

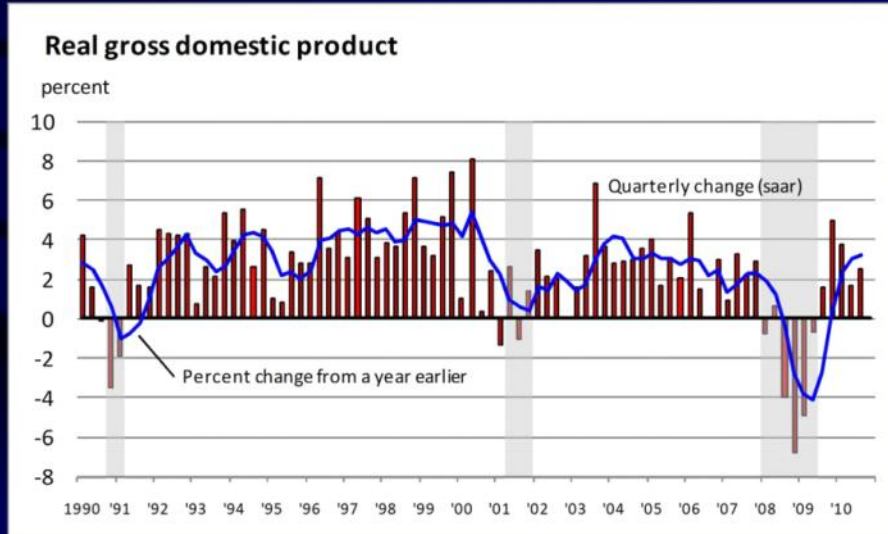
Economic Outlook

SAA Automotive Outlook Conference
Detroit, MI
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William Strauss
Senior Economist
and Economic Advisor
Federal Reserve Bank of Chicago

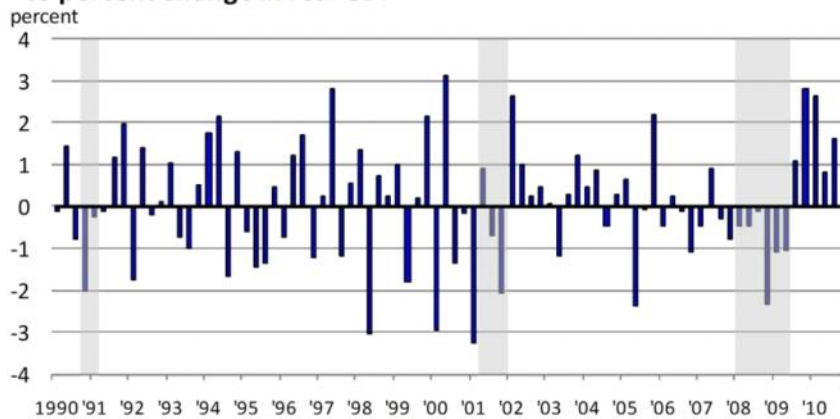


The “Great Recession” ended in June 2009 and the economy expanded by 3.2% over the past year, although growth has been much slower over the past two quarters

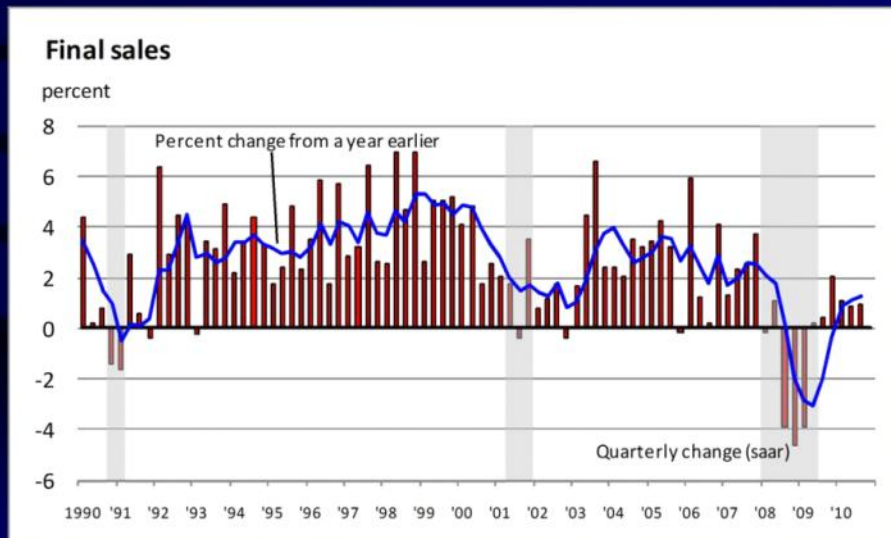


Inventories have contributed substantially to the growth in GDP since the start of the recovery, accounting for 62% of the growth

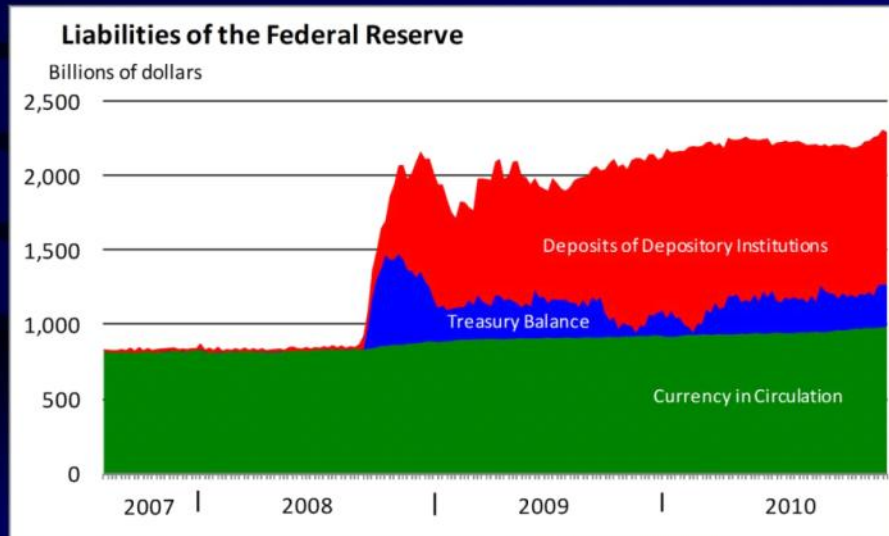
Change in inventory investment contribution to percent change in real GDP



