

**2009 Economic Forecast Conference**

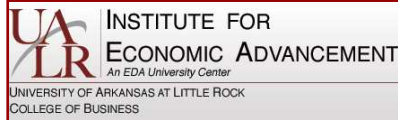
# National Economic Outlook

Michael Pakko

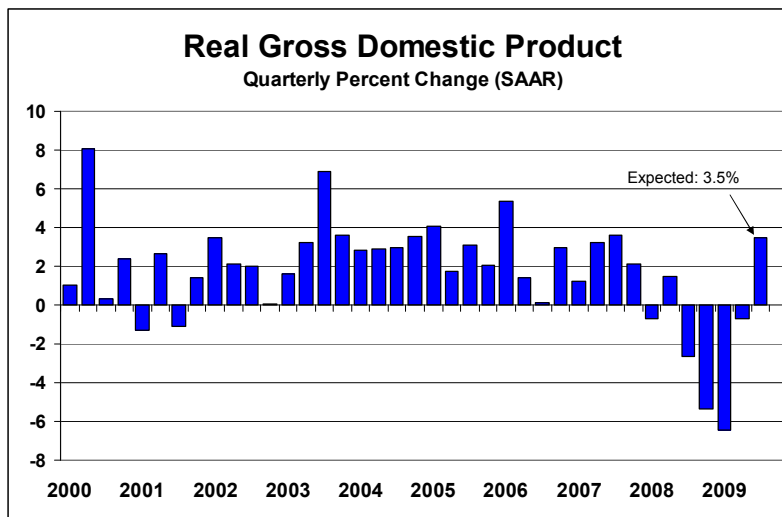
Chief Economist and State Economic Forecaster  
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October 29, 2009

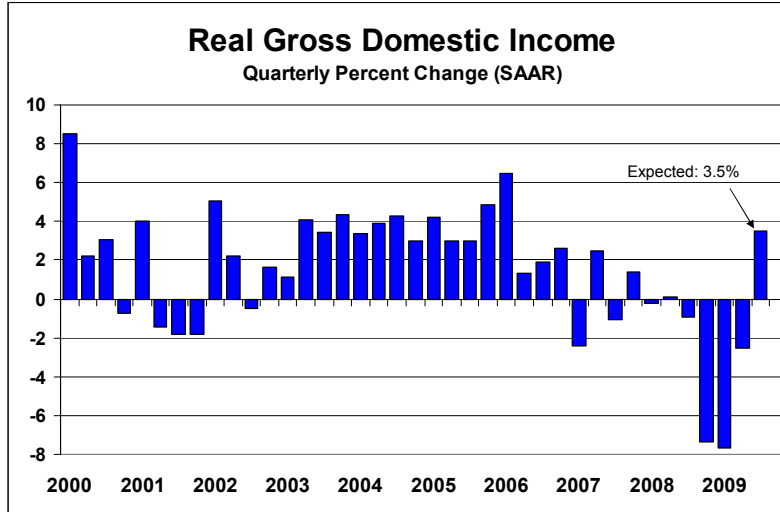
The College of Business serves as a catalyst to advance education and economic development in the State of Arkansas.



## Gross Domestic Product



## Gross Domestic Income



## Recession Comparison

Key Macro Performance Measures Across NBER Recessions

Recession	Length in Months	Real GDP: Percent Decline Peak to Trough	Unemployment: Max Value During Recession	CPI: Percent Change Peak to Trough
1929-33	43	-36.21%	25.36%	-27.17%
1937-38	13	-10.04%	20.00%	-2.08%
1945-45	8	-14.48%	3.40%	1.69%
1948-49	11	-1.58%	7.90%	-2.07%
1953-54	10	-2.53%	5.90%	0.37%
1957-58	8	-3.14%	7.40%	2.12%
1960-61	10	-0.53%	6.90%	1.02%
1969-70	11	-0.16%	5.90%	5.04%
1973-75	16	-3.19%	8.60%	14.81%
1980-80	6	-2.23%	7.80%	6.30%
1981-82	16	-2.64%	10.80%	6.99%
1990-91	8	-1.36%	6.80%	3.53%
2001-01	8	0.73%	5.50%	0.68%
2007-Most Recent Data	18*	-3.66%	9.70%	2.76%

