

Brian C. Briggeman

Economist

Federal Reserve Bank of Kansas City – Omaha Branch

www.kansascityfed.org/omaha

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Macro Economic Outlook: Why Should Students Care?



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

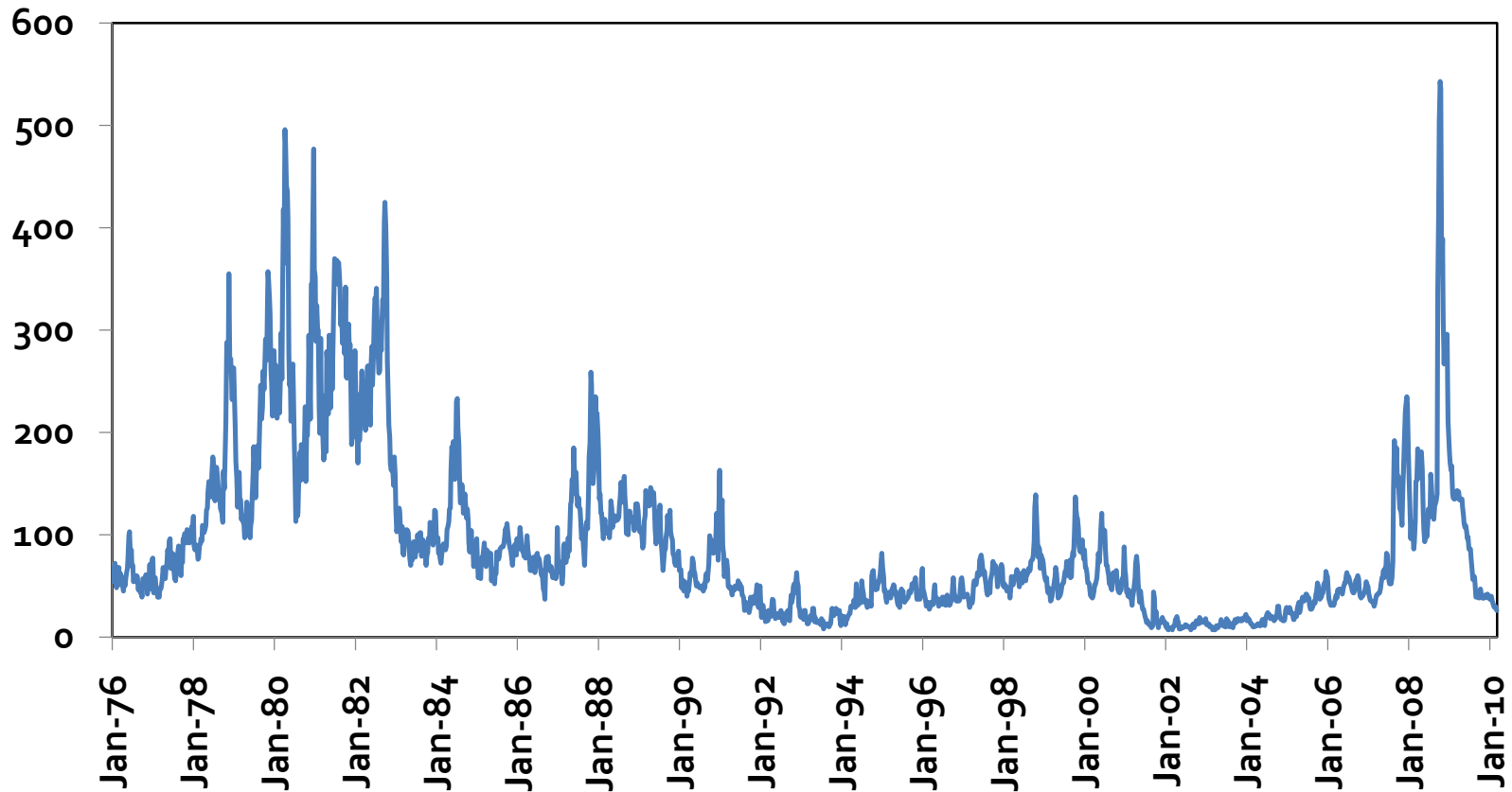
- **Financial Crisis – Disruption of Credit Markets**
- **Combating the Financial Crisis and Potential Consequences**
- **The Macro Economy: What Matters Most**
- **Students Entering Today's Job Market**



The financial crisis has eased.

