

# Federal Reserve Bank of Kansas City

## Economic and Monetary Policy Developments

As of October 11, 2012



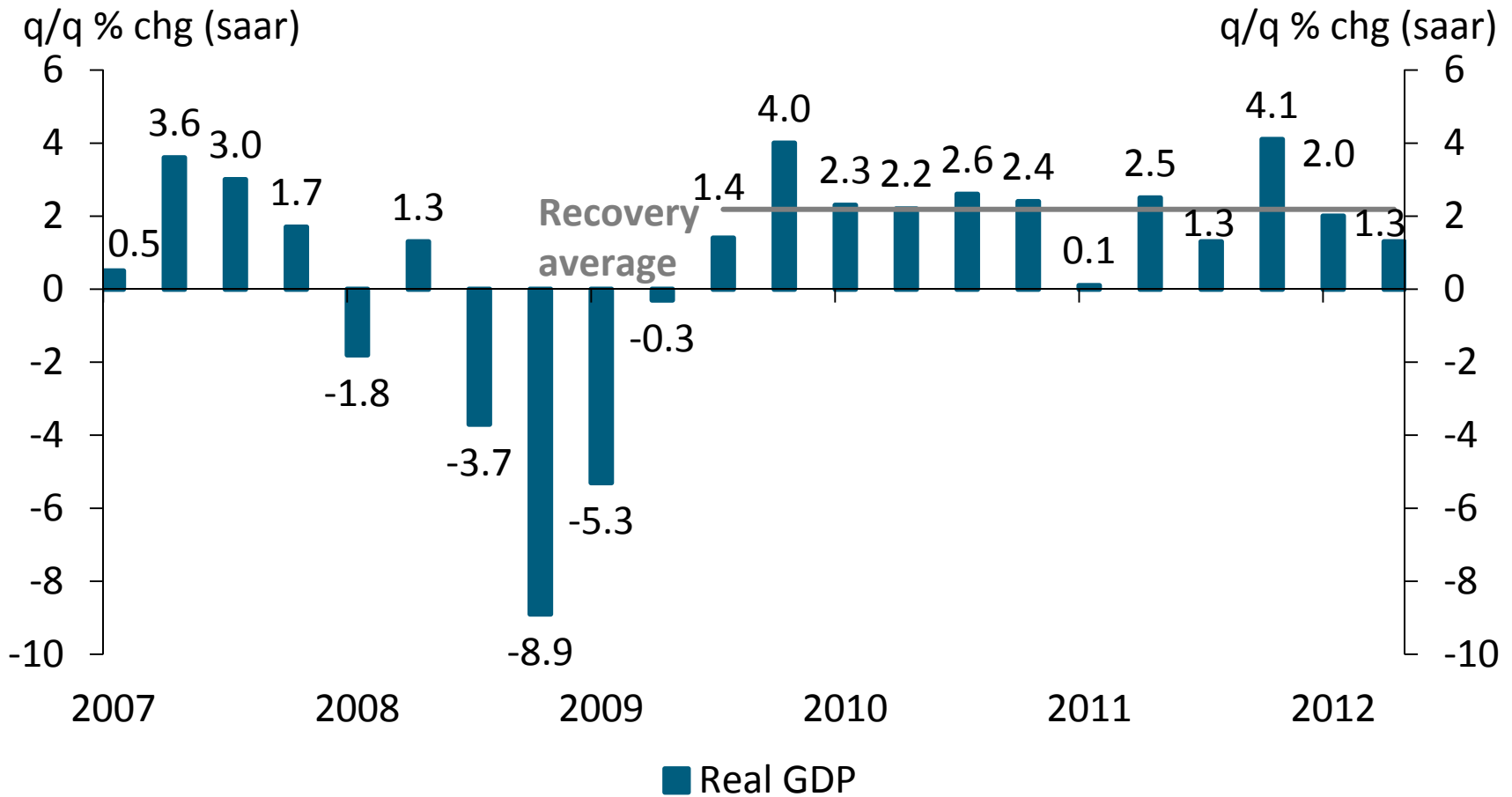
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## Broad summary of economic developments

- Economic growth remains moderate.
  - The unemployment rate dipped to 7.8 percent even though payroll employment rose only 114,000.
  - The housing sector's recovery continues.
- However, fiscal policy and global growth remain downside risks.
- Core measures of inflation remain in line with 2% goal, with upside risk to headline measures due to food and energy



