Macro Economic Outlook: Why Should Students Care?
Today’s Roadmap

- Financial Crisis – Disruption of Credit Markets
- Combating the Financial Crisis and Potential Consequences
- The Macro Economy: What Matters Most
- Students Entering Today’s Job Market
The financial crisis has eased.
To combat the financial crisis and recession, the Federal Reserve has expanded its balance sheet.
Despite a surging monetary base, inflation has been subdued.

Growth in Monetary Aggregates

Index (Jan 2007 = 100)

Monetary Base

M2

Source: Federal Reserve Board of Governors
Inflation has been subdued because the velocity of money has plummeted.
How Gross Domestic Product (GDP) is Measured

\[ Y = C + I + G + NX \]

- \( Y \) is GDP
- \( C \) is Consumption (presently \( \approx 70\% \) of \( Y \))
- \( I \) is Investment (presently \( \approx 15\% \) of \( Y \))
- \( G \) is Government Spending (presently \( \approx 20\% \) of \( Y \))
- \( NX \) is Net Exports (presently \( \approx -5\% \) of \( Y \))
Forecasts expect a slow U.S. recovery.

**Real GDP Growth**

Annualized percent change from previous quarter

- **Actual**
- **July Forecast**
- **March Forecast**

Source: Bureau of Economic Analysis and Blue Chip Economic Indicators
An elevated unemployment rate is one reason for the slow recovery.

Source: Bureau of Economic Analysis and Bureau of Labor Statistics
How students might deal with the challenges in today’s job market.

- The financial crisis and recession have hurt labor markets.
- There are some signs that the economy is improving.
- It is important for students to be a “marketable graduate.”
Questions?

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