

The National and Southern Economic Outlooks

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Federal Reserve Districts and Office Locations



Purposes and Structure of the Federal Reserve System

- **The overall purposes of the Fed are to promote:**
 - National financial stability
 - Maximum sustainable economic growth/employment
 - Low and stable inflation
- **We do this through our 3 primary mission areas:**
 - Monetary policy – most visible role to the public, usually
 - Bank regulation – including lender of last resort
 - Payments processing – cash, checks, electronic payments
- **Monetary policy is set by the 12-member FOMC:**
 - The Federal Open Market Committee meets every 6 weeks
 - Voting members consist of:
 - the 7 Governors in Washington, including Chairman Bernanke;
 - the New York Fed President, Timothy Geithner; and
 - 4 of the 11 other Fed presidents on a rotating basis

Most Recent FOMC Statement

The Federal Open Market Committee decided today to keep its target for the federal funds rate at 2 percent....

The substantial easing of monetary policy to date, combined with ongoing measures to foster market liquidity, should help to promote moderate growth over time. Although downside risks to growth remain, they appear to have diminished somewhat, and the upside risks to inflation and inflation expectations have increased....

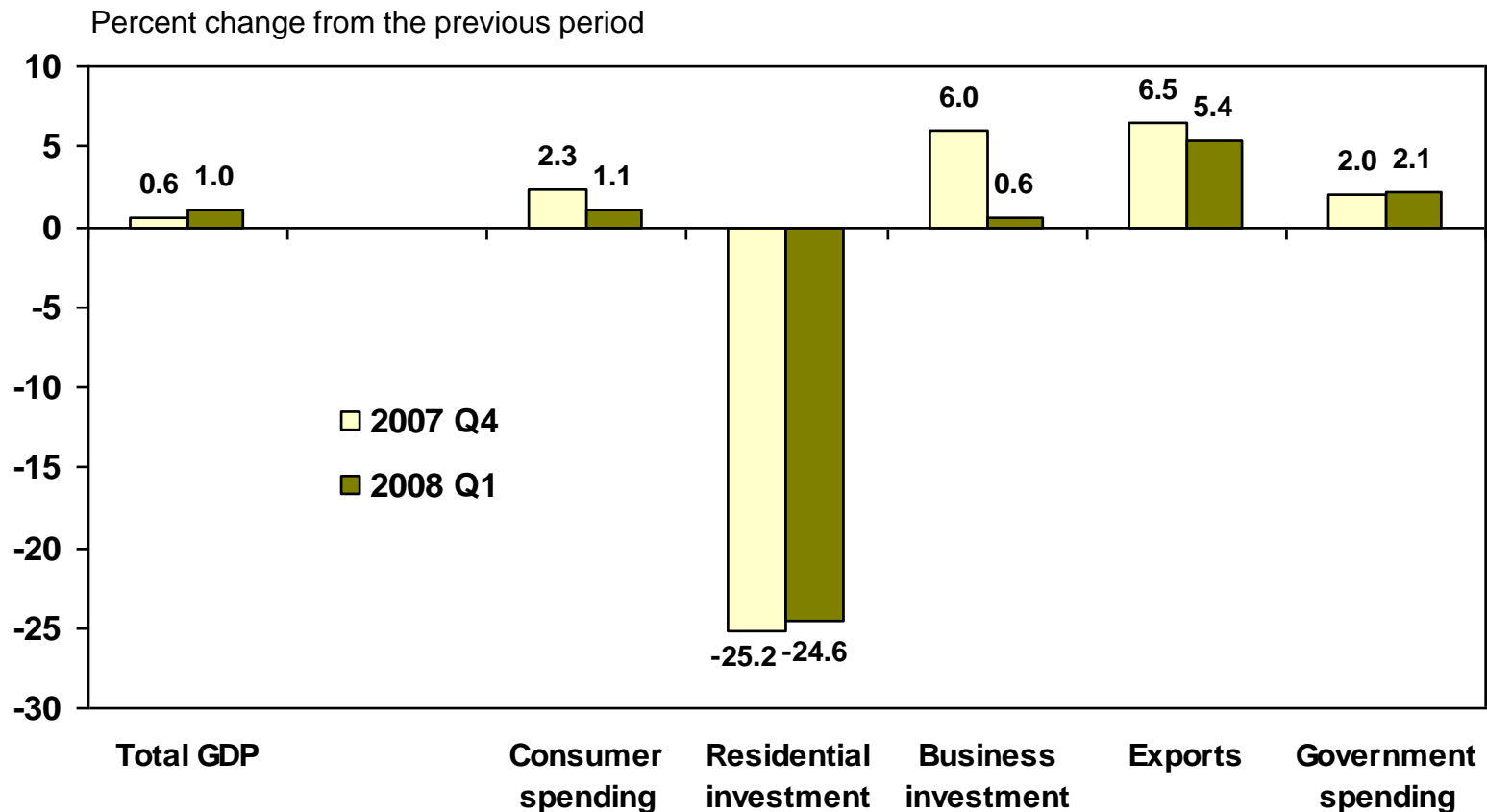
June 25, 2008

The U.S. Economic Outlook

- U.S. economic growth is below average
- Financial and credit markets remain stressed
- Inflation pressures are rising
- But forecasts call for improvement by 2009

