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Economic Update

Alison Felix

Economist & Branch Executive
Federal Reserve Bank of Kansas City
Denver Branch

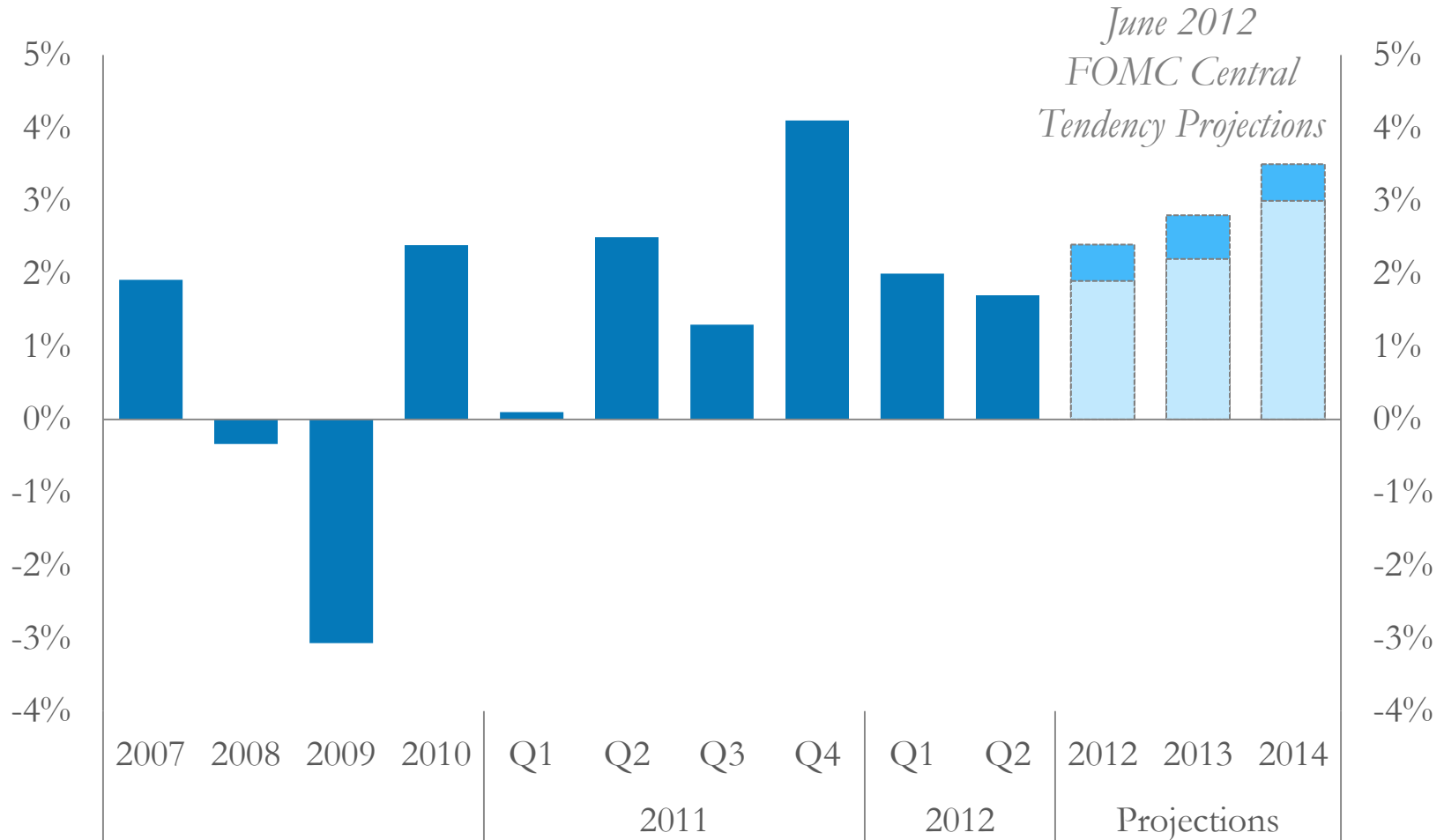


U.S. GDP growth slowed slightly in the second quarter and is expected to continue to grow at a modest pace.



REAL GROSS DOMESTIC PRODUCT (GDP)

Annualized Percent Change from Previous Period

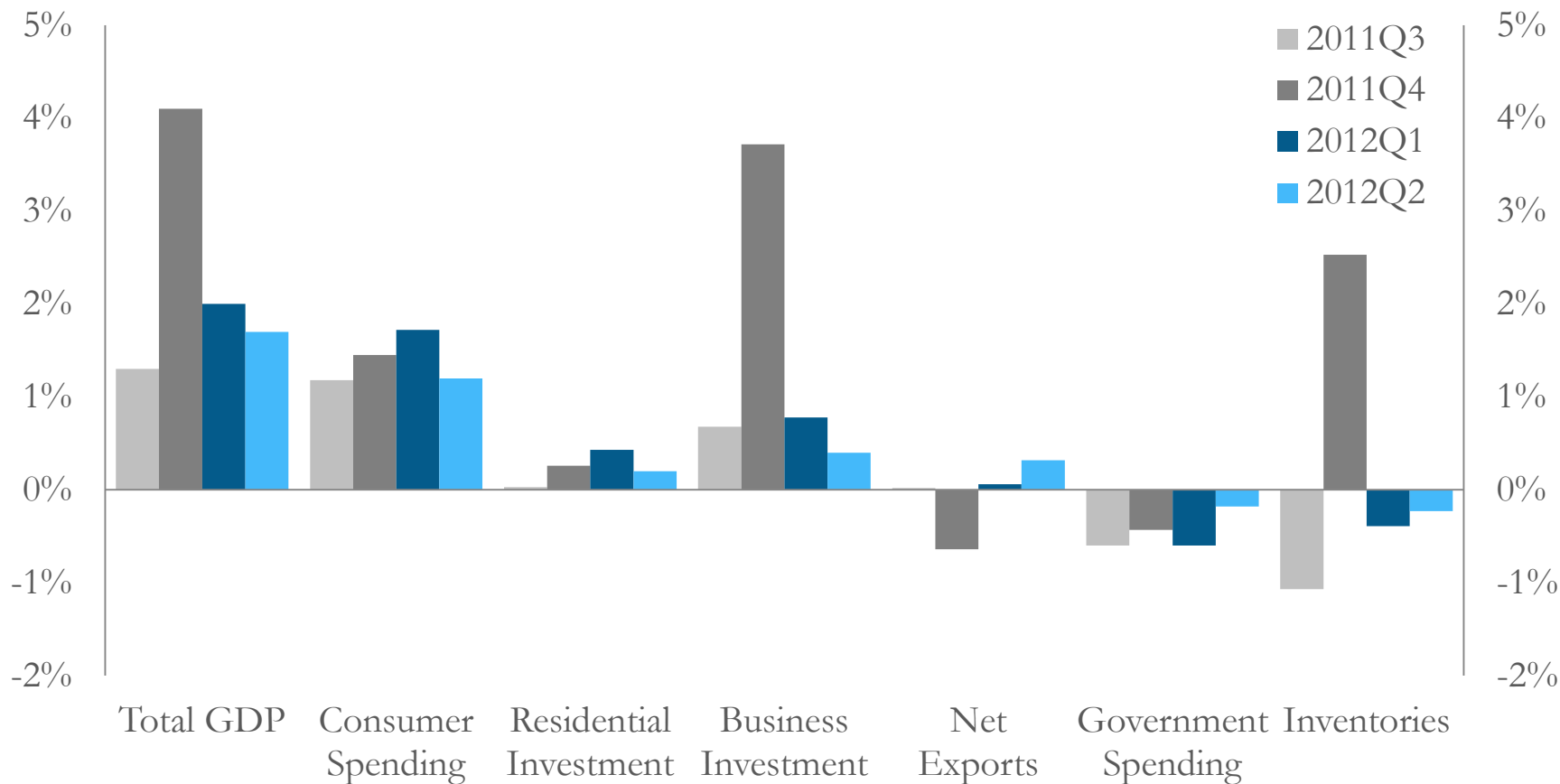


Consumer spending makes up more than 70% of GDP.



CONTRIBUTIONS TO PERCENT CHANGE IN GDP

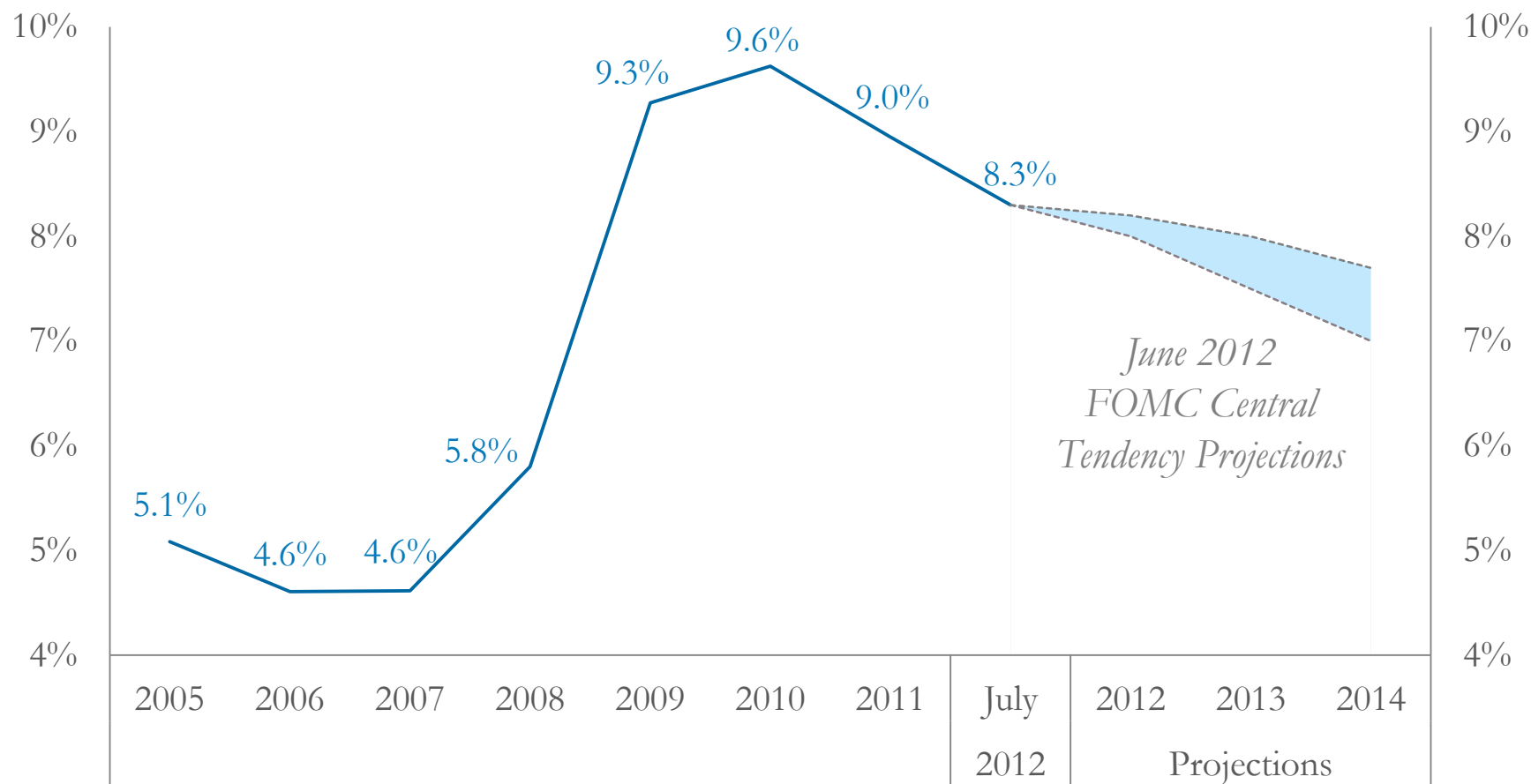
Annualized Percent Change from Previous Period



Unemployment rates have fallen over the past year but remain stubbornly high.



U.S. UNEMPLOYMENT RATE

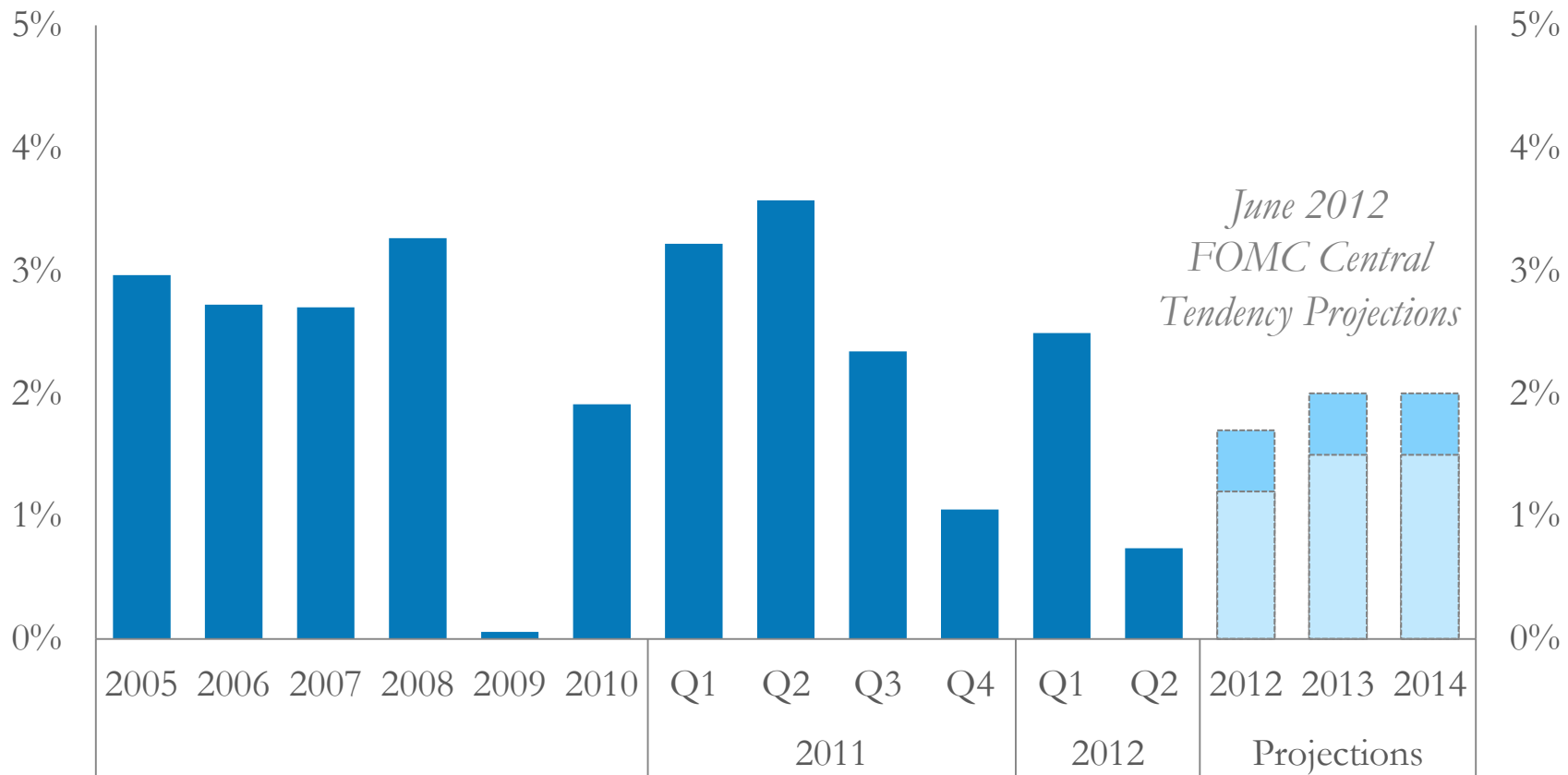


Inflation increased earlier this year but moderated in the second quarter as oil prices fell.



