

Jason Henderson
Vice President and Branch Executive
Federal Reserve Bank of Kansas City – Omaha Branch
www.kansascityfed.org/omaha
February 6, 2009

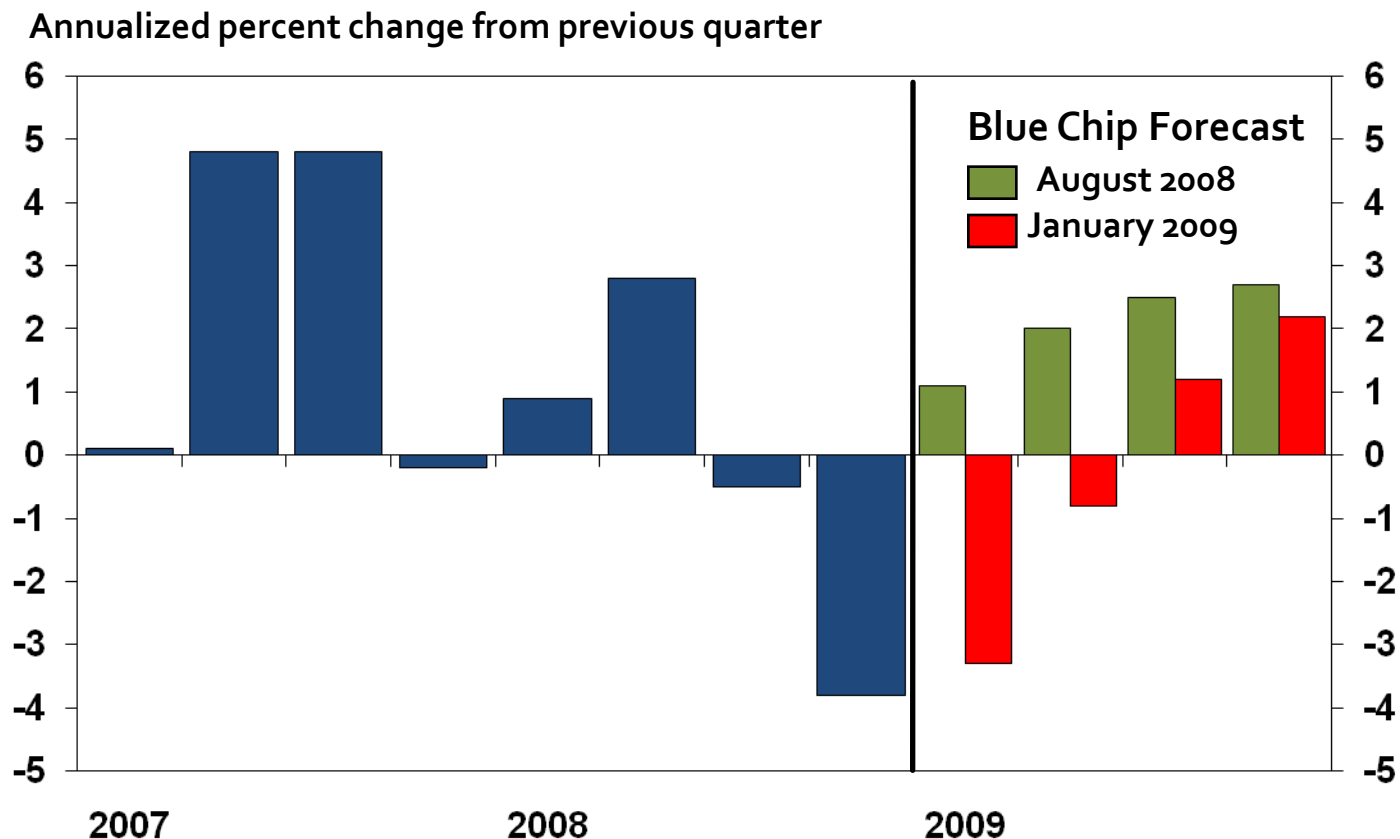
Economic Perspectives



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

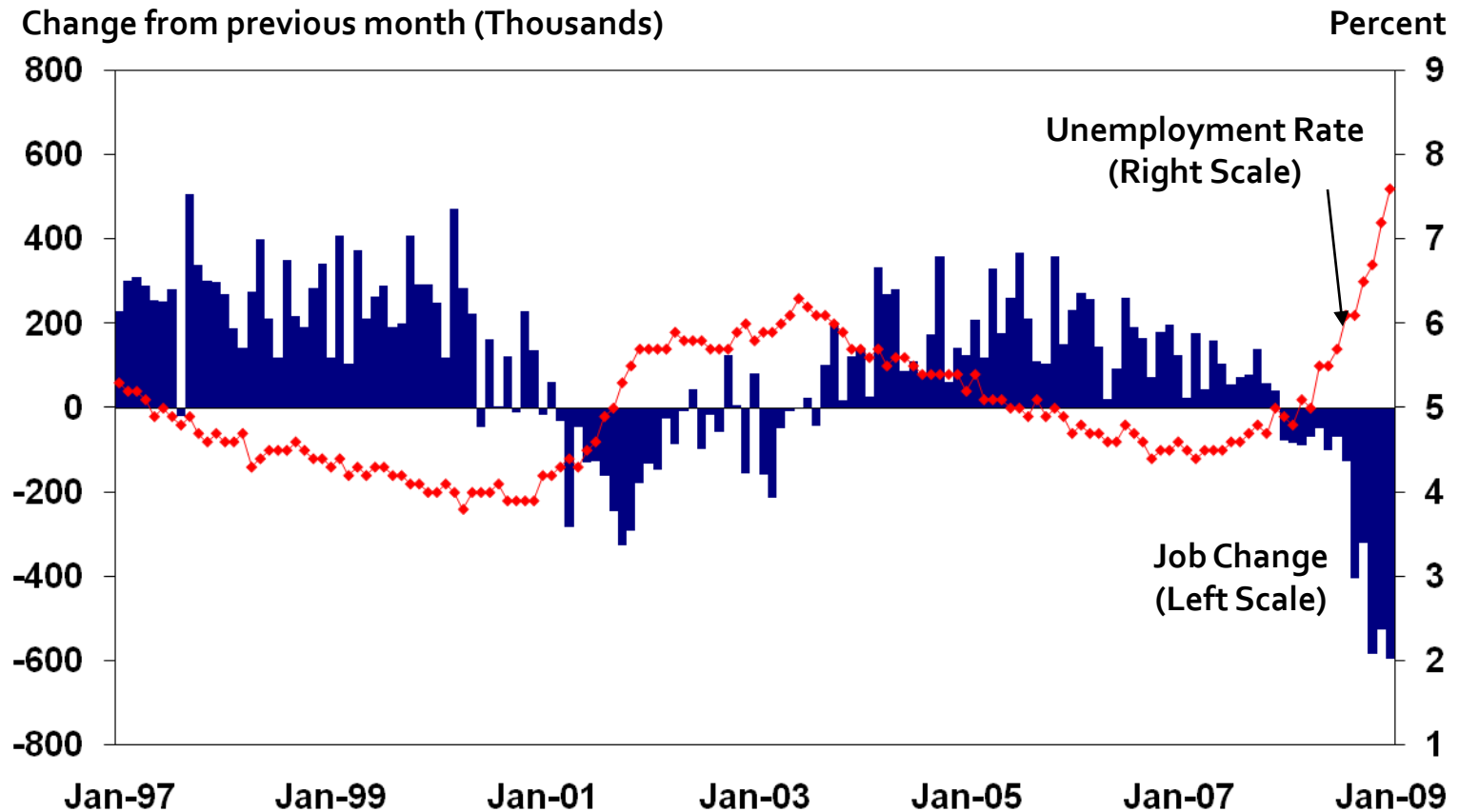


Source: Bureau of Economic Analysis and Blue Chip Economic Indicators



Job losses mount.

