



The Shape of Economic Recovery

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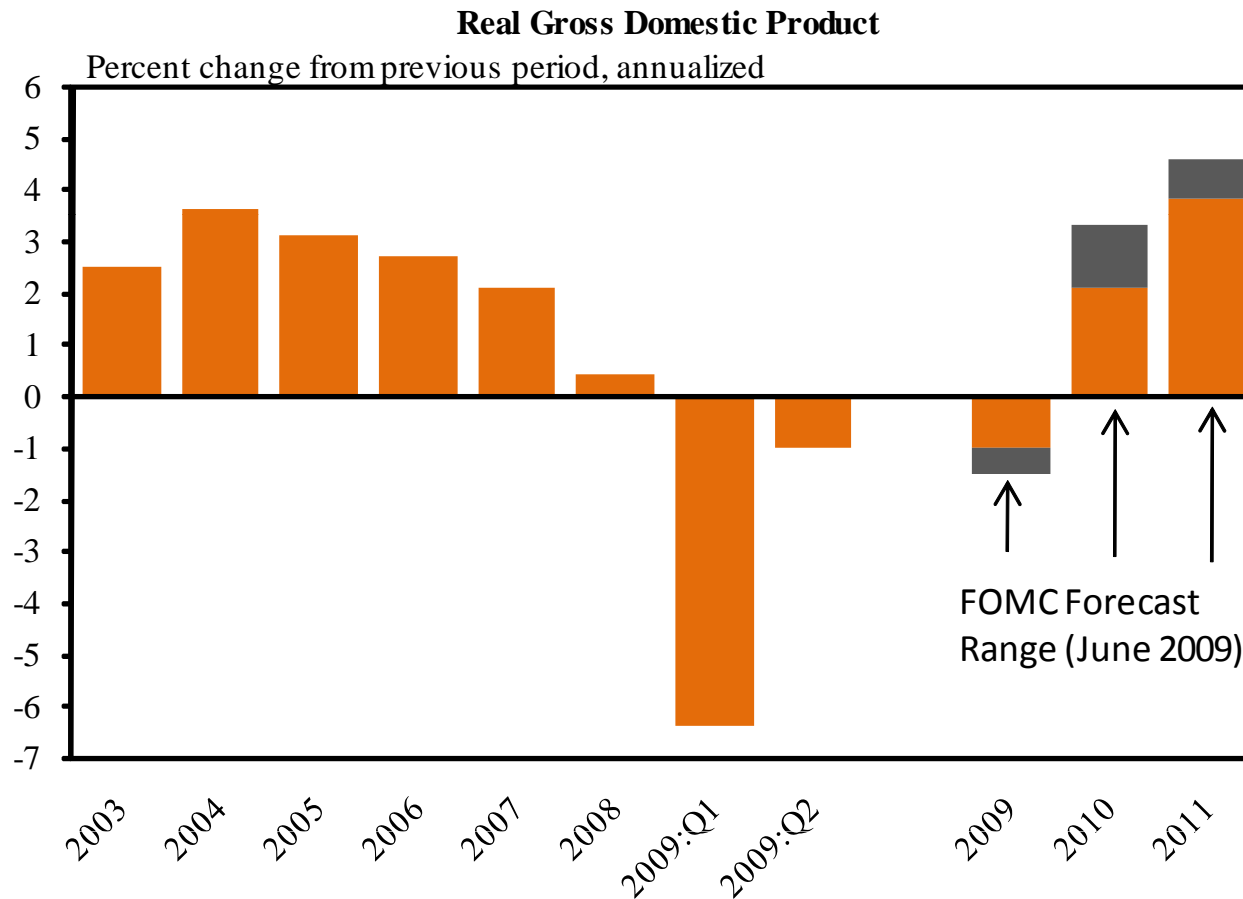
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U.S. Economic Overview

- ◎ The U.S. economy has contracted sharply since the recession began.
 - Housing markets and construction activity have been very weak.
 - Financial markets and credit conditions have tightened.
 - Manufacturing activity declined dramatically as export markets weakened and consumers cut back.
 - Labor market conditions have worsened.
- ◎ The economy is beginning to show signs of recovery as policies implemented by the Federal Reserve, Treasury, Congress and President start to take hold.
- ◎ What will recovery look like?



Real GDP has fallen sharply since the recession started in December 2007.

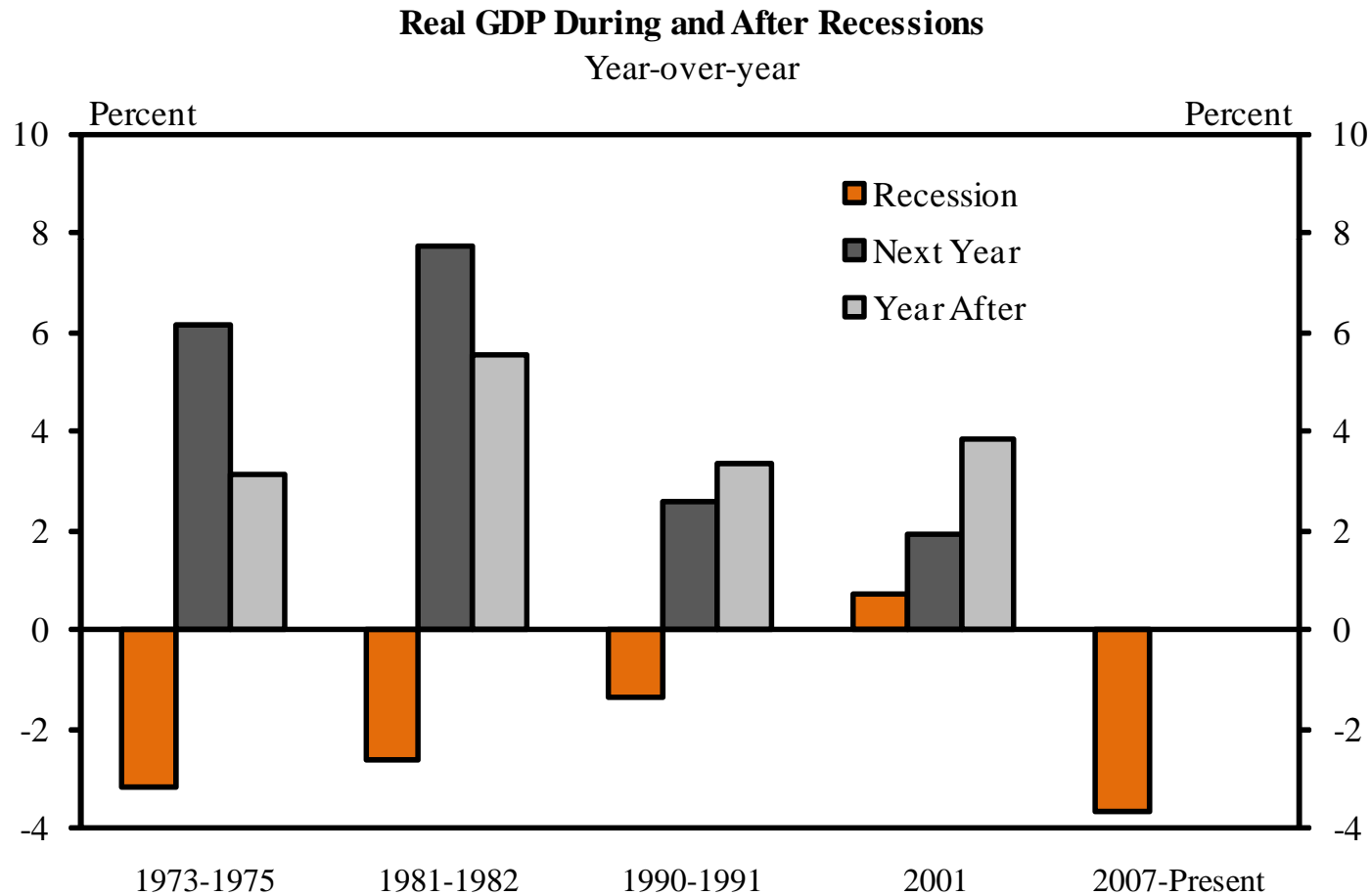


Source: Bureau of Economic Analysis; FOMC

Latest release: 07/31/2009



In the past, the rebound in real GDP has been greater after sharp downturns.

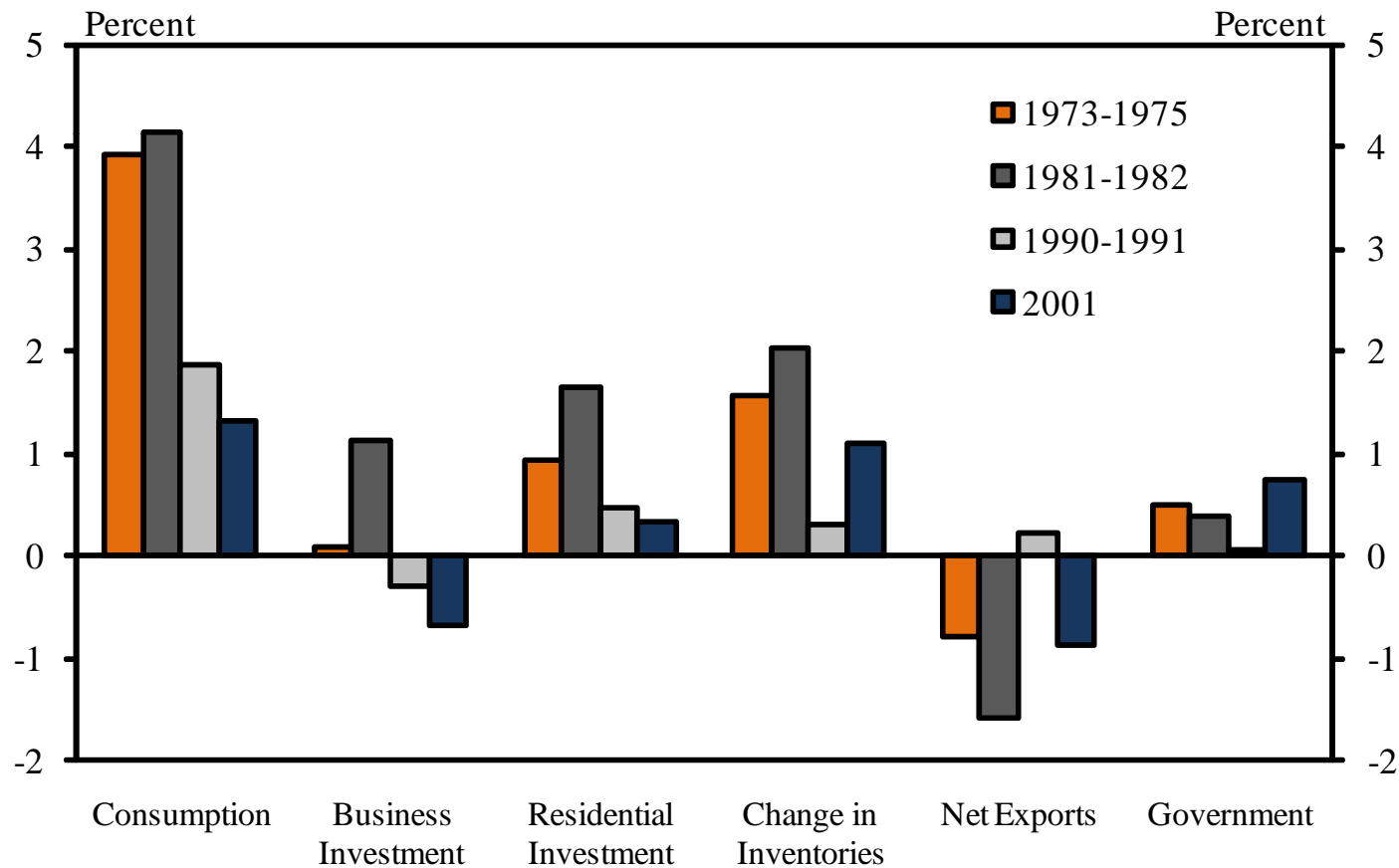


Source: BEA



Consumption usually makes the largest contribution to GDP in the year following a recession.

