COUNCIL on FOREIGN RELATIONS

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Quarterly Update: The U.S. Economic Recovery in Historical Context

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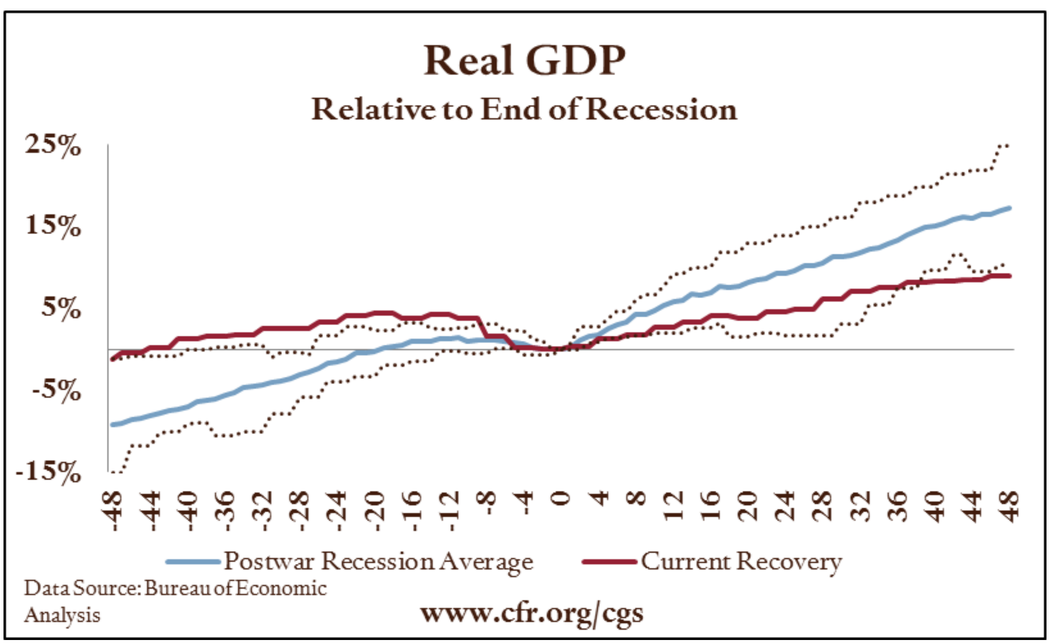
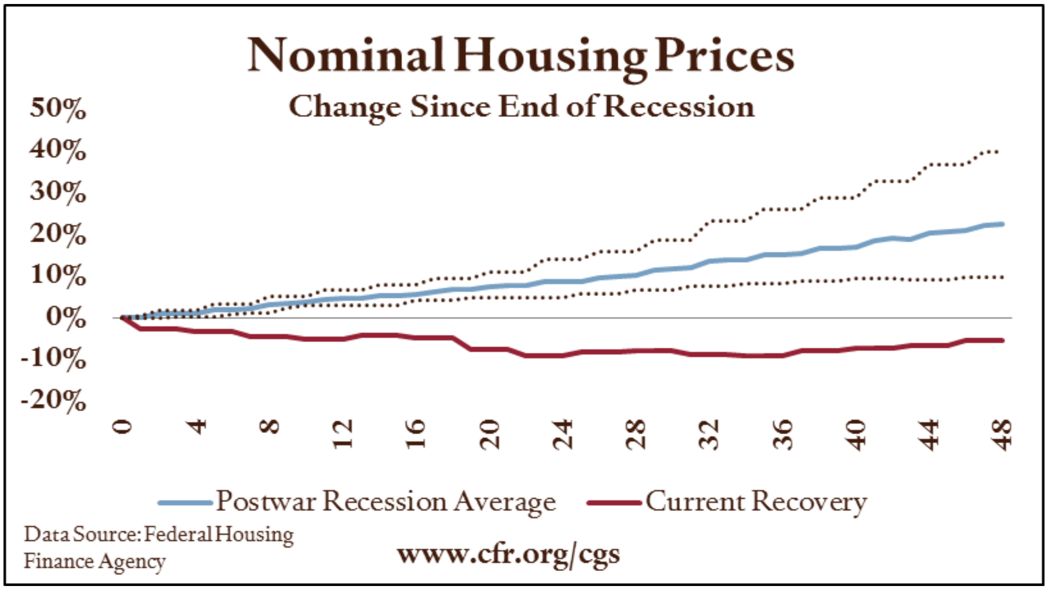
How does the current recovery, which, according to the National Bureau of Economic Research, officially started in June 2009, compare to those of the past? The following charts provide a series of answers, plotting current indicators (in red) against the average of all prior post–World War II recoveries (in blue). The x-axis shows the number of months since the end of the recession. The dotted lines are composites of prior recoveries representing the weakest and strongest experiences of the past. This recovery chart book replaces the cycle chart book, which plotted the downturn as well as the recovery. Those interested in the previous presentation can view it **here**.

