

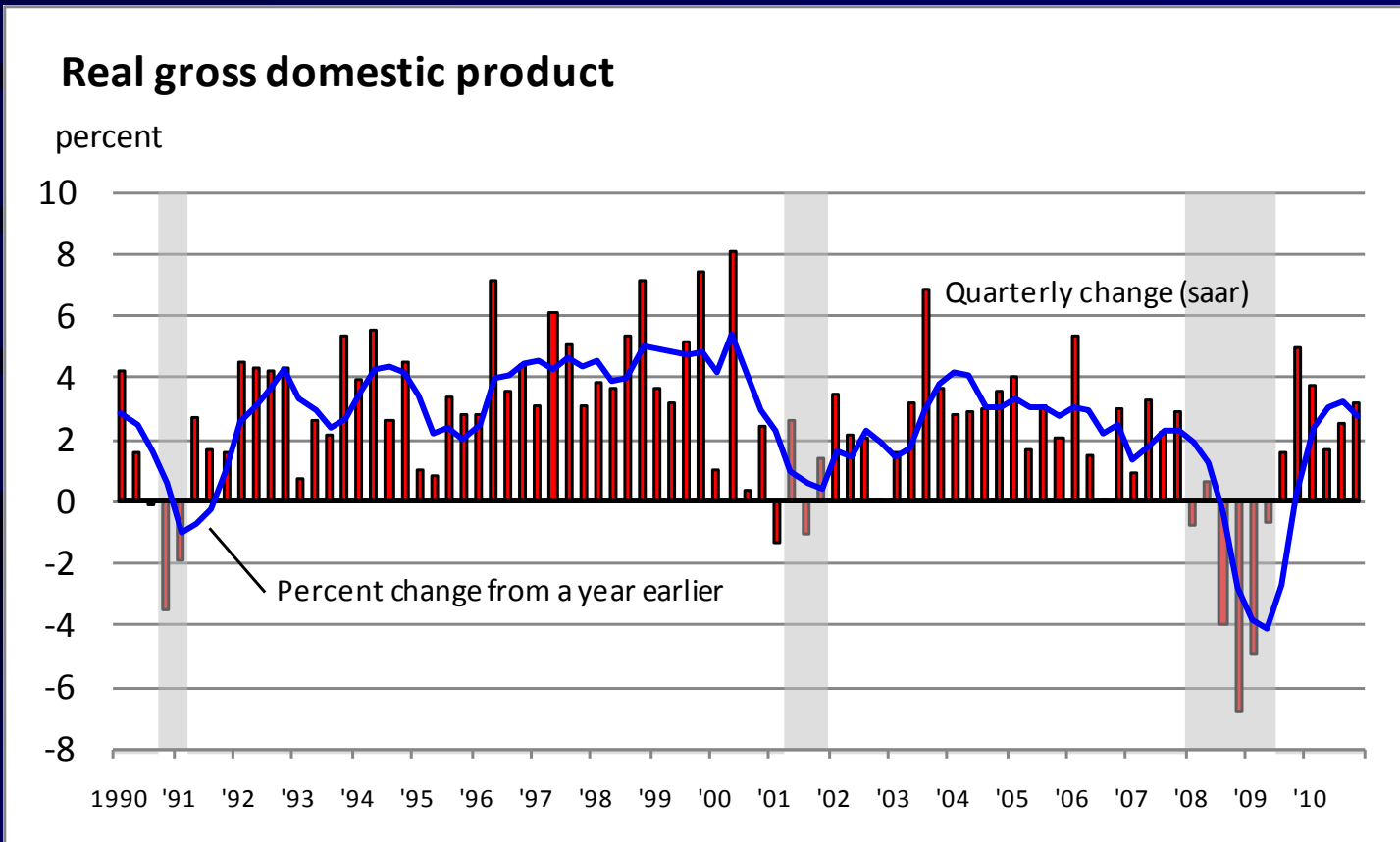
# Fed Overview/Economic Outlook

**Opportunity Finance Network  
Chicago, IL February 10, 2011**

**Bill Testa**  
Vice President and Economic  
Adviser  
Federal Reserve Bank of Chicago

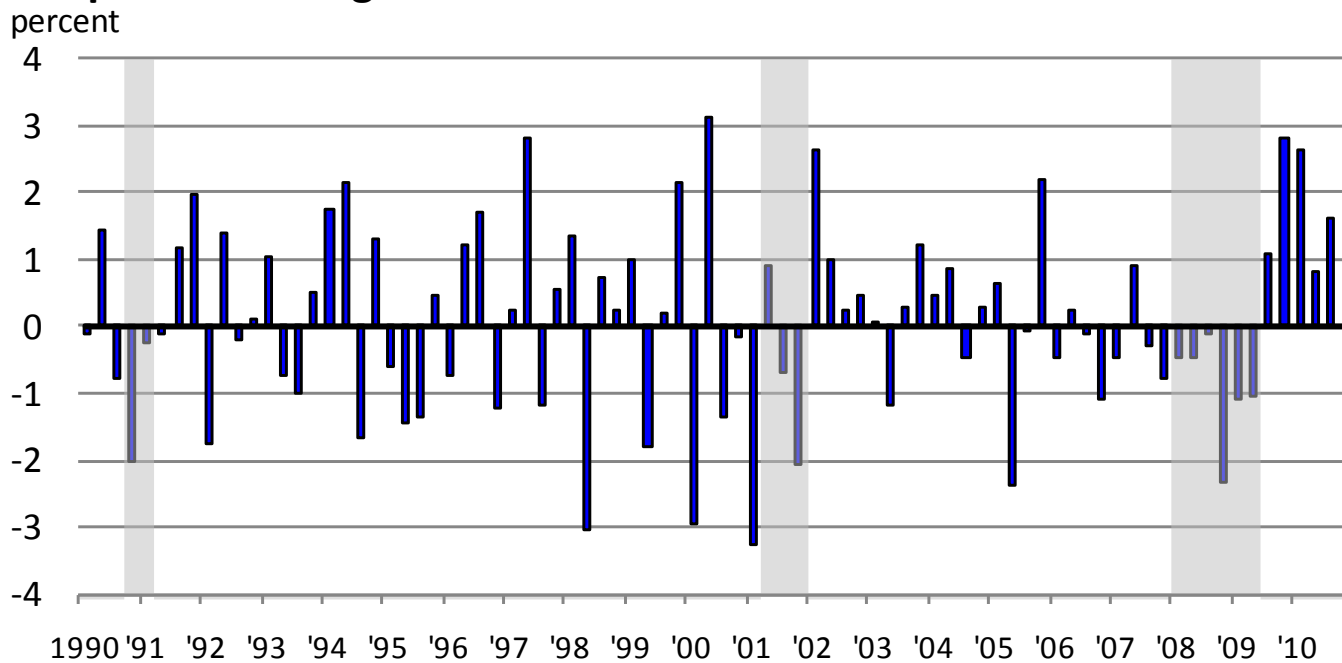


# The “Great Recession” ended in June 2009 and the economy expanded by 2.8% over the past year



# Inventories have contributed substantially to the growth in GDP since the start of the recovery, accounting for 62% of the growth

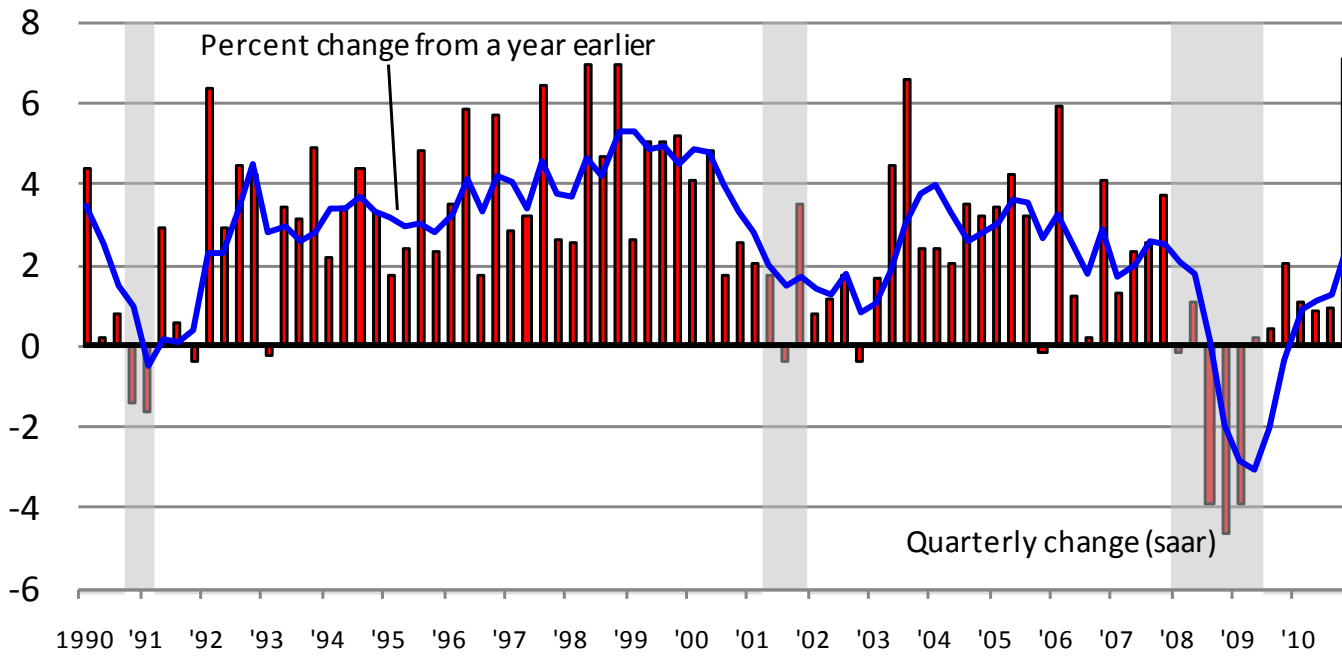
## Change in inventory investment contribution to percent change in real GDP



