



Economic Webinar

December 7, 2011

**This program begins at
2 PM Eastern (US)**

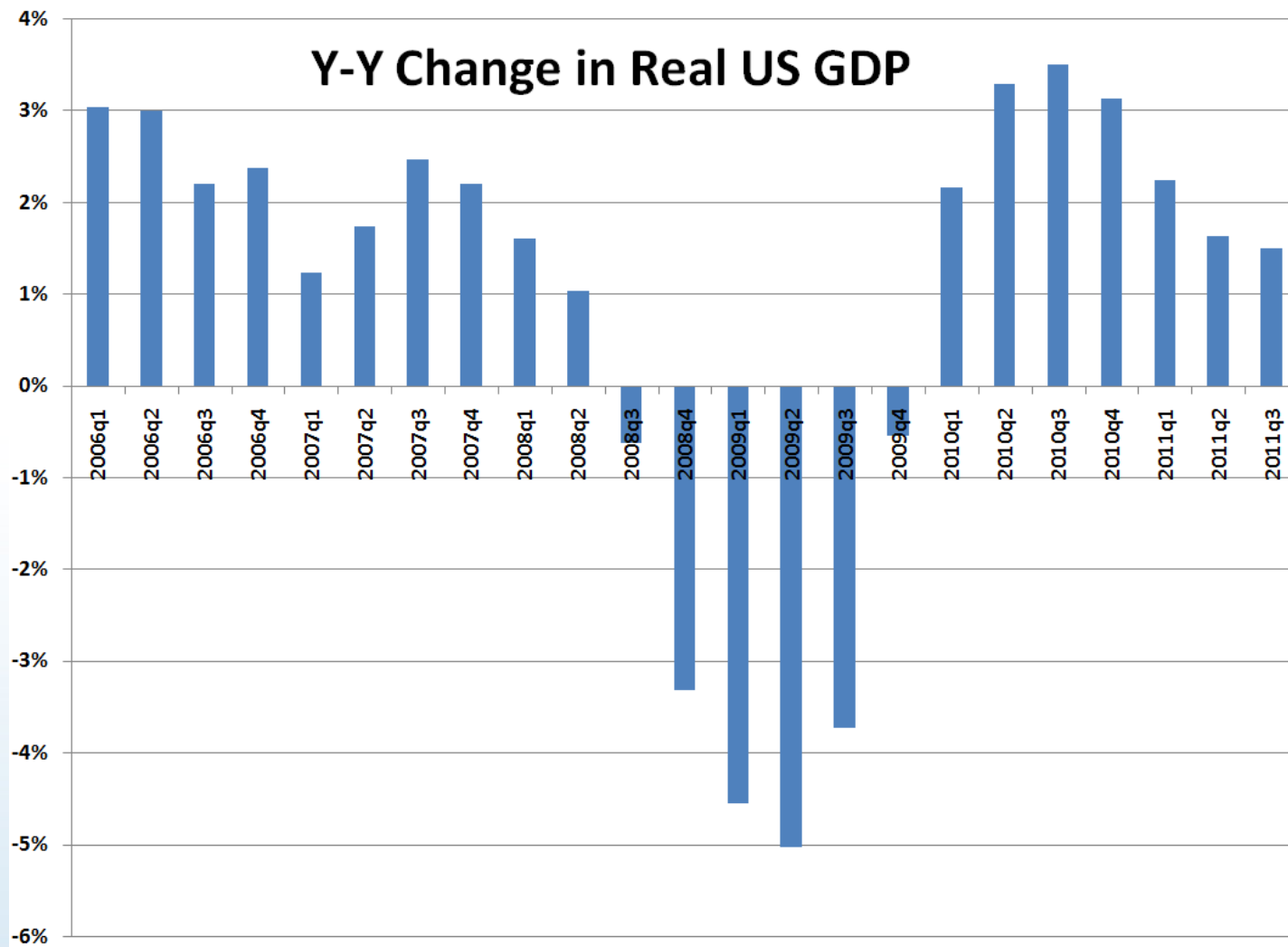
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Agenda

- Economic outlook for 2012
- Media & print in Presidential elections
- Outlook for US and Canada commercial printing markets 2012-2017
- Hot topics for Winter reading

Real GDP Slowing Down on Year/Year Basis



November's unemployment report good on the surface, not so good on the inside

| | Dec. 07 | June '09 | vs. 12/07 | Nov. '11 | vs. 12/07 | vs.6/09 |
|---------------------------------|---------|----------|-----------|----------|-----------|---------|
| Employed (millions) | 146.27 | 139.79 | -6.48 | 140.58 | -5.69 | 0.79 |
| Labor force (millions) | 153.94 | 154.75 | 0.81 | 154.2 | 0.26 | -0.55 |
| Unemployment rate | 5.0% | 9.5% | | 8.6% | | |
| Labor participation rate | 66.0% | 65.7% | | 64.0% | | |

- But...
 - Household survey up for four months
 - +321,000 per month
 - Since January +125,000 per month
- Contradictory economic data usually sign of a turning point, often a bottom in a data series

Macro Snapshot: April vs. December

| Macroeconomic Snapshot (04/15/11) | Year/ Year | Last 6 mo., annual rate | Last 3 mo., annual rate |
|---|-----------------------|------------------------------------|------------------------------------|
| Real GDP (Q4-10) Final 3/25/11 report | 2.8% | 2.8% | 3.1% |
| Productivity* (Q4-10) 3/3/11 revised report | 3.6% | 3.9% | 4.0% |
| Real earnings (3/11) | -0.4% | -2.5% | -4.4% |
| CPI (3/11) | 2.7% | 4.6% | 7.8% |
| PPI (3/11) Finished Goods | 5.8% | 10.4% | 14.0% |

*Total output, nonfarm business

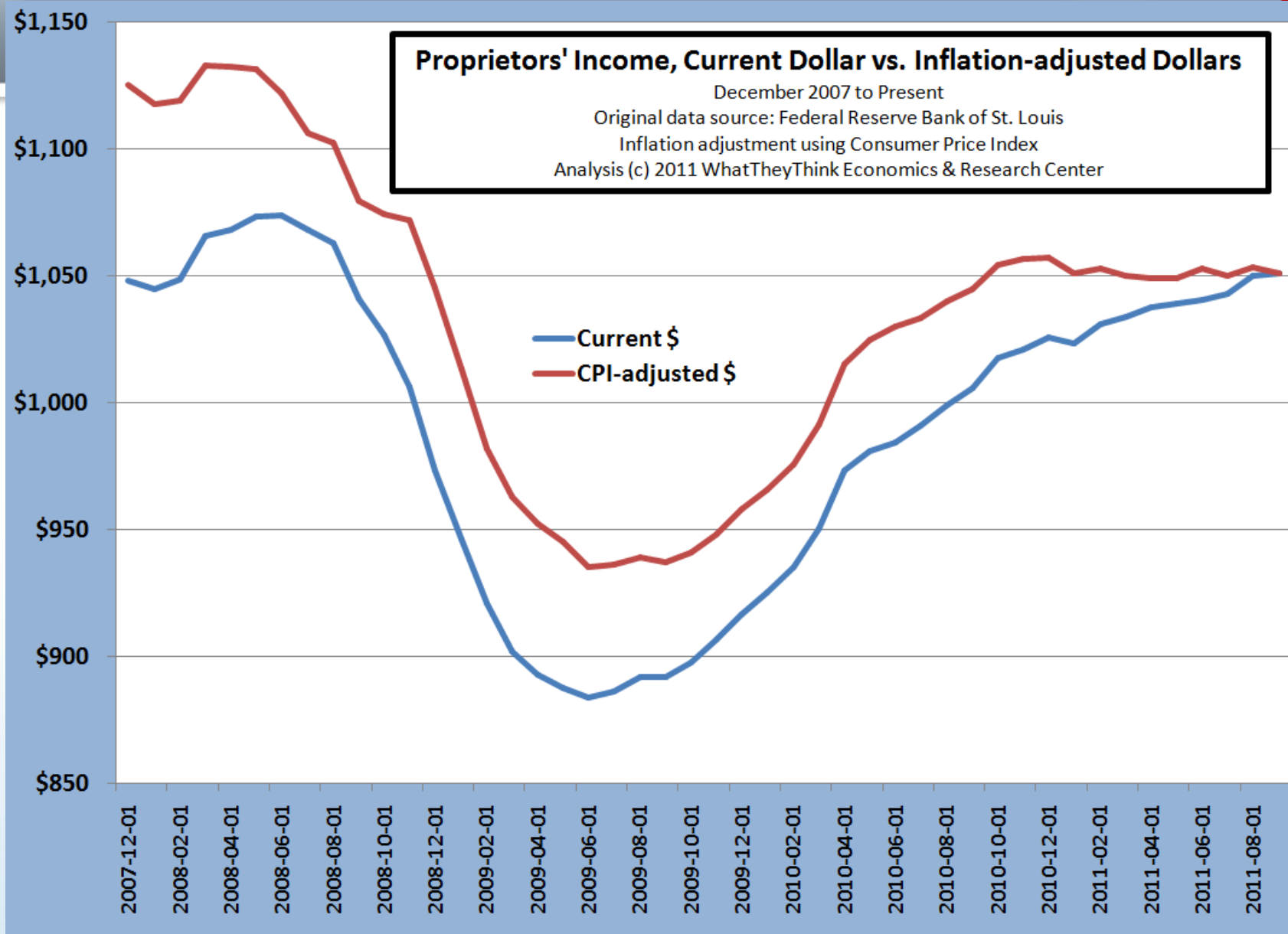
| Macroeconomic Snapshot (12/1/11) | Year/ Year | Last 6 mo., annual rate | Last 3 mo., annual rate |
|--|-----------------------|------------------------------------|------------------------------------|
| Real GDP (Q3-11) 11/22/2011 prelim. report | 1.5% | 1.7% | 2.0% |
| Productivity* (Q3-11) 11/30/11 report | 2.4% | 2.5% | 3.1% |
| Real earnings (10/11) | -1.7% | -0.4% | -1.2% |
| CPI (10/11) | 3.5% | 1.3% | 0.9% |
| PPI (10/11) Finished Goods | 5.9% | 0.5% | -1.0% |

*Total output, nonfarm business

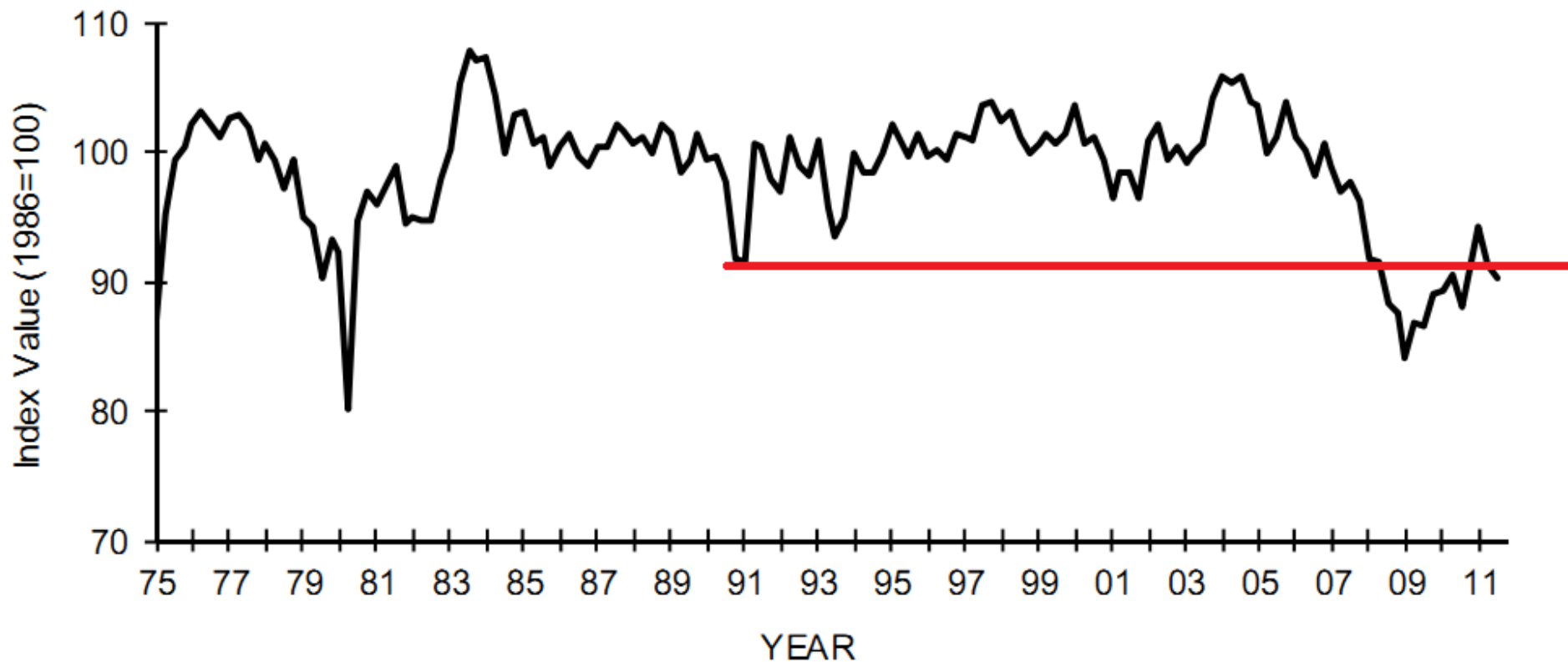
Still having trouble getting all six recovery indicators to be positive

