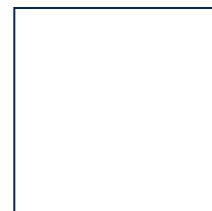
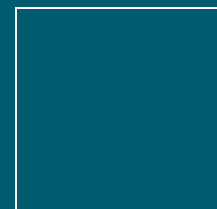
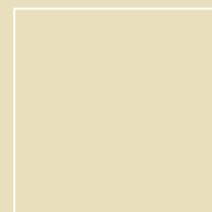


Impacts of the Financial Crises on the Economy and the Region

Richard Kaglic

October 20, 2009



THE FEDERAL RESERVE BANK OF RICHMOND

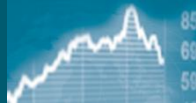
RICHMOND ■ BALTIMORE ■ CHARLOTTE



Key Points on the Economy

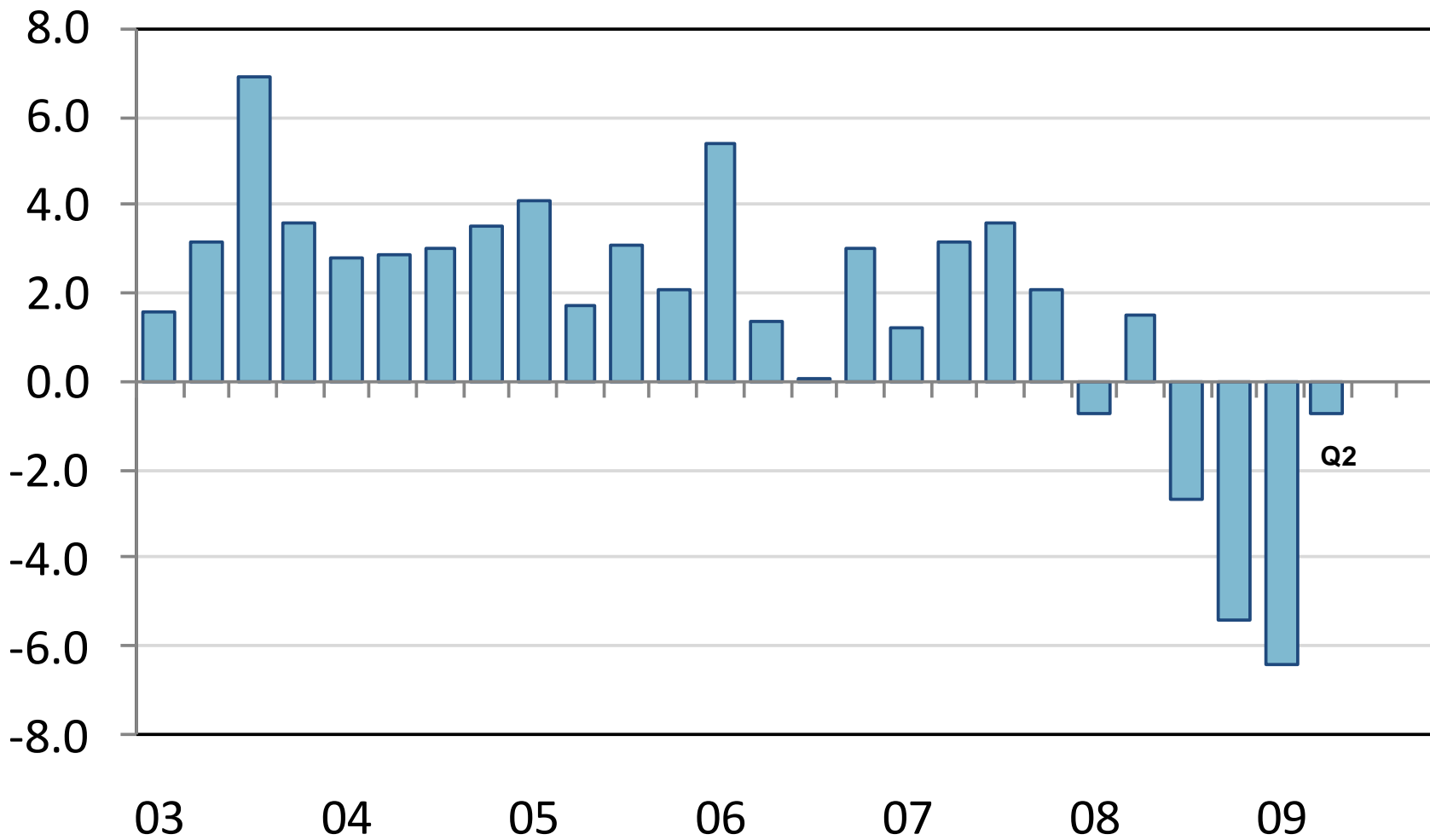
- Indicators suggest some leveling in economy at weak level
 - Financial markets have improved
 - Bottoming in key industry segments
 - Global economy
- Outlook calls for extended period of weakness
 - Low trajectory climb out of the trough
 - Weak labor markets will limit household spending growth
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

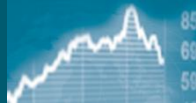




Real Gross Domestic Product

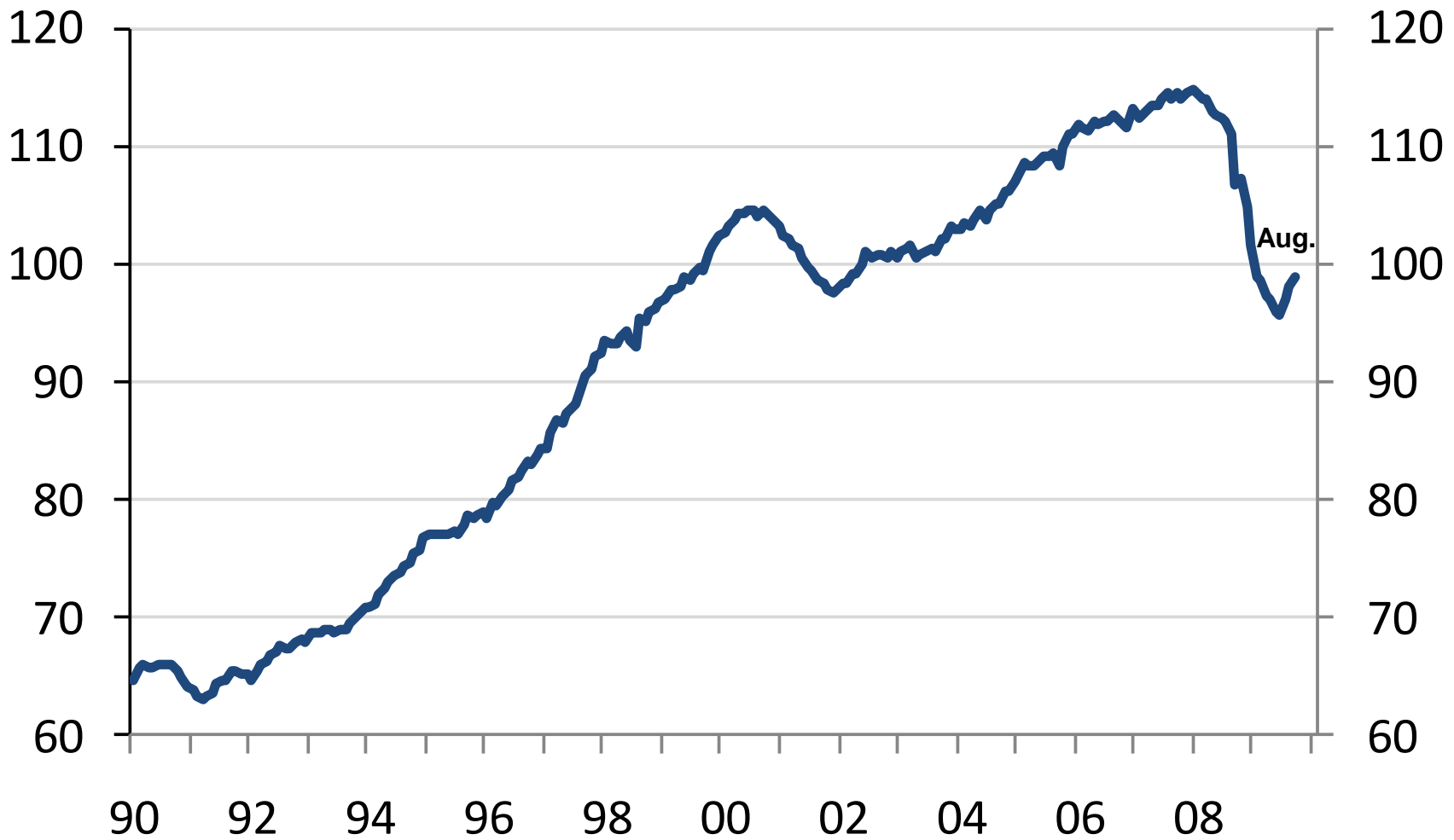
Percent change from previous quarter (SAAR)