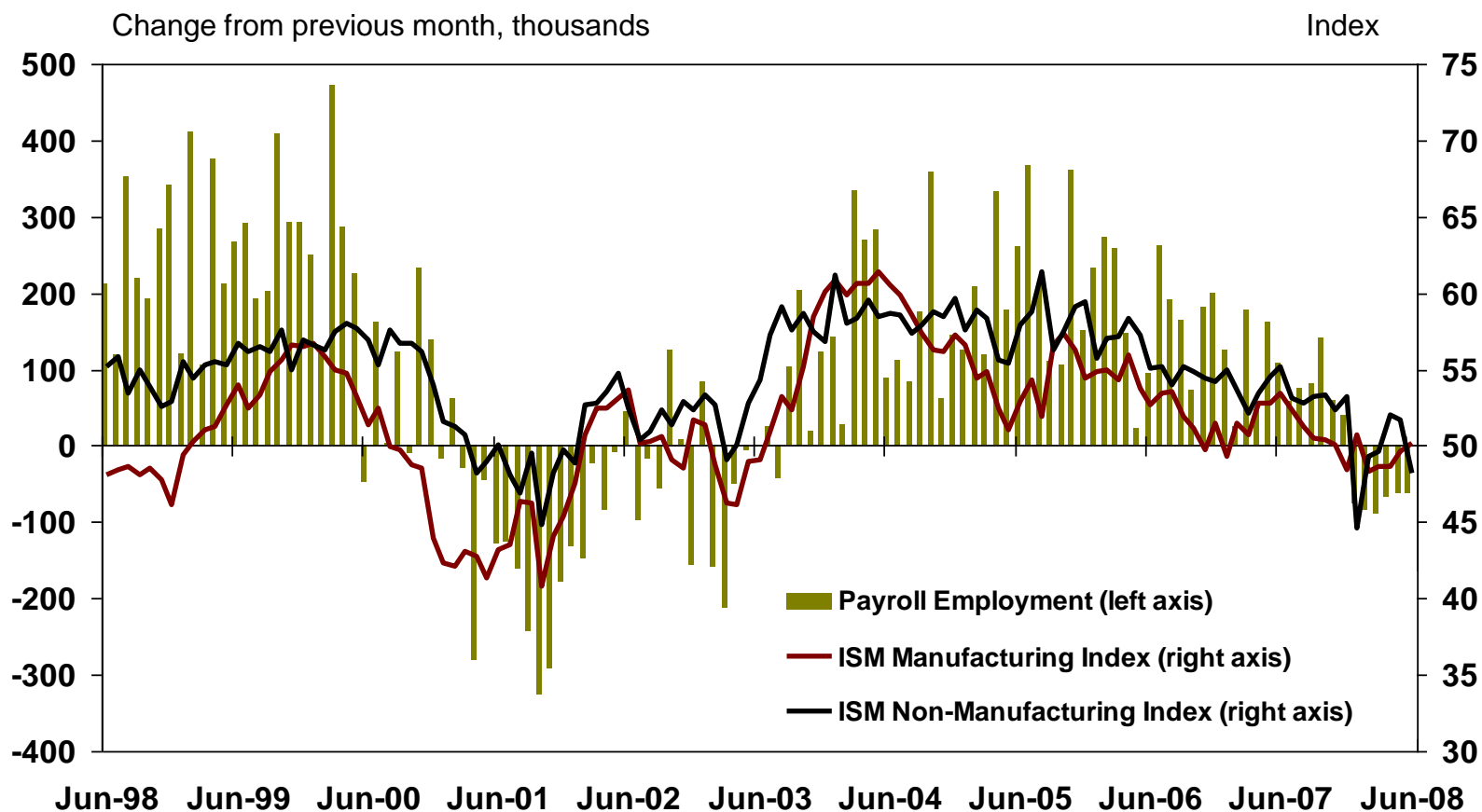
Real GDP growth has been well below average since last fall, driven by housing

Growth in Components of Real GDP



Second quarter data suggest the sluggishness continues, but no further deterioration

