

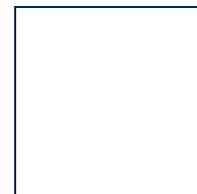
U.S. Economic Outlook

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Research Department

Eastern Panhandle Economic Outlook Conference
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THE FEDERAL RESERVE BANK OF RICHMOND
RICHMOND ■ BALTIMORE ■ CHARLOTTE





An Economy in Recovery

- A faltering recovery? There is a diverse set of views



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- Key issues
 - Another jobless recovery?



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 - Fiscal issues
- Inflation is very modest



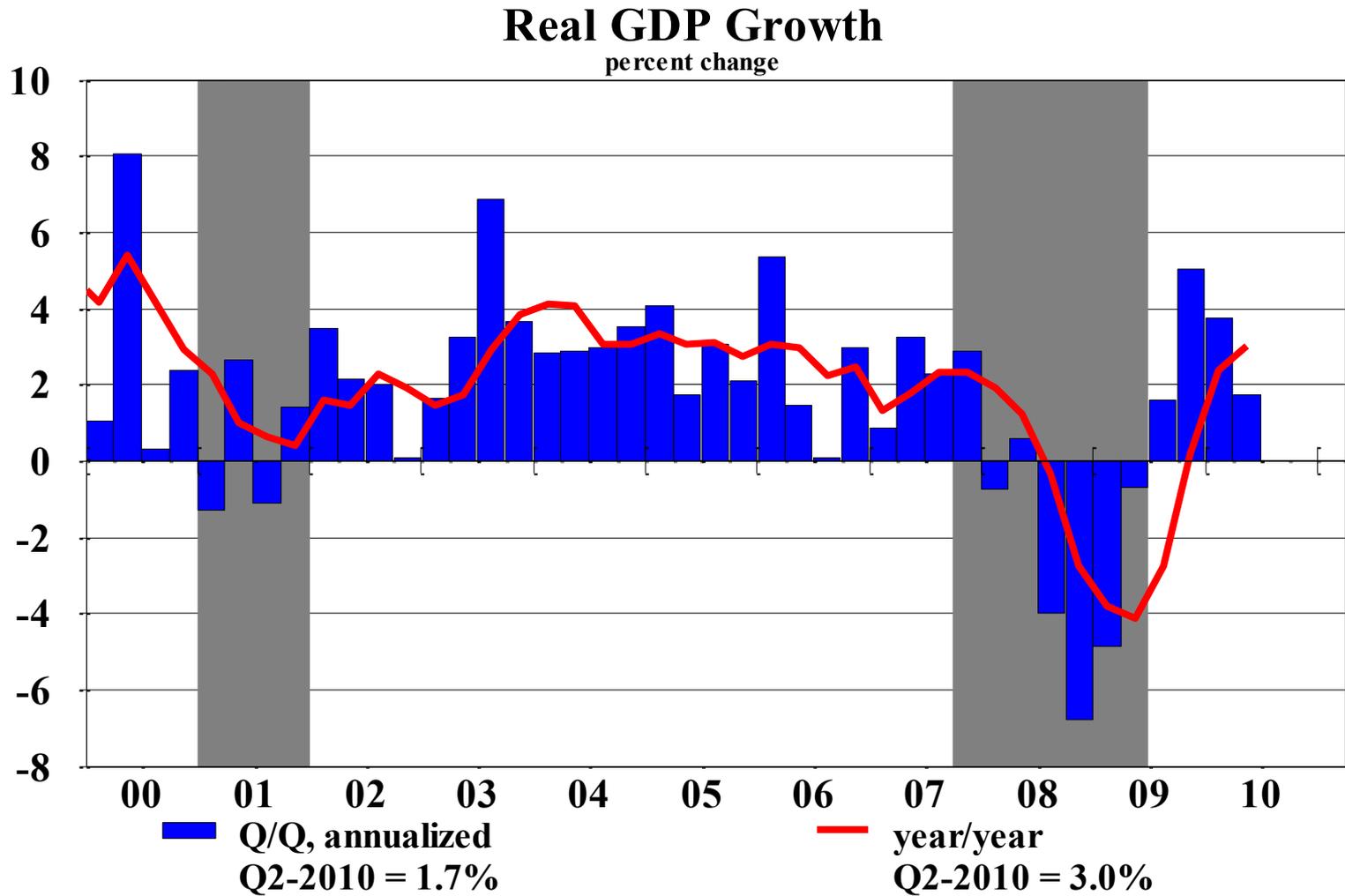


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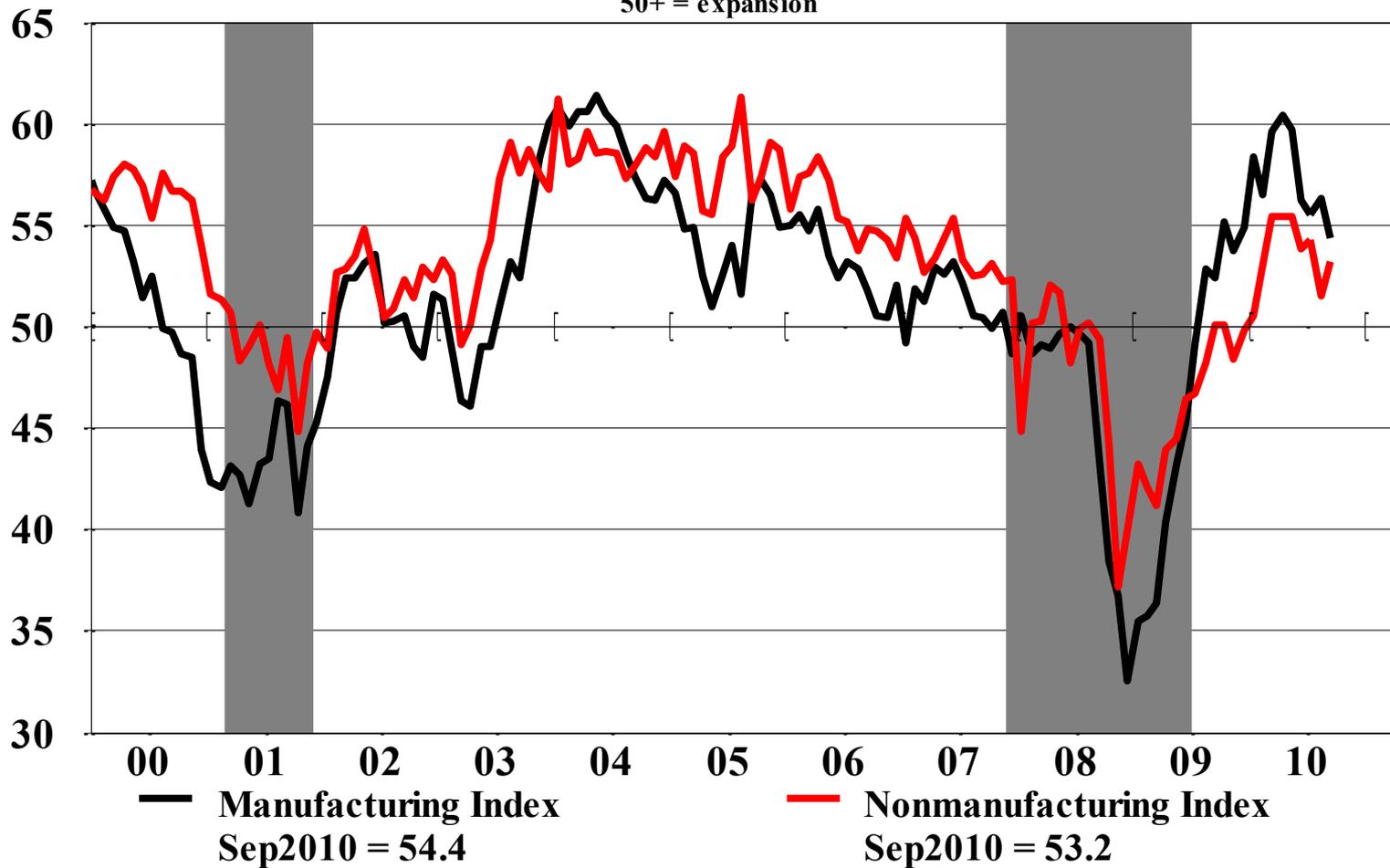
A modest recovery



