

The Shape of the Coming Recovery

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The Great Recession is Over

Recessions since World War II

Peak	Trough	Duration in Months		Peak-to-Trough % Change			Jobless Rate		
		Recession Peak to Trough	Expansion Trough to Peak	Real GDP	Industrial Production	Nonfarm Employment	Low	High	Change
December 2007	August 2009	20	73	-3.9%	-19.2%	-5.5%	4.4%	10.1%	5.7%
March 2001	November 2001	8	120	-0.4%	-6.3%	-2.0%	3.8%	6.3%	2.5%
July 1990	March 1991	8	92	-1.3%	-4.3%	-1.5%	5.0%	7.8%	2.8%
July 1981	November 1982	16	12	-2.9%	-9.5%	-3.1%	7.2%	10.8%	3.6%
January 1980	July 1980	6	58	-2.2%	-6.2%	-1.3%	5.6%	7.8%	2.2%
November 1973	March 1975	16	36	-3.1%	-14.8%	-2.7%	4.6%	9.0%	4.4%
December 1969	November 1970	11	106	-1.0%	-5.8%	-1.4%	3.4%	6.1%	2.7%
April 1960	February 1961	10	24	-1.3%	-6.2%	-2.3%	4.8%	7.1%	2.3%
August 1957	April 1958	8	39	-3.8%	-12.7%	-4.4%	3.7%	7.5%	3.8%
July 1953	May 1954	10	45	-2.7%	-9.0%	-3.3%	2.5%	6.1%	3.6%
November 1948	October 1949	11	37	-1.7%	-8.6%	-5.1%	3.4%	7.9%	4.5%
Average		10	57	-2.0%	-8.3%	-2.7%	4.4%	7.6%	3.2%

Sources: NBER, BEA, FRB, BLS, Moody's Economy.com

Policymakers Stabilize the Banking System...

Difference between 3 month Libor and Treasury bill yields

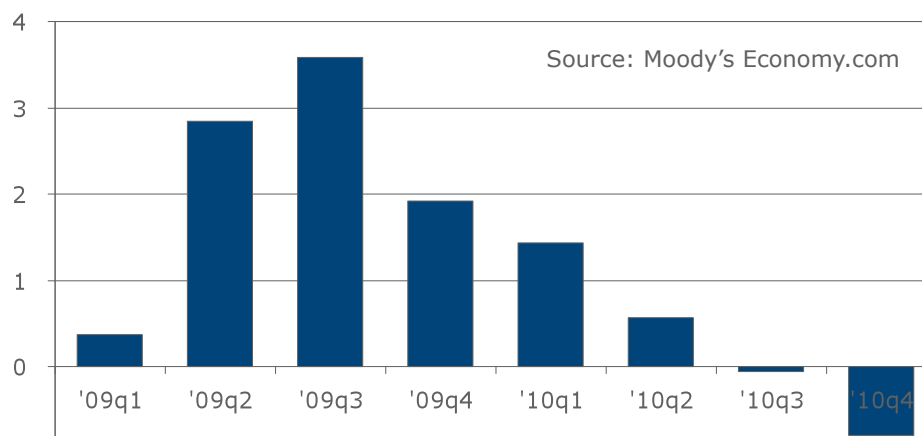


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...and Fiscal Stimulus Provides a Meaningful Boost

