

RECESSION:

How Long And How Deep?

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The University of Montana





January 2008

U.S. / World Economies

- Mild U.S. recession anticipated; concentrated in housing, financial services and durable goods manufacturing (autos)
- Developing economies thought to be “decoupled” from U.S.
- Significant economic stimulus plans approved.

Montana Economy

- Wood products industry impacted by U.S. recession, but other basic industries mostly unaffected.
- BBER forecasts continued strong growth in 2008.



July 2008

U.S. / World Economies

- Financial turmoil grows.
- Credit tightens.
- Consumer confidence starts to dip.

Montana Economy

- Construction and real estate nosedive.
- The first inkling of weaknesses start to appear in some sectors, but second strong ag. year expected to offset them.
- BBER forecasts revised downward slightly, but remain optimistic.



September 2008

U.S. / World Economies

- Major Wall Street failures. Financial crisis spreads globally.
- Commodity/energy prices start to plummet.
- Business and consumer confidence falters.
- Recession spreads to E.U. and Japan.
- Developing countries' growth decelerates.

Montana Economy

- First news of weaknesses in non-resident travel and state tax revenue
- Construction and real estate weakness widens.
- First news of possible plant closures outside of wood products.
- Job growth remains relatively strong.



December 2008

U.S. / World Economies

- Consumer spending plummets.
- Global recession apparent.
- Major correction in energy/commodity prices continue.

Montana Economy

- Construction and real estate declines continue.
- Layoff announcements in mining and manufacturing.
- Job growth turns negative.
- Ag. Boom tempers.



Recession Classifications

	Length in Months	Max. Unemployment	Peak-Trough GDP Change
Type I			
2001	8	6.2%	-.3%
1990-91	8	6.2%	-1.3%
Type II			
1981-82	16	10.7%	-2.8%
1972-75	16	8.2%	-3.1%
2007-09 (peak 12/07)	18-24	9.1%	-3.4%
Type III			
1929-33	43	15.9% (1932) 23.6% (1933)	-46%



Federal Government

Economic Policy Tools

- Monetary Policy
 - Interest Rates and Money Supply
- Fiscal Policy
 - Taxes and Spending



President Obama's Economic Plan

~~Monetary Policy~~

Interest Rates already Low

Fiscal Policy

- ✓ Increase Spending (Infrastructure)
- ✓ Tax Cuts



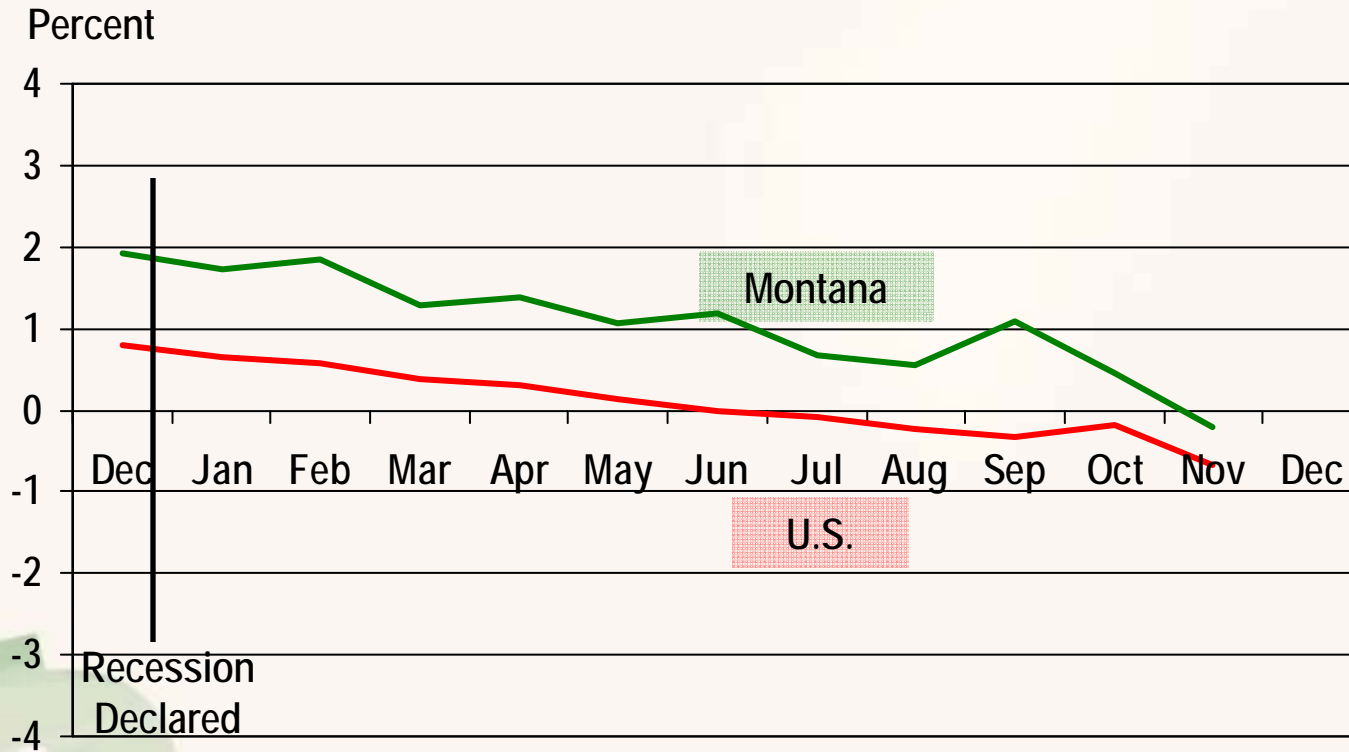
RECESSION

The Three "T's" of Successful Fiscal Policy

- Timely
- Temporary
- Targeted



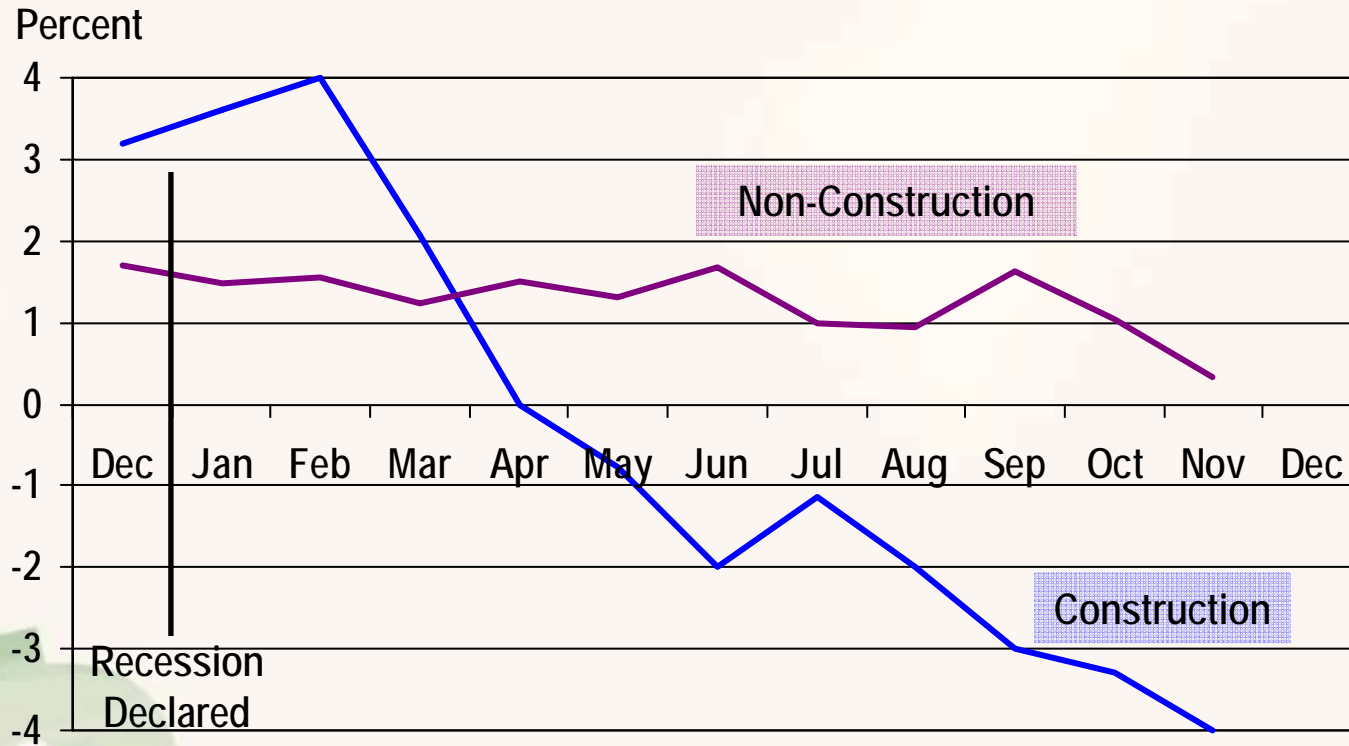
Annual Percent Change in Employment



Source: Montana Department of Labor and Industry

RECESSION

Annual Percent Change in Employment



Source: Montana Department of Labor and Industry



Montana's Economic Base

- Nonresident Travel
- Mining
- Manufacturing
 - Wood and Paper
 - Other Manufacturing
- Agriculture
- Federal Government (Incl. Military)

- Construction
- Montana Consumer Sentiment

Current Status

Declining

Layoffs Announced

90%

Layoffs and Closings

Layoffs Announced

Mixed

Stable

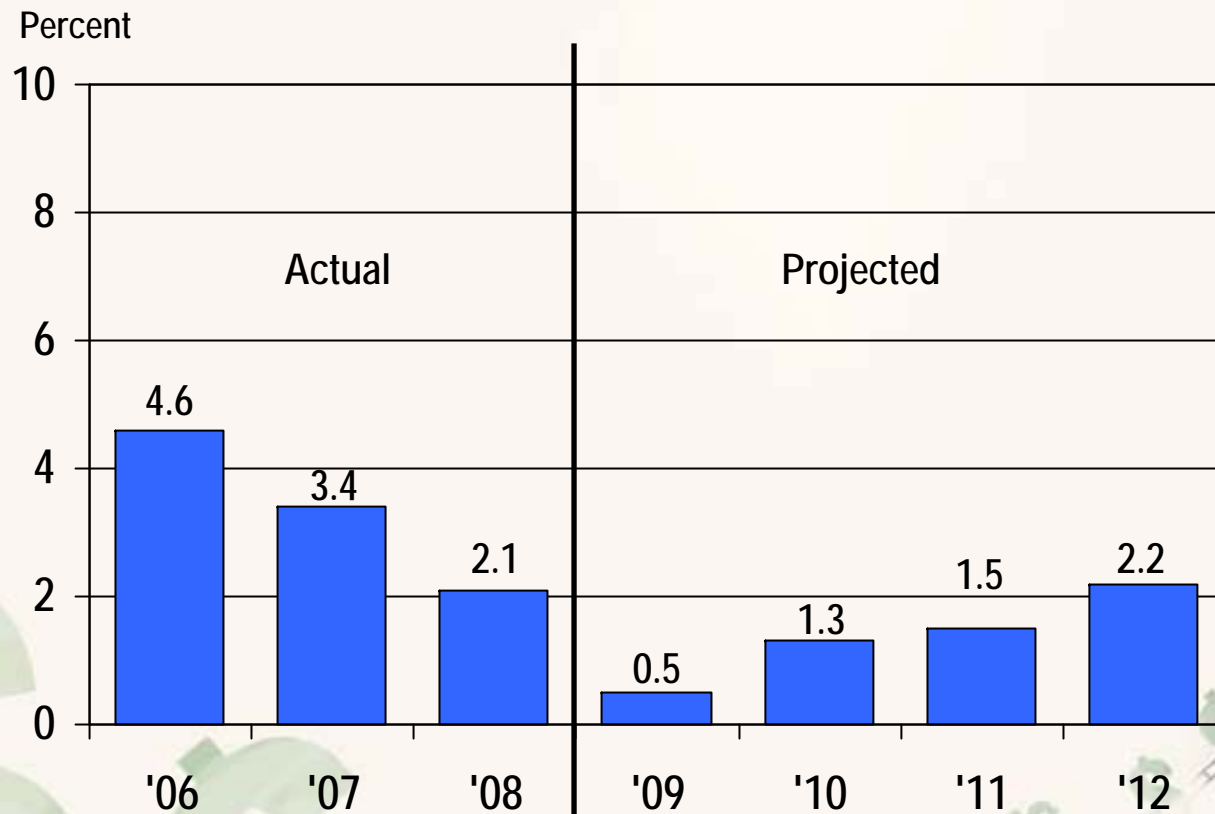
Significant Decline

All Time Low



RECESSION

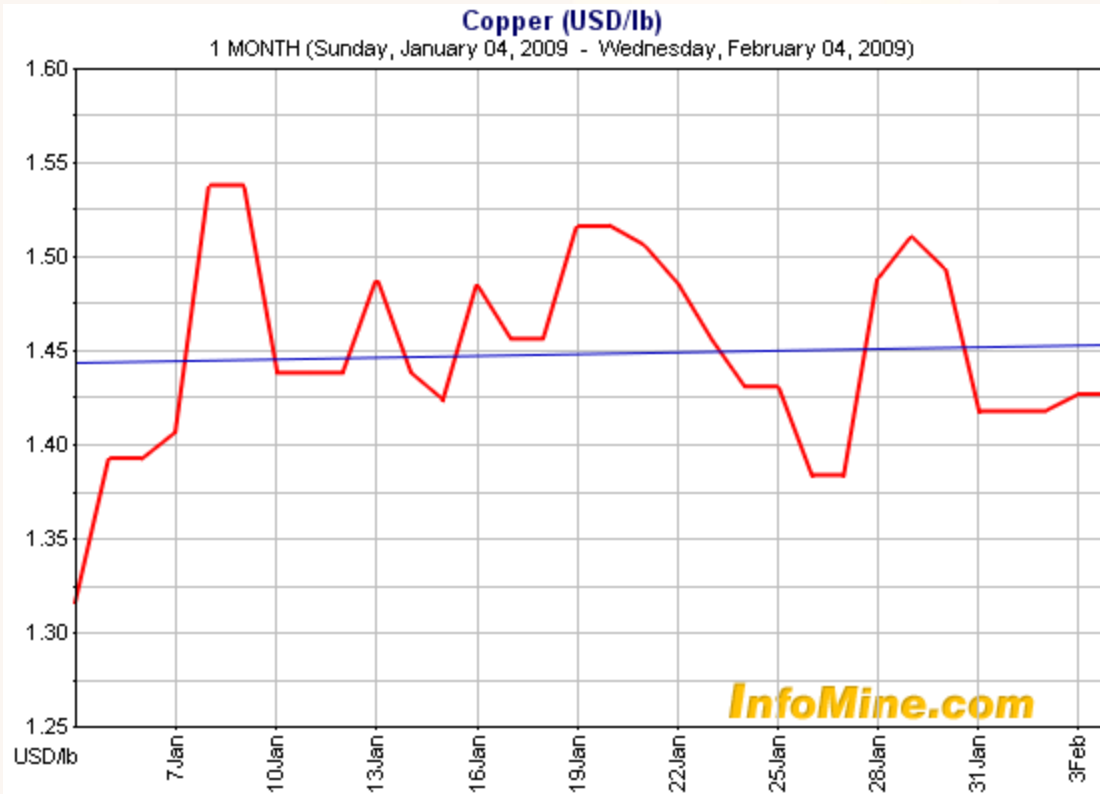
Actual and Projected Change in Nonfarm Labor Income, Montana, 2006-2012