Surveys indicate continued growth

Institute for Supply Management (ISM) Surveys

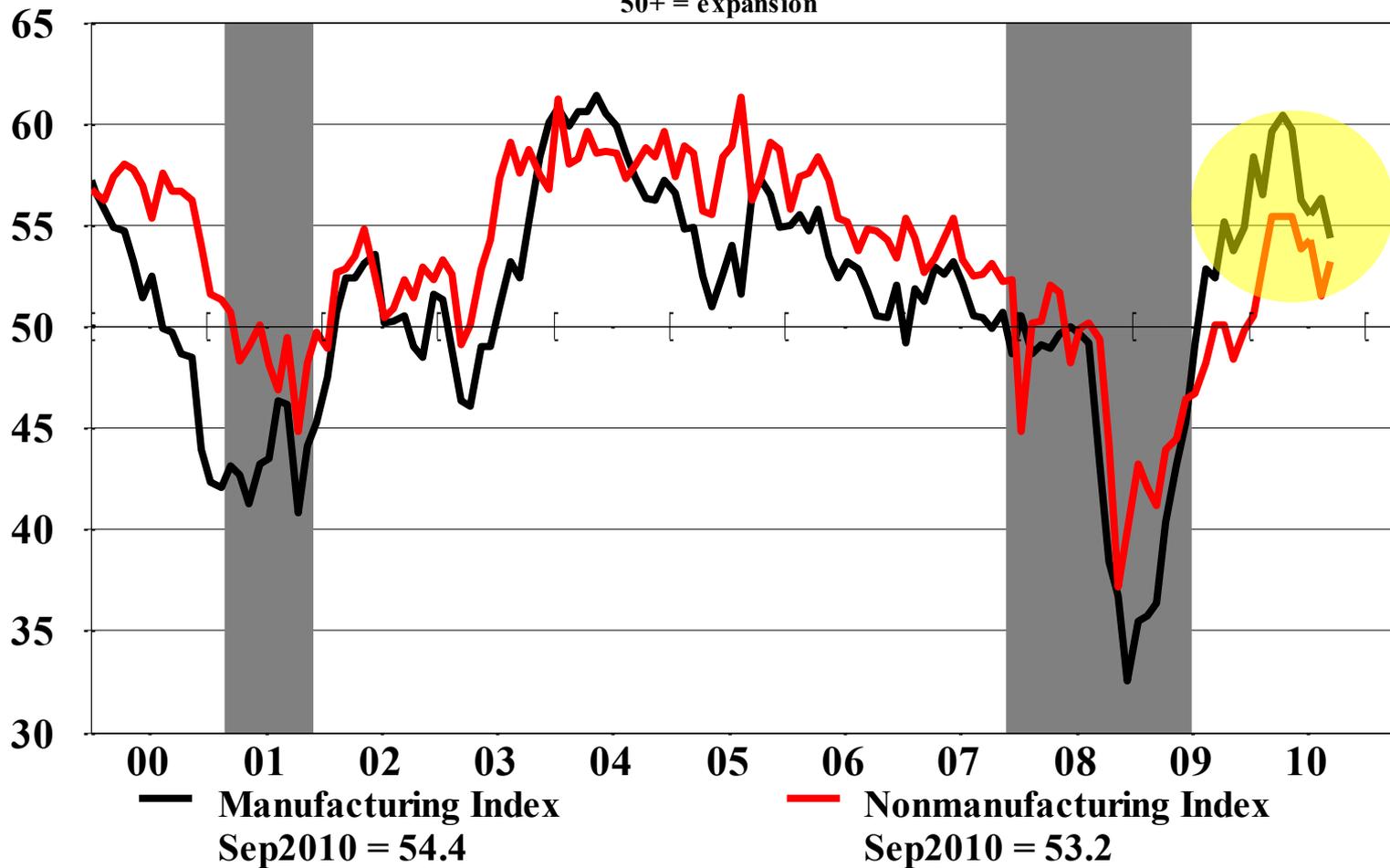
50+ = expansion



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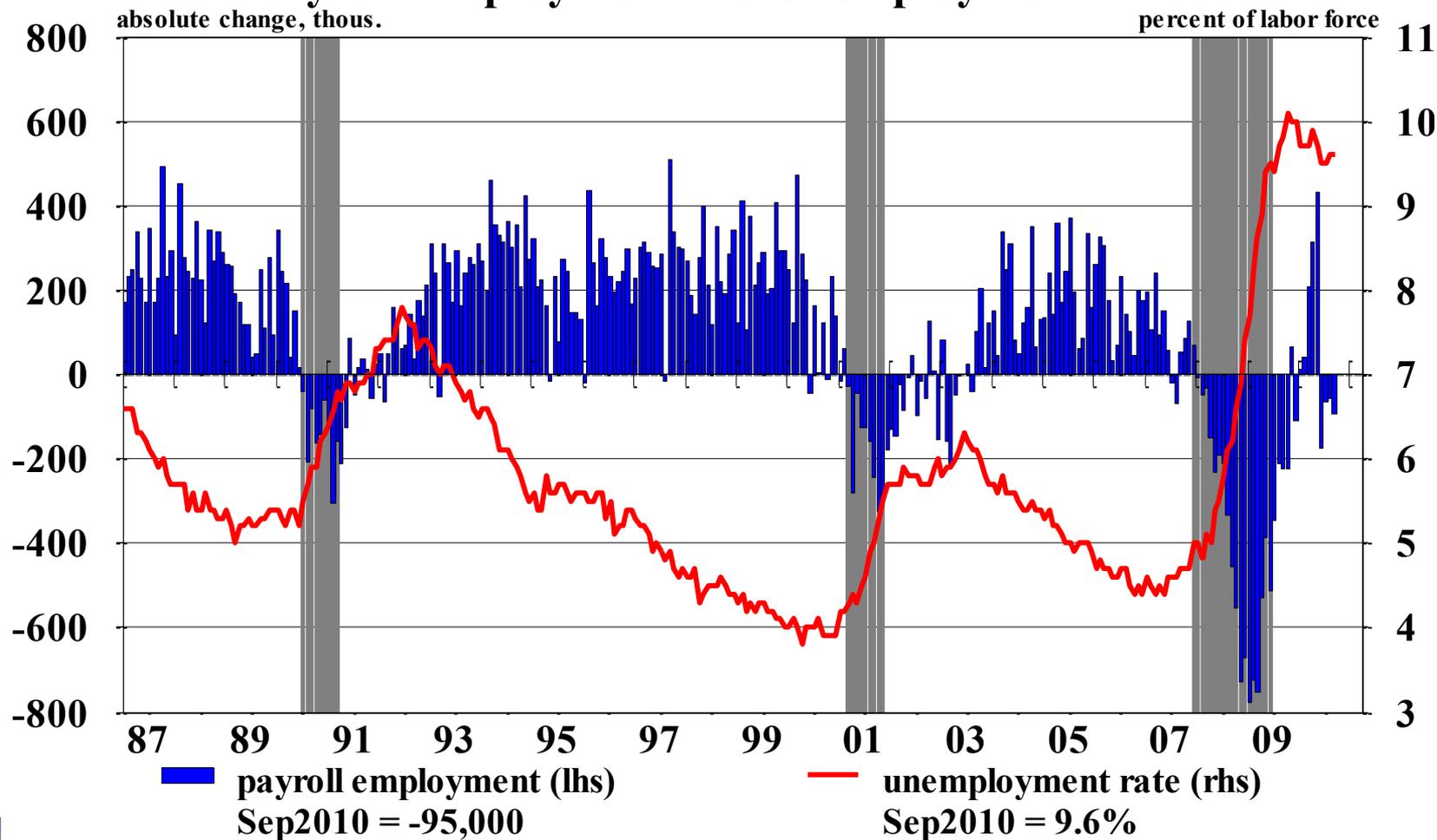
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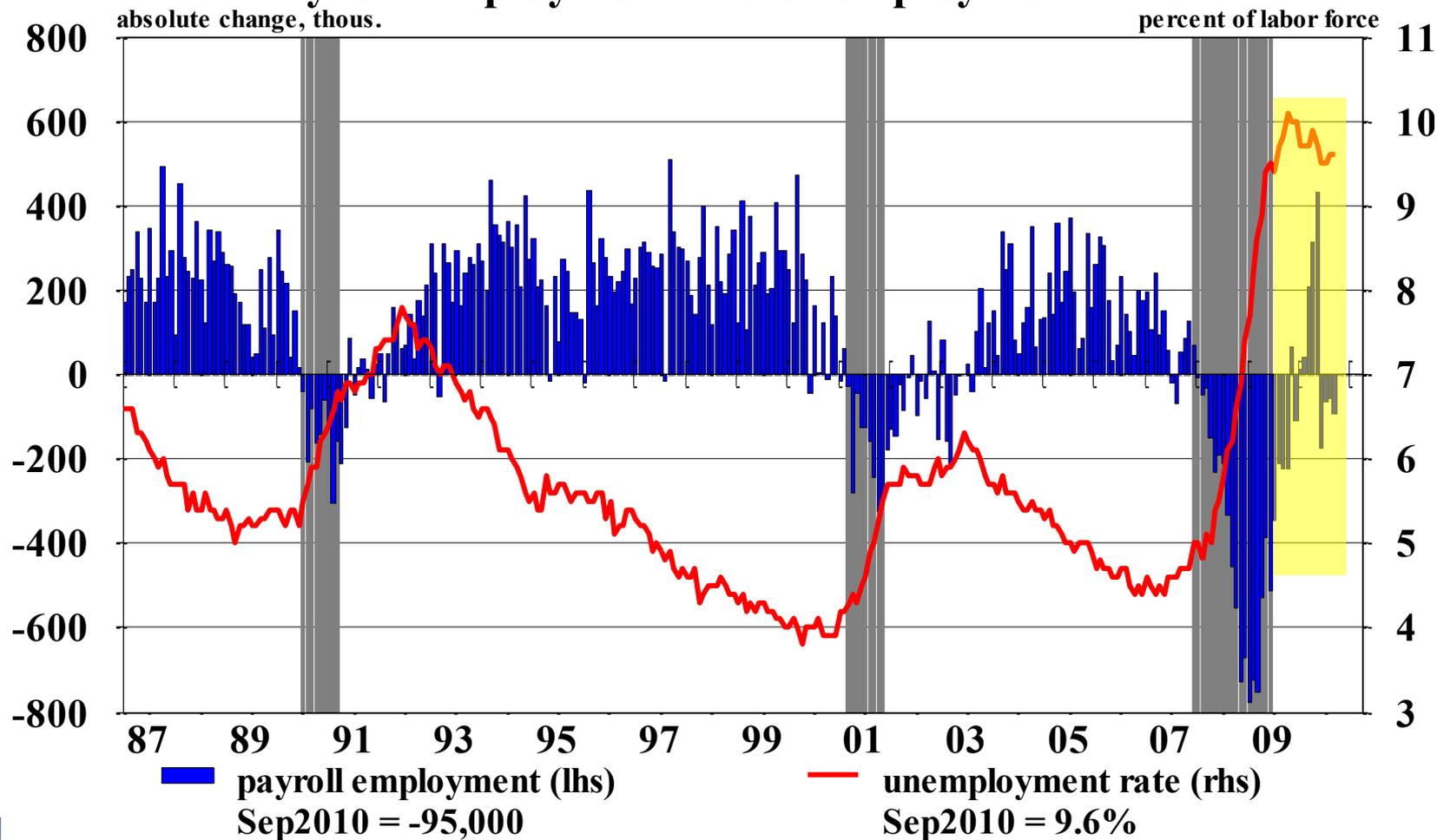
Another jobless recovery?