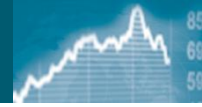




Industrial Production Index: Manufacturing

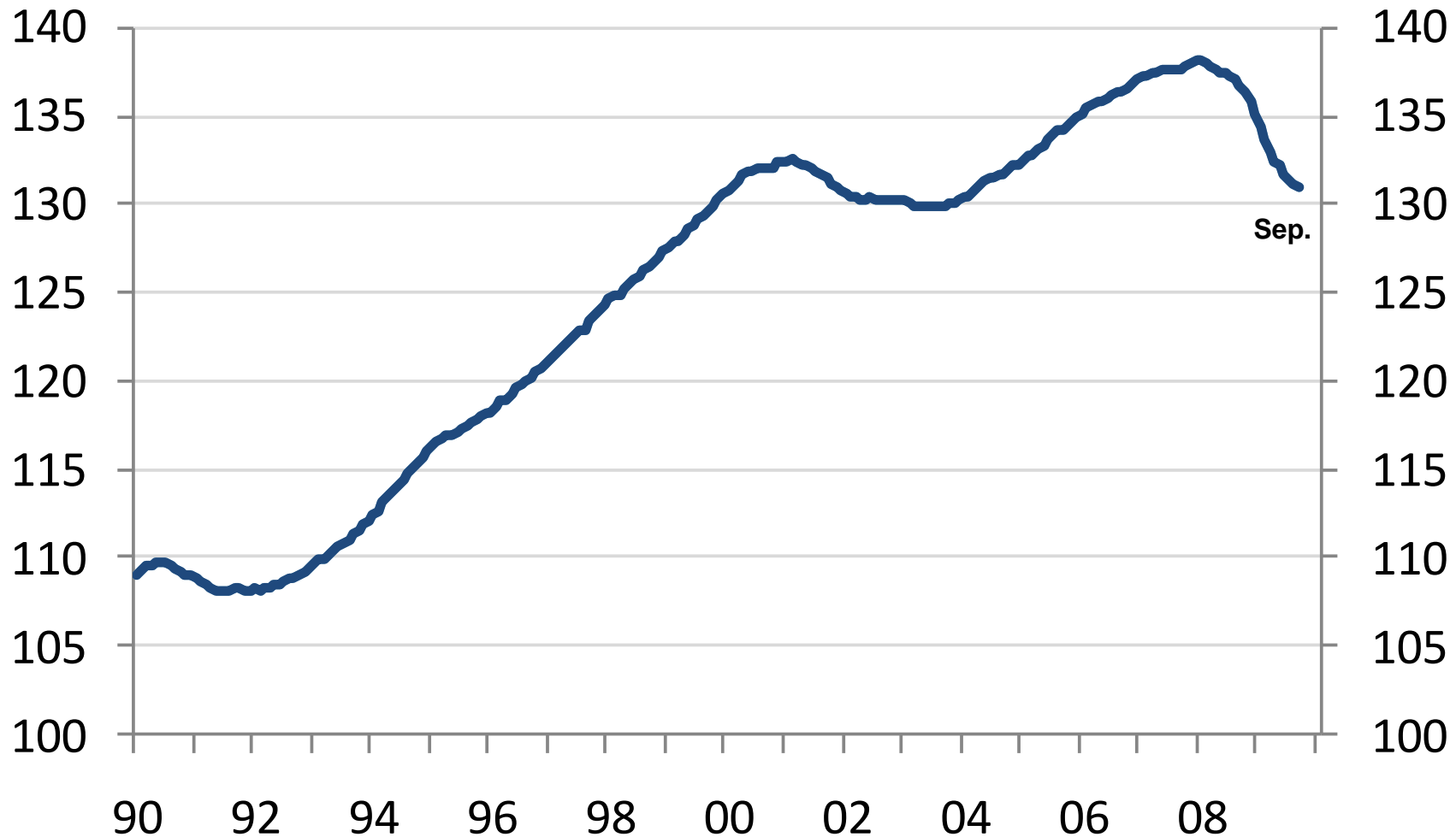
2002 = 100





Total Nonfarm Payroll employment

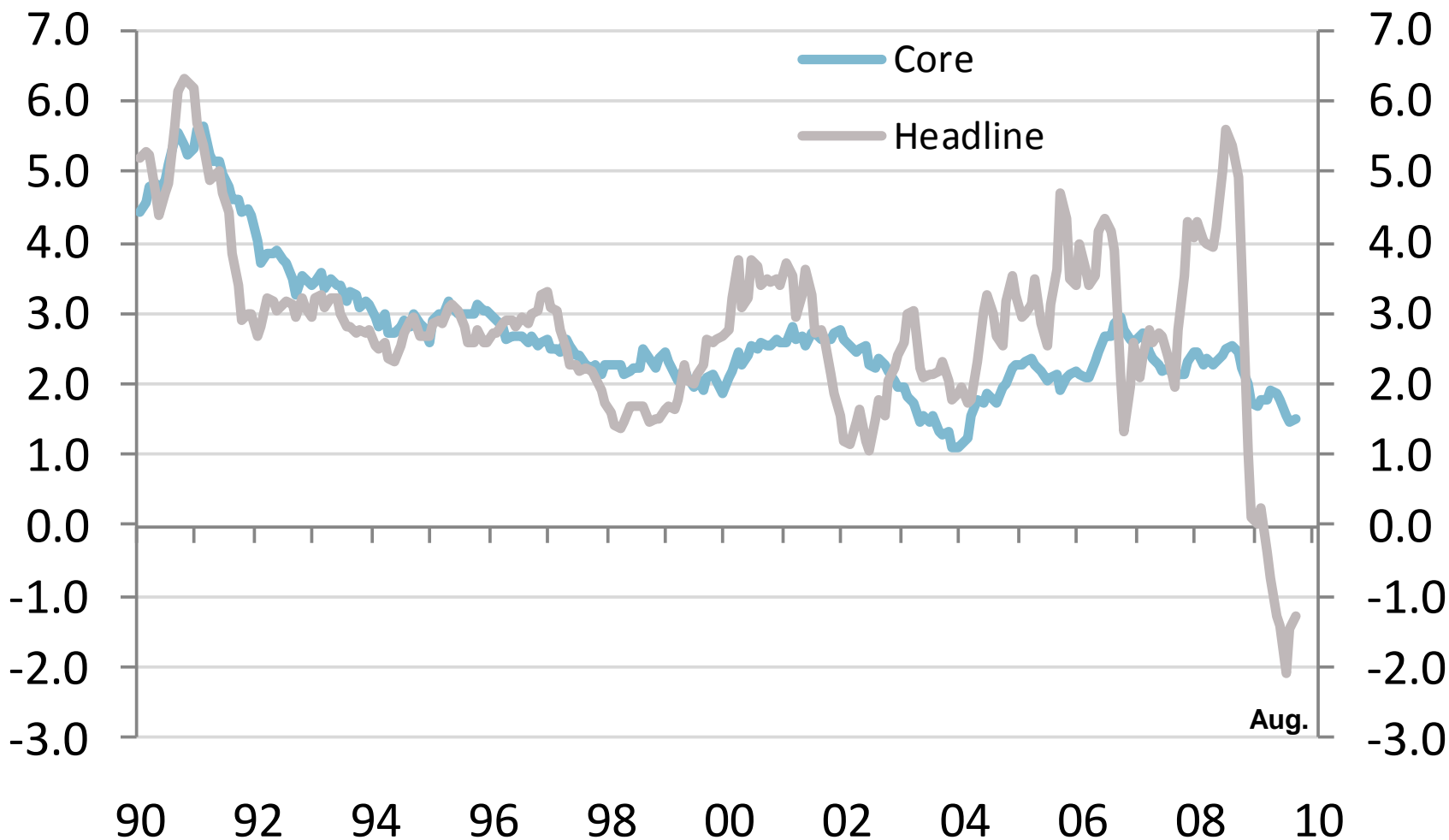
Millions





Consumer Price Indexes

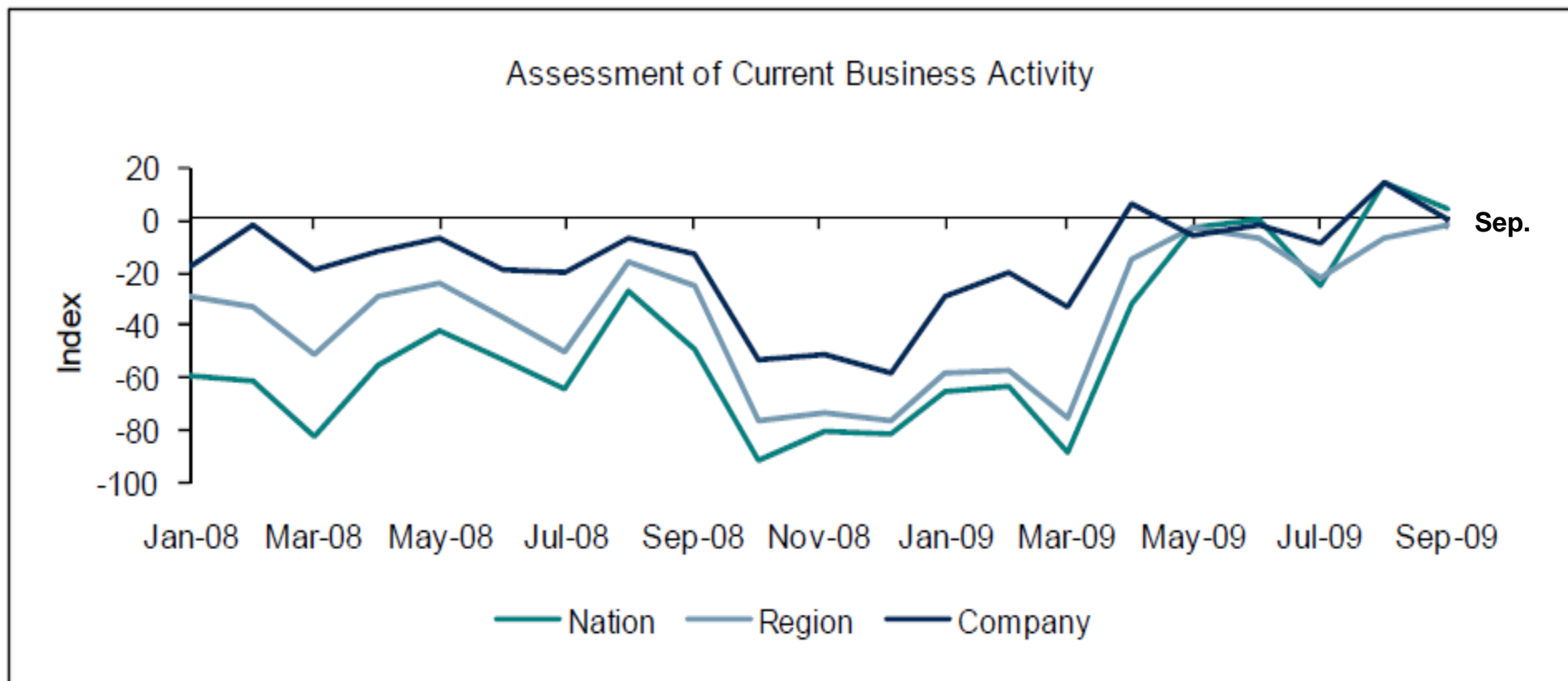
Percent change from same month a year earlier