National Business Indexes and Payroll Employment



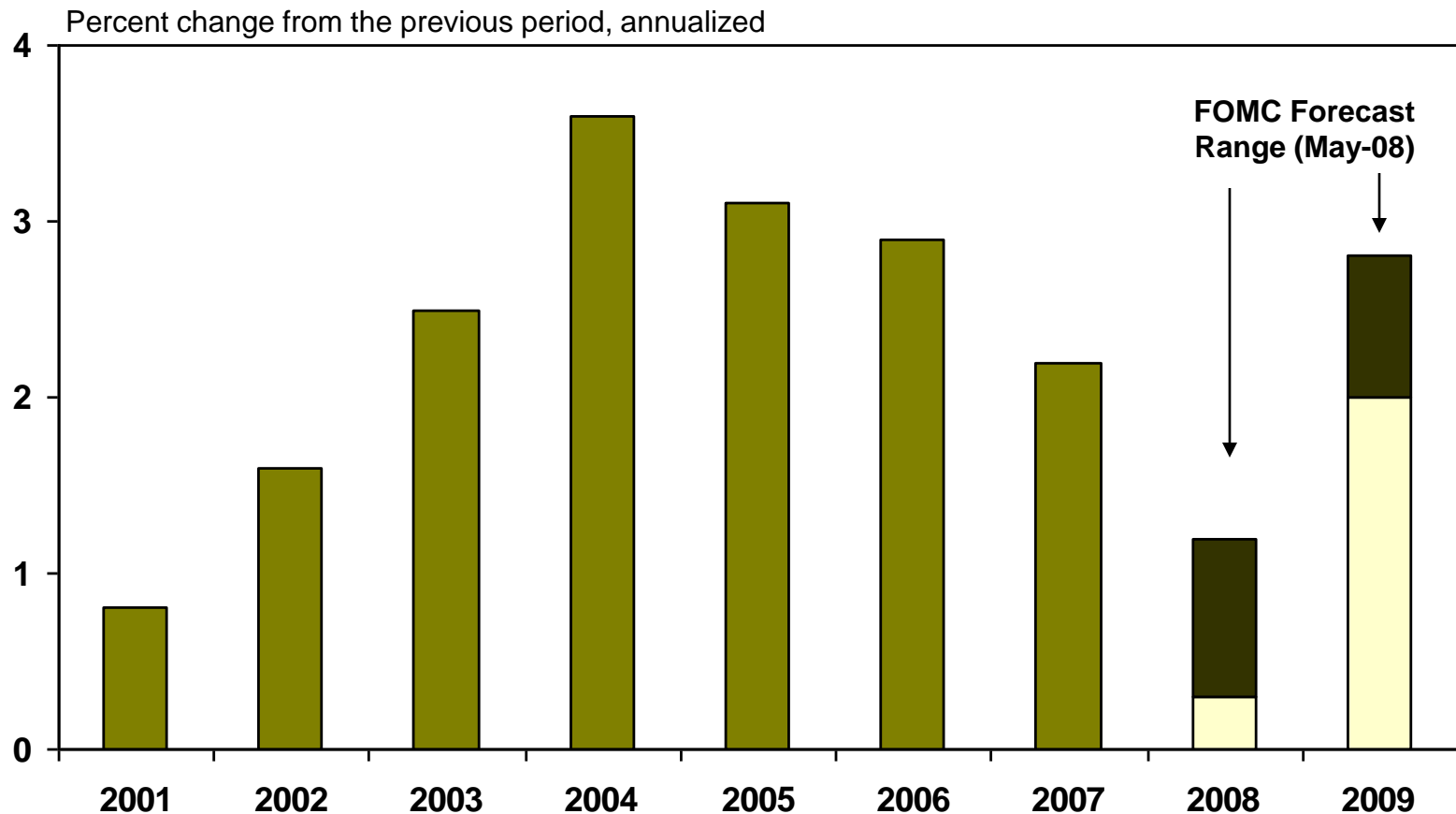
Several risks to U.S. growth remain

- Concerning trends since the end of 2007
 - Oil prices up 61% through yesterday
 - U.S. home prices down 8% through May
 - S&P 500 down 16% through yesterday

- More recently, credit spreads have begun to widen again, after improving since March

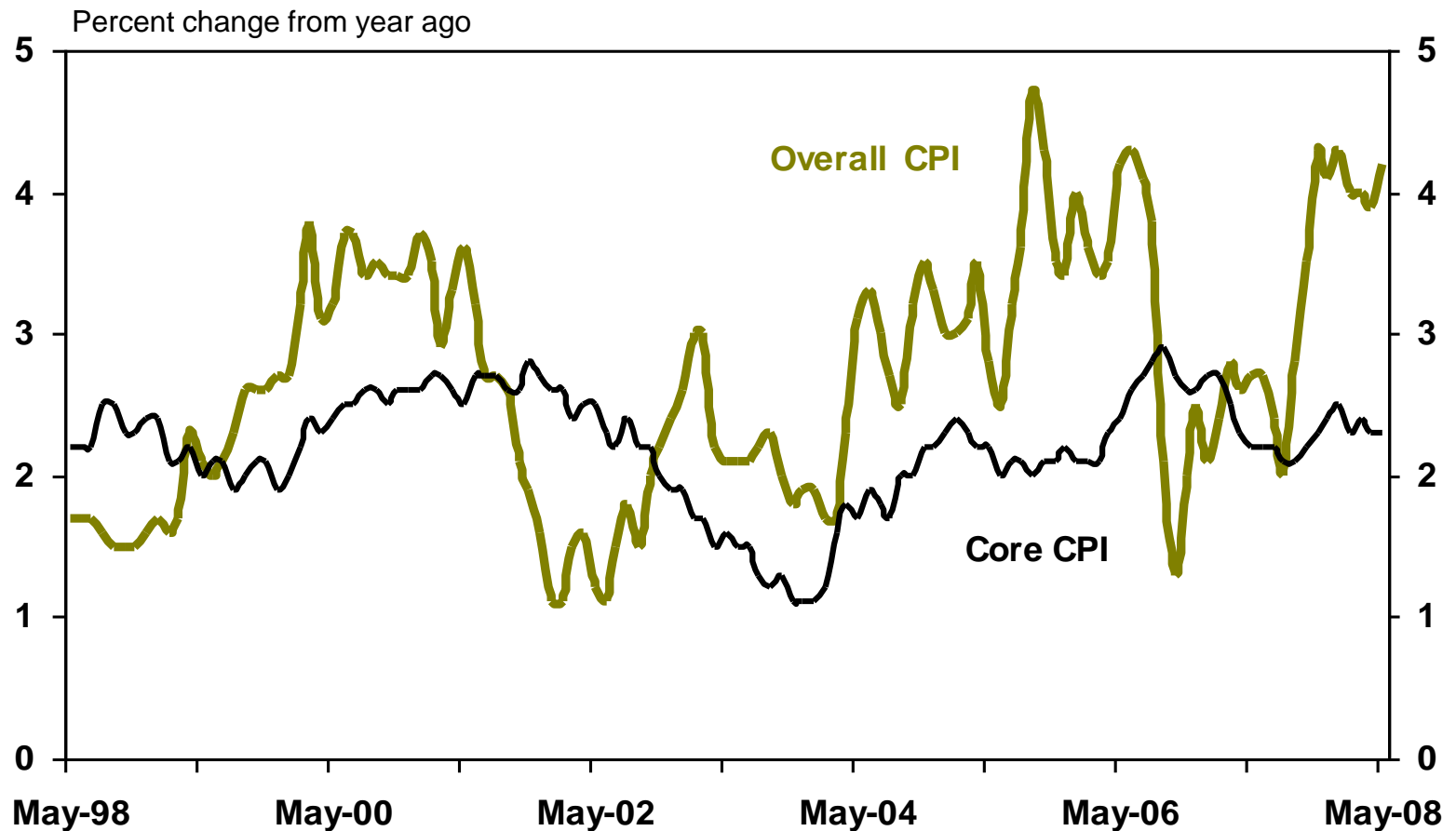
But forecasts call for a rebound in national economic growth in 2009

