

# When Will It End?

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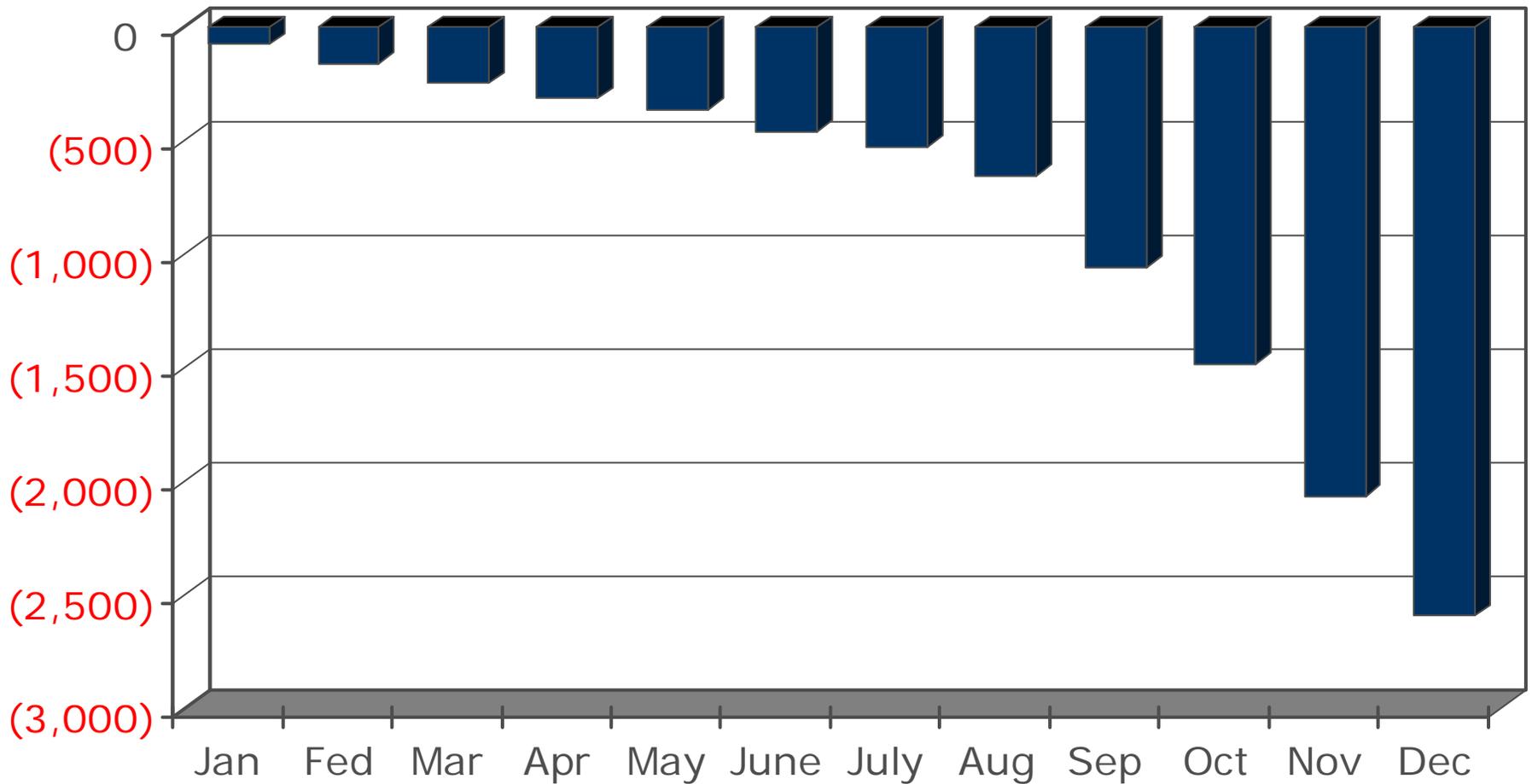
Presented by:  
Mark M. Zandi,  
Chief Economist

January 10, 2009

# How Bad Is It?

# The Recession Is Intensifying...

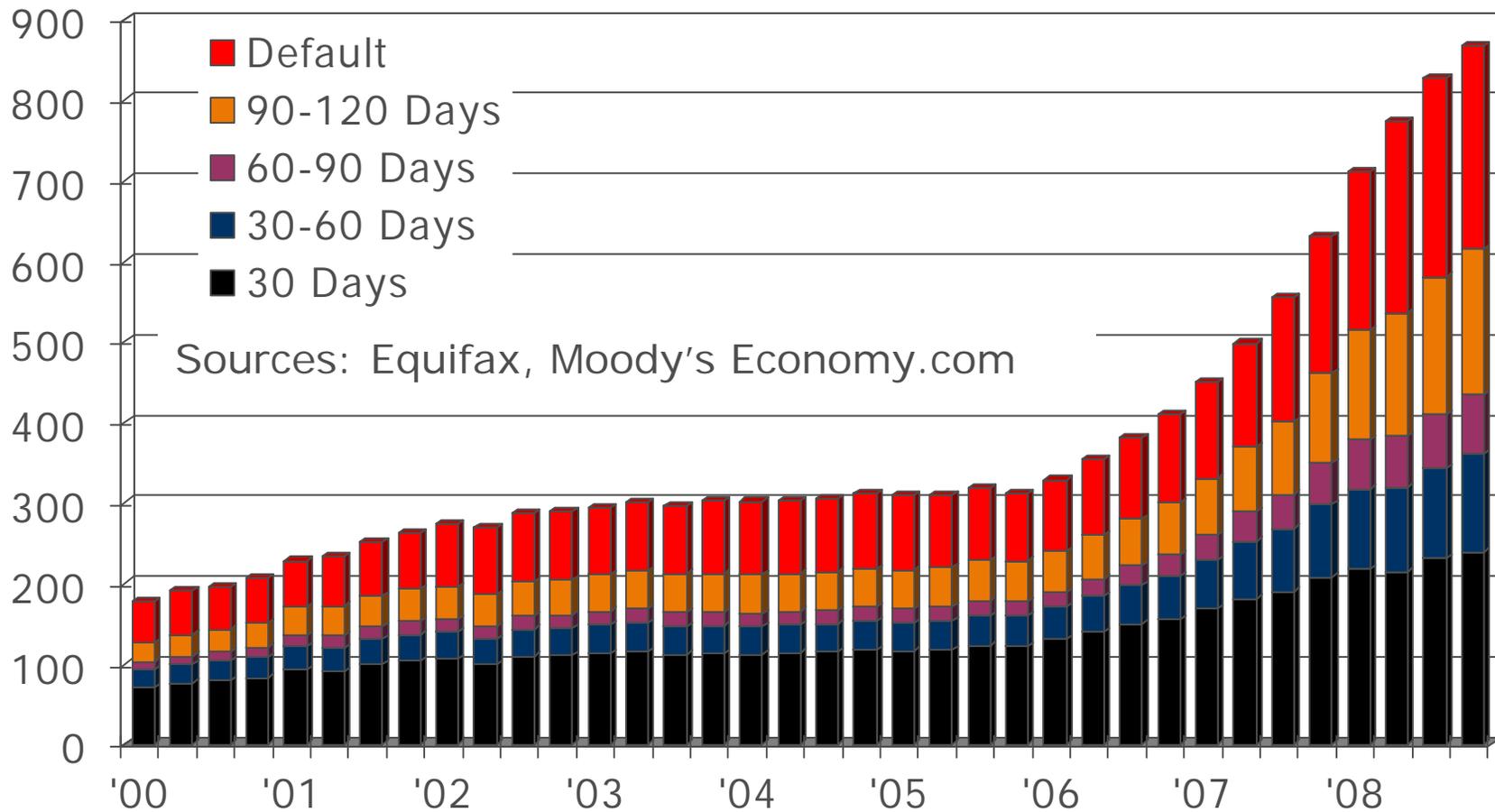
Cumulative job loss, thousands, Source: BLS