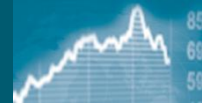




Carolinas Business Activity Index -- Current

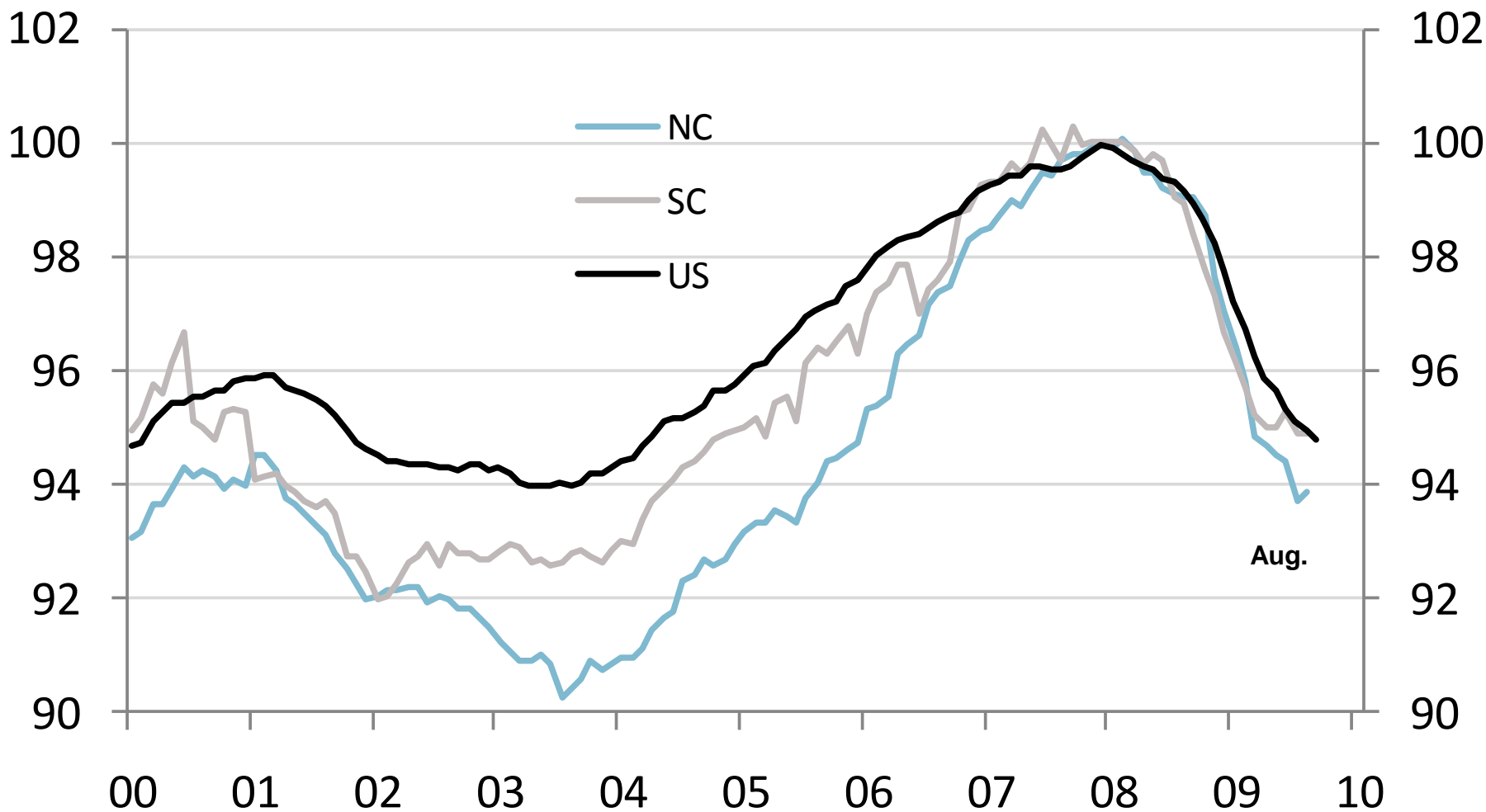
Index > 0 suggests expansion, index < 0 suggests contraction