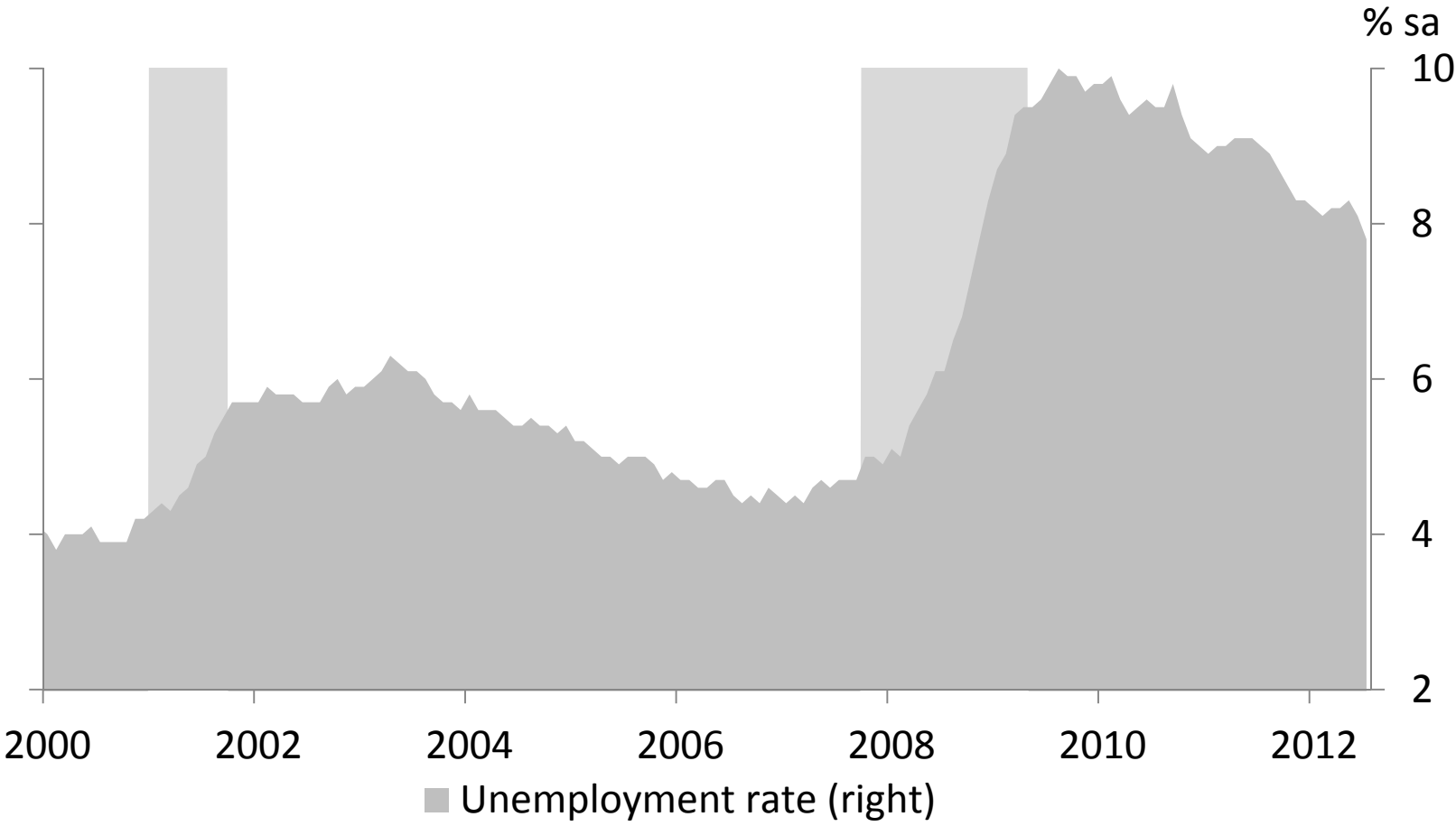
# Growth remains moderate



Source: Bureau of Economic Analysis



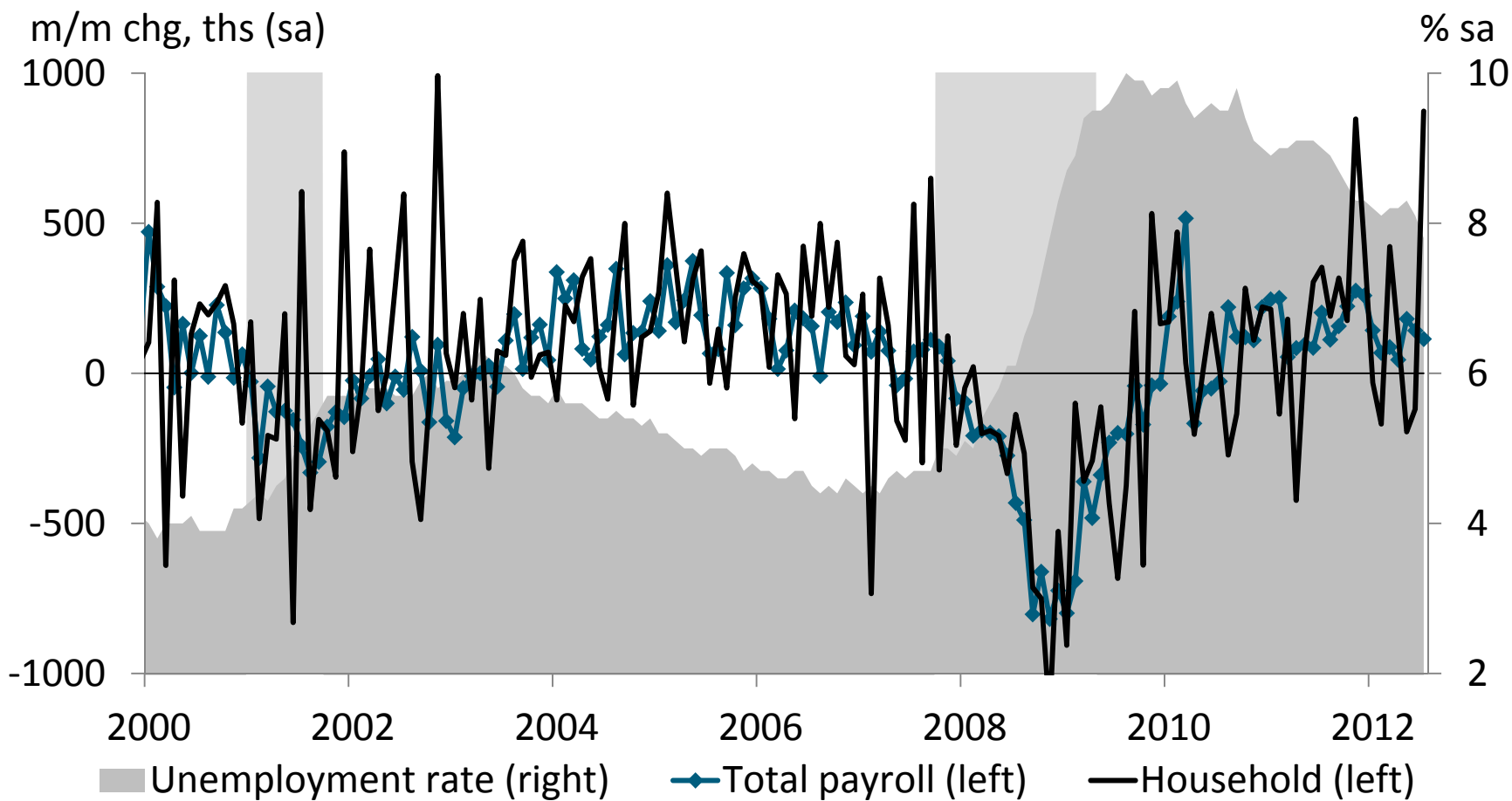
# The unemployment rate declined in September ...



Source: Bureau of Labor Statistics, Haver Analytics



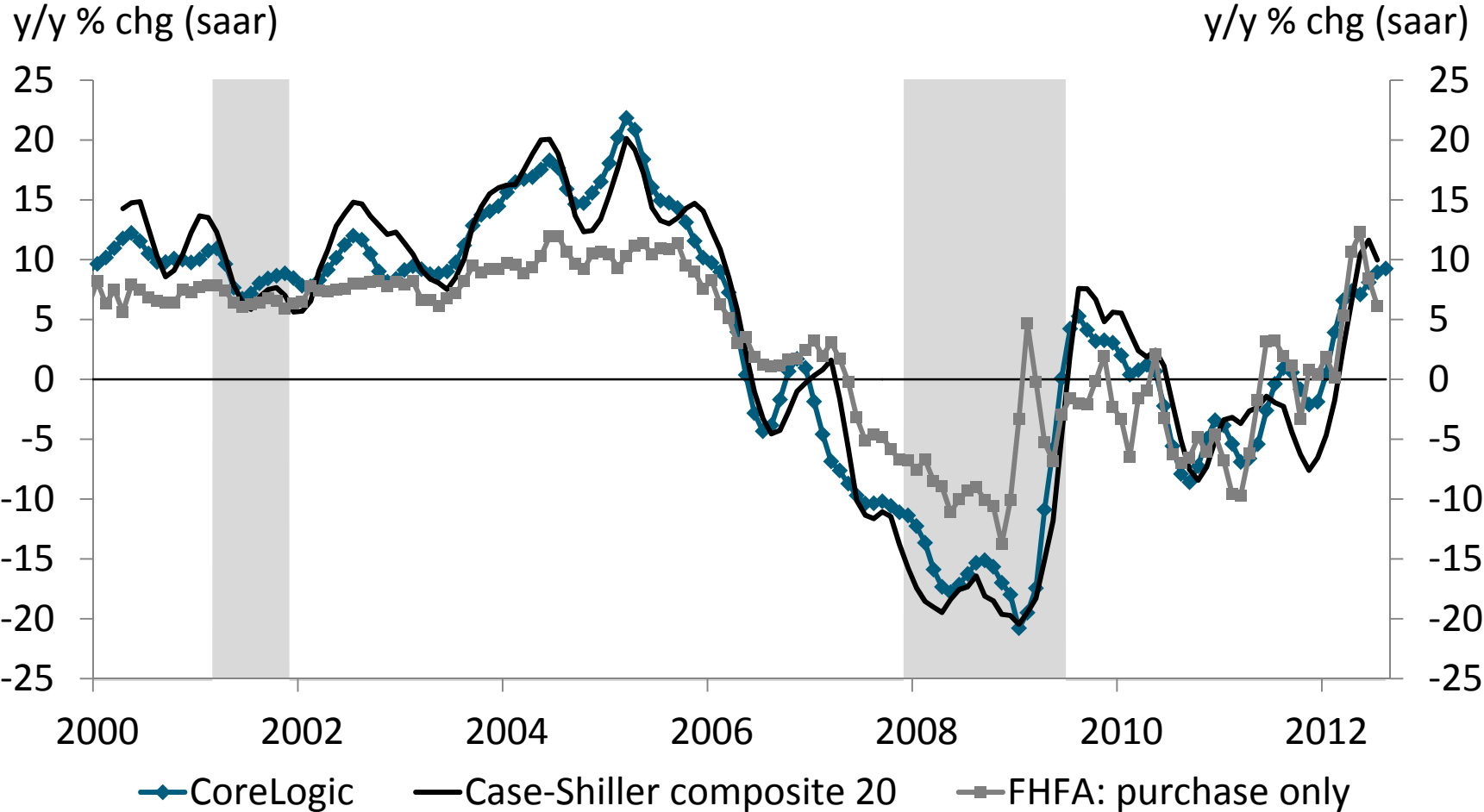
**... even though payroll employment  
rose only 114,000.**