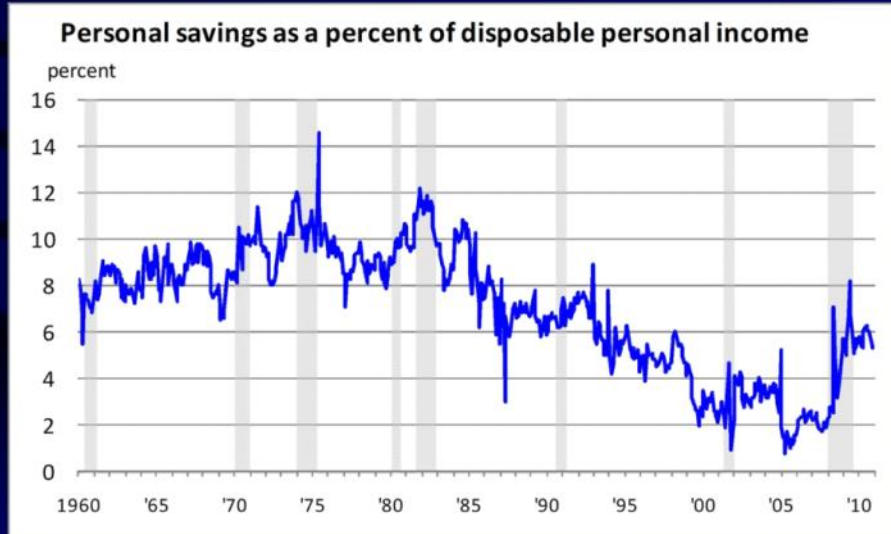
Final sales have been increasing at a slow pace



The liabilities side of the Fed's balance sheet shows large amount of excess reserves



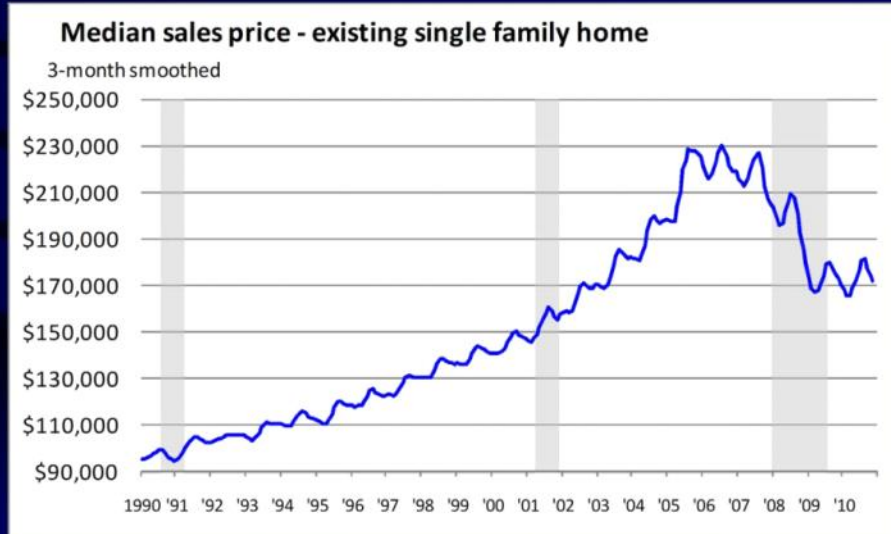
Personal savings rate has increased



What is your number?



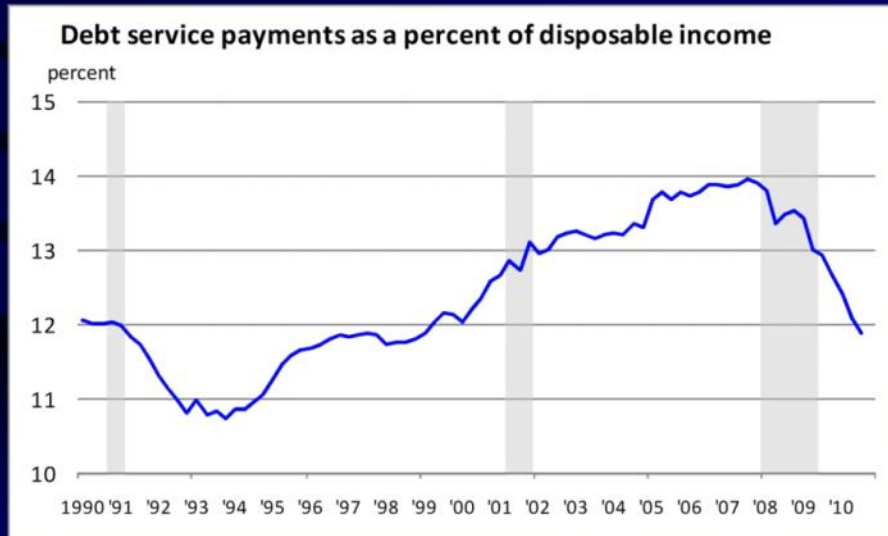
Existing home prices fell by over 25%



**The stock market has improved since March 2009,
but remains well below previous levels**



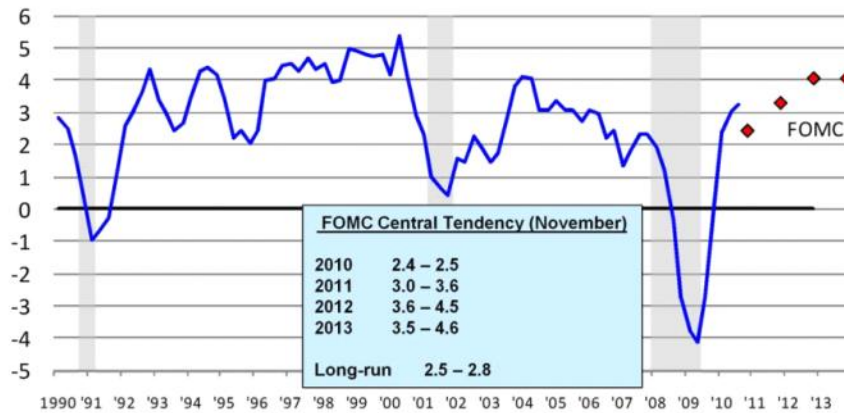
Debt service payments have been falling quite sharply



