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Can Nebraska Avoid Recession in 2009?

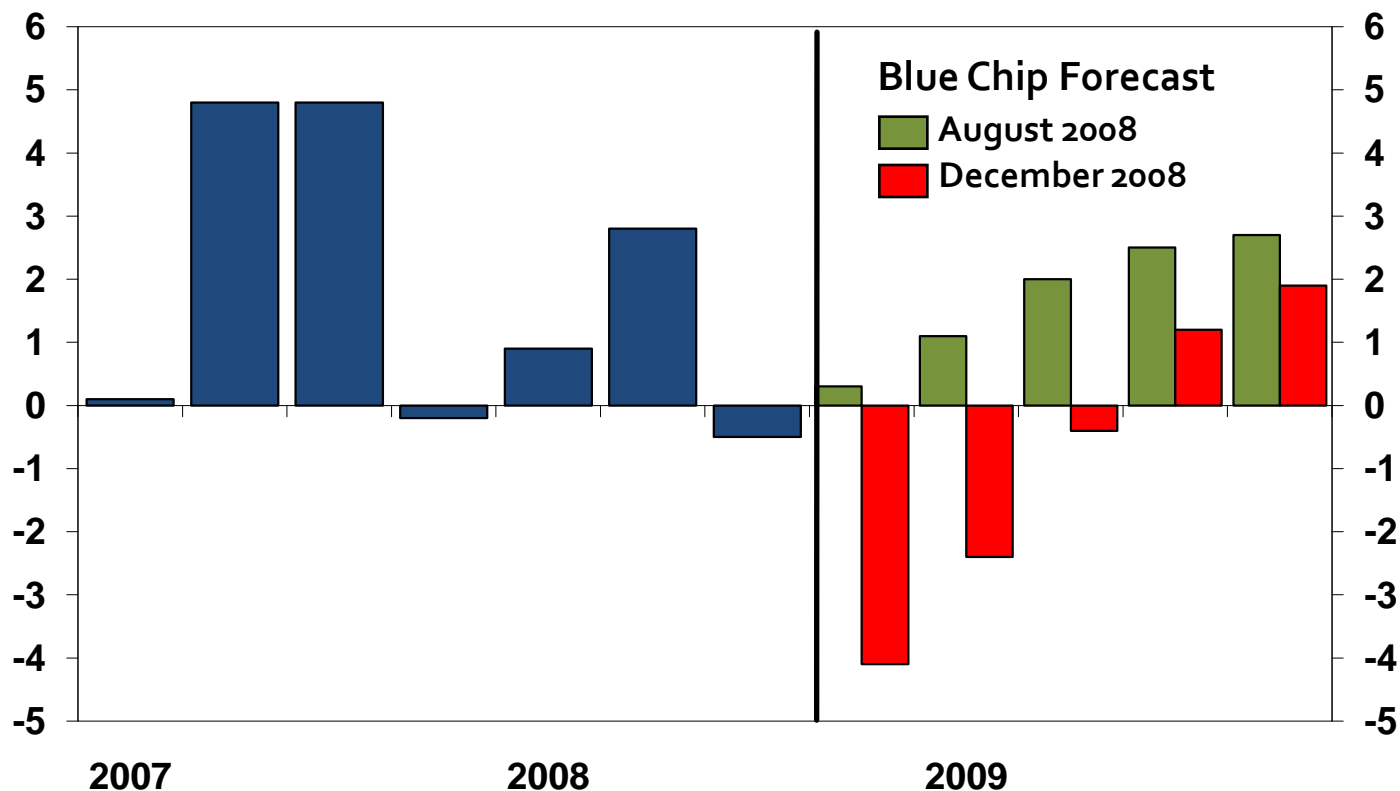


The views expressed are those of the author and do not necessarily reflect the opinions of the Federal Reserve Bank of Kansas City or the Federal Reserve System.

The U.S. economy is in recession.

Real GDP Growth

Annualized percent change from previous quarter

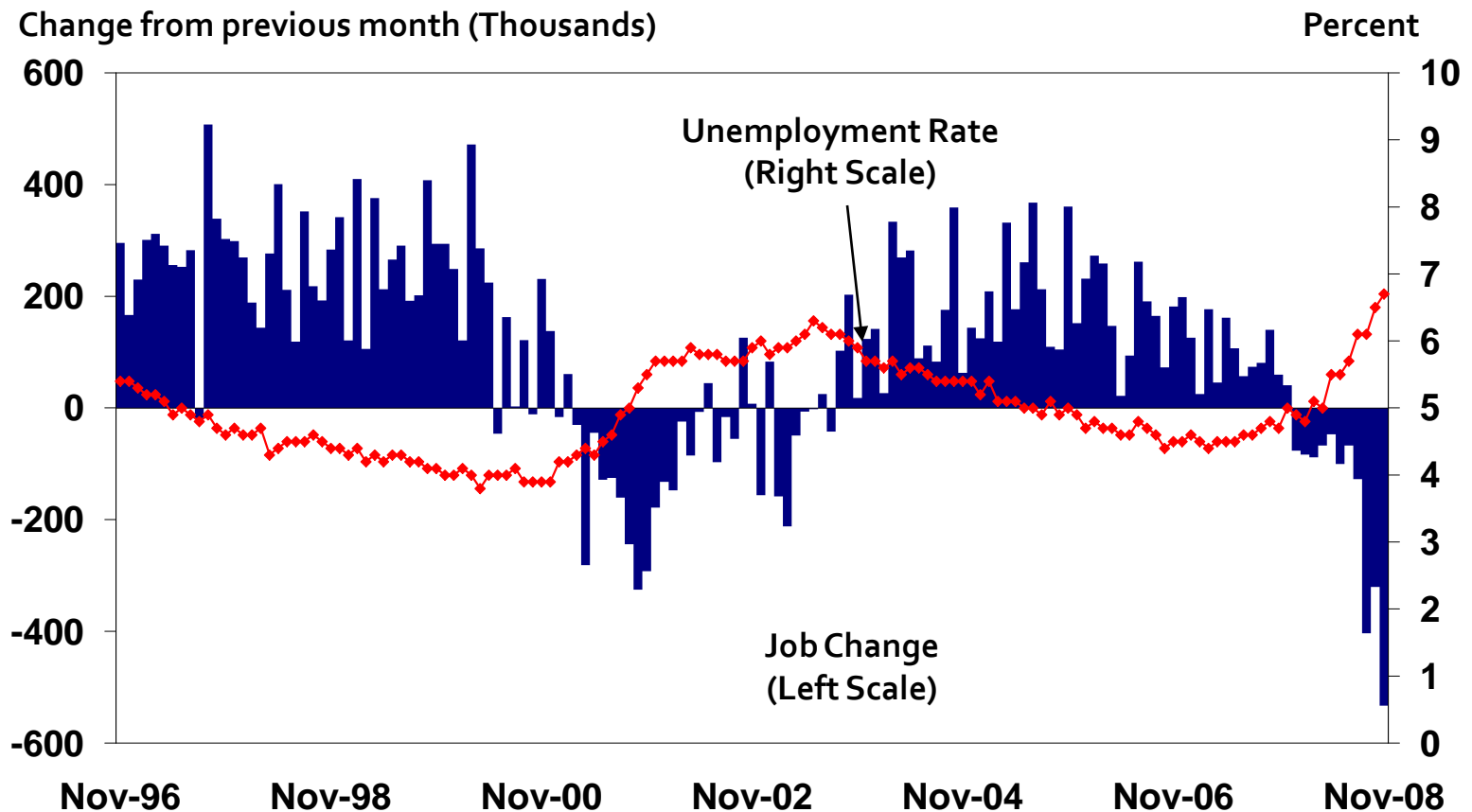


Source: Bureau of Economic Analysis and Blue Chip Economic Indicators



Job losses are mounting.

