# Economic Outlook

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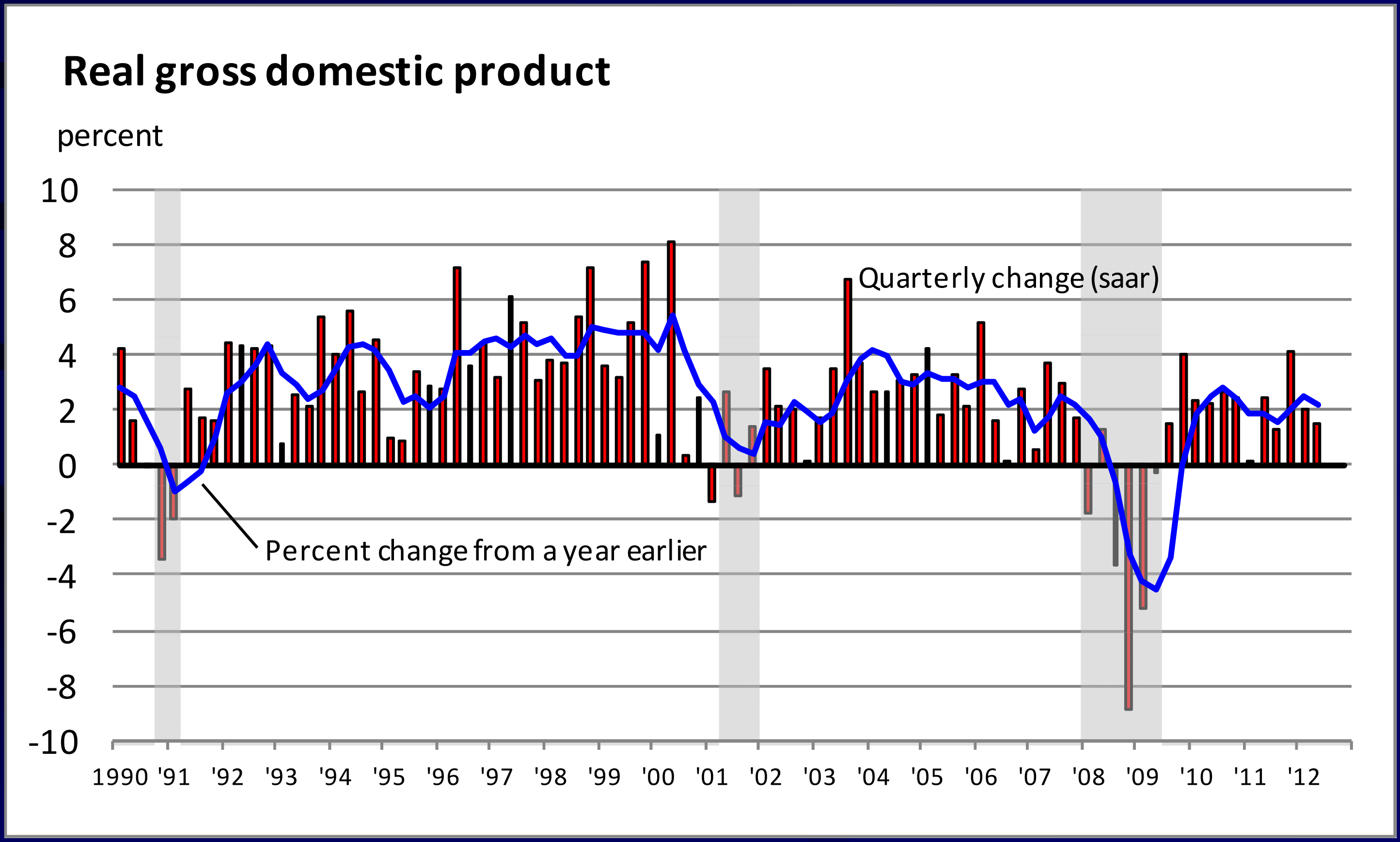
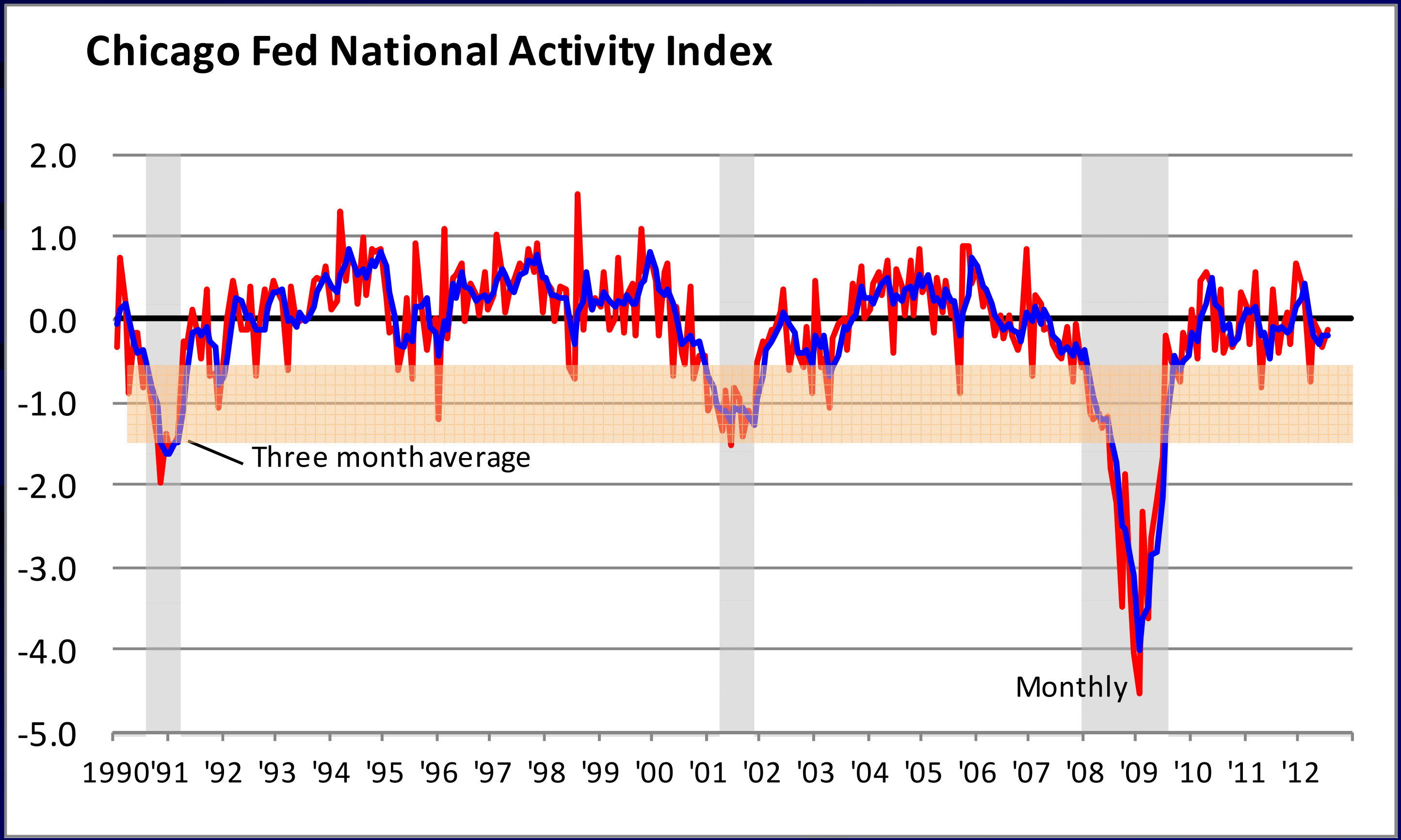
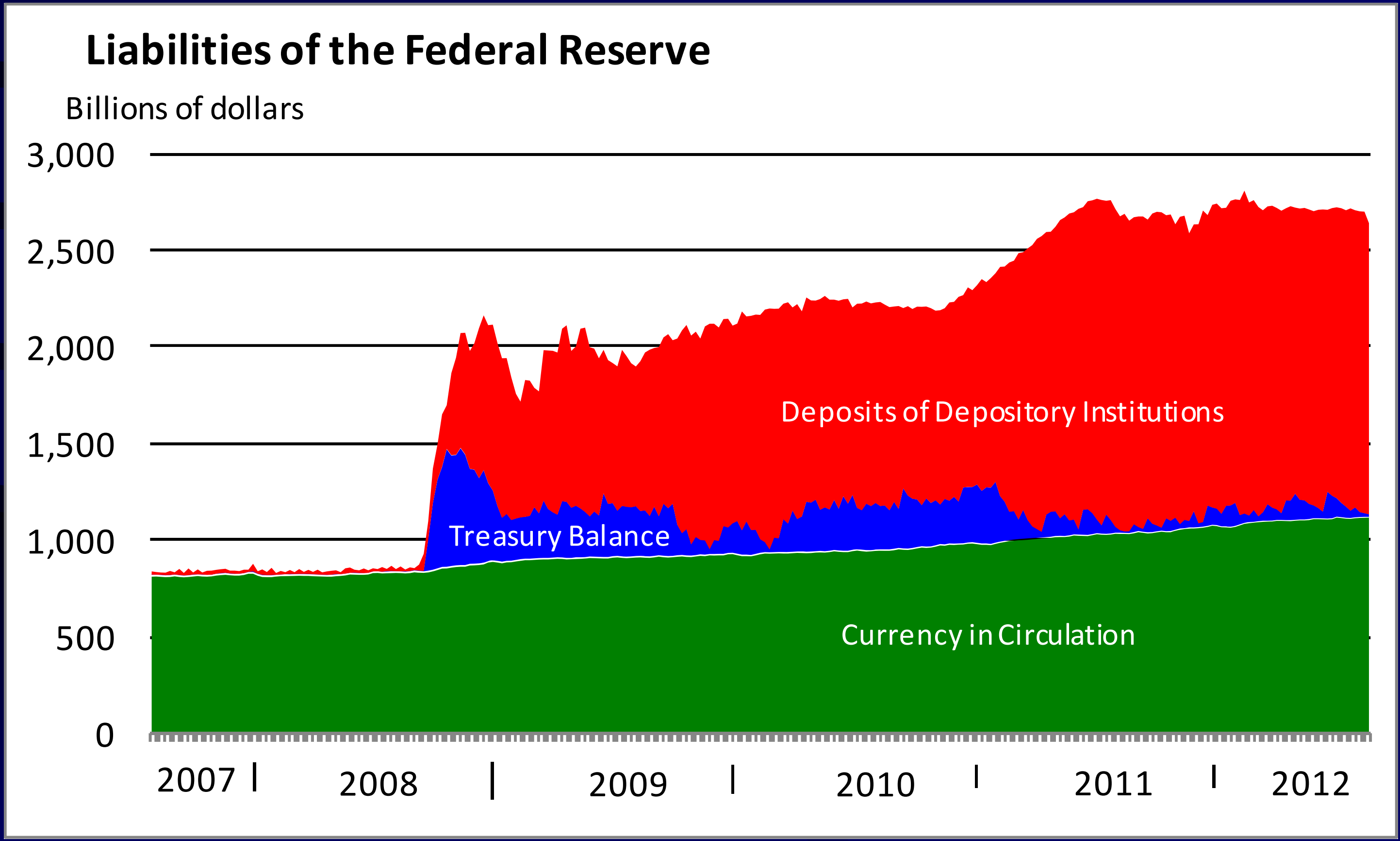
## The “Great Recession” ended in June 2009, but the economy expanded by just 2.2% over the past year



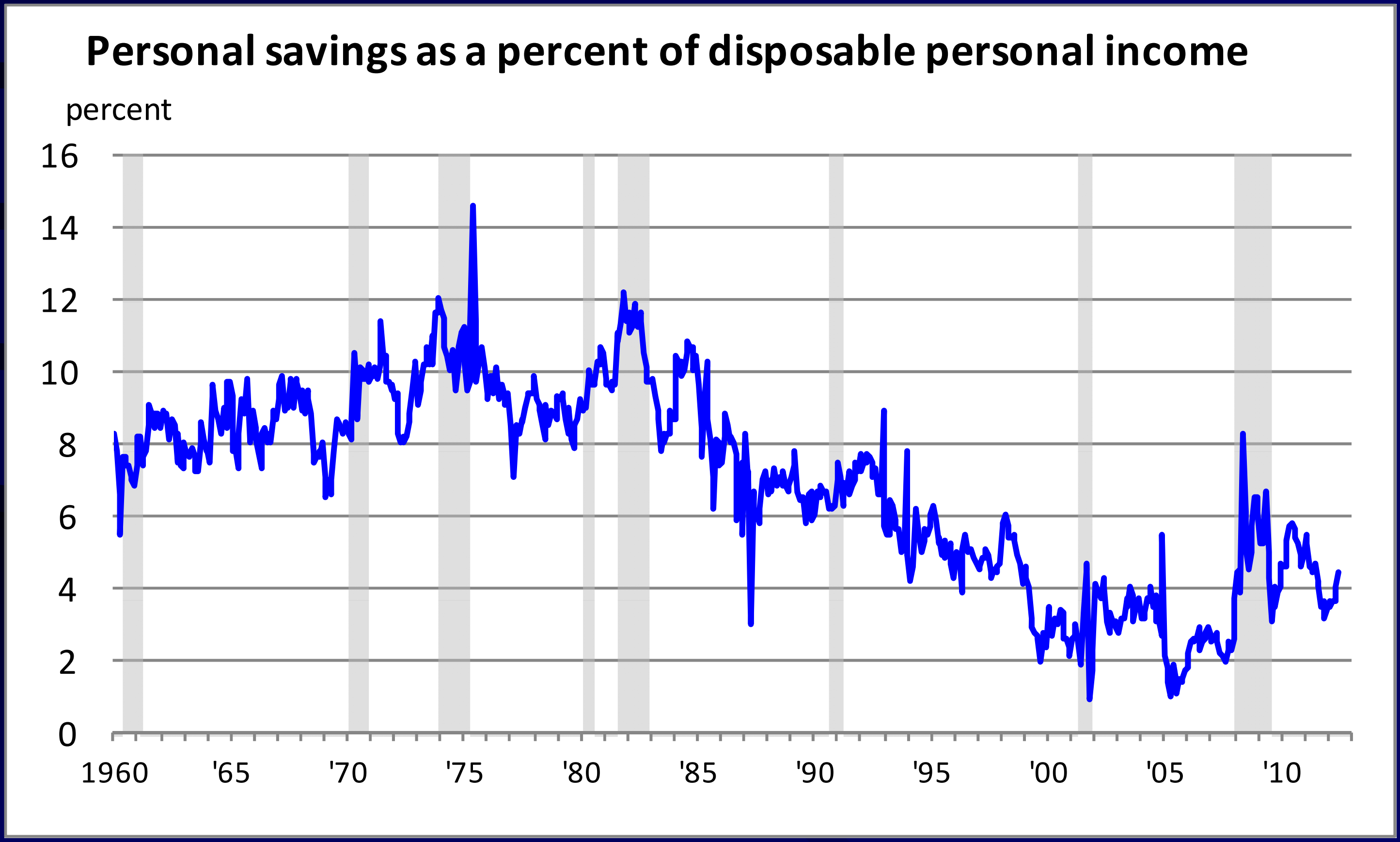
# The Chicago Fed National Activity Index 3-month average is below zero



