

Economic Update

Canada – United States Business Association

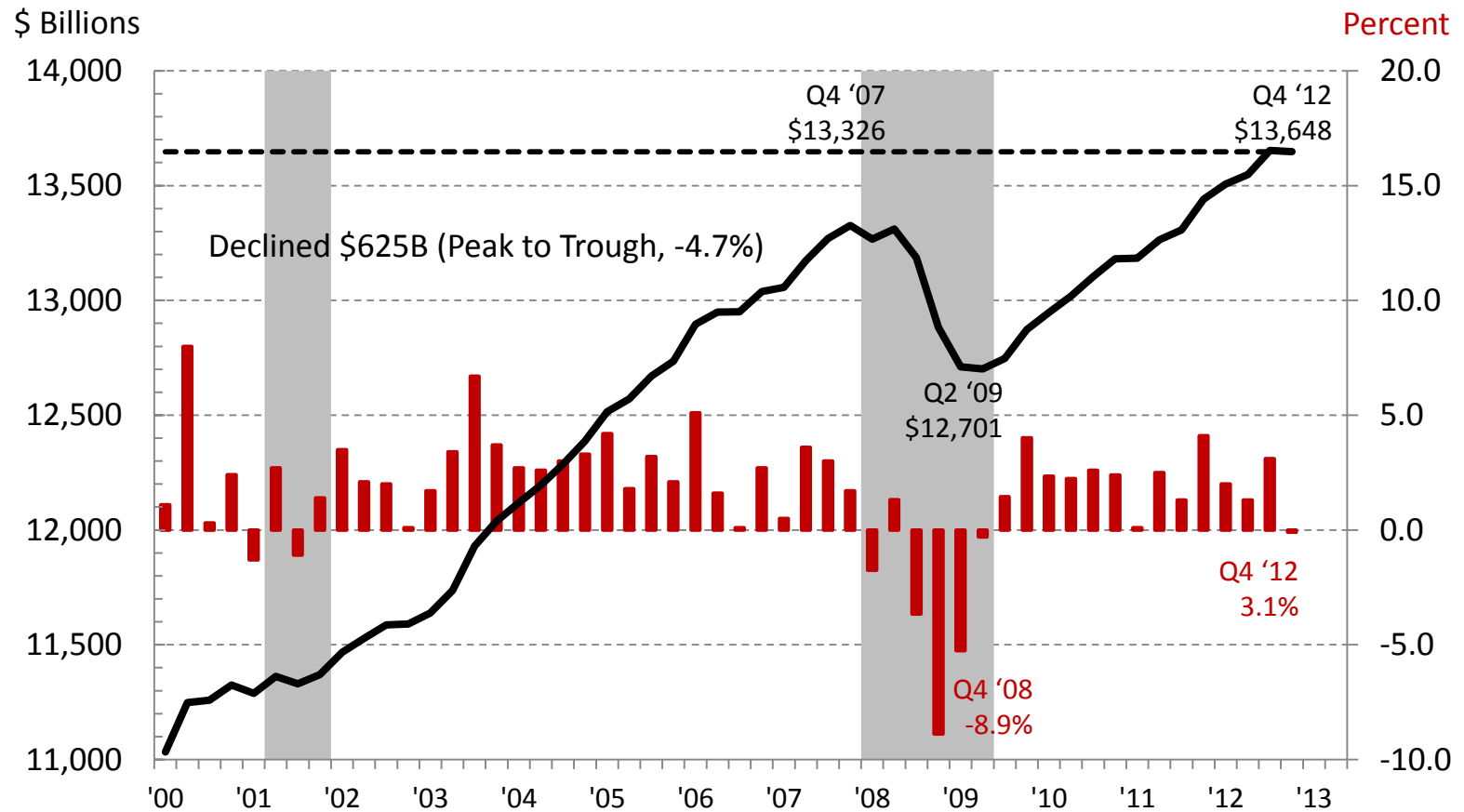
Federal Reserve Bank of Chicago
February 1, 2013

Paul Traub



U.S. Real GDP

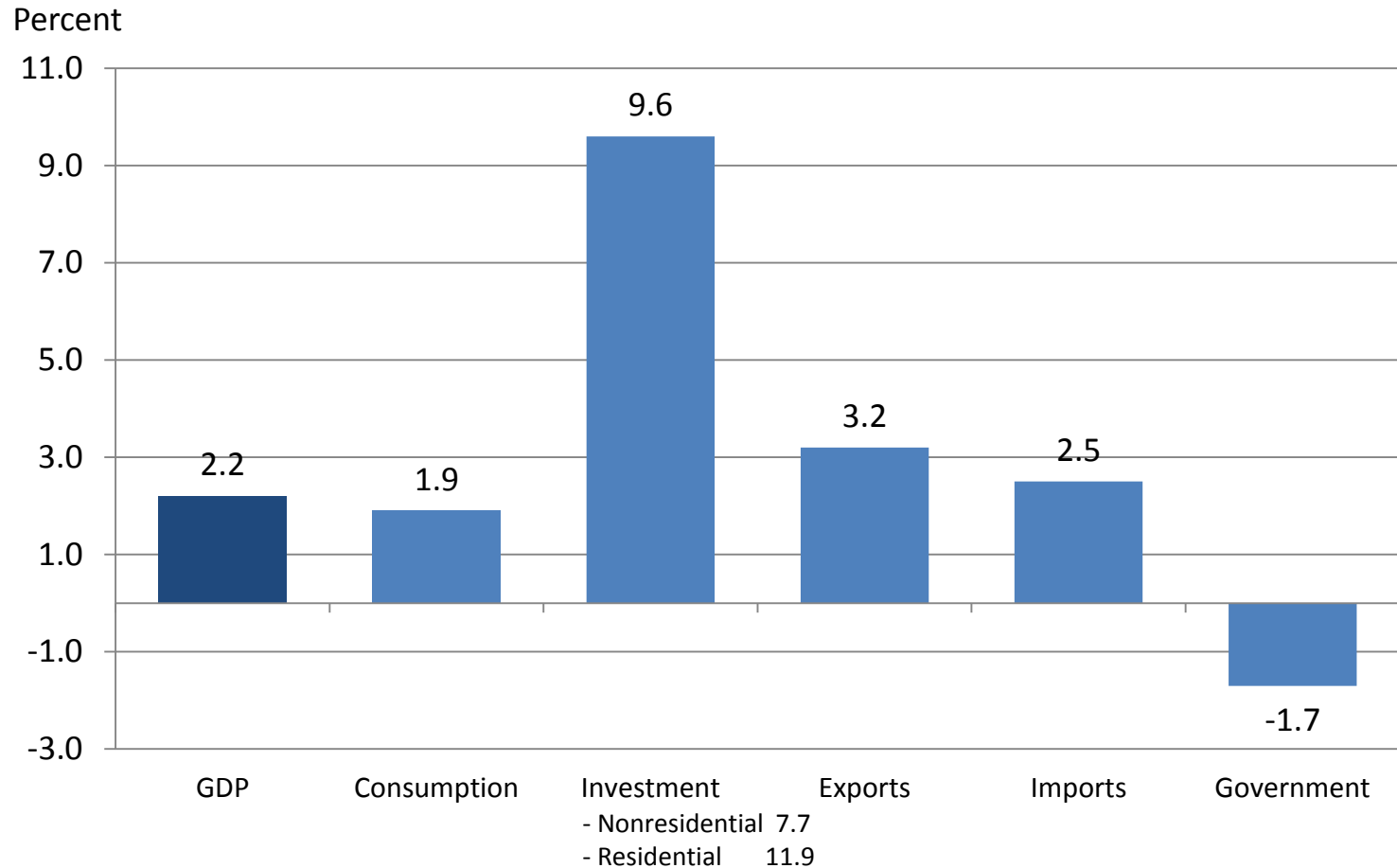
Billions Chained \$2005, % Change Q/Q at SAAR



Source: BEA

U.S. Real GDP and Components

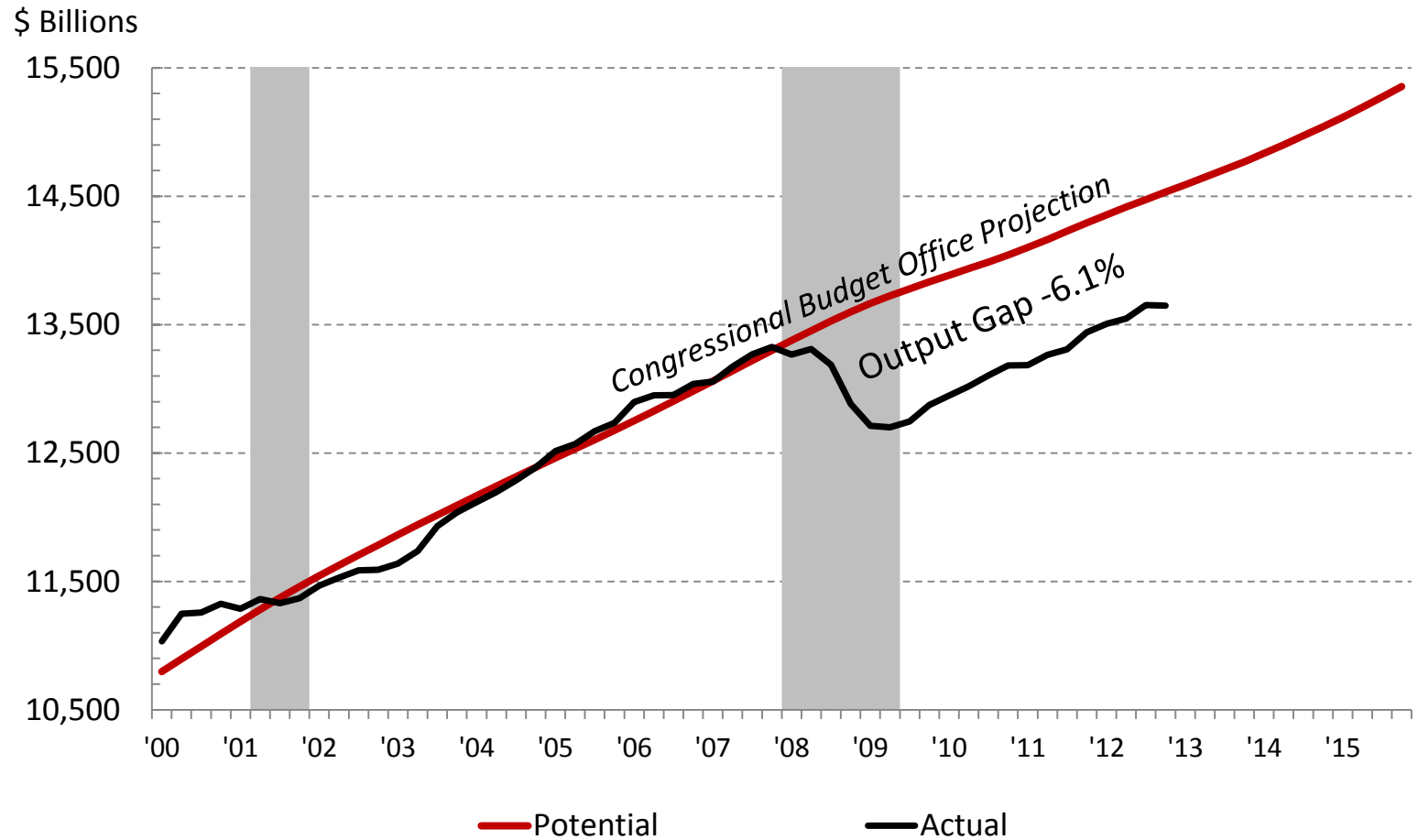
Percent Change Q4 '11 to Q4 '12
Seasonally Adjusted Annual Rates



