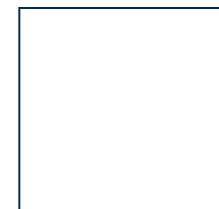


Impacts of the Financial Crises – Have We Turned the Corner?



Richard Kaglic

November 10, 2009



THE FEDERAL RESERVE BANK OF RICHMOND

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Key Points on the Economy

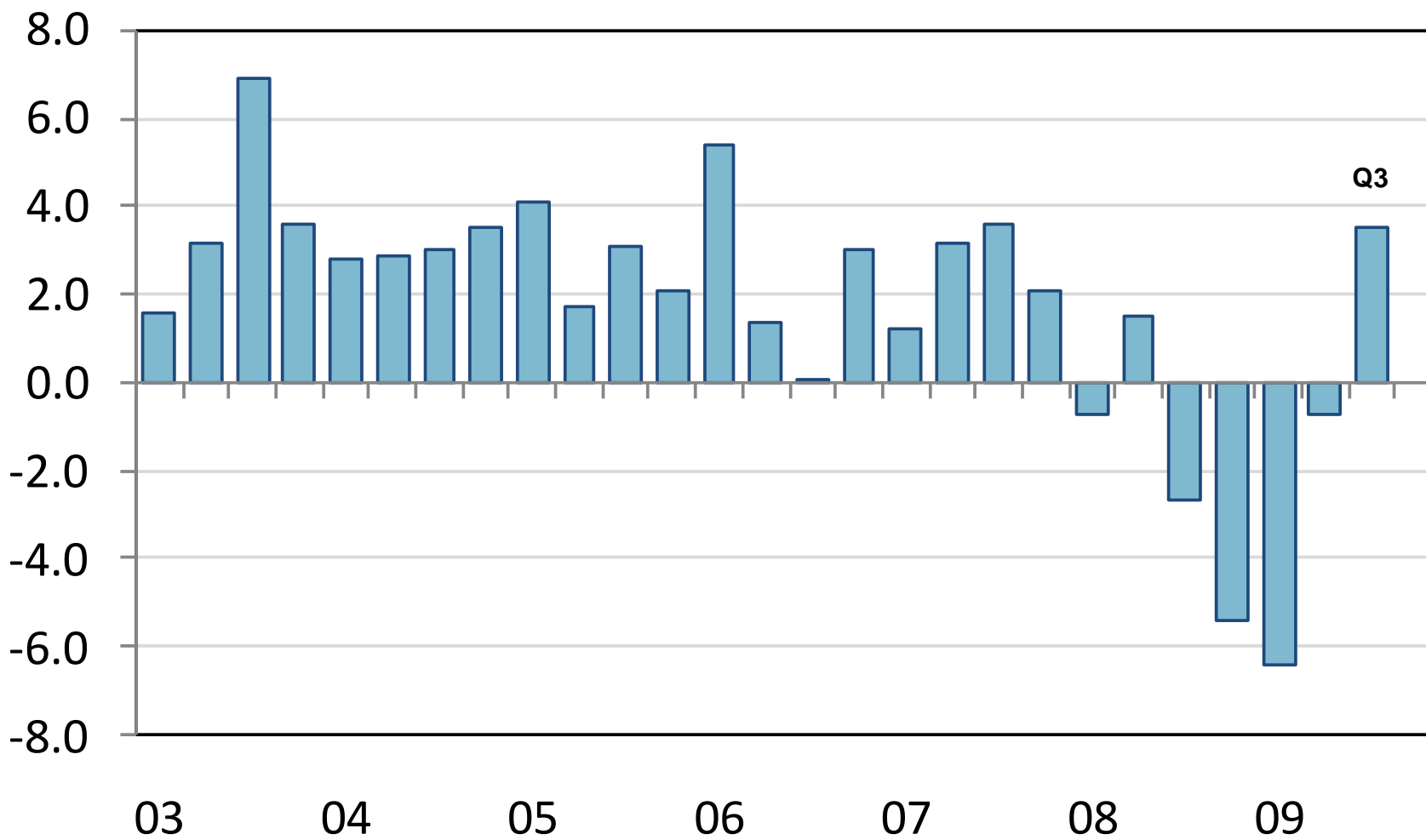
- Indicators suggest economy picking up from weak level
 - Financial markets have improved
 - Bottoming in key industry segments
 - Global economy
- Outlook calls for extended period of weakness
 - Low trajectory climb out of the trough
 - Weak labor markets will limit household spending growth
 - Excess capacity, credit availability, and frayed nerves may limit business spending
 - Lower probability outcomes (double-dip, better-than-expected)

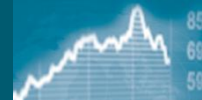




Real Gross Domestic Product

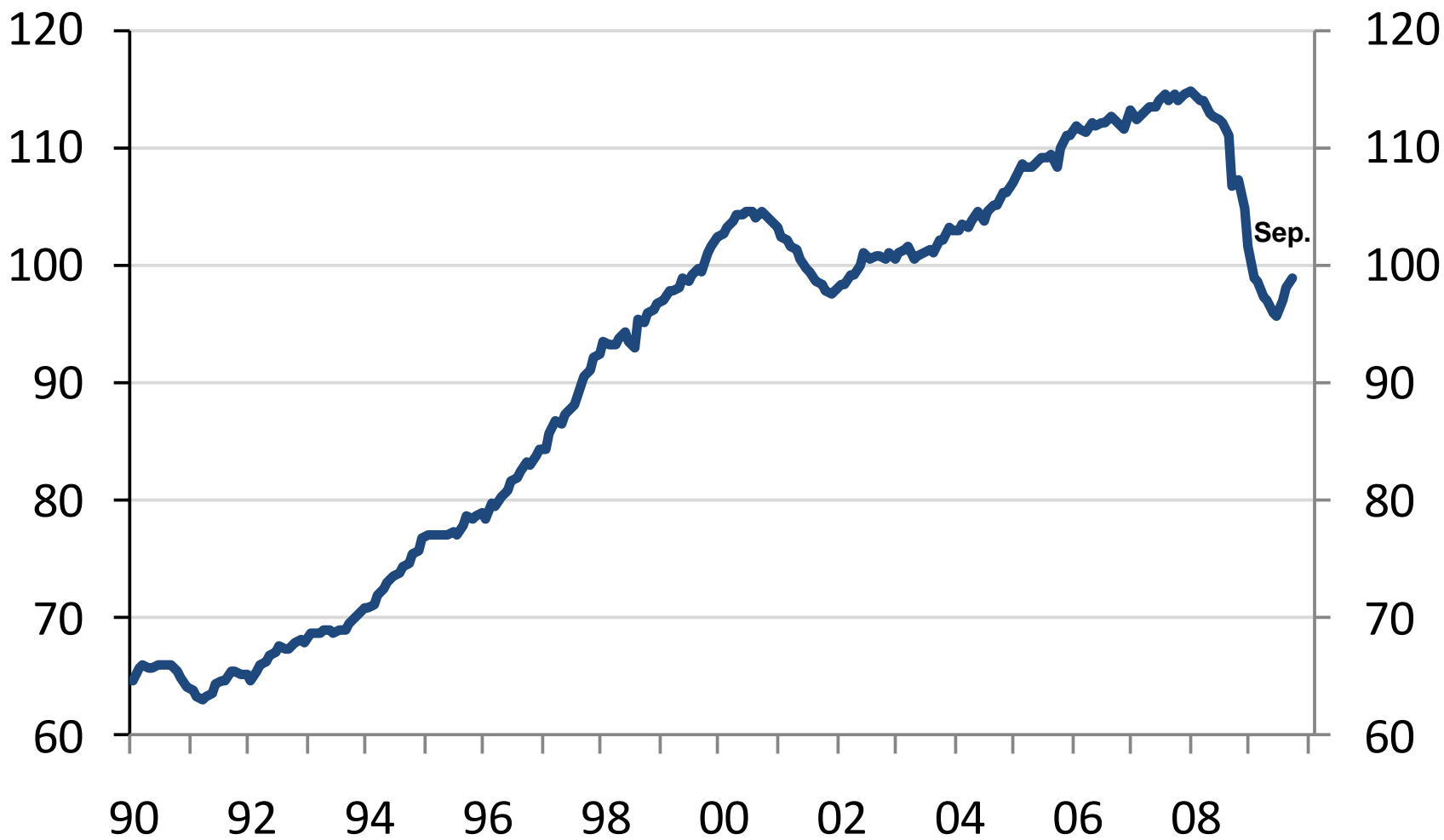
Percent change from previous quarter (SAAR)





