



**WELLS
FARGO**

Wells Fargo Economics

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Wright County Economic Development
Conference

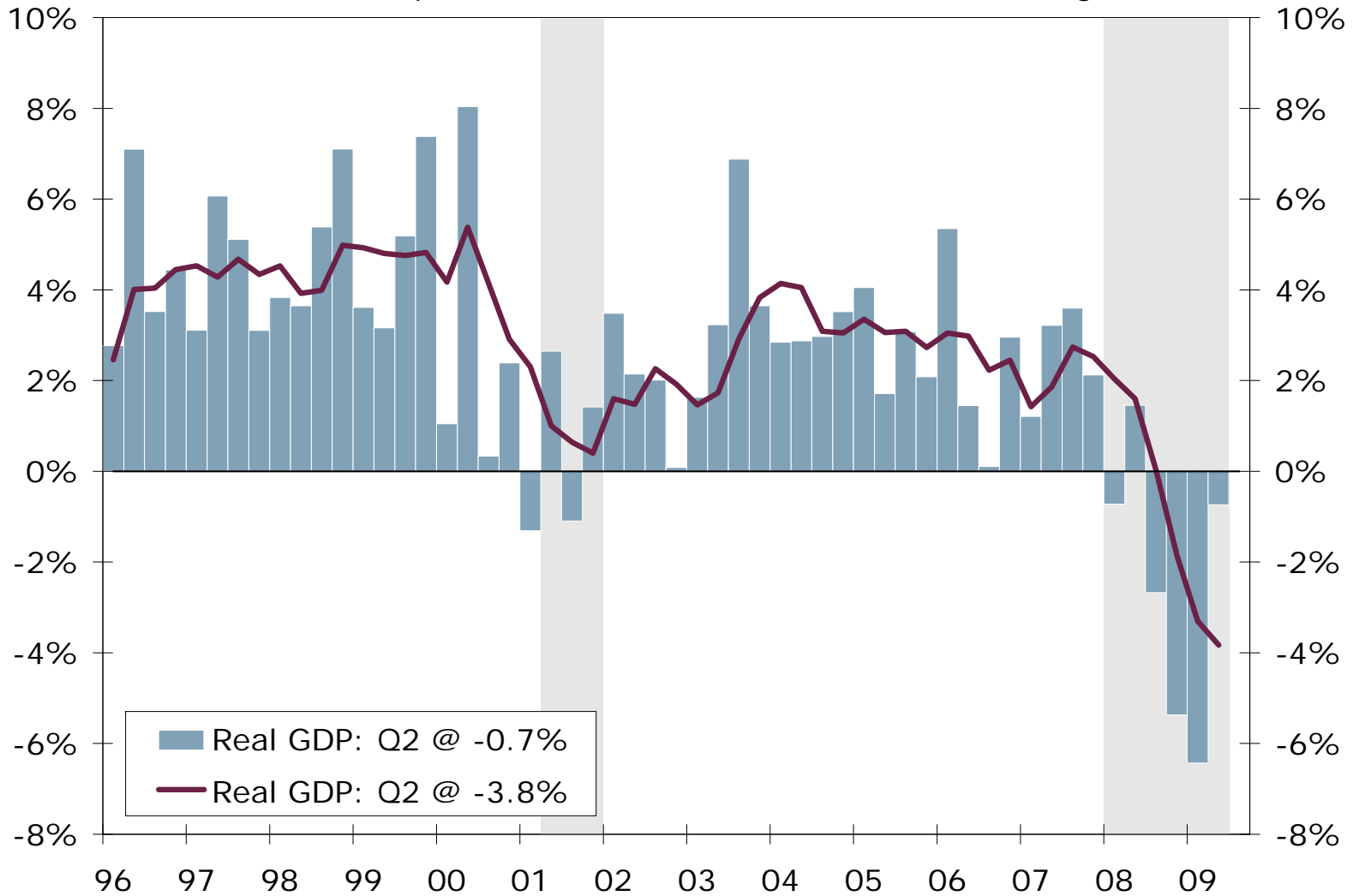
Monticello, MN

October 7th, 2009

Economic Growth

Real GDP

Bars = Compound Annual Rate Line = Yr/Yr % Change



The Labor Market

***Unemployment is currently at
9.8%; in recession territory***

Unemployment Rate

Seasonally Adjusted





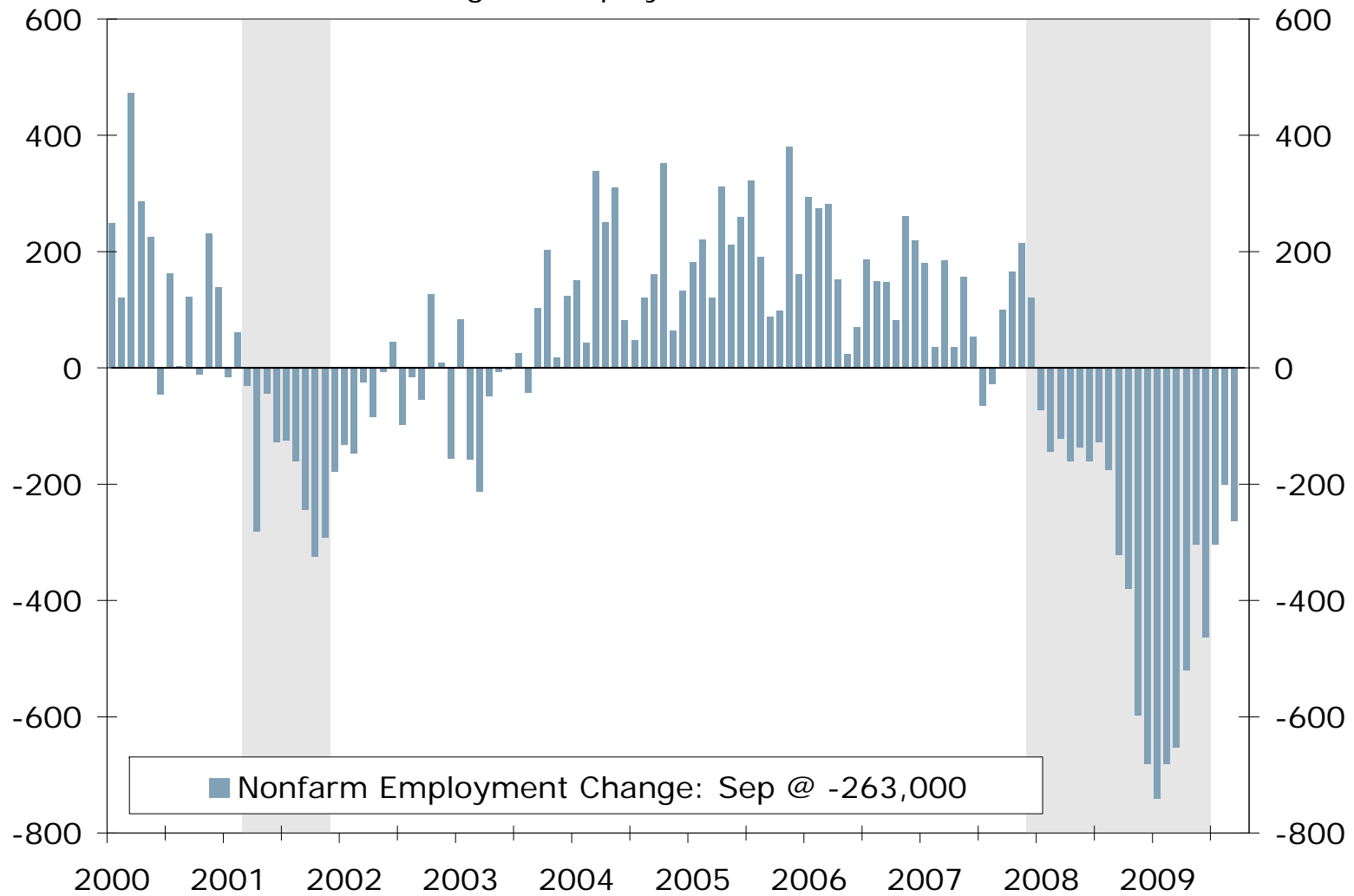
Initial Claims for Unemployment

Seasonally Adjusted, In Thousands



Nonfarm Employment Change

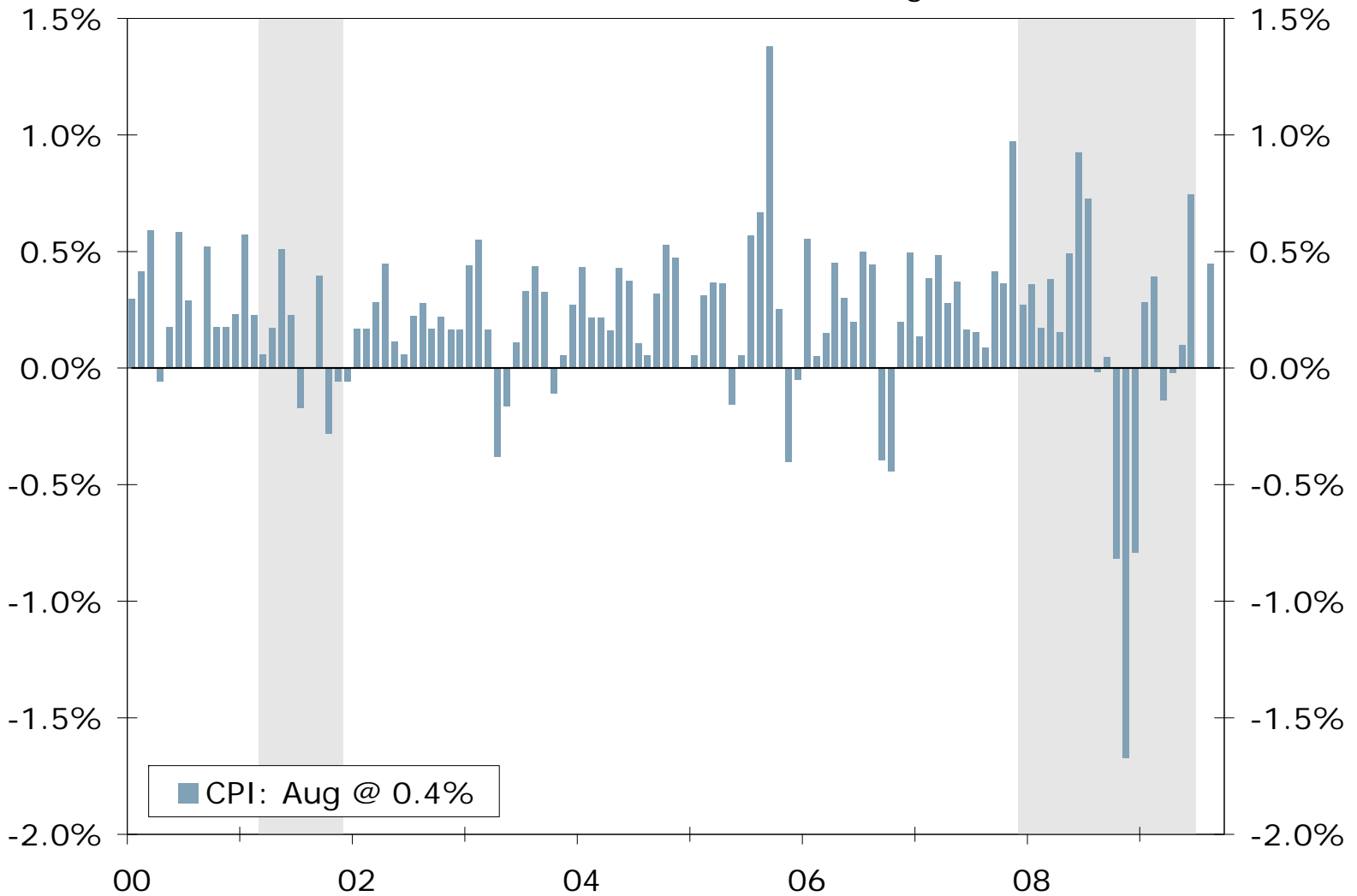
Change in Employment, In Thousands





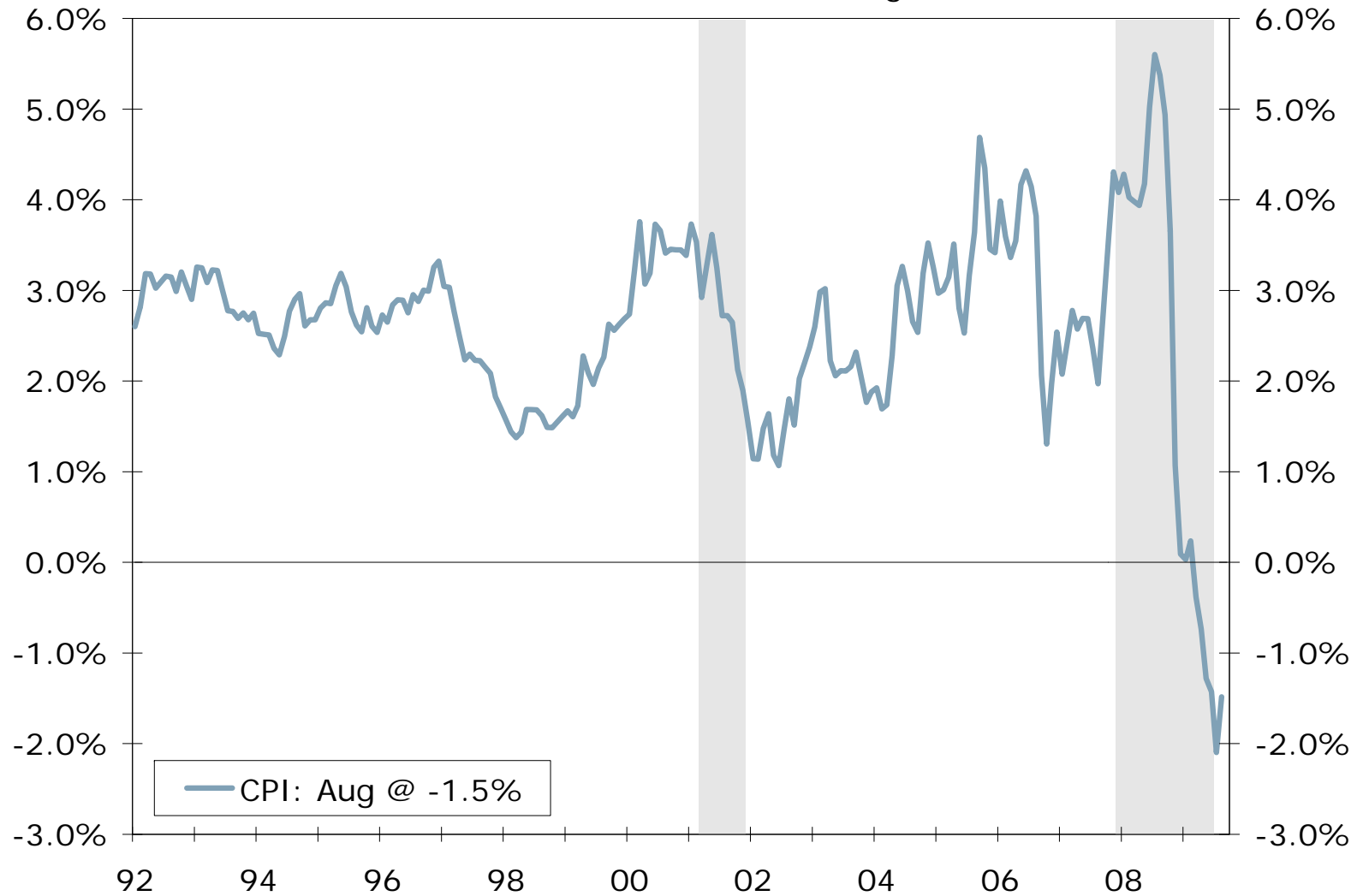
U.S. Consumer Price Index

Month-over-Month Percent Change



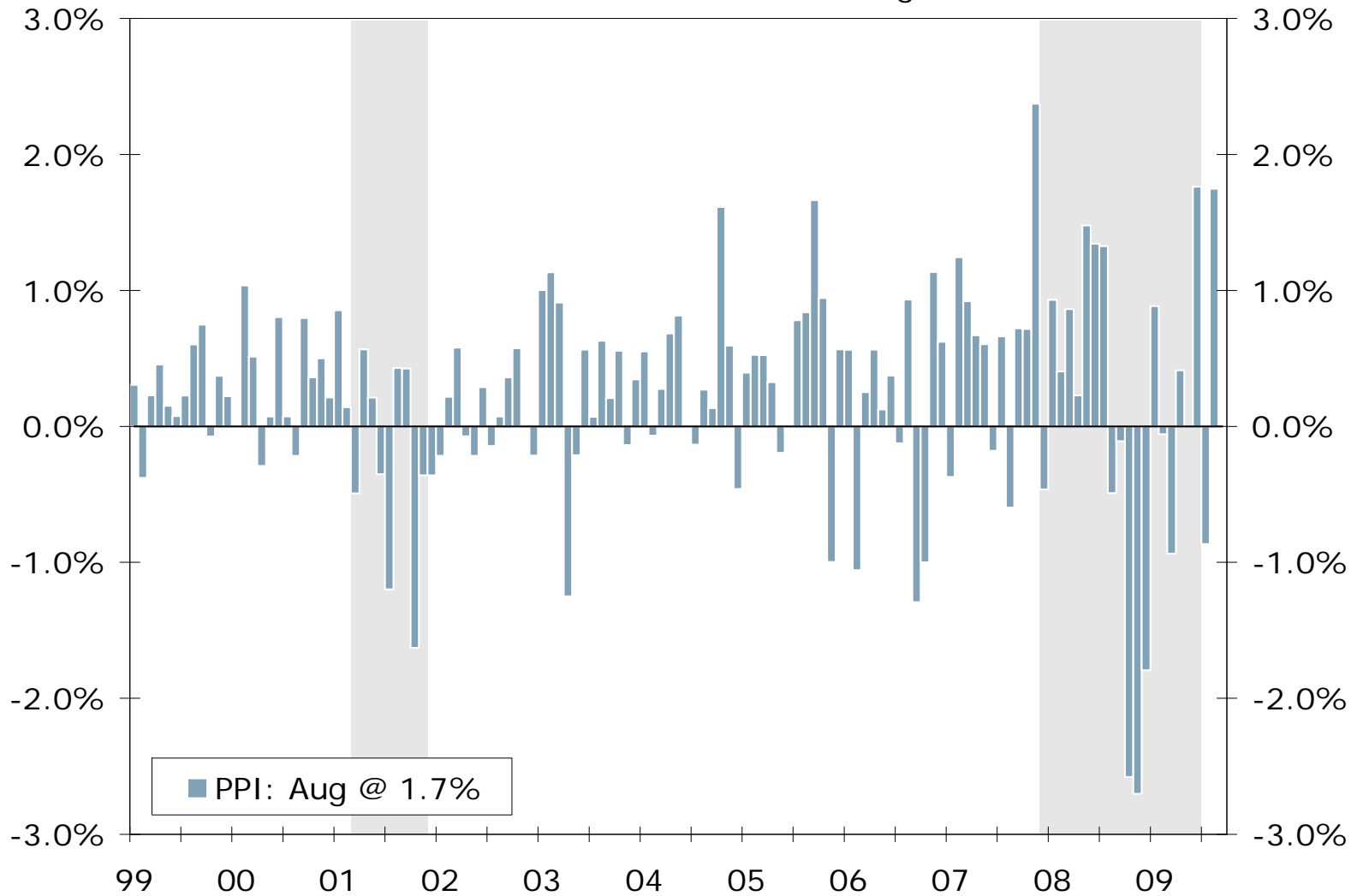
U.S. Consumer Price Index

Year-over-Year Percent Change