Source: Author's calculation using data from the BEA

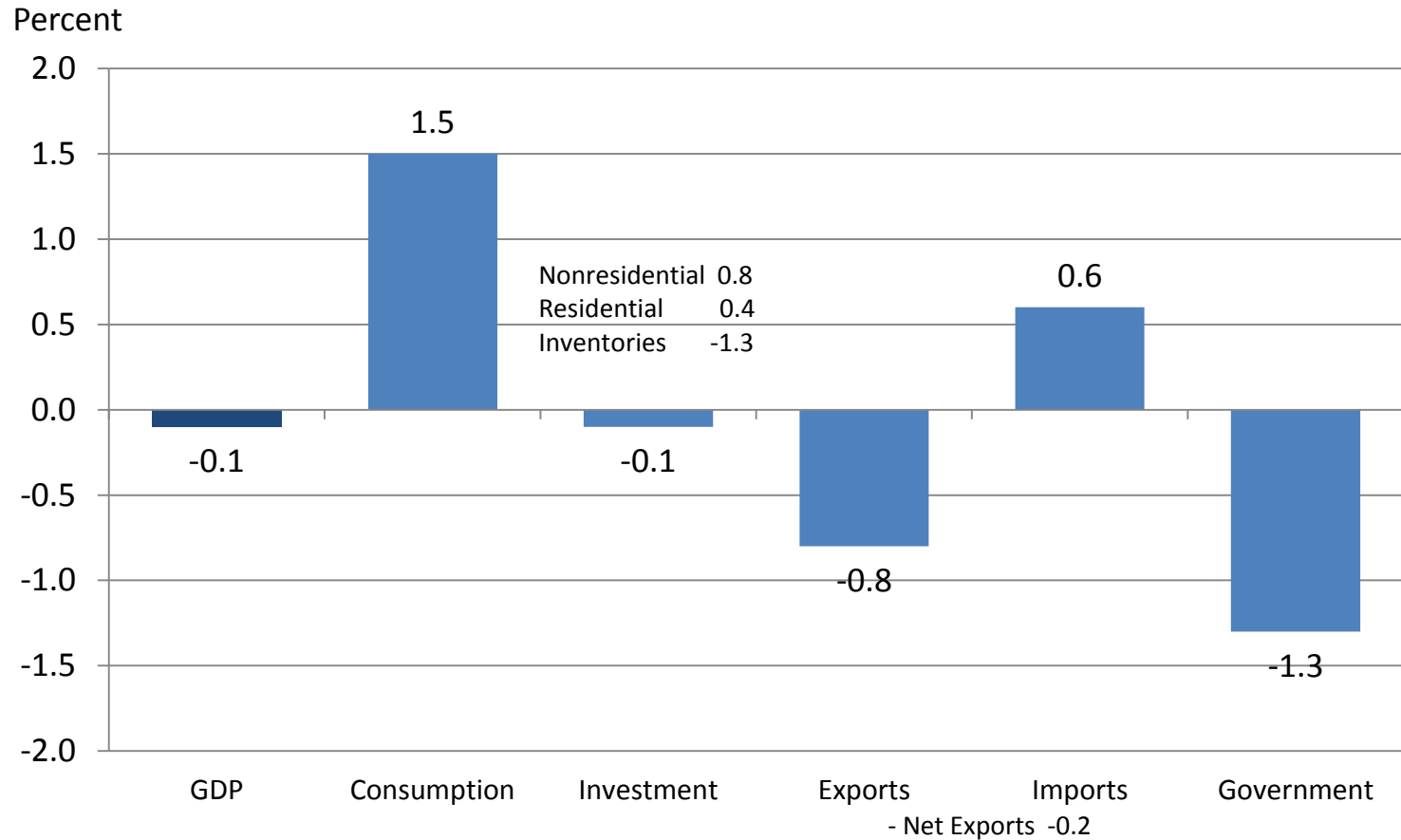
GDP Output Gap

Actual versus Potential GDP



U.S. Real GDP and Components

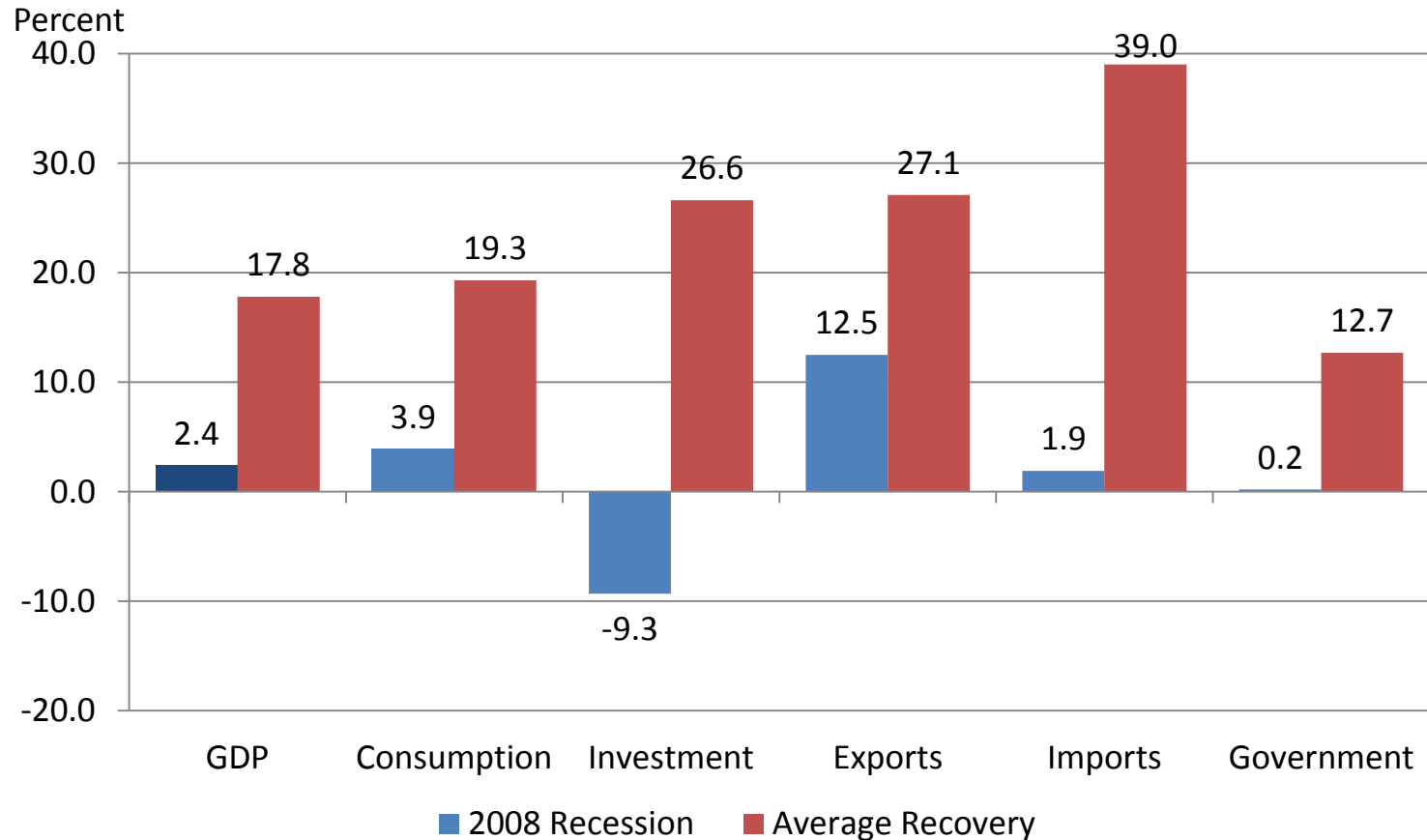
Contribution to Percent Change, Q4 '12 - SAAR



Source: Author's calculation using data from the BEA

U.S. Real GDP and Components

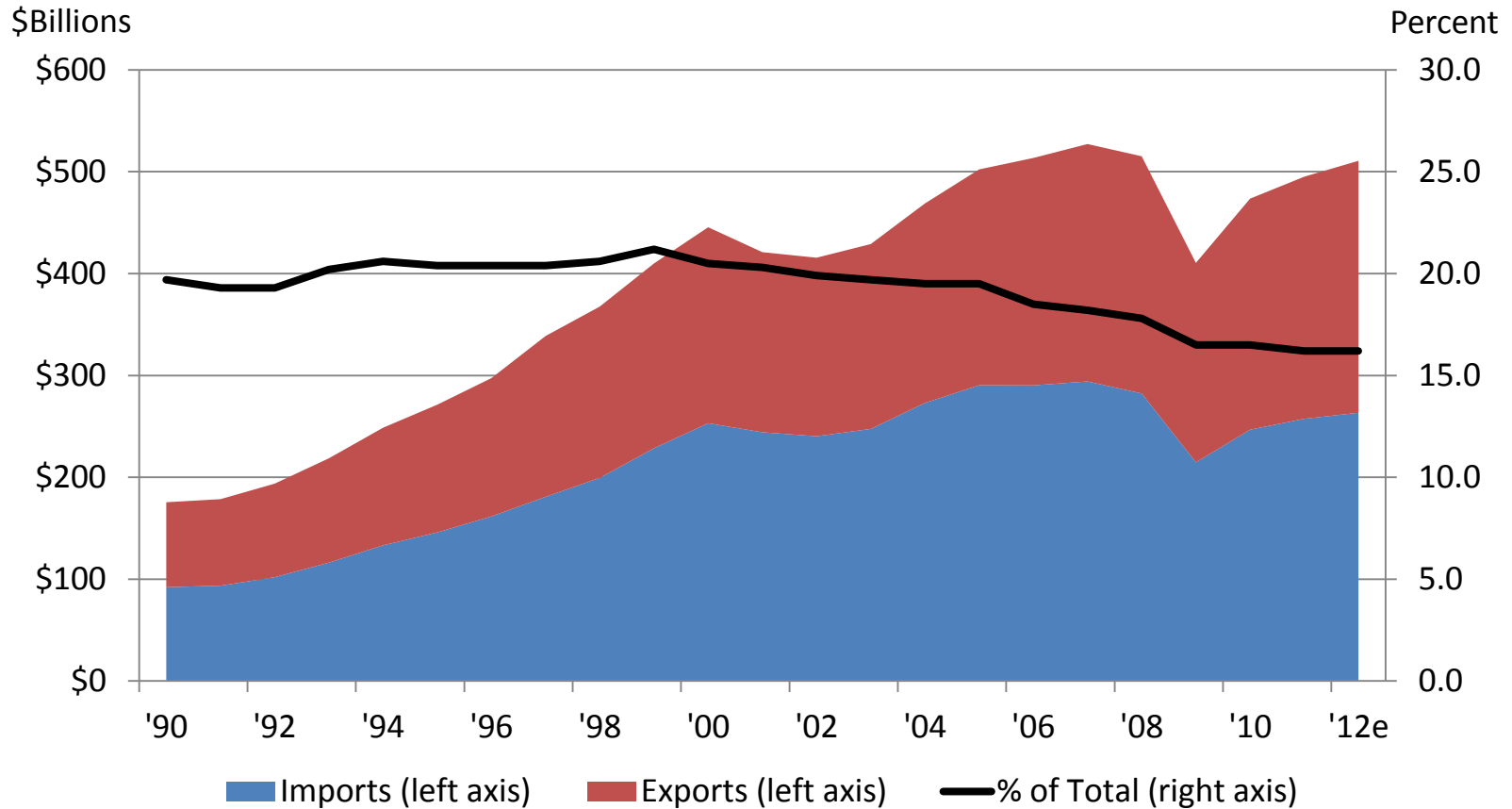
Index – Q1 of Recession = 100, Percent H/(L) than 100



Source: Author's calculation using data from the BEA, average recovery based on all recessions 1960 through 2001.

U.S. Goods Trade with Canada

Billions of 2005\$, Percent of Total



U.S. Top Five Trading Partners

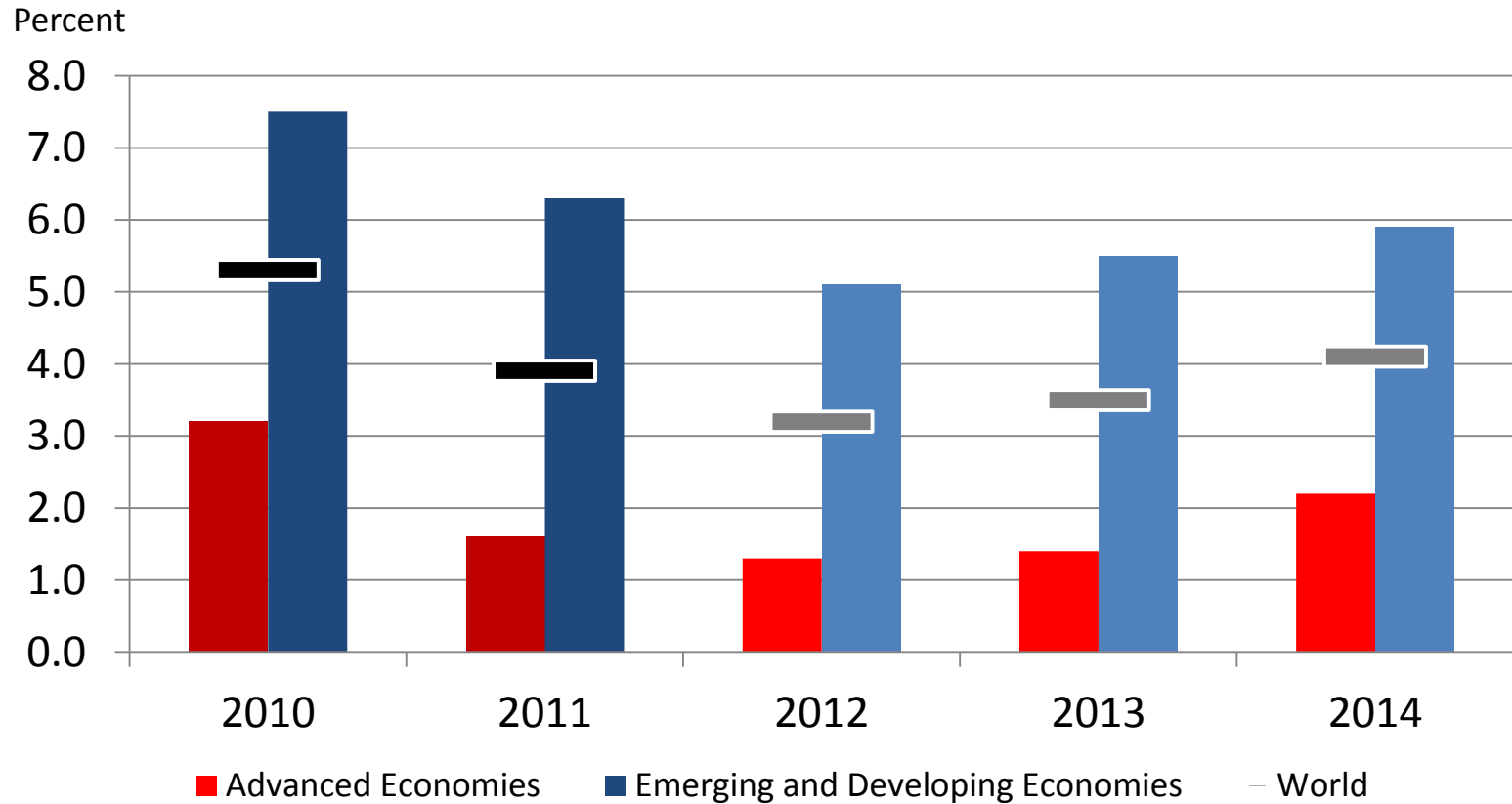
Imports / Exports of Goods – Percent of Total

	Imports			Exports	
	<u>2011</u>	<u>2012e</u>		<u>2011</u>	<u>2012e</u>
China	18.1	18.6	Canada	19.0	19.1
Canada	14.3	14.2	Mexico	13.4	14.1
Mexico	11.9	12.3	China	7.0	7.1
Japan	5.8	6.4	Japan	4.4	4.5
Germany	4.5	4.7	United Kingdom	3.8	3.6

Source: Author's calculation based on data from U.S. Census and U.S. BEA

Global Outlook

IMF Forecast for Growth (October), Percent Change Yr/Yr



Fiscal Ledge

- Congress and President avoid the full fiscal cliff
 - Income tax cuts made permanent for “middle class”
 - Extended unemployment insurance continues
- However, significant fiscal consolidation has started
 - SS payroll tax up 2 percent points
 - Higher tax rates and deduction phase outs for higher income tax payers
 - New Medicare tax for high income wage earners
 - Possible spending cuts from sequestration or alternatives
 - Still significant uncertainty over debt ceiling and long-run debt sustainability policies
- Implies a significant headwind to growth for 2013

