



FEDERAL RESERVE BANK *of* NEW YORK

The U.S. Economy: Present and Future

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January 26, 2012

The views expressed in this presentation are those of the presenter and not necessarily those of the Federal Reserve Bank of New York or The Federal Reserve System

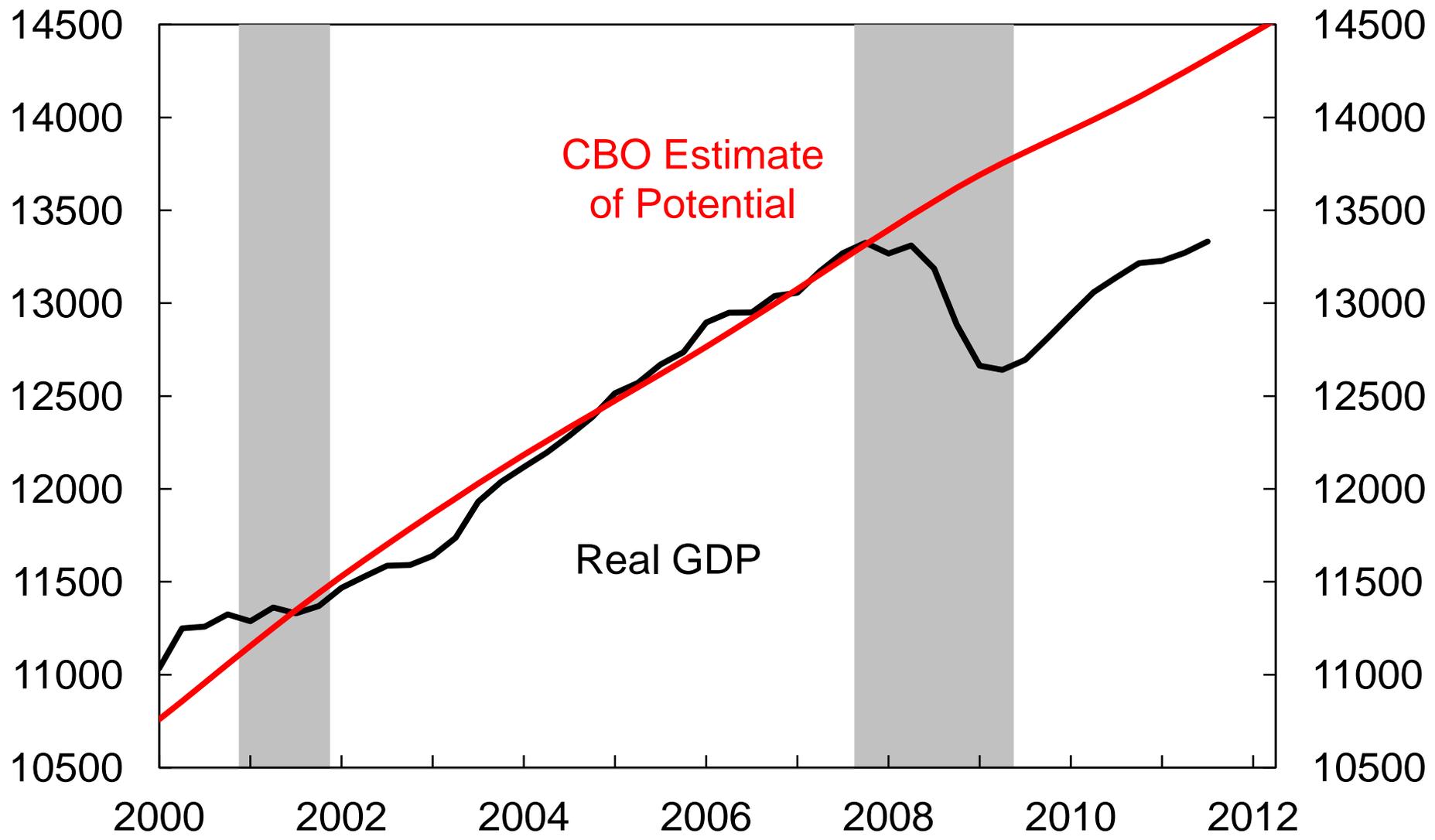
Depth of and Slow Recovery from Great Recession

- Deepest Recession in post- WW2 period, 5% drop in GDP
- Recovery Slow: 2007Q4 level of GDP regained in 2011Q3
- Unemployment increased almost 6 percentage points
- Few forecasts have U.S. economy operating at full capacity in next two-three years

Real and Potential GDP

Billions of 2005 Dollars

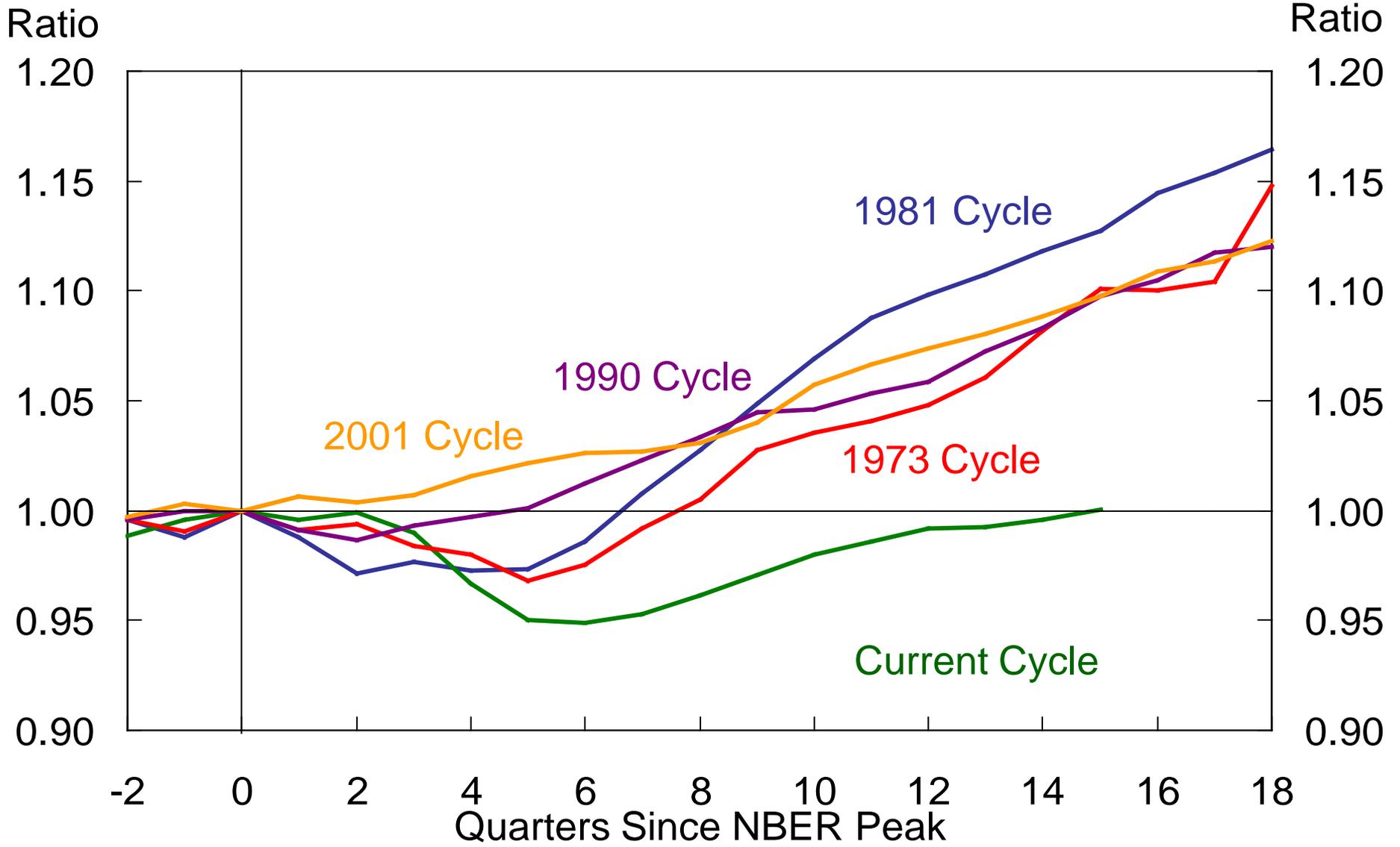
Billions of 2005 Dollars



Source: Bureau of Economic Analysis and Congressional Budget Office

Level of Real GDP

(Series Set to 1.00 at NBER Peak)

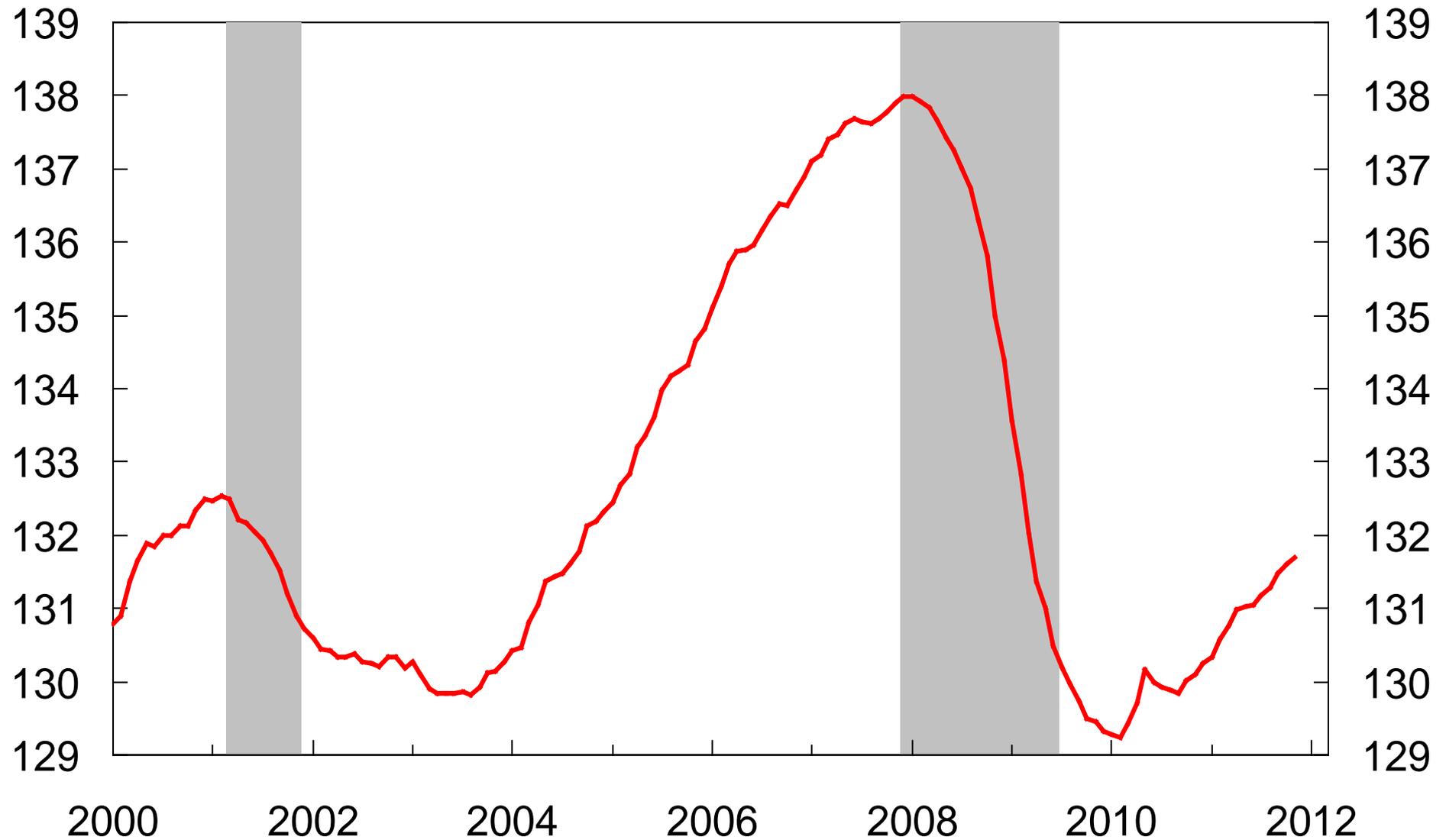


Source: Bureau of Economic Analysis

Nonfarm Payroll Employment

Millions

Millions

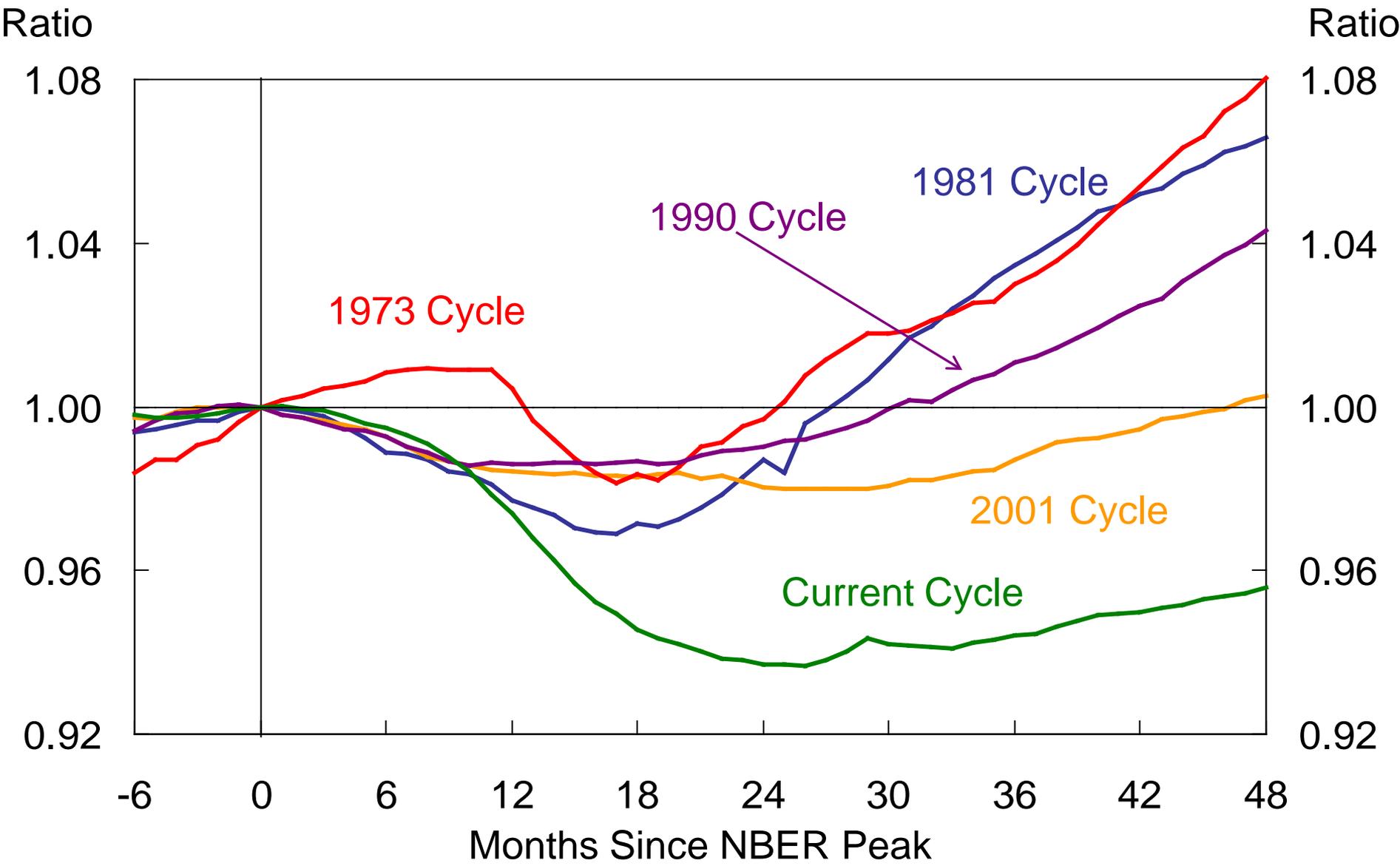


Note: Throughout text, shading represents NBER recessions.