U.S. PERSONAL CONSUMPTION EXPENDITURE (PCE) INFLATION

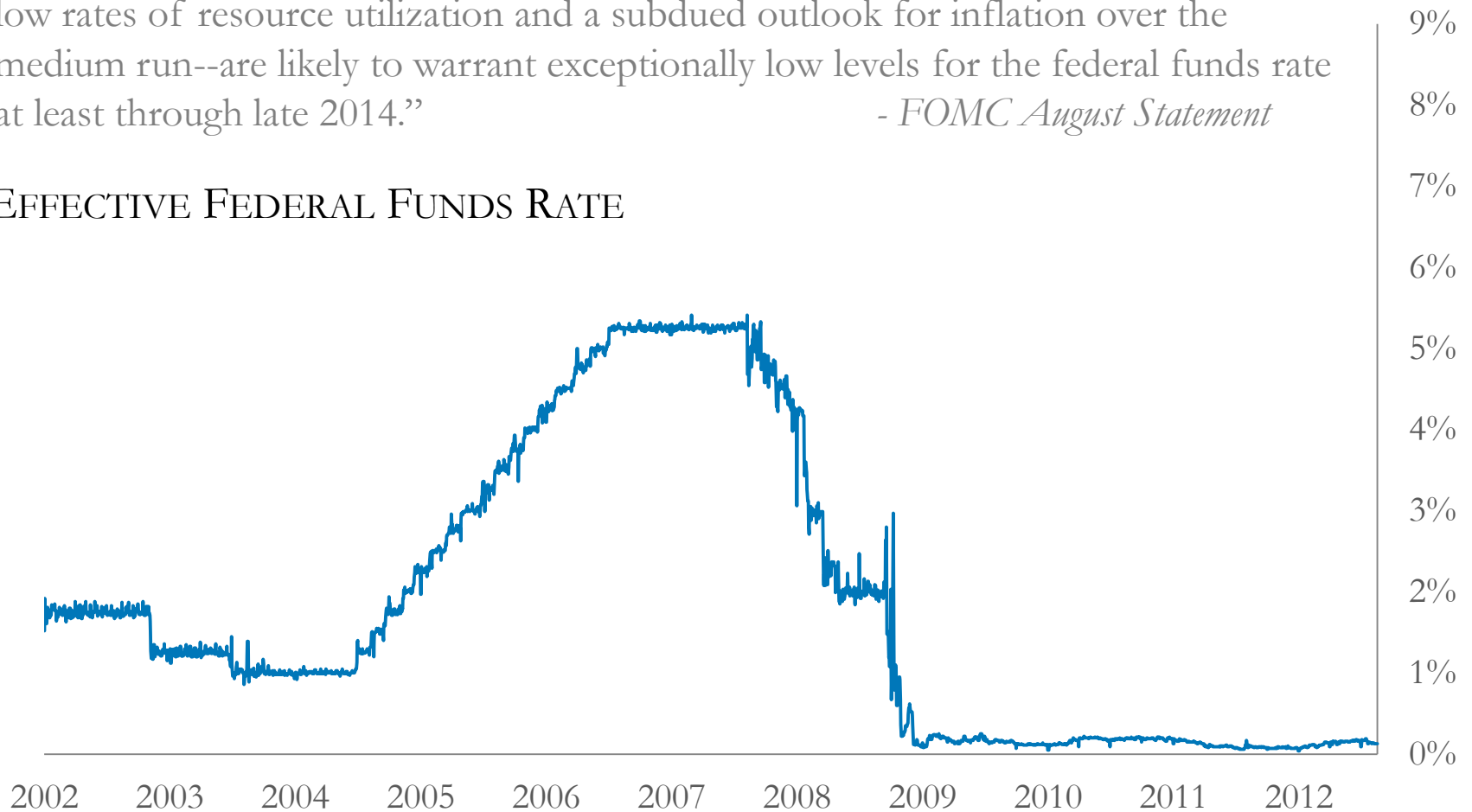
Annualized Percent Change from Previous Period





“...the Committee decided today to keep the target range for the federal funds rate at 0 to 1/4 percent and currently anticipates that economic conditions--including low rates of resource utilization and a subdued outlook for inflation over the medium run--are likely to warrant exceptionally low levels for the federal funds rate at least through late 2014.”
- *FOMC August Statement*

EFFECTIVE FEDERAL FUNDS RATE

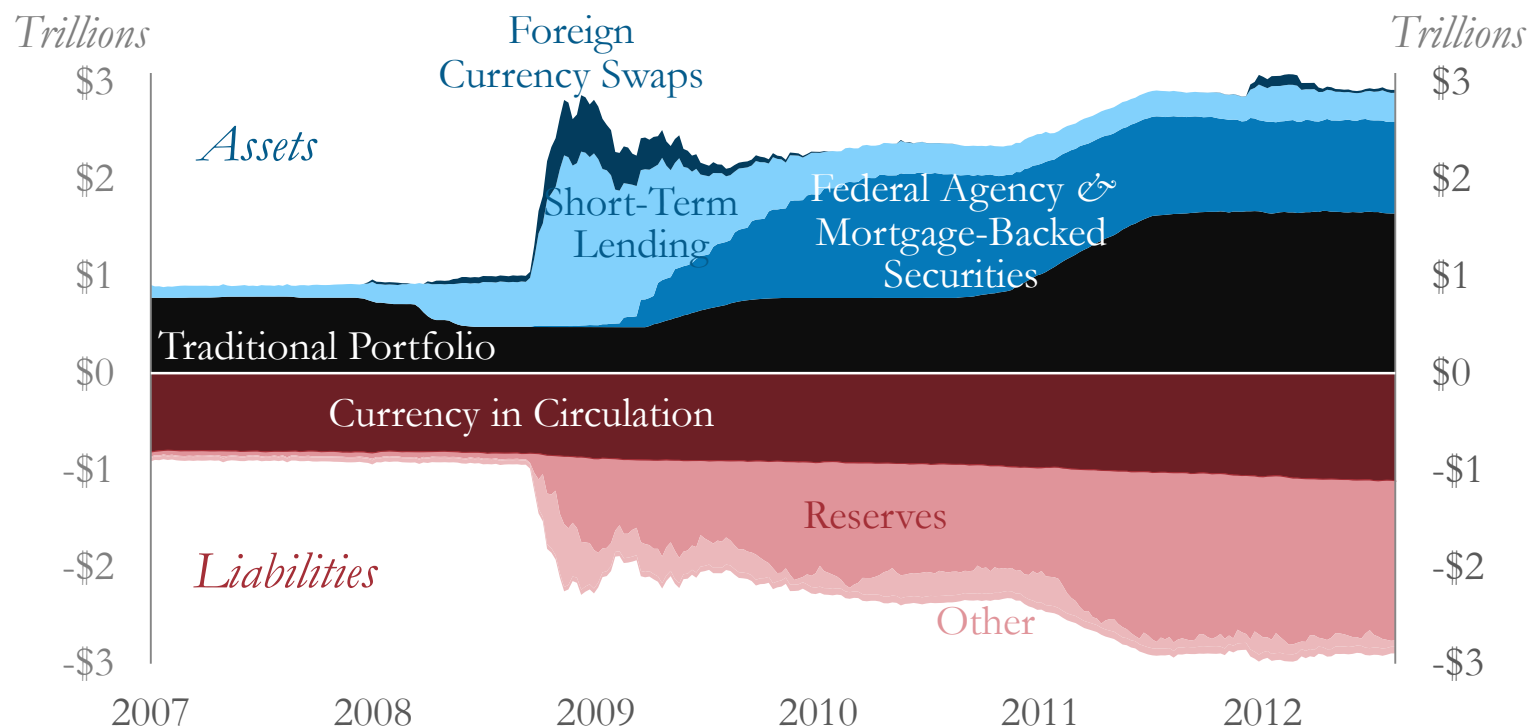




“The Committee also decided to continue through the end of the year its program to extend the average maturity of its holdings of securities as announced in June, and it is maintaining its existing policy of reinvesting principal payments from its holdings of agency debt and agency mortgage-backed securities in agency mortgage-backed securities.”