U.S. Real GDP

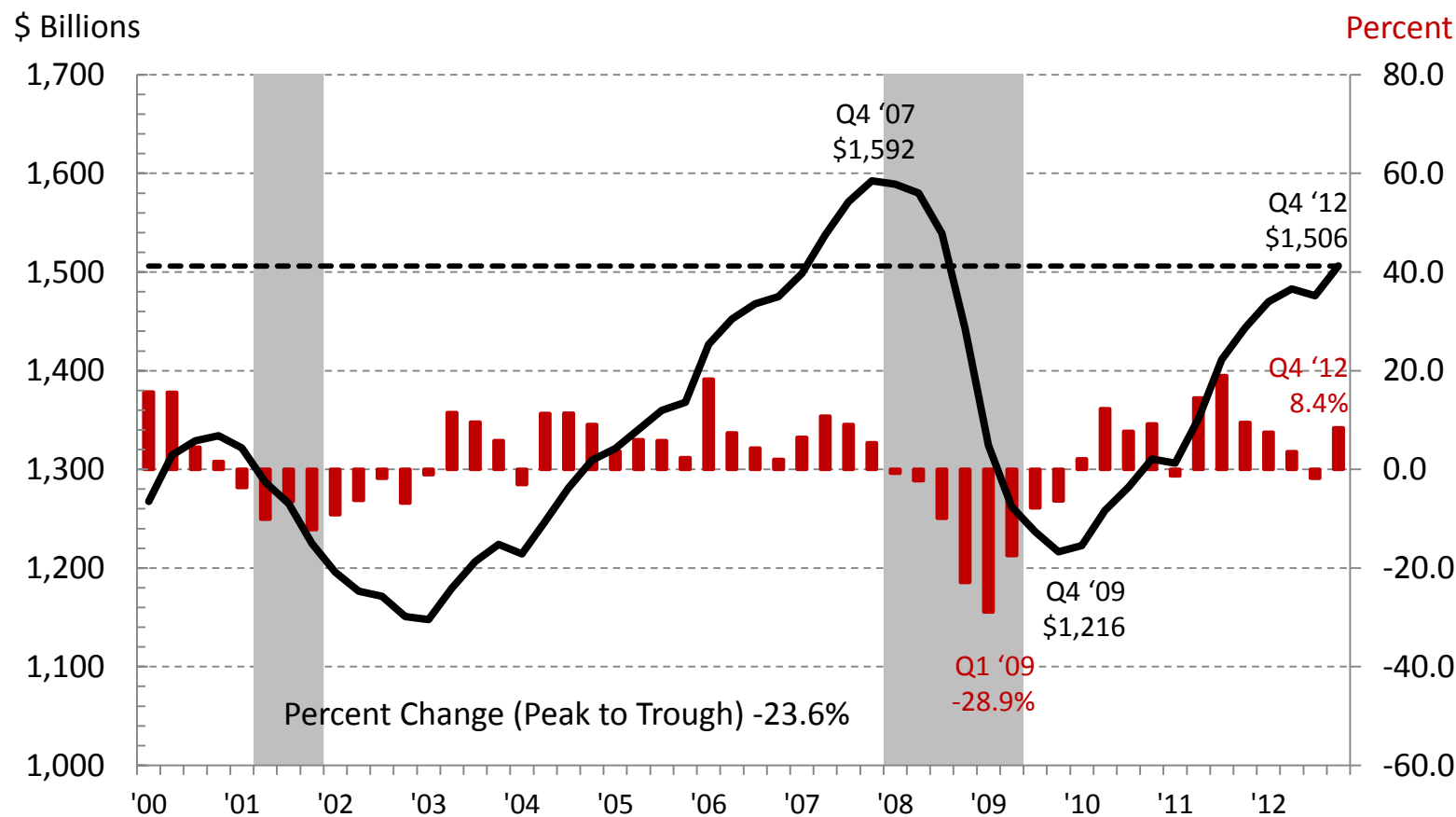
Percent Change Yr / Yr



Domestic Investment

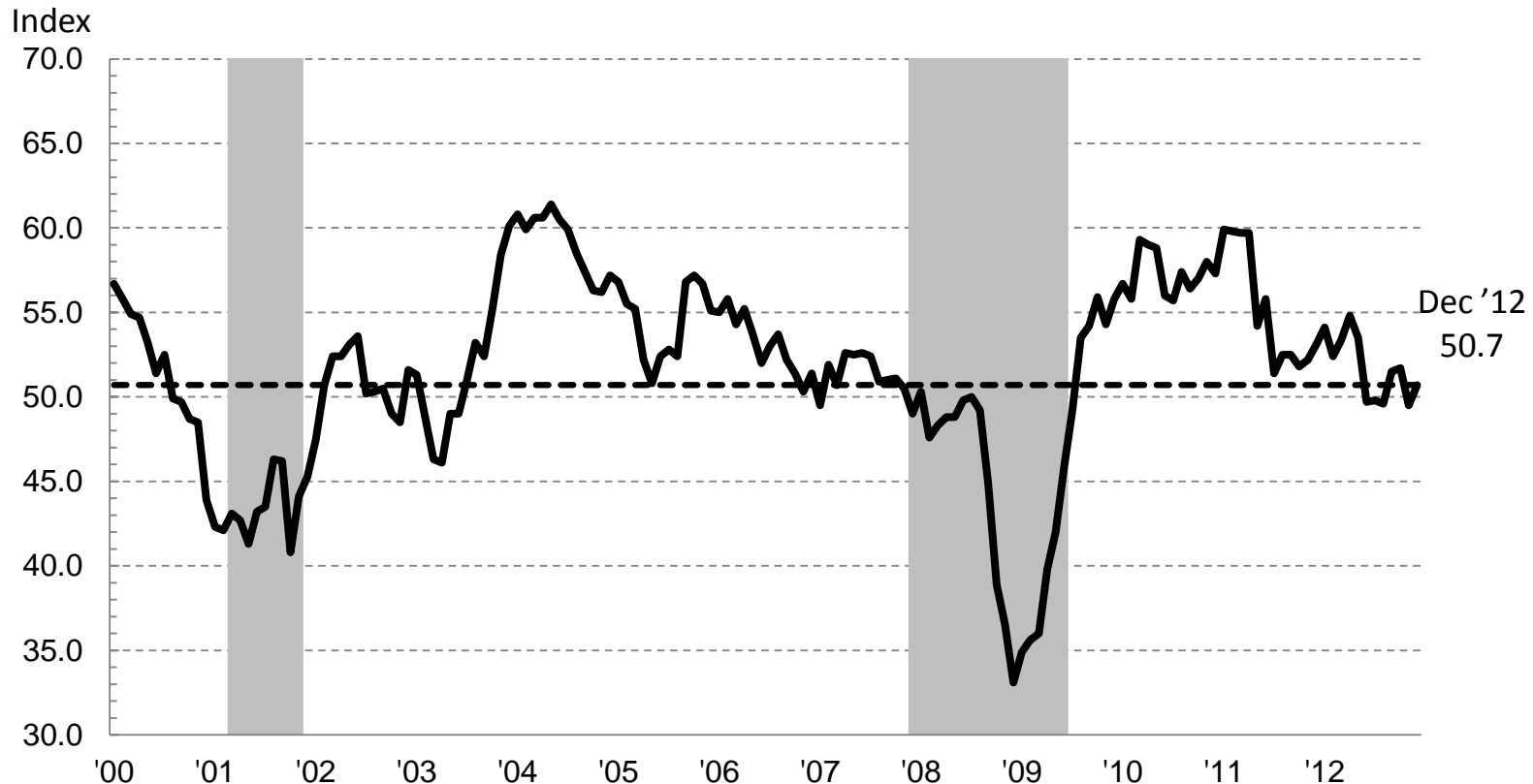
U.S. Gross Private Domestic Investment - Nonresidential

