


Economic Outlook


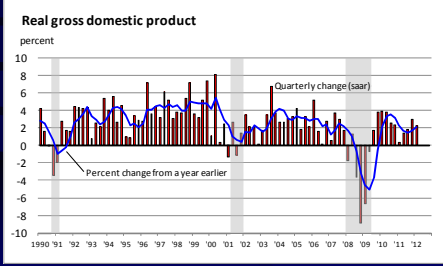
Global Automotive Aftermarket Symposium
Rosemont, IL
May 16, 2012

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


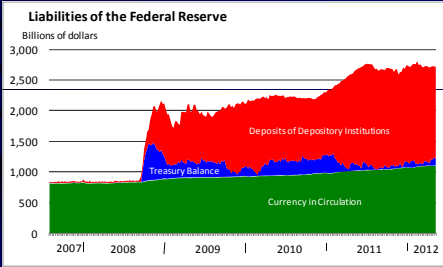
Real gross domestic product



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

Liabilities of the Federal Reserve


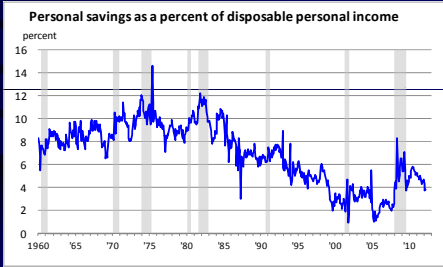
Billions of dollars



The personal savings rate has moved lower

Personal savings as a percent of disposable personal income


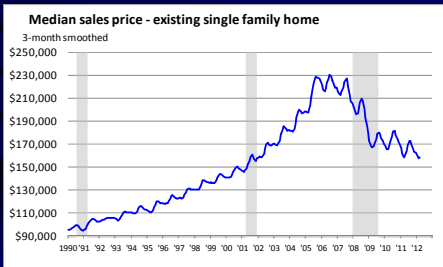
percent



Existing home prices fell by over 30%

Median sales price - existing single family home

3-month smoothed



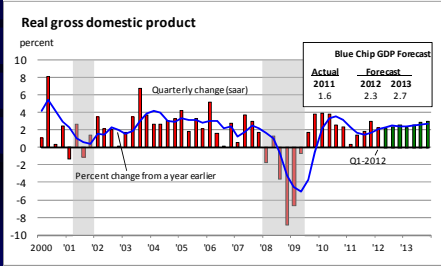
The stock market has improved since March 2009, but remains below previous levels

S&P 500 stock index

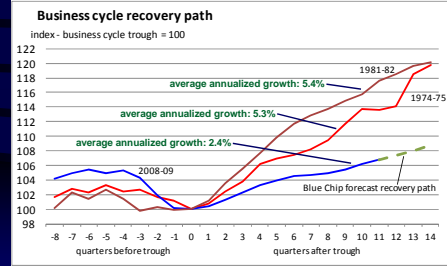
Index: 1941-43 = 10



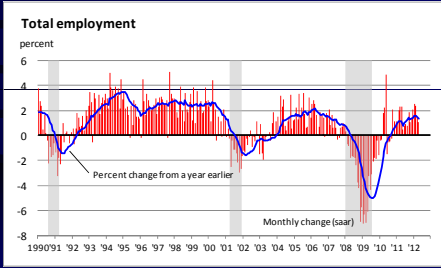
GDP is forecast to grow near trend in 2012 and slightly above trend in 2013



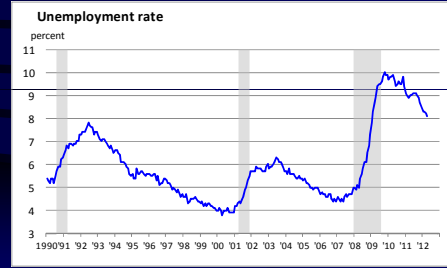
The forecast path of the current recovery is relatively muted compared with past deep recession recovery cycles



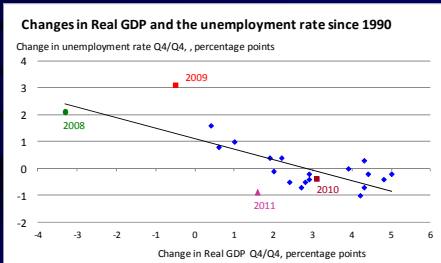
Employment fell by over 8.7 million jobs between December 2007 and February 2010, but began to rise and has added 1.8 million jobs over the past 12 months



