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# Wells Fargo Economics

Scott Anderson, Ph.D.

Vice President

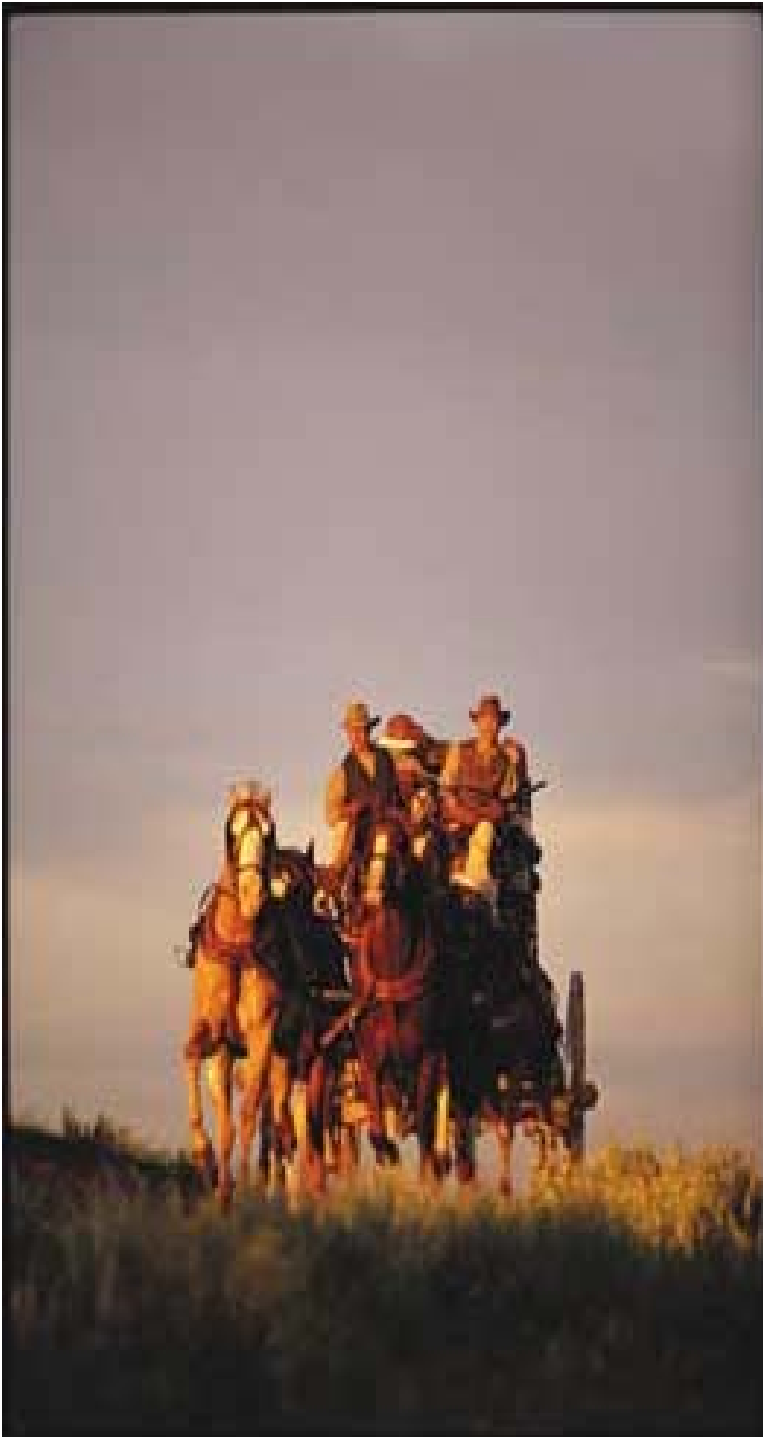
Senior Economist

Plunging Into The New Year

Lambda Alpha Meeting

Minneapolis, MN

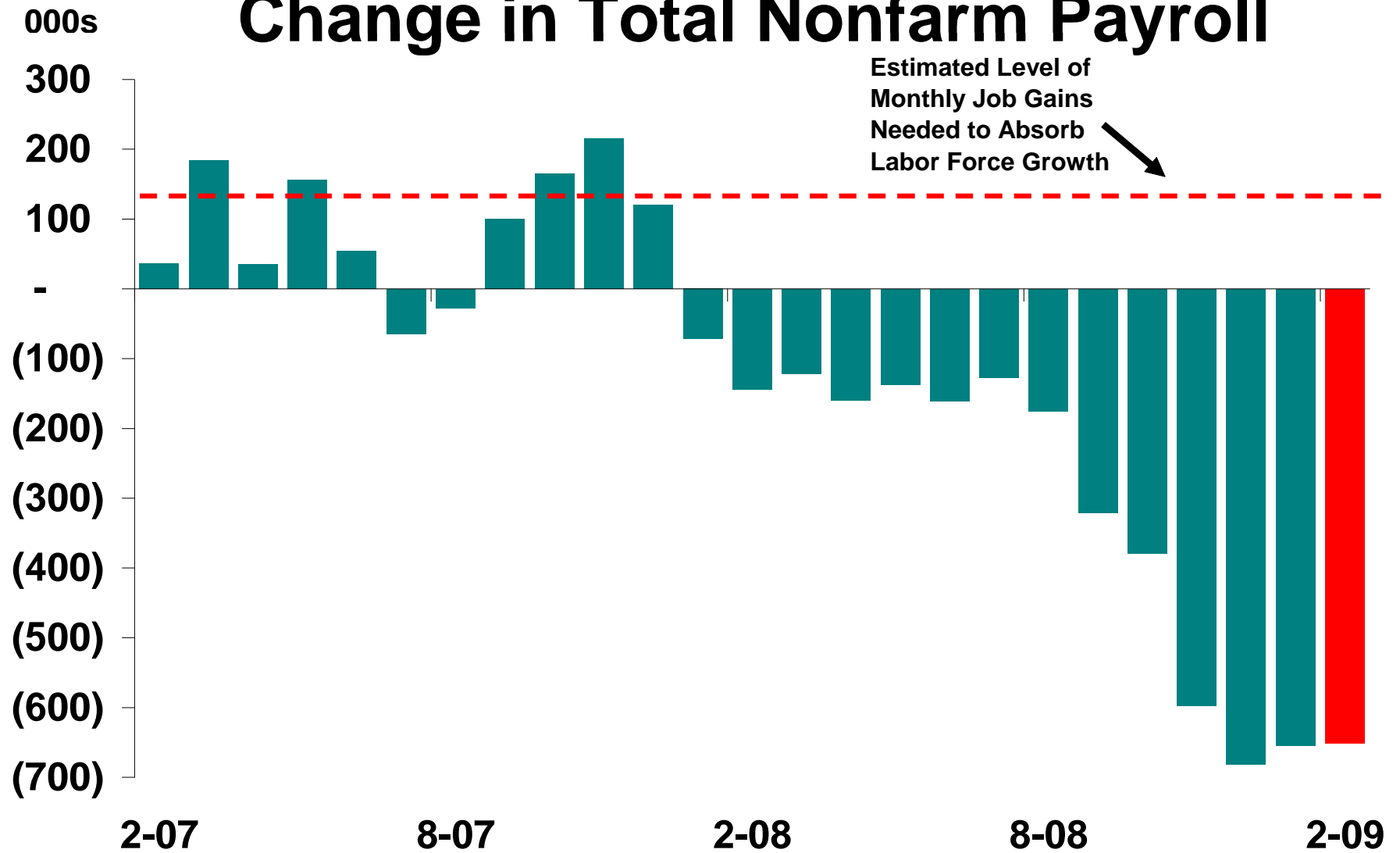
March 18, 2009



***U.S. Economy***  
***Severe***  
***Recession***  
***Worst in Post-  
War Period***



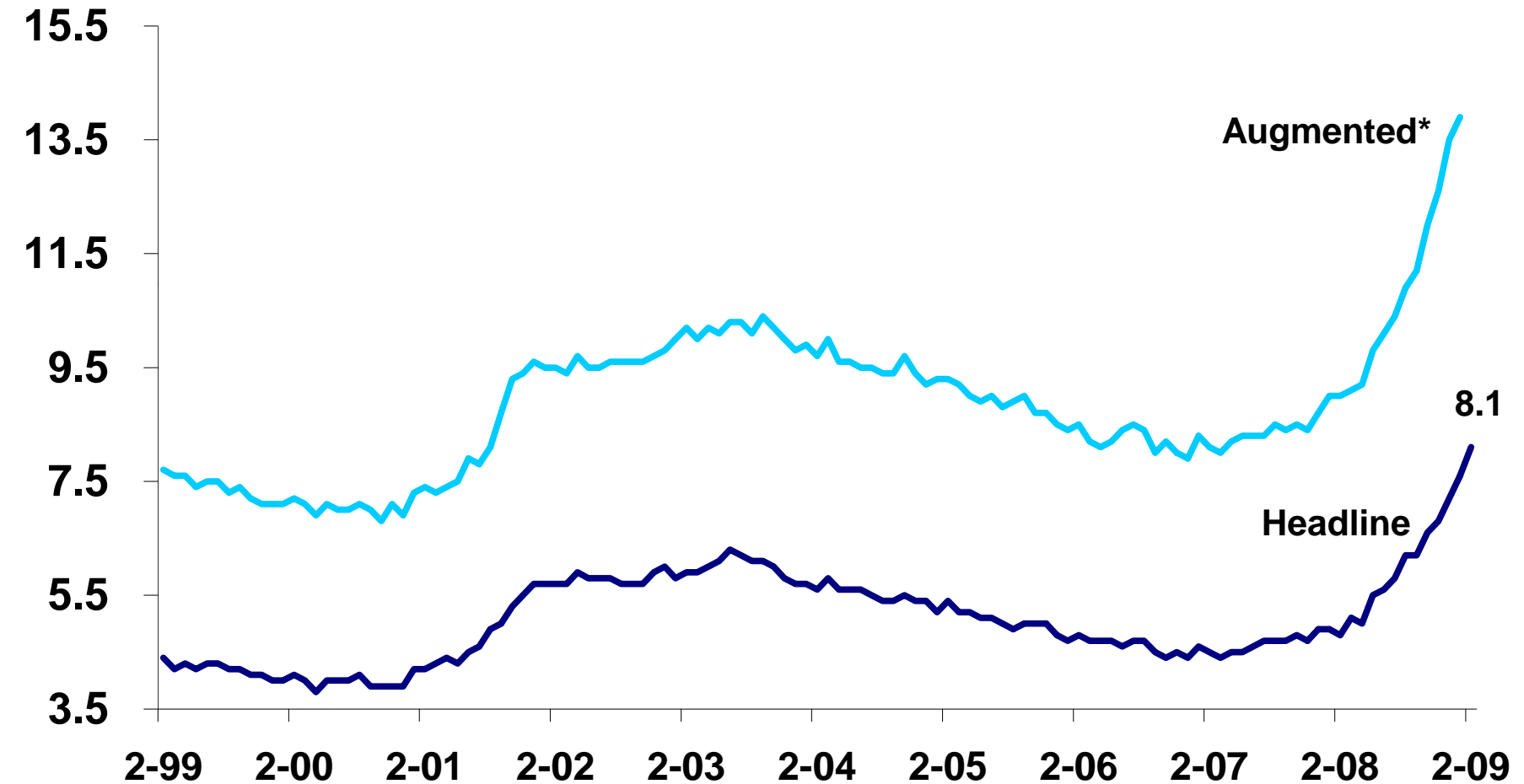
# Change in Total Nonfarm Payroll



Source: Bureau of Labor Statistics

# Overall Unemployment Rate

Percentage

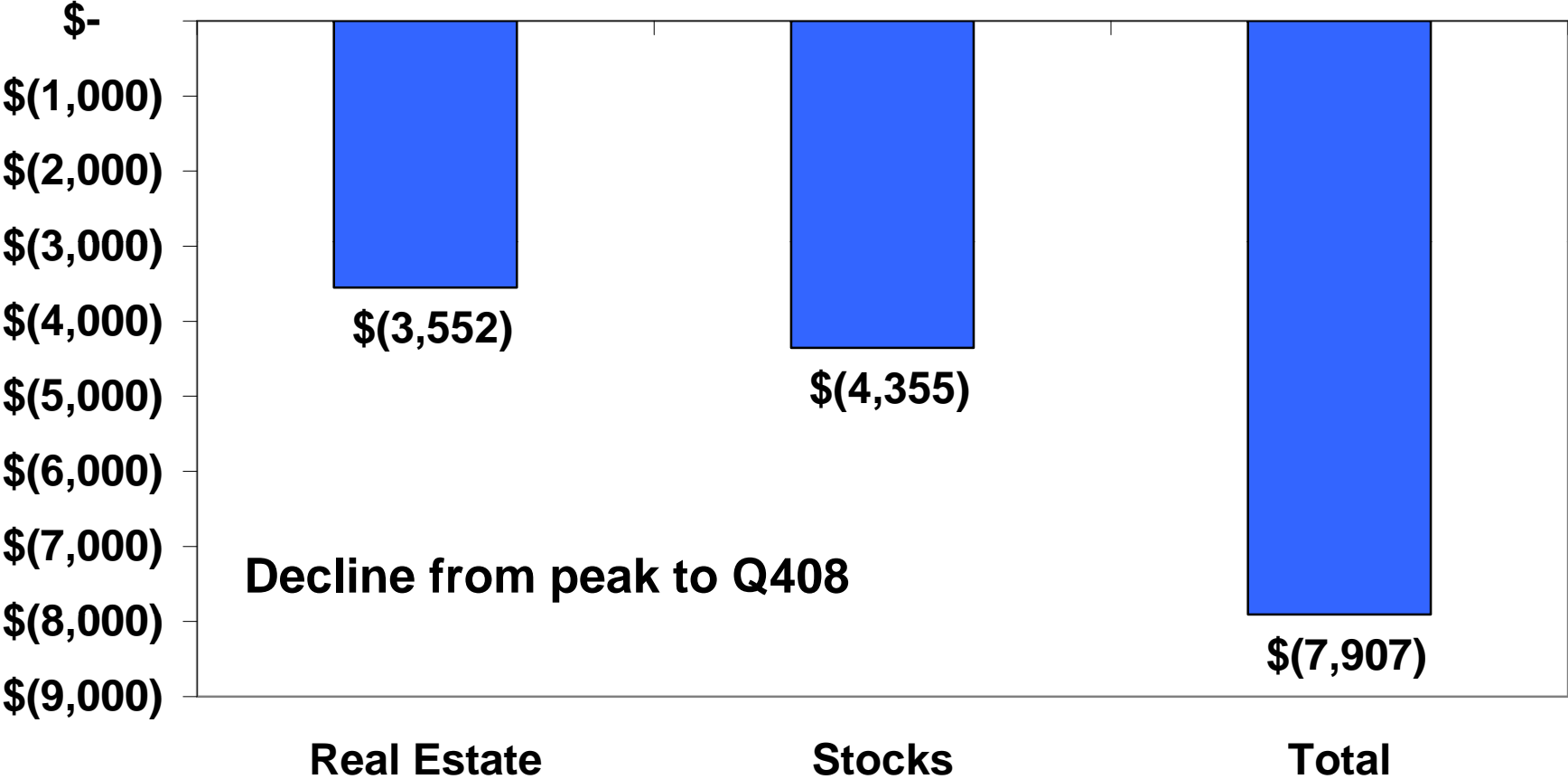


\*Total unemployed, plus all marginally attached workers, plus total employed part time for economic reasons, as a percent of the civilian labor force plus all marginally attached workers

