

Infrastructure Investment: Is This What the Economy Needs?

Mid-America Economic Development Council
2011 Annual Meeting

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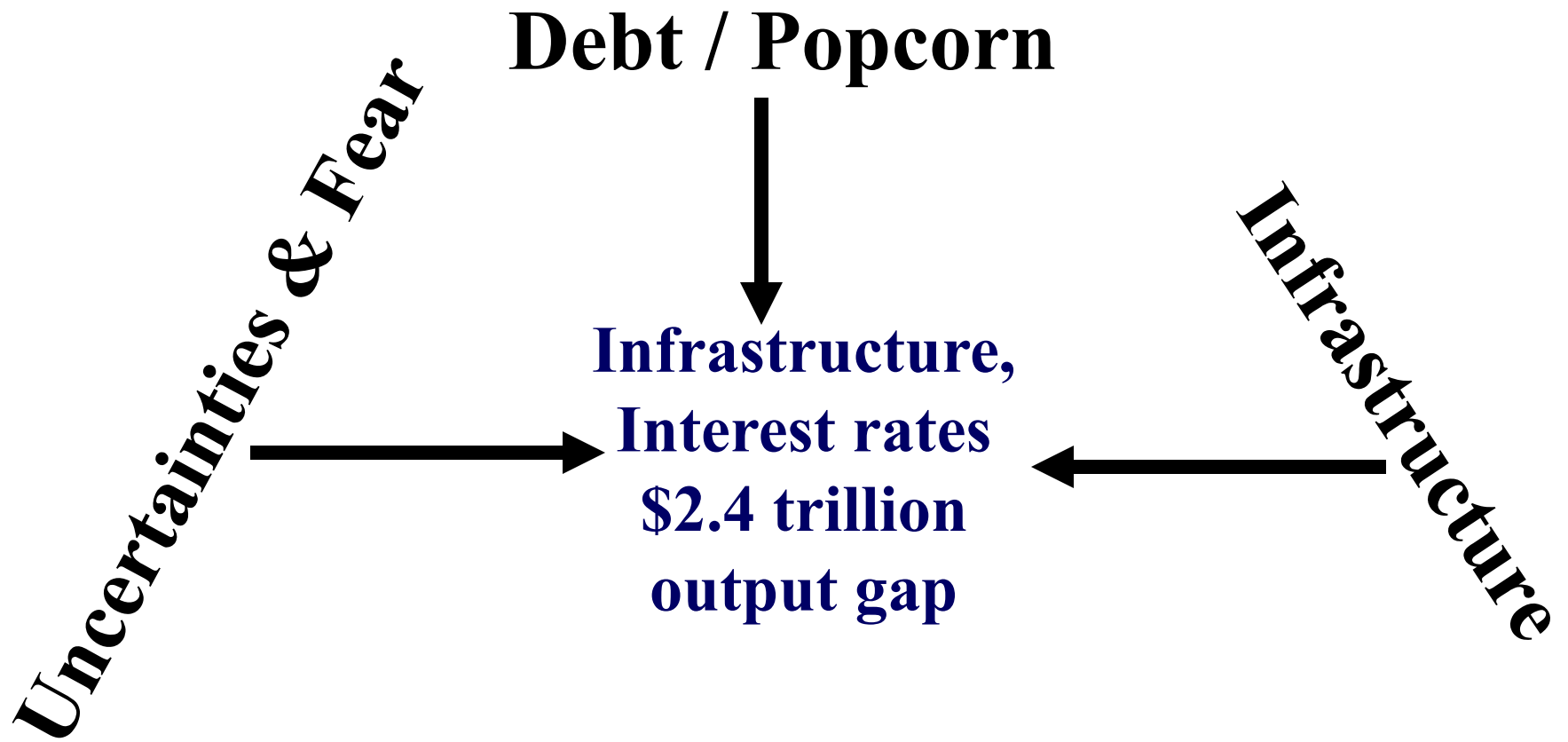
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Uncertainty & Fear

Uncertainties & Fear

■ Challenges:

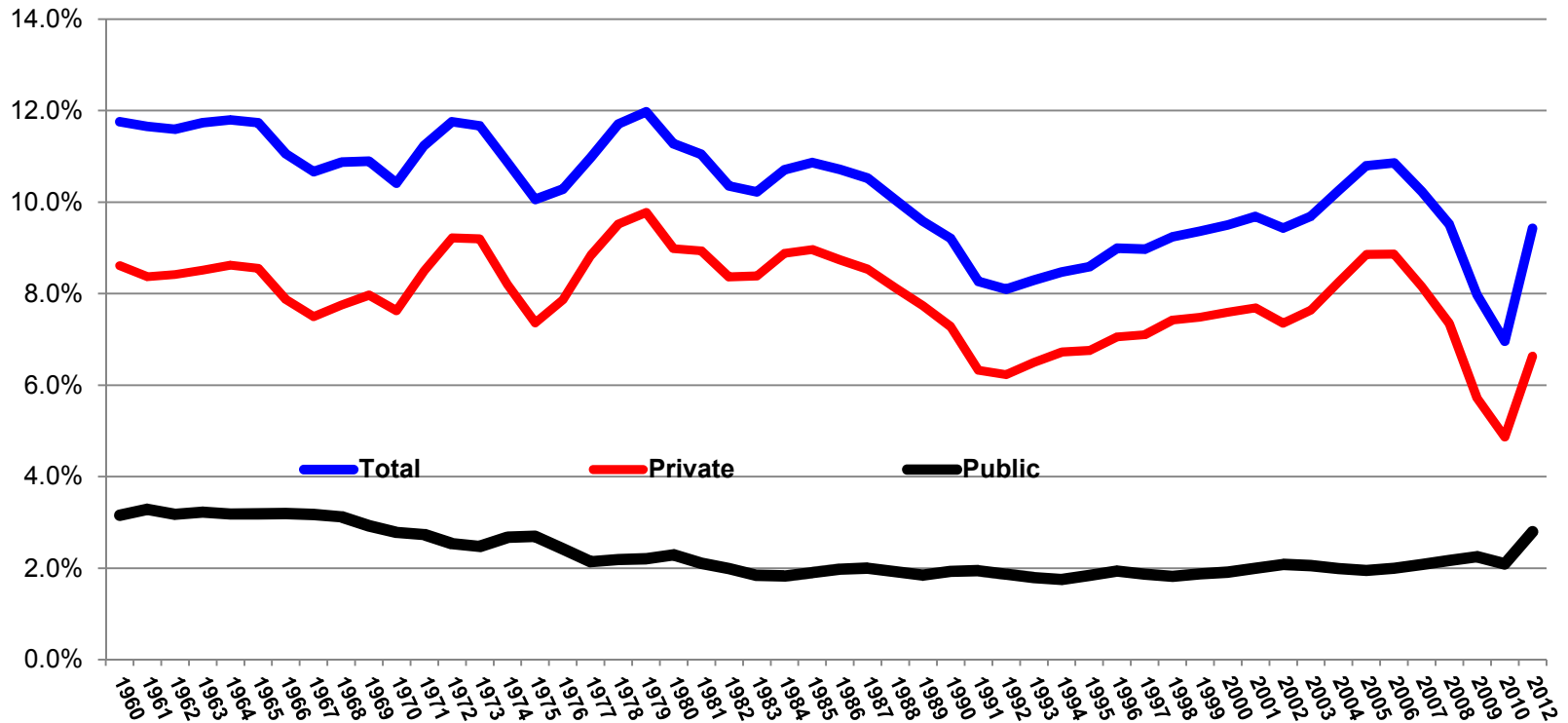
- Health care reform & taxes to pay for program; 2013 tax increase
- Housing sector (a new housing program?); Fannie Mae in rental market?
- Sales to Asia/South America more challenging—dollar decline vs Yuan
- Another stimulus program?
- Fed's QE3—impacts on value of U.S. dollar
- End of 2001 and 2003 tax cuts @ end of 2012?
- Rising regulation (Dodd-Frank) passed it so we could read it.
- Tax system is a relic of the 20th Century

■ **Popcorn: The Baby Boomers Retire**

■ Opportunities:

- Record low interest rates (bond market looking for quality issues)
- Record trade numbers, farm income.
- Great bargains in real estate market—commercial, industrial, residential.
- Sales to EU 17---stronger dollar vs. Euro