Source: Bureau of Labor Statistics

Employment Declines During Recessions

(Series Set to 1.00 at NBER Peak)



Source: Bureau of Labor Statistics

Some of the Better News

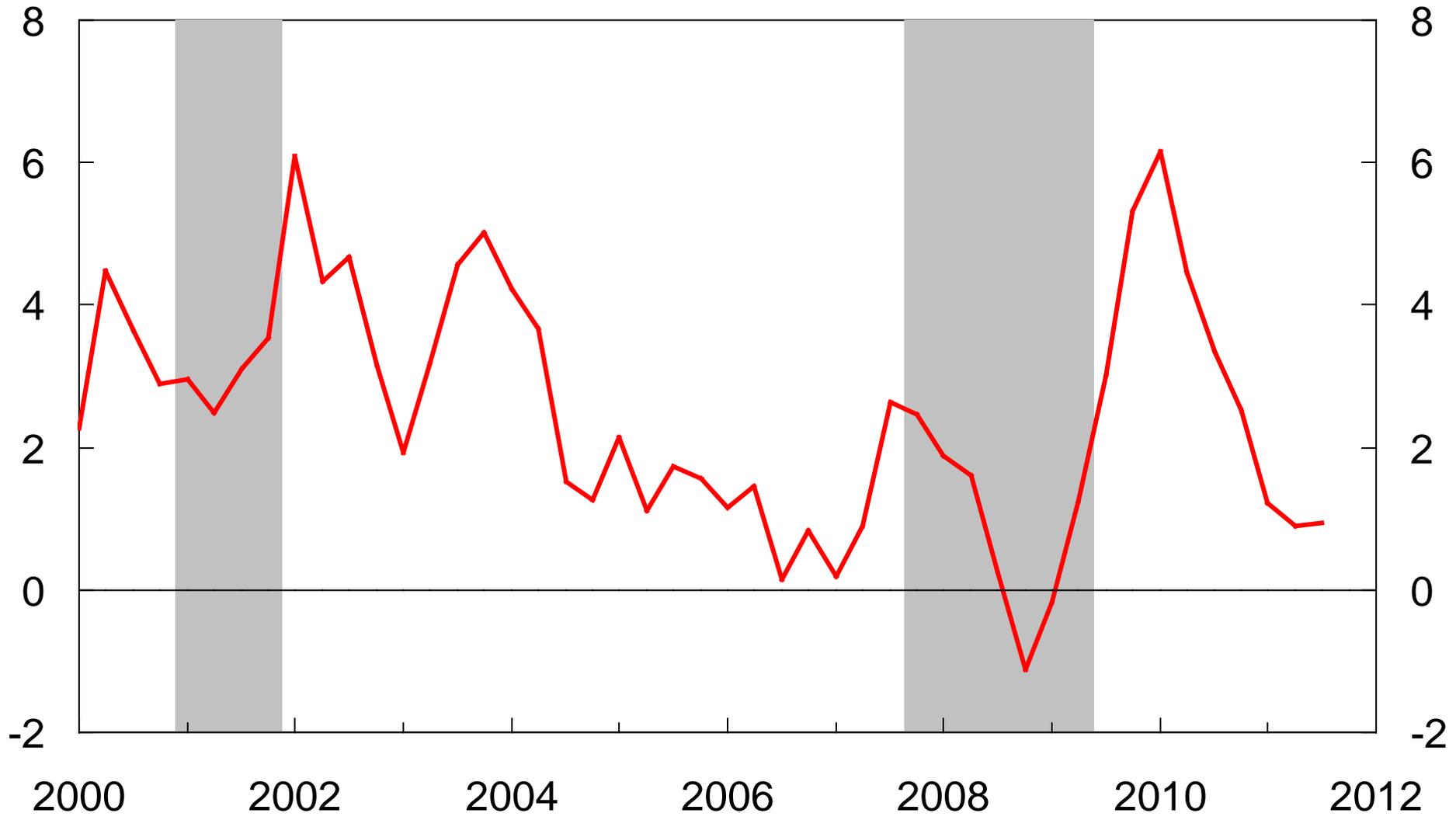
- Productivity growth stayed robust
- Recently investment has been growing quickly
- In 2011Q4 hours work rebounded
- Unemployment rate decline from 9 in September to 8.5 in December
- Auto sales are picking up