Billions Chained \$2005, % Change Q/Q at SAAR



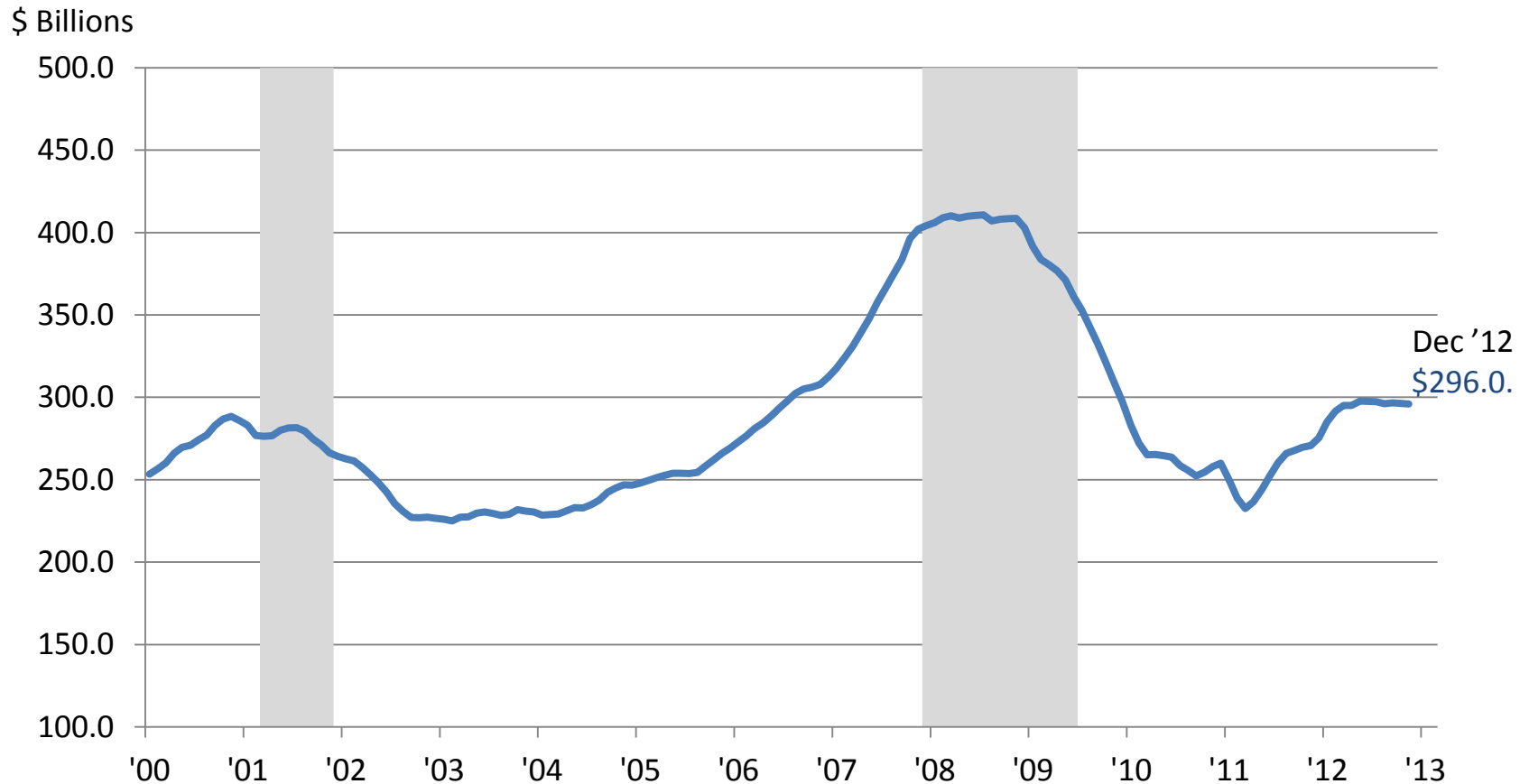
ISM Manufacturing

PMI Composite Index



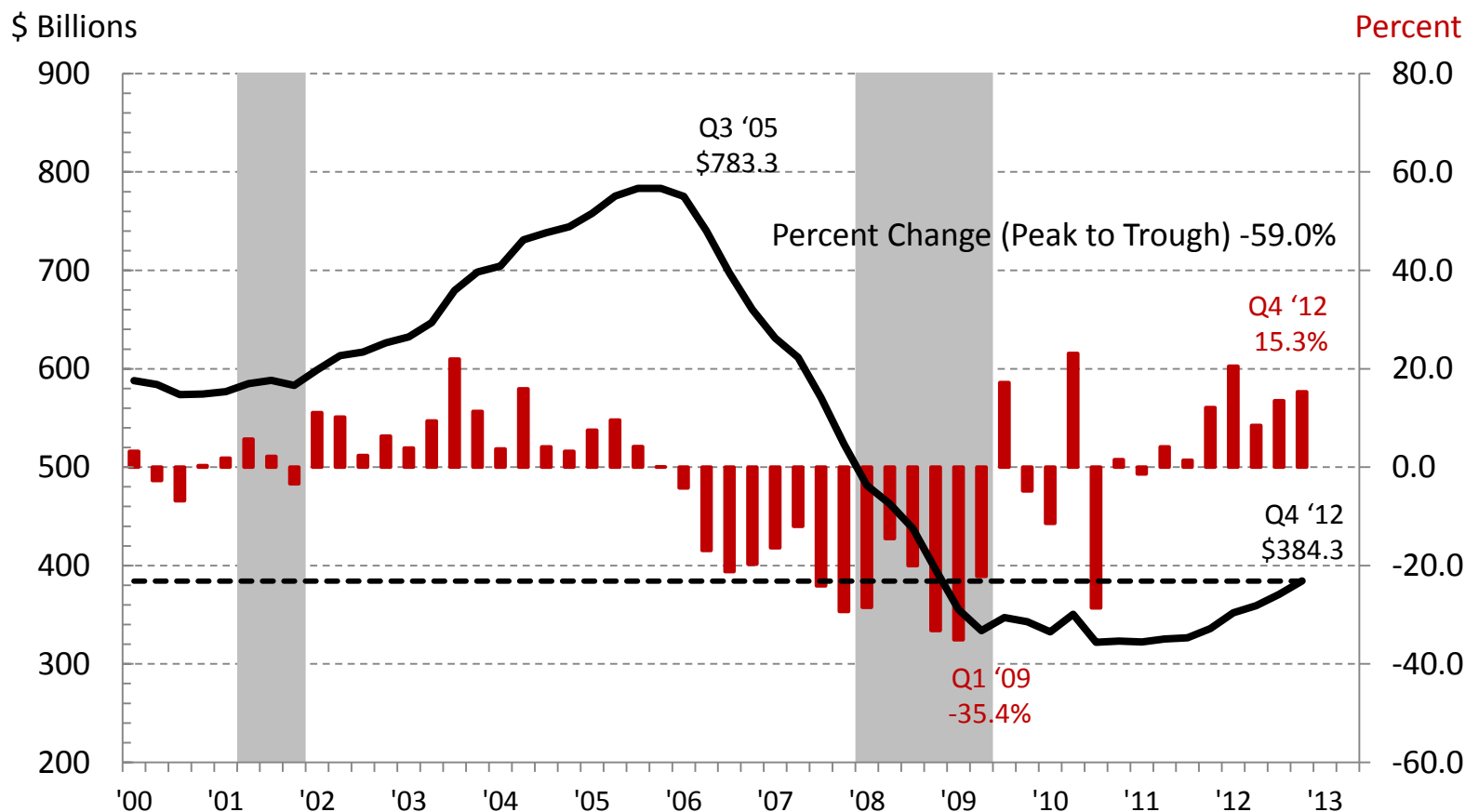
Private Nonresidential Construction

Billions of Dollars – 3 MMA, S.A.A.R



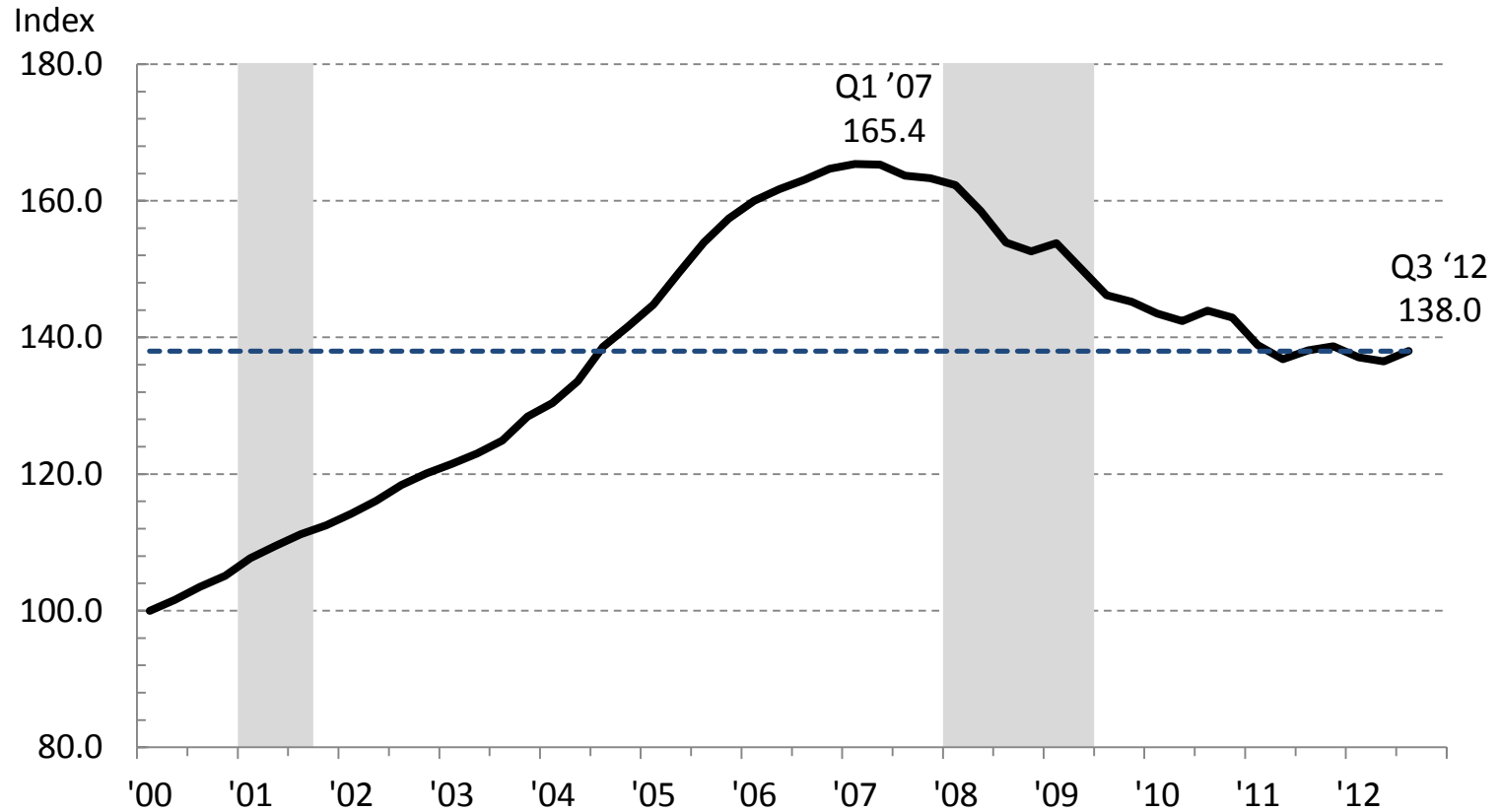
U.S. Gross Private Domestic Investment - Residential

Billions Chained \$2005, % Change Q/Q at SAAR



Home Prices

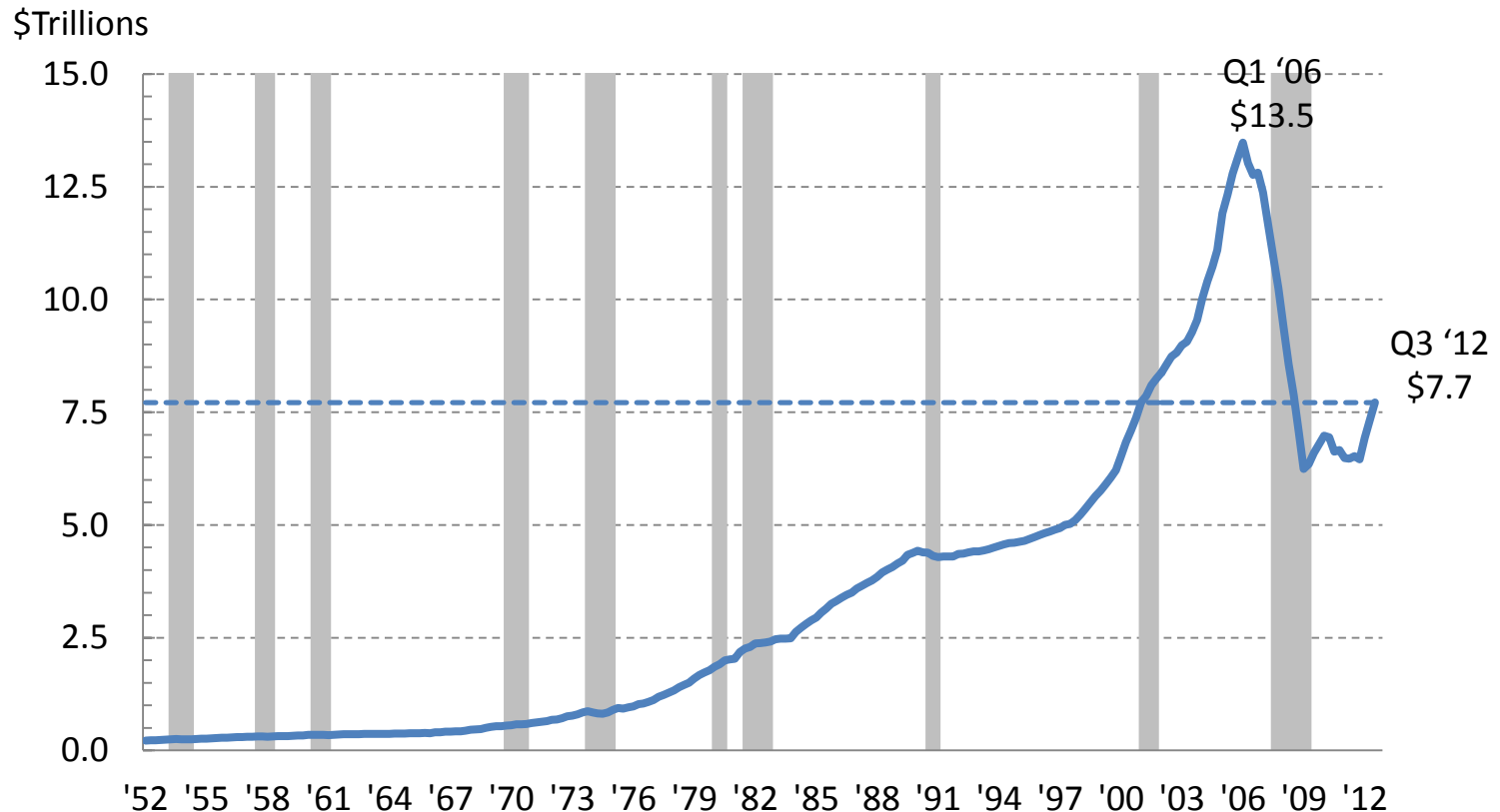
FHFA U.S. Home Price Index , Q1 2000 = 100



Source: St. Louis Federal Reserve Bank – Fred data base and FHFA

Total Homeowner Real Estate Equity – U.S.

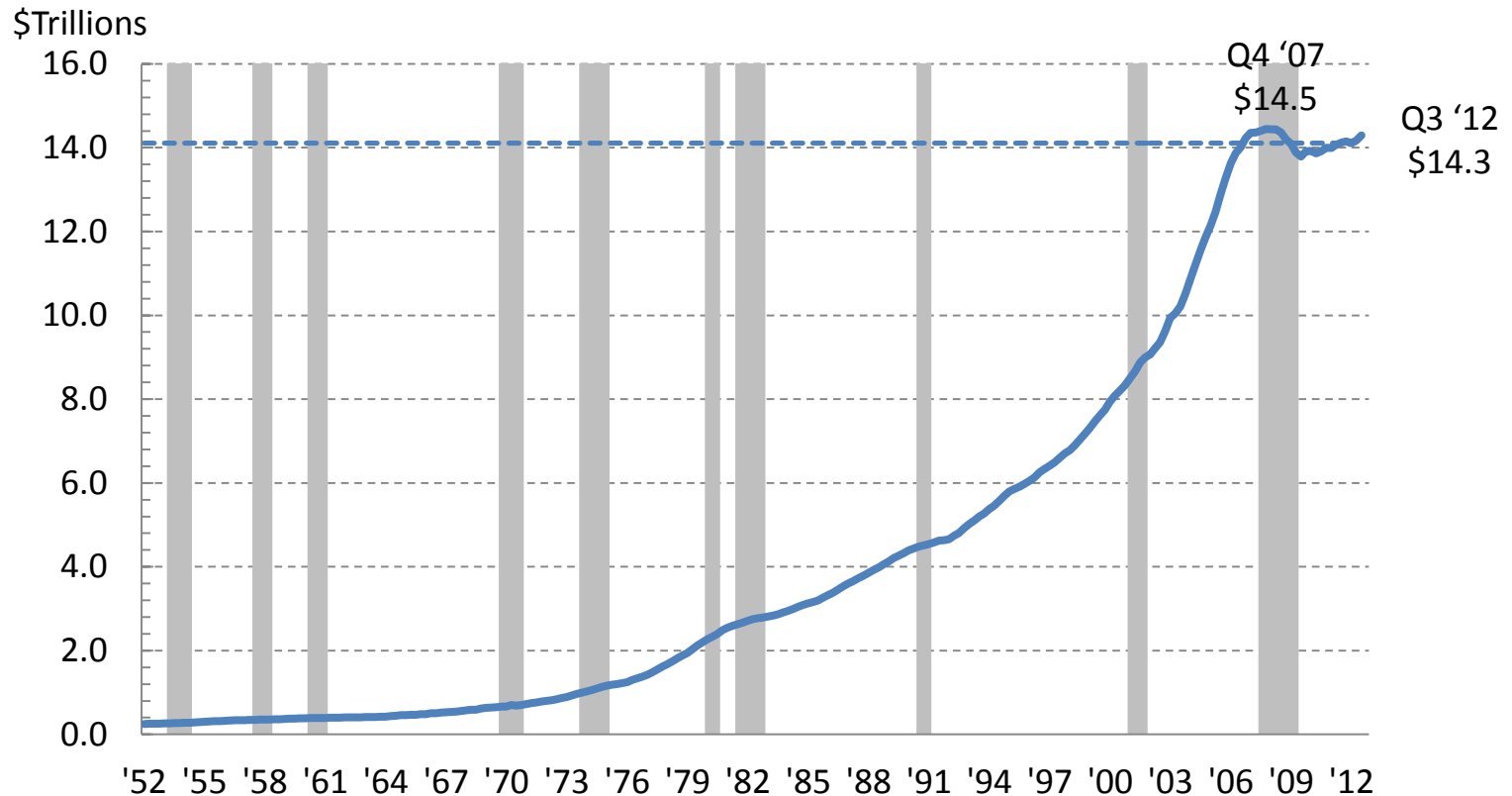
Homeowner Equity at Market Value



Source: Federal Reserve Bank

Value of Structures – U.S.

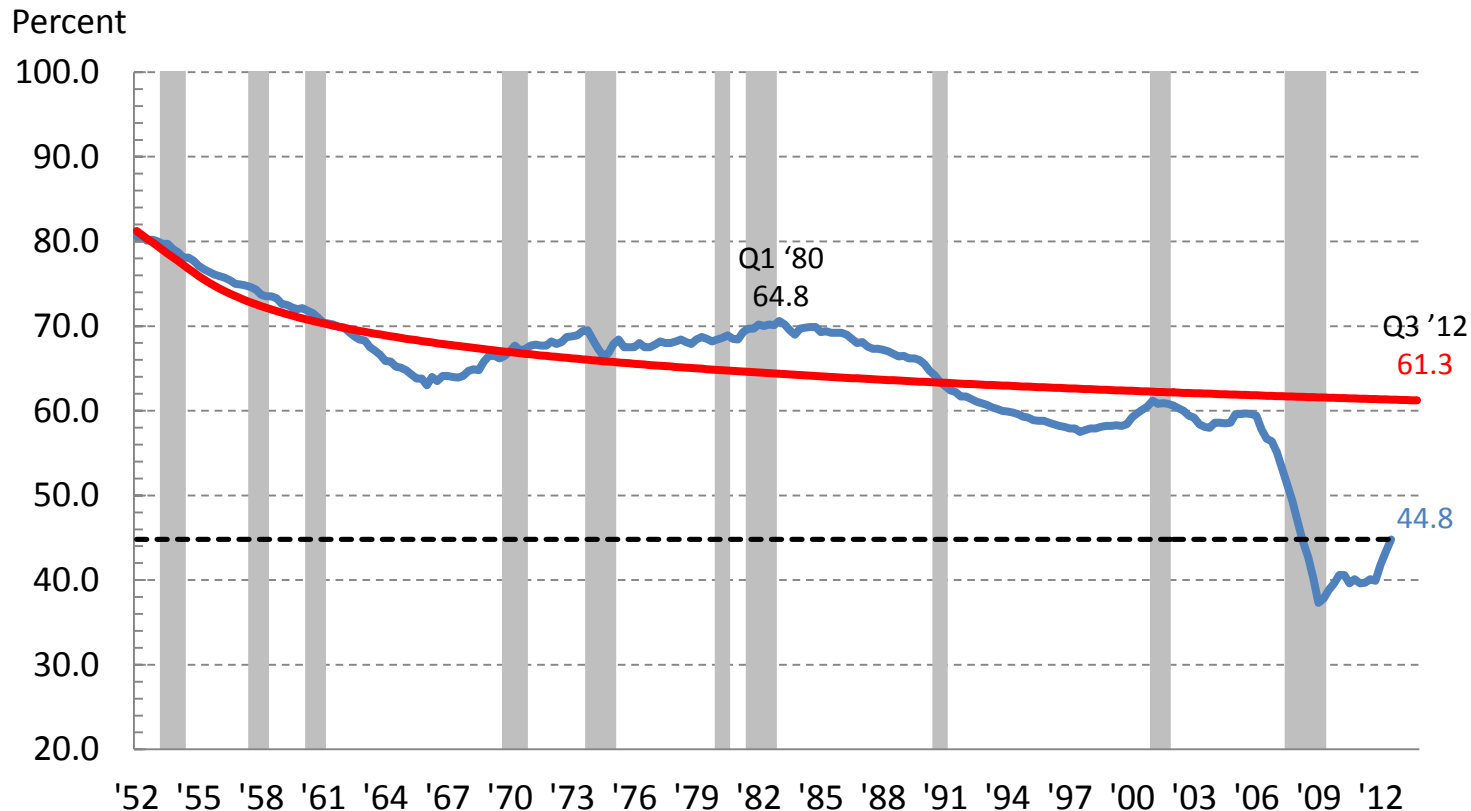
Household structures replacement cost at current cost basis