Contributions to Real GDP by Component in the Year Following a Recession
Average quarterly rate (at an annualized rate)



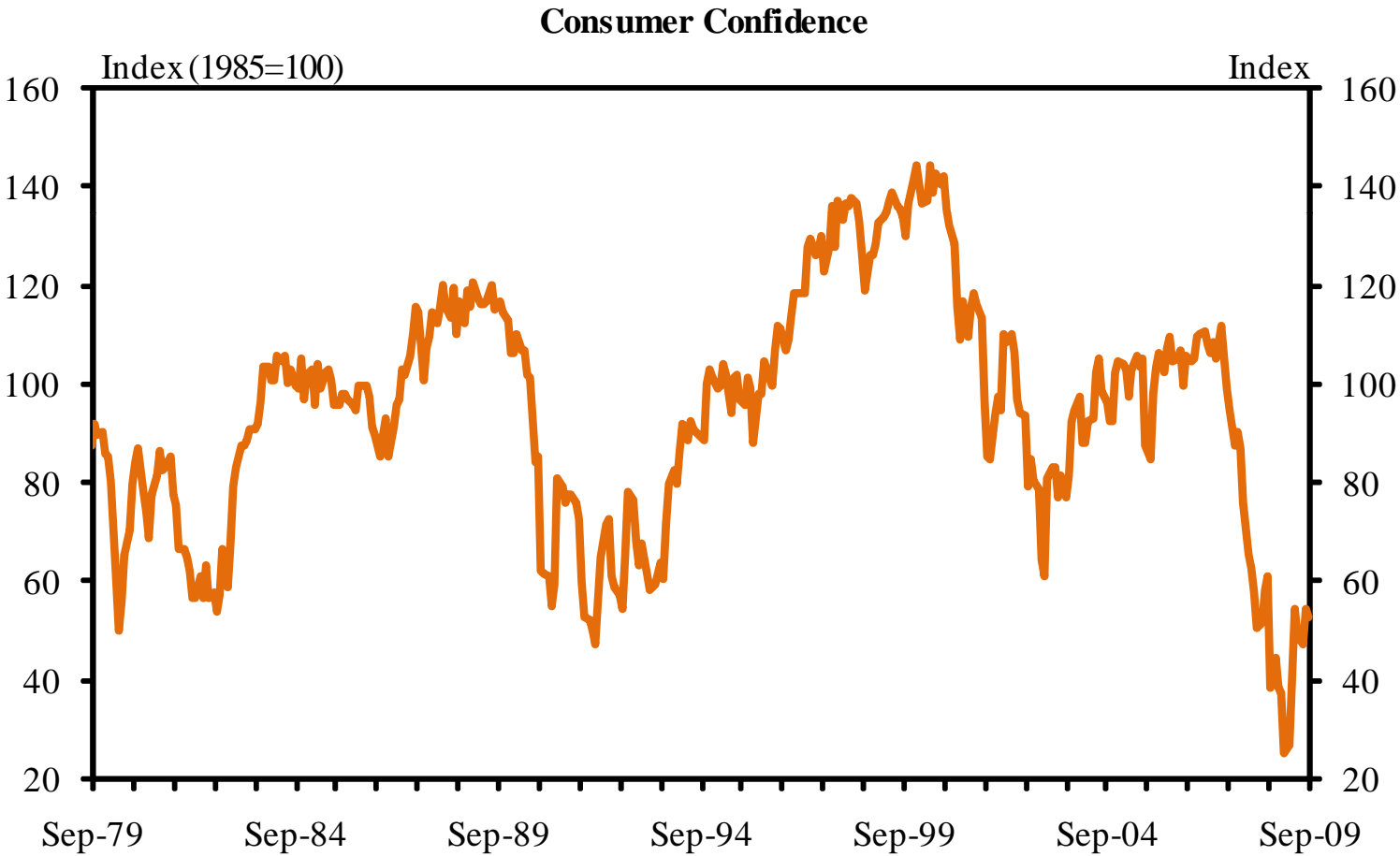
Source: BEA



Consumption



Consumer confidence has trended upward over the past six months.

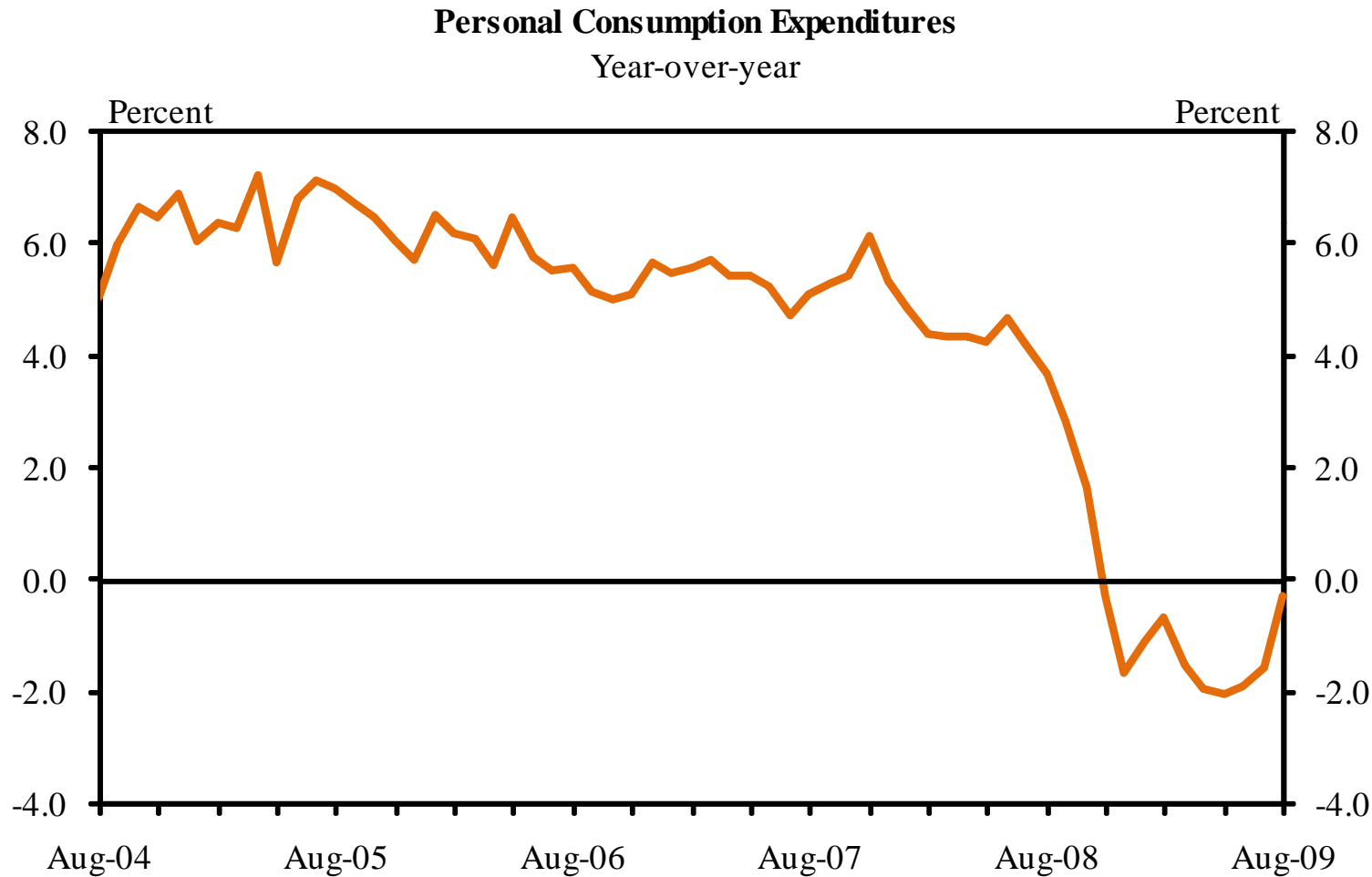


Source: Conference Board

Latest release: 09/29/2009



Consumption increased slightly over the summer but remains below year-ago levels.

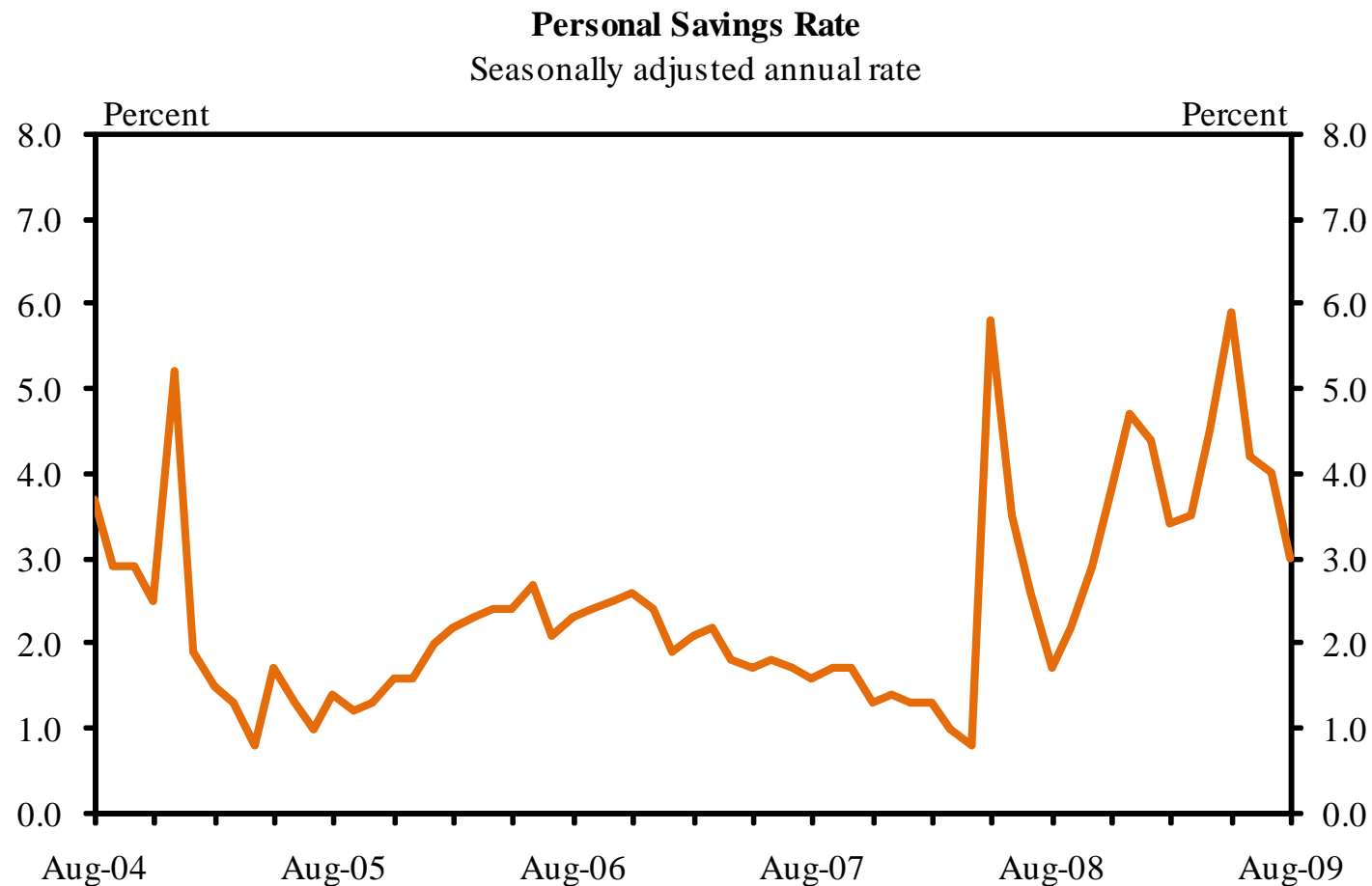


Source: Bureau of Economic Analysis

Latest release: 10/01/2009



Personal savings rates have increased from pre-recession levels.



