Alabama and The Global Economy

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Alabama Forest Owners' Association, Inc.
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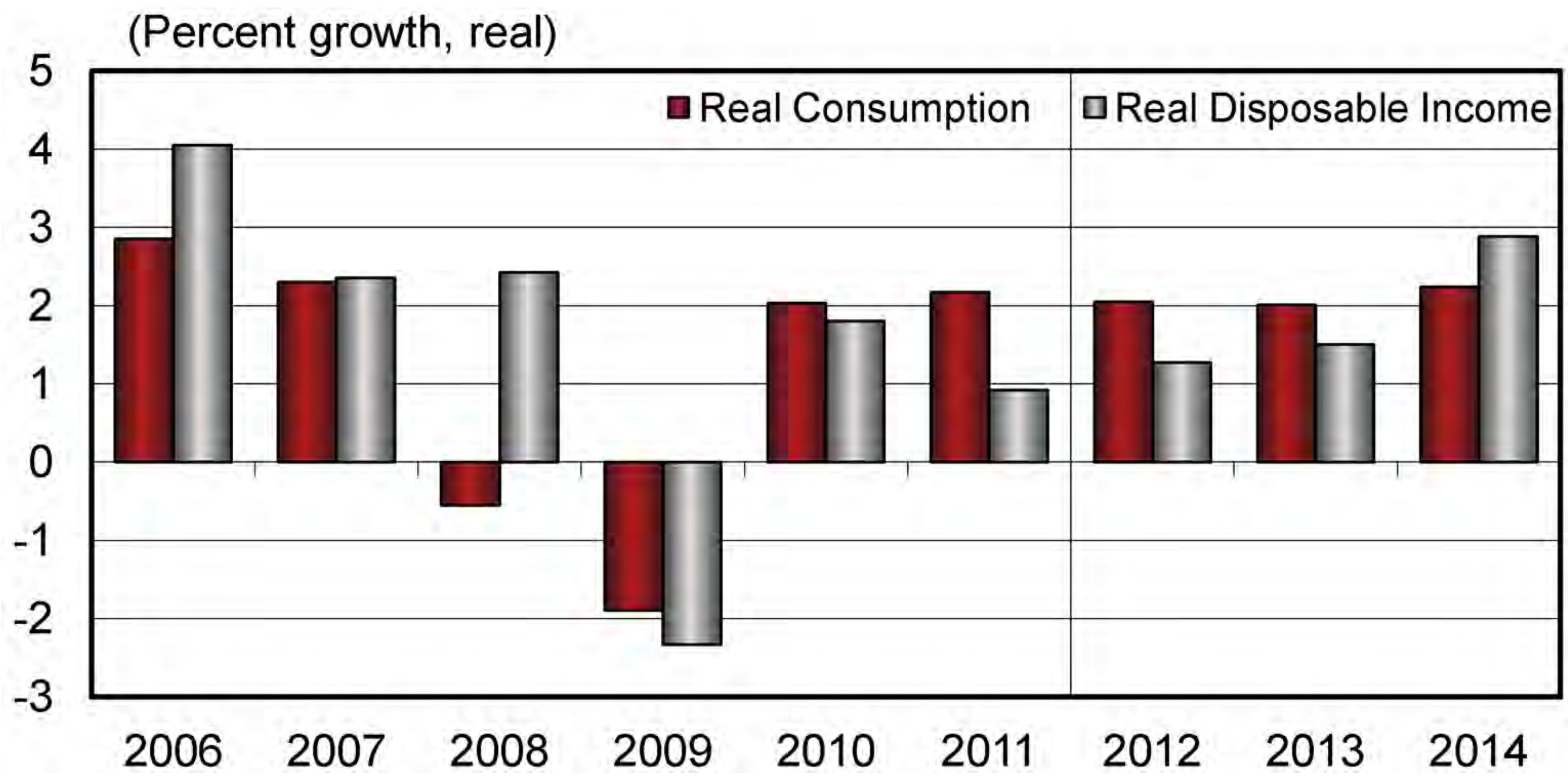
Overview: Improving U.S. Economic Conditions

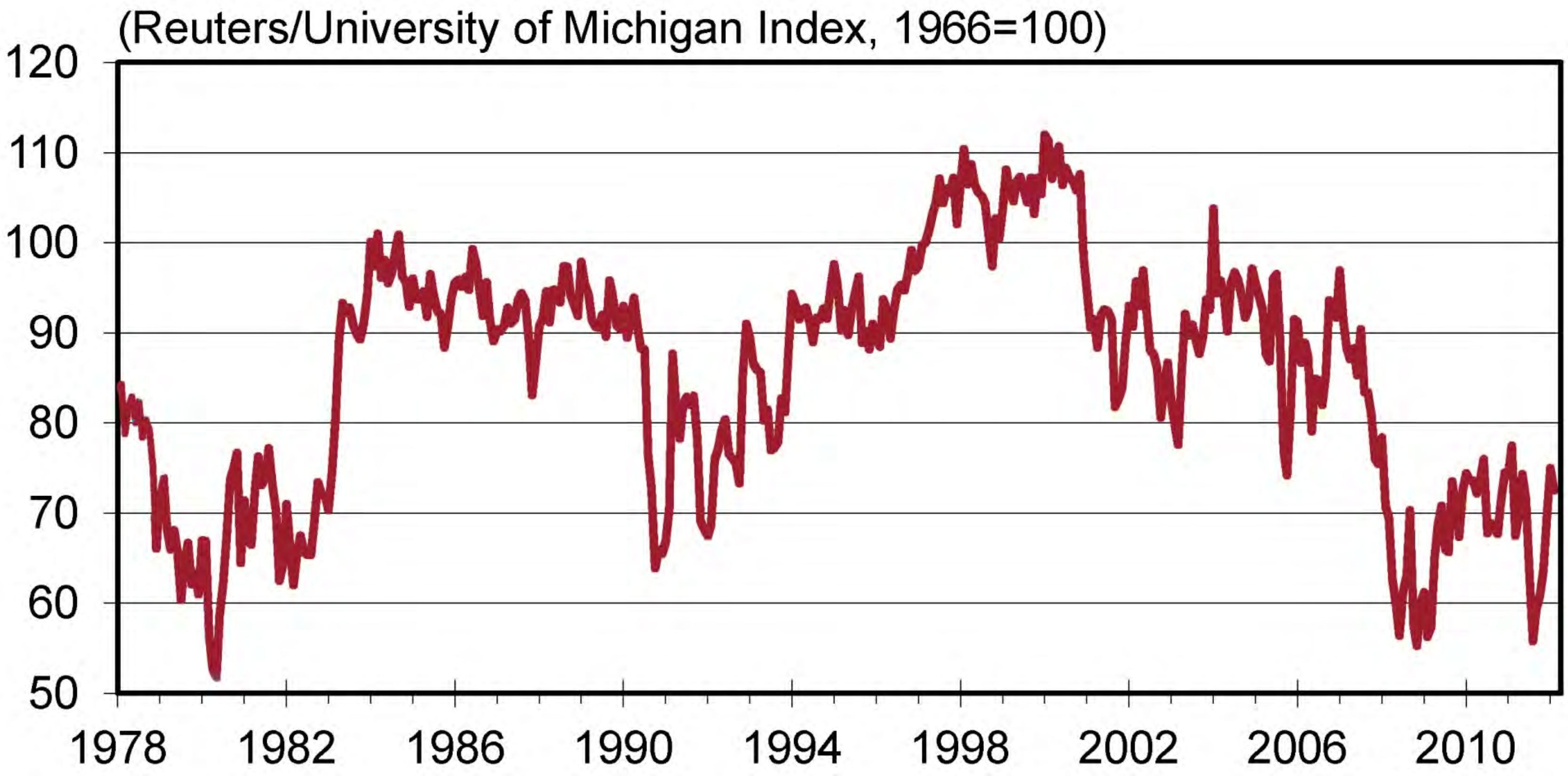
- Job openings are up, initial claims are falling
- Businesses are hiring at a relatively faster pace
- Index of Leading Indicators showing improvement
- Inventory rebuilding caused relatively strong growth in late 2011 and early 2012
- Business spending and exports are also helping economic growth
- Commercial and industrial loan market is reviving

Consumer spending growing; income growth still weak



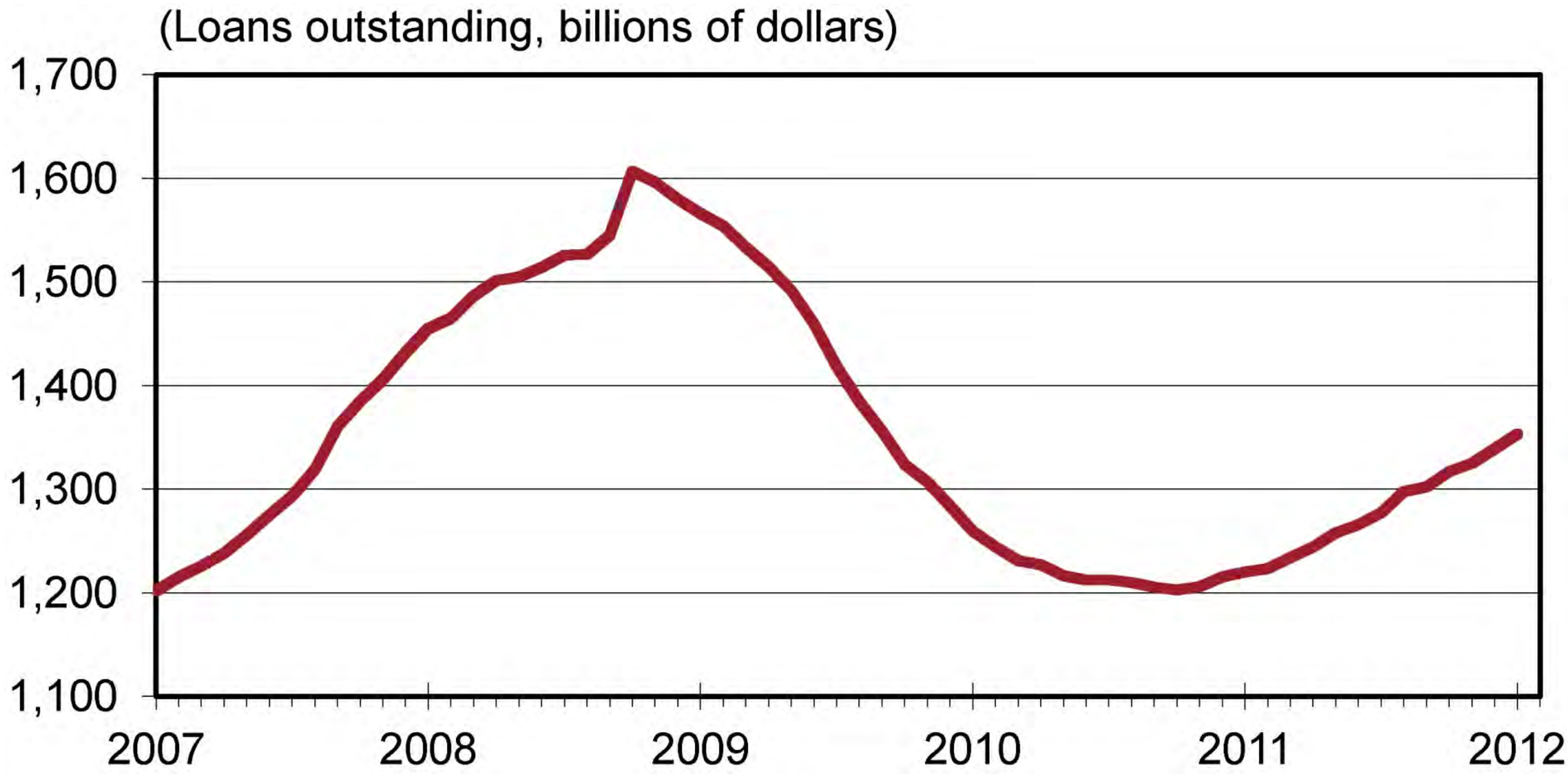
Source: U.S. Department of Commerce and IHS Global Insight.