Productivity

Nonfarm Business Sector

% Change - Year to Year

% Change - Year to Year

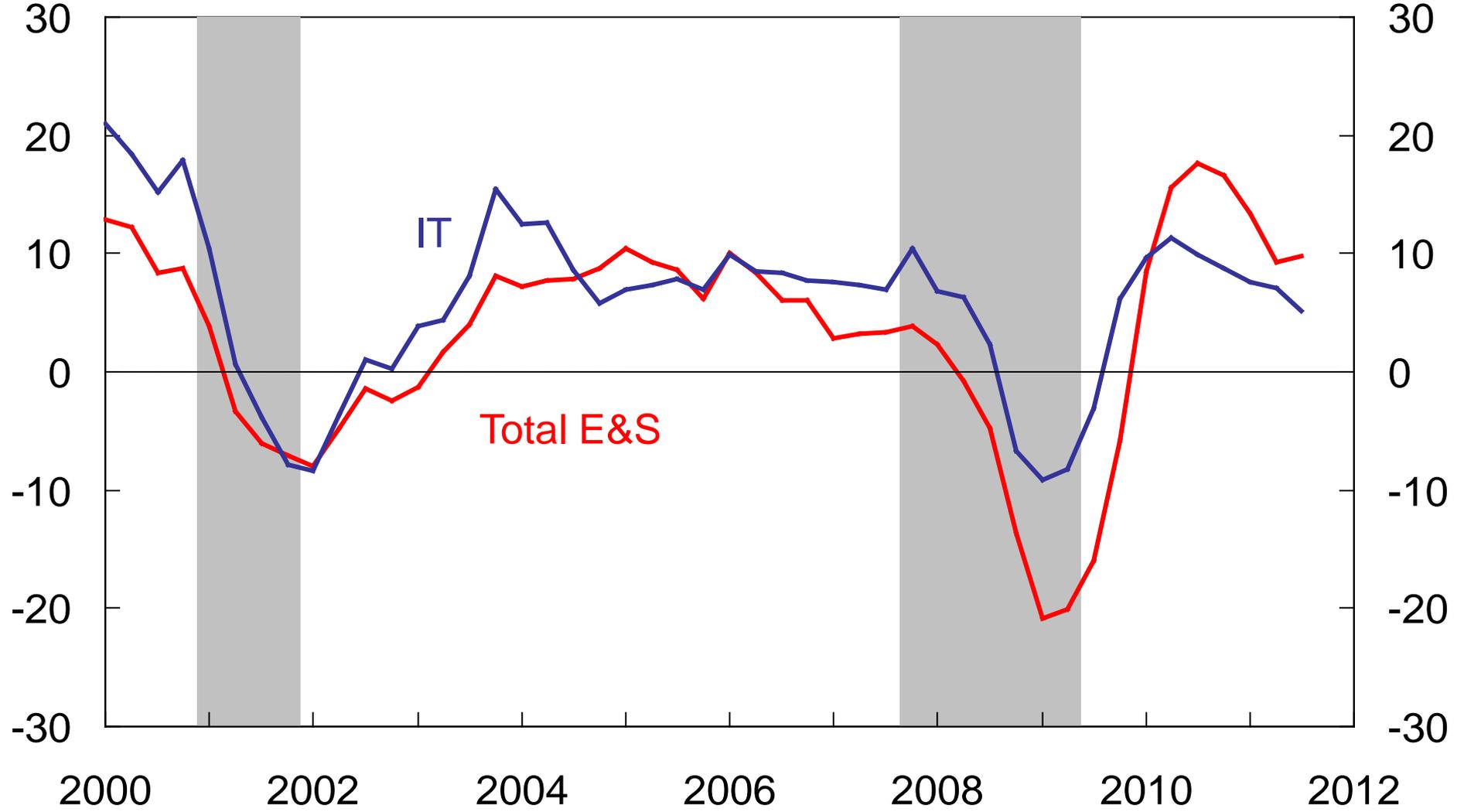


Source: Bureau of Labor Statistics

Real Business Investment: Equipment and Software

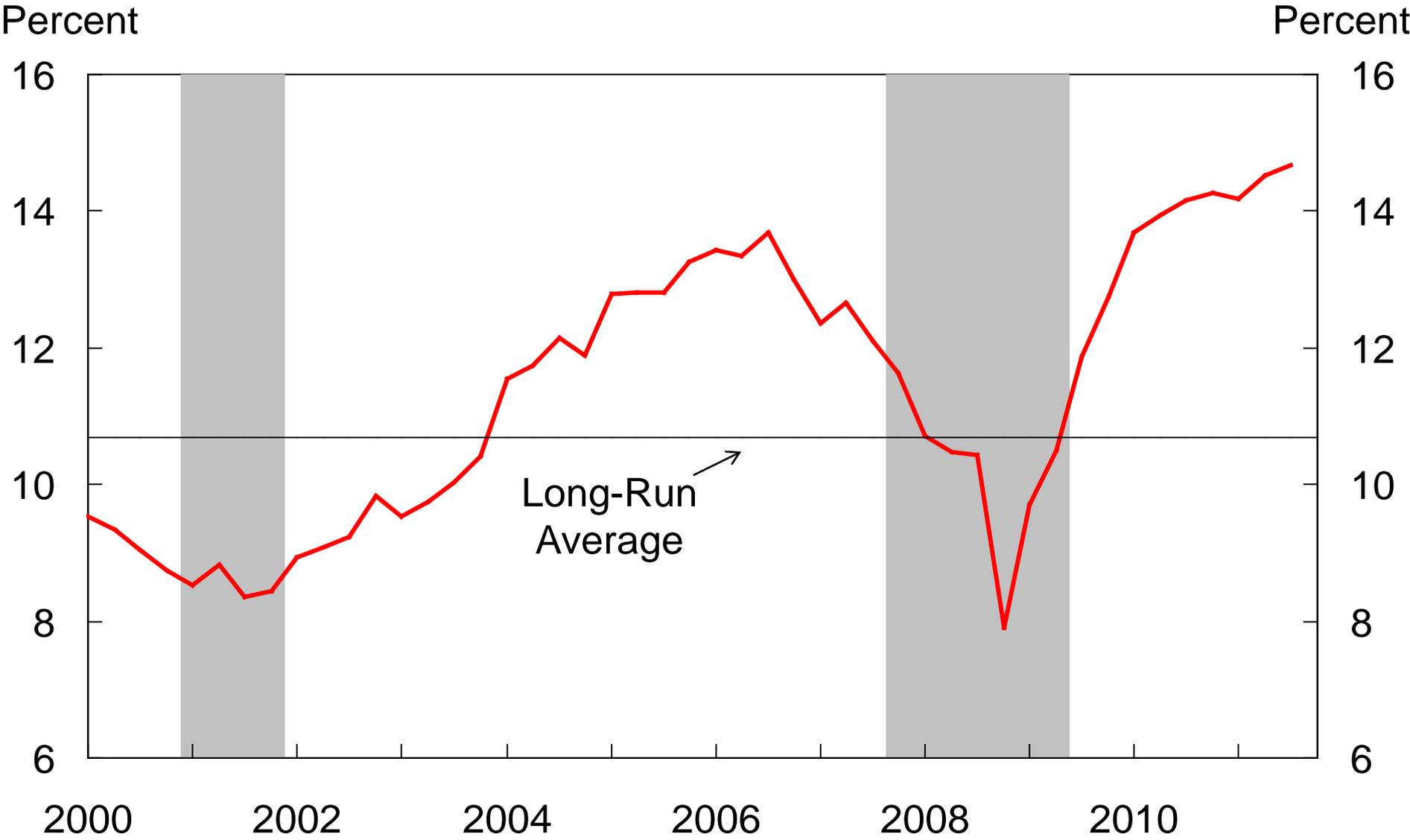
% Change - Year to Year

% Change - Year to Year



Source: Bureau of Economic Analysis

Corporate Profits as a Percent of National Income

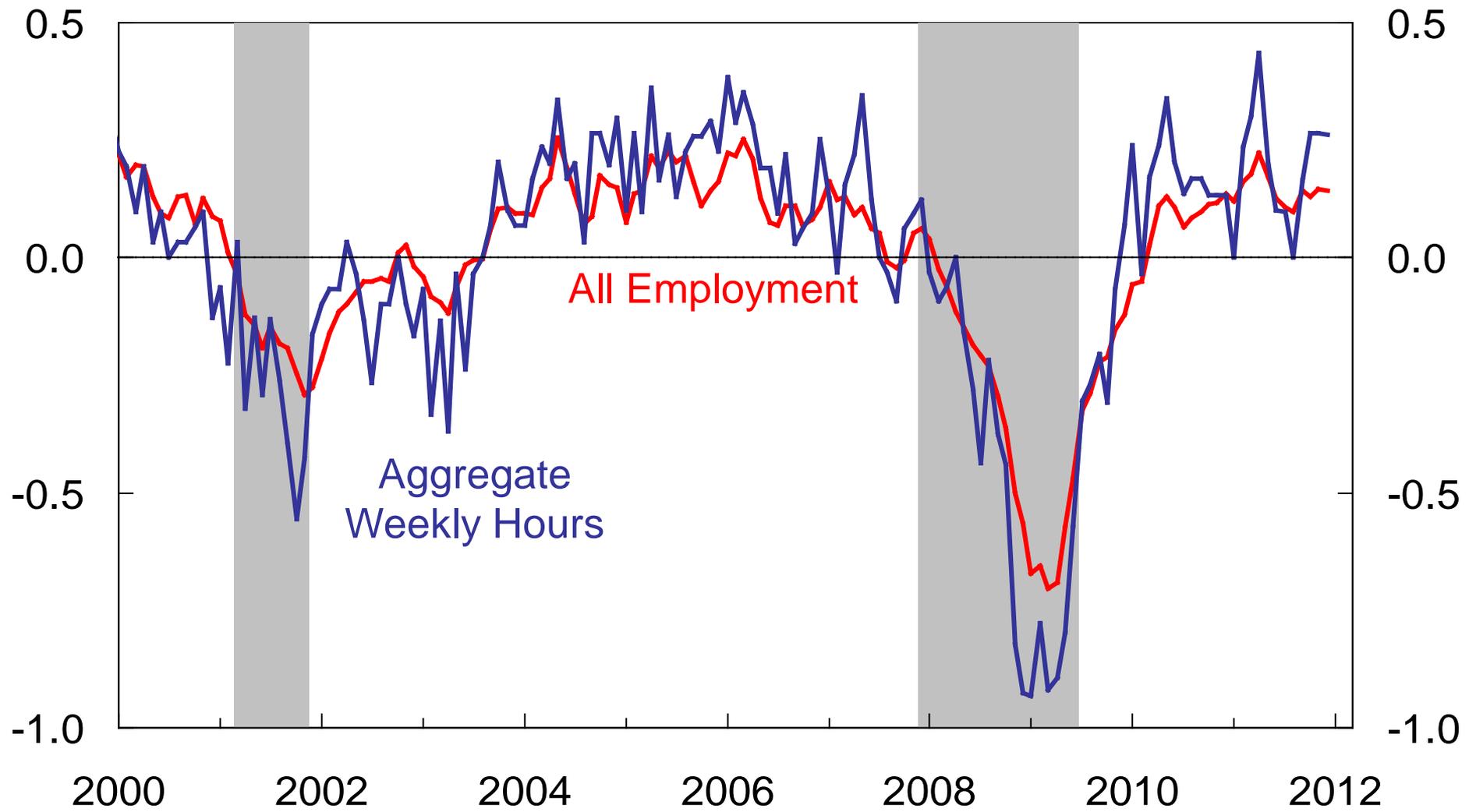


Source: Bureau of Economic Analysis

Private Nonfarm Payroll Employment and Total Hours Worked

3-Month Moving Average of One-Month Change

Percent

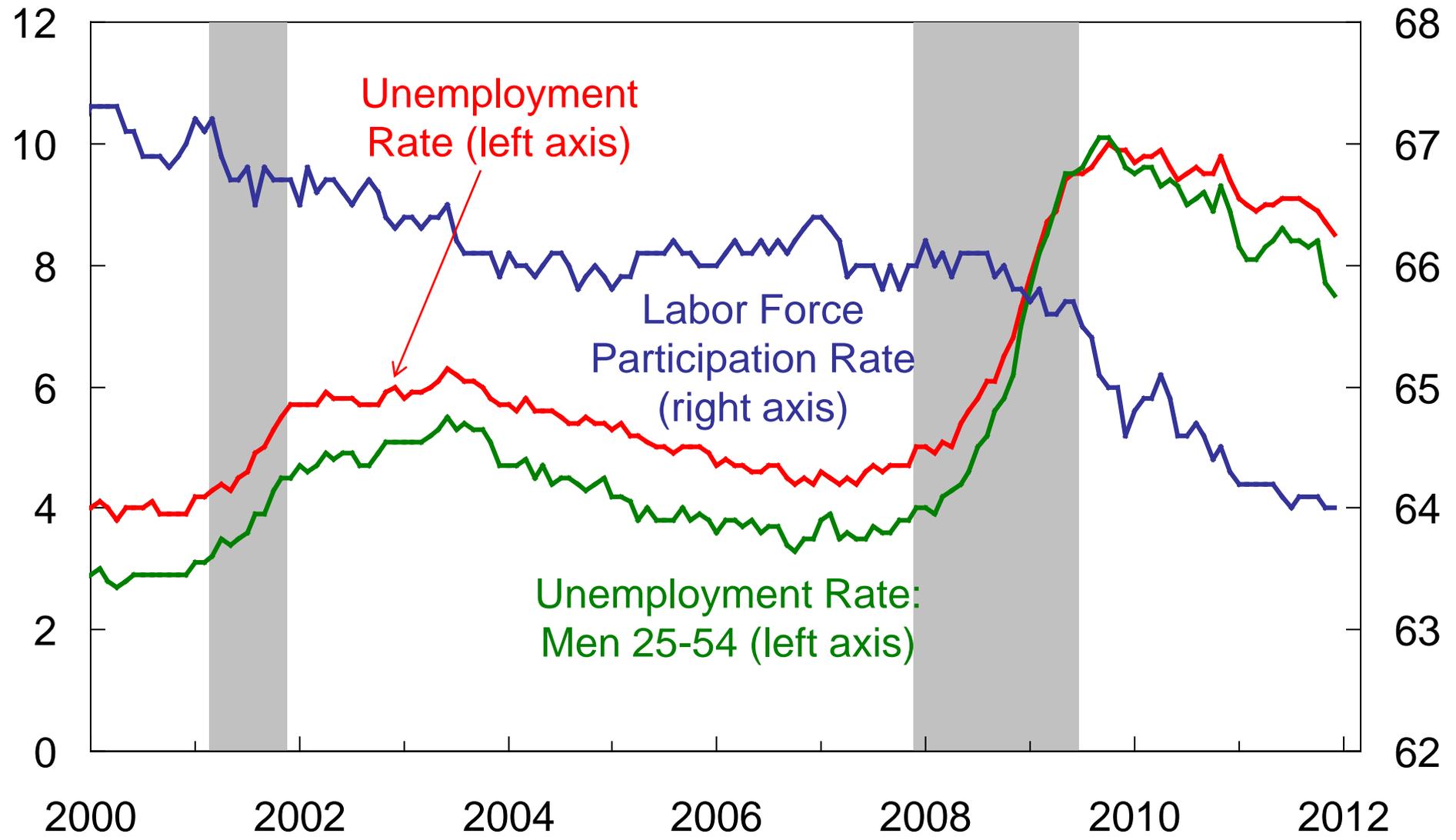


Source: Bureau of Labor Statistics

Measures of the Employment Situation

Percent

Percent

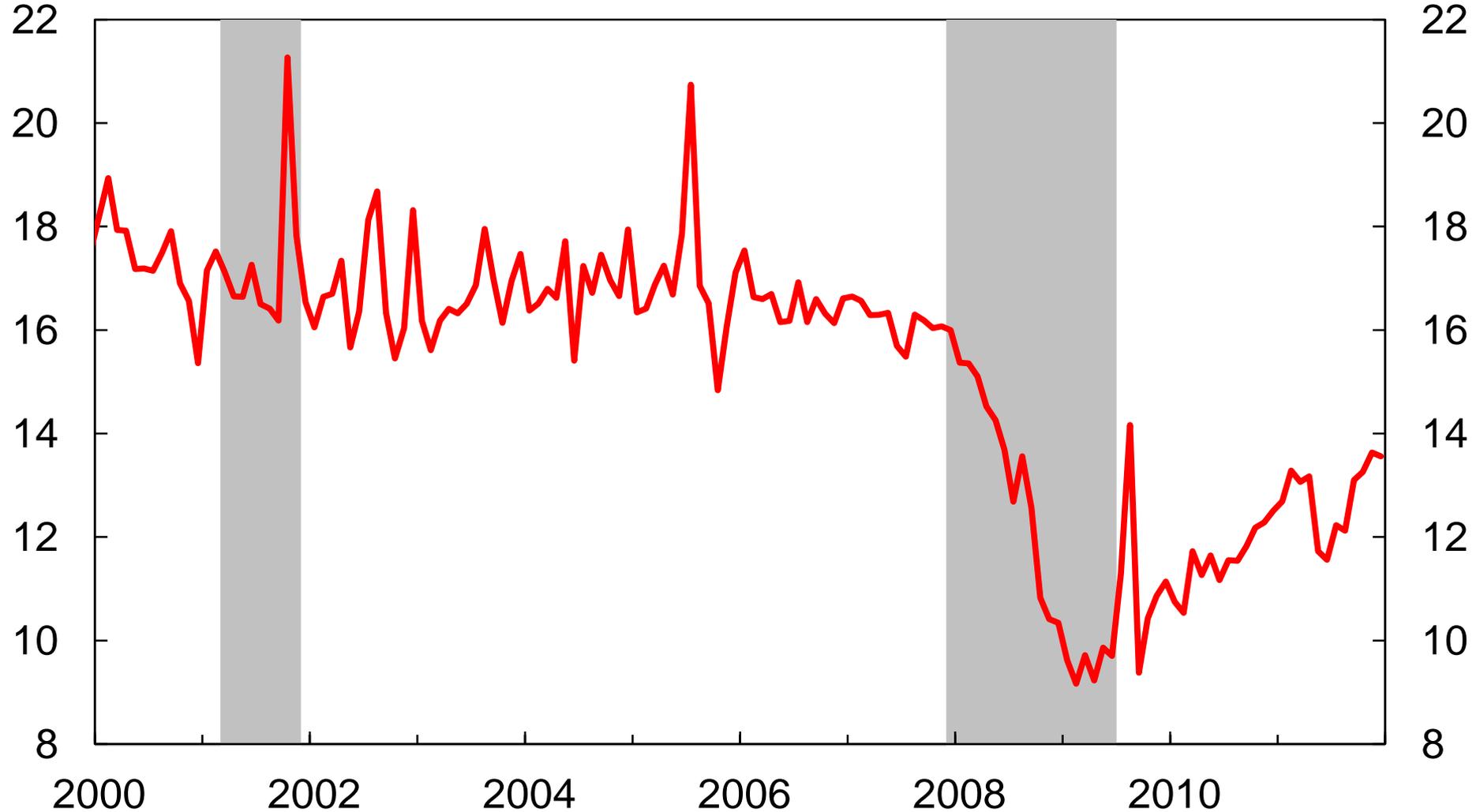


Source: Bureau of Labor Statistics

Light-Weight Vehicle Sales

Millions of Units, SAAR

Millions of Units, SAAR



Source: Autodata Corporation

Some of the Sobering Facts

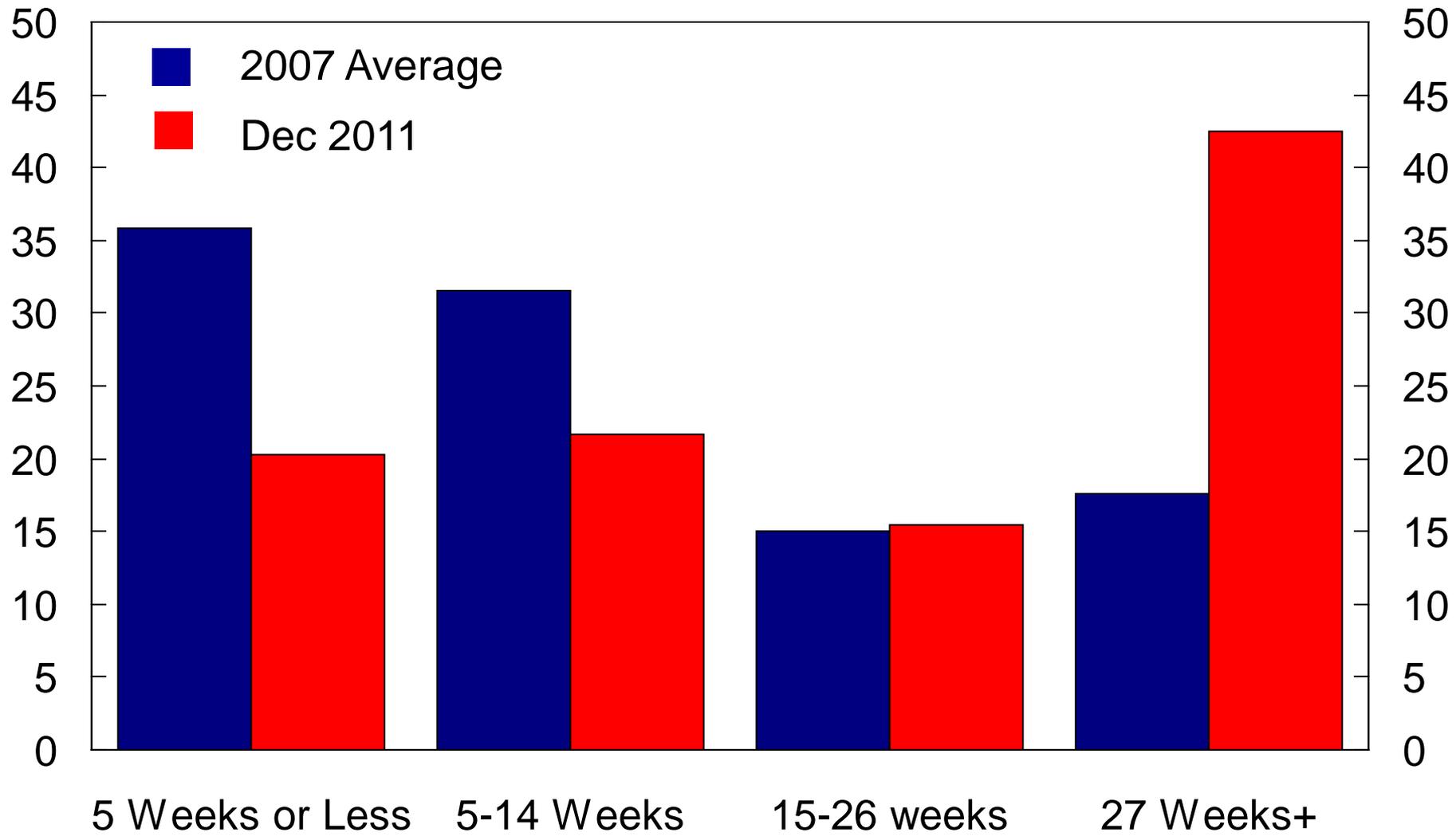
- Duration of unemployment has increased
- Residential investment is depressed
 - Housing prices still stagnant
- Consumption ex autos tepid
- Disposable income growth has been weak
 - Personal saving rate is falling
- Household wealth still relatively low
- Demand and Supply for Credit only just picking up

December 2011 Unemployed Persons by Duration

(In comparison to 2007 Average)

Percent of Total

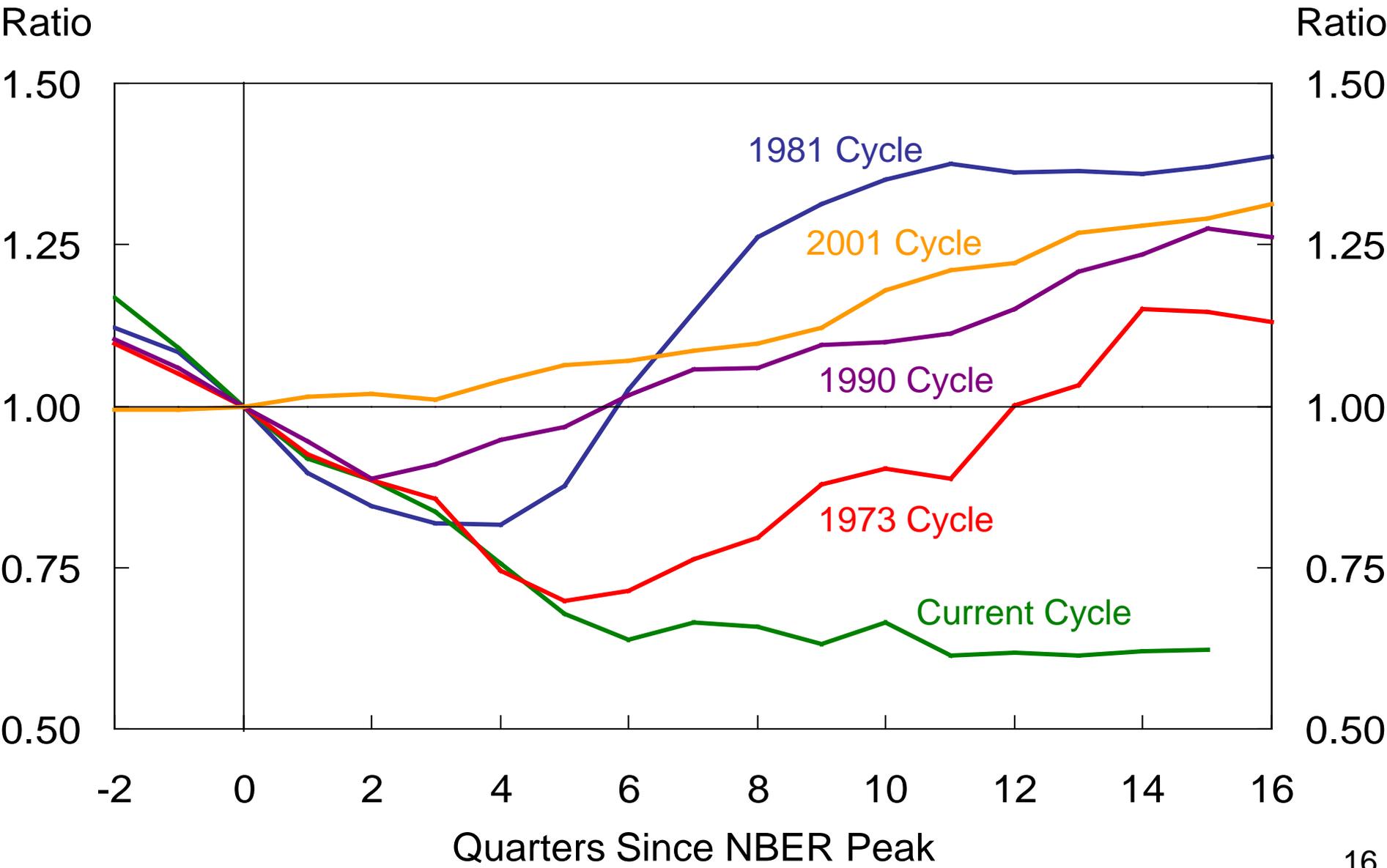
Percent of Total



Source: Bureau of Labor Statistics

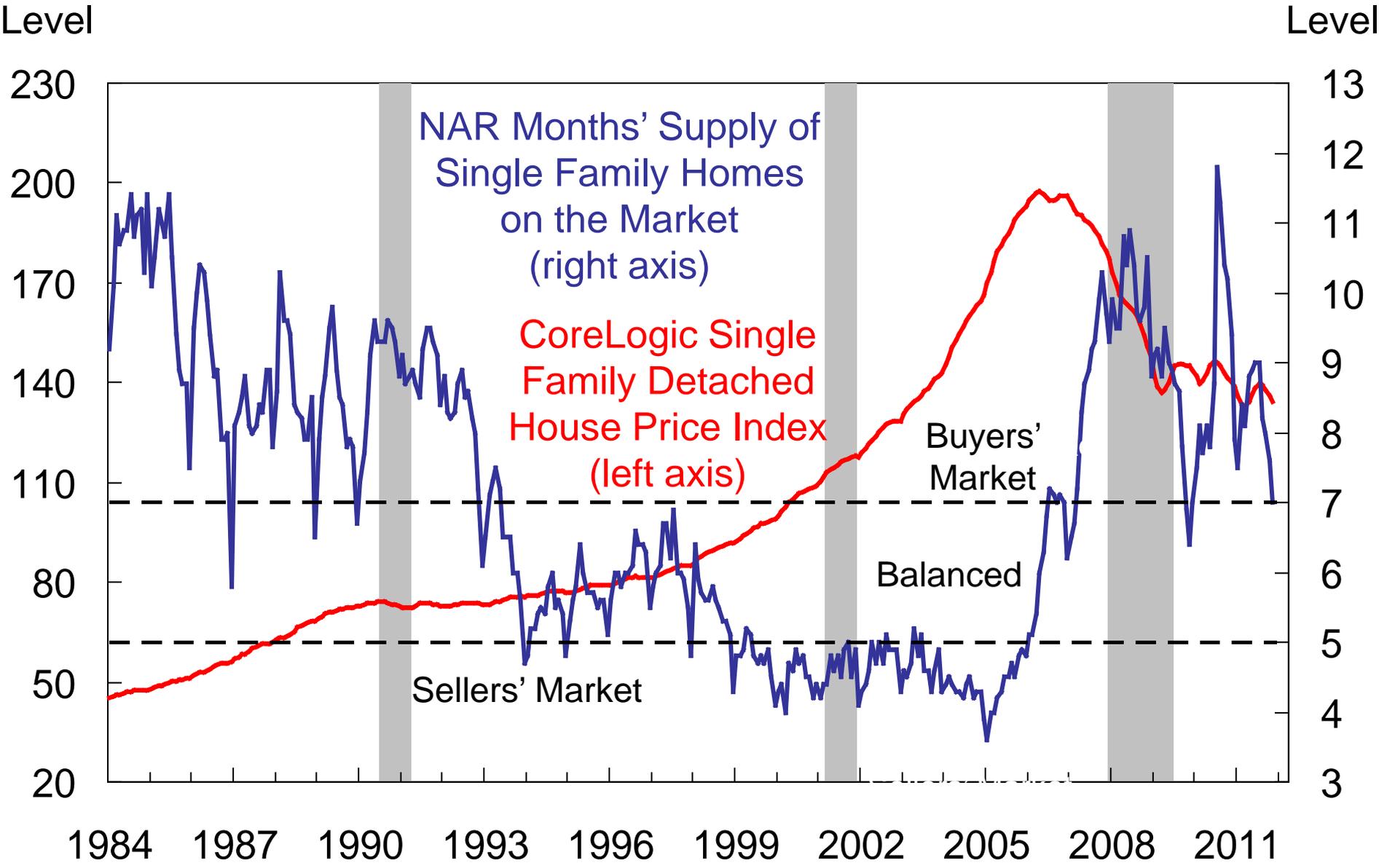
Real Private Residential Investment

(Series Set to 1.0 at NBER Peak)