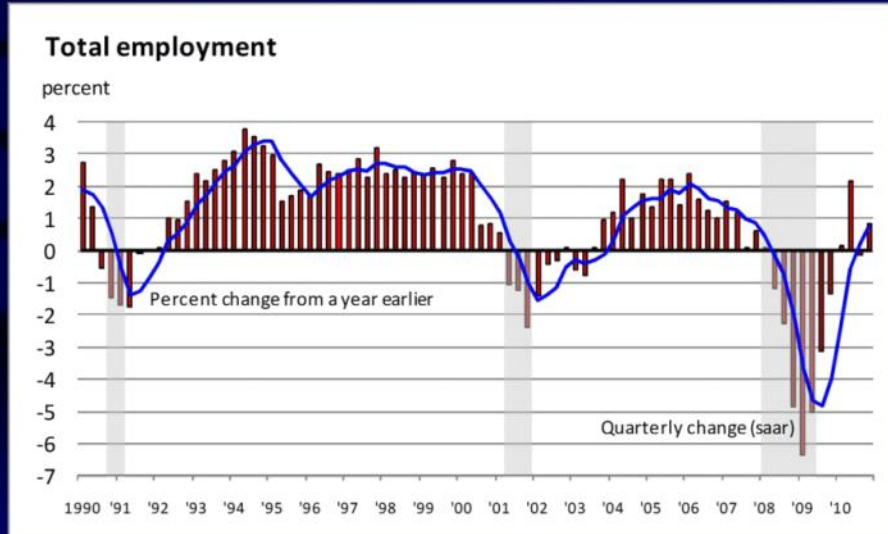
The Federal Open Market Committee (FOMC) consensus outlook has output rising above trend over the next several years

Real gross domestic product

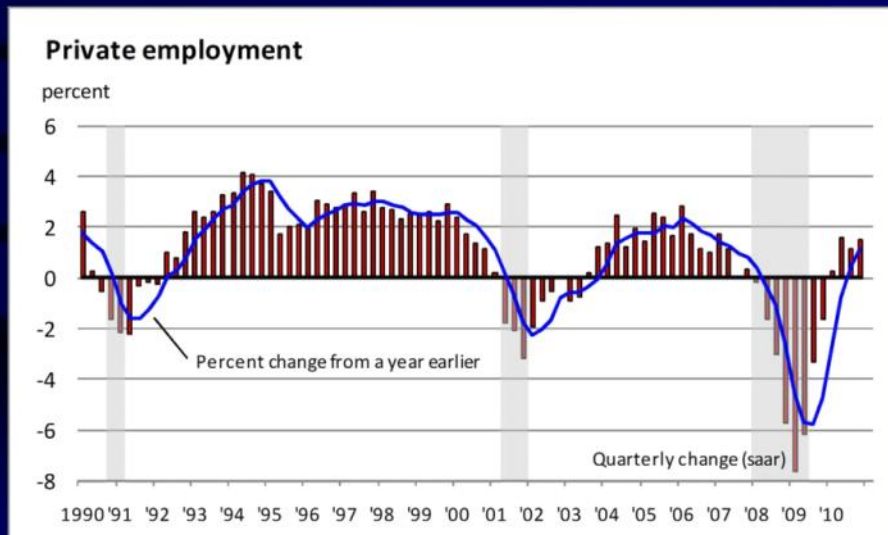
percent change from a year earlier



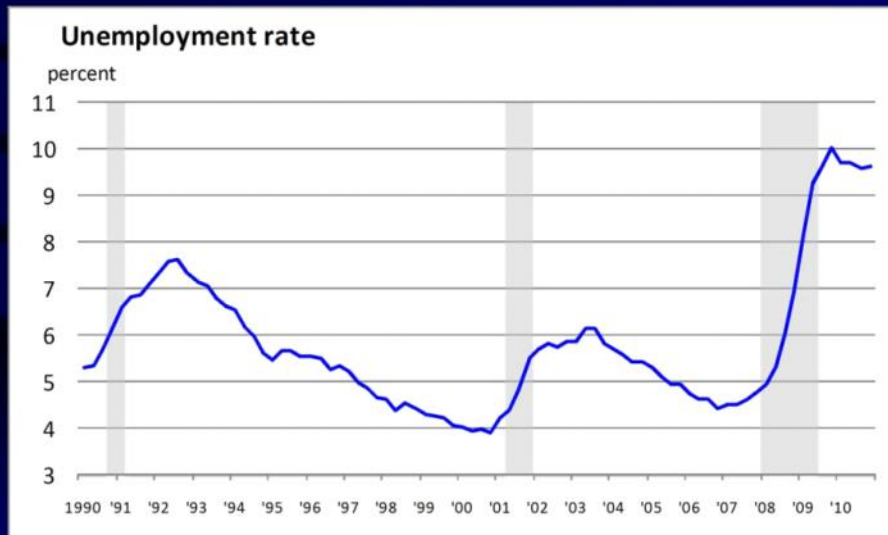
**Employment fell by nearly 8.4 million jobs
between December 2007 and December 2009,
but it began to rise in 2010**



