

# An Update on Economic Conditions

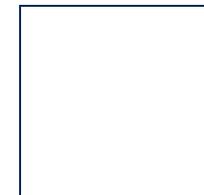
Raymond Owens

November 20, 2008



THE FEDERAL RESERVE BANK OF RICHMOND

RICHMOND ■ BALTIMORE ■ CHARLOTTE



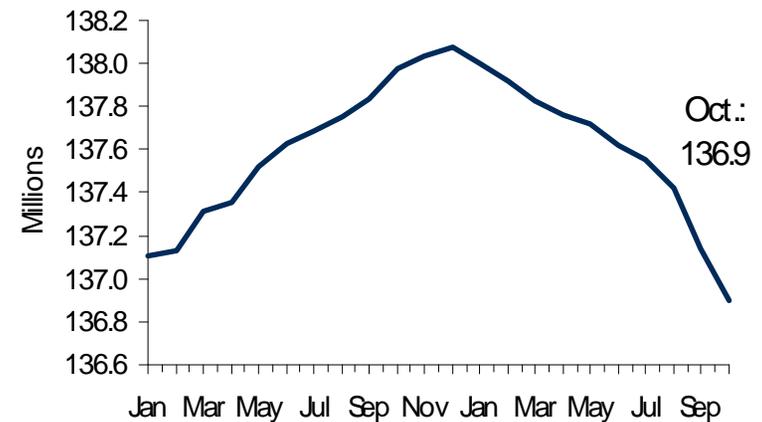


# NBER Measures of Activity for Determining a Recession

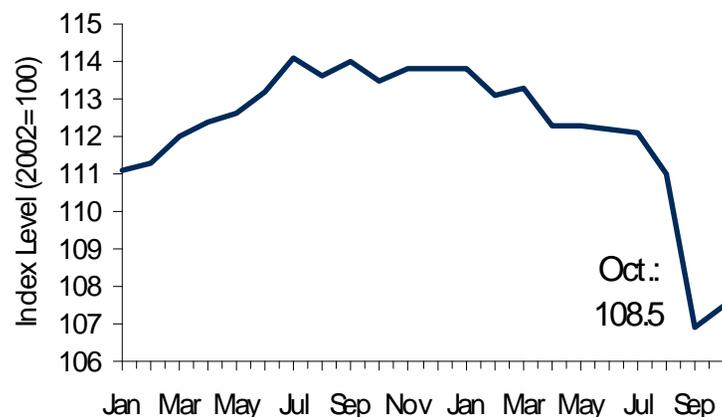
## Real Personal Income (xTransfers)



## Nonfarm Payroll Employment



## Industrial Production



## Real Manufacturing & Trade Sales





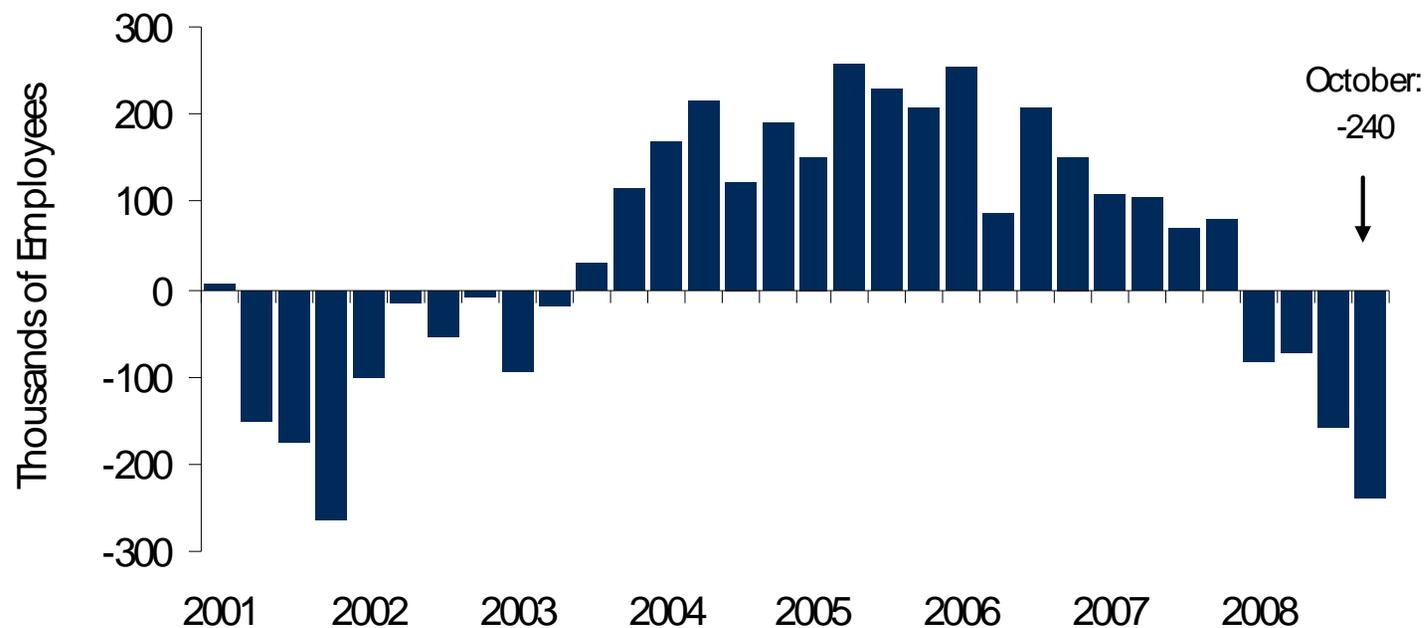
## Real Gross Domestic Product - Breakdown

