

State of the Region Address 2011

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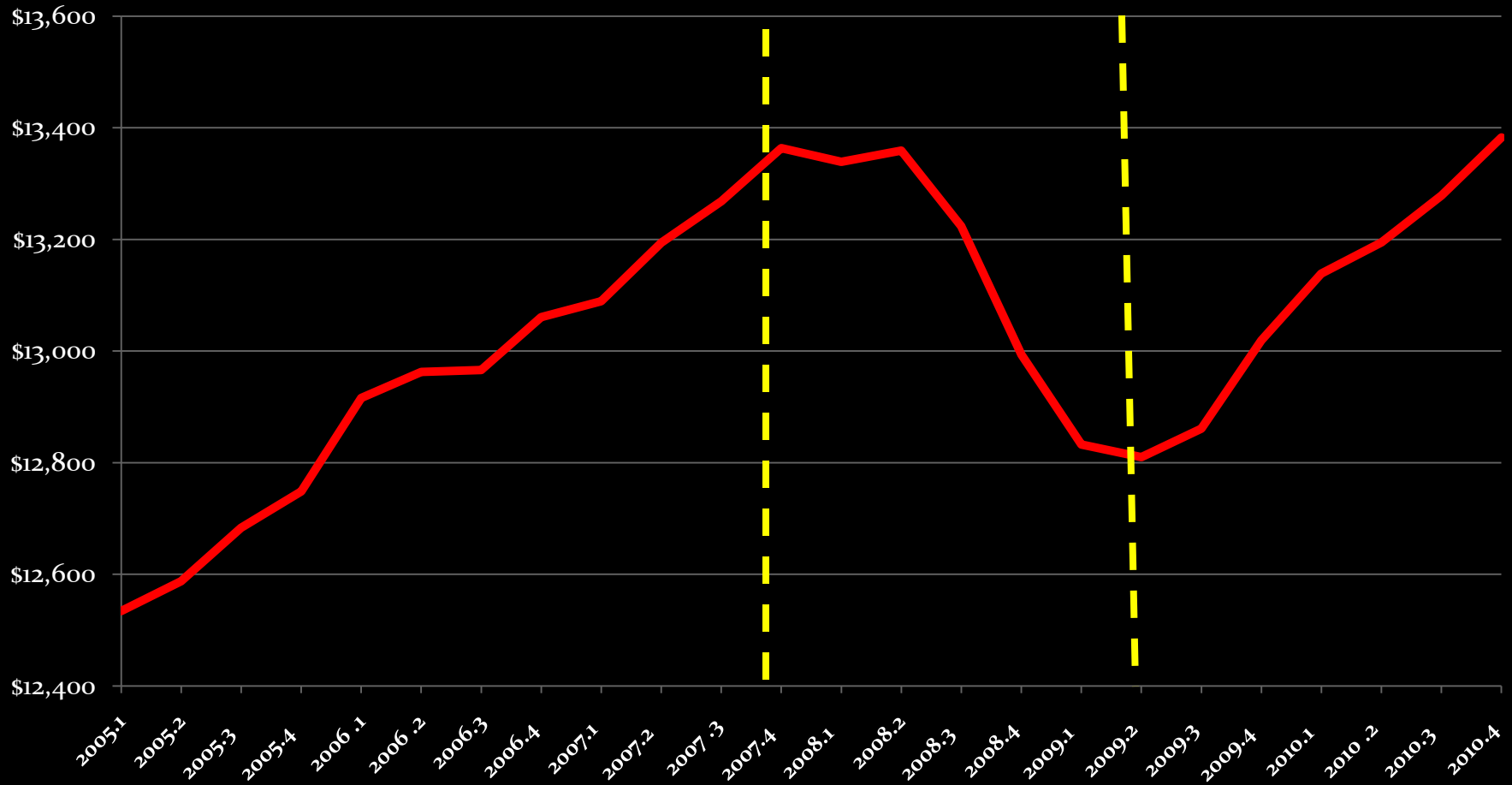
Outline

- Current national and global conditions
- Ohio conditions
- Ohio unemployment situation
- Ohio industrial analysis
- View to the future
- Questions

Business Cycles

Peak	Trough	Duration (Months)	Months of Expansion Prior to Recession
August 1929	March 1933	43	21
Recent Business Cycles			
November 1973	March 1975	16	36
January 1980	July 1980	6	58
July 1981	November 1982	16	12
July 1990	March 1991	8	92
March 2001	November 2001	8	120
December 2007	June 2009	18	73

Real U.S. GDP



National Overview

- Federal Reserve:
 - Economic growth expected to be 3.0%-3.9% for 2011
 - Unemployment rate down 1.1% from high in October 2009
 - Core inflation expected to be no more than 1.0% - 1.6%
 - Interest rates will remain low
 - Housing is not likely to rebound in 2011

International-GDP Growth 2011

- India 8.7%
- China 10.0%
- Australia 3.7%
- Japan 1.1%
- Hong Kong 5.2%
- Russia 5.3%
- UK 2.4%
- Germany 2.7%
- Spain 1.0%

