



# U.S. Economic Outlook

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- Uncertainty still an impediment to stronger growth
- Could recent moderate growth represent a fundamental change in the economy?

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- Imbalances from housing boom/bust – deleveraging and balance sheet repair
  - Households pulling back on spending to recoup lost wealth and reduce debt burdens
  - Financial institutions restricting credit to restore capital ratios and reduce risk

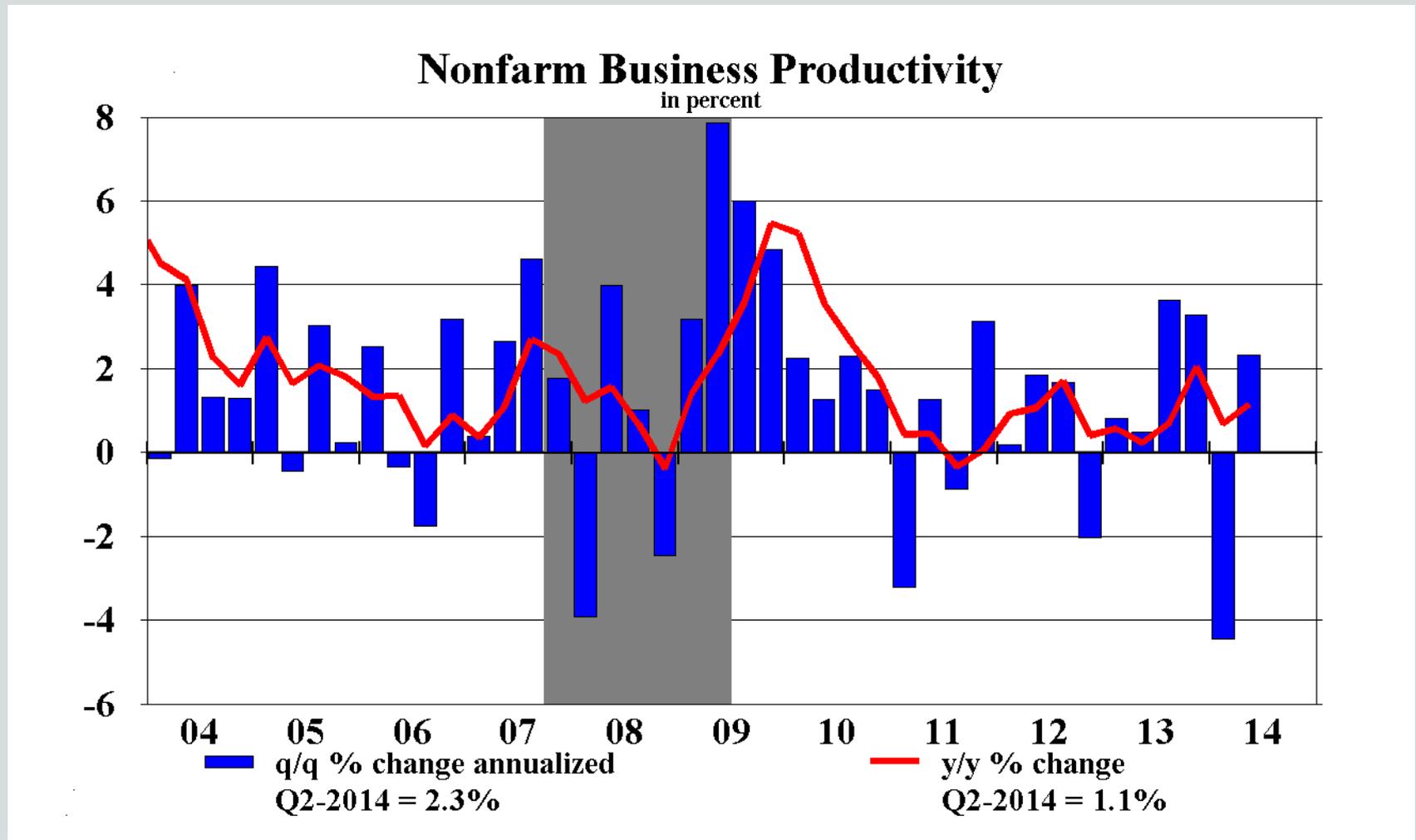
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- Weakness in homebuilding sector
- Fiscal policy

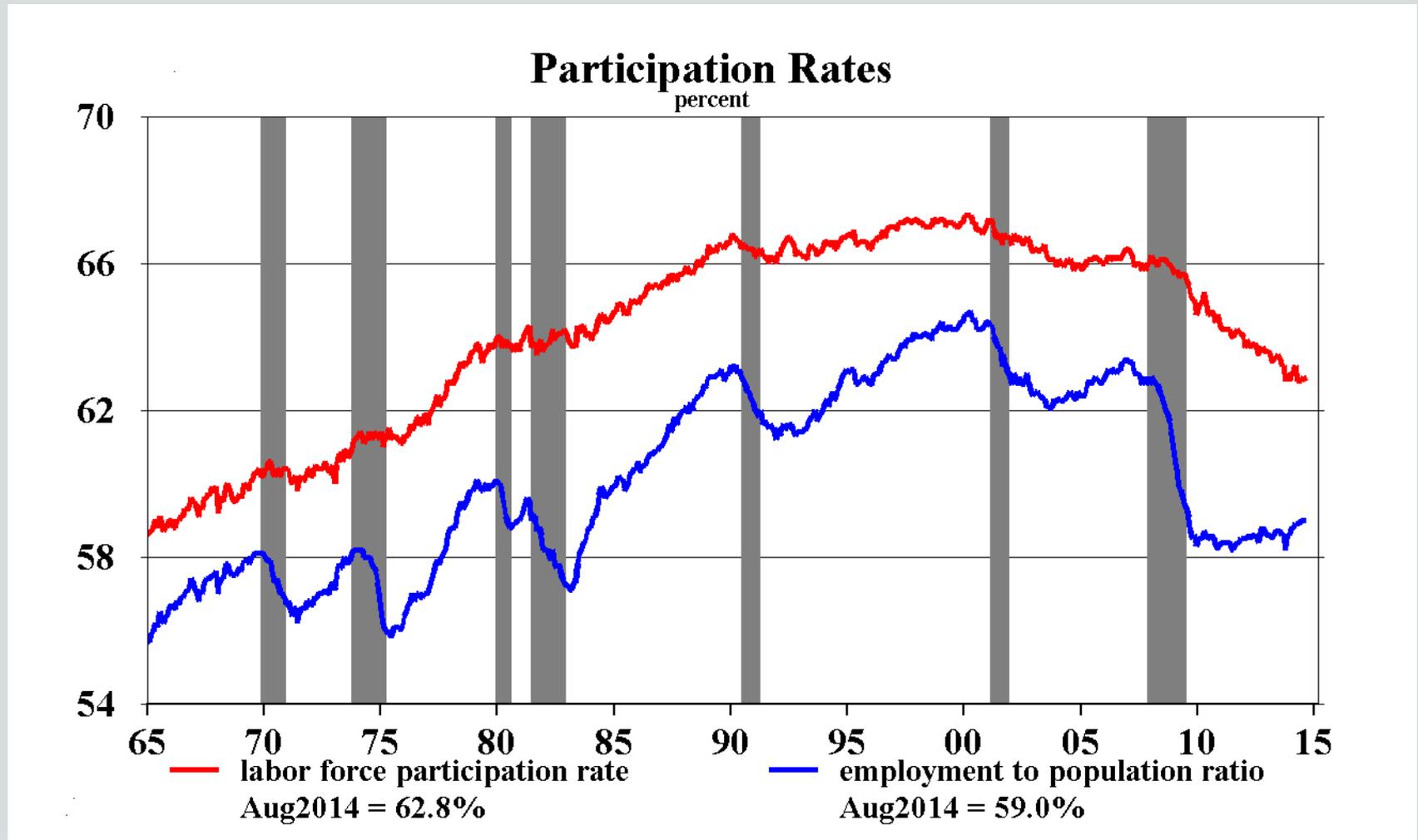
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- Weaker productivity growth: “productivity puzzle”