Fear's Impact on U.S. Infrastructure (% GDP), 1960-2012



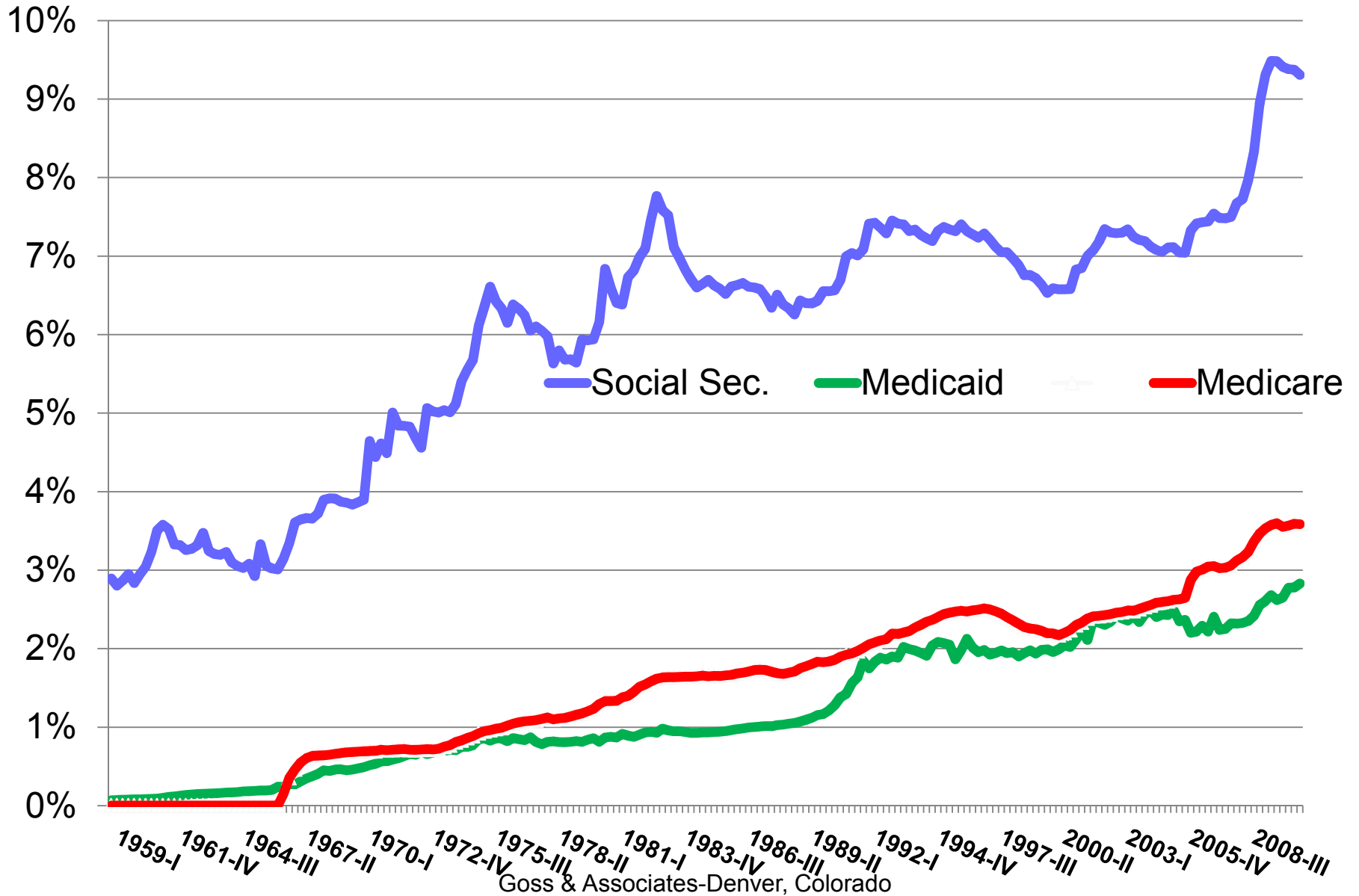
	<u>Private</u>	<u>Public</u>
1960s	8.2%	3.1%
1970s	8.7%	2.4%
1980s	8.5%	2.0%
1990s	6.9%	1.9%
2000-05	7.9%	2.0%
2006-10	7.0%	2.1%