Source: Bureau of Economic Analysis

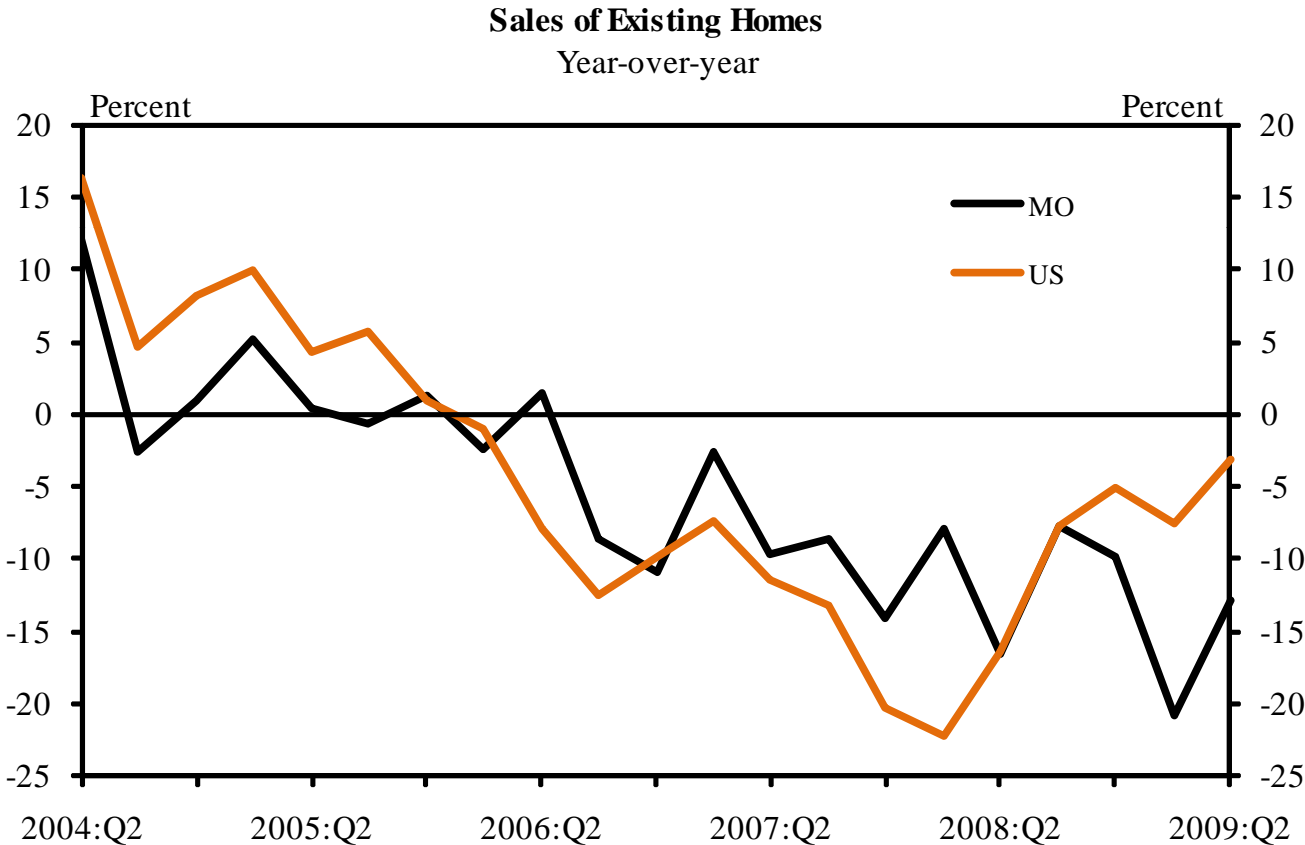
Latest release: 10/01/2009



Residential Investment



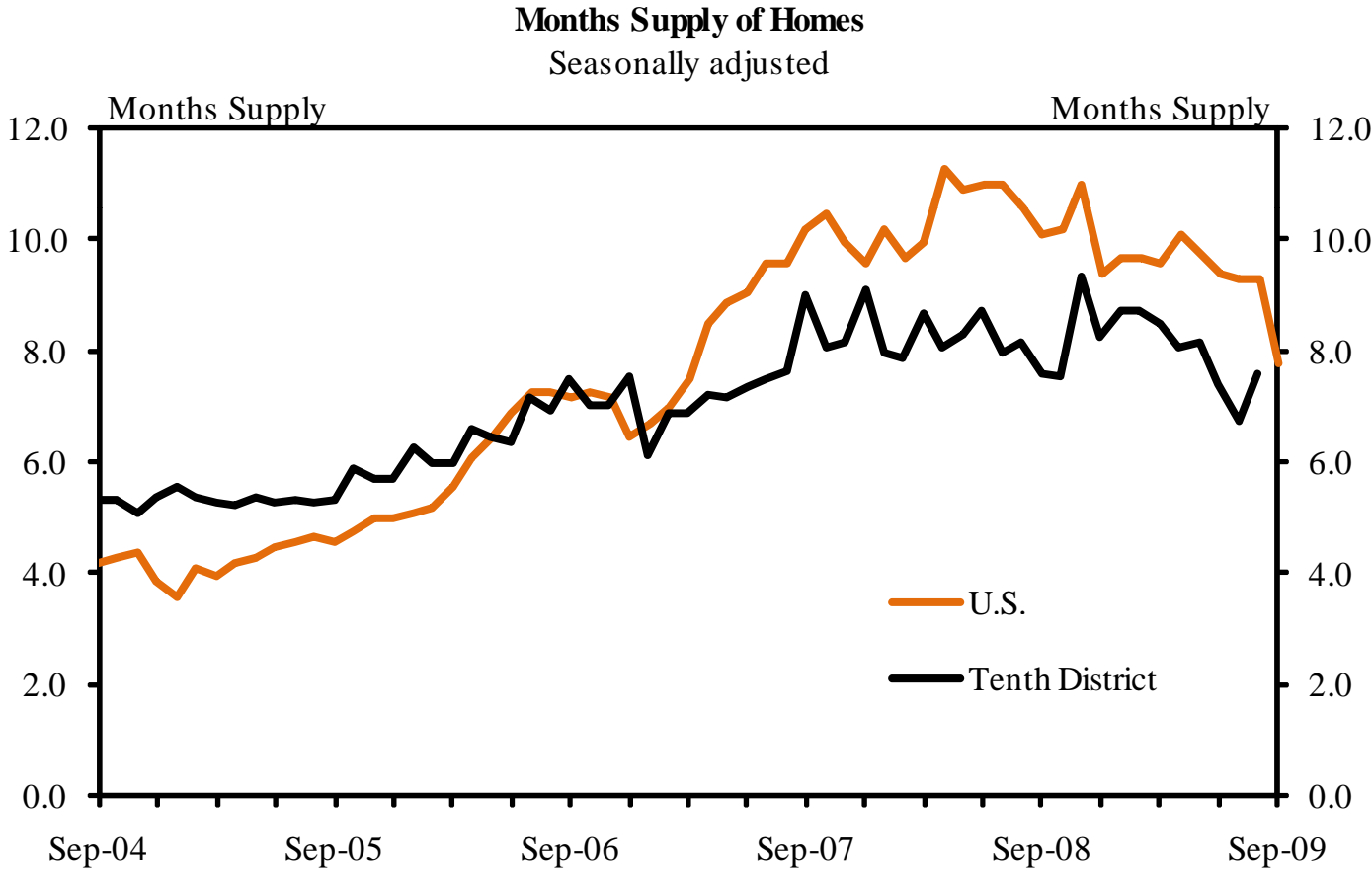
Home sales have fallen sharply since late 2005, but have since increased slightly.



Source: NAR



The months supply of homes has decreased lately, but remains elevated.

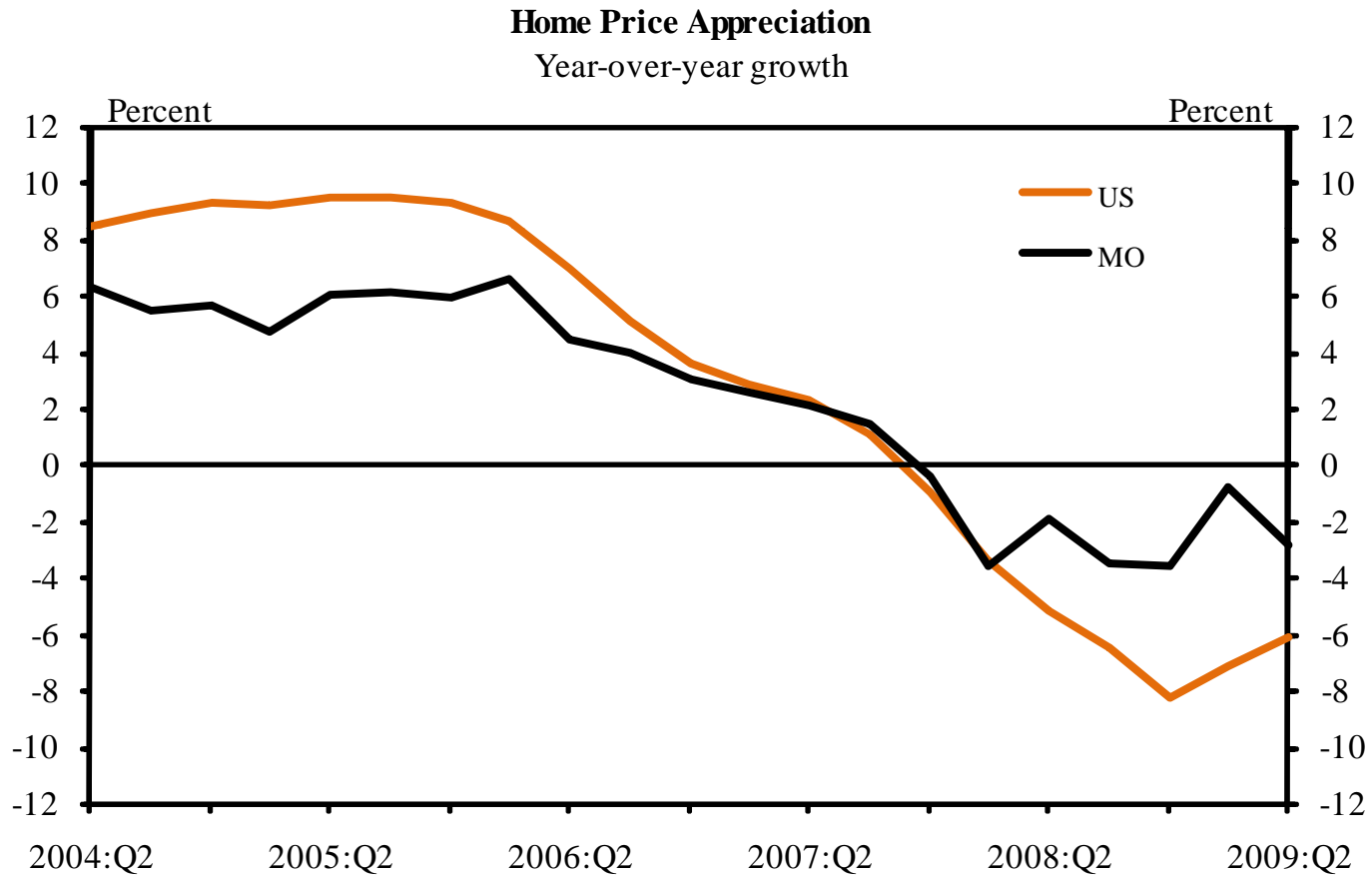


Source: NAR and Local Realtor

Latest release: 10/23/2009



Home prices are well below year-ago levels in the U.S.