Source: Goldman Sachs Global Economics

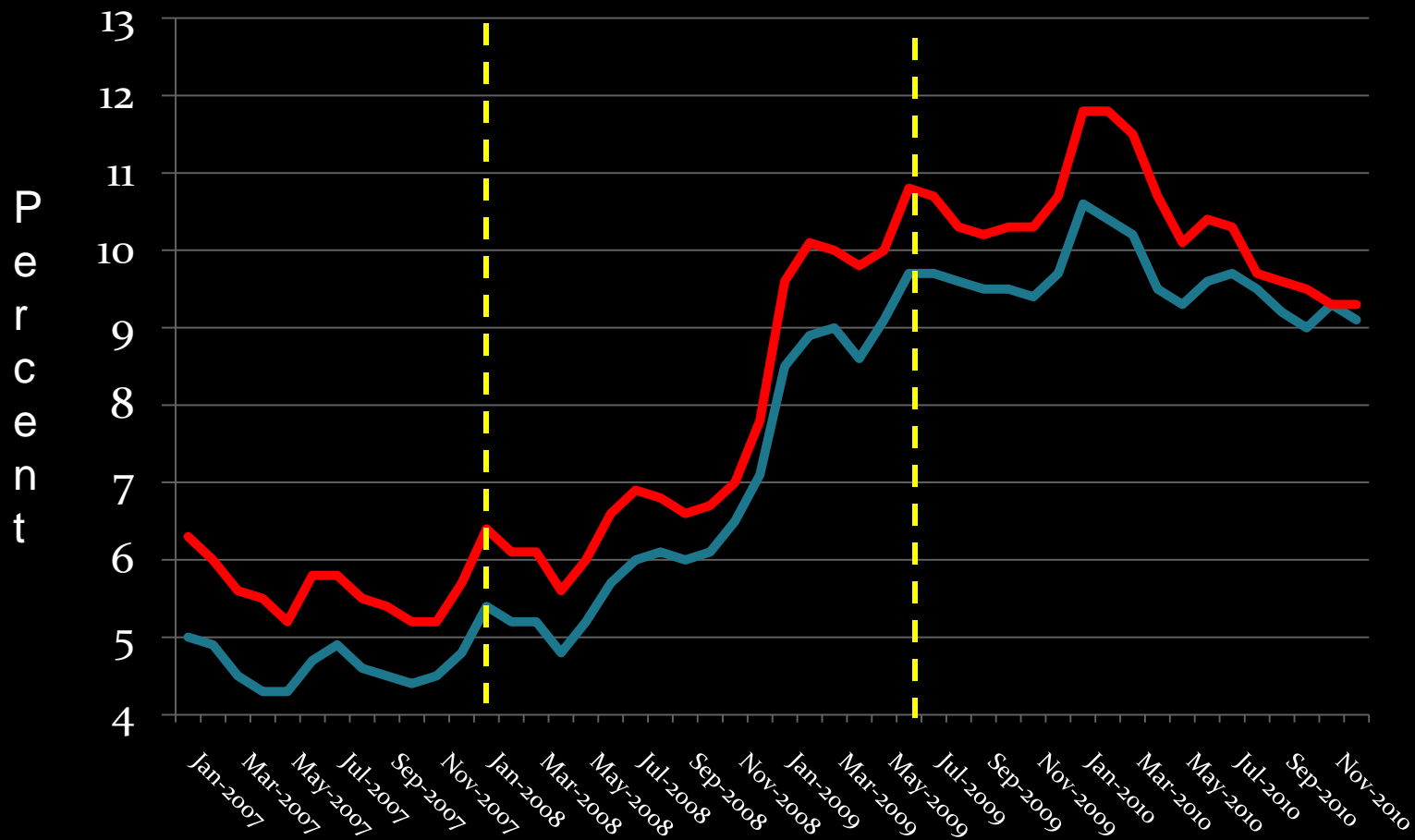
Change in Consumer Prices 2011

- Japan -0.2%
- UK 3.2%
- Australia 3.0%
- Russia 7.9%
- Turkey 7.0%
- Argentina 10.1%
- Venezuela 27.3%

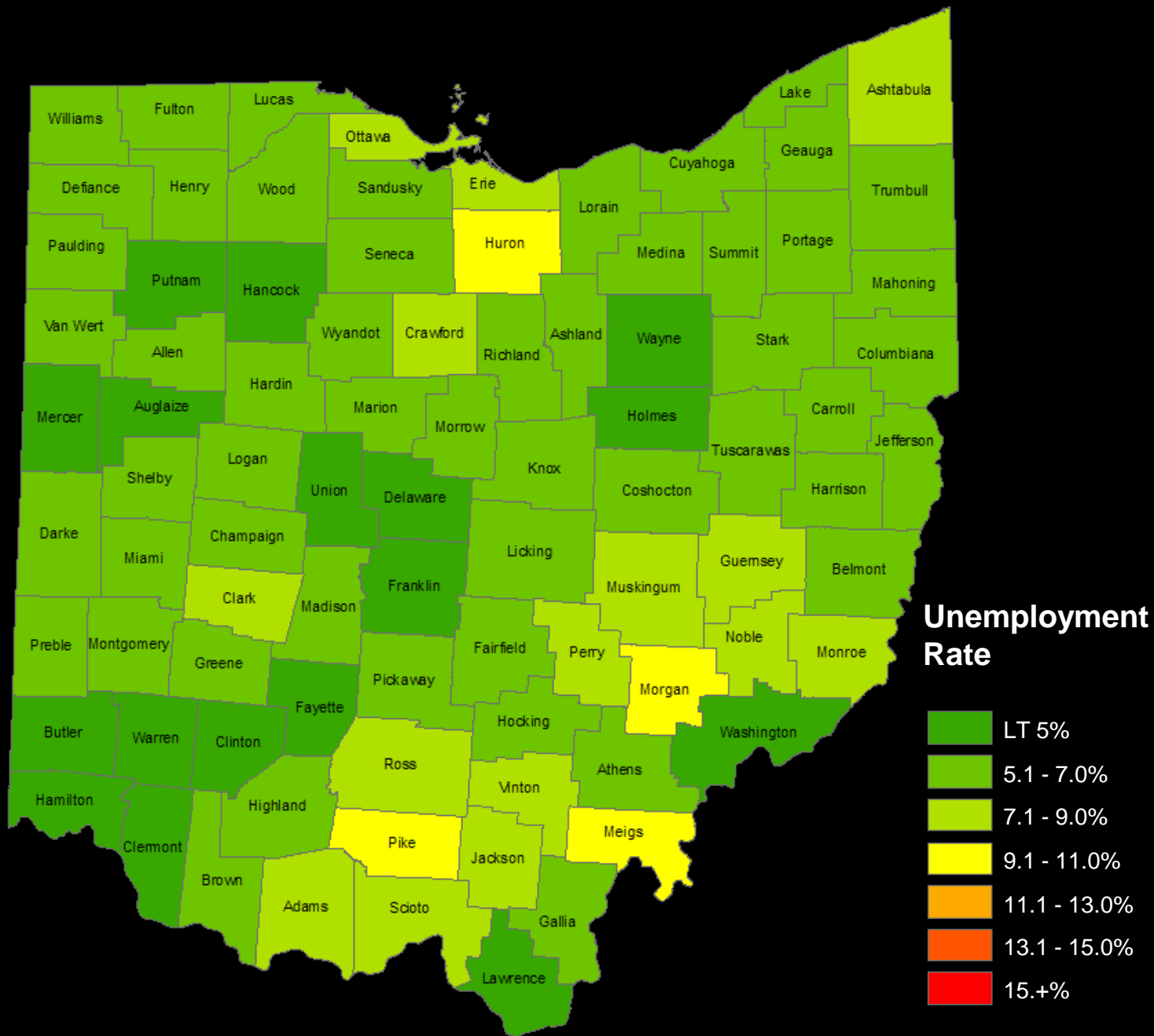
Areas of Concern

- Price of oil
- Value of the dollar
- Political unrest
- Europe (beginning of the double dip?)
- State and national budget problems