| Dr. Joe's Key Recovery Indicators as of 04/05/2011 | NASDAQ Composite | ISM Non-Mfg New Orders | ISM Non-Mfg Imports | ISM Mfg New Orders | ISM Mfg Imports | Proprietors' Income (\$billions) |
|---|-----------------------------|-----------------------------------|--------------------------------|-------------------------------|----------------------------|---|
| Recession Start 12/2007 | 2661.0 | 52.3 | 50.5 | 47.4 | 48.0 | \$1,073.8 |
| Prior Reading | 2748.1 | 64.4 | 53.5 | 68.0 | 55.0 | \$1,059.5 |
| Latest Data | 2789.2 | 64.1 | 50.0 | 63.3 | 56.5 | \$1,080.2 |
| Change Since Prior Reading | 1.5% | -0.5% | -6.5% | -6.9% | 2.7% | 2.0% |
| Change Since Recession Start | 4.8% | 22.6% | -1.0% | 33.5% | 17.7% | 0.6% |
| Data release used | 4/4 close | 4/5 | 4/5 | 4/1 | 4/1 | Q4 Final |
| NOTE: NASDAQ and Proprietors' Income are not inflation-adjusted; to be at December 2007 equivalents in today's dollars, the NASDAQ must be approximately 2777; Proprietors Income must be approximately \$1,136.5 | | | | | | |

| Dr. Joe's Key Recovery Indicators as of 12/05/2011 | NASDAQ Composite | ISM Non-Mfg New Orders | ISM Non-Mfg Imports | ISM Mfg New Orders | ISM Mfg Imports | Proprietors' Income (\$billions) |
|---|-----------------------------|-----------------------------------|--------------------------------|-------------------------------|----------------------------|---|
| Recession Start 12/2007 | 2661.0 | 52.3 | 50.5 | 47.4 | 48.0 | \$1,089.1 |
| Prior Reading | 2640.0 | 52.4 | 48.0 | 52.4 | 49.5 | \$1,106.5 |
| Latest Data | 2655.8 | 53.0 | 48.5 | 56.7 | 49.0 | \$1,115.0 |
| Change Since Prior Reading | 0.6% | 1.1% | 1.0% | 8.2% | -1.0% | 0.8% |
| Change Since Recession Start | -0.2% | 1.3% | -4.0% | 19.6% | 2.1% | 2.4% |
| Data release used | 12/5 | 12/1 | 12/1 | 12/5 | 12/5 | Q3 Prelim |
| NOTE: NASDAQ and Proprietors' Income in the table are not inflation-adjusted. To be at December 2007 equivalents in today's dollars, the NASDAQ must be approximately 2875; it is now -8.2% below that level. Proprietors Income must be approximately \$1,174B, so it is -5% below Q4-07 level. | | | | | | |



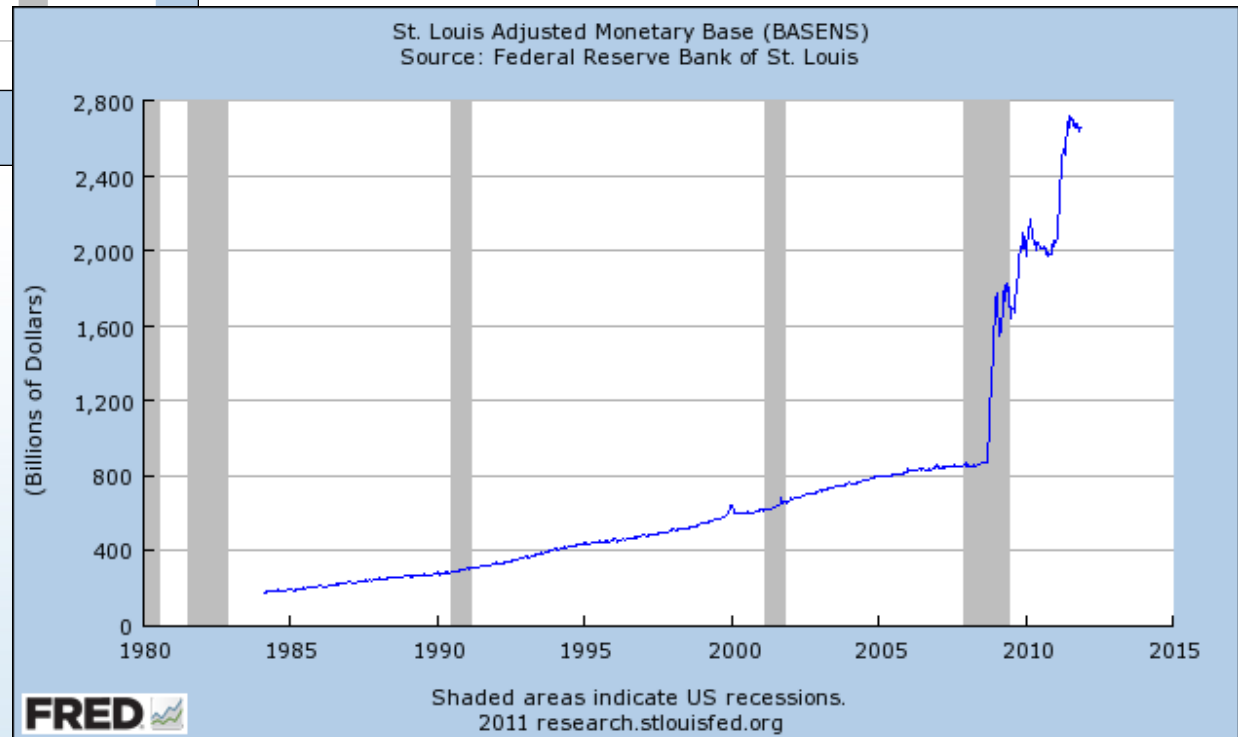
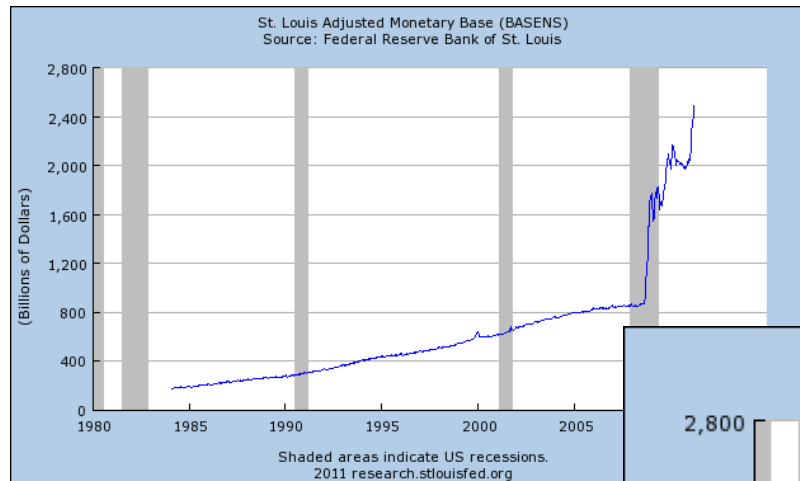
NFIB Small Business Optimism Index