- FOMC August Statement

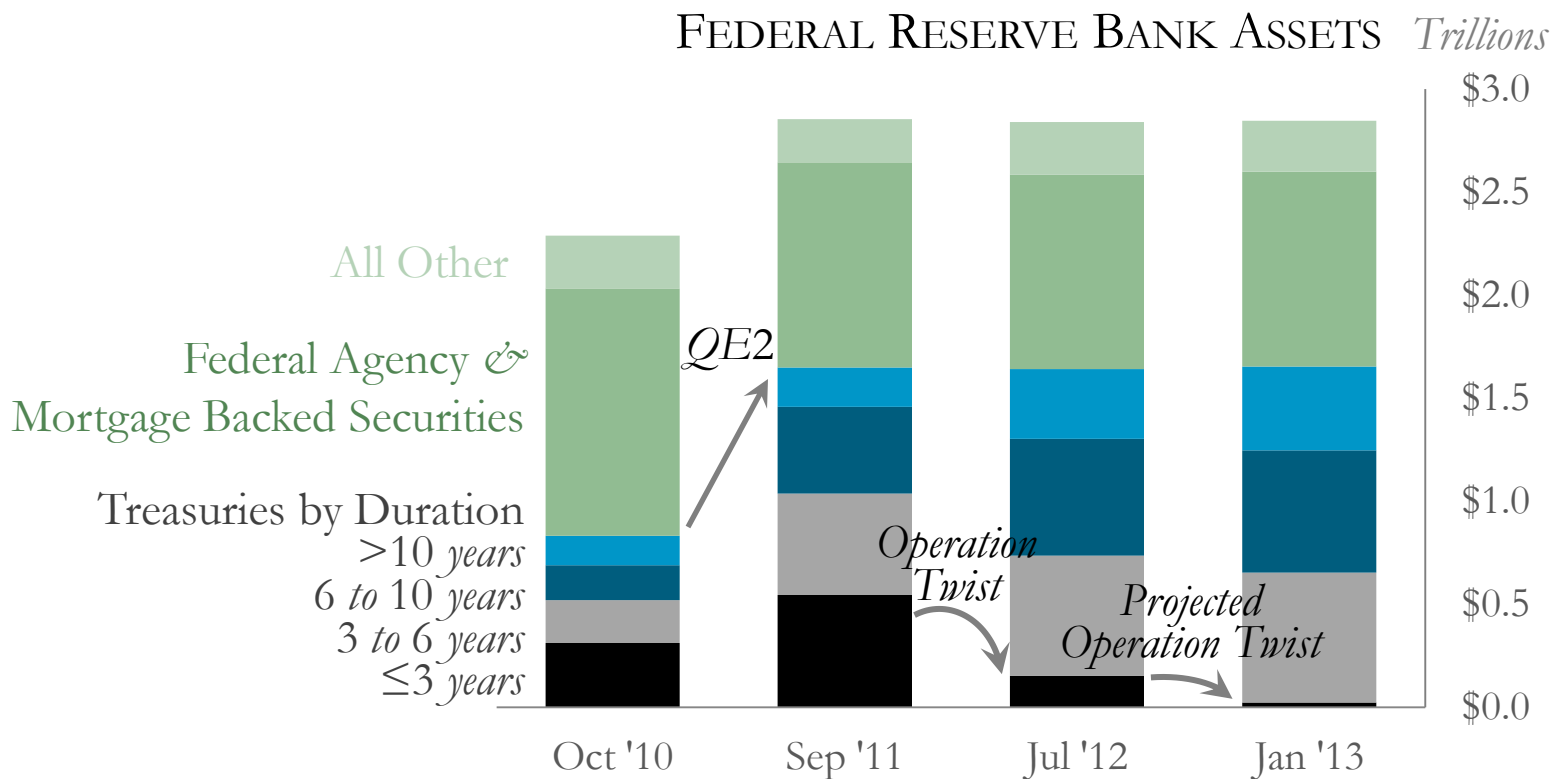
FEDERAL RESERVE BALANCE SHEET





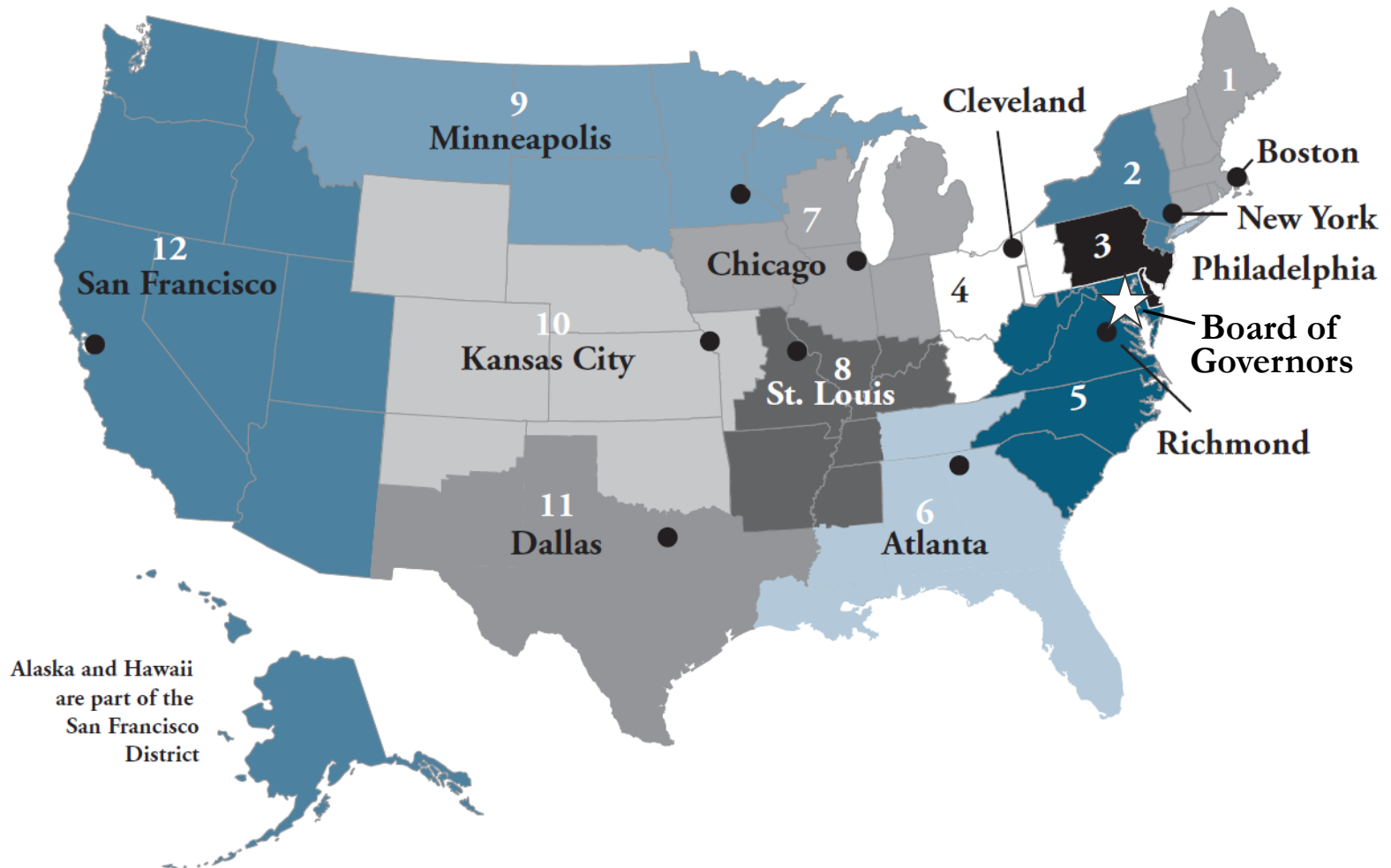
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- FOMC August Statement





FEDERAL RESERVE BANK DISTRICTS

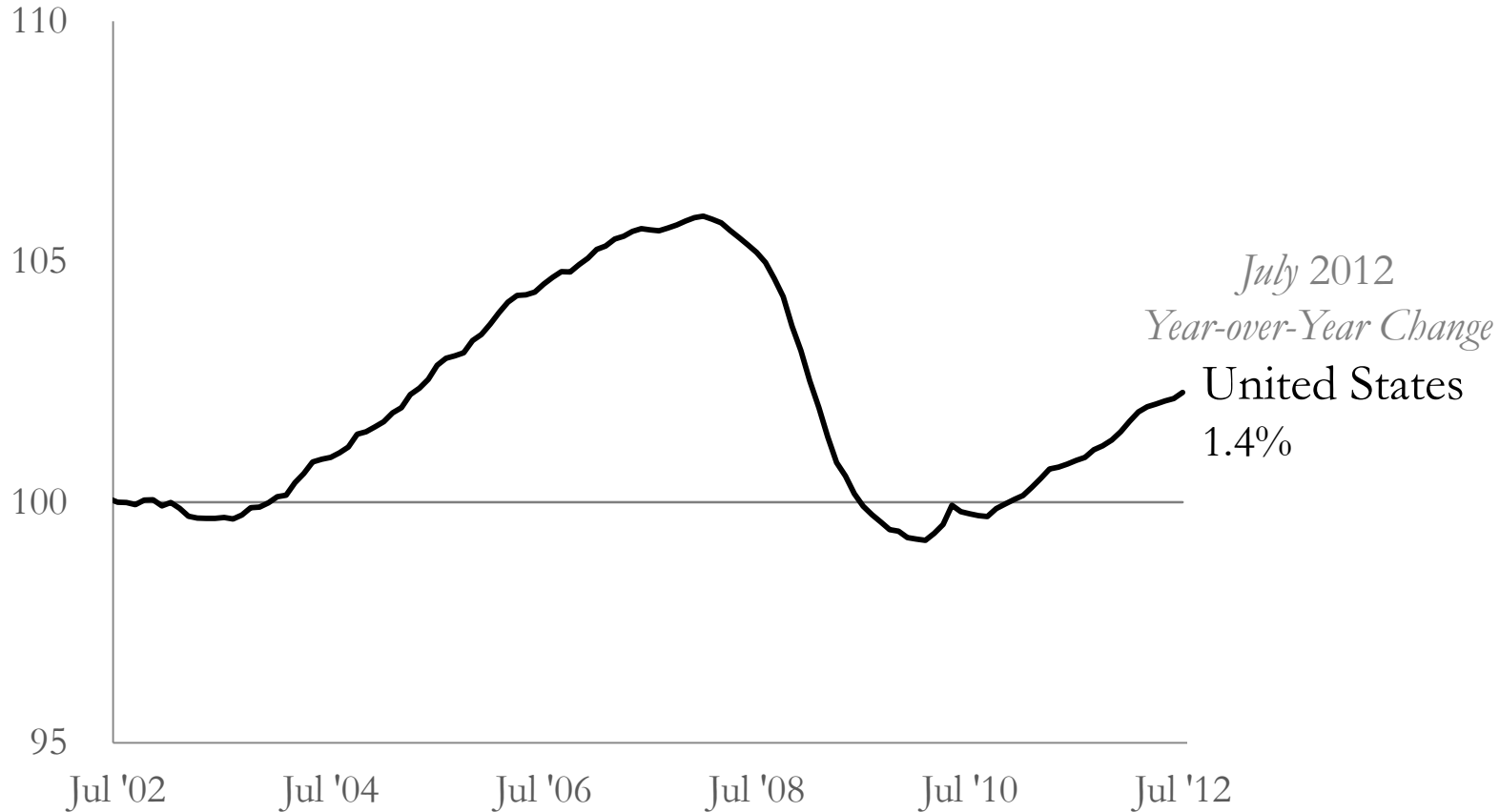


Employment growth slowed in the second quarter but remains well above year ago levels.



U.S. NONFARM EMPLOYMENT GROWTH

Index 100 = July 2002, Seasonally Adjusted

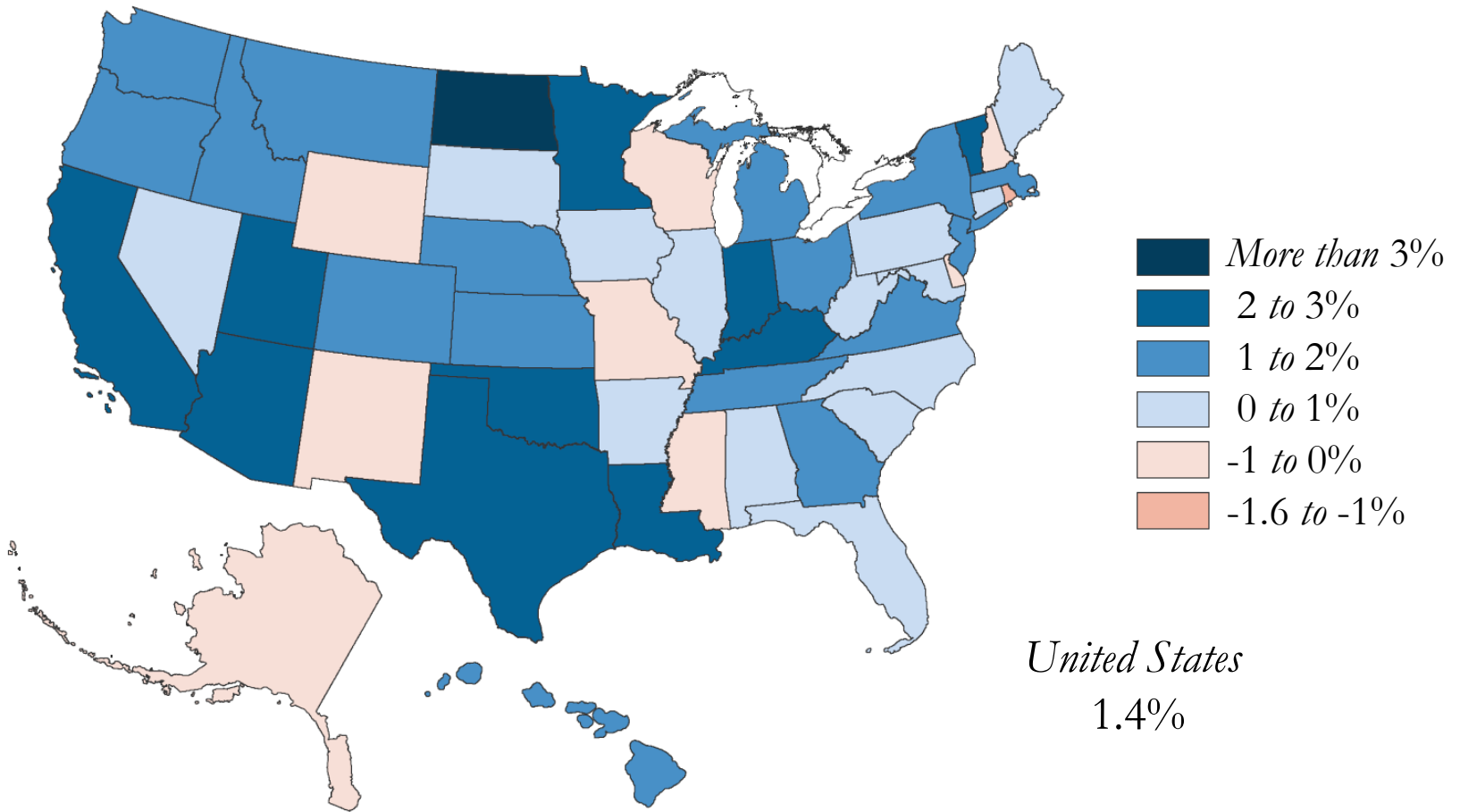


Most states have experienced employment gains over the past year.



JULY 2012 NONFARM EMPLOYMENT

Seasonally Adjusted, Year-over-Year Change

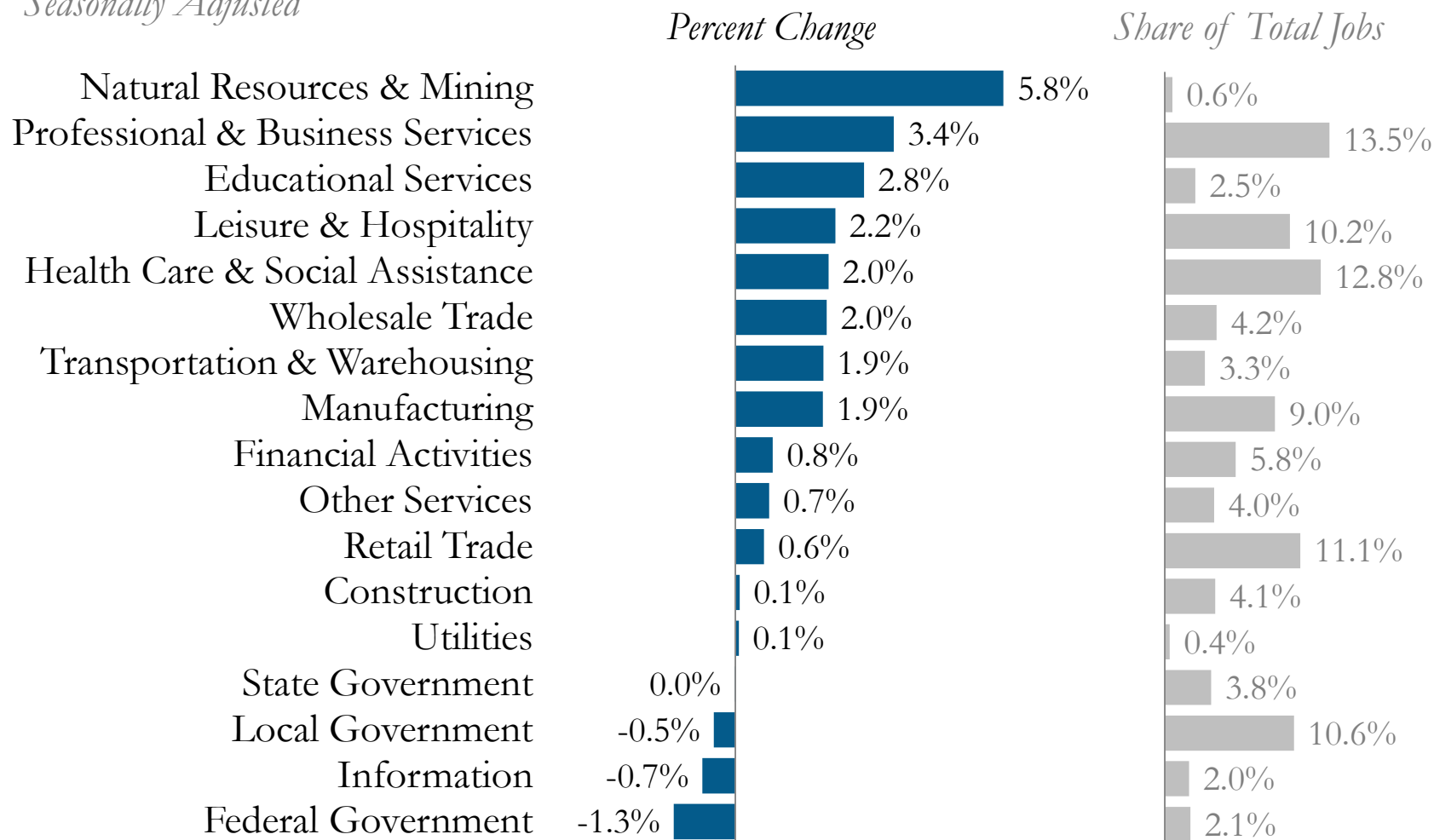


Over the past year, employment gains were widespread across industries.



