The views expressed are those of the presenter and do not necessarily reflect the positions of the Federal Reserve Bank of Kansas City or the Federal Reserve System.
The U.S. economy is expected to continue to grow at a moderate pace.

**Real Gross Domestic Product (GDP)**

*Annualized Percent Change from Previous Period*

Source: Bureau of Economic Analysis & Federal Open Market Committee (FOMC)/Haver Analytics  
*March 2012 Projections.*
Consumer spending was the primary driver of economic growth in 2012.

CONTRIBUTIONS TO REAL GDP
Percent Change at Seasonally Adjusted Annualized Rates

Source: Bureau of Economic Analysis/Haver Analytics
U.S. consumer spending growth has outpaced income growth in recent months, leading to a decline in the savings rate.

**U.S. Consumption & Savings**

Index 100 = March 2003

- Real Disposable Income
- Real Personal Consumption Expenditures
- Personal Savings Rate

- Mar. '03
- Mar. '05
- Mar. '07
- Mar. '09
- Mar. '11
- Mar. '13

**Source:** Bureau of Economic Analysis/Haver Analytics
Unemployment rates remain elevated and are expected to decline gradually in the coming years.

**U.S. UNEMPLOYMENT RATE**

*Seasonally Adjusted*

<table>
<thead>
<tr>
<th>Year</th>
<th>U-3</th>
<th>U-5</th>
<th>U-6</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>2%</td>
<td>4%</td>
<td>8%</td>
</tr>
<tr>
<td>2007</td>
<td>4%</td>
<td>6%</td>
<td>10%</td>
</tr>
<tr>
<td>2008</td>
<td>6%</td>
<td>8%</td>
<td>12%</td>
</tr>
<tr>
<td>2009</td>
<td>8%</td>
<td>10%</td>
<td>14%</td>
</tr>
<tr>
<td>2010</td>
<td>10%</td>
<td>12%</td>
<td>16%</td>
</tr>
<tr>
<td>2011</td>
<td>12%</td>
<td>14%</td>
<td>18%</td>
</tr>
<tr>
<td>2012</td>
<td>14%</td>
<td>16%</td>
<td>20%</td>
</tr>
</tbody>
</table>

**FOMC Central Tendency Projections**

- March 2013
- 2013: 7.3%
- 2014: 6.7%
- 2015: 6.0%

*Source: Bureau of Labor Statistics & Federal Open Market Committee (FOMC)/Haver Analytics*  
*March 2013 projections.*
Nonfarm employment has been increasing for more than three years but remains below peak levels.

**U.S. Nonfarm Employment**

*Index 100 = April 2013, Seasonally Adjusted*

- **Peak to Current**: -1.9%
- **Past Year**: 1.6%
- **Trough to Current**: 6.2 Million Jobs Added (4.8%)
- **8.7 Million Jobs Lost**: (6.3%)
Employment gains continue with most states experiencing positive job growth over the past year.

**March 2013 Nonfarm Employment**

*Year-over-Year Percent Change Seasonally Adjusted*

![Map showing nonfarm employment changes across the United States.](map.png)

*Source: Bureau of Labor Statistics/Haver Analytics*
The nation continues to enjoy broad-based growth across industries.