# Final sales had been increasing at a slow pace

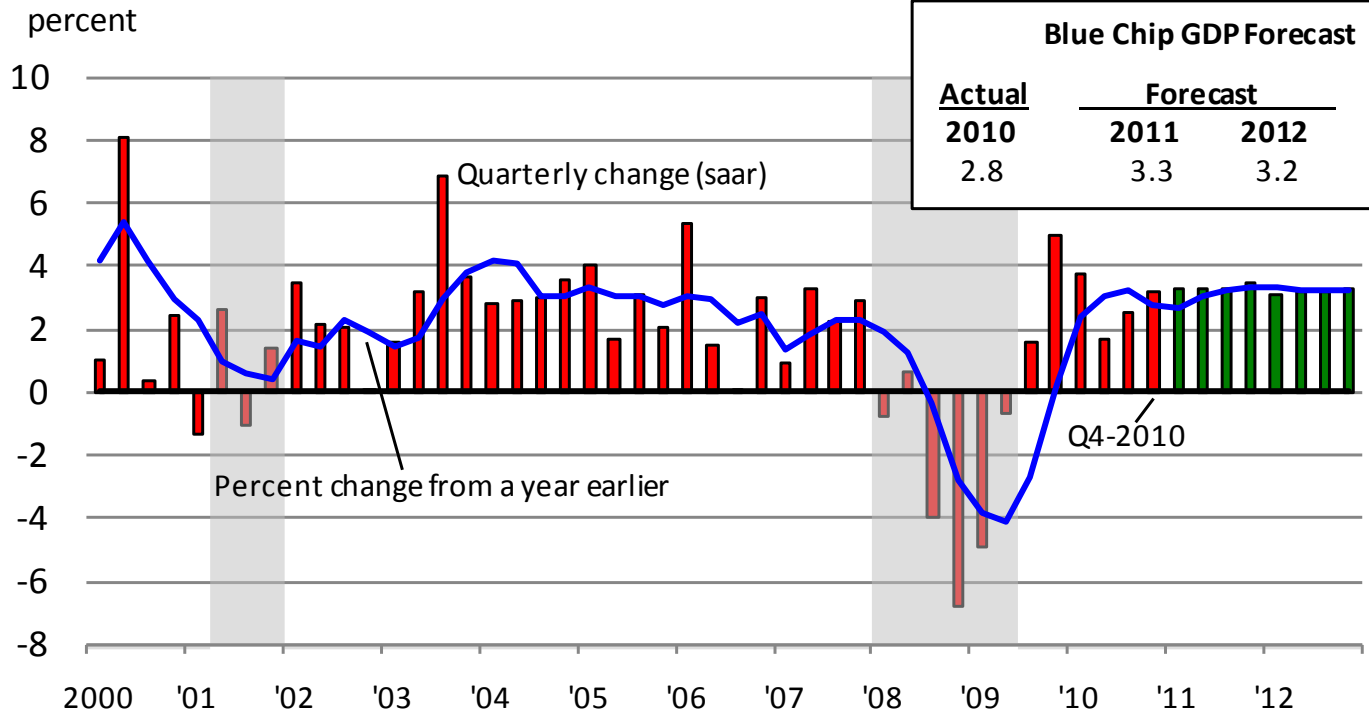
## Final sales

percent



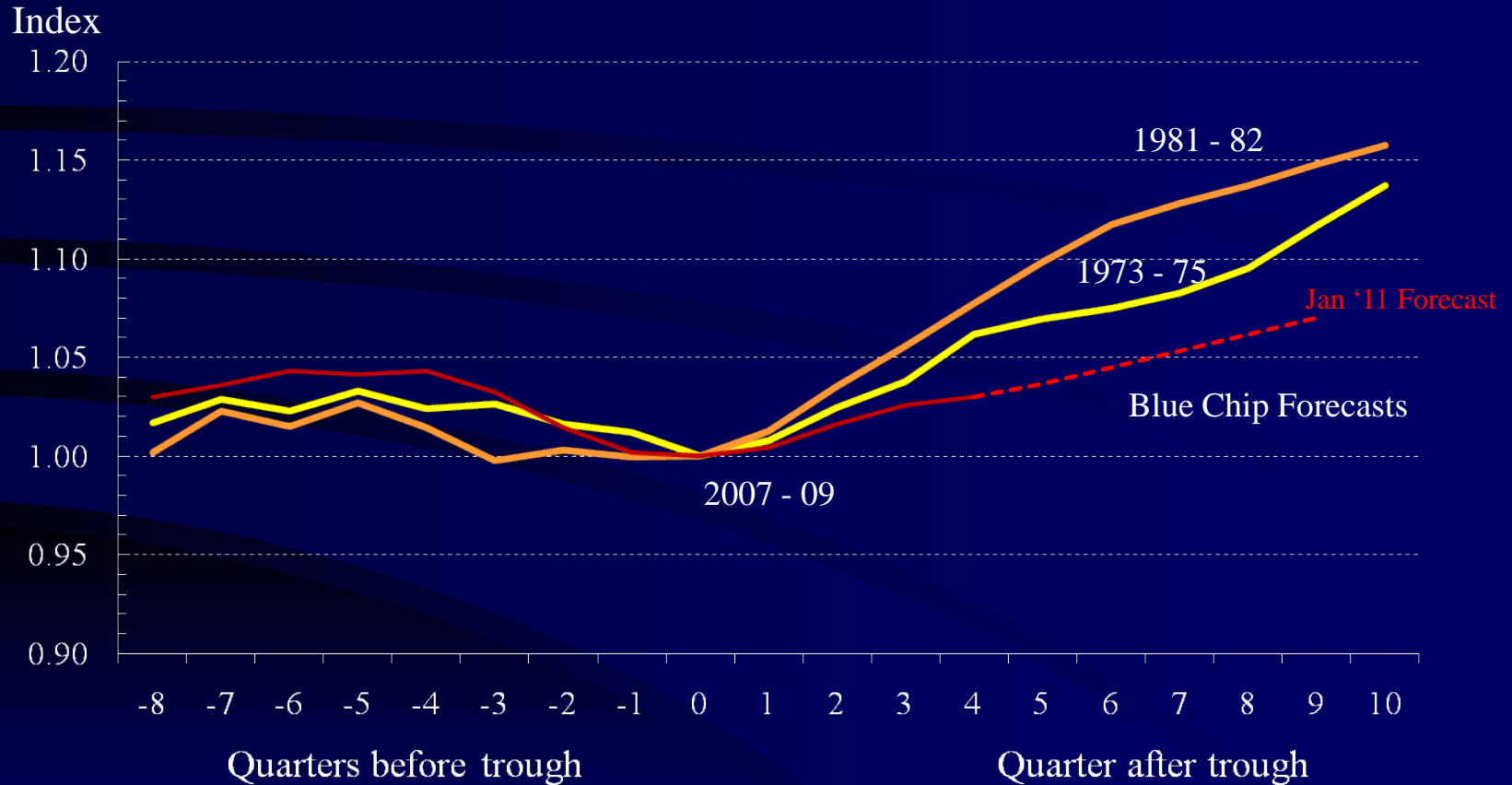
# GDP is forecast to grow around trend in 2010 and slightly above trend in 2011

## Real gross domestic product



The forecast path for the current recovery remains extremely modest but prospects are improving

