

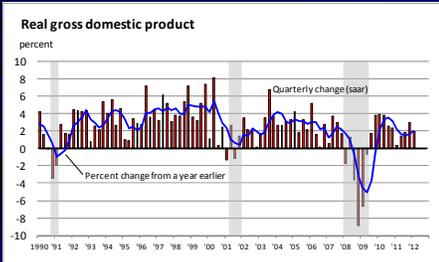
## Economic Outlook

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### The “Great Recession” ended in June 2009, but the economy expanded by 2.0% over the past year



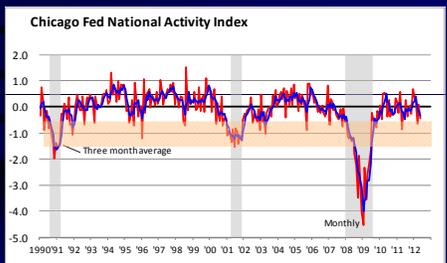
**Real gross domestic product**

percent

Quarterly change (saar)

Percent change from a year earlier

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

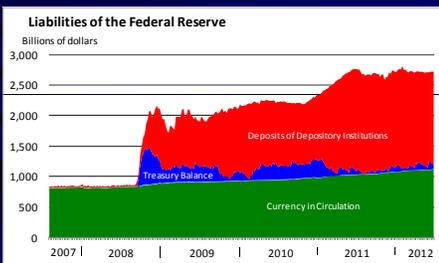


**Chicago Fed National Activity Index**

Three month average

Monthly

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



**Liabilities of the Federal Reserve**

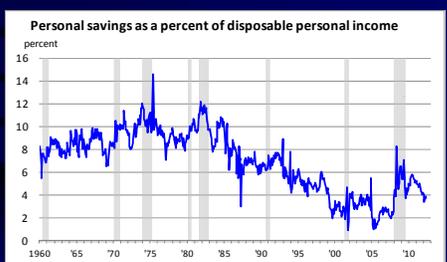
Billions of dollars

Treasury Balance

Deposits of Depository Institutions

Currency in Circulation

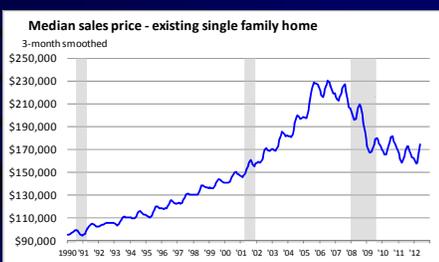
### The personal savings rate has moved lower



**Personal savings as a percent of disposable personal income**

percent

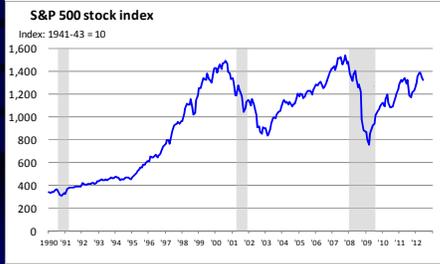
### Existing home prices fell by over 30%



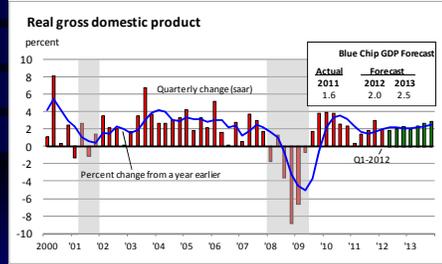
**Median sales price - existing single family home**

3-month smoothed

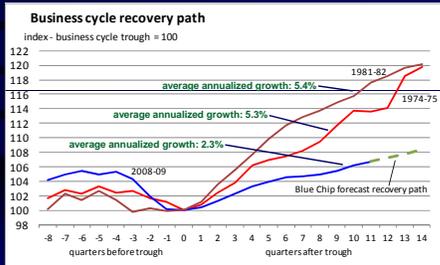
The stock market has improved since March 2009, but remains below previous levels



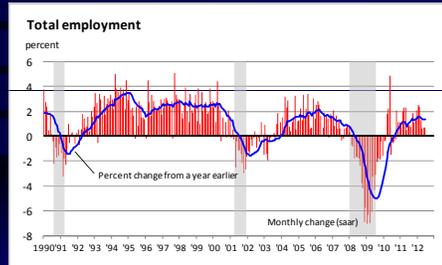
GDP is forecast to grow near trend in 2012 and slightly above trend in 2013



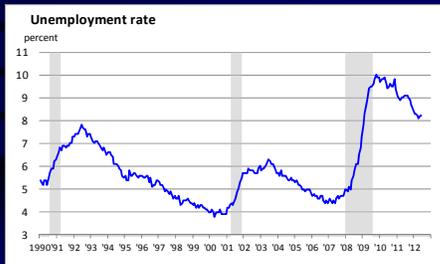
The forecast path of the current recovery is relatively muted compared with past deep recession recovery cycles