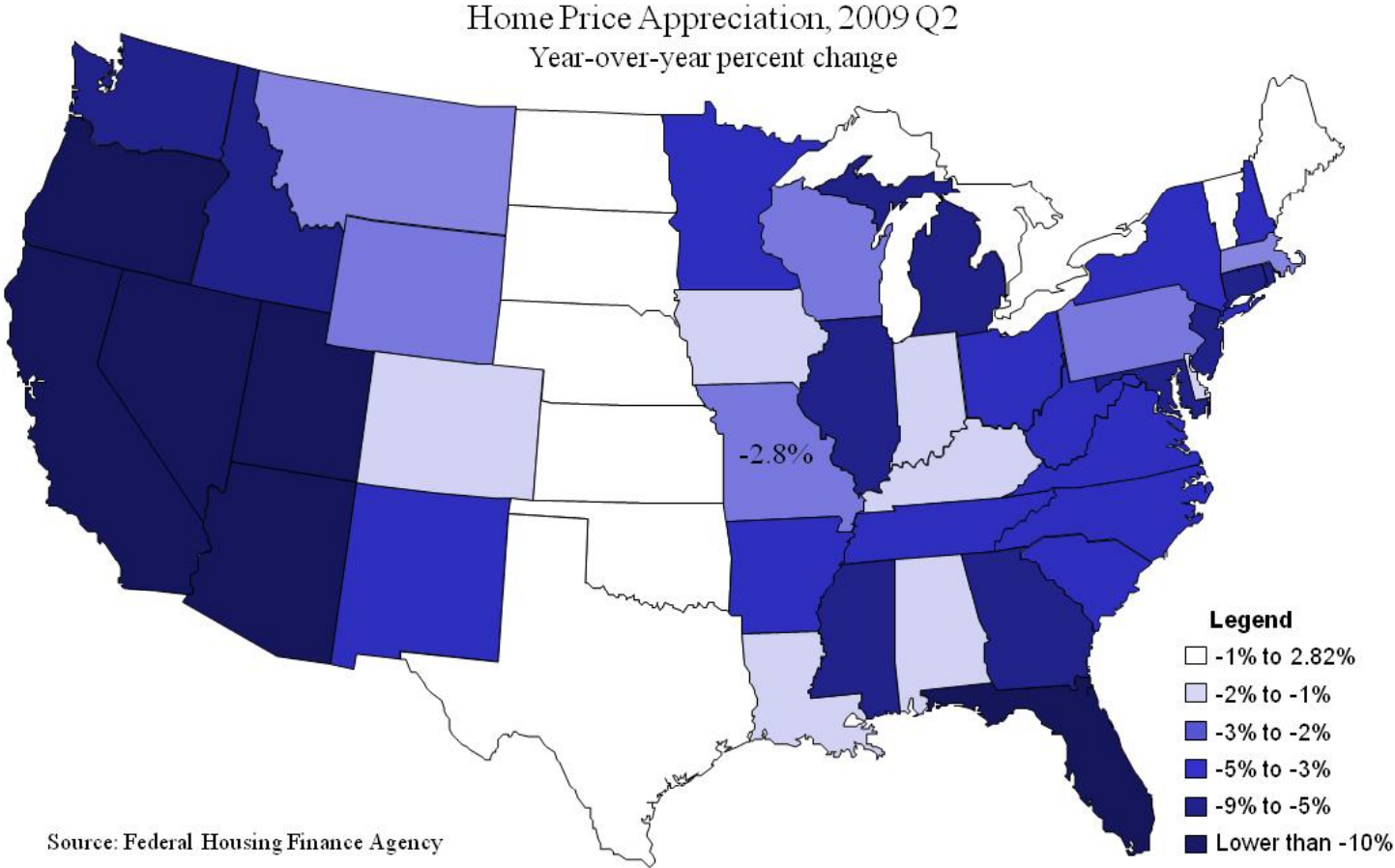


Source: FHFA

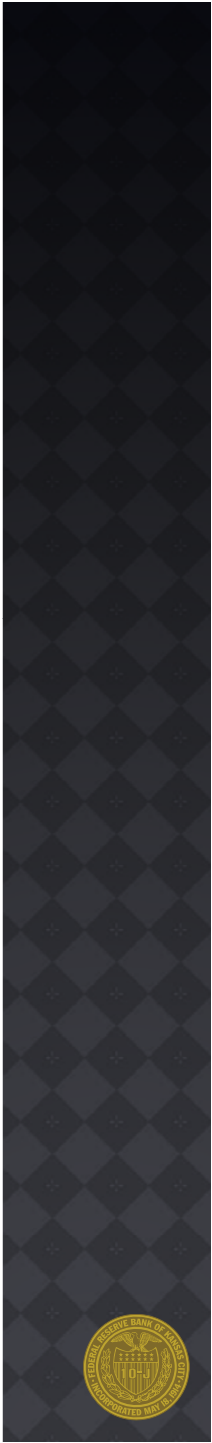
Latest release: 08/25/2009



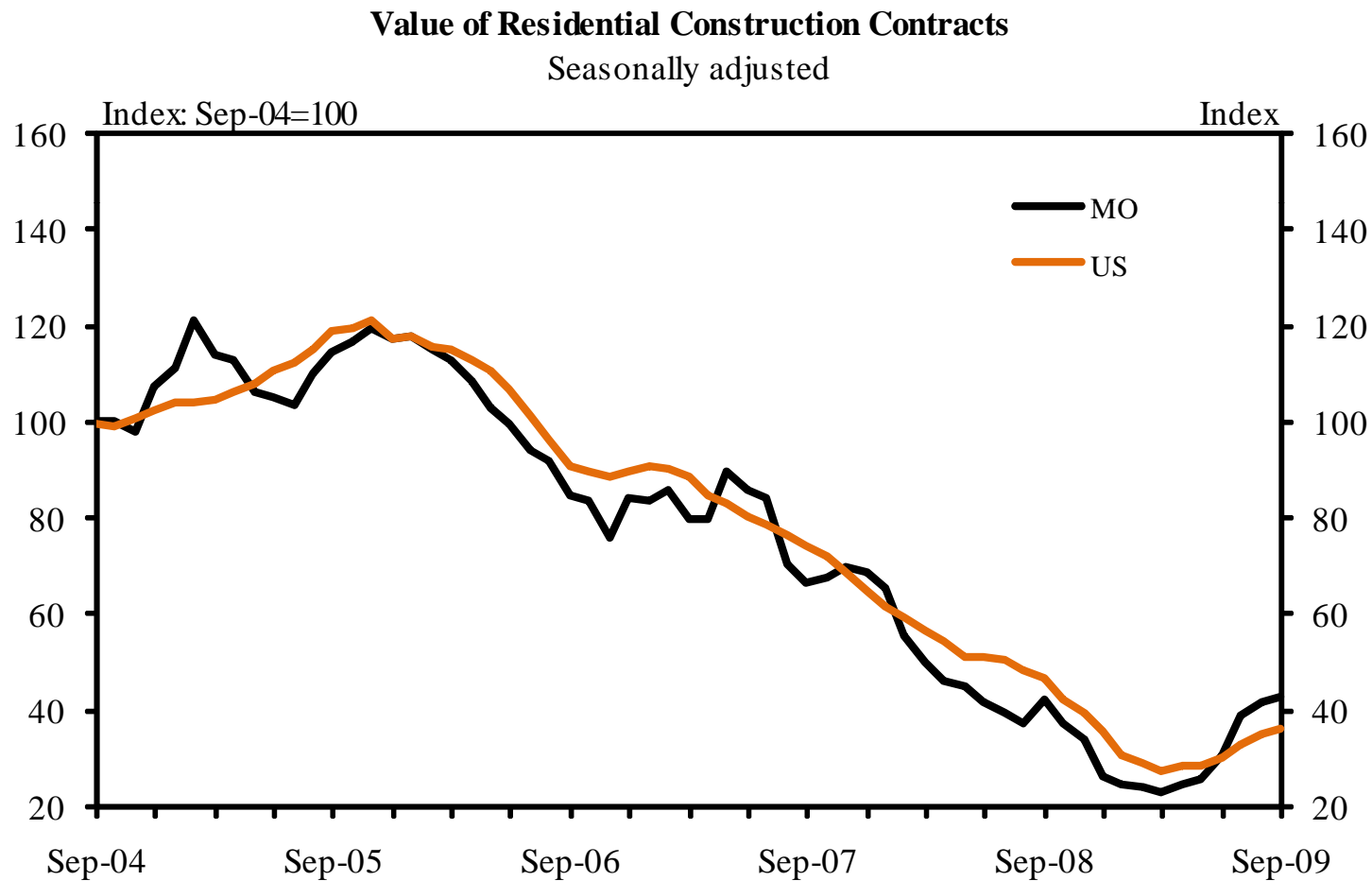
Home price appreciation has varied widely across the nation.



Source: Federal Housing Finance Agency



Residential construction activity has increased slightly over the past few months.



Source: F.W. Dodge, Inc.

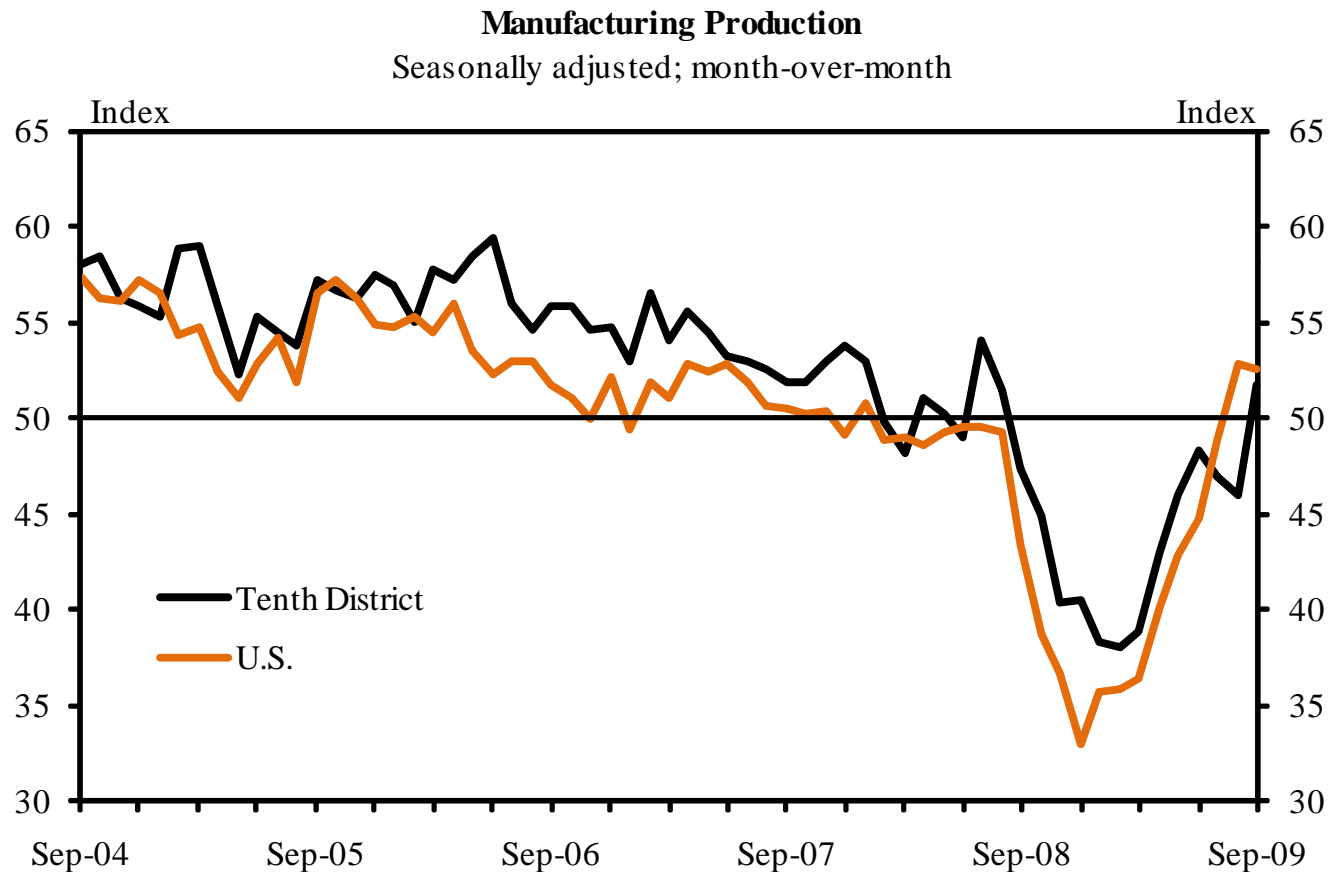
Latest release: 10/15/2009



Business Investment



Recent surveys indicate that manufacturing activity is stabilizing.



