

Global Economics – How to predict the impact of the economy on energy

Michelle asked the panel to provide a perspective from their organization, what they are doing and what matters to them today.

Susan – Texas is the #1 energy producer in the country. 25% comes from refining, 28% is produced from natural gas, and the oil and gas sector employees 368,000 Texans – 3.52% of the labor force. This labor produces 16.5% of the gross state product.

Margo – Produced a report on how the US economy as a whole will be affected by the Waxman-Markey Bill. It's on the ACCF website.

Jeanie – What happens in the economy is very important in her company. She commented on the 3rd Qtr GDP report – it's at 3.5%. Her message is that it was an excellent quarter – vehicle purchases contributed to this. There was more spending on non-durable goods and services. Residential investment increased by a 23% annualized rate. The economy will be out of the recession by the 2nd half of this year. Stock market is a good indicator of this. This is inventory building, followed by earnings, building up of corporate and consumer confidence. This will then provide a better tone for the job environment. She stressed that all recessions start with building inventories.

Latha – In the business education world, we need to train college students to deal with change. GDP is to contract globally by 1%, has not happened in 60 years. They are training executives to deal with all these new changes, especially China with a shopping basket at 2 Trillion dollars.

Q – Michelle asked the panel to give their reaction to Jeanie's remarks on the economy.

Margo – She concurs in that in the short-run things are looking decidedly better. However, she thinks the challenge is the housing industry will still drag the economy. For the long-term outlook and how it will impact the economy is the financial regulation and reform. People are concerned with the direction these are going. She believes the Cap and Trade will slow GDP and employment growth, small businesses will also be impacted.

Susan – Texas is always different. Consumer confidence is 71.5% while the rest of country is 52%. Couple of drags on the forward momentum is the issue with banks. The banks are automatically put on a watch list if 2/3 of their portfolio is invested in real property driven – this is driving by the FDIC. So it's hard to acquire real property. Construction is a top driver for the Texas economy and it will be tough to keep construction going if companies can't purchase real property. Foreclosed homes are very low in Texas compared to other states. Average home price in Detroit is \$7500. Goods inventory will not go up until consumers are willing to spend their personal capital.

Q – Jeanie wanted to comment on the regional nature of the recession.

It's not only caused because of the job base but also due to the lenders since they were too aggressive. The demographics will influence the economy and impact the long term slow growth. The stock market's sharp drop was very depressing, but there's always cycles. So many Americans are in retirement or near retirement and they don't have the time to accumulate a lot of assets. Housing sales and construction will moderate.

A question from the crowd – What is needed so that financial literacy is passed on?

Latha – Using debit cards, take classes on business or how to start your own business, public education.