Payroll Employment and Unemployment Rate



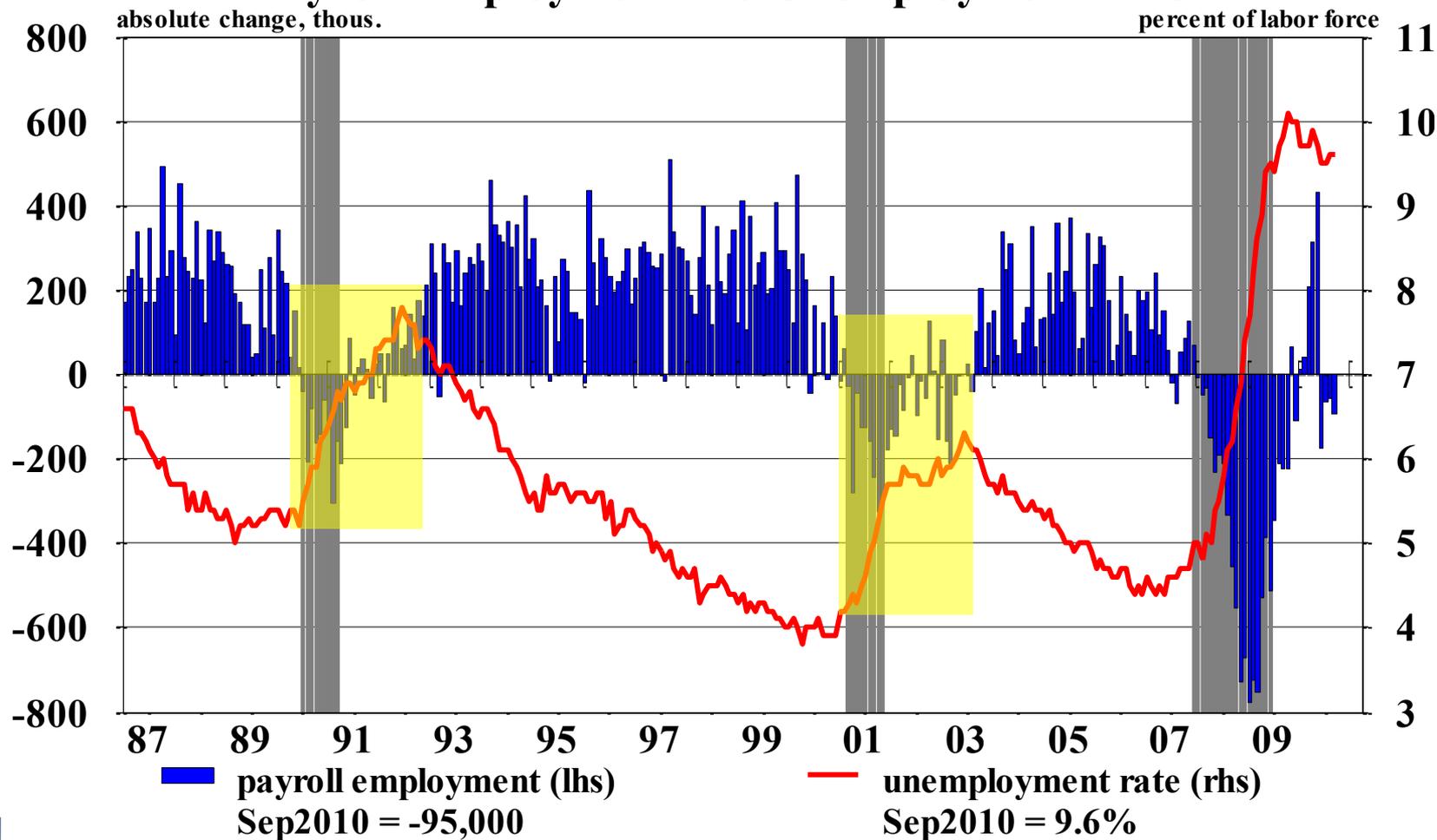
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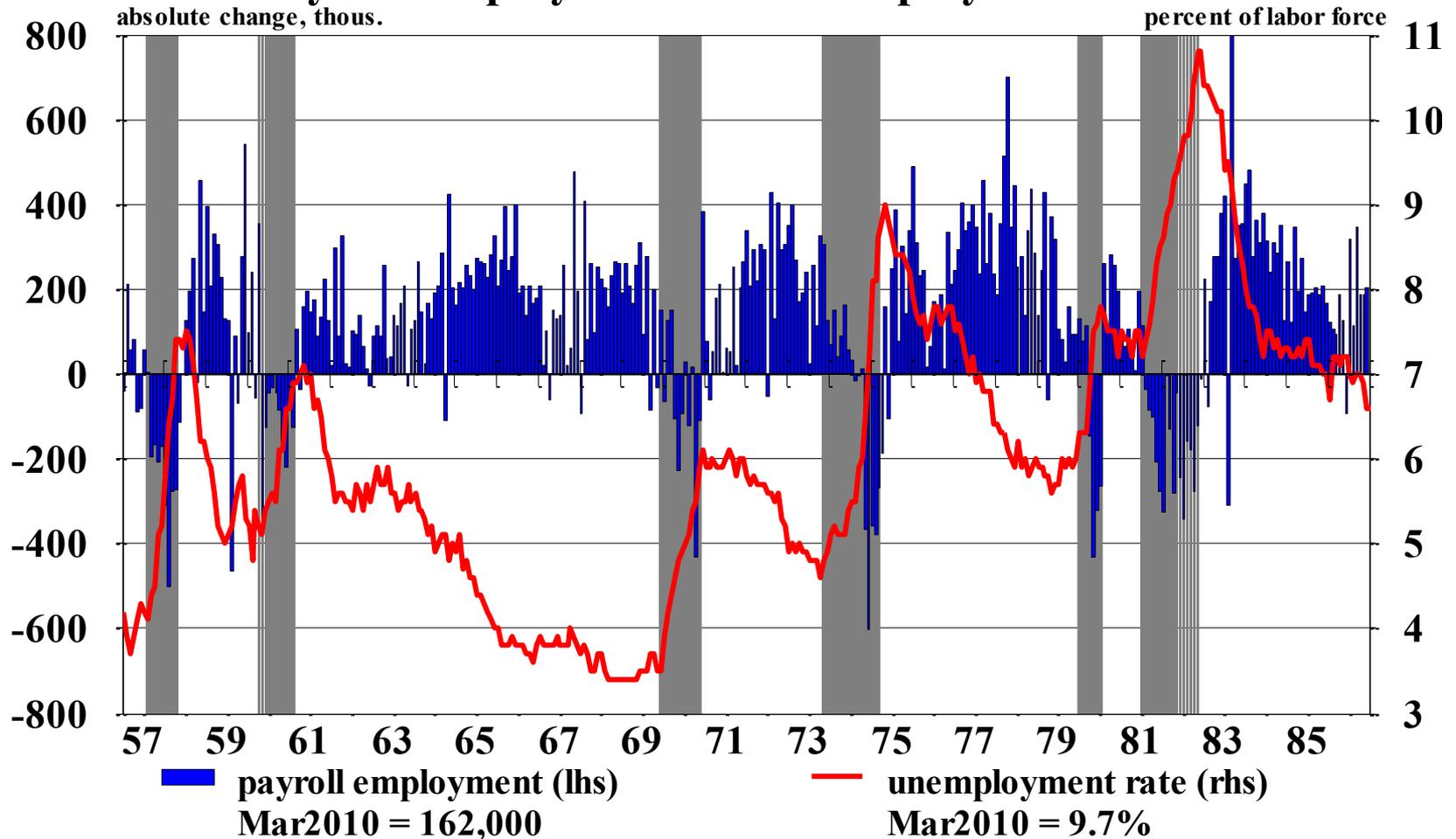
What has changed?