Industrial Production Index: Manufacturing

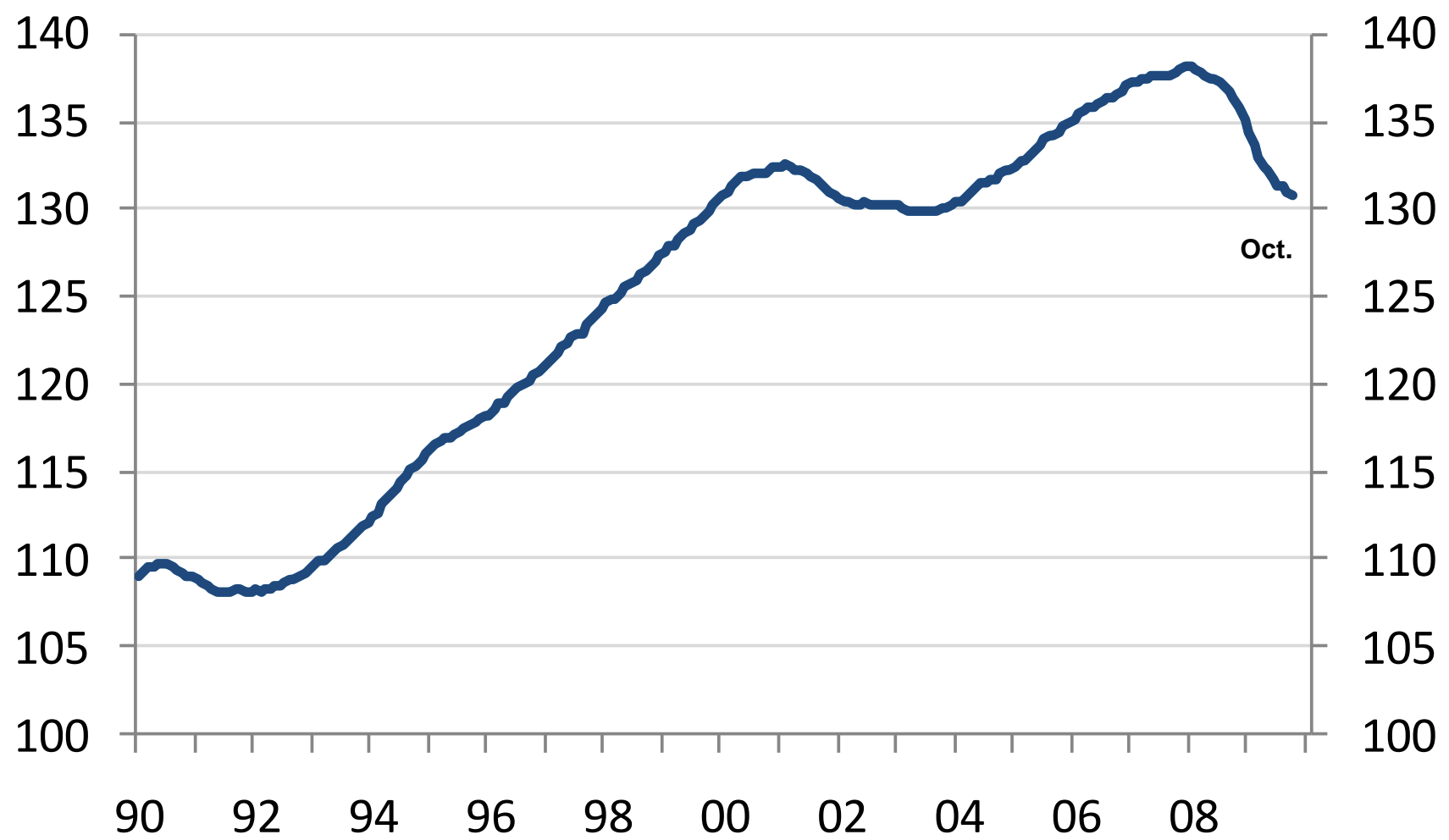
2002 = 100

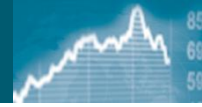




Total Nonfarm Payroll employment

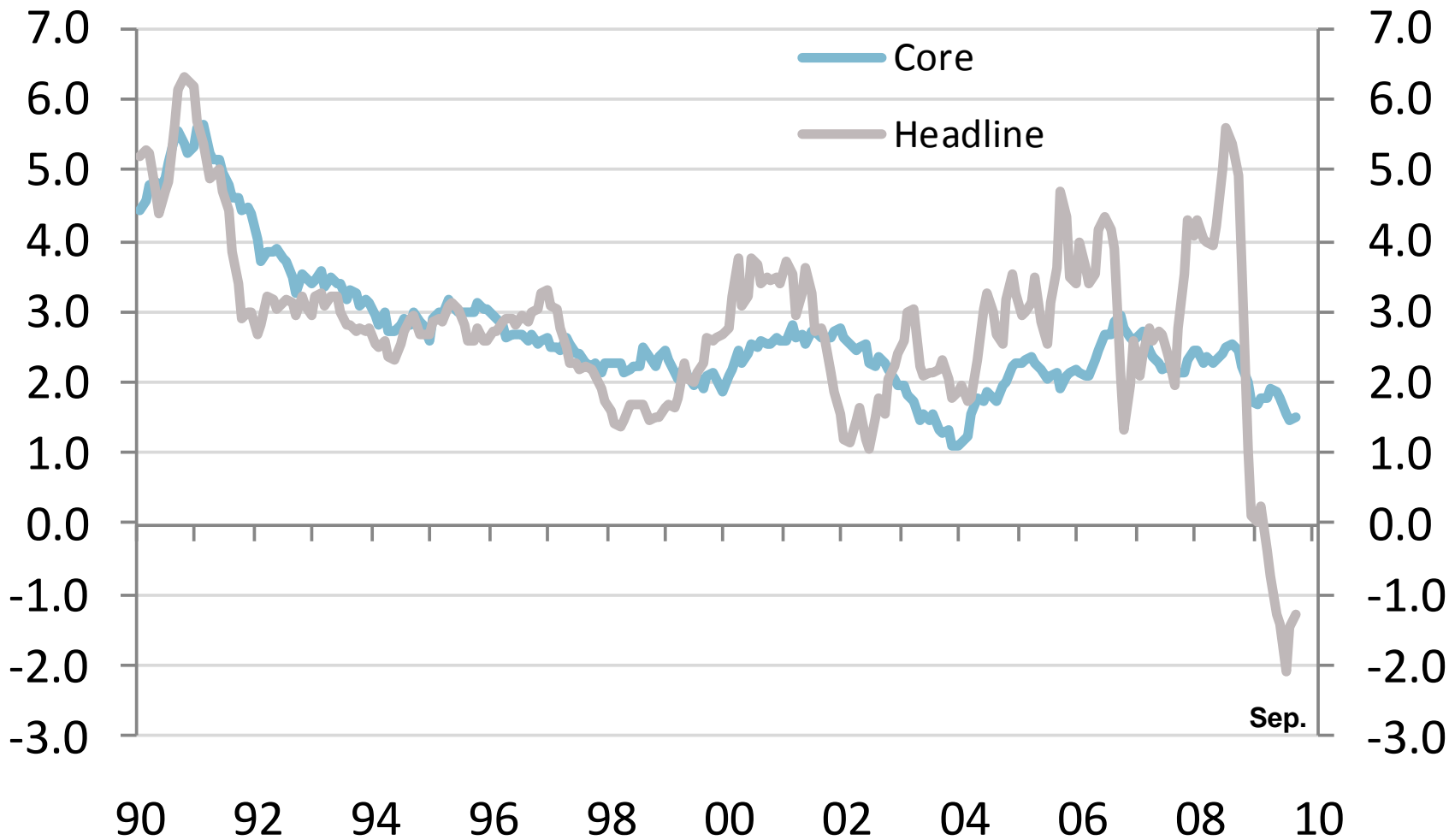
Millions





Consumer Price Indexes

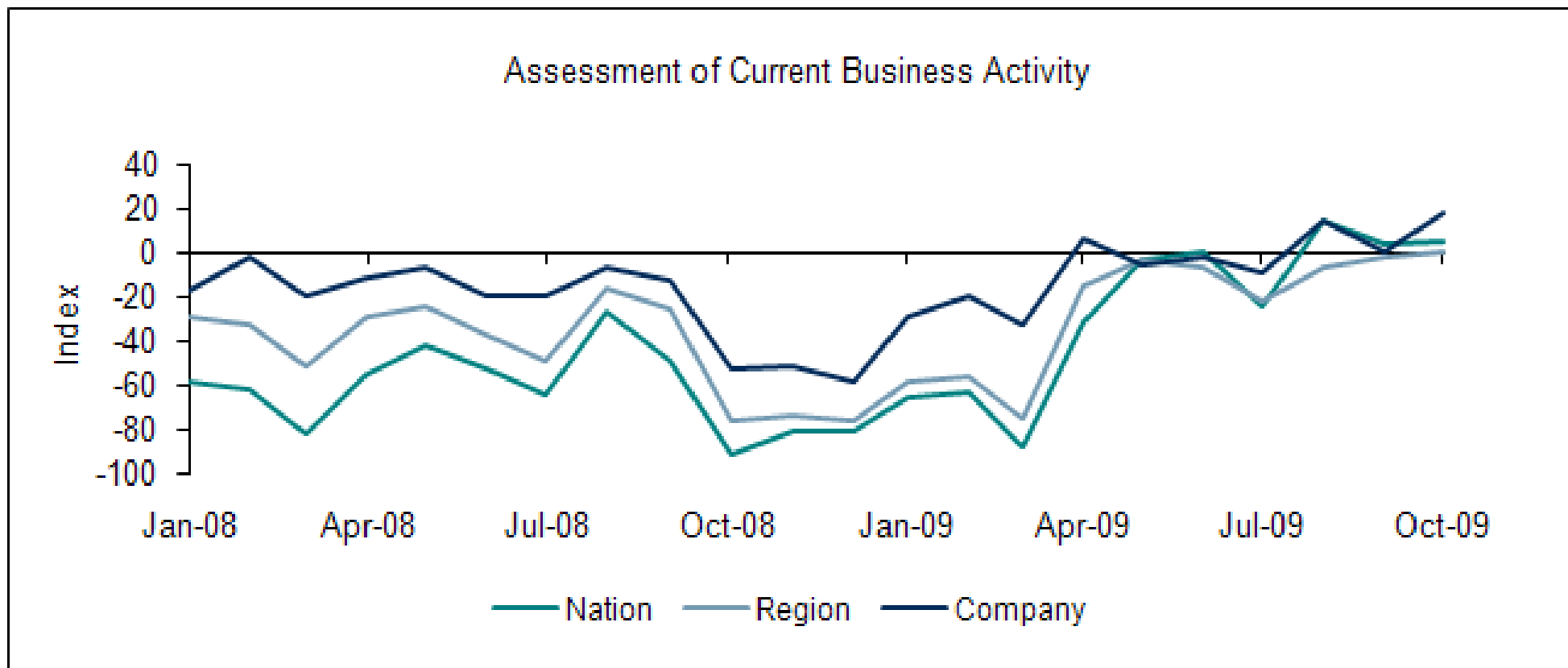
Percent change from same month a year earlier

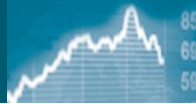




Carolinas Business Activity Index -- Current

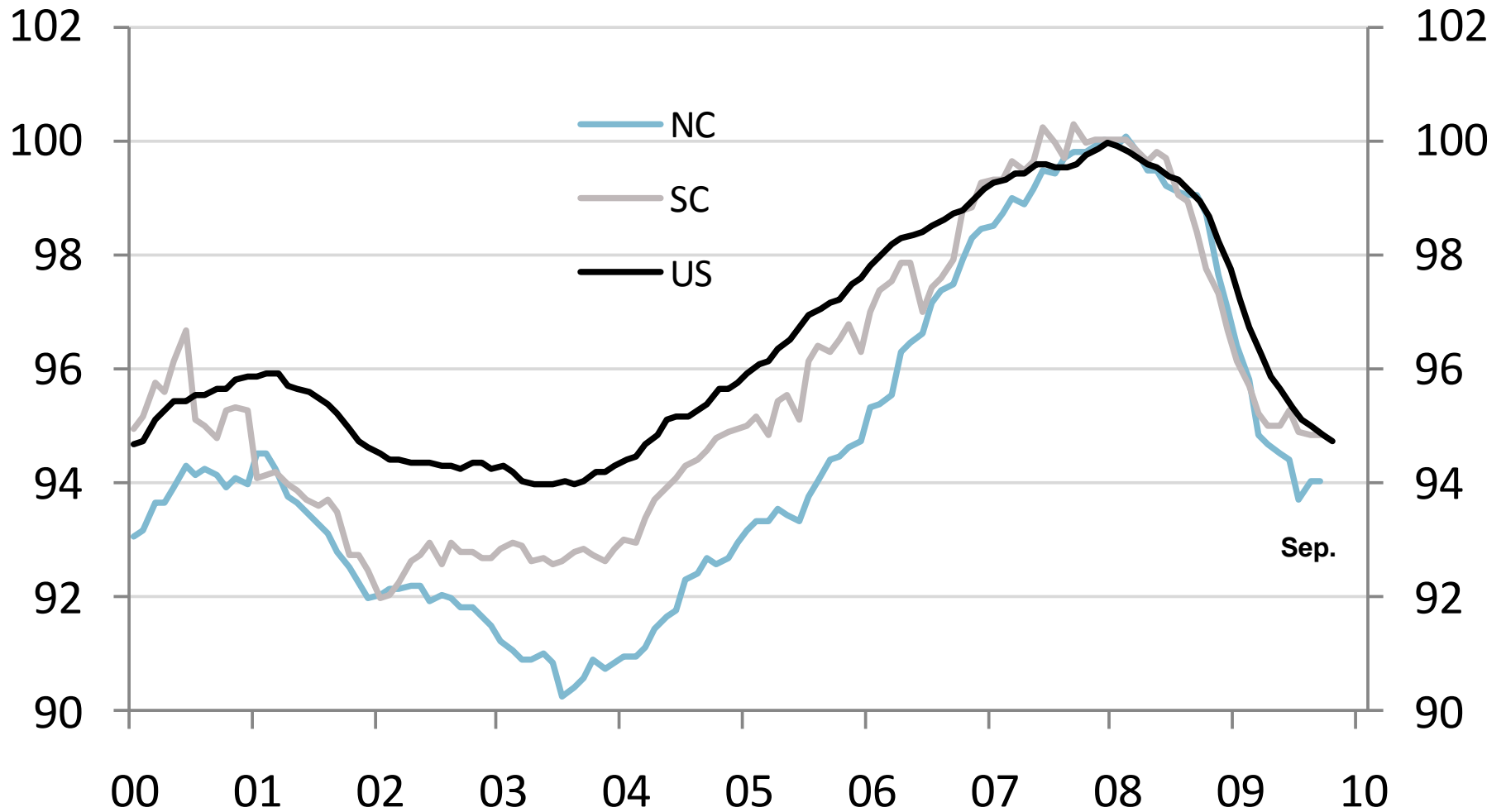
Index > 0 suggests expansion, index < 0 suggests contraction