## ...As Households Buckle Under The Stress

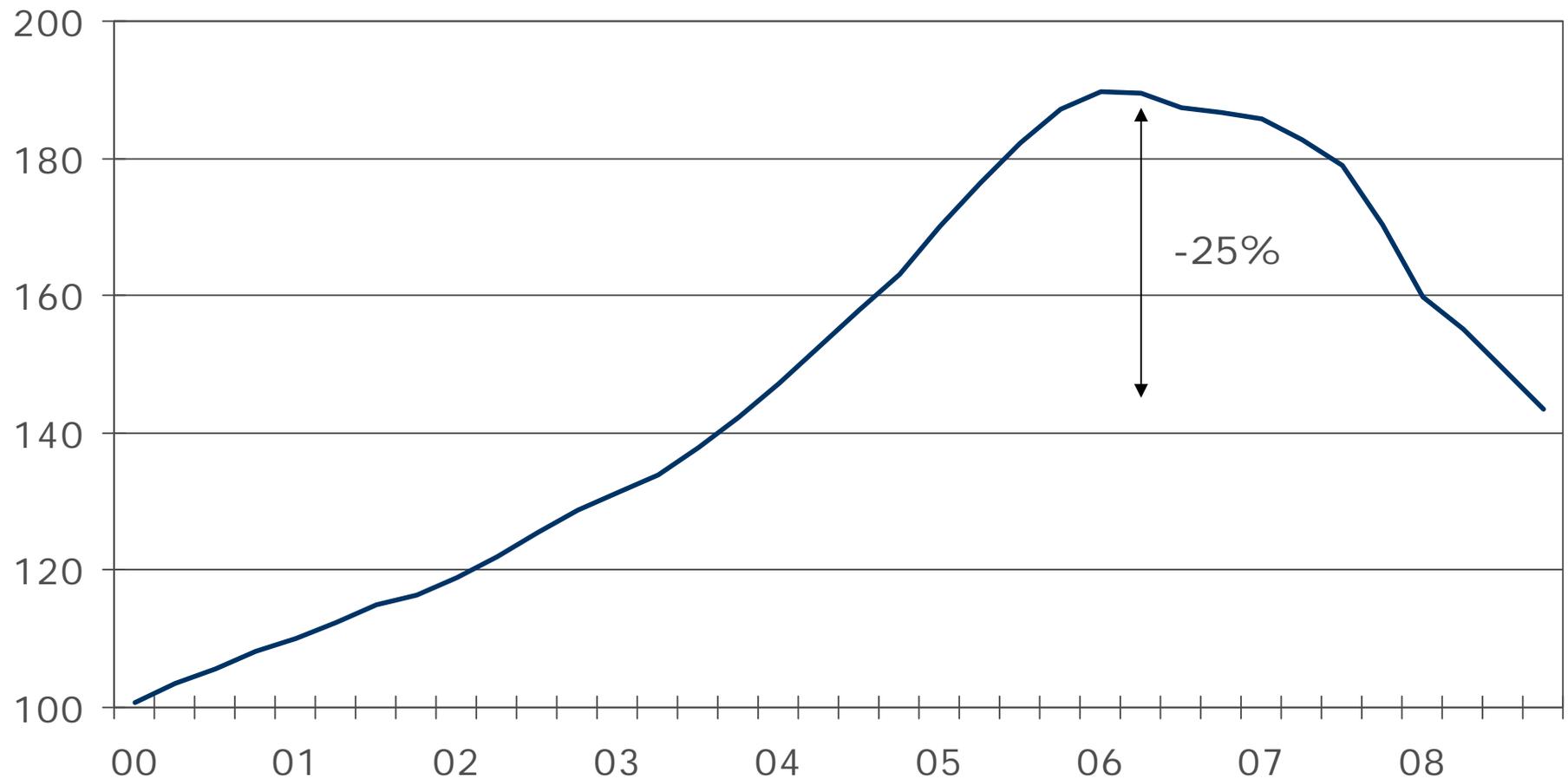
### Household debt in delinquency or default, \$ bil, annualized



# How Did We Get Into This Mess?

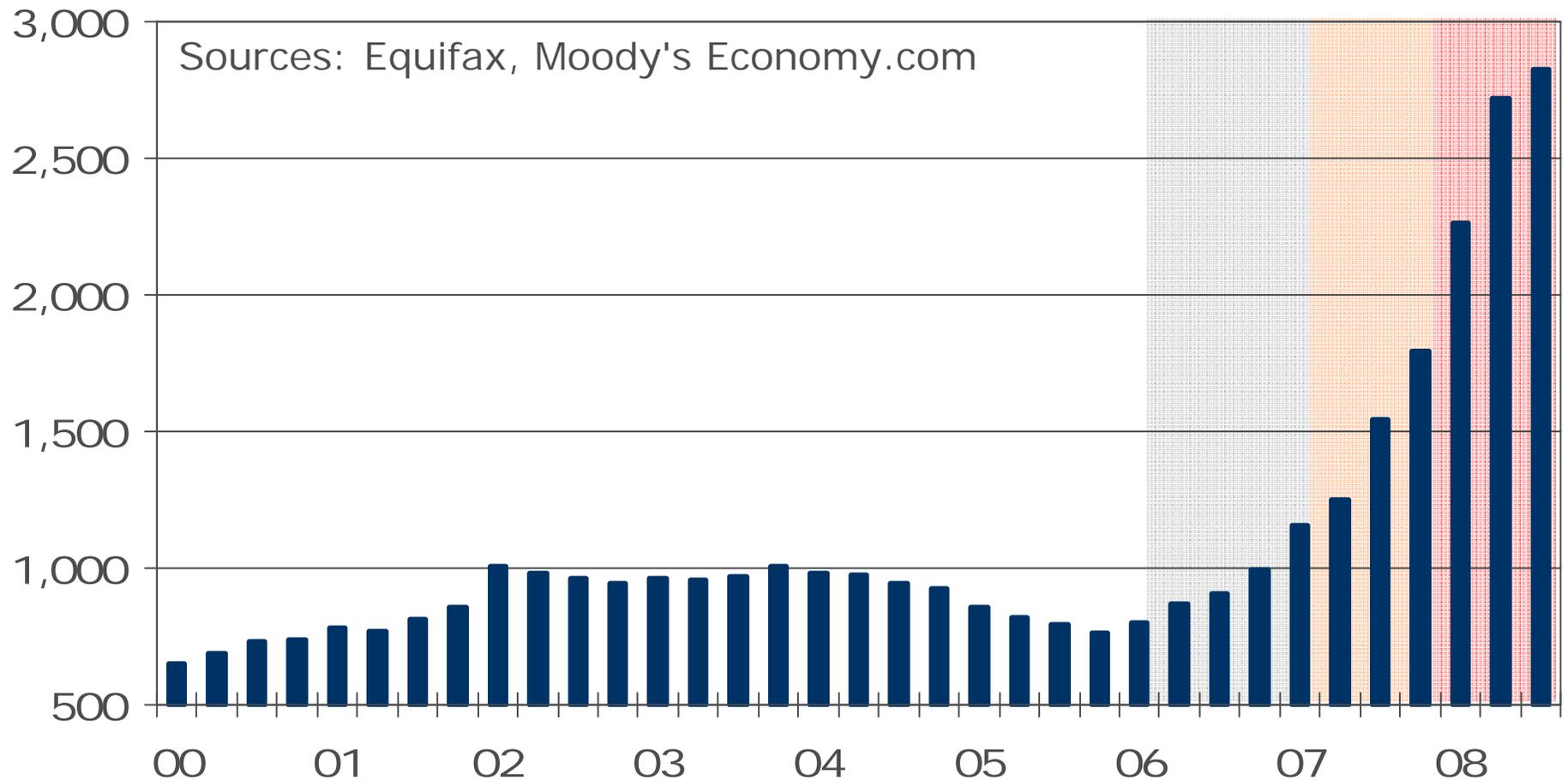
# The Bursting Housing Bubble...