The economic expansion following the 2008 recession has been the weakest of the post–World War II era. Four years after the start of the recovery, GDP has risen about half as much as in the average post–World War II era recovery. The federal budget deficit, which was larger than in any other post–World War II era recovery for much of the past four years, has shrunk rapidly in recent months and is now smaller than in the recoveries which began in 1980 and 1982. House prices rose again in the second quarter of 2013 but remain 5 percent lower than they were at the start of the recovery (*updated 11/19/2013*). Household debt remained essentially unchanged in the second quarter of 2013 and remains below its June 2009 level (*updated 11/19/2013*).

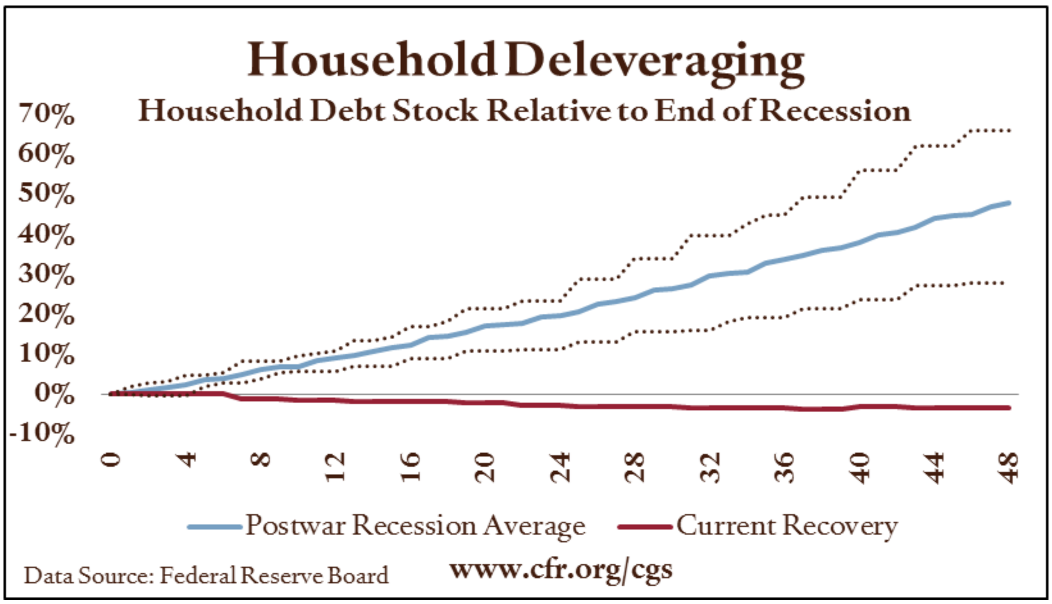


- The current recovery was initially stronger than the recovery from the 1980 recession, which was interrupted by another recession in 1981.
- However, at this point, the current expansion is the weakest in the post–World War II era.
- Four years after the start of the economic recovery, GDP is only 9 percent higher than it was when the recovery officially began.
- In the average post–World War II recovery, GDP is 17 percent higher at this point.