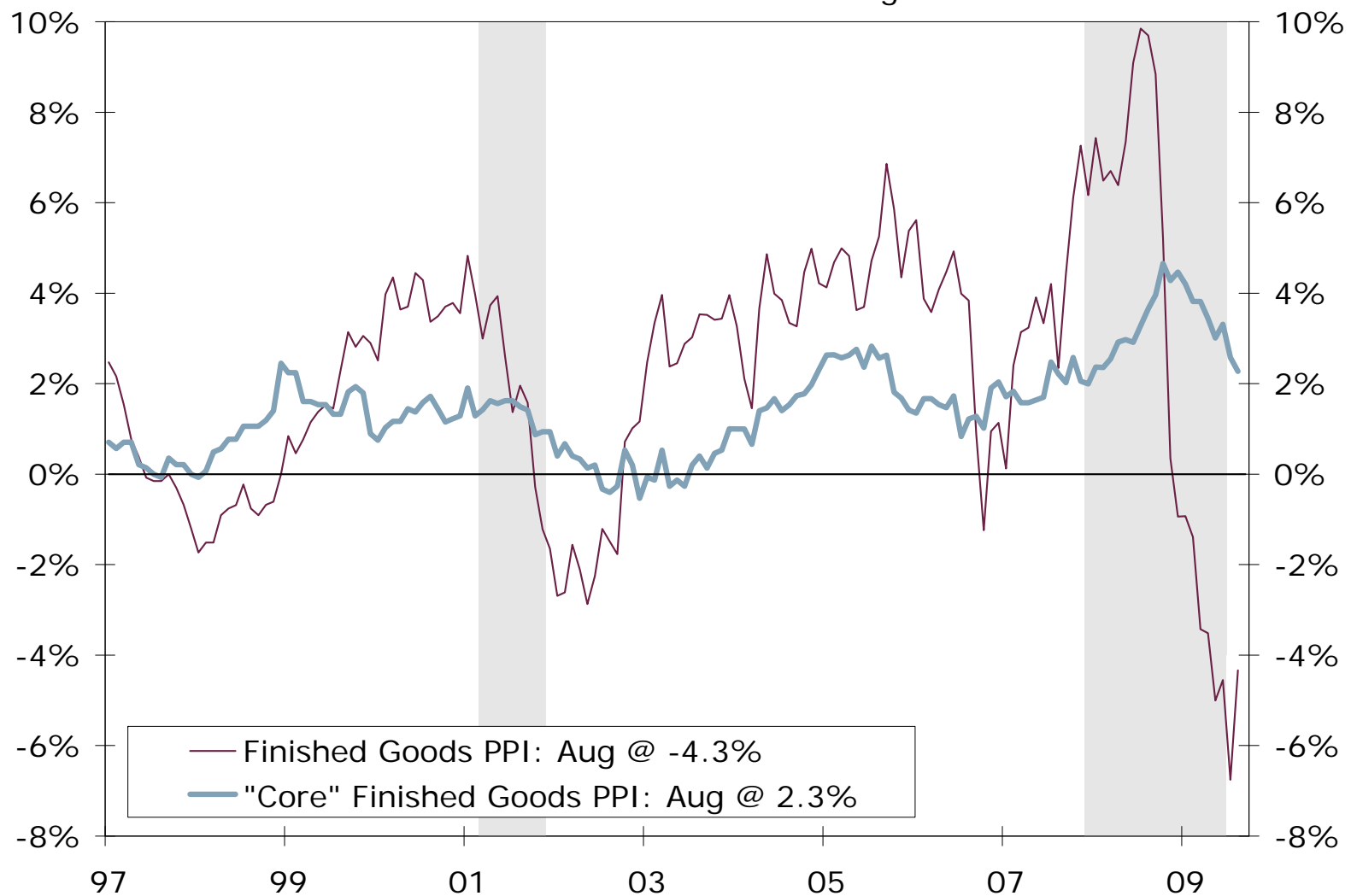
Producer Price Index

Month-over-Month Percent Changes



Finished Goods Producer Price Index

Year-over-Year Percent Change



The Rescue Plan?

The Helicopter in Motion!



| | Committed | Spent/Invested |
|-----------------------|----------------------|-----------------------|
| New initiatives | \$126.7 billion | n/a |
| TARP total | \$700 billion | \$372.5 billion |
| Fed total | \$6.4 trillion | \$1.3 trillion |
| Stimulus total | \$1.2 trillion | \$476.7 billion |
| AIIG total | \$182 billion | \$115.8 billion |
| FDIC total | | \$35.9 billion |
| Other financial total | \$1.7 trillion | \$388.5 billion |
| Other housing total | \$745 billion | \$104.9 billion |
| Total | \$11 trillion | \$2.8 trillion |

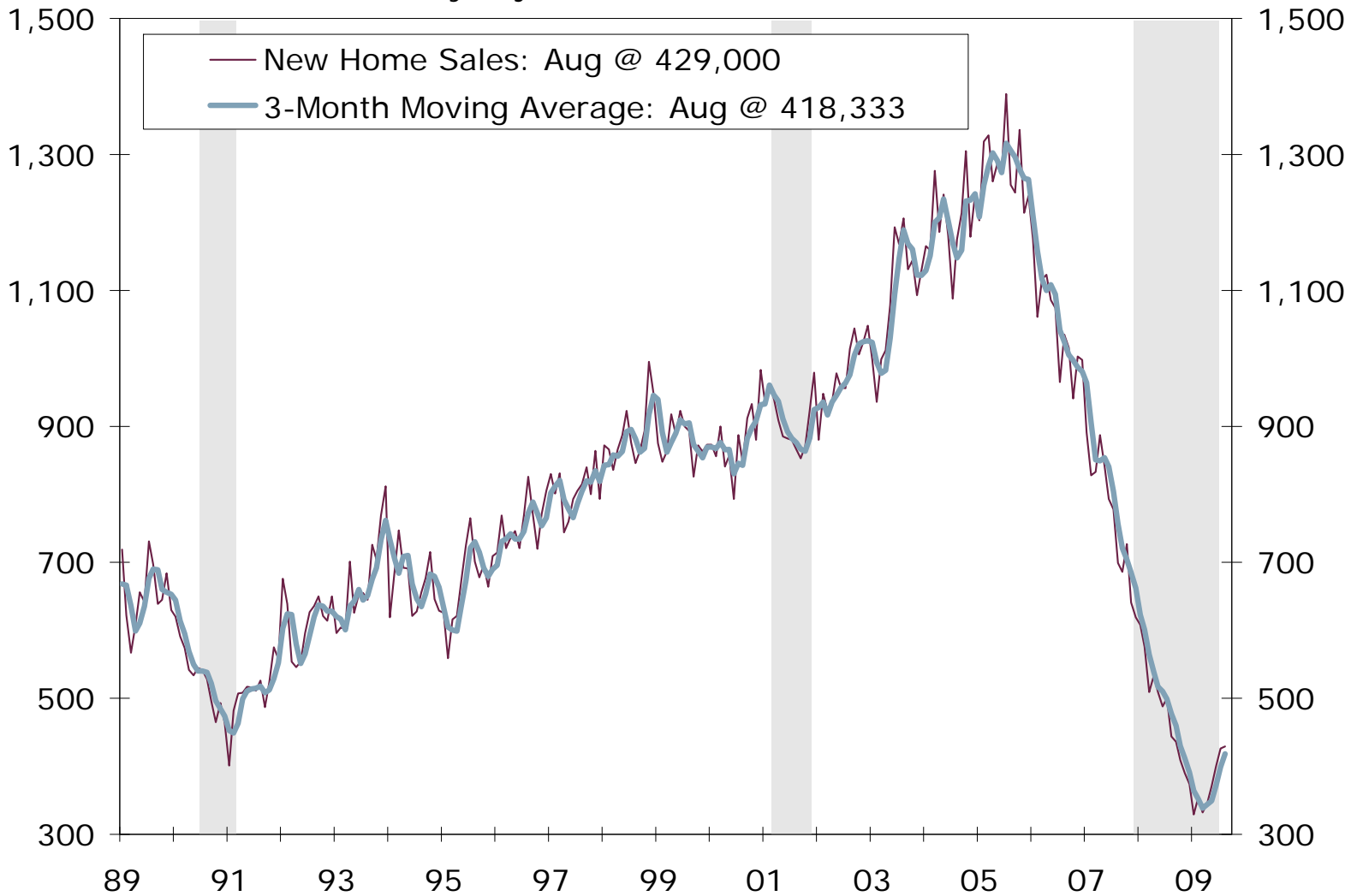
The state of the economy

The Housing Market!