# Productivity growth very modest in recent years



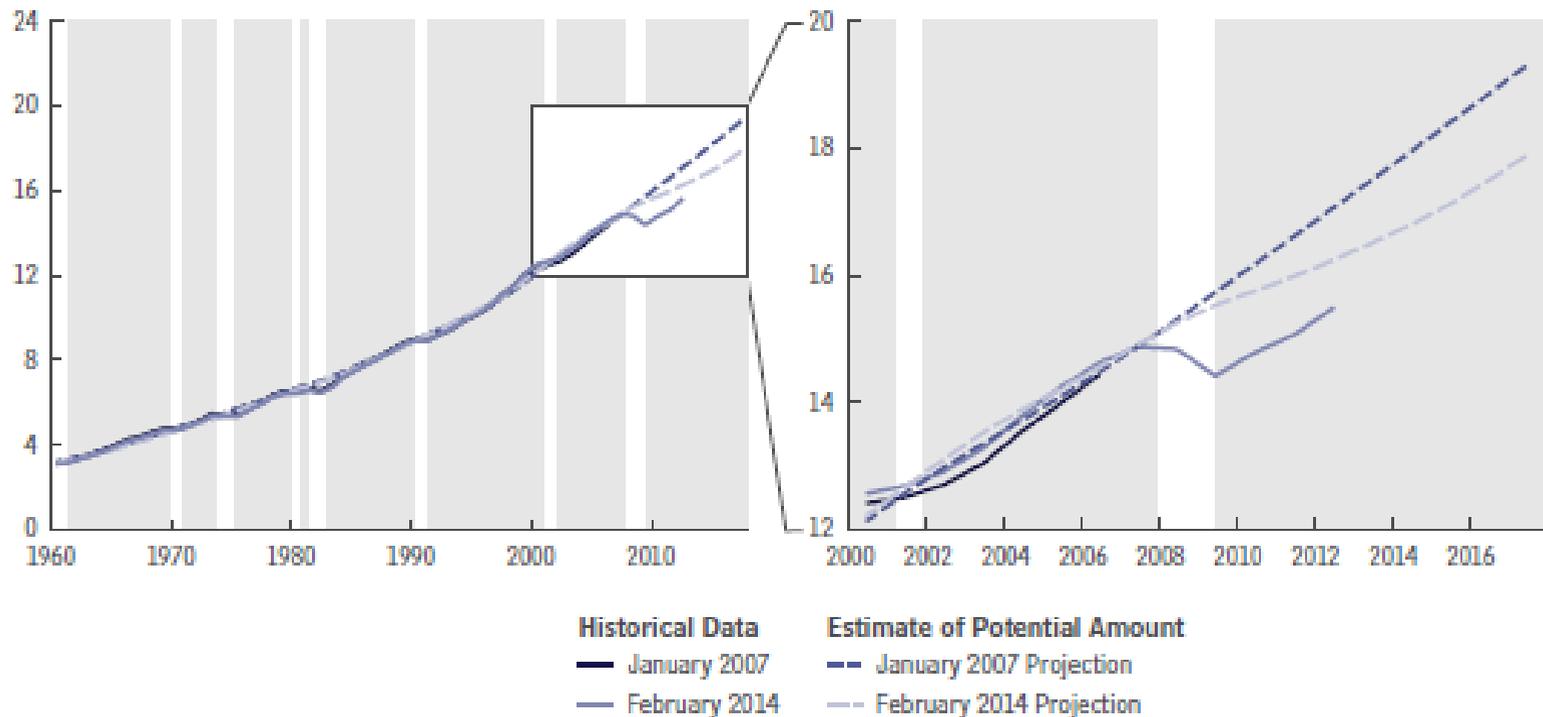
# Labor force participation rate in decline



# Estimates of potential output revised lower

## Real Gross Domestic Product

(Trillions of 2009 dollars)



