


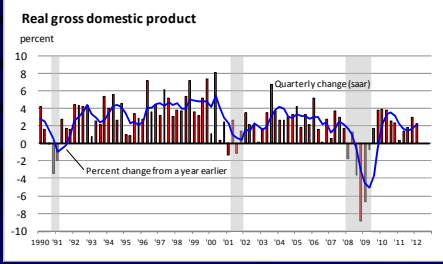
Economic Outlook

Global Automotive Aftermarket Symposium
 Rosemont, IL
 May 16, 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 2.1% over the past year**



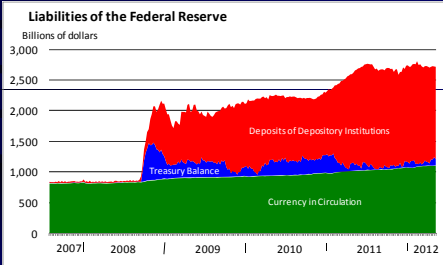
Real gross domestic product

percent

Quarterly change (saar)

Percent change from a year earlier

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



Liabilities of the Federal Reserve

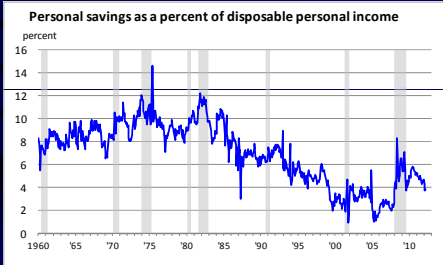
Billions of dollars

Deposits of Depository Institutions

Treasury Balance

Currency in Circulation

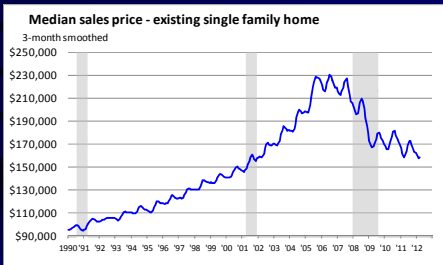
The personal savings rate has moved lower



Personal savings as a percent of disposable personal income

percent

Existing home prices fell by over 30%



Median sales price - existing single family home

3-month smoothed

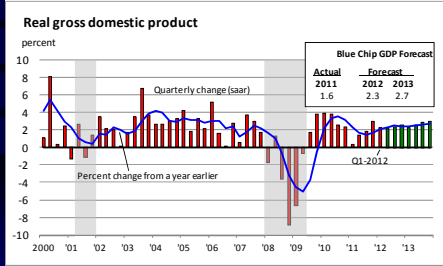
**The stock market has improved since March 2009,
 but remains below previous levels**



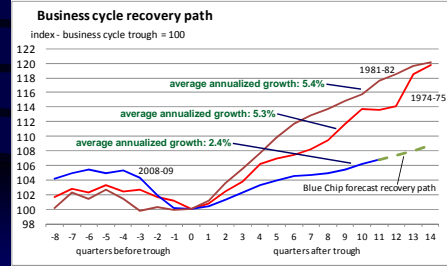
S&P 500 stock index

Index: 1941-43 = 10

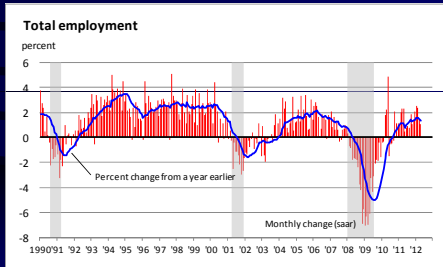
GDP is forecast to grow near trend in 2012 and slightly above trend in 2013



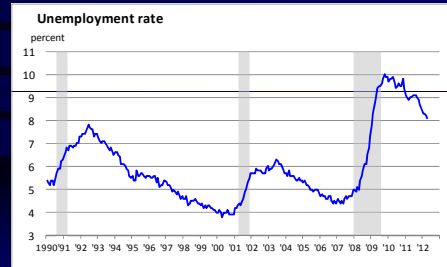
The forecast path of the current recovery is relatively muted compared with past deep recession recovery cycles