U.S. NONFARM EMPLOYMENT OVER THE PAST YEAR, JULY 2012

Seasonally Adjusted

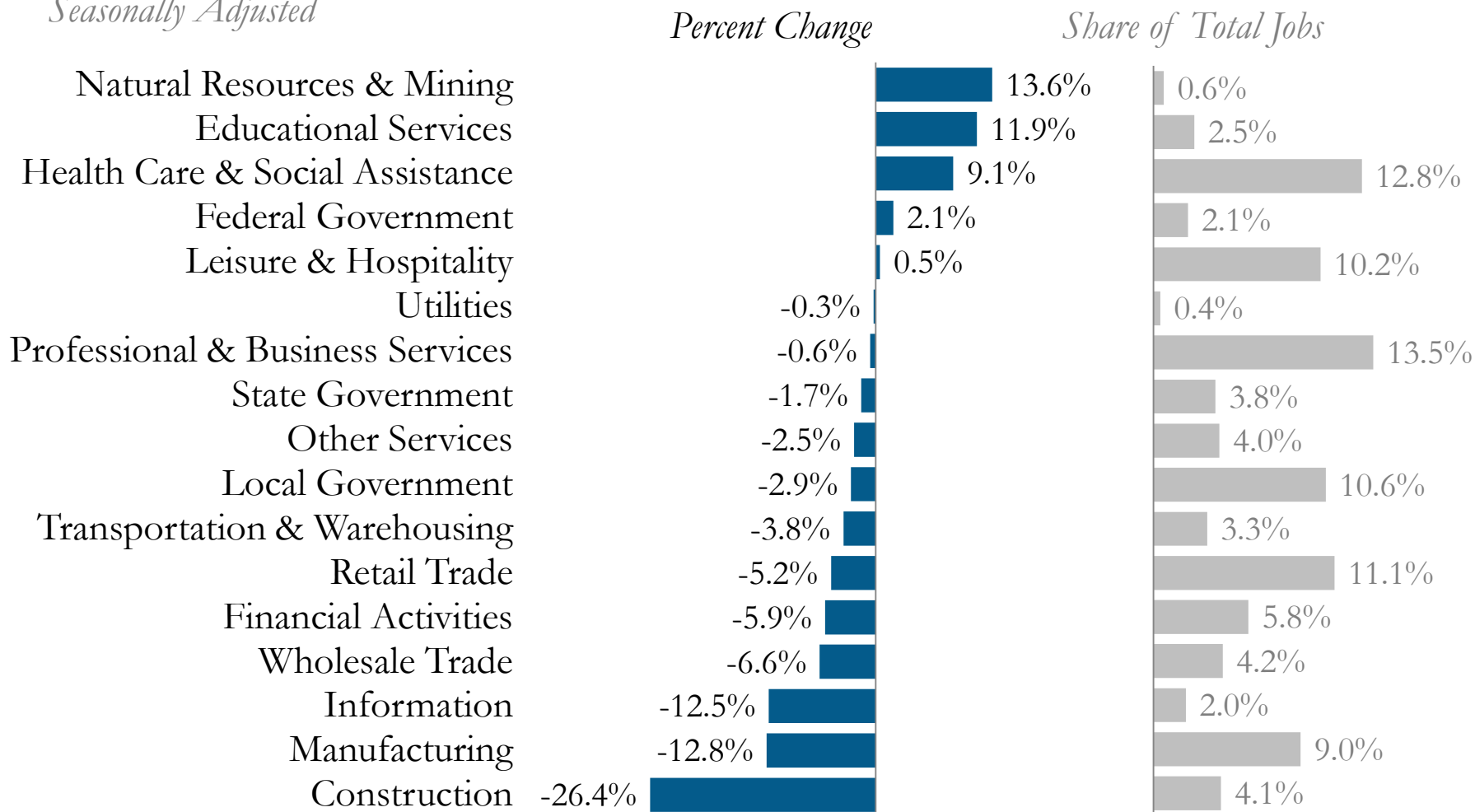


However, employment is still down more than 10% in information, manufacturing, and construction.



U.S. NONFARM EMPLOYMENT SINCE THE RECESSION STARTED (DEC. 2007 TO JULY 2012)

Seasonally Adjusted

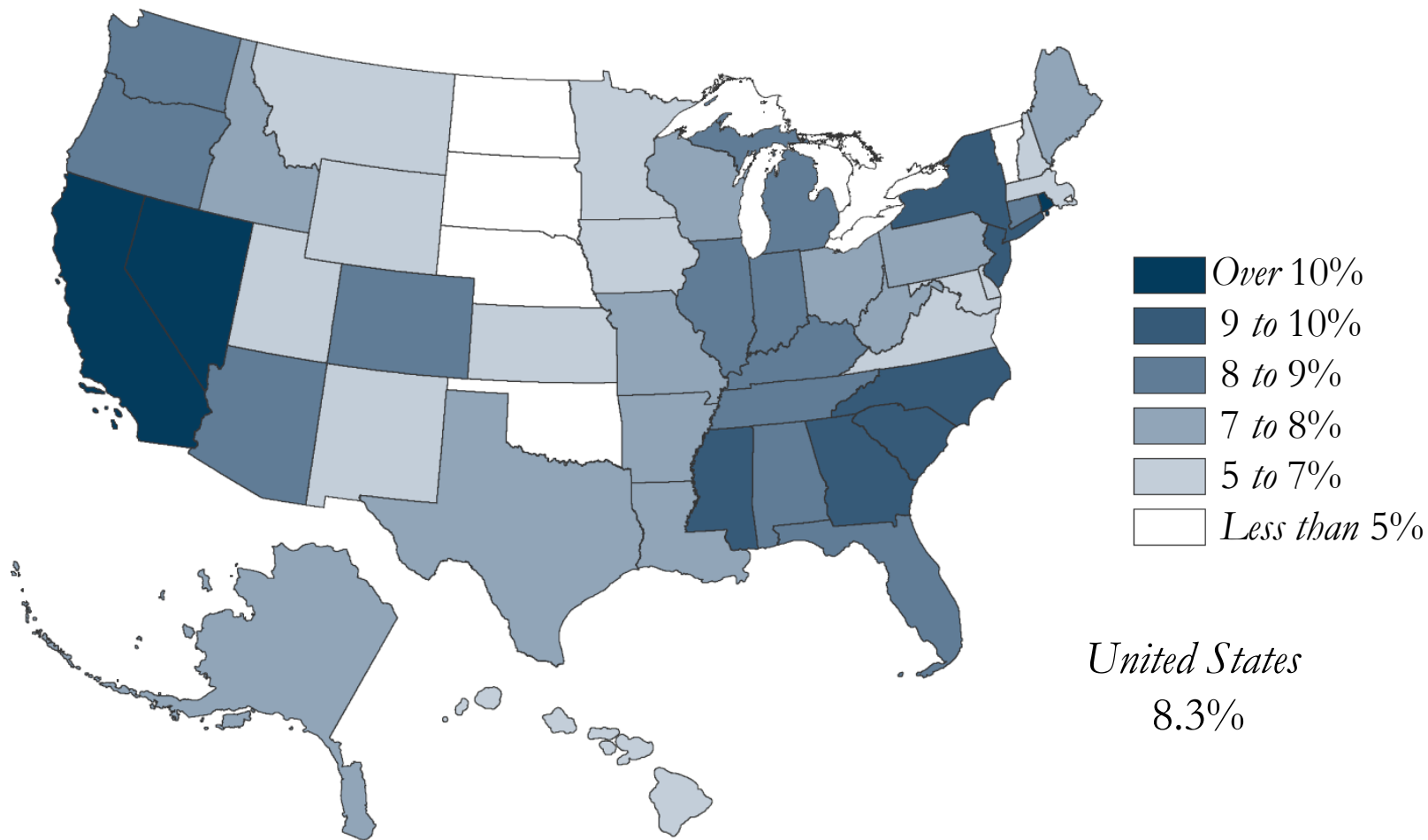


Although unemployment rates have fallen, rates remain high across much of the country.



JULY 2012 UNEMPLOYMENT RATE

Seasonally Adjusted



Consumer confidence has fallen in recent months.



CONSUMER CONFIDENCE INDEX

Seasonally Adjusted

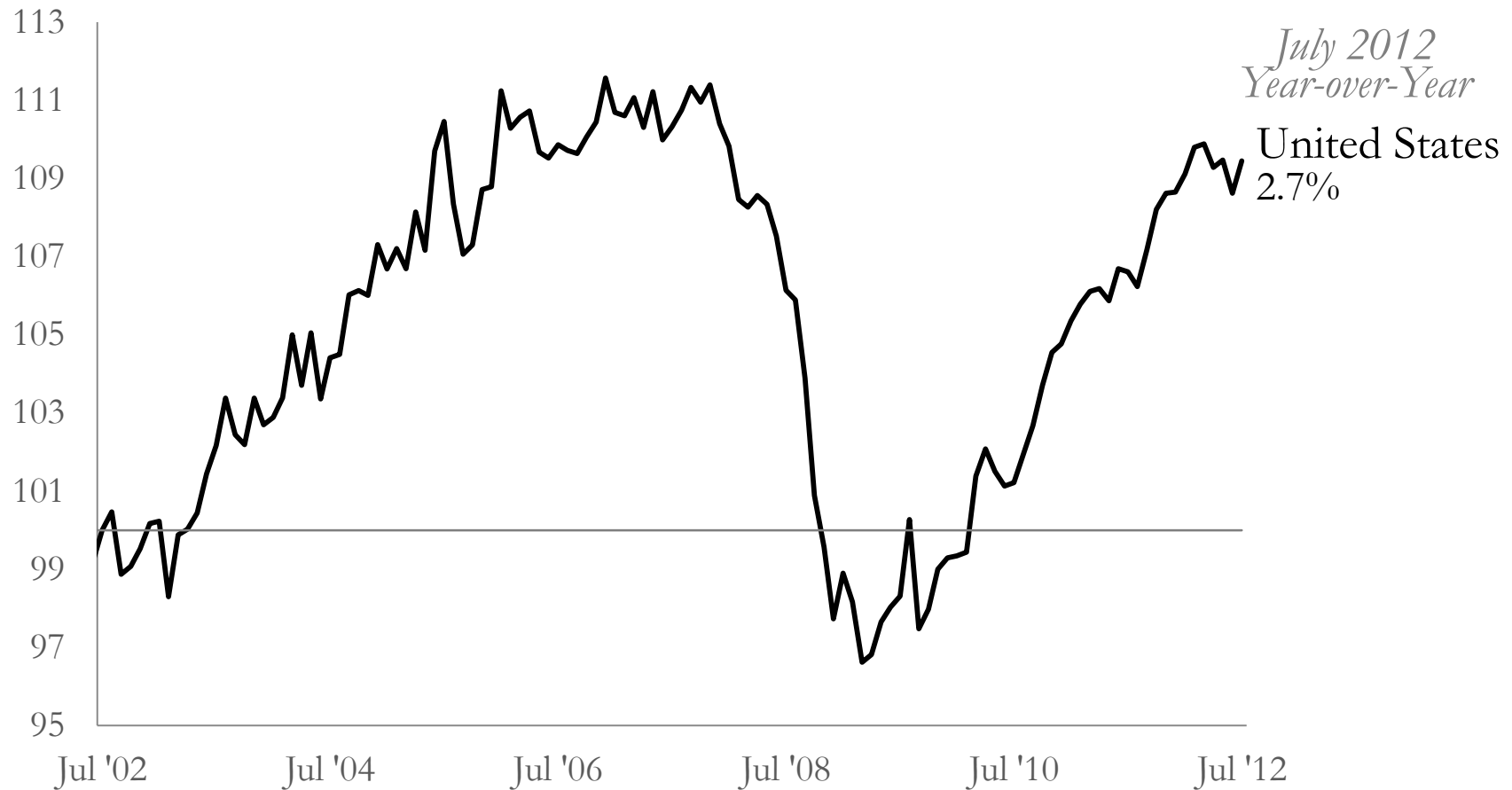


Slower employment growth and lower confidence have contributed to slower consumer spending growth.



REAL RETAIL & FOOD SERVICE SALES

Index 100 = July 2002, Seasonally Adjusted



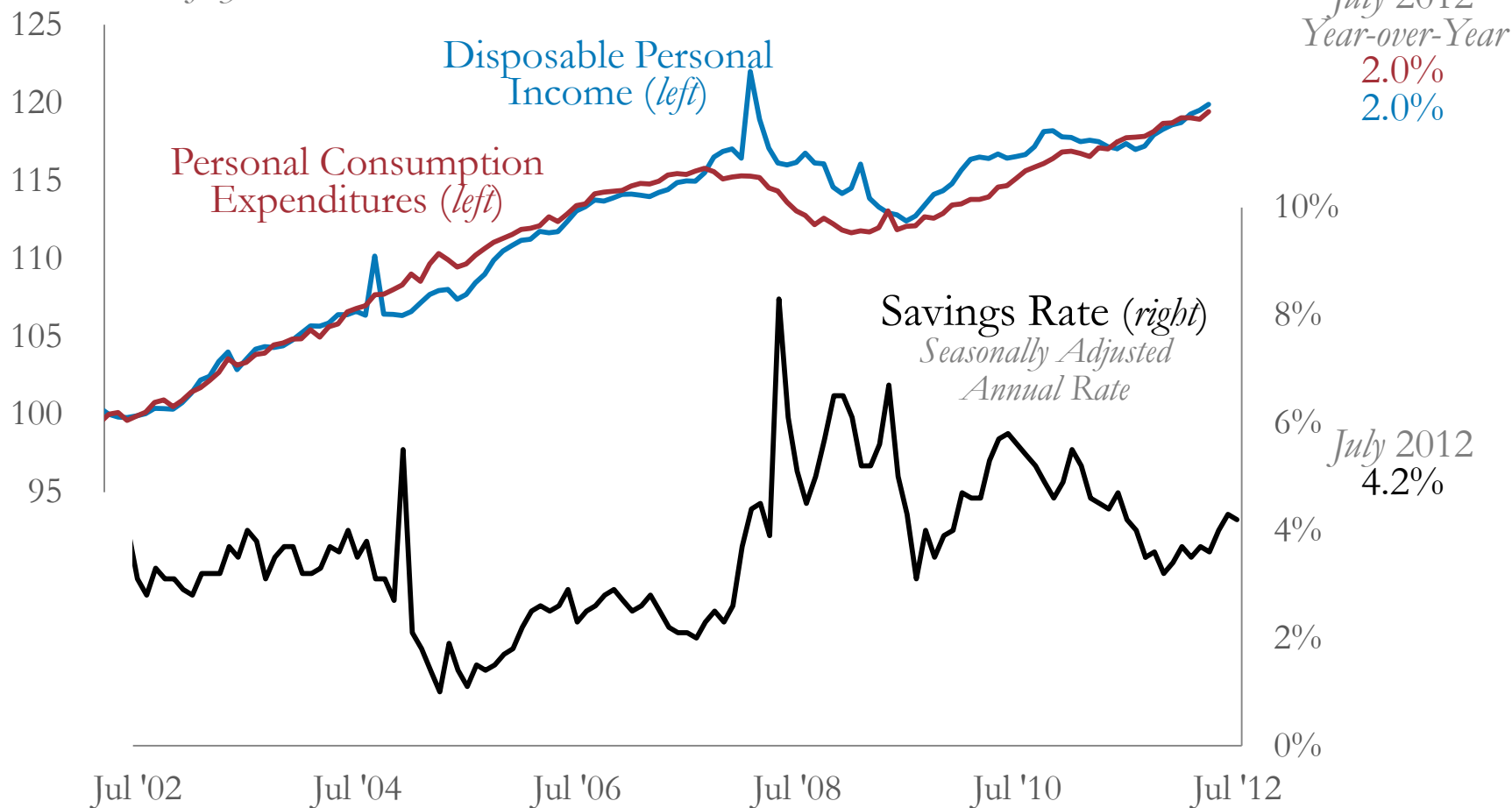
Over the last few months personal income gains have outpaced growth in consumer spending leading to a higher savings rate.