Consumer sentiment improving, but still weak



Source: University of Michigan.

Commercial and industrial loan market reviving gradually

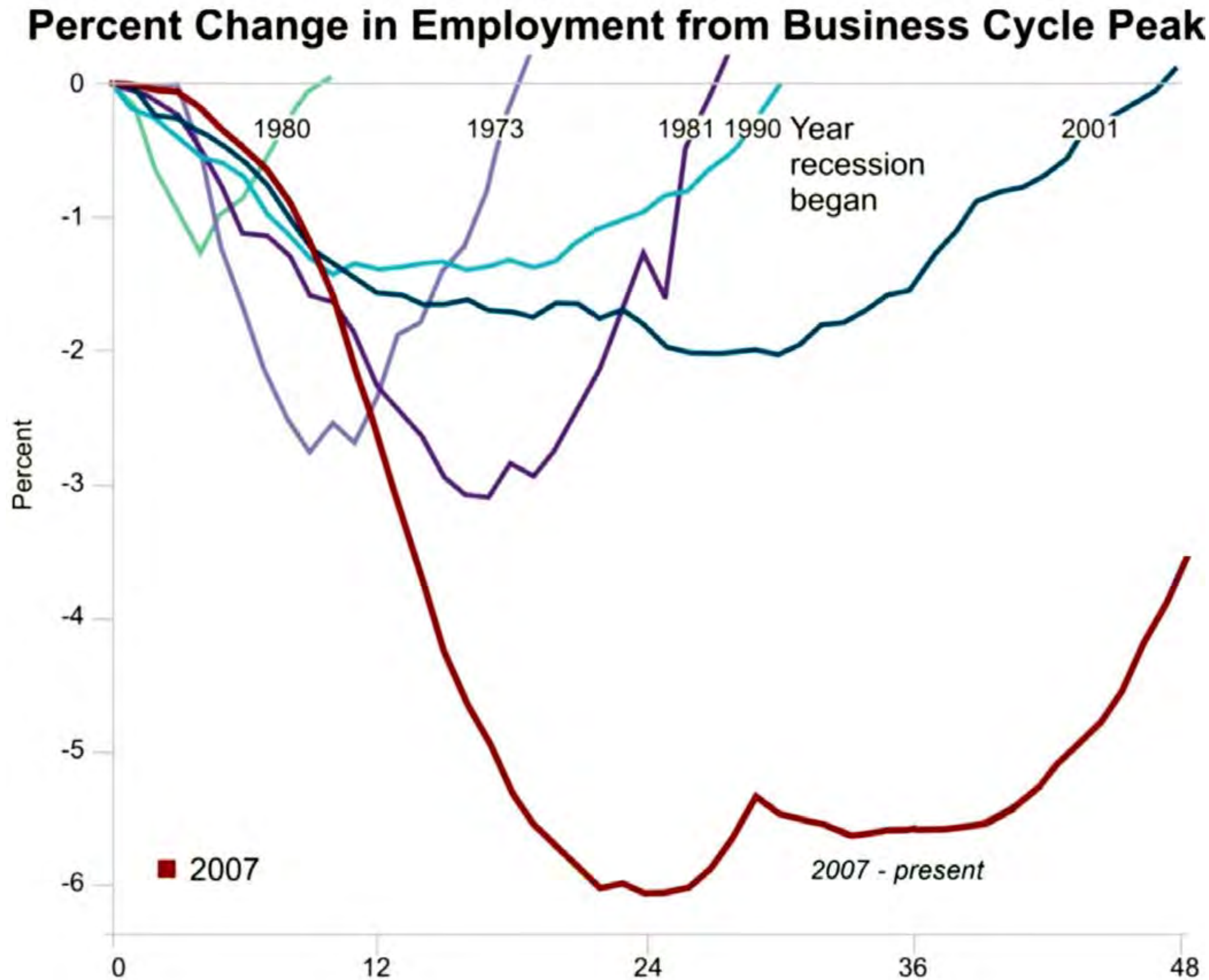


Source: Federal Reserve Bank.

The U.S. economy has been in recession for 122 out of about 800 months after WWII

- Post World War II Recessions (source: NBER):
  - Nov 1948 to Oct 1949 (11 months)
  - Jul 1953 to May 1954 (10 months)
  - Aug 1957 to Apr 1958 (8 months)
  - Apr 1960 to Feb 1961 (10 months)
  - Dec 1969 to Nov 1970 (11 months)
  - Nov 1973 to Mar 1975 (16 months)
  - Jan 1980 to Jul 1980 (6 months)
  - Jul 1981 to Nov 1982 (16 months)
  - Jul 1990 to Mar 1991 (8 months)
  - Mar 2001 to Nov 2001 (8 months)
  - **Dec 2007 to Jun 2009 (18 months, longest and deepest)**

United States: Great Recession worst since WWII



Source: Bureau of Labor Statistics.

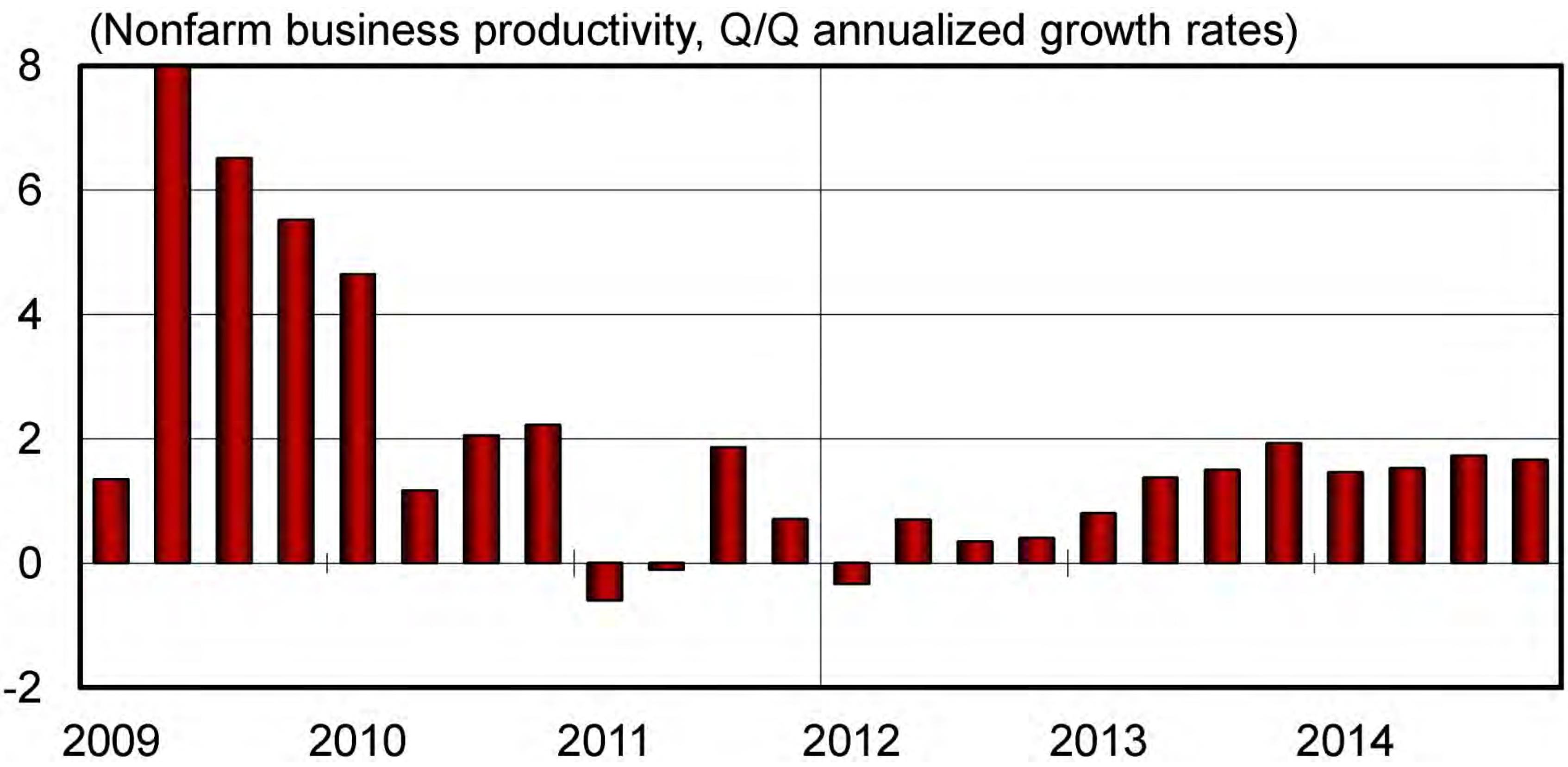
Downside Risks

- State and local governments continue to lay off workers
- Relatively tight credit and loan markets
- Housing markets remain weak and distressed
- Rising gasoline prices
- Economy will require much faster job growth for a sustained recovery
- Lack of income growth

Gas price impact on the economy

- Each $10 increase in the price of a barrel of oil raises prices at the pump by about $0.25
- As a result, GDP and consumer spending decline by 0.2 percent the first year and 0.5 percent the second year
- Inflation-adjusted disposable income drops by 0.4 to 0.5 percent
- Also has a significant impact on what consumers think prices will be one year ahead

Productivity growth has run out of steam



Source: Federal Reserve Board.

U.S. Economic Outlook

(Percent change unless otherwise noted)	2009	2010	2011	2012	2013
Real GDP	-3.5	3.0	1.7	2.2	2.4
Consumption	-1.9	2.0	2.2	2.1	2.1
Residential Investment	-22.2	-4.3	-1.3	9.7	16.3
Nonresidential Fixed Investment	-17.9	4.4	8.8	6.8	6.1
Federal Government Spending	6.0	4.5	-1.9	-1.8	-3.5
State & Local Govt. Spending	-0.9	-1.8	-2.2	-1.4	-0.6
Exports	-9.4	11.3	6.7	4.2	7.1
Imports	-13.6	12.5	4.9	4.1	3.8
Payroll Employment	-4.4	-0.7	1.2	1.6	1.7
Unemployment Rate	9.3	9.6	9.0	8.2	7.9
CPI Inflation	-0.3	1.6	3.1	2.2	1.7
Light Vehicle Sales (Millions)	10.40	11.55	12.74	14.24	14.90

Source: IHS Global Insight, April 2012.

Overview: Alabama Economy

- Growing tourism, exports, and manufacturing sectors
- Continuing diversification of the state's economy into biotechnology, healthcare, aerospace, automotive, national defense, education, steel, shipbuilding, and other high-paying manufacturing and white-collar jobs
- Many economic and workforce development successes, with a number of cities listed as best places to live and/or do business
- Continued population growth
- Per capita income at highest levels relative to the nation's
- Job growth is returning gradually
- Business optimism is up slightly

The Alabama economy: Selected statistics

- **Population:** 4,779,736 (April 1, 2010)
  - Up by 7.5% since 2000, below the 9.7% increase for U.S.
  - 2010 median age is 37.9 vs. 37.2 for U.S.
  - 19.0% poverty rate in 2010; 15.3% U.S.
- **Income:** $33,516 per capita (2010), 83.9% of $39,945 for U.S.
  - $39,637 average wage per worker ($47,380 U.S.)
- **Labor Force:** 2,151,117 in February 2012 (**seasonally adjusted**)
  - 1,988,178 employed; 7.6% unemployment (8.3% U.S.)
  - **Not seasonally adjusted**: labor force 2,130,817 with 1,961,005 employed and unemployment rate of 8.0% vs. 8.7% for U.S.
- **Housing:** 2,171,853 units (2010)
  - 86.7% occupied (88.6% U.S.); 69.7% owner-occupied (65.1% U.S.)