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

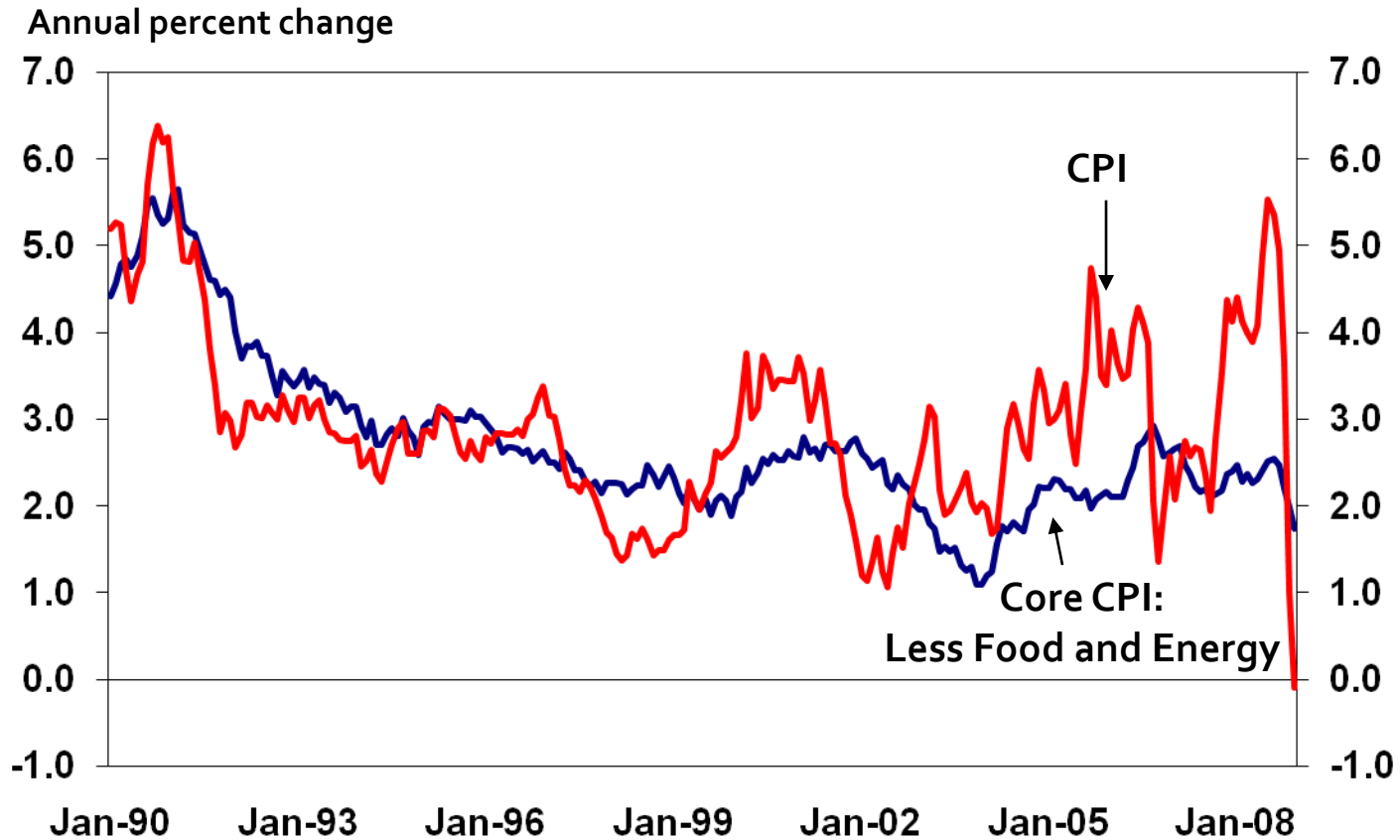


Source: Bureau of Labor Statistics



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 Dec. 2008
Housing	42.4	0.3%	-2.9%
Shelter	32.5	0.2%	-0.8%
Heating Oil	4.7	1.6%	-60.5%
Gas and Electric	5.1	1.5%	-15.4%
Transportation	17.7	0.8%	-47.3%
Motor Vehicles	7.2	-0.3%	-3.4%
Motor Fuel	5.5	2.4%	-89.4%

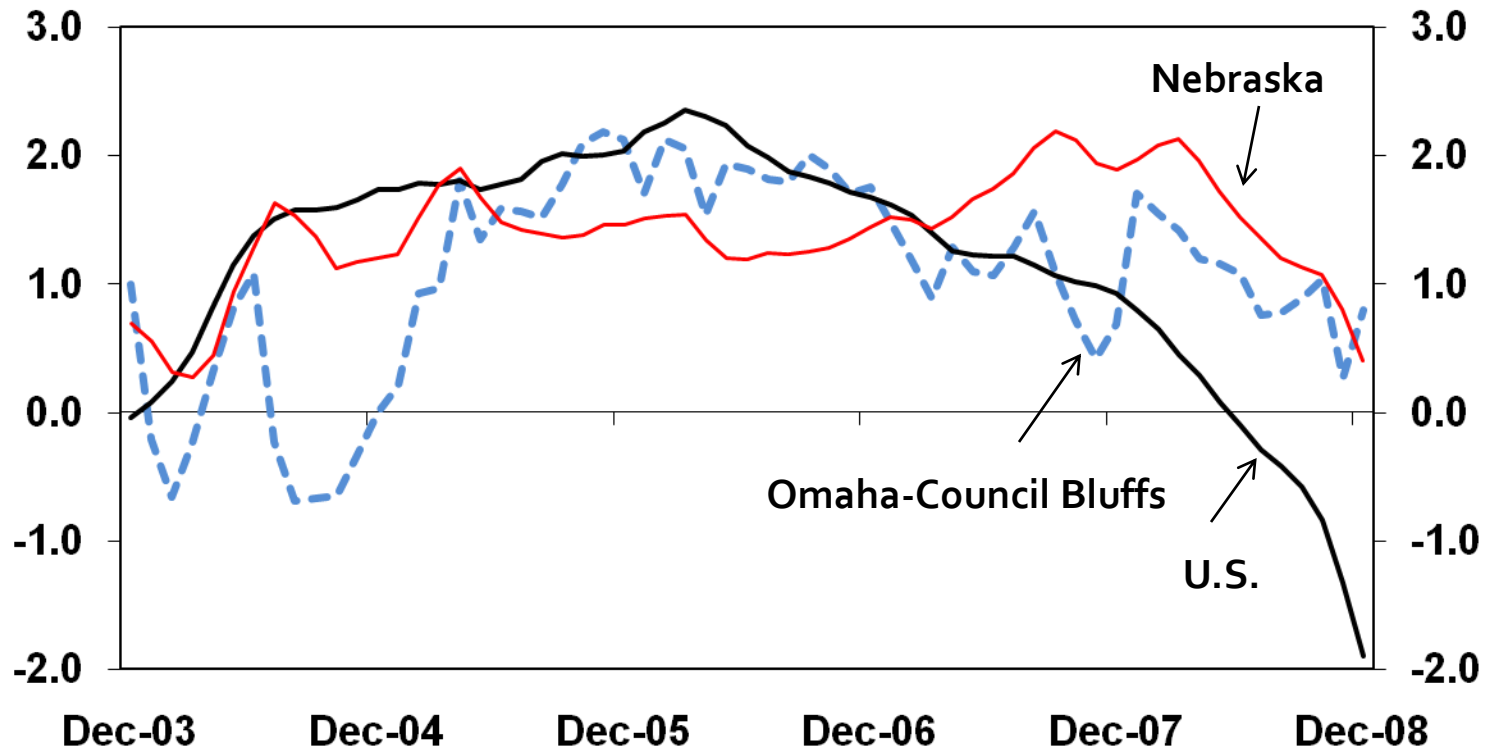
Source: Bureau of Labor Statistics



Nebraska is faring better than the rest of the nation.