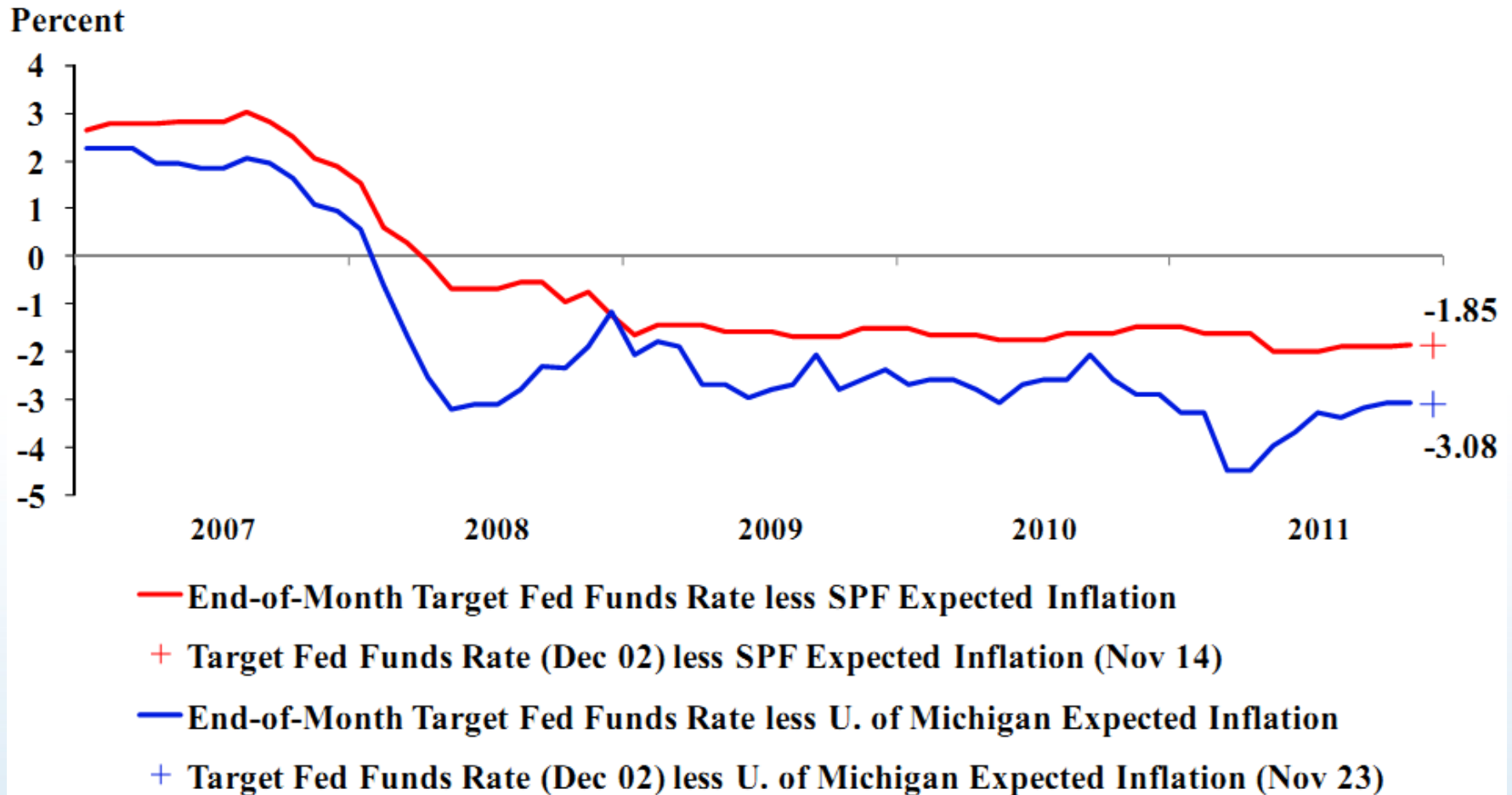
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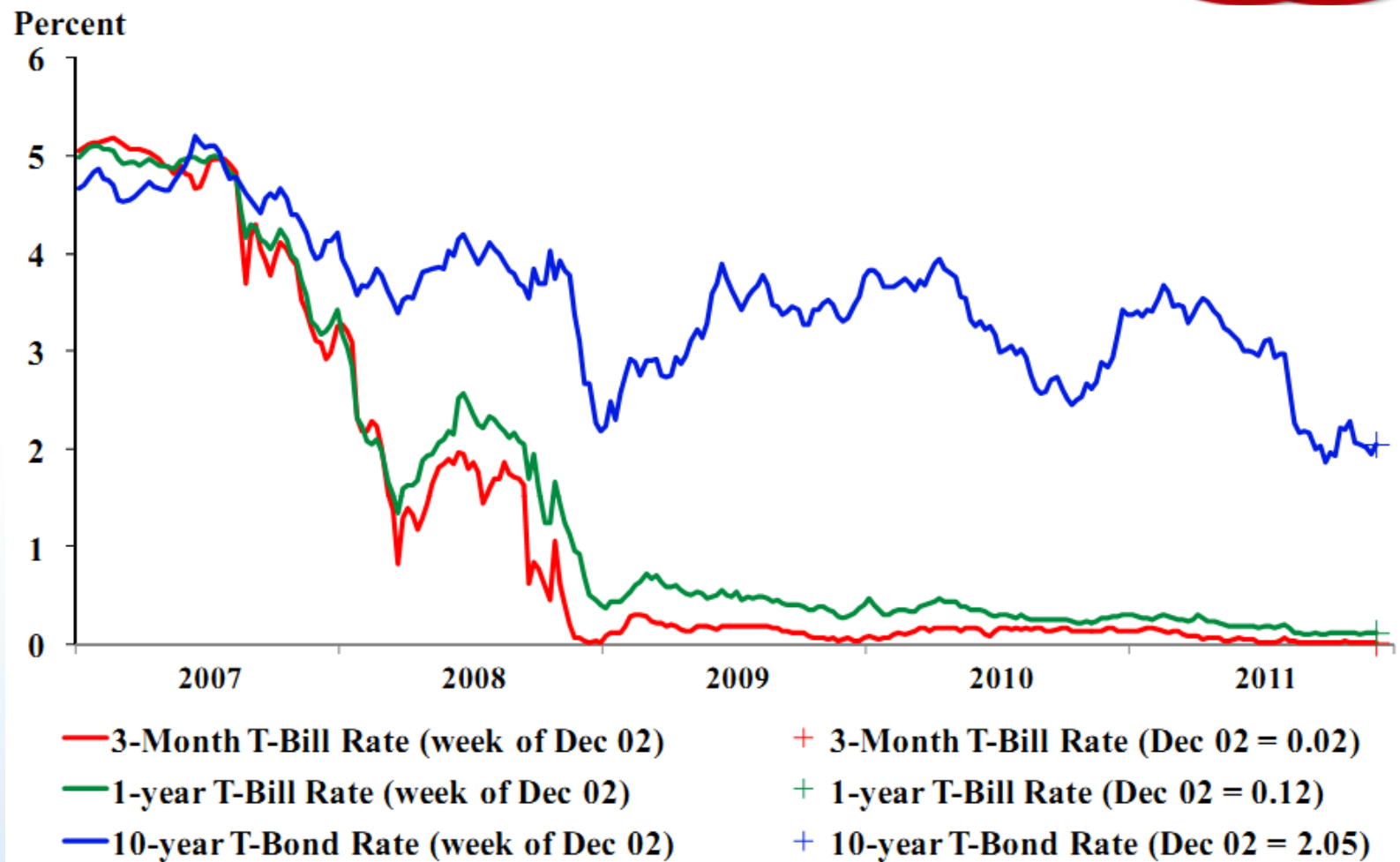
Fed still pushing up the monetary base



Fed continues to lend money at below-inflation rates



Yield curve is not a good predictor when Fed keeps short end artificially low

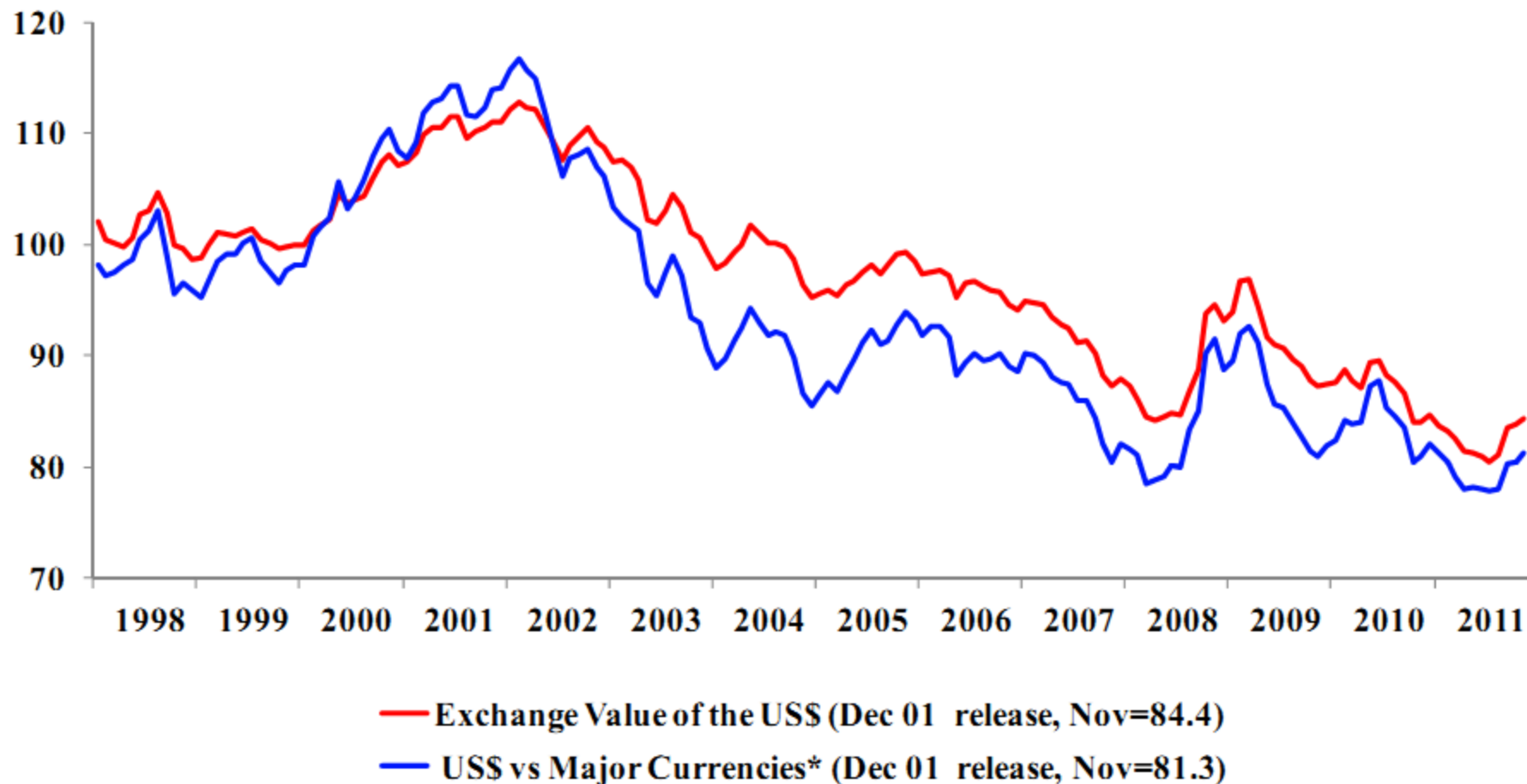


Source: Federal Reserve Board

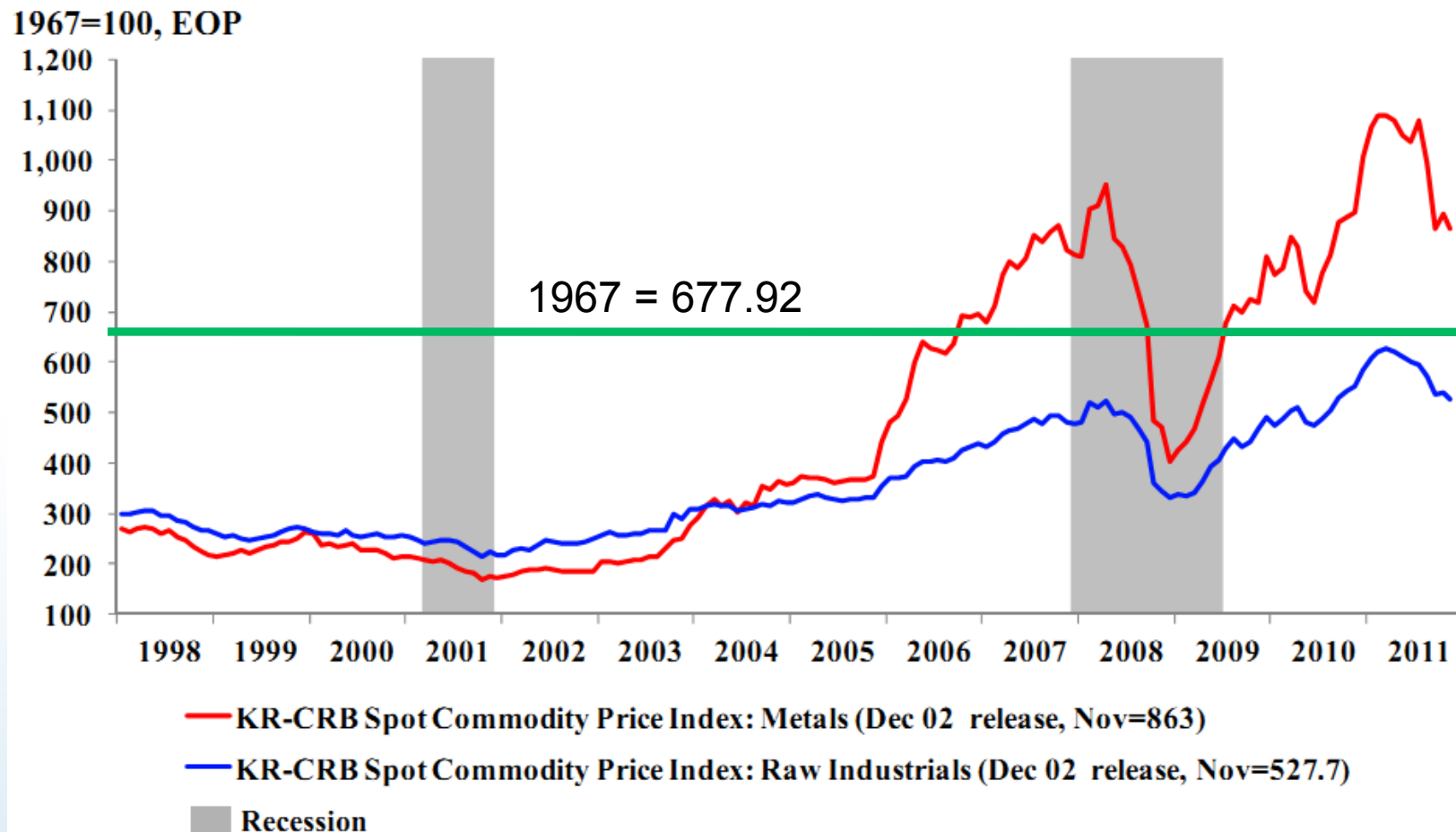
<http://www.dallasfed.org>

US Dollar is still in long-term decline

March 1973 = 100



Industrial metals and materials above or near all-time inflation-adjusted highs



Source: Commodity Research Bureau

<http://www.dallasfed.org>

Bottom Line Forecasts

APRIL 2011

- GDP will still be sluggish, averaging +2.25-2.75%, or less
- Unemployment rate will continue to improve, down to 7.5-8.0% by the end of the year, for all the wrong reasons
- Value of the dollar will continue to erode, as planned
- Risk of commodities collapse, second recession “dip” are rising, so be cautious
- The PPI – CPI disparity will end badly (price collapse) or CPI will start to rise to catch up
- Fed may have a gradual “QE3” with little fanfare
- Political attention will shift to 2012 presidential election by the end of the summer; little of substance is likely to be accomplished