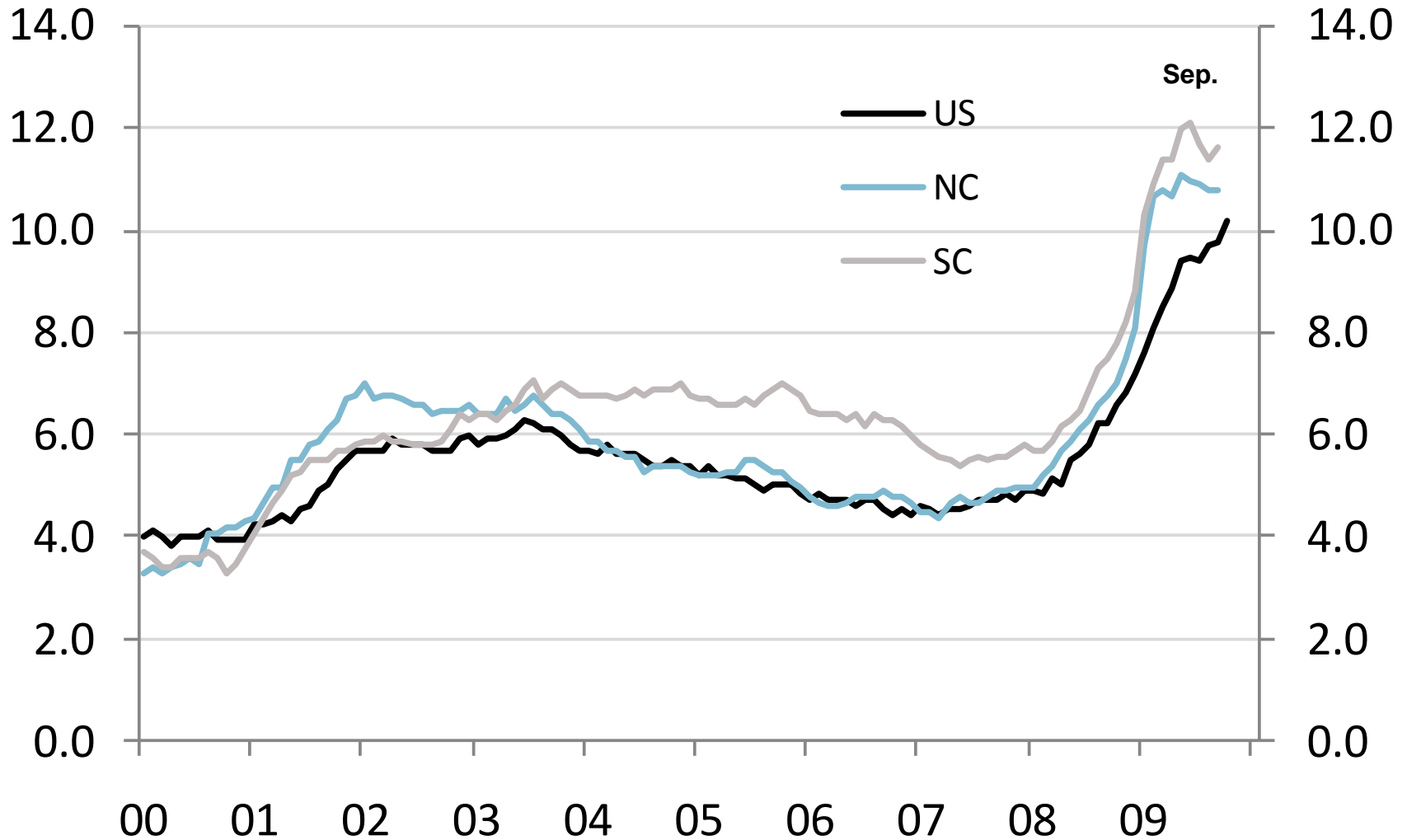
Payroll Employment

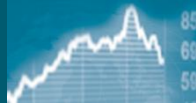
Index, December 2007 = 100



Unemployment Rates

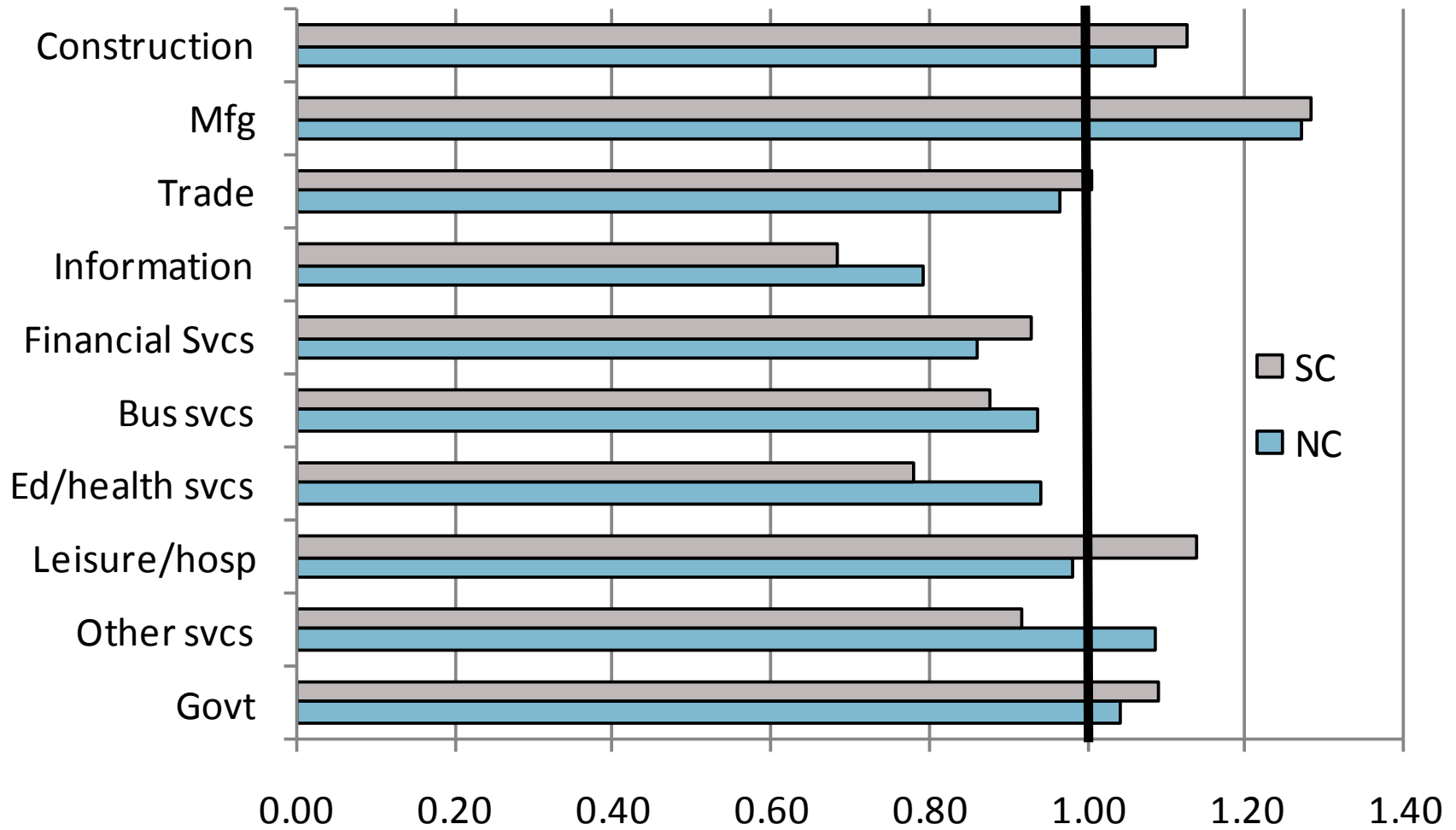
Percent

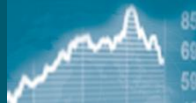




Employment Concentration

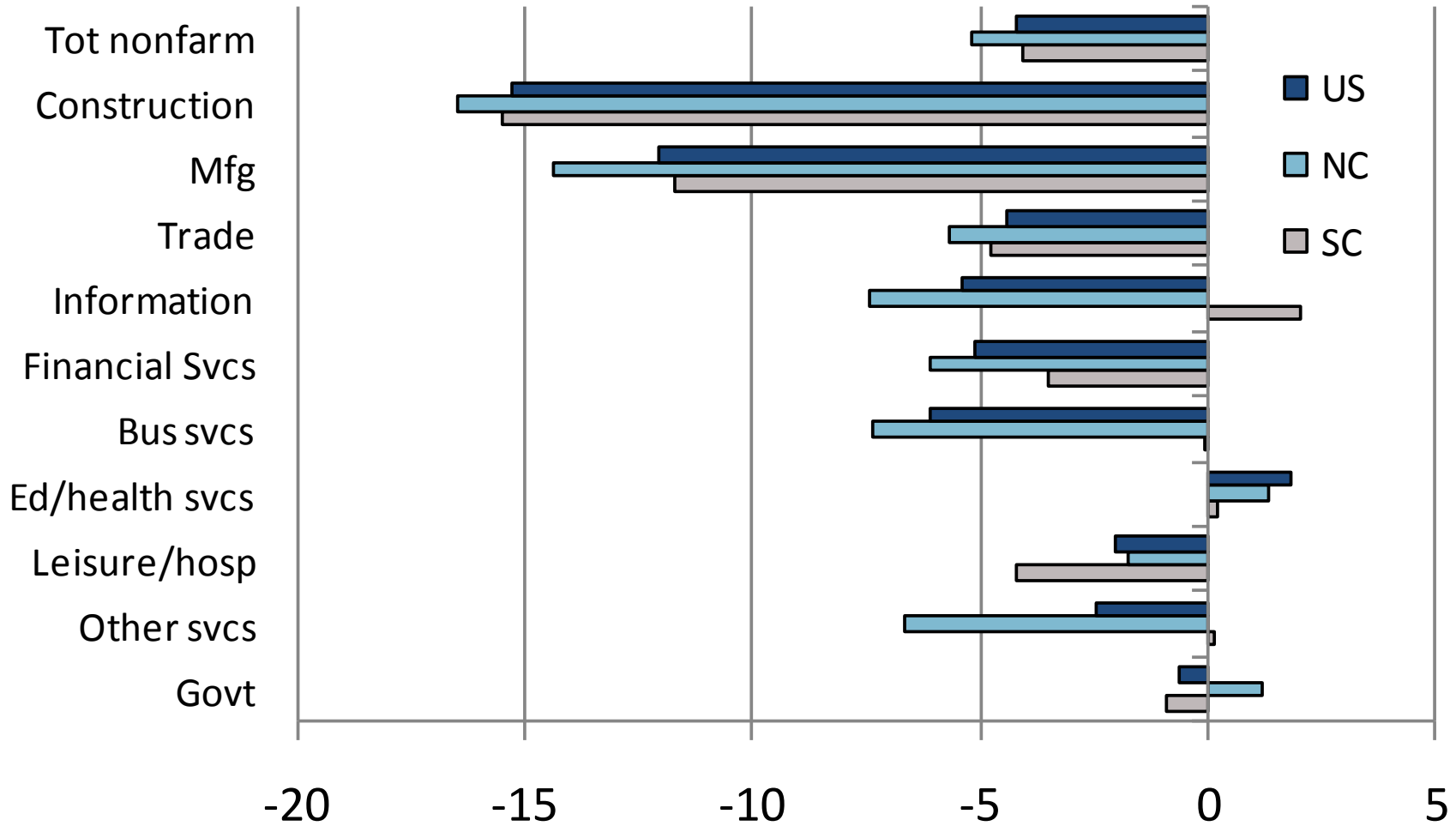
Location Quotients, U.S. average = 1.0





Payroll Employment Growth