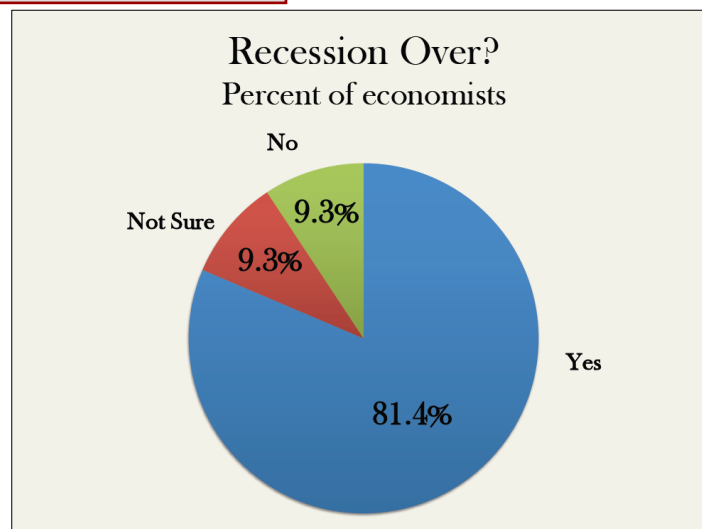
\* current recession end date not yet determined by NBER

Source: Federal Reserve Bank of St. Louis

## Recession Update

- Key Question: **“Is the recession over?”**
  - NBER Business Cycle Dating Committee
    - Declared start of recession (Dec 2007) in Dec 2008.
    - Unlikely pronounce the end until late next year.
  - **Definition:** *“A recession is a significant decline in economic activity spread across the economy, lasting more than a few months, normally visible in production, employment, real income, and other indicators. A recession begins when the economy reaches a peak of activity and ends when the economy reaches its trough.”*

## Recession Update



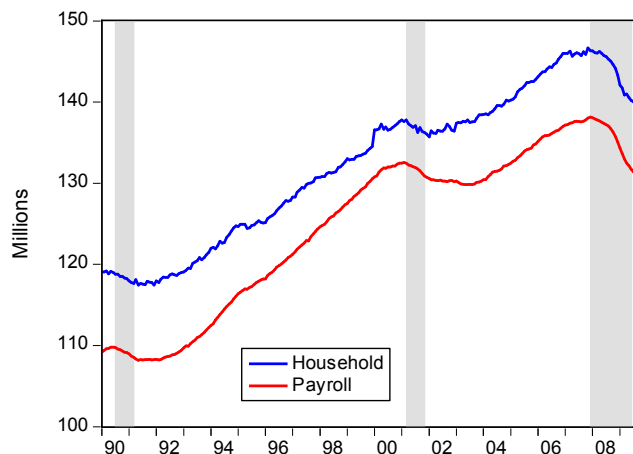
Source: *The October 2009 NABE Outlook*; National Association for Business Economics

## Recession Update

- Key Question: **“Is the recession over?”**
  - Criteria of the NBER Business Cycle Dating Committee:
    - Quarterly Data: GDP, GDI
    - Monthly Data:
      - Real Manufacturing and Trade Sales
      - Industrial Production
      - Real Personal Income less Transfers
      - Employment

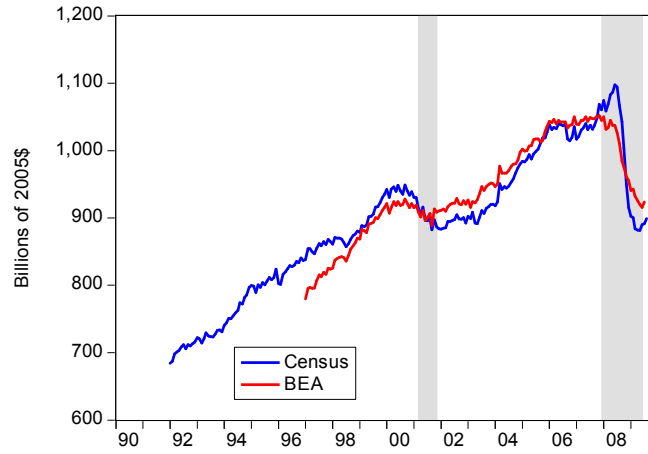
## Is the Recession Over?