DECEMBER 2011

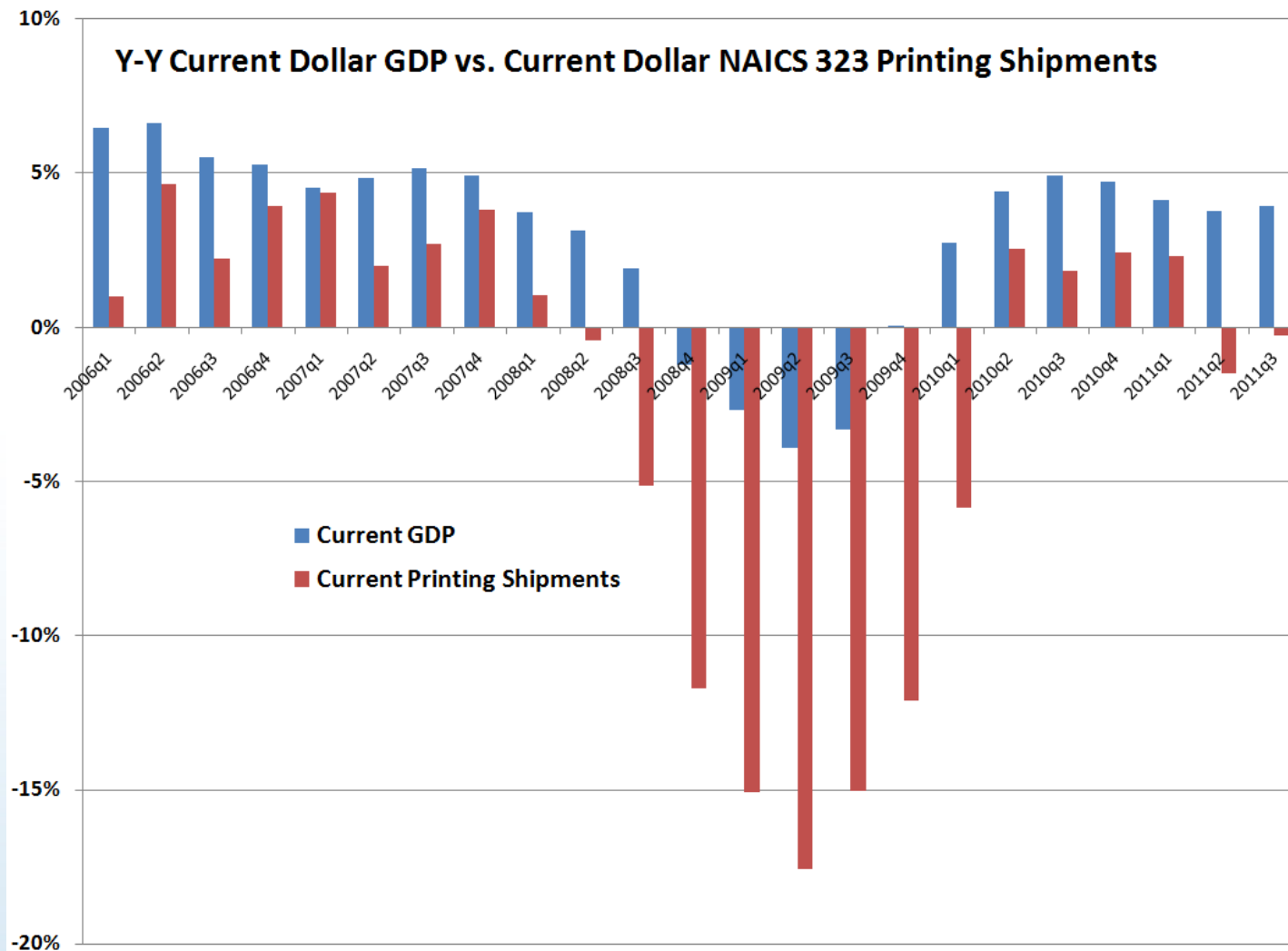
- GDP still sluggish, +1.75-2.5%; small business still a problem area
- 2012 unemployment rate improves, down to 7.5-7.8%, for all the wrong reasons, by election time
- Value of the dollar will continue to erode, as planned, competitive devaluation continues
- Commodities collapse more likely, second recession “dip” risk still high, be cautious
- CPI “moderating” but prices are too high when real wages keep falling
- Fed will have a real “QE3” but will not make a big deal of it; some of it is already underway
- Political attention is now on 2012 presidential election; little of substance is likely to be accomplished in the meantime



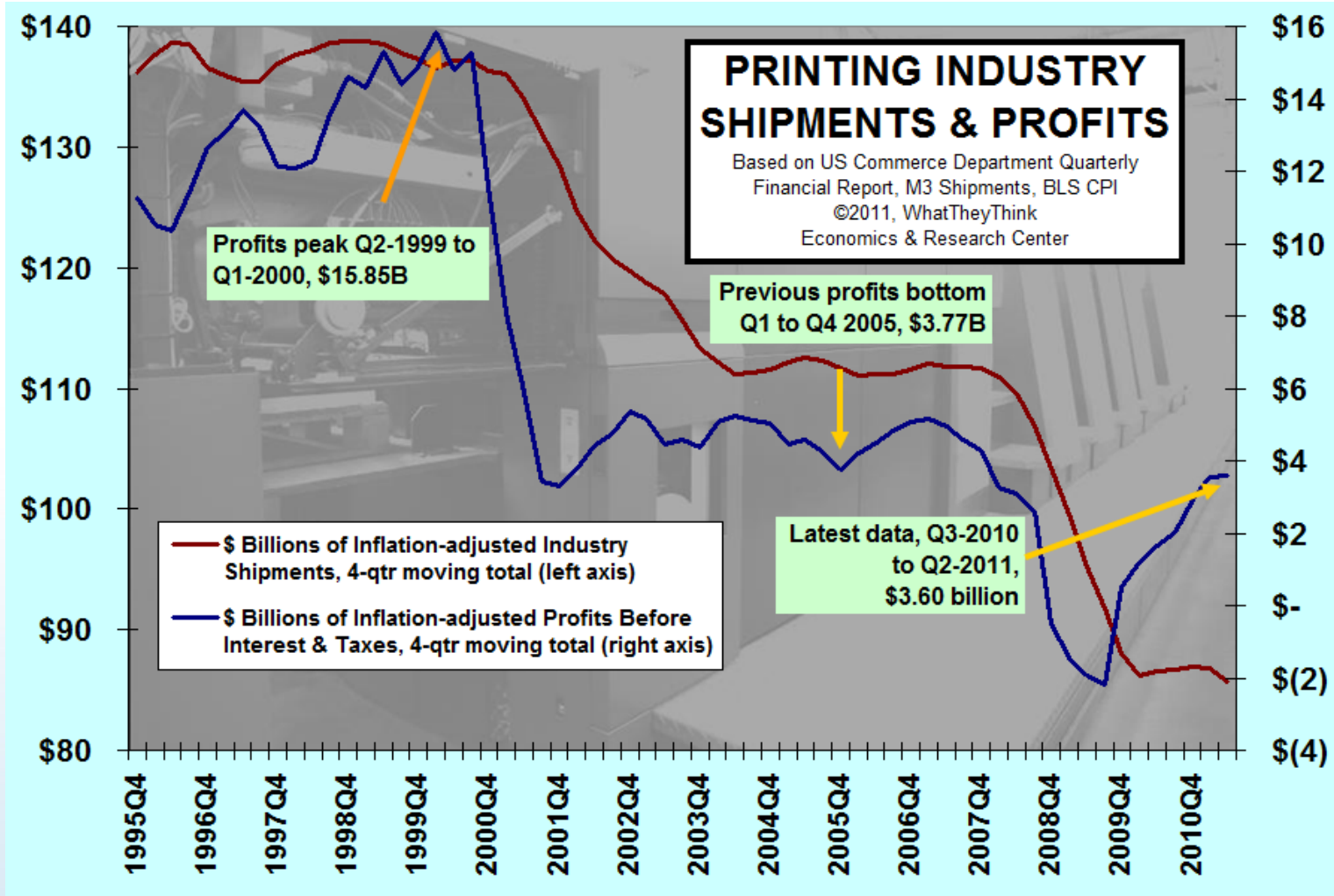
US Commercial Printing Trends

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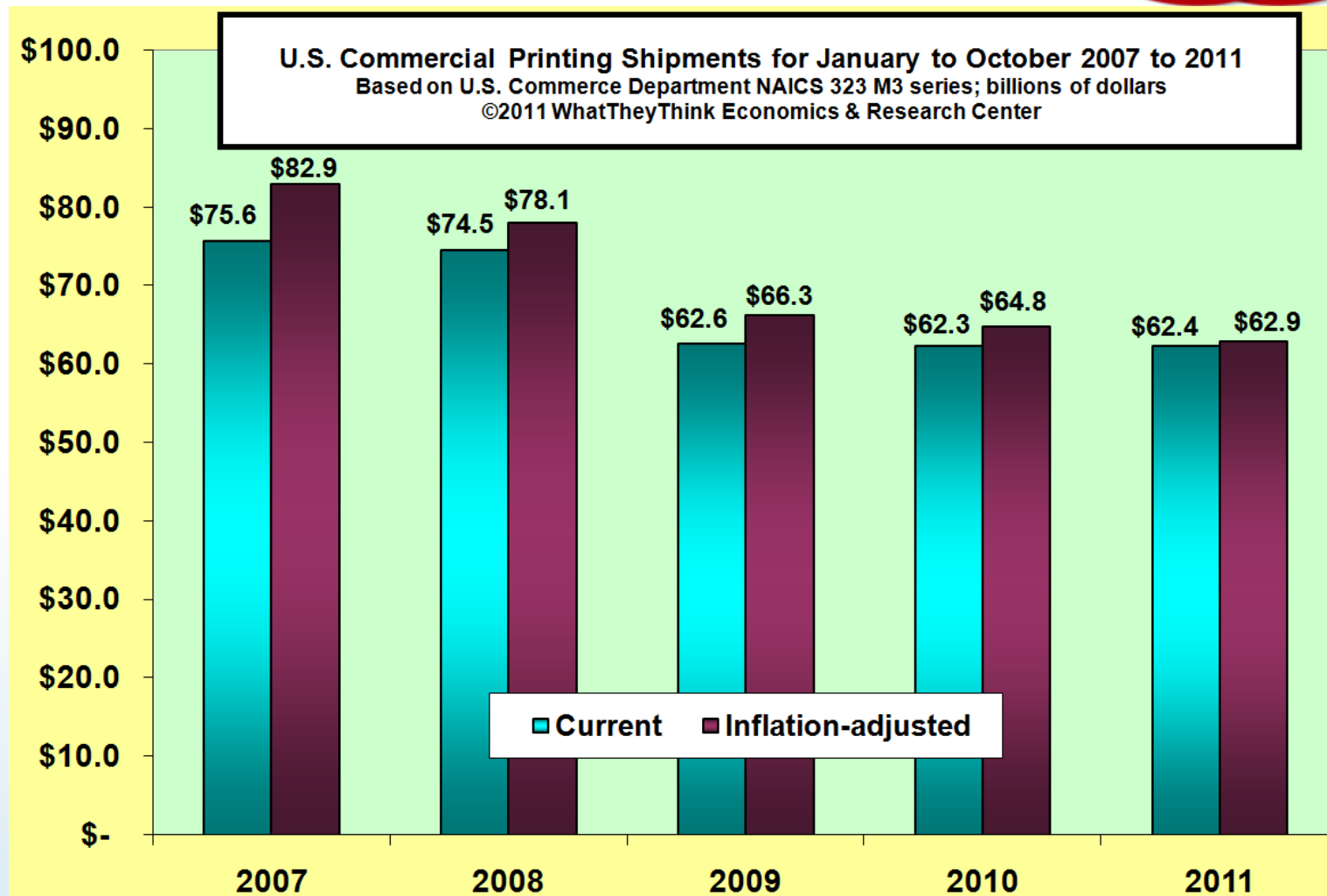
Current dollar GDP & printing shipments