Private Non-Farm Employment Growth

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



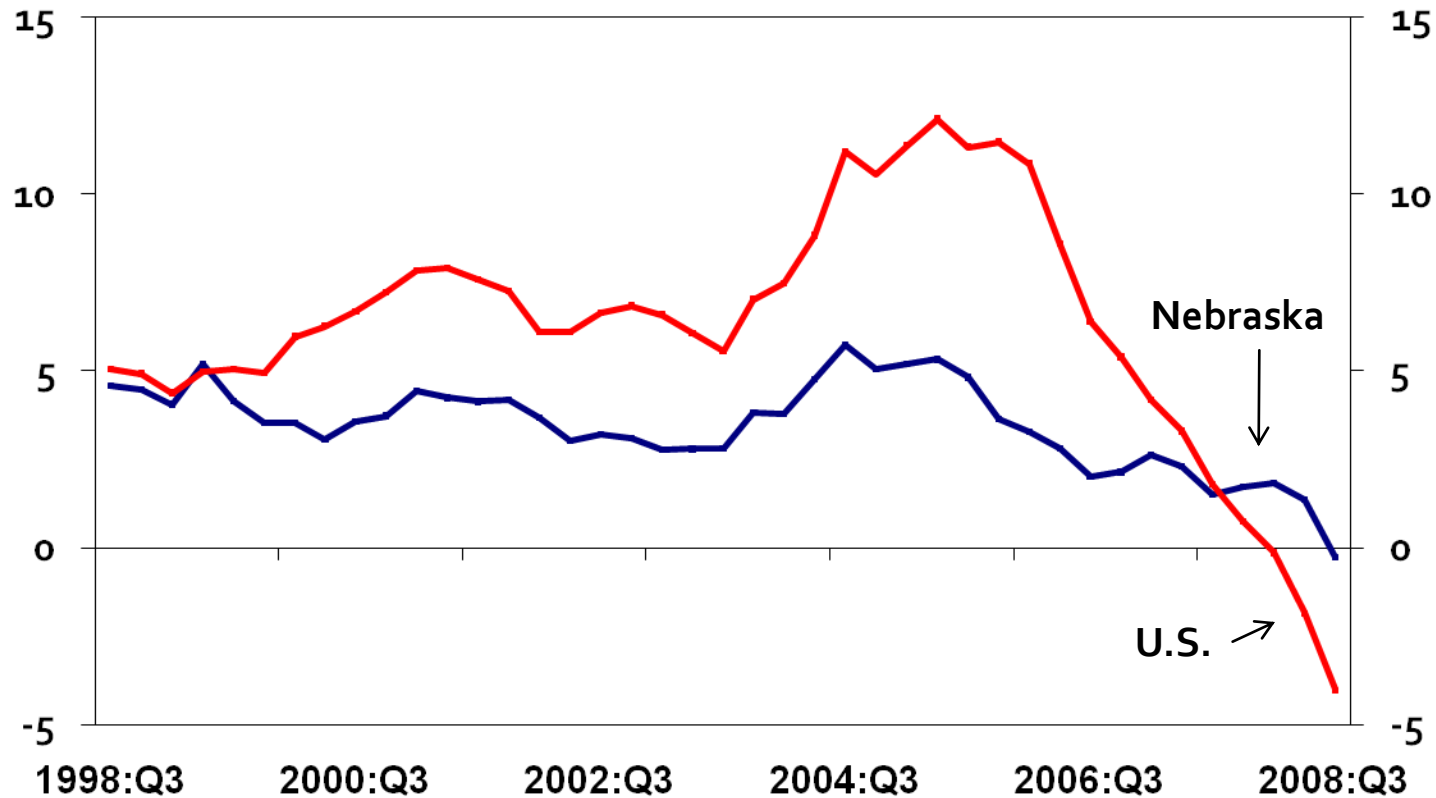
Source: Bureau of Labor Statistics



Nationally, home prices are falling.

Repeat-Sales Home Price Index

Percent change from previous year

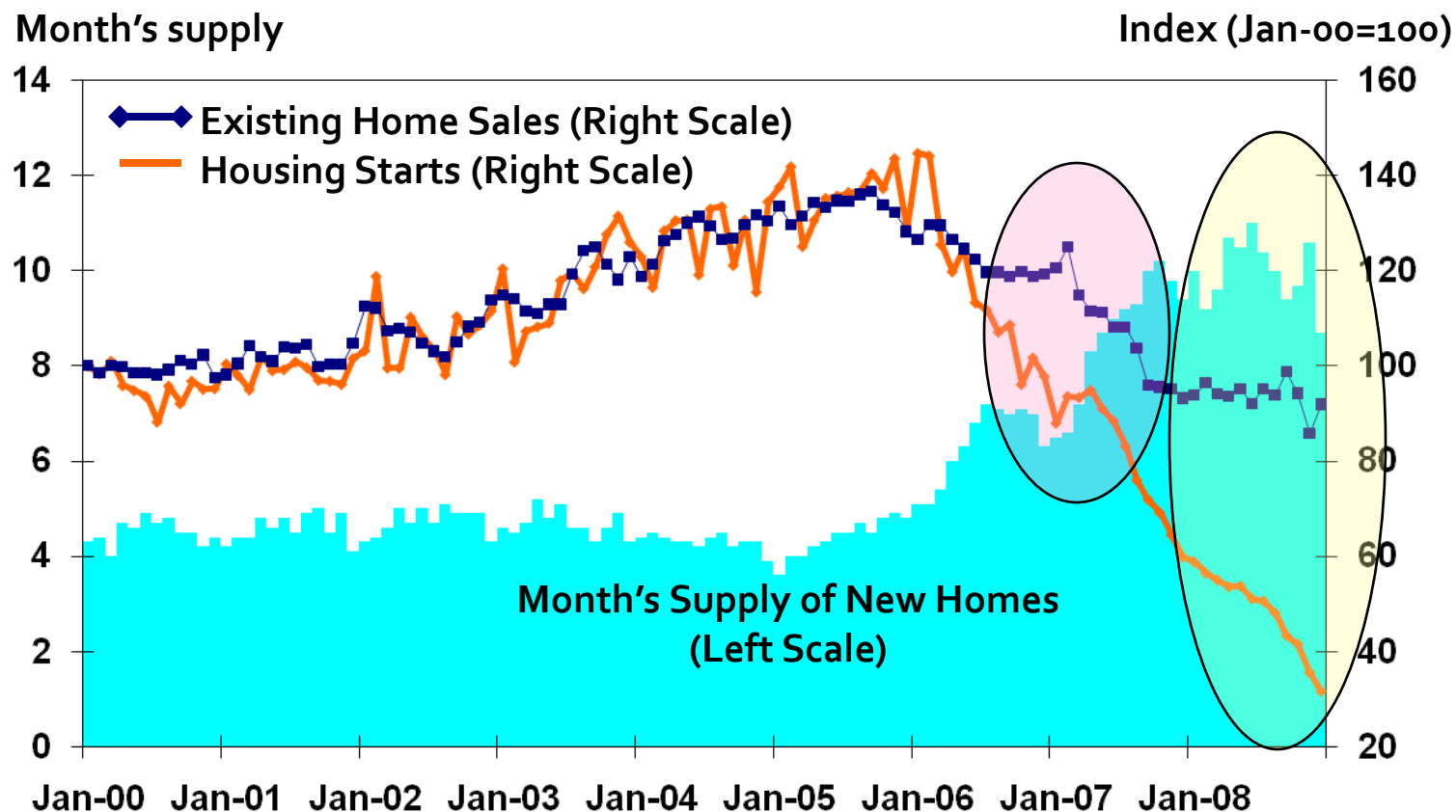


Source: OFHEO



The housing boom goes bust.