Source: Bureau of Labor Statistics

# Household Wealth Destruction

Billions



Source: Federal Reserve; Wells Fargo Economics

# Consumer Confidence

Index

160

140

120

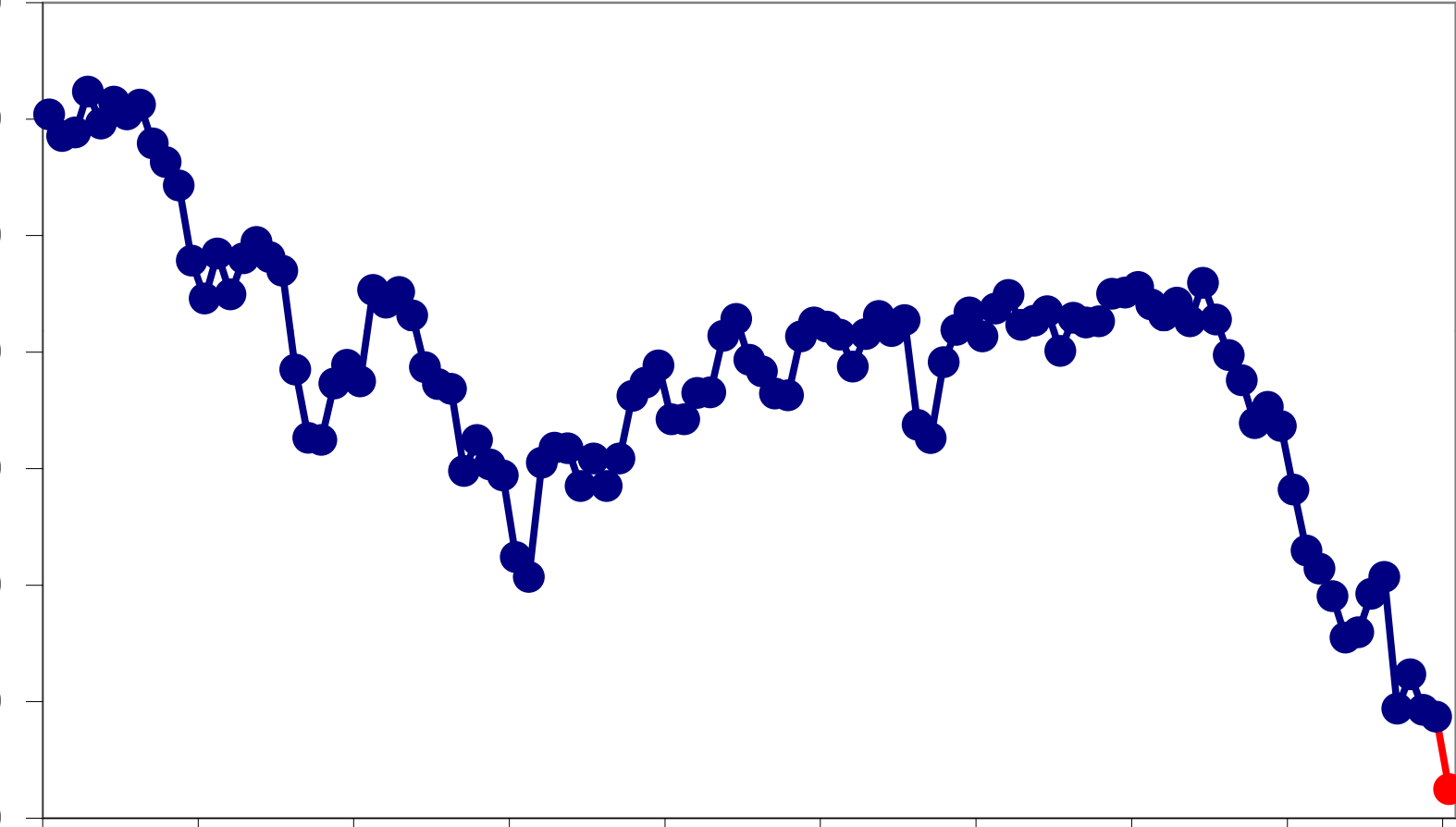
100

80

60

40

20



2-00

2-01

2-02

2-03

2-04

2-05

2-06

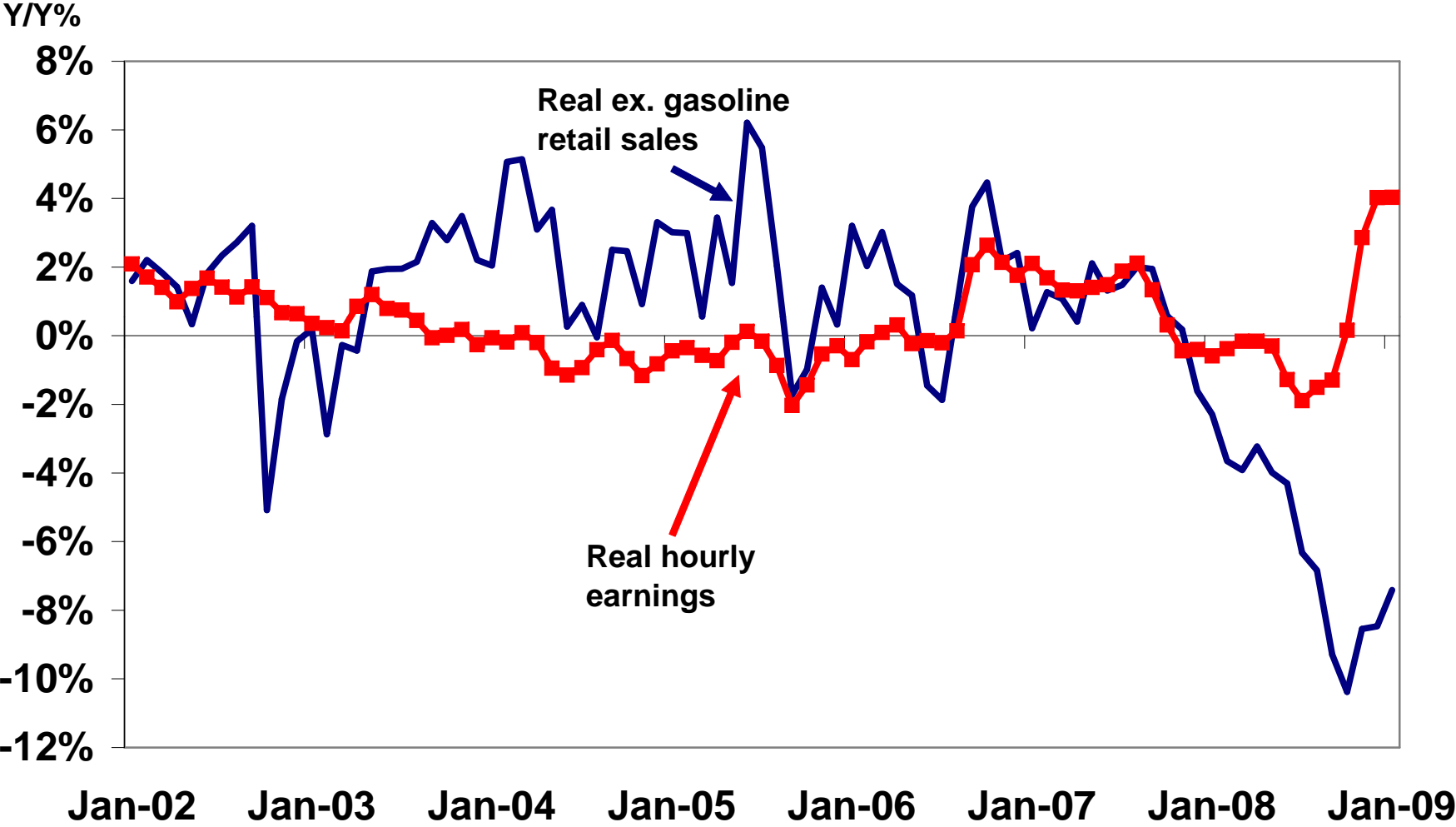
2-07

2-08

2-09

Source: The Conference Board

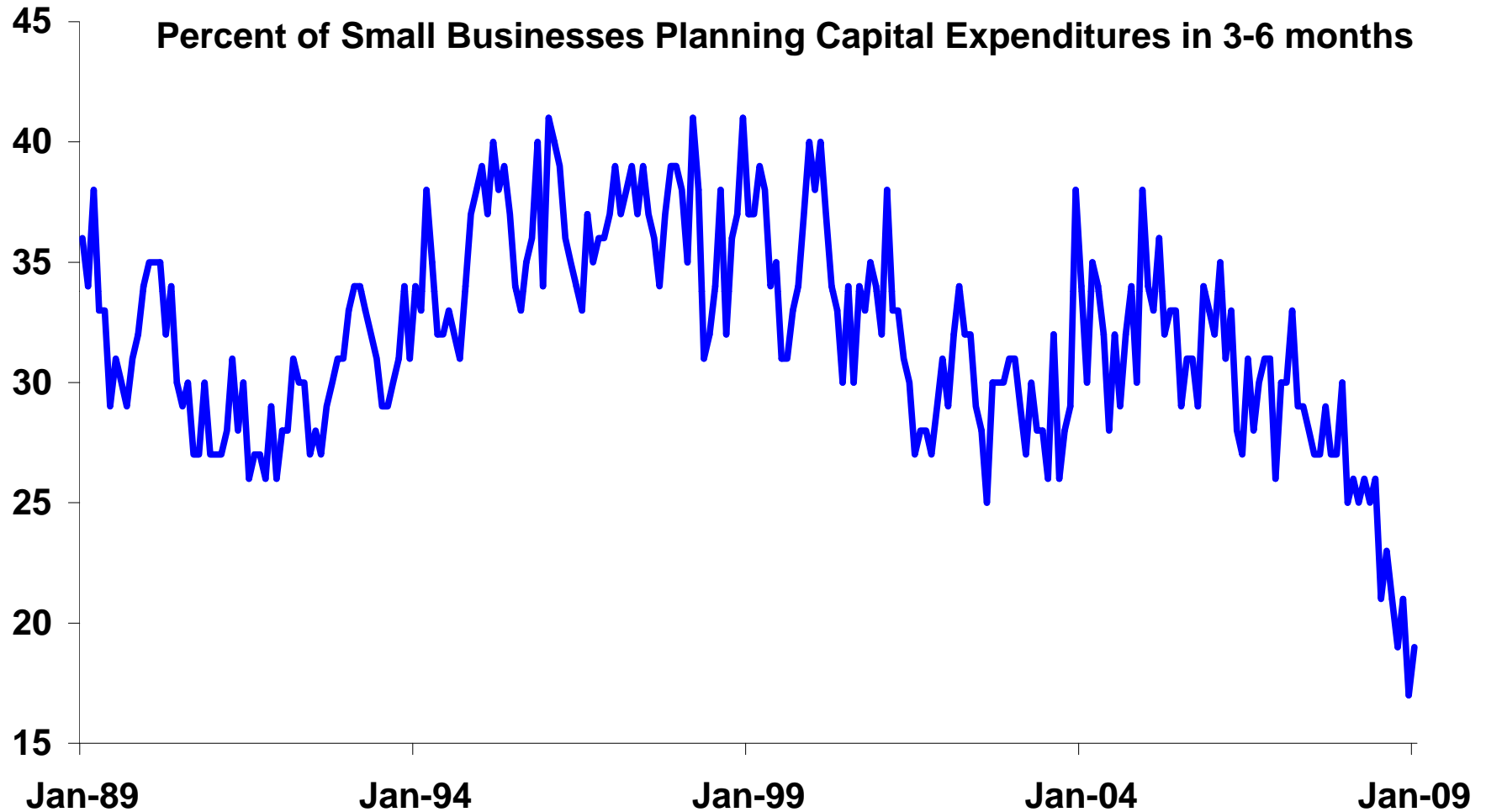
# Retail Sales and Hourly Earnings Growth