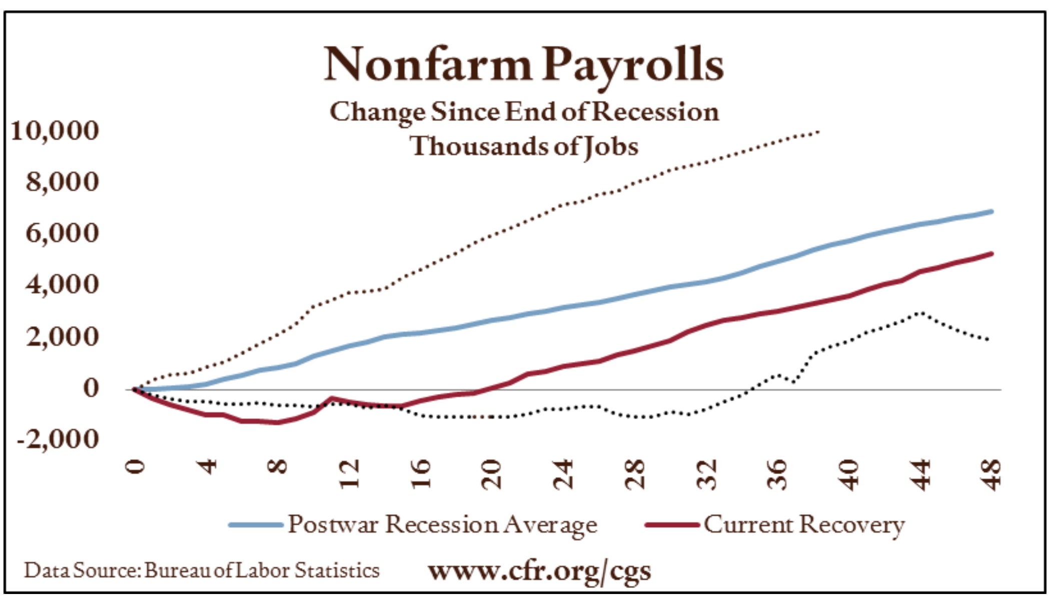
- The Federal Housing Finance Agency's all-transactions home price index, which is used in the accompanying graph, increased for the fourth consecutive quarter in the second quarter of 2013.
- However, the index remains 15 percent below the peak reached in the first quarter of 2007 and is 5 percent lower than when the recovery began.

(Updated with second quarter data on 11/19/13.)

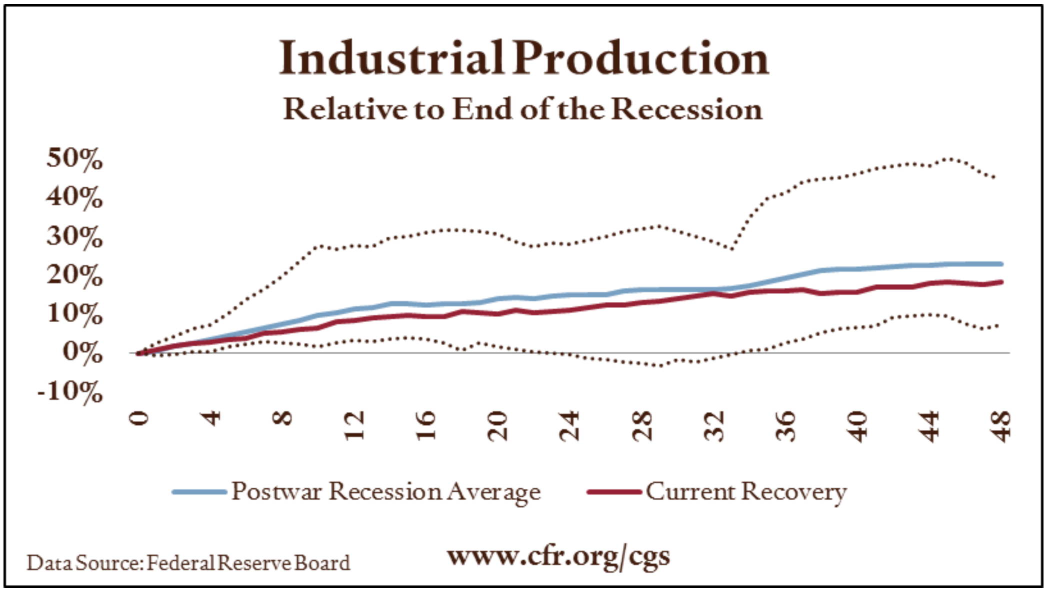


- Household debt remained essentially unchanged in the second quarter of 2013 and remains 3.3 percent below its June 2009 level.
- In every previous postwar recovery, the stock of household debt has risen as the recovery has begun.

