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# **Economic Update: End of the Great Recession**

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Regional Council of Mayors  
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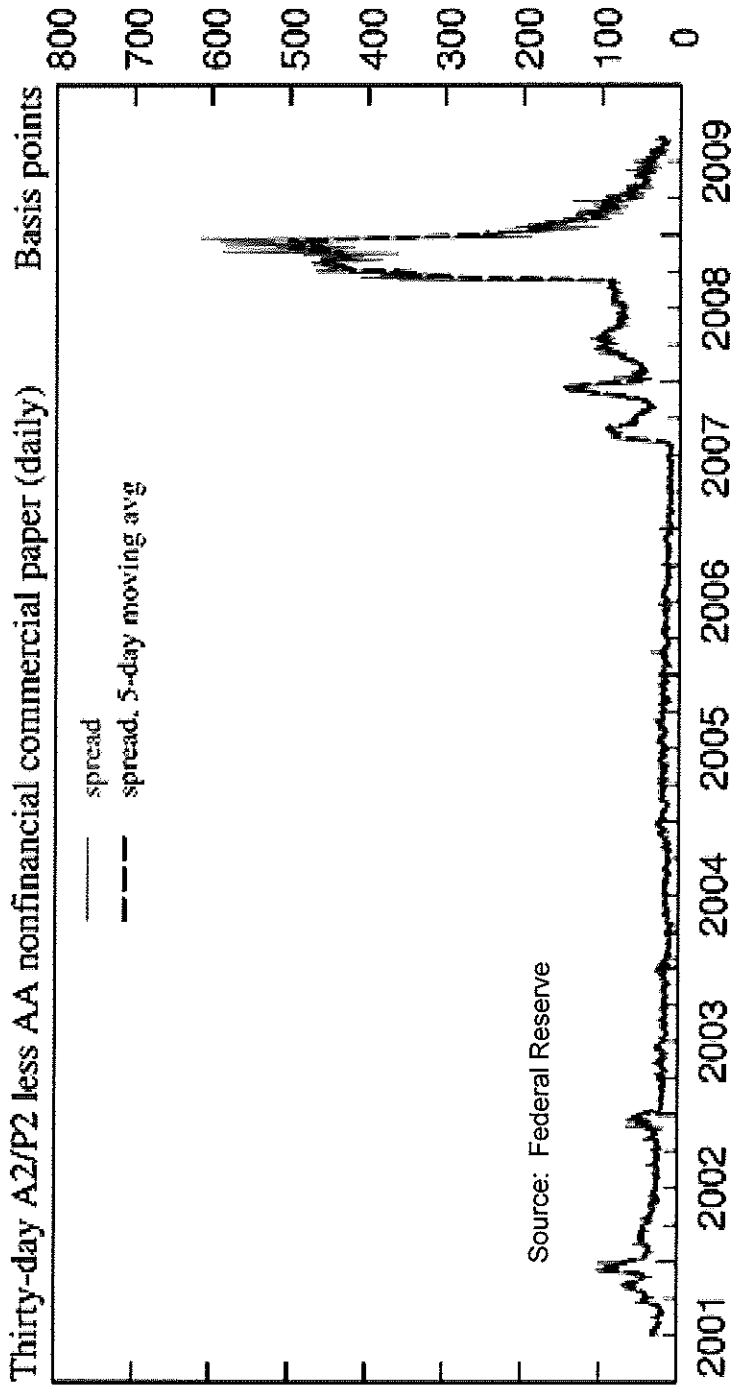
# Escape from the Liquidity Trap - 1

- Aggressive monetary and fiscal stimulus worked! The “Great Recession” is either over or soon will be—in the US and abroad.
- Great progress has been made in unfreezing credit markets.
- The S&P 500 stock-price index is up 16.4% YTD—but it was a wild ride!

## Escape from the Liquidity Trap - 2

- Growth is turning positive, but the labor market will weaken for several more months.
- No sign of any “crowding out” from huge Treasury credit demands—yet.
- Inflation likely to remain close to 1% for the next couple of years.
- The Fed will keep short-term interest rates close to zero for at least another year.