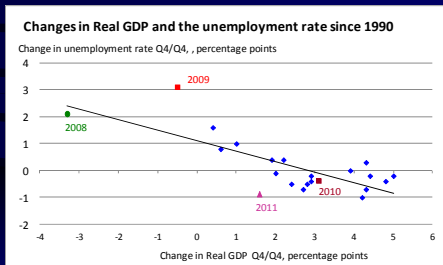
Employment fell by over 8.7 million jobs between December 2007 and February 2010, but began to rise and has added 1.8 million jobs over the past 12 months



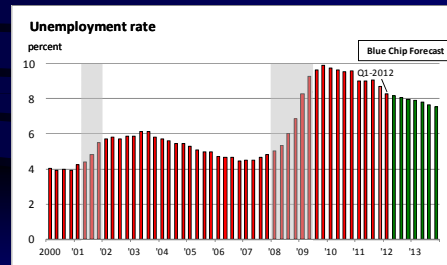
After peaking in October 2009, the unemployment rate has fallen by 1.9 percentage points

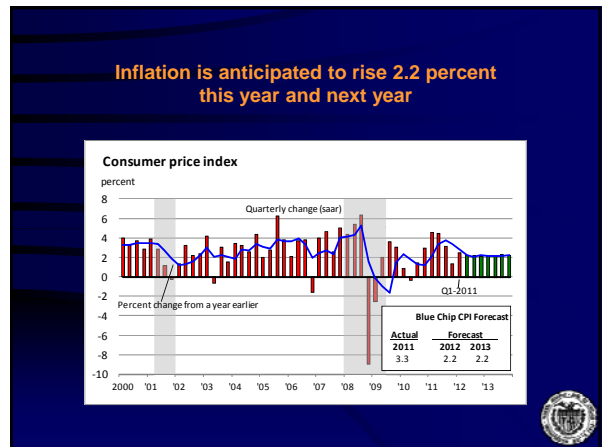
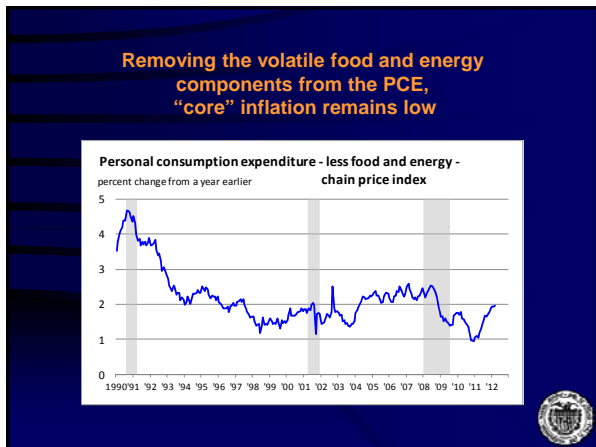
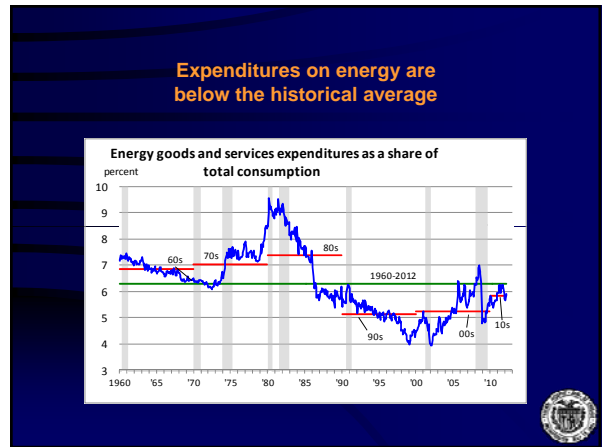
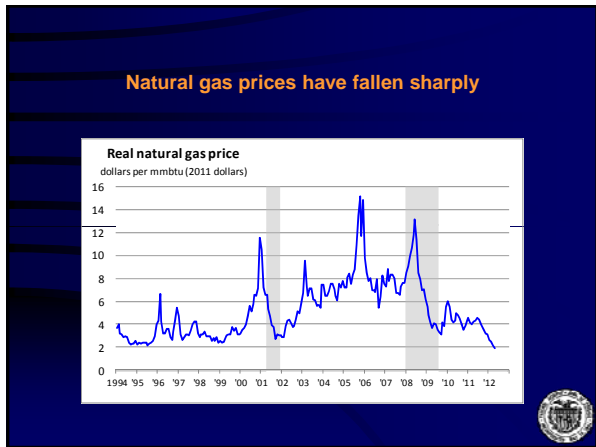
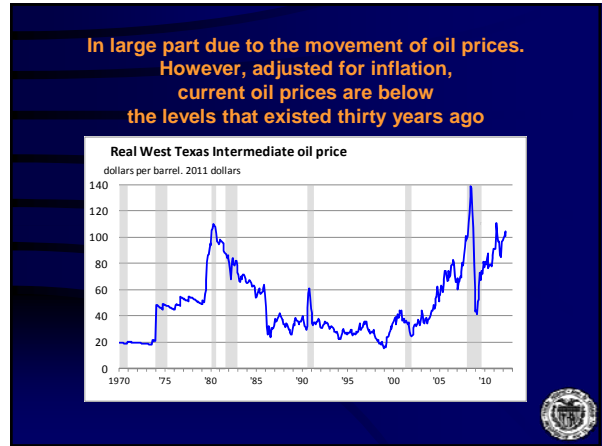
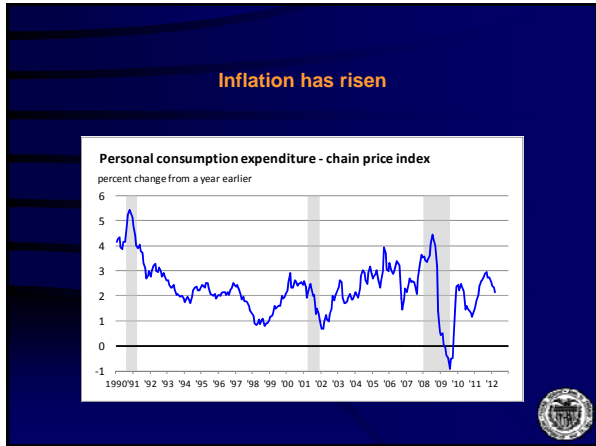