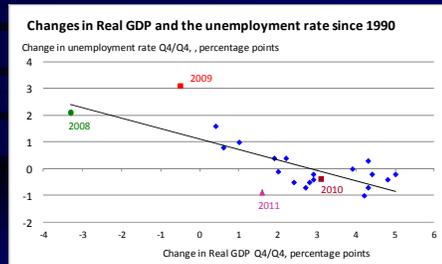
Employment fell by over 8.7 million jobs between December 2007 and February 2010, but began to rise and has added just under 1.8 million jobs over the past 12 months



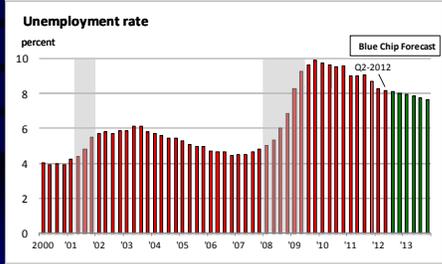
After peaking in October 2009, the unemployment rate has fallen by 1.8 percentage points



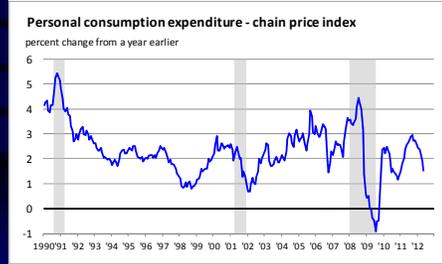
Okun's Law: for every percentage point that GDP growth deviates from its trend – leads to a half percentage change in the unemployment rate in the opposite direction



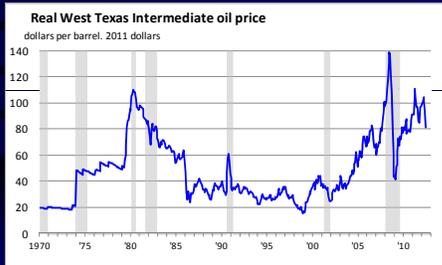
The unemployment rate is forecast to edge lower



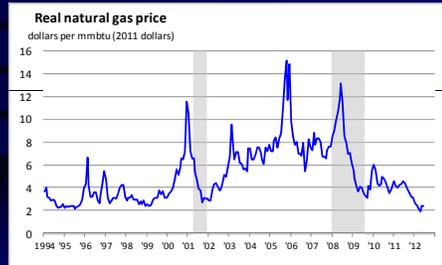
Inflation has moderated



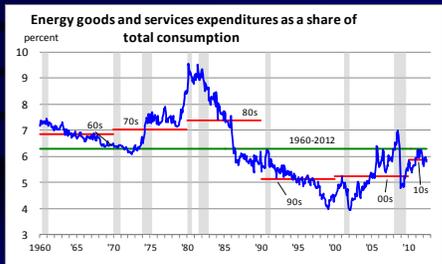
In large part due to the movement of oil prices.  
 Adjusted for inflation, current oil prices are below  
 the levels that existed thirty years ago