Source: Bureau of Labor Statistics, Haver Analytics

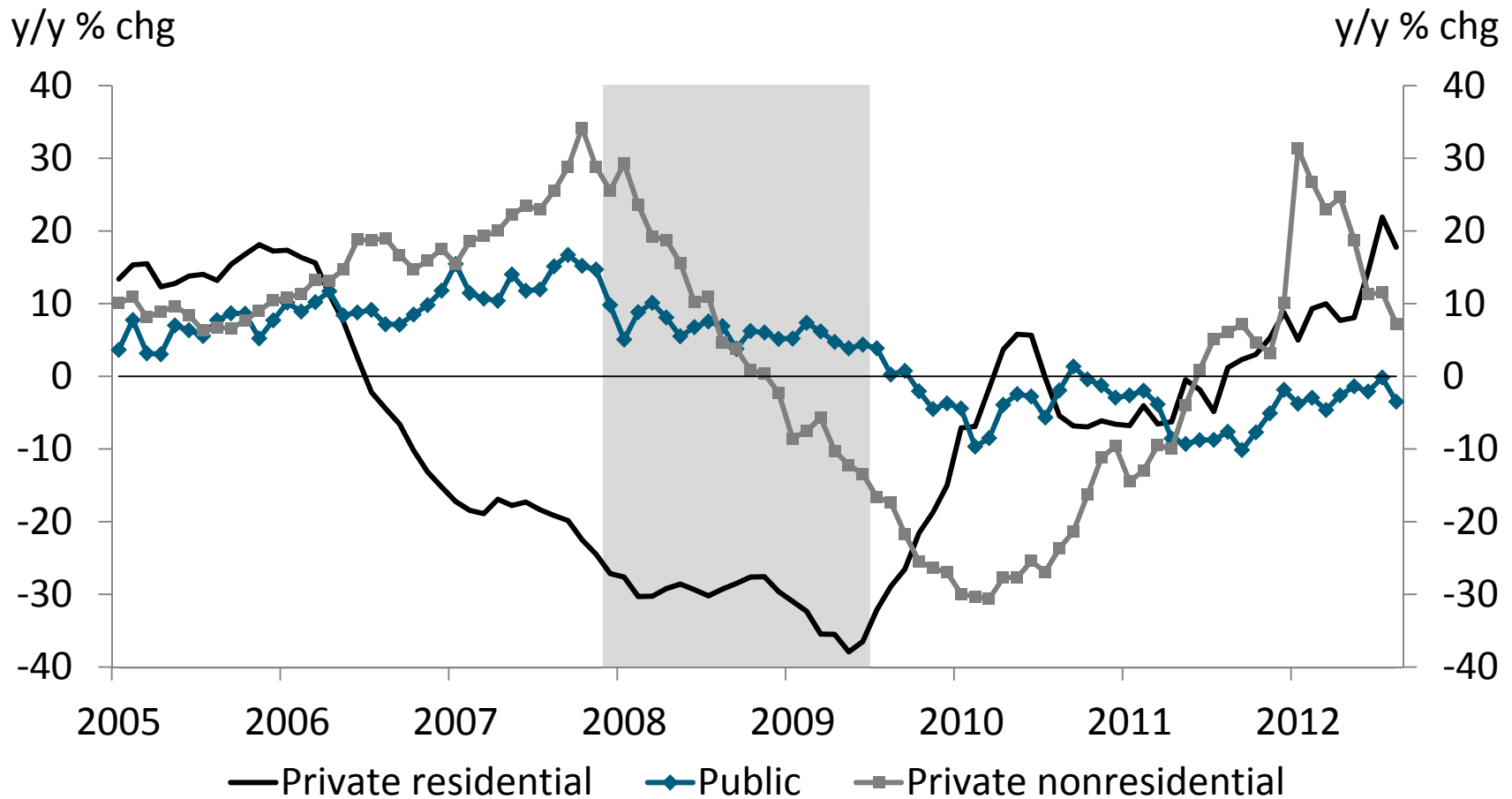


# House prices are increasing.



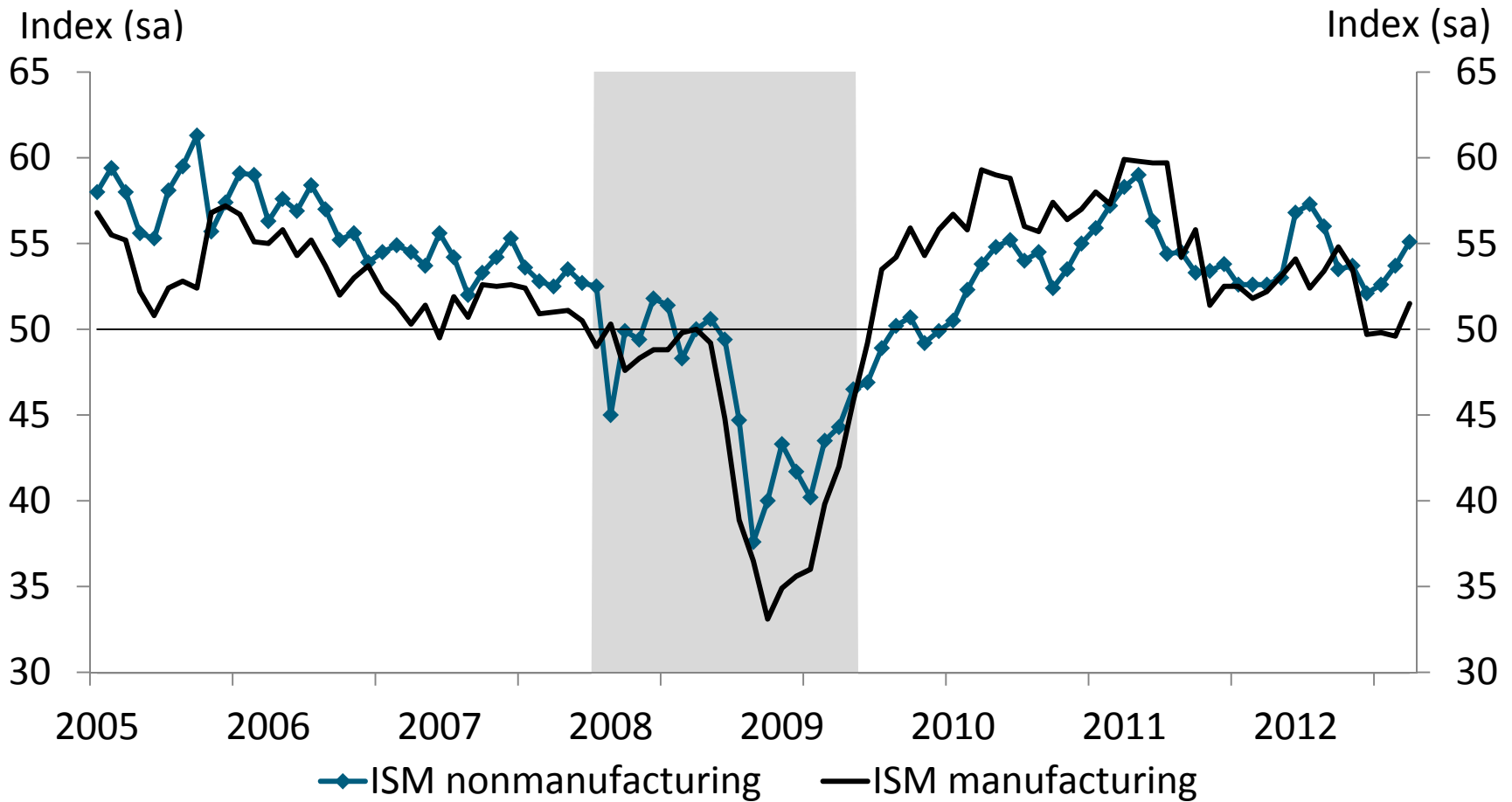
Source: CoreLogic/ Haver Analytics

# Total construction is mixed.



Source: Census Bureau, Haver Analytics

# Manufacturing and nonmanufacturing ticked up in September.

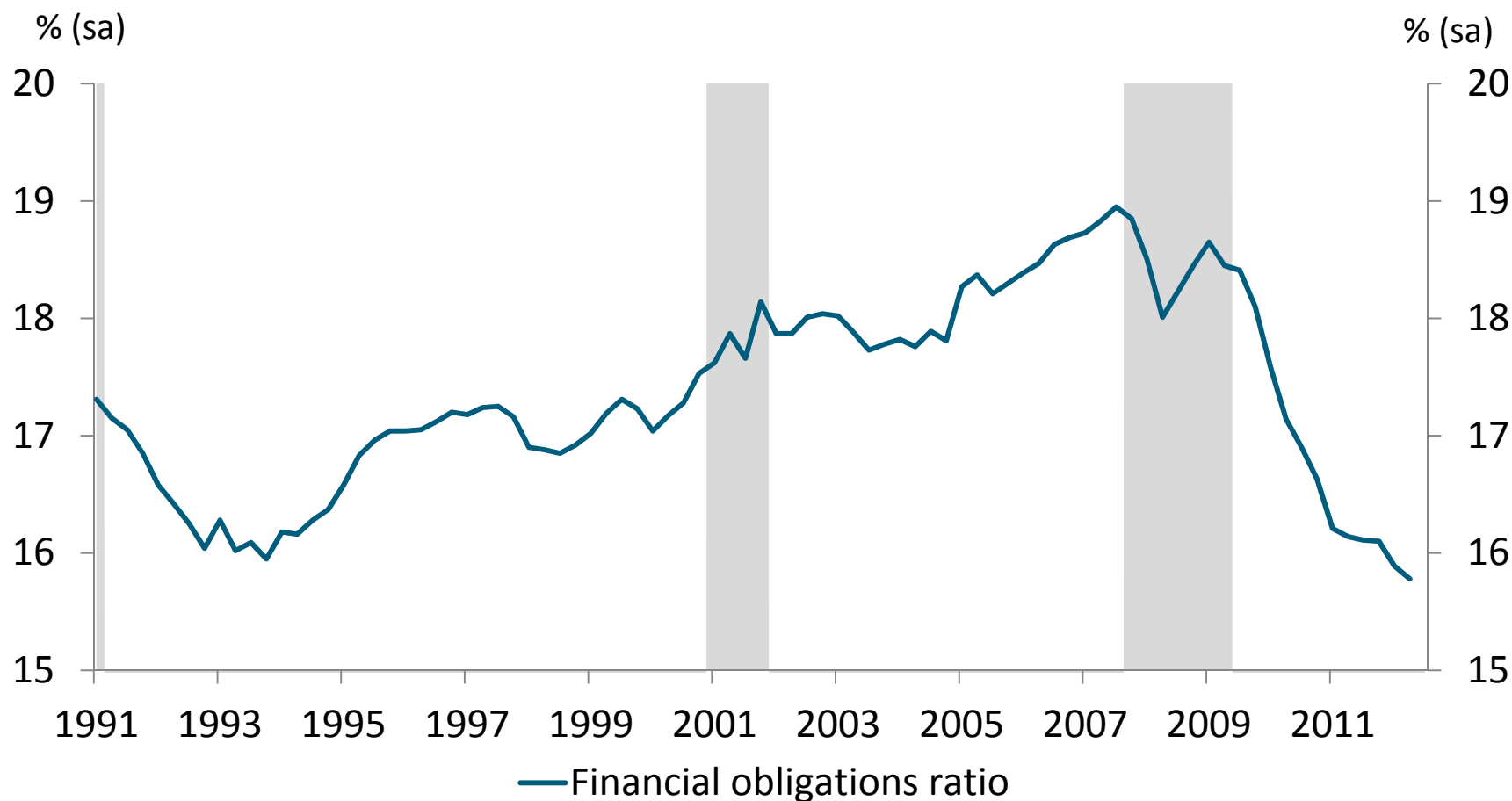


Source: Institute for Supply Management, Haver Analytics





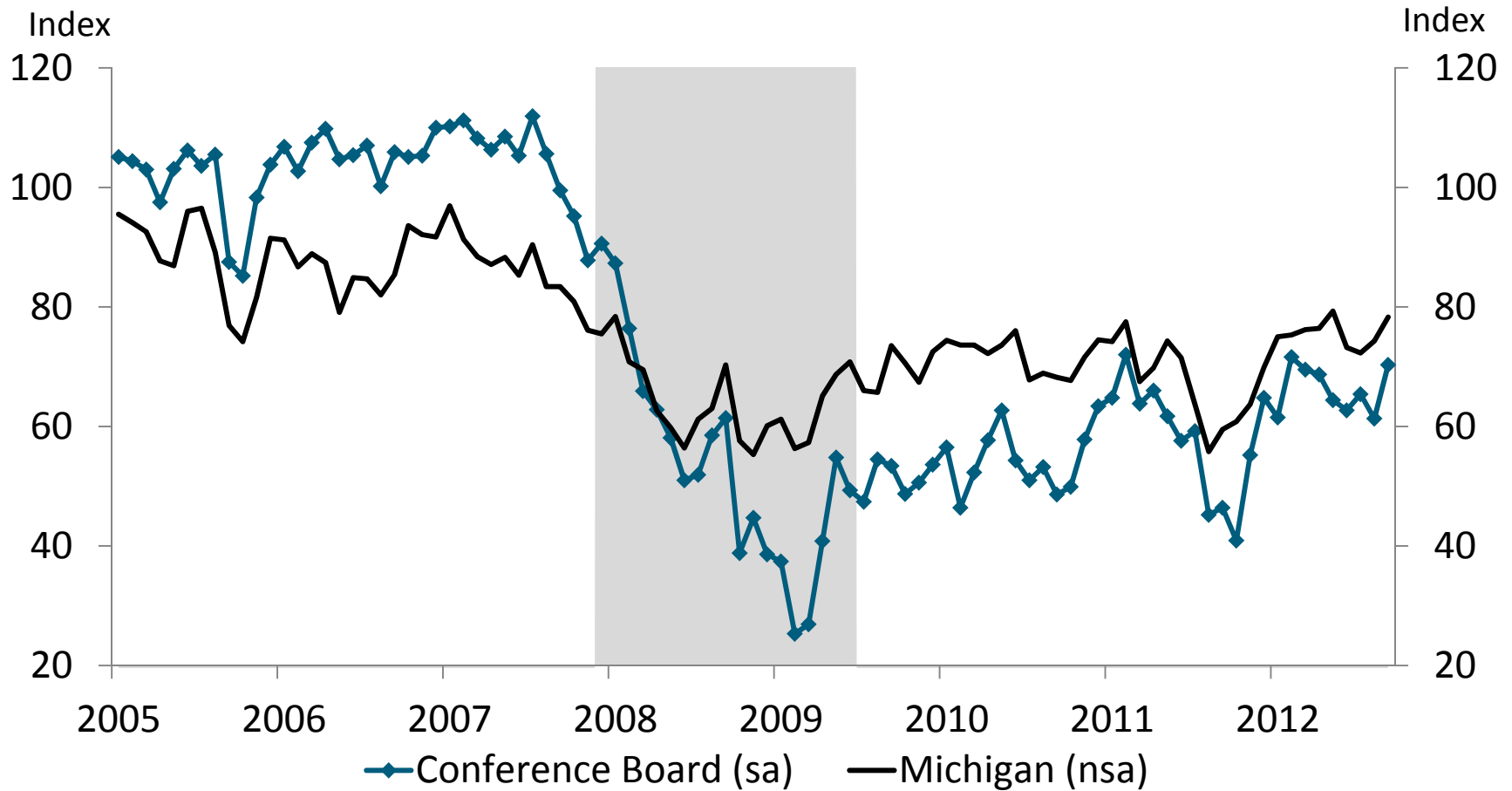
# Household deleveraging is freeing up disposable personal income.