More robust labor market recoveries in past

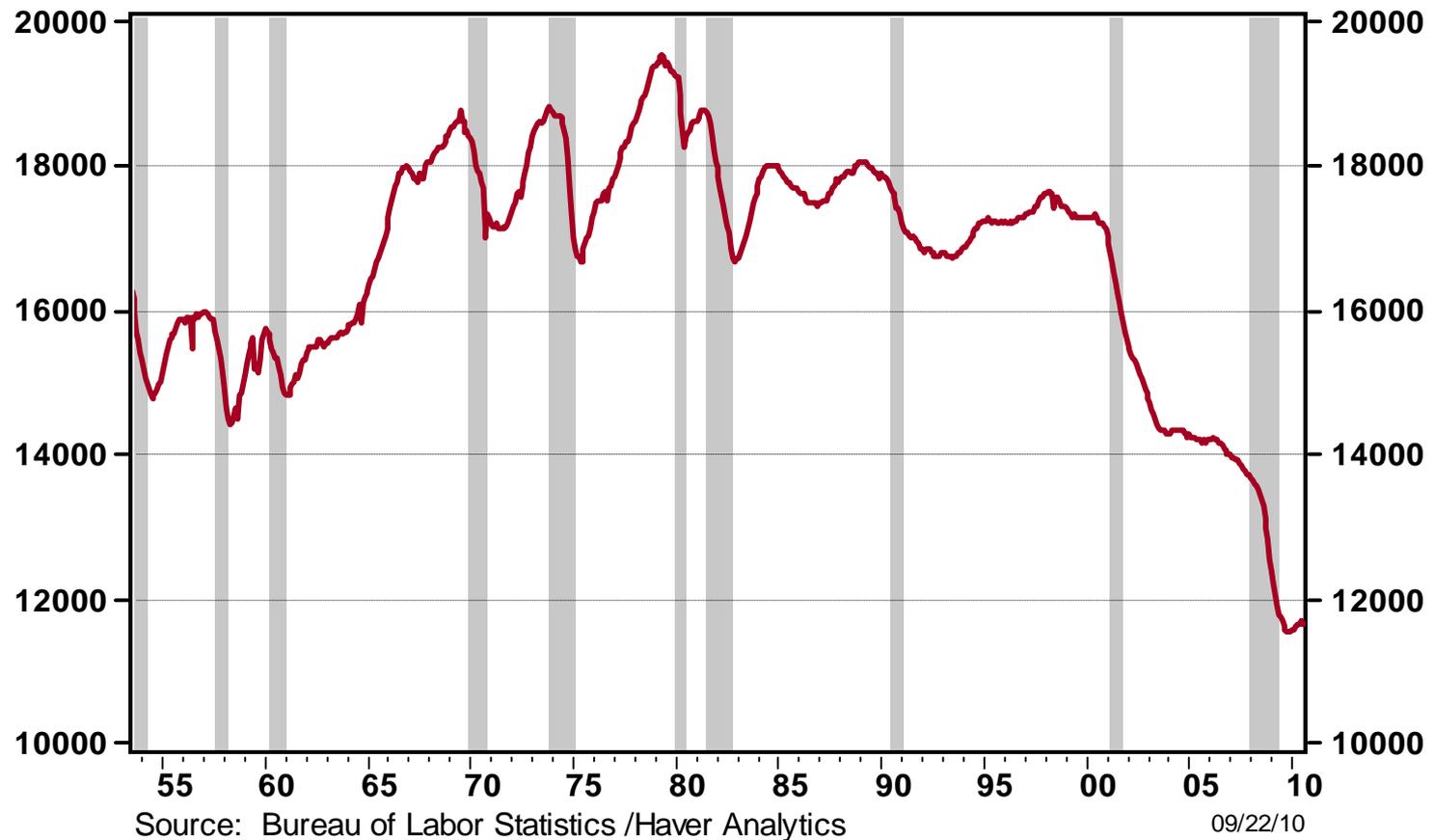
Payroll Employment and Unemployment Rate





Manufacturing jobs don't come back

All Employees: Manufacturing
SA, Thous



Source: Bureau of Labor Statistics /Haver Analytics

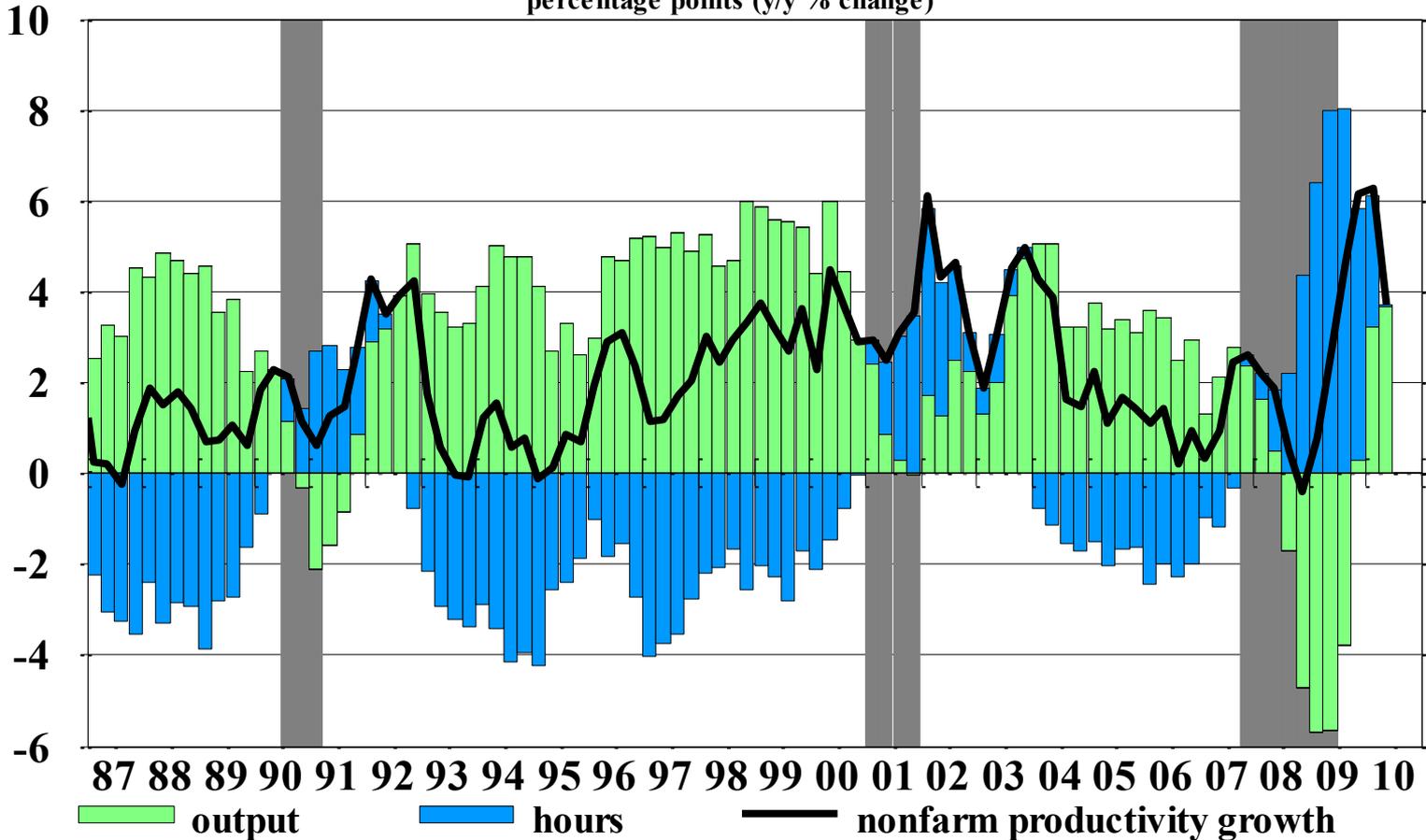
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Businesses producing more with less labor

Contributions to Measured Productivity Growth

percentage points (y/y % change)