Note: 10J index is computed on ISM basis (50 = zero change)

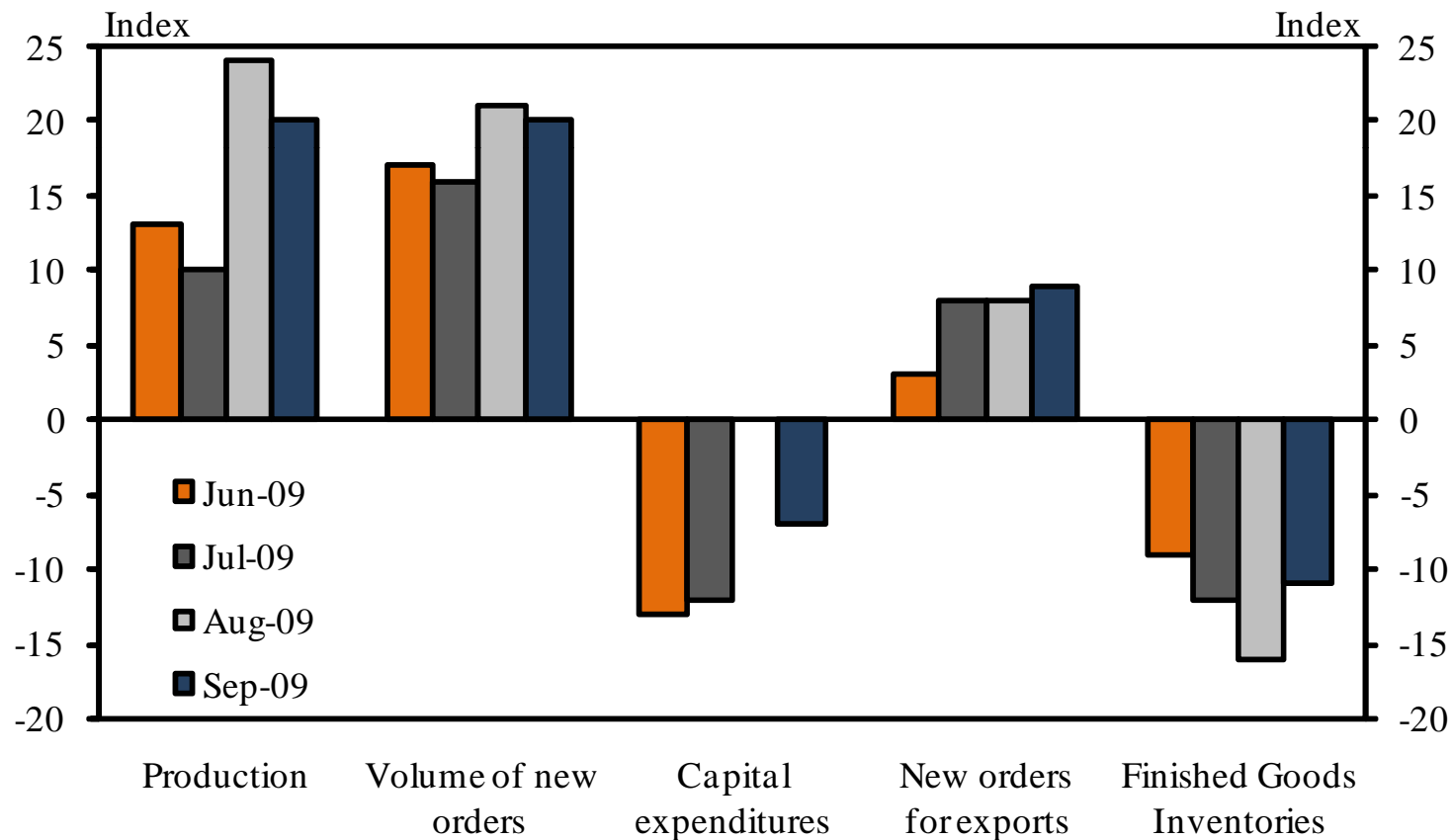
Sources: ISM, FRBKC Manufacturing Survey

Latest release: 09/23/2009 for the Manufacturing Survey and 09/01/2009 for ISM



Production levels and new orders are expected to increase in the next 6 months.

Manufacturing Expectations - Six Months Ahead
Seasonally adjusted



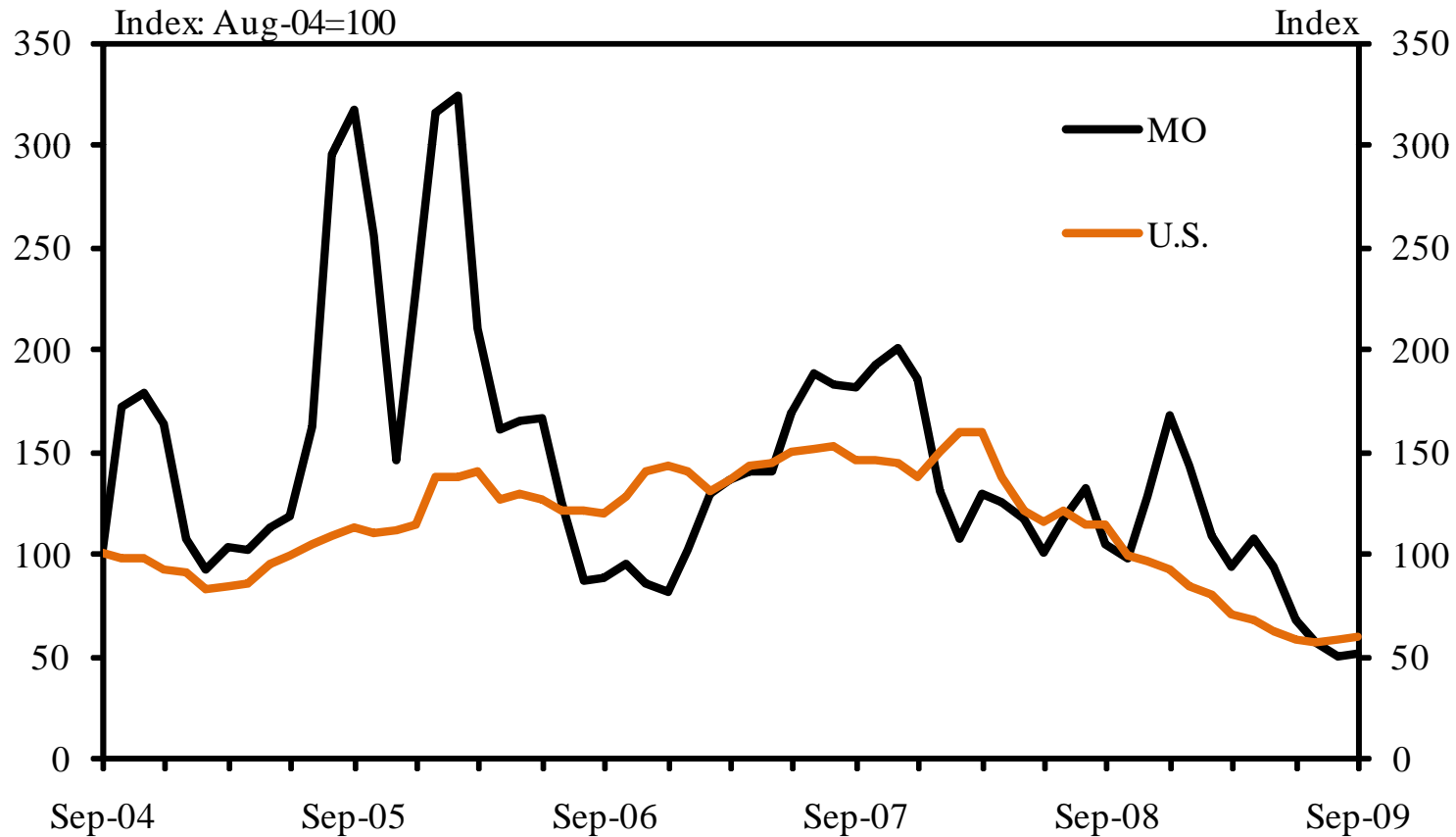
Source: FRBKC Manufacturing Survey

Latest release: 09/24/2009



Commercial construction activity remains slow.

Value of Commercial Construction Contracts
Seasonally adjusted, 3-mo. mov. av.



Source: F.W. Dodge, Inc.

Latest release: 10/15/2009

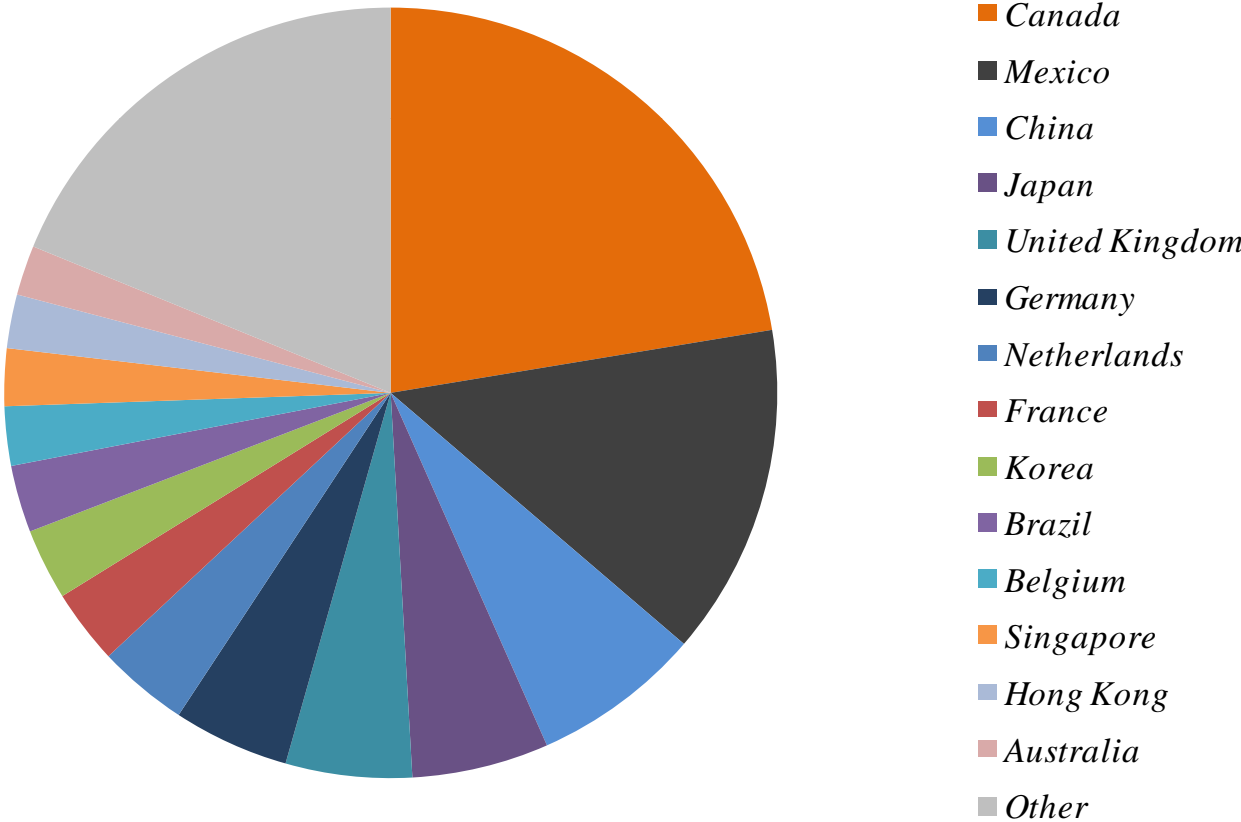


Net Exports



Canada, Mexico and China are the largest importers of U.S. goods.