## GDP Recovery Path, Trough = 100

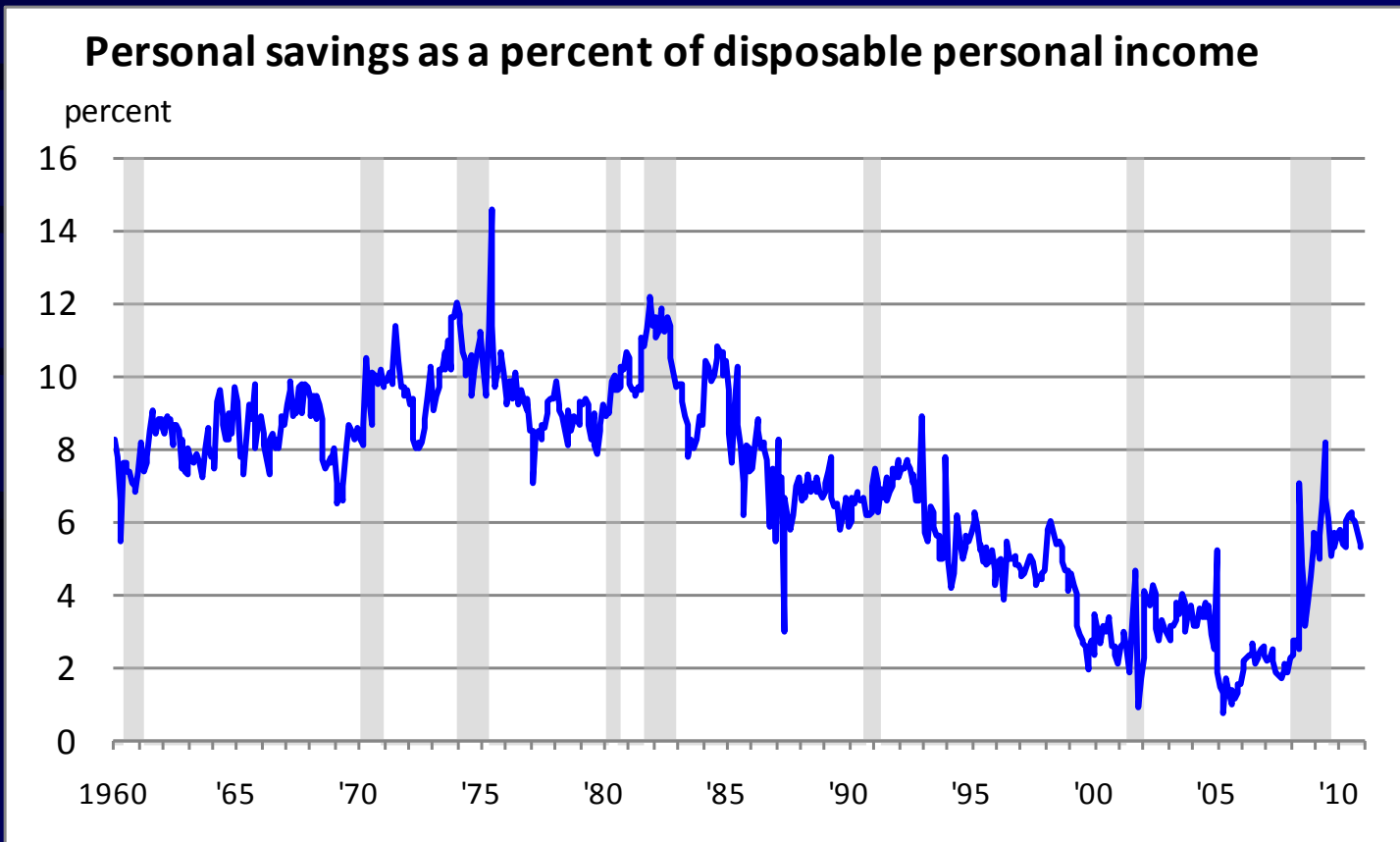


# Origins of slow recovery: Wealth Destruction

## What is your number?

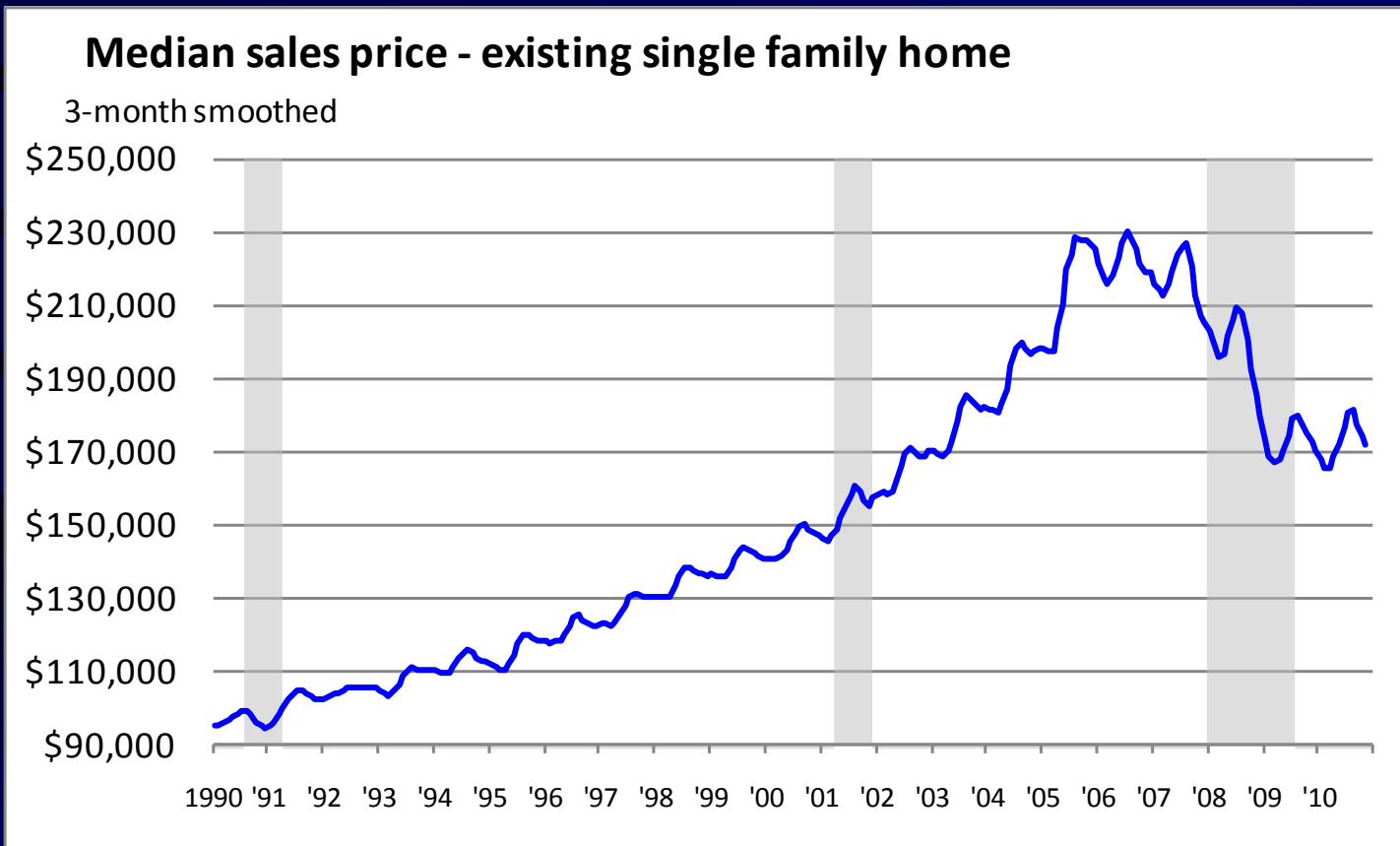


# Personal savings rate has increased

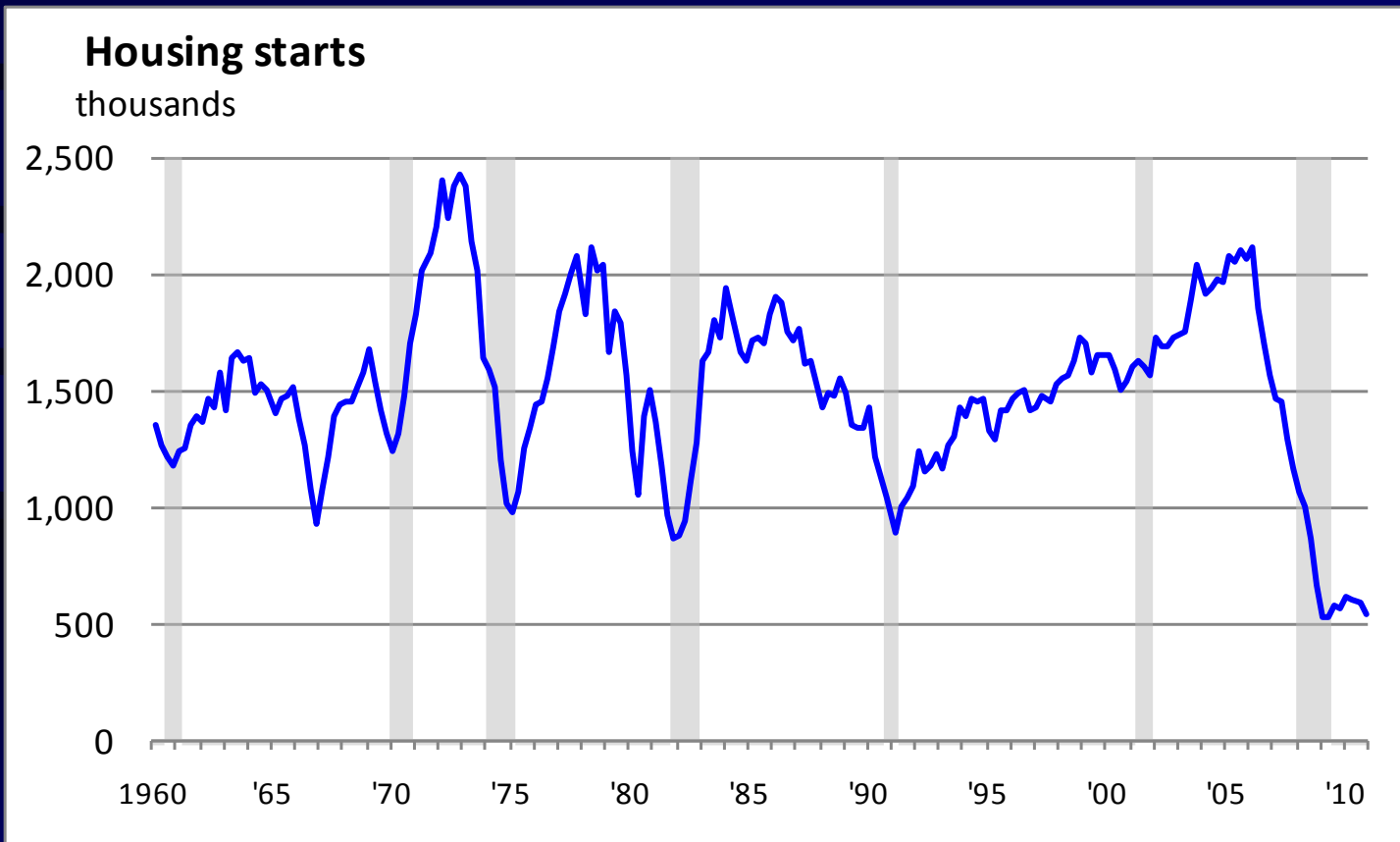




# Existing home prices fell by over 25%



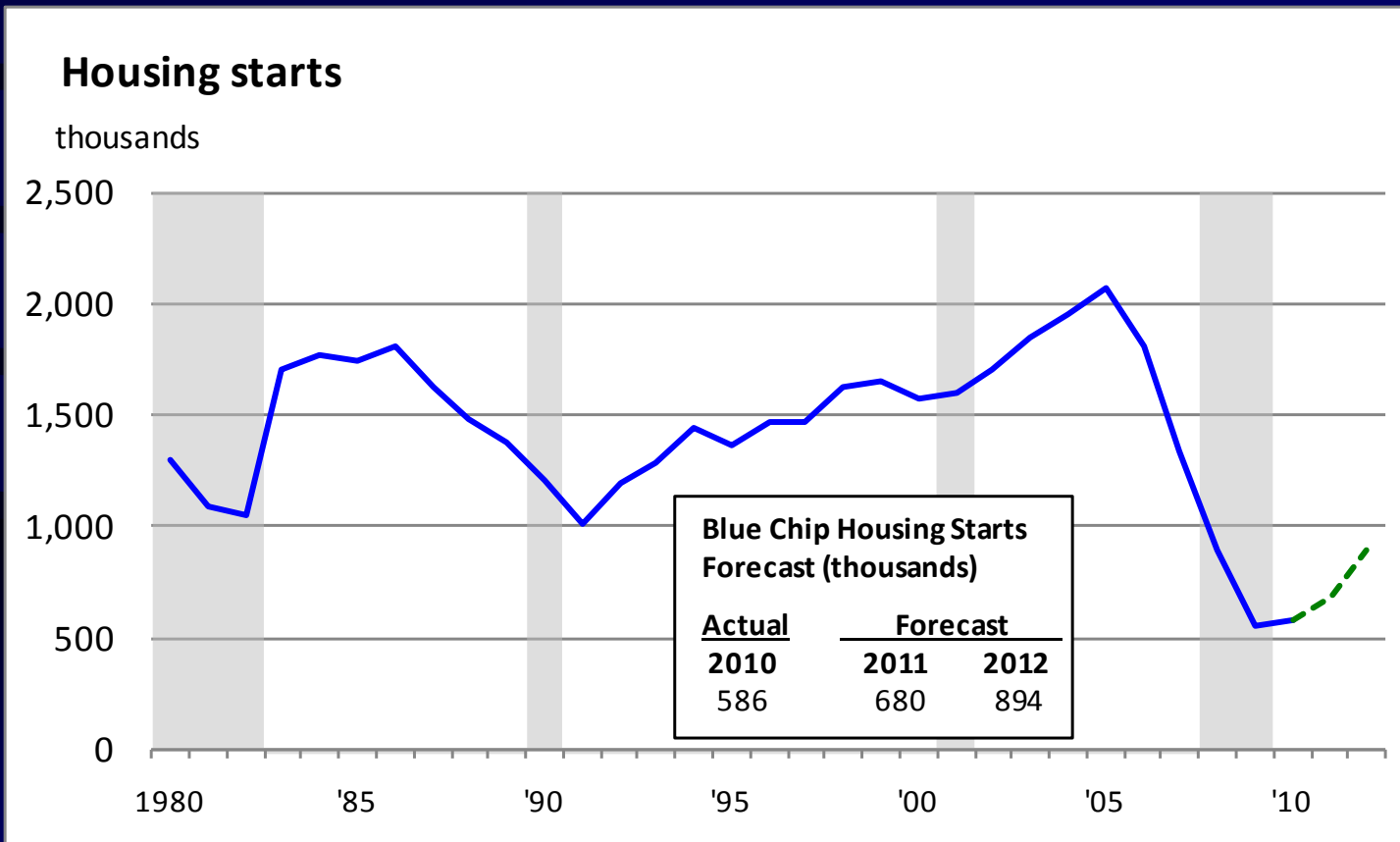
# Housing starts fell to a post WWII low