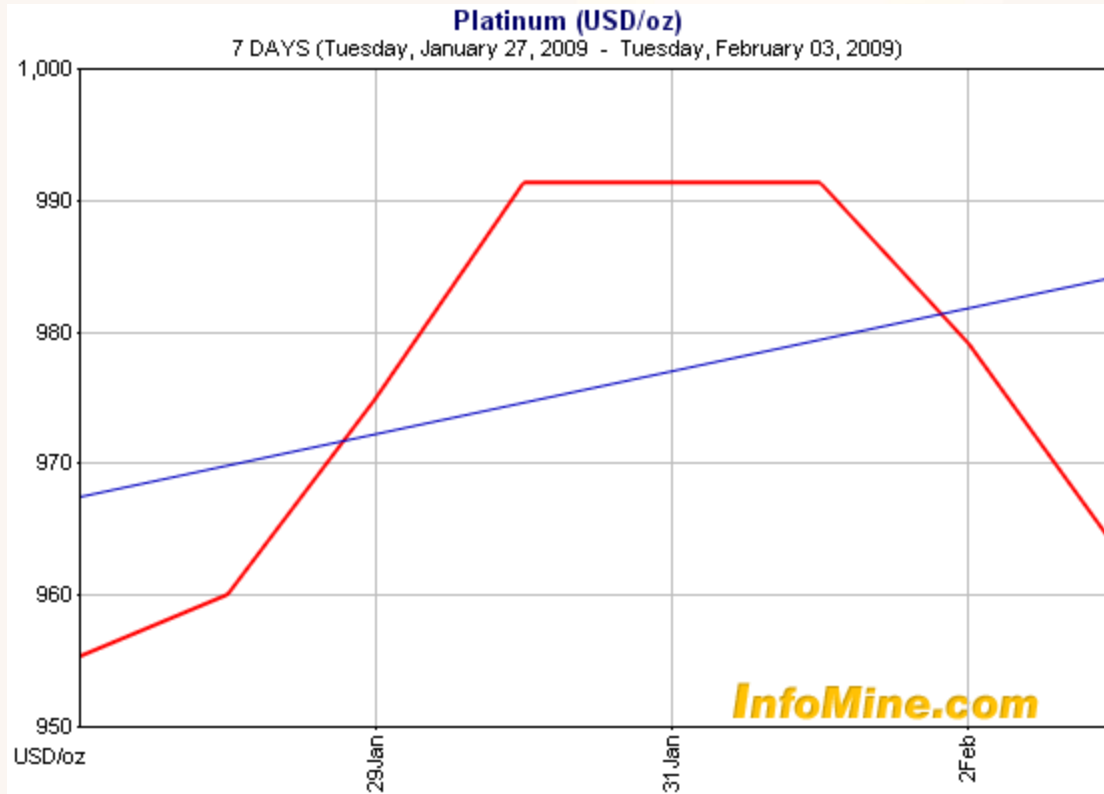
Sources: Bureau of Business and Economic Research, The University of Montana-Missoula; Bureau of Economic Analysis, U.S. Department of Commerce.

RECESSION

Copper (1 Month)

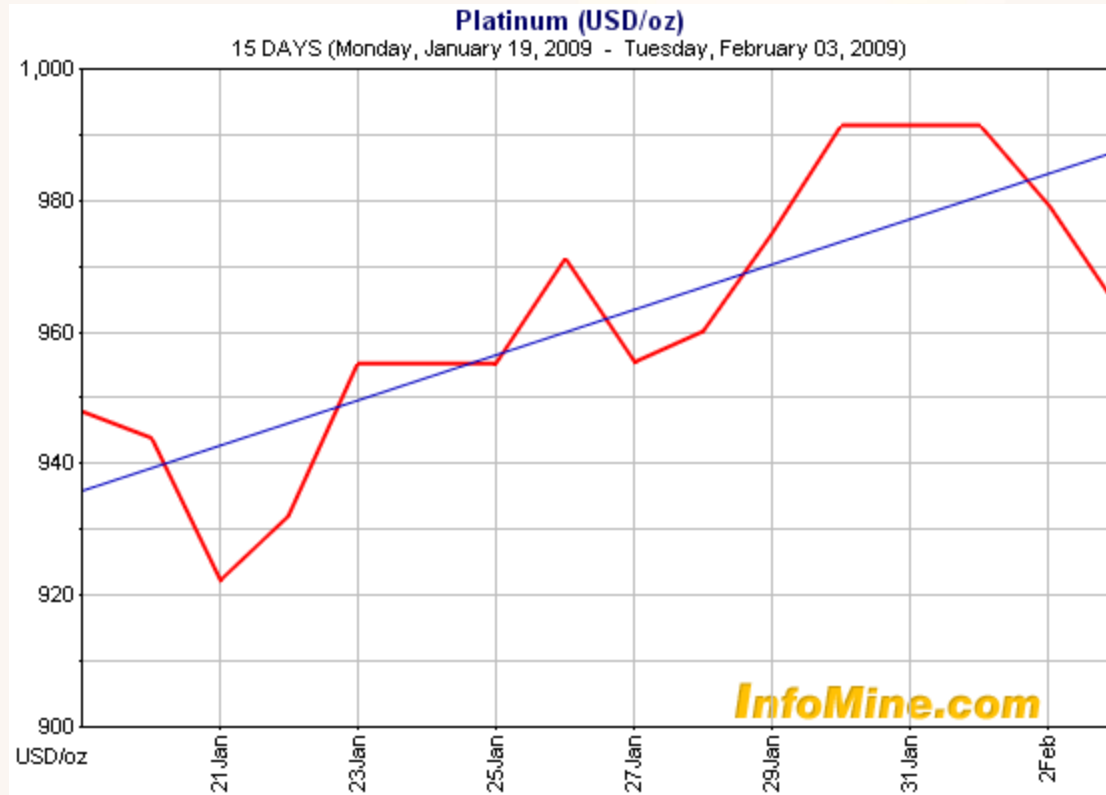


Platinum (7 Days)



RECESSION

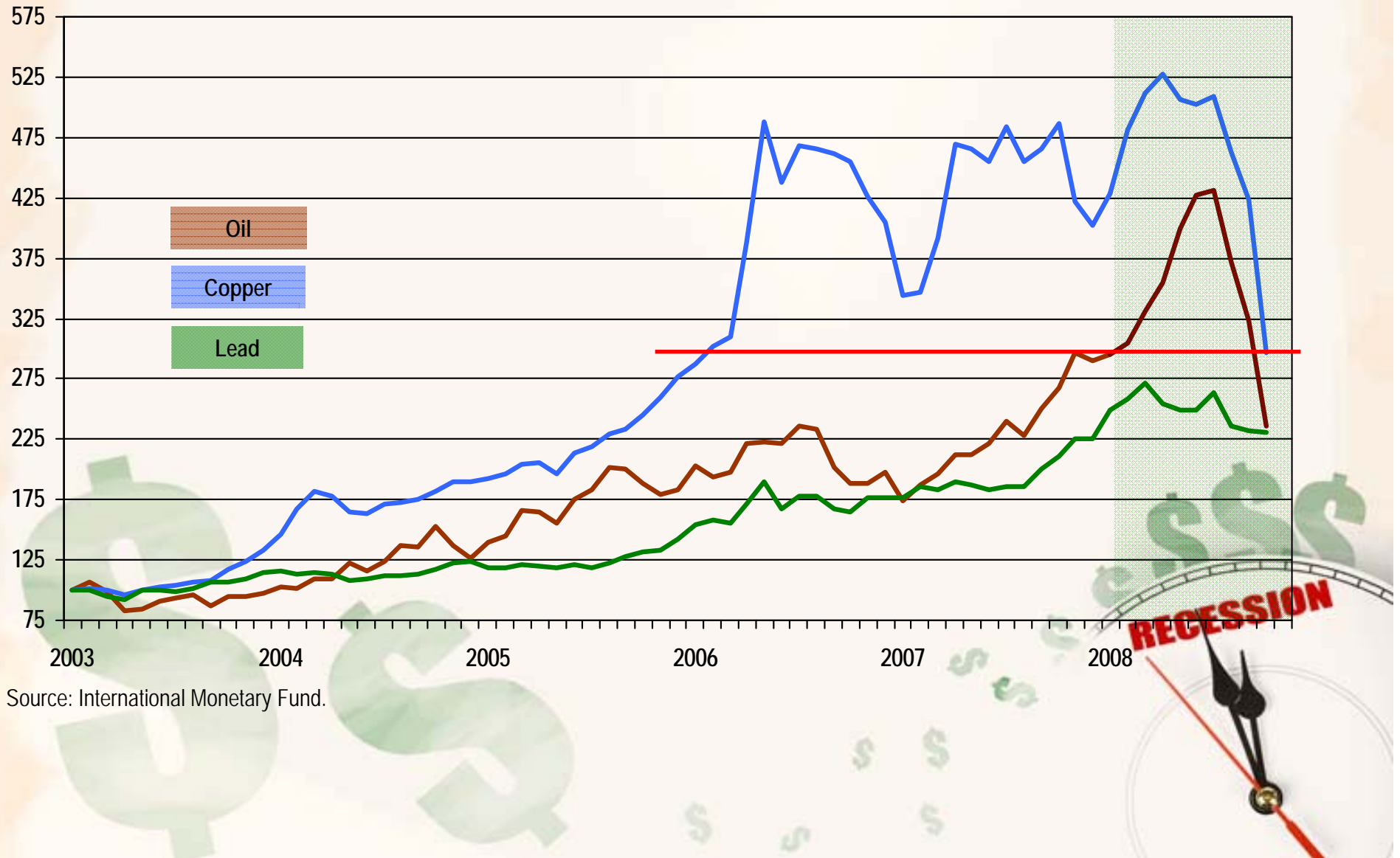
Platinum (15 Days)



RECESSION

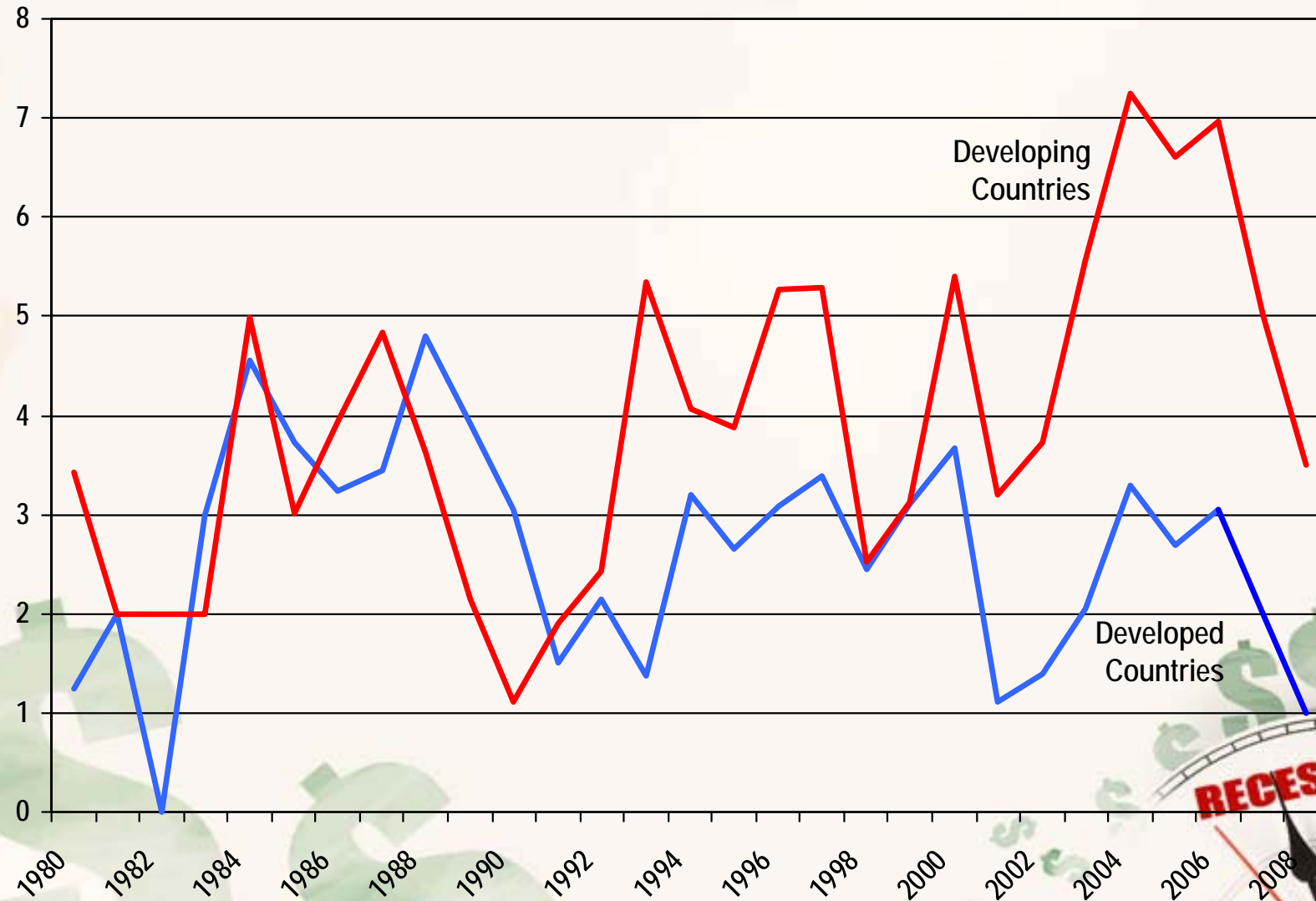
Commodity Prices

Index



Source: International Monetary Fund.

