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

CBO Estimate of Potential

Real GDP

Source: Bureau of Economic Analysis and Congressional Budget Office
Level of Real GDP
(Series Set to 1.00 at NBER Peak)

Quarters Since NBER Peak

1973 Cycle
1981 Cycle
1990 Cycle
2001 Cycle
Current Cycle

Source: Bureau of Economic Analysis
Nonfarm Payroll Employment

Source: Bureau of Labor Statistics

Note: Throughout text, shading represents NBER recessions.
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
Real Business Investment: Equipment and Software

% 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

Unemployment Rate (left axis)

Labor Force Participation Rate (right axis)

Unemployment Rate: Men 25-54 (left axis)

Source: Bureau of Labor Statistics
Light-Weight Vehicle Sales

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)

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

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

Source: Bureau of Economic Analysis
Real Per Capita Household Net Worth
(Series Set to 1.00 at NBER Peak)

Quarters Since NBER Peak

1973 Cycle
1981-82 Cycle
1990-91 Cycle
2001 Cycle
Current Cycle

Source: Federal Reserve Board, Bureau of Economic Analysis, Census Bureau
90+ Days Delinquency Rate by Loan Type

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

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

Source: Flow of Funds, BEA
United States Nonfinancial Net Debt Flows

Trillions of US$

Private Nonfinancial Sector
General Government

Source: Flow of Funds

Note: At a quarterly rate.
Components of Net Lending/Borrowing as a Share of GDP

Government

Private Sector

Current Account

Source: Federal Reserve Board, BEA

Note: Shading represents NBER recessions.
<table>
<thead>
<tr>
<th>Percent</th>
<th>Variable</th>
<th>Central tendency</th>
<th>Range</th>
<th>Longer run</th>
<th>Central tendency</th>
<th>Range</th>
<th>Longer run</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Change in real GDP</td>
<td>2.2 to 2.7</td>
<td>2.8 to 3.2</td>
<td>3.3 to 4.0</td>
<td>2.3 to 2.6</td>
<td>2.1 to 3.0</td>
<td>2.4 to 3.8</td>
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<tr>
<td></td>
<td>November projection</td>
<td>2.5 to 2.9</td>
<td>3.0 to 3.5</td>
<td>3.0 to 3.9</td>
<td>2.4 to 2.7</td>
<td>2.3 to 3.5</td>
<td>2.7 to 4.0</td>
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<tr>
<td></td>
<td>Unemployment rate</td>
<td>8.2 to 8.5</td>
<td>7.4 to 8.1</td>
<td>6.7 to 7.6</td>
<td>5.2 to 6.0</td>
<td>7.8 to 8.6</td>
<td>7.0 to 8.2</td>
</tr>
<tr>
<td></td>
<td>November projection</td>
<td>8.5 to 8.7</td>
<td>7.8 to 8.2</td>
<td>6.8 to 7.7</td>
<td>5.2 to 6.0</td>
<td>8.1 to 8.9</td>
<td>7.5 to 8.4</td>
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<td>PCE inflation</td>
<td>1.4 to 1.8</td>
<td>1.4 to 2.0</td>
<td>1.6 to 2.0</td>
<td>2.0</td>
<td>1.3 to 2.5</td>
<td>1.4 to 2.3</td>
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<tr>
<td></td>
<td>November projection</td>
<td>1.4 to 2.0</td>
<td>1.5 to 2.0</td>
<td>1.5 to 2.0</td>
<td>1.7 to 2.0</td>
<td>1.4 to 2.8</td>
<td>1.4 to 2.5</td>
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<tr>
<td></td>
<td>Core PCE inflation</td>
<td>1.5 to 1.8</td>
<td>1.5 to 2.0</td>
<td>1.6 to 2.0</td>
<td></td>
<td>1.3 to 2.0</td>
<td>1.4 to 2.0</td>
</tr>
</tbody>
</table>
Consumer Debt by Credit Score Quintile

% 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

Note: Seasonally adjusted.

Source: FRB
Household Financial Obligation Ratio

Source: Federal Reserve Board
Share of Owners’ Equity in Household Real Estate

Source: Flow of Funds
Household Net Worth
As a Percent of Disposable Income

Source: Flow of Funds, Federal Reserve Board
Households’ Net Worth and the Saving Rate
As a Percent of Disposable Income

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

<table>
<thead>
<tr>
<th>Status</th>
<th>2005-Q1</th>
<th>2008-Q3</th>
<th>2011-Q2</th>
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<tbody>
<tr>
<td></td>
<td>Amount of Total Debt by Payment Status</td>
<td>Percent of Total Debt</td>
<td>Amount of Total Debt by Payment Status</td>
</tr>
<tr>
<td>Current</td>
<td>95.9%</td>
<td>91.4%</td>
<td>31.0%</td>
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<tr>
<td>30 Days Late</td>
<td>1.5%</td>
<td>2.3%</td>
<td>112.5%</td>
</tr>
<tr>
<td>60 Days Late</td>
<td>0.4%</td>
<td>1.1%</td>
<td>269.0%</td>
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<tr>
<td>90+ Days Late</td>
<td>2.2%</td>
<td>5.1%</td>
<td>224.2%</td>
</tr>
<tr>
<td>Total</td>
<td>100.0%</td>
<td>100.0%</td>
<td>37.4%</td>
</tr>
</tbody>
</table>

Source: FRBNY Consumer Credit Panel
Ratio of Housing Starts to Population
Single-Family Homes

Starts per 1,000 people

Source: Census Bureau
Housing Starts
Per 1,000 People

Source: U.S. Census Bureau
Single-Family Home Sales

Thousands of Units, Annual Rate

Source: Census Bureau

New Home Sales (Left Axis)
Existing Home Sales (Right Axis)

Source: Census Bureau
Excess Supply of Housing Units

Thousands of Units

Source: Census Bureau; calculations by the FRBNY

Note: Shading represents NBER recessions.