Gross Domestic Product



Overall inflation remains high, and core inflation is also elevated

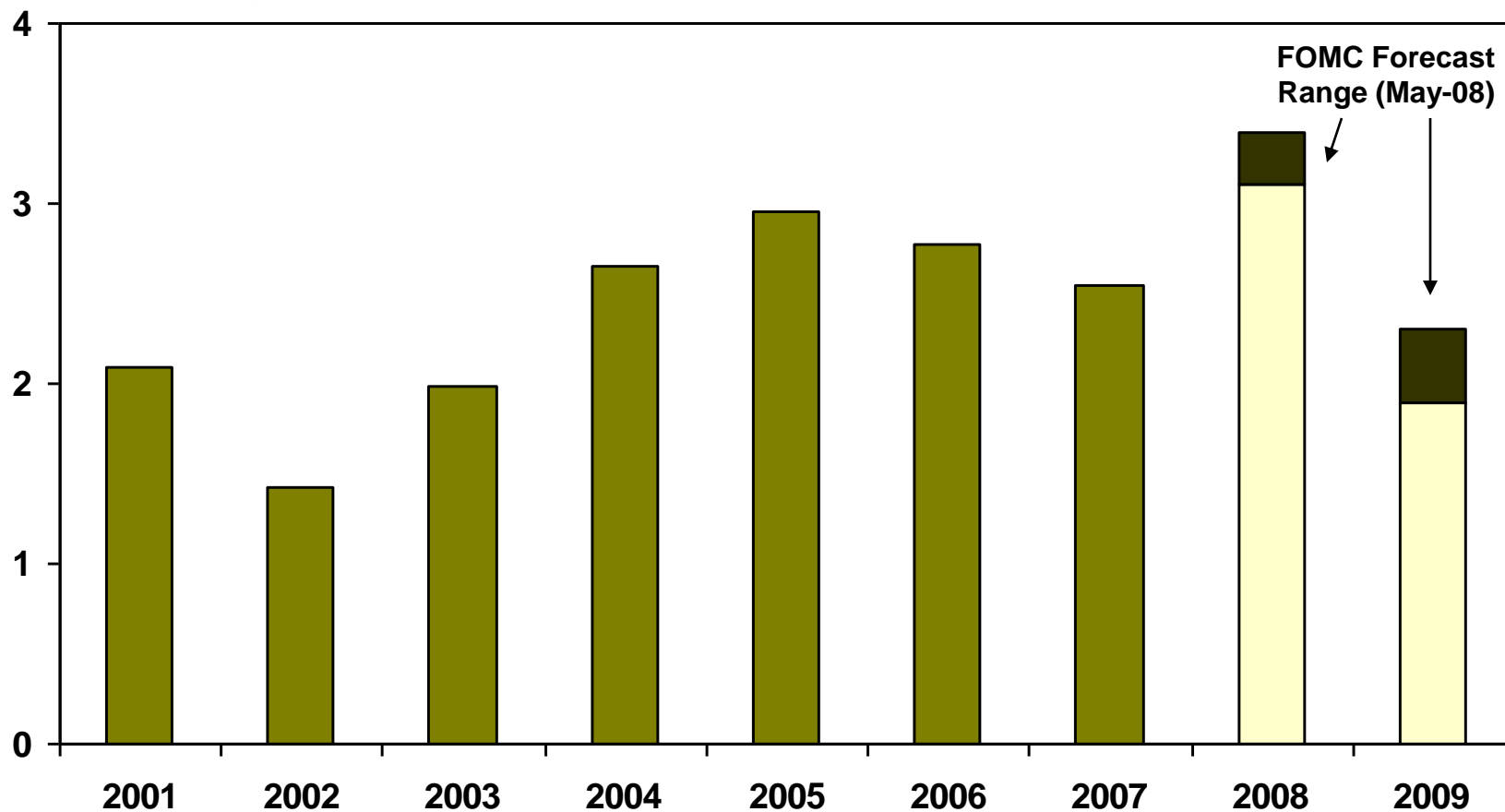
Consumer Price Index



Inflation forecasts call for some improvement by 2009

PCE Inflation

Percent change from previous period, annualized

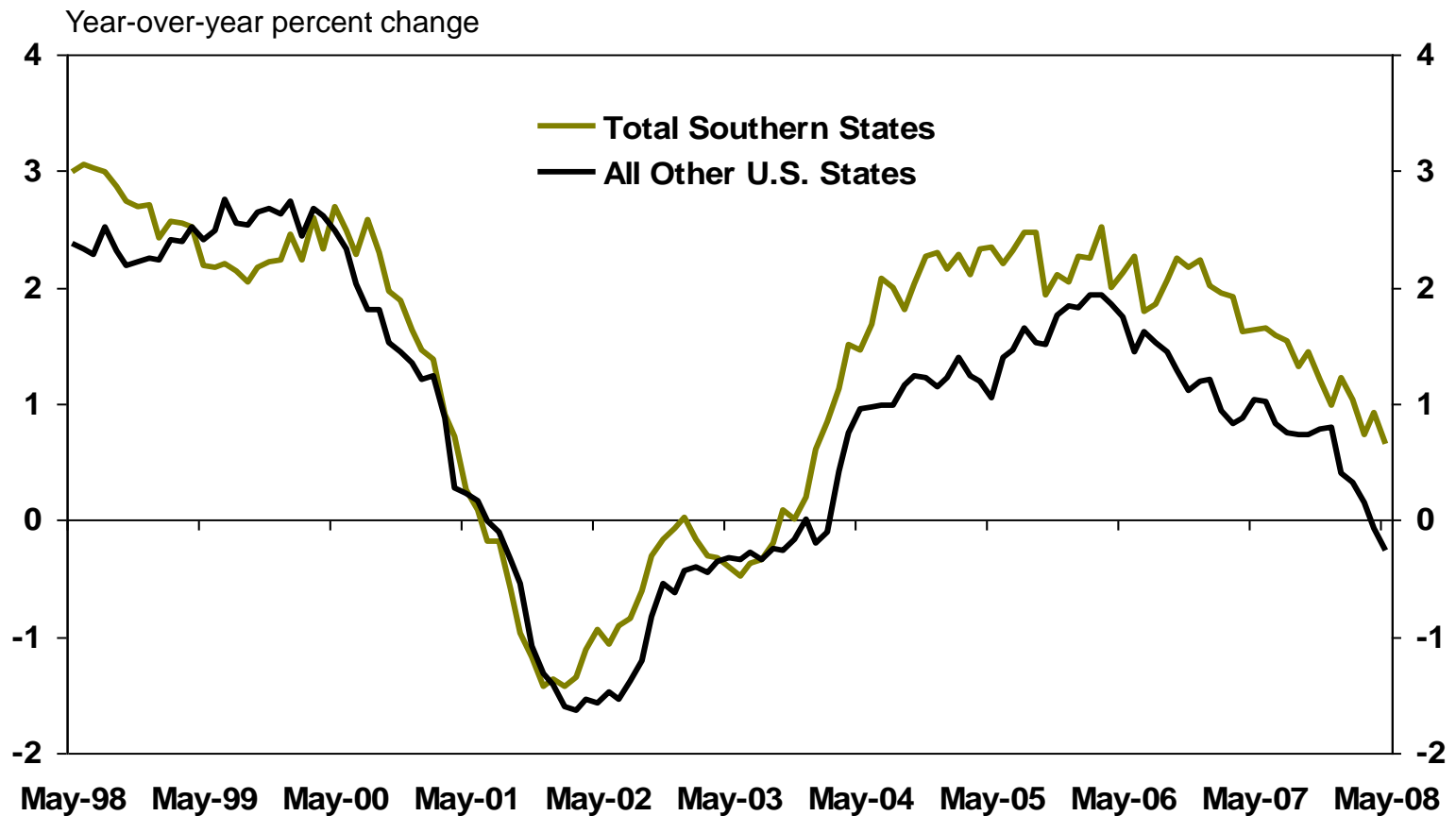


The Outlook for Southern States

- ❑ Southern economic growth has outpaced the nation in recent years, but has now slowed
- ❑ Housing difficulties are hitting some Southern states hard, but not all are suffering equally
- ❑ The outlook for the South remains moderately positive, with boosts from exports and energy