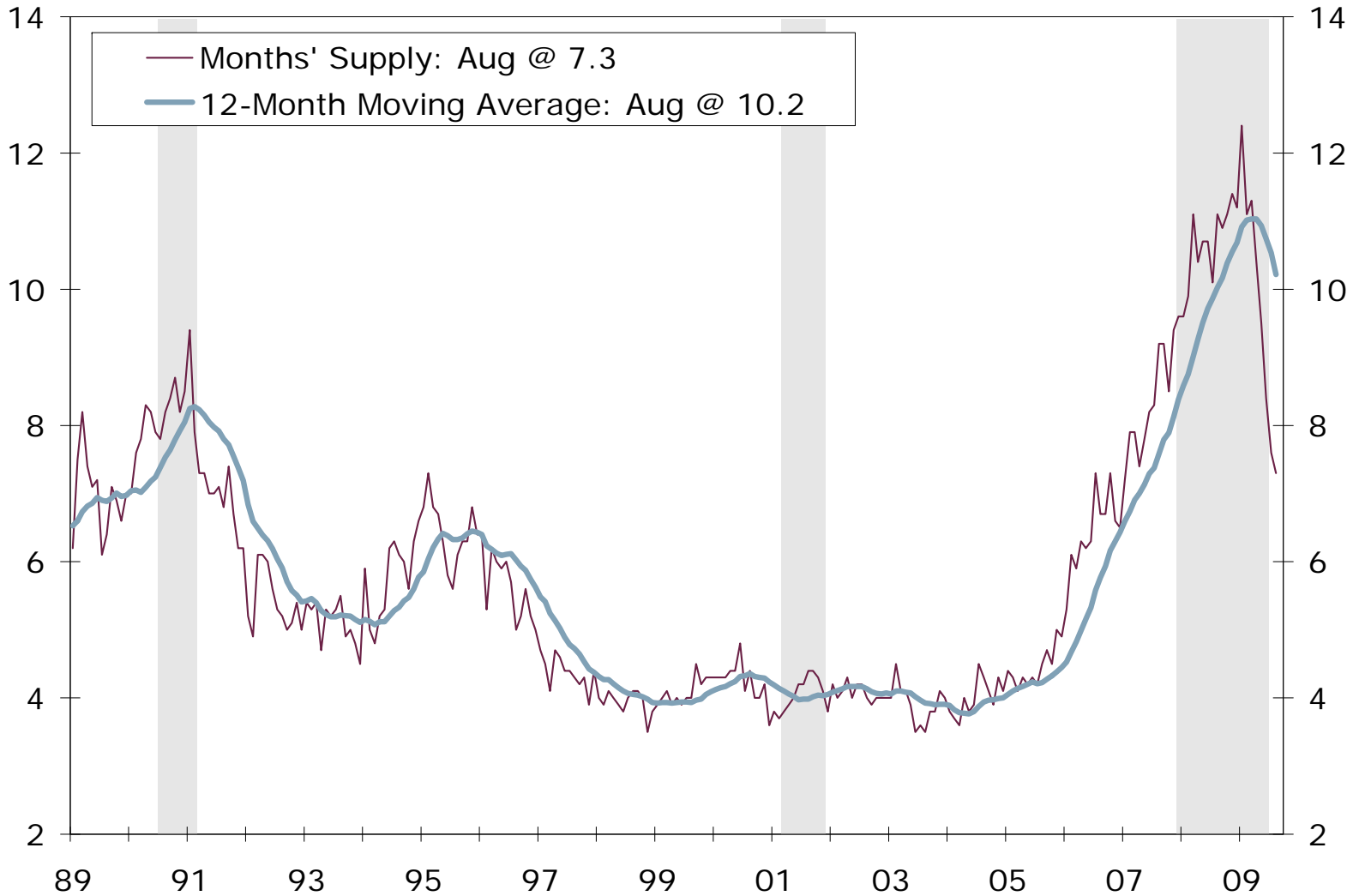
New Home Sales

Seasonally Adjusted Annual Rate - In Thousands



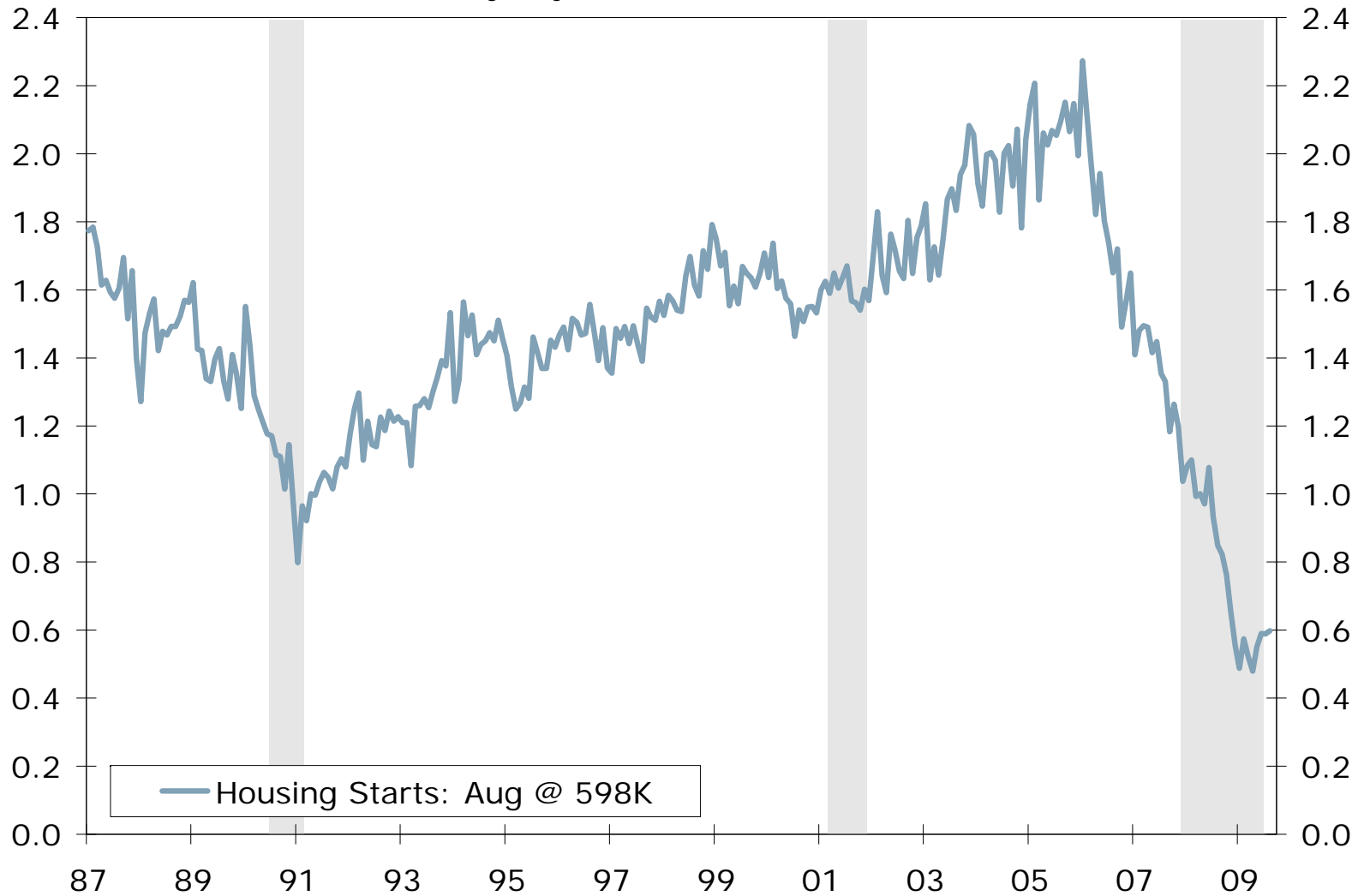
Inventory of New Homes for Sale

Months of New Homes For Sale at Current Sales Rate



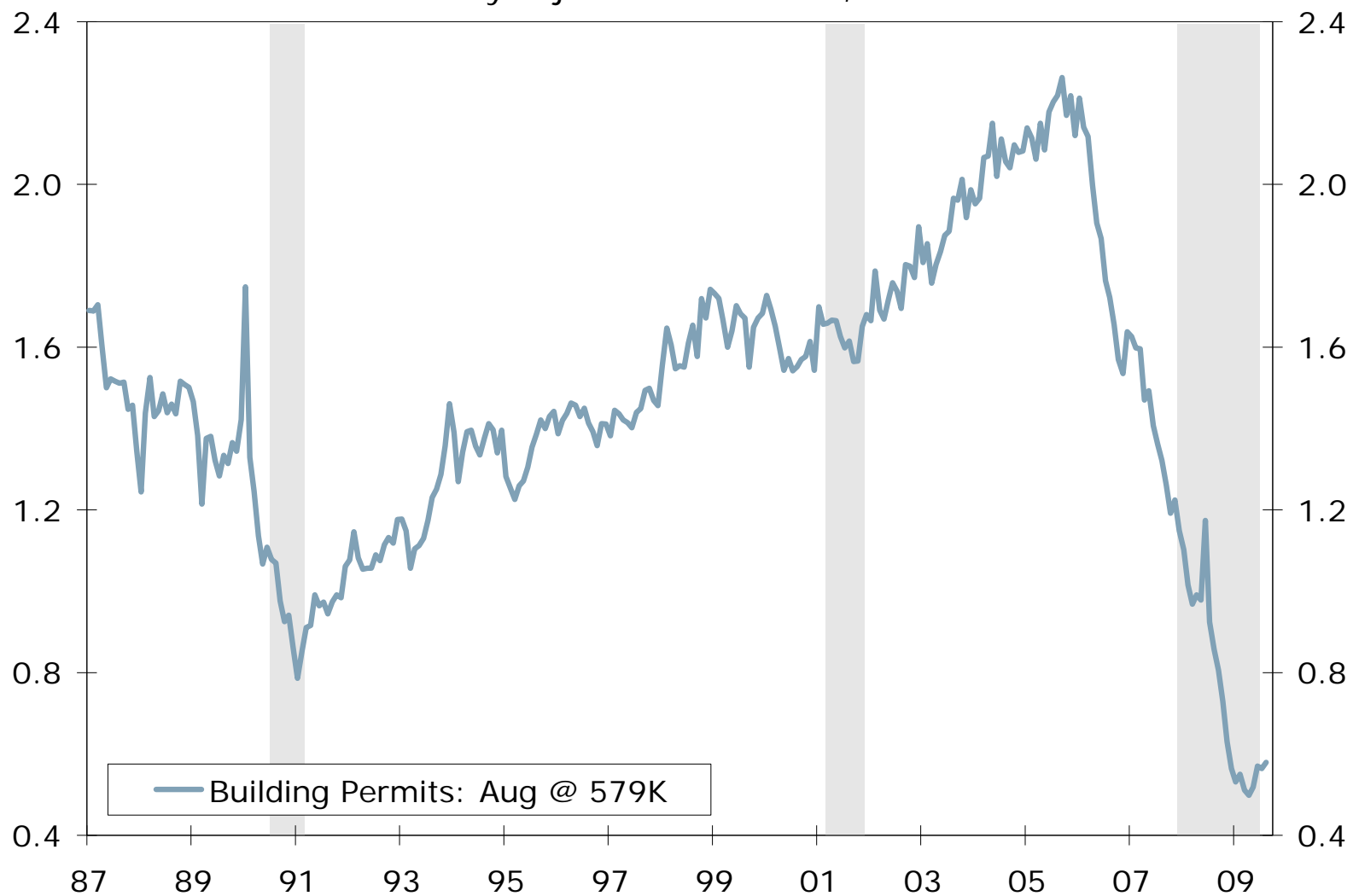
Housing Starts

Seasonally Adjusted Annual Rate, In Millions



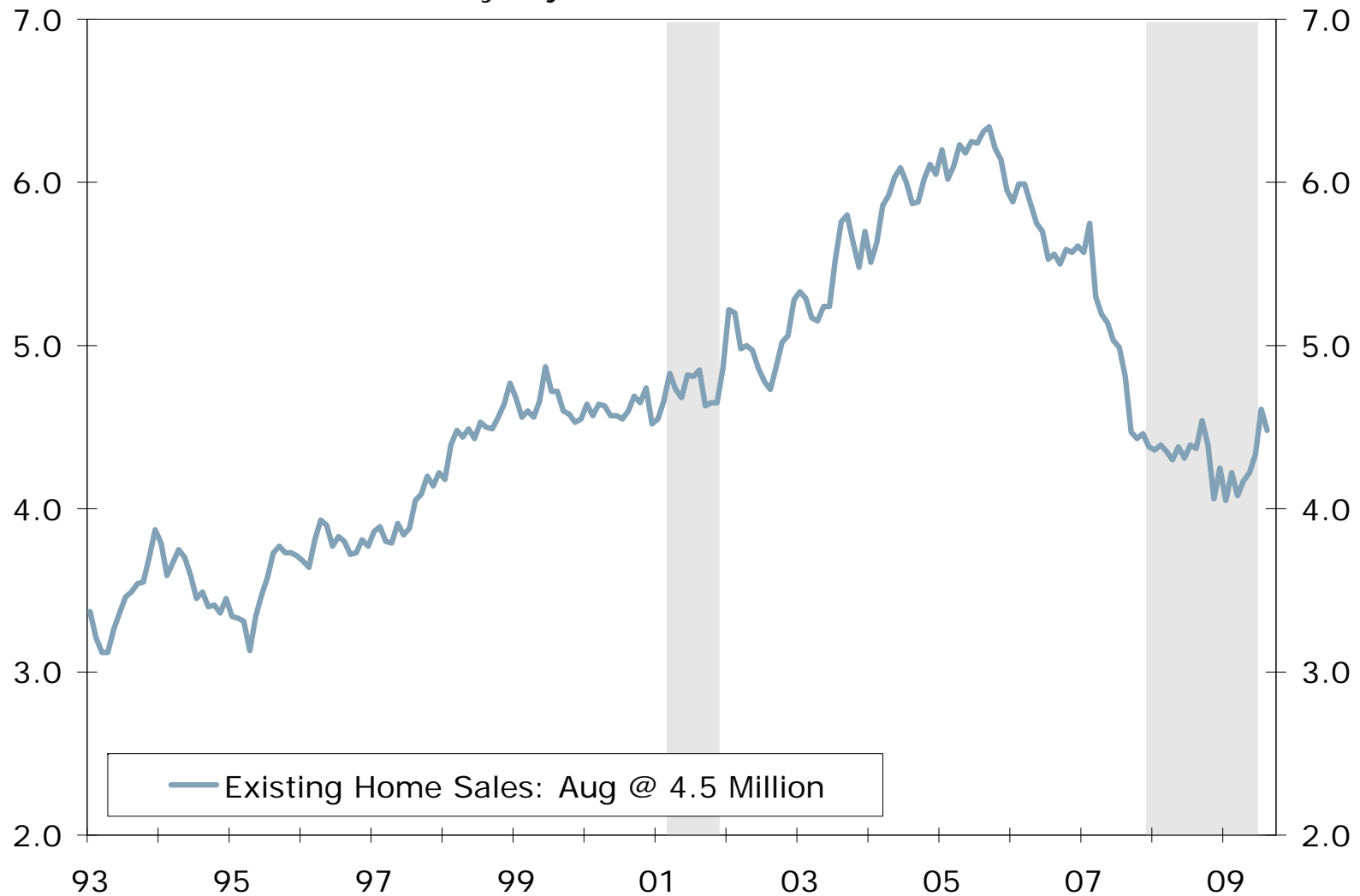
Building Permits

Seasonally Adjusted Annual Rate, In Millions



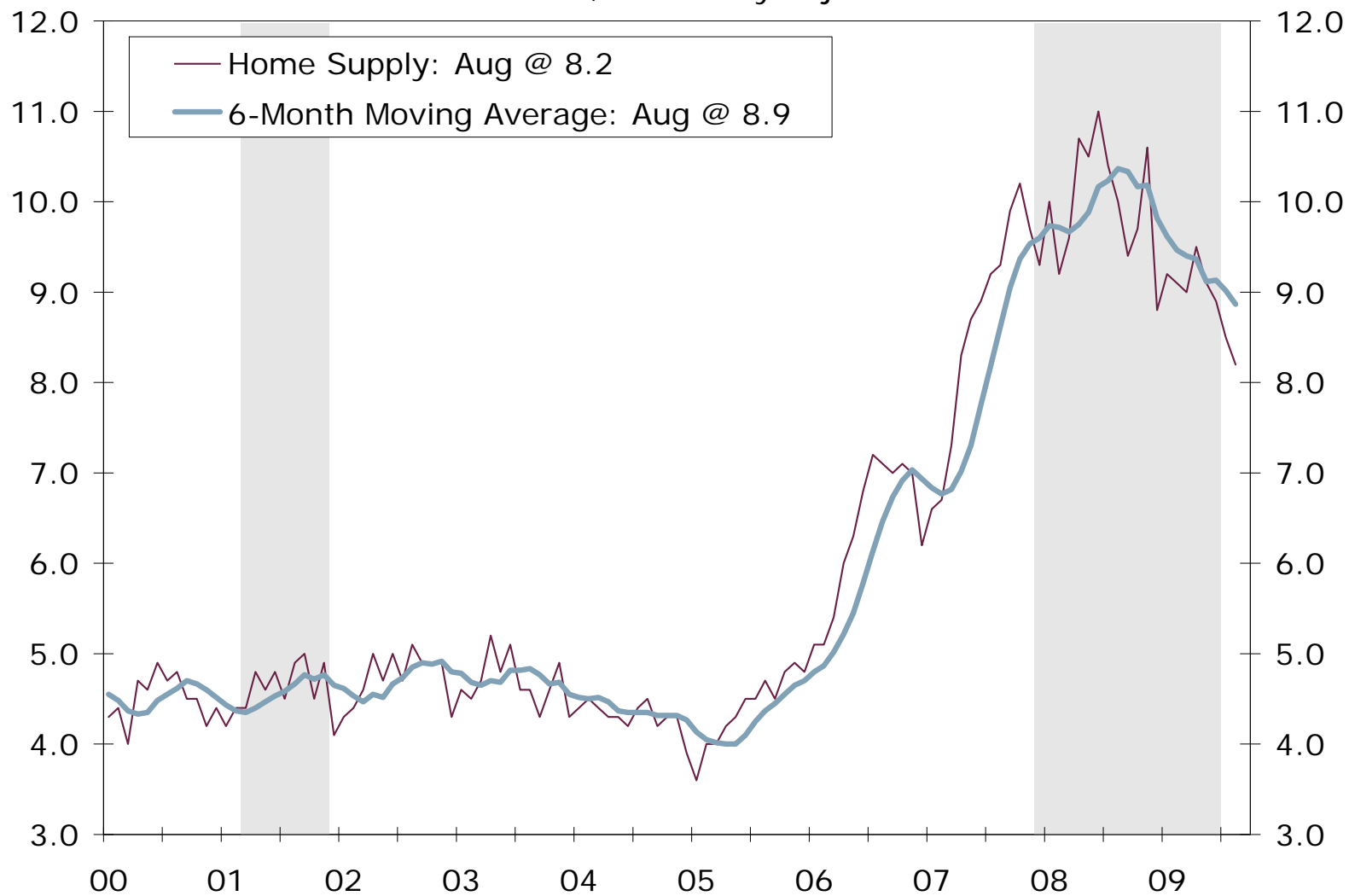
Existing Single-Family Home Resales