REAL PERSONAL INCOME & SPENDING

Seasonally Adjusted Annual Rate

Index 100 = July 2002

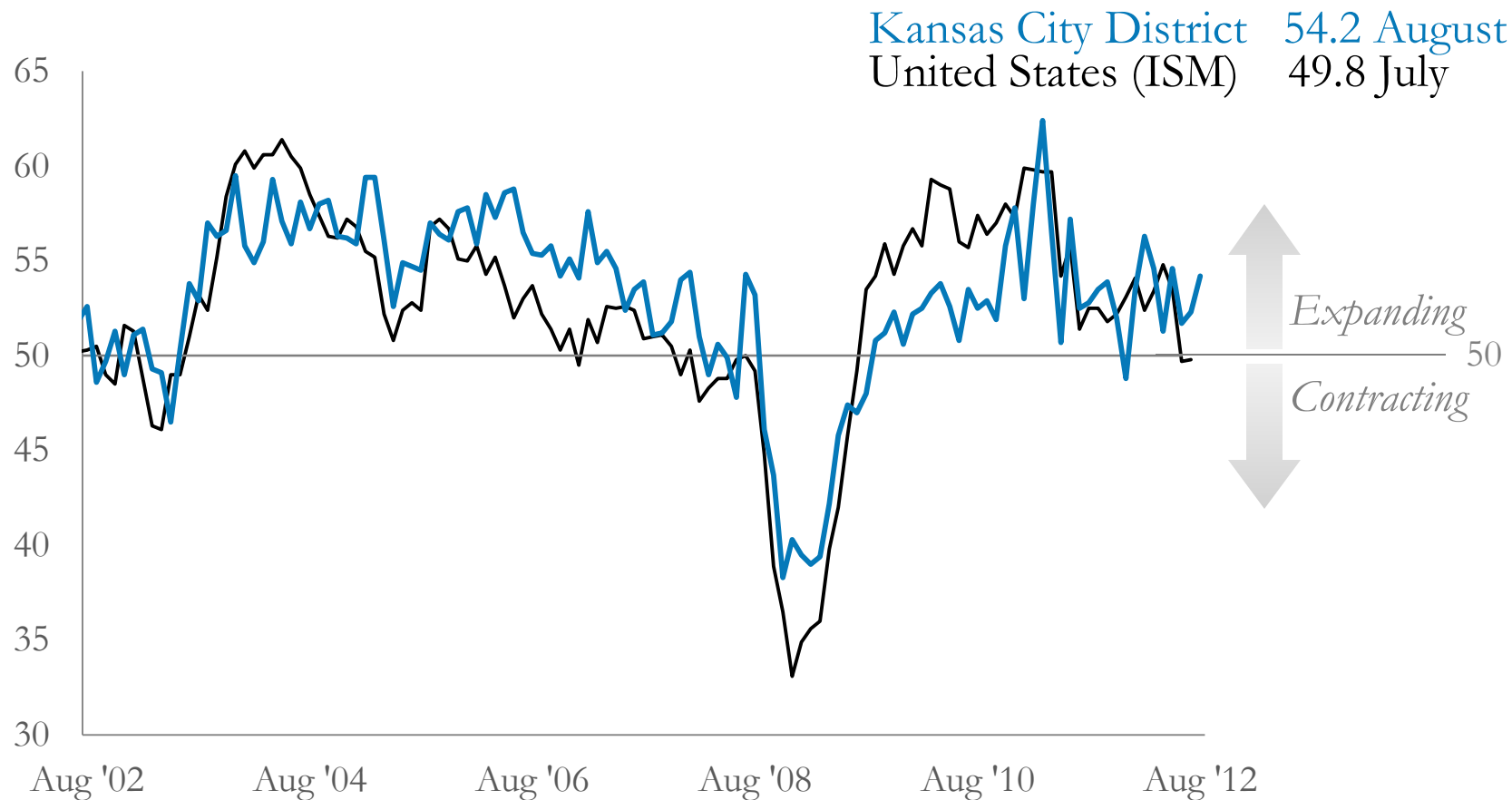


The manufacturing sector continues to expand in the Tenth District.



MANUFACTURING ACTIVITY

Diffusion Index, Seasonally Adjusted, Month-over-Month



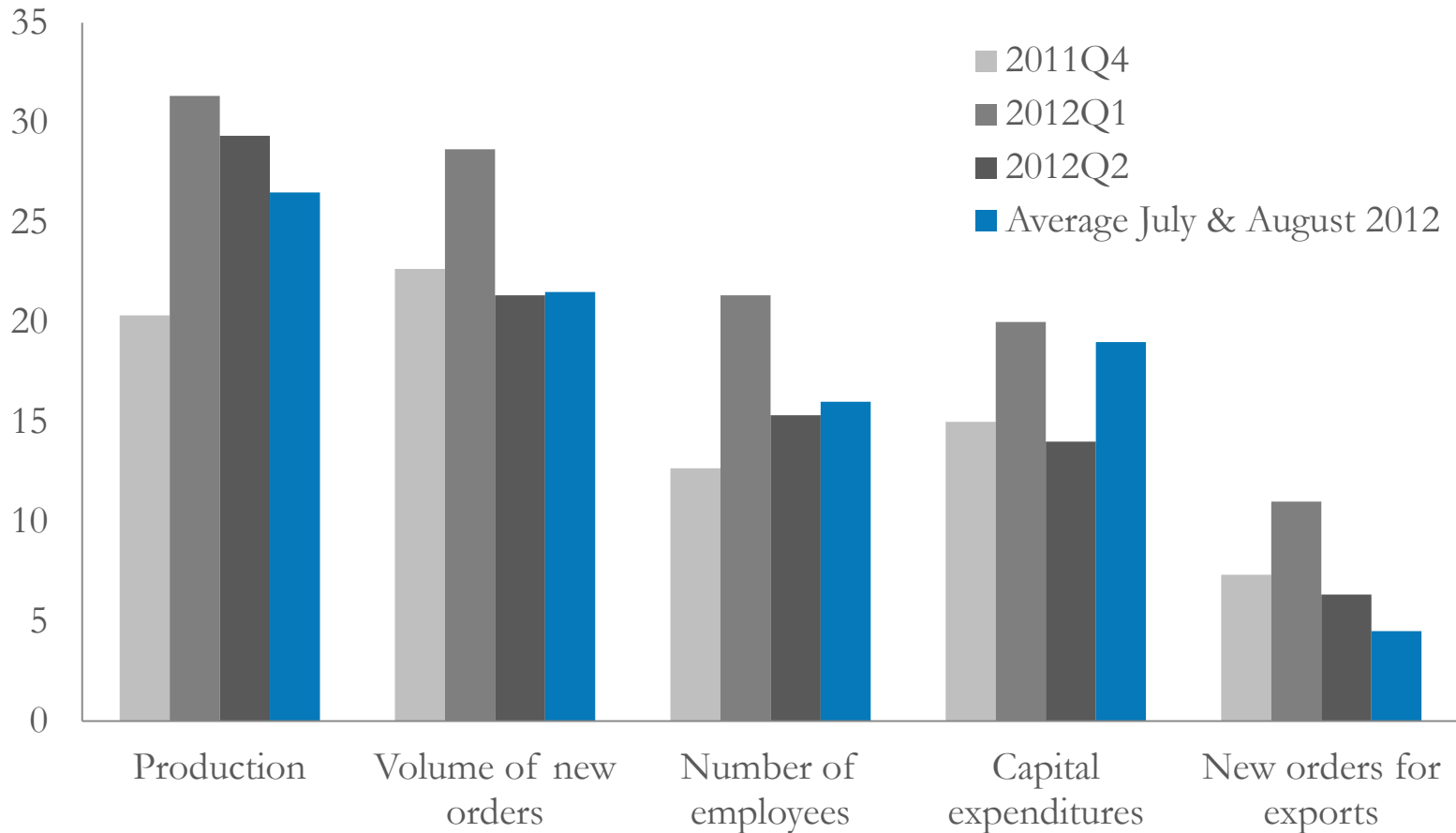
Note: Federal Reserve Surveys are computed on an ISM Basis (50 = no change)

Manufacturers in the Tenth District expect higher levels of activity over the next six months.



TENTH DISTRICT MANUFACTURING EXPECTATIONS

Diffusion Index, Seasonally Adjusted, Six Months Ahead

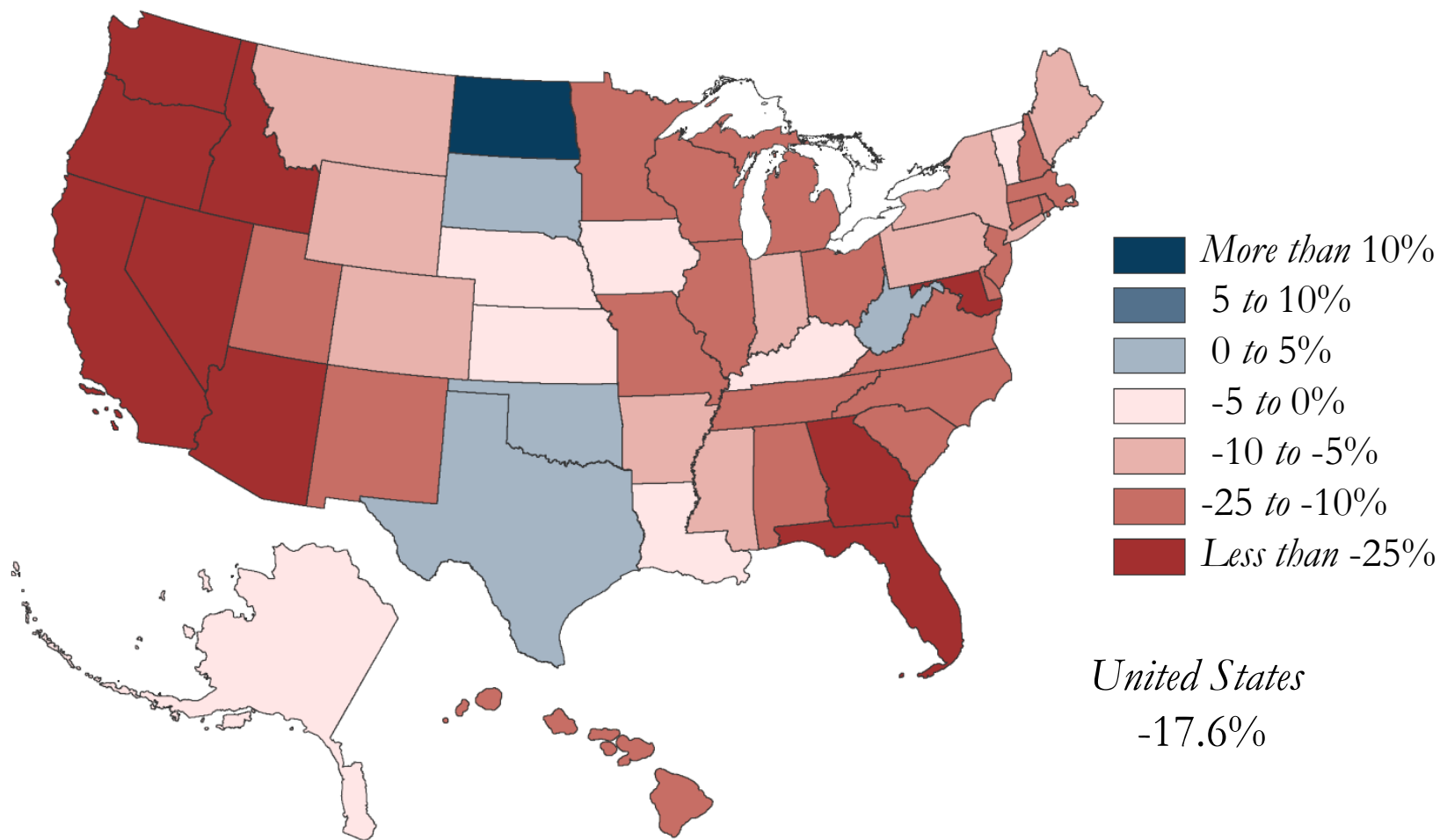


Home prices fell sharply over the last few years in many parts of the country.



