

Bruce Yandle
Bank of Travelers Rest
May 20, 2009

Getting the Economic Engine Started

- 1. Monetary Policy**
- 2. Fiscal Policy**
- 3. Industrial Policy**
- 4. Market Forces**



ARIM 072009 3-31



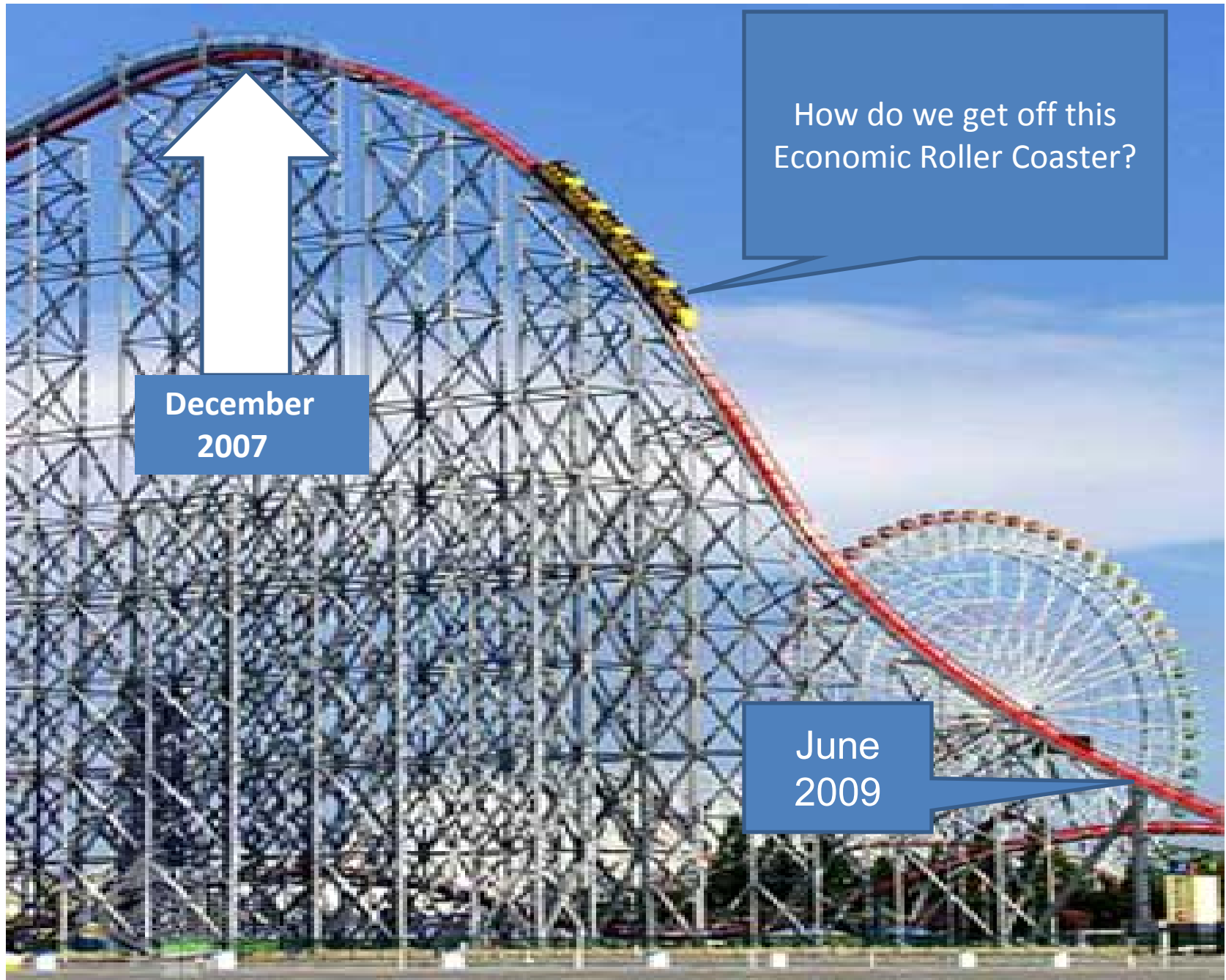
Recession, Recovery, Expansion Will May Showers Bring June Flowers?



Bruce Yandle
yandle@clemson.edu

Maybe in 2010.

Bruce Yandle
yandle@clemson.edu



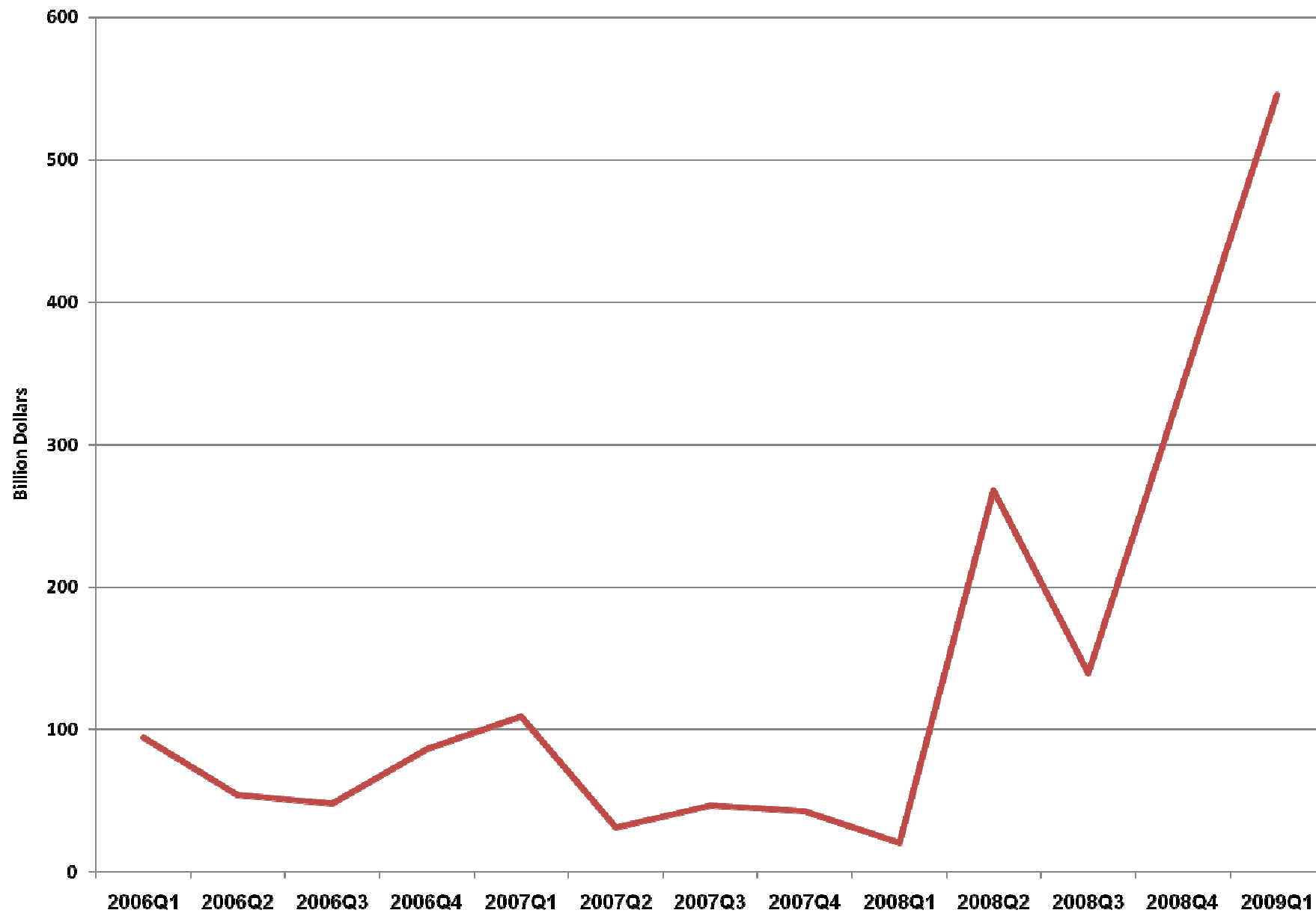
December
2007

How do we get off this
Economic Roller Coaster?