# Unfreezing Credit Markets



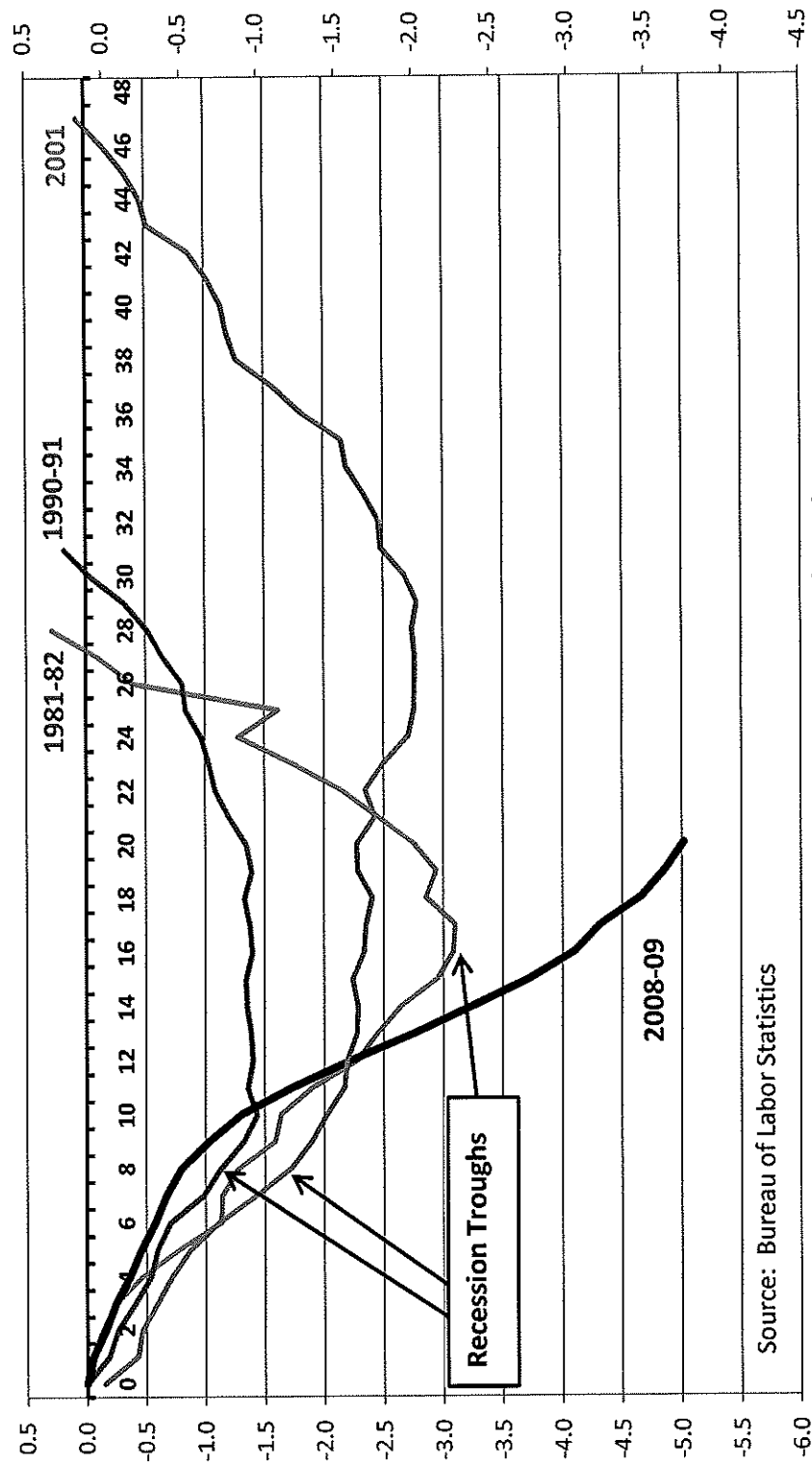
Many credit markets are now functioning more or less normally.  
Others continue to face major challenges.

# Jobs

- For most people employment is the bottom line.
- This is has been the worst employment performance since the 1930s—and it's not over.
- Will we have a “jobless recovery”? You are going to hear a lot about this in coming months!