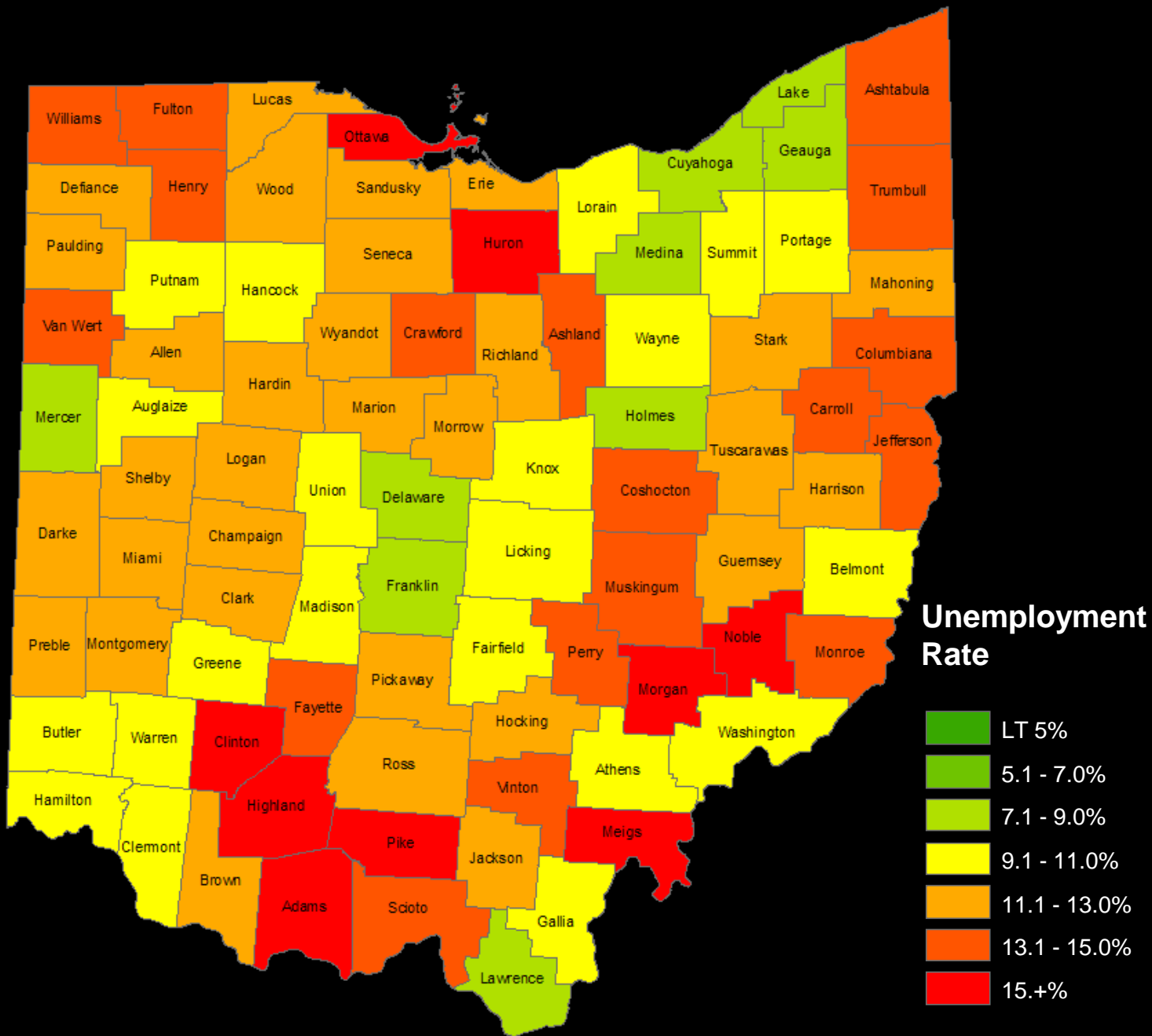
Ohio vs. U.S. Unemployment Rate



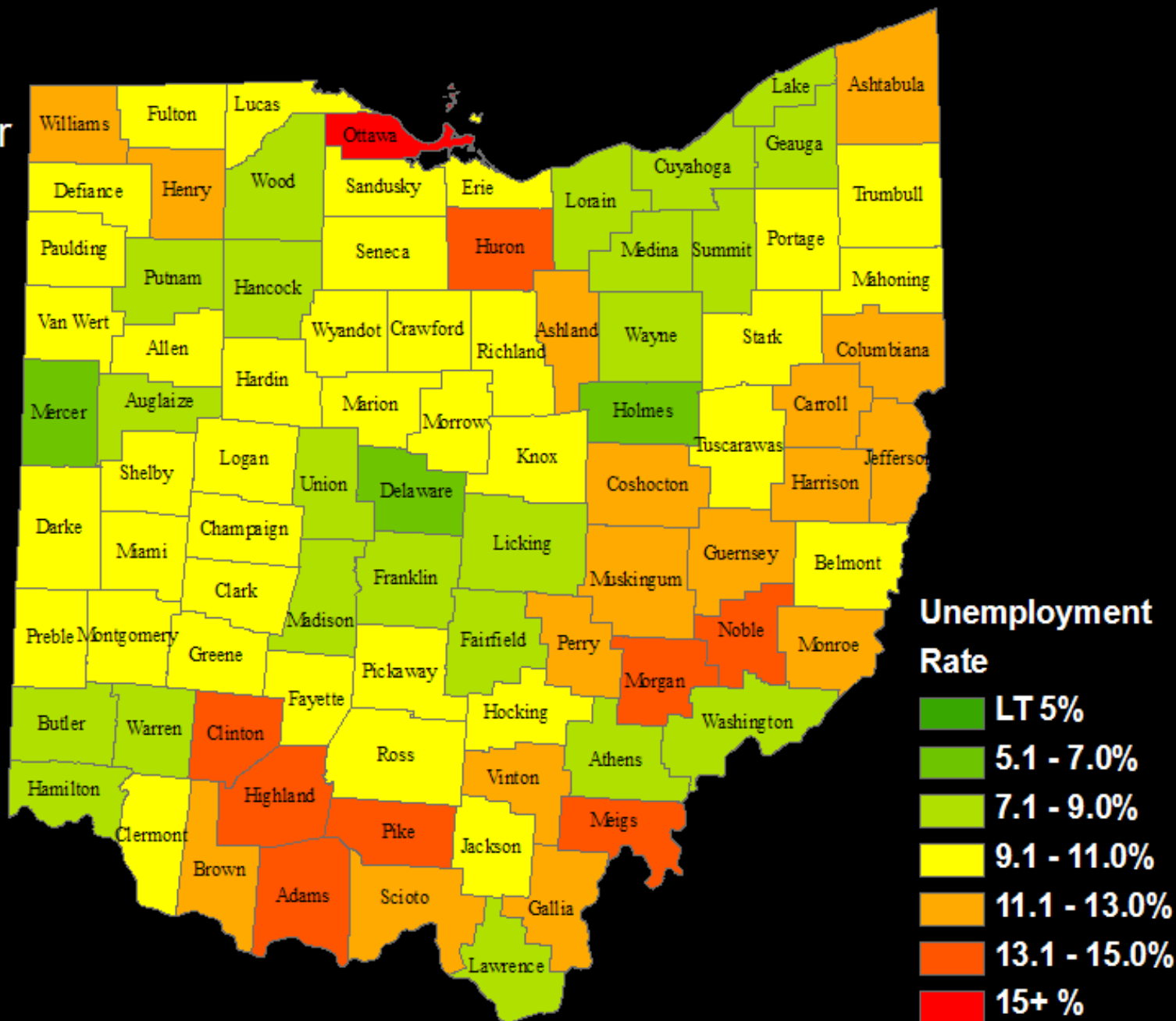
December 2007



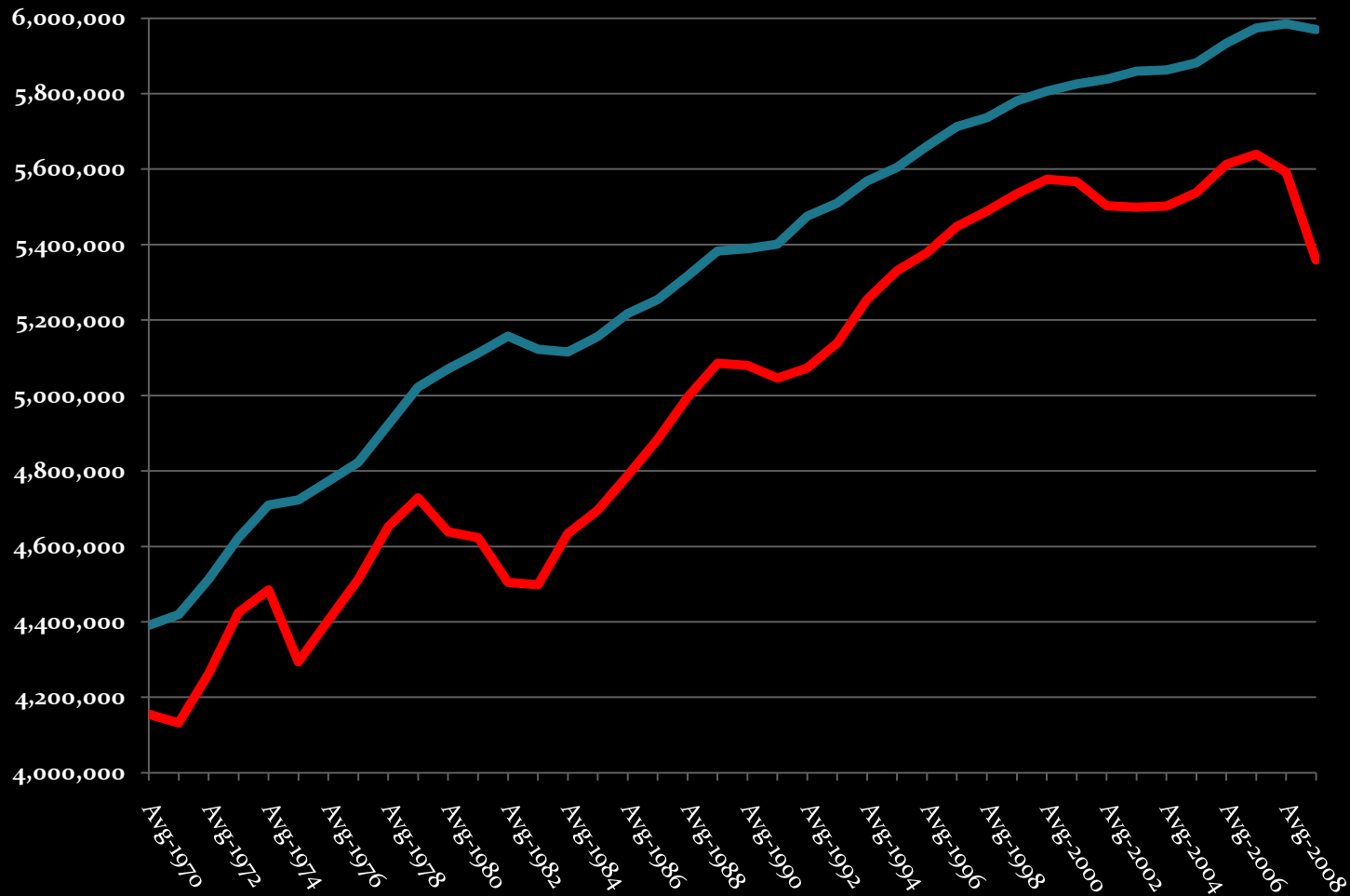
December 2009



December
2010



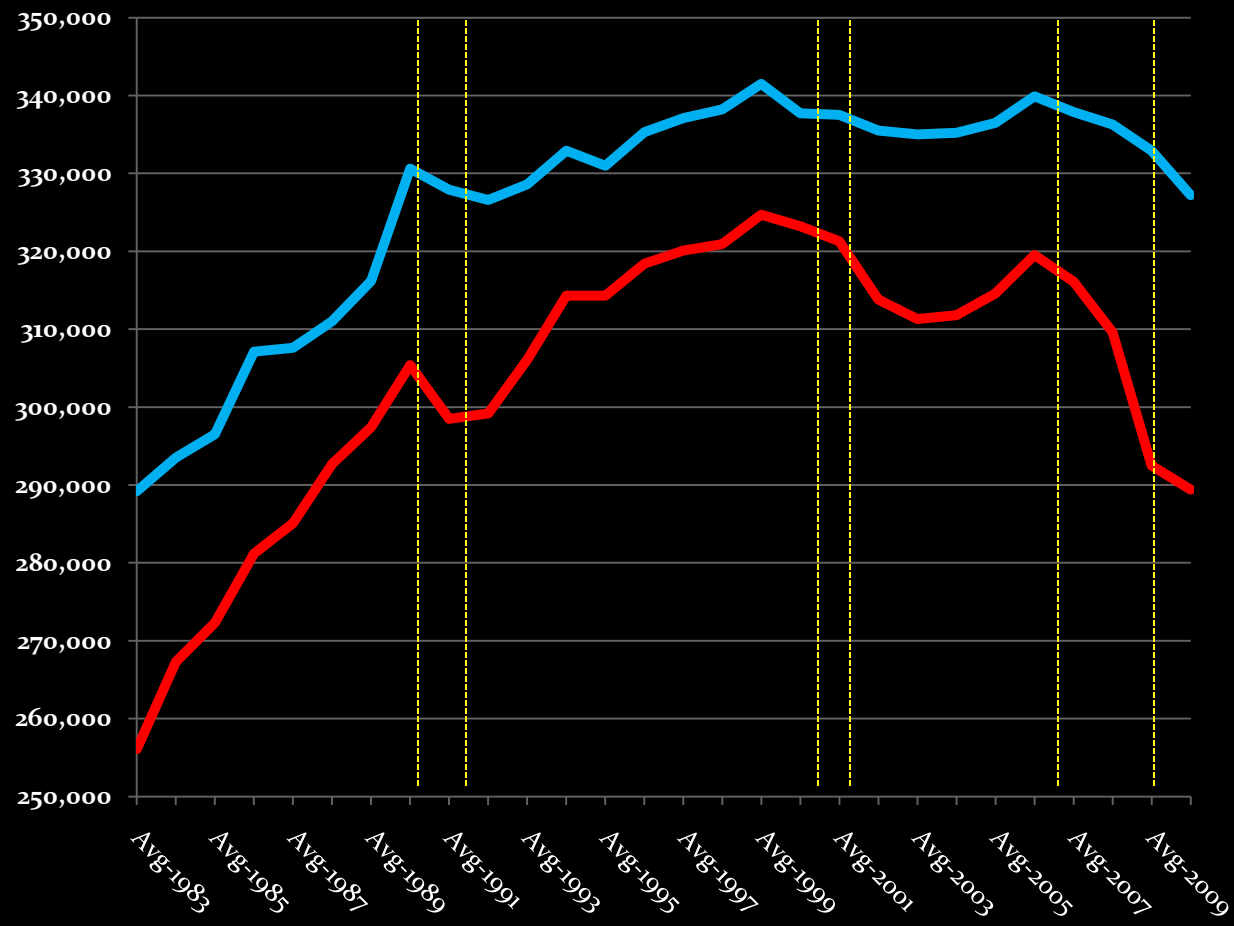
Ohio Labor Force and Employment



Ohio Employment



Labor Force (blue) and Employment Toledo MSA



Ohio Unemployment

Date	Labor Force	Employed	Unemployed	Unemployment Rate
