RECESSION: How Long And How Deep?

By Paul E. Polzin
Bureau of Business and Economic Research
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.
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

<table>
<thead>
<tr>
<th>Type</th>
<th>Length in Months</th>
<th>Max. Unemployment</th>
<th>Peak-Trough GDP Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Type I</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2001</td>
<td>8</td>
<td>6.2%</td>
<td>-0.3%</td>
</tr>
<tr>
<td>1990-91</td>
<td>8</td>
<td>6.2%</td>
<td>-1.3%</td>
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<tr>
<td><strong>Type II</strong></td>
<td></td>
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<td></td>
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<tr>
<td>1981-82</td>
<td>16</td>
<td>10.7%</td>
<td>-2.8%</td>
</tr>
<tr>
<td>1972-75</td>
<td>16</td>
<td>8.2%</td>
<td>-3.1%</td>
</tr>
<tr>
<td>2007-09</td>
<td>18-24</td>
<td>9.1%</td>
<td>-3.4%</td>
</tr>
<tr>
<td>(peak 12/07)</td>
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<tr>
<td><strong>Type III</strong></td>
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<tr>
<td>1929-33</td>
<td>43</td>
<td>15.9% (1932)</td>
<td>-46%</td>
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<tr>
<td></td>
<td></td>
<td>23.6% (1933)</td>
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</tbody>
</table>
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
The Three “T’s” of Successful Fiscal Policy

- Timely
- Temporary
- Targeted
Annual Percent Change in Employment

Percent

Recession Declared

Source: Montana Department of Labor and Industry
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
Actual and Projected Change in Nonfarm Labor Income, Montana, 2006-2012

Platinum (7 Days)

Platinum (USD/oz)
7 DAYS (Tuesday, January 27, 2009 - Tuesday, February 03, 2009)

USD/oz

InfoMine.com
Platinum (15 Days)
Commodity Prices

Source: International Monetary Fund.
Percent Manufacturing

Source: Economist
Local Outlook
Lewis & Clark County
Annual Percent Change in Employment

Source: U.S. Bureau of Labor Statistics
Annual Percent Change in Employment

Source: U.S. Bureau of Labor Statistics
Questions?
Local Outlook
Cascade County
Annual Percent Change in Employment

Source: U.S. Bureau of Labor Statistics
Annual Percent Change in Employment

Source: U.S. Bureau of Labor Statistics
Local Outlook
Missoula County
Annual Percent Change in Employment

Source: U.S. Bureau of Labor Statistics
Local Outlook

Yellowstone County
Annual Percent Change in Employment

Source: U.S. Bureau of Labor Statistics
Annual Percent Change in Employment

Source: U.S. Bureau of Labor Statistics
Annual Percent Change in Employment

Recession Declared

Source: U.S. Bureau of Labor Statistics
Local Outlook
Silver Bow County
Annual Percent Change in Employment

Recession Declared

Source: U.S. Bureau of Labor Statistics
Annual Percent Change in Employment

Source: U.S. Bureau of Labor Statistics
Annual Percent Change in Employment

Source: U.S. Bureau of Labor Statistics
Annual Percent Change in Employment

Source: U.S. Bureau of Labor Statistics
Local Outlook
Richland County
Annual Percent Change in Employment

Source: U.S. Bureau of Labor Statistics
Annual Percent Change in Employment

Source: U.S. Bureau of Labor Statistics
Local Outlook
Custer County
Annual Percent Change in Employment

Source: U.S. Bureau of Labor Statistics
Annual Percent Change in Employment

Source: U.S. Bureau of Labor Statistics
Annual Percent Change in Employment

Source: U.S. Bureau of Labor Statistics