Fiserv Case Shiller National House Price Index, 2000Q1=100



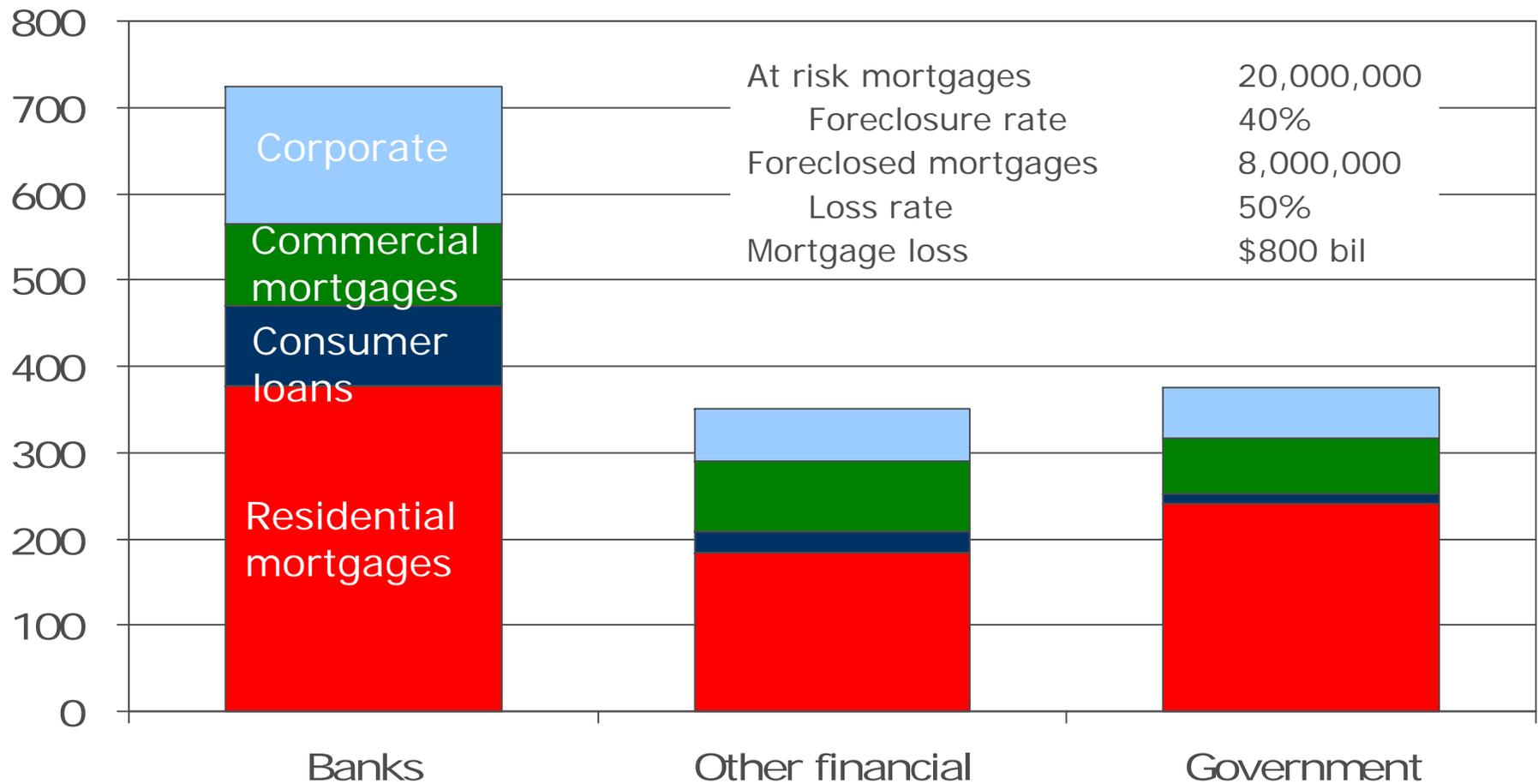
## ...Ignites a Mortgage Crisis...

### First mortgage loan defaults, ths, SAAR



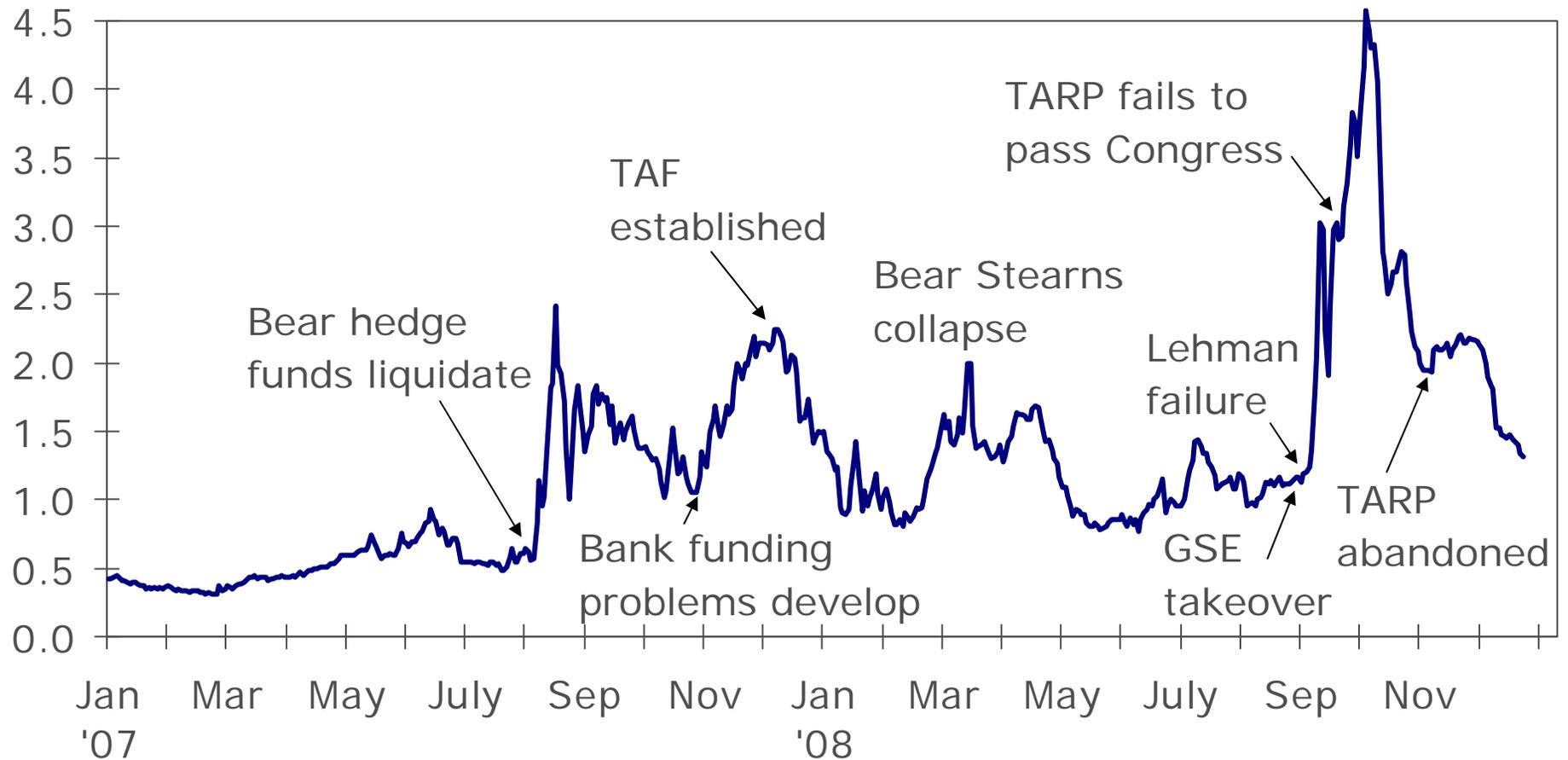
# ...Undermining the Financial System...