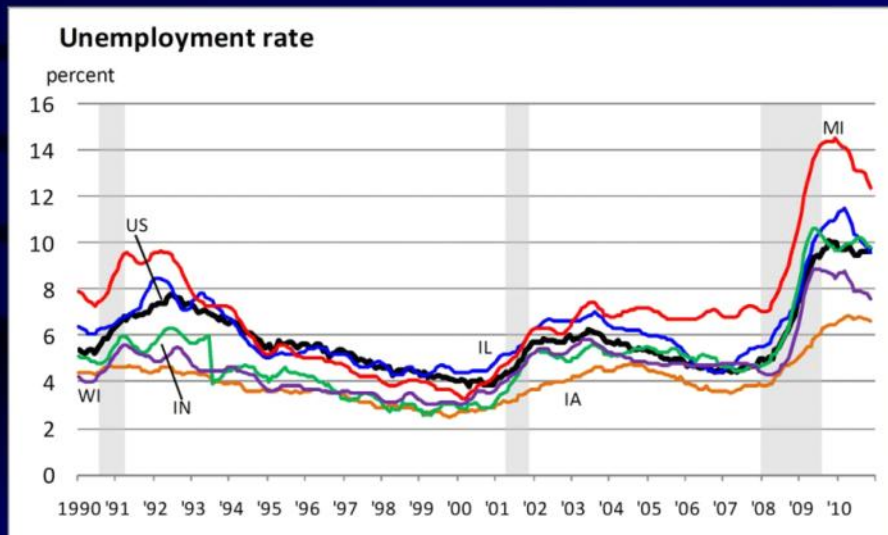
The decennial census has added some difficulty in interpreting employment numbers this year, however private employment has been increasing at a slow pace



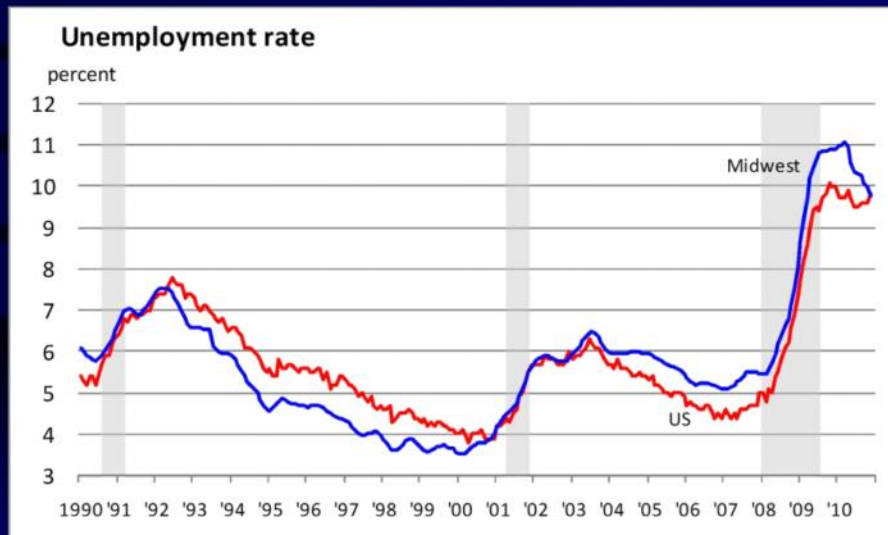
The unemployment rate only edged lower during 2010



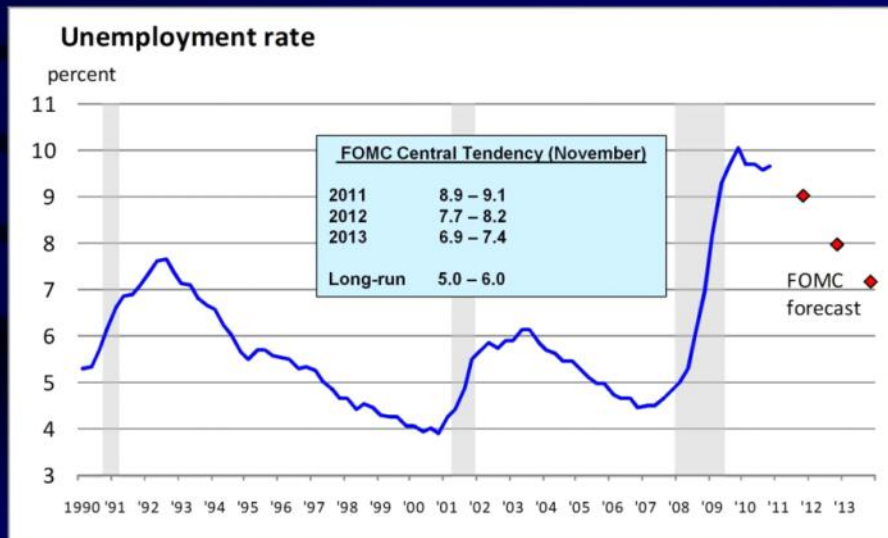
Michigan is tied with California for having the second highest state unemployment rates in the nation



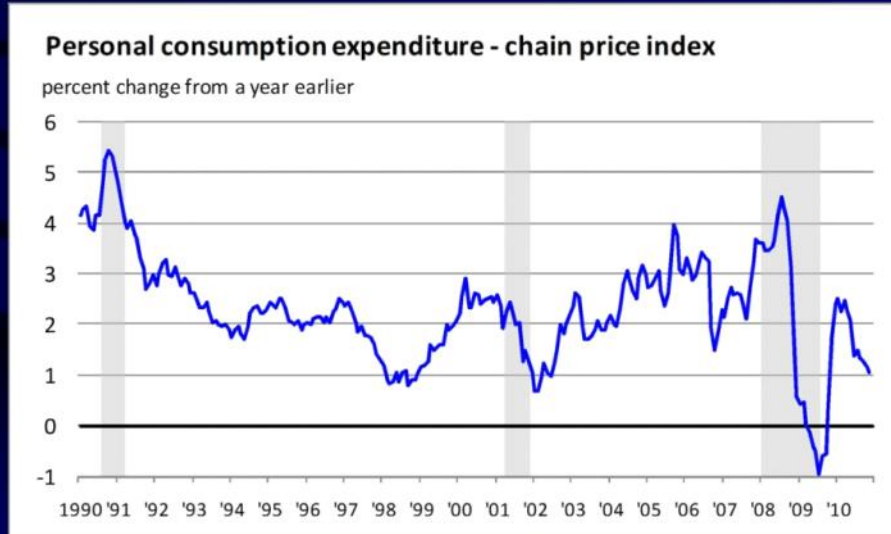
**For first time since December 2002,
the unemployment rate in the Midwest matches the nation**