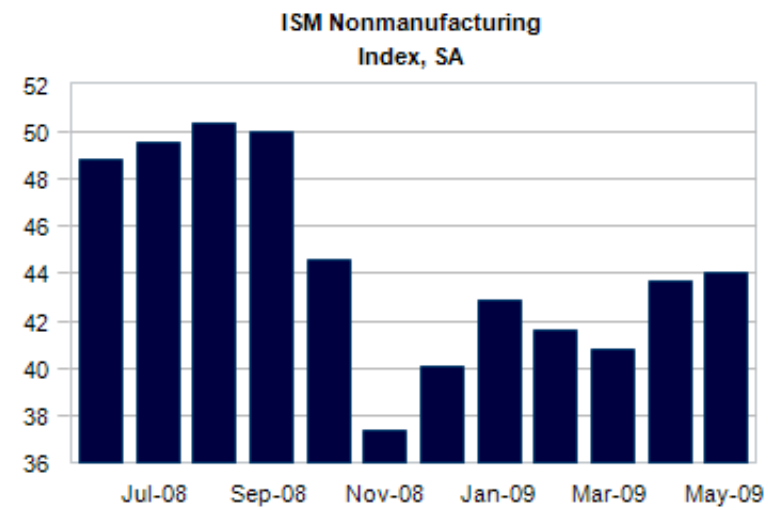
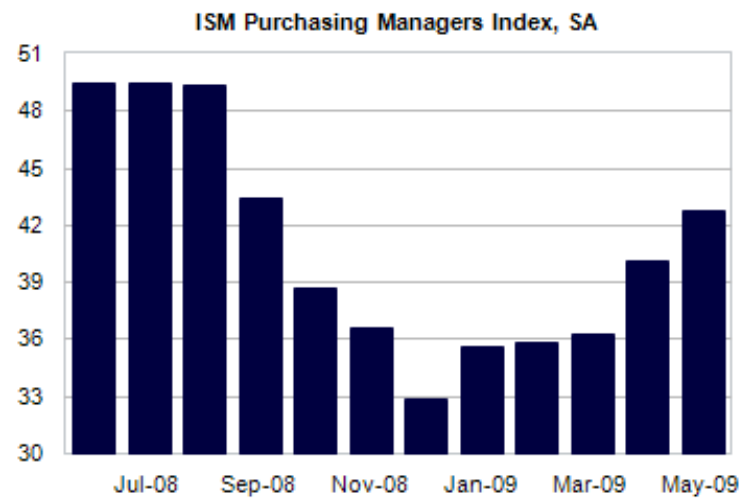
June
2009

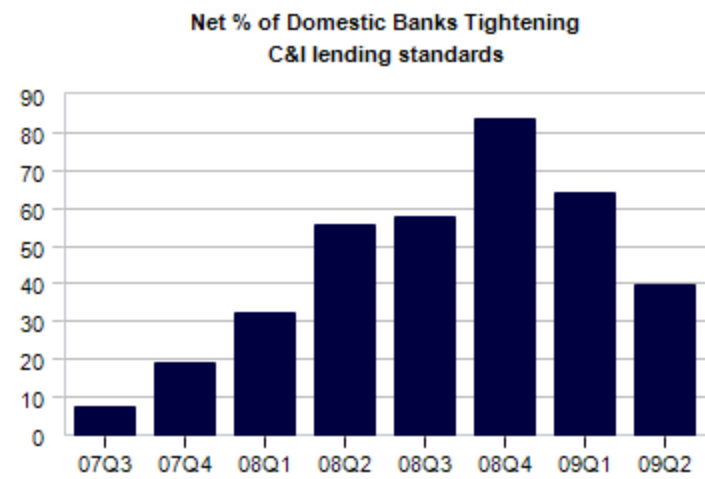
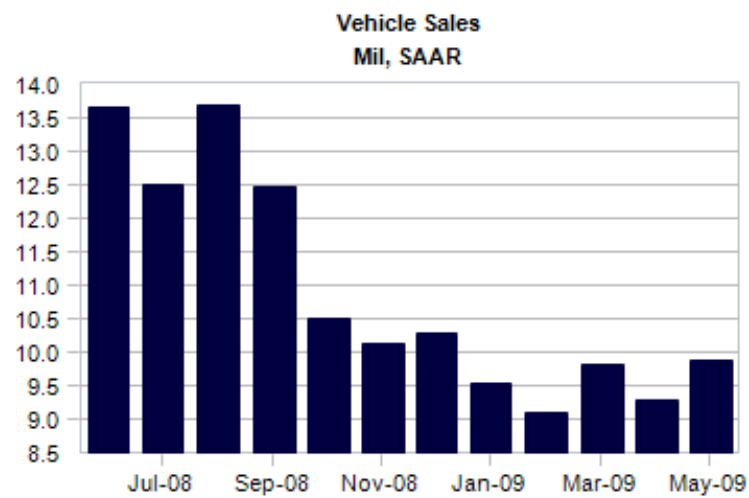
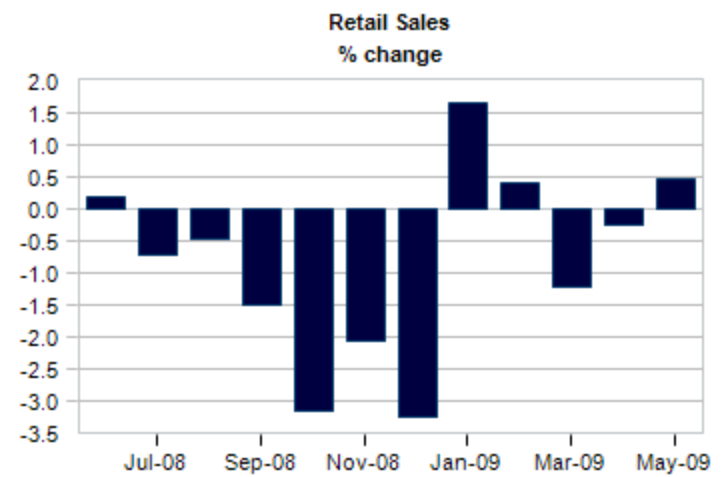
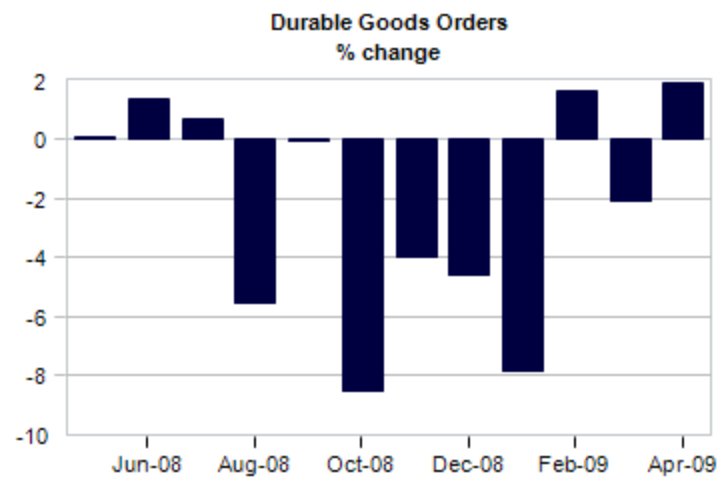


