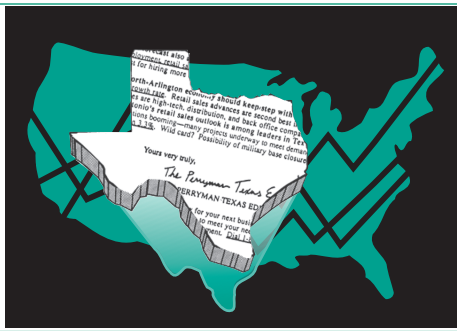


The Perryman Report & Texas Letter



IN THIS ISSUE

Short-Term Outlook for the United States and Texas Economies

In light of all economic uncertainties, The Perryman Group's latest short-term forecast calls for Texas to continue to outperform the nation and for the US to see slightly better performance through 2016.

The Alamo Region

The 19-county area, including the San Antonio-New Braunfels and Victoria MSAs, represents 9.56% of the state's population. This page gives an overview of the area's short-term future.

Economic Development News Around the State

Also in this month's issue, find recent information about notable business development and expansions in selected areas across the state.

Focus On: Wage and Salary Employment

A breakdown of wage and salary employment by metropolitan statistical area provides a quick look at the forecast for 2011 to 2016. See this page to get a snapshot of the anticipated growth for the state as well as for an MSA near you.

Short-Term Outlook for the United States and Texas Economies

The pace of recovery of the US economy continues to falter. Lackluster job growth and uncertainty over fiscal policy, health care costs, and the debt ceiling have taken a toll, as have financial disruptions in Europe and Japan and the political unrest in the Middle East. While the US is likely to avoid a "double-dip" recession, some reduction in uncertainty is needed to coax large volumes of investment

funds off the sideline and back into the economy.

Job creation remains unimpressive. In October, total non-farm employment continued its upward trend, rising by 80,000. The private sector added 104,000 jobs, according to the US Bureau of Labor Statistics, but employment in the government segment continued to shrink. Although it is far better than in the not-so-distant past and

US Economic Indicators 2011-2016

Key Indicator	2011 Level	2016 Level	CAGR* 2011-2016
Real Gross Domestic Product (2005\$)	\$13.32 trillion	\$15.77 trillion	3.43%
Population	312.82 million	327.67 million	0.93%
Employment**	131.79 million	141.29 million	1.40%
Real Personal Income (by place of residence) (2005\$)	\$11.45 trillion	\$13.18 trillion	2.86%
Industrial Production Index (2005=100)	97.8	115.4	3.37%
Consumer Price Index (2005=100)	114.8	133.0	3.00%
Interest Rates (Long-term, 20-yr. bonds)	3.77%	4.60%	

*Compound Annual Growth Rate **Civilian non-agricultural employment
Source: The Perryman Group

Texas Economic Indicators 2011-2016

Key Indicator	2011 Level	2016 Level	CAGR* 2011-2016
Real Gross Product (2005\$)	\$1.16 trillion	\$1.43 trillion	4.29%
Population	25.69 million	27.97 million	1.72%
Wage & Salary Employment	11.06 million	12.35 million	2.22%
Real Personal Income (by place of residence) (2005\$)	\$945.54 billion	\$1.17 trillion	4.38%
Real Retail Sales (2005\$)	\$327.11 billion	\$403.15 billion	4.27%
Housing Permits	95,262	138,254	7.73%

*Compound Annual Growth Rate
Source: The Perryman Group

brings the average over the past year to 125,000 gained per month, such a pace will do little to alleviate the unemployment problem.

“Other measures of the economy are hit or miss as well, with both positive and disappointing signals.”

Other measures of the economy are hit or miss as well, with both positive and disappointing signals. While a dreaded double-dip with a backslide into a recession does not appear to be imminent (particularly in light of recent Gross Domestic Product (GDP) numbers), it is true that the recovery continues to struggle to build widespread momentum.