Source: Federal Reserve Bank

Household Owner's Equity

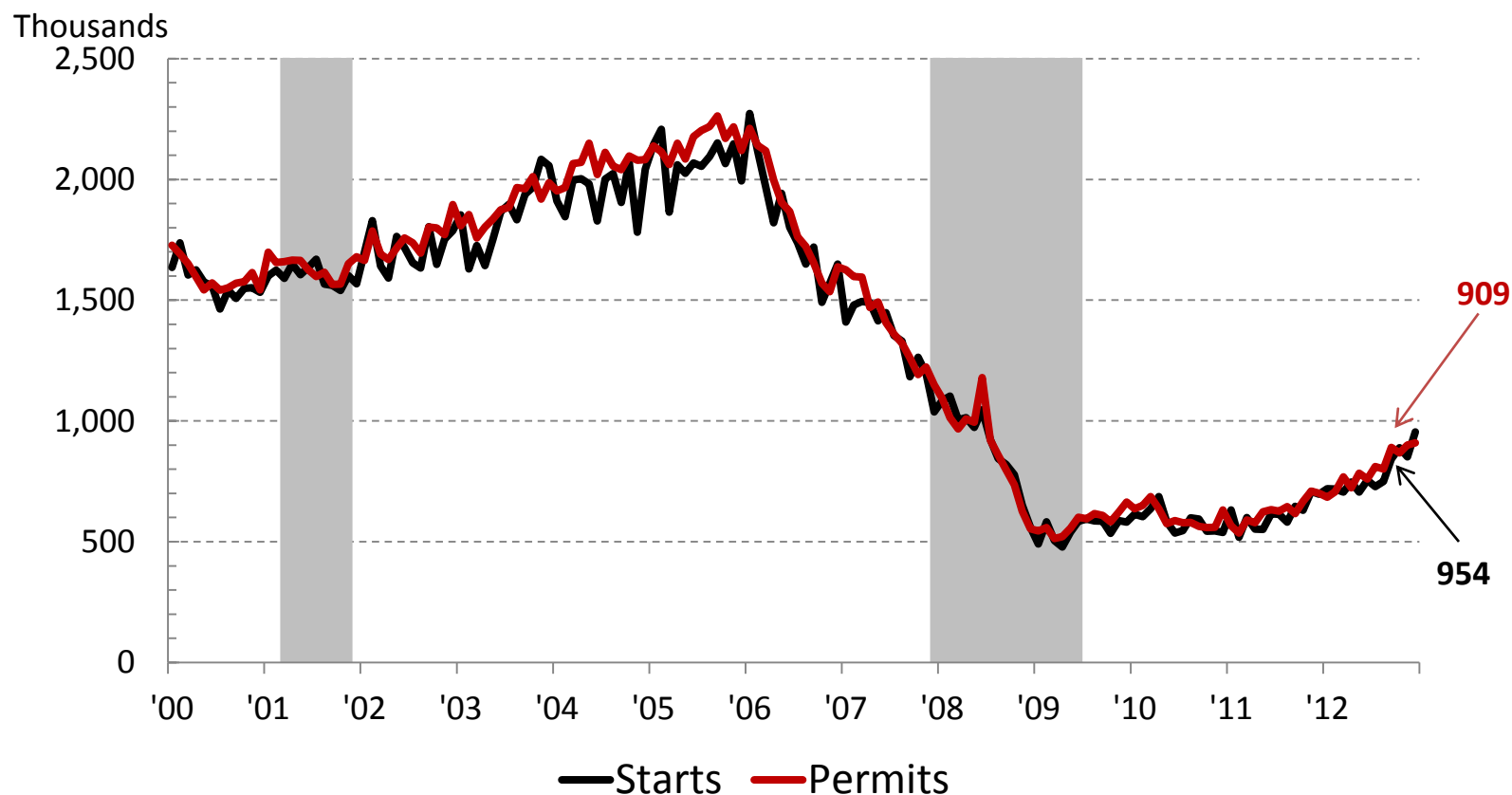
Percentage of Household Real Estate



Source: Federal Reserve Bank

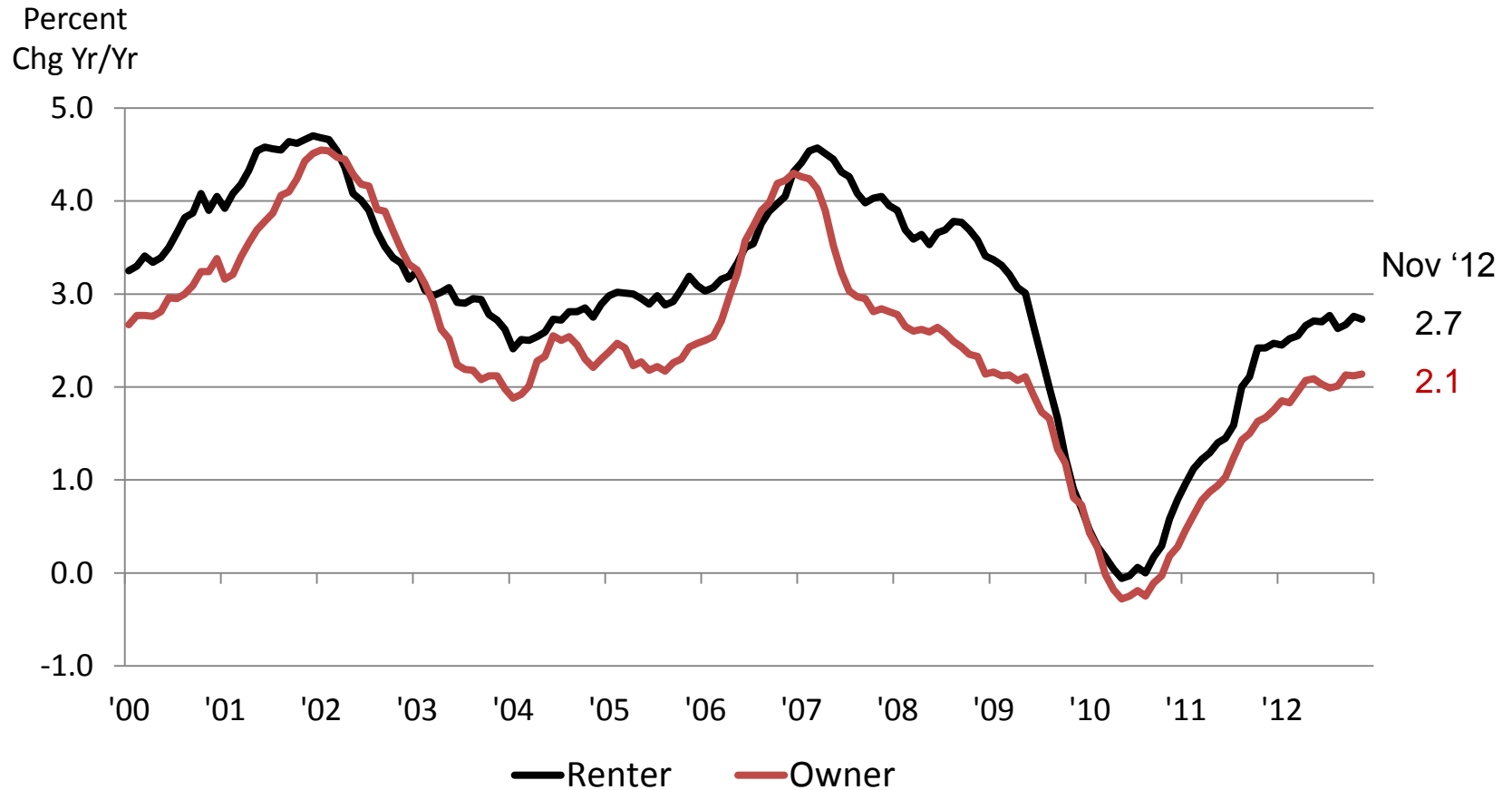
U.S. Housing Starts and Building Permits

Thousands of Units Annualized, NSA



CPI – Ownership versus Rental - U.S.

Rent versus Owner Equivalency

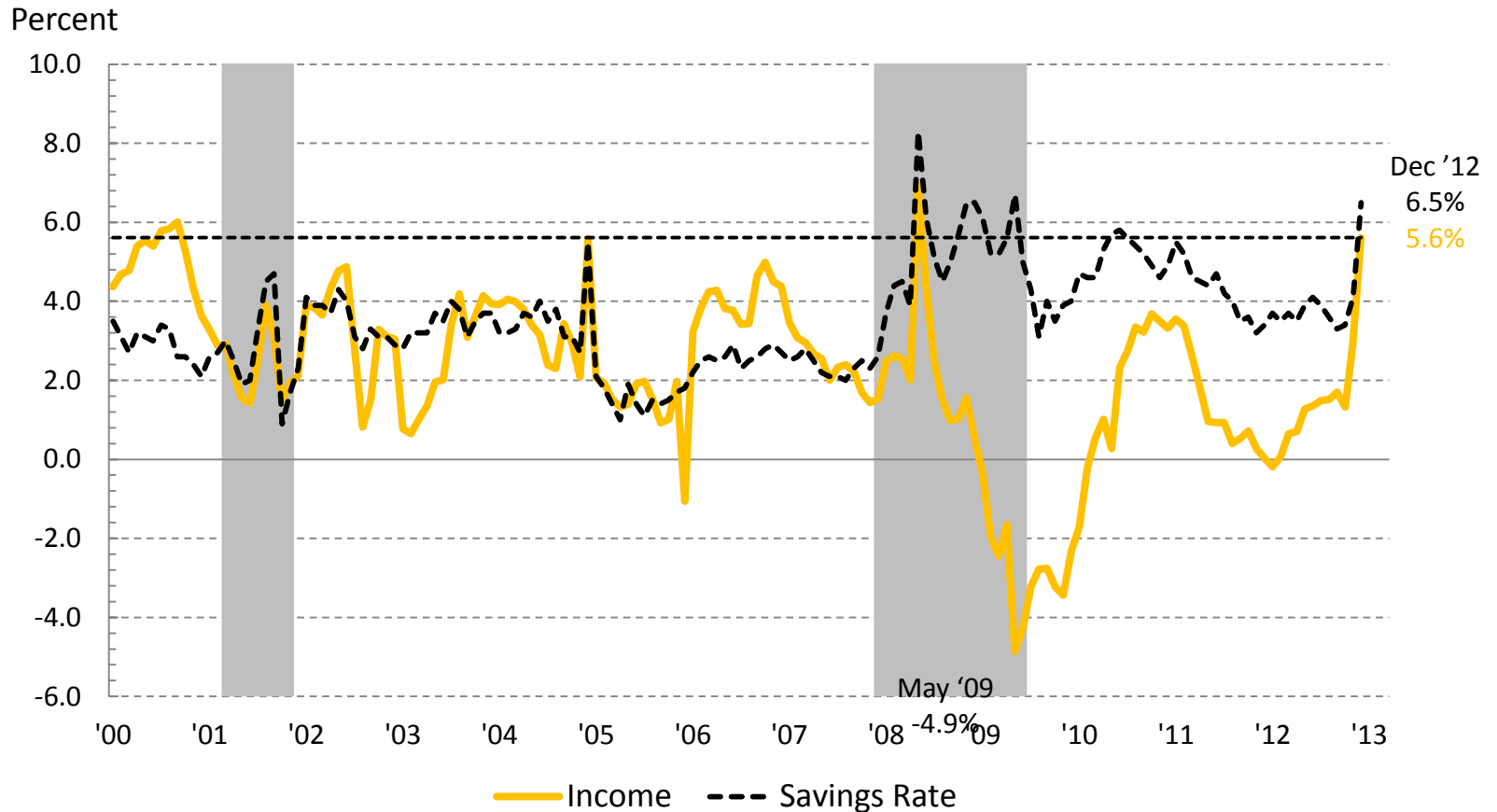


Source: BLS

U.S. Consumer

Real Disposable Personal Income & Savings Rate

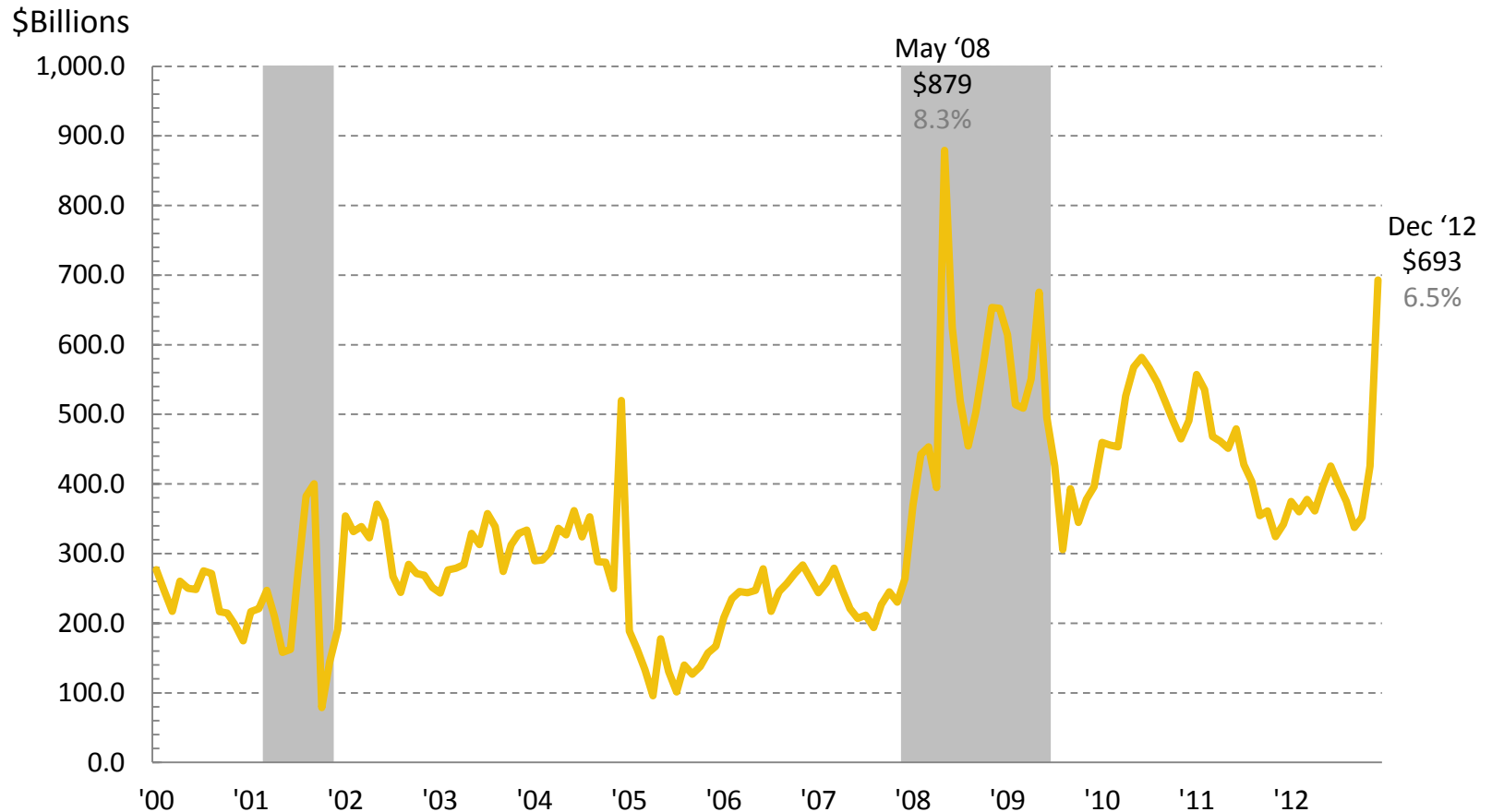
Percent Change Year/Year, Percent of DPI