Seasonally Adjusted Annual Rate - In Millions



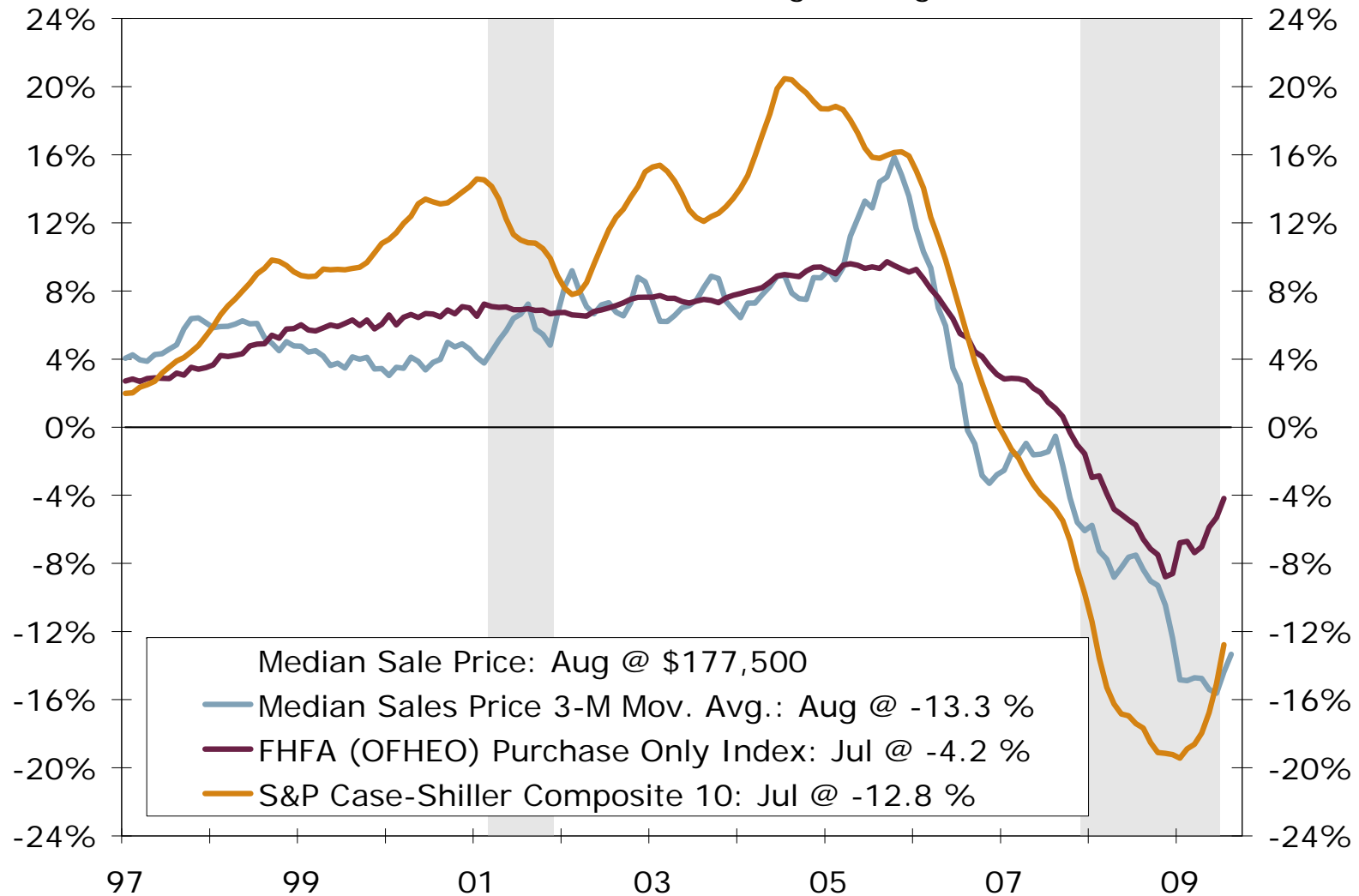
Existing Single-Family Home Supply

In Months, Seasonally Adjusted



Home Prices

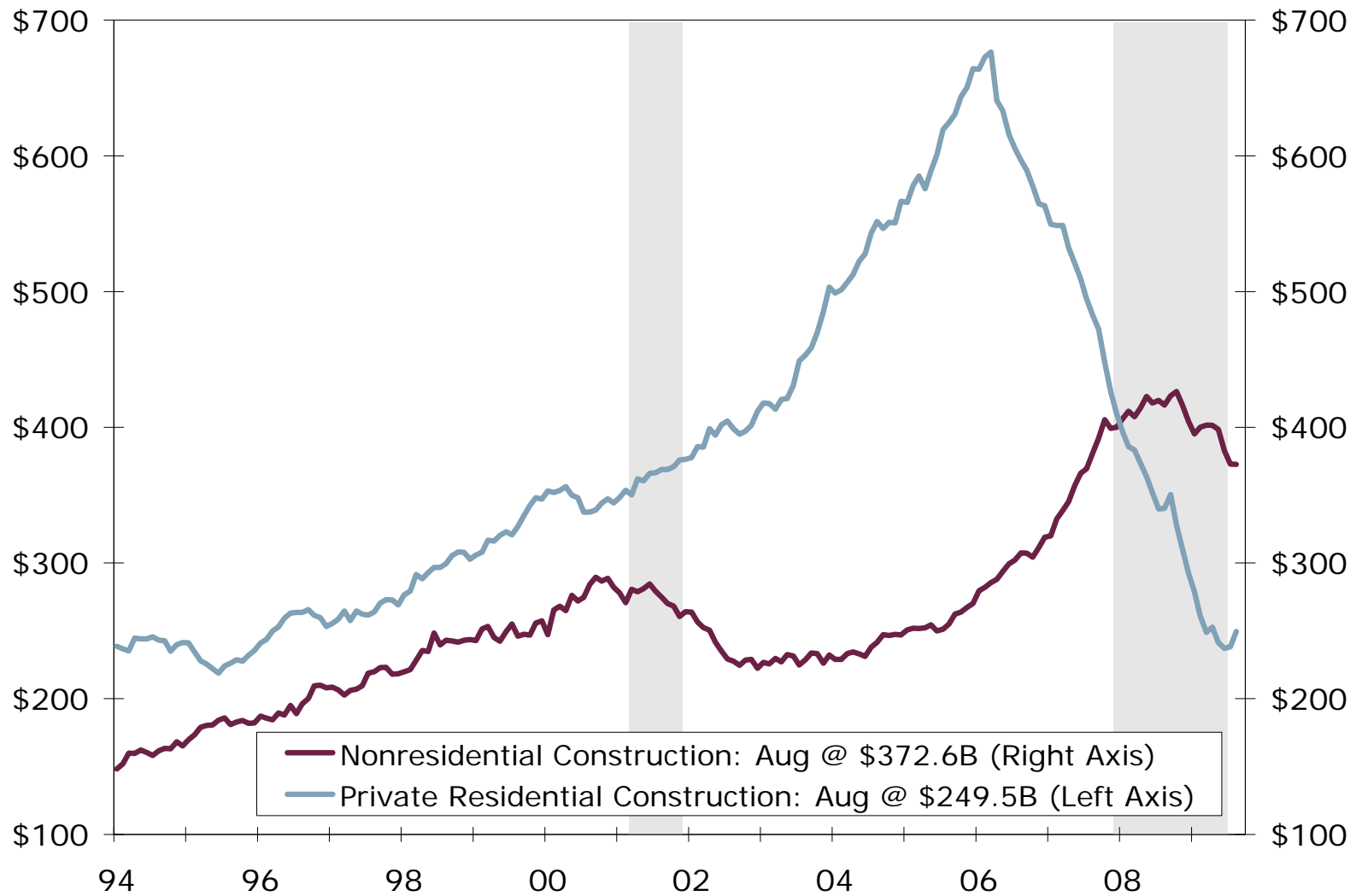
Year-over-Year Percentage Change



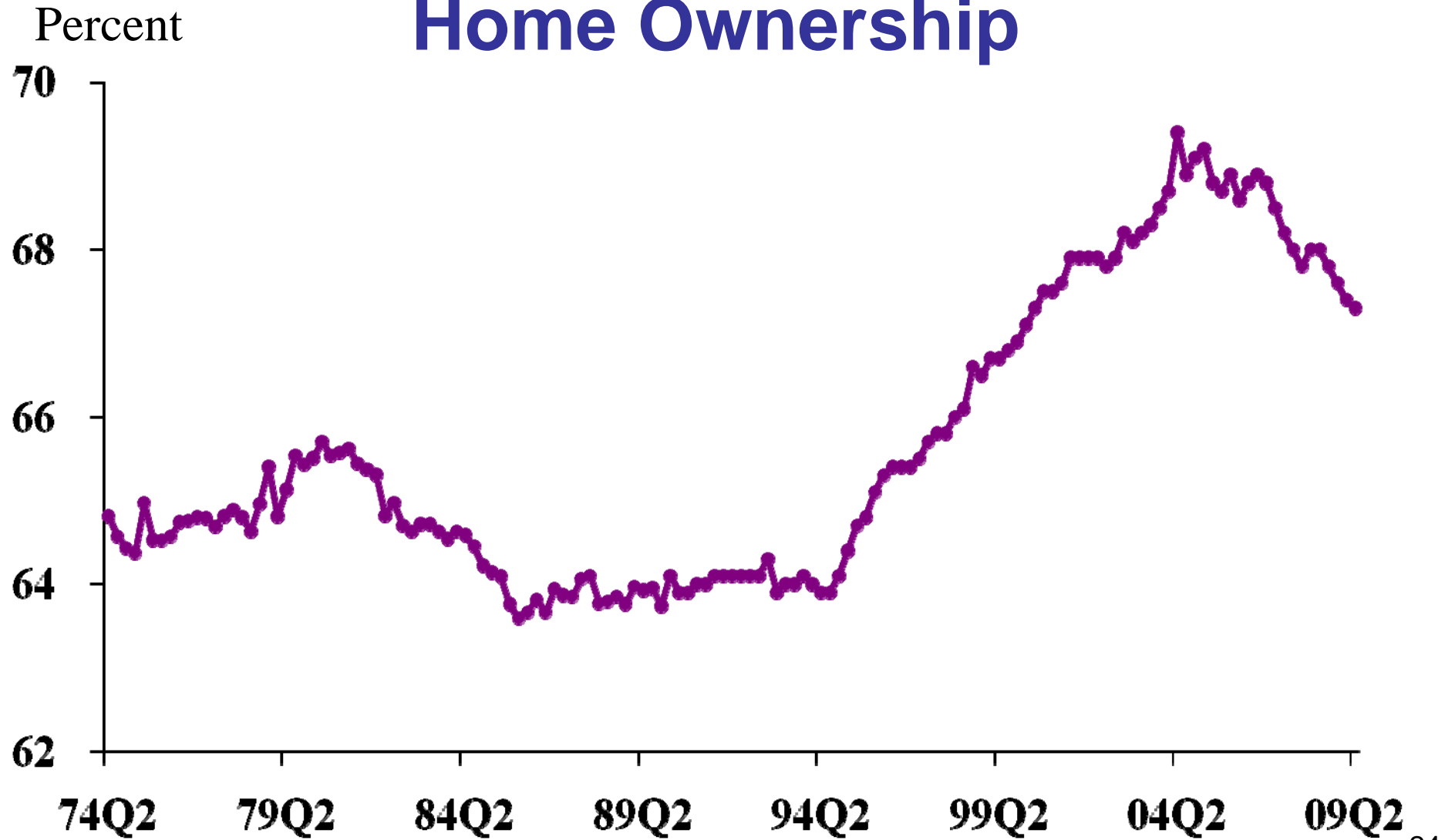


Residential and Nonresidential Construction

Billions of Current Dollars, SAAR



Home Ownership

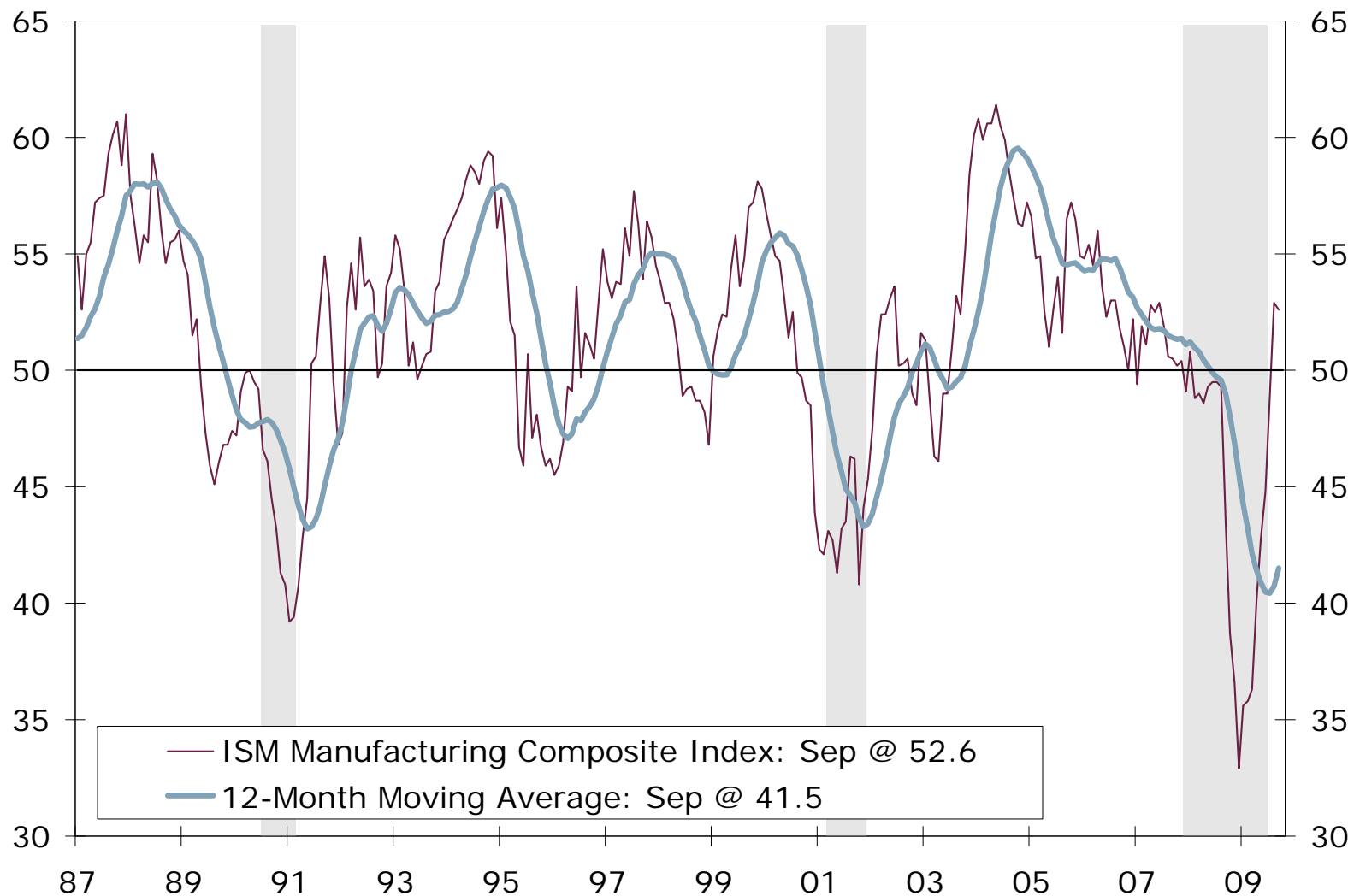


Source: U.S. Department of Commerce

The Rest of the Economy

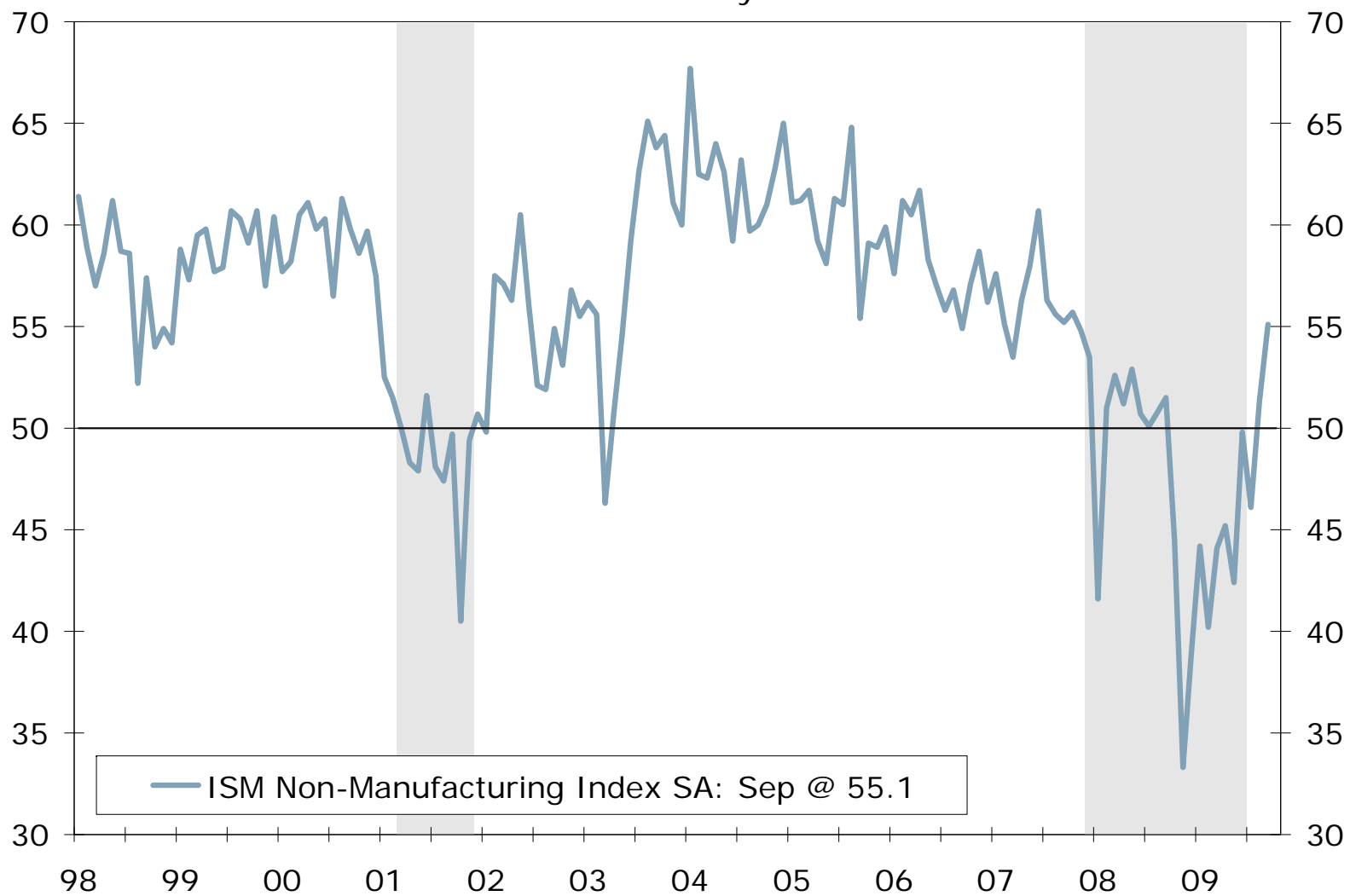
ISM Manufacturing Composite Index