Source: Census Bureau; Bureau of Labor Statistics; Wells Fargo Economics

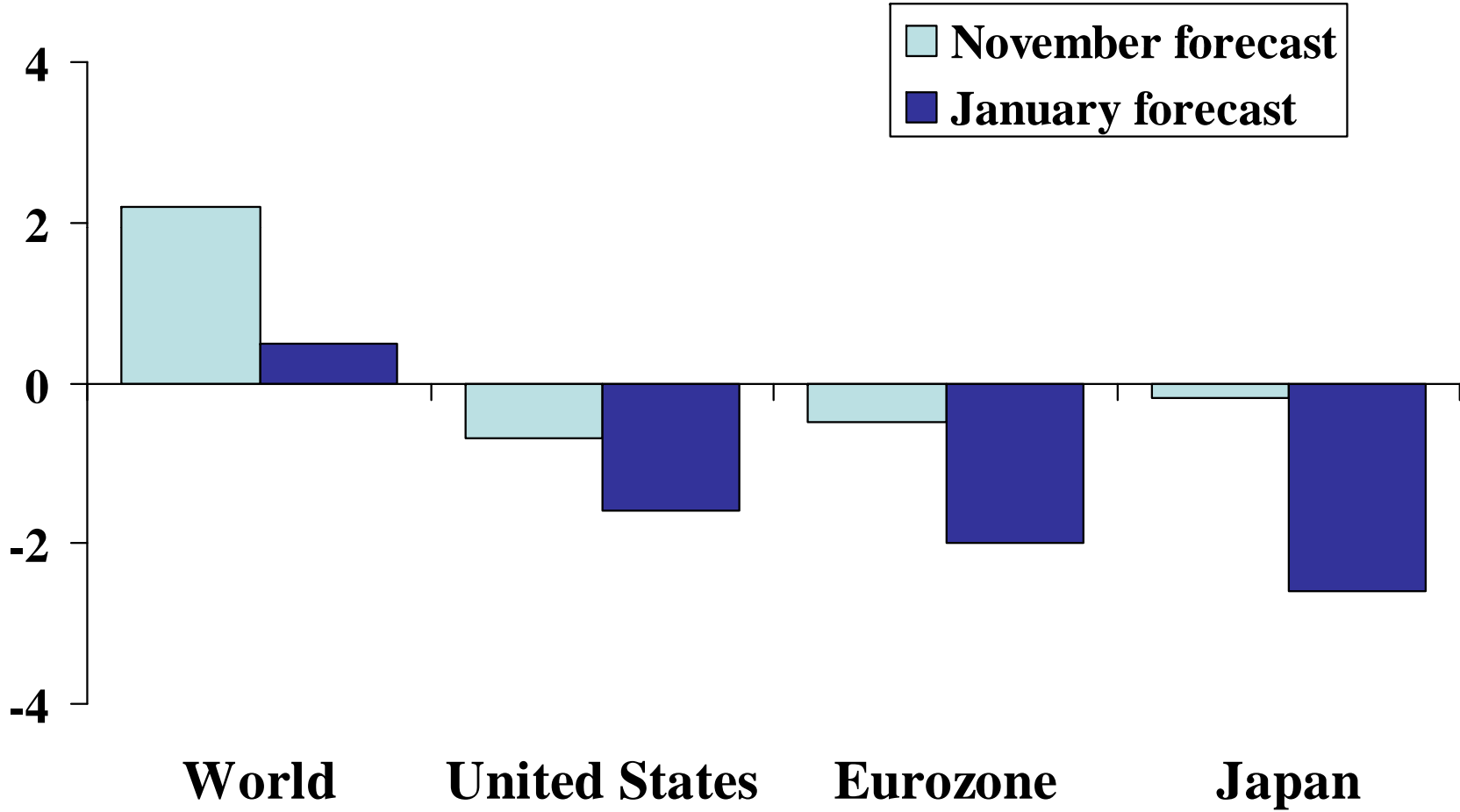
# Capital Expenditure Plans Plummet

Percent of Small Businesses Planning Capital Expenditures in 3-6 months



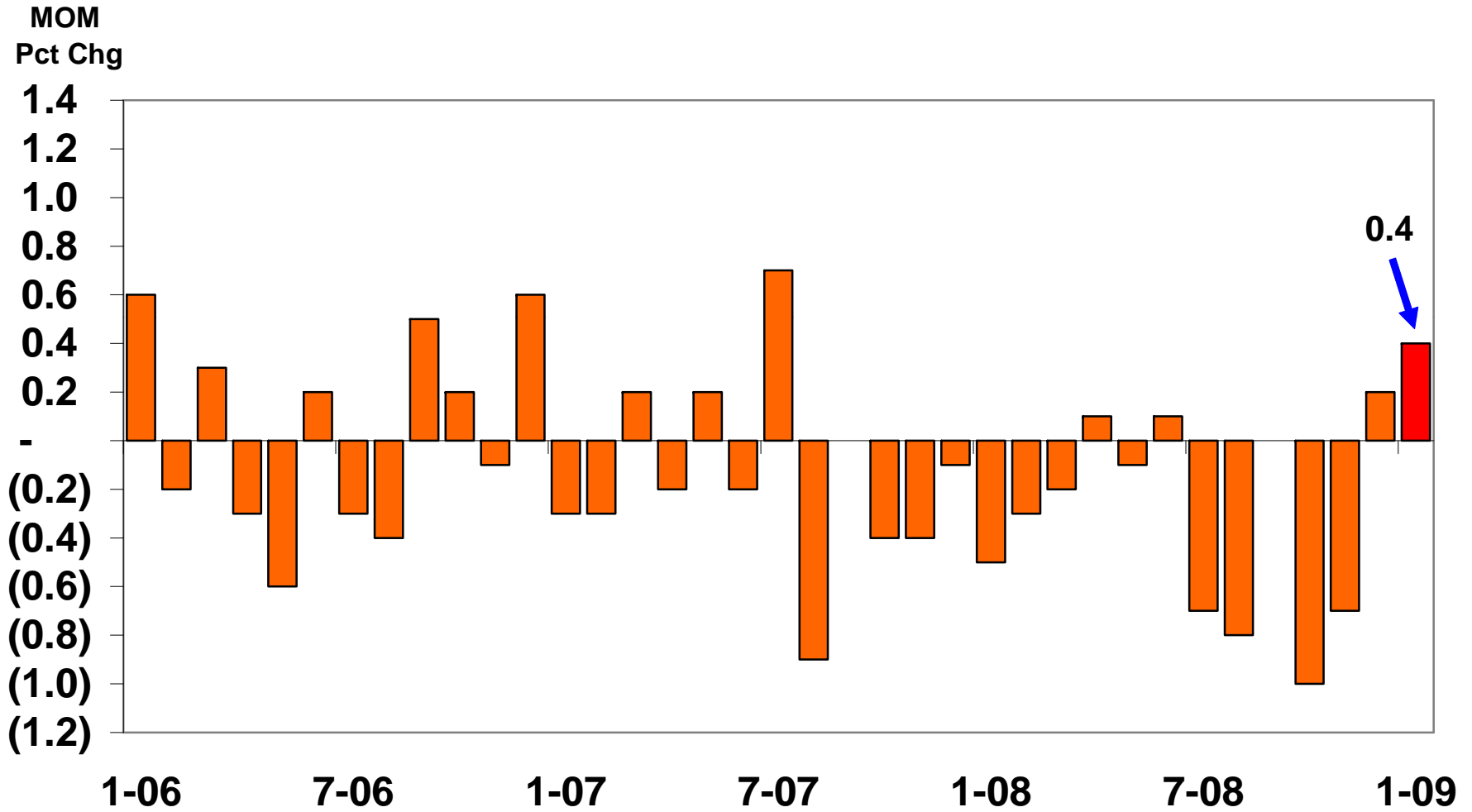
Source: National Federation of Independent Business; Wells Fargo Economics

# Global Growth Forecast Revisions



Source: IMF

# Leading Economic Indicators



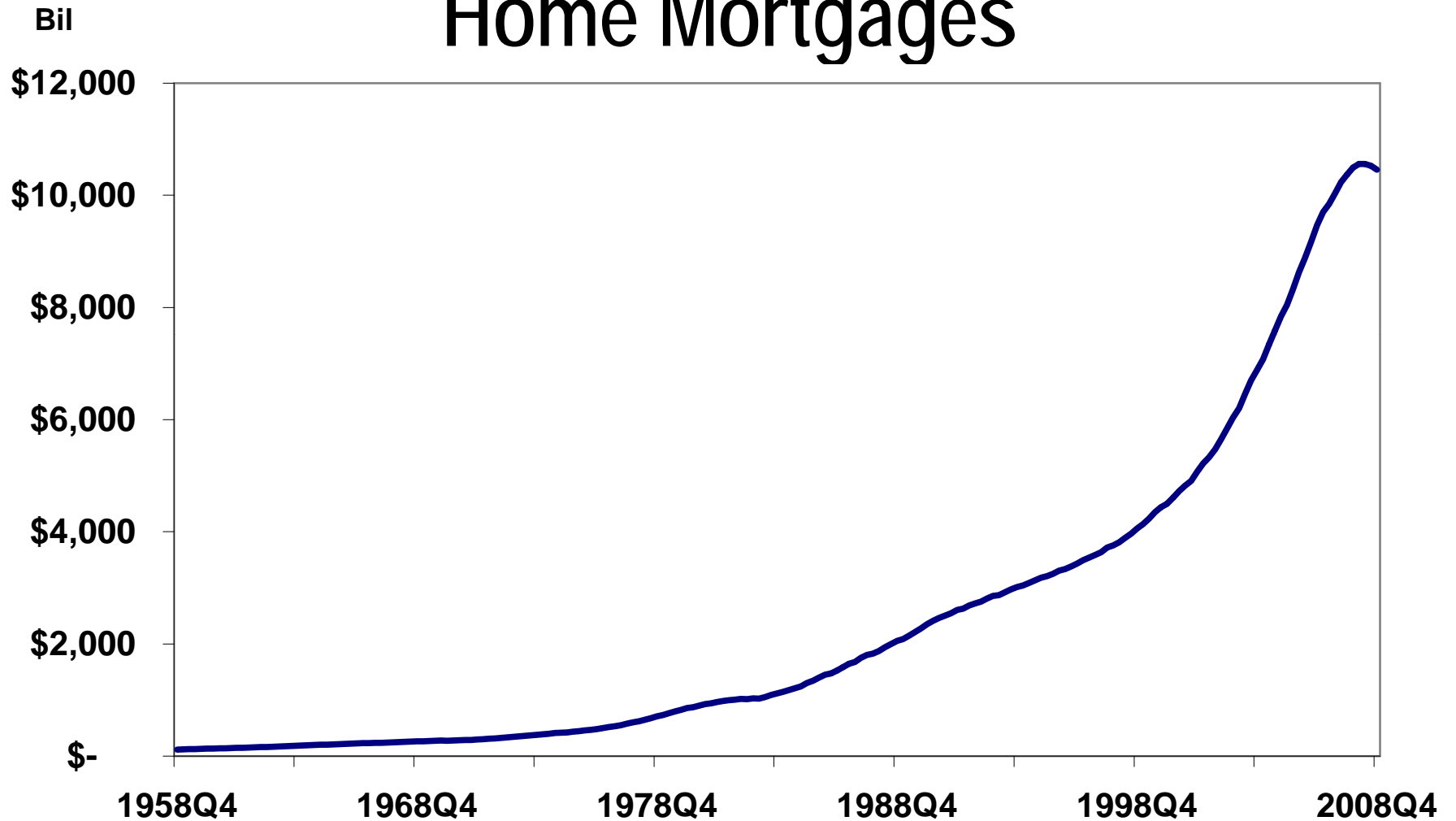
Source: The Conference Board



# ***A Credit Crisis In The Making***

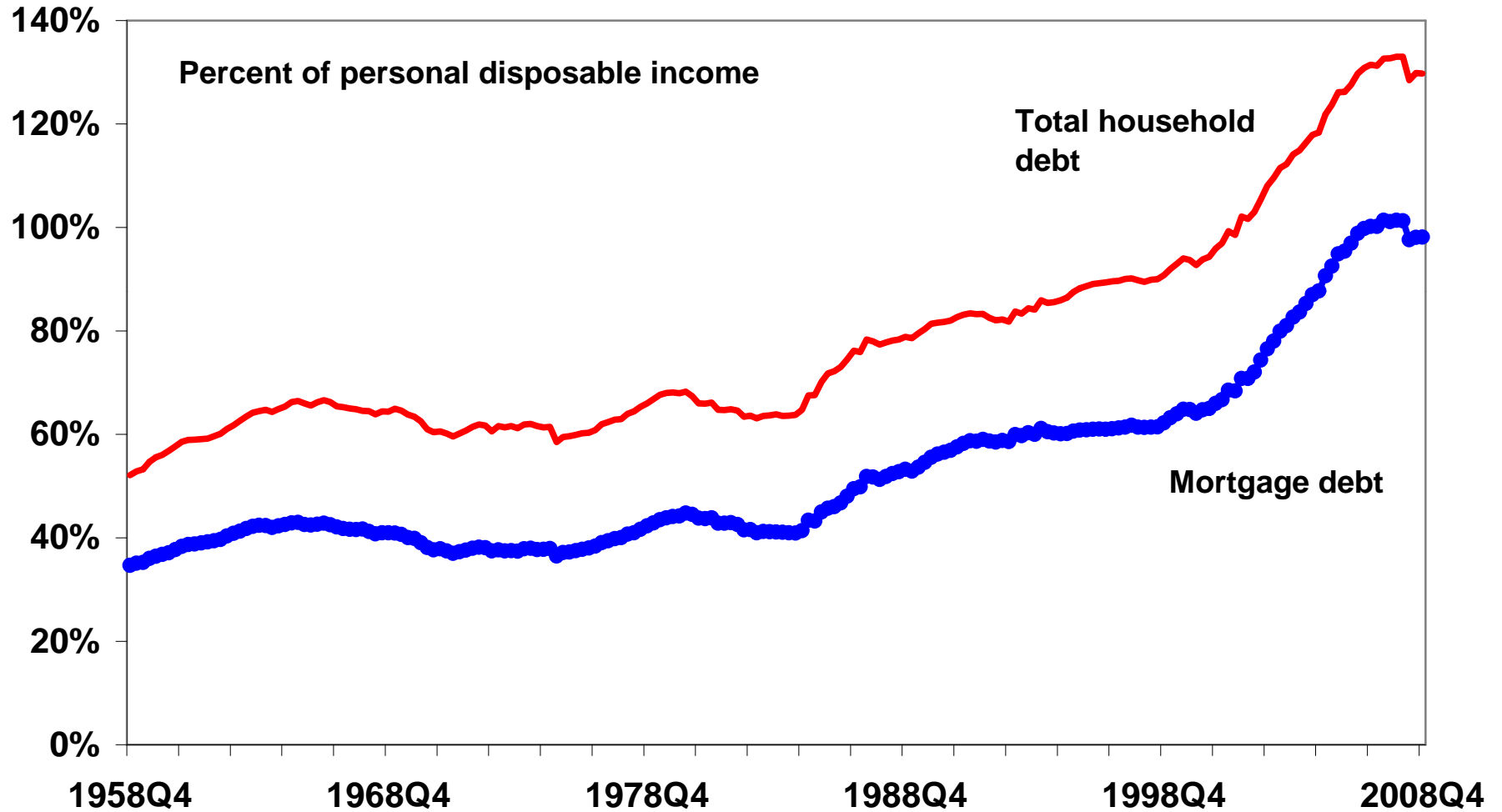
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# Home Mortgages