Source: BEA

Personal Savings

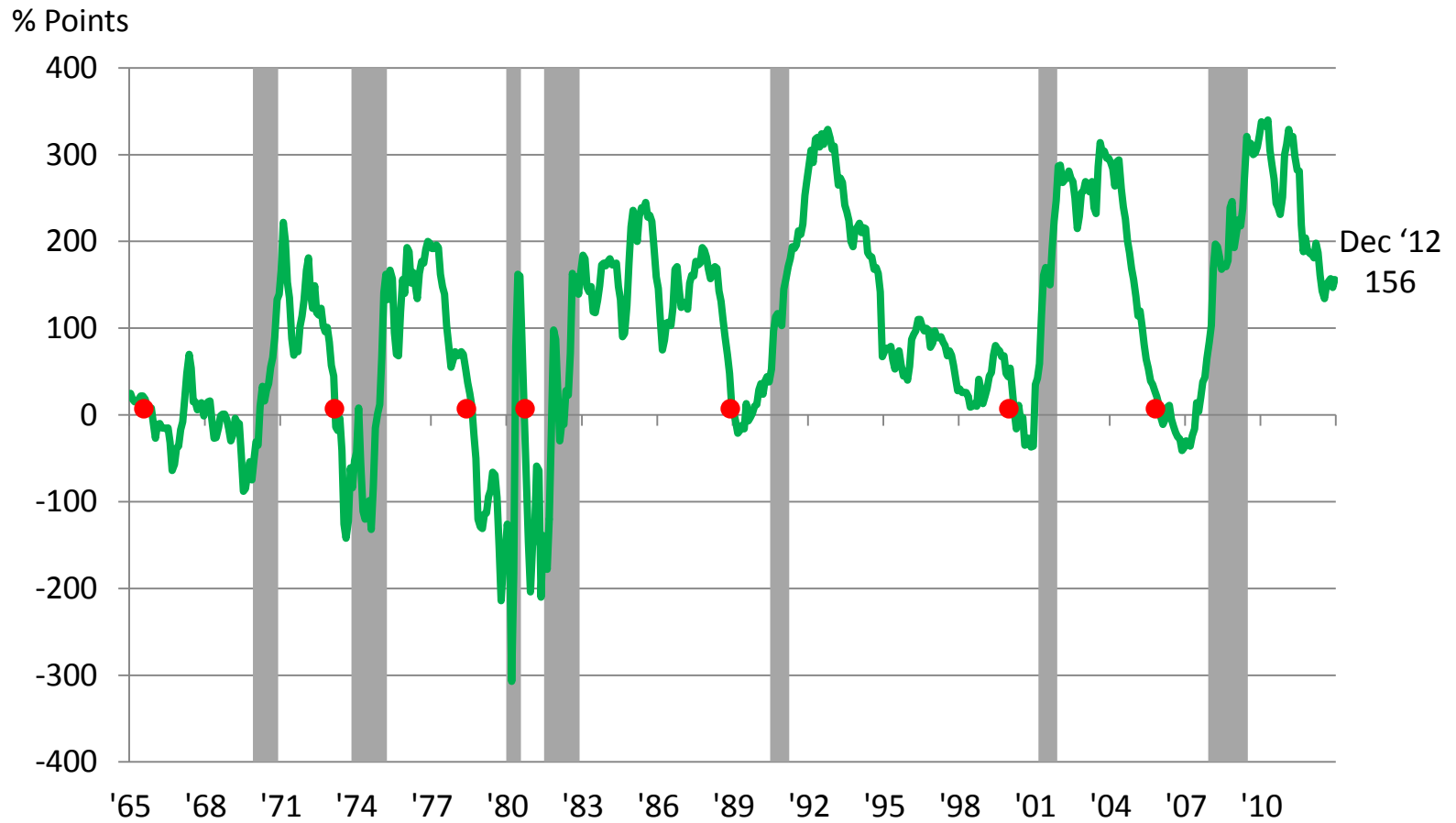
Billions Chained \$2005



Source: Author's calculation using data from the BEA

Yield Curve

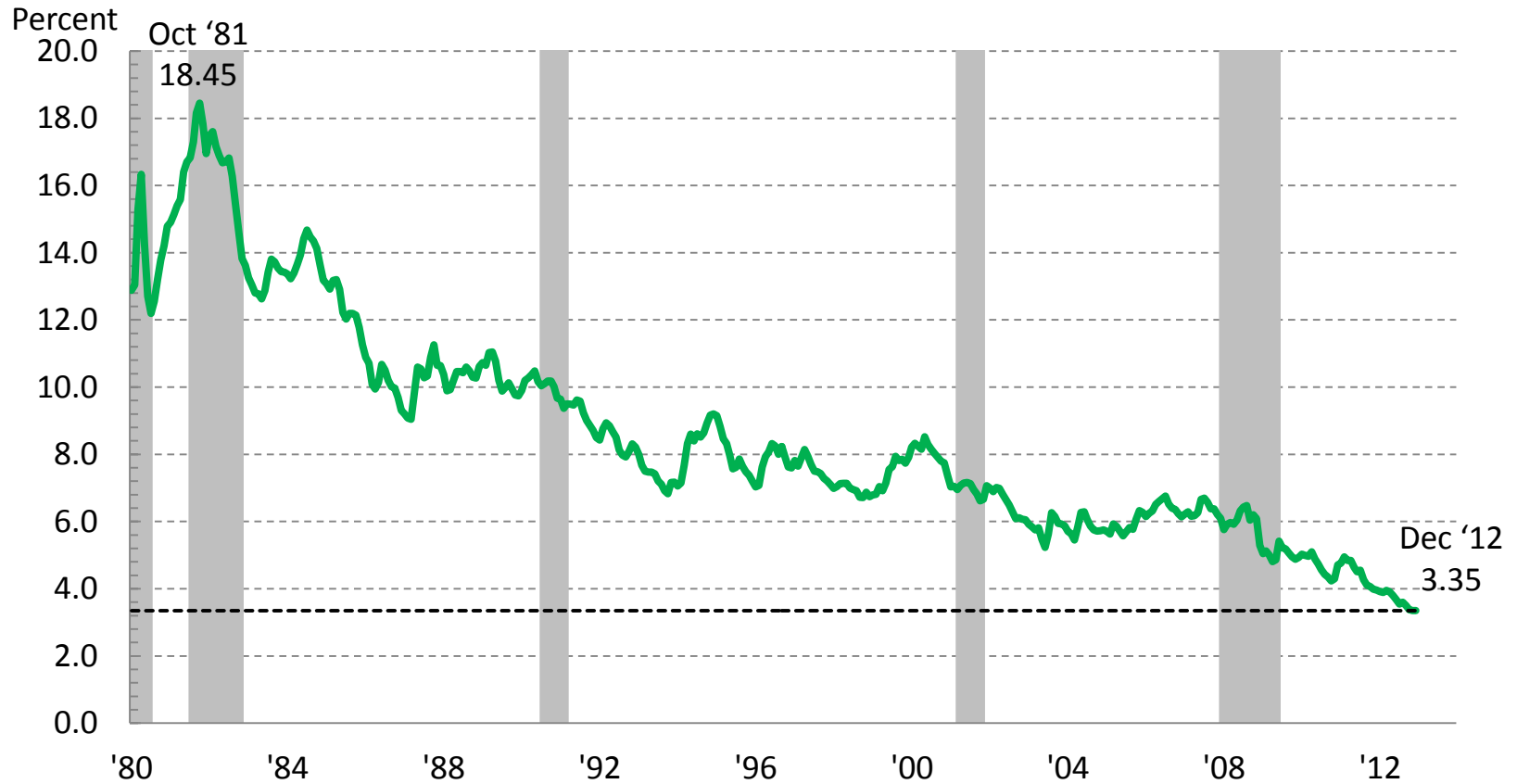
10 Year Minus 1 Year Treasury



Source: BLS

30 Year Fixed Rate Mortgage

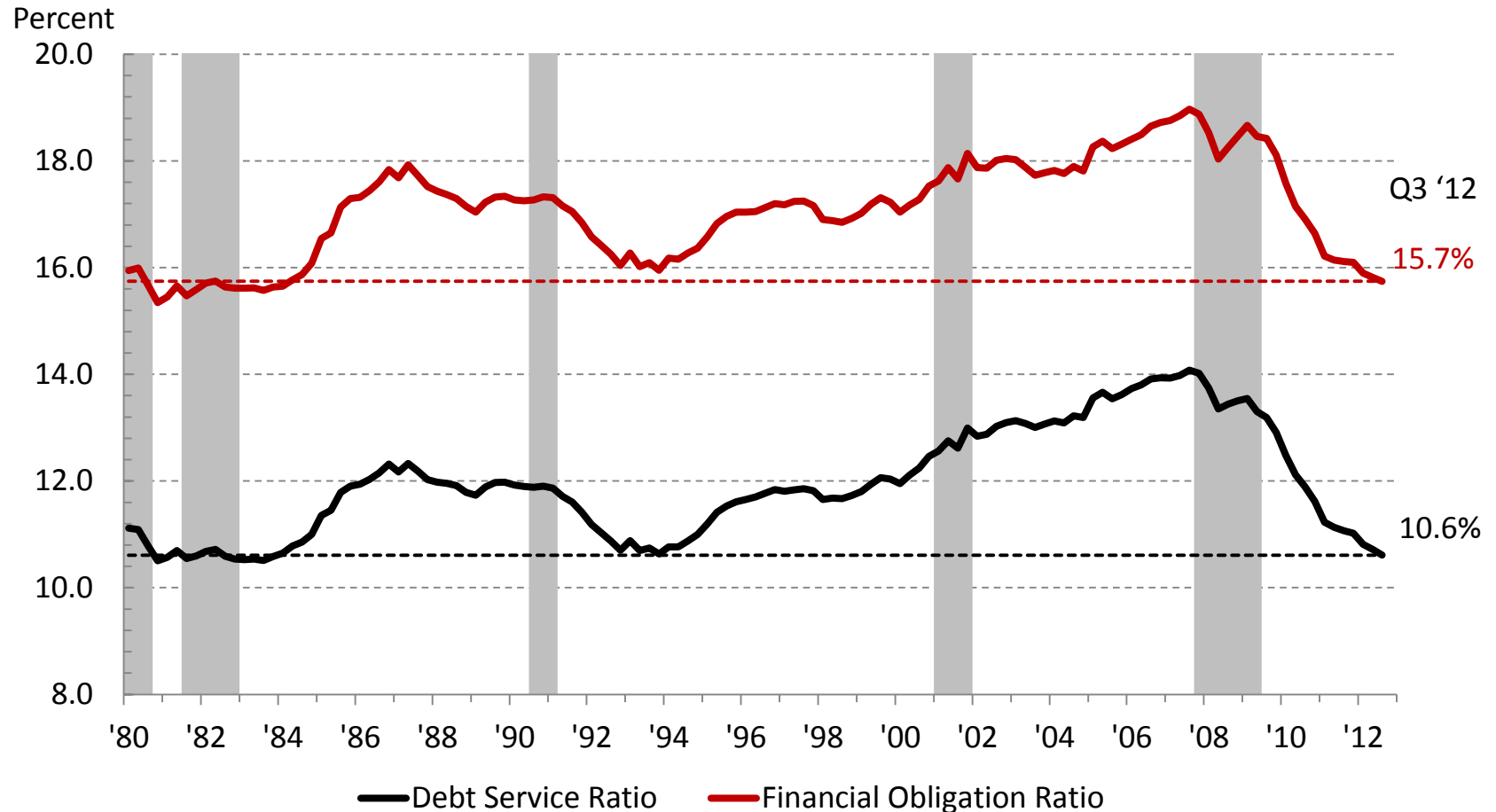
Average in the U.S.