### Historical Data

- January 2007
- February 2014

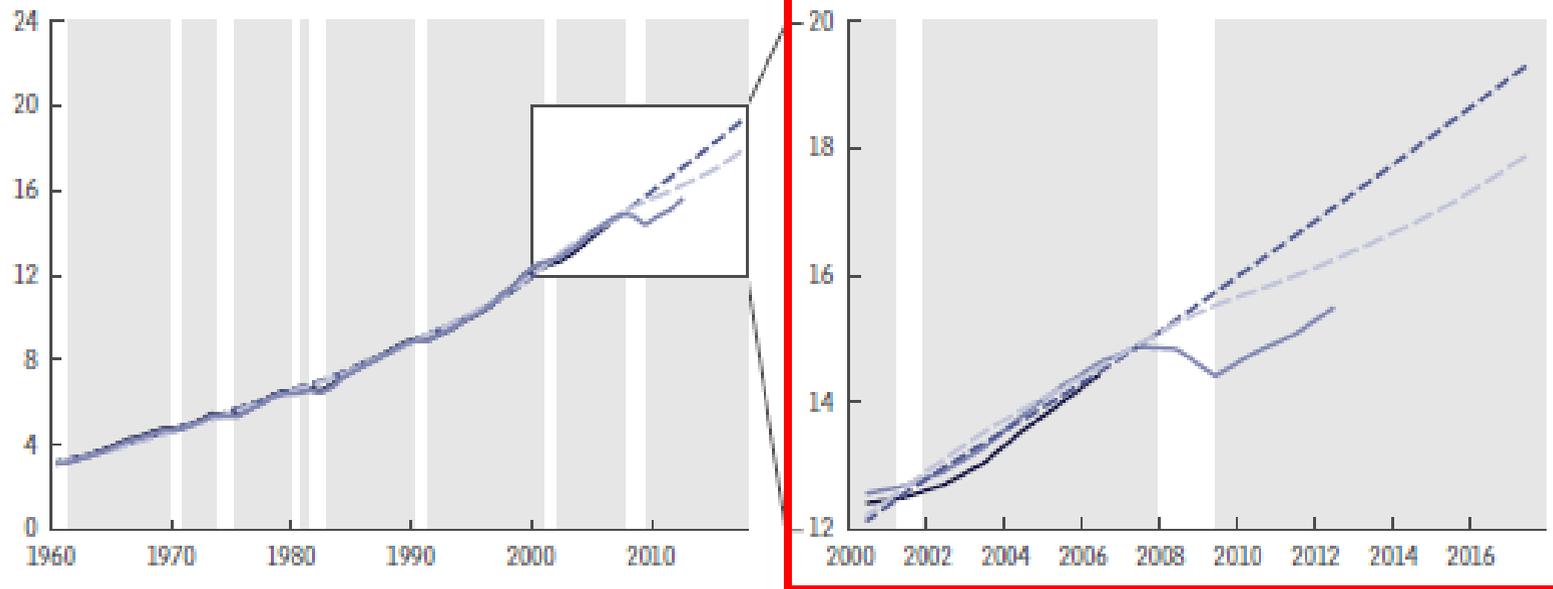
### Estimate of Potential Amount

- - - January 2007 Projection
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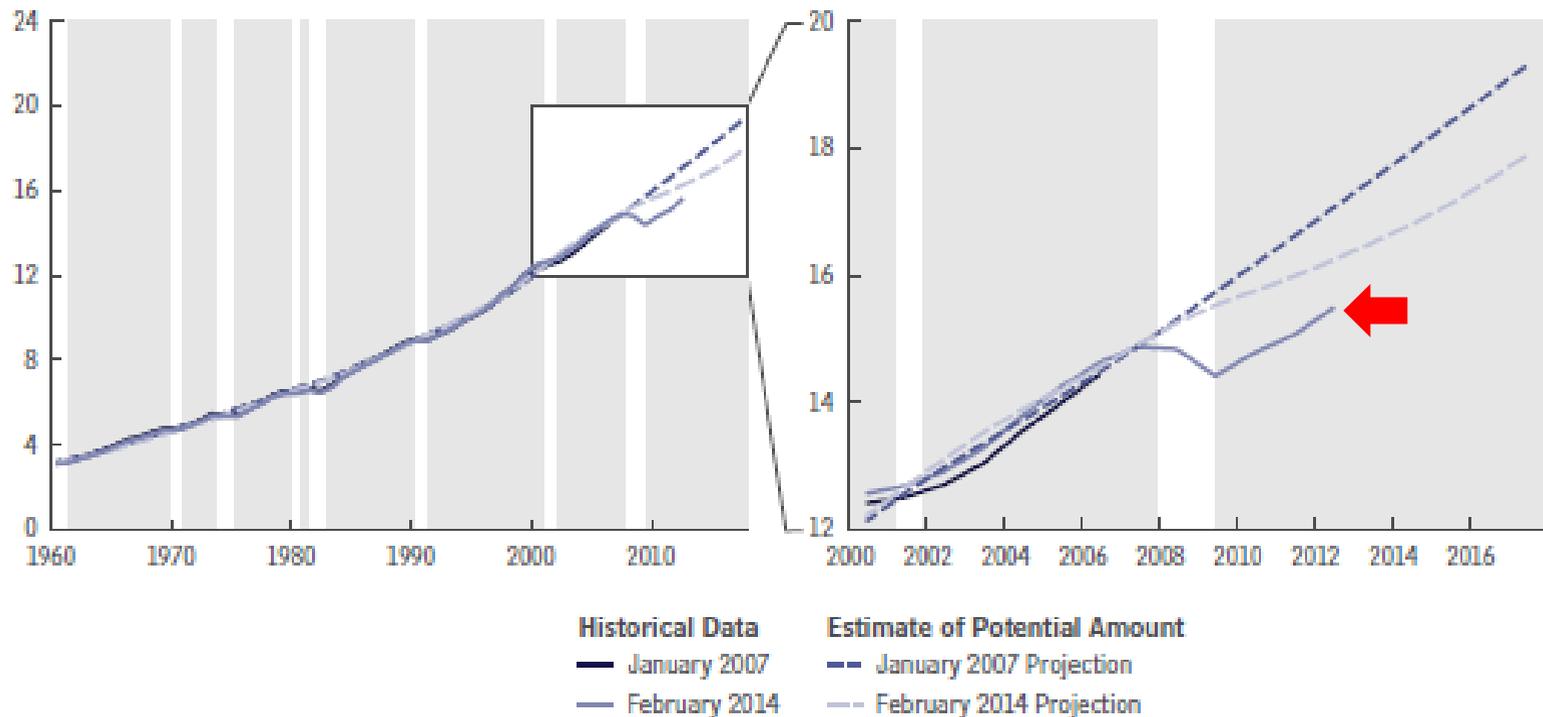
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# Outlook for potential growth