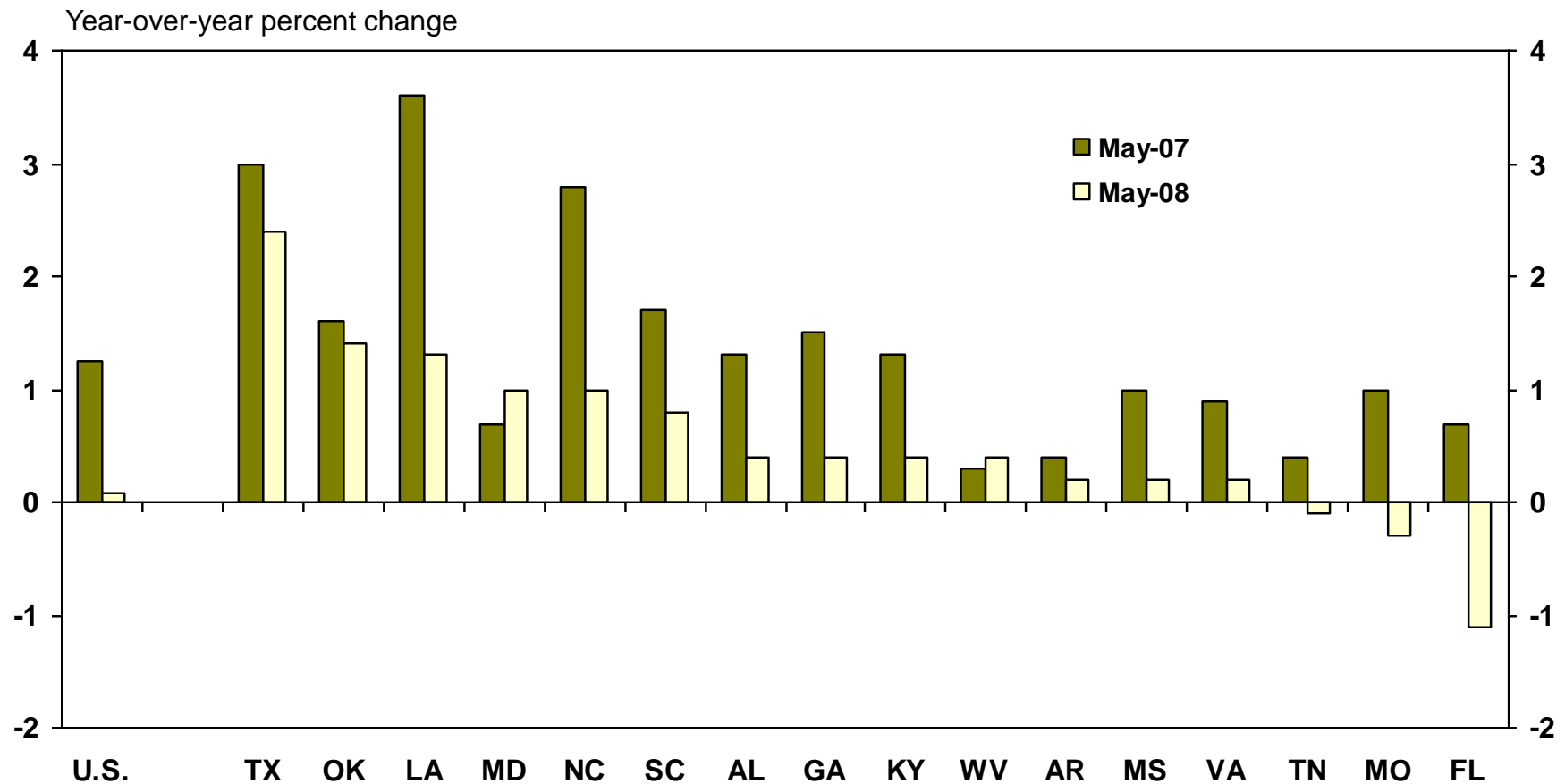
Job growth in the South has outpaced the rest of the nation since the 2001 recession

Nonfarm Payroll Employment Growth



Energy states are still growing, but job gains are sluggish or negative in most other states

