

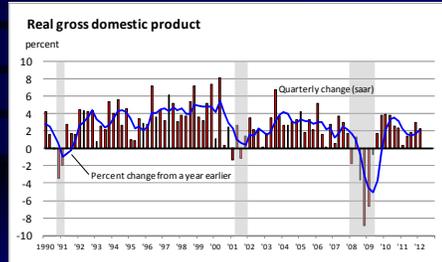
Economic Outlook for 2012 and 2013

National Association of
 Personal Financial Advisors
 Chicago, IL
 May 10, 2012

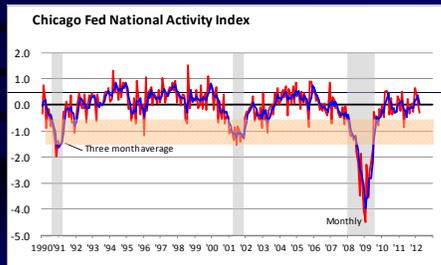
William Strauss
 Senior Economist
 and Economic Advisor
 Federal Reserve Bank of Chicago



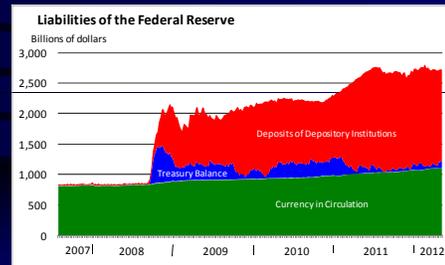
The "Great Recession" ended in June 2009,
 but the economy expanded by just 2.1% over the past year



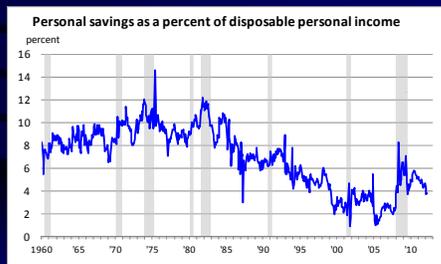
The Chicago Fed National Activity Index
 3-month average is near zero



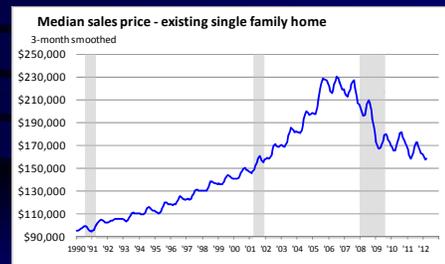
The liabilities side of the Fed's balance sheet
 shows large amount of excess reserves



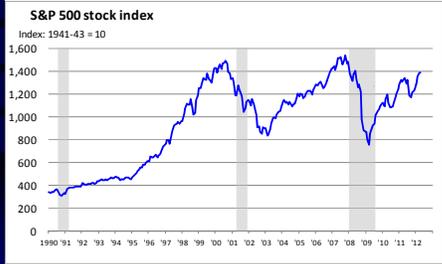
The personal savings rate has recently moved lower



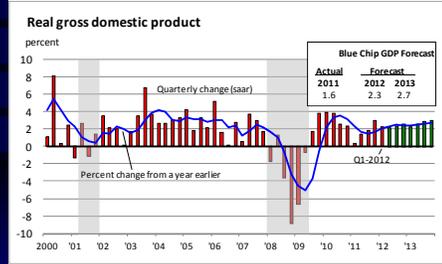
Existing home prices fell by over 30%



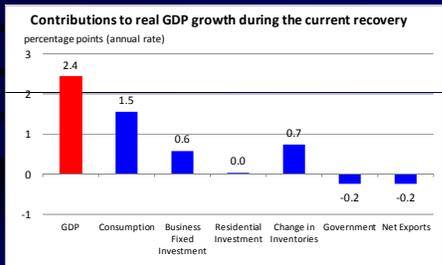
The stock market has improved since March 2009, but remains below previous levels