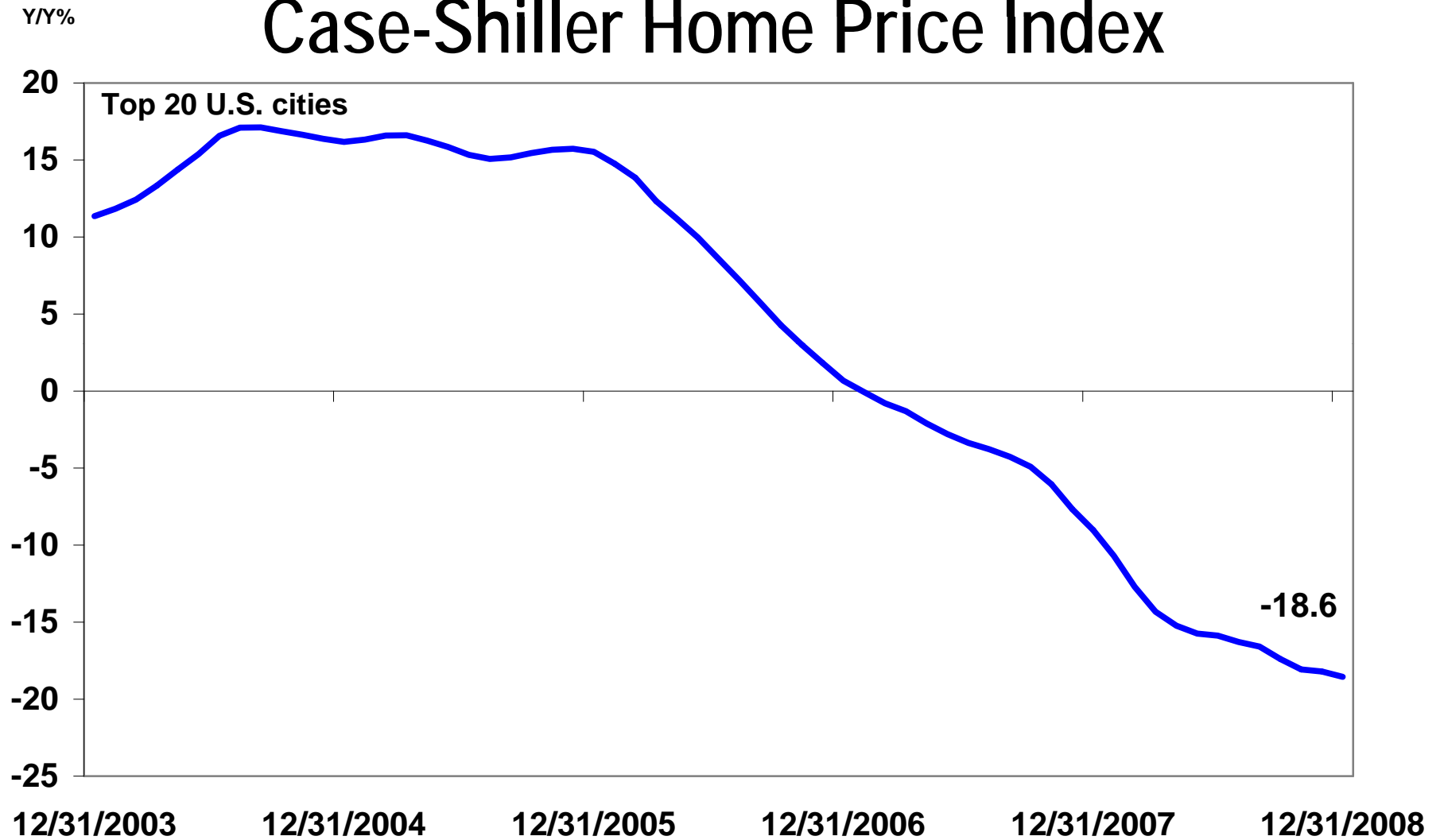
Source: Federal Reserve Flow of Funds; Wells Fargo Economics

# Debt Ratios



Source: Federal Reserve Flow of Funds; Wells Fargo Economics

# Case-Shiller Home Price Index

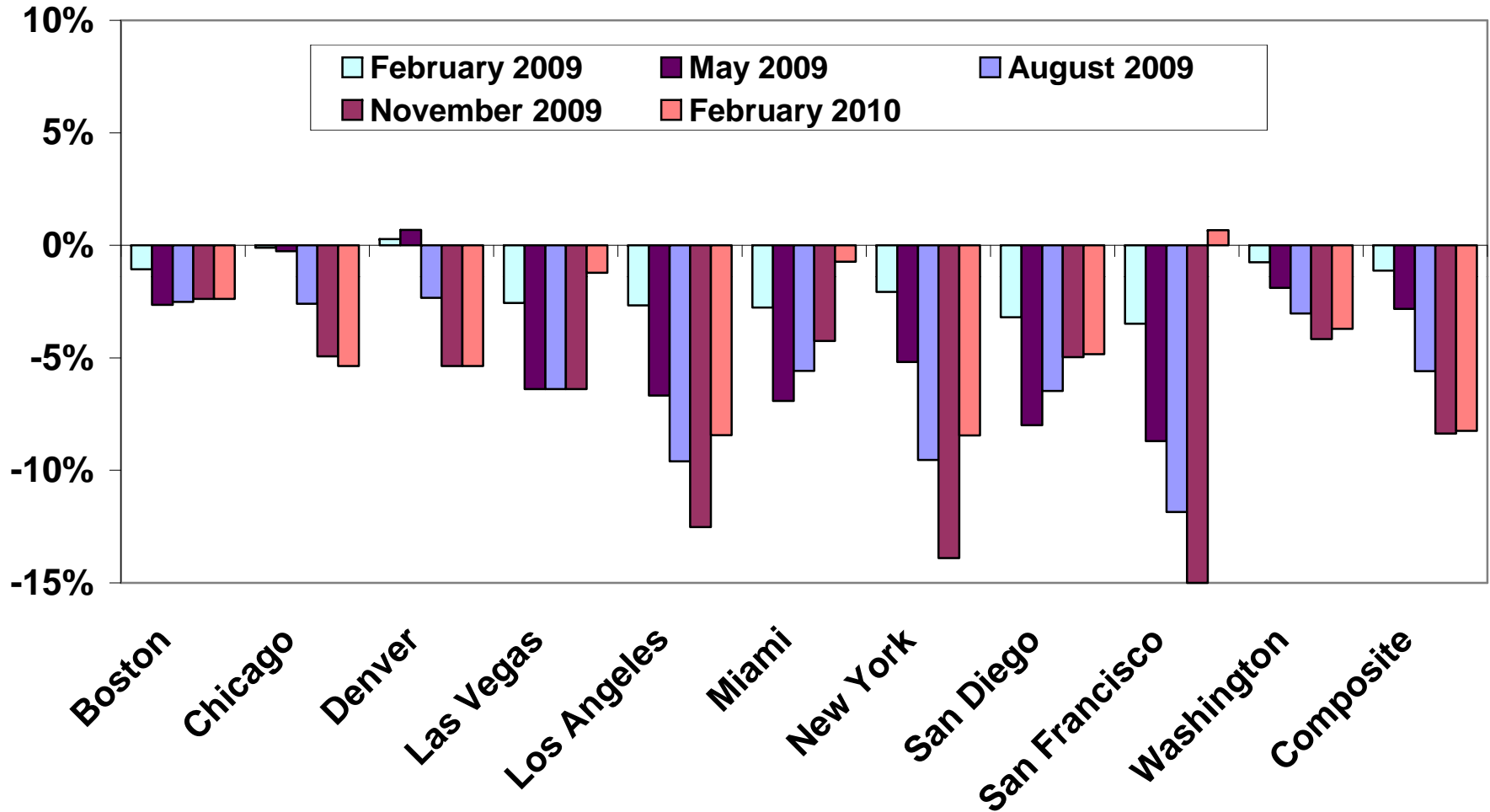


Source: Case-Shiller

# CME Real Estate Futures

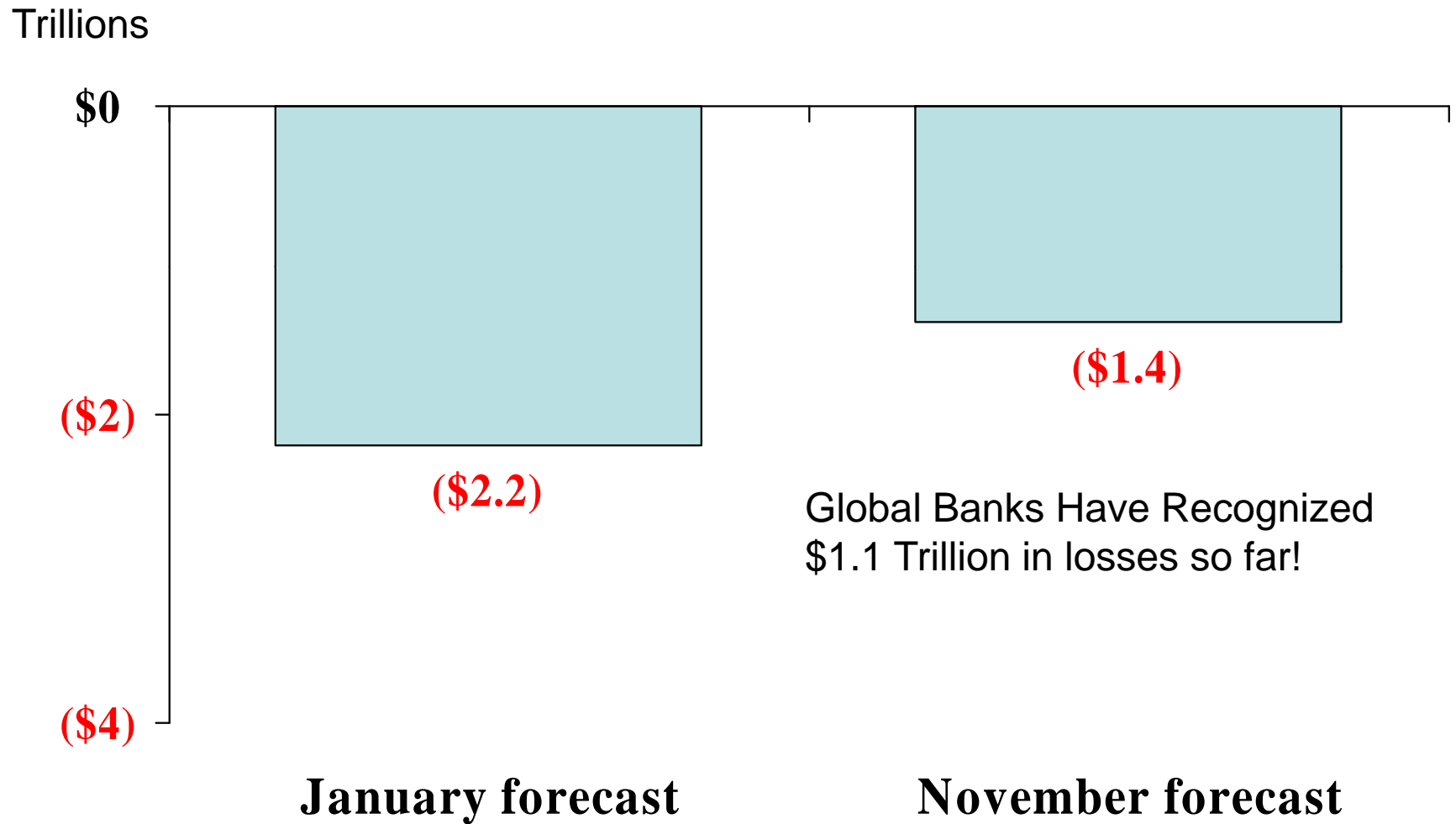
Expected price growth from December 2008

Percent



Source: CME; Wells Fargo Economics

# Global Bank Loss Forecast

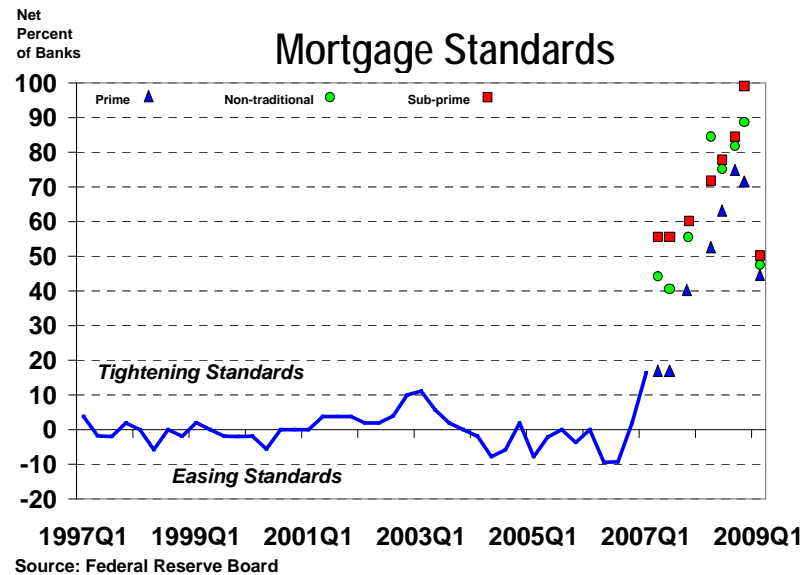
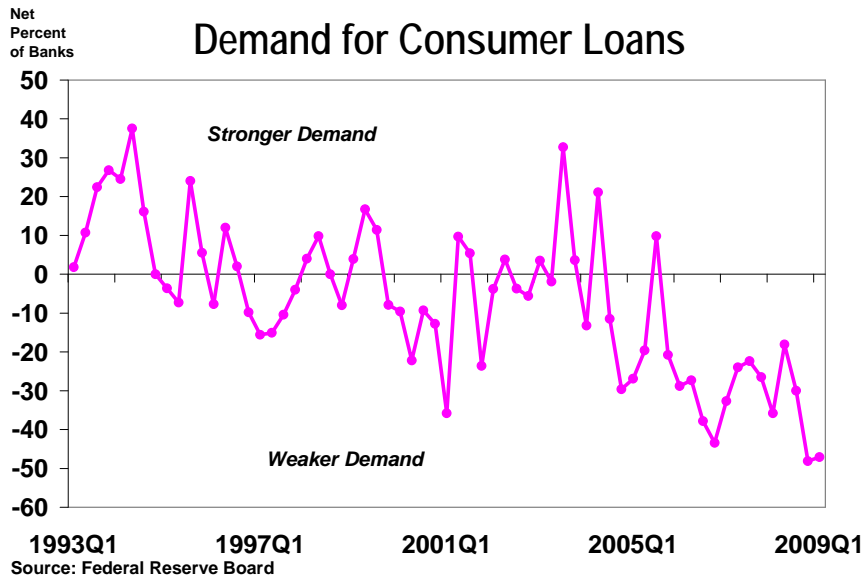
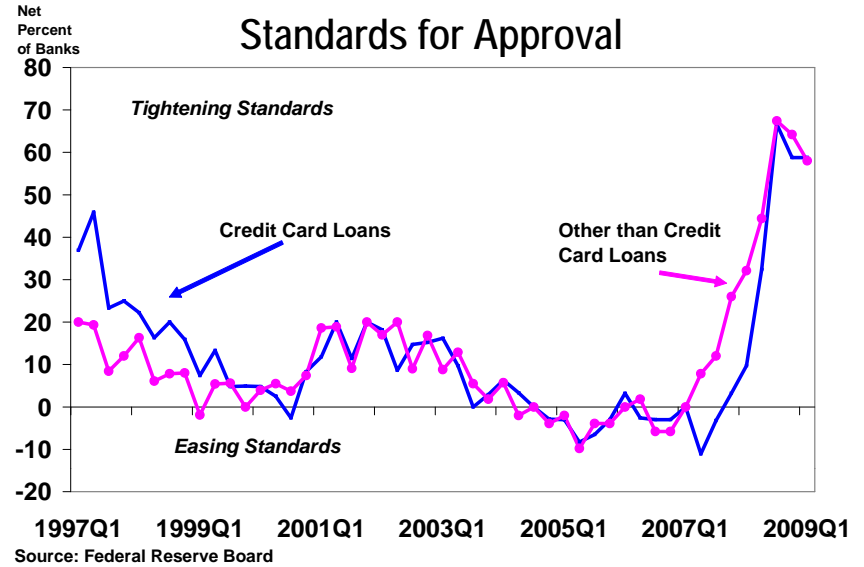
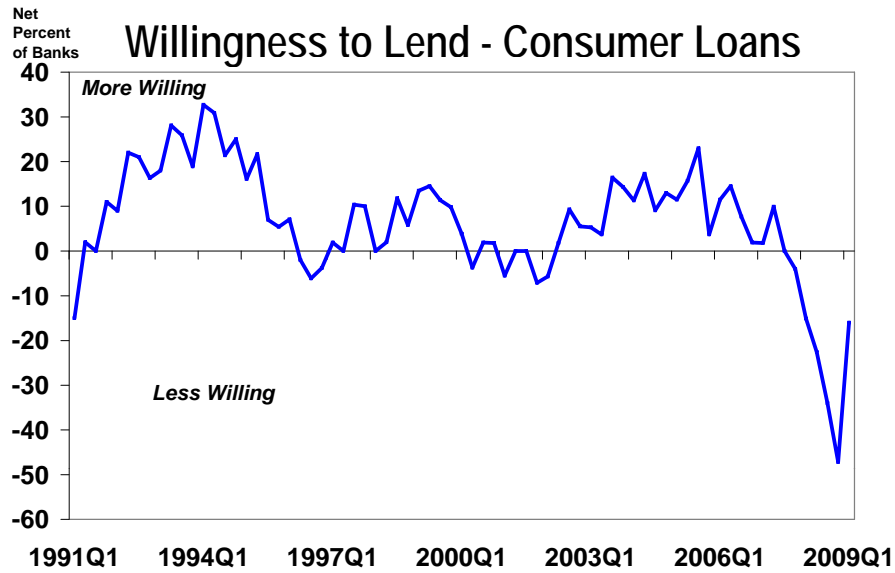