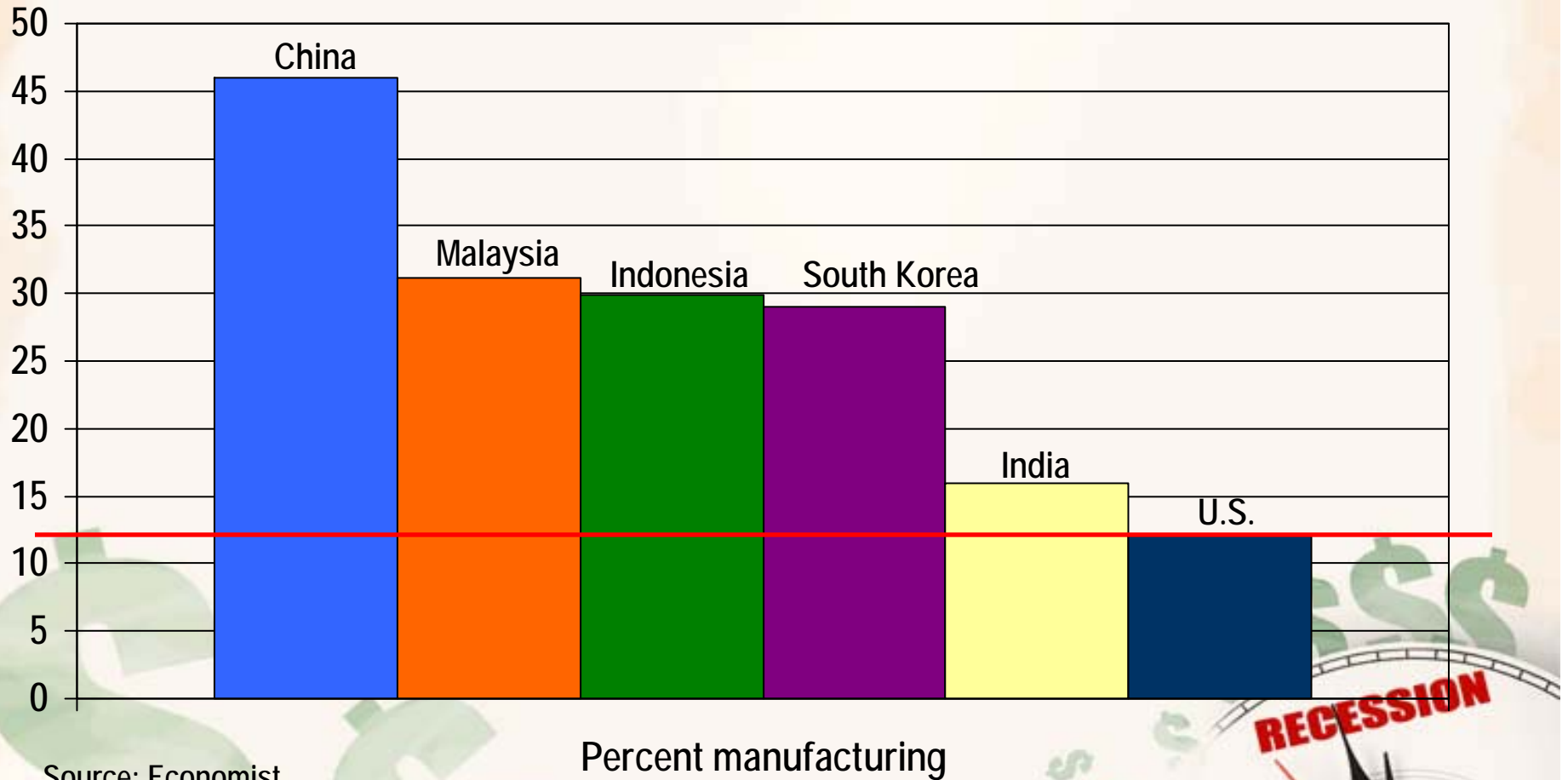
World GDP (Percent Change)



Source: World Bank

RECESSION

Percent Manufacturing



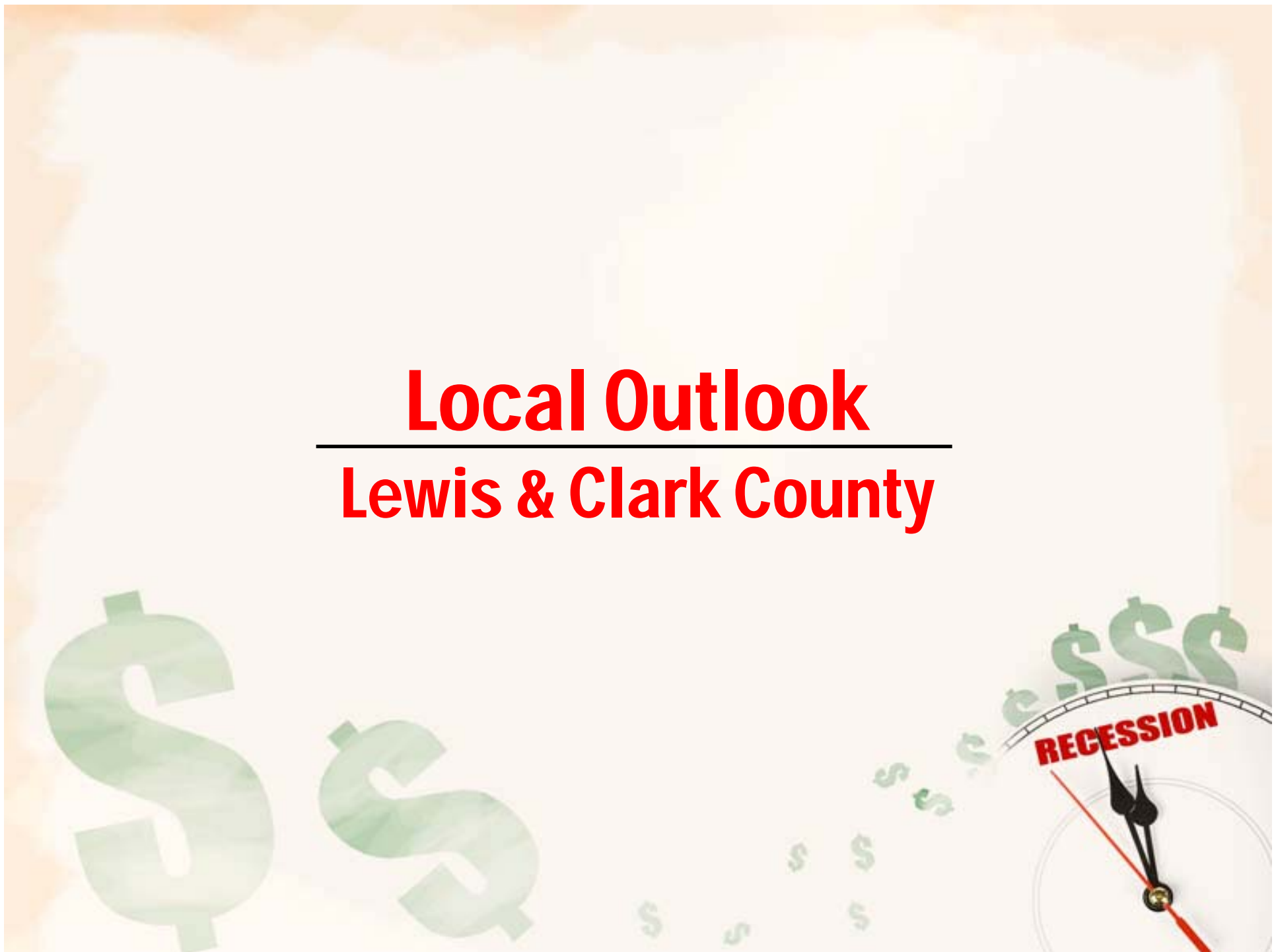
Source: Economist

Percent manufacturing

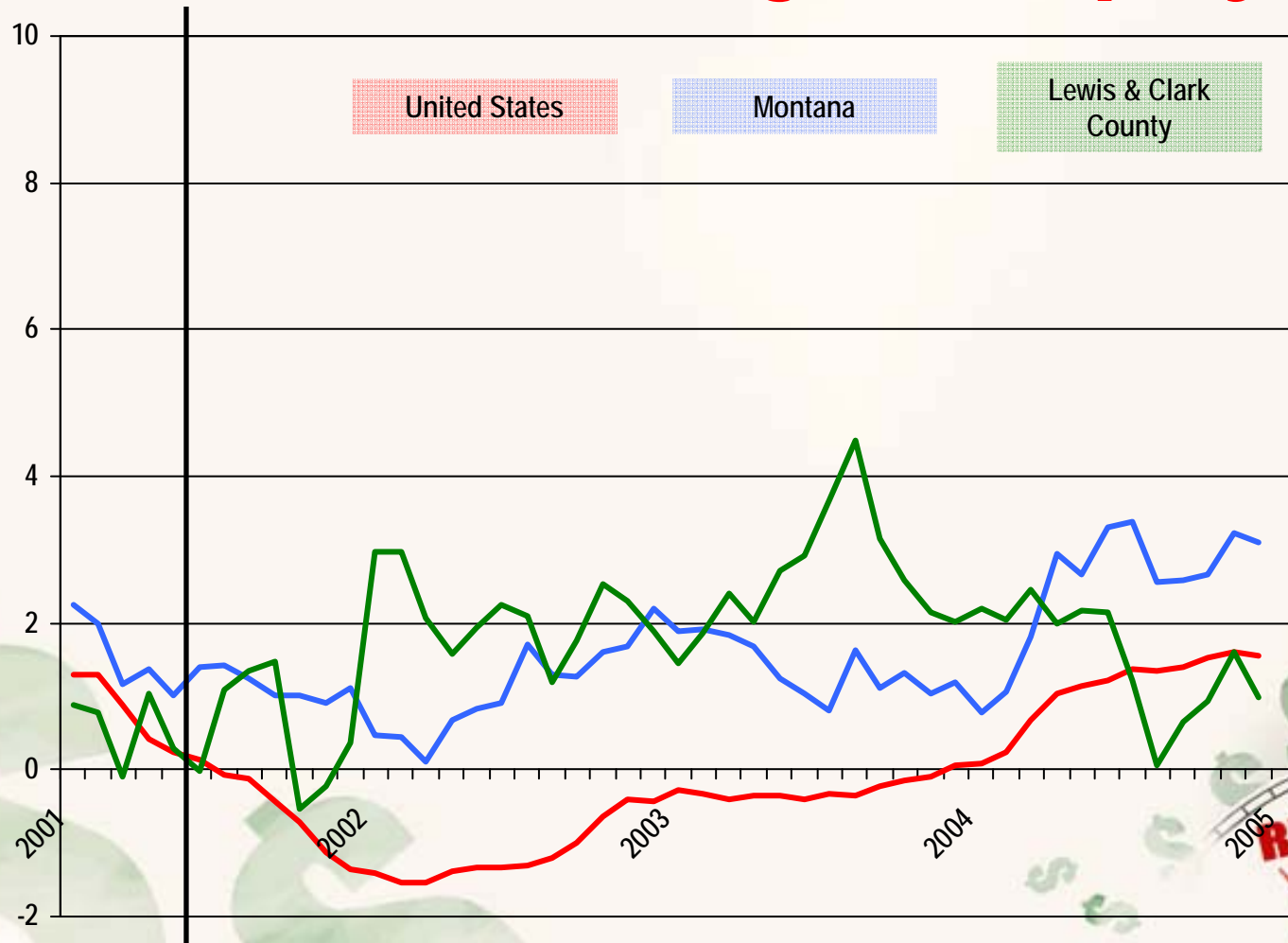
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Local Outlook

Lewis & Clark County



Annual Percent Change in Employment

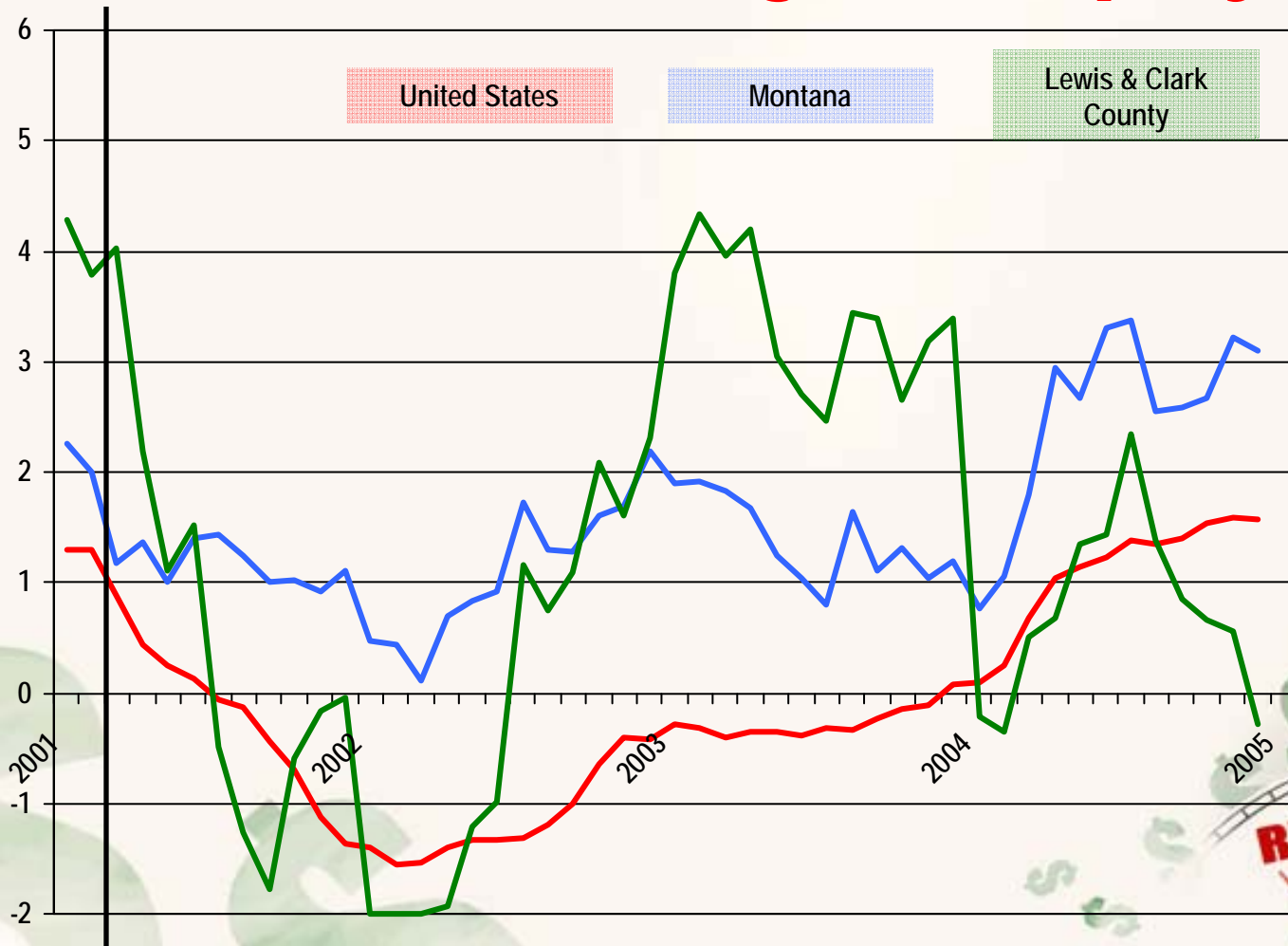


Recession Declared

Source: U.S. Bureau of Labor Statistics



Annual Percent Change in Employment



Recession
Declared

Source: U.S. Bureau of Labor Statistics

RECESSION

Questions?