U.S. Non-farm Job Growth and Unemployment Rate



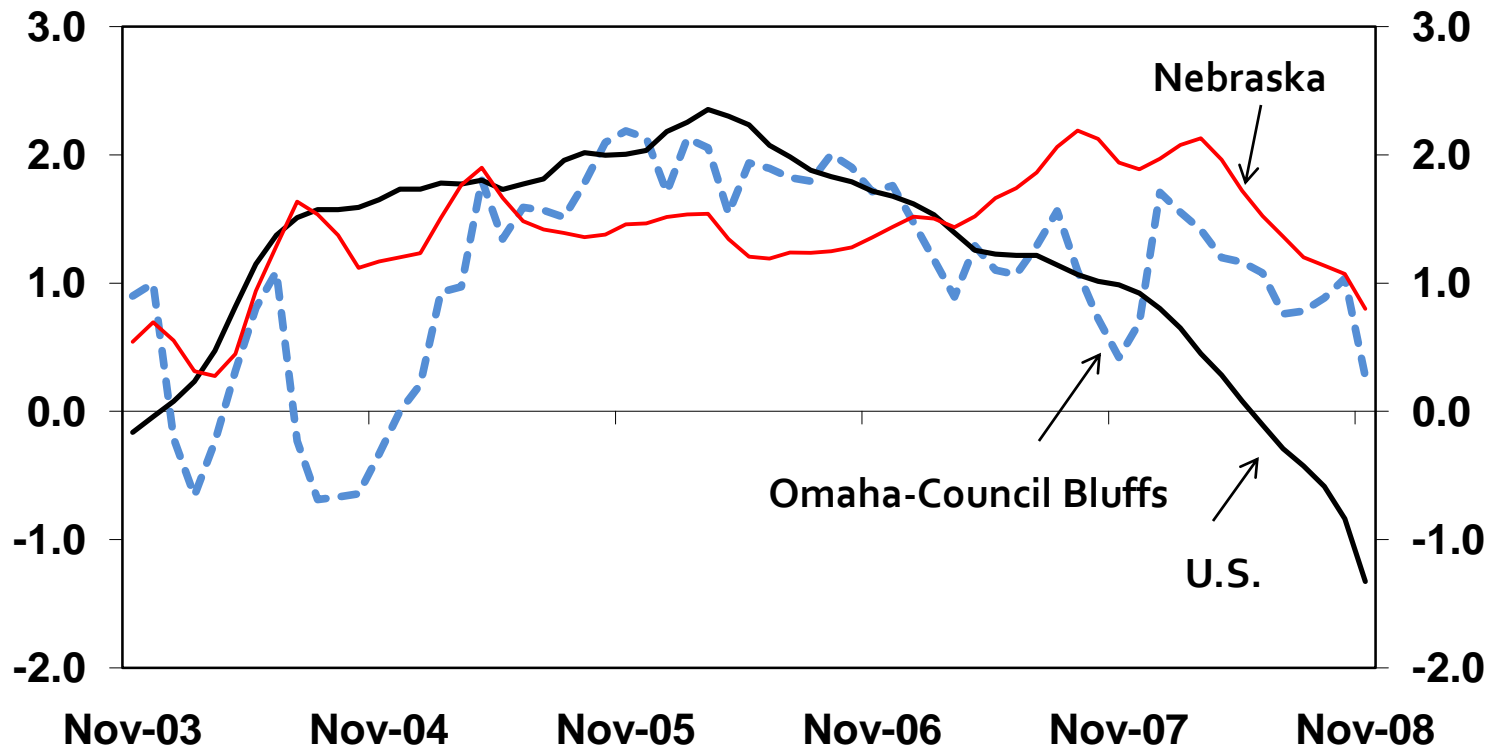
Source: Bureau of Labor Statistics



Nebraska is faring better than the rest of the nation.

Private Non-Farm Employment Growth

Percent change year-over-year (three-month moving average)