Source: Bureau of Economic Analysis

Single Family Housing Market

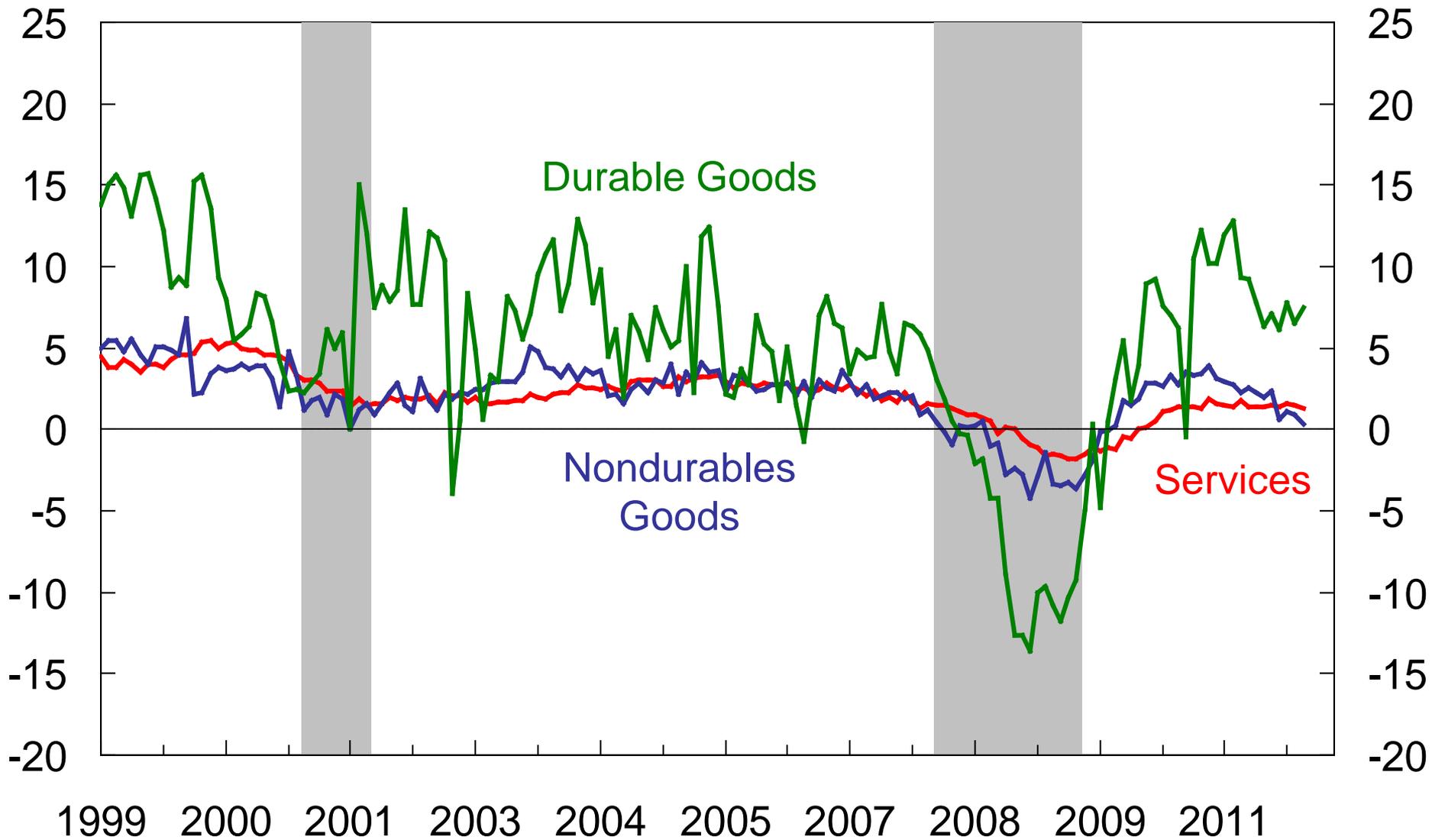


Source: CoreLogic, National Association of Realtors

Real Personal Consumption Expenditures

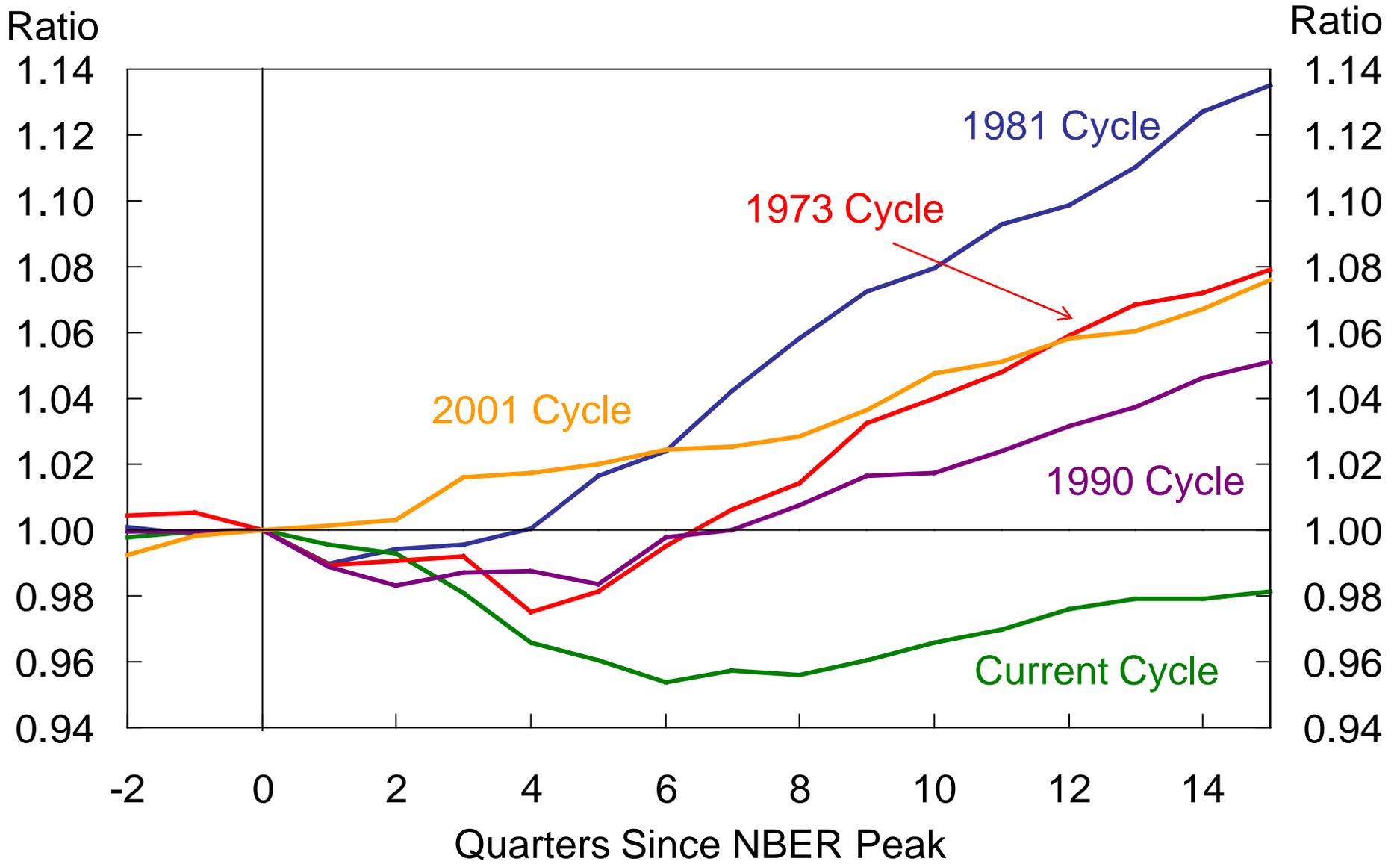
% Change – Year to Year

% Change – Year to Year



Source: Bureau of Economic Analysis

Real Consumption per capita (Series Set to 1.0 at NBER Peak)

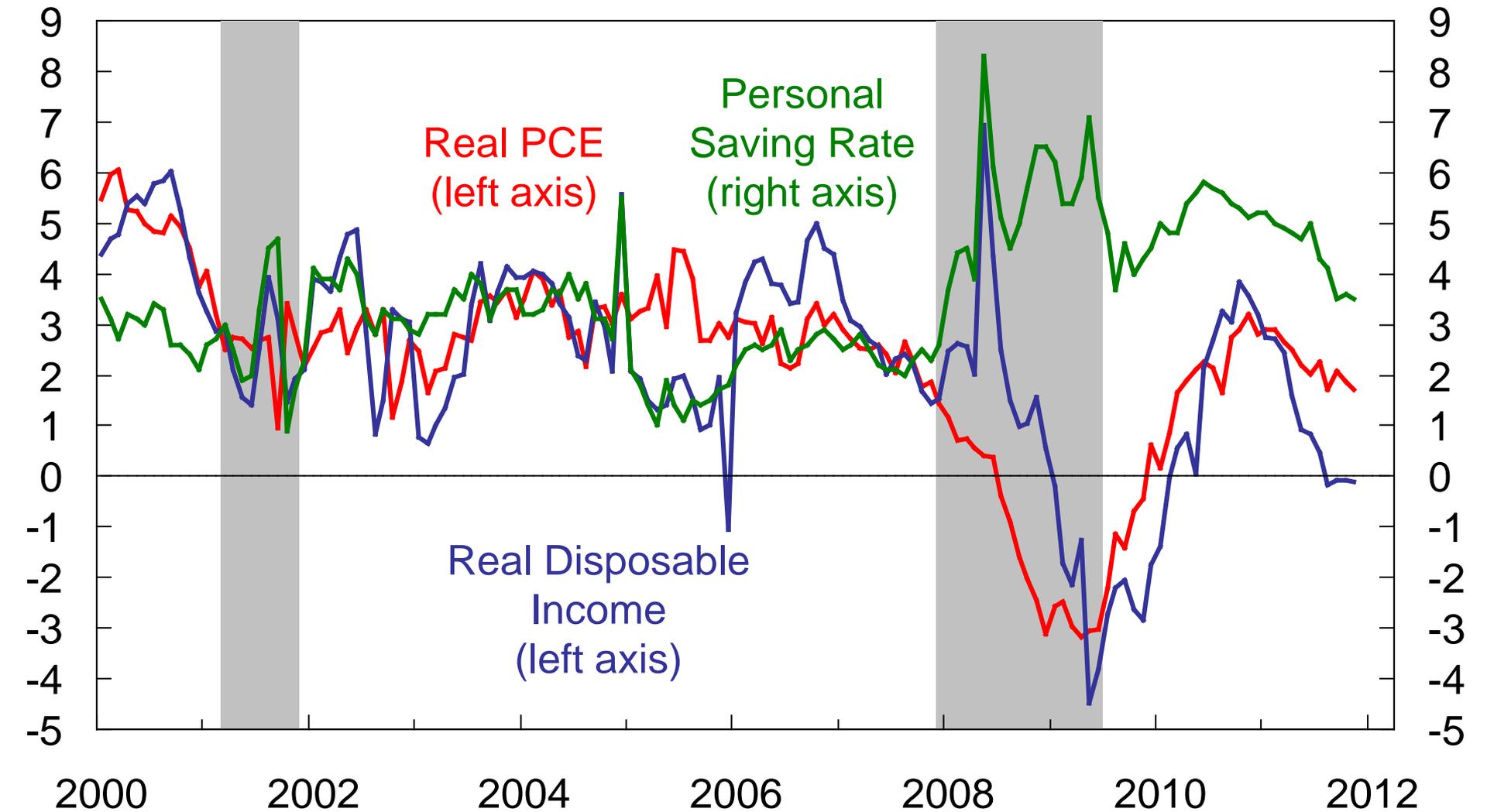


Source: Bureau of Labor Statistics

Real PCE, Disposable Income and Personal Saving Rate

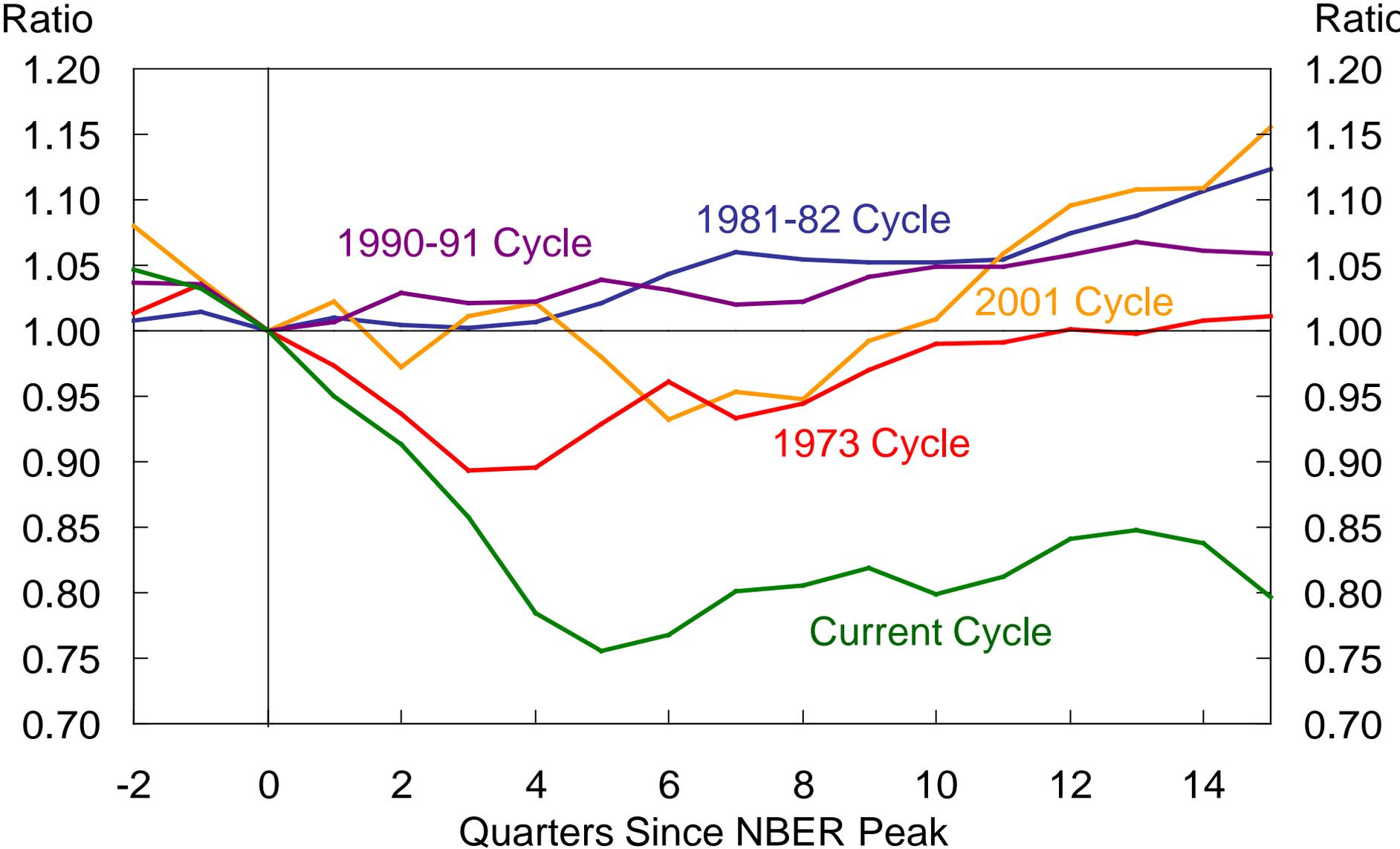
% Change - Year to Year

% Change - Year to Year



Source: Bureau of Economic Analysis

Real Per Capita Household Net Worth (Series Set to 1.00 at NBER Peak)