Source: Federal Reserve Board, Haver Analytics

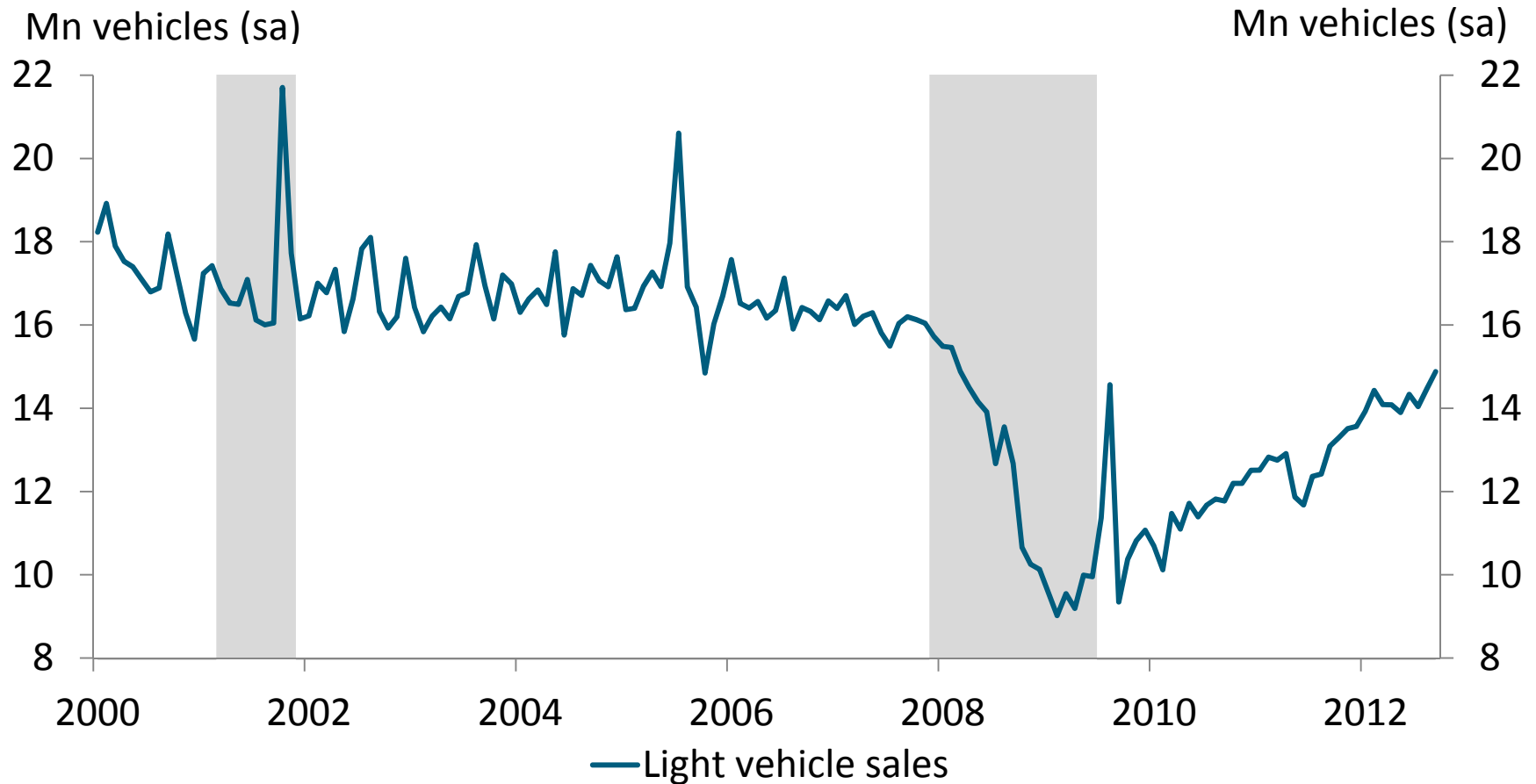


# Consumer confidence ticked up in September.



Source: The Conference Board, University of Michigan, Haver Analytics

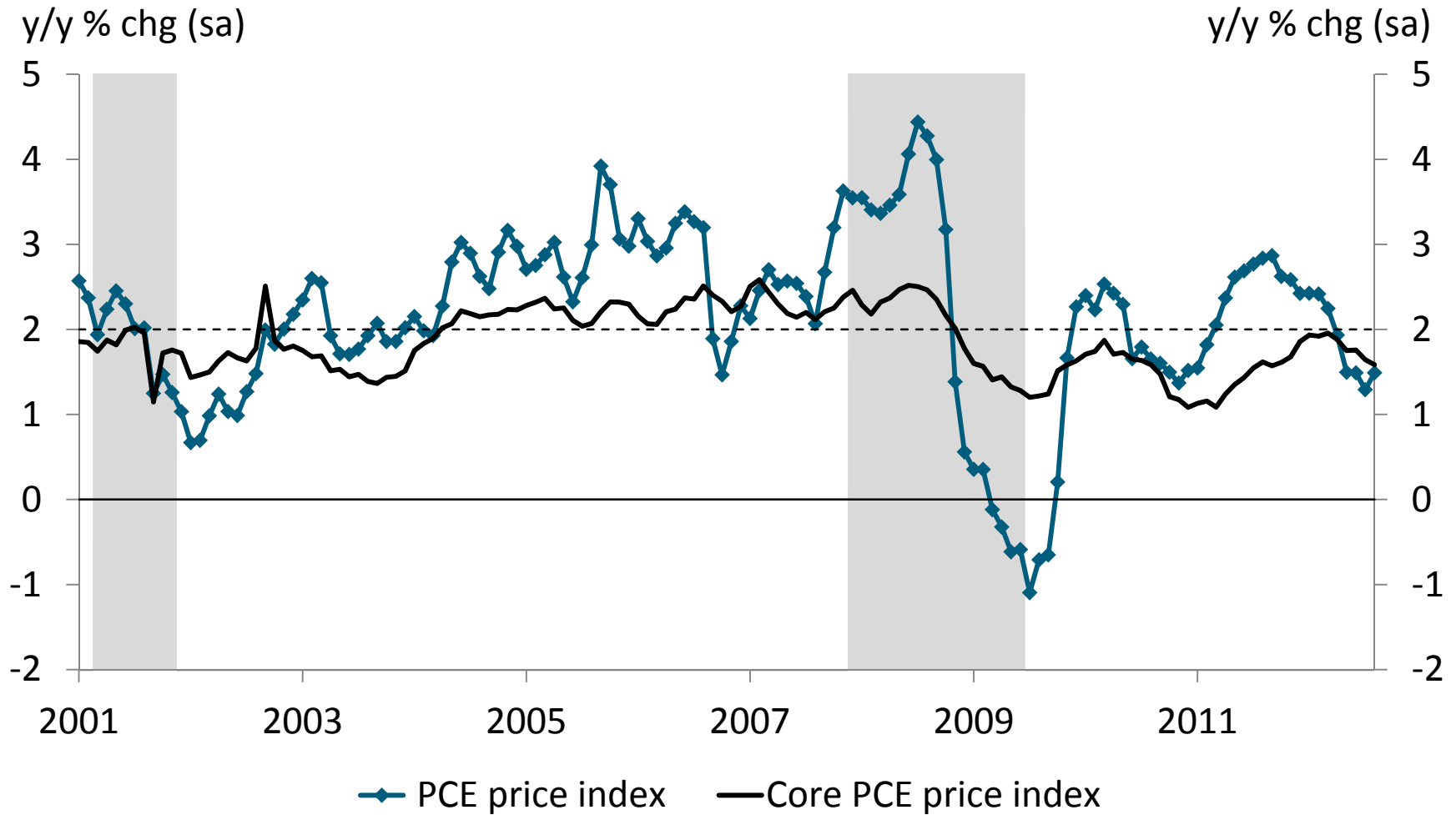
# Auto sales continue to increase



Source: Bureau of Economic Analysis/Haver Analytics



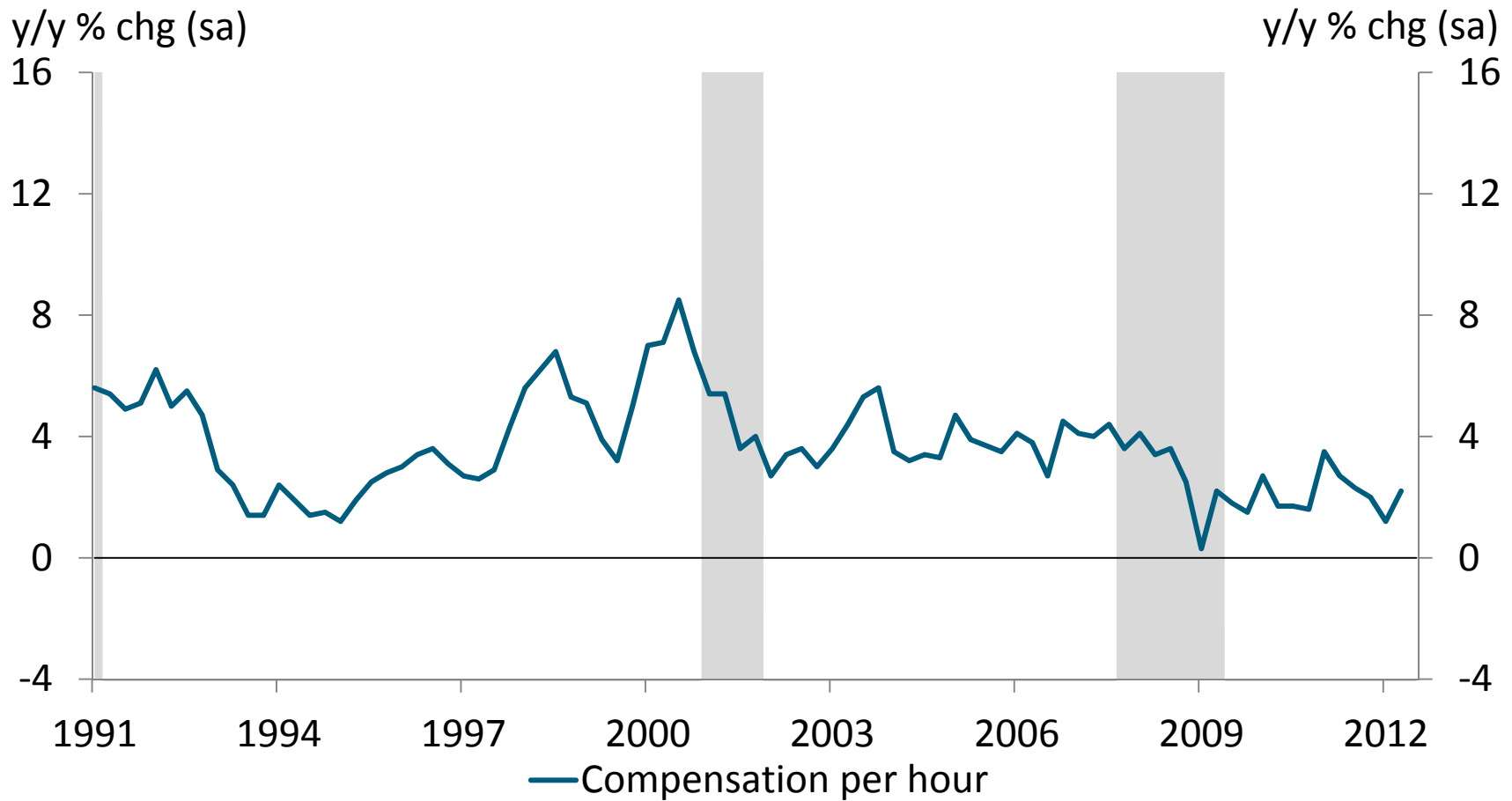
# Inflation is running a bit below 2 percent ...