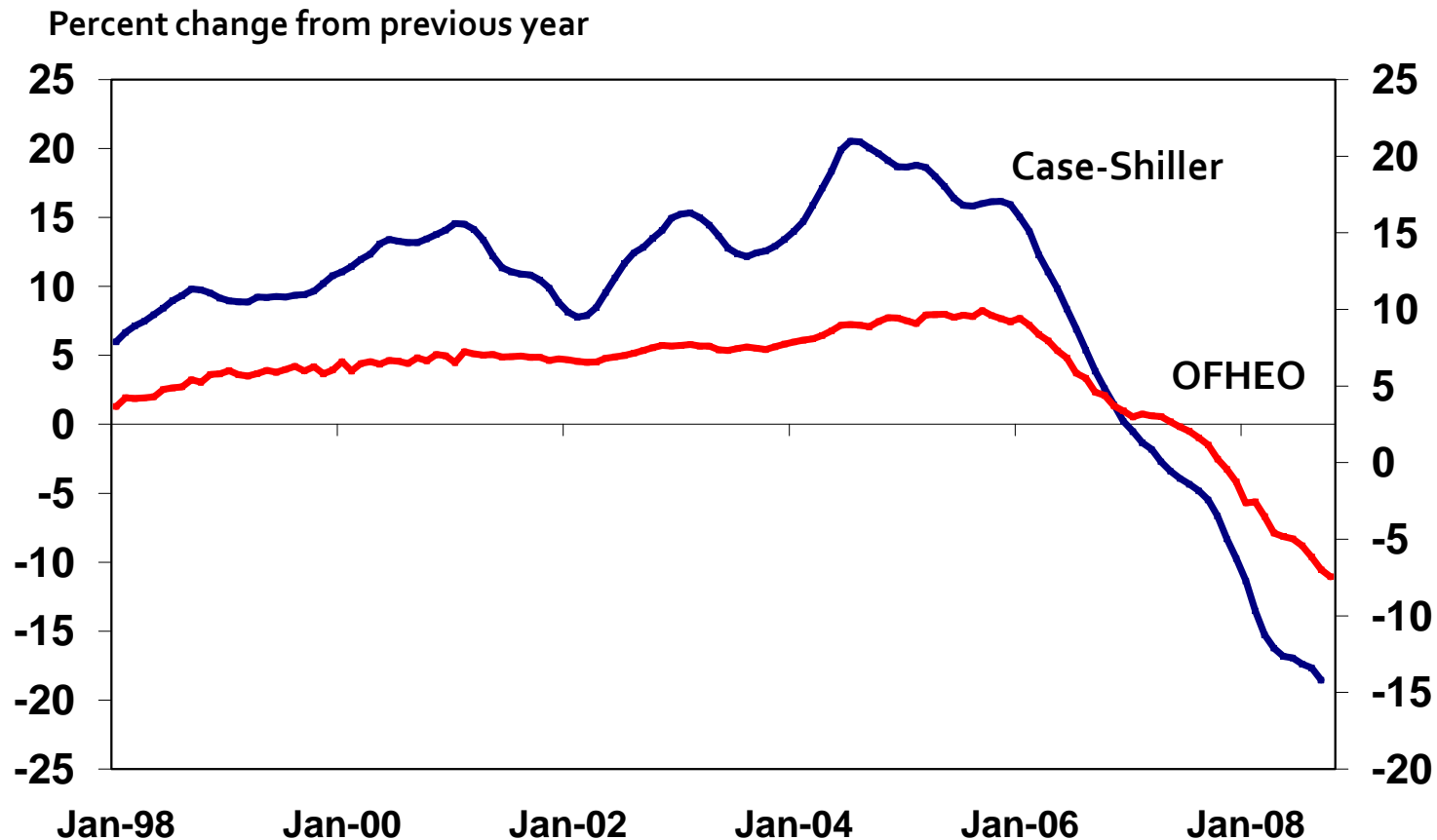


Source: Bureau of Labor Statistics



Nationally, home prices are falling.

U.S. Home Price Indexes

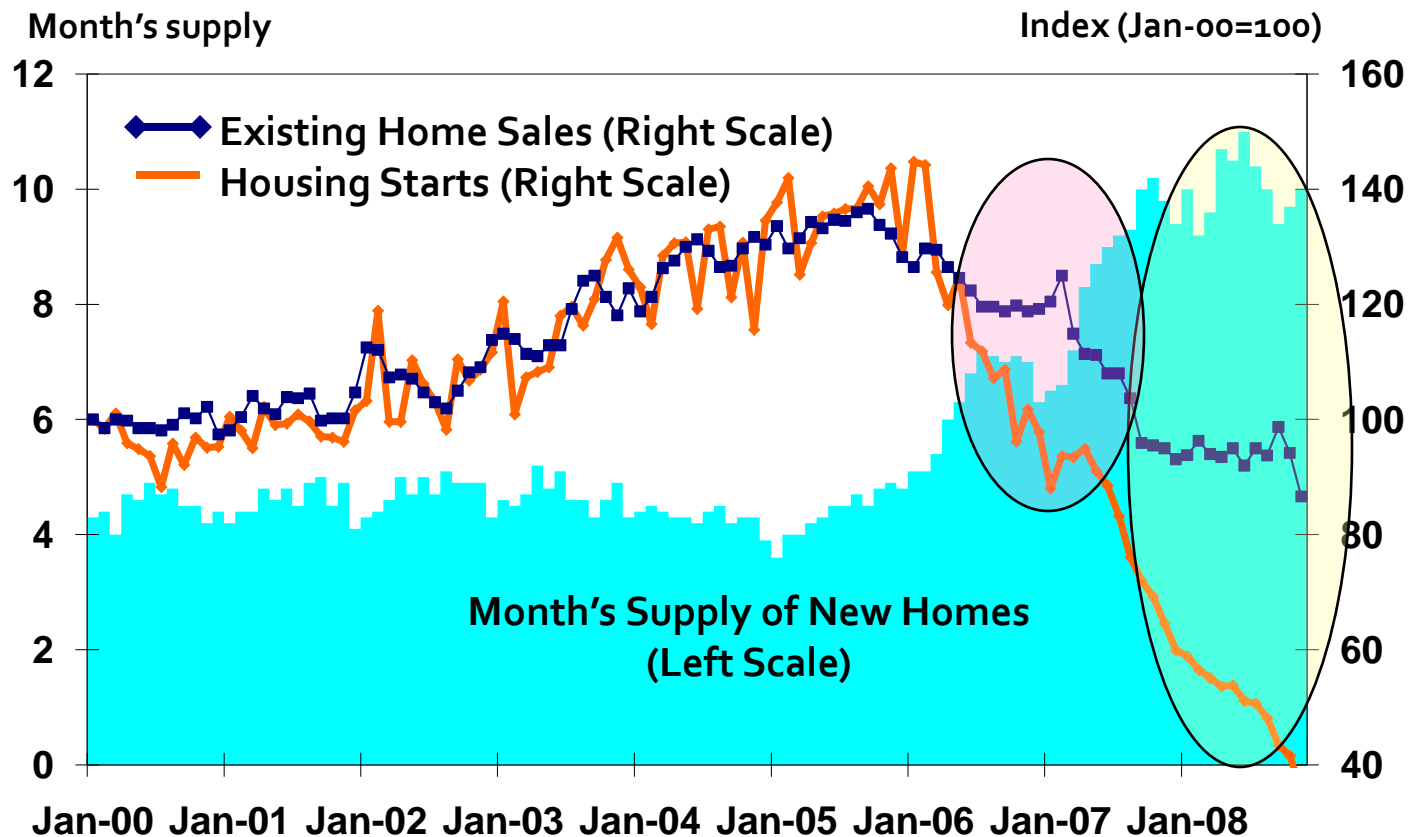


Source: OFHEO and Standard & Poor's



The housing boom goes bust.