### April 2013 U.S. Payroll Employment

**Seasonally Adjusted**

<table>
<thead>
<tr>
<th>Industry</th>
<th>Percent Change Year-over-Year</th>
<th>Share of U.S. Jobs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professional &amp; Business Services</td>
<td>3.3%</td>
<td>13.6%</td>
</tr>
<tr>
<td>Leisure &amp; Hospitality</td>
<td>2.8%</td>
<td>10.4%</td>
</tr>
<tr>
<td>Construction</td>
<td>2.7%</td>
<td>4.3%</td>
</tr>
<tr>
<td>Health Care &amp; Social Assistance</td>
<td>2.1%</td>
<td>12.7%</td>
</tr>
<tr>
<td>Transportation &amp; Utilities</td>
<td>1.9%</td>
<td>3.7%</td>
</tr>
<tr>
<td>Retail Trade</td>
<td>1.7%</td>
<td>11.1%</td>
</tr>
<tr>
<td>Wholesale Trade</td>
<td>1.5%</td>
<td>4.2%</td>
</tr>
<tr>
<td>Natural Resources &amp; Mining</td>
<td>1.4%</td>
<td>0.6%</td>
</tr>
<tr>
<td>Financial Activities</td>
<td>1.3%</td>
<td>5.8%</td>
</tr>
<tr>
<td>Other Services</td>
<td>1.0%</td>
<td>4.0%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>0.6%</td>
<td>8.9%</td>
</tr>
<tr>
<td>Private Educational Services</td>
<td>0.5%</td>
<td>2.5%</td>
</tr>
<tr>
<td>Information</td>
<td>0.4%</td>
<td>2.0%</td>
</tr>
<tr>
<td>Local Government</td>
<td>-0.1%</td>
<td>10.4%</td>
</tr>
<tr>
<td>State Government</td>
<td>-0.2%</td>
<td>3.7%</td>
</tr>
<tr>
<td>Federal Government</td>
<td>-2.1%</td>
<td>2.0%</td>
</tr>
</tbody>
</table>

Source: Bureau of Labor Statistics/Haver Analytics
Despite recent increases, employment remains below pre-recession levels in many industries.

### April 2013 U.S. Payroll Employment

*Seasonally Adjusted*

<table>
<thead>
<tr>
<th>Industry</th>
<th>Change from Peak (Dec. 2007)</th>
<th>Share of U.S. Jobs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Natural Resources &amp; Mining</td>
<td>16.8%</td>
<td>0.6%</td>
</tr>
<tr>
<td>Private Educational Services</td>
<td>12.9%</td>
<td>2.5%</td>
</tr>
<tr>
<td>Health Care &amp; Social Assistance</td>
<td>10.8%</td>
<td>12.7%</td>
</tr>
<tr>
<td>Leisure &amp; Hospitality</td>
<td>3.9%</td>
<td>10.4%</td>
</tr>
<tr>
<td>Professional &amp; Business Services</td>
<td>2.1%</td>
<td>13.6%</td>
</tr>
<tr>
<td>Federal Government</td>
<td>0.5%</td>
<td>2.0%</td>
</tr>
<tr>
<td>Other Services</td>
<td>-0.8%</td>
<td>4.0%</td>
</tr>
<tr>
<td>State Government</td>
<td>-1.7%</td>
<td>3.7%</td>
</tr>
<tr>
<td>Transportation &amp; Utilities</td>
<td>-1.7%</td>
<td>3.7%</td>
</tr>
<tr>
<td>Retail Trade</td>
<td>-3.2%</td>
<td>11.1%</td>
</tr>
<tr>
<td>Local Government</td>
<td>-3.2%</td>
<td>10.4%</td>
</tr>
<tr>
<td>Wholesale Trade</td>
<td>-4.9%</td>
<td>4.2%</td>
</tr>
<tr>
<td>Financial Activities</td>
<td>-5.0%</td>
<td>5.8%</td>
</tr>
<tr>
<td>Information</td>
<td>-11.0%</td>
<td>2.0%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>-12.8%</td>
<td>8.9%</td>
</tr>
<tr>
<td>Construction</td>
<td>-22.7%</td>
<td>4.3%</td>
</tr>
</tbody>
</table>

*Source: Bureau of Labor Statistics/Haver Analytics*
Residential construction activity has picked up considerably.

**VALUE OF RESIDENTIAL CONSTRUCTION**

*Percent Change, Cumulative Year-to-Date January through March 2013*

United States 33.6%

Source: McGraw Hill/F.W. Dodge
Construction activity remains at low levels relative to historical highs.

### U.S. Residential Permits

*Seasonally Adjusted*

<table>
<thead>
<tr>
<th>Percent Change</th>
<th>Past Year</th>
<th>Peak to Current*</th>
<th>Current Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Permits</td>
<td>22.5%</td>
<td>-58.6%</td>
<td></td>
</tr>
<tr>
<td>Single Family</td>
<td>25.7</td>
<td>-64.2</td>
<td>66.3%</td>
</tr>
<tr>
<td>Multi-Family</td>
<td>16.7</td>
<td>-41.4</td>
<td>34.7</td>
</tr>
</tbody>
</table>
Home prices are rising in most states...