TED Spread

Basis Points



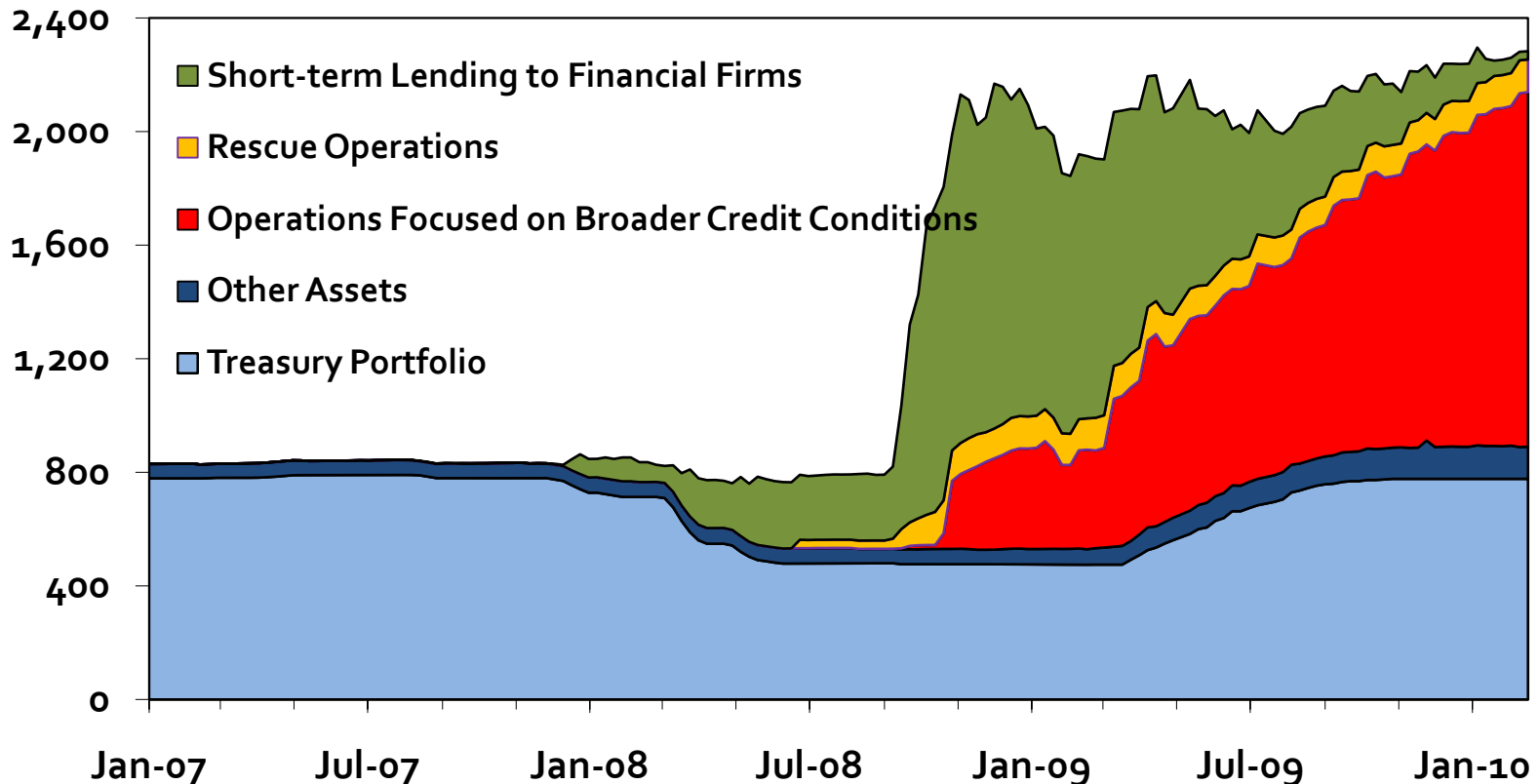
Source: Federal Reserve Board of Governors



To combat the financial crisis and recession, the Federal Reserve has expanded its balance sheet