Diffusion Index



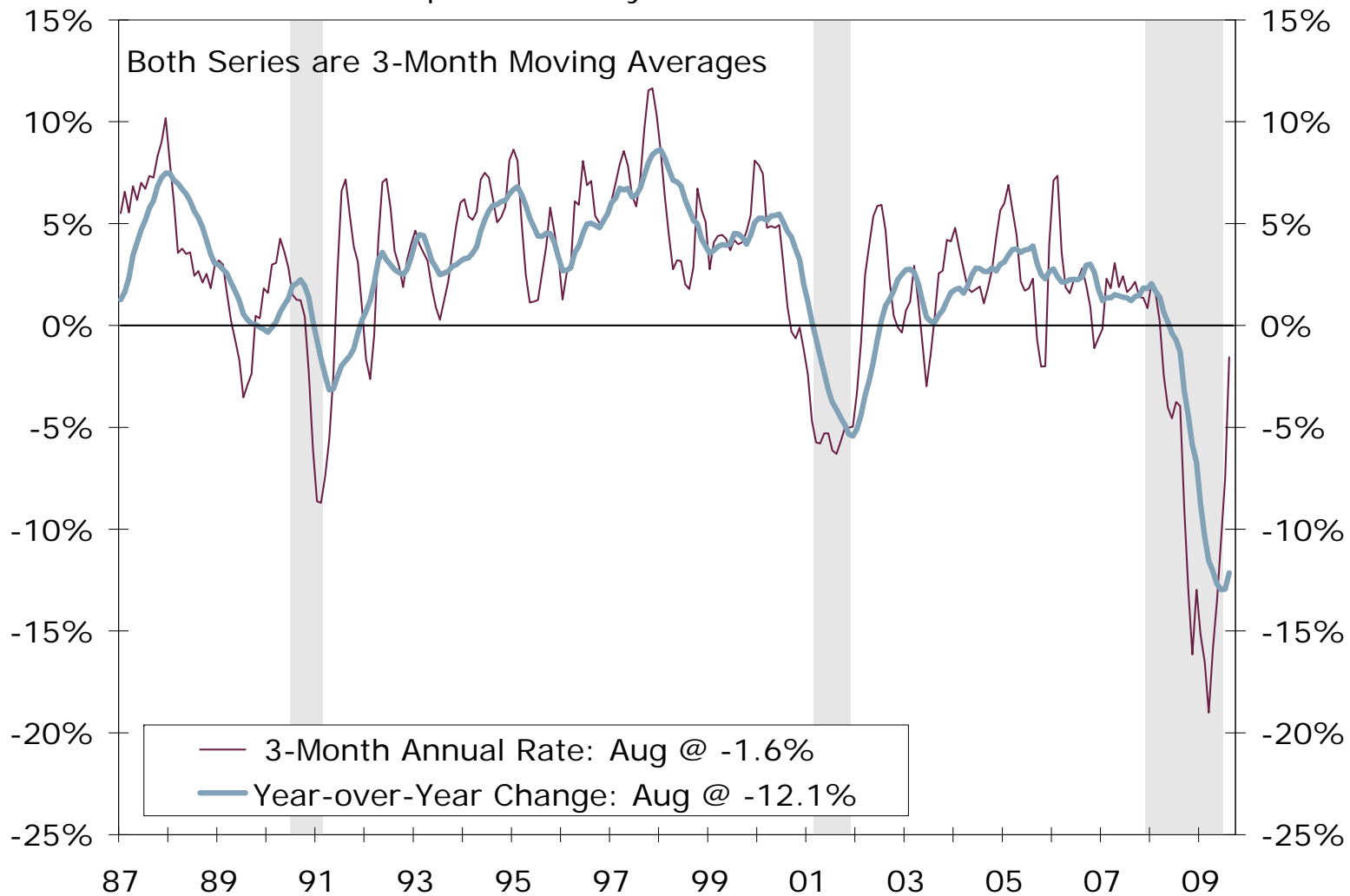
ISM Non-Manufacturing Index

Business Activity Index



Total Industrial Production Growth

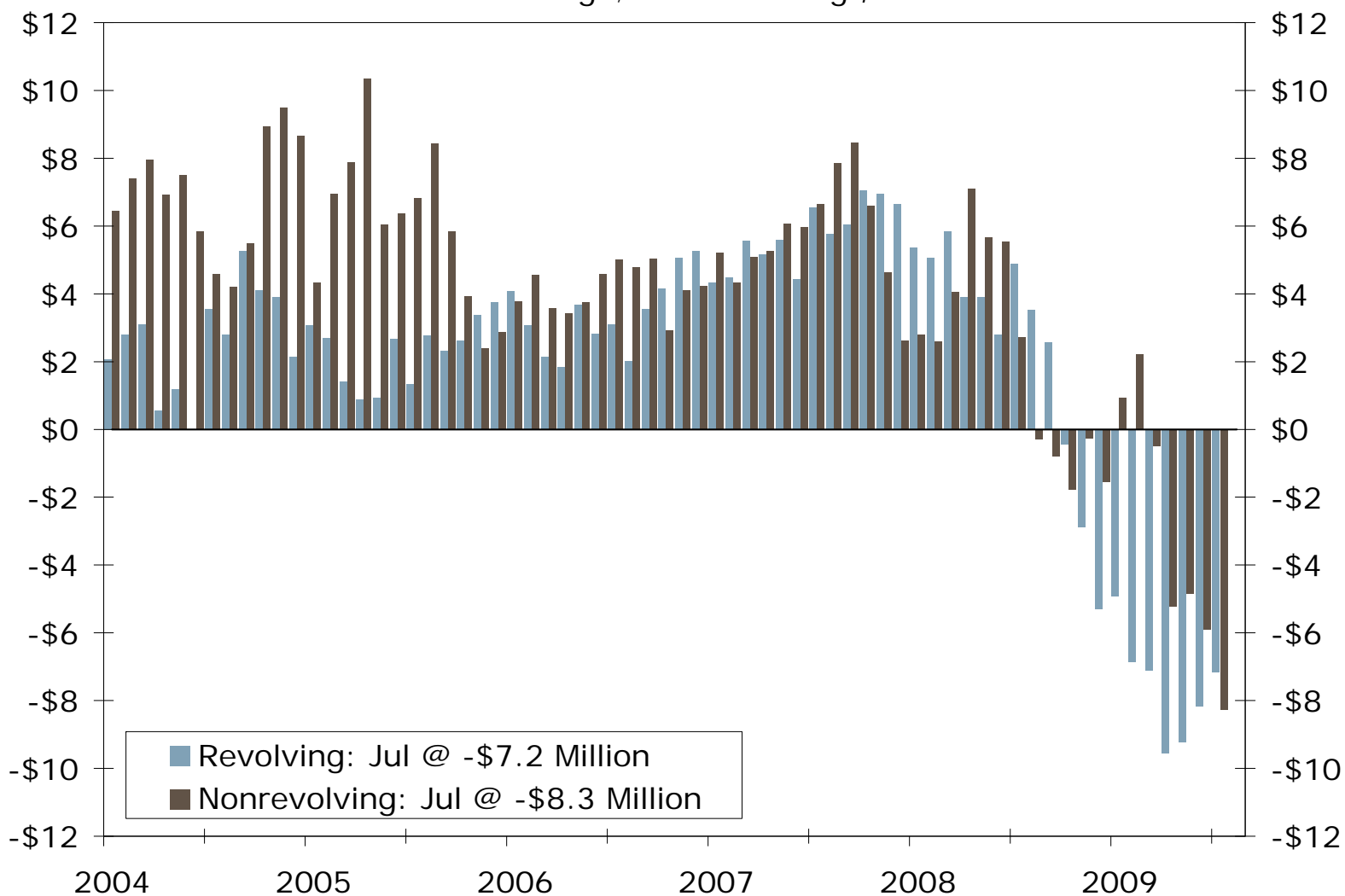
Output Growth by Volume, not Revenue



The Consumer

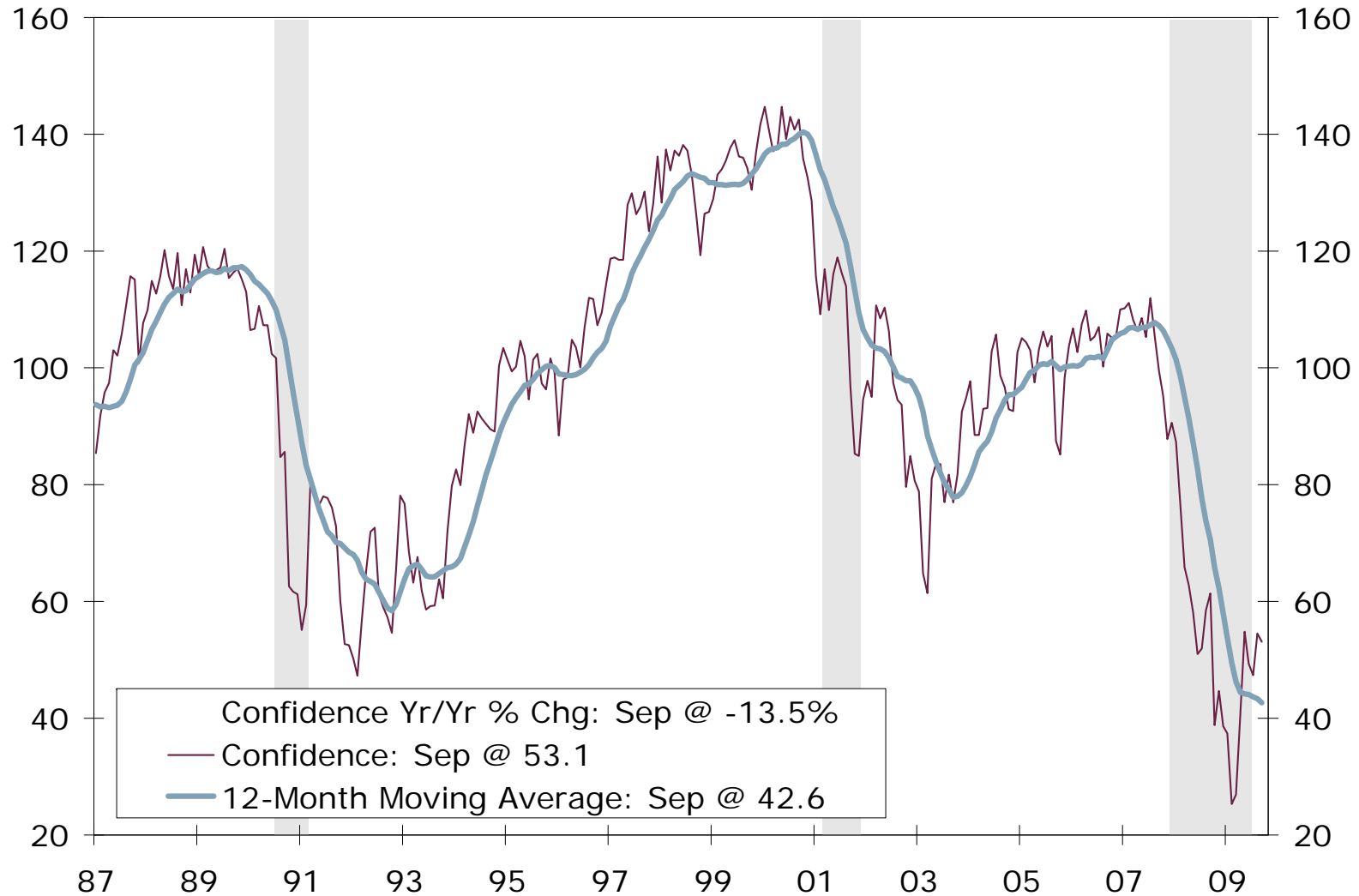
Revolving & Nonrevolving Debt

Month-over-Month Change; 3-M Mov. Avg., Millions of Dollars



Consumer Confidence Index

Conference Board



Personal Income

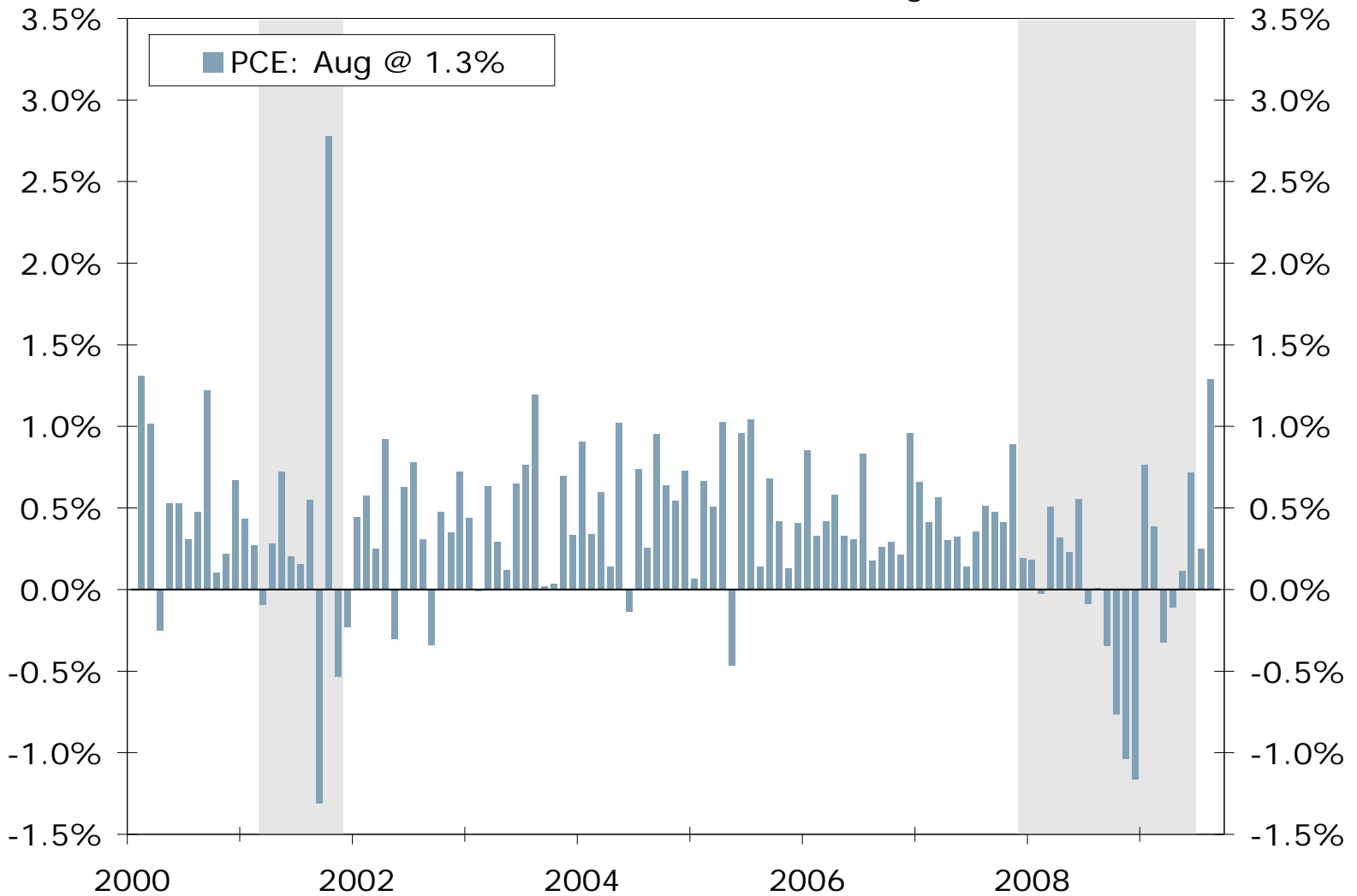
Month-over-Month Percent Change





