The Nature and Impact of the Great Recession 2007-09

The Great Recession was a global economic crisis that decimated the world's financial markets, banking, and real estate industries. As a result of the crisis, the number of people facing foreclosure on their houses has risen dramatically, resulting in the loss of millions of dollars in savings, as well as their employment and their primary residences. As a result, it is often considered to be the longest economic downturn since World War II's Great Depression. Even though the Great Recession had wide-ranging consequences, its origins in the subprime mortgage crisis in the United States and Western Europe were particularly prominent.
There was a big change in the role of large financial conglomerates such as Lehman Brothers and Morgan Stanley in the financial sector during the financial crisis. Also, they regularly borrowed money to make investments in these assets on their own. To put it another way, when financial institutions joined the market and took on the role of loan servicers, they were also able to develop new markets for assets. While there are many factors which led to the crisis, through this analysis we shed light on the following aspects which got impacted due to the economic tragedy.

Stock Market

Stock markets had long lasting impact due to the Great Recession. S&P plummeted down by 38.5% in 2008 alone, reaching a new all-time low (Fig 1). The fourth largest investment banking company in the United States Lehman Brothers got huge losses following the mortgage bubble burst. Leaving them no chance but to declare bankruptcy (Fig 2). Following this, Dow dropped more than 200 points on the very same day as Lehman brothers declared bankruptcy and continued its downward trend (Fig 3). Tycoons in banking sector such as Bank of America, Citi, JP Morgan, and Wells Fargo went into huge losses as their share prices started to dip (Fig 4).

Fig 1.

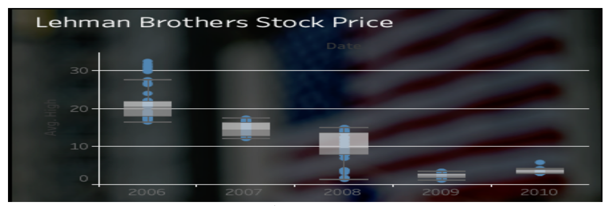
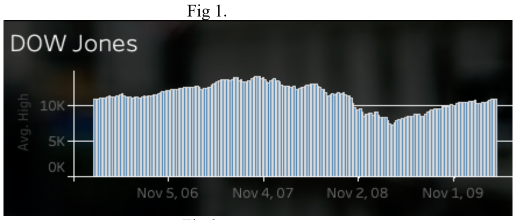


Fig 2.



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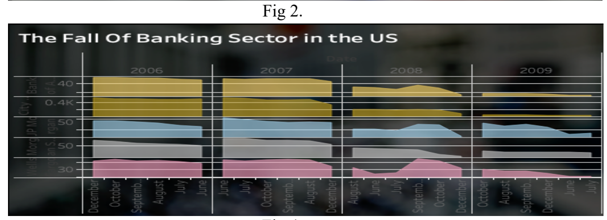


Fig 4.

Housing

Housing market was one of the major reasons for the economic outbreak of 2007. Due to the collapse of subprime mortgage market, the average home price in the United States started to drop (Fig 1). Due to the huge dip in the home price index, sellers were left with no option other than selling their houses for a much lesser rate than previous years (Fig 2). Number of new constructions in the United States saw a never-before low numbers irrespective of the type of unit (Fig 3). As mortgages were overhead and banks started to recover houses from loan defaulters, The home ownership rates went down significantly as shown in Fig 4.

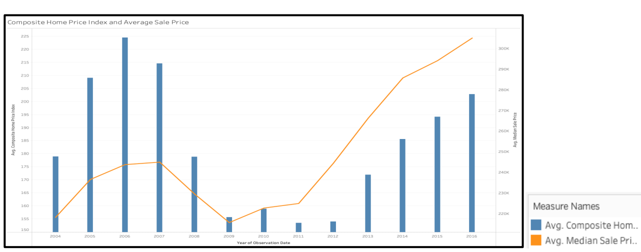
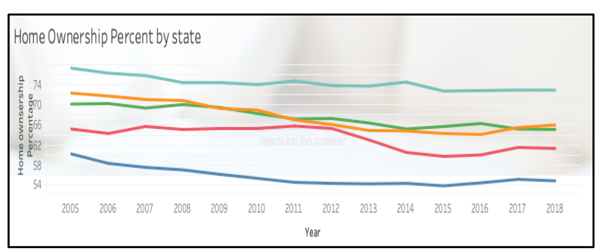


Fig 1



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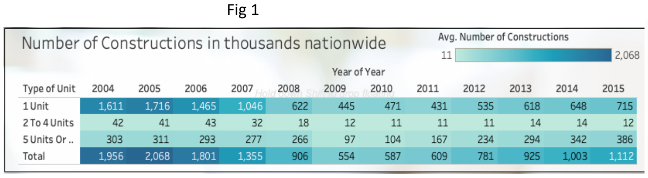


Number of Constructions in thousands nationwide

Avg. Number of Constructions: 11 – 2,068

Type of Unit	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
1 Unit	1,611	1,716	1,465	1,046	622	445	471	431	535	618	648	715
2 To 4 Units	42	41	43	32	18	12	11	11	11	14	14	12
5 Units Or ..	303	311	293	277	266	97	104	167	234	294	342	386
Total	1,956	2,068	1,801	1,355	906	554	587	609	781	925	1,003	1,112