Federal Reserve Balance Sheet: Assets

Billion Dollars



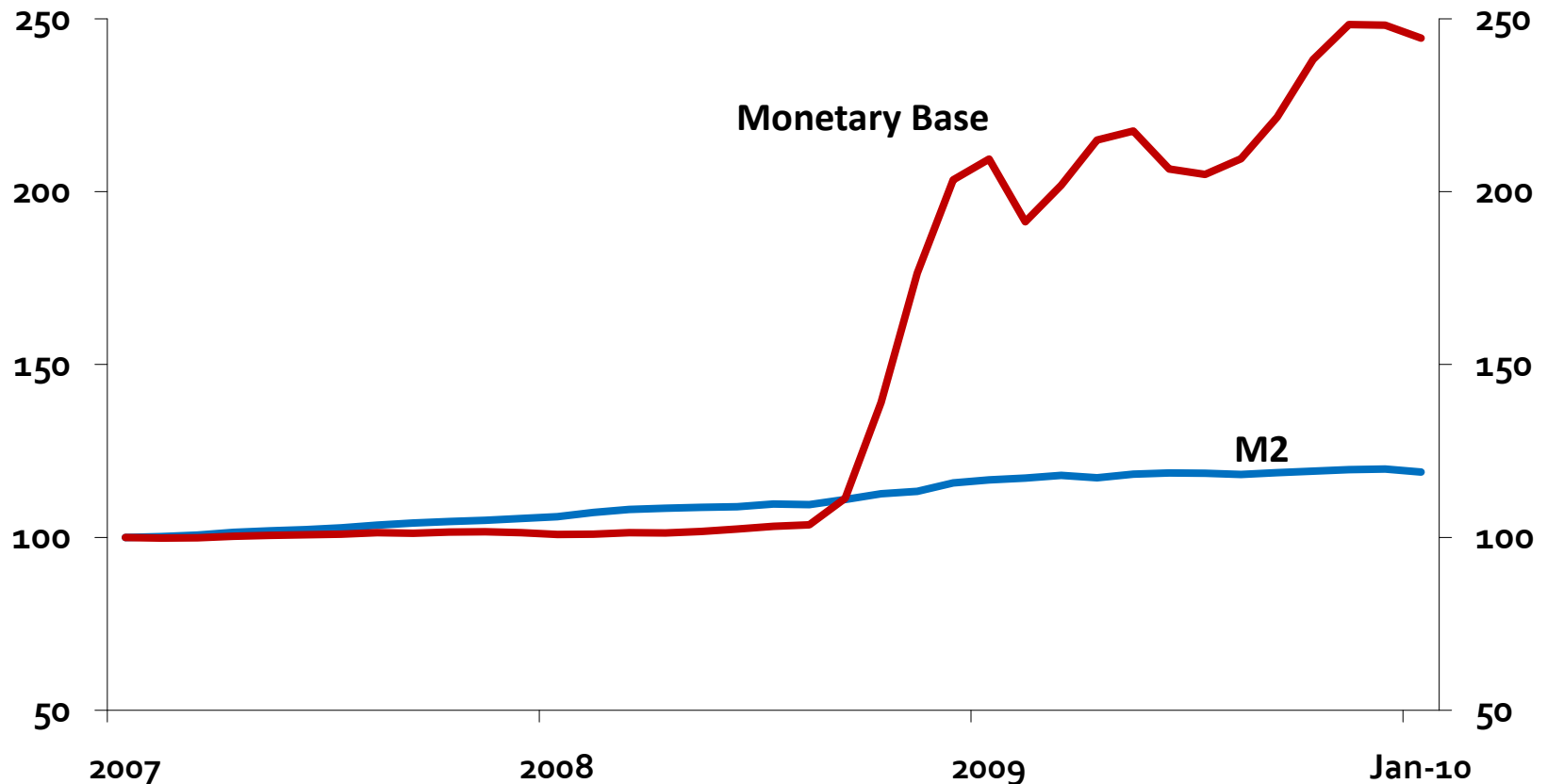
Source: Federal Reserve Board of Governors



Despite a surging monetary base, inflation has been subdued.