Percent change from same month one year earlier





Fed's Expanding Tool Kit

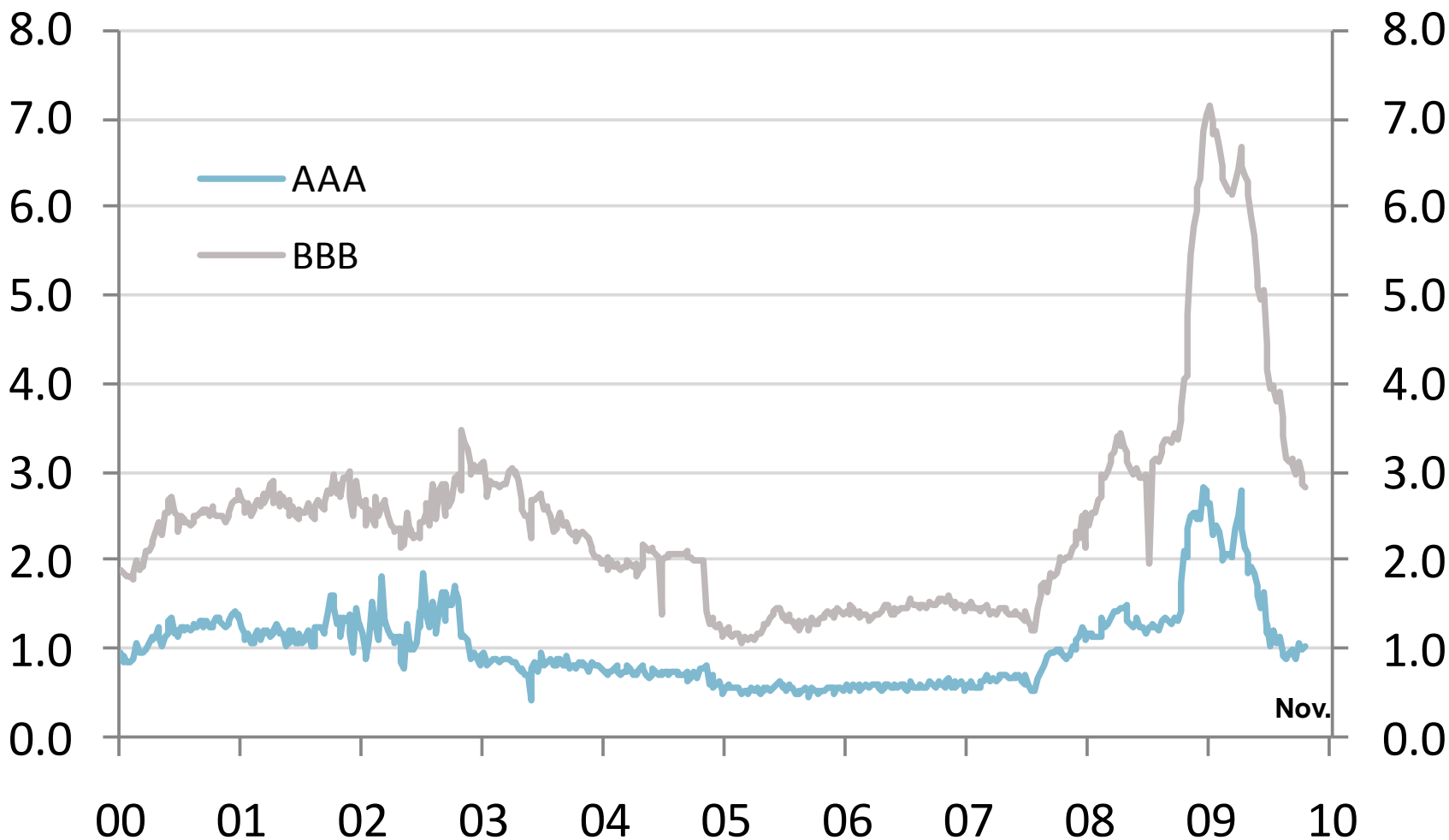
- Credit easing can be grouped into four major branches
 - Short term liquidity for financial institutions
 - Targeted lending to support key financial markets
 - Purchases of high quality assets
 - Help for systemically critical institutions