Employment



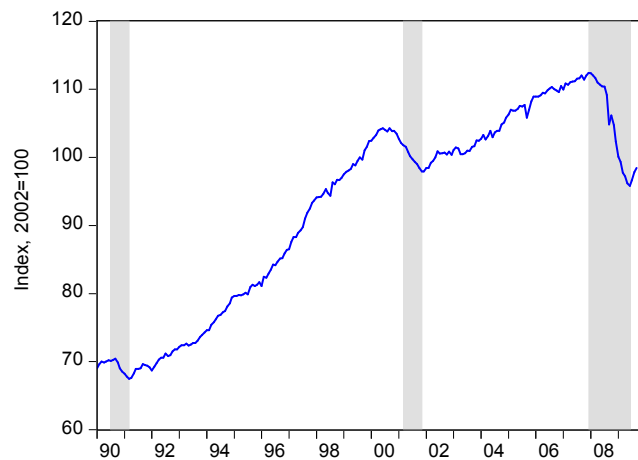
## Is the Recession Over?

Real Manufacturing and Trade Sales



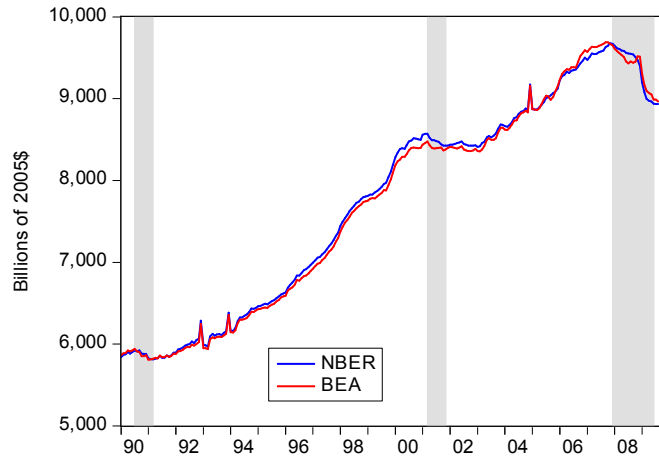
## Is the Recession Over?

Industrial Production



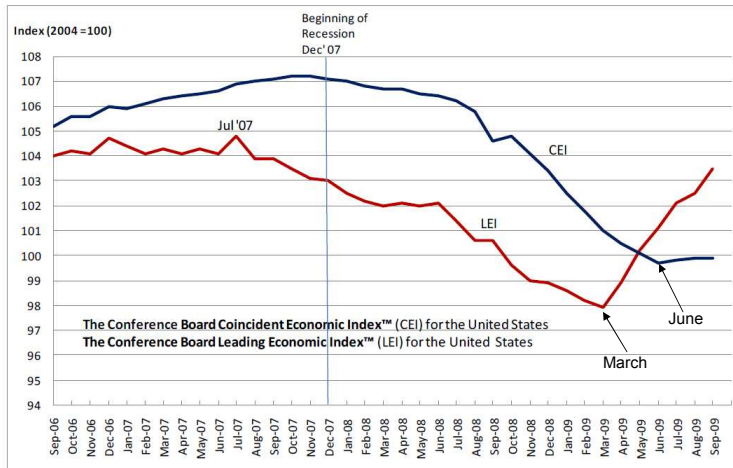
## Is the Recession Over?

Real Personal Income Less Transfers



## Activity Indexes

Leading and Coincident Economic Activity Indexes



Source: The Conference Board.