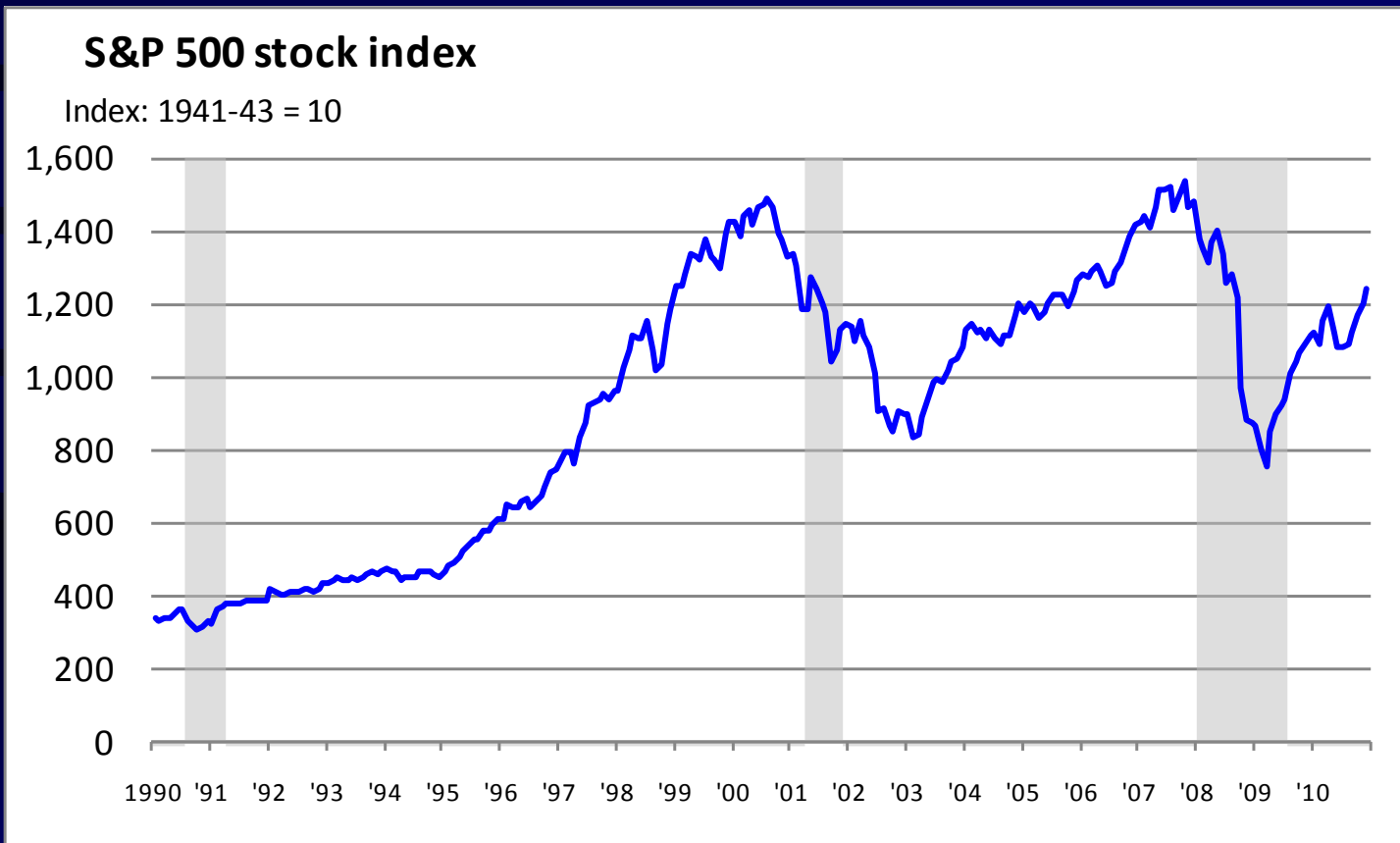
# Foreclosure filings are quite high in California, Florida, Nevada and Arizona



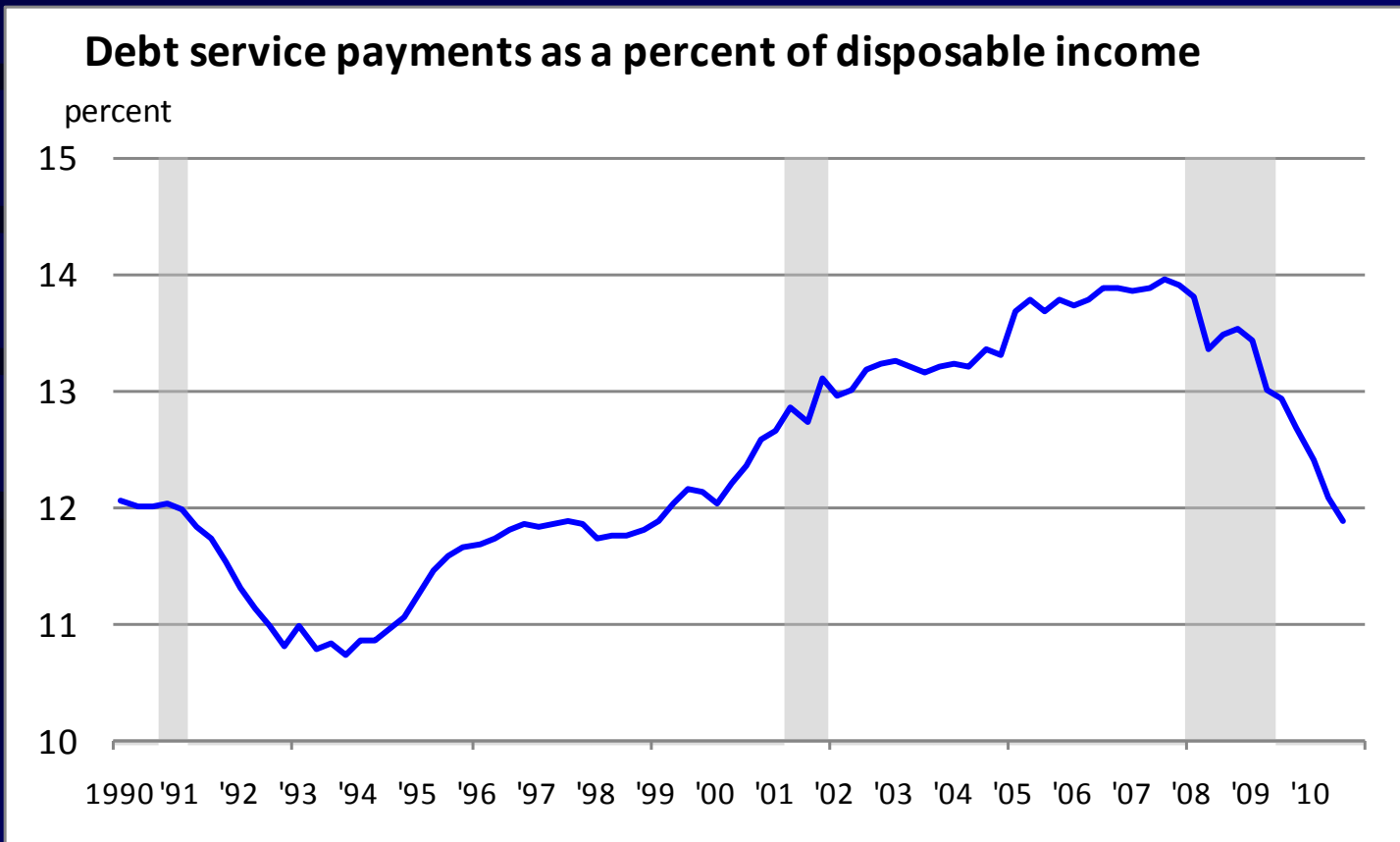
# The forecast calls for a very slow recovery in housing