FEDERAL RESERVE BANK ACTIONS AND DEBT CEILING STRUGGLES

In a recent press conference (November 2, 2011 following the Federal Open Market Committee meeting), Federal Reserve Bank (Fed) Chairman Ben Bernanke again announced that the Fed had revised its outlook for the US economy downward and would maintain the policies announced at previous meetings. These policies (keeping target interest rates near zero, extending average maturity of Fed

“These policies will provide some stimulus, but are not likely to significantly ramp up the recovery.”

holdings through “Operation Twist,” and reinvesting principal payments it receives in agency mortgage backed securities) will provide some stimulus, but are not likely to significantly ramp up the recovery. As noted by Chairman Bernanke, the recession was deeper and the recovery weaker than previously thought (after comprehensive revisions of government economic data).

“Without meaningful fiscal policy reform, the forward progress of the economy will ultimately be affected.”

Persistent factors acknowledged to be holding back the recovery include the ongoing drag of the housing sector, still-tight credit conditions for many households and smaller businesses, volatility in financial markets, and fiscal consolidation at all levels of government. On balance, the Fed expects the moderate recovery to continue and strengthen and, thus, is refraining from sweeping action at this time.

An important goal of the Fed is to encourage business and consumer investment, and some modest success is likely. However, as long as uncertainty prevails, neither businesses nor consumers are expected to increase spending substantially.

One ongoing source of uncertainty is the level of US government debt. Without meaningful fiscal policy reform, the forward progress of the economy will ultimately be affected. In addition, artificial crises, such as the debt ceiling debate, sap needlessly from global financial

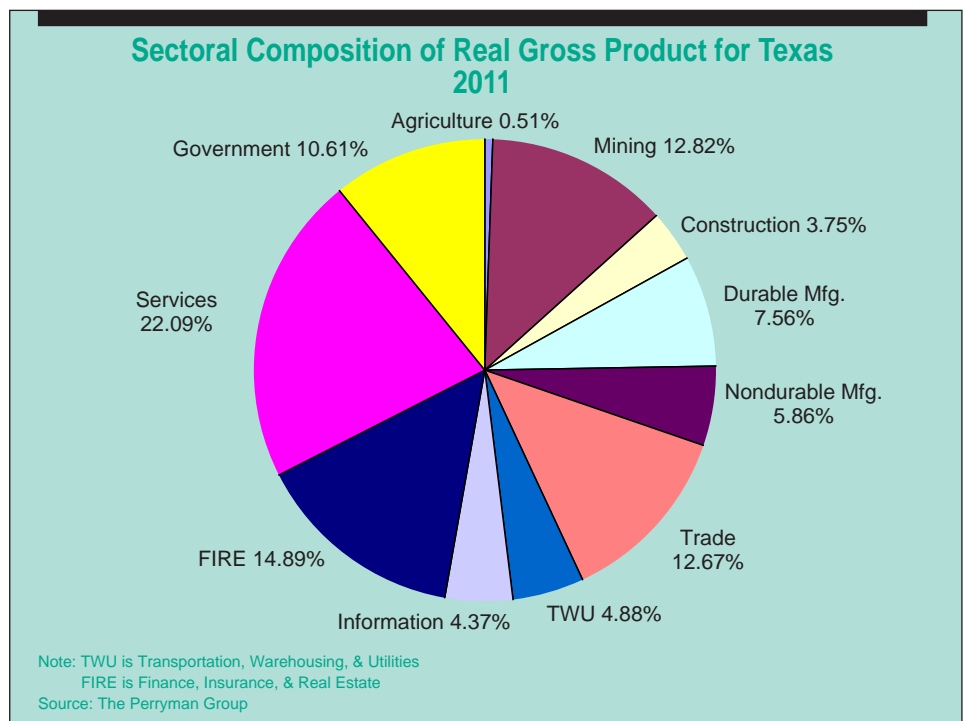
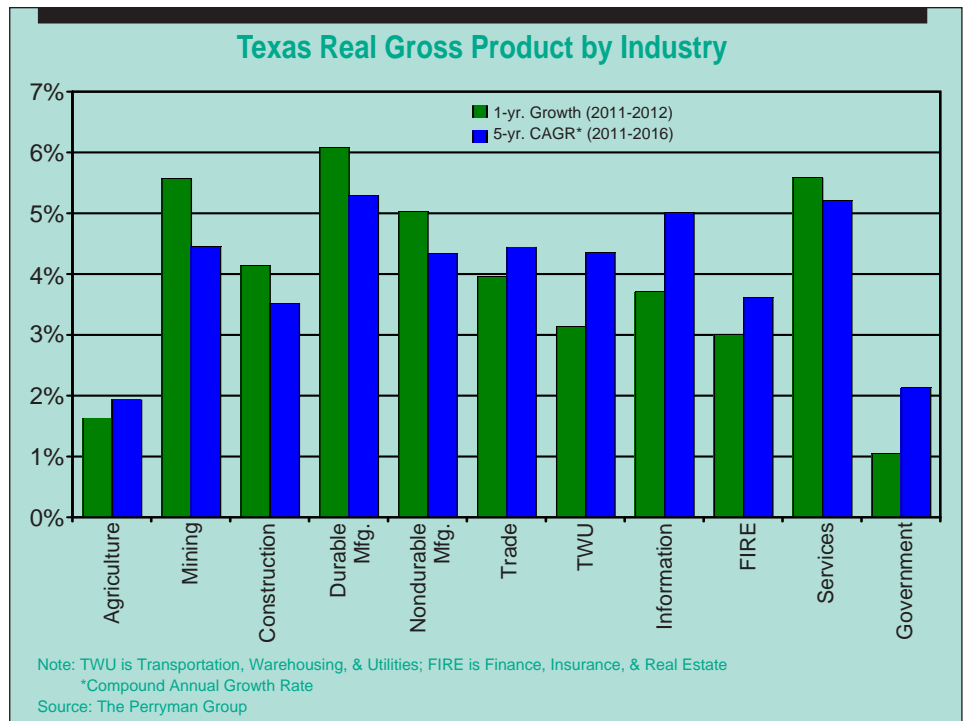
and business momentum, and are particularly problematic given the widespread nature of the poor economic performance.