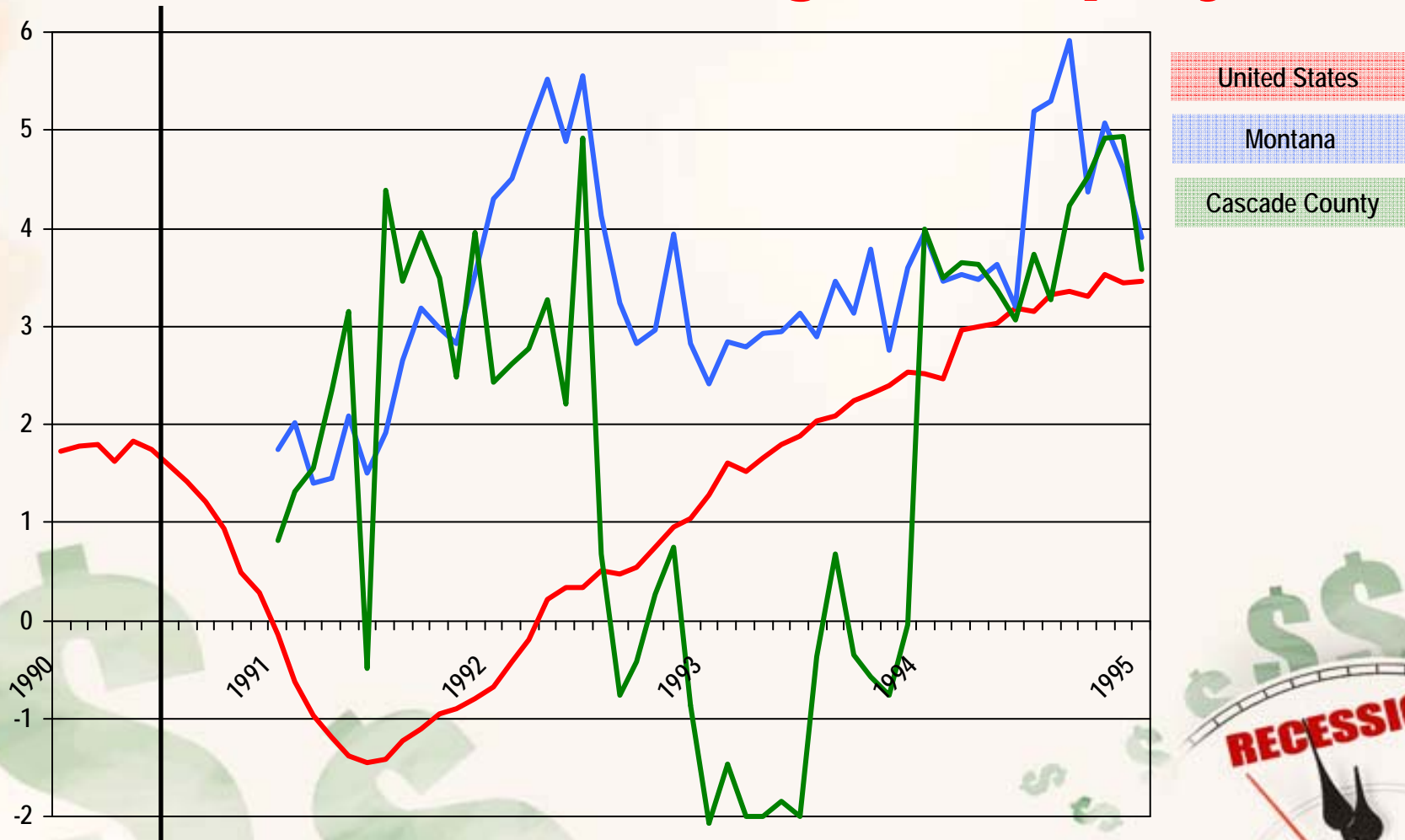


Local Outlook

Cascade County



Annual Percent Change in Employment

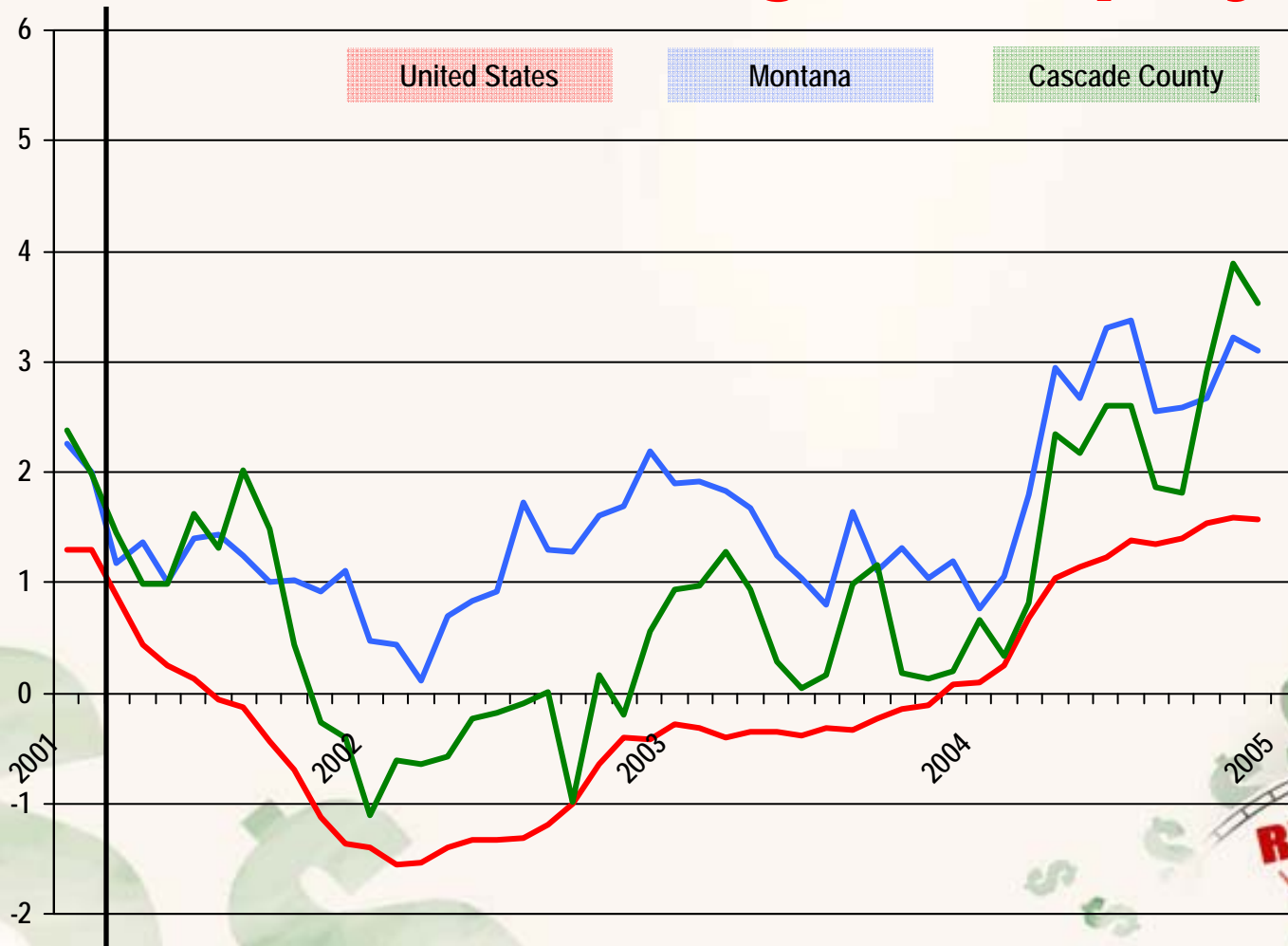


Recession Declared

Source: U.S. Bureau of Labor Statistics



Annual Percent Change in Employment



Recession Declared

Source: U.S. Bureau of Labor Statistics

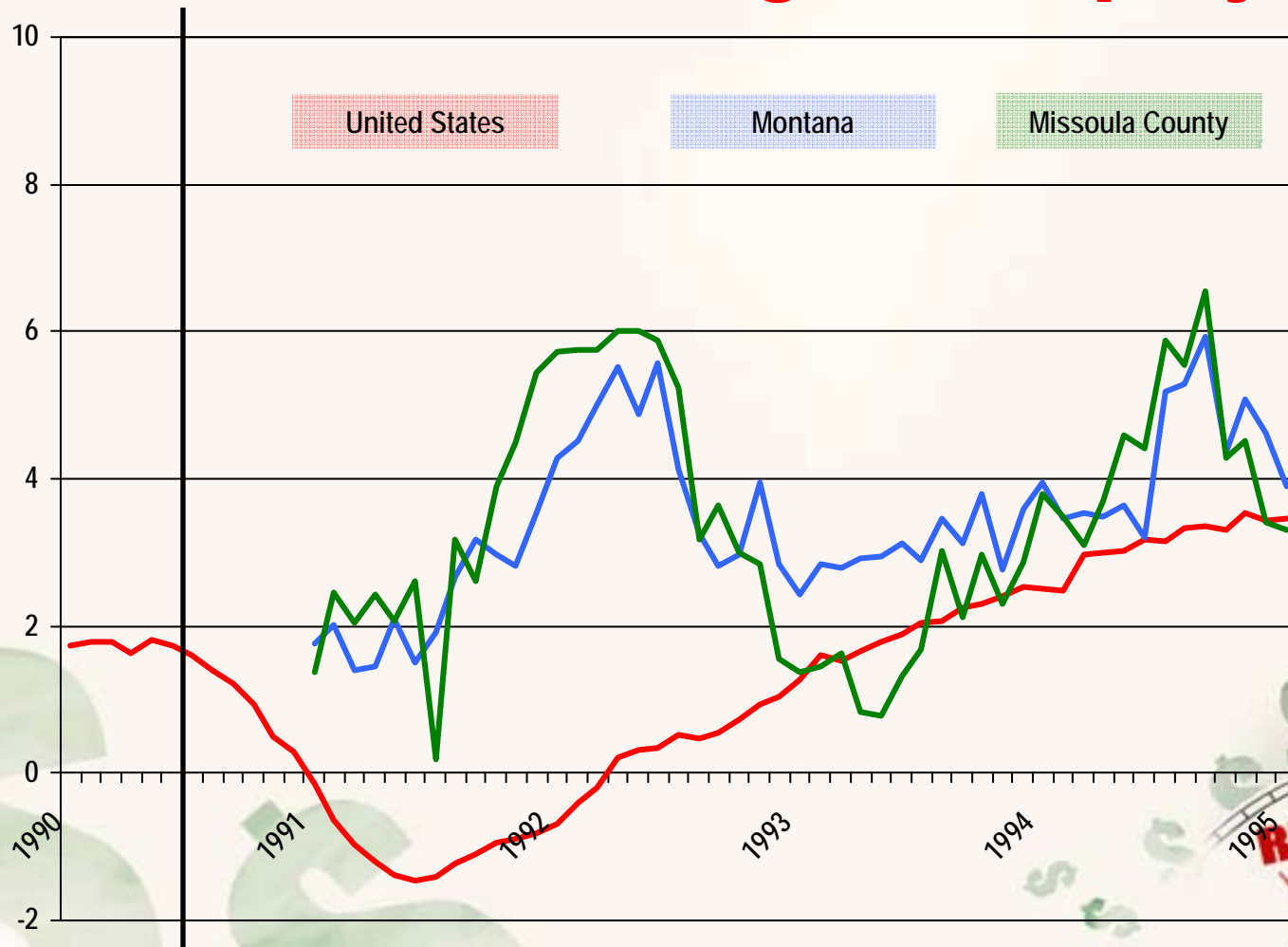
RECESSION

Local Outlook

Missoula County



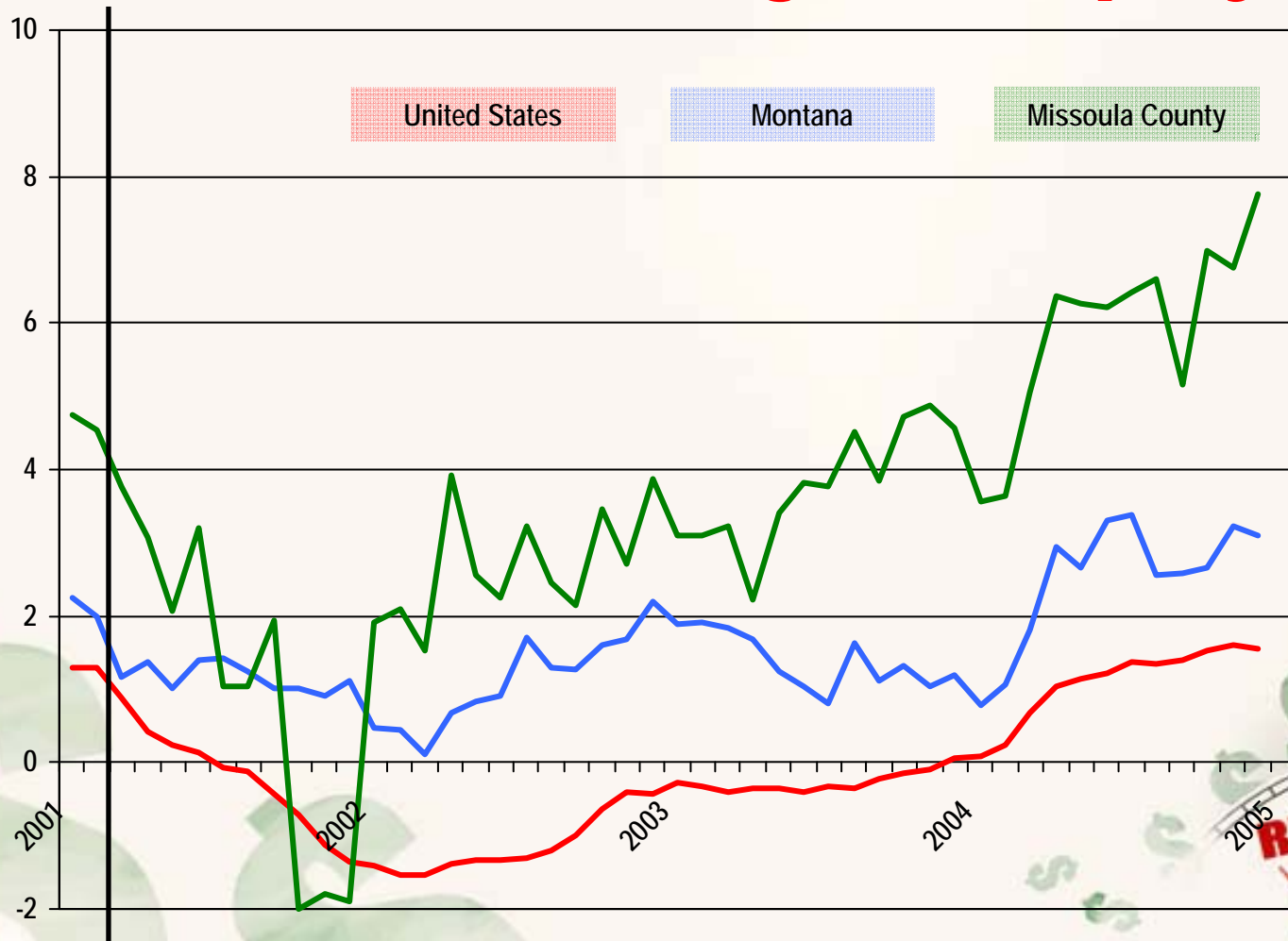
Annual Percent Change in Employment



Recession
Declared

Source: U.S. Bureau of Labor Statistics

Annual Percent Change in Employment



Recession
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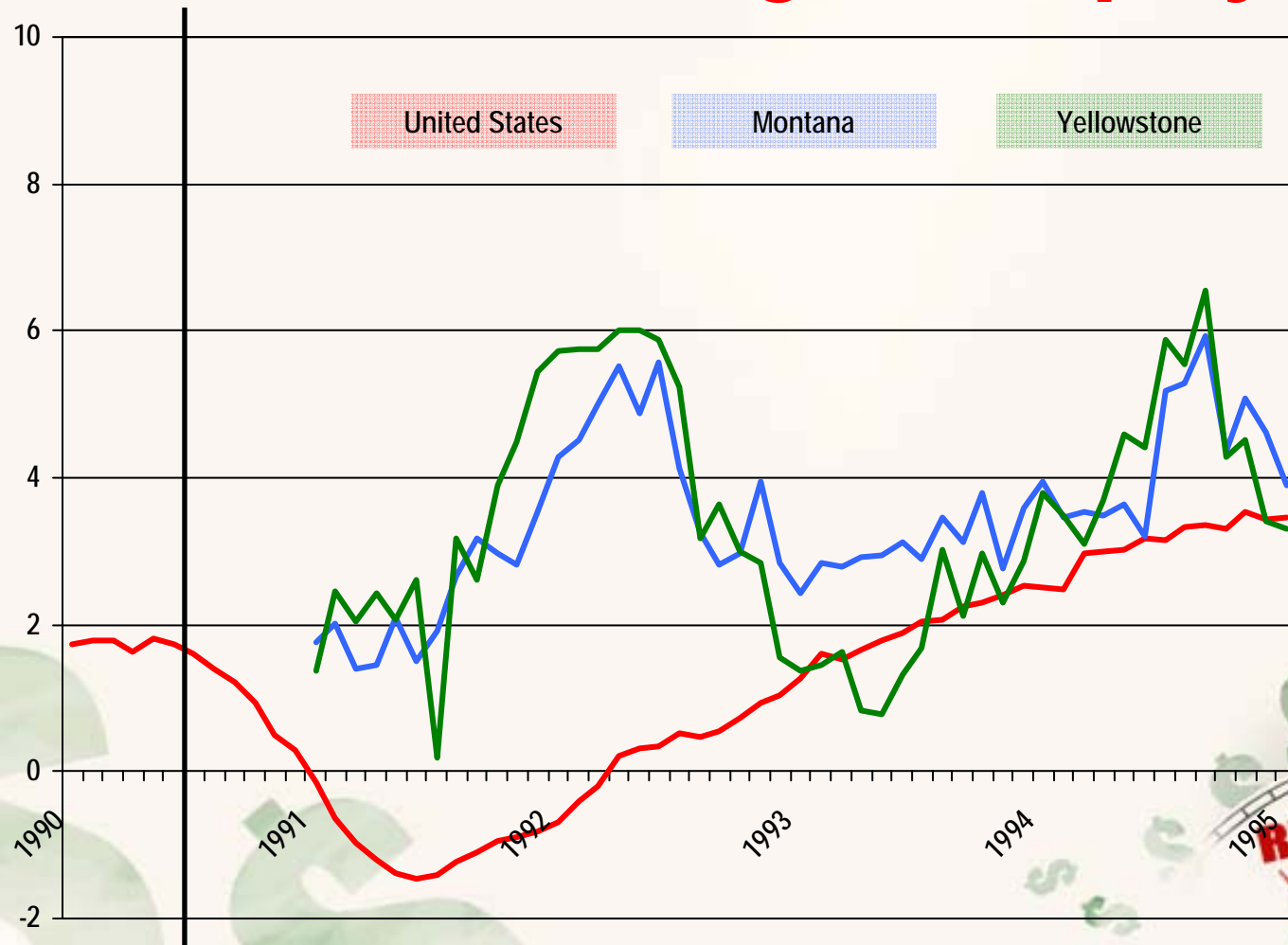


Local Outlook

Yellowstone County



Annual Percent Change in Employment

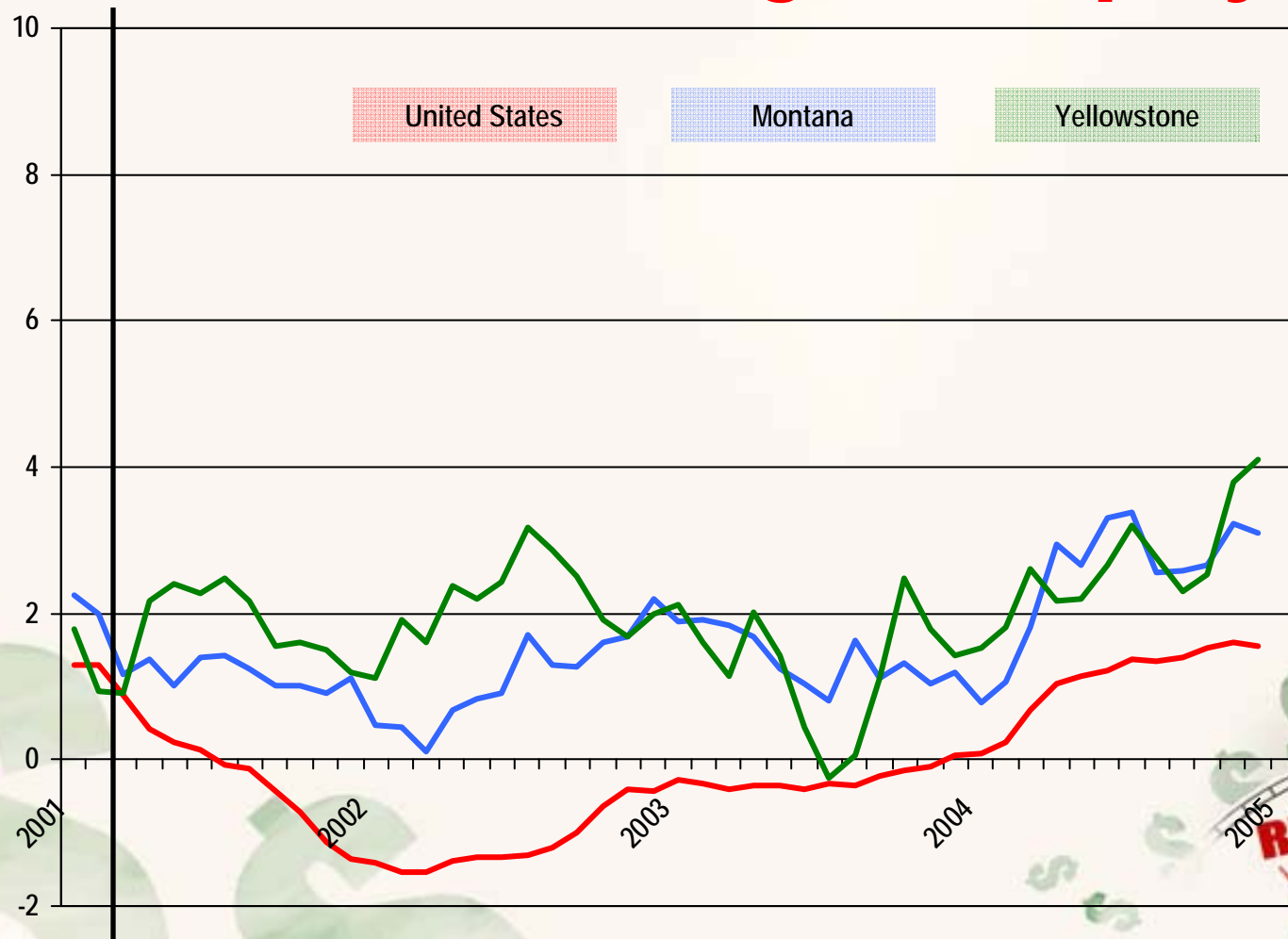


Recession
Declared

Source: U.S. Bureau of Labor Statistics



Annual Percent Change in Employment



Recession
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Source: U.S. Bureau of Labor Statistics