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



# Debt service payments have been falling quite sharply

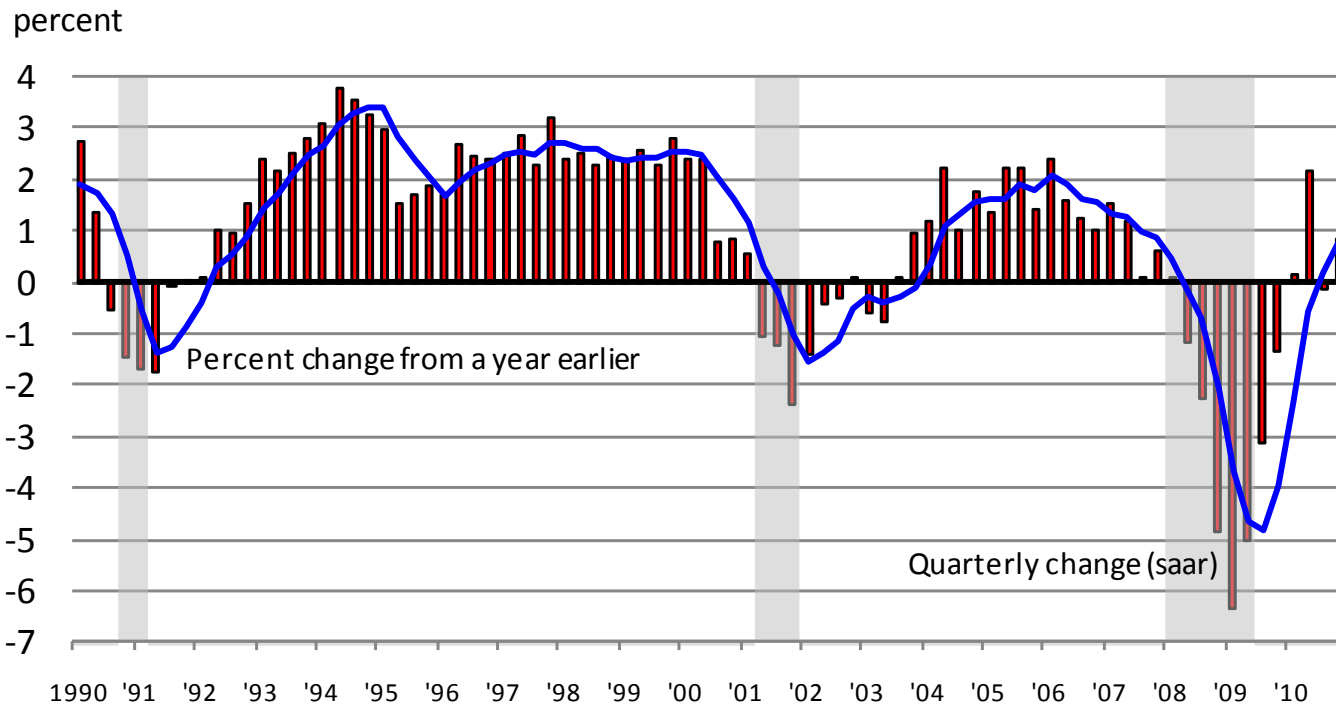


# Poor labor market adds to consumers' caution



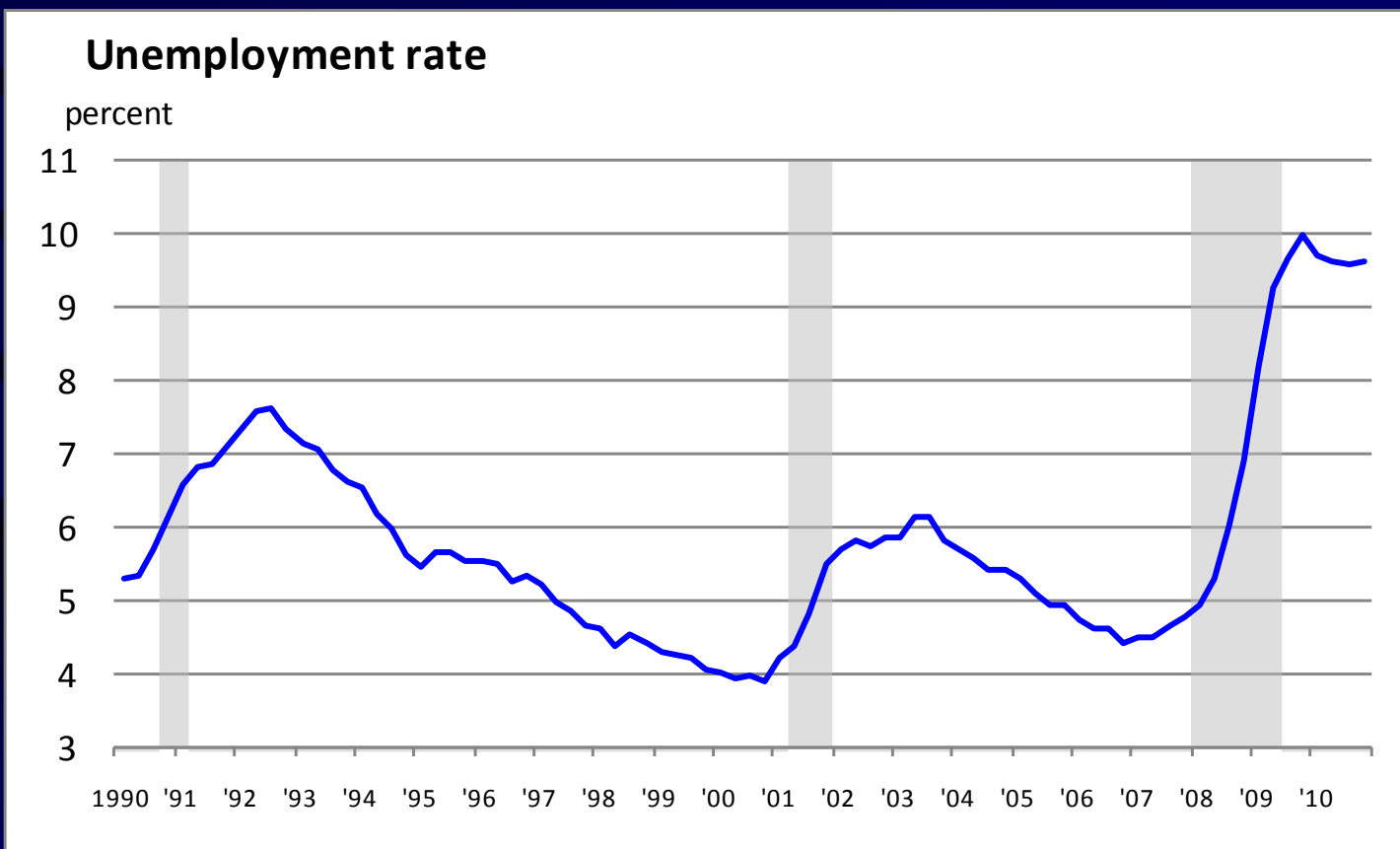
# Employment fell by nearly 8.4 million jobs between December 2007 and December 2009, but it began to rise in 2010