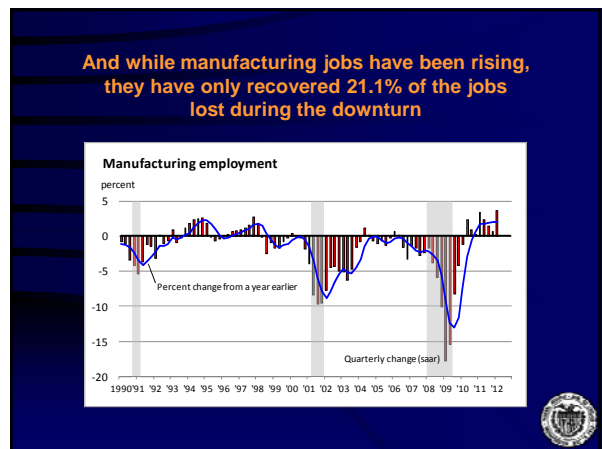
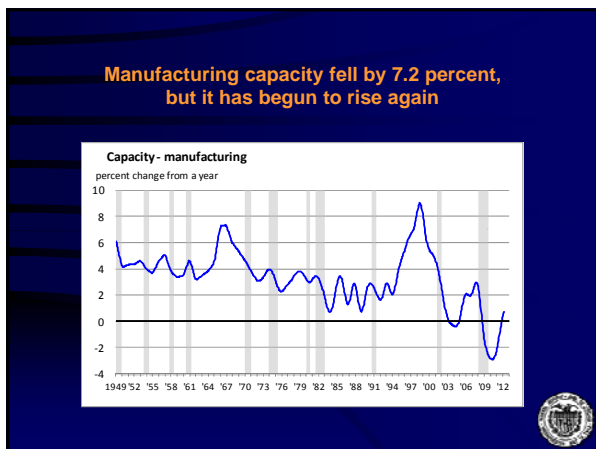
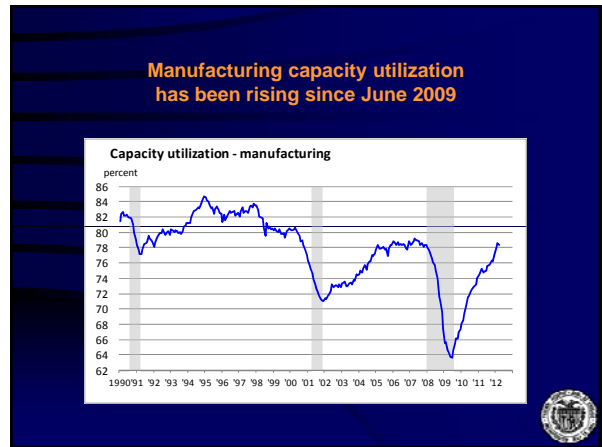
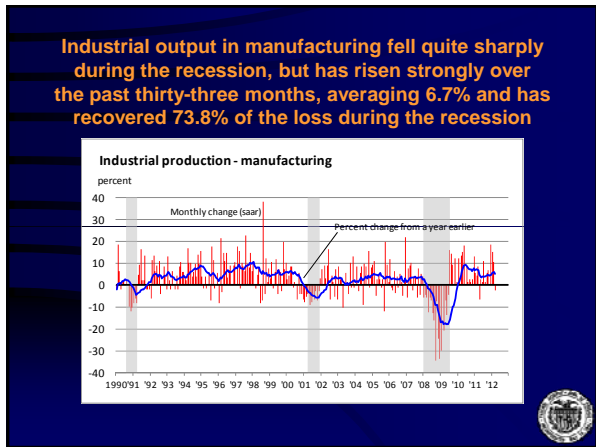
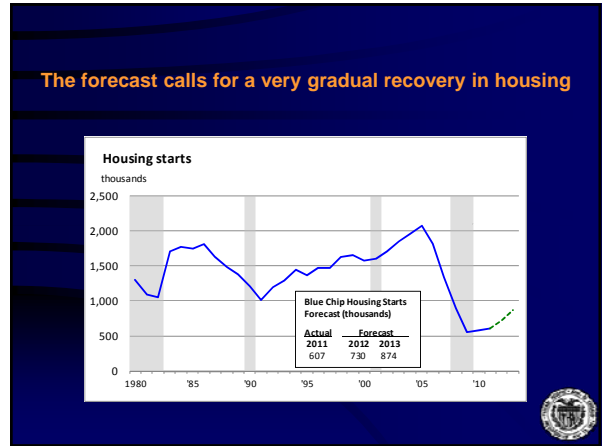
Okun's Law: for every percentage point that GDP growth deviates from its trend – leads to a half percentage change in the unemployment rate in the opposite direction