Home Starts, Sales and Inventories

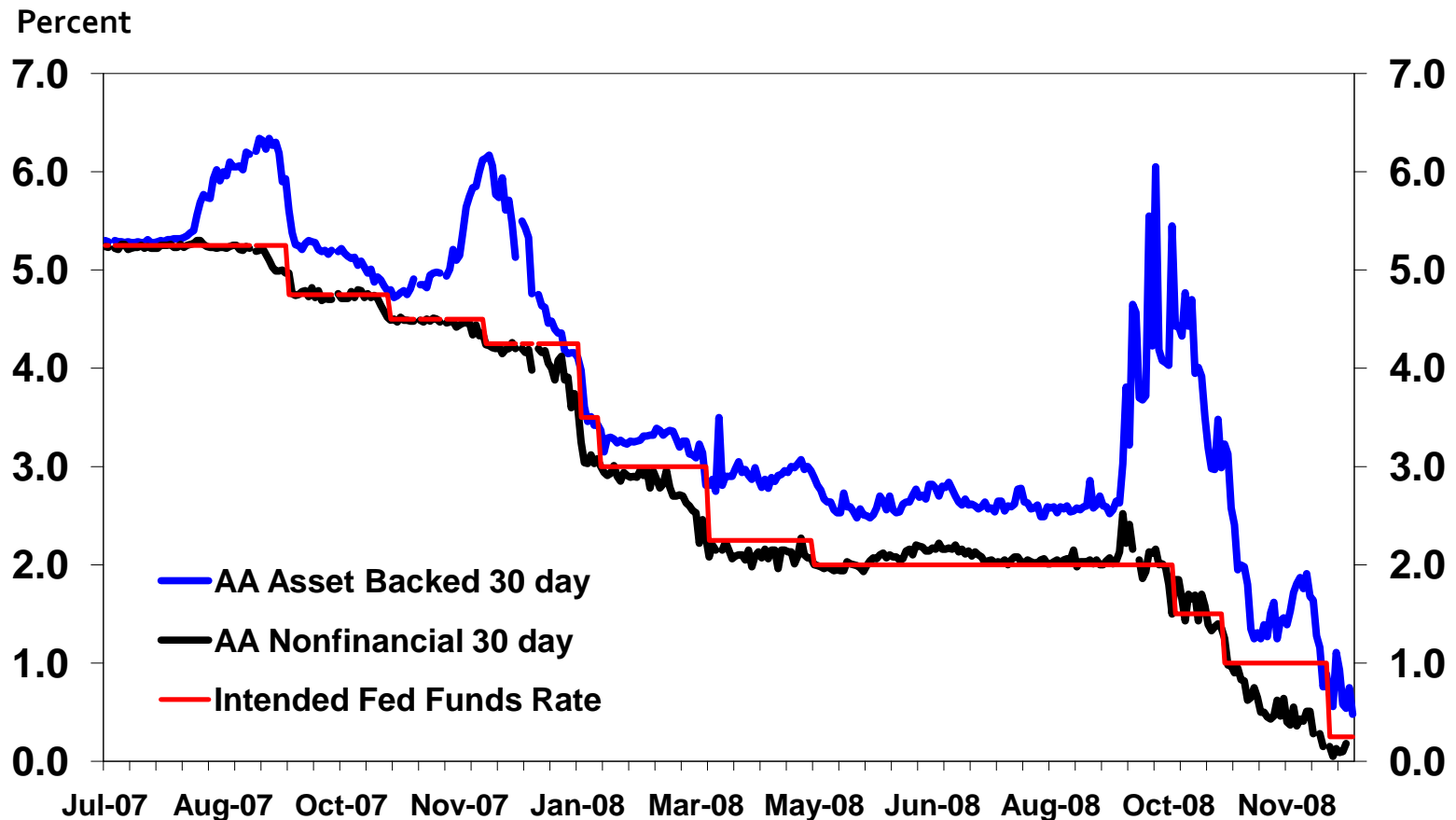


Source: Dept. of Commerce, National Association of Realtors



Financial markets remain fragile.

Commercial Paper Rates and Fed Funds Rate

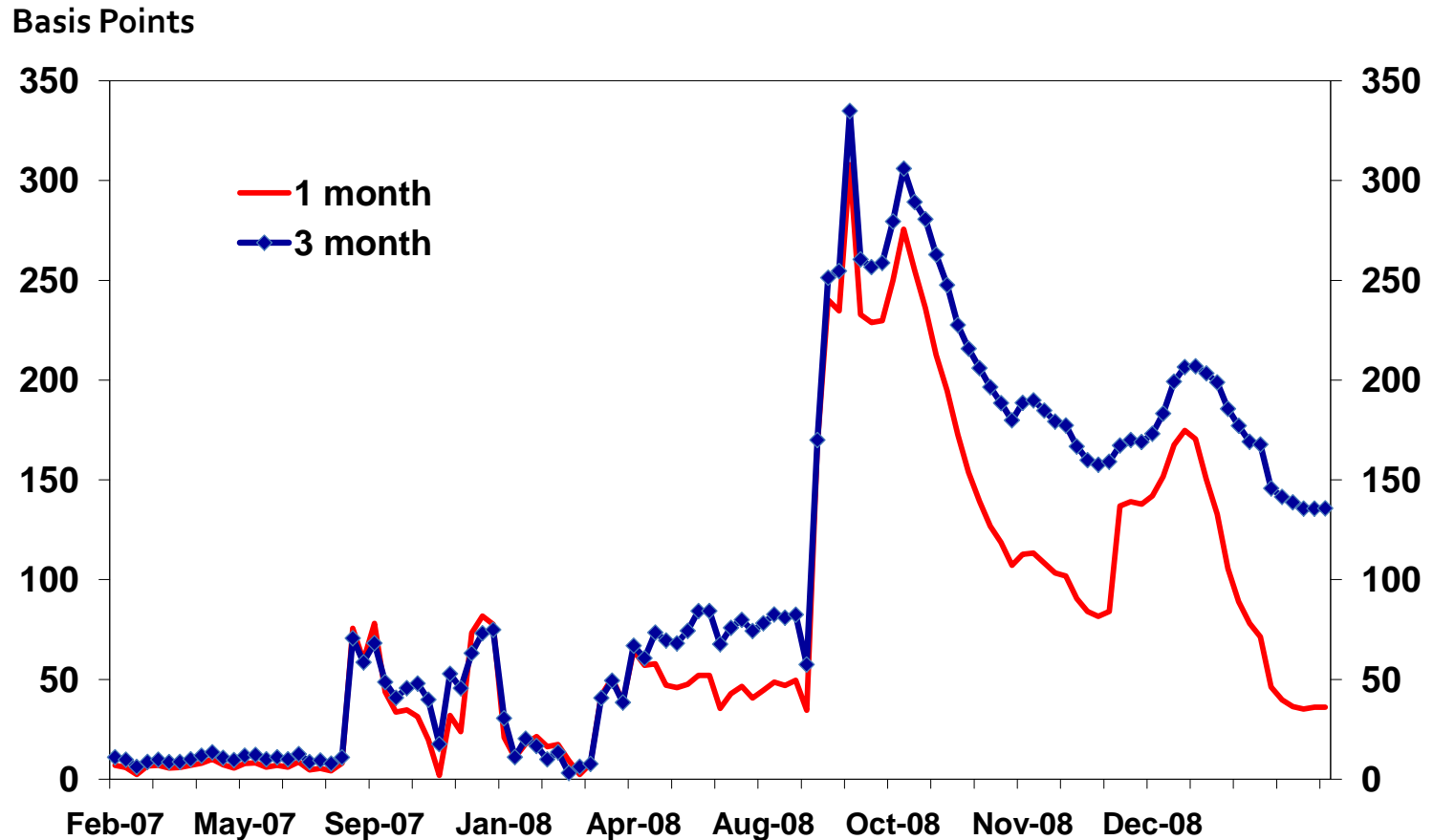


Source: Federal Reserve Board of Governors



Financial market stress remains elevated.