Change from Previous Quarter at Compound Annual Rate [Percent]	<u>3Q:07</u>	<u>4Q:07</u>	<u>1Q:08</u>	<u>2Q:08</u>	<u>3Q:08</u>
Gross Domestic Product	4.8	-0.2	0.9	2.8	-0.3
Personal Consumption Expenditures	2.0	1.0	0.9	1.2	-3.1
Nonresidential Fixed Investment	8.7	3.4	2.4	2.5	-1.0
Structures	20.5	8.5	8.6	18.5	7.9
Equipment and Software	3.6	1.0	-0.6	-5.0	-5.5
Residential Fixed Investment	-20.6	-27.0	-25.1	-13.3	-19.1
Exports of Goods and Services	23.0	4.4	5.1	12.3	5.9
Imports of Goods and Services	3.0	-2.3	-0.8	-7.3	-1.9
Government Consumption Expenditures	3.8	0.8	1.9	3.9	5.8
Final Sales to Domestic Purchasers	1.9	-0.1	0.1	1.3	-1.8
Level in Quarter at SAAR [Billions of Chained (2000) Dollars]					
Change in Private Inventories	16.0	-8.1	-10.2	-50.6	-38.5
Net Exports of Goods and Services	-511.8	-484.5	-462.0	-381.3	-350.0