## Projected losses on assets originated 2004Q1-2007Q4, \$ bil



## ...And Pushing It to the Precipice of Collapse

### Difference between 3 month Libor and Treasury bill yields



# What Is the Economic Fallout?

# The Worst Downturn Since the Great Depression

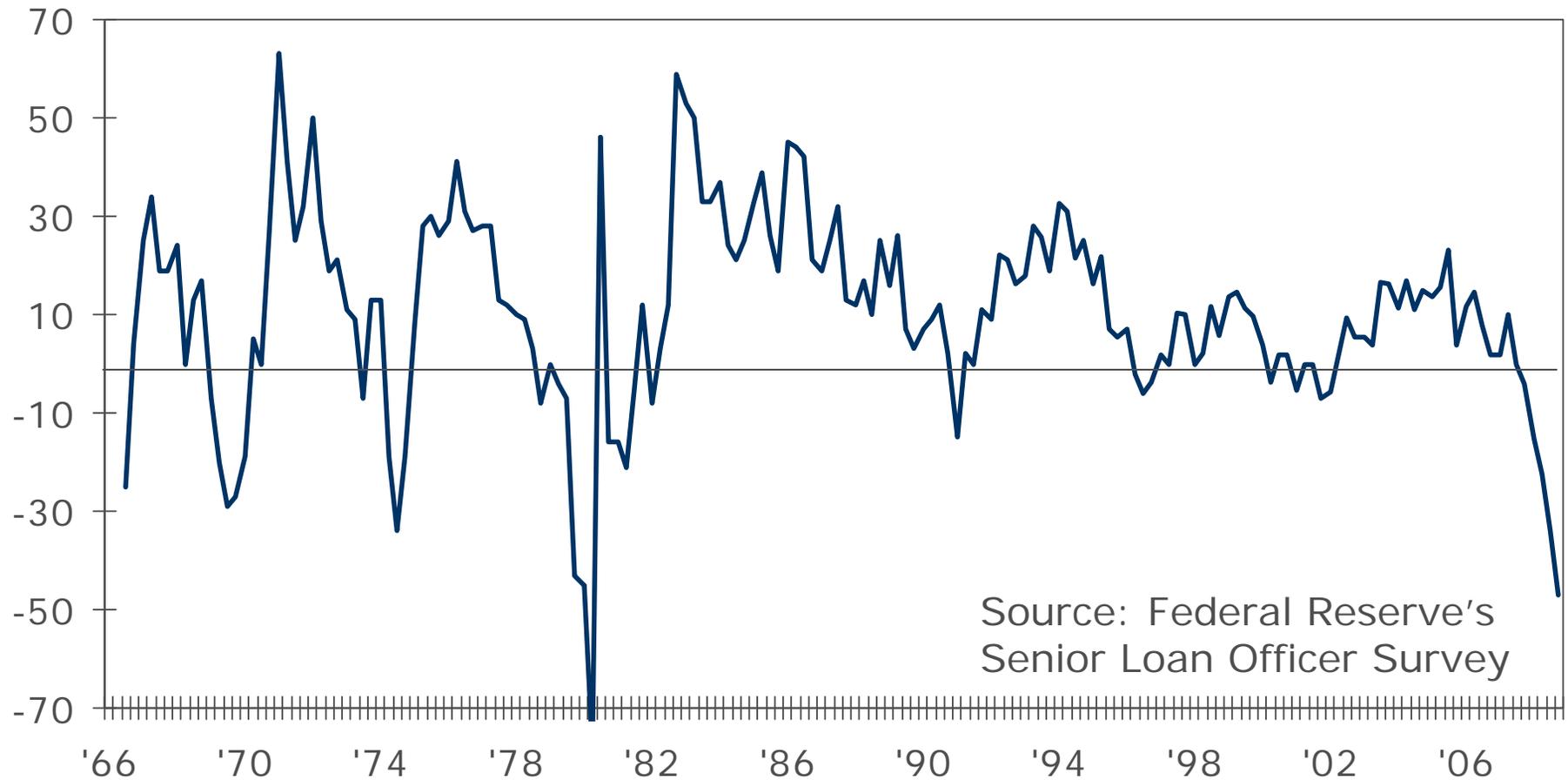
## Recessions since World War II

Peak	Trough	Duration in Months		Peak-to-Trough % Change		Jobless Rate		
		Recession Peak to Trough	Expansion Trough to Peak	Real GDP	Nonfarm Employment	Low	High	Change
<b>December 2007</b>	<b>September 2009</b>	<b>21</b>	<b>--</b>	<b>-2.8%</b>	<b>-3.7%</b>	<b>4.4%</b>	<b>9.0%</b>	<b>4.6%</b>
March 2001	November 2001	8	120	-0.4%	-1.2%	3.9%	6.3%	2.4%
July 1990	March 1991	8	92	-1.5%	-1.3%	5.2%	7.8%	2.6%
July 1981	November 1982	16	12	-2.8%	-3.2%	7.2%	10.8%	3.6%
January 1980	July 1980	6	58	-2.2%	-1.2%	5.6%	7.8%	2.2%
November 1973	March 1975	16	36	-3.4%	-1.8%	4.6%	9.0%	4.4%
December 1969	November 1970	11	106	-0.2%	-1.2%	3.4%	6.1%	2.7%
April 1960	February 1961	10	24	-0.5%	-2.3%	4.8%	7.1%	2.3%
August 1957	April 1958	8	39	-3.2%	-4.0%	3.7%	7.4%	3.7%
July 1953	May 1954	10	45	-1.9%	-3.0%	2.5%	6.1%	3.6%
November 1948	October 1949	11	37	-1.6%	-5.0%	3.4%	7.9%	4.5%
<b>Average</b>		<b>10</b>	<b>57</b>	<b>-1.8%</b>	<b>-2.4%</b>	<b>4.4%</b>	<b>7.6%</b>	<b>3.2%</b>