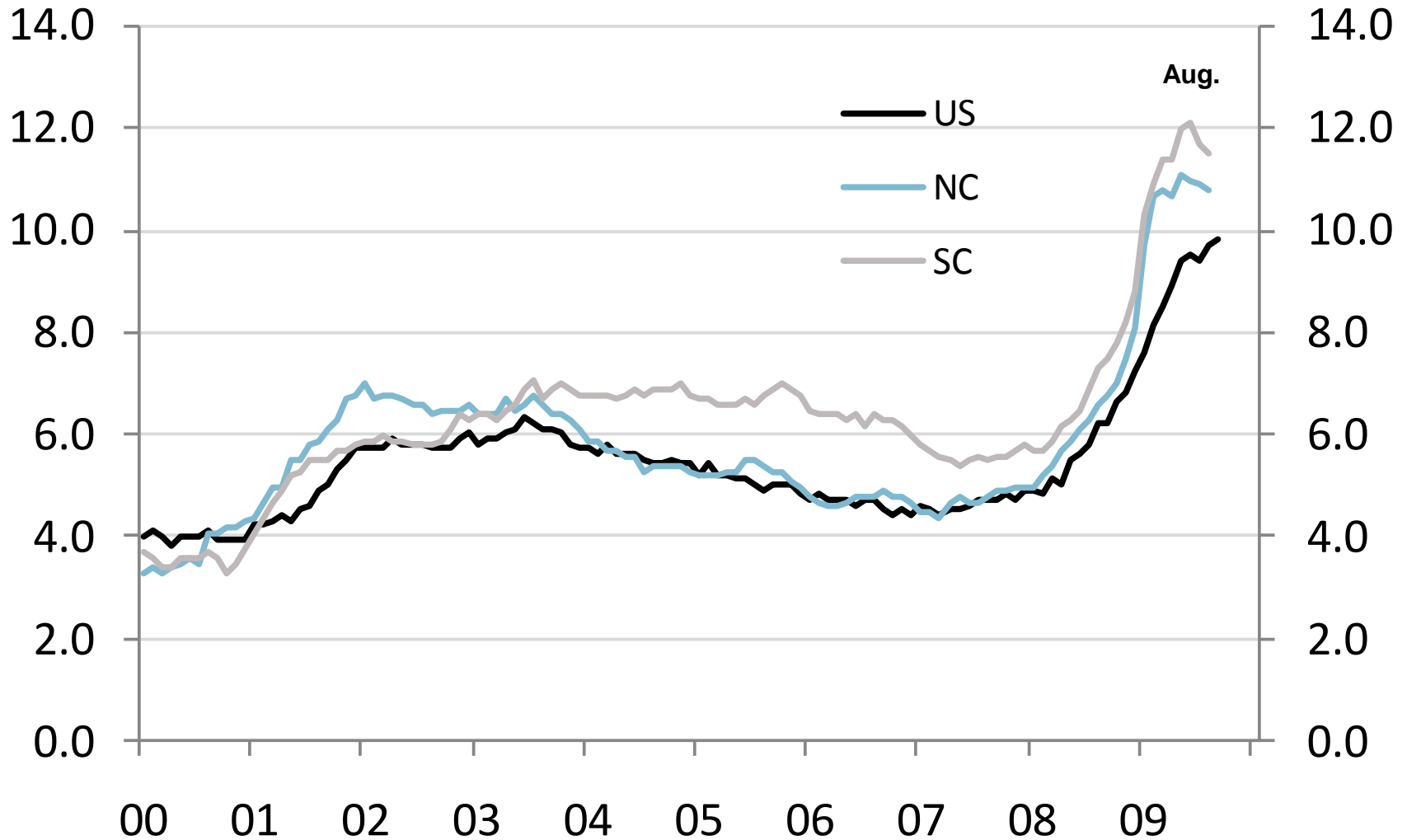
Payroll Employment

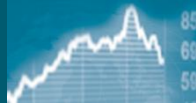
Index, December 2007 = 100



Unemployment Rates

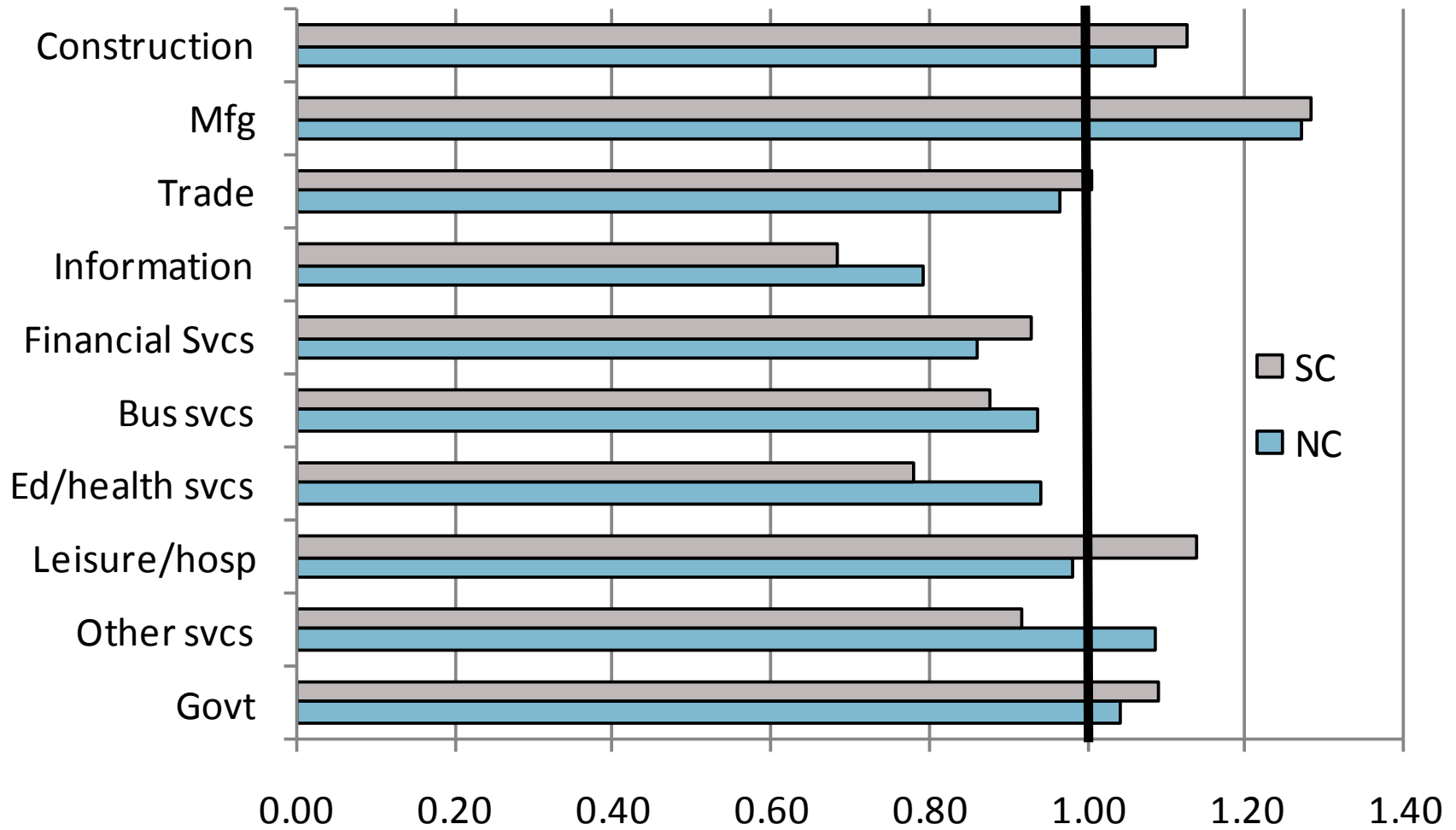
Percent





Employment Concentration

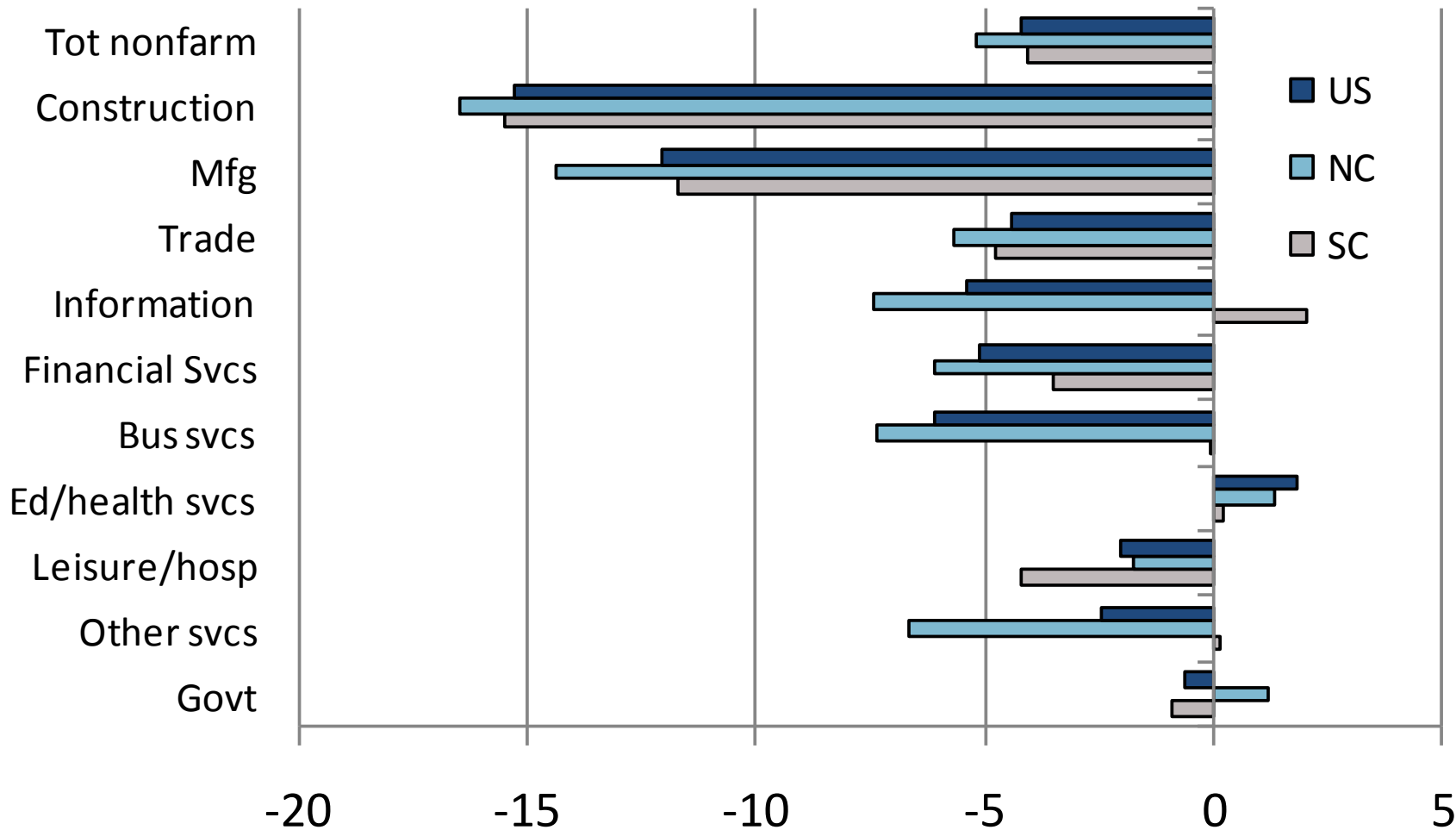
Location Quotients, U.S. average = 1.0





Payroll Employment Growth

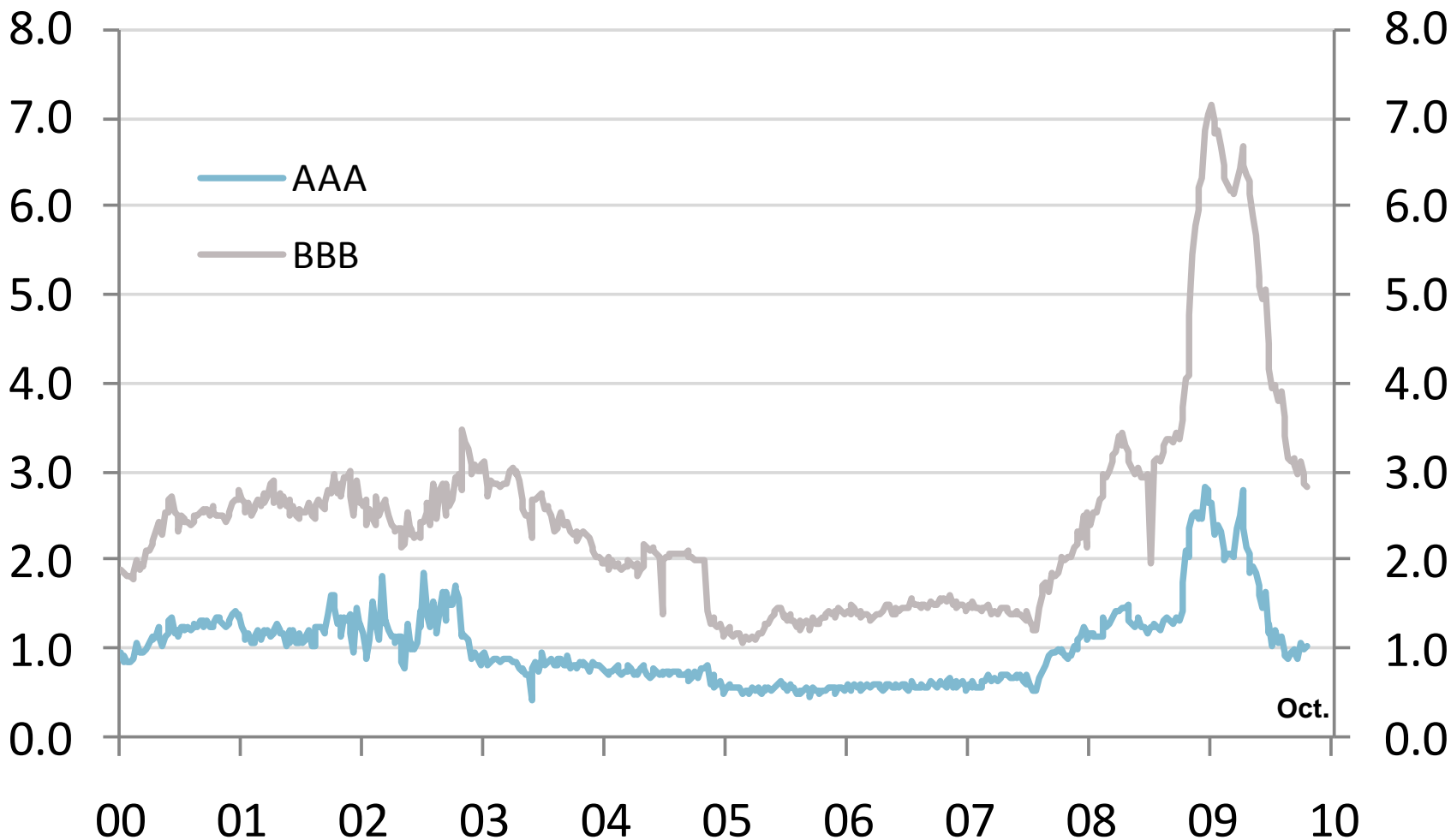
Percent change from same month one year earlier