Home Starts, Sales and Inventories

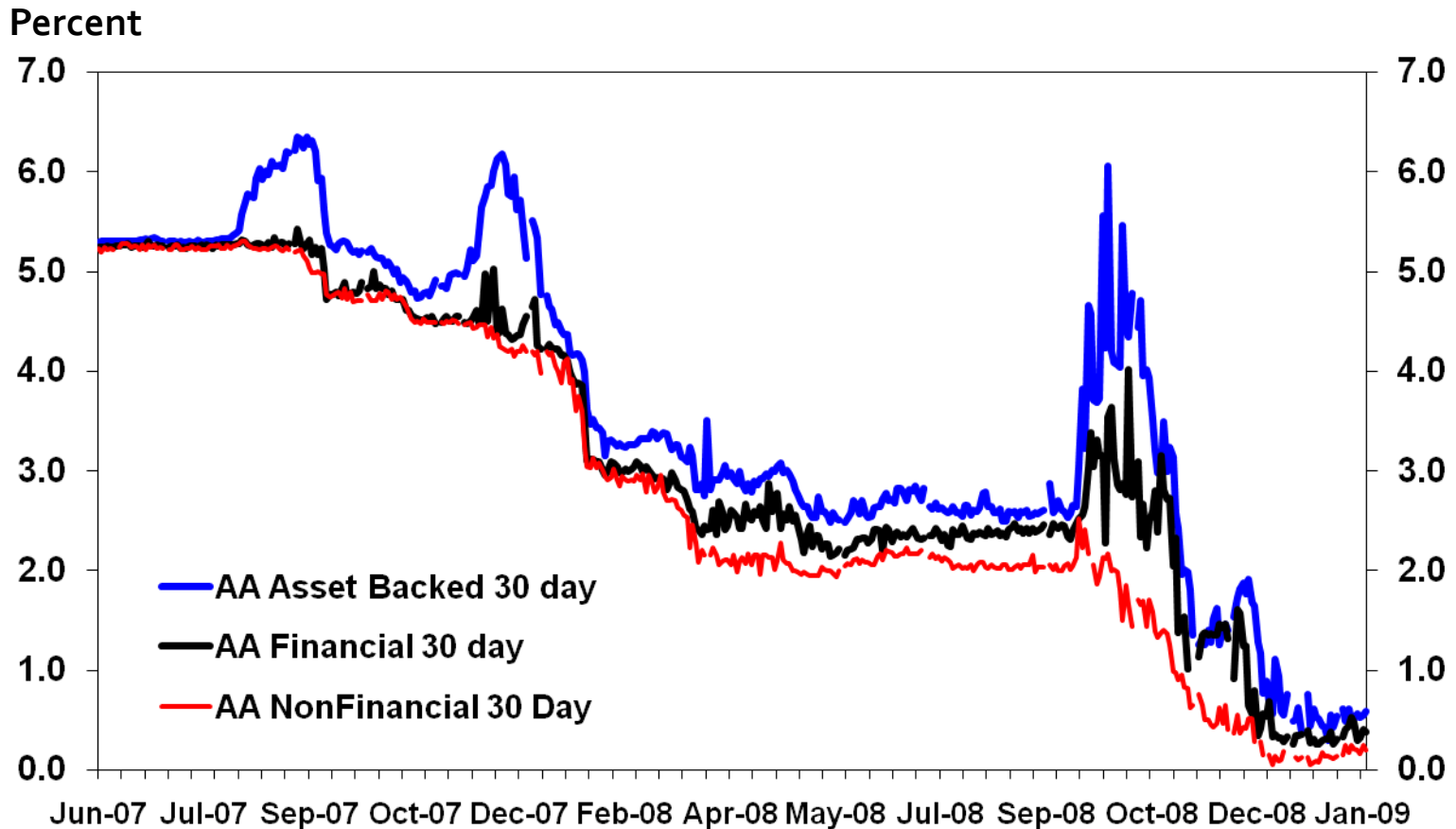


Source: Dept. of Commerce, National Association of Realtors



Financial Markets are Fragile.

Commercial Paper Rates

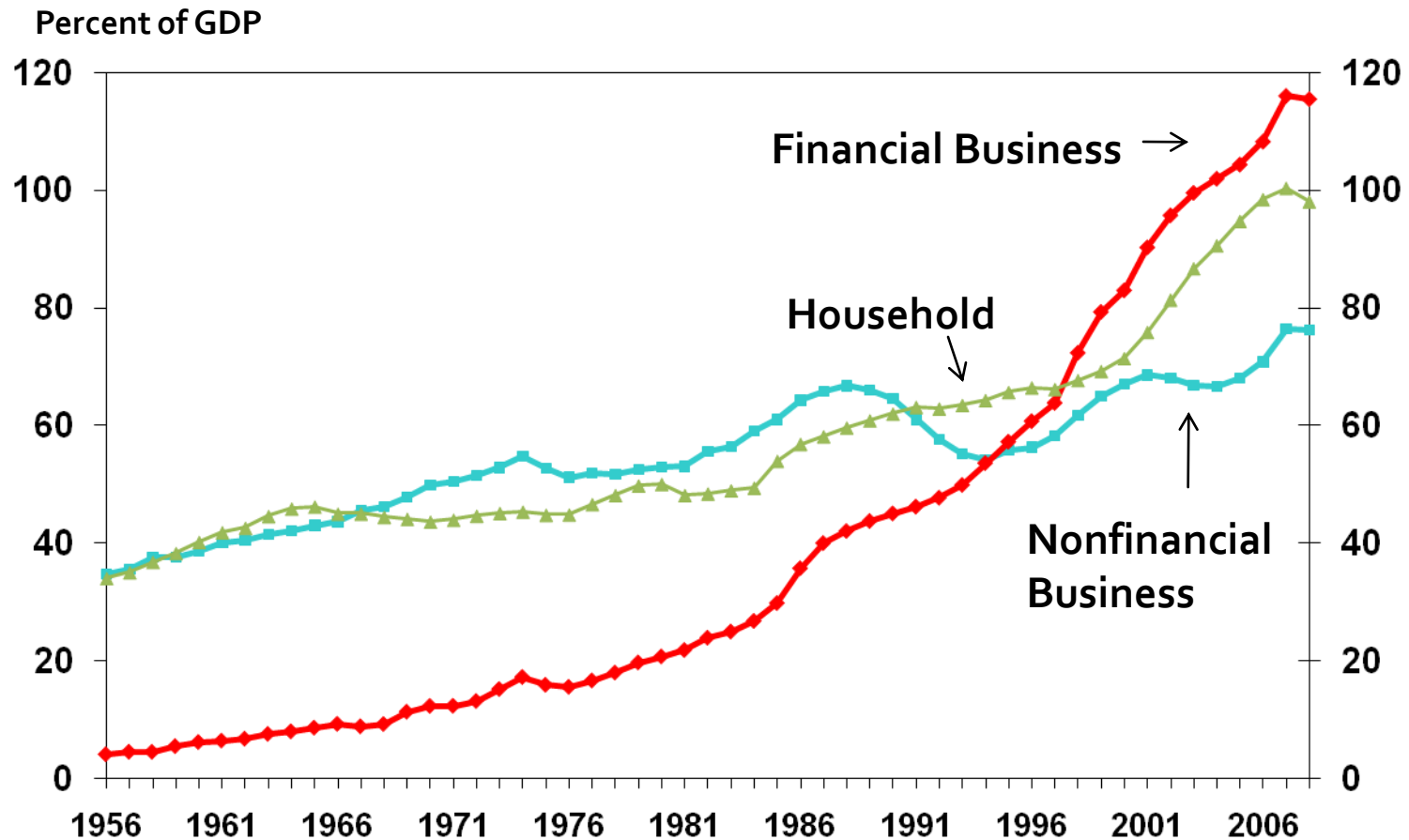


Source: Federal Reserve Board of Governors



Leverage is one of the root causes.