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

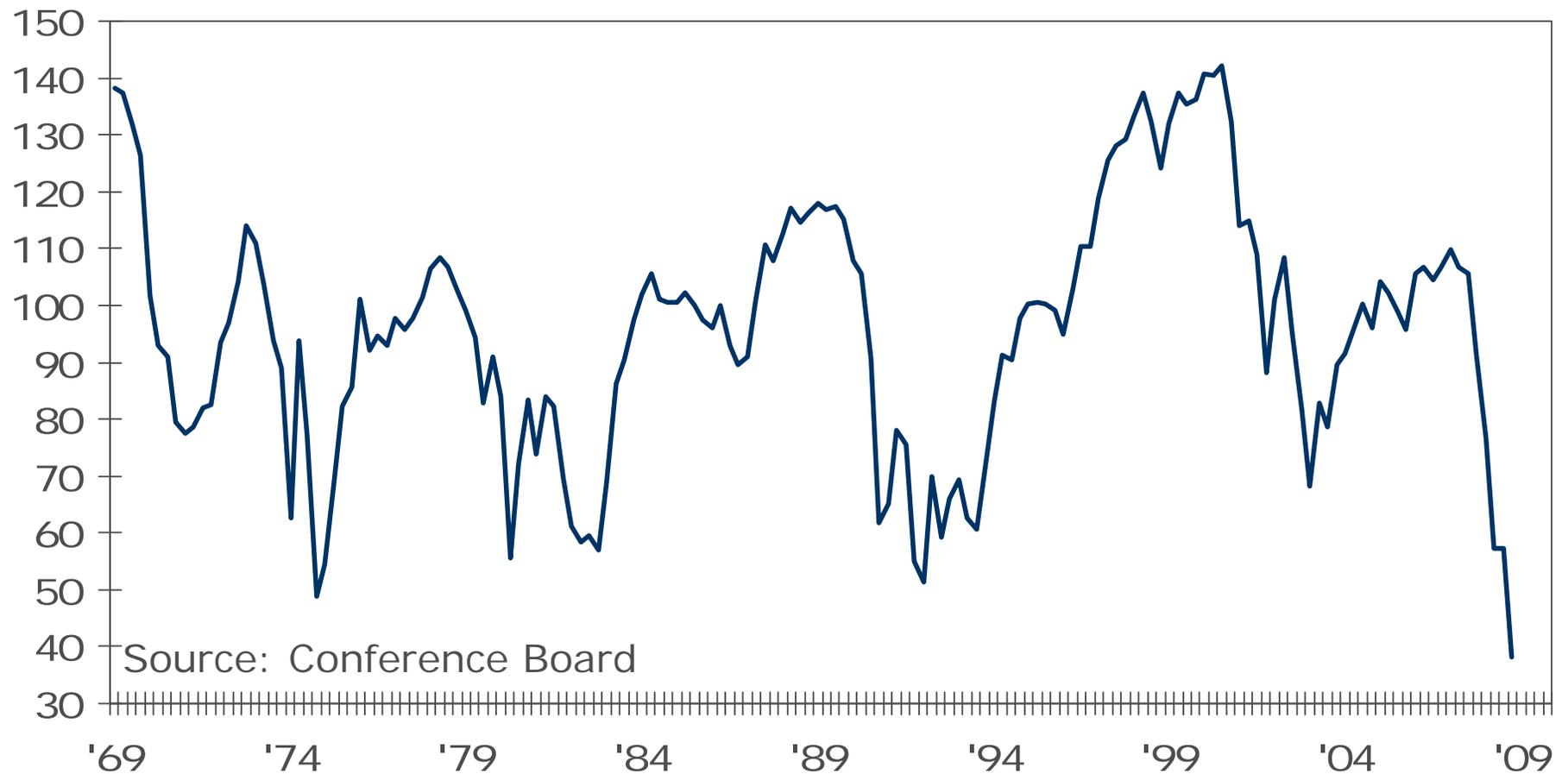
# The Credit Spigot Closes

## Net % of lenders willing to make a consumer loan



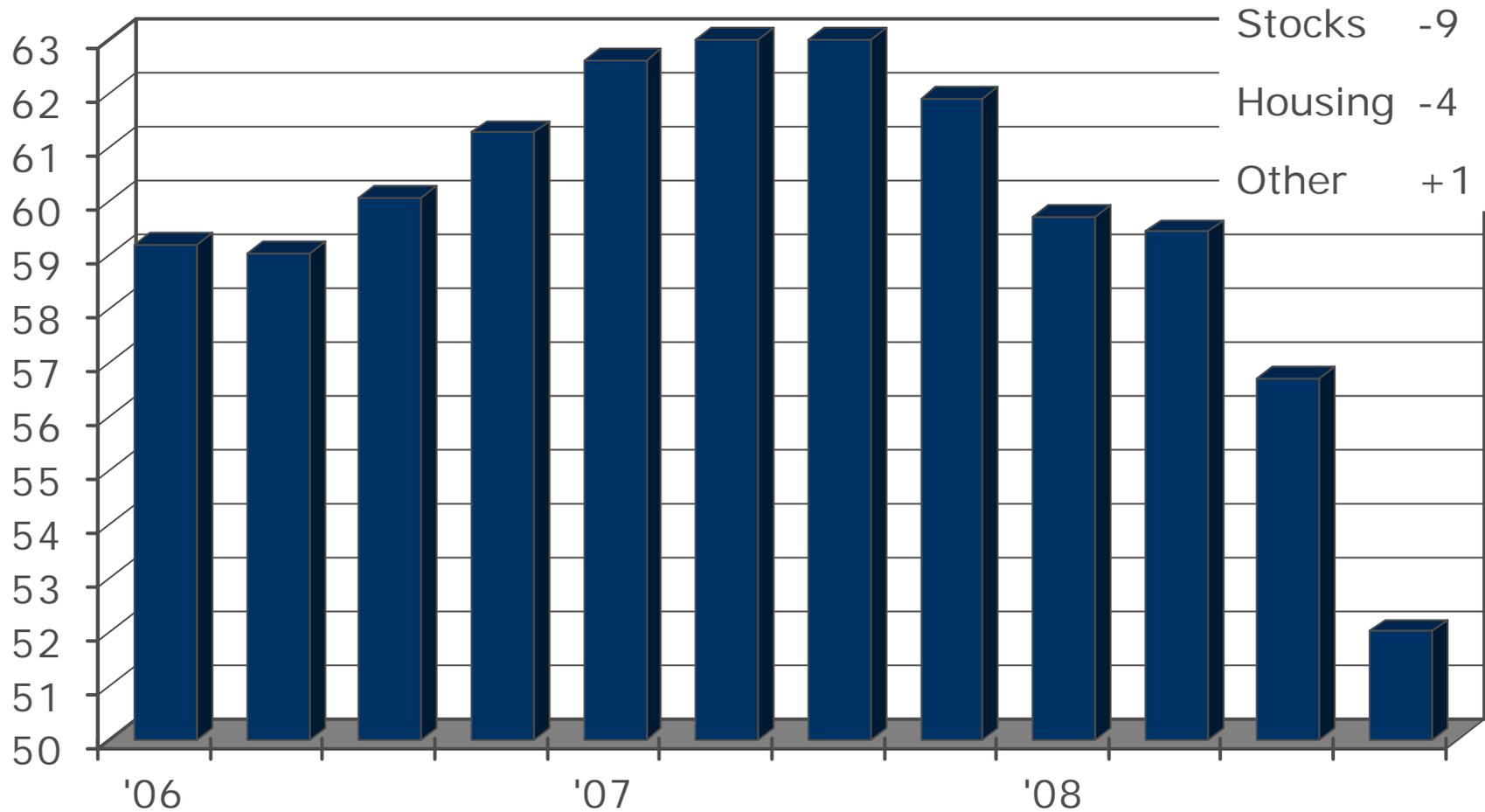
# The Collective Psyche Has Been Shattered

