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

Change from previous month (Thousands)

Unemployment Rate (Right Scale)

Job Change (Left Scale)

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

Percent change from previous year

Jan-98 Jan-00 Jan-02 Jan-04 Jan-06 Jan-08

Source: OFHEO and Standard & Poor’s
The housing boom goes bust.

Home Starts, Sales and Inventories

Month’s supply

Index (Jan-00=100)

- Existing Home Sales (Right Scale)
- Housing Starts (Right Scale)

Month’s Supply of New Homes
(Left Scale)

Source: Dept. of Commerce, National Association of Realtors
Financial markets remain fragile.
Financial market stress remains elevated.

LIBOR-OIS Spread

Source: Federal Reserve Board of Governors
Leverage is one of the root causes.
The Fed has acted aggressively.

Fed Funds Rate and Federal Reserve Assets

Billion Dollars

Jan-07 Mar-07 May-07 Aug-07 Oct-07 Dec-07 Mar-08 May-08 Jul-08 Oct-08

Percent

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

Annual percent change

Jan-90 Jan-93 Jan-96 Jan-99 Jan-02 Jan-05 Jan-08

CPI
Core CPI: Less Food and Energy

Source: Department of Commerce
Changes are concentrated in energy goods.

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<thead>
<tr>
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<tbody>
<tr>
<td>Housing</td>
<td>42.4</td>
<td>0.3%</td>
<td>-0.4%</td>
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<tr>
<td>Shelter</td>
<td>32.5</td>
<td>0.2%</td>
<td>-0.06%</td>
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<td>Heating Oil</td>
<td>4.7</td>
<td>1.6%</td>
<td>-19.9%</td>
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<tr>
<td>Gas and Electric</td>
<td>5.1</td>
<td>1.5%</td>
<td>-3.3%</td>
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<tr>
<td>Transportation</td>
<td>17.7</td>
<td>0.8%</td>
<td>-12.7%</td>
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<tr>
<td>Motor Vehicles</td>
<td>7.2</td>
<td>-0.3%</td>
<td>-0.5%</td>
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<tr>
<td>Motor Fuel</td>
<td>5.5</td>
<td>2.4%</td>
<td>-108.0%</td>
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Source: Bureau of Labor Statistics
# Length of U.S. Recessions

<table>
<thead>
<tr>
<th>Start</th>
<th>End</th>
<th>Length (Months)</th>
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<tbody>
<tr>
<td>Nov. 1973</td>
<td>Mar. 1975</td>
<td>16</td>
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<tr>
<td>Jul. 1981</td>
<td>Nov. 1982</td>
<td>16</td>
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<tr>
<td>Mar. 2001</td>
<td>Nov. 2001</td>
<td>8</td>
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Average since World War II: 10

Source: NBER
Aggregate demand will need to rebound.

U.S. Monthly Retail and Food Sales

Billion dollars

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?