

Jason Henderson
Vice President and Branch Executive
Federal Reserve Bank of Kansas City – Omaha Branch
www.kansascityfed.org/omaha
July 22, 2009

The Economic Update: Where's The Recovery?



The views expressed are those of the author and do not necessarily reflect the opinions of the Federal Reserve Bank of Kansas City or the Federal Reserve System.

Today's Roadmap

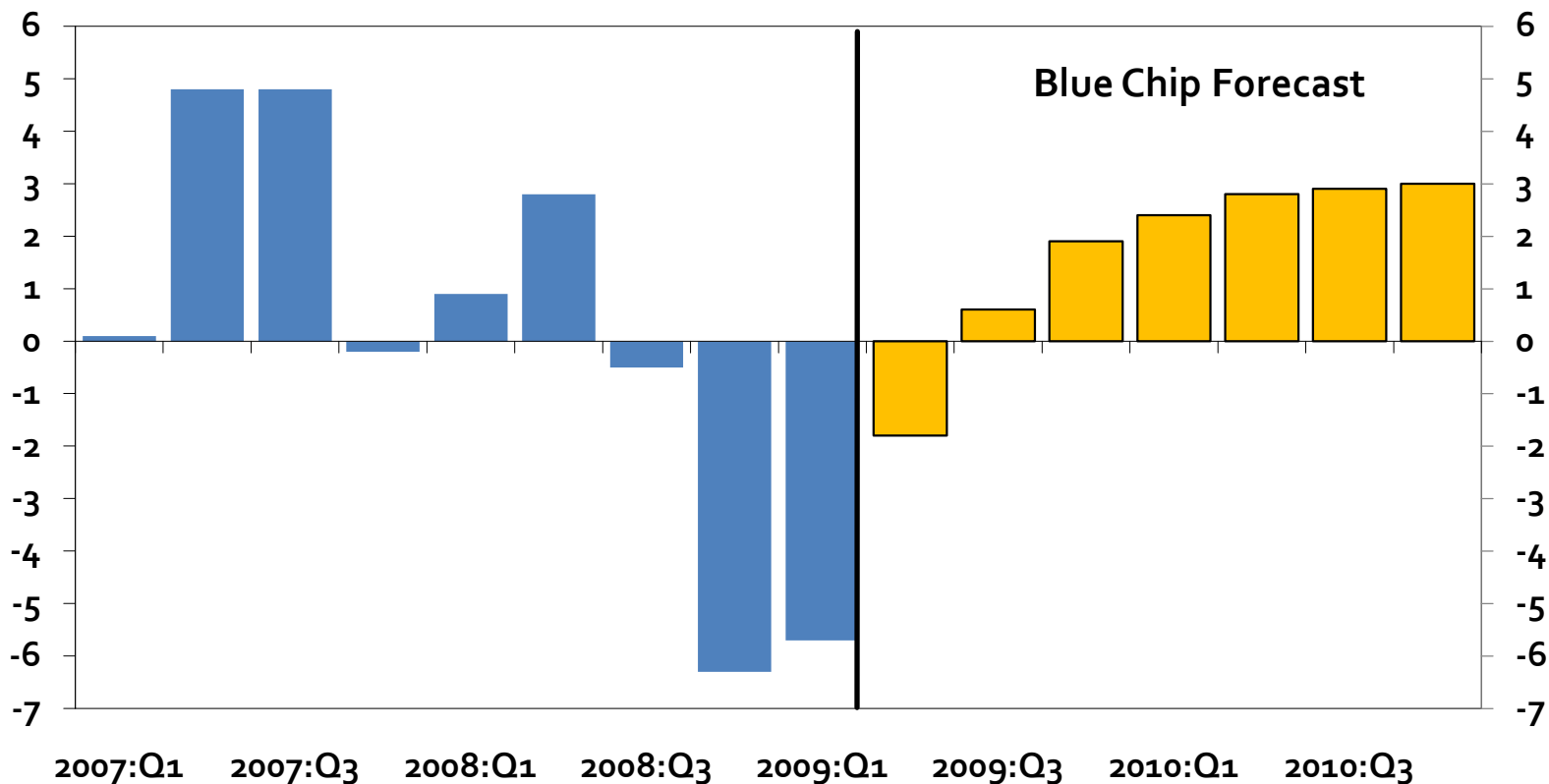
- **The Recession and Recovery**
 - **Recession: A Collapse in Demand**
 - **Recovery: When will Demand Rebound?**
- **Monetary Policy and the Federal Reserve**



If forecasts hold, the bottom is near.