December 10	5,886,800	5,342,200	544,600	9.3%
December 09	5,900,500	5,259,800	640,700	10.9%
December 08	5,979,300	5,534,200	445,100	7.4%
December 07	5,972,200	5,627,300	345,000	5.8%

Local Unemployment January 2011

	Labor Force	Employed	Unemployed	Unemployment Rate
Ohio	5,895,000	5,344,000	551,000	9.3
Fulton County	21,900	19,100	2,800	12.8
Lucas County	216,200	192,500	23,700	11.0
Ottawa County	21,800	17,700	4,100	18.9
Wood County	63,900	57,700	6,300	9.8
Toledo MSA	323,800	286,900	36,900	11.4

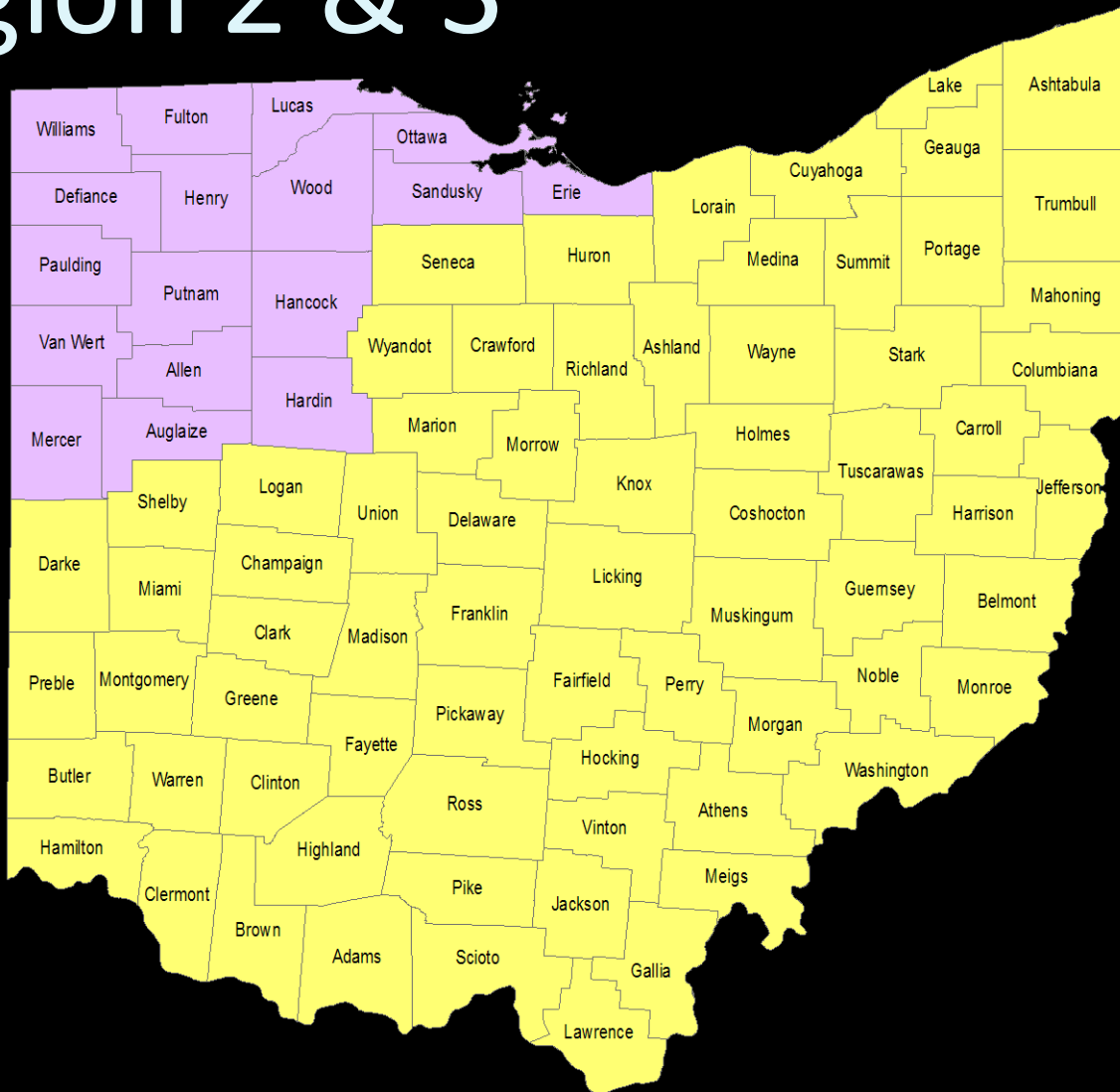
Jobs Needed to Get to Full Employment (Unemployment of 5%)

	Labor Force	Current Unemployed	Unemployment at 5%	Jobs Needed
Fulton County	21,900	2,800	1,095	1,705
Lucas County	216,200	23,700	10,810	12,890
Ottawa County	21,800	4,100	1,090	3,010
Wood County	63,900	6,300	3,195	3,105
Toledo MSA	323,800	36,900	16,190	20,710