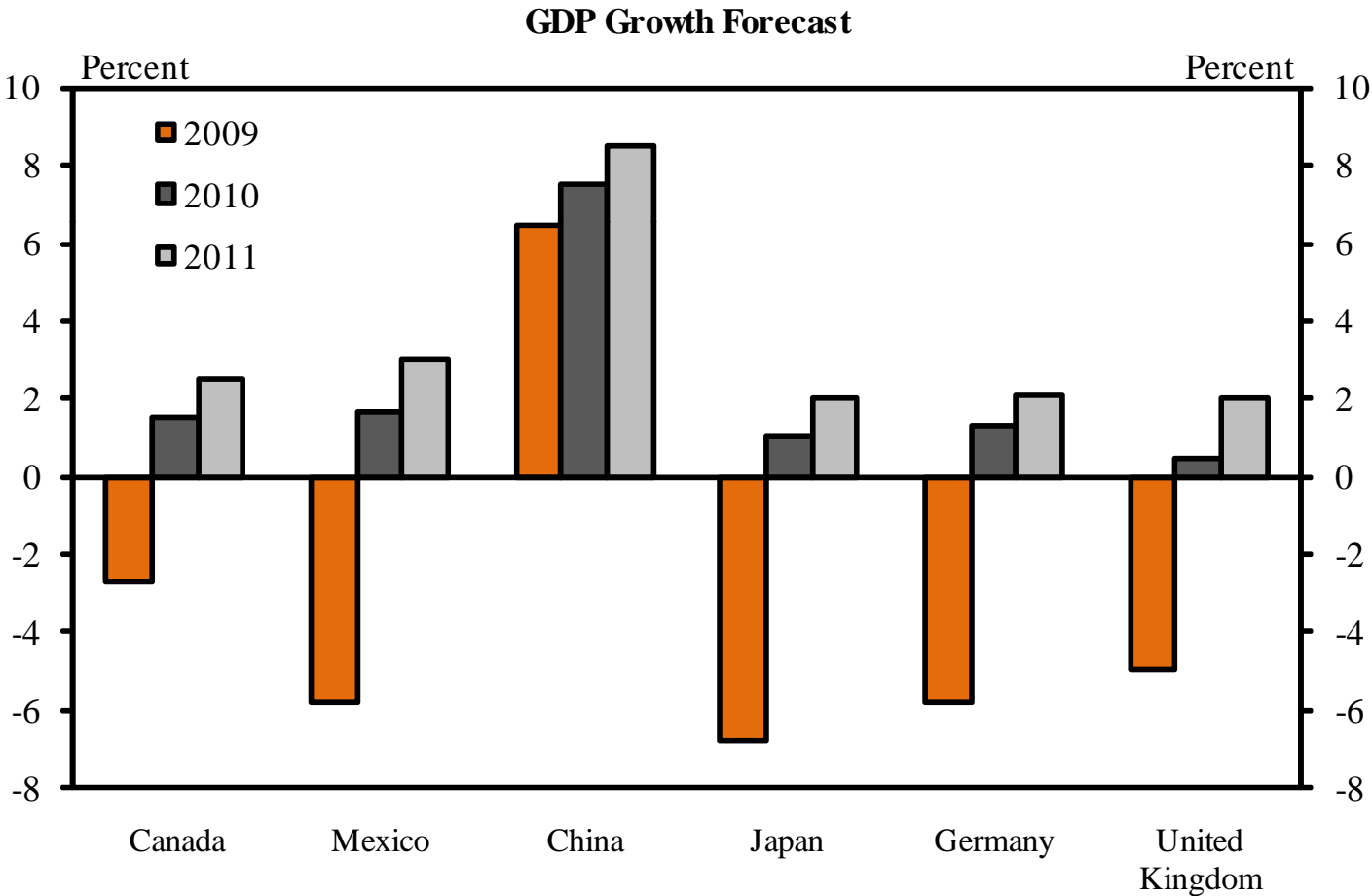
Exports, 2009 through July



Source: Department of Commerce



The global economy is expected to recover gradually in 2010.



Source: World Bank

Latest release: 06/22/2009

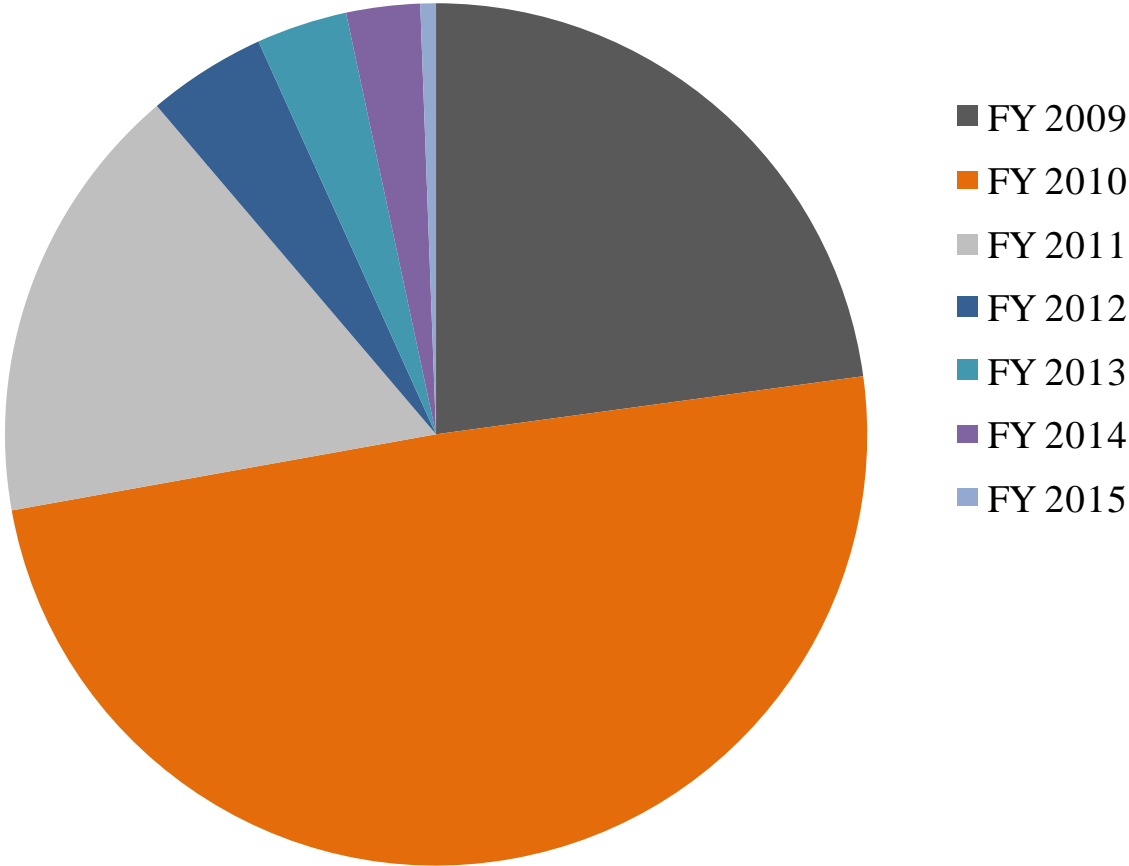


Government Spending



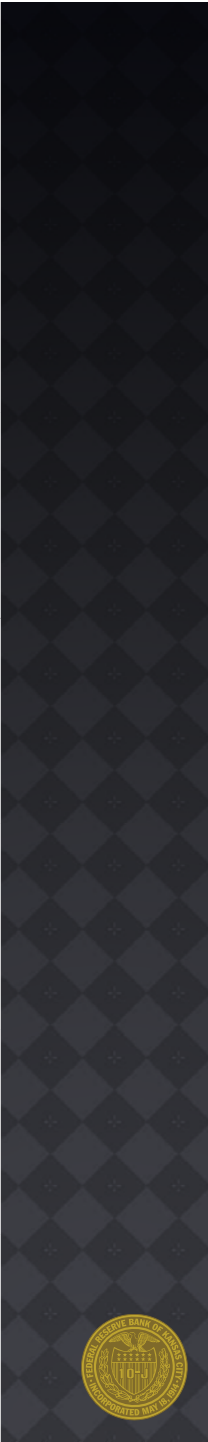
The majority of stimulus funds will be spent by mid-2010.

Stimulus Spending

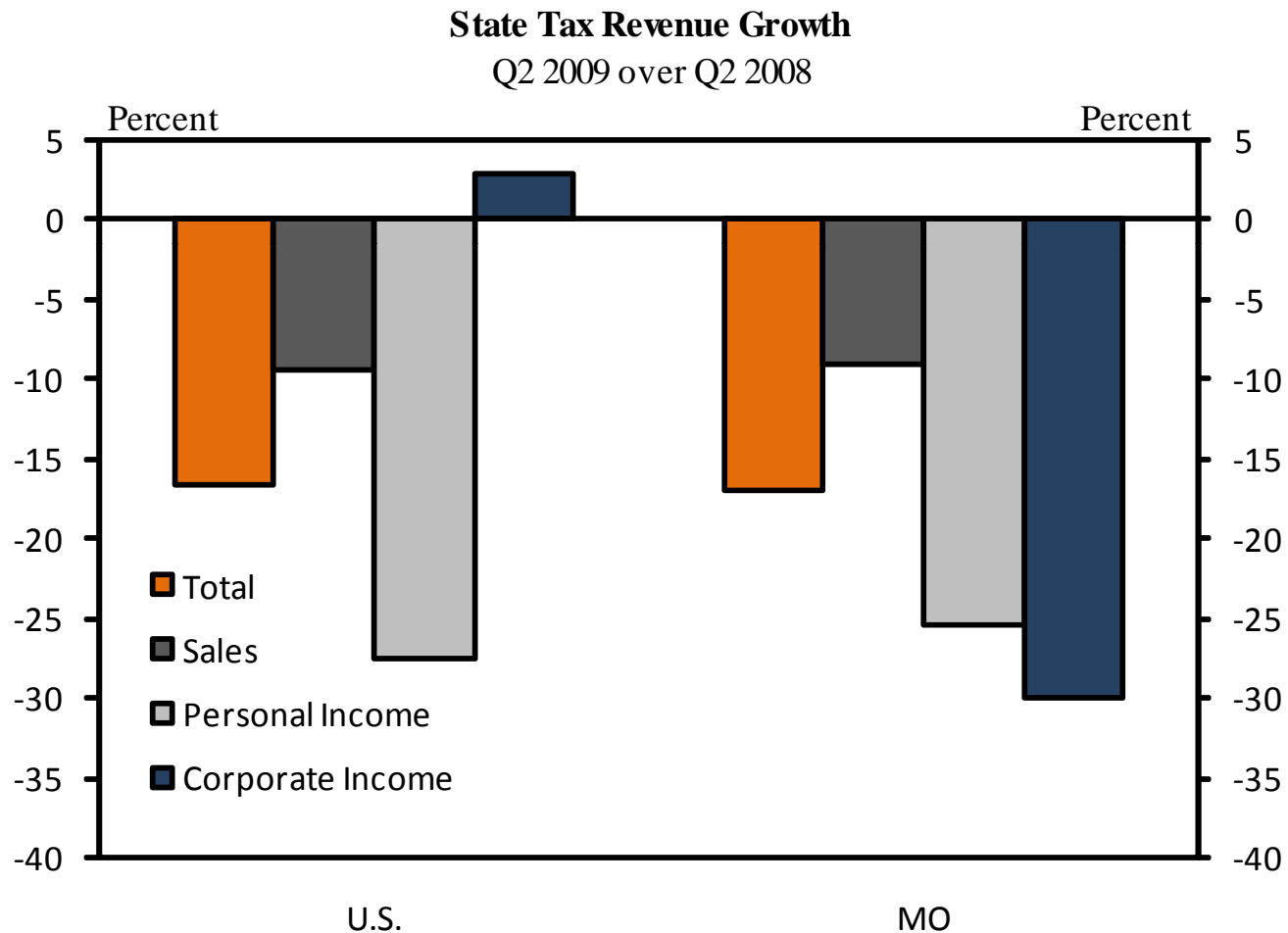


Source: Congressional Budget Office

Latest release: 02/13/2009



State governments must cut back as tax revenues plummet.