Domestic Debt Outstanding

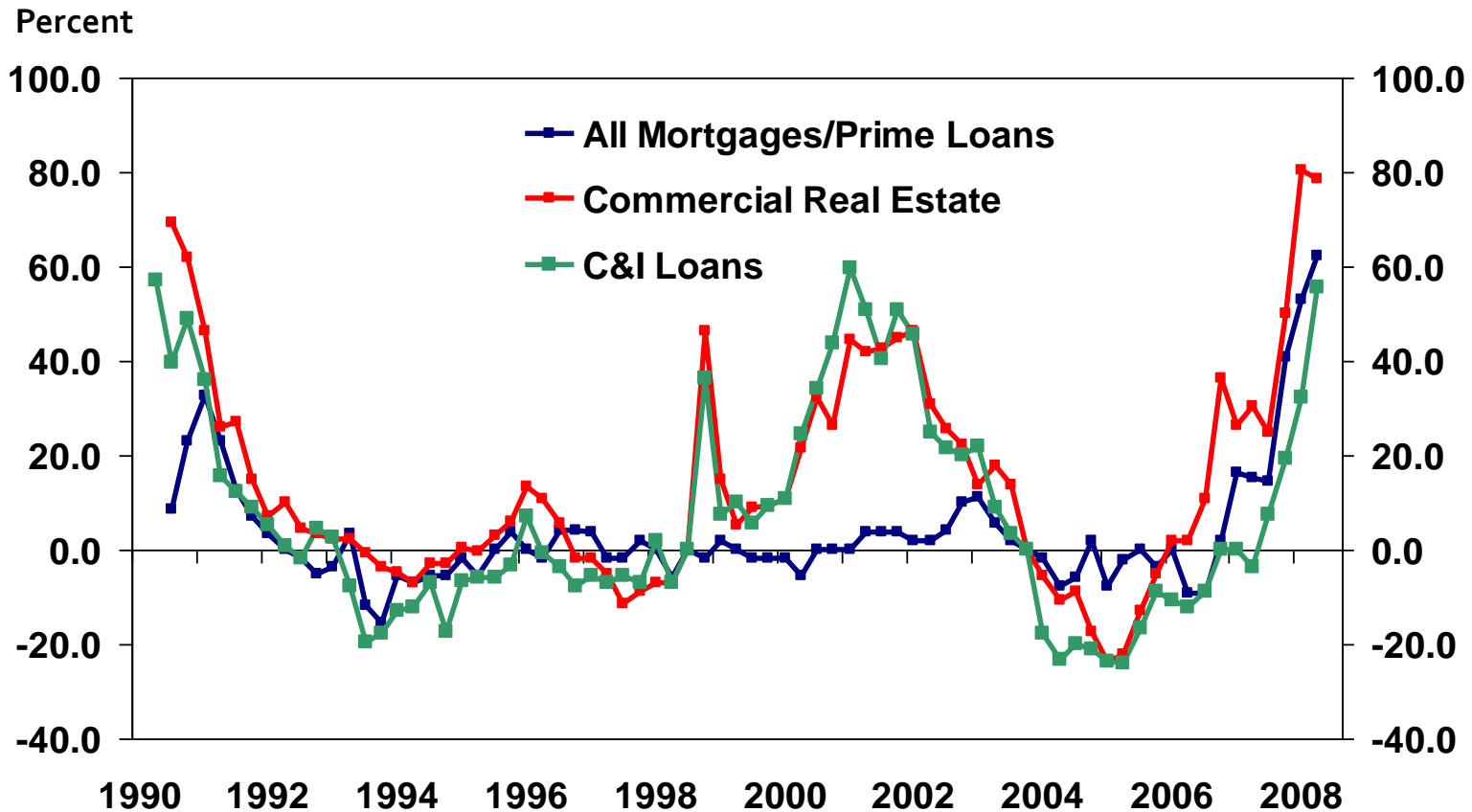


Source: Federal Reserve Board of Governors



Credit standards have tightened.

Net Percent of Domestic Banks Tightening Credit Standards

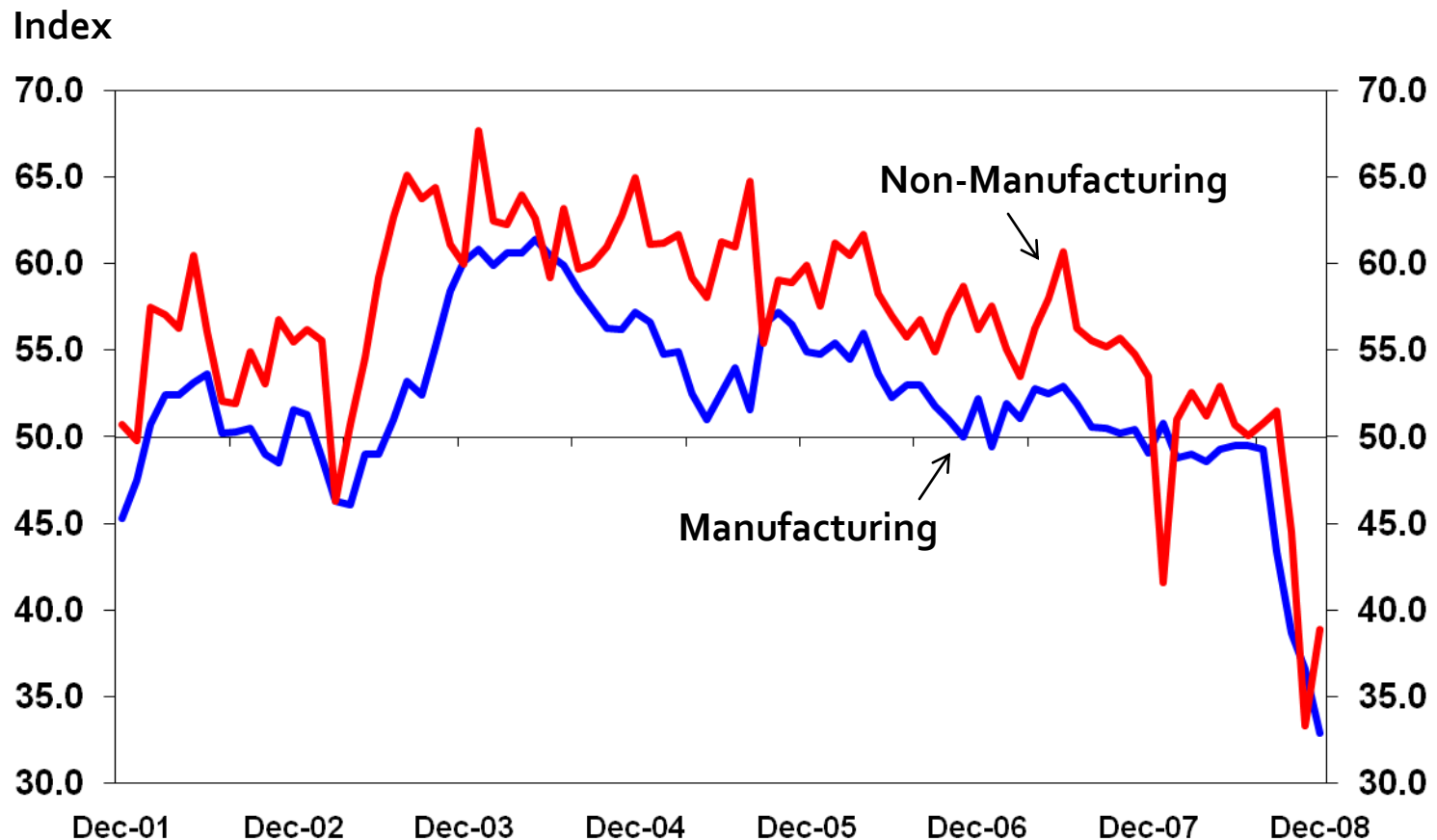


Source: Federal Reserve Board of Governors



Business activity has plummeted.