LIBOR-OIS Spread

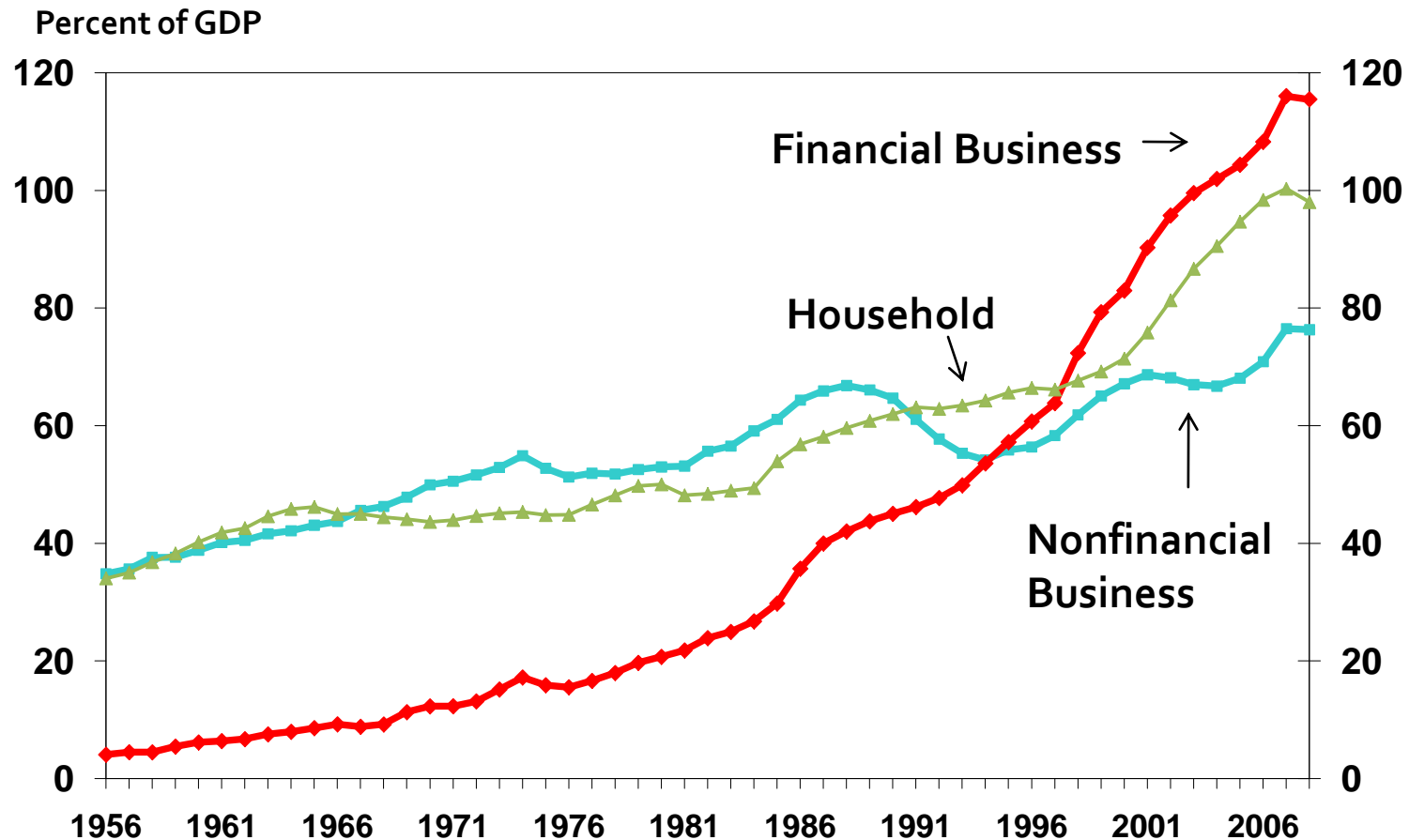


Source: Federal Reserve Board of Governors



Leverage is one of the root causes.

Domestic Debt Outstanding

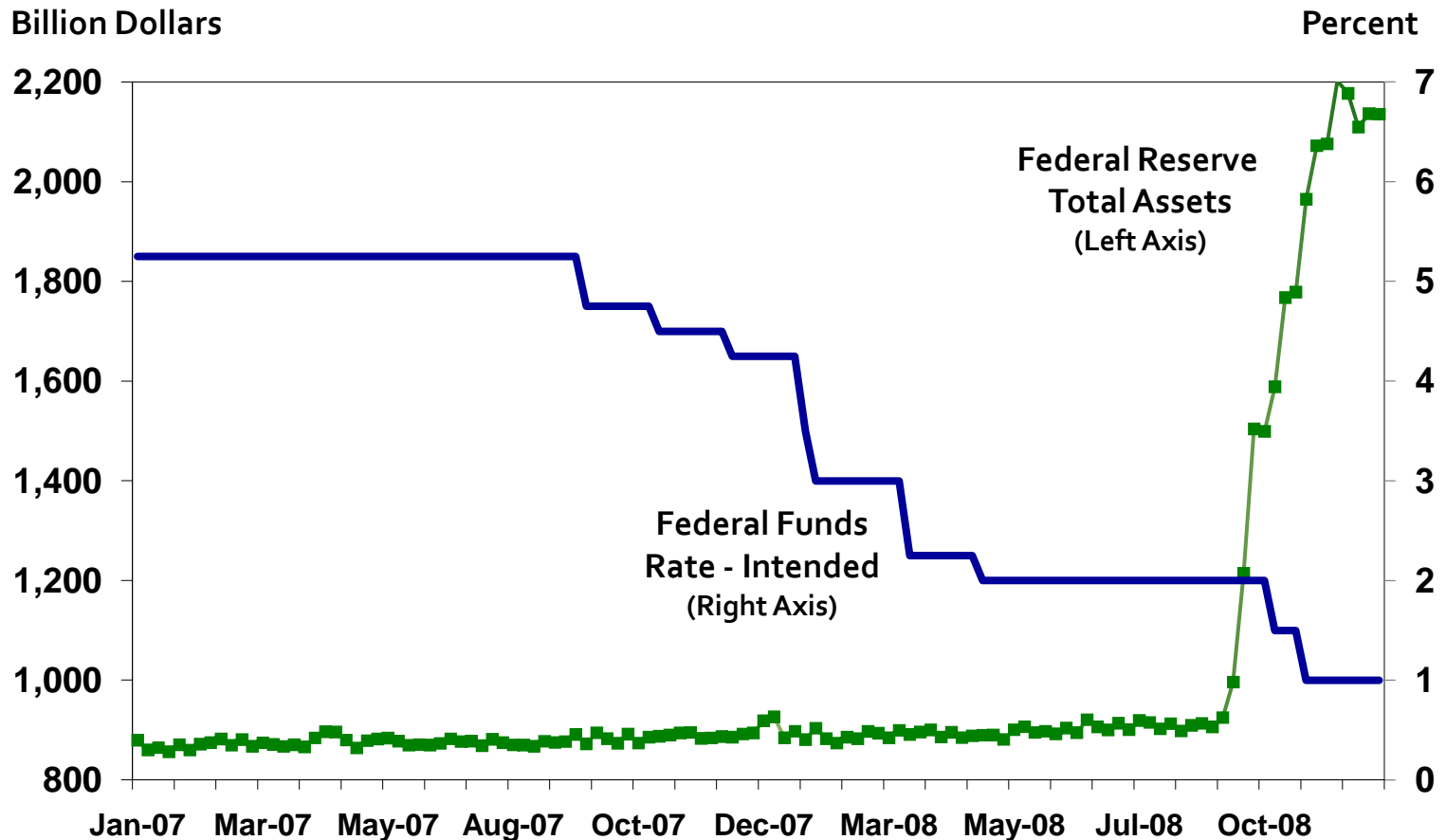


Source: Federal Reserve Board of Governors



The Fed has acted aggressively.