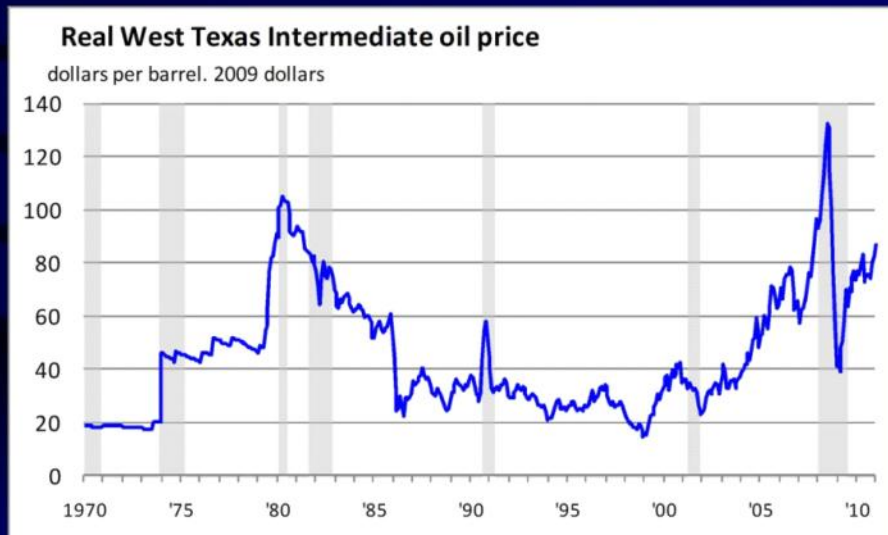
The FOMC consensus outlook has the unemployment rate improving over the next several years, but still well above the natural rate by the end of 2013



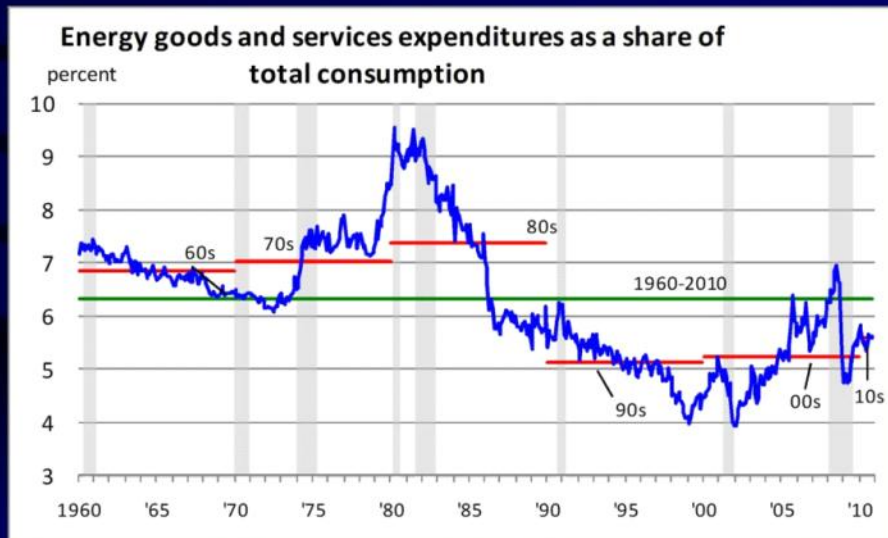
Inflation has been moderating over the past year



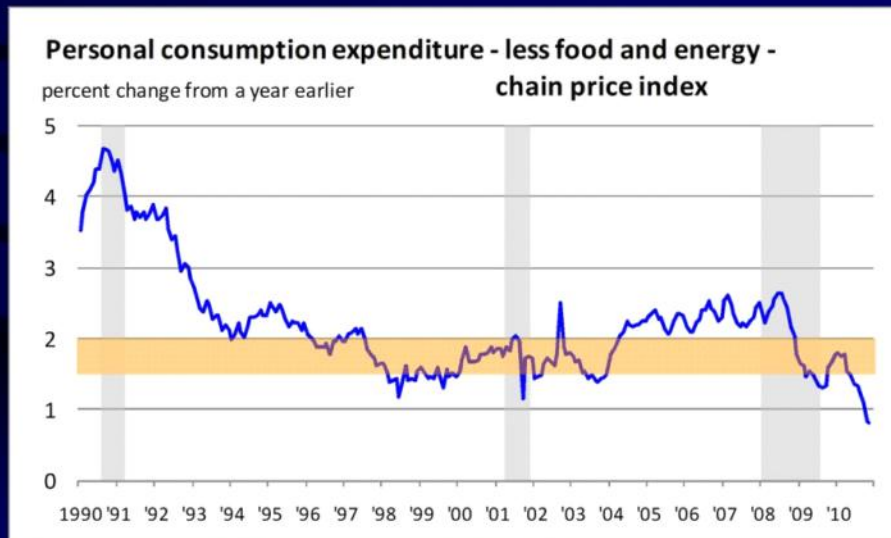
**Adjusted for inflation, current oil prices are well below
the levels that existed thirty years ago**