Nonfarm Payroll Employment Growth



Home prices are declining in most Southern states, but with wide variation

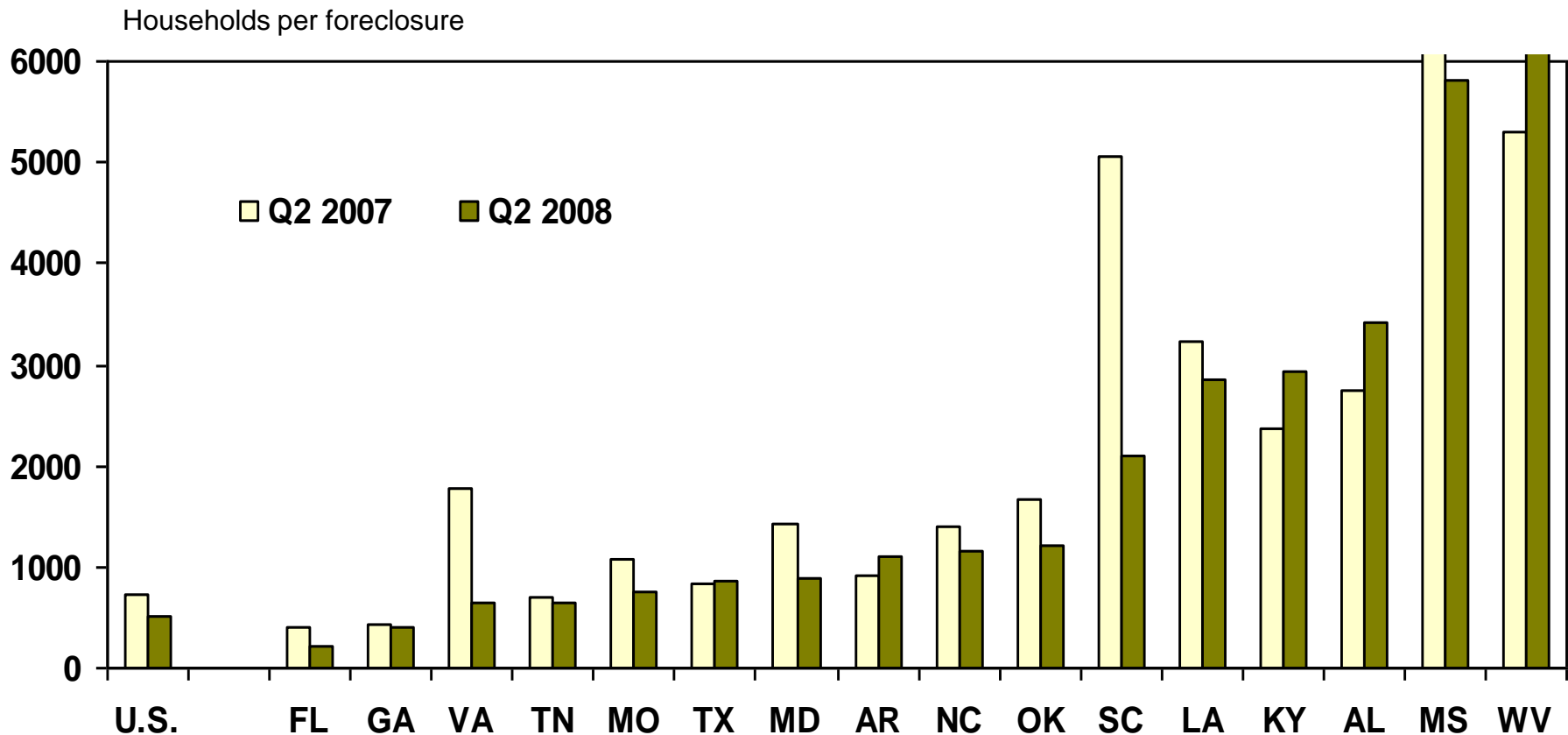
OFHEO Purchase-Only Home Price Index Y-O-Y growth, Q1 08

- Increase
- Decline < 5%
- Decline > 5%






Foreclosure rates are rising, but only two Southern states are worse than the nation

Foreclosure Rates in Southern States
Quarterly Average



Exports are important in many Southern states and could provide a near-term boost