Contribution to real GDP growth, percentage points



Source: Moody's Economy.com

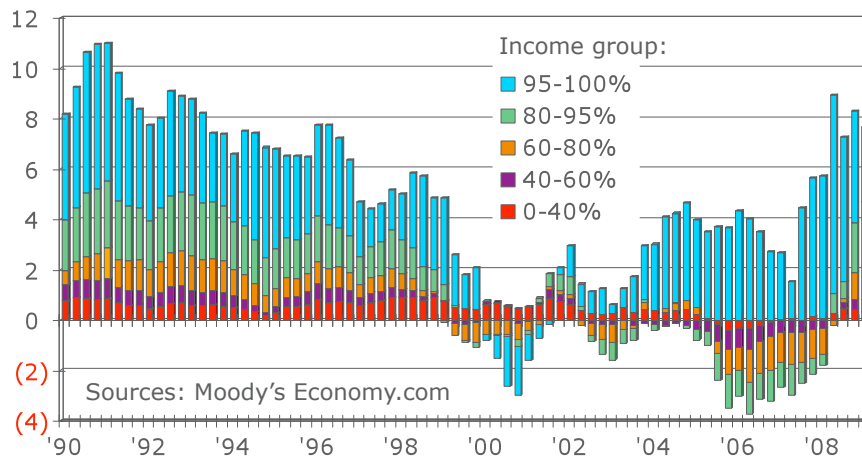
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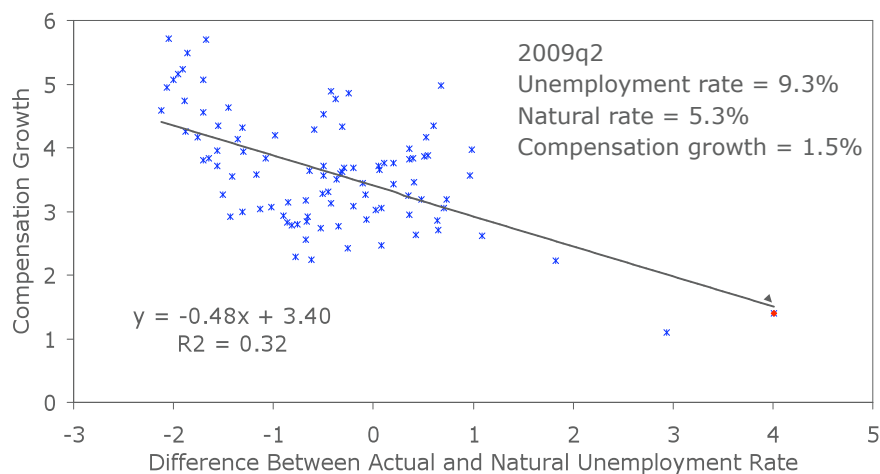
Consumers Have Made a Big Adjustment

Contribution to personal saving rate, percentage points



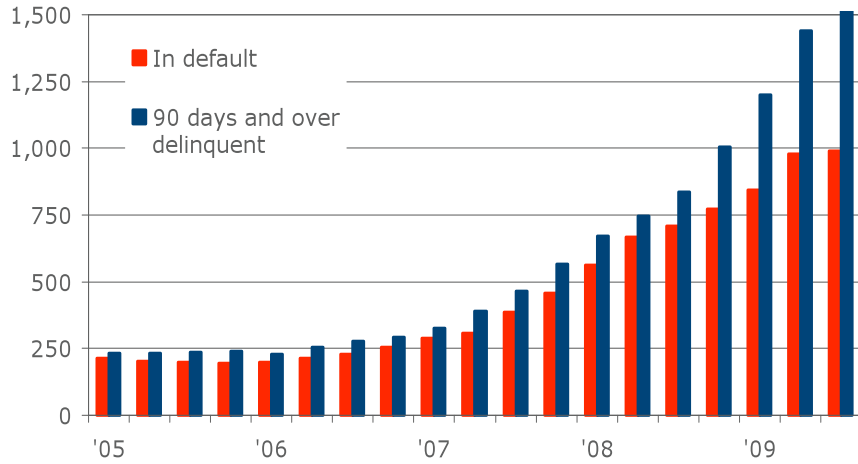
Nominal Wages Threaten to Decline

1985q1 – 2009q2, Source: BLS



No Let Up In the Foreclosure Crisis...