Consumer confidence, 1985 = 100



# Nest Eggs Are Cracking

## Household net worth, \$trillion

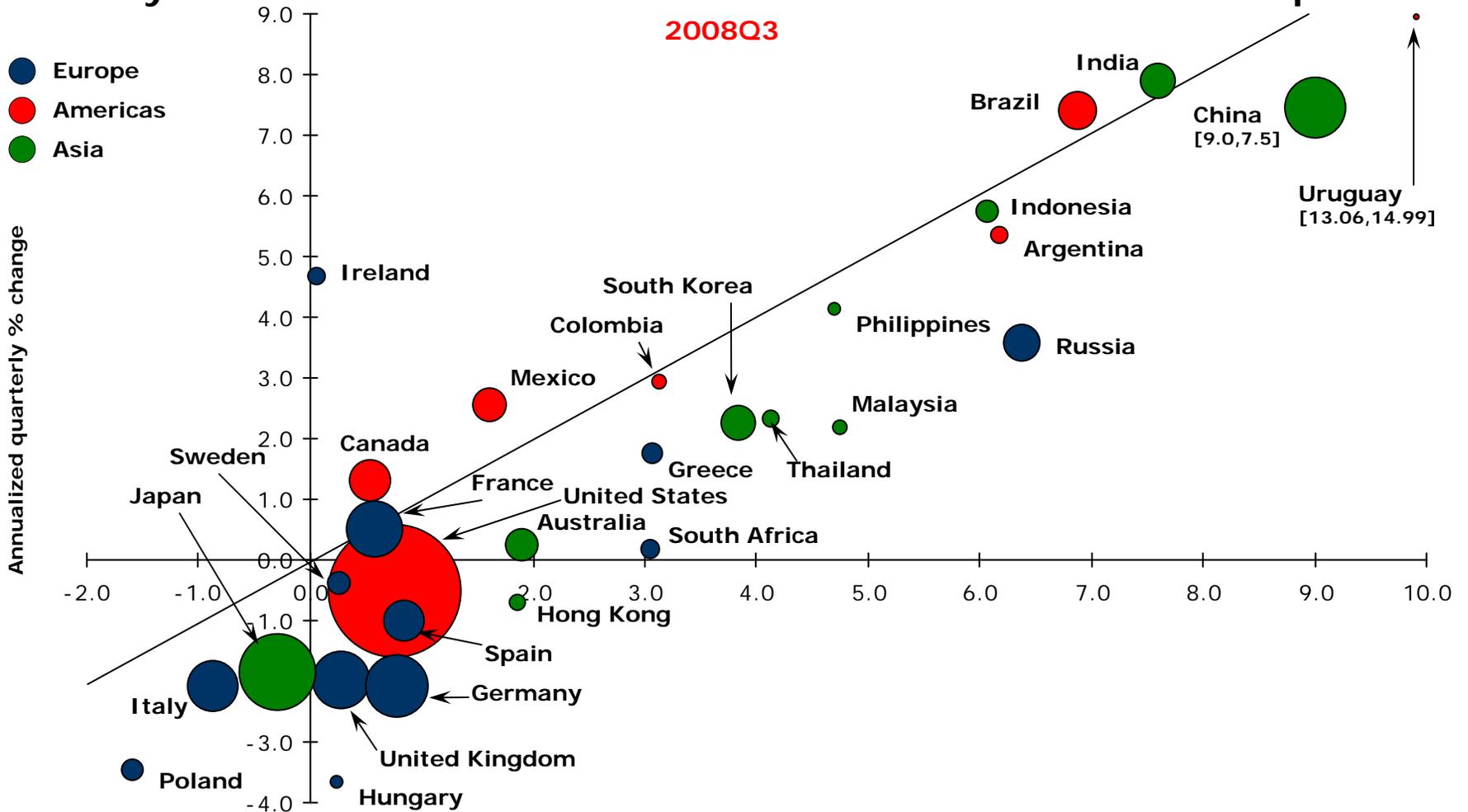


# A Synchronized Global Recession

Recovery

Expansion

- Europe
- Americas
- Asia



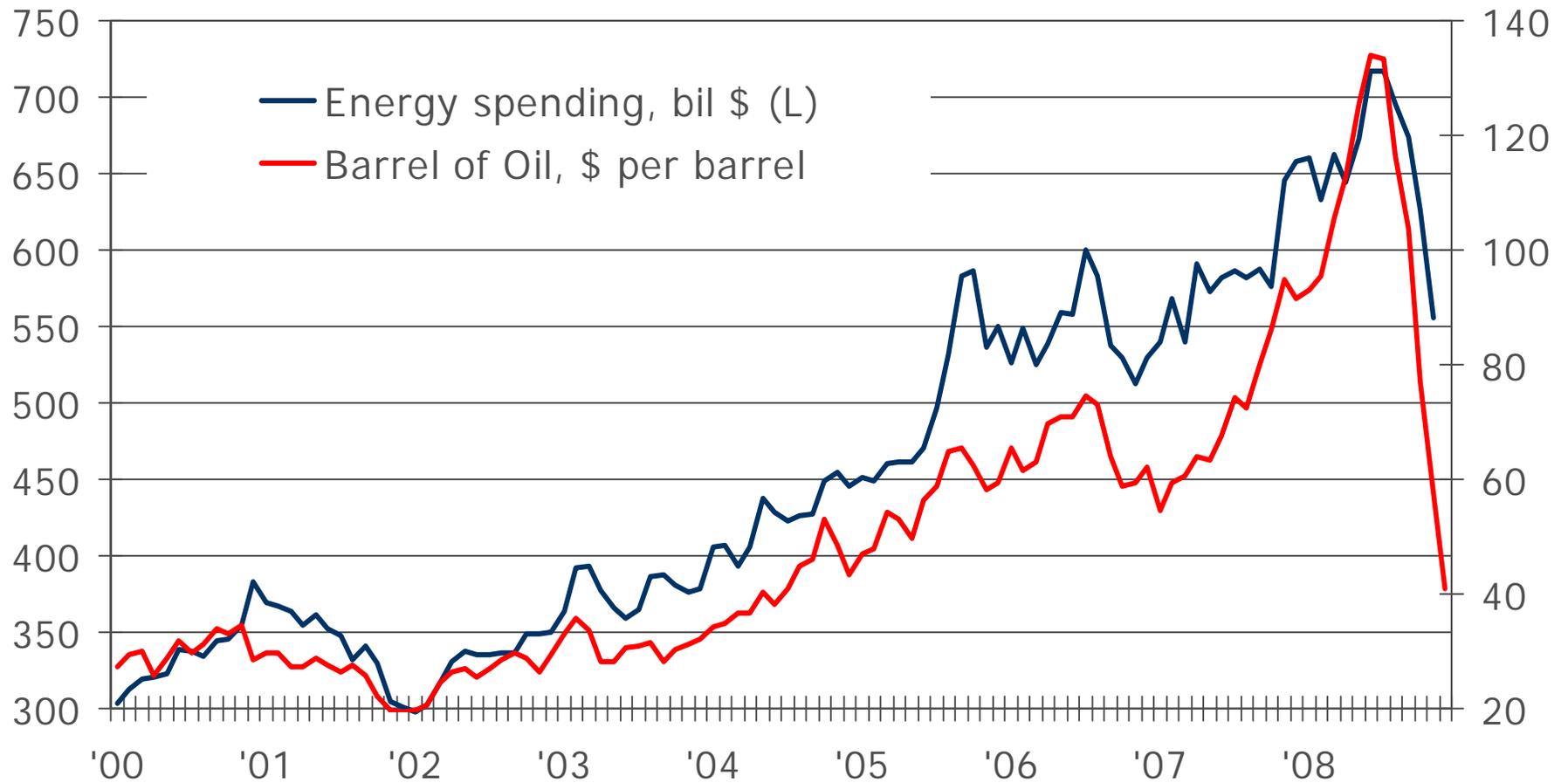
Recession

Struggling

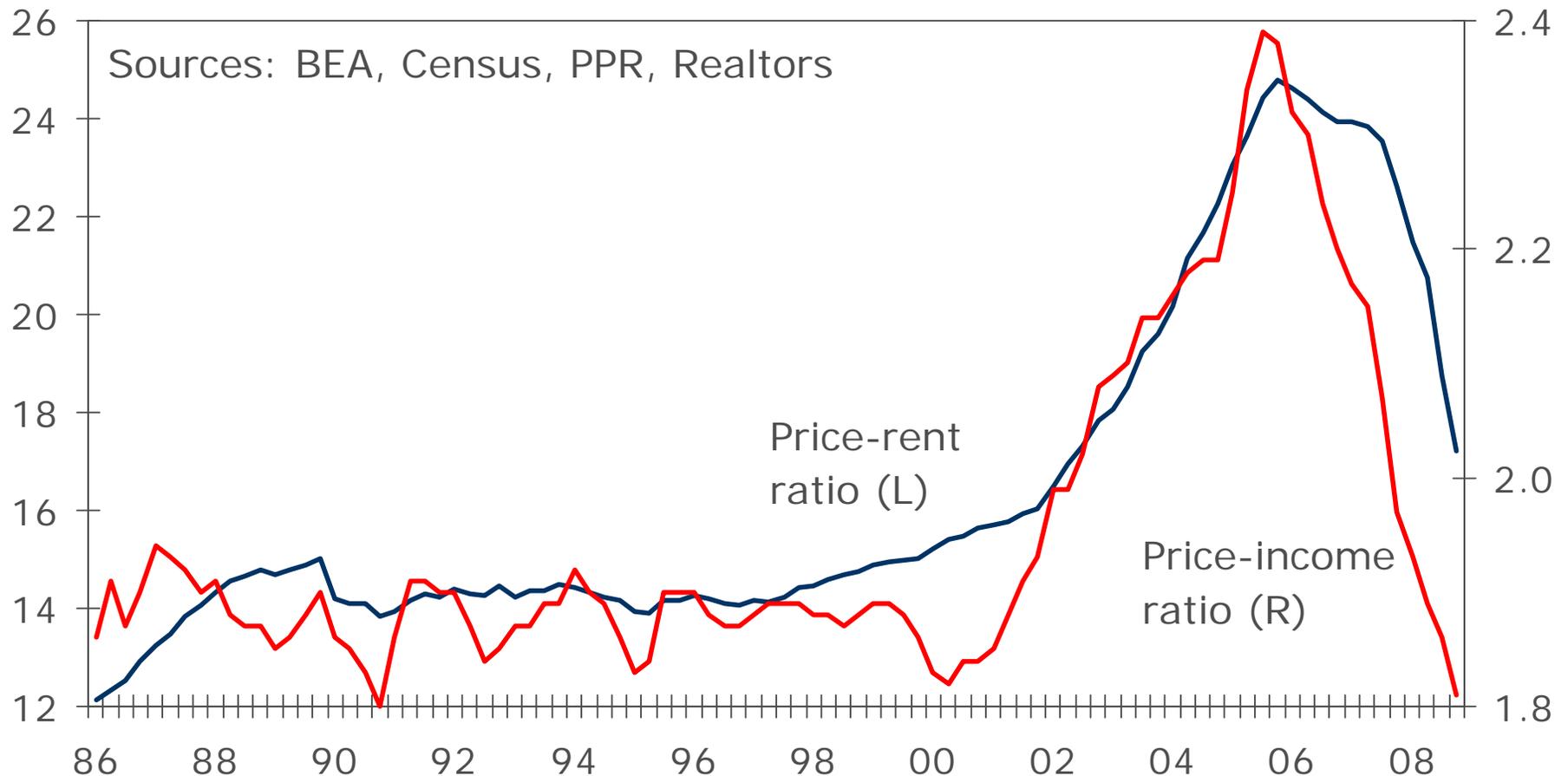
% change year ago