U.S. Manufacturing and Non-Manufacturing Activity Indices

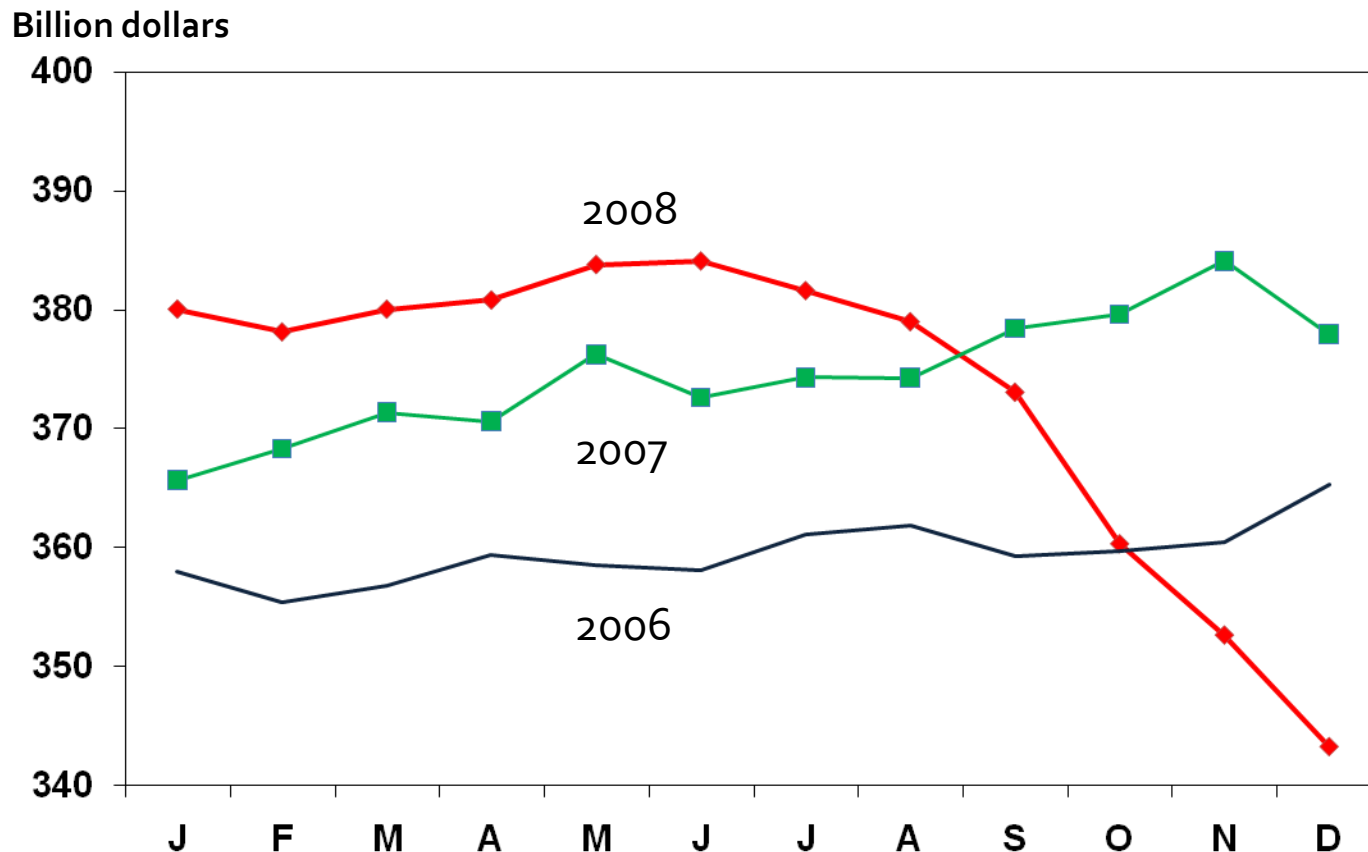


Source: Institute of Supply Management



Consumer spending drops sharply.

U.S. Monthly Retail and Food Sales

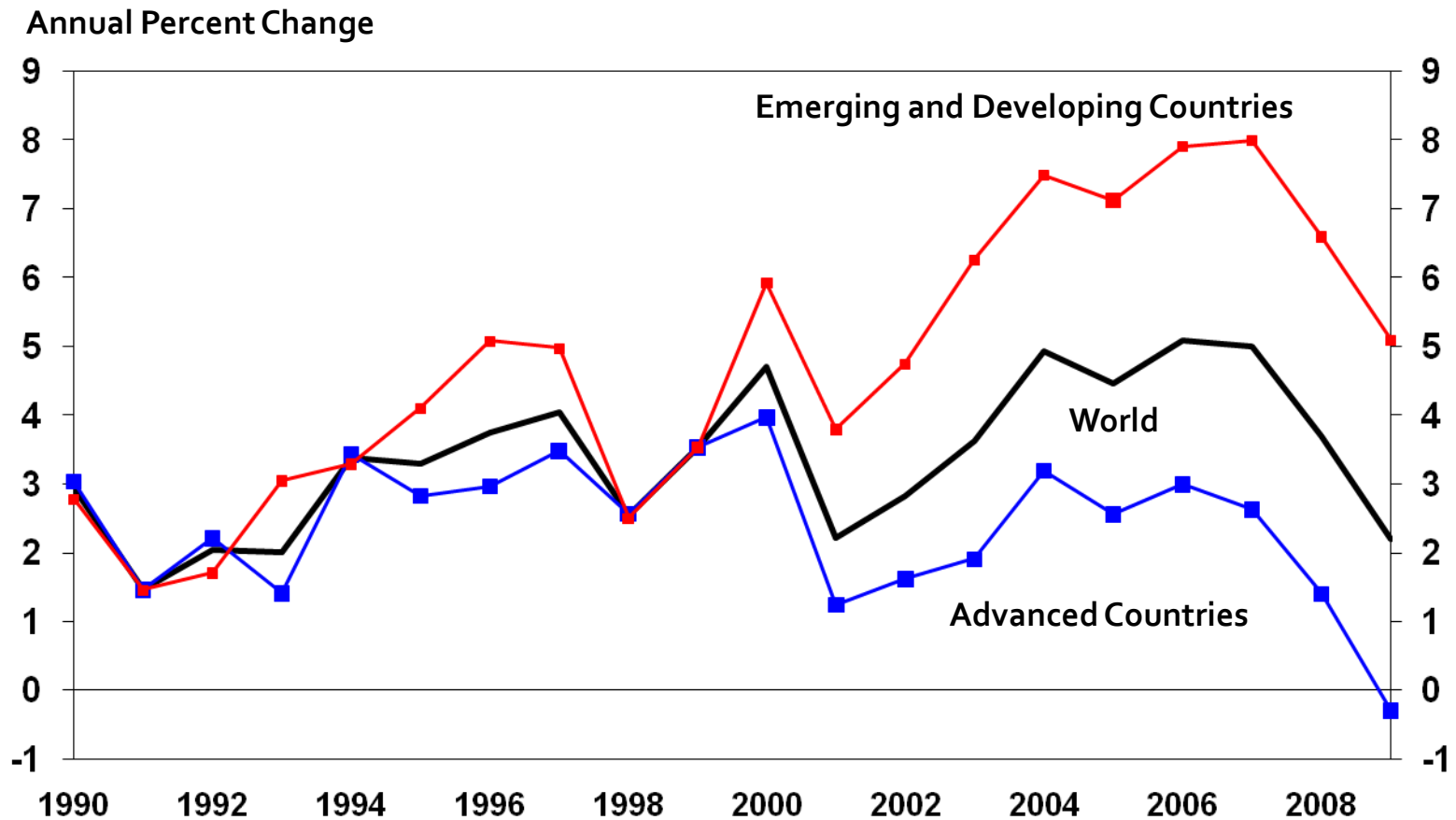


Source: U.S. Census Bureau



World economic growth has slowed dramatically.