The Alabama economy: Selected statistics

- **Alabama GDP:**
  - $166.8 billion (2009); 1.2% of $14.0 trillion U.S. GDP
  - $172.6 billion (2010); 1.2% of $14.6 trillion U.S. GDP
  - Real GDP up 16.2% between 2000 and 2010 (16.7% for U.S.)
  - Manufacturing produces 16.3% of AL GDP with 12.7% of workers

- **Transportation Equipment Manufacturing:** Top export
  - 1997: Mercedes M-Class was the only model
  - 2011: 9 models (8 at year-end) and 760,000 vehicles capacity with new models and higher total capacity expected in the near term
  - Estimated 727,440 vehicles produced in 2011 (Mercedes 127,273; Honda 262,040; Hyundai 338,127), up 4.0% from 2010 and compared to 68,724 in 1998
  - Engine and parts production also increasing
  - About 49,400 workers; down from 52,900 in 2008
  - Produced 3.2% of 2010 AL GDP with 2.6% of workers
  - Exports in 2011 totaled $6.1 billion, or 34% of total exports

Fast Facts About Alabama Forests

- Alabama forest lands are equal to the size of Massachusetts, Connecticut, Rhode Island, New Hampshire, and Delaware combined; which is about 28.3 billion cubic feet of standing timber.
- Alabama ranks second in the United States in pulp production and No. 3 in paper production.
- Forest products are second only to coal as the leading export commodity at the Port of Mobile.
- Exports of forest products average 1.2 million tons annually.
- More than 90 percent of Alabama woodlands are privately owned.
- Alabama sports 1,400 tree farms with 2.2 million acres certified under the Tree Farm program.
- Alabama is No. 7 nationally in lumber production and eighth in wood panel production.

Source: amazingalabama.com.