Fig 3

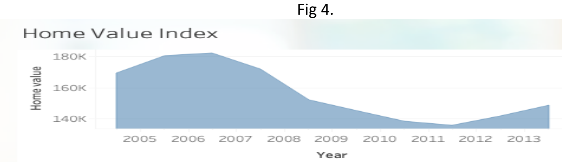
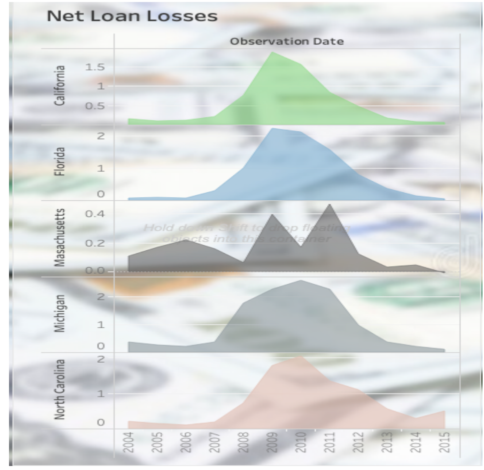


Fig 2

Financial Sector

Net Loan losses increased drastically due to loan default of individuals. As shown in the Fig 1. The states of California, Florida, Massachusetts, Michigan, and North Carolina saw huge losses in the form of loans. As a result, many banks ceased operations resulting in increase of total number of failures (Fig 2). Fed Funds dropped almost to 0 for the first time ever in the year 2009, following the mammoth of an economic crisis (Fig 3). At this stage, government intervened in bringing back economy. Amid a massive influx of cash from FISCAL and monetary authorities, Currency in circulation soared almost to a trillion dollars (Fig 4).



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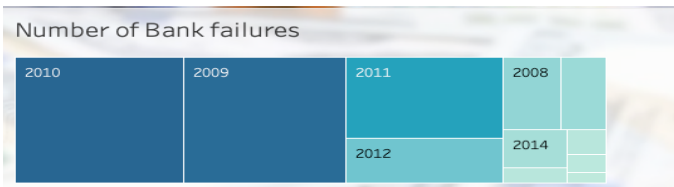

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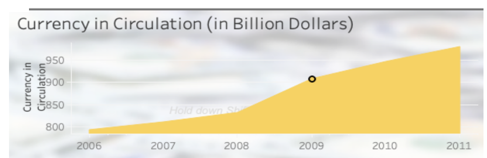


Fig 4.

Unemployment

Non farming industries got hit by recession the most. Followed by Manufacturing, Retail and Transport. Education sector had no impact on Total Job openings as shown in Fig 1. Employee wages came down by a huge margin during the peak of the recession as shown in Fig 2. The aggregated labor unemployment reached new high as the economy began to drown (Fig3). In contrary to other industries, agricultural industry grew enormously during the recession (Fig 4). Household income of people of the US dipped drastically and took a very long time to recover (Fig 5)

Total Job Openings across various sectors

Job Openings 120.3 – 1,032.6

Sector	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Education	7,414	8,159	8,856	9,365	8,592	6,428	6,443	7,338	8,431	8,156	9,902	12,277
Manufacturing	3,140	3,524	3,998	4,029	2,892	1,443	2,235	2,710	3,206	3,177	3,572	3,801
Non-farm	3,220	3,580	3,920	3,940	3,220	2,230	2,660	3,030	3,350	3,470	3,990	4,520
Retail	4,983	5,841	6,013	5,672	4,873	3,414	3,802	4,962	5,053	6,148	7,427	7,615
Transport	7,578	8,939	9,633	9,631	7,581	4,960	5,713	7,686	8,121	9,341	11,256	12,391

Fig 1.

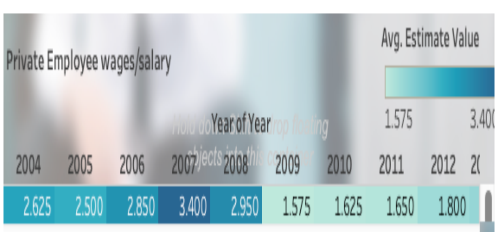
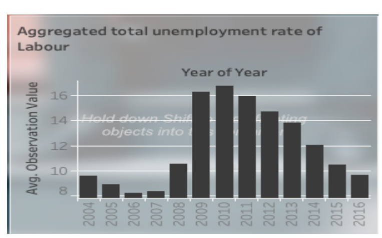


Fig 2.



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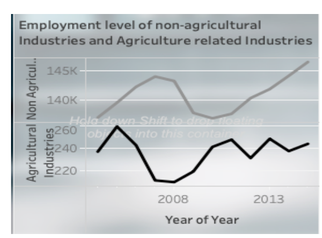

Fig4.

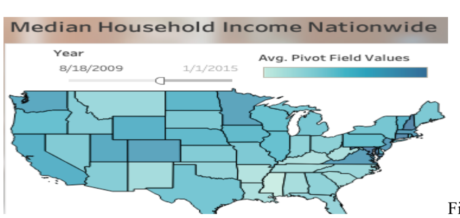

Fig 5.