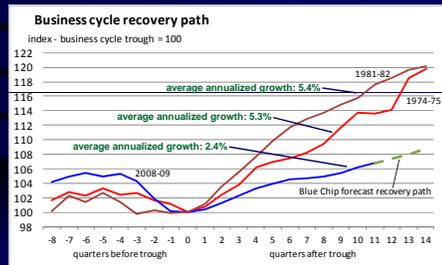
GDP is forecast to grow near trend in 2012 and slightly above trend in 2013



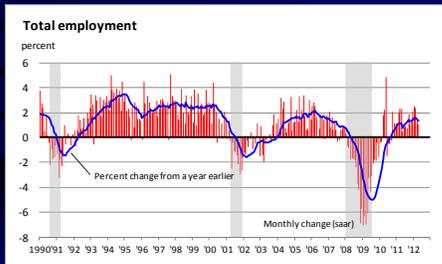
The recovery has been led by the consumer and business sectors



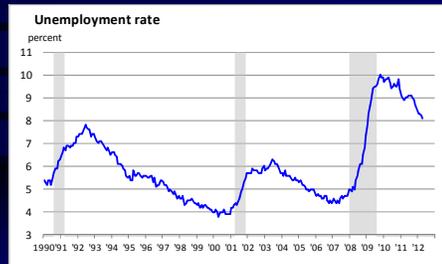