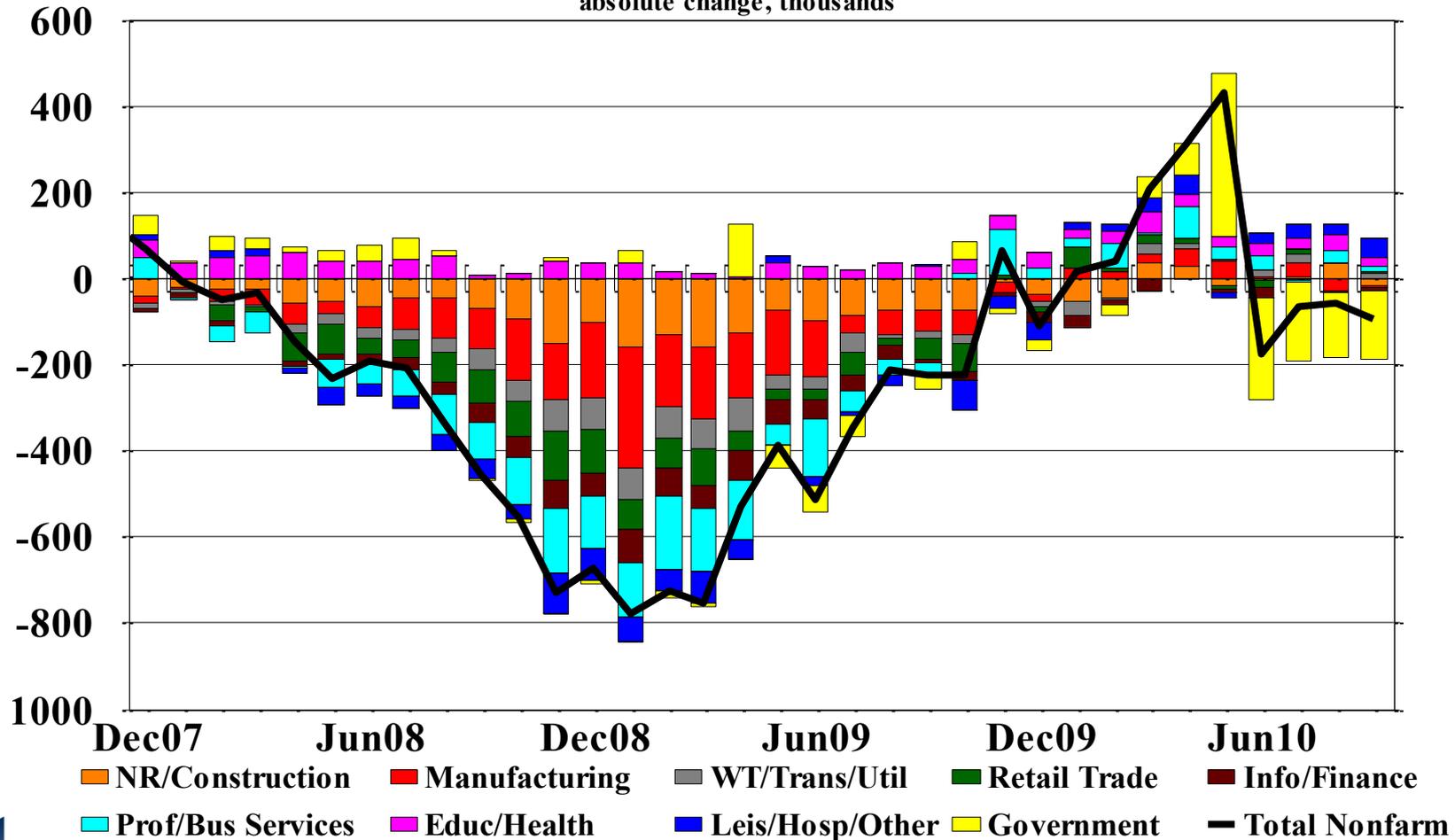




Private payroll employment gains have been weak

Contributions to Change in Nonfarm Payroll Employment

absolute change, thousands





Consumer sector

- A shift in consumer behavior?





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 - Weak loan demand





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 - Decline in consumer credit





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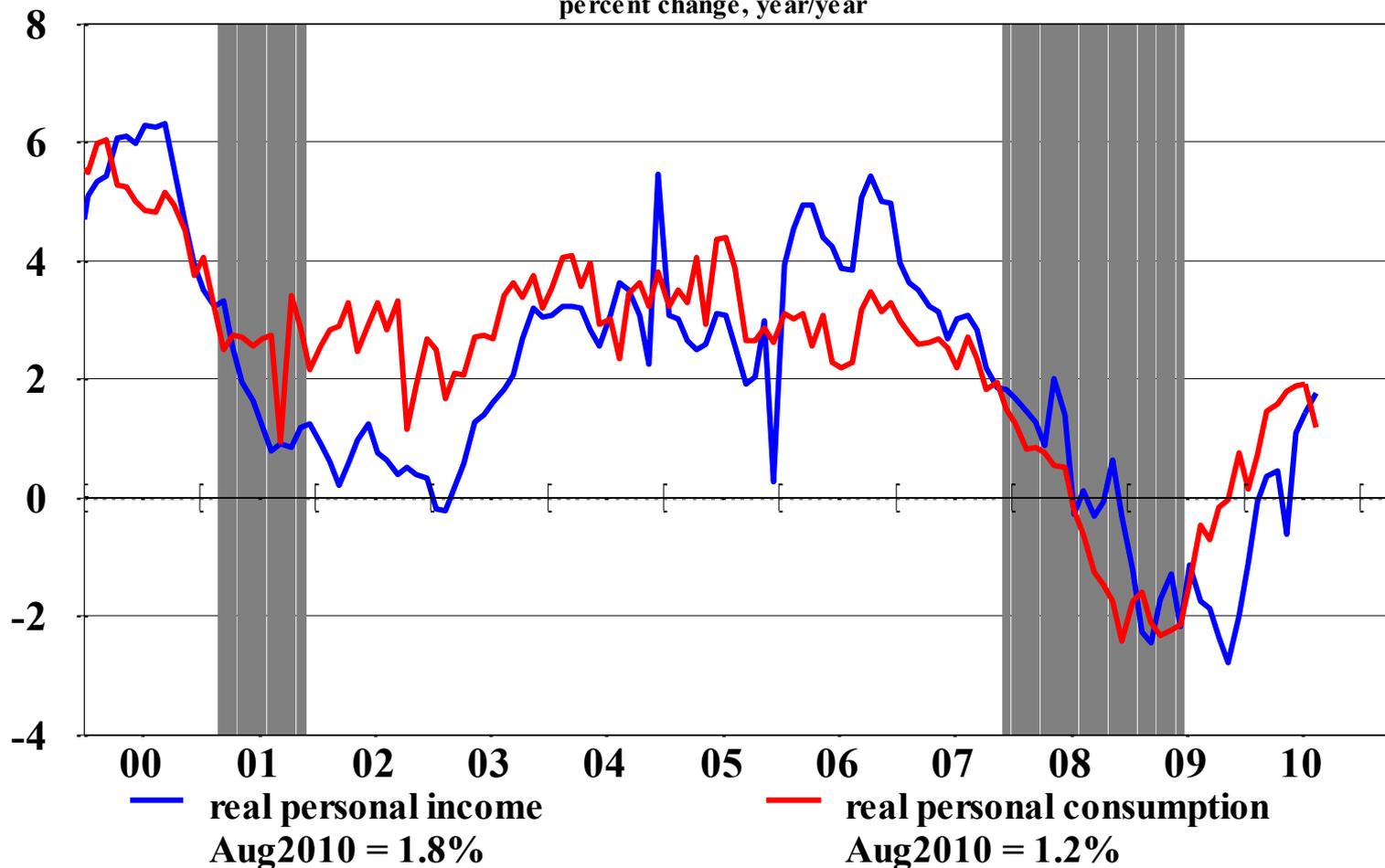
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- Wealth shock?
- Is credit availability an issue?
- Uncertainty regarding future income prospects?