CHANGE IN HOME PRICES *Peak* (2007Q2) to *Current* (2012Q2)

FHFA Purchase-Only Index

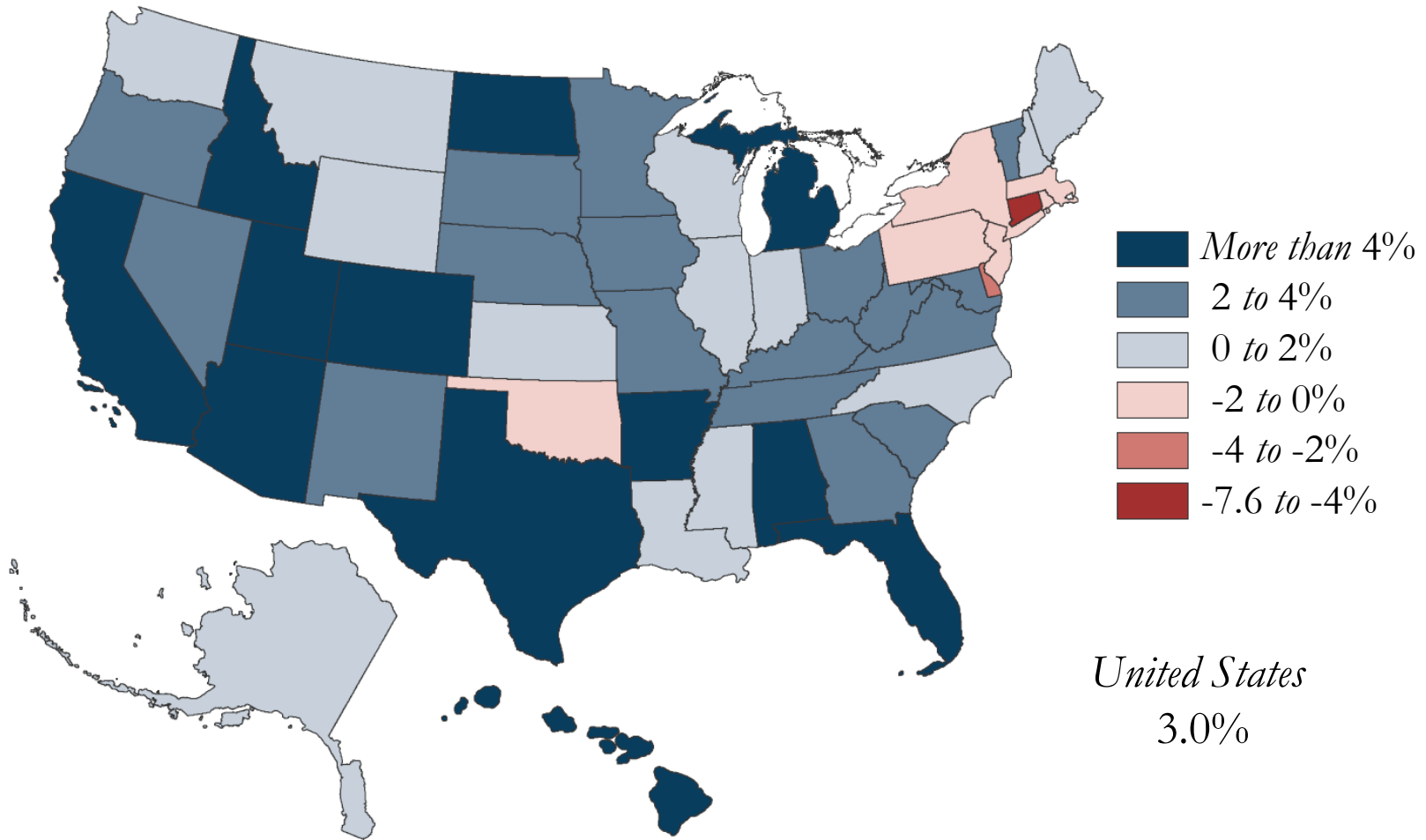


However, home prices have stabilized over the past year.

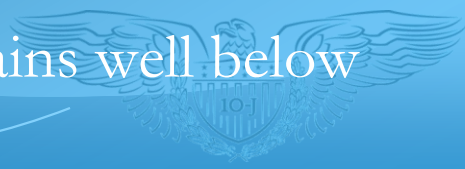


CHANGE IN HOME PRICES *Year-over-Year, 2012Q2*

FHFA Purchase-Only Index

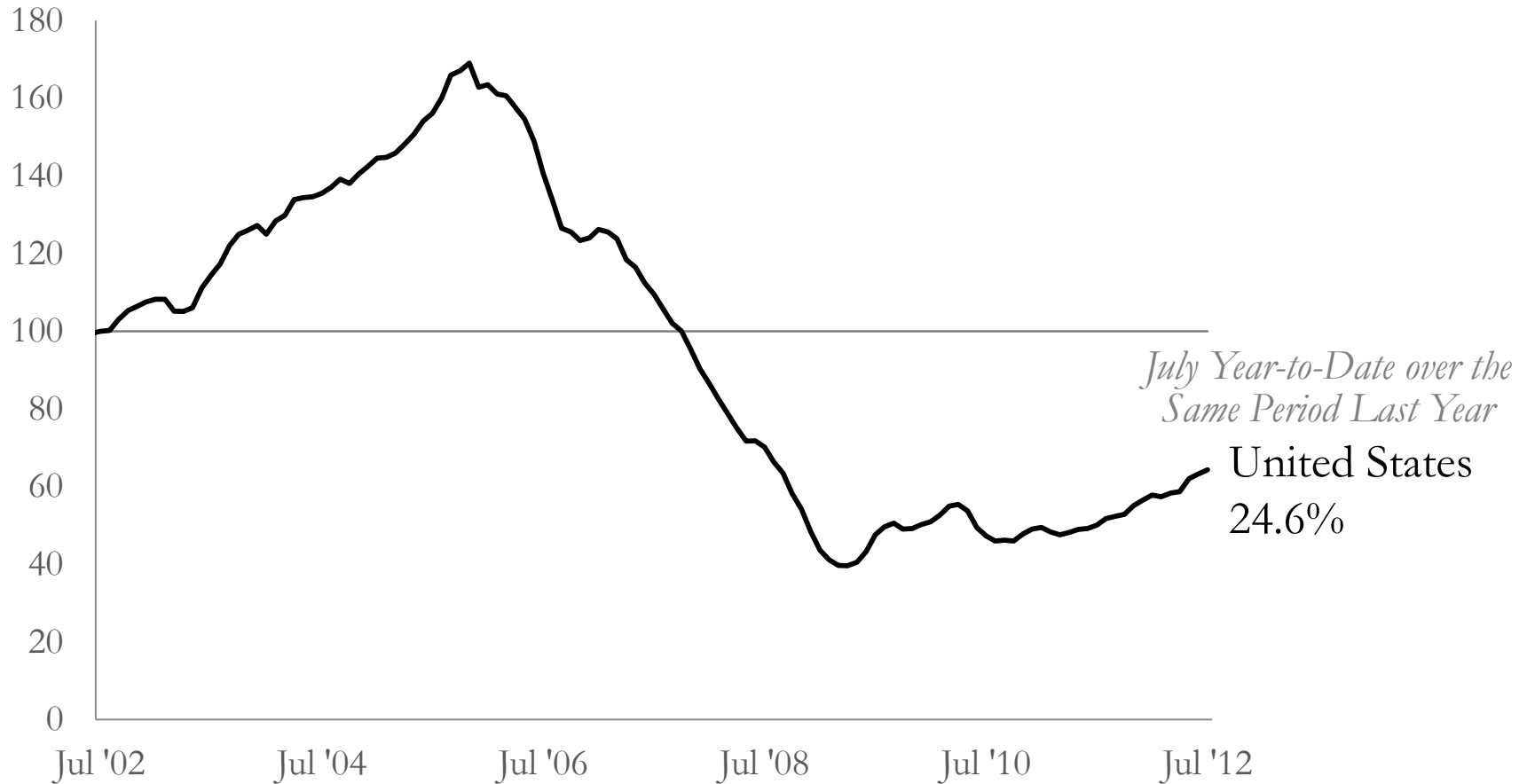


Residential construction activity is picking up but remains well below pre-recession levels.



VALUE OF RESIDENTIAL CONSTRUCTION CONTRACTS

Index 100 = July 2002, Seasonally Adjusted, Three-Month Moving Average

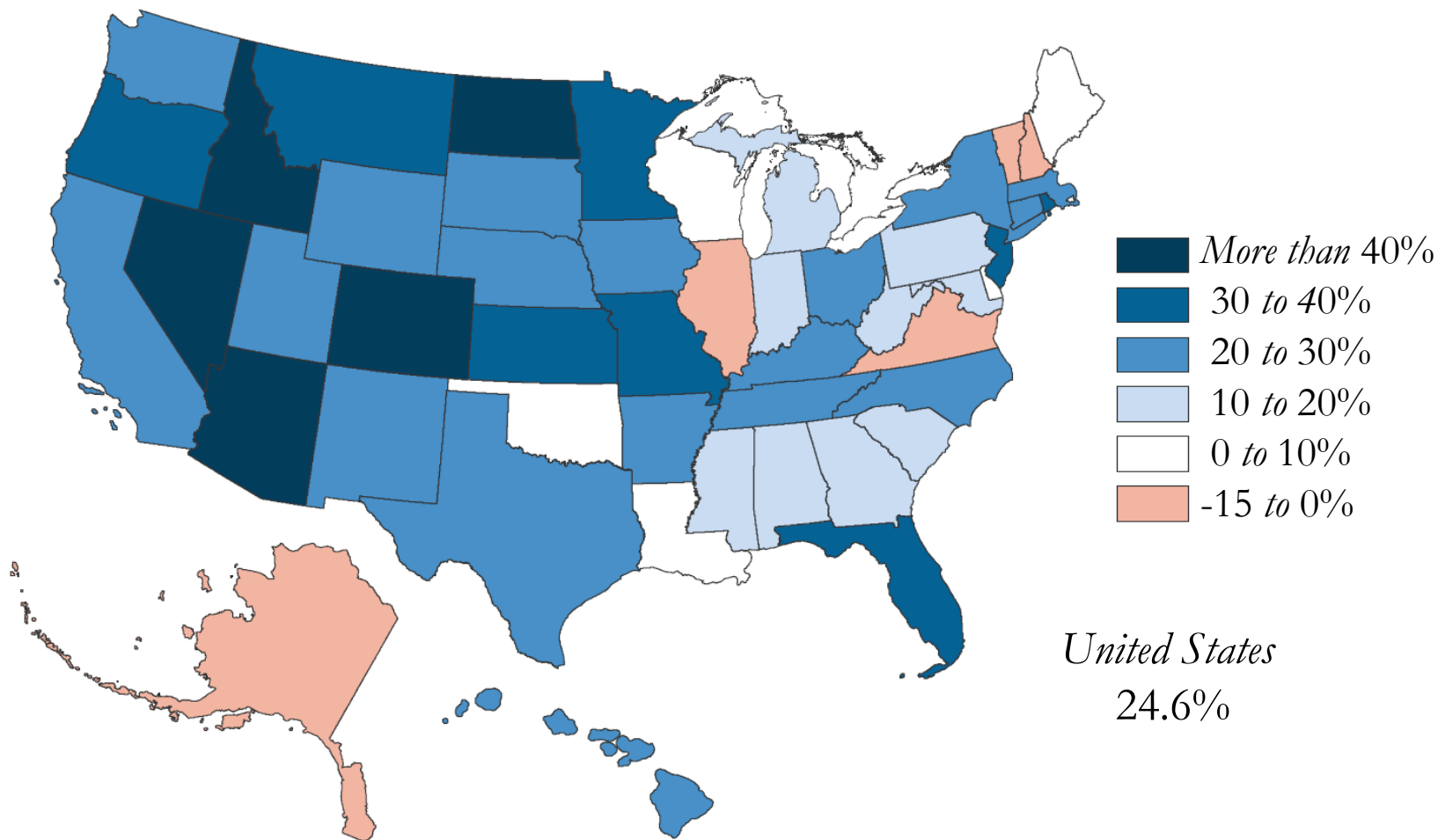


Residential construction activity has increased in almost every state over the past year.



VALUE OF RESIDENTIAL CONSTRUCTION

Percent Change, Cumulative Year-to-Date January through July 2012



Non-residential construction activity has struggled to recover from the recent recession.



VALUE OF NON-RESIDENTIAL & NON-BUILDING CONSTRUCTION

Seasonally Adjusted, Three-Month Moving Average

United States, Billions

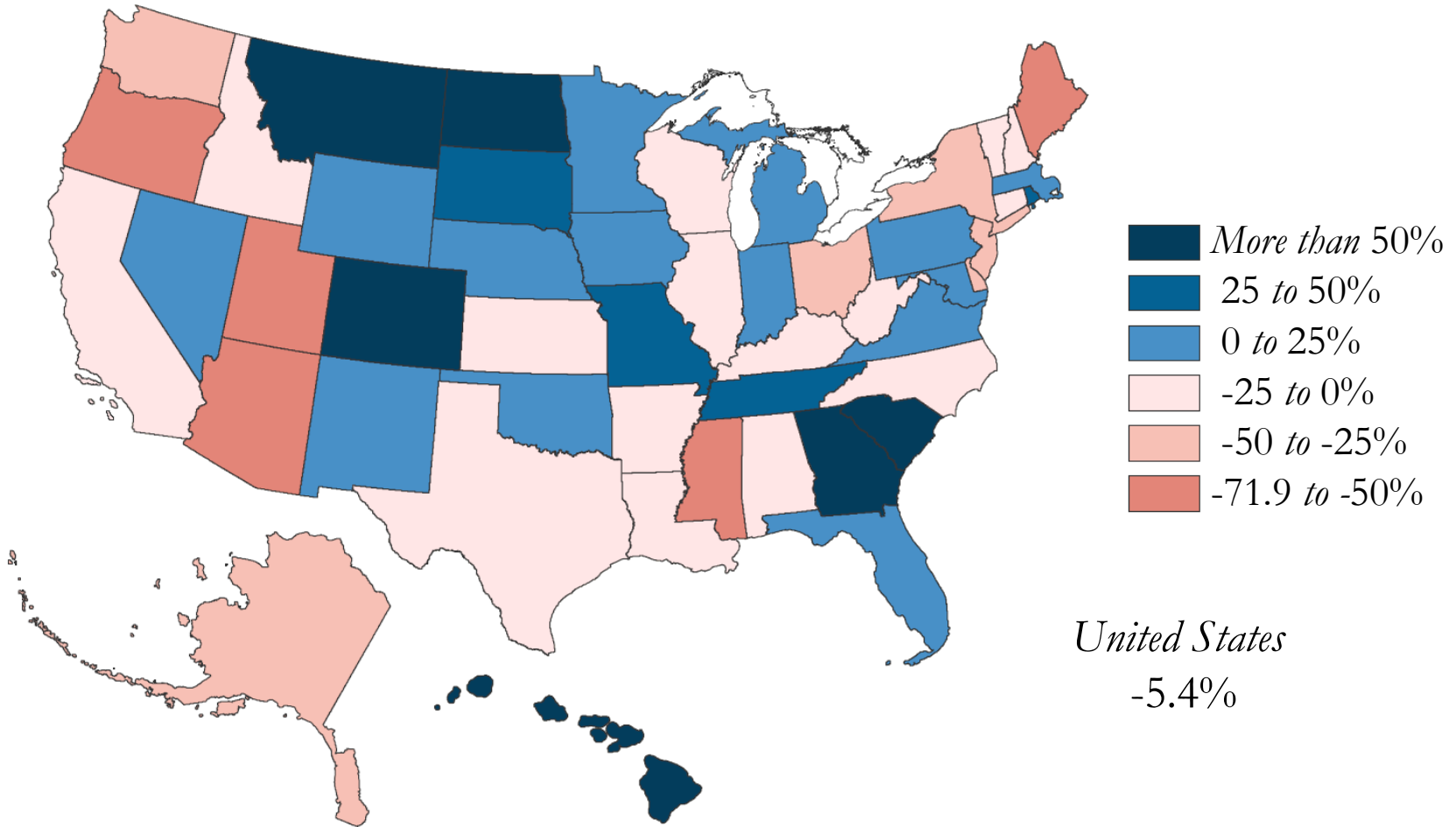


Improvements in non-residential construction activity have varied across the country.



