

Economic Effect of the Credit Crisis on GDP Statistics

GDP component	Driver	Recent trends
Consumption	Wealth effect	Decline in household assets--particularly in equities, pension holdings and mutual funds (-\$2.3 trillion) and real estate (-\$0.7 trillion) for a total of \$3.0 trillion between 2007:II and 2008:II.
	Credit constraints	Consumer credit outstanding dropped 3.7 percent in August 2008, the first decline since January 1998.
	Precautionary effects	Nonfarm employment declined by 760,000 jobs from December 2007 to September 2008. September unemployment rate at 6.1 percent. In October, consumer sentiment posted largest monthly decline. Filings by individuals or households for bankruptcies (503,700) in first half of 2008 up 29 percent from a year ago.
Investment	Housing market	New housing starts and sales down to 1990-91 recession levels. In 2008:III, residential fixed investment fell for eleventh consecutive quarter.
	Credit constraints	The price of risk is higher--the BAA interest rate jumped 2 percentage points from September to October.
	Demand effects	Global slowdowns lowering demand for capital goods. Capital spending decisions being influenced by economic uncertainty. Concerns over restrictions in access to credit limiting future capital spending for some manufacturers.
Net exports	Global markets	Dollar stronger since March. Major fluctuations in petroleum prices. Real GDP of trading partners negative or near zero in 2008:II.
State & local government	Property taxes	Real estate prices have declined over the last 8 quarters. Growth in property taxes have decelerated every quarter in 2008.
	Sales taxes	Sales taxes down all quarters of 2008.
	Credit constraints	Borrowing costs higher.
Federal government	Administrative costs	Increases from financial interventions.
		Corporate and income tax receipts down.

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