



Economic Environment

Reading the Tea Leaves: A Regional Focus

by Al Schuler

Get regional—find out where you can look to find economic and industry-specific information on a regional level.

In the November 2004 issue of *SBC*, we discussed where to look on the Internet to find free and reliable economic information with a focus on locating national data. In this article, we will focus on the same parameters—GDP, employment, residential and nonresidential construction—but the emphasis will be on how and where to find accurate regional, state and metro information sources. The objective—to show where you can find information that may be affecting your business—will be the same. There can be differences between economic conditions at the national level and those at the local or regional level due to a number of reasons. Demographics and weather are two such factors. Of course, some economic variables don't have a regional counterpart (the exchange rate is one example), while some variables such as interest rates and inflation have only small differences between the regional and national numbers. Many Internet sources offer both national and regional/state/metro, and perhaps even county-level information.

There are numerous sources for regional economic information of interest to component manufacturers. The information is out there—you just need to look for “your information.”

As is the case with national data, regional historical data are more readily available than regional forecasts and analyses. Therefore, many regional forecasts and analyses are available only under a fee-based service. However, there are excellent free sources for regional and state information, including analyses and forecasts. One example is the state planning offices (they might go by different names in different states). Various associations, such as National Association of Homebuilders (NAHB) and National Association of Realtors (NAR), provide both national and regional/metro information on residential markets while the Institute for Supply Management (ISM) covers national and regional/metro business conditions. These associations have subscription services for certain types of information while other information is provided free.

at a glance

- ❑ The focus of this article is to direct component manufacturers where to find accurate regional, state and metro information sources for crucial economic data and analysis.
- ❑ Economic conditions at the national level and local/regional level may be likely to exist due to factors such as demographics and weather.
- ❑ Regional economies and their trends can differ dramatically. Component manufacturers may find it necessary to adjust their business strategies from region to region.

[Editor's Note: For easy access, links to all of the web sites mentioned in this article have been posted in **Support Docs** at www.sbcmag.info.]

The Economy

Regional economies can differ dramatically. For example, the South and West have been growing more rapidly than the Northeast and Midwest for the past decade in part due to demographic movements. As people move to the South and the West, jobs, business investment and residential construction activity will follow. So, if your business and customers are located in an economic “hot spot,” prognosis may be better than that of a company located in slower growth areas. In either case, appropriate business strategies may differ depending on the state of the local economy. Economagic.com offers GDP, employment and unemployment, income, building permits (value and number), wages and salaries, and population information at the state, metro, and in some instances, the county level. Other sources include U.S. Department of Labor for employment, hours and earnings by state and metro area. The Bureau of Economic analysis also provides links to regional, metro areas

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and state information on GDP, per capita incomes and spending patterns. Census's "Fact Finder" web site offers a fun site for locating all kinds of economic facts by state or county, and you have the option of displaying most of this information on a map.

State planning offices also provide useful information on their state's economy. Maine is a good example. Information on that site includes an overview of the Maine economy: cost of living, inflation and CPI data, gross state product, household income, SF and MF housing permits, existing home sales, retail sales, and other economic and demographic data with forecasts to 2009. West Virginia posts a monthly economic summary, which had 1.3 million "hits" in 2004. The West Virginia site also lists CPI, PPI, per capita income and the largest employers for the state and counties.

Virginia has some excellent county web sites for economic information related to that county/region. Fairfax County, one of the richest (personal income basis) counties in the U.S., has a web site that provides a wealth of information, including employment, income including a median household income, business investment, population and growth forecasts, housing forecasts to 2025 by planning unit, and lots more. And,

large metro areas like Atlanta, Chicago and Philadelphia have excellent free sites for economic information.

Finally, a great source of mostly free economic information is the regional Federal Reserve. There are 12 Federal Reserve districts; each has a web site offering free information on the economy (micro and macro) and business conditions relevant to their region. One example is the Chicago district, which covers northern Illinois, most of Wisconsin, Iowa and Michigan. A good (and not too expensive) fee-based service for regional GDP, per capita income growth and forecasts, and state employment forecasts is the Dismal Scientist web site.

To gauge business confidence, the Institute for Supply Management (ISM) publishes a monthly report for a number of metro areas to complement their national "Report on Business." There are nine reports covering Arizona, Boston, Buffalo, Chicago, Denver, New York, NW Ohio and Western Washington, focusing on topics such as manufacturing production, new orders, employment, inventories, current product prices and a 90-day forecast.

Construction Activity

The most comprehensive free source for regional and national information on construction activity—historical trends and analysis with forecasts for both residential and nonresidential markets—is Ken Simonson, Chief Economist for the Associ-

ated General Contractors of America. Simonson writes a weekly one-page summary of economic news that highlights national items relevant to construction, called the "Data DIGest." He also maintains 51 state-specific lists for regional construction information that is tied to the relevant Federal Reserve Districts. For example, if you are interested in construction employment and expenditures, housing starts, resale activity, cost of materials or industrial production in the region covered by the San Francisco Federal Reserve (AK, AZ, CA, HI, ID, NV, OR, UT and WA), you can ask Simonson to be added to his distribution list for that district.