VALUE OF NON-RESIDENTIAL & NON-BUILDING CONSTRUCTION

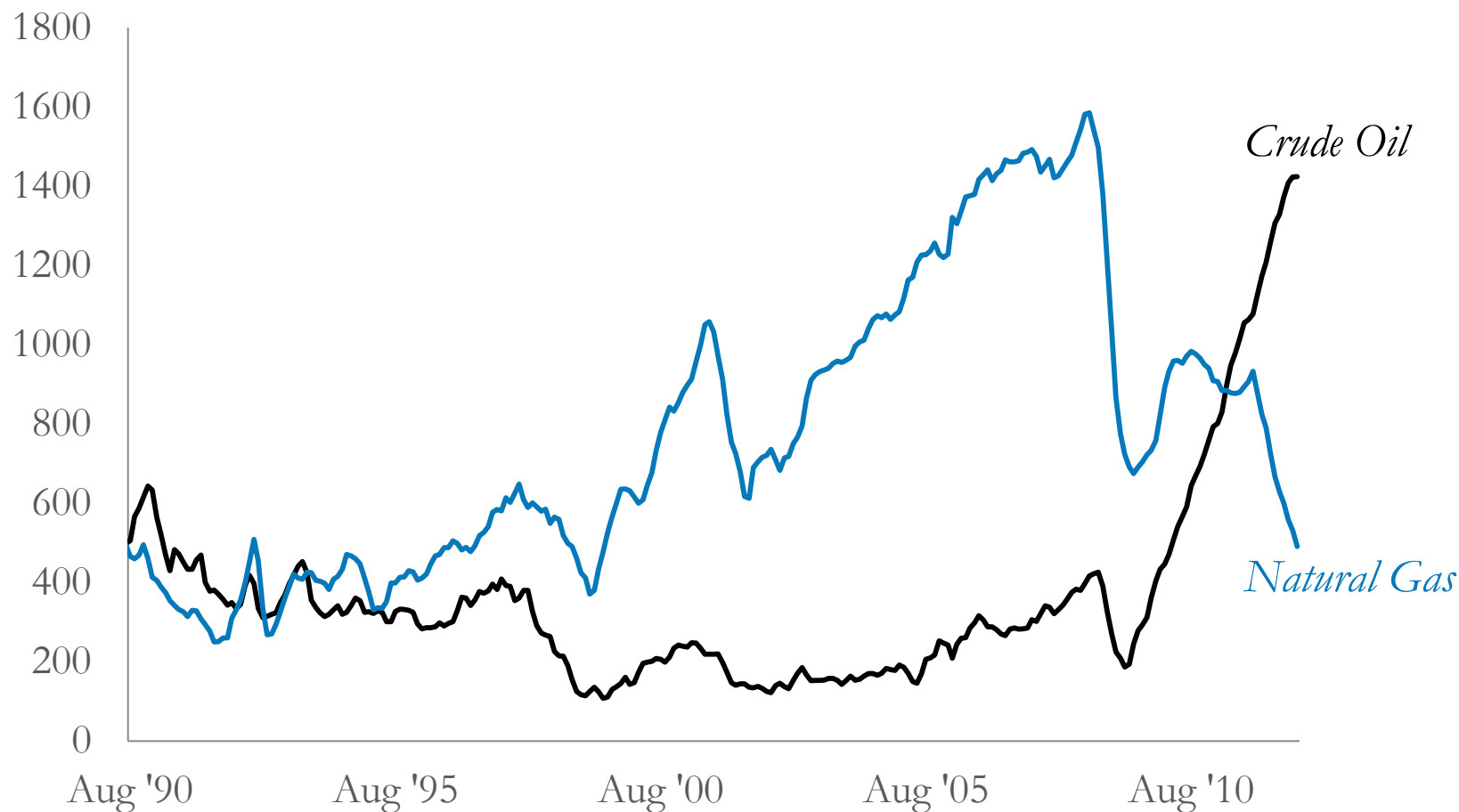
Percent Change, Cumulative Year-to-Date January through July 2012



Drilling activity is responding to prices with oil drilling up and natural gas drilling down.



U.S. ACTIVE DRILLING RIG COUNT

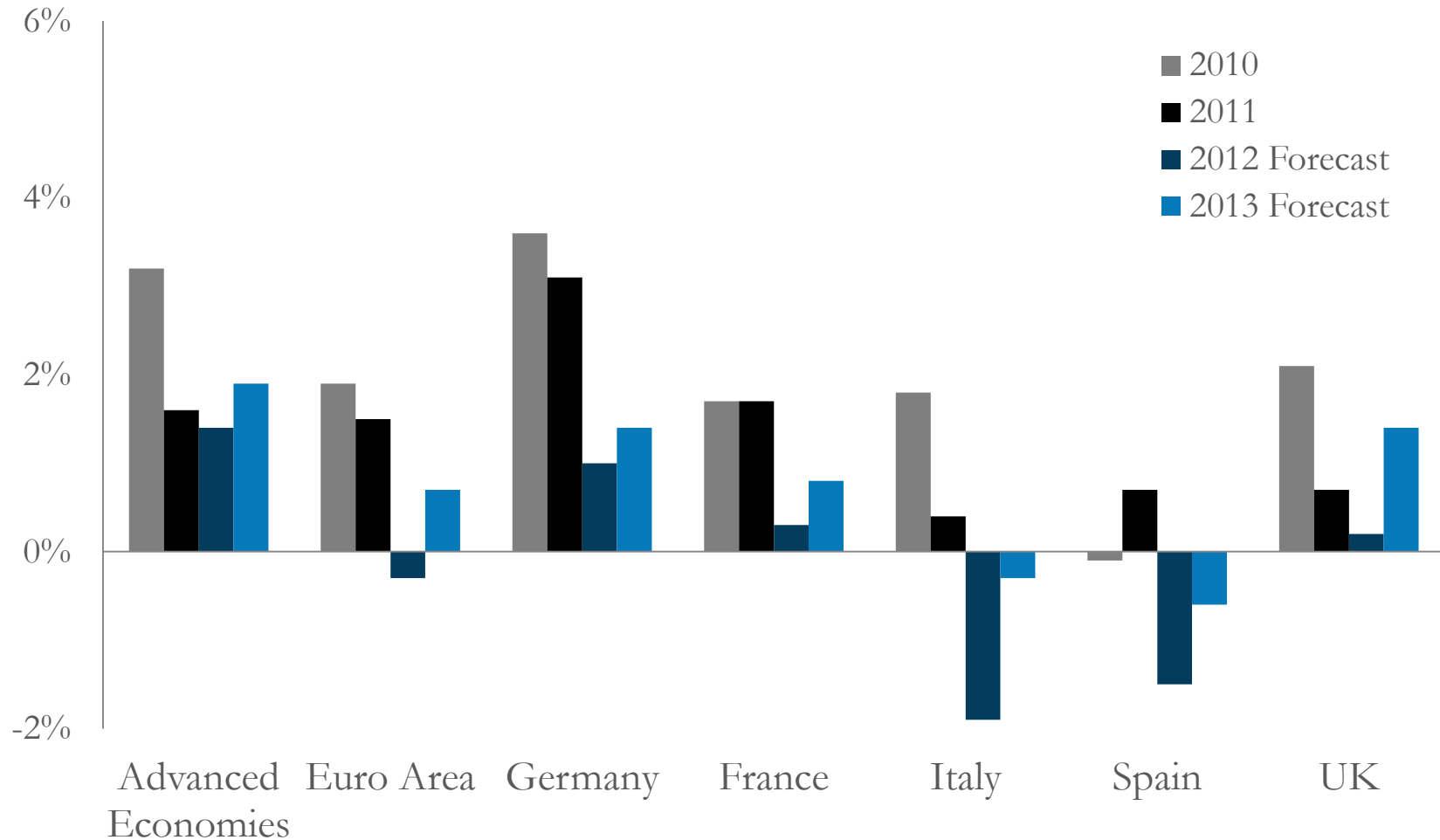


Growth has slowed sharply in Europe this year and is expected to remain slow in 2013.



WORLD ECONOMIC OUTLOOK PROJECTIONS

Percent Change

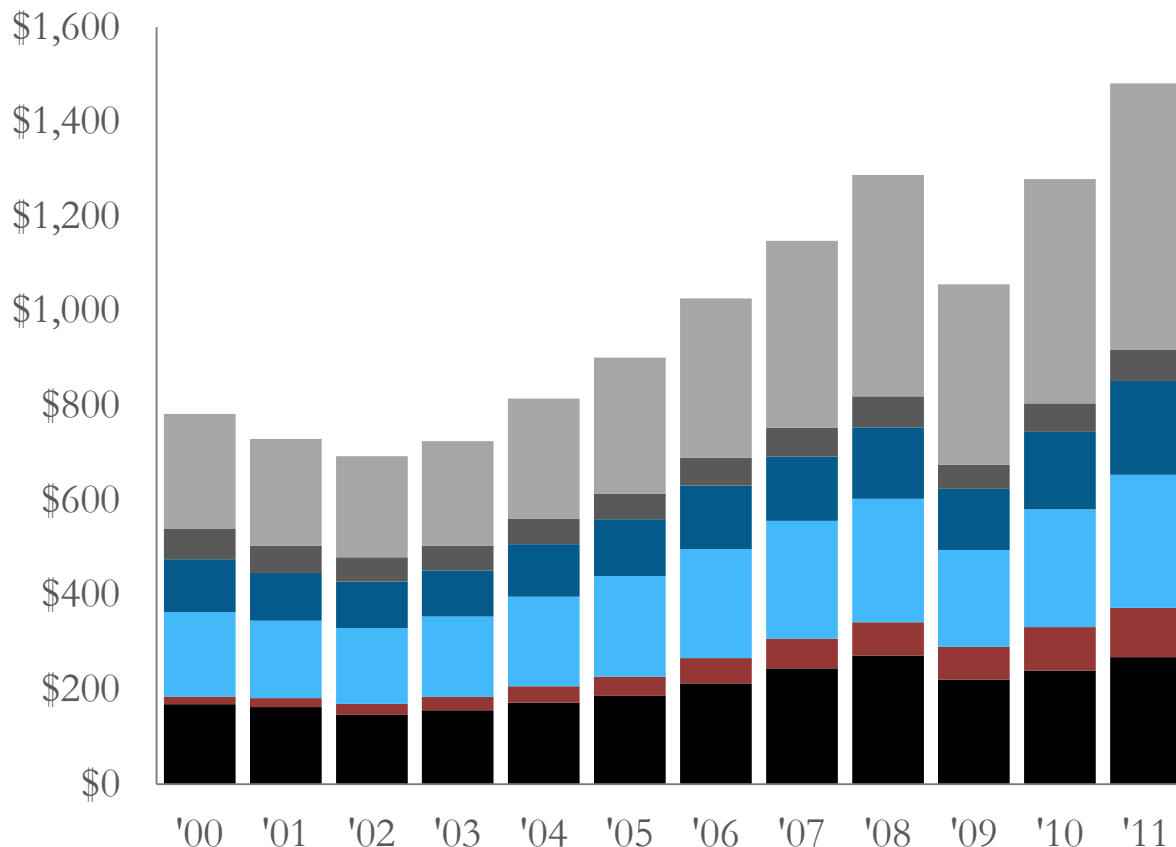


Exports to Europe make up about 18% of total U.S. exports.



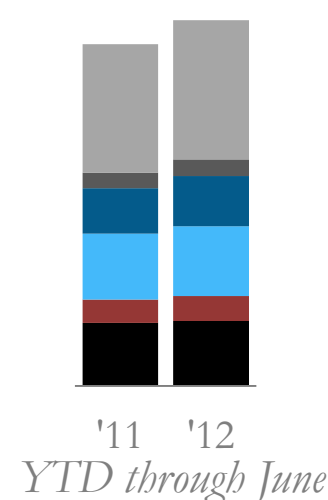
U.S. EXPORTS BY TRADE PARTNER

Billions



JUNE 2012
YEAR-TO-DATE
Percent Change

Trade Partner	Percent Change	SHARE*
Total Trade	7.0%	
All Other	8.2	38.1%
Japan	7.0	4.5
Mexico	11.3	13.3
Canada	5.9	19.0
China	6.7	7.0
Eurozone	2.9	18.1