## Total employment

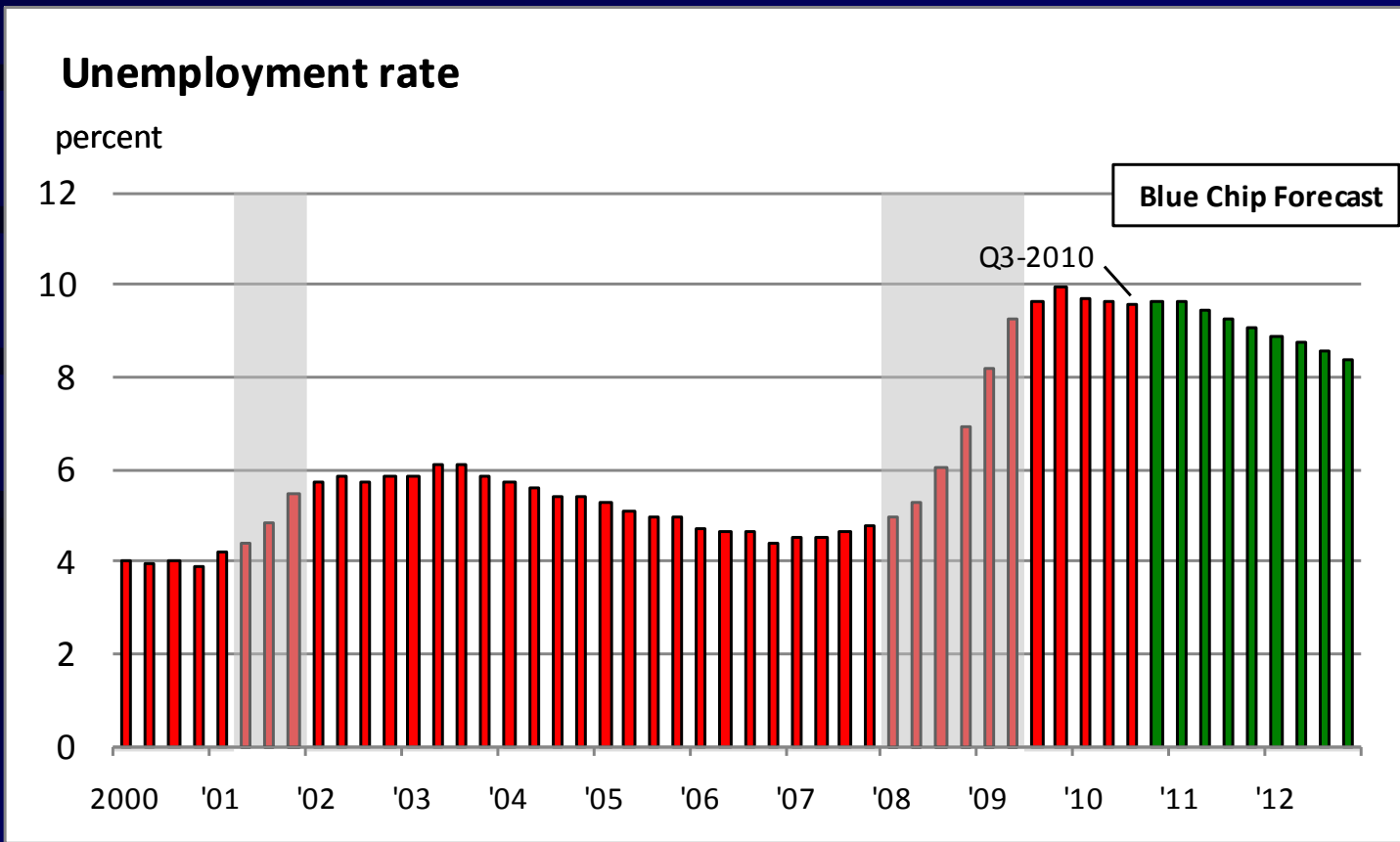




# The unemployment rate only edged lower during 2010

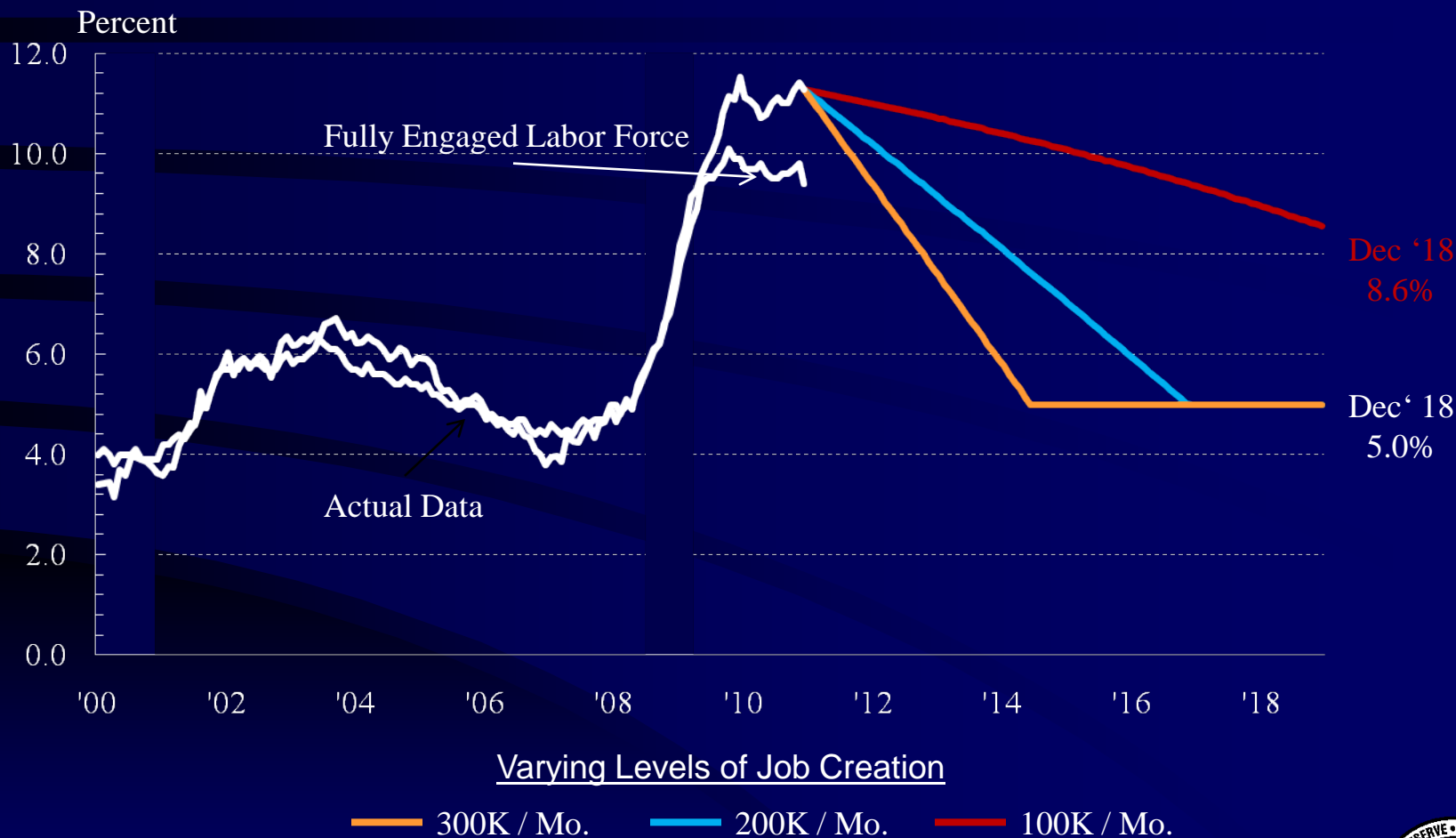


# The unemployment rate is forecast to edge lower

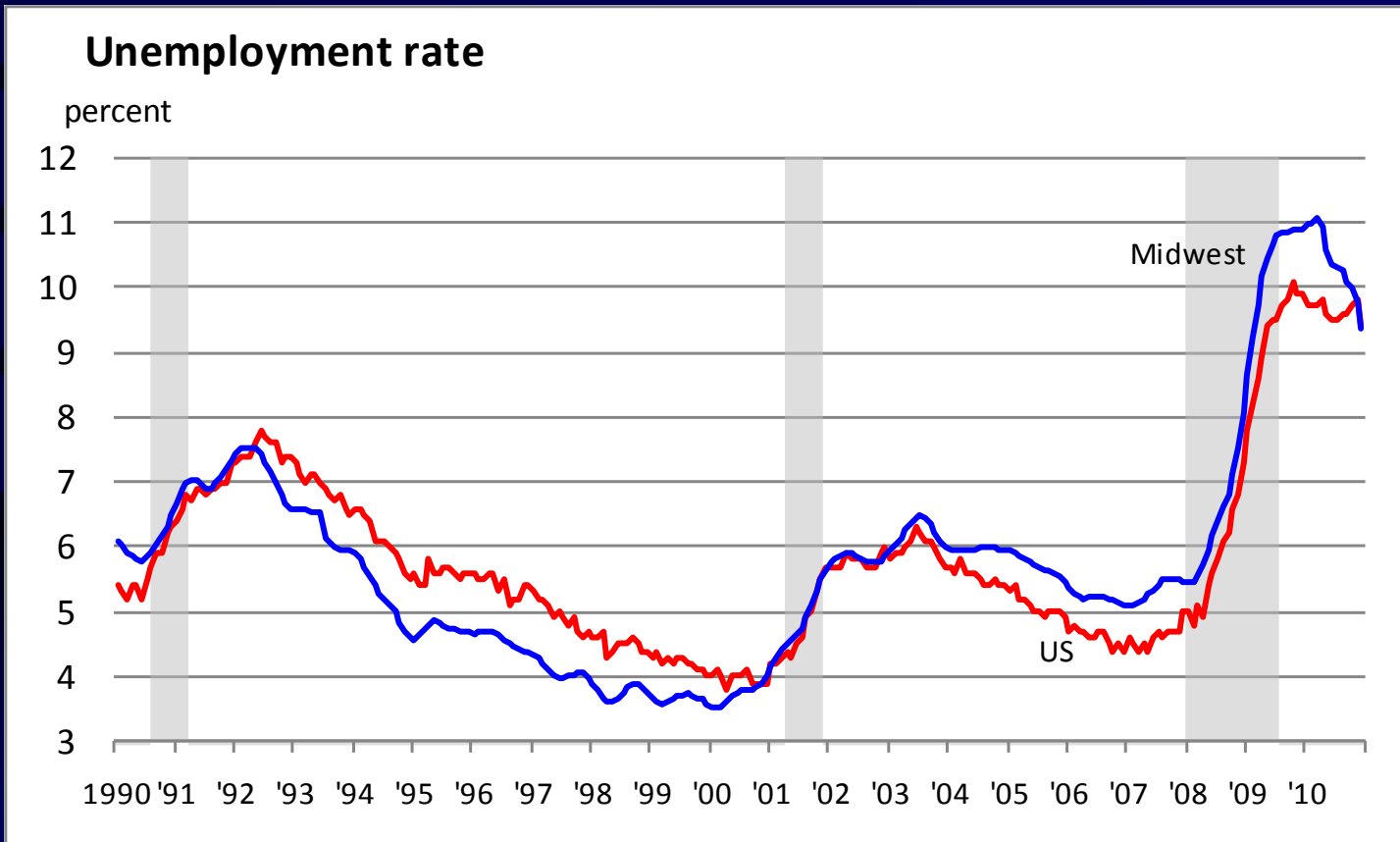


If the labor force were fully engaged at 66 percent participation rate the unemployment rate would currently be 12.3%