Growth in Monetary Aggregates

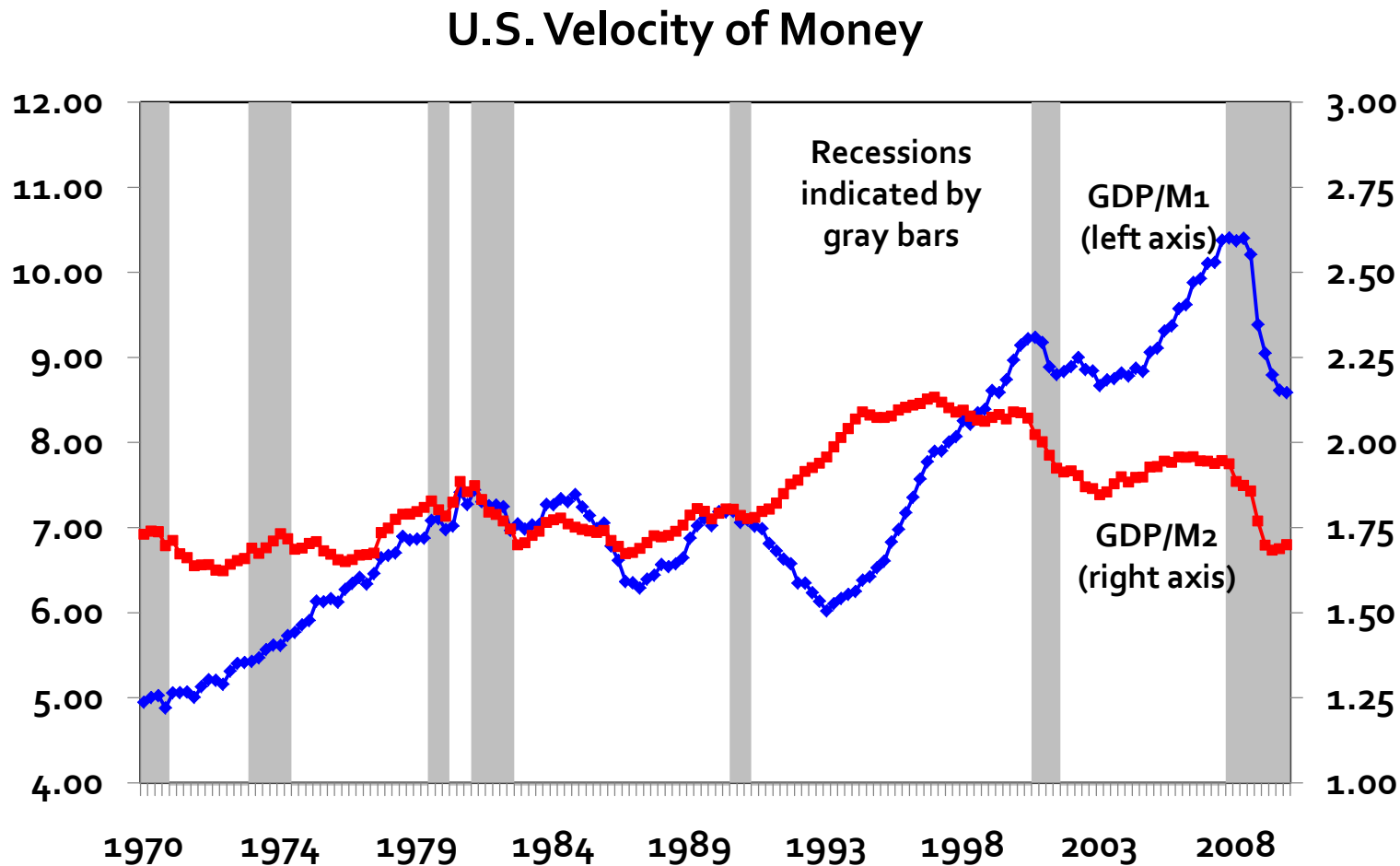
Index (Jan 2007 = 100)



Source: Federal Reserve Board of Governors



Inflation has been subdued because the velocity of money has plummeted.