# US Nonfarm Employment During Recessions

Cumulative Loss of Employment from the Business Cycle Peak (%)

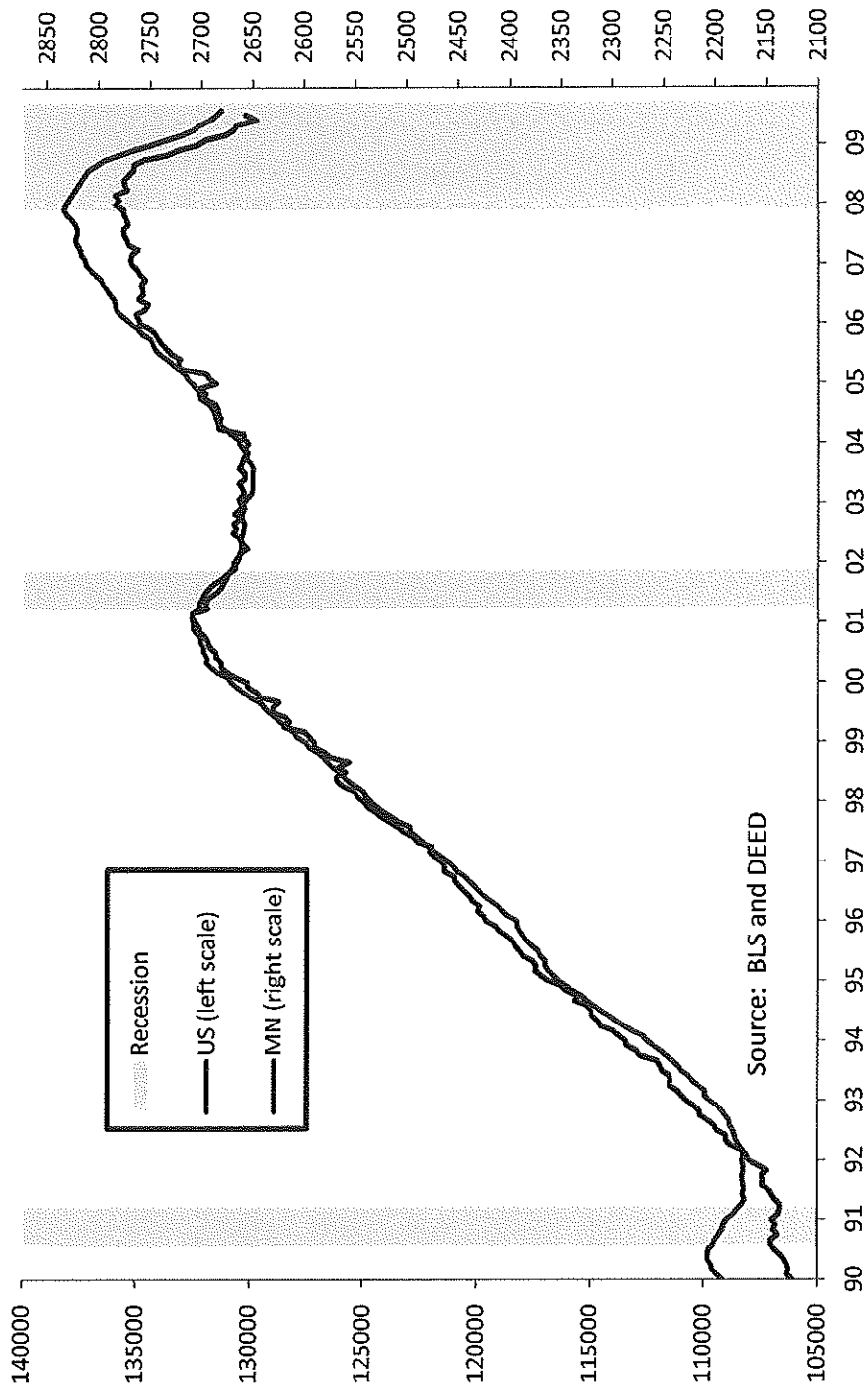


Source: Bureau of Labor Statistics

Months Following Business Cycle Peak

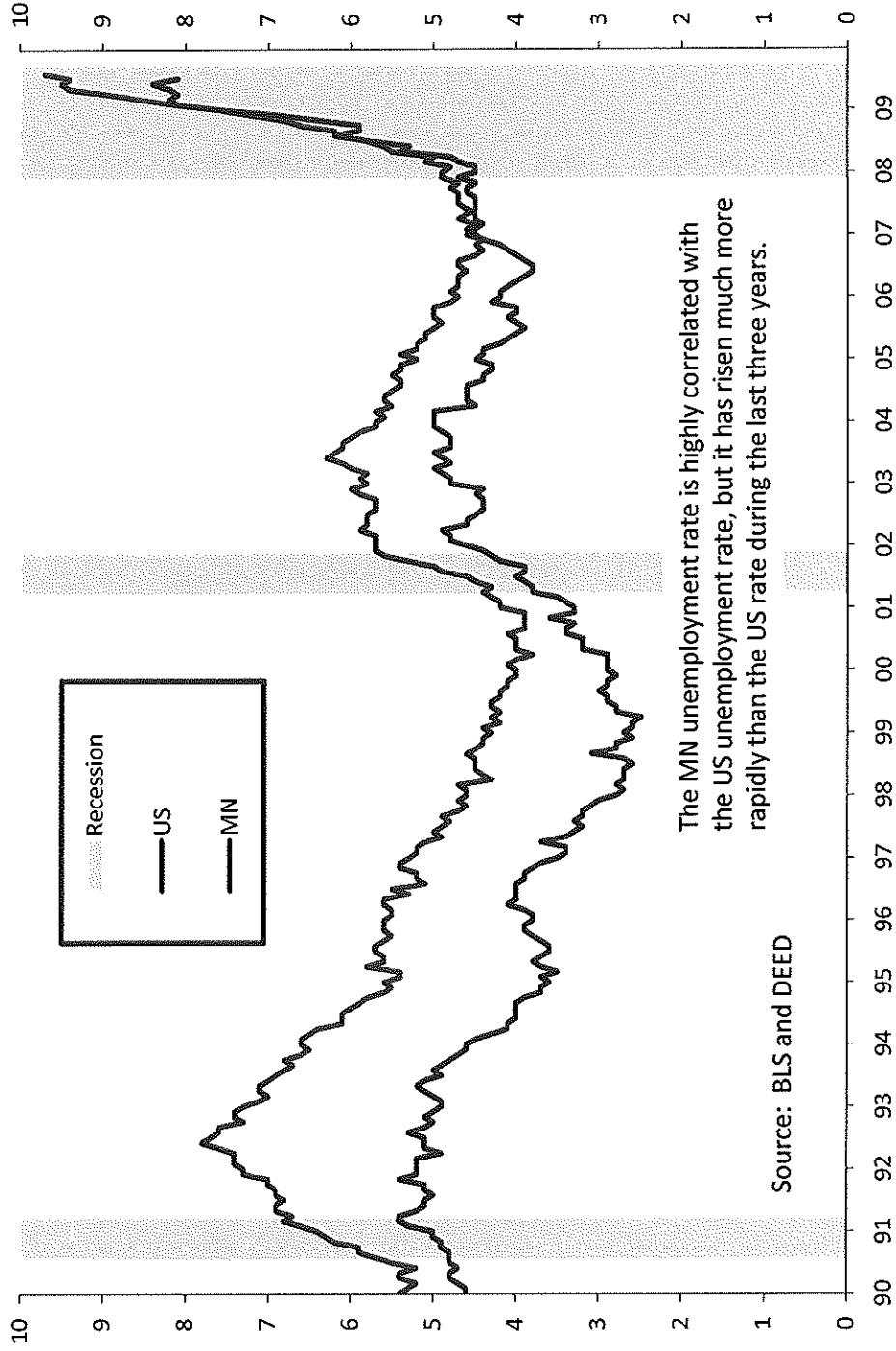
# As goes the nation, so goes MN ...

## Nonfarm Employment: US vs. MN (000s)



# As goes the nation, so goes MN ...

## Civilian Unemployment Rate: US vs. MN (%)





## Great Recession – R.I.P.

- The recovery is likely to be slow, and it will still “feel” like a recession for at least a couple of years.
- The US and MN probably won’t regain peak employment (December 2007) until early in 2011.
- We will be dealing with the consequences for years to come.