“The International Monetary Fund (IMF) recently characterized global economic performance as slowing, with rising risks.”

WIDESPREAD POOR PERFORMANCE

Another problem is the widespread nature of the poor economic performance. The International Monetary Fund (IMF) recently characterized global economic performance as slowing, with rising risks. Without a doubt, there is some validity to this view. The IMF’s outlook notes that activity has weakened, with US private-sector demand slow to increase and euro area problems with sovereign debt and banking persisting. The OECD (Organisation for Economic Co-operation and Development) also called for weaker economic growth in its recent assessment of global conditions.

“Currently, notable expansion is ongoing in a number of regions, and the IMF projects that world economic output will be up some 4.0% from 2010 to 2011.”



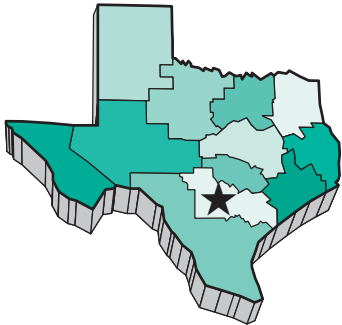
However, when big global economic players such as Europe, the United States, and Japan experience sluggish performance, it masks strength in other areas. Currently, notable expansion is ongoing in a number of regions, and the IMF projects that world economic output will be up some 4.0% from 2010 to 2011. While

advanced economies as a group are anticipated to experience modest output increases, emerging and developing economies are projected to expand by 6.4% this year and 6.1% next.

The linkages between US and global economic performance are strong. Export-related production

continued on page 6

An Economic Overview



The Alamo Region

Nineteen counties make up this month's featured Alamo Region. Sitting in the heart of the region is Bexar County. The region also includes the San Antonio-New Braunfels and Victoria metropolitan statistical areas (MSAs).

Representing 9.56% of the state's population, roughly 2.45 million residents call the Alamo Region home. The region has about 9.44% of the wage and salary jobs in the Lone Star State and generates some 7.20% of its real gross product (RGP or output).