Source: BEA and Federal Reserve Board of Governors



How Gross Domestic Product (GDP) is Measured

$$Y = C + I + G + NX$$

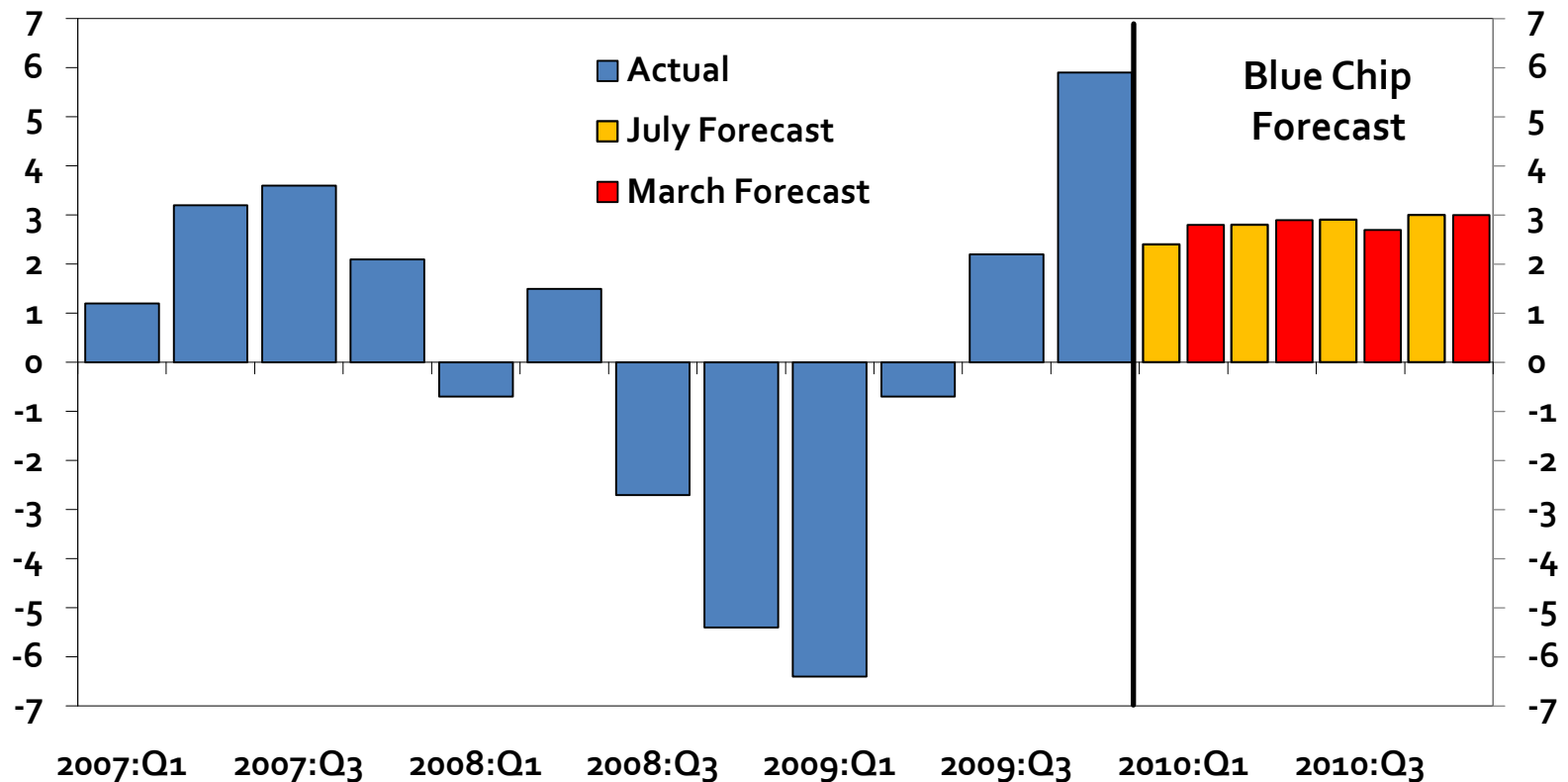
- Y is GDP
- C is Consumption (presently $\approx 70\%$ of Y)
- I is Investment (presently $\approx 15\%$ of Y)
- G is Government Spending (presently $\approx 20\%$ of Y)
- NX is Net Exports (presently $\approx -5\%$ of Y)



Forecasters expect a slow U.S. recovery.

