Other than the second quarter of this year, when the 2008 Economic Stimulus Act was implemented, Gross Domestic Product (GDP) remained virtually flat from the final quarter of 2007 until nearly the end of the third quarter of this year. Of course, the credit crisis that began in mid-September initiated a significant contraction in the U.S. economy which is expected to continue through at least the middle of 2009. The length and severity of the U.S. economic recession cannot be reliably predicted yet because credit markets continue to suffer from significant instability.

Regarding forecasts of local economic statistics, the rareness of credit crises in general, the magnitude of this credit crisis in particular, the as yet unknown time span of the credit crisis, and the full scope of the federal government response renders accurate forecasting a nearly impossible task. Therefore, please keep in mind that the forecasts of employment by industry in Dayton Regional economy through the middle of 2009 presented below may quickly prove to be obsolete as major economic events and government policy responses continue to unfold.

Nonetheless, because of the cause-effect relationships triggered by credit crisis, there are a few general trends that can be predicted for the Dayton MSA with a very high degree of confidence:

- The region's longstanding declining employment trend will accelerate.
- Real per capita income will decline.
- The region's cost of living will remain relatively low.

INDUSTRY OUTLOOK

Business spending and household spending are both declining. Therefore, the local industries that should suffer the largest percentage declines in employment are the producers of business goods and services as well as the producers of discretionary goods and services. These include:

- Durable Goods Manufacturing
- Residential Construction
- Hotels, Restaurants, and Other Leisure Activities
- Transportation Services (Airlines, Trucking,
- and Railroads)
- Retail Trade
- Financial Services
- Business To Business Goods and Services

Local industries that should suffer the least in the coming months are those that produce necessities and those that provide training and education:

- Health Care
- Utilities
- Educational Services

Within specific industries, firms that provide lower end, lower priced goods and services, should fare better than those that provide higher end-higher priced goods and services. For example, discount retailers will likely be relatively strong performers in the retail sales industry. Firms that provide necessities will also fare better than those that provide discretionary goods and services. For example, retail grocers will not suffer as much as general retailers.

While federal government employment should remain steady, state and local government employment levels next year are dependent on whether federal aid is forthcoming.

INDUSTRY FORECASTS

(continued on back)
Forecasts for employment for individual industries in the Dayton MSA (Greene, Miami, Montgomery, and Preble counties) are illustrated in the above graphs. Due to the uniqueness of current economic events, reliable confidence intervals cannot be estimated. Therefore, they are not reported.