Corporate Risk Premia

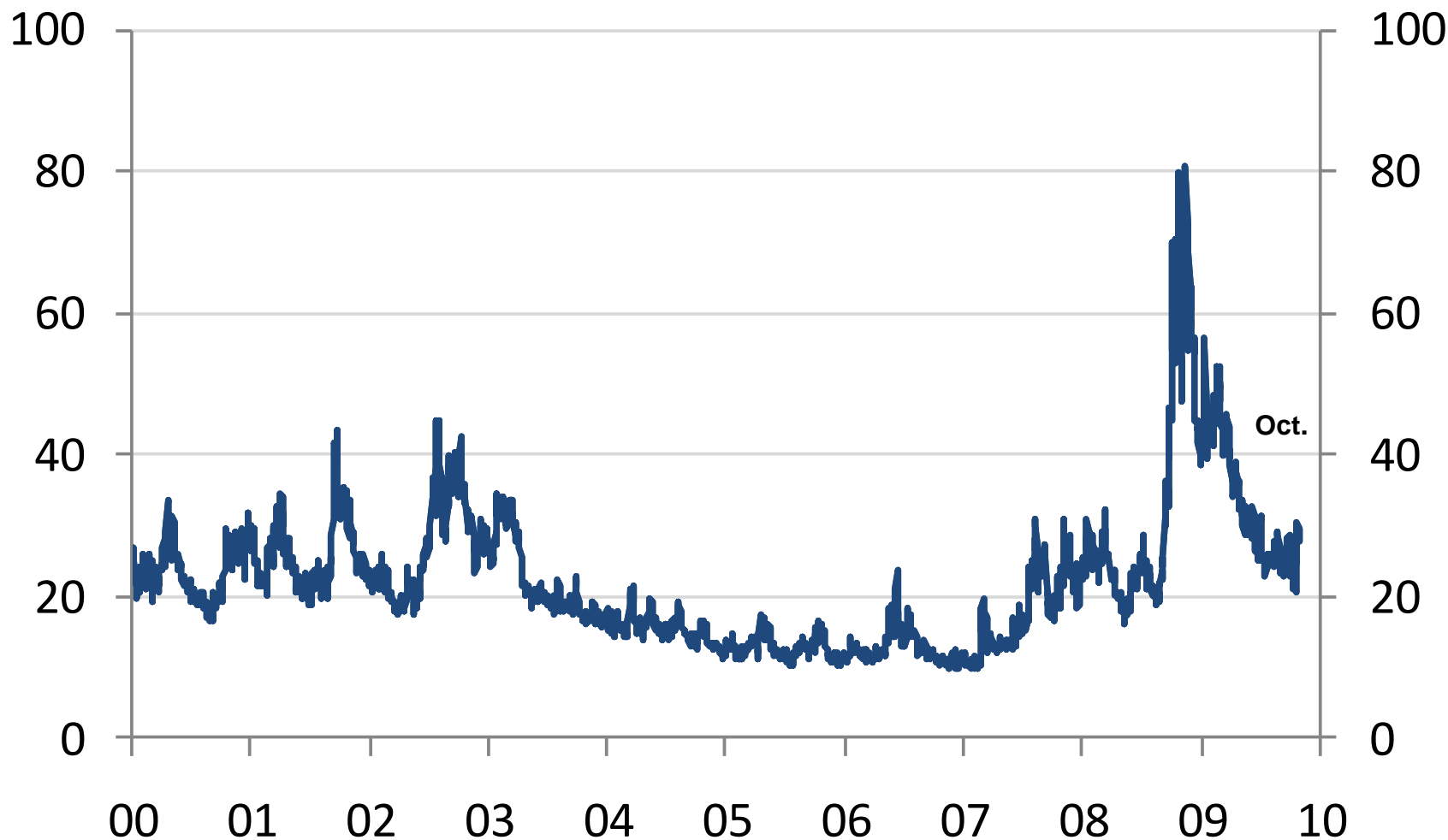
Percent

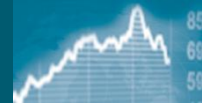




CBOE Volatility Index (VIX) – S&P 500

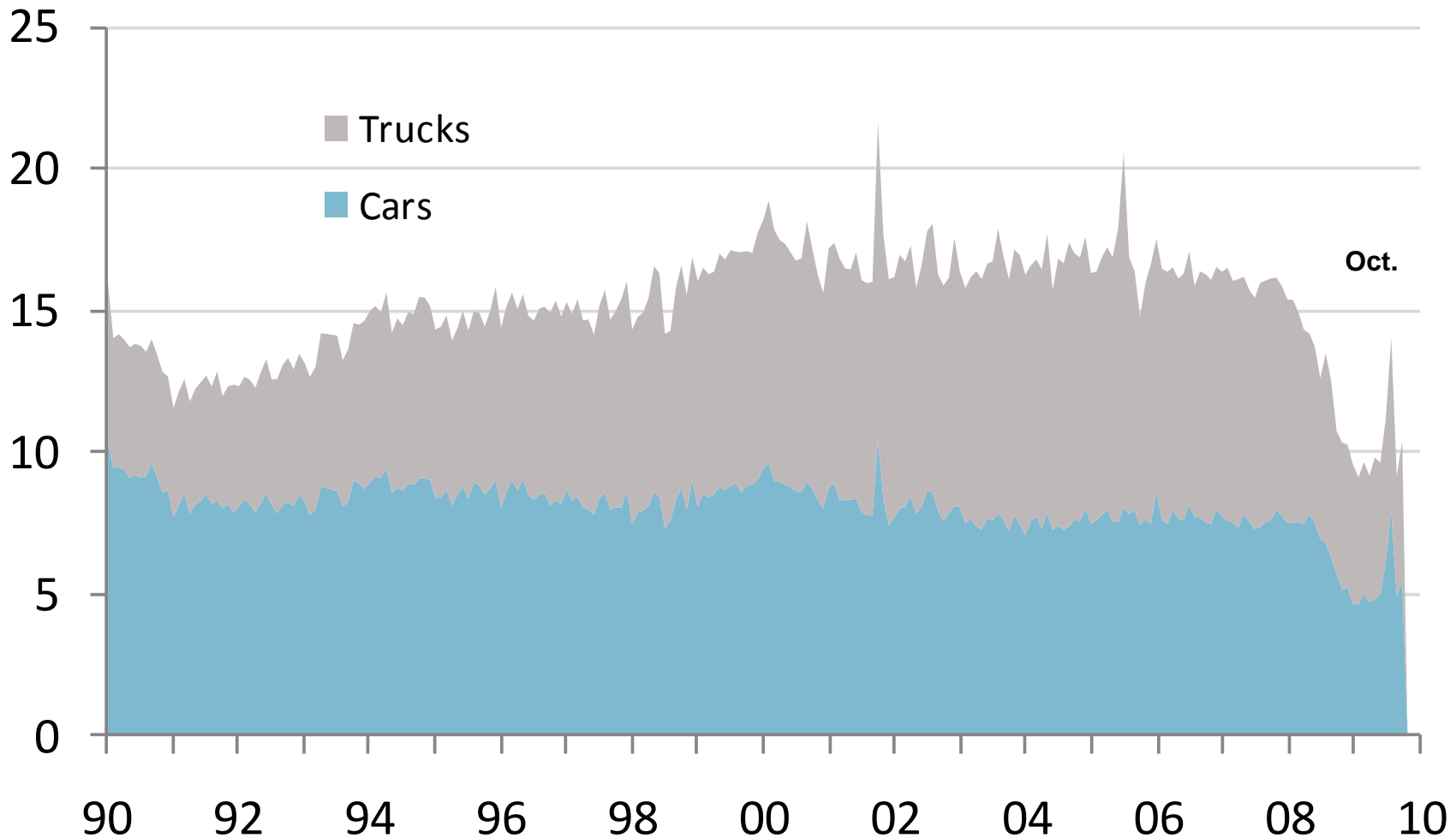