Source: IMF

***Pace of  
Bank Credit  
Tightening  
Eases***



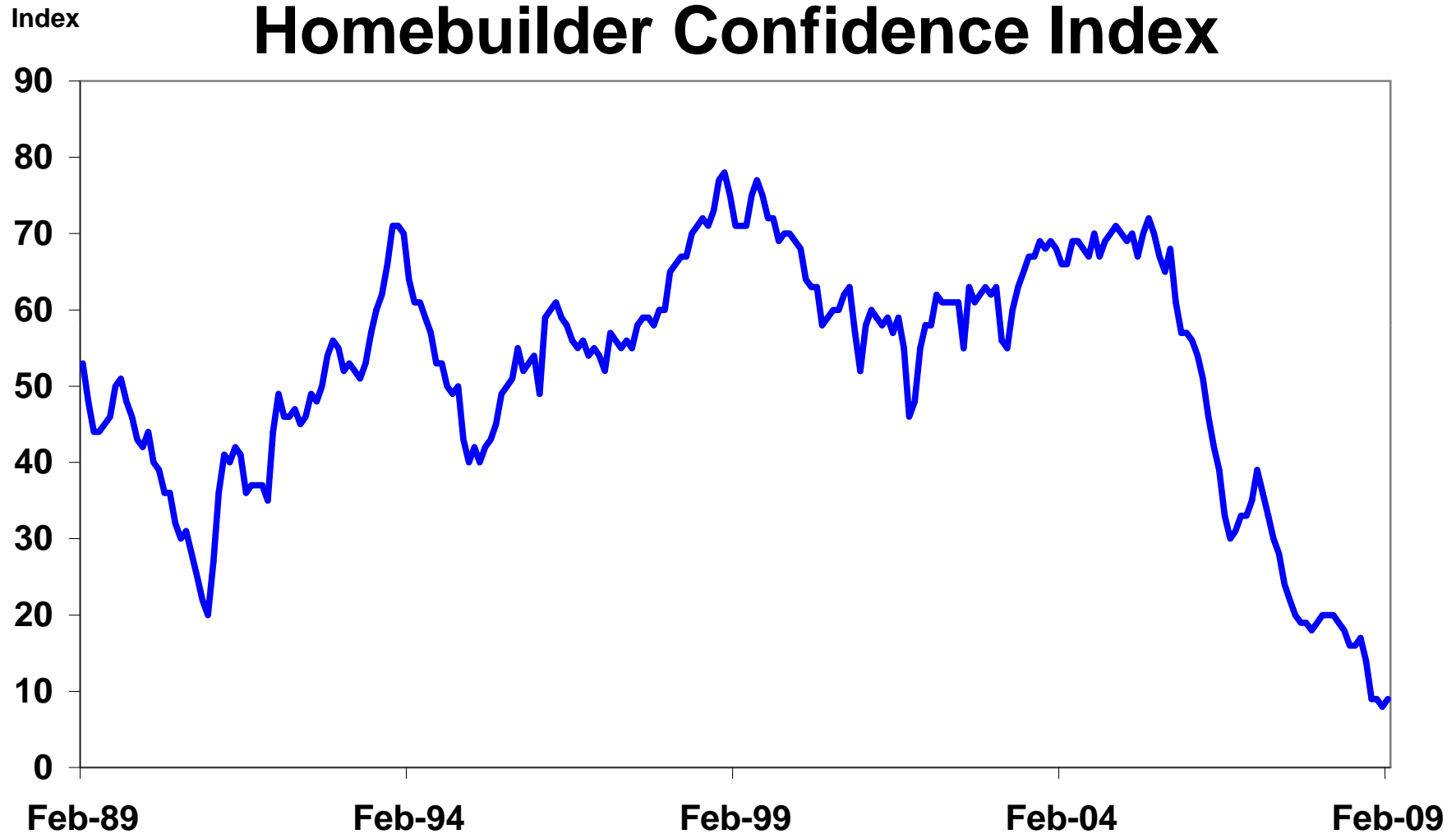
# Consumer Credit Tightening Diminishes



***What About  
The  
Housing Market?***

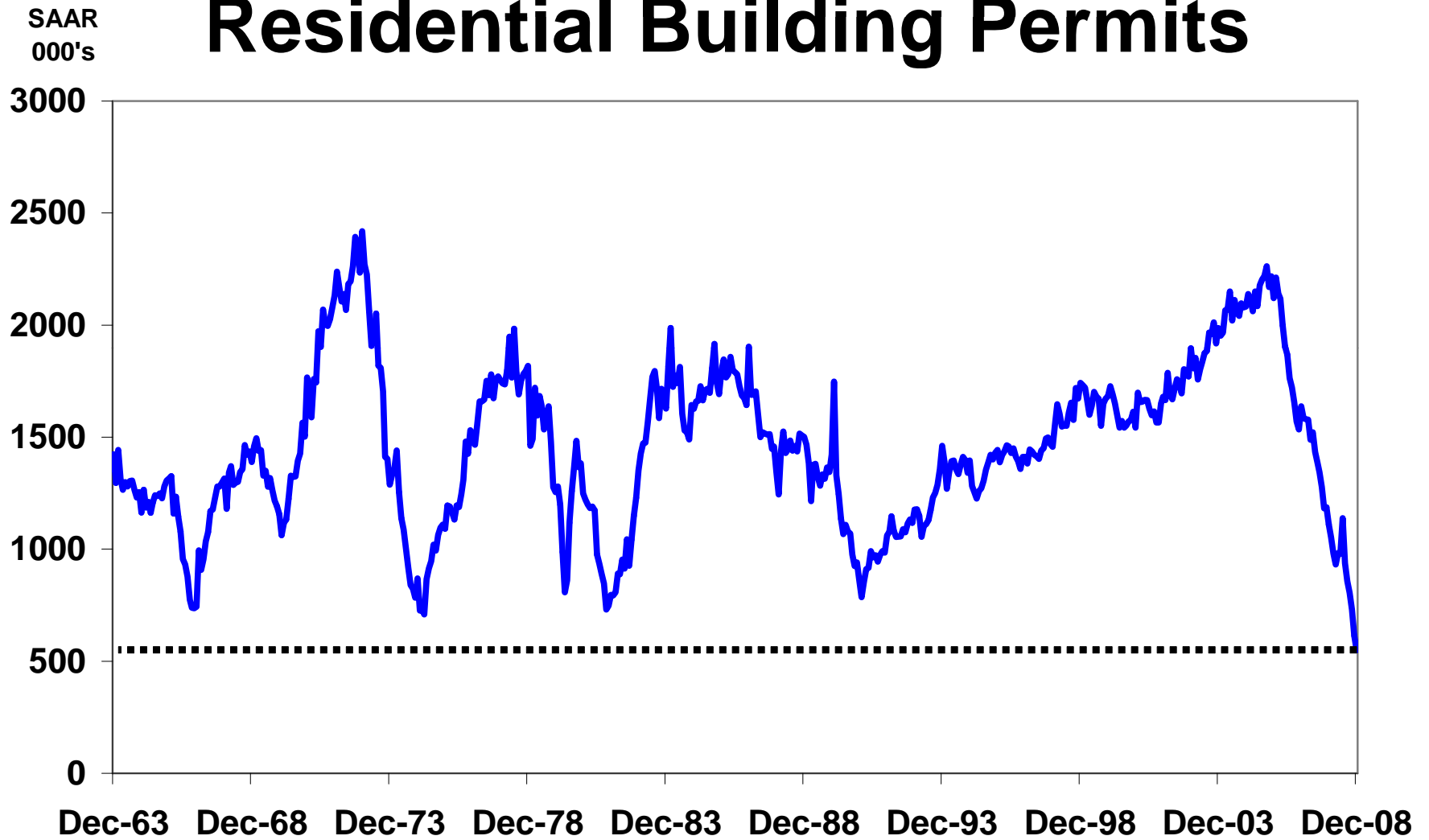


# NAHB/Wells Fargo Homebuilder Confidence Index



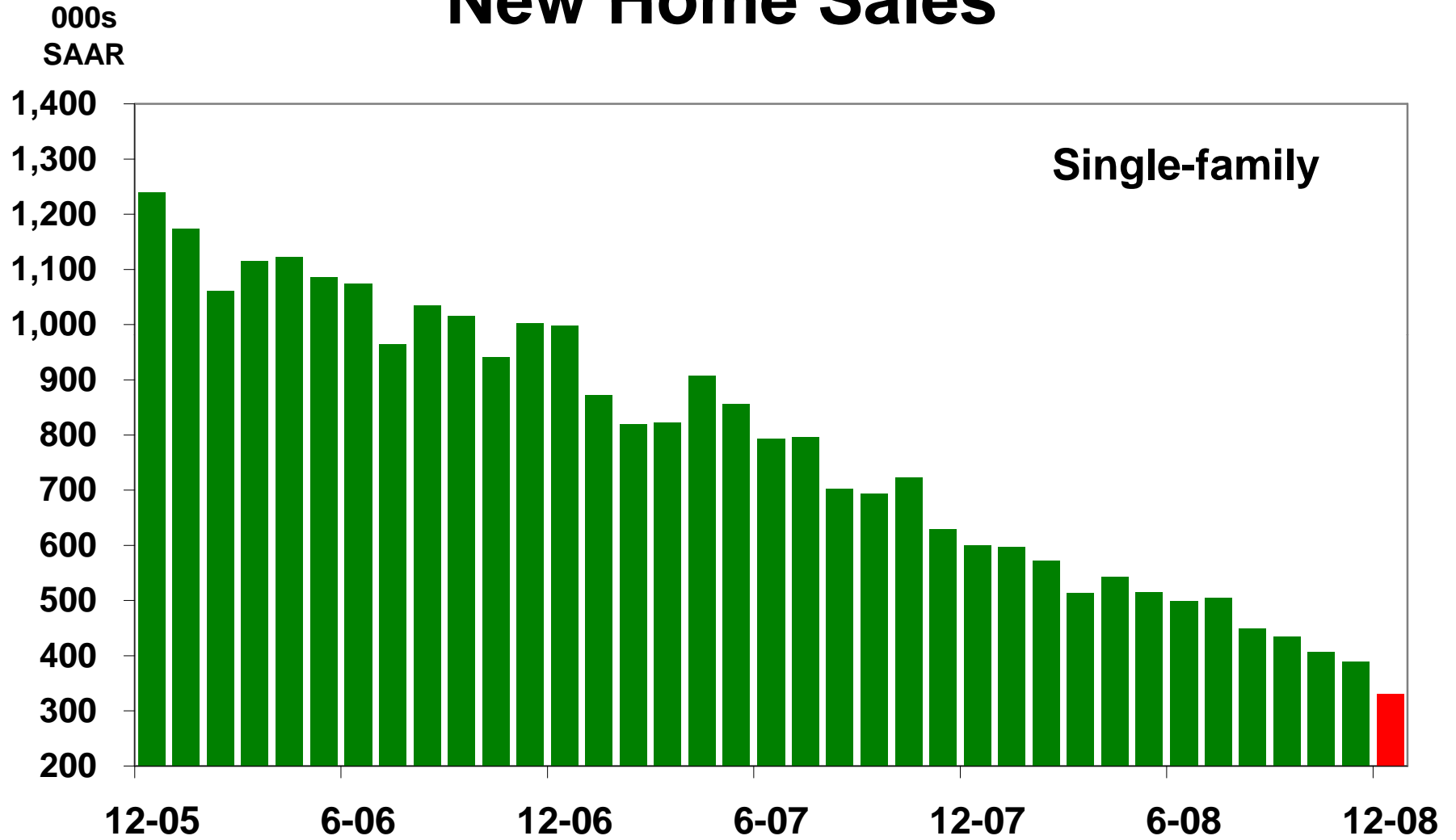
Source: National Association of Homebuilders

# Residential Building Permits



Source: Commerce Dept.