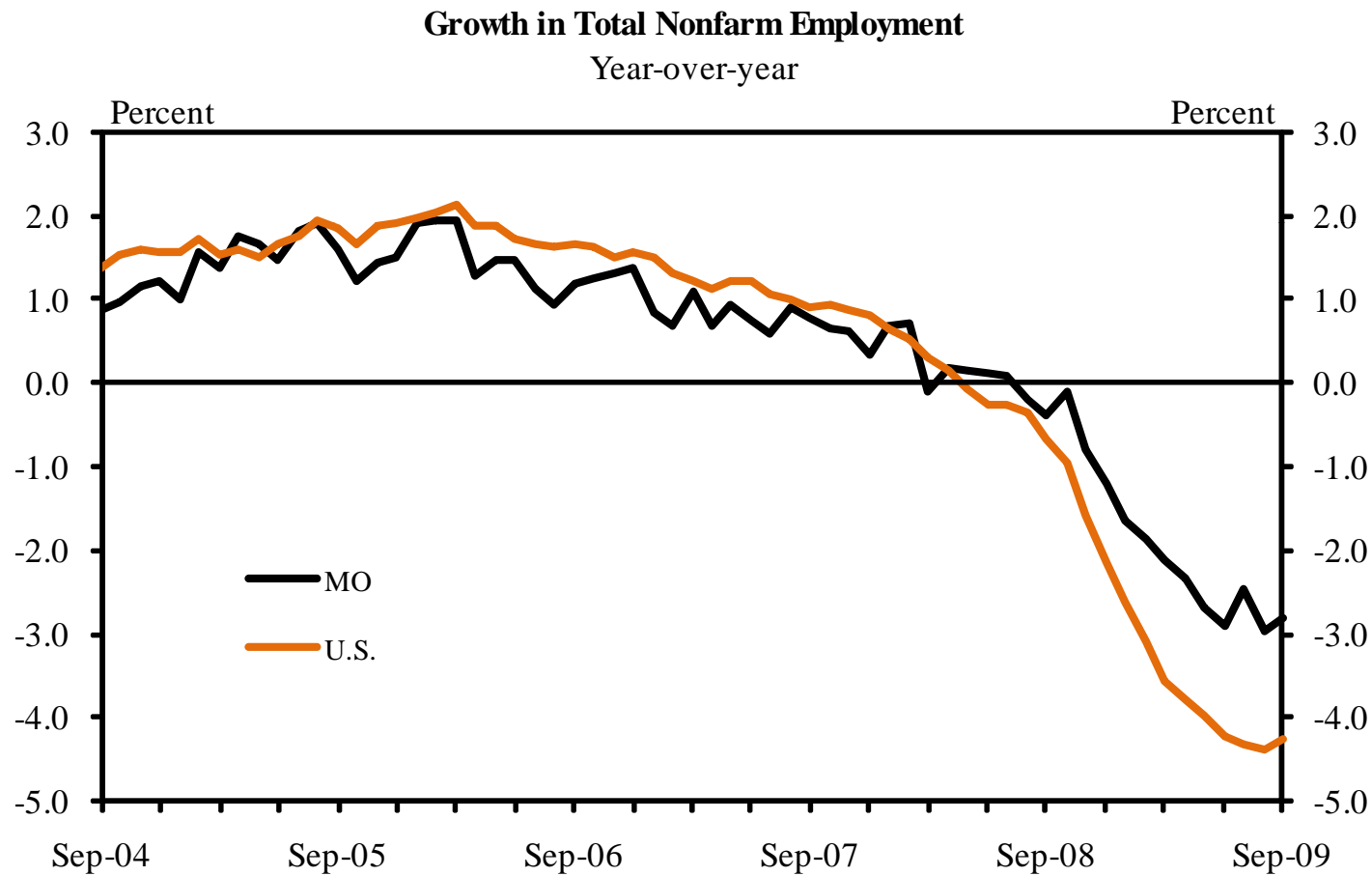
Source: U.S. Census Bureau



Labor Market



Employment has fallen sharply over the past year.

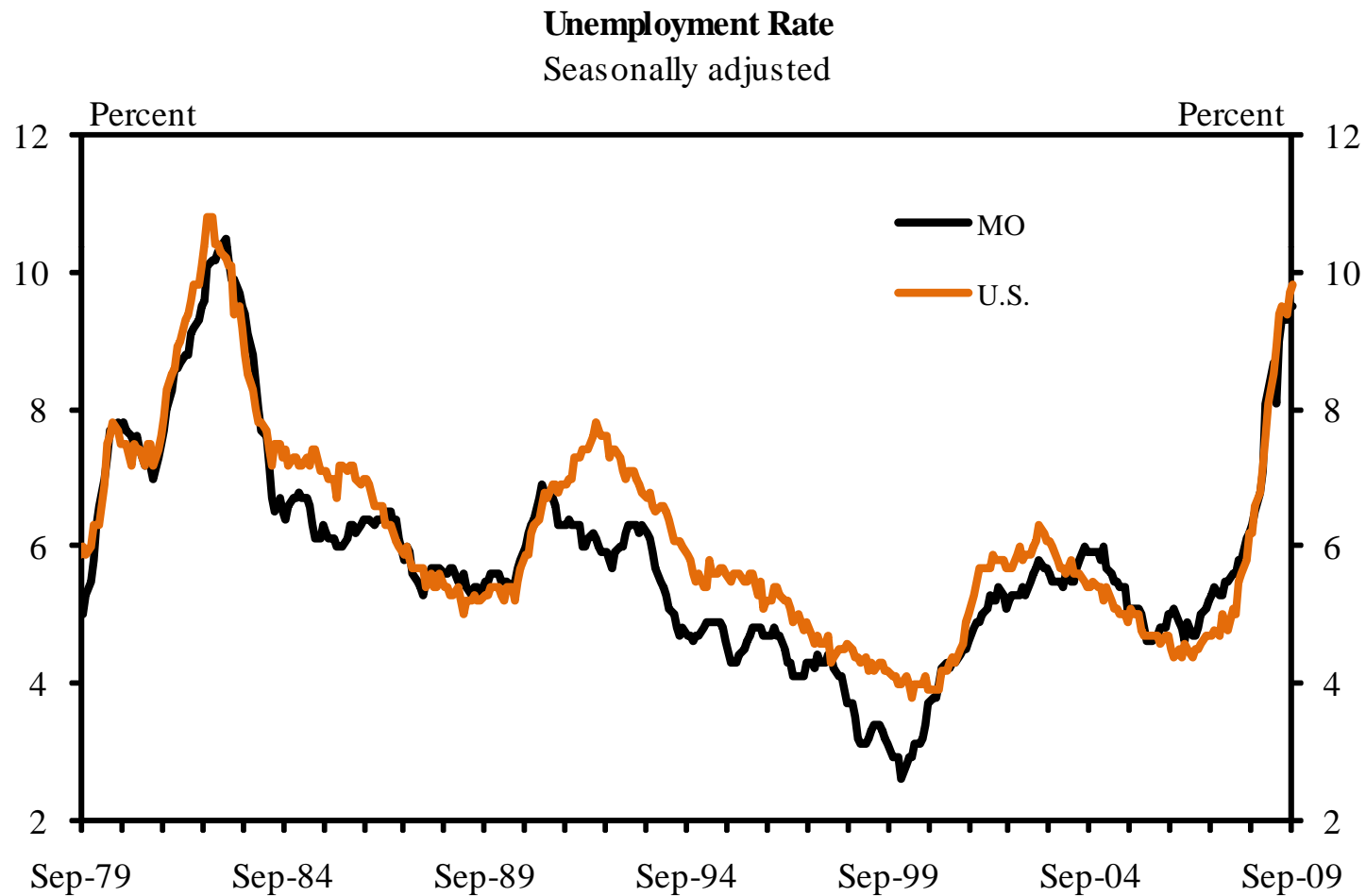


Source: Bureau of Labor Statistics

Latest release: 10/21/2009



Unemployment rates continue to increase.