Over the short term (2011-2016), the area is expected to see an increase in population of about 231,930 which represents a compound annual growth rate (CAGR) of 1.82%. During the same five-year period, employment is likely to grow by 121,320 jobs, representing a CAGR of 2.22%, and real retail sales is forecast to increase by \$6.84 billion with a 4.44% CAGR.

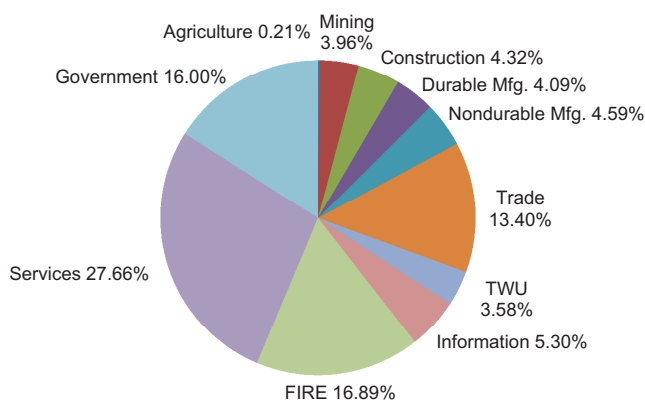
The San Antonio-New Braunfels MSA ranked fourth in a recent "Boom Town" study by Forbes Magazine. The report analyzed growth and prosperity among the country's largest metropolitan areas. The region's largest MSA also has the most promising forecast for hiring through the fourth quarter of this year according to a ManpowerGroup survey. Office Ally, a back-office support services provider, will contribute by bringing 250 jobs to San Antonio. The company is relocating its headquarters and opening a call center and training site. The cities of Seguin, Schertz, and New Braunfels have joined forces and created the 10/35 Economic Development Alliance. The partnership's purpose is to promote the region's strengths and maximize recruitment efforts of new industries. In Seguin, Continental Automotive Systems is expanding and adding 100 workers at its local plant which already employs 1,000. In Victoria, new projects and activity at the port are on the rise. The Eagle Ford Shale is contributing to this growth and many businesses are establishing new agreements with the Port of Victoria. Most recently, Cru Logistics began working on \$4 million terminal.

Region's Real Gross Product Forecast to See Ongoing Expansion

The Alamo Region is projected to achieve RGP of \$102.1 billion in 2016, representing an annual expansion rate of 4.12% over the short term. The Services; Finance, Insurance, & Real Estate (FIRE); and Government sectors are expected to account for over 60% of the region's total output in 2016.

Industrial sectors and anticipated percentages of total RGP for 2016 are highlighted in the following graph.

Projected Sectoral Composition of Real Gross Product for the Alamo Region—2016



Note: TWU is Transportation, Warehousing, & Utilities
FIRE is Finance, Insurance, & Real Estate
Source: The Perryman Group

Gains Expected in Area's Wage and Salary Employment

Wage and salary employment in the Alamo Region is forecast to reach 1.2 million by 2016. Up from 1.1 million workers in 2011, this reflects an annual growth rate of 2.22%. Although all sectors are expected to see job gains, Services and Trade are likely to add the most workers.

Projected employment growth and per-annum expansion rates, along with the percentages of total employment in 2016 for the various sectors are noted in the table that follows.

Growth in Employment in the Alamo Region by Industrial Sector: 2011-2016

	Compound Annual Growth Rate	Jobs Gained 2011-2016	Percentage of 2016 Employment
Agriculture	0.30%	90	0.49%
Mining	1.71%	700	0.74%
Construction	2.36%	7,240	5.64%
Durable Mfg.	1.67%	2,520	2.72%
Nondurable Mfg.	0.57%	720	2.21%
Trade	2.27%	17,770	14.35%
TWU	1.75%	2,110	2.17%
Information	1.79%	1,950	1.97%
FIRE	1.72%	6,480	6.81%
Services	3.16%	72,670	43.30%
Government	0.81%	9,060	19.60%

Compound Annual Growth Rate reflects changes in the size of the base used to calculate growth.

