1. WHAT IS A DOUBLE DIP?

2. PREVIOUS DOUBLE DIPS.

3. DOUBLE DIP ODDS.

4. TRIGGERS.
Searching for a Double Dip

RGDP Growth Scenarios

- BEA Reported
- Recovery Slog
- w - “Double Dip”
- Long Slog
- Consensus Forecasts

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U.S. RGDP

Recession begins Q4 '07

q/q same %

Double Dip Scenario
BEA Reported

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Real Gross Domestic Product (GDP at constant 2005 dollars)
Source: U.S. Department of Commerce: Bureau of Economic Analysis

Walking the tightrope
US unemployment
As % of civilian labour force

Source: US Department of Commerce

Shaded areas indicate US recessions.
2009 research.stlouisfed.org
Searching for a Double Dip

Real Gross Domestic Product, 3 Decimal (GDPC96)
Source: U.S. Department of Commerce: Bureau of Economic Analysis

Shaded areas indicate US recessions.
2009 research.stlouisfed.org
Civilian Unemployment Rate (UNRATE)
Total Nonfarm Payrolls: All Employees (PAYEMS)

Shaded areas indicate US recessions.
2009 research.stlouisfed.org
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Real Personal Consumption Expenditures: Durable Goods (PCEDGC96)
Real Personal Consumption Expenditures: Services (PCESC96)
Real Personal Consumption Expenditures: Nondurable Goods (PCENDC96)

Shaded areas indicate US recessions.
2009 research.stlouisfed.org
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ISM Manufacturing: PMI Composite Index (NAPM)
Industrial Production: Business Equipment (IPBUSEQ)

Shaded areas indicate US recessions.
2009 research.stlouisfed.org

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Real Change in Private Inventories, 3 Decimal (CBIC96)
Real Gross Private Domestic Investment, 3 Decimal (GPDIC96)

Shaded areas indicate US recessions.
2009 research.stlouisfed.org
10-Year Treasury Constant Maturity Rate (GS10)
St. Louis Adjusted Monetary Base (AMBSL)

Shaded areas indicate US recessions.
2009 research.stlouisfed.org
1. **What is a Double Dip?**

2. **Previous Double Dips.**

3. **Double Dip Odds.**

4. **Triggers.**
Searching for a Double Dip

The Conference Board LEI for the U.S.

Peak: 60:4 69:12 80:1 90:7 01:3 07:12
Trough: 61:2 70:11 80:7 91:3 01:11

Aug-09
Searching for a Double Dip

RGDP Forecasts

<table>
<thead>
<tr>
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<th>Q3 2009</th>
<th>Q4 2009</th>
<th>Q1 2010</th>
<th>Q2 2010</th>
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</thead>
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<tr>
<td>Mean</td>
<td>2.53</td>
<td>2.31</td>
<td>2.59</td>
<td>2.96</td>
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<td>Med</td>
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<td>2.50</td>
<td>2.50</td>
<td>3.00</td>
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<tr>
<td>Stdev</td>
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<td>0.99</td>
<td>0.91</td>
<td>0.88</td>
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<tr>
<td>Max</td>
<td>4.50</td>
<td>4.90</td>
<td>4.50</td>
<td>5.50</td>
</tr>
<tr>
<td>Min</td>
<td>0.50</td>
<td>-1.00</td>
<td>-0.50</td>
<td>0.00</td>
</tr>
<tr>
<td>Coef. Of Var.</td>
<td>0.25</td>
<td>0.40</td>
<td>0.35</td>
<td>0.30</td>
</tr>
</tbody>
</table>
Searching for a Double Dip

Tracking RGDP Forecasts

- Q3 2009
- Q4 2009
- Q1 2010
- Q2 2010

Mean value of q/q saar %

Month when forecast was made

Sep-08 Oct-08 Dec-08 Feb-09 Mar-09 May-09 Jul-09 Aug-09 Oct-09
Searching for a Double Dip

Recession Forecasting

- Blue line: 2 Qtrs Ahead
- Red line: 4 Qtrs Ahead

Date:
- 1960q1
- 1970q1
- 1980q1
- 1990q1
- 2000q1
- 2010q1

Probability of Recession:
- 0
- 0.2
- 0.4
- 0.6
- 0.8

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Recession Prob. Case 1-2qtrs ahead: 10% Deflation
Recession Prob. Case2-2qtrs ahead: 5% Short Rates
Okun's Law Predictions

-4 -2 0 2 4 6

1995q1 2000q1 2005q1 2010q1

Consensus
WorstCase
What is most likely to trigger a Double Dip?

• Organic contraction
  • De-levering of the Consumer
  • Increased Risk Aversion
  • Dollar Strength
  • Deflation / Inflation

• Fiscal Contraction

• Money Tightening

• Protectionism

• Over-regulation

• Other
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