Fed Funds Rate and Federal Reserve Assets

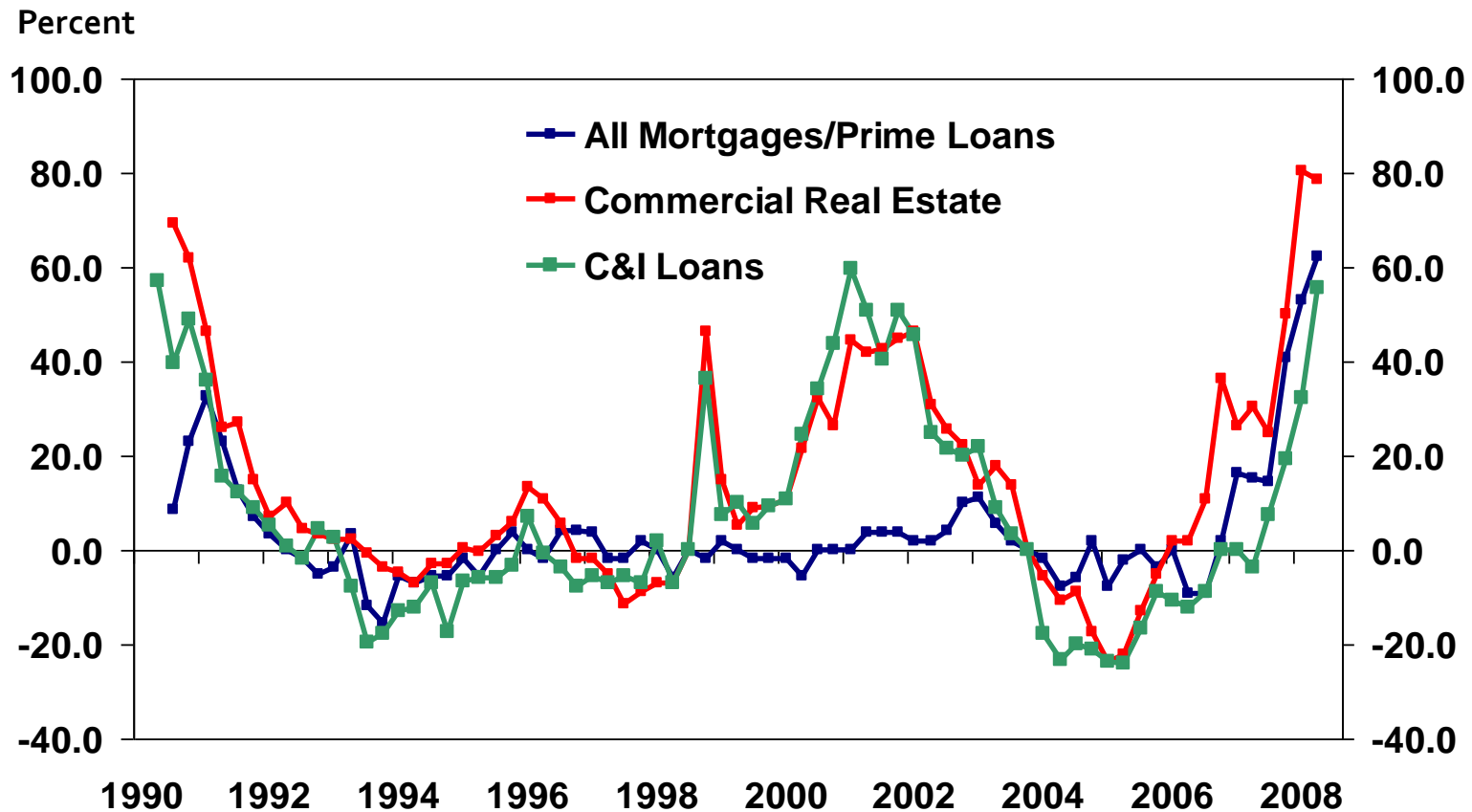


Source: Federal Reserve Board of Governors



Credit standards have tightened.