# New Home Sales



Source: Census Bureau

# Existing Home Prices - 2008Q3

Y-Y% change



Source: National Association of Realtors

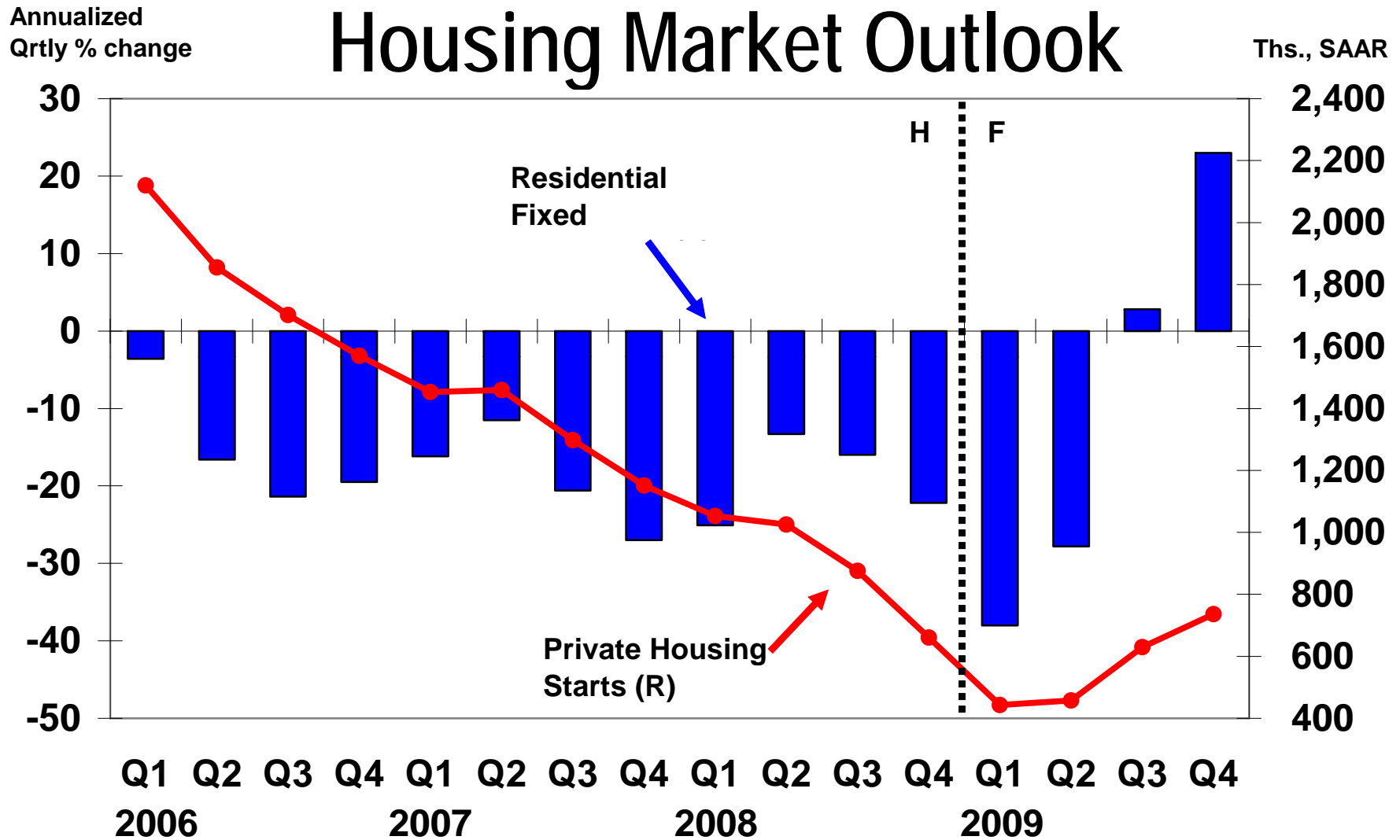
# Existing Home Sales - 2008Q4

Y-Y% change



Source: National Association of Realtors

# Housing Market Outlook



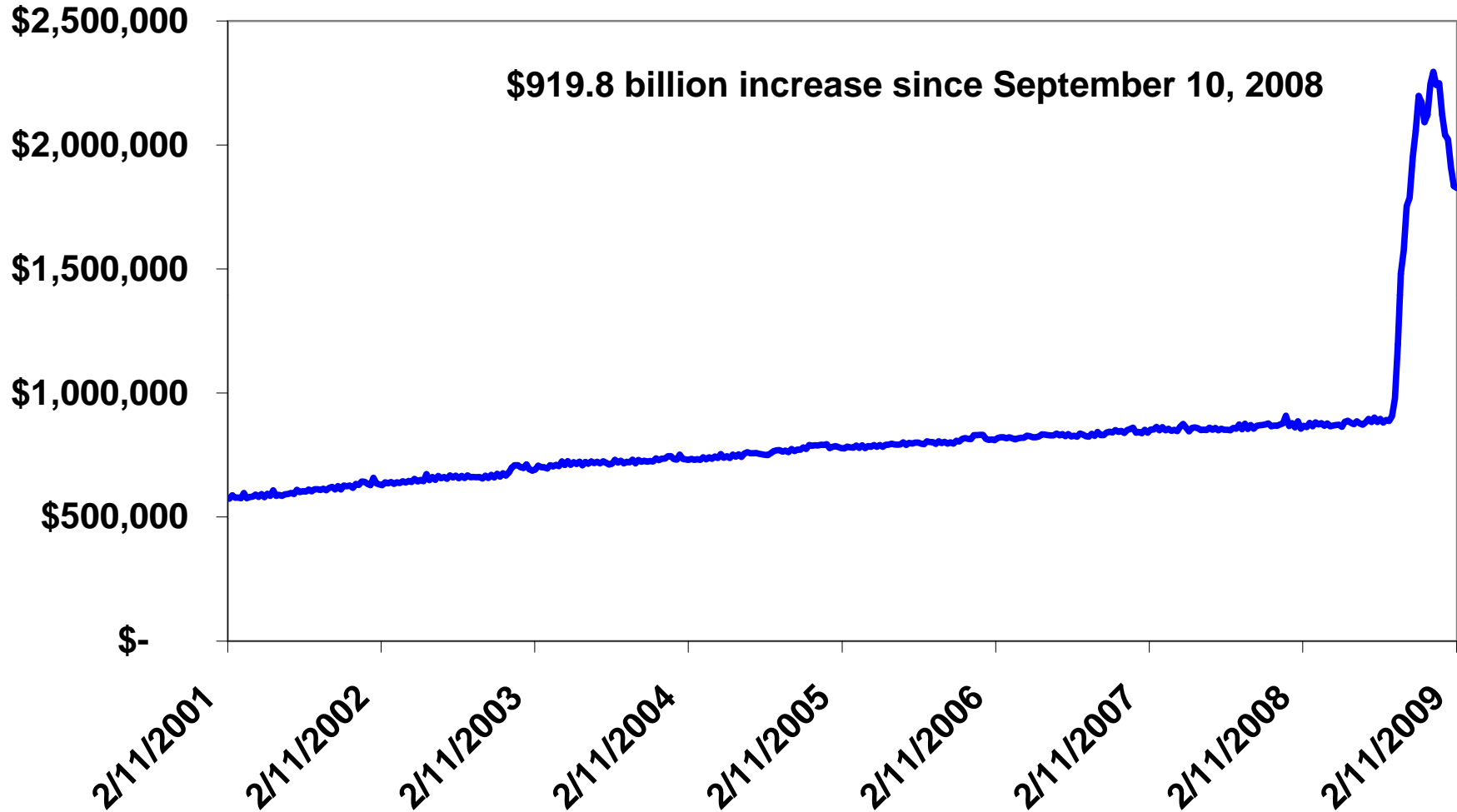
Source: Census Bureau; Bureau of Economic Analysis; Wells Fargo Economics

***Washington to  
the Rescue!  
Stimulus,  
Stimulus, and  
More Stimulus***



# Fed Balance Sheet

Mil, NSA



Source: Federal Reserve

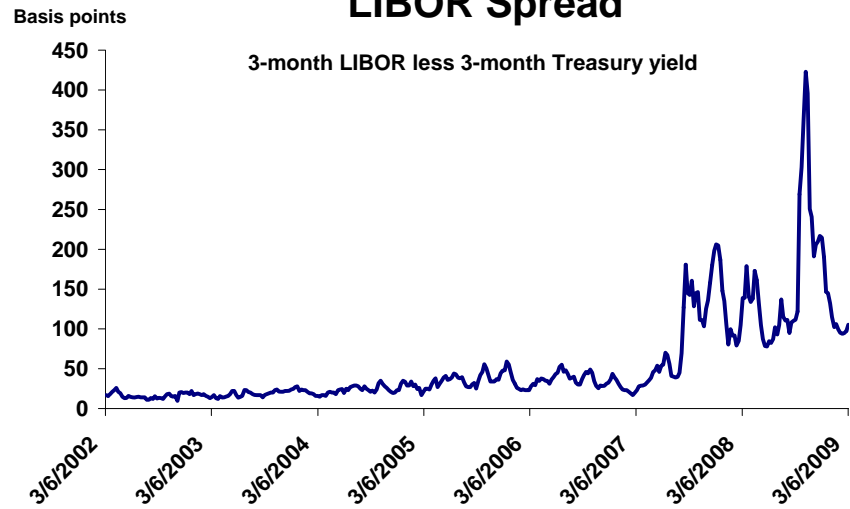
### Commercial Paper Spread



Source: Bloomberg

Liquidity Much Improved!

### LIBOR Spread



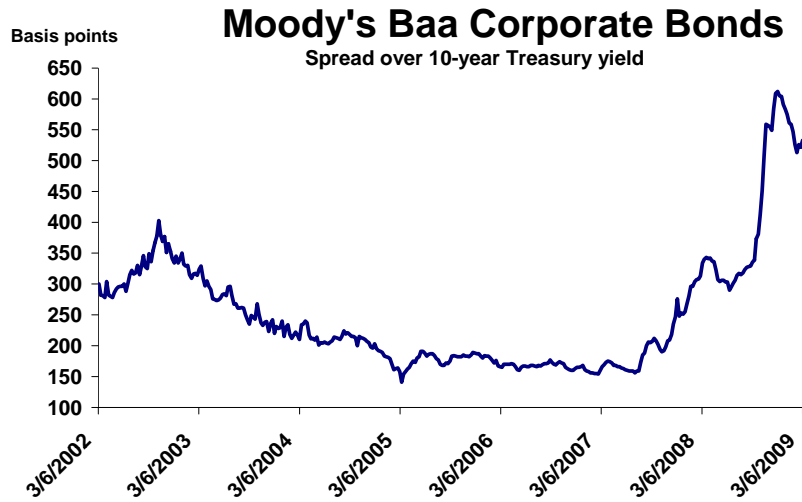
Source: Bloomberg



***A Little More  
Appetite For  
Risk***

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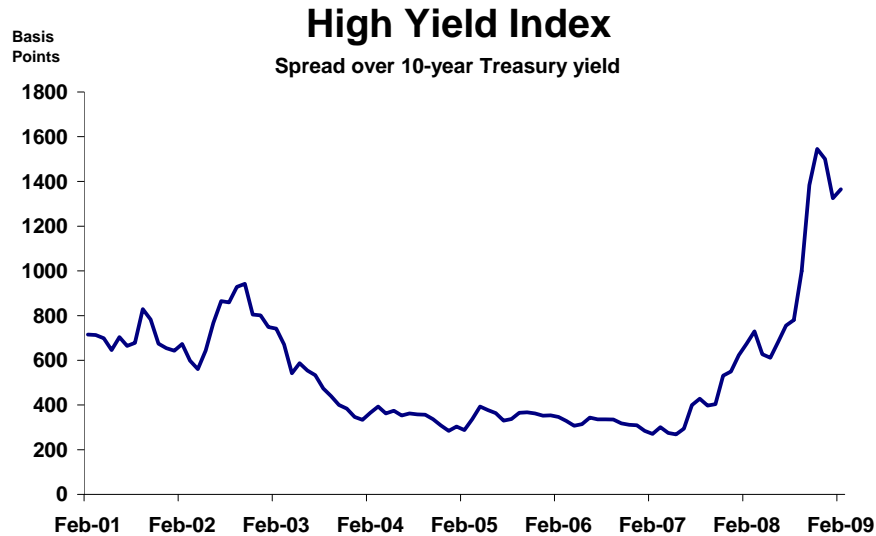
# Credit Spreads Begin to Narrow