Index, level





Light Vehicle Sales

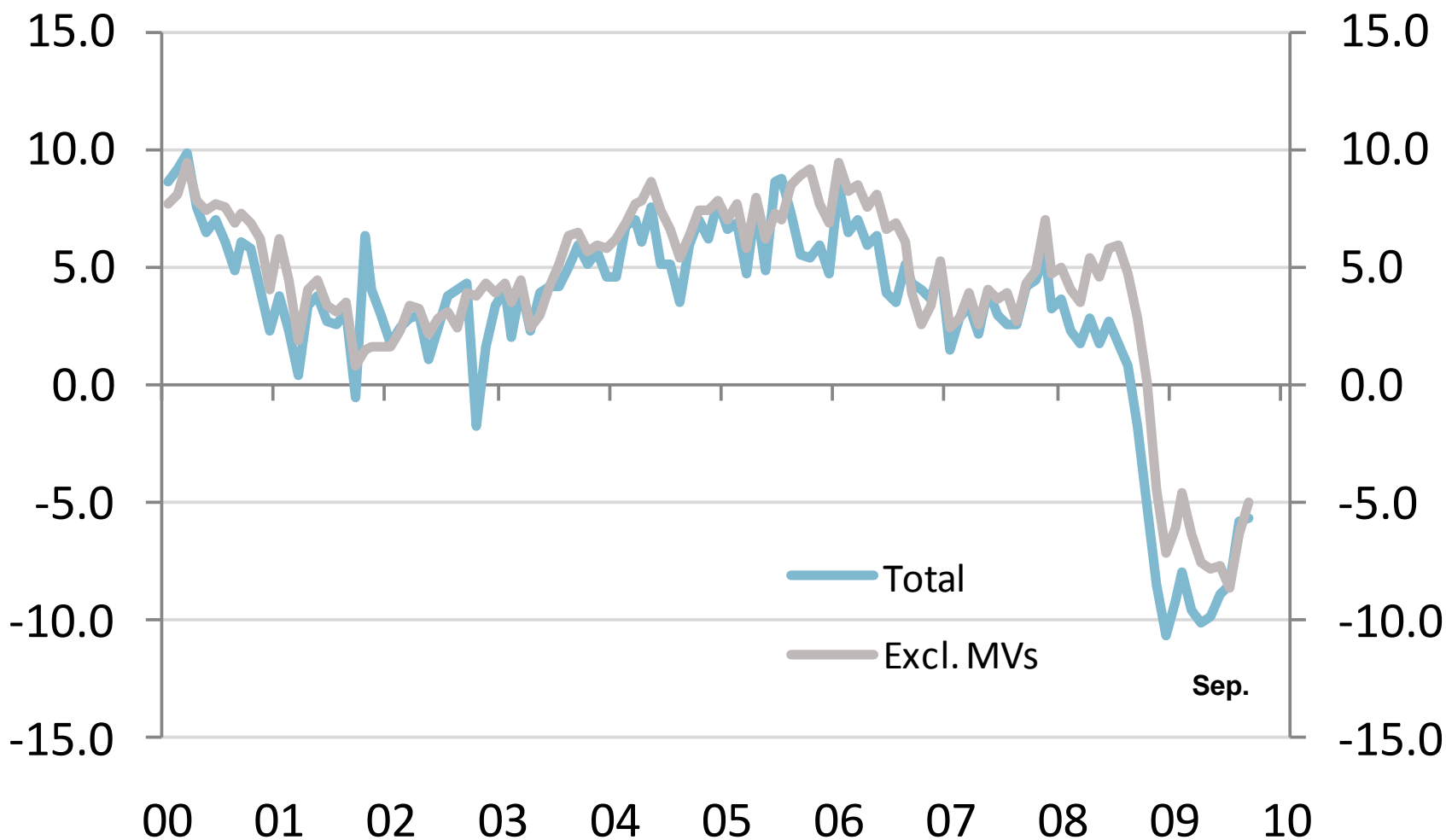
Millions of units (SAAR)





Retail Sales

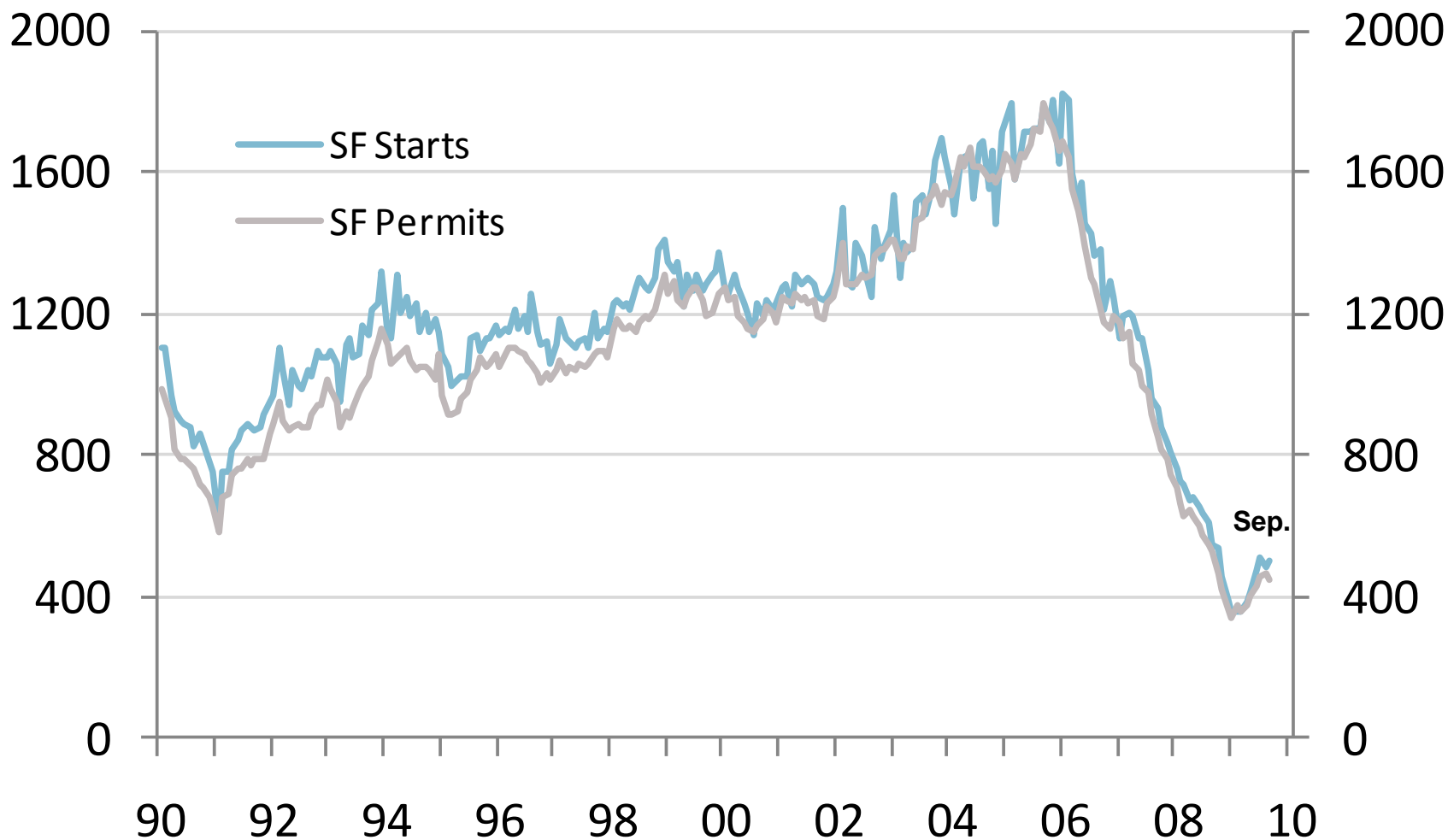
Percent change from same month a year earlier