Economic Development News from Around the State

Denton: 360,000 square foot food distribution center is being built for Target Corp. 250 construction jobs have been created & the facility will employ 140 when it opens in 2013.

Belton: About 350 being hired for global information technology firm CGI Group Inc. The \$5 million, 40,000 square foot onshore delivery center locating to Belton Business Park.

Pearland: Health care firm Kelsey-Seybold to construct new administrative offices. Shadow Creek Ranch development will be home to the 170,000 sq. ft., four-story building.

Lewisville: Caliber Collision Centers moving headquarters from Irvine, CA to the city. Leasing 16,000+ square feet for corporate offices. Facility will accommodate over 60 workers. Kellogg Co. also setting up shop here. Will move into a 1 mln sq. ft. distribution center.

Temple: BAE Systems Inc. will retrofit its Bradley Fighting Vehicles at a new site here. The 70,000 square foot location will initially employ about 70 with the potential to grow to 100.

Beaumont: Construction on \$13 mln senior housing development to begin in January. The three-story, 150-unit project called The Crossing is expected to be ready by April 2012.

Dallas: Foundation laid for UT Southwestern Medical Center's new \$800 mln hospital. With an opening scheduled for 2015, University Hospital will house 460 rooms across 12 floors.

Fort Worth: 200,000 square foot plant for CK Technologies to create about 50 jobs. Manufacturer of commercial vehicle components locating to Alliance Gateway development. Bell Helicopter announces \$230 million plan to revitalize its corporate headquarters. Will also consolidate North Texas facilities and move Training Academy to its campus here.

Harlingen: ITD Precision, provider of metal stamping services, expanding its facility. Will invest \$1.6 mln and add 28,500 square feet to local site. Total employment to grow to 90+. Grand opening held for 145,000 sq. ft. Bass Pro Shops Outdoor World, the state's sixth.

Midland-Odessa: University of Texas of the Permian Basin unveils \$81 mln complex. 97,000 square foot Wagner Noël Performing Arts Center features an 1,800-seat main venue hall.

Want to include a business announcement for your community?

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continued from page 3

is a large source of employment, and products shipped overseas are a vital source of business activity. Many sectors derive a substantial proportion of their demand from international markets and are, therefore, strongly influenced by what's going on elsewhere around the world.