- Trends indicate slower growth in the labor force
  - Retiring of baby-boomers
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- Labor productivity weak in recent years
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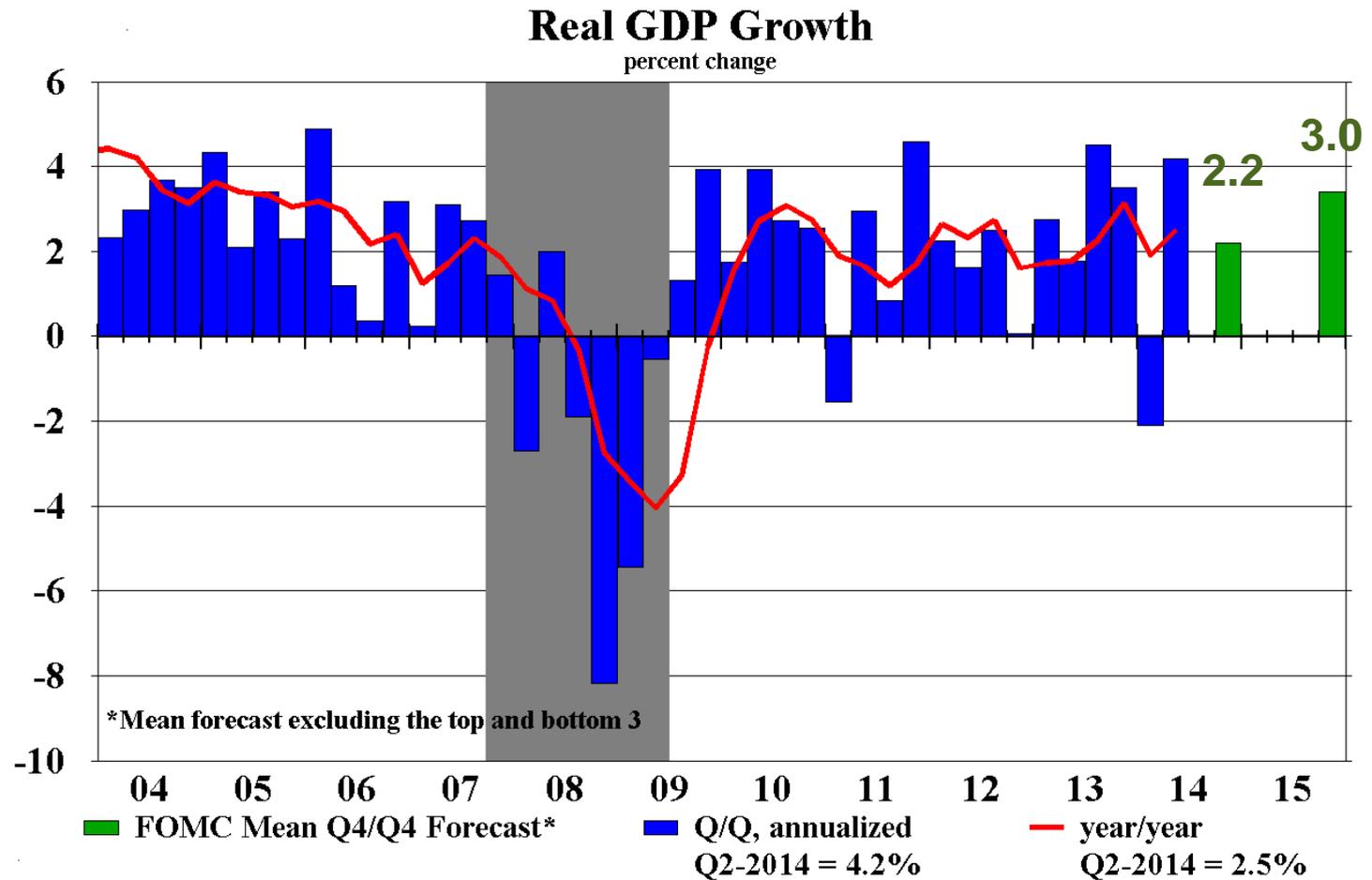
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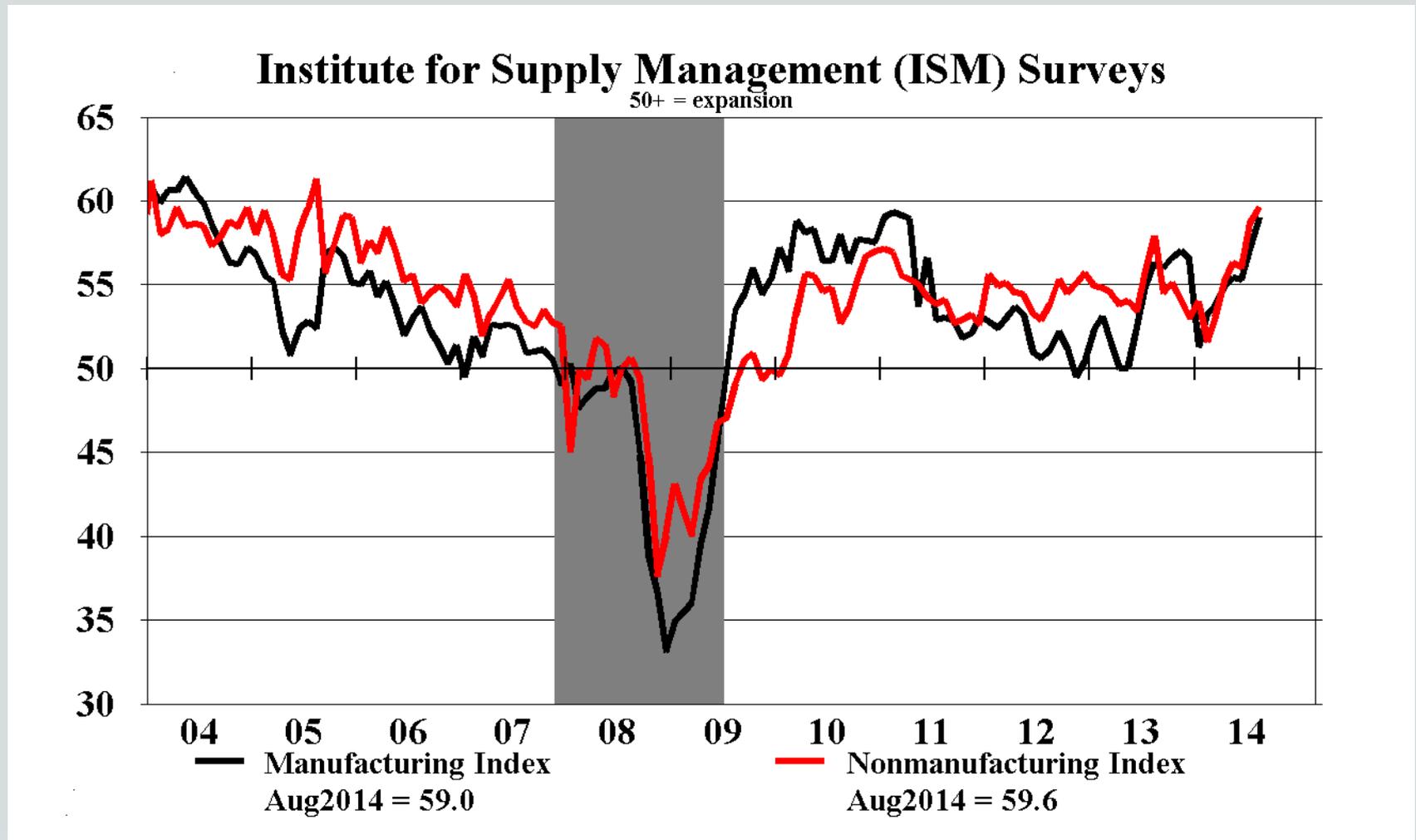
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  - January 2007: 2.6%; February 2014: 2.1%
  - FOMC longer run projection for real GDP revised from 2.5% in January 2009 to 2.2% in September 2014 (central tendency)

# FOMC anticipates increase in real GDP growth



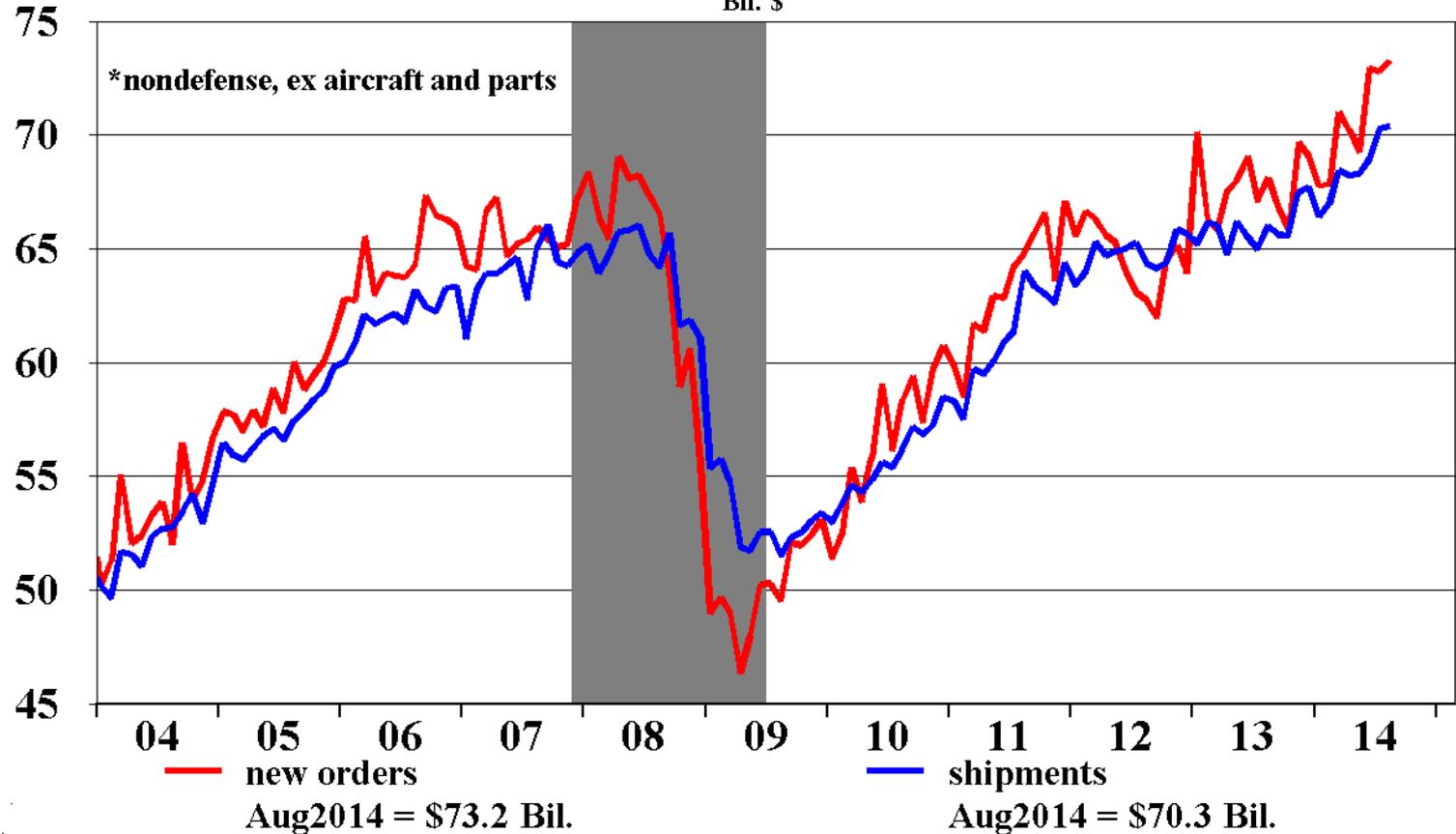
# Surveys indicate strong growth in recent months



