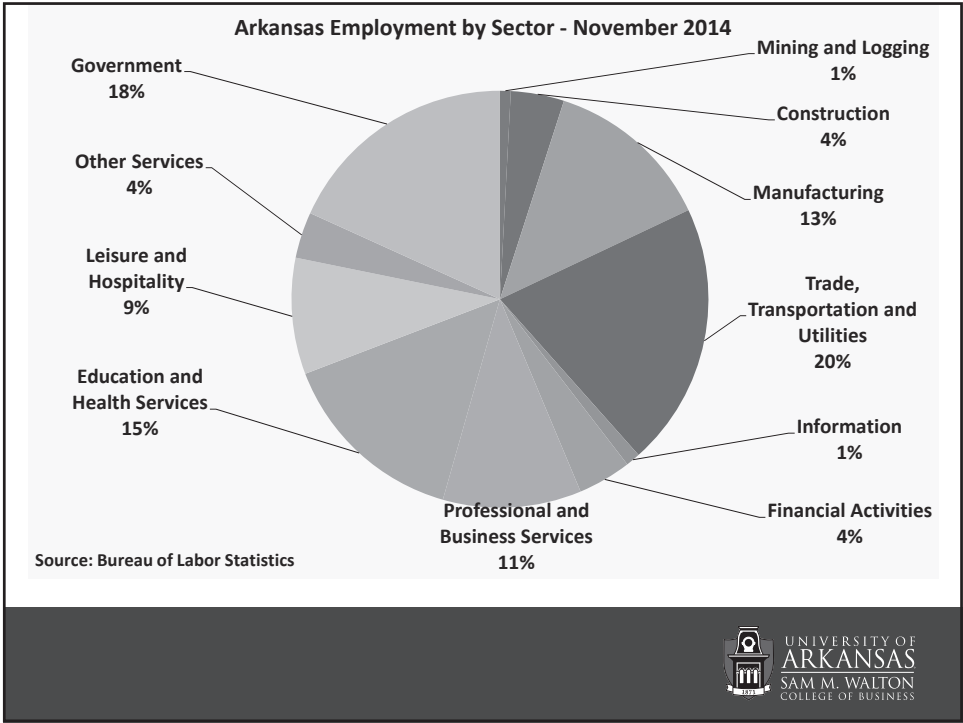
Unemployment Rates, Not Seasonally Adjusted



Labor Force, Year Over Year Percent Change







2015 is a Year of Transition

- Restructuring in our largest employers leaves our trade sector weaker than expected given national consumer confidence.
- Construction continues to be brisk at both the public and private level.
- Leisure and hospitality amenities build tourism potential (Amazeum, trails)
- Decades of entrepreneurship support mean systems exist for breakout company successes.