Jobs Needed to Get to Full Employment (Unemployment of 5%)

	Labor Force	Current Unemployed	Unemployment at 5%	Jobs Needed
Ohio (Jan 2011)	5,895,000	551,000	294,750	256,250
Cleveland	1,068,300	90,500	53,415	37,085
Columbus	970,800	74,900	48,540	26,360
Cincinnati	1,112,900	101,000	55,645	45,355

Region 2 & 3



Employment Change 2005-2009

Sector	Employment, 2005	Employment, 2009	Employment Change	Percent Growth, 2005 - 2009
Education and Health Services	133,814	136,948	3,134	2.3
Trade, Transportation, and Utilities	119,045	109,772	-9,273	-7.8
Manufacturing	128,326	96,926	-31,400	-24.5
Leisure and Hospitality	61,091	58,679	-2,412	-3.9
Professional and Business Services	50,326	44,096	-6,230	-12.4
Construction	25,377	19,445	-5,932	-23.4
Financial Activities	21,664	18,923	-2,741	-12.7
Public Administration	18,522	18,464	-58	-0.3
Other Services	20,458	18,441	-2,017	-9.9
Information	7,656	6,401	-1,255	-16.4
Natural Resources and Mining	3,568	3,649	81	2.3
	589,847	531,744	-58,103	

Employment Change

Sector	Employment Change
Natural Resources and Mining	81
Information	-1,255
Public Administration	-58
Financial Activities	-2,741
Professional and Business Services	-6,230
Construction	-5,932
Other Services	-2,017
Leisure and Hospitality	-2,412
Trade, Transportation, and Utilities	-9,273
Education and Health Services	3,134
Manufacturing	-31,400
	-58,103

Employment Change

Sector	Employment Change	National Growth %	National Jobs
Natural Resources and Mining	81	-2.1	-73
Information	-1,255	-2.1	-157
Public Administration	-58	-2.1	-381
Financial Activities	-2,741	-2.1	-522
Professional and Business Services	-6,230	-2.1	-445
Construction	-5,932	-2.1	-421
Other Services	-2,017	-2.1	-1,256
Leisure and Hospitality	-2,412	-2.1	-2,448
Trade, Transportation, and Utilities	-9,273	-2.1	-1,035
Education and Health Services	3,134	-2.1	-2,752
Manufacturing	-31,400	-2.1	-2,639
	-58,103		-12,129

Employment Change

Sector	Employment Change	National Growth %	National Jobs	Industrial Mix Percent	Industrial Mix Component, Jobs
Natural Resources and Mining	81	-2.1	-73	5.5	196
Information	-1,255	-2.1	-157	-5.6	-425
Public Administration	-58	-2.1	-381	6.6	1,225
Financial Activities	-2,741	-2.1	-522	-15.7	-3,978
Professional and Business Services	-6,230	-2.1	-445	-3.5	-756
Construction	-5,932	-2.1	-421	3.1	636
Other Services	-2,017	-2.1	-1,256	4.3	2,624
Leisure and Hospitality	-2,412	-2.1	-2,448	-1.8	-2,199
Trade, Transportation, and Utilities	-9,273	-2.1	-1,035	-0.3	-134
Education and Health Services	3,134	-2.1	-2,752	10.1	13,537
Manufacturing	-31,400	-2.1	-2,639	-14.7	-18,815
	-58,103		-12,129		-8,089

Employment Change

Sector	Employment Change	National Growth %	National Jobs	Industrial Mix Percent	Industrial Mix Component, Jobs	Competitive Difference
Natural Resources and Mining	81	-2.1	-73	5.5	196	223
Information	-1,255	-2.1	-157	-5.6	-425	142
Public Administration	-58	-2.1	-381	6.6	1,225	-441
Financial Activities	-2,741	-2.1	-522	-15.7	-3,978	-526
Professional and Business Services	-6,230	-2.1	-445	-3.5	-756	-642
Construction	-5,932	-2.1	-421	3.1	636	-1,263
Other Services	-2,017	-2.1	-1,256	4.3	2,624	-1,462
Leisure and Hospitality	-2,412	-2.1	-2,448	-1.8	-2,199	-2,640
Trade, Transportation, and Utilities	-9,273	-2.1	-1,035	-0.3	-134	-2,788
Education and Health Services	3,134	-2.1	-2,752	10.1	13,537	-3,688
Manufacturing	-31,400	-2.1	-2,639	-14.7	-18,815	-6,545
	-58,103		-12,129		-8,089	-19,630

25 Public Companies

- Includes

- Dana
- Marathon
- Owens Illinois
- Owens Corning
- Cedar Fair
- Huntington

- Stock Symbols:

- CHBH, RBNF, UBOH, HZO, SGU, OC, OI, CTB, FUN, SPTN, DAN, LBY, ANDE, HBAN, REXMY, FCZA, FO, GDI, STLD, NRGY, FDEF, VLO, MRO, FFBC, HCN

Financial Ratios

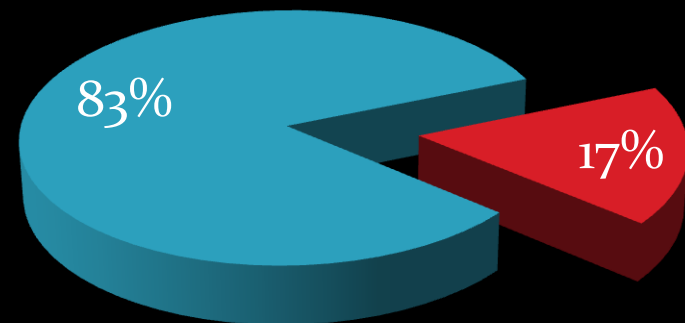
- Basic:
 - Revenue/Employee
 - Income/Employee
- Management Discipline:
 - Inventory Turnover
 - Receivable Turnover
- Strategic:
 - 5-Yr. Return on Invested Capital