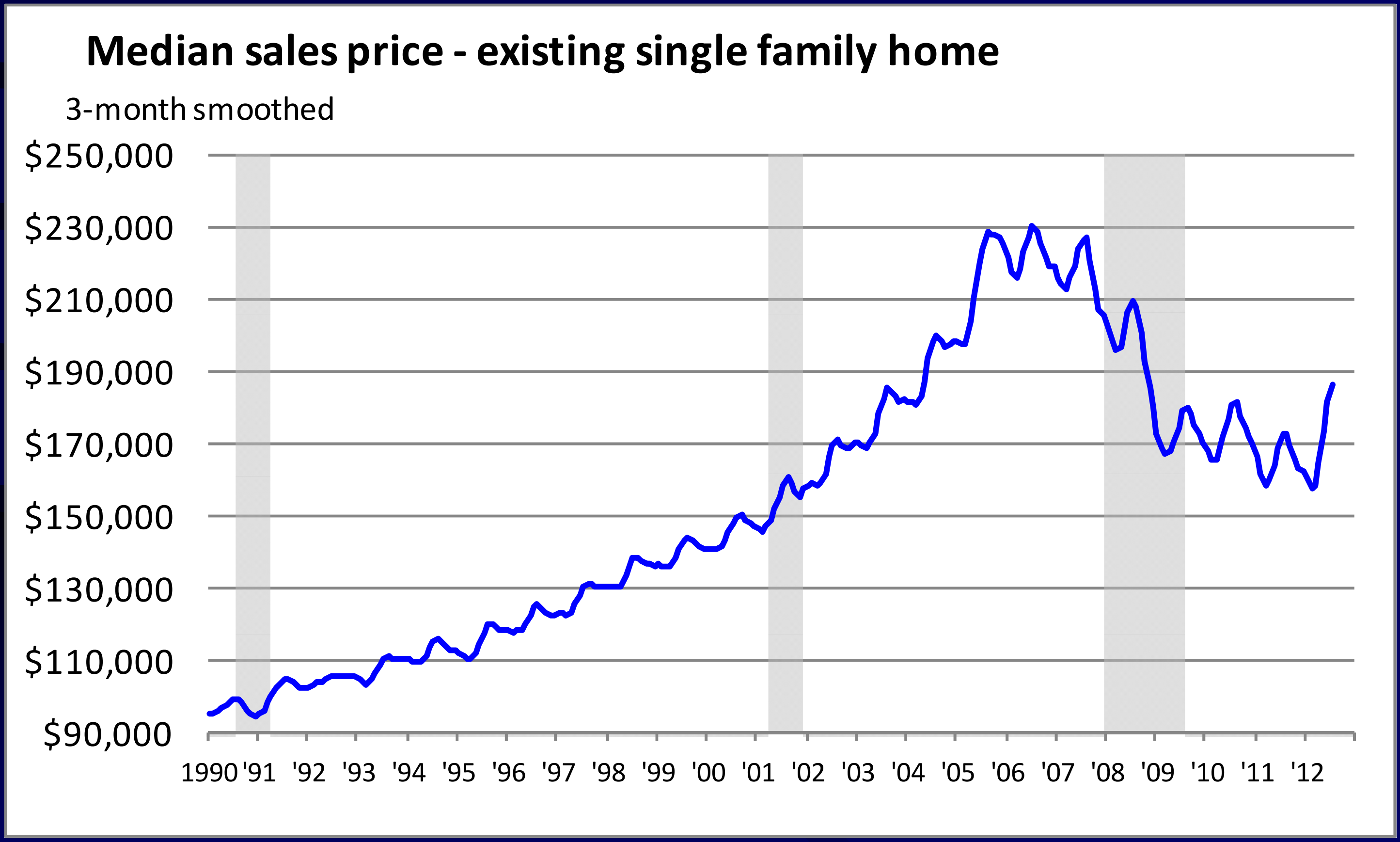
# The liabilities side of the Fed's balance sheet shows large amount of excess reserves



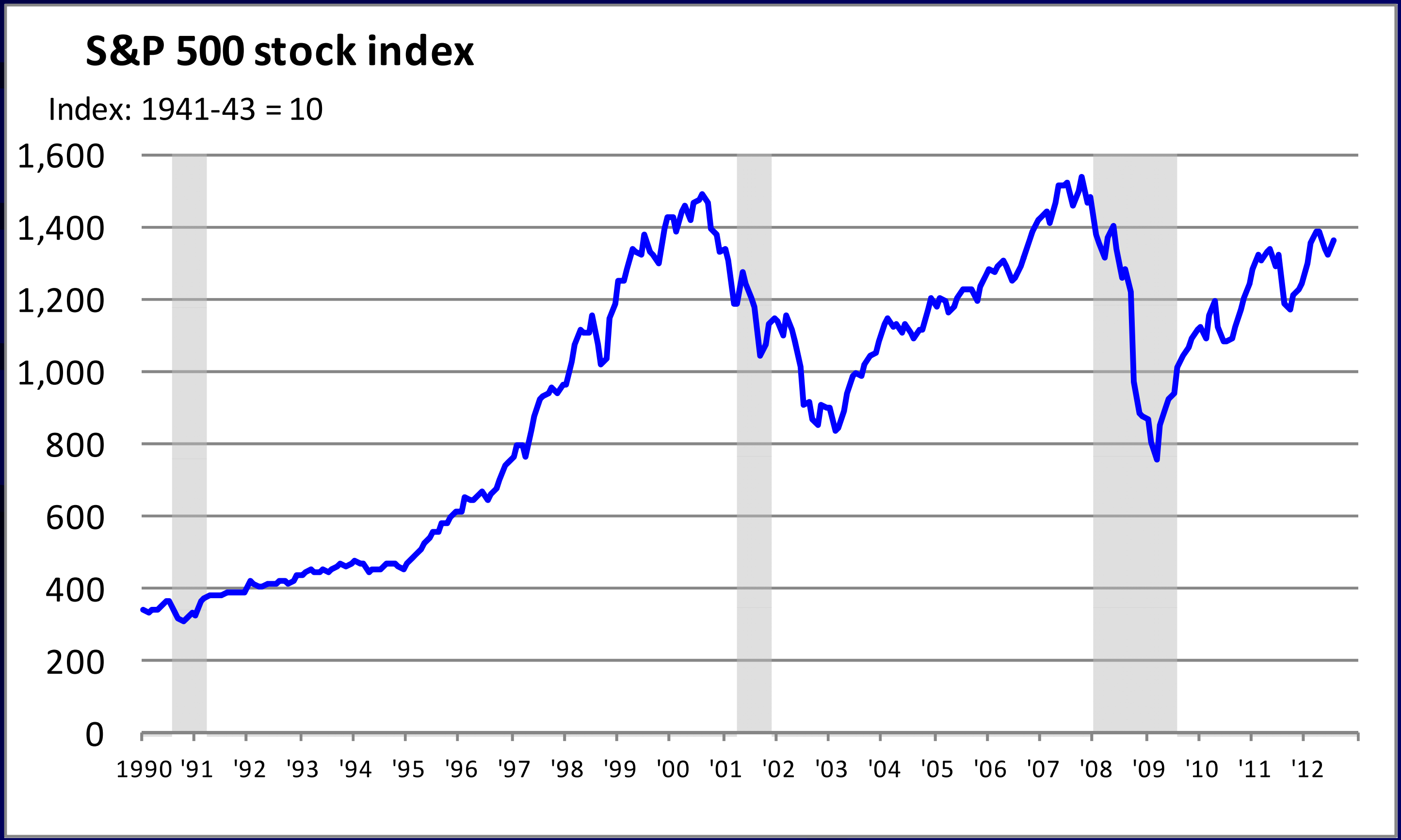
# The personal savings rate has begun to rise



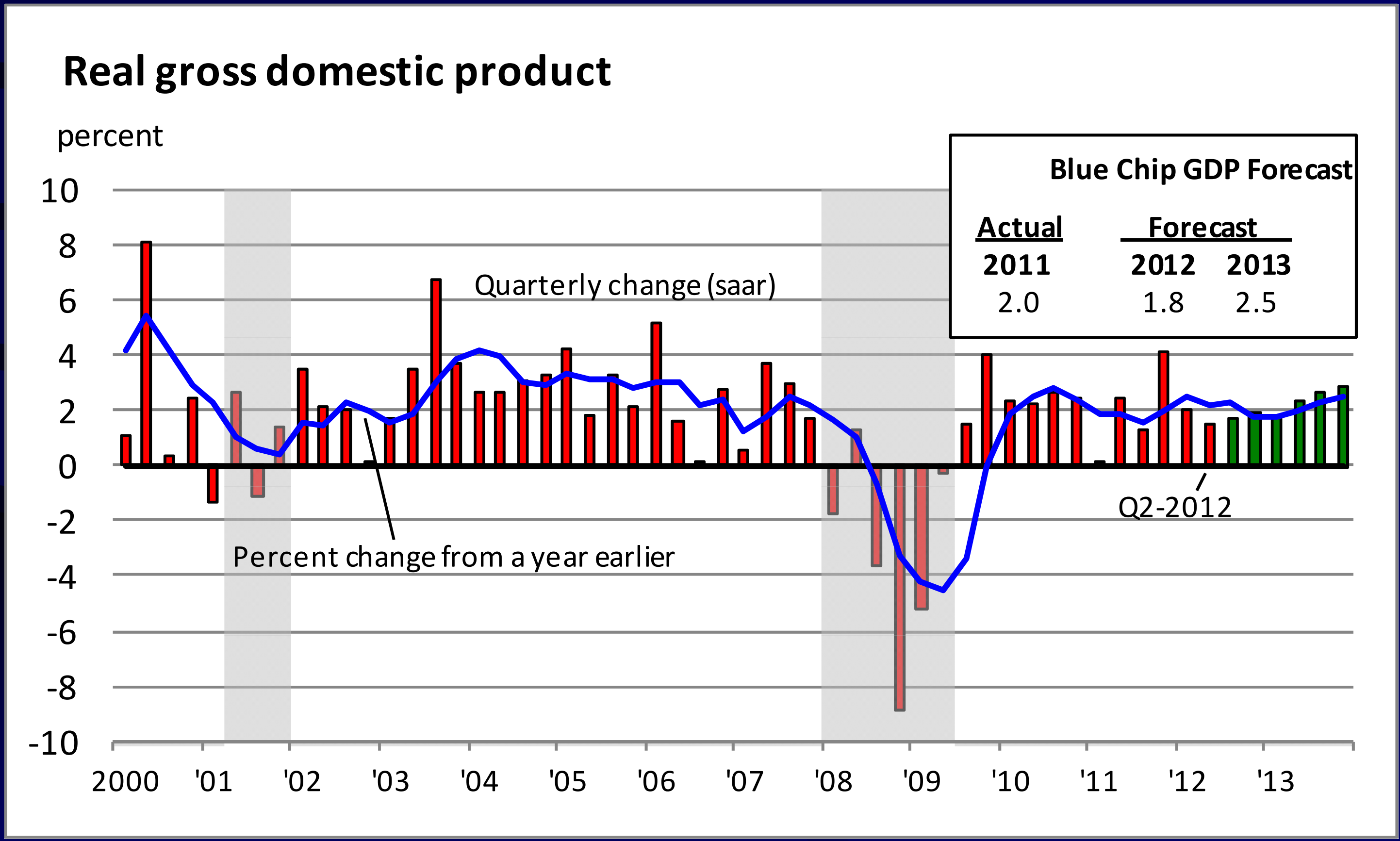
# Existing home prices fell by over 30%



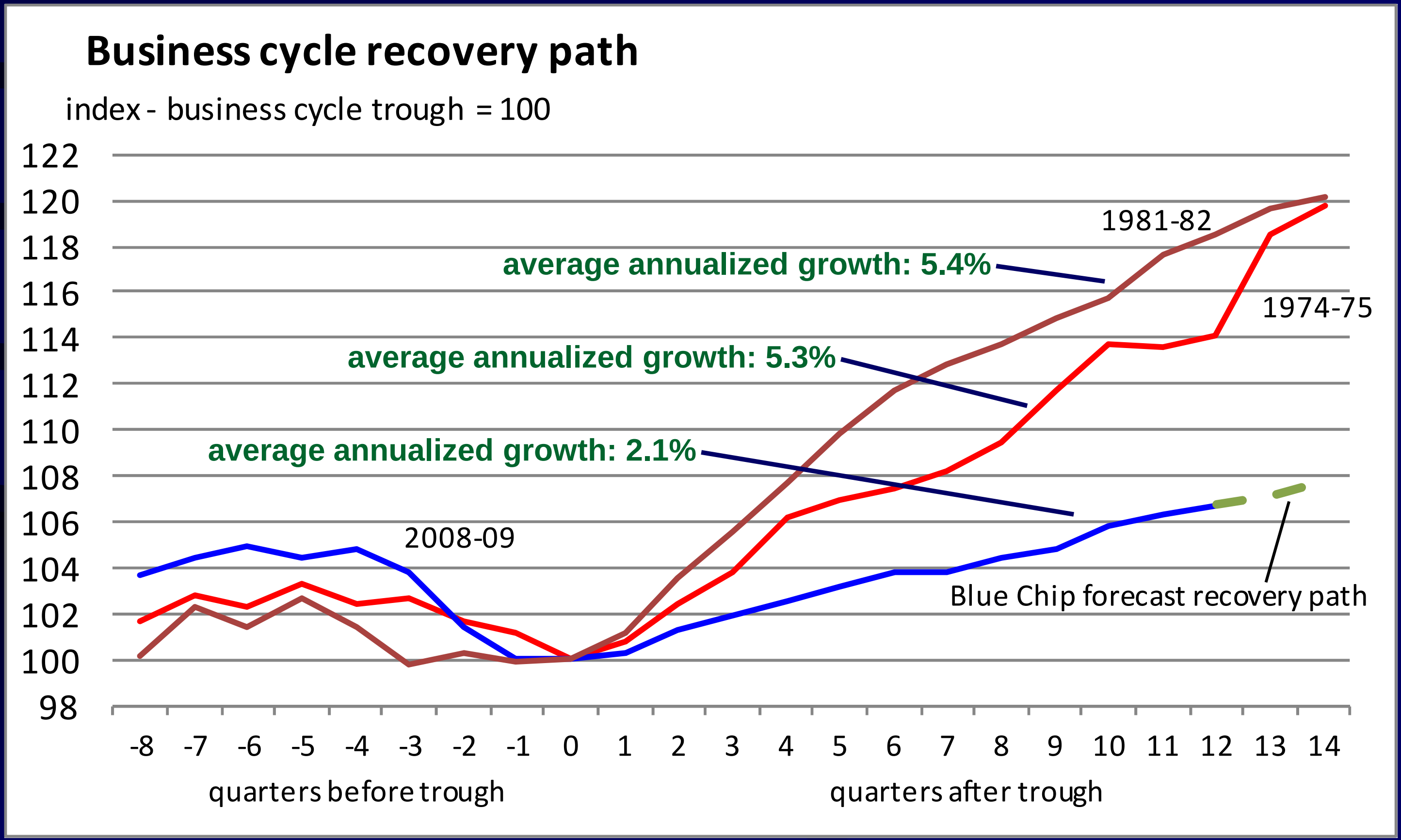
# The stock market has improved since March 2009, but remains below previous levels