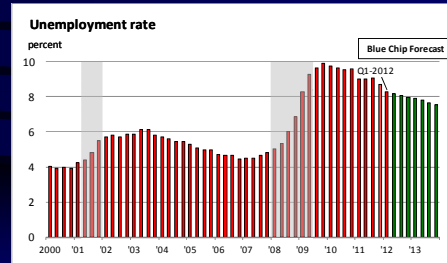
After peaking in October 2009, the unemployment rate has fallen by 1.9 percentage points

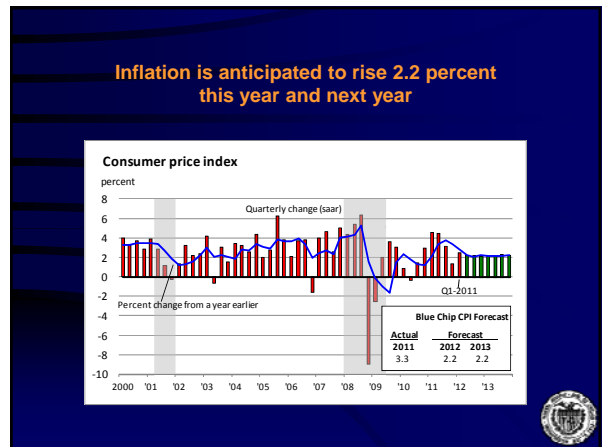
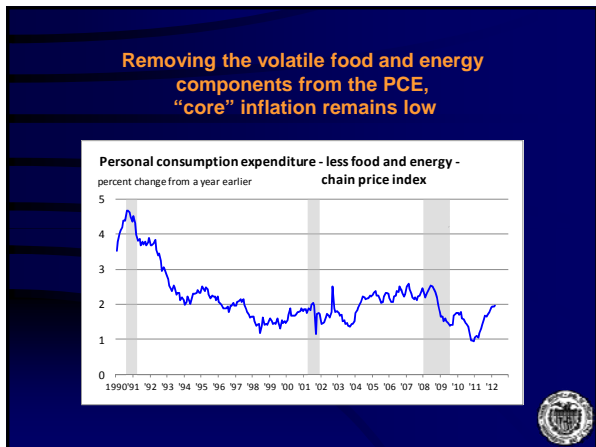
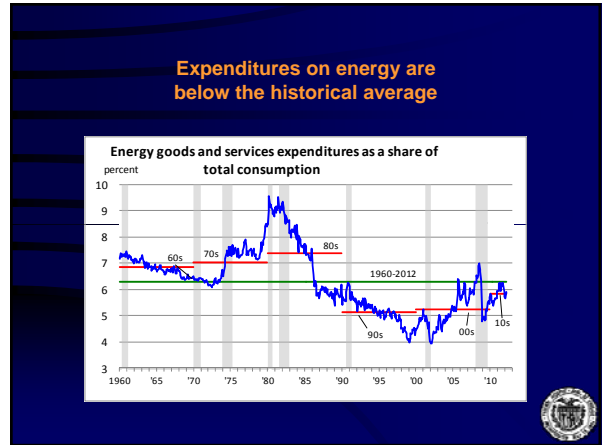
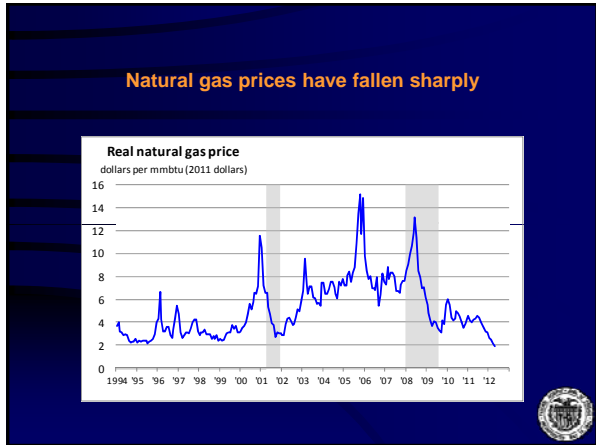
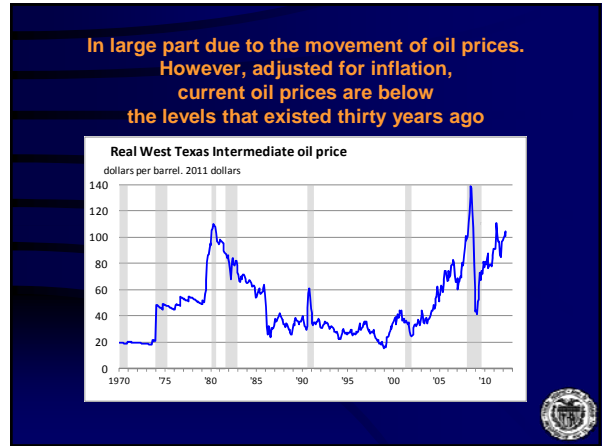
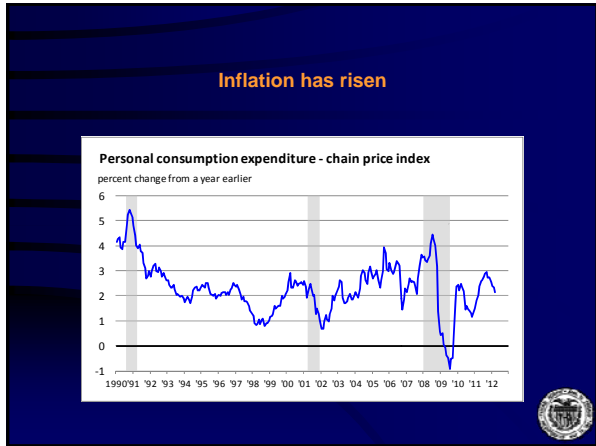