Profits show the result of consolidation and the exit of weak companies

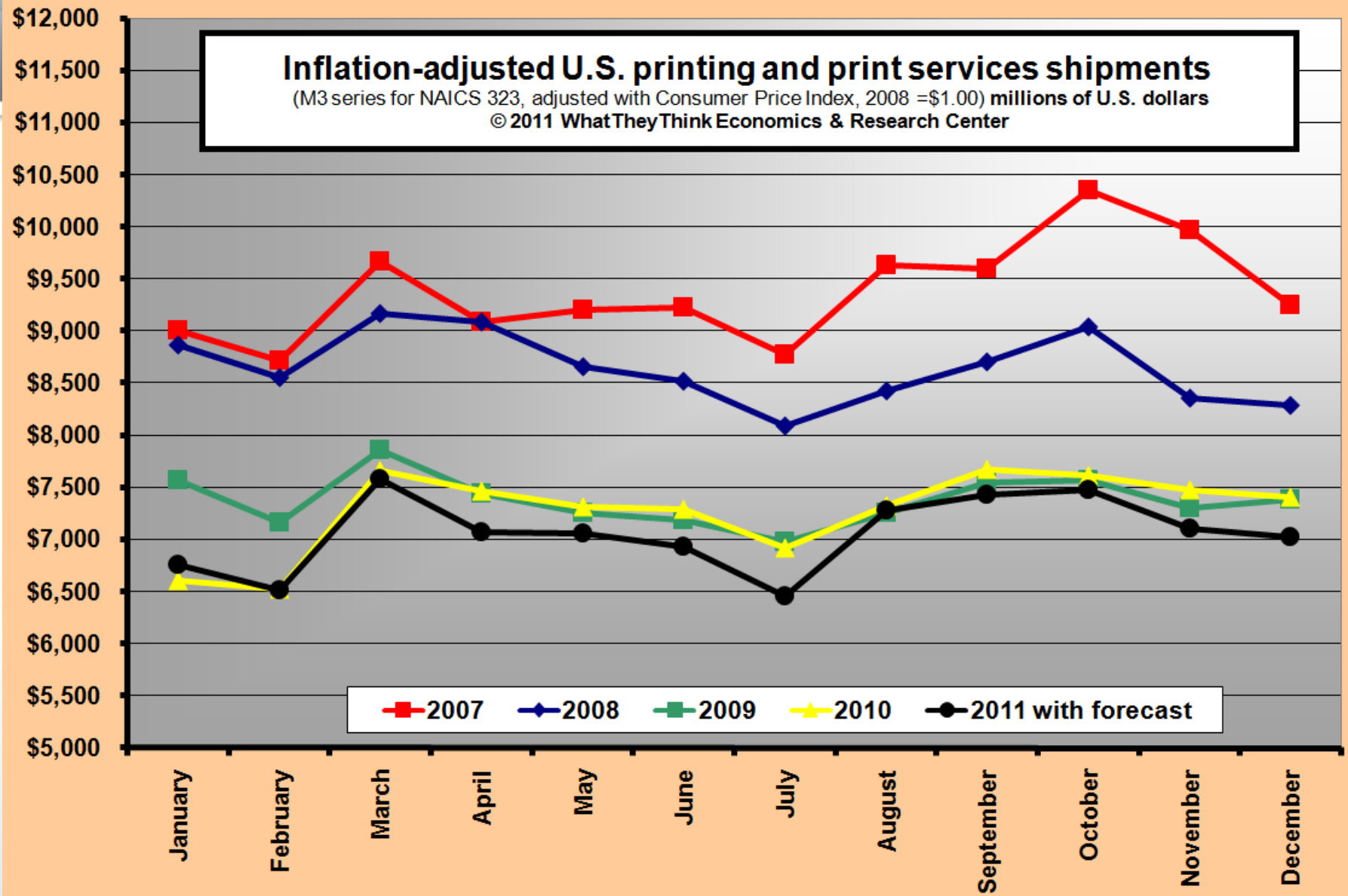


October shipments were disappointing



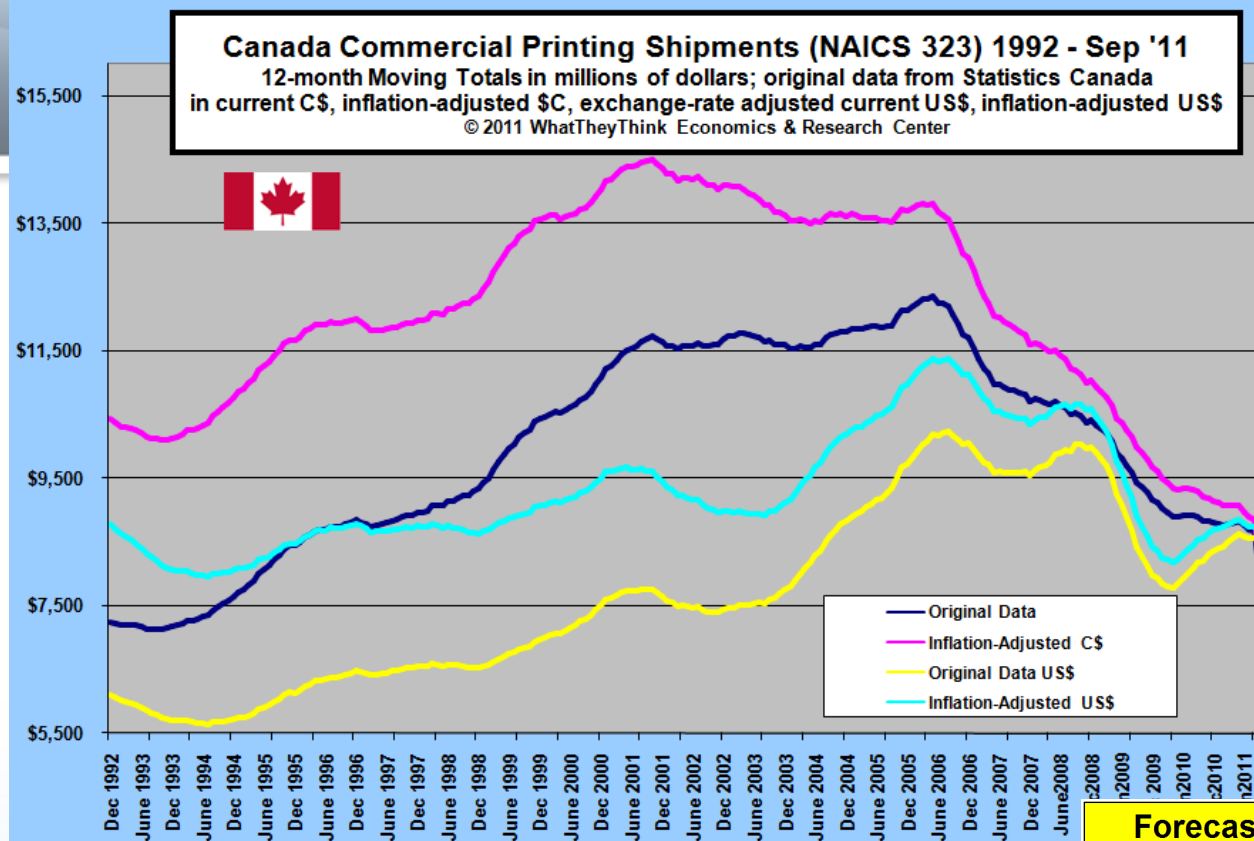
Printing & publishing employment declining, but advertising & design rising since end '10

| <i>Employment in thousands of workers</i> | Oct. 2010 | Oct. 2011 | Y/Y Change | Nov. 2010 | Nov. 2011 | Y/Y Change |
|---|--------------|--------------|---------------|--------------|--------------|---------------|
| Printing, all | 481.3 | 461.6 | -4.1% | 480.9 | 458.4 | -4.7% |
| Printing, production | 335.3 | 317.7 | -5.2% | 336.1 | 313.8 | -6.6% |
| Printing less production | 146.0 | 143.9 | -1.4% | 144.8 | 144.6 | -0.1% |
| Publishing | 758.9 | 754.5 | -0.6% | 757.2 | 750.5 | -0.9% |
| Periodicals | 115.4 | 115.6 | 0.2% | 115.1 | | |
| Newspapers | 251.0 | 239.0 | -4.8% | 250.7 | | |
| Publishing, ex-newspaper | 507.9 | 515.5 | 1.5% | 506.5 | | |
| Graphic design | 62.2 | 62.0 | -0.3% | 61.3 | | |
| Ad agencies | 412.0 | 433.4 | 5.2% | 410.9 | | |
| Agency + design | 474.2 | 495.4 | 4.5% | 472.2 | | |
| Direct mail advertising | 49.7 | 49.6 | -0.2% | 50.1 | | |



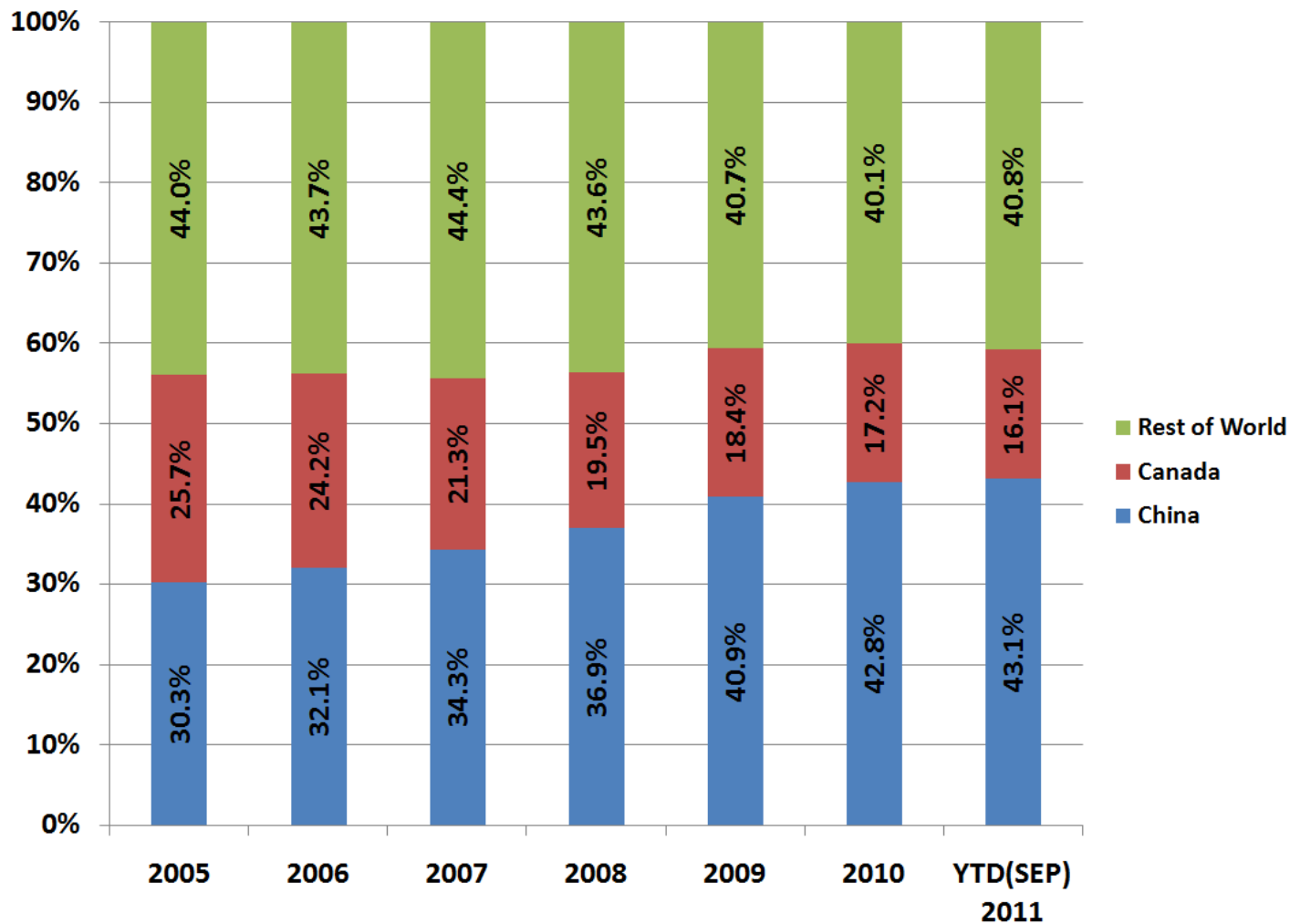
US Commercial Printing to 2017 in 2011 Dollars