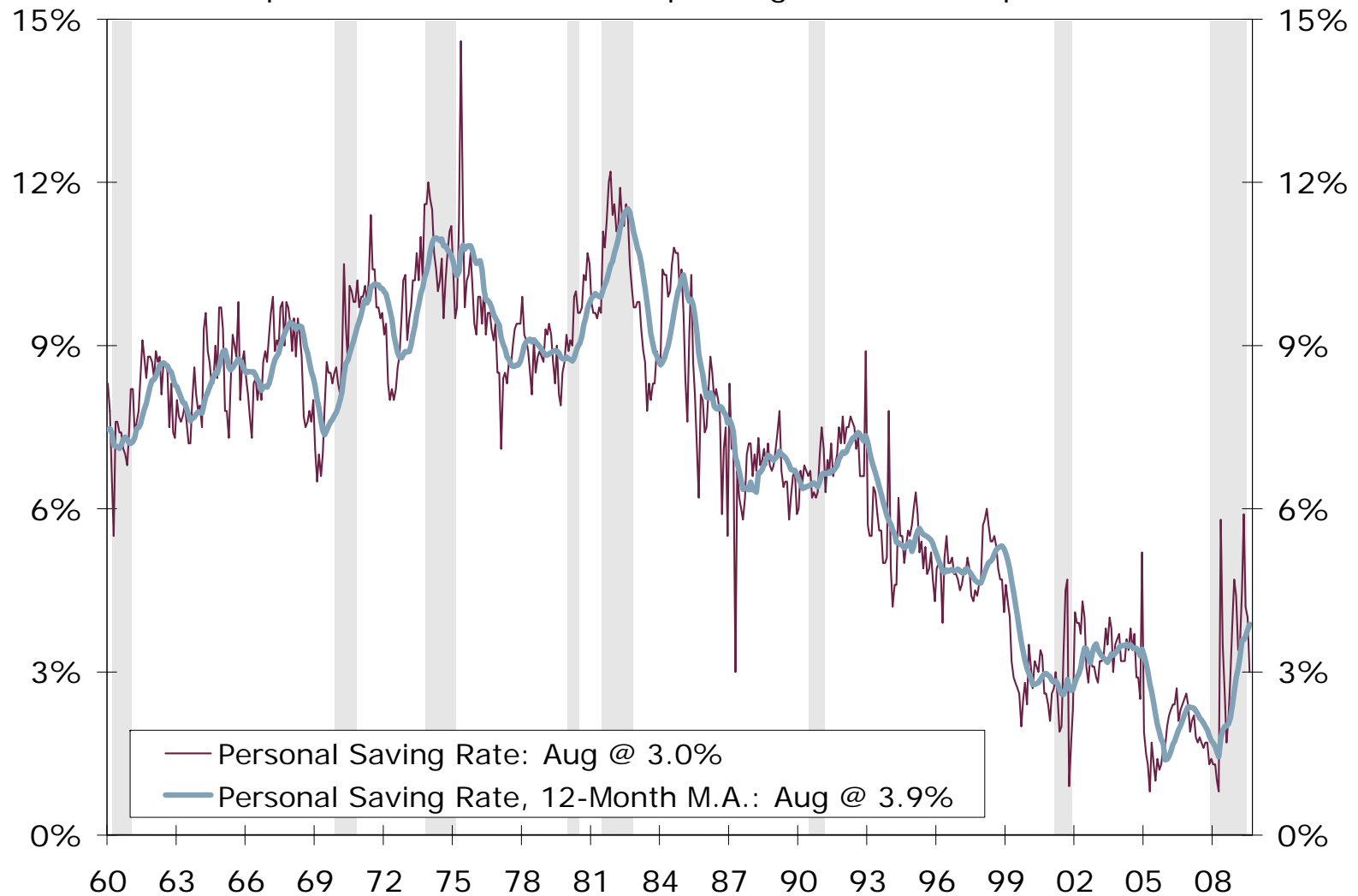
Personal Consumption Expenditures

Month-over-Month Percent Change



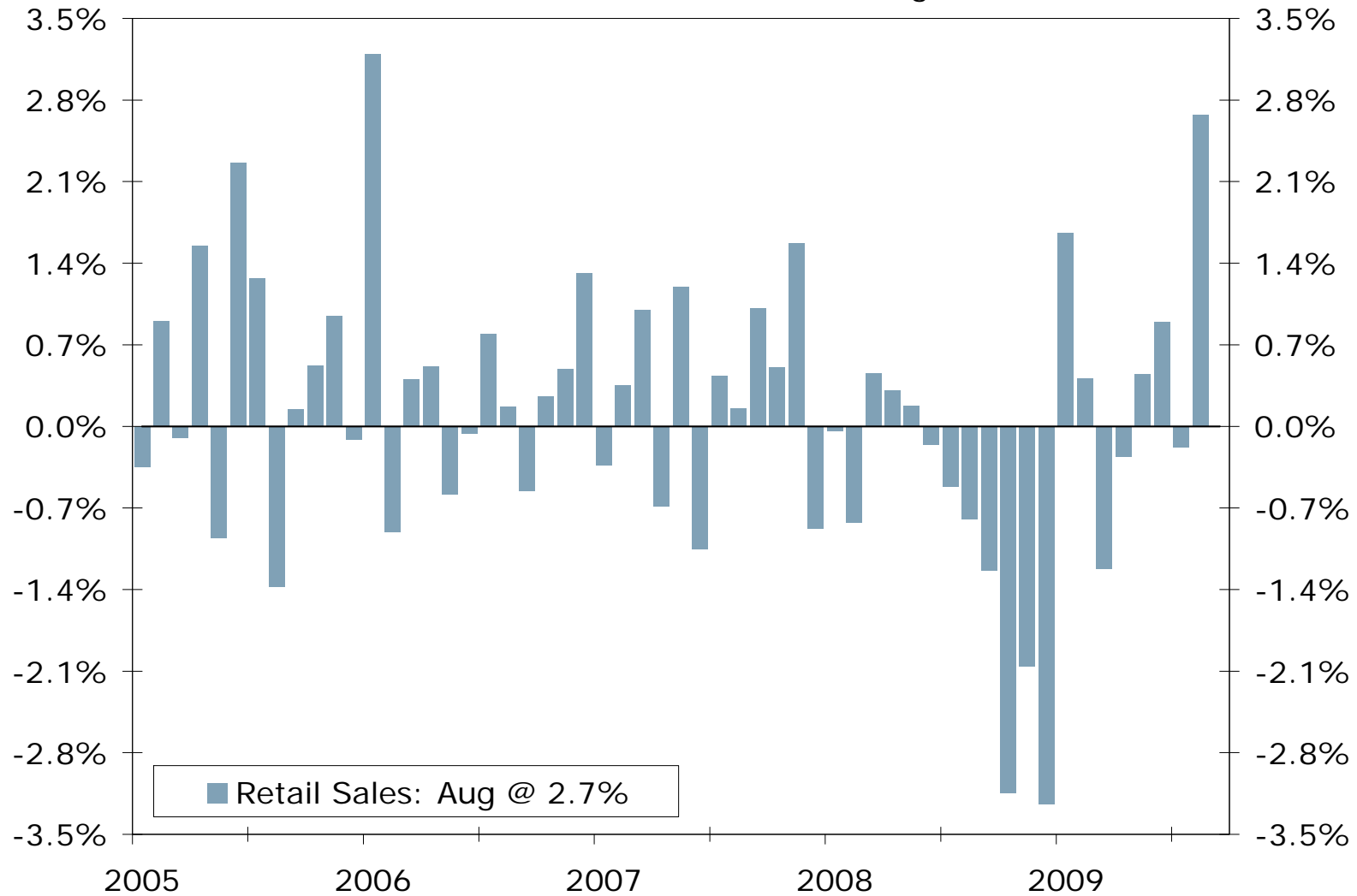
Personal Saving Rate

Disp. Personal Income Less Spending as a % of Disp. Income



Retail Sales

Month-over-Month Percent Change

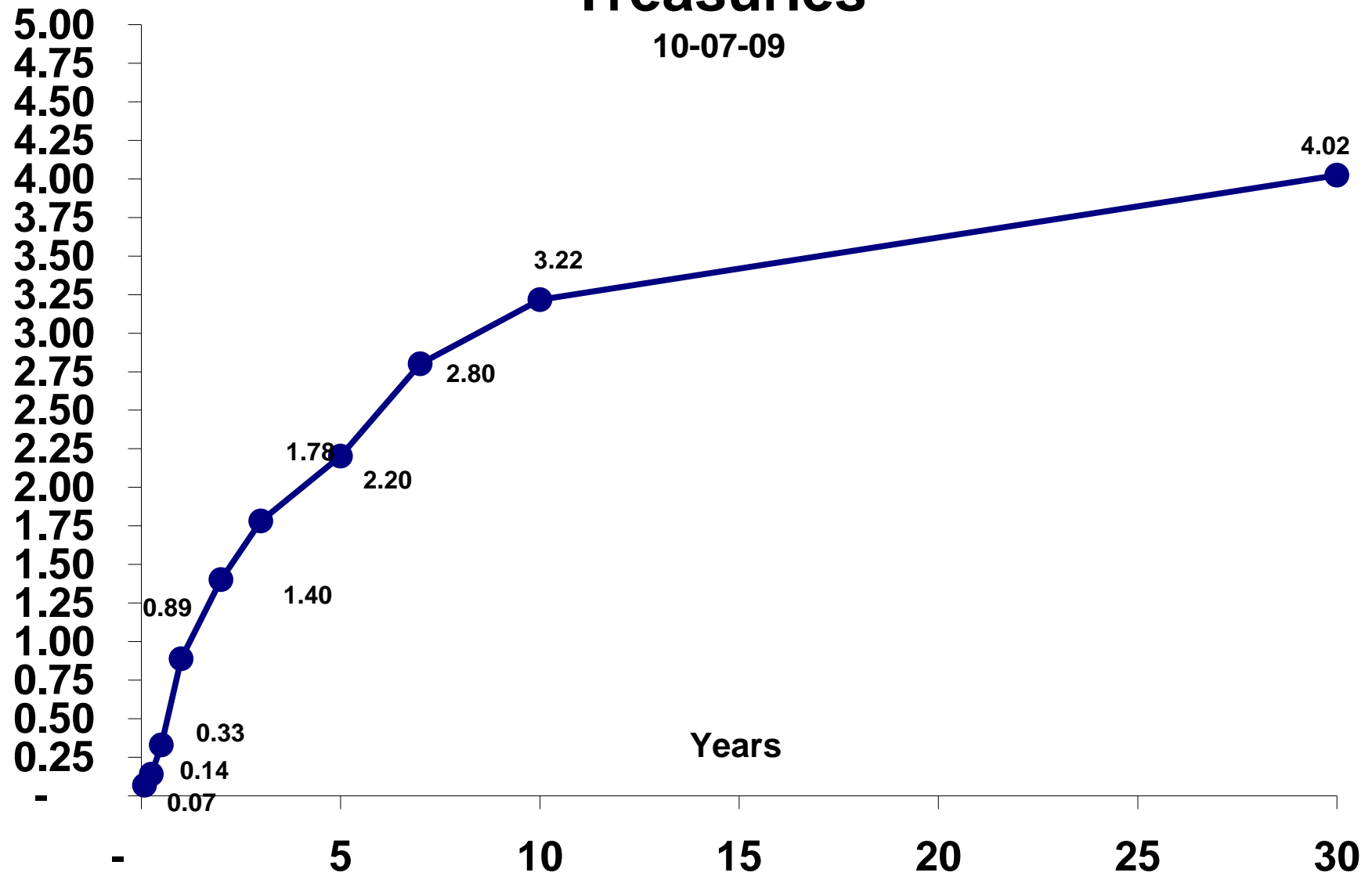


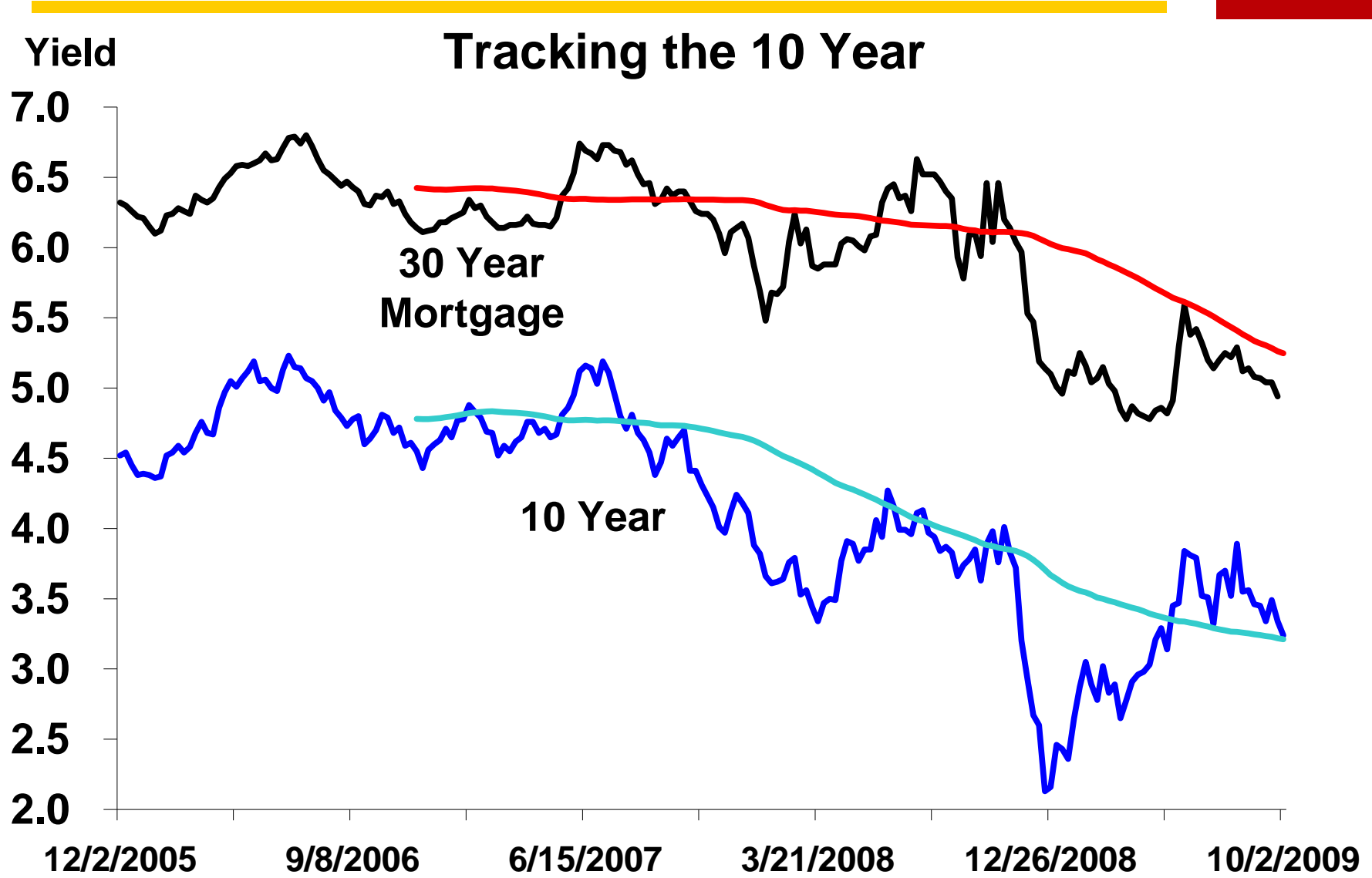
The Financial Market



Treasuries

10-07-09



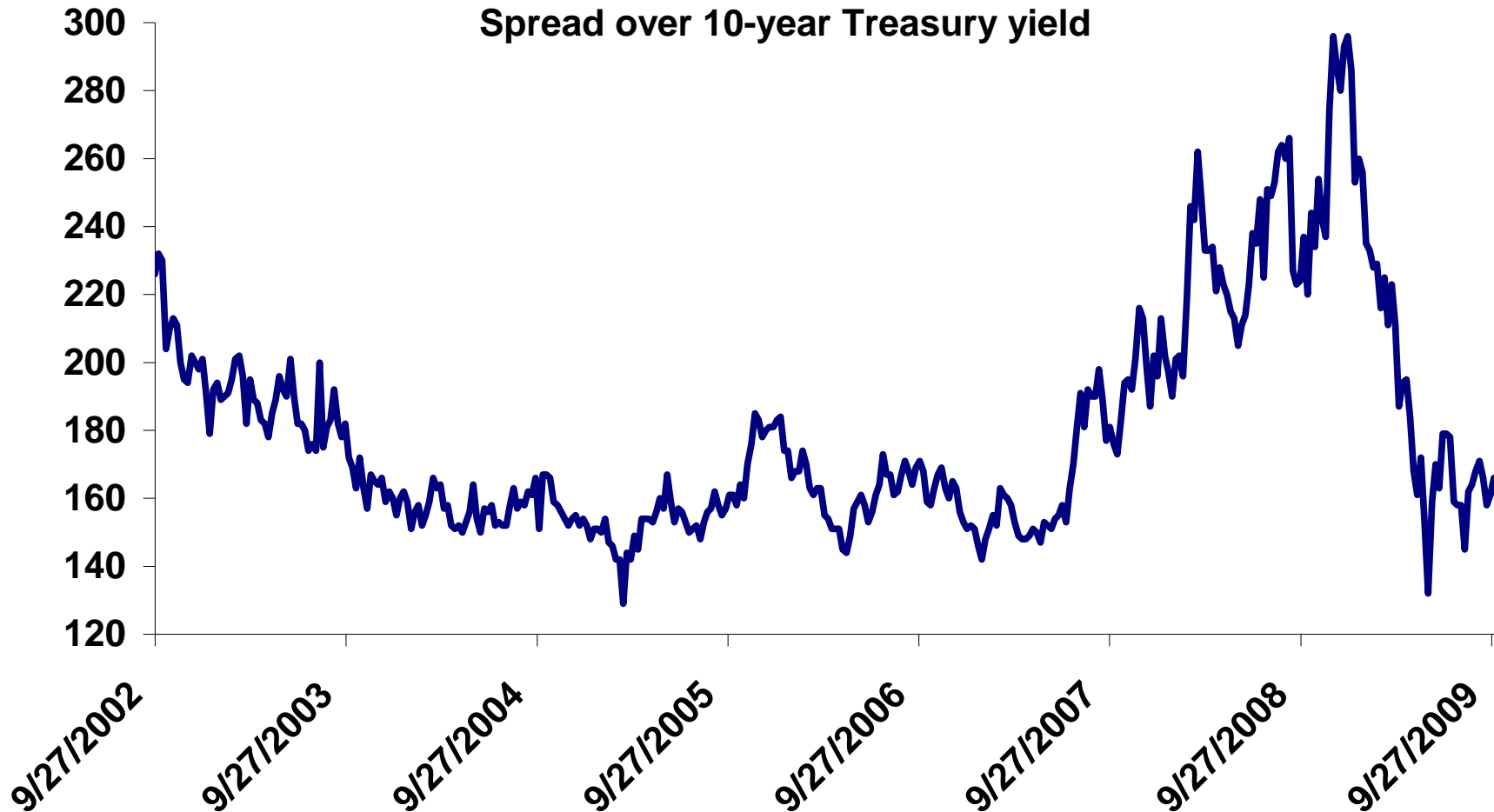


Source: Federal Reserve, Freddie Mac

Basis
points

30-Year Mortgage vs. 10-Year Treasury

