Recessions in Perspective

Scott Lee, president of Tauro Capital Advisors, Inc. Advisory Services, shares his insights on the current uncertainty in the CRE market and possible recession. Scott's observations and advice are grounded in his experience of 5 real estate cycles. Scott utilizes a chart from Wikipedia to illustrate all the recessions starting from the Great Depression, showing how long each lasted, time between each one, peak unemployment rates, GDP declines, and the 10-year treasury rates.

The Great Depression was the longest economic downfall in history and was followed by a much shorter recession just four years later. It was undoubtedly the worst, with peak unemployment reaching nearly 25% in 1933. The 10-year treasury is the benchmark used to decide mortgage rates across the US and is the most liquid and widely traded bond in the world. It is seen as a sign of investor sentiment and tracking of it started in 1962 charting its fluctuations daily. In the 80s, it rose to nearly 14%.

Scott experienced his first recession in the early 90s, after an eight-year gap from the Energy Crisis Recession that ended in 1982. Luckily, the Gulf War Recession only lasted eight months, and the GDP decline was not significant. The early 2000's saw a brief recession caused by the dot-com bubble.

The Great Recession of 2008 was the longest recession post WWII and is one most over the age of 21 experienced, and felt for many years thereafter. At the start of the COVID-19 pandemic, a two-month recession hit, resulting in over 20 million job losses due to the uncertainty caused by the pandemic. Today, there are opposing viewpoints as to whether we are currently in a recession or not. It has been three years since the last recession, and unemployment stands at a low rate of 3.5%. The 10-year treasury rate is similar to that during the Great Recession, and both are lower than anything before then but not as low as during the COVID-19 recession. The GDP decline is similar to that during the COVID-19 recession.

Scott advises that, with few exceptions, recessions are over quicker than realized, and it is essential to anticipate and prepare for the disruption they cause. He advises against fretting, encourages perseverance and that it is crucial to keep learning throughout.

There have been 20 recessions since the Great Depression, and our human nature is to get caught up with the potential turmoil. Unemployment has real implications, and most job losses are junior positions, meaning people with staying power are surviving unlike in 2008. It is essential to stay alert for opportunities.

In conclusion, Scott's presentation offers valuable insights and advice on the history of recessions, the current state of the economy, and how to navigate it. It is essential to remain vigilant, stay on top of the changing economic landscape, and look for opportunities. In Tauro's consulting business, Scott along with Karen Stager, and Jack Carroll are already seeing new opportunities for restructuring and workouts of loans, which will likely continue. Scott's experience is a valuable guide for anyone seeking to weather a recession and emerge stronger.

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Great Depression					
Period Range	Duration (months)	Time Since Previous Recession (months)	Peak Unemployment	10-Year	GDP decline (peak to trough)
Aug 1929 – Mar 1933	3 years 7 months	1 year 9 months	21.3% (1932) 24.9% (1933)	-	−26.7%
Characteristics					
A banking panic and a collapse in the money supply took place in the United States that was exacerbated by international commitment to the gold standard.Extensive new tariffs and other factors contributed to an extremely deep depression. GDP, industrial production, employment, and prices fell substantially. A small economic expansion within the depression began in 1933, with gold inflow expanding the money supply and improving expectations; the expansion would end in 1937. The ultimate recovery, which would occur with the start of World War II in 1940, was credited to monetary policy and monetary expansion.					

Recession of 1937–1938					
Period Range	Duration (months)	Time Since Previous Recession (months)	Peak Unemployment	10-Year	GDP decline (peak to trough)
May 1937 – Jun 1938	1 year 1 month	4 years 2 months	17.8% 19.0% (1938)	-	−18.2%
Characteristics					
The Recession of 1937 is only considered minor when compared to the Great Depression, but is otherwise among the worst recessions of the 20th century. Three explanations are offered as causes for the recession: the tight fiscal policy resulting from an attempt to balance the budget after New Deal spending; the tight monetary policy of the Federal Reserve; and the declining profits of businesses leading to a reduction in business investment.					