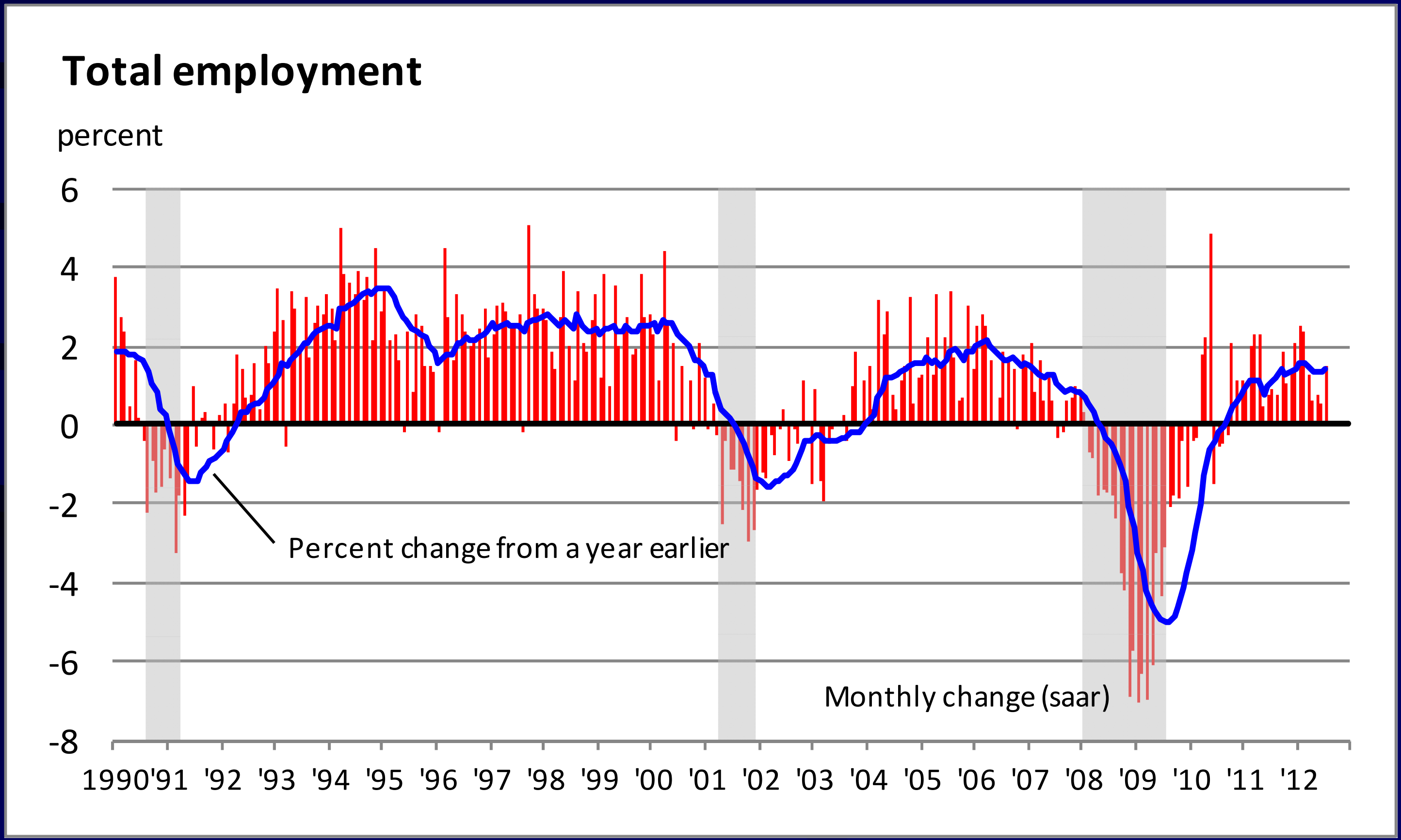
# GDP is forecast to grow slightly below trend in 2012 and slightly above trend in 2013



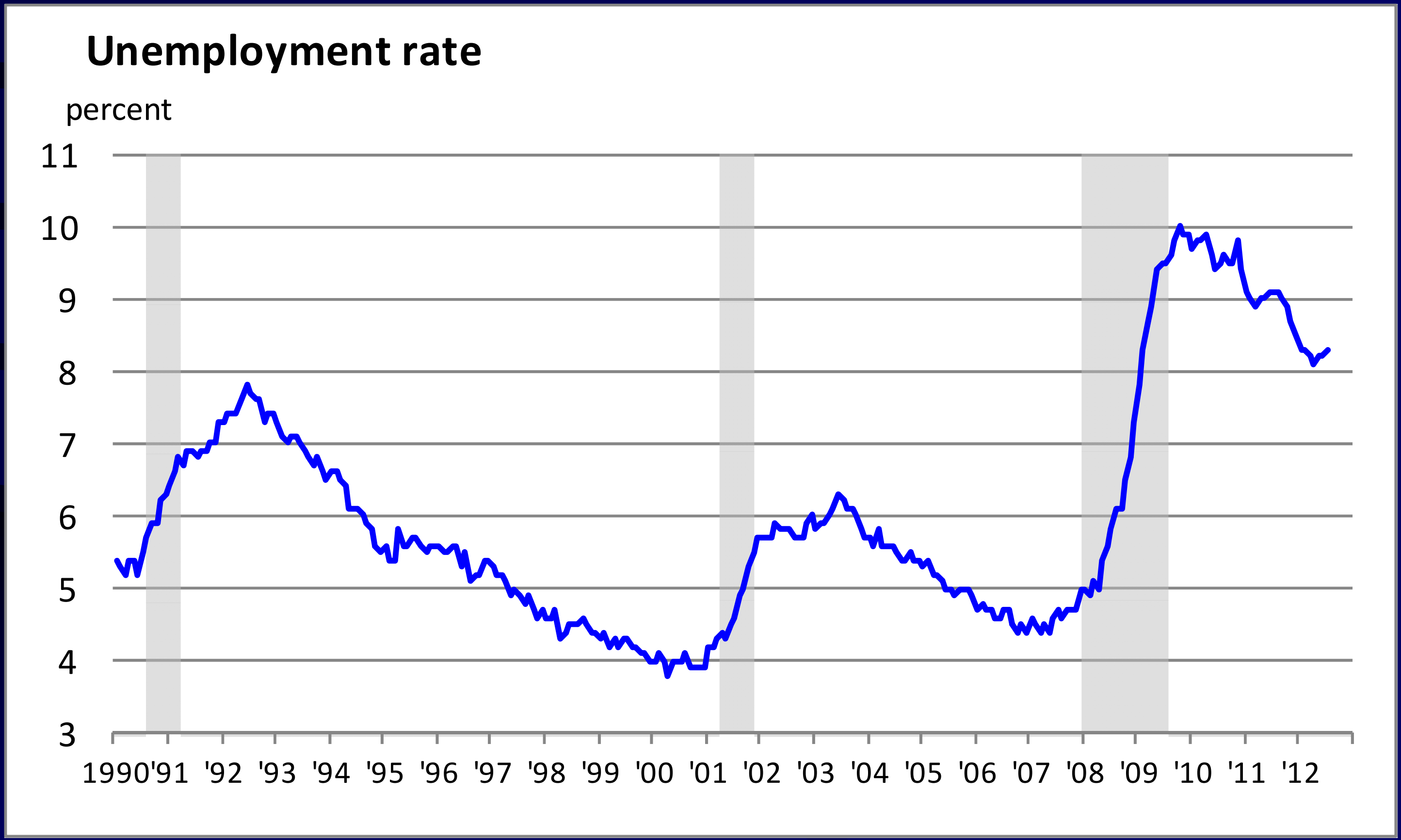
# The forecast path of the current recovery is relatively muted compared with past deep recession recovery cycles



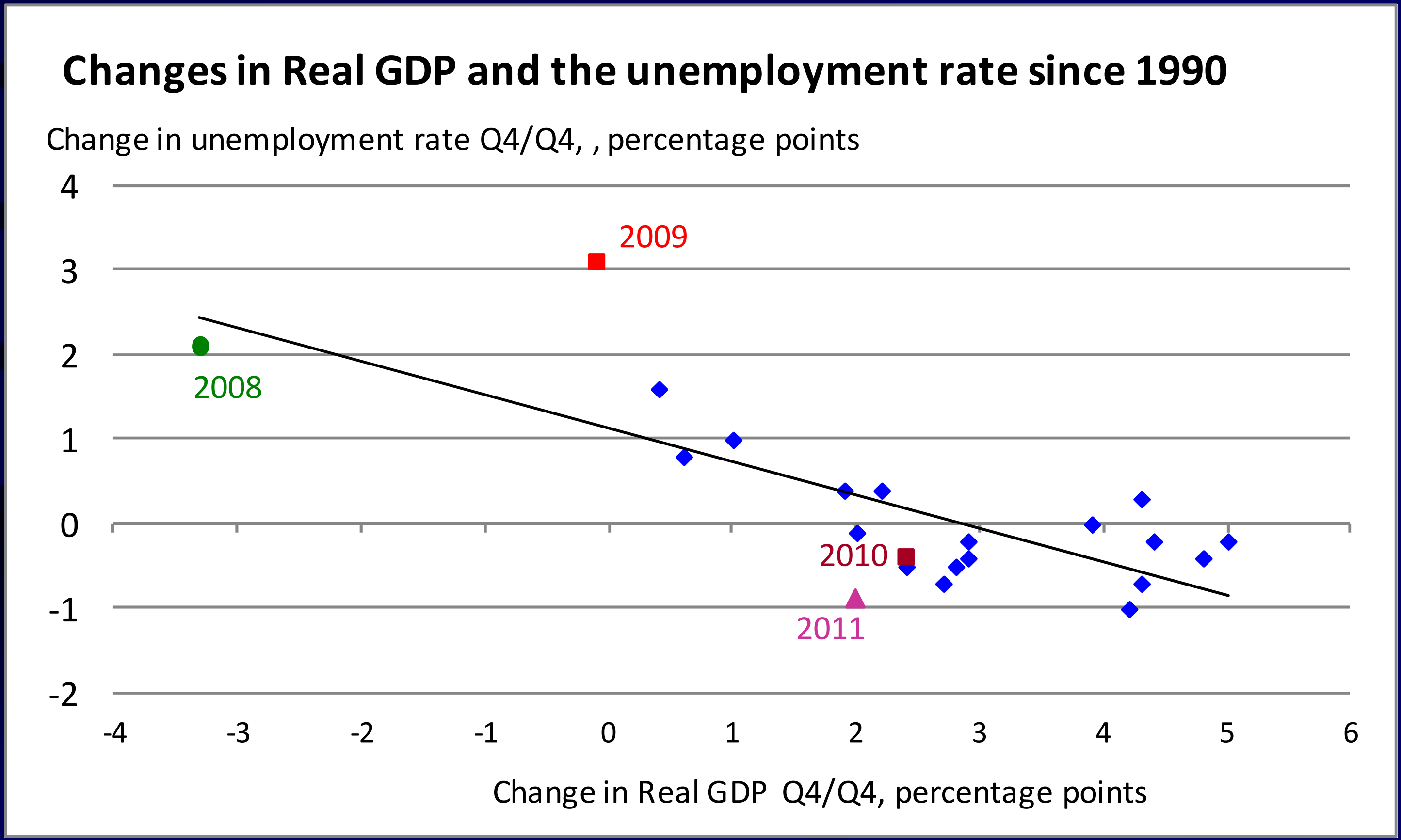
# Employment fell by over 8.7 million jobs between December 2007 and February 2010, but began to rise and has added just over 1.8 million jobs over the past 12 months