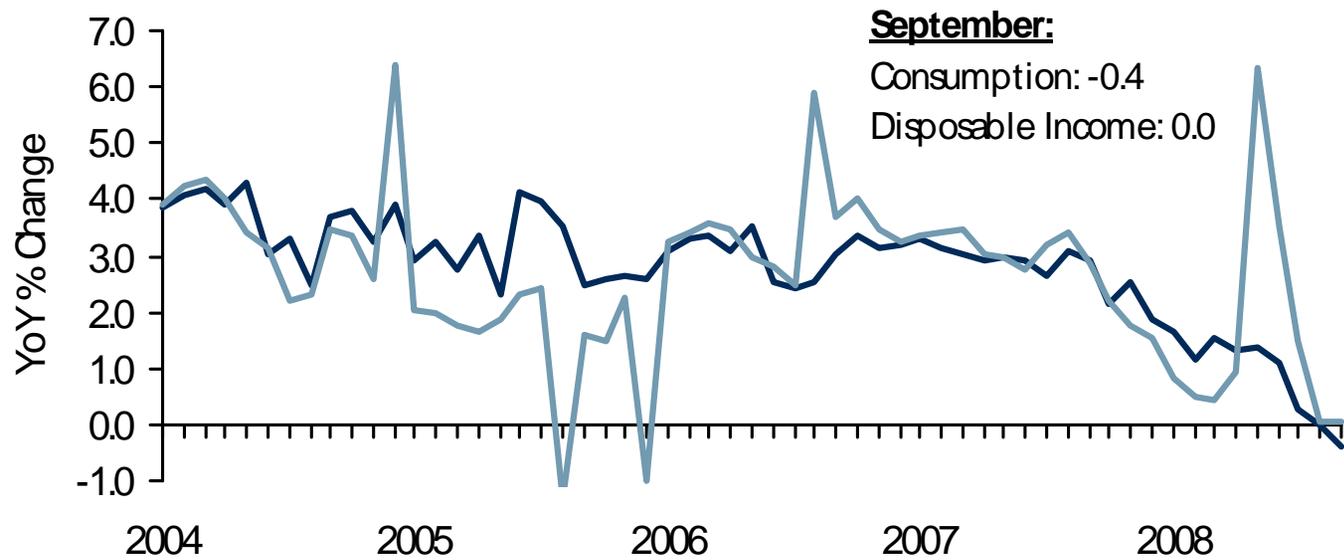
# Payroll Employment





# Personal Income & Expenditures

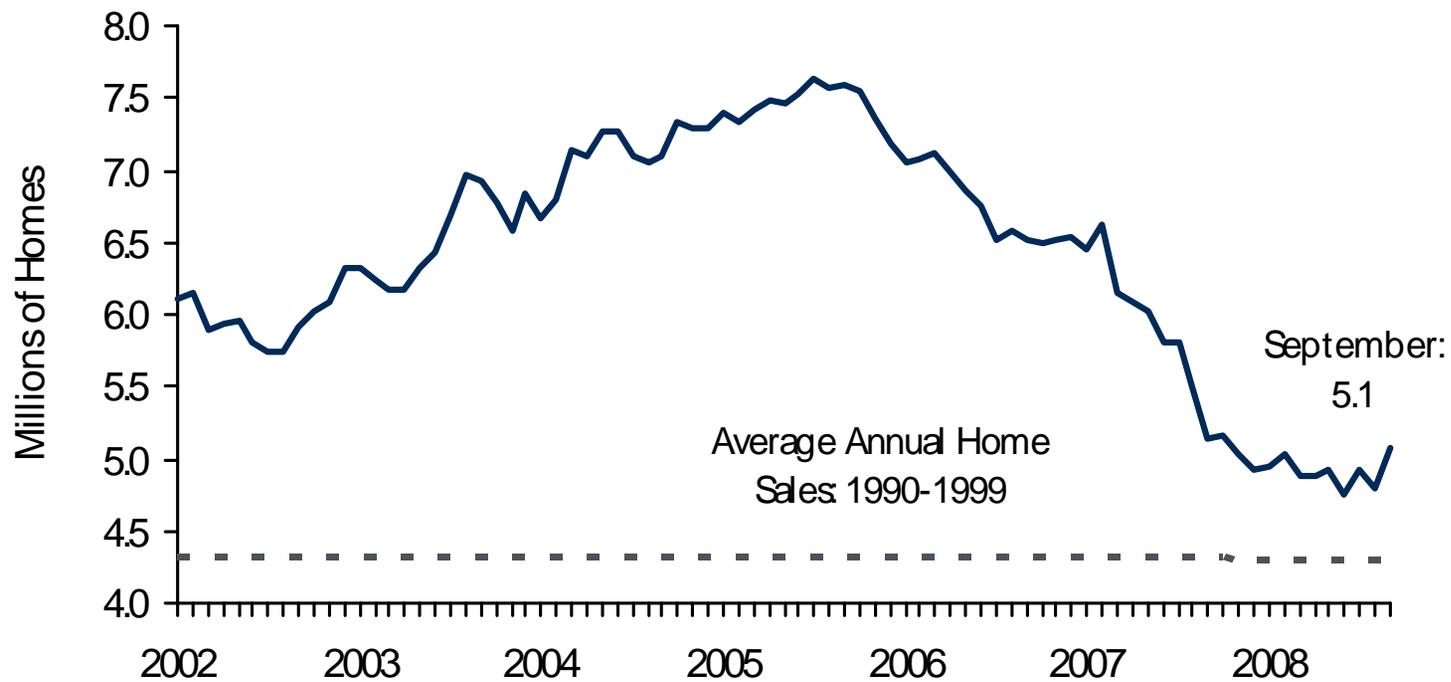
— Real Personal Consumption Expenditures      — Real Disposable Personal Income