Real GDP Growth

Annualized percent change from previous quarter



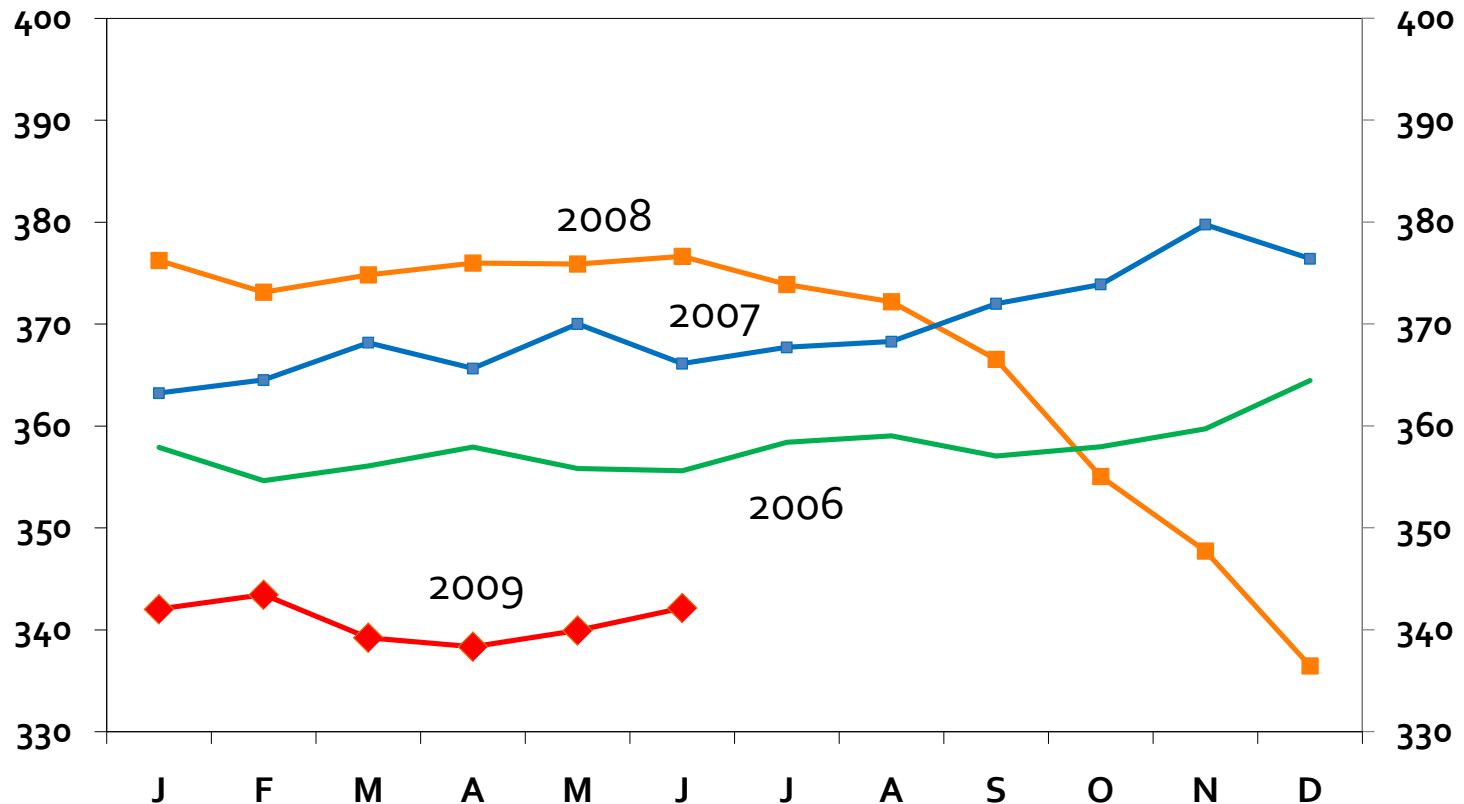
Source: Bureau of Economic Analysis and Blue Chip Economic Indicators



Consumer spending is beginning to stabilize.