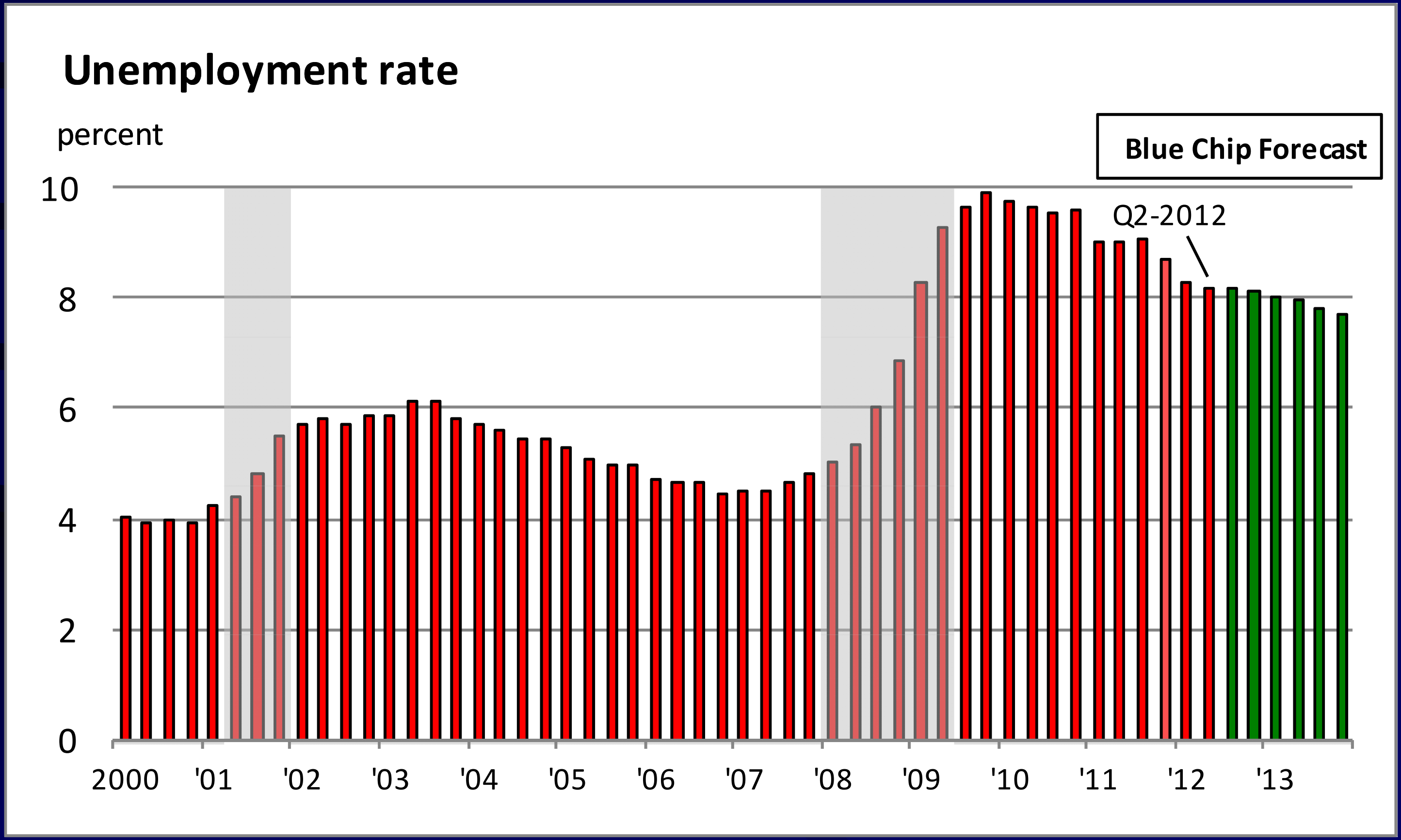
# After peaking in October 2009, the unemployment rate has fallen by 1.7 percentage points



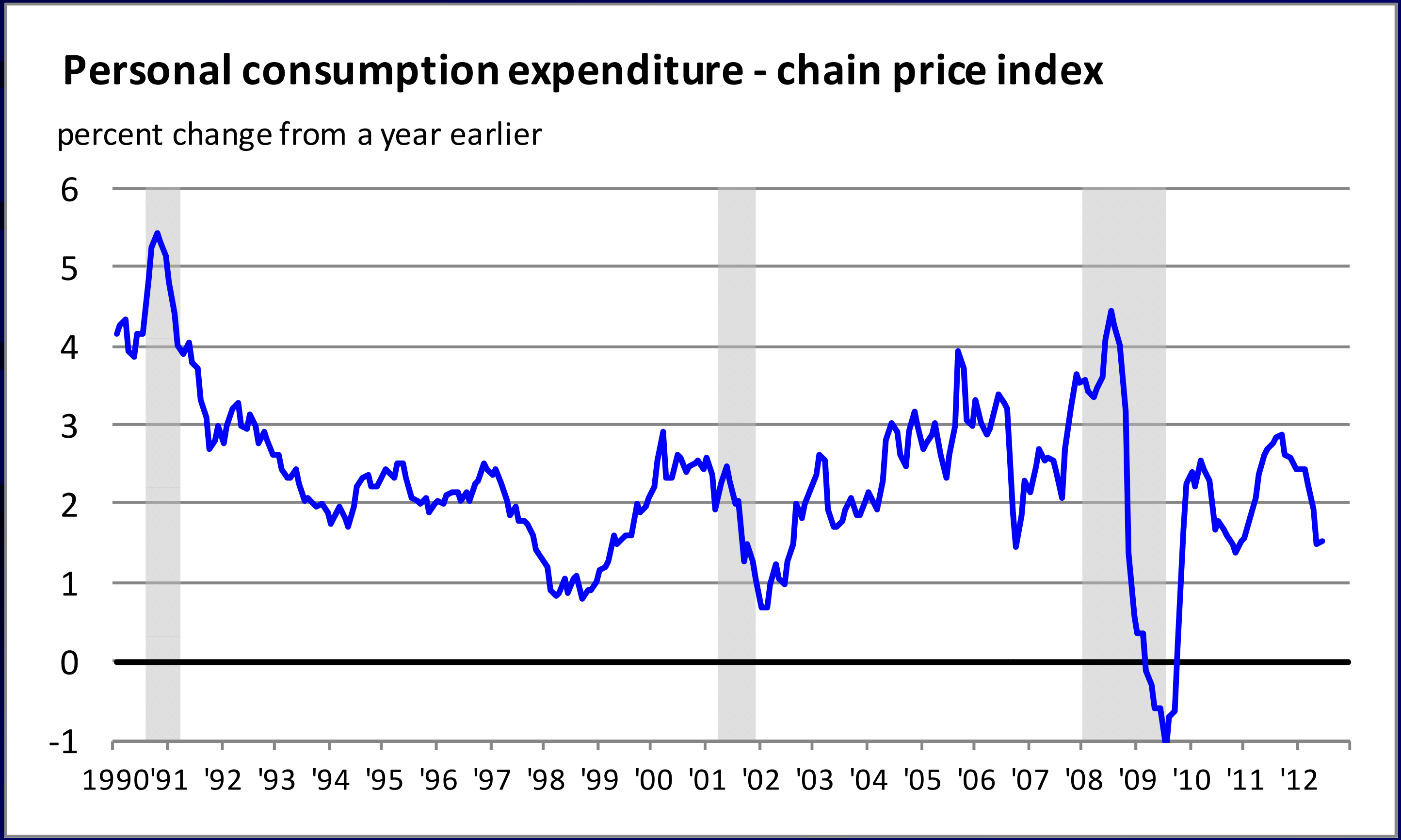
# Okun's Law: for every percentage point that GDP growth deviates from its trend – leads to a half percentage change in the unemployment rate in the opposite direction



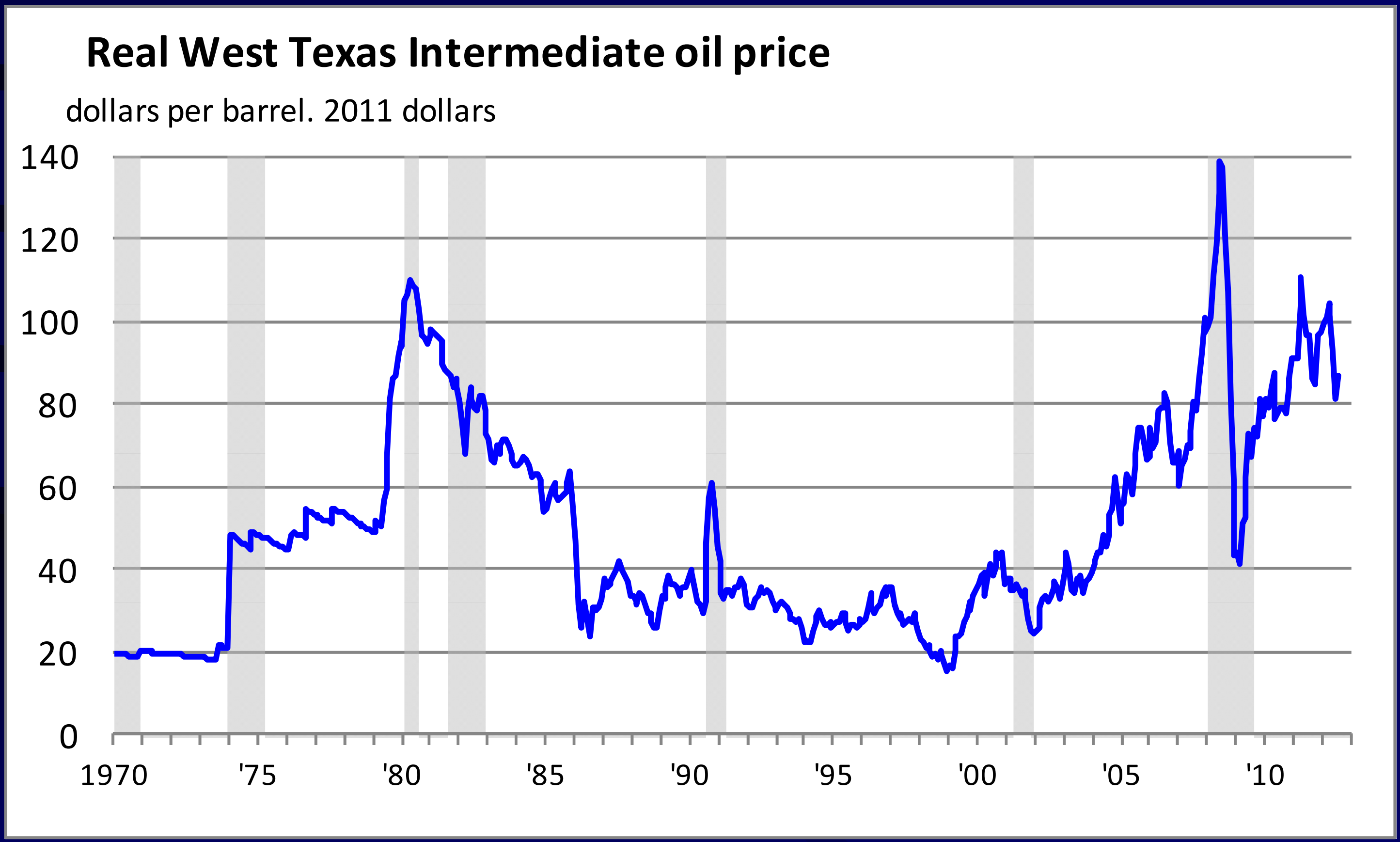
# The unemployment rate is forecast to edge lower