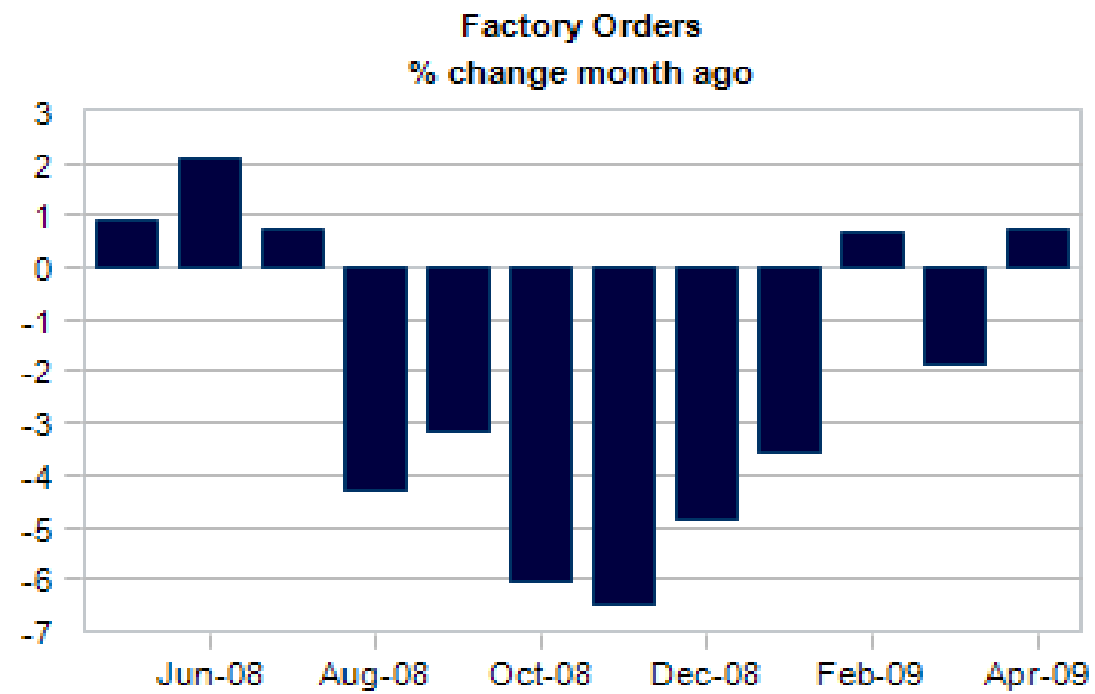
U.S. Personal Savings, Annual Level

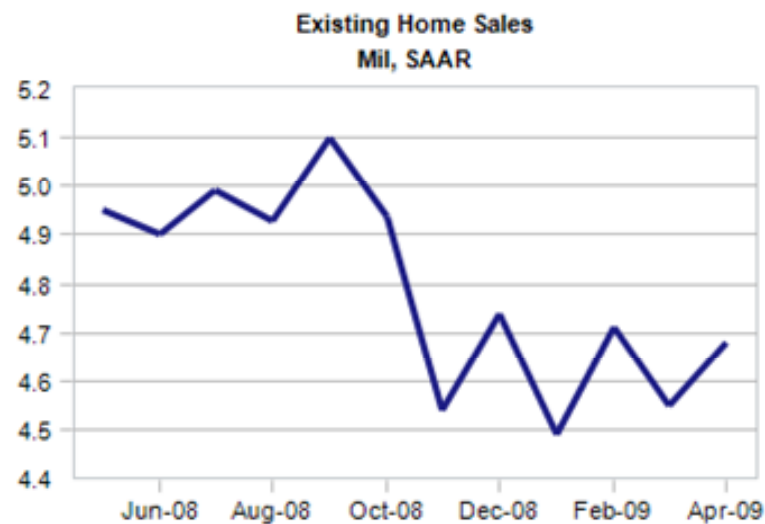
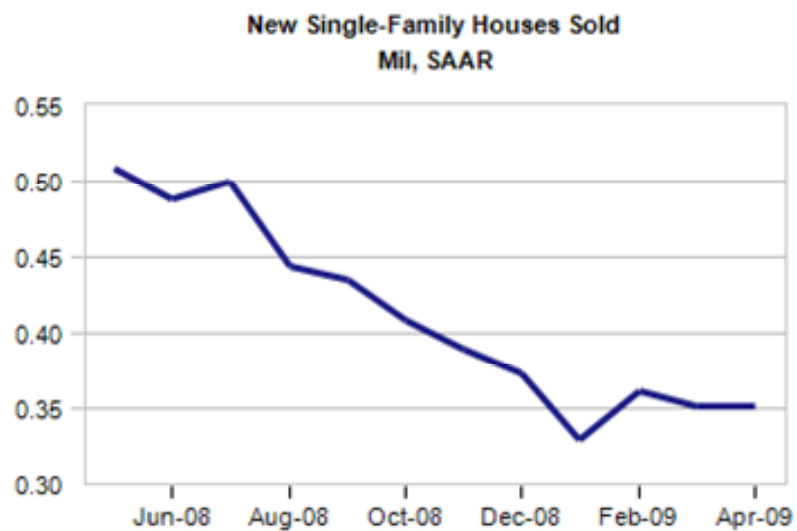
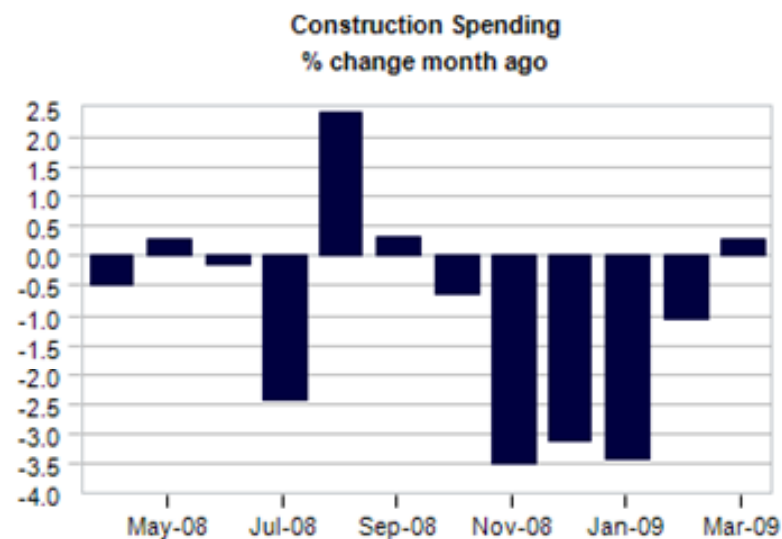
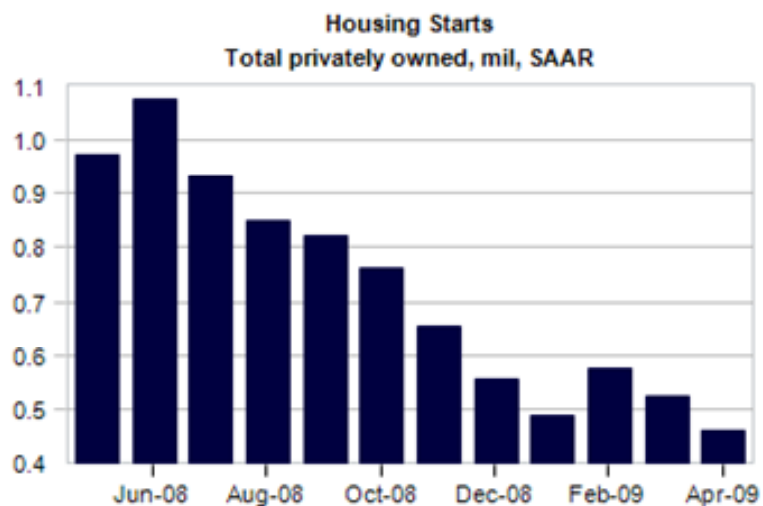