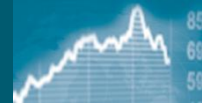




Corporate Risk Premia

Percent





S&P 500 Stock Price Index

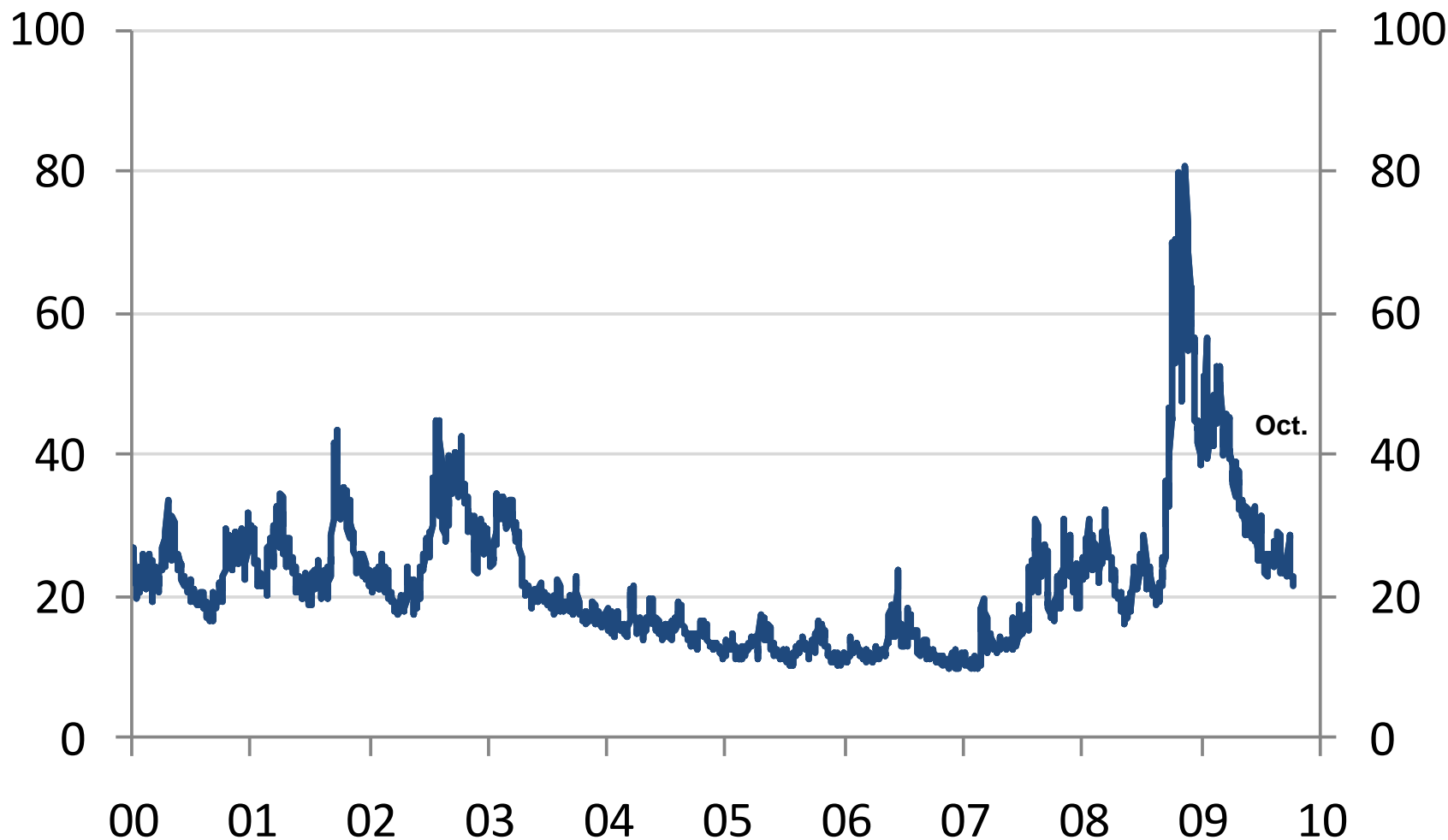
Index, 1941-43=10

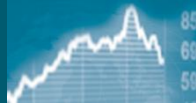




CBOE Volatility Index (VIX) – S&P 500

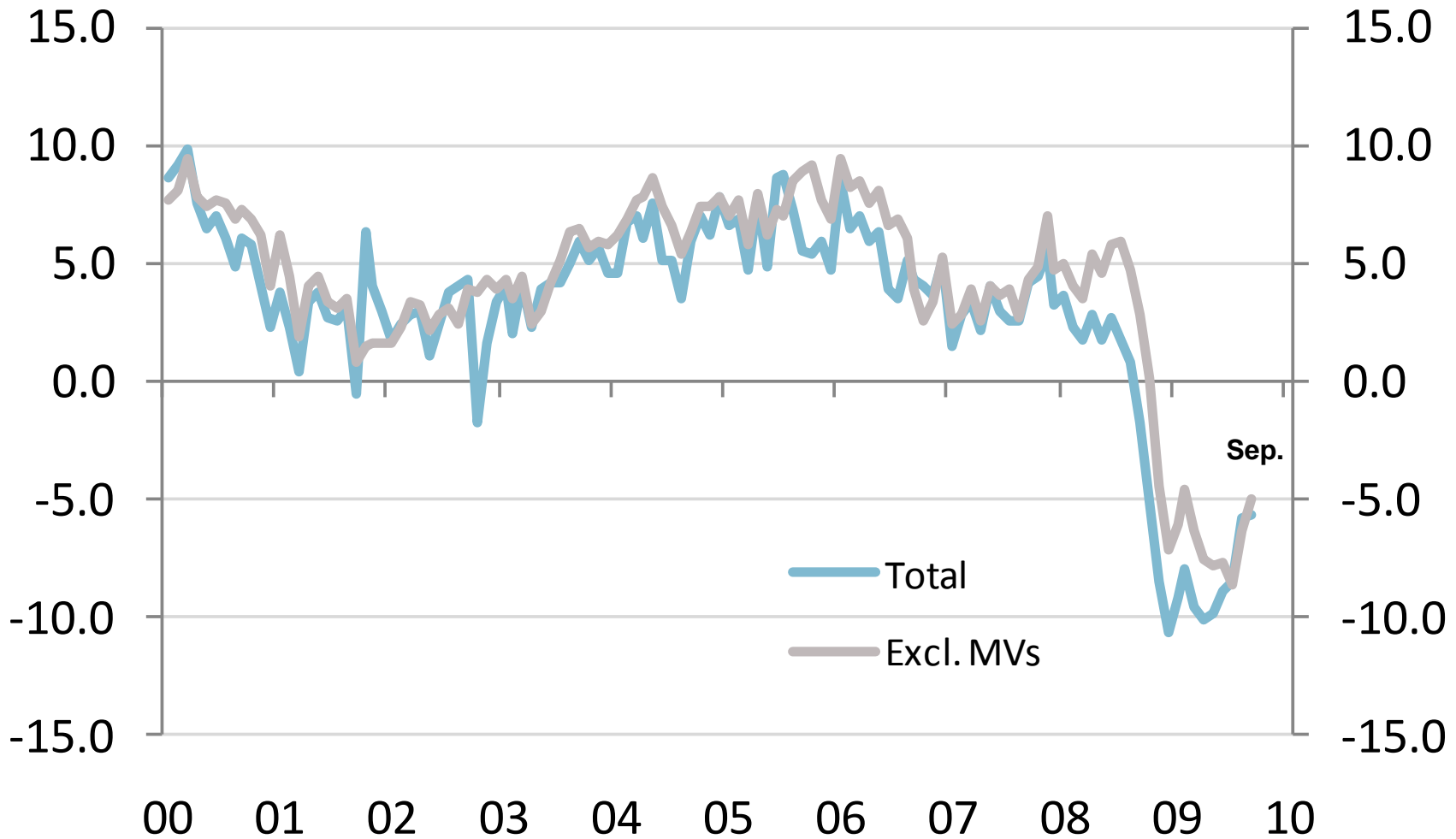
Index, level

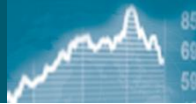




Retail Sales

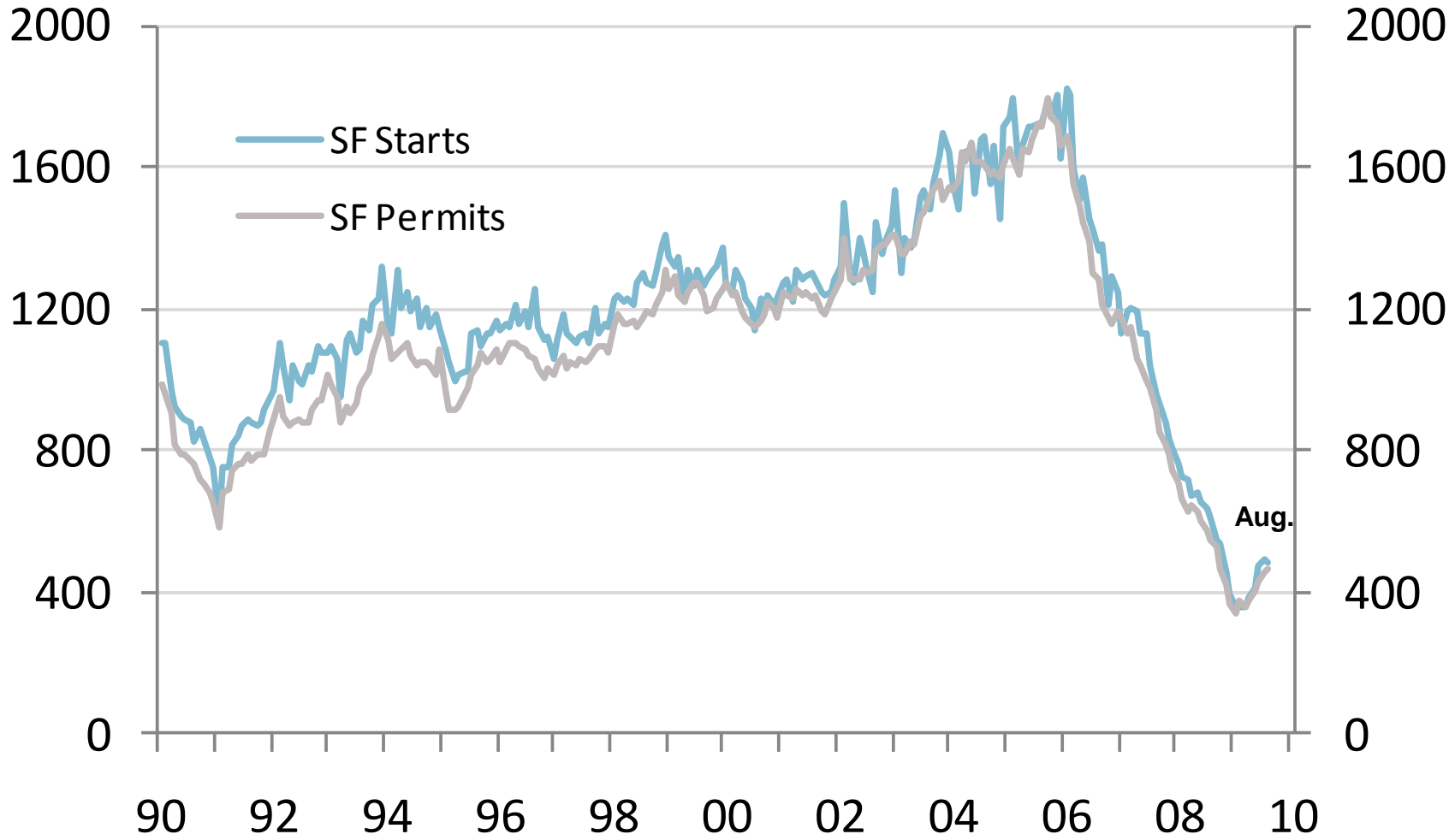
Percent change from same month a year earlier