Alabama's Land Use

Total land area
52,423
Square miles

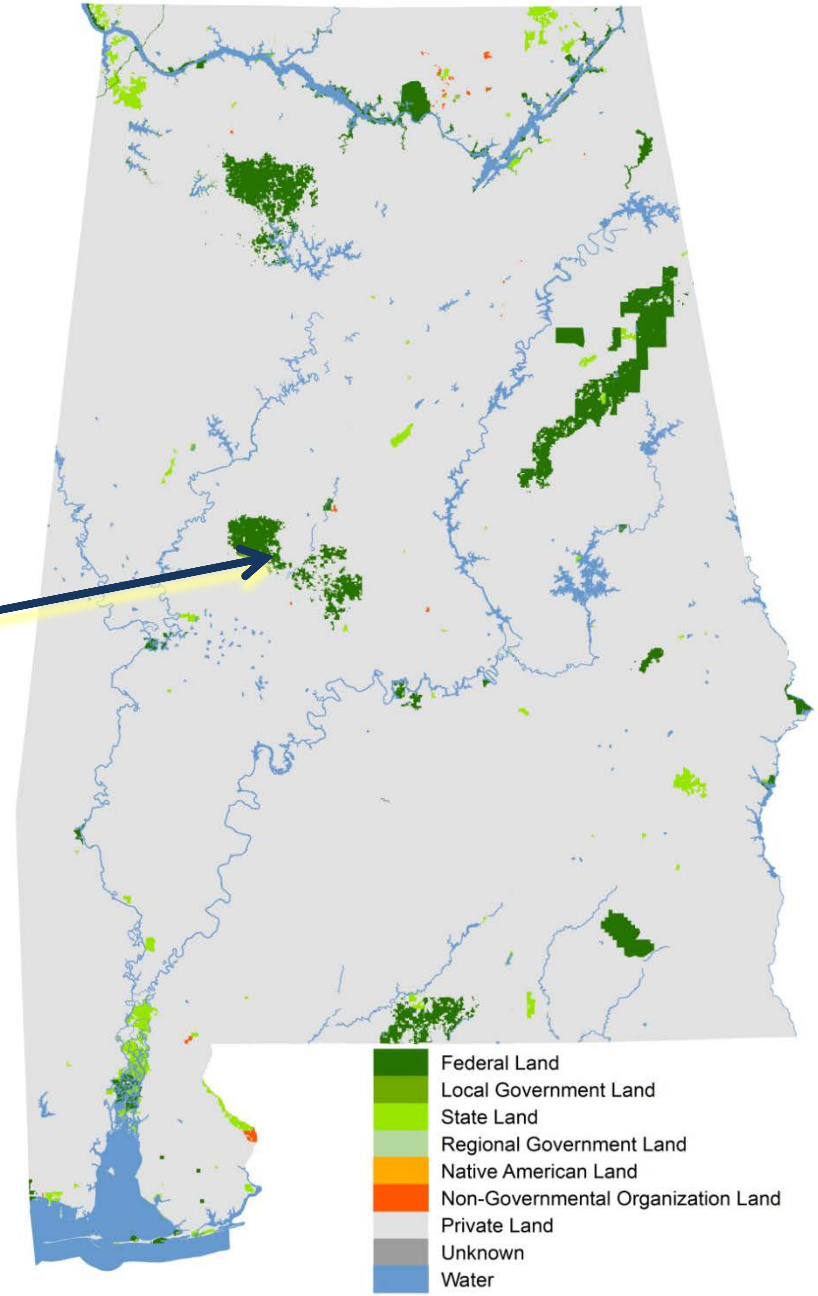
Stream and river channel
77,242
Miles

State or federally protected land
1,318,504
Acres

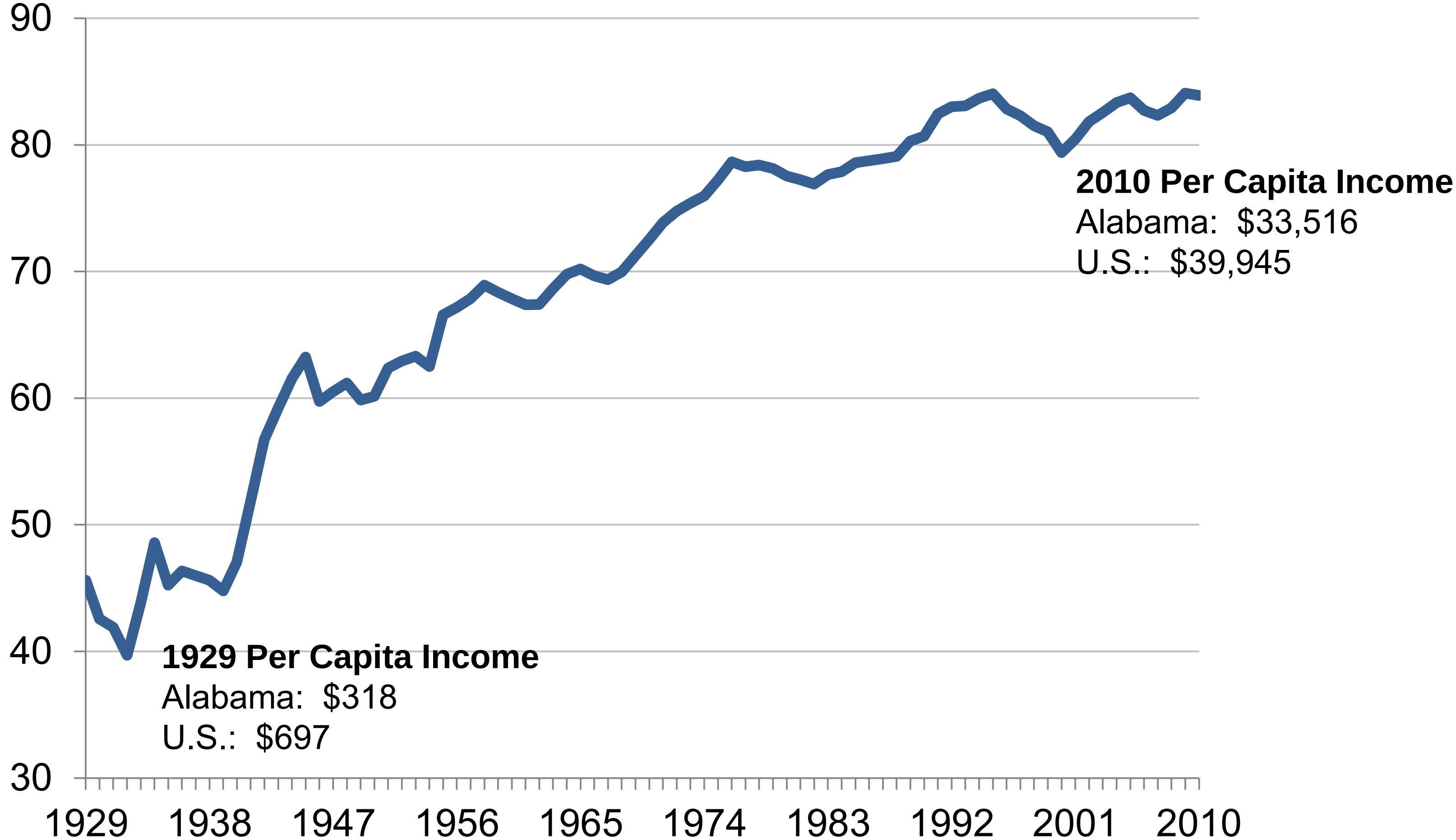
Coastal wetlands
27,600
Acres

Timberland
22,700,000
Acres

Freshwater wetlands
3.6
Million acres

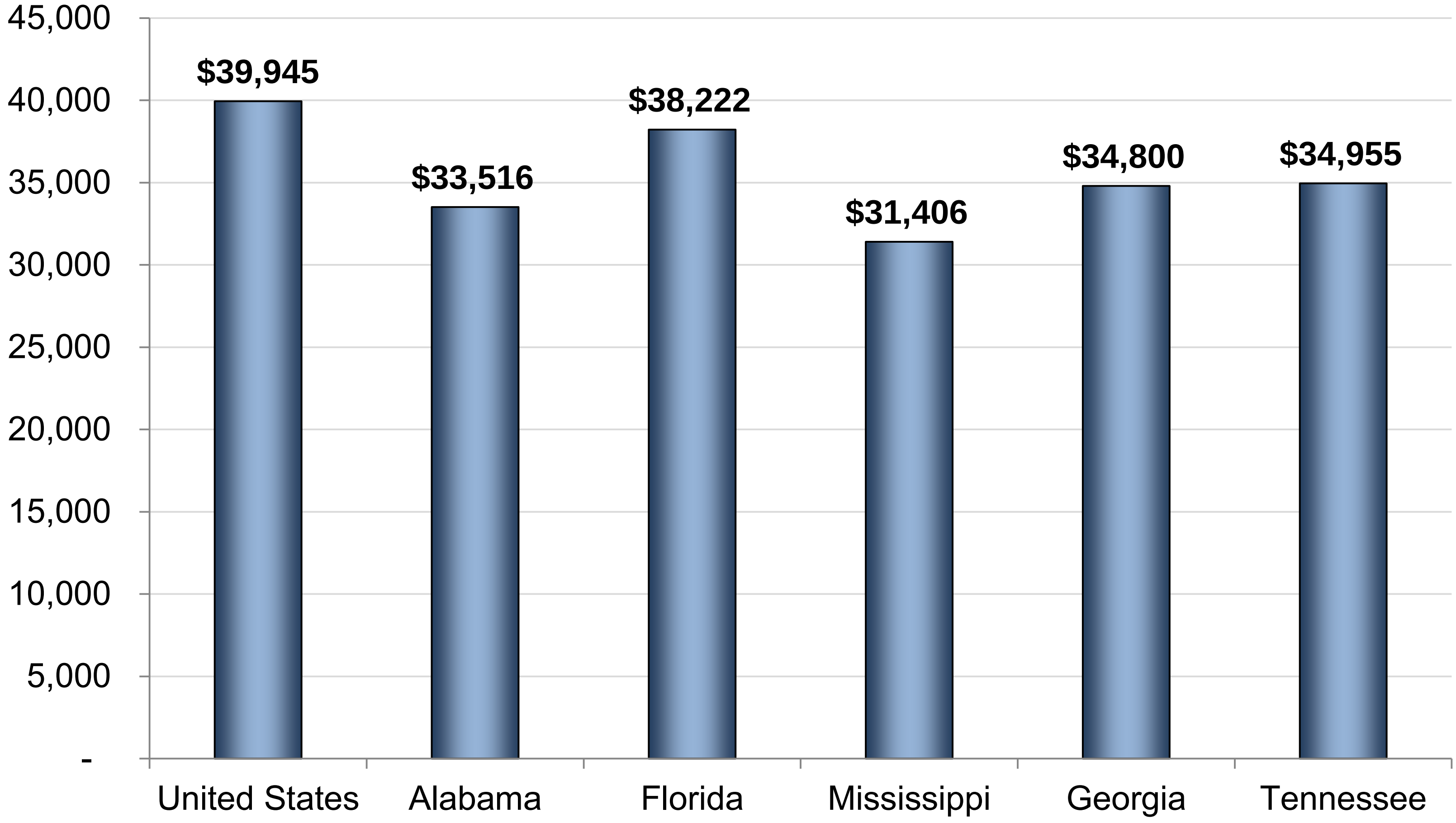


Alabama Per Capita Income as a Percent of U.S. Per Capita Income



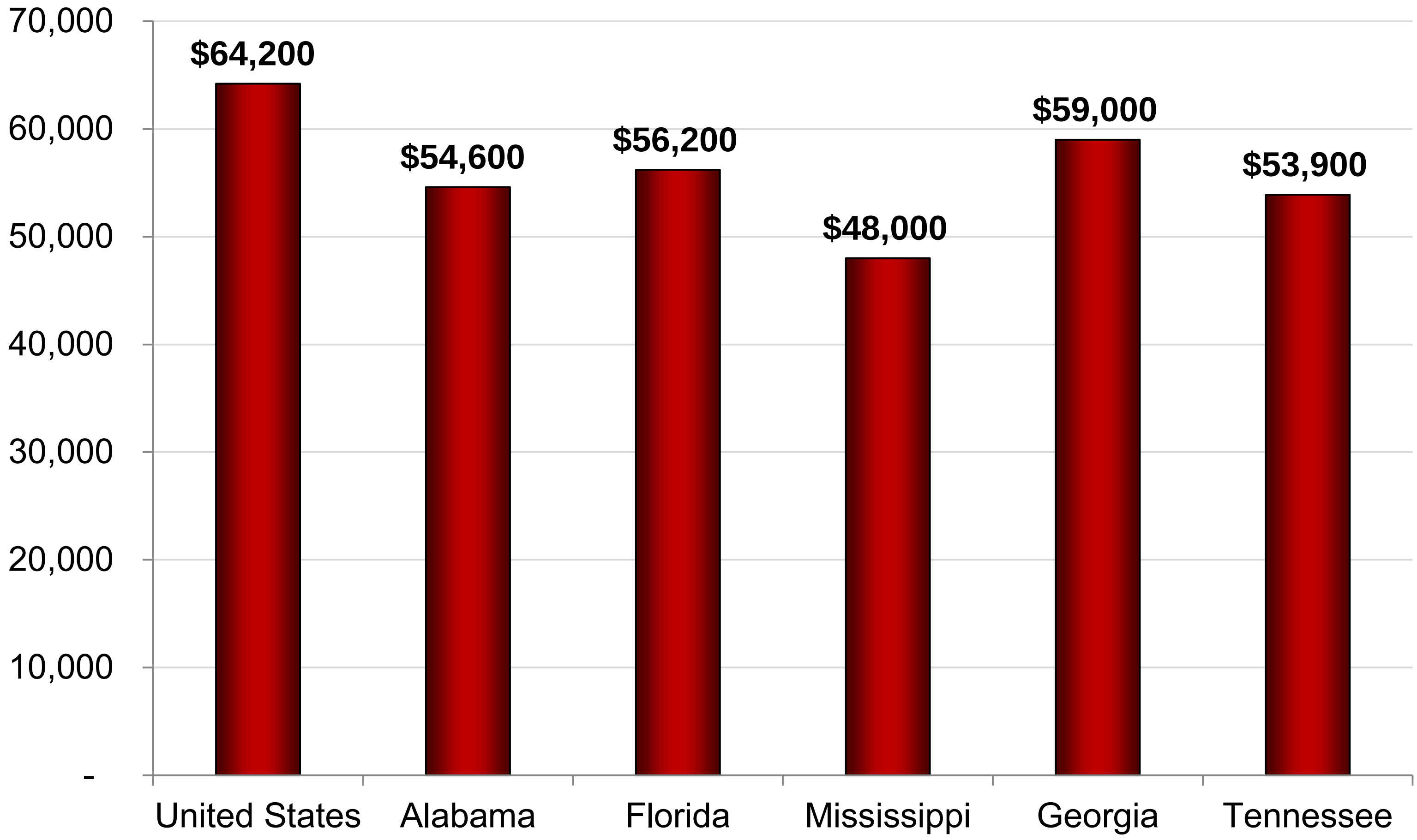
Source: U.S. Bureau of Economic Analysis.

Per Capita Income (2010)



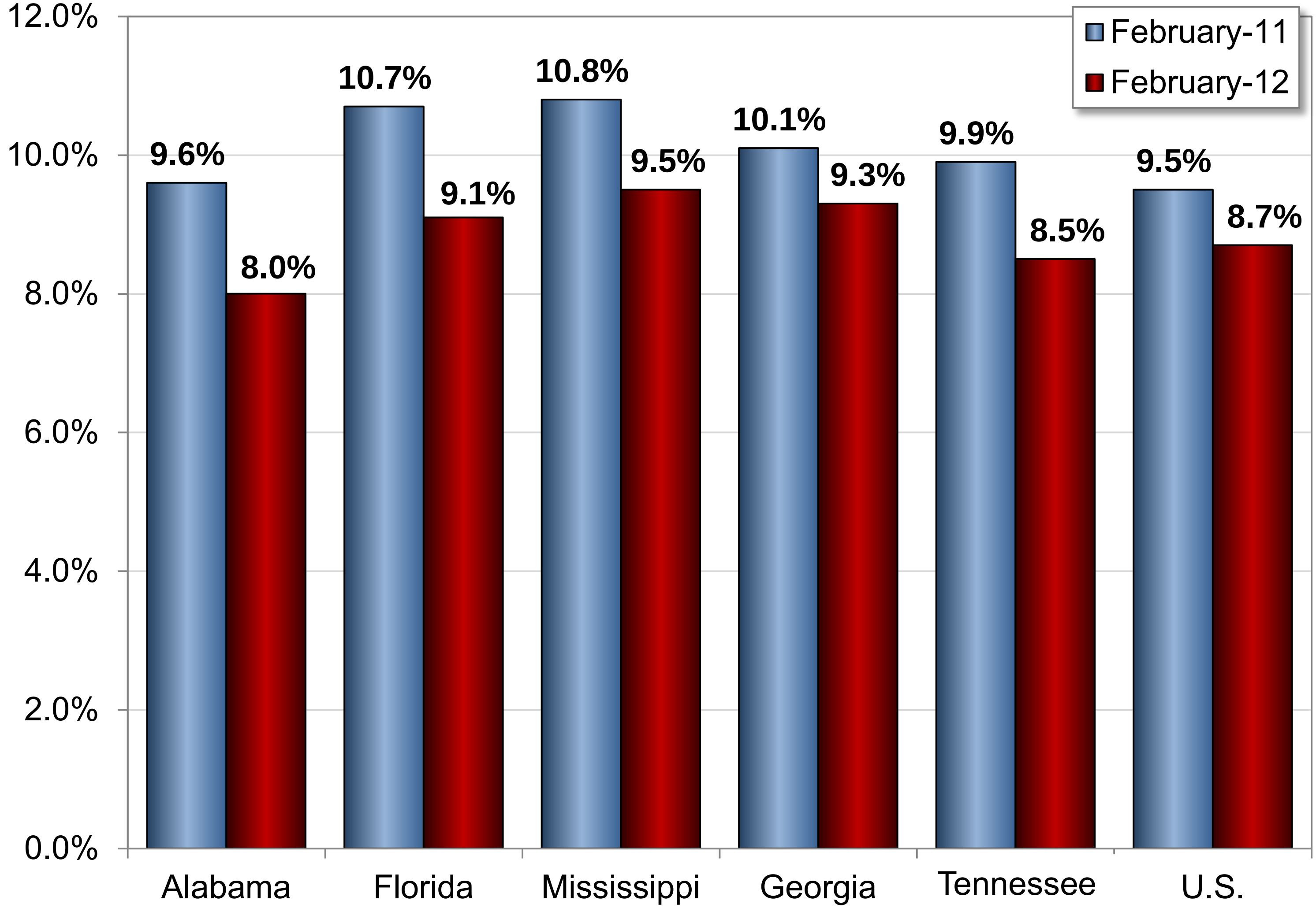
Source: U.S. Bureau of Economic Analysis.

Median Family Income for FY2011



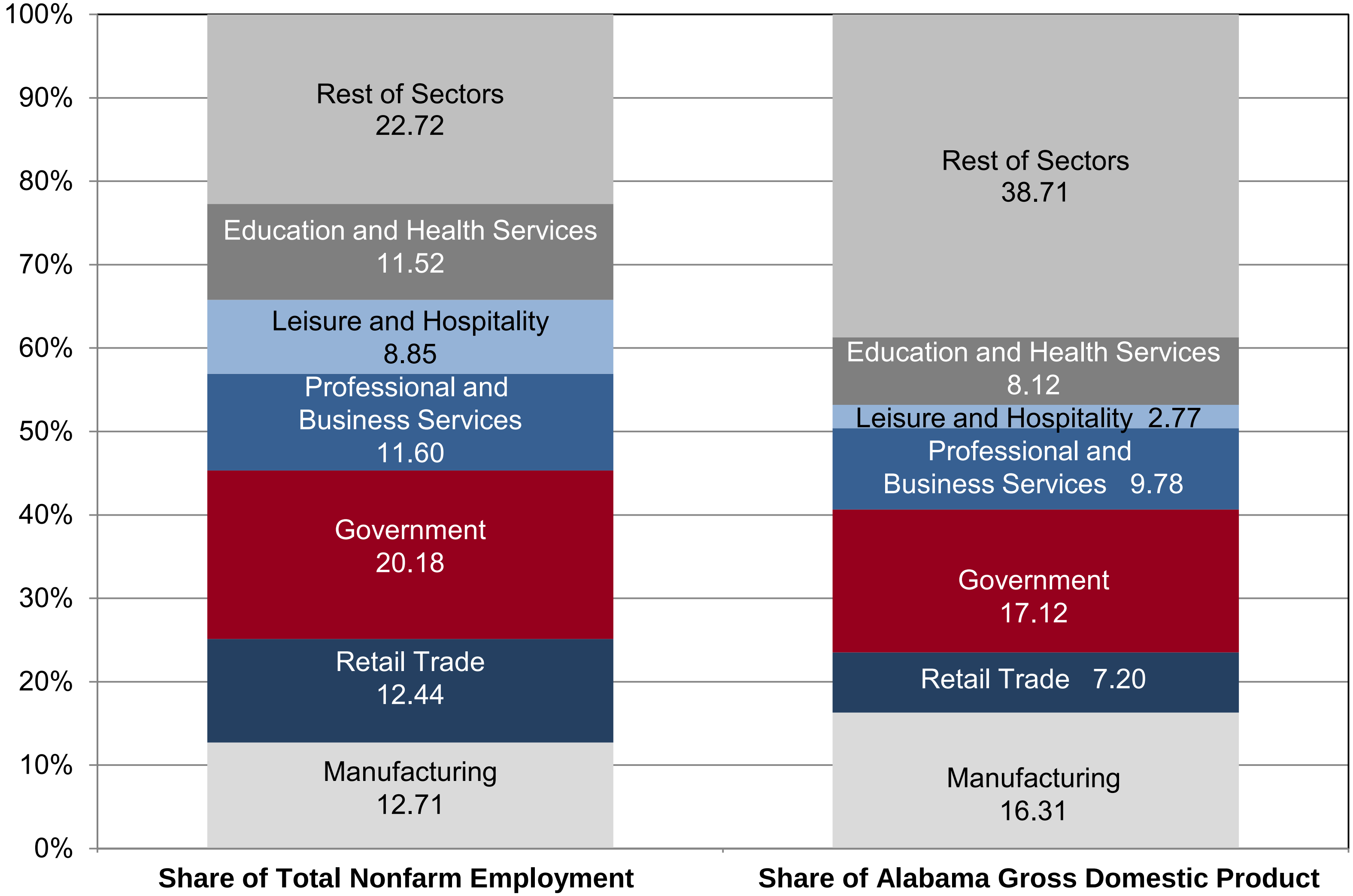
Source: U.S. Department of Housing and Urban Development.