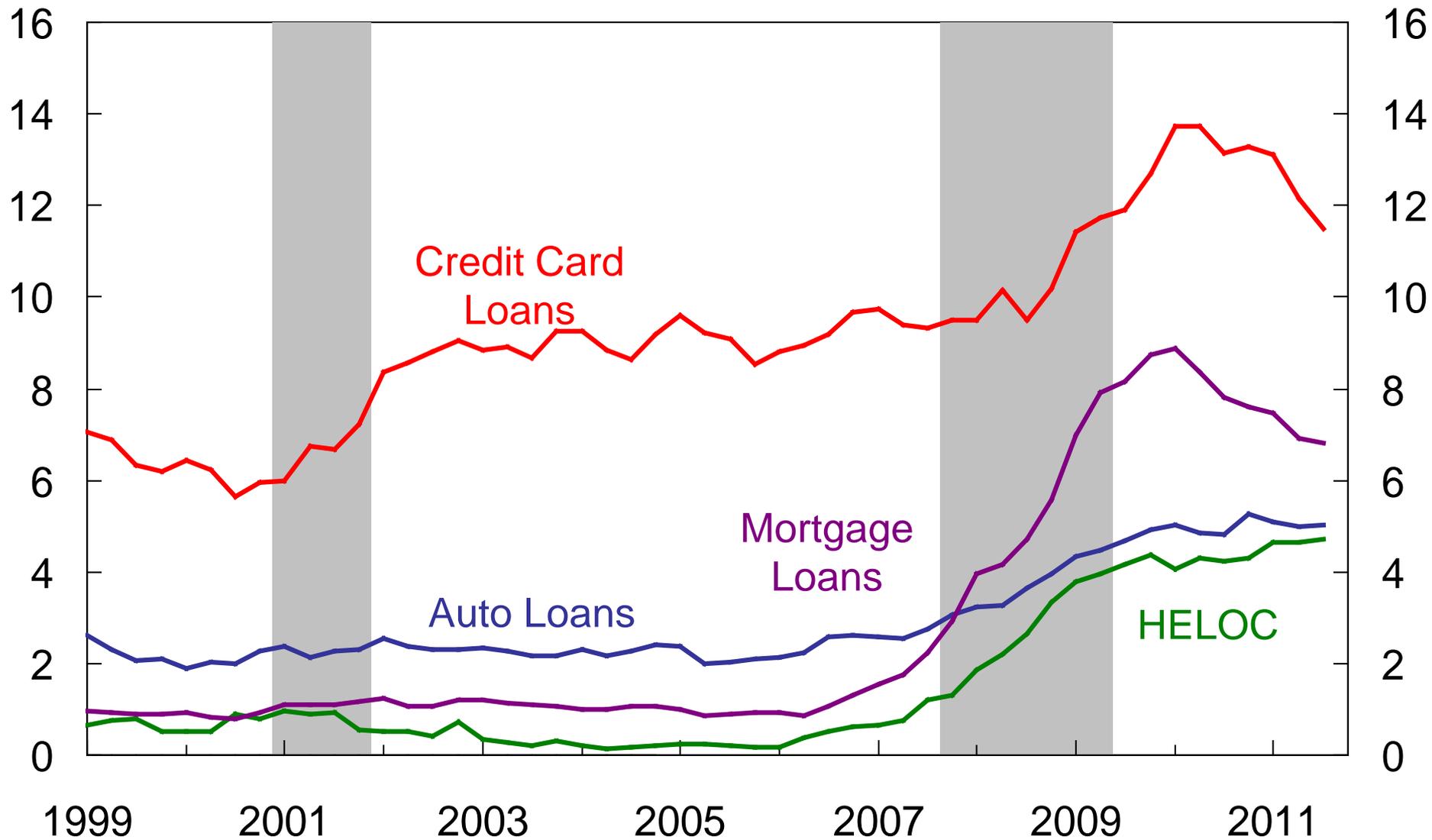


Source: Federal Reserve Board, Bureau of Economic Analysis, Census Bureau

90+ Days Delinquency Rate by Loan Type

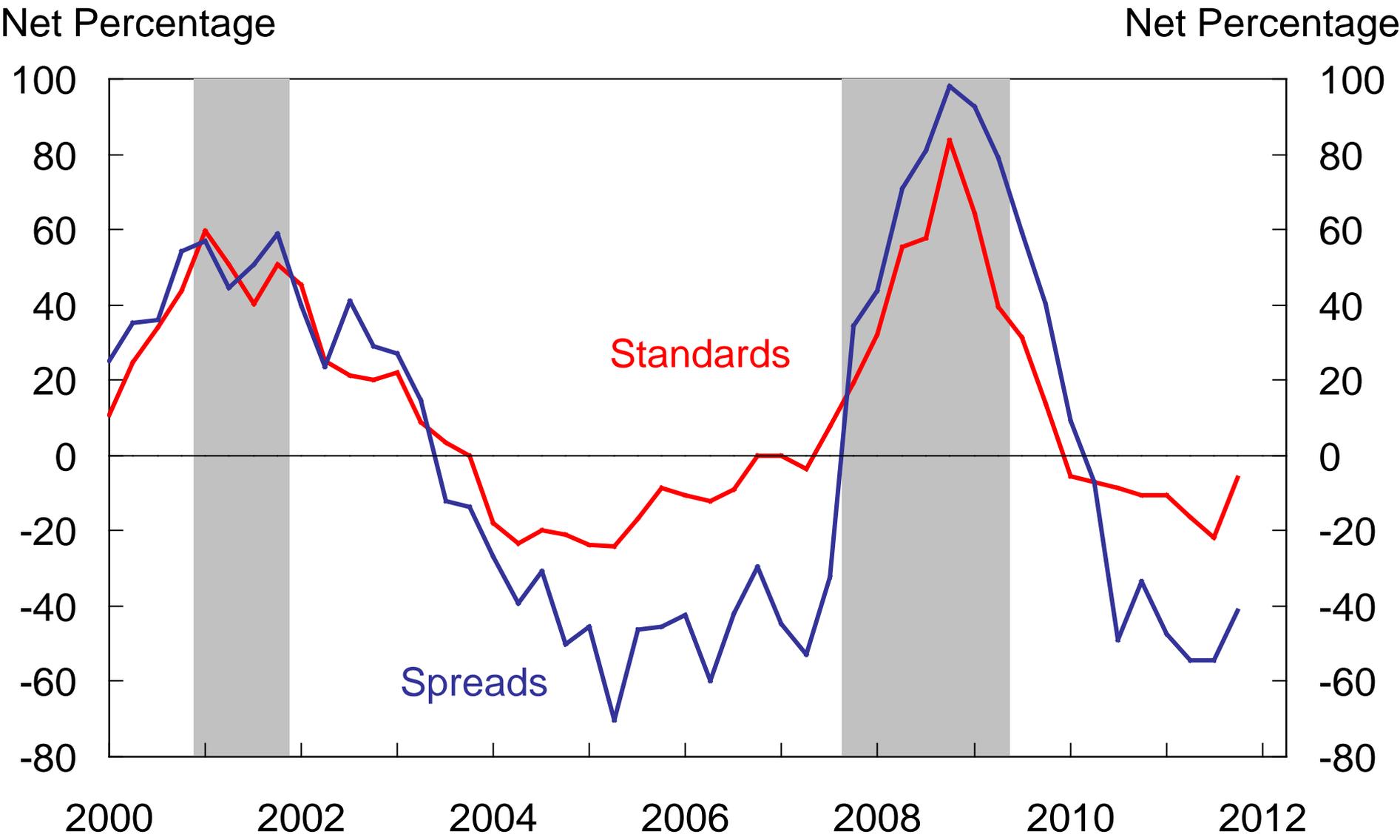
Percent of Balance

Percent of Balance



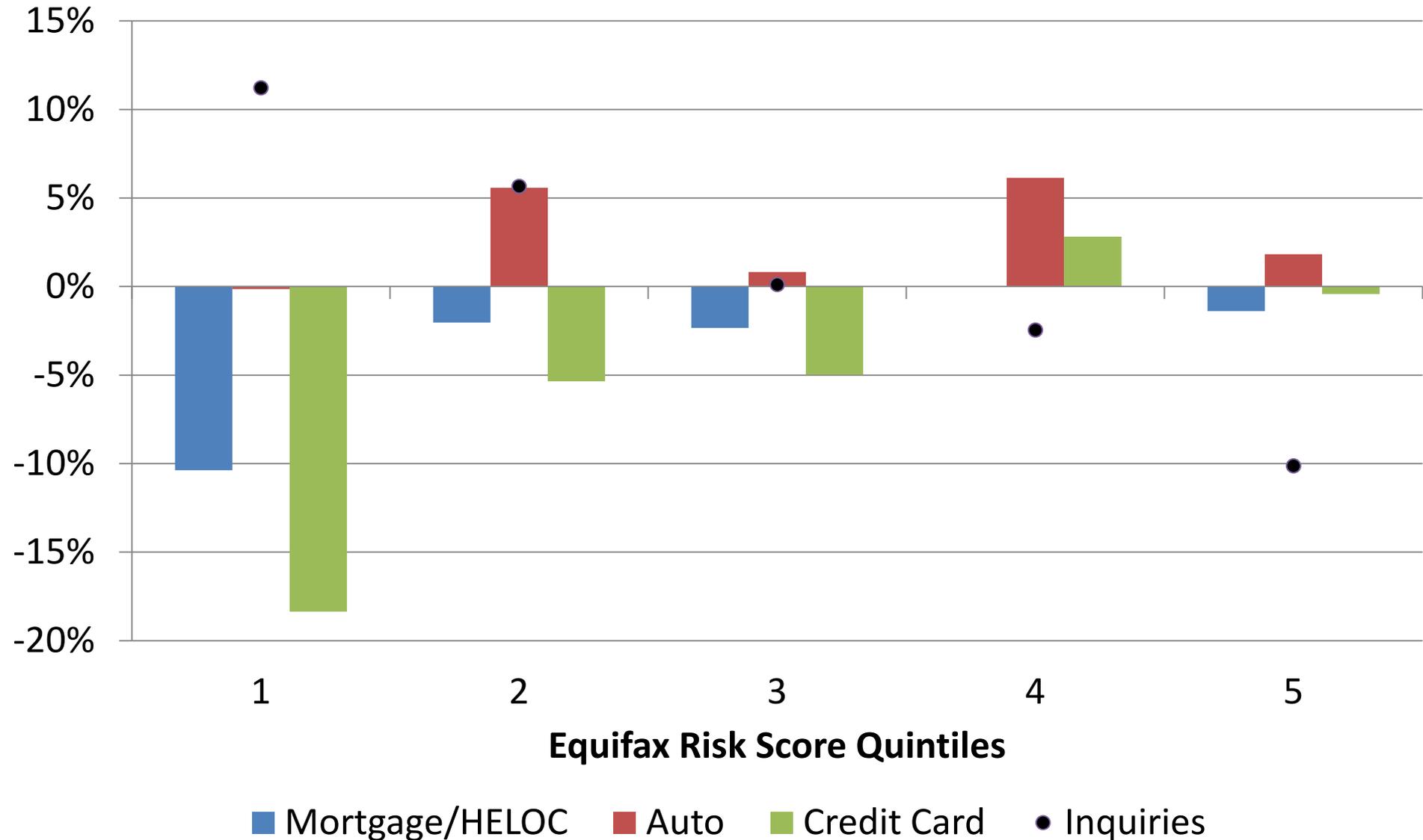
Source: FRBNY Consumer Credit Panel (Equifax)

Net Percentage of Loan Officers Tightening Standards and Raising Spreads for Loans to Large and Mid-Sized Firms



Source: FRB Senior Loan Officer Opinion Survey

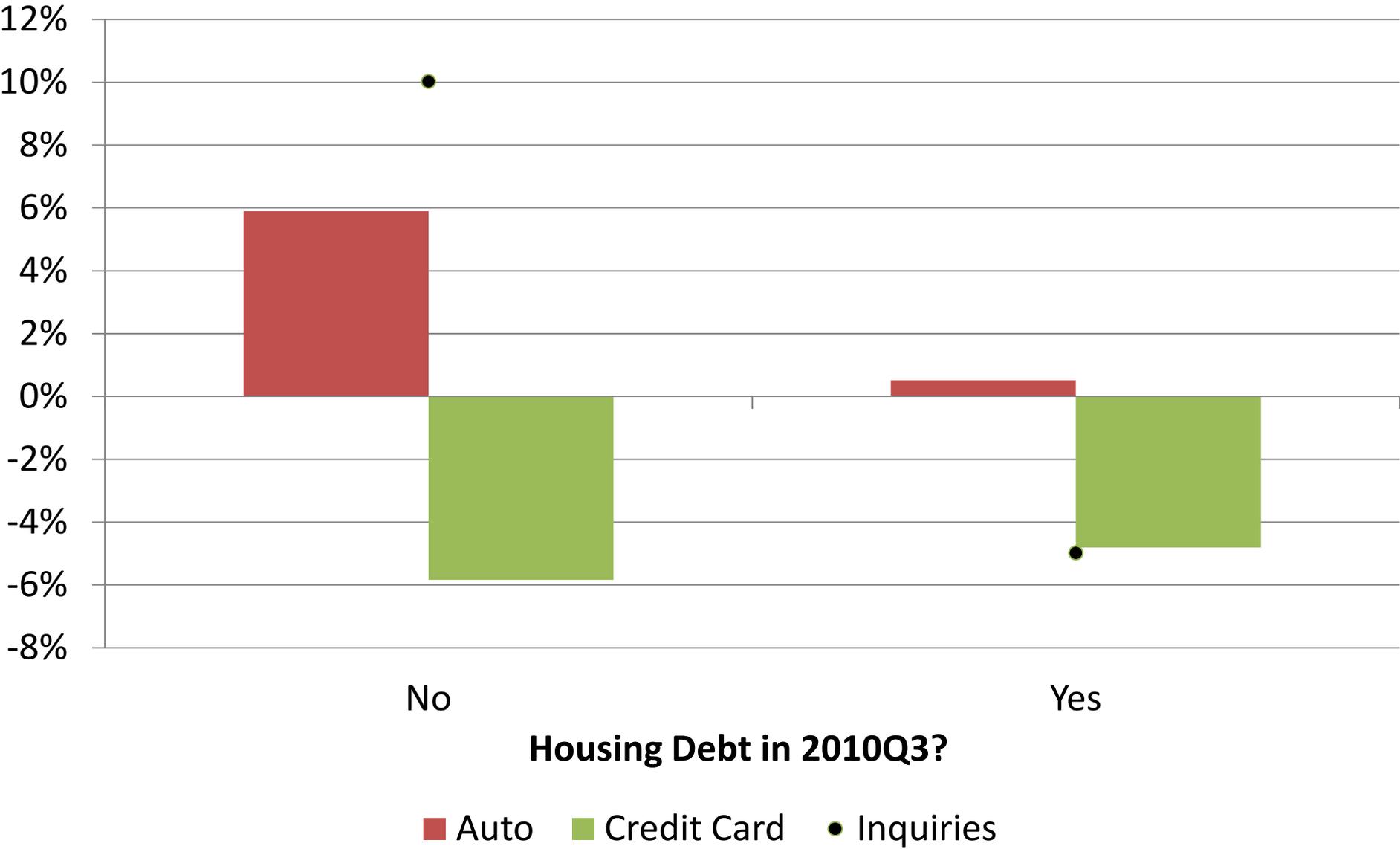
Change in Debt 2010Q3-2011Q3 by Credit Score Quintile



■ Mortgage/HELOC ■ Auto ■ Credit Card ● Inquiries

Source: FRBNY Consumer Credit Panel

...by Presence of Housing Debt in 2010Q3



Source: FRBNY Consumer Credit Panel

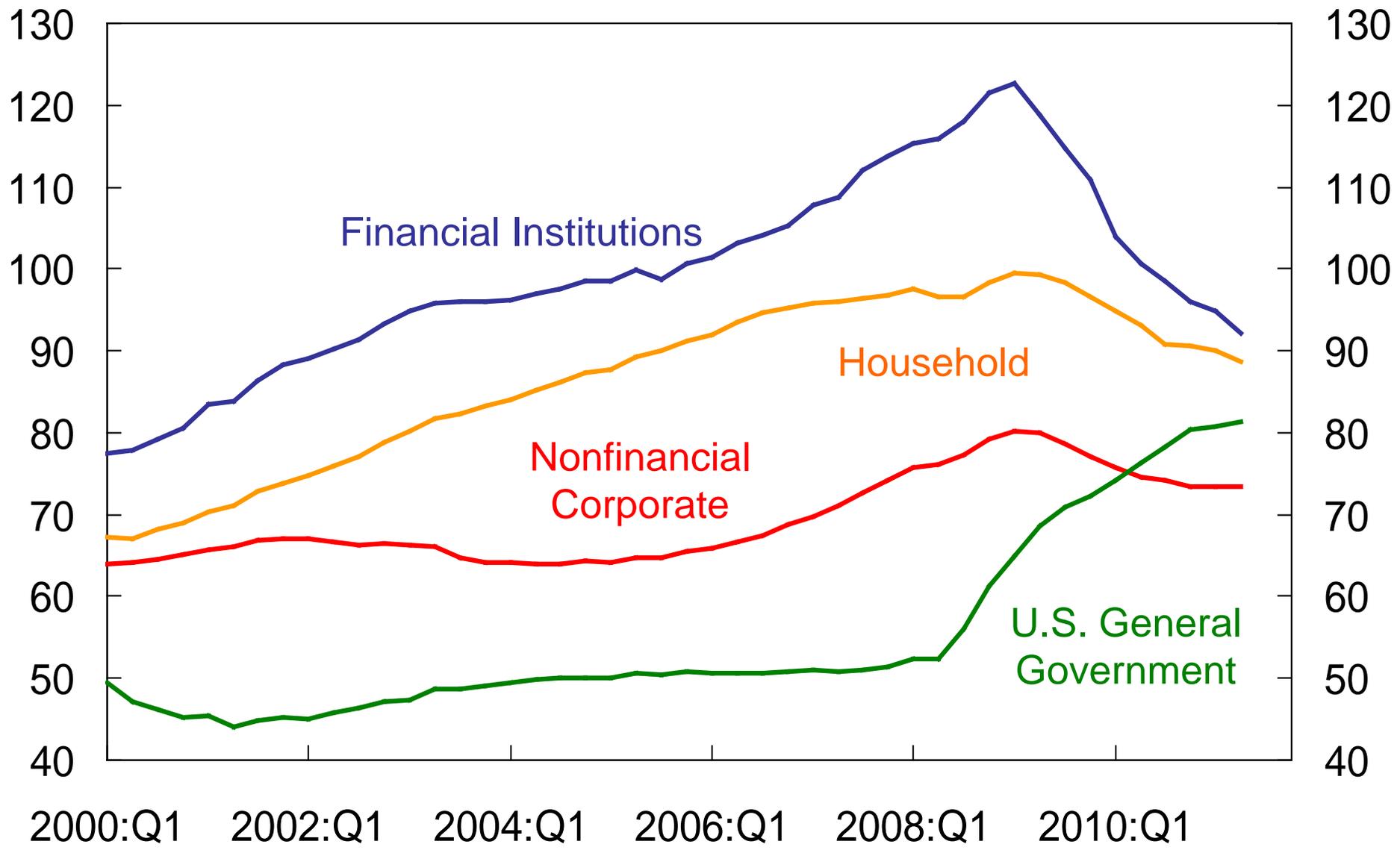
Imbalances

- Private Debt has fallen
- Current Account has improved
- Government Debt (held by the public) has almost doubled
 - Interest Rate costs have fallen dramatically
- Public Sector Deficit remains large but projected to fall quickly under current law