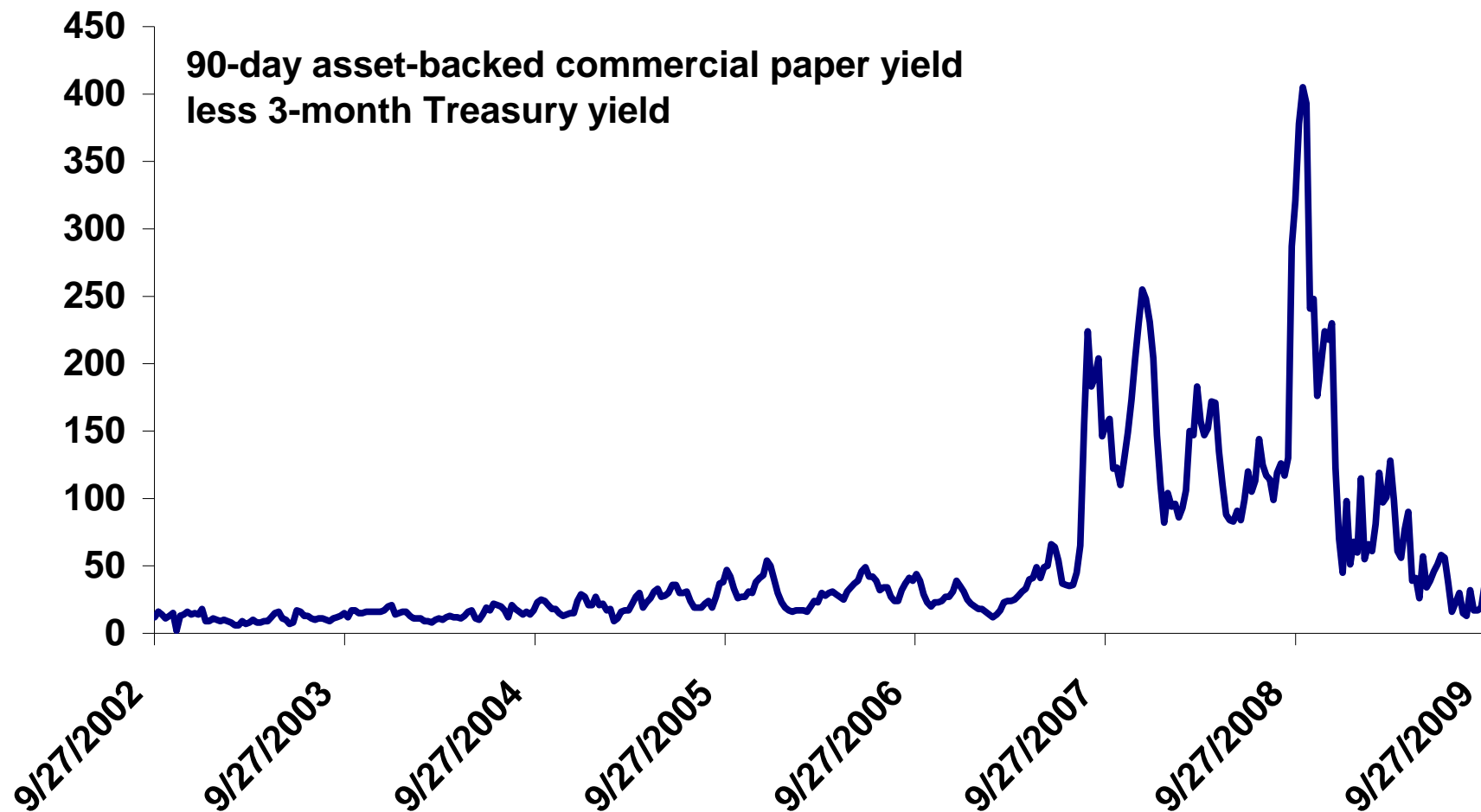
Spread over 10-year Treasury yield



Source: Federal Reserve; Freddie

Commercial Paper Spread

Basis points

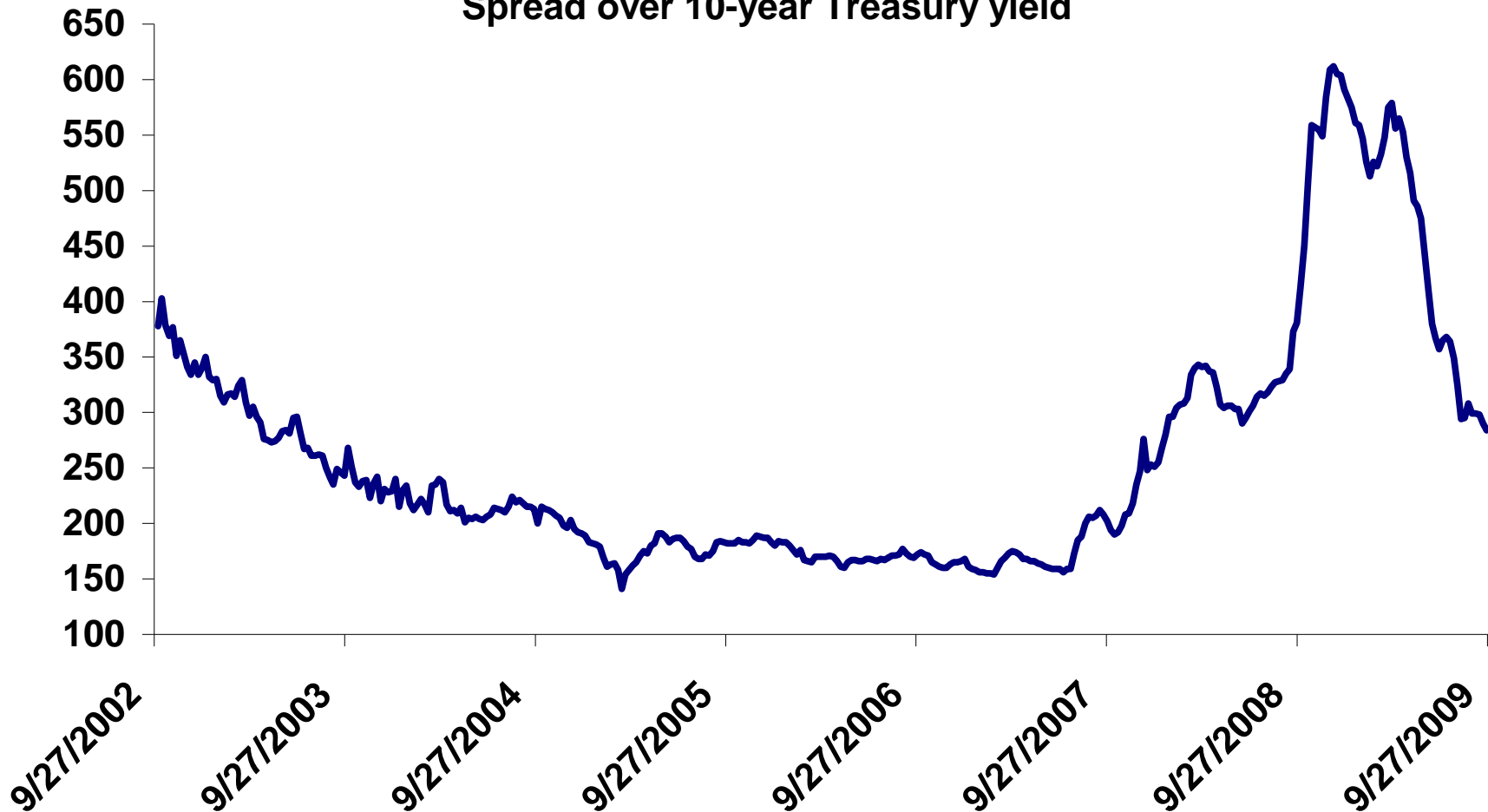


Source: Bloomberg

Moody's Baa Corporate Bonds

Spread over 10-year Treasury yield

Basis points



Source: Bloomberg; Federal Reserve

LIBOR Spread

Basis points



Source: Bloomberg

Summary & Conclusions

- **Housing market shows signs of bottoming**
- **The U.S. economy and the World economy are in recession but in the recovery stage**
- **Probability for a potential double-dip remains high**
- **Inflation remains a medium and long-term concern**
- **The financial system is starting to work but it is still limiting the effectiveness of monetary policy**
- **Fiscal policy is the only alternative to get out of this recession, but it will be very EXPENSIVE**



**WELLS
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Thanks!

Wells Fargo Economics

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Senior Economist & VP**

October 2009

<http://www.wellsfargo.com/com/research/economics>