Source: Bureau of Economic Analysis



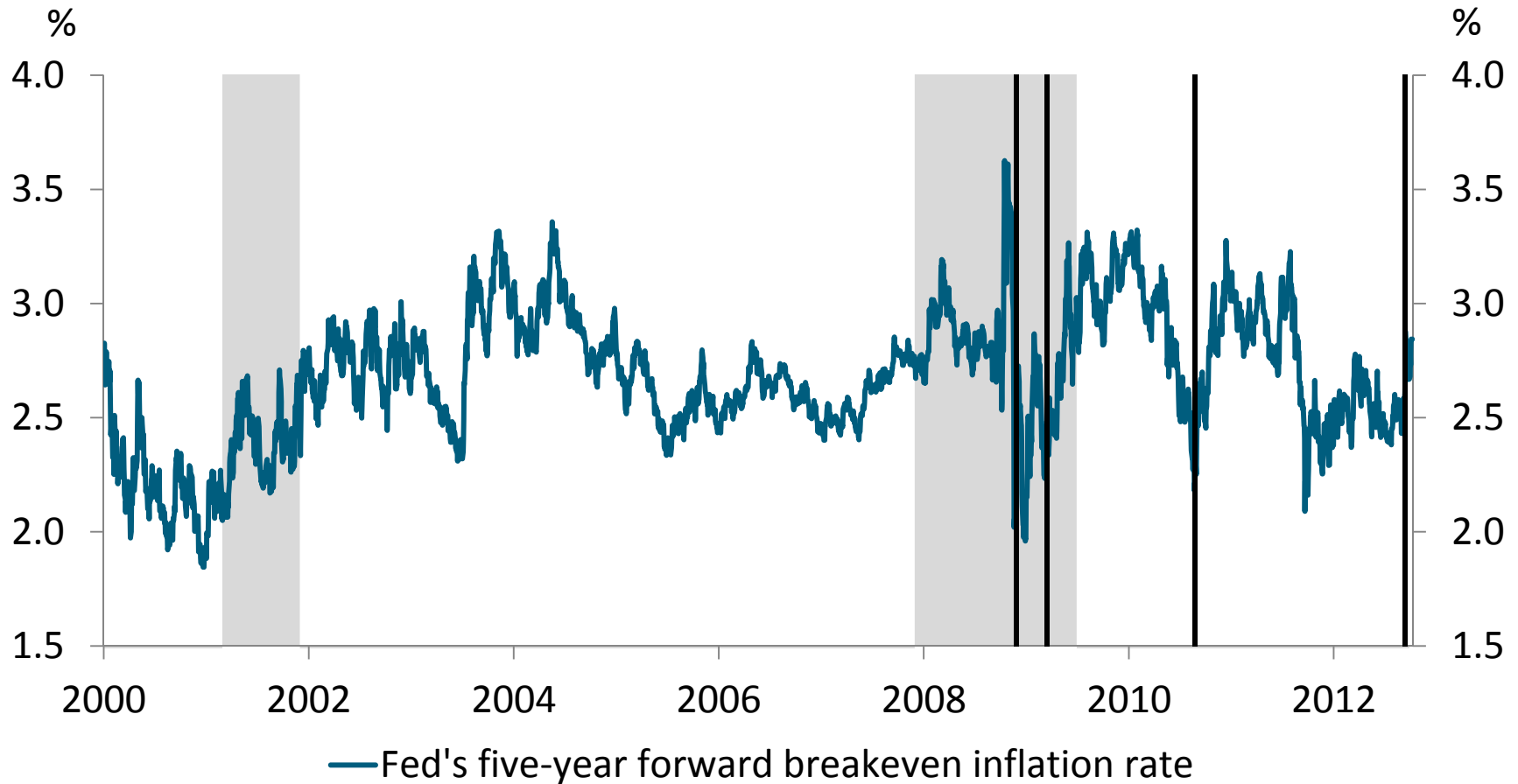
## ...wage inflation is moderate...