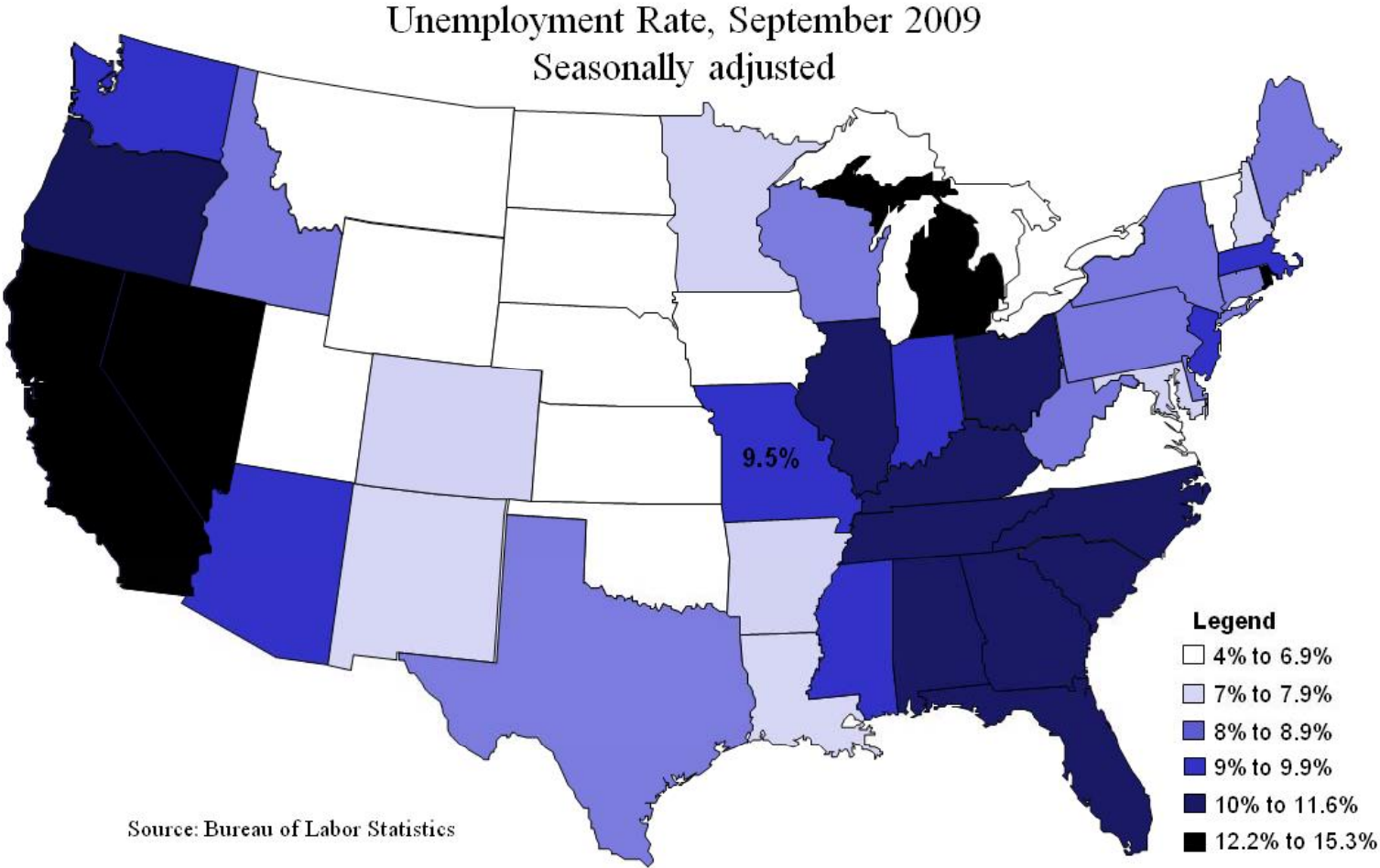


Source: Bureau of Labor Statistics

Latest release: 10/21/2009



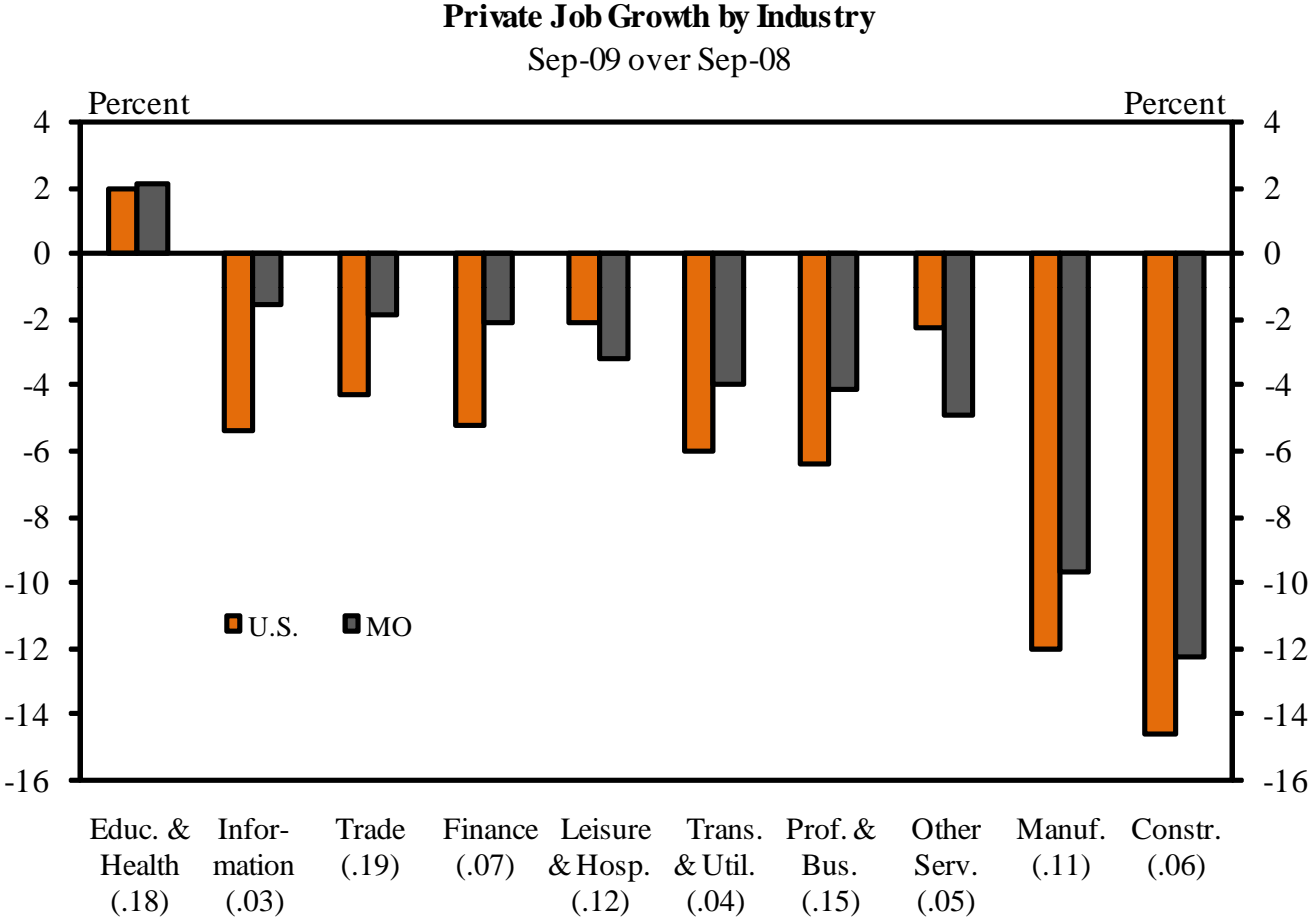
There are large regional variations in unemployment.



Source: Bureau of Labor Statistics



The education and health industries are the only industries experiencing job growth.



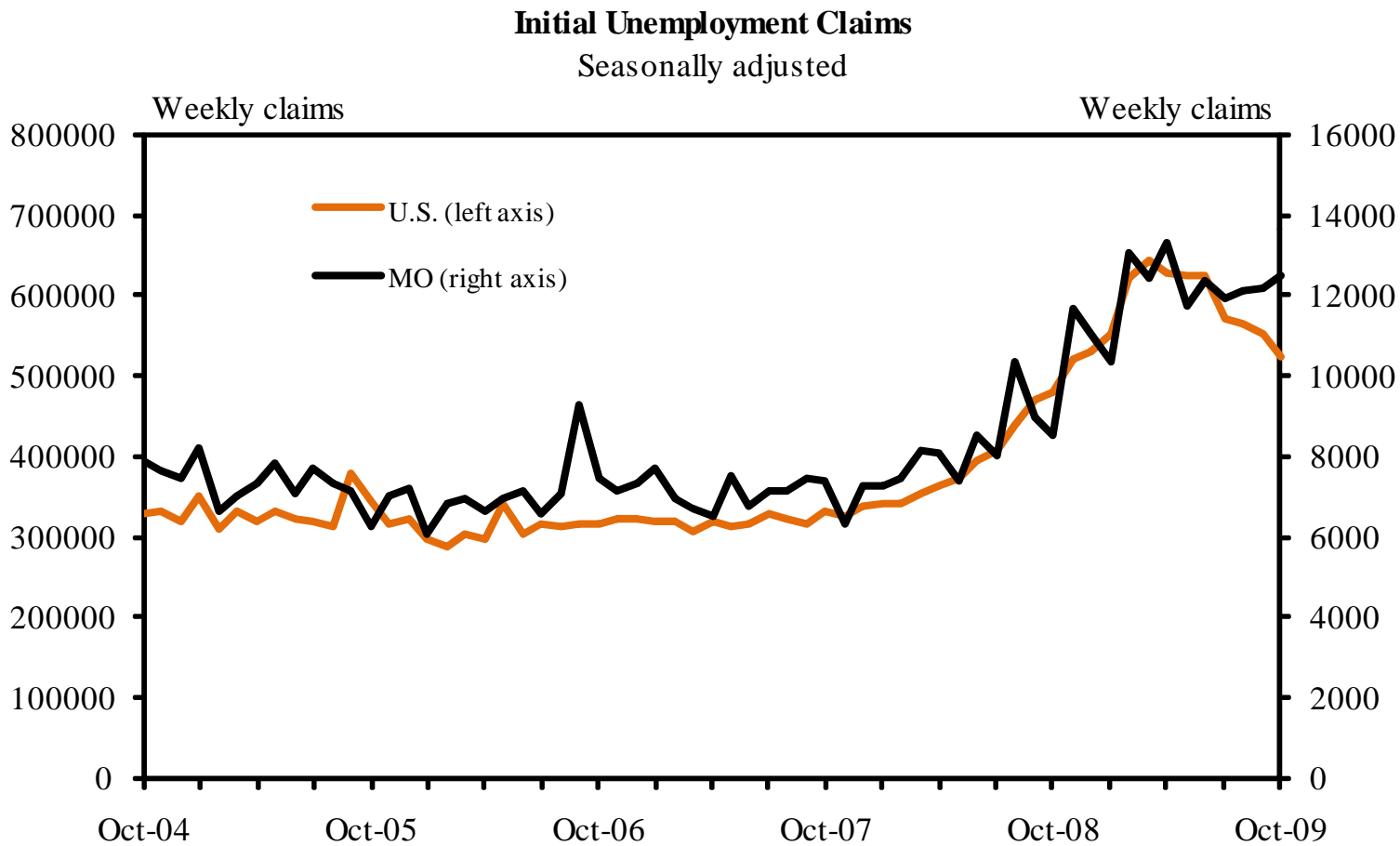
Source: Bureau of Labor Statistics

Latest release: 10/21/2009

Note: Number in parentheses is the industry's share of total private jobs in MO in Sep-09



Initial unemployment claims remain elevated.



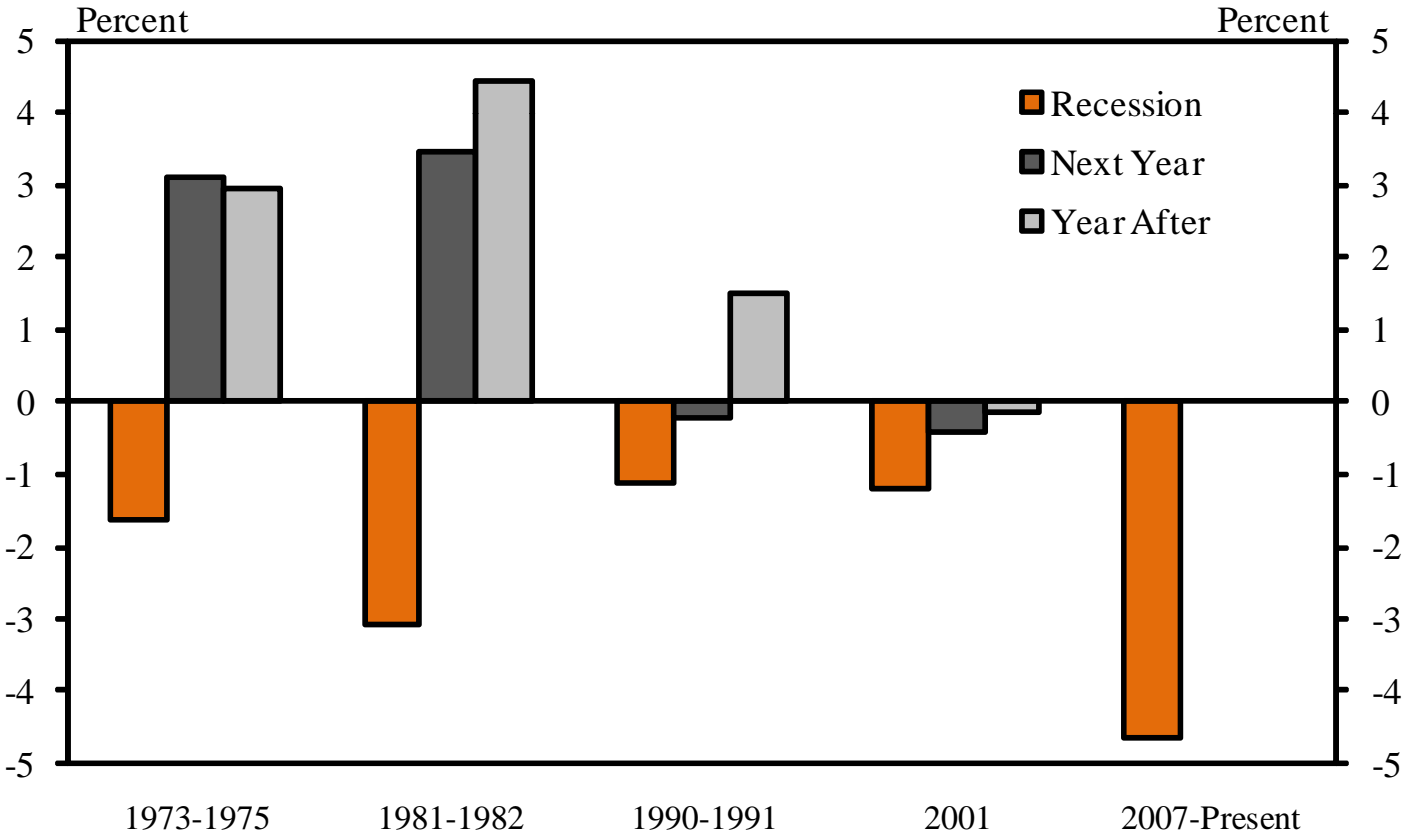
Source: Department of Labor

Latest release: 10/22/2009



The last two recessions were “jobless recoveries”.

Total Nonfarm Employment Changes During and After Recessions
Seasonally adjusted



Source: BLS



Conclusions

- ⦿ Most economists expect the U.S. economy to recover gradually over the next couple of years.
- ⦿ There are several factors that will likely prevent a more robust recovery.
 - Credit conditions remain tighter than pre-recession levels.
 - Consumers seem less willing to spend as they try to rebuild wealth.
 - An excess supply of housing will take time to work off.
 - Unemployment is likely to remain stubbornly high for some time.