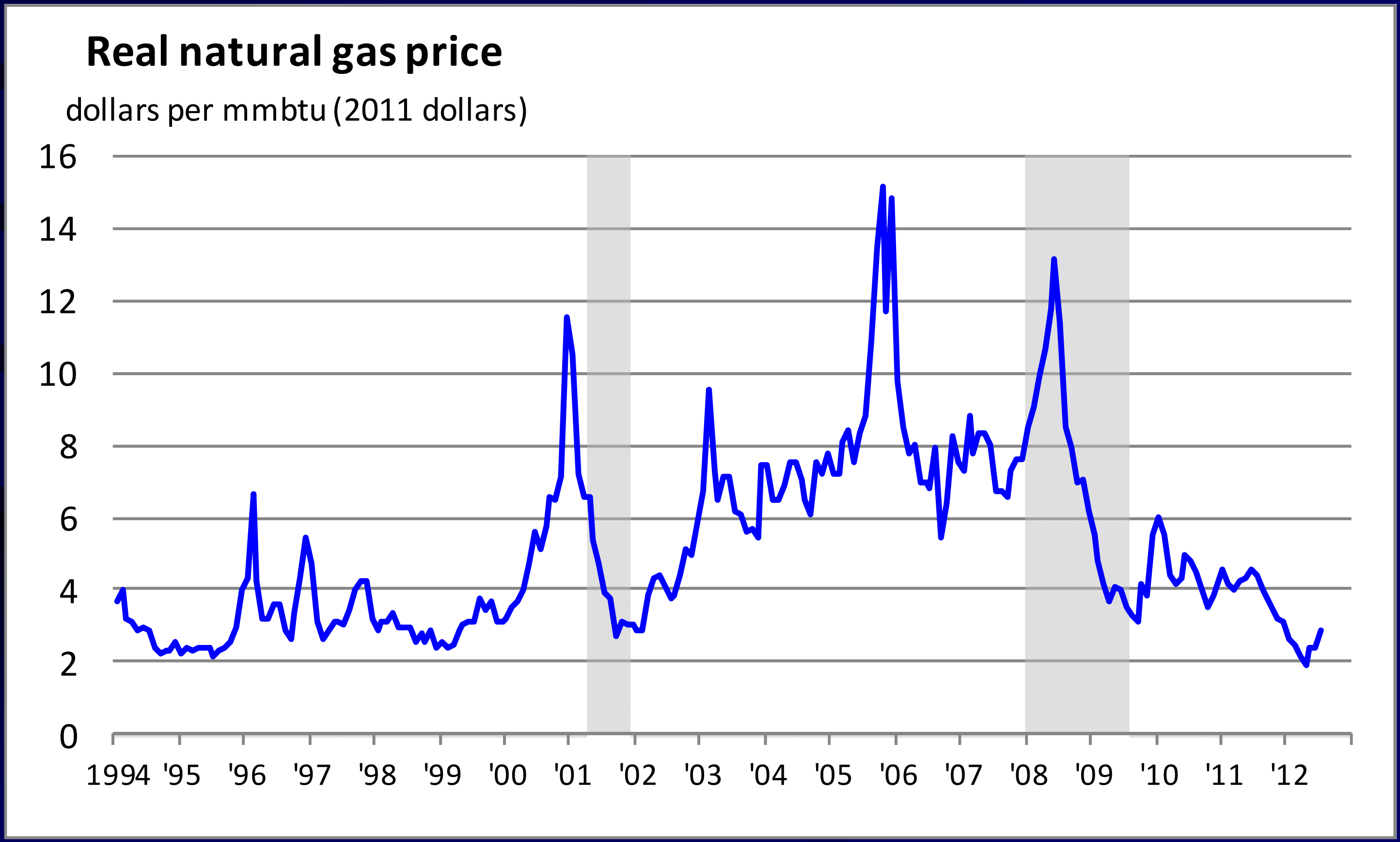
# Inflation has moderated



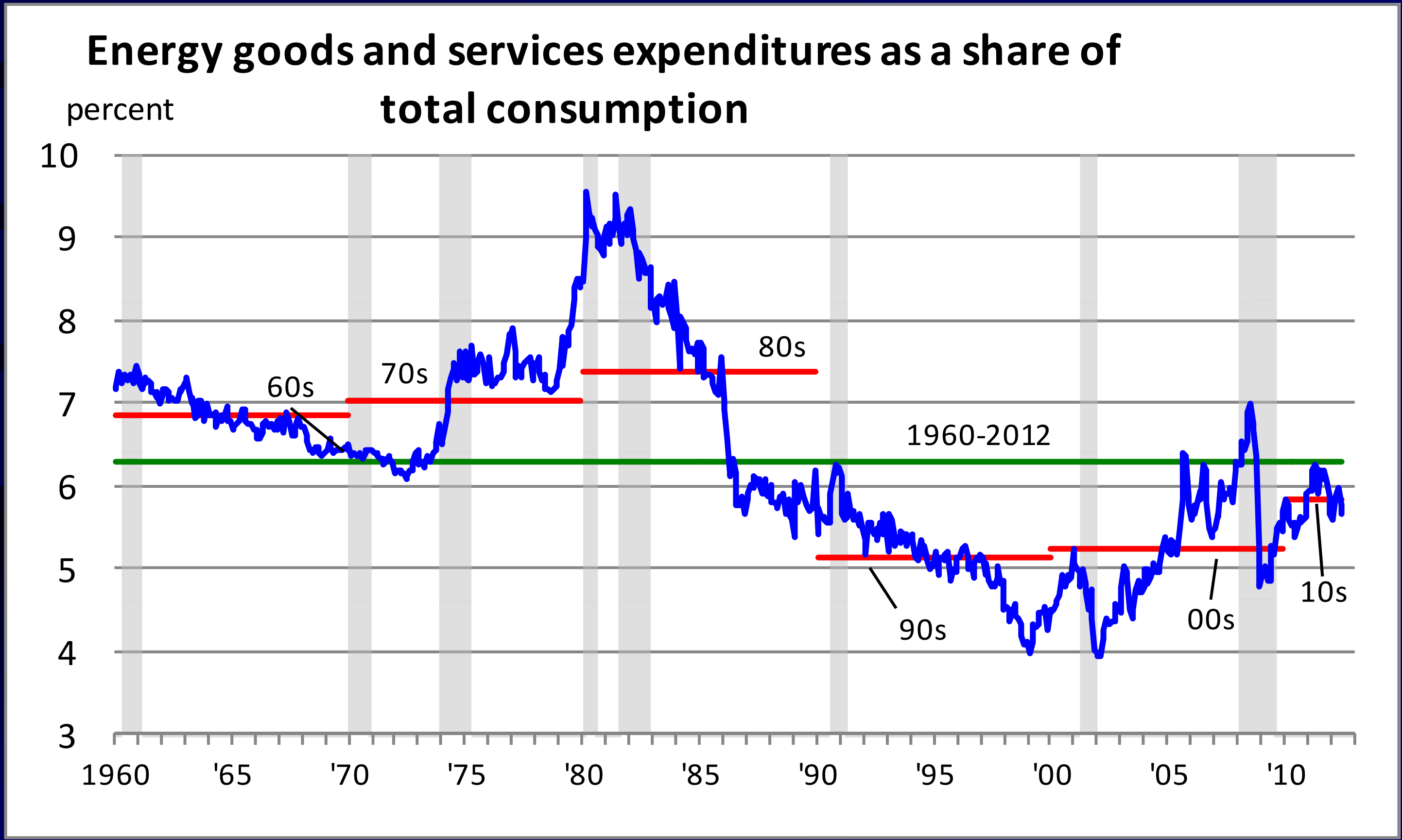
# In large part due to the movement of oil prices. Adjusted for inflation, current oil prices are below the levels that existed thirty years ago



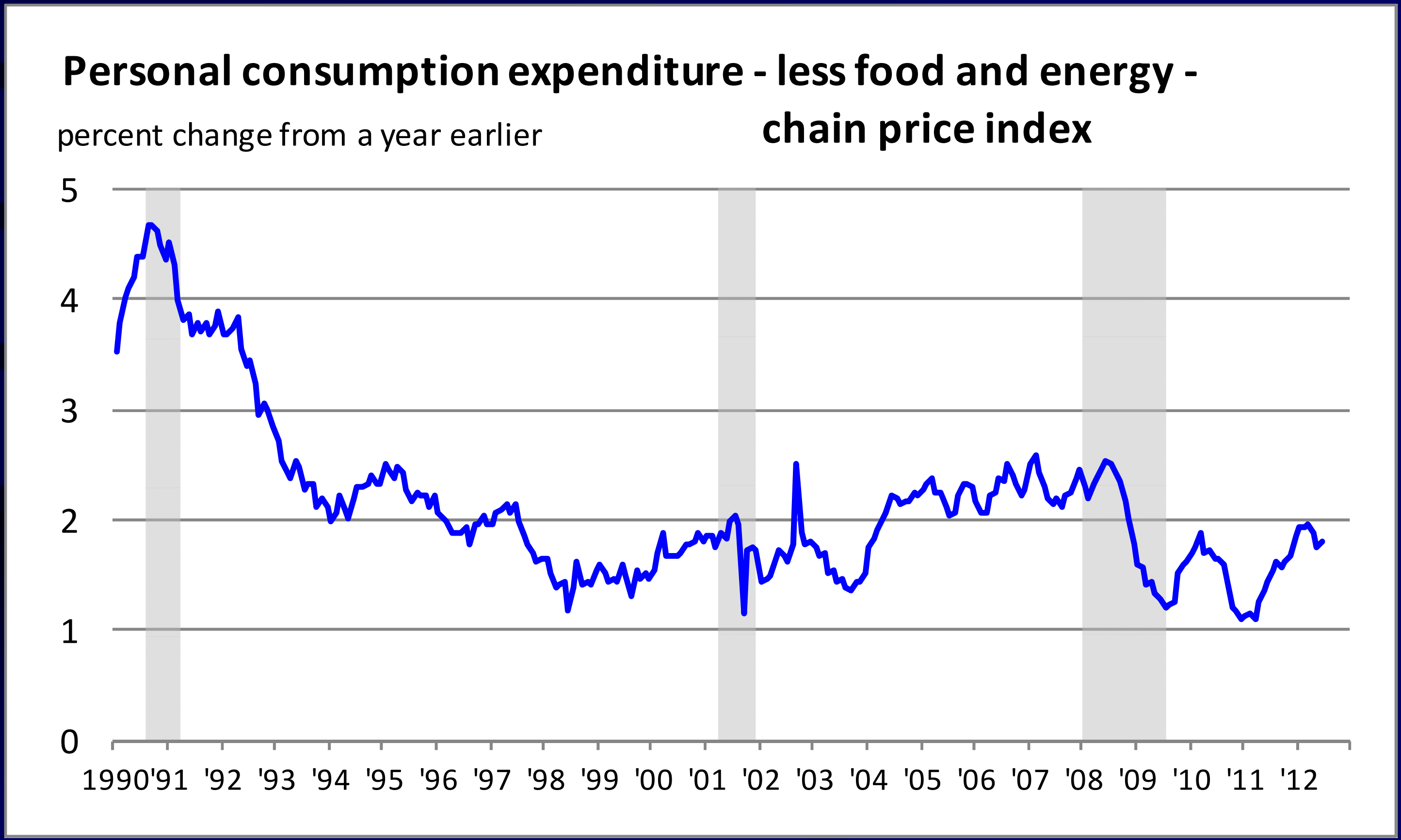
# Natural gas prices have fallen sharply



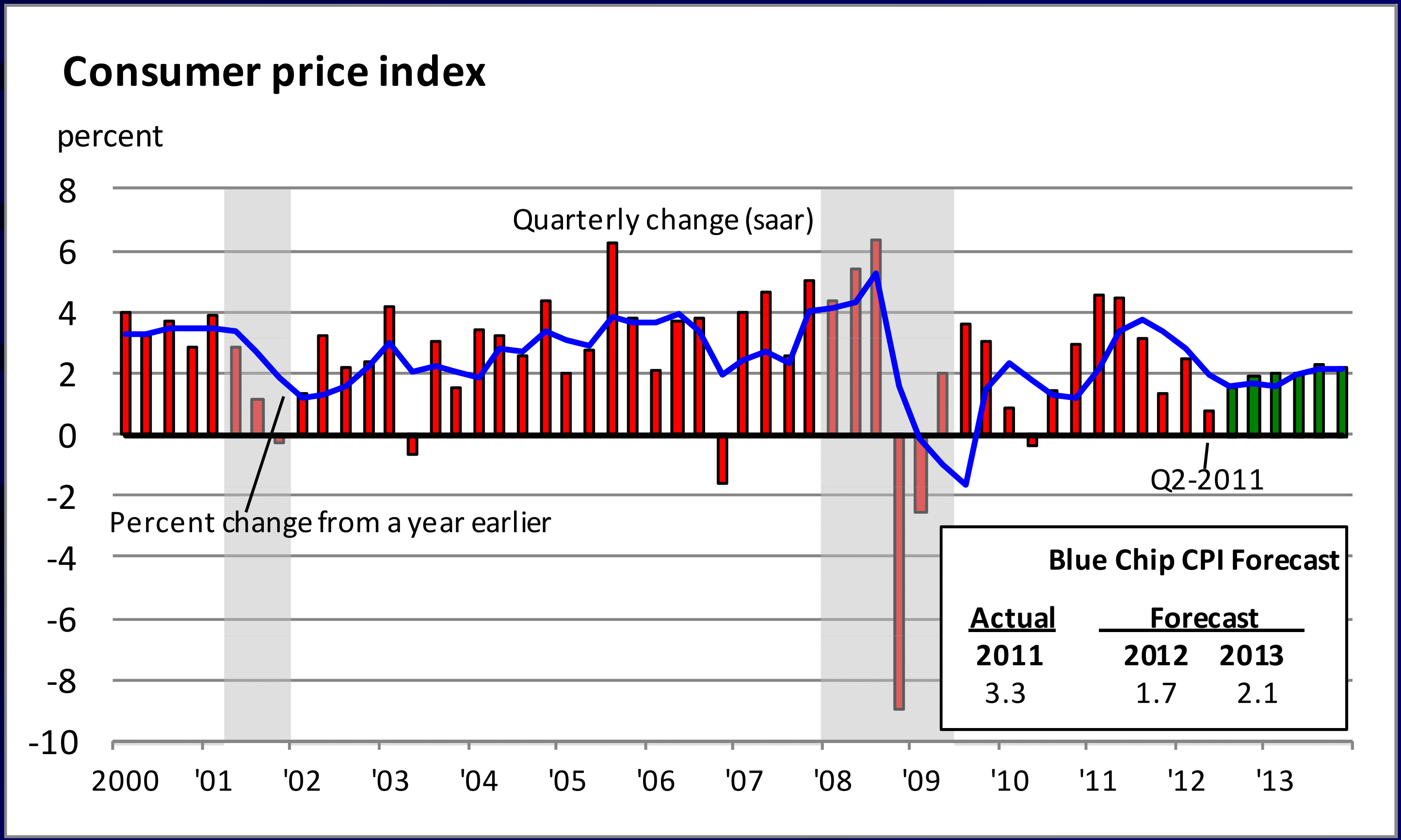
# Expenditures on energy are below the historical average



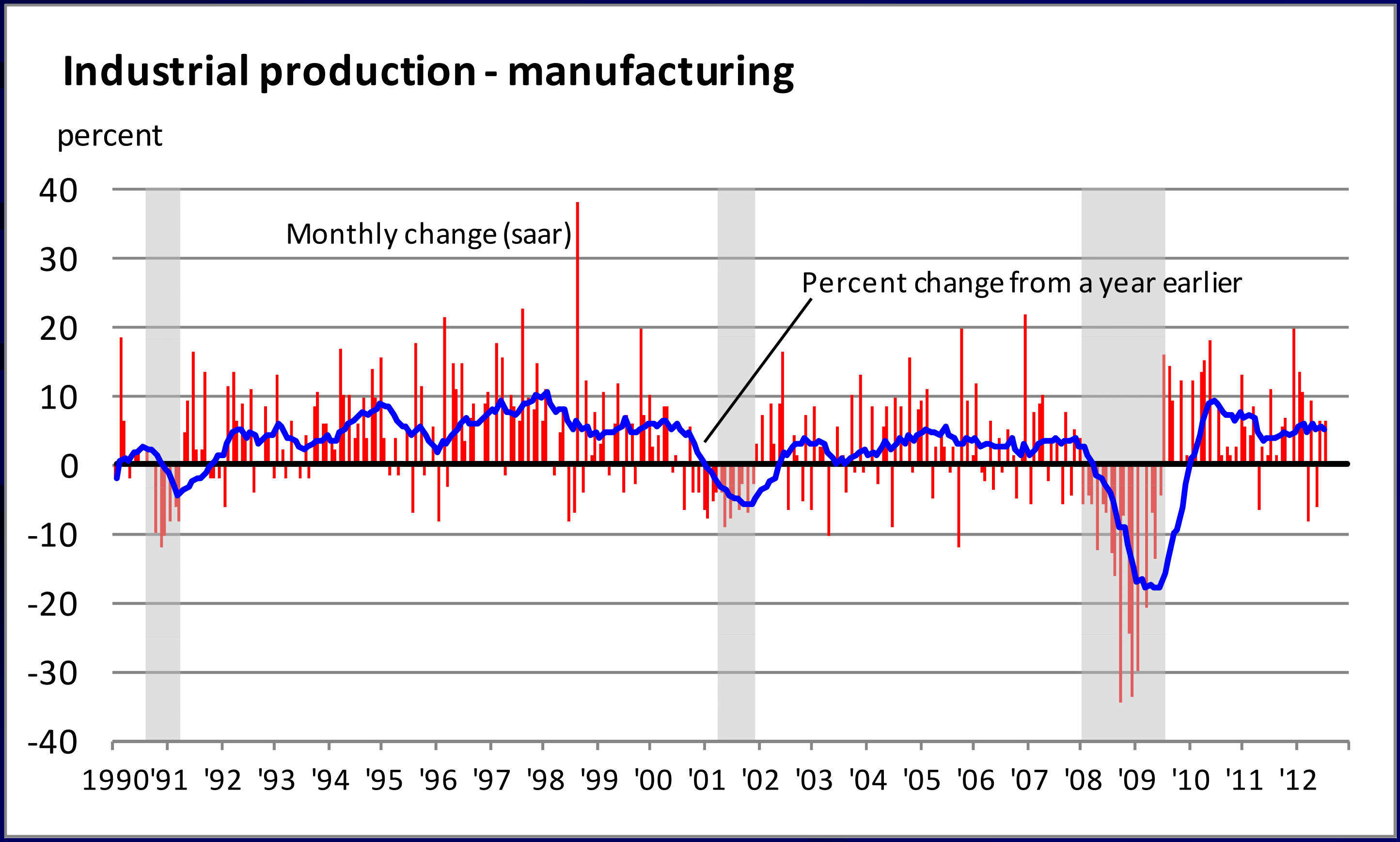
# Removing the volatile food and energy components from the PCE, “core” inflation remains low