World GDP Growth

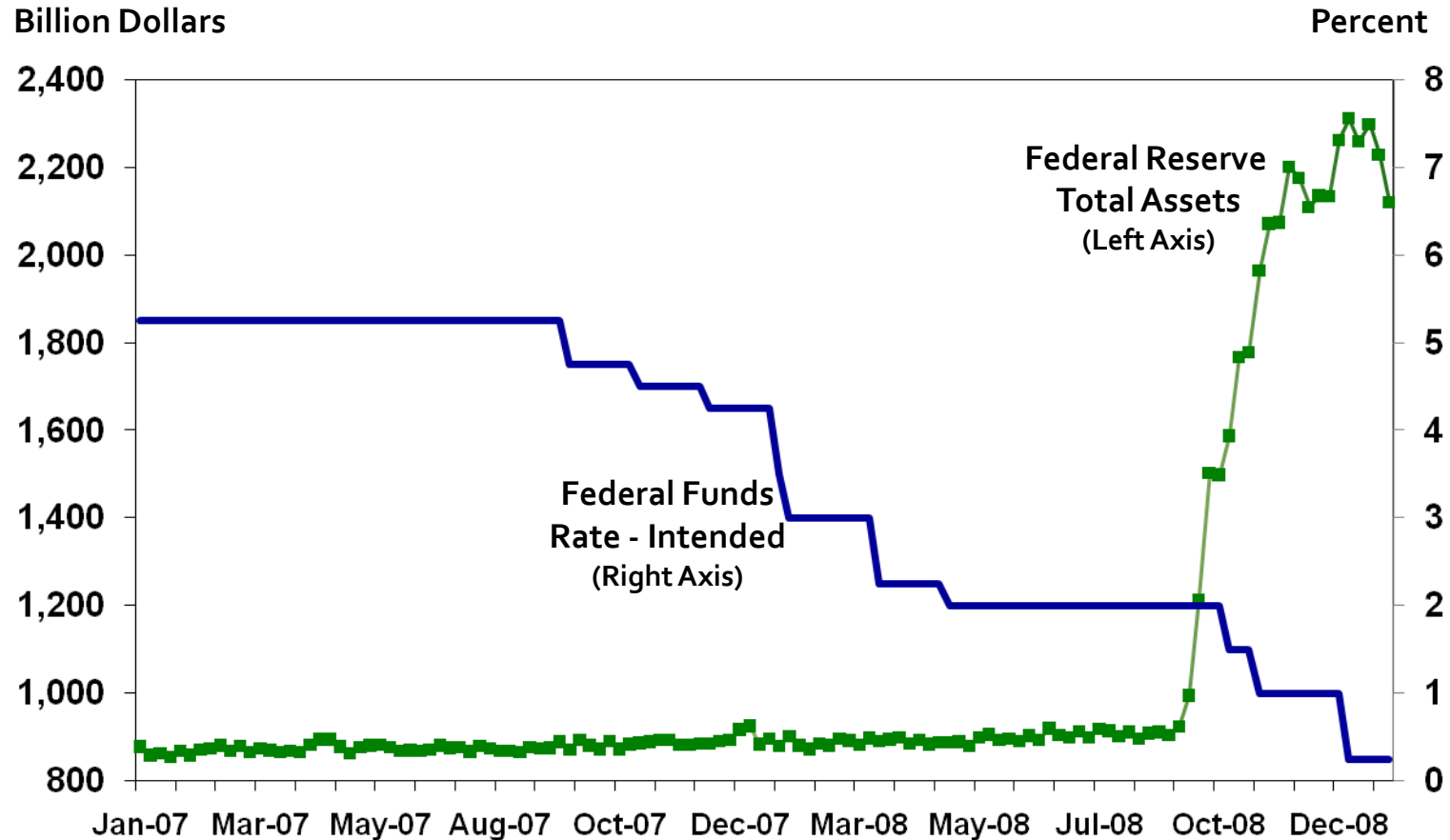


Source: International Monetary Fund, November 2008



The Fed has acted aggressively.

Fed Funds Rate and Federal Reserve Assets

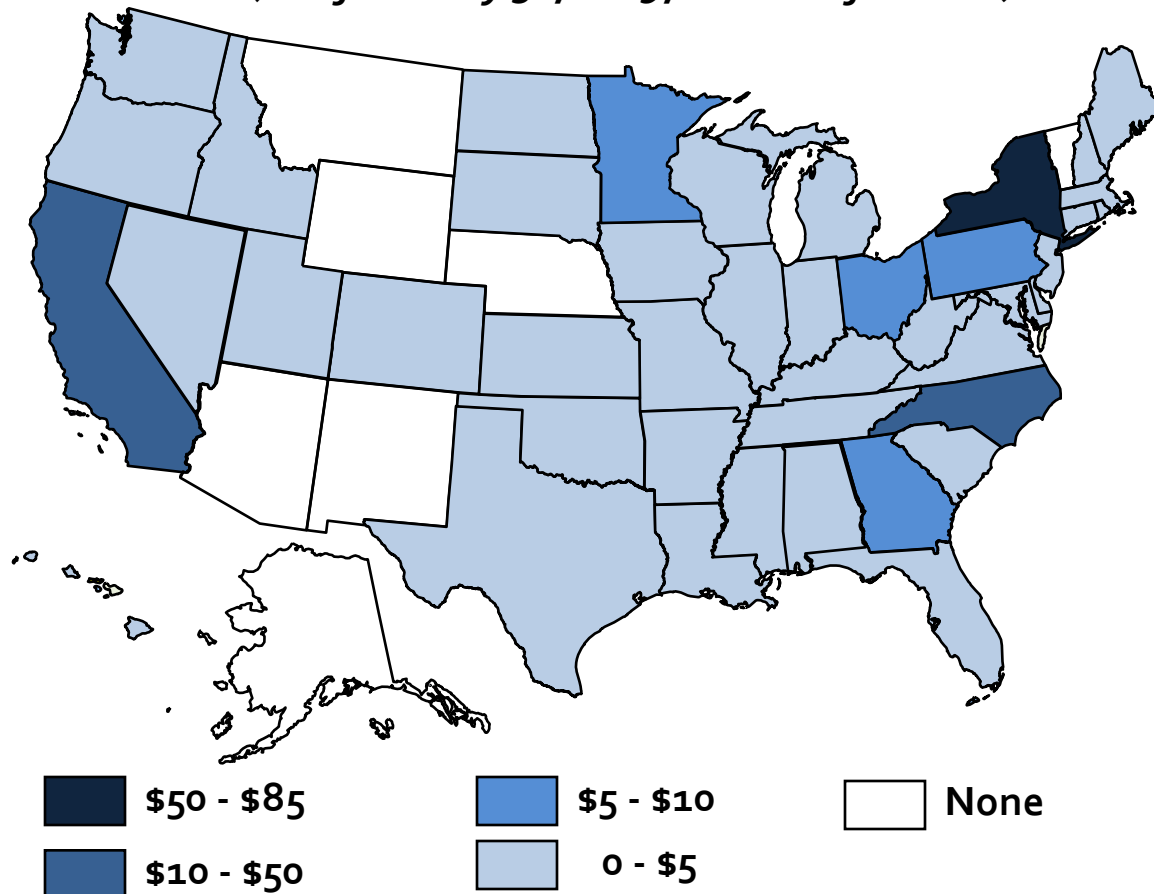


Source: Federal Reserve Board of Governors



TARP funds are concentrated on Wall Street.