# When Will It End?

# A Ray of Economic Sunshine

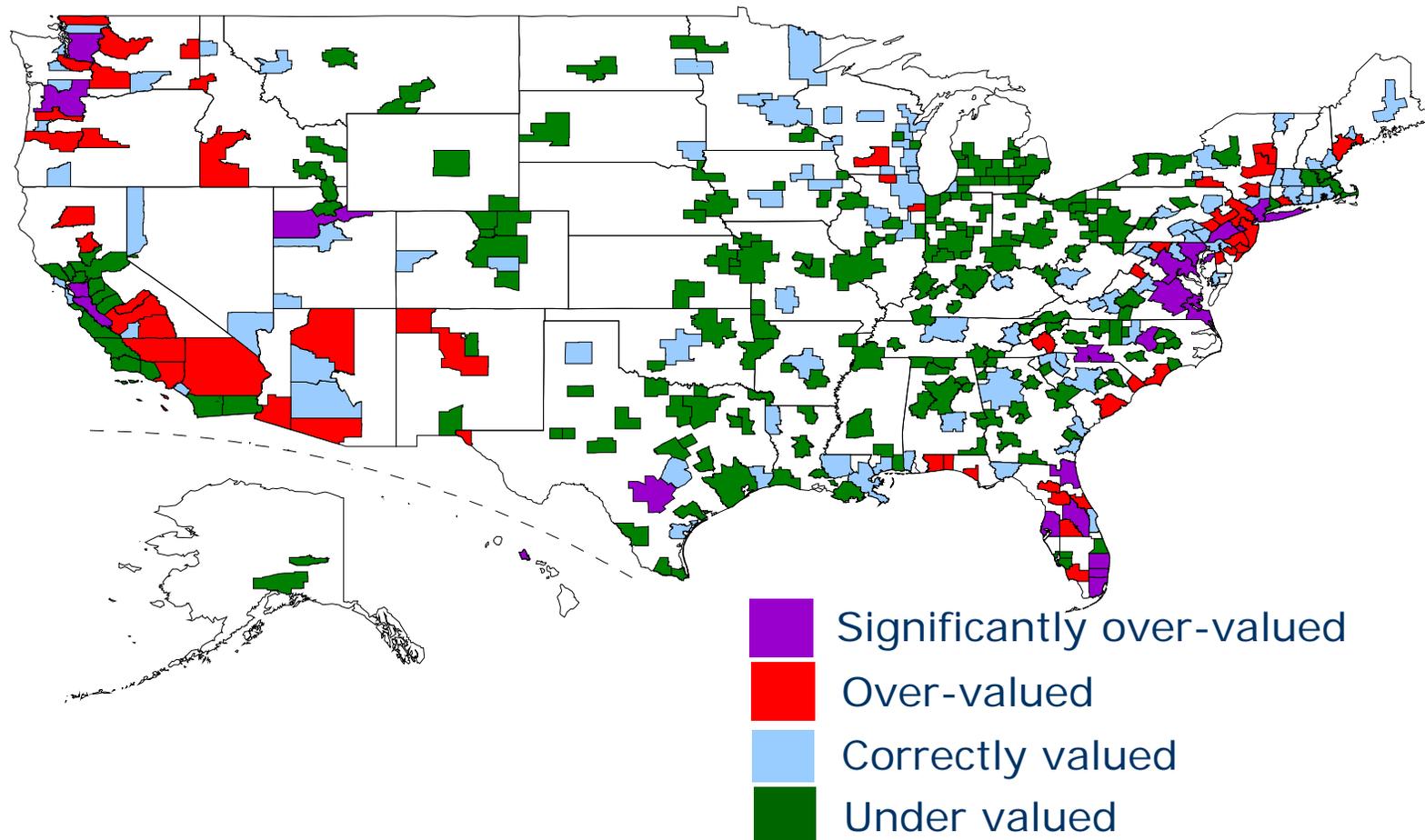


# Housing Is Becoming More Affordable...



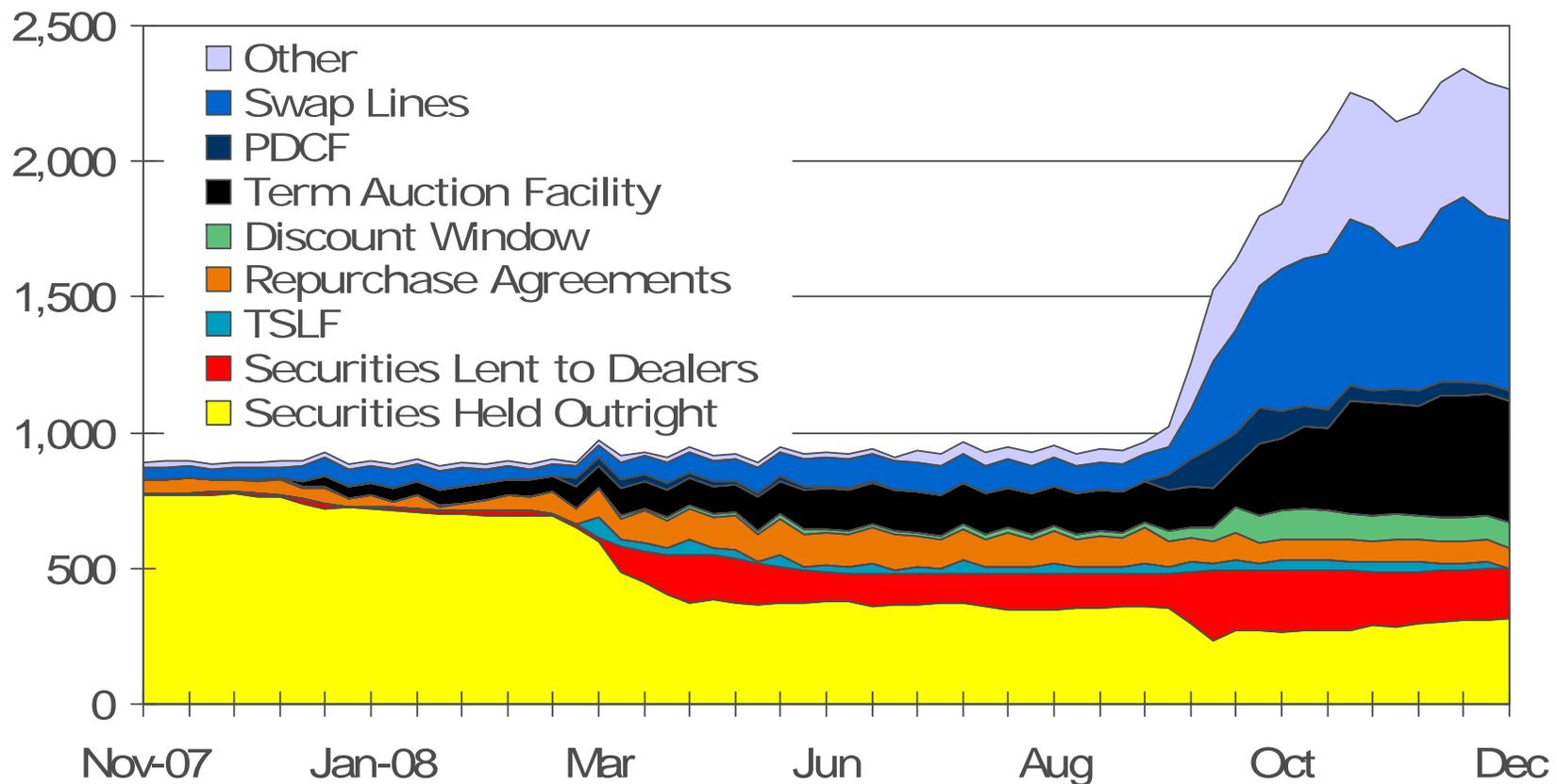
## ...In An Increasing Number of Markets

Based on house price to income and rent ratios



# Printing Money

## Federal Reserve's Balance Sheet, \$billions



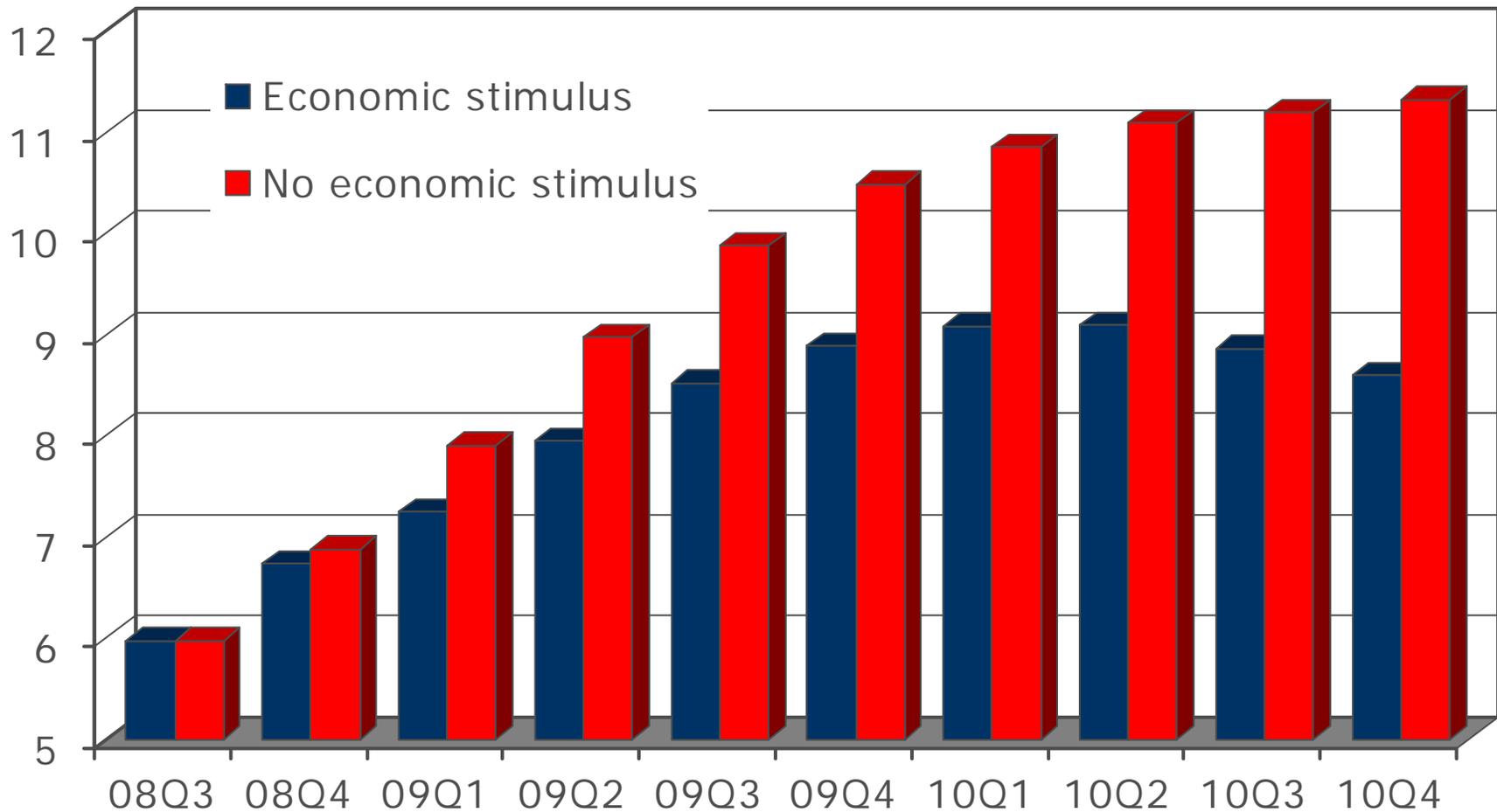
# A \$750 Billion Fiscal Stimulus Package...