The forecast path of the current recovery is relatively muted compared with past deep recession recovery cycles

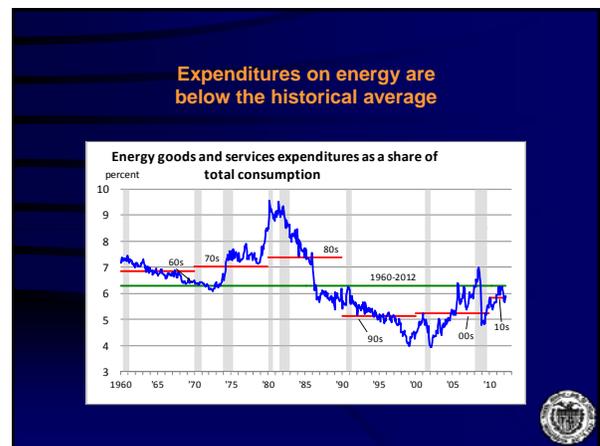
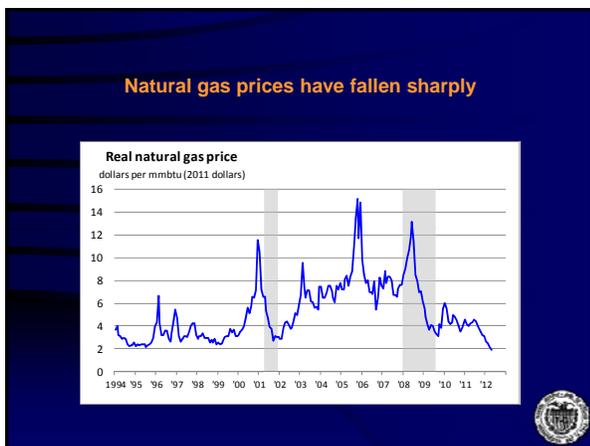
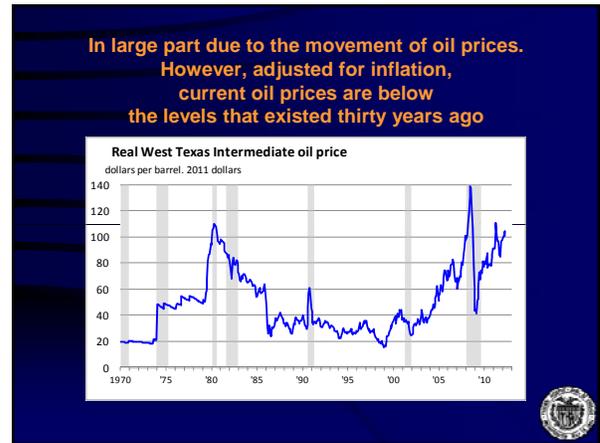
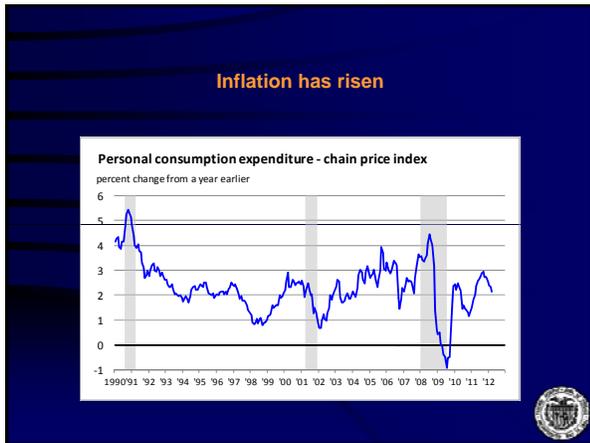
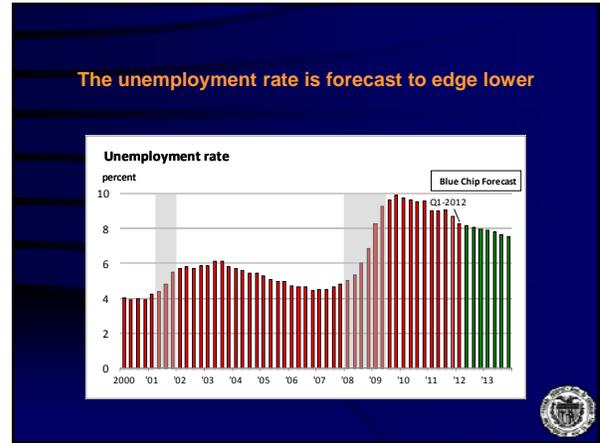
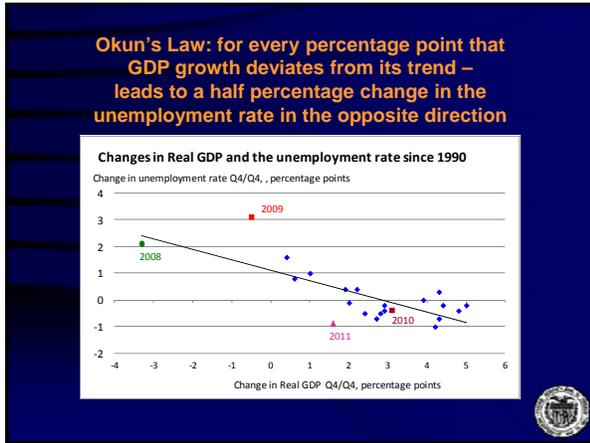