New Home Construction

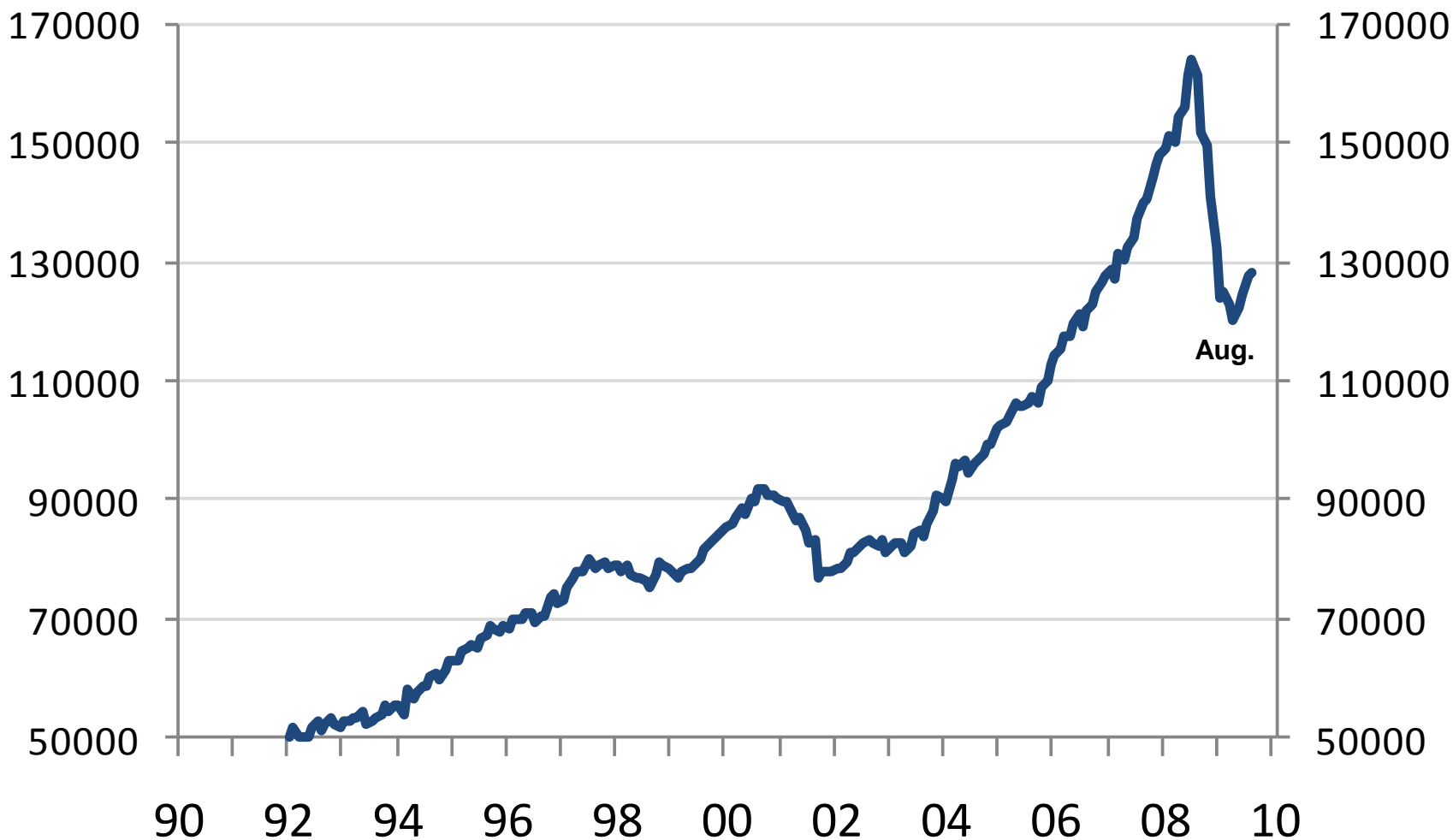
Thousands of Units (SAAR)

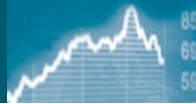




Exports

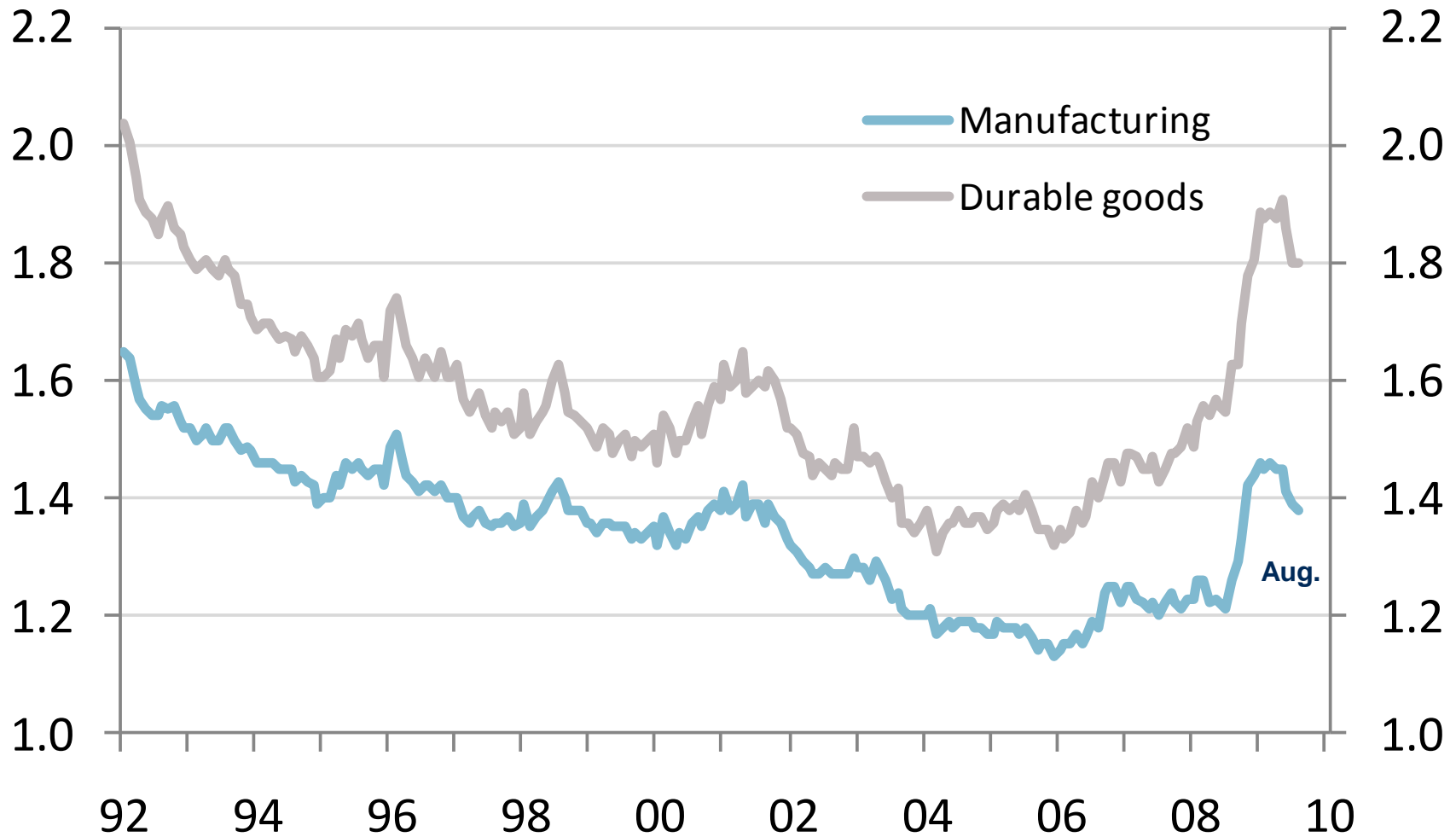
Millions of dollars (SA)