Basics

Revenue Per Employee



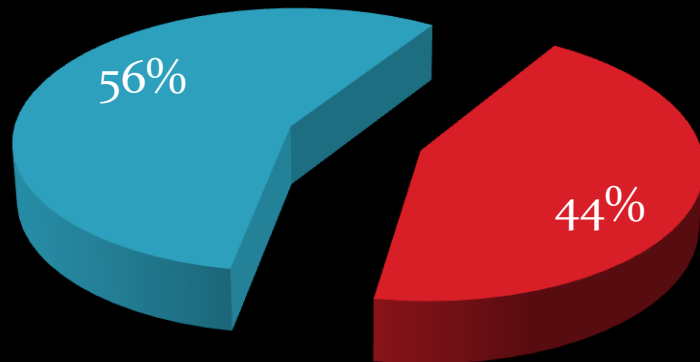
Income Per Employee



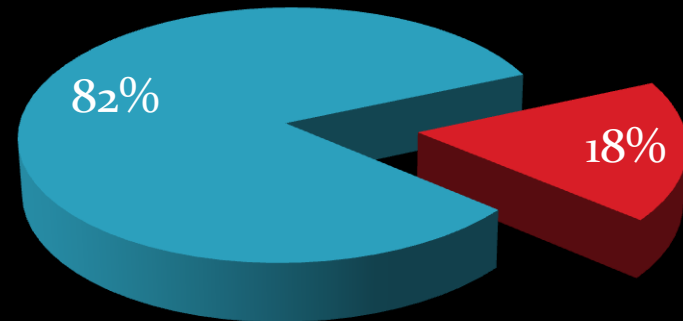
Firms in the sample (Red)
Industry Peers (Blue)

Management Discipline

Inventory Turnover



Receivables Turnover



Firms in the sample (Red)
Industry Peers (Blue)

5-Yr. Return on Invested Capital

- Only two companies had a return on invested capital higher than their industry peers.
 - 1.67% RoC for firms in the sample
 - 7.69% RoC for industry peers