Infrastructure gap (2011):
 Private = \$511 billion
 Public = \$8 billion

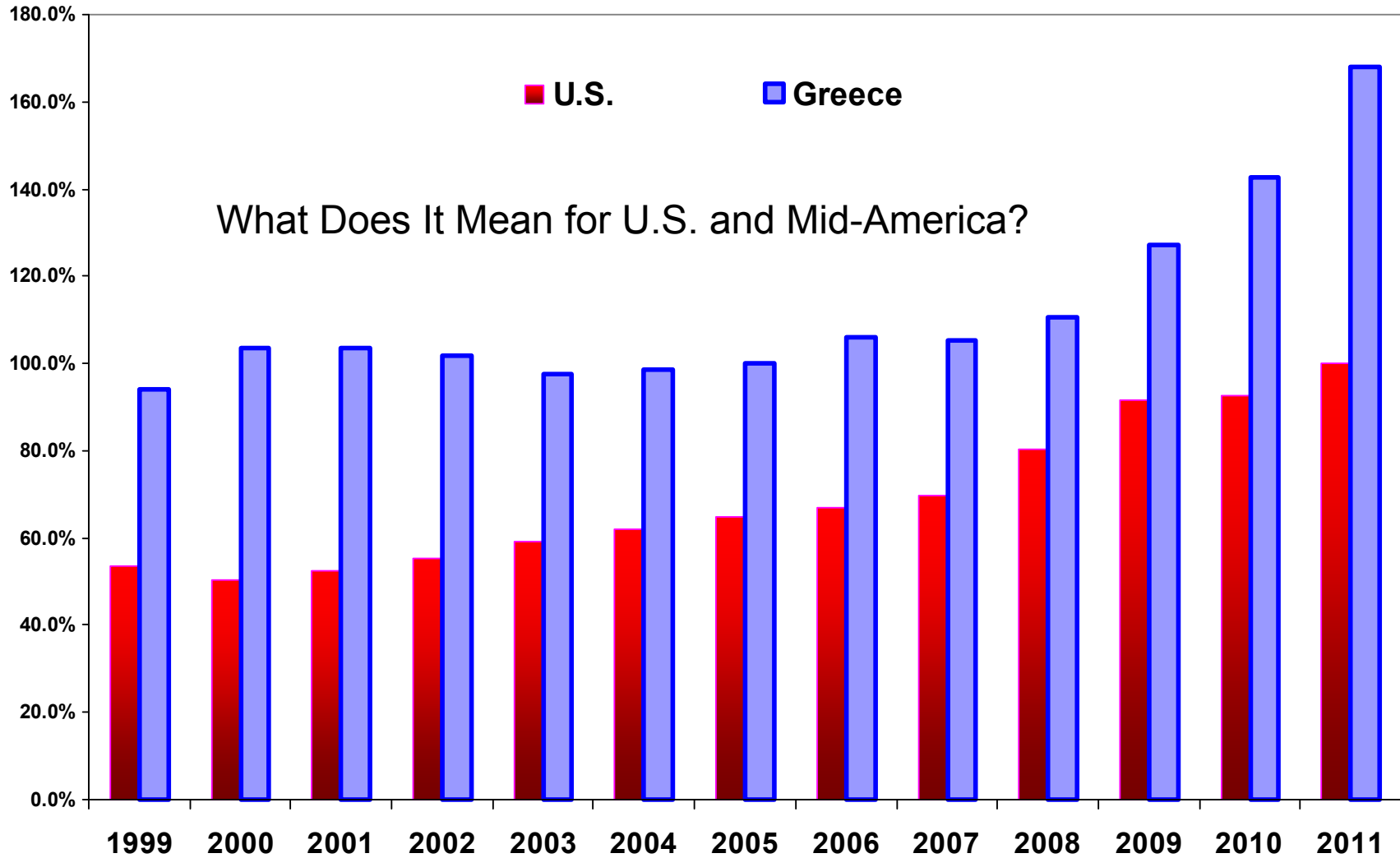


Debt & Popcorn

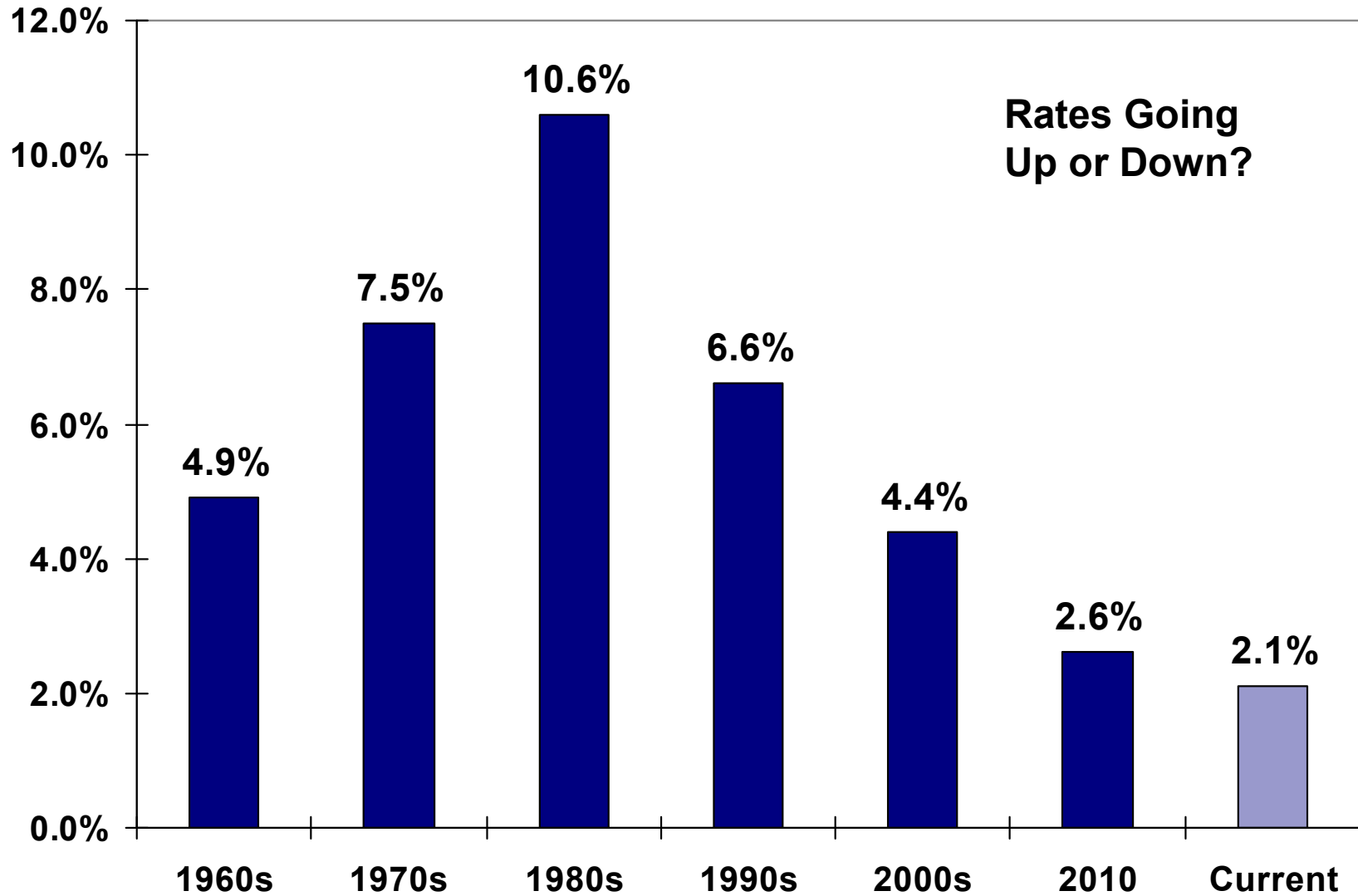
Federal spending as % of GDP, 1959-2010



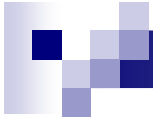
U.S., & Greece, public debt as % of GDP