Net Debt Outstanding as a Percent of GDP

Percent

Percent

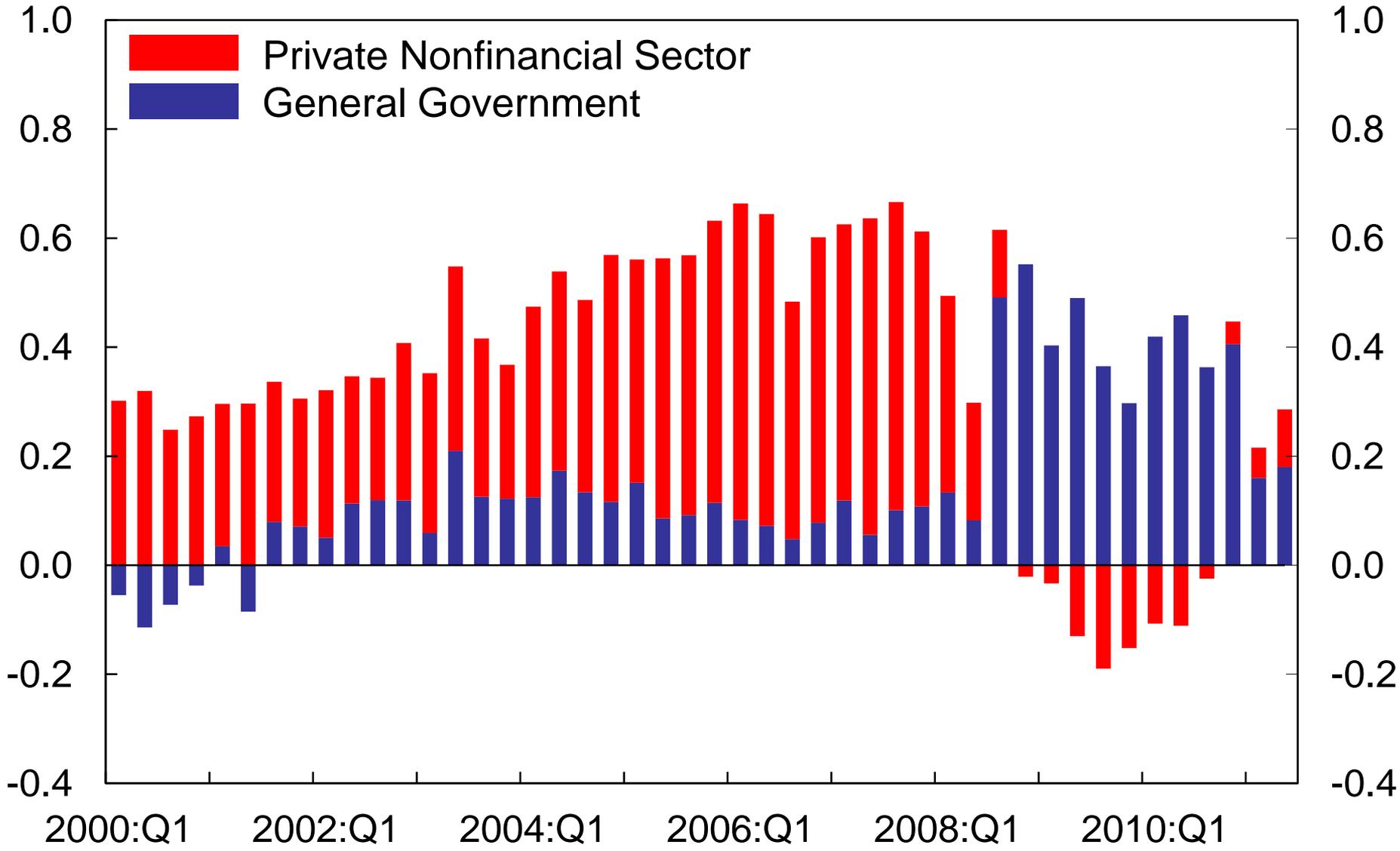


Source: Flow of Funds, BEA

United States Nonfinancial Net Debt Flows

Trillions of US\$

Trillions of US\$



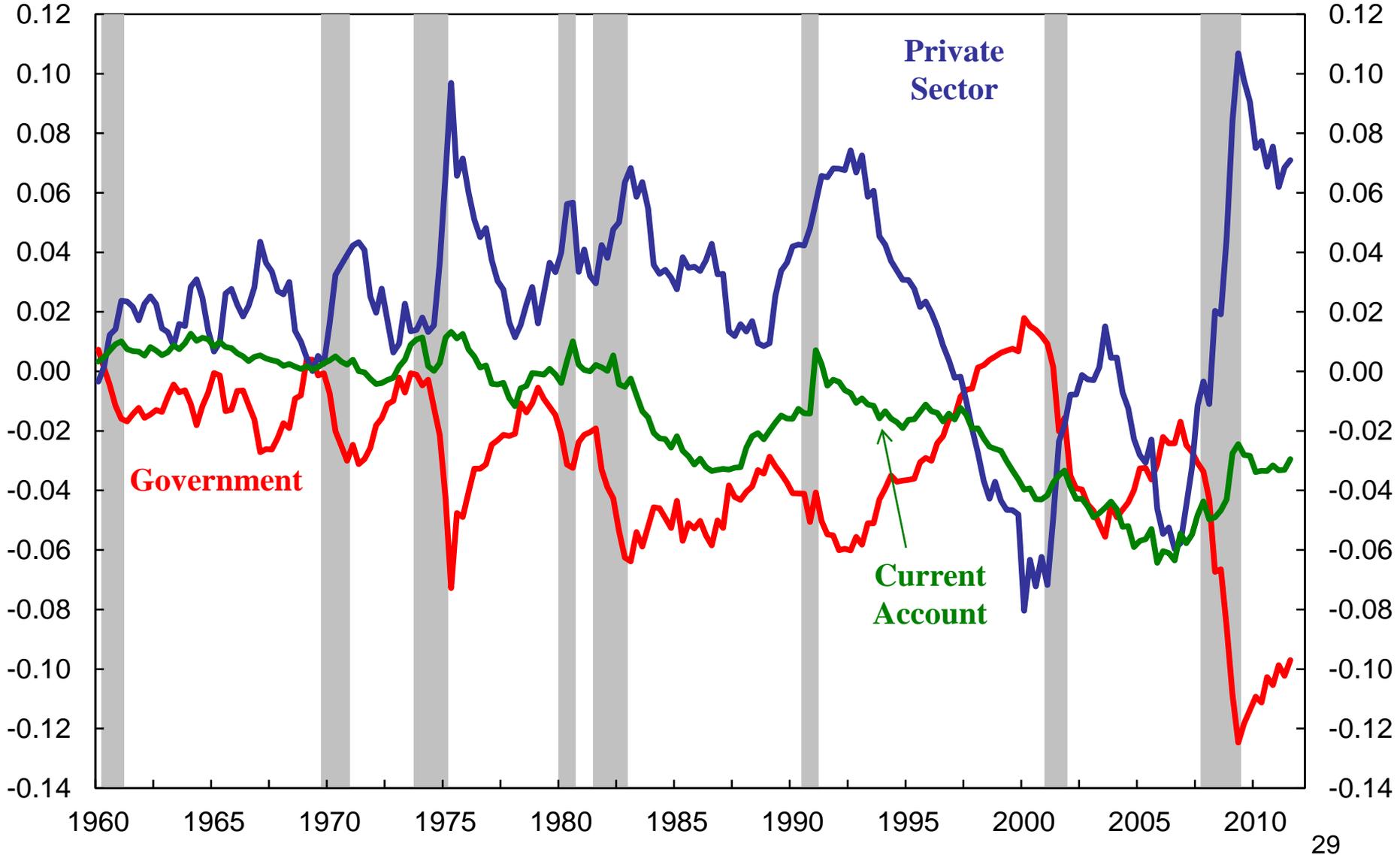
Source: Flow of Funds

Note: At a quarterly rate.

Components of Net Lending/Borrowing as a Share of GDP

Share of GDP

Share of GDP



Source: Federal Reserve Board, BEA

Note: Shading represents NBER recessions.

FOMC Participant Projections, January 2012

Percent

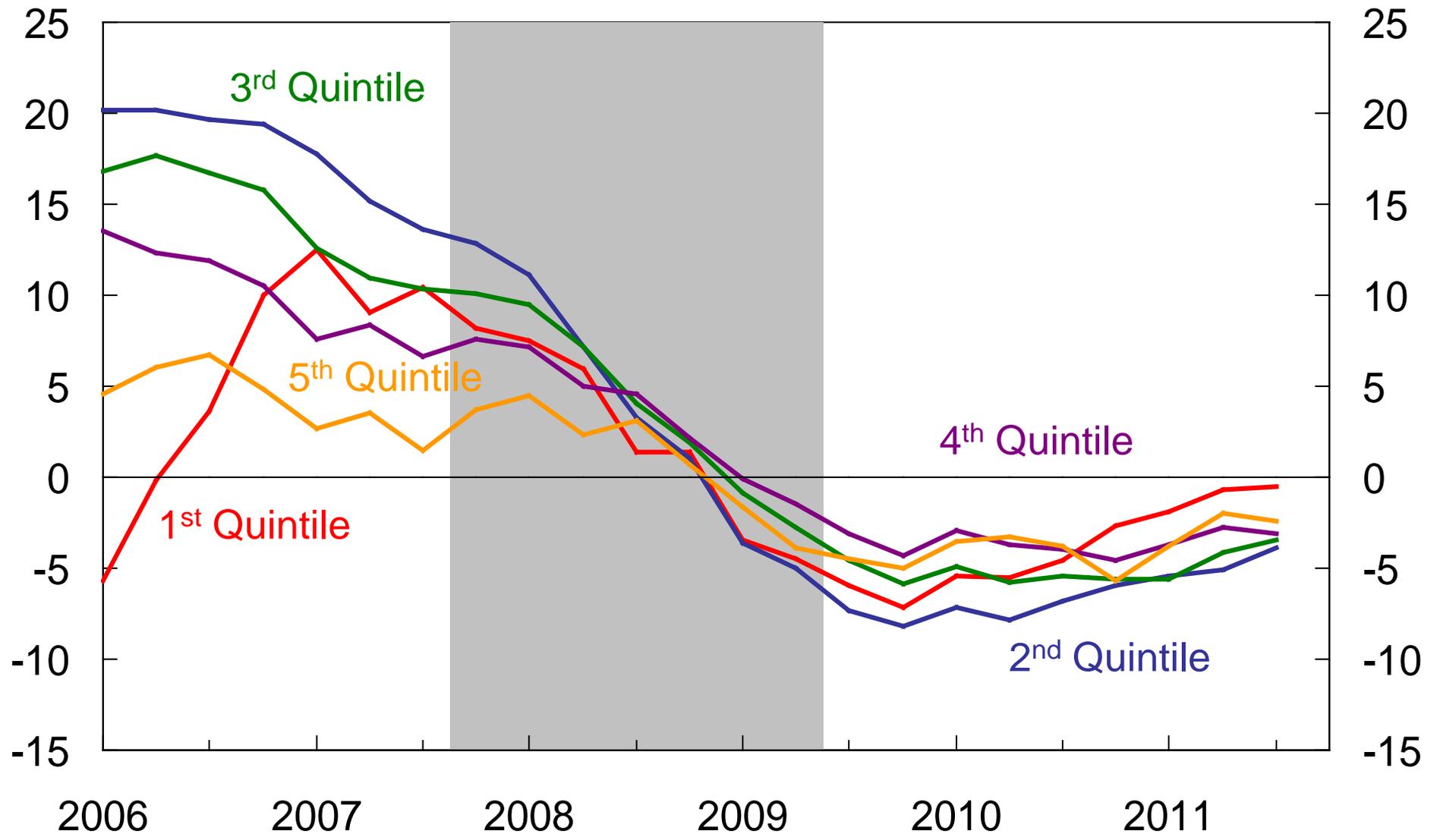
Variable	Central tendency ¹				Range ²			
	2012	2013	2014	Longer run	2012	2013	2014	Longer run
Change in real GDP.	2.2 to 2.7	2.8 to 3.2	3.3 to 4.0	2.3 to 2.6	2.1 to 3.0	2.4 to 3.8	2.8 to 4.3	2.2 to 3.0
November projection.	2.5 to 2.9	3.0 to 3.5	3.0 to 3.9	2.4 to 2.7	2.3 to 3.5	2.7 to 4.0	2.7 to 4.5	2.2 to 3.0
Unemployment rate.	8.2 to 8.5	7.4 to 8.1	6.7 to 7.6	5.2 to 6.0	7.8 to 8.6	7.0 to 8.2	6.3 to 7.7	5.0 to 6.0
November projection.	8.5 to 8.7	7.8 to 8.2	6.8 to 7.7	5.2 to 6.0	8.1 to 8.9	7.5 to 8.4	6.5 to 8.0	5.0 to 6.0
PCE inflation.	1.4 to 1.8	1.4 to 2.0	1.6 to 2.0	2.0	1.3 to 2.5	1.4 to 2.3	1.5 to 2.1	2.0
November projection.	1.4 to 2.0	1.5 to 2.0	1.5 to 2.0	1.7 to 2.0	1.4 to 2.8	1.4 to 2.5	1.5 to 2.4	1.5 to 2.0
Core PCE inflation ³	1.5 to 1.8	1.5 to 2.0	1.6 to 2.0		1.3 to 2.0	1.4 to 2.0	1.4 to 2.0	
November projection.	1.5 to 2.0	1.4 to 1.9	1.5 to 2.0		1.3 to 2.1	1.4 to 2.1	1.4 to 2.2	