TWO KEY U.S. INDICATORS

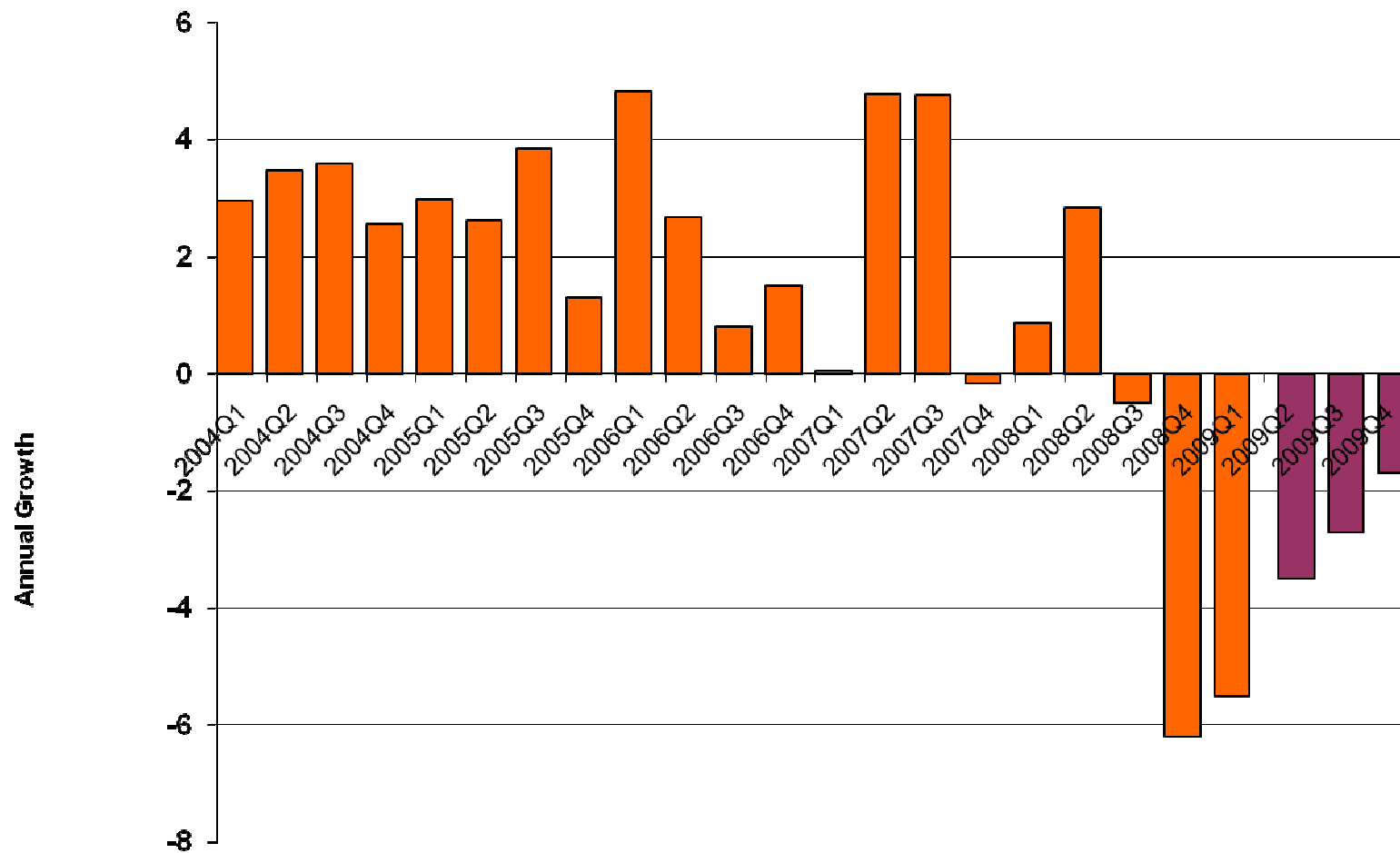






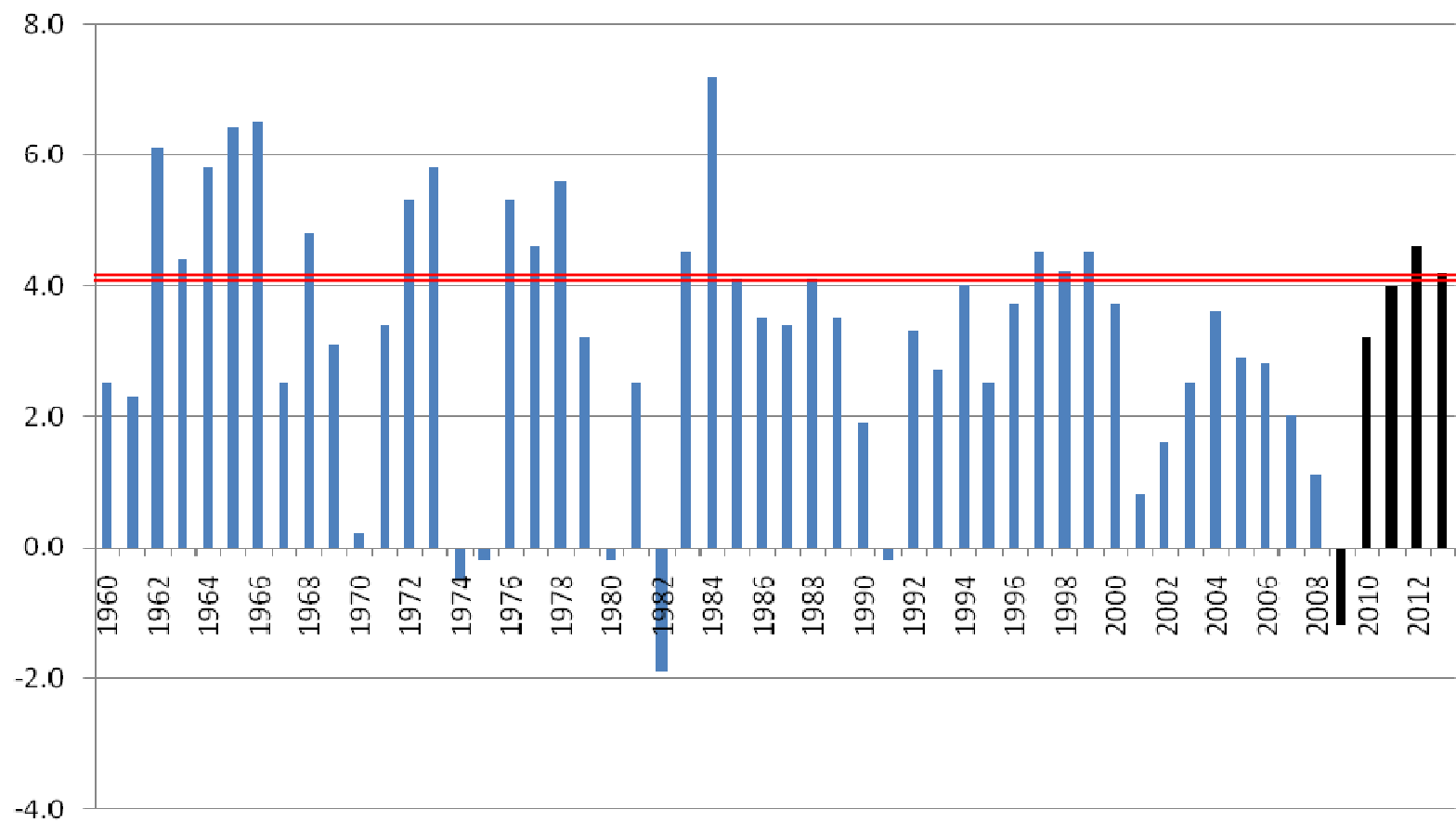


Real GDP Growth, 2004-2009



Real GDP Growth, 1960-2008

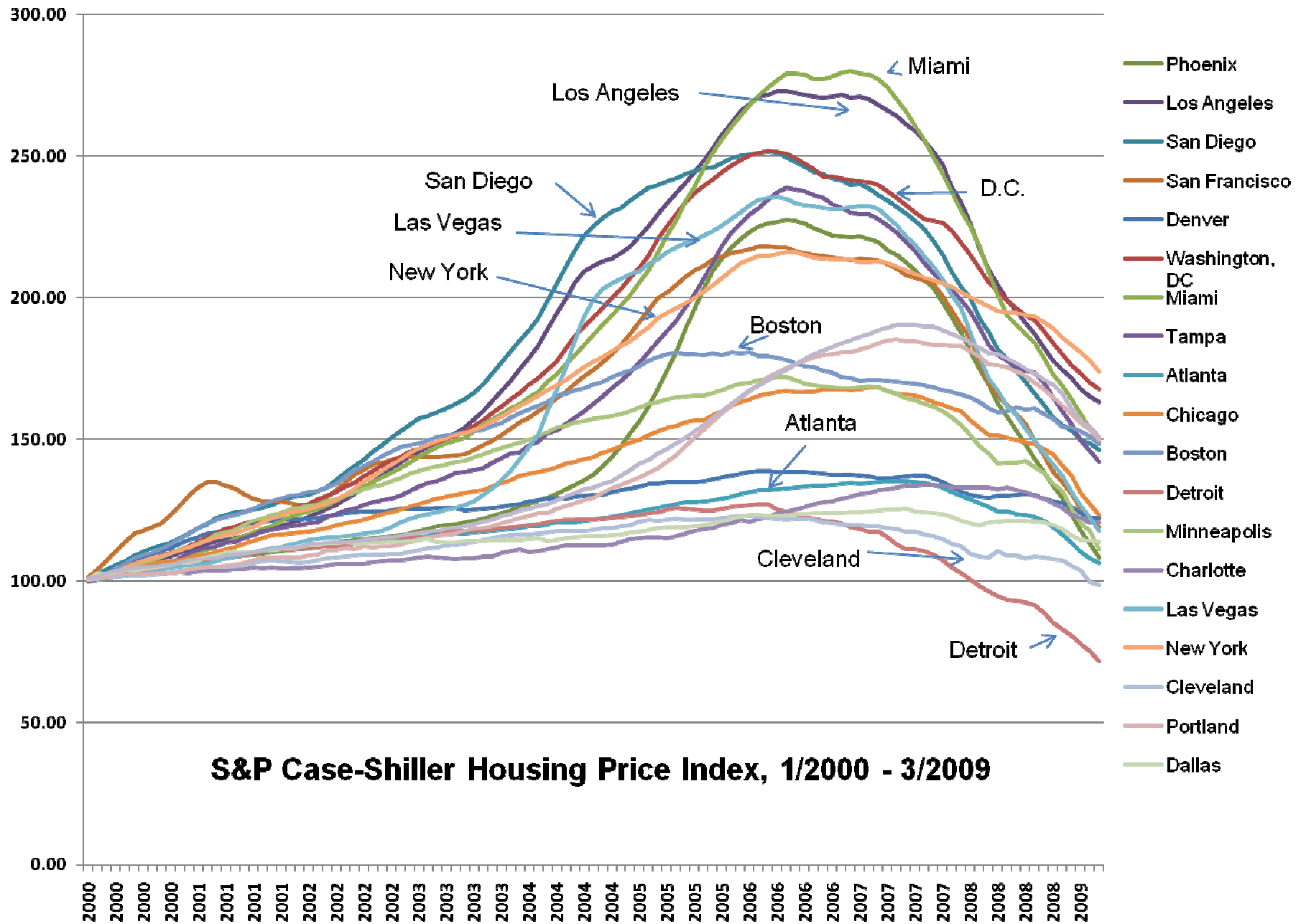
Estimates for 2009-2013



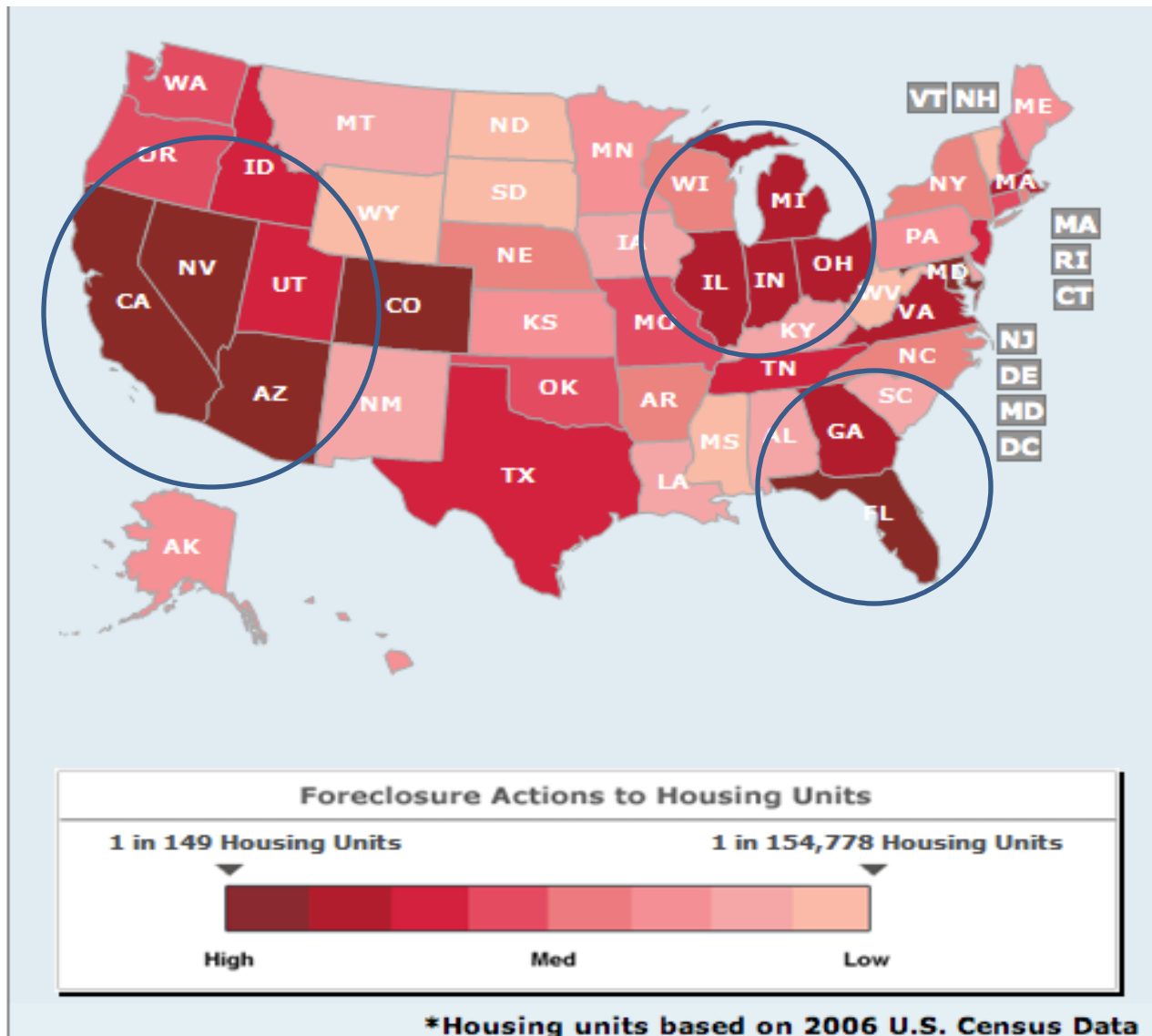
What of
2009?



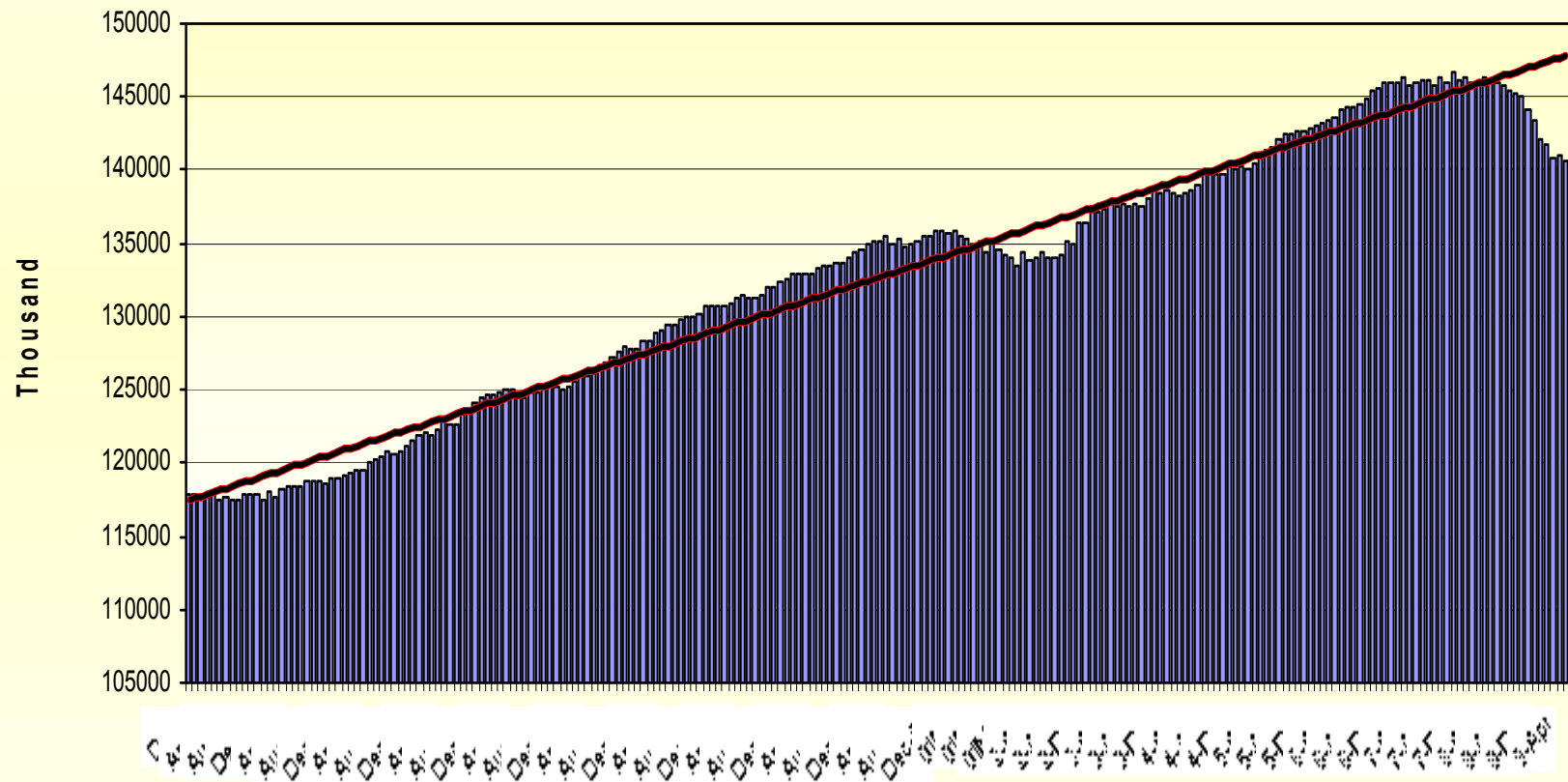
<i>Forecast</i>	<i>2008</i>	<i>2009</i>
IMF (Oct.)	1.6%	0.1%
Economist.com (Nov.)	1.4%	-0.2%
Economy.com (Nov.)	1.4%	0.0%
Wachovia (Nov.)	1.3%	-1.0%
Economist.com (Dec.)	1.2%	-1.7%
Wachovia (Jan.)	1.2%	-2.3%
Economy.com (Feb.)	1.2%	-1.7%
Economist.com (Feb.)	1.2%	-2.0%
CBO (Feb.)	1.2%	-2.2%
Economist.com (Mar.)	1.2%	-2.7%
Economy.com (Mar.)	1.2%	-3.0%
Obama OMB (Mar.)	1.2%	-1.2%
Wachovia (Mar.)	1.1%	-3.3%
IMF (April)	1.2%	-2.8%
Economy.com (June)	1.2%	- 3.0%