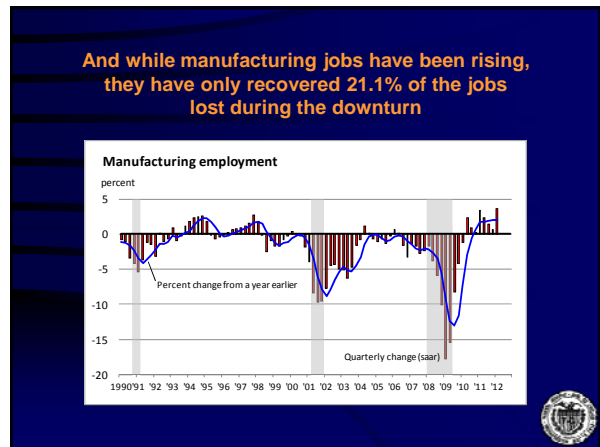
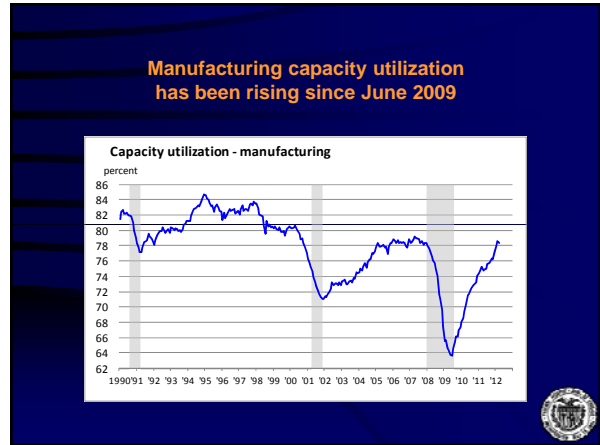
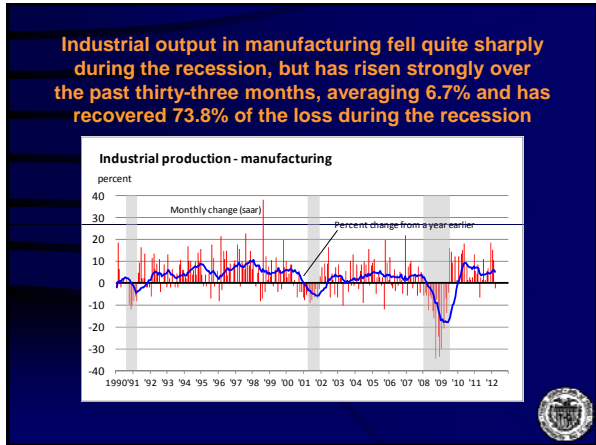
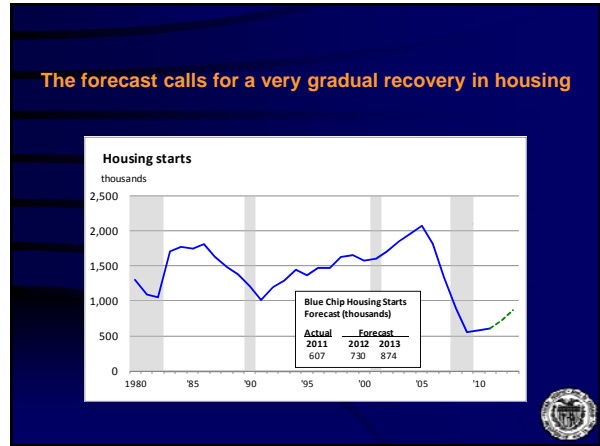
Okun's Law: for every percentage point that GDP growth deviates from its trend – leads to a half percentage change in the unemployment rate in the opposite direction