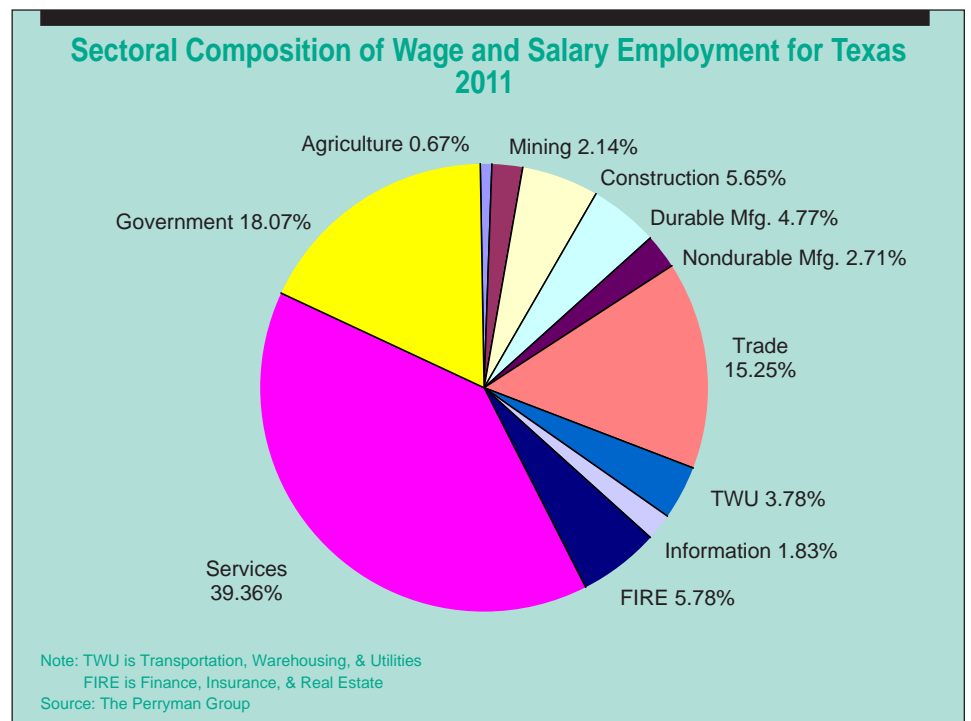
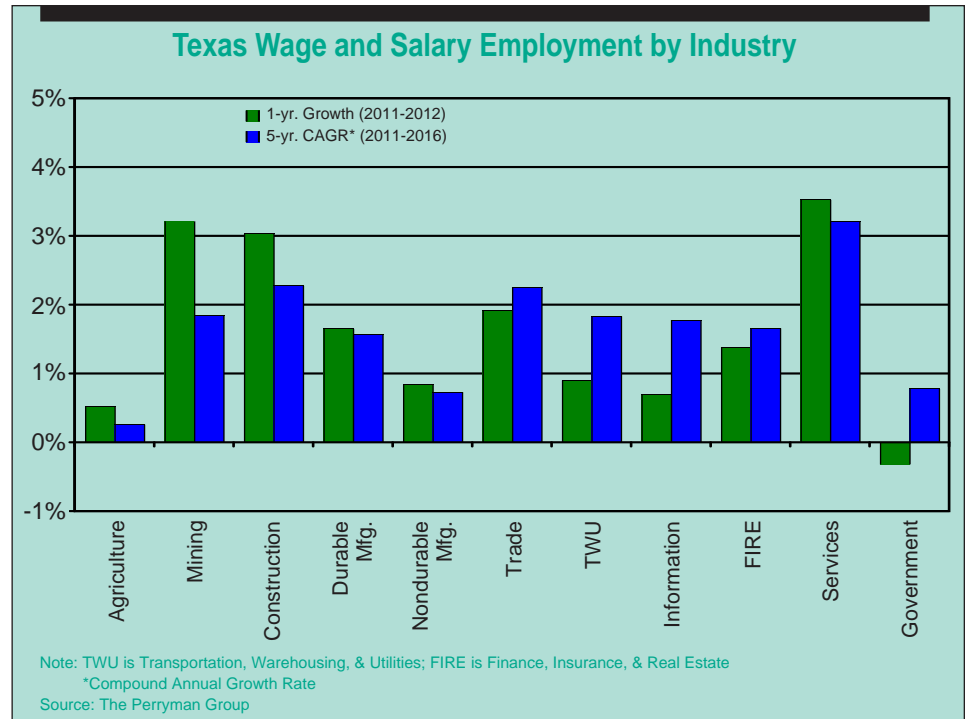
Industrialized nations face significant challenges in the areas of debt and fiscal policy that must be met to turn things around. Until that occurs, expansion in developing nations will be the key source of global growth.

“Slower growth in the very near term is forecast to give way to slightly better performance through 2016.”

FORECAST FOR THE US

On balance, The Perryman Group's outlook calls for some near-term improvement in the US economy, though at a painfully slow pace from the low recessionary levels in most geographic areas and industries. Over the next five years (through 2016), real GDP is projected to expand from \$13.3 trillion to almost \$15.8 trillion, a compound annual growth rate of 3.43%. Job growth is likely to occur at a 1.40% pace, increasing the total from 131.8 million to 141.3 million over the period.

Slower growth in the very near term is forecast to give way to slightly better performance through 2016. This moderate expansionary pattern is dependent on dealing



with significant threats to the economy (such as debt) and reducing uncertainty for both businesses and consumers.