Mortgage Default Rate, April 2008

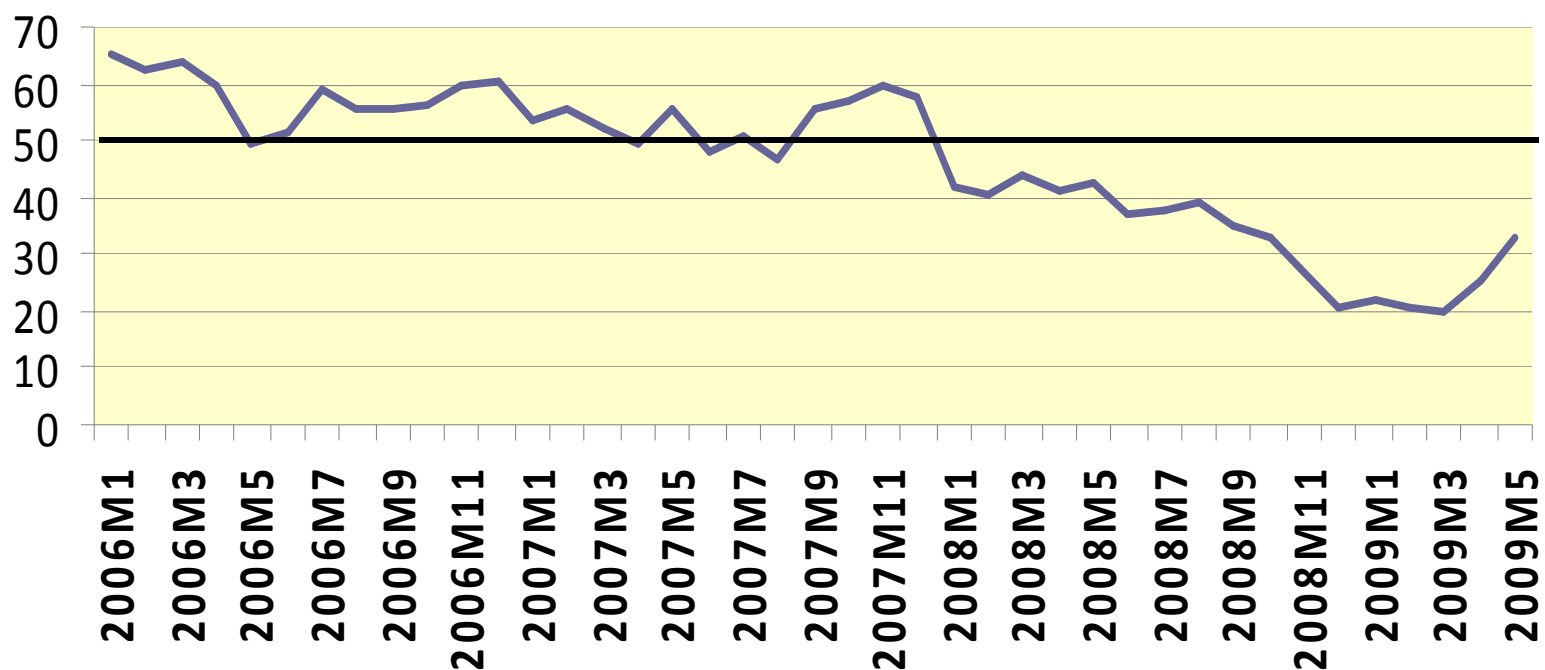


Total Employed, 16 and Over, Seasonally Adjusted
Household Survey, with Trend
1/1991 - 5/2009



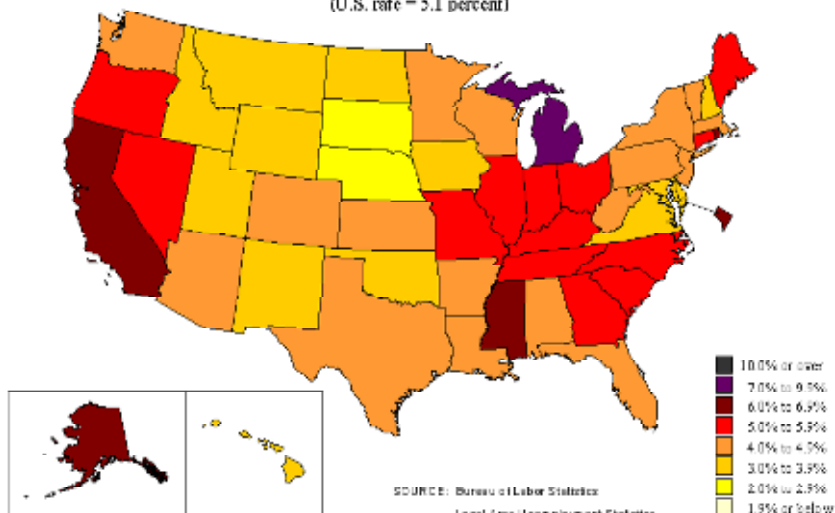
Diffusion Index, 1/2006-5/2009

271 Industries over 1-month Span



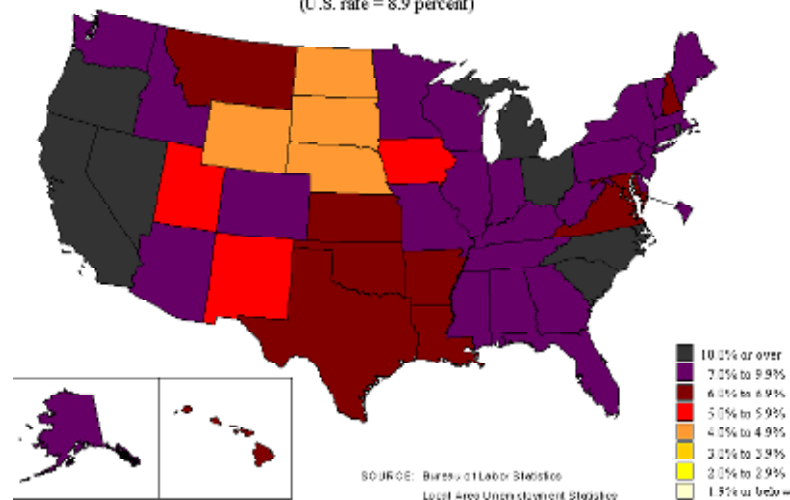
**Unemployment rates by state,
seasonally adjusted, March 2008**

(U.S. rate = 5.1 percent)



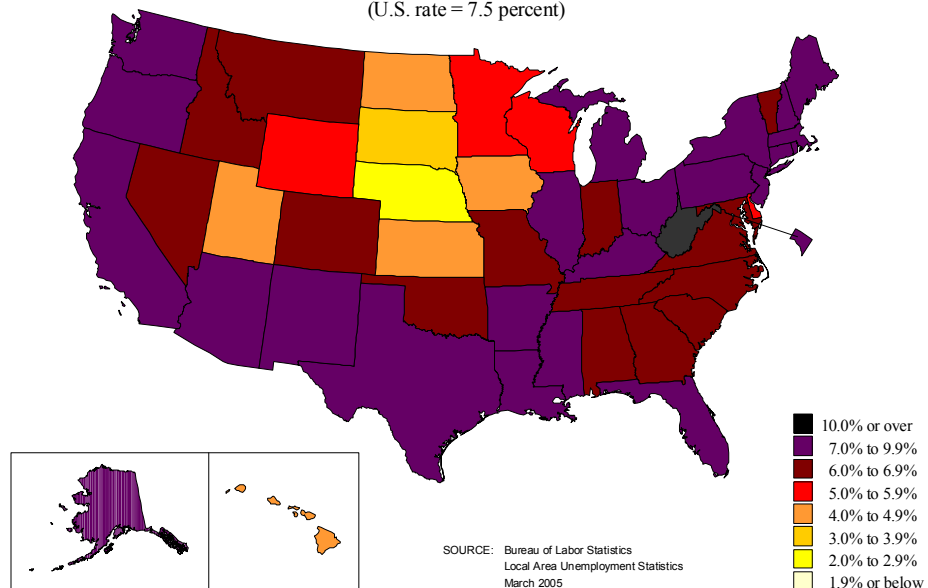
**Unemployment rates by state,
seasonally adjusted, April 2009**

(U.S. rate = 8.9 percent)



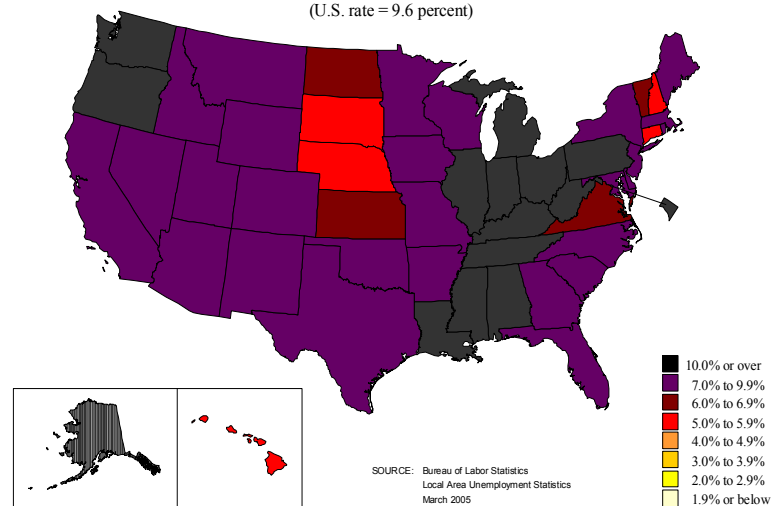
**Unemployment rates by state,
1992 annual averages**

(U.S. rate = 7.5 percent)