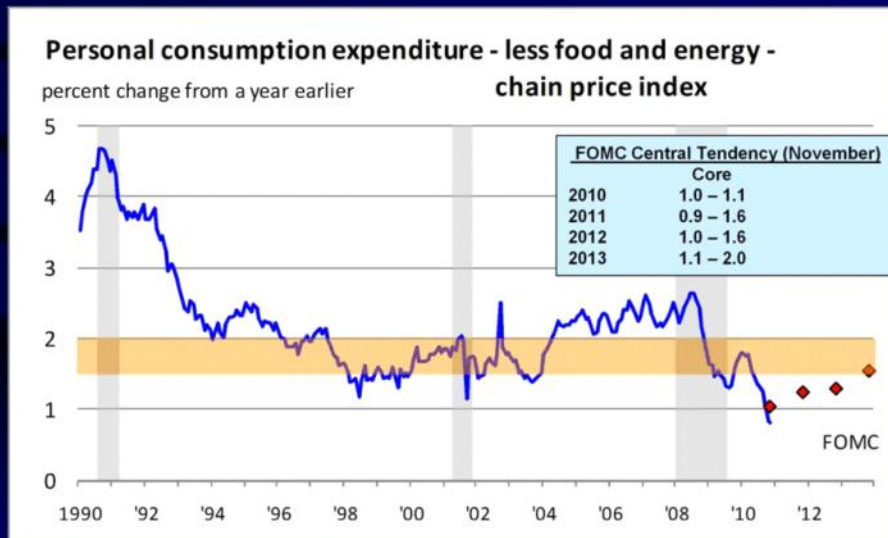
Expenditures on energy are currently well below the historical average



Removing the volatile food and energy components from the PCE, “core” inflation remains very low



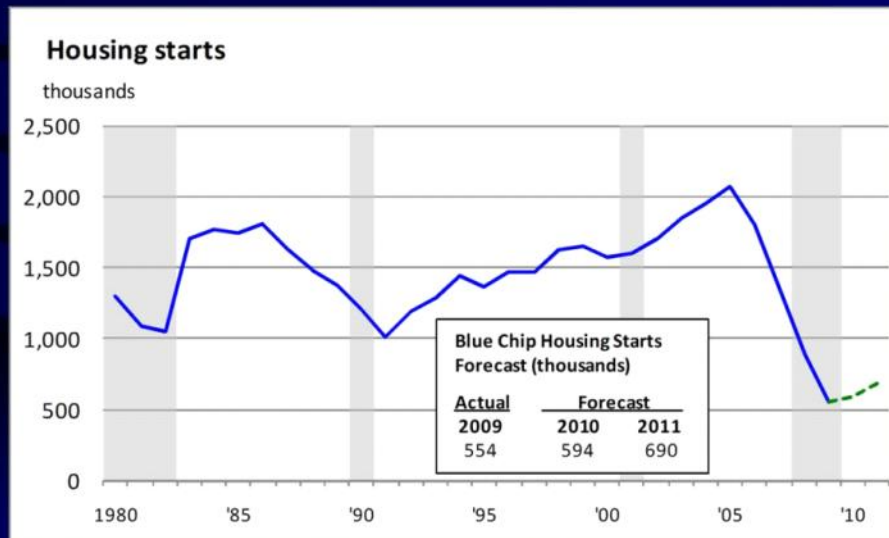
The outlook from the FOMC has core inflation remaining low over the next several years



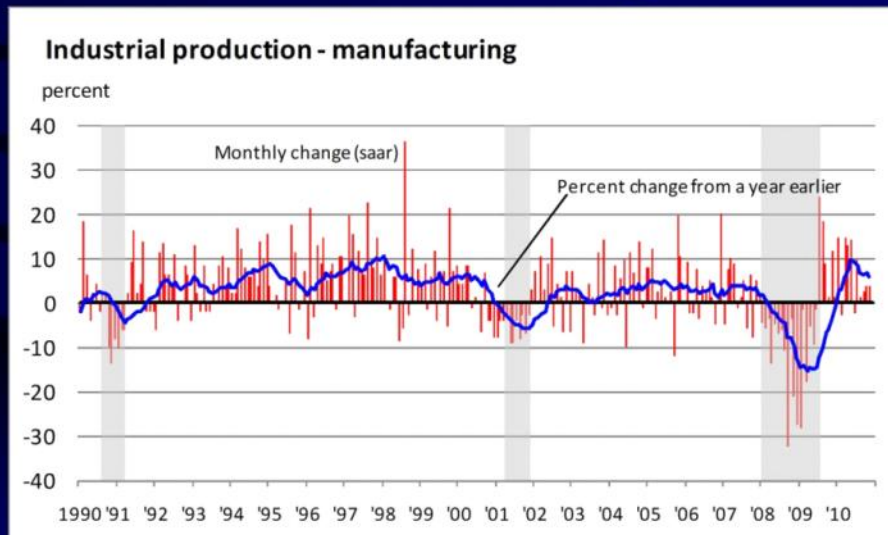
Housing starts remain very depressed



The forecast calls for a very slow recovery in housing



Industrial output in manufacturing fell quite sharply during the recession, but has risen strongly over the past seventeen months, averaging 7.9% and has recovered 53.7% of the loss during the recession