U.S. Monthly Retail and Food Sales

Billion dollars

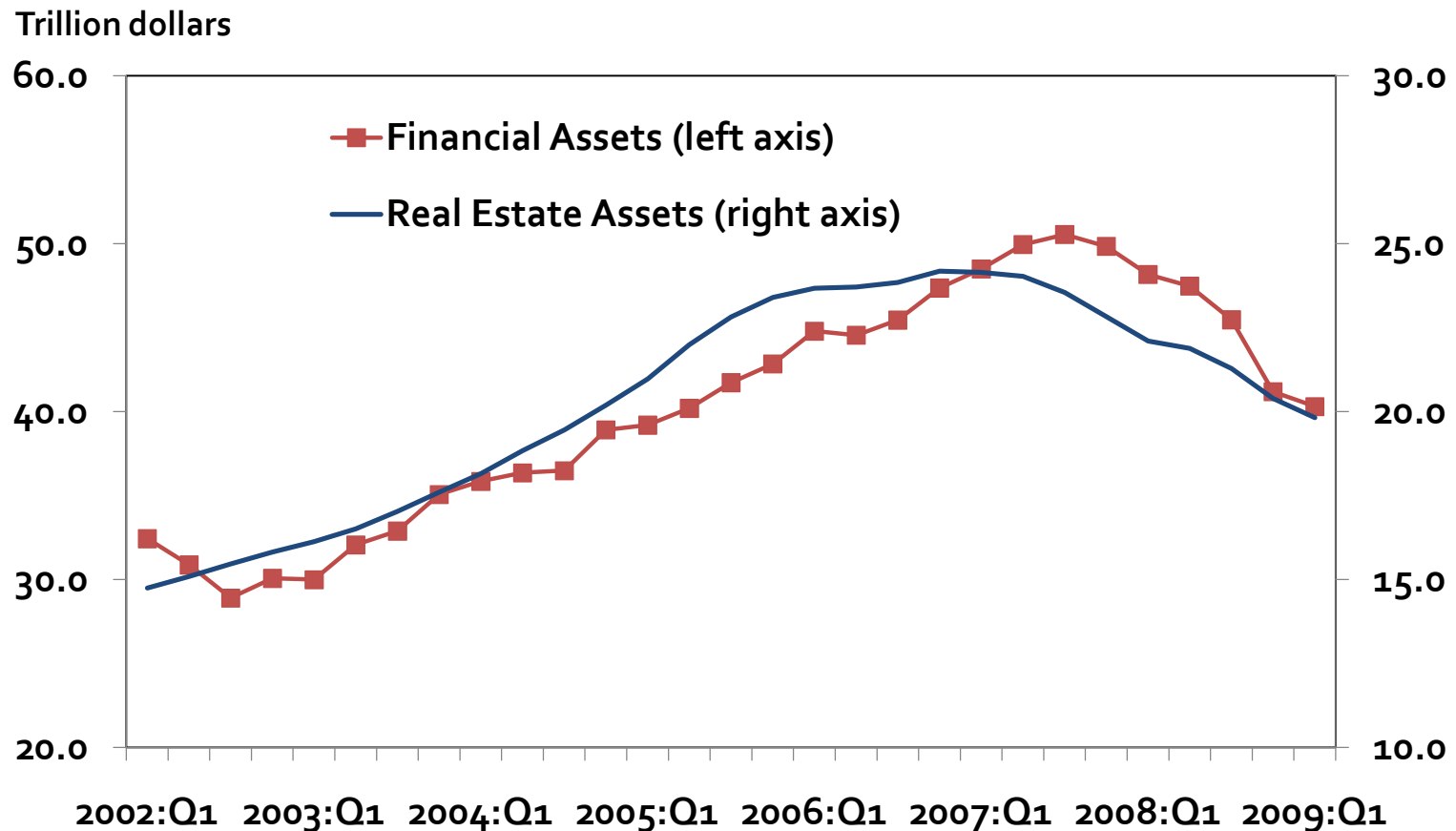


Source: U.S. Census Bureau



Lower wealth levels will limit spending.