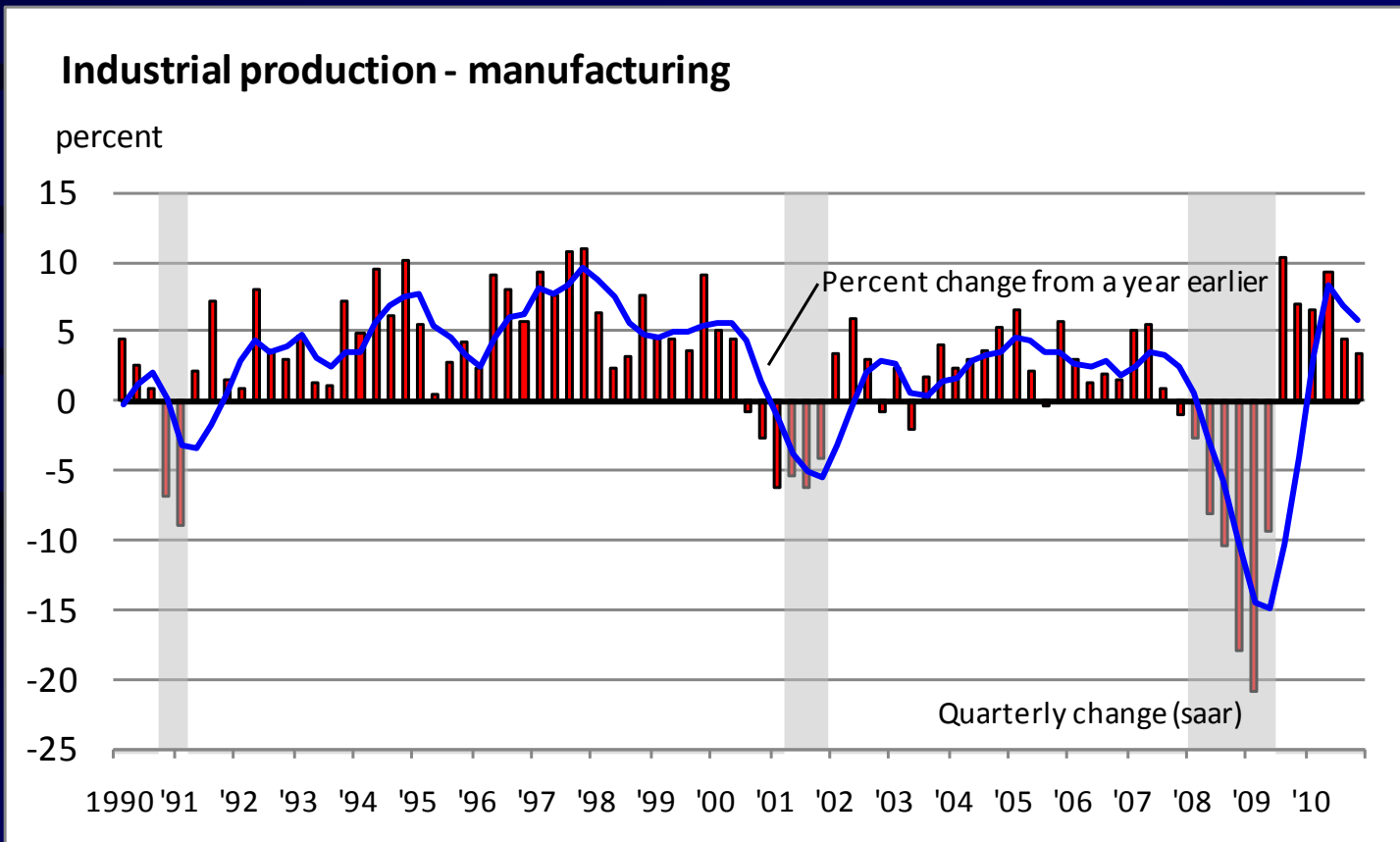
## U.S. Unemployment Rate



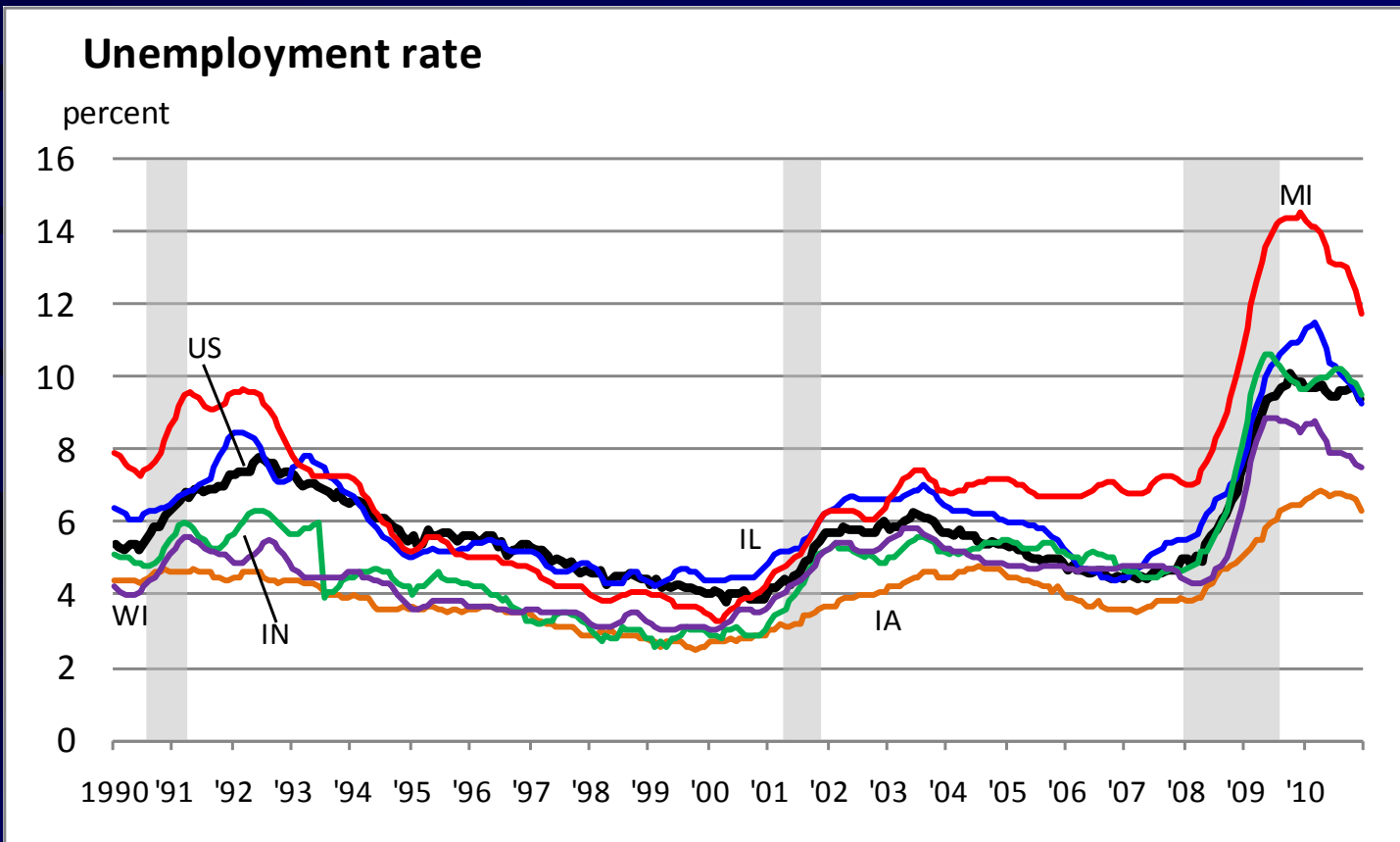
**For first time since December 2002,  
the unemployment rate in the Midwest matches the nation**

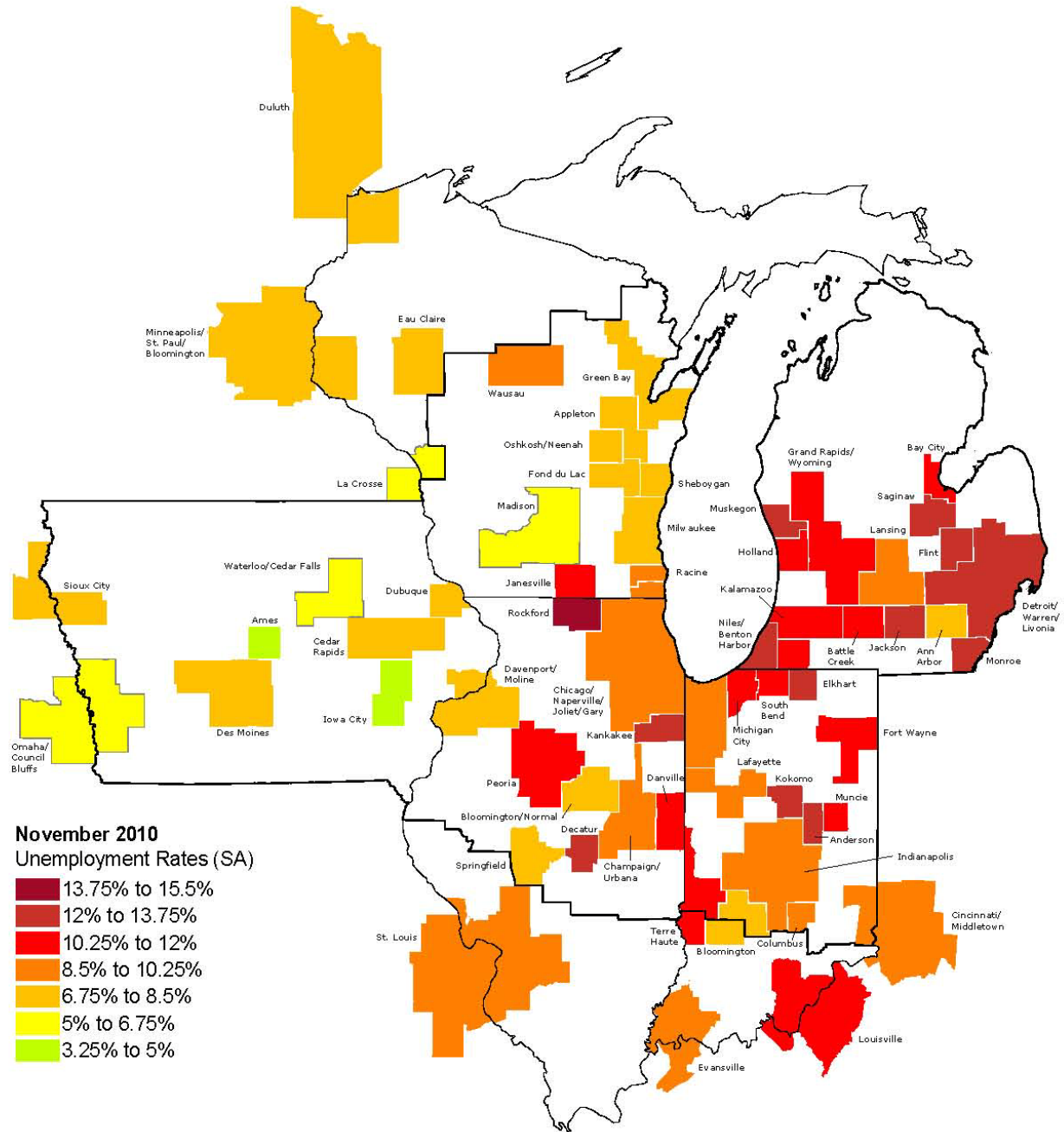


**Industrial output in manufacturing fell quite sharply during the recession, but has risen strongly over the past eighteen months, averaging 7.8% and has recovered 56.6% of the loss during the recession**



# Michigan is tied with California for having the second highest state unemployment rates in the nation





**November 2010  
Unemployment Rates (SA)**

- 13.75% to 15.5%
- 12% to 13.75%
- 10.25% to 12%
- 8.5% to 10.25%
- 6.75% to 8.5%
- 5% to 6.75%
- 3.25% to 5%



# Central City Unemployment Rates (SA)

Chicago Detroit Milwaukee St. Louis Indianapolis





## Unemployment Rate: 25 years and over (SA)

— Less than HS Diploma    — Bachelor Degree & Higher



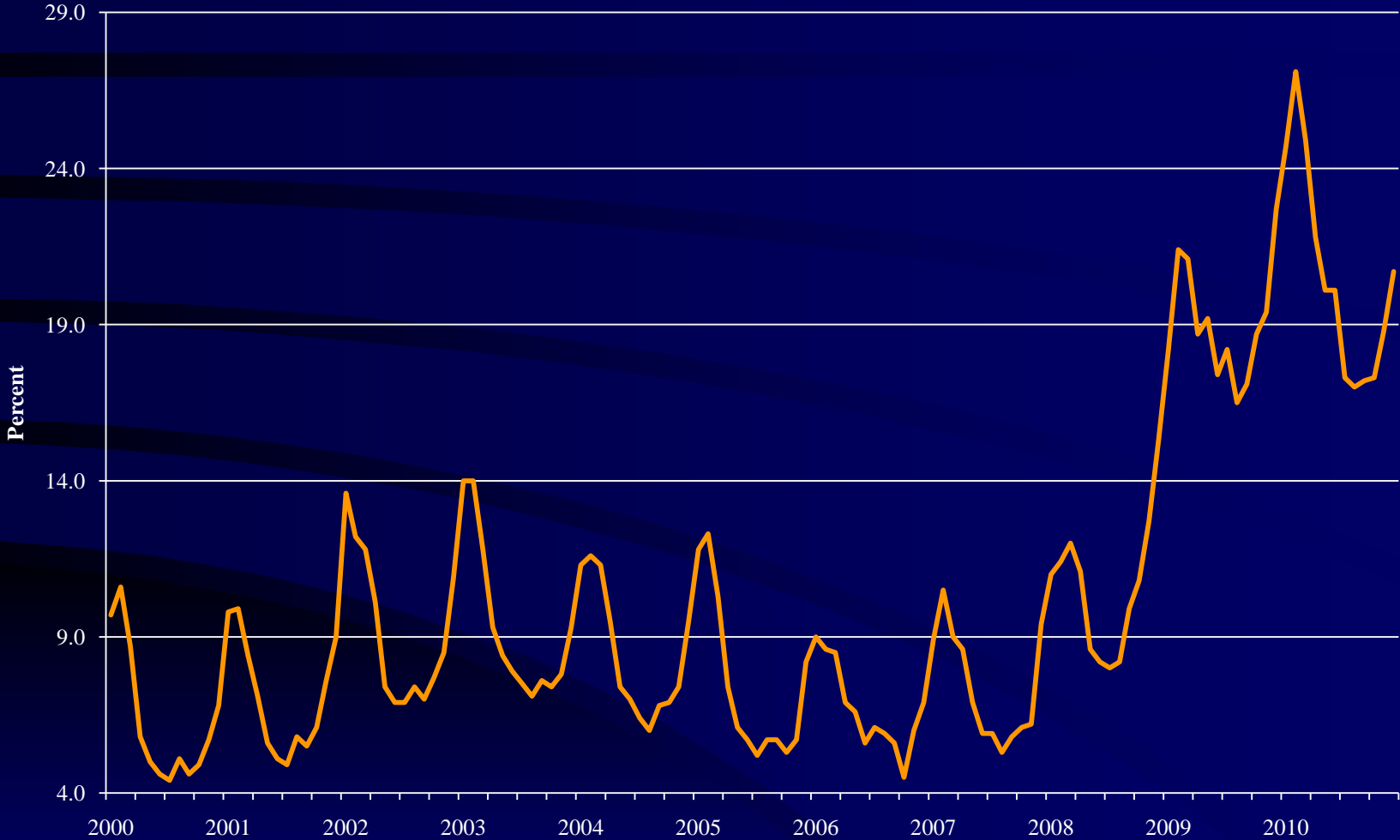
# Unemployment Rate by Gender: 25 years and over (SA)