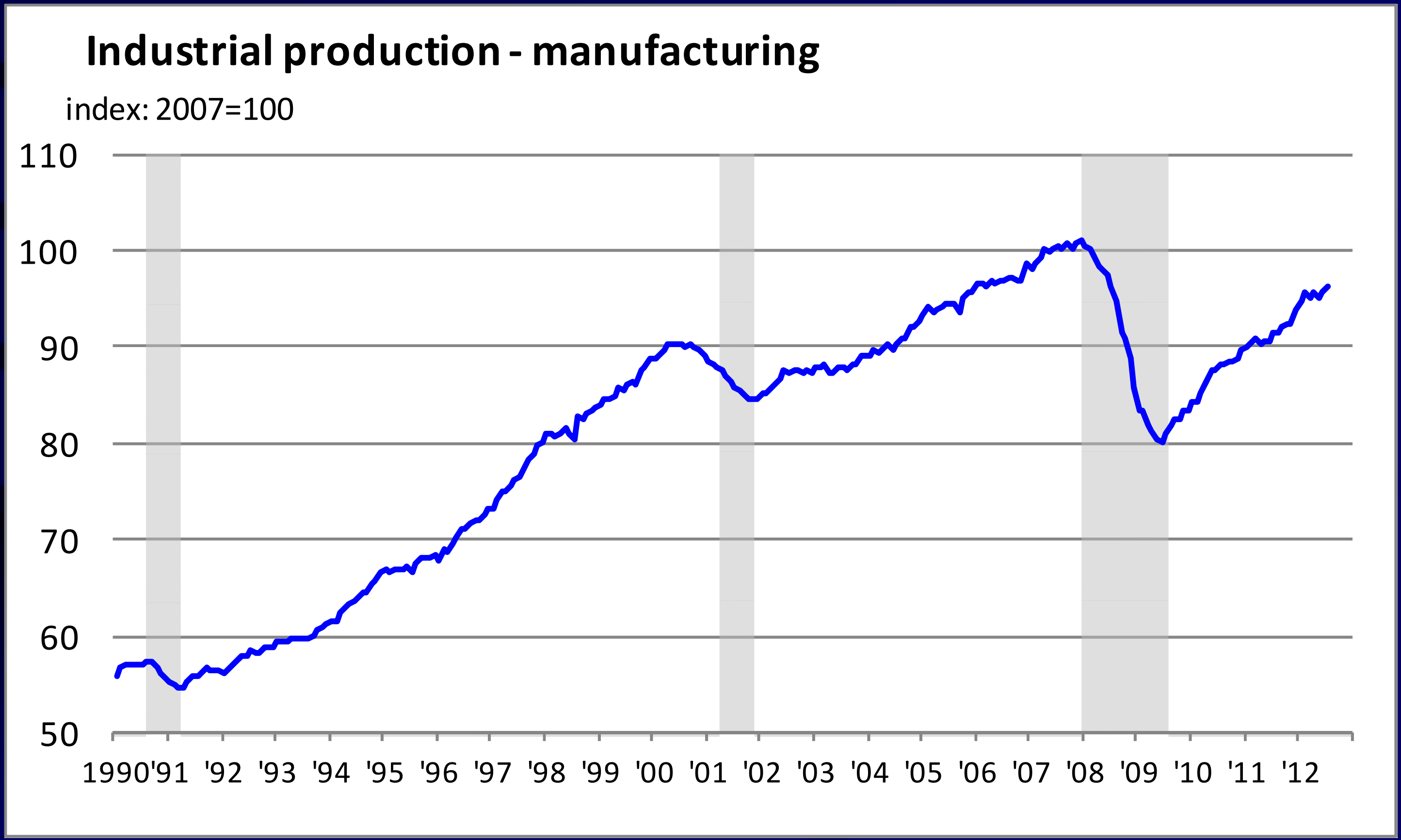
# Inflation is anticipated to rise 1.7 percent this year and 2.1 percent next year



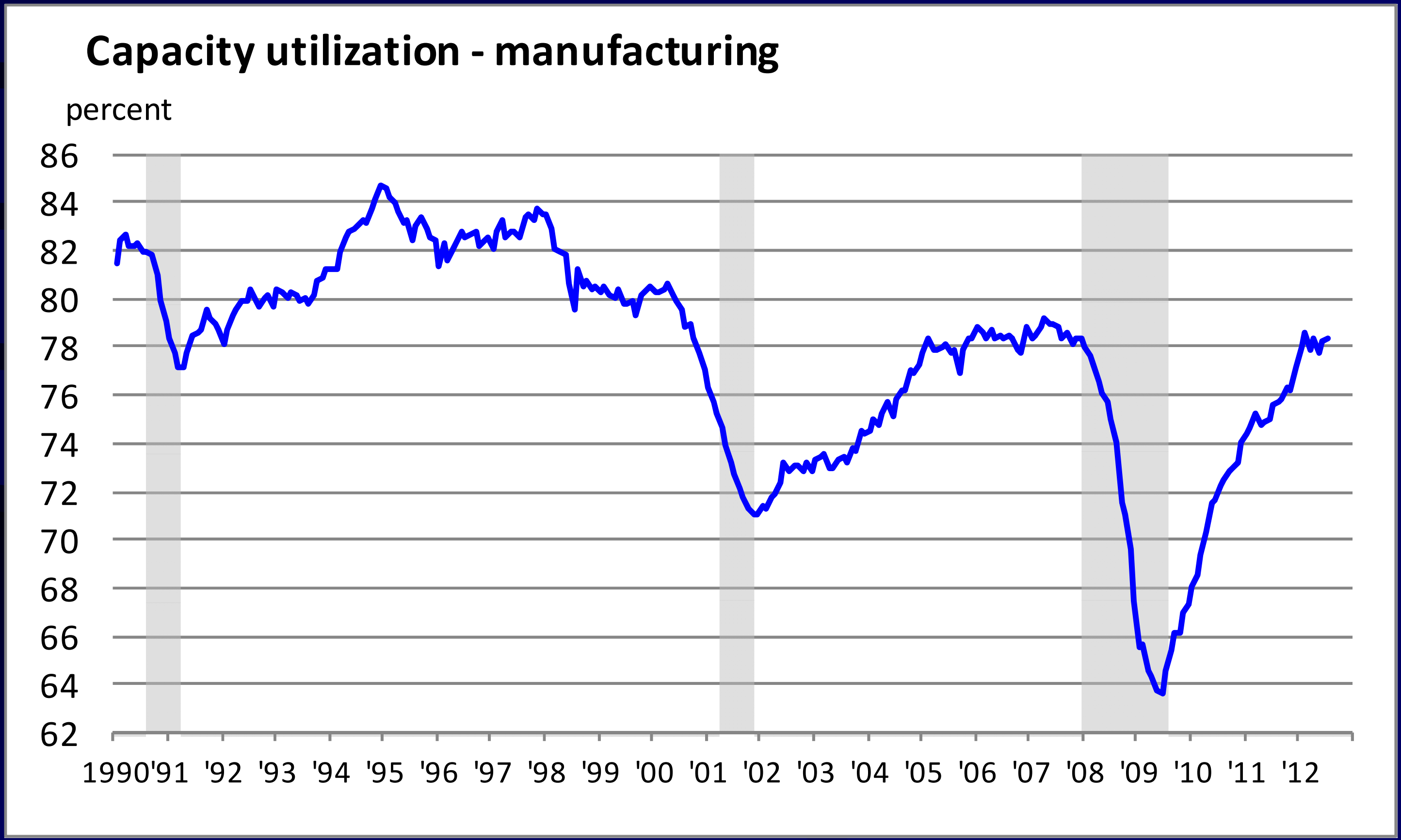
# Industrial output in manufacturing fell quite sharply during the recession, but has risen strongly over the past thirty-six months, averaging 6.2% and has recovered 77.1% of the loss during the recession



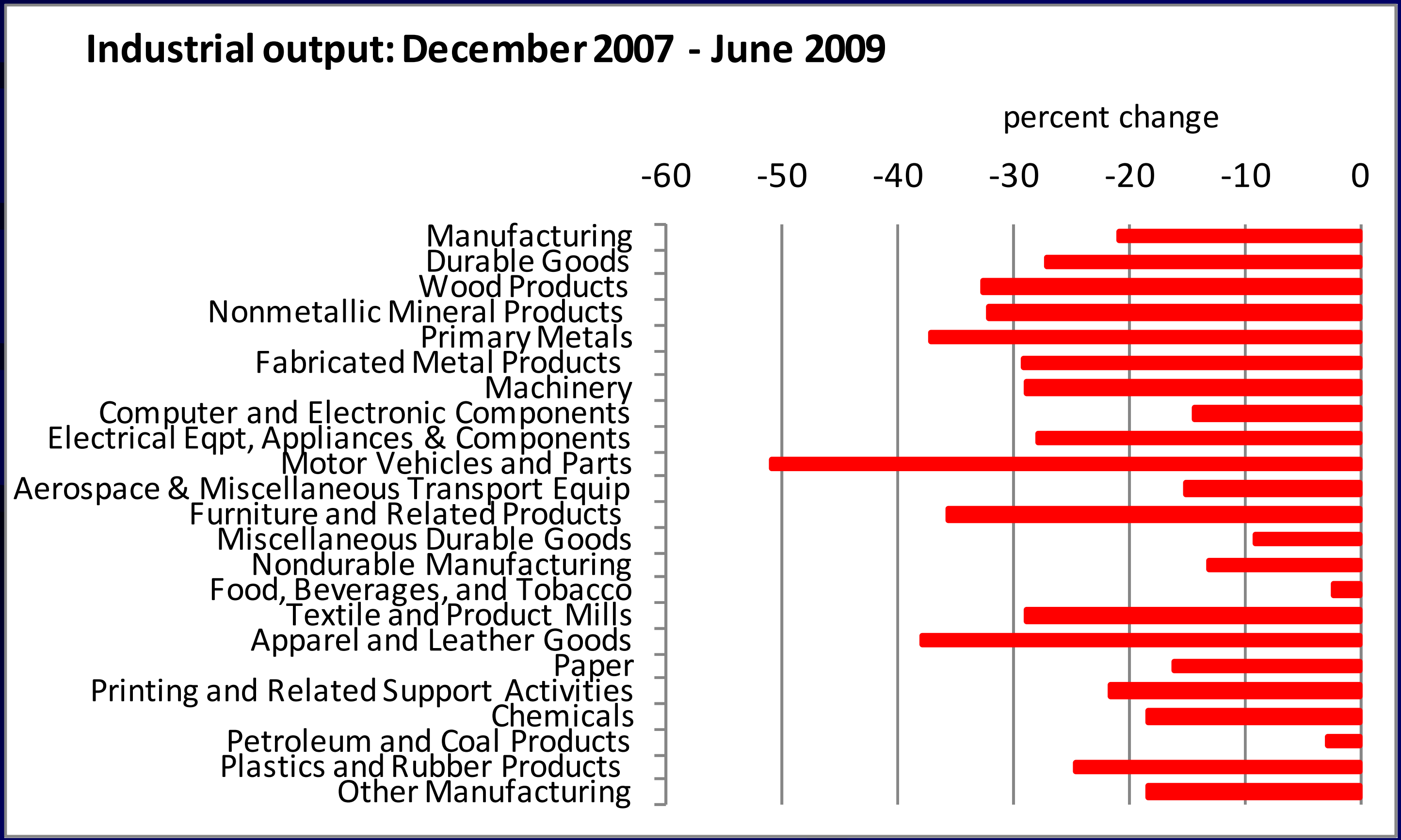
# Industrial output in manufacturing is 5.1% higher than a year earlier, however since February 2012 growth slowed to 1.3% (saar)



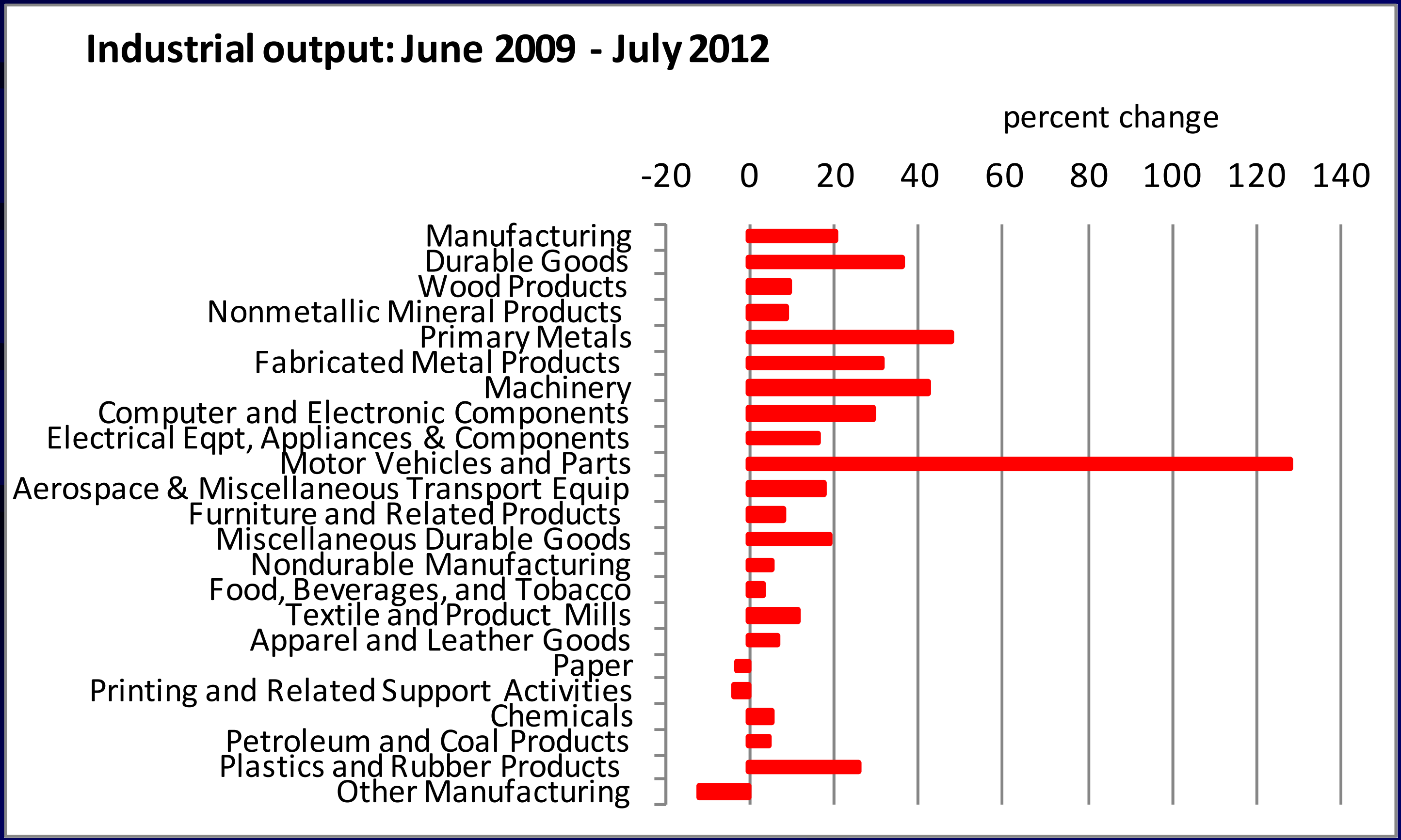
# Manufacturing capacity utilization has been rising since June 2009