Manufacturing Inventories

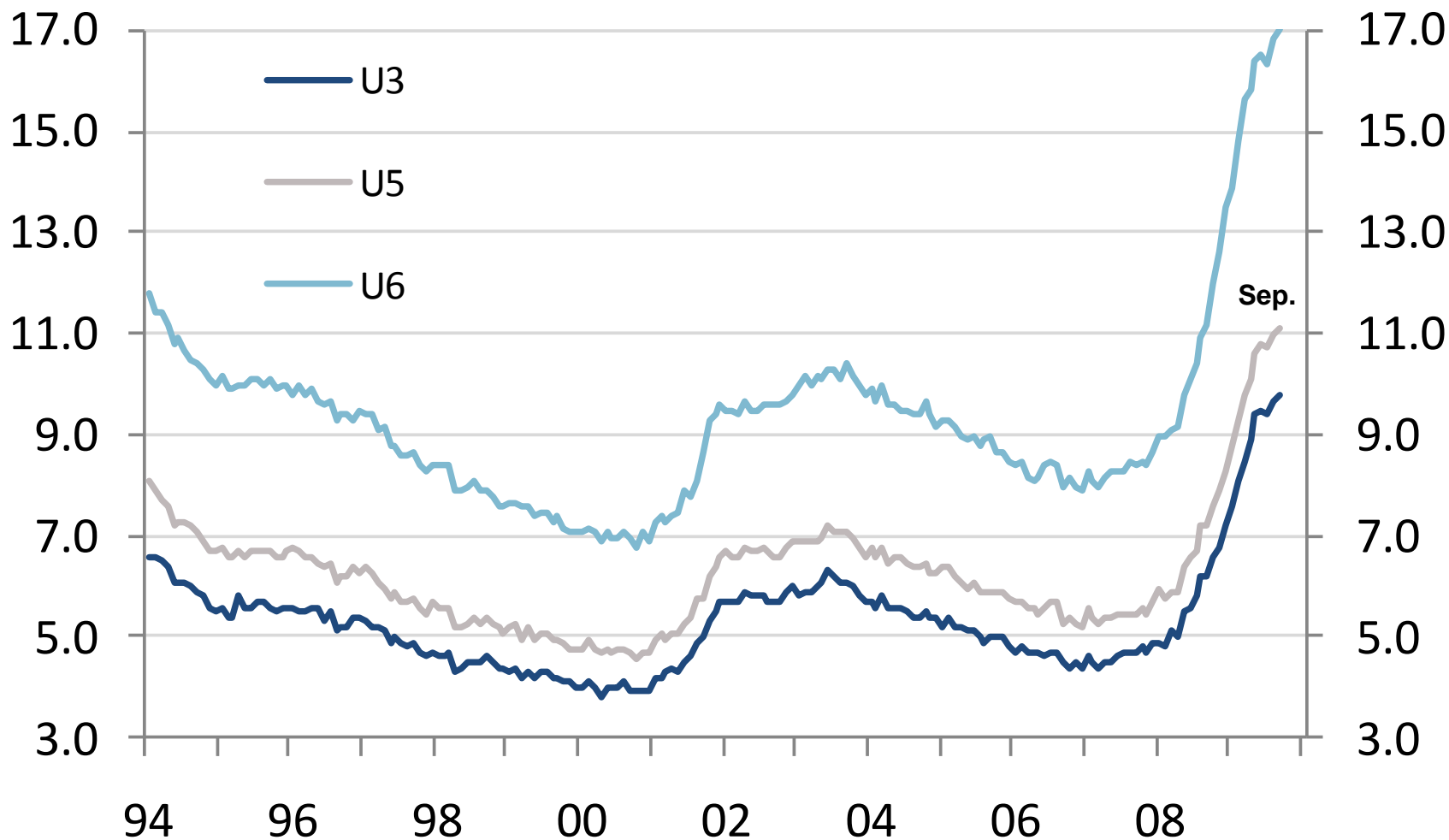
Ratio, inventories to shipments





Alternative Measures of Unemployment

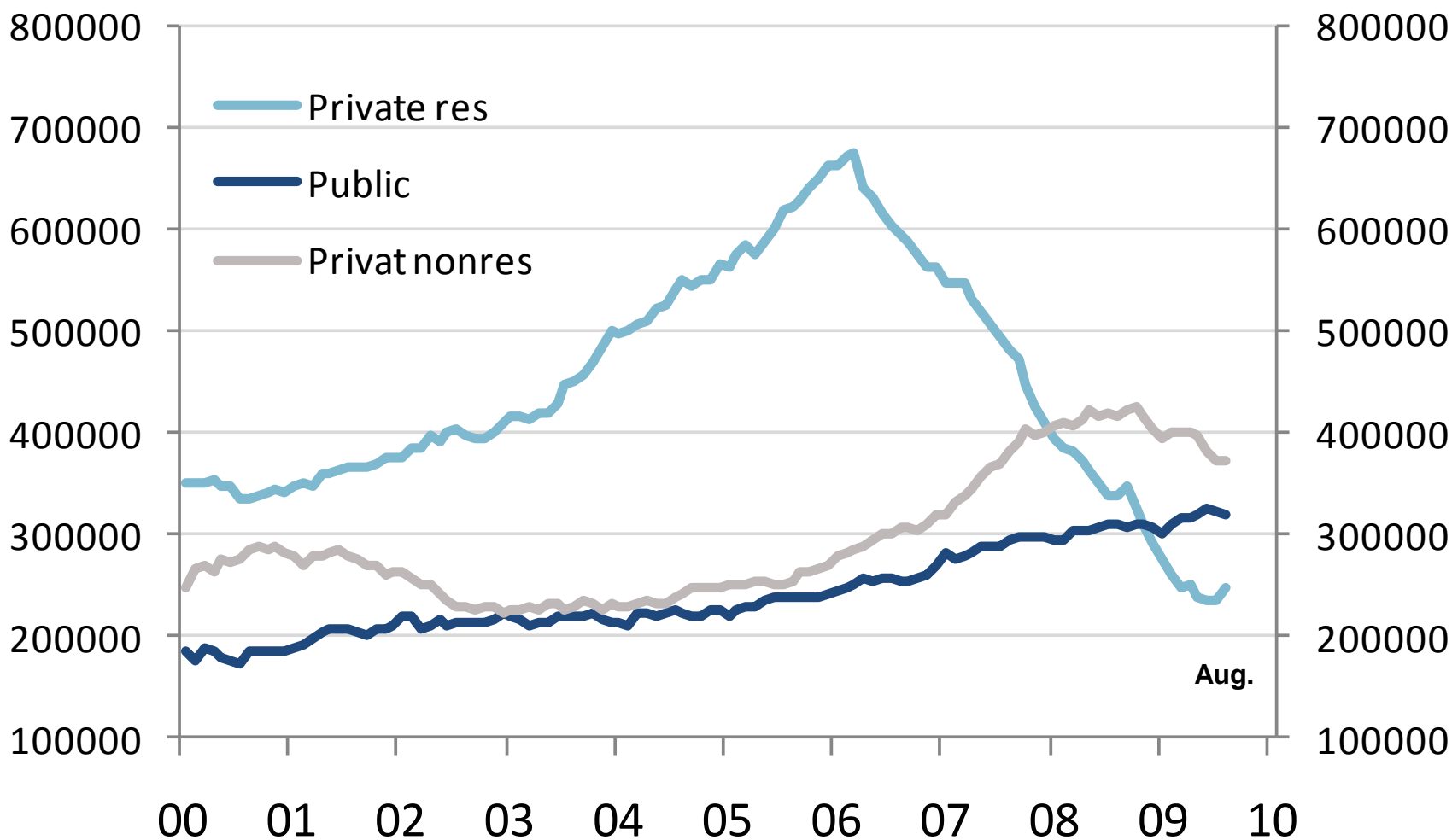
Percent





Nonresidential Construction

Millions of dollars (SAAR)





The Outlook

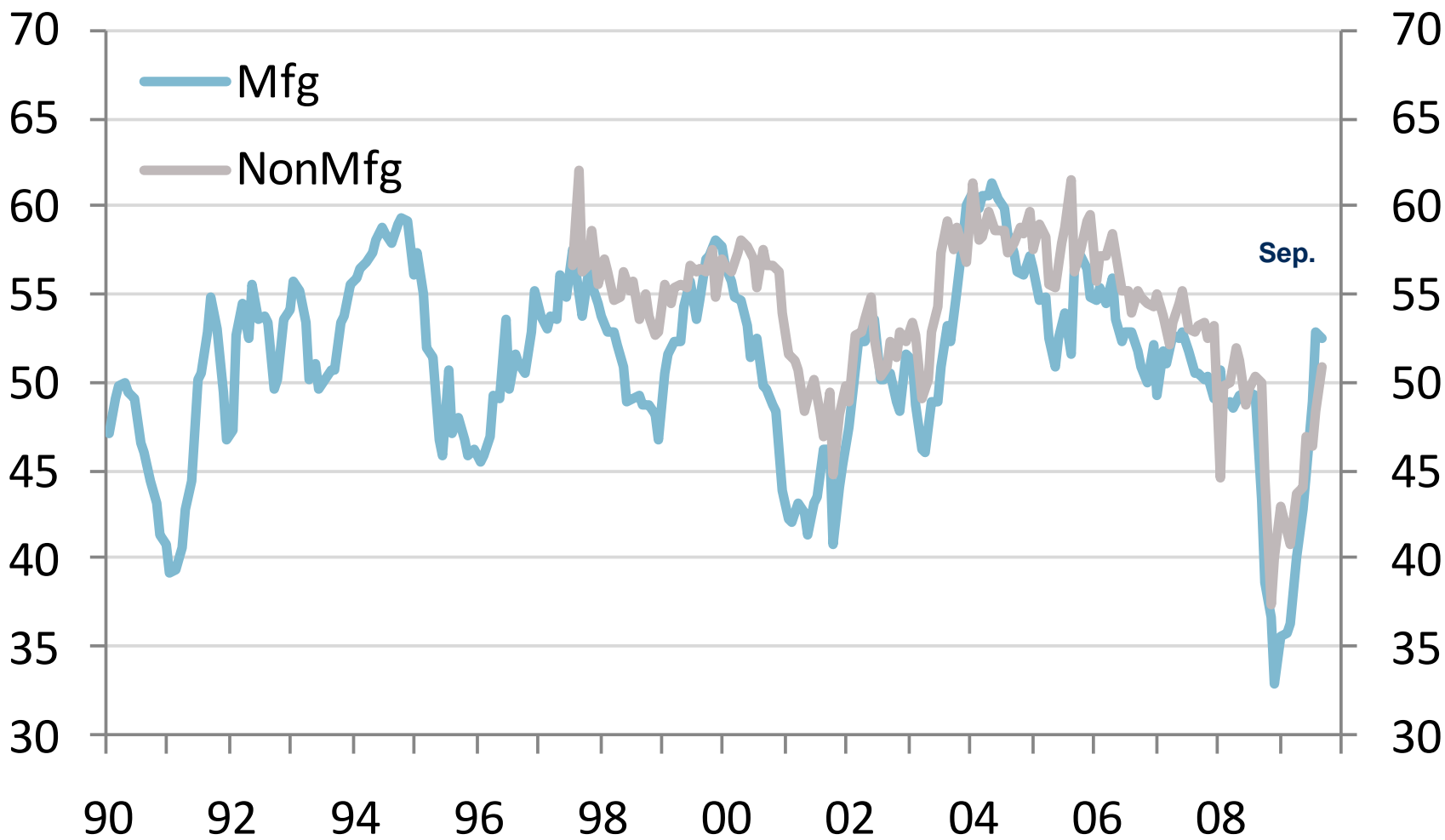
- Low trajectory climb out of the trough
 - Consumers constrained by rising joblessness, need to rebuild the balance sheet
 - Investment hindered by weak demand, capacity excesses, credit conditions
 - Global economy is weak, but improving
- What to look for:
 - Production to pick up, survey results,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