Source: Bureau of Labor Statistics, Haver Analytics



**...and inflation compensation is generally stable.**

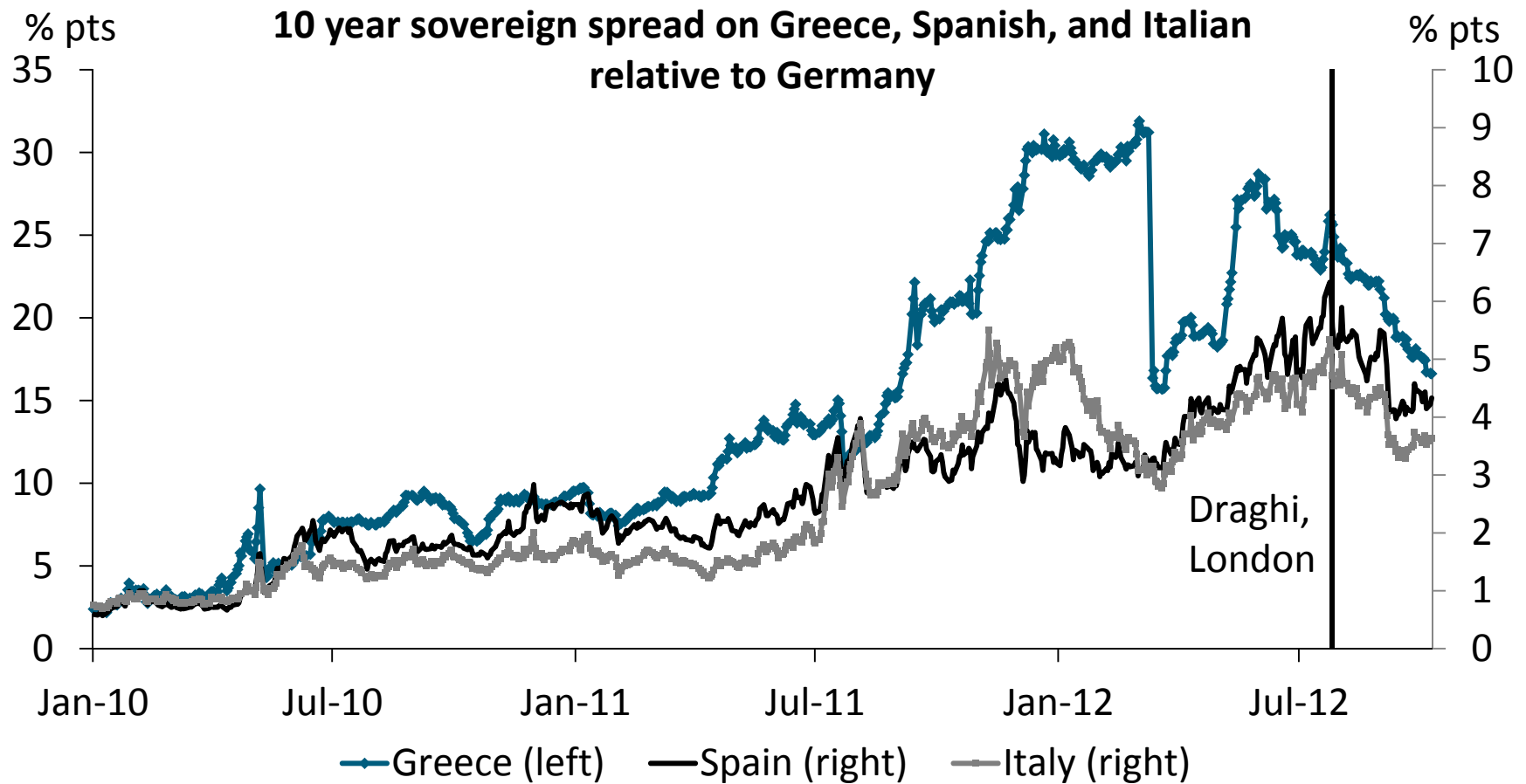


Source: Federal Reserve Board, Bloomberg



The risk from foreign growth

# Greece, Italy, and Spain remain under pressure.

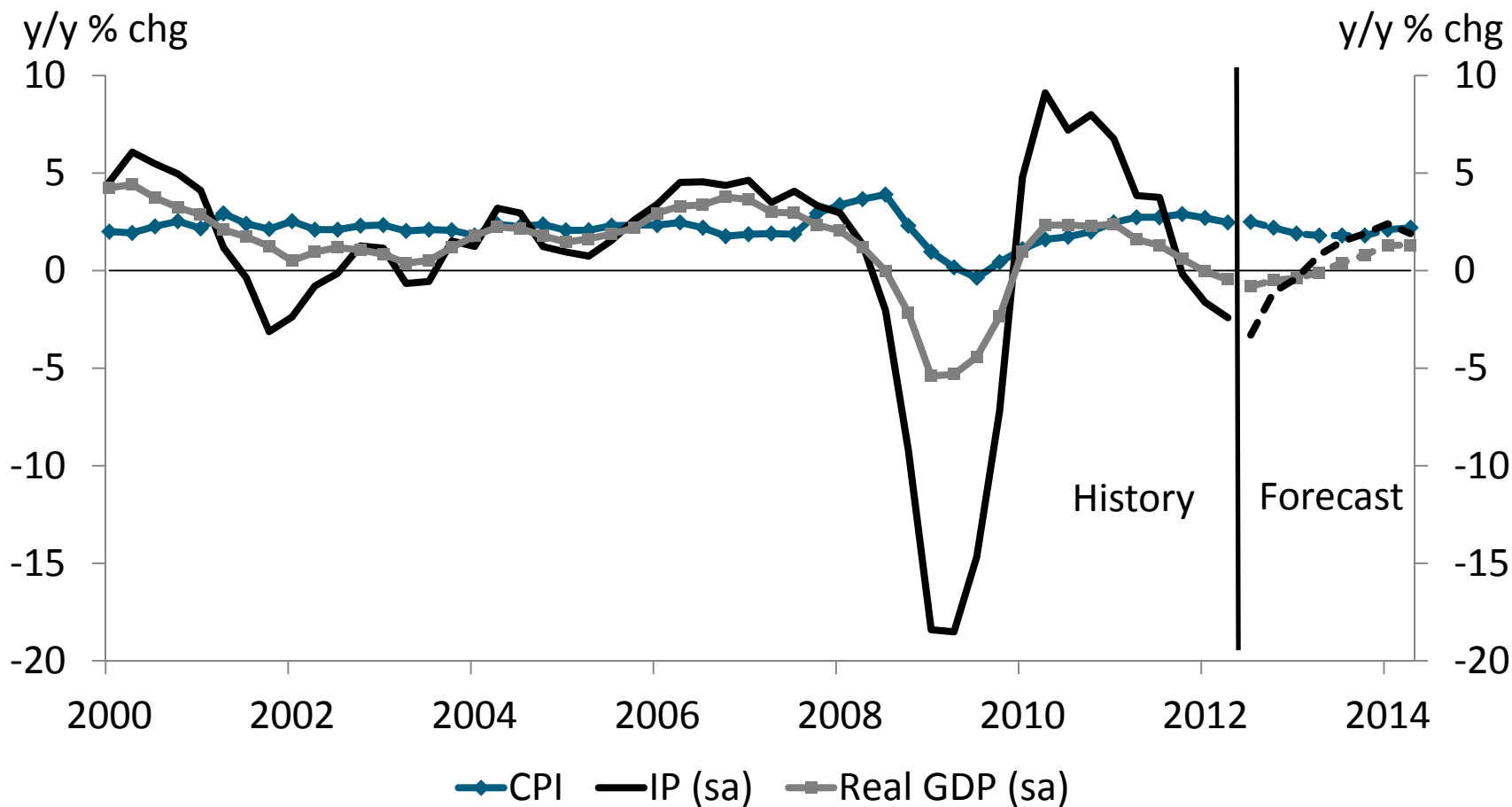


Source: Bloomberg