| <i>Note: 2010 shipments were \$86.7B</i> | FORECASTS BY STATISTICAL MODELS | | | <i>WTT ERC Qualitative Forecast REVISED 8/2011</i> |
|---|--|-------------------|--------------------|---|
| | Conservative | Aggressive | GDP (+2.5%) | |
| 2011 | \$84.9 | \$82.5 | \$99.1 | \$85.0 |
| 2012 | \$81.8 | \$72.9 | \$96.5 | \$81.0 |
| 2013 | \$78.5 | \$65.0 | \$93.9 | \$76.0 |
| 2014 | \$75.4 | \$56.5 | \$91.2 | \$70.0 |
| 2015 | \$72.3 | \$47.6 | \$88.4 | \$64.0 |
| 2016 | \$69.4 | \$38.2 | \$85.6 | \$57.0 |
| 2017 | \$66.6 | \$28.3 | \$82.8 | \$52.0 |



| Forecast in Billions of Inflation-Adjusted \$C | | | |
|--|--------------|------------|-------|
| Forecast Model | Conservative | Aggressive | Mean |
| 2011 | \$8.5 | \$8.4 | \$8.5 |
| 2012 | \$8.0 | \$7.2 | \$7.6 |
| 2013 | \$7.7 | \$5.9 | \$6.8 |
| 2014 | \$7.5 | \$4.6 | \$6.1 |
| 2015 | \$7.2 | \$3.1 | \$5.2 |
| 2016 | \$7.0 | \$1.5 | \$4.3 |
| 2017 | \$6.8 | \$0.1 | \$3.5 |

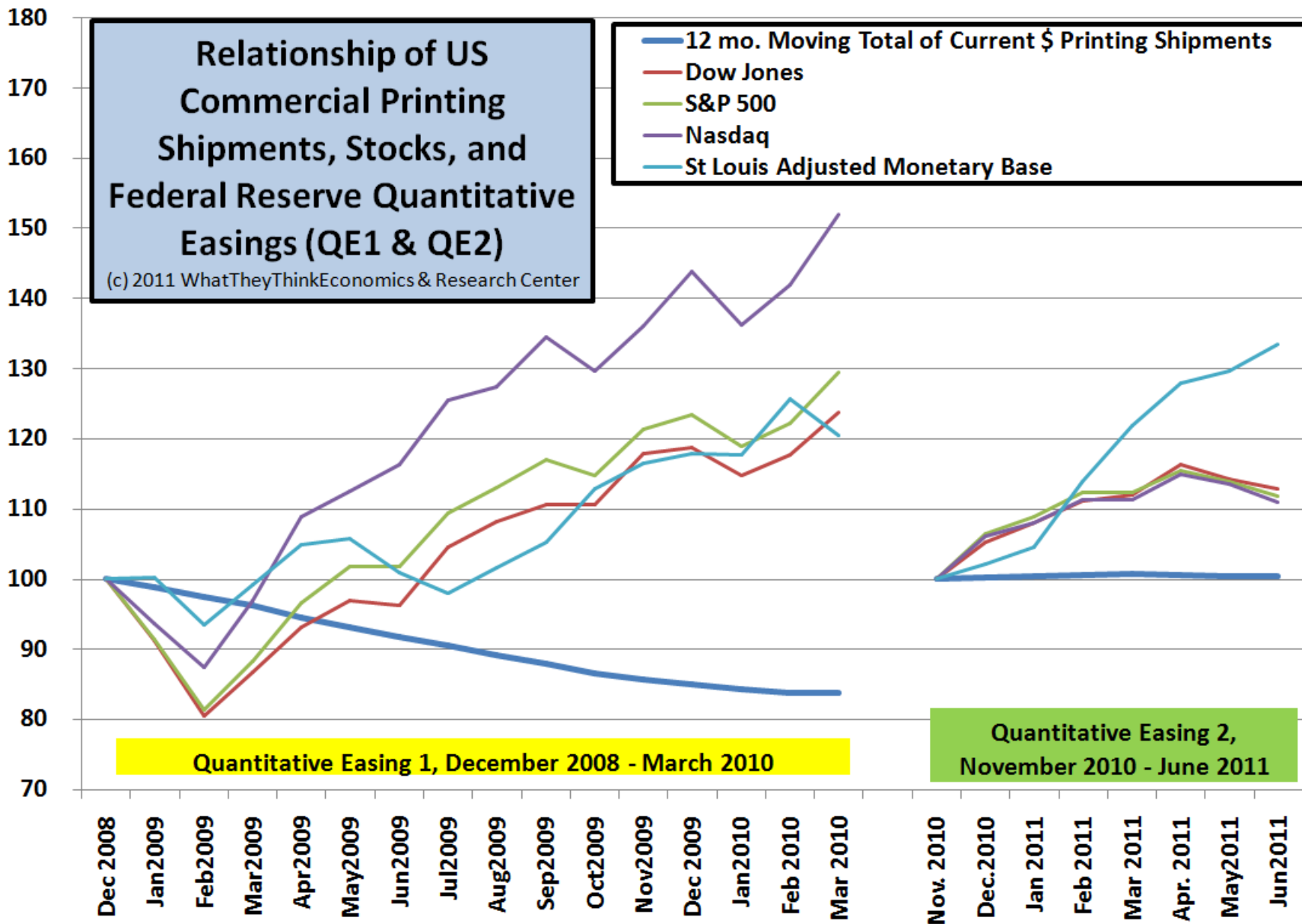
Printing imports have been stable for many years, but Canada's share down



Relationship of US Commercial Printing Shipments, Stocks, and Federal Reserve Quantitative Easings (QE1 & QE2)

(c) 2011 WhatTheyThinkEconomics & Research Center

- 12 mo. Moving Total of Current \$ Printing Shipments
- Dow Jones
- S&P 500
- Nasdaq
- St Louis Adjusted Monetary Base



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Is Printing Affected by the Fed or the Stock Market?

| Time Period | Statistic | Dow Jones Industrial Average | S&P 500 | NASDAQ | St Louis Adjusted Monetary Base | Overall Relationship |
|--------------------------|-----------|------------------------------|--------------|--------------|---------------------------------|--|
| ALL DATA (12/93-9/11) | r-squared | 18.9% | 30.5% | 17.4% | 22.2% | weak for all |
| | slope | 1.1 | 12.5 | 3.7 | -5.6 | stocks positive, <i>SLAMB negative</i> |
| QE1 (12/08-3/10) | r-squared | 80.5% | 84.9% | 92.4% | 71.6% | strong for all |
| | slope | -4.4 | -39.9 | -17.1 | -28.2 | negative |
| QE2 (11/10-6/11) | r-squared | 59.4% | 68.9% | 64.8% | 28.5% | relatively strong for stocks, weak for SLAMB |
| | slope | 0.3 | 2.7 | 1.3 | 0.4 | very slightly positive; stocks less than history |



Presidential Elections, the Media, and Print

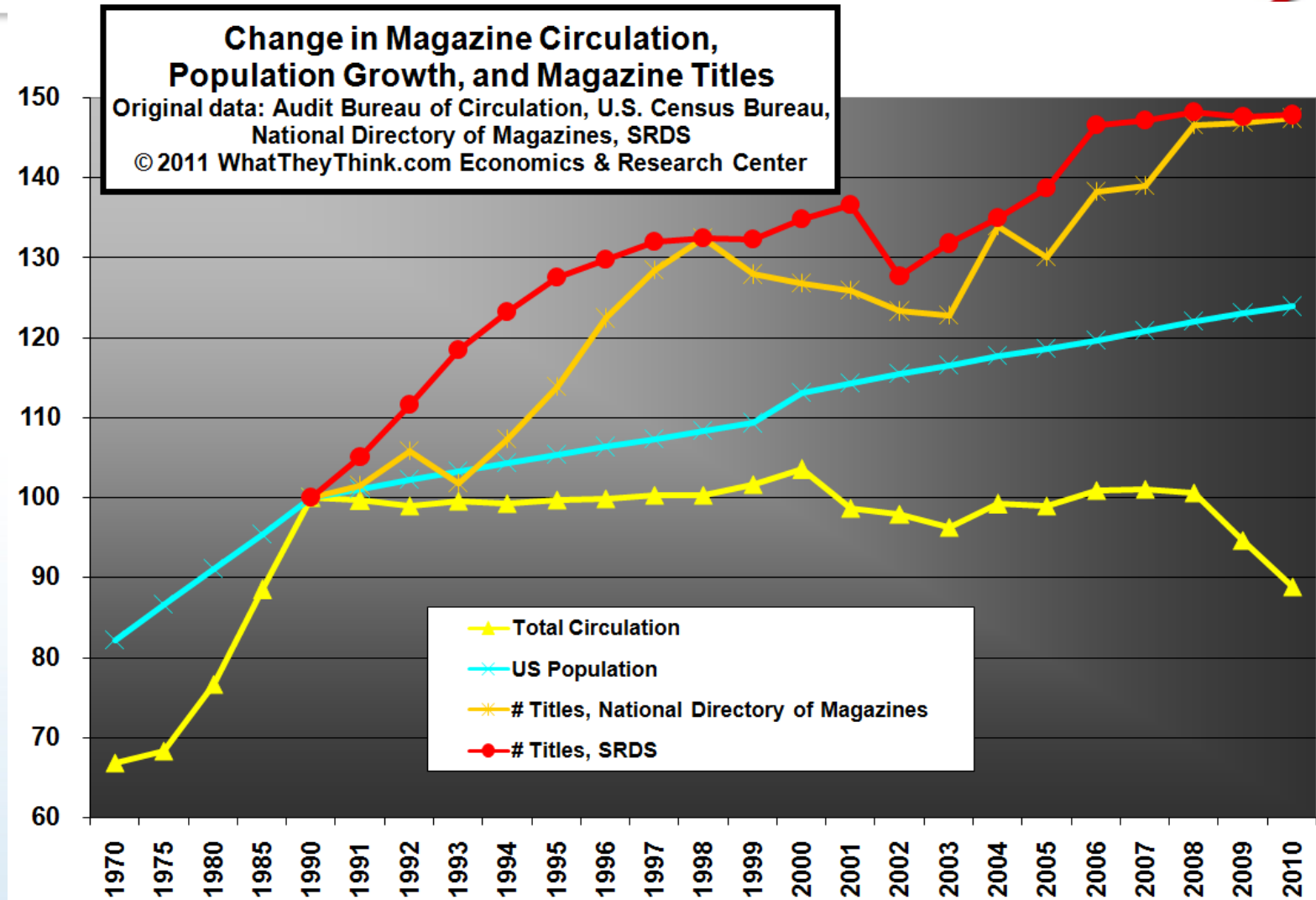
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Presidential Elections and Technology