State Unemployment Rates



Source: U.S. Department of Labor, Bureau of Labor and Statistics.

Share of Total Nonfarm Employment (2011) and Share of Alabama Gross Domestic Product (2010)



Source: Alabama Department of Industrial Relations.

Source: U.S. Bureau of Economic Analysis.

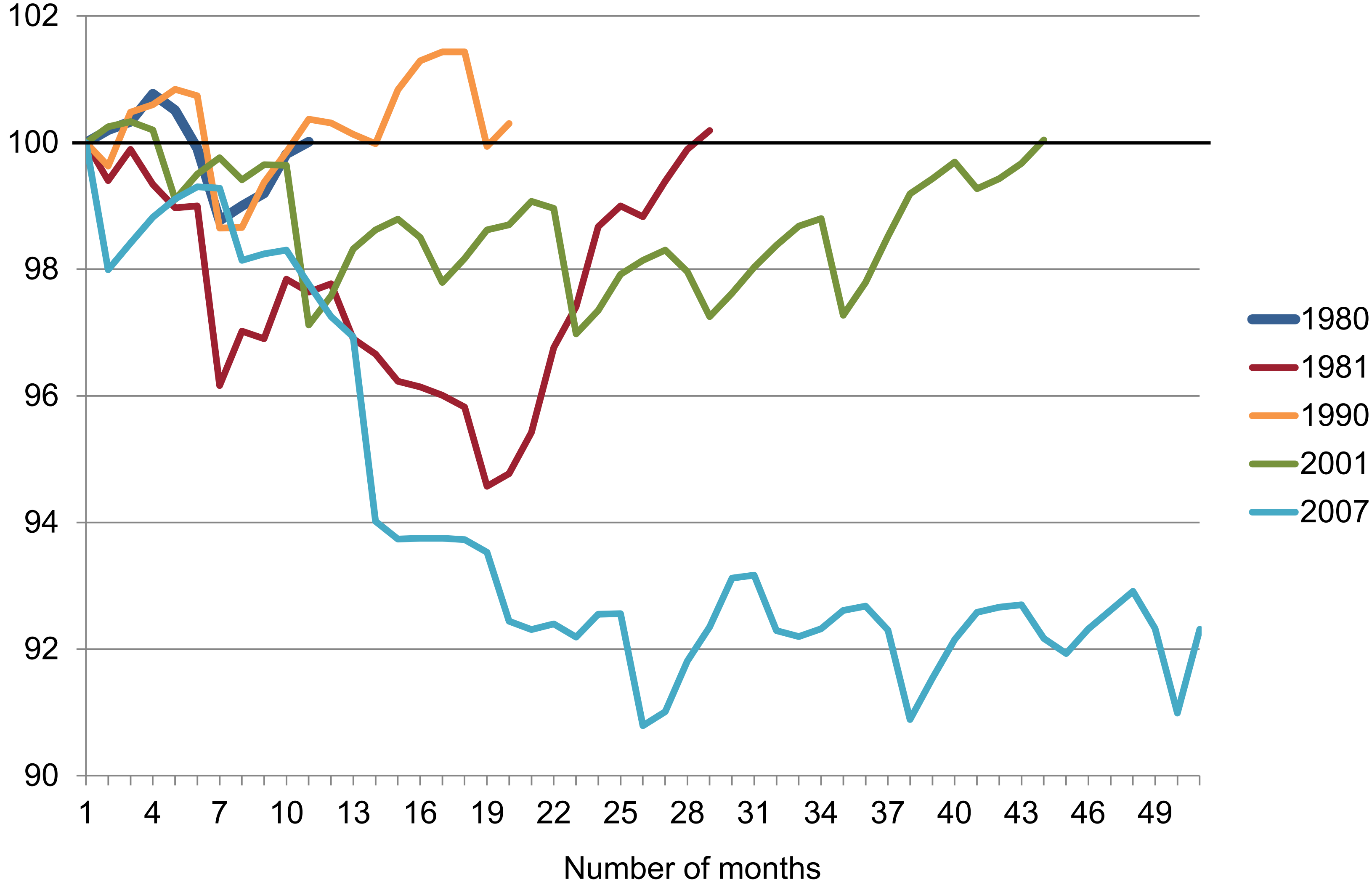
Alabama Nonagricultural Employment Change in Number of Jobs

	February 2010 to February 2011	February 2011 to February 2012
Total Nonagricultural	11,400	4,500
Natural Resources and Mining	500	400
Construction	-4,100	-7,400
Manufacturing	1,100	4,100
Durable Goods Manufacturing	1,900	6,200
Nondurable Goods Manufacturing	-800	-2,100
Trade, Transportation and Utilities	2,000	2,700
Wholesale Trade	-1,300	-400
Retail Trade	2,300	3,800
Transportation, Warehousing and Utilities	1,000	-700
Information	-800	-900
Financial Activities	-700	1,200
Professional and Business Services	8,800	2,700
Educational and Health Services	3,200	5,300
Leisure and Hospitality	2,700	5,300
Other Services	-100	1,600
Government	-1,200	-10,500
Federal Government	1,800	-900
State Government	100	-6,200
Local Government	-3,100	-3,400

Source: Alabama Department of Industrial Relations, Labor Market Information Division.

Change in Alabama Employment From the Beginning of the Recession

(Index: Beginning of Recession = 100)



Alabama Exports by Commodity (2011)

Total	**$17,893,282,100**
– Transportation Equipment	$ 6,060,530,895
– Chemicals	$ 2,340,276,126
– Minerals and Ores	$ 2,243,903,517
– Machinery (Except Electrical)	$ 1,212,505,926
– Primary Metals	$ 1,060,585,615
– Paper Products	$ 1,023,510,391
– Computer, Electronics	$ 629,921,722
– Food Manufacturers	$ 552,027,191
– Fabricated Metals	$ 526,119,875
– Plastic & Rubber Products	$ 345,988,072
– Wood Products	$ 182,514,796

Source: U.S. Census Bureau.

Alabama Exports by Destination, 2011 and Percent Change from Previous Year

Total	**$17,893,282,100**	**15%**
– Canada	$ 3,296,495,516	4%
– China	$ 2,313,363,885	21%
– Germany	$ 1,953,268,459	9%
– Mexico	$ 1,722,168,219	53%
– Japan	$ 716,467,930	46%
– Brazil	$ 659,744,569	0%
– United Kingdom	$ 593,621,037	18%
– South Korea	$ 522,654,050	-11%
– France	$ 331,469,469	-3%
– Belgium	$ 300,952,484	40%

Source: U.S. Census Bureau.

Economic Forecasts for Selected Alabama Trading Partners

(Percent Change in Real GDP)

Country	2012	2013
Canada	1.9	2.5
China	8.5	9.5
Germany	0.6	1.9
Mexico	3.3	3.6
Japan	2.0	1.6
Brazil	3.2	3.9
United Kingdom	0.5	1.8
Korea	3.8	4.3
Source: OECD, November 2011.		

Alabama Exports to China ($ millions)

Source: The US-China Business Council, and the US Department of Commerce.