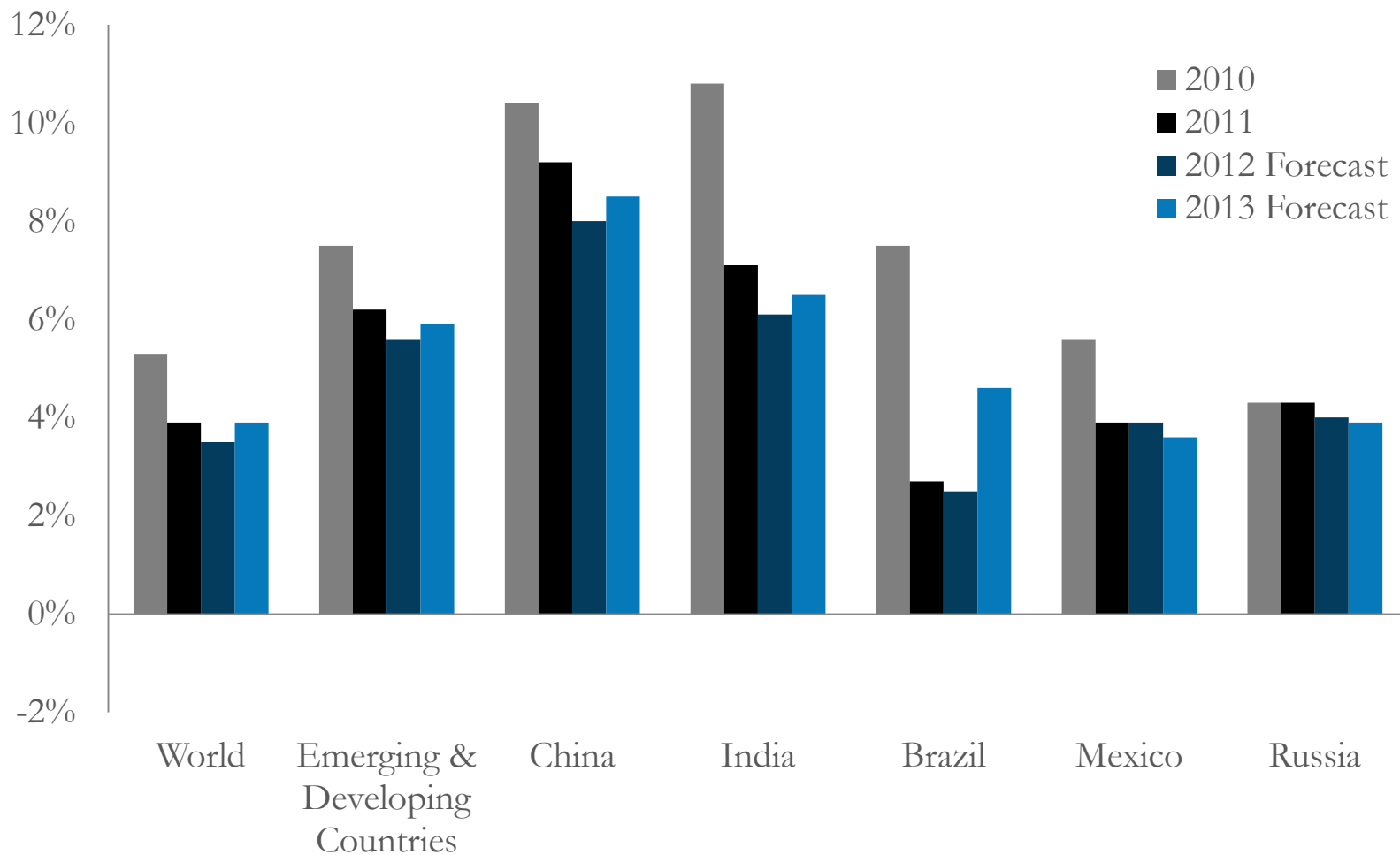


Growth has also slowed somewhat among emerging and developing countries, but growth is expected to pick up next year.



WORLD ECONOMIC OUTLOOK PROJECTIONS

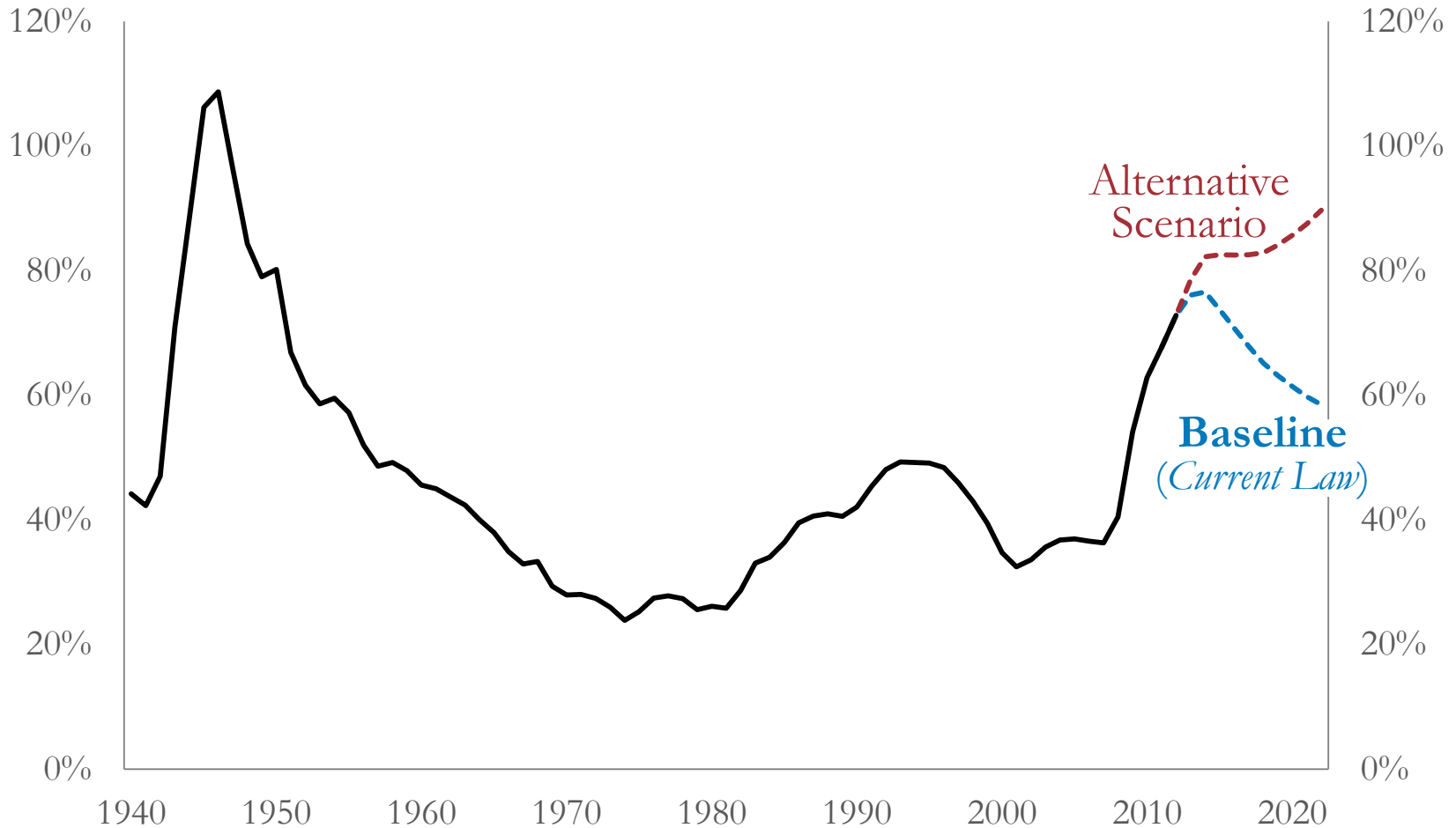
Percent Change



U.S. Federal government debt levels have increased significantly over the last few years.



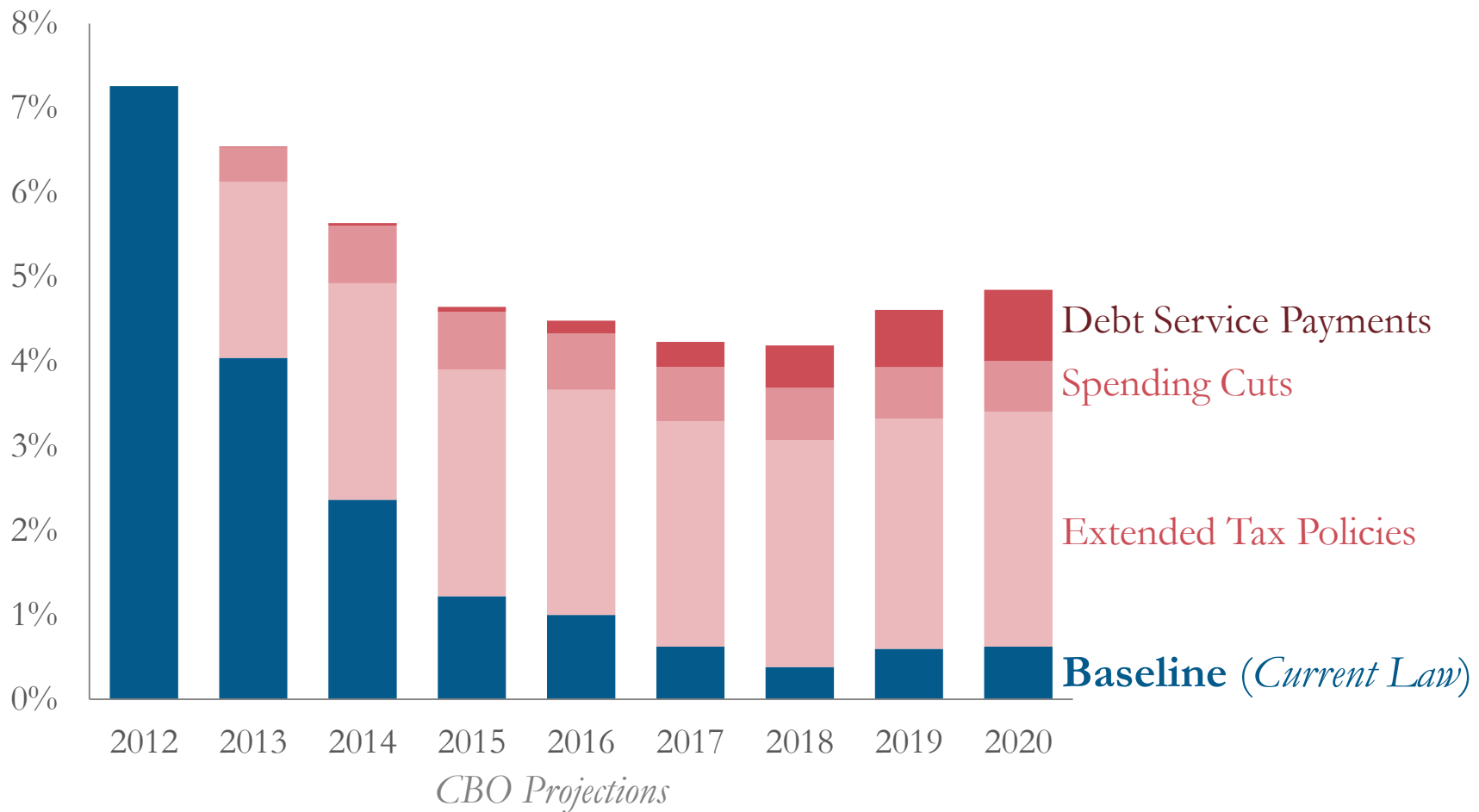
U.S. DEBT TO GDP RATIO



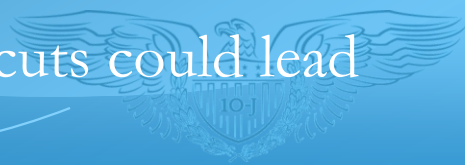
Under current law, U.S. deficits are expected to fall sharply over the next several years.



U.S. DEFICIT TO GDP RATIO

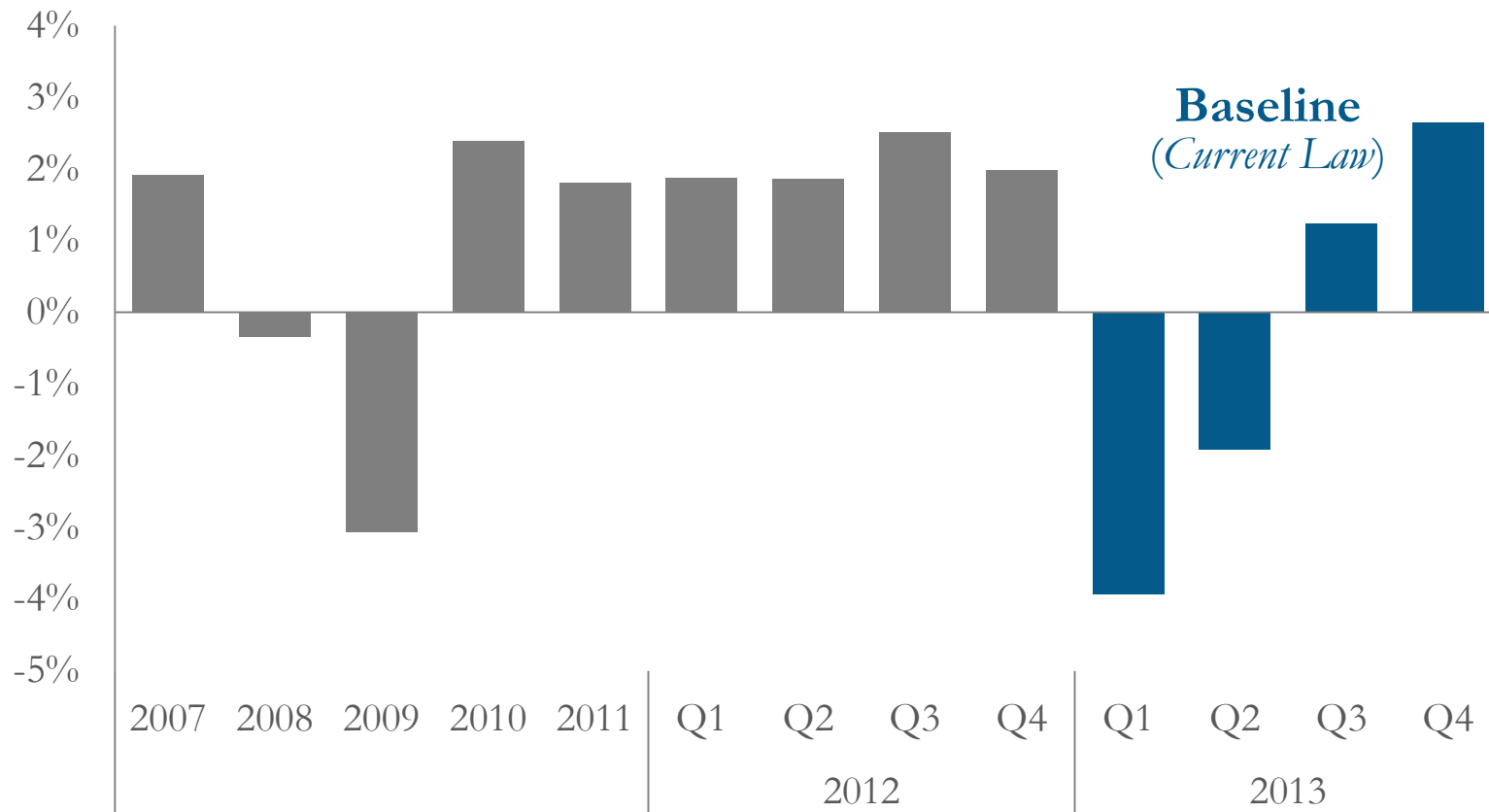


Under current law, several tax increases and spending cuts could lead to a slowdown in economic growth next year.



GDP & THE “FISCAL CLIFF”

Percent Change (Annualized Quarterly Rates)



CBO Projections 2012Q2 to 2013Q4

United States

Economic Update

This presentation will be available at
<http://www.kc.frb.org/denver/>

Alison Felix
Alison.Felix@kc.frb.org