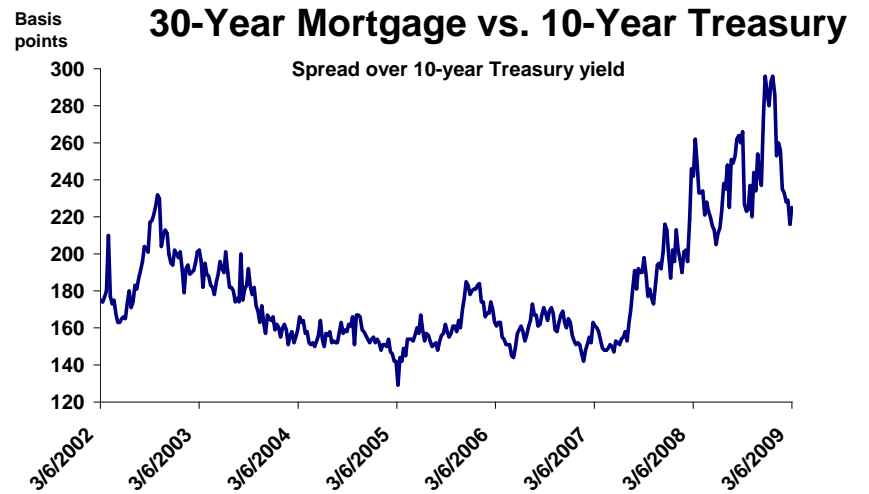
Source: Bloomberg; Federal Reserve



Source: JPMorgan Bond Indices



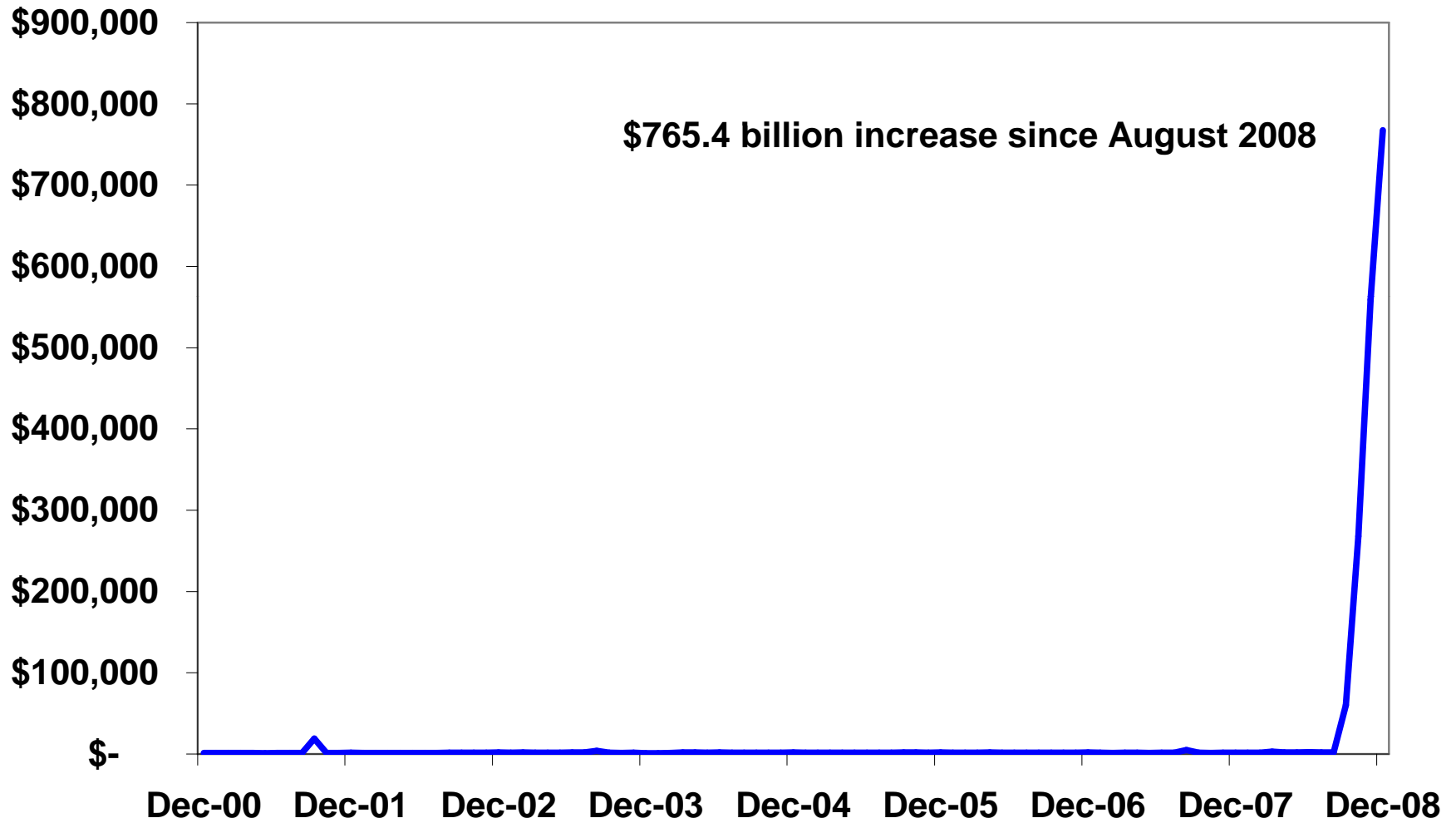
Source: Citigroup



Source: Federal Reserve; Freddie Mac

# Excess Bank Reserves

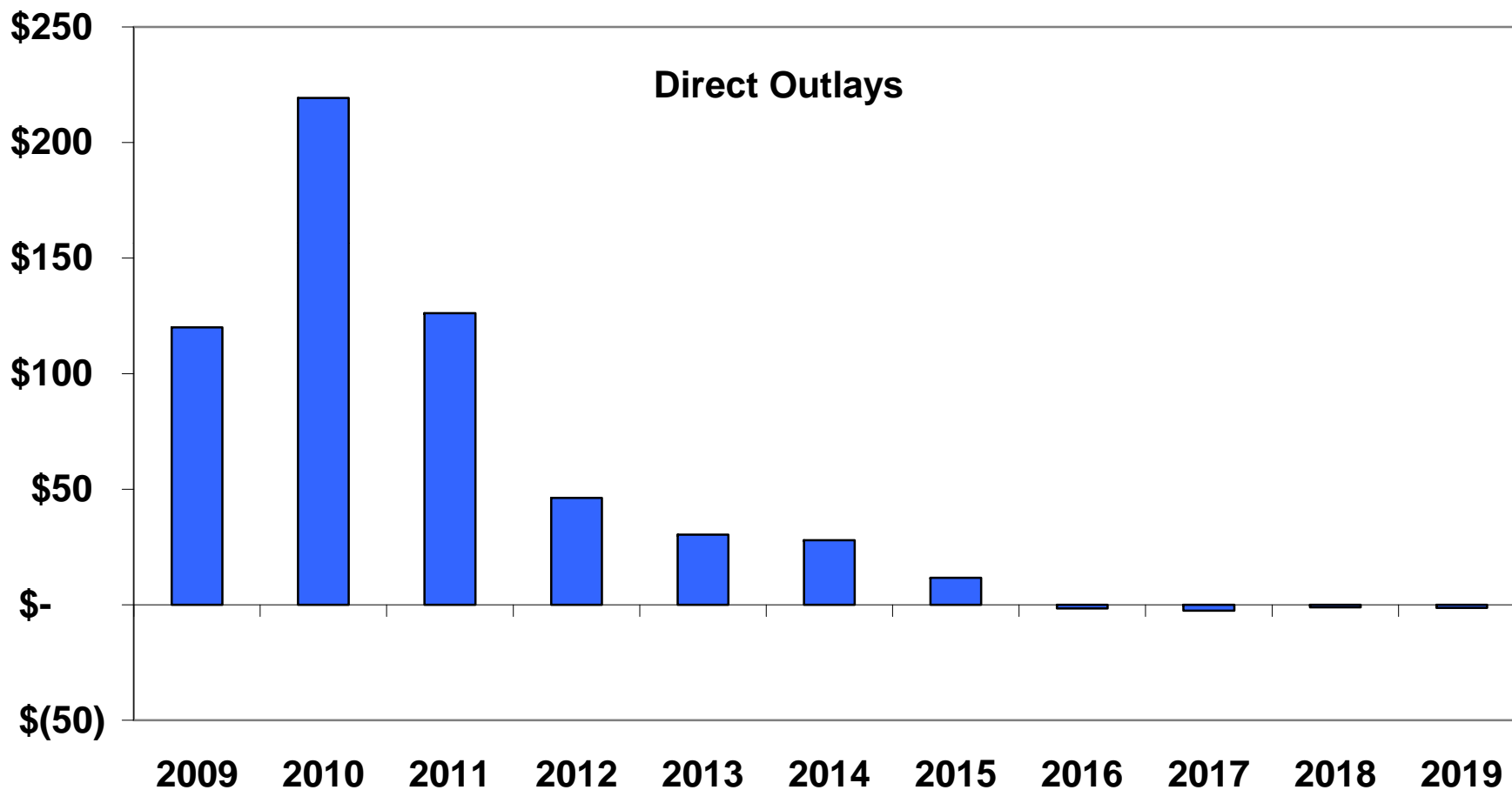
Mil, NSA



Source: Federal Reserve

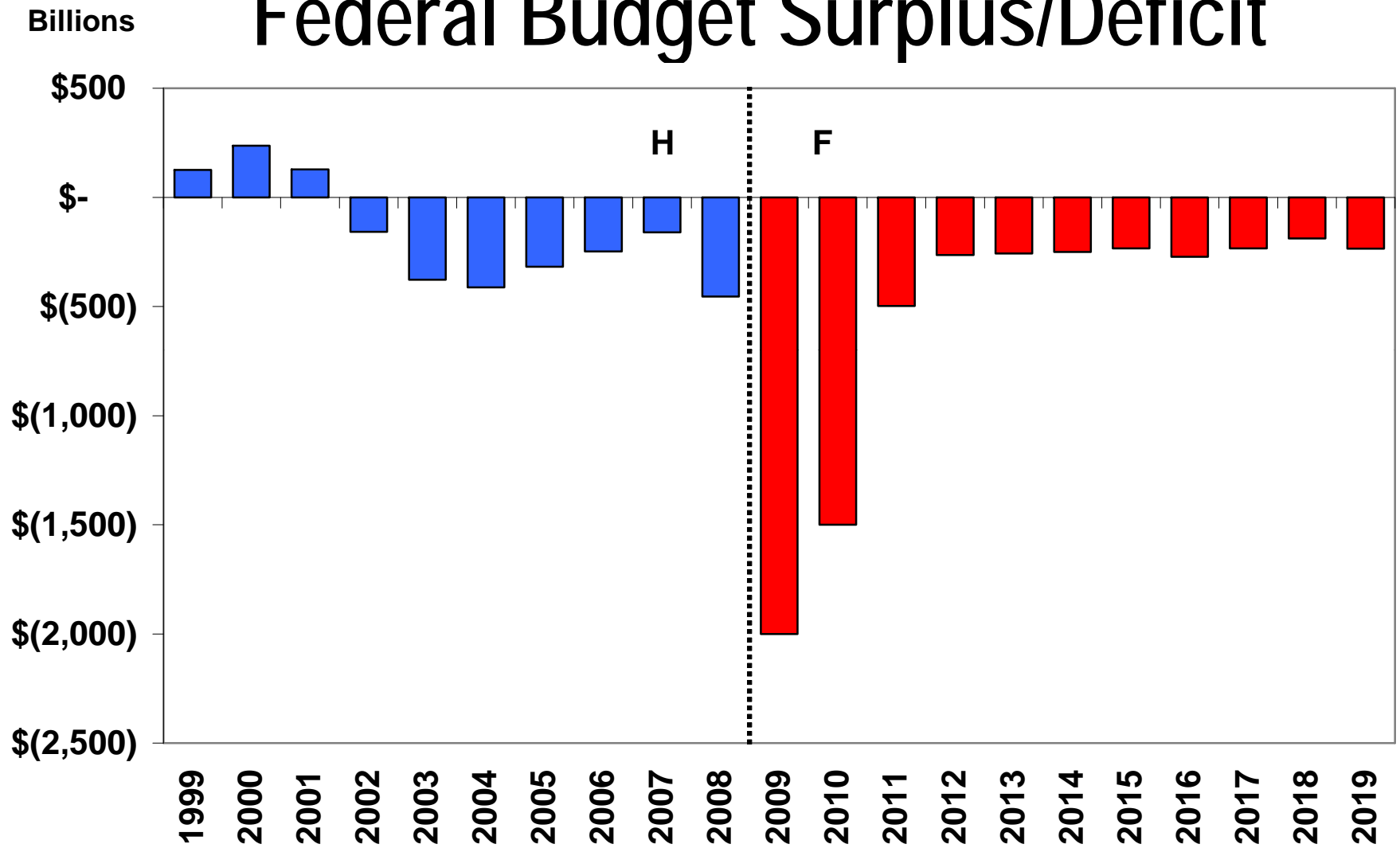
# Economic Stimulus Bill

Billions



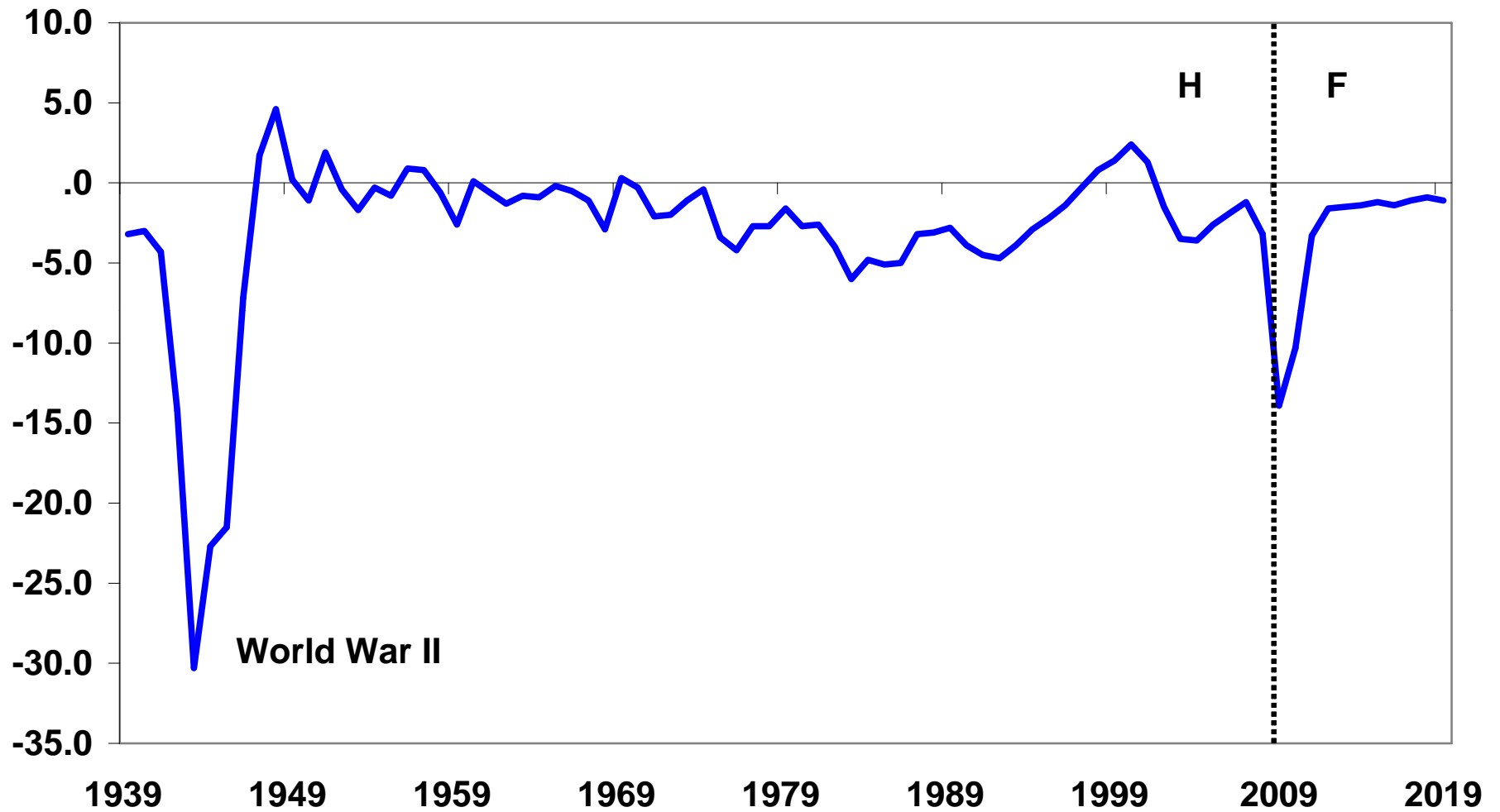
Source: CBO; Wells Fargo Economics

# Federal Budget Surplus/Deficit



Source: CBO

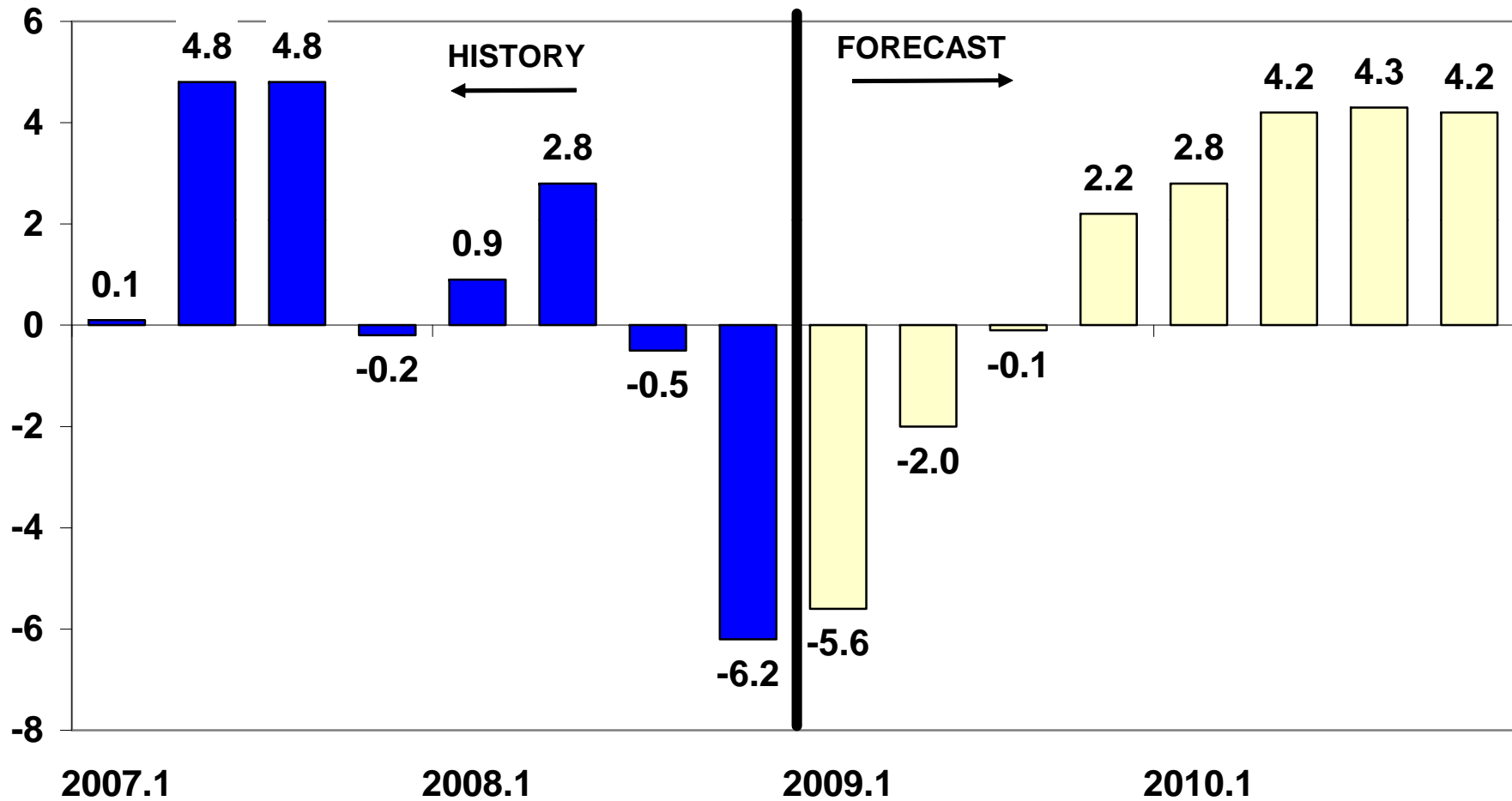
# Federal Budget Surplus/Deficit (% of GDP)



Source: CBO; Economic Report of the President

Q/Q%  
Change  
Real GDP  
Annualized

# What Goes Down Must Come Up

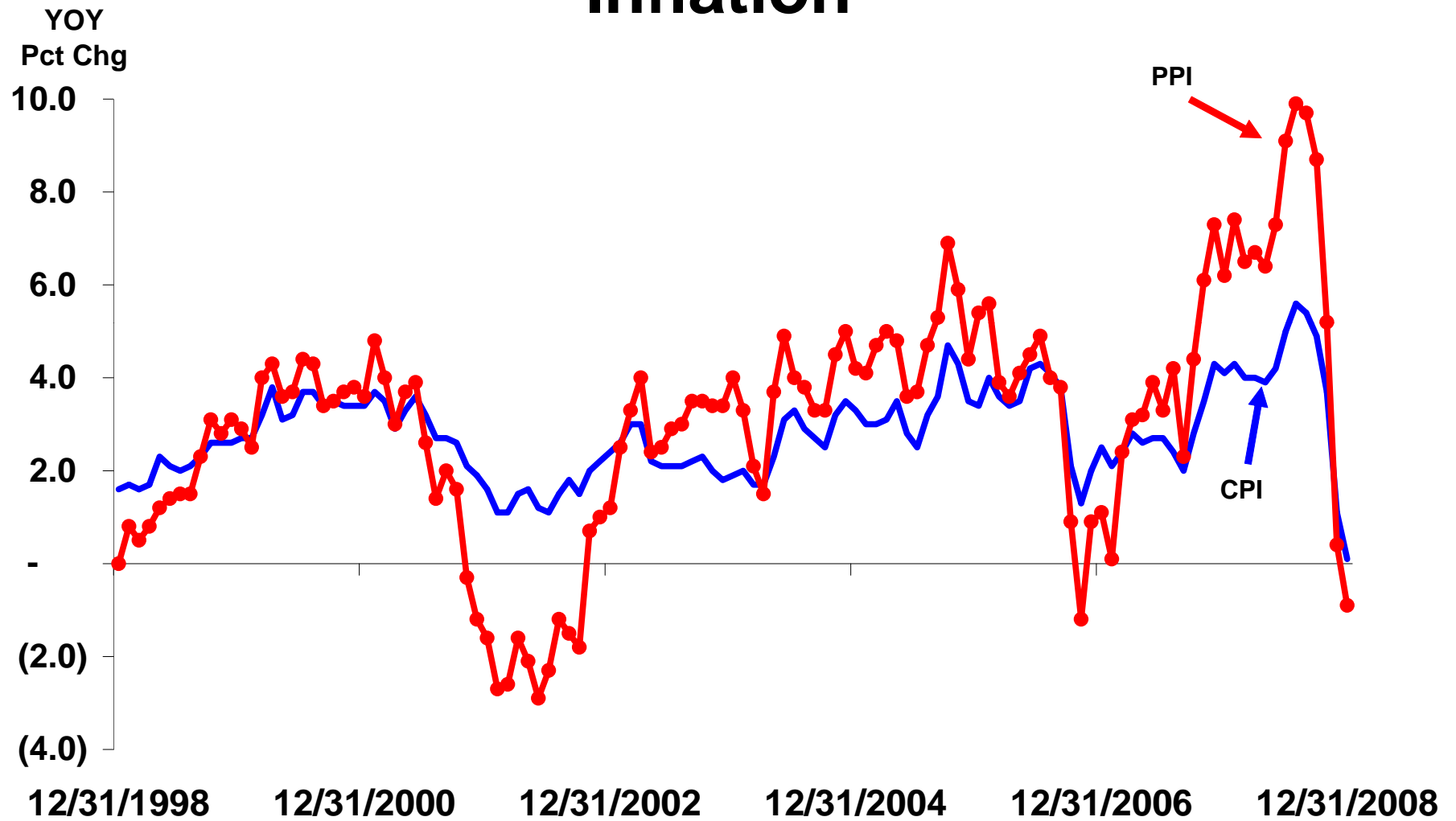




# ***Inflation Turns into Deflation??***



# Inflation



Source: Bureau of Labor Statistics

# BOND YIELDS

Percent

10

9

8

7

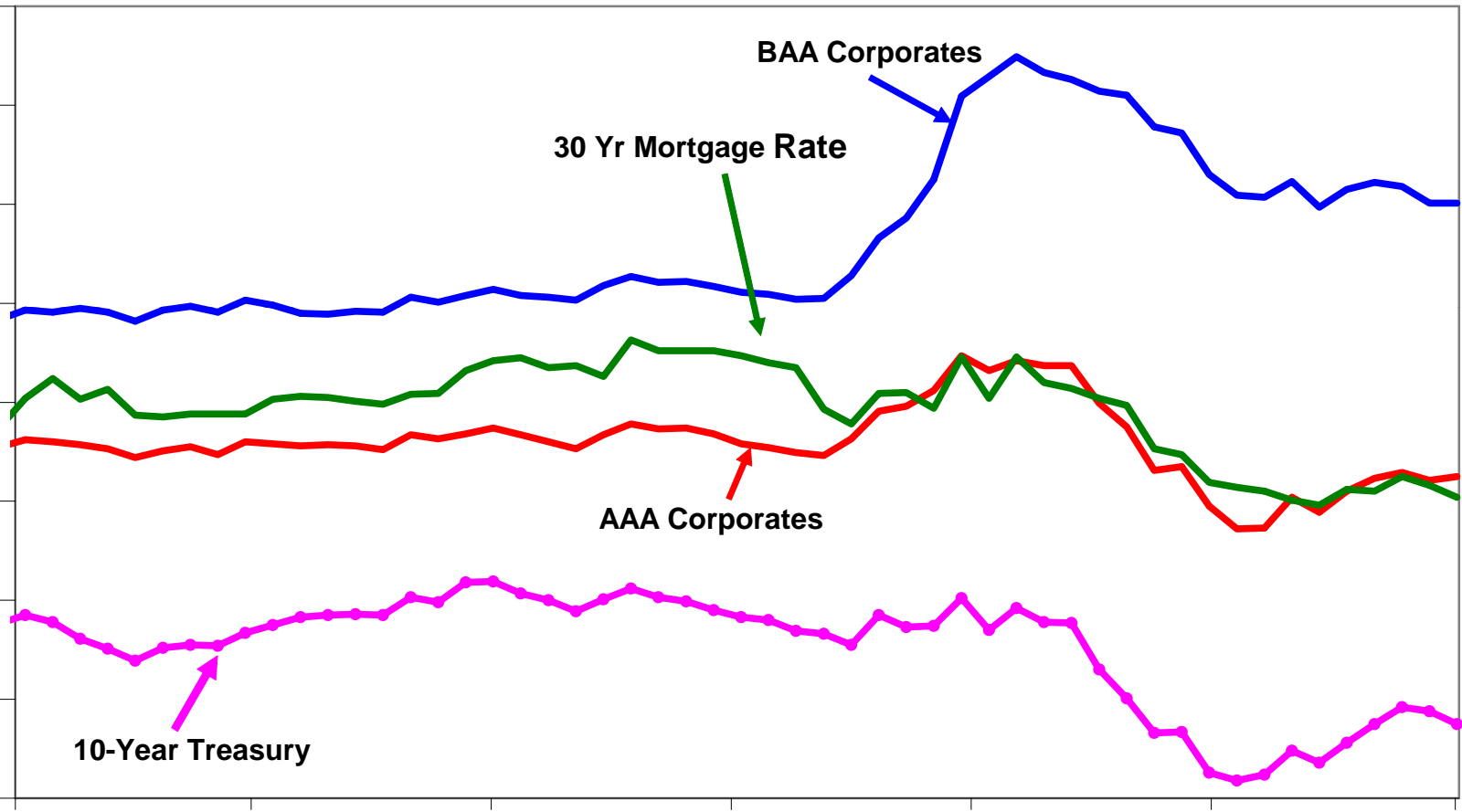
6

5

4

3

2



10-Year Treasury

AAA Corporates

30 Yr Mortgage Rate

BAA Corporates

Source: Moody's Investors Service; Federal Reserve; Freddie Mac; Wells Fargo Economics

- Economic Research**
- Financial Market Strategies
- Economic Indicator Reports
- California Economic Reports
- Country Economic Reports
- Agricultural Economic Reports
- Credit Quality Reports
- About Wells Fargo Economics

- Related Information**
- Major Indicators (PDF\*)
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- Forecast Table (PDF\*)
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### > [Financial Market Strategies](#)