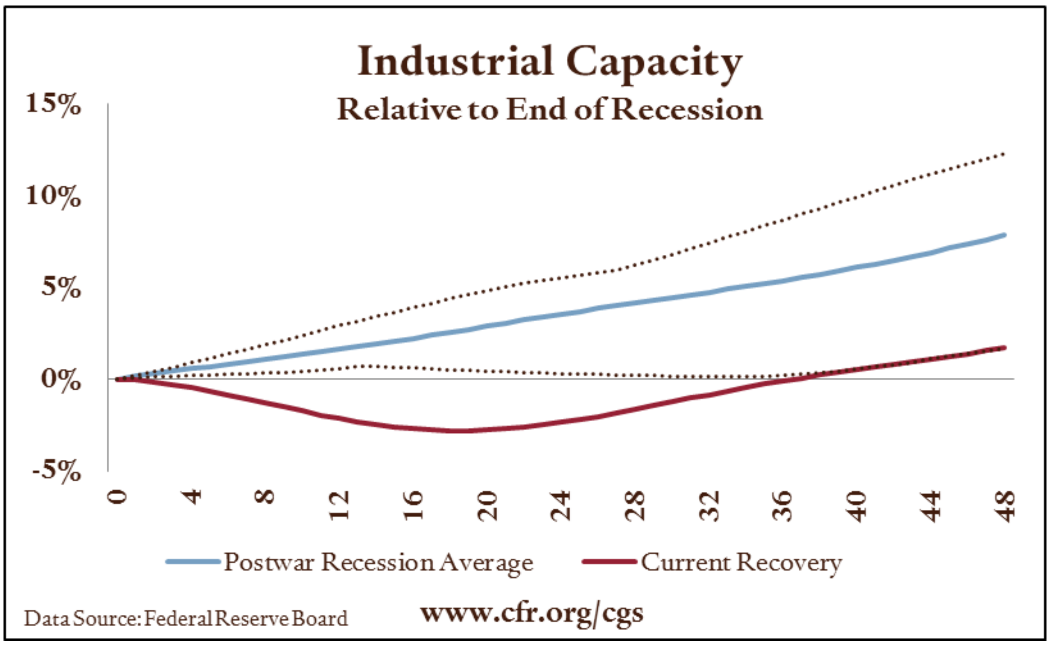
(Updated with second quarter data on 11/19/13.)



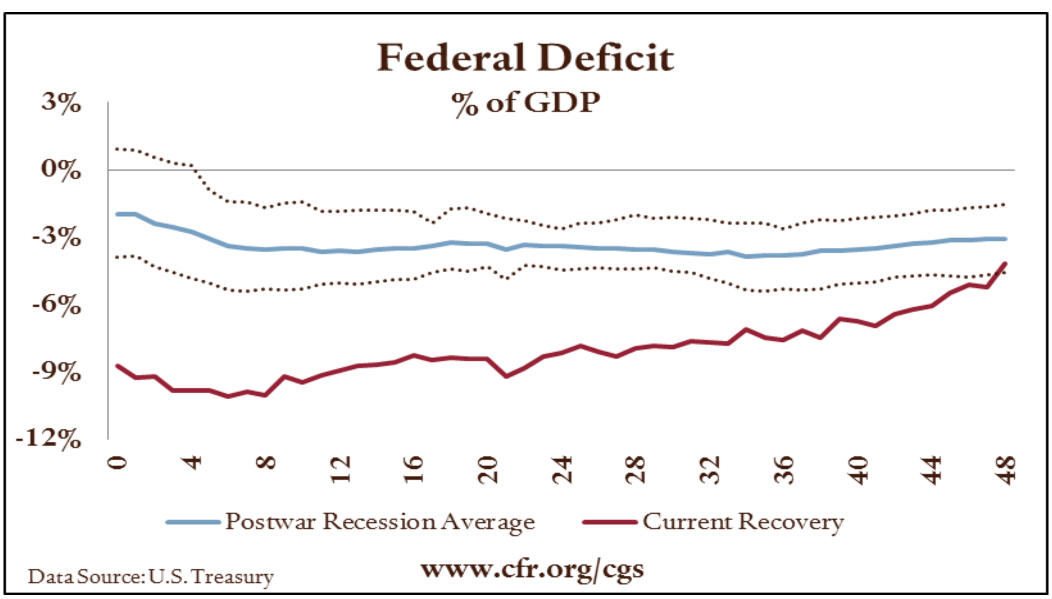
- Job losses continued throughout the first eight months of the recovery.
- Payrolls have increased for the past thirty-four consecutive months, adding 6.1 million jobs to the economy.
- However, there are still two million fewer Americans on nonfarm payrolls than there were at the start of 2008.



- Because of the depth of the recent recession, one might expect stronger-than-average improvement in industrial production.
- Despite the predicted snapback, the increase in industrial production during this recovery has been fairly typical of postwar recoveries.



- Capacity in manufacturing, mining, and electric and gas utilities usually grows steadily from the start of a recovery; however, during the current recovery, investment was initially so slow that capacity declined.
- Since the start of 2011, this trend has reversed itself and industrial capacity has steadily risen.
- Capacity is now 1.7 percent higher than it was at the start of the recovery.



- The federal deficit was much larger at the start of and throughout most of this recovery than it was in any other post–World War II era recovery.
- However, the deficit has shrunk rapidly in recent months and is now smaller than it was following the recessions of 1980 and 1981.
- The deficit has declined from over 9 percent of GDP at the start of the recovery to 4 percent of GDP as of June.