U.S. Interest Rates on 10-Year Treasury Bond, 1960 - 2011



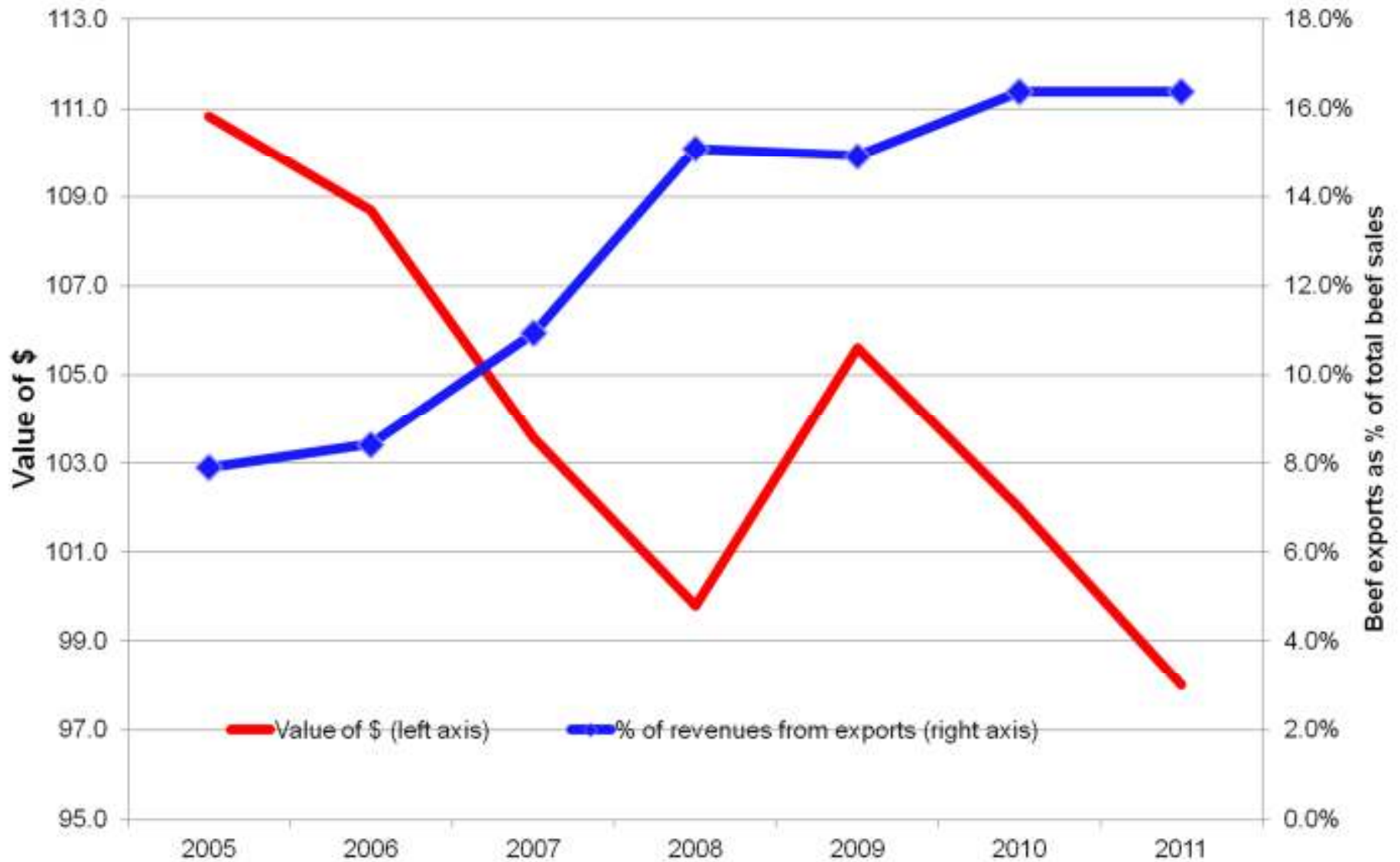
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Agriculture

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Beef exports as percent of total beef sales versus value of U.S. dollar, 2005-11