With the US's net export trade balance running at a -\$623 billion on a seasonally adjusted annualized rate the US would need to employ 7.5 million additional workers to produce the additional output needed to close the current trade gap just through exports. [Read more...](#) (PDF\*) **(April 4, 2005)**

### > [California Reports](#)

We continue to expect California payroll growth to accelerate this year, as workers finally begin to feel some of the economic sunshine that has already befallen corporate profits. [Read more...](#) (PDF\*) **(February 2005)**

### > [Agricultural Reports](#)

**Crops:** With the new crop year rapidly approaching, now is the time to understand the role of the USDA crop insurance products that are on the market and their impact on crop sales strategies. [Read more...](#) (PDF\*) **(March 2005)**

**Livestock:** 2005 should represent a good environment for generating profits in both the cattle and hog industries. [Read more...](#) (PDF\*) **(December 2004)**

**Dairy:** Since January 1995, the longest string of \$12 or higher months of Class 3 milk has been 18 months. [Read more...](#) (PDF\*) **(March 2005)**

### > [Economic Indicators](#)

Over the past few months two camps have emerged with regard to the outlook for the economy during 2005. [Read more...](#) (PDF\*) **(December 2004)**

### > [Country Reports](#)

Read our latest complete international economic report. [Read more...](#) (PDF\*) **(November 2004)**

### > [Credit Quality Report](#)

Consumer credit outstanding rebounded in September by \$9.8 billion after rising by only \$2.2 billion in August. [Read more...](#) (PDF\*) **(December 2004)**