

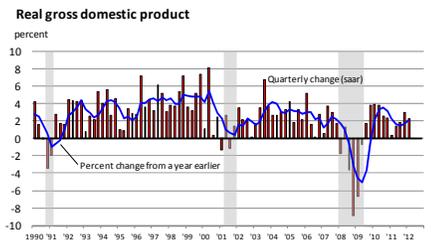
Economic Outlook for 2012 and 2013

Ship Masters
 Chicago, IL
 May 9, 2012

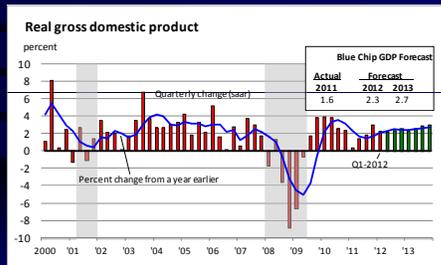
William Strauss
 Senior Economist
 and Economic Advisor
 Federal Reserve Bank of Chicago



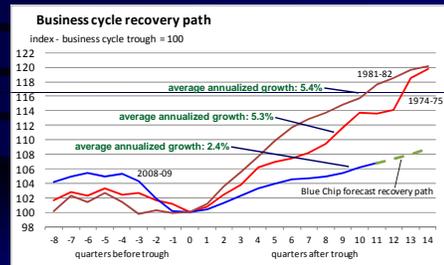
The "Great Recession" ended in June 2009, but the economy expanded by just 2.1% over the past year



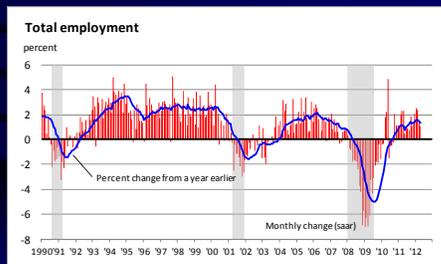
GDP is forecast to grow near trend in 2012 and slightly above trend in 2013



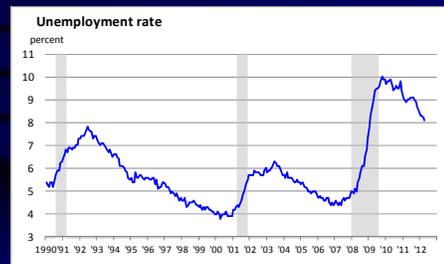
The forecast path of the current recovery is relatively muted compared with past deep recession recovery cycles



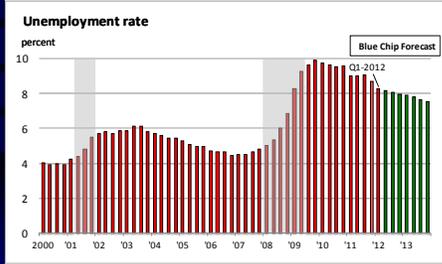
Employment fell by over 8.7 million jobs between December 2007 and February 2010, but began to rise and has added 1.8 million jobs over the past 12 months



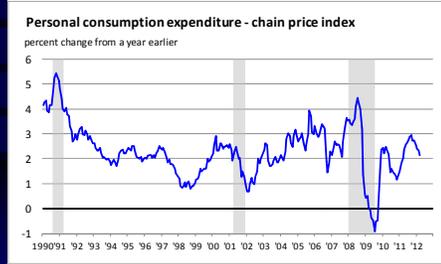
After peaking in October 2009, the unemployment rate has fallen by 1.9 percentage points



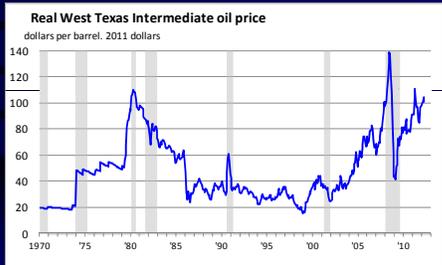
The unemployment rate is forecast to edge lower



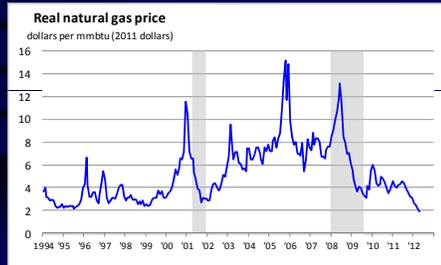
Inflation has risen



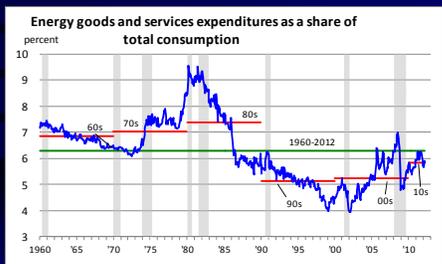
**In large part due to the movement of oil prices.
 However, adjusted for inflation,
 current oil prices are below
 the levels that existed thirty years ago**