Assets Held by Households and Nonprofit Organization

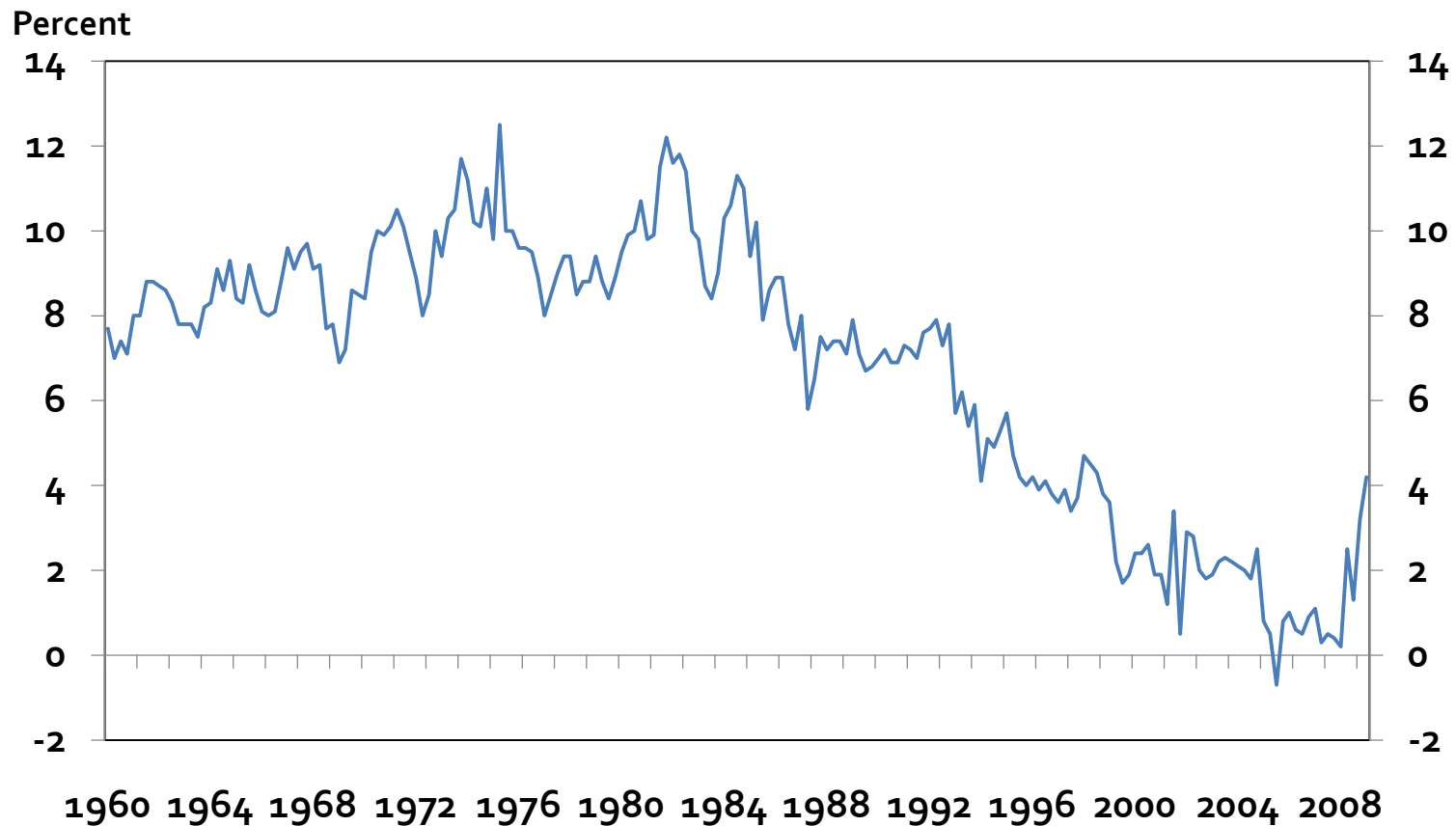


Source: Federal Reserve Board of Governors



***In the short-run, increased savings limits spending.