## National Forecasts

### Recent Forecasts for Growth, Unemployment, and Inflation

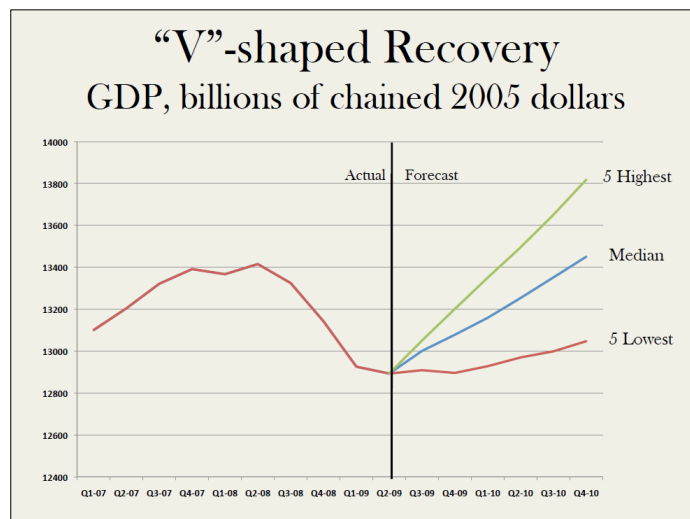
	Real GDP Growth			Dec 2009	Unemployment			CPI Core Inflation		
	2009H2	2010	2011		Dec 2010	Dec 2011	Peak	2009	2010	2011
Moody's (Oct)	2.8%	2.1%	3.9%	9.9%	10.0%	8.2%	10.3%	-0.5%*	1.7%*	1.8%*
NABE (Oct)	2.9%	3.0%		10.0%	9.5%		10.0%	1.0%*	1.8%*	
Wells Fargo (Oct)	3.2%	2.4%	2.2%	10.0%	10.4%		10.5%	1.6%	1.2%	1.7%
WSJ (Oct)	2.8%	2.8%		10.0%	9.4%		10.2%	1.6%	1.8%	
Blue Chip (Sept)	2.7%	2.7%		9.9%	9.5%		10.0%	0.8%*	1.8%*	
Univ of Mich (Sept)	2.8%	2.1%	3.2%	10.0%	9.5%		10.2%	1.8% (-0.4%*)	2.1%	2.2%
Surv Prof F'casters (Aug)	2.3%	2.3%	2.9%	9.9%	9.6% <sup>#</sup>	8.9% <sup>#</sup>	9.9%	1.7%	1.5%	2.0%
CBO (Aug)	1.6%	2.8%	3.8%	9.3% <sup>#</sup>	10.2% <sup>#</sup>	9.1% <sup>#</sup>	10.4%	1.6%	1.1%	1.0%
OMB (Aug)		2.9%		10.0%	9.7%		>10%	0.5%*	1.4%*	
Federal Reserve (June)		2.1 to 3.3%		9.8 to 10.1%	9.25% (Sep)			1.3 to 1.6%	1 to 1.5%	

Derived from *Macroeconomic Forecasts* at  
<http://web.rollins.edu/~wseyfried/forecast.htm>

<sup>#</sup> Refers to annual average

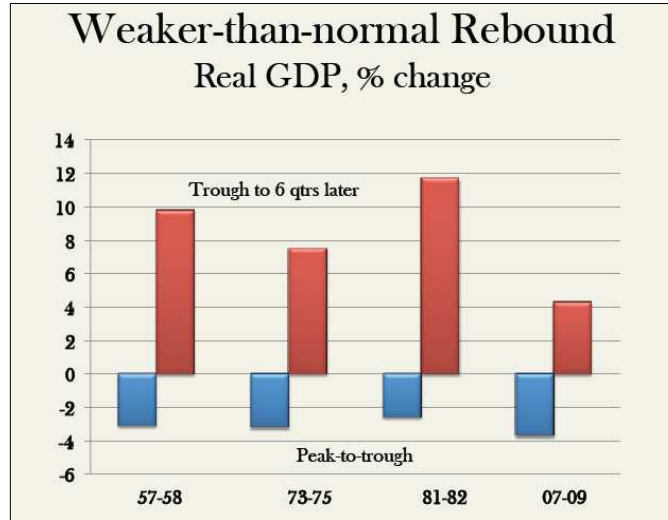
\* Refers to headline inflation

## National Forecasts



Source: *The October 2009 NABE Outlook*; National Association for Business Economics