Breakdown of TARP Funds
(As of January 30, 2009, Billions of Dollars)



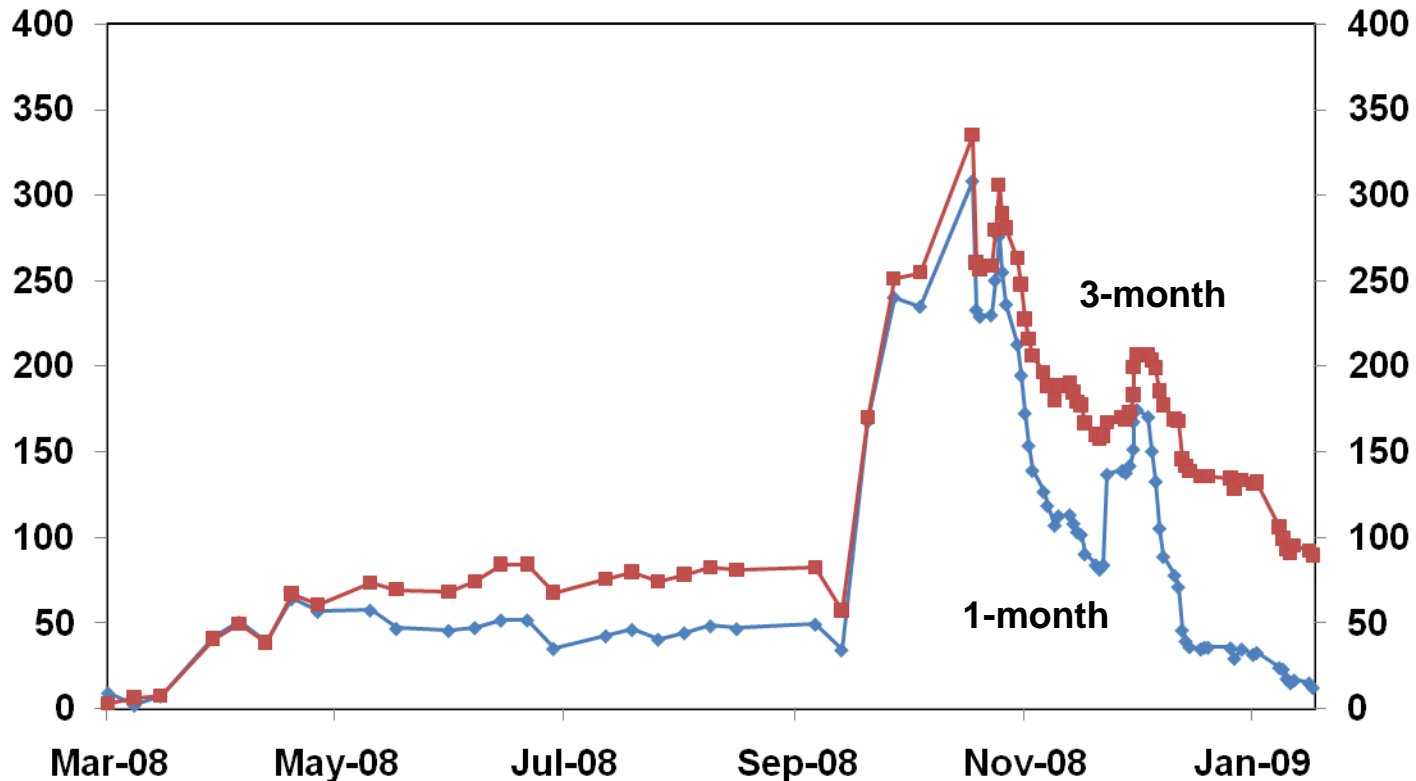
Source: Department of the Treasury



Recent improvement in financial markets.

LIBOR-OIS Spread

Basis Points



Source: Federal Reserve Board of Governors



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

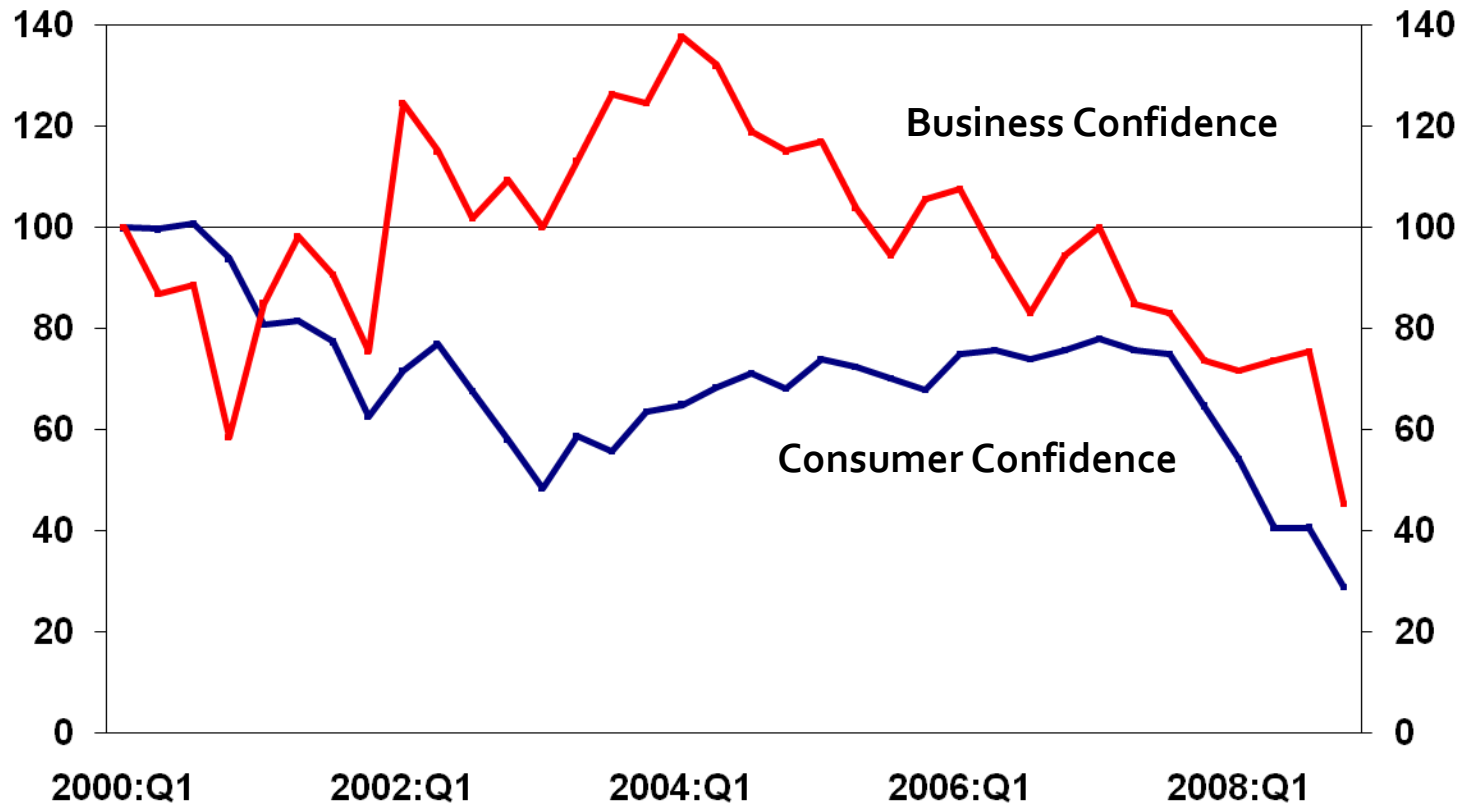
Source: NBER



Confidence is at a historical low.

Business and Consumer Confidence

Index (2000 Q1 = 100)



Source: The Conference Board



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?