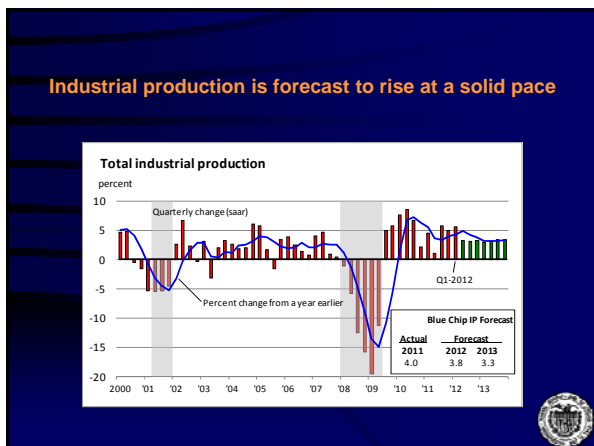
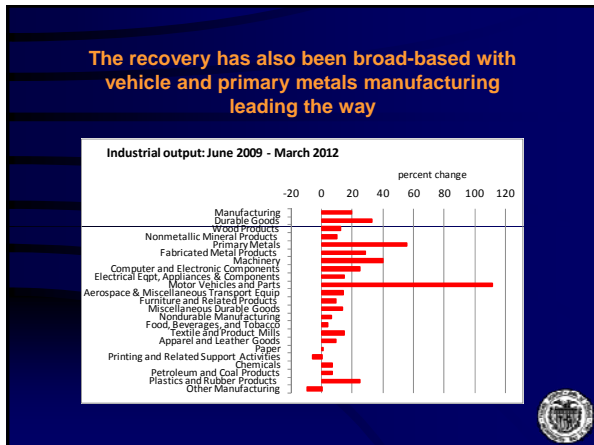
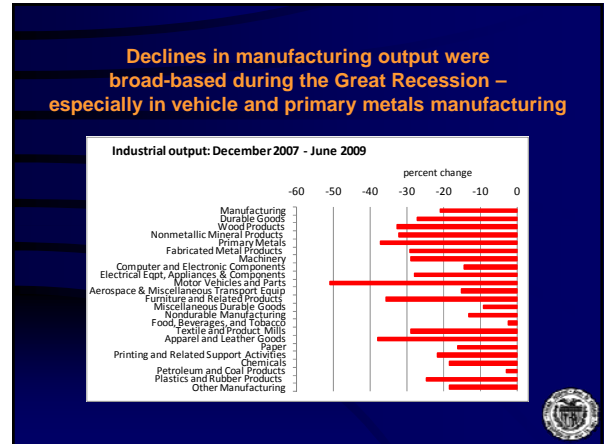
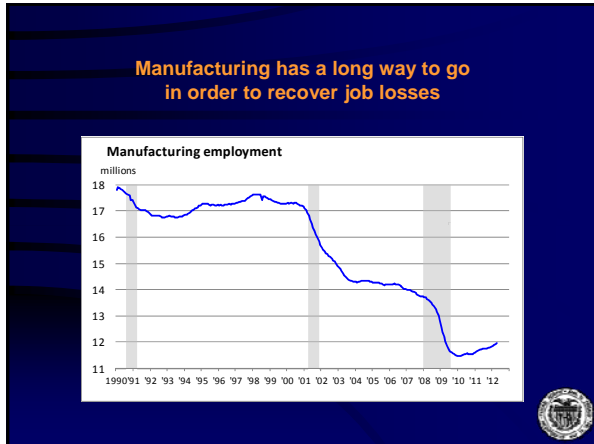