Alabama Exports to China

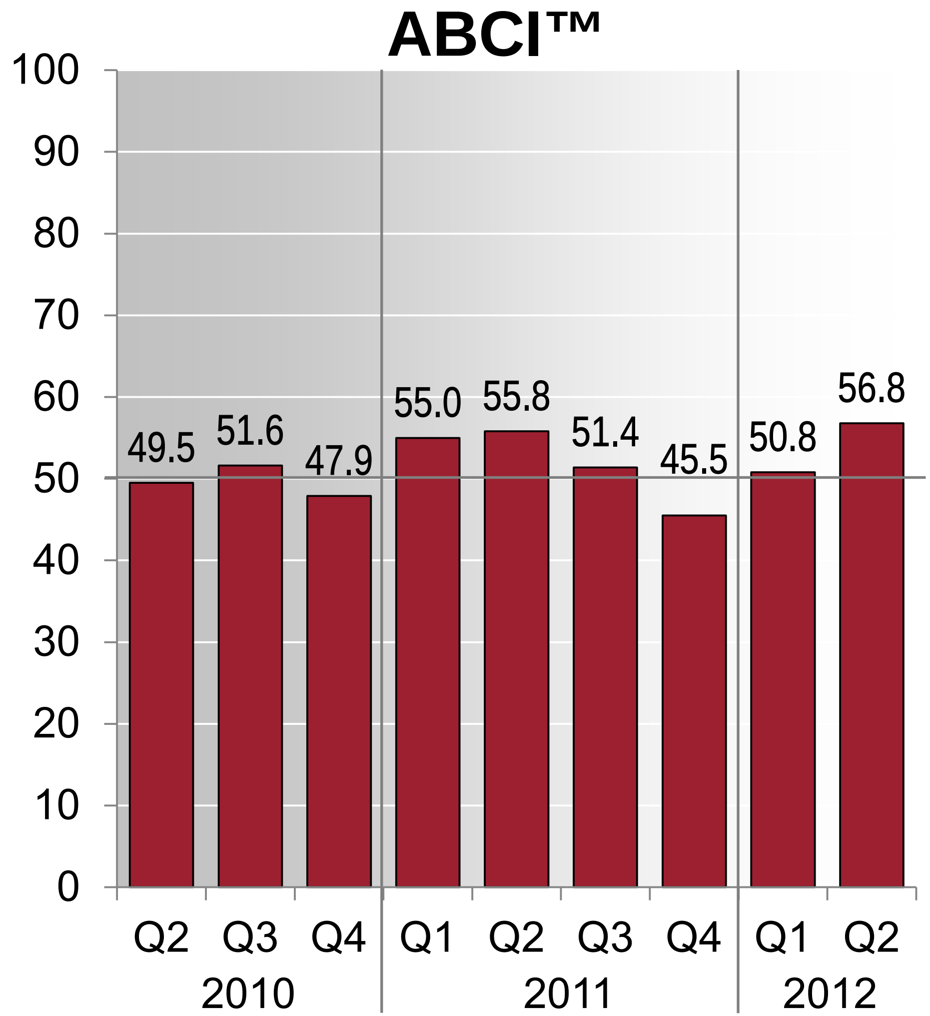
Change, 2000 to 2011

Exports to China: 1,342%
Exports to Rest of World: 118%

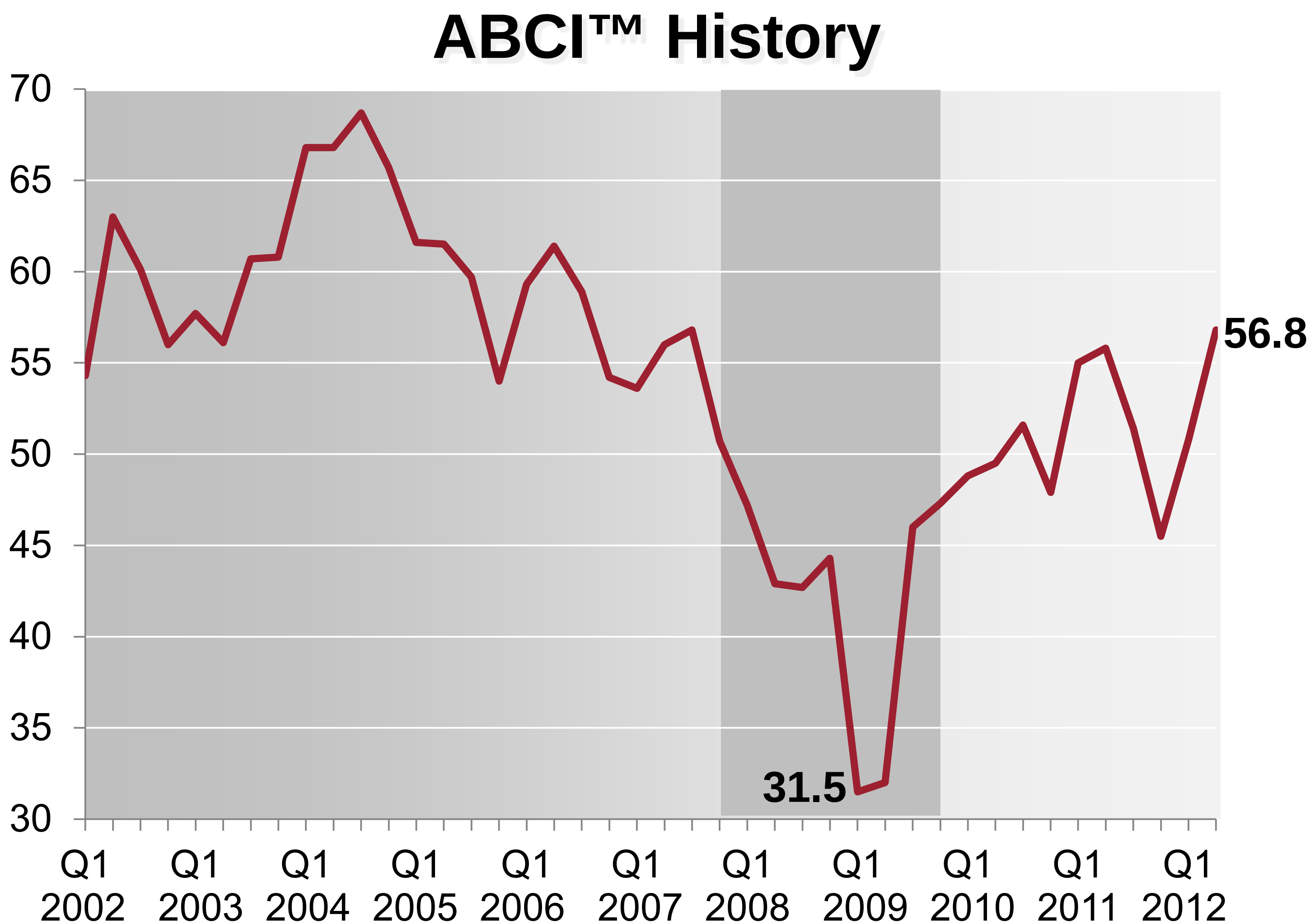
Alabama's Top Exports to China, 2011	
1. Transportation Equipment	$1.0 billion
2. Chemicals	$598 million
3. Crop Production	$213 million
4. Waste & Scrap	$105 million
5. Paper Products	$97 million

Source: The US-China Business Council, and the US Department of Commerce.

UA's Alabama Business Confidence Index™ solidly above 50 in Q2 2012; effect of global and national concerns seen over past several years



ABCI has been a timely predictor of business prospects and is now up 25 points from its recession low



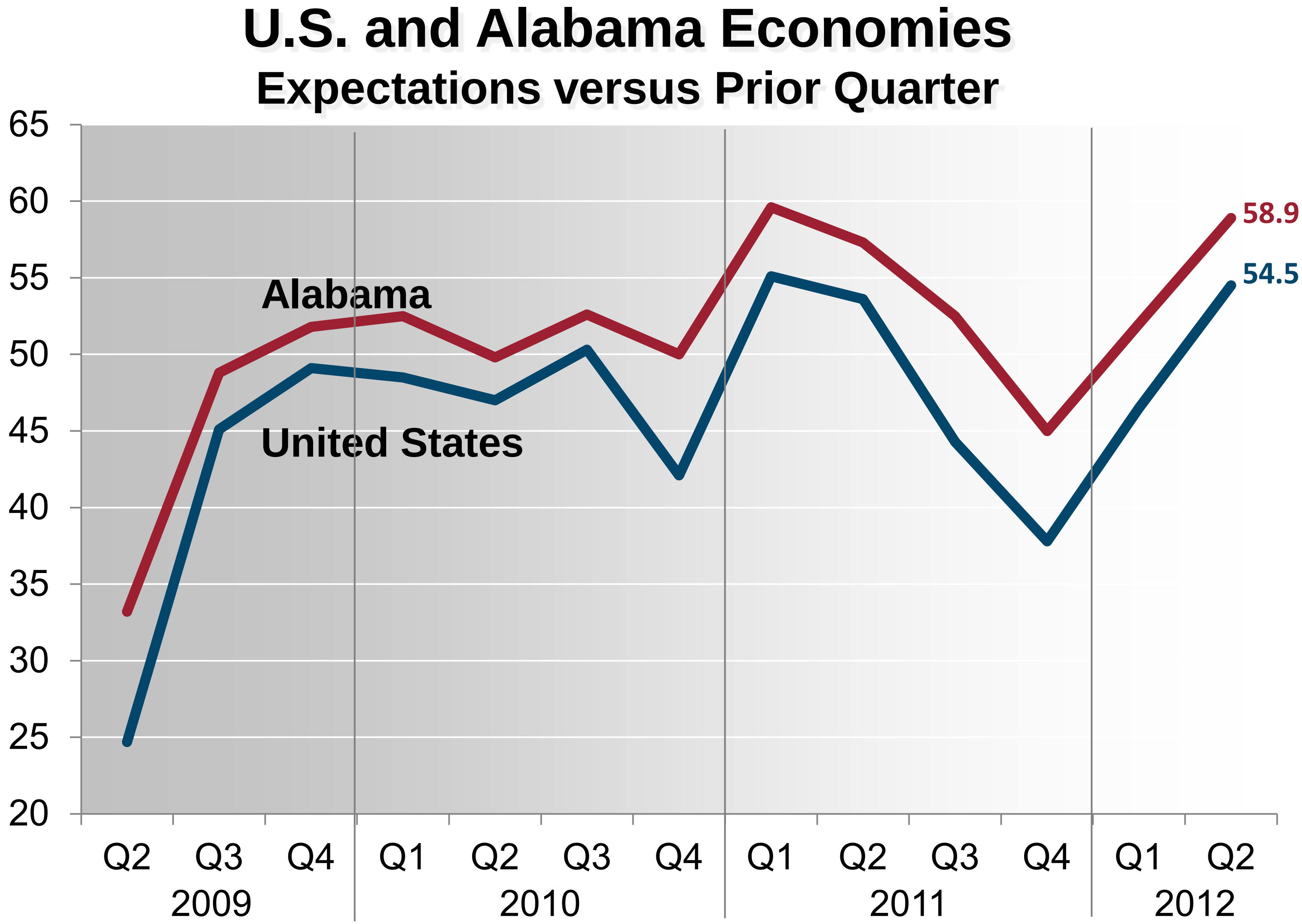
Alabama business confidence improved on all fronts looking ahead to the second quarter

Second Quarter 2012 Outlook		
	Alabama	**Change from Q1 2012**
ABCI™	**56.8**	6.0
National Economy	54.5	8.0
Alabama Economy	58.9	6.9
Industry Sales	61.8	6.2
Industry Profits	57.5	7.3
Industry Hiring	54.1	4.1
Capital Expenditures	53.9	3.3

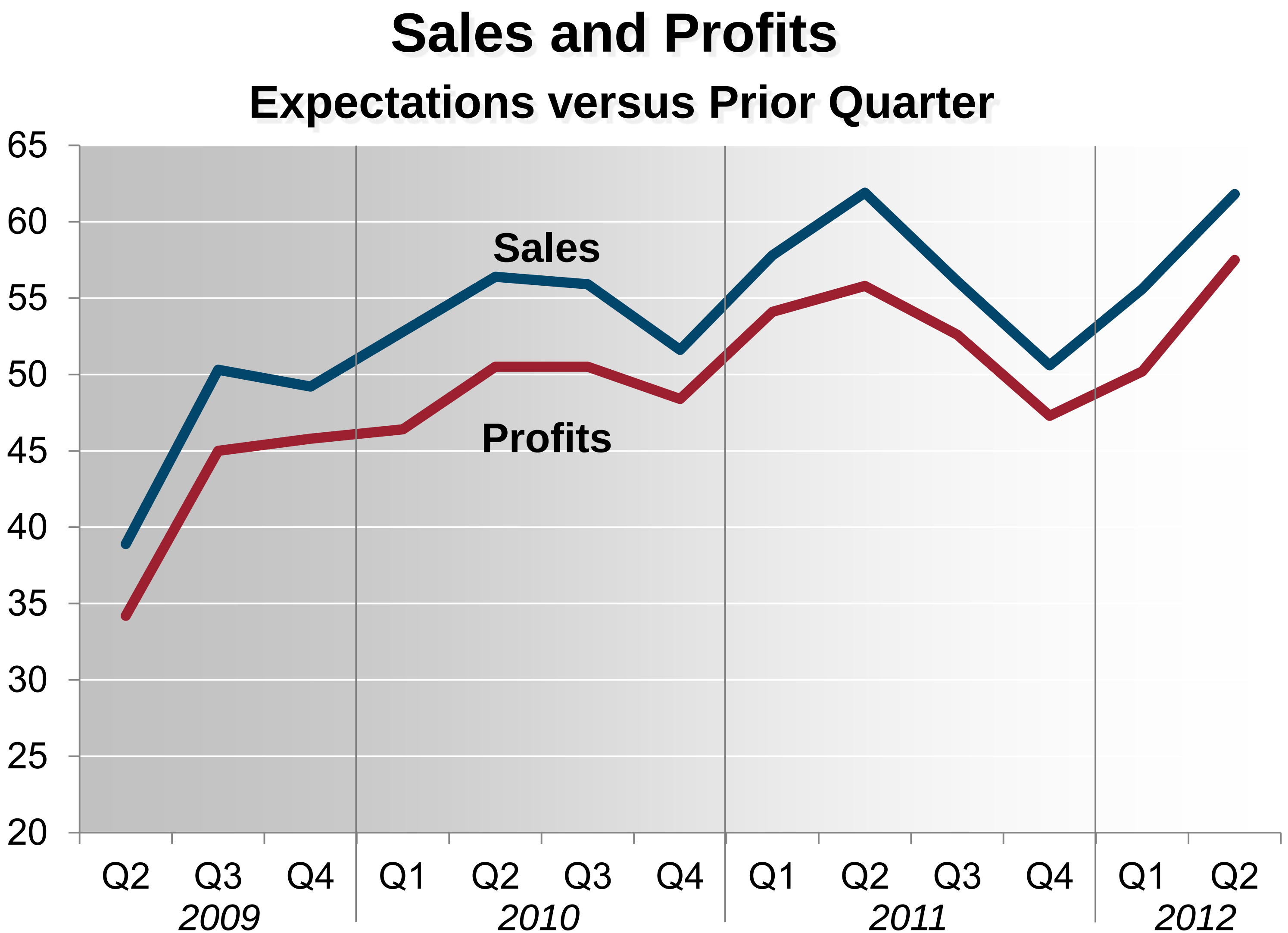
Index above 50 indicates expansion.