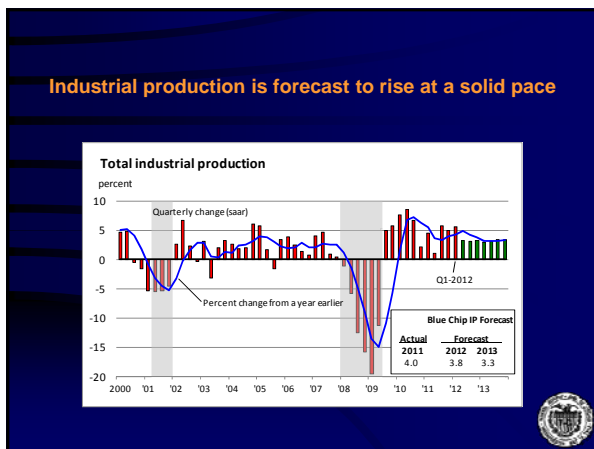
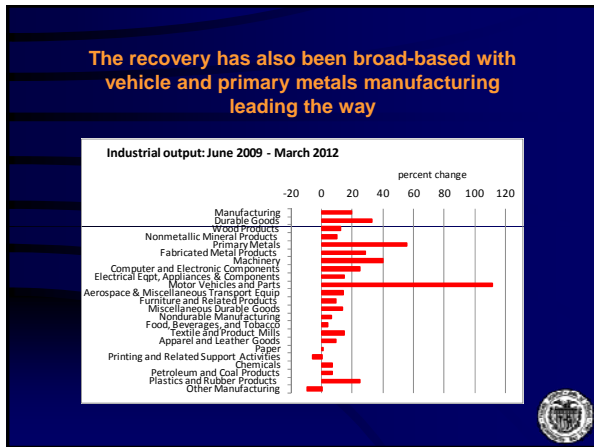
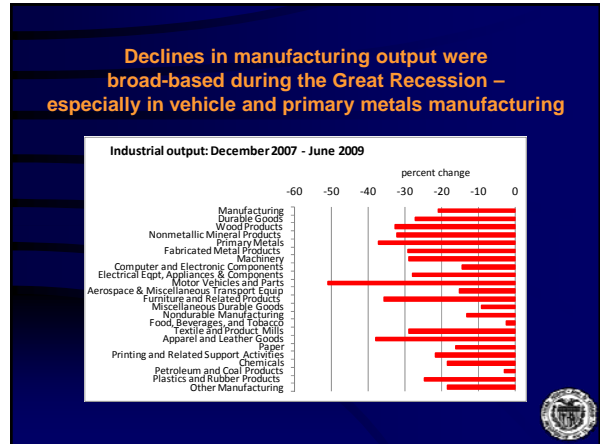
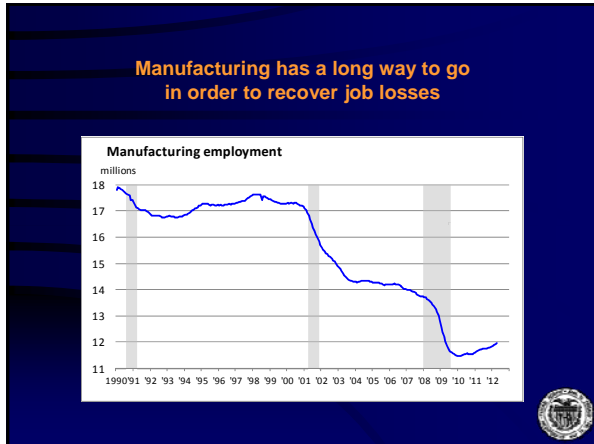