Thousands, Sources: Equifax, Moody's Economy.com

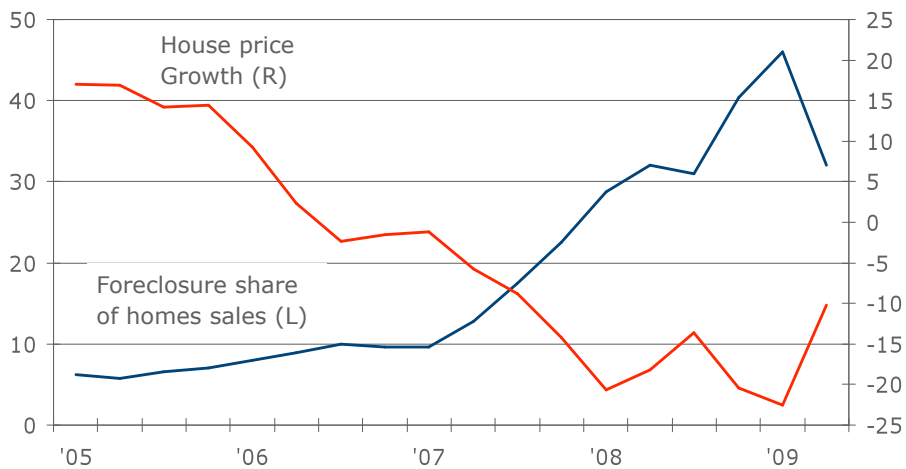


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...Signaling More House Price Declines Ahead

Sources: Fiserv Case Shiller, Equifax, Moody's Economy.com

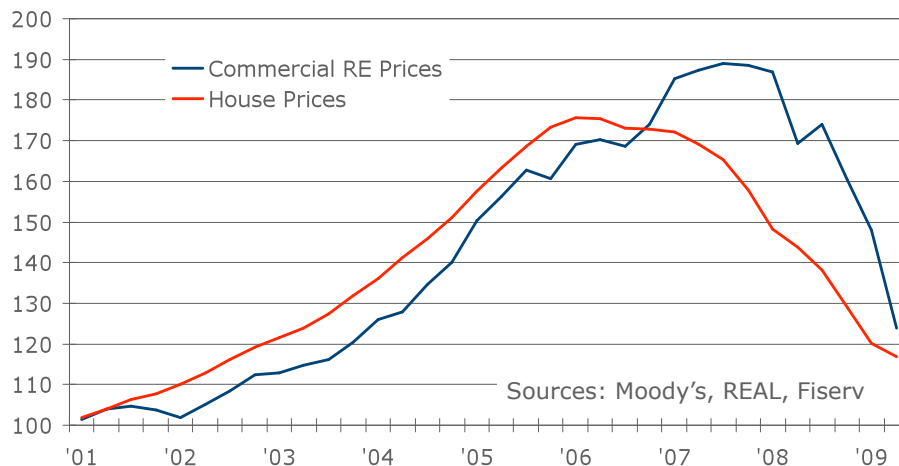


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Commercial RE Under Severe Pressure

Repeat Sales Indices: 2000q4 = 100

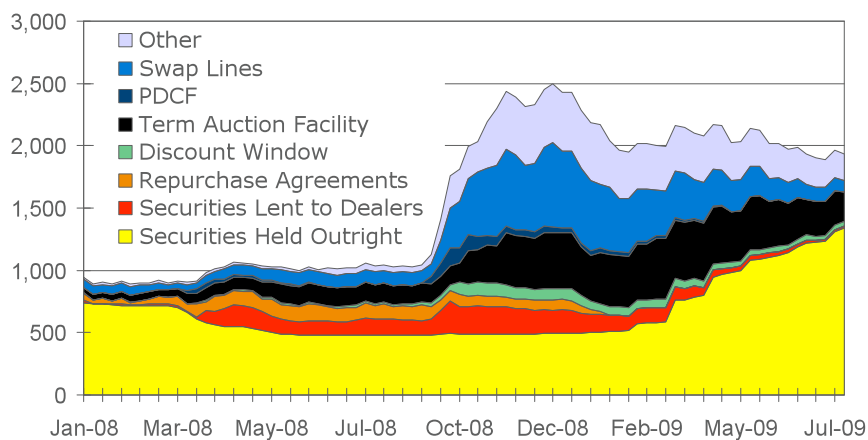


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No Quick Exit For the Fed...