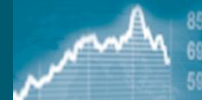




New Home Construction

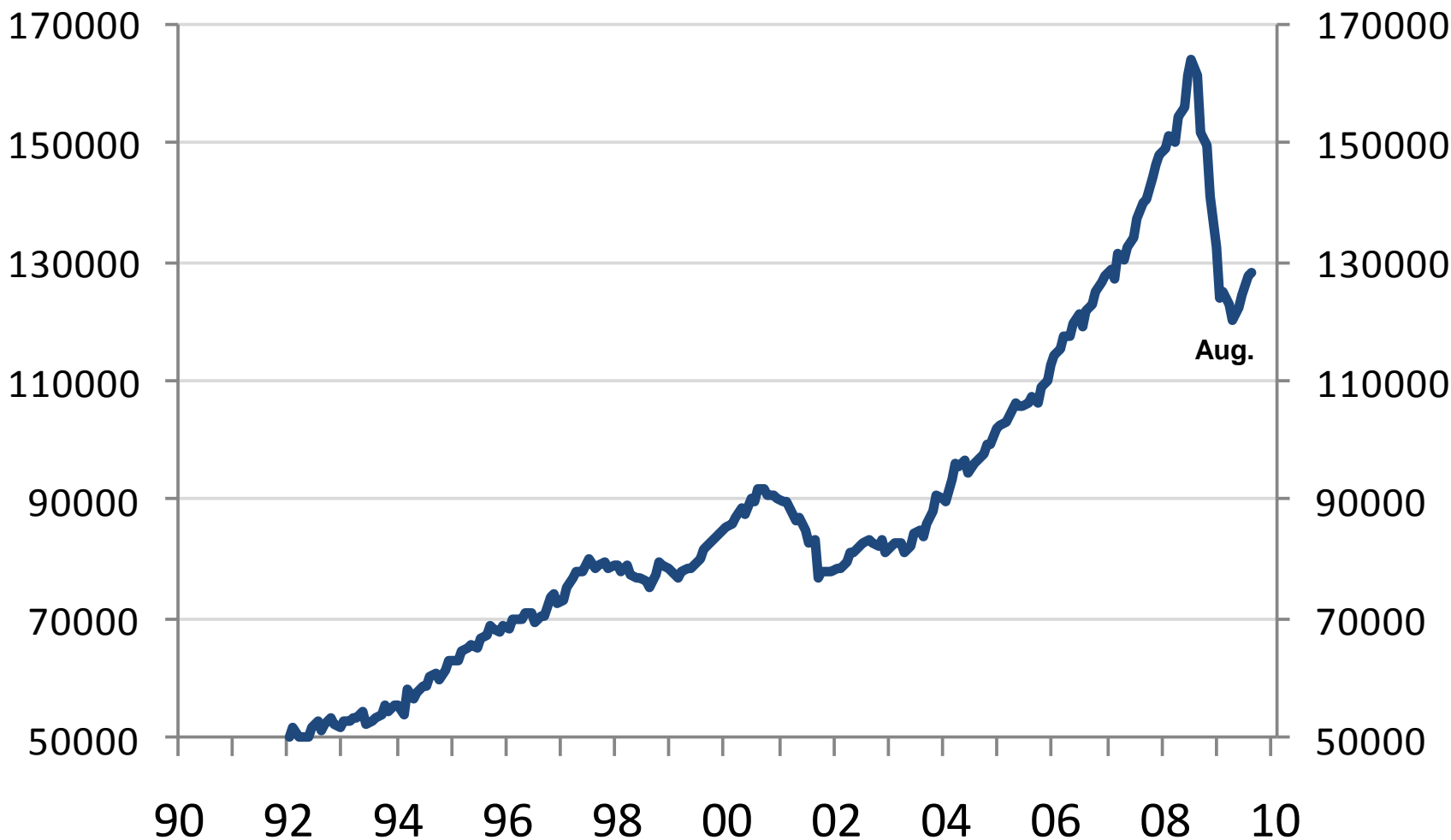
Thousands of Units (SAAR)

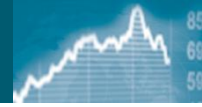




Exports

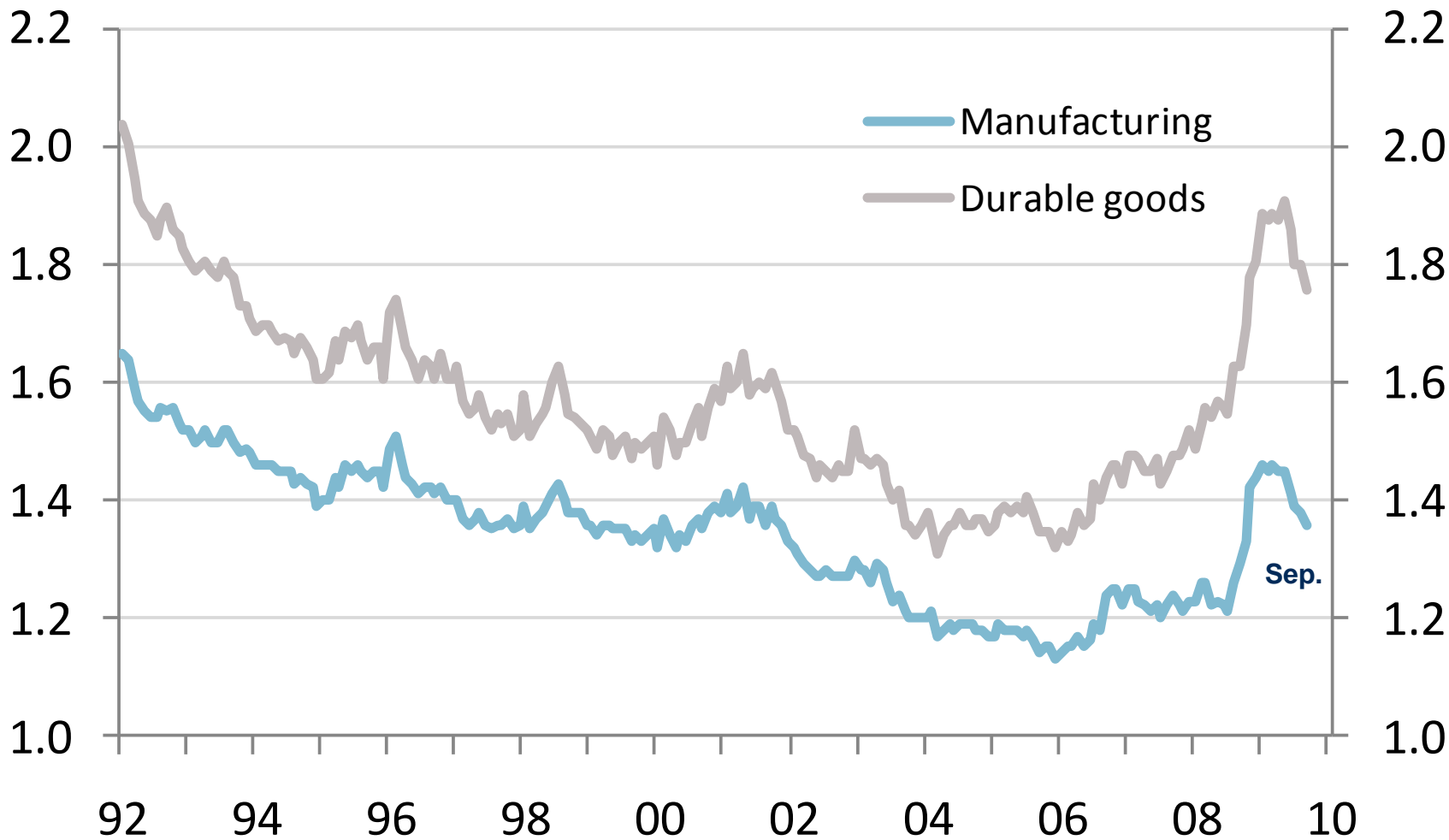
Millions of dollars (SA)