Income and consumption improving

Real Personal Income and Real Consumption

percent change, year/year

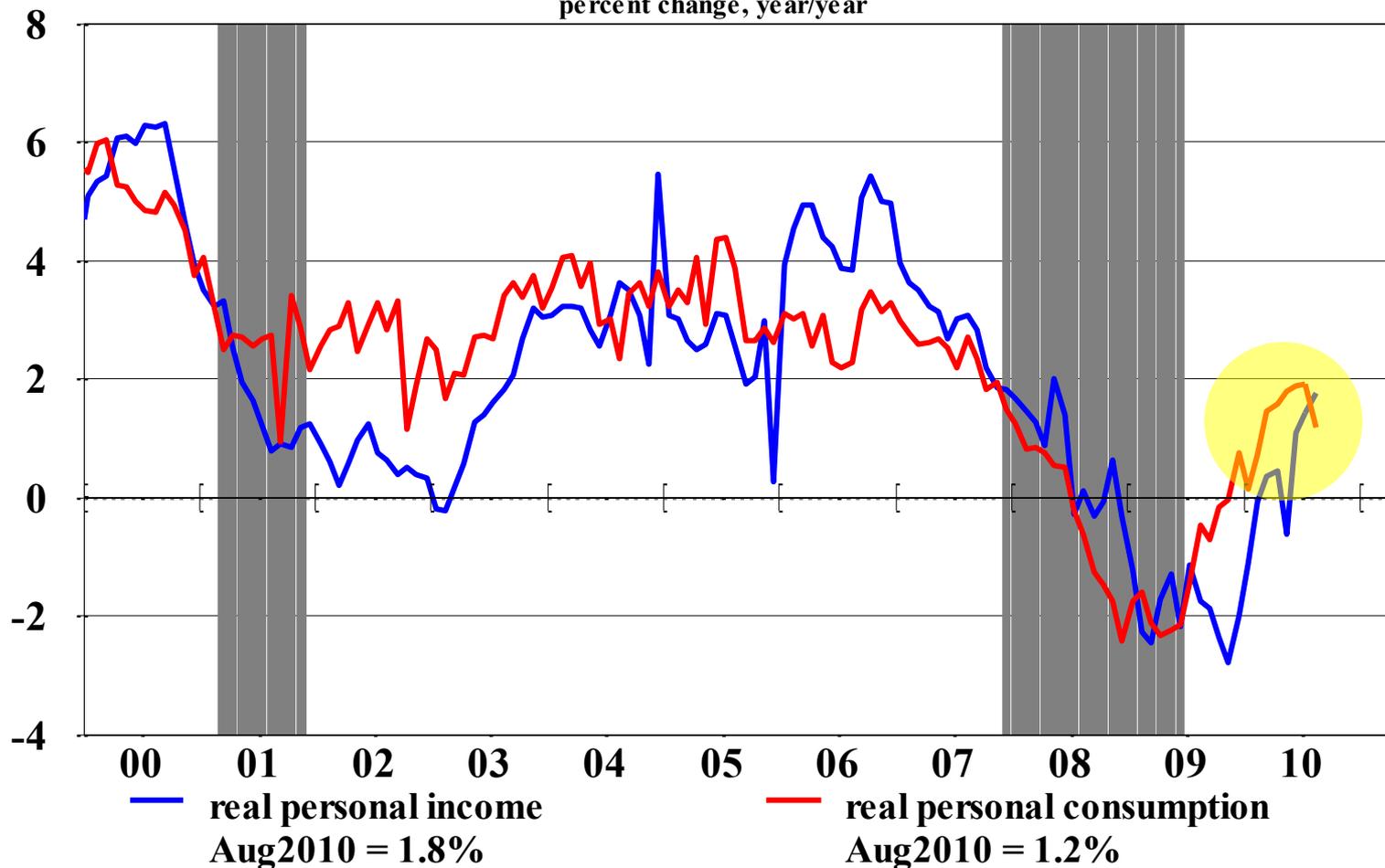




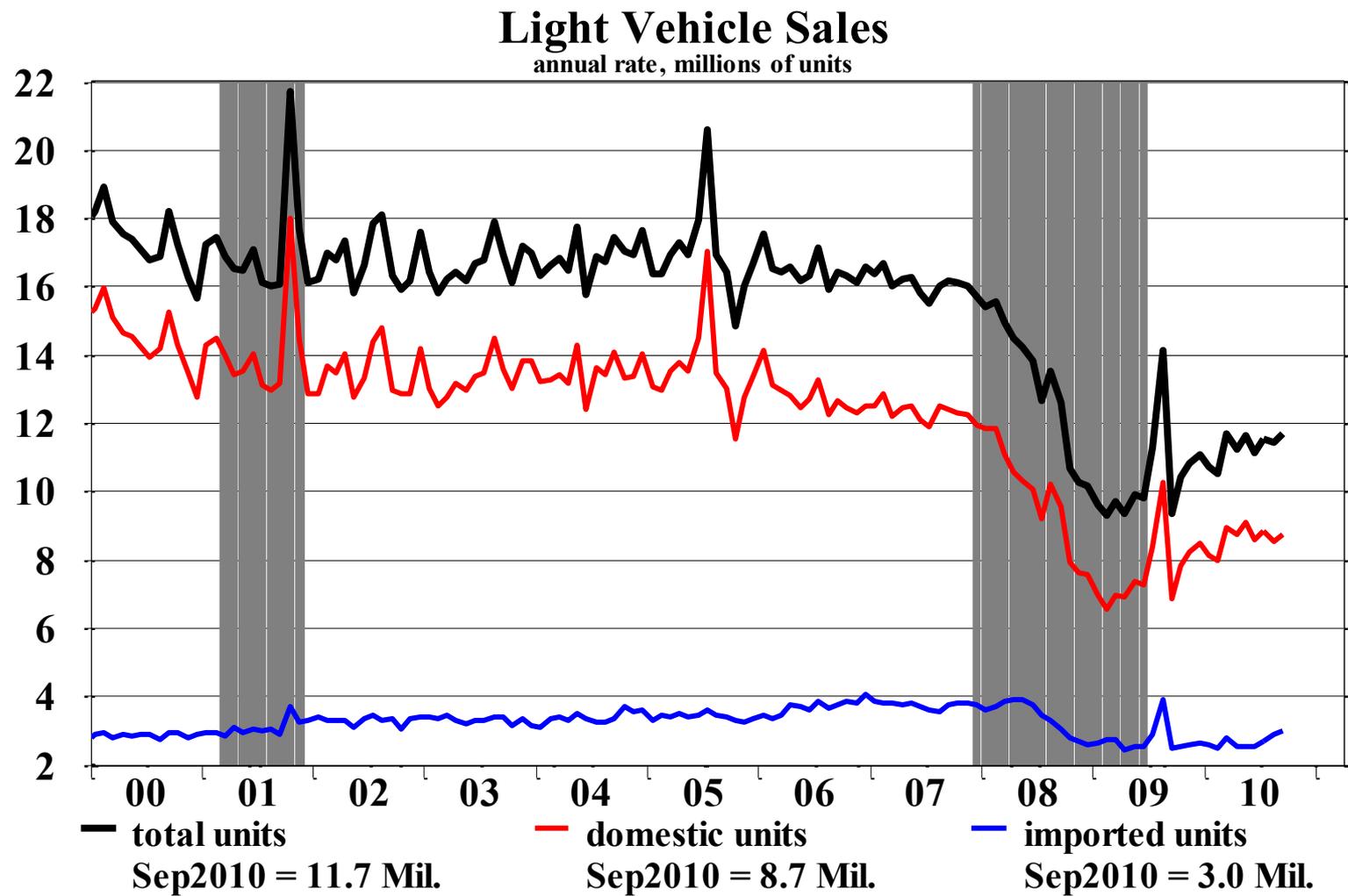
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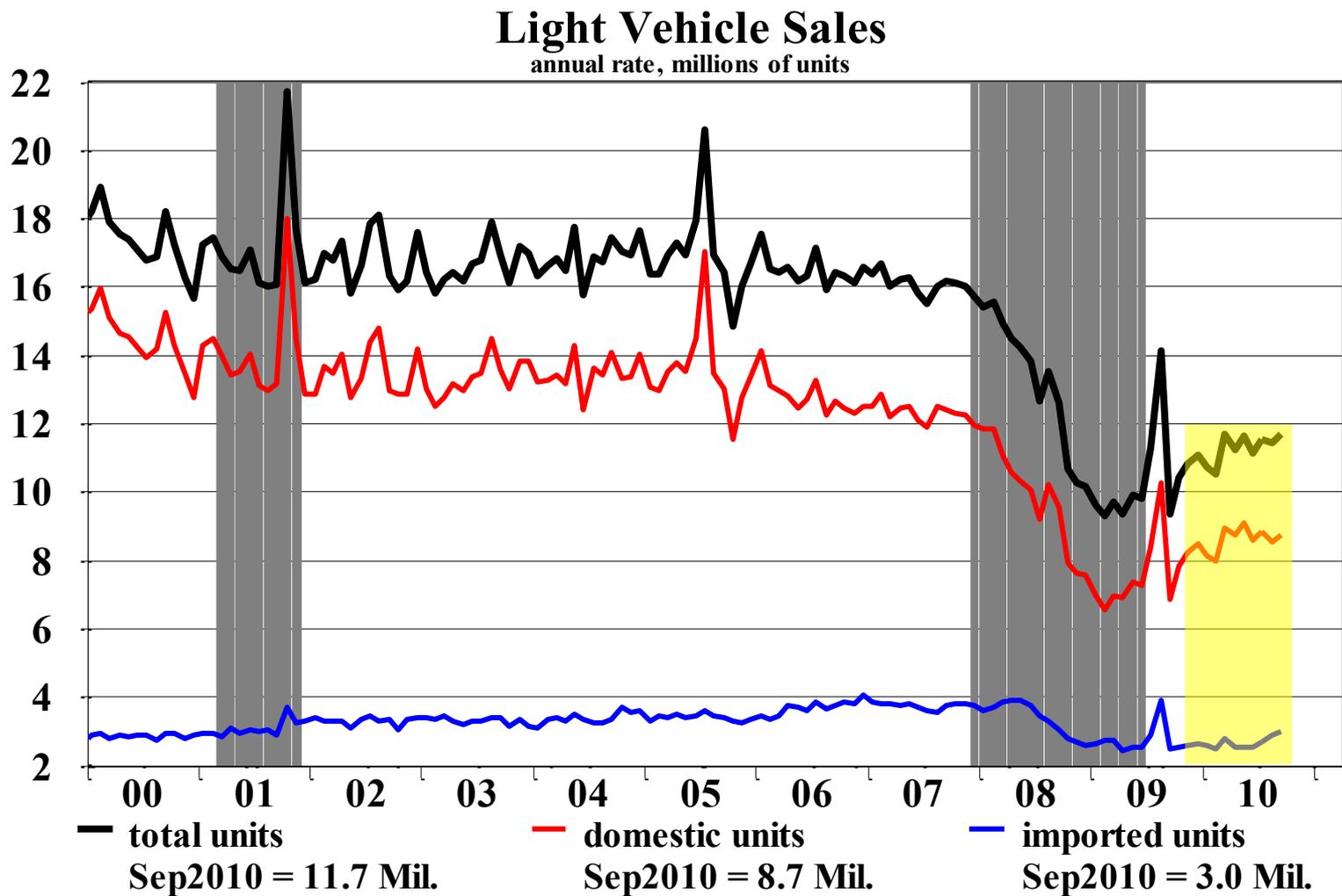