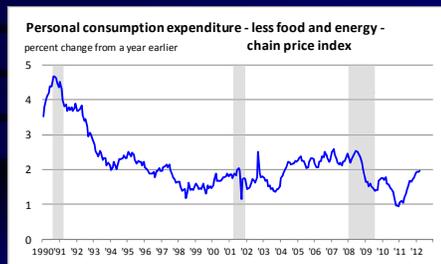
Natural gas prices have fallen sharply

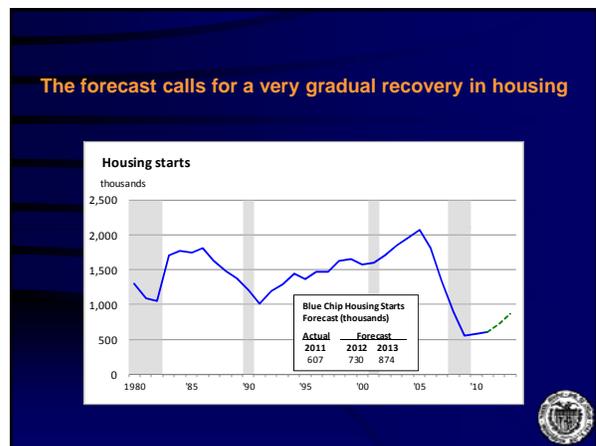
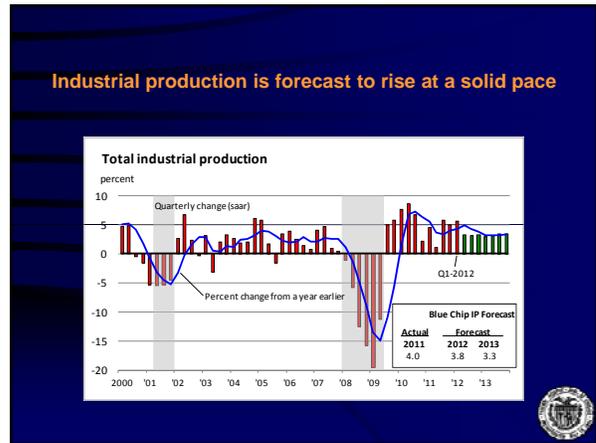
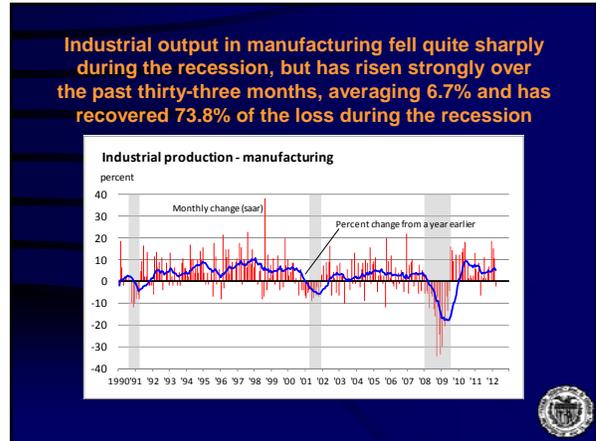
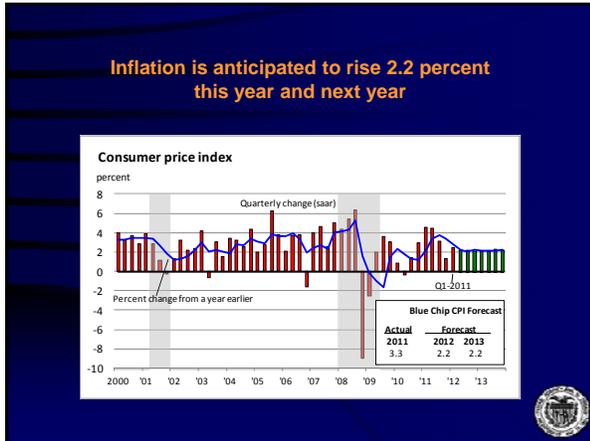


**Expenditures on energy are
 below the historical average**



**Removing the volatile food and energy
 components from the PCE,
 "core" inflation remains contained**





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