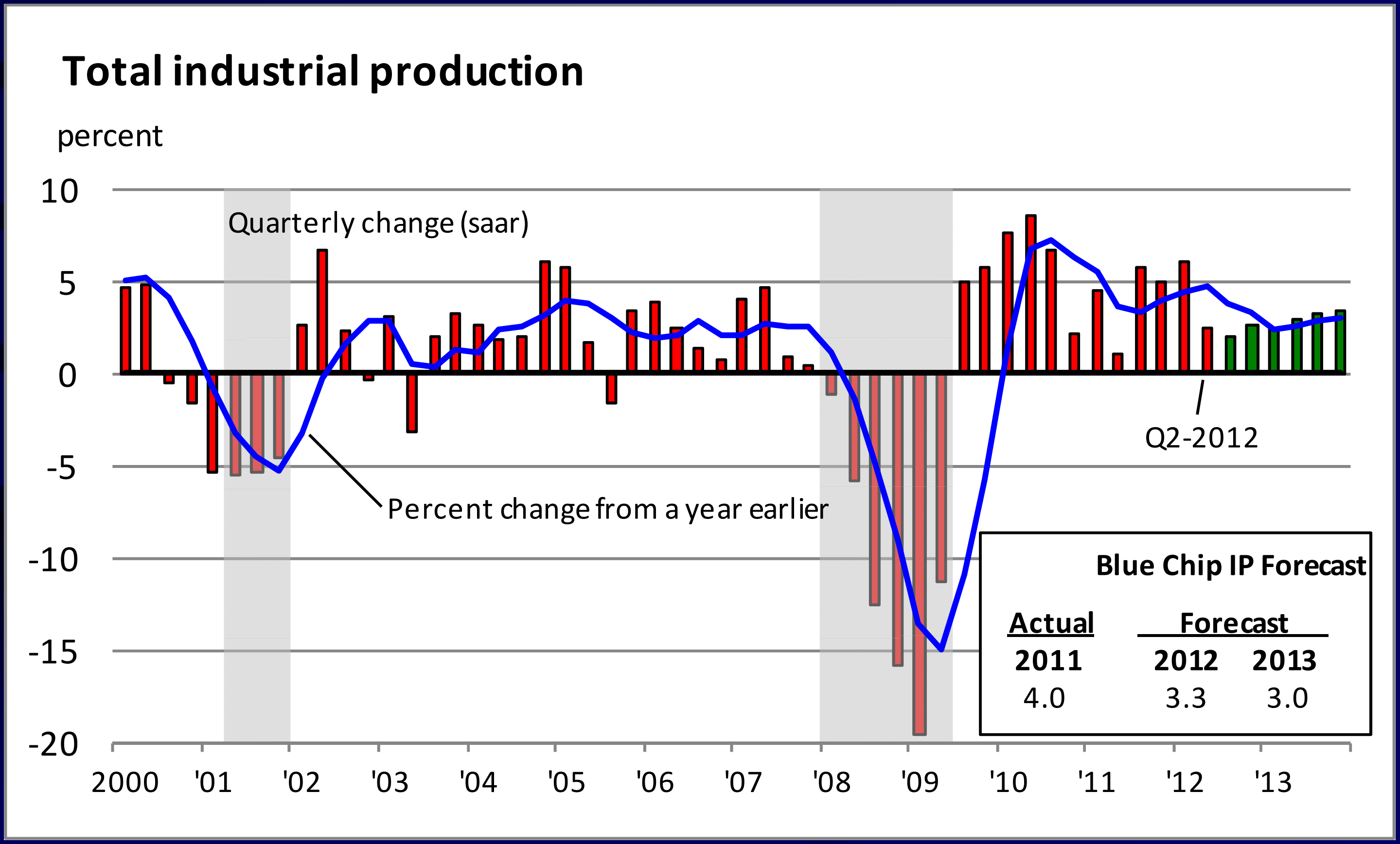
# Declines in manufacturing output were broad-based during the Great Recession – especially in vehicle and primary metals manufacturing



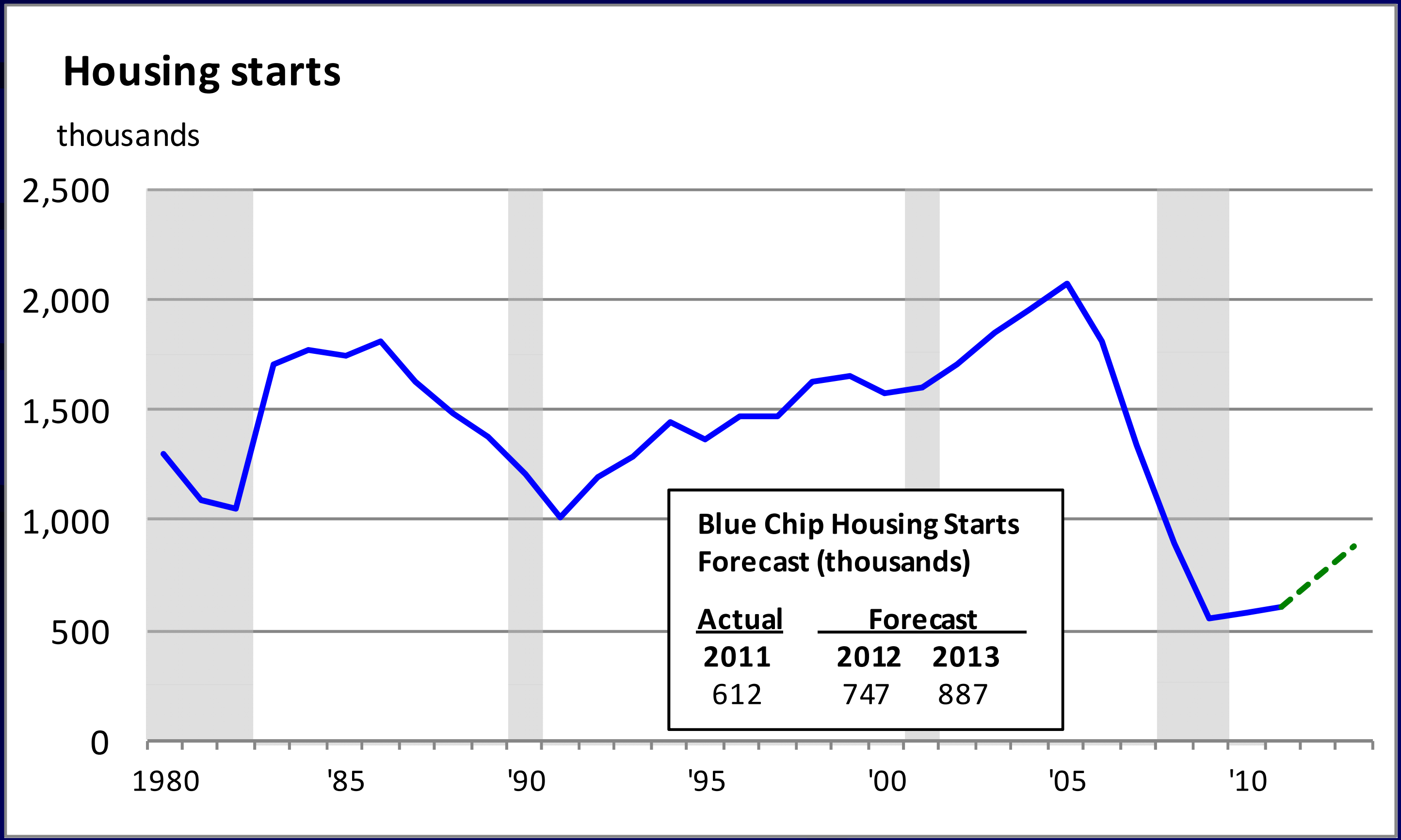
# The recovery has also been broad-based with vehicle and primary metals manufacturing leading the way



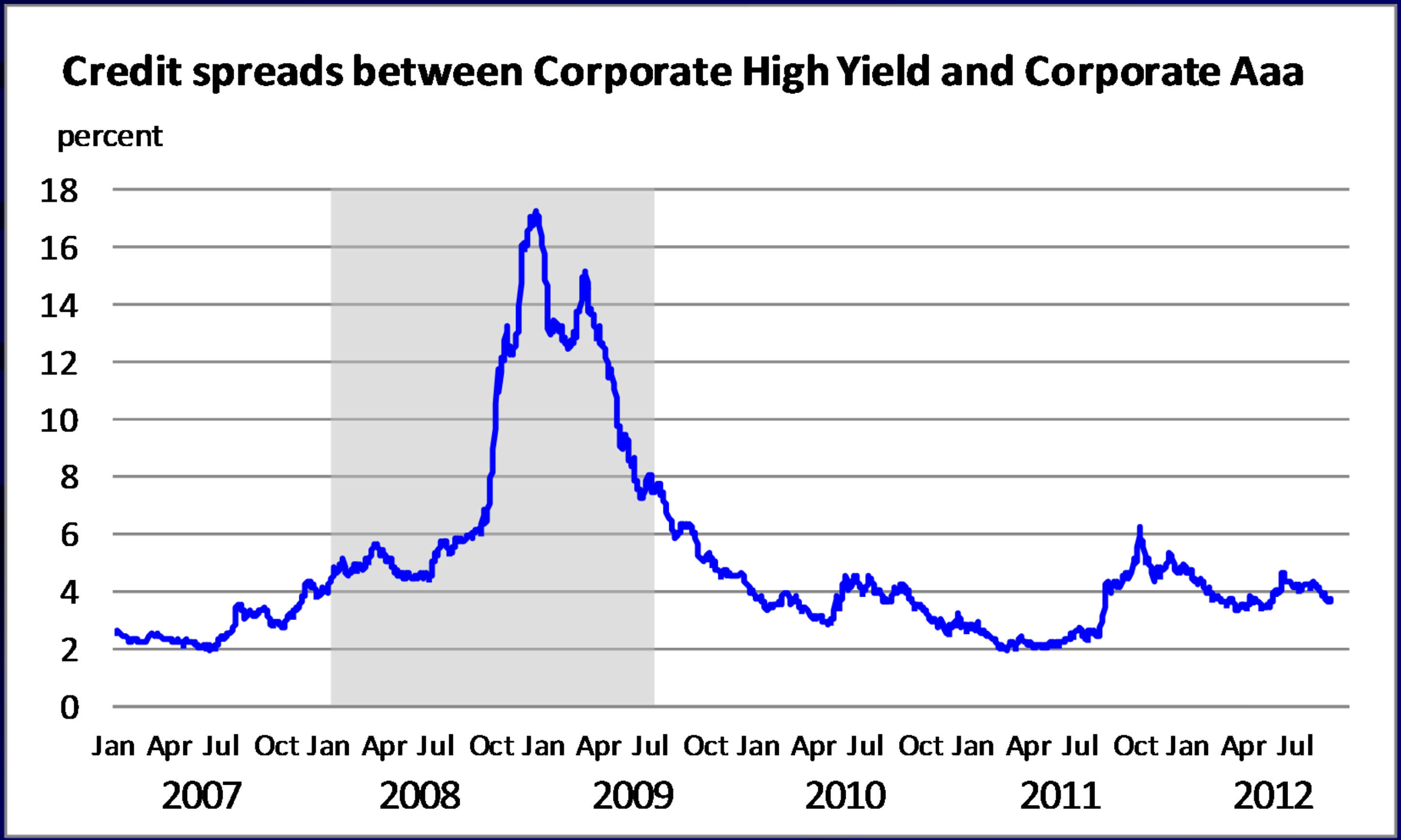
# Industrial production is forecast to rise at a solid pace