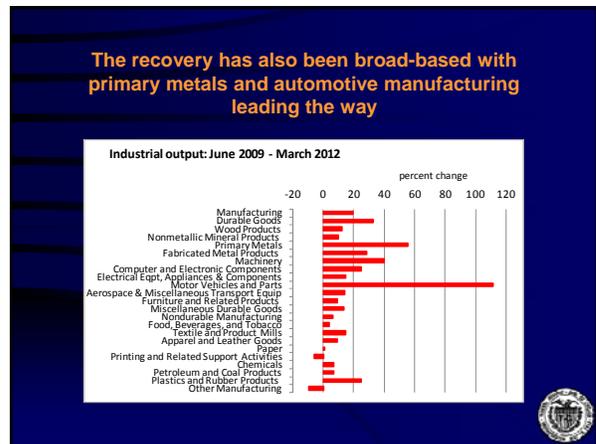
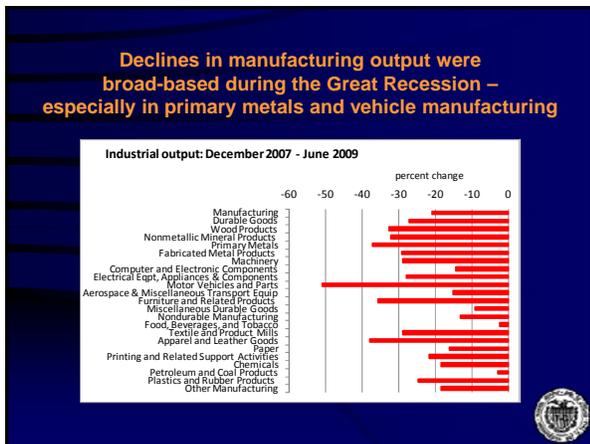
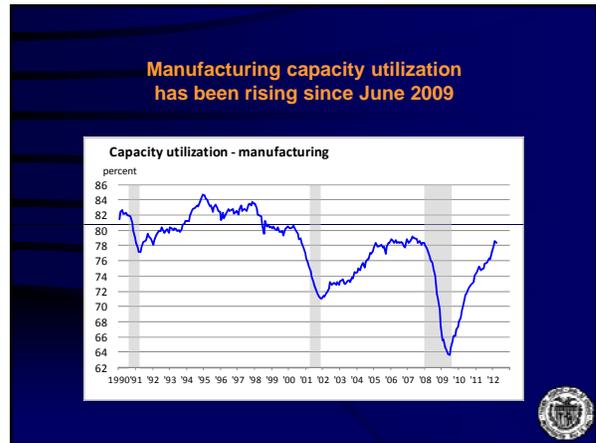
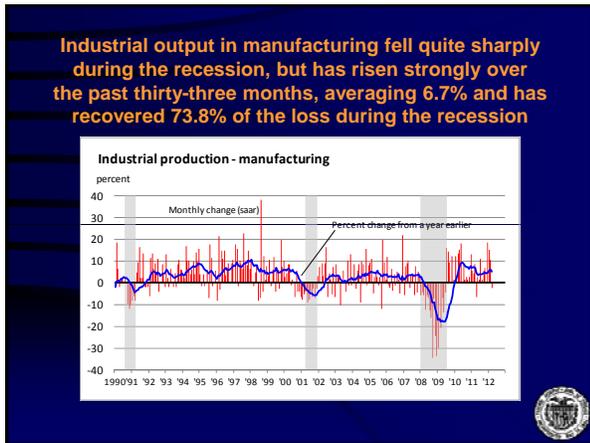
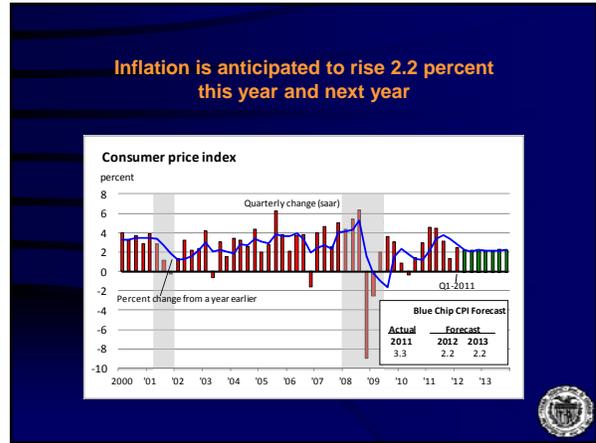
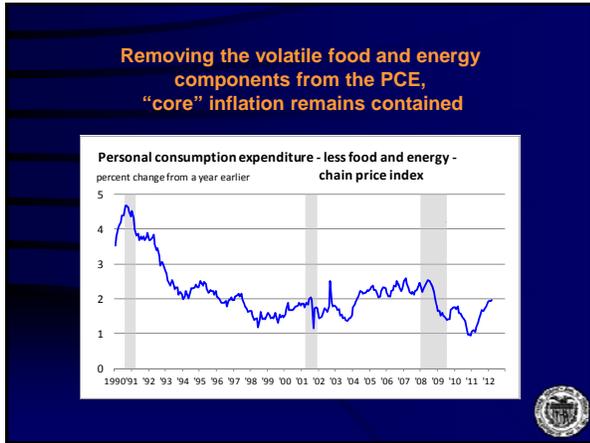
Employment fell by over 8.7 million jobs between December 2007 and February 2010, but began to rise and has added 1.8 million jobs over the past 12 months