Recession of 1945					
Period Range	Duration (months)	Time Since Previous Recession (months)	Peak Unemployment	10-Year	GDP decline (peak to trough)
Feb 1945 – Oct 1945	8 months	6 years 8 months	5.2% (1945)	-	−12.7%
Characteristics					
The decline in government spending at the end of World War II led to an enormous drop in gross domestic product, making this technically a recession. This was the result of demobilization and the shift from a wartime to peacetime economy. The post-war years were unusual in a number of ways (unemployment was never high), and this era may be considered a "sui generis end-of-the-war recession".					

Recession of 1949

Period Range	Duration (months)	Time Since Previous Recession (months)	Peak Unemployment	10-Year	GDP decline (peak to trough)
Nov 1948 – Oct 1949	11 months	3 years 1 month	7.9% (1949)	-	−1.7%

Characteristics

The 1948 recession was a brief economic downturn; forecasters of the time expected much worse, perhaps influenced by the poor economy in their recent lifetimes. The recession also followed a period of monetary tightening.

Recession of 1953

Period Range	Duration (months)	Time Since Previous Recession (months)	Peak Unemployment	10-Year	GDP decline (peak to trough)
Jul 1953 – May 1954	10 months	3 years 9 months	6.1% (1954)	-	−2.6%

Characteristics

After a post-Korean War inflationary period, more funds were transferred to national security. In 1951, the Federal Reserve reasserted its independence from the U.S. Treasury and in 1952, the Federal Reserve changed monetary policy to be more restrictive because of fears of further inflation or of a bubble forming.

Recession of 1958

Period Range	Duration (months)	Time Since Previous Recession (months)	Peak Unemployment	10-Year	GDP decline (peak to trough)
Aug 1957 – Apr 1958	8 months	3 years 3 months	7.5% (1958)	-	−3.7%

Characteristics

Monetary policy was tightened during the two years preceding 1957, followed by an easing of policy at the end of 1957. The budget balance resulted in a change in budget surplus of 0.8% of GDP in 1957 to a budget deficit of 0.6% of GDP in 1958, and then to 2.6% of GDP in 1959.

Recession of 1960–1961

Period Range	Duration (months)	Time Since Previous Recession (months)	Peak Unemployment	10-Year	GDP decline (peak to trough)
Apr 1960 – Feb 1961	10 months	2 years	7.1% (1961)	4.00%	–1.6%

Characteristics

Another primarily monetary recession occurred after the Federal Reserve began raising interest rates in 1959. The government switched from deficit (or 2.6% in 1959) to surplus (of 0.1% in 1960). When the economy emerged from this short recession, it began the second-longest period of growth in NBER history. The Dow Jones Industrial Average (Dow) finally reached its lowest point on February 20, 1961, about 4 weeks after President John F. Kennedy was inaugurated.

Recession of 1969–1970

Period Range	Duration (months)	Time Since Previous Recession (months)	Peak Unemployment	10-Year	GDP decline (peak to trough)
Dec 1969 – Nov 1970	11 months	8 years 10 months	6.1% (1970)	7.35%	–0.6%

Characteristics

The relatively mild 1969 recession followed a lengthy expansion. At the end of the expansion, inflation was rising, possibly a result of increased deficits. This relatively mild recession coincided with an attempt to start closing the budget deficits of the Vietnam War (fiscal tightening) and the Federal Reserve raising interest rates (monetary tightening).

1973–1975 Recession

Period Range	Duration (months)	Time Since Previous Recession (months)	Peak Unemployment	10-Year	GDP decline (peak to trough)
Nov 1973 – Mar 1975	1 year 4 months	3 years	9% (1975)	6.85%	–3.2%

Characteristics

The 1973 oil crisis, a quadrupling of oil prices by OPEC, coupled with the 1973–1974 stock market crash led to a stagflation recession in the United States.