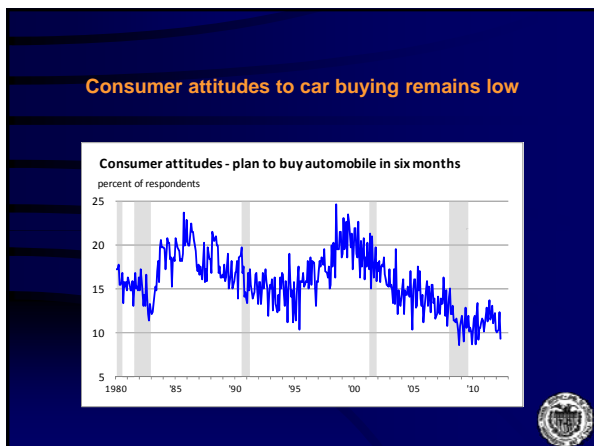
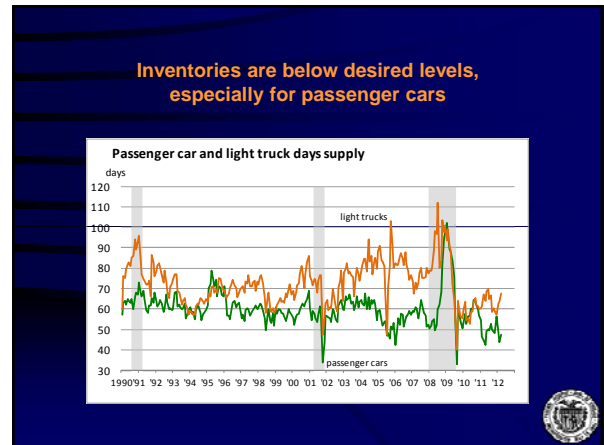
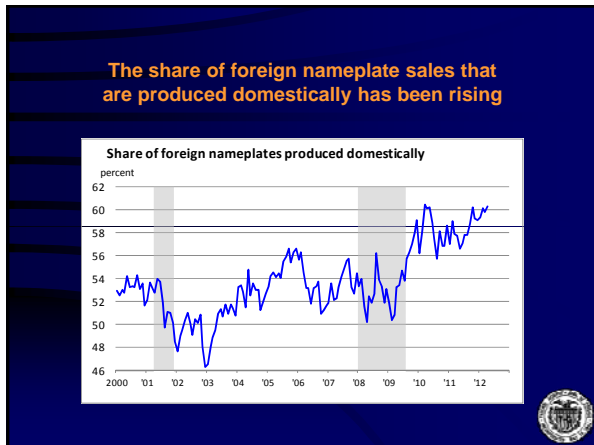
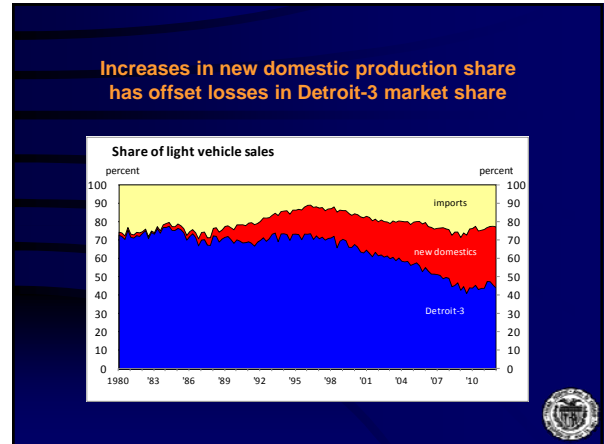
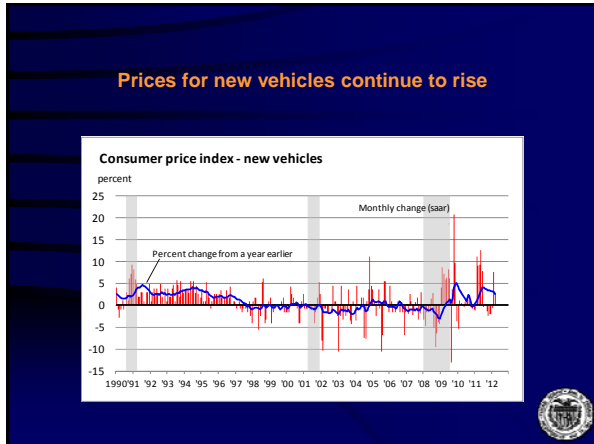
The unemployment rate is forecast to edge lower