For a recent comprehensive long-term analysis, including forecasts through 2030 of state and metropolitan areas throughout the U.S.—residential, commercial, institutional and industrial—see "Toward a New Metropolis: the Opportunity to Rebuild America," by the Brookings Institute's Arthur Nelson. Here are some of his conclusions:

- Because many of the older buildings built from the early U.S. through 2000 have been torn down or replaced due to



age, by 2030, over half of the buildings in which Americans live, work and shop will have been built after 2000.

- Most of the space built between 2000 and 2030 will be residential.
- Overall, most new growth will occur in the South and West.

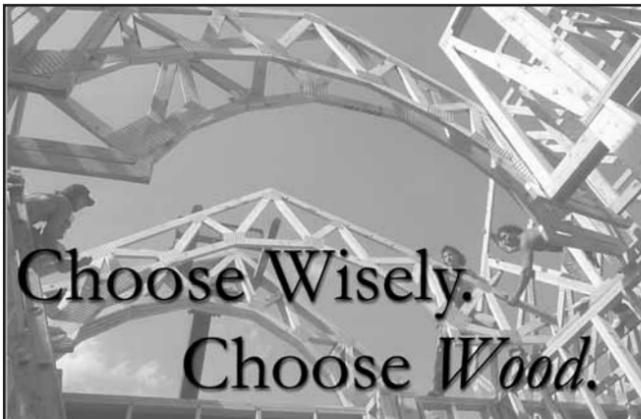
Another great source, albeit fee-based, is McGraw Hill construction, formally called the F.W. Dodge Company. They offer con-

struction analysis, forecasts, and U.S. market trends for commercial, residential and nonbuilding activity each month—for national, metro areas, regional and even foreign construction activity.

Housing Activity

A source I often use to keep abreast of housing activity is the organization that has 75,000 or more of America's builders as members—the National Association of Home Builders (NAHB). Most of this organization's state and metro region forecasts for single-family and multifamily starts and permits, mortgage rates, and new and existing home sales is provided on a fee basis. Housing Economics Online is a subscription service available at levels

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starting at \$200 annually.

There are also plenty of free sources that provide less analyses and forecasts, but plenty of historical data that are current. Your state planning office web site (see "Economy" section) is one, and don't forget Ken Simonson. Builderonline often has free articles on regional housing markets and other items of interest (new construction techniques, hot topics such as mold, and new products) to building material suppliers to the housing industry. Another free source on regional starts and permits (no forecasts) is the federal government's Bureau of Census. A convenient source for regional and metro mortgage rates is HSH Associates. The National Association of Realtors (NAR) is unique in providing economic analysis and regional information focusing on the sale of existing single family homes, a market about five times the size of the "new home sales" market.

Industry News

There are numerous trade journals that cover merger and acquisition activity, plant closures and additions, and personnel news (see the November 2004 issue of SBC for a listing). Trade associations, such as APA - the Engineered Wood Association, Southern Forest Products Association (SFPA), and Western Wood Products Association (WWPA) also provide good information on panel and lumber production, trade flows, consumption forecasts, and even housing forecasts. Some of the associations are region specific—WWPA represents the western lumber industry, while SFPA represents the southern pine industry, and APA represents structural panels and EWPs in the North America and offshore markets. Random Lengths, Crow's and Madison's provide excellent coverage of regional lumber and panel prices.

Finally, your industry's source of information, **SBC Magazine**, and the Wood Truss Council of America (WTCA) provide national and regional coverage for news on the structural building components industry.

Conclusions

There are numerous sources for regional economic information of interest to component manufacturers. When I started researching this article, I assumed that regional information would not be as easy to locate as national information. I found that was not the case. There is actually more information available at the regional and state level. The information is out there—you just need to look for "your information." Although most sites are free, there are good sites that charge a subscriber fee, often at a low rate (less than \$500 per year). Generally, I have found that fee-based sites offer more analysis. Hopefully, I have pointed you in the right direction to start your search. I urge you to check the web sites of your own state planning and labor departments for data trends and analysis on housing starts, demographics, income and spending patterns, employment and even business conditions for specific industries. If there are questions, please contact me and I'll be happy to help you find what you're looking for. As with the November article, the sources listed in the regional version are not meant to be exhaustive. These are sources that I have found useful in my professional career. Any mention of web sites in this article does not constitute an endorsement nor does exclusion mean they are not useful. **SBC**

Al Schuler works for Forestry Sciences Lab in Princeton, WV. Please note that the economic information/opinions contained in this article are not necessarily those of the USDA Forest Service. Dr. Schuler can be reached at 304/431-2727 or aschuler@fs.fed.us. His economic information can also be found online at www.sbcmag.info.