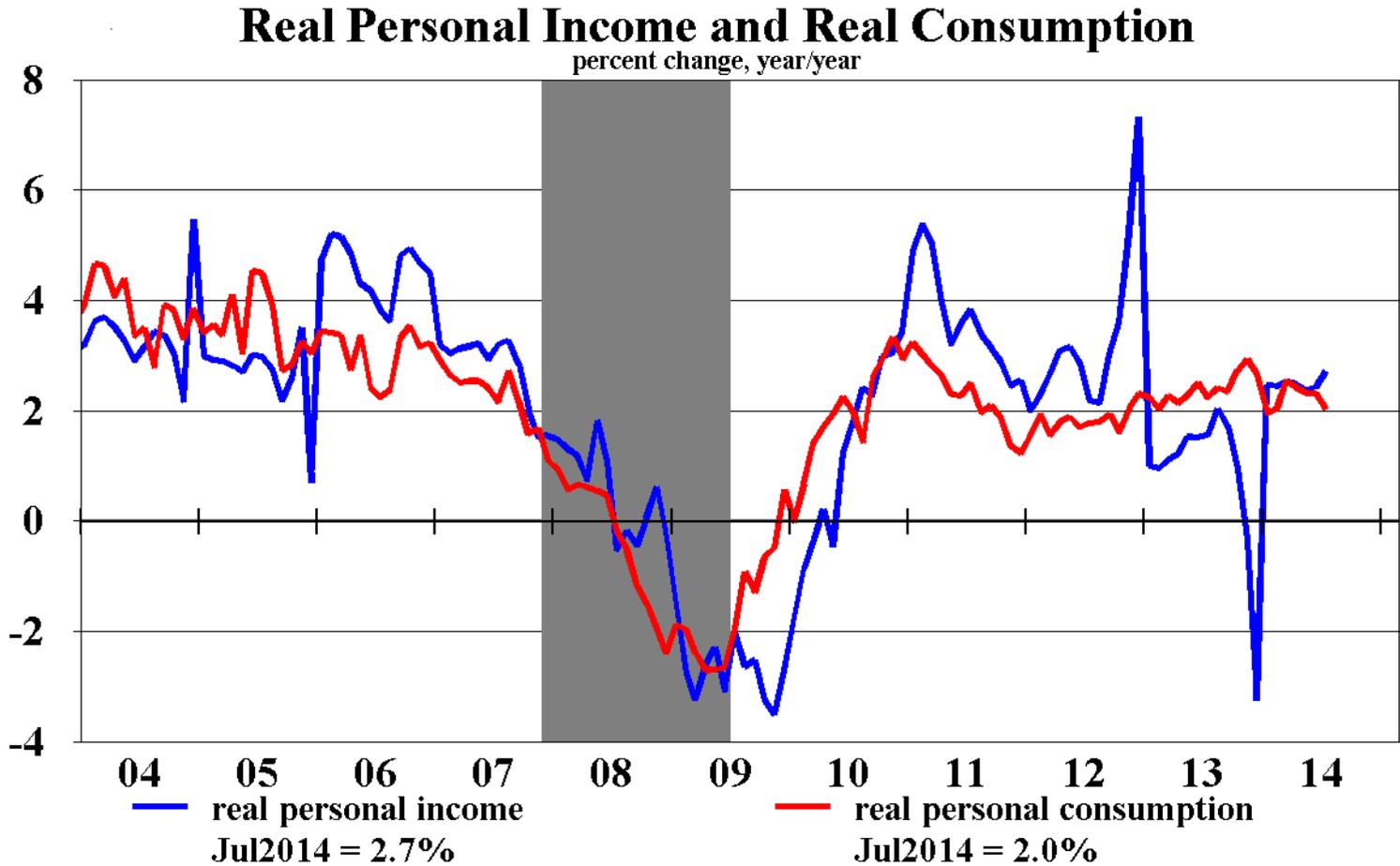
# Capital goods orders suggests pickup in investment