# Europe is in a recession, but is expected to resume growth next year.



Source: OECD, Consensus Forecasts, Haver Analytics



# IMF forecasts for growth revised down, but show an increase in 2013.

### Advanced Economies



### Developing Asia



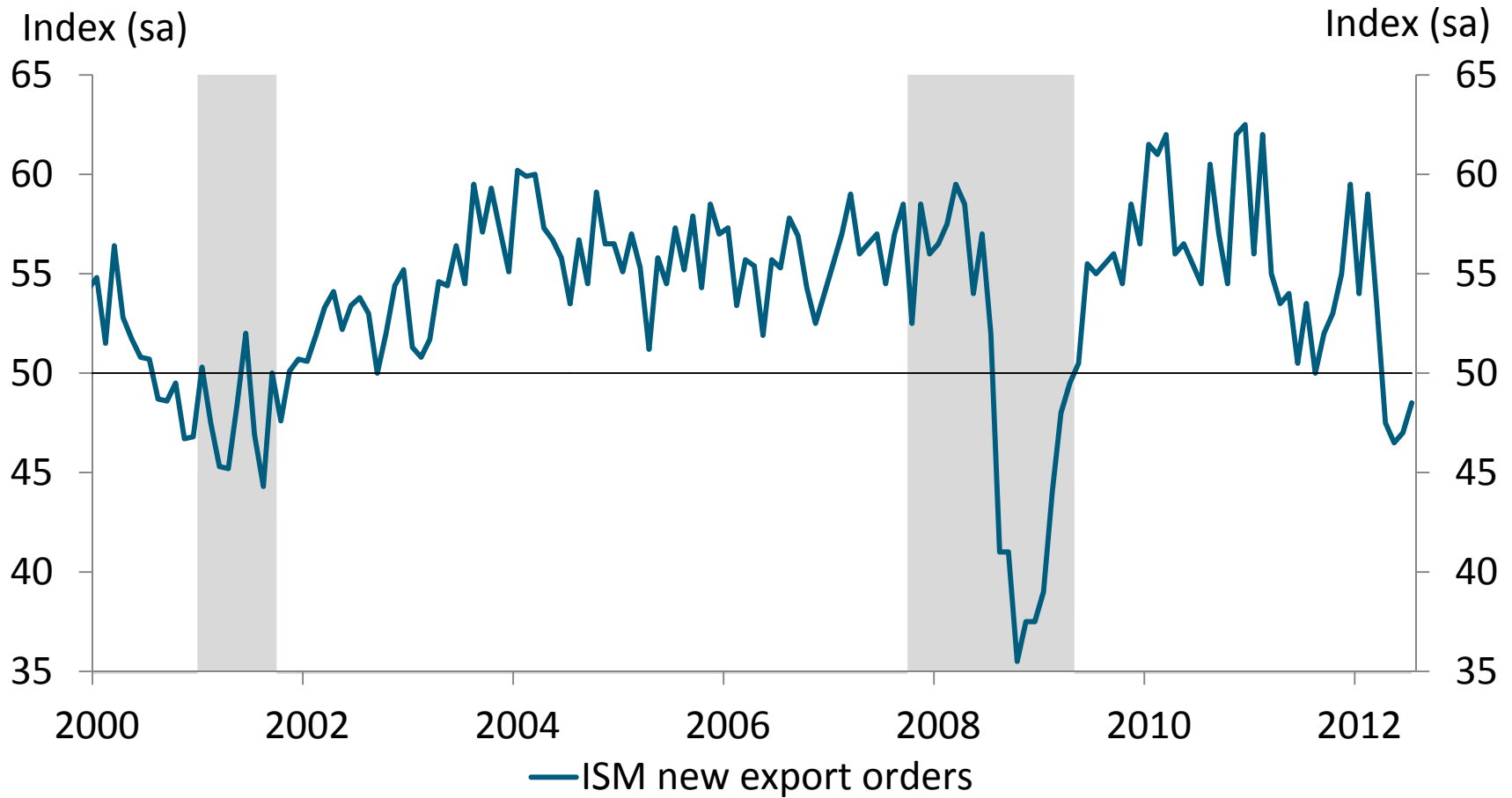
### Latin America



Source: IMF World Economic Outlook, October 2012



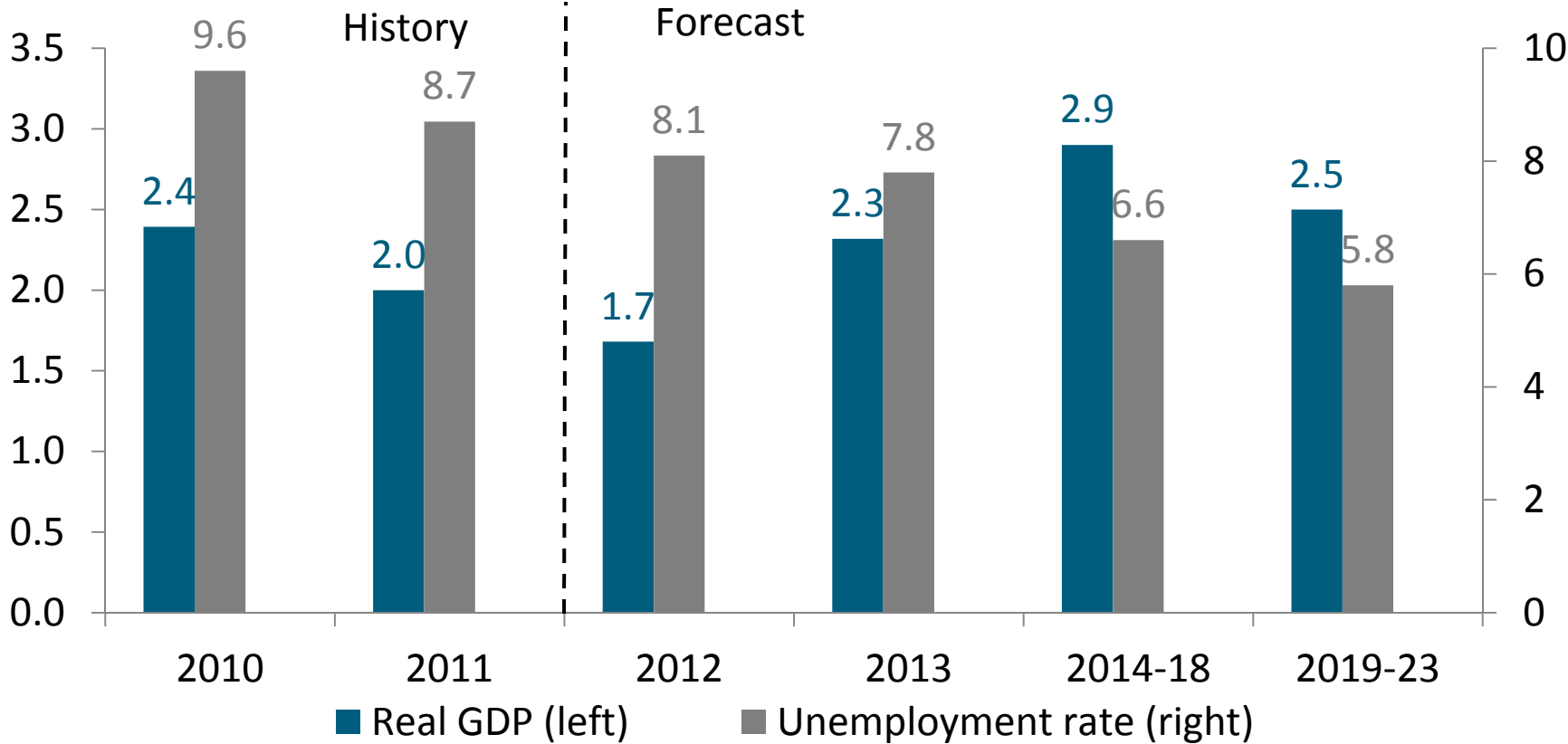
# ISM new export orders remain below 50.