Manufacturing Inventories

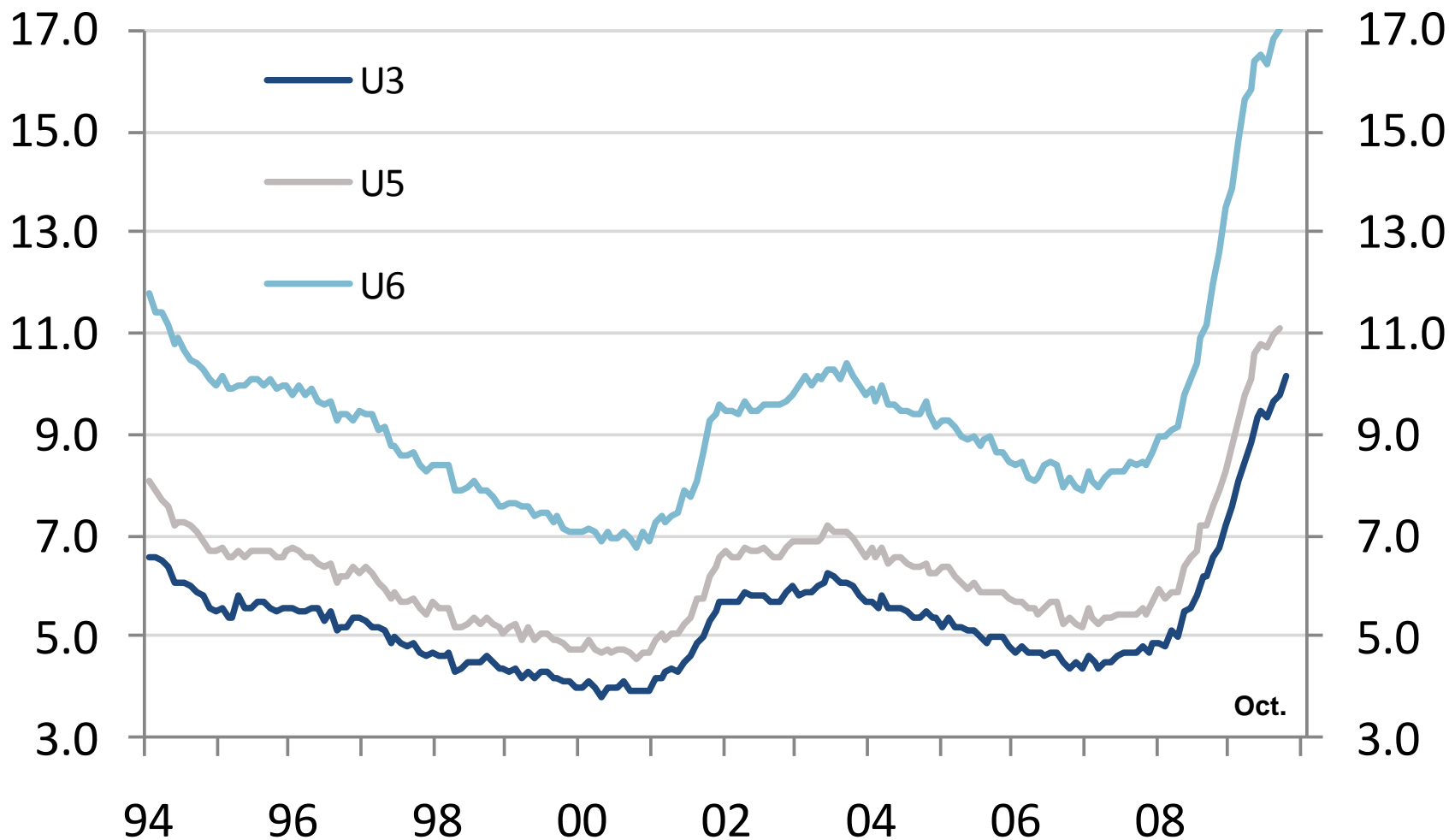
Ratio, inventories to shipments

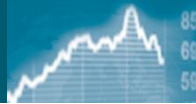




Alternative Measures of Unemployment

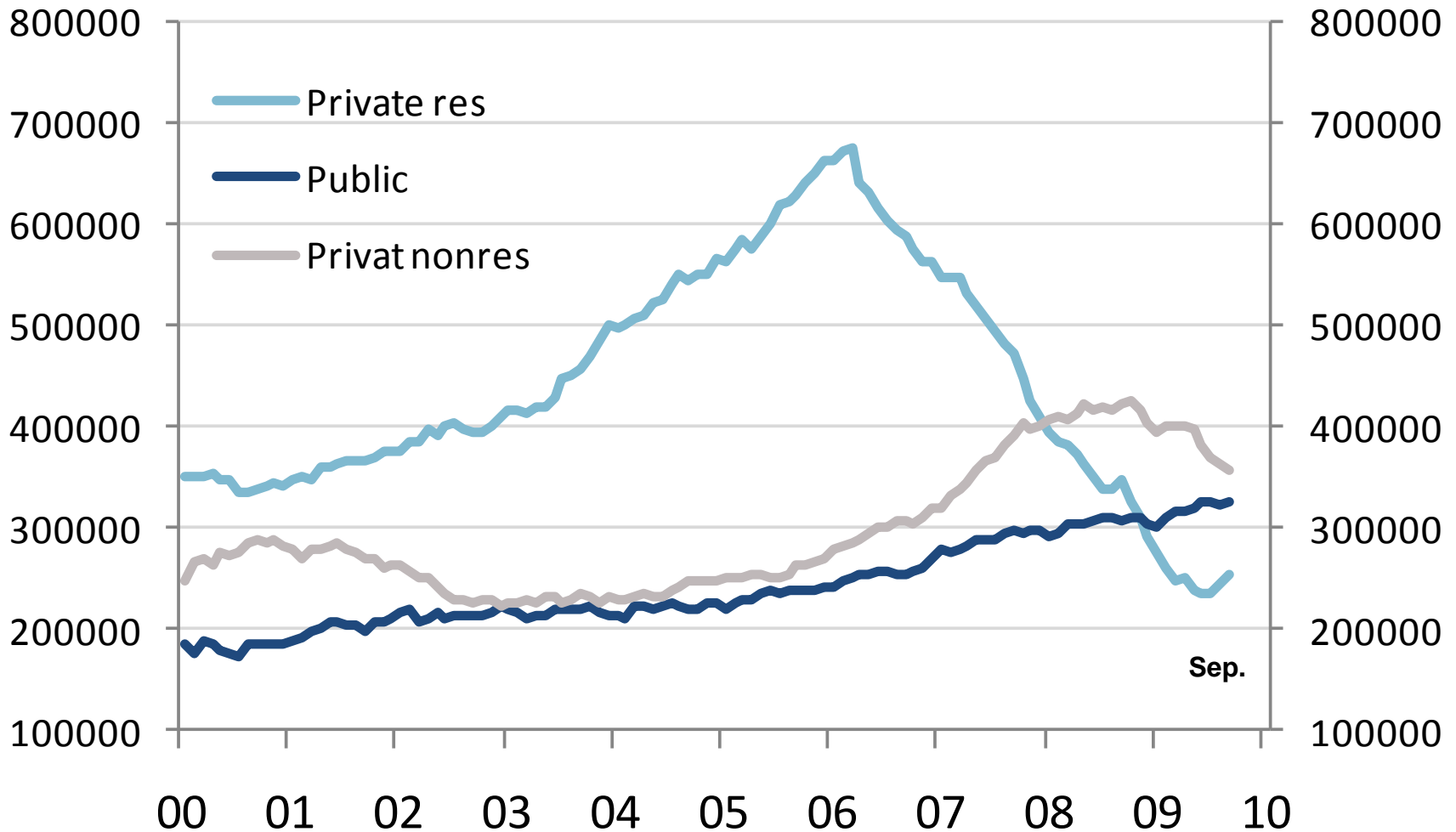
Percent





Nonresidential Construction

Millions of dollars (SAAR)





The Outlook

- Low trajectory climb out of the trough
 - Consumers constrained by rising joblessness, need to rebuild the balance sheet
 - Investment hindered by weak demand, capacity excesses, credit conditions
 - Global economy is weak, but improving
- What to look for:
 - Production to pick up, survey results, particularly PMIs
 - Banks start lending again (risk spreads, lending surveys)
 - Firms stop firing and start hiring (jobless claims)





Questions/Comments?



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