- 1996: Websites, online ads, e-mails
- 2000: Web sites, e-commerce
- 2004: E-marketing, blogs
- 2008: Social media (Facebook, MySpace, Twitter)
- 2012: Mobile media

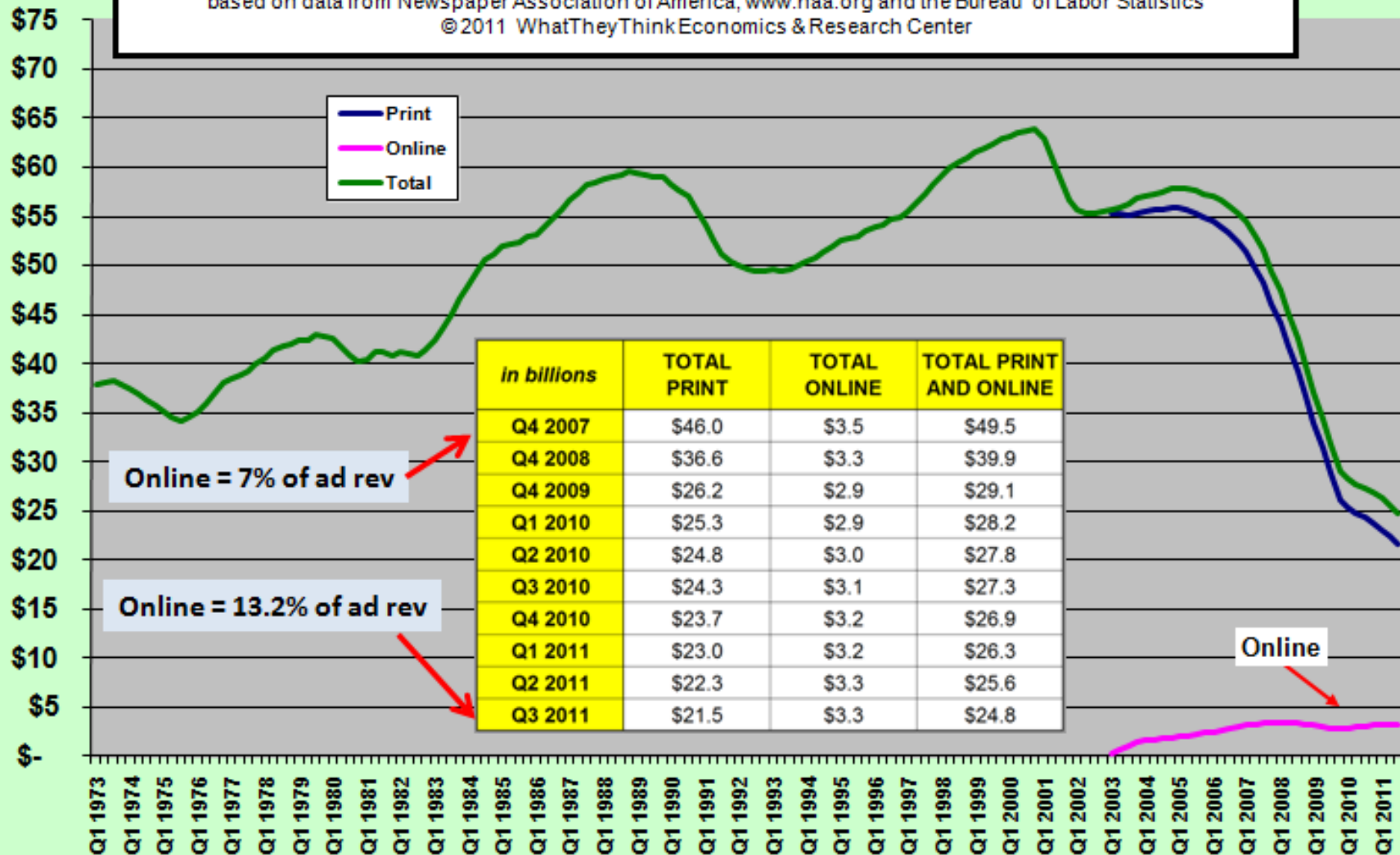
| | US Internet Users | Change | % of Adults with Broadband at Home | Approx. # of Users with Broadband | Change from Prior Election |
|-------------|-------------------|--------|---------------------------------------|--------------------------------------|-------------------------------|
| 2000 | 124,000,000 | | 3% | 3,720,000 | |
| 2004 | 201,661,159 | 62.6% | 23% | 46,382,067 | 1146.8% |
| 2008 | 220,141,969 | 9.2% | 59% | 129,883,762 | 180.0% |
| 2010 | 239,893,600 | 9.0% | 66% | 158,329,776 | 21.9% |

Magazines still in painful restructuring



Newspaper Industry Woes Not Being Cured by Online Revenues

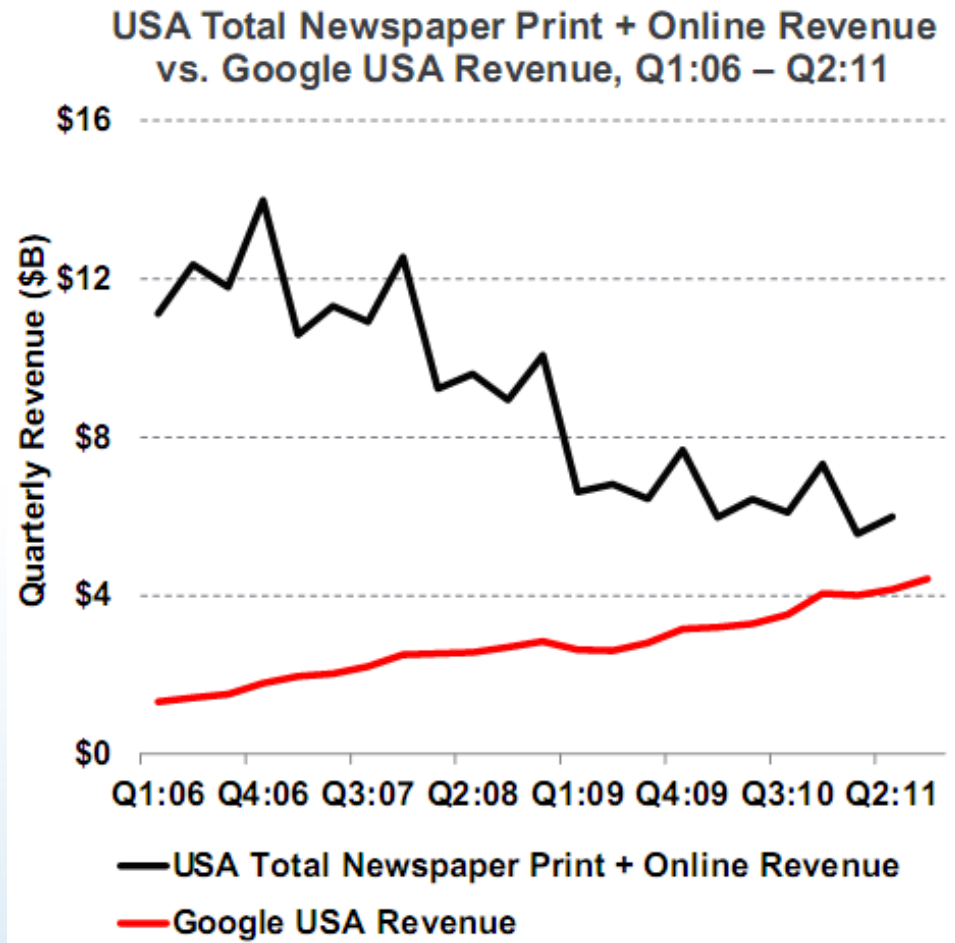
Inflation-adjusted ad dollars, annualized as 4-quarter moving totals
based on data from Newspaper Association of America, www.naa.org and the Bureau of Labor Statistics
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Google vs. the US newspaper industry

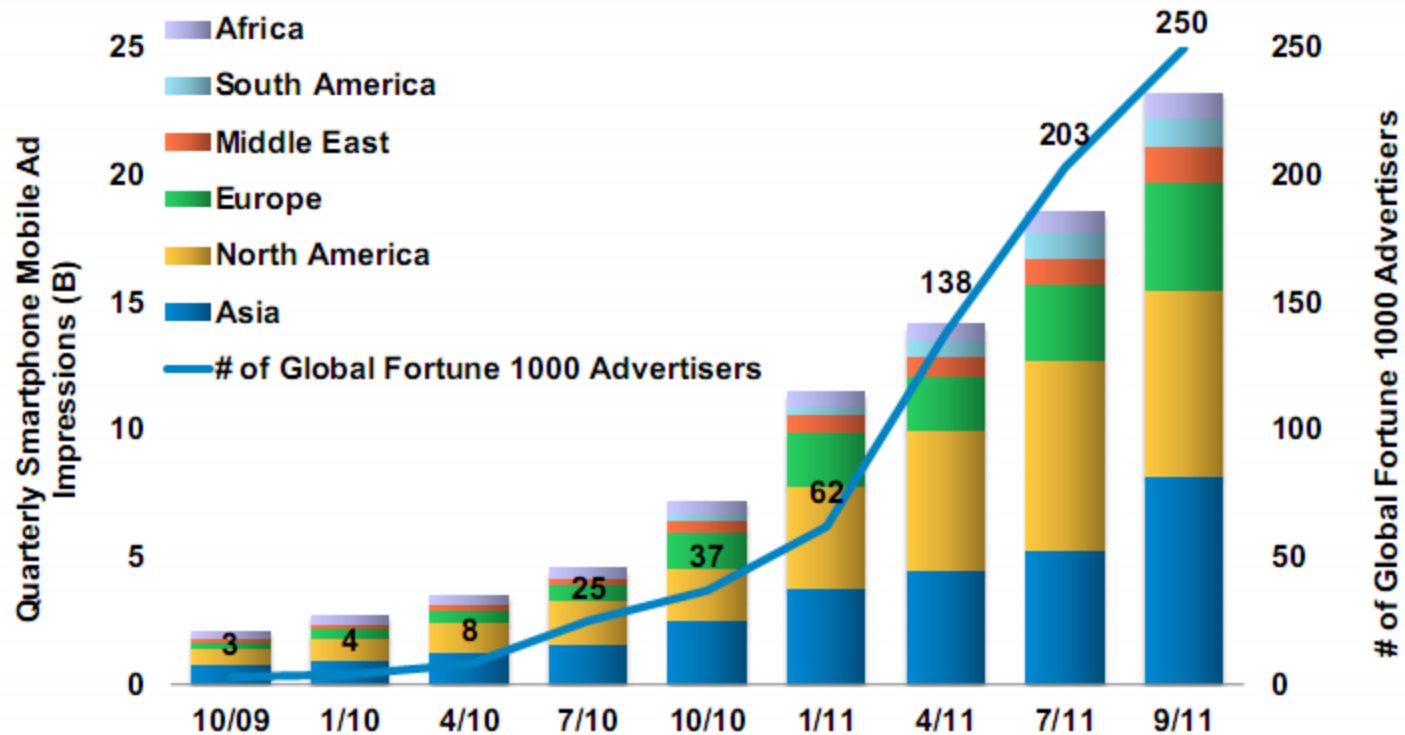


From Mary Meeker presentation – link is in “Winter Reading”

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of Smartphone Ad Impressions