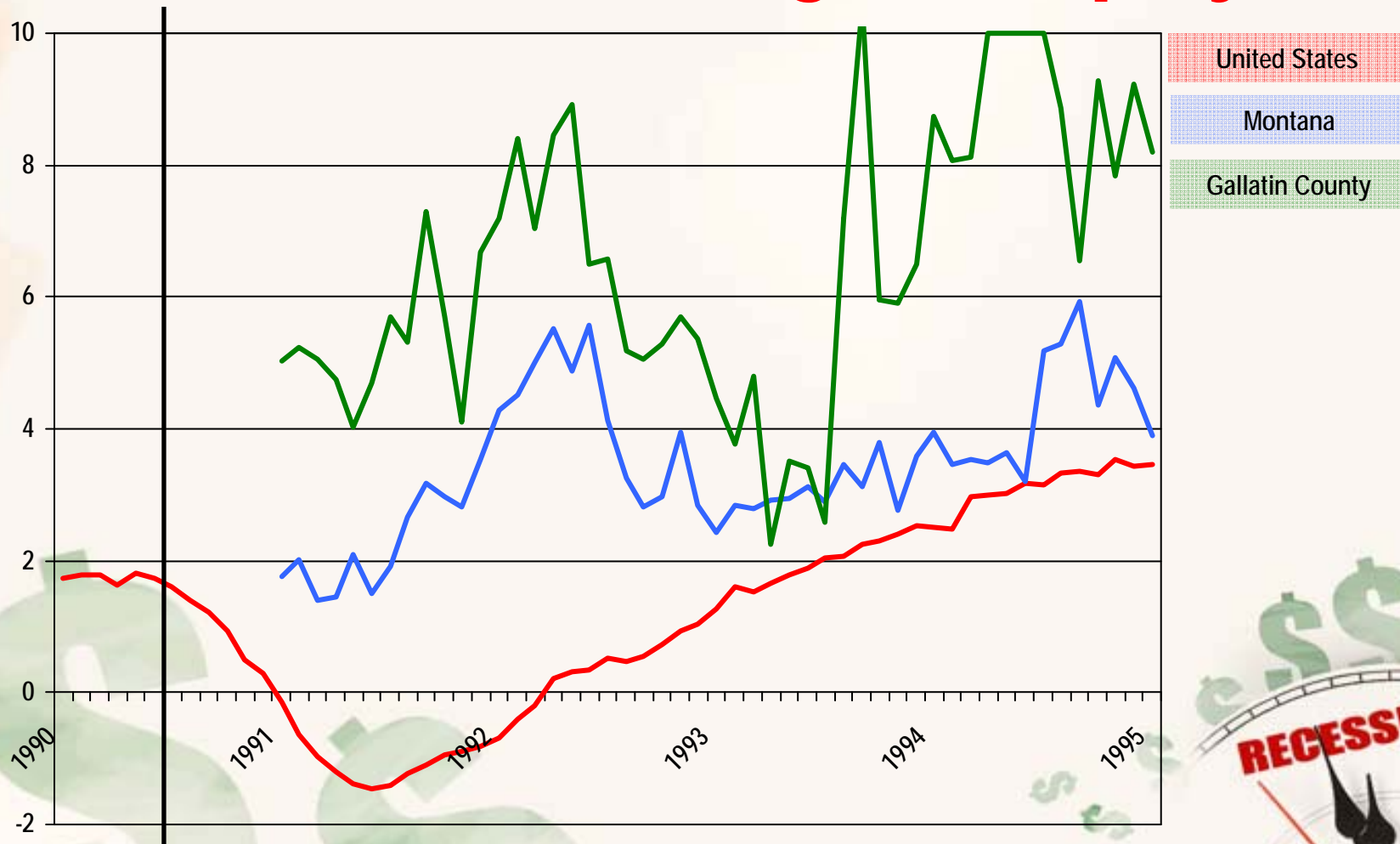


Local Outlook

Gallatin County



Annual Percent Change in Employment

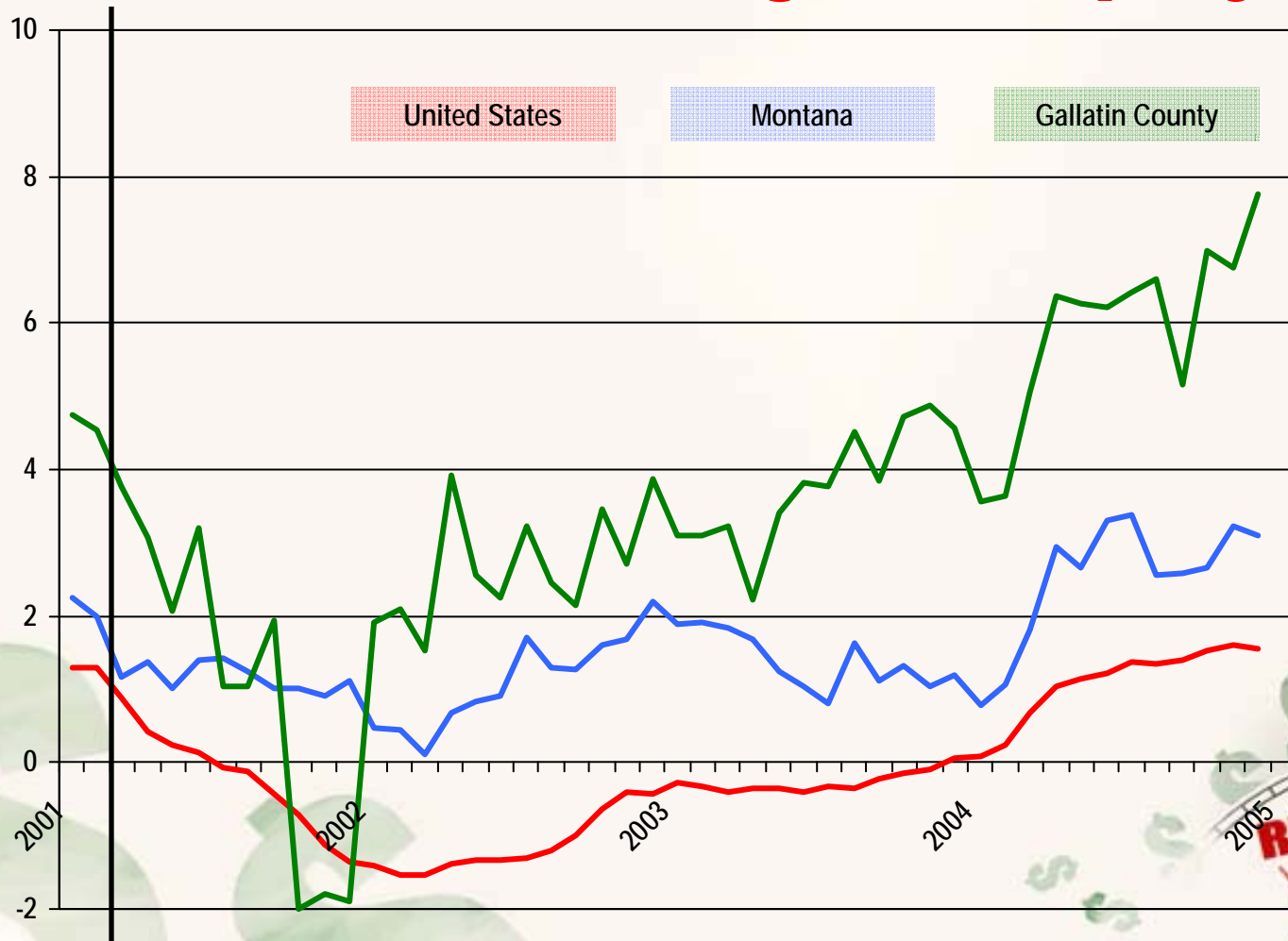


Recession Declared

Source: U.S. Bureau of Labor Statistics



Annual Percent Change in Employment



Recession Declared

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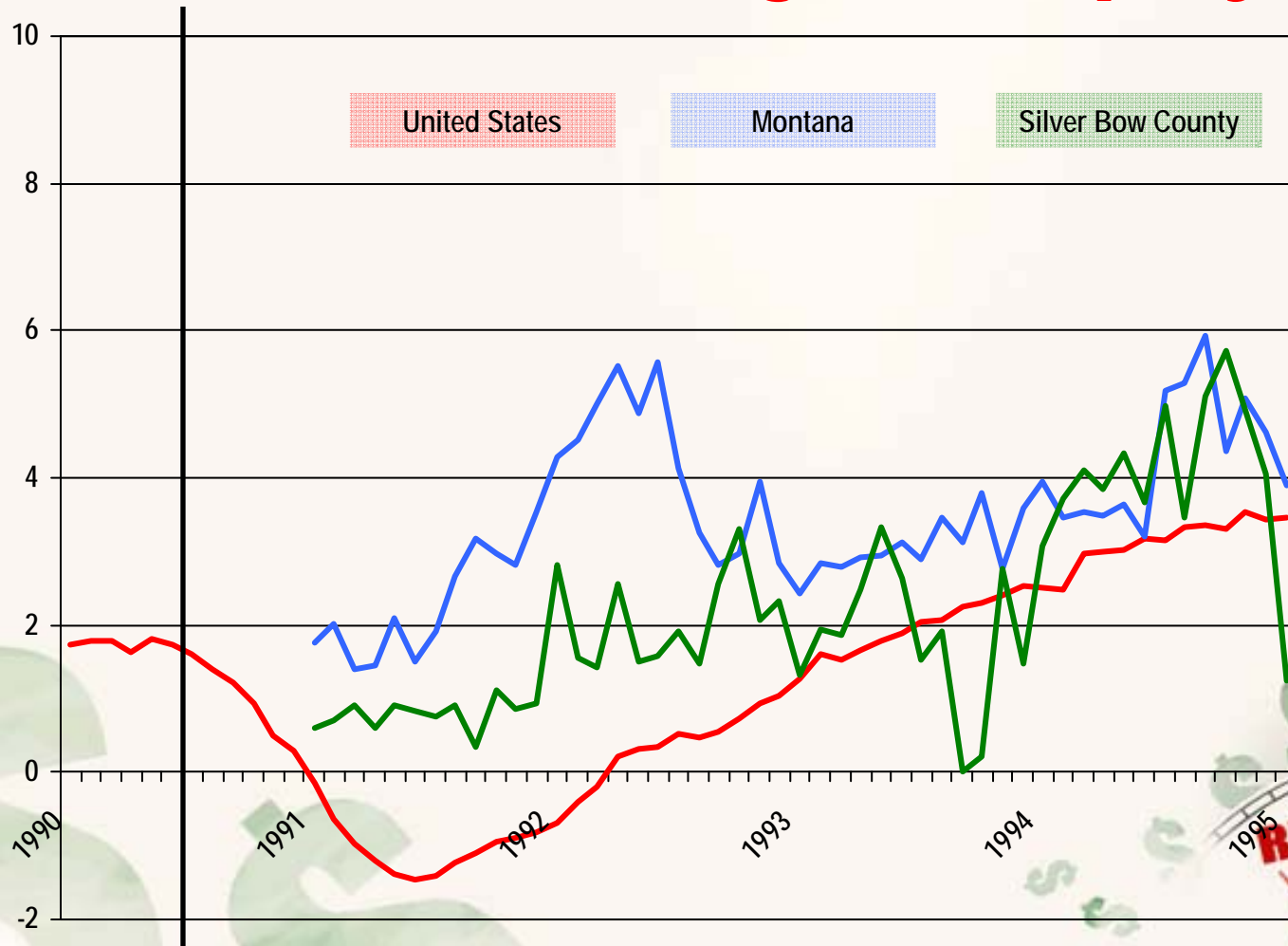