Net Percent of Domestic Banks Tightening Credit Standards

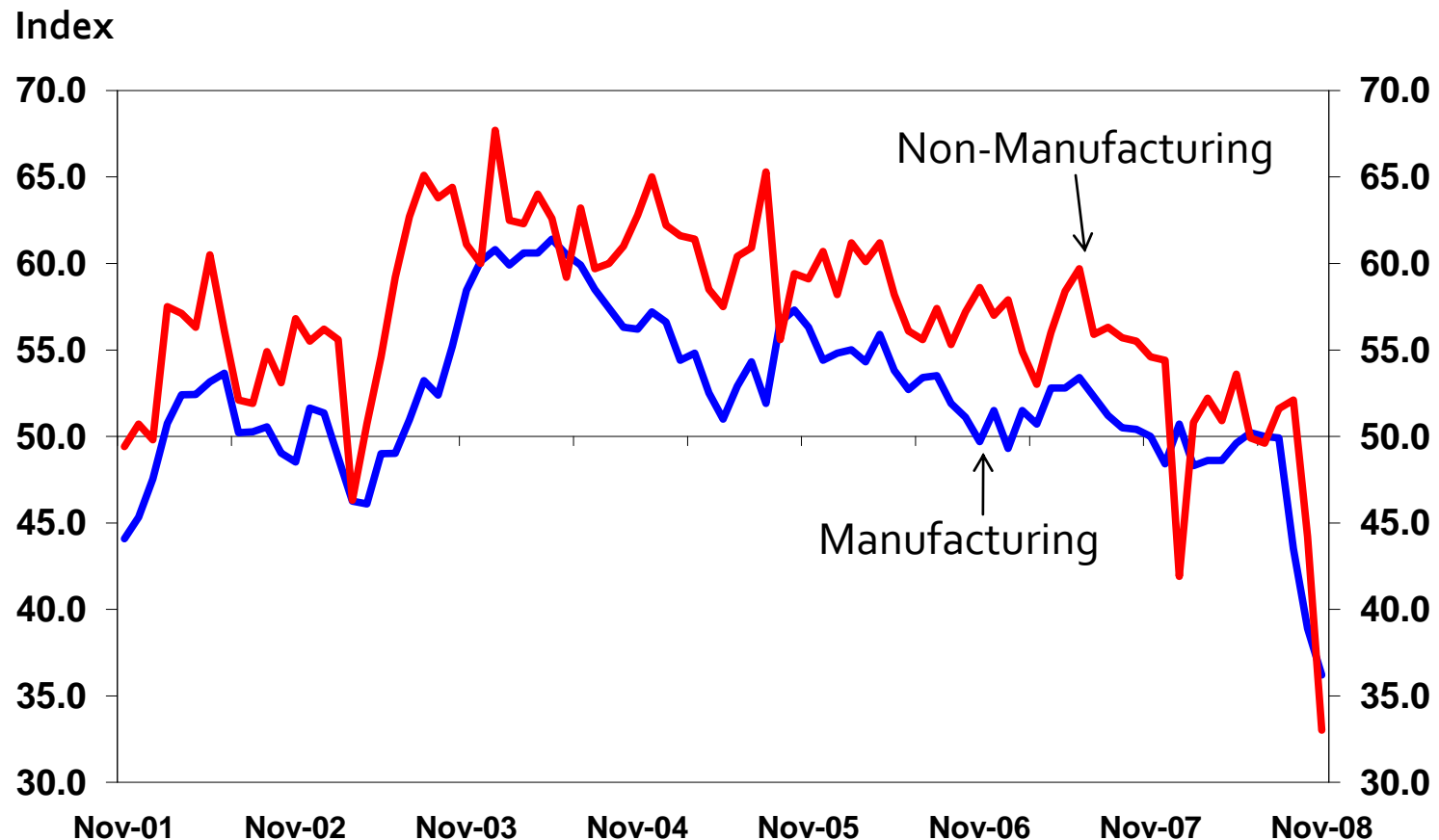


Source: Federal Reserve Board of Governors



Manufacturing activity has come to a halt.

U.S. and Tenth District Manufacturing Activity Indexes

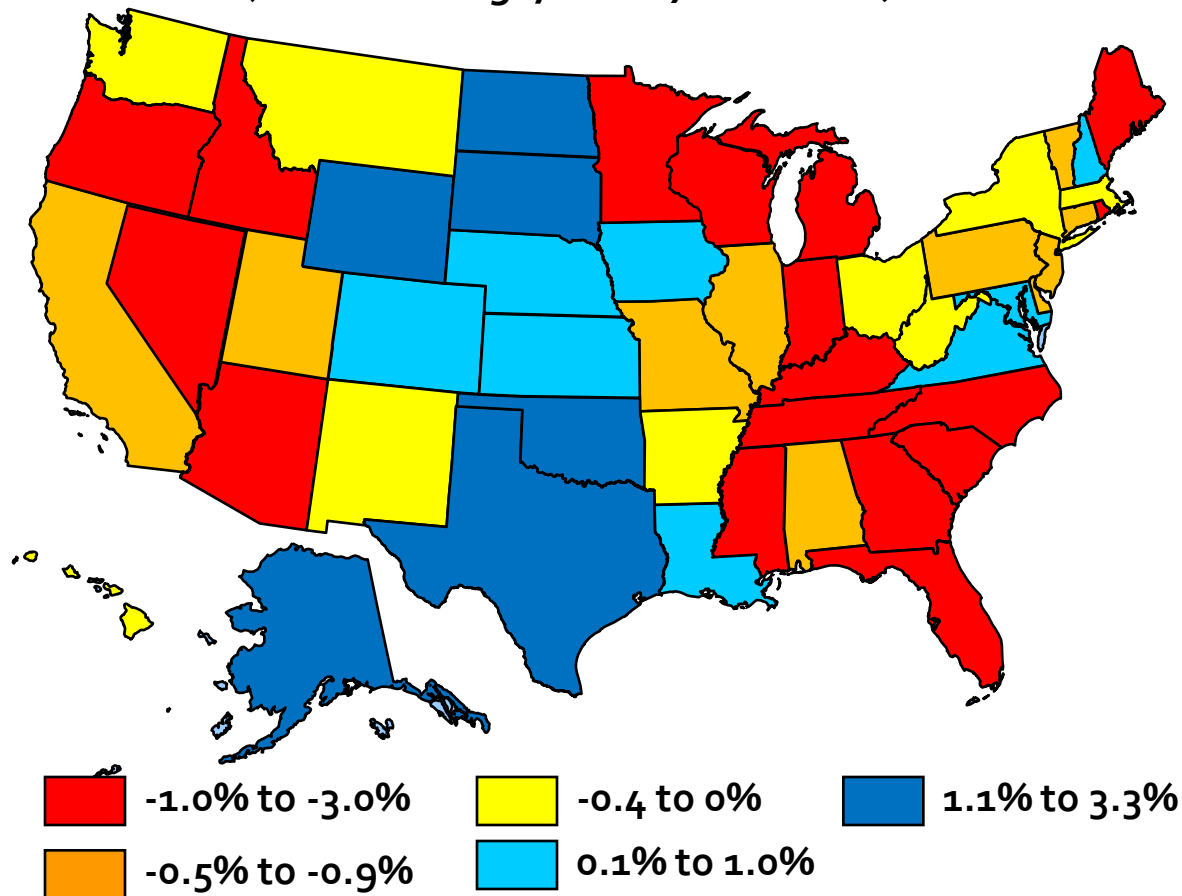


Source: Institute of Supply Management and Federal Reserve Bank of Kansas City



Economic growth varies nationally.

Total Non-farm Employment Growth (Percent change, Nov. 07 to Nov. 08)