1980 Recession

Period Range	Duration (months)	Time Since Previous Recession (months)	Peak Unemployment	10-Year	GDP decline (peak to trough)
Jan 1980 – Jul 1980	6 months	4 years 10 months	7.8% (1980)	11.43%	−2.2%

Characteristics

The NBER considers a very short recession to have occurred in 1980, followed by a short period of growth and then a deep recession. Unemployment remained relatively elevated in between recessions. The recession began as the Federal Reserve, under Paul Volcker, raised interest rates dramatically to fight the inflation of the 1970s. The early 1980s are sometimes referred to as a "double-dip" or "W-shaped" recession.

1981–1982 Recession

Period Range	Duration (months)	Time Since Previous Recession (months)	Peak Unemployment	10-Year	GDP decline (peak to trough)
Jul 1981 – Nov 1982	1 year 4 months	1 year	10.8% (1982)	13.92% 13.01%	−2.7%

Characteristics

The Iranian Revolution sharply increased the price of oil around the world in 1979, causing the 1979 energy crisis. This was caused by the new regime in power in Iran, which exported oil at inconsistent intervals and at a lower volume, forcing prices up. Tight monetary policy in the United States to control inflation led to another recession. The changes were made largely because of inflation carried over from the previous decade because of the 1973 oil crisis and the 1979 energy crisis.

Early 1990s Recession

Period Range	Duration (months)	Time Since Previous Recession (months)	Peak Unemployment	10-Year	GDP decline (peak to trough)
Jul 1990 – Mar 1991	8 months	7 years 8 months	7.8% (1992)	8.55%	−1.4%

Characteristics

After the lengthy peacetime expansion of the 1980s, inflation began to increase and the Federal Reserve responded by raising interest rates from 1986 to 1989. This weakened but did not stop growth, but some combination of the subsequent 1990 oil price shock, the debt accumulation of the 1980s, and growing consumer pessimism combined with the weakened economy to produce a brief recession.

Early 2000s Recession

Period Range	Duration (months)	Time Since Previous Recession (months)	Peak Unemployment	10-Year	GDP decline (peak to trough)
Mar 2001 – Nov 2001	8 months	10 years	6.3% (2003)	6.03%	–0.3%

Characteristics

The 1990s were the longest period of economic growth in American history up to that point. The collapse of the speculative dot-com bubble, a fall in business outlays and investments, and the September 11th attacks brought the decade of growth to an end. Despite these major shocks, the recession was brief and shallow.

Great Recession

Period Range	Duration (months)	Time Since Previous Recession (months)	Peak Unemployment	10-Year	GDP decline (peak to trough)
Dec 2007 – Jun 2009	1 year 6 months	6 years 1 month	10% (2009)	4.63% - 3.26%	–5.1%

Characteristics

The subprime mortgage crisis led to the collapse of the United States housing bubble. Falling housing-related assets contributed to a global financial crisis, even as oil and food prices soared. The crisis led to the failure or collapse of many of the United States' largest financial institutions: Bear Stearns, Fannie Mae, Freddie Mac, Lehman Brothers, and AIG, as well as a crisis in the automobile industry. The government responded with an unprecedented $700 billion bank bailout and $787 billion fiscal stimulus package. The National Bureau of Economic Research declared the end of this recession over a year after the end date. The Dow Jones Industrial Average (Dow) finally reached its lowest point on March 9, 2009.

COVID-19 Recession

Period Range	Duration (months)	Time Since Previous Recession (months)	Peak Unemployment	10-Year	GDP decline (peak to trough)
Feb 2020 – Apr 2020	2 months	10 years 6 months	14.7% (2020)	0.89%	-0.192

Characteristics

The economic effects of the pandemic were severe after the first quarter of 2020. More than 24 million people lost jobs in the United States in just three weeks in April. Official economic impact of the virus is still being determined, but the recession was one of the shortest on record, helped in part by online purchases, zero interest rates, and printing of huge amounts of money by the Fed to prop up the stock market.

2023 Recession					
Period Range	Duration (months)	Time Since Previous Recession (months)	Peak Unemployment	10-Year	GDP decline (peak to trough)
??? 2023 – ??? 2023	? months	@ 3 years	3.5% (Today)	3.60%	-0.192

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