## National Forecasts



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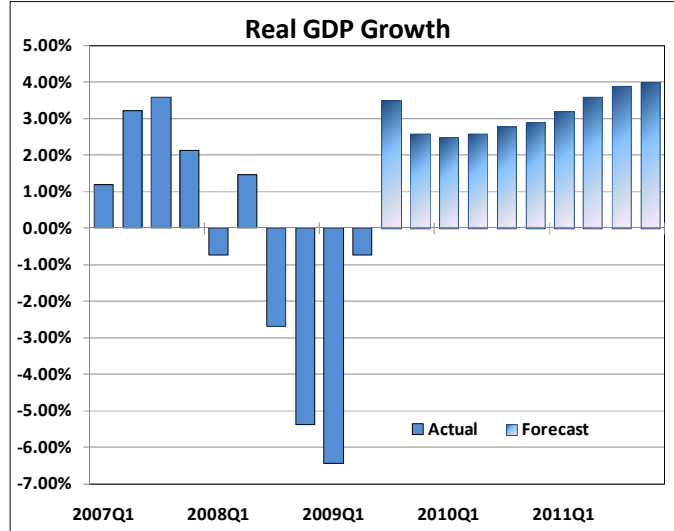
## A Consensus Forecast

- Methodology: A “blended” forecast
- Sources:
  - Moody’s economy.com
  - Wells Fargo
  - National Association for Business Economics
  - Wall Street Journal
  - Blue Chip Economic Forecast
  - Others (Univ. of Mich, Federal Reserve, etc.)