Reference Slides

Consumer Debt by Credit Score Quintile

% Change – 4 Quarter

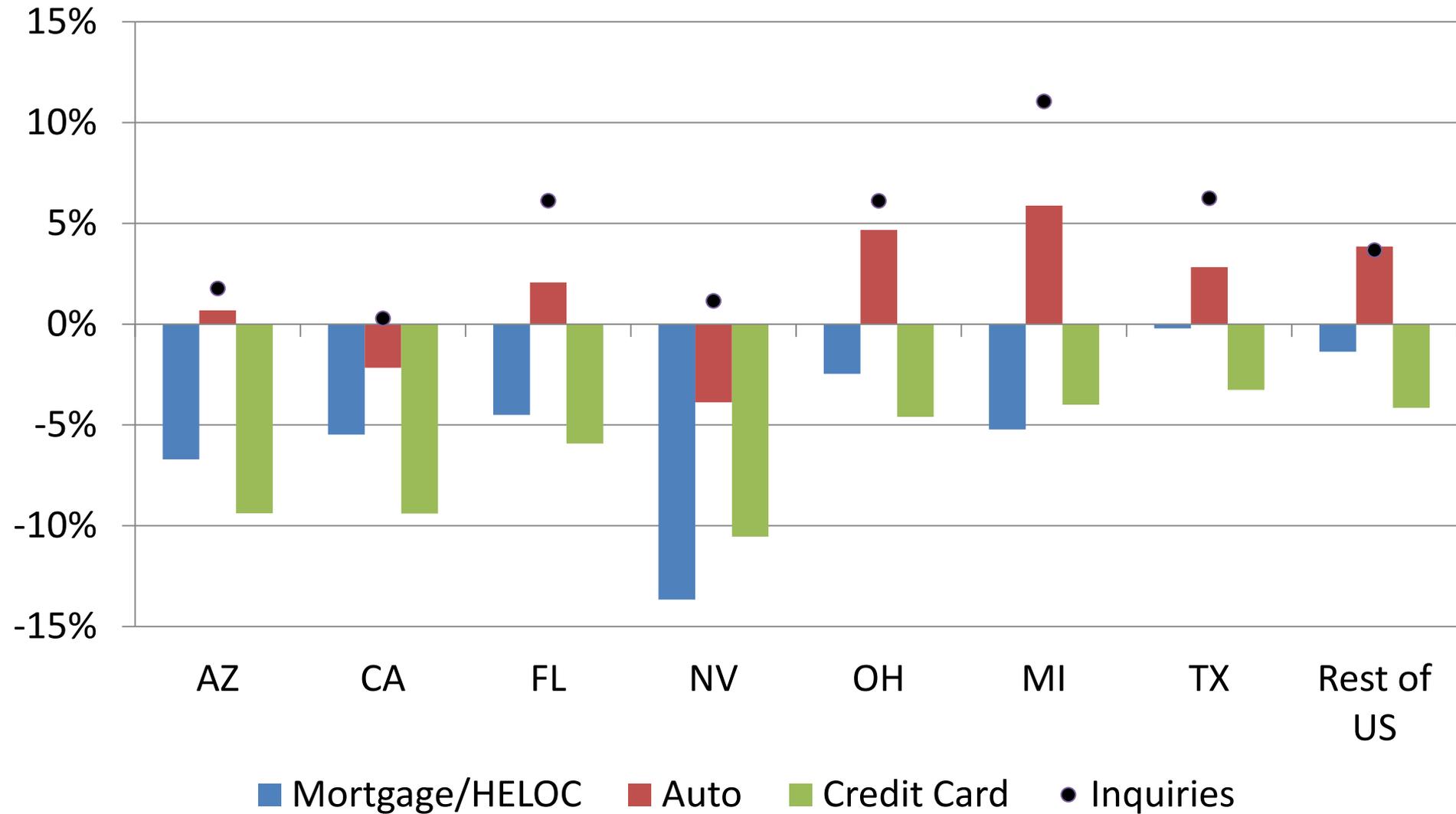
% Change – 4 Quarter



Source: FRBNY Consumer Credit Panel

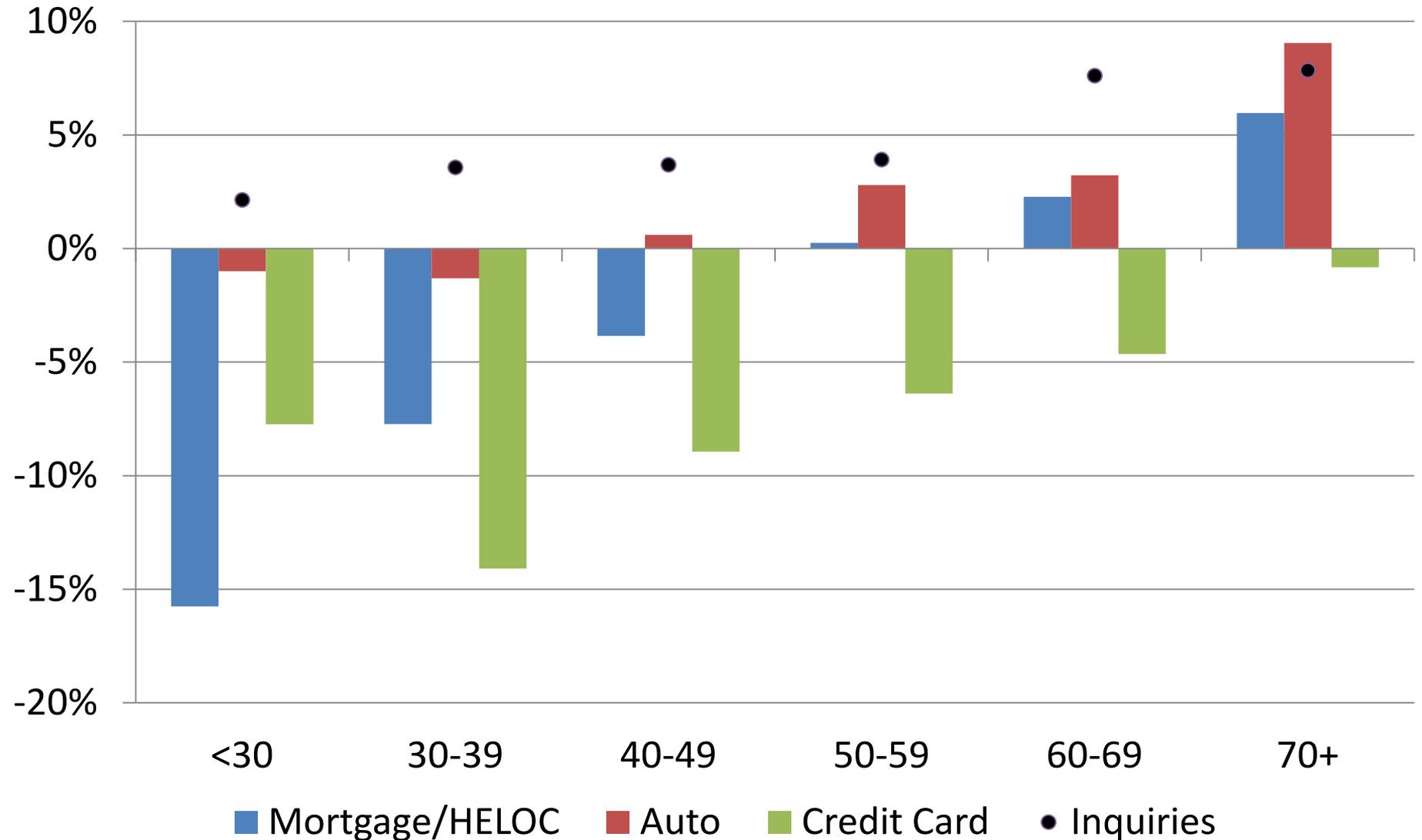
Note: Excludes Student Loans

Change in Debt 2010Q3-2011Q3 by Selected States



Source: FRBNY Consumer Credit Panel

Change in Debt 2010Q3-2011Q3 by Borrower Age

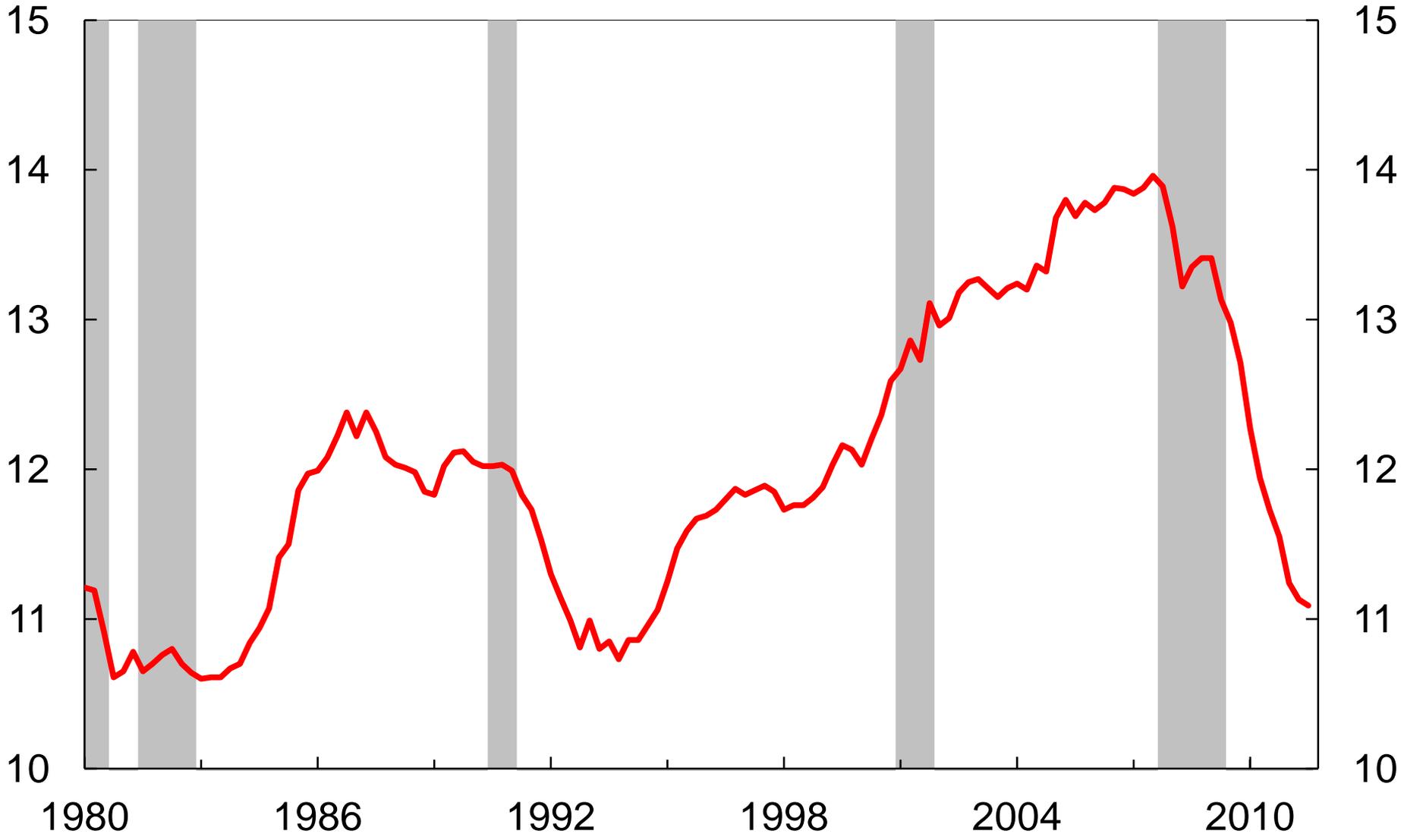


Source: FRBNY Consumer Credit Panel

Household Debt Service Ratio

Percent

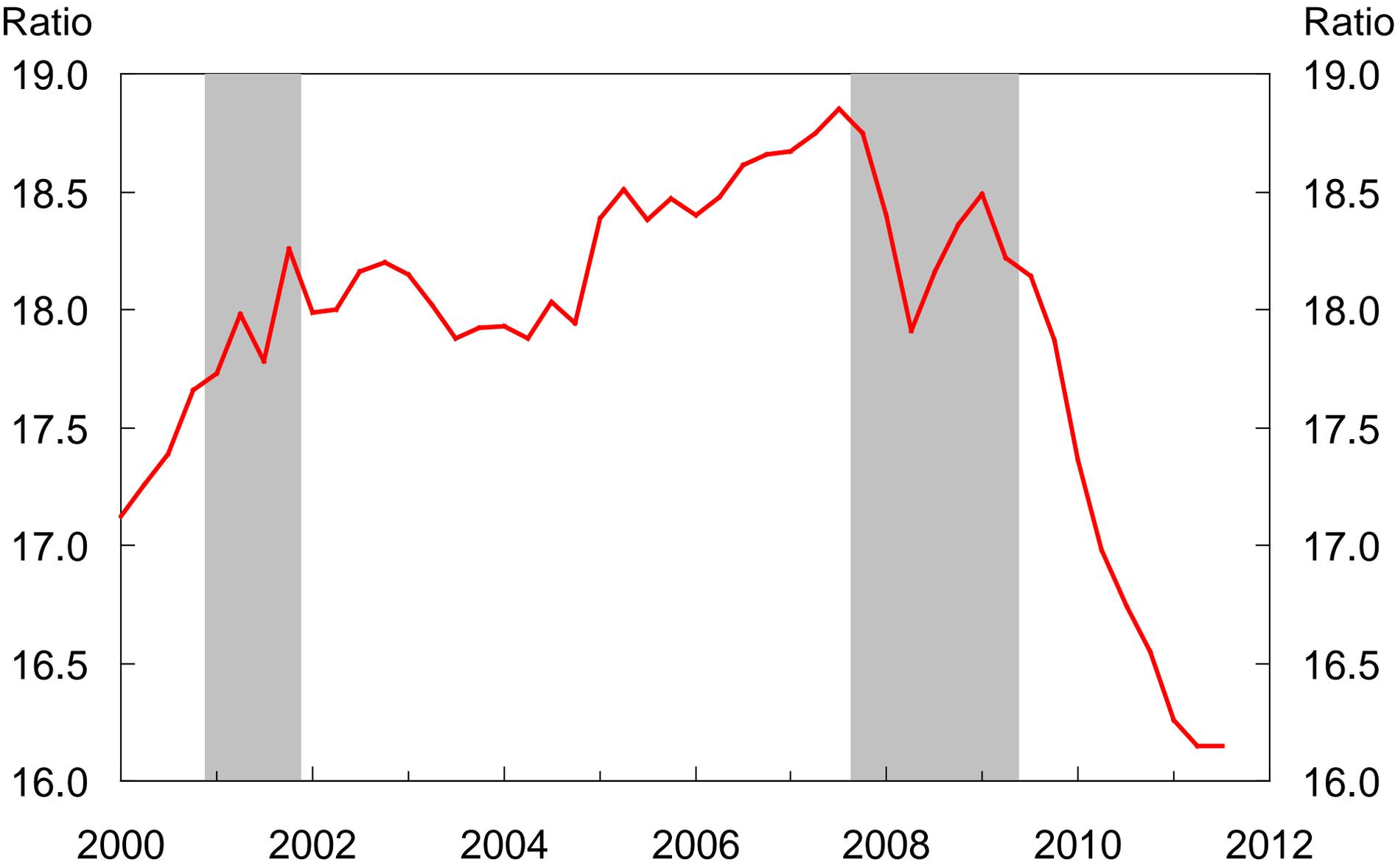
Percent



Source: FRB

Note: Seasonally adjusted.

Household Financial Obligation Ratio

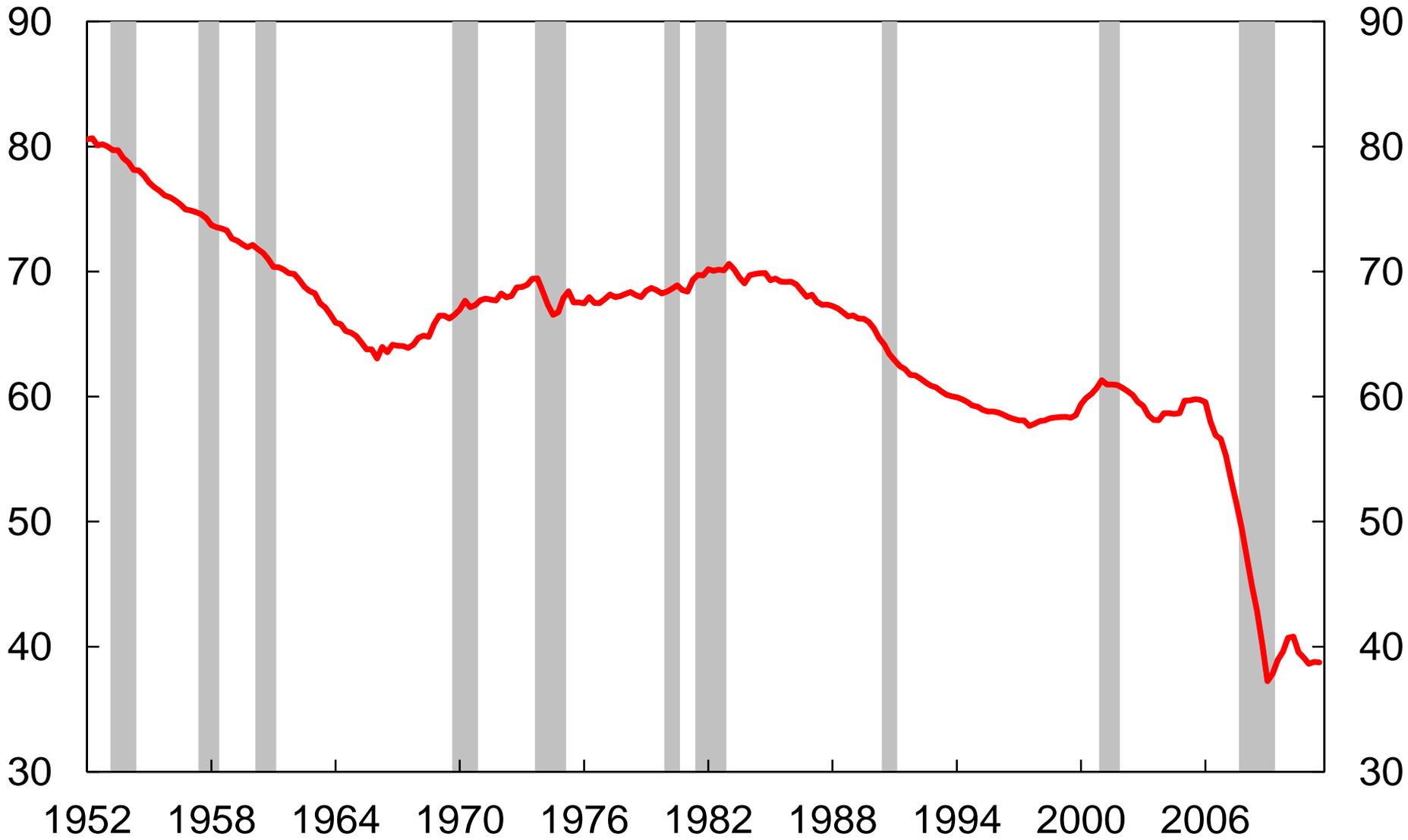


Source: Federal Reserve Board

Share of Owners' Equity in Household Real Estate

Percent

Percent

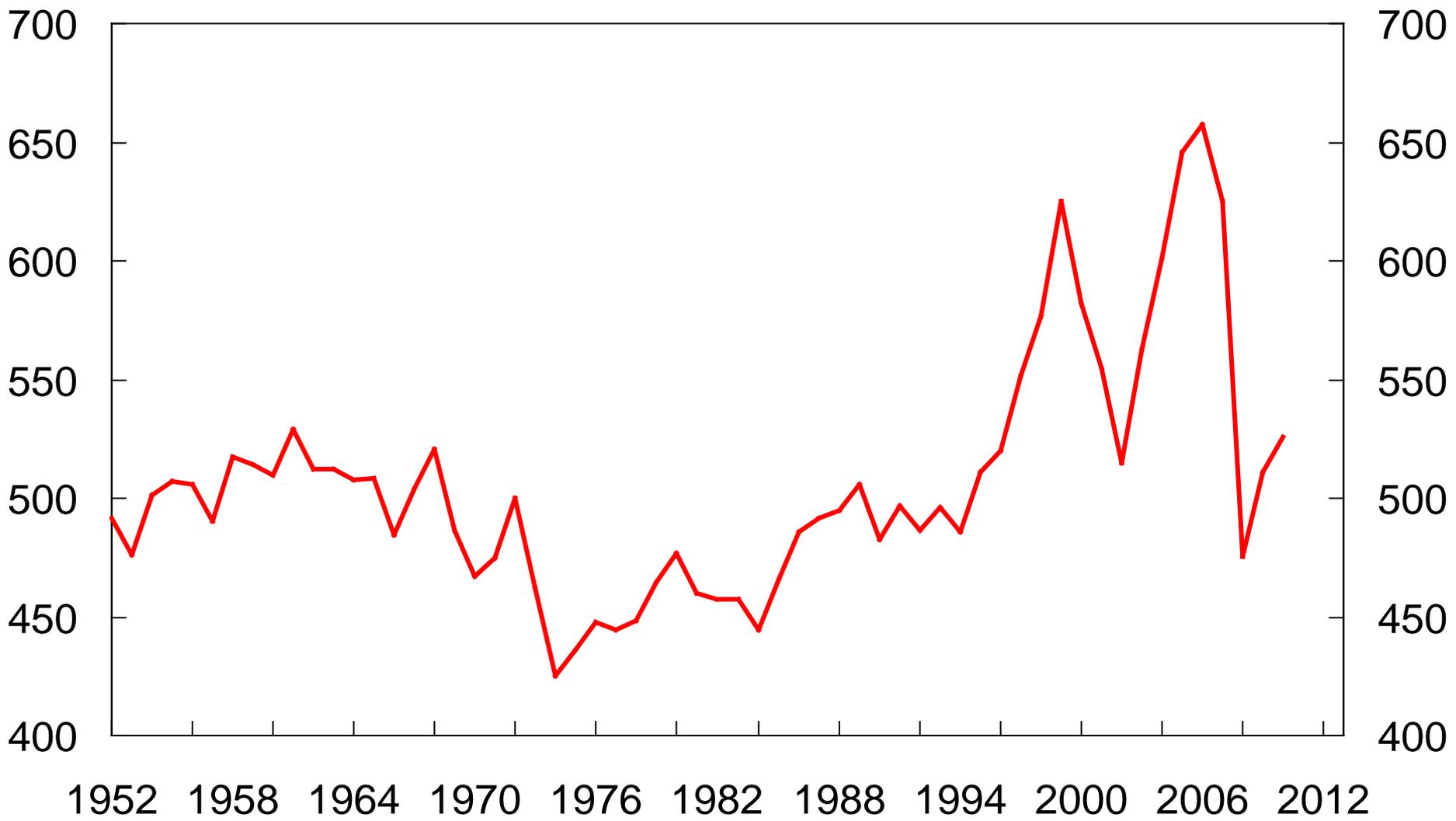


Source: Flow of Funds

Household Net Worth As a Percent of Disposable Income

Percent

Percent



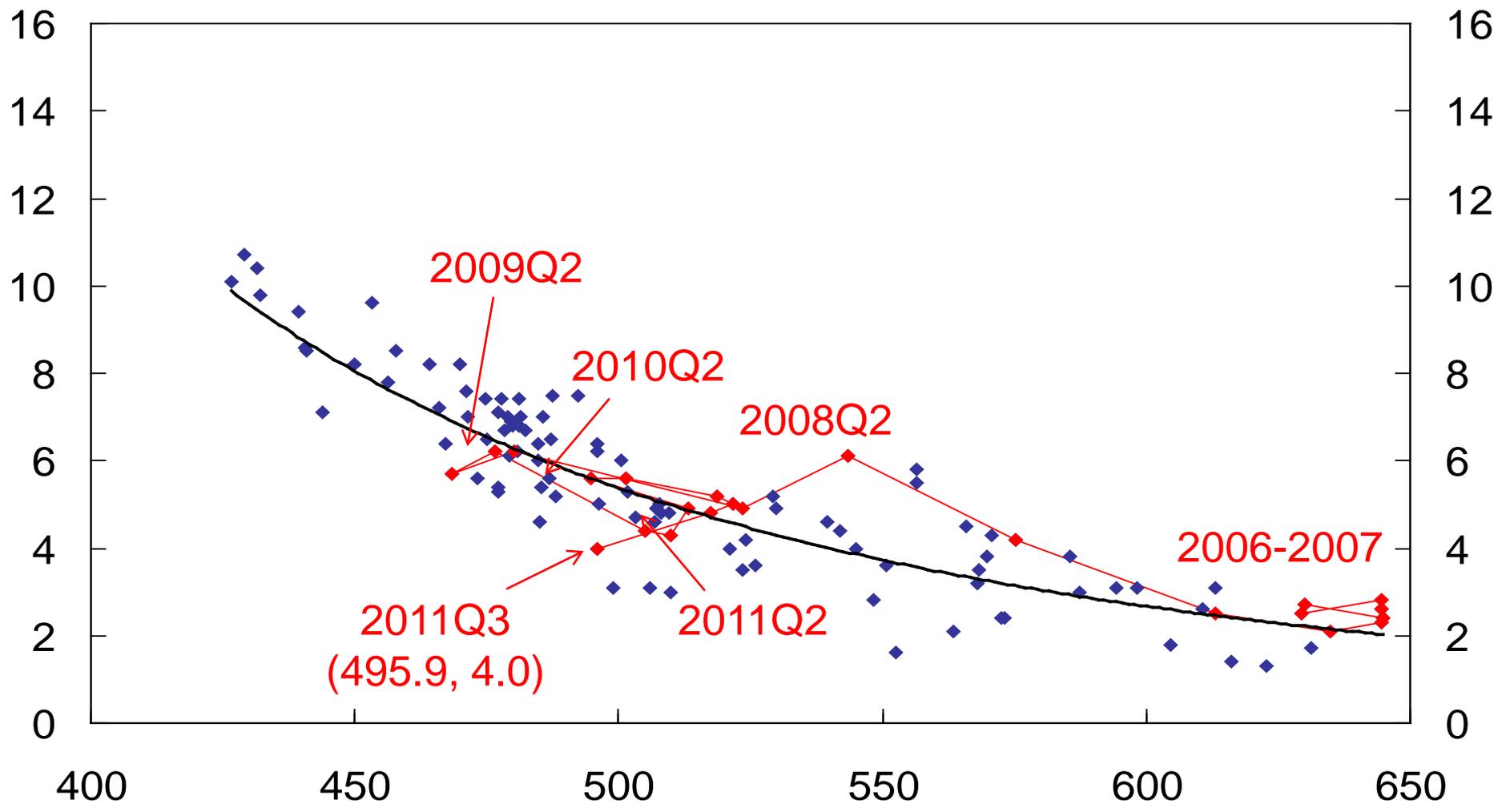
Source: Flow of Funds, Federal Reserve Board

Households' Net Worth and the Saving Rate

As a Percent of Disposable Income

Percent

Percent



Source: Bureau of Economic Analysis and Federal Reserve Board

Note: Fitted line is from 1983Q1 to 2005Q4.