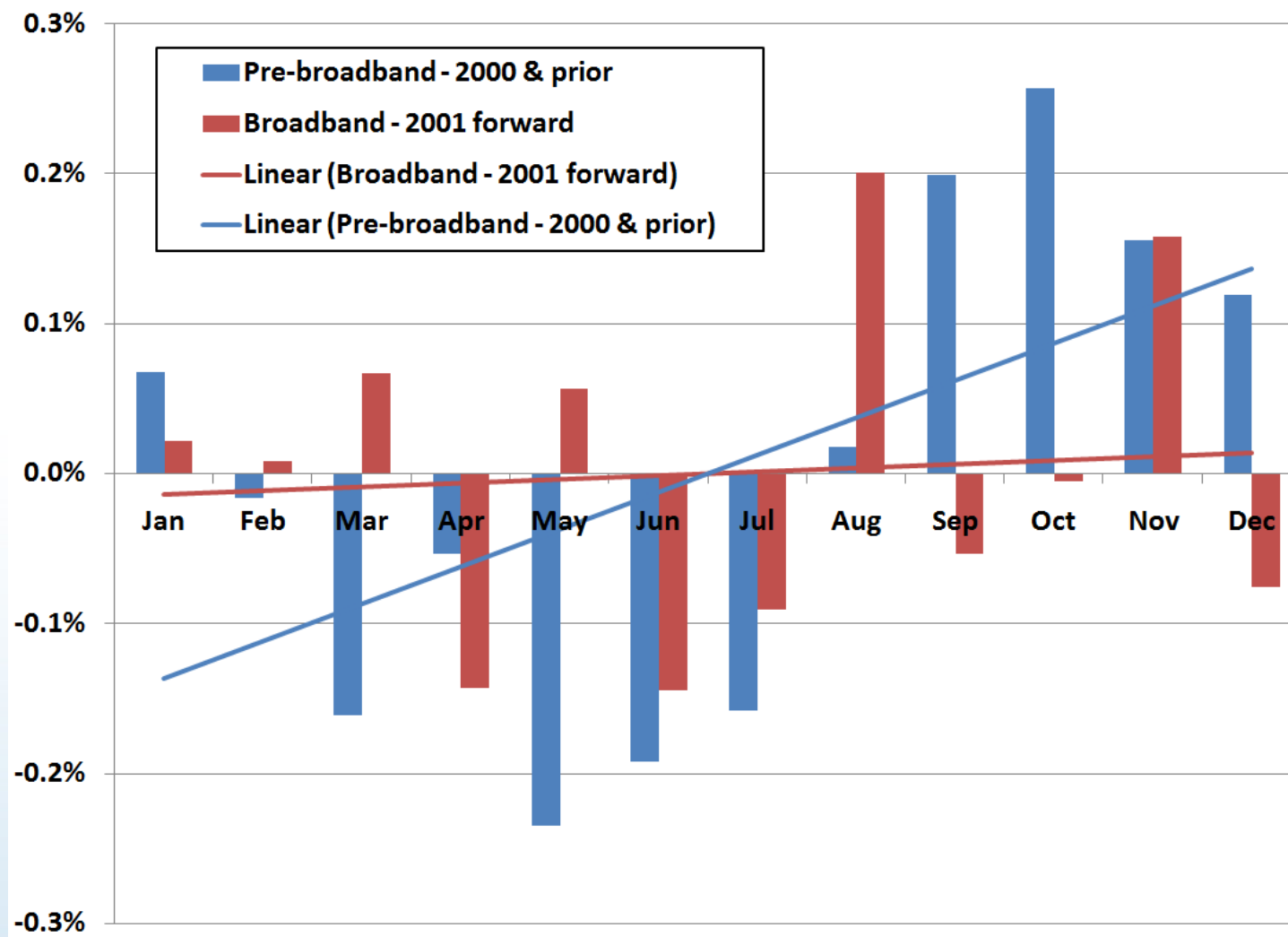


From Mary Meeker presentation – link is in “Winter Reading”

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In broadband era, Presidential elections have virtually no effect on print volume





Hot Topics for Winter Reading

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Winter Reading List

- Mary Meeker's annual Internet Trends Report ([Scribd](#)). Meeker is formerly with Morgan Stanley, now with Kleiner Perkins.
- [Video from Web 2.0 Summit 2011](#) has discussion by Joanne Bradford. She discusses the changing value and place of content creation, and why content's value has changed
- New media metrics/ROI still hard to evaluate ([eMarketer](#))
- Hi-tech company trying to [abolish internal e-mails](#) because they waste time

Winter Reading List

- Why NY Fed failed to forecast the recession ([NY Times](#))
- Future recession risk analysis by [San Francisco Fed](#); excellent article where they explain how Leading Indicators are being distorted by current monetary data used in the models
- How to lie with Financial Statistics ([Investopedia](#))
- [WSJ reports](#) on World Bank study about the ease or difficulty of paying taxes. US is #69 of 183 nations.

Winter Reading List

- [World Bank report](#) “Doing Business” is a comparative analysis of business practices and regulations around the world. Top countries were Singapore, Hong Kong, New Zealand, USA, Denmark
- Canada's Fraser Institute analyzes “Economic Freedom of North America” in [free book](#).
- [Bloomberg article](#) about how keeping IBM in the Dow during the Great Depression would have changed the way stock market history for that time

Winter Reading List

- Lulu.com founder explains how they will battle Amazon ([Bloomberg](#))
- Penguin Books gets into the self-publishing business ([WSJ](#))
- Libraries lending out e-book readers ([WTT](#))
- Role of Internet, social media, newspapers in how residents learn about their local communities ([Pew Internet](#))
- [WSJ](#): Magazine Rebound Falls Flat

Winter Reading List

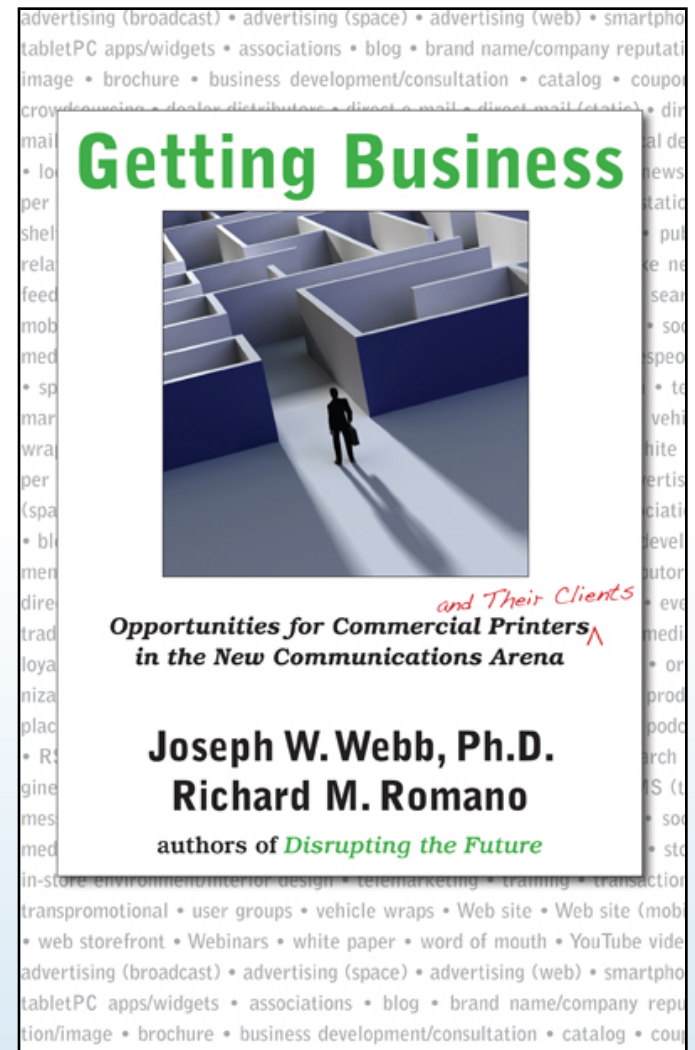
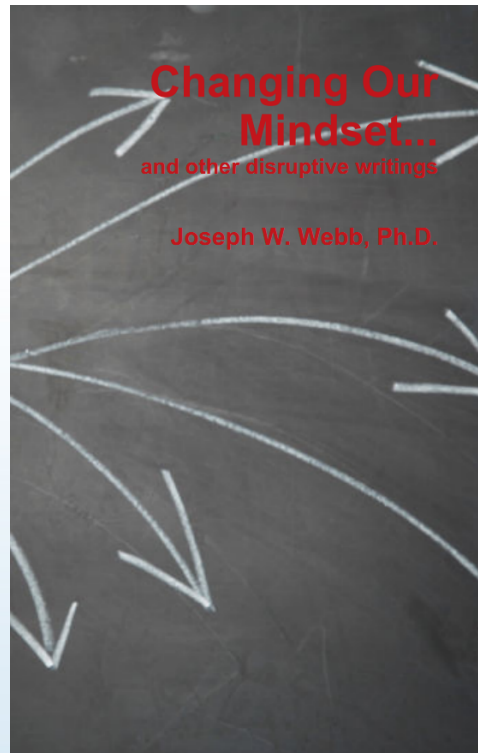
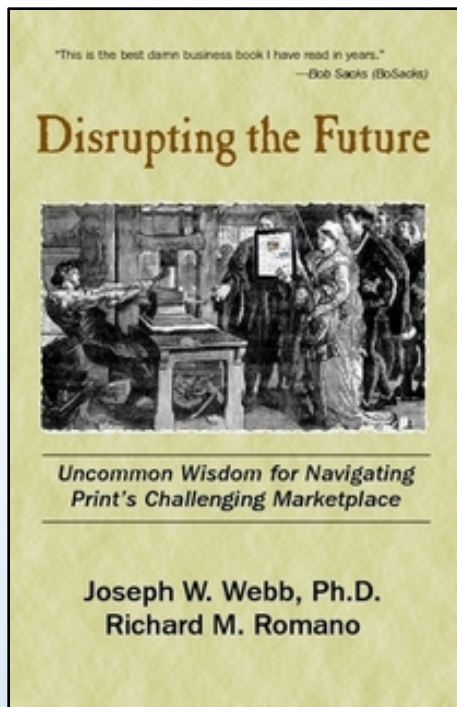
- Long blog piece in [Barry Ritholz' *Big Picture*](#) by John Mauldin where he cites a piece by Grant Williams that discusses US, European monetary policy and numerous other topics. Well worth the time to read.
- PIAG chairman says *Disrupting the Future* played a role in turning his business around ([WTT](#))
- Printing industry profits data ([Google spreadsheet](#))
- Printing shipments data, US & Canada, and forecasts ([Google spreadsheet](#))

Winter Reading List (and Listening, Too!)

- Recently, a PIA newsletter discussed forecasting and inflation adjustment and discussed their preference for a different method than *WhatTheyThink* uses. Dr. Joe's approach was explained in two columns that appeared on [May 20, 2005](#) and [April 14, 2008](#).
- Dr. Joe has prepared a slide presentation and a podcast that explains the issues involved and the implications for planning, forecasting, and managing, free for viewing or downloading at Slideshare. It's almost 42 minutes long, and might be patented as the next insomnia cure. But if you're into this data stuff, [take a listen](#).

Books by Dr. Joe & Richard Romano

- Order at [special Lulu.com store](http://special.Lulu.com/store)
- Discount expires today 12/7: buy two books get one free; use promo code BUY2GETONE305



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Upcoming Dr. Joe Sightings

- Online. Wednesday, December 14, 2011: TLMI economic webinar; contact [organization](#) for details
- Online. Wednesday, January 11, 2012: Print Services & Distribution Association ([PSDA](#)) member exclusive webinar, 1pm Eastern time; topic details being finalized; [register now](#).
- Naples, FL, January 18, 2012: Paper Distribution Council Annual Meeting, January 17-19, 2012, details forthcoming; click [here](#) for organization website.
- New Orleans, LA, January 18 , 2012: Kodak Graphic Users Association, January 16-20; [details at their website](#)
- Phoenix, AZ, March 6, Print Services & Distribution Association ([PSDA](#)) CEO Summit, March 5-7, 2012: register [online](#). Dr. Webb's keynote address is Directions to the Future: A Contrarian View of the Economy, Technology, and Our Business.