## Core Capital Goods Orders & Shipments\*

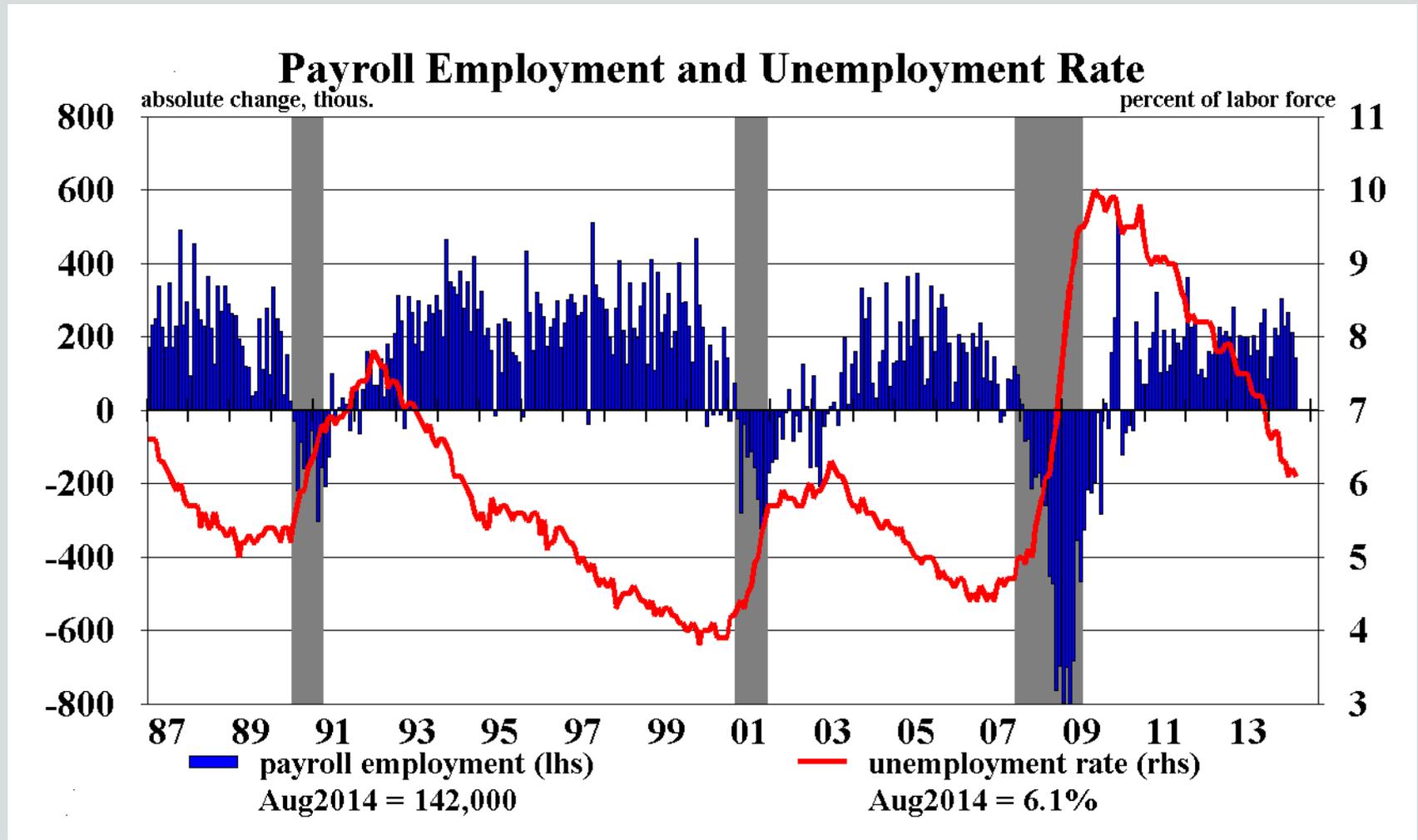
Bil. \$



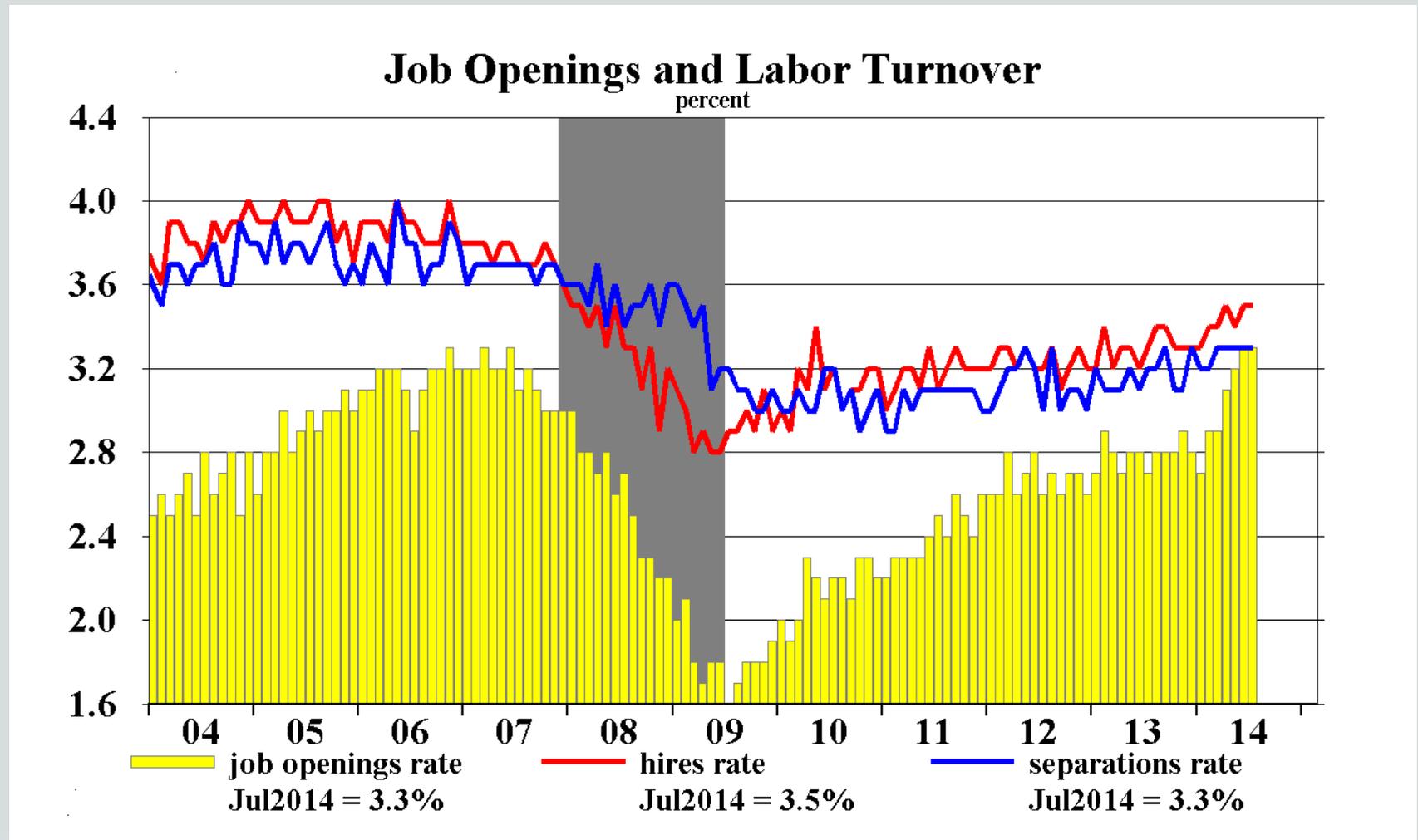
# Moderate income and consumption growth