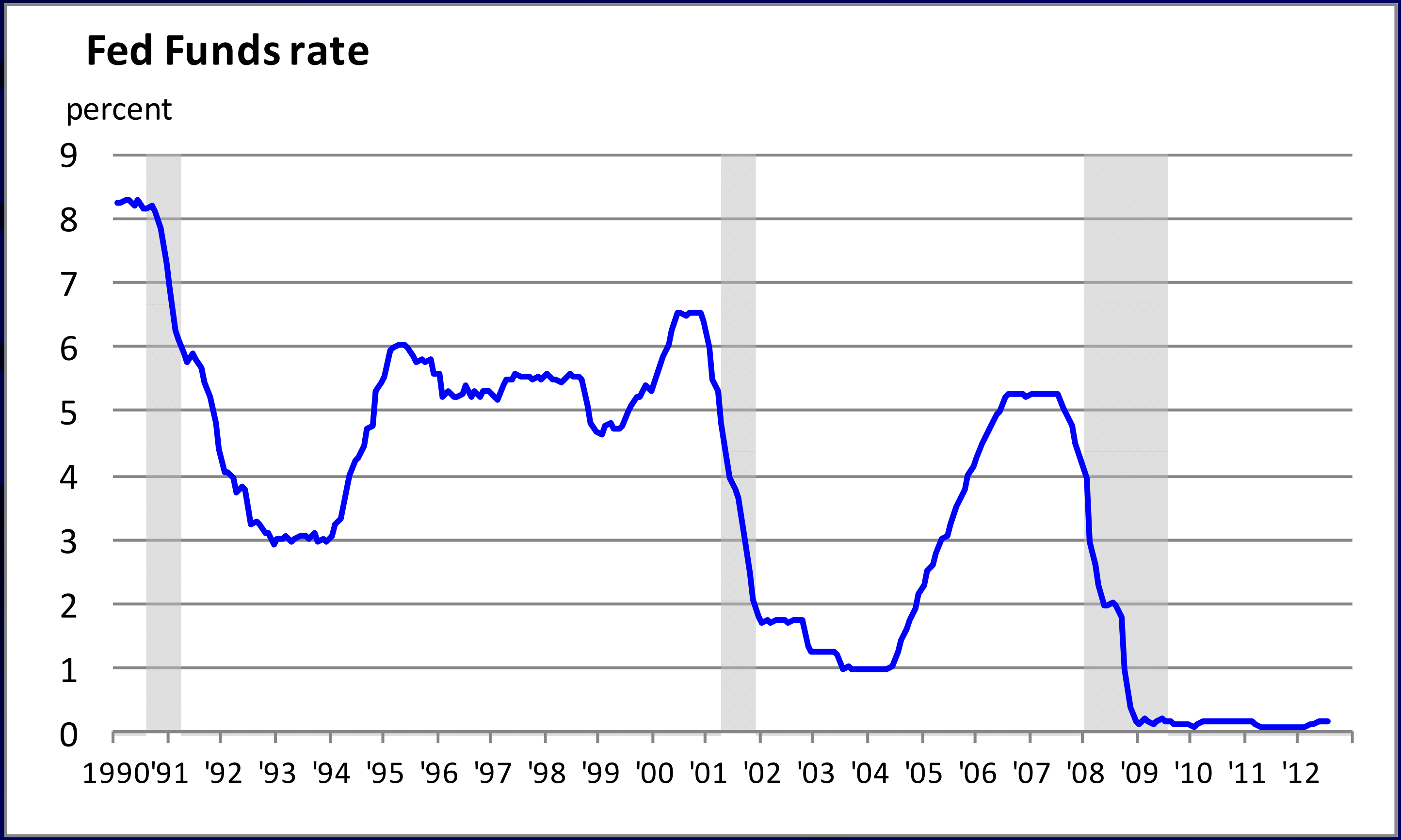
# The forecast calls for a very gradual recovery in housing



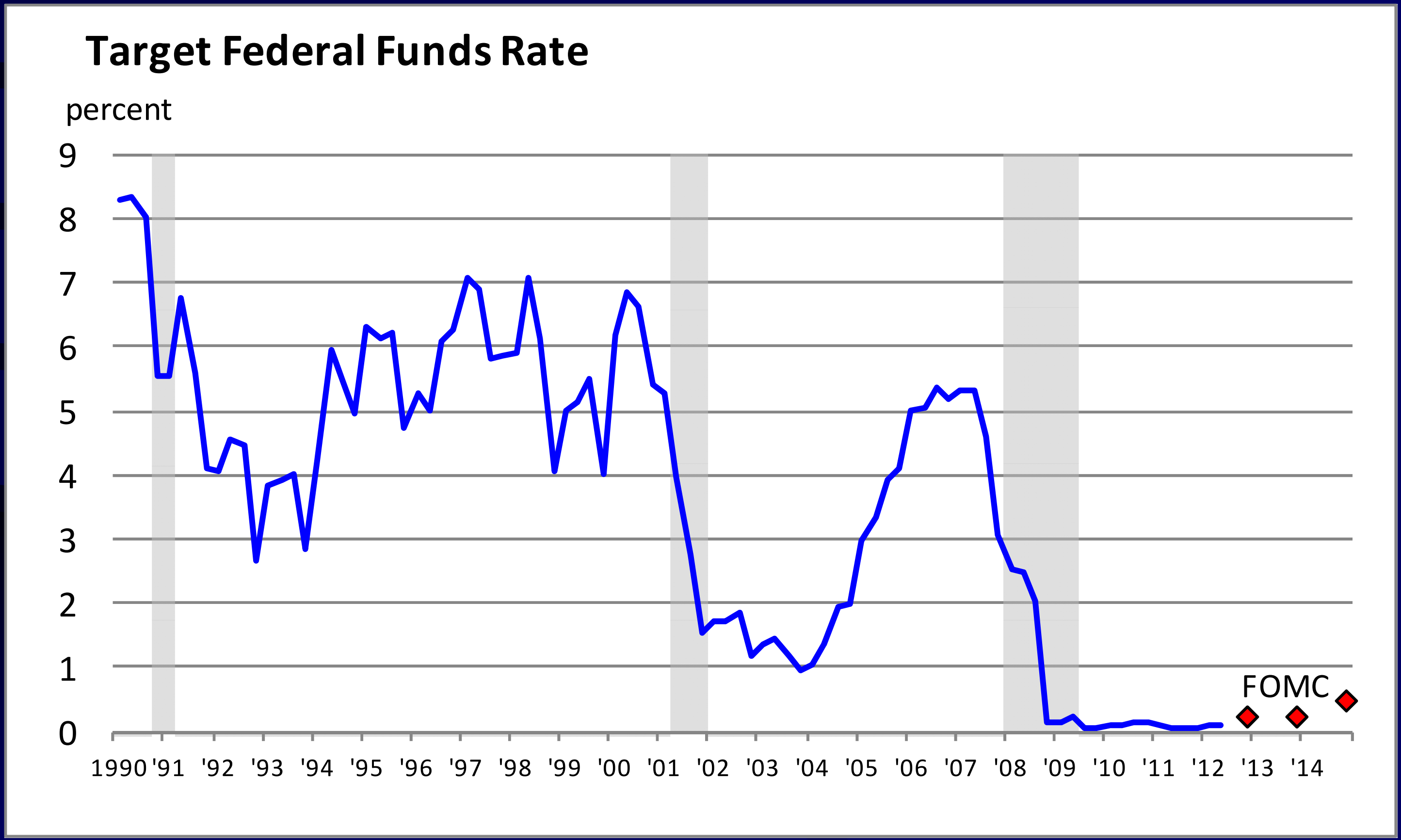
# Credit spreads between Corporate High Yield securities and Corporate Aaa securities have been edging lower



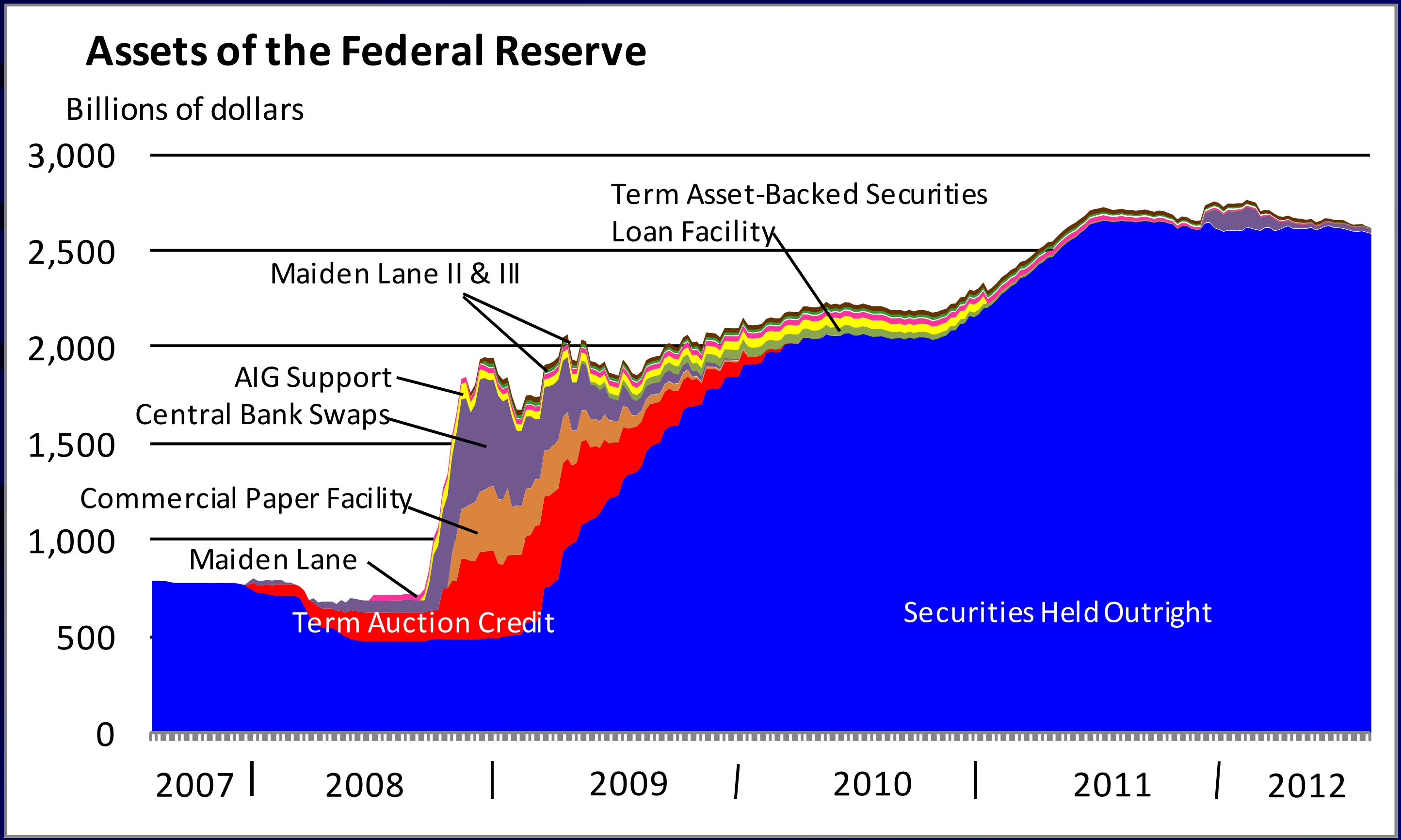
# Monetary policy has been very aggressive, keeping the Fed Funds near zero since December 2008



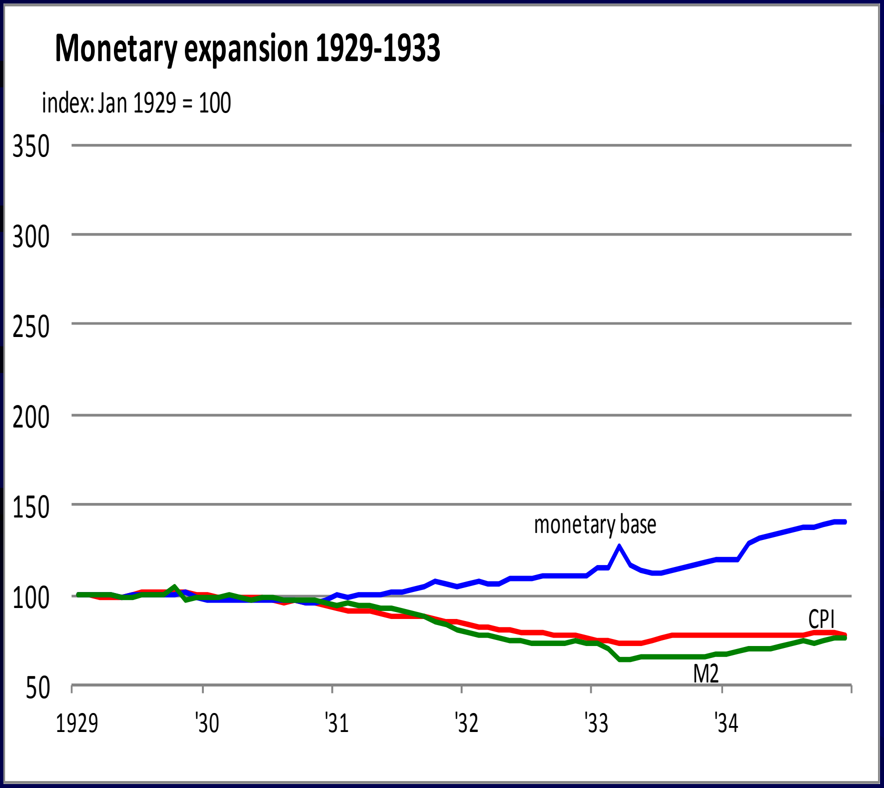
# The Federal Funds Rate is anticipated to remain very low over the forecast horizon

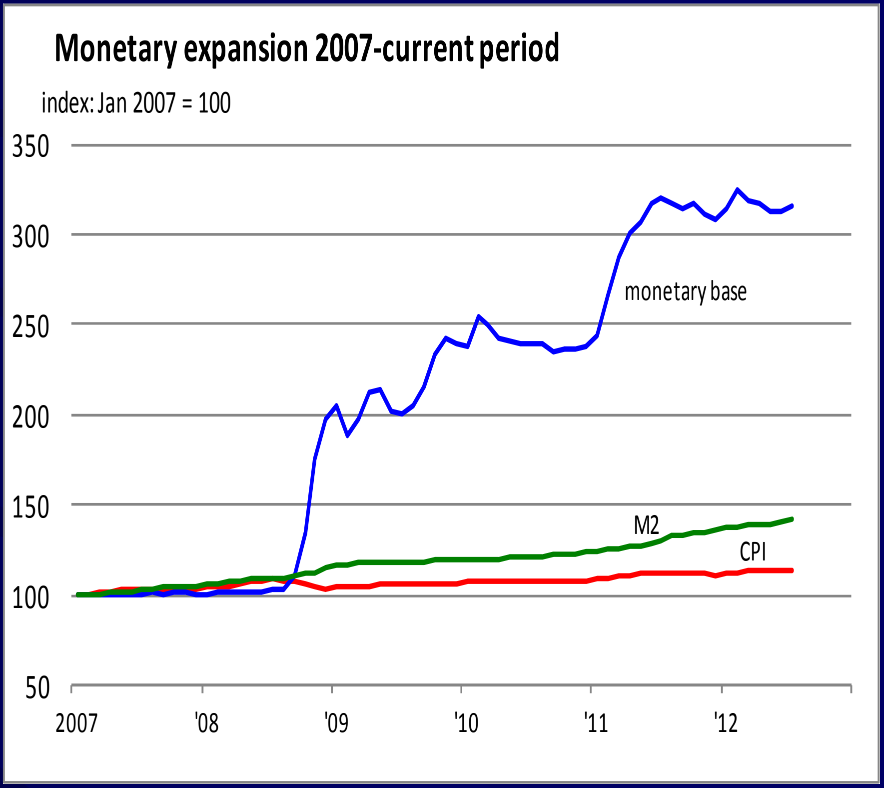


## The asset side of the Fed's balance sheet has expanded in size and in composition



# 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 around 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

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