Current Economic Outlook
Forecasters expect a slow U.S. recovery.

Real GDP Growth

Annualized percent change from previous quarter

Source: Bureau of Economic Analysis and Blue Chip Economic Indicators
An elevated unemployment rate is one reason for the slow recovery.
Increased saving is the best prescription for long-run stability, but dampens short-run recovery.
The trade balance has improved.

**Real Net Exports of Goods and Services**

Billion dollars (2005=100)

Source: Bureau of Economic Analysis
Will the stimulus package spur growth in 2010?

Estimated Budget Impact of American Recovery and Reinvestment Act (ARRA) of 2009

Source: Congressional Budget Office, February 13, 2009
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 1930 = 100)  

Index (Jan 2007 = 100)

Monetary Base

M2

Source: Federal Reserve Bank of St. Louis, Friedman and Schwartz

Source: Federal Reserve Board of Governors
The velocity of money has plummeted, which has suppressed inflation.

U.S. Velocity of Money

Recessions indicated by gray bars

Source: BEA and Federal Reserve Board of Governors
Are there consequences for maintaining excessively low interest rates over a lengthy period?

- “Low rates also interfere with economy’s ability to allocate resources and distort longer-term saving and investment decisions.”

- “While [the Federal Reserve] must be aggressive in our response to a crisis, and remain patient in the early stages of a recovery, we must also be resolute in the commitment to our longer-run mission and objectives if we are to properly fulfill our public mandate.”

Quotes taken from Tom Hoenig’s speech (1/7/10): http://www.kc.frb.org/speechbio/hoenigpdf/Hoenig.01.07.10.pdf
For More Information

Federal Reserve Bank of Kansas City – Omaha Branch

www.kansascityfed.org/omaha