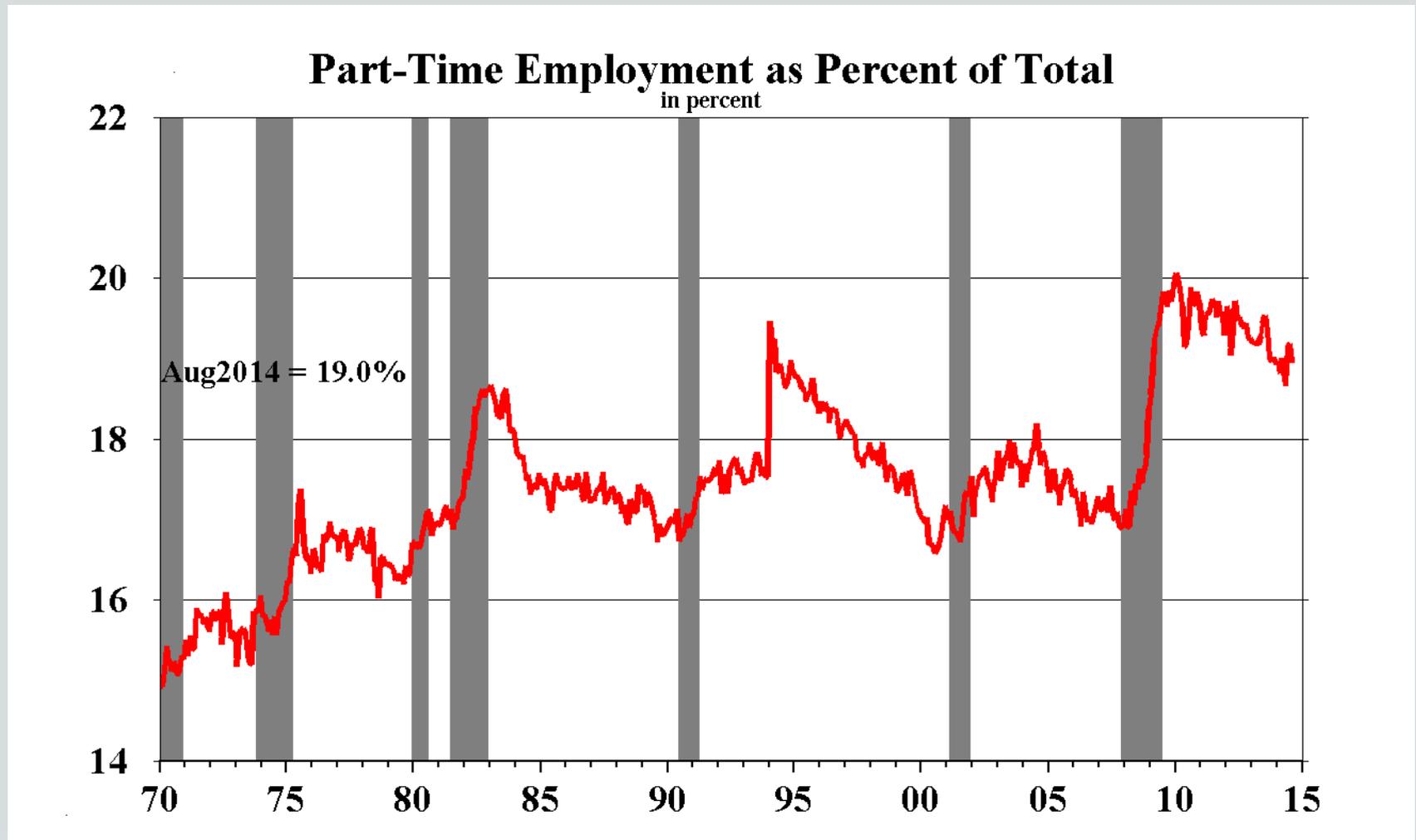
# Strong job growth in 2014



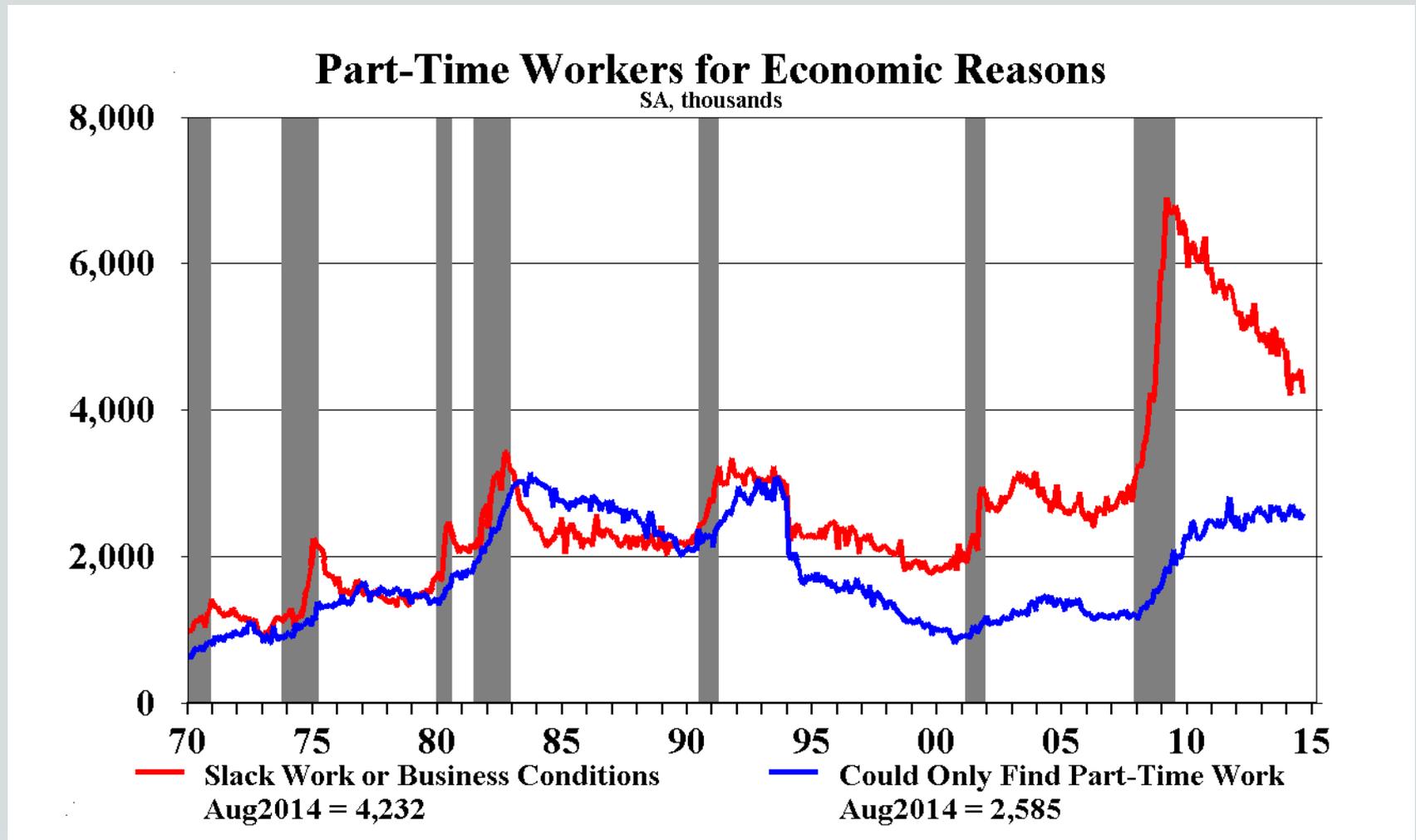
# Job hires and separations rate remain subdued