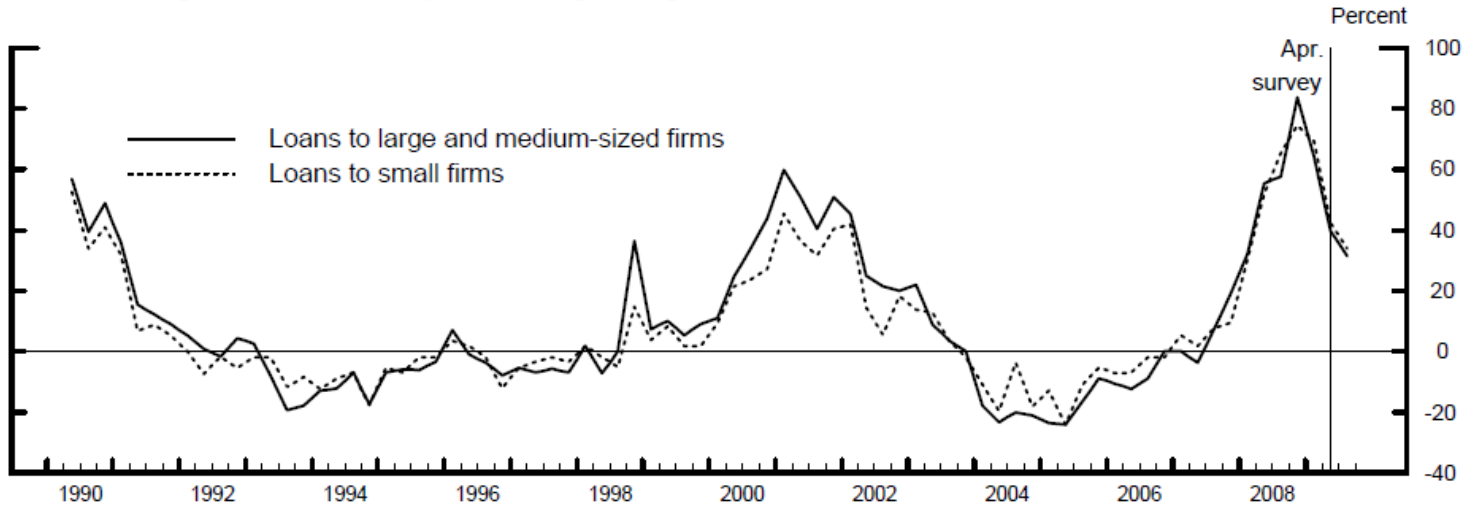
Purchasing Managers Indexes

Index >50 suggests expansion, index < 50 suggests contraction

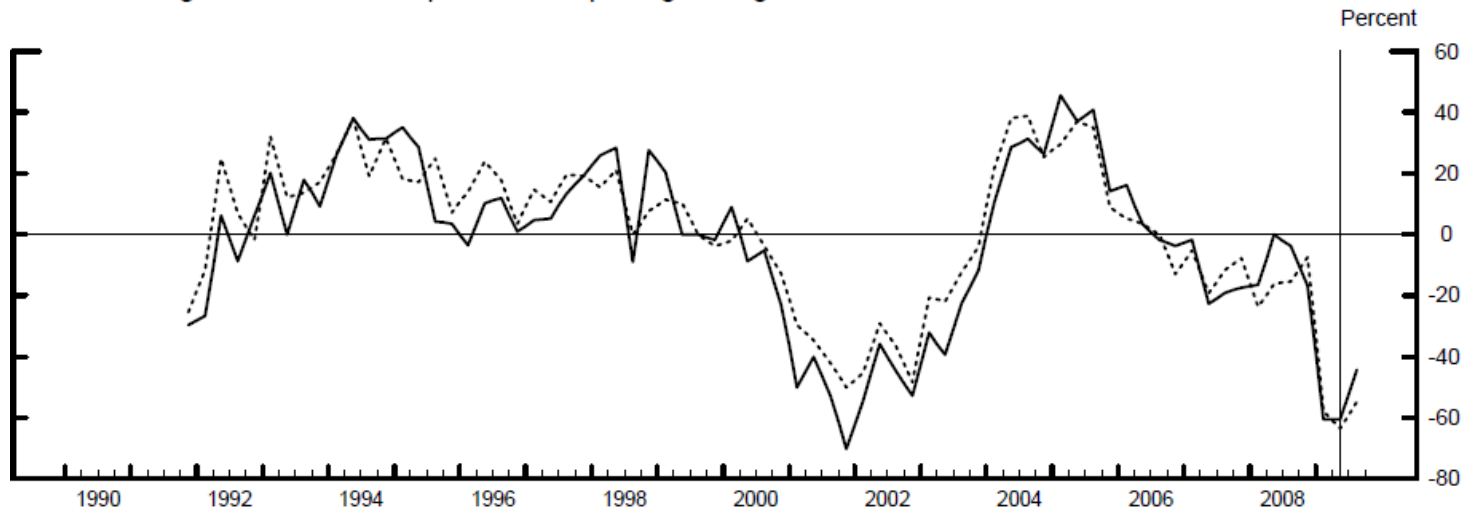


Senior Loan Officer Survey – July 2009

Net Percentage of Domestic Respondents Tightening Standards for Commercial and Industrial Loans



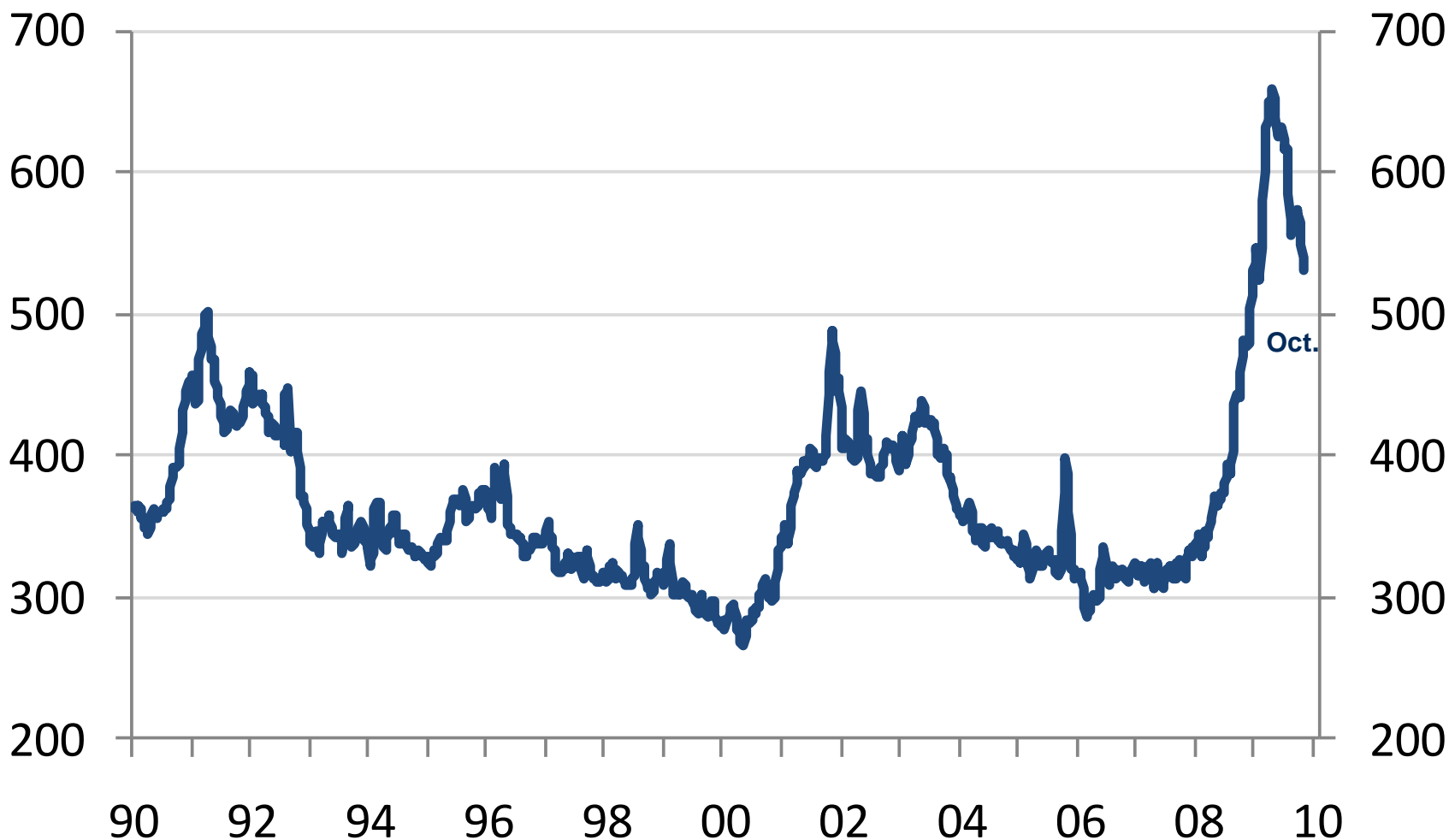
Net Percentage of Domestic Respondents Reporting Stronger Demand for Commercial and Industrial Loans





Initial Unemployment Claims

Thousands (SA, 4wk moving average)





Thank you for your time



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