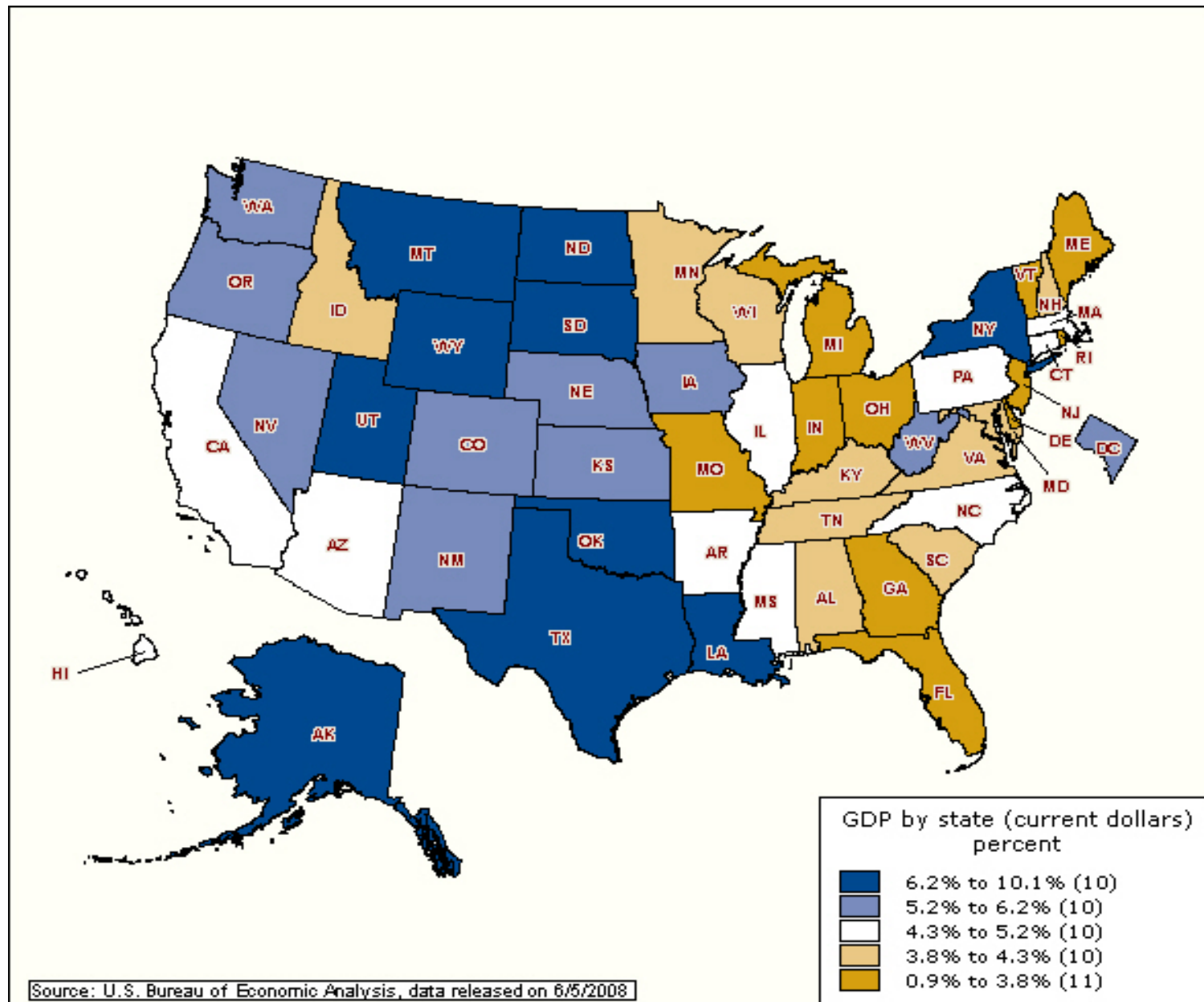


**Unemployment rates by state,
1983 annual averages**

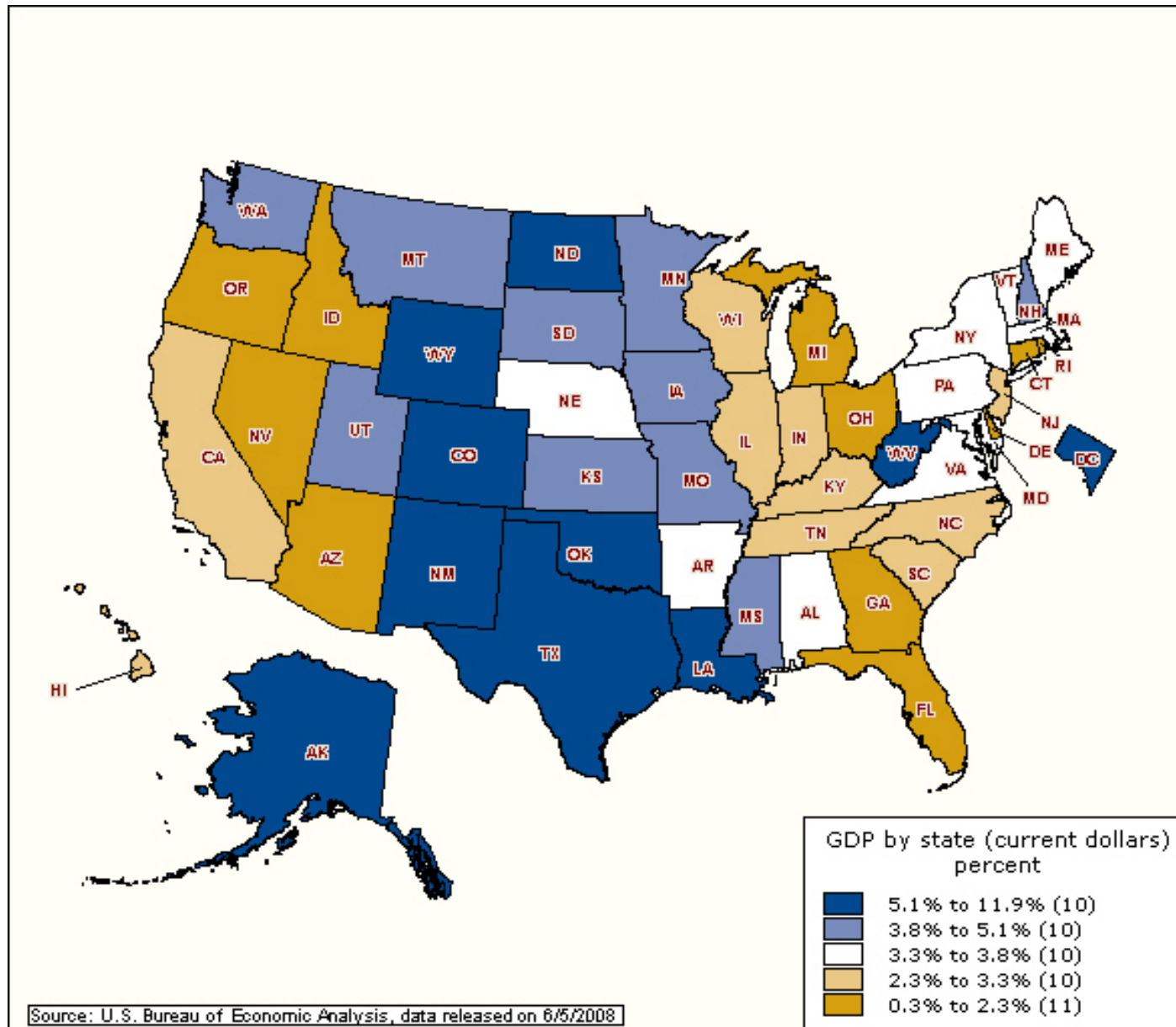
(U.S. rate = 9.6 percent)