In the long-run, best prescription to reduce debt.***

Personal Savings as a Percent of Disposable Income

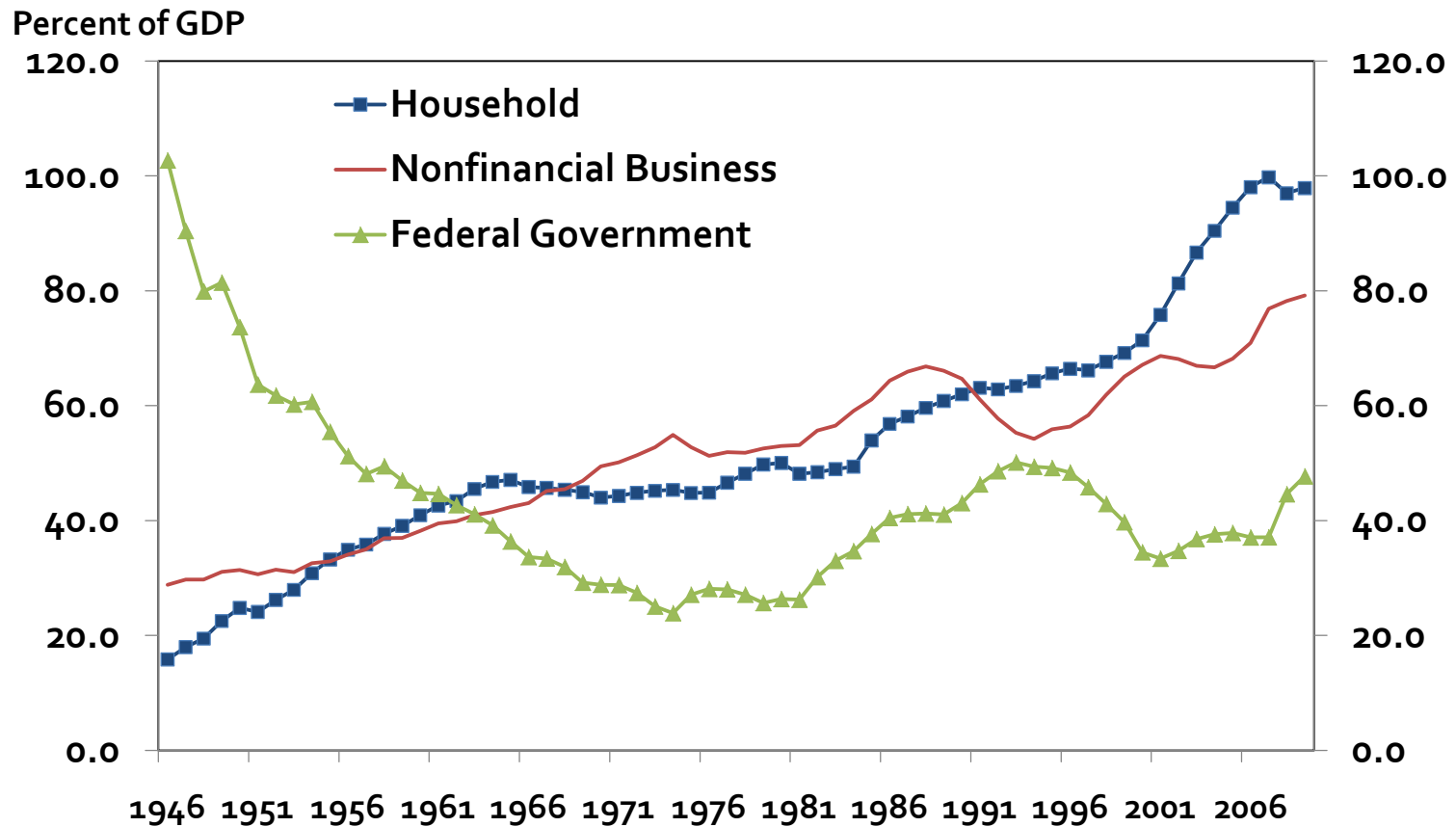


Source: Bureau of Economic Analysis



The US needs to reduce its debt levels.

