Global Industrial Production Indices
12/12 Rates-of-Change

15.3 - SE Asia
13.0 - Japan
9.8 - Brazil
3.3 - Mexico
3.1 - US
1.2 - Europe
2009 Exports from Minnesota to World

- 334 _Computers & Electronic Prod. (21.8%)
- 333 _Machinery Manufactures (15.8%)
- 339 _Misc. Manufactures (12.5%)
- 336 _Transportation Equipment (10.7%)
- 335 _Processed Foods (7.9%)
- 325 _Chemical Manufactures (5.2%)
- All Others (26.1%)

itreconomics.com
Minnesota Construction Industry Employment
Thousands of Units

R-O-C

MMA

3/12

12/12

3MMA

12MMA

3MMA

12MMA

86.008

-7.3

-10.5
President Obama’s 10-Year Deficit Projections
(Baseline of Current Policy)
Billions of Dollars

Based on an Average GDP Growth of 5.04 Percent per Year from 2010-2019

Source: A New Era of Responsibility, Table S-2, budget.gov
Tax Revenues Do Not Correlate with Tax Rates

### Projected Cost of Spending and Tax Cuts, 2011–2020

<table>
<thead>
<tr>
<th>Category</th>
<th>Cost (in billions of dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social Security</td>
<td>$9,219</td>
</tr>
<tr>
<td>Non-Defense Discretionary</td>
<td>$7,546</td>
</tr>
<tr>
<td>Defense Discretionary (Non-War)</td>
<td>$6,935</td>
</tr>
<tr>
<td>Medicare</td>
<td>$6,458</td>
</tr>
<tr>
<td>Net Interest</td>
<td>$6,086</td>
</tr>
<tr>
<td>All Other Entitlement Spending</td>
<td>$4,719</td>
</tr>
<tr>
<td>Medicaid</td>
<td>$3,446</td>
</tr>
<tr>
<td>Obamacare Subsidies</td>
<td>$902</td>
</tr>
<tr>
<td>Iraq and Afghanistan</td>
<td>$515</td>
</tr>
<tr>
<td><strong>Tax Cut Extenders—Earners Under $250k</strong></td>
<td><strong>$2,465</strong></td>
</tr>
<tr>
<td><strong>Tax Cut Extenders—Earners over $250k</strong></td>
<td><strong>$710</strong></td>
</tr>
<tr>
<td><strong>Alternative Minimum Tax Patch</strong></td>
<td><strong>$557</strong></td>
</tr>
</tbody>
</table>

**Note:** Tax extender figures for those earning under $250,000 include $311 billion in outlays for refundable tax credits.

**Source:** Heritage Foundation calculations of the current-policy budget baseline, based on Congressional Budget Office data. See the Appendix for calculations.
Consumer Loan Delinquency Rates
3MMA and 12MMA

4.1% 4.6%
Delinquency Rates for C&I Loans
3/12 & 12/12 Rates-of-Change

3/12
12/12

-1.1%
46.3%
Exhibit 8: Next Pay Shock On The Horizon

Total Loan Balance That Will Experience Payshock

Source: Loan Performance, Amherst Securities

Jan 11, 2010 or
Building Permits
12/12 Rates-of-Change

U.S.

Minnesota
Minnesota Housing Price Index
Year over Year % Change

[Graph showing the year-over-year percentage change in housing prices from 1978 to 2012. The graph indicates volatility and a decline in recent years.]
US to Minneapolis/St. Paul Area Median Home Sale Prices
Annual Data Trends

US Median Price
Minneapolis Median Price

$173.0
$169.4
US Industrial Production to Non-Residential Construction
Data Trends

Index

Construction


Index

Construction

35 65 95 125 155

350 450

50 150 250 350 450

22
Architecture Billings Index
12/12 Rates-of-Change

"Estimated Quarterly Revenue for Employer Firms"
Public Educational Buildings Construction to State & Local Government Expenditures
Rates-of-Change
US Industrial Production to Equipment & Software Investment
12/12 Rates-of-Change

US IP

Investment

'82 '84 '86 '88 '90 '92 '94 '96 '98 '00 '02 '04 '06 '08 '10 '12

US IP

Investment

'82 '84 '86 '88 '90 '92 '94 '96 '98 '00 '02 '04 '06 '08 '10 '12

US IP

Investment

'82 '84 '86 '88 '90 '92 '94 '96 '98 '00 '02 '04 '06 '08 '10 '12
Inflation – US and the Midwest

U.S. Midwest
US Industrial Production to Corporate Bond Prices
12/12 Rates-of-Change

US IP

Bonds


US IP

Corporate Bonds

ITR Trends Report
itreconomics.com
Mortgage Rates to Federal Funds
Raw Data

- Mortgage Rates
- Federal Funds
Stock Prices Index
S&P 500, 1941 – 43 = 10

R-O-C
60
30
0
-30
-60
-90

MMA
4200
3400
2600
1800
1000
200

Actual
12MMA

1/12
12/12

'94 '96 '98 '00 '02 '04 '06 '08 '10 '12

Aug '07
Sep '09
Sep '07
Dec '07
Aug '09

21.7
14.2

1111.7
Personal Savings
Billions of $, Annual Data Trend
SAAR

Source: Bureau of Economic Analysis
Net Migration – Top 15

US Census Bureau, Annual Population Estimates, Net Migration 1 July 2008 - 1 July 2009
Net Migration – Bottom 15