Index below 50 indicates contraction.

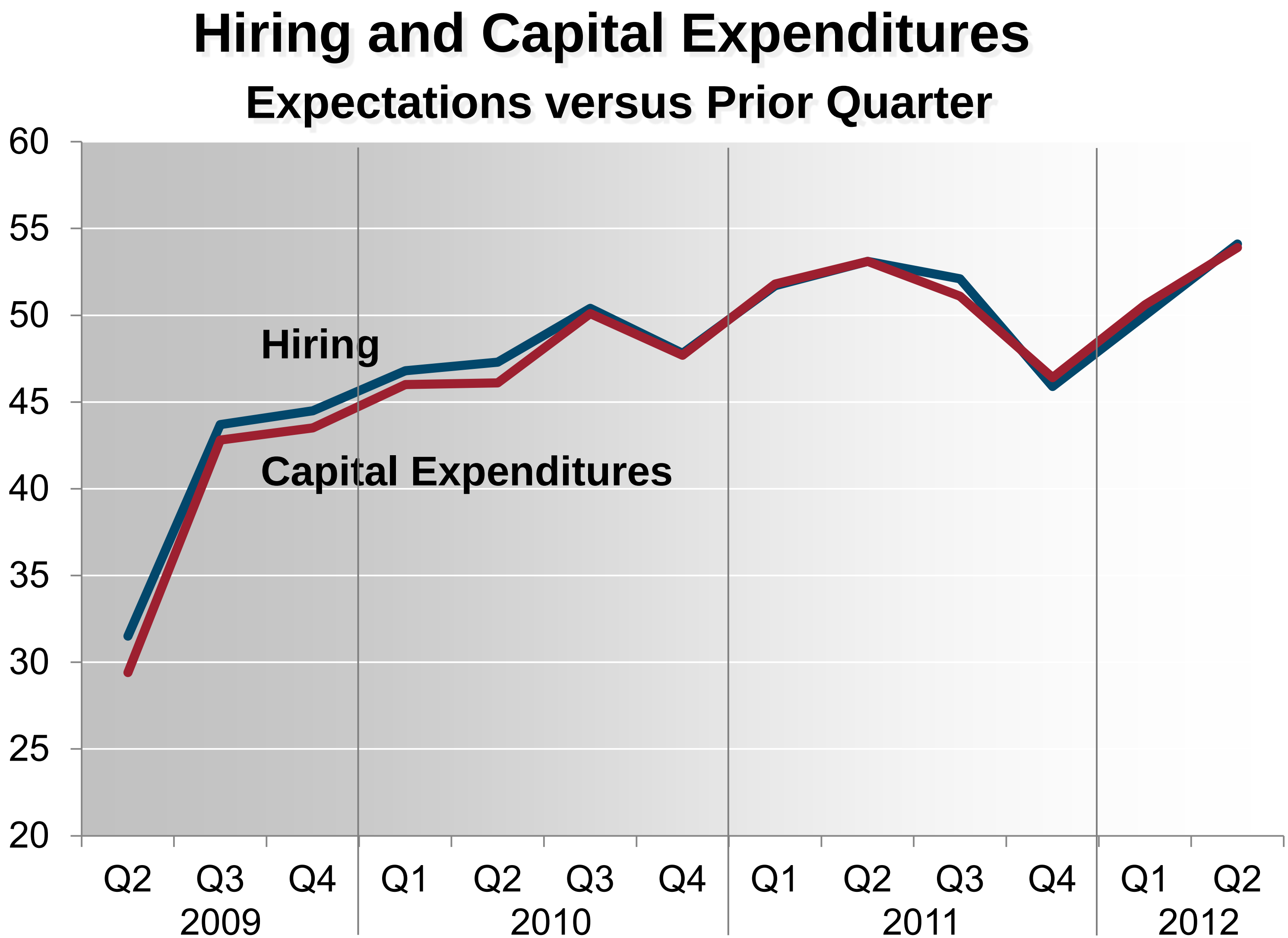
Outlooks for the U.S. and Alabama economies indicate growth in Q2; gap between the two has narrowed



Businesses expect strong growth in sales and profits in Q2 2012; sales index above 50 since Q4 2009



Hiring and capital spending to pick up moderately in Q2 2012; best hiring prospects since Q3 2006

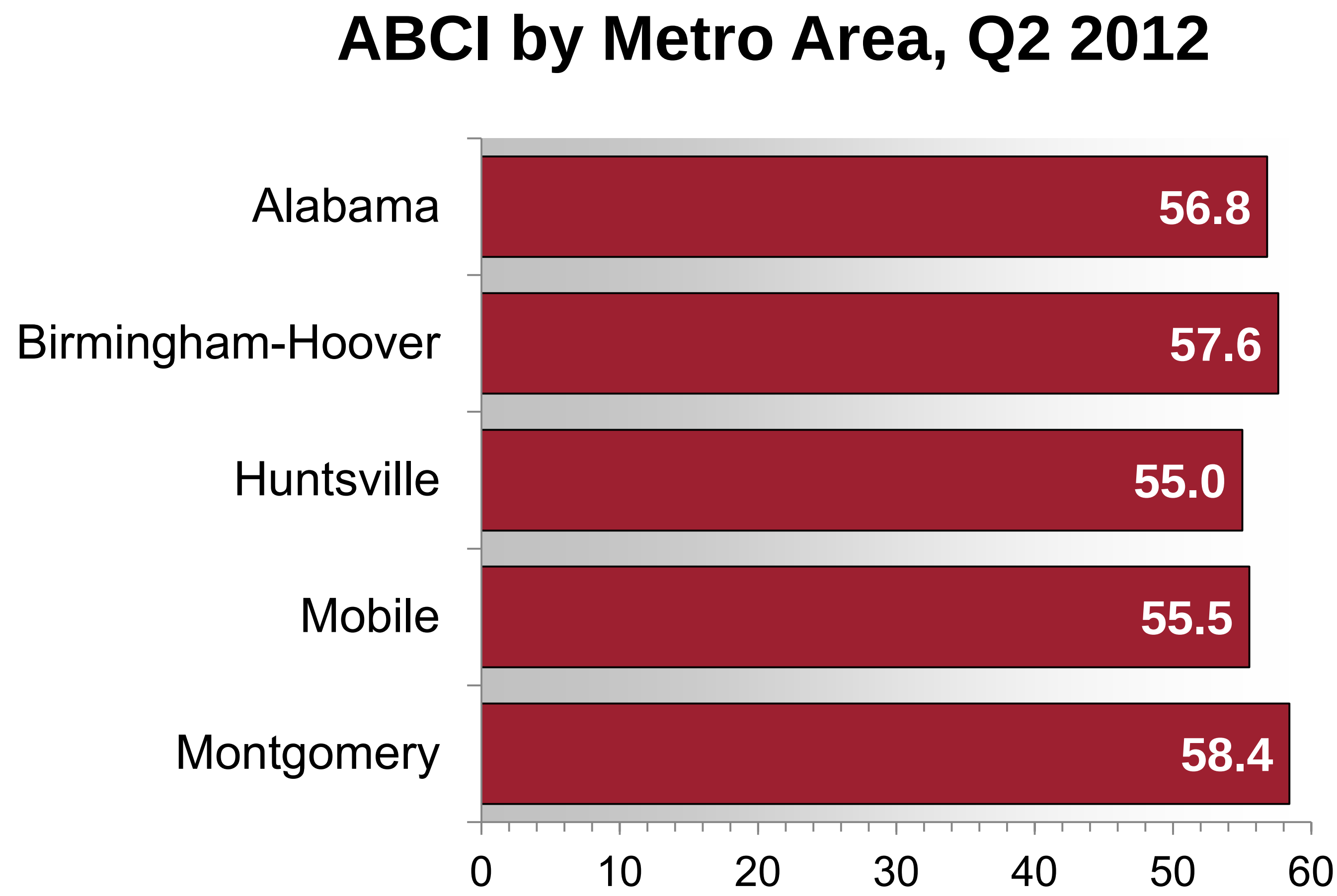


All industry sectors more optimistic about prospects; strongest outlooks in TIU, wholesale trade, FIRE

ABCI by Industry

	Q2 2012	Change from Q1 2012
Construction	56.3	6.6
Manufacturing	57.9	4.7
Transportation/Information/Utilities	61.9	7.1
Wholesale Trade	60.2	7.7
Retail Trade	52.4	4.3
Finance/Insurance/Real Estate	61.8	8.2
Professional/Scientific/Technical Services	51.7	3.2
Healthcare Services	52.0	9.5
All Other Services	55.4	4.4

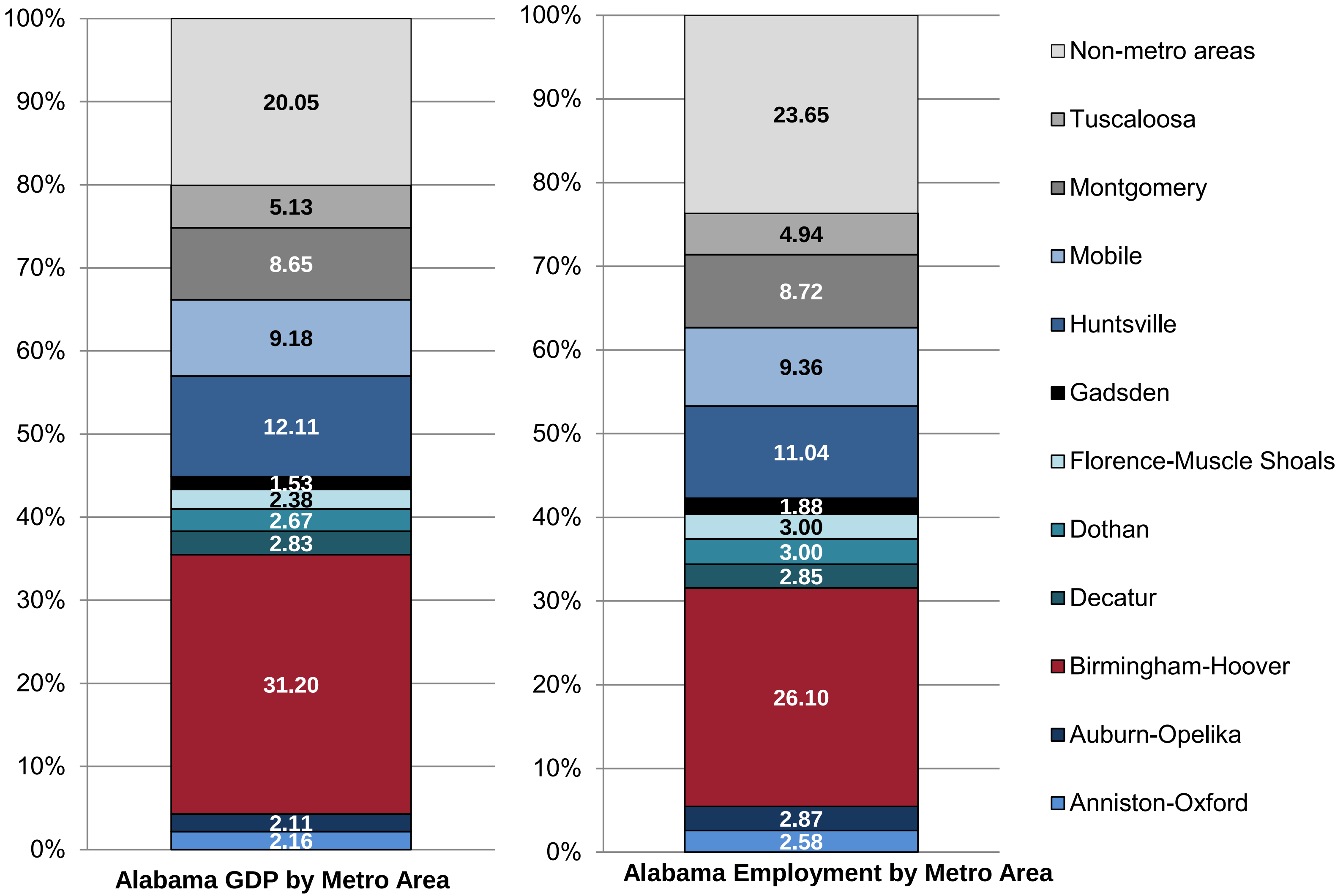
State's largest metro areas all expect at least moderate expansion in Q2 2012; Montgomery the most optimistic for past four quarters and Huntsville the least