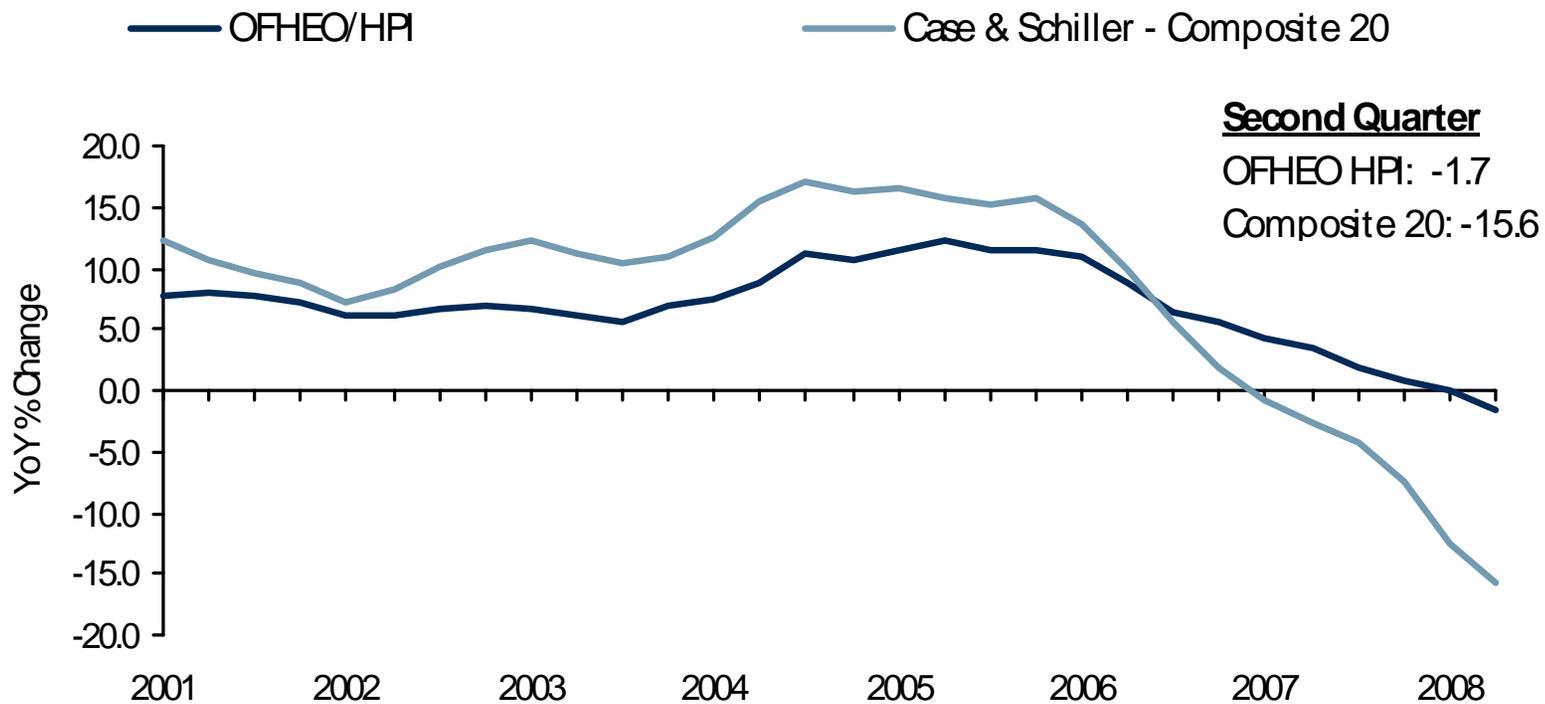
# Total Home Sales

## *Single Family Homes*



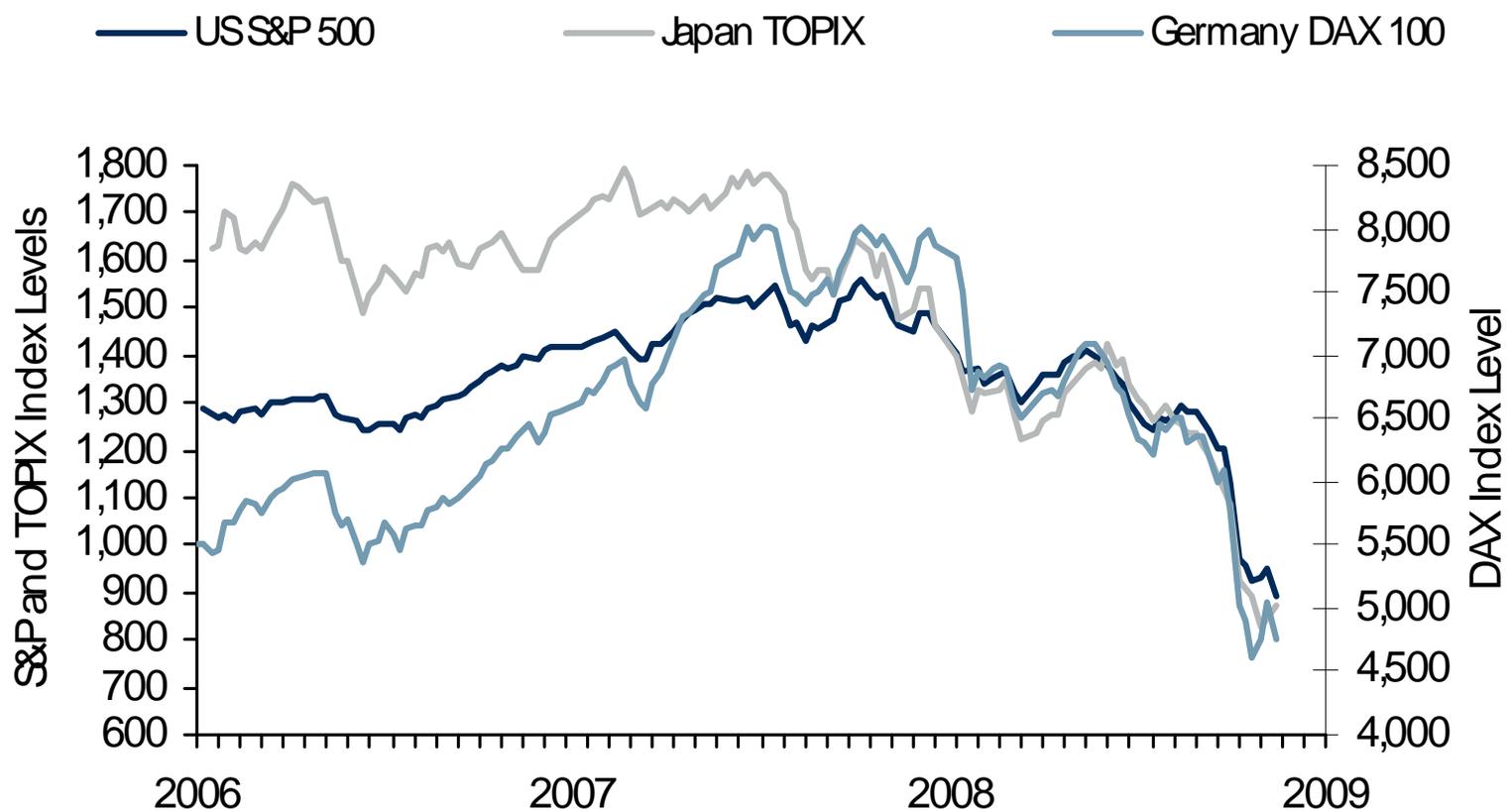


# House Prices





# Equity Markets





# Institute for Supply Management's Business Survey Indexes

## Manufacturing Business:

	<u>Sep.</u>	<u>Oct.</u>
Purchase Managers Index	43.5	38.9
Production	40.8	34.1
New Orders	38.8	32.2
Employment	41.8	34.6
Supplier Deliveries	52.5	49.2
Inventories	43.4	44.3
Prices	53.5	55.0
Backlog of Orders	35.0	37.0
Exports	52.0	41.0
Imports	44.0	41.0