Source: Institute for Supply Management, Haver Analytics

# The economic outlook

# Growth and inflation are expected to be moderate.

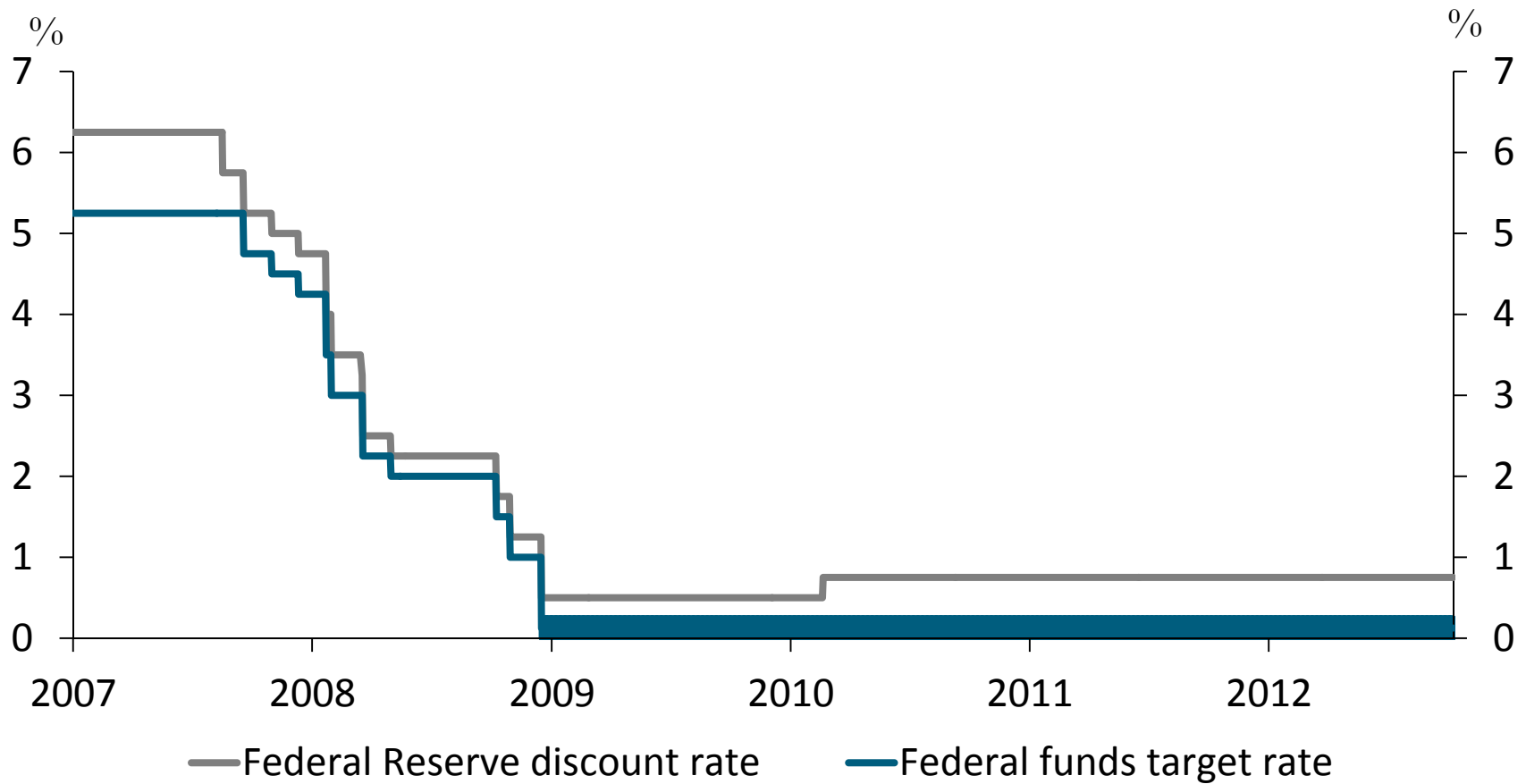


Note: Data for 2010-2013 are q4/q4 for real GDP and q4 avg for unemployment.  
 Data for 2014-18 and 2019-23 are annual average.

Source: Blue Chip Economic Indicators



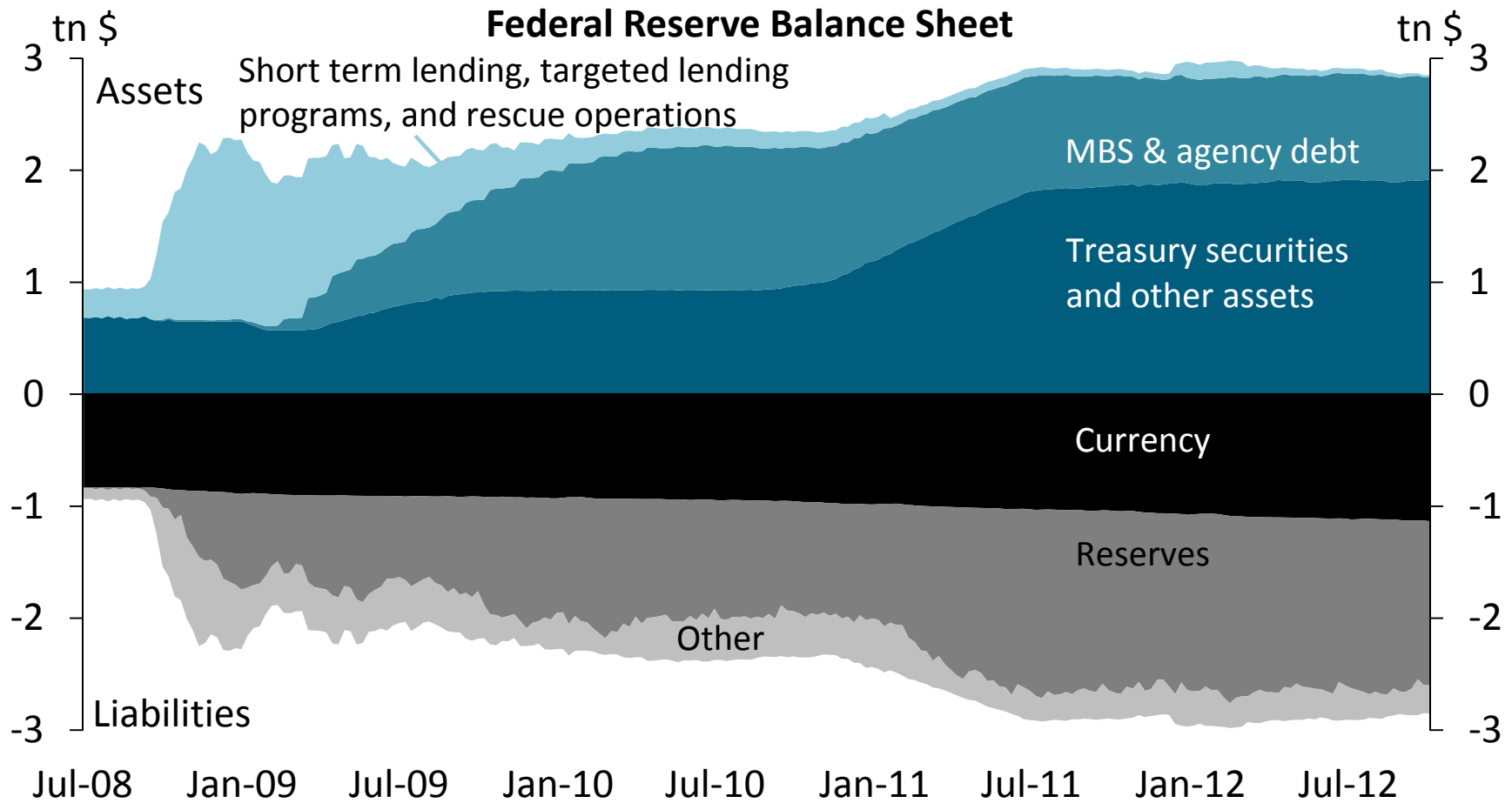
# Monetary policy remains highly accommodative.



Source: Federal Reserve Board, Haver Analytics



# The Fed's balance sheet remains elevated.



Source: Federal Reserve Board, Haver Analytics





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