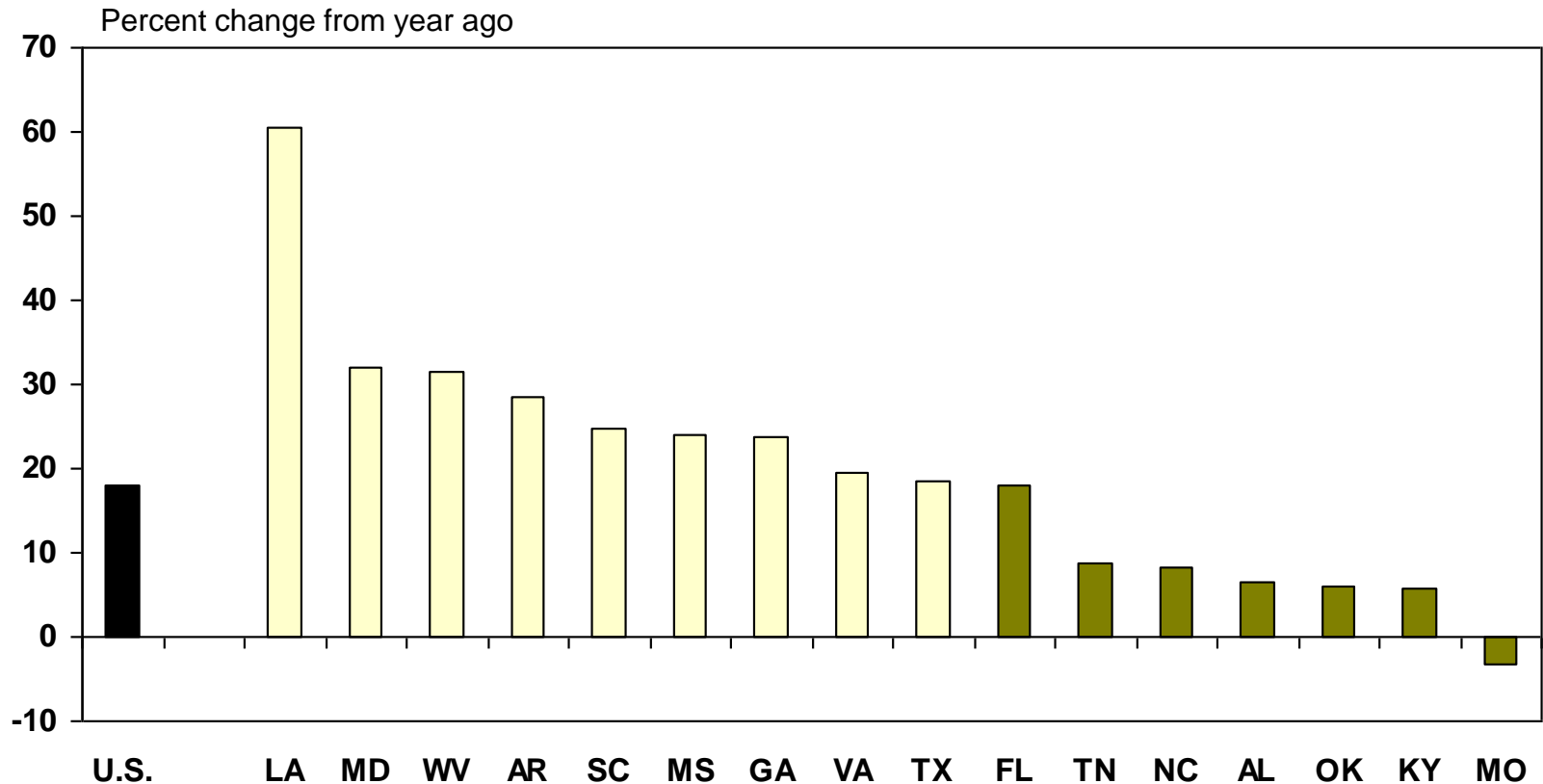
Exports as a Percent of GDP 2007

-  7.8 to 21.3%
-  5.8 to 7.7%
-  0.9 to 5.7%



Many southern states are already posting faster export growth than the nation

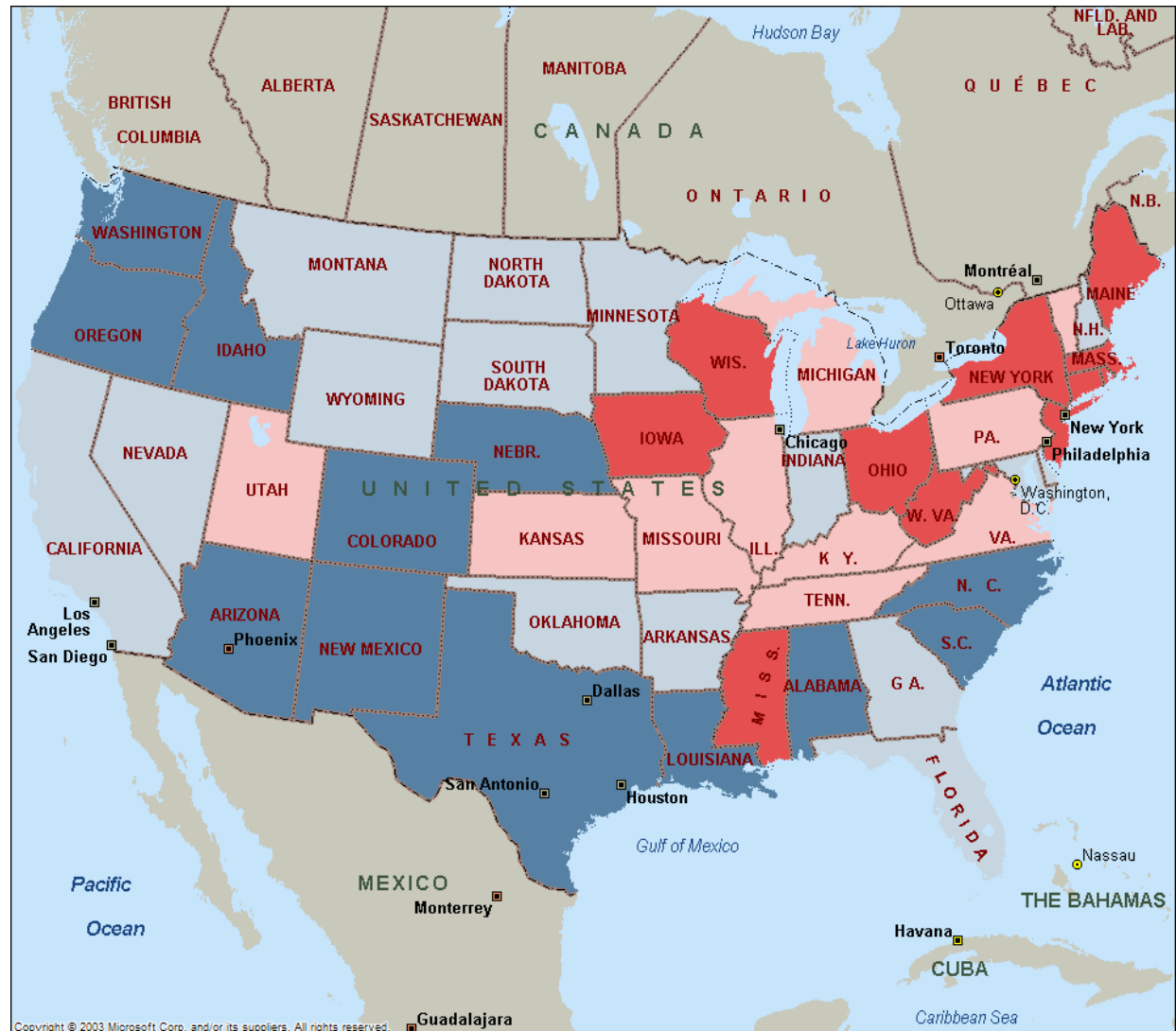
Export Growth in Southern States
YTD 2008, as of April



2009 job growth forecasts for Southern states are mixed but moderately positive

Projected 2009 Job Growth (as of Jun-08)

- 1.1 to 2.2%
- 0.8 to 1.0%
- 0.2 to 0.7%
- 0.3 to 0.1%



Questions?