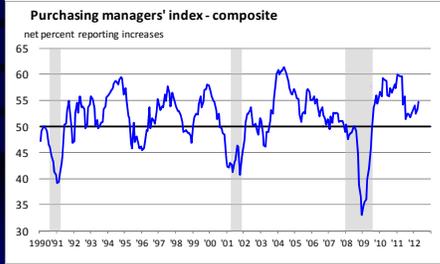
After peaking in October 2009, the unemployment rate has fallen by 1.9 percentage points



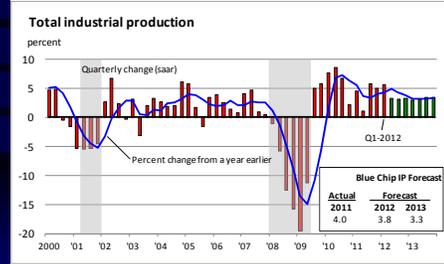




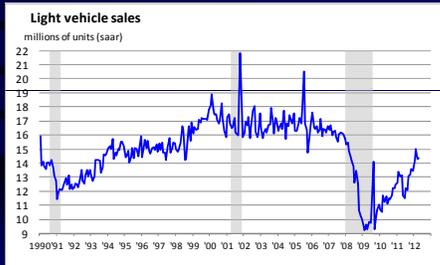
The purchasing managers index remains above 50



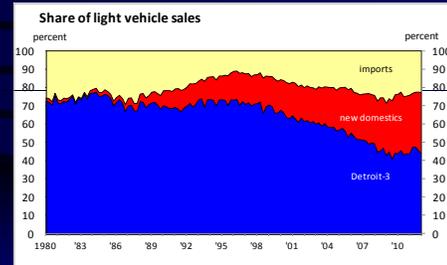
Industrial production is forecast to rise at a solid pace



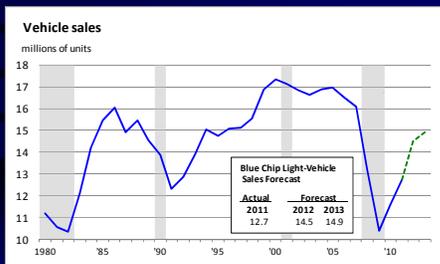
Light vehicle sales have markedly improved



Increases in new domestic production share has offset losses in Detroit-3 market share