TEXAS OVERVIEW

The Perryman Group's latest forecast calls for Texas to continue to outperform the nation. While unemployment and weak housing

markets remain an issue in some parts of the state, most regions have shown clear signs of improvement. Although hampered by uncertainty, other drags on the national economy, and public sector retrenchment, some expansion is expected to occur through the short-term forecast horizon. ■

FOCUS ON: Wage and Salary Employment (W&S Emp)

Major Metropolitan Statistical Areas	Wage and Salary Employment 2011	Projected W&S Emp 2016	Projected W&S Emp Gain 2011-2016	Compound Annual Growth Rate 2011-2016
Austin- Round Rock-San Marcos MSA	817,452	921,637	104,185	2.43%
Dallas-Plano-Irving MD*	2,154,701	2,419,759	265,058	2.32%
Fort Worth-Arlington MD*	908,029	1,016,926	108,897	2.29%
El Paso MSA	310,909	343,698	32,789	1.92%
Houston-Sugar Land-Baytown MSA	2,728,555	3,057,849	329,294	2.38%
San Antonio-New Braunfels MSA	927,351	1,036,617	109,265	2.19%
STATE OF TEXAS	11,064,694	12,351,535	1,286,841	2.22%
Other Metropolitan Statistical Areas	Wage and Salary Employment 2011	Projected W&S Emp 2016	Projected W&S Emp Gain 2011-2016	Compound Annual Growth Rate 2011-2016
Abilene MSA	74,786	82,938	8,151	2.06%
Amarillo MSA	118,084	130,584	12,500	2.00%
Beaumont-Port Arthur MSA	167,695	185,563	17,868	2.07%
Brownsville-Harlingen MSA	136,139	151,636	15,496	2.09%
College Station-Bryan MSA	100,065	110,159	10,094	1.86%
Corpus Christi MSA	195,606	218,068	22,462	2.22%
Killeen-Temple-Fort Hood MSA	187,575	205,109	17,534	1.59%
Laredo MSA	93,860	104,356	10,496	2.06%
Longview MSA	101,601	113,278	11,677	2.36%
Lubbock MSA	134,558	149,123	14,565	2.00%
McAllen-Edinburg-Mission MSA	240,610	270,203	29,593	2.27%
Midland MSA	72,411	80,937	8,526	2.71%
Odessa MSA	64,288	71,686	7,398	2.48%
San Angelo MSA	51,399	56,694	5,295	1.93%
Sherman-Denison MSA	45,828	50,744	4,916	2.05%
Texarkana MSA	46,143	50,946	4,803	1.90%
Tyler MSA	98,718	110,493	11,775	2.29%
Victoria MSA	52,256	57,673	5,417	2.09%
Waco MSA	110,548	123,330	12,782	2.19%
Wichita Falls MSA	69,508	76,036	6,528	1.76%

*Metropolitan Division (Part of the Dallas-Fort Worth-Arlington MSA)

Source: The Perryman Group



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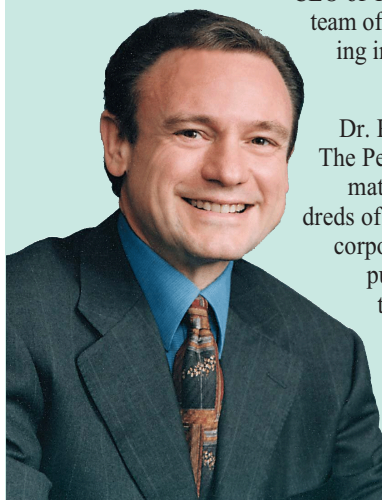
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M. RAY PERRYMAN, PhD
President and Chief Executive Officer,
The Perryman Group
Institute Distinguished Professor of
Economic Theory and Method at the
International Institute for Advanced Studies

Dr. Perryman is a consummate economist, bringing a unique combination of credibility, creativity, energy, enthusiasm, excellence, and effective communication to every project. His experience and expertise run the gamut of academia, public policy, economic forecasting, popular writing, speaking engagements around the globe, and an active and diverse consulting practice. As President and CEO of The Perryman Group, he leads a team of skilled professionals specializing in all aspects of the strategic use of economic analysis.



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Author: M. Ray Perryman

Contributors: Virginia Gleghorn and Nancy Risinger

Graphics & Layout Director: Shelia W. Smith

Research/Editing Assistants: Karen Amos, Elodia Cavazos, and D'Lee Garza,

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