

DELAWARE ECONOMIC INDEX

"Information is the currency of democracy"
— Thomas Jefferson

CURRENT STATE ECONOMIC CLIMATE

As of July 8, 2010

Key Rationale for Rating

- State unemployment level remains high.
- State revenues are improving, but key economic fundamentals have not stabilized.
- Federal stimulus funds allocated to Delaware are declining (approximately \$110.2 million less in State Fiscal Year 2011).
- State housing market is slowing due to expiration of federal homebuyer credit (among other factors).
- The state economy is not showing signs of inflationary pressure.
- State Gross Domestic Product is estimated to remain relatively flat during 2010.
- State Fiscal Year 2011 budget is balanced.
- Consumer Confidence has declined.

Developed by
FLOWERS
FOR
STATE TREASURER
RESTORING PROSPERITY

LEGEND FOR CURRENT STATE ECONOMIC CLIMATE

	STRONG
	MODERATE
	WEAK
	CONTRACTING
	SEVERE

CONSUMER SECTOR

Unemployment



May 2010

Delaware Unemployment Rate 8.8%

In May, 37,433 people were reported as unemployed in Delaware.

Source: Delaware Department of Labor, seasonally adjusted

Housing



May 2010

	Kent	Change (prior yr.)	NCC	Change (prior yr.)	Sussex	Change (prior yr.)
Median Price	\$209,759	DOWN	\$230,425	DOWN	\$322,185	UP
Units Sold	133	UP	562	UP	249	UP
Contracts	101	DOWN	313	DOWN	322	UP

Source: The News Journal

Mortgage Rates



	As of July 1, 2010	Week Prior
30-year fixed	4.58%	4.69%
15-year fixed	4.04%	4.13%
5-year ARM	3.79%	3.84%
1-year ARM	3.80%	3.77%

Source: Freddie Mac

U.S. Consumer Confidence Index



Rating Index

90 = Doing well
100 = Strong growth

Month	Index
May 2010	62.7
June 2010	52.9

Source: Wall Street Journal

U.S. Consumer Price Index

	May Index	% Change (April)
All Items	218.178	0.1
Core	221.193	0

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BUSINESS SECTOR

Delaware Gross Domestic Product

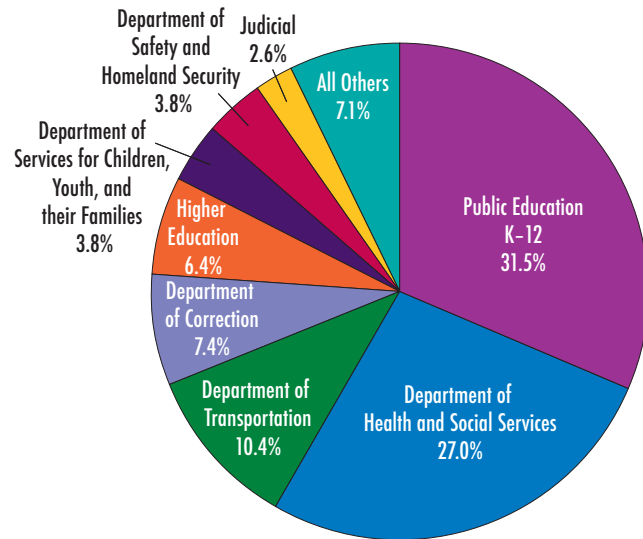
Year	Real GDP (billions)	% Change
2007	50.54	—
2008	49.244	-2.6%
2009	48.053	-2.4%
2010 (est.)	48.504	0.9%

Source: U.S. Government Spending website

Delaware State Budget

Fiscal Year 2011 budget is **\$3.305 billion**, which is 6.5% higher than last year's budget.

Budget allocations by category are shown in the chart at right.



Source: Delaware Office of Management and Budget

National Manufacturing

National economic activity in the manufacturing sector expanded in June for the 11th consecutive month. While the manufacturing sector continued to grow during June, the rate of growth slowed when compared to May. The sector seems to be solidly entrenched in the recovery.

Index	June Index	May Index	% Point Change	Direction
PMI (Purchasing Managers' Index)	56.2	59.7	-3.5	Growing
New Orders	58.5	65.7	-7.2	Growing
Production	61.4	66.6	-5.2	Growing
Supplier Deliveries	57.3	61.0	-3.7	Slowing
Inventories	45.8	45.6	+0.2	Contracting
Prices	57.0	77.5	-20.5	Increasing
Backlog of Orders	57.0	59.5	-2.5	Growing

Source: ISM Report on Business

National Non-Manufacturing

National economic activity in the non-manufacturing sector expanded in June for the sixth consecutive month. While the non-manufacturing sector continued to grow during June, the rate was slightly slower than May.