## Non-Manufacturing Business:

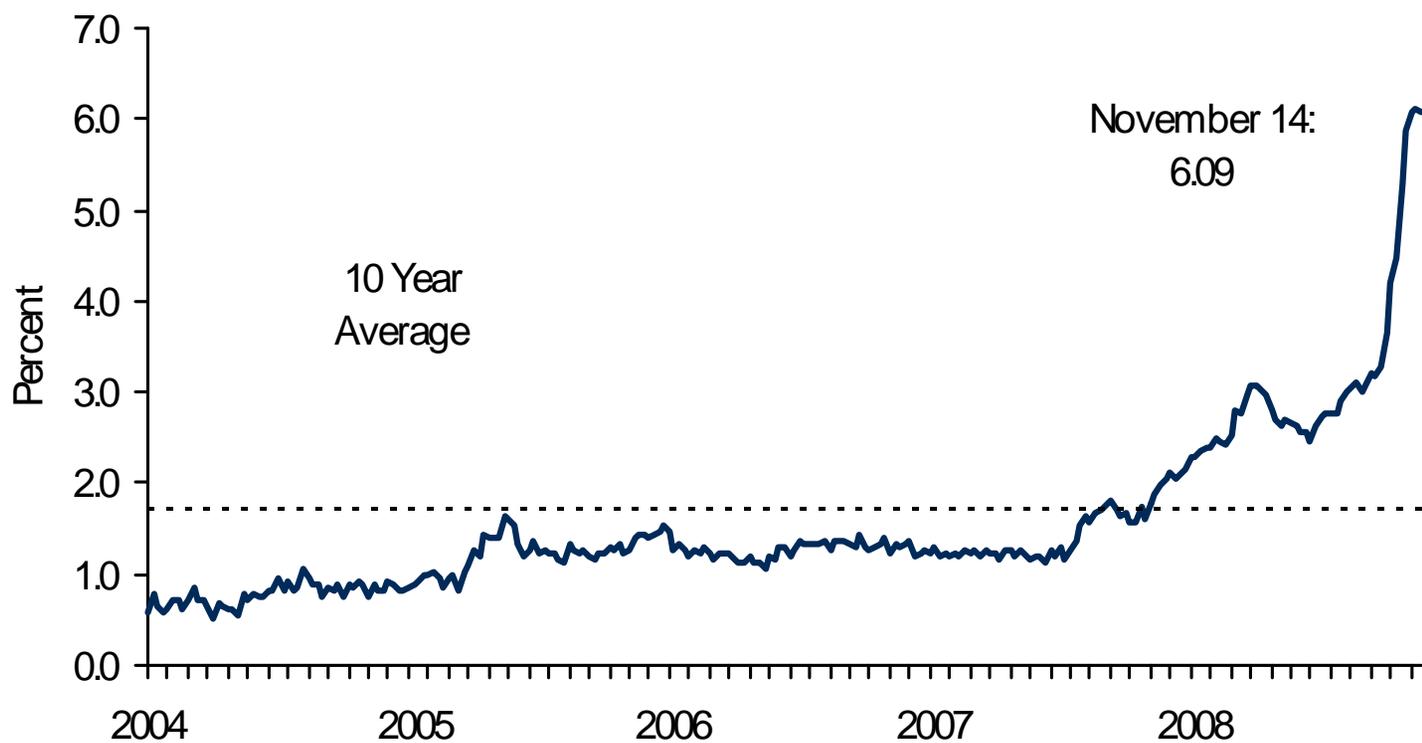
	<u>Sep.</u>	<u>Oct.</u>
Non-Manufacturing Index	50.2	44.4
Business Activity	52.1	44.2
New Orders	50.8	44.0
Employment	44.2	41.5
Supplier Deliveries	53.5	48.0
Inventories	45.5	48.0
Prices	70.0	53.4
Backlog of Orders	46.5	44.0
New Export Orders	50.5	50.0
Imports	47.5	52.0