Source: Federal Reserve Bank of St. Louis - FRED

Debt Service & Financial Obligation Ratios

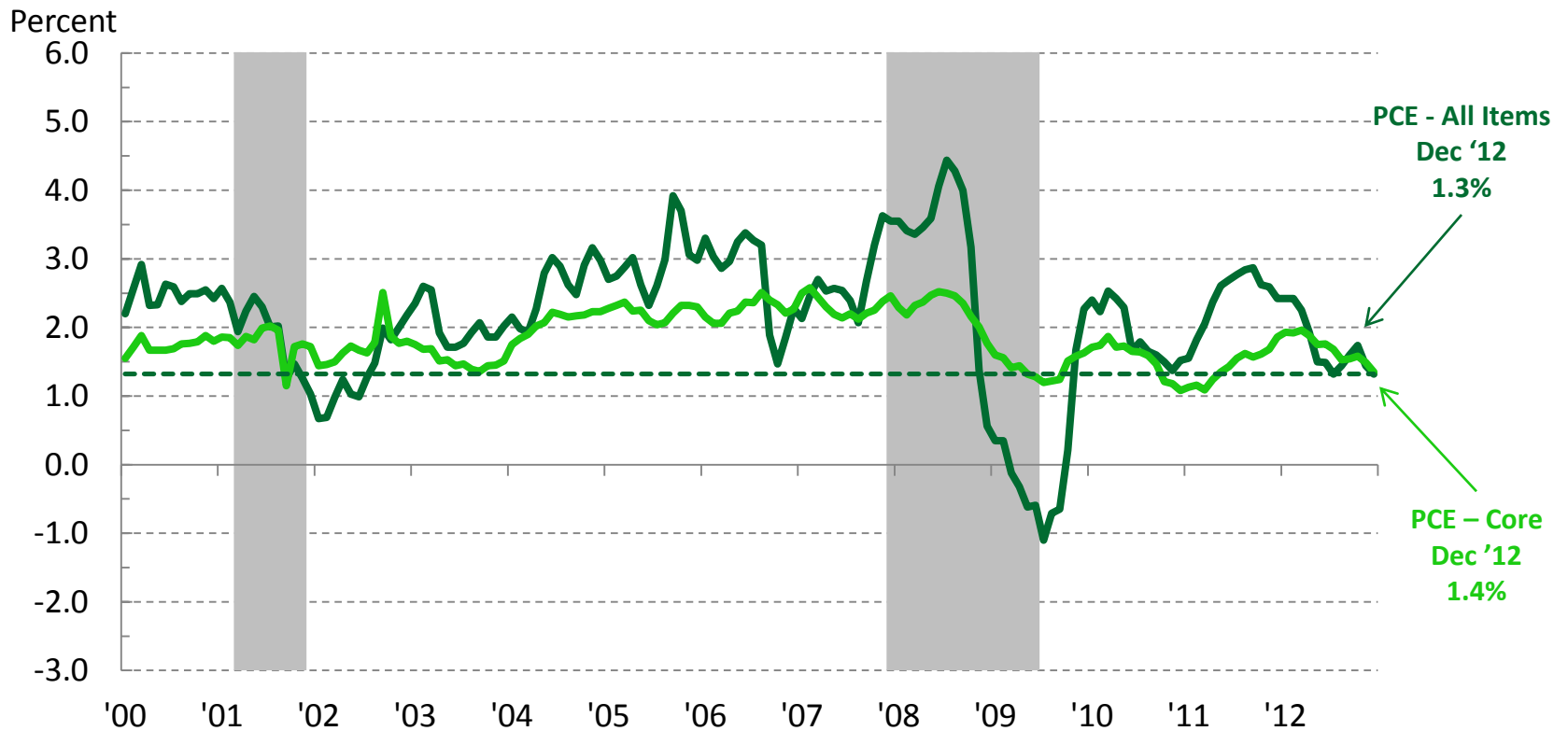
Percent of Disposable Personal Income



Source: Federal Reserve Bank

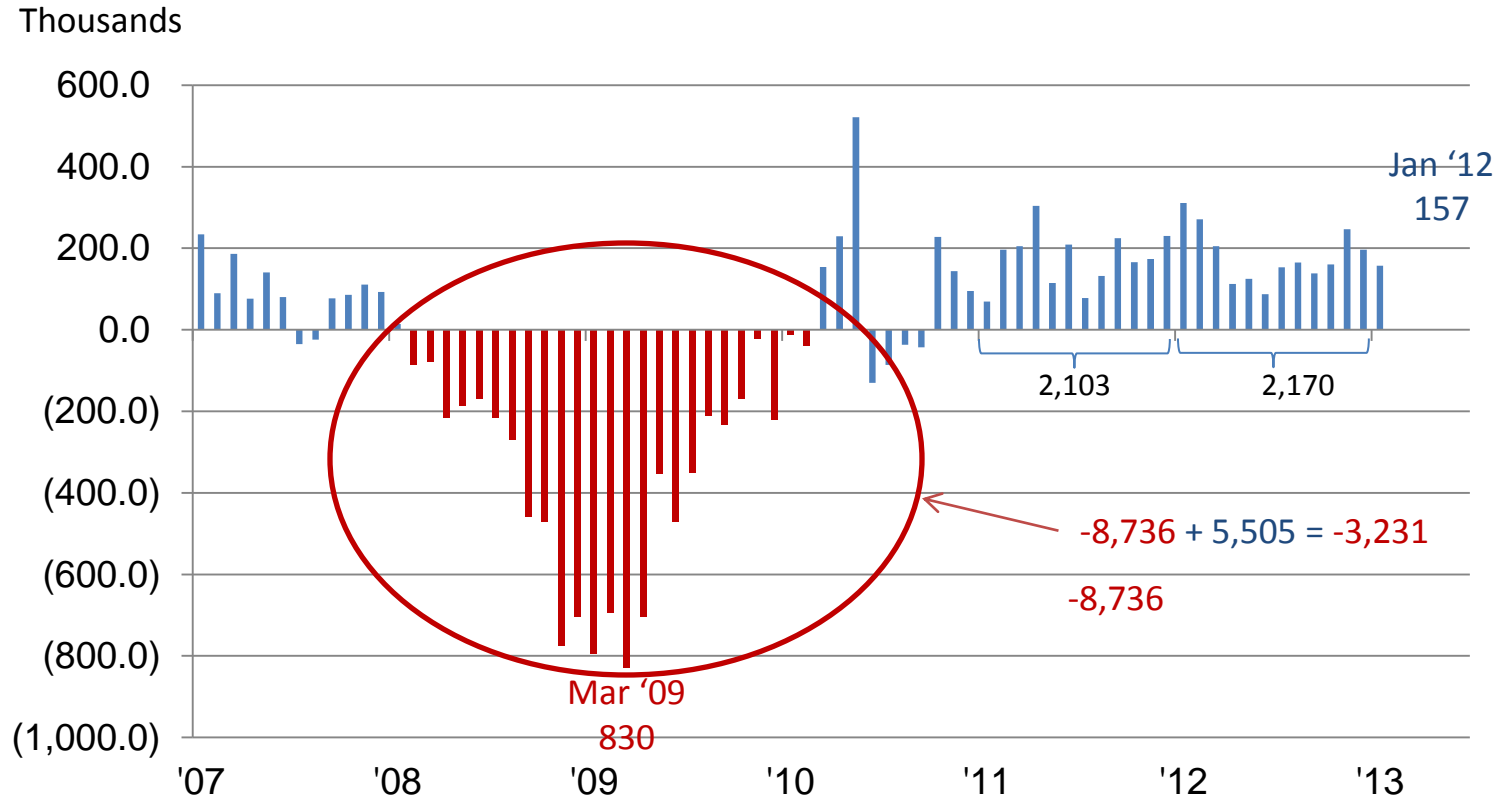
Inflation – PCE Price Index

Percent Change Yr / Yr



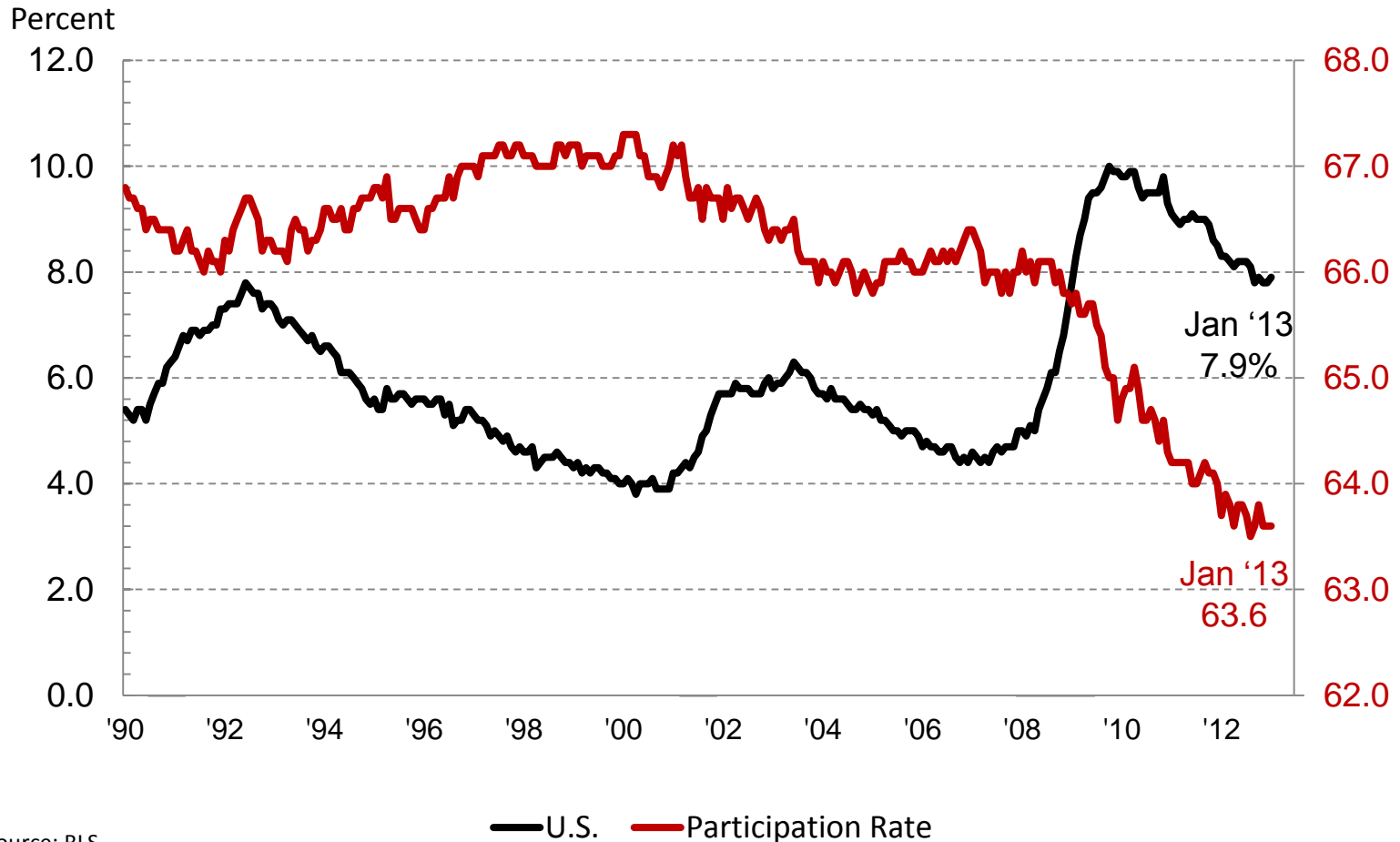
Employment Gains / Losses

Nonfarm Payroll – In Thousands



U.S. Unemployment & Participation Rates

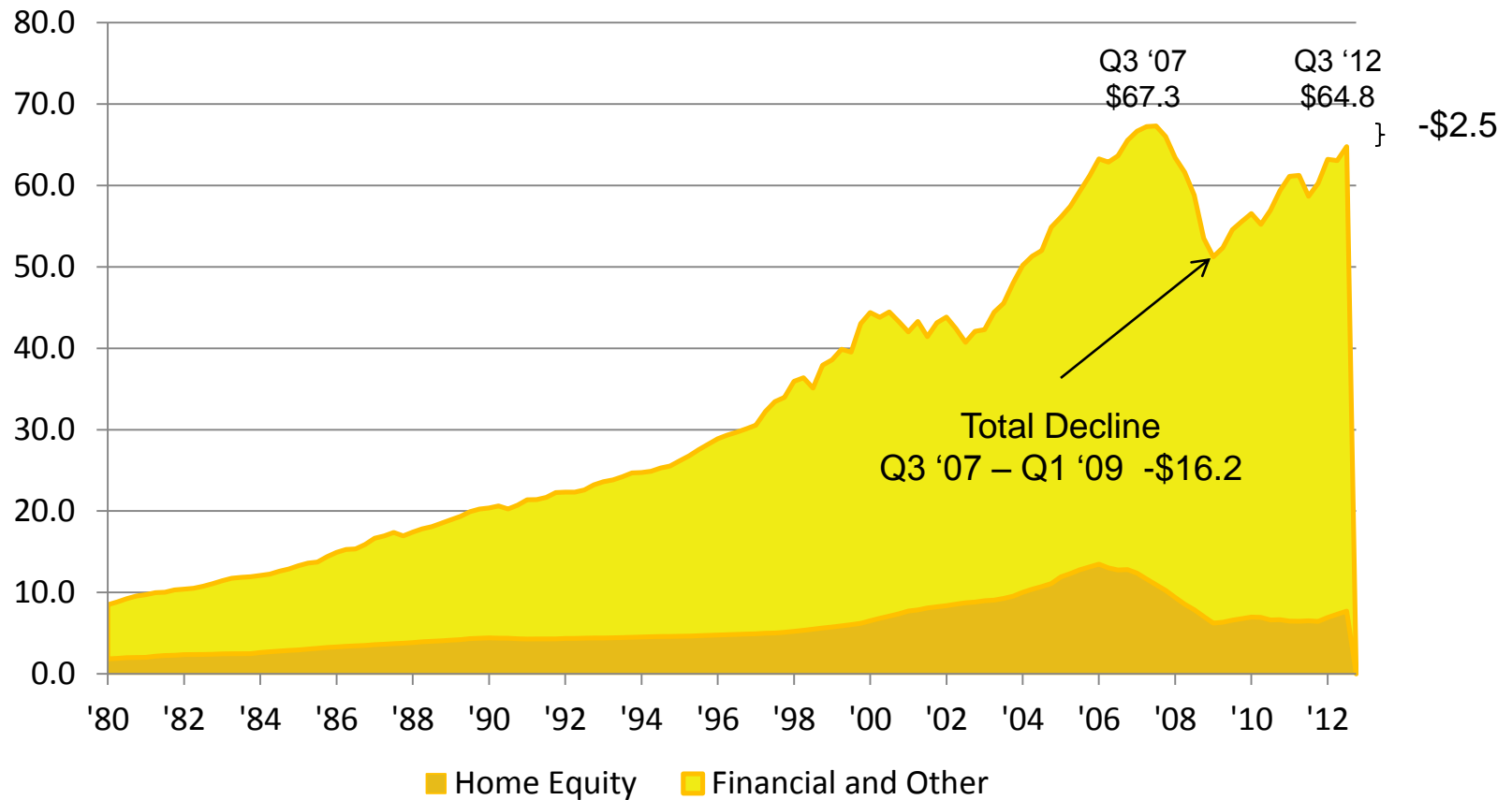
Percent – Seasonally Adjusted



Source: BLS

Households Net Worth

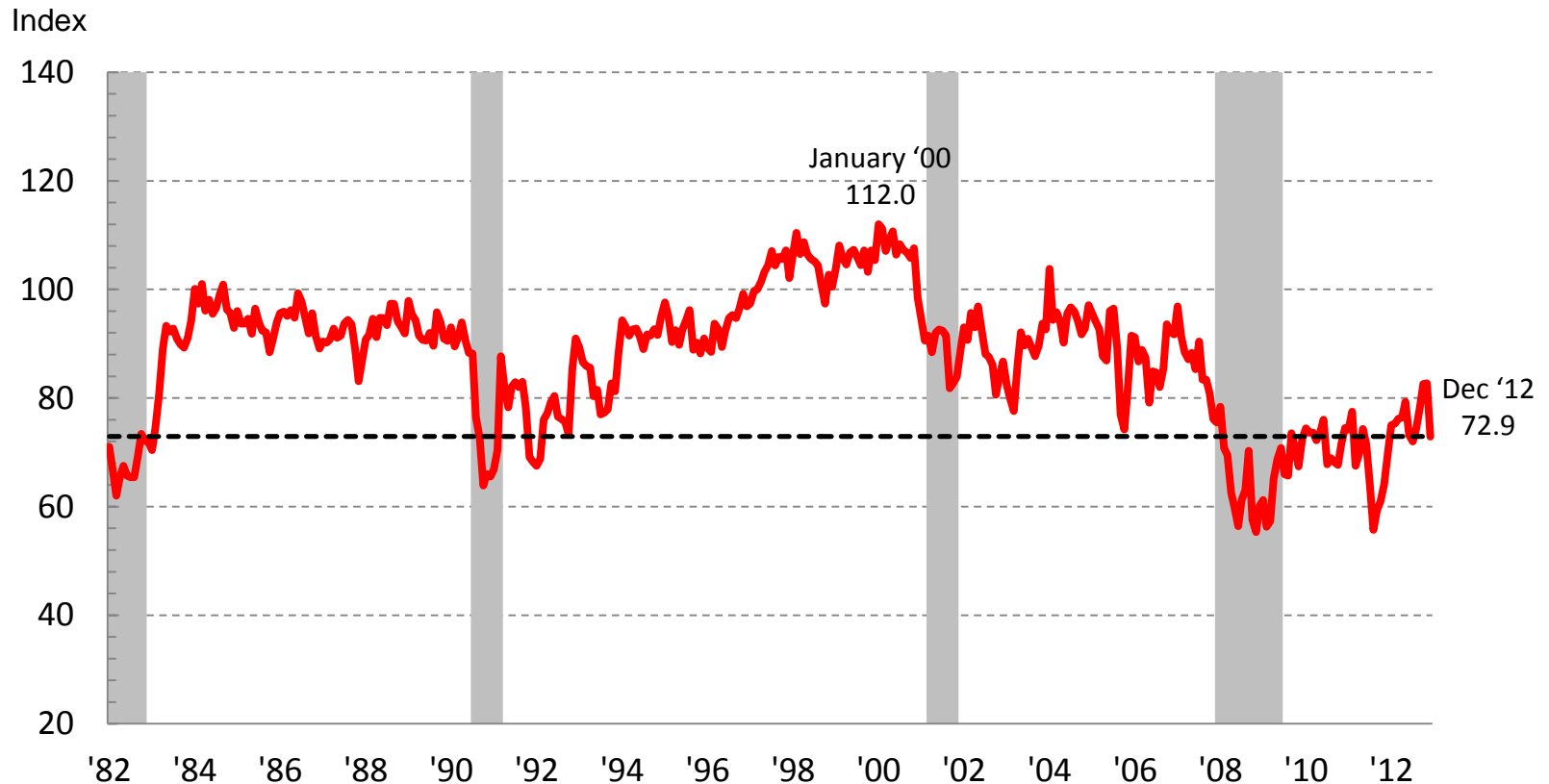
Trillions of Dollars, Q1 '80 to Q1 '12



Source: Federal Reserve Z.1 Statistical Release ,Table B100, Households and Nonprofit Organizations

Consumer Sentiment

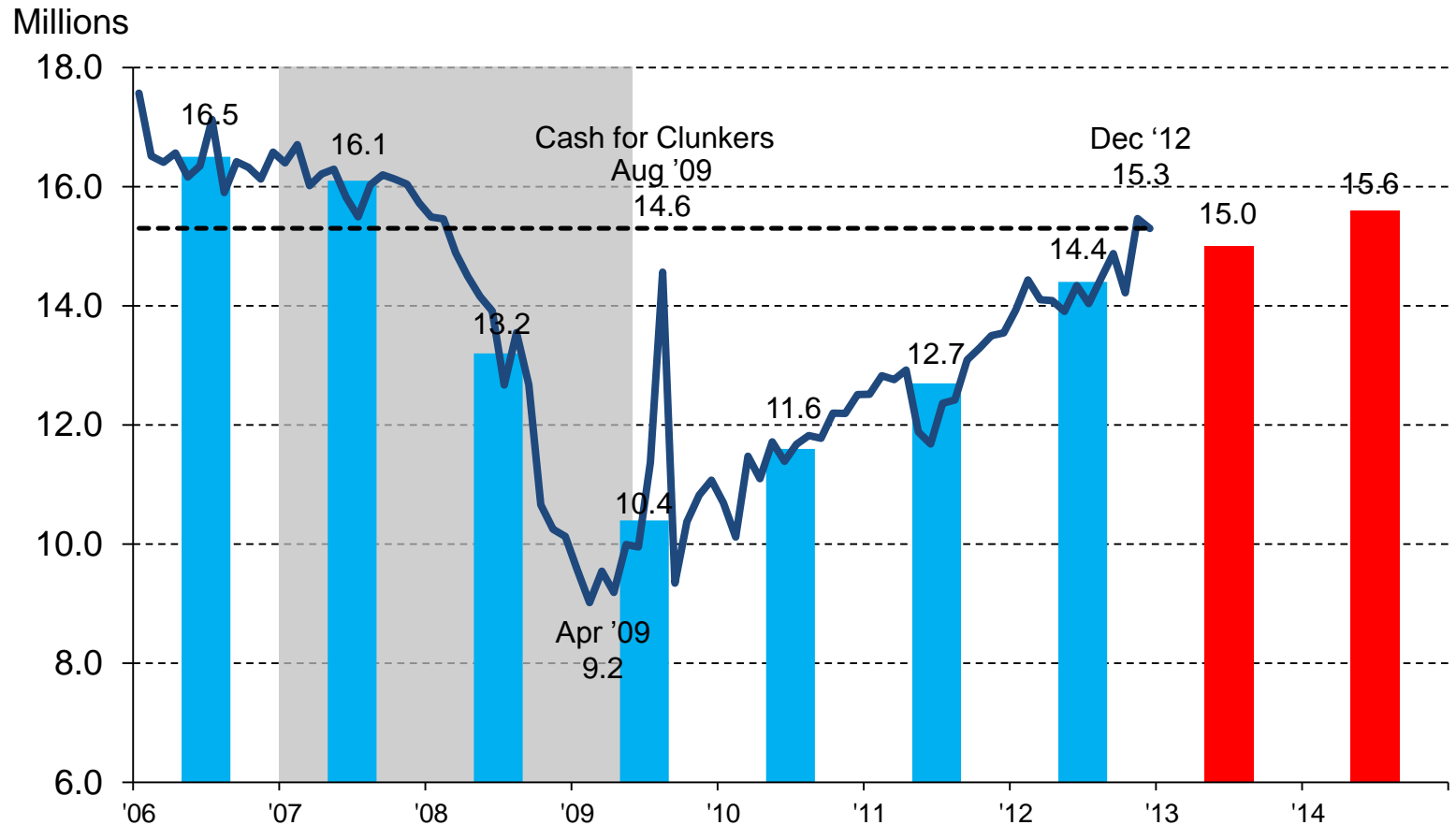
University of Michigan



Source: Thomson Reuters / University of Michigan

U.S. Light Vehicle Sales

SAAR and Annual Sales



Source: Ward's Automotive and BEA