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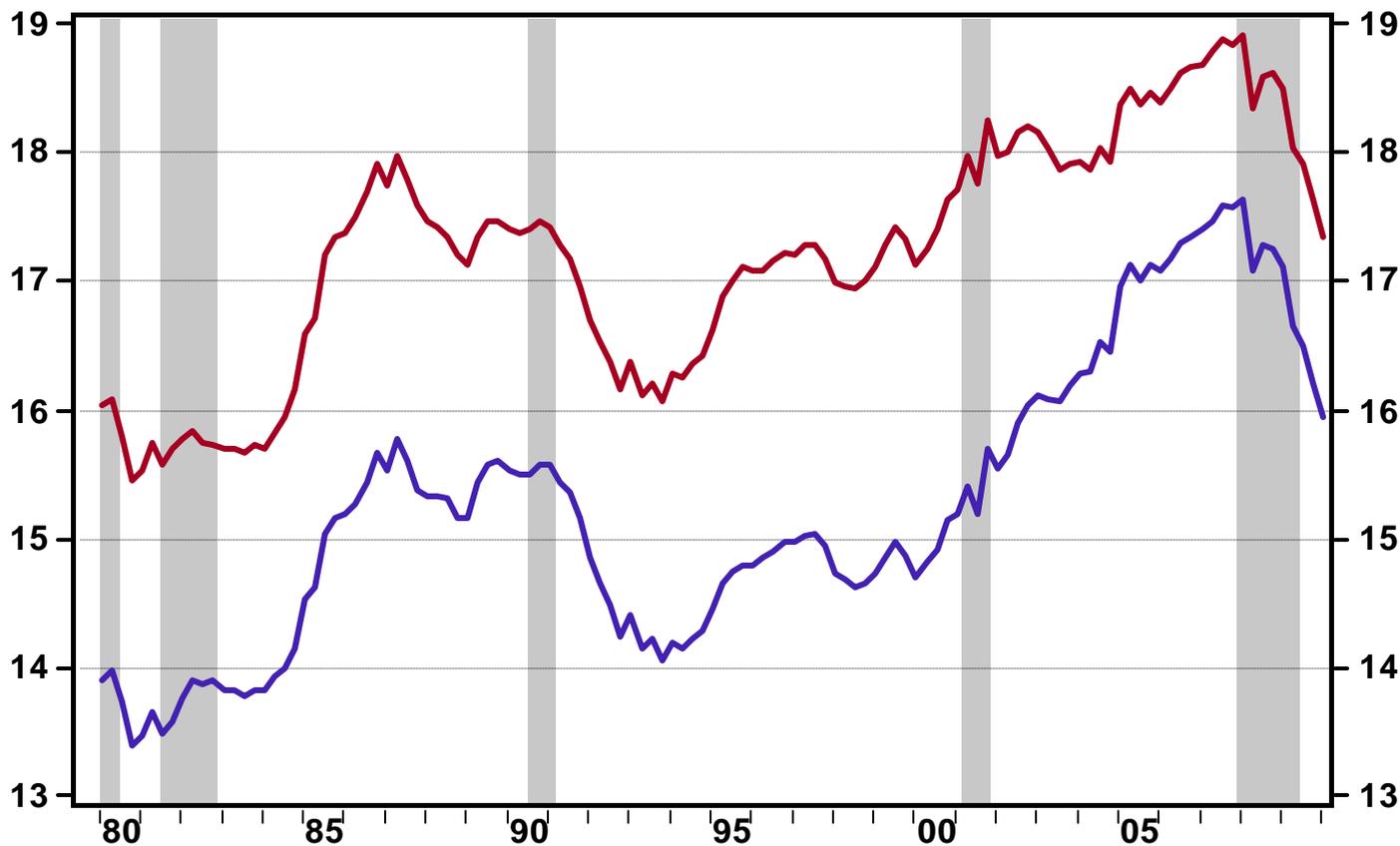




Household balance sheets are gradually improving

Household Financial Obligation Ratio
SA, %

Homeowning Households Financial Obligation Ratio
SA, %



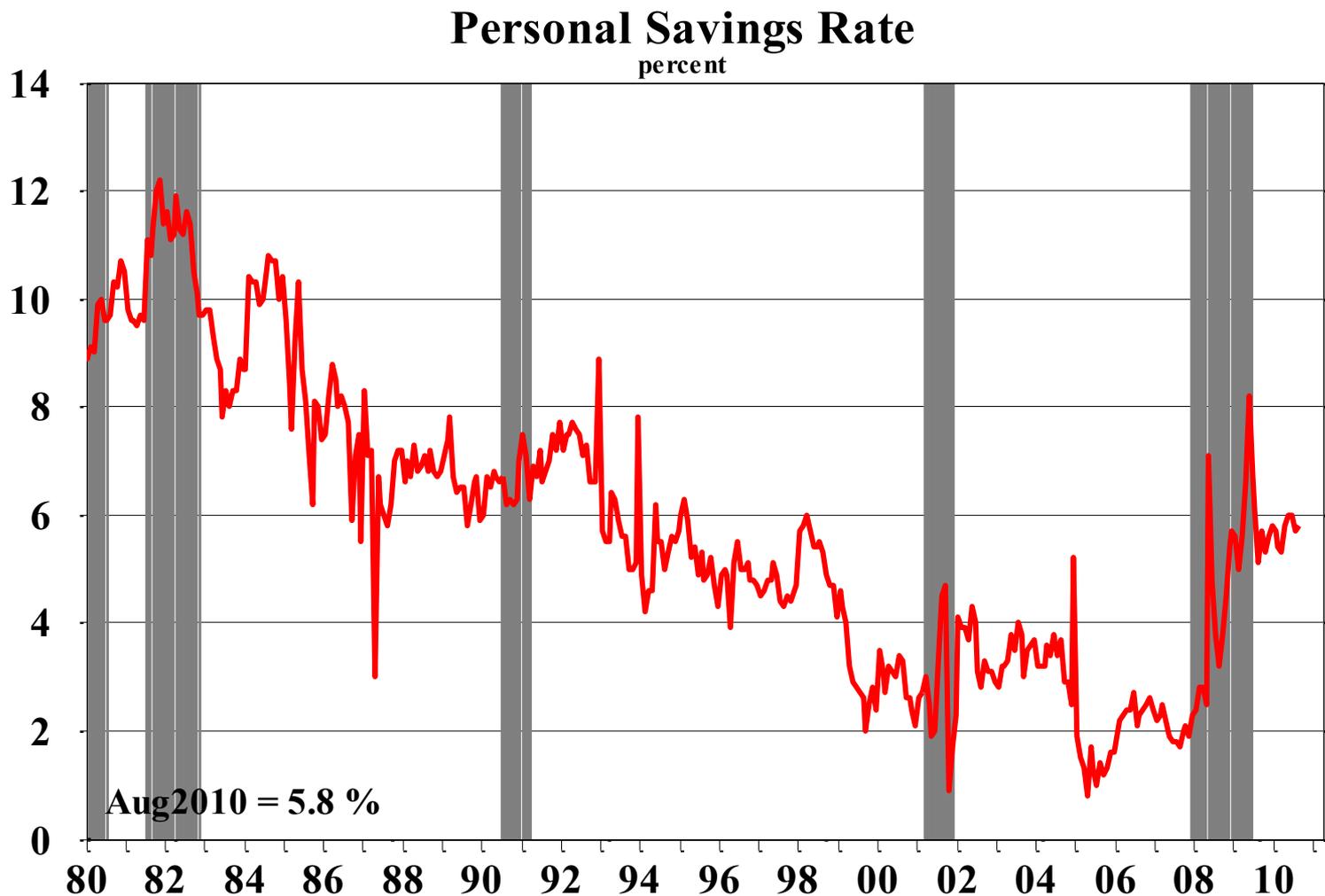
Sources: Federal Reserve Board /Haver Analytics

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Have consumer spending/saving decisions changed?





