What can we expect in 2014?

Dr. Charlie Hall, Ellison Chair in International Floriculture
Texas A&M University
charliehall@tamu.edu

A long road back to Lake Wobegon
Shutdown and debt ceiling thoughts

- $24 billion
- 0.2% - 0.6% hit
- Feb 7
- 79 times!
- $16.69 trillion
- Total debt
- 106.8% debt to GDP
- 66.5% domestic
GDP

Breakdown of GDP
Average expectations for business conditions

Interest rate spread, 10-year Treasury bonds less federal funds

Leading (Credit Index™

Stock prices, 500 common stocks

Building permits, new private housing units

Manufacturers’ new orders, nondefense goods excluding aircraft

ISM Index of New Orders

Manufacturers’ new orders, consumer goods and materials

Average weekly initial claims for unemployment insurance

Average weekly hours, manufacturing

The Federal Reserve Bank of Chicago combines 85 different indicators into one number to give a sense of whether the overall U.S. economy is growing faster than its historical trend (numbers above zero) or slower (numbers below zero).
Bloomberg Financial Conditions Index

Monitors the level of stress in the U.S. financial markets. Zero is normal, above zero is good and below zero is bad.

Employment trends

- Percentage of Respondents Who Say They Find “Jobs Hard to Get” (The Conference Board Consumer Confidence Survey®)
- Initial Claims for Unemployment Insurance (U.S. Department of Labor)
- Percentage of Firms With Positions Not Able to Fill Right Now (© National Federation of Independent Business Research Foundation)
- Number of Employees Hired by the Temporary Help Industry (U.S. Bureau of Labor Statistics)
- Ratio of Involuntarily Part-time to All Part-time Workers (BLS)
- Job Openings (BLS)
- Industrial Production (Federal Reserve Board)
- Real Manufacturing and Trade Sales (U.S. Bureau of Economic Analysis)
Housing trends

As a leading economic indicator of construction activity, the Architecture Billings Index (ABI) reflects the approximate nine to twelve month lag time between architecture billings and construction spending.

The 2013 home improvement market is forecast to grow by almost 4.0%. Though increasing, home values remain well below the peaks that we saw during the bubble. Most home owners appear to prefer remodeling to trading up in such an environment.
Expenditures rise to meet income.

~ (C. Northcote Parkinson)
Gas prices

Personal saving rate
Very unique indicator that captures the level of consumer interest in purchasing discretionary (non-essential) items. It measures activities that occur well in advance of the purchase, so that makes it a true leading indicator. It tracks where demand is compared to levels in 2005, a fairly normal level. So, if the Absolute Demand Index level is 90, it means the level of consumer interest in purchasing discretionary items is 90% of what it was in 2005.

People afford what they want.

— (Lowell Catlett)
Plants Purchased By U.S. Households

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<tbody>
<tr>
<td>Annual flowers</td>
<td>25%</td>
<td>28%</td>
<td>22%</td>
<td>19%</td>
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<tr>
<td>Perennial</td>
<td>21%</td>
<td>27%</td>
<td>17%</td>
<td>17%</td>
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<tr>
<td>Vegetables (transplants)</td>
<td>14%</td>
<td>19%</td>
<td>15%</td>
<td>17%</td>
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<tr>
<td>Flowering houseplants</td>
<td>14%</td>
<td>22%</td>
<td>12%</td>
<td>11%</td>
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<tr>
<td>Foliage/leafy houseplants</td>
<td>12%</td>
<td>22%</td>
<td>11%</td>
<td>10%</td>
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<tr>
<td>Rose bushes</td>
<td>11%</td>
<td>13%</td>
<td>7%</td>
<td>8%</td>
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<tr>
<td>Flowering trees/shrubs</td>
<td>7%</td>
<td>11%</td>
<td>7%</td>
<td>6%</td>
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<tr>
<td>Herbs (transplants)</td>
<td>6%</td>
<td>9%</td>
<td>8%</td>
<td>9%</td>
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<tr>
<td>Ground cover/vines</td>
<td>5%</td>
<td>10%</td>
<td>5%</td>
<td>5%</td>
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<tr>
<td>Water garden plants</td>
<td>5%</td>
<td>3%</td>
<td>2%</td>
<td>2%</td>
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<tr>
<td>Evergreen or leafy shrubs</td>
<td>5%</td>
<td>9%</td>
<td>5%</td>
<td>5%</td>
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<tr>
<td>Evergreen or shade trees</td>
<td>5%</td>
<td>6%</td>
<td>3%</td>
<td>2%</td>
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<tr>
<td>Fruit trees</td>
<td>3%</td>
<td>5%</td>
<td>3%</td>
<td>4%</td>
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<tr>
<td>Berries</td>
<td>2%</td>
<td>4%</td>
<td>2%</td>
<td>4%</td>
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Source: National Gardening Survey

What are the implications for everyone? **Demographics matters!**

Births per Year in the U.S., Source: www.cdc.gov

Change in Spending at each Age & Stage of Life

http://www.calculator-thirdage.com
Recent studies also are bringing to light new ideas that will likely increase pet ownership. A recent study at the State University of New York at Buffalo found that pet ownership helps to lower blood pressure while a similar study by the National Institute of Health Technology suggests that pets help to prevent heart disease. Other studies propose pet ownership reduces stress, fights depression, and can also aid in lowering health care costs for owners. With the increasing number of pets owned, and with benefits of pet ownership becoming of interest, the pet product industry will likely continue to follow the increasing trends (Bennett). Dog ownership has become increasingly important to the family unit. Dog owners have very emotional and personal relationships with their pets. It has been hypothesized that as family units decrease in size, animals have taken on emotional care giver roles with their owners. This has created a market where animal owners treat their pets as one of the family and buy only the healthiest and most natural products they can find (Bennett).