The Economic Update: Where’s The Recovery?
Today’s Roadmap

- The Recession and Recovery
  - Recession: A Collapse in Demand
  - Recovery: When will Demand Rebound?
- Monetary Policy and the Federal Reserve
If forecasts hold, the bottom is near.

Real GDP Growth

Annualized percent change from previous quarter

Source: Bureau of Economic Analysis and Blue Chip Economic Indicators
Consumer spending is beginning to stabilize.

U.S. Monthly Retail and Food Sales

Source: U.S. Census Bureau
Lower wealth levels will limit spending.

Assets Held by Households and Nonprofit Organization

- Financial Assets (left axis)
- Real Estate Assets (right axis)

Source: Federal Reserve Board of Governors
In the short-run, increased savings limits spending. In the long-run, best prescription to reduce debt.

Personal Savings as a Percent of Disposable Income

Source: Bureau of Economic Analysis
The US needs to reduce its debt levels.

U.S. Debt Outstanding

Source: Federal Reserve Board of Governors
Will emerging countries lead the recovery?

GDP Growth

Annual percent change, constant dollars

Source: International Monetary Fund, April 2009
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The Fed Has Expanded its Balance Sheet.

Federal Reserve Balance Sheet: Assets

Source: Federal Reserve Board of Governors
Conclusions

- The recession appears to be coming to an end.
  - Signs of economic stabilization are emerging.
  - Stress in financial markets has eased.

- Setting the foundations for recovery.
  - Who will lead the recovery: U.S. or foreign consumers?
  - How strong will the recovery be?

- As the economy strengthens, the focus will turn from growth to inflation.
For More Information

Federal Reserve Bank of Kansas City – Omaha Branch

www.kansascityfed.org/omaha