Federal Reserve's balance sheet, \$ bil



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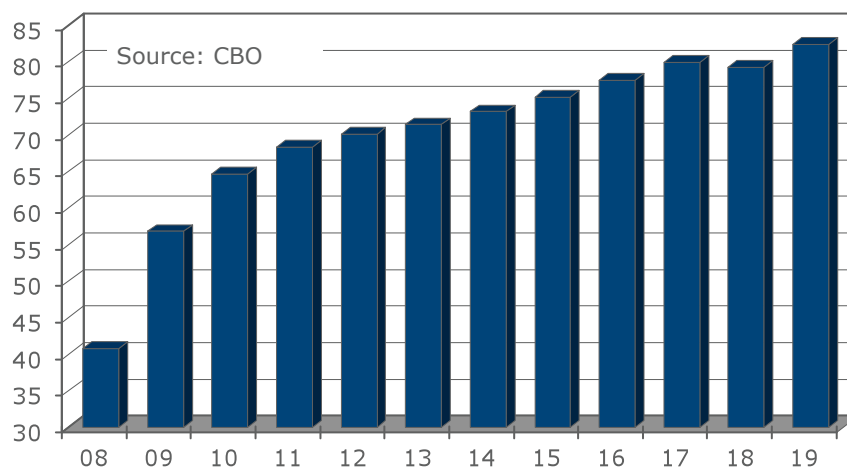
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...and More Fiscal Stimulus May Be Needed

- More aid to unemployed workers and financially stressed state and local governments. Unemployment insurance with work share and worker re-training.
- Extend higher conforming loan limits and extend and expand the housing tax credit, accelerated depreciation, and NOL carryback.
- Mortgage loan modifications with principal writedown; personal bankruptcy reform.
- Direct lending to small businesses by the SBA.
- Safe harbor for commercial real estate servicers and direct commercial RE lending.

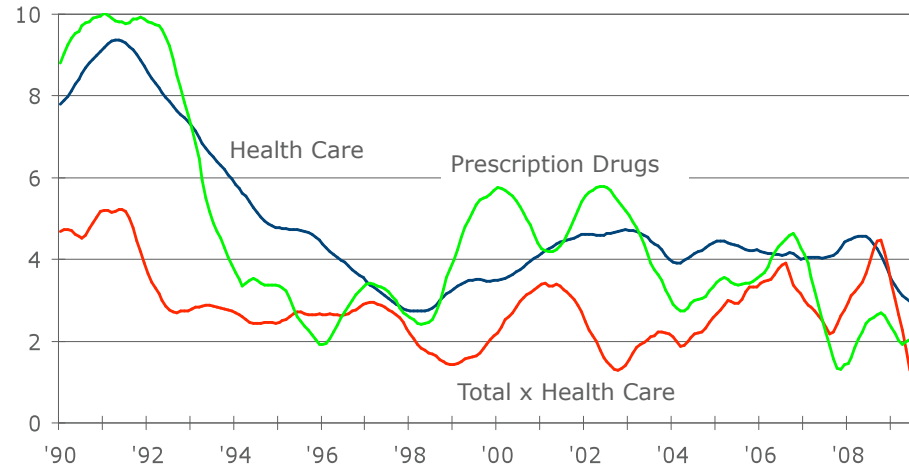
A Looming Fiscal Crisis...

Federal debt to GDP ratio under the President's budget



...Unless Health Care Reform Bends the Cost Curve

Consumer price inflation, 12-month MA, % change year ago



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