FHFA PURCHASE-ONLY HOME PRICE INDEX (2012Q4)
Percent Change Year-over-Year, Seasonally Adjusted

United States: 5.5%
…yet prices remain below peak values in many states.

FHFA PURCHASE-ONLY HOME PRICES (2007Q1 – 2012Q4)
Percent Change, Seasonally Adjusted

United States
-15.5%

Source: Federal Housing & Finance Agency (FHFA)/Haver Analytics
Infrastructure and non-residential construction activity has struggled to recover.

**Value of U.S. Non-Residential & Non-Building Construction**

Billions, Three-Month Moving Average, Seasonally Adjusted

Percent Change
Year-to-Date through March
-14.7%

Source: McGraw Hill/F.W. Dodge
Oil drilling has been on the rise since 2008, while natural gas drilling has declined.

**U.S. Active Drilling Rig Counts**

- **Crude Oil**
- **Natural Gas**

*Source: Baker Hughes*
Manufacturing activity continues to expand slightly at the national level.

**MANUFACTURING ACTIVITY**
Diffusion Index, Seasonally Adjusted, Month-over-Month

- ISM: 50.7 (April 2013)
- Kansas City District: 47.5 (April 2013)

Source: Institute for Supply Management & Federal Reserve Bank of Kansas City/Haver Analytics
Exports to Europe have declined over the past year.

**U.S. Export Growth**

*Percent Change Year-over-Year*

February 2013

- **Eurozone** -10.9%
- **All Other Countries** 2.5%

*Source: WISERTrade*

*Note: Eurozone includes the 27 EU member countries.*
Inflation remains below the FOMC’s 2 percent target.

**Personal Consumption Expenditure Price Index (PCEPI)**

*Percent Change Year-over-Year*

Source: Bureau of Economic Analysis/Haver Analytics
Inflation expectations remain fairly stable.

Inflation Expectations

University of Michigan
1-Year

University of Michigan
5-Year

Survey of Professional Forecasters:
1-Year Ahead

Source: Philadelphia Fed & University of Michigan/Haver Analytics
“...the Committee decided to keep the target range for the federal funds rate at 0 to 1/4 percent and currently anticipates that this exceptionally low range for the federal funds rate will be appropriate at least as long as the unemployment rate remains above 6-1/2 percent, inflation between one and two years ahead is projected to be no more than a half percentage point above the Committee's 2 percent longer-run goal, and longer-term inflation expectations continue to be well anchored.”

- May 2013 FOMC Statement

Effectiveness Federal Funds Rate

Source: Federal Reserve Board/Haver Analytics
“… the Committee decided to continue purchasing additional agency mortgage-backed securities at a pace of $40 billion per month and longer-term Treasury securities at a pace of $45 billion per month.”

- May 2013 FOMC Statement

**Federal Reserve Balance Sheet**

**Assets**
- Traditional Portfolio
- Currency in Circulation
- Foreign Currency Swaps
- Short-Term Lending
- Federal Agency & Mortgage-Backed Securities

**Liabilities**
- Reserves
- Other

*Source: Federal Reserve Board/Haver Analytics*
Much of the recent debate surrounding fiscal policy has related to the long-term benefits and short-term disadvantages of trying to reduce the U.S. debt.

Source: Congressional Budget Office (February 2013 projections)
Federal government outlays and revenues are projected to be above their historical average over the next decade.

**Federal Spending & Revenue**

*As a Percent of GDP*

*Average Revenue and Outlays, 1973 to 2012.*

Source: Congressional Budget Office (CBO) February 2013 Projections
Medicare and net interest are projected to be the fastest growing expenses for the Federal government.

**Federal Spending & Revenue**
*As a Percent of GDP*

Source: Congressional Budget Office (February 2013 projections)
National Economic Update

Alison Felix
Alison.Felix@kc.frb.org

This presentation will be available at: http://www.KansasCityFed.org/Denver/