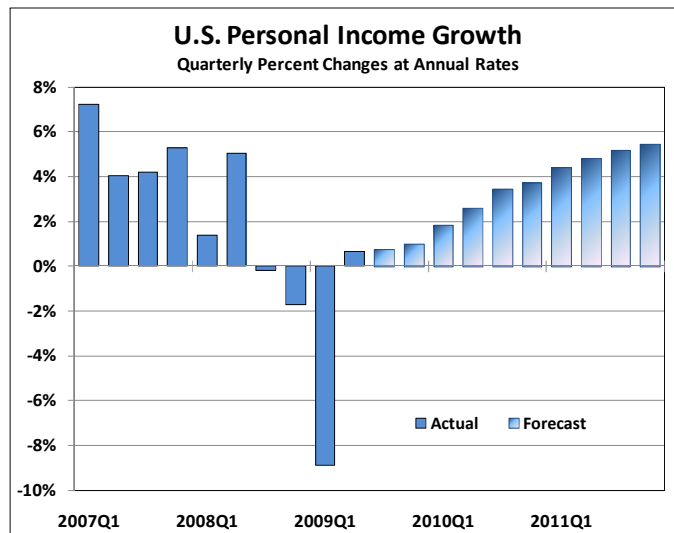
## A Consensus Forecast

Q4/Q4 Growth	
2007	2.5%
2008	-1.9%
2009	-0.3%
2010	2.7%
2011	3.7%



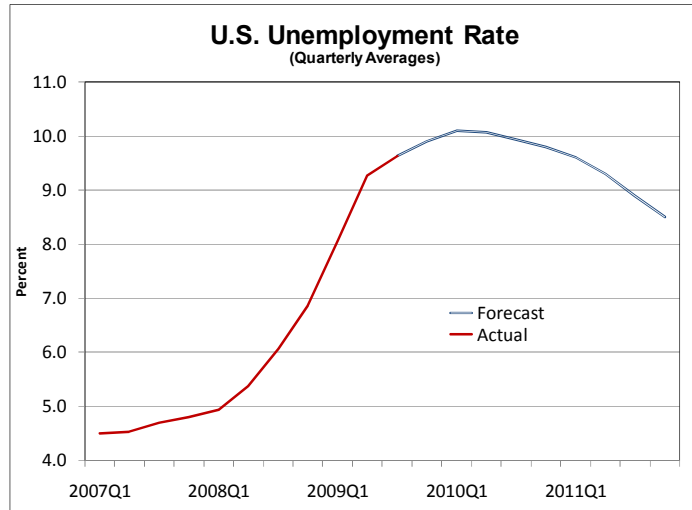
## A Consensus Forecast

Q4/Q4 Growth	
2007	5.2%
2008	1.1%
2009	-1.7%
2010	2.9%
2011	5.0%



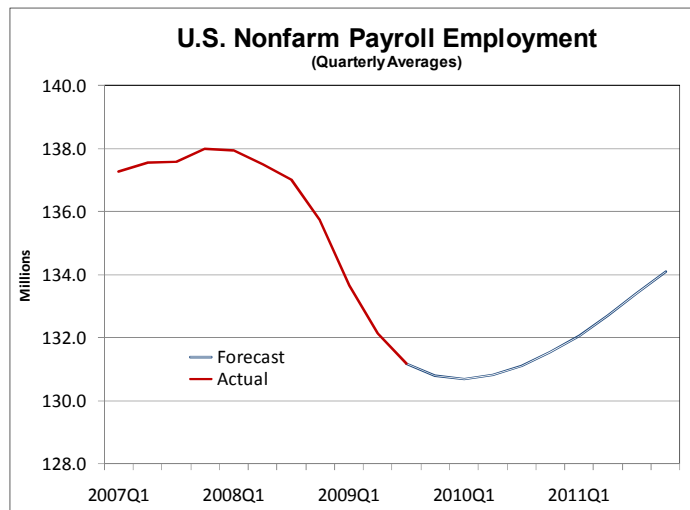
## A Consensus Forecast

End of Year	
2007	4.8%
2008	6.9%
2009	9.9%
2010	9.8%
2011	8.5%



## A Consensus Forecast

Q4/Q4 Growth	
2007	+1.23M +0.9%
2008	-2.27M -1.6%
2009	-4.93M -3.6%
2010	+0.73M +0.6%
2011	+2.58M +2.0%



## A Consensus Forecast

### Consumer Price Inflation, Q4/Q4

	2007	2008	2009	2010	2011
Headline CPI	4.0%	1.5%	0.9%	1.6%	2.0%
Core CPI	2.3%	2.0%	1.5%	0.9%	1.6%
Headline PCE Price Index	3.6%	1.7%	0.6%	0.9%	1.7%
Core PCE Price Index	2.5%	2.0%	1.4%	0.7%	1.4%

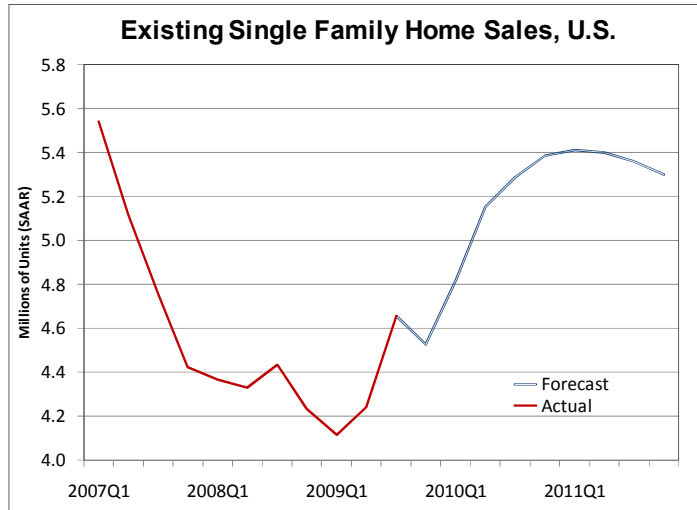
## A Consensus Forecast



Source: *The October 2009 NABE Outlook*; National Association for Business Economics

## A Consensus Forecast

Annual Averages	
2007	4.96M
2008	4.34M
2009	4.39M
2010	5.16M
2011	5.37M



## A Consensus Forecast