Real GDP Growth

Annualized percent change from previous quarter

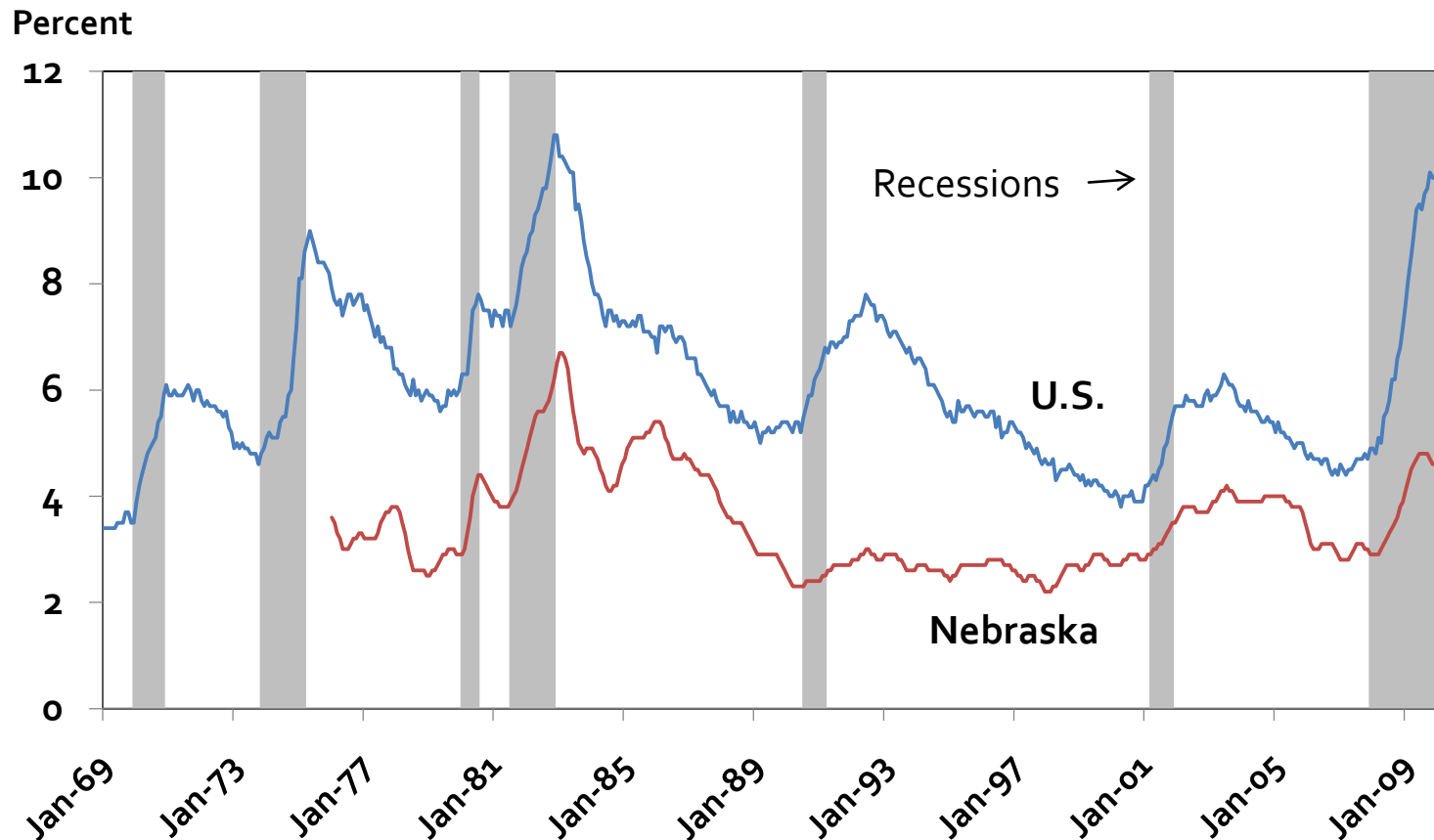


Source: Bureau of Economic Analysis and Blue Chip Economic Indicators



An elevated unemployment rate is one reason for the slow recovery.

U.S. and Nebraska Unemployment Rate



Source: Bureau of Economic Analysis and Bureau of Labor Statistics



How students might deal with the challenges in today's job market.

- **The financial crisis and recession have hurt labor markets.**
- **There are some signs that the economy is improving.**
- **It is important for students to be a “marketable graduate.”**



Questions?

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