Real Estate

- Residential market remains depressed
 - Home sales fell sharply following expiration of credit; new home sales at historic lows
 - Construction activity at near-historic low
 - Inventory levels remain high
 - Delinquencies & foreclosures starts beginning to level off & starting to edge lower
 - Home price declines are moderating



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 - Home price declines are moderating
- Commercial real estate market under stress
 - Delinquency rates remain elevated
 - Construction contracting sharply & not expected to rebound for some time

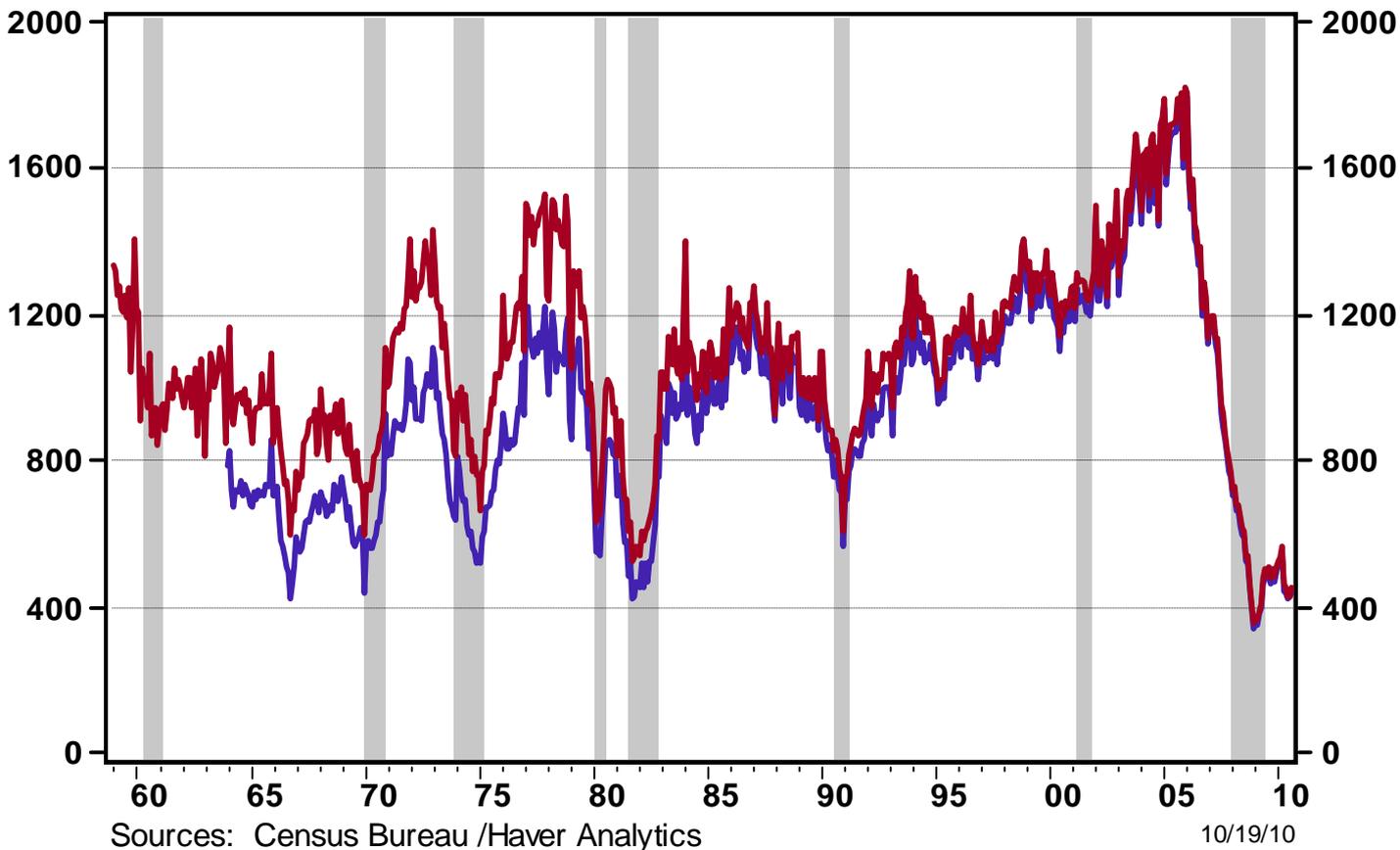




Housing starts are near historic lows

← Housing Starts: 1 Unit
SAAR, Thous.Units

Housing Starts in Permit-Issuing Places: 1 Unit →
SAAR, Thous.Units

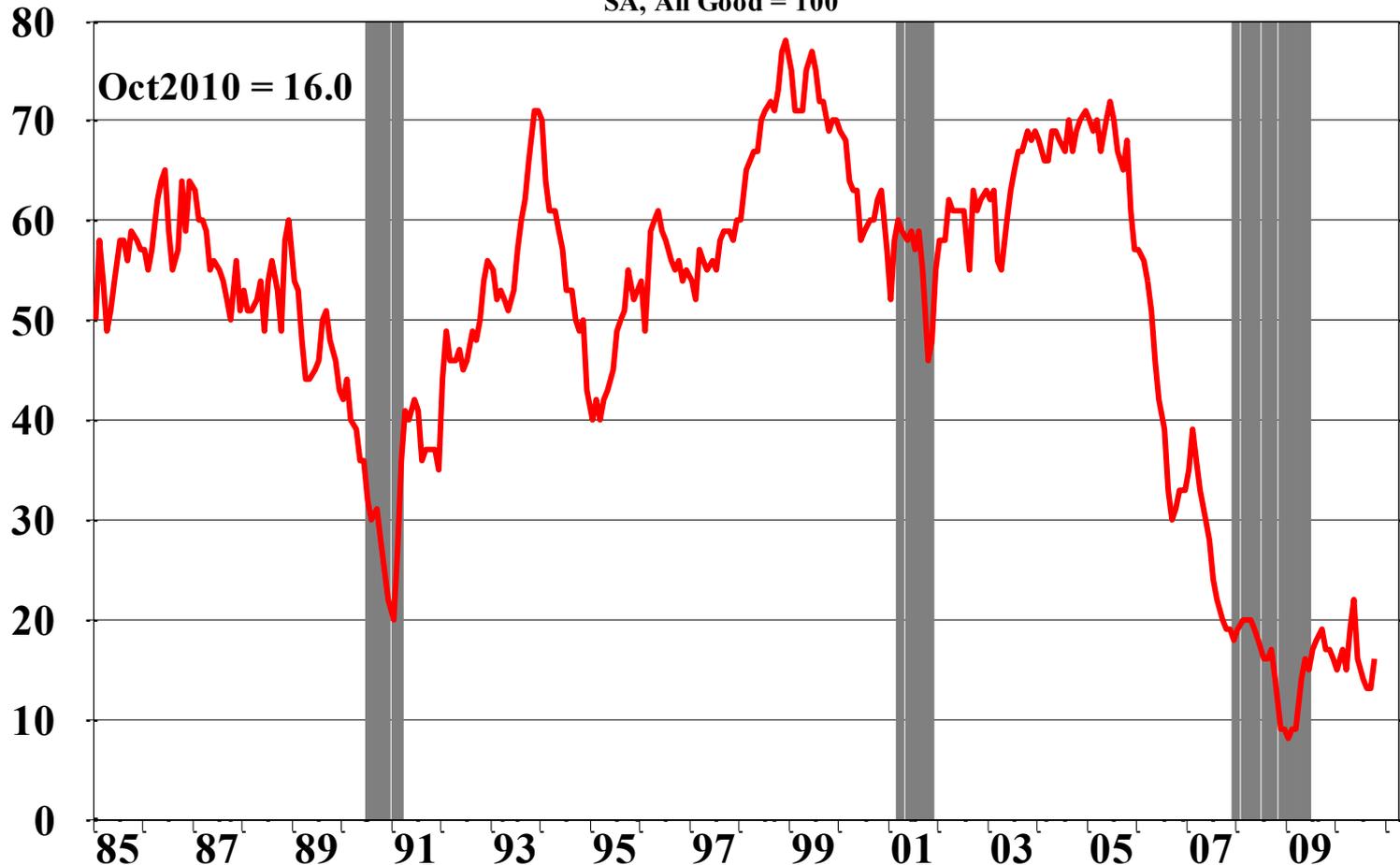




Builders continue to be very pessimistic

Home Builders Housing Market Index

SA, All Good = 100





In Conclusion

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 - Expectations are still for the recovery to continue albeit at a very moderate pace
 - Business investment and manufacturing activity remain solid
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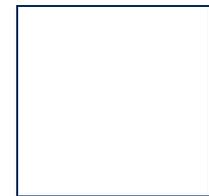
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The views expressed here are those of the author, and do not necessarily represent those of the Federal Reserve Bank of Richmond or the Federal Reserve System.



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