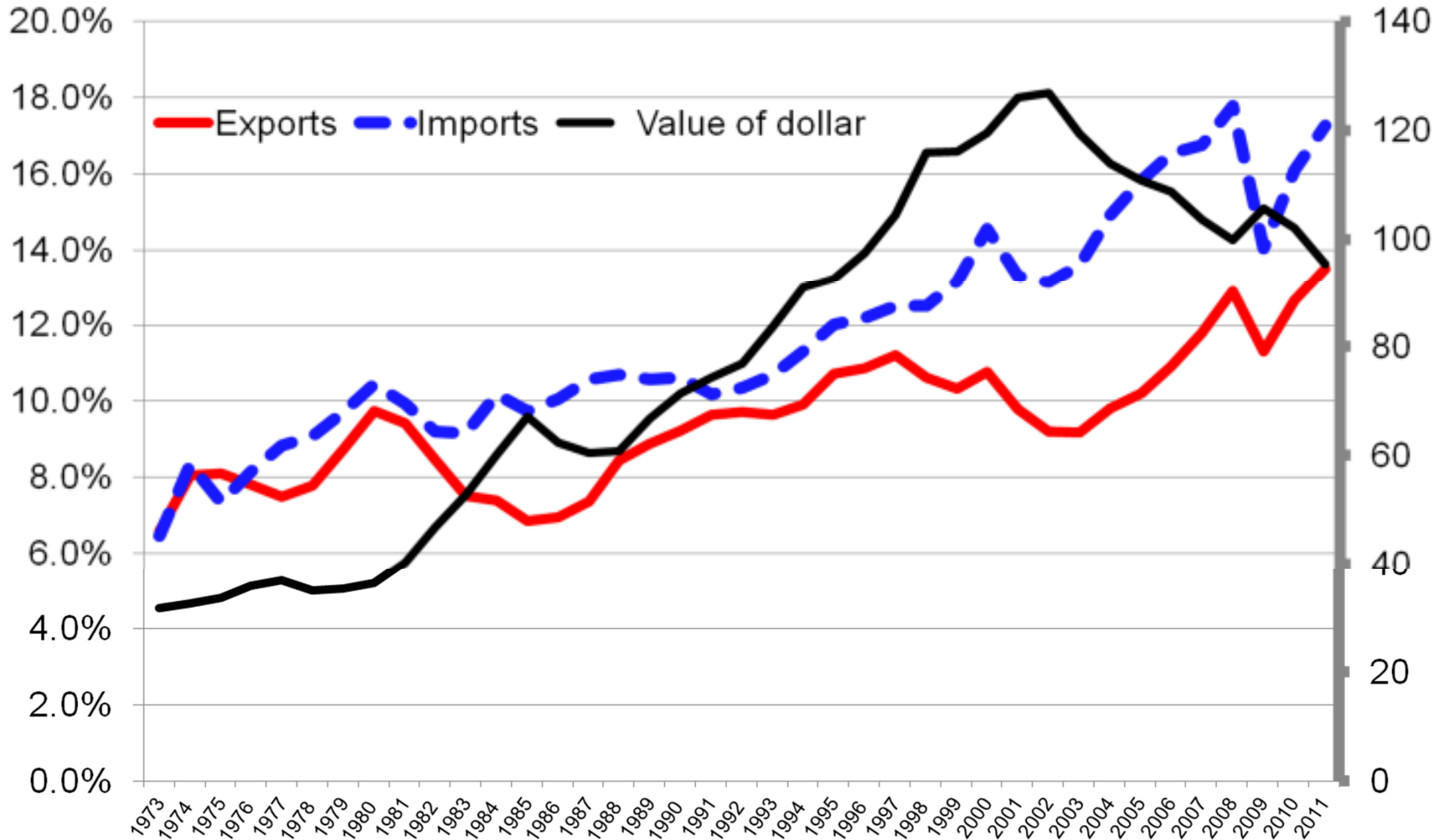
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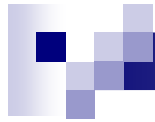


Value of \$ and Beef Revenues

- Beef prices in U.S. depend heavily on the value of the dollar (and exports)
- For every 10% decline in the value of the U.S. dollar
 - Beef prices in U.S. rise by 9% - 12%
 - Total beef revenues increase by 3% - 5%.
 - (Source: Goss statistical analysis)

Trade as a % of GDP & Value of \$, 1973-2011





South Korea Trade Pact (Unprocessed & Processed Food)

- **Currently:**
 - U.S. \$5.1 billion (growth 2005-10 132%)
 - IA: \$224 M (growth 2005-10; 71%)
 - NE: \$271 M (growth 2005-10 113%)
- **Projected from trade agreement:**
 - U.S. \$2.3 billion increase (45% boost)
 - IA \$100 million increase
 - NE \$122 million increase



Bullish on agriculture/beef: Long term

- **Fast growth for emerging economies (China, India):** Food demand income elastic (e.g. income up 8%, food demand up 12%)
- **Cheap value of dollar (makes U.S. food more competitive abroad):** U.S. trade deficit, budget deficit, higher inflation.
- **Biofuels & alternative fuel production:** wind farms, ethanol.



❖ **Challenges:**

- Anti-trade sentiment**
- Economic malaise in advanced economies**

❖ **Opportunities:**

- Weak dollar (exports)**
- Sell abroad/foreign partners (e.g. Dubai World)**
- Growth is much higher among emerging nations**