National economy concerns continue to weigh on Huntsville sentiment; hiring outlook strongest in Birmingham-Hoover and capital spending in Montgomery

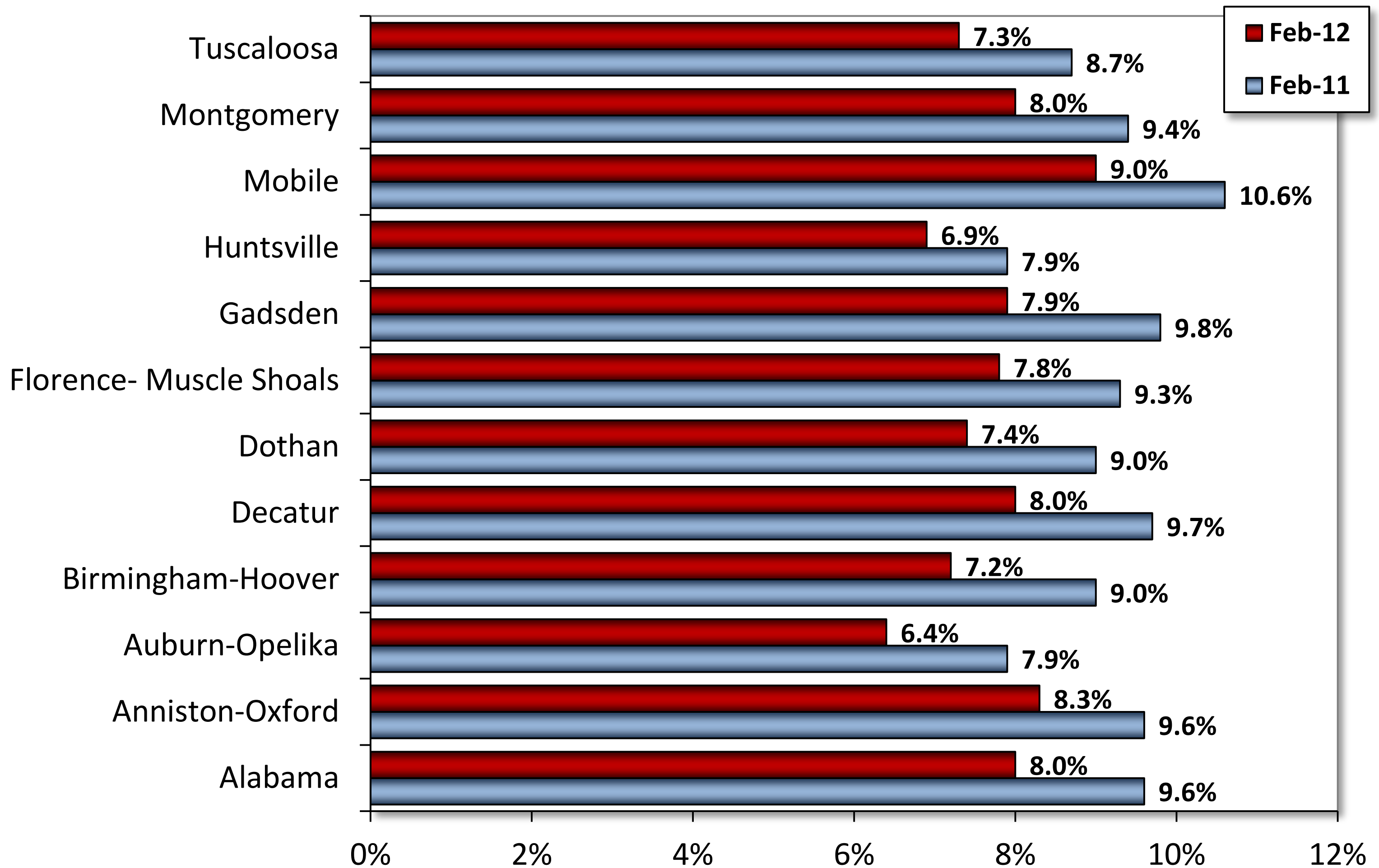
ABCI and Component Indexes by Area, Second Quarter 2012					
		MSA			
	Alabama	Birmingham-Hoover	Huntsville	Mobile	Montgomery
National Economy	54.5	53.7	52.4	55.9	57.1
Alabama Economy	58.9	57.1	57.7	56.4	62.2
Industry Sales	61.8	63.2	60.7	58.0	63.3
Industry Profits	57.5	60.5	55.6	53.2	58.2
Industry Hiring	54.1	55.7	52.1	54.3	53.6
Capital Expenditures	53.9	55.4	51.2	55.3	56.1
ABCI	**56.8**	**57.6**	**55.0**	**55.5**	**58.4**

Alabama Gross Domestic Product and Employment by Metro Areas



Source: Alabama Department of Industrial Relations and U.S. Bureau of Economic Analysis.

Unemployment Rates of Alabama Metro Areas



Source: U.S. Department of Labor, Bureau of Labor and Statistics.

No metro back to 2007/2008 annual peak in 2011

Nonfarm Employment	2007 or 2008 Peak Year	Job Loss to 2011 Number	Job Loss to 2011 Percent
Alabama	2,003,800	-134,800	-6.7
Anniston-Oxford	53,500	-4,800	-9.0
Auburn-Opelika	54,800	-2,200	-4.0
Birmingham-Hoover	531,300	-43,200	-8.1
Decatur	58,500	-5,100	-8.7
Dothan	63,100	-7,000	-11.1
Florence-Muscle Shoals	57,300	-1,800	-3.1
Gadsden*	38,100	-2,900	-7.6
Huntsville*	214,300	-6,600	-3.1
Mobile*	184,700	-9,800	-5.3
Montgomery	179,200	-13,200	-7.4
Tuscaloosa*	98,500	-5,800	-5.9
Net Jobs in Metropolitan Areas		-102,400	
Net Jobs in Nonmetro Counties		-32,400	

* Gadsden, Huntsville, Mobile, and Tuscaloosa employment peaked in 2008; all others saw peaks in 2007.
Note: Nonfarm employment (jobs) is by place of work. Data are January to November averages.
Source: Alabama Department of Industrial Relations and U.S. Bureau of Labor Statistics.

Tax Revenues (Fiscal Year to Date, March 2012)

Tax	Total Collections	Percent Change From Year Ago	Change in Revenue from Year Ago Level
Total	$4,410,440,077	3.5%	$103,293,499
Income (Individual)	$1,623,184,765	2.3%	$24,076,291
Sales	$985,453,169	5.6%	$40,572,875

Source: Alabama Department of Revenue.

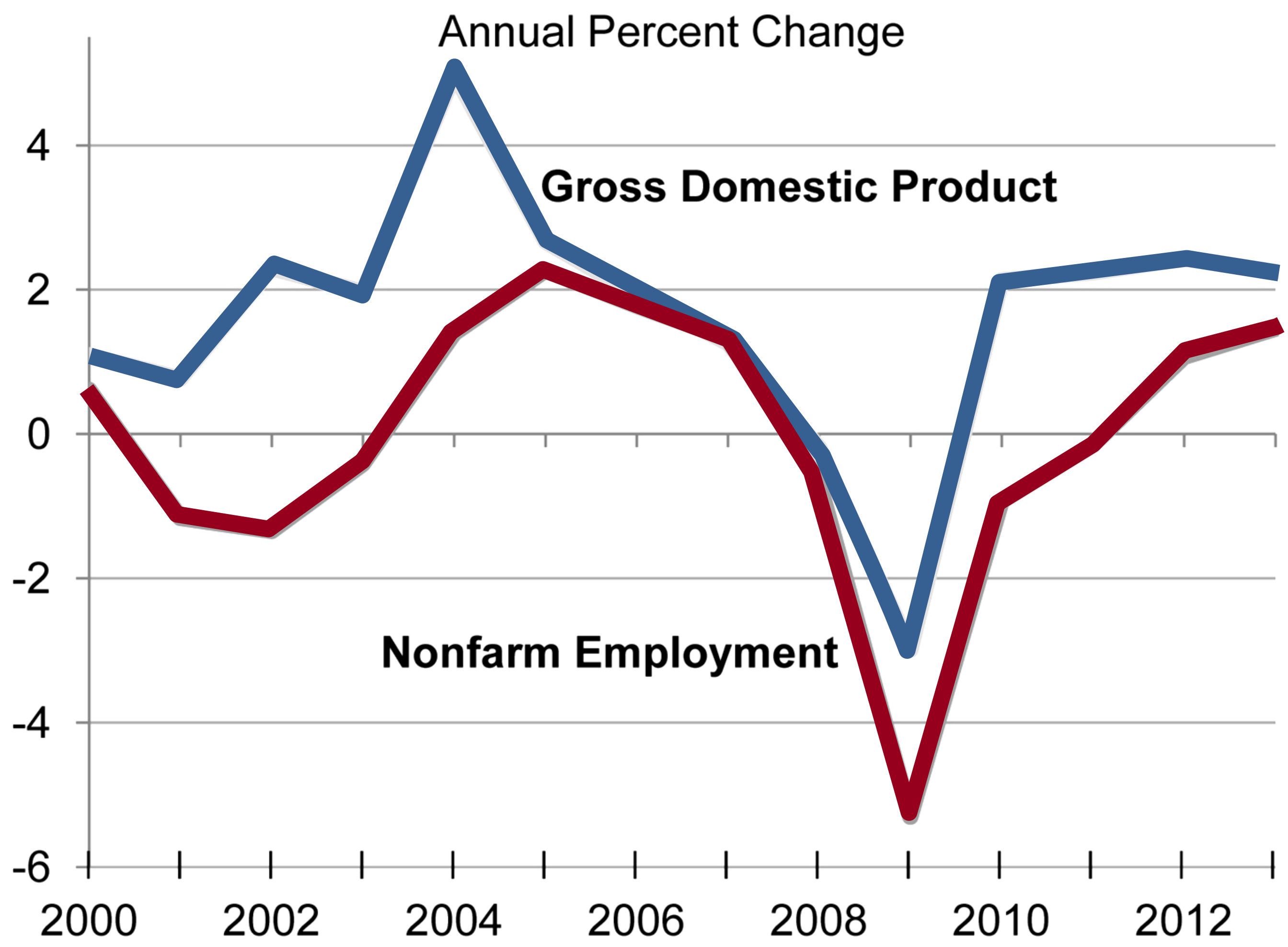
Alabama Forecast Summary

- This Alabama GDP and employment forecast summary is the CBER February 2012 forecast
- Preliminary 2013 forecast included below

Probability: Forecast (60 Percent) and Range (90 percent)

(Percent change)	2010	2011	2012	2013
Real GDP	**2.1**	**2.2**	**2.5**	**2.7**
range		1.5 to 3.0	2.0 to 3.5	1.8 to 3.7
Employment	**-0.9**	**-0.1**	**1.1**	**1.5**
range		-0.5 to 1.6	0.5 to 2.0	0.7 to 2.3
Total Tax Receipts, FY	**-2.5**	**5.0**	**3.5**	**4.0**
range			2.5 to 6.0	3.0 to 7.0

Alabama Gross Domestic Product and Nonfarm Employment



Source: U.S. Department of Commerce, Alabama Department of Industrial Relations, and Center for Business and Economic Research, The University of Alabama.

Questions, comments, suggestions, discussion,…

Thank You

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