Recovery.gov 101
The Macroeconomy

The views expressed are those of the author and do not necessarily reflect the opinions of the Federal Reserve Bank of Kansas City or the Federal Reserve System.
Why are we here?

- Recession
- Financial crisis
- Some signs of improvement, but challenges lie ahead
- What’s next?
The U.S. had enjoyed GDP growth but now faces a deep recession.

Source: Bureau of Economic Analysis
Broad contraction of GDP components.

Source: Based on Bureau of Economic Analysis data.
U.S. unemployment claims surge, while Nebraska edges up.

Monthly Unemployment Claims

Thousands

- U.S. (left axis)
- Nebraska (right axis)

Source: Bureau of Labor Statistics
Business activity is very low, but has leveled off.

U.S. and Tenth District Manufacturing Production Indices

Index

Tenth Federal Reserve District

U.S.

Source: Institute of Supply Management and Federal Reserve Bank of Kansas City
Improvements in the U.S. trade balance stop.

Real Net Exports of Goods and Services

Source: Bureau of Economic Analysis
Confidence is historically low.

Business and Consumer Confidence

Index (2000 Q1 = 100)

Source: The Conference Board
The Fed is combating the recession and financial crisis aggressively.

Fed Funds Rate

Source: Federal Reserve Board of Governors
The ‘zero bound’ has led to new programs and an expansion of the Fed balance sheet to combat the financial crisis.

Federal Reserve Balance Sheet

- Short-term Lending to Financial Firms
- Rescue Operations
- Operations Focused on Broader Credit Conditions
- Other Assets
- Treasury Portfolio

Source: Federal Reserve Board of Governors
Some stress in financial markets has eased.
Recent forecasts project the U.S. economy pulling out of the recession later this year.

Real GDP Growth

Annualized percent change from previous quarter

Source: Bureau of Economic Analysis and Blue Chip Economic Indicators
Where do we go from here?

- The recession is still here.
  - A housing bust has spread to financial markets.
  - Financial markets are fragile.
  - Non-ag financial sectors are learning the lessons of the 1980s farm bust.
- Some positive signs, but challenges are still ahead.
- Future GDP growth and the stimulus package hinge on ending the financial crisis.