# Risk Premium

## *Merrill Lynch Corporate BBB – 10 Yr. Treasury Yield*





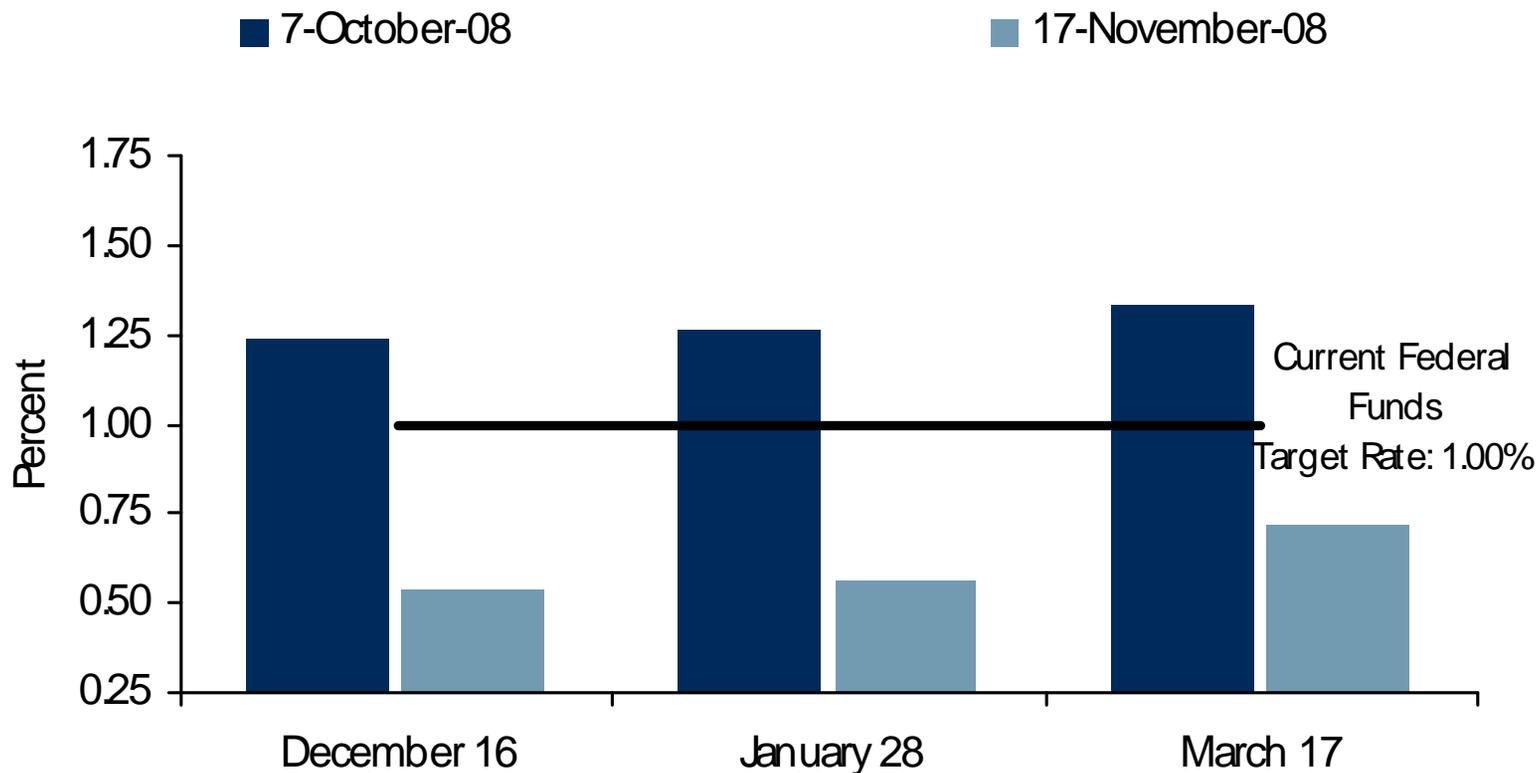
# US Dollar vs. Euro





# Federal Funds Target Rate

## *As Implied by Fed Funds Futures Contracts*





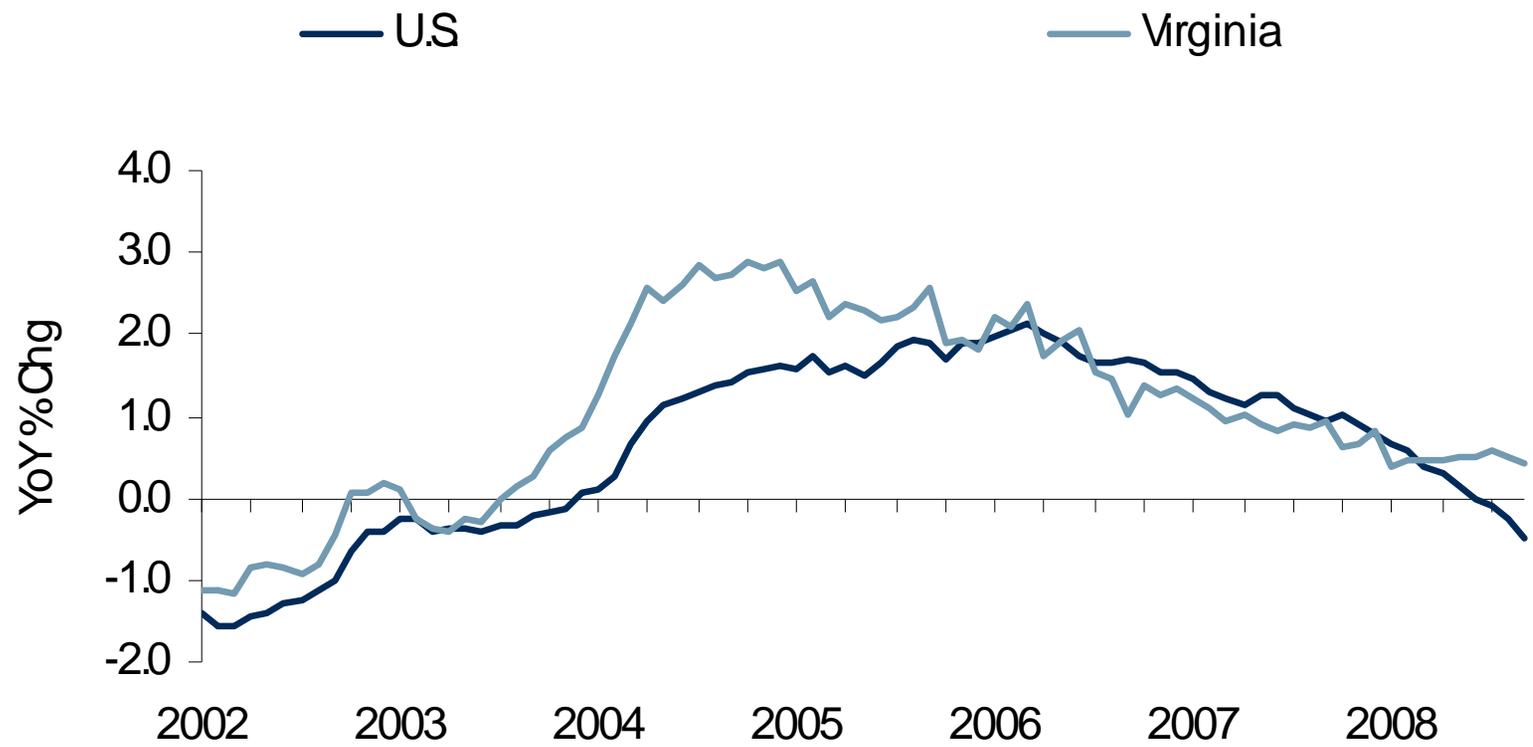
# Financial Turmoil

- **Housing Boom & Bust**
  - Boom Fueled in part by Liberalized Mortgage Lending Practices
  - Bust Driven by these Same Practices
  - Financial Institutions held Mortgage-Backed Securities
- **Impacts of Housing “Bust”**
  - Mortgage Delinquencies and Defaults Rose
  - Value of Securities Fell, Leading to Massive Losses on Financial Firms’ Balance Sheets
  - Risk of Failure of Financial Institutions
- **Government Programs**
  - TAF – December 2007
  - PDCF – March 2008
  - TSLF – March 2008
  - TARP – October 2008
  - MMIFF – October 2008
  - Recent Measures