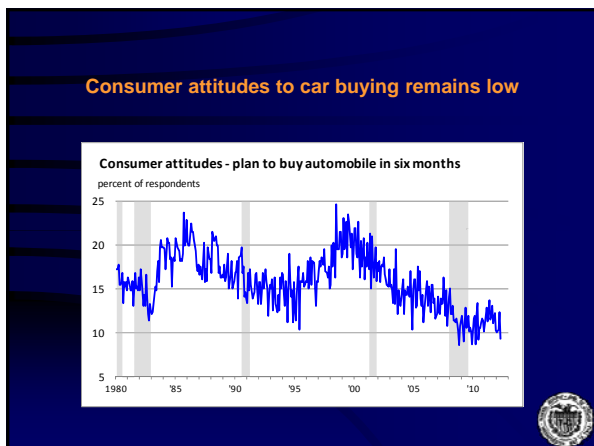
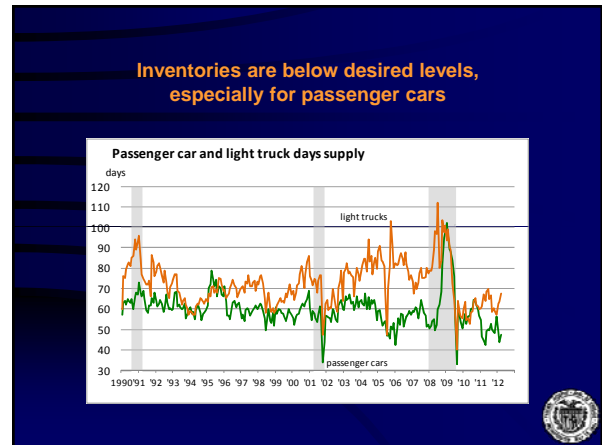
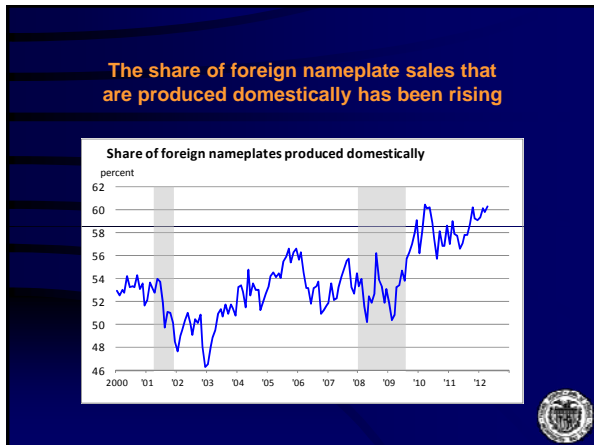
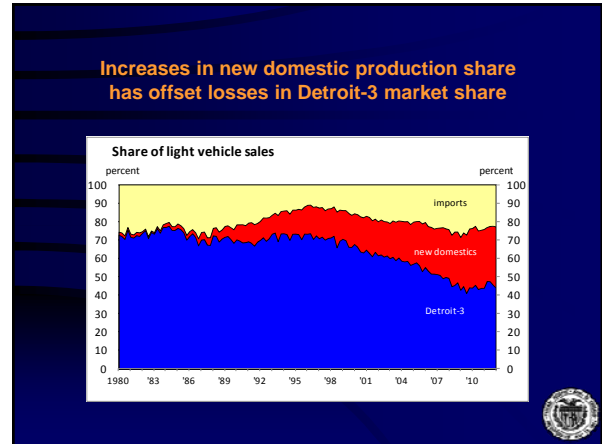
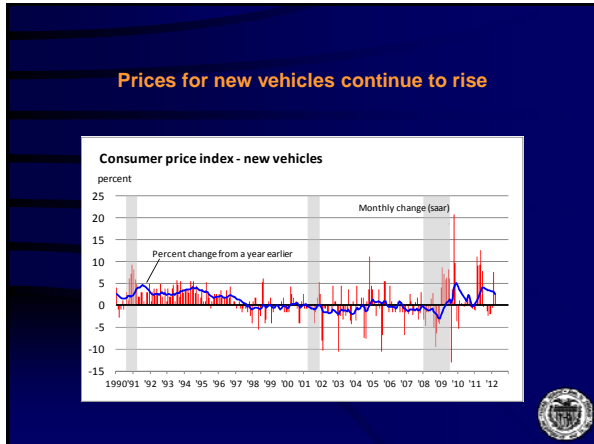
The unemployment rate is forecast to edge lower