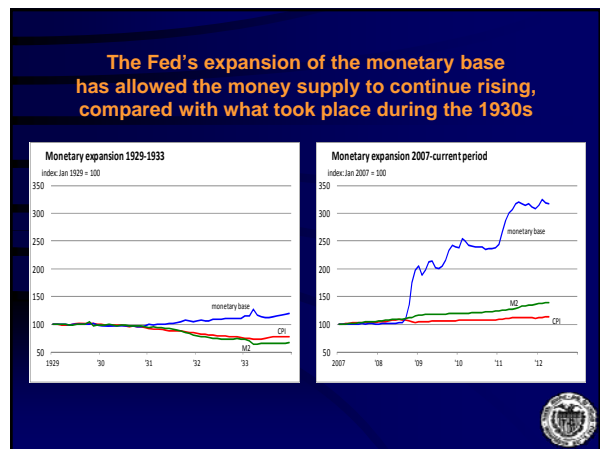
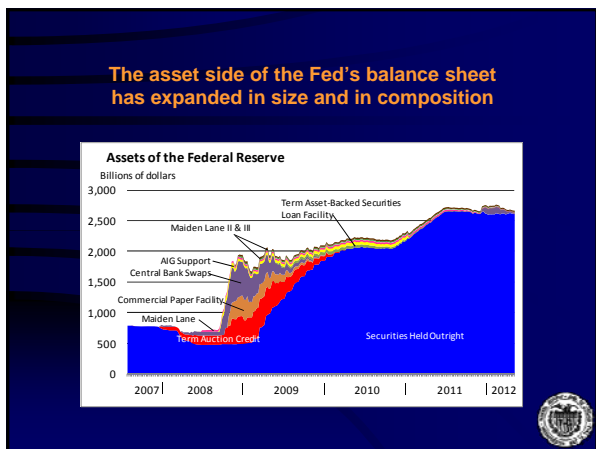
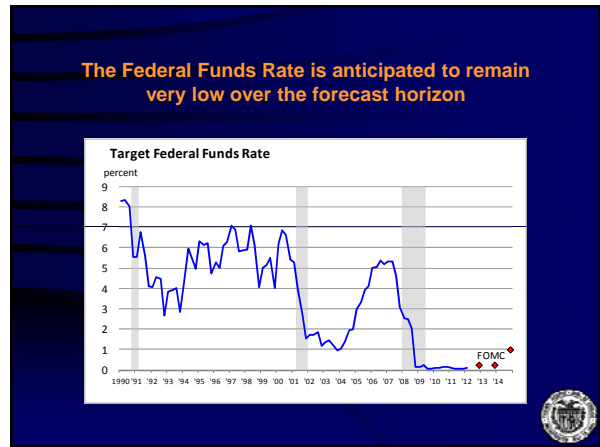
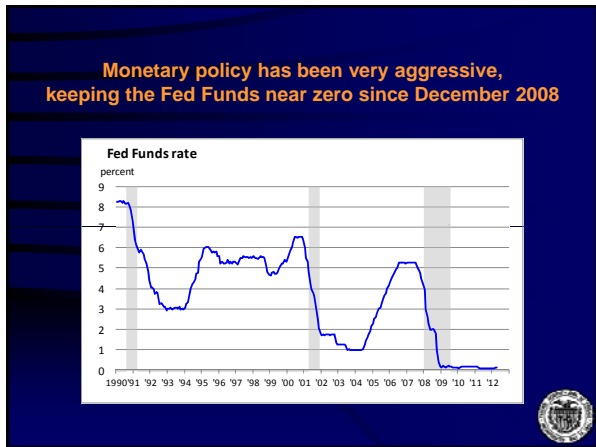
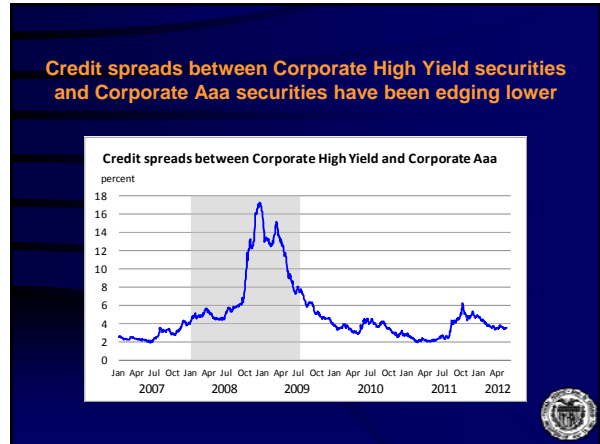




Economic indicators point to moderate growth for vehicles

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 ²		
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
 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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