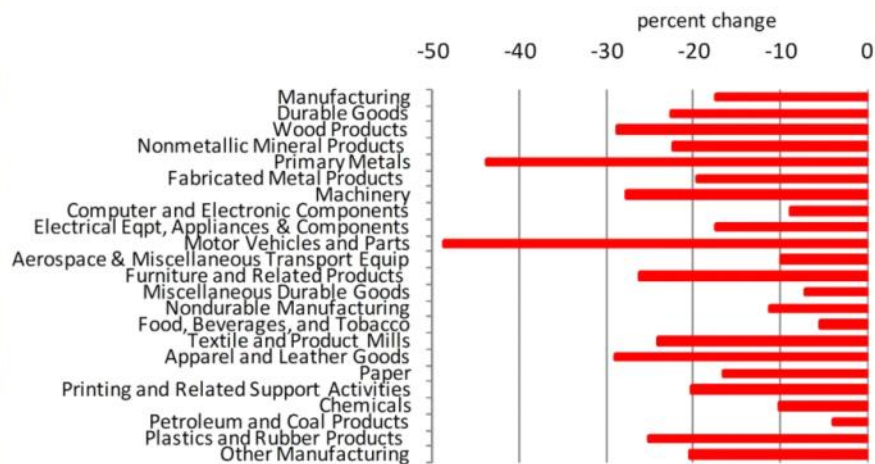


Manufacturing capacity utilization has been rising since June 2009



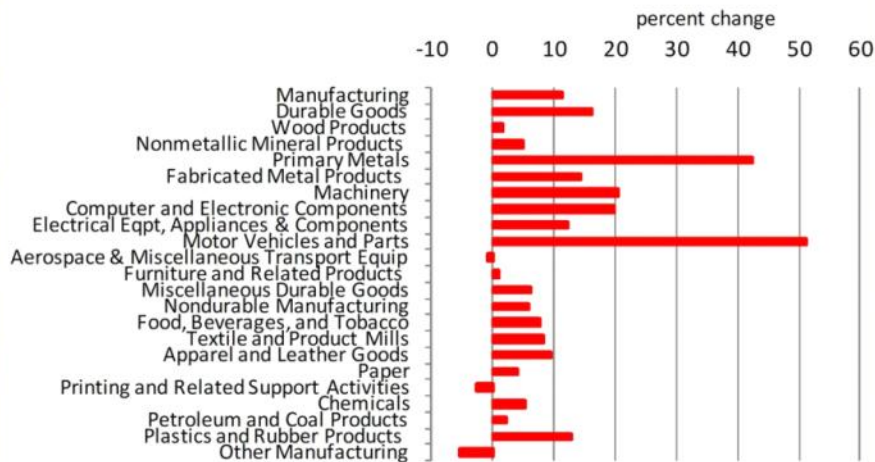
Declines in manufacturing output were broad-based during the Great Recession – especially in vehicle and primary metals manufacturing

Industrial output: December 2007 - June 2009

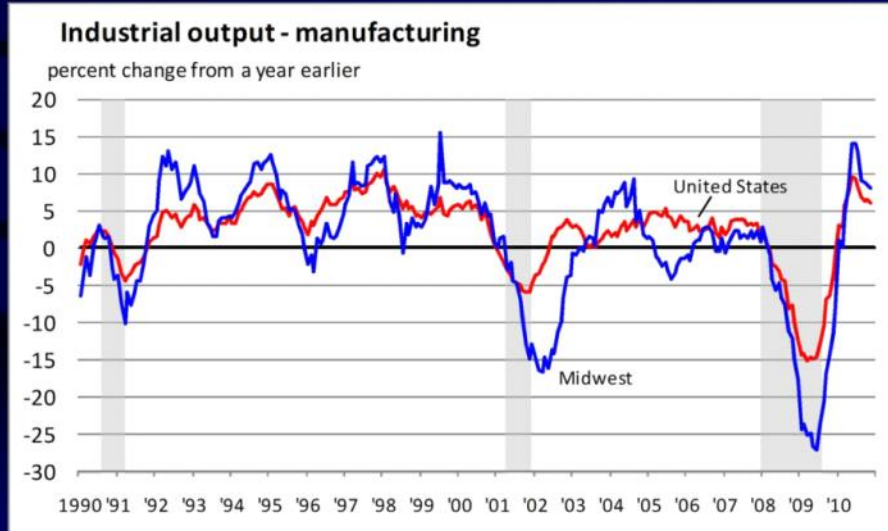


The recovery has also been broad-based with automotive and primary metals manufacturing leading the way

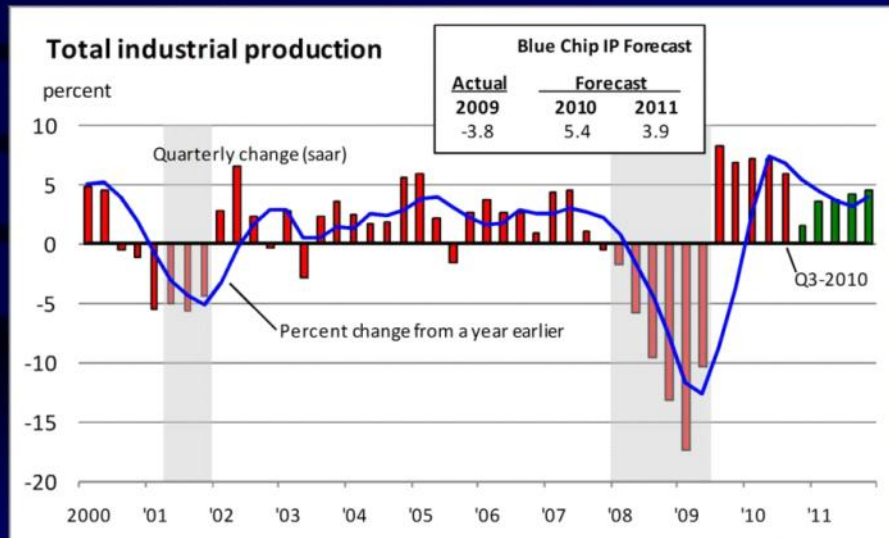
Industrial output: June 2009 - November 2010



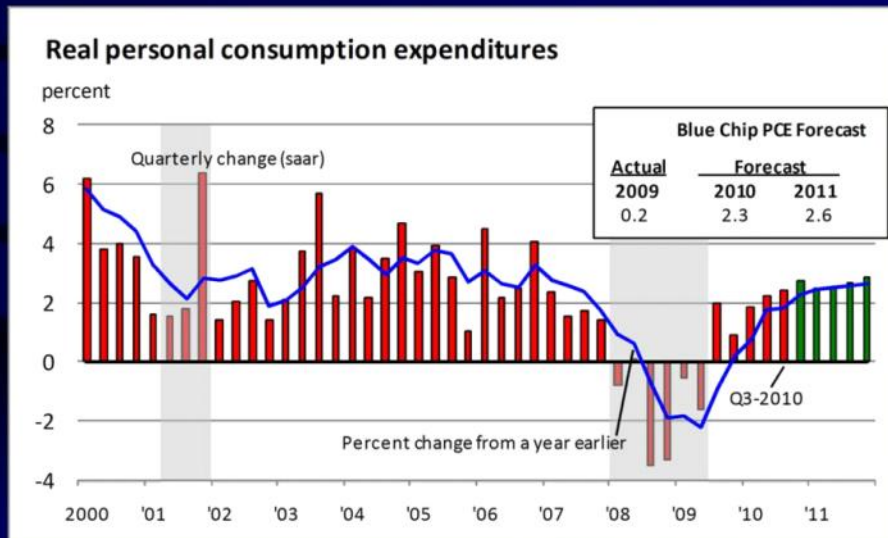
Midwest manufacturing production has been performing somewhat better than the nation