— Women — Men



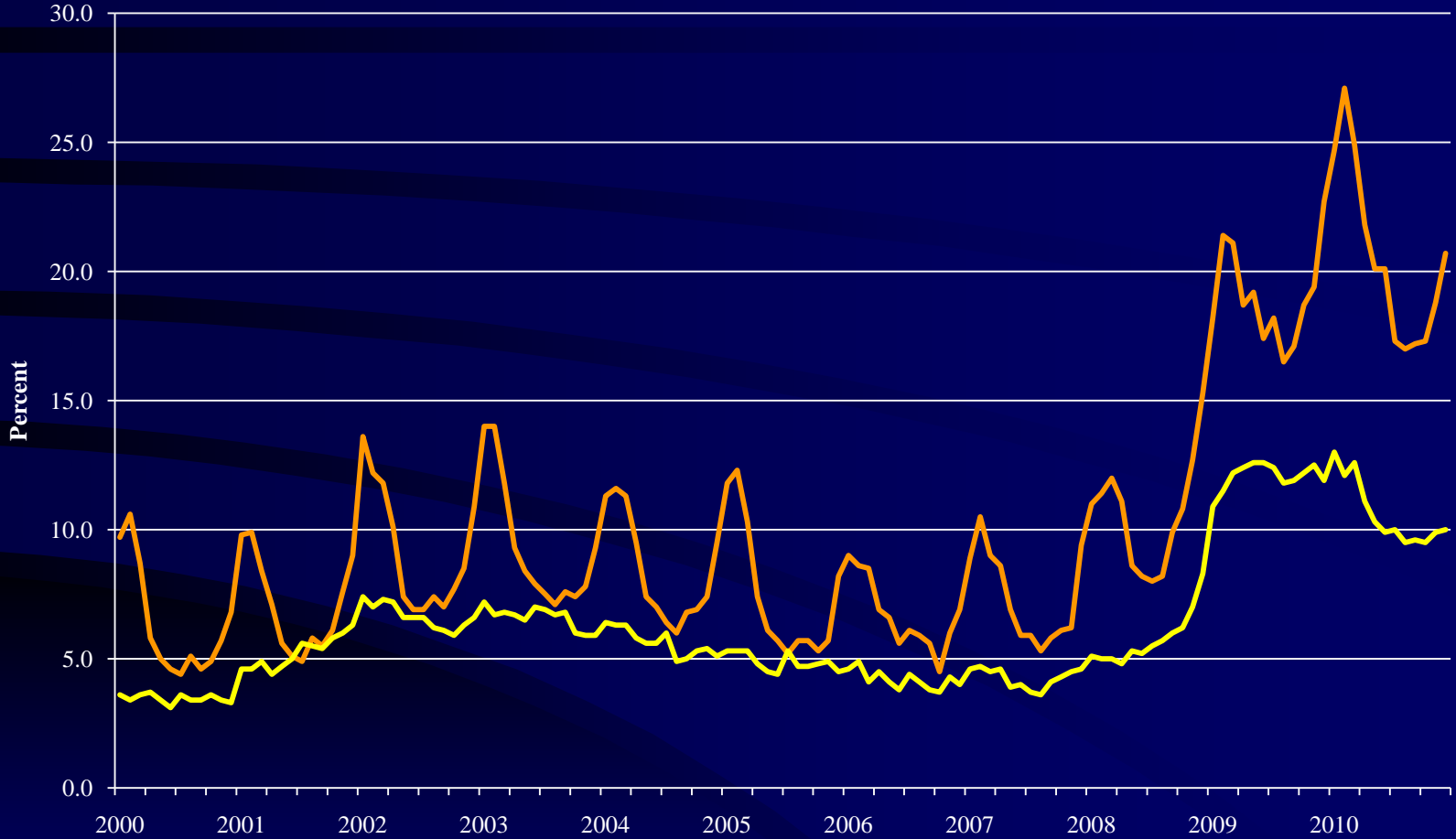
# Unemployment Rate: Wage/Salary Workers

— Construction Industry



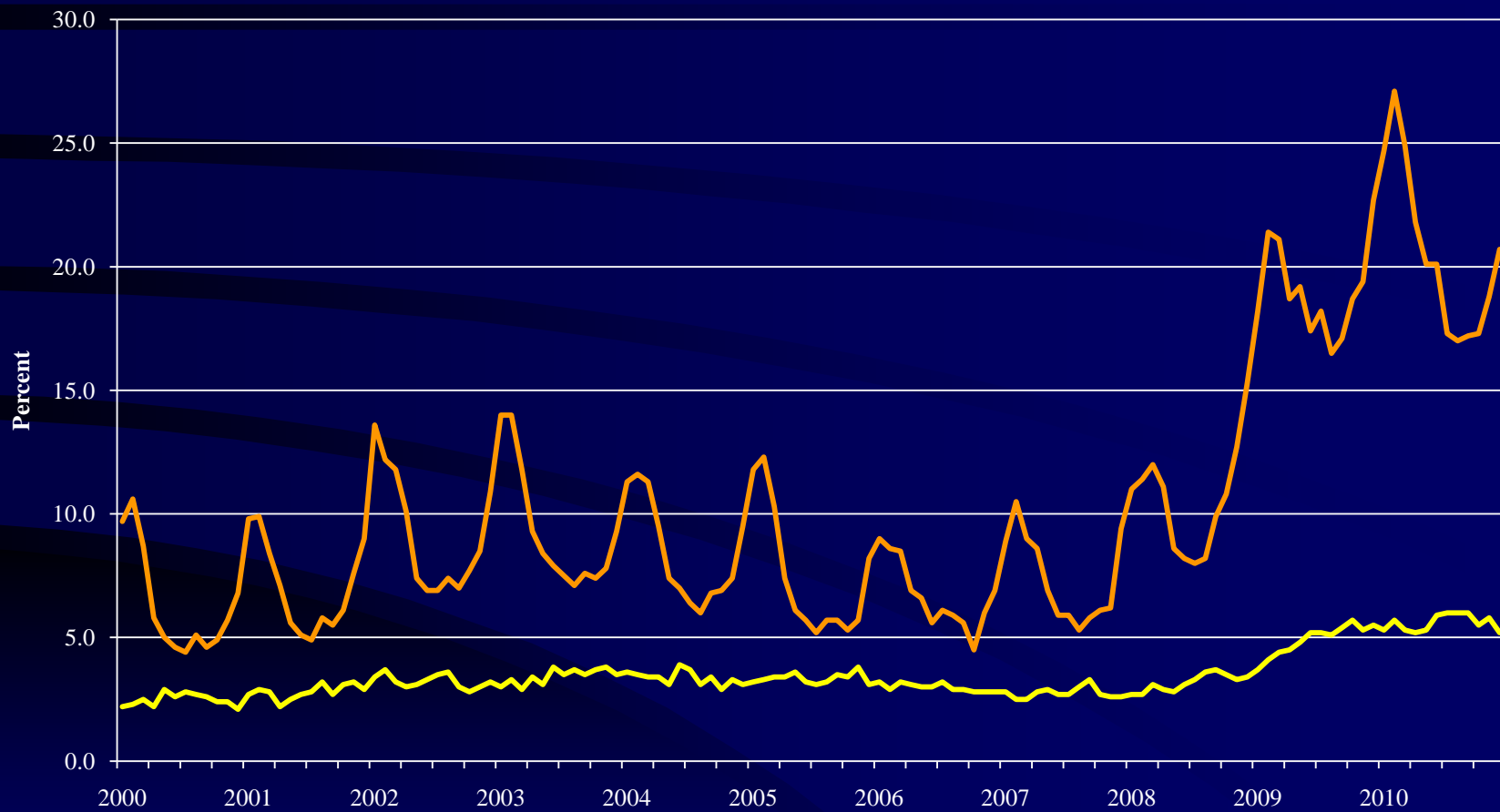
# Unemployment Rate: Wage/Salary Workers

— Construction Industry — Manufacturing Industry



## Unemployment Rate: Wage/Salary Workers

Construction Industry      Health Care & Social Assistance Industry



# Unemployment Rate by Race (SA)

Hispanic White: 20 years & over Black: 20 years & over



## Unemployment Rate: Foreign Born



## Summary

- The outlook is for the U.S. economy to expand at a solid pace this year
- Employment is expected to rise moderately in 2011 with the unemployment rate edging lower through the year
- Slackness in the economy will lead to a relatively low inflation rate
- Manufacturing is forecast to have another solid year in 2011





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# Summary

- The outlook is for the U.S. economy to expand at a solid pace this year and next year
- Employment is expected to rise moderately over the next two years with the unemployment rate edging lower
- Slackness in the economy will lead to a relatively contained inflation rate
- Manufacturing is forecast to have grow at a solid pace in 2011 and 2012
- Auto sales are anticipated to continue improving at a moderate pace
- The housing market should edge higher



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