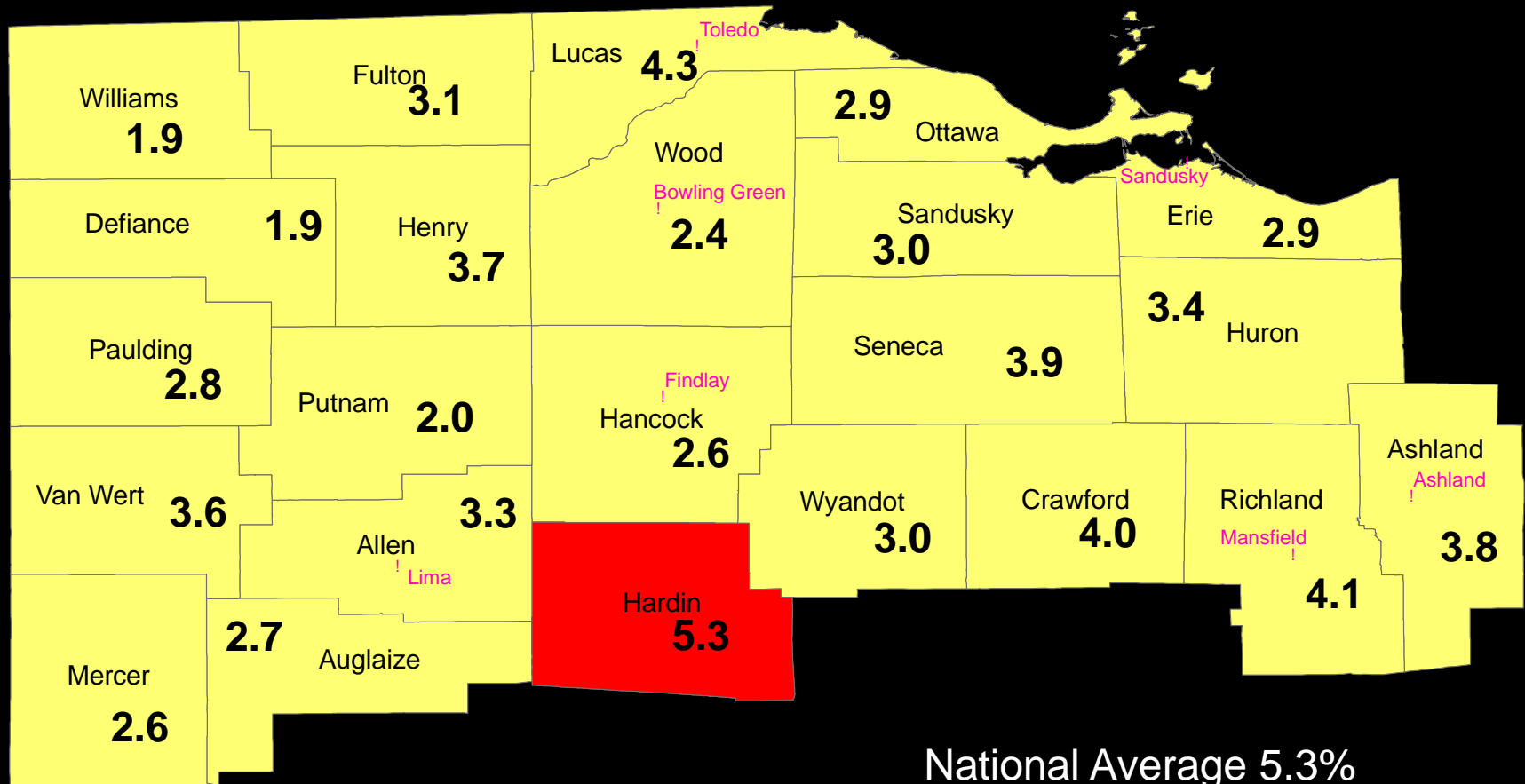
Characteristics

- Systemic
- Usually institutional
- Advice support networks

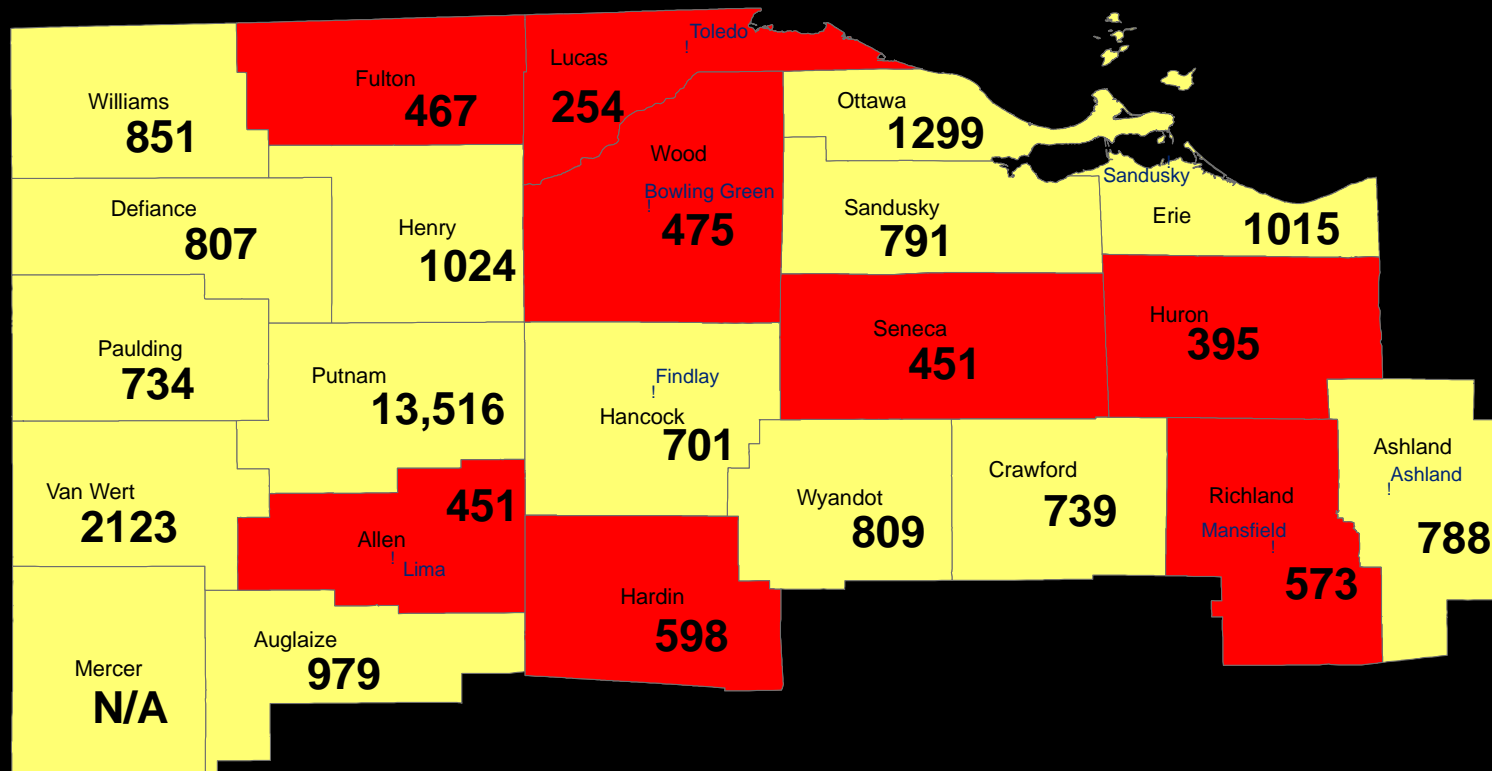
Other Indicators

- Mortgage delinquency rates
- Foreclosures
- Student Loans

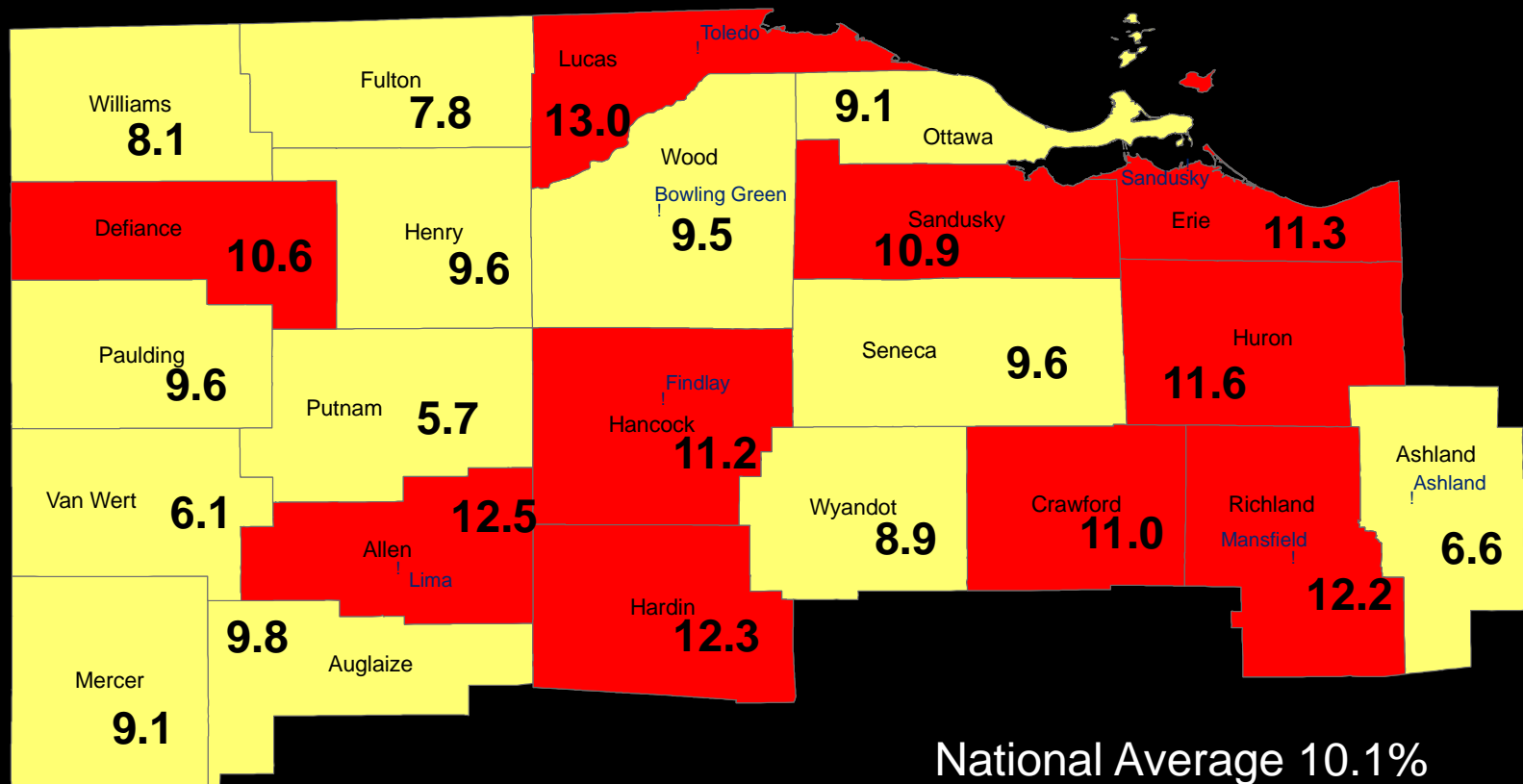
Mortgage Delinquency Rate 90+ Days



Foreclosure (I in X)



Percent of Student Loans 60+ Days



Policy Review

- Expansionary Policy Options
 - Monetary Policy
 - Monetary policy is not effective with rates near 0%
 - Fiscal Policy (tax cuts or government spending)
 - Tax cuts are not realistic given current deficits
 - State and local levels expect tax increases
 - Spending is difficult politically

Policy Direction

- We will not recover if we continue to focus on specific industries.
- The focus must be on the business process
- The key is speed or reaction time
- Capitalism
 - Markets
 - Division of power (public / private)
 - Drive to accumulate



Thank You

Regional Economic Update 2011

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