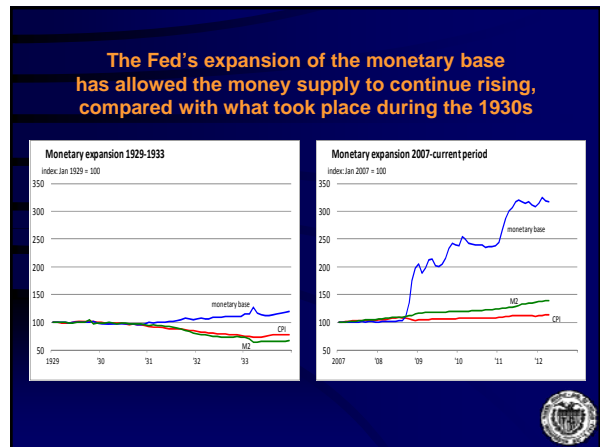
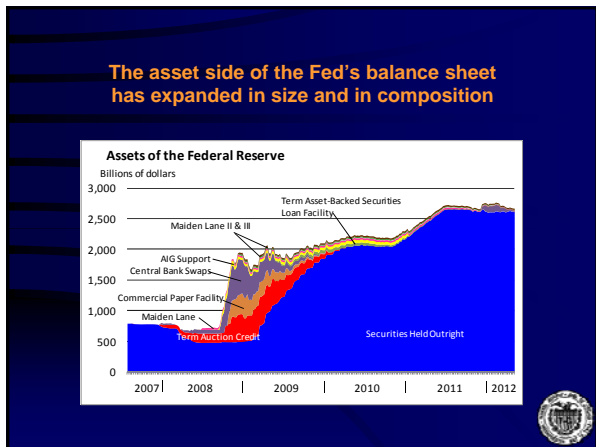
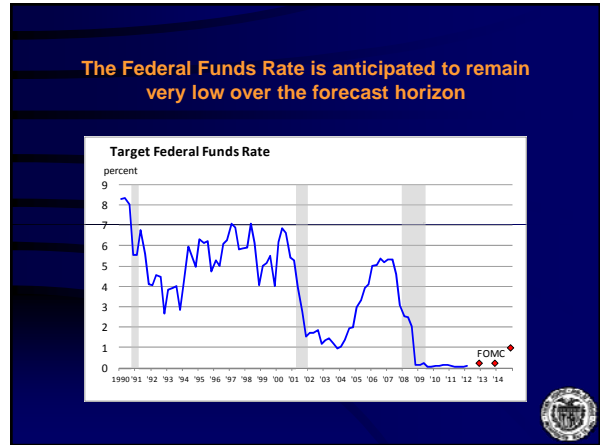
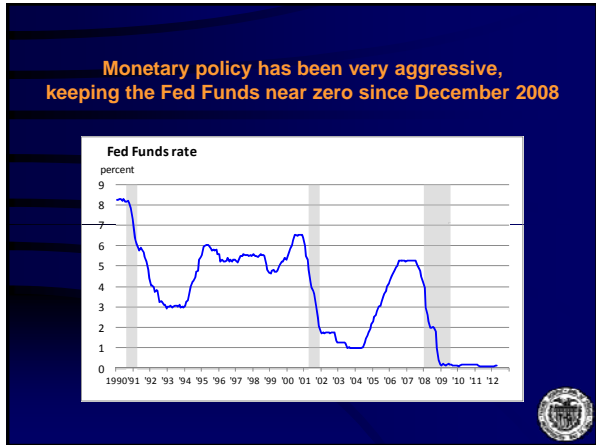
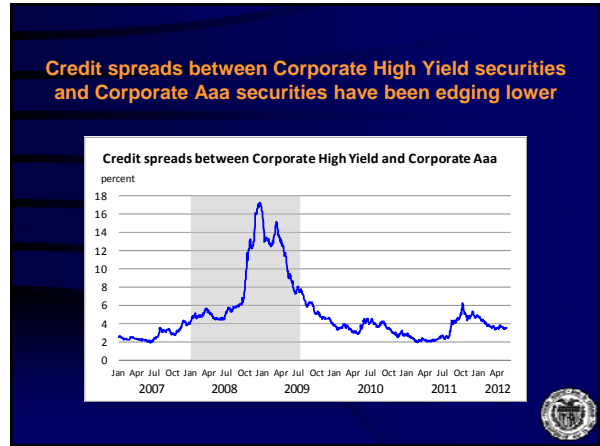




Economic indicators point to moderate growth for vehicles

Key Economic Indicators for the Automotive Industry	From 1990	During the	Since the end of the	Latest Data ¹	
	through 2007:Q4	Great Recession ²	Great Recession ³		
Real GDP	2.9	-3.4	2.4	2.2	●
Real Consumption	3.2	-2.2	2.2	2.9	●
Index of Consumer Sentiment	91.2	63.6	70.3	76.4	●
Employment Growth	135.1	-415.5	73.1	115.0	●
Unemployment rate	5.4	6.8	9.3	8.1	●
Corporate Profits	9.8	-9.1	36.3	18.8	●
ISM Manufacturing Index	51.7	43.3	55.5	54.8	●
New and Existing Home Sales	5,192	4,059	4,142	4,298	●
Real Oil Prices - West Texas Intermediate	39.36	87.26	87.65	101.16	●
PCI Inflation	2.4	2.2	1.8	2.1	●
Fed Funds Rate	4.38	1.35	0.14	0.14	●

Notes:
¹ January 2008 through June 2009
² Beginning in July 2009 for monthly data or 2009:Q3 for quarterly data
³ Latest month or quarter



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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