Total Debt by Payment Status, Billions of Dollars

Total Debt by Payment Status Billions of Dollars

Status	<u>2005-Q1</u>		<u>2008-Q3</u>			<u>2011-Q2</u>		Percent Change from Previous Quarter
	Amount of Total Debt by Payment Status	Percent of Total Debt	Amount of Total Debt by Payment Status	Percent of Total Debt	Percent Change from 2005Q1	Amount of Total Debt by Payment Status	Percent of Total Debt	
Current	8700.0	95.9%	11400.0	91.4%	31.0%	10294.0	90.1%	-14.1%
30 Days Late	136.0	1.5%	289.0	2.3%	112.5%	193.0	1.7%	-0.4%
60 Days Late	37.4	0.4%	138.0	1.1%	269.0%	97.1	0.9%	-9.1%
90+ Days Late	197.9	2.2%	641.5	5.1%	224.2%	835.9	7.3%	-5.7%
Total	9071.3	100.0%	12468.5	100.0%	37.4%	11420.0	100.0%	-0.1%

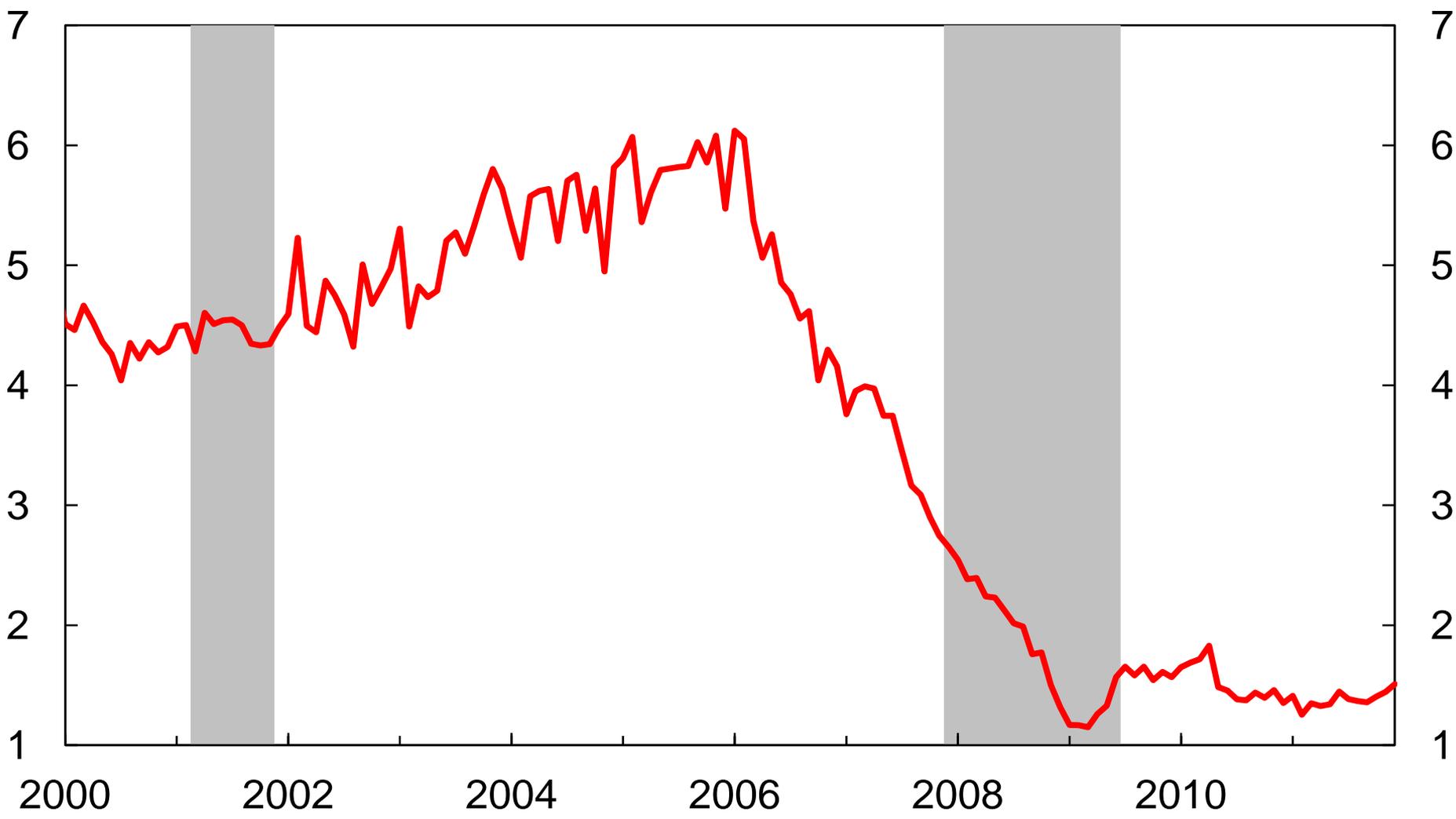
Source: FRBNY Consumer Credit Panel

Ratio of Housing Starts to Population

Single-Family Homes

Starts per 1,000 people

Starts per 1,000 people

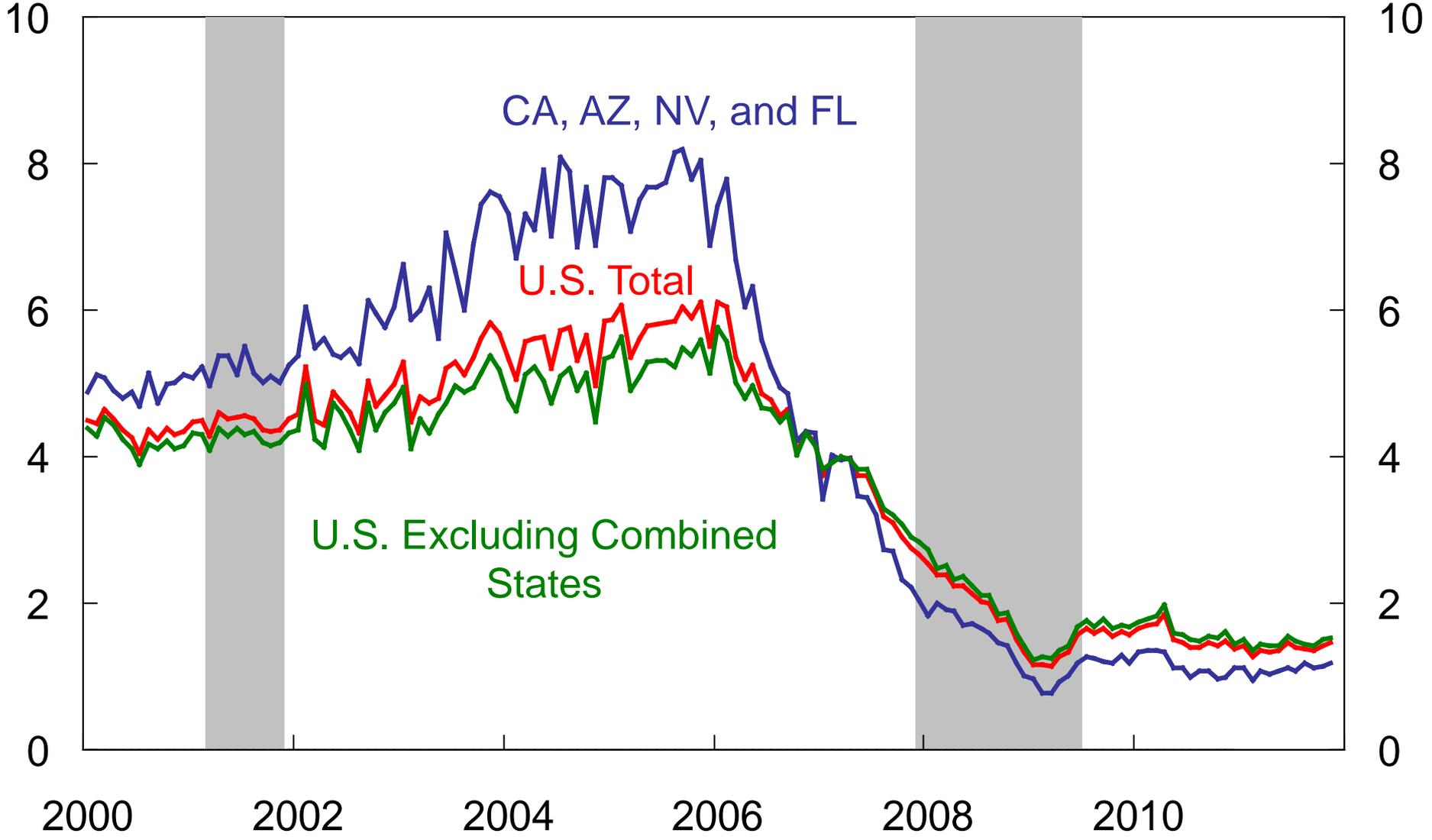


Source: Census Bureau

Housing Starts

Per 1,000 People

Per 1,000 People

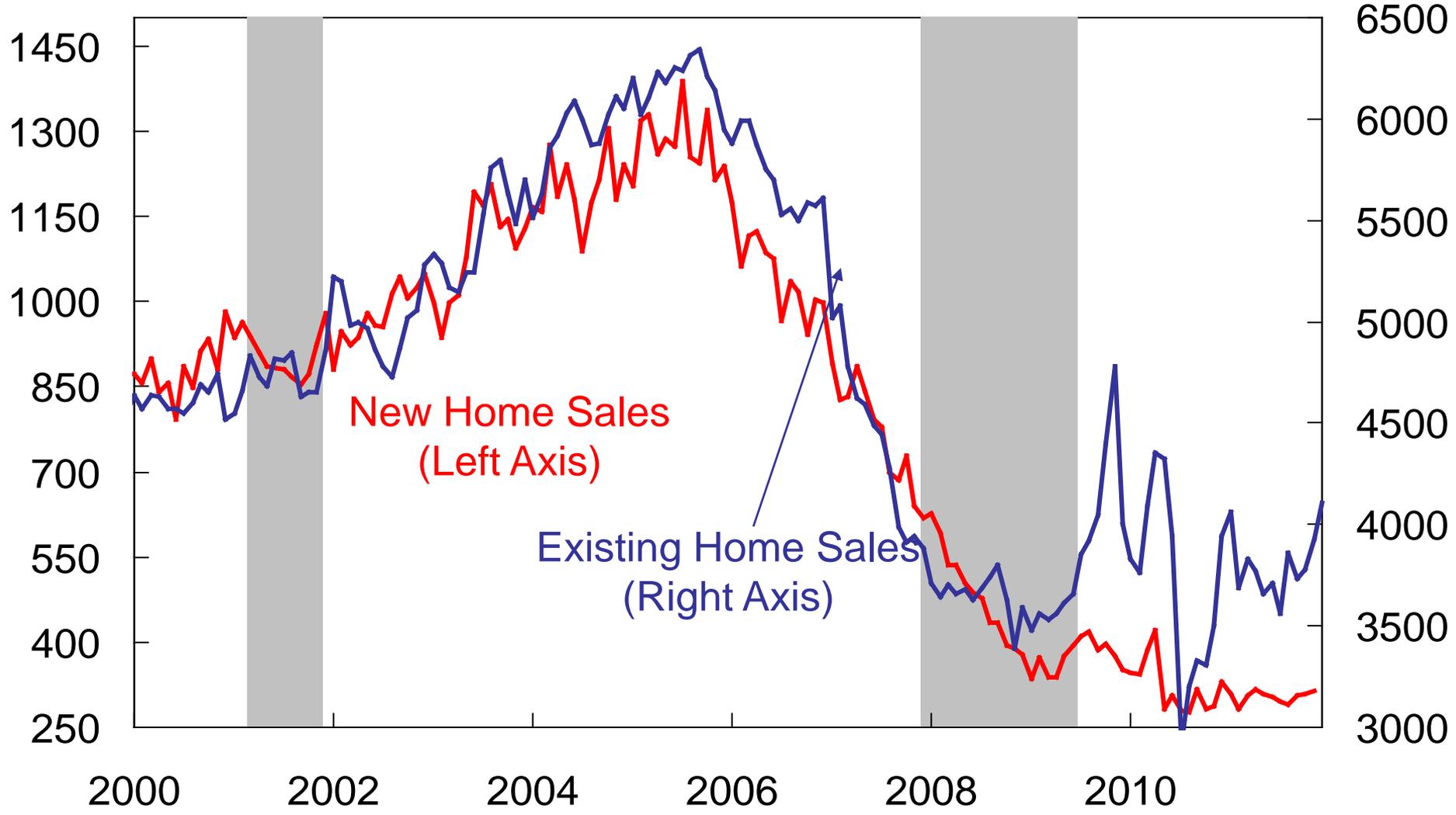


Source: U.S. Census Bureau

Single-Family Home Sales

Thousands of Units, Annual Rate

Thousands of Units, Annual Rate

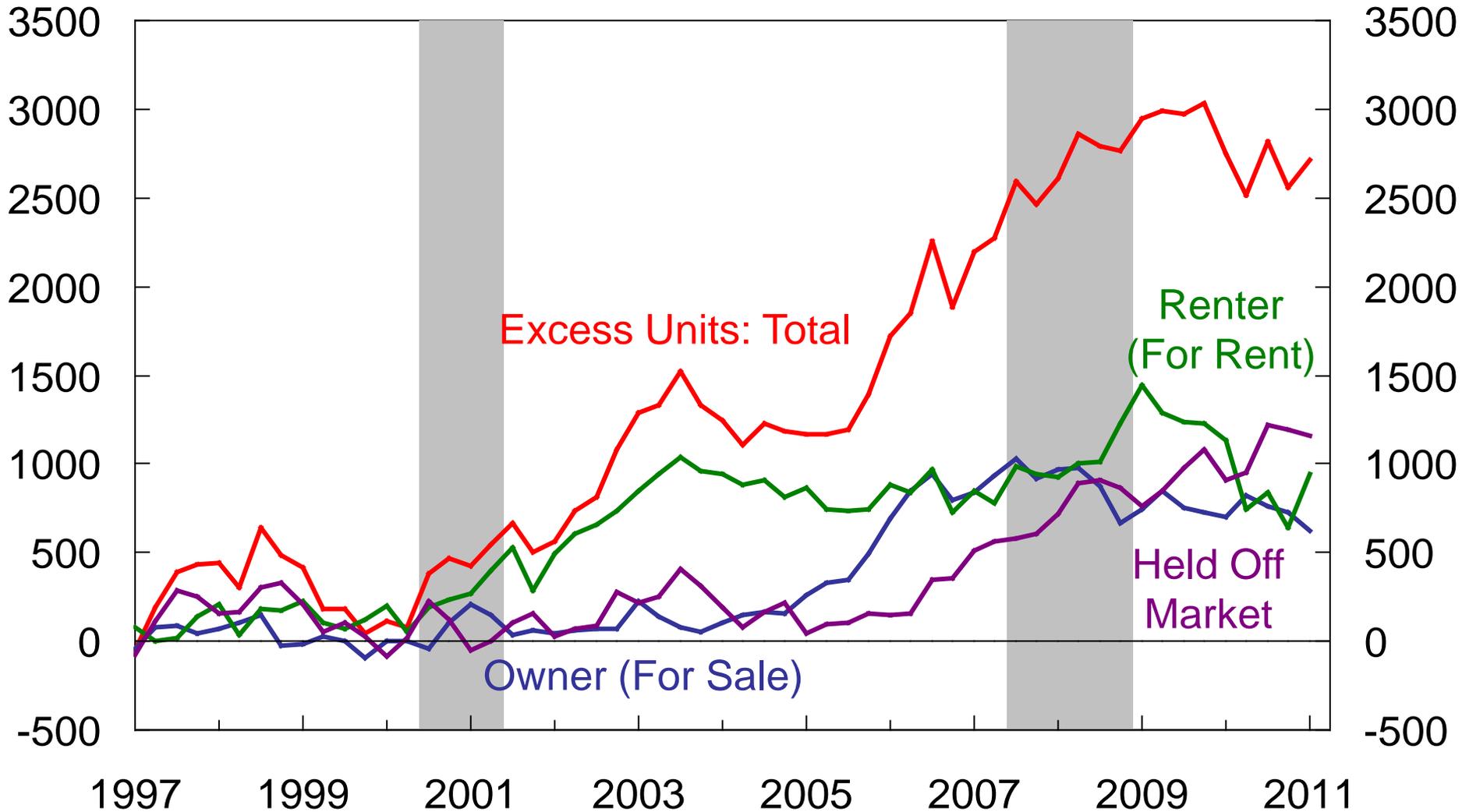


Source: Census Bureau

Excess Supply of Housing Units

Thousands of Units

Thousands of Units



Source: Census Bureau; calculations by the FRBNY

Note: Shading represents NBER recessions.