U.S. Debt Outstanding



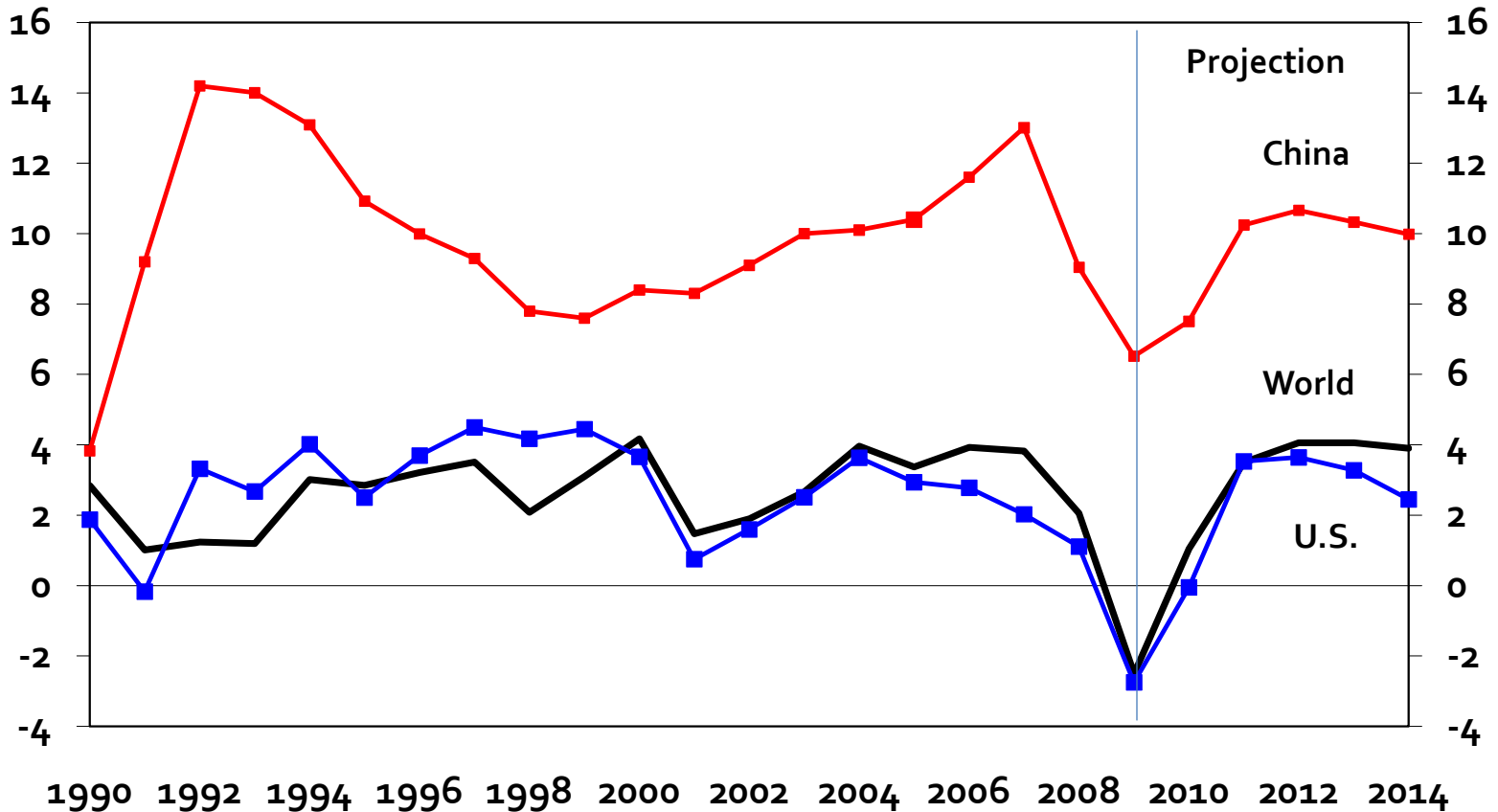
Source: Federal Reserve Board of Governors



Will emerging countries lead the recovery?