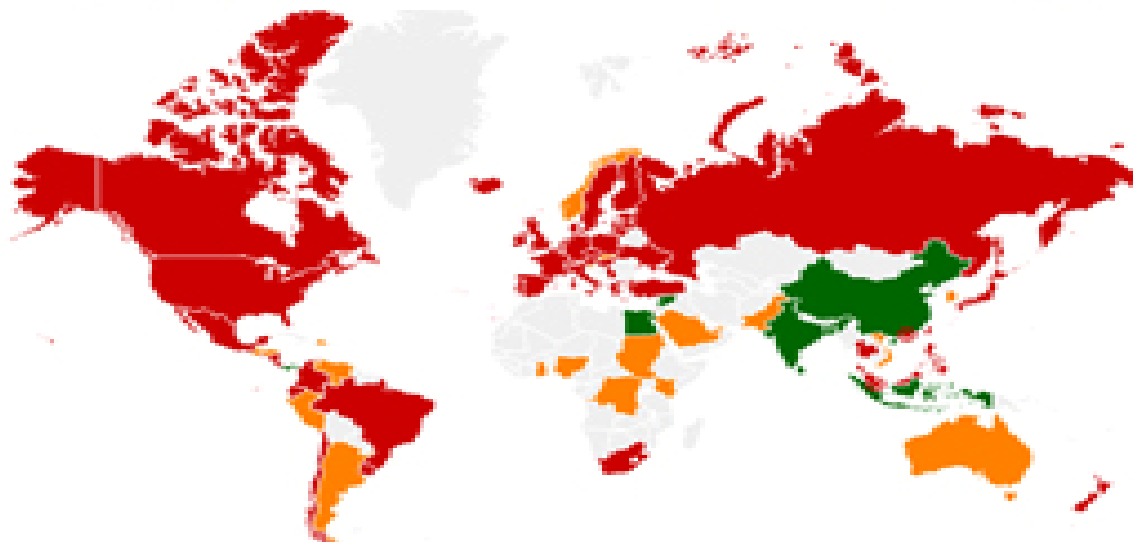
Nominal GDP Growth: 2005-2008



Nominal GDP Growth: 2007-2008



Global Recession Status



Bangladesh

China

India

Panama

Syria



In recession



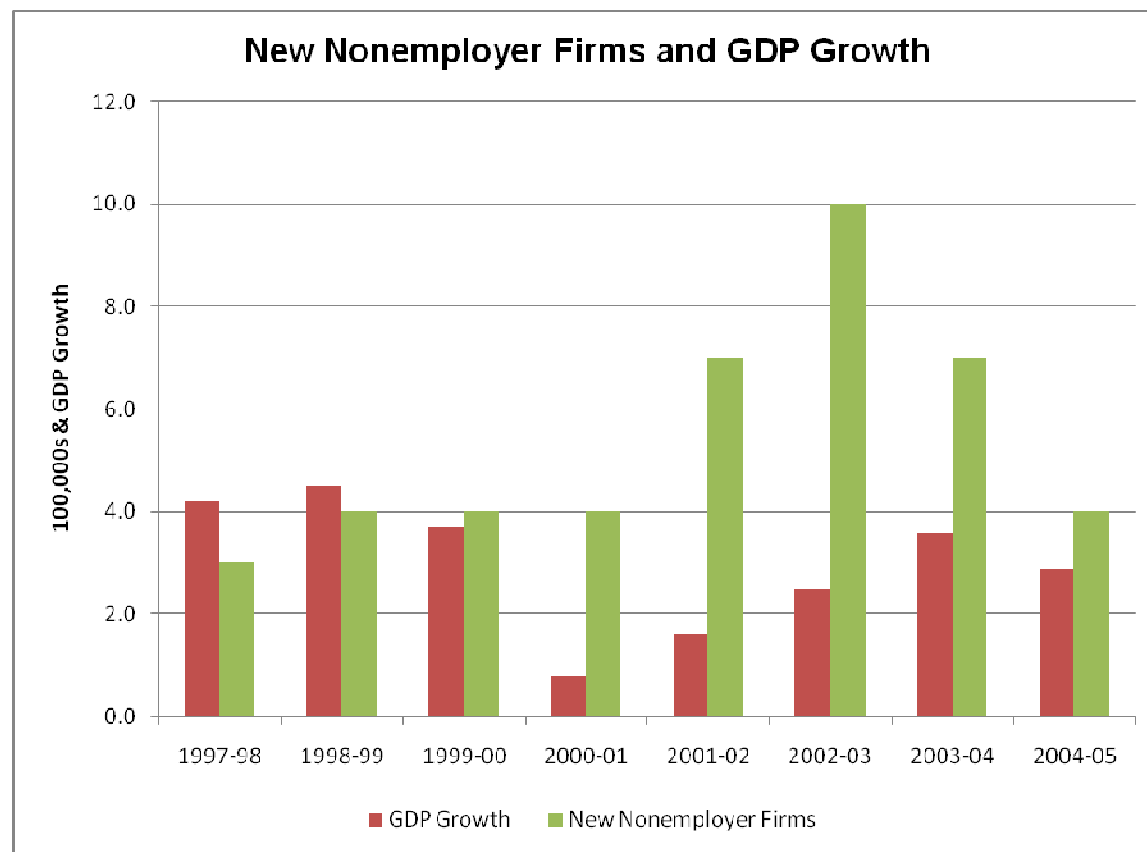
At risk



Expanding



Below trend

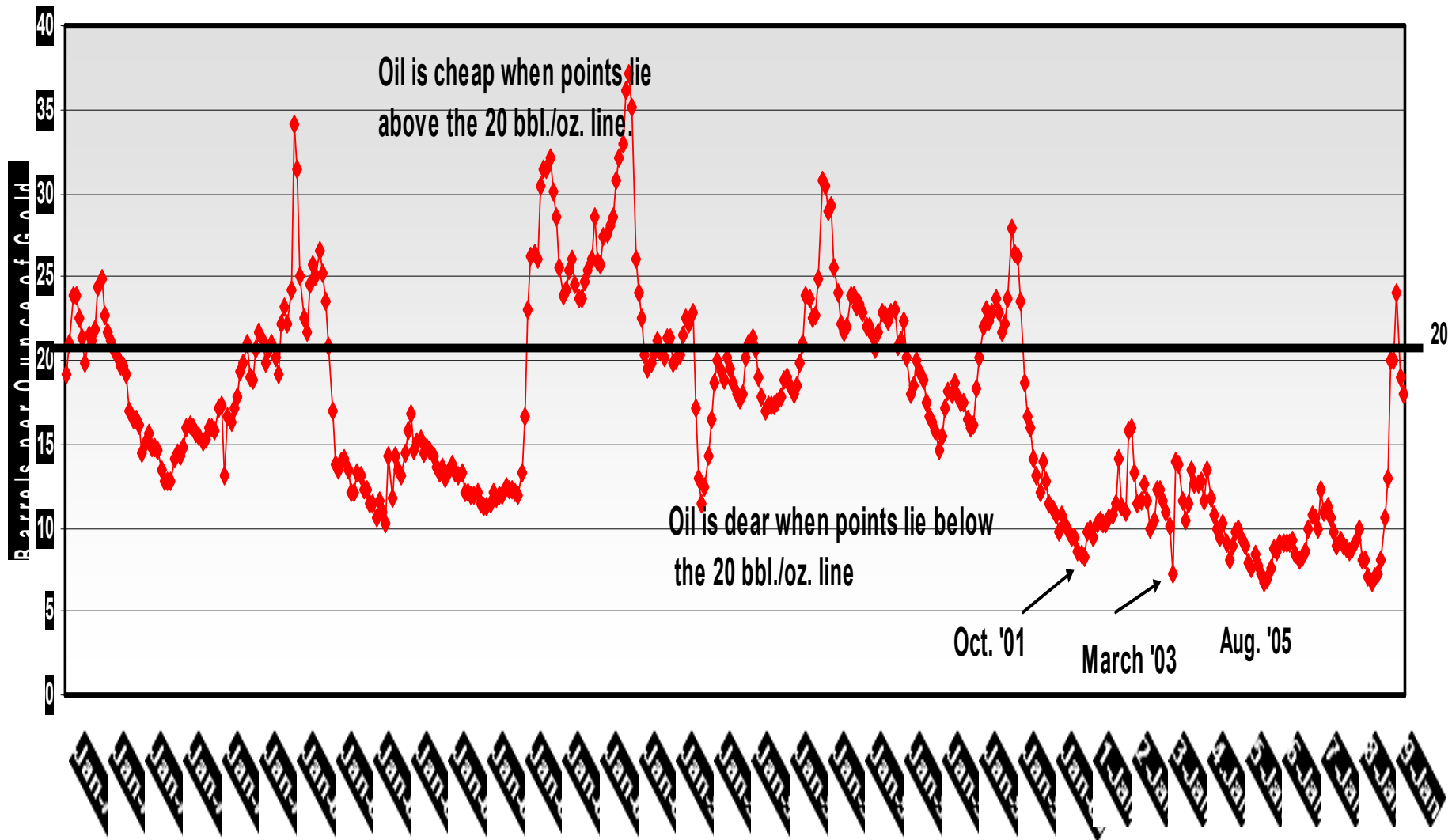


Can Auto Makers Achieve the New Fuel Economy Standards?



Cars 39.5 and trucks 30.0 by 2016

OIL and GOLD



Next Three Months?

1. The Great Recession is finally saying “uncle.” April showers may indeed bring May flowers. By June 2009, industrial Production will be growing again, 1Q2009 GDP growth will be negative, but not as bad as 4Q2008. Auto sales will be up slightly, and housing markets will be showing signs of life. Labor markets will be weak, with unemployment rising to 9.0%. But sensing brighter prospects, the Dow-Jones Industrial Average will have broken through 8000.

11

2. The economy seems to be locked into a zero growth situation with little indication of positive life in housing, autos, or retailing. Deflationary forces continue to play through the economy, with commodity prices and total personal income falling. Industrial Production growth remains negative, and 1Q2009 GDP growth is weaker than 4Q2008's minus 6.2%. Following the guidance of the real economy, the Dow Jones remains in a 6000-7000 point trading range. Unemployment breaks through the 10% barrier.

13

3. Early June data bring positive news that the Obama Administration's efforts to stabilize and stimulate the economy are paying off. While 1Q2009 GDP growth was as weak as 4Q2008 growth, other monthly data show significant positive moves. Industrial Production, the ISM indicators, and even employment data turn positive. Bank lending is growing again, and building permits for home construction are positive. The Dow Jones signals positive growth for the last half of 2009 by breaking through 8500. With all the positive news comes one piece of worrisome data. CPI inflation rises to 3.5%.

3

One “custom.” Dow at 8000, Unemployment 8.5-9.0%, 1Q2009 GDP -3.9%.

Next Three Months?

1. **There is no doubt about it. We are in the trough of the Great Recession. 2Q2009 GDP growth is in at minus 3.0%. Powered by recovery of profits, the Dow breaks 9250. But auto industry shuffling causes the unemployment rate to break 10.5%. There is a whiff of inflation in the air. Mortgage and 10 year bond rates are rising again.**
2. **Oooooops! A double-dip recession is on the way. Auto industry shuffling and severe banking problems caused by commercial defaults put the economy on another leg of the roller coaster headed south. The Dow falls to 7000. Unemployment rises to 11%. To make matters worse, inflation picks up. The CPI shows 3.5% annual increase.**
3. **Early September data bring positive news that the Obama Administration's efforts to stabilize and stimulate the economy are paying off. 2Q2009 GDP growth breaks positive ground, a bit earlier than the Obama team predicted. ISM indicators break through 50. And the Dow joins the happy chorus, breaking 9700. Unemployment still seems hung at 9.0%. From all indications, it appears there is a good chance that 2009 GDP growth will indeed show negative 1.2% growth, which is the Obama promise.**

Questions?

