Impediments to Growth and Outlook for 2012

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Fiscal Policy Uncertainty

Recession

Real GDP
Billions

$13,500
$13,250
$13,000
$12,750
$12,500

2007  2008  2009  2010  2011  2012

Economic Stimulus Act of 2008  Feb. ’08
Housing & Economic Recovery Act of 2008  Jul. ’08
Fannie & Freddie Takeover  Sep. ’08

Real GDP

ARRA  Feb. ’09

Health Care Act  Mar. ’10
Dodd-Frank  Jul. ’10

Budget Agreement  Aug. ’11

Presidential Election

Source: Bureau of Economic Analysis
Unprecedented Monetary Policy

Federal Reserve Assets, Billions

- AIG/Maiden Lane II&III Sep.’08
- Liquidity Facilities Sep./Oct.’08
- Bear Stearns/Maiden Lane Mar.’08
- Foreign Currency Swaps
- Rescue Operations & Short-Term Lending
- ECB Currency Swaps Nov.’11
- QE1 Nov. ’08 – Mar. ’10
- QE2 Nov.’10 – Jun.’11
- Traditional Portfolio

Federal Funds Rate
0.0 – 0.25%
thru mid ’13

Source: Federal Reserve Board & Bureau of Labor Statistics
Real Estate – Home Sales

Source: Census Bureau & National Association of Realtors
*12-month moving averages  **Seasonally adjusted three-month moving averages
Real Estate – Construction

Building Permits

Thousands

Source: Census Bureau      Note: All data are at seasonally adjusted annualized rates.
Household Debt

Debt Payments to Disposable Personal Income Ratio

Source: Federal Reserve Board & Bureau of Economic Analysis
Note: All data are seasonally adjusted. *Three-month moving averages
Banking & Financial Risk

Recession

Lehman Collapse Sep. ’08

S&P Downgrades U.S. Credit Rating Aug. ‘11

Percent of Loans 90+ Days Past Due

5.7%

Greek Debt Write-Off Oct. ‘11

4.4% Q3 ‘11

S&P 500

FRBKC Financial Stress Index

Source: Standard & Poor’s, Federal Financial Institutions Examination Council, & Federal Reserve Bank of Kansas City
European Debt Crisis

Source: Organization for Economic Co-operation & Development
Government Spending

Real Govt. Purchases

Billions

$1,600

$1,400

$1,200

$1,000

$800

$600

'90  '95  '00  '05  '10  '15

State & Local

State & Local less Transfer Receipts

Federal

Recession

Outlook 2012-2015

Source: Bureau of Economic Analysis & Global Insight

Note: All data are seasonally adjusted.
Economic Outlook

Real GDP

Annualized Percent Change, Quarter-Over-Quarter

2012 Outlook

Blue Chip Consensus
Global Insight

Source: Bureau of Economic Analysis, Global Insight, & Blue Chip
Nonfarm Employment
Annualized Percent Change, Quarter-Over-Quarter

Source: Bureau of Economic Analysis & Global Insight
Economic Outlook

CPI & Inflation
Annualized Percent Change, Quarter-Over-Quarter

2012 Outlook

Blue Chip Consensus
Global Insight

Source: Bureau of Economic Analysis, Global Insight, & Blue Chip
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This presentation will be available at:
http://www.kansascityfed.org/Denver