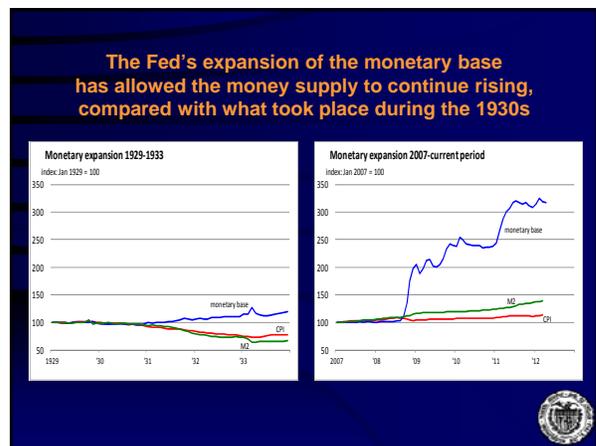
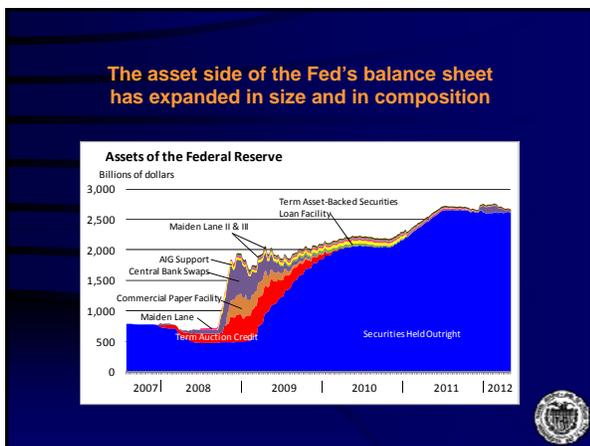
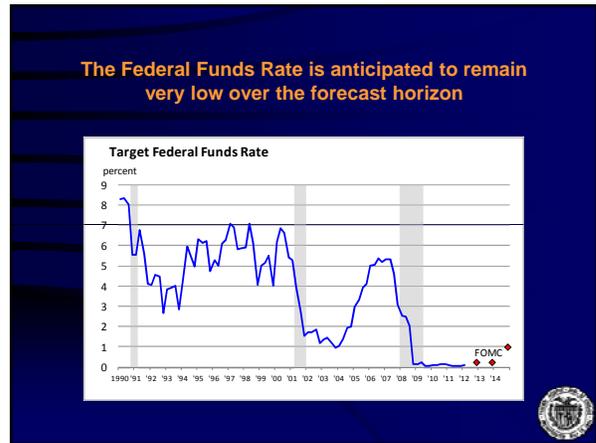
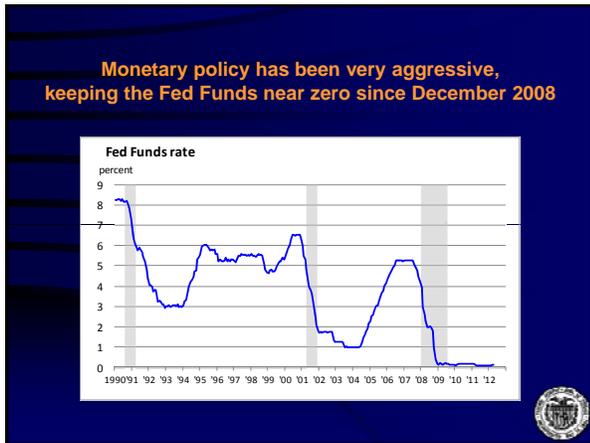
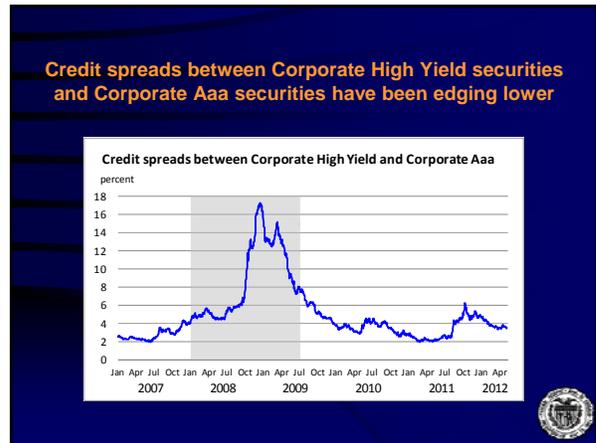
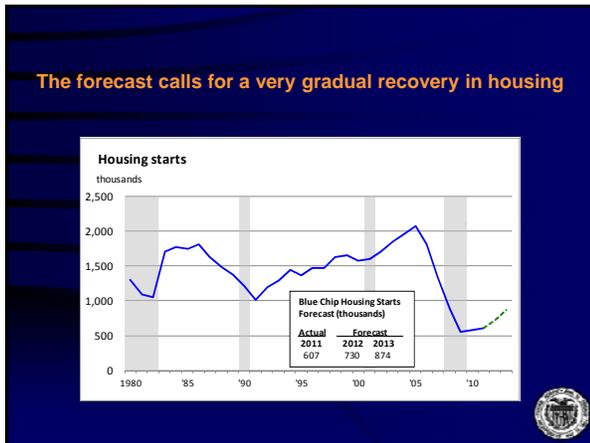


Vehicle sales are expected to rise this year and next year



Housing starts fell to a post WWII low





Summary

- The outlook is for the U.S. economy to expand at a pace below trend this year and slightly above trend in 2013
- Employment is expected to rise moderately with the unemployment rate edging lower
- Slackness in the economy will lead to a relatively contained inflation rate
- Vehicle sales are anticipated to rise at a good pace
- Growth in manufacturing output should be solid



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