# Rise in part-time workers also may indicate slack



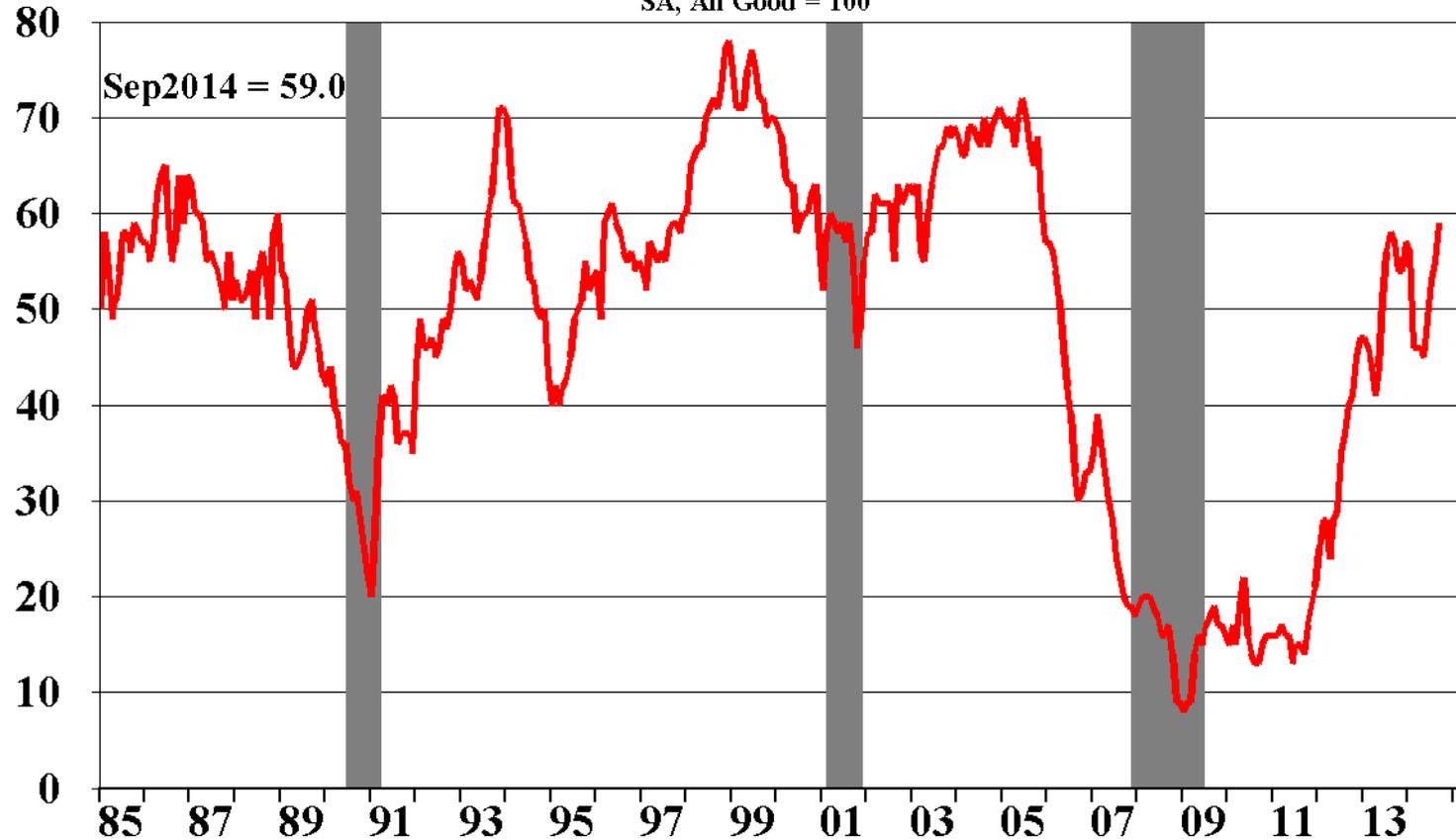
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# Housing market continues to improve

## Home Builders Housing Market Index

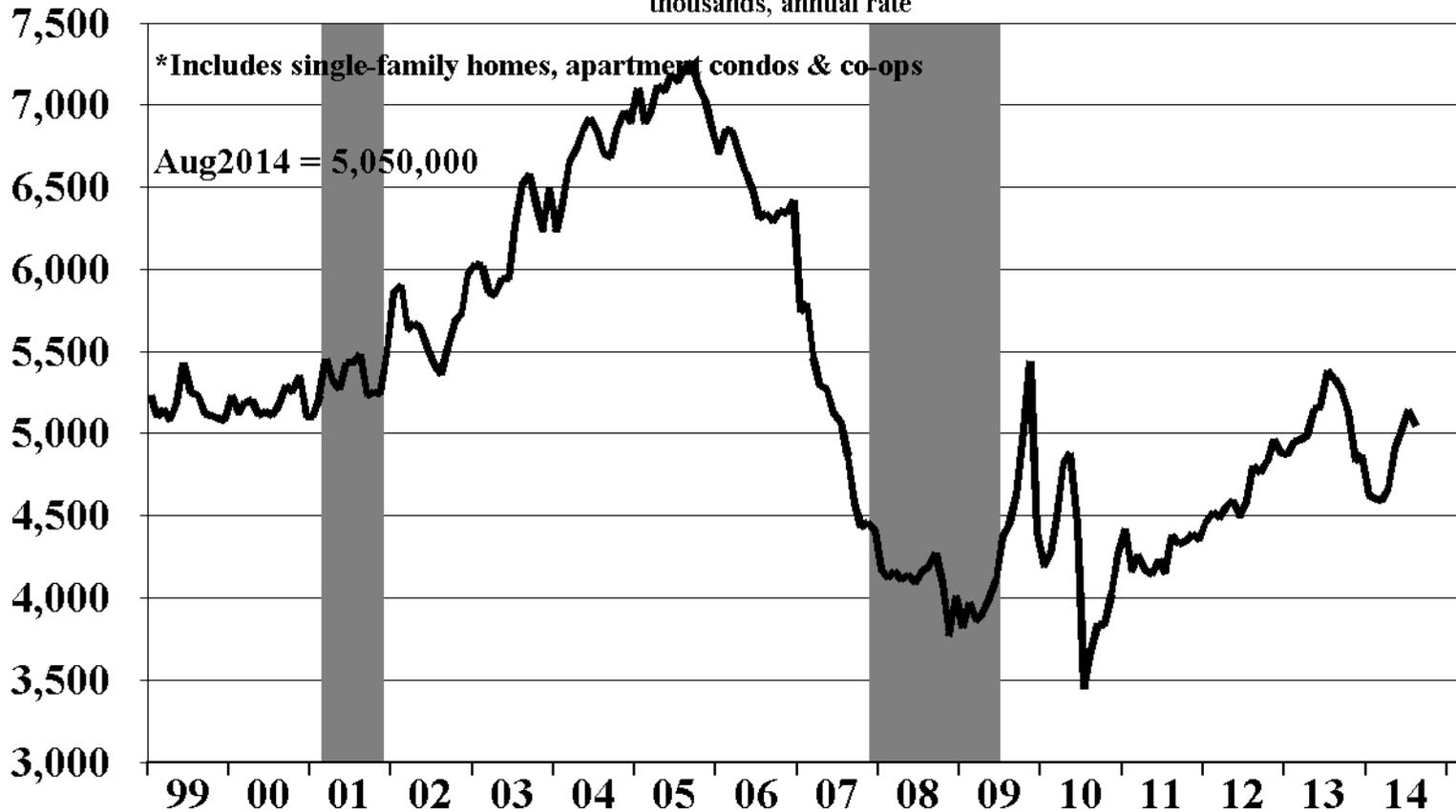
SA, All Good = 100



# Housing market continues to improve

## Total Existing Home Sales\*

thousands, annual rate





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.