Index	June Index	May Index	% Point Change	Direction
NMI (Non-Manufacturing Index)	53.8	55.4	-1.6	Growing
Business Activity	58.1	61.1	-3.0	Growing
New Orders	54.4	57.1	-2.7	Growing
Supplier Deliveries	53.0	53.0	0.0	Slowing
Inventories	58.5	62.5	-4.0	Growing
Prices	53.8	60.6	-6.8	Increasing
Backlog of Orders	55.5	56.0	-0.5	Growing

Source: ISM Report on Business

FINANCIAL SECTOR

Stock Prices of Key Delaware Employers

Employer	June, 1 2010	June, 30 2010	% Change
AstraZeneca PLC	\$42.31	\$47.13	+11.39%
Bank of America Corp.	\$15.44	\$14.37	-6.93%
Citigroup Inc.	\$3.85	\$3.76	-2.34%
Dover Downs Gaming and Entertainment Inc.	\$3.09	\$2.89	-6.47%
DuPont	\$35.24	\$34.59	-1.84%
First Union Corp.	\$14.82	\$12.26	-17.27%
JP Morgan Chase & Co.	\$38.54	\$36.61	-5.0%
Kraft Foods Inc.	\$28.90	\$28.00	-3.11%
PNC Financial Services Company	\$61.16	\$56.50	-7.62%
Siemens AG	\$88.90	\$89.53	+0.71%
Verizon Communications Inc.	\$27.21	\$28.02	+3.0%
Walgreens	\$32.02	\$26.70	-16.6%
Wilmington Trust	\$14.65	\$11.09	-24.30%

Source: Google Finance

Key Interest Rates

Rate	Week of July 7	Month Prior	Year Ago
Wall Street Journal Prime Rate	3.25%	3.25%	3.25%
Federal Discount Rate	0.75%	0.75%	0.50%
Fed Funds Rate	0.25%	0.25%	0.25%
Bond Buyer's 20 Bond Index	4.38%	4.28%	4.81%
1 Month LIBOR Rate	0.35%	0.35%	0.30%
3 Month LIBOR Rate	0.53%	0.54%	0.60%
6 Month LIBOR Rate	0.75%	0.76%	1.11%
1 Year LIBOR Rate	1.16%	1.20%	1.53%
Call Money	2.00%	2.00%	2.00%

Source: Bankrate.com

U.S. Treasury Department Bond Rates

Date	4 Weeks		52 Weeks	
	Bank Discount	Investment Yield	Bank Discount	Investment Yield
6-Jul-10	0.17	0.17	0.31	0.32
7-Jul-10	0.17	0.17	0.30	0.30

Source: U.S. Treasury Department

Key Benchmark Exchange Rates (As of July 8, 2010)

Currency	Value	Change
EUR-USD	1.2650	0.0012
GBP-USD	1.5142	-0.0047
USD-JPY	88.0110	0.3068
AUD-USD	0.8729	0.0086
USD-CAD	1.0463	-0.0003
USD-CHF	1.0524	0.0008

Source: Bloomberg

OTHER ECONOMIC ACTIVITY

State & Local Expenditures (2009)

- Total state and local expenditure – \$9.58 billion (15.69% of Delaware's GDP)
- 31% expended in education
- 17% expended in health
- 10% expended in protection services (police, fire, etc.)

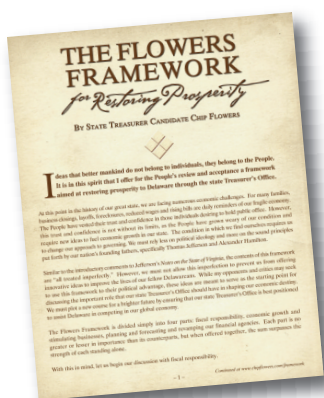
Source: U.S. Government Spending website

Recent Economic Activity

- Governor Jack Markell (D) signs Fiscal Year 2011 budget totaling \$3.305 billion.
- Sale of General Motors' Boxwood Road facility to Fisker Automotive approved by U.S. Bankruptcy Court.
- Russian ban on imported poultry lifted, enabling Delaware poultry producers to increase exports.
- Delaware's three racinos began offering table games, which should increase gaming revenue.
- Financial reform legislation, if signed by President Obama (D), will create a Consumer Financial Protection Bureau along with implementing other key financial reforms.
- Sallie Mae will move its headquarters from Virginia to Delaware in March 2011 (possibly adding as many as 1,500 jobs). The Sallie Mae package from the State of Delaware could reach up to \$19.9 million if all incentives are reached (approximately \$13,300 per job created).

FLOWERS FOR STATE TREASURER RESTORING PROSPERITY

www.chipflowers.com



The Delaware Economic Index is the Early Warning System outlined in the Flowers Framework for Restoring Prosperity. This is just one of many practical ideas put forth in the Framework. To read more proposed ideas from the Flowers Framework, please visit www.chipflowers.com

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