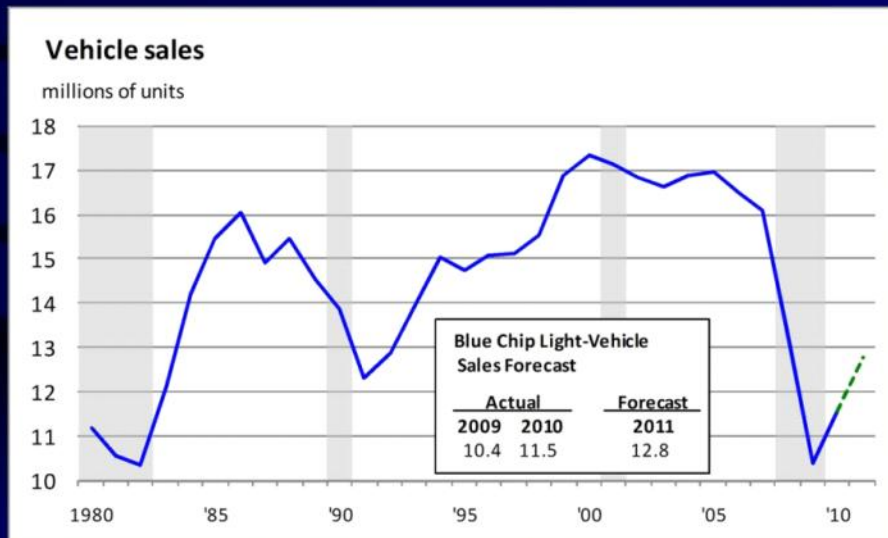
Industrial production is forecast to rise at a strong pace through the end of 2011



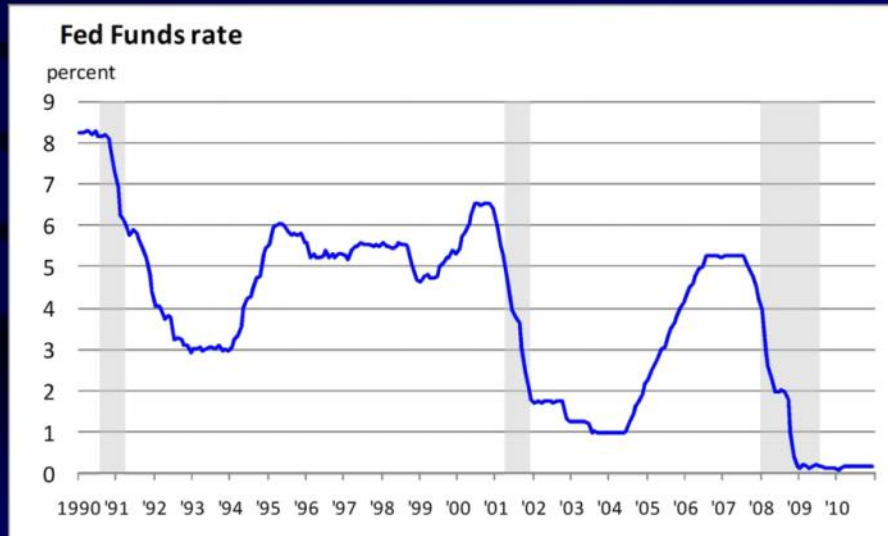
Consumer spending growth is expected to be solid this year



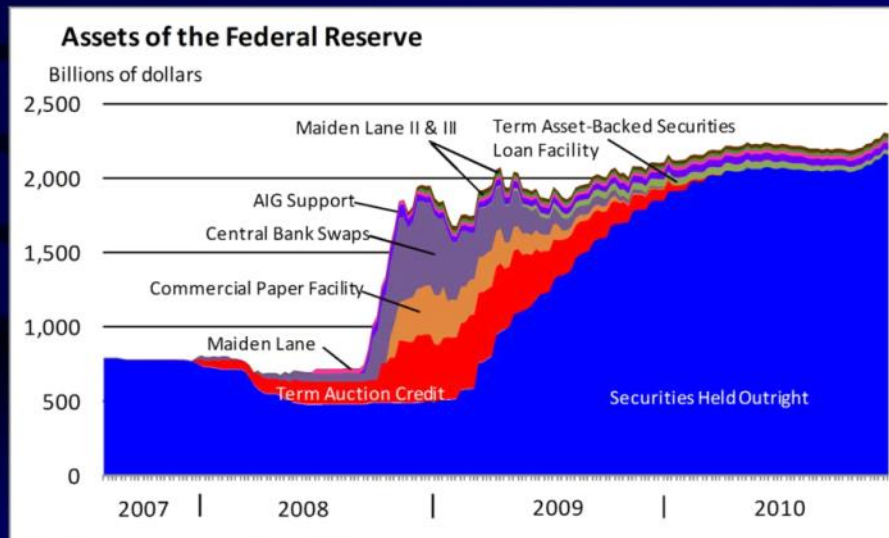
Vehicle sales are expected to improve at a moderate pace



**Monetary policy has been very aggressive,
lowering the Fed Funds rate by nearly 525 basis points
and keeping them near zero since December 2008**



The asset side of the Fed's balance sheet has expanded in size and in composition



Summary

- The outlook is for the U.S. economy to expand at a solid pace this year
- Employment is expected to rise moderately in 2011 with the unemployment rate edging lower through the year
- Slackness in the economy will lead to a relatively low inflation rate
- The housing market should edge higher
- Manufacturing is forecast to have another solid year in 2011
- Auto sales are anticipated to continue improving at a moderate pace



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