Local Outlook

Silver Bow County



Annual Percent Change in Employment

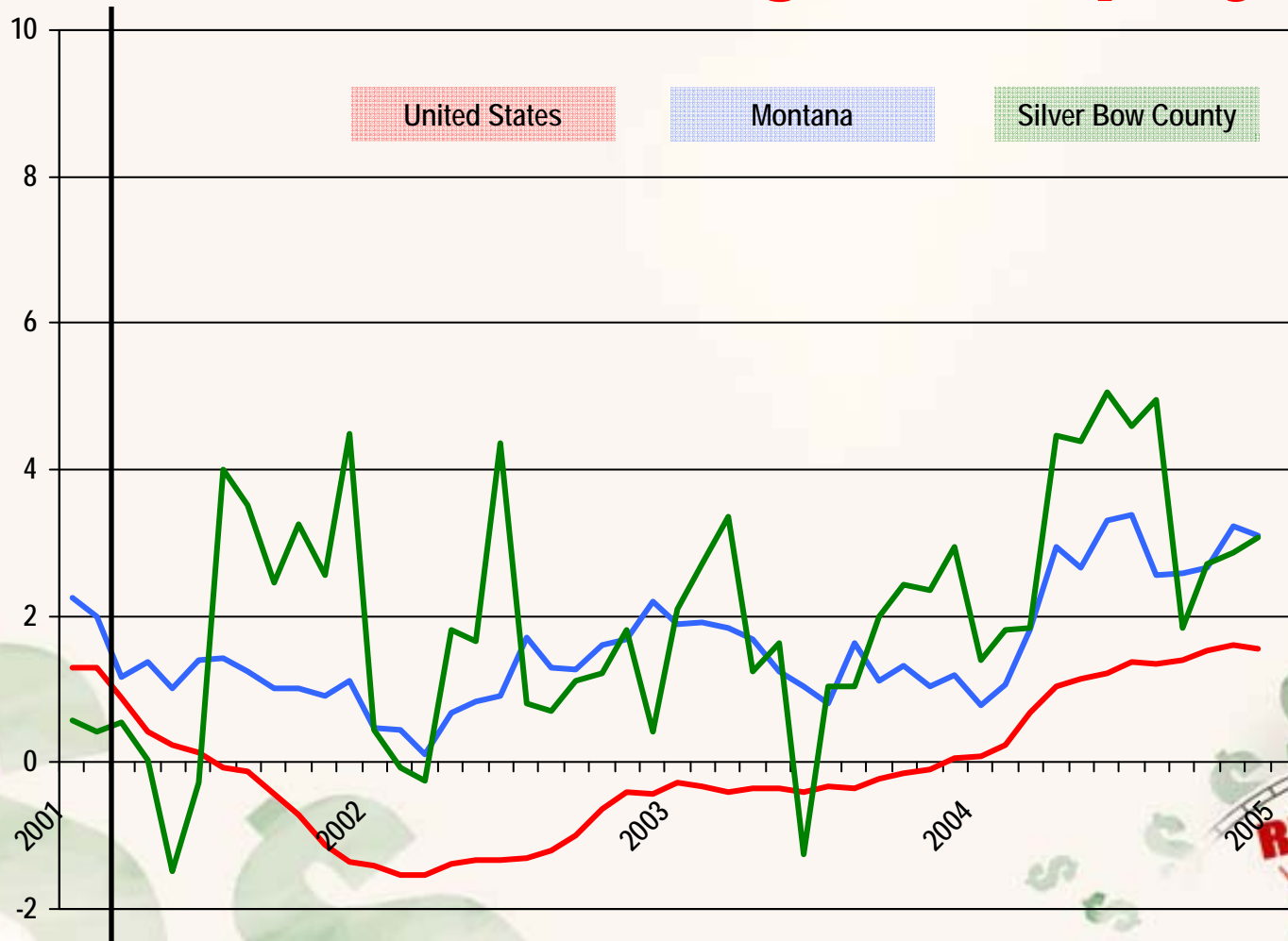


Recession
Declared

Source: U.S. Bureau of Labor Statistics



Annual Percent Change in Employment



Recession
Declared

Source: U.S. Bureau of Labor Statistics

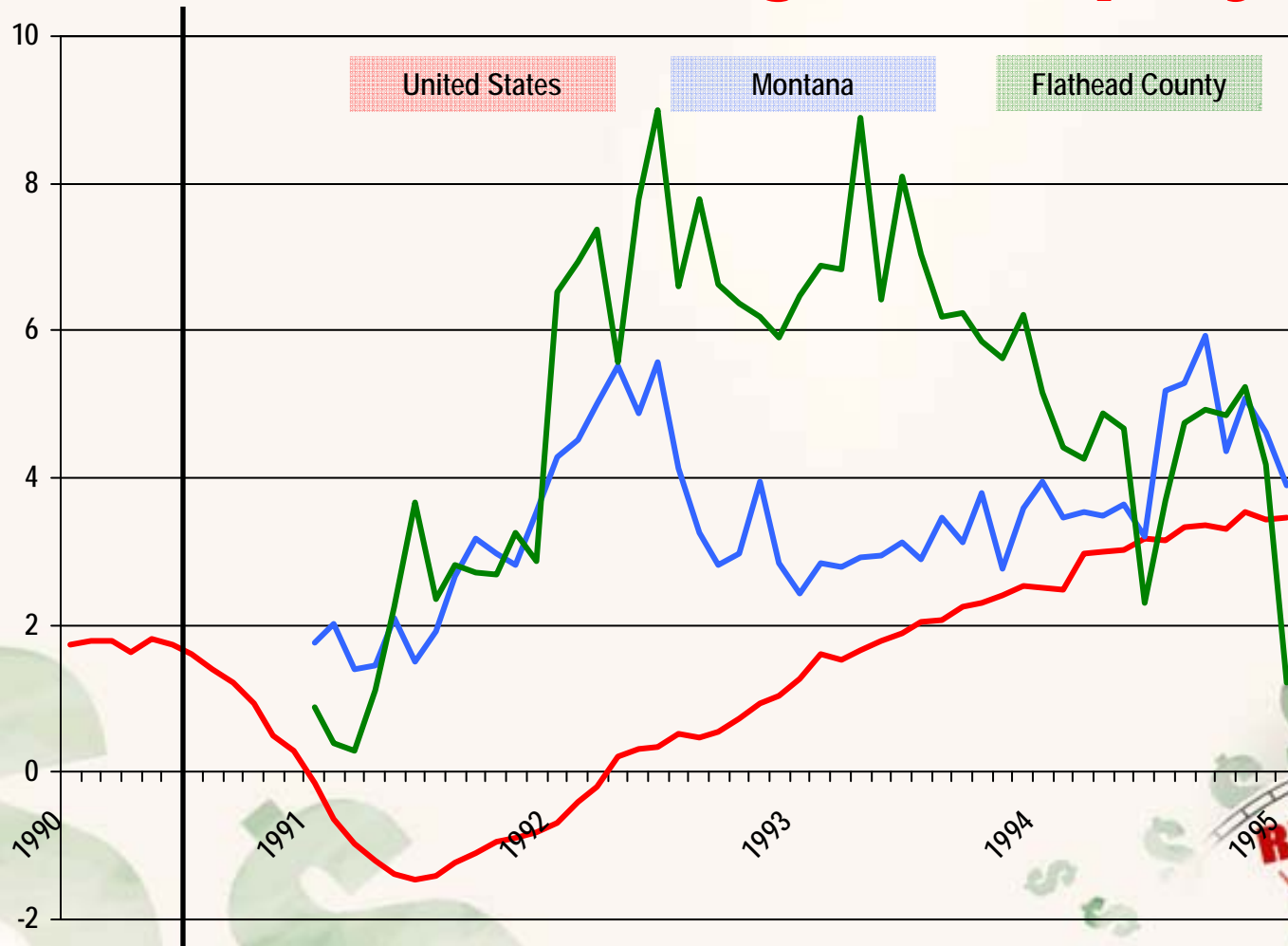


Local Outlook

Flathead County



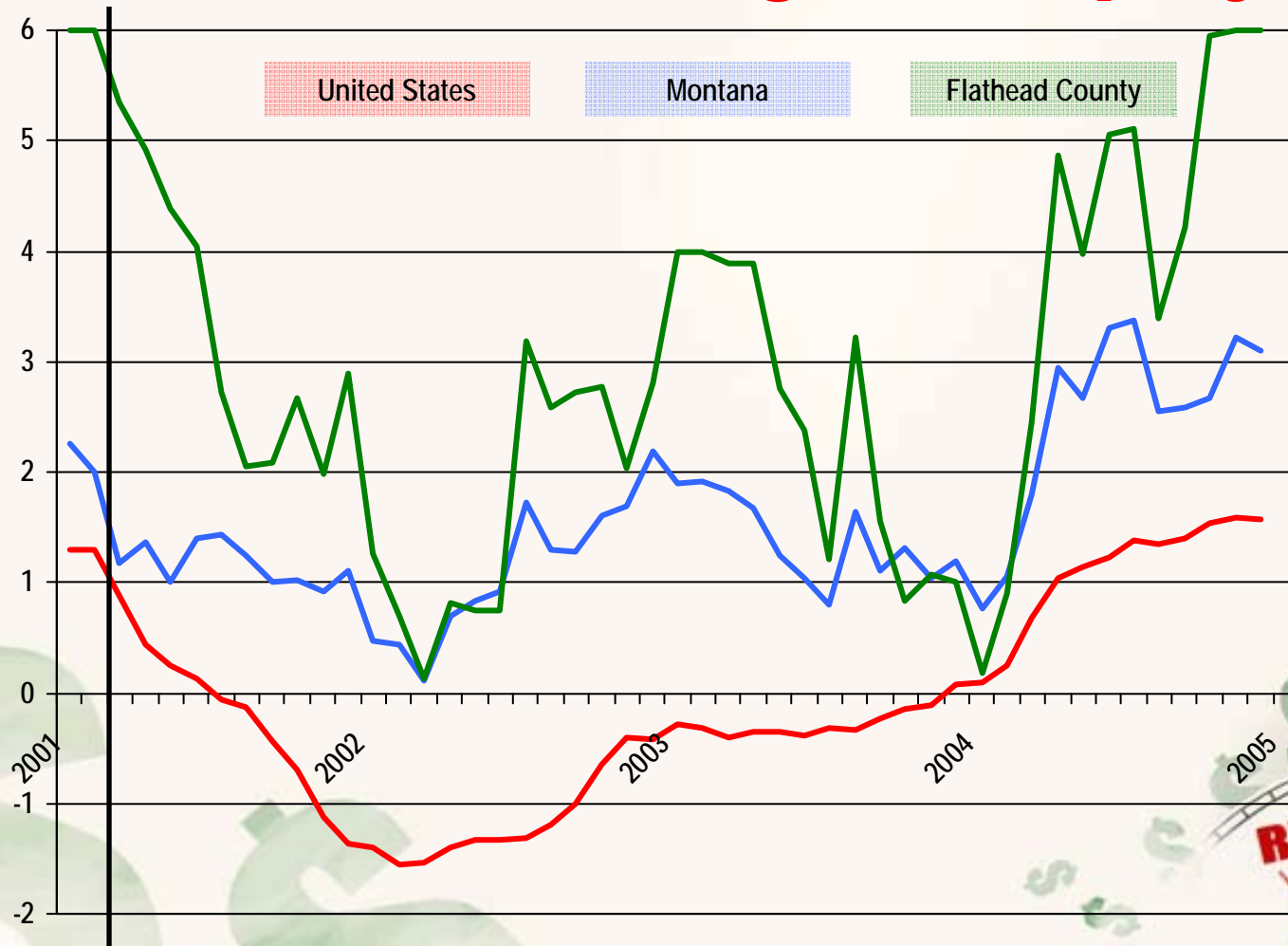
Annual Percent Change in Employment



Recession
Declared

Source: U.S. Bureau of Labor Statistics

