Comparing recessions - SouthPoint

[« Bubble charts and snail trails](#) | [Main](#) | [Comparing recessions in the Southeast (part two) »](#)

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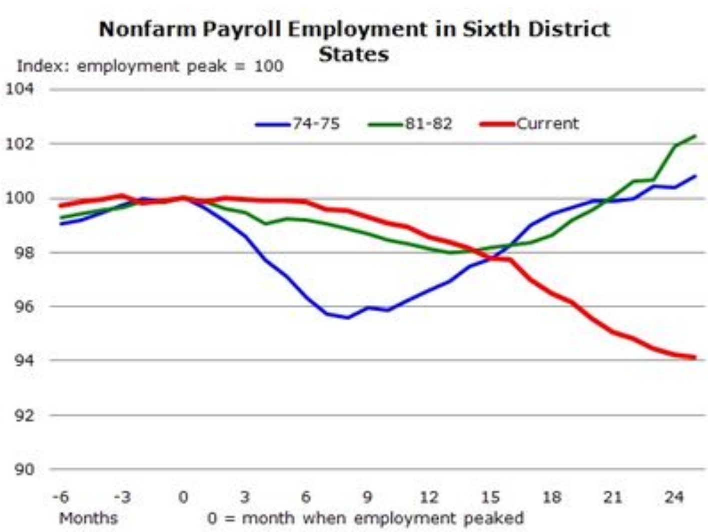
Comparing recessions

Comparing the current recession with previous downturns has many dimensions. One of the most common comparisons focuses on quarterly gross domestic product (GDP). But this comparison is not possible for states because GDP at the state level is only available on an annual basis. So, once again we turn to employment data because they are available monthly, and they provide a broad measure of economic activity.

In his blog earlier this year, Bill Testa of the Chicago Fed compared employment across recessions (see Midwest in Recession: Then and Now). We replicate this analysis below for the states of the Sixth Federal Reserve District.

Through this analysis, we are trying to determine if the current downturn is deeper and/or more protracted than past recessions in terms of nonfarm payroll employment losses. Since the 1990–91 and 2001 recessions were much milder than the downturns in the 1970s and 1980s, we chose to focus on the deeper contractions. In the following charts, we index total employment in the states of the Sixth District to a beginning value of 100. We begin the time series six months prior to the peak in regional employment, with zero representing the month employment levels peaked.

The chart shows that the current decline in nonfarm payroll employment has been much deeper than the recessions in the 1970s and '80s. In addition, it has lasted much longer. We are currently 25 months past the peak employment level for the region (June 2007), and employment appears to still be contracting. It is important to note that employment in the Southeast declined very little in the first few months past the June 2007 peak. It was not until December 2007 that we really started to see payrolls start to decline in earnest. Regardless, by this time in previous recessions, employment levels were not only well past their troughs but had fully recovered to their prerecessionary peaks.



So, in terms of payroll employment, the current downturn is the deeper and more protracted than that experienced in the 1970s or 1980s. Next week,we'll look at individual state measurements.

By Michael Chriszt, an assistant vice president in the Atlanta Fed's research department

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