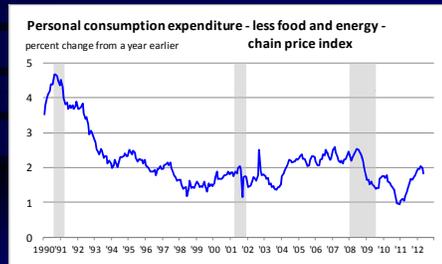
Natural gas prices have fallen sharply

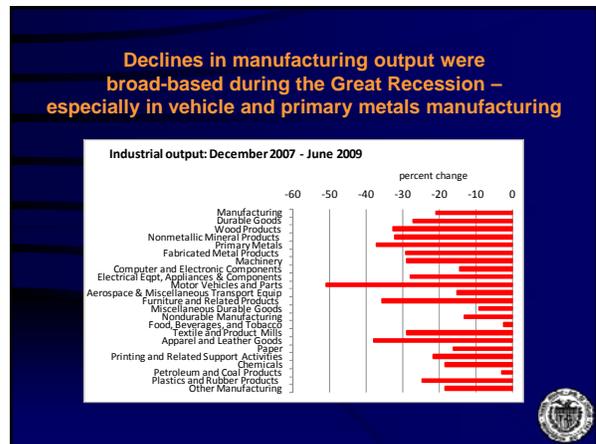
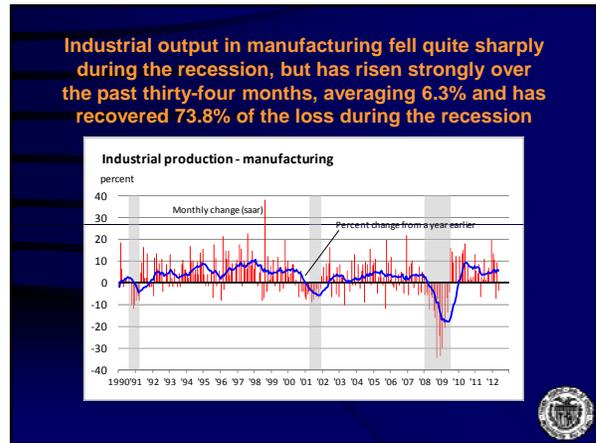
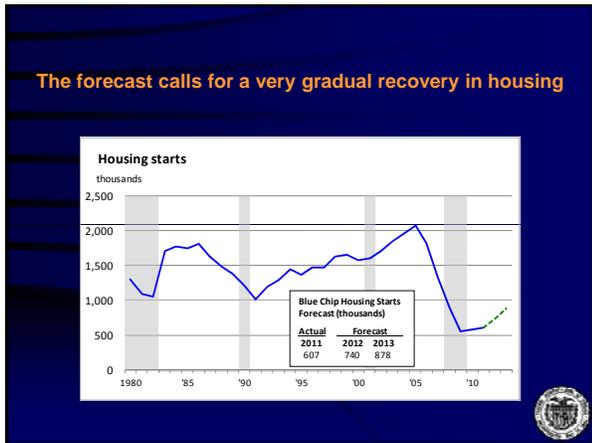
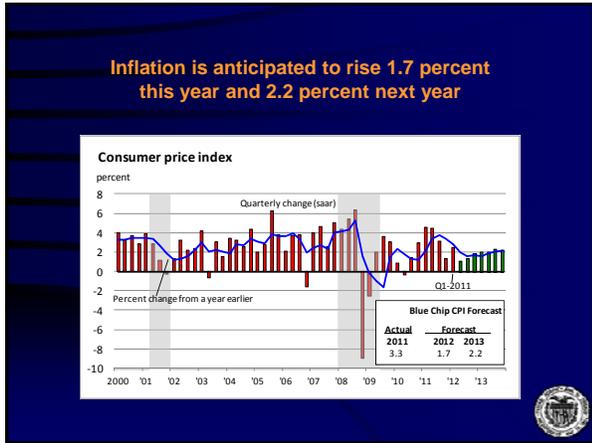


Expenditures on energy are  
 below the historical average

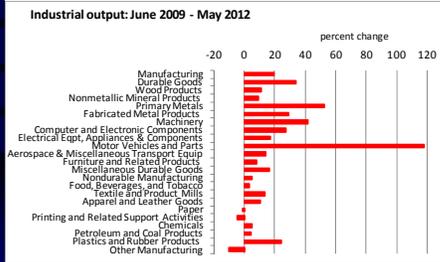


Removing the volatile food and energy  
 components from the PCE,  
 "core" inflation remains low

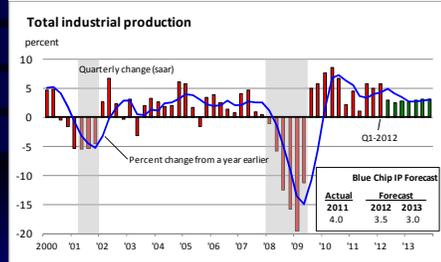




The recovery has also been broad-based with vehicle and primary metals manufacturing leading the way



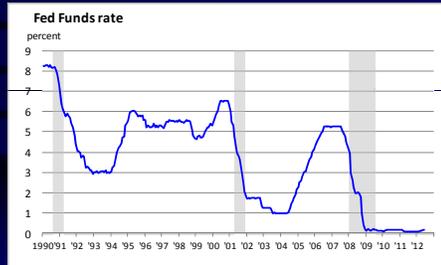
Industrial production is forecast to rise at a solid pace



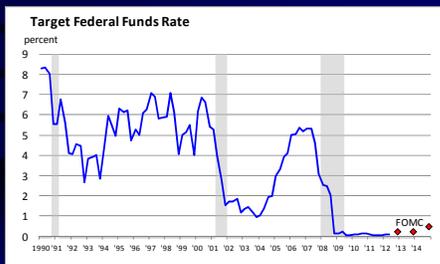
Credit spreads between Corporate High Yield securities and Corporate Aaa securities are higher than a year earlier



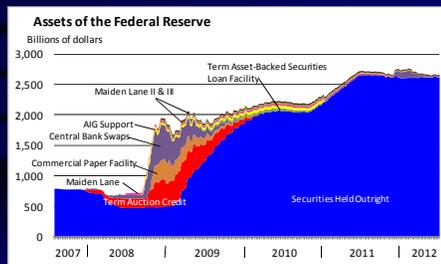
Monetary policy has been very aggressive, keeping the Fed Funds near zero since December 2008



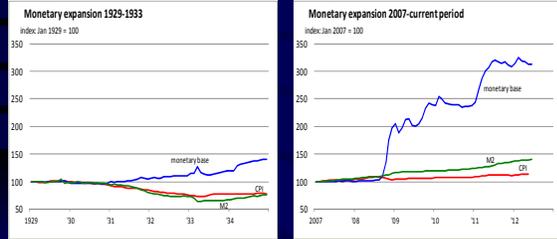
The Federal Funds Rate is anticipated to remain very low over the forecast horizon



The asset side of the Fed's balance sheet has expanded in size and in composition



**The Fed's expansion of the monetary base  
has allowed the money supply to continue rising,  
compared with what took place during the 1930s**



**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
- Growth in manufacturing output should be solid



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