Annual Percent Change in Employment



Recession Declared

Source: U.S. Bureau of Labor Statistics

RECESSION

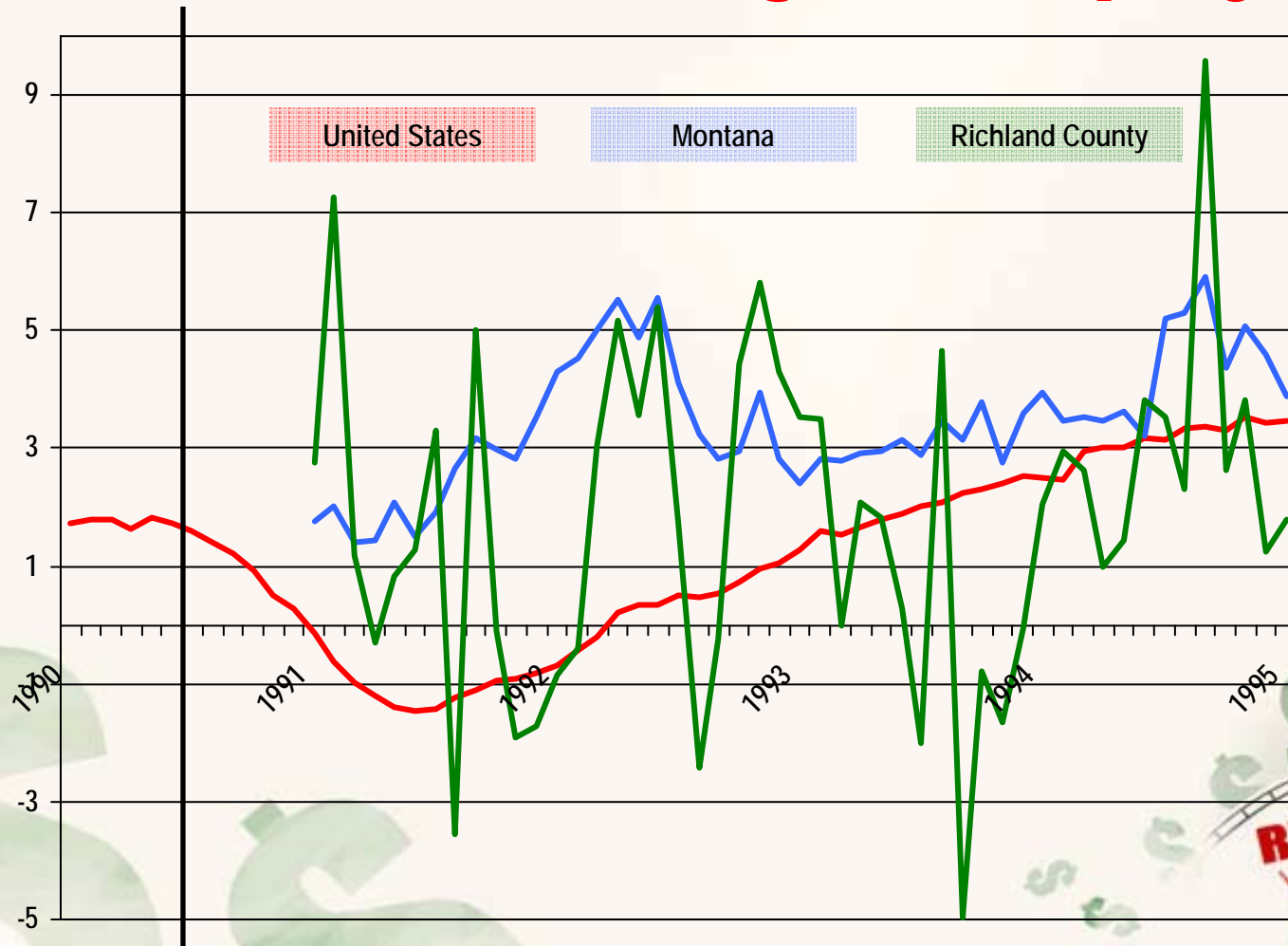


Local Outlook

Richland County



Annual Percent Change in Employment

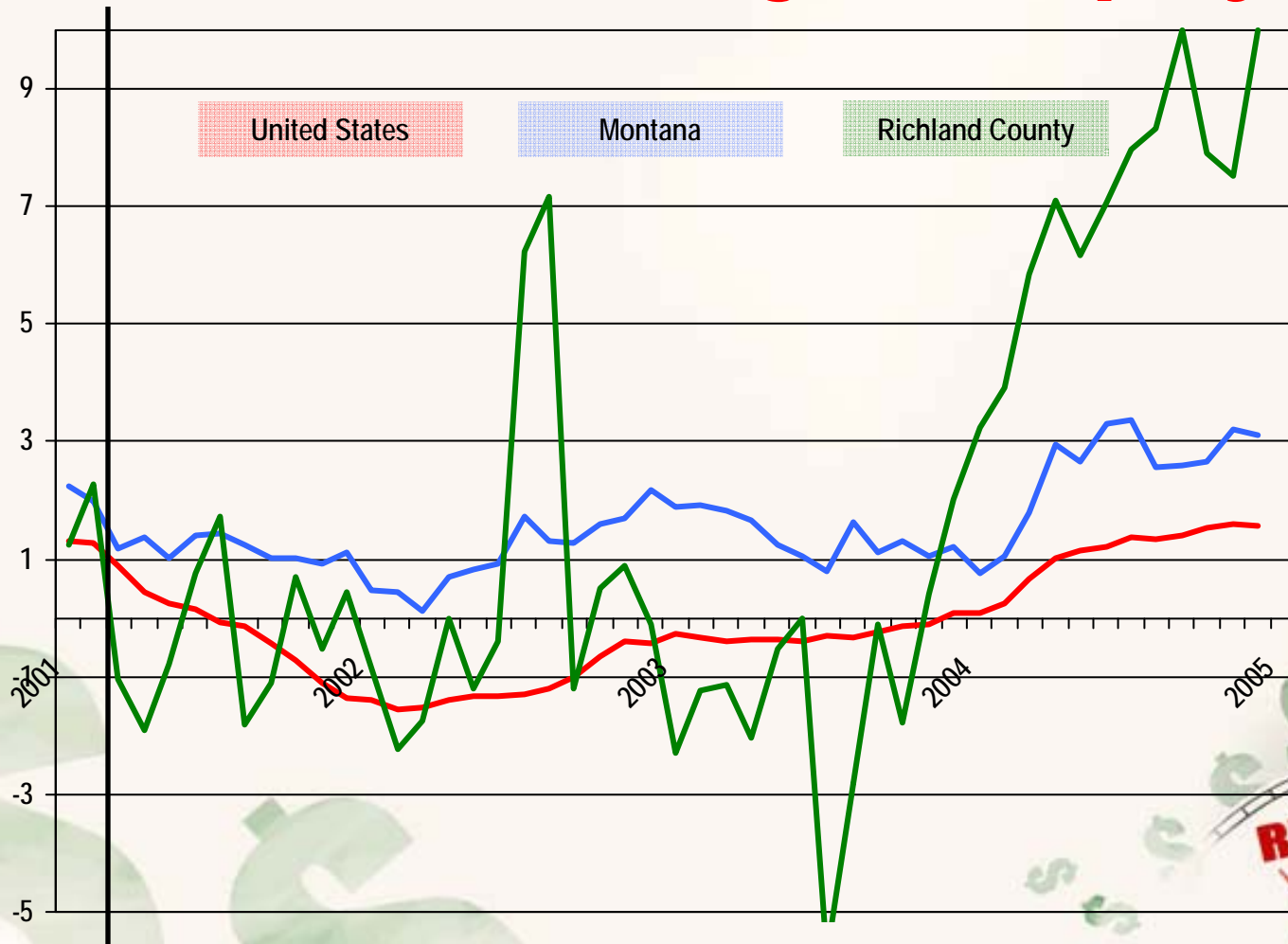


Recession
Declared

Source: U.S. Bureau of Labor Statistics



Annual Percent Change in Employment



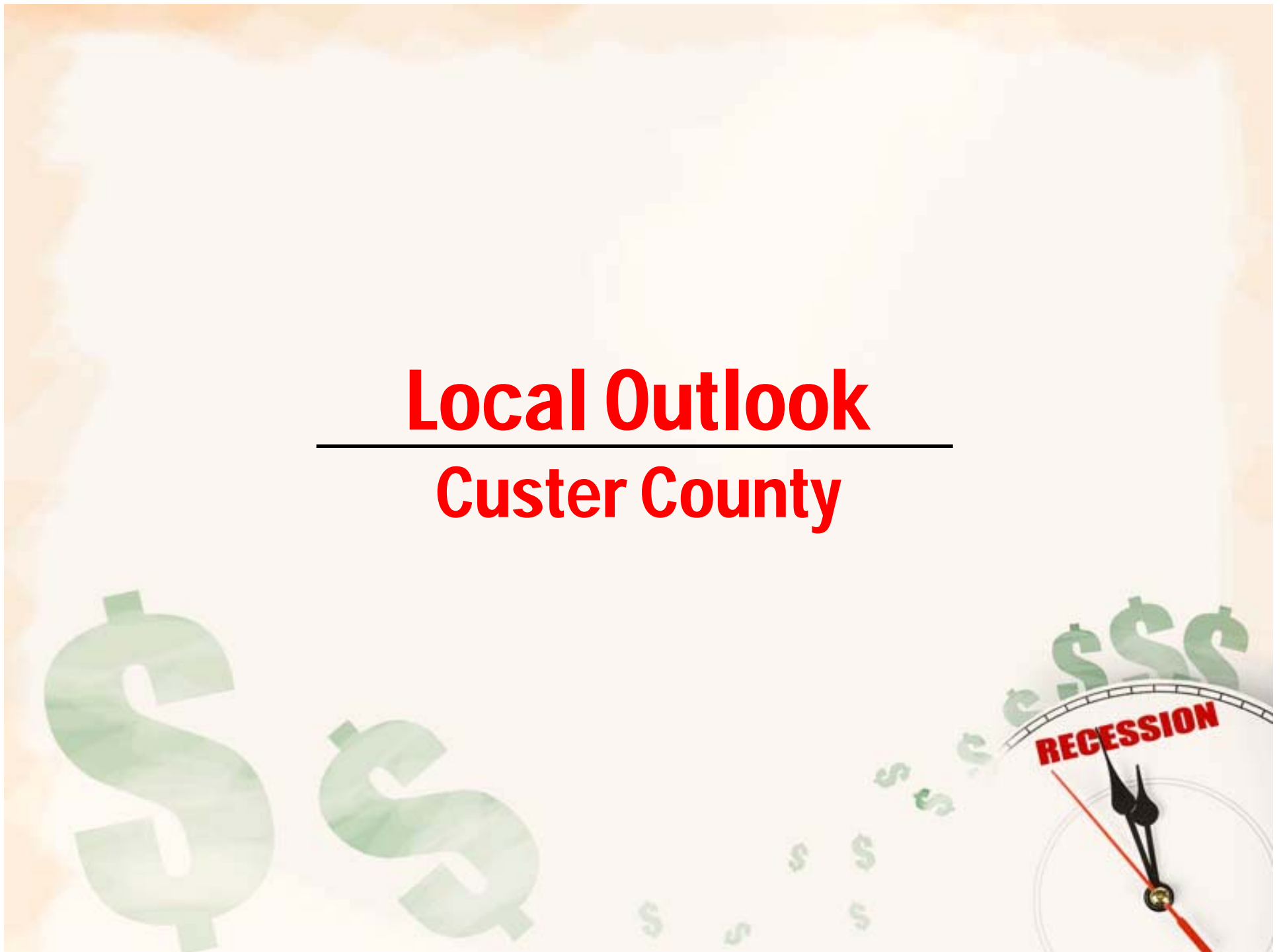
Recession
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Source: U.S. Bureau of Labor Statistics