## Billions \$

	2009q1	2009q2	2009q3	2009q4	2010q1	2010q2	2010q3	2010q4	2009	2010	2009-'10
<b>Total Stimulus</b>	5	143	96	128	99	105	92	82	372	378	750
<b>Government Spending</b>	5	23	51	62	83	88	74	64	129	322	450
Unemployment Insurance Benefits	1	2	3	4	4	5	4	3	10	16	26
Food Stamps	1	2	3	4	4	3	2	2	10	11	21
Infrastructure Spending	1	5	11	16	35	40	30	24	33	129	162
Traditional Infrastructure	1	3	7	10	20	20	15	12	21	67	88
Green Infrastructure	0	2	4	6	15	20	15	12	12	62	74
Aid to State Government	2	9	20	20	20	20	18	15	39	86	125
Health Care/Education Spending	0	5	14	18	20	20	20	20	37	80	117
<b>Tax Cuts</b>	0	120	45	66	16	17	18	18	231	69	300
Business Tax Benefits	0	20	30	50	0	0	0	0	100	0	100
Individual Tax Benefits	0	100	15	16	16	17	18	18	131	69	200

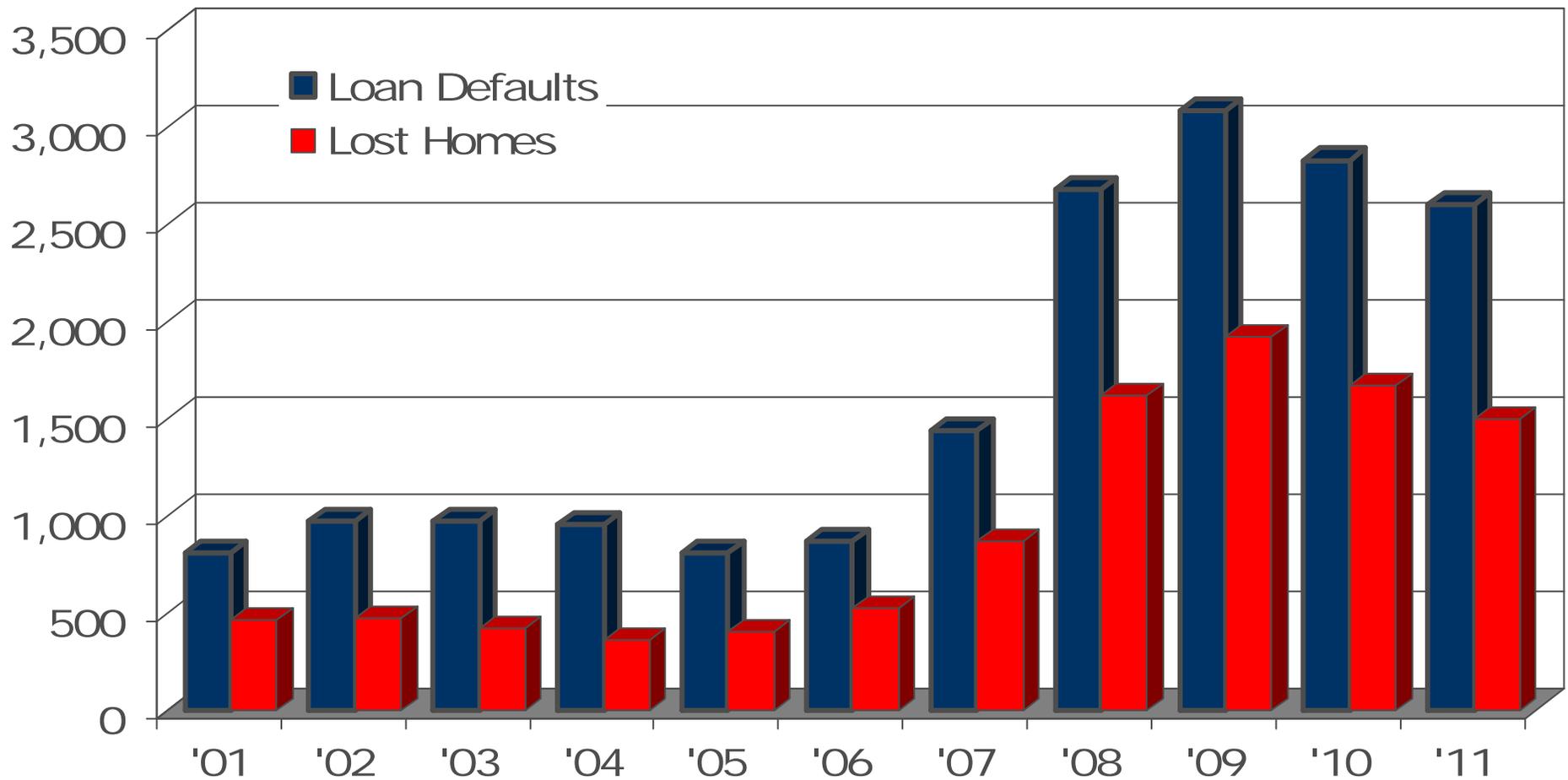
## ...Makes a Substantial Difference to the Outlook

### Unemployment rate

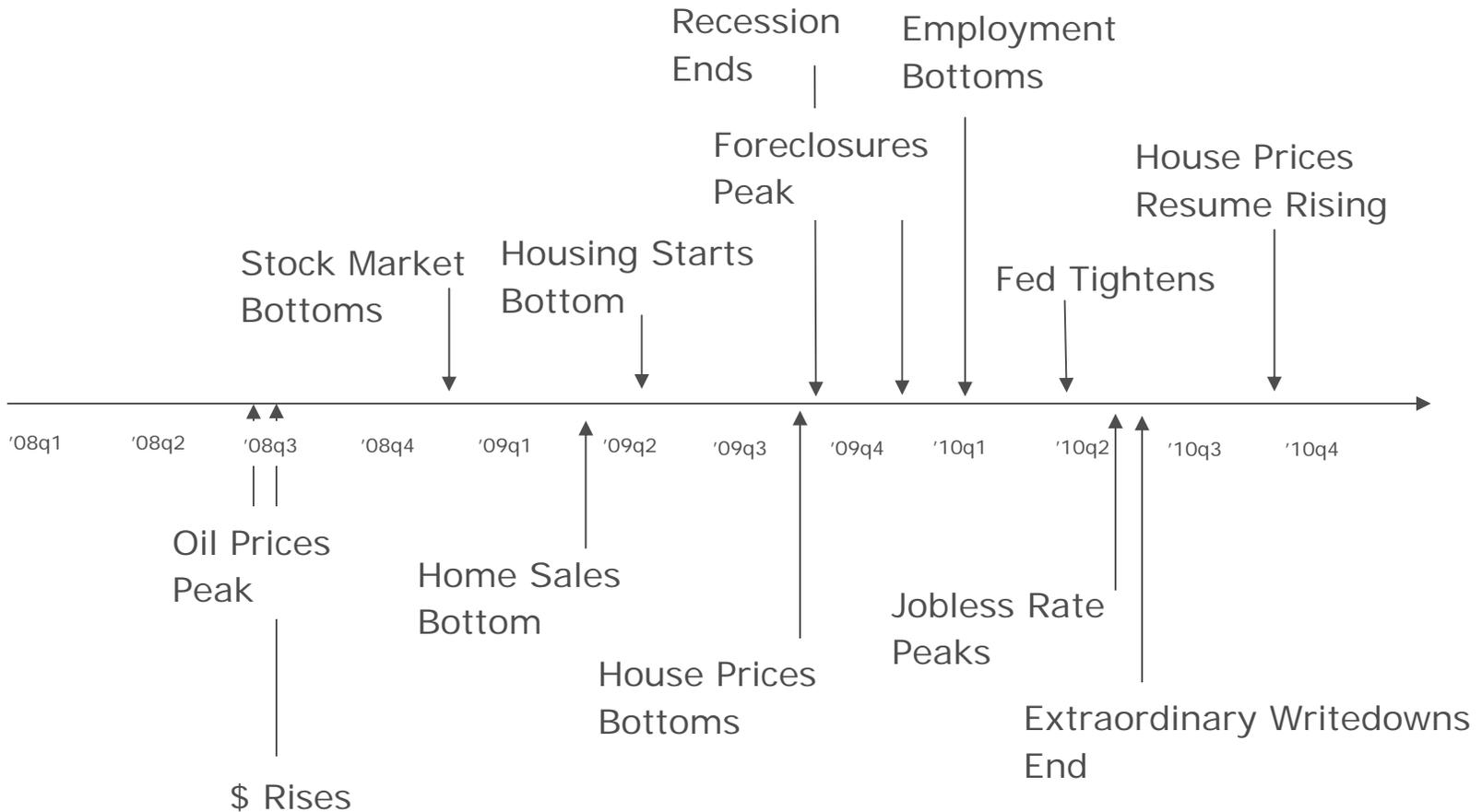


# A Big Foreclosure Mitigation Plan Is Vital

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



# A Timeline to Recovery



[www.economy.com](http://www.economy.com)