GDP Growth

Annual percent change, constant dollars



Source: International Monetary Fund, April 2009



Today's Roadmap

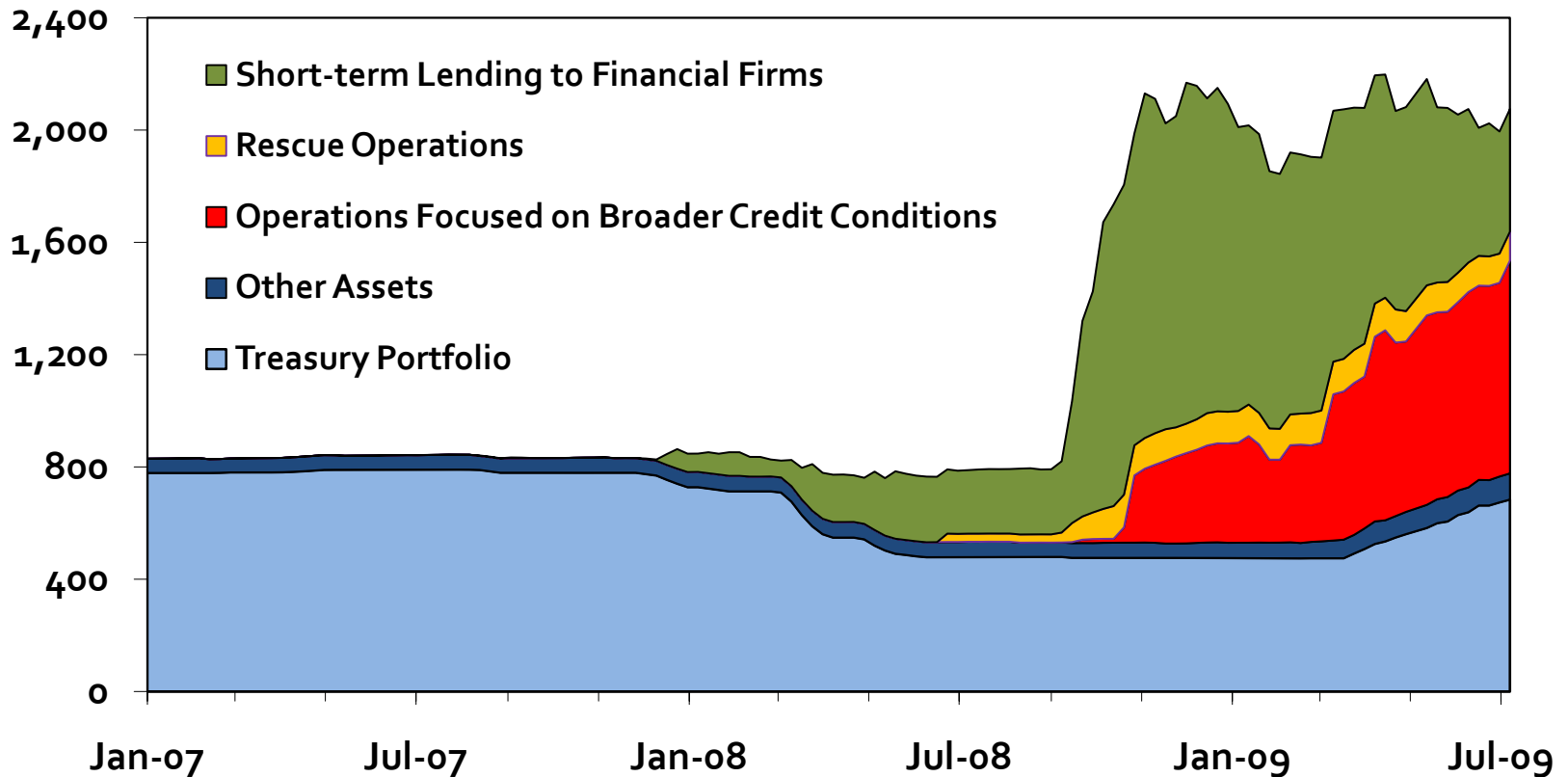
- **The Recession and Recovery**
 - **Recession: A Collapse in Demand**
 - **Recovery: When will Demand Rebound?**
- **Monetary Policy and the Federal Reserve**



The Fed Has Expanded its Balance Sheet.

Federal Reserve Balance Sheet: Assets

Billion Dollars



Source: Federal Reserve Board of Governors



Conclusions

- **The recession appears to be coming to an end.**
 - Signs of economic stabilization are emerging.
 - Stress in financial markets has eased.
- **Setting the foundations for recovery.**
 - Who will lead the recovery: U.S. or foreign consumers?
 - How strong will the recovery be?
- **As the economy strengthens, the focus will turn from growth to inflation.**



For More Information

Federal Reserve Bank of Kansas City –
Omaha Branch

www.kansascityfed.org/omaha