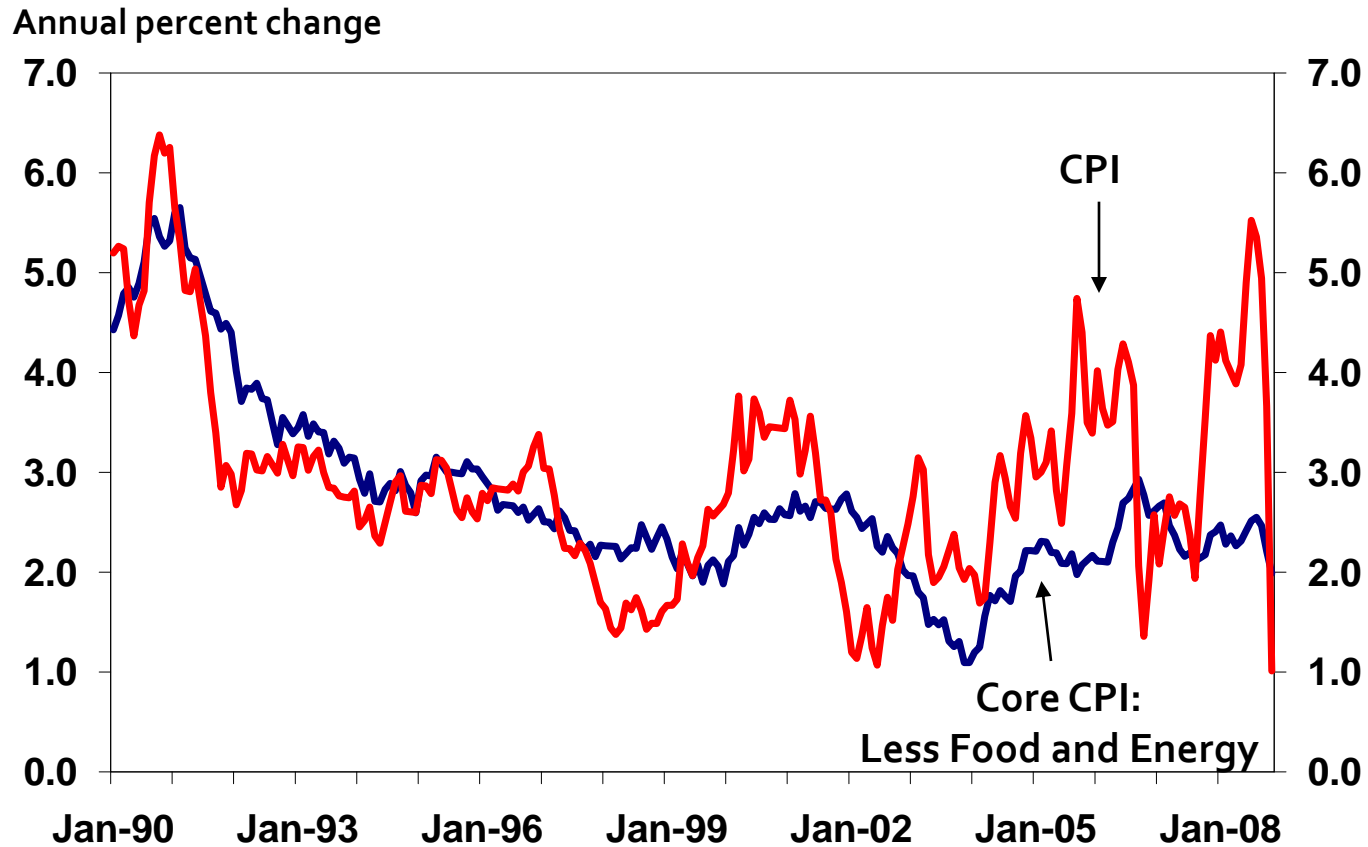


Source: Bureau of Labor Statistics



Inflationary pressures have eased.

Consumer Price Inflation



Source: Department of Commerce



Changes are concentrated in energy goods.

Category	Relative Importance (Percent)	Monthly Annualized Percent Change Jan. to Sep. 2008	Monthly Annualized Percent Change Sep. to Nov. 2008
Housing	42.4	0.3%	-0.4%
Shelter	32.5	0.2%	-0.06%
Heating Oil	4.7	1.6%	-19.9%
Gas and Electric	5.1	1.5%	-3.3%
Transportation	17.7	0.8%	-12.7%
Motor Vehicles	7.2	-0.3%	-0.5%
Motor Fuel	5.5	2.4%	-108.0%

Source: Bureau of Labor Statistics



Length of U.S. Recessions

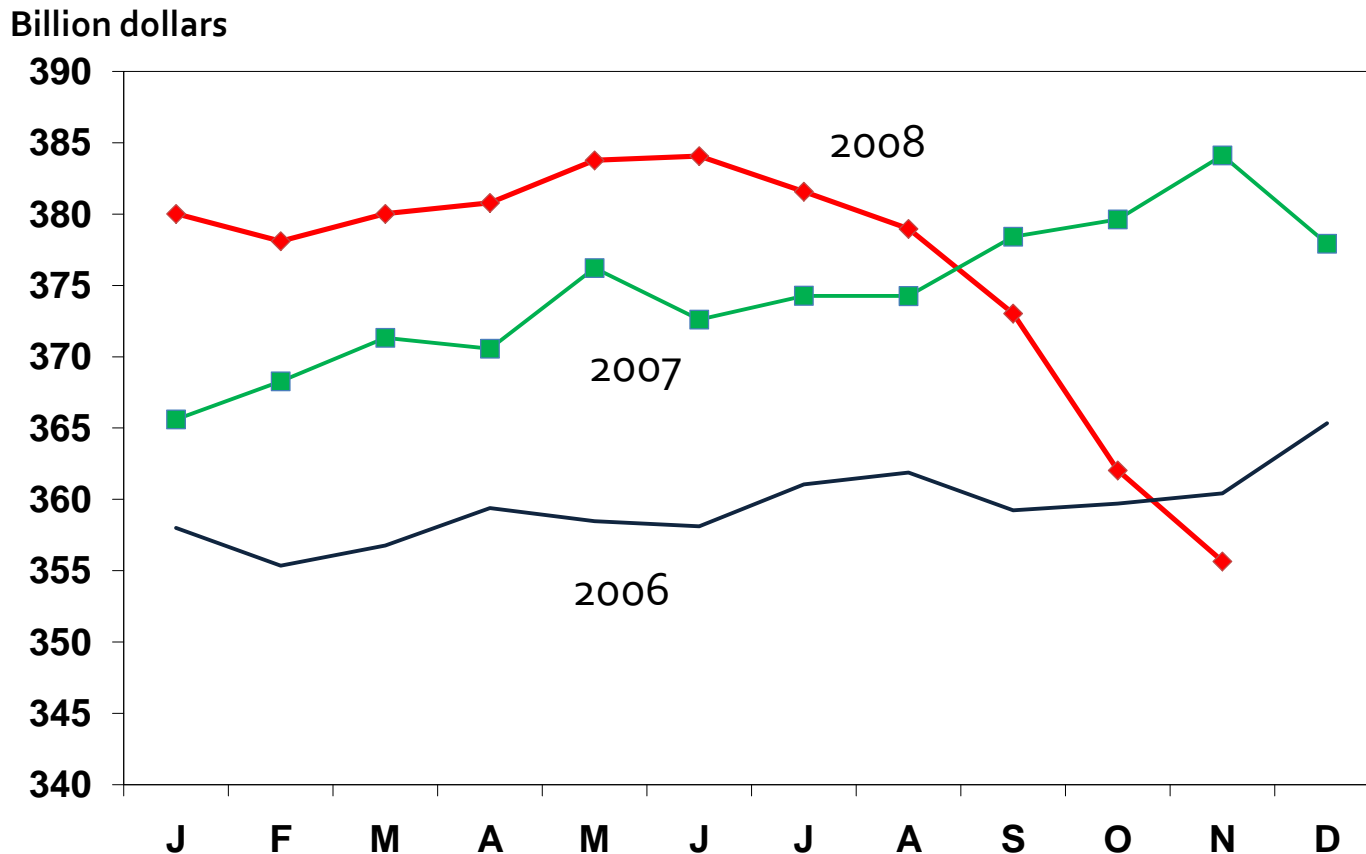
Start	End	Length (Months)
Nov. 1973	Mar. 1975	16
Jan. 1980	Jul. 1980	6
Jul. 1981	Nov. 1982	16
Jul. 1990	Mar. 1991	8
Mar. 2001	Nov. 2001	8
Average since World War II		10

Source: NBER



Aggregate demand will need to rebound.

U.S. Monthly Retail and Food Sales



Source: U.S. Census Bureau



Conclusions

- The recession has intensified.
- A housing bust has led to a financial crisis.
- Nebraska and Omaha are faring better than the nation as a whole.
- Inflationary pressures have eased.

Can fiscal and monetary stimulus rekindle demand and jump-start the world economy?