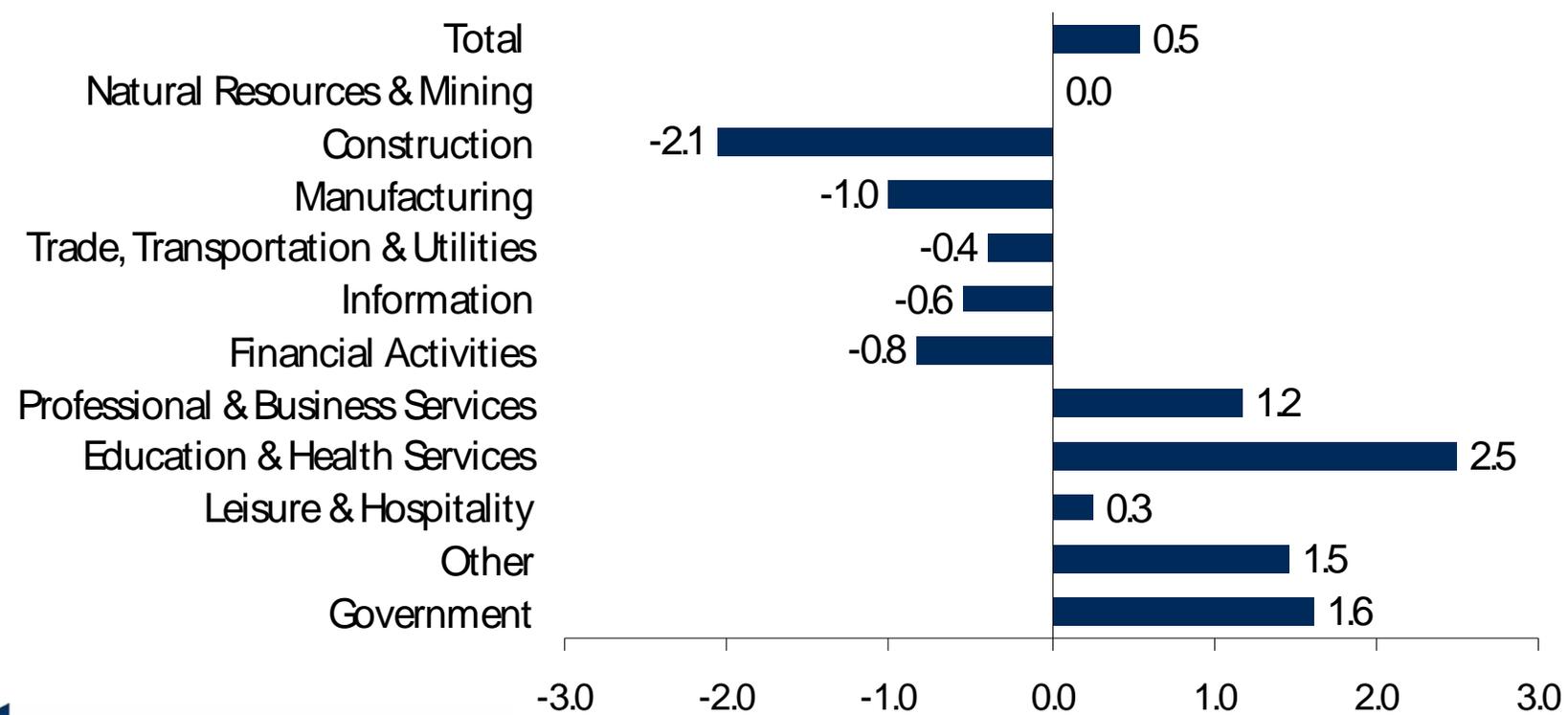
# Virginia Payroll Employment





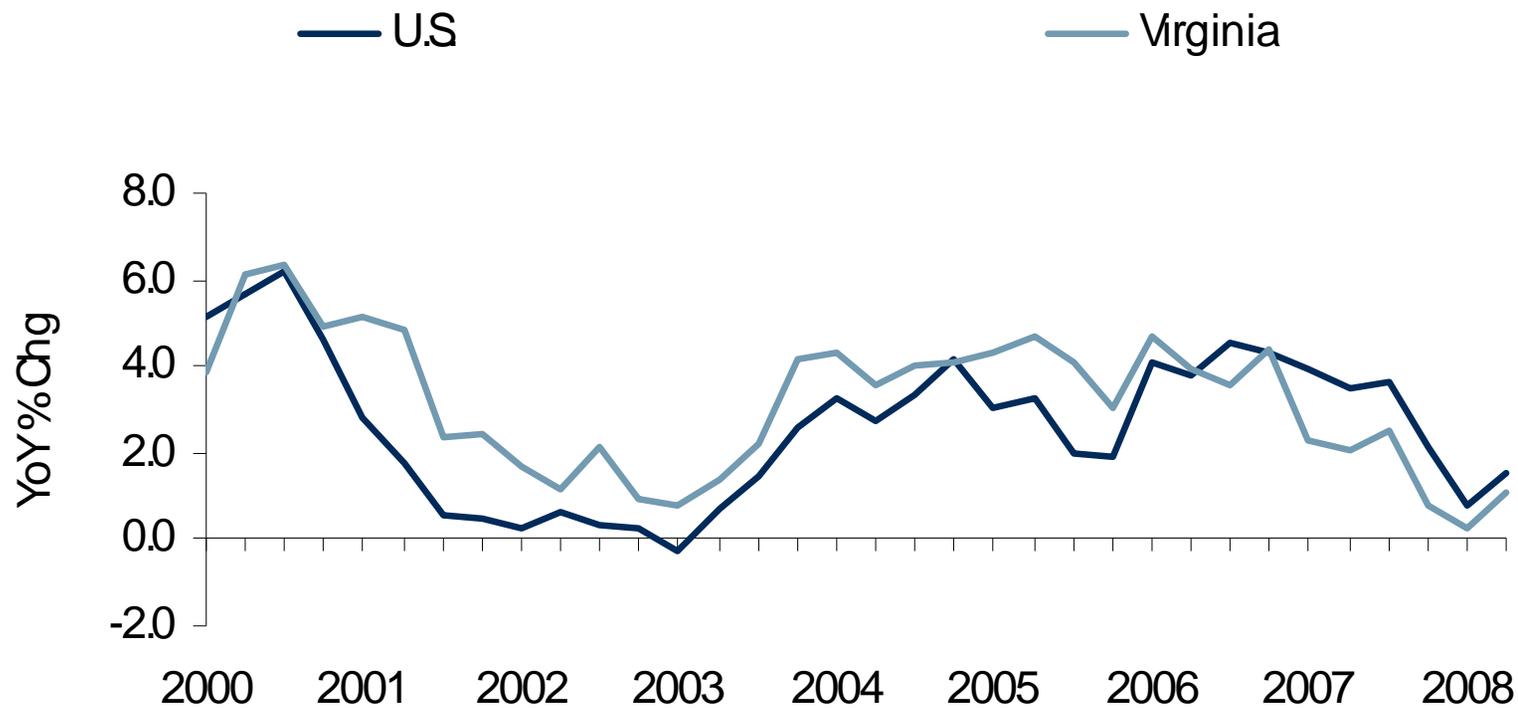
# Virginia Payroll Employment

## Year-over-Year Percent Change, September





# Virginia Personal Income





# Virginia House Prices