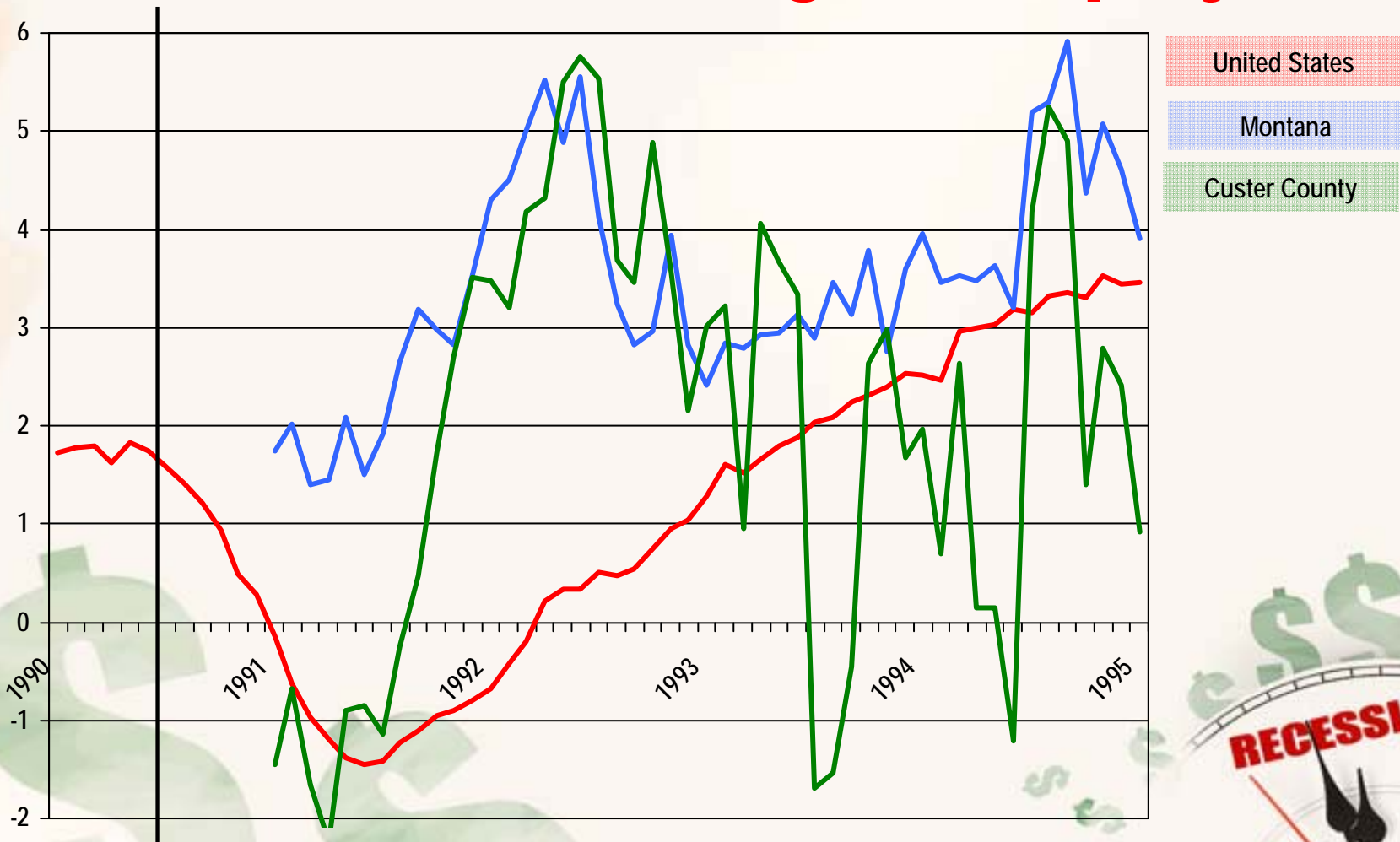


Local Outlook

Custer County



Annual Percent Change in Employment

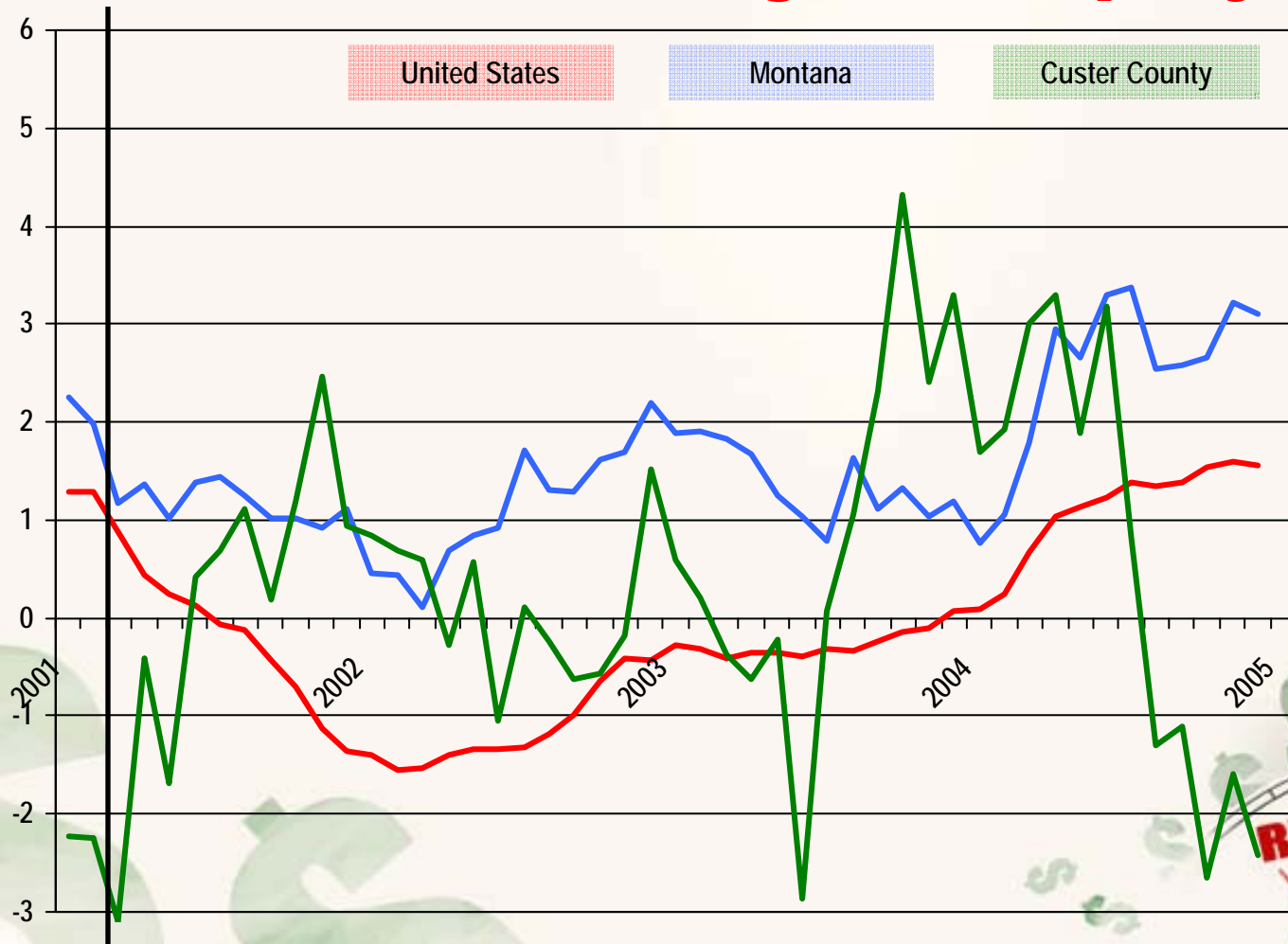


Recession
Declared

Source: U.S. Bureau of Labor Statistics

RECESSION

Annual Percent Change in Employment



Recession
Declared

Source: U.S. Bureau of Labor Statistics

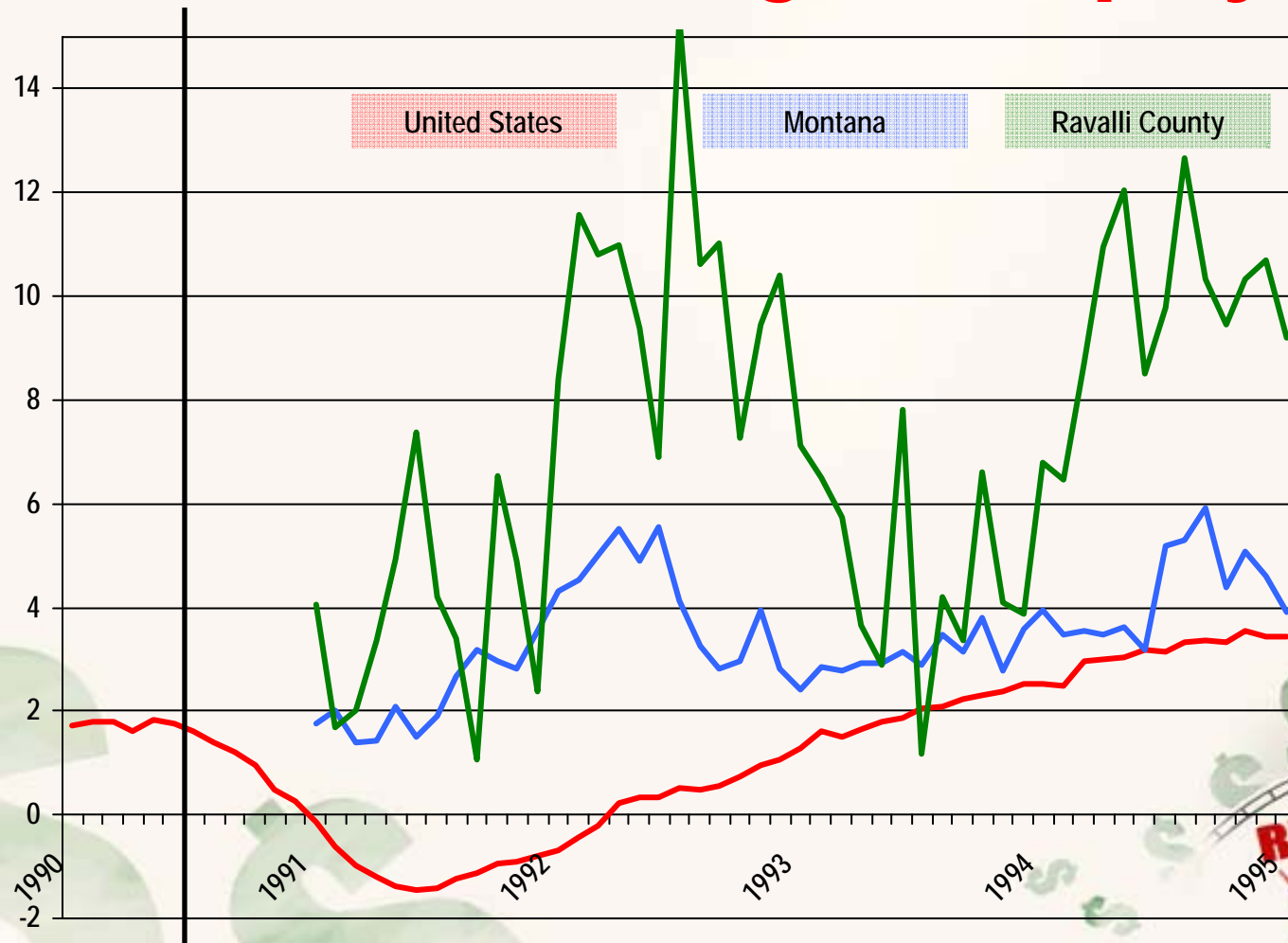


Local Outlook

Ravalli County



Annual Percent Change in Employment

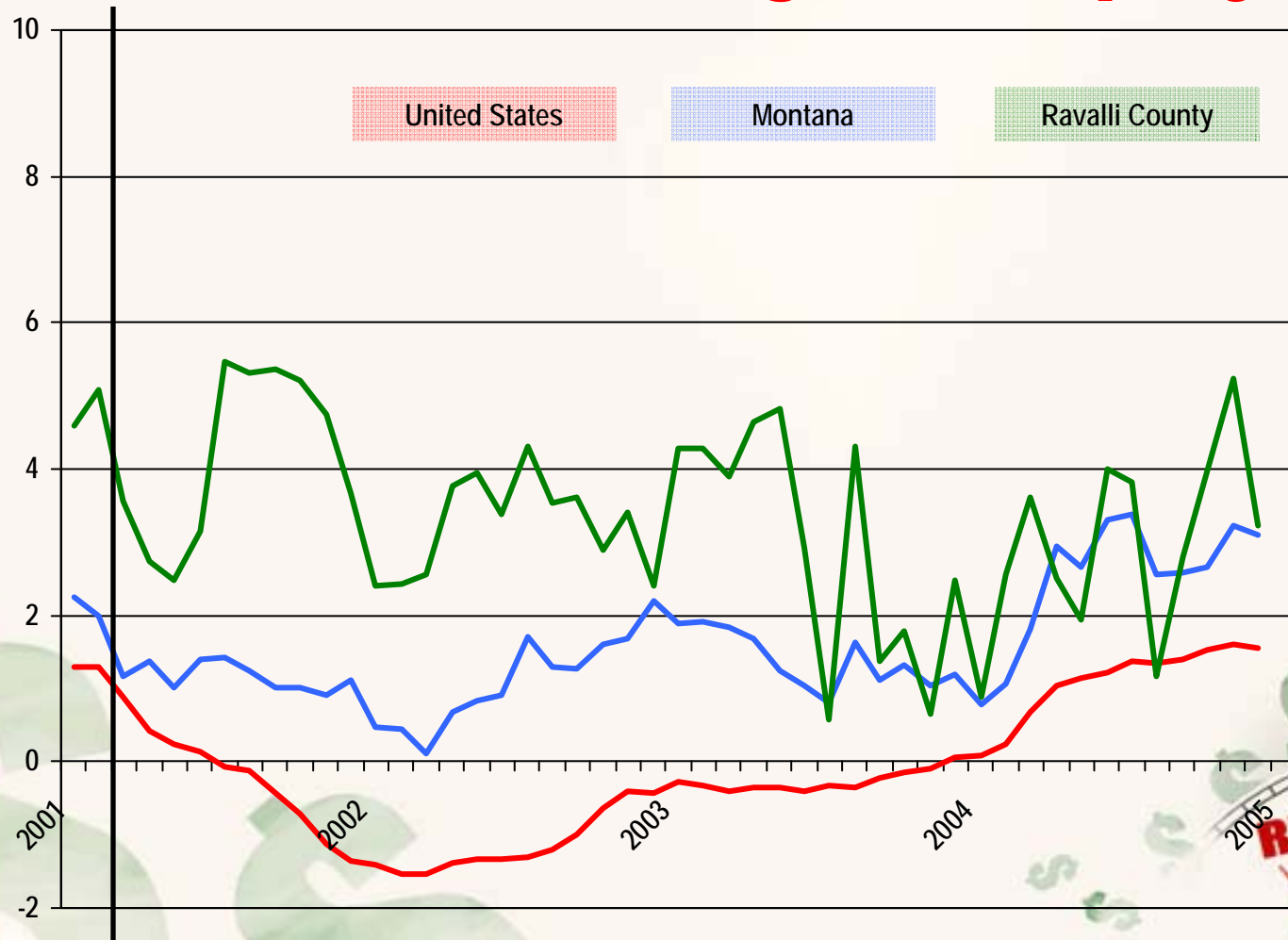


Recession
Declared

Source: U.S. Bureau of Labor Statistics



Annual Percent Change in Employment



Recession Declared

Source: U.S. Bureau of Labor Statistics