Thousands

US Census Bureau, Annual Population Estimates, Net Migration 1 July 2008 - 1 July 2009

MI
NY
OH
ID
NJ
MD
RI
AK
VT
ND
NE
WI
MS
NH
HI
Minnesota 31st
Opportunity index Score 48.8
National Average 50.9

Entrepreneurial Environment: 7.3
Business Costs: 4.3
Workforce Quality: 9.5
Demographics: 8.5
Local Market Conditions: 10.3
Real Estate Stability: 8.8
Minneapolis
Opportunity index Score 10.0

Component Score

- Business Costs: 1.0
- Workforce Quality: 3.0
- Real Estate Development: 3.0
- Local Economy: 3.0
Opportunity Index
Selected California Cities

LA  9.0
San Francisco  12.5
Riverside  10.0
San Diego  13.5
Sacramento  15.0
<table>
<thead>
<tr>
<th><strong>Entrepreneurial Environment</strong></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1 New business openings (BLS) per thousand residents (Census)</td>
<td>52</td>
</tr>
<tr>
<td>2 Broadband telecom lines (FCC) per capita (Census)</td>
<td></td>
</tr>
<tr>
<td>3 Deficient or congested highway miles per 1000 miles (Reason Foundation)</td>
<td></td>
</tr>
<tr>
<td>4 Venture Capital dollars invested (SSTI) per capita</td>
<td></td>
</tr>
<tr>
<td>5 Bank deposits (FDIC) (thousands) per capita</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Business Costs</strong></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Cost of Living Index (ACCRA)</td>
<td></td>
</tr>
<tr>
<td>3 Tax Climate score (Tax Foundation)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Workforce Quality</strong></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Percent of population with a Bachelor's or higher (Census)</td>
<td></td>
</tr>
<tr>
<td>2 Percent of workforce covered by union bargaining agreements (Unionstats)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Demographics</strong></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Net migration (Census)</td>
<td></td>
</tr>
<tr>
<td>2 Median Age (Census)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Local Market Conditions</strong></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Real per capita personal income (FRED and ACCRA)</td>
<td></td>
</tr>
<tr>
<td>2 Industry diversity (percent of Gross State Product in top three local industries) (BEA)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Real Estate Stability</strong></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Housing starts per 1000 residents (FRED)</td>
<td></td>
</tr>
<tr>
<td>2 Rental vacancy rate (FRED)</td>
<td></td>
</tr>
<tr>
<td>3 Housing affordability (median home price/per capita personal income) (FRED)</td>
<td></td>
</tr>
<tr>
<td>4 Residential property price appreciation (FRED)</td>
<td></td>
</tr>
</tbody>
</table>
Four Phases

Expansion

Bankrupt

Phase A
Phase B
Phase C
Phase D

Phase A
Phase B
Phase C
Phase D
Phase Management Objectives™:

**Phase Late D – Recession**

1. Prepare training programs
2. Negotiate union contracts if possible
3. Develop advertising & marketing programs
4. Enter or renegotiate long-term leases
5. Look for additional vendors
6. Capital expenditures & acquisitions considered in light of market-by-market potential
7. Make acquisitions – use pessimism to your advantage
8. People will be scared – lead with optimism and “can do” attitude

**Early A - Early Recovery**
Phase Management Objectives™:

1. Positive leadership modeling (culture turns into behavior)
2. Establish goals: tactical goals which lead to strategic achievement
3. Develop a system for measurement and accountability re: #2
4. Align compensation plans with #2 and #3
5. Process standardization
6. Judiciously expand credit
7. Check distributions systems for readiness to accommodate increased activity
8. Review and uncover competitive advantages
9. Invest in customer market research (know what they value)
10. Improve efficiencies with investment in technology and software
Phase Management Objectives™:

Phase Late A - Recovery:

11. Start to phase out low margin work
12. Add sales staff
13. Build inventories, commoditized items (price)
14. Introduce new product lines
15. Capital equipment orders
16. Begin advertising and sales promotions
17. Hire to fill skill gaps
18. Implement plans for facilities expansion
19. Implement training programs
Phase Management Objectives™:

**Phase Early B - Growth:**

1. Accelerate training
2. Check the process flow for possible future bottlenecks
3. Continue to build inventory
4. Increase prices
5. Consider outside manufacturing sources if internal pressures becoming tight
6. Find the answer to “What next?”
7. Open distribution channels (your own or outsource)
8. Use improved cash flow to improve corporate operations
9. Use cash to create new competitive advantages
10. Watch your debt-to-equity ratio and ROI
11. Maintain/pursue quality: don’t let complacency set in
Find a way to do business in the “counter-cyclical” or largely unaffected areas:

- Energy
- Green
- Water
- Canada / Exports
- Higher Education
- Health Care Practices
- Food
- Pets
- Funeral Services
- Alcohol
- Security
- Legal Services (Diversified)
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