Economic Projections of FOMC

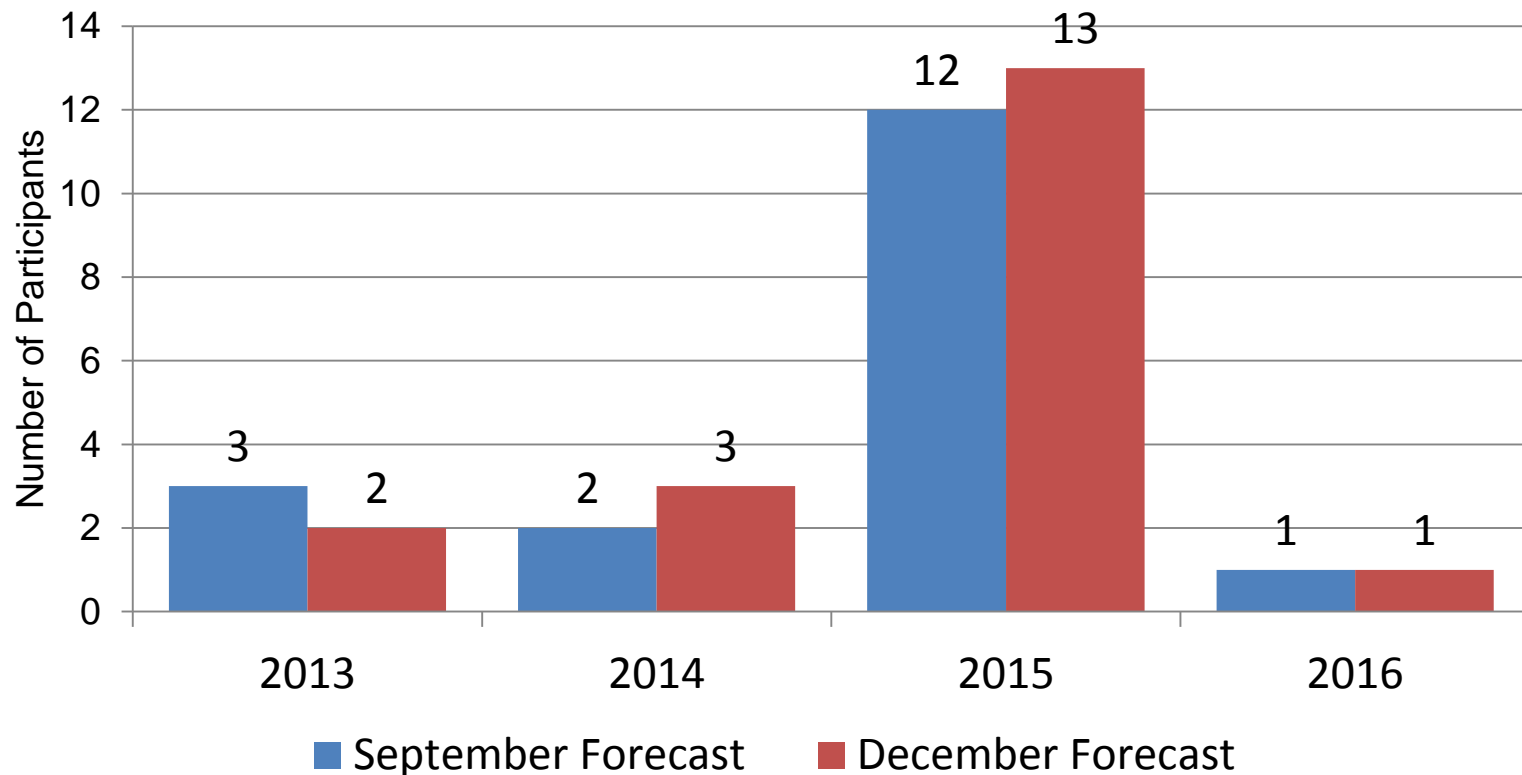
F.O.M.C Statement

January 30, 2012

1. Information since the F.O.M.C. met in December suggests that growth in economic activity paused in recent months, in large part because of weather-related disruptions and other transitory factors.
2. Employment has continued to expand at a moderate pace but the unemployment rate remains elevated.
3. Household spending and business fixed investment advanced, and the housing sector has shown further improvement.
4. Inflation has remained low, apart from temporary variations that largely reflect fluctuations in energy prices.
5. Longer-term inflation expectations have remained stable.

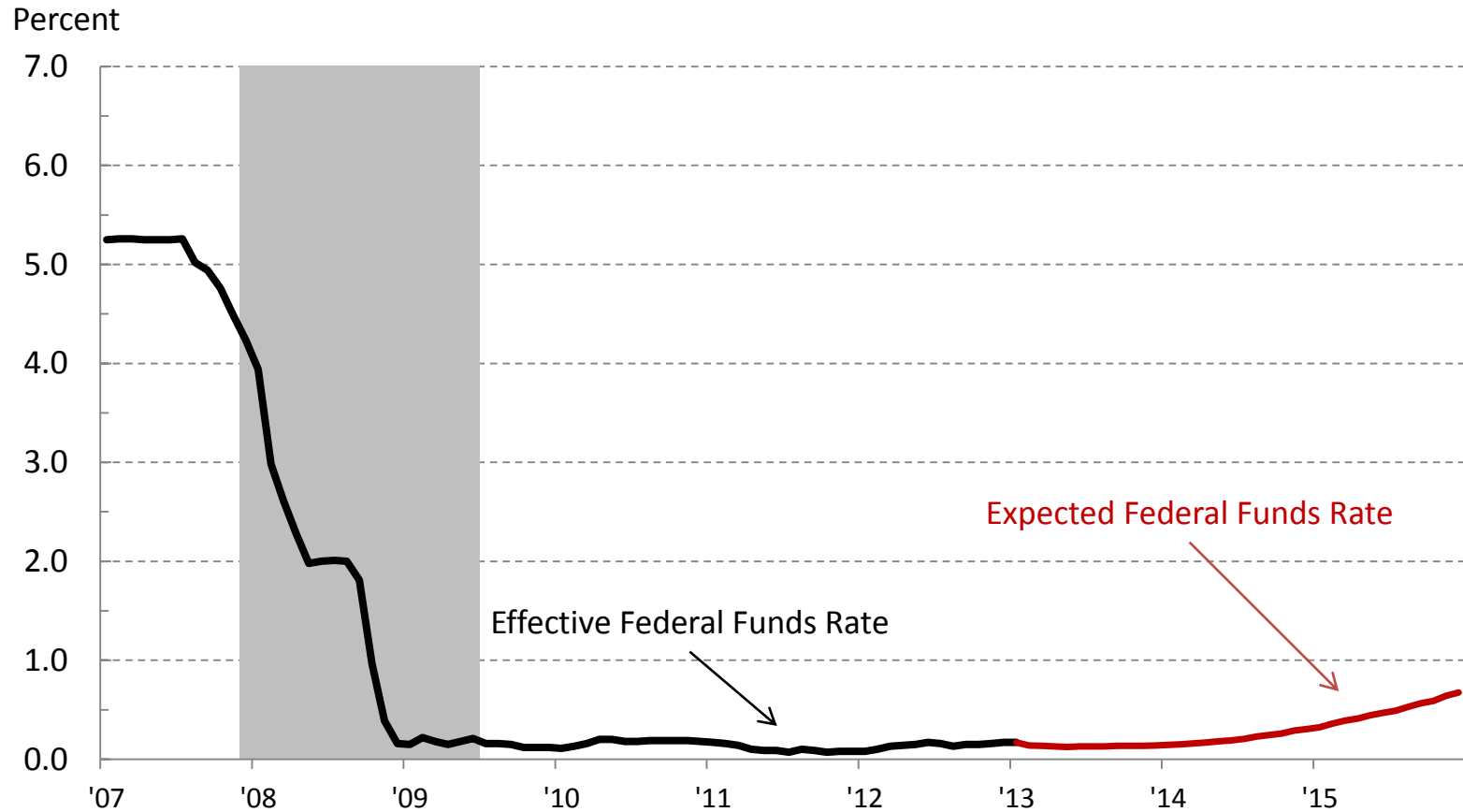
Appropriate Timing of Policy Firming

FOMC Members – December 2012 Forecast



Monetary Policy Expectations

Effective and Expected Federal Funds Rate



Thank You!

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