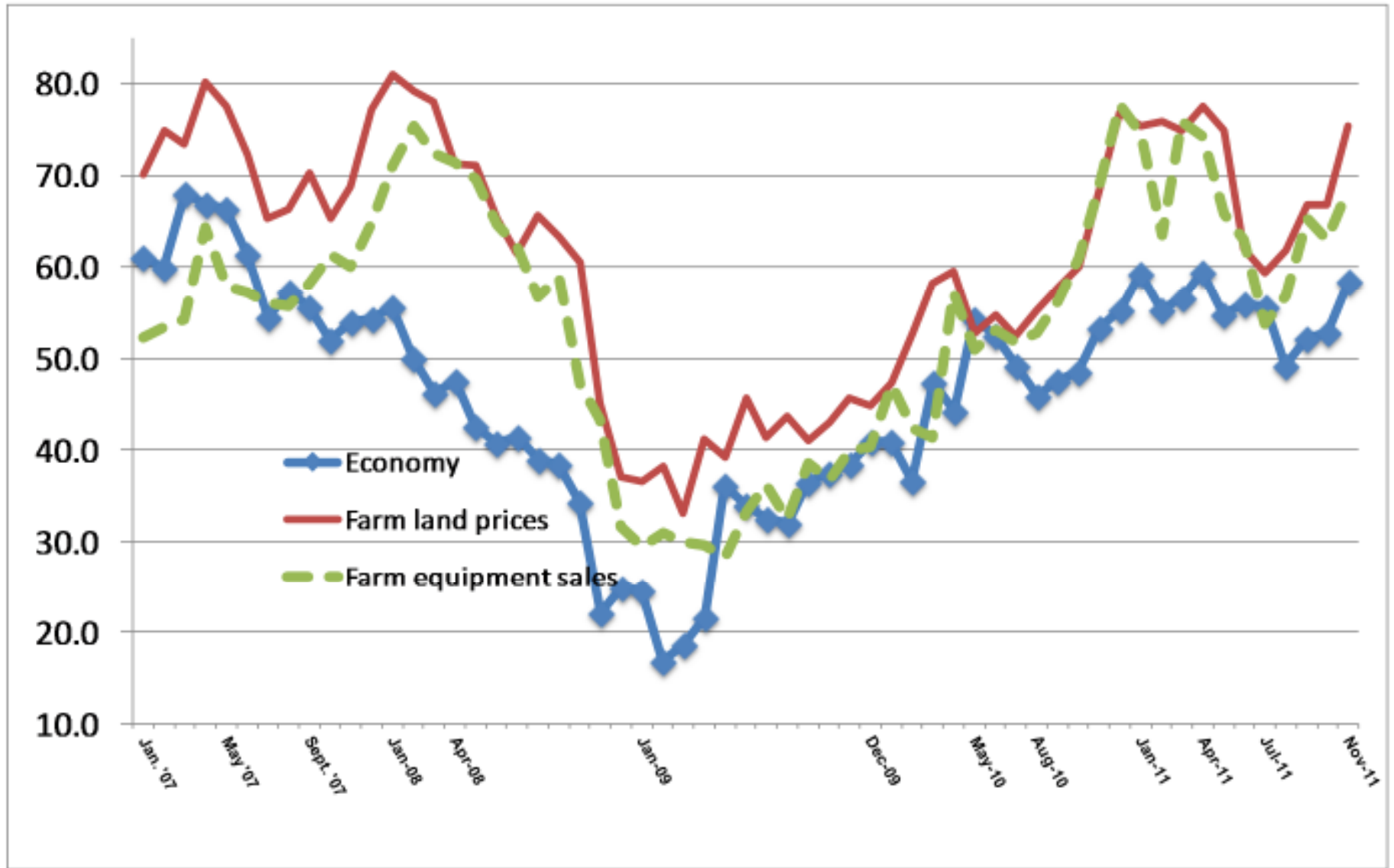
***2011-2016: Advanced 12.4%, EU 8.8%,
Ind. Asian 22.5%, Emerging 32.9%**



Monthly Survey of Rural Bank CEOs

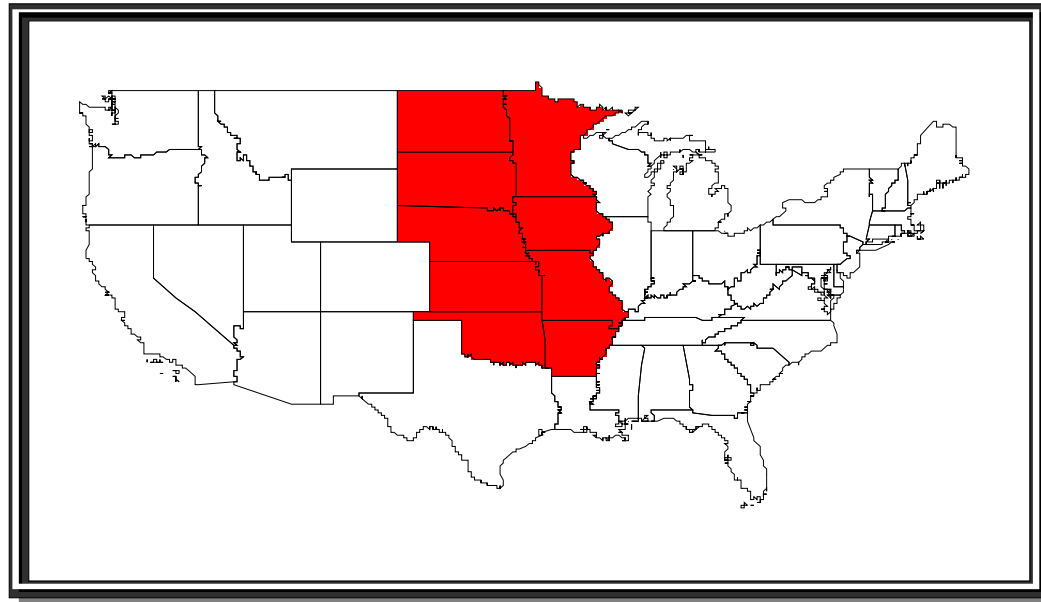
- 10 states, 195 bank executives
- Released 3rd Thursday of each month
- Average community size = 1,300
- CO, IA, IL, KS, MN, MO, ND, NE, SD, WY

Rural Mainstreet, Jan. '07 – Nov. '11





The Regional Economy: Survey of Purchasing Managers & Business Leaders



A Partnership Among Creighton and State Supply
Managers Associations

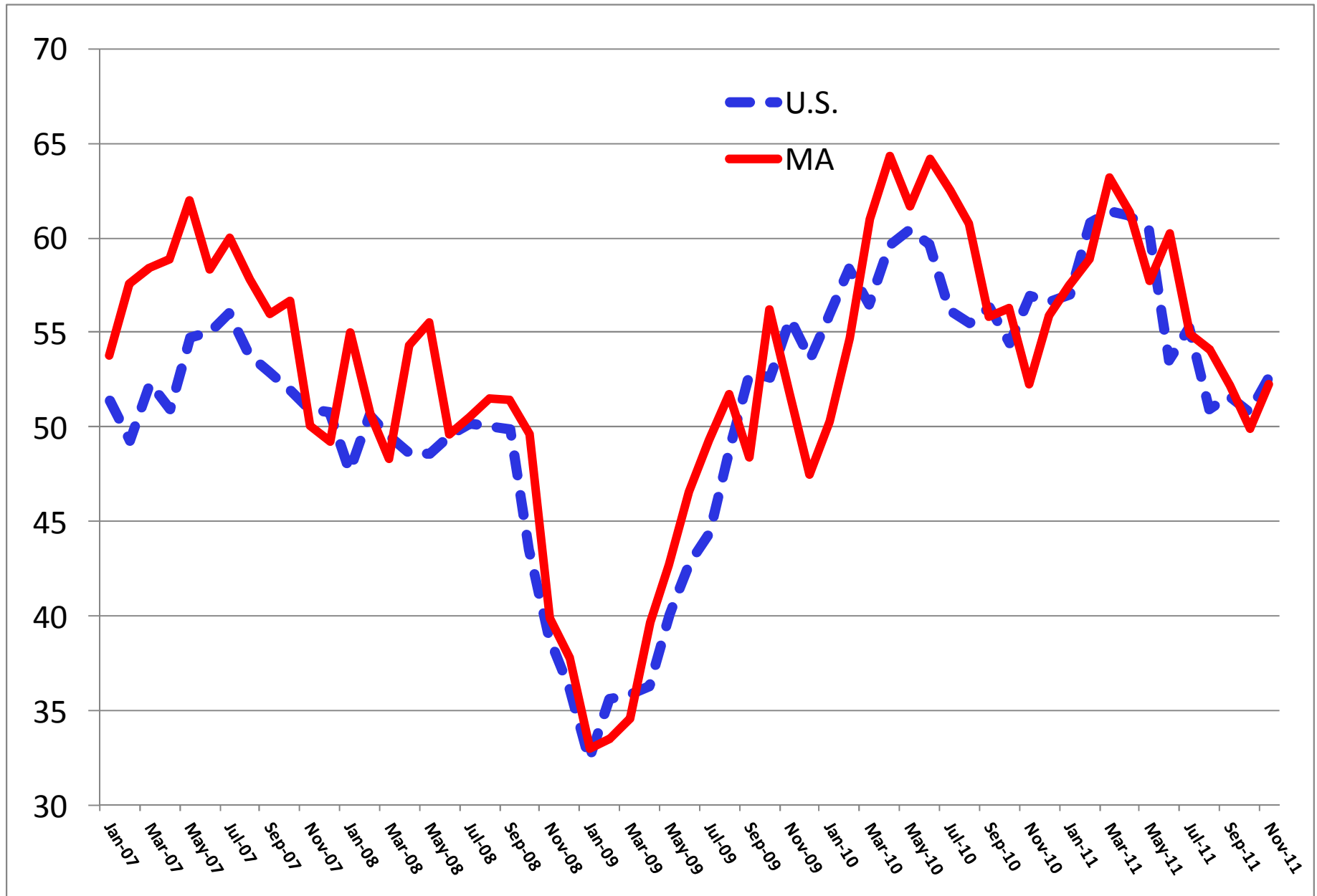
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Monthly Survey of Business Conditions

- Leading Economic Indicator
- Released First Day of Each Month to Media
- Released Via WWWeb:
 - Outlook-economic.org
 - ErnestGoss.com
- Appears in Media Throughout U.S.
- Survey of Supply Managers in Over 600 Firms
- 50.0 is growth neutral; above 50.0 growth

U.S. & Mid-America PMI's, 2007 - 2011





Economic Medicine:

- Look internationally for sales & investment
- Commitment to reducing federal spending
- Keep 2001 & 2003 tax cuts for all
- Reduce barriers to trade (More Asian trade pacts)
- **Need fundamental tax reform**
- Must convert pensions to defined contribution plans for public employees
- Federal economic policy “First do no harm”; instead of TARP; **Bailouts do not work!**
- Strong U.S. dollar policies hurt agriculture



Important Indicators: keep an eye on:

- **PMI:** The Mid-America PMI from Creighton and the National PMIs from the Institute for Supply Management will be released on Jan. 2 for December. Both indices have softened. Increases for both will be very encouraging sign. (www.outlook-economic.com)
- **Jobs:** On Friday Jan. 6, the U.S. BLS releases its employment report for December. A gain of 100,000 – 150,000 will be met by a collective yawn by investors. Readings outside this range will be news worthy for investors and policymakers.
- **Retail Sales:** On Jan. 12, the U.S. Census Bureau will release estimated retail sales for December. No growth or a decline in month to month sales will be very negative for markets and a signal the holiday buying season will be dismal.